

**DISCOUNTED CASH FLOW VALUATION OF  
PREMIER MARKETING  
PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTER OF MANAGEMENT  
COLLEGE OF MANAGEMENT  
MAHIDOL UNIVERSITY  
2015**

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Thematic paper  
entitled  
**DISCOUNTED CASH FLOW VALUATION OF  
PREMIER MARKETING  
PUBLIC COMPANY LIMITED**

was submitted to the College of Management, Mahidol University  
for the degree of Master of Management

on  
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## ACKNOWLEDGEMENTS

I wish to take this opportunity to express my gratitude to individuals who supported me throughout the program of Master of Management. I am thankful for their aspiring guidance, invaluable constructive criticism and friendly advice during the thematic project work. I am sincerely grateful to them for sharing their truthful and illuminating views on a number of issues related to the project.

I would like to show my warm thanks to my advisor, Dr. Tientip Subhanij, for contributing valuable advice and precious time to support this project success. I would also like to extend my appreciation to Ajarn Vasan Siraprapasiri for providing valuable knowledge, which effectively contributed largely to the completion of my thematic paper. In addition, I would like to thank Asst. Prof. Piyapas Tharavanij, a program chairman, who supported me with constant supervision and without whom it was impossible to accomplish the end task. I would certainly be remiss to express my sincere thank to Dr. Worapong Janyangyuen and Ajarn Thanachai Phoopatana for providing helpful advice every after normal class and always following up my project.

I would like to thank my friends and classmates for providing me with such friendly advice, cooperation and friendship. I would also like to express my appreciation to Ms. Jirachaya Samlee for her empathy and greatly assistance during my graduated school life. Her support allows me to concentrate on my paper work and study.

Most importantly, I am greatly indebted to my family for their life-long support in any way to bestow this journey to be proudly achieved. I would like to express my gratitude especially to my mother and my father who always support and encourage me. At last, I would like to thank Ms. Kwanchanok Praipanapong for being confidant, corporation, and broad-mindedness through the completion of the project.

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## **DISCOUNTED CASH FLOW VALUATION OF PREMIER MARKETING PUBLIC COMPANY LIMITED**

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### **ABSTRACT**

This thematic paper demonstrated how to value the stock price of Premier Marketing Public Company Limited (PM) which applied the concept of discounted cash flow to firm model, creating a forecast and calculating a reasonable valuation of the firm's share price and at the end making decision whether to buy/hold/sell the company's stock.

Premier Marketing Public Company Limited is a leading consumer products distributor and sales agent in Thailand specializing in convenient food distribution, which incorporate for almost 40 years. Since the company has gained a trust from many food producers to distribute their products. The interesting point is how the changing economic landscape to the ASEAN integration and growing in demand for processed and pre-packaged food will benefit the company in terms of food distributing demand. In addition, whether their long-term strategies can maintain the market leader position; both of which will affect to their stock price and the overall value of the company.

The result from this paper shows the 5 years' future value of PM share price is expected to be valued higher than the current share price by 17.6%. This results lead to my recommendation of "buy" because the current share price is considered to be undervalued.

