

# Thailand Automotive

## It's time to change lanes

- Growth in Thailand's car production in 1Q22 at 3% y-y gives us confidence in our 6% growth target for 2022.
- AH is now our sector top pick thanks to its solid earnings growth potential with a lower downside risk than any other company, in our view.
- Maintain OVERWEIGHT. Auto sector expected to post solid earnings growth in 2022.

### Solid 1Q22 car production

Thailand's car production in 1Q22 amounted to 480k units (+3% y-y). Domestic car sales surged by 22% y-y to 231k units. Exports, however, fell to 243k units (-6% y-y). The 1Q22 figures give us confidence in our Thailand car production target of 6% growth y-y in 2022 to 1.78m units, with y-y growth in every quarter. Against this background, we expect AAPICO Hitech (AH TB, BUY, TP THB28)'s earnings in 1Q22 to rise by 3% y-y to THB316m. On the other hand, we expect Somboon Advance Technology (SAT TB, BUY, TP THB24)'s earnings to fall by 26% y-y to THB232m due to cost pressure from soaring steel prices eating into its revenue growth.

### AH becomes our sector top pick

With AH's more solid outlook than SAT's, we now prefer AH over SAT for these key reasons: 1) AH faces a lesser impact from higher steel prices; 2) AH also operates car dealerships in Thailand and Malaysia, and we expect to see stronger growth in domestic car sales over total car production; 3) AH has stronger growth catalysts from new orders, a new car showroom, and Portugal's economic recovery; 4) it has a stronger earnings growth potential; and 5) it has a cheaper valuation.

### Maintain OVERWEIGHT

We are confident that total car production should grow this year – always the key driver for the auto sector – and expect it to lead to continuous earnings growth for auto companies. Both SAT and AH's earnings have the potential to reach all-time highs this year, if car production numbers meet our expectations and the rising steel price becomes more stable, possibly in 2Q22. Therefore, we maintain our OVERWEIGHT rating on the auto sector. AH is now our top pick as we think its earnings in 2022 should post solid growth, and it has a lower downside risk compared to SAT. Sector risks include 1) the high steel price that continues to rise; and 2) unforeseen risks that could hurt total car production such as a Covid resurgence, the Russia-Ukraine war, semi-conductor shortages, and inflation.

### FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
AAPICO Hitech	AH TB	23.40	BUY	unchanged	28.00	28.00	unchanged	+19.7%
Somboon Advance Technology	SAT TB	18.80	BUY	unchanged	24.00	28.50	-15.79%	+27.7%

Note: Priced at close of business 28/04/2022. Share prices and TPs are in listing currency.

Sources: FSSIA estimates



**Naruedom Mujjalinkool**

naruedom.muj@fssia.com

+66 2611 3566

### Investment thesis

Thailand’s automotive industry has played an important role in the country’s economy, especially in terms of exports. Automobiles and auto parts contributed the highest value to Thailand’s exports in 2019, accounting for almost 10% of Thailand’s total exports that year.

Thailand’s total car production capacity is almost 4m units per year, while the country usually produces about 2m units per year. Moreover, Thailand ranked as the 11th largest car producer in 2019; 5th in Asia, and 1st in ASEAN. Thailand is especially proficient in manufacturing commercial vehicles, or pickup trucks, as the country produces around 1.2m units per year, ranking 6th out of commercial vehicle producers globally in 2019.

The car production volume in Thailand has experienced very minor growth over the past five years (pre-Covid-19) at 1.3% p.a.

We expect Thailand’s car production in 2022 to increase to 1.78m units (+6% y-y).

### Catalysts

- A strong recovery in car production volume in 2022;
- New car models introduced to the market in 2022.

### Risks to our call

- A lower car production volume than expected;
- The faster-than-expected adoption of EVs globally;
- If the semiconductor shortage continues to pressure the number of cars produced in 2022;
- Higher steel prices that keep rising.

## Contents

Solid car production in 1Q22 .....3

AH is now our top pick .....4

### Company reports

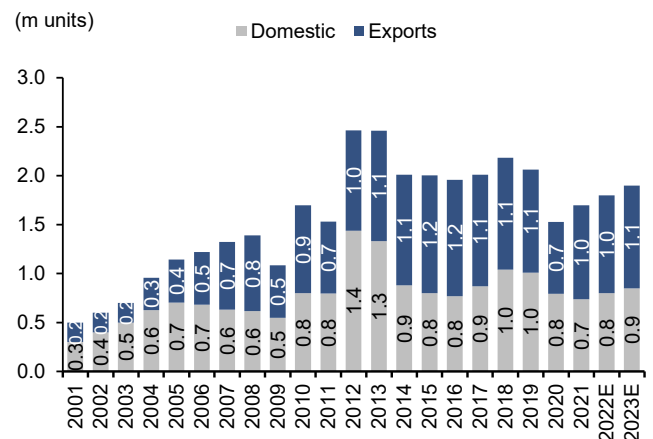
AAPICO Hitech (AH TB, BUY, TP THB28)

Somboon Advance Technology (SAT TB, BUY, TP THB24)

## Event Calendar

Date	Event
May 2022	1Q22 results announcements
Late May 2022	Apr 2022 car production announcement

## Thailand’s car sales (domestic and export)

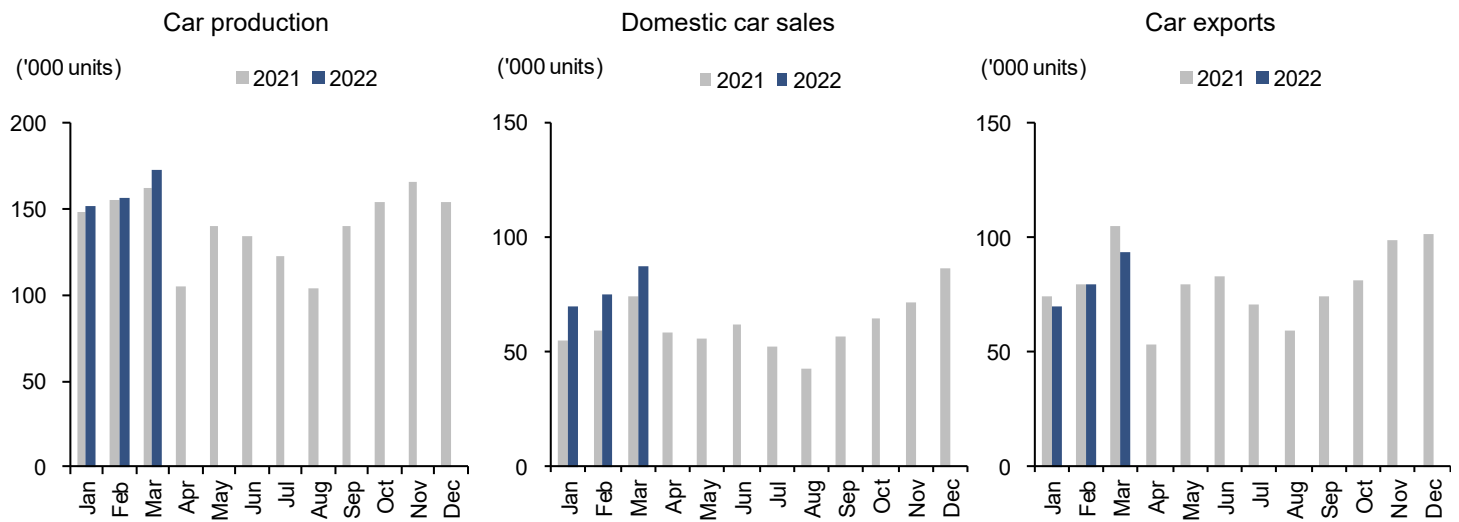


Source: Thai Automotive Industry Association; FSSIA estimates

## Solid car production in 1Q22

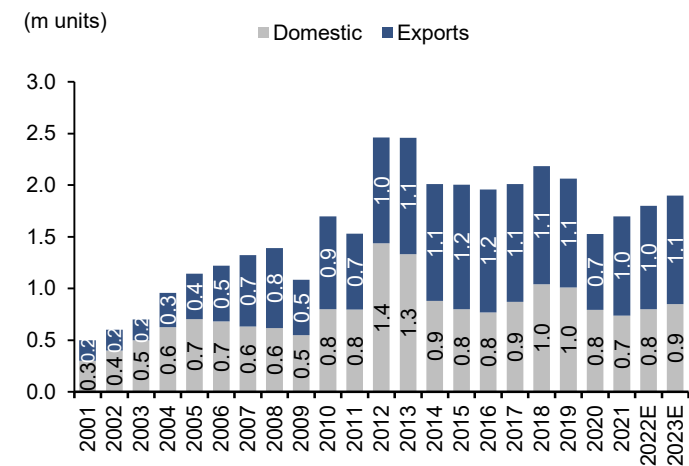
Thailand’s car production has shown promising recovery signs since the beginning of the year, and monthly y-y growth since Jan-22 onward. In Mar-22, the Federation of Thai Industries (FTI) announced that the month’s car production volume amounted to 173k units (+6% y-y), the highest monthly car production in Thailand in over two years since Covid hit the country in early 2020. This figure was supported by the 16% y-y recovery in domestic car sales in Mar-22 that hit 87k units thanks to the resurgence of economic activity in the country in recent months following the gradual easing of Covid restrictions and the government’s economic stimulus measures. However, car exports in Mar dropped by 10% y-y to 94k units. The FTI indicated that this was due in part to the continued shortage of semiconductors for some car models.

