

RS

(RS.BK/RS TB)*

Outperform • Maintained

Price as of 15 May 2020	10.50
12M target price (Bt/shr)	13.20
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	25.7

Key messages

RS toned down its 2020 revenue target 19% to Bt4.25bn (+18% YoY) while its raised its net margin target from 12% - 15% to 13% - 15%. Revenue growth is expected from the commerce and TV segments, which contribute high margins. The company's targets would be challenging as we foresee earnings slowing in 2Q20. We maintain our net profit forecasts at Bt378mn in 2020 and Bt451mn in 2021. We reiterate our rating of Outperform for RS with a target price of Bt13.20 (PER 30.9x, average of commerce sector) backed by expected solid earnings in 2020 and upside to our earnings forecast from greater revenue from the TV segment.

Trading data

Mkt cap (Btbrv/US\$mn)	10.2/255
Outstanding shares (mn)	973
Foreign ownership (mn)	35
3M avg. daily trading (mn)	7
52-week trading range (Bt)	8.40 – 18.20
Performance (%)	3M 6M 12M
Absolute	-3.7 -19.2 -35.6
Relative	14.8 1.1 -18.8

Quarterly EPS

	1Q	2Q	3Q	4Q
2018	0.10	0.17	0.11	0.13
2019	0.11	0.09	0.09	0.07
2020	0.19	NA	NA	NA

Share price chart



Source: SET

Piyathida Sonthisombat
66.2658.8888 Ext.8852
piyathidas@kgi.co.th

2020 earnings to grow despite obstacles

Event

1Q20 analyst meeting.

Impact

RS toned down its revenue target for 2020 but raised expected net margin

RS toned down its revenue target for 2020 by 19% to Bt4.25bn (+18% YoY), with 60% or Bt2.6bn coming from the commerce segment, 26%, or Bt1.1bn, coming from the TV segment (Ch.8), and 14% coming from radio, music and concert. The company will push its commerce revenue by i) adding new channels for product sales, particularly on other TV channels during non-primetime from 2Q20, ii) offering new own products, particularly bird's nest soup from 3Q20 onward, iii) pushing telesales, and iv) focusing more on content sales instead of selling of airtime for ads on TV. Meanwhile, the company raised its net margin target from 12%-15% to 13%-15% due to anticipated greater gross margin from both TV segment (content sales) and commerce segment.

2020 earnings should improve YoY

Though we expect RS's 2Q20 earnings to decline both QoQ and YoY due to the Covid-19 outbreak, its full-year earnings are expected to grow. The growth this year would be backed by i) greater commerce revenue and ii) larger TV revenue, particularly from content sales. Greater commerce revenue in 2020 would be the result of first full-year realization of revenue from sales on two TV partners (Thairath TV and Workpoint TV) and a new TV partner (Amarin TV) since February 2020 coupled with new products targeted to launch in 2H20.

Our 2020 - 2021 forecasts are maintained

To be conservative, we maintained our profit forecasts at Bt378mn (+4% YoY) in 2020 and Bt451mn in 2021 (+19% YoY) in 2021, as the slowdown in earnings in 2Q20 would partly offset growth in 1Q20. Note that we foresee upside to our 2020 earnings forecast of around 7%-10% due to greater than expected earnings from the TV segment, particularly content sales.

Valuation & Action

Our 1H21 target price is maintained at Bt13.20 (PER 30.9x, average of commerce sector). We maintain a rating of Outperform backed by i) outstanding profit growth compared to other commerce stocks in KGI's coverage (with CAGR of 11% for 2020 – 2021), and ii) upside from the TV segment.

Risks

Lower than expected revenue from commerce segment (RS Mall).

Key financials and valuations

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (Btmn)	3,827	3,611	3,344	3,537	3,611
Gross Profit (Btmn)	1,621	1,591	1,517	1,630	1,664
EBIT (Btmn)	567	491	480	569	580
Net Profit (Btmn)	516	363	378	451	463
Normalized Profit (Btmn)	440	363	378	451	463
EPS (Bt)	0.51	0.37	0.39	0.46	0.48
DPS (Bt)	0.45	0.30	0.30	0.40	0.40
EPS growth (%)	55.0	(26.9)	3.9	19.4	2.8
P/E (x)	29.0	32.9	27.0	22.6	22.0
P/B (x)	8.94	6.93	5.46	5.14	4.93
EV/EBITDA (x)	12.7	11.2	9.5	8.5	8.1
Net debt/Equity (x)	0.2	0.3	0.1	(0.0)	(0.2)
Dividend yield (%)	3.0	2.4	2.9	3.8	3.8
Return on Average Equity (%)	33.6	21.4	21.0	23.4	22.8

Source: Company data, KGI Research

1Q20 net profit YoY growth driven by media segment

RS reported a 1Q20 net profit of Bt186mn (+184% QoQ, +69% YoY). Earnings were supported by i) revenue growing to Bt984mn (+10% QoQ, +6% YoY) and ii) gross margin improving to 55.6% from 45.6% in 1Q19 and 41.9% in 4Q19.

