



# TOA Paint (Thailand)

(TOA.BK/TOA TB) \*

## Underperform Maintained

Price as of 14 Feb 2019	37.00
12M target price (Bt/share)	32.25
Unchanged / Revised up (down)	Unchanged
(%)	
Upside/downside (%)	(12.8)

### Key messages

We expect TOA to report a 4Q18 net profit of Bt484mn (+3.9% YoY, +20.6% QoQ). The increase QoQ would be due to higher sales in the peak season. The YoY increase would be from i) improved gross margin, and ii) decreased interest expense after debt repayment. We expect 4Q18 gross margin to improve to 34.6% from 33.4% in 3Q18 due to i) higher utilization rate, and ii) benefits from lower prices on crude oil (-11% QoQ, 10% of COGS) and titanium dioxide (-5.6% QoQ, 13% of COGS). Based on 4Q18 earnings preview, 2018 earnings would be Bt1.87bn (+9.4% YoY) which is 1% lower than our current earnings forecast. The growth outlook remains tepid in 2019 as domestic growth would be hit by LTV measures. We maintain a rating of Underperform with a 2019

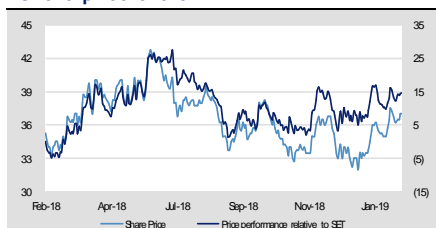
### Trading data

Mkt cap (Btbn/US\$mn)	75.0/2,343
Outstanding shares (mn)	2,029
Foreign ownership (mn)	199.6
3M avg. daily trading (mn)	4.3
52-week trading range (Bt)	31.50-43.00
Performance (%)	3M 6M 12M
Absolute	5.7 5.7 8.0
Relative	4.5 8.1 17.6

### 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	0.20	N.A.

### Share price chart



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## 4Q18 earnings preview: Peak season

### Event

4Q18 earnings preview.

### Impact

#### Net profit to improve YoY and QoQ

We expect TOA to report a 4Q18 net profit of Bt484mn (+3.9% YoY, +20.6% QoQ). The increase QoQ would be due to higher sales of Bt4.3bn (-0.2% YoY, +6.2% QoQ) as it is the high demand season. We expect domestic, Vietnam and other markets sales volumes to grow QoQ at 3%, 5% and 10%, respectively. The YoY increase would be from i) improved gross margin from an increase in the domestic price (3-5%), and ii) decreased interest expense after debt repayment. We expect 4Q18 gross margin to improve to 34.6% from 33.4% in 3Q18 due to i) higher utilization rate, and ii) benefits from lower prices on crude oil (-11% QoQ, 10% of COGS) and titanium dioxide (-5.6% QoQ, 13% of COGS). We anticipate SG&A/sales to decline from 22.4% in 3Q18 to 21.3%. Based on our 4Q18 earnings preview, 2018 earnings would be Bt1.87bn (+9.4% YoY) which is 1% lower than our current earnings forecast.

#### 2019 tepid growth outlook

Domestic sales should continue to dominate (83.3% and 81.7% in 2019-2020F). However, we expect domestic growth of only 4% due to the negative impact LTV measures would have on the residential sector. The proportion of overseas sales is expected to increase (16.7% in 2019F and 18.3% in 2020F) due to new overseas capacity (+16.5%) in Indonesia (1Q19, 7.8mn gallons p.a.), Myanmar (2Q19, 3.4mn gallons p.a.) and Cambodia (3Q19, 3.3mn gallons p.a.). Overseas expansion is a good strategy to diversify revenue, but could increase costs (depreciation and SG&A) and take time to reach breakeven (3-5 years).

#### Lower pressure from raw material cost offset by higher cost from overseas operation

We expect the price of titanium dioxide to decrease 3-5% in 2019 due to i) already reached peak of cycle, ii) global economic slowdown could further pressure demand, and iii) incremental capacity from China. Crude oil price is expect to be US\$67/bbl (-2.8% YoY). The lower raw material costs could provide some buffer against higher cost from its overseas operation and higher competition in the domestic market. We maintain 2019 gross margin at 34.3%.