**KEY WORDS:** PM / Distributor / Food / Valuation / Discounted Cash Flow

59 pages

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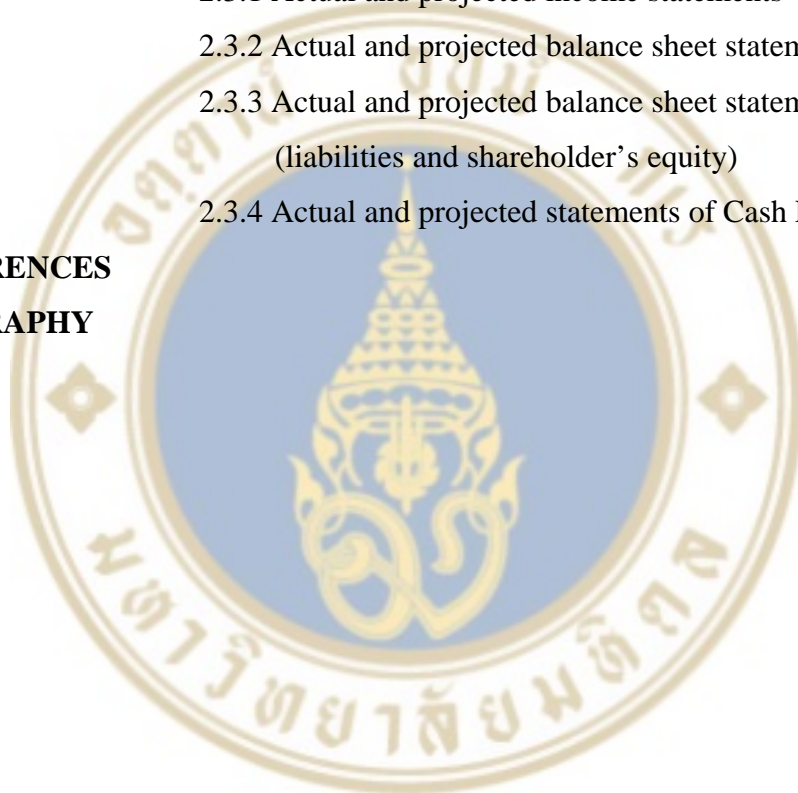
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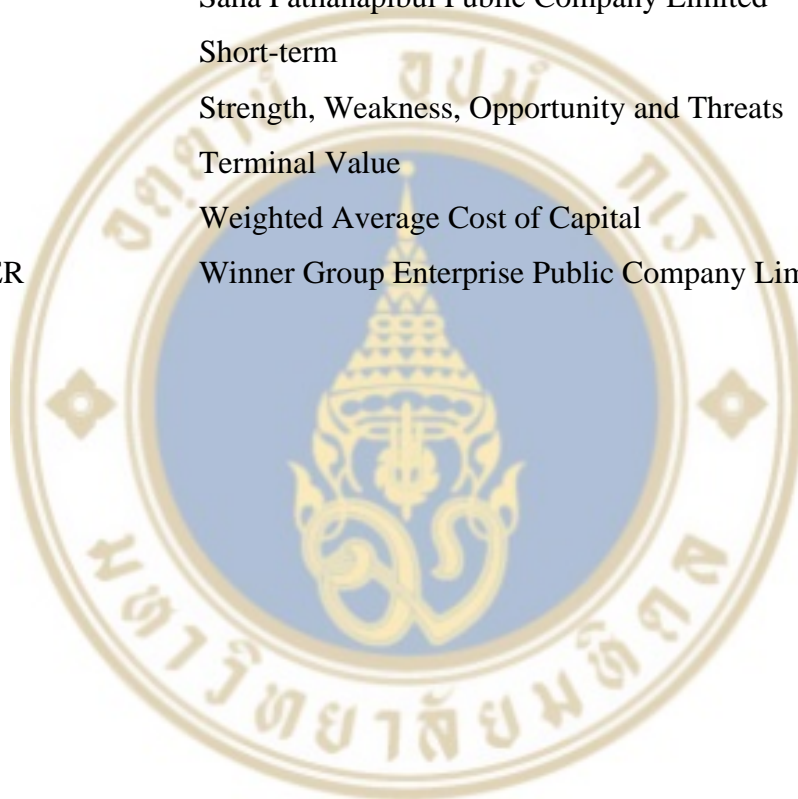
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## LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BJC	Berli Jucker Public Company Limited
BOI	Board of Investment of Thailand
BOT	Bank of Thailand
BSI	Business Sentiment Index
BV	Book Value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CCI	Consumer Confidence Index
CIT	Corporate Income Tax
COGS	Cost of Goods Sold
DKSH	DKSH (Thailand) Company Limited
D/E	Debt/Equity
EBIT	Earnings before Interest and Taxes
EBT	Earnings before Taxes
EPS	Earning per share
EV	Enterprise value
FA	Fixed Assets
FAO	Food and Agriculture Organization of the United Nations
FCFF	Free Cash Flow to Firm
GDP	Gross Domestic Products
GNI	Gross National Income
Non-CA	Non-Current Assets
NOPAT	Net Operating Profit after Taxes
NWC	Net Working Capital
PM	Premier Marketing Public Company Limited
P/E	Price/Earning

**LIST OF ABBREVIATIONS (cont.)**

ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
SPC	Saha Pathanapibul Public Company Limited
ST	Short-term
SWOT	Strength, Weakness, Opportunity and Threats
TV	Terminal Value
WACC	Weighted Average Cost of Capital
WINNER	Winner Group Enterprise Public Company Limited