Revenue was driven by growth from the TV segment (Ch.8 and content sales) which increased to Bt336mn (+93% QoQ, +47% YoY). RS's TV revenue was boosted by i) advertising revenue growing to Bt246mn (+45% QoQ, +10% YoY) despite a slowdown in the TV industry thanks to Ch.8's rating increasing from 0.35 in 1Q19 and 0.32 in 4Q19 to 0.37 in 1Q20 coupled with the company's new strategy for the TV segment and ii) new revenue from content sales of Bt90mn to international partners and online platforms.

Radio revenue dropped to Bt39mn (-49% QoQ, -34%YoY) due to lower activities from Cool Fahrenheit, the company's radio channel.

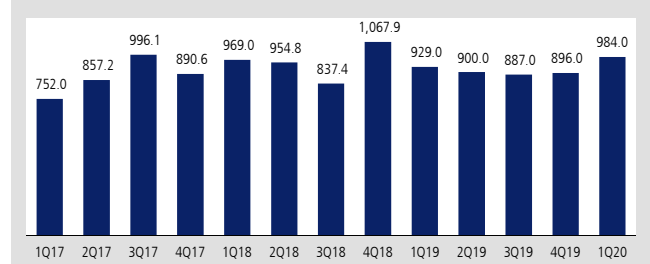
Commerce revenue stood at Bt500mn (+8% QoQ, -11% YoY). Growth QoQ was due to the company's health supplement products during the COVID-19 outbreak. The decline YoY was due to the economic slowdown delaying purchases by targeted clients.

Revenue from music & showbiz in 1Q20 was Bt109mn (-40% QoQ, +38% YoY). The decrease QoQ was due to the economic slowdown and COVID-19, while growth YoY was driven by successful concerts (D2B) in February 2020.

Note that the impressive gross margin of 55.6% in 1Q20 was the result of i) greater revenue from radio business, which contributed a high margin (81%), ii) TV segment turned to contribute gross profit of 36% compared to loss of 19% in 1Q19 and 53% in 4Q19.

Figure 1: Sales and service revenue

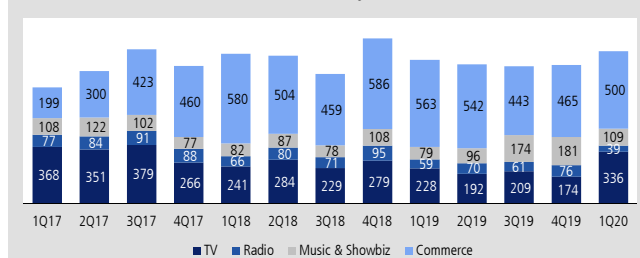
Total sales and service revenue, Bt mn



Source: Company data

Figure 2: Sales and service revenue

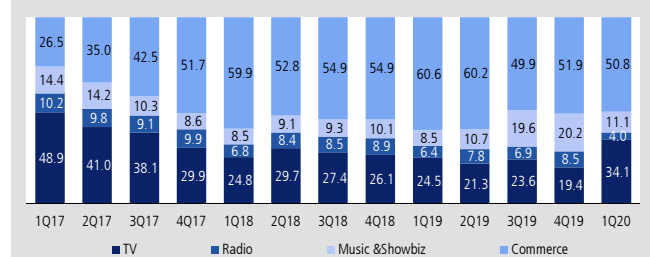
Breakdown sales and service revenue by business, Bt mn



Source: Company data

Figure 2: Breakdown of sales and service revenue

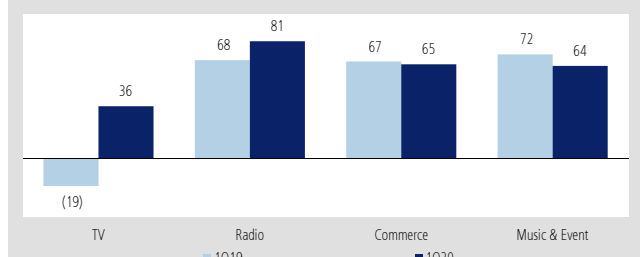
Breakdown sales and service revenue by business, percent



Source: Company data

Figure 3: Gross margin by business

Breakdown of gross margin, percent



Source: Company data

RS toned down 2020 revenue target, but raised net margin

The company toned down its revenue target for 2020 by 19% to Bt4.25bn. Revenue contribution from the commerce segment is targeted at 60%, or Bt2.6bn, this year. However, the company raised its net margin target from 12% to 13% - 15% as a greater gross margin is expected from both the media and commerce segments.

Figure 4: RS' targeted revenue for 2020

	2019	RS' targeted in 2020		Changed	Growth YoY
	Actual	Previous	Revised	(%)	(%)
Total revenue	3.61	5.25	4.25	(19.0)	17.7
1. Commerce	2.01	3.15	2.55	(19.0)	26.7
2. TV	0.80	0.90	1.08	19.7	34.5
3. Others (radio, music and event)	0.80	1.20	0.62	(48.2)	(22.0)

Source: Company data

Commerce segment: To drive sales by increasing channels

To achieve its new target, RS has four key strategies to push revenue from the commerce segment.

