

The reports on Inoue Rubber (Thailand) (IRC TB) and Thai Stanley Electric (STANLY TB) are being republished for reference purposes. No changes have been made to the reports from their original dates of publication.

Thailand Automotive

Good outlook – but company performance is key

- Solid car production in Dec-22 rose 2.7% y-y, while overall car production in 2022 surged higher to 1.88m units (+12% y-y).
- We increase our car production target for 2023 by 3.7% to 1.93m units (+2.5% y-y).
- Maintain NEUTRAL on sector. Although its outlook has improved, some companies still face individual risks.

Solid car production in 4Q22 as well as in Dec-22

Thailand's monthly car production volume in Dec-22 grew y-y to 158,606 units (+3% y-y, -17% m-m). Domestic sales of 82,799 units were up 21% m-m, but down 4% y-y, as vehicle exports posted impressive growth to 111,605 units (+10% y-y, +27% m-m) – the highest car export figure in 45 months, and better than the pre-Covid level thanks to the strong demand from markets in Asia and the Middle East. Note that the car production volume in 4Q22 was also the highest in the last 15 consecutive quarters and even better than in 4Q19. Total car production for 2022 was slightly better than our expectation at 1.88m units (+12% y-y) thanks to the strong recovery in domestic sales that grew by 15% to 0.85m units and strong exports in 2H22 that saw the full year of car exports grow by 4% to 1m units.

Car production target raised to 1.93m units

For 2023, there are both positive and negative factors that could impact Thailand's total car production outlook. On the positive side, we expect 1) an economic recovery in Thailand; 2) rising oil prices; and 3) high demand from Australia. As for negatives, we are concerned about 1) more restrictions on car loan approvals; and 2) a global economic recession. After factoring all of these into our assumptions, we increase our car production forecast in 2023 by 3.7% to 1.93m units. Furthermore, we expect domestic car sales to hit 880k units (+3.6% y-y), while car exports should hit 1.05m units (+5% y-y).

Maintain Neutral view; AH and STANLY are our top picks

Although we expect total car production this year to hit 1.93m units (+2.5% y-y), which is close to the pre-Covid level, some companies still face individual issues such as rising raw material prices and the higher cost of electricity which could pressure their earnings, leading to worse-than-peers performance. Therefore, we suggest that investors be selective and buy shares in companies that face the least uncertainty. Maintain NEUTRAL recommendation on the sector. Aapico Hitech (AH TB, BUY, TP THB42) is our top pick, followed by Thai Stanley Electric (STANLY TB, BUY, TP THB230).

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
AAPICO Hitech	AH TB	33.50	BUY	unchanged	42.00	42.00	unchanged	+25.4%
Nam Yong Terminal	NYT TB	3.46	BUY	HOLD	4.18	3.90	+7.18%	+20.8%
Somboon Advance Technology	SAT TB	21.50	HOLD	unchanged	22.00	22.00	unchanged	+2.3%
Inoue Rubber (Thailand)	IRC TB	14.30	HOLD	unchanged	15.50	15.50	unchanged	+8.4%
Thai Stanley Electric	STANLY TB	189.00	BUY	unchanged	230.00	230.00	unchanged	+21.7%

Note: Priced at close of business 01/02/2023. Share prices and TPs are in listing currency.
Source: FSSIA estimates



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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 proportion of value to Thailand’s exports in 2019, accounting for almost 10% of the country’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-producing nation in 2019, fifth in Asia, and first in ASEAN. Thailand is especially prominent in manufacturing pickup trucks, producing around 1.2m units per year, and the country ranked sixth in global commercial vehicle production in 2019.

The car production volume in Thailand experienced minor growth in the five years pre-Covid at 1.3% p.a.

However, we expect Thailand’s car production in 2023 to increase to 1.93m units (+2.5% y-y).

Catalysts

- A recovery in car production volume in 2023;
- New car model launches in 2022;
- New orders.

Risk to our call

- Lower-than-expected car production volume;
- Faster-than-expected adoption of EVs globally;
- High steel prices that keep rising;
- Higher electricity costs.

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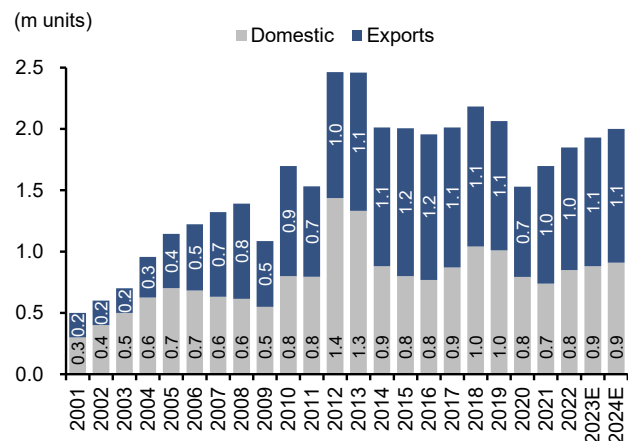
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Event Calendar

Date	Event
Feb 2023	2022 results announcements
Late Feb 2023	Jan-23 car production announcement

Thailand’s car sales (domestic and export)



Source: Thai Automotive Industry Association; FSSIA estimates

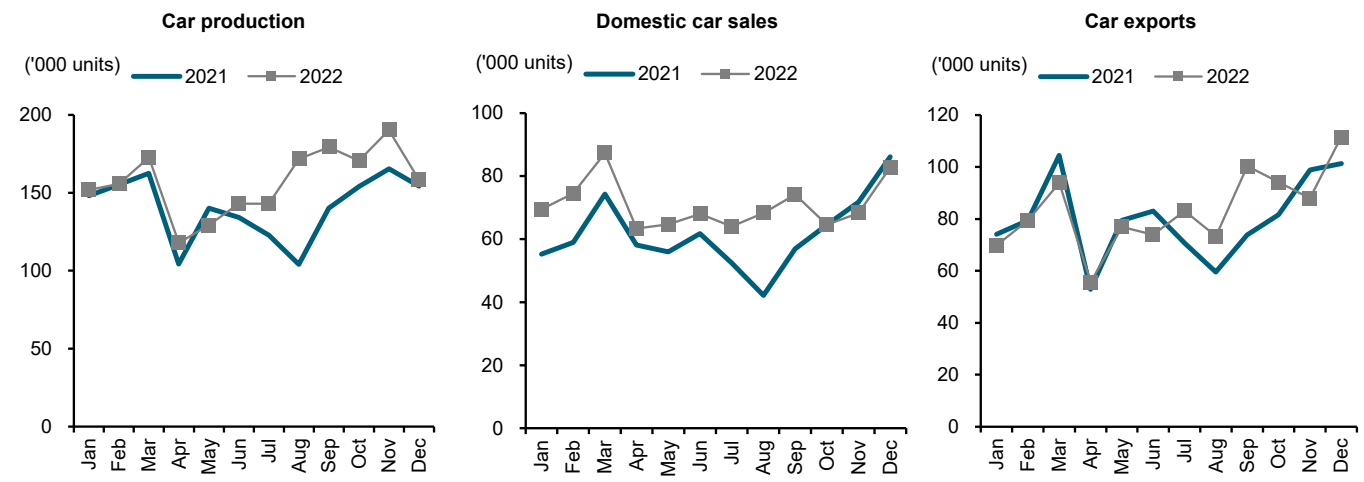
2022 car production recap

Thailand's car production volume in Dec-22 grew y-y to 158,606 units (+3% y-y, -17% m-m), supported by domestic sales of 82,799 units (-4% y-y, +21% m-m). In addition, vehicle exports surged to 111,605 units (+10% y-y, +27% m-m), the highest car export figure recorded in the past 45 months, and better than the pre-Covid level thanks to strong demand from markets in Asia and the Middle East. Note that the car production volume in 4Q22 was the highest in the last 15 consecutive quarters, and even better than in 4Q19.

The 519k units produced in 4Q22 helped boost total car production in 2022 to 1.88m units (+12% y-y), higher than our expectation of 1.8m units. This figure accounts for 96% of the five-year average of car production during 2015-2019 of 1.97m units, which we think shows that Thailand's car industry was on a solid recovery path in 2022.

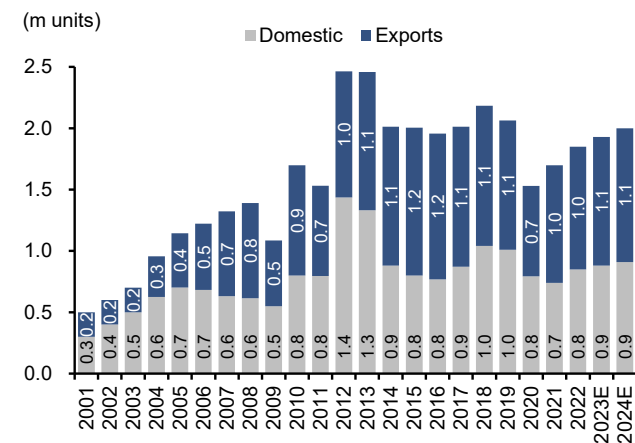
Car production in 2022 was driven by the recovery in both domestic sales and exports. Domestic sales surged by 15% y-y to 849k units, representing a 95% recovery, while exports grew by 4% y-y to 1m units, reflecting an 87% recovery.

Exhibit 1: Thailand's car industry



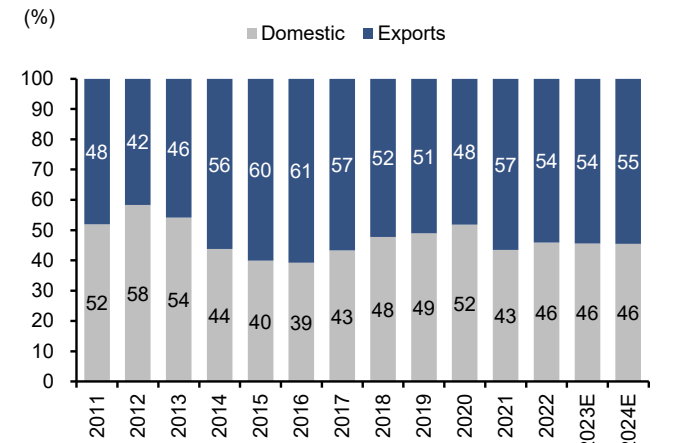
Sources: Thai Automotive Industry Association; FSSIA estimates

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

Positive and negative factors in 2023

For 2023, we think there are both positive and negative factors that could impact Thailand’s overall car production outlook. On the positive side, we expect 1) a Thai economic recovery; 2) rising oil prices; and 3) high demand from Australia. As for the negative side, we are concerned about 1) more restrictive loan approval policies for potential car buyers; and 2) a possible global economic recession.

Positive factors

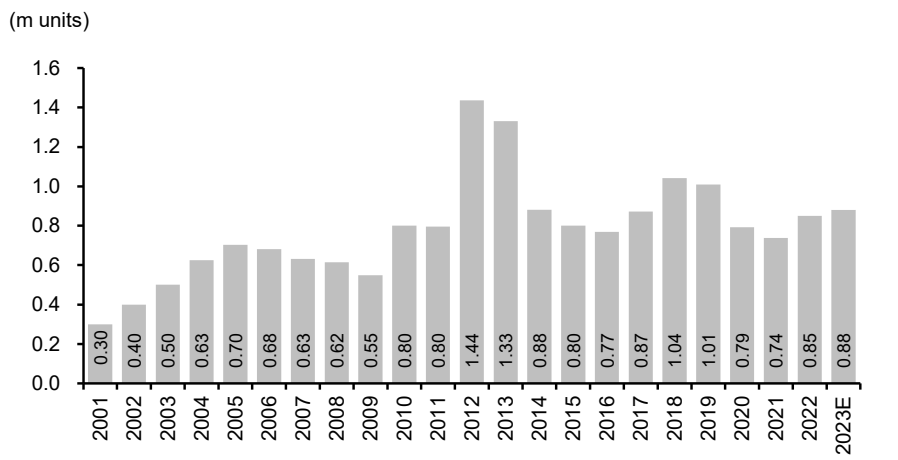
Although the global economic outlook for 2023 remains uncertain due to recession fears, we maintain a positive view on Thailand’s car exports.

1. Thailand’s economic recovery (moderate impact, low possibility)

The Bank of Thailand (BoT) projected Thailand’s GDP to grow by 3.2% in 2022 before accelerating to 3.7% and 3.9% in 2023-24. Private consumption and investment should be the key drivers rather than government, which strongly supported the economy during the Covid-19 period through various fiscal policies. In addition, the tourism industry should be another key engine driving economic growth. We expect international tourist arrivals to jump to 34m in 2023, equivalent to 85% of the pre-Covid-19 level, and up from our forecast of 10.2m for 2022. Our 2023 assumption is more bullish than the BoT’s number of 22m as we expect Chinese tourists to return at 60% of the 2019 level, European tourists at 85%, and tourists from India and the Americas at 100%-110% of the pre-Covid level. This should generate tourism revenue of up to THB1.6t, or approximately 80% of the tourism revenue generated in 2019, in line with the Tourism Authority of Thailand’s expectation.

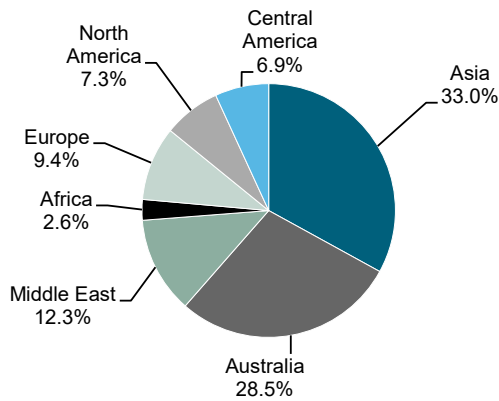
For these reasons, we believe that domestic demand for new cars in Thailand should remain strong. Furthermore, there is a chance that growth could continue from 2022, even though domestic car sales have already recovered to 95% of the average level seen in 2015-2019 (five years).

Exhibit 4: Thailand’s domestic car sales



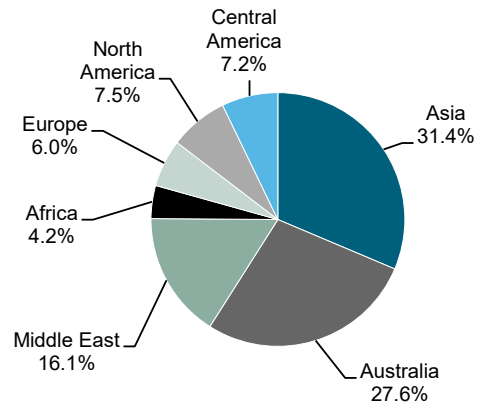
Source: Thai Automotive Industry Association

Exhibit 5: 2021 car exports by destination



Source: Thai Automotive Industry Association

Exhibit 6: Jan-Nov 2022 car exports by destination



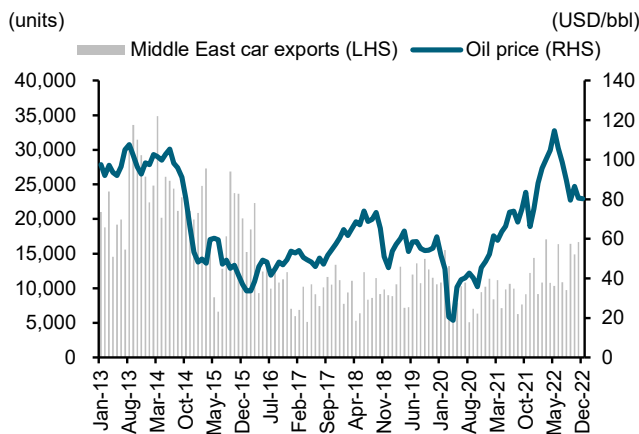
Source: Thai Automotive Industry Association

2. Middle East demand bounces back (low impact, moderate possibility)

New car exports to the Middle East have a direct correlation with world oil prices. This is because oil represents the wealth and purchasing power of many of the countries in the region. There was a significant improvement in car exports to the Middle East thanks to the increase in the average oil price in 2022 to USD94/barrel, up from just USD68/barrel in 2021. We expect Thailand's car exports to the Middle East to hit 160k units in 2022 and reach their highest level in the past seven years.

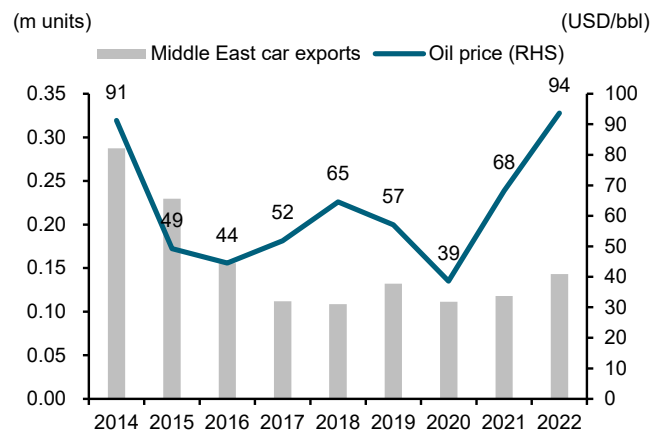
For 2023, the International Energy Agency (IEA) predicts that oil demand growth will slow to 1.7mb/d from 2.3mb/d in 2022 due to the uncertain economic outlook. The Energy Information Administration (EIA) forecasts the 2023 Brent oil price at USD92.36 per barrel, slightly lower than in 2022. Based on these projections, we believe that consumer incomes in Middle Eastern countries should remain stable, resulting in demand for new cars from Thailand remaining strong and possibly posting further growth in 2023.

Exhibit 7: Middle East car exports vs oil price (quarterly)



Sources: Thai Automotive Industry Association; Bloomberg; FSSIA's compilation

Exhibit 8: Middle East car exports vs oil price (yearly)



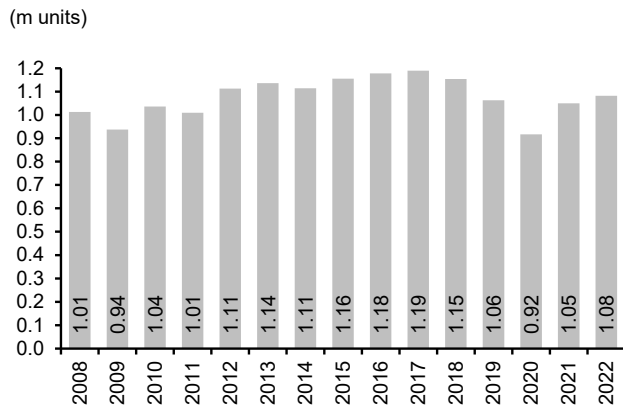
Sources: Thai Automotive Industry Association; Bloomberg; FSSIA's compilation

3. Australian car demand remains strong (moderate impact, moderate possibility)

Australia continues to be Thailand’s biggest car export destination, accounting for c28% of total car exports. In 2022, total car sales in Australia increased by 3% to 1.08m units, which is close to the 2015-2019 average of 1.15m units. Moreover, the demand momentum seen during 2H22 was even better than during the pre-Covid period in 2019. Therefore, we believe that the demand for new cars in Australia should not be less than in 2022.

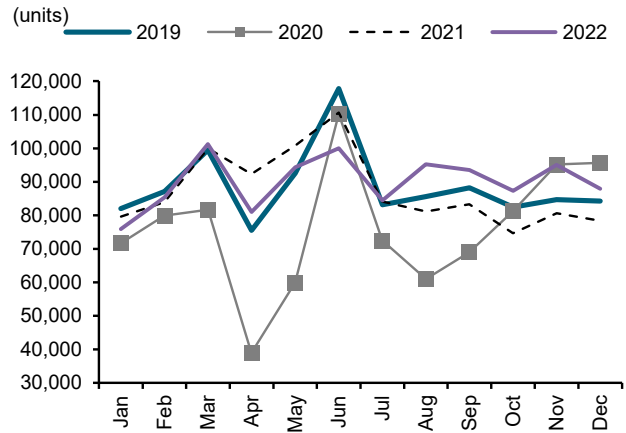
Moreover, according to Namyong Terminal (NYT TB, BUY, TP THB4.18), the strong car sales in Australia in 2H22 mainly came from customers who pre-ordered new cars at the beginning of the year, as current orders are facing a wait time of about 3-6 months. Therefore, we believe demand should remain strong in 2023 as most of the car exports to Australia during 1H23 were pre-ordered in 2H22.

