



# TOA Paint (Thailand)

(TOA.BK/TOA TB)\*

## Neutral · Maintained

Price as of 14 Aug 2018	37.00
12M target price (Bt/share)	38.25
Unchanged / Revised up (down) (%)	(5.6)
Upside/downside (%)	3.4

### Key messages

TOA reported a 2Q18 net profit of Bt445mn (+12.3% YoY, -17.6% QoQ). The result was 14.4% below our estimate and the Bloomberg consensus as revenue and gross margin were lower than expected. We believe the decline QoQ was due to i) premium segment making up less of the product mix, ii) baht depreciating against the US dollar, and iii) high crude price. The company also announced a dividend of Bt0.21 for its 2Q18 operation (XD on August 27) implying a dividend yield of 0.6%. We trimmed our 2018-2020 earnings forecasts by 8% and rolled our target price over to mid-2019 at Bt38.25 (PER 34.3x), from Bt40.50. We believe the current share price already reflects positive factors, but better than expected domestic demand would be a key driver for earnings growth.

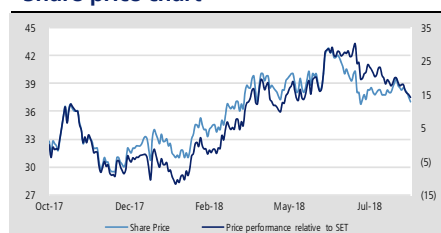
### Trading data

Mkt cap (Btbn/US\$mn)	75.0/2,275
Outstanding shares (mn)	2,029
Foreign ownership (mn)	217.5
3M avg. daily trading (mn)	14.0
52-week trading range (Bt)	28.0-43.0
Performance (%)	3M 6M 12M
Absolute	-2.6 8.0 N.A.
Relative	0.6 8.0 N.A.

### Quarterly EPS

Bt	1Q	2Q	3Q	4Q
2016	0.84	0.73	0.66	0.58
2017	0.47	0.22	0.20	0.2
2018	0.27	0.22	N.A.	N.A.

### Share price chart



Source: SET

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## 2Q18 earnings review: Weaker than expected

### Event

2Q18 earnings review and company update.

### Impact

#### Net profit improved YoY, but softened QoQ

TOA reported a 2Q18 net profit of Bt445mn (+12.3% YoY, -17.6% QoQ). The result was 14.4% below our estimate and the Bloomberg consensus as revenue and gross margin were lower than expected. We believe the decline QoQ was due to i) premium segment making up less of the product mix, ii) baht depreciating against the US dollar, iii) high crude price. The company also announced a dividend of Bt0.21 for its 1H18 operation (XD on August 27) implying a dividend yield of 0.6%.

#### Revenue improved YoY, but softened QoQ

Revenue was Bt3.8bn (+2% YoY, -8.9% QoQ) below our expectation of Bt4bn. The growth YoY was due to price hikes on decorative paint and coating since January 2018 while we believe the QoQ drop was due to i) earlier than expected rainy season in Thailand and other Southeast Asia countries, ii) less contribution from the premium segment (highest margin) to the product mix

#### Cost pressure from higher raw material prices topped up with baht depreciation

Gross margin was 34.5%, down from 35.3% in 1Q18. The gross margin was pressured by i) high raw material prices (oil-based derivatives (~8.5% of COGS) are linked to crude price, titanium dioxide (~8.3% of COGS) which remains at a high level), and ii) the baht depreciated against the US dollar (0.9% QoQ).

#### Trimmed 2018-2020 earnings by 8%

We trimmed our 2018-2020 earnings forecasts as TOA's 1H18 earnings accounted for 42.4% of our full-year forecast. We revised down gross margin by 1% in 2018-2020 and revised down sales 2.5% in 2018 and 3% in 2019 and 2020 to reflect cost pressure from high raw material prices and the depreciation of the baht against the US dollar.

### Valuation and action

We revise down and roll over our target price to mid-2019 at Bt38.25, from Bt40.50, based on PER 34.3x (average 2018-2019 forward PE of APAC peers with 25% discount). We believe the current share price already reflects positive factors, but better than expected domestic demand would be the key driver for earnings growth in the short term.

### Risks

Rise in production costs, fluctuation in THB/US\$, intense competition in regional markets.