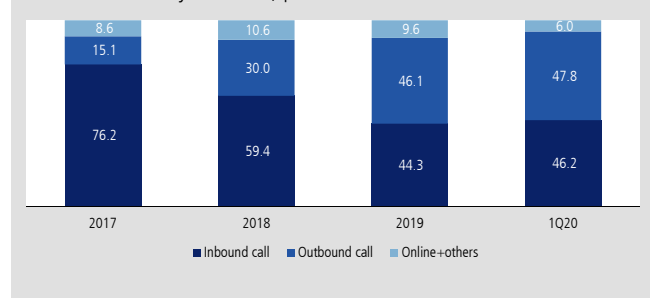
1. Increasing channels for ads on TV to drive telesales: As telesales are one of the key channels for RS Mall's sales, accounting for 44% of RS Mall's total sales in 2019, RS plans to increase telesales by expanding advertising on TV for RS Mall's products to targeted viewers apart from Ch.8 (RS's company's digital TV channel). Previously, RS expanded RS Mall's advertising on other TV channels by partnering with them and sharing revenue from RS Mall's product sales on each channel to each partner. Note that RS agreed to partner with Thairath TV and Workpoint TV in 2019. Amarin TV became a new partner in February 2020.

However, RS foresees an opportunity from lower advertising costs on TV during COVID-19 by buying airtime (non-primetime) from leading TV channels that offer low prices. This is because the TV industry and TV ad rate are pressured by toning down in advertising spending from media agencies and business owners during the outbreak.

In our view, telesales should grow in 2020 along with more TV channels and greater airtime for the company's advertising for RS Mall. Note that airtime for ads on Amarin TV, the new partner, will add 25 – 50 minutes/day in advertising time to the previous combined airtime of 30 – 60 minutes/day on Thairath TV and Workpoint TV. Meanwhile, buying non-primetime slots from other leading channels would help expand viewership with low costs.








Figure 5: Breakdown of RS Mall's sales by channels

Breakdown sales by channels, percent



Source: Company data

Figure 6: RS Mall's telesales channels

2019	2020
  	   

Non-primetime in other TV channels

Source: Company data

2. New technology to push telesales: RS implemented predictive dial selective (PDS) technology to push outbound sales since 1Q20. This technology helps boost the efficiency of its call center services as it can provide data for call center staffs to match their target clients' needs. Hence, RS has no need to add more new call center staff.

3. New products: RS plans to launch new own products from 3Q20 onward. The first product is a bird nest soup line as the company foresees room to enter the market in Thailand, which has a total value of around Bt1.5bn. In 4Q20, the company will launch cosmetic products that will be introduced by influencer (Bai Teoy RS Siam).

4. Promotion and marketing campaigns: The company always offers promotions for RS Mall's products every season coupled with loyalty programs for clients such as Mega Cashback.

Figure 7: RS's strategies for commerce segment

	End 2019	1Q20	2Q20	3Q20	4Q20	End 2020
Sales Channel Expansion	<ul style="list-style-type: none"> TV Commerce Web & Social Media LINE Chat App Retail Outlet 		App & Web & SatTV Entertainment Programs Ads	Retail Outlet E-Commerce Wholesaler		<ul style="list-style-type: none"> TV Commerce (DTT&SATTV) Web & Social Media & App LINE Chat App E-Marketplace Retail Outlet & Wholesaler KPW
Telemarketing Improvement	<ul style="list-style-type: none"> 345 Agents 					<ul style="list-style-type: none"> 400 Agents Technology Adoption
Product & Merchandising	<ul style="list-style-type: none"> H&B Product Household Product 		Homewares Health-conscious Product		Travel & Service	<ul style="list-style-type: none"> H&B Product Household Product Health-conscious Product Cosmetic Travel & Service
Marketing & Campaign	<ul style="list-style-type: none"> New & Mid Year Promotion 		Rewards			<ul style="list-style-type: none"> Sales Promotion & Campaign Royalty Program Partnership

Source: Company data

With the economic slowdown and COVID-19 some customers are delaying their buying decisions, including for RS Mall's products. Hence, we believe it will be challenging for the company to reach its 2020 revenue target for the commerce segment of Bt2.6bn (+27% YoY).

However, RS's commerce segment should have revenue growth in 2020 backed by i) the company's strategies to push RS Mall's sales, ii) 2020 is the first full year that RS will realize revenue from RS Mall's sales on Thairath TV and Workpoint TV, which started in 2Q19 and 4Q19, respectively, and iii) new revenue streams from both a new partner (Amarin TV) and buying airtime for advertising RS Mall's products on other TV channels.

Note that we anticipate RS Mall's sales to grow to Bt2.23bn (+11% YoY) in 2020. Growth is expected to continue in 2021 to Bt2.37bn (+6% YoY).

TV business: High growth expected from content sales

Though the TV industry has a cloudy outlook in 2020, RS's revenue from the TV segment in 2020 would have growth thanks to the company's new strategy to focus on content sales more than focusing on selling airtime on Ch.8. For selling airtime on Ch.8, we foresee obstacles ahead in 2Q20 because of more stringent measures implemented by the government for the COVID-19 outbreak since late March 2020 leading to toning down in spending for advertising from media agencies and business owners as they are likely to use their budgets for CSR during the outbreak or indirectly advertise their brands. Thus, we expect RS's TV revenue from airtime sales to drop 26% YoY to Bt626mn in 2020 and 8% YoY to Bt574mn in 2021. However, this segment would be saved by growth from content sales.

