

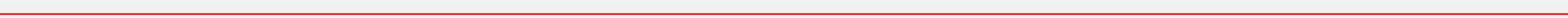
CU – MSF

RELATIVE VALUATION

Susheel Narula

January 2024

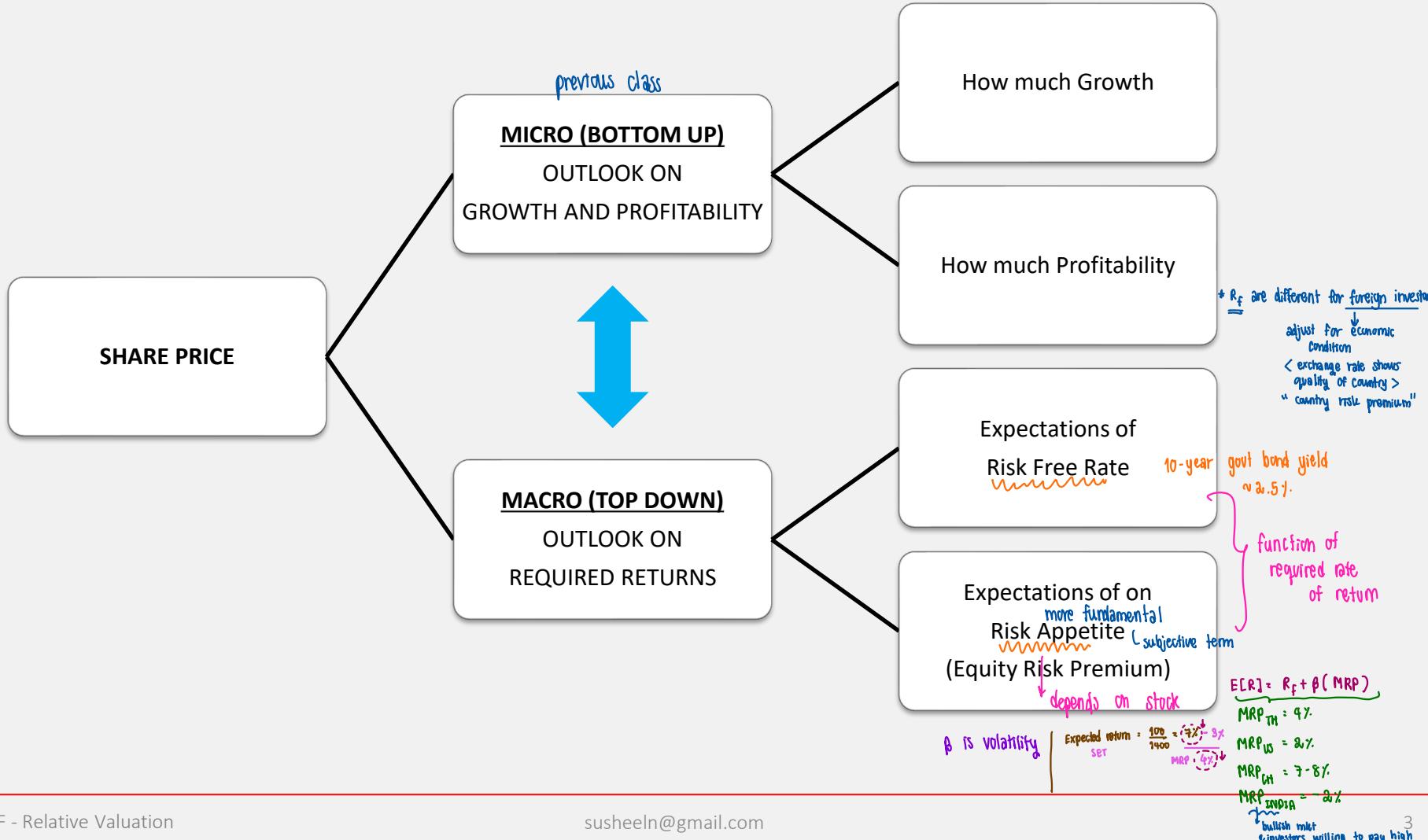
susheeln@gmail.com



COMMON APPROACHES

- 1. RELATIVE, OR MULTIPLE-BASED**
- 2. ABSOLUTE, OR DISCOUNTED CASHFLOWS**
- 3. OTHER COMMON APPROACHES**
 - SUM OF PARTS, DDM, RESIDUAL INCOME METHOD**

INTERSECTION BETWEEN MICRO AND MACRO FACTORS



THE MULTIPLE CONCEPT - GROWTH

= STOCK PRICE / EARNINGS PER SHARE (EPS)

$$\frac{100}{10} = 10 \text{ takes 10 yrs to break even}$$

= PRICE / EPS > PE RATIO > PER

= PER IS THEN COMPARED TO EPS GROWTH

→ rapid growth → future P/E ↓ → investors willing to buy high P/E today
if they expect P/E to be low in the future

justify or not

→ depreciation is major cost
very capital intensive : petrochemical, steel

= STOCK PRICE / OPTG. CASHFLOW PER SHARE OR FREE CASHFLOW PER SHARE

= PRICE / OPTG CF PER SHARE > PCF RATIO

= PCF THEN COMPARED TO CF GROWTH

breakEven

HOW MANY TIMES (YEARS) STOCK PRICE TRADES OVER EARNINGS = (PER)

LONGER PERIOD (HIGHER PER) NEEDS TO BE JUSTIFIED BY STRONGER EPS GROWTH

THE MULTIPLE CONCEPT - PROFITABILITY

Compare with this
ROE
how expensive is?
based on net asset value as underlying

= STOCK PRICE / BOOK VALUE PER SHARE

= PRICE / BV > PBV

= STOCK PRICE / NET ASSET VALUE PER SHARE (NAV)

= PRICE / NAV

HOW MANY TIMES STOCK PRICE TRADES OVER BOOK VALUE OR TANGIBLE ASSET

LEVEL OF PREMIUM/ DISCOUNT IS INFLUENCED BY HOW PROFITABLE CAN THE ASSET GENERATE PROFITS

CALCULATION

ABC COMPANY

PROFIT (BTM ^N)	100
NUMBER OF SHARES (MN)	40
EARNINGS PER SHARE (BT)	2.5 (=100/40)

STOCK PRICE (BT)	50
PE RATIO (X)	20 (=50/2.5)

TOTAL EQUITY (BTM ^N)	400
BOOK VALUE PER SHARE (BT)	10 (=400/40)
PBV (X)	5.0 (=50/10)

INTERPRETATION

- **PE RATIO = 20X**

- STOCK PRICE HIGHER THAN EARNINGS BY 20X
- 20 YEARS FOR EARNINGS TO ADD UP TO STOCK PRICE AND ACHIEVE BREAK EVEN
- TAKE LESS TIME IF THERE IS EARNINGS (EPS) GROWTH
- HIGHER EPS GROWTH, SHORTER THE PERIOD TO BREAK EVEN, THE MORE ATTRACTIVE

alone has no meaning

- **SENSE OF VALUE ON COMPARISON**

- WITH PEERS
- WITH ITS OWN HISTORY

- **EARNINGS ARE UNLIKE DIVIDENDS (CASH)**

- ENTITLEMENTS
- SUBJECT TO ACCOUNTING TREATMENT

LITTLE MEANING ON ITS OWN

COMPANY	A	B	C	D	INDUSTRY
STOCK PRICE	10	70	25	84	-
2021 EPS	0.95	2.95	2.1	9.5	-
2022 EPS	0.8	2.5	1.9	9	-
2023f EPS	1.12	4	3	11.4	-
2024f EPS	1.5	4	2.5	13	-
2021 PER	10.5	23.7	11.9	8.8	13.4
2022 PER	12.5	28.0	13.2	9.3	15.1
2023f PER	8.9	17.5	8.3	7.4	10.3
2024f PER	6.7	17.5	10.0	6.5	9.9
2023f EPS growth	40%	60%	58%	27%	41%
2022-24f EPS growth	37%	26%	15%	20%	22%

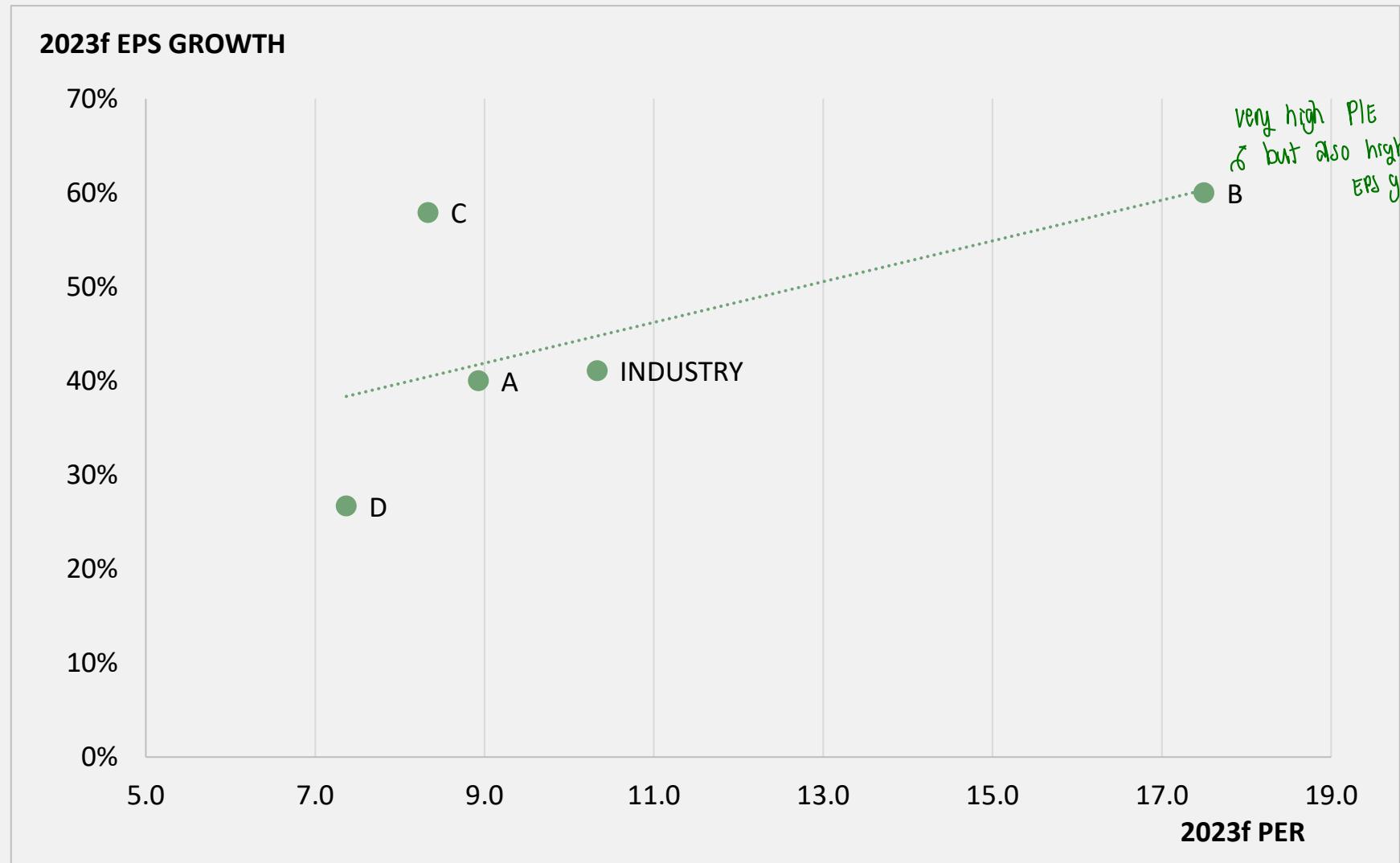
MEANINGFUL WHEN COMPARED

COMPANY	A	B	C	D	INDUSTRY
STOCK PRICE	10	70	25	84	-
2021 EPS	0.95	2.95	2.1	9.5	-
2022 EPS	0.8	2.5	1.9	9	-
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2024f EPS	1.5	4	2.5	13	-
2021 PER	10.5	23.7	11.9	8.8	13.4
2022 PER	12.5	28.0	13.2	9.3	15.1
2023f PER	8.9	17.5	8.3	7.4	10.3
2024f PER	stronger EPS growth		6.7	17.5	10.0
2023f EPS growth	40%	60%	58%	27%	41%
2022-24f EPS growth	37%	26%	15%	20%	22%

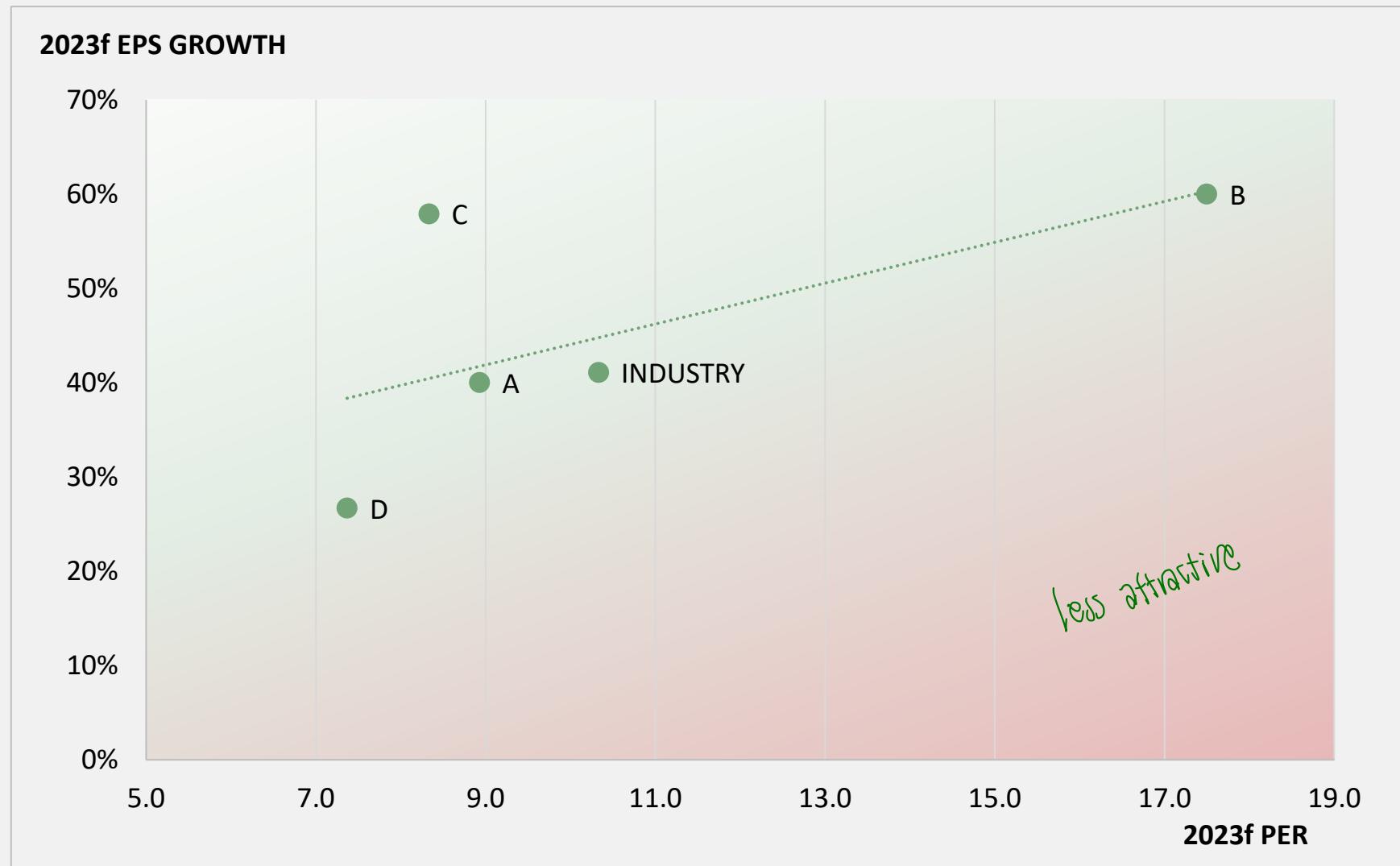
stronger EPS growth

more expensive bcs earnings ↓
expect it to be lower due to higher EPS growth

PICTURE TELLS IT BETTER

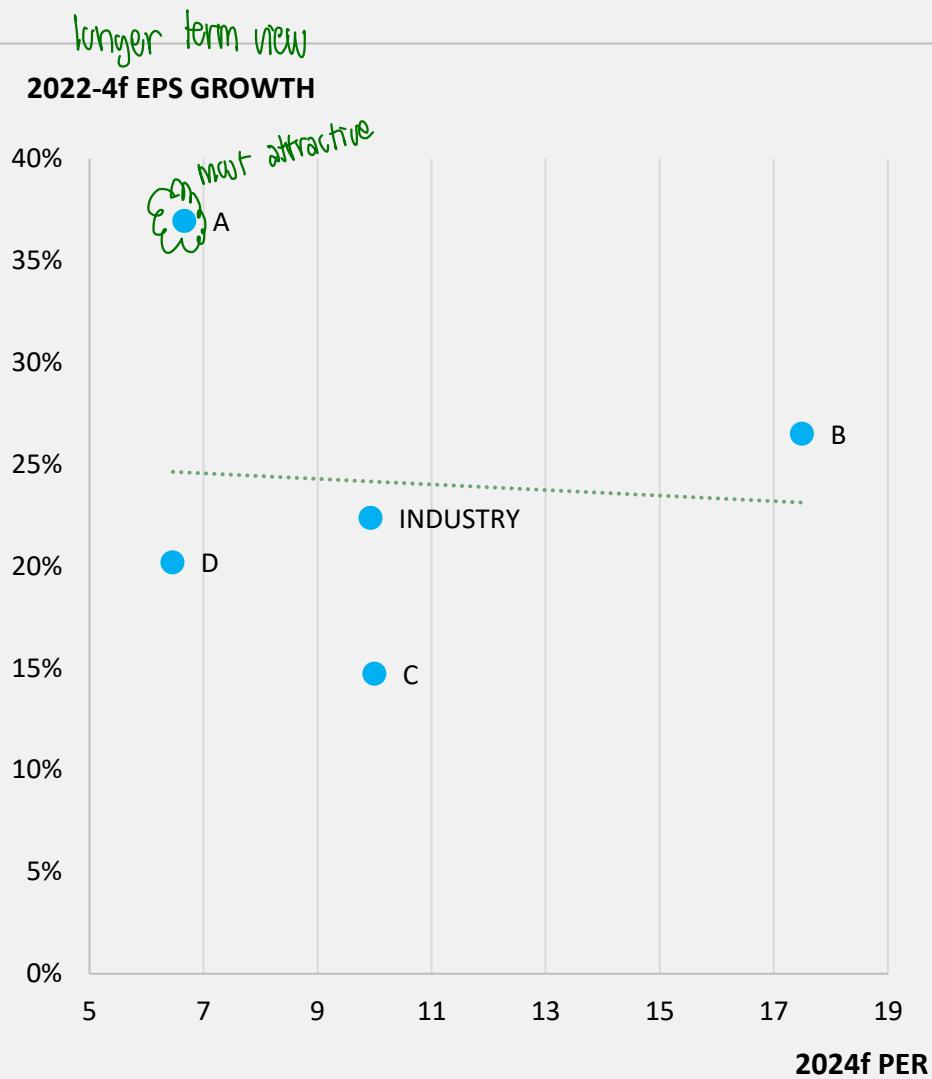
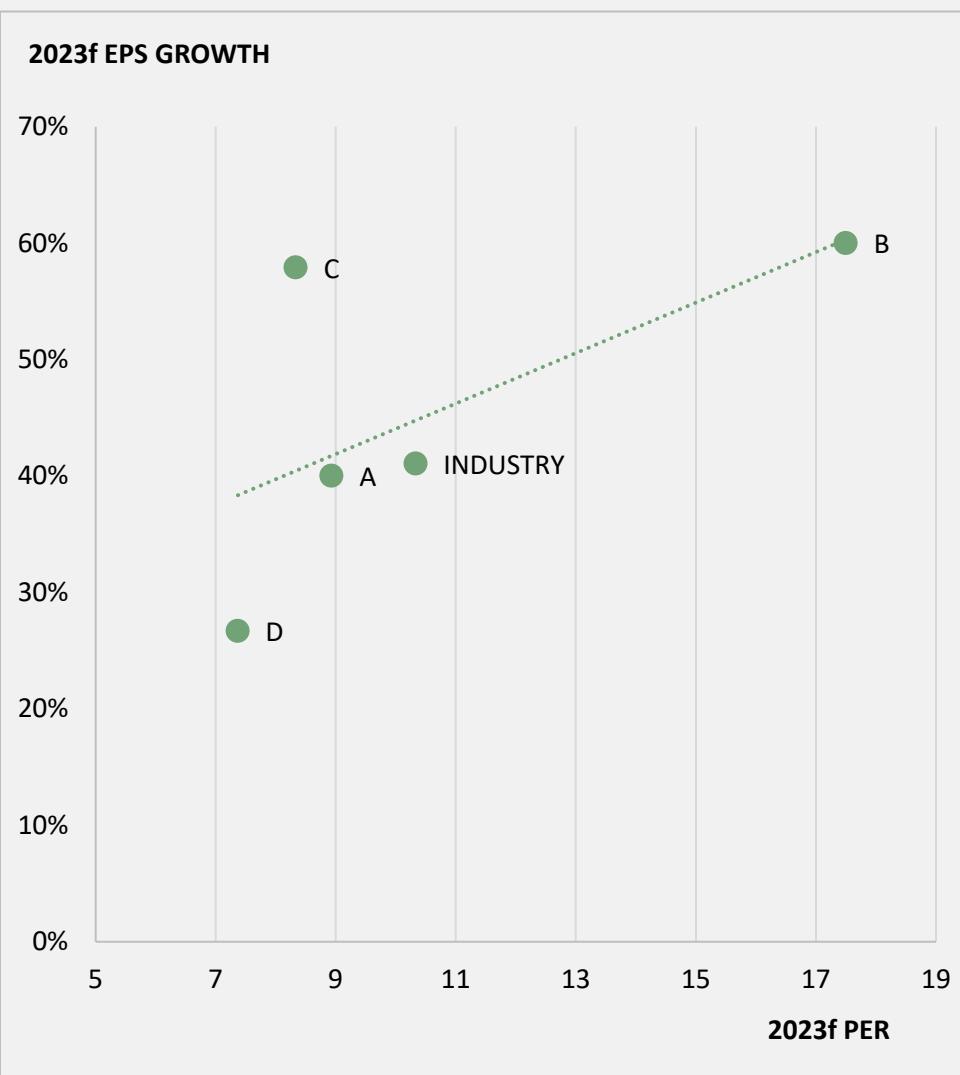