### Valuation and action

We maintain a rating of Underperform with a 2019 target price of Bt32.25 based on PER 32.0x. Every Bt1/US\$ appreciation would provide earnings upside of 3.5% to our current earnings forecast (20-25% of COGS).

### Risks

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

### Key financials and valuations

	<b>Dec-16A</b>	<b>Dec-17A</b>	<b>Dec-18F</b>	<b>Dec-19F</b>	<b>Dec-20F</b>
Revenue (Bt mn)	16,297	15,718	16,696	17,716	18,800
Gross profit (Bt mn)	6,203	5,367	5,677	6,076	6,505
EBIT (Bt mn)	3,207	2,180	2,349	2,541	2,752
Net profit (Bt mn)	2,526	1,710	1,890	2,049	2,223
EPS (Bt)	2.81	0.84	0.93	1.01	1.10
DPS (Bt)	7.25	0.74	0.37	0.40	0.55
EPS growth (%)	18.5	(70.0)	10.5	8.4	8.5
P/E (x)	n.a.	38.6	39.7	36.6	33.8
P/B (x)	n.a.	7.8	8.2	7.2	6.5
EV/EBITDA (x)	n.a.	25.6	27.5	25.0	22.9
Net Debt to Equity (x)	2.7	-0.1	0.0	-0.1	-0.2
Dividend Yield (%)	n.a.	2.3	1.0	1.1	1.5

*Source: Company data, KGI Research*

Figure 1: TOA's 4Q18 earnings preview

Btmn	4Q18F	4Q17	YoY (%)	3Q18	QoQ (%)	2018F	2017	YoY (%)
Revenue	4,252	4,260	(0.2)	4,004	6.2	16,312	15,718	3.8
Cost of goods sold	(2,781)	(2,816)	(1.2)	(2,666)	4.3	(10,689)	(10,351)	3.3
Gross profit	1,471	1,445	1.8	1,337	10.0	5,623	5,367	4.8
SG&A	(906)	(902)	0.4	(896)	1.0	(3,433)	(3,294)	4.2
Operating profit	566	581	(2.7)	498	13.6	2,297	2,180	5.4
Operating EBITDA	652	667	(2.4)	584	11.5	2,638	2,520	4.7
Interest expense	(6)	(16)	(62.5)	(6)	(2.7)	(26)	(75)	(65.7)
Pre-tax profit	600	565	6.0	493	21.6	2,320	2,105	10.2
Current Taxation	(120)	(99)	20.7	(111)	7.9	(488)	(401)	21.6
Minority Interest	4	(0)	(967.0)	19	(78.9)	39	6	499.1
<b>Net profit</b>	<b>484</b>	<b>466</b>	<b>3.9</b>	<b>401</b>	<b>20.6</b>	<b>1,871</b>	<b>1,710</b>	<b>9.4</b>
EPS(Bt)	0.24	0.23	3.9	0.20	20.6	0.92	1.12	(17.4)
Percent	4Q18F	4Q17	YoY (ppts)	3Q18	QoQ (%)	2018F	2017	YoY (%)
Gross margin	34.6	33.9	0.7	33.4	1.2	34.5	34.1	1.2
EBIT margin	13.3	13.6	(0.3)	12.4	0.9	14.1	13.9	0.9
SG&A to Sales	21.3	21.2	0.1	22.4	(1.1)	21.0	21.0	(1.1)