Exhibit 9: Australia’s car sales



Source: Federal Chamber of Automotive Industries

Exhibit 10: Monthly car sales in Australia



Source: Federal Chamber of Automotive Industries

Negative factors

In addition to the positive factors above, Thailand's car production outlook for 2023 also faces potential risks or negative factors that could result in Thailand's car production being lower than our expectation. Note that we have already included these negative factors in our projections.

1. More restrictions on loan approvals for prospective car buyers (moderate impact, moderate possibility)

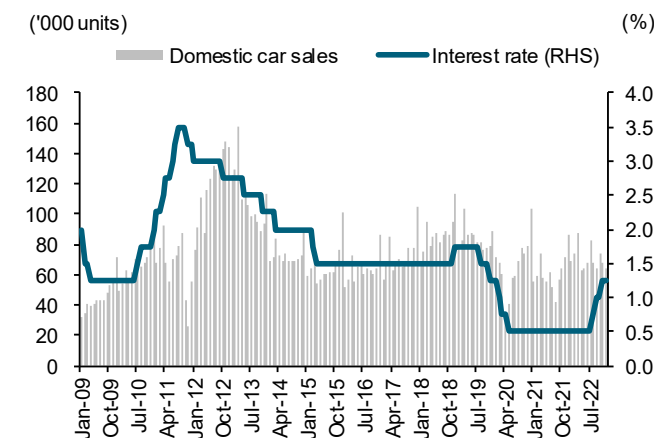
Most Thai car buyers finance their purchases via bank loans. Therefore, the increase in the policy interest rate since Jul-22 from 0.5% to the current 1.25%, and the expectation that the BoT will hike its policy rate by another 0.75% in 2023 to 2%, could put pressure on car sales growth.

Moreover, auto hire-purchase non-performing loans (NPLs) have risen continuously from 1.47% in 1Q22 – lower than the historical average of around 1.6%-1.8% – to 1.66% in 3Q22, mainly due to the sharp rise in inflation over the same period.

The steady rise in NPLs since 1Q22 has become our main concern regarding domestic car sales growth in 2023, as financial institutions may apply more strict lending policies going forward in a bid to cap their NPLs at less than 2%.

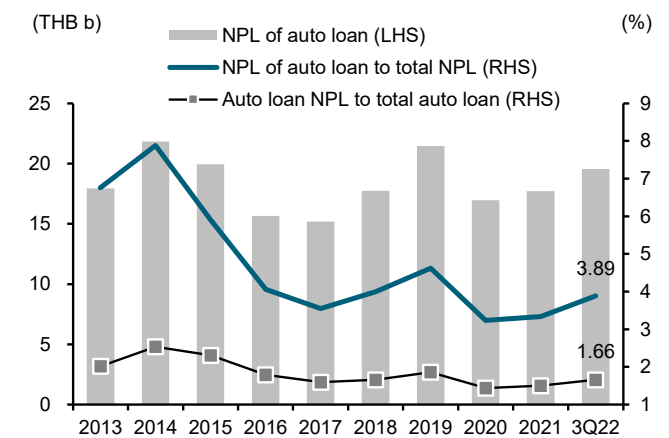
As a result, banking sector credit restrictions and more conservative lending policies could have a negative effect on new car sales, regardless of consumer demand.

Exhibit 11: Domestic car sales vs policy interest rate



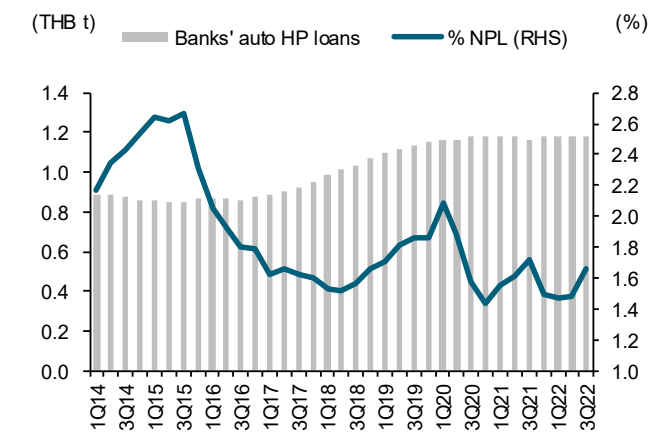
Sources: BoT; Thai Automotive Industry Association; FSSIA's compilation

Exhibit 12: NPL outlook



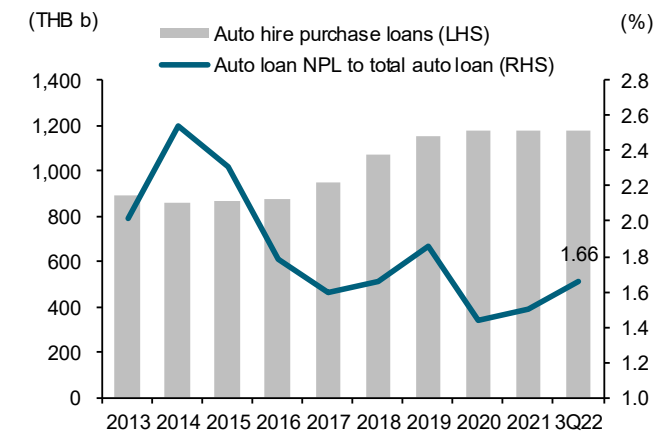
Sources: BoT; Thai Automotive Industry Association; FSSIA's compilation

Exhibit 13: Bank auto hire purchase loans vs NPLs (quarterly)



Sources: BOT; Thai Automotive Industry Association; FSSIA's compilation

Exhibit 14: Bank auto hire purchase loans vs NPLs (yearly)



Sources: BOT; Thai Automotive Industry Association; FSSIA's compilation

2. Global economic recession (high impact, low possibility)

Fears of a looming global economic recession that began to proliferate in late 2022 have continued to weigh on market sentiment in 2023. The combined effects of rising inflation, higher interest rates, the Russia-Ukraine war, and expected low GDP growth, could directly impact the demand for new cars in Thailand, where 55% of car production is for export.

The area of biggest concern is Europe. The International Monetary Fund (IMF) has forecast GDP growth in Europe in 2023 at only 0.7%, the lowest of all other continents. The IMF's outlook for North America, including the US and Canada, was also unattractive, at only 1.4% and 1.5%, respectively. Despite the potential fragility of western economies this year, it should be noted that Thailand's car exports to these destinations are low. Europe and North America account for only 6% and 7.5% of Thailand's total car exports, respectively, much lower than Australia, at over 27%, and Asia, at 31%, where the IMF has forecast 5.3% GDP growth.

Exhibit 15: World economic growth projections

Real GDP	Estimate	----- Projections -----	
	2022 (y-y %)	2023 (y-y %)	2024 (y-y %)
World output	3.4	2.9	3.1
Advanced economies	2.7	1.2	1.4
United States	2.0	1.4	1.0
Euro area	3.5	0.7	1.6
Germany	1.9	0.1	1.4
France	2.6	0.7	1.6
Italy	3.9	0.6	0.9
Spain	5.2	1.1	2.4
Japan	1.4	1.8	0.9
United Kingdom	4.1	(0.6)	0.9
Canada	3.5	1.5	1.5
Other advanced economies	2.8	2.0	2.4
Emerging market and developing economies	3.9	4.0	4.2
Emerging and developing Asia	4.3	5.3	5.2
China	3.0	5.2	4.5
India	6.8	6.1	6.8
Emerging and developing Europe	0.7	1.5	2.6
Russia	(2.2)	0.3	2.1
Latin America and the Caribbean	3.9	1.8	2.1
Brazil	3.1	1.2	1.5
Mexico	3.1	1.7	1.6
Middle East and Central Asia	5.3	3.2	3.7
Saudi Arabia	8.7	2.6	3.4
Sub-Saharan Africa	3.8	3.8	4.1
Nigeria	3.0	3.2	2.9
South Africa	2.6	1.2	1.3
Memorandum			
Emerging markets and middle-income economies	3.8	4.0	4.1
Low-income developing countries	4.9	4.9	5.6

Sources: IMF; FSSIA's compilation

Total car production to hit 1.9m units

Given the strong momentum in 4Q22 that we think should carry on into 2023, and the positive outlook that we mentioned earlier, we revise our car production forecast for 2023 higher by 3.7% from 1.86m units to 1.93m units (+2.5% y-y). We also increase our domestic car sales forecast by 2.3% to 880k units (+3.6% y-y) from 860k units. Lastly, for exports, we increase our car export projection by 2.9% to 1.05m units from 1.02m units (+5% y-y).

Note that our car production forecast for 2023 at 1.93m units represents a 98% recovery compared to the five-year average during 2015-2019.

Exhibit 16: Key assumption changes for Thailand's car production

	Current			Previous		Change	
	2022 (Unit)	2023E (Unit)	2024E (Unit)	2023E (Unit)	2024E (Unit)	2023E (%)	2024E (%)
Domestic car sales	849,395	880,000	910,000	860,000	890,000	2.3	2.2
Exports	1,000,292	1,050,000	1,090,000	1,020,000	1,050,000	2.9	3.8
Car production	1,883,515	1,930,000	1,980,000	1,861,200	1,920,000	3.7	3.1
Change y-y		(%)	(%)	(%)	(%)	(ppt)	(ppt)
Domestic car sales		3.6	3.4	1.2	3.5	2.4	(0.1)
Exports		5.0	3.8	2.0	2.9	3.0	0.9
Car production		2.5	2.6	(1.2)	3.2	3.7	(0.6)

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

Exhibit 17: Peers comparison as of 1 Feb-23

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	362	30	7.9	7.2	4.9	5.6	16.5	16.3	1.2	1.1
Nam Yong Terminal*	NYT TB	BUY	131	15	17.3	15.5	5.0	5.8	7.6	8.4	1.3	1.3
Somboon Advance Technology*	SAT TB	HOLD	278	6	9.4	8.8	6.9	7.5	12.4	12.7	1.1	1.1
Thai Stanley Electric*	STANLY TB	BUY	441	24	9.7	8.7	4.5	4.6	7.7	8.3	0.7	0.7
Inoue Rubber (Thailand)*	IRC TB	HOLD	84	(12)	26.0	14.9	2.0	3.4	2.8	4.9	0.7	0.7
Coverage			1,294	21	14.1	11.0	4.7	5.4	9.4	10.1	1.0	1.0
Gabriel India	GABR IN	n/a	303	n/a	28.9	18.4	0.8	0.6	11.4	16.4	3.2	2.8
Mahindra Cie Automotive	MACA IN	n/a	1,860	32	n/a	25.0	0.8	1.0	n/a	n/a	n/a	n/a
Shanghai Daimay Automotive-A	603730 CH	n/a	2,600	19	26.6	21.9	2.8	3.6	15.5	16.9	4.1	3.7
Bethel Automotive Safety S-A	603596 CH	n/a	5,240	38	51.0	34.0	0.2	0.4	17.3	21.5	8.5	7.0
Great Wall Motor Co Ltd-A	601633 CH	n/a	33,732	26	29.9	29.0	1.2	1.2	14.9	14.3	4.3	3.9
Geely Automobile Holdings	175 HK	n/a	16,777	21	21.3	15.1	1.6	2.2	7.0	9.3	1.6	1.4
Regional peers			60,512	34	31.5	23.9	1.2	1.5	13.2	15.7	4.3	3.8
Average			61,806	25	22.8	18.0	2.8	3.3	11.3	12.9	2.7	2.4

Sources: Bloomberg; * FSSIA estimates

AAPICO HITECH AH TB

THAILAND / AUTOMOTIVES

BUY

UNCHANGED

Another record high on the cards

- We expect the 4Q22 core earnings of AH to remain strong at THB430m (+1% q-q, +187% y-y).
- Short-term outlook remains strong, although a positive catalyst in 1Q23 remains elusive.
- Maintain BUY with the same TP of THB42; still our top pick.

TARGET PRICE	THB42.00
CLOSE	THB33.50
UP/DOWNSIDE	+25.4%
PRIOR TP	THB42.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+1.2%

Expect earnings to hit another record high

We project AH's core earnings for 4Q22 at THB430m (+1% q-q, +187% y-y). The company's revenue should continue to grow by 4% q-q and 32% y-y to THB7.6b thanks to the continuous growth of both its original equipment manufacturer (OEM) auto parts and car dealership businesses. However, due to the seasonal effect in 4Q that typically results in high expenses, we expect the company's GPM to stay at 11.1%, like the previous quarter, but with 15% higher SG&A expenses. Accordingly, we expect AH's core profit to hit THB430m in 4Q22. However, due to the rapid appreciation of the THB, AH may have to recognise an FX loss of about THB210m, resulting in a lower reported net profit of THB220m (-63% q-q).

Solid outlook from overseas factories

AH expects its Portugal factory (16% of revenue during 9M22) to finally generate a profit in 4Q22 and throughout 2023 after recording a loss in 2Q22 and reaching the breakeven point in 3Q22. The Portugal factory can now pass on the higher steel price to its customers amid higher order volumes from its European customers. We expect this momentum to continue throughout 2023. China (5% of revenue) and India (20% of net profit) also have a solid outlook as the auto industries in both countries are still on a growth trend.

Uncertain outlook for car dealership business in Malaysia

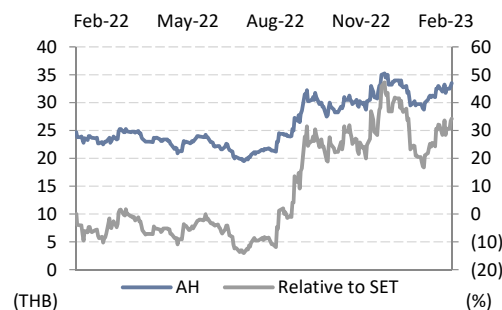
AH's car dealership business in Malaysia (15% of revenue) continues to be our main concern as there is a high chance that domestic sales could fall significantly after the expiration of promotional supports from the Malaysian government. However, we are not overly concerned about this factor at the present time, as the impact on AH's revenue should only manifest in 2Q23 onward. Furthermore, the impact on AH's bottom line should be manageable as this business has a thin NPM, and we have already factored it into our 2023 forecast with an expected 18% decline in revenue from its car dealership business in Malaysia.

Maintain BUY with the same TP of THB42

We expect the strong rally in AH's share price to last until 2Q23. AH remains our top pick based on our expectation that its earnings should grow by over 89% in 2022, with a further 11% gain in 2023. Maintain BUY with the same TP of THB42.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	20,433	27,684	29,328	31,059
Net profit	1,024	1,672	1,655	1,741
EPS (THB)	2.89	4.71	4.67	4.91
vs Consensus (%)	-	6.4	1.4	(0.6)
EBITDA	1,699	1,947	2,026	2,037
Core net profit	792	1,498	1,655	1,741
Core EPS (THB)	2.23	4.22	4.67	4.91
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	393.4	89.1	10.5	5.2
Core P/E (x)	15.0	7.9	7.2	6.8
Dividend yield (%)	1.8	4.9	5.6	5.9
EV/EBITDA (x)	11.4	9.5	8.4	7.9
Price/book (x)	1.4	1.2	1.1	1.0
Net debt/Equity (%)	81.5	63.0	43.6	30.8
ROE (%)	9.9	16.5	16.3	15.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	12.6	9.8	28.8
Relative to country (%)	11.5	5.9	27.0
Mkt cap (USD m)	362		
3m avg. daily turnover (USD m)	2.7		
Free float (%)	50		
Major shareholder	Thai NVDR (14%)		
12m high/low (THB)	35.75/19.40		
Issued shares (m)	354.84		

Sources: Bloomberg consensus; FSSIA estimates


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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.

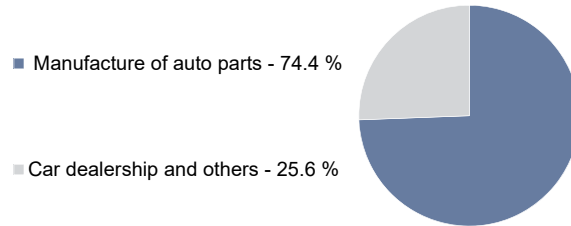
Thailand’s automobile manufacturing industry is one of the largest drivers of the country’s economy. The demand for new cars in Thailand has consistently remained at 0.8m-1m units per year, according to historical data. Its average car production is also high at 1.9m-2m units per year. Therefore, when the economy returns to normal, we expect Thailand’s automobile production volume to return to its normal level – compared with the 2022 production level of 1.88m units – which could directly benefit AH because 65% of its operational revenue comes from Thailand.

Company profile

Main businesses of AH 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.

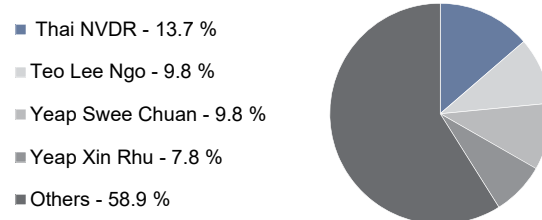
www.aapico.com

Principal activities (revenue, 2021)



Source: AAPICO Hitech

Major shareholders



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
Feb-23	2022 results announcement

Key assumptions

	2020 (%)	2021 (%)	2022E (%)	2023E (%)	2024E (%)
Auto parts revenue growth	(6.8)	26.4	33.4	9.1	5.4
Car dealership revenue growth	(6.1)	1.7	41.6	(2.7)	7.3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we project 2023 earnings to rise by 0.5%, and vice versa, all else being equal.
- For every 10 bps increase in gross profit margin, we project 2023 earnings to rise by 5.1%, and vice versa, all else being equal.