### Key financials and valuations

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (Bt mn)	16,297	15,718	17,046	18,455	19,992
Gross profit (Bt mn)	6,203	5,367	6,017	6,551	7,137
EBIT (Bt mn)	3,207	2,180	2,652	2,975	3,279
Net profit (Bt mn)	2,526	1,710	2,134	2,398	2,648
EPS (Bt)	2.81	0.84	1.05	1.18	1.31
DPS (Bt)	7.25	0.74	0.42	0.47	0.65
EPS growth (%)	18.5	(70.0)	24.8	12.4	10.4
P/E (x)	n.a.	38.6	35.2	31.3	28.3
P/B (x)	n.a.	7.8	8.1	7.0	6.2
EV/EBITDA (x)	n.a.	25.6	24.7	21.8	19.5
Net Debt to Equity (x)	2.7	-0.1	0.0	-0.1	-0.2
Dividend Yield (%)	n.a.	2.3	1.1	1.3	1.8

Source: Company data, KGI Research

\*The Company may be issuer of Derivative Warrants on these securities.

<http://research.kgi.com>; Bloomberg: KGIT <GO> Please see back page for disclaimer

**Figure 1: TOA's 2Q18 earnings review**

Btmn	2Q18	2Q17	YoY (%)	1Q18	QoQ (%)	1H18	1H17	YoY (%)	Comments
<b>Revenue</b>	<b>3,840</b>	<b>3,767</b>	<b>2.0</b>	<b>4,216</b>	<b>(8.9)</b>	<b>8,056</b>	<b>7,718</b>	<b>4.4</b>	<b>Dropped QoQ due to seasonality and sooner than expected rainy season</b>
Cost of goods sold	(2,516)	(2,479)	1.5	(2,726)	(7.7)	(5,241)	(5,020)	4.4	
Gross profit	1,325	1,288	2.9	1,490	(11.1)	2,814	2,698	4.3	
SG&A	(803)	(791)	1.5	(828)	(3.1)	(1,631)	(1,591)	2.6	
Other incomes	18	20	(11.5)	33	(46.8)	51	46	9.5	
Operating profit	539	516	4.5	694	(22.3)	1,234	1,153	7.0	
Operating EBITDA	624	600	4.0	778	(19.8)	1,403	1,321	6.1	
Interest expense	(6)	(19)	(66.7)	(7)	(11.7)	(14)	(40)	(66.1)	
Pre-tax profit	541	497	8.7	687	(21.3)	1,228	1,113	10.3	
Current Taxation	(108)	(99)	9.1	(149)	(27.8)	(257)	(218)	17.8	
Minority Interest	13	(1)	(980.4)	3	315.3	16	(1)	(2,271.3)	
<b>Net profit</b>	<b>445</b>	<b>397</b>	<b>12.3</b>	<b>541</b>	<b>(17.6)</b>	<b>986</b>	<b>894</b>	<b>10.4</b>	
EPS (Bt)	0.22	0.22	(0.2)	0.27	(17.6)	0.49	0.69	(29.5)	
Percent	2Q18	2Q17	YoY (ppts)	1Q18	QoQ (%)	1H18	1H17	YoY (%)	
Gross margin	34.5	34.2	0.3	35.3	(0.8)	34.9	35.0	(0.8)	<b>Weakened as a result of Thai Baht depreciation and high raw materials price</b>
EBIT margin	14.0	13.7	0.3	16.5	(2.4)	15.3	14.9	(2.4)	
SG&A to Sales	20.9	21.0	(0.1)	19.7	1.3	12.2	11.6	1.3	

Source: Company data, KGI Research

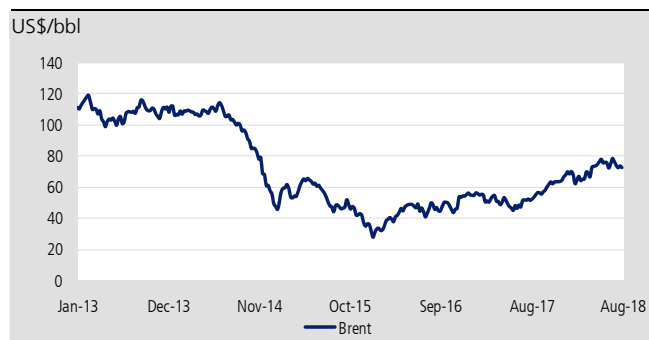
### Cost pressure from high raw material prices and baht depreciation

Gross margin was 34.5%, down from 35.5% in 1Q18. The gross margin was pressured by i) high raw material prices (oil-based derivatives (~8.5% of COGS) are linked to crude price, titanium dioxide (~8.3% of COGS) which remains at a high level), and ii) the baht depreciated against the US dollar (0.9% QoQ).

