

Conqueror of rubber cyclicity

- We project a net profit growth of 21% CAGR in 2023-26E, driven by 33% capacity expansion; rubber price rise; and tight supply
- Rare winner on cyclical commodity on margin-hedging strategy
- Initiate with a BUY and TP of THB8.0, based on 7x 2025E P/E

Master of rubber cyclicity for earnings growth sustainability

Unlike other rubber producers and sellers, NER has been one of the “rare” corporations in the commodity businesses that has proven to succeed in overcoming the perilous volatility of price and margin for the NR. Superior to both local Thai and global NR peers, NER has become a cash generation machine from its margin-hedging strategy to create highly visible and sustainable net profits and cash flow streams for shareholders, rain or shine.

Net profits are secured in the range of THB1.5b-1.8b, regardless

While NER faces similar high volatility of NR price, caused by seasonality, weather, and global demand-supply balance, NER's net profits have been highly sustainable in the range of THB1.5b to THB1.9b since 2021 when NER completed its capacity expansion from 292,800tpa in 2019 to 379,000tpa 2020, 465,000tpa 2021 and 515,000tpa in 2023.

Key are capacity, rubber price rally, and tyre demand prosperity

We project a net profit growth of 21% CAGR in 2023-26E, driven by 1) capacity expansion of 33% y-y to reach 685.6ktpa in 2025E-26E; 2) higher NR price to stay above THB70/kg in 2024E-26E on the tighter supplies and high demands; and 3) the rising demands for tyres particularly from China's growing consumption of NR and synthetic rubber to be used for tyres productions.

Margin hedging strategy is NER's superiority on profitability

A daily basis when NR sales transactions are completed with clients, NER will “lock in” the NR cost used to be processed into NER's three product forms – RSS, STR, and Mixed rubber. Then the processed NRs will be kept as an inventory for 1-2 months before delivering the products to customers. By locking in the margins via the day-end rubber cost to match the NR advanced sales, NER will ensure that its “cash flow margin” will always be positive at the levels that NER seeks to achieve at 11-13% gross profit margins and 5%-9% net profit margins. The fluctuations in margins are impacted by the exchange rate and most importantly the accrual accounting basis that results in the mismatches between cash margin and accounting margin.

Thailand's best play on rubber mega uptrend

We initiated coverage on NER with a BUY and a TP of THB8.0, based on 7x 2025E P/E, a discount to its arch rival STA whose forward P/E is high at 23x. We think NER's higher earnings sustainability and moderate net profit growth are the key factors to justify NER's 7x 2025E P/E, plus its attractive dividend yield of over 6%.

Analyst

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ESG Rating : A

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB)	8.00
VS. BB Consensus TP (%)	+28.0%
Share Price (THB)	4.78
Upside/Downside	+67.4%

Share Data

Market Cap (THB m)	8,869.39
Par (THB)	0.50
Free Float (%)	63.75
Issued shares (m shares)	1,848

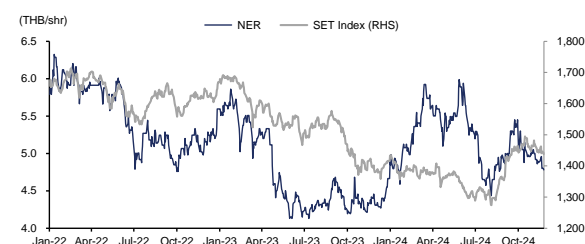
Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	25,045	32,793	40,412	51,118
Net profit	1,546	1,910	2,111	2,744
Core net profit	1,546	1,910	2,111	2,744
vs Consensus (%)	-	3.3	7.3	14.2
Net profit growth (%)	(11.6)	23.6	10.5	30.0
Core net profit growth (%)	(11.6)	23.6	10.5	30.0
EPS (THB)	0.84	1.03	1.14	1.48
Core EPS (THB)	0.84	1.03	1.14	1.48
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	0.50	0.41	0.46	0.59
P/E (x)	8.01	4.62	4.18	3.22
P/BV (x)	1.66	1.04	0.89	0.74
ROE (%)	7.46	8.65	9.56	12.43
Dividend yield (%)	21.99	23.90	22.91	25.18

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(3.63)	(0.42)	(13.87)	(3.63)
Market	(1.94)	(5.50)	(18.29)	(5.13)
12M High/Low (THB)				6.45 / 4.48



Major Shareholders (%) as of 26 Aug 2024

Mr. Chuwit Jungtanasomboon	21.93
State Street Europe Limited	5.55
Mr. Jirayut Jungtanasomboon	4.55

Company Profile

Manufactures and distributes Ribbed Smoked Sheet, Standard Thai Rubber and Mixtures Rubber for manufacturers in automotive industry and traders

Source: SETSMART, SET

Conqueror of rubber cyclicity

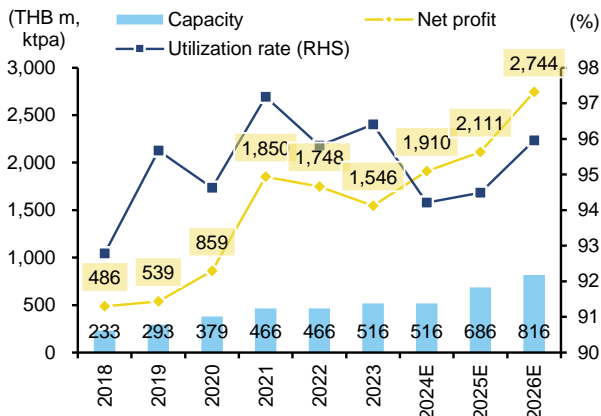
Say no to rubber price cyclicity; only profitability

NER is Thailand’s second largest producer of natural rubber (NR) in the forms of Ribbed Smoked Sheet (RSS), Standard Thai Rubber (STR), and Mixed Rubber, for the exports worldwide. NER has long been one of the most beneficiaries of Thailand’s abundant natural rubber plantations with most of its NR produced in Northeast Thailand as NER’s headquarter is located Buriram, the large province in southeastern Thailand.

While NER faces similar high volatility of NR price, caused by seasonality, weather, and global demand-supply balance, NER’s net profits have been highly sustainable in the range of THB1.5b to THB1.9b since 2021 when NER completed its capacity expansion from 292,800tpa in 2019 to 379,000tpa 2020, 465,000tpa 2021 and 515,000tpa in 2023.