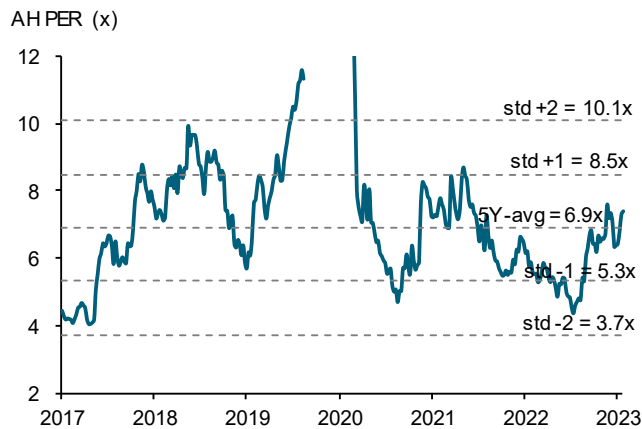
Source: FSSIA estimates

Exhibit 18: AH - 4Q22 results preview

	4Q21	3Q22	4Q22E	Change		2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Auto parts	3,911	5,211	5,430	4.2	38.8	15,201	20,276	33.4
Car dealership and others	1,857	2,089	2,160	3.4	16.3	5,232	7,408	41.6
Revenue	5,770	7,300	7,590	4.0	31.5	20,433	27,684	35.5
Operating costs	(5,192)	(6,486)	(6,748)	4.0	30.0	(18,225)	(24,680)	35.4
Gross profit	578	813	842	3.6	45.8	2,208	3,004	36.0
SG&A expenses	(449)	(455)	(522)	14.6	16.3	(1,540)	(1,799)	16.9
EBIT	129	358	320	(10.5)	148.5	668	1,204	n/a
Depreciation & amortisation	263	276	294	6.6	11.8	1,031	743	(28.0)
EBITDA	392	634	614	(3.1)	56.8	1,699	1,947	14.6
EBITDA margin (%)	7	9	8	nm	nm	8	7	nm
Interest expense	(82)	(86)	(89)	3.5	7.9	(346)	(315)	(8.8)
Other income	78	78	82	5.5	5.2	316	346	9.4
Extra item	10	0	0	n/a	n/a	(1)	0	n/a
Associates	72	152	171	12.3	139.1	281	474	69.0
Gain/Loss from exchange	(31)	175	(210)	n/a	577.6	222	175	(21.1)
Pretax profit	176	677	275	(59.4)	56.4	1,140	1,883	65.1
Tax	(33)	(68)	(44)	(35.4)	33.4	(113)	(183)	61.1
Tax rate (%)	(19)	(10)	(16)	nm	nm	(10)	(10)	nm
Minority interests	13	8	11	31.3	n/a	13	28	109.7
Net profit	129	601	220	(63.4)	69.9	1,014	1,672	65.0
Core net profit	150	426	430	0.9	186.5	792	1,498	89.1
EPS (THB)	0.40	1.86	0.62	(66.7)	54.4	2.86	4.71	65.0
Core EPS (THB)	0.47	1.32	1.21	(8.2)	160.5	2.23	4.22	89.1

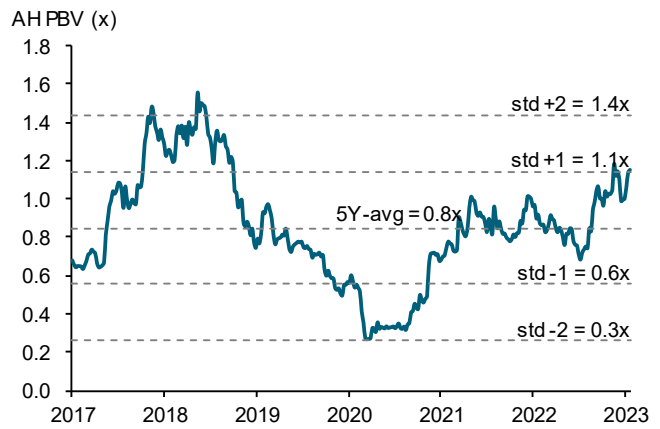
Sources: AH; FSSIA estimates

Exhibit 19: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 20: 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	27,684	29,328	31,059
Cost of goods sold	(15,057)	(17,194)	(23,938)	(25,366)	(26,926)
Gross profit	2,116	3,239	3,746	3,962	4,133
Other operating income	-	-	-	-	-
Operating costs	(1,333)	(1,540)	(1,799)	(1,936)	(2,096)
Operating EBITDA	783	1,699	1,947	2,026	2,037
Depreciation	(998)	(1,031)	(743)	(715)	(686)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(215)	668	1,204	1,311	1,351
Net financing costs	(338)	(343)	(310)	(313)	(303)
Associates	101	281	474	517	545
Recurring non-operating income	726	593	815	893	937
Non-recurring items	2	232	175	0	0
Profit before tax	175	1,151	1,883	1,892	1,985
Tax	(12)	(113)	(183)	(206)	(212)
Profit after tax	163	1,037	1,701	1,685	1,773
Minority interests	(15)	(13)	(28)	(30)	(32)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	148	1,024	1,672	1,655	1,741
Non-recurring items & goodwill (net)	(2)	(232)	(175)	0	0
Recurring net profit	146	792	1,498	1,655	1,741
Per share (THB)					
Recurring EPS *	0.45	2.23	4.22	4.67	4.91
Reported EPS	0.46	2.89	4.71	4.67	4.91
DPS	0.00	0.61	1.65	1.87	1.96
Diluted shares (used to calculate per share data)	323	355	355	355	355
Growth					
Revenue (%)	(6.6)	19.0	35.5	5.9	5.9
Operating EBITDA (%)	(39.4)	117.0	14.6	4.1	0.5
Operating EBIT (%)	nm	nm	80.1	8.9	3.1
Recurring EPS (%)	(84.5)	393.4	89.1	10.5	5.2
Reported EPS (%)	nm	530.0	63.3	(1.0)	5.2
Operating performance					
Gross margin inc. depreciation (%)	6.5	10.8	10.9	11.1	11.1
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	4.6	8.3	7.0	6.9	6.6
Operating EBIT margin (%)	(1.3)	3.3	4.4	4.5	4.4
Net margin (%)	0.8	3.9	5.4	5.6	5.6
Effective tax rate (%)	(6.9)	(9.9)	(9.7)	(10.9)	(10.7)
Dividend payout on recurring profit (%)	-	27.2	39.1	40.0	40.0
Interest cover (X)	1.5	3.7	6.5	7.0	7.6
Inventory days	66.7	59.7	48.9	47.5	44.9
Debtor days	51.2	45.4	38.7	46.2	45.7
Creditor days	103.2	95.6	78.5	80.0	79.8
Operating ROIC (%)	(2.5)	7.7	13.7	14.3	14.9
ROIC (%)	3.1	7.5	12.1	13.1	13.8
ROE (%)	2.0	9.9	16.5	16.3	15.6
ROA (%)	2.3	5.1	7.7	7.8	7.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
2020	2021	2022E	2023E	2024E	
Manufacture of auto parts	12,028	15,201	20,276	22,123	23,327
Car dealership and others	5,144	5,232	7,408	7,205	7,732

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	1,498	1,655	1,741
Depreciation	998	1,031	743	715	686
Associates & minorities	15	13	28	30	32
Other non-cash items	86	375	848	16	17
Change in working capital	(928)	1,087	(1,171)	355	(57)
Cash flow from operations	316	3,299	1,945	2,772	2,419
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
Cash flow from investing	(408)	(791)	(475)	(675)	(676)
Dividends paid	0	(215)	(585)	(662)	(696)
Equity finance	0	0	0	0	0
Debt finance	755	(1,631)	411	(100)	(200)
Other financing cash flows	(474)	(431)	28	30	32
Cash flow from financing	281	(2,277)	(146)	(732)	(865)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	14	0	0	0
Net other adjustments	(92)	(178)	0	0	0
Movement in cash	97	52	1,323	1,364	879
Free cash flow to firm (FCFF)	281.01	2,853.68	1,784.77	2,416.34	2,055.38
Free cash flow to equity (FCFE)	97.30	267.66	1,908.46	2,026.47	1,575.07

Per share (THB)

FCFF per share	0.79	8.04	5.03	6.81	5.79
FCFE per share	0.27	0.75	5.38	5.71	4.44
Recurring cash flow per share	3.86	6.23	8.78	6.81	6.98

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)
Tangible fixed assets (net)	7,773	8,222	8,041	8,110	8,208
Intangible fixed assets (net)	3,143	3,317	3,159	3,055	2,951
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	3,716	4,150	4,150	4,150	4,150
Cash & equivalents	690	742	2,065	3,429	4,308
A/C receivable	2,846	2,237	3,641	3,776	3,999
Inventories	2,596	3,031	3,381	3,216	3,404
Other current assets	435	277	291	306	321
Current assets	6,566	6,286	9,377	10,727	12,032
Other assets	1,148	746	368	380	393
Total assets	22,346	22,722	25,096	26,422	27,734
Common equity	7,473	8,513	9,628	10,651	11,728
Minorities etc.	268	302	330	360	392
Total shareholders' equity	7,741	8,815	9,958	11,011	12,120
Long term debt	5,597	4,238	4,700	4,600	4,500
Other long-term liabilities	562	512	734	767	801
Long-term liabilities	6,158	4,750	5,434	5,367	5,301
A/C payable	4,119	4,884	5,409	5,716	6,052
Short term debt	3,852	3,687	3,636	3,636	3,536
Other current liabilities	476	587	658	691	726
Current liabilities	8,446	9,158	9,703	10,043	10,313
Total liabilities and shareholders' equity	22,346	22,722	25,096	26,422	27,734
Net working capital	1,282	73	1,245	890	947
Invested capital	17,062	16,509	16,963	16,585	16,649

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

Per share (THB)

Book value per share	23.17	23.99	27.13	30.02	33.05
Tangible book value per share	13.42	14.64	18.23	21.41	24.73

Financial strength

Net debt/equity (%)	113.1	81.5	63.0	43.6	30.8
Net debt/total assets (%)	39.2	31.6	25.0	18.2	13.4
Current ratio (x)	0.8	0.7	1.0	1.1	1.2
CF interest cover (x)	1.9	2.9	7.6	8.1	6.9

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	74.1	15.0	7.9	7.2	6.8
Recurring P/E @ target price (x) *	92.9	18.8	10.0	9.0	8.6
Reported P/E (x)	73.1	11.6	7.1	7.2	6.8
Dividend yield (%)	-	1.8	4.9	5.6	5.9
Price/book (x)	1.4	1.4	1.2	1.1	1.0
Price/tangible book (x)	2.5	2.3	1.8	1.6	1.4
EV/EBITDA (x) **	25.3	11.4	9.5	8.4	7.9
EV/EBITDA @ target price (x) **	28.8	13.2	11.0	9.9	9.3
EV/invested capital (x)	1.2	1.2	1.1	1.0	1.0

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

Sources: AAPICO Hitech; FSSIA estimates

NAM YONG TERMINAL

NYT TB

THAILAND / TRANSPORT & LOGISTICS

BUY

FROM HOLD

Entering the recovery stage

- Expect 4Q22 core earnings at THB76m (+16% q-q, +38% y-y), NYT's highest in the past seven quarters.
- Earnings forecasts for 2022/23/24 upgraded by 20%/6%/7% thanks to Thailand's stronger-than-expected car exports.
- Upgrade to BUY with a new TP of THB4.18.

TARGET PRICE	THB4.18
CLOSE	THB3.46
UP/DOWNSIDE	+20.8%
PRIOR TP	THB3.90
CHANGE IN TP	+7.2%
TP vs CONSENSUS	+7.2%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	1,334	1,443	1,562	1,669
Net profit	243	236	277	349
EPS (THB)	0.20	0.19	0.22	0.28
vs Consensus (%)	-	18.8	29.4	55.6
EBITDA	840	804	833	935
Core net profit	228	248	277	349
Core EPS (THB)	0.18	0.20	0.22	0.28
Chg. In EPS est. (%)	-	20.1	6.3	7.2
EPS growth (%)	(6.2)	8.4	11.8	25.9
Core P/E (x)	18.8	17.3	15.5	12.3
Dividend yield (%)	4.6	5.0	5.8	7.3
EV/EBITDA (x)	8.2	8.1	7.4	6.2
Price/book (x)	1.3	1.3	1.3	1.3
Net debt/Equity (%)	77.5	67.8	58.6	48.2
ROE (%)	7.0	7.6	8.4	10.5

Expect highest earnings in the past seven quarters

Thanks to Thailand's increased car exports during 4Q22 that hit 294k units (+14% q-q, +4% y-y), the highest in the past three years, we expect NYT's revenue to grow to THB406m (+10% q-q, +9% y-y). However, the cost of remodeling its ferry business to become a more commercial service could be a burden for NYT as in the previous quarter. Therefore, we expect NYT's core profit in 4Q22 at THB76m (+16% q-q, +38% y-y).

Car exports should remain solid

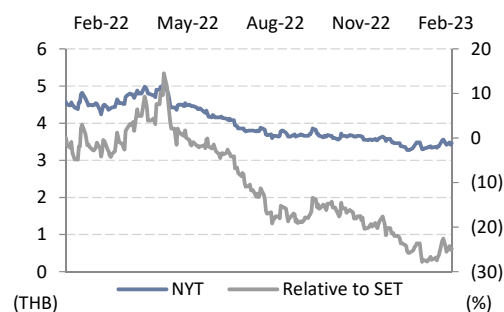
After the sharp rise in car exports in 4Q22, especially in Dec-22, we have more confidence that Thailand's car exports should be maintained at a high level this year. Therefore, we revise our car export target for 2023 from 1.02m units to 1.05m units (+5% y-y). We think this should be the key support for NYT's growth in 2023.

Earnings revisions

Due to better-than-expected car exports in 4Q22, we increase our 2022 earnings forecast for NYT by 20% to THB248m (+8% y-y). For 2023, we increase our revenue estimate by 7% to THB1.6b thanks to 1) Thailand's solid car exports; and 2) the new warehouse rental space that we expect to be expanded by 13% after the company finishes construction and fills up the space as planned within 2Q23. Note that we still have a conservative view of its ferries and C0 Terminal business as we believe these two might continue to generate losses for the company. As a result, we increase our earnings forecast for NYT in 2023 by 6% to THB277m (+12% y-y).

Upgrade to BUY with a new TP of THB4.18

NYT's share price has underperformed the market, falling by over 26% in 2022. We believe the time has come for both NYT's earnings and share price to improve gradually in line with Thailand's improved car export outlook. The company should offer a dividend yield of over 5.8% p.a. in 2023, which could be its highest dividend yield in the past three years. Upgrade to BUY with a new TP of THB4.18 from THB3.90. Our new TP is pegged to 19x 2023E P/E, up from 18.6x (mean P/E). We believe now is a good time to invest in NYT as its current share price is near its lowest level in three years, and we expect its earnings to improve gradually.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.6)	(4.9)	(24.1)
Relative to country (%)	(1.6)	(8.3)	(25.2)
Mkt cap (USD m)	131		
3m avg. daily turnover (USD m)	0.1		
Free float (%)	41		
Major shareholder	Nam Yuen Yong Shipping (25%)		
12m high/low (THB)	5.10/3.26		
Issued shares (m)	1,240.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

NYT is the terminal operator with the highest volume of cars exported from Thailand, with an approximate market share of 80%. NYT provides a full scope of services for car exports and imports through A5 Terminal, which can be categorised as follows:

- 1) Terminal services;
- 2) Car storage areas and warehousing services;
- 3) Other services related to its core business.

During the pre-Covid period, the company had a solid dividend yield track record of over 5% p.a. Together with being a low beta stock and having a near-monopoly business, we believe NYT is a good defensive stock for investors looking for a decent yield.

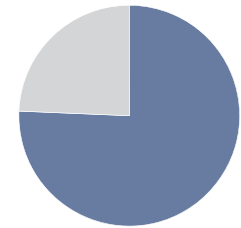
Company profile

NYT is the roll-on/roll-off and general cargo terminal operator of A5 Terminal which is located at Laem-Chabang Port, Sriracha district, Chonburi.

www.namyongterminal.com

Principal activities (revenue, 2021)

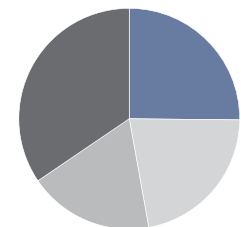
- Seaport and related - 75.7 %
- Warehouse service - 24.3 %



Source: Nam Yong Terminal

Major shareholders

- Nam Yuen Yong Shipping - 25.2 %
- Leungsuwan Family - 22.0 %
- N.Y.K (Thailand) - 18.3 %
- Others - 34.5 %



Source: Nam Yong Terminal

Catalysts

The recovery of the global economy in the future that should boost the demand for cars from Thailand.

Risks to our call

The key downside risks to our P/E-multiple TP include 1) weaker-than-expected Thai car exports; 2) NYT's inability to secure an A5 contract extension; and 3) higher-than-expected loss from the ferry business.

Event calendar

Date	Event
Feb-23	2022 results announcement

Key assumptions

	2021 (%)	2022E (%)	2023E (%)	2024E (%)
Thailand's car export growth	30.4	4.3	5.0	3.8
NYT's revenue growth	11.6	8.2	8.2	6.8

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in Thailand's car exports, we project 2023 earnings to rise by 1.4%, and vice versa, all else being equal.
- For every 1% increase in rental space revenue, we project 2023 earnings to rise by 0.3%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 21: NYT - 4Q22 results preview

	4Q21	3Q22	4Q22E	Change		2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Revenue	371	370	406	10	9	1,334	1,443	8
Cost of service	(226)	(227)	(245)	8	8	(767)	(900)	17
Gross profit	145	143	161	12	11	567	543	(4)
SG&A expenses	(56)	(38)	(40)	5	(28)	(201)	(155)	(23)
EBIT	89	105	121	15	36	366	388	6
Depreciation & amortisation	126	117	120	3	(5)	469	409	(13)
EBITDA	216	222	242	9	12	835	797	(5)
<i>EBITDA margin (%)</i>	58.2	60.0	59.6	<i>nm</i>	<i>nm</i>	62.6	55.2	<i>nm</i>
Interest expense	(26)	(25)	(26)	2	(1)	(94)	(102)	9
Other income	6	6	6	(5)	(4)	22	23	4
Associates	(9)	(11)	(12)	4	36	(25)	(30)	18
Extra items	3	(1)	0	<i>n/a</i>	<i>n/a</i>	14	(11)	<i>n/a</i>
Pretax profit	64	73	89	22	39	283	268	(5)
Tax	(21)	(19)	(21)	15	1	(80)	(71)	(11)
<i>Tax rate (%)</i>	(33.2)	(25.5)	(24.0)	<i>nm</i>	<i>nm</i>	(28)	(27)	<i>nm</i>
Minority interests	(16)	(9)	(8)	(11)	(47)	(39)	(39)	268
Net profit	58	64	76	19	30	243	236	(3)
Core net profit	55	65	76	16	38	228	248	8
EPS (THB)	0.05	0.05	0.06	19	30	0.20	0.19	(3)
Core EPS (THB)	0.04	0.05	0.06	16	38	0.18	0.20	8

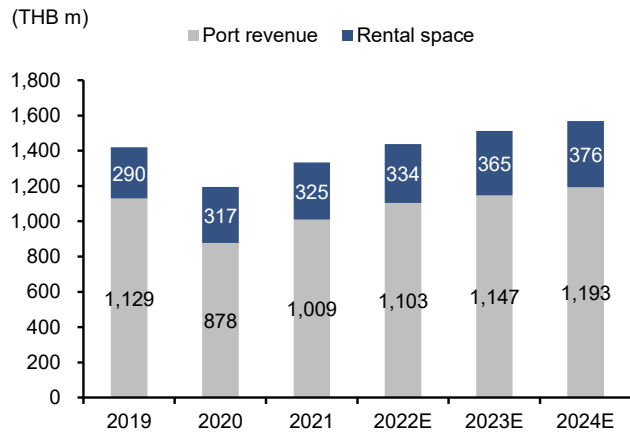
Sources: NYT; FSSIA estimates

Exhibit 22: Key assumption changes

	Current			Previous			Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Thailand car exports	1.00	1.05	1.09	0.97	1.02	1.05	3	3	4
Revenue	1,443	1,562	1,669	1,336	1,461	1,587	8	7	5
Gross profit	543	595	714	480	570	683	13	4	5
SG&A	(155)	(171)	(183)	(170)	(186)	(202)	(9)	(8)	(9)
Share of losses from associates	(30)	(10)	(5)	(19)	(5)	0	56	100	<i>n/a</i>
MI	(39)	(21)	0	(48)	(21)	0	(18)	0	<i>n/a</i>
Net profit	248	277	349	206	261	326	20	6	7
Margin	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
GPM	37.6	38.1	42.8	35.9	39.0	43.0	1.7	(0.9)	(0.2)
NPM	17.2	17.7	20.9	15.4	17.9	20.5	1.7	(0.1)	0.4

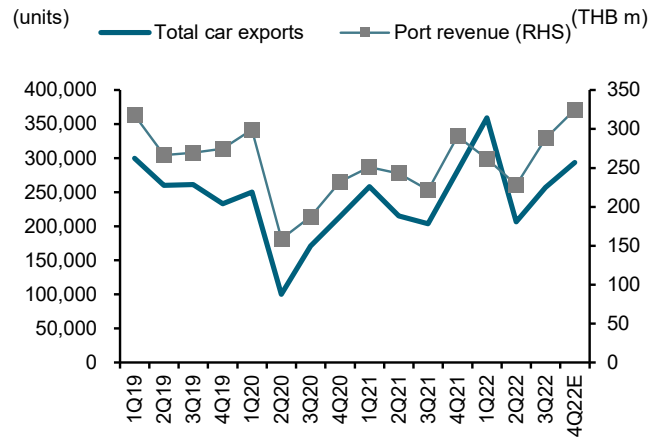
Source: FSSIA estimates

Exhibit 23: Port operation vs rental space revenue



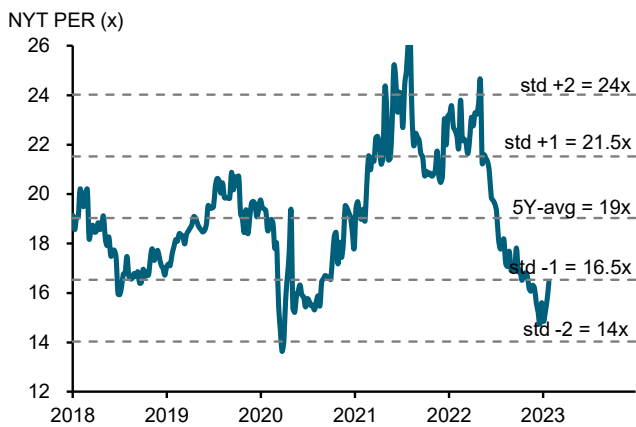
Sources: NYT; FSSIA estimates

Exhibit 24: Thailand's car exports vs NYT's port revenue



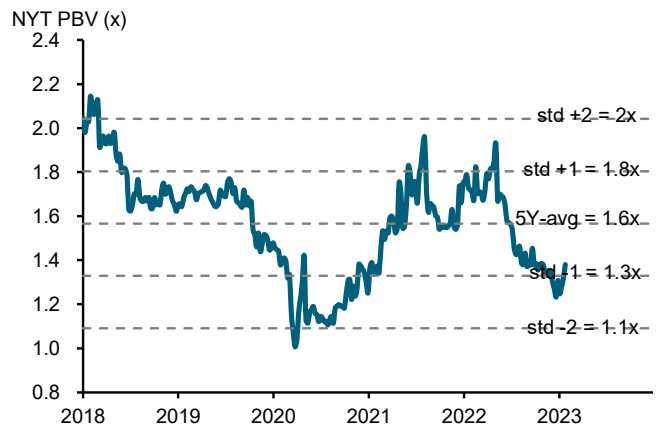
Sources: NYT; Thai Automotive Industry Association; FSSIA estimates