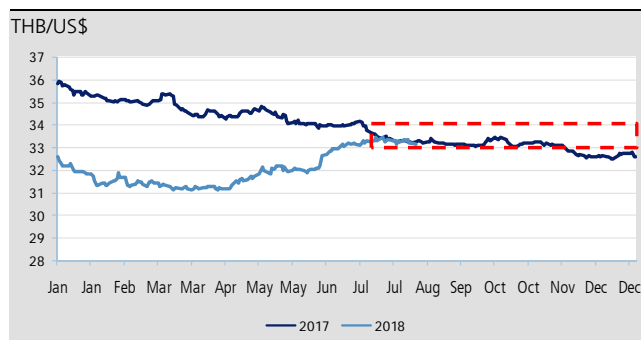
The THB/US\$ exchange rate would be one of the key factors to monitored as TOA has FX exposure at around 10-12% of COGS. Average 2Q18 exchange rate was Bt31.9/US\$. While the baht continues to depreciate in 3Q18 (average to date is at Bt33.3, +4.2%). We expect the exchange rate to remain in the range of Bt33.0-Bt33.6/US\$, which would soften 3Q18 gross margin approximately 0.4ppts-0.5ppts.

We expect titanium dioxide (approximately 8.3% of COGS) to moderate with a maximum price increase of around 3-4% in 2H18 due to i) new supply to the market from the ramping up of the Huntsman Pori facility, ii) increasing export volume from China from underutilized capacity, and iii) slowdown in global demand in paint and coatings in 3Q18. We believe that titanium dioxide price should peak in 2018 and tight supply should ease from 2019 onwards owing to new supply from global suppliers.

We need to closely monitor the crude price as well as the THB/US\$ exchange rate while titanium dioxide would be less of concern.

**Figure 2: Brent crude**


Source: Bloomberg

**Figure 3: THB/US\$ exchange rate**


Source: Company data, KGI Research

### Trimmed 2018-2020 earnings by 8%

We trimmed our 2018-2020 earnings forecasts as TOA's 1H18 earnings accounted for 42.4% of our full-year forecast. We revised down gross margin by 1% in 2018-2020 and revised down sales 2.5% in 2018 and 3% in 2019 and 2020 to reflect cost pressure from high raw material prices and the depreciation of the baht against the US dollar.

**Figure 4: Earnings revisions**

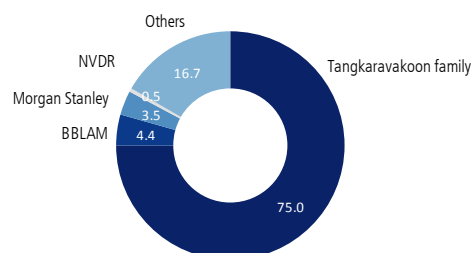
	2018F			2019F			2020F		
Btmn	Revised	Previous	Change (%)	Revised	Previous	Change (%)	Revised	Previous	Change (%)
Sales	17,046.4	17,482.0	(2.5)	18,454.8	18,983.0	(2.8)	19,991.8	20,485.0	(2.4)
Gross profit	6,017.4	6,346.0	(5.2)	6,551.4	6,929.0	(5.4)	7,137.1	7,518.0	(5.1)
SG&A	(3,460.4)	(3,549.0)	(2.5)	(3,672.5)	(3,778.0)	(2.8)	(3,958.4)	(4,056.0)	(2.4)
Net profit	2,134.1	2,327.0	(8.3)	2,398.2	2,617.0	(8.4)	2,648.4	2,876.0	(7.9)
Key financial ratio	Revised	Previous	ppts	Revised	Previous	ppts	Revised	Previous	ppts
Gross margin	35.3	36.3	(1.0)	35.5	36.5	(1.0)	35.7	36.7	(1.0)
SG&A/sales	20.3	20.3	(0.0)	(19.9)	(19.9)	-	(19.8)	(19.8)	-
Assumptions	Revised	Previous	Change (%)	Revised	Previous	Change (%)	Revised	Previous	Change (%)
Sales-Thailand	14,544.1	15,435.5	(5.8)	15,416.7	16,438.8	(6.2)	16,341.7	17,260.7	(5.3)
Sales-Vietnam	1,348.6	1,210.0	11.5	1,483.4	1,330.0	11.5	1,631.8	1,463.0	11.5
Sales-Others	1,153.7	836.5	37.9	1,554.6	1,214.2	28.0	1,318.3	1,761.3	(25.2)