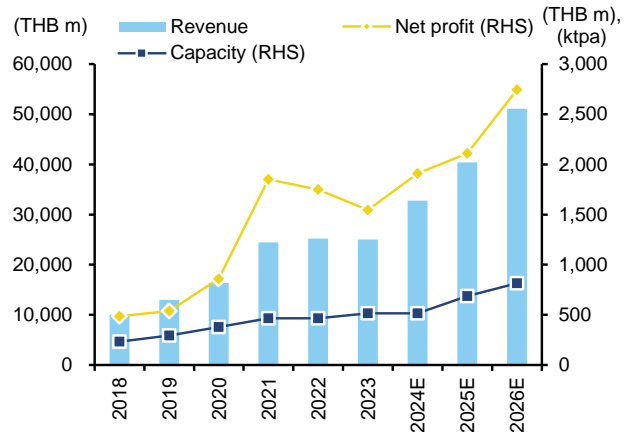
We project a net profit growth of 21% CAGR in 2023-26E, driven by 1) capacity expansion of 33% y-y to reach 685.6ktpa in 2025E-26E; 2) higher NR price to stay above THB70/kg in 2024E-26E on the tighter supplies and high demands; and 3) the rising demands for tyres particularly from China’s growing consumption of NR and synthetic rubber to be used for tyre productions.

Exhibit 1: Net profit, capacity, and utilization rate



Sources: NER; Globlex Research

Exhibit 2: Revenue, net profit, capacity

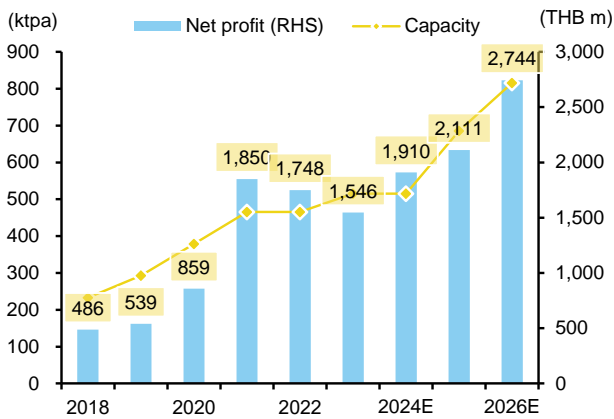


Sources: NER; Globlex Research

Net profit growth = Capacity growth

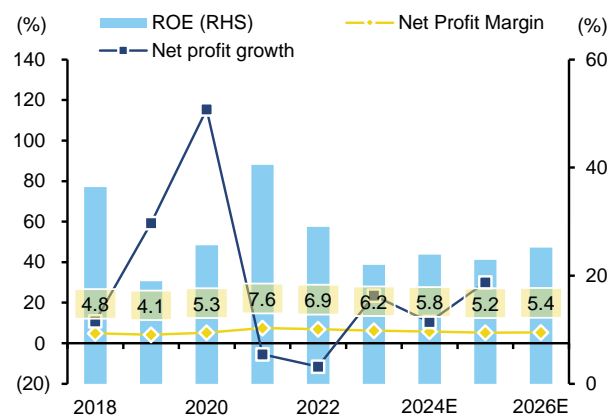
Unlike other rubber producers and sellers, NER has been one of the “rare” corporations in the commodity businesses that has proven to succeed in overcoming the perilous volatility of price and margin for the NR. Superior to both local Thai and global NR peers, NER has become a cash generation machine from its margin-hedging strategy to create highly visible and sustainable net profits and cash flow streams for shareholders, rain or shine.

Exhibit 3: Net profit vs capacity



Sources: NER; Globlex Research

Exhibit 4: ROE, net profit margin, net profit growth



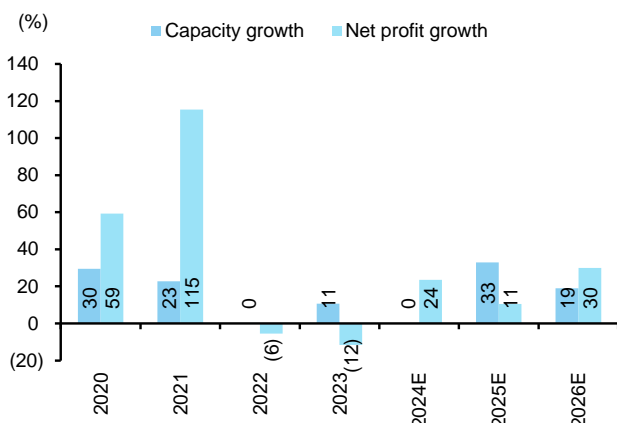
Sources: NER; Globlex Research

How does NER’s margin hedging strategy work? After a trial and error to strive for the way to sustain its net profits and cash flow generations from the NR sales volume at the highly volatile price, NER eventually settles on the effective margin-hedging strategy.

Essentially, on a daily basis, when the NR sales transactions are completed with clients, NER will “lock in” the cost of NR used to be processed into NER’s three product forms – RSS, STR, and Mixed rubber. Then the processed NRs will be kept as an inventory for 1-2 months before delivering the products to customers.

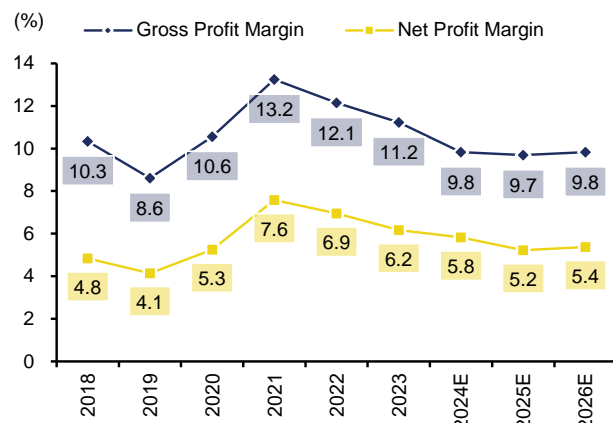
By locking in the margins via the day-end rubber cost to match the NR advanced sales, NER will ensure that its “cash flow margin” will always be positive at the levels that NER seeks to achieve at 11-13% gross profit margins and 5%-9% net profit margins. The fluctuations in margins are impacted by the exchange rate movement and most importantly the accrual accounting basis that results in the mismatches between the cash margin and accounting margin.

Exhibit 5: Capacity growth vs net profit growth



Sources: NER; Globlex Research

Exhibit 6: Net profit margin vs gross profit margin



Sources: NER; Globlex Research

Let's see our example to present two different gross margins – accounting and cash – derived from the impact of the accrual accounting basis (reported in profit and loss financial statement) and the actual cash basis.

We assume that the spot NR price plus 10% gross margin will rise from THB50.9/kg in September to THB52.7/kg in October, THB55.0/kg in November, and to THB60.5/kg in December 2023.

Given the 4-month lagging period for the selling prices, the aforementioned spot NR price (cost) in September to December 2023 will result in the selling prices of THB56/kg (THB50.9 plus 10% margin) in January, THB58/kg (52.7/kg plus 10% margin) in February, THB60.5/kg in March, and THB66.6/kg in April 2024 as the locked-in selling price four months before (September-December 2023) by NER will be used as the selling prices four months later (January-April 2024) when NER will physically deliver NR products (RSS, STR) to customers.

Exhibit 7: Impacts of accrual accounting non-cash margin (reported) and cash margin (actual cash flow realization) on NER's monthly rubber sales

2024E	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Unit
NR spot price (T+0)	55.0	57.0	59.0	65.0	70.0	70.0	72.0	85.0	90.0	80.0	70.0	60.0	THB/kg
Cash selling price (10% margin on cost plus pricing)	60.5	62.7	64.9	71.5	77.0	77.0	79.2	93.5	99.0	88.0	77.0	66.0	THB/kg
Cash cost (T+0)	55.0	57.0	59.0	65.0	70.0	70.0	72.0	85.0	90.0	80.0	70.0	60.0	THB/kg
Cash gross margin	5.5	5.7	5.9	6.5	7.0	7.0	7.2	8.5	9.0	8.0	7.0	6.0	THB/kg
Cash gross margin (%)	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	9.1	%
Accounting accrual basis													
Accounting selling price (T-4)	56.0	58.0	60.5	66.6	69.0	71.4	78.7	84.7	84.7	87.1	102.9	108.9	THB/kg
Accounting cost (2-mth average cost method)	55.0	56.0	58.0	62.0	67.5	70.0	71.0	78.5	87.5	85.0	75.0	65.0	THB/kg
Accounting gross margin	1.0	2.0	2.5	4.6	1.5	1.4	7.7	6.2	(2.8)	2.1	27.9	43.9	THB/kg
Accounting gross margin (%)	1.8	3.4	4.1	6.8	2.1	1.9	9.7	7.3	(3.3)	2.4	27.1	40.3	%

Sources: NER; Globlex Research

Under the circumstance that the market NR price is on the uptrend similar to what did happen in 3Q24, while NER's margin-hedging strategy to lock in the cash margins in order to secure cash flow generations is consistently positive and profitable, NER's reported gross margins on the accrual accounting basis will be volatile due to two factors.

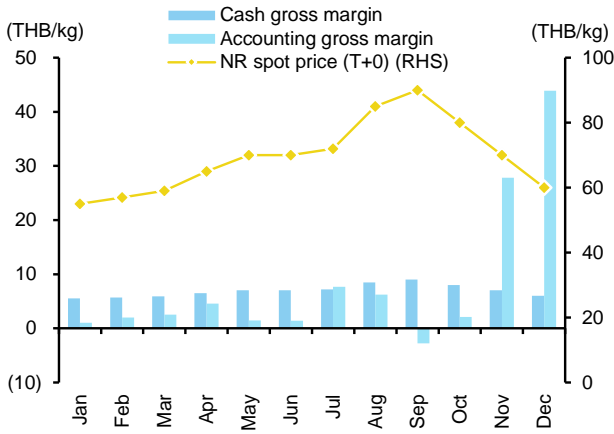
First, the 4-month delay of the selling prices on accrual accounting basis - September-December 2023 sales transactions to be booked as selling prices four months later in January-April 2024 – will cause mismatching between the NR costs and the selling prices.

Second, the average cost accounting method using the average NR cost for two months will be the higher 2-month moving average when the market price is rising (November-December 2023 and January-October 2024) and the lower 4-month moving average when the market price is declining (November-December 2024).

This simple example clearly explains why NER's 3Q24 net profit is weak due to the cost increase (using 2-month average cost method) will rise faster than the selling price increase (4-month lagging) as shown in the margins during January-October period.

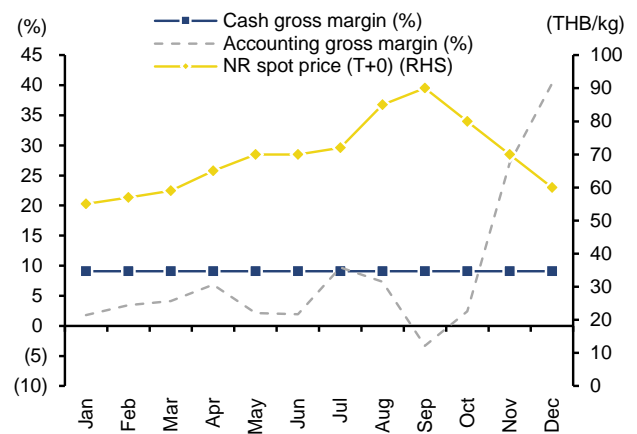
In 4Q24 onwards we project NER's gross margin to jump markedly as the accounting cost (using the average method) will rise at a slower rate than the increase in the selling prices (4-month lagging) as shown in September-December period when gross profit margins of 27.1%/40.3% for November/December for the reported accounting figures will be far higher than cash profit margins of 9.1% in November-December period.

Exhibit 8: Cash gross margin, accounting gross margin, and NR spot price



Sources: NER; Globlex Research

Exhibit 9: Cash gross margin (%), accounting gross margin (%), and NR spot price



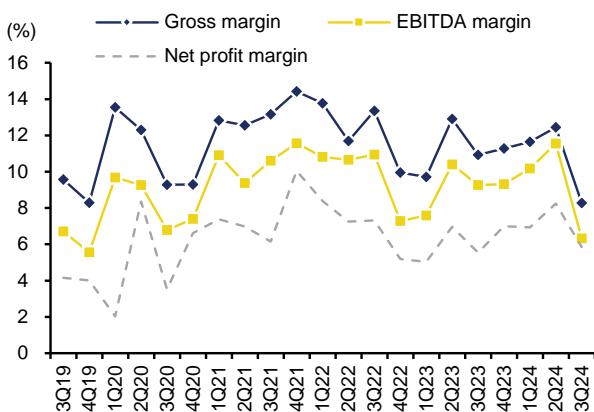
Sources: NER; Globlex Research

We highlight that while the accounting accrual margins will be volatile due to the mismatches between the 4-month selling price lag and the 2-month average cost, NER's cash margin will be stable at 9.1% under our example given NER will immediately lock in both its selling price against its NR cost within only a day.

In reality, the cash margins may fluctuate somewhat but the cash margin variance will be small depending on the NR price movement and the industry demand-supply balance rather than the high volatility of the NR price.