Exhibit 25: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 26: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Nam Yong Terminal

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	1,195	1,334	1,443	1,562	1,669
Cost of goods sold	(192)	(298)	(491)	(565)	(559)
Gross profit	1,003	1,036	952	997	1,110
Other operating income	5	5	7	8	8
Operating costs	(160)	(201)	(155)	(171)	(183)
Operating EBITDA	848	840	804	833	935
Depreciation	(429)	(469)	(409)	(402)	(396)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	419	371	395	432	540
Net financing costs	(53)	(76)	(86)	(85)	(75)
Associates	(55)	(25)	(30)	(10)	(5)
Recurring non-operating income	(55)	(25)	(30)	(10)	(5)
Non-recurring items	(15)	14	(11)	0	0
Profit before tax	296	283	268	337	459
Tax	(69)	(80)	(71)	(81)	(110)
Profit after tax	227	203	197	256	349
Minority interests	1	39	39	21	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	229	243	236	277	349
Non-recurring items & goodwill (net)	15	(14)	11	0	0
Recurring net profit	243	228	248	277	349
Per share (THB)					
Recurring EPS *	0.20	0.18	0.20	0.22	0.28
Reported EPS	0.18	0.20	0.19	0.22	0.28
DPS	0.20	0.16	0.17	0.20	0.25
Diluted shares (used to calculate per share data)	1,240	1,240	1,240	1,240	1,241
Growth					
Revenue (%)	(15.8)	11.6	8.2	8.2	6.8
Operating EBITDA (%)	22.8	(1.0)	(4.3)	3.7	12.2
Operating EBIT (%)	(13.3)	(11.5)	6.6	9.3	25.1
Recurring EPS (%)	(33.7)	(6.2)	8.4	11.8	25.9
Reported EPS (%)	(39.3)	6.2	(2.5)	17.1	25.9
Operating performance					
Gross margin inc. depreciation (%)	48.0	42.5	37.6	38.1	42.8
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	71.0	63.0	55.7	53.4	56.0
Operating EBIT margin (%)	35.1	27.8	27.4	27.6	32.3
Net margin (%)	20.4	17.1	17.2	17.7	20.9
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	101.9	86.9	85.9	90.0	90.0
Interest cover (X)	6.9	4.5	4.3	5.0	7.1
Inventory days	3.2	4.5	3.1	3.0	3.3
Debtor days	33.4	28.9	30.2	29.7	29.8
Creditor days	46.9	37.5	30.3	27.5	27.3
Operating ROIC (%)	18.4	16.4	17.1	19.0	23.8
ROIC (%)	7.9	6.0	6.0	7.3	9.7
ROE (%)	6.9	7.0	7.6	8.4	10.5
ROA (%)	5.9	4.3	4.5	5.4	6.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Seaport and related	878	1,009	1,103	1,147	1,193
Warehouse service	317	325	334	365	376
Ferries service	-	-	6	50	100

Sources: Nam Yong Terminal; FSSIA estimates

Financial Statements

Nam Yong Terminal

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	243	228	248	277	349
Depreciation	429	469	409	402	396
Associates & minorities	54	(14)	(39)	(21)	0
Other non-cash items	47	79	(11)	0	0
Change in working capital	(118)	(20)	38	(9)	(7)
Cash flow from operations	656	742	644	649	738
Capex - maintenance	(198)	(140)	(70)	(70)	(70)
Capex - new investment	(86)	(64)	(32)	(32)	(32)
Net acquisitions & disposals	31	0	0	0	0
Other investments (net)	460	(174)	0	0	0
Cash flow from investing	206	(379)	(102)	(102)	(102)
Dividends paid	(620)	(248)	(213)	(249)	(314)
Equity finance	0	0	0	0	0
Debt finance	(22)	(186)	(310)	(180)	(180)
Other financing cash flows	(60)	(67)	0	0	0
Cash flow from financing	(701)	(501)	(523)	(429)	(494)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	161	(138)	19	118	142
Free cash flow to firm (FCFF)	937.20	456.88	643.51	648.69	729.37
Free cash flow to equity (FCFE)	781.11	110.10	231.65	367.01	456.16

Per share (THB)

FCFF per share	0.76	0.37	0.52	0.52	0.59
FCFE per share	0.63	0.09	0.19	0.30	0.37
Recurring cash flow per share	0.62	0.61	0.49	0.53	0.60

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	2,646	2,836	2,936	3,036	3,136
Less: Accumulated depreciation	(1,444)	(1,562)	(1,705)	(1,840)	(1,970)
Tangible fixed assets (net)	1,202	1,274	1,231	1,196	1,167
Intangible fixed assets (net)	1,724	2,545	2,282	2,017	1,753
Long-term financial assets	189	236	212	224	218
Invest. in associates & subsidiaries	1,072	1,047	1,047	1,047	1,047
Cash & equivalents	255	117	135	253	395
A/C receivable	95	117	122	132	140
Inventories	3	4	4	5	5
Other current assets	1,067	1,227	1,230	1,231	1,233
Current assets	1,420	1,465	1,491	1,621	1,773
Other assets	87	88	88	88	88
Total assets	5,693	6,655	6,351	6,192	6,045
Common equity	3,254	3,248	3,272	3,300	3,335
Minorities etc.	40	23	(16)	(37)	(37)
Total shareholders' equity	3,293	3,272	3,256	3,263	3,298
Long term debt	1,855	2,343	2,163	1,983	1,803
Other long-term liabilities	163	436	451	466	483
Long-term liabilities	2,018	2,780	2,614	2,450	2,286
A/C payable	24	37	44	41	43
Short term debt	195	310	180	180	180
Other current liabilities	163	257	257	259	239
Current liabilities	382	604	481	480	462
Total liabilities and shareholders' equity	5,693	6,655	6,351	6,192	6,045
Net working capital	978	1,055	1,055	1,068	1,097
Invested capital	5,252	6,244	5,915	5,640	5,369

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

Per share (THB)

Book value per share	2.62	2.62	2.64	2.66	2.69
Tangible book value per share	1.23	0.57	0.80	1.03	1.27

Financial strength

Net debt/equity (%)	54.5	77.5	67.8	58.6	48.2
Net debt/total assets (%)	31.5	38.1	34.8	30.9	26.3
Current ratio (x)	3.7	2.4	3.1	3.4	3.8
CF interest cover (x)	17.5	3.3	4.1	5.7	7.5

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	17.6	18.8	17.3	15.5	12.3
Recurring P/E @ target price (x) *	21.3	22.7	20.9	18.7	14.9
Reported P/E (x)	18.8	17.7	18.1	15.5	12.3
Dividend yield (%)	5.8	4.6	5.0	5.8	7.3
Price/book (x)	1.3	1.3	1.3	1.3	1.3
Price/tangible book (x)	2.8	6.1	4.3	3.3	2.7
EV/EBITDA (x) **	7.2	8.2	8.1	7.4	6.2
EV/EBITDA @ target price (x) **	8.3	9.2	9.2	8.5	7.2
EV/invested capital (x)	1.2	1.1	1.1	1.1	1.1

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

Sources: Nam Yong Terminal; FSSIA estimates

SOMBOON ADVANCE TECHNOLOGY

THAILAND / AUTOMOTIVES

SAT TB

HOLD

UNCHANGED

TARGET PRICE	THB22.00
CLOSE	THB21.50
UP/DOWNSIDE	+2.3%
PRIOR TP	THB22.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-7.2%

Softer earnings anticipated in 4Q22

- We expect SAT's core earnings in 4Q22 at THB204m (-4% q-q, +7% y-y) due to a slowdown in revenue and higher costs.
- Still waiting for improvement in its GPM in 2Q23.
- Maintain HOLD with a TP of THB22. The high dividend yield of almost 7% p.a. should be the key support for its share price.

Expect softer 4Q22 results

We expect SAT's core earnings in 4Q22 to soften q-q to THB204m (-4% q-q, +7% y-y). The company's revenue should dip by 3% q-q and 5% y-y to THB2.2b due to a significant decline of almost 20% in Kubota tractor production volume, despite an increase in auto parts revenue that was in line with Thailand's car production volume growth of 5% q-q. On the cost side, the full recognition of the higher electricity cost that came into effect in Sep-22 and higher steel prices continue to pressure the company's GPM, which should dip to 18% vs 18.3% in 3Q22. Note that the company should recognise an FX loss of about THB12m in 4Q22 due to the fast appreciation of the THB.

STRON has started its operation but should have no impact yet

STRON, a subsidiary in which SAT holds a 60% share, partnered with Tron Energy Technology, a Taiwanese company with a high-tech system for assembling electric vehicles and automation, has started producing e-tuk-tuks and minibuses. However, the current production volumes remain small and have not generated a profit for the company. This could result in a hiccup for SAT's performance in 1H23 as STRON could record a small loss during the early stage of production.

Keep an eye on 2Q23

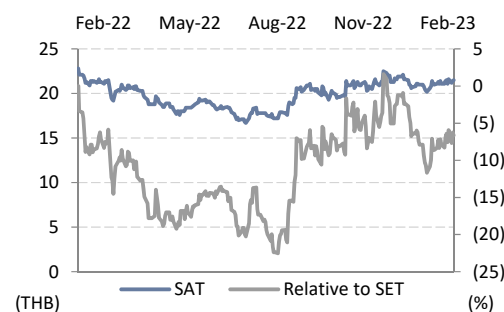
The company believes that it has finally caught up with rising steel prices and will be able to pass the increased costs through to its customers in 2Q23 after bearing it for over a year, now that the price of the steel that SAT uses has finally stabilised at the beginning of this year. Note that although revenue is projected to hit an all-time high in 2022, SAT expects its GPM to be stuck at only c18%, lower than its 2018/19 GPM at 18.5%. Therefore, we believe that SAT should see its GPM for this year improve to 18.4%, which should be another key driver for the company's earnings.

Maintain HOLD with the same TP of THB22

We believe that SAT's performance in 2Q23 will be the key to predicting its earnings growth in 2023. Therefore, despite expecting an unattractive earnings result in 4Q22, we still maintain our HOLD recommendation and TP of THB22 as we wait for signs of a clear improvement in its GPM. Although the company's growth outlook remains unclear, the company still offers a rich dividend yield that we expect to stay at c7% p.a.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	8,598	9,375	9,924	10,542
Net profit	953	967	1,039	1,137
EPS (THB)	2.24	2.28	2.44	2.67
vs Consensus (%)	-	2.3	1.9	0.3
EBITDA	1,490	1,481	1,578	1,696
Core net profit	955	967	1,039	1,137
Core EPS (THB)	2.25	2.28	2.44	2.67
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	147.7	1.3	7.4	9.5
Core P/E (x)	9.6	9.4	8.8	8.0
Dividend yield (%)	7.0	6.9	7.5	8.2
EV/EBITDA (x)	5.1	4.9	4.4	3.8
Price/book (x)	1.2	1.1	1.1	1.0
Net debt/Equity (%)	(21.0)	(23.9)	(26.9)	(29.9)
ROE (%)	13.0	12.4	12.7	13.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.4	2.4	(7.3)
Relative to country (%)	1.3	(1.3)	(8.6)
Mkt cap (USD m)	278		
3m avg. daily turnover (USD m)	1.1		
Free float (%)	64		
Major shareholder	Kitapanich Family (44%)		
12m high/low (THB)	24.20/16.60		
Issued shares (m)	425.19		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

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

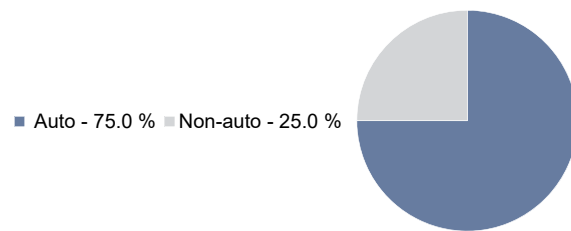
SAT is the safest company in the automotive sector, in our view, as it has no debt and holds more than THB2.5b in cash, equal to THB6 per share. The company has a solid earnings outlook as Thailand's automobile manufacturing industry is one of the largest drivers of the country's economy. The demand 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.

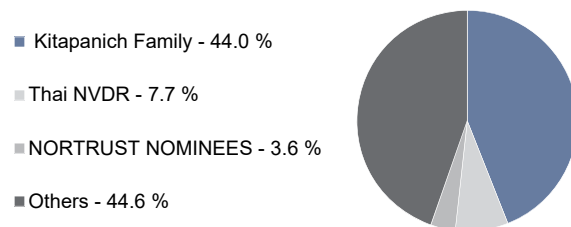
www.satpcl.co.th

Principal activities (revenue, 2021)



Source: Somboon Advance Technology

Major shareholders



Source: Somboon Advance Technology

Catalysts

- The expectation that its earnings should reach another all-time high for 2023;
- Solid dividend yield track record at 5%-7% p.a.

Risks to our call

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

Event calendar

Date	Event
Feb-23	2022 results announcement

Key assumptions

	2021	2022E	2023E	2024E
Car production growth (%)	18	12	2	3
Kubota tractor growth (%)	43	(6)	5	5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in auto parts revenue, we project 2023 earnings to rise by 0.5%, and vice versa, all else being equal.
- For every 1 bp increase in gross profit margin, we project 2023 earnings to rise by 1.4%, and vice versa, all else being equal.

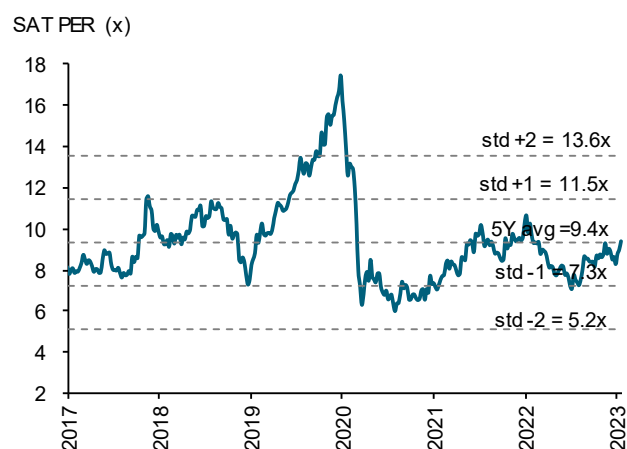
Source: FSSIA estimates

Exhibit 27: SAT – 4Q22 results preview

	4Q21	3Q22	4Q22E	Change		2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Revenue	2,338	2,299	2,230	(3.0)	(4.6)	8,598	9,375	9.0
Operating costs	(1,915)	(1,878)	(1,830)	(2.6)	(4.5)	(6,943)	(7,688)	10.7
Gross profit	423	421	400	(5.0)	(5.3)	1,655	1,688	2.0
SG&A expenses	(191)	(184)	(201)	9.4	5.2	(737)	(764)	3.7
EBIT	232	238	199	(16.2)	(14.0)	918	923	0.6
Depreciation & amortisation	137	129	127	(1.1)	(6.9)	572	558	(2.6)
EBITDA	368	366	327	(10.9)	(11.4)	1,490	1,481	(0.6)
EBITDA margin (%)	16	16	15	nm	nm	17	16	nm
Interest expense	(1)	(1)	(0)	(12.9)	(47.4)	(6)	(3)	(56.8)
Other income	27	19	26	35.6	(4.0)	120	141	17.6
Associates	8	(4)	8	(287.1)	4.4	84	47	(44.4)
Gain/Loss from exchange	(11)	7	(12)	n.a.	n.a.	(1)	0	n.a.
Extra items	0	40	0	n.a.	n.a.	(2)	0	n.a.
Pretax profit	254	299	221	(26.2)	(13.2)	1,115	1,108	(0.6)
Tax	(74)	(42)	(31)	(25.4)	(57.7)	(159)	(133)	(16.2)
Tax rate (%)	(29)	(14)	(14)	nm	nm	(14)	(12)	nm
Minority interests	1	(2)	(2)	n.a.	n.a.	3	8	212.1
Net profit	180	259	192	(25.9)	6.5	954	967	1.4
Core net profit	191	212	204	(3.7)	6.6	956	967	1.2
EPS (THB)	0.42	0.61	0.45	(25.9)	6.5	2.24	2.28	1.4
Core EPS (THB)	0.45	0.50	0.48	(3.7)	6.6	2.25	2.28	1.2

Sources: SAT; FSSIA estimates

Exhibit 28: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 29: Rolling one-year forward P/BV band



Sources: Bloomberg; 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	9,375	9,924	10,542
Cost of goods sold	(4,372)	(6,371)	(7,130)	(7,532)	(7,984)
Gross profit	1,511	2,227	2,245	2,392	2,558
Other operating income	-	-	-	-	-
Operating costs	(601)	(737)	(764)	(814)	(862)
Operating EBITDA	910	1,490	1,481	1,578	1,696
Depreciation	(620)	(572)	(558)	(565)	(576)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	290	918	923	1,013	1,120
Net financing costs	(8)	(6)	(3)	(2)	0
Associates	3	84	47	55	63
Recurring non-operating income	147	204	188	203	221
Non-recurring items	(15)	(2)	0	0	0
Profit before tax	415	1,114	1,108	1,215	1,341
Tax	(40)	(159)	(133)	(164)	(188)
Profit after tax	374	955	975	1,051	1,153
Minority interests	(4)	(3)	(8)	(12)	(16)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	371	953	967	1,039	1,137
Non-recurring items & goodwill (net)	15	2	0	0	0
Recurring net profit	385	955	967	1,039	1,137
Per share (THB)					
Recurring EPS *	0.91	2.25	2.28	2.44	2.67
Reported EPS	0.87	2.24	2.28	2.44	2.67
DPS	0.60	1.50	1.49	1.61	1.76
Diluted shares (used to calculate per share data)	425	425	425	425	425
Growth					
Revenue (%)	(26.5)	46.2	9.0	5.9	6.2
Operating EBITDA (%)	(35.0)	63.7	(0.6)	6.6	7.4
Operating EBIT (%)	(61.7)	216.1	0.6	9.7	10.5
Recurring EPS (%)	(56.9)	147.7	1.3	7.4	9.5
Reported EPS (%)	(58.6)	156.9	1.6	7.4	9.5
Operating performance					
Gross margin inc. depreciation (%)	15.1	19.2	18.0	18.4	18.8
Gross margin of key business (%)	0.2	0.2	0.2	0.2	0.2
Operating EBITDA margin (%)	15.5	17.3	15.8	15.9	16.1
Operating EBIT margin (%)	4.9	10.7	9.8	10.2	10.6
Net margin (%)	6.6	11.1	10.3	10.5	10.8
Effective tax rate (%)	(9.7)	(14.3)	(12.0)	(13.5)	(14.0)
Dividend payout on recurring profit (%)	66.2	66.8	65.5	65.8	65.9
Interest cover (X)	56.4	193.8	444.4	608.4	-
Inventory days	47.4	33.2	31.4	31.4	31.3
Debtor days	85.6	65.0	67.1	64.2	64.1
Creditor days	111.7	86.8	86.5	83.8	83.5
Operating ROIC (%)	6.2	19.3	18.0	19.7	21.6
ROIC (%)	7.5	18.9	17.5	18.9	20.6
ROE (%)	5.4	13.0	12.4	12.7	13.1
ROA (%)	4.3	10.3	9.8	10.2	10.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Auto	4,412	6,449	7,355	7,803	8,315
Non-auto	1,471	2,150	2,021	2,122	2,228