Source: Company data, KGI Research

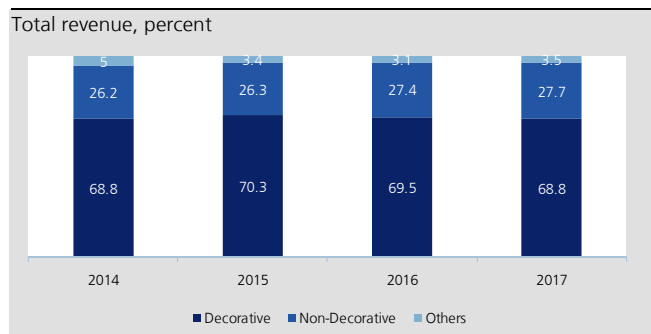
**Figure 5: Company profile**

TOA Paint (Thailand) (TOA) is the largest paint and coating producer in Thailand with a market share of 48.7%. Its main products are decorative paint, coating products, and non-decorative paint and coating products, such as protective wood lacquers and heavy paints for chemical construction. TOA serves households and industrial markets in Southeast Asia, where it has a 13% market share.

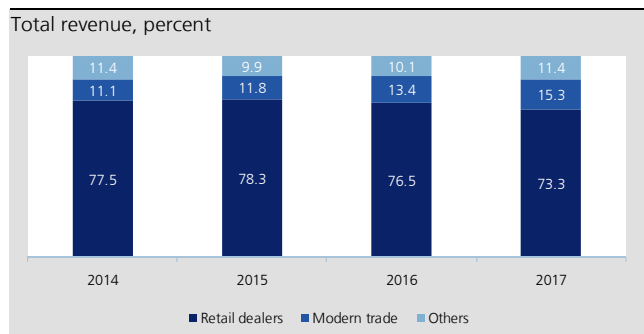
Source: Company data

**Figure 6: Major shareholders**


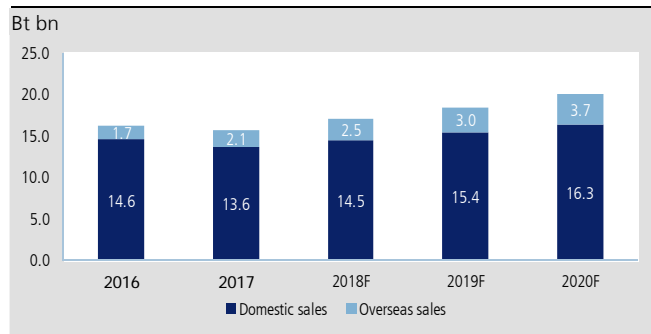
Source: Company data, KGI Research

**Figure 7: Revenue breakdown by product**


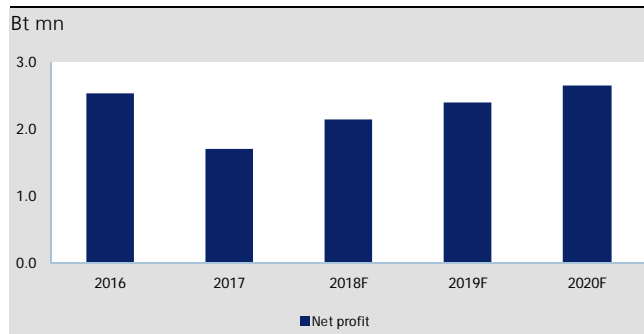
Source: Company data, KGI Research

**Figure 8: Revenue breakdown by distribution channels**


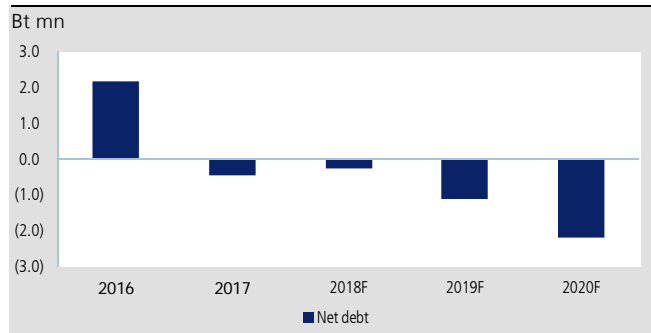
Source: Company data, KGI Research

**Figure 9: Revenue outlook**


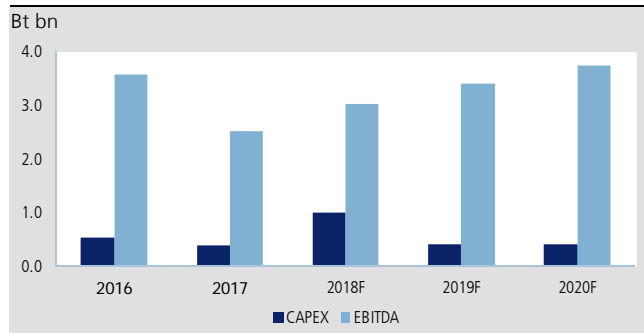
Source: Company data, KGI Research

**Figure 10: Net profit**


Source: Company data, KGI Research

**Figure 11: From net debt to net cash**


Source: KGI Research

**Figure 12: CAPEX and EBITDA**


Source: KGI Research

# Quarterly Income Statement

Quarterly Income Statement (Bt mn)	2016 Mar-16A	2016 Jun-16A	2016 Sep-16A	2016 Dec-16A	2017 Mar-17A	2017 Jun-17A	2017 Sep-17A	2017 Dec-17A	2018 Mar-18A	2019 Jun-18A
<b>Revenue</b>	<b>4,220</b>	<b>4,120</b>	<b>3,848</b>	<b>4,109</b>	<b>3,951</b>	<b>3,767</b>	<b>3,740</b>	<b>4,260</b>	<b>4,216</b>	<b>3,840</b>
Cost of Goods Sold	(2,559)	(2,533)	(2,400)	(2,602)	(2,542)	(2,479)	(2,515)	(2,816)	(2,726)	(2,516)
<b>Gross Profit</b>	<b>1,661</b>	<b>1,587</b>	<b>1,448</b>	<b>1,507</b>	<b>1,410</b>	<b>1,288</b>	<b>1,224</b>	<b>1,445</b>	<b>1,490</b>	<b>1,325</b>
<b>Operating Expenses</b>	<b>(778)</b>	<b>(816)</b>	<b>(781)</b>	<b>(852)</b>	<b>(799)</b>	<b>(791)</b>	<b>(801)</b>	<b>(902)</b>	<b>(828)</b>	<b>(803)</b>