PICTURE TELLS IT BETTER (II)

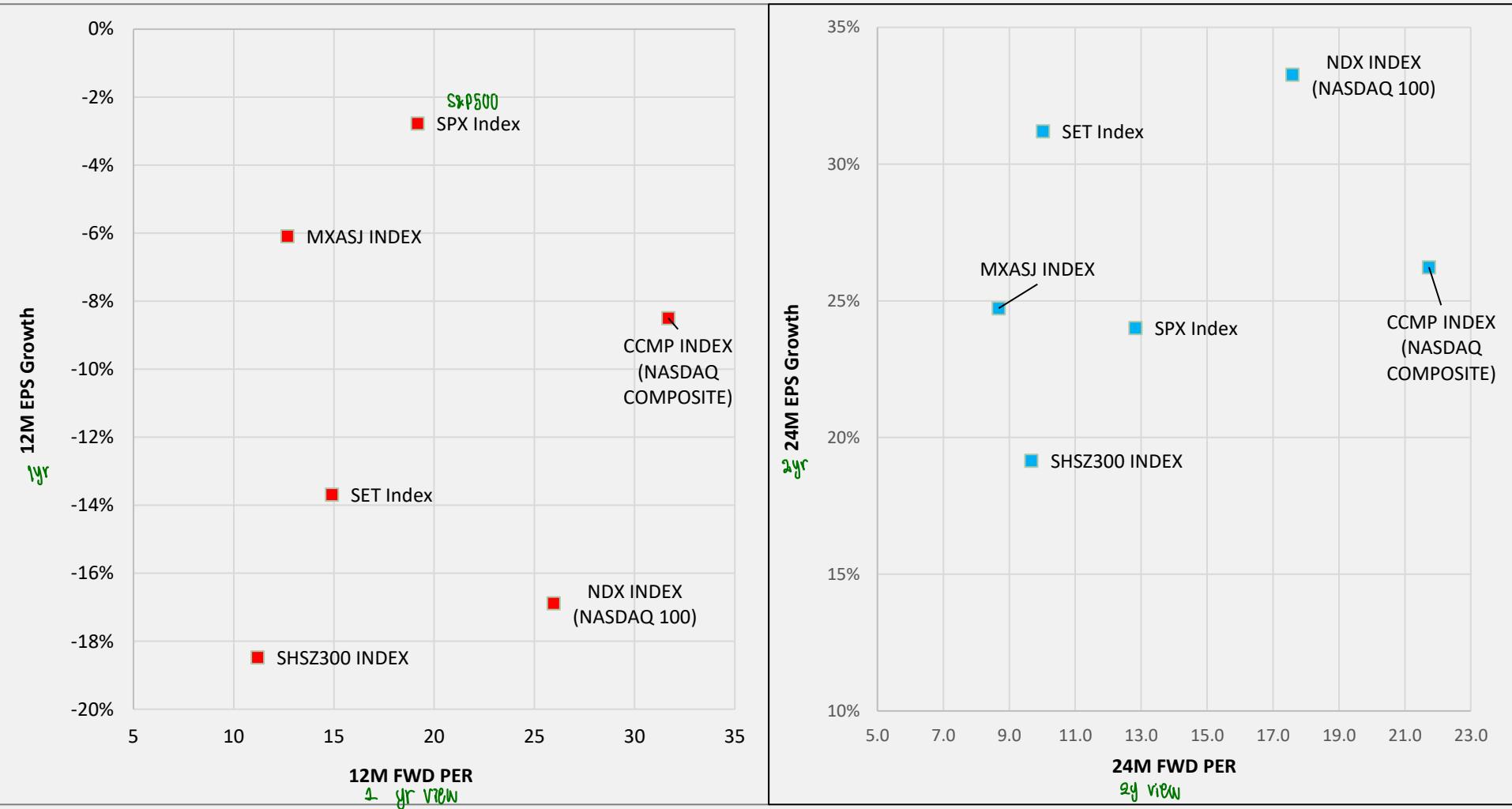


easier to interpret thrs

TIME HORIZON MATTERS

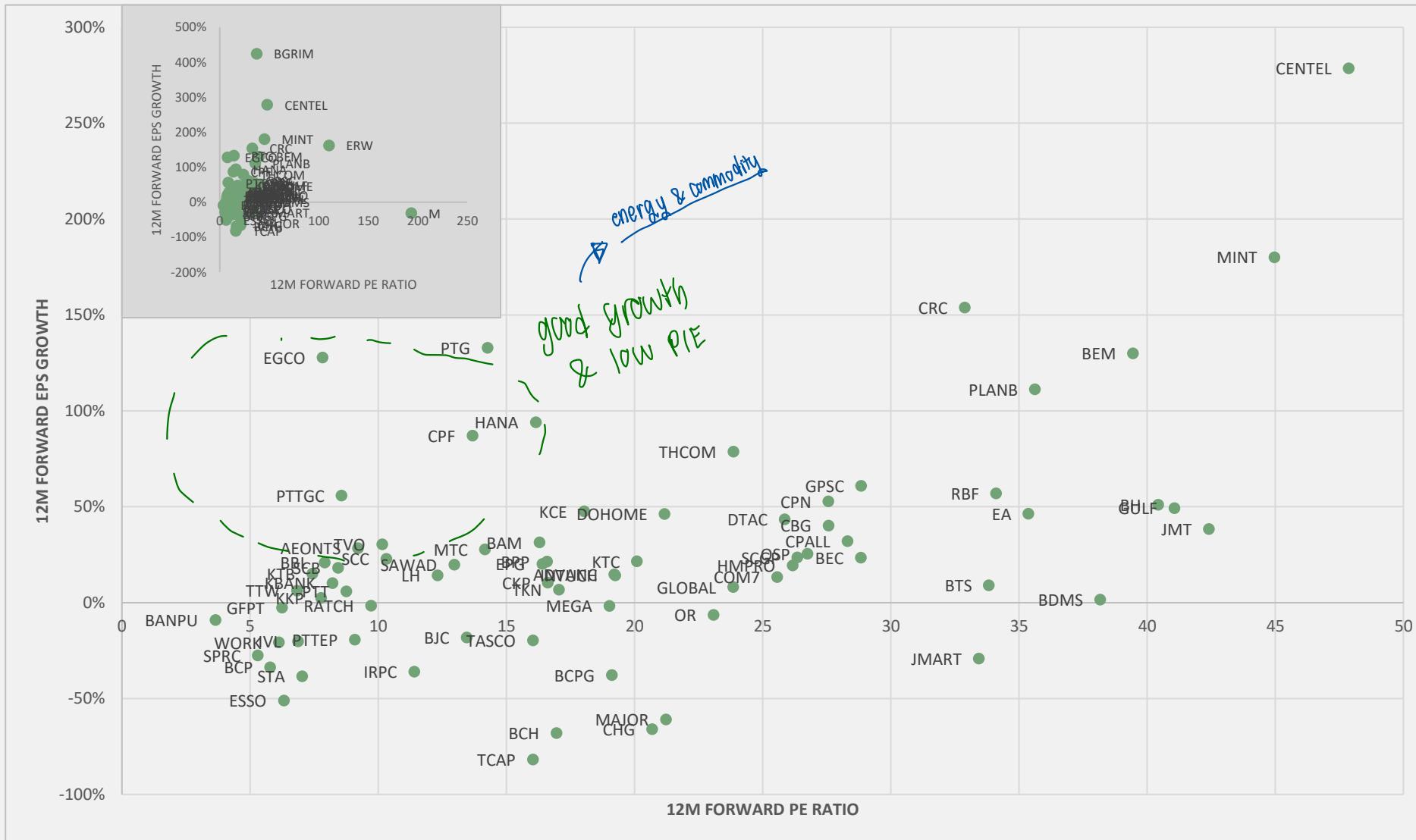


COMPARISON BY REGION / COUNTRY



Source: Bloomberg (11 July 2023)

A USEFUL SCREEN

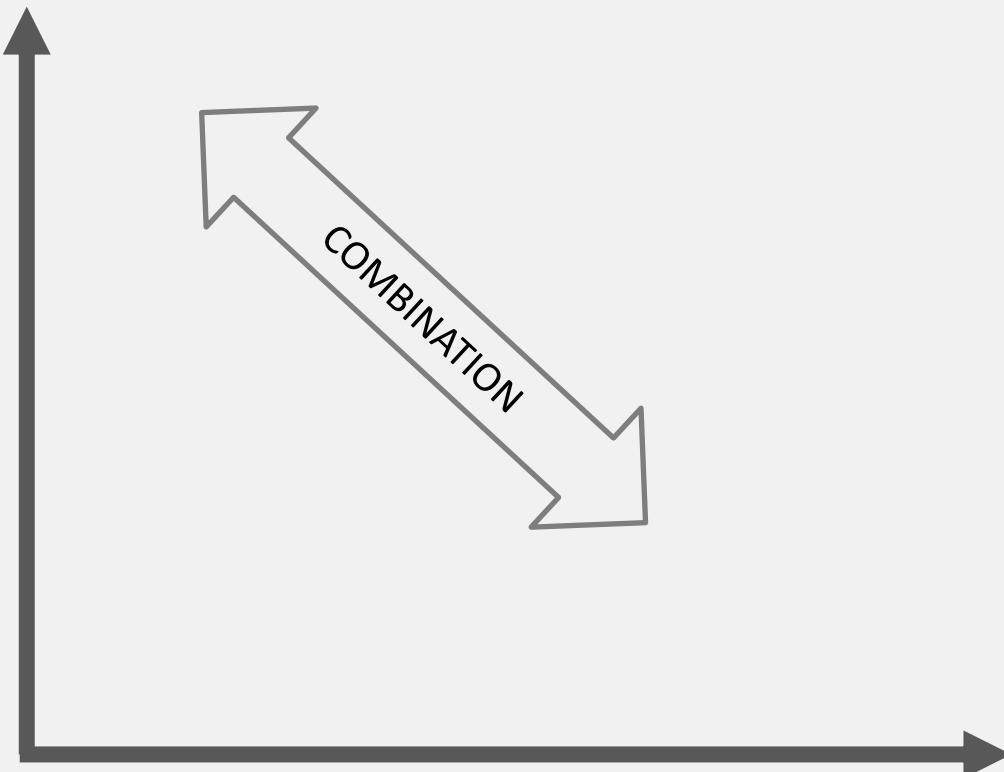


Source: Bloomberg (29 August 2022)

GROWTH & PROFITABILITY

valuation

GROWTH – Higher Growth, Higher Value

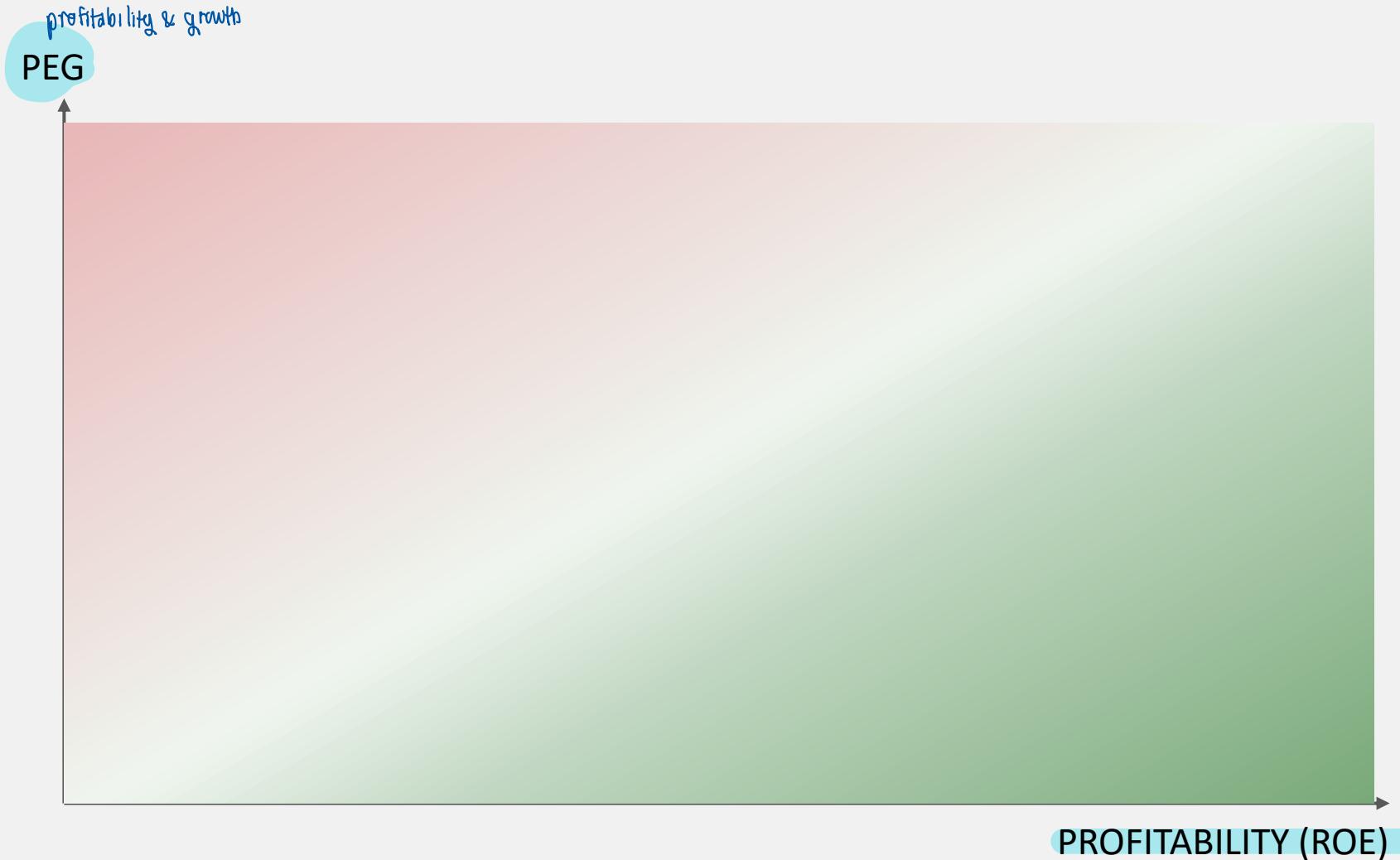


PROFITABILITY – Higher Profitability, Higher Value

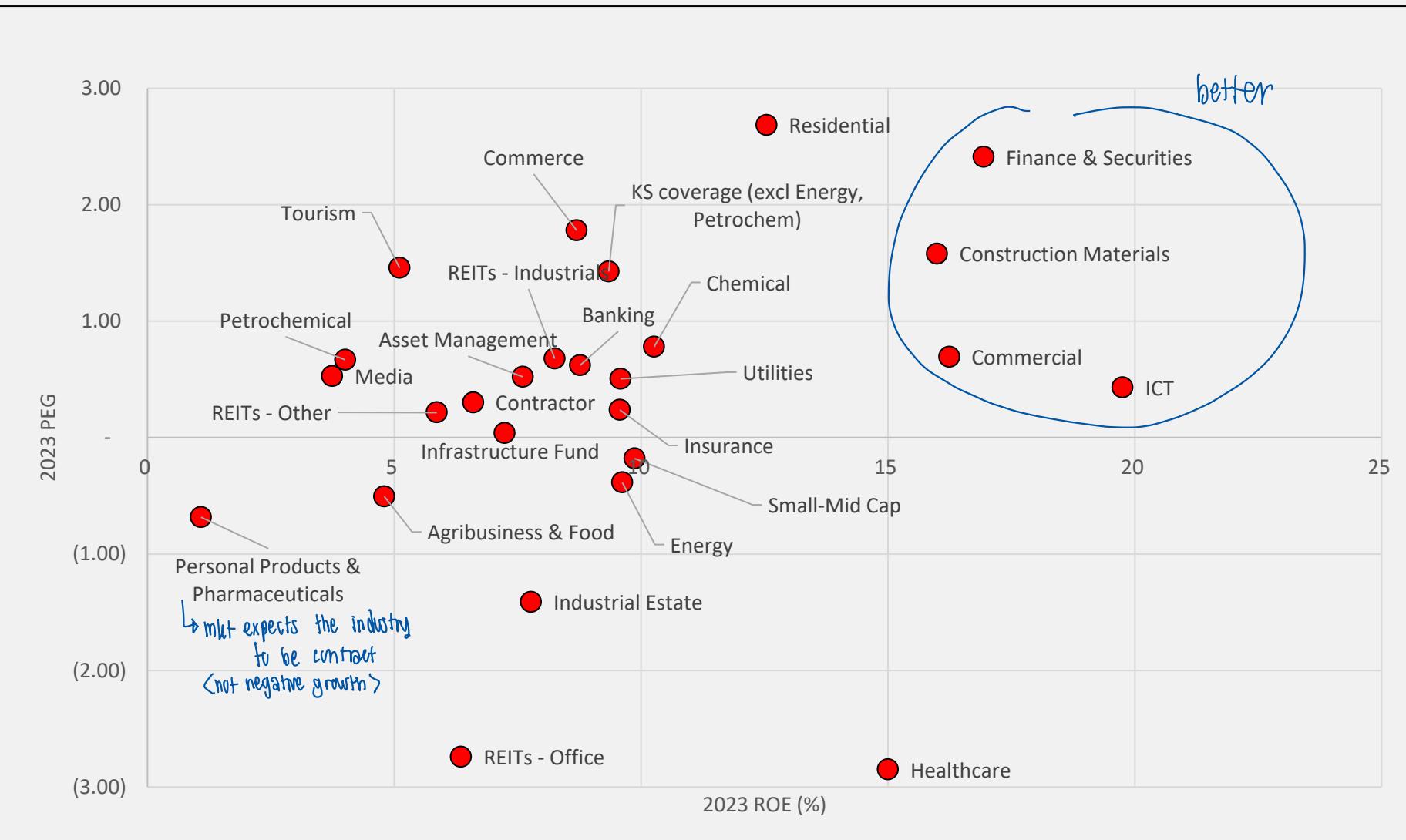
NORMALIZING PE RATIO WITH GROWTH = PEG (PE/GROWTH)