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	967	1,039	1,137
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)	(103)	(79)	(86)
Cash flow from operations	1,028	1,363	1,423	1,549	1,660
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)	(47)	(55)	(63)
Cash flow from investing	(59)	(1,268)	(457)	(565)	(573)
Dividends paid	(476)	(374)	(621)	(634)	(683)
Equity finance	0	0	0	0	0
Debt finance	(187)	(94)	(13)	0	0
Other financing cash flows	(29)	(22)	(18)	0	0
Cash flow from financing	(692)	(490)	(652)	(634)	(683)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	16	0	0	0
Movement in cash	277	(379)	314	350	404
Free cash flow to firm (FCFF)	977.18	100.92	968.36	985.95	1,086.49
Free cash flow to equity (FCFE)	753.56	(4.93)	934.91	983.95	1,086.49

Per share (THB)

FCFF per share	2.30	0.24	2.28	2.32	2.56
FCFE per share	1.77	(0.01)	2.20	2.31	2.56
Recurring cash flow per share	2.12	3.57	3.59	3.83	4.10

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)
Tangible fixed assets (net)	3,403	3,069	2,923	2,870	2,806
Intangible fixed assets (net)	70	39	53	51	49
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	867	1,031	1,078	1,133	1,196
Cash & equivalents	1,981	1,602	1,916	2,266	2,669
A/C receivable	1,311	1,751	1,695	1,795	1,906
Inventories	565	594	632	666	704
Other current assets	550	1,597	1,645	1,694	1,745
Current assets	4,407	5,543	5,887	6,420	7,024
Other assets	208	148	125	130	137
Total assets	8,955	9,830	10,067	10,604	11,212
Common equity	7,042	7,642	7,997	8,414	8,884
Minorities etc.	48	0	8	20	36
Total shareholders' equity	7,091	7,642	8,005	8,434	8,920
Long term debt	59	0	0	0	0
Other long-term liabilities	305	296	291	306	321
Long-term liabilities	364	296	291	306	321
A/C payable	1,337	1,694	1,685	1,775	1,876
Short term debt	71	0	0	0	0
Other current liabilities	93	199	86	90	95
Current liabilities	1,501	1,892	1,771	1,865	1,971
Total liabilities and shareholders' equity	8,955	9,830	10,067	10,604	11,212
Net working capital	996	2,049	2,201	2,289	2,384
Invested capital	5,545	6,336	6,380	6,474	6,572

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

Per share (THB)

Book value per share	16.56	17.97	18.81	19.79	20.89
Tangible book value per share	16.40	17.88	18.68	19.67	20.78

Financial strength

Net debt/equity (%)	(26.1)	(21.0)	(23.9)	(26.9)	(29.9)
Net debt/total assets (%)	(20.7)	(16.3)	(19.0)	(21.4)	(23.8)
Current ratio (x)	2.9	2.9	3.3	3.4	3.6
CF interest cover (x)	113.8	14.3	424.2	569.5	-

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	23.7	9.6	9.4	8.8	8.0
Recurring P/E @ target price (x) *	24.3	9.8	9.7	9.0	8.2
Reported P/E (x)	24.7	9.6	9.4	8.8	8.0
Dividend yield (%)	2.8	7.0	6.9	7.5	8.2
Price/book (x)	1.3	1.2	1.1	1.1	1.0
Price/tangible book (x)	1.3	1.2	1.2	1.1	1.0
EV/EBITDA (x) **	8.1	5.1	4.9	4.4	3.8
EV/EBITDA @ target price (x) **	8.3	5.2	5.0	4.5	4.0
EV/invested capital (x)	1.3	1.2	1.1	1.1	1.0

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

Sources: Somboon Advance Technology; FSSIA estimates

INOUE RUBBER (THAILAND)

THAILAND / AUTOMOTIVE

IRC TB

HOLD

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Slower recovery than peers

- We expect 1QFY23 (Oct-Dec 2022) net profit to decline by 31.3% q-q and 18.9% y-y due to 1) a slower decline in IRC's raw material costs; 2) higher marketing costs to boost sales; and 3) an FX loss.
- Slow raw material cost declines could delay IRC's recovery.
- Initiate coverage with a HOLD rating and TP of THB15.50.

Leading manufacturer in elastomers, motorcycle tires and tubes

IRC, a Thai-Japanese joint venture established in 1969, manufactures motorcycle tires and tubes and elastomer products for the automotive industry and others (such as railway rubber, rubber chips, rubber cushions, etc.). IRC's revenue from industrial elastomer parts and motorcycle tires and tubes is split 54%:46%. It has complete distribution channels that include original equipment manufacturer (OEM) parts under contract, sales of spare parts to the replacement parts market, and exports.

Domestic automotive industry to continue growing

The domestic market is IRC's main source of income, contributing approximately 80% of total sales, of which motorcycle tires and tubes account for about 43%. While Thailand's automotive industry has largely recovered after being hit hard by supply chain disruptions during the pandemic, IRC's operations are making a slower recovery as the purchasing power of middle- to lower-income earners and the costs of oil-linked raw materials weigh on the company's financial performance.

Slow raw material cost declines could delay recovery

We expect IRC to report an unimpressive quarter in 1QFY23 (Oct-Dec 2022) with net profit down by 31.3% q-q and 18.9% y-y to THB22m mainly due to 1) a slower decline in its raw material costs (polymers, chemicals, and synthetic rubber); 2) higher marketing costs to boost sales; and 3) an FX loss. The slow pace of raw material cost declines could push back IRC's recovery to the next 1-2 quarters. Note the net profit growth of 75.2% in FY23E is due to last year's low base.

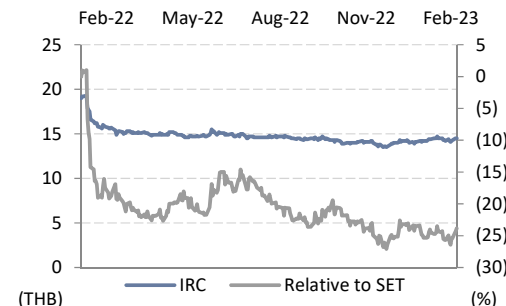
Initiate with a HOLD rating, TP of THB15.50

We initiate coverage on IRC with a HOLD rating and a TP of THB15.50 based on 16x FY23E P/E, equal to its five-year historical average. With relatively high raw material costs compared to its peers, IRC could take more time to recover to the pre-Covid level. However, IRC's strength is its financial structure – the company had cash and cash equivalents of THB897m at the end of FY22 equal to THB4.50 per share or 32% of its current share price.

TARGET PRICE THB15.50
 CLOSE THB14.50
 UP/DOWNSIDE +6.9%
 TP vs CONSENSUS -3.1%

KEY STOCK DATA

YE Sep (THB m)	2022	2023E	2024E	2025E
Revenue	5,883	6,316	6,724	7,158
Net profit	110	193	234	271
EPS (THB)	0.55	0.96	1.17	1.36
vs Consensus (%)	-	81.1	(21.5)	(24.0)
EBITDA	483	599	649	694
Core net profit	110	193	234	271
Core EPS (THB)	0.55	0.96	1.17	1.36
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	(67.7)	75.2	21.5	16.0
Core P/E (x)	26.4	15.1	12.4	10.7
Dividend yield (%)	2.0	3.3	4.0	4.7
EV/EBITDA (x)	4.1	3.0	2.8	2.6
Price/book (x)	0.8	0.7	0.7	0.7
Net debt/Equity (%)	(23.4)	(27.6)	(25.5)	(25.4)
ROE (%)	2.8	4.9	5.6	6.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.1	2.1	(22.5)
Relative to country (%)	1.9	(1.7)	(23.5)
Mkt cap (USD m)			84
3m avg. daily turnover (USD m)			0.0
Free float (%)			24
Major shareholder	Inoue Rubber Co Ltd (34%)		
12m high/low (THB)	19.30/13.50		
Issued shares (m)	200.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

Inoue Rubber (Thailand) (IRC) has achieved sustainable growth as a leading manufacturer of industrial elastomer products and motorcycle tires and tubes with more than 50 years of experience in the industry. The company places importance on R&D, modern manufacturing processes, and reliable technologies, resulting in a consistently high domestic market share.

After being hit hard by supply chain disruptions during the Covid-19 pandemic, the automotive industry is on the road to recovery. However, almost 60% of IRC's total cost of goods sold is linked to the price of crude oil. Therefore, we think the company will take more time to fully recover to the pre-Covid level.

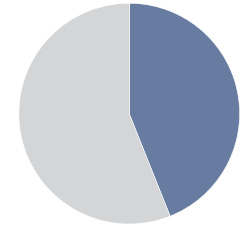
Company profile

Inoue Rubber(Thailand) (IRC) had been established by Inoue Rubber Co Ltd Japan and Leeissaranukul family since 1969. IRC manufactures elastomer products for automotive and other industries, and motorcycle tires and tubes. The company has two plants at Rangsit, Pathumtani province, producing tires and tubes, and Ayutthaya province producing automotive and industrial elastomer.

www.ircthailand.com

Principal activities (revenue, 2022)

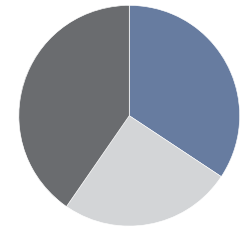
- Motorcycle tires and tubes - 44.0 %
- Industrial elastomer parts - 56.0 %



Source: Inoue Rubber(Thailand)

Major shareholders

- Inoue Rubber Co Ltd - 34.3 %
- KK International Co Ltd - 25.3 %
- Others - 40.4 %



Source: Inoue Rubber(Thailand)

Catalysts

Key catalysts include 1) stronger demand for cars and motorcycles in the region; 2) China's reopening which should boost the global economy; and 3) lower costs for raw materials.

Risks to our call

Downside risks to our P/E-based TP include 1) weaker demand in automotive industry; 2) a sharp rise of crude oil; and 3) chip supply shortage. Upside risks are lower cost of raw materials.

Event calendar

Date	Event
Feb 2023	1QFY23 (Oct-Dec 2022) results announcement

Key assumptions

	FY23E (THB m)	FY24E (THB m)	FY25E (THB m)
Industrial elastomers	3,537	3,765	4,008
<i>Growth (%)</i>	7.3	6.5	6.5
Motorcycle tires & tubes	2,779	2,958	3,149
<i>Growth (%)</i>	7.5	6.5	6.5
Gross margin (%)	9.3	9.9	10.2
SG&A to sales (%)	6.5	6.6	6.5

Source: FSSIA estimates

Earnings sensitivity

- For every 0.5% change in its gross margin, we project STANLY's net profit to change by 13%, all else being equal.
- For every 1% change in its SG&A to sales, we forecast STANLY's net profit to change by 2%, all else being equal.

Source: FSSIA estimates

Leading manufacturer of elastomers, motorcycle tires and tubes

IRC's business is divided into two main categories, namely industrial elastomer parts and motorcycle tires and tubes.

- 1. Industrial elastomer parts** can be separated into two groups: elastomer parts for the automotive industry and elastomer parts for other industries.

Exhibit 30: IRC's elastomer parts for automotive industry

Elastomer parts for car



- 1. Elastomer Parts in Engine Room**
 - Guage Oil
 - Hose Air Intake
 - Cylinder Gasket
- 2. Elastomer Parts in Powertrain System**
 - Column Hole
 - Cover Dust Shift Lever
- 3. Elastomer Parts for shockproof**
 - Seal Rubber Hood
 - Fuel Hose Seal
 - Rubber Bumper
 - Hanger
 - Clamp Injection Pipe
 - Stopper Bump
 - Damper
- 4. Elastomer Parts for Interior and Rubber Seal**
 - Washer Rubber
 - Seal Fuel Tank
 - SPG Seat Rubber
 - Weather Strip Inner
 - Rubber Mirror
 - Socket Cover
 - Dam
 - Door Grommet
 - Shield Splash
 - Shield Fuel Tank
 - Rubber Side Step
 - Tube Protector
 - Rubber Molding Upper
 - Boot Clutch Release Fork Support

Elastomer parts for motorcycle



- 1. Elastomer Parts for motorcycle's body**
 - Peeling Fuel
 - Float
 - Battery Pad
 - Cover Frame
- 2. Elastomer Parts for shockproof**
 - Chain guide
 - Slider Chain
 - Roller Comp Cam Chain Guide
 - Sprocket
- 3. Elastomer Parts for shockproof**
 - Rubber Bush
 - Damper
 - Rubber Protector
- 4. Elastomer Parts for Interior and Rubber Seal**
 - Rubber Cover
 - Grommet
 - Rubber Seal
 - O-ring
 - Tube Drain
 - Socket Body
 - Ring Head Light

Source: IRC

Elastomer parts for other industries are developed by the company's R&D department to support customer-specific applications such as rubber parts used in infrastructure projects, agriculture, construction machinery, cooling machines, rubber container seals, and others, depending on clients' needs.

Exhibit 31: IRC's elastomer parts for other industries

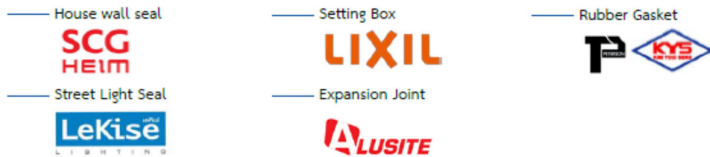
Elastomer parts for electrical appliances and air conditioners



Elastomer parts for agricultural machinery



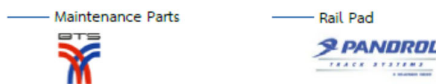
Elastomer parts for construction industry



Elastomer parts for Infrastructure system



Elastomer parts for Rail System



Vi-pafe® Products



Source: IRC

- 2. Motorcycle tires and tubes.** IRC manufactures motorcycle tires and tubes in Thailand under the IRC brand. The company has complete distribution channels from sales, OEM contracts, and sales of spare parts to the replacement (REP) market and exports. With more than fifty years of experience, IRC has gained trust from the leading motorcycle manufacturers in Thailand, namely Honda, Yamaha, Kawasaki, Suzuki, Great Wall Motors, etc.

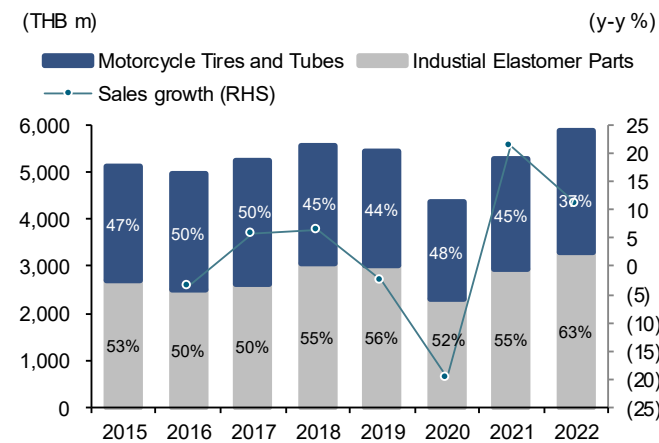
Exhibit 32: IRC's motorcycle tires and tubes



Source: IRC

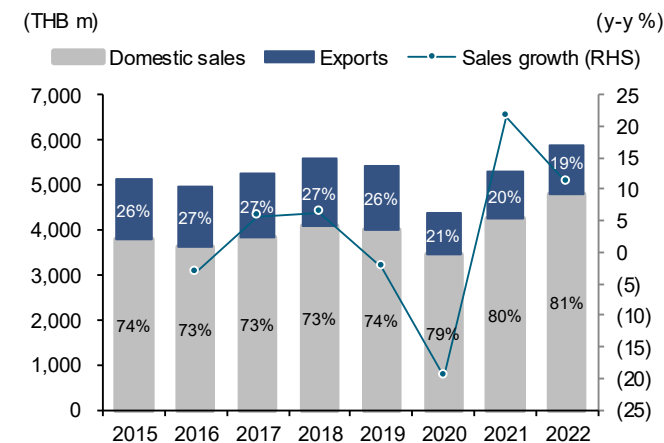
During the past eight years, IRC's revenue contributions from industrial elastomer parts and motorcycle tires and tubes were split 54%:46%, on average. The company's main source of revenue came from the domestic market where its products were sold directly to motorcycle OEM parts dealers and The Sittipol 1919 Co Ltd, a distributor in the replacement parts market. In the export market, IRC supplied motorcycle OEM companies directly via IRC's global marketing arm and via agents in Asean countries including Myanmar and Cambodia. IRC's OEM market also includes automobile assembly plant customers such as Mitsubishi, Toyota, Isuzu, Honda, Nissan, Mazda, Suzuki, Ford, Great Wall Motors, and Mine Mobility, as well as motorcycle assembly plant customers such as Honda, Suzuki, Kawasaki, Yamaha, and Ducati, etc.

Exhibit 33: Sales structure by product type



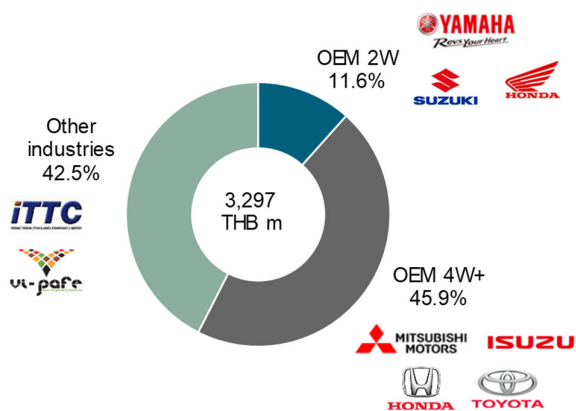
Source: IRC

Exhibit 34: Geographic sales



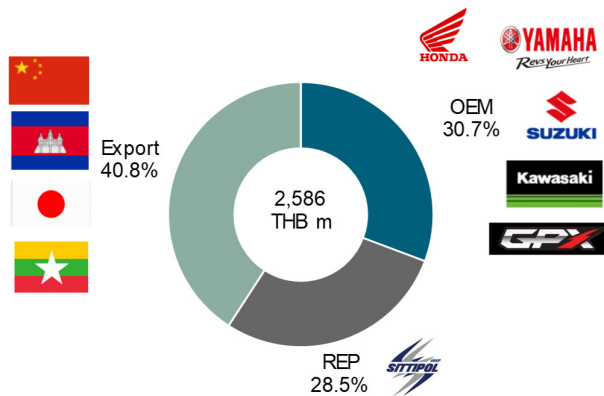
Source: IRC

Exhibit 35: Industrial elastomer sales in 2022



Source: IRC

Exhibit 36: Motorcycle tire and tube sales in 2022



Source: IRC

Leading player in both OEM and REP markets

The industrial elastomer market in Thailand is large and fragmented, resulting in high competition. However, IRC's long experience in industrial tire manufacturing based on high standards and reliable technologies has allowed the company to capture a dominant share of the market. In FY22 (Oct-21 to Sep-22), IRC ranked among the top five in the industrial rubber parts market with a 12.8% share of the OEM market. For motorcycle tires and tubes, IRC was Thailand's first manufacturer of motorcycle tires and tubes, which it sold under the IRC brand. Its diverse distribution channels – one of IRC's strengths – cover sales to OEM dealers, sales of spare parts to the REP market, and export sales.

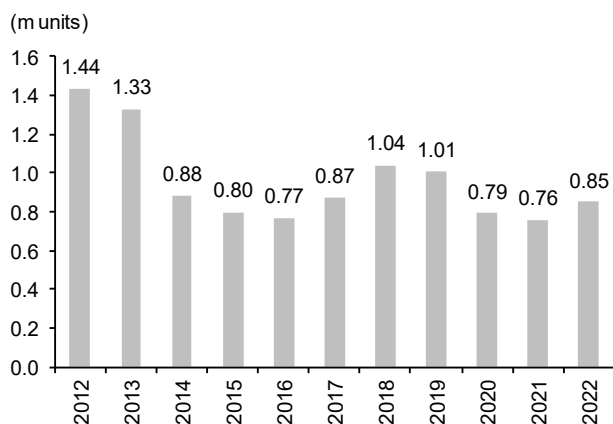
In FY22 (Oct-21 to Sep-22), IRC reported sales revenue of THB5.9b, breaking down into a 56.0% proportion from industrial elastomer products and 44.0% from tire and tube products. Industrial elastomer sales of THB3.3b in FY22 distributed via the four-wheel vehicles or larger (4W+) OEM market accounted for 45.9%, with OEM markets for two-wheel vehicles (2W) making up 11.6%, and 42.5% to other industries (such as agricultural, mechanical, machinery, refrigeration, etc.). Motorcycle tire and tube sales of THB2.6b in FY22 to the OEM market accounted for 30.7%, REP 28.5%, and exports 40.8%.

Domestic automotive industry to continue growing

IRC's revenue growth mainly depends on the local market which contributes c80% of its total sales. After being hit hard by supply chain disruptions during the pandemic, Thailand's automotive industry has undergone a continuous recovery. In 2022, Thailand's car production increased 11.7% y-y to 1.88m units. Domestic sales were the main growth driver with a surge of 11.9% y-y to 0.85m units, while exports grew by only 4.3% y-y. Domestic motorcycle sales soared by an impressive 11.5% y-y to 1.79m units, the highest in five years and already surpassing the pre-Covid level.

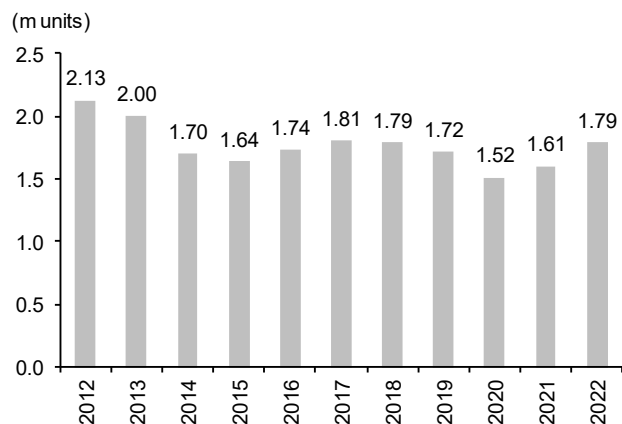
The Federation of Thai Industries (FTI) has set a high car production target for 2023 of 1.95m units, an increase of 3.5% y-y. It expects 1.05m units to be manufactured for export (+1.2%) and 0.9m units for the domestic market (+6.3%). The domestic market has seen a healthy revival, helped by the continued recovery in economic activity and the launch of new car models.

Exhibit 37: Thailand's domestic car sales



Source: The Federation of Thai Industries (FTI)

Exhibit 38: Thailand's domestic motorcycle sales



Source: The Federation of Thai Industries (FTI)

1QFY23E results preview

Despite the improvement in domestic automotive demand, we expect IRC to report an unimpressive result in 1QFY23 (Oct-Dec 2022) with a net profit decline of 31.3% q-q and 18.9% y-y to THB22m, mainly due to 1) a slower decline in its raw material costs (i.e. polymers, chemicals, and synthetic rubber); 2) higher marketing costs to boost sales; and 3) an FX loss. Excluding the FX loss, we expect its core profit to increase 10.6% y-y but lose momentum with an anticipated drop of 6.4% q-q, mainly from the cost side.

Exhibit 39: 1QFY23E results preview

Year to Sep 31	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Sales	1,403	1,568	1,387	1,525	1,494	(2.0)	6.5
Cost of sales	1,282	1,424	1,316	1,421	1,376	(3.1)	7.3
Gross profit	121	145	71	104	118	13.5	(2.2)
Operating costs	85	103	101	94	88	(7.0)	3.2
Operating profit	36	41	(30)	10	30	209.3	(14.9)
Operating EBITDA	123	155	81	124	122	(1.1)	(0.8)
Other income	14	27	10	17	14	(15.2)	(2.6)
Interest expense	0	0	0	0	0	0.0	0.0
Profit before tax	416	486	306	459	454	(1.1)	9.1
Tax	5	6	1	1	3	228.4	(36.6)
Associates	0	0	0	0	0	0.0	0.0
Minority interests	0	0	0	0	0	0.0	0.0
Reported net profit	27	64	(13)	32	22	(31.3)	(18.9)
Core profit	27	64	(13)	32	30	(6.4)	10.6
Reported EPS (THB)	0.14	0.33	(0.07)	0.16	0.11	(31.3)	(21.4)
Core EPS (THB)	0.14	0.32	(0.07)	0.16	0.15	(6.4)	10.6
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)
Gross margin	8.6	9.2	5.1	6.8	7.9	1.1	(0.7)
Operating margin	2.3	4.5	(0.9)	2.2	2.2	0.0	(0.1)
EBITDA margin	8.8	9.9	5.8	8.1	8.2	0.1	(0.6)
Recurring net margin	1.9	4.1	(1.0)	2.1	1.5	(0.6)	(0.5)
SG&A / Sales	7.4	6.4	6.8	5.7	6.6	0.9	(0.7)
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Domestic sales	1,157	1,264	1,130	1,241	1,216	(2.0)	5.1
Export sales	246	305	257	284	278	(2.0)	13.0
Gross margin	(%)	(%)	(%)	(%)	(%)	(q-q %)	(y-y %)
Domestic sales	6.8	7.6	3.7	5.1	6.1	1.0	(0.6)
Export sales	17.3	15.9	11.4	14.3	15.7	1.4	(1.6)

Sources: IRC, FSSIA estimates

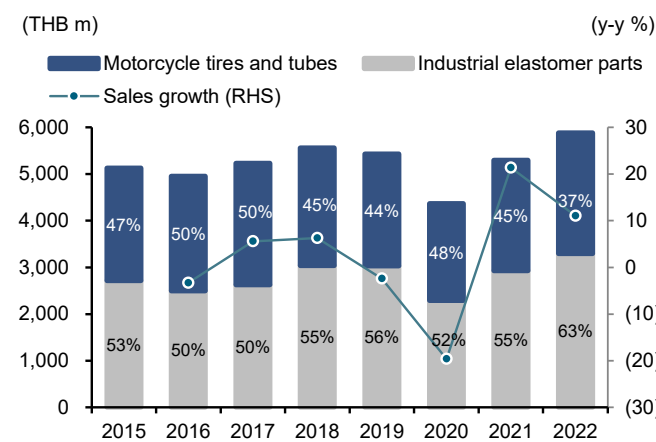
Slow decline in raw material costs could delay recovery

Motorcycle demand relies particularly on the purchasing power of lower-income and middle-class consumers. This, and the cost of oil-linked raw materials, are the key factors affecting IRC's operation. The company's main raw materials to produce tires, tubes and elastomer parts are natural rubber, synthetic rubber, polymers, carbon black, steel, and chemicals, all of which account for almost 60% of the total cost of goods sold. Due to the high price of oil from 2021 to mid-2022, IRC's gross margin plunged from 16.0% in 2QFY21 (Jan-Mar 2021) to its lowest at 5.1% in 3QFY22 (Apr-Jun 2022). Although we believe that oil prices passed their 15-year peak in mid-2022, they are likely to hover around USD70-USD80 per barrel in 2023. Thus, we expect IRC's gross margin to improve slowly into the high-single digits in FY23 but remain below the five-year historical average during pre-Covid at 13.1%.

The 14% hike in the cost of electricity to a minimum of THB5.37 per unit in Jan-April 2023 will also affect IRC's costs in 1QFY23.

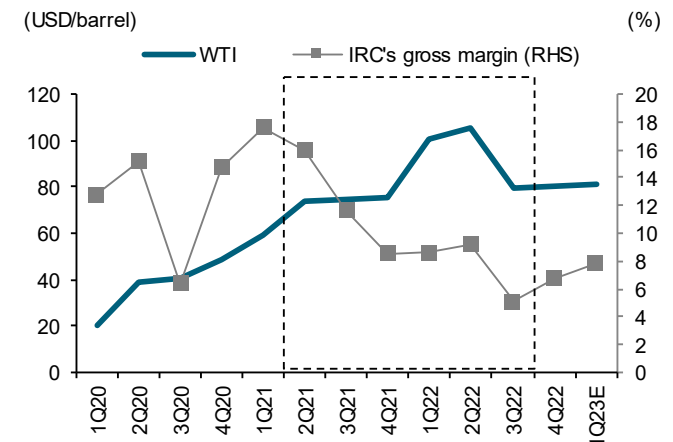
Therefore, we forecast IRC's revenue to increase by 7.4% and 6.5% in FY23-FY24, respectively, with a gradual improvement in gross margin from 7.5% in FY22 to 9.3% in FY23 and 9.9% in FY24. Net profit in FY23 should grow by 75.2% (from the low base in FY22) to THB192.6m, and by 21.5% in FY24 to THB234.0m.

Exhibit 40: IRC's revenue and growth



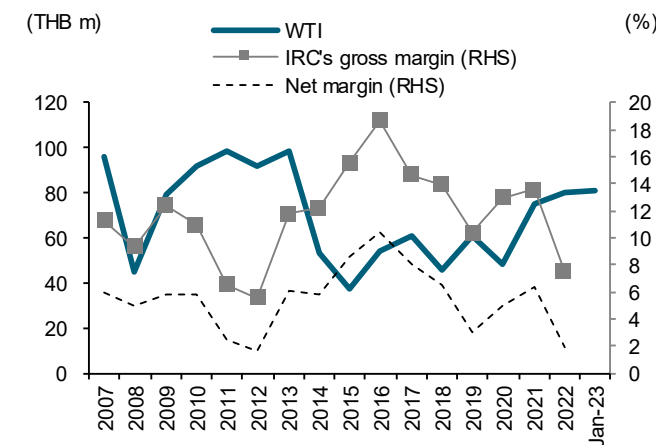
Sources: IRC, FSSIA estimates

Exhibit 41: IRC's cost of goods sold vs oil price



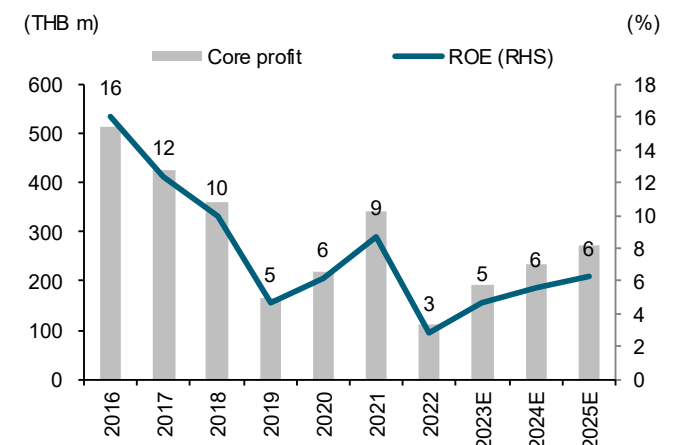
Sources: IRC, Bloomberg

Exhibit 42: IRC's gross and net margins vs oil price



Sources: IRC, FSSIA estimates

Exhibit 43: IRC's core profit and ROE

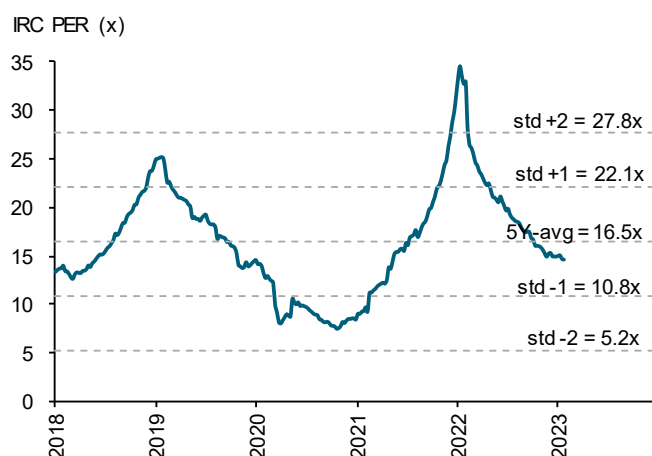


Sources: IRC, FSSIA estimates

Valuation

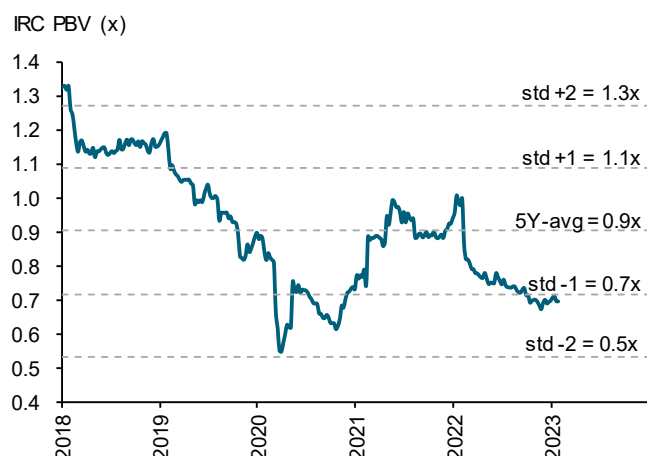
We initiate coverage on IRC with a HOLD rating and a TP of THB15.50 based on 16x FY23E P/E, equal to its five-year historical average. Our TP implies only 0.8x FY23E P/BV, equal to its five-year historical average. With its relatively high raw material costs compared to peers, IRC could take more time to recover to the pre-Covid level. However, IRC is financially strong, with cash and cash equivalents of THB897m at end-FY22 – equal to THB4.50 per share or 32% of its current share price.

Exhibit 44: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 45: One-year rolling forward P/BV band



Sources: Bloomberg, FSSIA estimates

Exhibit 46: Peers comparison as of 31 Jan-23

Company	BBG	Rec	Share price			Market Cap (USD m)	3Y EPS CAGR (%)	PE		DivYld		ROE		PBV	
			Current (LCY)	Target (LCY)	Upside (%)			22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
Aapico Hitech	AH TB	BUY	33.00	42.00	27	354	30	7.8	7.1	5.0	5.7	16.5	16.3	1.2	1.1
Somboon Advance Tech.	SAT TB	HOLD	21.40	22.00	3	275	6	9.4	8.8	7.0	7.5	12.4	12.7	1.1	1.1
Thai Stanley Electric	STANLY TB	BUY	187.50	230.00	23	435	24	9.6	8.7	4.5	4.6	7.7	8.3	0.7	0.7
Inoue Rubber (Thailand)	IRC TB	HOLD	14.50	15.50	7	84	(12)	26.4	15.1	2.0	3.3	2.8	4.9	0.8	0.7
PCS Machine Group Holding	PCSGH TB	n/a	5.35	n/a	n/a	248	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fortune Parts Industry	FPI TB	n/a	3.20	n/a	n/a	147	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average						1,543	37	13.3	9.9	4.6	5.3	9.9	10.5	1.0	0.9

Sources: Bloomberg, FSSIA estimates

Corporate Governance – IRC

Board structure as of 30 Sep-22

Independent Directors (ID)	4 of 11 board members, 2 female
Percentage of IDs on the board	36.4%
ID attendance at board meetings	n/a
ID in audit/remuneration committee	3/3 in audit committee and 1/2 in remuneration committee
ID terms	Nine years each term, renewable for another nine-year term if extended

Additional information: Chairman of the board is one of the two females and is also the executive chairman. Note that four directors including the chairman are family related.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	FY22, THB6.12m vs NP THB110m FY21, THB6.02m vs NP THB340m
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

ESG and sustainability management

Inoue Rubber (Thailand) – IRC is a joint-venture company, established in December 1969 to manufacture elastomer products for the automotive industry and others, and motorcycle tires and tubes of high quality at the international level. IRC's plants are in Rangsit, Pathumthani, and Wangnoi. In FY22, IRC's exports accounted for 18.6% of revenue with a main raw material supply cost of 13.71%.

IRC has seven key policies that outline the company's vision to be a leading sustainable company driven by innovation manufacturing reliable, quality elastomer products using newly developed materials and rubber tires in compliance with environmental social and governance (ESG) principles based on touchable definitions including 1) sustainability in safety and environment; 2) quality in each product with international quality systems; 3) best satisfaction for customers in four product-dimensions: (C) price/cost competitive; (D) delivery at best competitive rating; (Q) quality at best competitive rating; and (S to S) best services/solutions at all times; 4) creating opportunities for human resource improvement to achieve competencies at all levels; 5) continuous R&D for new innovations, products, processes and markets and to keep generating the outputs of existing business; 6) generating strong financial status and attractive returns to shareholders; and 7) supporting good corporate governance and corporate social responsibility.

IRC also intensively plans its practical, sustainable business operations strategy in a way that promotes quality of life and the safety of the customers who use the company's products while simultaneously maintaining the environment, using resources wisely, conducting business ethically, and taking care of all stakeholder groups in order to create value and support its supply chain. (2022 achievements can be found in Form 56-1 One Report)

The company's DNA, or the fundamental principles for all IRC members, consist of 1) our company is our home; 2) corporate culture; and 3) competency and career development as the paths to firm sustainability. The key foundation for achieving goals is based on four significant schemes: 1) innovation based on research and development via innovative technology; 2) customer satisfaction and relationships; 3) international standards of quality providing reliability for customers; and 4) production consisting of process improvements, Smart Factory, effective procurement, the 3Rs, and effective productivity.

Materiality issues	Activities and practice
Transitioning to EV	The automotive industry is transitioning from internal combustion engine (ICE) vehicles to electric vehicles (EVs). While some types of parts can still be shared between EV and gasoline vehicles, such as the body and suspension system, the transition is an opportunity for IRC. The Thai government targets making EVs 30% of total car production by 2030. This includes production of hybrid electric vehicles (HEV/PHEV). This means the company's ICE-related products can still enter the hybrid car market, and with current technological advancements, IRC can develop products for EVs with its customers while developing EV-optimised motorcycle tires. Other attempts to mitigate impacts during the transition period and retain market share include product development for value-added creation, innovative products for chargers, and alternative products in other rubber-dependent industries. IRC is also studying rubber parts used in car assembly in order to accommodate upcoming changes.
Reliance on major customers	In FY21, IRC distributed motorcycle tires, tubes, and industrial elastomer parts to 14 major customers. Despite having good relationships with customers, the company is well aware of the need to remain competitive by consistently improving its products and services while acquiring new customers and new markets such as automobile and electric motorcycle manufacturers, as well as customers in other industries.
IT and cyber threats	IRC's IT security policy mitigates the risk of business interruptions caused by such events, and regularly assess risks.
Foreign currency risk	IRC is primarily exposed to THB-USD and THB-YEN exchange rates. The group uses forward exchange contracts with financial institutions covering c97.02% of its foreign currency transactions to manage FX risks.
Cash flow and interest rate risk	IRC's exposure to interest rate risks relates primarily to its deposits at financial institutions and investments in debt instruments, mostly bearing floating rates or fixed rates which are close to the market rate. The company uses interest rate swaps to manage risk when necessary.
Occupational health and safety and the quality of employees	The company sets the highest safety standards in the workplace to help reduce all possible risks that may take place during the employees' daily operations. A safety training program is featured on Safety Day, a corporate activity launched to ensure sufficient knowledge about occupational health and safety for employees. Aside from flood monitoring, the company also holds fire evacuation drills regularly.
Emerging risks	The geopolitical situation and inflation are outside the company's control. To mitigate impacts, the company keeps costs competitive by researching and developing substitutes for high-priced raw materials, as well as supply chain management, including futures contracts.
Sustainability related awards and recognitions received during FY22 (ending in September)	<ul style="list-style-type: none"> Dec-21 <ul style="list-style-type: none"> Sustainability Disclosure Recognition Award 2021 from the Thaipat Institute Honourable Mention from the 10th NACC Integrity Awards organised by the Office of the National Anti-Corruption Commission Jan-22 <ul style="list-style-type: none"> Received an Automation Award for production process development using robots from INOAC CORPORATION Received an IT Award for "Tire Component Stock Intelligence Program" from INOAC CORPORATION Feb-22 <ul style="list-style-type: none"> Received "2021 BEST QUALITY AWARD" from Thai Yamaha Motor Co Sep-22 <ul style="list-style-type: none"> Received Zero Waste to Landfill Achievement Award from Department of Industrial Works Oct-22 <ul style="list-style-type: none"> Wang Noi Factory was recognised as an Eco Factory for its Social Value Impact (Silver Award) Nov-22 <ul style="list-style-type: none"> "ASEAN Regional Quality Award Finalist" from NISSAN MOTOR (THAILAND) Listed on the Thailand Sustainability Investment index (THSI) 2022 by the SET for six consecutive years Rated as "Excellent" or "five stars" in the Corporate Governance Report on Thai Listed Companies (CGR) in 2022 from the Thai Institute of Directors (IOD)

Source: Form 56-1 One Report 2022

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Limited (PwC)
Length of service	More than five years
Reporting incidents	None
Fee track record	THB1.98m
Policy on change of audit firm	To be reviewed every five years

Additional information: None

Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriate and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Financial Statements

Inoue Rubber(Thailand)

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	5,297	5,883	6,316	6,724	7,158
Cost of goods sold	(4,577)	(5,443)	(5,731)	(6,057)	(6,427)
Gross profit	720	440	585	666	731
Other operating income	435	429	426	428	431
Operating costs	(373)	(386)	(412)	(446)	(468)
Operating EBITDA	782	483	599	649	694
Depreciation	(361)	(361)	(359)	(357)	(354)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	421	122	241	293	339
Net financing costs	0	0	0	0	0
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	421	122	241	293	339
Tax	(81)	(12)	(48)	(59)	(68)
Profit after tax	340	110	193	234	271
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	340	110	193	234	271
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	340	110	193	234	271
Per share (THB)					
Recurring EPS *	1.70	0.55	0.96	1.17	1.36
Reported EPS	1.70	0.55	0.96	1.17	1.36
DPS	0.88	0.29	0.48	0.59	0.68
Diluted shares (used to calculate per share data)	200	200	200	200	200
Growth					
Revenue (%)	21.4	11.1	7.4	6.5	6.5
Operating EBITDA (%)	27.1	(38.2)	24.1	8.3	6.9
Operating EBIT (%)	59.3	(70.9)	96.7	21.5	15.9
Recurring EPS (%)	55.2	(67.7)	75.2	21.5	16.0
Reported EPS (%)	55.2	(67.7)	75.2	21.5	16.0
Operating performance					
Gross margin inc. depreciation (%)	6.8	1.4	3.6	4.6	5.3
Gross margin of key business (%)	13.6	7.5	9.3	9.9	10.2
Operating EBITDA margin (%)	14.8	8.2	9.5	9.7	9.7
Operating EBIT margin (%)	7.9	2.1	3.8	4.4	4.7
Net margin (%)	6.4	1.9	3.0	3.5	3.8
Effective tax rate (%)	19.2	10.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	52.0	52.9	50.0	50.0	50.0
Interest cover (X)	6,965.7	2,461.9	4,843.5	5,886.6	6,825.3
Inventory days	49.8	54.6	54.2	53.0	51.9
Debtor days	58.6	59.9	60.3	57.7	56.7
Creditor days	68.9	72.9	72.0	65.6	60.7
Operating ROIC (%)	14.3	4.2	8.0	9.4	10.4
ROIC (%)	11.1	3.0	5.9	7.0	7.8
ROE (%)	9.1	2.8	4.9	5.6	6.4
ROA (%)	6.9	2.1	3.6	4.2	4.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Motorcycle tires and tubes	2,369	2,586	2,871	3,072	3,287
Industrial elastomer parts	2,929	3,297	3,445	3,652	3,871

Sources: Inoue Rubber(Thailand); FSSIA estimates

Financial Statements

Inoue Rubber(Thailand)

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	340	110	193	234	271
Depreciation	361	361	359	357	354
Associates & minorities	0	0	0	0	0
Other non-cash items	(1)	12	0	0	0
Change in working capital	(90)	(142)	20	(294)	(243)
Cash flow from operations	610	340	571	297	383
Capex - maintenance	-	-	-	-	-
Capex - new investment	(225)	(292)	(240)	(235)	(218)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(177)	16	0	0	0
Cash flow from investing	(402)	(276)	(240)	(235)	(218)
Dividends paid	(110)	(170)	(96)	(117)	(136)
Equity finance	0	0	0	0	0
Debt finance	0	0	0	0	0
Other financing cash flows	-	-	-	-	-
Cash flow from financing	(110)	(170)	(96)	(117)	(136)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(125)	0	(2)	0	0
Movement in cash	(27)	(106)	233	(55)	29
Free cash flow to firm (FCFF)	208.02	64.17	331.41	62.00	164.77
Free cash flow to equity (FCFE)	82.96	64.12	329.36	61.95	164.72

Per share (THB)

FCFF per share	1.04	0.32	1.66	0.31	0.82
FCFE per share	0.41	0.32	1.65	0.31	0.82
Recurring cash flow per share	3.50	2.41	2.76	2.95	3.13

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	6,707	6,928	6,565	6,226	5,890
Less: Accumulated depreciation	(5,014)	(5,294)	(4,935)	(4,579)	(4,225)
Tangible fixed assets (net)	1,693	1,634	1,629	1,647	1,665
Intangible fixed assets (net)	45	49	49	52	52
Long-term financial assets	217	444	444	444	444
Invest. in associates & subsidiaries	550	235	235	235	235
Cash & equivalents	1,003	897	1,130	1,074	1,102
A/C receivable	884	1,047	1,038	1,087	1,137
Inventories	790	838	864	896	933
Other current assets	12	8	14	15	16
Current assets	2,689	2,791	3,046	3,072	3,189
Other assets	102	119	119	128	133
Total assets	5,295	5,272	5,522	5,578	5,717
Common equity	3,894	3,832	4,088	4,205	4,340
Minorities etc.	0	0	0	0	0
Total shareholders' equity	3,894	3,832	4,088	4,205	4,340
Long term debt	1	1	1	1	1
Other long-term liabilities	350	287	303	296	286
Long-term liabilities	351	287	304	296	287
A/C payable	1,026	1,147	1,115	1,062	1,074
Short term debt	0	0	0	0	0
Other current liabilities	24	6	16	15	16
Current liabilities	1,050	1,153	1,131	1,077	1,090
Total liabilities and shareholders' equity	5,295	5,272	5,522	5,578	5,717
Net working capital	636	741	786	921	997
Invested capital	3,242	3,222	3,262	3,427	3,525

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

Per share (THB)

Book value per share	19.47	19.16	20.44	21.02	21.70
Tangible book value per share	19.25	18.91	20.19	20.77	21.44

Financial strength

Net debt/equity (%)	(25.7)	(23.4)	(27.6)	(25.5)	(25.4)
Net debt/total assets (%)	(18.9)	(17.0)	(20.4)	(19.2)	(19.3)
Current ratio (x)	2.6	2.4	2.7	2.9	2.9
CF interest cover (x)	5,096.1	7,163.6	11,454.3	5,968.1	7,700.1

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	8.5	26.4	15.1	12.4	10.7
Recurring P/E @ target price (x) *	9.1	28.2	16.1	13.2	11.4
Reported P/E (x)	8.5	26.4	15.1	12.4	10.7
Dividend yield (%)	6.1	2.0	3.3	4.0	4.7
Price/book (x)	0.7	0.8	0.7	0.7	0.7
Price/tangible book (x)	0.8	0.8	0.7	0.7	0.7
EV/EBITDA (x) **	2.4	4.1	3.0	2.8	2.6
EV/EBITDA @ target price (x) **	2.7	4.6	3.3	3.1	2.9
EV/invested capital (x)	0.6	0.6	0.5	0.5	0.5

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

Sources: Inoue Rubber(Thailand); FSSIA estimates

THAI STANLEY ELECTRIC

STANLY TB

THAILAND / AUTOMOTIVE

This report is being republished for reference purposes. No changes have been made to the report from its original date of publication.

BUY

UNCHANGED

TARGET PRICE	THB230.00
CLOSE	THB191.00
UP/DOWNSIDE	+20.4%
PRIOR TP	THB240.00
CHANGE IN TP	-4.2%
TP vs CONSENSUS	+6.2%

Bottom line miss in 3QFY23

- 3QFY23 core profit was THB392m, lower than our forecast by 13% and the Bloomberg consensus by 7%.
- This was mainly due to lower-than-expected revenue and a higher-than-expected cost of goods sold.
- Maintain BUY with a slightly lower TP of THB230.

Weaker-than-expected 3QFY23 results due to product mix

STANLY posted a 3QFY23 (Oct-Dec 2022) net profit of THB376m, -22.7% q-q, -5.2% y-y. Excluding a THB16m forex loss, its core profit was THB392m (-17.8% q-q, +0.1% y-y), lower than our forecast by 13% and the Bloomberg consensus by 7%. This was mainly due to lower-than-expected revenue and a higher-than-expected cost of goods sold. Sales revenue rose by only 1.4% q-q and 2.6% y-y to THB3.6b, splitting into 65% domestic sales and 35% export. The lower-than-expected revenue was caused by the quiet domestic sales in December. Gross margin was flat q-q at 17.0% but dropped y-y due to a lower revenue proportion from the higher-margin export sales and mold products.

Helped by associates

SG&A was well controlled at 7.6% to sales, 20 bps lower than that in 2QFY23 (Jul-Sep 2022) and 3QFY22 (Oct-Dec 2021). Share of profits from associates in 3QFY23 surged 40.7% y-y to THB105m, the second highest share of profits by quarter in at least four years, thanks to the solid performance from the JV in Vietnam (STANLY holds 20%). The absence of dividend income incurred in 2QFY23 also contributed to a q-q decline in 3QFY23 core profit.

Earnings revisions on cautious view to margins

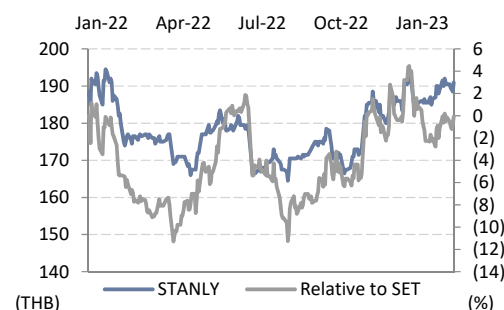
STANLY's 9MFY23 (Apr-Dec 2022) core profit grew 13.7% y-y to THB1.2b, accounting for 68.1% of our previous forecast. Although we are confident that the auto industry is on the road to recovery, the industrial sector is starting to feel the high electric bills. We trim our core profit forecast for FY23-FY25 by 4%/5%/2% to reflect the 20.5% increase in the power tariff for businesses to THB5.69 (+THB0.97) per unit from January to April 2023, and adopt a more cautious view to its gross margin.

Maintain BUY with a slightly lower TP of THB230

Despite our estimate cuts, we expect STANLY's core profit to grow at a CAGR of 18.8% during FY23-FY25. We maintain BUY on STANLY with a slight cut to our TP to THB230 from THB240, based on 9.0x FY24E P/E, equal to its five-year historical average. We still like STANLY for its undemanding valuations, very low financial risk, and high liquidity. It is currently trading at an FY24E P/E of 7.3x and a P/BV of only 0.7x.

KEY STOCK DATA

YE Mar (THB m)	2022	2023E	2024E	2025E
Revenue	13,582	14,494	16,106	18,359
Net profit	1,521	1,661	1,994	2,345
EPS (THB)	19.85	21.67	26.02	30.60
vs Consensus (%)	-	6.6	19.3	28.0
EBITDA	3,158	3,286	3,780	4,299
Core net profit	1,496	1,661	1,994	2,345
Core EPS (THB)	19.53	21.67	26.02	30.60
Chg. In EPS est. (%)	-	(3.6)	(4.5)	(1.8)
EPS growth (%)	44.7	11.0	20.1	17.6
Core P/E (x)	9.8	8.8	7.3	6.2
Dividend yield (%)	4.5	4.5	5.5	6.4
EV/EBITDA (x)	3.8	3.8	3.2	2.8
Price/book (x)	0.7	0.7	0.7	0.7
Net debt/Equity (%)	(13.3)	(10.8)	(11.3)	(12.5)
ROE (%)	7.7	8.3	9.7	11.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.7	11.0	4.1
Relative to country (%)	1.9	6.1	1.5
Mkt cap (USD m)	446		
3m avg. daily turnover (USD m)	0.3		
Free float (%)	34		
Major shareholder	Stanley Electric Holding Asia-Pacific Pte., Ltd. (36%)		
12m high/low (THB)	198.50/164.50		
Issued shares (m)	76.63		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We reiterate our BUY call on STANLY with a slightly lower TP to THB230 from THB240, in accordance with a small cut in our forecast to reflect our more cautious view to its gross margin and an electricity price hike during 4M23.

We like STANLY as it is in a low competition industry with only a few players in the market. The company has a competitive advantage as a partner with a Japanese JV and as a listed company on the Stock Exchange of Thailand, which allows the company to seek lower-cost funding sources. Moreover, we think STANLY's share price is undemanding at only 7.3x FY24E P/E and 0.7x P/BV.

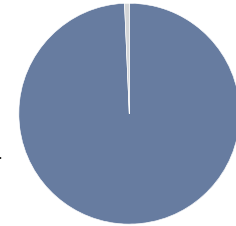
Company profile

STANLY is a manufacturer and distributor of automotive lighting equipment, namely lamps, lighting sets, and metal molds to domestic and international automotive manufacturers. STANLY was founded by a Thai-Japanese joint venture between The Sittipol 1919 Co., Ltd. and Stanley Electric Co., Ltd. of Japan. The company has three plants in Thailand manufacturing auto bulbs, dies and molds, and auto lamps. The company has two joint ventures in Vietnam and Laos.

www.thaistanley.com

Principal activities (revenue, 2022)

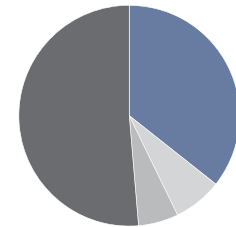
- Auto bulbs & automotive lighting equipment - 99.3 %
- Molds & dies and product designs - 0.7 %



Source: Thai Stanley Electric

Major shareholders

- Stanley Electric Holding Asia-Pacific Pte., Ltd. - 35.7 %
- Mr. Apichart Lee-issaranukul - 7.1 %
- Mrs. Porndee Lee-issaranukul - 5.9 %
- Others - 51.4 %



Source: Thai Stanley Electric

Catalysts

Key potential catalysts include 1) stronger demand for cars and motorcycles in the region; 2) new orders; and 3) lower costs for raw materials.

Risks to our call

Downside risks to our P/E-based TP include 1) weak global automotive demand; 2) higher raw material prices and utility costs; 3) global semiconductor shortages; and 4) fluctuations in the THB.

Event calendar

Date	Event
May 2023	FY23 results announcement

Key assumptions

	FY23E (THB m)	FY24E (THB m)	FY25E (THB m)
Auto bulbs & lighting	14,394	15,996	18,239
<i>Growth</i>	6.7	11.1	10.8
Die & molds	100	109	121
<i>Growth</i>	8.0	10.0	10.1
Gross margin	17.1	18.0	18.5
SG&A to sales	7.6	7.1	6.8

Source: FSSIA estimates

Earnings sensitivity

- For every 0.5% change in its gross margin, we project STANLY's net profit to change by 3%, all else being equal.
- For every 10% change in utility costs, we project STANLY's net profit to change by 2%, all else being equal.
- For every 1% change in its SG&A to sales, we forecast STANLY's net profit to change by 6%, all else being equal.

Source: FSSIA estimates

3QFY23 results review

Exhibit 47: 3QFY23 results

Year to Mar 31	3QFY22	2QFY23	3QFY23	----- Change -----		9MFY22	9MFY23	Change	FY23E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	(THB m)
Sales	3,512	3,551	3,602	1.4	2.6	9,748	10,436	7.1	14,494
Cost of sales	2,844	2,949	2,991	1.4	5.1	7,978	8,674	8.7	12,022
Gross profit	667	602	611	1.6	(8.4)	1,770	1,762	(0.4)	2,471
Operating costs	274	278	274	(1.5)	0.1	762	822	7.9	1,102
Operating profit	394	324	337	4.2	(14.3)	1,008	940	(6.8)	1,370
Operating EBITDA	816	848	772	(9.0)	(5.4)	2,273	2,315	1.8	3,286
Other income	23	135	44	(67.3)	94.2	90	207	129.7	231
Interest expense	0	0	0	0.0	0.0	416	499	19.8	0
Profit before tax	416	459	382	(16.9)	(8.3)	1,099	1,147	4.4	1,601
Tax	98	103	94	(8.7)	(4.9)	253	275	8.9	320
Associates	74	121	105	(13.7)	40.7	187	303	61.8	380
Minority interests	0	0	0	0.0	0.0	0	0	0.0	(0)
Reported net profit	397	487	376	(22.7)	(5.2)	1,047	1,180	12.7	1,661
Core profit	392	478	392	(17.8)	0.1	1,033	1,174	13.7	1,661
Reported EPS (THB)	5.18	6.35	4.91	(22.7)	(5.2)	13.67	15.40	12.7	21.67
Core EPS (THB)	5.12	6.23	5.12	(17.8)	0.1	13.48	15.32	13.7	21.67
Key Ratios (%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	(%)
Gross margin	19.0	17.0	17.0	0.0	(2.0)	18.2	16.9	(1.3)	17.1
Operating margin	11.9	12.9	10.6	(2.3)	(1.3)	11.3	11.0	(0.3)	11.0
EBITDA margin	23.2	23.9	21.4	(2.4)	(1.8)	23.3	22.2	(1.1)	22.7
Recurring net margin	11.2	13.5	10.9	(2.6)	(0.3)	10.6	11.3	0.7	11.5
SG&A / Sales	7.8	7.8	7.6	(0.2)	(0.2)	7.8	7.9	0.1	7.6
Revenue breakdown by product type	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	(THB m)
Auto bulbs & automotive lighting equipment	3,490	3,488	3,598	3.1	3.1	9,670	10,356	7.1	14,394
Molds & dies and product designs	21	63	4	(92.9)	(79.1)	79	80	2.1	100
Revenue breakdown by market	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	(THB m)
Domestic sales	2,139	2,390	2,355	(1.5)	10.1	5,867	6,854	16.8	10,638
Export sales	1,373	1,161	1,247	7.4	(9.2)	3,882	3,583	(7.7)	3,855

Sources: STANLY; FSSIA estimates

Core profit and TP revisions

Although we are confident that the auto industry is on the road to recovery, the industrial sector is starting to feel the high electric bills. Utility costs contributed to 3.5% of STANLY’s total cost of goods sold and 2.6% of its sales revenue in FY22. In the current situation where economic challenges lie ahead, it is difficult to pass through the rising costs to customers. We trim our core profit forecast for FY23-FY25 by 4%/5%/2% to reflect the 20.5% increase in the power tariff for businesses to THB5.69 (+THB0.97) per unit from January to April 2023, and adopt a more cautious view to its gross margin.

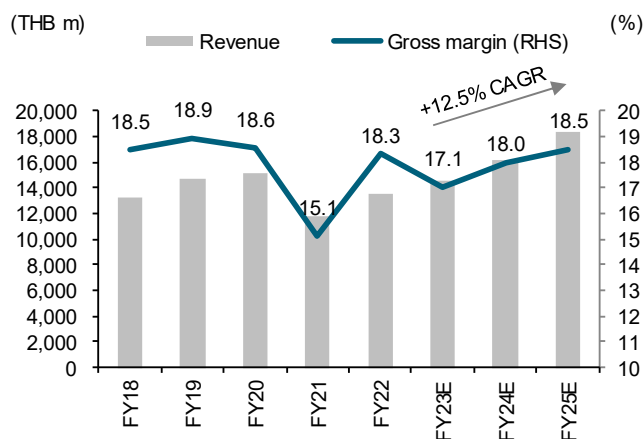
Despite our estimate cuts, we expect STANLY’s core profit to grow at a CAGR of 18.8% during FY23-FY25. We maintain BUY on STANLY with a slight cut to our TP to THB230 from THB240, based on 9.0x FY24E P/E, equal to its five-year historical average. We still like STANLY for its undemanding valuations, very low financial risk, and high liquidity. It is currently trading at an FY24E P/E of 7.3x and a P/BV of only 0.7x.