Exhibit 1: Thailand’s car industry



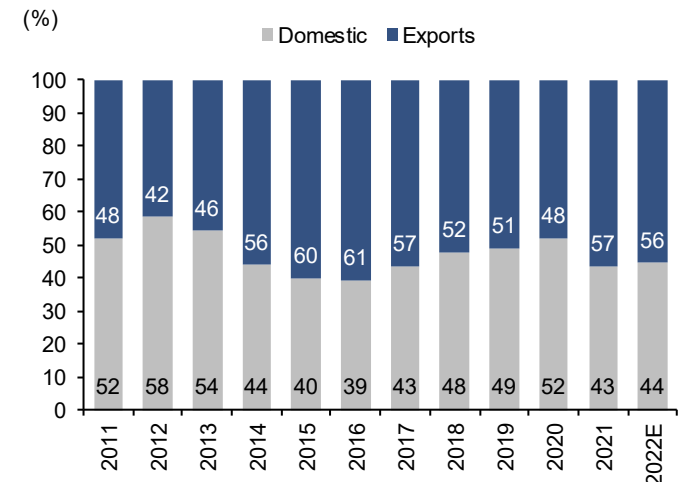
Sources: Thai Automotive Industry Association; FSSIA estimates

Exhibit 2: Thailand’s car sales (domestic and export)



Sources: Thai Automotive Industry Association; FSSIA estimates

Exhibit 3: Thailand’s domestic sales vs exports



Sources: Thai Automotive Industry Association; FSSIA estimates

## AH is now our top pick

We think the outlook for AH is more solid than that of SAT, and we now prefer AH over SAT based on these key reasons:

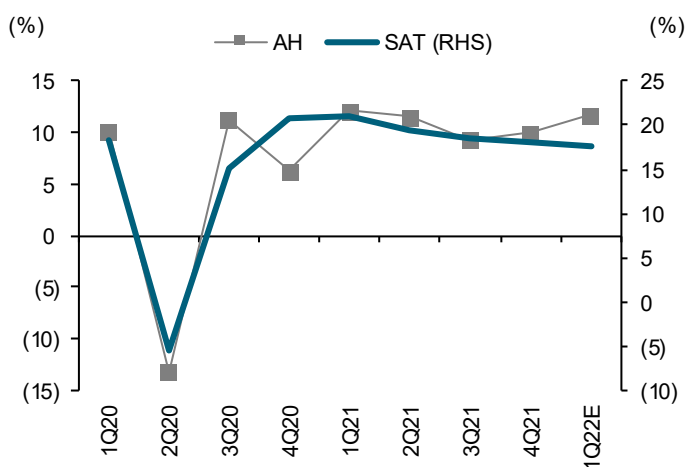
### 1. AH faces a lesser impact from higher steel prices compared to SAT.

SAT admits that it has a three-month lead time before it can pass higher costs on to its customers, which could result in margin pressure as the company must absorb the higher costs for at least one quarter. If steel prices keep rising on a quarterly basis, SAT faces more pressure from the higher cost of raw materials until they become more stable.

AH stated that it can pass through the cost much faster than SAT, due to its one-month lead time. Therefore, AH faces less risk from higher steel prices.

As we can see in the 1Q22 results forecasts in the company reports, we expect SAT's GPM to drop continuously since 1Q21 due to the steel price, while AH's GPM should be a lot more stable.

Exhibit 4: AH's and SAT's quarterly gross profit margins



Sources: AH; SAT; FSSIA estimates

Exhibit 5: Thailand car production, sales, and exports

	2020	2021	2022E	2023E
	(units)	(units)	(units)	(units)
Domestic	792,146	738,113	800,000	850,000
Exports	735,842	959,194	1,000,000	1,050,000
Production	1,426,970	1,685,394	1,782,000	1,881,000
Growth	(%)	(%)	(%)	(%)
Domestic	(21.6)	(6.8)	8.4	6.3
Exports	(30.2)	30.4	4.3	5.0
Production	(29.1)	18.1	5.7	5.6

Note: Total car production is not equal to total car sales for both domestic and export as domestic car sales include car imports

Sources: Thai Automotive Industry Association; FSSIA estimates

### 2. AH operates car dealerships in Thailand and Malaysia.

Last year, the key driver for total car production came from higher car exports thanks to increased demand for new cars from Thailand. Domestic car sales, on the other hand, faced a continuous decline due to Covid and the weak economy. However, this year, car production is expected to grow by 6%, driven mainly by domestic car sales thanks to Thailand's economic recovery. FSSIA estimates Thailand's GDP in 2022 to grow by 3.2%.

AH is the only auto parts manufacturer in the Thai auto sector that also operates car dealerships. The company's showrooms in Thailand offer various brands, including Ford, Mazda, Mitsubishi, and MG, and in Malaysia the company sells Honda and Proton vehicles. This business contributes about 27% of AH's revenue.

Therefore, with the expectation that domestic car sales in Thailand should grow by 8% y-y to 800k units in 2022, we believe AH should enjoy solid growth from its car dealership business.

### 3. Stronger growth catalysts from new orders, a new car showroom, and the recovery in Portugal.

SAT's lone positive catalyst for this year is new orders worth about THB400m per year (about 5% of SAT's revenue in 2021).

AH has more catalysts, including:

- 1) New orders of cTHB750m per year (about 3% of 2021 total revenue);
- 2) The full-year contribution from its MG car dealership that opened in late 3Q21. The company expects a revenue contribution from MG of about THB500m per year (2% of total revenue in 2021);
- 3) The planned opening of a Great Wall Motors (GWM) showroom in 3Q22;
- 4) The recovery at its Portugal factory that last year contributed a loss to AH of about THB80m. This year, AH expects a positive contribution from its Portugal factory after it reached breakeven starting from 1Q22.

### 4. Stronger earnings growth

Based on the three key reasons mentioned above, we believe AH's core earnings should surge by 40% in 2022 compared to SAT's core earnings that we expect to grow by 8%.

### 5. Cheaper valuation

AH's share price has always traded at a lower P/E compared to SAT. AH is currently trading at 7.4x vs SAT at 7.8x 2023E P/E. Our TP for AH at THB28 is also pegged to only 9x 2022E P/E (+1SD of its mean P/E), while our TP for SAT at THB24 is pegged to 10x 2022E P/E (+0.25SD of its mean P/E). The only key advantage that we can see for SAT is that the company offers a more attractive dividend yield at 8.5%, while AH expects to pay a 4.7% dividend yield in 2022.

#### Exhibit 6: Auto companies' share price performance in 2022

Stocks	Price performance		
	1Q22 (%)	QTD (%)	YTD (%)
SAT	(4.6)	(9.6)	(13.8)
AH	(8.1)	(5.6)	(13.3)
PCSGH	1.0	(2.9)	(2.0)
STANLY	0.6	(3.4)	(2.9)
SET	2.3	(1.6)	0.6