## CHAPTER I VALUATION

### 1.1 Highlights

**Date:** Dec 11, 2015

**Recommendation:** BUY

**Ticker:** SET: PM

**Price:** THB 10.20

**Target Price:** THB 12.00

**Upside:** +17.6%



#### Market profile

Market	SET
Industry	Agro & Food
Sector	Food and Beverage
Market capitalization	Bt 6,102.10 m
Average daily volume	Bt 6.03 m
Beta	0.37
Dividend yield	6.18%
Book value per share	2.53
Par value	Bt 1.00
52 week high	11.10
52 week low	8.50
Shares outstanding	598.25 m
Free float	35.91%
Major shareholders	
Premier Fission Capital Co., Ltd.	49.38%
Thai NVDR Co., Ltd.	9.00%



Source: Stock Exchange of Thailand

**Figure 1.1 3 Years price performance (adjusted price)**

- Economic recovery resulting from government investment spending:

By the nature of PM business, their performance and its sector follows the economic cycle and highly correlated with household consumption. Regarding the high support from government and BOI to boost up economic in long term, as well as the recovery of consumer confidence index, I expect that Thai economic is start to recover by the end of this year.

- Growing demand of convenience food:

With a growing of middle income people in Thailand and a changing of the lifestyle of the local society especially in metropolitan, demand for processed and pre-packaged food has jumped supporting growth in production of more canned and fast food, including snack foods. In addition, there has been an increased focus on health and wellness snacks.

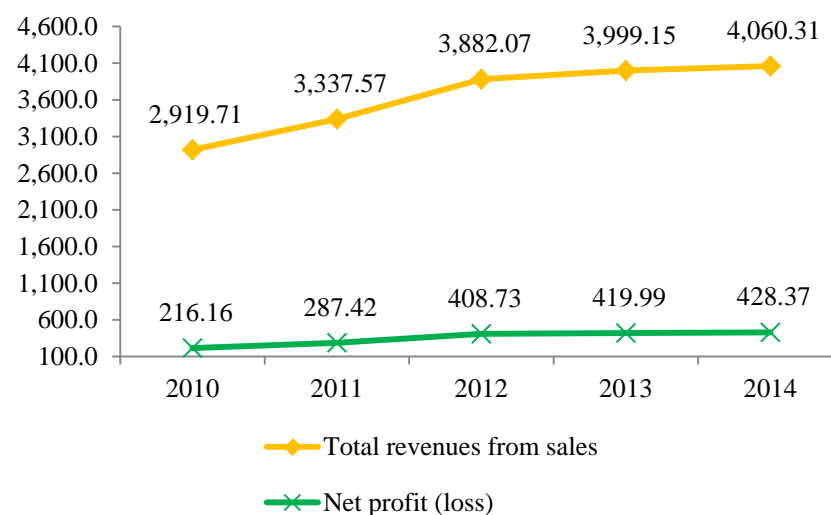
- Earning growth despite the slow pace:

Despite slowing economic and domestic consumption over the past three years, PM could still maintain profit with potential marketing strategies (Figure 1.2). I also expect the company continuously deliver profit to their shareholders through investing in house product expansion and new trading partner seeking.

- Continual expansion with solid financial:

Generally, PM plans to introduce new product to the customers every year in order to increase the competitive advantages. PM has around 200,000 selling points

in Thailand with several of distributed products. The company will invest at least 80 million in their warehouse, factory, and machine in order to increase house brand products competitiveness. Moreover, the company has a solid balance sheet with zero short-term debt, low long-term debt, high retained earnings, and high ROE.



Source: Company Data

Figure 1.2 PM sales (Million Baht)

## 1.2 Financial Summary

Table 1.1 PM – key financial indicators

Financial Summary						
FY Ended 31 Dec	2012A	2013A	2014A	2015F	2016F	2017F
Revenues from Sales (THBm)	3,882	3,999	4,060	4,161	4,286	4,415
Gross Profit (THBm)	1,063	1,129	1,132	1,143	1,178	1,213
Net Profit (THBm)	409	420	428	421	432	443
EPS (THB)	0.68	0.70	0.72	0.70	0.72	0.74
ROA (%)	20.1%	18.9%	18.6%	16.5%	15.5%	14.6%
ROE (%)	30.5%	27.7%	26.7%	23.2%	21.2%	19.6%
D/E (Time)	0.52	0.47	0.43	0.40	0.37	0.34