Company	2023f PER	2021-23f EPS Growth	PEG PER / EPS growth
A	6.7	37%	high growth or low PER → 0.18
B	17.5	26%	0.66
C	10.0	15%	0.68
D	6.5	20%	0.32
INDUSTRY	9.9	22%	0.44

INTRODUCING PEG TO ROE



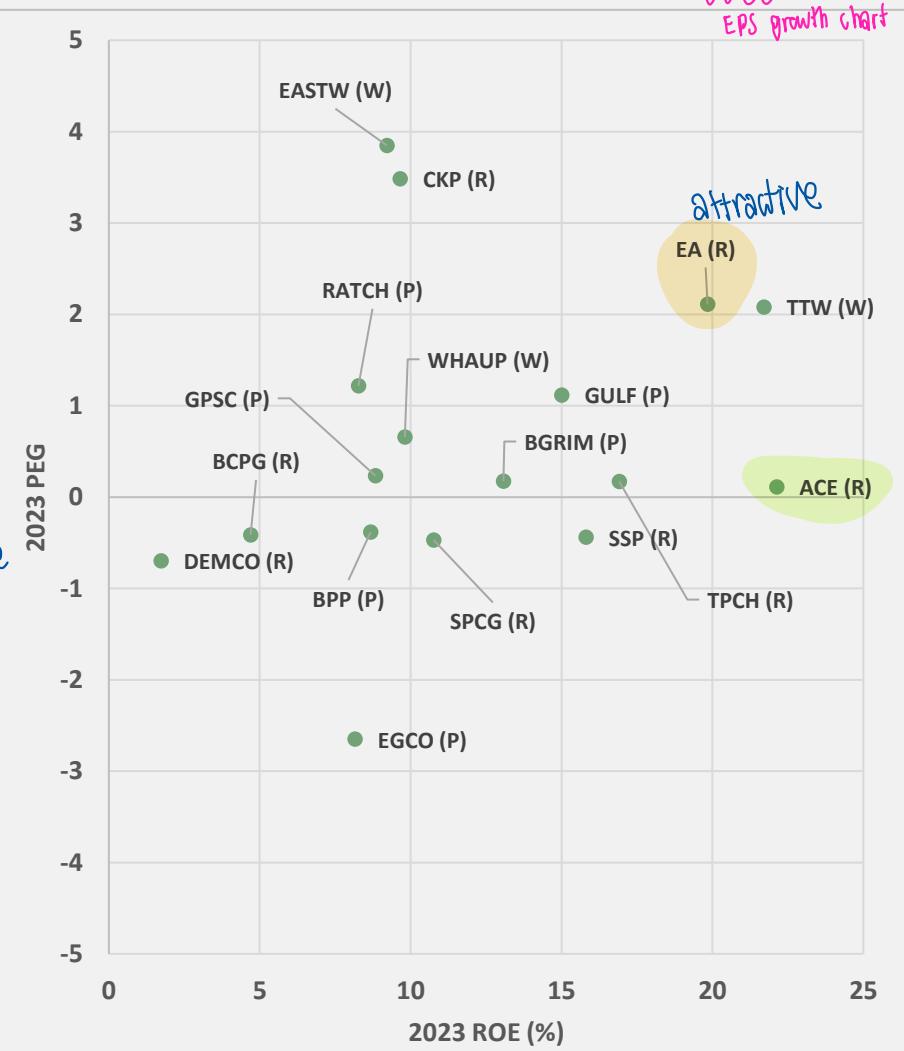
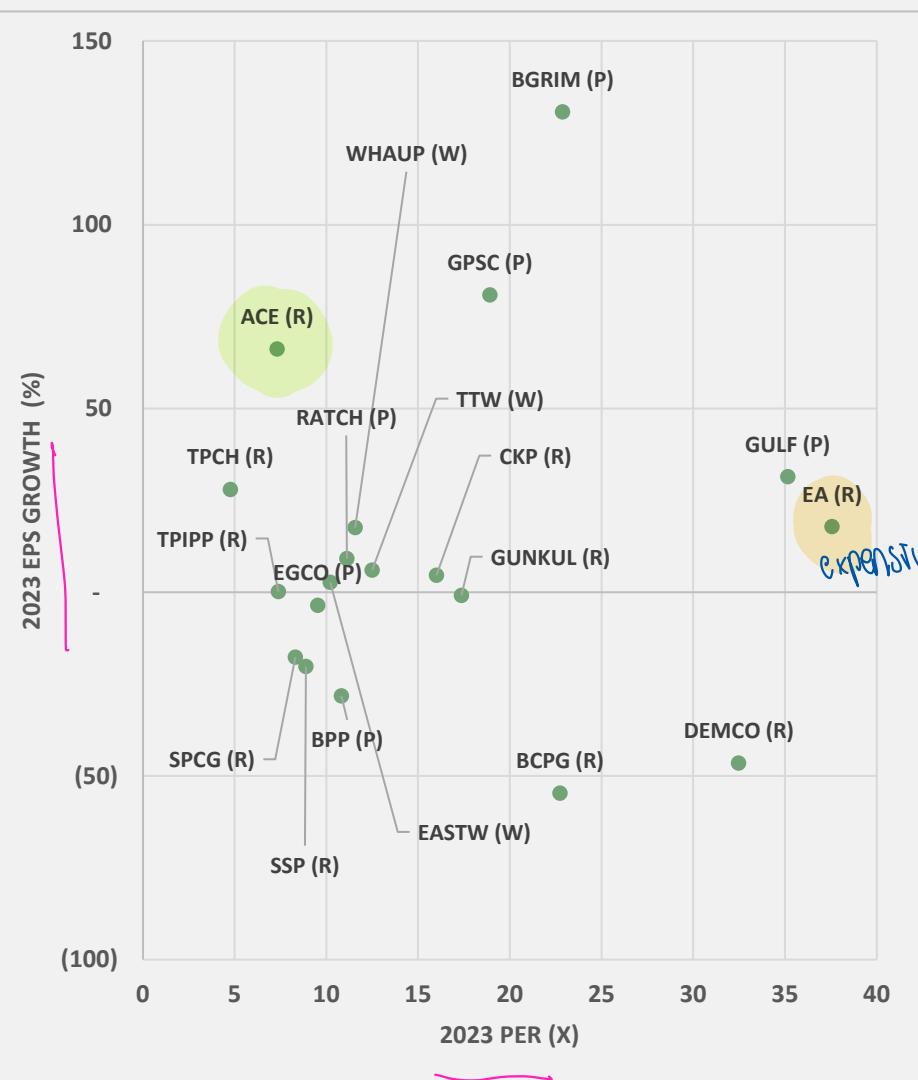
SECTOR SCREEN



UTILITIES SECTOR

If you think stock in the growth sector
 ↓
 not care for profitability ^{major driver of ROE}
 but care for growth

EPS growth chart



Source: KS (September 2022)

↓
 bank
 * P/E & ROE

no growth → care for profitability
 stable business

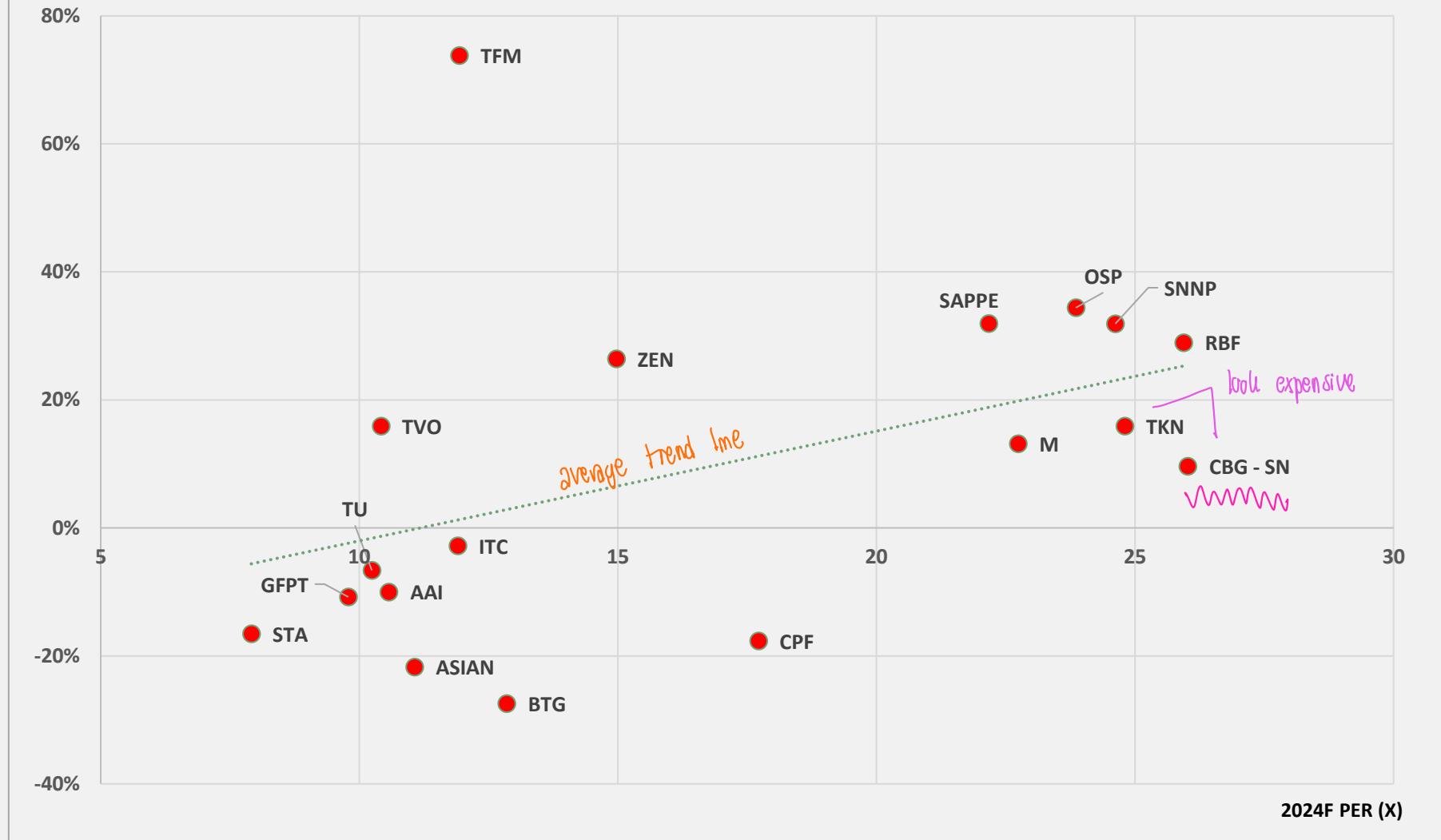
CBG AND PEERS (AGRIBUSINESS & FOOD)

Agri & Food Sector	PRICE	EPS (Bt)			EPS Growth %			20-22 CARG	ROE (%)			PER		
		2022	2023f	2024f	2022	2023f	2024f		2022	2023f	2024f	2022	2023f	2024f
AAI	3.46	0.40	0.16	0.33	5%	-61%	110%	-10.0%	23%	6%	13%	22	22	10.6
ITC	16.50	1.47	0.67	1.39	-81%	-54%	108%	-2.8%	28%	8%	16%	25	25	11.9
M	45.50	1.56	1.76	2.00	999%	12%	14%	13.2%	11%	12%	13%	26	26	22.7
OSP	27.75	0.64	0.95	1.16	-41%	48%	22%	34.4%	10%	15%	18%	29	29	23.9
RBF	10.40	0.24	0.34	0.40	13%	42%	17%	28.9%	11%	15%	17%	30	30	25.9
SAPPE	81.75	2.12	3.28	3.69	58%	55%	12%	31.9%	21%	30%	30%	25	25	22.2
SNNP	23.00	0.54	0.74	0.93	18%	39%	25%	31.9%	18%	23%	26%	31	31	24.6
TKN	10.50	0.32	0.42	0.42	139%	32%	2%	15.9%	21%	27%	26%	25	25	24.8
ZEN	12.20	0.51	0.69	0.82		34%	19%	26.4%	13%	16%	18%	18	18	15.0
ASIAN	8.15	1.20	0.39	0.74	-6%	-68%	90%	-21.7%	19%	5%	9%	21	21	11.1
BTG	27.75	4.10	1.19	2.16	509%	-71%	81%	-27.4%	36%	8%	14%	23	23	12.9
CPF	19.40	1.61	0.33	1.09	4%	-79%	228%	-17.7%	6%	1%	4%	58	58	17.7
GFPT	12.70	1.63	1.26	1.30	877%	-23%	3%	-10.8%	13%	9%	9%	10	10	9.8
TFM	7.90	0.22	0.27	0.66	-48%	21%	149%	73.8%	5%	6%	14%	30	30	11.9
TU	12.80	1.43	0.78	1.25	-11%	-46%	60%	-6.6%	10%	5%	8%	16	16	10.2
TVO	25.25	1.80	1.63	2.42	-29%	-10%	49%	15.9%	16%	14%	20%	15	15	10.4
STA	17.20	3.12	1.11	2.17	-70%	-65%	96%	-16.5%	10%	3%	6%	16	16	7.9
CBG - SN	71.50	2.29	1.94	2.75	-21%	-15.3%	42.0%	9.6%	22%	18%	24%	37	37	26.0