As of 28 Apr-22

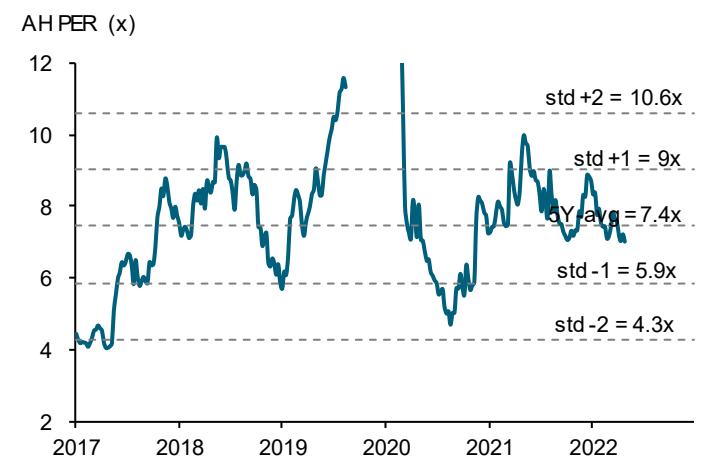
Sources: Bloomberg; FSSIA's compilation

Exhibit 7: Peers comparison as of 28 Apr-22

Company	BBG	Rec	Market Cap (USD m)	3Y EPS CAGR (%)	PE		DivYld		ROE		PBV	
					22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
Aapico Hitech	AH TB	BUY	241	23	7.5	6.4	4.7	6.3	12.5	13.5	0.9	0.8
Somboon Advance Technology	SAT TB	BUY	232	10	7.8	6.7	8.4	9.8	13.0	14.3	1.0	0.9
<b>Coverage</b>			<b>473</b>	<b>17</b>	<b>7.7</b>	<b>6.5</b>	<b>6.5</b>	<b>8.0</b>	<b>12.7</b>	<b>13.9</b>	<b>0.9</b>	<b>0.9</b>
Pcs Machine Group Holding	PCSGH TB	n/a	223	n/a	10.9	9.1	6.0	7.8	15.0	17.0	1.5	1.4
Thai Stanley Electric	STANLY	n/a	384	24	8.2	7.1	3.9	4.5	7.9	9.3	0.6	0.6
<b>Local peers</b>			<b>607</b>	<b>55</b>	<b>9.5</b>	<b>8.1</b>	<b>4.9</b>	<b>6.1</b>	<b>11.4</b>	<b>13.2</b>	<b>1.1</b>	<b>1.0</b>
Gabriel India	GABR IN	n/a	228	n/a	20.3	14.9	1.2	1.3	11.4	13.9	2.26	2.0
Mahindra Cie Automotive	MACA IN	n/a	1,132	24	18.4	14.8	1.2	7.1	9.2	10.8	n/a	n/a
Shanghai Daimay Automotive-A	603730 CH	n/a	1,246	n/a	10.3	8.4	3.18	n/a	16.5	17.2	1.6	1.4
Bethel Automotive Safety S-A	603596 CH	n/a	3,567	31	35.0	26.3	0.4	0.4	16.7	18.5	5.9	4.9
Great Wall Motor Co Ltd-A	601633 CH	n/a	27,575	35	25.4	18.5	1.5	2.0	13.3	16.1	3.3	2.9
Geely Automobile Holdings	175 HK	n/a	15,885	32	14.8	11.2	2.1	2.7	9.4	11.3	1.4	1.3
<b>Regional peers</b>			<b>49,632</b>	<b>37</b>	<b>20.7</b>	<b>15.7</b>	<b>1.6</b>	<b>2.7</b>	<b>12.8</b>	<b>14.6</b>	<b>2.9</b>	<b>2.5</b>
<b>Average</b>			<b>50,712</b>	<b>33</b>	<b>15.6</b>	<b>12.2</b>	<b>3.3</b>	<b>4.7</b>	<b>12.6</b>	<b>14.2</b>	<b>2.1</b>	<b>1.8</b>

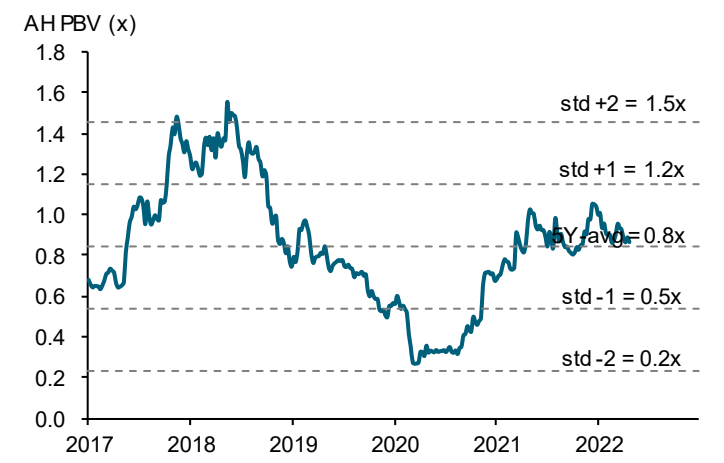
Sources: Bloomberg; FSSIA estimates

Exhibit 8: AH's rolling one-year forward P/E band



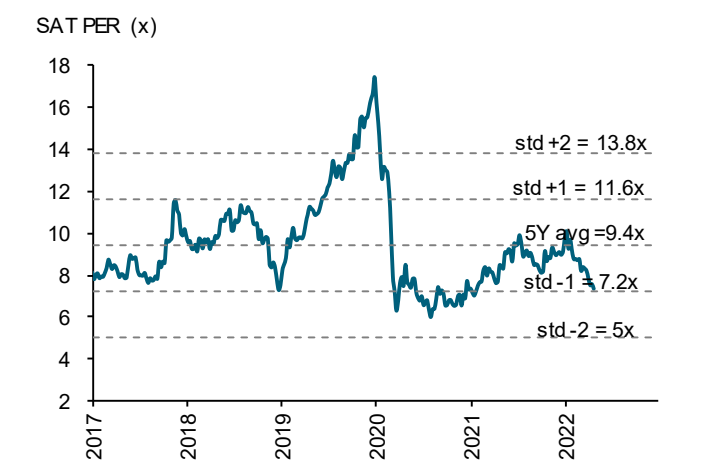
Sources: Bloomberg; FSSIA estimates

Exhibit 9: AH's rolling one-year forward P/BV band



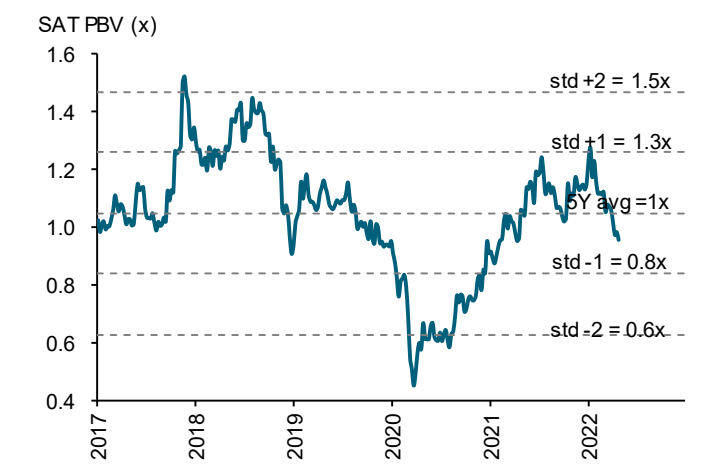
Sources: Bloomberg; FSSIA estimates

Exhibit 10: SAT's rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: SAT's rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

# AAPICO HITECH AH TB

## THAILAND / AUTOMOTIVES

# BUY

UNCHANGED

## Strongest in the auto sector

- We expect AH's core earnings to continue to grow to THB316m (+110% q-q, +3% y-y) in 1Q22.
- The growth momentum should continue. The company has had a lower impact from the rising raw material prices.
- Maintain BUY with the same TP of THB28. AH is now our top pick.

TARGET PRICE	THB28.00
CLOSE	THB23.40
UP/DOWNSIDE	+19.7%
PRIOR TP	THB28.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.5%

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	20,433	24,318	26,499	28,579
Net profit	1,024	1,108	1,305	1,487
EPS (THB)	2.89	3.12	3.68	4.19
vs Consensus (%)	-	(0.1)	3.2	3.5
EBITDA	1,699	1,674	1,802	1,929
Core net profit	792	1,108	1,305	1,487
Core EPS (THB)	2.23	3.12	3.68	4.19
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	393.4	39.9	17.7	13.9
Core P/E (x)	10.5	7.5	6.4	5.6
Dividend yield (%)	2.6	4.7	6.3	7.2
EV/EBITDA (x)	9.3	9.1	7.8	6.8
Price/book (x)	1.0	0.9	0.8	0.8
Net debt/Equity (%)	81.5	68.7	52.0	39.9
ROE (%)	9.9	12.5	13.5	14.2

## Solid 1Q22 earnings expected

We expect AH to post strong revenue growth in 1Q22 at THB6.5b (+12% q-q, +16% y-y) thanks to 1) 3% y-y growth in Thailand's car production; 2) strong domestic car sales (+22% y-y) and a full-quarter contribution from the MG car dealership; and 3) the Portugal factory should have regained volume, nearing the normal level. We project AH's GPM in 1Q22 to drop slightly to 11.7% vs 12.1% in 1Q21 and 10% in 4Q21 due to a higher contribution from the low-margin car dealership business. Thus, we expect a 1Q22 core profit of THB316m (+110% q-q, +3% y-y).

## Lower impact from steel price

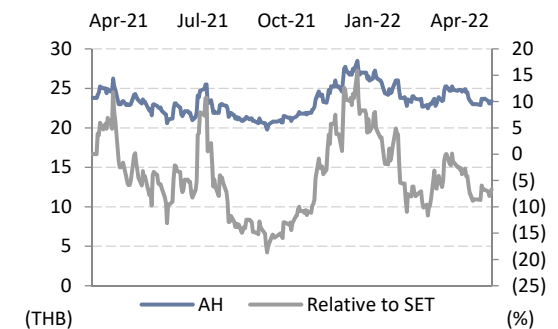
Despite the higher steel price persisting for longer than we had expected, AH has stated that the elevated price has had a minimal impact on its Thai factory, given that the company has a short lead-time to pass through the extra costs to its customers of about one month. Therefore, AH has suffered a lower impact from the steel price, which is the key pressure point for auto parts manufacturers in the near term.