Figure 8: Ch.8's monthly rating

Viewer per population, percent



Source: Nielsen

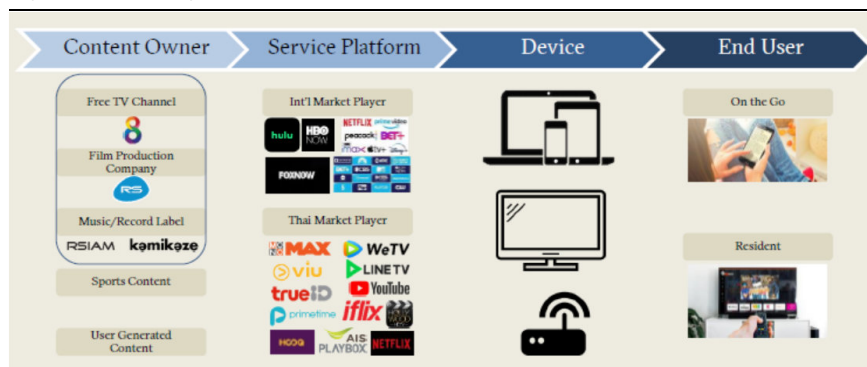
RS started to sell rights on its content (songs and/or Thai dramas) to a partner since 1Q20. Currently, RS is in the process of negotiating with other partners. The company targets to sell its content to online platforms in both Thailand and internationally such as Line TV, AIS PLAYBOX, True ID, MONOMAX, Netflix, etc.

After content sales of Bt90mn in 1Q20, the company targets revenue from content sales of more than Bt100mn for 2Q20 – 4Q20. If RS's content sales reach its targets for 2Q20 – 4Q20, the combined content sales for 2020 will be greater than Bt190mn.

Note that greater content sales would boost both TV segment revenue and gross margin as content sales have insignificant costs.

In our view, content sales would slow QoQ as business owners, including RS's targeted customers, would look to save costs while revenue is impacted by the COVID-19 outbreak in 2Q20.

Figure 9: RS's targeted partners for content sales



Source: Company data

Earnings in 2Q20 would be pressured by COVID-19

We foresee RS's 2Q20 earnings slowing along with expected lower revenue and narrower margin.

The company's 2Q20 revenue would be dragged down QoQ and YoY by i) expected lower sales for the commerce segment, ii) slowdown in revenue from TV segment mainly due to lower revenue from selling airtime for advertising on Ch.8, and iii) decline in revenue from music and showbiz segment as there were no entertainment events during the pandemic.

Meanwhile, gross margin would be pressured along with lower revenue, particularly from RS Mall, which contributed a high gross margin of around 35%.

Our 2020 – 2021 profit forecast is maintained; rate Outperform

To be conservative, we maintained our net profit forecasts at Bt378mn (+4% YoY) in 2020 and Bt451mn (+19% YoY) in 2021, due to expected slowdown in earnings in 2Q20 partly offsetting growth in 1Q20. Note that we foresee upside to our 2020 earnings forecast of 7%-10% due to greater than expected contribution from the TV segment, particularly content sales.

Our target price for 1H21 is maintained at Bt13.20 (PER 30.9x, average of commerce sector). We maintain a rating of Outperform backed by i) outstanding earnings growth compared to other commerce stocks in KGI's coverage with CAGR of 11% for 2020 – 2021, and iii) upside from TV segment.

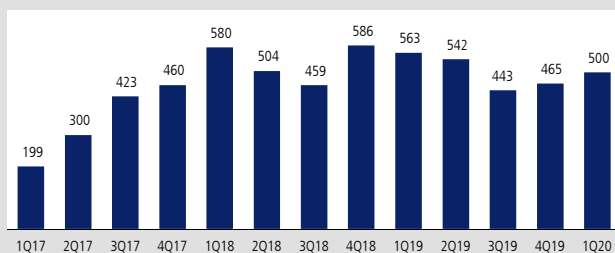
Figure 10: Company profile

RS Public Company Limited (RS) started its business in 1976 as a full range music company. It expanded to other media business such as radio station, TV content provider, satellite TV stations, and showbiz. The company started its terrestrial TV business in April 2014 after receiving a digital TV license from the National Broadcasting and Telecommunication Commission (NBTC) in late 2013. RS also expanded into the health & beauty (H&B) segment in late 2014. Currently, the company's existing businesses can be broken down into four segments that are i) media (TV, radio), ii) music, iii) showbiz and iv) Health & Beauty that transform to RS Mall.

