

Recent ratings changes

D/ate	Company
10/04	i-Tail Corporation (ITC.BK/ITC TB): Long-term growth remains intact
10/04	Panjawattana Plastic (PJW.BK/PJW TB): U-rate recovery, margin improving
30/03	KCE Electronics (KCE.BK/KCE TB)*: Auto industry to improve
30/03	Krungthai Card (KTC.BK/KTC TB)*: Enjoying higher credit card spending toward mid-year
29/03	Srinanaporn Marketing PCL (SNNP.BK/SNNP TB)*: Savory snack
28/03	AEON Thana Sinsap (AEONTS.BK/AEONTS TB)*: 4Q22/23F earnings preview: Bottom quarter
28/03	Muangthai Capital (MTC.BK/MTC TB)*: NPL rising at slower pace
27/03	Electronics Sector: Put your hand in the chest
24/03	Bank Sector: Banks grow more loans in Feb-23
16/03	Mena Transport (MENA.BK/MENA TB): The sunshine road
16/03	MK Restaurant Group (M.BK/M TB)*: Pressure on GPM
15/03	Siam Wellness Group (SPA.BK/SPA TB): Riding the theme of Chinese tourist recovery
13/03	Nutrition SC (NTSC.BK/NTSC TB): New products and customers to support growth
07/03	Amata Corporation PCL (AMATA.BK/AMATA TB)*: Aggressive land sales
03/03	Non-bank: NPLs sky rocketing
02/03	C.P. All (CPALL.BK/CPALL TB)*: Cost management a key focus
28/02	Central Plaza Hotel (CENTEL.BK/CENTEL TB)*: 4Q22 earnings review: 36% above our expectation
27/02	Bangkok Commercial Asset Management (BAM.BK/BAM TB)*: Aimless
16/02	JMT Network Services (JMT.BK/JMT TB)*: JK AMC turns to growth acceleration
16/02	Delta Electronics (Thailand) (DELTA.BK/DELTA TB)*: 4Q22 earnings review: Core earnings beat
10/02	Asia Aviation (AAV.BK/AAV TB): 4Q22F earnings preview: Best quarter in 10 years
10/02	ESSO (Thailand) (ESSO.BK/ESSO TB)*: 4Q22F earnings preview: Better refinery margin
09/02	Banpu Power (BPP.BK/BPP TB)*: It's time to let go
08/02	Banpu Pcl. (BANPU.BK/BANPU TB)*: 4Q22F earnings preview: Large FX loss
08/02	KCE Electronics (KCE.BK/KCE TB)*: 4Q22 earnings review: Core earnings below forecast

Company Update

03

TH i-Tail Corporation (ITC.BK/ITC TB): Long-term growth remains intact

TH Panjawattana Plastic (PJW.BK/PJW TB): U-rate recovery, margin improving

TH Sappe (SAPPE.BK/SAPPE TB): 1Q23F earnings preview: High season comes early

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TH SET is likely to consolidate on Monday

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TH Central Retail Corporation (CRC.BK/CRC TB)*

TH Kerry Express (Thailand) (KEX.BK/KEX TB)*

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Highlight

TH i-Tail Corporation (ITC.BK/ITC TB): Long-term growth remains intact

We initiate coverage on ITC with an Outperform rating and a 2023 target price of Bt29.30, based on PER 20x (domestic peer's target PER). We like ITC because of its leading position in the pet food industry, cost structure advantage over peers, commitment to R&D and very strong balance sheet (net cash company). We believe the recent retreat in the share price has largely priced in softer 1Q23F earnings. Meanwhile, we are optimistic about the company's performance in 2H23-2024F as the global pet food industry is expected to continue to expand over the next five years and ITC has a track record of growing faster than the industry average.

TH Panjawattana Plastic (PJW.BK/PJW TB): U-rate recovery, margin improving

We initiate coverage on PJW with a rating of Outperform and a target price of Bt6.80. The key investment theme is earnings recovery with an upside risk. Earnings are expected to recover this year on i) higher utilization rates for all business units, and ii) manageable plastic resin cost. An upside risk would be from a new business related to medical consumable products that is under-develop with IRPC (IRPC.BK/IRPC TB)* and Innobic (Asia).

TH Sappe (SAPPE.BK/SAPPE TB): 1Q23F earnings preview: High season comes early

Guidance from SAPPE indicates it will be able to maintain high growth momentum from both export and domestic business. The company's 1Q23F earnings are expected to grow higher than planned, and margin improvement will provide upside to our forecast. With high seasonal growth anticipated during the summer season in the second and third quarters we fine-tune our 2023F/2024F earnings forecasts up 6%/9%, and raise our 2023 target price to Bt66.00, from Bt60.00. We maintain a rating of Outperform on the counter.



i-Tail Corporation

(ITC.BK/ITC TB)

Outperform • Initiate

Price as of 7 Apr 2023	22.30
12M target price (Bt/shr)	29.30
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	31.4

Key messages

We initiate coverage on ITC with an Outperform rating and a 2023 target price of Bt29.30, based on PER 20x (domestic peer's target PER). We like ITC because of its leading position in the pet food industry, cost structure advantage over peers, commitment to R&D and very strong balance sheet (net cash company). We believe the recent retreat in the share price has largely priced in softer 1Q23F earnings. Meanwhile, we are optimistic about the company's performance in 2H23-2024F as the global pet food industry is expected to continue to expand over the next five years and ITC has a track record of growing faster than the industry average.

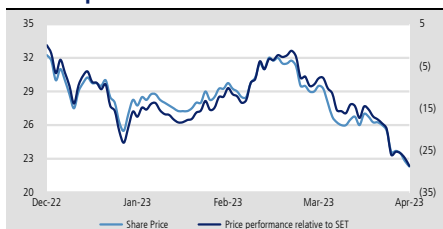
Trading data

Mkt cap (Btmn/US\$mn)	66,900/1,673
Outstanding shares (mn)	3,000
Foreign ownership (mn)	208
3M avg. daily trading (mn)	NA
52-week trading range (Bt)	22.3-32.3
Performance (%)	3M 6M 12M
Absolute	NA NA NA
Relative	NA NA NA

Quarterly EPS

EPS	Q1	Q2	Q3	Q4
2020	NA	NA	NA	NA
2021	1.54	1.71	0.68	0.54
2022	2.57	0.76	0.64	0.22

Share price chart



Source: SET

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Long-term growth remains intact

Event

Initiate coverage.

Impact

A leading pet food OEM manufacturer

ITC is the second largest pet food manufacturer in Asia and among the top 10 globally by annual revenue with more than 40 years of experience in the industry. In 2022, 73% of the company's sales revenues were from cat food, 12% from dog food and 15% from pet treats. ITC has over 435 customers worldwide in 45 countries and almost all sales were from export. ITC specializes in premium wet pet food, but its products include a wide range of categories in terms of format, size, packaging and pet age.

Cost advantages over competitors supported by TU's network

ITC has a competitive advantage over peers as it buys tuna in bulk orders with Thai Union Group (TU.BK/TU.TB)*, the world's largest producer of shelf-stable tuna products, and buys some of its packaging from TU's subsidiaries. Being in Thailand (the world's fourth largest chicken exporter) also enables ITC to secure chicken at a competitive price as the company enjoys tax benefits from BOI and lower labor costs compared to competitors in the US and Europe.

Focus on innovation to capture new market trends

To be successful in the fast-changing and highly competitive pet food industry, catching new market trends is key. ITC positions itself as co-creator of new products and provides one-stop service to customers. The company has committed to R&D and just launched a "Cattery" facility to test the palatability in cats to support product development. Currently, ITC possesses 11 patents and 109 trademarks.

Short-term impact from customers' inventory reductions

Pet food companies stockpiled inventory in 2022 due to transportation disruptions during COVID-19 leading to softer demand, but the situation has been improving since 1Q23. This should result in ITC reporting weak 1Q23F earnings of Bt444mn (-52% YoY, -34% QoQ). However, we expect the situation to improve in 2Q23F and project a 2023F net profit of Bt4.40bn (-2% YoY). Net profit is expected to grow 22% YoY in 2024F to Bt5.36bn on the back of new products and new market expansion, together with GPM improving due to product mix and improved efficiency.

Valuation & action

We initiate coverage on ITC with an Outperform rating and a 2023 target price of Bt29.30, based on PER 20x (domestic peer's target PER).

Risks

Fluctuation in raw material costs, exchange rate and market competition.

Key financials and valuations

	Dec - 20A	Dec - 21A	Dec - 22A	Dec - 23F	Dec - 24F
Revenue (Btmn)	6956.6	7,108	22,528	24,166	27,941
Gross Profit (Btmn)	1578.8	1,065	5,425	5,752	6,706
SG&A (Btmn)	577.0	580	1,266	1,329	1,481
Net Profit (Btmn)	1779.8	1,599	4,470	4,396	5,363
Normalized Profit (Btmn)	991.2	729	4,581	4,396	5,363
EPS (Bt)	4.94	4.44	2.52	1.47	1.79
DPS (Bt)	2.80	4.00	9.90	1.00	1.20
EPS Growth (%)	66.1	(10.2)	(43.2)	(41.9)	22.0
P/E (X)	6.5	7.2	11.9	15.2	12.5
P/B (X)	2.7	2.7	4.0	2.9	2.6
EV/EBITDA (X)	13.0	23.7	16.0	12.0	9.9
Net Debt to Equity (%)	139.2	244.7	Net Cash	Net Cash	Net Cash
Dividend Yield (%)	8.8	12.5	33.0	4.5	5.4
Return on Average Equity (%)	40.1	36.9	33.2	19.2	21.9

Source: Company data, KGI Securities Research

*The Company may be issuer of Derivative Warrants on these securities.

<http://research.kgi.com>; Bloomberg: KGIT <GO> Please see back page for disclaimer

Key Investment Themes

Leading pet food OEM that focuses on innovation

ITC is the second largest pet food manufacturer in Asia and among the top 10 globally by annual revenue with a total of 5,637 product SKUs. In 2022, ITC launched 1,223 new products, emphasizing investment in R&D to develop new products that match customer needs and market trends. R&D is crucial for pet food development under the “humanitization” trend, which creates pet food that looks like human food, rich in essential nutrients and tastes good to pets. ITC possesses 11 patents and 109 trademarks, enabling it to have an advantage over competitors. ITC specializes in premium wet pet food, but its products include a wide range of categories in terms of format, size, packaging and pet age.

Competitive cost structure supported by Thai Union (TU) network

ITC has a competitive advantage in terms of raw material costs, thanks to the bargaining power and sourcing network of its parent. ITC buys tuna in bulk orders together with TU and buys some packaging from TU’s subsidiaries, resulting in lower raw material costs. Tuna is the main ingredient, accounting for 50% of its ingredient raw material cost. Being located in Thailand also benefits the company in terms of lower labor cost and tax benefit from BOI. In 2022, the company’s effective tax rate was only 1% due to exemptions on import duties and corporate income tax while the new factory in Samut Sakhon was approved for new BOI certificate (5-year income tax exemption). The company aims to maintain its GPM at around 25% and normally uses cost-plus pricing model.

Growing faster than industry average

Pet food is a fast-growing industry with CAGR of 7.0% in 2017-2022 and is expected to grow at a rate of 7.3% during 2022-2027F, according to Euromonitor. Cat food, ITC’s main product, is projected to have a higher growth rate of 8.1% during this period. ITC has a track record of growing faster than the industry as its revenue expanded 25.0% CAGR in 2019-2022 on the back of new products and new customers. The company targets sales to grow 15% per year in the next five years with a focus on premium pet food and treats (accounted for 49% of revenue in 2022). New products in 2023 include enzyme/collagen treat, two-tone protein mousse, bone broth and gelatin. The company is also developing products focusing on new industry trends such as functional food, supplements and palatants.

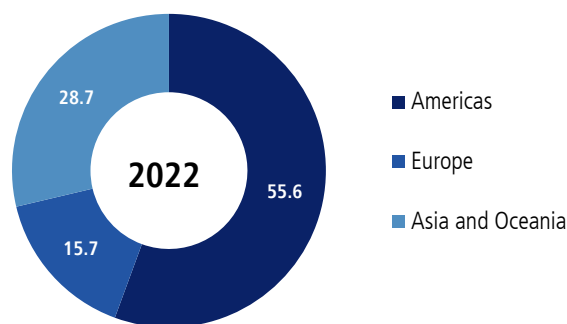
In terms of market expansion, ITC has a strong footing in large pet food markets such as the US and Europe, which contributed 55.6% and 15.7% of its sales revenues, respectively. In 2023, ITC plans to expand into China, UK and Netherlands by opening sales offices in China and Netherlands. Moreover, the company just announced a partnership with Nanjing Jiabei PetCare Products Co. LTD to penetrate both online and offline platforms in China. ITC is also working with a large supermarket in the UK (big four) with an expected product launch (private label) in 1H23F.

Net cash company with attractive dividend

After its IPO, ITC has had a very strong balance sheet. As of 2022, the company has cash and cash equivalents of as much as Bt10.8bn, resulting in a net cash status and it is expected to remain a net cash company over the next two years. ITC is also expected to pay attractive dividend yields of 4.2% in 2023F and 5.1% in 2024F. The company has a dividend payout ratio policy of no less than 50% of net profit (with additional conditions).