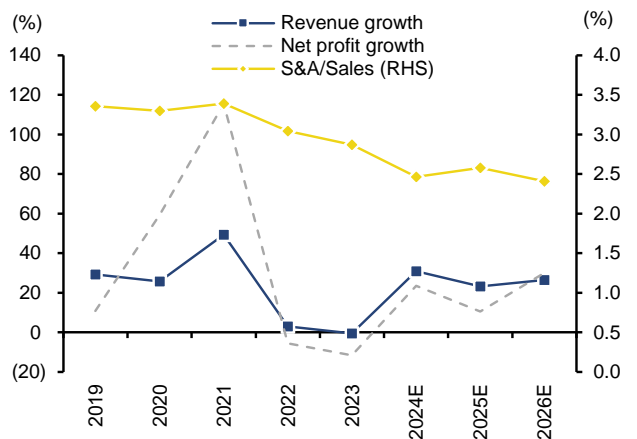
Hence, NER has proven to be highly effective in managing its profitability regardless of the NR price volatility. NER's high visibilities for cash flows and cash net profits have long been misunderstood and overlooked by investors, reflecting in NER's distressed P/E of 4-5x compared to local peers at 10-15x.

Exhibit 10: Margins are relatively steady on NER's margin-hedging strategy



Sources: NER; Globlex Research

Exhibit 11: Net profit growth will be in tandem with revenue growth on effective SG&A cost control



Sources: NER; Globlex Research

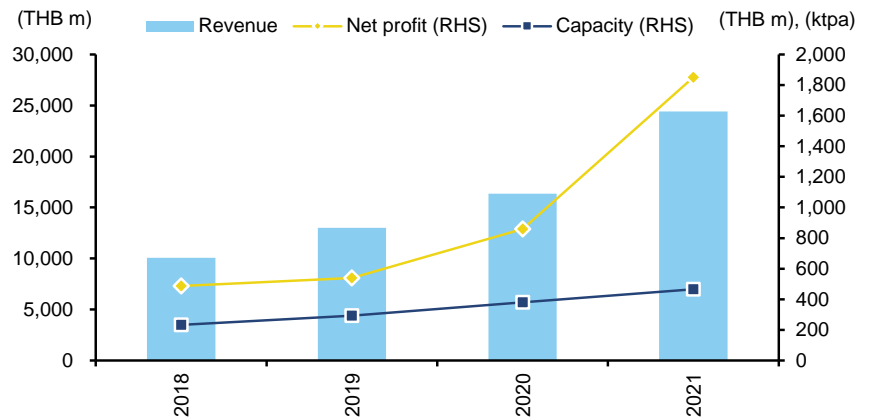
Key drivers for NER’s sustainable growth

Driver#1: Capacity expansion

With a highly visible and relatively steady margins thanks to NER’s margin-hedging strategy, NER’s net profit growth driver will be mostly driven by its capacity growth, evidenced in 2018-21 when NER expanded its capacity from 232.8ktpa in 2018 to 465.6ktpa in 2021, growing at 26% 3-year CAGR.

However, net profit grew much faster at 56% 3-year CAGR during the same period on revenue growth at 34% CAGR in 2018-21, coming from the benefits of 1) operating leverage on lower SG&A to sales; and 2) economies of scales on larger procurement of NR raw materials.

Exhibit 12: Net profit growth (56% CAGR) far outpaces revenue growth (34% CAGR) and capacity growth (26% CAGR)



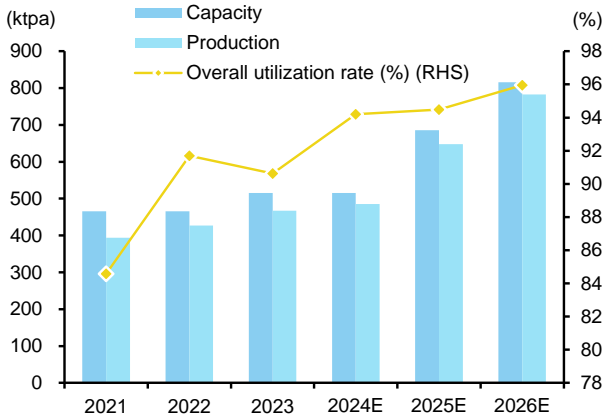
Sources: NER; Globlex Research

A capacity expansion of 33% y-y to reach 685.6ktpa in 2025E-26E

After capacity expansion to reach 515.6ktpa in 2023, NER now plans to expand its capacity again by 33% to 685.6ktpa by 2026E, pending on the capacity expansion of its arch rival Srirang (STA)’s aggressive capacity expansion that may flood the market with NR supply.

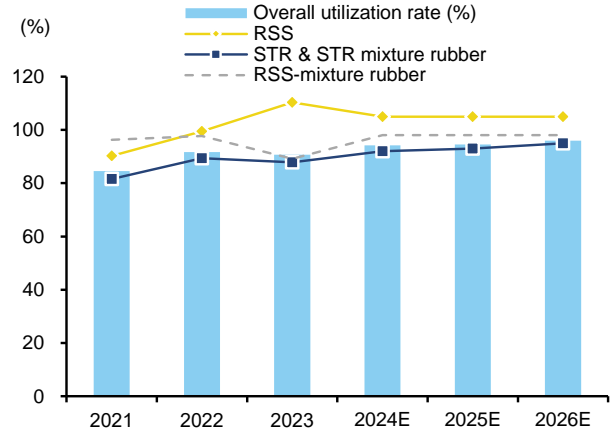
Yet NER believes that demand growths for NR will continue to rise strongly at 3-5% per annum (p.a.) at minimum and 10-15% p.a. in the good case scenario against the projected NR supply growth of 1-2% p.a. due mainly to the supply drops in Indonesia (to grow palm) and Vietnam (to grow coffee and durian).