Source: Company data

Figure 12: RS Mall's sales

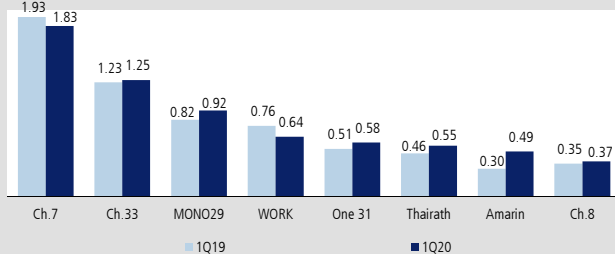
RS Mall sales, Bt mn



Source: Company data

Figure 14: Ch.8's rating ranked in 1Q20 still the eighth

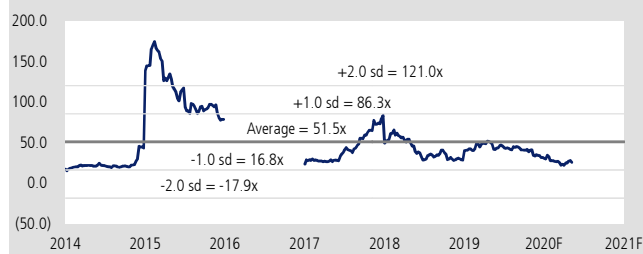
Viewer per population, percent



Source: Nielsen

Figure 16: PER band

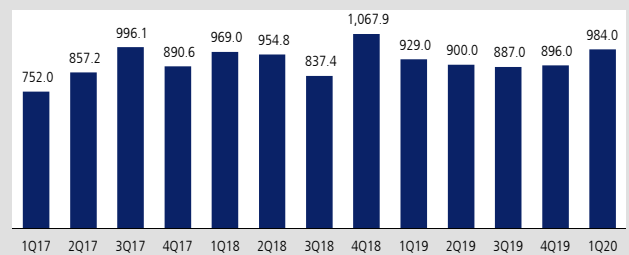
PER, Times



Source: KGI Research

Figure 11: Sales and service revenue

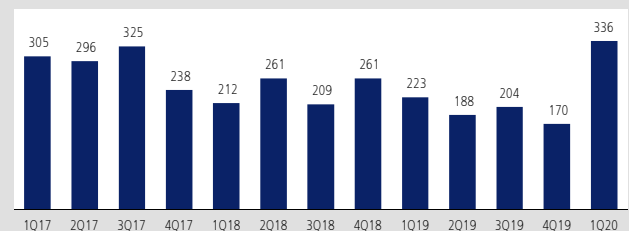
Sales and service revenue, Bt mn



Source: Company data

Figure 13: TV revenue

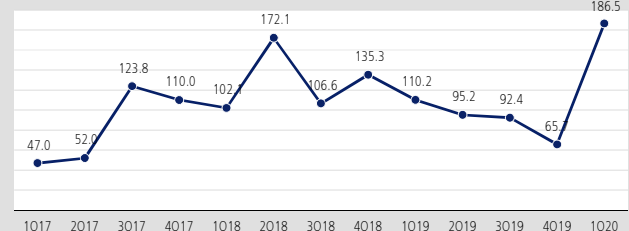
TV revenue, Bt mn



Source: Company data

Figure 15: Net profit

Net profit (loss), Bt mn



Source: Company data

Figure 17: PBV band

PBV, Times



Source: KGI Research

Quarterly Income Statement

	Mar-18A	Jun-18A	Sep-18A	Dec-18A	Mar-19A	Jun-19A	Sep-19A	Dec-19A	Mar-20A
Income Statement (Bt mn)									
Revenue	969	1,459	837	561	929	900	887	895	985
Cost of Goods Sold	(582)	(560)	(496)	(568)	(502)	(504)	(494)	(520)	(437)
Gross Profit	387	899	341	(6)	427	396	393	375	547
Operating Expenses	(244)	(261)	(230)	(319)	(274)	(276)	(267)	(283)	(309)
Other incomes	-	-	-	-	-	-	-	-	-
Operating Profit	143	638	111	(325)	153	121	125	93	238
Depreciation of fixed assets	(156)	(119)	(171)	(163)	(161)	(139)	(144)	(133)	(122)
Operating EBITDA	299	757	283	(162)	313	259	270	226	360
Non-Operating Income	4	98	15	11	1	5	7	-	6
Interest Income	-	-	-	-	-	-	-	-	-
Other Non-op Income	4	98	15	11	1	5	7	-	6
Non-Operating Expenses	(20)	(16)	(18)	(19)	(15)	(10)	(9)	(9)	(11)
Interest Expense	(19)	(16)	(17)	(17)	(15)	(8)	(6)	(6)	(9)
Other Non-op Expenses	(1)	-	(1)	(2)	(0)	(2)	(3)	(3)	(2)
Net investment Income/(Loss)	-	-	-	-	-	-	-	-	-
Pre-tax Profit	127	720	109	(332)	139	116	123	84	232
Current taxation	(25)	(44)	(2)	(37)	(29)	(20)	(30)	(18)	(46)
Minorities	0	0	(0)	0	0	0	(1)	(0)	(0)
Extraordinary items	-	-	-	-	0	-	-	-	13
Net Profit	102	676	107	(369)	110	95	92	66	186
EPS (Bt)	0.10	0.67	0.11	(0.37)	0.11	0.09	0.09	0.07	0.19
Margins (%)									
Gross profit margin	39.9	61.6	40.8	(1.1)	45.9	44.0	44.3	41.9	55.6
Operating margin	14.7	43.7	13.3	(57.9)	16.4	13.4	14.2	10.4	24.1
Operating EBITDA margin	30.8	51.9	33.8	(28.8)	33.7	28.8	30.4	25.3	36.5
Net profit margin	10.5	46.4	12.7	(65.7)	11.9	10.6	10.4	7.3	18.9
Growth (%)									
Revenue growth	28.9	70.1	(15.9)	(37.4)	(4.2)	(38.3)	5.9	59.5	6.0
Operating growth	438.7	707.1	(35.1)	(318.2)	6.8	(81.1)	12.7	(128.6)	55.8
Operating EBITDA growth	77.3	242.7	(8.7)	(156.6)	5.0	(65.8)	(4.6)	(239.9)	14.7
Net profit growth	116.9	1,199.3	(13.9)	(435.2)	8.0	(85.9)	(13.4)	(117.8)	69.4