Other incomes	63	69	71	28	26	20	22	39	33	18
<b>Operating Profit</b>	<b>946</b>	<b>840</b>	<b>739</b>	<b>682</b>	<b>637</b>	<b>516</b>	<b>445</b>	<b>581</b>	<b>694</b>	<b>539</b>
Depreciation of fixed assets	94	87	88	87	84	84	85	86	84	85
<b>Operating EBITDA</b>	<b>1,041</b>	<b>927</b>	<b>827</b>	<b>769</b>	<b>721</b>	<b>600</b>	<b>531</b>	<b>667</b>	<b>778</b>	<b>624</b>
<b>Non-Operating Income</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(0)</b>	<b>-</b>	<b>8</b>
Interest Income	-	-	-	-	-	-	-	-	-	-
Other Non-op Income	-	0	-	0	-	0	-	(0)	-	8
<b>Non-Operating Expenses</b>	<b>23</b>	<b>25</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>19</b>	<b>16</b>	<b>7</b>	<b>6</b>
Interest Expense	23	25	19	20	21	19	19	16	7	6
Other Non-op Expenses	-	-	-	-	-	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>924</b>	<b>814</b>	<b>720</b>	<b>662</b>	<b>616</b>	<b>497</b>	<b>426</b>	<b>565</b>	<b>687</b>	<b>541</b>
Current taxation	(166)	(166)	(135)	(145)	(120)	(99)	(84)	(99)	(149)	(108)
Minorities	(0)	2	5	12	1	(1)	8	(0)	3	13
Extraordinary items	-	-	-	-	-	-	-	-	-	-
<b>Net Profit</b>	<b>757</b>	<b>651</b>	<b>589</b>	<b>529</b>	<b>497</b>	<b>397</b>	<b>350</b>	<b>466</b>	<b>541</b>	<b>445</b>
EPS (Bt)	0.84	0.73	0.66	0.58	0.47	0.22	0.20	0.23	0.27	0.22
<b>Margins (%)</b>										
Gross profit margin	39.4	38.5	37.6	36.7	35.7	34.2	32.7	33.9	35.3	34.5
Operating margin	22.4	20.4	19.2	16.6	16.1	13.7	11.9	13.6	16.5	14.0
Operating EBITDA margin	24.7	22.5	21.5	18.7	18.3	15.9	14.2	15.7	18.5	16.3
Net profit margin	17.9	15.8	15.3	12.9	12.6	10.5	9.4	10.9	12.8	11.6
<b>Growth (%)</b>										
Revenue growth		(2.4)	(6.6)	6.8	(3.8)	(4.7)	(0.7)	13.9	(1.0)	(8.9)
Operating growth		(11.3)	(12.0)	(7.6)	(6.7)	(18.9)	(13.7)	30.6	19.4	(22.3)
Operating EBITDA growth		(10.9)	(10.8)	(7.0)	(6.3)	(16.8)	(11.6)	25.7	16.6	(19.8)
Net profit growth		(14.0)	(9.4)	(10.3)	(6.0)	(20.2)	(11.7)	32.9	16.1	(17.6)