Source: Kasikorn Securities

CBG AND LOCAL PEERS

2022-24F EPS CAGR



Source: Kasikorn Securities

AVAILABLE FROM MOST BROKERS

Valuation table
breakdown

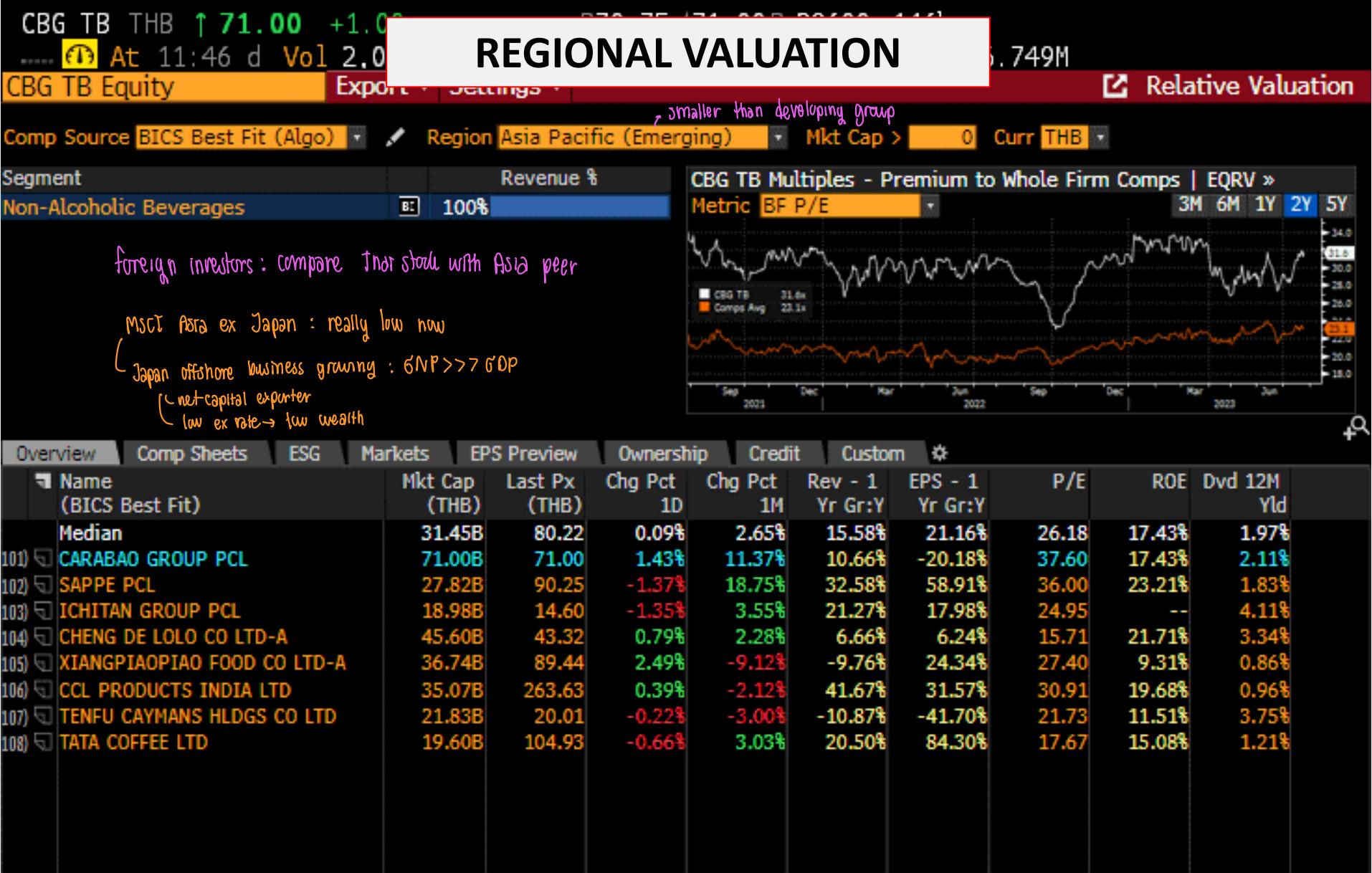


หลักทรัพย์กสิกรไทย
开泰证券 KASIKORN SECURITIES

July 10, 2023

KS Valuations

Stocks	Rating	Target price (Bt) 7-Jul-23	% Upside / Downside 23E	# shares m	Market Cap (Btmm)	% of SET of SET	Current EV (Btmm)	Reported Profit (Btmm)			Reported EPS (Bt)			EPS Growth (%)			DPS (Bt)			PER (x) *			Dividend Yield (%) *			P/BV (x) *						
								2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E				
Agribusiness & Food				35,389	629,485	3.36	0.95	1,262,584	50,609	25,657	43,159				(29.95)	(50.34)	71.22				15.64	25.47	14.87	3.84	2.35	3.68	1.43	1.15	1.10			
Food & Beverage																																
AAI	Outperform	5.50	3.46	58.96	35.3	2,125	7,353	0.04	1.60	7,921	859	331	696	0.40	0.16	0.33	5.27	(61.48)	110.17	0.29	0.08	0.16	17.06	22.21	10.57	4.21	2.25	4.73	2.91	1.43	1.34	
ITC	Outperform	26.80	16.50	62.42	40.1	3,000	49,500	0.26	1.39	51,130	4,402	2,003	4,159	1.47	0.67	1.39	(80.59)	(54.49)	107.59	2.00	0.33	0.69	20.45	24.71	11.90	6.67	2.02	4.20	3.60	2.01	1.66	1.36
M	Neutral	51.40	45.50	12.97	29.3	921	41,900	0.22	0.67	37,807	1,439	1,616	1,843	1.56	1.76	2.00	998.51	12.33	14.01	1.40	1.58	1.80	37.60	25.92	22.74	2.38	3.47	3.96	4.02	3.08	3.04	
OSP	Outperform	33.10	27.75	19.28	34.9	3,004	83,354	0.44	0.87	81,990	1,934	2,853	3,494	0.64	0.95	1.16	(40.59)	47.51	22.48	0.88	0.85	1.05	43.88	29.22	23.86	3.12	3.08	3.77	4.60	4.45	4.36	
RBF	Neutral	10.90	10.40	4.81	31.8	2,000	20,800	0.11	1.18	19,804	482	685	802	0.24	0.34	0.40	13.06	42.08	17.03	0.15	0.21	0.24	53.50	30.36	25.94	1.17	1.98	2.31	5.90	4.48	4.19	
SAPPE	Neutral	88.10	81.75	7.77	26.8	308	25,203	0.13	1.05	23,623	653	1,012	1,137	2.12	3.28	3.69	57.85	54.96	12.30	1.10	2.30	2.58	20.89	24.90	22.17	2.48	2.81	3.16	4.19	7.07	6.45	
SNNP	Outperform	30.30	23.00	31.74	40.7	960	22,080	0.12	1.32	22,187	516	715	897	0.54	0.74	0.93	17.97	38.57	25.49	0.41	0.53	0.66	37.42	30.90	24.62	2.04	2.30	2.86	6.33	6.78	6.27	
TKN	Outperform	11.70	10.50	11.43	28.1	1,380	14,490	0.08	1.11	14,691	435	574	584	0.32	0.42	0.42	138.71	32.09	1.72	0.29	0.33	0.34	36.82	25.23	24.81	2.50	3.17	3.23	7.70	6.60	6.27	
ZEN	Outperform	19.20	12.20	57.38	28.0	300	3,660	0.02	0.83	4,276	153	206	245	0.51	0.69	0.82	n.m.	34.49	18.83	0.16	0.34	0.41	33.92	17.79	14.97	0.92	2.81	3.34	4.05	2.81	2.57	
Soft Commodities																																
ASIAN	Neutral	9.00	8.15	10.43	23.2	814	6,635	0.04	1.35	8,762	979	316	600	1.20	0.39	0.74	(6.27)	(67.77)	90.01	0.65	0.20	0.38	11.39	21.03	11.07	4.72	2.47	4.70	1.77	1.03	0.98	
BTG	Neutral	24.00	27.75	(13.51)	20.1	1,935	53,691	0.29	0.88	80,503	7,938	2,308	4,178	4.10	1.19	2.16	508.94	(70.92)	81.03	1.00	0.36	0.65	8.29	23.26	12.85	2.94	1.29	2.33	2.31	1.86	1.66	
CPF	Neutral	22.20	19.40	14.43	66.5	8,611	167,058	0.89	0.88	66,059	14,445	3,416	9,968	1.61	0.33	1.09	3.55	(79.32)	227.86	0.79	0.17	0.49	15.36	58.09	17.72	3.18	0.86	2.51	0.79	0.62	0.61	
GFPT	Outperform	13.60	12.70	7.09	10.8	1,254	15,924	0.08	1.23	19,416	2,044	1,577	1,627	1.63	1.26	1.30	876.61	(22.87)	3.15	0.20	0.31	0.32	7.85	10.10	9.79	1.56	2.48	2.55	0.97	0.89	0.84	
TFM	Neutral	8.80	7.90	11.39	33.1	500	3,950	0.02	0.45	3,745	110	133	331	0.22	0.27	0.66	(48.21)	21.18	149.33	0.13	0.13	0.33	45.19	29.76	11.94	1.31	1.68	4.19	2.26	1.75	1.63	
TU	Outperform	16.00	12.80	25.00	20.5	4,772	61,079	0.33	0.84	125,291	7,138	4,021	6,262	1.43	0.78	1.25	(11.34)	(45.59)	60.25	0.84	0.46	0.72	11.79	16.42	10.24	4.97	3.62	5.64	1.00	0.75	0.72	
TVO	Neutral	26.10	25.25	3.37	16.0	889	22,459	0.12	0.46	23,461	1,604	1,449	2,155	1.80	1.63	2.42	(29.47)	(9.67)	48.75	1.05	1.30	1.45	15.80	15.50	10.42	3.67	5.16	5.76	2.48	2.13	1.97	
Others																																
STA	Neutral	20.00	17.20	16.28	18.1	1,536	26,419	0.14	1.02	63,038	4,795	1,700	3,340	3.12	1.11	2.17	(69.74)	(64.54)	96.40	2.00	0.66	1.30	6.76	15.54	7.91	9.48	3.86	7.58	0.63	0.52	0.58	0.98
TEGH	Outperform	5.00	3.64	37.36	8.4	1,080	3,931	0.02	0.79	7,879	684	844	844	0.63	0.60	0.78	(11.51)	(6.01)	31.28	0.26	0.24	0.31	7.48	6.12	4.66	5.49	6.54	8.59	1.58	1.09	0.94	
Chemical																																
GOC	Outperform	15.90	12.00	32.50	14.9	1,024	12,284	0.07	0.35	10,995	953	1,091	1,213	0.93	1.07	1.19	188.69	14.42	11.24	0.50	0.59	0.59	15.89	11.26	10.12	3.38	4.88	4.94	1.47	1.12	1.07	
Commerce																																
BJC	Outperform	40.80	34.50	18.26	27.6	4,008	138,269	0.74	1.01	302,150	5,010	5,924	6,837	1.25	1.48	1.71	39.77	18.24	15.41	0.80	0.67	0.77	28.20	23.34	20.22	2.27	1.93	2.23	1.19	1.15	1.11	
CPALL	Outperform	77.40	62.75	23.35	43.5	8,983	563,690	3.01	0.91	1,041,484	13,272	16,226	21,796	1.39	1.78	2.40	3.97	0.75	0.75	0.92	49.10	35.31	26.17	1.10	1.20	1.46	6.09	5.07	4.53			
CPAXT	Outperform	41.00	33.25	23.31	45.7	10,580	351,796	1.88	1.10	468,061	7,697	9,499	12,395	0.73	0.90	1.17	(69.49)	23.42	30.48	0.42	0.53	0.68	54.98	37.03	28.38	1.04	1.60	2.04	1.46	1.19	1.17	
CRC	Outperform	48.80	38.75	25.94	36.6	6,031	233,701	1.25	1.20	353,601	7,175	8,033	9,939	1.19	1.33	1.65	11985.25	11.96	23.73	0.48	0.56	0.69	38.88	29.09	23.51	1.04	1.44	1.78	4.49	3.56	3.27	
DOHOME	Neutral	10.20	10.30	(0.97)	44.7	3,088	31,811	0.17	1.40	43,680	774	705	1,212	0.27	0.23	0.39	(64.52)	(14.26)	71.95	0.07	0.01	0.02	55.58	45.12	26.24	0.47	0.11	0.16	3.71	2.58	2.35	
GLOBAL	Outperform	19.50	15.00	30.00	29.8	5,002	75,027	0.40	1.00	89,826	3,487	3,268	3,635	0.73	0.65	0.78	(0.07)	(10.01)	11.23	0.30	0.27	0.29	30.85	22.96	20.64	1.32	1.81	1.96	4.94	3.16	2.89	
HIMPRO	Outperform	17.70	13.80	28.26	33.6	13,151	181,487	0.97	0.92	195,451	6,217	6,923	7,594	0.47	0.53	0.58	14.27	11.35	9.70	0.38	0.42	0.46	32.79	26.22	23.90	2.45	3.07	3.36	8.41	7.12	6.72	
MOSHI	Neutral	47.00	55.00	(14.55)	36.4	330	18,150	0.10	1.13	18,695	253	426	586	1.05	1.29	1.78	90.91	23.05	37.40	0.20	0.52	0.71	34.76	42.57	30.98	0.55	0.94	1.29	6.80	8.83	7.34	
Cosmetics																																
BEAUTY	Outperform	1.52	0.57	166.67	786.9	2,994	1,707	0.01	1.90	1,822	(68)	6	152	(0.02)	0.00	0.05	15.85	n.m.	2531.50	0.00	0.00	0.00	(61.49)	295.10	11.21	0.00	0.00	0.00	5.90	2.42	1.99	
DDD	Outperform	17.56	11.80	48.81	36.3	318	3,751	0.02	1.29	3,887	101	154	178	0.32	0.48	0.56	24.16	52.28	15.60	0.38	0.44	0.50	50.06	24.40	21.10	2.40	3.69	4.26	1.08	0.80	0.80	
KAMART	Underperform	9.11	13.70	(33.53)	15.9	880	12,056	0.06	1.21	12,172	327	504	544	0.37	0.57	0.49	11.75	54.18	(13.62)	0.24	0.25	0.34	21.39	23.91	27.68	3.02	1.82	2.51	5.37	7.60	4.33	



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2023 Bloomberg Finance L.P.

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Analyze List

export unit price
 cultural, creativity
 oligopoly buy growing SME
 TH : 1.1 → even has all materials!
 Malaysia : 1.6 even no sugar
 only palm oil
 don't let
 Capital out leads
 vertically > horizontally

REGIONAL COMPARISON

- ENERGY
 - TELECOM
 - BANKS
 - INCREASINGLY COMMON TO ACROSS ALL SECTORS
- comparable peer (7-10 stocks)
 ↗ larger or similar size
 regional not global for consumption sector
 ①

Figure 16: Regional refinery valuation comparison

Company	Bloomberg	Recom.	Price	Target Price	Market Cap	P/E (x)	P/BV (x)	Recurring ROE (%)	EV/EBITDA (x)	Dividend Yield (%)
			Ticker	(local curr)	(local curr)	(US\$ m)	CY20F	CY21F	CY20F	CY20F
Thai Oil	TOP TB	Reduce	39.25	40.00	2,552	11.5	0.68	0.66	-3.2%	19.2
IRPC	IRPC TB	Hold	2.26	2.50	1,472	21.3	0.62	0.61	-9.1%	7.1
Star Petroleum Refining	SPRC TB	Add	6.50	7.00	898	17.1	1.01	0.99	-12.6%	6.7
PTT Global Chemical	PTTGC TB	Reduce	45.25	38.00	6,472	84.1	14.6	0.69	0.68	0.8%
S-Oil Corp	010950 KS	Hold	56,800	64,000	5,382	11.3	0.99	0.91	-13.2%	8.8
SK Innovation	096770 KS	Hold	149,500	125,000	11,634	27.0	14.6	0.66	0.64	2.3%
GS Holdings Corp	078930 KS	Add	33,500	49,000	2,620	14.7	4.0	0.30	0.28	5.1%
Reliance Industries	RIL IN	Reduce	2,082.65	1,300.00	186,988	26.4	20.0	2.40	2.17	0.4%
Indian Oil Corp	IOCL IN	Add	83.75	135.00	10,750	6.6	3.8	0.57	0.52	7.5%
Bharat Petroleum	BPCL IN	Add	400.20	450.00	11,837	9.0	6.1	1.49	1.30	4.6%
Hindustan Petroleum	HPCL IN	Add	197.45	260.00	4,102	5.7	4.2	0.70	0.62	6.7%
Esso Thailand PCL	ESSO TB	NR	7.80	NA	865	139.3	7.9	1.21	1.07	1.2%
ASIA Average					272,196	25.3	14.0	1.56	1.44	6.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

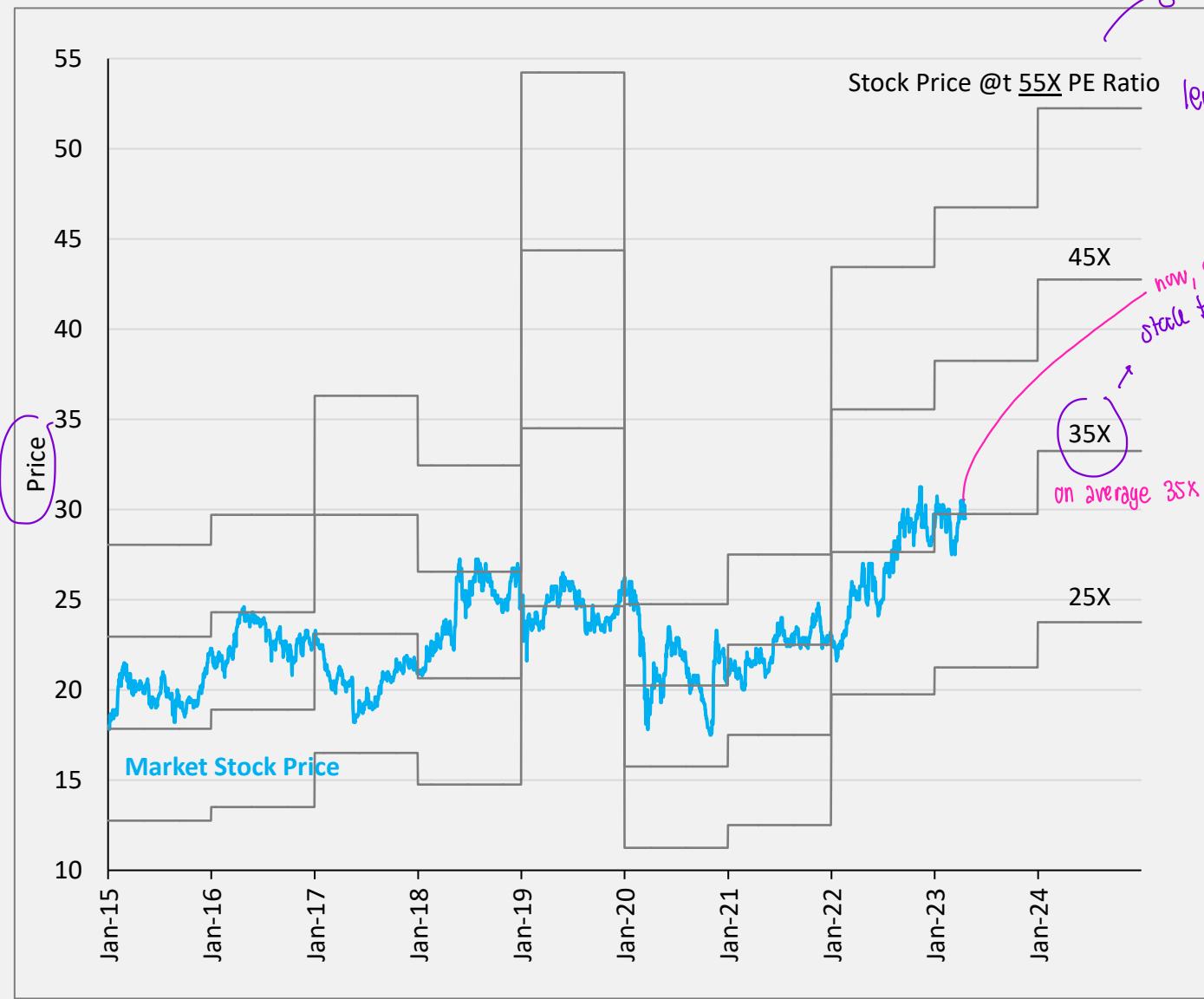
PROPERTY DEVELOPMENT, MOSTLY LOCALLY DRIVEN

Figure 11: Peer comparison

Company	Bloomberg	Recom.	Price	Target	Mkt cap	Core P/E (x)		Core EPS growth (%)		P/BV (x)		Div yield		ROE	
	Ticker		(THB)	price (THB)	(US\$m)	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
AP Thailand	AP TB	Add	6.10	7.10	613	6.2	5.7	3.1%	8.6%	0.7	0.6	6.6%	7.2%	11.4%	11.5%
Land and Houses	LH TB	Add	7.25	9.00	2,767	14.0	11.3	-19.2%	23.4%	1.7	1.6	6.2%	7.6%	11.9%	14.5%
LPN Development	LPN TB	Hold	4.70	4.52	218	9.2	8.2	-42.1%	11.6%	0.6	0.6	33.5%	10.6%	6.0%	7.2%
Pruksa Holding	PSH TB	Reduce	11.20	9.70	783	7.1	6.9	-35.9%	3.0%	0.6	0.5	7.9%	8.4%	7.9%	7.9%
Quality Houses	QH TB	Add	2.24	2.42	767	11.3	9.5	-26.8%	19.3%	0.9	0.9	6.6%	7.9%	7.9%	9.2%
Supalai	SPALI TB	Add	16.50	18.90	1,129	7.6	6.3	-15.1%	21.1%	0.9	0.8	6.0%	7.2%	11.5%	13.0%
Sansiri	SIRI TB	Reduce	0.69	0.61	328	10.1	10.9	-51.7%	-6.9%	0.3	0.3	7.3%	8.4%	3.8%	4.4%
Ananda Development	ANAN TB	Reduce	1.38	1.18	147	(7.3)	94.4	-300.6%	107.8%	0.3	0.3	1.5%	5.6%	0.8%	3.2%
Average						10.4	8.7	-27.3%	19.0%	0.8	0.8	7.3%	7.7%	8.1%	9.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

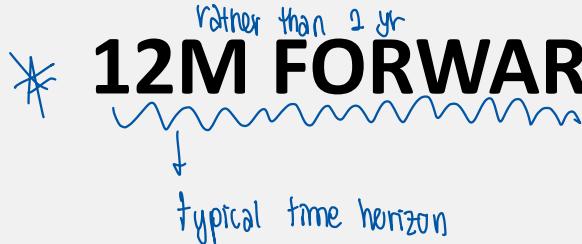
BDMS, PE RATIO BAND COMPARED TO ITS HISTORY



PE band covers stock price
historical level of price of EPS & range of PER
cannot say it is cheap compared to the past
fairly valued base on historical
it today & past is not the same!
give trend in the past

YEAR	EPS	Note
2014	0.48	Actual
2015	0.51	Actual
2016	0.54	Actual
2017	0.66	Actual
2018	0.59	Actual
2019	0.99	Actual
2020	0.45	Actual
2021	0.50	Actual
2022	0.79	Actual
2023	0.85	Forecast
2024	0.95	Forecast
2025	1.00	Forecast

Source: KS



12M FORWARD EPS AND GROWTH

Rather than 1 yr

typical time horizon

ASSUMING WE ARE IN MAY 2023:

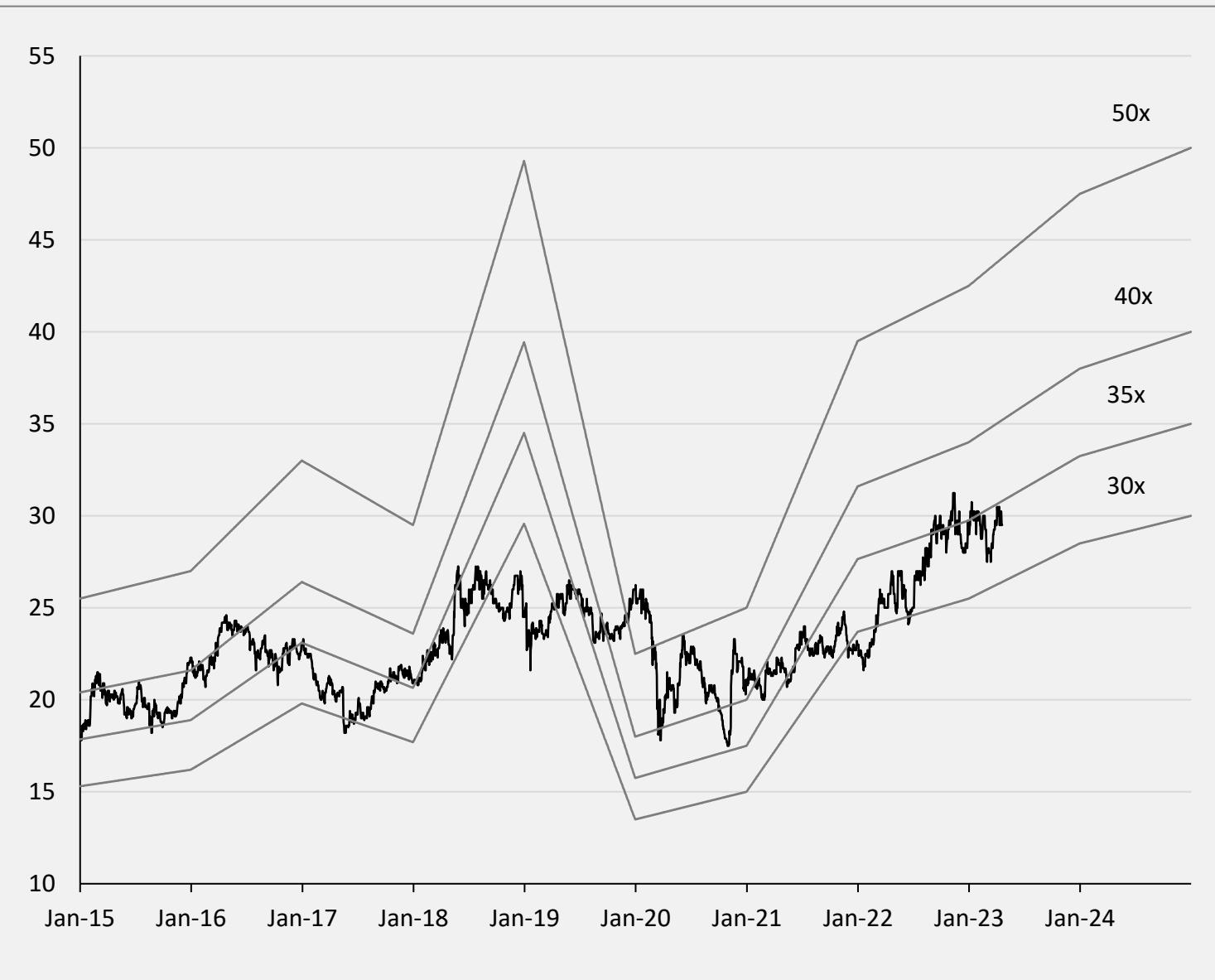
Stock	Annual Forecasts	12M Forward EPS	12M Trailing EPS	12M Forward EPS Growth
2023f EPS		1.1		
2024f EPS		1.5		
12M Forward EPS			1.27	
12M Trailing EPS (LAST 4Q, TTM)				1.0
12M Forward EPS Growth				27%

TIME-WEIGHTED AVERAGE OF EPS

12M Forward EPS = 1.27 = 7 months remaining for 2023 and 5 months of 2024 to make a full annual EPS for the future 12 months.

Weighting average : $\frac{7}{12}(1.1) + \frac{5}{12}(1.5)$

BDMS - 12M FORWARD ROLLING PER BAND

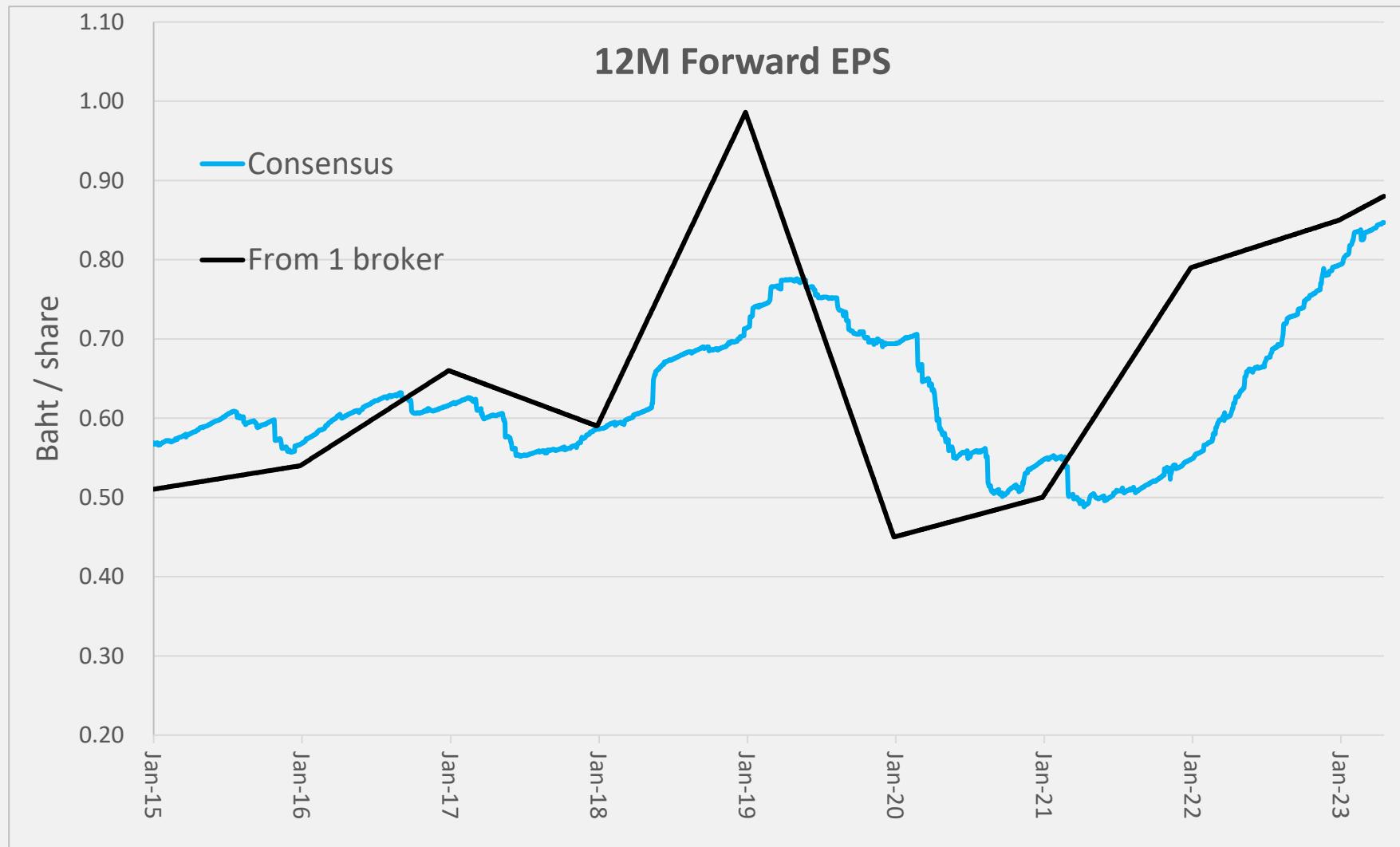


moving by day
12M FWD EPS \Rightarrow weighted average by day

YEAR	EPS	Note
2014	0.48	Actual
2015	0.51	Actual
2016	0.54	Actual
2017	0.66	Actual
2018	0.59	Actual
2019	0.99	Actual
2020	0.45	Actual
2021	0.50	Actual
2022	0.79	Actual
2023	0.85	Forecast
2024	0.95	Forecast
2025	1.00	Forecast

Source: KS

CONSENSUS EPS ESTIMATES CHANGE OVERTIME



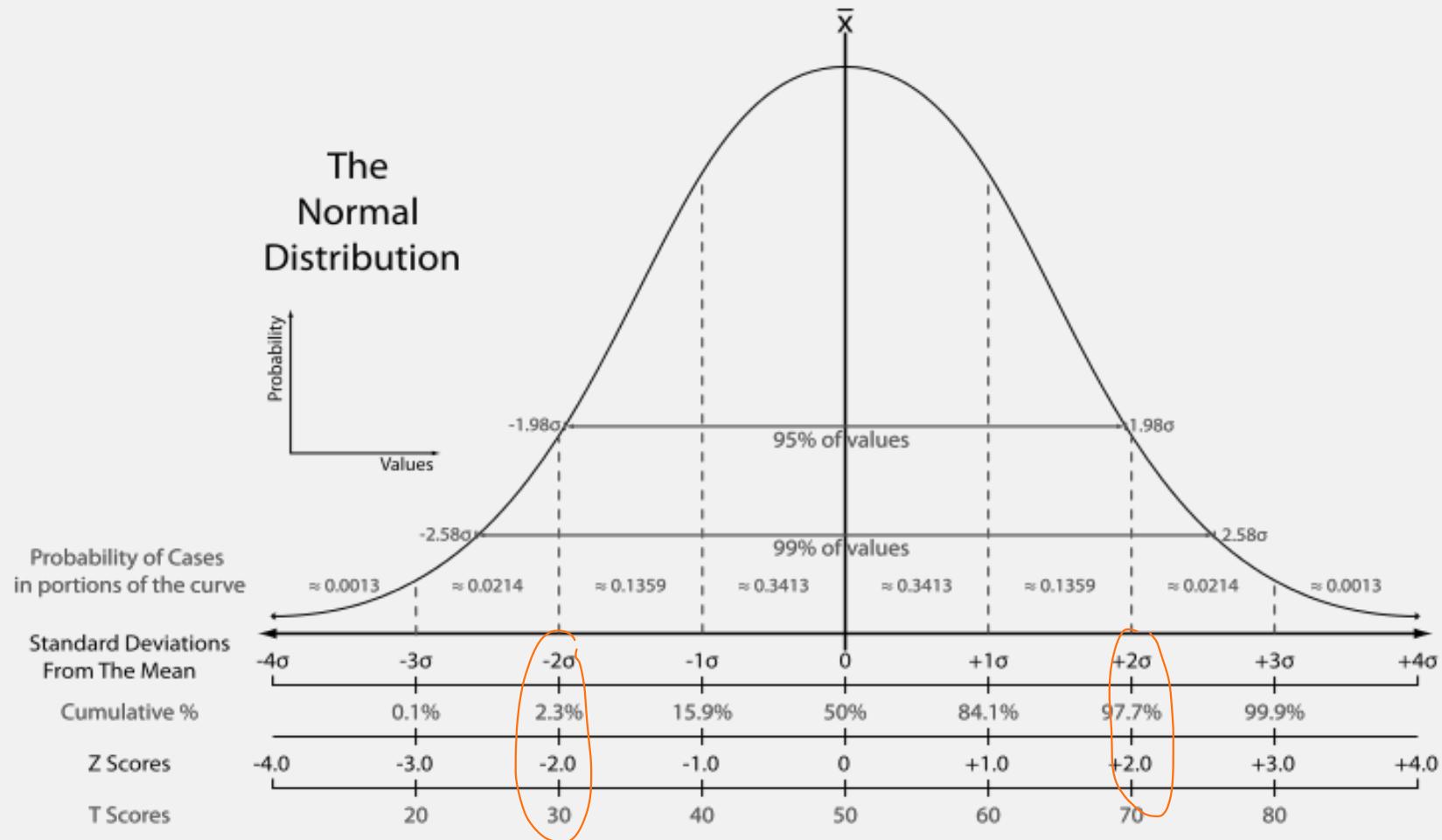
BDMS - 12M FORWARD ROLLING PER BAND

analyst change every day

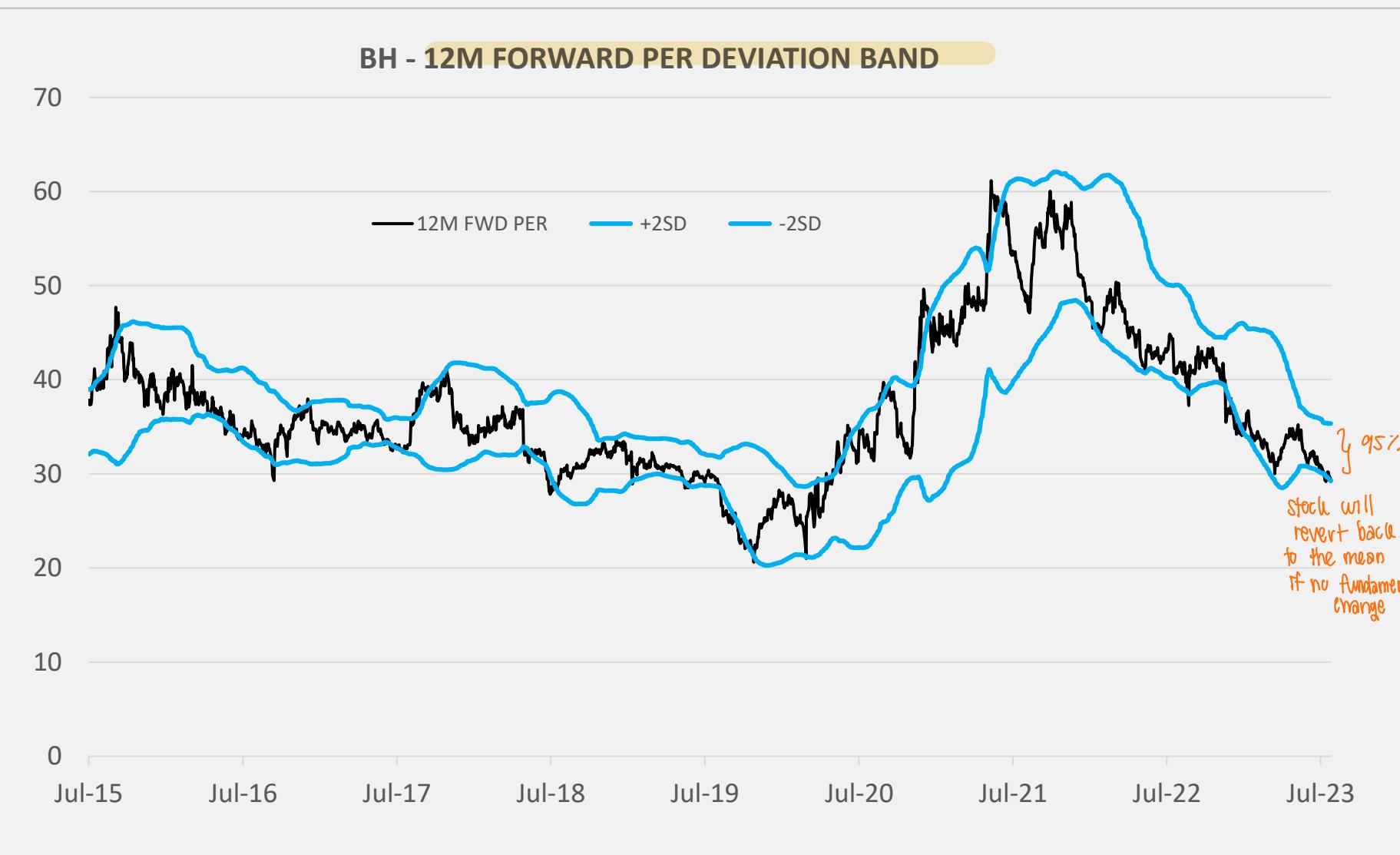


Source: Bloomberg

NORMAL DISTRIBUTION



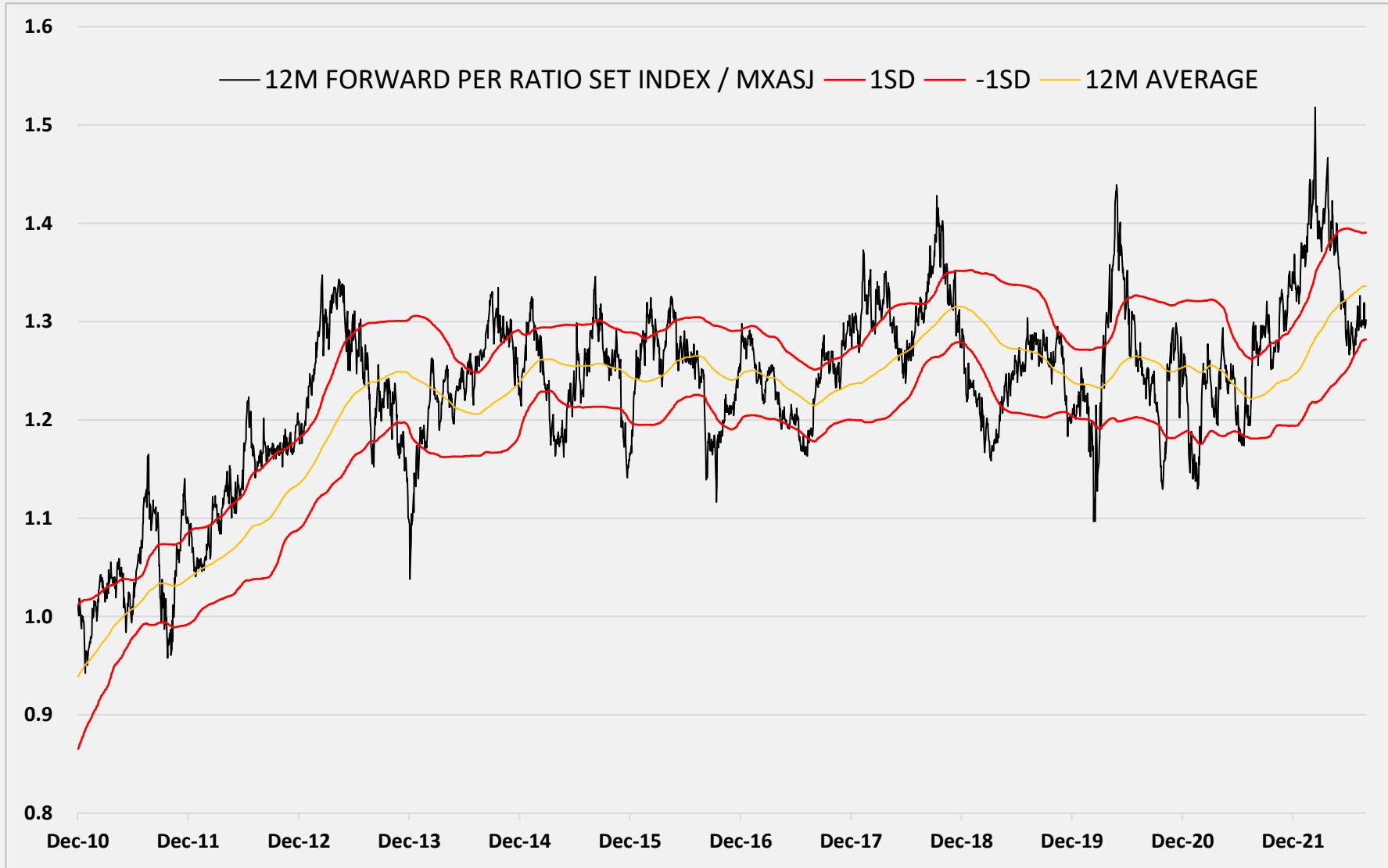
TRADING STRATEGY - PE RATIO TRADING BAND



A TRADING STRATEGY (PAIR TRADE)



SET INDEX / MSCI ASIA EX JAPAN PE PREMIUM



Source: Bloomberg

ADVANC

PRICE	222	believe in company Still like it? \Rightarrow valuation solid			
Date	25-Jul-2023				
	2022	2023E	2024E	2025E	
EPS	8.75	9.29	10.63	11.48	

1. Assume PE Ratio remains at the current levels of 23.9x into 2024

Share Price (Bt)	222	assume PE remain the same
Target Price (Bt)		
Expected Gains		
Dividends expected over holding period (Bt)*		
Dividend Yield		
Expected Total Returns		