Source: KGI Research

Peer comparison – Key valuation stats

	Rating	Target price (Bt)	Current price (Bt)	Upside (%)	19A EPS (Bt)	20F EPS (Bt)	21F EPS (Bt)	20F EPS gr. (%)	21F EPS gr. (%)	20F PER (x)	21F PER (x)	20F PBV (X)	21F PBV (X)	20F Div Yield (%)	20F ROAE (%)
CPALL*	N	79.00	69.50	13.7	2.55	2.20	2.60	(13.6)	18.2	33.1	28.2	5.6	5.0	1.8	17.0
GLOBAL*	N	13.20	14.00	(5.7)	0.50	0.29	0.52	(42.1)	79.3	48.3	26.9	3.4	3.2	1.1	7.7
HMPRO*	N	14.50	14.20	2.1	0.47	0.29	0.45	(38.3)	55.2	49.0	31.6	8.5	7.7	1.8	18.0
MAKRO	N	37.50	34.75	7.9	1.30	1.39	1.50	7.1	7.4	24.9	23.2	7.7	7.1	2.9	29.6
MEGA	OP	39.00	30.50	27.9	1.40	1.42	1.54	14.0	9.7	21.4	19.8	3.9	3.6	2.4	18.5
COM7*	OP	22.00	21.50	2.3	1.01	0.91	1.10	(10.3)	20.8	23.7	19.6	7.1	6.2	3.3	29.0
RS*	OP	13.20	10.50	25.7	0.37	0.39	0.46	3.9	19.4	27.0	22.6	5.5	5.1	2.9	21.0
Sector							(11.3)	30.0	32.5	24.6	6.0	5.4	2.3	20.1	
Sector ex. RS							(13.9)	31.8	33.4	24.9	6.0	5.5	2.2	20.0	

Source: KGI Research

Balance Sheet

As of 31 Dec (Bt mn)	2018A	2019A	2020F	2021F	2022F
Total Assets	4,073	3,407	3,406	3,502	3,443
Current Assets	1,186	1,145	1,270	1,537	1,693
Cash & ST Investments	340	328	474	695	833
Inventories	285	259	251	265	271
Accounts Receivable	553	545	535	566	578
Others	9	13	10	11	11
Non-current Assets	2,887	2,262	2,135	1,965	1,750
LT Investments	4	4	4	4	4
Net fixed Assets	332	504	448	386	320
Others	2,551	1,754	1,684	1,575	1,426
Total Liabilities	2,401	1,680	1,536	1,514	1,373
Current Liabilities	1,146	1,266	927	966	817
Accounts Payable	733	651	569	601	614
ST Borrowings	240	450	200	200	100
Others	173	164	158	164	103
Long-term Liabilities	1,255	414	609	548	556
Long-term Debts	323	239	427	359	359
Others	932	175	182	190	197
Shareholders' Equity	1,672	1,727	1,870	1,988	2,071
Common Stock	1,010	972	972	972	972
Capital Surplus	258	322	322	322	322
Retained Earnings	403	430	565	675	750
Others	1	2	10	18	26

Source: KGI Research

Key Ratios

Year to 31 Dec (Bt mn)	2018A	2019A	2020F	2021F	2022F
Forecast Drivers					
RS Mall sales	2,130	2,012	2,232	2,370	2,503
Growth (% YoY)					
Sales	9.3	(5.6)	(7.4)	5.8	2.1
OP	33.1	(13.3)	(2.3)	18.5	2.0
EBITDA	19.5	(9.2)	0.3	12.5	4.7
NP	55.0	(29.6)	3.9	19.4	2.8
EPS	55.0	(26.9)	3.9	19.4	2.8
Profitability (%)					
Gross Margin	42.4	44.1	45.4	46.1	46.1
Operating Margin	14.8	13.6	14.4	16.1	16.1
EBITDA Margin	30.7	29.6	32.0	34.1	34.9
Net Profit Margin	13.5	10.1	11.3	12.8	12.8
ROAA	12.5	9.7	11.1	13.1	13.3
ROAE	33.6	21.4	21.0	23.4	22.8
Stability					
Gross Debt/Equity (%)	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity (%)	18.8	25.9	12.2	(3.2)	(17.9)
Interest Coverage (x)	8.3	14.2	17.0	22.4	27.7
Interest & ST Debt Coverage (x)	1.8	1.0	2.1	2.5	4.8
Cash Flow Interest Coverage (x)	(17.0)	(29.8)	(32.4)	(42.5)	(54.7)
Cash Flow/Interest & ST Debt (x)	6.8	2.5	5.3	6.2	14.5
Current Ratio (x)	1.0	0.9	1.4	1.6	2.1
Quick Ratio (x)	0.8	0.7	1.1	1.3	1.7
Net Debt (Bt mn)	314	447.0	227.3	Net cash	Net cash
Per Share Data (Bt)					
EPS	0.5	0.4	0.4	0.5	0.5
CFPS	1.1	1.1	0.9	1.1	1.2
BVPS	1.7	1.8	1.9	2.0	2.1
SPS	3.8	3.7	3.4	3.6	3.7
EBITDA/Share	1.2	1.1	1.1	1.2	1.3
DPS	0.5	0.3	0.3	0.4	0.4
Activity					
Asset Turnover (x)	0.9	1.0	1.0	1.0	1.0
Days Receivables	56.1	55.5	58.9	56.8	57.8
Days Inventory	49.7	49.1	50.9	49.4	50.2
Days Payable	(174.3)	(158.8)	(146.7)	(131.0)	(133.3)
Cash Cycle	280.1	263.4	256.6	237.2	241.3