Exhibit 13: Capacity vs production



Sources: NER; Globlex Research

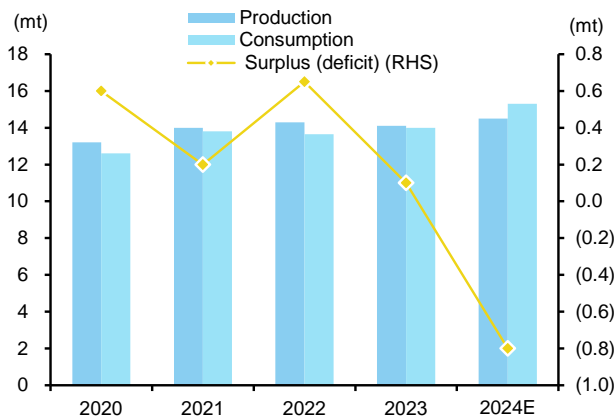
Exhibit 14: Production and utilization rates



Sources: NER; Globlex Research

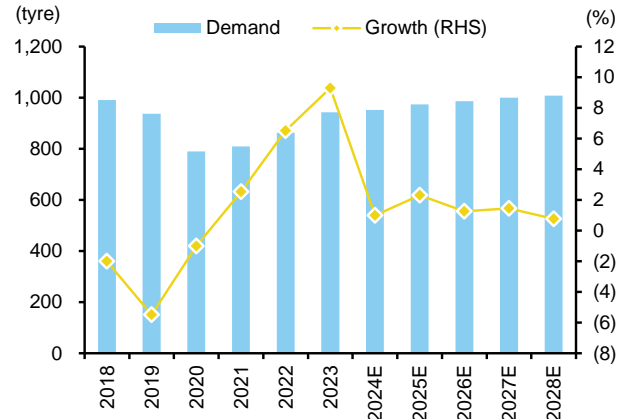
We believe NER will greatly benefit from the favorable industry demand-supply imbalance with supply growth is projected to be lower than demand growth, particularly from China, which now accounts for around 2/3 of global rubber demands in 2024E-25E, up from 45% in 2023, based on Association of Natural Rubber Producing Countries (ANRPC).

Exhibit 15: Global NR production, consumption, and surplus (deficit)



Sources: ANRPC

Exhibit 16: Global demand for tyres and wheels vs growth

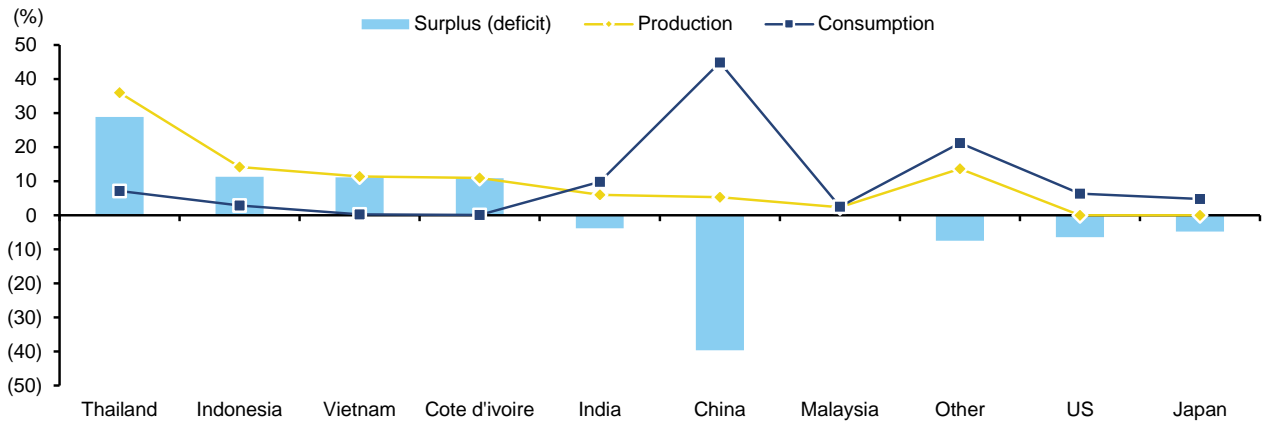


Sources: ANRPC

Global NR supply has been in shortage in the past few years due to 1) El Nino aftermath that erode the production yield of NR in Thailand; 2) the changes from NR plantations to other more profitable plants particularly durian (Thailand, Vietnam), palm (Indonesia), and Côte d'Ivoire (cocoa), the country that has seen the fastest growth in NR plantations in the past few years. These dilemmas would continue to pressure the NR supply for years to come as the prices of other alternative plants are on the great uptrend vs NR price small uptrend.

In 2025E-26E, only a few countries will have excess supplies, led by Thailand as the world's largest NR producer and exporter while China is the world's largest importer given its largest production capacity.

Exhibit 17: Global NR supply and demand in 2023



Sources: ANRPC

US tariffs on China's tyre Tariffs on Chinese truck and bus tyres coming into the US will remain level since February 2019, when US Department of Commerce (DOC) issued countervailing duties ranging from 21% to 63.3% and antidumping duties of 9% to 22.6% on Chinese Truck, Bus, and Radial Tyres (TBR) tyres.

US retains its tariffs against China's tyres exported to US market in an attempt to protect its domestic tyre industry. These tariffs were initially imposed in January 2019. The DOC determined that without a tariff order, tyres likely would be dumped at margins of up to 22.57%.

Exhibit 18: US tyre import value by country

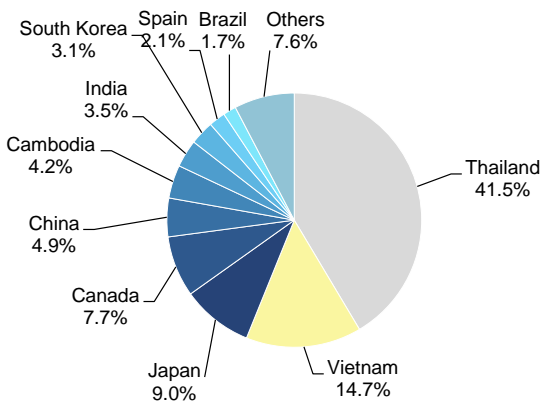
2023	Import value (USD m)	Change (%)	Companies
Thailand	3,297	(3.7)	Bridgestone, Deestone, Double Coin, Goodyear, JGST, Linglong, Maxxis, Michelin, Otani, Prinx Chengshan, Sentury, Sumitomo, Vee, Yokohama, ZC Rubber
Mexico	2,184	15.6	Bridgestone, Goodyear/Cooper, JK tyre, Michelin, Pirelli
Japan	1,764	2.5	Bridgestone, Sumitomo, Toyo, Yokohama
Canada	1,694	6.7	Bridgestone, Goodyear, Michelin
Vietnam	1,187	(7.6)	Bridgestone, Casumina, Goodyear (Cooper), Maxxis, DaNang Rubber, Jinyu Tyre Kenda, Kumho, Sailun, Yokohama
Others	8,597	(10.7)	
Total	18,723	(4.8)	

Sources: US DOC

US countervailing duties were designed to offset subsidies given to companies in China — will range from 23.92% for Double Coin Holdings Ltd. to 66.28% for Guizhou Tyre Import and Export Co. Ltd. The “all others” rate for other tremakers is 45.10%.