254
14.4%
8.2
3.7%
18.1%

2. Assume PE Ratio falls to -1SD on 6M average from current +2SD

12M FWD PE Ratio currently	21.73
1SD	0.47
Target PE Ratio	20.74
Target Price	221
Expected Gains	-0.6%
Dividends expected over holding period (Bt)*	8.2
Dividend Yield	3.7%
Expected Total Returns	3.0%

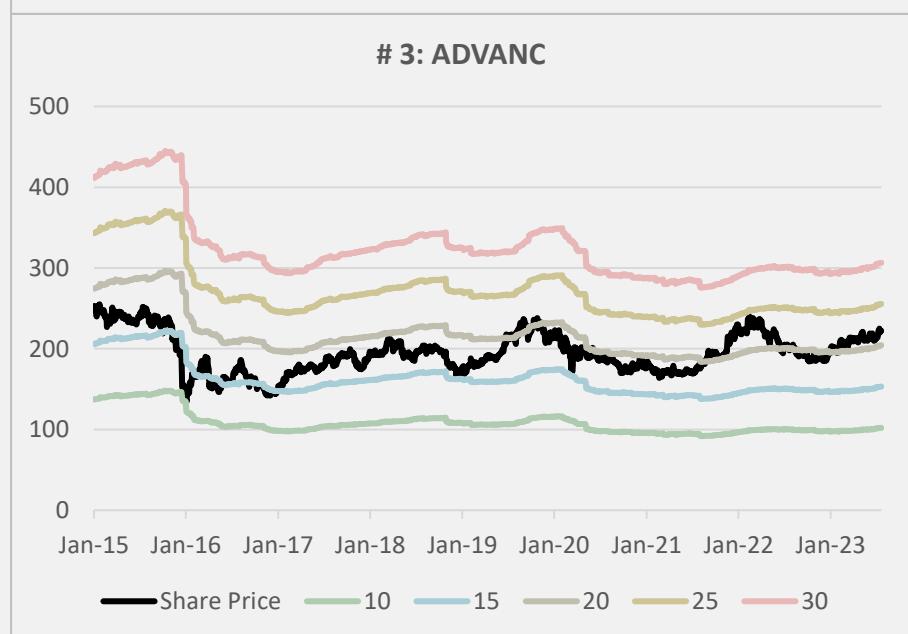
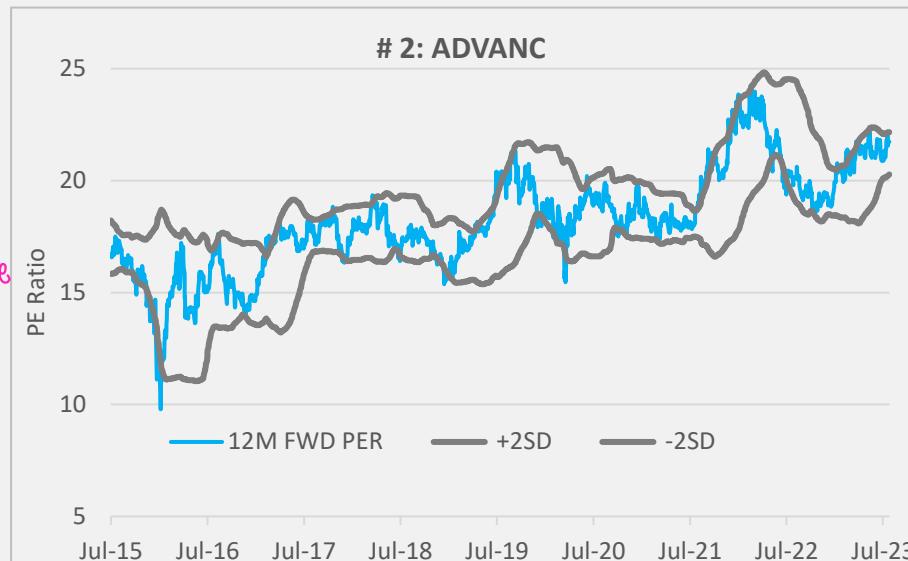
3. 12M FWD PER traded between 15x to 20x most of the time before Covid

Assume target 12M FWD PER (avg. 15x-20x)	17.5
Target Price (PE times next 12M EPS (2025))	201
Expected Gains	-9.5%

Dividends expected over holding period (Bt)*	8.2
Dividend Yield	3.7%
Expected Total Returns	-5.8%

* Assume annual dividend payment

SETTING TARGET PRICE



- Synergy
 - New management
- put into
Valuation

THE MATHEMATICS OF PE RATIO

WITHOUT GROWTH

ASSET PRICE = REGULAR INCOME STREAM / DISCOUNT RATE

STOCK PRICE = DIVIDEND / REQUIRED RETURN ON EQUITY (K_e)

STOCK PRICE / EPS = DIVIDEND / ($K_e \times EPS$)

PE RATIO = PAYOUT Ratio / K_e

WITH SUSTAINABLE GROWTH (Gr)

PE RATIO = PAYOUT Ratio / ($K_e - Gr$)

Growth (Gr) = ROE \times (1-PAYOUT Ratio)

PAYOUT Ratio = 1 - Gr/ROE

PE RATIO = 1 - (Gr/ROE) / (Ke - Gr)

Textbook

Investment Solution: Tools and Techniques for Determining the Value of Any Asset (Aswath Damodaran),

3rd Edition (University Edition)

- Chapter 17 & 18: more detailed explanations and many formulas

ADAPTATIONS FROM PE RATIO

- **PRICE / CASHFLOW**

- SCATTER PLOT
- PCF BANDS

used for M&A

current & future CF

- **EV / EBITDA**

spot not trailing

- SCATTER PLOT
- EV/EBITDA BANDS

- **PRICE / BOOK VALUE**

- SCATTER PLOT
- PBV BANDS

FEATURES OF PBV

BOOK VALUE

= SHAREHOLDERS' EQUITY = (TOTAL ASSET – TOTAL LIABILITIES) = NET ASSET VALUE (NAV)

PRICE / BOOK VALUE *→ for Chinese mkt*

= STOCK PRICE / BOOK VALUE PER SHARE

- A balance sheet approach
- Theoretically, the residual value left after liquidation *conservative*
- Ignore outlook or future performance
- Provides the value of underlying assets

PBV RATIO

Share price	= Bt10
Book value/share	= Bt5
PBV	= 2x

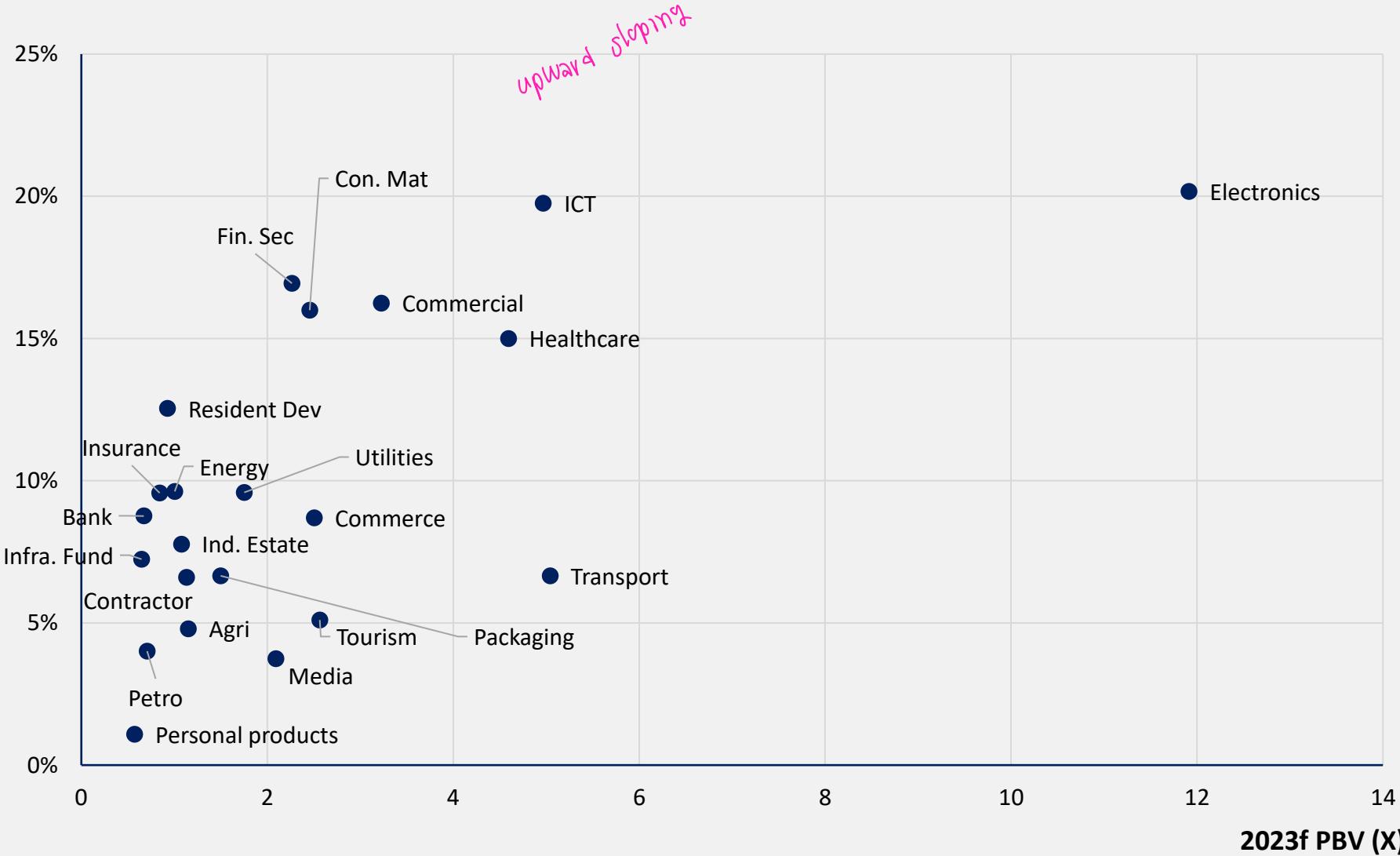
- Intangible
 - SW
 - Book is very profitability < high ROE >

Why would you pay twice BV?

PBV AND ROE

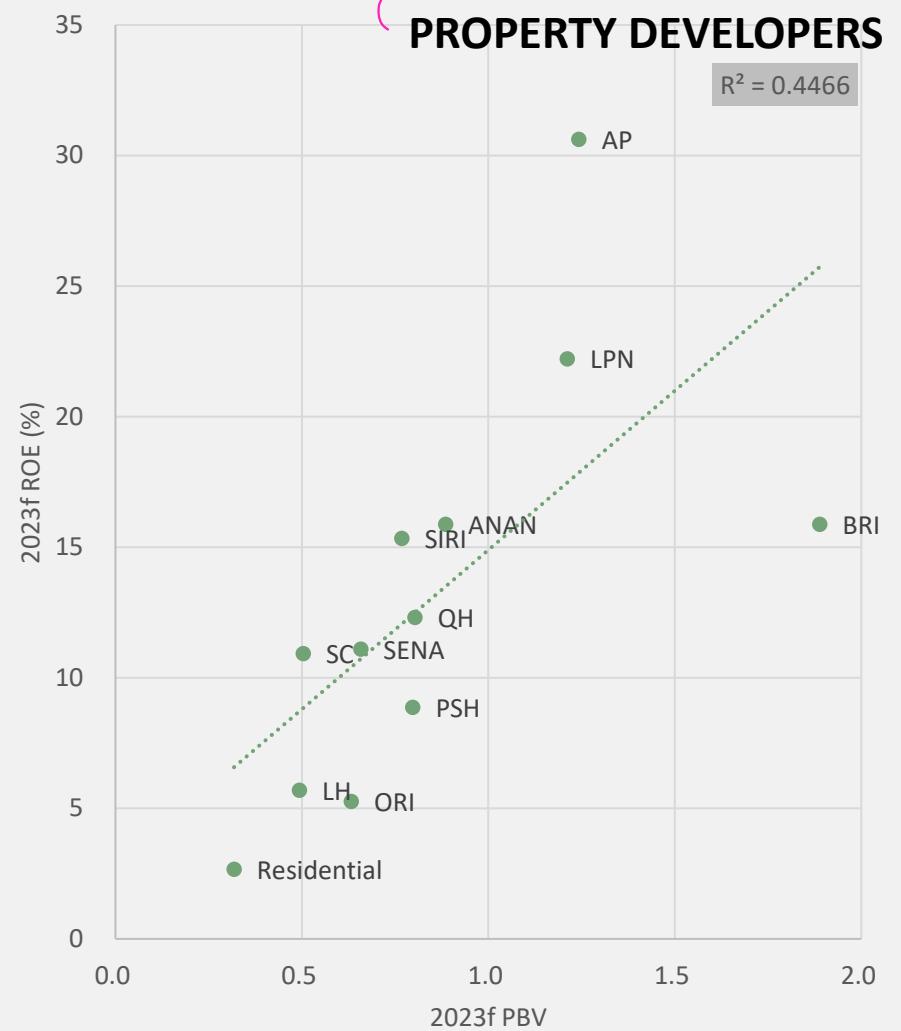
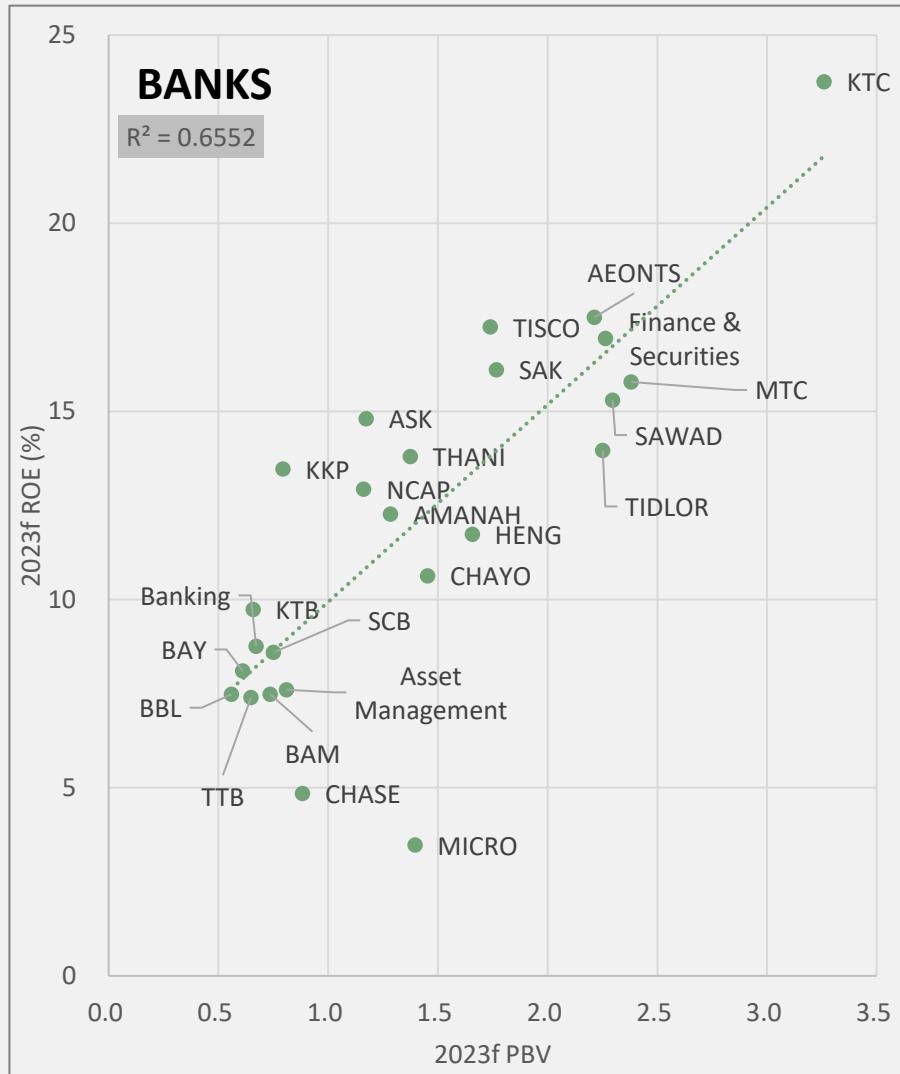
PER & EPS growth \Rightarrow look for growth

2023f ROE



Source: KS

MORE SUITABLE FOR CERTAIN SECTORS



Source: KS

COMMON USE OF PBV

If cannot see earning

- **BANKS**
 1. BALANCE SHEET STRENGTH IS MOST IMPORTANT
 2. CAPITAL INTENSIVE
 3. MOST ITEMS ON BALANCE SHEET HAVE MARKET VALUES
 4. SLOWER GROWTH NOW
- **PROPERTY / CONTRACTORS**
 1. LUMPY BUSINESS
 2. POOR EARNINGS VISIBILITY
- **CERTAIN SITUATIONS**
 1. BEAR MARKETS
 2. DISTRESSED / NEAR BANKRUPTCY

FACTORS THAT HAVE INFLUENCE

on valuation

- DIFFERENCES IN INDUSTRY (LIFE CYCLE)
- MANAGEMENT (TRACK RECORD)
- PROFITABILITY (BRAND VALUE, FRANCHISE VALUE)
- CAPITAL STRUCTURE (ROE, D/E)
 - high D/E
good condition → grow very fast
 - bad → bad
- DIFFERENCES IN ACCOUNTING TREATMENT
- DIFFERENCES IN QUALITY OF BUSINESS (ROCE)

- GOVERNANCE
- SUSTAINABILITY
- BCG (BIO,CIRCULAR,GREEN)

EV / EBITDA MULTIPLE

< M&A >

↳ value our equity & debt
↓ see how strong is CF

EV

- = Enterprise value
- = Value of firm
- = Value of equity + value of debt
- = Market capitalization + Net debt (marked to market)

EBITDA

- = Operating profit before tax (EBIT) + Depreciation + Amortization
- = Cashflow to the firm
- = Cashflow to service both equity holders and debt holders

MEASURE OF VALUE FROM DIFFERENT CAPITAL PROVIDERS

CAPITAL
PROVIDERS

CREDIT + EQUITY = EV

CREDIT
(LOANS, BONDS)

EQUITY

BUSINESS

EBITDA

INTEREST
EXPENSE

PROFITS

VALUE

EV / EBITDA

INTEREST EXPENSE / CREDIT
= LENDING / BOND YIELD

EARNINGS / EQUITY PRICE
= PE RATIO

WHICH COMPANY IS MORE ATTRACTIVE AS AN ACQUISITION TARGET?