Source: KGI Research

Profit & Loss

Year to 31 Dec (Bt mn)	2018A	2019A	2020F	2021F	2022F
Revenue	3,827	3,611	3,344	3,537	3,611
Cost of Goods Sold	(2,205)	(2,020)	(1,827)	(1,907)	(1,948)
Gross Profit	1,621	1,591	1,517	1,630	1,664
Operating Expenses	(1,054)	(1,100)	(1,037)	(1,061)	(1,083)
Other incomes	-	-	-	-	-
Operating Profit	567	491	480	569	580
Depreciation of fixed assets	610	577	591	636	681
Operating EBITDA	1,177	1,068	1,072	1,205	1,262
Non-Operating Income	128	11	30	30	30
Interest Income	-	-	-	-	-
Other Non-op Income	128	11	30	30	30
Non-Operating Expenses	(72)	(40)	(28)	(25)	(21)
Interest Expense	(68)	(35)	(28)	(25)	(21)
Other Non-op Expenses	(3)	(6)	-	-	-
Equity Income/(Loss)	-	-	-	-	-
Pre-tax Profit	624	462	482	574	589
Current taxation	(108)	(97)	(96)	(115)	(118)
Minorities	0	(1)	(8)	(8)	(8)
Extraordinary items	-	-	-	-	-
Net Profit	516	363	378	451	463
EPS (Bt)	0.51	0.37	0.39	0.46	0.48

Source: KGI Research

Cash Flow

Year to 31 Dec (Bt mn)	2018A	2019A	2020F	2021F	2022F
Operating Cash Flow	1,161	1,033	913	1,081	1,146
Net Profit	624	462	482	574	589
Depreciation & Amortization	591	569	591	636	681
Change in Working Capital	(62)	(91)	(161)	(129)	(125)
Others	7	94	-	-	-
Investment Cash Flow	(519)	(616)	(517)	(517)	(517)
Net CAPEX	(45)	(230)	56	61	66
Change in LT Investment	-	-	-	-	-
Change in Other Assets	(475)	(386)	(573)	(578)	(583)
Free Cash Flow	642	417	396	564	629
Financing Cash Flow	(504)	(407)	(317)	(409)	(558)
Change in Share Capital	0	70	-	-	-
Net Change in Debt	(256)	118	(74)	(69)	(169)
Change in Other LT Liab.	(248)	(595)	(243)	(340)	(389)
Net Cash Flow	138	9	78	154	71