Source: KGI Research

## Balance Sheet

As of 31 Dec (Bt mn)	2016	2017	2018F	2019F	2020F
<b>Total Assets</b>	<b>9,644</b>	<b>14,095</b>	<b>14,772</b>	<b>16,325</b>	<b>17,793</b>
<b>Current Assets</b>	<b>7,297</b>	<b>11,698</b>	<b>11,768</b>	<b>13,334</b>	<b>14,844</b>
Cash & ST Investments	2,156	6,284	6,183	7,324	8,370
Inventories	2,019	2,232	2,206	2,381	2,571
Accounts Receivable	2,840	2,936	3,082	3,337	3,615
Others	283	246	296	292	289
<b>Non-current Assets</b>	<b>2,347</b>	<b>2,397</b>	<b>3,005</b>	<b>2,990</b>	<b>2,948</b>
LT Investments	0	0	0	0	0
Net fixed Assets	1,935	1,945	2,572	2,549	2,498
Others	412	452	433	442	450
<b>Total Liabilities</b>	<b>8,866</b>	<b>5,682</b>	<b>5,499</b>	<b>5,625</b>	<b>5,779</b>
<b>Current Liabilities</b>	<b>8,441</b>	<b>5,422</b>	<b>5,225</b>	<b>5,342</b>	<b>5,488</b>
Accounts Payable	3,602	3,826	3,777	4,076	4,402
ST Borrowings	3,727	1,371	1,000	800	600
Others	1,112	225	448	466	485
<b>Long-term Liabilities</b>	<b>426</b>	<b>260</b>	<b>275</b>	<b>283</b>	<b>291</b>
Long-term Debts	166	0	0	0	0
Others	259	260	275	283	291
<b>Shareholders' Equity</b>	<b>778</b>	<b>8,413</b>	<b>9,273</b>	<b>10,699</b>	<b>12,014</b>
Common Stock	900	2,029	2,029	2,029	2,029
Capital Surplus	0	5,762	5,762	5,762	5,762
Retained Earnings	(97)	647	1,523	2,954	4,270
Non-controlling interests	(25)	(25)	(40)	(45)	(47)

Source: KGI Research

## Key Ratios

Year to 31 Dec (Bt mn)	2016	2017	2018F	2019F	2020F
<b>Forecast Drivers</b>					
<b>Growth (% YoY)</b>					
Sales	(2.7)	(3.6)	8.5	8.3	8.3
OP	15.0	(32.0)	21.6	12.2	10.2
EBITDA	11.7	(29.3)	20.1	12.3	9.8
NP	18.5	(32.3)	24.8	12.4	10.4
EPS	18.5	(70.0)	24.8	12.4	10.4
<b>Profitability (%)</b>					
Gross Margin	38.1	34.1	35.3	35.5	35.7
Operating Margin	19.7	13.9	15.6	16.1	16.4
EBITDA Margin	21.9	16.0	17.7	18.4	18.7
Net Profit Margin	15.5	10.9	12.5	13.0	13.2
ROAA	22.3	14.4	17.7	15.4	15.5
ROAE	324.7	20.3	23.0	22.4	22.0
<b>Stability</b>					
Gross Debt/Equity (%)	1,104.3	67.3	59.1	52.4	47.9
Net Debt/Equity (%)	271.5	(5.3)	(2.9)	(10.4)	(18.3)
Interest Coverage (x)	36.9	28.9	110.5	148.7	218.6
Interest & ST Debt Coverage (x)	0.8	1.6	2.7	3.8	5.6
Cash Flow Interest Coverage (x)	31.9	23.9	94.4	135.7	198.7
Cash Flow/Interest & ST Debt (x)	0.7	1.2	2.2	3.3	4.8
Current Ratio (x)	0.9	2.2	2.3	2.5	2.7
Quick Ratio (x)	0.6	1.7	1.8	2.1	2.2
Net Debt (Bt mn)	2,180	(445)	(269)	(1,118)	(2,201)
<b>Per Share Data (Bt)</b>					
EPS	2.8	0.8	1.1	1.2	1.3
CFPS	2.1	0.9	1.2	1.4	1.5
BVPS	0.9	4.2	4.6	5.3	5.9
SPS	18.1	7.7	8.4	9.1	9.9
EBITDA/Share	4.0	1.2	1.5	1.7	1.8
DPS	7.3	0.7	0.4	0.5	0.7
<b>Activity</b>					
Asset Turnover (x)	1.4	1.3	1.2	1.2	1.2
Days Receivables	65.1	67.1	63.4	63.5	63.5
Days Inventory	72.4	74.9	70.8	70.3	70.3
Days Payable	132.2	131.0	121.3	120.4	120.4
Cash Cycle	5.2	11.0	12.9	13.4	13.4