Figure 1: Revenue breakdown by region

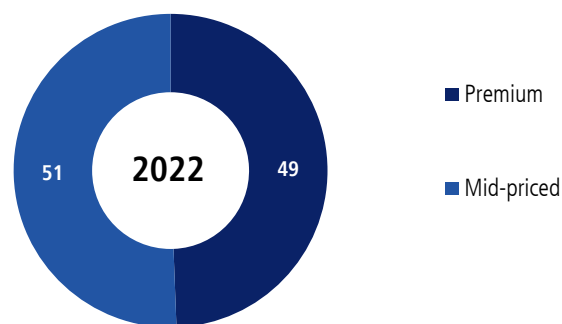
Percent



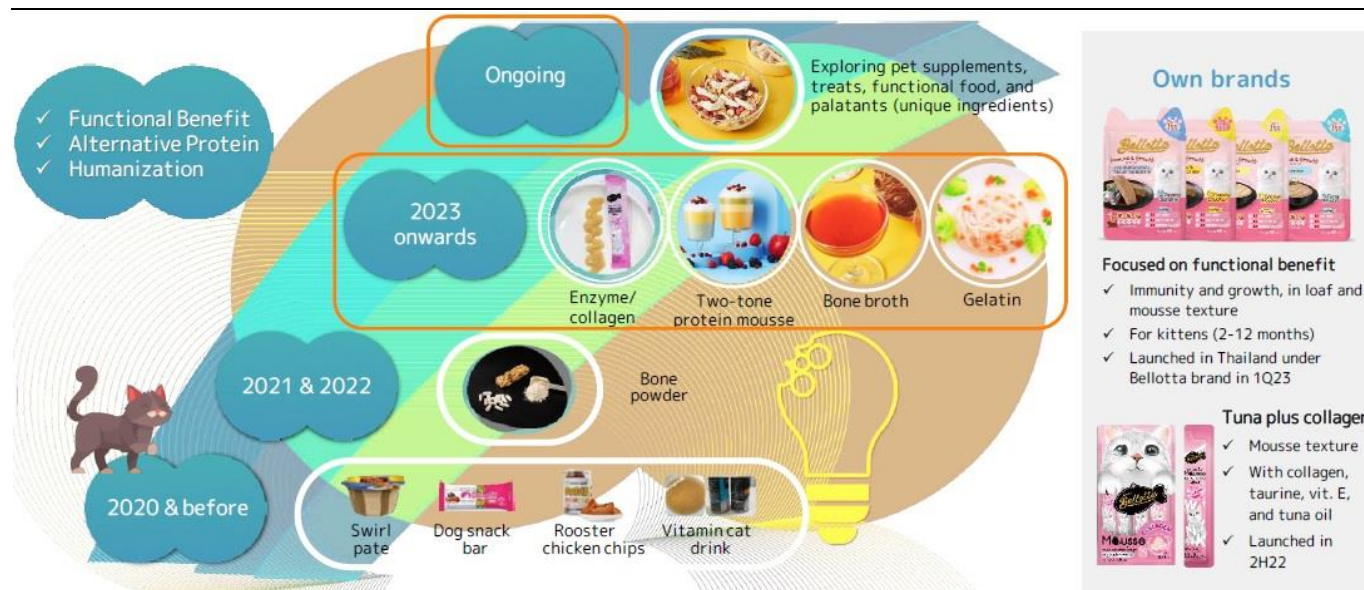
Source: Company data, KGI Securities Research

Figure 2: Revenue breakdown by product segment

Percent



Source: Company data, KGI Securities Research

Figure 3: New products under development


Source: Company data

Financial Highlight

Net profit is expected to drop slightly in 2023F

We expect ITC's net profit to decline 2% YoY to Bt4.40bn in 2023F after booking exceptional growth of 180% in 2022 (62% in pro forma statement, Figure 4). The expected decline in profit would be mainly due to i) FX loss of Bt275mn, from a gain of Bt199mn in 2022 and ii) lower GPM of 23.8%, from 24.1% in 2022 (25.0% in pro forma statement) due to baht appreciation, higher production costs and higher depreciation from new factory.

Sales revenue is projected to increase 7% YoY to Bt24.2bn on the back of 12.8% growth in pet food business while there will be no revenue from discontinued ambient business after the company's restructuring before IPO, amounting to Bt1.1bn in 2022. Cat and dog food growth are projected to decelerate to 11% from 47% in 2022 due to softer demand in 1Q23F on inventory adjustments by OEM customers. However, sales are anticipated to recover QoQ in 2Q-3Q23F as demand from end customers remains solid.

Returning to normal growth in 2024F

We expect ITC's earnings to return to growth of 22% YoY in 2024F on the back of sales growing 16% YoY and GPM slightly improving 20bps to 24.0% as tuna prices should decline along with oil prices. SG&A to sales is expected to benefit from economies of scale and decrease 20bps to 5.3%. Meanwhile, FX loss is expected to be lower at Bt100mn due to a slower pace of baht appreciation compared to 2023F.

Figure 4: Pro forma income statement

Pro forma	2019	2020	2021	2022
Revenue from sales and services	10,954.6	12,224.2	14,528.7	21,420.1
Cost of sales and services	(8,733.4)	(9,048.2)	(11,172.7)	(16,071.2)
Gross profit	2,221.2	3,176.0	3,356.0	5,348.8
Other income	132.4	132.3	120.6	247.0
Selling expenses	(256.4)	(305.7)	(463.2)	(525.6)
Administrative expenses	(399.1)	(393.5)	(518.3)	(713.4)
Other gains (losses), net	63.1	3.1	285.4	175.1
Operating profit	1,761.2	2,612.2	2,780.5	4,531.9
Finance costs	(53.0)	(36.7)	(31.8)	(82.5)
Profit before income tax	1,708.2	2,575.5	2,748.7	4,449.4
Income tax	(13.5)	(27.1)	(27.7)	(48.1)
Net profit	1,694.7	2,548.4	2,721.0	4,401.3
Net profit growth		50%	7%	62%
GPM	20.3%	26.0%	23.1%	25.0%
SG&A to sales	6.0%	5.7%	6.8%	5.8%

Source: Company data, KGI Securities Research

Figure 5: Key assumptions

Our assumption	2020	2021	2022	2023F	2024F	% YoY	
						2023F	2024F
Revenue break down by product (Bt mn)							
Cat food	9,324	10,708	15,558	17,285	19,877	11.1	15.0
Dog food	1,325	1,653	2,561	2,845	3,130	11.1	10.0
Treat	1,554	2,148	3,219	3,940	4,822	22.4	22.4
Cost							
Tuna (US\$/ton)	1,385	1,406	1,663	1,680	1,550	1.0	-7.7
Margin							
GPM (%)	22.7	15.0	24.1	23.8	24.0	-0.3	0.2
SG&A to sale (%)	8.3	8.2	5.6	5.5	5.3	-0.1	-0.2

Source: Company data, KGI Securities Research

Expect weak 1Q23F earnings due to customers' inventory adjustment

ITC is expected to report a 1Q23F net profit of Bt444mn (-52% YoY, -34% YoY) as sales are expected to drop to Bt3.86bn (-19% YoY, -33% QoQ). The impact of port congestion and uncertainty during COVID-19 last year prompted OEM customers to increase inventories during 3Q22. However, the situation has been improving and maritime transportation has returned to normal, leading to ITC's customers normalizing their inventory levels and reducing orders during 1Q23F. Together with higher tuna cost and baht appreciation, we project a much weaker GPM in 1Q23F of 17.2% (-450bps YoY, -480bps QoQ). SG&A to sales should also be adversely affected by lower sales, increasing 140bps YoY and 150bps QoQ to 7.3%. We estimate an FX loss of Bt7mn, compared to a gain of Bt36mn in 1Q22 and a loss of Bt274mn in 4Q22.

Figure 6: ITC's 1Q23F earnings preview

Bt mn	1Q23F	1Q22	YoY %	4Q22	QoQ %	2023F	2022	YoY %
Revenue	3,863.4	4,763.4	(18.9)	5,764.8	(33.0)	24,166.3	22,528.5	7.3
Cost of Goods Sold	(3,198.9)	(3,731.2)	(14.3)	(4,496.3)	(28.9)	(18,414.7)	(17,104.0)	7.7
SG&A	(282.7)	(282.1)	0.2	(337.1)	(16.1)	(1,329.1)	(1,266.5)	4.9
Operating Profit	456.8	798.7	(42.8)	1,038.9	(56.0)	4,722.4	4,405.9	7.2
Interest Expense	(0.7)	(9.5)	(93.1)	(33.6)	(98.0)	(2.6)	(86.0)	(96.9)
FX gain (loss)	(7.1)	35.8	(119.9)	(274.2)	(97.4)	(275.0)	199.2	(238.1)
Current Taxation	(4.9)	59.5	(108.3)	(48.7)	(89.9)	(48.9)	(70.1)	(30.3)
Net Profit	444.1	924.1	(51.9)	670.5	(33.8)	4,395.9	4,470.2	(1.7)
Normalized Profit	444.1	884.7	(49.8)	756.5	(41.3)	4,395.9	4,581.3	(4.0)
EPS (Bt)	0.15	2.57	(94.2)	0.22	(33.8)	1.47	2.52	(41.9)
Percent	1Q23F	1Q22	YoY %	4Q22	QoQ %	2023F	2022	YoY %
Gross margin	17.2	21.7	(4.5)	22.0	(4.8)	23.8	24.1	(0.3)
SG&A/sales	7.3	5.9	1.4	5.8	1.5	5.5	5.6	(0.1)
Net profit margin	11.5	19.4	(7.9)	11.6	(0.1)	18.2	19.8	(1.7)

Source: Company data, KGI Securities Research

Business Structure

Leading manufacturer and co-creator of pet food

ITC operates as a large OEM and exporter of pet food with more than 40 years of experience in the industry. In 2022, 73% of sales revenues were from cat food, 12% from dog food, and 15% from pet treats. ITC has over 435 customers worldwide in 45 countries including large top pet food brands such as Mars Petcare, The J.M. Smucker and Aixia and large global pet food retailers. Almost all of the revenues (99%) were from OEM customers and only 1% were from its owned-brand products (i.e. Bellotta, Marvo, ChangeTer, Calico Bay and Paramount). The company provides one-stop service to customers, including product development, manufacturing, and logistics.

New factory will increase production capacity 18.7% in 2023

ITC has two factories in Samut Sakhon and Songkhla with total capacity of 172.8k tons/year as of 2022 (98.2k tons/year at Samut Sakhon and 74.6k tons/year at Songkhla), with utilization rate at 73%. Currently, the company is constructing a new factory in Samut Sakhon which will be commercialized in 2Q23 and will increase production capacity by 18.7%. Also, an automated packing line will be installed at this new factory to improve efficiency.

ITC continues to improve the efficiency of its existing production line by installing automation in quality control and storage. The company plans to build two more automated warehouses (one in Samut Sakhon and one in Songkhla) which will increase its storage capacity by 73% and increase the automation in storage, labelling and packaging to 100% within 2024F, from 48% currently.

The company will strengthen its R&D expertise by building a Cattery (R&D facility) to test palatability in cats, in collaboration with a leading Thai university. The Cattery is over 1,200 sq.m. and recruiting 48 cats of various breeds to support product development.

ITC set CAPEX at Bt2.1bn in 2023F and Bt2.1bn in 2024-25F, totaling Bt4.2bn by utilizing cash received from IPO and operating profit. Of this amount, Bt2.4bn will be used for improving production efficiency, Bt1.0bn for automated warehouses, Bt600mn for new factory and Bt200mn for R&D projects.

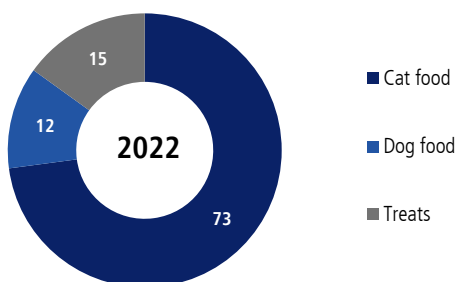
Sourcing raw materials from cost-competitive suppliers

ITC has four main raw materials used in its pet food production i) seafood such as tuna, mackerel, sardine, salmon and shrimp, ii) meats such as chicken, beef and lamb, iii) other ingredients such as vegetables, fruits, vitamins and minerals, and iv) packaging. Raw materials

account for roughly two-thirds of the company's cost of goods sold. ITC procures its raw materials in bulk orders with TU group (the world's largest producer of tuna products), resulting in competitive raw material costs. The tuna price is negotiated with suppliers monthly based on the market situation. The company buys raw chicken from domestic meat producers with a pre-determined amount and volume 6-12 months in advance. For packaging, ITC buys from various suppliers both domestically and abroad, including APC and TUG (subsidiaries of TU group).

Figure 7: Revenue breakdown by product type

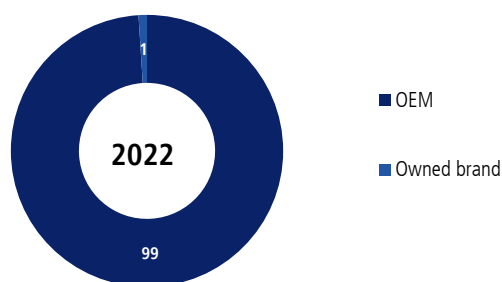
Percent



Source: Company data, KGI Securities Research

Figure 8: Revenue breakdown by customer type

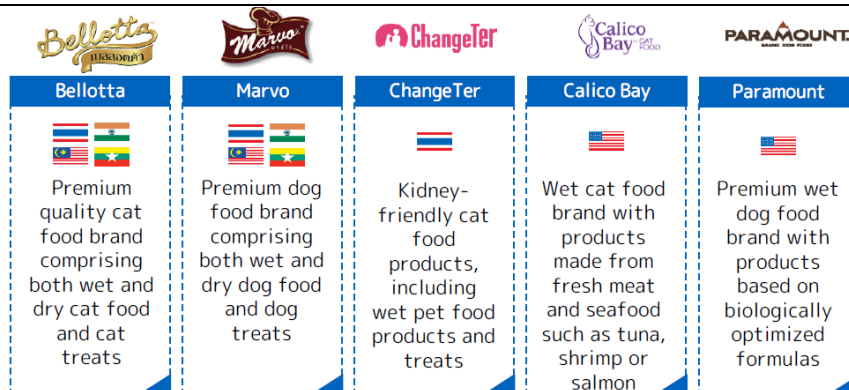
Percent



Source: Company data, KGI Securities Research

Figure 9: Product examples


Source: Company data

Figure 10: ITC's owned brands


Source: Company data

Figure 11: Company's structure


Source: Company data, KGI Securities Research

Valuation and Recommendation

Rate Outperform with a 2023 target price of Bt29.30

We initiate coverage on ITC with a rating of Outperform and 2023 target price of Bt29.30, based on PER 20x (domestic peer's target PER). We believe the one-time impact of inventory adjustment and the weak 1Q23F earnings have already been priced in. Long-term potential growth remains intact thanks to the company's commitment to innovation. ITC also has a competitive advantage in terms of cost structure backed by TU group. Moreover, we anticipate significant QoQ recovery in the performance during 2Q23F-3Q23F. Also, ITC's net cash position will prevent it from being negatively impacted by higher interest rates.

Compared to peers, ITC looks better in terms of return on investment as the company is projected to have ROE and dividend yield at 19.2% and 4.2% in 2023F, higher than peers' at 12.8% and 1.7%, respectively. Currently, ITC is trading at 2023F PER of 16.2x, lower than peers' 21.9x PER which reflects the company's negative growth this year.

Figure 12: peer comparison

	Rating	Target price (Bt)	Current price (Bt)	Upside (%)	22 EPS (Bt)	23F EPS (Bt)	24F EPS (Bt)	23F EPS growth (%)	24F EPS growth (%)	23F PER (x)	24F PER (x)	23F PBV (X)	24F PBV (X)	23F Div Yield (%)	23F ROAE (%)
ITC	OP	29.30	22.80	28.5	2.52	1.47	1.79	(41.9)	22.0	15.6	12.8	2.9	2.7	4.4	19.2
AAI		8.70	5.70	52.6	0.48	0.44	0.51	(9.4)	17.2	13.1	11.2	2.2	2.0	3.7	18.0
Yantai China Pet		28.23	23.92	18.0	0.54	0.75	1.06	39.3	41.6	32.1	22.7	3.1	2.7	0.4	9.8
Petpal Pet Nutrition		24.13	17.69	36.4	0.71	0.87	1.07	21.7	23.6	20.5	16.5	2.1	1.9	0.9	10.6
Peer								17.2	27.5	21.9	16.8	2.5	2.2	1.7	12.8

Source: Bloomberg, KGI Securities Research

* Yantai China Pet and Petpal Pet Nutrition's EPS are in CNY

Industry outlook

Five largest players gained more than half of global pet food market share

The pet food industry had a market value of US\$123.4bn in 2022, according to Euromonitor. Of that amount, 60% was dog food, 37% was cat food and 4% was others. In terms of players, it is a competitive industry with the top five largest companies having a combined market share of 52.5% of the total market value. These companies normally focus on brand promotion and outsourcing some production to OEM companies, including ITC. Based on revenue comparison in 2020, ITC was the second largest pet food OEM company in Asia and among the top ten in the world, according to research from Frost & Sullivan.

Expect pet food industry to have CAGR of 7.2% over the next five years

Global pet food was a fast-growing industry in the last five years, growing an average of 7.0% per year in 2017-2022, according to Euromonitor. During 2021-2022, the pet food industry was boosted by COVID-19 forcing people to stay at home, leading to many people adopting more pets. This should also be a supportive factor for pet food demand over the next five years. The pet food industry is projected to continue to see resilient growth of CAGR 7.3% while cat food is projected to see slightly higher growth at 8.1%.

China is expected to have the highest growth in the pet food market

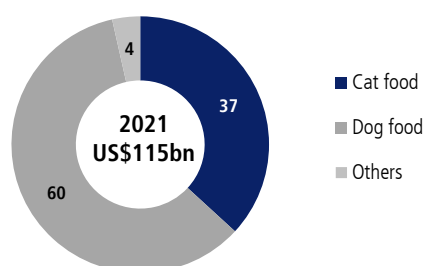
In terms of geography, the US was the largest market for pet food at 38% of total market value in 2021, followed by the EU at 16% and China at 9%. However, China's pet food market is expected to have the highest CAGR at 19.8% in 2022-2026F, compared to 7.1% for global pet food growth. Meanwhile, Thailand was the third largest pet food exporter by value in 2021 at US\$2.1bn or 9.7% of the world pet food export. Thailand has a strategic advantage as it is also a top exporter of tuna and chicken, which are key raw materials in pet food. According to Ministry of Commerce, Thailand exported Bt85.2bn worth of dog and cat foods to more than 80 countries and saw solid growth of 30% YoY in 2022. However, in the first two months of this year, dog and cat food export dropped 19% YoY as a result of inventory normalization of OEM customers, especially in the US and Europe.

Humanization is an opportunity for premium pet food

Humanization, which is when owners treat their pet as a family member, is the major trend for the pet food industry because it encourages pet food brands to develop pet food and pet care products that meet the increasing demand. Pet owners are more willing to pay higher prices for premium products and are more concerned about the health of their pets. According to a survey by College of Management, Mahidol University (CMMU), most owners pay more than Bt20,000/year in pet-related expenses while more than 66% pay more than Bt12,000/year for pet food.

Figure 13: World pet food market size by animal

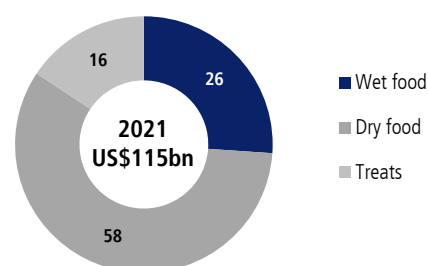
Percent



Source: Company data, Euromonitor, KGI Securities Research

Figure 14: World pet food market size by product type

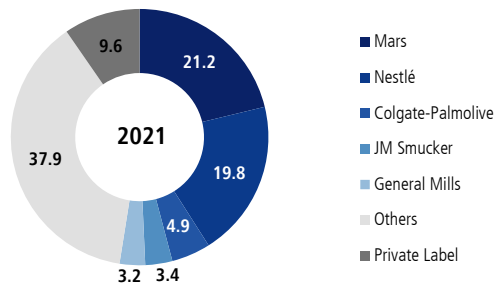
Percent



Source: Company data, Euromonitor, KGI Securities Research

Figure 15: World pet food market share by company

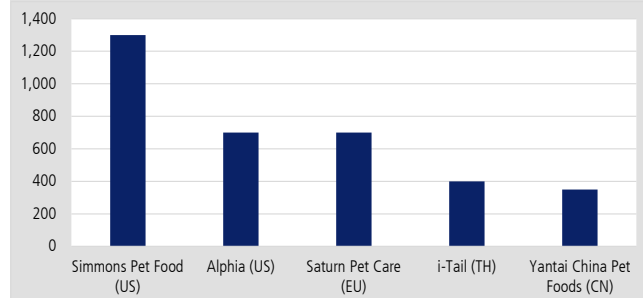
Percent



Source: Euromonitor, KGI Securities Research

Figure 16: Large OEM wet pet food manufacturers

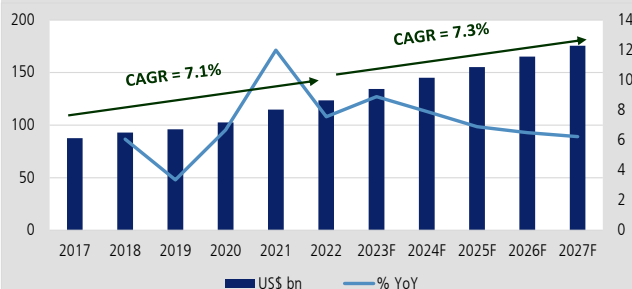
Revenue, US\$ mn



Source: Company data, KGI Securities Research

Figure 17: World pet food market size and growth

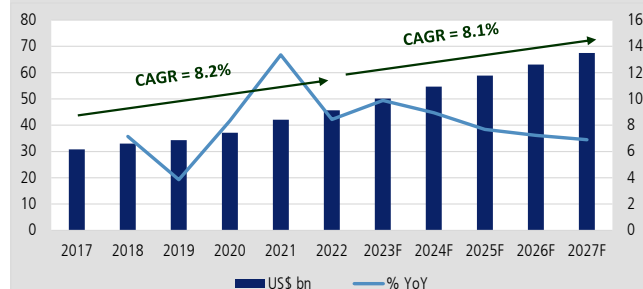
World pet food market size, US\$ bn (LHS); Growth, percent (RHS)



Source: Euromonitor, KGI Securities Research

Figure 18: World cat food market size and growth

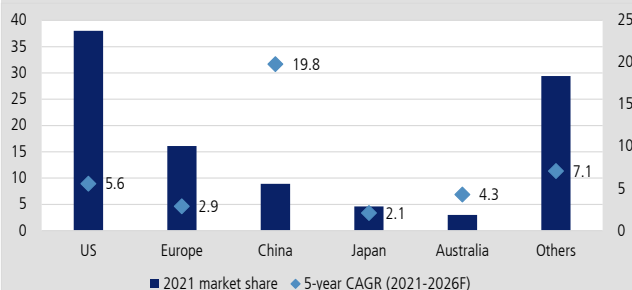
World cat food market size, US\$ bn (LHS); Growth, percent (RHS)



Source: Euromonitor, KGI Securities Research

Figure 19: World pet food market share by country

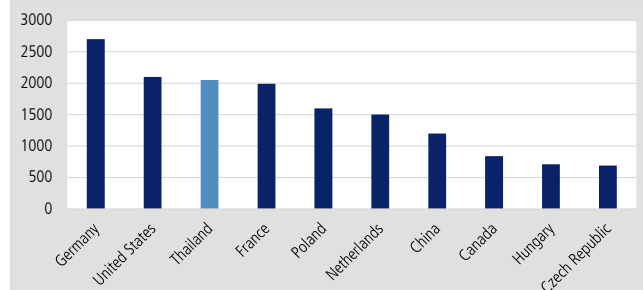
World pet food market share, percent (LHS); Growth, percent (RHS)



Source: Company data, KGI Securities Research

Figure 20: Top 10 pet food exporters in 2021

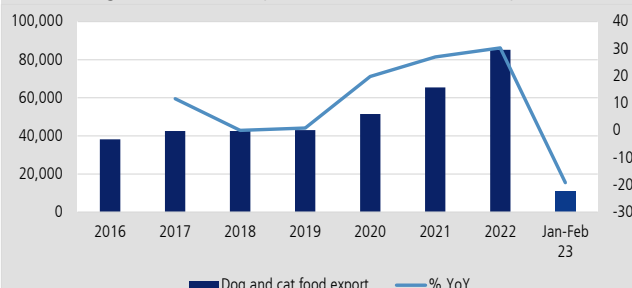
Dog and cat foods export, US\$ mn



Source: www.worldstopexports.com, KGI Securities Research

Figure 21: Thailand's dog and cat food export

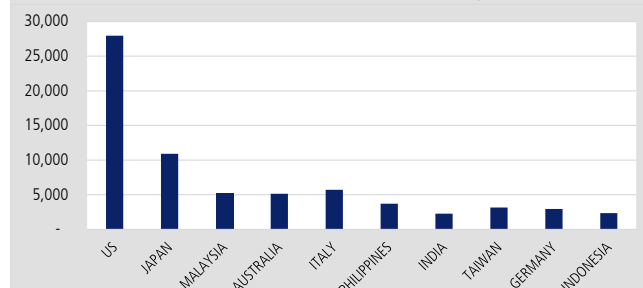
Thailand dog and cat food export, Bt mn (LHS); Growth, percent (RHS)



Source: Ministry of Commerce, KGI Securities Research

Figure 22: Importing countries of Thailand's dog and cat food export in 2022

Global cat food market size, US\$ bn (LHS); Growth, percent (RHS)



Source: Ministry of Commerce, KGI Securities Research

Major Risks

Risk from depending on large customers

Sales to ICT's three largest customers accounted for 47% of the company's total sales revenues in 2022. However, ITC's relationships with these customers go back an average of 20 years. The company tries to maintain existing customers and expand its customer base by working closely with customers to develop and co-create new products that meet customers' needs. It also provides advice and in-depth market research and new technology information to ensure the highest satisfaction from its customers.

Risk from market competition

Pet food is a fast changing and highly competitive industry and OEM manufacturers face competition from both domestic and overseas producers. Some of the competitors may have higher capacity and better access to resources. In order to keep an advantage over market rivals, ITC commits to innovation to be able to offer new products to its customers and seek opportunities in new markets and new selling channels such as e-commerce. The company uses its owned-brand products as a showcase to efficiently demonstrate innovation and test market feedback.

Risk from fluctuating raw material prices

Rising raw material costs may have a negative impact on ITC's performance. Together with TU group, the company imports tuna from overseas suppliers under short-term orders, which results in possible fluctuations in raw material costs. Normally, ITC uses the cost-plus pricing model and will receive orders and negotiate pricing with large customers quarterly, semi-annually, and annually.

Risk from exchange rate

Since almost 100% of ITC's revenues are from export and some raw material import, the company has high exposure to foreign exchange risk. The company's costs in USD are roughly 40% of its USD revenue (natural hedge). ITC has a policy to fully-hedge less than 60% of its FX exposure.

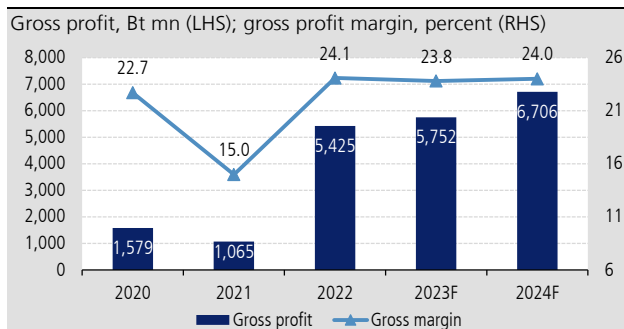
Risk from labor shortage

The company's production depends largely on labor for its production line, of which more than half are foreign workers. Last year, ITC initiated an Employer Pays Principle (EPP) program to ensure sufficient recruitment of workers. In this program ITC will cover all recruitment-related fees for migrant workers. Moreover, ITC is investing in automation for its production process, aiming to be fully-automated in storage, labelling and packaging within 2024F.

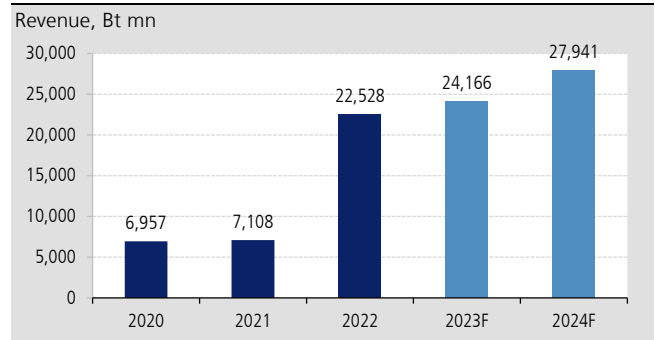
Figure 23: Company profile

i-Tail Corporation (ITC) operates as a large OEM and exporter of pet food with more than 40 years of experience in this industry. The company provides one-stop service to customers, including product development, manufacturing and logistics. ITC has over 435 customers worldwide in 45 countries including large top pet food brands and large global pet food retailers. Almost all of its revenues are from OEM customers and only a small portion are from its owned-brand products (i.e., Bellotta, Marvo, ChangeTer, Calico Bay and Paramount).

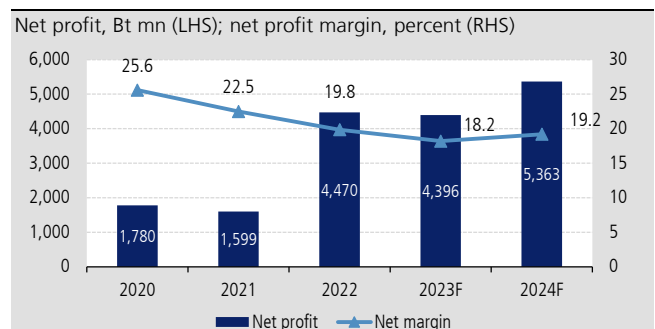
Source: Company data

Figure 25: Gross profit


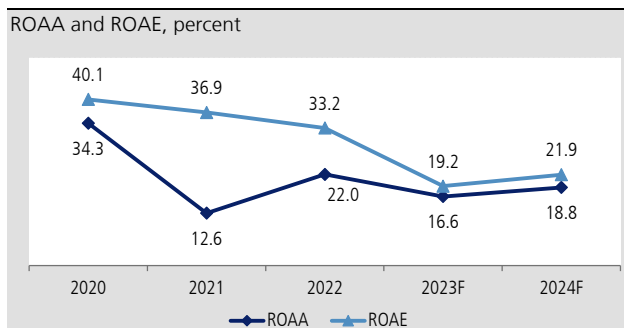
Source: Company data, KGI Securities Research

Figure 24: Revenue


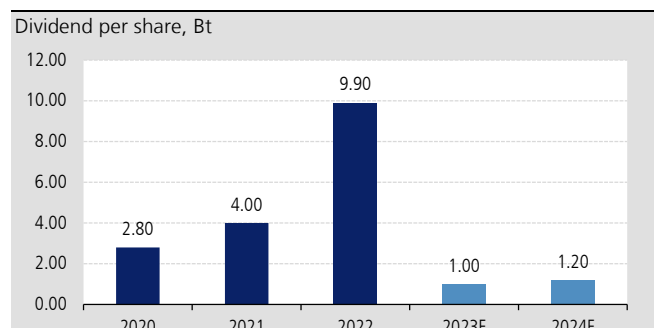
Source: Company data, KGI Securities Research

Figure 26: Net profit


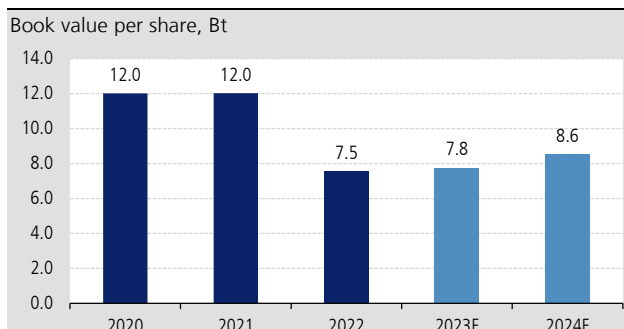
Source: Company data, KGI Securities Research

Figure 27: Company ROAA and ROAE


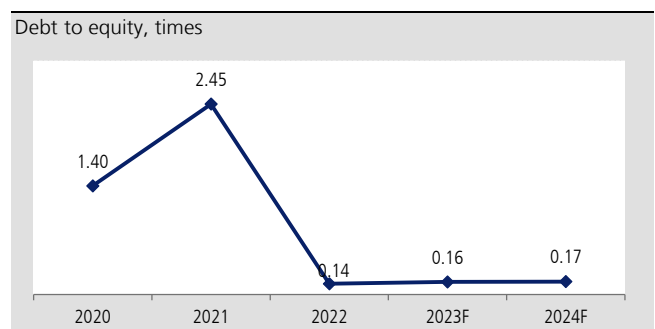
Source: Company data, KGI Securities Research

Figure 28: Dividend


Source: Company data, KGI Securities Research

Figure 29: BV


Source: Company data, KGI Securities Research

Figure 30: D/E


Source: Company data, KGI Securities Research

Quarterly Income Statement

Bt mn	MAR-21A	JUN-21A	SEP-21A	DEC-21A	MAR-22A	JUN-22A	SEP-22A	DEC-22A
Income Statement (Bt mn)								
Revenue	1,786.8	2,083.9	1,356.2	1,881.0	4,763.4	5,668.5	6,331.9	5,764.8
Cost of Good Sold	(1,378.4)	(1,607.2)	(1,307.0)	(1,750.5)	(3,731.2)	(4,179.0)	(4,697.5)	(4,496.3)
Gross Profit	408.4	476.7	49.1	130.5	1,032.1	1,489.5	1,634.3	1,268.5
Operating Expenses	(107.2)	(160.7)	(149.9)	(162.4)	(282.1)	(322.5)	(324.8)	(337.1)
Other incomes	31.8	25.8	10.9	15.8	48.7	33.7	58.0	107.5
Operating Profit	333.0	341.8	(89.9)	(16.1)	798.7	1,200.8	1,367.5	1,038.9
Depretiation of Fixed assets	-	-	-	-	138.4	138.4	152.0	141.9
Operating EBITDA	-	-	-	-	937.1	1,339.1	1,519.5	1,180.8
Non-Operating Income	52.7	53.6	35.8	0.2	35.8	198.5	239.0	(274.2)
Interest Income	-	-	-	-	-	-	-	-
Other Non-op Income	52.7	53.6	35.8	0.2	35.8	198.5	239.0	(274.2)
Non-Operating Expenses	(5.7)	(7.2)	(7.0)	(4.7)	(9.5)	(14.5)	(28.4)	(33.6)
Interest Expenses	(5.7)	(7.2)	(7.0)	(4.7)	(9.5)	(14.5)	(28.4)	(33.6)
Other Non-Op Expenses	-	-	-	-	-	-	-	-
Net investment income/(loss)								
Pre-tax Profit	379.9	388.2	(61.1)	(20.7)	825.0	1,384.8	1,578.2	731.1
Current Taxation	(2.9)	2.9	1.2	18.6	59.5	(45.9)	(34.9)	(48.7)
Minorities	(56.9)	(68.1)	75.6	72.2	0.3	0.7	(0.8)	0.3
Extraordinary items	232.6	291.7	222.9	122.6	39.4	(0.0)	(6.4)	(12.2)
Net Profit	552.8	614.6	238.6	192.7	924.1	1,339.5	1,536.0	670.5
EPS (Bt)	1.54	1.71	0.68	0.54	2.57	0.76	0.64	0.22
Margins (%)								
Gross Profit Margin	22.9	22.9	3.6	6.9	21.7	26.3	25.8	22.0
Operating EBIT Margin	18.6	16.4	(6.6)	(0.9)	16.8	21.2	21.6	18.0
Operating EBITDA Margin	NA	NA	NA	NA	19.7	23.6	24.0	20.5
Net Profit Margin	30.9	29.5	17.6	10.2	19.4	23.6	24.3	11.6
Growth (% YoY)								
Revenue Growth	NA	NA	NA	NA	166.6	172.0	366.9	206.5
Operating EBIT Growth	NA	NA	NA	NA	139.8	251.3	NM	NM
Operating EBITDA Growth	NA	NA	NA	NA	NA	NA	NA	NA
Net Profit Growth	NA	NA	NA	NA	67.2	118.0	543.7	248.0

Source: Company data, KGI Securities Research

Balance Sheet

As of 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F
Total Asset	10,364.8	14,933.8	25,749.6	27,064.5	29,910.1
Current Asset	6,147.4	10,459.7	20,322.4	20,094.4	21,584.6
Cash and ST Investment	21.6	3.3	10,798.9	9,206.9	9,111.7
Inventories	3,706.6	3,844.6	4,457.0	5,558.3	6,426.5
Account Recievable	2,248.1	1,089.9	3,553.9	4,349.9	5,029.4
Others	171.1	5,521.9	1,512.5	979.3	1,017.0
Non-Current Assets	4,217.4	4,474.1	5,427.2	6,970.0	8,325.5
LT investment	0.1	-	-	-	-
Net Fixed Assets	4,032.6	4,212.0	4,966.5	6,404.7	7,684.7
Others	184.7	262.1	460.7	565.3	640.8
Total Liabilities	6,040.8	10,602.3	3,143.4	3,775.0	4,258.0
Current Liabilities	4,974.4	9,875.6	2,527.0	3,067.4	3,520.4
Account Payable	1,429.2	4,356.2	2,355.2	2,900.0	3,352.9
ST Borrowings	3,399.5	681.9	13.8	9.4	9.4
Others	145.7	4,837.4	157.9	158.0	158.0
LT Liabilities	1,066.5	726.7	616.5	707.7	737.7
Long-term Debts	613.0	122.7	28.5	37.7	37.7
Others	453.5	604.0	588.0	670.0	700.0
Sharholder's Equity	4,323.9	4,331.5	22,606.1	23,289.4	25,652.1
Common Stock	360.0	360.0	3,000.0	3,000.0	3,000.0
Capital Surplus	240.0	240.0	18,394.9	18,394.9	18,394.9
Retained Earnings	4,183.2	4,294.4	1,084.2	3,380.2	5,742.9
Other components	(459.3)	(562.9)	127.0	(1,485.6)	(1,485.6)

Source: KGI Securities Research

Key Ratios

Year to 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F
Forecast Drivers					
Growth (% YoY)					
Sales	NA	2.2	217.0	7.3	15.6
OP	NA	(47.2)	674.6	7.2	17.0
EBITDA	NA	(38.5)	518.5	8.2	17.8
NP	NA	(10.2)	179.6	(1.7)	22.0
EPS	NA	(10.2)	(43.2)	(41.9)	22.0
Profitability (%)					
Gross Profit Margin	22.7	15.0	24.1	23.8	24.0
Operating Margin	15.5	8.0	19.6	19.5	19.8
Operating EBITDA Margin	18.8	11.3	22.1	22.3	22.7
Net Profit Margin	25.6	22.5	19.8	18.2	19.2
ROAA	34.3	12.6	22.0	16.6	18.8
ROAE	40.1	36.9	33.2	19.2	21.9
Stability					
Gross Debt/Equity (%)	139.7	244.8	13.9	16.2	16.6
Net Debt/Equity (%)	139.2	244.7	Net Cash	Net Cash	Net Cash
Interest coverage (x)	49.8	32.6	57.9	2,042.6	2,407.0
Interest & ST Debt Coverage (x)	0.3	0.8	44.1	391.9	458.5
Cash Flow Interest Coverage (x)	75.2	45.5	23.8	1,599.3	1,898.6
Cash Flow/Interest & ST Debt (x)	0.6	1.6	20.5	349.9	415.3
Current Ratio (x)	1.2	1.1	8.0	6.6	6.1
Quick Ratio (x)	0.5	0.1	5.7	4.4	4.0
Net Debt (Bt mn)	6,019.2	10,599.0	(7,655.5)	(5,431.9)	(4,853.7)
Per Share Data (bt)					
EPS	4.9	4.4	2.5	1.5	1.8
CFPS	5.5	3.1	1.2	1.4	1.7
BVPS	12.0	12.0	12.8	7.8	8.6
SPS	19.3	19.7	12.7	8.1	9.3
EBITDA/Share	3.6	2.2	2.8	1.8	2.1
DPS	2.80	4.00	9.90	1.00	1.20
Activity					
Asset Turnover (x)	1.3	0.6	1.1	0.9	1.0
Day Recievables	59.0	85.7	37.6	59.7	61.3
Day Inventories	125.8	228.0	88.6	99.3	103.0
Day Payable	28.7	170.8	69.1	49.1	51.6
Cash Cycle	156.1	142.9	57.1	109.8	112.6

Source: KGI Securities Research

Profit & Loss

Year to 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F
Revenue	6,956.6	7,107.9	22,528.5	24,166.3	27,941.1
Cost of Goods Sold	(5,377.9)	(6,043.1)	(17,104.0)	(18,414.7)	(21,235.3)
Gross Profit	1,578.8	1,064.8	5,424.5	5,751.6	6,705.9
Operating Expenses	(577.0)	(580.2)	(1,266.5)	(1,329.1)	(1,480.9)
Other Income	75.9	84.3	247.9	300.0	300.0
Operating Profit	1,077.7	568.8	4,405.9	4,722.4	5,525.0
Depreciation of Fixed Asset	231.3	235.8	570.7	661.8	820.0
Operating EBITDA	1,309.0	804.6	4,976.5	5,384.3	6,345.0
Non-Operating Income	14.9	142.2	199.2	(275.0)	(100.0)
Interest Income	0.0	0.0	0.0	0.0	0.0
Other Non-op Income	14.9	142.2	199.2	(275.0)	(100.0)
Non-Operating Expenses	(26.3)	(24.7)	(86.0)	(2.6)	(2.6)
Interest Expenses	(26.3)	(24.7)	(86.0)	(2.6)	(2.6)
Other Non-Op Expenses	0.0	0.0	0.0	0.0	0.0
Net investment income/(loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1,066.3	686.3	4,519.1	4,444.8	5,422.4
Current Taxation	(10.2)	19.7	(70.1)	(48.9)	(59.6)
Minorities	(65.1)	22.8	0.4	0.0	0.0
Extraordinary items	788.8	869.8	20.8	0.0	0.0
Net Profit	1,779.8	1,598.7	4,470.2	4,395.9	5,362.7
EPS (Bt)	4.94	4.44	2.52	1.47	1.79

Source: KGI Securities Research

Cash Flow

Year to 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F
Operating Cash Flow	1,974.9	1,122.8	2,042.8	4,215.9	5,004.8
Profit before tax	2,043.4	1,804.9	4,559.1	4,444.8	5,422.4
Depreciation and Amortizatic	231.3	235.8	570.7	661.8	820.0
Change in Working Capital	(532.3)	(427.8)	(3,467.0)	(841.8)	(1,177.9)
Others	232.6	(490.1)	380.1	(48.9)	(59.6)
Investment Cash Flow	(548.3)	(549.5)	(3,388.8)	(3,712.6)	(2,100.0)
Net CAPEX	(7.6)	(380.2)	(1,187.4)	(2,100.0)	(2,100.0)
Change in LT Investment	(267.8)	(3,039.3)	(1,612.6)	0.0	0.0
Change in Other Assets	(272.8)	2,870.0	(588.8)	(1,612.6)	0.0
Free Cash Flow	1,967.3	742.6	855.5	2,115.9	2,904.8
Financial Cash Flow	(1,435.1)	(588.6)	12,133.8	(2,095.2)	(3,000.0)
Change in Share Capital	(898.0)	(1,257.0)	13,124.5	(2,100.0)	(3,000.0)
Net Change in Debt	112.9	(967.2)	(782.7)	4.8	0.0
Change in other LT Liab.	(650.1)	1,635.7	(207.9)	0.0	0.0
Net Cash Flow	(8.5)	(15.3)	10,787.9	(1,592.0)	(95.2)

Source: KGI Securities Research

Rates of Return on Invested Capital

Year	1- $\frac{\text{Cost of Goods Sold}}{\text{Revenue}}$	+	$\frac{\text{Depreciation}}{\text{Revenue}}$	+	$\frac{\text{Op. Expenses}}{\text{Revenue}}$	=	Operating Margin
2020	77.3%		0.0%		8.3%		14.4%
2021	85.0%		0.0%		8.2%		6.8%
2022	75.9%		0.0%		5.6%		18.5%
2023F	76.2%		0.0%		5.5%		18.3%
2024F	76.0%		0.0%		5.3%		18.7%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+	$\frac{\text{Net PPE}}{\text{Revenue}}$	+	$\frac{\text{Other Assets}}{\text{Revenue}}$	=	Capital Turnover
2020	0.17		0.58		0.03		1.3
2021	0.08		0.59		0.04		1.4
2022	0.79		0.22		0.02		1.0
2023F	0.70		0.27		0.02		1.0
2024F	0.65		0.28		0.02		1.1
Year	Operating Margin	X	Capital Turnover	X	Cash Tax Rate	=	Afer-tax Return on Inv. Capital
2020	14.4%		1.3		0.9		0.2
2021	6.8%		1.4		-2.9		-0.3
2022	18.5%		1.0		1.6		0.3
2023F	18.3%		1.0		1.1		0.2
2024F	18.7%		1.1		1.1		0.2

Source: KGI Securities Research

i-Tail Corporation - Recommendation & target price history



Source: KGI Securities Research

Panjawattana Plastic

(PJW.BK/PJW TB)

Outperform · Initiate

Price as of 7 Apr 2023	4.54
12M target price (Bt/shr)	6.80
Unchanged/Revised up(down)(%)	N.A.
Upside/downside (%)	49.8

Key messages

We initiate coverage on PJW with a rating of Outperform and a target price of Bt6.80. The key investment theme is earnings recovery with an upside risk. Earnings are expected to recover this year on i) higher utilization rates for all business units, and ii) manageable plastic resin cost. An upside risk would be from a new business related to medical consumable products that is under-develop with IRPC (IRPC.BK/IRPC TB)* and Innobic (Asia).

Trading data

Mkt cap (Btbn/US\$mn)	2.8/0.1		
Outstanding shares (mn)	603		
Foreign ownership (mn)	1.4		
3M avg. daily trading (mn)	2.1		
52-week trading range (Bt)	3.4 – 5.4		
Performance (%)	3M	6M	12M
Absolute	12.4	-6.6	-5.4
Relative	19.1	-5.6	1.3

Quarterly EPS

	1Q	2Q	3Q	4Q
2020	0.06	0.01	0.03	0.10
2021	0.07	0.08	0.05	0.08
2022	0.07	0.02	0.03	0.02

Share price chart



Source: SET

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U-rate recovery, margin improving

Event

We initiate coverage on PJW with a rating of Outperform and a target price of Bt6.80. The aim of this report is to spark investment ideas for medium - small cap stocks.

Manageable raw material cost this year

The surge in the price of plastic resin last year, especially in 2Q22, was mainly due to the unexpected jump in energy costs resulting from geopolitical tension in Europe. PJW's 2022 gross margin dropped to 16.2% from 18.5% in 2021, as it was impacted by the high volatility in plastic resin cost. Given a lower average crude oil price for 2023F, plastic resin price is expected to be more stable than last year (Figures 5-6), which would help PJW manage its raw material costs. Additionally, plastic resin, HDPE and PP prices are anticipated to be pressured by huge new production capacities in the global market to be launched this year.

Utilization rates of all business units expected to improve

Last year, PJW's packaging plants, which are located in Tianjin and Jiangsu, China, were impacted by the unpredictable lockdown measures. Their utilization rates dropped to very low levels around 32% in 2022, from 39% in 2021. The utilization rate of its auto parts plant decreased to 35% in 2022, from 41% in 2021, mainly due to the global chip supply shortage. Additionally, the utilization rate of its lubricant oil packaging production line decreased to 43% in 2022, from 49% in 2021. However, we anticipate the utilization rates of PJW's plants to recover this year as i) China's zero COVID policy ended in early 2023, and ii) chip supply shortage should ease and a recovery in car production is expected. Given the stabilization of raw material costs and improved utilization rates, PJW's 2023F gross margin is forecasted to recover to 17.4%, from 16.2% last year.

Earnings recovery with upside risk

PJW's 2023F net profit is forecasted to grow by 105% YoY to Bt171mn mainly due to the expected recovery in gross margin. New orders from new car models in late 2023F are expected to be another growth driver for 2024F - 25F. Last but not least, PJW signed a MOU with IRPC (IRPC.BK/IRPC TB)* and Innobic (Asia) to jointly study and explore business opportunities in the medical consumables business, which is an upside risk for our earnings forecast. The new projects are expected to be launched in 4Q23 – 1Q24.

Valuation & action

With very high non-cash expense, depreciation, PJW's cash flow from operation each year is higher than 2x the company's net profit. The target price will be underestimated if we use the normal target PE. Therefore, the target price of Bt6.80 is calculated using the DCF model (WACC 8%, terminal growth 3%). We rate the counter Outperform with an upside of 49.8% to our target, which is based on fully diluting its in-the-money warrant (PJW-W1).

Risks

Plastic resin cost, economic slowdown.

Key financials and valuations

	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Revenue (Bt mn)	3,067	3,339	3,871	4,103	4,421
Gross profit (Bt mn)	567	542	675	738	807
EBIT (Bt mn)	251	160	251	280	315
Net profit (Bt mn)	169	84	171	195	225
EPS (Bt)	0.28	0.14	0.27	0.24	0.28
DPS (Bt)	0.16	0.08	0.14	0.12	0.14
EPS growth (%)	40.3	(50.8)	96.0	(10.4)	15.3
P/E (x)	16.1	32.8	16.7	18.7	16.2
P/B (x)	2.3	2.2	1.5	1.8	1.8
EV/EBITDA (x)	8.0	9.4	6.3	6.7	5.7
Net Debt to Equity (%)	87.8	81.4	20.9	7.5	Net cash
Dividend Yield (%)	3.5	1.7	3.0	2.7	3.1
Return on Avg. Equity (%)	14.8	6.9	10.9	10.2	11.1

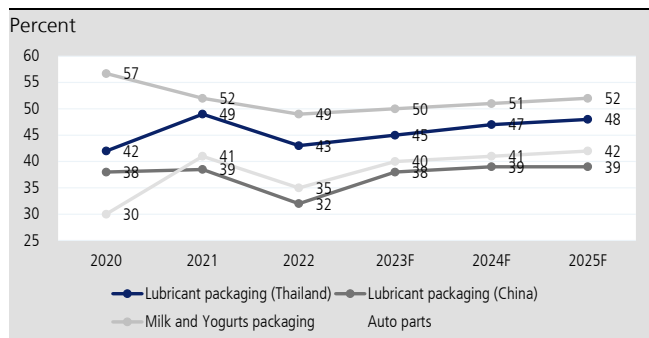
Source: Company data, KGI Securities Research

* 2024F – 2025F EPS forecasted are based on fully dilute warrant (PJW-1)

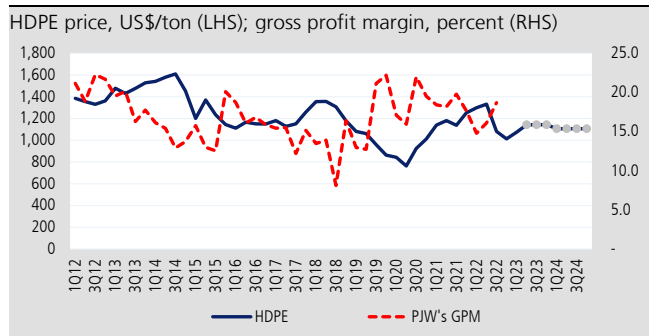
Figure 1: Company profile

Panjawattana Plastic (PJW) is a producer and a supplier of plastic containers and closures such as lubricant packaging, milk and yoghurt packaging, consumer goods packaging and chemicals liquid packaging, and plastic automotive parts of high quality and with custom designs according to clients' requirements for each of their specific brands. The clients' brands are well-recognized within each industry and among typical consumers.

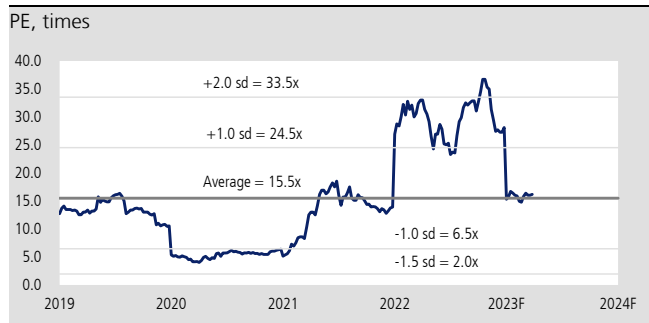
Source: Company data

Figure 3: Utilization rate


Source: Company data, KGI Securities Research

Figure 5: HDPE price trend and gross profit margin


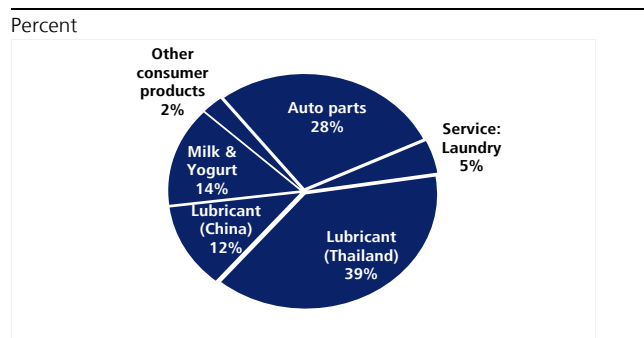
Source: KGI Securities Research

Figure 7: PE ratio


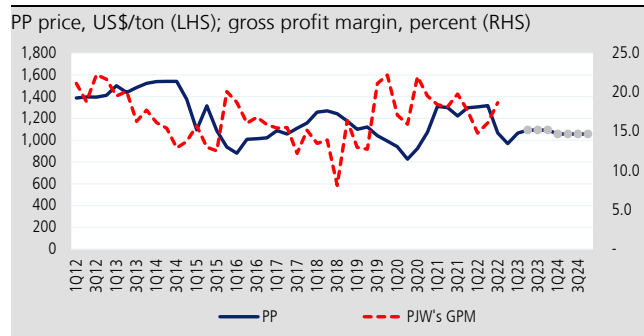
Source: KGI Securities Research

Figure 2: PJW's current business units

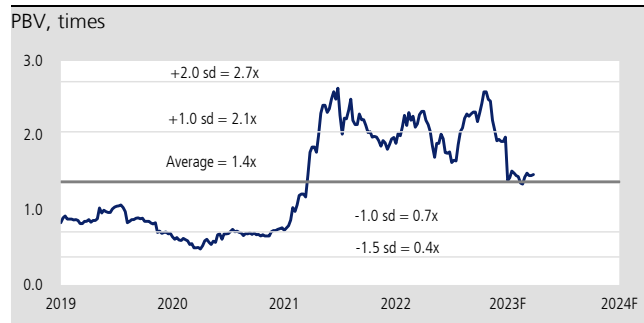

Source: Company data

Figure 4: 2023F revenue breakdown


Source: Company data, KGI Securities Research

Figure 6: PP price trend and gross profit margin


Source: KGI Securities Research

Figure 8 PBV ratio


Source: KGI Securities Research

Balance Sheet

As of 31 Dec (Bt mn)	2021	2022	2023F	2024F	2025F
Total Assets	3,028	3,131	3,424	3,605	3,883
Current Assets	1,189	1,147	1,439	1,628	1,933
Cash & ST Investments	110	91	232	357	572
Inventories	323	328	372	392	421
Accounts Receivable	707	681	798	841	901
Others	48	47	37	38	39
Non-current Assets	1,840	1,985	1,985	1,977	1,950
LT Investments	0	0	0	0	0
Net fixed Assets	78	180	153	130	110
Others	1,762	1,805	1,832	1,847	1,839
Total Liabilities	1,838	1,885	1,549	1,633	1,798
Current Liabilities	1,328	1,421	1,152	1,290	1,499
Accounts Payable	467	519	563	593	637
ST Borrowings	799	830	403	330	310
Others	62	72	186	367	552
Long-term Liabilities	511	463	397	343	299
Long-term Debts	357	275	220	176	141
Others	154	188	177	167	158
Shareholders' Equity	1,190	1,247	1,875	1,972	2,085
Common Stock	287	307	402	402	402
Capital Surplus	356	371	819	819	819
Retained Earnings	547	569	654	752	865
Preferred Stock	0	0	0	0	0

Source: KGI Securities Research

Key Ratios

Year to 31 Dec	2021	2022	2023F	2024F	2025F
Growth (% YoY)					
Sales	9.8	8.9	15.9	6.0	7.7
OP	51.9	(36.2)	56.7	11.5	12.6
EBITDA	20.0	(15.0)	28.3	10.0	10.2
NP	47.3	(50.7)	104.4	14.4	15.3
EPS	40.3	(50.8)	96.0	(10.4)	15.3
Profitability (%)					
Gross Margin	18.5	16.2	17.4	18.0	18.2
Operating Margin	7.6	4.1	5.9	6.3	6.6
EBITDA Margin	15.4	12.5	13.9	14.5	14.9
Net Profit Margin	5.5	2.5	4.4	4.8	5.1
ROAA	9.6	6.1	8.6	8.9	9.5
ROAE	14.8	6.9	10.9	10.2	11.1
Stability					
Gross Debt/Equity (%)	97.1	88.7	33.2	25.7	21.6
Net Debt/Equity (%)	87.8	81.4	20.9	7.5	Net cash
Interest Coverage (x)	7.2	8.5	6.4	8.9	9.6
Interest & ST Debt Coverage (x)	1.6	1.7	2.5	3.1	3.9
Cash Flow Interest Coverage (x)	7.2	8.5	6.4	8.9	9.6
Cash Flow/Interest & ST Debt (x)	7.2	8.5	6.4	8.9	9.6
Current Ratio (x)	0.9	0.8	1.2	1.3	1.3
Quick Ratio (x)	0.6	0.5	0.9	0.9	1.0
Net Debt (Bt mn)	1,045	1,015	391	149	-121
Per Share Data (Bt)					
EPS	0.28	0.14	0.27	0.24	0.28
CFPS	0.58	0.71	0.51	0.56	0.61
BVPS	1.97	2.06	2.98	2.45	2.59
SPS	5.07	5.32	5.86	4.84	5.19
EBITDA/Share	0.78	0.66	0.82	0.70	0.78
DPS	0.16	0.08	0.14	0.12	0.14
Activity					
Asset Turnover (x)	1.0	1.1	1.2	1.2	1.2
Days Receivables	81.7	75.9	69.7	72.9	71.9
Days Inventory	40.6	42.5	40.0	41.4	41.0
Days Payable	68.6	64.3	61.8	62.7	62.1
Cash Cycle	53.8	54.1	47.9	51.6	50.9

Source: KGI Securities Research

Profit & Loss

Year to 31 Dec (Bt mn)	2021	2022	2023F	2024F	2025F
Sales	3,067	3,339	3,871	4,103	4,421
Cost of Goods Sold	2,501	2,797	3,196	3,365	3,614
Gross Profit	567	542	675	738	807
Operating Expenses	335	403	446	481	516
Operating Profit	232	139	229	257	290
Net Interest	(49)	(50)	(50)	(50)	(50)
Interest Income	0	0	0	0	0
Interest Expense	49	50	50	50	50
Net Investment Income/(Loss)	-	-	-	-	-
Net other Non-op. Income/(Loss)	19	22	22	23	25
Net Extraordinaries	-	-	-	-	-
Pretax Income	203	110	201	230	265
Income Taxes	33	27	30	34	40
Normalised Net Profit	169	84	171	195	225
Net Profit	169	84	171	195	225
EPS (Bt)	0.28	0.14	0.27	0.24	0.28

Source: KGI Securities Research

Cash Flow

Year to 31 Dec (Bt mn)	2021	2022	2023F	2024F	2025F
Operating Cash Flow	350	426	324	446	486
Net Profit	169	84	171	195	225
Depreciation & Amortization	220	240	263	285	308
Change in Working Capital	(145)	45	(109)	(34)	(46)
Others	106	57	0	0	0
Investment Cash Flow	(183)	(180)	(100)	(50)	(49)
Net CAPEX	(177)	(170)	(100)	(50)	(49)
Change in LT Investment	-	-	-	-	-
Change in Other Assets	(6)	(10)	-	-	-
Free Cash Flow	167	246	224	396	437
Financing Cash Flow	(124)	(266)	(83)	(271)	(223)
Change in Share Capital	0	31	543	0	0
Net Change in Debt	16	(196)	(533)	(167)	(105)
Change in Other LT Liab.	(140)	(101)	(92)	(103)	(118)
Net Cash Flow	42	(20)	141	125	215

Source: KGI Securities Research

Rates of Return on Invested Capital

Year to Dec	1- $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= $\frac{\text{Operating Margin}}{\text{Revenue}}$
2021	74.3%	7.2%	10.9%	7.6%
2022	76.6%	7.2%	12.1%	4.1%
2023F	75.8%	6.8%	11.5%	5.9%
2024F	75.1%	7.0%	11.7%	6.3%
2025F	74.8%	7.0%	11.7%	6.6%
Year to Dec	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$
2021	0.0	0.5	0.0	1.9
2022	-0.1	0.5	0.0	2.2
2023F	0.1	0.4	0.0	1.8
2024F	0.1	0.4	0.0	1.9
2025F	0.1	0.4	0.0	1.9
Year to Dec	$\frac{\text{Operating Margin}}{\text{Revenue}}$	x $\frac{\text{Capital Turnover}}{\text{Revenue}}$	x $\frac{\text{Cash Tax Rate}}{\text{Revenue}}$	= $\frac{\text{After-tax Return on Inv. Capital}}{\text{Revenue}}$
2021	7.6%	1.9	16.4%	2.3%
2022	4.1%	2.2	24.1%	2.2%
2023F	5.9%	1.8	15.0%	1.6%
2024F	6.3%	1.9	15.0%	1.8%
2025F	6.6%	1.9	15.0%	1.9%

Source: KGI Securities Research

Panjawattana Plastic - Recommendation & target price history



Source: KGI Securities Research



Sappe

(SAPPE.BK/SAPPE TB)

Outperform Maintained

Price as of 7 Apr 2023	57.50
12M target price (Bt/shr)	66.00
Unchanged/Revised up(down)(%)	10.0
Upside/downside (%)	14.8

Key messages

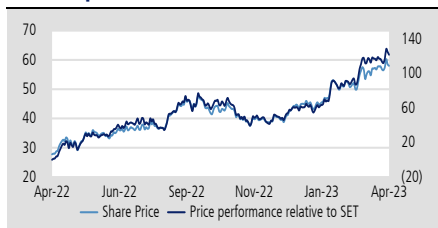
Guidance from SAPPE indicates it will be able to maintain high growth momentum from both export and domestic business. The company's 1Q23F earnings are expected to grow higher than planned, and margin improvement will provide upside to our forecast. With high seasonal growth anticipated during the summer season in the second and third quarters we fine-tune our 2023F/2024F earnings forecasts up 6%/9%, and raise our 2023 target price to Bt66.00, from Bt60.00. We maintain a rating of Outperform on the counter.

Mkt cap (Btbn/US\$mn)	17,721/513		
Outstanding shares (mn)	308		
Foreign ownership (mn)	n.a.		
3M avg. daily trading (mn)	0.82		
52-week trading range (Bt)	27.75 - 60.75		
Performance (%)	3M	6M	12M
Absolute	29.6	31.1	107.1
Relative	37.3	31.1	121

Quarterly EPS

	1Q	2Q	3Q	4Q
2020	0.27	0.26	0.43	0.29
2021	0.29	0.42	0.46	0.18
2022	0.50	0.54	0.58	0.50

Share price chart



Source: SET

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1Q23F earnings preview: High season comes early

Event

1Q23F earnings preview, fine-tune 2023F/2024F forecasts up 6%/9%, raised 2023 target price.

Impact

High season comes early; assuming revenue to grow 28% YoY in 1Q23F

SAPPE revealed that it is expected to show revenue growth of >25% YoY and QoQ in 1Q23F, higher than the full-year 2023 growth 25% YoY. This growth would be driven by further growth momentum from the Middle East (ME), Indonesia, and US, where growth picked up strongly in 4Q22. Meanwhile, revenue growth in France and other Asian countries remains on track at around 20-25%. Furthermore, domestic business (20-25% of revenue) should show better momentum with double-digit growth thanks to improved consumption during 1Q23F. Note that in 2022, 23% of revenue was from domestic business, 43% from Asia, 13% from EU, 5% from US, and 16% from ME and others.

Cost efficiency and lower material costs to boost margin

The price of PET resin has fallen around 20% YoY, which would more than offset the higher cost of ingredients (i.e. sugar) and electricity this year. SAPPE's cost structure (COGS) is comprised of packaging cost (mainly PET bottles) at 45%, ingredient costs (sugar, coconut jelly, and other ingredients) at 35%, and labor and electricity at 20%. Greater sales volume growth should boost CAPU during the quarter to 80%, which would drive down production/unit. We expect the company's GPM to rise 60bps QoQ and 20bps YoY in 1Q23F.

Expect 1Q23F earnings of Bt190mn (+23% YoY, +23% QoQ)

Despite solid top line growth and margin recovery, we assume share of loss in operations for All-Coo of Bt5mn, based on the company's guidance. Thus, we expect 1Q23F earnings of Bt190mn (+23% YoY, +23% QoQ). Meanwhile, high seasonal demand during the summer season should help the company to gain greater revenue and earnings momentum growth in 2Q23F-3Q23F.

Revised up 2023F/2024F earnings by 6%/9%; raise TP-23F to Bt66.00

Our 2023F/2024F earnings revisions reflect i) raising revenue growth to 27%/27% (from 23%/23%), ii) raising GPM to 41.6%/41.6% (from 41%/41%), and iii) lowering SG&A/revenue ratio to 26.9%/26.3% (from 27%/26.5%). We apply PE 25x of 2023 earnings and reach a new 2023 target price of Bt66.00, from Bt60.00. We maintain a rating of Outperform on the counter.

Risks

Forex loss, losing market position, and margin pressure.

Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Btmn)	3,268	3,444	4,566	5,844	7,318	8,940
EBIT (Btmn)	488	525	831	1,011	1,220	1,558
EBITDA (Btmn)	684	715	1,010	1,166	1,380	1,723
Net Profit (Btmn)	380	411	653	791	958	1,228
EPS (Bt)	1.25	1.34	2.12	2.58	3.13	4.01
DPS	0.80	0.90	1.65	1.95	2.41	3.03
EPS Growth (%)	(5.7)	7.5	57.9	22.0	21.0	28.2
P/E (X)	16.0	19.4	24.8	22.2	18.4	14.3
P/B (X)	2.2	2.7	5.0	4.9	4.4	3.8
Net Debt to Equity (%)	Cash	Cash	Cash	Cash	Cash	Cash
Dividend Yield (%)	4.0	3.5	3.1	3.4	4.2	5.3
Return on Average Equity (%)	13.5	14.0	20.5	23.9	24.9	28.1

Source: Company data, KGI Securities Research

Figure 1: SAPPE's quarterly income statement

Bt mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23F	% chg	
										QoQ	YoY
Income Statement (Bt m)											
Revenue	734	891	1,000	819	1,019	1,236	1,279	1,032	1,309	26.9	28.5
Cost of Good sold	(460)	(536)	(596)	(498)	(599)	(736)	(756)	(612)	(742)	21.3	24.0
Gross profit	275	355	405	321	420	500	524	420	567	35.2	34.9
Operating Expenses	(189)	(262)	(302)	(325)	(351)	(380)	(352)	(284)	(363)	27.7	3.5
Other income	38	69	84	77	122	98	77	35	35	(1.2)	(71.4)
Equity income	(9.3)	(3.6)	(3.6)	(3.7)	0.8	0.7	(0.5)	(0.7)	(5.0)	636.2	(713.5)
Forex gain (loss)	(4.6)	(0.3)	(3.1)	2.3	1.5	(7.2)	(25.2)	22.5	7.0	(68.8)	367.0
Operating Profit	124	162	186	74	192	218	249	171	239	40.0	24.6
Depreciation of fixed assets	47	0	142	47	47	47	44	42	0	(100.0)	(100.0)
EBITDA	171	162	327	121	239	265	293	212	239	12.5	0.1
Other non-op Income	(5)	(0)	(3)	2	1	(7)	(25)	22	7.0		
Interest Expense	(1)	(1)	(1)	(1)	(1)	(1)	(0.53)	1.68	(0.6)	(135.7)	7.1
Pre-tax Profit	110	157	179	72	194	207	224	192	239	24.6	23.5
Current Taxation	(25)	(32)	(36)	(14)	(38)	(40)	(45)	(40)	(48)	19.1	27.4
Minority	2	2	(1)	(2)	(3)	(0)	(0)	2	(1)	(154.5)	(64.5)
Net Profit	87	127	142	56	153	167	178	154	190	23.5	24.0
EPS (Bt)	0.28	0.42	0.46	0.18	0.50	0.54	0.58	0.50	0.62	23.5	23.6
Margins (%)											
Gross profit margin	37.4	39.8	40.5	39.2	41.2	40.4	40.9	40.7	41.3		
Operating EBIT margin	11.3	14.2	15.0	4.6	15.8	15.1	17.0	13.4	14.4		
Operating EBITDA margin	17.6	14.2	29.2	10.4	20.4	18.9	20.4	17.4	15.4		
Net profit margin	8.4	11.5	11.7	3.7	12.6	11.5	12.0	12.5	12.6		
Selling exp/rev ratio	16.1	20.5	22.1	29.1	26.1	23.7	20.0	16.3	21.0		
Admin.exp/rev ratio	9.6	9.0	8.1	10.6	8.3	7.1	7.4	11.3	6.7		
Effective tax rate	21.4	20.2	19.6	20.3	19.5	18.1	17.8	23.8	20.6		
Revenue breakdown											
Thai	282	310	317	301	265	241	282	267	305	14.2	15.0
Indo&Phi.	159	138	234	173	251	312	296	223	270	21.2	7.7
Korea	57	103	110	64	101	140	197	80	120	50.2	18.8
Others	236	340	339	280	402	543	505	462	614	33.0	52.9
Total	734	891	1,000	819	1,019	1,236	1,279	1,032	1,309	26.9	28.5
By value											
- Domestic	282	310	317	301	265	241	282	267	305	(5.0)	(11.2)
- Export	453	581	683	518	754	996	998	764	1,004	(23.4)	47.6
By percent											
- Domestic	38.4%	34.8%	31.7%	36.8%	26.0%	19.5%	22.0%	25.9%	23.3%		
- Export	61.6%	65.2%	68.3%	63.2%	74.0%	80.5%	78.0%	74.1%	76.7%		

Source: KGI Securities Research

Figure 2: Key assumptions

Unit : Bt mn	2020	2021	2022	2023F	2024F	2025F
Revenue						
Domestic	1,514	1,210	1,055	1,213	1,310	1,415
Export	839	1,195	1,911	4,580	5,984	7,828
Total	3,268	3,444	4,566	5,794	7,294	9,243
Revenue breakdown						
Thailand	1,471	1,209	1,055	1,213	1,310	1,415
Indonesia and Philippines	668	705	1,082	1,352	1,691	2,113
Korea	247	334	518	648	809	1,012
EU & US	386	565	817	734	955	1,241
MD & others	497	632	1,094	1,846	2,529	3,462
Total	3,268	3,444	4,566	5,794	7,294	9,243
Growth						
Thailand	5.1%	-17.8%	-12.7%	15.0%	8.0%	8.0%
Indonesia and Philippines	-14.0%	5.6%	53.5%	25.0%	25.0%	25.0%
Korea	-22.8%	35.1%	55.1%	25.0%	25.0%	25.0%
EU & US	17.8%	46.5%	44.7%	-10.2%	30.0%	30.0%
MD & others	4.6%	27.1%	73.2%	68.8%	37.0%	36.9%
Total	-0.9%	5.4%	32.6%	26.9%	25.9%	26.7%
COGS	2,067	2,089	2,703	3,390	4,245	5,185
COGS (% to rev)	63.3%	60.7%	59.2%	58.0%	58.0%	58.0%
GPM	36.7%	39.3%	40.8%	42.0%	42.0%	42.0%
SG&A/rev	22.9%	31.3%	29.9%	26.9%	26.3%	25.9%
Selling exp./rev	13.8%	22.1%	21.5%	20.0%	20.0%	20.0%
Admin.exp/rev	9.1%	9.2%	8.4%	6.9%	6.3%	5.9%
Effective tax rate	19.8%	20.3%	19.5%	19.7%	19.8%	19.8%
GPM	36.7%	39.3%	40.8%	41.6%	41.6%	42.0%
EBIT margin	14.9%	15.3%	18.2%	17.3%	17.3%	17.4%
EBITDA margin	20.9%	20.7%	22.1%	20.0%	20.0%	20.0%
Net margin	11.6%	11.9%	14.3%	13.5%	13.1%	13.7%
ROA (%)	10.4%	10.7%	14.3%	16.1%	17.4%	19.2%
ROE (%)	13.5%	14.0%	20.5%	23.9%	24.9%	28.1%
Net debt(cash) (Btmn)	(1,608)	(1,742)	(2,117)	(2,125)	(1,651)	(2,282)
D/E ratio(net debt)	(0.56)	(0.58)	(0.63)	(0.59)	(0.41)	(0.49)

Source: Company data, KGI Securities Research

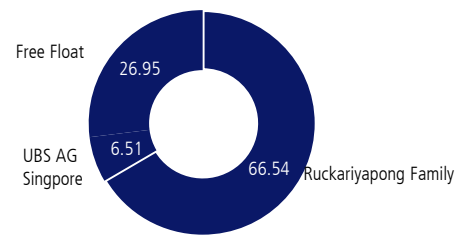
Figure 3: Company profile

Sappe PCL (SAPPE) is well-recognized as the leader in innovative drinks and pioneer in functional drinks in Thailand and internationally. It has 21 product brands in five categories i.e. Mogu Mogu, Sappe Aloe Vera and All Coco. SAPPE's products are distributed in more than 90 countries worldwide.

Source: Company data

Figure 4: Revenue breakdown

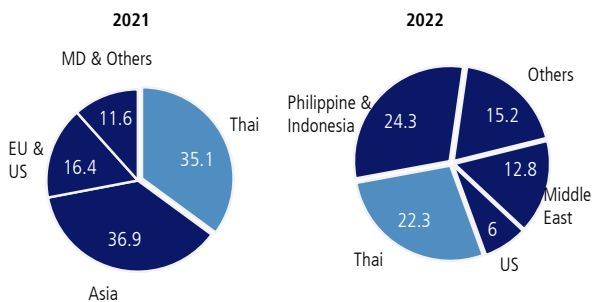
Percent



Source: Company data

Figure 5: Revenue breakdown by destination

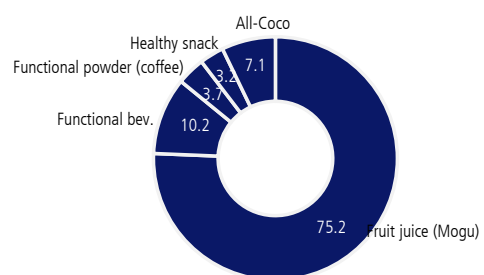
Percent



Source: Company data

Figure 6: Revenue breakdown by product

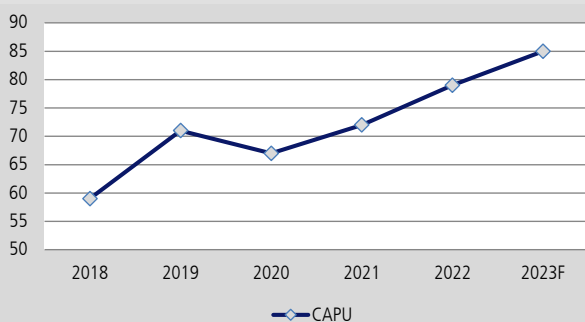
Percent



Source: Company data, KGI Securities Research

Figure 7: CAPU

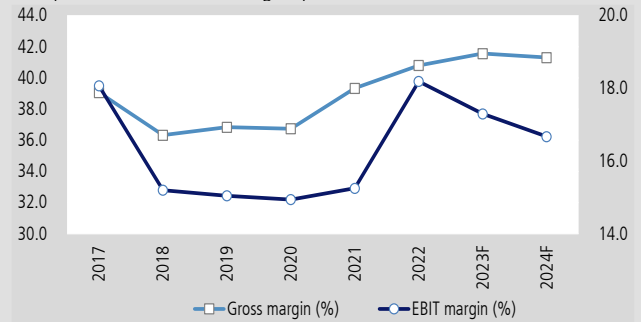
Percent



Source: Company data, KGI Securities Research

Figure 8: Margin trend

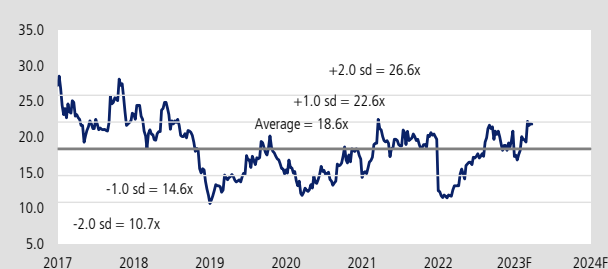
GPM, percent (LHS); EBIT margin, percent (RHS)



Source: Company data, KGI Securities Research

Figure 9: PE

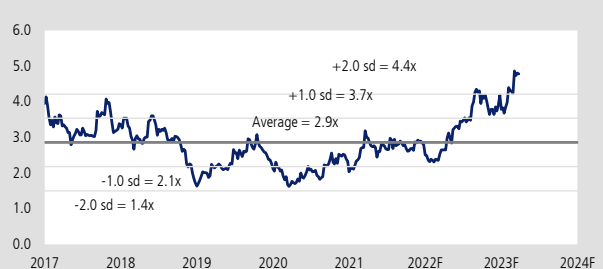
Times



Source: KGI Securities Research

Figure 10: PBV

Times



Source: KGI Securities Research

Balance Sheet

As of 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F	2025F
Total Assets	3,647	3,848	4,924	5,503	6,397	5,464
Current Assets	2,361	2,524	3,034	2,777	3,638	3,115
Cash & S-T Investments	1,609	1,754	2,125	1,651	2,282	1,487
Inventories	221	291	376	472	570	700
Accounts Receivable	500	430	518	635	765	927
Others	31	50	15	17	20	-
Non-Current Assets	1,286	1,325	1,890	2,726	2,759	2,349
L-T Investments	-	-	-	-	-	-
Net Fixed Assets	1,006	951	1,221	1,761	1,865	1,969
Others	280	373	669	965	894	380
Total Liabilities	774	842	1,312	1,439	1,729	1,697
Current Liabilities	671	745	1,134	1,419	1,709	1,677
Accounts Payable	578	676	1,093	1,374	1,659	1,622
ST Borrowings	1	2	-	-	-	-
Others	91	68	41	45	50	55
Long-term Debts	-	-	-	-	-	-
Others	104	141	178	20	20	20
Shareholders' Equity	2,772	2,906	3,558	4,003	4,608	4,500
Common Stock	304	306	306	306	306	306
Capital Surplus	976	1,021	1,021	1,021	1,021	1,021
Retained Earnings	1,464	1,564	2,238	2,684	3,289	3,180

Source: KGI Securities Research

Key ratio

Year to 31 Dec	2020	2021	2022	2023F	2024F	2025F
Growth (% YoY)						
OP	(0.2)	8.3	52.2	22.1	20.1	27.7
EBITDA	1.6	5.1	37.4	18.7	17.4	24.3
NP	(5.7)	8.1	59.0	21.1	21.0	28.2
EPS	(5.7)	7.5	59.0	21.1	21.0	28.2
Profitability (%)						
Gross Margin	36.7	39.3	41.6	41.3	42.0	42.0
Operating Margin	14.9	15.3	17.3	16.7	17.4	8.2
EBITDA Margin	20.9	20.7	20.0	18.9	19.3	9.4
Net profit Margin	11.6	11.9	13.5	13.1	13.7	6.3
ROAA	10.4	10.7	17.4	18.7	20.5	12.6
ROAE	13.5	14.0	23.9	24.9	28.1	14.9
Stability						
Gross Debt/Equity (%)	Cash	Cash	Cash	Cash	Cash	Cash
Net Debt/Equity (%)	Cash	Cash	Cash	Cash	Cash	Cash
Interest Coverage (%)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Interest & ST Debt Covera	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Cash Flow Interest Covera	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Cash Flow/Interest & ST D	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Current Ratio (x)	3.52	3.39	2.68	1.96	2.13	1.86
Quick Ratio (X)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Net Debt (Bt mn)	(1,608)	(1,742)	(2,125)	(1,651)	(2,282)	(1,487)
Per Share Data (Bt)						
EPS	1.2	1.3	2.1	2.6	3.1	4.0
CFPS	-	-	-	-	-	-
BVPS	9.1	9.5	11.6	13.1	15.1	14.7
SPS	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
EBITDA/Share	2.3	2.4	3.4	4.0	4.7	5.8
DPS	0.8	0.9	1.9	2.4	3.0	0.8
Activity						
Asset Turnover (x)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Days Receivables	55.8	45.5	32.3	31.7	31.2	30.9
Days Inventory	39.0	50.8	40.2	40.2	40.2	40.2
Days Payable	102.0	118.1	116.8	116.8	116.8	93.1
Cash Cycle	(7.2)	(21.8)	(44.3)	(45.0)	(45.4)	(22.1)

Source: KGI Securities Research

Profit & Loss

Year to 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F	2025F
Revenue	3,268	3,444	4,566	5,844	7,318	8,940
Cost of Good sold	(2,067)	(2,089)	(2,703)	(3,415)	(4,295)	(5,185)
Gross profit	1,201	1,355	1,863	2,430	3,024	3,755
Operating Expenses	(750)	(1,078)	(1,366)	(1,570)	(1,925)	(2,319)
Other income	53	269	333	155	120	120
Operating Profit	504	546	830	1,014	1,218	1,556
Depreciation of fixed assets	196	189	179	185	190	195
EBITDA	699	735	1,010	1,199	1,408	1,751
Non-operating Income						
Equity income	(15.6)	(20.2)	0.3	(3.0)	2.0	2.0
Other non-op Income	(5.9)	(5.7)	(8.5)	(10.0)	(10.0)	(10.0)
Non-operating Expenses						
Interest Expense	(3.2)	(2.5)	(2.3)	(1.0)	(2.0)	(2.0)
Others Non-op Expense	-	-	-	-	-	-
Net Investment Income (loss)						
Current Taxation	(96)	(106)	(162)	(199)	(241)	(308)
Minority	(6)	1	(1)	(5)	(5)	(5)
Exordinary Items	-	-	-	-	-	-
Net Profit	380	411	653	791	958	1,228
EPS (Bt)	1.25	1.34	2.13	2.58	3.13	4.01

Source: KGI Securities Research

Cash flow statement

Year to 31 Dec (Bt mn)	2020	2021	2022	2023F	2024F	2025F
Operating Cash Flow	712	751	1,010	1,046	1,218	1,493
Net profit	386	410	654	791	958	1,228
Change in Working Capita	130	152	177	100	100	100
Others	-	-	-	-	0	-
Investment Cash Flow	(252)	(216)	(792)	(350)	(650)	(180)
Net CAPEX	(77)	(103)	(315)	(300)	(600)	(130)
Change in LT Investment	-	-	-	-	-	-
Change in Others Assets	(174)	(112)	(477)	(50)	(50)	(50)
Free Cash Flow	460	536	218	696	568	1,313
Financing Cash Flow	(276)	(289)	(307)	(194)	(398)	(481)
Change in Share Capital	0	0	45	0	0	0
Net Change in Debt	0	0	(12)	0	0	0
Change in Others LT Liab.	(4)	(2)	(2)	(1)	(2)	(2)
Net Cash Flow	185	246	(88)	502	170	832

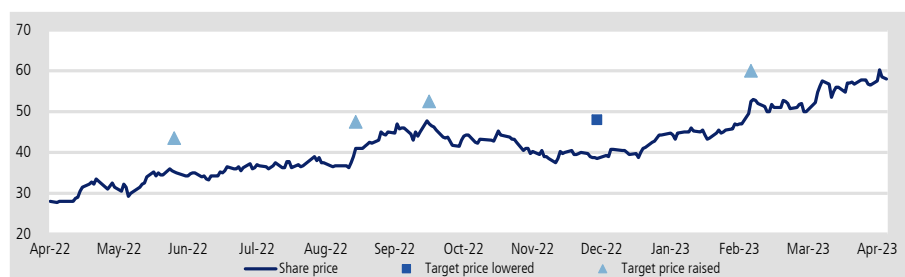
Source: KGI Securities Research

Rate of return

	1- COGS	+ Depreciation	+ Operating Exp.	=	Operating
Year	Revenue	Revenue	Revenue		Margin (%)
2020	63.3	-6.0	22.9		19.78
2021	60.7	-5.5	31.3		13.54
2022	59.2	-3.9	29.9		14.82
2023F	58.4	-2.7	26.9		17.35
2024F	58.7	-2.2	26.3		17.19
1/	Working Capital	+ Net PPE	+ Others Assets	=	Capital
Year	Revenue	Revenue	Revenue		Turnover (x)
2020	51.7	30.8	8.6		1.10
2021	51.6	27.6	10.8		1.11
2022	41.6	26.7	6.1		1.34
2023F	23.2	30.1	9.9		1.58
2024F	26.4	25.5	6.7		1.71
	Operating	x Capital	x Cash	=	After-tax Return
2020	19.8	1.1	20.0		4.3
2021	13.5	1.1	20.0		3.0
2022	14.8	1.3	21.0		4.2
2023F	17.4	1.6	22.0		6.0
2024F	17.2	1.7	23.0		6.7

Source: KGI Securities Research

Sappe – Recommendation & target price history



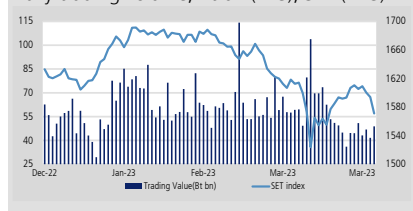
Date	Rating	Target	Price
7-Feb-23	Outperform	60.00	52.50
2-Dec-22	Outperform	48.00	38.50
20-Sep-22	Outperform	52.50	47.00
19-Aug-22	Outperform	47.50	41.00
1-Jun-22	Outperform	43.50	35.25

Source: KGI Securities Research

SET is likely to consolidate on Monday

SET performance

Daily trading volume, Bt bn (LHS); SET (RHS)



Source: SET

Market turnover Bt34bn

Bt bn	Buy	%	Sell	%
Retail	10.7	34.2	11.1	35.5
Foreign	17.7	56.4	17.2	55.2
Institutional	2.9	9.3	2.9	9.3

Most active sectors

	Bt bn	Chng (%)	% of total
Bank	5.5	0.5	16.2
Energy	5.3	-	16.0
Comm	3.3	0.2	9.8
Trans	2.5	0.5	7.3
Food	2.2	-0.8	6.6

Most active stocks

	Close (Bt)	Chng (%)	Bt bn
BANPU	10.90	0.9	1.2
DELTA	914	3.6	0.9
SCB	103.50	0.5	0.9
COM7	27.50	1.8	0.9
AOT	72	0.3	0.9

Daily NVDR report

Increase

Stock	5-Apr-23 mn shares	7-Apr-23 mn shares	Value Bt mn
BDMS	2,180.3	2,200.0	591.3
KBANK	374.0	376.7	344.2
BH	127.8	128.2	102.8
BGRIM	122.3	124.2	77.1
CPN	324.1	325.1	69.7
CBG	39.2	39.8	46.9
AMATA	96.4	98.0	36.1
JMT	75.6	76.4	32.8
AWC	1,464.1	1,468.9	27.0
CRC	290.2	290.8	25.8

Decrease

Stock	5-Apr-23 mn shares	7-Apr-23 mn shares	Value Bt mn
DELTA	39.6	39.2	-320.7
CPALL	980.1	976.9	-194.7
IVL	531.9	529.3	-87.8
JMART	76.3	72.7	-78.8
ITC	56.9	54.5	-54.4
GULF	482.1	481.1	-53.3
EA	355.7	355.0	-49.8
BCP	197.4	195.9	-46.4
ADVANC	221.0	220.8	-44.5
GLOBAL	207.9	205.4	-43.8

Trader Comments

Rakpong Chaisuparakul (66.2658.8888 Ext. 8845)

Following a modest market rebound last Friday, the SET Index is likely to consolidate on Monday for a couple of reasons. First, after some sessions of price volatility, the mega cap electronics stock Delta Electronics (Thailand) (DELTA.BK/DELTA TB)* could enter sideways mode. Second, there were mixed tones from US economic releases last week; most of the key data flows were below expectation, but March unemployment rate declined to 3.5%. At the moment, Fed Fund Futures predict the US Fed to raise interest rate another 25bps to 5.25%, at the May FOMC decision, marking the peak rate. Of note, recession risk is still worth monitoring. After a slew of weaker than expected data sets, US GDP tracker model now predicts the US GDP to rise 1.5% QoQ SAAR, much weaker than a week ago.

Quick Bullets

Thai Research Team (66.2658.8888 Ext. 8859)

Economic growth in Southeast Asia is forecast to drop from 5.6% in 2022 to 4.6% this year, pressured by weaker demand as the global economy slows, says the Organisation for Economic Co-operation and Development (OECD). According to the OECD's Economic Outlook for Southeast Asia, China, and India 2023 report, Thailand's economic growth is projected to increase from 2.6% last year to 3.8% in 2023, ranking sixth among regional economies. Despite the global economic slowdown and weaker demand, Thai GDP is expected to expand by 3.8% in 2024. (Bangkok Post)

As travel continues to recover post-pandemic, nights booked in Thailand on Airbnb more than doubled last year from 2020, according to data compiled by the accommodation-sharing platform operator. International travel is leading the way, with Bangkok emerging a top destination of choice for global travellers. The capital was the No.1 trending destination globally for Airbnb guests in the third quarter last year, and ranks fifth on Airbnb's list of top trending global travel spots in 2023. (Bangkok Post)

The Energy Regulatory Commission (ERC) is encouraging companies not selected for power projects under its 5.2-gigawatt renewables scheme to participate in the second phase after the general election. In the first phase, 175 companies were selected by the ERC. They include B.Grimm Power Plc (BGRIM.BK/BGRIM TB)*, which announced it would join hands with Siam Cement Group (SCC.BK/SCC TB)*, Thailand's largest cement maker and industrial conglomerate, to develop solar farms. Khomgrich Tantravanich, secretary-general of the ERC, said total electricity generation capacity in the second phase will be lower than the first phase. Officials set a new capacity target of 3.6GW. (Bangkok Post)

Demco (DEMCO.BK/DEMCO TB), a contractor and engineering service provider, is expanding its clean energy business following diversification into this sector by joining the government's promoted renewable power development scheme. The company proposed power generation projects in an auction for the 5.2-gigawatt renewable power scheme, overseen by the Energy Regulatory Commission (ERC), said Pongsak Sirikupt, chief executive and managing director of Demco. (Bangkok Post)

Price Analysis



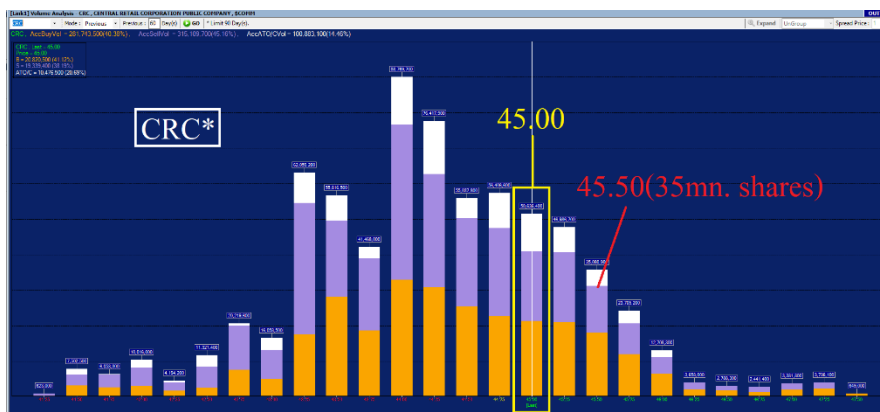
CRC*

Support	43.50-44.50
Resistance	46.50 / 48.00
Stop Loss	43.00

CRC* (Daily)

Formed inverse head and shoulders pattern. In addition, there is a positive signal from the MACD line as it is still over the Signal line. Recommend short-term speculation for an expected swing up.

Volume Analysis



At the closing price of 45.00, it is recommended to speculative buy as the price is nearly passing the resistance at 45.50 with trading volume of about 35mn shares, after which the volume resistance is reduced to about 6.5mn shares per bar. Considering that the volume resistance has decreased by more than 82%, it is expected that the price will continue to rise easily.

Investment Strategy

Recommendation

Buy when price weakens to support Bt43.50-Bt44.50. Expected to swing up with short-term resistance at Bt46.50 or Bt48.00, respectively. Stop loss when the price is lower than Bt43.00.

Price Analysis



KEX*

Support 16.50-16.80

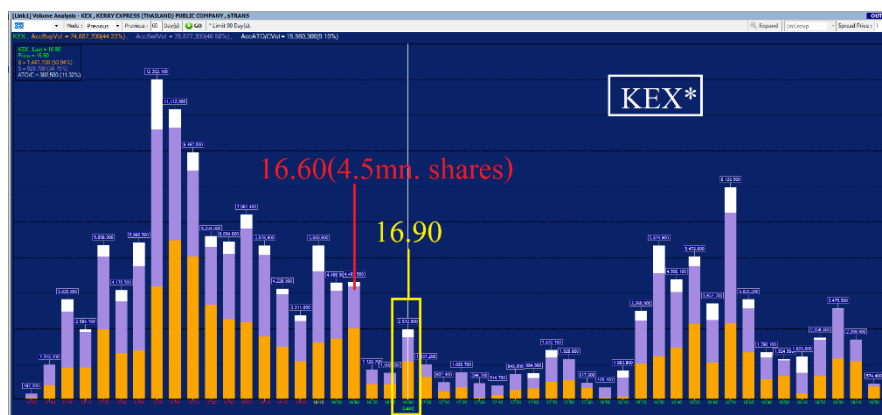
Resistance 17.40 / 17.90

Stop Loss 16.30

KEX* (Daily)

Broke neckline resistance of round bottom pattern. In addition, there is a positive signal from MACD line as it is still over the Signal line. Recommend short-term speculation for an expected swing up.

Volume Analysis




At the closing price of 16.90, it is recommended to speculative buy as the price had passed the resistance at 16.60 with trading volume of about 4.5mn shares, after which the volume resistance is reduced to about 1mn shares per bar. Considering that the volume resistance has decreased by more than 78%, it is expected that the price will continue to rise easily.


Investment Strategy


Recommendation

Buy when price weakens to support at Bt16.50-Bt16.80. Expected to swing up with short-term resistance at Bt17.40 or Bt17.90, respectively. Stop loss when price is lower than Bt16.30.

Corporate Governance Report of Thai Listed Companies

 Companies with Excellent CG Scoring					
Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	EGCO	ELECTRICITY GENERATING	PTTEP	PTT EXPLORATION AND PRODUCTION
ADVANC	ADVANCED INFO SERVICE	GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL
AMA	AMA MARINE	GGC	GLOBAL GREEN CHEMICALS	PYLON	PYLON
AMATA	AMATA CORPORATION	GPSC	GLOBAL POWER SYNERGY	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	HANA	HANA MICROELECTRONICS	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	HMPRO	HOME PRODUCT CENTER	RS	RS
AP	ASIAN PROPERTY DEVELOPMENT	INTUCH	SHIN CORPORATION	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	IRPC	IRPC	SCC	THE SIAM CEMENT
BCP	THE BANGCHAK PETROLEUM	IVL	INDORAMA VENTURES	SCCC	SIAM CITY CEMENT
BCPG	BCPG	KBANK	KASIKORN BANK	SEAFCO	SEAFCO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KCE	KCE ELECTRONICS	SMPC	SAHAMITR PRESSURE CONTAINER
BEC	BEC WORLD	KKP	KIATNAKIN BANK	SPALI	SUPALAI
BEM	BANGKOK EXPRESSWAY AND METRO	KTG	KRUNG THAI BANK	SPRC	STAR PETROLEUM REFINING
BGRIM	B. GRIMM POWER	KTC	KRUNGTHAI CARD	SVI	SVI
BPP	BANPU POWER	LH	LAND AND HOUSES	TACC	T.A.C. CONSUMER
BTS	BTS GROUP HOLDINGS	LPN	L.P.N. DEVELOPMENT	TCAP	THANACHART CAPITAL
CENTEL	CENTRAL PLAZA HOTEL	MAKRO	SIAM MAKRO	THCOM	THAICOM
CK	CH. KARNCHANG	MBK	MBK	TISCO	TISCO FINANCIAL GROUP
CKP	CK POWER	MINT	MINOR INTERNATIONAL	TOP	THAI OIL
CPALL	CP ALL	MTC	MUANGTHAI CAPITAL	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	PLANB	PLAN B MEDIA	TTB	TMBTHANACHART BANK
CPN	CENTRAL PATTANA	PSH	PRUKSA HOLDING	VGI	VGI GLOBAL MEDIA
DELTA	DELTA ELECTRONICS (THAILAND)	PTG	PTG ENERGY	WHA	WHA CORPORATION
DTAC	TOTAL ACCESS COMMUNICATION	PTT	PTT	WHAUP	

 Companies with Very Good CG Scoring					
Stock	Company name	Stock	Company name	Stock	Company name
BAM	BANGKOK COMMERCIAL ASSET MANAGEMENT	GULF	GULF ENERGY DEVELOPMENT	SAPPE	SAPPE
BBL	BANGKOK BANK	JMT	JMT NETWORK SERVICES	SAWAD	SRI SAWAD POWER 1979
CBG	CARABAO GROUP	LPH	LADPRAO GENERAL HOSPITAL	SINGER	SINGER THAILAND
CHG	CHULARAT HOSPITAL	M	MK RESTAURANT GROUP	SPA	SIAM WELLNESS GROUP
COM7	COM7	MAJOR	MAJOR CINEPLEX GROUP	TFG	THAIFOODS GROUP
DOHOME	DOHOME	MEGA	MEGA LIFESCIENCES	TKN	TAOKAENOI FOOD & MARKETING
ERW	THE ERAWAN GROUP	NETBAY	NETBAY	ZEN	ZEN CORPORATION GROUP
GLOBAL	SIAM GLOBAL HOUSE	OSP	OSOTSPA		

 Companies with Good CG Scoring					
Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	ESSO	ESSO (THAILAND)	SF	SIAM FUTURE DEVELOPMENT
BH	BUMRUNGRAD HOSPITAL	HUMANICA	HUMANICA	SISB	SISB
EKH	EKACHAI MEDICAL CARE	RBF	R&B FOOD SUPPLY	TPCH	TPC POWER HOLDING

Companies classified Not in the three highest score groups					
Stock	Company name	Stock	Company name	Stock	Company name
IIG	I&I GROUP	OR	PTT OIL AND RETAIL BUSINESS	STGT	SRI TRANG GLOVES (THAILAND)
KEX	KERRY EXPRESS (THAILAND)	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	GLOBAL	SIAM GLOBAL HOUSE	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	GPSC	GLOBAL POWER SYNERGY	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BBL	BANGKOK BANK	HMPRO	HOME PRODUCT CENTER	ROBINS	ROBINSON DEPARTMENT STORE
BCH	BANGKOK CHAIN HOSPITAL	IRPC	IRPC	SCC	THE SIAM CEMENT
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KBANK	KASIKORN BANK	SIRI	SANSIRI
BIGC	BIG C SUPERCENTER	KCE	KCE ELECTRONICS	SPALI	SUPALAI
CK	CH. KARNCHANG	KKP	KIATNAKIN BANK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DCC	DYNASTY CERAMIC	KTB	KRUNG THAI BANK	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	LPH	LADPRAO GENERAL HOSPITAL	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	PACE	PACE DEVELOPMENT CORPORATION	TMT	THAI METAL TRADE
EGCO	ELECTRICITY GENERATING	PTT	PTT	TOP	THAI OIL
GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERAWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRI SAWAD POWER 1979
BA	BANGKOK AIRWAYS	GUNKUL	GUNKUL ENGINEERING	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	ILINK	INTERLINK COMMUNICATION	SCN	SCAN INTER
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SEAFECO	SEAFECO
BH	BUMRUNGRAD HOSPITAL	LH	LAND AND HOUSES	SVI	SVI
BJCHI	BJC HEAVY INDUSTRIES	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CBG	CARABAO GROUP	MAKRO	SIAM MAKRO	TKN	TAOKAENOI FOOD & MARKETING
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TMB	TMB BANK
CHG	CHULARAT HOSPITAL	MINT	MINOR INTERNATIONAL	TRT	TIRATHAI
CKP	CK POWER	MODERN	MODERNFORM GROUP	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
CPN	CENTRAL PATTANA	PTTEP	PTT EXPLORATION AND PRODUCTION		
DTAC	TOTAL ACCESS COMMUNICATION	PYLON	PYLON		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
BEM	BANGKOK EXPRESSWAY AND METRO	MTLS	MUANGTHAI LEASING	SPRC	STAR PETROLEUM REFINING
CPALL	CP ALL	SCI	SCI ELECTRIC		

No progress

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	BPP	BANPU POWER	FN	FN FACTORY OUTLET
BCPG	BCPG	BTS	BTS GROUP HOLDINGS	TPCH	TPC POWER HOLDING

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. Excess return = 12M target price/current price-
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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