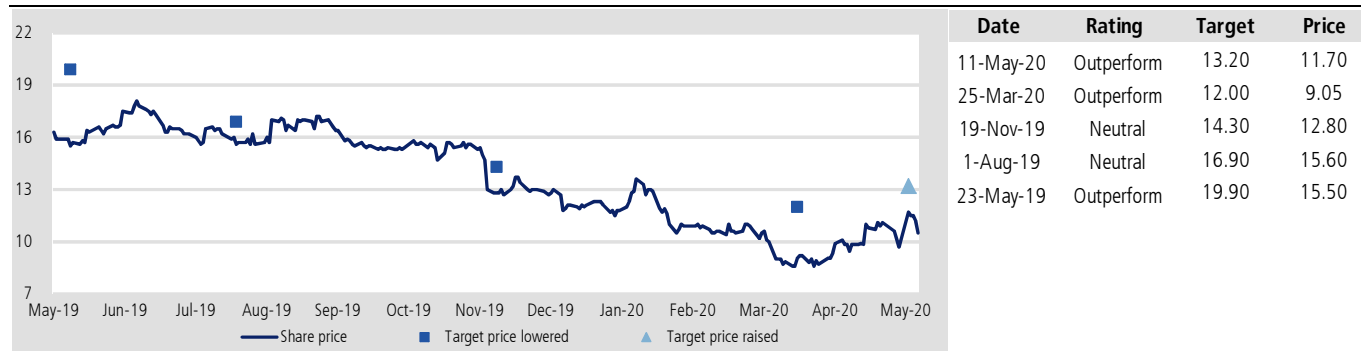
Source: KGI Research

Rates of Return on Invested Capital

Year	1- Revenue	+	COGS Revenue	+	Depreciation Revenue	+	Operating Exp. Revenue	=	Operating Margin
Dec-18A			57.6%		15.9%		27.6%		-3.8%
Dec-19A			55.9%		16.0%		30.5%		-1.1%
Dec-20F			54.6%		17.7%		31.0%		-2.4%
Dec-21F			53.9%		18.0%		30.0%		-3.3%
Dec-22F			53.9%		18.9%		30.0%		-1.9%
Year	1/ Revenue	+	Working Capital Revenue	+	Net PPE Revenue	+	Other Assets Revenue	=	Capital Turnover
Dec-18A			-0.02		0.09		0.67		1.14
Dec-19A			-0.03		0.14		0.49		1.35
Dec-20F			-0.05		0.13		0.51		1.66
Dec-21F			-0.04		0.11		0.45		1.69
Dec-22F			-0.03		0.09		0.40		1.92
Year	Operating Margin	x	Capital Turnover	x	Cash Tax Rate	=	After-tax Return on Inv. Capital		
Dec-18A	-1.1%		1.4		82.7		-5.2		
Dec-19A	-2.4%		1.7		78.9		-1.2		
Dec-20F	-3.3%		1.7		80.0		-3.1		
Dec-21F	-1.9%		1.9		80.0		-4.5		
Dec-22F	-2.8%		2.2		80.0		-2.9		

Source: KGI Research

RS- Recommendation & target price history



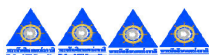
Source: KGI Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	HMPRO	HOME PRODUCT CENTER	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	INTUCH	SHIN CORPORATION	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	IRPC	IRPC	ROBINS	ROBINSON DEPARTMENT STORE
AP	ASIAN PROPERTY DEVELOPMENT	IVL	INDORAMA VENTURES	SAMART	SAMART CORPORATION
BANPU	BANPU	KBANK	KASIKORN BANK	SAMTEL	SAMART TELCOMS
BCP	THE BANGCHAK PETROLEUM	KCE	KCE ELECTRONICS	SCB	THE SIAM COMMERCIAL BANK
BTS	BTS GROUP HOLDINGS	KKP	KIATNAKIN BANK	SCC	THE SIAM CEMENT
CK	CH. KARNCHANG	KTB	KRUNG THAI BANK	SCCC	SIAM CITY CEMENT
CPF	CHAROEN POKPHAND FOODS	KTC	KRUNGTHAI CARD	SPALI	SUPALAI
CPN	CENTRAL PATTANA	LPN	L.P.N. DEVELOPMENT	SPRC	STAR PETROLEUM REFINING
DELTA	DELTA ELECTRONICS (THAILAND)	MINT	MINOR INTERNATIONAL	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DTAC	TOTAL ACCESS COMMUNICATION	MONO	MONO TECHNOLOGY	SVI	SVI
EASTW	EASTERN WATER RESOURCES DEVELOPMENT AND MANAGE	PLANB	PLAN B MEDIA	TCAP	THANACHART CAPITAL
EGCO	ELECTRICITY GENERATING	PSH	PRUKSA HOLDING	THCOM	THAICOM
GFPT	GFPT	PTT	PTT	TISCO	TISCO FINANCIAL GROUP
GPSC	GLOBAL POWER SYNERGY	PTTEP	PTT EXPLORATION AND PRODUCTION	TMB	TMB BANK
GUNKUL	GUNKUL ENGINEERING	PTTGC	PTT GLOBAL CHEMICAL	TOP	THAI OIL
HANA	HANA MICROELECTRONICS	PYLON	PYLON	TRUE	TRUE CORPORATION



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERAWAN GROUP	SAWAD	SRISAWAD POWER 1979
AMATA	AMATA CORPORATION	GLOBAL	SIAM GLOBAL HOUSE	SCI	SCI ELECTRIC
BBL	BANGKOK BANK	GLOW	GLOW ENERGY	SCN	SCAN INTER
BCPG	BCPG	LH	LAND AND HOUSES	SEAFECO	SEAFECO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	MAJOR	MAJOR CINEPLEX GROUP	SIRI	SANSIRI
BEM	BANGKOK EXPRESSWAY AND METRO	MAKRO	SIAM MAKRO	SMT	STARS MICROELECTRONICS (THAILAND)
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MTLS	MUANGTHAI LEASING	TKN	TAOKAENOI FOOD & MARKETING
CKP	CK POWER	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
DCC	DYNASTY CERAMIC	RS	RS	TWPC	THAI WAH



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AMA	AMA MARINE	BPP	BANPU POWER	SQ	SAHAKOL EQUIPMENT
BA	BANGKOK AIRWAYS	CBG	CARABAO GROUP	TPCH	TPC POWER HOLDING
BCH	BANGKOK CHAIN HOSPITAL	LPH	LADPRAO GENERAL HOSPITAL		
BH	BUMRUNGRAD HOSPITAL	SAPPE	SAPPE		

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
BGRIM	B.GRIMM POWER	TOA	TOA PAINT (THAILAND)	WHAUP	WHA UTILITIES AND POWER
CPALL	CP ALL	UNIQ	UNIQUE ENGINEERING AND CONSTRUCTION	WORK	WORKPOINT ENTERTAINMENT
THAI	THAI AIRWAYS INTERNATIONAL	WHA	WHA CORPORATION		

Source: www.thai-iod.com

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

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERAWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENDEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SIRISAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

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

KGI Locations

China	Shanghai	Room 1507, Park Place, 1601 Nanjing West Road, Jingan District, Shanghai, PRC 200040
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014
Singapore		4 Shenton Way #13-01 SGX Centre 2 Singapore 068807 Telephone 65.6202.1188 Facsimile 65.6534.4826

KGI's Ratings

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

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