BT BN	STEEL A	STEEL B
MKT CAP	1,000	2,000
NET DEBT	3,000	2,000
EV	4,000	4,000
EBITDA	800	800
EV/EBITDA	5.0x	5.0x

HOW MUCH TO PAY FOR

- In comparison to peers
- In comparison to trading history

FACTOR	HOW EXPENSIVE	HOW MUCH GROWTH
GROWTH	PE MULTIPLE	EPS GROWTH
	EV / EBITDA MULTIPLE	EBITDA GROWTH
VALUE	PBV MULTIPLE	ability for BV to generate profit PROFITABILITY (ROE)

CYCLICALS AND NON-CYCLICALS

Hard to do

CYCLICALS

Sales or Earnings change **quickly and sharply** with changes in economic conditions

Associated with capital intensive industries (Steel, Cement, Petrochemicals, Durables) Service sectors include Tourism)

Low PE at cycle peak is bad – a trap
High PE at start of up cycle – good

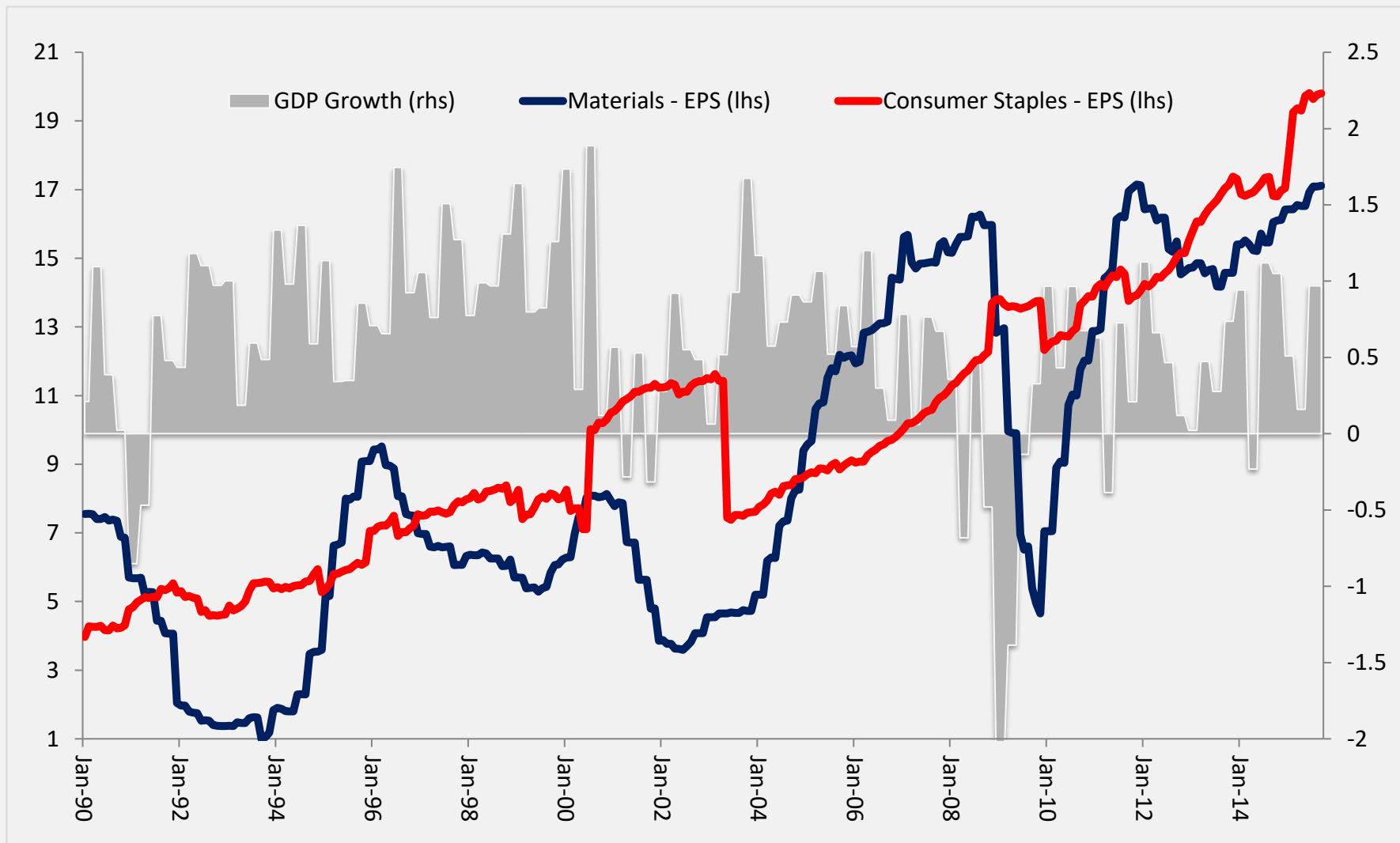
NON-CYCLICALS

Slower and more stable

Consumption, Food, Telecoms, Utility, Healthcare

Less volatile

CYCLICALS VS NON-CYCLICAL VOLATILITY OF GROWTH (US MARKET)



Source: Bloomberg

Why PIE is wrong?

A REVIEW OF PE RATIO

Date	SET Index	12M Forward EPS	PE Ratio
DEC 2010	1,033	83.3	12.4
DEC 2022	1,669	108.8	15.4
2023		↓ Lower	Same
CHANGE	62%	31%	24%

Source: Bloomberg

EFFORTS VS RESULTS

	EPS ESTIMATES	TARGET PE RATIO
ESTIMATED PROPORTION OF TIME SPENT	70-80%	20-30%
PRICE IMPACT	Very important	Spend a lot of time to do earning forecast less time to do fair price Can be very important at times

Are Price Targets Accurate?

Despite the best efforts of analysts, a price target is a guess with the variance in analyst projections linked to their estimates of future performance. Studies have found that, historically, the overall accuracy rate is around 30% for price targets with 12-18 month horizons. However, price targets do have the ability to sway investor sentiment, especially if they come from credible analysts.

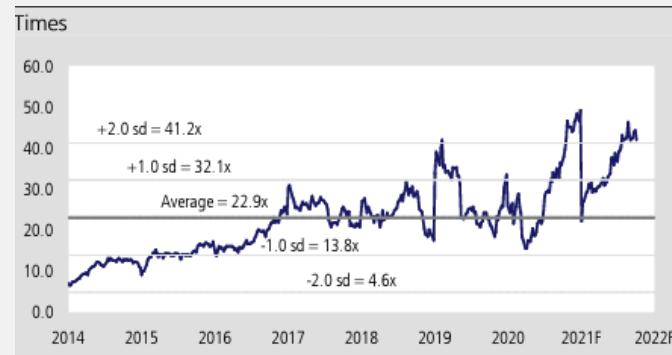
<https://www.investopedia.com/terms/p/pricetarget.asp>

เราคงราคาเป้าหมายสิ้นปี 2565 ที่ 15.00 บาท อิงจาก PER ที่ 34.0x (P/E เฉลี่ยของ GLOBAL และ HMPRO +0.5 S.D.) ราคาหุ้นน่าจะสะท้อนแนวโน้มผลการดำเนินงานที่อ่อนแอในปีนี้ไปมากแล้ว

เราริ่มต้น Initial Coverage ด้วยค่าแนะนำ “ซื้อ” โดยให้ราคาเป้าหมายในปี 65 ที่ 21.60 บาท อิง PER ที่ 21 เท่า (ค่าเฉลี่ยย้อนหลัง 5 ปี +1S.D.) Upside 28.6% จากการคาดว่าธุรกิจสามารถ

เราคงค่าแนะนำ “ซื้อ” ราคาเหมาะสมปี 2565 ที่ 9.00 บาท/หุ้น อิง P/E 8.0 เท่าตามดัชนีโดยในระยะสั้นทิศทางกำไรงอกติดต่อรวมมา 3/64 ยังคงสดใส จะเติบโตถึง +159.6% YoY

เราคงค่าแนะนำ “ซื้อ” และปรับฐานขึ้น 8% เป็น 207 บาท อิง 14.7xPE'22E ซึ่งเป็นระดับก่อนเก็ตโกร์ด สะกัดเงินแนวโน้มเชิงบวกของอุปสงค์ปูนซีเมนต์ที่เพิ่มตัวหลังวิกฤตโควิดทึบก๊อกตลาดภาคในประเทศ

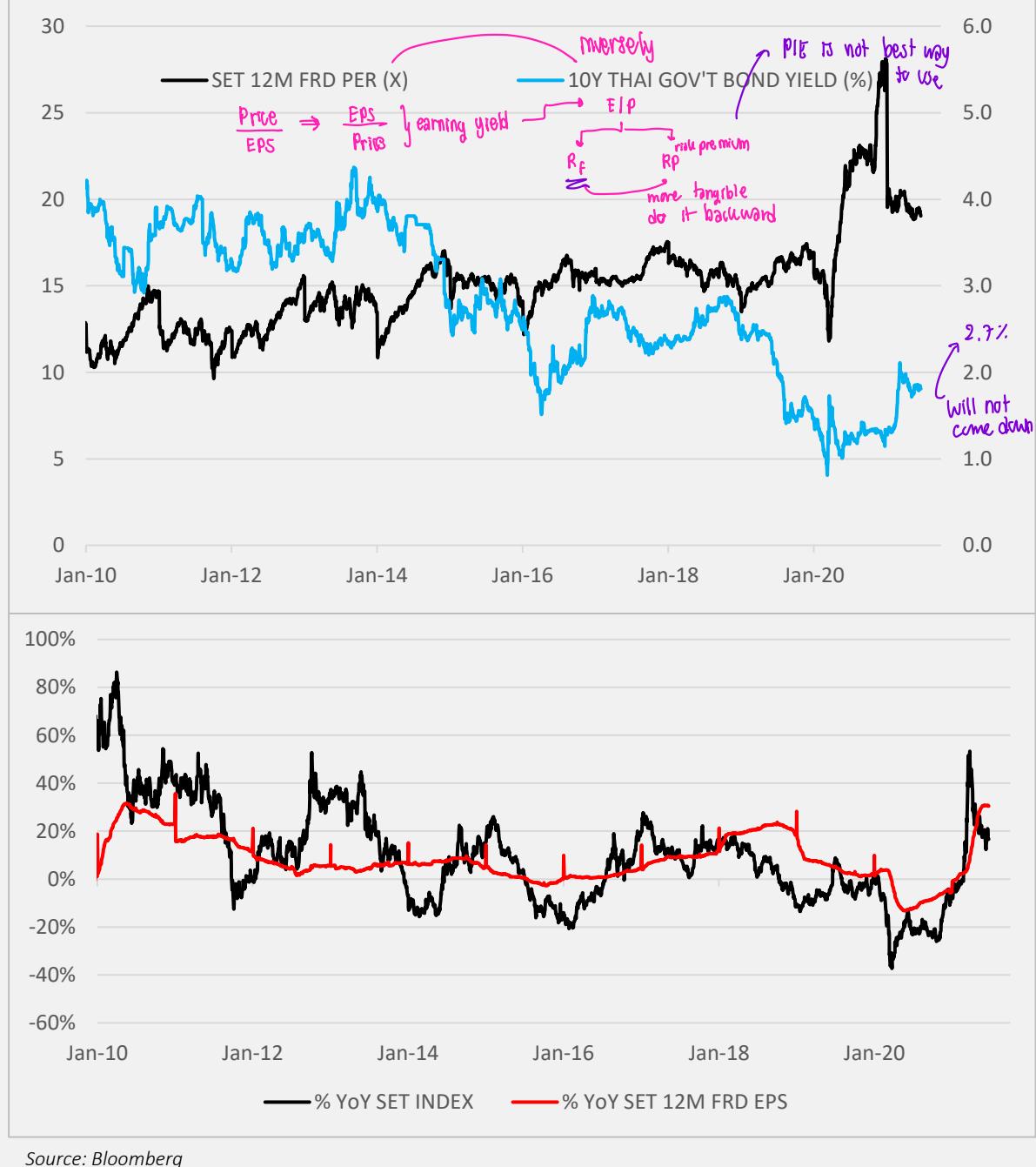


ราคาหุ้นปรับตัวขึ้นมาใกล้เคียงกับราคาเหมาะสมอิงกับ P/E'64 = 28 เท่า หรือค่าเฉลี่ยในอดีต 3 ปี +2SD แม้มีปัจจัยบางประยุต์ที่ค่อยๆ หนุนราคาหุ้นคือค่าเงินบาทอ่อนค่า 33.70 บ./เหรียญ

PE CHANGE IS MUCH TO DO WITH INTEREST RATES

SET 12M FORWARD PER VS 10Y TGB YIELD
= -73% CORRELATED

% YOY SET INDEX VS % YOY 12M FORWAD EPS
= 47% CORRELATED



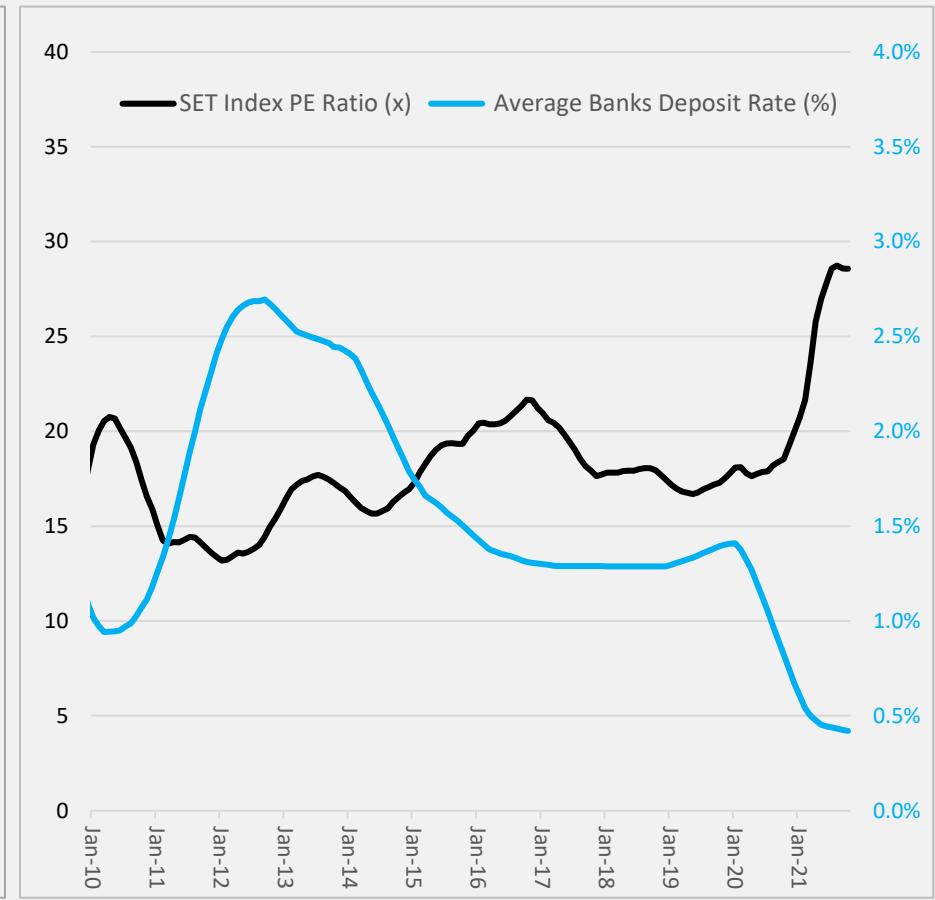
Source: Bloomberg

A DEEPER DIVE INTO PE RATIO

VALUE FROM AN ASSET “A” GENERATING A CONSTANT INCOME OF 1 BAHT PER YEAR

At Market Interest Rate	Value of Asset (Baht)	PE Ratio (x)
10%	$1 / 10\% = 10$	$10 / 1 = 10x$
5%	$1 / 5\% = 20$	$20 / 1 = 20x$
1%	$1 / 1\% = 100$	$100 / 1 = 100x$
0.1%	$1 / 0.1\% = 1,000$	$1,000 / 1 = 1,000x$

PE RATIO MOVES INVERSELY TO INTEREST RATE



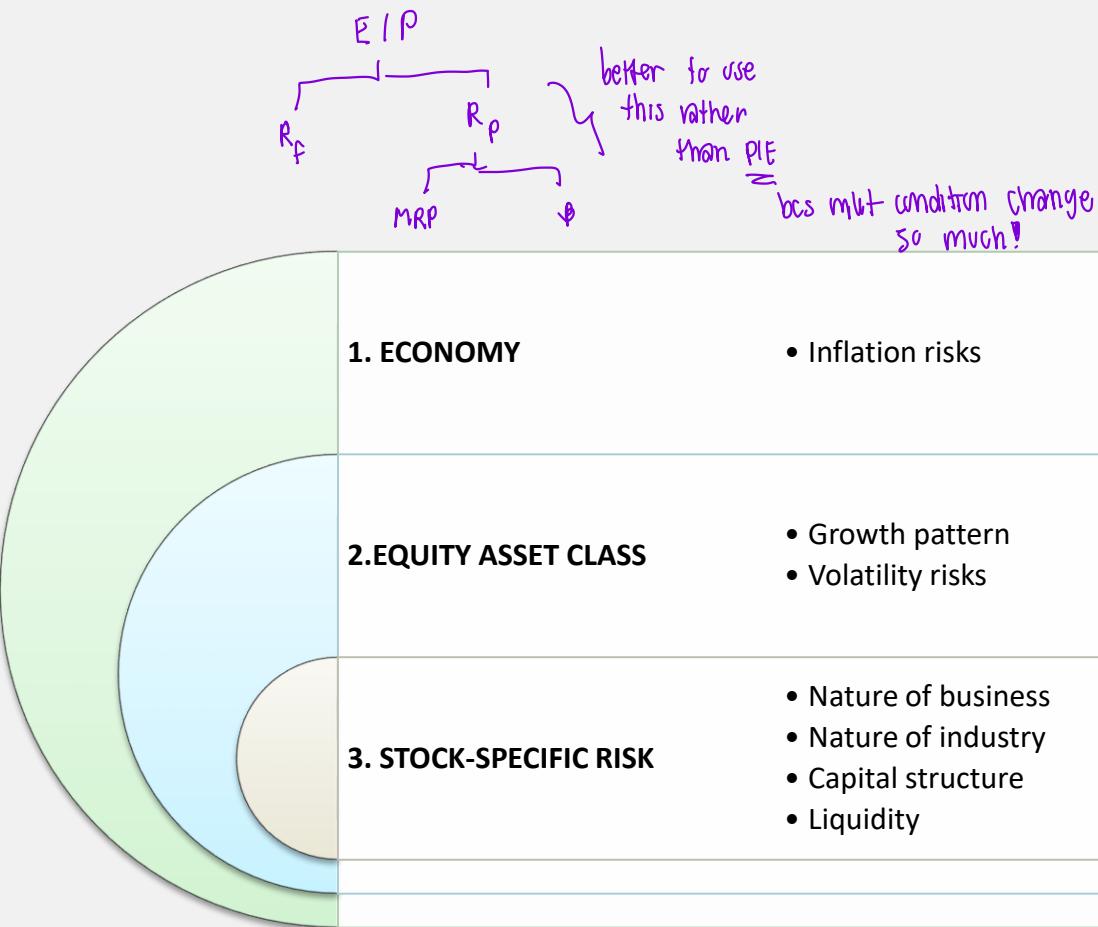
Source: SET, BOT

PE Ratio here is 12-Month Trailing. Both lines based on 12-month rolling averages.

BETTER INSIGHTS POSSIBLE

MEASURE	PRICE / EPS = PE RATIO (x)	INVERSE	EPS / PRICE = EARNINGS YIELD (%)
Returns	<ul style="list-style-type: none"> - A relative multiple used to compare with peers or own history 		<ul style="list-style-type: none"> - A percentage return (yield), similar to deposits, fixed income or dividend yields
Risks	<ul style="list-style-type: none"> - Higher multiples associated with higher risks 		<ul style="list-style-type: none"> - Nature of risks and returns can be quantified into the following 3 components. <pre> graph TD A((Risks & Returns)) --> B[1. Macro-economic rf] A --> C[2. Equity Asset Class] A --> D[3. A particular Stock equity risk premium (p)] </pre>

THE 3 RISK COMPONENTS



RISK COMPENSATION

Government Bond Yield

- Government bonds are free of default risk.
- Adjusted for inflation, has risk on 'real return'.
- 10-Year term is considered long enough to reflect the long-term nature of stocks.

Market Risk Premium (MRP) *for mkt (Index)*

- Additional returns investors demand for exposure to the higher-risk asset class above the 10Y TGB Yield.
- It is also a measure of equity risk appetite.

Beta

- Additional returns investors demand over MRP
- This risk is specific to a stock behavior relative to market index. It is designated as 'Beta'
- If $\beta > 1$, the stock has higher risk than market. If < 1 , lower risk.