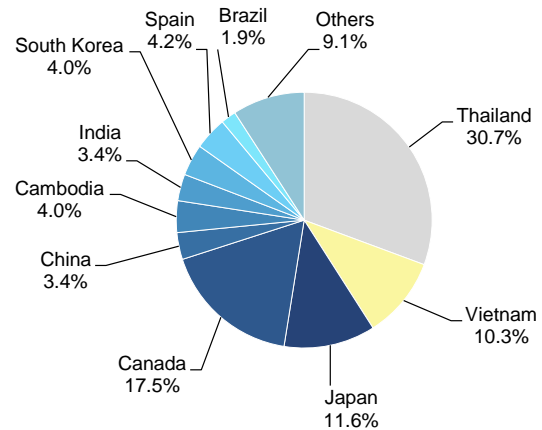
It is worth noting that Thailand is the largest exporter of tyre to US market. In 2023 Thailand exported USD3.3b (-3.7% y-y) to US market, followed by Mexico, Japan, Canada, and Vietnam. Thailand commands the highest shares of tyre sales volume (41.5%) and export value (30.7%) thanks to the country’s abundant rubber plantations.

Exhibit 19: 1H24 market share by volume (tyre)



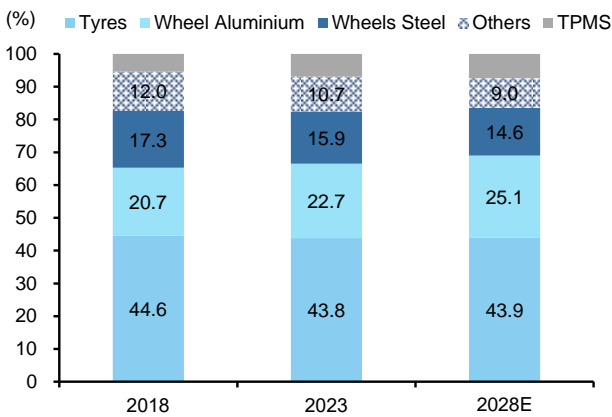
Sources: US DOC

Exhibit 20: 1H24 market share by value (USD m)



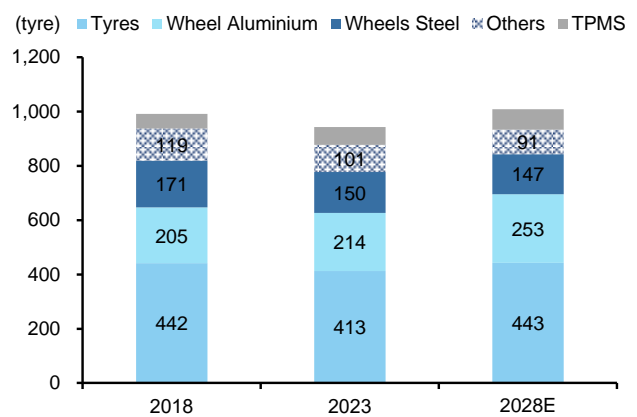
Sources: US DOC

Exhibit 21: Global tyres demand by components (%)



Sources: Globaldata.com

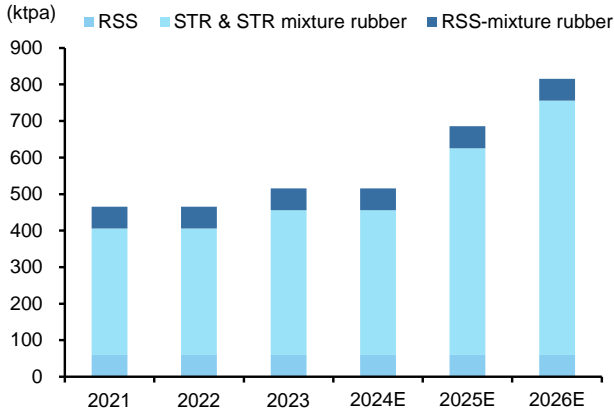
Exhibit 22: Global tyres demand by components



Sources: Globaldata.com Name of source

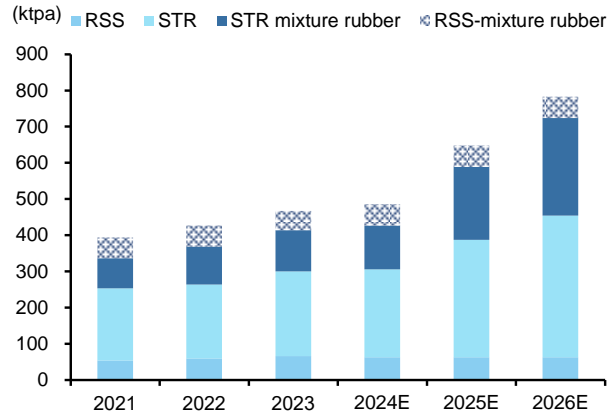
NER sells its NR products in the forms of RSS, STR, STR mixed rubber, and RSS mixed rubber to fit into individual need of customer. All of these NR products will be kept for about four months before being delivered to customers. Hence, the cash margins on the same day pricing for both selling price and cost will differ from the 2-month average cost and 4-month selling price on the accrual accounting basis.

Exhibit 23: Capacity by products



Sources: NER; Globlex Research

Exhibit 24: Production by products

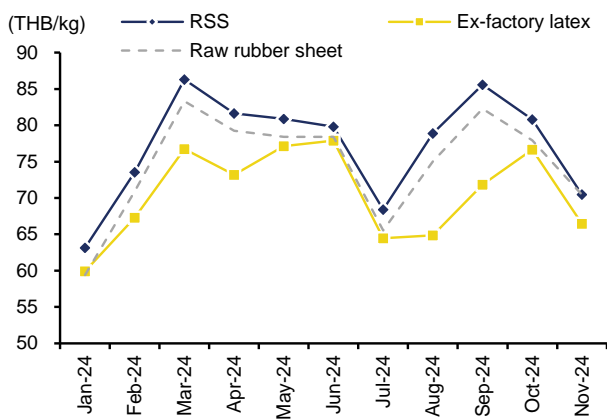


Sources: NER; Globlex Research

Driver#2: Rubber price uptrend

NR price has stayed high above THB65/kg in 2024 and are projected to rise in above THB70/kg in 2025E-26E on the tighter supplies and high demands on strong EV growth in China while supply is tighter due to the structural drops in rubber plantations in Indonesia and Malaysia.

Exhibit 25: Rubber price in Thailand (THB/kg)



Sources: Rubber Authority of Thailand

Exhibit 26: Rubber futures



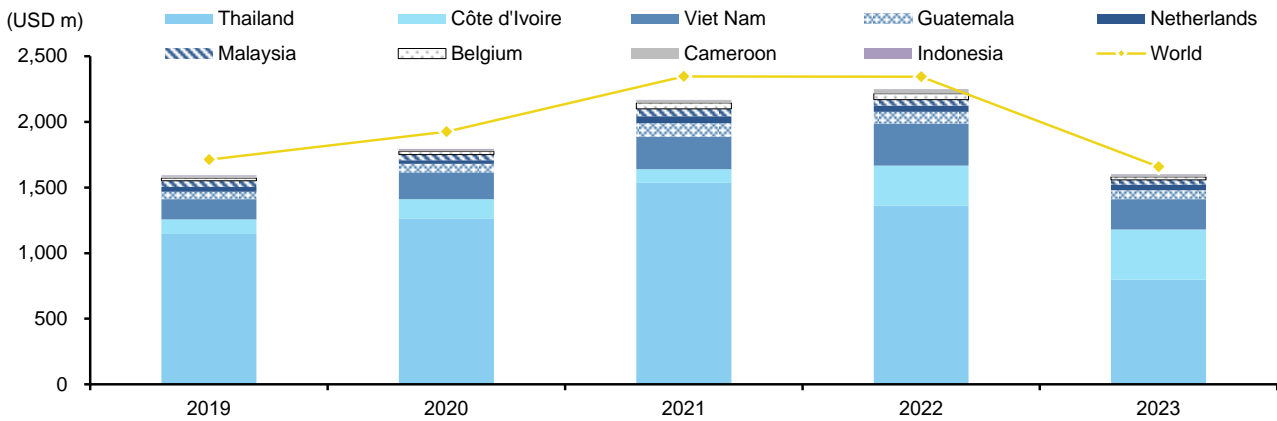
Sources: Trading Economics

Rubber futures traded below 190 US cents per kg, the lowest since early September, mainly due to concerns over demand. The prospect of rising trade tensions between the US and top buyer China under the new Trump administration, alongside underwhelming stimulus efforts from Beijing to boost the economy, has further clouded the demand outlook.

At the same time, supply concerns persist in key Southeast Asian production regions, particularly Thailand, where unfavorable weather, including heavy rainfall and flooding, has impacted output. Thailand, responsible for about one-third of global rubber production, is expected to experience a 10%-15% decline in production this year.

Meanwhile, the latest data revealed that Malaysia's natural rubber output fell by 13.9% month-on-month to 30,929 tonnes in September, and decreased by 5.6% y-y.

Exhibit 27: Natural rubber export by country

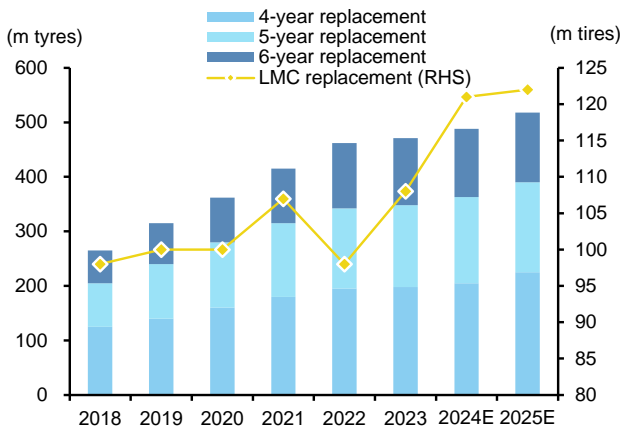


Sources: Trademap

Driver#3: Growing demand for tyre

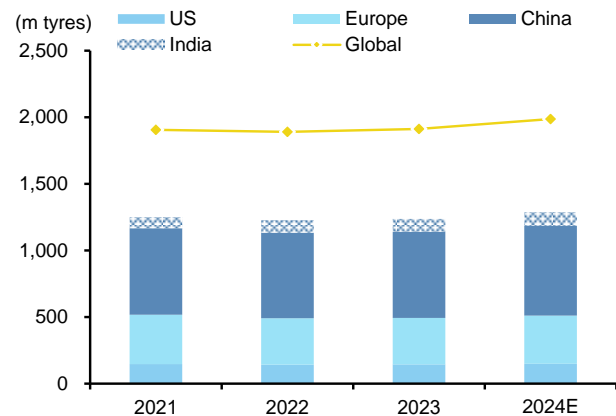
The rising demands for tyres particularly from China’s growing consumption of NR and synthetic rubber to be used for tyre productions. New raw material and design technologies will enable tyre makers to increase revenue, despite challenging market conditions, according to Smithers latest exclusive market forecasting. Sales are continuing on a post-Covid recovery trajectory. The market will be worth a projected USD262.2b in 2023, with a total of 2.47 b tyres sold worldwide.

Exhibit 28: Global tyre demand by number of years for replacement



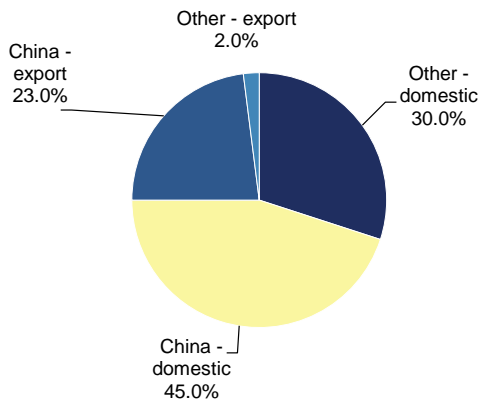
Sources: Global Data

Exhibit 29: Global tyre demand by country



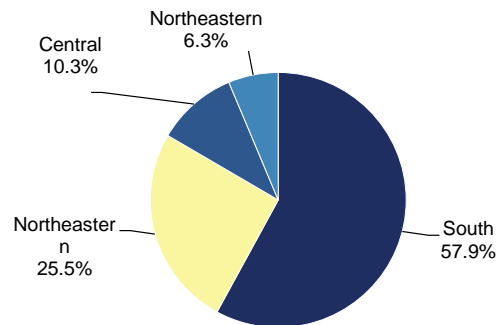
Sources: Global Data

Exhibit 30: NER’s estimated revenue breakdown by China and non-China; domestic and export



Sources: NER; Globlex Research

Exhibit 31: Thailand rubber plant area by region



Sources: NER

Initiated with a BUY and a TP of THB8.00

We initiated coverage on NER with a BUY and a TP of THB8.0, based on 7x 2025E P/E, a discount to its arch rival STA whose forward P/E is high at 23x. We think NER's higher earnings sustainability and moderate net profit growth are the key factors to justify NER's 7x 2025E P/E, plus its attractive dividend yield of over 6%.

Exhibit 32: Target prices

P/E (x)		6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0
2024E EPS (THB/share)	1.03	6.2	7.2	8.3	9.3	10.3	11.4	12.4	13.4	14.5
2025E EPS (THB/share)	1.14	6.9	8.0	9.1	10.3	11.4	12.6	13.7	14.9	16.0

Sources: NER; Globlex Research

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	1,396	61	6,179	10,858	14,681
Account receivable	990	690	854	1,056	1,312
Inventories	11,822	13,842	16,073	19,840	25,073
Others	24	33	43	53	68
Non-current assets					
Net fixed assets	1,689	1,764	2,230	2,644	3,006
Others	386	448	448	448	448
Total Assets	16,307	16,839	25,828	34,900	44,588
Current liabilities					
Account payable	283	214	643	794	1,003
ST borrowing	4,158	4,015	4,015	4,015	4,015
Others	65	52	68	83	106
Long-term liabilities					
Long-term debts	5,193	5,067	12,567	20,067	27,567
Others	20	23	23	23	23
Total liabilities	9,719	9,371	17,316	24,982	32,713
Paid-up capital	924	924	924	924	924
Retained earnings	4,092	4,973	5,959	7,306	9,205
Others	1,572	1,572	1,630	1,688	1,746
Minority interest	0	0	0	0	0
Shareholders' equity	6,588	7,469	8,512	9,918	11,875

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (y-y%)					
Sales	3.1	(0.5)	30.9	23.2	26.5
Operating profit	(4.3)	(7.3)	15.6	19.3	30.6
EBITDA	(4.9)	(8.5)	15.4	19.0	31.8
Net profit	(5.5)	(11.6)	23.6	10.5	30.0
Core net profit	(5.5)	(11.6)	23.6	10.5	30.0
EPS	(10.0)	(11.6)	23.6	10.5	30.0
Core EPS	(10.0)	(11.6)	23.6	10.5	30.0
Profitability (%)					
Gross margin	12.9	12.0	10.5	10.4	10.5
Operation margin	9.8	9.2	8.1	7.8	8.1
EBITDA margin	9.1	8.4	7.4	7.1	7.4
Net margin	6.9	6.2	5.8	5.2	5.4
ROE	29.1	22.0	23.9	22.9	25.2
ROA	11.4	9.3	9.0	7.0	6.9
Stability					
Interest bearing debt/equity (x)	1.4	1.2	1.9	2.4	2.7
Net debt/equity (x)	1.2	1.2	1.2	1.3	1.4
Interest coverage (x)	5.9	5.2	6.3	4.7	4.5
Interest & ST debt coverage (x)	0.5	0.5	0.6	0.7	0.8
Cash flow interest coverage (x)	0.1	(0.0)	(0.0)	(0.1)	(0.1)
Current ratio (x)	3.2	3.4	4.9	6.5	8.0
Quick ratio (x)	0.5	0.2	1.5	2.4	3.1
Net debt (THB m)	7,955	9,020	10,403	13,224	16,900
Activity					
Asset turnover (X)	1.6	1.5	1.5	1.3	1.3
Days receivables	13.0	12.2	8.6	8.6	8.5
Days inventory	190.5	212.6	186.1	181.0	179.1
Days payable	6.2	4.1	5.3	7.2	7.2
Cash cycle days	197.3	220.7	189.4	182.4	180.4

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue					
Revenue	25,172	25,045	32,793	40,412	51,118
Cost of goods sold	(21,932)	(22,033)	(29,334)	(36,207)	(45,758)
Gross profit	3,240	3,012	3,459	4,205	5,360
Operating expenses	(766)	(719)	(808)	(1,042)	(1,231)
Operating profit	2,474	2,293	2,651	3,163	4,129
EBIT	2,474	2,293	2,651	3,163	4,129
Depreciation	(184)	(199)	(234)	(286)	(338)
EBITDA	2,290	2,095	2,417	2,877	3,791
Non-operating income					
Other incomes	36	21	21	21	21
Other non-op income	(103)	(45)	0	0	0
Non-operating expense	(421)	(440)	(423)	(671)	(918)
Interest expense	(421)	(440)	(423)	(671)	(918)
Other non-op expense	0	0	0	0	0
Equity income/(loss)	0	0	0	0	0
Pre-tax Profit	1,802	1,630	2,014	2,226	2,894
Extraordinary items					
Current taxation	(54)	(84)	(104)	(115)	(150)
Minorities	0	0	0	0	0
Net Profit	1,748	1,546	1,910	2,111	2,744
Core net profit	1,748	1,546	1,910	2,111	2,744
EPS (THB)	0.95	0.84	1.03	1.14	1.48
Core EPS (THB)	0.95	0.84	1.03	1.14	1.48

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow					
Net profit	1,748	1,546	1,910	2,111	2,744
Depre. & amortization	184	199	234	286	338
Change in working capital	(1,099)	(1,811)	(1,960)	(3,812)	(5,272)
Others	(138)	(172)	(189)	(249)	(333)
Investment cash flow	(1,160)	(426)	(1,039)	(1,237)	(1,435)
Net CAPEX	(352)	(274)	(700)	(700)	(700)
Change in LT investment	(78)	(59)	0	0	0
Change in other assets	(730)	(93)	(339)	(537)	(735)
Free cash flow	(465)	(666)	(1,044)	(2,901)	(3,959)
Financing cash flow					
Change in share capital	157	0	58	58	58
Net change in debt	(103)	(45)	0	0	0
Dividend paid	(370)	(924)	(924)	(764)	(844)
Others	1,363	1,838	2,062	3,931	3,124
Net cash flow	582	203	152	324	(1,621)
Per share (THB)					
EPS	0.95	0.84	1.03	1.14	1.48
Core EPS	0.95	0.84	1.03	1.14	1.48
CFPS	1.05	0.94	1.16	1.30	1.67
BVPS	3.57	4.04	4.61	5.37	6.43
Sales/share	13.62	13.55	17.75	21.87	27.67
EBITDA/share	1.24	1.13	1.31	1.56	2.05
DPS	0.30	0.50	0.41	0.46	0.59
Valuation					
P/E (x)	10.57	8.01	4.64	4.20	3.23
P/BV (x)	2.80	1.66	1.04	0.89	0.75
Dividend yield (%)	3.00	7.46	8.61	9.52	12.37
Dividend payout ratio (%)	32	60	40	40	40

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.