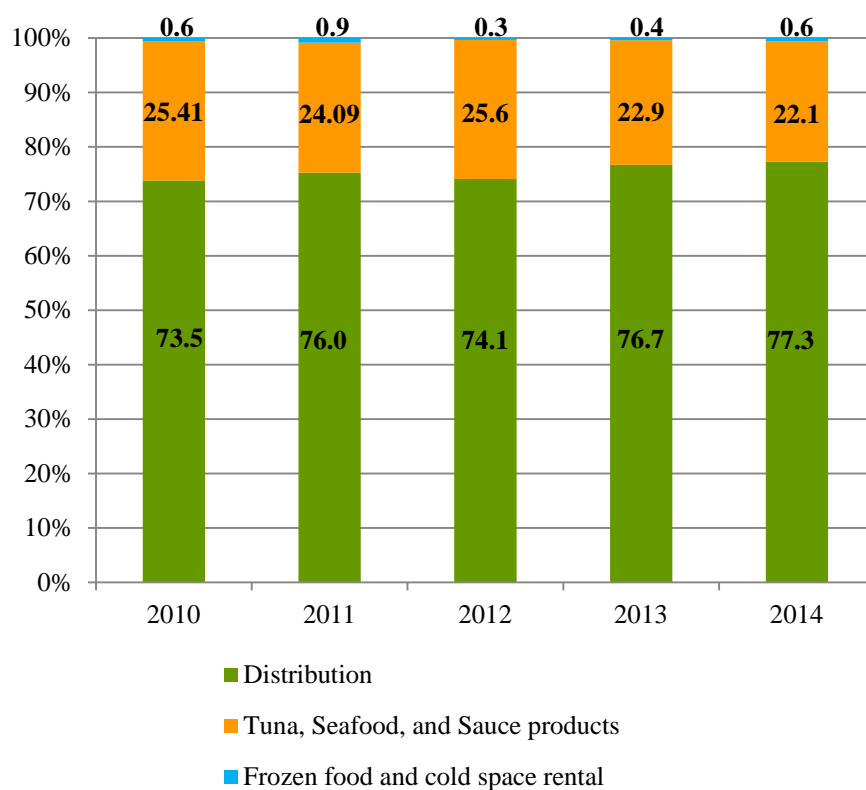
## **1.3 Business Description**

### **1.3.1 Company profile**

Premier Marketing Public Company Limited (PM) is a leading consumer products distributor and sales agent in Thailand, consists of five groups of consumer products covering snack foods, food and beverages, confectionery, pharmaceuticals and dietary supplements, and personal care and household products, incorporated on July 28, 1977.

The Company operates under the Premier Group's business, which has Premiere Fission Capital Co., Ltd. (PFC) as the holding company. At present, the Company has investments in 4 subsidiary companies; P.M. Food Co., Ltd. (PMF), Premier Canning Industry Co., Ltd. (PCI), Premier Frozen Products Co., Ltd. (PFP), and PM SE Co., Ltd. The Company holds 100% of their paid up capital.

Products distributed by the company are manufactured by its affiliated companies and from external parties. Presently, the Company's products are directly sold to over 30,000 stores nationwide, which consist of wholesalers who will disperse the products to small stores along with end customers and also retailers, both large stores and small general stores. Therefore, the Company has divided its target customers into two main groups, namely outlets and consumers. The outlet target customer group includes modern trade stores that have a network of outlets covering nearly all provinces and traditional trade stores that have traded with the Company for a long time, which consist of medium and large wholesalers and small general stores. The consumers target group that are end consumers are varied depending mainly on which product group, for example, in the case of snack foods the target consumers are children, teenagers and people of working age while for food products and household products the emphasis will be on housewives and modern families. The main revenues of the Company and its subsidiaries come from distribution revenue, sales of canned and pouch tuna/ seafood/ and sauce products with 100% export, and sales of frozen food and cold space rental revenue (Figure 1.3)



Source: Company Data

**Figure 1.3 Revenue structure (%)**

The Company has long experience and expertise in the distribution of consumer products. The products distributed by the Company are well-known and popular on the market such as “Taro” fish snack, “Calbee” prawn cracker, “Chinmai” rice cracker, “Delio” cookies, “Ole” hard boiled candies, “King’s Kitchen” sauce, etc.

