

28 August 2012

# Thai Corporate Day

Meeting 110 fund managers  
(75 funds) in SG and HK

**Investment thesis:** Last week, we hosted Thai Corporate Day events in Hong Kong and Singapore. Executives from 12 SET-listed firms and 110 fund managers (up from 75 last year) participated. In the midst of caution over the global economic environment, investors were keen to identify domestic growth stories and clear earnings visibility. It was no coincidence that many of the firms we brought to the event have attractive growth stories, either organic or inorganic. In our view, LH and TUF look most exciting in the short term. Synopses of the investment themes of the 12 companies are presented below:

**BECL (BUY, TP Bt32):** Better-than-expected traffic growth, Cabinet approval of Sector B+ and the listing of CK Power.

**BH (BUY, TP Bt98):** All-time high 3Q12 and FY12 profits. Scope for profit upside from new acquisitions.

**BLA (BUY, TP Bt54):** Forecast strong earnings growth of 20% next year can be achieved by sales of high-margin products, lower provisions and a lower tax rate.

**CENTEL (BUY, TP Bt17):** Wait for a good entry price—multiples are stretched at the moment.

**CPF (BUY, TP Bt40):** Livestock oversupply to diminish by YE12. A new acquisition in 4Q12 or 1Q13.

**HEMRAJ (BUY, TP Bt4.1):** The FY12 land sales target of 2,300 rai should be easily achieved. The FY13 target is conservatively set at 1,500 rai.

**HMPRO (BUY, TP Bt14.5):** 3Q12 will remain slow, but 4Q12 should be stronger. The long-term growth profile remains strong, led by aggressive expansion and a shift in consumer behavior.

**LH (BUY, TP Bt9.2):** Surprisingly good housing GM. A tender for land on which to build a new rental project would be expected to push up the share price.

**ROBINS (BUY, TP Bt69):** Provincial areas will remain blue ocean for ROBINS. Sales and profitability should sustain uptrends for the next several years.

**TTW (HOLD, TP Bt7.1):** An attractive dividend yield of 5.7% versus 3.8% for the SET provides support against share price downside.

**THCOM (BUY, TP Bt20.5):** Scope for upside from selling Mfone. IPSTAR progress in India and Thailand.

**TUF (BUY, TP Bt85):** Margin sustainability with scope for upside from MWB synergies. A new acquisition in 4Q12 or 1Q13.

## BUALUANG RESEARCH

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### Price Performance

	Market Cap (Btbn)	1W	1M	3M
BECL	214	2.8	0.0	26.1
BH	56.3	13	4.4	21.7
BLA	53.7	-3.8	-16	-3.8
CENTEL	22.5	12	7.1	38.0
CPF	247.8	-3.8	0.0	-16.9
HEMRAJ	28.9	14	-0.7	8.0
HMPRO	74.5	5.8	114	-0.8
LH	83.2	4.4	7.8	9.9
ROBINS	71.1	6.7	7.6	8.5
THCOM	20.2	9.5	25.2	34.3
TTW	28.1	14	-2.8	12.8
TUF	80.0	0.4	-3.8	-1.8

### Stock valuations

	Rec.	TP (Bt)	EPS (%) 12E	Core EPS (%) 12E	PER (x) 12E	PBV (x) 12E	ROE (%) 12E	DY (%) 12E
BECL	BUY	32.0	81.3	38.8	8.7	1.1	13.2	6.6
BH	BUY	98.0	30.7	30.7	28.0	6.7	34.7	2.3
BLA	BUY	54.0	8.3	7.9	14.5	3.4	23.1	1.6
CENTEL	BUY	17.0	69.1	69.1	20.8	3.4	18.0	1.9
CPF	BUY	40.0	38.6	-19.2	11.0	2.5	28.3	4.7
HEMRAJ	BUY	4.1	313.6	300.6	13.0	2.7	23.4	3.8
HMPRO	BUY	14.5	31.9	32.6	28.0	7.9	30.4	1.8
LH	BUY	9.2	-8.0	45.2	15.8	2.6	17.6	5.4
ROBINS	BUY	69.0	45.3	35.1	33.5	6.7	22.4	1.5
TTW	HOLD	7.1	2.0	2.0	13.0	2.4	20.0	5.7
THCOM	BUY	20.5	n.m.	NM	40.3	1.4	3.5	0.0
TUF	BUY	85.0	-6.3	37.1	14.0	1.9	18.6	3.9

Source: Bualuang Securities estimates

# Bangkok Expressway

BECL TB / BECL.BK

BUY (Target Bt32.00)

## Key Ratios & Statistics

Market cap	Bt2137bn
12-mth price range	Bt16.10/Bt28.75
12-mth avg daily volume	Bt36.06m
# of shares (m)	770.0
Est. free float (%)	71.0
Foreign limit (%)	49.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(4.7)	17.9	40.8
Absolute	-	26.1	57.7

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	7,308	7,898	8,354	9,082
Net profit (Btm)	1,408	2,552	2,140	2,613
EPS (Bt)	1.76	3.19	2.68	3.27
BLS/Consensus (x)	n.m.	1.12	1.21	n.m.
EPS growth (%)	(22%)	+81.3%	(16.1%)	+22.1%
Core profit (Btm)	1,279	1,776	2,140	2,613
Core EPS (Bt)	1.60	2.22	2.68	3.27
Core EPS growth (%)	(30%)	+38.8%	+20.5%	+22.1%
PER (x)	10.2	8.7	10.4	8.5
Core PER (x)	11.2	12.5	10.4	8.5
EV/EBITDA (x)	6.5	7.0	6.5	5.4
PBV (x)	0.7	1.1	1.0	1.0
Dividend (Bt)	1.30	1.84	1.54	1.88
Dividend yield (%)	7.2	6.6	5.6	6.8
ROE (%)	7.5	13.2	10.5	12.2
Net gearing (x)	1.0	0.8	0.7	0.5

CG Rating - 2011



## Key highlights

- BECL's 7M12 average daily traffic volume rose by 5.7% YoY to 1,078,396 trips, which was comparable to the pre-flooding level and well above-trend of the firm's target of 4.2%. The third-quarter is normally high season, as there are fewer public and school holidays during the period.
- In the near-term, the rising number of vehicles on the roads brought about by the govt's first-time car buyer tax rebate, will drive expressway traffic growth. Apart from volume growth, the toll fee should increase by Bt5 (probably only for Sectors FES and A) from Bt45/trip currently, effective Sept 2013.
- The Si Rat-Outer Ring Road Expressway Project (Sector B+) will create long-term value. Ms Suttida Sukhanindr, Investor Relations and Deputy GM of Business Development, said the govt is likely to approve the Sector B+ extension, worth Bt25.5bn, by the end of August or Sept 2012. The project is already in the queue for Cabinet approval.
- BECL expects to sign a contract with the Expressway Authority of Thailand within one or two months of Cabinet approval for a Build-Transfer-Operate (BTO) project with a 30-year concession term. The construction period will be about four years; the sector should start operating in FY17. The toll fee structure for Sector B+ will be different from existing projects. BECL agreed with the govt to apply a fixed baht price rise every five years instead of a CPI-linked toll fee. The toll fee will be Bt50/trip when the sector opens for business.
- Ms Suttida expects traffic in Sector B+ to reach 80,000 trips/day in its first year of operation and a 30% CAGR during the following three years. Its capacity is 180,000 trips/day. Project IRR is expected to be in high single digits. Debt will be used to finance construction. BECL's debt/equity ratio is 1.03x, far below its debt covenant of 2.5x, so in theory it has additional debt capacity of Bt29.6bn.
- Despite the upcoming investment in Sector B+, BECL will try to keep its DPS at Bt1.30 (equal to the FY11 DPS) during the next few years. There is also scope for upside to the firm's long-term dividend payment from earnings additions from new routes. With regard to investments in non-core businesses, apart from the dividends from TTW, BECL will continue to pursue growth through CK Power (30% stake) going forward.

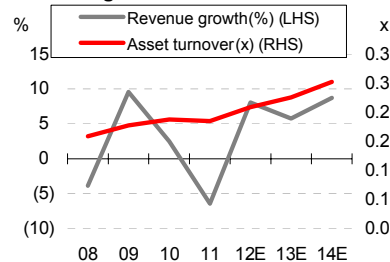
## Catalysts

- Cabinet approval of Sector B+ would be a near-term catalyst.
- The listing of CK Power, expected in 4Q12.

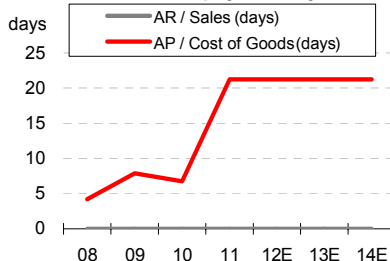
## Valuation

- BECL currently trades at an FY12 PER of 8.7x, a discount to its long-term average of 10x. The FY12 dividend yield, which we assume at 6.6%, will also support the share price.
- There would be scope for earnings upside, should traffic growth exceed expectations.

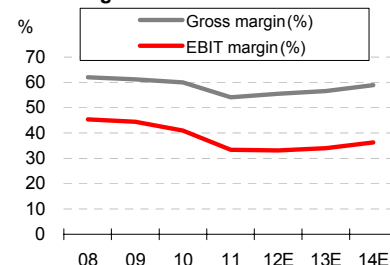
### Revenue growth and asset turnover



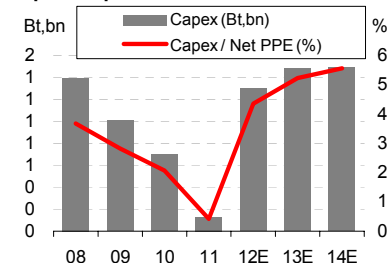
### A/C receivable & A/C payable days



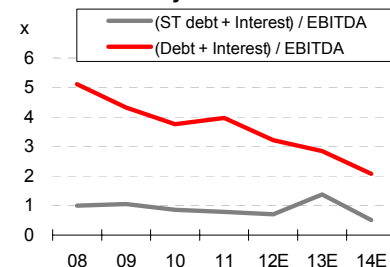
### Profit margins



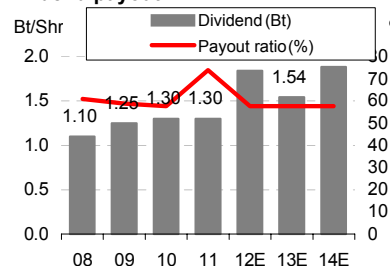
### Capital expenditure



### Debt serviceability



### Dividend payout



### Financial tables

PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	7,811	7,308	7,898	8,354	9,082
Cost of sales and services	(3,122)	(3,357)	(3,514)	(3,627)	(3,729)
<b>Gross profit</b>	<b>4,689</b>	<b>3,951</b>	<b>4,385</b>	<b>4,728</b>	<b>5,353</b>
SG&A	(1,484)	(1,508)	(1,765)	(1,888)	(2,053)
<b>EBIT</b>	<b>3,205</b>	<b>2,443</b>	<b>2,619</b>	<b>2,840</b>	<b>3,301</b>
Interest expense	(994)	(896)	(663)	(552)	(437)
Other income/exp.	193	231	179	182	183
<b>EBT</b>	<b>2,404</b>	<b>1,778</b>	<b>2,135</b>	<b>2,469</b>	<b>3,047</b>
Corporate tax	(601)	(509)	(905)	(535)	(653)
<b>After-tax net profit (loss)</b>	<b>1,803</b>	<b>1,269</b>	<b>1,231</b>	<b>1,934</b>	<b>2,394</b>
Minority interest	0	18	0	0	0
Equity earnings from affiliates	0	9	171	206	219
Extra items	0	112	1,150	0	0
<b>Net profit (loss)</b>	<b>1,803</b>	<b>1,408</b>	<b>2,552</b>	<b>2,140</b>	<b>2,613</b>
Reported EPS	2.34	1.83	3.31	2.78	3.39
Fully diluted EPS	2.25	1.76	3.19	2.68	3.27
<b>Core net profit</b>	<b>1,831</b>	<b>1,279</b>	<b>1,776</b>	<b>2,140</b>	<b>2,613</b>
Core EPS	2.29	1.60	2.22	2.68	3.27
<b>EBITDA</b>	<b>5,622</b>	<b>5,018</b>	<b>5,275</b>	<b>5,559</b>	<b>6,084</b>

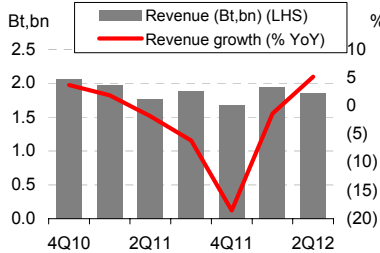
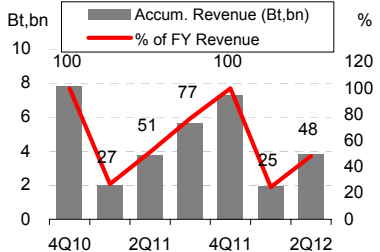
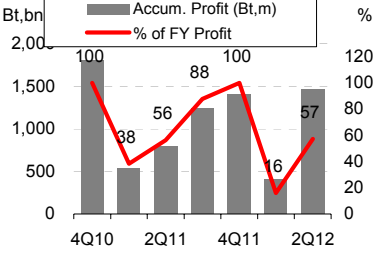
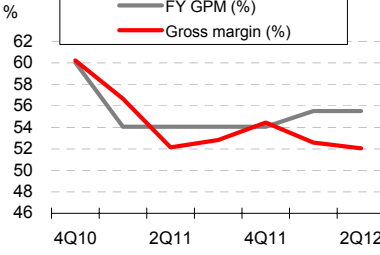
KEY RATIOS	2010	2011	2012E	2013E	2014E
Revenue growth (%)	2.5	(6.4)	8.1	5.8	8.7
Gross margin (%)	60.0	54.1	55.5	56.6	58.9
EBITDA margin (%)	72.0	68.7	66.8	66.5	67.0
Operating margin (%)	41.0	33.4	33.2	34.0	36.3
Net margin (%)	23.1	19.3	32.3	25.6	28.8
Core profit margin (%)	23.4	17.5	22.5	25.6	28.8
ROA (%)	4.3	3.6	6.7	5.8	7.3
ROCE (%)	4.5	3.7	6.9	5.9	7.4
Asset turnover (x)	0.2	0.2	0.2	0.2	0.3
Current ratio (x)	0.4	0.9	0.8	0.5	1.1
Gearing ratio (x)	1.1	1.0	0.8	0.7	0.6
Interest coverage (x)	3.2	2.7	3.9	5.1	7.6

BALANCE SHEET (Btm)	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>100</b>	<b>128</b>	<b>557</b>	<b>611</b>	<b>814</b>
Accounts receivable	0	0	0	0	0
Inventory	0	0	0	0	0
PP&E-net	33,899	31,311	29,772	28,326	26,818
Other assets	4,442	3,984	4,162	4,367	4,583
<b>Total assets</b>	<b>40,429</b>	<b>38,607</b>	<b>37,034</b>	<b>36,974</b>	<b>35,068</b>
Accounts payable	58	196	205	211	217
ST debts & current portion	3,826	3,038	3,038	7,096	2,642
Long-term debt	16,299	16,006	13,271	8,175	9,533
Other liabilities	434	76	68	61	55
<b>Total liabilities</b>	<b>21,408</b>	<b>19,916</b>	<b>17,208</b>	<b>16,197</b>	<b>13,130</b>
Paid-up capital	7,700	7,700	7,700	7,700	7,700
Share premium	4,848	4,848	4,848	4,848	4,848
Retained earnings	6,031	6,333	7,468	8,420	9,583
<b>Shareholders equity</b>	<b>19,021</b>	<b>18,709</b>	<b>19,845</b>	<b>20,797</b>	<b>21,959</b>
Minority interests	0	(18)	(19)	(20)	(21)
<b>Total Liab.&amp;Shareholders' equity</b>	<b>40,429</b>	<b>38,607</b>	<b>37,034</b>	<b>36,974</b>	<b>35,068</b>

CASH FLOW (Btm)	2010	2011	2012E	2013E	2014E
Net income	1,803	1,408	2,552	2,140	2,613
Depreciation and amortization	2,416	2,573	2,656	2,719	2,783
Change in working capital	(1,564)	(1,283)	27	25	26
FX, non-cash adjustment & others	2,096	1,333	614	2,904	(3,663)
<b>Cash flows from operating activities</b>	<b>4,752</b>	<b>4,031</b>	<b>5,848</b>	<b>7,789</b>	<b>1,758</b>
Capex (Invest)/Divest	(700)	(130)	(1,294)	(1,478)	(1,491)
Others	1,355	(881)	(0)	(0)	(0)
<b>Cash flows from investing activities</b>	<b>655</b>	<b>(1,010)</b>	<b>(1,294)</b>	<b>(1,479)</b>	<b>(1,491)</b>
Debt financing (repayment)	(4,443)	(1,953)	(2,708)	(5,068)	1,386
Equity financing	0	0	0	0	0
Dividend payment	(963)	(1,040)	(1,417)	(1,188)	(1,451)
Others	0	0	0	0	0
<b>Cash flows from financing activities</b>	<b>(5,406)</b>	<b>(2,993)</b>	<b>(4,125)</b>	<b>(6,257)</b>	<b>(64)</b>
Net change in cash	1	28	429	53	203
<b>Free cash flow (Btm)</b>	<b>4,052</b>	<b>3,901</b>	<b>4,554</b>	<b>6,310</b>	<b>268</b>
<b>FCF per share (Bt)</b>	<b>5.26</b>	<b>5.07</b>	<b>5.91</b>	<b>8.20</b>	<b>0.35</b>

Key assumptions	2010	2011	2012E	2013E	2014E
Average daily traffic volume (trips/day)	974,505	1,024,867	1,078,160	1,099,831	1,116,329
Traffic growth (%)	2.3	5.2	5.2	2.0	1.5
Dividend income from TTW (Btm)	118	129	129	129	129
Equity income from NN2	0	9	171	206	219

Sources: Company data, Bualuang Research estimates

		Financial tables					
Revenue trend		QUARTERLY PROFIT & LOSS (Btm)					
		2Q11	3Q11	4Q11	1Q12	2Q12	
Bt,bn		Revenue	1,771	1,884	1,679	1,947	1,862
%		Cost of sales and services	(848)	(889)	(765)	(923)	(893)
4Q10		<b>Gross profit</b>	<b>923</b>	<b>995</b>	<b>914</b>	<b>1,024</b>	<b>969</b>
2Q11		SG&A	(375)	(336)	(402)	(424)	(429)
4Q11		<b>EBIT</b>	<b>548</b>	<b>659</b>	<b>512</b>	<b>600</b>	<b>540</b>
2Q12		Interest expense	(231)	(238)	(220)	(211)	(216)
		Other income/exp.	20	82	31	119	34
		<b>EBT</b>	<b>337</b>	<b>504</b>	<b>322</b>	<b>508</b>	<b>357</b>
		Corporate tax	(99)	(145)	(84)	(114)	(456)
		<b>After-tax net profit (loss)</b>	<b>238</b>	<b>358</b>	<b>238</b>	<b>394</b>	<b>(99)</b>
		Minority interest	9	8	(6)	3	11
		Equity earnings from affiliates	1	61	(53)	10	(29)
		Extra items	7	17	(9)	3	1,169
		<b>Net profit (loss)</b>	<b>255</b>	<b>444</b>	<b>170</b>	<b>410</b>	<b>1,052</b>
		Reported EPS	0.33	0.58	0.22	0.53	1.37
		Fully diluted EPS	0.32	0.55	0.21	0.51	1.32
		<b>Core net profit</b>	<b>248</b>	<b>427</b>	<b>179</b>	<b>407</b>	<b>274</b>
		Core EPS	0.31	0.53	0.22	0.51	0.34
		<b>EBITDA</b>	<b>1,200</b>	<b>1,353</b>	<b>1,082</b>	<b>1,303</b>	<b>1,213</b>
Revenue trend (accumulated)		KEY RATIOS					
		2Q11	3Q11	4Q11	1Q12	2Q12	
Bt,bn		Gross margin (%)	52.1	52.8	54.4	52.6	52.0
%		EBITDA margin (%)	67.8	71.8	64.4	66.9	65.2
4Q10		Operating margin (%)	31.0	35.0	30.5	30.8	29.0
2Q11		Net margin (%)	14.4	23.6	10.1	21.1	56.5
4Q11		Core profit margin (%)	14.0	22.7	10.6	20.9	14.7
2Q12		BV (Bt)	24.38	23.95	24.27	25.30	26.20
		ROE (%)	5.4	9.5	3.7	8.6	21.2
		ROA (%)	2.5	4.3	1.7	4.2	10.4
		Current ratio (x)	1.0	0.7	0.9	0.9	0.0
		Gearing ratio (x)	1.0	0.9	0.9	0.9	0.7
		Interest coverage (x)	2.4	2.8	2.3	2.8	2.5
Net profit trend (accumulated)		QUARTERLY BALANCE SHEET (Btm)					
		2Q11	3Q11	4Q11	1Q12	2Q12	
Bt,bn		<b>Cash &amp; Equivalent</b>	<b>1,174</b>	<b>1,170</b>	<b>128</b>	<b>102</b>	<b>93</b>
%		Accounts receivable	0	0	0	0	0
4Q10		Inventory	0	0	0	0	0
2Q11		PP&E-net	32,592	31,939	31,311	30,668	30,079
4Q11		Other assets	4,234	4,119	3,984	4,662	5,768
2Q12		<b>Total assets</b>	<b>41,396</b>	<b>40,974</b>	<b>38,607</b>	<b>40,172</b>	<b>40,926</b>
		Accounts payable	32	29	196	178	260
		ST debts & current portion	1,027	1,085	1,143	1,356	1,569
		Long-term debt	17,573	15,392	16,006	15,507	13,008
		Other liabilities	255	0	76	0	0
		<b>Total liabilities</b>	<b>22,619</b>	<b>22,534</b>	<b>19,916</b>	<b>20,691</b>	<b>20,749</b>
		Paid-up capital	7,700	7,700	7,700	7,700	7,700
		Share premium	4,848	4,848	4,848	4,848	4,848
		Retained earnings	6,181	6,163	6,333	6,743	7,256
		<b>Shareholders equity</b>	<b>18,793</b>	<b>18,465</b>	<b>18,709</b>	<b>19,502</b>	<b>20,210</b>
		Minority interests	(17)	(24)	(18)	(21)	(32)
		<b>Total Liab.&amp;Shareholders' equity</b>	<b>41,396</b>	<b>40,974</b>	<b>38,607</b>	<b>40,172</b>	<b>40,926</b>
Gross profit margin							
							
%							
4Q10							
2Q11							
4Q11							
2Q12							

Sources: Company data, Bualuang Research

# Bumrungrad Hospital

BH TB / BH.BK

BUY (Target Bt98.00)

## Key Ratios & Statistics

Market cap	Bt56.27bn
12-mth price range	Bt34.25/Bt85.50
12-mth avg daily volume	Bt75.73m
# of shares (m)	728.4
Est. free float (%)	40.6
Foreign limit (%)	49.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(0.3)	13.4	90.5
Absolute	4.4	21.7	107.4

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	11,015	12,645	14,398	16,157
Net profit (Btm)	1,664	2,636	2,375	2,835
EPS (Bt)	2.28	3.61	3.25	3.88
BLS/Consensus (x)	n.m.	1.25	1.13	1.34
EPS growth (%)	+33.1%	+58.5%	-9.9%	+19.4%
Core profit (Btm)	1,543	2,016	2,375	2,835
Core EPS (Bt)	2.11	2.76	3.25	3.88
Core EPS growth (%)	+20.3%	+30.7%	+17.8%	+19.4%
PER (x)	33.9	21.4	23.7	19.9
Core PER (x)	36.6	28.0	23.7	19.9
EV/EBITDA (x)	23.5	18.2	15.5	13.2
PBV (x)	8.4	6.7	5.8	5.1
Dividend (Bt)	1.10	1.81	1.63	1.94
Dividend yield (%)	1.4	2.3	2.1	2.5
ROE (%)	26.0	34.7	26.2	27.4
Net gearing (x)	0.5	0.0	(0.1)	(0.1)

CGRating - 2011



## Key highlights

- Mr Kenneth May, Hospital Marketing Director and Mr Dominic Garetto, CFO, said BH's earnings profile is resilient to global economic uncertainty, due to the nature of the healthcare industry. The firm plans capacity expansion: 1) five floors in Bumrungrad International Clinic will be converted into 80 OPD examination rooms in FY13, a rise of 30%, and 2) 44 new ICUs and 61 IPD beds (equal to 22% of current IPD capacity) will be added over the next 2-3 years.
- There were questions about regional healthcare competition. The executives said Thailand remains competitive—less than half the price of hospitals in the US and 25% cheaper than Singapore.
- Investors mostly asked BH how it secures doctors and nurses. The firm has over 1,200 doctors (Thai nationals), of which over 320 are US-, UK- or Australian-certificated, and over 900 nurses. The doctor's fee is a 15% share of OPD billing. The executives said Thai specialists prefer first-tier private hospitals that have good facilities. They believe that even with the advent of the AEC in 2015, Thai doctors would largely prefer to stay in Thailand, due to its low cost of living.
- They guided for annual organic healthcare revenue growth of 10-15% over the long-term. Historically, patient volume has increased by 3-4% per year and prices have also risen. Another driver has been the expansion of intensity cases, which carry fat margins.
- The firm currently has Bt6bn in cash on-hand following its divestment of Bangkok Chain Hospital shares in July—a net cash position and the strongest balance sheet in its history.
- BH will build a second hospital on a 7,965sq.m land plot on Petchaburi Road, 900 meters from its current location on Soi Nana. The building will host 150-200 inpatient beds and a back office. The new hospital will cater to BH's existing market segment (upper mid range to high-end Thai and foreign patients). A new "Mother & Child" center will open at the facility. Construction will start in FY13 and should be completed in four or five years.
- The firm is studying the feasibility of expanding into a new market segment through a second brand in Bangkok, the provinces and Vietnam. The IRR target is 20%.

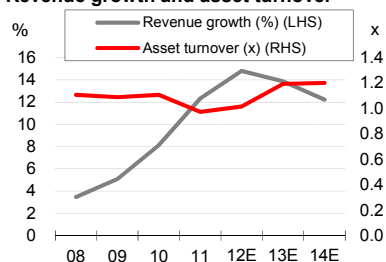
## Catalysts

- Record high 3Q12 core and net profits and FY12 earnings.
- A bottom-line profile that is resilient to global economic risk.
- New acquisitions.

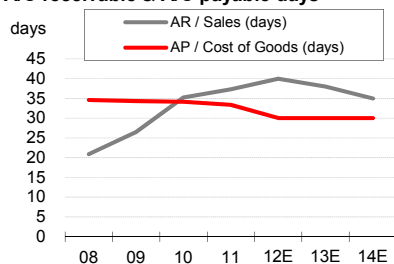
## Valuation

- The stock trades at an FY12 PER of 21.4x; near its FY06-11 mean and the global average is 26.9x. BH's multiples have scope to re-rate—its PEG is 0.7x, far below the 0.8-1.0x range it traded in during August-December 2011.

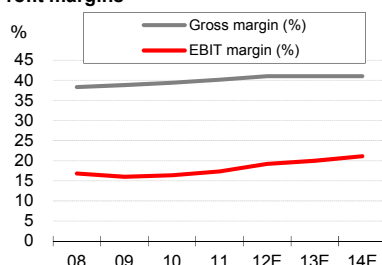
### Revenue growth and asset turnover



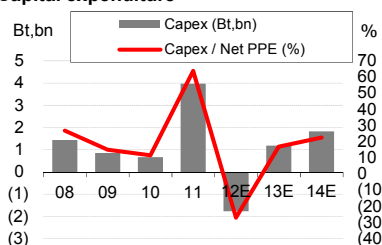
### A/C receivable & A/C payable days



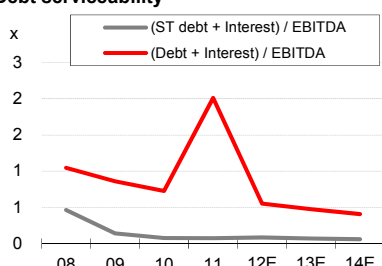
### Profit margins



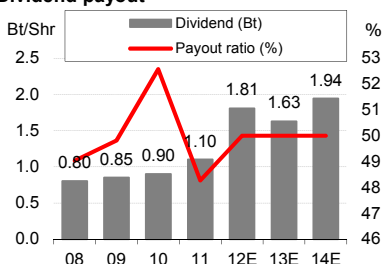
### Capital expenditure



### Debt serviceability



### Dividend payout



### Financial tables

PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	9,806	11,015	12,645	14,398	16,157
Cost of sales and services	(5,944)	(6,599)	(7,461)	(8,495)	(9,533)
<b>Gross profit</b>	<b>3,862</b>	<b>4,416</b>	<b>5,184</b>	<b>5,903</b>	<b>6,624</b>
SG&A	(2,256)	(2,507)	(2,754)	(3,024)	(3,215)
<b>EBIT</b>	<b>1,606</b>	<b>1,910</b>	<b>2,431</b>	<b>2,880</b>	<b>3,409</b>
Interest expense	(68)	(189)	(265)	(250)	(250)
Other income/exp.	224	246	291	310	347
<b>EBT</b>	<b>1,762</b>	<b>1,966</b>	<b>2,457</b>	<b>2,939</b>	<b>3,507</b>
Corporate tax	(507)	(506)	(542)	(584)	(696)
<b>After-tax net profit (loss)</b>	<b>1,254</b>	<b>1,460</b>	<b>1,915</b>	<b>2,355</b>	<b>2,810</b>
Minority interest	0	(0)	(0)	(0)	(0)
Equity earnings from affiliates	28	83	101	20	25
Extra items	(32)	121	620	0	0
<b>Net profit (loss)</b>	<b>1,250</b>	<b>1,664</b>	<b>2,636</b>	<b>2,375</b>	<b>2,835</b>
Reported EPS	1.71	2.28	3.61	3.25	3.88
Fully diluted EPS	1.76	2.11	2.76	3.25	3.88
<b>Core net profit</b>	<b>1,282</b>	<b>1,543</b>	<b>2,016</b>	<b>2,375</b>	<b>2,835</b>
Core EPS	1.76	2.11	2.76	3.25	3.88
<b>EBITDA</b>	<b>2,202</b>	<b>2,557</b>	<b>3,102</b>	<b>3,588</b>	<b>4,177</b>

KEY RATIOS	2010	2011	2012E	2013E	2014E
Revenue growth (%)	8.1	12.3	14.8	13.9	12.2
Gross margin (%)	39.4	40.1	41.0	41.0	41.0
EBITDA margin (%)	22.5	23.2	24.5	24.9	25.9
Operating margin (%)	16.4	17.3	19.2	20.0	21.1
Net margin (%)	12.7	15.1	20.8	16.5	17.5
Core profit margin (%)	13.1	14.0	15.9	16.5	17.5
ROA (%)	14.1	14.7	21.2	19.7	21.1
ROCE (%)	17.0	17.3	24.4	22.6	24.0
Asset turnover (x)	1.1	1.0	1.0	1.2	1.2
Current ratio (x)	1.1	1.8	2.0	2.4	2.6
Gearing ratio (x)	0.3	0.7	0.2	0.2	0.1
Interest coverage (x)	23.5	10.1	9.2	11.5	13.6

BALANCE SHEET (Btm)	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>627</b>	<b>1,261</b>	<b>1,424</b>	<b>2,113</b>	<b>2,525</b>
Accounts receivable	946	1,126	1,386	1,499	1,549
Inventory	218	266	243	237	221
PP&E-net	5,785	6,242	6,554	7,030	8,086
Other assets	1,575	4,578	1,825	1,825	1,825
<b>Total assets</b>	<b>9,152</b>	<b>13,473</b>	<b>11,431</b>	<b>12,704</b>	<b>14,207</b>
Accounts payable	556	603	613	698	784
ST debts & current portion	100	0	0	0	0
Long-term debt	1,430	4,955	1,450	1,450	1,450
Other liabilities	996	1,181	903	903	903
<b>Total liabilities</b>	<b>3,082</b>	<b>6,739</b>	<b>2,966</b>	<b>3,052</b>	<b>3,137</b>
Paid-up capital	730	730	730	730	730
Share premium	286	286	699	699	699
Retained earnings	4,528	5,115	6,433	7,621	9,038
<b>Shareholders' equity</b>	<b>6,070</b>	<b>6,734</b>	<b>8,465</b>	<b>9,653</b>	<b>11,070</b>
Minority interests	0	0	0	0	0
<b>Total Liab.&amp;Shareholders' equity</b>	<b>9,152</b>	<b>13,473</b>	<b>11,431</b>	<b>12,704</b>	<b>14,207</b>

CASH FLOW (Btm)	2010	2011	2012E	2013E	2014E
Net income	1,250	1,664	2,636	2,375	2,835
Depreciation and amortization	596	648	671	709	767
Change in working capital	(267)	(251)	(226)	(22)	50
FX, non-cash adjustment & others	71	(182)	(276)	(31)	(36)
<b>Cash flows from operating activities</b>	<b>1,649</b>	<b>1,879</b>	<b>2,805</b>	<b>3,031</b>	<b>3,617</b>
Capex (Invest)/Divest	(665)	(3,975)	1,770	(1,185)	(1,823)
Others	(1)	30	13	13	13
<b>Cash flows from investing activities</b>	<b>(666)</b>	<b>(3,945)</b>	<b>1,783</b>	<b>(1,172)</b>	<b>(1,810)</b>
Debt financing (repayment)	(90)	3,425	(3,503)	3	4
Equity financing	(33)	0	413	0	0
Dividend payment	(620)	(693)	(1,318)	(1,188)	(1,418)
Others	0	(33)	(17)	15	19
<b>Cash flows from financing activities</b>	<b>(742)</b>	<b>2,700</b>	<b>(4,425)</b>	<b>(1,170)</b>	<b>(1,395)</b>
Net change in cash	241	633	163	689	413
<b>Free cash flow (Btm)</b>	<b>984</b>	<b>(2,096)</b>	<b>4,575</b>	<b>1,845</b>	<b>1,794</b>
<b>FCF per share (Bt)</b>	<b>1.35</b>	<b>(2.87)</b>	<b>6.27</b>	<b>2.53</b>	<b>2.46</b>

Key assumptions				
OPD volume growth		6%	7%	8%
IPD volume growth		3%	5%	3%
OPD price growth		5%	10%	7%
IPD price growth		5%	10%	6%

Sources: Company data, Bualuang Research estimates



Financial tables						
<b>Revenue trend</b>		<b>QUARTERLY PROFIT &amp; LOSS (Btm)</b>				
		<b>2Q11</b>	<b>3Q11</b>	<b>4Q11</b>	<b>1Q12</b>	
Bt,bn		Revenue	2,783	2,994	2,500	3,155
%		Cost of sales and services	(1,668)	(1,775)	(1,568)	(1,834)
4Q10		<b>Gross profit</b>	<b>1,115</b>	<b>1,219</b>	<b>932</b>	<b>1,321</b>
2Q11		SG&A	(604)	(681)	(617)	(658)
4Q11		<b>EBIT</b>	<b>510</b>	<b>538</b>	<b>315</b>	<b>663</b>
2Q12		Interest expense	(52)	(55)	(61)	(59)
		Other income/exp.	60	73	60	73
		<b>EBT</b>	<b>518</b>	<b>556</b>	<b>313</b>	<b>676</b>
		Corporate tax	(185)	(170)	35	(159)
		<b>After-tax net profit (loss)</b>	<b>333</b>	<b>385</b>	<b>347</b>	<b>517</b>
		Minority interest	0	0	0	(0)
		Equity earnings from affiliates	50	59	(36)	58
		Extra items	(38)	12	137	9
		<b>Net profit (loss)</b>	<b>344</b>	<b>456</b>	<b>448</b>	<b>583</b>
		Reported EPS	0.47	0.62	0.61	0.80
		Fully diluted EPS	0.47	0.62	0.61	0.80
		<b>Core net profit</b>	<b>382</b>	<b>444</b>	<b>311</b>	<b>574</b>
		Core EPS	0.52	0.61	0.43	0.79
		<b>EBITDA</b>	<b>731</b>	<b>773</b>	<b>488</b>	<b>909</b>
						<b>803</b>
<b>Revenue trend (accumulated)</b>		<b>KEY RATIOS</b>				
		<b>2Q11</b>	<b>3Q11</b>	<b>4Q11</b>	<b>1Q12</b>	
Bt,bn		Gross margin (%)	40.1	40.7	37.3	41.9
%		EBITDA margin (%)	26.3	25.8	19.5	28.8
4Q10		Operating margin (%)	18.3	18.0	12.6	21.0
2Q11		Net margin (%)	12.4	15.2	17.9	18.5
4Q11		Core profit margin (%)	13.7	14.8	12.4	18.2
2Q12		BV (Bt)	8.53	8.70	9.22	10.01
		ROE (%)	22.1	28.7	26.6	31.9
		ROA (%)	10.3	13.7	13.3	16.3
		Current ratio (x)	0.6	0.6	1.8	2.1
		Gearing ratio (x)	0.8	0.8	0.7	0.7
		Interest coverage (x)	9.8	9.8	5.1	11.1
<b>Net profit trend (accumulated)</b>		<b>QUARTERLY BALANCE SHEET (Btm)</b>				
		<b>2Q11</b>	<b>3Q11</b>	<b>4Q11</b>	<b>1Q12</b>	
Bt,bn		<b>Cash &amp; Equivalent</b>	<b>1,879</b>	<b>1,741</b>	<b>1,261</b>	<b>2,231</b>
%		Accounts receivable	1,019	1,174	1,126	1,165
4Q10		Inventory	207	215	266	243
2Q11		PP&E-net	5,633	5,625	6,242	6,278
4Q11		Other assets	4,600	4,583	4,578	4,412
2Q12		<b>Total assets</b>	<b>13,337</b>	<b>13,338</b>	<b>13,473</b>	<b>14,328</b>
		Accounts payable	570	597	603	638
		ST debts & current portion	3,784	3,856	0	0
		Long-term debt	1,216	1,145	4,955	4,956
		Other liabilities	1,537	1,391	1,181	1,428
		<b>Total liabilities</b>	<b>7,106</b>	<b>6,988</b>	<b>6,739</b>	<b>7,022</b>
		Paid-up capital				

**Thai Corporate Day—Page 7 of 38**

# Bangkok Life Assurance

BLA TB / BLA.BK

BUY (Target Bt54.00)

## Key Ratios & Statistics

Market cap	Bt53.70bn		
12-mth price range	Bt39.00/Bt58.00		
12-mth avg daily volume	Bt90.54m		
# of shares (m)	1200.0		
Est. free float (%)	34.6		
Foreign limit (%)	25.0		
<b>Share price perf. (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Relative to SET	(6.4)	(12.0)	(37.7)
Absolute	(16)	(3.8)	(20.8)

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Total rev (Btm)	36,091	40,219	43,454	46,673
Net profit (Btm)	3,417	3,700	4,450	4,950
Fully diluted EPS (Bt)	2.85	3.08	3.71	4.13
BLS/Consensus (x)	n.m.	0.84	0.87	0.79
EPS growth (%)	+22.19%	+8.28%	+20.27%	+11.24%
PER (x)	16	15	12	11
EV/EBITDA (x)	7.45	6.44	5.36	3.99
PBV (x)	4.02	3.38	2.73	2.28
Dividend (Bt)	0.7	0.7	0.9	1.0
Dividend yield (%)	1.6	1.6	2.0	2.2
ROE (%)	25.4	23.1	22.5	20.9
ROA (%)	3.0	2.7	2.7	2.6
Net gearing (x)	7.2	7.4	7.3	6.9
Total loss ratio (%)	5.56	6.57	5.77	5.34
Total premium Mkt (%)	9.2	9.2	9.2	9.2

CG Rating - 2011



## Key highlights

- Mr Sanor Thampipattanakul, EVP of Investment, said BLA targets FY12 total premium growth of 10% YoY, led by higher-margin products, such as mortgage protection and whole life. Less emphasis will be placed on sales of plain vanilla endowment policies. He guided for FY12 FYP growth of 10-15%. 2H12 FYPs are anticipated at Bt2bn/quarter (but Bt2.5bn would be a challenge). BLA has set an FY12 ROE target of 20-22%
- Given its focus-shift to high-margin products, BLA anticipates that provisioning for the Life Policy Reserve will remain high in 2H12, as the most popular whole life products are single-premium policies (which require heavy provision-setting for year-one, but sharply lower provisioning thereafter). Note that its 1H12 Life Policy Reserve-setting equaled 68% of total premiums.
- Mr Sanor said that because of higher provision-setting, BLA will pay a higher effective tax rate of about 30% for FY12, far more than the headline corporate tax rate of 23%. Its effective tax rate will dive to about 20% next year, as provisioning for the Life Policy Reserve will decline sharply.
- The firm aims to reduce the maturity mismatch between assets and liabilities by 1.5-2.0 years from the current ratio of 7 years-to-14 years. That would push up its CAR to about 300% from 238% at the moment. Note that Office of the Insurance Commission (OIC) has set minimum CAR requirements for life assurance firms of 125% for FY12 and 140% for FY13. BLA's substantial CAR suggests that it can continue to expand business without need for capital-raising for at least three years.

## Catalysts

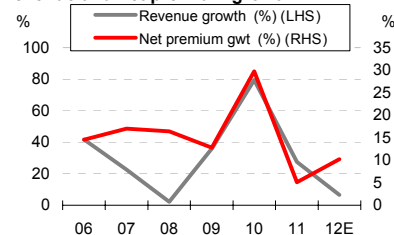
- Heavy Life Policy provisioning this year will be followed by much lighter provisions in FY13, which will boost FY13 earnings and ROE.
- If the firm were able to reduce the maturity mismatch between assets and liabilities, we calculate that its ROI would rise by 0.5% and its cost of equity would drop from 12.5% currently to 12%. As such, our BLA YE12 target price would increase from Bt54 to Bt63.
- A rising interest rate trend would boost ROI and reduce its need to provision for the Life Policy Reserve. Hence, we would upgrade our earnings forecast.
- The possibility of the govt raising the tax rebate for life assurance policy buyers from the current Bt100,000/year.

## Valuation

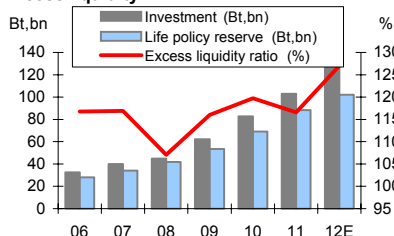
- BLA trades at a YE12 PBV of 3.3, far below the record high of 4.5x (up 1.5SD) it posted in both 2010 and 2011. We believe the firm has scope to return to a PBV of 4x, based on its strong profit growth profile for FY13 and FY14 and its unequaled ROE of 23%, much higher than the sector mean of 16%. Our YE12 target price is Bt54. BUY!



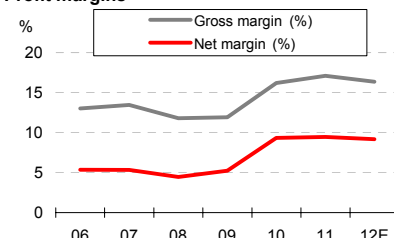
## Revenue and net premium growth



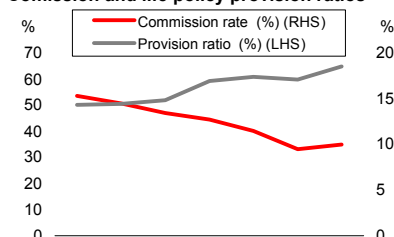
## Excess liquidity



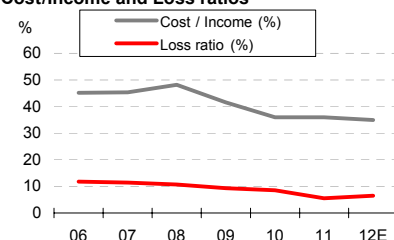
## Profit margins



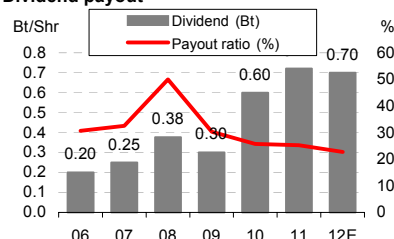
## Commission and life policy provision ratios



## Cost/Income and Loss ratios



## Dividend payout



## PROFIT &amp; LOSS (Btm )

	2010	2011	2012 E	2013 E	2014 E
Insurance premium	25,982	31,067	34,239	36,293	38,471
Less Life policy reserve	(15,645)	(20,197)	(22,255)	(23,591)	(25,006)
<b>Net premium</b>	<b>10,337</b>	<b>10,870</b>	<b>11,984</b>	<b>12,703</b>	<b>13,465</b>
Underwriting expenses	(9,426)	(9,728)	(11,405)	(12,121)	(12,848)
<b>Profit from insurance</b>	<b>911</b>	<b>1,142</b>	<b>578</b>	<b>581</b>	<b>616</b>
Revenue on investment	3,916	5,024	5,980	7,160	8,203
Other income / exp .	22	16	30	35	37
<b>Net revenue</b>	<b>4,849</b>	<b>6,182</b>	<b>6,588</b>	<b>7,777</b>	<b>8,856</b>
Operating expenses	(1,259)	(1,339)	(1,707)	(1,921)	(2,316)
<b>EBIT</b>	<b>3,591</b>	<b>4,842</b>	<b>4,882</b>	<b>5,855</b>	<b>6,540</b>
Minority interest	0	0	0	0	0
Extra items	0	0	0	0	0
Income tax	(794)	(1,425)	(1,182)	(1,405)	(1,590)
<b>Net profit (loss )</b>	<b>2,796</b>	<b>3,417</b>	<b>3,700</b>	<b>4,450</b>	<b>4,950</b>
Reported EPS	2.33	2.85	3.08	3.71	4.13
Fully diluted EPS	2.33	2.85	3.08	3.71	4.13
<b>Core net profit</b>	<b>2,774</b>	<b>3,402</b>	<b>3,670</b>	<b>4,415</b>	<b>4,913</b>
Core EPS	2.31	2.83	3.06	3.68	4.09
<b>EBITDA</b>	<b>3,686</b>	<b>4,938</b>	<b>4,977</b>	<b>5,951</b>	<b>6,636</b>

## KEY RATIOS

	2010	2011	2012 E	2013 E	2014 E
Revenue growth (%)	79.5	27.5	6.6	18.0	13.9
Gross margin (%)	16.2	17.1	16.4	17.9	19.0
EBITDA margin (%)	12.3	13.7	12.4	13.7	14.2
Operating margin (%)	9.3	9.4	9.1	10.2	10.5
Net margin (%)	9.3	9.5	9.2	10.2	10.6
Core profit margin (%)	9.3	9.4	9.1	10.2	10.5
ROA (%)	3.2	3.0	2.7	2.7	2.6
ROE (%)	25.6	25.4	23.1	22.5	20.9
Commission /Insurance premitt	11.5	9.5	10.0	10.0	10.0
Life policy Provision /insuranc	61.0	60.0	65.0	65.0	65.0
Cost /income	36.0	36.0	35.0	34.0	34.0
Total Loss ratio (benefit paymr	8.5	5.6	6.6	5.8	5.3

## BALANCE SHEET (Btm )

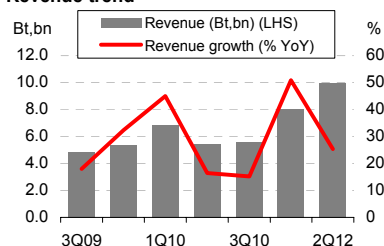
	2010	2011	2012 E	2013 E	2014 E
<b>Cash &amp; Equivalent</b>	<b>860</b>	<b>2,737</b>	<b>446</b>	<b>1,100</b>	<b>550</b>
Total investment in securities	82,847	103,082	129,900	153,000	177,000
Total net loans	2,158	2,113	2,733	6,970	7,673
Premises & equipment (Net	339	306	400	460	750
Other assets	2,543	4,221	1,692	2,923	2,450
<b>Total assets</b>	<b>88,746</b>	<b>112,459</b>	<b>135,171</b>	<b>164,453</b>	<b>188,422</b>
Life policy reserve	69,203	88,386	102,251	124,261	142,661
Unpaid benefit to life policy	5,461	8,354	9,862	10,992	12,189
Premium received in advance	1,281	0	2,500	3,625	4,015
Other liabilities	1,885	2,288	4,568	5,825	5,888
<b>Total liabilities</b>	<b>77,829</b>	<b>99,028</b>	<b>119,181</b>	<b>144,703</b>	<b>164,753</b>
Paid -up capital	1,200	1,200	1,200	1,200	1,200
Share premium	2,700	2,700	2,700	2,700	2,700
Retained earnings	7,017	9,531	12,090	15,850	19,770
<b>Shareholders equity</b>	<b>10,917</b>	<b>13,431</b>	<b>15,990</b>	<b>19,750</b>	<b>23,670</b>
Minority interests	0	0	0	0	0
<b>Total Liab .&amp;Shareholders</b>	<b>88,746</b>	<b>112,459</b>	<b>135,171</b>	<b>164,453</b>	<b>188,422</b>

## CASH FLOW (Btm )

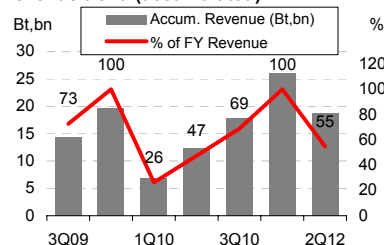
	2010	2011	2012 E	2013 E	2014 E
Net income	2,796	3,417	3,700	4,450	4,950
Depreciation and amortization	117	123	129	136	143
Change in working capital	16,236	19,098	23,307	24,860	26,453
FX , non -cash adjustment &	1,413	876	837	804	805
<b>Cash flows from operating act</b>	<b>19,149</b>	<b>22,638</b>	<b>27,137</b>	<b>29,446</b>	<b>31,546</b>
Capex (Invest )/Divest	0	(44)	(94)	(60)	(290)
Others	(182,016)	(22,506)	(26,674)	(26,767)	(24,098)
<b>Cash flows from investing acti</b>	<b>(22,766)</b>	<b>(22,550)</b>	<b>(26,768)</b>	<b>(26,827)</b>	<b>(24,388)</b>
Debt financing (repayment )	0	0	0	0	0
Equity financing	0	0	0	0	1
Dividend payment	(419)	(931)	(864)	(840)	(1,080)
Others	0	0	0	0	1
<b>Cash flows from financing act</b>	<b>(419)</b>	<b>(931)</b>	<b>(864)</b>	<b>(840)</b>	<b>(1,078)</b>
Net change in cash	(4,035)	(843)	(495)	1,779	6,080
<b>Free cash flow (Btm )</b>	<b>19,149</b>	<b>22,594</b>	<b>27,043</b>	<b>29,386</b>	<b>31,256</b>
<b>FCF per share (Bt )</b>	<b>15.96</b>	<b>18.83</b>	<b>22.54</b>	<b>24.49</b>	<b>26.05</b>

Sources: Company data, Bualuang Research estimates

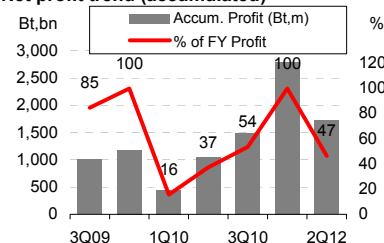
## Revenue trend



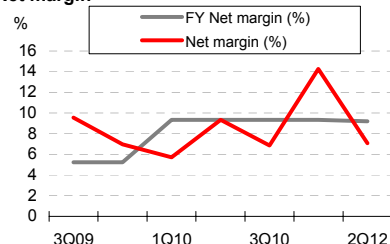
## Revenue trend (accumulated)



## Net profit trend (accumulated)



## Net margin



## QUARTERLY PROFIT &amp; LOSS (Btm)

	2Q11	3Q11	4Q11	1Q12	2Q12
Net insurance premium revenue	7,959	6,761	8,485	8,803	9,973
Less provision for life policy reserve	4,732	4,063	6,658	5,755	7,061
<b>Revenue realization on premium</b>	<b>3,227</b>	<b>2,698</b>	<b>1,828</b>	<b>3,048</b>	<b>2,912</b>
Underwriting expenses	2,433	2,422	2,228	2,943	2,686
<b>Profit from insurance business</b>	<b>793</b>	<b>276</b>	<b>(401)</b>	<b>105</b>	<b>226</b>
Net investment income	1,114	1,224	1,295	1,335	1,350
Gain on investment	124	172	(4)	198	91
Total revenue from investment	<b>1,238</b>	<b>1,397</b>	<b>1,290</b>	<b>1,533</b>	<b>1,441</b>
<b>Other income</b>	<b>3</b>	<b>7</b>	<b>(1)</b>	<b>(10)</b>	<b>27</b>
Total revenues	2,034	1,679	888	1,628	1,694
<b>Total operating expenses</b>	<b>355</b>	<b>318</b>	<b>352</b>	<b>344</b>	<b>386</b>
Exceptional items	-	-	-	-	-
<b>EBT</b>	<b>1,679</b>	<b>1,362</b>	<b>536</b>	<b>1,284</b>	<b>1,308</b>
Income tax	387	299	461	370	501
Minority Interest	-	-	-	-	-
<b>Net profit</b>	<b>1,292</b>	<b>1,063</b>	<b>75</b>	<b>914</b>	<b>808</b>
<b>EPS</b>	<b>1.08</b>	<b>0.89</b>	<b>0.06</b>	<b>0.76</b>	<b>0.67</b>
Core profit before tax	1,553	1,183	542	1,096	1,190
<b>Core EPS</b>	<b>1.29</b>	<b>0.99</b>	<b>0.45</b>	<b>0.91</b>	<b>0.99</b>

## KEY RATIOS

	2Q11	3Q11	4Q11	1Q12	2Q12
Premium/life policy reserve (%)	54.66	43.13	38.40	37.40	39.42
Life policy provision/Premium (%)	59.46	60.10	78.46	65.38	70.80
Claim/life policy (%)	8.25	6.30	3.04	7.06	6.20
ROI (%)	5.58	5.94	5.07	5.54	4.83
Net margin (%)	14.05	13.03	0.77	8.84	7.08
Equity/Life policy reserve (%)	15.76	15.80	15.20	15.20	16.07
BV (Bt)	10.54	10.76	11.19	12.61	13.39
ROE (%)	30.3	33.4	2.2	27.2	21.4
ROA (%)	5.28	4.13	0.27	3.25	2.65
D/E (x)	7.1	6.6	7.4	7.4	7.1
Cost to Income (%)	20.5	19.9	39.6	21.1	23.1
Asset/Equity (%)	8.2	7.6	8.4	8.4	8.1

## QUARTERLY BALANCE SHEET (Btm)

	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>7,695</b>	<b>2,568</b>	<b>2,737</b>	<b>563</b>	<b>1,521</b>
Total investment in securities	87,124	96,662	103,082	114,112	120,106
Total net loans	2,241	1,916	2,113	2,152	2,403
Premises & equipment (Net)	325	315	306	328	325
Other assets	3,397	3,511	4,221	4,727	4,886
<b>Total assets</b>	<b>100,782</b>	<b>104,971</b>	<b>112,459</b>	<b>121,883</b>	<b>129,240</b>
Life policy reserve	77,665	81,729	88,386	94,142	101,202
Unpaid benefit to life policy	7,243	6,947	8,621	385	401
Premium received in advance	1,067	1,094	0	484	452
Other liabilities	2,156	2,290	2,021	11,741	11,112
<b>Total liabilities</b>	<b>88,131</b>	<b>92,059</b>	<b>99,028</b>	<b>106,753</b>	<b>113,167</b>
Paid-up capital	1,200	1,200	1,200	1,200	1,200
Share premium	2,700	2,700	2,700	2,700	2,700
Retained earnings	5,847	6,457	6,532	7,445	7,848
<b>Shareholders equity</b>	<b>12,651</b>	<b>12,912</b>	<b>13,431</b>	<b>15,130</b>	<b>16,073</b>
Minority interests	0	0	0	0	0
<b>Total Liab.&amp;Shareholders' equity</b>	<b>100,782</b>	<b>104,971</b>	<b>112,459</b>	<b>121,883</b>	<b>129,240</b>

Sources: Company data, Bualuang Research

# Central Plaza Hotel

CENTEL TB / CENT.BK

BUY (Target Bt17.00)

## Key Ratios & Statistics

Market cap	Bt22.55bn
12-mth price range	Bt7.25/Bt17.20
12-mth avg daily volume	Bt35.03m
# of shares (m)	1,350.0
Est. free float (%)	45.5
Foreign limit (%)	40.0

Share price perf. (%)	1M	3M	12M
Relative to SET	2.3	29.8	45.3
Absolute	7.1	38.0	62.1

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	11,163	13,946	15,339	16,843
Net profit (Btm)	550	1,089	1,322	1,585
EPS (Bt)	0.41	0.81	0.98	1.17
BLS/Consensus (x)	n.m.	1.13	1.11	1.06
EPS growth (%)	n.m.	+97.8%	+21.5%	+19.8%
Core profit (Btm)	640	1,082	1,322	1,585
Core EPS (Bt)	0.47	0.80	0.98	1.17
Core EPS growth (%)	n.m.	+69.1%	+22.2%	+19.8%
PER (x)	41.0	20.7	17.0	14.2
Core PER (x)	35.2	20.8	17.0	14.2
EV/EBITDA (x)	13.6	10.6	8.8	7.9
PBV (x)	3.7	3.4	3.0	2.7
Dividend (Bt)	0.15	0.32	0.39	0.47
Dividend yield (%)	0.9	1.9	2.3	2.8
ROE (%)	9.7	18.0	19.8	21.0
Net gearing (x)	1.6	1.3	1.1	0.9

CG Rating - 2011



## Key highlights

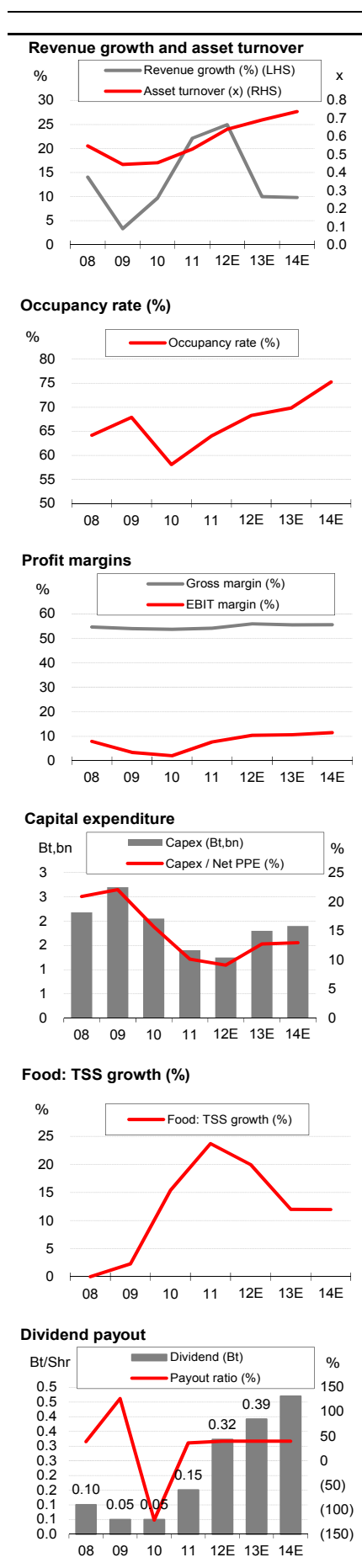
- Investors expressed concern about hotel oversupply in Bangkok. Mr Ronnachit Mahattanapreut, CFO, explained that CENTEL's strategy in Bangkok is to expand in the mid range and budget segments, where demand-supply dynamics are more favorable than for five-star hotels. Besides, CENTEL has a lot of MICE business, which is less risky than the leisure market, and is expanding its hotel management operation, which requires only modest investment.
- Most of the questions concerned the room rate outlook. The CFO claimed that the mix of sales channels will make for higher room rates—online bookings now account for 20-25% of the total and pay a good yield. The 2H12 room rate should rise by 5-6% YoY.
- Over the long-term, CENTEL plans to increase its portfolio from 31 hotels currently (11 propriety hotels, 2 JVs, one property fund and 17 management contracts) to at least 80 by YE16. The QSR operation targets having 16 brands by YE16, up from 12 brands currently, and 800 outlets, up from 634.
- The Hotel strategy is “asset-lite”—expansion through management contracts and/or joint ventures (10-20% stakes)—which will make for a fat margin. Managed hotels will comprise 70% of total hotel rooms in FY16 (51% in FY12). The proportion of ex-Thailand hotel rooms will jump from 12% in FY12 to 35% in FY16 (current exposure in Bali, China, India, Vietnam, the Maldives, Mauritius, Sri Lanka and Vietnam). Mr Ronnachit guided for 10% organic growth in Hotel RevPar over the long-term.
- The Food business (42% of FY12 revenue and 66% of EBITDA) will expand upcountry (revenue will comprise 50% of the top-line in FY16). CENTEL expects to add a new food brand each year. Long-term SSSG is forecast at 5% per year.
- The CFO guided for total EBITDA growth of 40% in FY12 (to Bt3.4bn) and a 10% CAGR for FY12-16 (to Bt4.9bn in FY16). Forecast annual EBITDA in FY13-16 is far above maintenance CAPEX of Bt1bn/year. CENTEL will reserve excess internal cash flows for new opportunities in FY14-16. The gearing ratio should decline from 1.5x at YE12 to 1.2x at YE13, 0.9x at YE14, 0.7x at YE15 and 0.6x at YE16.
- Management is interested in asset monetization. The firm intends to sell assets to a Real Estate Investment Trust (REIT). But the SEC hasn't yet completed the regulations governing Thai REITs.

## Catalysts

- Announcement of a budget hotel in late Sept or Oct.
- A strong 4Q12 high season performance.
- Scope for earnings upside with the full acquisition of two hotels in Phuket (expected by YE12).

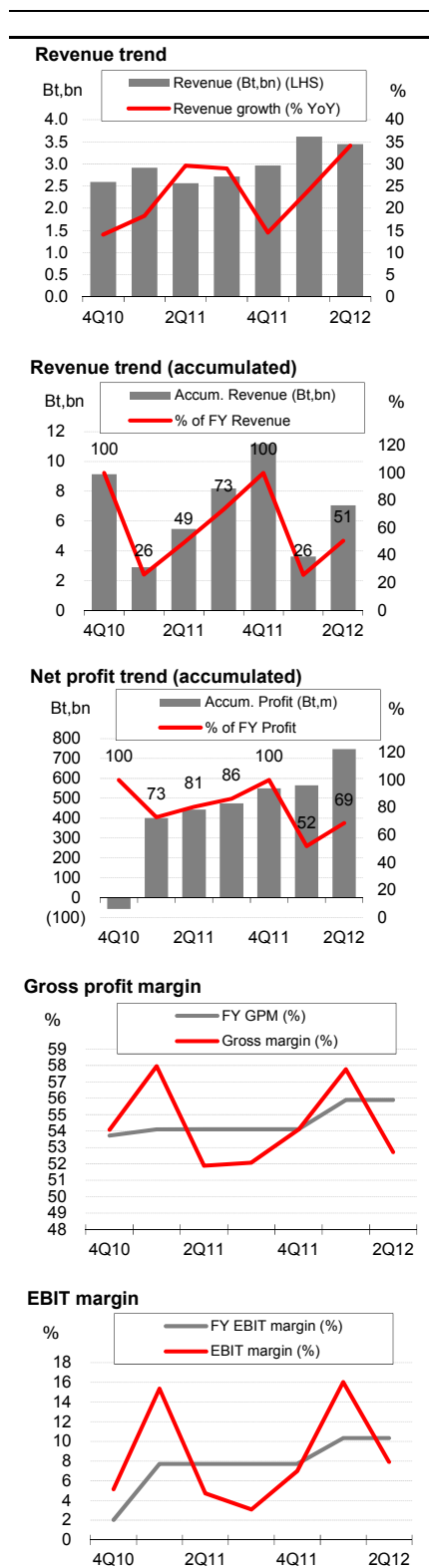
## Valuation

- CENTEL's stretched valuation will encourage profit-taking in the short-term. The stock trades at an FY12 PER of 20.5x (above MINT's PER of 18.5x).



Financial tables					
PROFIT & LOSS (Btm)					
	2010	2011	2012E	2013E	2014E
Revenue	9,141	11,163	13,946	15,339	16,843
Cost of sales and services	(4,230)	(5,124)	(6,151)	(6,825)	(7,476)
<b>Gross profit</b>	<b>4,911</b>	<b>6,039</b>	<b>7,795</b>	<b>8,513</b>	<b>9,366</b>
SG&A	(4,726)	(5,179)	(6,352)	(6,879)	(7,433)
<b>EBIT</b>	<b>185</b>	<b>860</b>	<b>1,443</b>	<b>1,635</b>	<b>1,933</b>
Interest expense	(308)	(414)	(433)	(419)	(403)
Other income/exp.	359	411	421	432	443
<b>EBT</b>	<b>237</b>	<b>857</b>	<b>1,431</b>	<b>1,647</b>	<b>1,973</b>
Corporate tax	(220)	(255)	(338)	(343)	(409)
<b>After-tax profit (loss)</b>	<b>17</b>	<b>602</b>	<b>1,094</b>	<b>1,304</b>	<b>1,564</b>
Minority interest	(41)	(40)	(48)	(50)	(53)
Equity earnings from affiliates	(21)	78	37	69	74
Extra items	(10)	(90)	7	0	0
<b>Net profit (loss)</b>	<b>-56</b>	<b>550</b>	<b>1,089</b>	<b>1,322</b>	<b>1,585</b>
Reported EPS	-0.04	0.41	0.81	0.98	1.17
Fully diluted EPS	-0.03	0.47	0.80	0.98	1.17
<b>Core net profit</b>	<b>-46</b>	<b>640</b>	<b>1,082</b>	<b>1,322</b>	<b>1,585</b>
Core EPS	-0.03	0.47	0.80	0.98	1.17
<b>EBITDA</b>	<b>1,705</b>	<b>2,354</b>	<b>2,931</b>	<b>3,447</b>	<b>3,777</b>
KEY RATIOS					
	2010	2011	2012E	2013E	2014E
Revenue growth (%)	9.7	22.1	24.9	10.0	9.8
Gross margin (%)	53.7	54.1	55.9	55.5	55.6
EBITDA margin (%)	18.7	21.1	21.0	22.5	22.4
Operating margin (%)	2.0	7.7	10.3	10.7	11.5
Net margin (%)	(0.6)	4.9	7.8	8.6	9.4
Core profit margin (%)	(0.5)	5.7	7.8	8.6	9.4
ROA (%)	(0.3)	2.6	5.0	6.0	6.9
ROCE (%)	(0.4)	3.6	6.9	8.4	9.9
Asset turnover (x)	0.5	0.5	0.6	0.7	0.7
Current ratio (x)	0.3	0.3	0.4	0.5	0.5
Gearing ratio (x)	1.6	1.6	1.4	1.1	0.9
Interest coverage (x)	0.6	2.1	3.3	3.9	4.8
BALANCE SHEET (Btm)					
	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>299</b>	<b>316</b>	<b>480</b>	<b>526</b>	<b>596</b>
Accounts receivable	69	108	173	230	292
Inventory	304	400	494	542	594
PP&E-net	13,064	13,828	13,699	14,136	14,657
Other assets	6,702	7,032	7,032	7,032	7,032
<b>Total assets</b>	<b>20,438</b>	<b>21,684</b>	<b>21,877</b>	<b>22,467</b>	<b>23,172</b>
Accounts payable	1,194	1,541	1,850	2,053	2,248
ST debts & current portion	3,012	3,925	1,950	1,400	900
Long-term debt	6,224	5,917	7,018	7,018	6,918
Other liabilities	4,229	4,252	4,467	4,561	4,666
<b>Total liabilities</b>	<b>14,659</b>	<b>15,635</b>	<b>15,285</b>	<b>15,031</b>	<b>14,732</b>
Paid-up capital	1,350	1,350	1,350	1,350	1,350
Share premium	970	970	970	970	970
Retained earnings	1,583	1,927	2,423	3,216	4,167
<b>Shareholders equity</b>	<b>5,495</b>	<b>5,796</b>	<b>6,291</b>	<b>7,085</b>	<b>8,035</b>
Minority interests	284	253	301	351	404
<b>Total Liab.&amp;Shareholders' equity</b>	<b>20,438</b>	<b>21,684</b>	<b>21,877</b>	<b>22,467</b>	<b>23,172</b>
CASH FLOW (Btm)					
	2010	2011	2012E	2013E	2014E
Net income	-56	550	1,089	1,322	1,585
Depreciation and amortization	1,233	1,135	1,071	1,362	1,380
Change in working capital	(76)	(409)	(468)	(309)	(310)
FX, non-cash adjustment & others	499	877	666	456	444
<b>Cash flows from operating activities</b>	<b>1,600</b>	<b>2,154</b>	<b>2,358</b>	<b>2,832</b>	<b>3,099</b>
Capex (Invest)/Divest	2,052	1,401	1,250	1,800	1,900
Others	(4,267)	(3,544)	(2,351)	(3,600)	(3,800)
<b>Cash flows from investing activities</b>	<b>(2,215)</b>	<b>(2,144)</b>	<b>(1,101)</b>	<b>(1,800)</b>	<b>(1,900)</b>
Debt financing (repayment)	1,262	605	(874)	(550)	(600)
Equity financing	0	0	0	0	0
Dividend payment	(134)	(68)	(220)	(435)	(529)
<b>Cash flows from financing activities</b>	<b>799</b>	<b>7</b>	<b>(1,094)</b>	<b>(985)</b>	<b>(1,129)</b>
Net change in cash	184	17	163	47	70
<b>Free cash flow (Btm)</b>	<b>3,652</b>	<b>3,554</b>	<b>3,608</b>	<b>4,632</b>	<b>4,999</b>
<b>FCF per share (Bt)</b>	<b>2.71</b>	<b>2.63</b>	<b>2.67</b>	<b>3.43</b>	<b>3.70</b>
Key assumptions					
	2010	2011	2012E	2013E	2014E
Hotel occupancy rate	58%	64%	68%	70%	75%
Room rate growth	5%	13%	3%	5%	3%
RevPar growth	0%	25%	10%	7%	9%
TSS growth	15%	24%	20%	12%	12%
Revenue breakdown					
Hotel revenue	45%	41%	42%	42%	41%
Food revenue	55%	59%	58%	58%	59%

Sources: Company data, Bualuang Research estimates



## Financial tables

QUARTERLY PROFIT & LOSS (Btm)					
	2Q11	3Q11	4Q11	1Q12	2Q12
Revenue	2,568	2,713	2,968	3,618	3,444
Cost of sales and services	(1,236)	(1,300)	(1,363)	(1,528)	(1,628)
<b>Gross profit</b>	<b>1,332</b>	<b>1,413</b>	<b>1,605</b>	<b>2,090</b>	<b>1,815</b>
SG&A	(1,211)	(1,329)	(1,398)	(1,510)	(1,542)
<b>EBIT</b>	<b>122</b>	<b>83</b>	<b>208</b>	<b>580</b>	<b>273</b>
Interest expense	(96)	(113)	(116)	(120)	(123)
Other income/exp.	89	112	100	133	123
<b>EBT</b>	<b>114</b>	<b>83</b>	<b>191</b>	<b>593</b>	<b>273</b>
Corporate tax	(63)	(45)	(57)	(72)	(65)
<b>After-tax profit (loss)</b>	<b>51</b>	<b>38</b>	<b>134</b>	<b>521</b>	<b>208</b>
Minority interest	(5)	(2)	(13)	(12)	(22)
Equity earnings from affiliates	(4)	(3)	33	57	(11)
Extra items	(0)	0	(80)	0	7
<b>Net profit (loss)</b>	<b>43</b>	<b>32</b>	<b>75</b>	<b>566</b>	<b>182</b>
Reported EPS	0.03	0.02	0.11	0.42	0.13
Fully diluted EPS	0.03	0.02	0.06	0.42	0.13
<b>Core net profit</b>	<b>43</b>	<b>32</b>	<b>155</b>	<b>566</b>	<b>175</b>
Core EPS	0.11	0.11	0.11	0.11	0.11
<b>EBITDA</b>	<b>449</b>	<b>449</b>	<b>598</b>	<b>1,042</b>	<b>663</b>
KEY RATIOS					
	2Q11	3Q11	4Q11	1Q12	2Q12
Gross margin (%)	51.9	52.1	54.1	57.8	52.7
EBITDA margin (%)	17.5	16.5	20.2	28.8	19.3
Operating margin (%)	4.7	3.1	7.0	16.0	7.9
Net margin (%)	1.7	1.2	2.5	15.6	5.3
Core profit margin (%)	1.7	1.2	5.2	15.6	5.1
BV (Bt)	4.43	4.43	4.48	5.02	5.09
ROE (%)	3.0	2.2	5.2	35.6	11.5
ROA (%)	0.8	0.6	1.4	10.0	3.2
Current ratio (x)	0.4	0.2	0.3	0.3	0.3
Gearing ratio (x)	1.6	1.7	1.6	1.5	1.5
Interest coverage (x)	1.3	0.7	1.8	4.8	2.2
QUARTERLY BALANCE SHEET (Btm)					
	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>568</b>	<b>173</b>	<b>316</b>	<b>167</b>	<b>209</b>
Accounts receivable	191	208	108	767	680
Inventory	327	363	400	425	461
PP&E-net	10,457	10,816	11,294	11,681	12,242
Other assets	9,080	9,737	9,566	9,612	9,179
<b>Total assets</b>	<b>20,623</b>	<b>21,297</b>	<b>21,684</b>	<b>22,652</b>	<b>22,771</b>
Accounts payable	399	448	1,541	1,481	1,531
ST debts & current portion	3,356	4,361	3,925	4,119	4,519
Long-term debt	6,116	5,558	5,917	6,293	6,088
Other liabilities	4,770	4,955	4,252	3,988	3,768
<b>Total liabilities</b>	<b>14,641</b>	<b>15,322</b>	<b>15,635</b>	<b>15,880</b>	<b>15,906</b>
Paid-up capital	1,350	1,350	1,350	1,350	1,350
Share premium	970	970	970	970	970
Retained earnings	3,120	3,168	3,223	3,614	3,471
<b>Shareholders' equity</b>	<b>5,711</b>	<b>5,732</b>	<b>5,796</b>	<b>6,353</b>	<b>6,328</b>
Minority interests	271	244	253	419	537
<b>Total Liab.&amp;Shareholders' equity</b>	<b>20,623</b>	<b>21,297</b>	<b>21,684</b>	<b>22,652</b>	<b>22,771</b>

Sources: Company data, Bualuang Research

# Charoen Pokphand Foods

CPF TB / CPF.BK

BUY (Target Bt40.00)

## Key Ratios & Statistics

Market cap	Bt247.77bn
12-mth price range	Bt24.50/Bt42.25
12-mth avg daily volume	Bt867.28m
# of shares (m)	7,742.9
Est. free float (%)	46.6
Foreign limit (%)	40.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(4.7)	(25.1)	(12.0)
Absolute	-	(16.9)	4.9

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	206,099	327,916	395,870	421,769
Net profit (Btm)	15,837	22,598	17,187	19,346
EPS (Bt)	2.38	2.99	2.22	2.50
BLS/Consensus (x)	n.a.	0.97	0.85	n.a.
EPS growth (%)	+16.8%	+25.5%	-25.6%	+12.6%
Core profit (Btm)	14,023	11,331	15,437	17,596
Core EPS (Bt)	2.11	1.50	1.99	2.27
Core EPS growth (%)	+21.0%	-28.9%	+33.2%	+14.0%
PER (x)	11.8	10.7	14.4	12.8
Core PER (x)	13.3	21.4	16.1	14.1
EV/EBITDA (x)	13.2	15.7	12.8	11.9
PBV (x)	3.1	2.5	2.3	2.1
Dividend (Bt)	1.20	1.49	1.27	1.42
Dividend yield (%)	4.3	4.7	4.0	4.5
ROE (%)	26.0	28.3	17.3	18.0
Net gearing (x)	0.7	0.7	0.6	0.5

CG Rating - 2011



## Key highlights

- Investors expressed concern about the prevailing livestock oversupply. Ms Kobboon Srichai, Senior VP of Investor Relations, said the oversupply has started to ease and will end by YE12 with gradual supply-cutting among major operators. Post-flooding domestic meat demand remains relatively weak, but management expects it to rebound in 2H12.
- Investors asked about raw material management during the price uptrend. Ms Kobboon said that the surge in raw material prices (especially soybean meal [SBM]) won't affect Thai meat operations till the end of the year, as the firm has stockpiled cheap corn through August and has locked in cheap SBM through to YE12. Hence, raw material prices may be a Thai operational issue in FY13, assuming that prices don't fall in the meantime.
- Investors asked about CPP's feed operations in China and CPP's Vietnamese operations in 2H12-FY13. Despite raw material price increases, the firm said that its feed margin in China should be stable—both corn and SBM are sourced locally and entire cost increases can be passed through to customers with a one-week time lag. However, farm and feed margins in Vietnam will soften in 2H12 because of a livestock oversupply, disease outbreaks among pigs and shrimp and surges in raw material prices. In Vietnam, 50% of corn and all SBM are imported and prices are typically locked in only 1-2 months ahead.
- Investors asked about the timing and the scope for greater export volume if the Japanese govt were to lift its ban on imports of Thai raw chicken. The firm said it would expect at least 100K tonnes/annum of Thai raw chicken exports to Japan. CPF said it could not offer guidance on the timing of the lifting of the ban—it has to be sorted out at govt level.
- Management targets a 15% rise in FY12 domestic sales and a 5% increase in FY12 export sales.

## Catalysts

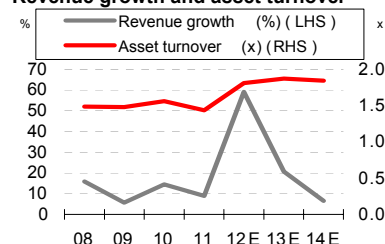
- A rebound in livestock meat prices in late 4Q12 or early 2013 and a decline in raw material prices in FY13.
- Tokyo's lifting of its ban on Thai raw chicken.
- Value creation from a new acquisition, expected by late this year or early 2013.

## Valuation

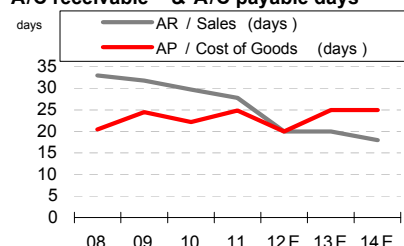
- We think that its current share price has already factored in expectations of weak 2H12 core earnings, followed by a bounce in FY13. CPF's long-term outlook remains solid, given its increased emphasis on the feed and food businesses and reduced dependence on the farm business. Its share price weakness presents an opportunity to accumulate. Our BUY rating stands with a YE12 DDM-based target price of Bt40.



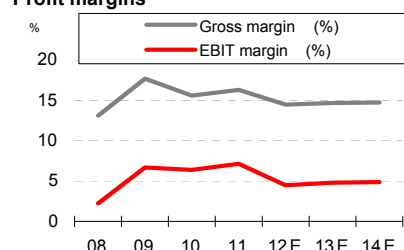
### Revenue growth and asset turnover



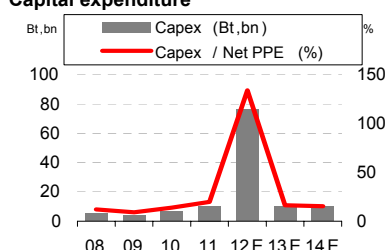
### A/C receivable & A/C payable days



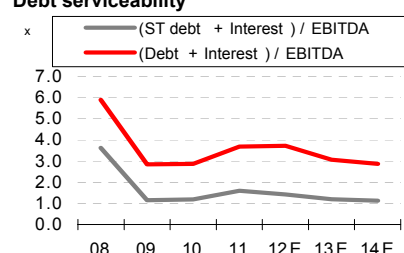
### Profit margins



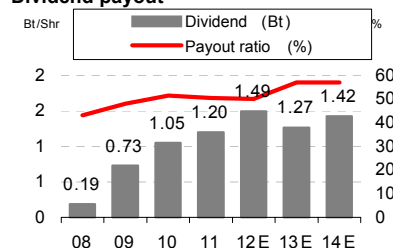
### Capital expenditure



### Debt serviceability



### Dividend payout



### Financial tables

PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	189,049	206,099	327,916	395,870	421,769
Cost of sales and services	(159,578)	(172,488)	(280,468)	(337,818)	(359,648)
<b>Gross profit</b>	<b>29,471</b>	<b>33,612</b>	<b>47,449</b>	<b>58,052</b>	<b>62,121</b>
SG&A	(17,405)	(18,909)	(32,726)	(38,993)	(41,544)
<b>EBIT</b>	<b>12,066</b>	<b>14,703</b>	<b>14,723</b>	<b>19,059</b>	<b>20,576</b>
Interest expense	(1,824)	(2,432)	(4,566)	(5,418)	(5,449)
Other income/exp.	1,522	1,360	3,643	4,439	4,691
<b>EBT</b>	<b>11,764</b>	<b>13,631</b>	<b>13,800</b>	<b>18,080</b>	<b>19,818</b>
Corporate tax	(2,388)	(3,145)	(4,144)	(4,914)	(5,149)
<b>After-tax profit (loss)</b>	<b>9,376</b>	<b>10,486</b>	<b>9,656</b>	<b>13,167</b>	<b>14,669</b>
Minority interest	(296)	(120)	(1,412)	(1,528)	(1,584)
Equity earnings from affiliates	2,511	3,657	3,087	3,799	4,510
Extra items	1,971	1,814	11,267	1,750	1,750
<b>Net profit (loss)</b>	<b>13,563</b>	<b>15,837</b>	<b>22,598</b>	<b>17,187</b>	<b>19,346</b>
Reported EPS	2.04	2.38	2.99	2.22	2.50
Fully diluted EPS	1.80	2.11	2.92	2.22	2.50
<b>Core net profit</b>	<b>11,592</b>	<b>14,023</b>	<b>11,331</b>	<b>15,437</b>	<b>17,596</b>
Core EPS	1.74	2.11	1.50	1.99	2.27
<b>EBITDA</b>	<b>16,864</b>	<b>19,442</b>	<b>19,916</b>	<b>24,451</b>	<b>26,167</b>

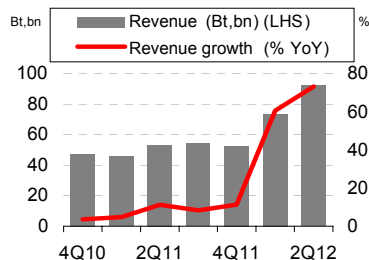
KEY RATIOS	2010	2011	2012E	2013E	2014E
Revenue growth (%)	14.5	9.0	59.1	20.7	6.5
Gross margin (%)	15.6	16.3	14.5	14.7	14.7
EBITDA margin (%)	8.9	9.4	6.1	6.2	6.2
Operating margin (%)	6.4	7.1	4.5	4.8	4.9
Net margin (%)	7.2	7.7	6.9	4.3	4.6
Core profit margin (%)	6.1	6.8	3.5	3.9	4.2
ROA (%)	11.2	11.1	12.5	8.1	8.5
ROCE (%)	13.2	13.0	14.8	9.9	10.5
Asset turnover (x)	1.6	1.4	1.8	1.9	1.8
Current ratio (x)	1.8	1.7	0.8	0.8	0.8
Gearing ratio (x)	0.8	1.0	0.7	0.6	0.6
Interest coverage (x)	6.6	6.0	3.2	3.5	3.8

BALANCE SHEET (Btm)	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>7,761</b>	<b>24,341</b>	<b>3,977</b>	<b>3,678</b>	<b>4,916</b>
Accounts receivable	15,385	15,692	17,968	21,692	20,800
Inventory	33,863	33,747	15,368	18,511	19,707
PP&E-net	47,142	52,025	56,832	61,440	65,849
Other assets	2,266	5,049	7,510	12,268	15,083
<b>Total assets</b>	<b>126,092</b>	<b>160,506</b>	<b>201,263</b>	<b>221,675</b>	<b>235,210</b>
Accounts payable	9,707	11,733	15,368	23,138	24,633
ST debts & current portion	18,139	28,584	23,900	23,900	23,900
Long-term debt	28,511	40,866	45,800	45,800	45,800
Other liabilities	3,812	6,493	6,558	7,917	8,435
<b>Total liabilities</b>	<b>65,149</b>	<b>93,430</b>	<b>101,126</b>	<b>112,619</b>	<b>116,252</b>
Paid-up capital	7,520	7,520	7,743	7,743	7,743
Share premium	16,436	16,436	36,562	36,562	36,562
Retained earnings	32,548	39,161	50,460	57,851	66,169
<b>Shareholders equity</b>	<b>57,856</b>	<b>64,155</b>	<b>95,803</b>	<b>103,194</b>	<b>111,512</b>
Minority interests	3,088	2,922	4,334	5,862	7,446
<b>Total Liab.&amp;Shareholders' equity</b>	<b>126,092</b>	<b>160,506</b>	<b>201,263</b>	<b>221,675</b>	<b>235,210</b>

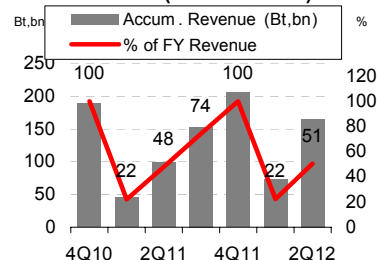
CASH FLOW (Btm)	2010	2011	2012E	2013E	2014E
Net income	13,563	15,837	22,598	17,187	19,346
Depreciation and amortization	4,798	4,739	5,193	5,392	5,591
Change in working capital	(8,002)	1,835	19,738	904	1,191
FX, non-cash adjustment & others	(777)	(4,853)	393	(1,298)	(1,961)
<b>Cash flows from operating activities</b>	<b>9,581</b>	<b>17,558</b>	<b>47,922</b>	<b>22,185</b>	<b>24,167</b>
Capex (Invest)/Divest	(6,530)	(10,358)	(76,310)	(10,000)	(10,000)
Others	(1,414)	(3,642)	(1,477)	(2,887)	(2,102)
<b>Cash flows from investing activities</b>	<b>(7,944)</b>	<b>(14,000)</b>	<b>(77,787)</b>	<b>(12,887)</b>	<b>(12,102)</b>
Debt financing (repayment)	4,212	23,092	451	200	200
Equity financing	0	0	20,349	0	0
Dividend payment	(6,656)	(7,653)	(11,299)	(9,797)	(11,027)
Others	(1,955)	(2,417)	0	0	0
<b>Cash flows from financing activities</b>	<b>(4,399)</b>	<b>13,022</b>	<b>9,501</b>	<b>(9,597)</b>	<b>(10,827)</b>
Net change in cash	(2,762)	16,580	(20,365)	(299)	1,238
<b>Free cash flow (Btm)</b>	<b>3,051</b>	<b>7,200</b>	<b>(28,388)</b>	<b>12,185</b>	<b>14,167</b>
<b>FCF per share (Bt)</b>	<b>0.41</b>	<b>0.96</b>	<b>(3.67)</b>	<b>1.57</b>	<b>1.83</b>

Sources: Company data, Bualuang Research estimates

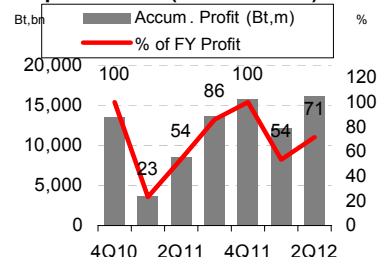
### Revenue trend



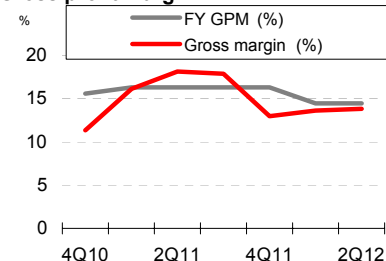
### Revenue trend (accumulated)



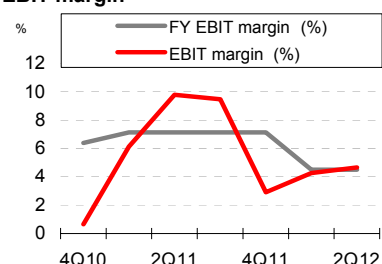
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



### Financial tables

PROFIT & LOSS (Btm)	2Q11	3Q11	4Q11	1Q12	2Q12
Revenue	53,230	54,446	52,679	73,480	92,255
Cost of sales and services	(43,578)	(44,708)	(45,845)	(63,464)	(79,505)
<b>Gross profit</b>	<b>9,652</b>	<b>9,739</b>	<b>6,834</b>	<b>10,016</b>	<b>12,751</b>
SG&A	(4,444)	(4,585)	(5,298)	(6,887)	(8,449)
<b>EBIT</b>	<b>5,207</b>	<b>5,153</b>	<b>1,536</b>	<b>3,129</b>	<b>4,301</b>
Interest expense	(673)	(652)	(702)	(1,175)	(1,650)
Other income/exp.	308	313	427	426	1,028
<b>EBT</b>	<b>4,842</b>	<b>4,814</b>	<b>1,262</b>	<b>2,380</b>	<b>3,679</b>
Corporate tax	(1,042)	(1,043)	(429)	(335)	(1,190)
<b>After-tax profit (loss)</b>	<b>3,801</b>	<b>3,771</b>	<b>832</b>	<b>2,045</b>	<b>2,489</b>
Minority interest	(40)	3	(43)	(426)	(547)
Equity earnings from affiliates	1,139	1,123	502	990	1,085
Extra items	(30)	188	914	9,504	1,008
<b>Net profit (loss)</b>	<b>4,869</b>	<b>5,086</b>	<b>2,205</b>	<b>12,113</b>	<b>4,035</b>
Reported EPS	0.73	0.76	0.33	1.76	0.55
Fully diluted EPS	0.73	0.76	0.33	1.76	0.55
<b>Core net profit</b>	<b>4,899</b>	<b>4,898</b>	<b>1,291</b>	<b>2,609</b>	<b>3,028</b>
Core EPS	0.74	0.74	0.19	0.38	0.41
<b>EBITDA</b>	<b>6,388</b>	<b>6,310</b>	<b>2,794</b>	<b>4,790</b>	<b>6,155</b>

KEY RATIOS	2Q11	3Q11	4Q11	1Q12	2Q12
Gross margin (%)	18.1	17.9	13.0	13.6	13.8
EBITDA margin (%)	12.0	11.6	5.3	6.5	6.7
Operating margin (%)	9.8	9.5	2.9	4.3	4.7
Net margin (%)	9.1	9.3	4.2	16.5	4.4
Core profit margin (%)	9.2	9.0	2.5	3.6	3.3
BV (Bt)	9.5	9.6	10.1	16.9	16.1
ROE (%)	32.1	33.5	13.7	47.9	15.7
ROA (%)	14.3	14.5	5.5	17.5	5.6
Current ratio (x)	1.7	1.9	1.7	1.3	1.2
Gearing ratio (x)	0.8	0.8	1.0	1.0	1.0
Interest coverage (x)	7.7	7.9	2.2	2.7	2.6

BALANCE SHEET (Btm)	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>9,490</b>	<b>8,704</b>	<b>24,341</b>	<b>14,222</b>	<b>14,276</b>
Accounts receivable	14,757	15,392	15,692	18,946	21,647
Inventory	35,573	34,454	33,747	61,692	64,868
PP&E-net	48,825	49,629	52,025	73,629	77,092
Other assets	25,462	29,281	31,980	100,772	105,530
<b>Total assets</b>	<b>136,186</b>	<b>140,137</b>	<b>160,506</b>	<b>276,691</b>	<b>289,790</b>
Accounts payable	10,344	10,052	11,733	16,681	19,088
ST debts & current portion	19,848	14,221	28,584	44,368	48,647
Long-term debt	28,695	37,701	40,866	72,795	73,129
Other liabilities	7,283	7,344	6,493	10,187	10,288
<b>Total liabilities</b>	<b>72,655</b>	<b>76,548</b>	<b>93,430</b>	<b>159,901</b>	<b>170,979</b>
Paid-up capital	7,520	7,520	7,520	7,743	7,743
Share premium	16,436	16,436	16,436	36,463	36,463
Retained earnings	37,875	38,967	42,016	55,632	55,253
<b>Shareholders equity</b>	<b>60,615</b>	<b>60,755</b>	<b>64,155</b>	<b>101,228</b>	<b>103,053</b>
Minority interests	2,916	2,834	2,922	15,562	15,758
<b>Total Liab.&amp;Shareholders' equity</b>	<b>136,186</b>	<b>140,137</b>	<b>160,506</b>	<b>276,691</b>	<b>289,790</b>

Sources: Company data, Bualuang Research

# Hemaraj Land and Development

HEMRAJ TB / HEMR.BK

BUY (Target Bt4.10)

## Key Ratios & Statistics

Market cap	Bt28.92bn
12-mth price range	Bt168/Bt3.10
12-mth avg daily volume	Bt79.93m
# of shares (m)	9,705.2
Est. free float (%)	58.8
Foreign limit (%)	49.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(5.4)	(0.3)	13.8
Absolute	(0.7)	8.0	30.7

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	4,150	6,255	7,563	6,515
Net profit (Btm)	537	2,219	3,439	3,099
EPS (Bt)	0.06	0.23	0.35	0.32
BLS/Consensus (x)	n.a.	0.99	1.18	0.99
EPS growth (%)	-61.97%	+313.6%	+54.95%	-9.89%
Core profit (Btm)	554	2,219	3,439	3,099
Core EPS (Bt)	0.06	0.23	0.35	0.32
Core EPS growth (%)	-56.59%	+300.6%	+54.95%	-9.89%
PER (x)	38.9	12.9	8.3	9.2
Core PER (x)	37.7	12.9	8.3	9.2
EV/EBITDA (x)	17.0	14.3	11.5	12.4
PBV (x)	2.3	2.7	2.3	2.0
Dividend (Bt)	0.1	0.1	0.2	0.2
Dividend yield (%)	2.56	3.89	6.03	5.43
ROE (%)	6.1	23.4	30.7	23.9
Net gearing (x)	0.5	0.6	0.5	0.4

CG Rating - 2011



## Key highlights

- Mr Paopitaya Smutrakalin, a HEMRAJ director, is very confident that the firm will achieve record land sales of 2,300 rai this year, as YTD land sales comprise 78% of the target. However, he said it won't be easy to set a new record for FY13. The global economy remains a major concern, so the preliminary FY13 target has been conservatively set at 1,500 rai. If demand were to prove strong, HEMRAJ would upgrade the target. Note that the firm upgraded its FY12 target on three occasions this year—from 1,500 rai to 1,700, then to 2,000 and finally to 2,300 rai.
- To cope with robust land sales, HEMRAJ has set a budget of Bt2.0-2.5bn for land acquisition, of which Bt1.7bn has been committed. This should increase the land bank to 11,000-12,000 rai, of which 8,000-9,000 rai can be developed into industrial land for sale.
- HEMRAJ expects to resume selling land at Map Ta Phut next year after the estate gains EHIA certification late this year. Although the remaining land at the estate totals only around 300 rai, the price per rai is almost triple that of HEMRAJ's other estates and GM is around 60% versus an average of 45%.
- CAPEX should peak at Bt9bn in FY12, then decline to Bt4-6bn in FY13-14 if there is no new major investments. Capital draw-downs for seven SPPs slated to go on-stream in FY15-17 should peak at only Bt1.0-1.5 in FY16-17. However, HEMRAJ will maintain its dividend payout ratio at 50%, as it is still looking for new investment opportunities.
- The firm is devising a master plan for the entertainment complex on the recently acquired 228-rai plot on Koh Lan and will sell parts of the land to project partners to develop and operate. The whole project may take 5-7 years to complete. Most investors seemed to be concerned about this non-core development in an area where HEMRAJ has no expertise. We suspect the market might punish the firm rather than reward it for its foray into new territory.

## Catalysts

- Continued strong land sales momentum in 2H12.

## Valuation

- The valuation is attractive. Although we expect a multiple de-rating due to an earnings mix shift toward the power business, HEMRAJ's FY13 PER of 8.4x is still lower than the 5-year average PERs of both power producers (10.2x) and industrial land developers (14.5x). We maintain our BUY rating with a YE13 target price of Bt4.10.

Year	Revenue growth (%) (LHS)	Asset turnover (x) (RHS)
08	-10	0.35
09	-50	0.15
10	100	0.30
11	0	0.25
12E	50	0.35
13E	20	0.40
14E	-50	0.30

Year	AR / Sales (days)	AP / Cost of Goods (days)
08	10	45
09	25	68
10	10	30
11	10	70
12E	10	35
13E	12	40
14E	10	28

Year	Gross margin (%)	EBIT margin (%)
08	41	29
09	42	22
10	38	24
11	43	28
12E	45	33
13E	46	34
14E	47	34

Year	Capex (Bt.bn)	Capex / Net PPE (%)
08	0.1	15
09	0.4	25
10	2.5	100
11	1.4	40
12E	2.4	50
13E	1.5	35
14E	1.3	30

Year	(ST debt + Interest) / EBITDA	(Debt + Interest) / EBITDA
08	1.0	2.2
09	2.5	4.8
10	0.8	5.8
11	0.6	5.9
12E	0.7	3.5
13E	0.6	2.8
14E	0.8	2.7

Year	Dividend (Bt)	Payout ratio (%)
08	0.09	~55
09	0.03	~45
10	0.06	~45
11	0.06	~95
12F	0.11	~55
13F	0.18	~55
14F	0.16	~55

	Financial tables				
PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	4,322	4,150	6,255	7,563	6,515
Cost of sales and services	(2,703)	(2,361)	(3,433)	(4,129)	(3,493)
<b>Gross profit</b>	<b>1,619</b>	<b>1,790</b>	<b>2,821</b>	<b>3,434</b>	<b>3,022</b>
SG&A	(552)	(639)	(767)	(840)	(776)
<b>EBIT</b>	<b>1,067</b>	<b>1,151</b>	<b>2,055</b>	<b>2,594</b>	<b>2,246</b>
Interest expense	(284)	(397)	(478)	(489)	(485)
Other income/exp.	190	155	156	157	159
<b>EBT</b>	<b>972</b>	<b>908</b>	<b>1,733</b>	<b>2,262</b>	<b>1,920</b>
Corporate tax	(46)	(161)	(170)	(227)	(267)
<b>After-tax net profit (loss)</b>	<b>926</b>	<b>747</b>	<b>1,564</b>	<b>2,036</b>	<b>1,653</b>
Minority interest	(71)	(60)	(81)	(22)	(4)
Equity earnings from affiliates	422	(133)	737	1,425	1,450
Extra items	135	(17)	0	0	0
<b>Net profit (loss)</b>	<b>1,411</b>	<b>537</b>	<b>2,219</b>	<b>3,439</b>	<b>3,099</b>
Reported EPS	0.15	0.06	0.23	0.35	0.32
Fully diluted EPS	0.15	0.06	0.23	0.35	0.32
<b>Core net profit</b>	<b>1,276</b>	<b>554</b>	<b>2,219</b>	<b>3,439</b>	<b>3,099</b>
Core EPS	0.13	0.06	0.23	0.35	0.32
<b>EBITDA</b>	<b>1,443</b>	<b>1,509</b>	<b>2,457</b>	<b>3,051</b>	<b>2,753</b>

KEY RATIOS	2010	2011	2012E	2013E	2014E
Revenue growth (%)	110.9	(4.0)	50.7	20.9	(13.9)
Gross margin (%)	37.5	43.1	45.1	45.4	46.4
EBITDA margin (%)	33.4	36.3	39.3	40.3	42.3
Operating margin (%)	24.7	27.7	32.9	34.3	34.5
Net margin (%)	32.6	12.9	35.5	45.5	47.6
Core profit margin (%)	29.5	13.3	35.5	45.5	47.6
ROA (%)	8.8	2.8	10.8	15.7	13.6
ROCE (%)	9.7	3.1	12.2	17.4	14.8
Asset turnover (x)	0.3	0.2	0.3	0.3	0.3
Current ratio (x)	5.8	4.9	3.6	4.4	3.7
Gearing ratio (x)	0.9	0.9	0.8	0.6	0.5
Interest coverage (x)	3.8	2.9	4.3	5.3	4.4

<b>BALANCE SHEET (Btm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>Cash &amp; Equivalent</b>	<b>3,517</b>	<b>3,718</b>	<b>1,520</b>	<b>1,559</b>	<b>1,467</b>
Accounts receivable	191	114	164	245	189
Inventory	7,278	7,890	9,276	9,494	8,890
PP&E-net	2,595	3,194	4,635	5,564	6,445
Other assets	4,988	5,093	5,516	5,766	5,866
<b>Total assets</b>	<b>18,569</b>	<b>20,010</b>	<b>21,110</b>	<b>22,627</b>	<b>22,857</b>
Accounts payable	213	450	313	438	260
ST debts & current portion	750	308	988	1,058	1,590
Long-term debt	7,231	8,134	7,086	7,028	5,438
Other liabilities	1,208	1,988	2,116	1,424	1,371
<b>Total liabilities</b>	<b>9,402</b>	<b>10,881</b>	<b>10,502</b>	<b>9,948</b>	<b>8,659</b>
Paid-up capital	3,882	3,882	3,882	3,882	3,882
Share premium	439	439	439	439	439
Retained earnings	4,511	4,514	5,912	7,936	9,400
<b>Shareholders equity</b>	<b>8,801</b>	<b>8,803</b>	<b>10,200</b>	<b>12,225</b>	<b>13,689</b>
Minority interests	366	326	408	430	434
<b>Total Liab.&amp;Shareholders' equity</b>	<b>18,569</b>	<b>20,010</b>	<b>21,110</b>	<b>22,602</b>	<b>22,782</b>

<b>CASH FLOW (Btm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
Net income	1,411	537	2,219	3,439	3,099
Depreciation and amortization	186	203	246	299	348
Change in working capital	(655)	303	(1,573)	(174)	482
FX, non-cash adjustment & others	(571)	186	(656)	(1,403)	(1,446)
<b>Cash flows from operating activities</b>	<b>371</b>	<b>1,228</b>	<b>236</b>	<b>2,161</b>	<b>2,483</b>
Capex (Invest)/Divest	(2,520)	(1,383)	(2,357)	(1,457)	(1,307)
Others	1,404	537	1,053	737	1,425
<b>Cash flows from investing activities</b>	<b>(1,117)</b>	<b>(846)</b>	<b>(1,304)</b>	<b>(720)</b>	<b>118</b>
Debt financing (repayment)	3,989	431	(309)	12	(1,058)
Equity financing	0	0	0	0	0
Dividend payment	(634)	(612)	(822)	(1,415)	(1,634)
Others	(2)	0	0	0	0
<b>Cash flows from financing activities</b>	<b>3,353</b>	<b>(181)</b>	<b>(1,131)</b>	<b>(1,403)</b>	<b>(2,692)</b>
Net change in cash	2,607	202	(2,198)	39	(92)
<b>Free cash flow (Btm)</b>	<b>(2,149)</b>	<b>(155)</b>	<b>(2,121)</b>	<b>704</b>	<b>1,176</b>
<b>FCF per share (Bt)</b>	<b>(0.22)</b>	<b>(0.02)</b>	<b>(0.22)</b>	<b>0.07</b>	<b>0.12</b>

Sources: Company data, Bualuang Research estimates

		Financial tables				
Revenue trend		QUARTERLY PROFIT & LOSS (Btm)				
		2Q11	3Q11	4Q11	1Q12	2Q12
Revenue (Bt.bn)		861	1,178	1,545	1,676	1,514
Revenue growth (% YoY)		(490)	(656)	(903)	(904)	(824)
Gross profit		371	522	642	772	689
SG&A		(136)	(147)	(224)	(191)	(177)
EBIT		235	375	418	581	513
Interest expense		(99)	(94)	(108)	(106)	(104)
Other income/exp.		41	17	77	21	28
EBT		177	298	388	496	437
Corporate tax		(42)	(51)	(45)	(50)	(43)
After-tax net profit (loss)		135	247	343	446	394
Minority interest		(17)	(11)	(15)	(14)	(26)
Equity earnings from affiliates		(88)	(81)	73	428	(275)
Extra items		0	(0)	(17)	0	(0)
Net profit (loss)		31	154	384	861	94
Reported EPS		0.00	0.02	0.04	0.09	0.01
Fully diluted EPS		0.00	0.02	0.04	0.09	0.01
Core net profit		31	155	401	861	94
Core EPS		0.00	0.02	0.04	0.09	0.01
EBITDA		327	443	550	660	0
Revenue trend (accumulated)		KEY RATIOS				
		2Q11	3Q11	4Q11	1Q12	2Q12
Accum. Revenue (Bt.bn)		43.1	44.3	41.5	46.0	45.6
% of FY Revenue		37.9	37.6	35.6	39.4	0.0
Operating margin (%)		27.3	31.8	27.1	34.7	33.9
Net margin (%)		3.6	13.1	24.9	51.4	6.2
Core profit margin (%)		3.6	13.1	26.0	51.4	6.2
BV (Bt)		0.91	0.90	0.94	1.02	1.03
ROE (%)		1.4	7.3	17.8	37.3	3.9
ROA (%)		0.7	3.4	8.1	16.7	1.7
Current ratio (x)		4.6	4.4	4.9	3.6	0.0
Gearing ratio (x)		0.9	0.8	0.9	0.8	0.9
Interest coverage (x)		2.4	4.0	3.9	5.5	4.9
Net profit trend (accumulated)		QUARTERLY BALANCE SHEET (Btm)				
		2Q11	3Q11	4Q11	1Q12	2Q12
Accum. Profit (Bt.bn)		2,542	2,258	3,718	3,051	2,128
% of FY Profit		133	124	114	146	133
Accounts receivable		7,535	7,563	7,890	8,612	9,027
Inventory		2,862	3,126	3,194	3,536	5,592
PP&E-net		5,063	5,006	5,093	5,864	5,889
Other assets		18,134	18,077	20,010	21,210	22,769
Total assets		344	422	450	640	709
Accounts payable		708	300	308	604	2,278
ST debts & current portion		6,806	6,735	8,134	7,615	6,826
Long-term debt		1,468	1,890	1,988	2,408	2,993
Other liabilities		9,327	9,347	10,881	11,266	12,807
Total liabilities		3,882	3,882	3,882	3,882	3,882
Paid-up capital		439	439	439	439	439
Share premium		4,218	4,130	4,514	5,375	5,178
Retained earnings		8,507	8,418	8,803	9,663	9,466
Shareholders equity		301	312	326	280	496
Minority interests		18,134	18,077	20,010	21,210	22,769
Total Liab.&Shareholders' equity						
Gross profit margin						
FY GPM (%)						
Gross margin (%)						

Sources: Company data, Bualuang Research estimates

# Home Product Center

HMPRO TB / HMPR.BK

BUY (Target Bt14.50)

## Key Ratios & Statistics

Market cap	Bt74.49bn
12-mth price range	Bt8.60/Bt14.50
12-mth avg daily volume	Bt140.37m
# of shares (m)	5,865.7
Est. free float (%)	42.8
Foreign limit (%)	30.0

Share price perf. (%)	1M	3M	12M
Relative to SET	6.7	(9.0)	12.7
Absolute	11.4	(0.8)	29.6

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	28,363	33,959	40,255	46,613
Net profit (Btm)	2,005	2,659	3,359	4,009
EPS (Bt)	0.34	0.46	0.58	0.69
BLS/Consensus (x)	n.a.	0.96	0.97	0.97
EPS growth (%)	+21.71%	+32.58%	+26.33%	+19.35%
Core profit (Btm)	2,005	2,659	3,359	4,009
Core EPS (Bt)	0.34	0.46	0.58	0.69
Core EPS growth (%)	+21.71%	+32.58%	+26.33%	+19.35%
PER (x)	24.2	26.3	20.9	17.5
Core PER (x)	24.2	26.3	20.9	17.5
EV/EBITDA (x)	12.2	15.3	12.7	10.7
PBV (x)	6.0	7.5	6.2	5.6
Dividend (Bt)	0.3	0.2	0.4	0.5
Dividend yield (%)	3.27	1.91	3.13	4.40
ROE (%)	27.9	30.4	32.5	33.8
Net gearing (x)	0.1	0.4	0.4	0.3

CG Rating - 2011



## Key highlights

- HMPRO CFO, Ms Wannee Juntamongkol, expects SSSG to remain slow in 3Q12 because demand for full renovation has yet to kick in and due to cannibalization from new stores—Mega Bangna and Had Yai 2. She said 4Q12 should be stronger as a result of the low base effect. Despite SSSG of 8.6% for 1H12, management still targets FY12 SSSG of 6%.
- Ms Wannee reaffirmed the plan to open eight stores in FY12 and another eight in FY13, which would bring the total number of outlets at YE13 to 61 (ahead of its earlier target of having 60 stores by YE14). Next year, HMPRO will start penetrating third-tier provinces by opening 1-2 stores in a smaller format of 4-5K sq.m. The standalone format is preferred, as it is easier to expand in the future.
- The new zoning law that prohibits the construction of commercial buildings with space exceeding 2,000sq.m is not a concern of HMPRO. The company can split buildings in two and connect them with a walkway.
- The Malaysian expansion has been pushed back from the target of late FY13 because of a problem with land acquisition.
- Gross margin should sustain an uptrend. HMPRO targets increasing the proportion of house brands in the sales mix from 19% in 1H12 to 20% in 2012 and to 25% within the next few years. Note that the GMs of house brands range 30-40% versus 15-25% for non-house brands.

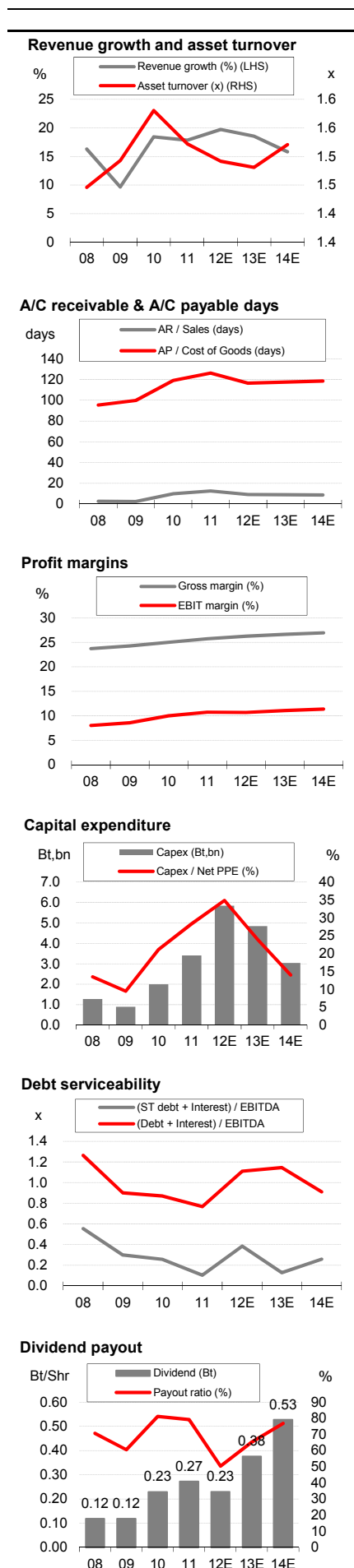
## Catalysts

- The stock dividend (XD on October 12) may generate positive sentiment toward the stock in the short-term. Looking back to the two stock dividends last year, the share price rose by 5% on the first XD date (April 12, 2011) and by 4.3% on the second XD date (October 7, 2011). Assuming that the same pattern plays out this time, short-term traders may be able to make an absolute gain from the event.

## Valuation

- The share price correction during the past three months brought HMPRO's price back down to an attractive entry level. The stock currently trades at PERs of 27.9x for FY12 and 22.1x for FY13. We like the firm for its strong brand value and dominant position in the fast-expanding Thai home improvement/DIY market. The long-term outlook is promising, led by aggressive expansion, a rising standard of living (particularly in the provinces) and a change in consumer behavior to shop for home products. We recommend BUYing ahead XD and a demand rebound in 4Q12.





Financial tables					
PROFIT & LOSS (Btm)					
	2010	2011	2012E	2013E	2014E
Revenue	24,073	28,363	33,959	40,255	46,613
Cost of sales and services	(18,052)	(21,074)	(25,051)	(29,533)	(34,064)
<b>Gross profit</b>	<b>6,021</b>	<b>7,289</b>	<b>8,908</b>	<b>10,721</b>	<b>12,550</b>
SG&A	(5,409)	(6,306)	(7,738)	(9,158)	(10,536)
<b>EBIT</b>	<b>611</b>	<b>984</b>	<b>1,170</b>	<b>1,563</b>	<b>2,013</b>
Interest expense	(103)	(118)	(163)	(248)	(288)
Other income/exp.	1,795	2,060	2,451	2,885	3,286
<b>EBT</b>	<b>2,303</b>	<b>2,927</b>	<b>3,458</b>	<b>4,199</b>	<b>5,012</b>
Corporate tax	(665)	(921)	(798)	(840)	(1,002)
<b>After-tax net profit (loss)</b>	<b>1,638</b>	<b>2,005</b>	<b>2,659</b>	<b>3,359</b>	<b>4,009</b>
Minority interest	(0)	(0)	0	0	0
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
<b>Net profit (loss)</b>	<b>1,638</b>	<b>2,005</b>	<b>2,659</b>	<b>3,359</b>	<b>4,009</b>
Reported EPS	0.28	0.34	0.46	0.58	0.69
Fully diluted EPS	0.28	0.34	0.45	0.57	0.68
<b>Core net profit</b>	<b>1,638</b>	<b>2,005</b>	<b>2,659</b>	<b>3,359</b>	<b>4,009</b>
Core EPS	0.28	0.34	0.46	0.58	0.69
<b>EBITDA</b>	<b>3,267</b>	<b>4,075</b>	<b>4,844</b>	<b>5,906</b>	<b>6,919</b>
KEY RATIOS					
	2010	2011	2012E	2013E	2014E
Revenue growth (%)	18.4	17.8	19.7	18.5	15.8
Gross margin (%)	25.0	25.7	26.2	26.6	26.9
EBITDA margin (%)	13.6	14.4	14.3	14.7	14.8
Operating margin (%)	10.0	10.7	10.7	11.0	11.4
Net margin (%)	6.8	7.1	7.8	8.3	8.6
Core profit margin (%)	6.8	7.1	7.8	8.3	8.6
ROA (%)	10.8	10.8	11.7	12.4	13.1
ROCE (%)	20.0	19.9	20.7	20.7	22.1
Asset turnover (x)	1.6	1.5	1.5	1.5	1.5
Current ratio (x)	0.8	0.8	0.6	0.7	0.6
Gearing ratio (x)	0.4	0.4	0.6	0.6	0.5
Interest coverage (x)	31.6	34.6	29.8	23.8	24.1
BALANCE SHEET (Btm)					
	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>1,417</b>	<b>1,977</b>	<b>1,300</b>	<b>1,721</b>	<b>1,784</b>
Accounts receivable	662	986	849	984	1,114
Inventory	3,714	4,382	4,732	5,414	6,056
PP&E-net	9,479	12,065	16,756	20,214	21,702
Other assets	1,319	1,267	1,223	1,180	1,137
<b>Total assets</b>	<b>16,592</b>	<b>20,678</b>	<b>24,859</b>	<b>29,513</b>	<b>31,793</b>
Accounts payable	5,897	7,292	8,002	9,516	11,071
ST debts & current portion	735	304	1,704	509	1,509
Long-term debt	2,007	2,708	3,508	6,008	4,508
Other liabilities	1,716	2,253	2,253	2,202	2,264
<b>Total liabilities</b>	<b>10,354</b>	<b>12,557</b>	<b>15,467</b>	<b>18,236</b>	<b>19,352</b>
Paid-up capital	4,353	5,837	5,838	5,838	5,838
Share premium	622	636	620	628	633
Retained earnings	1,263	1,648	2,934	4,811	5,971
<b>Shareholders equity</b>	<b>6,238</b>	<b>8,121</b>	<b>9,392</b>	<b>11,277</b>	<b>12,442</b>
Minority interests	0	0	0	0	0
<b>Total Liab.&amp;Shareholders' equity</b>	<b>16,592</b>	<b>20,678</b>	<b>24,859</b>	<b>29,513</b>	<b>31,793</b>
CASH FLOW (Btm)					
	2010	2011	2012E	2013E	2014E
Net income	1,638	2,005	2,659	3,359	4,009
Depreciation and amortization	860	1,031	1,224	1,459	1,620
Change in working capital	(104)	537	477	622	820
FX, non-cash adjustment & others	229	257	0	0	0
<b>Cash flows from operating activities</b>	<b>2,625</b>	<b>3,830</b>	<b>4,360</b>	<b>5,440</b>	<b>6,449</b>
Capex (Invest)/Divest	(2,006)	(3,419)	(5,849)	(4,850)	(3,041)
Others	0	0	0	0	0
<b>Cash flows from investing activities</b>	<b>(2,006)</b>	<b>(3,419)</b>	<b>(5,849)</b>	<b>(4,850)</b>	<b>(3,041)</b>
Debt financing (repayment)	562	271	2,200	1,305	(500)
Equity financing	55	43	(15)	9	4
Dividend payment	(665)	(165)	(1,373)	(1,483)	(2,849)
Others					
<b>Cash flows from financing activities</b>	<b>(48)</b>	<b>148</b>	<b>811</b>	<b>(169)</b>	<b>(3,345)</b>
Net change in cash	571	560	(677)	421	64
<b>Free cash flow (Btm)</b>	<b>619</b>	<b>412</b>	<b>(1,489)</b>	<b>589</b>	<b>3,408</b>
<b>FCF per share (Bt)</b>	<b>0.11</b>	<b>0.07</b>	<b>(0.25)</b>	<b>0.10</b>	<b>0.58</b>

Sources: Company data, Bualuang Research estimates

		Financial tables				
Revenue trend		QUARTERLY PROFIT & LOSS (Btm)				
		2Q11	3Q11	4Q11	1Q12	2Q12
Revenue (Bt,bn)		6,953	7,113	7,691	8,414	7,960
Revenue growth (% YoY)		(5,161)	(5,245)	(5,679)	(6,324)	(5,849)
Gross profit		1,792	1,868	2,012	2,090	2,111
SG&A		(1,501)	(1,591)	(1,749)	(1,832)	(1,819)
EBIT		291	277	264	258	292
Interest expense		(26)	(31)	(34)	(29)	(30)
Other income/exp.		436	475	668	574	500
EBT		701	722	898	803	762
Corporate tax		(222)	(221)	(280)	(193)	(171)
After-tax net profit (loss)		479	500	618	610	592
Minority interest		(0)	(0)	(0)	(0)	(0)
Equity earnings from affiliates		0	0	0	0	0
Extra items		0	0	0	0	0
Net profit (loss)		479	500	618	610	592
Reported EPS		0.09	0.10	0.11	0.10	0.10
Fully diluted EPS		0.08	0.09	0.11	0.10	0.10
Core net profit		479	500	618	610	592
Core EPS		0.09	0.10	0.11	0.10	0.10
EBITDA		1,033	964	1,211	1,112	1,085
Revenue trend (accumulated)		KEY RATIOS				
		2Q11	3Q11	4Q11	1Q12	2Q12
Accum. Revenue (Bt,bn)		25.8	26.3	26.2	24.8	26.5
% of FY Revenue		14.9	13.6	15.7	13.2	13.6
Operating margin (%)		10.5	10.6	12.1	9.9	10.0
Net margin (%)		6.9	7.0	8.0	7.3	7.4
Core profit margin (%)		6.9	7.0	8.0	7.3	7.4
BV (Bt)		1.39	1.47	1.39	1.50	1.45
ROE (%)		27.9	27.5	31.6	29.0	27.5
ROA (%)		10.7	10.7	12.4	11.4	10.7
Current ratio (x)		0.8	0.8	0.8	0.8	0.6
Gearing ratio (x)		0.4	0.5	0.4	0.3	0.4
Interest coverage (x)		(39.2)	(31.6)	(35.4)	(38.1)	(36.3)
Net profit trend (accumulated)		QUARTERLY BALANCE SHEET (Btm)				
		2Q11	3Q11	4Q11	1Q12	2Q12
Accum. Profit (Bt,m)		1,484	1,737	1,977	2,998	410
% of FY Profit		175	170	986	946	862
Accounts receivable		4,249	4,237	4,382	4,387	5,553
Inventory		10,449	11,383	12,065	12,510	13,714
PP&E-net		1,788	1,753	1,267	1,326	1,539
Other assets		1,788	1,753	1,267	1,326	1,539
Total assets		18,144	19,280	20,678	22,166	22,077
Accounts payable		5,465	5,147	7,292	7,819	8,476
ST debts & current portion		635	634	304	1,005	2,006
Long-term debt		2,009	3,008	2,708	2,015	1,015
Other liabilities		2,958	2,989	2,253	2,594	2,094
Total liabilities		11,067	11,778	12,557	13,433	13,591
Paid-up capital		5,102	5,106	5,837	5,838	5,866
Share premium		634	636	636	637	

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# Land and Houses

LH TB / LH.BK

BUY (Target Bt9.20)

## Key Ratios & Statistics

Market cap	Bt83.22bn
12-mth price range	Bt5.00/Bt8.90
12-mth avg daily volume	Bt134.98m
# of shares (m)	10,025.9
Est. free float (%)	52.2
Foreign limit (%)	30.0

Share price perf. (%)	1M	3M	12M
Relative to SET	3.1	17	4.3
Absolute	7.8	9.9	212

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	19,229	21,756	24,474	26,981
Net profit (Btm)	5,731	5,275	5,417	6,127
EPS (Bt)	0.57	0.53	0.54	0.61
BLS/Consensus (x)	n.m.	1.17	1.06	1.09
EPS growth (%)	+44.7%	-8.0%	+2.7%	+13.1%
Core profit (Btm)	3,265	4,741	5,417	6,127
Core EPS (Bt)	0.33	0.47	0.54	0.61
Core EPS growth (%)	-10.6%	+45.2%	+14.2%	+13.1%
PER (x)	14.5	15.8	15.4	13.6
Core PER (x)	25.5	17.6	15.4	13.6
EV/EBITDA (x)	33.0	26.4	23.1	21.0
PBV (x)	2.7	2.6	2.5	2.4
Dividend (Bt)	0.40	0.45	0.43	0.49
Dividend yield (%)	4.8	5.4	5.2	5.9
ROE (%)	20.1	17.6	17.4	18.9
Net gearing (x)	0.8	0.8	0.8	0.7

CG Rating - 2011



## Key highlights

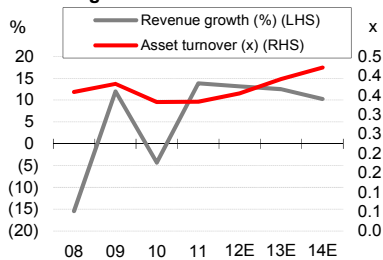
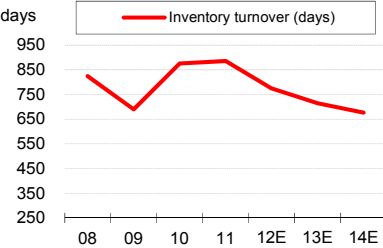
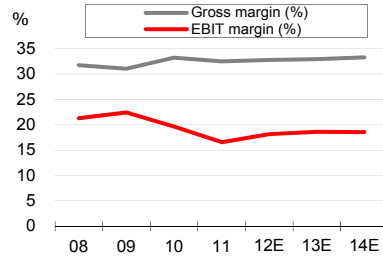
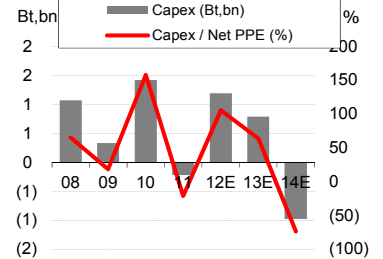
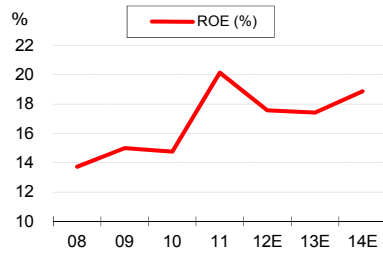
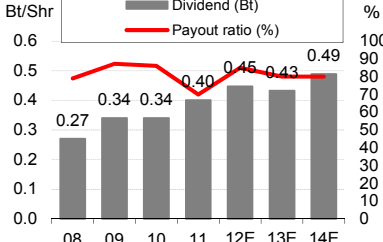
- Mr Adisorn Thananan-Narapool, CFO, confirmed a strong 2H12 core profit growth outlook and scope potential earnings upside from housing GM. LH targets growth of 15% for presales and 8% for revenue, this year, which looks comfortably achievable.
- Mr Adisorn expects housing demand to be sustained strong in 2H12, driven by broad domestic consumption growth and a rush among first-time home buyers to purchase ahead of the expiry of tax rebates (10% of the home price spread over five years for newly-built dwellings priced below Bt5m, to transfer by Dec 31, 2012). LH stands to benefit substantially from the year-end rush, as it will have the most units available (pre-built model).
- Demand in areas that were severely flooded has recovered to 60% of pre-flooding levels. LH expects a full recovery in FY13. Mr Adisorn guided for 10-15% revenue growth next year.
- Investors mostly asked about ability to pass through costs and the outlook for margin. The CFO said that housing GM this year may possibly be much fatter YoY (earlier this year, LH viewed that it might dive 100 bps), thanks to favorable demand-supply dynamics for SDHs. The mean sales price increased by 3% (fully covering a 6-7% rise in construction costs).
- Low-rise (mainly SDHs) remains the core of LH's business. The condo contribution is expected to increase from 25% currently to 35% for over the next three to five years. Despite intense competition in the condo category, LH will expand its high-rise presence in order to increase revenue growth.
- Upcountry sales currently comprise 14% of revenue—projects in Chiangmai, Hua Hin, Khonkaen and Nakorn Ratchasima. LH expects to launch new projects in Chiangrai and Udon Thani next year. Provincial sales are expected to make up 20% of the top-line over the long-term.
- LH plans to add a new recurring income project. The firm is considering bidding for land near Bon Kai intersection (Rama IV and Ratchadapisek Road, which is near an MRT station. It might also invest in San Francisco, US.
- Associated companies have a market value of Bt38bn. LH would make significant gains if it were to divest any of them.
- 

## Catalysts

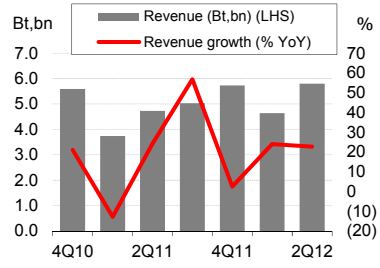
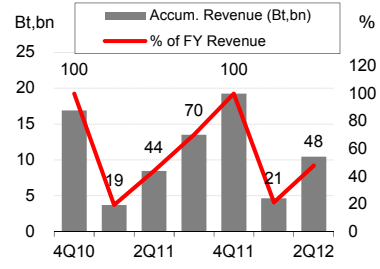
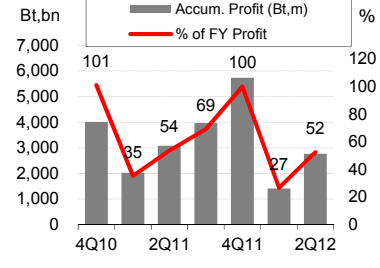
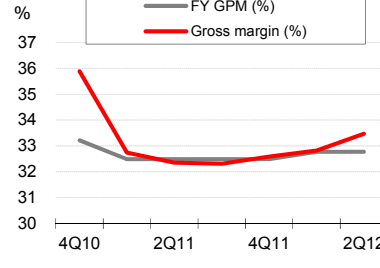
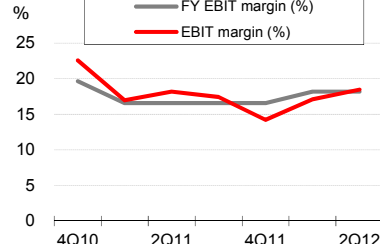
- Positive surprise to housing GM.
- Positive sentiment from anticipation of bidding for land at Bon Kai—scope for long-term earnings growth upside.

## Valuation

- LH trades at an FY12 PER of 15.8x (15.3x for FY13), a discount to its FY05-11 average of 16.4x. The dividend yield outlook is good at 5.4% for FY12.

		Financial tables					
Revenue growth and asset turnover		PROFIT & LOSS (Btm)					
		2010	2011	2012E	2013E	2014E	
%		Revenue	16,896	19,229	21,756	24,474	26,981
x		Cost of sales and services	(11,284)	(12,981)	(14,626)	(16,411)	(18,001)
08 09 10 11 12E 13E 14E		<b>Gross profit</b>	<b>5,612</b>	<b>6,248</b>	<b>7,130</b>	<b>8,062</b>	<b>8,980</b>
		SG&A	(2,293)	(3,062)	(3,176)	(3,507)	(3,969)
		<b>EBIT</b>	<b>3,319</b>	<b>3,185</b>	<b>3,953</b>	<b>4,555</b>	<b>5,011</b>
		Interest expense	(258)	(310)	(452)	(469)	(469)
		Other income/exp.	225	284	284	284	283
		<b>EBT</b>	<b>3,285</b>	<b>3,159</b>	<b>3,785</b>	<b>4,370</b>	<b>4,825</b>
		Corporate tax	(1,196)	(1,132)	(870)	(874)	(965)
		<b>After-tax profit (loss)</b>	<b>2,090</b>	<b>2,027</b>	<b>2,914</b>	<b>3,496</b>	<b>3,860</b>
		Minority interest	95	82	82	82	82
		Equity earnings from affiliates	1,469	1,156	1,746	1,839	2,186
		Extra items	307	2,466	534	0	0
		<b>Net profit (loss)</b>	<b>3,960</b>	<b>5,731</b>	<b>5,275</b>	<b>5,417</b>	<b>6,127</b>
		Reported EPS	0.39	0.57	0.50	0.53	0.61
		Fully diluted EPS	0.39	0.57	0.53	0.54	0.61
		<b>Core net profit</b>	<b>3,653</b>	<b>3,265</b>	<b>4,741</b>	<b>5,417</b>	<b>6,127</b>
		Core EPS	0.36	0.33	0.47	0.54	0.61
		<b>EBITDA</b>	<b>3,435</b>	<b>3,301</b>	<b>4,070</b>	<b>4,671</b>	<b>5,127</b>
Inventory turnover (days)		KEY RATIOS					
		2010	2011	2012E	2013E	2014E	
days		Revenue growth (%)	(4.3)	13.8	13.1	12.5	10.2
08 09 10 11 12E 13E 14E		Gross margin (%)	33.2	32.5	32.8	32.9	33.3
		EBITDA margin (%)	20.3	17.2	18.7	19.1	19.0
		Operating margin (%)	19.6	16.6	18.2	18.6	18.6
		Net margin (%)	23.4	29.8	24.2	22.1	22.7
		Core profit margin (%)	21.6	17.0	21.8	22.1	22.7
		ROA (%)	7.8	9.9	8.6	8.7	9.6
		ROCE (%)	8.3	10.6	9.1	9.2	10.2
		Asset turnover (x)	0.3	0.3	0.4	0.4	0.4
		Current ratio (x)	3.2	2.8	4.5	4.5	4.5
		Gearing ratio (x)	0.8	0.9	0.8	0.8	0.8
		Interest coverage (x)	12.9	10.3	8.7	9.7	10.7
Profit margins		BALANCE SHEET (Btm)					
		2010	2011	2012E	2013E	2014E	
%		<b>Cash &amp; Equivalent</b>	<b>2,131</b>	<b>1,199</b>	<b>2,440</b>	<b>2,087</b>	<b>2,039</b>
08 09 10 11 12E 13E 14E		Accounts receivable	18	105	24	27	30
		Inventory	27,054	31,472	31,044	32,102	33,345
		PP&E-net	900	1,025	1,125	1,225	1,326
		Other assets	24,499	27,032	27,277	27,616	28,303
		<b>Total assets</b>	<b>54,603</b>	<b>60,832</b>	<b>61,910</b>	<b>63,057</b>	<b>65,043</b>
		Accounts payable	1,280	1,862	1,755	1,969	2,160
		ST debts & current portion	6,247	8,841	4,762	4,762	4,762
		Long-term debt	16,395	17,941	21,941	21,941	21,941
		Other liabilities	2,130	1,716	1,716	1,716	1,716
		<b>Total liabilities</b>	<b>26,052</b>	<b>30,360</b>	<b>30,175</b>	<b>30,389</b>	<b>30,580</b>
		Paid-up capital	10,026	10,026	10,026	10,026	10,026
		Share premium	9,517	11,735	7,549	7,763	7,954
		Retained earnings	6,635	8,549	9,812	10,745	12,540
		<b>Shareholders equity</b>	<b>27,504</b>	<b>29,396</b>	<b>30,660</b>	<b>31,593</b>	<b>33,388</b>
		Minority interests	1,047	1,076	1,076	1,076	1,076
		<b>Total Liab.&amp;Shareholders' equity</b>	<b>54,604</b>	<b>60,833</b>	<b>61,910</b>	<b>63,057</b>	<b>65,043</b>
Capital expenditure		CASH FLOW (Btm)					
		2010	2011	2012E	2013E	2014E	
Bt, bn		Net income	3,960	5,731	5,275	5,417	6,127
%		Depreciation and amortization	116	116	116	116	116
08 09 10 11 12E 13E 14E		Change in working capital	(10,382)	(13,552)	(14,424)	1,018	(766)
		FX, non-cash adjustment & others	5,554	6,716	15,556	(1,632)	(2,166)
		<b>Cash flows from operating activities</b>	<b>-752</b>	<b>-989</b>	<b>6,524</b>	<b>4,919</b>	<b>3,311</b>
		Capex (Invest/Divest)	(1,423)	217	(1,192)	(788)	974
		Others	0	(101)	0	0	0
		<b>Cash flows from investing activities</b>	<b>(1,423)</b>	<b>116</b>	<b>(1,192)</b>	<b>(788)</b>	<b>974</b>
		Debt financing (repayment)	2,071	4,056	171	250	250
		Equity financing	0	112	0	0	0
		Dividend payment	(2,585)	(3,487)	(4,012)	(4,484)	(4,333)
		<b>Cash flows from financing activities</b>	<b>2,138</b>	<b>(59)</b>	<b>(4,091)</b>	<b>(4,484)</b>	<b>(4,333)</b>
		Net change in cash	(37)	(932)	1,241	(354)	(48)
		<b>Free cash flow (Btm)</b>	<b>(2,175)</b>	<b>(772)</b>	<b>5,332</b>	<b>4,130</b>	<b>4,286</b>
		<b>FCF per share (Bt)</b>	<b>(0.22)</b>	<b>(0.08)</b>	<b>0.53</b>	<b>0.41</b>	<b>0.43</b>
ROE		Assumptions					
		Housing revenue (Btm)	16,545	18,580	20,050	21,689	23,059
%		Housing revenue growth	-4%	12%	8%	8%	6%
08 09 10 11 12E 13E 14E		Housing GM	33.7%	32.6%	32.7%	32.7%	32.7%
		Presales backlogs (Btm)			13,541	1,475	537
		% secured revenue by backlogs			68%	7%	2%
Dividend payout							
							
Bt/Shr							
%							
08 09 10 11 12E 13E 14E							

Sources: Company data, Bualuang Research estimates

		Financial tables					
Revenue trend		QUARTERLY PROFIT & LOSS (Btm)					
		2Q11	3Q11	4Q11	1Q12	2Q12	
Bt,bn		Revenue	4,730	5,034	5,726	4,635	5,801
%		Cost of sales and services	(3,200)	(3,407)	(3,860)	(3,113)	(3,859)
4Q10		<b>Gross profit</b>	<b>1,530</b>	<b>1,627</b>	<b>1,866</b>	<b>1,522</b>	<b>1,942</b>
2Q11		SG&A	(671)	(749)	(1,052)	(728)	(872)
4Q11		<b>EBIT</b>	<b>859</b>	<b>878</b>	<b>814</b>	<b>793</b>	<b>1,070</b>
2Q12		Interest expense	(63)	(53)	(113)	(134)	(113)
		Other income/exp.	71	60	54	120	66
		<b>EBT</b>	<b>867</b>	<b>886</b>	<b>754</b>	<b>780</b>	<b>1,023</b>
		Corporate tax	(296)	(294)	(330)	(176)	(252)
		<b>After-tax net profit (loss)</b>	<b>571</b>	<b>592</b>	<b>424</b>	<b>604</b>	<b>771</b>
		Minority interest	24	15	28	(23)	(5)
		Equity earnings from affiliates	311	299	281	346	364
		Extra items	141	(7)	1,029	480	230
		<b>Net profit (loss)</b>	<b>1,047</b>	<b>898</b>	<b>1,762</b>	<b>1,407</b>	<b>1,360</b>
		Reported EPS	0.10	0.09	0.18	0.14	0.14
		Fully diluted EPS	0.10	0.09	0.18	0.14	0.14
		<b>Core net profit</b>	<b>906</b>	<b>905</b>	<b>733</b>	<b>927</b>	<b>1,130</b>
		Core EPS	0.09	0.09	0.07	0.09	0.11
		<b>EBITDA</b>	<b>1,009</b>	<b>1,025</b>	<b>975</b>	<b>991</b>	<b>1,310</b>
Revenue trend (accumulated)		KEY RATIOS					
		2Q11	3Q11	4Q11	1Q12	2Q12	
Bt,bn		Gross margin (%)	32.4	32.3	32.6	32.8	33.5
%		EBITDA margin (%)	21.3	20.4	17.0	21.4	22.6
4Q10		Operating margin (%)	18.2	17.4	14.2	17.1	18.5
2Q11		Net margin (%)	22.1	17.8	30.8	30.4	23.4
4Q11		Core profit margin (%)	19.1	18.0	12.8	20.0	19.5
2Q12		BV (Bt)	2.94	2.87	3.04	3.01	3.21
		ROE (%)	14.7	13.0	24.0	19.3	17.5
		ROA (%)	7.1	5.9	11.6	9.3	8.6
		Current ratio (x)	3.9	2.4	2.8	2.5	2.6
		Gearing ratio (x)	0.8	1.0	0.9	0.8	0.8
		Interest coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.
Net profit trend (accumulated)		QUARTERLY BALANCE SHEET (Btm)					
		2Q11	3Q11	4Q11	1Q12	2Q12	
Bt,bn		<b>Cash &amp; Equivalent</b>	<b>1,939</b>	<b>1,684</b>	<b>1,199</b>	<b>4,669</b>	<b>1,107</b>
%		Accounts receivable	22	26	105	18	92
4Q10		Inventory	30,502	32,064	31,472	29,888	31,681
2Q11		PP&E-net	923	932	1,025	913	654
4Q11		Other assets	25,864	26,427	27,032	25,203	29,739
2Q12		<b>Total assets</b>	<b>59,249</b>	<b>61,133</b>	<b>60,832</b>	<b>60,691</b>	<b>63,272</b>
		Accounts payable	1,650	1,841	1,862	1,804	2,038
		ST debts & current portion	3,839	10,013	8,841	5,938	7,197
		Long-term debt	20,682	17,490	17,941	19,037	19,383
		Other liabilities	3,638	3,050	1,716	3,697	2,447
		<b>Total liabilities</b>	<b>29,808</b>	<b>32,395</b>	<b>30,360</b>	<b>30,477</b>	<b>31,065</b>
		Paid-up capital	10,026	10,026	10,026	10,026	10,026
		Share premium	10,643	10,643	10,643	0	10,643
		Retained earnings	1,081	1,081	1,081	1,081	1,081
		<b>Shareholders equity</b>	<b>28,434</b>	<b>27,635</b>	<b>29,396</b>	<b>29,184</b>	<b>31,102</b>
		Minority interests	1,007	1,104	1,076	1,031	1,104
		<b>Total Liab.&amp;Shareholders' equity</b>	<b>59,249</b>	<b>61,133</b>	<b>60,833</b>	<b>60,691</b>	<b>63,272</b>
Gross profit margin							
							
%							
4Q10							
2Q11							
4Q11							
2Q12							
EBIT margin							
							
%							
4Q10							
2Q11							
4Q11							
2Q12							

Sources: Company data, Bualuang Research

# Robinson Department Store

ROBINS TB / ROBI.BK

BUY (Target Bt69.00)

## Key Ratios & Statistics

Market cap	Bt7108bn
12-mth price range	Bt28.00/Bt65.75
12-mth avg daily volume	Bt6137m
# of shares (m)	110.7
Est. free float (%)	30.6
Foreign limit (%)	49.0

Share price perf. (%)	1M	3M	12M
Relative to SET	2.8	0.2	56.1
Absolute	7.6	8.5	73.0

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	17,630	21,561	25,816	30,292
Net profit (Btm)	1,453	2,112	2,735	3,518
EPS (Bt)	1.32	1.91	2.48	3.18
BLS/Consensus (x)	n.a.	0.97	0.98	1.01
EPS growth (%)	-14.40%	+45.34%	+29.52%	+28.62%
Core profit (Btm)	1,563	2,112	2,735	3,518
Core EPS (Bt)	1.41	1.91	2.48	3.18
Core EPS growth (%)	+21.48%	+35.14%	+29.52%	+28.62%
PER (x)	23.5	31.4	24.2	18.8
Core PER (x)	21.8	31.4	24.2	18.8
EV/EBITDA (x)	11.2	19.2	15.2	12.0
PBV (x)	3.8	6.3	5.3	4.5
Dividend (Bt)	0.7	1.0	1.2	1.6
Dividend yield (%)	2.11	1.59	2.06	2.65
ROE (%)	17.5	22.4	24.9	27.3
Net gearing (x)	(0.3)	(0.2)	(0.1)	(0.1)

CG Rating - 2011



## Key highlights

- Ms Jiraphan Thongtan, IR Manager, said that SSSG would slow in 3Q12, due to: 1) the high base set last year, 2) slow sales at stores in Bangkok as a result of hard sales promotions at Siam Center (before it closed for a facelift in mid July) and 3) renovation at the Udonthani branch, which is one of the best-performing outlets. However, SSSG is expected to accelerate again in 4Q12, due to the low base effect caused by flooding last year. ROBINS maintains an FY12 SSSG target of 7-8%. Note that SSSG was 8.3% in 1H12.
- The profitability of provincial stores is currently comparable to that of Bangkok outlets. But over the long-run, provincial stores will tend to have higher profitability. At present, ROBINS has to offer discounts to attract new customers, as they are familiar with low-priced products at hypermarkets. But once the firm educates shoppers about fashion, the use of price promotions will gradually diminish. ROBINS would then enjoy fishing alone in this blue ocean, given that it has no direct competitor in the provinces.
- The evidence supporting our thesis that there is a trading-up trend in the provinces is that SSSG has been generated mostly from higher ticket value rather than number of tickets. In order to encourage and cater to this trend, ROBINS has added premium and international brands to provincial stores, which has gradually pushed up GM.
- Ms Jiraphan reaffirmed that the company will roll out five new stores a year and that the Lifestyle Center format will be key to achieving the target. ROBINS currently has two stores in this format and will open four next year. Not only does the format fit well in small provinces, but it means that ROBINS no longer depends on shopping mall developers, which are in short supply in second- and third-tier provincial cities.
- The possibility of overseas expansion is under study. A concrete plan should be announced next year. Malaysia and Indonesia are likely to be priority targets. However, some investors don't like the idea of ROBINS expanding abroad.

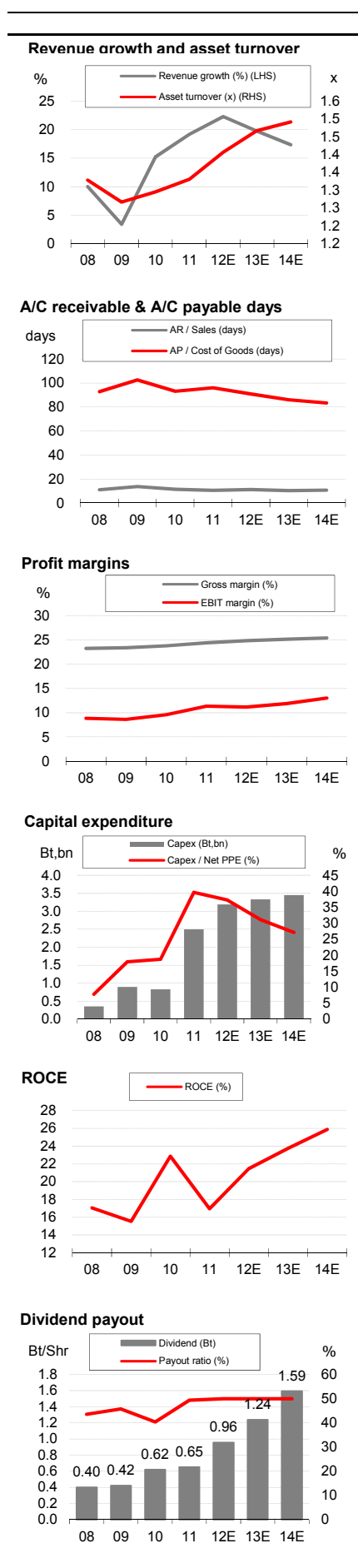
## Catalysts

- The firm might book insurance payouts of Bt110m for 4Q11 flood damage in 2H12, which would top up the bottom-line for the year.

## Valuation

- ROBINS currently trades at PERs of 33.5x for FY12 and 25.8x for FY13. Although the multiples are quite high, we believe the stock deserves to trade at a premium to both its historical average and its peers because its growth profile and earnings visibility are much stronger than they were in past and are better than for the sector as a whole.





Financial tables					
PROFIT & LOSS (Btm)					
	2010	2011	2012E	2013E	2014E
Revenue	14,794	17,630	21,561	25,816	30,292
Cost of sales and services	(11,275)	(13,327)	(16,203)	(19,324)	(22,600)
<b>Gross profit</b>	<b>3,520</b>	<b>4,304</b>	<b>5,358</b>	<b>6,492</b>	<b>7,692</b>
SG&A	(3,298)	(3,752)	(4,648)	(5,468)	(6,163)
<b>EBIT</b>	<b>221</b>	<b>552</b>	<b>710</b>	<b>1,024</b>	<b>1,529</b>
Finance costs	0	(0)	0	0	0
Other income/exp.	1,198	1,445	1,699	2,044	2,415
<b>EBT</b>	<b>1,419</b>	<b>1,997</b>	<b>2,409</b>	<b>3,068</b>	<b>3,944</b>
Corporate tax	(306)	(568)	(546)	(614)	(789)
<b>After-tax net profit (loss)</b>	<b>1,113</b>	<b>1,429</b>	<b>1,863</b>	<b>2,454</b>	<b>3,155</b>
Minority interest	(79)	(181)	(199)	(219)	(241)
Equity earnings from affiliates	252	315	447	499	603
Extra items	411	(110)	0	0	0
<b>Net profit (loss)</b>	<b>1,697</b>	<b>1,453</b>	<b>2,112</b>	<b>2,735</b>	<b>3,518</b>
Reported EPS	1.54	1.32	1.91	2.48	3.18
Fully diluted EPS	1.54	1.32	1.91	2.48	3.18
<b>Core net profit</b>	<b>1,286</b>	<b>1,563</b>	<b>2,112</b>	<b>2,735</b>	<b>3,518</b>
Core EPS	1.16	1.41	1.91	2.48	3.18
<b>EBITDA</b>	<b>2,137</b>	<b>2,782</b>	<b>3,345</b>	<b>4,237</b>	<b>5,356</b>
KEY RATIOS					
	2010	2011	2012E	2013E	2014E
Revenue growth (%)	15.2	19.2	22.3	19.7	17.3
Gross margin (%)	23.8	24.4	24.8	25.1	25.4
EBITDA margin (%)	14.4	15.8	15.5	16.4	17.7
Operating margin (%)	9.6	11.3	11.2	11.9	13.0
Net margin (%)	11.5	8.2	9.8	10.6	11.6
Core profit margin (%)	8.7	8.9	9.8	10.6	11.6
ROA (%)	14.9	11.0	13.8	15.5	17.3
ROCE (%)	22.8	17.0	21.5	23.7	25.9
Asset turnover (x)	1.3	1.3	1.4	1.5	1.5
Current ratio (x)	1.3	1.0	0.8	0.7	0.8
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	n.m	333,068.7	n.m	n.m	n.m
BALANCE SHEET (Btm)					
	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>3,513</b>	<b>3,006</b>	<b>2,209</b>	<b>1,860</b>	<b>2,128</b>
Accounts receivable	460	505	660	726	890
Inventory	941	1,163	1,329	1,598	1,775
PP&E-net	4,445	6,283	8,552	10,686	12,703
Other assets	2,879	3,307	3,635	3,938	4,312
<b>Total assets</b>	<b>12,238</b>	<b>14,265</b>	<b>16,386</b>	<b>18,808</b>	<b>21,807</b>
Accounts payable	2,877	3,504	4,033	4,556	5,164
ST debts & current portion	0	0	0	0	0
Long-term debt	0	0	0	0	0
Other liabilities	1,298	1,691	1,751	1,817	1,889
<b>Total liabilities</b>	<b>4,175</b>	<b>5,195</b>	<b>5,784</b>	<b>6,373</b>	<b>7,053</b>
Paid-up capital	3,943	3,943	3,943	3,943	3,943
Share premium	0	0	0	0	0
Retained earnings	3,902	4,668	6,062	7,741	9,891
<b>Shareholders' equity</b>	<b>7,876</b>	<b>8,739</b>	<b>10,133</b>	<b>11,812</b>	<b>13,962</b>
Minority interests	188	331	470	623	792
<b>Total Liab.&amp;Shareholders' equity</b>	<b>12,238</b>	<b>14,265</b>	<b>16,386</b>	<b>18,808</b>	<b>21,807</b>
CASH FLOW (Btm)					
	2010	2011	2012E	2013E	2014E
Net income	1,697	1,453	2,112	2,735	3,518
Depreciation and amortization	718	785	936	1,169	1,412
Change in working capital	(16)	316	207	189	268
FX, non-cash adjustment & others	(577)	(35)	(146)	(57)	(113)
<b>Cash flows from operating activities</b>	<b>1,823</b>	<b>2,520</b>	<b>3,109</b>	<b>4,037</b>	<b>5,084</b>
Capex (Invest)/Divest	(833)	(2,495)	(3,188)	(3,330)	(3,449)
Others	840	(541)	0	0	0
<b>Cash flows from investing activities</b>	<b>7</b>	<b>(3,036)</b>	<b>(3,188)</b>	<b>(3,330)</b>	<b>(3,449)</b>
Debt financing (repayment)	0	(0)	0	0	0
Equity financing	53	112	0	0	0
Dividend payment	(487)	(725)	(718)	(1,056)	(1,367)
Others	0	0	0	0	0
<b>Cash flows from financing activities</b>	<b>(434)</b>	<b>(613)</b>	<b>(718)</b>	<b>(1,056)</b>	<b>(1,367)</b>
Net change in cash	1,396	(1,130)	(797)	(349)	268
<b>Free cash flow (Btm)</b>	<b>990</b>	<b>24</b>	<b>(79)</b>	<b>707</b>	<b>1,635</b>
<b>FCF per share (Bt)</b>	<b>0.90</b>	<b>0.02</b>	<b>(0.07)</b>	<b>0.64</b>	<b>1.48</b>

Sources: Company data, Bualuang Research estimates

		Financial tables				
Revenue trend		QUARTERLY PROFIT & LOSS (Btm)				
		2Q11	3Q11	4Q11	1Q12	2Q12
Revenue (Bt.bn)		4,092	4,324	5,111	5,071	5,004
Revenue growth (% YoY)		(3,091)	(3,272)	(3,848)	(3,813)	(3,762)
Gross profit		1,001	1,052	1,263	1,258	1,242
SG&A		(905)	(943)	(1,069)	(1,012)	(1,130)
EBIT		96	109	194	246	112
Interest expense		0	0	(0)	0	0
Other income/exp.		369	348	363	405	424
EBT		465	457	557	650	535
Corporate tax		(124)	(133)	(160)	(148)	(113)
After-tax net profit (loss)		341	324	397	502	422
Minority interest		(36)	(39)	(60)	(64)	(50)
Equity earnings from affiliates		85	87	79	125	102
Extra items		0	0	(110)	0	0
Net profit (loss)		389	373	306	564	474
Reported EPS		0.35	0.34	0.28	0.51	0.43
Fully diluted EPS		0.35	0.34	0.28	0.51	0.43
Core net profit		389	373	416	564	474
Core EPS		0.35	0.34	0.37	0.51	0.43
EBITDA		465	457	557	650	535
Revenue trend (accumulated)		KEY RATIOS				
		2Q11	3Q11	4Q11	1Q12	2Q12
Accum. Revenue (Bt.bn)		24.5	24.3	24.7	24.8	24.8
% of FY Revenue		11.4	10.6	10.9	12.8	10.7
Operating margin (%)		2.3	2.5	3.8	4.8	2.2
Net margin (%)		9.5	8.6	6.0	11.1	9.5
Core profit margin (%)		9.5	8.6	8.1	11.1	9.5
BV (Bt)		7.46	7.83	8.17	8.73	8.51
ROE (%)		19.1	18.1	14.3	25.0	20.7
ROA (%)		12.8	12.1	9.1	15.7	13.2
Current ratio (x)		1.2	1.2	1.0	1.1	0.9
Gearing ratio (x)		0.0	0.0	0.0	0.0	0.0
Interest coverage (x)		n.m.	n.m.	32,366.3	n.m.	n.m.
Net profit trend (accumulated)		QUARTERLY BALANCE SHEET (Btm)				
		2Q11	3Q11	4Q11	1Q12	2Q12
Accum. Profit (Bt,m)		2,788	2,733	3,006	2,748	2,056
% of FY Profit		313	328	505	409	420
Accounts receivable		904	990	1,163	1,182	1,145
Inventory		4,916	5,236	6,283	6,638	6,685
PP&E-net		3,119	3,335	3,307	3,489	3,945
Other assets		12,041	12,622	14,265	14,466	14,250
Total assets		2,487	2,716	3,504	3,082	3,259
Accounts payable		0	0	0	0	0
ST debts & current portion		0	0	0	0	0
Long-term debt		1,263	1,204	1,691	1,684	1,542
Other liabilities		3,750	3,920	5,195	4,766	4,801
Total liabilities		3,943	3,943	3,943	3,943	3,943
Paid-up capital		0	0	0	0	0
Share premium		3,990	4,362	4,668	5,232	4,984
Retained earnings		8,058	8,430	8,739	9,306	9,061
Shareholders equity		232	271	331	395	388
Minority interests		12,041	12,622	14,265	14,466	14,250
Total Liab.&Shareholders' equity						
Gross profit margin						
FY GPM (%)						
Gross margin (%)						

Sources: Company data, Bualuang Research estimates

# Thaicom

THCOM TB / THCO.BK

BUY (Target Bt20.50)

## Key Ratios & Statistics

Market cap	Bt20.17bn
12-mth price range	Bt7.40/Bt19.10
12-mth avg daily volume	Bt266.29m
# of shares (m)	1,095.9
Est. free float (%)	58.8
Foreign limit (%)	40.0

Share price perf. (%)	1M	3M	12M
Relative to SET	20.4	26.1	69.9
Absolute	25.2	34.3	86.8

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	7,254	8,364	9,624	10,949
Net profit (Btm)	(490)	500	845	1,250
EPS (Bt)	(0.45)	0.46	0.77	1.14
BLS/Consensus (x)	n.a.	0.97	1.03	n.a.
EPS growth (%)	+39.2%	n.m.	+69.0%	+47.9%
Core profit (Btm)	-45	541	845	1,250
Core EPS (Bt)	(0.04)	0.49	0.77	1.14
Core EPS growth (%)	+93.7%	n.m.	+56.2%	+47.9%
PER (x)	n.m.	40.3	23.9	16.1
Core PER (x)	n.m.	37.3	23.9	16.1
EV/EBITDA (x)	6.1	7.0	6.2	5.2
PBV (x)	0.7	1.4	1.3	1.2
Dividend (Bt)	0.00	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(3.4)	3.5	5.6	7.8
Net gearing (x)	0.5	0.2	0.1	(0.0)

CGRating - 2011



## Key highlights

- Investors asked about the progress and timing of the Mfone sale. Ms Suphajee Suthumpun, the CEO, said that she has set a YE12 target for the sale or termination of the operation. Of eight current Cambodian mobile operators, only one is currently operating profitably, she claimed. THCOM's share of the Mfone net loss is currently about Bt120-130m/quarter. It wants to keep LTC (Lao Telecom), which generates a Bt30-40m/quarter profit contribution to the firm, based on its 25% grandfathered stake.
- Investors were curious about the one-time loss provision, assuming an Mfone sale. Mr Vuthi Asvasermcharoen, the CFO, said that there are inter-company loans between Shenington and Mfone worth US\$30m and another \$15-20m in third party loans and related liabilities. We estimate a Bt700-800m one-time provision in 4Q12 (based on THCOM's 50% indirect stake in Mfone), assuming a sale in 4Q12—a one-off non-cash item. We will upgrade our net profit projection for FY13 (by 62%) on proof of an Mfone sale. Our sensitivity analysis suggests Bt6-7/share upside to our YE12 DCF-based target price.
- There was interest in IPSTAR's potential utilization rate and marketing progress. Management targets 32% bandwidth utilization by YE12 and 37-42% by YE13 (excluding Chinese bulk sales). A 1% increase in IPSTAR's utilization rate would mean a US\$3.8-4.0m rise in annual revenue. IPSTAR will sign a contract with a big Indian telco for 2-3Gbps and a fourth Japanese client to fill up the entire bandwidth allocation for Japan by YE12. Moreover, it will renew its existing contract with TOT in 4Q12 with potentially higher usage from TOT. IPSTAR's direct sales with China Telecom will make more progress next year.

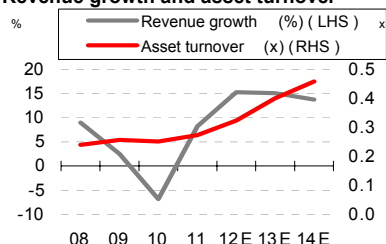
## Catalysts

- The Mfone sale by YE12.
- IPSTAR sales in India and Thailand in 4Q12.
- The launch of Thaicom 6 by mid 2013.
- Bulk sales and direct sales in China in FY13.

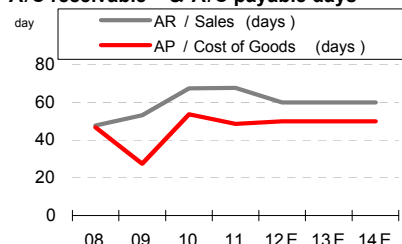
## Valuation

- The key investment theme is the FY12 turnaround story. THCOM's strong earnings growth momentum will be sustained in FY13, underpinned by Thaicom 6 and IPSTAR receipts from Thailand, India and China. The sale of Mfone would mean upside of potentially Bt6-7/share to our YE12 DCF-based target price. The stock currently trades at 7x FY12 EV/EBITDA, which is lower than its long-term mean of 9x and the sectoral average of 8.2x. Our BUY rating stands with the YE12 DCF-based target price of Bt20.50.

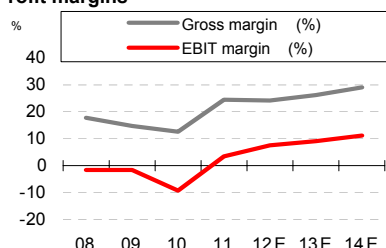
### Revenue growth and asset turnover



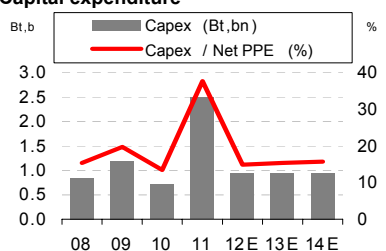
### A/C receivable & A/C payable days



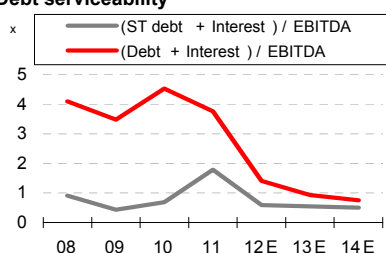
### Profit margins



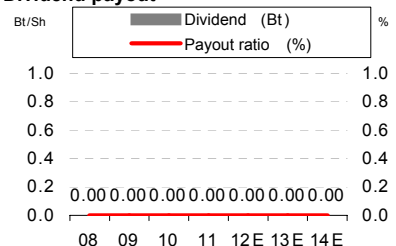
### Capital expenditure



### Debt serviceability



### Dividend payout



### Financial tables

PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	6,700	7,254	8,364	9,624	10,949
Cost of sales and services	(5,851)	(5,473)	(6,340)	(7,095)	(7,769)
<b>Gross profit</b>	<b>849</b>	<b>1,781</b>	<b>2,024</b>	<b>2,529</b>	<b>3,180</b>
SG&A	(1,473)	(1,528)	(1,393)	(1,650)	(1,962)
<b>EBIT</b>	<b>(623)</b>	<b>253</b>	<b>631</b>	<b>879</b>	<b>1,218</b>
Interest expense	(496)	(479)	(220)	(195)	(170)
Other income/exp.	107	150	130	156	191
<b>EBT</b>	<b>(1,013)</b>	<b>(76)</b>	<b>542</b>	<b>840</b>	<b>1,239</b>
Corporate tax	135	(132)	(165)	(167)	(169)
<b>After-tax profit (loss)</b>	<b>(878)</b>	<b>(208)</b>	<b>377</b>	<b>673</b>	<b>1,070</b>
Minority interest	(6)	12	12	12	12
Equity earnings from affiliates	168	150	152	159	167
Extra items	(90)	(445)	(41)	0	0
<b>Net profit (loss)</b>	<b>(806)</b>	<b>(490)</b>	<b>500</b>	<b>845</b>	<b>1,250</b>
Reported EPS	(0.74)	(0.45)	0.46	0.77	1.14
Fully diluted EPS	(0.74)	(0.45)	0.46	0.77	1.14
<b>Core net profit</b>	<b>(716)</b>	<b>(45)</b>	<b>541</b>	<b>845</b>	<b>1,250</b>
Core EPS	(0.65)	(0.04)	0.49	0.77	1.14
<b>EBITDA</b>	<b>1,963</b>	<b>2,861</b>	<b>3,330</b>	<b>3,528</b>	<b>3,816</b>

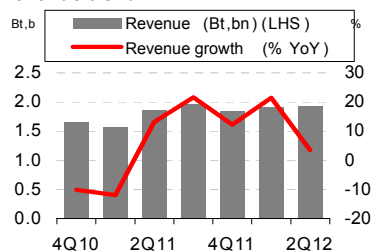
KEY RATIOS	2010	2011	2012E	2013E	2014E
Revenue growth (%)	(6.8)	8.3	15.3	15.1	13.8
Gross margin (%)	12.7	24.6	24.2	26.3	29.0
EBITDA margin (%)	29.3	39.4	39.8	36.7	34.9
Operating margin (%)	(9.3)	3.5	7.5	9.1	11.1
Net margin (%)	(12.0)	(6.8)	6.0	8.8	11.4
Core profit margin (%)	(10.7)	(0.6)	6.5	8.8	11.4
ROA (%)	(3.0)	(1.8)	1.9	3.5	5.2
ROCE (%)	(3.4)	(2.1)	2.3	4.5	6.6
Asset turnover (x)	0.3	0.3	0.3	0.4	0.5
Current ratio (x)	0.9	0.7	0.5	0.6	1.0
Gearing ratio (x)	0.6	0.7	0.3	0.2	0.2
Interest coverage (x)	n.m.	0.5	2.9	4.5	7.2

BALANCE SHEET (Btm)	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>1,272</b>	<b>2,866</b>	<b>1,238</b>	<b>1,528</b>	<b>2,904</b>
Accounts receivable	1,240	1,348	1,375	1,582	1,800
Inventory	413	241	379	424	464
PP&E-net	5,263	6,611	6,373	6,184	6,045
Other assets	17,141	15,474	14,162	12,876	11,599
<b>Total assets</b>	<b>25,868</b>	<b>27,216</b>	<b>24,388</b>	<b>23,653</b>	<b>24,080</b>
Accounts payable	861	728	868	972	1,064
ST debts & current portion	854	4,626	1,749	1,749	1,749
Long-term debt	7,544	5,651	2,714	1,333	952
Other liabilities	382	607	700	805	916
<b>Total liabilities</b>	<b>11,325</b>	<b>13,039</b>	<b>9,711</b>	<b>8,131</b>	<b>7,309</b>
Paid-up capital	5,480	5,480	5,480	5,480	5,480
Share premium	4,302	4,302	4,302	4,302	4,302
Retained earnings	4,717	4,358	4,858	5,703	6,952
<b>Shareholders equity</b>	<b>14,498</b>	<b>14,139</b>	<b>14,639</b>	<b>15,484</b>	<b>16,734</b>
Minority interests	45	37	37	37	37
<b>Total Liab.&amp;Shareholders' equity</b>	<b>25,868</b>	<b>27,216</b>	<b>24,388</b>	<b>23,653</b>	<b>24,080</b>

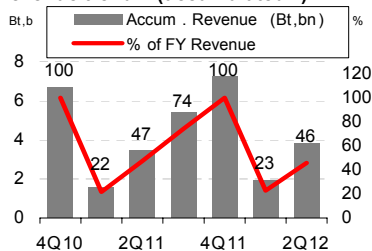
CASH FLOW (Btm)	2010	2011	2012E	2013E	2014E
Net income	(806)	(490)	500	845	1,250
Depreciation and amortization	2,587	2,608	2,699	2,649	2,599
Change in working capital	223	(69)	(24)	(149)	(166)
FX, non-cash adjustment & others	(169)	988	2,055	(619)	(865)
<b>Cash flows from operating activities</b>	<b>1,835</b>	<b>3,038</b>	<b>5,230</b>	<b>2,726</b>	<b>2,818</b>
Capex (Invest)/Divest	(710)	(2,492)	(950)	(950)	(950)
Others	134	117	(93)	(105)	(111)
<b>Cash flows from investing activities</b>	<b>(575)</b>	<b>(2,375)</b>	<b>(1,043)</b>	<b>(1,055)</b>	<b>(1,061)</b>
Debt financing (repayment)	(293)	1,318	(5,814)	(1,381)	(381)
Equity financing	0	0	0	0	0
Dividend payment	0	0	0	0	0
Others	(493)	(387)	0	0	0
<b>Cash flows from financing activities</b>	<b>(786)</b>	<b>931</b>	<b>(5,814)</b>	<b>(1,381)</b>	<b>(381)</b>
Net change in cash	474	1,594	(1,628)	290	1,376
<b>Free cash flow (Btm)</b>	<b>1,126</b>	<b>546</b>	<b>4,280</b>	<b>1,776</b>	<b>1,868</b>
<b>FCF per share (Bt)</b>	<b>1.03</b>	<b>0.50</b>	<b>3.90</b>	<b>1.62</b>	<b>1.70</b>

Sources: Company data, Bualuang Research estimates

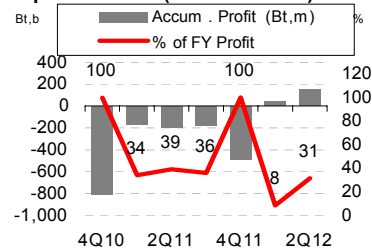
### Revenue trend



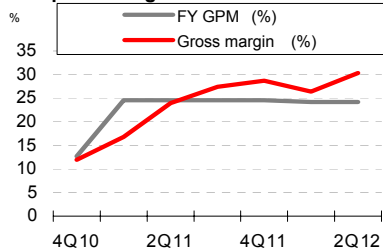
### Revenue trend (accumulated)



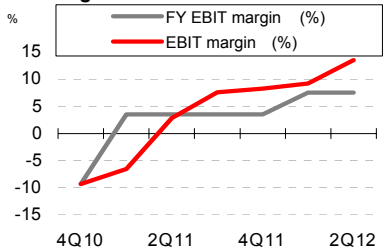
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



### Financial tables

PROFIT & LOSS (Btm)	2Q11	3Q11	4Q11	1Q12	2Q12
Revenue	1,862	1,968	1,854	1,907	1,926
Cost of sales and services	(1,416)	(1,429)	(1,322)	(1,404)	(1,342)
<b>Gross profit</b>	<b>446</b>	<b>540</b>	<b>531</b>	<b>503</b>	<b>584</b>
SG&A	(394)	(390)	(378)	(327)	(323)
<b>EBIT</b>	<b>52</b>	<b>150</b>	<b>154</b>	<b>176</b>	<b>260</b>
Interest expense	(121)	(119)	(120)	(116)	(115)
Other income/exp.	29	19	91	25	28
<b>EBT</b>	<b>(39)</b>	<b>50</b>	<b>125</b>	<b>85</b>	<b>174</b>
Corporate tax	(16)	(40)	(90)	(59)	(50)
<b>After-tax profit (loss)</b>	<b>(55)</b>	<b>10</b>	<b>35</b>	<b>26</b>	<b>123</b>
Minority interest	(3)	(3)	19	0	0
Equity earnings from affiliates	43	32	31	45	38
Extra items	(9)	(23)	(400)	(29)	(47)
<b>Net profit (loss)</b>	<b>(25)</b>	<b>16</b>	<b>(315)</b>	<b>42</b>	<b>115</b>
Reported EPS	(0.02)	0.01	(0.29)	0.04	0.10
Fully diluted EPS	(0.02)	0.01	(0.29)	0.04	0.10
<b>Core net profit</b>	<b>(16)</b>	<b>39</b>	<b>85</b>	<b>71</b>	<b>162</b>
Core EPS	(0.01)	0.04	0.08	0.06	0.15
<b>EBITDA</b>	<b>696</b>	<b>806</b>	<b>840</b>	<b>827</b>	<b>903</b>

### KEY RATIOS

	2Q11	3Q11	4Q11	1Q12	2Q12
Gross margin (%)	24.0	27.4	28.7	26.4	30.3
EBITDA margin (%)	37.4	40.9	45.3	43.4	46.9
Operating margin (%)	2.8	7.6	8.3	9.2	13.5
Net margin (%)	(1.3)	0.8	(17.0)	2.2	6.0
Core profit margin (%)	(0.8)	2.0	4.6	3.7	8.4
BV (Bt)	13.2	13.2	12.9	13.0	13.1
ROE (%)	(0.7)	0.4	(8.9)	1.2	3.2
ROA (%)	(0.4)	0.2	(4.6)	0.6	1.6
Current ratio (x)	0.8	0.8	0.7	0.7	0.8
Gearing ratio (x)	0.6	0.7	0.7	0.7	0.8
Interest coverage (x)	0.4	1.3	1.3	1.5	2.3

### BALANCE SHEET (Btm)

	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>1,948</b>	<b>2,166</b>	<b>2,866</b>	<b>3,582</b>	<b>4,080</b>
Accounts receivable	1,122	1,189	1,348	1,233	1,445
Inventory	340	295	241	203	276
PP&E-net	5,922	6,414	6,611	6,639	7,305
Other assets	17,026	16,674	15,926	15,520	15,237
<b>Total assets</b>	<b>26,596</b>	<b>27,074</b>	<b>27,216</b>	<b>27,518</b>	<b>28,553</b>
Accounts payable	507	481	728	659	731
ST debts & current portion	1,661	2,362	4,626	4,640	4,912
Long-term debt	7,383	7,312	5,651	5,563	5,952
Other liabilities	397	450	607	580	661
<b>Total liabilities</b>	<b>12,116</b>	<b>12,631</b>	<b>13,039</b>	<b>13,323</b>	<b>14,197</b>
Paid-up capital	5,480	5,480	5,480	5,480	5,480
Share premium	4,302	4,302	4,302	4,302	4,302
Retained earnings	4,445	4,461	4,146	4,189	4,304
<b>Shareholders equity</b>	<b>14,430</b>	<b>14,389</b>	<b>14,139</b>	<b>14,159</b>	<b>14,319</b>
Minority interests	50	53	37	36	37
<b>Total Liab.&amp;Shareholders' equity</b>	<b>26,596</b>	<b>27,074</b>	<b>27,216</b>	<b>27,518</b>	<b>28,553</b>

Sources: Company data, Bualuang Research

# Thai Tap Water Supply

TTW TB / TTW.BK

HOLD (Target Bt7.10)

## Key Ratios & Statistics

Market cap	Bt28.13bn
12-mth price range	Bt4.74/Bt7.45
12-mth avg daily volume	Bt22.07m
# of shares (m)	3,990.0
Est. free float (%)	34.3
Foreign limit (%)	49.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(7.5)	4.6	18.7
Absolute	(2.8)	12.8	35.6

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	4,461	4,714	5,008	5,199
Net profit (Btm)	2,125	2,167	2,247	2,445
EPS (Bt)	0.53	0.54	0.56	0.61
BLS/Consensus (x)	n.m.	0.99	1.04	n.m.
EPS growth (%)	+2.99%	+2.00%	+3.69%	+8.82%
Core profit (Btm)	2,125	2,167	2,247	2,445
Core EPS (Bt)	0.53	0.54	0.56	0.61
Core EPS growth (%)	+2.99%	+2.00%	+3.69%	+8.82%
PER (x)	13.1	12.9	12.4	11.4
Core PER (x)	13.1	12.9	12.4	11.4
EV/EBITDA (x)	10.3	8.6	7.7	6.9
PBV (x)	2.7	2.4	2.3	2.1
Dividend (Bt)	0.4	0.4	0.4	0.4
Dividend yield (%)	5.71	5.71	5.71	5.71
ROE (%)	21.7	20.0	19.0	19.5
Net gearing (x)	0.6	0.2	0.1	(0.1)

CG Rating - 2011



## Key highlights

- The feedback from investors that met the firm was broadly positive. They view TTW as a solid dividend stock whose forward growth profile isn't quite as exciting as its past performance. However, they expressed concerns about the firm's business diversification, as they would prefer that it concentrated on its tap water and waste-water businesses, rather than branching into renewable power projects.
- No new acquisitions are likely to be sealed any time soon, due to high acquisition costs. The firm will de-bottleneck the PTW facility, boosting production capacity to 450K cu.m/day from 388K cu.m/day currently. Construction should start in 4Q12; COD by mid FY14. Management is also studying the feasibility of a greenfield expansion at the existing TTW facility, which would boost its production capacity to 540K cu.m/day from 440K cu.m/day. The TTW plant is currently running at about 82% of capacity. The firm targets construction starting in early FY14 (about one year behind the PTW de-bottlenecking) and commercial start-up by FY16.
- Despite CAPEX plans, management reassured that it would maintain its dividend policy at not less than the payout for FY11. TTW aims to finance its expansion mostly through debt. In any case, the investment budget is not very large—Bt500m for PTW's de-bottlenecking project (cheap compared with Bt1.4bn for TTW's de-bottlenecking for 120K cu.m/day of extra capacity in 2009) and Bt1.2bn for TTW's greenfield expansion. With a comfortable net debt/equity ratio of 1.3x (its debt covenant is 2x) and yearly operating cash flows of Bt3bn, the firm could increase leverage by up to Bt7-8bn and maintain its high dividend payout policy.

## Catalysts

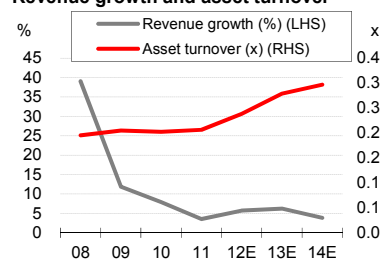
- The operational normalization of the Nam Ngum 2 hydro-power station in Laos will boost CKP's 2H12 performance. Debt-refinancing for Nam Ngum 2 would improve its mid-term outlook.
- Waste-water sales at BIE have recovered since the 4Q11 flooding receded. In 3Q12 they were 14-15K cu.m/day, up from only 10K cu.m/day in the wake of the flooding. Sales volume is expected to return to the pre-flooding level of 19K cu.m/day by 1Q13.
- A potential tax refund would boost the 4Q12 outlook—we anticipate that TTW will book part of the total Bt386m from the Revenue Department in the fourth-quarter.

## Valuation

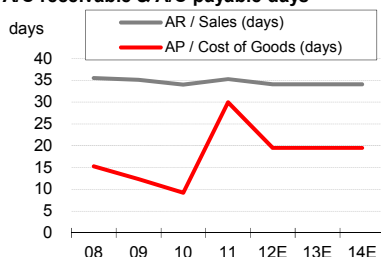
- While we anticipate only tepid earnings growth, due to the full realization of income tax in 2H12, a generous dividend yield will buttress the stock against price downside. The current share price implies an FY12 dividend yield of 5.7% versus 4.5% for other Thai utilities and 3.8% for the broad SET.



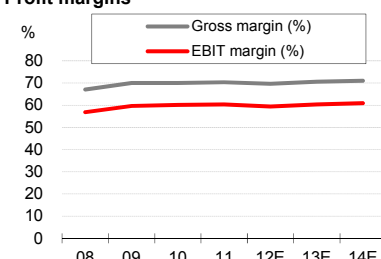
### Revenue growth and asset turnover



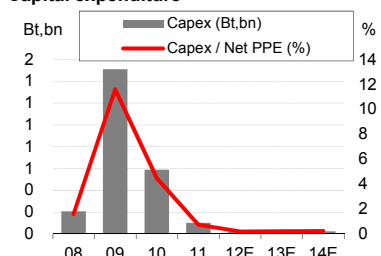
### A/C receivable & A/C payable days



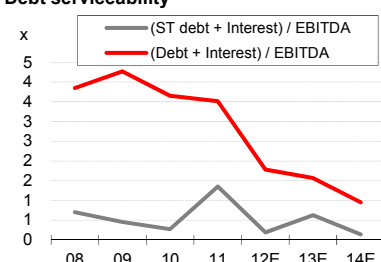
### Profit margins



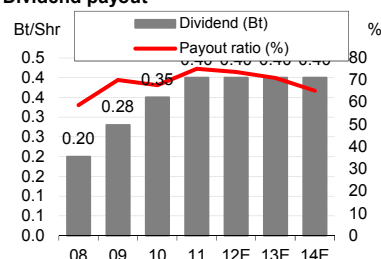
### Capital expenditure



### Debt serviceability



### Dividend payout



### Financial tables

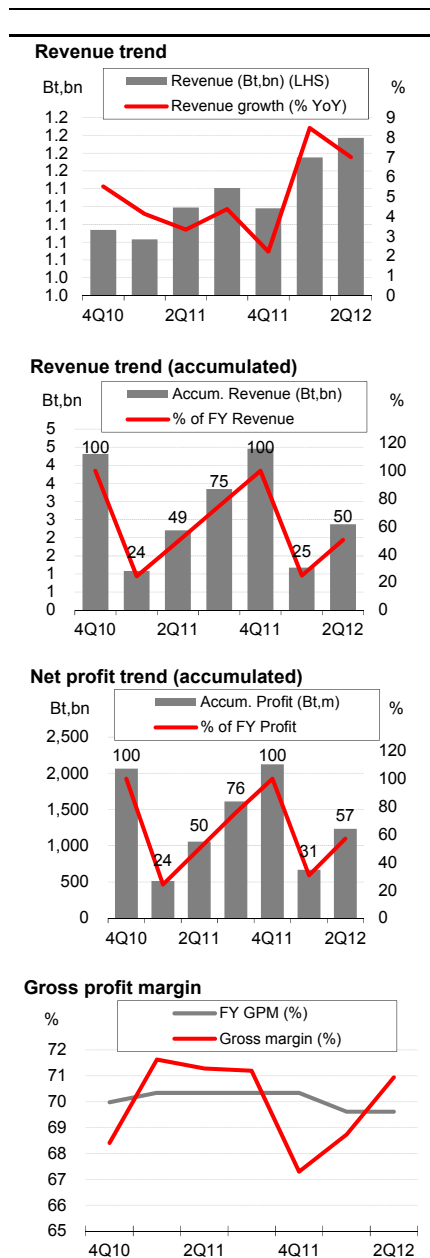
PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	4,310	4,461	4,714	5,008	5,199
Cost of sales and services	(1,294)	(1,323)	(1,432)	(1,476)	(1,508)
<b>Gross profit</b>	<b>3,016</b>	<b>3,138</b>	<b>3,282</b>	<b>3,532</b>	<b>3,690</b>
SG&A	(428)	(447)	(478)	(508)	(528)
<b>EBIT</b>	<b>2,588</b>	<b>2,691</b>	<b>2,803</b>	<b>3,024</b>	<b>3,163</b>
Interest expense	(442)	(518)	(317)	(273)	(190)
Other income/exp.	110	174	94	100	104
<b>EBT</b>	<b>2,256</b>	<b>2,347</b>	<b>2,580</b>	<b>2,851</b>	<b>3,077</b>
Corporate tax	(182)	(211)	(436)	(629)	(660)
<b>After-tax net profit (loss)</b>	<b>2,074</b>	<b>2,136</b>	<b>2,144</b>	<b>2,222</b>	<b>2,417</b>
Minority interest	(11)	(11)	(14)	(16)	(17)
Equity earnings from affiliates	0	0	37	41	46
Extra items	0	0	0	0	0
<b>Net profit (loss)</b>	<b>2,063</b>	<b>2,125</b>	<b>2,167</b>	<b>2,247</b>	<b>2,445</b>
Reported EPS	0.52	0.53	0.54	0.56	0.61
Fully diluted EPS	0.52	0.53	0.54	0.56	0.61
<b>Core net profit</b>	<b>2,063</b>	<b>2,125</b>	<b>2,167</b>	<b>2,247</b>	<b>2,445</b>
Core EPS	0.52	0.53	0.54	0.56	0.61
<b>EBITDA</b>	<b>3,232</b>	<b>3,319</b>	<b>3,499</b>	<b>3,730</b>	<b>3,873</b>

KEY RATIOS	2010	2011	2012E	2013E	2014E
Revenue growth (%)	7.9	3.5	5.7	6.2	3.8
Gross margin (%)	70.0	70.3	69.6	70.5	71.0
EBITDA margin (%)	75.0	74.4	74.2	74.5	74.5
Operating margin (%)	60.0	60.3	59.5	60.4	60.8
Net margin (%)	47.9	47.6	46.0	44.9	47.0
Core profit margin (%)	47.9	47.6	46.0	44.9	47.0
ROA (%)	9.7	9.8	11.0	12.5	14.0
ROCE (%)	9.9	10.1	11.2	12.8	14.3
Asset turnover (x)	0.2	0.2	0.2	0.3	0.3
Current ratio (x)	4.1	1.2	5.7	2.2	6.8
Gearing ratio (x)	1.2	1.1	0.5	0.5	0.3
Interest coverage (x)	5.9	5.2	8.8	11.1	16.6

BALANCE SHEET (Btm)	2010	2011	2012E	2013E	2014E
<b>Cash &amp; Equivalent</b>	<b>3,983</b>	<b>4,933</b>	<b>3,708</b>	<b>4,912</b>	<b>4,626</b>
Accounts receivable	401	431	440	467	485
Inventory	0	0	0	0	0
PP&E-net	13,125	13,933	11,534	10,852	10,166
Other assets	3,979	2,431	2,134	1,887	1,639
<b>Total assets</b>	<b>21,488</b>	<b>21,728</b>	<b>17,816</b>	<b>18,118</b>	<b>16,916</b>
Accounts payable	33	109	76	79	81
ST debts & current portion	450	3,970	360	2,060	360
Long-term debt	10,918	7,178	5,570	3,510	3,150
Other liabilities	604	280	303	312	319
<b>Total liabilities</b>	<b>12,005</b>	<b>11,537</b>	<b>6,309</b>	<b>5,961</b>	<b>3,910</b>
Paid-up capital	3,990	3,990	3,990	3,990	3,990
Share premium	2,638	2,638	2,638	2,638	2,638
Retained earnings	2,826	3,533	4,848	5,499	6,348
<b>Shareholders' equity</b>	<b>9,454</b>	<b>10,161</b>	<b>11,476</b>	<b>12,127</b>	<b>12,976</b>
Minority interests	30	30	30	30	30
<b>Total Liab.&amp;Shareholders' equity</b>	<b>21,488</b>	<b>21,728</b>	<b>17,816</b>	<b>18,118</b>	<b>16,916</b>

CASH FLOW (Btm)	2010	2011	2012E	2013E	2014E
Net income	2,063	2,125	2,167	2,247	2,445
Depreciation and amortization	644	628	696	706	710
Change in working capital	(843)	(987)	(20)	(19)	(11)
FX, non-cash adjustment & others	682	754	2,494	0	0
<b>Cash flows from operating activities</b>	<b>2,545</b>	<b>2,520</b>	<b>5,337</b>	<b>2,934</b>	<b>3,144</b>
Capex (Invest)/Divest	(589)	(104)	(23)	(24)	(24)
Others	(52)	3	275	250	250
<b>Cash flows from investing activities</b>	<b>(641)</b>	<b>(101)</b>	<b>251</b>	<b>226</b>	<b>226</b>
Debt financing (repayment)	(206)	(236)	(5,218)	(360)	(2,060)
Equity financing	(9)	0	0	0	0
Dividend payment	(1,276)	(1,407)	(1,596)	(1,596)	(1,596)
Others	0	0	0	0	0
<b>Cash flows from financing activities</b>	<b>(1,491)</b>	<b>(1,643)</b>	<b>(6,814)</b>	<b>(1,956)</b>	<b>(3,656)</b>
Net change in cash	413	776	(1,225)	1,205	(286)
<b>Free cash flow (Btm)</b>	<b>1,956</b>	<b>2,416</b>	<b>5,314</b>	<b>2,911</b>	<b>3,120</b>
<b>FCF per share (Bt)</b>	<b>0.49</b>	<b>0.61</b>	<b>1.33</b>	<b>0.73</b>	<b>0.78</b>

Sources: Company data, Bualuang Research estimates



Financial tables					
QUARTERLY PROFIT & LOSS (Btm)					
	2Q11	3Q11	4Q11	1Q12	2Q12
Revenue	1,119	1,141	1,118	1,175	1,197
Cost of sales and services	(321)	(329)	(366)	(367)	(348)
<b>Gross profit</b>	<b>798</b>	<b>812</b>	<b>752</b>	<b>808</b>	<b>849</b>
SG&A	(106)	(105)	(119)	(126)	(120)
<b>EBIT</b>	<b>692</b>	<b>708</b>	<b>633</b>	<b>681</b>	<b>729</b>
Interest expense	(127)	(132)	(135)	(136)	(149)
Other income/exp.	35	48	65	156	60
<b>EBT</b>	<b>600</b>	<b>623</b>	<b>563</b>	<b>702</b>	<b>640</b>
Corporate tax	(51)	(67)	(47)	(41)	(39)
<b>After-tax net profit (loss)</b>	<b>549</b>	<b>556</b>	<b>516</b>	<b>661</b>	<b>601</b>
Minority interest	(3)	(3)	(3)	(5)	(4)
Equity earnings from affiliates	0	0	0	10	(29)
Extra items	0	0	0	0	0
<b>Net profit (loss)</b>	<b>546</b>	<b>553</b>	<b>514</b>	<b>666</b>	<b>567</b>
Reported EPS	0.14	0.14	0.13	0.17	0.14
Fully diluted EPS	0.14	0.14	0.13	0.17	0.14
<b>Core net profit</b>	<b>546</b>	<b>553</b>	<b>514</b>	<b>666</b>	<b>567</b>
Core EPS	0.14	0.14	0.13	0.17	0.14
<b>EBITDA</b>	<b>847</b>	<b>868</b>	<b>795</b>	<b>845</b>	<b>887</b>
KEY RATIOS					
	2Q11	3Q11	4Q11	1Q12	2Q12
Gross margin (%)	71.3	71.2	67.3	68.7	70.9
EBITDA margin (%)	75.7	76.1	71.1	71.9	74.1
Operating margin (%)	61.8	62.0	56.6	58.0	60.9
Net margin (%)	48.8	48.5	46.0	56.7	47.4
Core profit margin (%)	48.8	48.5	46.0	56.7	47.4
BV (Bt)	2.44	2.43	2.55	2.47	2.61
ROE (%)	23.2	22.9	20.7	26.6	22.4
ROA (%)	10.3	10.3	9.6	12.4	9.9
Current ratio (x)	1.1	1.1	1.2	6.7	6.8
Gearing ratio (x)	1.1	1.2	1.1	1.1	1.3
Interest coverage (x)	5.5	5.4	4.7	5.0	4.9
QUARTERLY BALANCE SHEET (Btm)					
	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>4,321</b>	<b>4,236</b>	<b>4,933</b>	<b>4,557</b>	<b>5,361</b>
Accounts receivable	410	428	431	447	440
Inventory	0	0	0	0	0
PP&E-net	14,236	14,095	13,933	13,767	13,609
Other assets	2,558	2,490	2,431	2,400	5,078
<b>Total assets</b>	<b>21,525</b>	<b>21,250</b>	<b>21,728</b>	<b>21,172</b>	<b>24,488</b>
Accounts payable	294	94	109	124	85
ST debts & current portion	3,960	3,965	3,970	475	480
Long-term debt	7,196	7,294	7,178	10,550	13,189
Other liabilities	341	210	280	164	303
<b>Total liabilities</b>	<b>11,792</b>	<b>11,563</b>	<b>11,537</b>	<b>11,313</b>	<b>14,057</b>
Paid-up capital	3,990	3,990	3,990	3,990	3,990
Share premium	2,638	2,638	2,638	2,638	2,638
Retained earnings	3,076	3,031	3,533	3,202	3,769
<b>Shareholders equity</b>	<b>9,704</b>	<b>9,659</b>	<b>10,161</b>	<b>9,830</b>	<b>10,397</b>
Minority interests	29	28	30	30	33
<b>Total Liab.&amp;Shareholders' equity</b>	<b>21,525</b>	<b>21,250</b>	<b>21,728</b>	<b>21,172</b>	<b>24,487</b>

Sources: Company data, Bualuang Research estimates

# Thai Union Frozen Products

TUF TB / TUF.BK

BUY (Target Bt85.00)

## Key Ratios & Statistics

Market cap	Bt80.04bn
12-mth price range	Bt44.50/Bt78.50
12-mth avg daily volume	Bt168.99m
# of shares (m)	1,147.6
Est. free float (%)	53.5
Foreign limit (%)	45.0

Share price perf. (%)	1M	3M	12M
Relative to SET	(8.5)	(10.0)	9.4
Absolute	(3.8)	(18)	26.2

## Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	98,670	111,118	119,314	127,792
Net profit (Btm)	5,075	5,828	7,183	7,813
EPS (Bt)	5.31	5.30	6.10	6.55
BLS/Consensus (x)	n.a.	0.99	1.04	n.a.
EPS growth (%)	+65.7%	-2%	+15.0%	+7.4%
Core profit (Btm)	4,404	6,035	7,183	7,813
Core EPS (Bt)	4.60	5.49	6.10	6.55
Core EPS growth (%)	+99.9%	+19.1%	+11.1%	+7.4%
PER (x)	9.6	13.2	11.4	10.7
Core PER (x)	11.1	12.7	11.4	10.7
EV/EBITDA (x)	9.1	10.9	9.4	8.3
PBV (x)	1.8	1.9	1.7	1.6
Dividend (Bt)	1.56	2.69	3.09	3.32
Dividend yield (%)	3.1	3.9	4.4	4.8
ROE (%)	22.3	18.6	17.8	17.4
Net gearing (x)	1.3	0.7	0.6	0.4

CG Rating - 2011



## Key highlights

- Investors were curious about the GM trend and the extent of sales price increases to customers in order to cover higher raw tuna costs. Mr Wai Yat Paco Lee, the Financial Controller, said the firm has to negotiate with the buyers to pass through higher costs. In order to minimize the negative impact of higher raw material costs on GM, it increases sales prices directly to certain extent and reduces discounts offered to clients. If the cost of raw tuna rises in a relatively stable manner, the pass-through to customers is easier to manage. We estimate that GM will be at least 17% in 2H12, underpinned by a more stable tuna price.
- There were questions about 2H12 operations. Mr Lee said that earnings will rise HoH, driven by third-quarter high season, increased shrimp sales with the new plant's higher utilization rate and improved sales at COSI (Chicken of the Sea International) due to gradual sales price rises following Starkist (the biggest player and price leader in the US market).
- Investors were curious about the FY12 sales growth target in light of weaker-than-estimated 1H12 sales (up 9% YoY). Mr Lee reaffirmed that TUF's FY12 sales target of 10-15% stands unchanged in anticipation of improved shrimp sales and high season for both tuna and shrimp exports in 2H12.
- He told the fund managers that the firm is looking to acquire another EU-based food company. It doesn't anticipate having any trouble raising debt to finance an acquisition, as its current debt/equity ratio is only 0.8x.

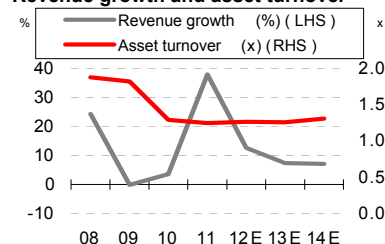
## Catalysts

- Value creation from a new acquisition, expected by late this year or early 2013.
- Earnings contributions from the US pet food unit in FY13.
- Upside from synergy-building with MWB in 2H12-FY13.
- New market opportunities in Africa and ASEAN for sardines and mackerel products.

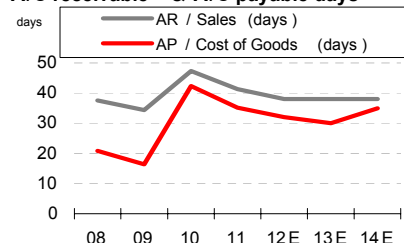
## Valuation

- TUF remains our top pick in the Food sector, premised on GM sustainability under a more stable tuna pricing environment and scope for upside from synergy-building with MWB, new market opportunities and a new acquisition. Its PERs of 13x for FY12 and 11x for next year are cheaper than the sectoral means of 16.6x and 12x, respectively, and the lowest among the three Food stocks under our coverage. Our BUY rating stands with a YE12 target price of Bt85, pegged to a PER of 15.5x.

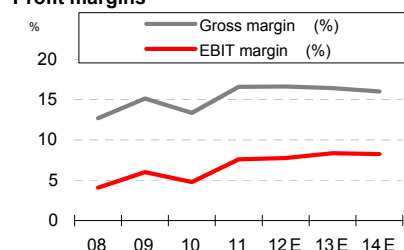
### Revenue growth and asset turnover



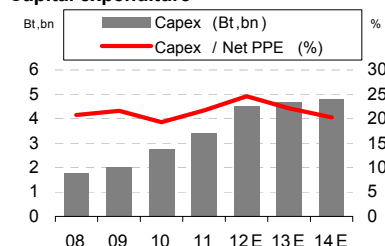
### A/C receivable & A/C payable days



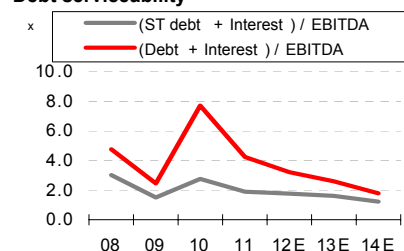
### Profit margins



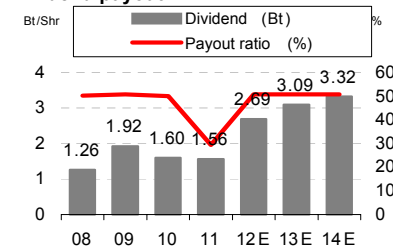
### Capital expenditure



### Debt serviceability



### Dividend payout



### Financial tables

	2010	2011	2012E	2013E	2014E
<b>PROFIT &amp; LOSS (Btm)</b>					
Revenue	71,507	98,670	111,118	119,314	127,792
Cost of sales and services	(61,976)	(82,301)	(92,650)	(99,699)	(107,345)
<b>Gross profit</b>	<b>9,531</b>	<b>16,369</b>	<b>18,469</b>	<b>19,615</b>	<b>20,448</b>
SG&A	(6,112)	(8,882)	(9,840)	(9,641)	(9,925)
<b>EBIT</b>	<b>3,419</b>	<b>7,487</b>	<b>8,629</b>	<b>9,974</b>	<b>10,522</b>
Interest expense	(764)	(2,272)	(1,226)	(916)	(701)
Other income/exp.	495	614	679	727	778
<b>EBT</b>	<b>3,150</b>	<b>5,828</b>	<b>8,081</b>	<b>9,786</b>	<b>10,599</b>
Corporate tax	(629)	(558)	(970)	(1,468)	(1,590)
<b>After-tax profit (loss)</b>	<b>2,522</b>	<b>5,270</b>	<b>7,111</b>	<b>8,318</b>	<b>9,009</b>
Minority interest	(479)	(950)	(1,170)	(1,236)	(1,304)
Equity earnings from affiliates	24	84	94	101	108
Extra items	807	671	(207)	0	0
<b>Net profit (loss)</b>	<b>2,874</b>	<b>5,075</b>	<b>5,828</b>	<b>7,183</b>	<b>7,813</b>
Reported EPS	3.20	5.31	5.30	6.10	6.55
Fully diluted EPS	3.00	5.31	4.97	6.06	6.50
<b>Core net profit</b>	<b>2,067</b>	<b>4,404</b>	<b>6,035</b>	<b>7,183</b>	<b>7,813</b>
Core EPS	2.30	4.60	5.49	6.10	6.55
<b>EBITDA</b>	<b>4,642</b>	<b>9,330</b>	<b>10,413</b>	<b>11,987</b>	<b>12,677</b>

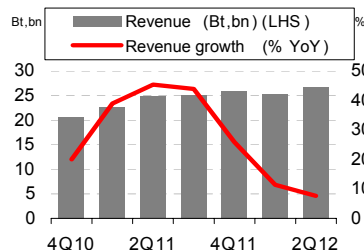
	2010	2011	2012E	2013E	2014E
<b>KEY RATIOS</b>					
Revenue growth (%)	3.6	38.0	12.6	7.4	7.1
Gross margin (%)	13.3	16.6	16.6	16.4	16.0
EBITDA margin (%)	6.5	9.5	9.4	10.0	9.9
Operating margin (%)	4.8	7.6	7.8	8.4	8.2
Net margin (%)	4.0	5.1	5.2	6.0	6.1
Core profit margin (%)	2.9	4.5	5.4	6.0	6.1
ROA (%)	5.2	6.4	6.6	7.6	8.0
ROCE (%)	6.5	8.3	8.4	9.4	10.2
Asset turnover (x)	1.3	1.2	1.3	1.3	1.3
Current ratio (x)	1.6	1.6	1.7	1.5	1.4
Gearing ratio (x)	1.5	1.4	0.8	0.6	0.4
Interest coverage (x)	4.5	3.3	7.0	10.9	15.0

	2010	2011	2012E	2013E	2014E
<b>BALANCE SHEET (Btm)</b>					
<b>Cash &amp; Equivalent</b>	<b>1,037</b>	<b>903</b>	<b>892</b>	<b>613</b>	<b>654</b>
Accounts receivable	9,262	11,161	11,568	12,422	13,304
Inventory	21,346	26,180	30,460	30,046	24,410
PP&E-net	14,190	15,655	18,405	21,064	23,724
Other assets	25,677	26,613	27,477	29,877	32,386
<b>Total assets</b>	<b>74,777</b>	<b>83,277</b>	<b>92,154</b>	<b>97,043</b>	<b>97,735</b>
Accounts payable	7,195	7,919	8,123	8,194	10,293
ST debts & current portion	12,080	15,461	17,150	18,332	14,882
Long-term debt	23,001	21,843	15,218	12,046	7,191
Other liabilities	5,209	6,713	7,778	8,352	8,945
<b>Total liabilities</b>	<b>51,541</b>	<b>56,161</b>	<b>50,164</b>	<b>49,555</b>	<b>44,131</b>
Paid-up capital	956	956	1,172	1,185	1,202
Share premium	8,159	8,159	18,773	19,480	20,423
Retained earnings	11,939	15,347	18,221	21,762	25,614
<b>Shareholders equity</b>	<b>20,967</b>	<b>24,458</b>	<b>38,161</b>	<b>42,422</b>	<b>47,234</b>
Minority interests	2,269	2,659	3,829	5,065	6,370
<b>Total Liab.&amp;Shareholders' equity</b>	<b>74,777</b>	<b>83,277</b>	<b>92,154</b>	<b>97,043</b>	<b>97,735</b>

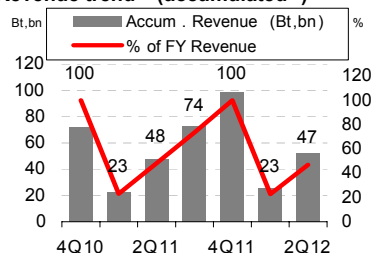
	2010	2011	2012E	2013E	2014E
<b>CASH FLOW (Btm)</b>					
Net income	2,874	5,075	5,828	7,183	7,813
Depreciation and amortization	1,223	1,843	1,784	2,013	2,155
Change in working capital	(3,649)	(6,008)	(4,484)	(367)	6,852
FX, non-cash adjustment & others	2,988	4,553	492	2,287	1,238
<b>Cash flows from operating activities</b>	<b>3,436</b>	<b>5,462</b>	<b>3,620</b>	<b>11,115</b>	<b>18,059</b>
Capex (Invest)/Divest	(2,744)	(3,405)	(4,534)	(4,672)	(4,814)
Others	(27,273)	174	(2,235)	(1,810)	(1,898)
<b>Cash flows from investing activities</b>	<b>(30,017)</b>	<b>(3,230)</b>	<b>(6,769)</b>	<b>(6,482)</b>	<b>(6,712)</b>
Debt financing (repayment)	27,088	1,424	(4,736)	(1,991)	(8,304)
Equity financing	3,713	0	10,830	720	960
Dividend payment	(1,996)	(1,195)	(2,955)	(3,642)	(3,961)
Others	(1,916)	(2,596)	0	0	0
<b>Cash flows from financing activities</b>	<b>26,890</b>	<b>(2,367)</b>	<b>3,139</b>	<b>(4,912)</b>	<b>(11,306)</b>
Net change in cash	309	(135)	(11)	(279)	41
<b>Free cash flow (Btm)</b>	<b>693</b>	<b>2,057</b>	<b>(914)</b>	<b>6,443</b>	<b>13,245</b>
<b>FCF per share (Bt)</b>	<b>0.72</b>	<b>2.15</b>	<b>(0.78)</b>	<b>5.44</b>	<b>11.02</b>

Sources: Company data, Bualuang Research estimates

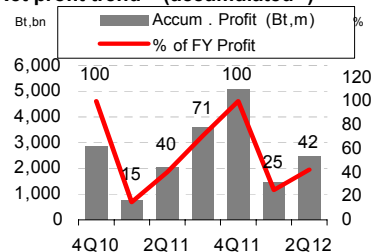
### Revenue trend



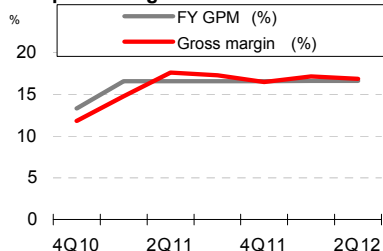
### Revenue trend (accumulated)



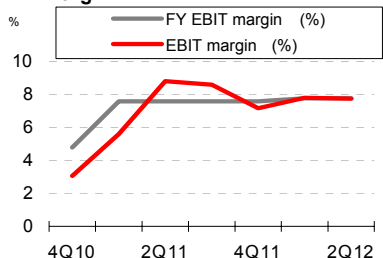
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



### Financial tables

PROFIT & LOSS (Btm)	2Q11	3Q11	4Q11	1Q12	2Q12
Revenue	24,860	25,105	26,000	25,304	26,758
Cost of sales and services	(20,480)	(20,761)	(21,713)	(20,959)	(22,244)
<b>Gross profit</b>	<b>4,380</b>	<b>4,344</b>	<b>4,287</b>	<b>4,345</b>	<b>4,513</b>
SG&A	(2,189)	(2,184)	(2,424)	(2,373)	(2,440)
<b>EBIT</b>	<b>2,190</b>	<b>2,161</b>	<b>1,863</b>	<b>1,973</b>	<b>2,073</b>
Interest expense	(612)	(567)	(571)	(542)	(437)
Other income/exp.	148	165	182	141	100
<b>EBT</b>	<b>1,726</b>	<b>1,758</b>	<b>1,474</b>	<b>1,572</b>	<b>1,736</b>
Corporate tax	(291)	(69)	(163)	(161)	(146)
<b>After-tax profit (loss)</b>	<b>1,435</b>	<b>1,689</b>	<b>1,311</b>	<b>1,411</b>	<b>1,590</b>
Minority interest	(259)	(283)	(316)	(202)	(221)
Equity earnings from affiliates	24	22	20	26	18
Extra items	83	133	455	232	(386)
<b>Net profit (loss)</b>	<b>1,284</b>	<b>1,561</b>	<b>1,470</b>	<b>1,467</b>	<b>1,001</b>
Reported EPS	1.34	1.63	1.54	1.53	1.01
Fully diluted EPS	1.34	1.63	1.54	1.53	0.87
<b>Core net profit</b>	<b>1,201</b>	<b>1,428</b>	<b>1,015</b>	<b>1,235</b>	<b>1,388</b>
Core EPS	1.26	1.49	1.06	1.29	1.40
<b>EBITDA</b>	<b>2,633</b>	<b>2,625</b>	<b>2,384</b>	<b>2,416</b>	<b>2,527</b>

KEY RATIOS	2Q11	3Q11	4Q11	1Q12	2Q12
Gross margin (%)	17.6	17.3	16.5	17.2	16.9
EBITDA margin (%)	10.6	10.5	9.2	9.5	9.4
Operating margin (%)	8.8	8.6	7.2	7.8	7.7
Net margin (%)	5.2	6.2	5.7	5.8	3.7
Core profit margin (%)	4.8	5.7	3.9	4.9	5.2
BV (Bt)	25.6	26.4	28.4	29.9	34.3
ROE (%)	23.2	27.3	24.0	22.7	11.0
ROA (%)	6.3	7.6	7.1	6.8	4.5
Current ratio (x)	1.6	1.5	1.6	1.5	1.4
Gearing ratio (x)	1.6	1.6	1.5	1.4	0.8
Interest coverage (x)	3.6	3.8	3.3	3.6	4.7

BALANCE SHEET (Btm)	2Q11	3Q11	4Q11	1Q12	2Q12
<b>Cash &amp; Equivalent</b>	<b>1,620</b>	<b>1,413</b>	<b>903</b>	<b>487</b>	<b>1,023</b>
Accounts receivable	11,210	10,710	11,161	11,975	12,812
Inventory	22,986	25,389	26,180	27,491	29,343
PP&E-net	15,149	15,459	15,655	16,737	17,318
Other assets	29,097	27,717	27,644	27,832	27,686
<b>Total assets</b>	<b>81,755</b>	<b>82,401</b>	<b>83,277</b>	<b>86,368</b>	<b>89,983</b>
Accounts payable	7,392	6,688	7,919	9,958	9,721
ST debts & current portion	12,182	15,169	15,461	15,061	20,318
Long-term debt	26,634	24,723	24,306	23,785	12,291
Other liabilities	7,863	7,025	6,713	6,985	6,438
<b>Total liabilities</b>	<b>57,250</b>	<b>57,179</b>	<b>56,161</b>	<b>57,812</b>	<b>50,595</b>
Paid-up capital	956	956	956	956	1,148
Share premium	8,159	8,159	8,159	8,159	17,501
Retained earnings	13,093	13,784	15,347	16,193	17,194
<b>Shareholders equity</b>	<b>22,125</b>	<b>22,874</b>	<b>24,458</b>	<b>25,817</b>	<b>36,480</b>
Minority interests	2,380	2,349	2,659	2,738	2,908
<b>Total Liab.&amp;Shareholders' equity</b>	<b>81,755</b>	<b>82,401</b>	<b>83,277</b>	<b>86,368</b>	<b>89,983</b>

Sources: Company data, Bualuang Research

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Score Range	Number of Logo	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.