Exhibit 48: Change of key assumptions

YE Mar	Current			Previous			Change		
	FY23E (THB m)	FY24E (THB m)	FY25E (THB m)	FY23E (THB m)	FY24E (THB m)	FY25E (THB m)	FY23E (%)	FY24E (%)	FY25E (%)
Auto bulbs & lighting	14,394	15,996	18,239	14,812	16,461	18,239	(2.8)	(2.8)	(0.0)
Die & molds	100	109	121	100	109	121	(0.5)	0.5	(0.4)
Total revenue	14,494	16,106	18,359	14,912	16,570	18,359	(2.8)	(2.8)	(0.0)
Cost of goods sold	12,022	13,207	14,963	12,295	13,488	14,871	(2.2)	(2.1)	0.6
Gross profit	2,471	2,899	3,396	2,617	3,082	3,488	(5.6)	(5.9)	(2.6)
EBIT	1,601	1,984	2,392	1,704	2,128	2,473	(6.1)	(6.8)	(3.3)
Core net profit	1,661	1,994	2,345	1,724	2,088	2,387	(3.6)	(4.5)	(1.8)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross margin	17.1	18.0	18.5	17.6	18.6	19.0	(0.5)	(0.6)	(0.5)
EBIT margin	11.0	12.3	13.0	11.4	12.8	13.5	(0.4)	(0.5)	(0.4)
Core profit margin	11.5	12.4	12.8	11.6	12.6	13.0	(0.1)	(0.2)	(0.2)
Growth	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Revenue	6.7	11.1	14.0	9.8	11.1	10.8	(3.1)	(0.0)	3.2
Core profit	11.0	20.1	17.6	15.2	21.1	14.3	(4.2)	(1.1)	3.3

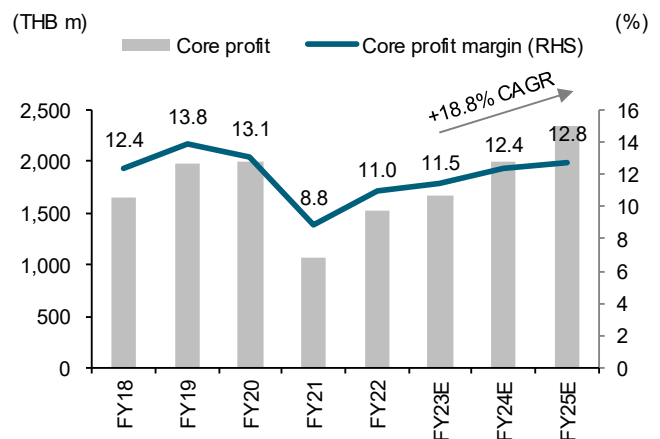
Sources: FSSIA estimates

Exhibit 49: STANLY’s revenue and gross margin



Sources: STANLY, FSSIA estimates

Exhibit 50: Core profit and core profit margin



Sources: STANLY, FSSIA estimates

Financial Statements

Thai Stanley Electric

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,728	13,582	14,494	16,106	18,359
Cost of goods sold	(9,952)	(11,093)	(12,022)	(13,207)	(14,963)
Gross profit	1,776	2,490	2,471	2,899	3,396
Other operating income	1,691	1,693	1,916	2,018	2,142
Operating costs	(883)	(1,024)	(1,102)	(1,137)	(1,239)
Operating EBITDA	2,583	3,158	3,286	3,780	4,299
Depreciation	(1,556)	(1,574)	(1,685)	(1,796)	(1,907)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,027	1,584	1,601	1,984	2,392
Net financing costs	0	0	0	0	0
Associates	242	282	380	407	431
Recurring non-operating income	242	282	380	407	431
Non-recurring items	27	24	0	0	0
Profit before tax	1,296	1,890	1,981	2,391	2,823
Tax	(235)	(369)	(320)	(397)	(478)
Profit after tax	1,061	1,521	1,661	1,994	2,345
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,061	1,521	1,661	1,994	2,345
Non-recurring items & goodwill (net)	(27)	(24)	0	0	0
Recurring net profit	1,034	1,496	1,661	1,994	2,345
Per share (THB)					
Recurring EPS *	13.49	19.53	21.67	26.02	30.60
Reported EPS	13.85	19.85	21.67	26.02	30.60
DPS	5.50	8.50	8.67	10.41	12.24
Diluted shares (used to calculate per share data)	77	77	77	77	77
Growth					
Revenue (%)	(22.6)	15.8	6.7	11.1	14.0
Operating EBITDA (%)	(27.4)	22.3	4.0	15.0	13.7
Operating EBIT (%)	(51.3)	54.3	1.0	23.9	20.6
Recurring EPS (%)	(47.8)	44.7	11.0	20.1	17.6
Reported EPS (%)	(46.9)	43.3	9.2	20.1	17.6
Operating performance					
Gross margin inc. depreciation (%)	1.9	6.7	5.4	6.8	8.1
Gross margin of key business (%)	15.1	18.3	17.1	18.0	18.5
Operating EBITDA margin (%)	22.0	23.3	22.7	23.5	23.4
Operating EBIT margin (%)	8.8	11.7	11.0	12.3	13.0
Net margin (%)	8.8	11.0	11.5	12.4	12.8
Effective tax rate (%)	18.1	19.5	16.2	16.6	16.9
Dividend payout on recurring profit (%)	40.8	43.5	40.0	40.0	40.0
Interest cover (X)	-	-	-	-	-
Inventory days	26.0	19.7	23.4	24.4	24.5
Debtor days	80.7	69.4	65.5	60.2	57.2
Creditor days	38.7	34.4	32.0	30.1	28.2
Operating ROIC (%)	6.7	9.5	9.1	11.1	13.0
ROIC (%)	6.4	8.5	8.5	9.9	11.3
ROE (%)	5.7	7.7	8.3	9.7	11.0
ROA (%)	4.9	6.7	7.2	8.5	9.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Auto bulbs & automotive lighting equipment	11,125	13,490	14,394	15,996	18,239
Molds & dies and product designs	603	92	100	109	121

Sources: Thai Stanley Electric; FSSIA estimates

Financial Statements

Thai Stanley Electric

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,034	1,496	1,661	1,994	2,345
Depreciation	1,556	1,574	1,685	1,796	1,907
Associates & minorities	(242)	(282)	(380)	(407)	(431)
Other non-cash items	223	405	0	0	0
Change in working capital	302	(621)	(30)	(221)	(423)
Cash flow from operations	2,873	2,573	2,935	3,162	3,397
Capex - maintenance	0	0	0	0	0
Capex - new investment	(1,604)	(927)	(562)	(872)	(872)
Net acquisitions & disposals	-	0	-	-	-
Other investments (net)	(1,159)	(1,234)	(2,094)	(1,392)	(1,296)
Cash flow from investing	(2,763)	(2,161)	(2,656)	(2,264)	(2,168)
Dividends paid	(632)	(421)	(664)	(798)	(938)
Equity finance	0	0	0	0	0
Debt finance	0	0	0	0	0
Other financing cash flows	-	0	-	-	-
Cash flow from financing	(632)	(421)	(664)	(798)	(938)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	8	2	0	79	83
Net other adjustments	8	2	(92)	79	83
Movement in cash	(514)	(7)	(477)	179	374
Free cash flow to firm (FCFF)	109.91	411.62	279.69	898.27	1,229.57
Free cash flow to equity (FCFE)	118.05	414.05	187.69	976.78	1,312.20

Per share (THB)

FCFF per share	1.43	5.37	3.65	11.72	16.05
FCFE per share	1.54	5.40	2.45	12.75	17.13
Recurring cash flow per share	33.55	41.68	38.70	44.15	49.86

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	23,900	24,589	22,566	20,742	18,808
Less: Accumulated depreciation	(14,497)	(15,512)	(13,827)	(12,032)	(10,125)
Tangible fixed assets (net)	9,403	9,077	8,739	8,711	8,683
Intangible fixed assets (net)	1,028	989	989	1,038	1,060
Long-term financial assets	1,337	1,485	1,685	1,685	1,685
Invest. in associates & subsidiaries	1,733	1,909	2,079	2,329	2,579
Cash & equivalents	2,663	2,656	2,179	2,359	2,733
A/C receivable	2,550	2,618	2,581	2,736	3,018
Inventories	477	718	823	941	1,066
Other current assets	2,310	3,548	4,049	4,100	4,101
Current assets	8,000	9,539	9,632	10,135	10,918
Other assets	42	58	62	64	73
Total assets	21,543	23,057	23,186	23,962	24,999
Common equity	18,718	20,027	20,113	20,909	21,916
Minorities etc.	0	0	0	0	0
Total shareholders' equity	18,718	20,027	20,113	20,909	21,916
Long term debt	-	-	-	-	-
Other long-term liabilities	857	965	986	1,031	1,102
Long-term liabilities	857	965	986	1,031	1,102
A/C payable	1,036	1,054	1,054	1,122	1,189
Short term debt	-	0	-	-	-
Other current liabilities	931	1,011	1,034	901	792
Current liabilities	1,967	2,065	2,088	2,023	1,981
Total liabilities and shareholders' equity	21,543	23,057	23,186	23,962	24,999
Net working capital	3,369	4,818	5,365	5,754	6,204
Invested capital	16,912	18,335	18,919	19,581	20,285

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

Per share (THB)

Book value per share	244.28	261.36	262.48	272.87	286.02
Tangible book value per share	230.87	248.46	249.58	259.33	272.18

Financial strength

Net debt/equity (%)	(14.2)	(13.3)	(10.8)	(11.3)	(12.5)
Net debt/total assets (%)	(12.4)	(11.5)	(9.4)	(9.8)	(10.9)
Current ratio (x)	4.1	4.6	4.6	5.0	5.5
CF interest cover (x)	-	-	-	-	-

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	14.2	9.8	8.8	7.3	6.2
Recurring P/E @ target price (x) *	17.0	11.8	10.6	8.8	7.5
Reported P/E (x)	13.8	9.6	8.8	7.3	6.2
Dividend yield (%)	2.9	4.5	4.5	5.5	6.4
Price/book (x)	0.8	0.7	0.7	0.7	0.7
Price/tangible book (x)	0.8	0.8	0.8	0.7	0.7
EV/EBITDA (x) **	4.6	3.8	3.8	3.2	2.8
EV/EBITDA @ target price (x) **	5.8	4.7	4.7	4.0	3.5
EV/invested capital (x)	0.7	0.7	0.7	0.6	0.6

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

Sources: Thai Stanley Electric; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BPCG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQU	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TPIPP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MSTI	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIIK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

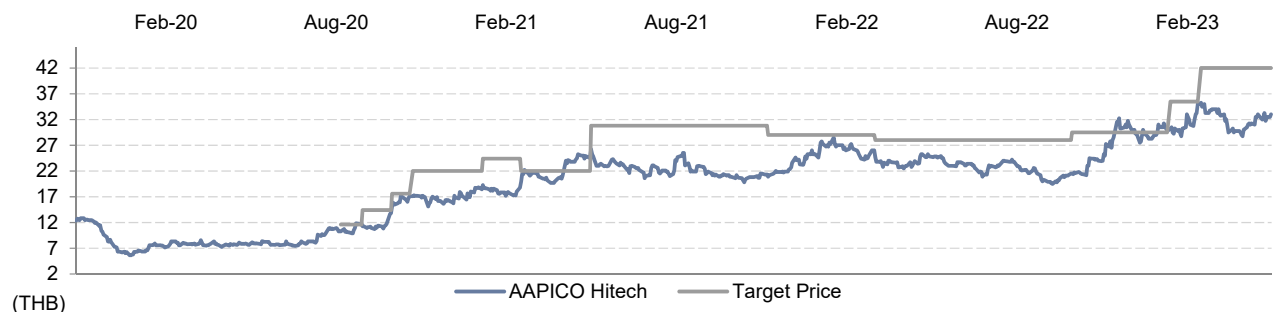
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

AAPICO Hitech (AH TB)



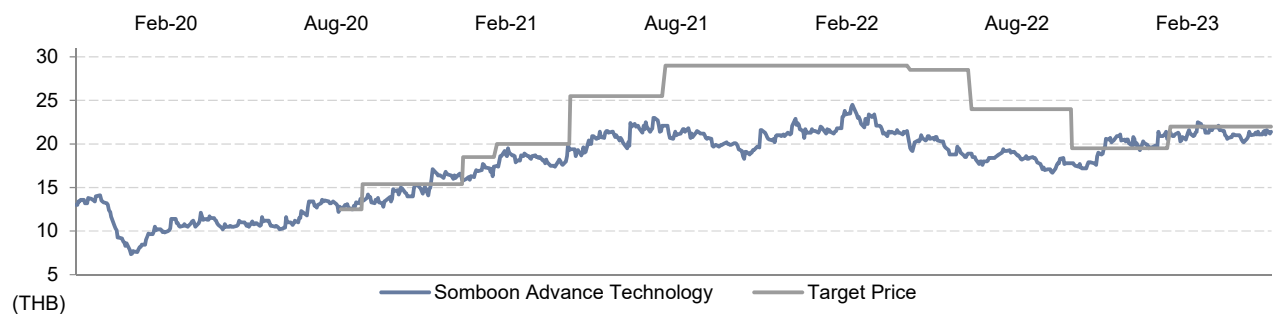
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	11.60	15-Mar-2021	BUY	22.00	01-Aug-2022	BUY	29.50
21-Oct-2020	BUY	14.40	18-May-2021	BUY	30.80	28-Oct-2022	BUY	35.50
17-Nov-2020	BUY	17.60	27-Oct-2021	BUY	29.00	25-Nov-2022	BUY	42.00
04-Dec-2020	BUY	22.00	02-Feb-2022	HOLD	28.00			
08-Feb-2021	BUY	24.40	16-Mar-2022	BUY	28.00			

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)



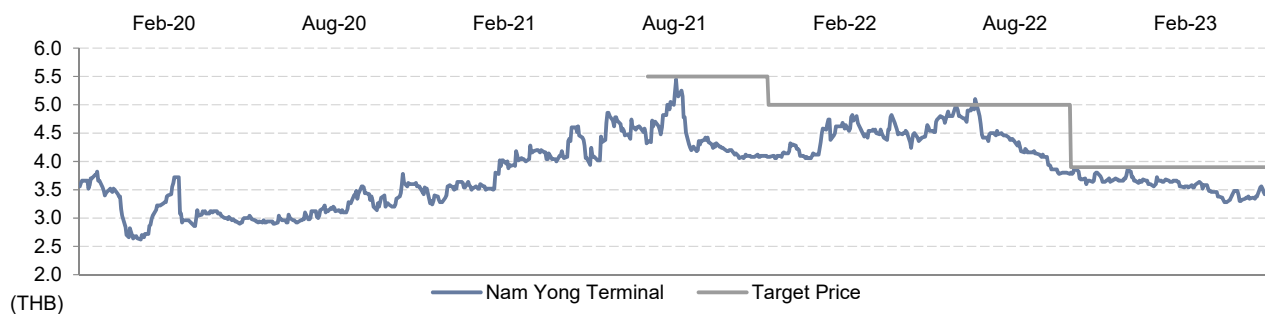
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	12.50	29-Apr-2021	BUY	25.50	01-Aug-2022	HOLD	19.50
21-Oct-2020	BUY	15.40	23-Jul-2021	BUY	29.00	28-Oct-2022	HOLD	22.00
21-Jan-2021	BUY	18.50	04-Mar-2022	BUY	28.50			
19-Feb-2021	BUY	20.00	29-Apr-2022	BUY	24.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Nam Yong Terminal (NYT TB)



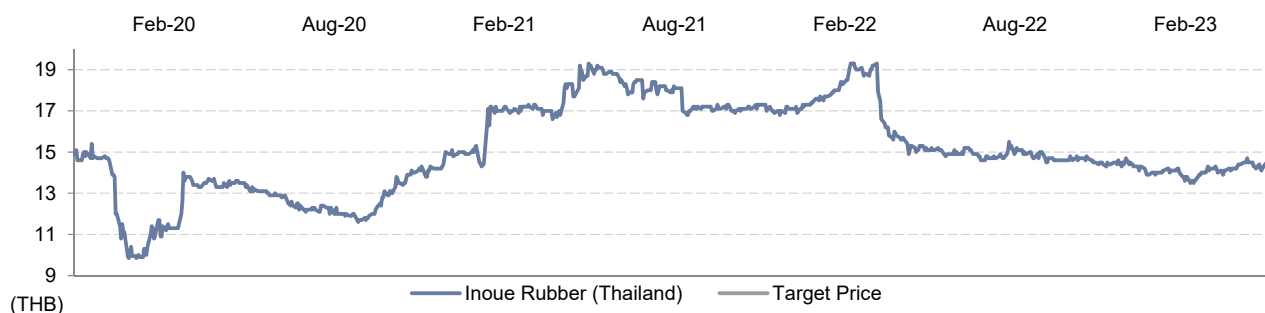
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Jul-2021	BUY	5.50	27-Oct-2021	BUY	5.00	01-Aug-2022	HOLD	3.90

Naruedom Mujjalinkool started covering this stock from 08-Jul-2021

Price and TP are in local currency

Source: FSSIA estimates

Inoue Rubber (Thailand) (IRC TB)



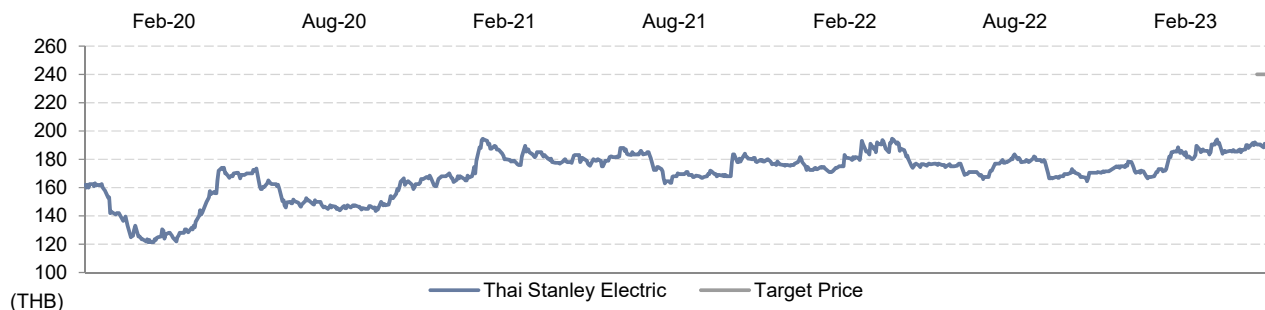
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Feb-2023	HOLD	15.50	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 01-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Thai Stanley Electric (STANLY TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2023	BUY	240.00	30-Jan-2023	BUY	230.00	-	-	-

Jitra Amornthum started covering this stock from 19-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
AAPICO Hitech	AH TB	THB 33.50	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 21.50	HOLD	The key downside and upside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower or faster than expected, a faster-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.
Nam Yong Terminal	NYT TB	THB 3.46	BUY	The key downside risks to our P/E-multiple TP include 1) weaker-than-expected Thai car exports; 2) NYT's inability to secure an A5 contract extension, and 3) higher-than-expected loss from Ferries business
Inoue Rubber (Thailand)	IRC TB	THB 14.30	HOLD	Downside risks to our P/E-based TP include 1) weaker demand from the automotive industry; 2) a sharp rise in the price of crude oil; and 3) chip supply shortages. Upside risks are lower costs for raw materials.
Thai Stanley Electric	STANLY TB	THB 189.00	BUY	Downside risks to our P/E-based TP include 1) weak global automotive demand; 2) higher raw material prices and utility costs; 3) global semiconductor shortages; and 4) fluctuations in the THB.

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 01-Feb-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

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

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.