Source: KGI Research

## Profit & Loss

Year to 31 Dec (Bt mn)	2016	2017	2018F	2019F	2020F
<b>Revenue</b>	<b>16,297</b>	<b>15,718</b>	<b>17,046</b>	<b>18,455</b>	<b>19,992</b>
Cost of Goods Sold	(10,095)	(10,351)	(11,029)	(11,903)	(12,855)
<b>Gross Profit</b>	<b>6,203</b>	<b>5,367</b>	<b>6,017</b>	<b>6,551</b>	<b>7,137</b>
Operating Expenses	(3,227)	(3,294)	(3,460)	(3,673)	(3,958)
Other incomes	231	107	95	96	101
<b>Operating Profit</b>	<b>3,207</b>	<b>2,180</b>	<b>2,652</b>	<b>2,975</b>	<b>3,279</b>
Depreciation of fixed assets	357	340	374	423	451
<b>Operating EBITDA</b>	<b>3,564</b>	<b>2,520</b>	<b>3,026</b>	<b>3,398</b>	<b>3,730</b>
<b>Non-Operating Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest Income	0	0	0	0	0
Other Non-op Income	0	0	0	0	0
<b>Non-Operating Expenses</b>	<b>(87)</b>	<b>(75)</b>	<b>(24)</b>	<b>(20)</b>	<b>(15)</b>
Interest Expense	(87)	(75)	(24)	(20)	(15)
Other Non-op Expenses	0	0	0	0	0
Equity Income/(Loss)	0	0	0	0	0
<b>Pretax Income</b>	<b>3,120</b>	<b>2,105</b>	<b>2,628</b>	<b>2,955</b>	<b>3,264</b>
Current taxation	(613)	(401)	(512)	(576)	(637)
Minorities	19	6	19	19	20
Extraordinary items	0	0	0	0	0
<b>Net Profit</b>	<b>2,526</b>	<b>1,710</b>	<b>2,134</b>	<b>2,398</b>	<b>2,648</b>
Norm. Profit	2,526	1,710	2,134	2,398	2,648
EPS (Bt)	2.81	0.84	1.05	1.18	1.31

Source: KGI Research

## Cash Flow

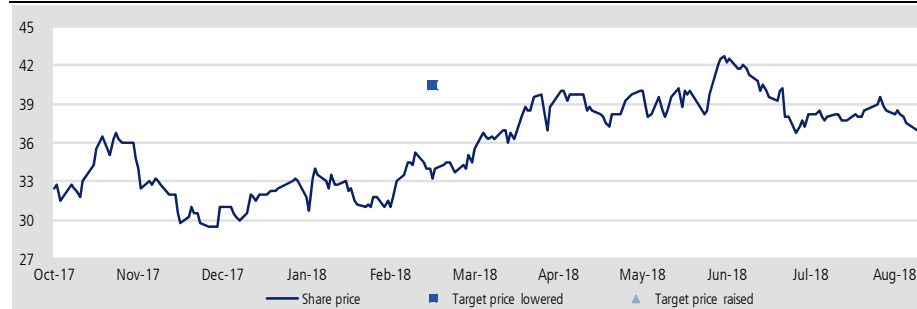
Year to 31 Dec (Bt mn)	2016	2017	2018F	2019F	2020F
<b>Operating Cash Flow</b>	<b>2,775</b>	<b>1,804</b>	<b>2,266</b>	<b>2,713</b>	<b>2,980</b>
Net Profit	2,526	1,710	2,134	2,398	2,648
Depreciation & Amortization	357	340	374	423	451
Change in Working Capital	(52)	(197)	(343)	(120)	(132)
Others	(56)	(49)	102	12	12
<b>Investment Cash Flow</b>	<b>2,920</b>	<b>(4,374)</b>	<b>(1,475)</b>	<b>(900)</b>	<b>(571)</b>
Net CAPEX	(542)	(382)	(1,000)	(400)	(400)
Change in LT Investment	0	0	0	0	0
Change in Other Assets	3,462	(3,992)	(474)	(500)	(171)
<b>Free Cash Flow</b>	<b>5,695</b>	<b>(2,570)</b>	<b>792</b>	<b>1,813</b>	<b>2,409</b>
<b>Financing Cash Flow</b>	<b>(6,697)</b>	<b>2,777</b>	<b>(1,237)</b>	<b>(1,164)</b>	<b>(1,525)</b>
Change in Share Capital	0	6,870	0	0	0
Net Change in Debt	(183)	(2,599)	(368)	(199)	(199)
Change in Other LT Liab.	(6,514)	(1,495)	(869)	(964)	(1,326)
<b>Net Cash Flow</b>	<b>(952)</b>	<b>103</b>	<b>(445)</b>	<b>649</b>	<b>884</b>