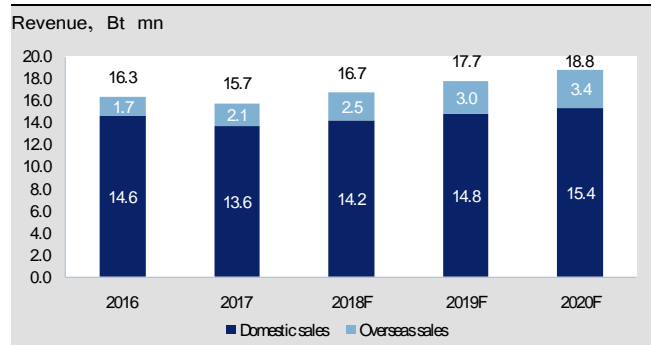
Source: Company data, KGI Research

Figure 2: Key assumptions

	2015	2016	2017	2018F	2019F	2020F
Revenue	16,753	16,297	15,718	16,696	17,716	18,800
<b>Revenues mix(by value)</b>						
Thailand	14,960	14,554	13,643	14,194	14,762	15,352
Oversea	1,947	1,743	2,075	2,502	2,954	3,448
<b>Revenues mix(by percent)</b>						
Thailand	88.3	87.0	86.8	87.5	86.9	86.1
Oversea	11.7	13.0	13.2	12.5	13.1	13.9
<b>Sales growth</b>						
Thailand	1.8	(2.7)	(6.3)	4.0	4.0	4.0
Vietnam	16.1	(14.7)	14.0	10.0	10.0	10.0
Others (Overseas)	1.8	(2.7)	(2.9)	30.0	15.0	15.0
GPM	35.7	38.1	34.1	34.0	34.3	34.6
EBIT margin	16.6	19.7	13.9	14.1	14.3	14.6
EBITDA margin	19.0	21.9	16.0	16.3	16.7	17.0
Net margin	12.7	15.5	10.9	11.3	11.6	11.8
ROA (%)	16.6%	22.3%	14.4%	15.8%	13.4%	13.5%
ROE (%)	46.4%	324.7%	20.3%	20.7%	19.8%	19.4%

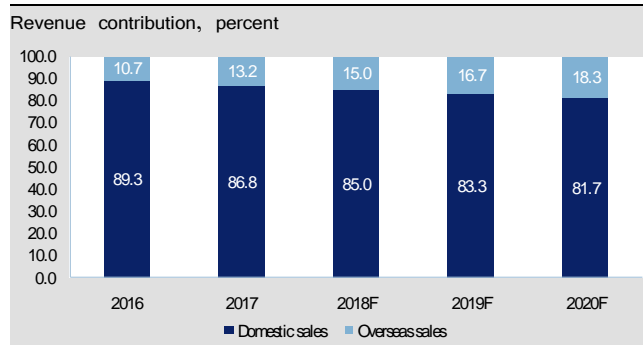
Source: Company data, KGI Research

Figure 3: Revenue outlook



Source: Company data, KGI Research

Figure 4: Revenue contribution



Source: Company data, KGI Research

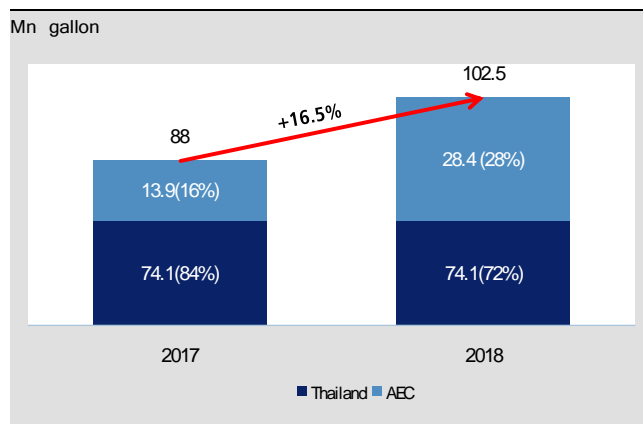
Figure 5: TOA's breakdown annual production capacity

Countries	Annual production capacity (mn gallons)		Expected commercial operation
	2017	2018	
Thailand	74.1	74.1	
AEC	13.9	28.4	
Laos	1	1	-
Malaysia	1	1	-
Vietnam	11.3	11.3	-
Indonesia	-	7.7	1Q19
Myanmar*	0.56	4	2Q19
Cambodia	-	3.4	3Q19
<b>Total</b>	<b>88.0</b>	<b>102.5</b>	

Source: Company data, KGI Research

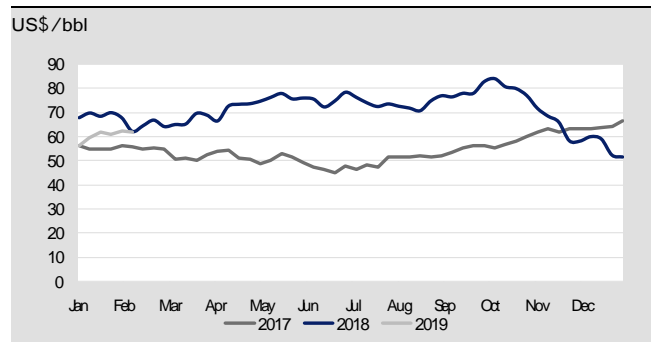
\* Current plant in Yangon will be shutdown in 2018.

Figure 6: TOA's annual capacity



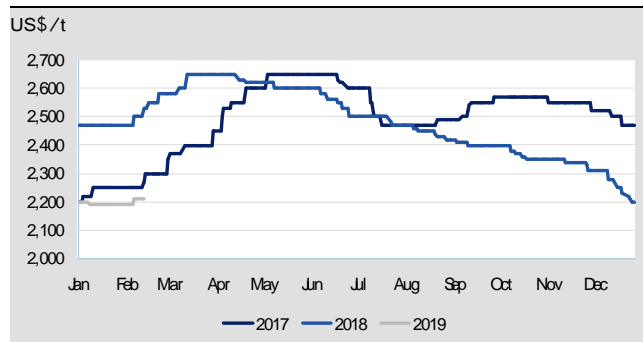
Source: Company data, KGI Research

Figure 7: Brent crude



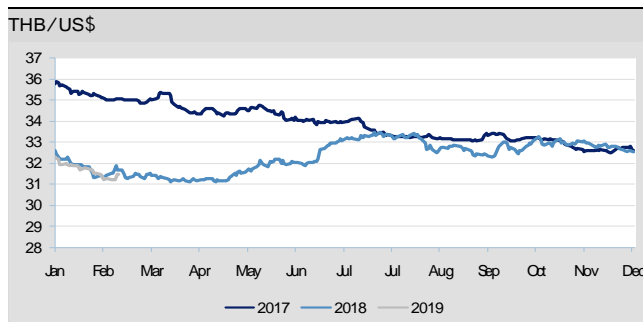
Source: Bloomberg, KGI Research

Figure 8: China titanium dioxide 93% rutile



Source: Bloomberg, KGI Research

Figure 9: THB/US\$ exchange rate



Source: Bloomberg, KGI Research

Figure 10: Peers comparison

Stock	Country	Market Cap	Current	Target	EPS Growth (%)		EV/EBITDA		P/E (times)		ROE (%)		Dividend Yield (%)		
		(Lcy)	(Lcy)	(Lcy)	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E	
APAC Peers															
NIIPPON PAINT HOLDINGS CO.LTD	Japan	1,290,221	3,965.0	3,625.0	(8.6)	8.6	13.7	12.8	37.5	34.5	20.8	20.6	1.1	1.2	
KANSAI PAINT CO.LTD	Japan	516,894	1,896.0	2,235.7	(2.9)	(11.3)	11.6	11.8	21.0	23.6	7.3	7.4	1.4	1.6	
Emerging market peers															
ASIAN PAINTS LTD	India	1,341,342	1,398.4	1,518.9	3.9	10.2	41.0	36.1	64.0	58.1	7.7	8.6	0.7	0.8	
BERGER PAINTS INDIA LTD	India	290,368	299.0	331.6	6.9	9.9	37.0	32.2	61.4	55.8	25.7	27.3	0.6	0.7	
KANSAI NEROLAC PAINTS LTD	India	247,606.7	459.5	481.8	6.1	(5.9)	29.6	30.6	45.9	48.7	22.5	24.5	0.8	0.7	
Emerging market peers															
DULUX GROUP LTD	Australia	102.8	124.7	130.4	4.1	1.6	12.1	11.6	18.6	18.3	15.5	17.0	3.9	4.0	
TIKKURILA OYJ	Finland	48.3	39.4	45.2	12.8	85.4	14.8	10.2	31.2	16.8	32.8	31.3	5.9	4.2	
SHERWIN-WILLIAMS CO THE	United States	865.9	1,053.8	1,173.9	23.8	13.5	17.1	15.3	23.3	20.5	19.1	22.5	0.8	1.0	
PFG INDUSTRIES INC	United States	1,364.0	1,555.0	1,548.0	(0.5)	7.2	12.2	11.6	18.5	17.2	42.8	44.8	1.7	1.8	
AKZO NOBEL N.V.	Netherlands	687.0	996.0	1,042.0	(56.7)	45.2	11.8	9.6	36.8	25.3	31.3	33.5	2.4	3.9	
Average							20.1	18.2	35.8	31.9	22.5	23.7	1.9	2.0	

Source: KGI Research, Bloomberg Consensus (As of February 14, 2019)

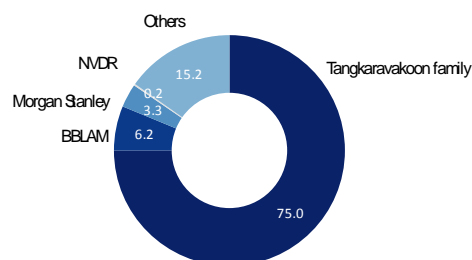
**Figure 11: Company profile**

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 12: Major shareholders**

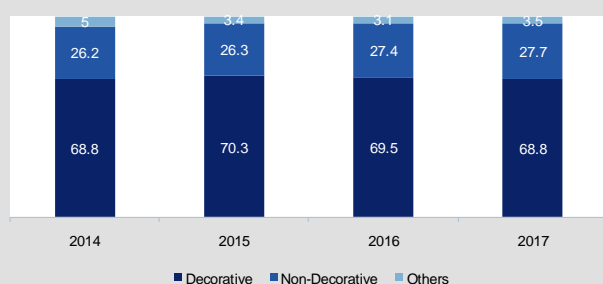
Percent



Source: Company data, KGI Research

**Figure 13: Revenue breakdown by product**

Total revenue, percent



Source: Company data, KGI Research

**Figure 14: Revenue breakdown by distribution channels**

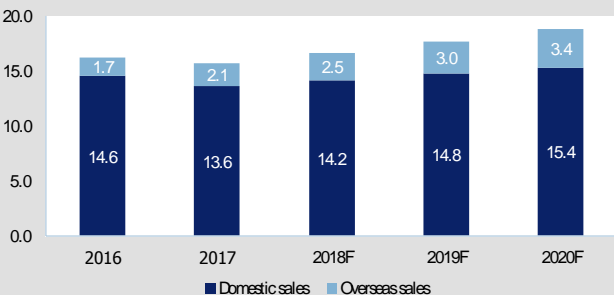
Total revenue, percent



Source: Company data, KGI Research

**Figure 15: Revenue outlook**

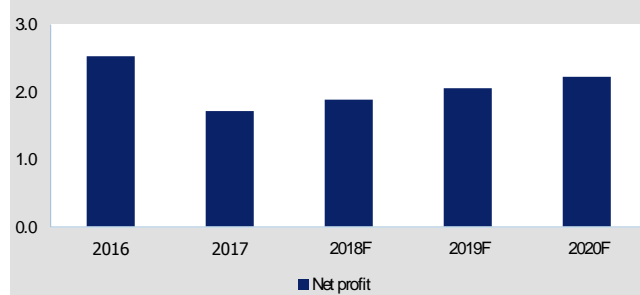
Bt bn



Source: Company data, KGI Research

**Figure 16: Net profit**

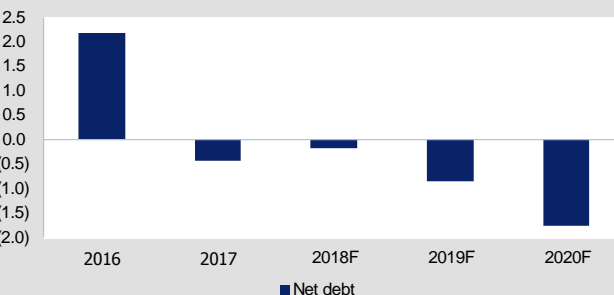
Bt mn



Source: Company data, KGI Research

**Figure 17: From net debt to net cash**

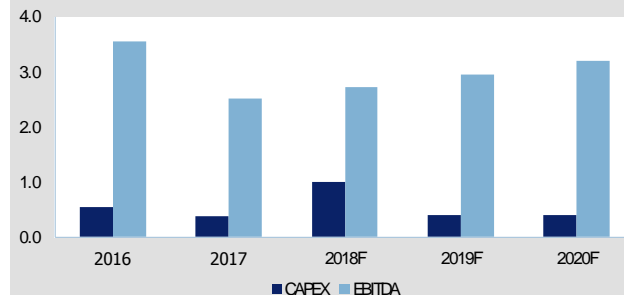
Bt mn



Source: KGI Research

**Figure 18: CAPEX and EBITDA**

Bt bn



Source: KGI Research

## Quarterly Income Statement

(Bt mn)	Mar-16A	Jun-16A	Sep-16A	Dec-16A	Mar-17A	Jun-17A	Sep-17A	Dec-17A	Mar-18A	Jun-18A	Sep-18A	Dec-18F
Revenue	4,220	4,120	3,848	4,109	3,951	3,767	3,740	4,260	4,216	3,840	4,004	4,252
Cost of Goods Sold	(2,559)	(2,533)	(2,400)	(2,602)	(2,542)	(2,479)	(2,515)	(2,816)	(2,726)	(2,516)	(2,666)	(2,781)
Gross Profit	1,661	1,587	1,448	1,507	1,410	1,288	1,224	1,445	1,490	1,325	1,337	1,471
Operating Expenses	(778)	(816)	(781)	(852)	(799)	(791)	(801)	(902)	(828)	(803)	(896)	(906)
Other incomes	63	69	71	28	26	20	22	39	33	18	57	40
Operating Profit	946	840	739	682	637	516	445	581	694	539	498	606
Depreciation of fixed assets	94	87	88	87	84	84	85	86	84	85	86	86
Operating EBITDA	1,041	927	827	769	721	600	531	667	778	624	584	692
Non-Operating Income	-	0	-	(0)	-	0	-	(0)	-	8	1	-
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-op Income	-	0	-	0	-	0	-	(0)	-	8	1	-
Non-Operating Expenses	23	25	19	20	21	19	19	16	7	6	6	6
Interest Expense	23	25	19	20	21	19	19	16	7	6	6	6
Other Non-op Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax Profit	924	814	720	662	616	497	426	565	687	541	493	600
Current taxation	(166)	(166)	(135)	(145)	(120)	(99)	(84)	(99)	(149)	(108)	(111)	(120)
Minorities	(0)	2	5	12	1	(1)	8	(0)	3	13	19	4
Extraordinary items	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit	757	651	589	529	497	397	350	466	541	445	401	484
EPS(Bt)	0.84	0.73	0.66	0.58	0.47	0.22	0.20	0.23	0.27	0.22	0.20	0.24
Margins (%)												
Gross profit margin	39.4	38.5	37.6	36.7	35.7	34.2	32.7	33.9	35.3	34.5	33.4	34.6
Operating margin	22.4	20.4	19.2	16.6	16.1	13.7	11.9	13.6	16.5	14.0	12.4	14.2
Operating EBITDA margin	24.7	22.5	21.5	18.7	18.3	15.9	14.2	15.7	18.5	16.3	14.6	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	10.0	11.4
Growth (%)												
Revenue growth					(6.4)	(8.6)	(2.8)	3.7	6.7	2.0	7.1	(0.2)
Operating growth					(32.7)	(38.5)	(39.7)	(14.8)	9.0	4.5	11.8	4.1
Operating EBITDA growth					(30.7)	(35.3)	(35.8)	(13.3)	7.9	4.0	10.1	3.6
Net profit growth					(34.3)	(39.0)	(40.6)	(12.0)	8.8	12.3	14.4	3.9

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>14,623</b>	<b>15,876</b>	<b>17,027</b>
<b>Current Assets</b>	<b>7,297</b>	<b>11,698</b>	<b>11,618</b>	<b>12,885</b>	<b>14,079</b>
Cash & ST Investments	2,156	6,284	6,099	7,062	7,932
Inventories	2,019	2,232	2,204	2,328	2,459
Accounts Receivable	2,840	2,936	3,019	3,203	3,399
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>5,496</b>	<b>5,532</b>	<b>5,582</b>
<b>Current Liabilities</b>	<b>8,441</b>	<b>5,422</b>	<b>5,221</b>	<b>5,250</b>	<b>5,291</b>
Accounts Payable	3,602	3,826	3,774	3,986	4,211
ST Borrowings	3,727	1,371	1,000	800	600
Others	1,112	225	448	464	480
<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>9,127</b>	<b>10,343</b>	<b>11,445</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	1,376	2,598	3,701
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)	6.2	6.1	6.1
OP	15.0	(32.0)	7.8	8.2	8.3
EBITDA	11.7	(29.3)	8.1	8.9	8.1
NP	18.5	(32.3)	10.5	8.4	8.5
EPS	18.5	(70.0)	10.5	8.4	8.5
<b>Profitability (%)</b>					
Gross Margin	38.1	34.1	34.0	34.3	34.6
Operating Margin	19.7	13.9	14.1	14.3	14.6
EBITDA Margin	21.9	16.0	16.3	16.7	17.0
Net Profit Margin	15.5	10.9	11.3	11.6	11.8
ROAA	22.3	14.4	15.8	13.4	13.5
ROAE	324.7	20.3	20.7	19.8	19.4
<b>Stability</b>					
Gross Debt/Equity (%)	1,104.3	67.3	60.0	53.3	48.6
Net Debt/Equity (%)	271.5	(5.3)	(2.0)	(8.2)	(15.3)
Interest Coverage (x)	36.9	28.9	97.9	127.0	183.4
Interest & ST Debt Coverage (x)	0.8	1.6	2.4	3.2	4.7
Cash Flow Interest Coverage (x)	31.9	23.9	86.8	119.8	172.8
Cash Flow/Interest & ST Debt (x)	0.7	1.2	2.0	2.9	4.2
Current Ratio (x)	0.9	2.2	2.2	2.5	2.7
Quick Ratio (x)	0.6	1.7	1.8	2.0	2.2
Net Debt (Bt mn)	2,180	(445)	(184)	(855)	(1,764)
<b>Per Share Data (Bt)</b>					
EPS	2.8	0.8	0.9	1.0	1.1
CFPS	2.1	0.9	1.1	1.2	1.3
BMPS	0.9	4.2	4.5	5.1	5.7
SPS	18.1	7.7	8.2	8.7	9.3
EBITDA/Share	4.0	1.2	1.3	1.5	1.6
DFS	7.3	0.7	0.4	0.4	0.5
<b>Activity</b>					
Asset Turnover (x)	1.4	1.3	1.2	1.2	1.1
Days Receivables	65.1	67.1	64.0	64.1	64.1
Days Inventory	72.4	74.9	70.9	71.1	71.1
Days Payable	132.2	131.0	121.4	121.7	121.7
Cash Cycle	5.2	11.0	13.5	13.5	13.5

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>16,696</b>	<b>17,716</b>	<b>18,800</b>
Cost of Goods Sold	(10,095)	(10,351)	(11,020)	(11,639)	(12,295)
<b>Gross Profit</b>	<b>6,203</b>	<b>5,367</b>	<b>5,677</b>	<b>6,076</b>	<b>6,505</b>
Operating Expenses	(3,227)	(3,294)	(3,423)	(3,632)	(3,854)
Other incomes	231	107	95	96	101
<b>Operating Profit</b>	<b>3,207</b>	<b>2,180</b>	<b>2,349</b>	<b>2,541</b>	<b>2,752</b>
Depreciation of fixed assets	357	340	374	423	451
<b>Operating EBITDA</b>	<b>3,564</b>	<b>2,520</b>	<b>2,723</b>	<b>2,964</b>	<b>3,203</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>2,325</b>	<b>2,521</b>	<b>2,737</b>
Current taxation	(613)	(401)	(453)	(492)	(534)
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>1,890</b>	<b>2,049</b>	<b>2,223</b>
Norm. Profit	2,526	1,710	1,890	2,049	2,223
EPS (Bt)	2.81	0.84	0.93	1.01	1.10

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>2,084</b>	<b>2,395</b>	<b>2,592</b>
Net Profit	2,526	1,710	1,890	2,049	2,223
Depreciation & Amortization	357	340	374	423	451
Change in Working Capital	(52)	(197)	(281)	(86)	(92)
Others	(56)	(49)	102	9	10
<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>610</b>	<b>1,495</b>	<b>2,021</b>
<b>Financing Cash Flow</b>	<b>(6,697)</b>	<b>2,777</b>	<b>(1,139)</b>	<b>(1,024)</b>	<b>(1,313)</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)	(771)	(824)	(1,114)
<b>Net Cash Flow</b>	<b>(952)</b>	<b>103</b>	<b>(529)</b>	<b>471</b>	<b>708</b>

Source: KGI Research

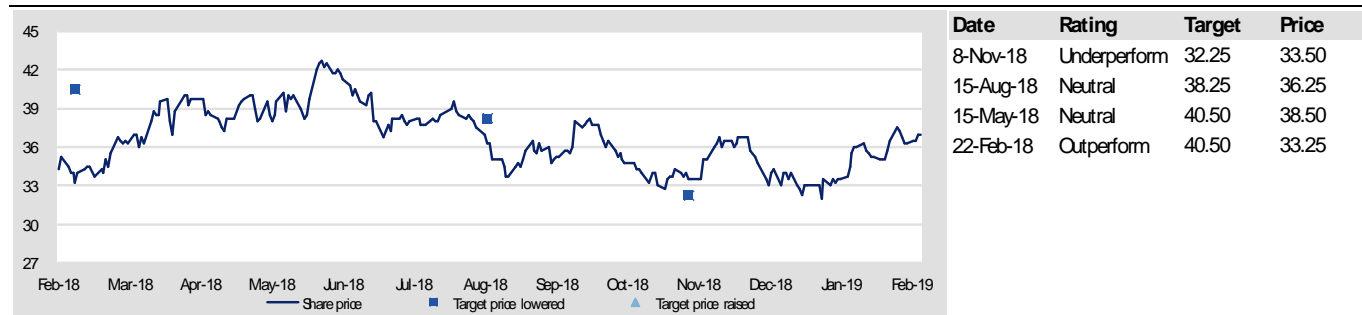
## Rates of Return on Invested Capital

Year	1- $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= <b>Operating Margin</b>
2016	59.7%	2.2%	19.8%	18.3%
2017	63.7%	2.2%	21.0%	13.2%
2018F	63.8%	2.2%	20.5%	13.5%
2019F	63.3%	2.4%	20.5%	13.8%
2020F	63.0%	2.4%	20.5%	14.1%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= <b>Capital Turnover</b>
2016	7.7%	0.12	0.03	4.52
2017	8.5%	0.12	0.03	4.20
2018F	8.7%	0.15	0.03	3.75
2019F	8.7%	0.14	0.02	3.91
2020F	8.8%	0.13	0.02	4.09
Year	<b>Operating Margin</b>	x <b>Capital Turnover</b>	x <b>Cash Tax Rate</b>	= <b>After-tax Return on Inv. Capital</b>
2016	18.3%	4.5	80.36	66.36
2017	13.2%	4.2	80.93	44.87
2018F	13.5%	3.7	80.50	40.74
2019F	13.8%	3.9	80.50	43.39
2020F	14.1%	4.1	80.50	46.43

Source: KGI Research



## TOA Paint (Thailand)- Recommendation &amp; target price history



Source: KGI Research

## Corporate Governance Report of Thai Listed Companies



### Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORNBANK	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	SRISAWAD 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
CENEL	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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