BETTER ACCOUNTABILITY

EARNINGS YIELD

RISK FREE

MARKET RISK PREMIUM

BETA

Macro-Economic Risks

Asset Class Risks

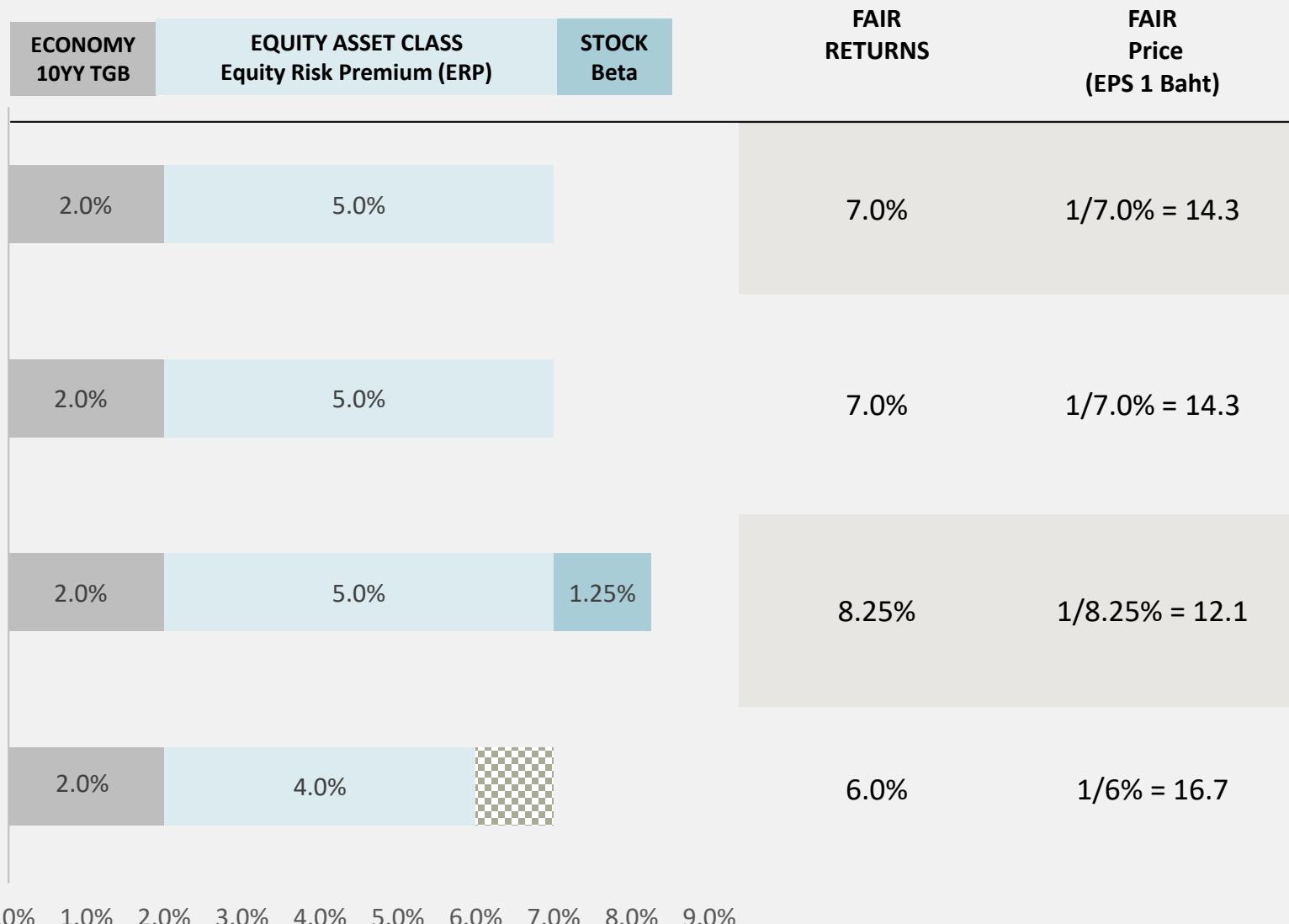
Company Risks

Economist

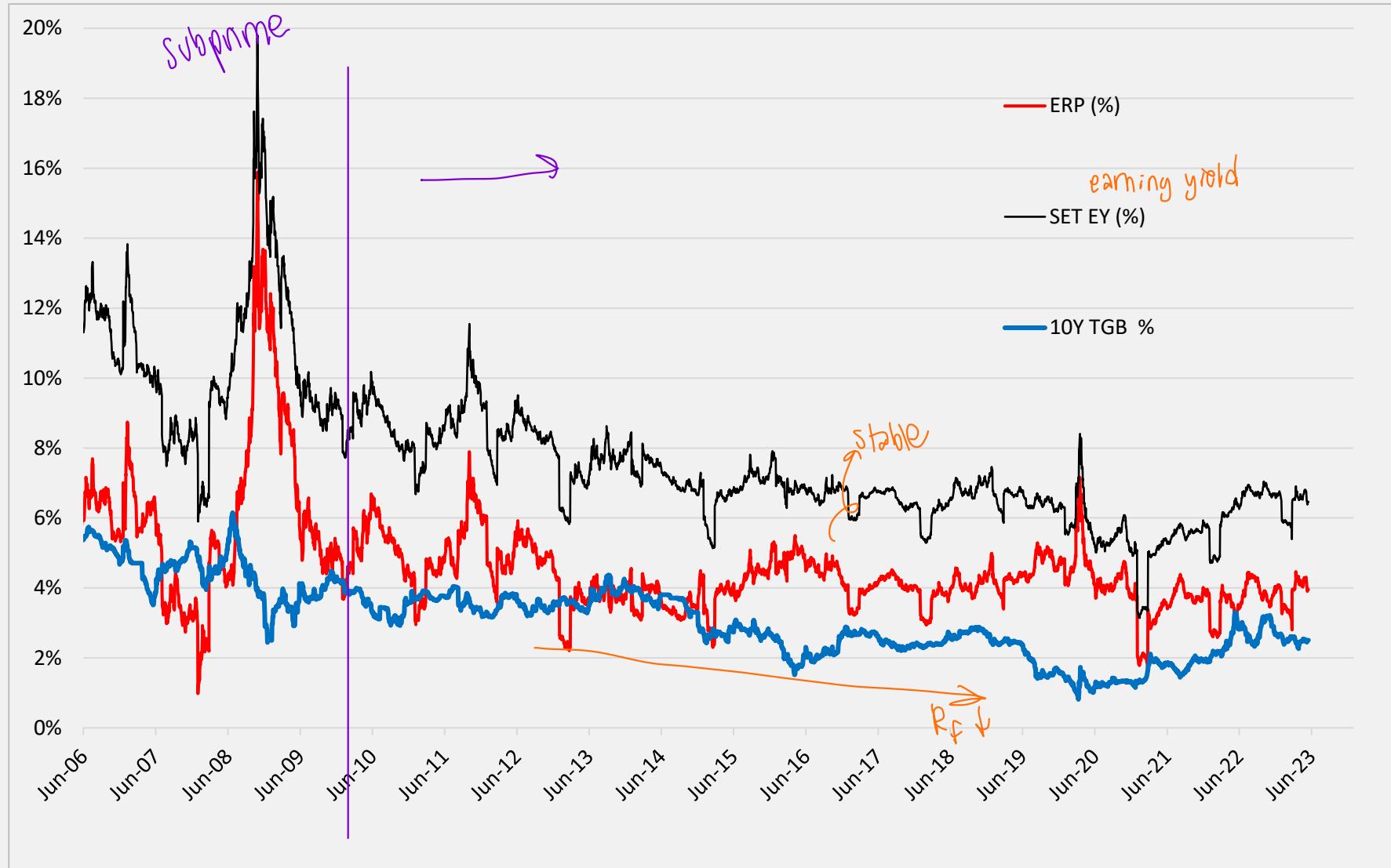
Strategist

Analyst

THE 3 COMPONENTS = TOTAL EQUITY RISK



TARGET PRICE BETTER SET THROUGH REQUIRED EARNINGS YIELD (REQUIRED RETURNS)



LOOKING FOR DRIVERS OF ERP

ERP

10YY TGB



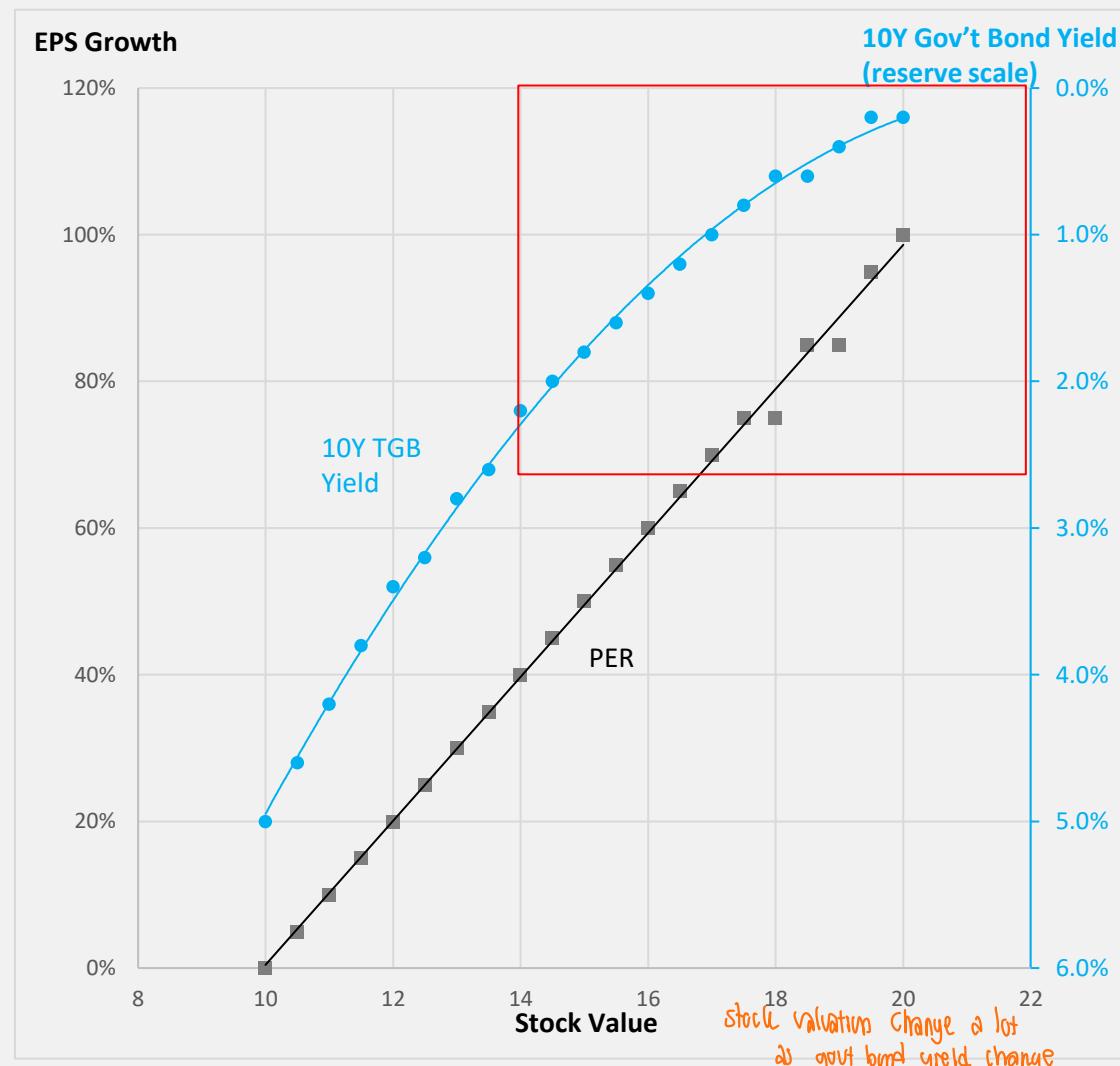
Nominal GDP Growth



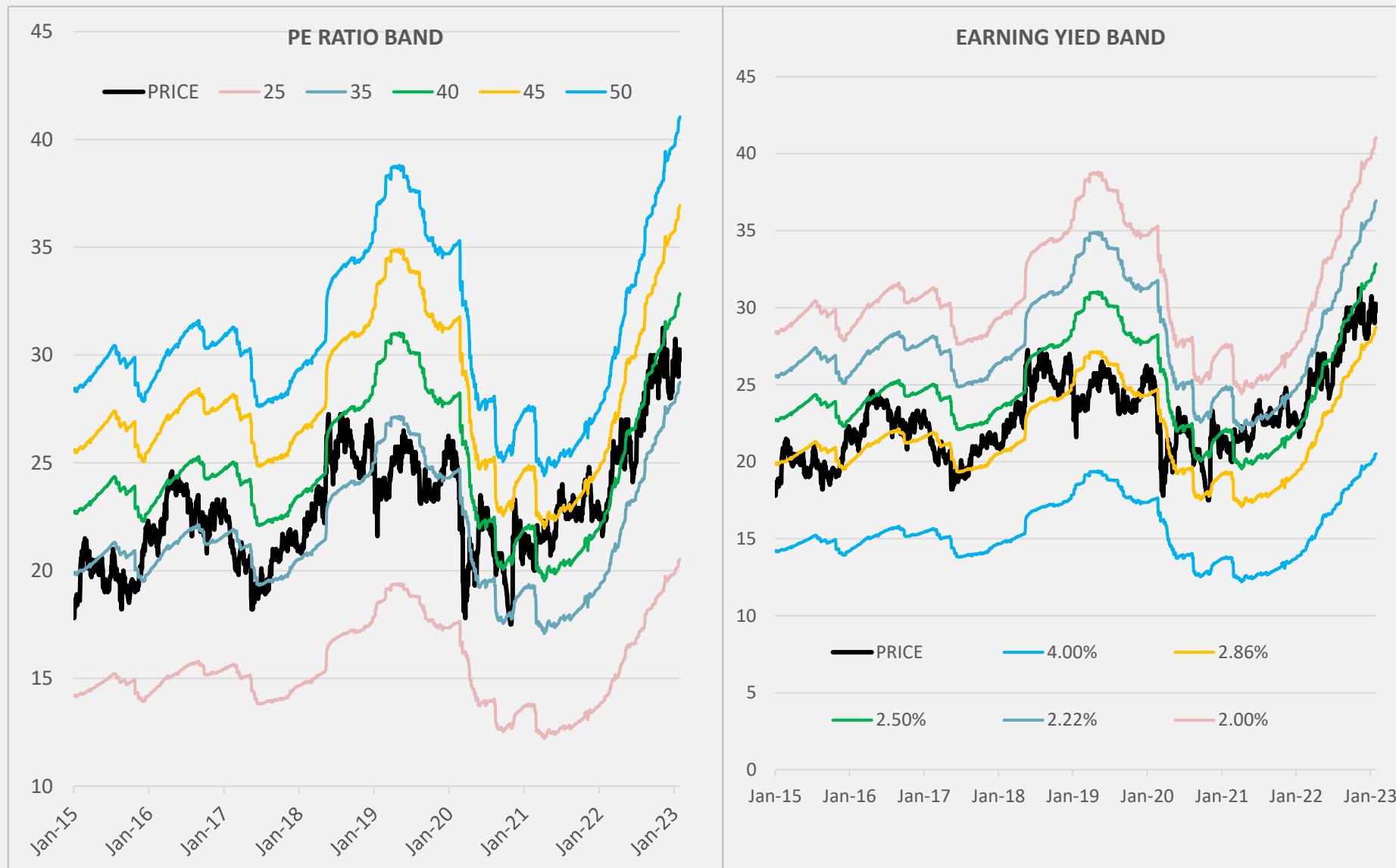
- 'Yield' line shows stock value based on changing Risk-Free (RF) rate and holding equity risk premium constant at 5%, Beta at 1 and EPS at Bt1.
- 'PER' line shows stock value based on changing EPS growth from EPS at Bt1 with a constant PE Ratio at 10x.
- Changes in valuation is more sensitive to changes in RF rate when RF rate is low.
- Market prices appear to behave along the 'Yield' line than 'PE' line lately.

MORE SENSITIVE TO CHANGES IN INTEREST RATES

NASDAQ
bond yield changes → NASDAQ change wildly
 pay cut far
in future
 high growth stock



PE VS EY



Source: Bloomberg

ONE-OFFS

ignore
↳ not repeatable

A COMMERCIAL DEVELOPMENT WAS PARTLY DESTROYED BY FIRE.

- REPORTED NET PROFIT OF **BT2BN**
- WRITTEN-OFF **BT1BN** IN DAMAGE
- HAS **1,000MN** SHARES OUTSTANDING
- SHARE PRICE **BT50**

EVENT	PROFIT (BTM ^{IN})	EPS (BT)
NET PROFIT	2,000	2.0
EXTRA-ORDINARY ITEM	<u>-1,000</u>	<u>-1.0</u>
PROFIT BEFORE EXTRA-ORDINARY (CORE PROFIT)	3,000	3.0
PER		50/2 = 25X
'NORMALIZED' OR 'CORE' PER		50/3 = 16.7X

COMMON ITEMS

- NON-RECURRING ITEMS
- NOT PART OF CORE BUSINESS
- SHARES / INVESTMENT DISPOSAL
- MAY HAVE IMPACT ON DIVIDENDS

TREATMENT OF WARRANTS

Company A issues	100mn warrants
Issue price	1
Conversion ratio, Warrant:Stock	1:1
Conversion price	10
Share price	14
Shares outstanding	1,000mn (before warrant conversion)
Warrant will expire	By end of this year

Question

↓ include this!

1. Are warrants likely to convert to common shares?
2. What will be shares outstanding by end of this year?
3. How much **NEW** capital will company A get from warrant conversion?

Answer

1. Yes
2. 1,100mn
3. $(10-1) \times 100 = 900\text{mn}$

SHARE PRICE ADJUSTMENT FROM DILUTIVE CAPITAL INCREASE

Company A announces a Rights Issue = 10 Old shares : 1 new shares

Stock price before X-Rights date = 25

Price for new shares (from Rights Issue) = 10 >>>> Dilution (new shares cheaper than existing shares)

Original number before Rights (mn) = 500

Number of shares after Rights (mn) = $500 + ((500/10)*1) = 550$

Market Cap must be the same

	BEFORE	= AFTER
Market capitalization	= $500 * 25$	= $550 * X$
	= 12,500	= 12,500

Share price	= 25	= $12,500/550 = 22.72$
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Price after Rights Issue (on XR date), X = 22.72

Adjustment Factor = **0.9091** ($22.72/25$)

Bloomberg already adjust

- Old share price must be adjustment before running PE band charts
- Prices shown on technical charts are also adjusted
- SETSMART has both unadjusted and adjusted prices

READING LIST

- Investment Solution: Tools and Techniques for Determining the Value of Any Asset (Aswath Damodaran), 3rd Edition (University Edition), Chapter 17 & 18:
- The right role for multiples in valuation
<http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-right-role-for-multiples-in-valuation?cid=eml-web>

ASSIGNMENT #3

- { 1. SCATTER PLOT PER AND EPS GROWTH WITH PEERS *CBG with peers*
- 2. SCATTER PLOT PEG RATIO VS ROE WITH PEERS *PER*
- 3. 12M ROLLING FORWARD PER BAND OR PB BAND *P/BV* *PER BAND BOMS*
- 4. ESTIMATE FAIR PRICE BASED ON A MULIPLE BASED METHOD (PER, PBV OR EV/EBITDA?) *TARGET PRICE*
- 5. ESTIMATE FAIR PRICE BASED ON EARNINGS YIELD METHOD *(\\$)*
- 6. WHICH APPROACH MOST APPROPRIATE FOR YOUR COMPANY AND WHY

QUIZ