Source: KGI Research

## Rates of Return on Invested Capital

Year	1- COGS Revenue	+ Depreciation Revenue	+ Operating Exp. Revenue	= Operating Margin
2016	59.7%	2.2%	19.8%	18.3%
2017	63.7%	2.2%	21.0%	13.2%
2018F	62.5%	2.2%	20.3%	15.0%
2019F	62.2%	2.3%	19.9%	15.6%
2020F	62.0%	2.3%	19.8%	15.9%
Year	1/ Working Capital Revenue	+ Net PPE Revenue	+ Other Assets Revenue	= Capital Turnover
2016	7.7%	0.12	0.03	4.52
2017	8.5%	0.12	0.03	4.20
2018F	8.9%	0.15	0.03	3.77
2019F	8.9%	0.14	0.02	3.98
2020F	8.9%	0.12	0.02	4.22
Year	Operating Margin	x Capital Turnover	x Cash Tax Rate	= After-tax Return on Inv. Capital
2016	18.3%	4.5	80.36	66.36
2017	13.2%	4.2	80.93	44.87
2018F	15.0%	3.8	80.50	45.58
2019F	15.6%	4.0	80.50	50.04
2020F	15.9%	4.2	80.50	54.08

Source: KGI Research

**TOA Paint (Thailand)– Recommendation & target price history**


Date	Rating	Target	Price
22-Feb-18	Outperform	40.50	33.25
15-May-18	Neutral	40.50	38.50

Source: KGI Research

# Corporate Governance Report of Thai Listed Companies



## Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORN BANK	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING		
KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK		



## Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	ERW	THE ERAWAN GROUP	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	GFPT	GFPT	SPALI	SUPALAI
AP	ASIAN PROPERTY DEVELOPMENT	IFEC	INTER FAR EAST ENGINEERING	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BBL	BANGKOK BANK	LPN	L.P.N. DEVELOPMENT	SVI	SVI
BH	BUMRUNGRAD HOSPITAL	MINT	MINOR INTERNATIONAL	TASCO	TIPCO ASPHALT
BIGC	BIG C SUPERCENTER	PS	PRUKSA REAL ESTATE	TCAP	THANACHART CAPITAL
CK	CH. KARNCHANG	QH	QUALITY HOUSES	TMB	TMB BANK
CPALL	CP ALL	ROBINS	ROBINSON DEPARTMENT STORE	TRUE	TRUE CORPORATION
CPN	CENTRAL PATTANA	RS	RS		
DRT	DIAMOND ROOFING TILES	SAMART	SAMART CORPORATION		



## Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
CENTEL	CENTRAL PLAZA HOTEL	HMPRO	HOME PRODUCT CENTER	MAKRO	SIAM MAKRO
DCC	DYNASTY CERAMIC	ILINK	INTERLINK COMMUNICATION	MODERN	MODERNFORM GROUP
GL	GROUP LEASE	KTC	KRUNGTHAI CARD	TRT	TIRATHAI
GLOW	GLOW ENERGY	MAJOR	MAJOR CINEPLEX GROUP	TVO	THAI VEGETABLE OIL

## Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES
ANAN	ANANDA DEVELOPMENT	CKP	CK POWER	PACE	PACE DEVELOPMENT CORPORATION
BA	BANGKOK AIRWAYS	DTAC	TOTAL ACCESS COMMUNICATION	SAWAD	SIRISAWAD POWER 1979
BCH	BANGKOK CHAIN HOSPITAL	GLOBAL	SIAM GLOBAL HOUSE	TMT	THAI METAL TRADE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	TPCH	TPC POWER HOLDING
BEM	BANGKOK EXPRESSWAY AND METRO	GUNKUL	GUNKUL ENGINEERING	WHA	WHA CORPORATION
BJCHI	BJC HEAVY INDUSTRIES	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CBG	CARABAO GROUP	MTLS	MUANGTHAI LEASING		

Source: www.thai-iod.com

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



## Anti-corruption Progress Indicator

### Level 5: Extended

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

### Level 4: Certified

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

### Level 3: Established

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

### Level 2: Declared

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

### Level 1: Committed

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

### No progress

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

Source: www.cgthailand.org

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

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## KGI's Ratings

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

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