### 1.3.2 Company strategies

- Increase the potential of the Company for expansion to social enterprise. On 10 April 2015, the Company recently set up a new subsidiary, PM SE Co., Ltd., a manufacturing, marketing, product development and distribution of products from social enterprise company.

- Emphasize on the benefit and the provision of the best services to the customers, including quality, taste and nutritional value, prices that are comparable to those of the competitors in the market, the convenience in placing orders, and timely receipt of the products.



- Reduce the loss of sales opportunity of stores from products being out of stock by closely tracking data and analyzing and evaluating the sales so as to ensure that the stores have sufficient current stock. And also ensure a sufficient supply of products to meet customers' requirements by developing marketing plans in conjunction with the manufacturers, as well as analyze and estimate the sales volume and volume of orders periodically.

- Plan in conjunction with the manufacturers the development of products and launch of new products on the market as appropriate with consideration mainly of the market condition and consumers' needs. Moreover, the Company also plan on conjunction on advertising, sales promotion and continuous organization of activities with the stores to build good relationships between the Company, the stores and the consumers in order to boost sales periodically, as well as organize sales promotion programs to increase sales volume and new customer base with close monitoring and evaluation.

- Maintain good relationship with the old and seek the new partners by seeking additional trading partner for export markets and keeping closer cooperation with existing business partners for future expansion.

- Launch more 30 products in the market. This is in anticipation of 1-2% increase in its sales.

### **1.3.3 Distributed products**

The Company is a distributor and sales agent of five groups as follows;

- **Snack product Group:**
  - PM Food Co., Ltd. (the Company's subsidiary), manufacturer of "Taro" Fish Snack produced.
  - Calbee Wattana Co., Ltd, manufacturer of snacks under many brands including prawn cracker product "Calbee", potato French fried snack product "Jackz", crispy pea nut snack "Bunbun", "Doreme" crispy sweet potato fried, and "BanaBite" rispy corn product.
  - Namchao (Thailand) Co., Ltd., manufacturer of jasmine rice cracker under the brand "Chinmai".
  - S&P Syndicate Public Co., Ltd. Manufacturer of cookies under the "Delio" brand.

- 3M Food Product Co., Ltd manufactures chewy tamarind candy under the brand “Jeed Jard”.
- SPR Food Industry Co., Ltd., manufacturer of crispy corn cracker under the brands “Cocori”, “Hitori” and “Big Data”.

- **Food and beverage group:**

- Premier Canning Industry Co., Ltd. (a subsidiary of the Company) manufactures of sauces and prepared sauce under the “King’s Kitchen” trademark or the abbreviated “KK” brand. In addition, there are also yellowfin tuna (pouch) in sunflower oil.
- Lampang Food Products Co., Ltd. manufactures a variety of products under the “Maejin” trademark and other trademarks, such as “J.F.Farm” and “LCC”.
- Body Shape Corporation Group Co., Ltd. manufactures coffee under the “Body Shape”.
- Thai Ha Public Co., Ltd. manufactures packed and processed agricultural produce under the “Kaset” trademark.
- Union Frozen Products Co., Ltd., manufacturer of ready-to-eat frozen food under the brand “Prantalay” including Prantalay-branded and Pranprai-branded soft-boiled rice products.
- Sinwareepattana Co.,Ltd. manufactures fish sauce, light soy sauce and oyster sauce under the “Megachef” trademark.
- Sappe Public Co., Ltd. manufacturer of juice blended with coconut jelly under the brand “Moku Moku” and lychee-flavored aloe vera juice under the trademark “Zeppe Alo Vera”; and manufacturer of instant coffee under the trademark “Preaw”.
- Sun Sauce Food Industry Co., Ltd., manufacturer of the products under the brand “Sun Sauce”.

- **Confectionary group:**

- Osotspa Co., Ltd manufactures hard boiled candies under the “Ole” trademark.
- “Coryfin-C” candies have the property to relieve throat irritation and keep the throat moist.
- B-One Co., Ltd., importer of chocolate candy under the brand “Choco-B” and marshmallow product under the brand “B-One”.

- **Medicine and nutrition Food group:**

It consists of pastilles, yatarad (stomach tonic) and health care products manufactured by Osotspa Co., Ltd., which includes pimsen gel, Yatarad 4, paracetamol, “Banner Protein” dietary supplement, Utaitip, Utip gel, and “Botan”.

- **Personal care and household products group:**

- