



TOA Paint (Thailand)

(TOA.BK/TOA TB)*

Neutral Upgraded

| | |
|-----------------------------------|-----------|
| Price as of 28 May 2019 | 32.00 |
| 12M target price (Bt/share) | 32.25 |
| Unchanged / Revised up (down) (%) | Unchanged |
| Upside/downside (%) | 0.8 |

Key messages

The overall tone of TOA's analyst meeting yesterday was slightly positive. Management has implemented a new marketing strategy since January 2019 that significantly reduced 1Q19 SG&A/sales to 18.3% (19.0% in 2018). We foresee gross margin upside in the range of 0.3-0.5% from the current assumption at 34.6% if the exchange rate and raw material costs remain stable in 2H19. We believe TOA's current share price already reflects a sluggish domestic outlook and concern about costs related to overseas expansion. We upgrade the counter to Neutral, from Underperform, with a 2019 target price of Bt32.25 based on PER 32.0x, due to better cost control and improved 2Q19 earnings.

Trading data

| | |
|----------------------------|-------------------|
| Mkt cap (Btbn/US\$m) | 64.9/2,029 |
| Outstanding shares (mn) | 2,029 |
| Foreign ownership (mn) | 178.9 |
| 3M avg. daily trading (mn) | 3.3 |
| 52-week trading range (Bt) | 29.50-43.00 |
| Performance (%) | 3M 6M 12M |
| Absolute | -11.7 -12.9 -16.3 |
| Relative | -9.9 -12.6 -11.5 |

Quarterly EPS

| Bt | 1Q | 2Q | 3Q | 4Q |
|------|------|------|------|------|
| 2017 | 0.47 | 0.22 | 0.20 | 0.23 |
| 2018 | 0.27 | 0.22 | 0.20 | 0.22 |
| 2019 | 0.31 | N.A. | N.A. | N.A. |

Share price chart



Source: SET

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Better cost control

Event

Analyst meeting.

Impact

New marketing strategy seems effective

TOA has implemented a new marketing strategy since January 2019, changing from a product-driven approach to a market-based approach. The new approach utilizes one salesperson per traditional trade which narrows the coverage area. The salesperson and traditional trade would work closely and more efficiently and reduce overlapping costs such as transportation expense, compared to two salespersons per store with different product categories. The company's 2019 SG&A/sales could come in the range of 18.0-19.0% (19.0% in 2018) due to the new method (our current assumption is 20.5%) which should more than offset slower than expected domestic demand. We expect revenue growth of 5% while TOA still expects 2019 revenue to grow high single-digit, which we believe would be challenging.

Foresee slight gross margin upside

The company's 1Q19 gross margin was an all-time high of 35.6% due to i) THB/US\$ appreciation (3.6% QoQ), ii) decreased raw material costs, and iii) improved production efficiency. We foresee gross margin upside in the range of 0.3-0.5% from our current assumption at 34.6% if exchange rate and raw material costs remain stable in 2H19.

Plant in Indonesia commercialized while Cambodia and Myanmar delayed slightly

TOA's plant in Indonesia (7.8mn gallons p.a.) began commercial operations in April 2019. Operations in Cambodia and Myanmar would shift by a quarter to 4Q19 and 1Q20, respectively. However, its strategy to expand overseas should be good in the long run, though we are still concerned about the low utilization rate and depreciation cost of the plant in Indonesia in 2Q19 (already incorporated into our 2019F gross margin assumption of 34.3%). We believe it would take time (4-5 years) to build up the Indonesian market, increase brand awareness and meet customer needs.

Valuation and action

We believe the current share price already reflects a sluggish domestic outlook and concern about costs related to overseas expansion. Due to better cost control and improved 2Q19 earnings, we upgrade our rating to Neutral, from Underperform, with a 2019 target price of Bt32.25 based on PER 32.0x. We expect 2Q19 earnings to improve YoY due to i) lower raw material costs, ii) higher domestic demand due to late start to the rainy season, but drop QoQ due to i) seasonality in Thailand (rainy season), ii) depreciation cost from new plant in Indonesia, and iii) cost provision for new labor act (Bt85mn).

Risks

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

Key financials and valuations

| | Dec-16A | Dec-17A | Dec-18A | Dec-19F | Dec-20F |
|------------------------|---------|---------|---------|---------|---------|
| Revenue (Bt mn) | 16,297 | 15,718 | 16,347 | 17,716 | 18,800 |
| Gross profit (Bt mn) | 6,203 | 5,367 | 5,548 | 6,076 | 6,505 |
| EBIT (Bt mn) | 3,207 | 2,180 | 2,281 | 2,541 | 2,752 |
| Net profit (Bt mn) | 2,526 | 1,710 | 1,825 | 2,061 | 2,236 |
| EPS (Bt) | 2.81 | 0.84 | 0.90 | 1.00 | 1.08 |
| DPS (Bt) | 7.25 | 0.74 | 0.35 | 0.40 | 0.54 |
| EPS growth (%) | 18.5 | (70.0) | 6.7 | 12.9 | 8.5 |
| P/E (x) | n.a. | 38.6 | 36.7 | 32.1 | 29.6 |
| P/B (x) | n.a. | 7.8 | 7.1 | 6.1 | 5.6 |
| EV/EBITDA (x) | n.a. | 25.6 | 24.1 | 21.5 | 19.5 |
| Net Debt to Equity (x) | 2.7 | -0.1 | -0.1 | -0.1 | -0.2 |
| Dividend Yield (%) | n.a. | 2.3 | 1.1 | 1.2 | 1.7 |

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: Key assumptions

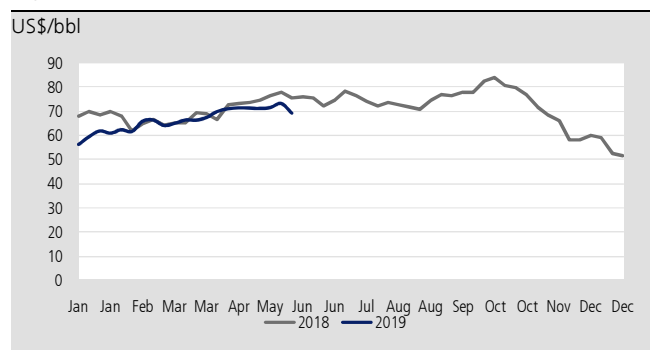
| | 2015 | 2016 | 2017 | 2018 | 2019F | 2020F |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Revenue | 16,753 | 16,297 | 15,718 | 16,347 | 17,716 | 18,800 |
| Revenues mix(by value) | | | | | | |
| Thailand | 14,554 | 14,036 | 13,643 | 14,009 | 14,762 | 15,352 |
| Oversea | 2,199 | 2,261 | 2,075 | 2,338 | 2,954 | 3,448 |
| Revenues mix(by percent) | | | | | | |
| Thailand | 88.3 | 87.0 | 86.8 | 85.7 | 86.9 | 86.1 |
| Oversea | 11.7 | 13.0 | 13.2 | 14.3 | 13.1 | 13.9 |
| Sales growth | | | | | | |
| Thailand | 1.8 | (2.7) | (6.3) | 1.0 | 5.4 | 4.0 |
| Vietnam | 16.1 | (14.7) | 14.0 | 29.3 | 10.0 | 10.0 |
| Others (Overseas) | 1.8 | (2.7) | (2.9) | 54.7 | 15.0 | 15.0 |
| GPM | 35.7 | 38.1 | 34.1 | 33.9 | 34.3 | 34.6 |
| EBIT margin | 16.6 | 19.7 | 13.9 | 14.0 | 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 | 11.2 | 11.6 | 11.9 |
| ROA (%) | 16.6% | 22.3% | 14.4% | 15.9% | 13.1% | 13.3% |
| ROE (%) | 46.4% | 324.7% | 20.3% | 19.5% | 19.2% | 18.9% |

Source: Company data, KGI Research

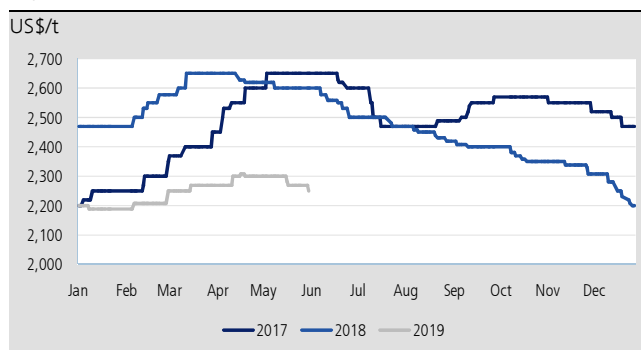
Foresee slight gross margin upside

The company's 1Q19 gross margin was an all-time high of 35.6% due to i) THB/US\$ appreciation (3.6% QoQ), ii) decreased raw material costs, and iii) improved production efficiency. We foresee gross margin upside in the range of 0.3-0.5% from our current assumption at 34.6% if exchange rate and raw material costs remain stable in 2H19.

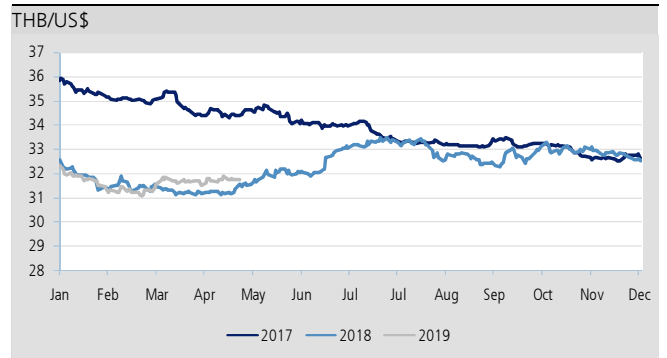
Titanium dioxide price has declined substantially since 3Q18 (Figure 3). Average 2QTD price is US\$2,290/ton (-6.7% YoY, +2.9% QoQ). Titanium dioxide accounts for 13% of cost of goods sold, and would be the main key to upside in the 2019 gross margin. Meanwhile, Brent crude and US\$/THB are expected to remain stable in 2H19.

Figure 2: Brent crude


Source: Bloomberg, KGI Research

Figure 3: China titanium dioxide 93% rutile


Source: Bloomberg, KGI Research

Figure 4: THB/US\$ exchange rate


Source: Bloomberg, KGI Research

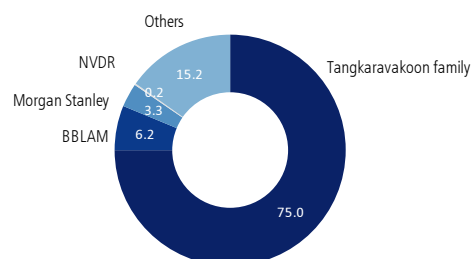
Figure 5: Company profile

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

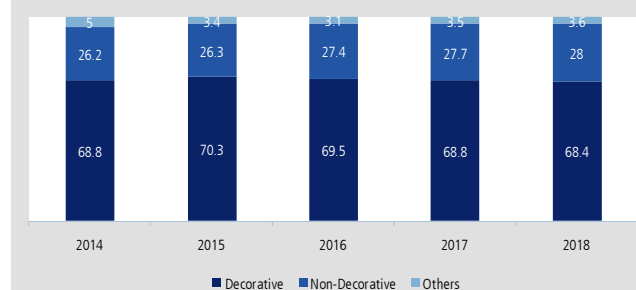
Percent



Source: Company data, KGI Research

Figure 7: Revenue breakdown by product

Total revenue, percent



Source: Company data, KGI Research

Figure 8: Revenue breakdown by distribution channels

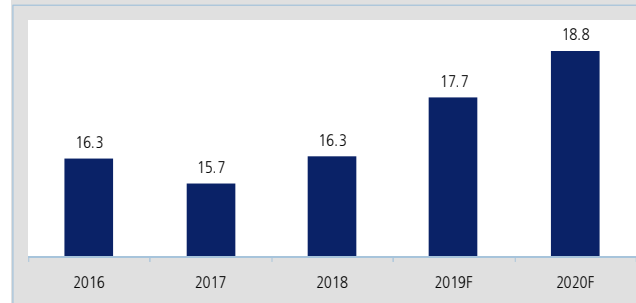
Total revenue, percent



Source: Company data, KGI Research

Figure 9: Revenue outlook

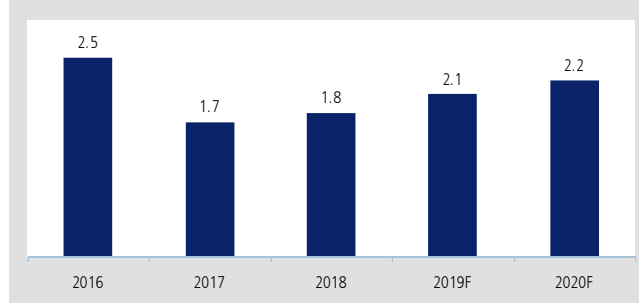
Bt bn



Source: Company data, KGI Research

Figure 10: Net profit

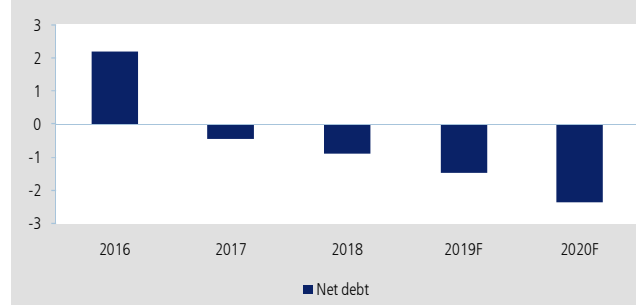
Bt mn



Source: Company data, KGI Research

Figure 11: From net debt to net cash

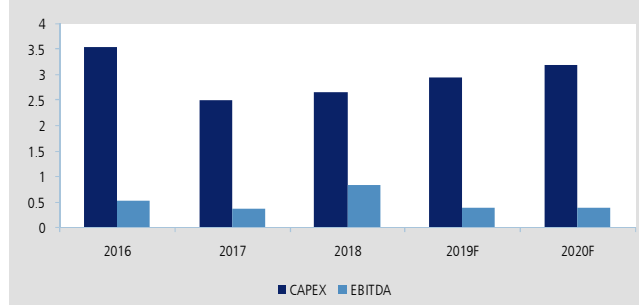
Bt mn



Source: KGI Research

Figure 12: CAPEX and EBITDA

Bt bn



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 | 2018 Sep-18A | 2018 Dec-18A | 2019 Mar-19A |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 4,220 | 4,120 | 3,848 | 4,109 | 3,951 | 3,767 | 3,740 | 4,260 | 4,197 | 3,840 | 4,004 | 4,306 | 4,334 |
| Cost of Goods Sold | (2,559) | (2,533) | (2,400) | (2,602) | (2,542) | (2,479) | (2,515) | (2,816) | (2,740) | (2,516) | (2,666) | (2,877) | (2,791) |
| Gross Profit | 1,661 | 1,587 | 1,448 | 1,507 | 1,410 | 1,288 | 1,224 | 1,445 | 1,457 | 1,325 | 1,337 | 1,429 | 1,543 |
| Operating Expenses | (778) | (816) | (781) | (852) | (799) | (791) | (801) | (902) | (796) | (803) | (896) | (887) | (792) |
| Other incomes | 63 | 69 | 71 | 28 | 26 | 20 | 22 | 39 | 33 | 18 | 57 | 7 | 60 |
| Operating Profit | 946 | 840 | 739 | 682 | 637 | 516 | 445 | 581 | 694 | 539 | 498 | 549 | 811 |
| Depreciation of fixed assets | 94 | 87 | 88 | 87 | 84 | 84 | 85 | 86 | 84 | 85 | 86 | 86 | 86 |
| Operating EBITDA | 1,041 | 927 | 827 | 769 | 721 | 600 | 531 | 667 | 778 | 624 | 584 | 635 | 897 |
| Non-Operating Income | - | 0 | - | (0) | - | 0 | - | (0) | - | 8 | 1 | 6 | 1 |
| Interest Income | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Non-op Income | - | 0 | - | 0 | - | 0 | - | (0) | - | 8 | 1 | 6 | 1 |
| Non-Operating Expenses | 23 | 25 | 19 | 20 | 21 | 19 | 19 | 16 | 7 | 6 | 6 | 6 | 6 |
| Interest Expense | 23 | 25 | 19 | 20 | 21 | 19 | 19 | 16 | 7 | 6 | 6 | 6 | 6 |
| Other Non-op Expenses | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pre-tax Profit | 924 | 814 | 720 | 662 | 616 | 497 | 426 | 565 | 687 | 541 | 493 | 549 | 807 |
| Current taxation | (166) | (166) | (135) | (145) | (120) | (99) | (84) | (99) | (149) | (108) | (111) | (112) | (177) |
| Minorities | (0) | 2 | 5 | 12 | 1 | (1) | 8 | (0) | 3 | 13 | 19 | 1 | 3 |
| Extraordinary items | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Profit | 757 | 651 | 589 | 529 | 497 | 397 | 350 | 466 | 541 | 445 | 401 | 438 | 634 |
| EPS (Bt) | 0.84 | 0.73 | 0.66 | 0.58 | 0.47 | 0.22 | 0.20 | 0.23 | 0.27 | 0.22 | 0.20 | 0.22 | 0.31 |
| Margins (%) | | | | | | | | | | | | | |
| Gross profit margin | 39.4 | 38.5 | 37.6 | 36.7 | 35.7 | 34.2 | 32.7 | 33.9 | 34.7 | 34.5 | 33.4 | 33.2 | 35.6 |
| Operating margin | 22.4 | 20.4 | 19.2 | 16.6 | 16.1 | 13.7 | 11.9 | 13.6 | 16.5 | 14.0 | 12.4 | 12.8 | 18.7 |
| 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 | 14.8 | 20.7 |
| Net profit margin | 17.9 | 15.8 | 15.3 | 12.9 | 12.6 | 10.5 | 9.4 | 10.9 | 12.9 | 11.6 | 10.0 | 10.2 | 14.6 |
| Growth (%) | | | | | | | | | | | | | |
| Revenue growth | | | | | (6.4) | (8.6) | (2.8) | 3.7 | 6.2 | 2.0 | 7.1 | 7.5 | 0.7 |
| Operating growth | | | | | (32.7) | (38.5) | (39.7) | (14.8) | 9.0 | 4.5 | 11.8 | (5.6) | 16.9 |
| Operating EBITDA growth | | | | | (30.7) | (35.3) | (35.8) | (13.3) | 7.9 | 4.0 | 10.1 | (4.8) | 15.2 |
| Net profit growth | | | | | (34.3) | (39.0) | (40.6) | (12.0) | 8.8 | 12.3 | 14.4 | (6.0) | 17.2 |

Source: KGI Research

Balance Sheet

| As of 31 Dec (Bt mn) | 2016 | 2017 | 2018 | 2019F | 2020F |
|------------------------------|--------------|---------------|---------------|---------------|---------------|
| Total Assets | 9,644 | 14,095 | 14,936 | 15,926 | 17,057 |
| Current Assets | 7,297 | 11,698 | 12,033 | 13,025 | 14,186 |
| Cash & ST Investments | 2,156 | 6,284 | 6,350 | 7,201 | 8,039 |
| Inventories | 2,019 | 2,232 | 2,396 | 2,328 | 2,459 |
| Accounts Receivable | 2,840 | 2,936 | 3,069 | 3,203 | 3,399 |
| Others | 283 | 246 | 219 | 292 | 289 |
| Non-current Assets | 2,347 | 2,397 | 2,903 | 2,901 | 2,871 |
| LT Investments | 0 | 0 | 0 | 0 | 0 |
| Net fixed Assets | 1,935 | 1,945 | 2,413 | 2,401 | 2,361 |
| Others | 412 | 452 | 490 | 499 | 509 |
| Total Liabilities | 8,866 | 5,682 | 5,572 | 5,407 | 5,452 |
| Current Liabilities | 8,441 | 5,422 | 5,245 | 5,070 | 5,106 |
| Accounts Payable | 3,602 | 3,826 | 3,987 | 3,986 | 4,211 |
| ST Borrowings | 3,727 | 1,371 | 985 | 800 | 600 |
| Others | 1,112 | 225 | 273 | 284 | 295 |
| Long-term Liabilities | 426 | 260 | 327 | 337 | 347 |
| Long-term Debts | 166 | 0 | 0 | 0 | 0 |
| Others | 259 | 260 | 327 | 337 | 347 |
| Shareholders' Equity | 778 | 8,413 | 9,364 | 10,519 | 11,605 |
| 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 | 1,629 | 2,773 | 3,861 |
| Non-controlling interests | (25) | (25) | (56) | (45) | (47) |

Source: KGI Research

Key Ratios

| Year to 31 Dec (Bt mn) | 2016 | 2017 | 2018 | 2019F | 2020F |
|----------------------------------|---------|--------|-------|---------|---------|
| Forecast Drivers | | | | | |
| Growth (% YoY) | | | | | |
| Sales | (2.7) | (3.6) | 4.0 | 8.4 | 6.1 |
| OP | 15.0 | (32.0) | 4.6 | 11.4 | 8.3 |
| EBITDA | 11.7 | (29.3) | 5.5 | 11.1 | 8.1 |
| NP | 18.5 | (32.3) | 6.7 | 12.9 | 8.5 |
| EPS | 18.5 | (70.0) | 6.7 | 12.9 | 8.5 |
| Profitability (%) | | | | | |
| Gross Margin | 38.1 | 34.1 | 33.9 | 34.3 | 34.6 |
| Operating Margin | 19.7 | 13.9 | 14.0 | 14.3 | 14.6 |
| EBITDA Margin | 21.9 | 16.0 | 16.3 | 16.7 | 17.0 |
| Net Profit Margin | 15.5 | 10.9 | 11.2 | 11.6 | 11.9 |
| ROAA | 22.3 | 14.4 | 15.9 | 13.1 | 13.3 |
| ROAE | 324.7 | 20.3 | 19.5 | 19.2 | 18.9 |
| Stability | | | | | |
| Gross Debt/Equity (%) | 1,104.3 | 67.3 | 59.2 | 51.2 | 46.8 |
| Net Debt/Equity (%) | 271.5 | (5.3) | (9.4) | (13.9) | (20.2) |
| Interest Coverage (x) | 36.9 | 28.9 | 89.3 | 127.0 | 183.4 |
| Interest & ST Debt Coverage (x) | 0.8 | 1.6 | 2.3 | 3.2 | 4.7 |
| Cash Flow Interest Coverage (x) | 31.9 | 23.9 | 85.1 | 114.1 | 172.5 |
| Cash Flow/Interest & ST Debt (x) | 0.7 | 1.2 | 2.2 | 2.8 | 4.2 |
| Current Ratio (x) | 0.9 | 2.2 | 2.3 | 2.6 | 2.8 |
| Quick Ratio (x) | 0.6 | 1.7 | 1.8 | 2.1 | 2.3 |
| Net Debt (Bt mn) | 2,180 | (445) | (882) | (1,469) | (2,359) |
| Per Share Data (Bt) | | | | | |
| EPS | 2.8 | 0.8 | 0.9 | 1.0 | 1.1 |
| CFPS | 2.1 | 0.9 | 1.1 | 1.2 | 1.3 |
| BVPS | 0.9 | 4.2 | 4.6 | 5.2 | 5.7 |
| SPS | 18.1 | 7.7 | 8.1 | 8.7 | 9.3 |
| EBITDA/Share | 4.0 | 1.2 | 1.3 | 1.5 | 1.6 |
| DPS | 7.3 | 0.7 | 0.3 | 0.4 | 0.5 |
| Activity | | | | | |
| Asset Turnover (x) | 1.4 | 1.3 | 1.1 | 1.1 | 1.1 |
| Days Receivables | 65.1 | 67.1 | 66.0 | 64.6 | 64.1 |
| Days Inventory | 72.4 | 74.9 | 75.6 | 74.1 | 71.1 |
| Days Payable | 132.2 | 131.0 | 127.4 | 125.0 | 121.7 |
| Cash Cycle | 5.2 | 11.0 | 14.1 | 13.7 | 13.5 |

Source: KGI Research

Profit & Loss

| Year to 31 Dec (Bt mn) | 2016 | 2017 | 2018 | 2019F | 2020F |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 16,297 | 15,718 | 16,347 | 17,716 | 18,800 |
| Cost of Goods Sold | (10,095) | (10,351) | (10,798) | (11,639) | (12,295) |
| Gross Profit | 6,203 | 5,367 | 5,548 | 6,076 | 6,505 |
| Operating Expenses | (3,227) | (3,294) | (3,361) | (3,632) | (3,854) |
| Other incomes | 231 | 107 | 93 | 96 | 101 |
| Operating Profit | 3,207 | 2,180 | 2,281 | 2,541 | 2,752 |
| Depreciation of fixed assets | 357 | 340 | 377 | 412 | 440 |
| Operating EBITDA | 3,564 | 2,520 | 2,657 | 2,953 | 3,192 |
| Non-Operating Income | 0 | 0 | 15 | 15 | 15 |
| Interest Income | 0 | 0 | 0 | 0 | 0 |
| Other Non-op Income | 0 | 0 | 15 | 15 | 15 |
| Non-Operating Expenses | (87) | (75) | (26) | (20) | (15) |
| Interest Expense | (87) | (75) | (26) | (20) | (15) |
| Other Non-op Expenses | 0 | 0 | 0 | 0 | 0 |
| Equity Income/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Pretax Income | 3,120 | 2,105 | 2,270 | 2,536 | 2,752 |
| Current taxation | (613) | (401) | (480) | (494) | (537) |
| Minorities | 19 | 6 | 35 | 19 | 20 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 2,526 | 1,710 | 1,825 | 2,061 | 2,236 |
| Norm. Profit | 2,526 | 1,710 | 1,825 | 2,061 | 2,236 |
| EPS (Bt) | 2.81 | 0.84 | 0.90 | 1.00 | 1.08 |

Source: KGI Research

Cash Flow

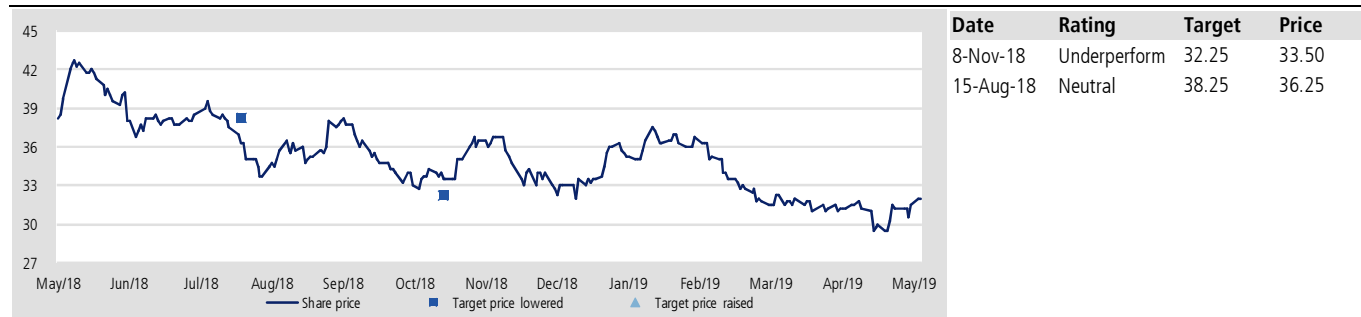
| Year to 31 Dec (Bt mn) | 2016 | 2017 | 2018 | 2019F | 2020F |
|-----------------------------|----------------|----------------|----------------|--------------|----------------|
| Operating Cash Flow | 2,775 | 1,804 | 2,173 | 2,283 | 2,588 |
| Net Profit | 2,526 | 1,710 | 1,825 | 2,061 | 2,236 |
| Depreciation & Amortization | 357 | 340 | 377 | 412 | 440 |
| Change in Working Capital | (52) | (197) | (100) | (122) | (96) |
| Others | (56) | (49) | 71 | (69) | 8 |
| Investment Cash Flow | 2,920 | (4,374) | (878) | (858) | (558) |
| Net CAPEX | (542) | (382) | (836) | (400) | (400) |
| Change in LT Investment | 0 | 0 | 0 | 0 | 0 |
| Change in Other Assets | 3,462 | (3,992) | (43) | (458) | (158) |
| Free Cash Flow | 5,695 | (2,570) | 1,295 | 1,425 | 2,030 |
| Financing Cash Flow | (6,697) | 2,777 | (1,121) | (983) | (1,299) |
| Change in Share Capital | 0 | 6,870 | 6,872 | 0 | 0 |
| Net Change in Debt | (183) | (2,599) | (412) | (185) | (200) |
| Change in Other LT Liab. | (6,514) | (1,495) | (7,581) | (798) | (1,099) |
| Net Cash Flow | (952) | 103 | 70 | 444 | 731 |

Source: KGI Research

Rates of Return on Invested Capital

| Year | 1 - $\frac{\text{COGS}}{\text{Revenue}}$ | + $\frac{\text{Depreciation}}{\text{Revenue}}$ | + $\frac{\text{Operating Exp.}}{\text{Revenue}}$ | = $\frac{\text{Operating}}{\text{Margin}}$ |
|-------|--|--|--|--|
| 2016 | 59.7% | 2.2% | 19.8% | 18.3% |
| 2017 | 63.7% | 2.2% | 21.0% | 13.2% |
| 2018 | 63.8% | 2.3% | 20.6% | 13.4% |
| 2019F | 63.4% | 2.3% | 20.5% | 13.8% |
| 2020F | 63.1% | 2.3% | 20.5% | 14.1% |
| Year | 1/ $\frac{\text{Working Capital}}{\text{Revenue}}$ | + $\frac{\text{Net PPE}}{\text{Revenue}}$ | + $\frac{\text{Other Assets}}{\text{Revenue}}$ | = $\frac{\text{Capital}}{\text{Turnover}}$ |
| 2016 | 7.7% | 0.12 | 0.03 | 4.52 |
| 2017 | 8.5% | 0.12 | 0.03 | 4.20 |
| 2018 | 9.0% | 0.15 | 0.03 | 3.73 |
| 2019F | 8.7% | 0.14 | 0.03 | 3.98 |
| 2020F | 8.8% | 0.13 | 0.03 | 4.16 |
| Year | $\frac{\text{Operating}}{\text{Margin}}$ | x $\frac{\text{Capital}}{\text{Turnover}}$ | x $\frac{\text{Cash}}{\text{Tax Rate}}$ | = $\frac{\text{After-tax Return}}{\text{on Inv. Capital}}$ |
| 2016 | 18.3% | 4.5 | 80.36 | 66.36 |
| 2017 | 13.2% | 4.2 | 80.93 | 44.87 |
| 2018 | 13.4% | 3.7 | 78.83 | 39.37 |
| 2019F | 13.8% | 4.0 | 78.83 | 43.35 |
| 2020F | 14.1% | 4.2 | 78.83 | 46.25 |

Source: KGI Research

TOA Paint (Thailand)– Recommendation & 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 | 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 | 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 ERAWAN 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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