## One hiccup

AH may face a small hiccup in 2Q22 regarding its factory in China which contributes about 5% of its revenue. The China factory has had to shut down due to the Chinese government's lockdown policy in early Apr-22. In the worst-case scenario, if the China factory has to shut down for one quarter, AH may lose revenue of about THB300m, and would contribute a loss to the company in 2Q22. However, we don't think the Chinese government will enforce a full lockdown for that long.

## Top pick in auto sector, maintain BUY with the same TP of THB28

AH's outlook remains strong with only a minimal downside risk, in our view. This should be a golden year for the company, with strong earnings growth. AH still has various positive catalysts, including 1) a full-year contribution from the MG showroom; 2) another car showroom, GWM, is expected to be launched in 3Q22; 3) potential new orders of over THB700m per year; 4) the expectation of receiving a strong order volume from its key customer, Isuzu; and 5) a lower impact from the steel price. We maintain BUY on AH with the same TP of THB28, pegged to 9x 2022E P/E (+1SD of its mean P/E). AH is now our top pick in the sector.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.3)	(6.4)	(2.9)
Relative to country (%)	(4.0)	(8.0)	(7.4)
Mkt cap (USD m)	241		
3m avg. daily turnover (USD m)	1.4		
Free float (%)	50		
Major shareholder	Thai NVDR (14%)		
12m high/low (THB)	28.50/19.80		
Issued shares (m)	354.84		

Sources: Bloomberg consensus; FSSIA estimates


**Naruedom Mujjalinkool**

 naruedom.muj@fssia.com  
 +66 2611 3566

### Investment thesis

Aapico Hitech (AH TB) is Thailand’s biggest automotive company in terms of revenue. It has various investments overseas, mainly in China, Portugal, and Malaysia.

Thailand’s automobile manufacturing industry is one of the largest drivers of the country’s economy. The demand for new cars in Thailand has consistently remained at 0.8-1m units per year, according to historical data. Its average car production is also high at 1.9-2m units per year. Therefore, when the economy returns to normal, we expect Thailand’s automobile production volume to also return to its normal level – compared with the 2021 production level of 1.7m units – which could directly benefit AH because 65% of its operational revenue comes from Thailand.

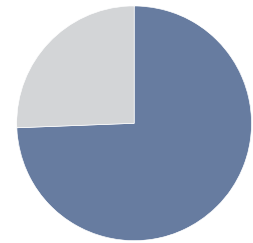
### Company profile

The company’s main businesses are the manufacture of OEM automotive parts and designing, producing, and installing assembly jigs and stamping dies. The company has invested in other businesses associated with the automotive industry, including car dealerships and IoT connectivity and mobility businesses.

[www.aapico.com](http://www.aapico.com)

### Principal activities (revenue, 2021)

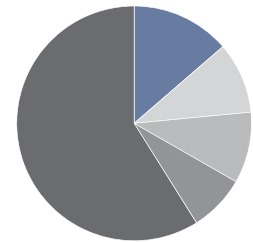
- Manufacture of auto parts - 74.4 %
- Car dealership and others - 25.6 %



Source: AAPICO Hitech

### Major shareholders

- Thai NVDR - 13.7 %
- Teo Lee Ngo - 9.8 %
- Yeap Swee Chuan - 9.8 %
- Yeap Xin Rhu - 7.8 %
- Others - 58.9 %



Source: AAPICO Hitech

### Catalysts

- The strong recovery of Thailand’s car manufacturing industry;
- Trading at a lower P/E compared to its peers;
- New orders.

### Risks to our call

Key downside risks to our P/E-derived TP include lower-than-expected car production volumes and lower car sales in both Thailand and Malaysia, higher steel prices, semiconductor shortages, and exchange rate risk.

### Event calendar

Date	Event
May-22	1Q22 results announcement

### Key assumptions

	2020	2021	2022E	2023E	2024E
	(%)	(%)	(%)	(%)	(%)
Thailand car production growth	(29.1)	18.1	5.7	5.6	3.7
Domestic car sales	(21.4)	(6.7)	8.3	6.3	8.2
Malaysia car sales	(12.4)	10.0	10.0	8.0	5.0

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in revenue, we project 2022 earnings to rise by 0.4%, and vice versa, all else being equal.
- For every 10 bps increase in gross profit margin, we project 2022 earnings to rise by 4.8%, and vice versa, all else being equal.

Source: FSSIA estimates

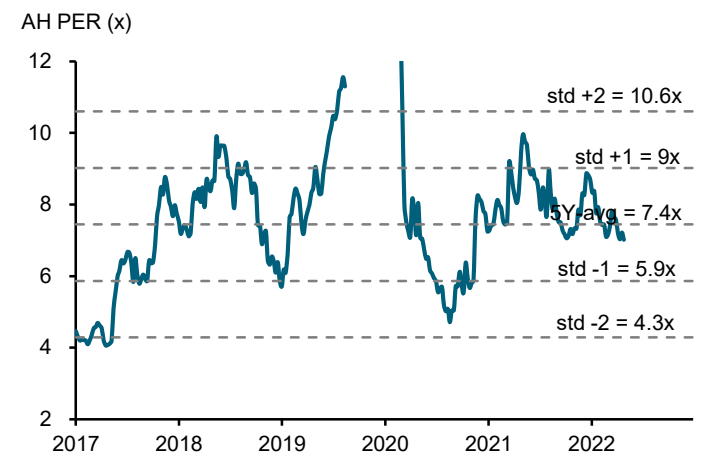


Exhibit 12: 1Q22 results forecast

	1Q21	4Q21	1Q22E	Change		2022E
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)
Auto parts	4,173	3,911	4,757	21.6	14.0	17,654
Car dealership and others	1,413	1,857	1,696	(8.7)	20.0	6,664
<b>Revenue</b>	<b>5,586</b>	<b>5,770</b>	<b>6,453</b>	<b>11.8</b>	<b>15.5</b>	<b>24,318</b>
Operating costs	(4,912)	(5,192)	(5,698)	9.7	16.0	(21,594)
<b>Gross profit</b>	<b>675</b>	<b>578</b>	<b>755</b>	<b>30.6</b>	<b>11.9</b>	<b>2,724</b>
SG&A expenses	(390)	(449)	(446)	(0.7)	14.4	(1,792)
<b>EBIT</b>	<b>285</b>	<b>129</b>	<b>309</b>	<b>139.6</b>	<b>8.4</b>	<b>931</b>
Depn & amort.	248	263	248	(5.5)	n.a.	743
<b>EBITDA</b>	<b>533</b>	<b>392</b>	<b>557</b>	<b>42.2</b>	<b>4.5</b>	<b>1,674</b>
<i>EBITDA margin (%)</i>	<i>10</i>	<i>7</i>	<i>9</i>	<i>nm</i>	<i>nm</i>	<i>7</i>
Interest expense	(87)	(82)	(81)	(2.4)	(8.0)	(332)
Other income	51	78	75	(4.3)	45.7	358
Extra item	0	10	0	n.a.	#DIV/0!	0
Associates	87	72	76	6.2	(13.0)	306
Gain/Loss from exchange	102	(31)	0	n.a.	(100.0)	0
<b>Pretax profit</b>	<b>439</b>	<b>176</b>	<b>379</b>	<b>115.9</b>	<b>(13.5)</b>	<b>1,263</b>
Tax	(26)	(33)	(52)	57.1	97.3	(139)
<i>Tax rate (%)</i>	<i>(6)</i>	<i>(19)</i>	<i>(14)</i>	<i>nm</i>	<i>nm</i>	<i>(11)</i>
Minority interests	3	13	12	n.a.	344.4	16
<b>Net profit</b>	<b>410</b>	<b>129</b>	<b>316</b>	<b>143.8</b>	<b>(23.0)</b>	<b>1,108</b>
<b>Core net profit</b>	<b>307</b>	<b>150</b>	<b>316</b>	<b>110.4</b>	<b>2.7</b>	<b>1,108</b>
EPS (THB)	1.27	0.40	0.89	121.6	(30.0)	3.12
Core EPS (THB)	0.95	0.47	0.89	91.2	(6.6)	3.12

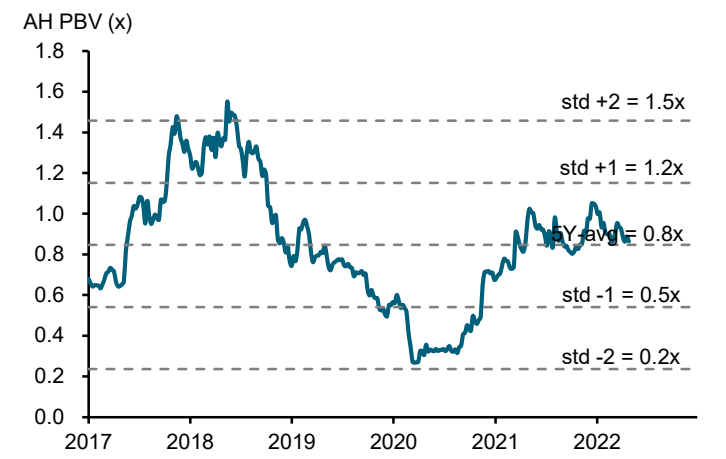
Sources: AH; FSSIA estimates

Exhibit 13: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

AAPICO Hitech

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	17,172	20,433	24,318	26,499	28,579
Cost of goods sold	(15,057)	(17,194)	(20,852)	(22,762)	(24,578)
<b>Gross profit</b>	<b>2,116</b>	<b>3,239</b>	<b>3,466</b>	<b>3,736</b>	<b>4,001</b>
Other operating income	-	-	-	-	-
Operating costs	(1,333)	(1,540)	(1,792)	(1,934)	(2,072)
<b>Operating EBITDA</b>	<b>783</b>	<b>1,699</b>	<b>1,674</b>	<b>1,802</b>	<b>1,929</b>
Depreciation	(998)	(1,031)	(743)	(715)	(686)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(215)</b>	<b>668</b>	<b>931</b>	<b>1,086</b>	<b>1,243</b>
Net financing costs	(338)	(343)	(327)	(321)	(311)
Associates	101	281	306	333	359
Recurring non-operating income	726	593	659	712	754
Non-recurring items	2	232	0	0	0
<b>Profit before tax</b>	<b>175</b>	<b>1,151</b>	<b>1,263</b>	<b>1,477</b>	<b>1,686</b>
Tax	(12)	(113)	(139)	(155)	(180)
<b>Profit after tax</b>	<b>163</b>	<b>1,037</b>	<b>1,124</b>	<b>1,322</b>	<b>1,505</b>
Minority interests	(15)	(13)	(16)	(17)	(19)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>148</b>	<b>1,024</b>	<b>1,108</b>	<b>1,305</b>	<b>1,487</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(2)</b>	<b>(232)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>146</b>	<b>792</b>	<b>1,108</b>	<b>1,305</b>	<b>1,487</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.45	2.23	3.12	3.68	4.19
Reported EPS	0.46	2.89	3.12	3.68	4.19
DPS	0.00	0.61	1.09	1.47	1.68
Diluted shares (used to calculate per share data)	323	355	355	355	355
<b>Growth</b>					
Revenue (%)	(6.6)	19.0	19.0	9.0	7.9
Operating EBITDA (%)	(39.4)	117.0	(1.5)	7.6	7.1
Operating EBIT (%)	nm	nm	39.3	16.6	14.4
Recurring EPS (%)	(84.5)	393.4	39.9	17.7	13.9
Reported EPS (%)	nm	530.0	8.2	17.7	13.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	6.5	10.8	11.2	11.4	11.6
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	4.6	8.3	6.9	6.8	6.7
Operating EBIT margin (%)	(1.3)	3.3	3.8	4.1	4.4
Net margin (%)	0.8	3.9	4.6	4.9	5.2
Effective tax rate (%)	-6.9	-9.9	-11.0	-10.5	-10.7
Dividend payout on recurring profit (%)	-	27.2	35.0	40.0	40.0
Interest cover (X)	1.5	3.7	4.9	5.6	6.4
Inventory days	66.7	59.7	52.4	46.9	44.6
Debtor days	51.2	45.4	40.8	45.5	45.3
Creditor days	103.2	95.6	84.2	79.2	79.3
Operating ROIC (%)	(2.5)	7.7	10.7	12.0	13.8
ROIC (%)	3.1	7.5	9.5	10.8	12.1
ROE (%)	2.0	9.9	12.5	13.5	14.2
ROA (%)	2.3	5.1	6.2	6.7	7.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
2020	2021	2022E	2023E	2024E	
Manufacture of auto parts	12,028	15,201	17,654	19,419	20,752
Car dealership and others	5,144	5,232	6,664	7,079	7,827

Sources: AAPICO Hitech; FSSIA estimates

## Financial Statements

### AAPICO Hitech

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	146	792	1,108	1,305	1,487
Depreciation	998	1,031	743	715	686
Associates & minorities	15	13	16	17	19
Other non-cash items	86	375	639	22	21
Change in working capital	(928)	1,087	(1,050)	291	(70)
<b>Cash flow from operations</b>	<b>316</b>	<b>3,299</b>	<b>1,456</b>	<b>2,351</b>	<b>2,142</b>
Capex - maintenance	(446)	(929)	(336)	(476)	(476)
Capex - new investment	(191)	(398)	(144)	(204)	(204)
Net acquisitions & disposals	84	73	0	0	0
Other investments (net)	145	463	5	5	4
<b>Cash flow from investing</b>	<b>(408)</b>	<b>(791)</b>	<b>(475)</b>	<b>(675)</b>	<b>(676)</b>
Dividends paid	0	(215)	(388)	(522)	(595)
Equity finance	0	0	0	0	0
Debt finance	755	(1,631)	411	(100)	(200)
Other financing cash flows	(474)	(431)	16	17	19
<b>Cash flow from financing</b>	<b>281</b>	<b>(2,277)</b>	<b>39</b>	<b>(604)</b>	<b>(776)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	14	0	0	0
<b>Net other adjustments</b>	<b>(92)</b>	<b>(178)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>97</b>	<b>52</b>	<b>1,020</b>	<b>1,071</b>	<b>690</b>
Free cash flow to firm (FCFF)	281.01	2,853.68	1,313.05	2,003.15	1,785.92
Free cash flow to equity (FCFE)	97.30	267.66	1,407.92	1,592.62	1,284.76

Per share (THB)	2020	2021	2022E	2023E	2024E
FCFF per share	0.79	8.04	3.70	5.65	5.03
FCFE per share	0.27	0.75	3.97	4.49	3.62
Recurring cash flow per share	3.86	6.23	7.06	5.80	6.23

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	19,021	20,209	20,585	21,185	21,785
Less: Accumulated depreciation	(11,248)	(11,987)	(12,544)	(13,076)	(13,578)
<b>Tangible fixed assets (net)</b>	<b>7,773</b>	<b>8,222</b>	<b>8,041</b>	<b>8,110</b>	<b>8,208</b>
<b>Intangible fixed assets (net)</b>	<b>3,143</b>	<b>3,317</b>	<b>3,159</b>	<b>3,055</b>	<b>2,951</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	3,716	4,150	4,150	4,150	4,150
Cash & equivalents	690	742	1,762	2,833	3,523
A/C receivable	2,846	2,237	3,198	3,412	3,680
Inventories	2,596	3,031	2,958	2,895	3,115
Other current assets	435	277	291	306	321
<b>Current assets</b>	<b>6,566</b>	<b>6,286</b>	<b>8,209</b>	<b>9,445</b>	<b>10,638</b>
Other assets	1,148	746	334	351	368
<b>Total assets</b>	<b>22,346</b>	<b>22,722</b>	<b>23,894</b>	<b>25,111</b>	<b>26,316</b>
Common equity	7,473	8,513	9,249	10,050	10,960
Minorities etc.	268	302	318	335	354
<b>Total shareholders' equity</b>	<b>7,741</b>	<b>8,815</b>	<b>9,567</b>	<b>10,385</b>	<b>11,315</b>
Long term debt	5,597	4,238	4,700	4,600	4,500
Other long-term liabilities	562	512	667	710	752
<b>Long-term liabilities</b>	<b>6,158</b>	<b>4,750</b>	<b>5,367</b>	<b>5,310</b>	<b>5,252</b>
A/C payable	4,119	4,884	4,733	5,146	5,537
Short term debt	3,852	3,687	3,636	3,636	3,536
Other current liabilities	476	587	591	635	676
<b>Current liabilities</b>	<b>8,446</b>	<b>9,158</b>	<b>8,960</b>	<b>9,416</b>	<b>9,749</b>
<b>Total liabilities and shareholders' equity</b>	<b>22,346</b>	<b>22,722</b>	<b>23,894</b>	<b>25,111</b>	<b>26,316</b>
Net working capital	1,282	73	1,123	832	902
Invested capital	17,062	16,509	16,808	16,498	16,579

\* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)	2020	2021	2022E	2023E	2024E
Book value per share	23.17	23.99	26.07	28.32	30.89
Tangible book value per share	13.42	14.64	17.16	19.71	22.57

Financial strength	2020	2021	2022E	2023E	2024E
Net debt/equity (%)	113.1	81.5	68.7	52.0	39.9
Net debt/total assets (%)	39.2	31.6	27.5	21.5	17.1
Current ratio (x)	0.8	0.7	0.9	1.0	1.1
CF interest cover (x)	1.9	2.9	5.7	6.6	5.8

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>51.7</b>	<b>10.5</b>	<b>7.5</b>	<b>6.4</b>	<b>5.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>61.9</b>	<b>12.5</b>	<b>9.0</b>	<b>7.6</b>	<b>6.7</b>
Reported P/E (x)	51.1	8.1	7.5	6.4	5.6
Dividend yield (%)	-	2.6	4.7	6.3	7.2
Price/book (x)	1.0	1.0	0.9	0.8	0.8
Price/tangible book (x)	1.7	1.6	1.4	1.2	1.0
EV/EBITDA (x) **	21.2	9.3	9.1	7.8	6.8
EV/EBITDA @ target price (x) **	23.1	10.3	10.1	8.7	7.7
EV/invested capital (x)	1.0	1.0	0.9	0.9	0.8

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: AAPICO Hitech; FSSIA estimates

# SOMBOON ADVANCE TECHNOLOGY

THAILAND / AUTOMOTIVES

# SAT TB

# BUY

UNCHANGED

## Pressured by the steel price

- We expect SAT's core net profit in 1Q22 at THB232m (-26% y-y, +21% q-q). GPM could be pressured by higher raw material costs.
- We cut our 2022 earnings estimate by 8% to THB1b.
- Maintain BUY with a lower TP of THB24. Despite the sluggish outlook in the short term, SAT's downside risk is limited.

TARGET PRICE	THB24.00
CLOSE	THB18.80
UP/DOWNSIDE	+27.7%
PRIOR TP	THB28.50
CHANGE IN TP	-15.8%
TP vs CONSENSUS	-5.9%

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	8,598	9,172	10,012	10,340
Net profit	953	1,019	1,191	1,268
EPS (THB)	2.24	2.40	2.80	2.98
vs Consensus (%)	-	(1.9)	0.8	(3.8)
EBITDA	1,490	1,498	1,676	1,760
Core net profit	955	1,019	1,191	1,268
Core EPS (THB)	2.25	2.40	2.80	2.98
Chg. In EPS est. (%)	-	(7.6)	(4.0)	(1.1)
EPS growth (%)	147.7	6.7	16.9	6.4
Core P/E (x)	8.4	7.8	6.7	6.3
Dividend yield (%)	8.0	8.4	9.8	10.4
EV/EBITDA (x)	4.3	4.1	3.4	3.0
Price/book (x)	1.0	1.0	0.9	0.9
Net debt/Equity (%)	(21.0)	(24.0)	(26.9)	(29.7)
ROE (%)	13.0	13.0	14.3	14.3

## Expect a slow start

Despite our expectation of continuous growth in SAT's revenue in 1Q22 at THB2.4b (+6% y-y, +1% q-q) thanks to the 3% y-y growth in car production during the same period, we anticipate SAT's 1Q22 core earnings to amount to only THB232m (-26% y-y, +21% q-q). This is due to the pressure from the higher steel price that has continued to increase. It will likely drag SAT's GPM in 1Q22 down to 17.7% vs 18.1% and 21.1% in 4Q21 and 1Q21, respectively.

## Higher steel price should continue

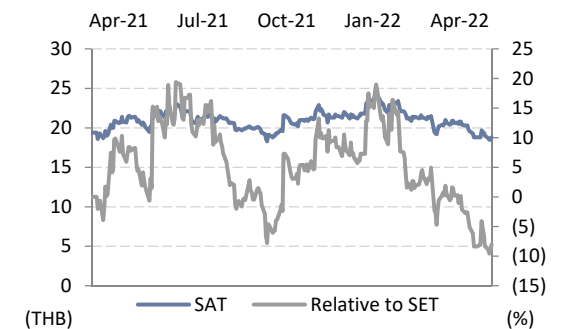
Steel, the biggest raw material for SAT used in the manufacture of auto parts, has increased continuously since 3Q21. The rise has been longer than the company and we expected, believing that the steel price would be more stable in 1Q22 onward. So far, SAT hasn't seen any sign that the steel price is stabilising. Therefore, we expect that the pressure from the steel price may taper in 2Q22 at the earliest – a one-quarter delay from our previous expectation. This means that SAT would be able to pass through the higher raw material cost to its customers in 3Q22.

## Earnings estimate cut

SAT's revenue in 2022 should be maintained thanks to Thailand's car production outlook that remains strong, but we cut our 2022 GPM estimate to 18.6% from 19.7% to reflect the impact from the steel price, which could pressure SAT's GPM until 3Q22. Note that our 18.6% GPM estimate is lower than SAT's GPM last year at 19.2%. As a result, we cut our core earnings forecast for 2022 by 8% to THB1b.

## Maintain BUY with a lower TP of THB24

Although SAT's outlook may be sluggish in the short term due to the higher raw material cost, we believe it should be able to grow its net profit this year thanks to the new orders and the expectation that Thailand's car production should grow by 6% in 2022. We cut our TP on SAT to THB24 from THB28.5 due to 1) our 2022E EPS estimate cut; and 2) lower 2022E P/E multiple from 11x (0.75 SD) to 10x (0.25SD of its mean P/E). We think SAT can still offer an attractive dividend yield of 8.5% this year with its resilient balance sheet. SAT's downside is limited at about THB21 based on our worst-case scenario where its 2022E earnings would be flat and pegged to 9.3x 2022E P/E (mean P/E). Thus, we see the 11% decline in its share price since Apr-22 as an opportunity to Buy.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.2)	(19.7)	(6.0)
Relative to country (%)	(8.0)	(21.0)	(10.4)
Mkt cap (USD m)	232		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	64		
Major shareholder	Kitapanich Family (44%)		
12m high/low (THB)	24.80/17.80		
Issued shares (m)	425.19		

Sources: Bloomberg consensus; FSSIA estimates


**Naruedom Mujjalinkool**

 naruedom.muj@fssia.com  
 +66 2611 3566

### Investment thesis

SAT is the largest producer of axle shafts (76% market share), which are used in the manufacturing of one-tonne pickup trucks and large commercial cars.

SAT is the safest company in the automotive sector, in our view, as it has no debt and holds more than THB2.5b in cash, equal to THB6 per share. The company has a solid earnings outlook, as Thailand's automobile manufacturing industry is one of the largest drivers of the country's economy. The demand for new cars in Thailand has consistently remained at 0.8m-1m units per year, according to historical data. Therefore, when the economy returns to normal, we expect Thailand's automobile production volume to also return to its normal level in 2022, which would directly benefit SAT.

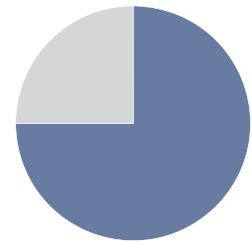
### Company profile

SAT manufactures parts for the motor vehicle industry. These parts are for: passenger cars, pickup trucks, and the agricultural industry. Its major customers are original equipment manufacturers (OEMs) on long-term purchase contracts, as well as the replacement equipment manufacturer (REM) segment.

[www.satpcl.co.th](http://www.satpcl.co.th)

### Principal activities (revenue, 2021)

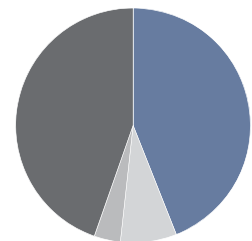
■ Auto - 75.0 % ■ Non-auto - 25.0 %



Source: Somboon Advance Technology

### Major shareholders

■ Kitapanich Family - 44.0 %  
 ■ Thai NVDR - 7.7 %  
 ■ NORTRUST NOMINEES - 3.6 %  
 ■ Others - 44.6 %



Source: Somboon Advance Technology

### Catalysts

- The expectation that its earnings should reach another all-time high in 2022;
- Cost reduction program;
- Solid dividend yield track record at 5-7% p.a.

### Risks to our call

The key downside risks to our P/E-based TP are the domestic car manufacturing industry recovering more slowly than expected, a slower-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.

### Event calendar

Date	Event
May-22	1Q22 results announcement

### Key assumptions

	2021	2022E	2023E	2024E
Car production growth (%)	21	6	6	4
Kubota tractor growth (%)	43	(7)	7	5

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in auto parts revenue, we project 2022 earnings to rise by 0.6%, and vice versa, all else being equal.
- For every 1 bp increase in gross profit margin, we project 2022 earnings to rise by 1.2%, and vice versa, all else being equal.

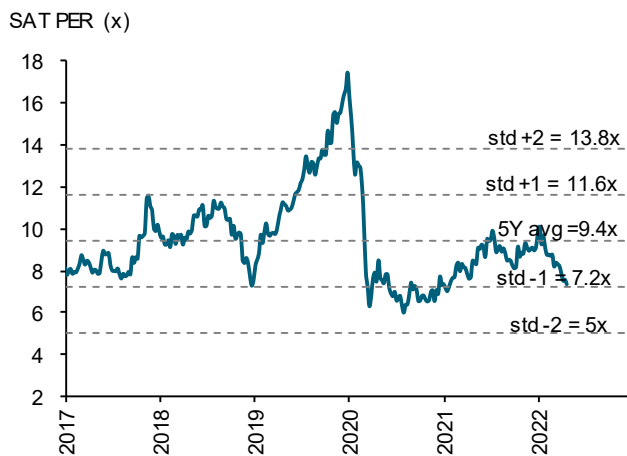
Source: FSSIA estimates

Exhibit 15: 1Q22E results preview

	1Q21	4Q21	1Q22E	Change		2022E
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)
<b>Revenue</b>	<b>2,208</b>	<b>2,338</b>	<b>2,350</b>	<b>0.5</b>	<b>6.4</b>	<b>9,172</b>
Operating costs	(1,742)	(1,915)	(1,934)	1.0	11.0	(7,465)
<b>Gross profit</b>	<b>466</b>	<b>423</b>	<b>416</b>	<b>(1.6)</b>	<b>(10.7)</b>	<b>1,707</b>
SG&A expenses	(197)	(191)	(190)	(0.6)	(3.7)	(767)
<b>EBIT</b>	<b>269</b>	<b>232</b>	<b>226</b>	<b>(2.5)</b>	<b>(15.9)</b>	<b>940</b>
Depn & amort.	146	137	131	(4.2)	(10.1)	558
<b>EBITDA</b>	<b>414</b>	<b>368</b>	<b>357</b>	<b>(3.1)</b>	<b>(13.8)</b>	<b>1,498</b>
EBITDA margin (%)	19	16	15	nm	nm	16
Interest expense	(1)	(1)	(1)	(12.3)	(36.8)	(5)
Other income	34	27	28	3.4	(18.3)	127
Associates	47	8	10	30.5	(78.9)	92
Gain/Loss from exchange	6	(11)	0	n.a.	(100.0)	0
Extra items	0	0	0	n.a.	n.a.	0
<b>Pretax profit</b>	<b>355</b>	<b>254</b>	<b>263</b>	<b>3.4</b>	<b>(25.9)</b>	<b>1,154</b>
Tax	(34)	(74)	(29)	(60.7)	(15.6)	(127)
Tax rate (%)	(10)	(29)	(11)	nm	nm	(11)
Minority interests	0	1	2	n.a.	675.2	8
<b>Net profit</b>	<b>321</b>	<b>180</b>	<b>232</b>	<b>28.9</b>	<b>(27.6)</b>	<b>1,019</b>
<b>Core net profit</b>	<b>314</b>	<b>191</b>	<b>232</b>	<b>21.4</b>	<b>(26.2)</b>	<b>1,019</b>
EPS (THB)	0.75	0.42	0.55	28.9	(27.6)	2.40
Core EPS (THB)	0.74	0.45	0.55	21.4	(26.2)	2.40

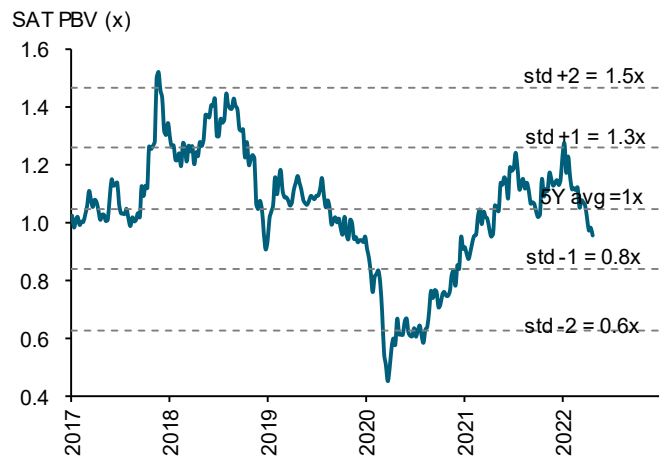
Sources: SAT; FSSIA estimates

Exhibit 16: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 18: Key assumption changes

	Current		Previous		Change	
	2022E	2023E	2022E	2023E	2022E	2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Revenue	9,172	10,012	9,172	10,012	0.0	0.0
Gross profit (includes depreciation and amortisation)	1,707	1,942	1,810	2,002	(5.7)	(3.0)
EBITDA	1,498	1,676	1,597	1,736	(6.2)	(3.4)
Net profit	1,019	1,191	1,103	1,240	(7.6)	(4.0)
<b>Margin</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Gross profit margin	18.6	19.4	19.7	20.0	(1.1)	(0.6)
Net profit margin	11.1	11.9	12.0	12.4	(0.9)	(0.5)

Source: FSSIA estimates

## Financial Statements

### Somboon Advance Technology

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	5,883	8,598	9,172	10,012	10,340
Cost of goods sold	(4,372)	(6,371)	(6,908)	(7,505)	(7,696)
<b>Gross profit</b>	<b>1,511</b>	<b>2,227</b>	<b>2,265</b>	<b>2,507</b>	<b>2,644</b>
Other operating income	-	-	-	-	-
Operating costs	(601)	(737)	(767)	(831)	(884)
<b>Operating EBITDA</b>	<b>910</b>	<b>1,490</b>	<b>1,498</b>	<b>1,676</b>	<b>1,760</b>
Depreciation	(620)	(572)	(558)	(565)	(576)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>290</b>	<b>918</b>	<b>940</b>	<b>1,111</b>	<b>1,184</b>
Net financing costs	(8)	(6)	(5)	(4)	0
Associates	3	84	92	110	124
Recurring non-operating income	147	204	218	247	265
Non-recurring items	(15)	(2)	0	0	0
<b>Profit before tax</b>	<b>415</b>	<b>1,114</b>	<b>1,154</b>	<b>1,355</b>	<b>1,449</b>
Tax	(40)	(159)	(127)	(152)	(165)
<b>Profit after tax</b>	<b>374</b>	<b>955</b>	<b>1,027</b>	<b>1,203</b>	<b>1,284</b>
Minority interests	(4)	(3)	(8)	(12)	(16)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>371</b>	<b>953</b>	<b>1,019</b>	<b>1,191</b>	<b>1,268</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>15</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>385</b>	<b>955</b>	<b>1,019</b>	<b>1,191</b>	<b>1,268</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.91	2.25	2.40	2.80	2.98
Reported EPS	0.87	2.24	2.40	2.80	2.98
DPS	0.60	1.50	1.57	1.84	1.96
Diluted shares (used to calculate per share data)	425	425	425	425	425
<b>Growth</b>					
Revenue (%)	(26.5)	46.2	6.7	9.2	3.3
Operating EBITDA (%)	(35.0)	63.7	0.5	11.9	5.0
Operating EBIT (%)	(61.7)	216.1	2.4	18.2	6.5
Recurring EPS (%)	(56.9)	147.7	6.7	16.9	6.4
Reported EPS (%)	(58.6)	156.9	7.0	16.9	6.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	15.1	19.2	18.6	19.4	20.0
Gross margin of key business (%)	0.2	0.2	0.2	0.2	0.2
Operating EBITDA margin (%)	15.5	17.3	16.3	16.7	17.0
Operating EBIT margin (%)	4.9	10.7	10.3	11.1	11.5
Net margin (%)	6.6	11.1	11.1	11.9	12.3
Effective tax rate (%)	(9.7)	(14.3)	(11.0)	(11.2)	(11.4)
Dividend payout on recurring profit (%)	66.2	66.8	65.5	65.7	65.8
Interest cover (X)	56.4	193.8	257.4	339.7	-
Inventory days	47.4	33.2	31.9	31.1	31.9
Debtor days	85.6	65.0	67.8	63.2	65.0
Creditor days	111.7	86.8	88.0	82.8	84.9
Operating ROIC (%)	6.2	19.3	18.4	21.6	22.8
ROIC (%)	7.5	18.9	18.2	20.9	21.7
ROE (%)	5.4	13.0	13.0	14.3	14.3
ROA (%)	4.3	10.3	10.4	11.6	11.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Auto	4,412	6,449	7,173	7,873	8,095
Non-auto	1,471	2,150	1,999	2,139	2,246

Sources: Somboon Advance Technology; FSSIA estimates

## Financial Statements

### Somboon Advance Technology

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	385	955	1,019	1,191	1,268
Depreciation	620	572	558	565	576
Associates & minorities	4	3	8	12	16
Other non-cash items	(109)	(10)	(8)	12	16
Change in working capital	128	(157)	(94)	(108)	(66)
<b>Cash flow from operations</b>	<b>1,028</b>	<b>1,363</b>	<b>1,483</b>	<b>1,672</b>	<b>1,810</b>
Capex - maintenance	(283)	(192)	(287)	(357)	(357)
Capex - new investment	(121)	(82)	(123)	(153)	(153)
Net acquisitions & disposals	17	8	0	0	0
Other investments (net)	329	(1,002)	(92)	(110)	(124)
<b>Cash flow from investing</b>	<b>(59)</b>	<b>(1,268)</b>	<b>(502)</b>	<b>(620)</b>	<b>(634)</b>
Dividends paid	(476)	(374)	(621)	(668)	(782)
Equity finance	0	0	0	0	0
Debt finance	(187)	(94)	(13)	0	0
Other financing cash flows	(29)	(22)	(18)	0	0
<b>Cash flow from financing</b>	<b>(692)</b>	<b>(490)</b>	<b>(652)</b>	<b>(668)</b>	<b>(782)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>277</b>	<b>(379)</b>	<b>329</b>	<b>384</b>	<b>394</b>
Free cash flow to firm (FCFF)	977.18	100.92	985.36	1,055.80	1,175.54
Free cash flow to equity (FCFE)	753.56	(4.93)	949.90	1,051.80	1,175.54

Per share (THB)	2020	2021	2022E	2023E	2024E
FCFF per share	2.30	0.24	2.32	2.48	2.76
FCFE per share	1.77	(0.01)	2.23	2.47	2.76
Recurring cash flow per share	2.12	3.57	3.71	4.19	4.41

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	11,605	11,370	11,770	12,270	12,770
Less: Accumulated depreciation	(8,202)	(8,301)	(8,847)	(9,400)	(9,964)
<b>Tangible fixed assets (net)</b>	<b>3,403</b>	<b>3,069</b>	<b>2,923</b>	<b>2,870</b>	<b>2,806</b>
<b>Intangible fixed assets (net)</b>	<b>70</b>	<b>39</b>	<b>53</b>	<b>51</b>	<b>49</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	867	1,031	1,123	1,233	1,357
Cash & equivalents	1,981	1,602	1,931	2,315	2,708
A/C receivable	1,311	1,751	1,659	1,810	1,870
Inventories	565	594	614	663	680
Other current assets	550	1,597	1,645	1,694	1,745
<b>Current assets</b>	<b>4,407</b>	<b>5,543</b>	<b>5,847</b>	<b>6,483</b>	<b>7,003</b>
Other assets	208	148	123	131	135
<b>Total assets</b>	<b>8,955</b>	<b>9,830</b>	<b>10,070</b>	<b>10,768</b>	<b>11,350</b>
Common equity	7,042	7,642	8,049	8,584	9,086
Minorities etc.	48	0	8	20	36
<b>Total shareholders' equity</b>	<b>7,091</b>	<b>7,642</b>	<b>8,057</b>	<b>8,604</b>	<b>9,122</b>
Long term debt	59	0	0	0	0
Other long-term liabilities	305	296	291	306	321
<b>Long-term liabilities</b>	<b>364</b>	<b>296</b>	<b>291</b>	<b>306</b>	<b>321</b>
A/C payable	1,337	1,694	1,636	1,769	1,813
Short term debt	71	0	0	0	0
Other current liabilities	93	199	86	90	95
<b>Current liabilities</b>	<b>1,501</b>	<b>1,892</b>	<b>1,722</b>	<b>1,859</b>	<b>1,908</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,955</b>	<b>9,830</b>	<b>10,070</b>	<b>10,768</b>	<b>11,350</b>
Net working capital	996	2,049	2,195	2,309	2,387
Invested capital	5,545	6,336	6,417	6,595	6,734

\* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)	2020	2021	2022E	2023E	2024E
Book value per share	16.56	17.97	18.93	20.19	21.37
Tangible book value per share	16.40	17.88	18.81	20.07	21.25

Financial strength	2020	2021	2022E	2023E	2024E
Net debt/equity (%)	(26.1)	(21.0)	(24.0)	(26.9)	(29.7)
Net debt/total assets (%)	(20.7)	(16.3)	(19.2)	(21.5)	(23.9)
Current ratio (x)	2.9	2.9	3.4	3.5	3.7
CF interest cover (x)	113.8	14.3	239.4	302.2	-

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>20.7</b>	<b>8.4</b>	<b>7.8</b>	<b>6.7</b>	<b>6.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>26.5</b>	<b>10.7</b>	<b>10.0</b>	<b>8.6</b>	<b>8.1</b>
Reported P/E (x)	21.6	8.4	7.8	6.7	6.3
Dividend yield (%)	3.2	8.0	8.4	9.8	10.4
Price/book (x)	1.1	1.0	1.0	0.9	0.9
Price/tangible book (x)	1.1	1.1	1.0	0.9	0.9
EV/EBITDA (x) **	6.8	4.3	4.1	3.4	3.0
EV/EBITDA @ target price (x) **	9.2	5.8	5.5	4.7	4.3
EV/invested capital (x)	1.1	1.0	0.9	0.9	0.8

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Somboon Advance Technology; FSSIA estimates



## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## Disclaimer:

The disclosure of the survey results 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 evaluation 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 results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAH	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

**Disclaimer:**

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute 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 Thaipat Institute that is 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, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

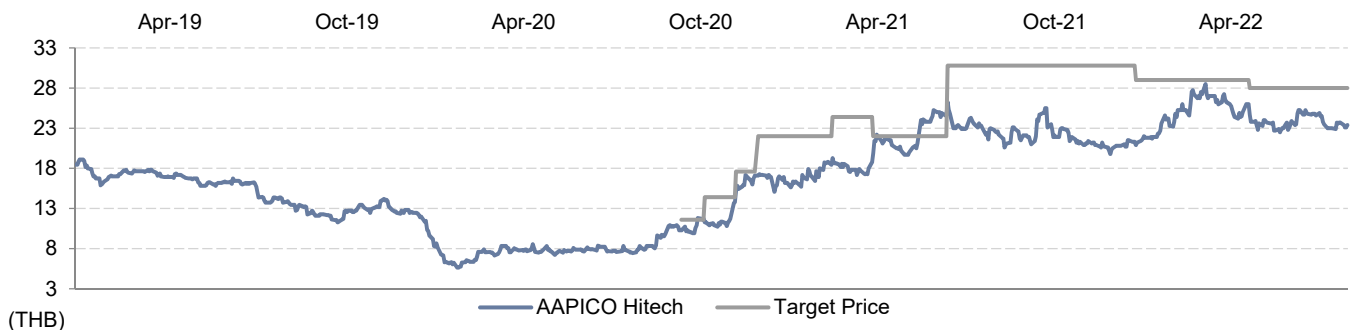
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

### History of change in investment rating and/or target price

#### AAPICO Hitech (AH TB)



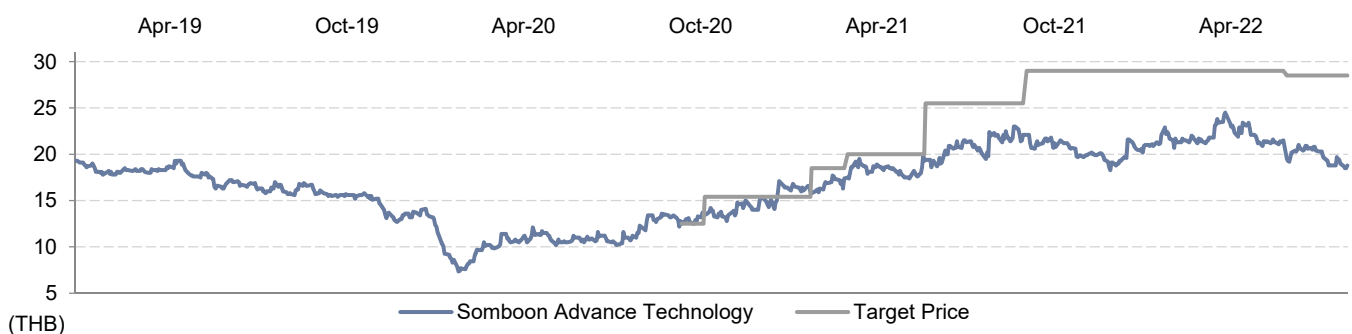
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	11.60	08-Feb-2021	BUY	24.40	02-Feb-2022	HOLD	28.00
21-Oct-2020	BUY	14.40	15-Mar-2021	BUY	22.00	16-Mar-2022	BUY	28.00
17-Nov-2020	BUY	17.60	18-May-2021	BUY	30.80			
04-Dec-2020	BUY	22.00	27-Oct-2021	BUY	29.00			

Naruedom Mujjalinkool started covering this stock from 01-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

#### Somboon Advance Technology (SAT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	12.50	19-Feb-2021	BUY	20.00	04-Mar-2022	BUY	28.50
21-Oct-2020	BUY	15.40	29-Apr-2021	BUY	25.50			
21-Jan-2021	BUY	18.50	23-Jul-2021	BUY	29.00			

Naruedom Mujjalinkool started covering this stock from 01-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
AAPICO Hitech	AH TB	THB 23.40	BUY	Key downside risks to our P/E-derived TP include lower-than-expected car production volumes and lower car sales in both Thailand and Malaysia, higher steel prices, semiconductor shortages, and exchange rate risk.
Somboon Advance Technology	SAT TB	THB 18.80	BUY	The key downside risks to our P/E-based TP are the domestic car manufacturing industry recovering more slowly than expected, a slower-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 28-Apr-2022 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a 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.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** 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 (N).** 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 (U).** 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.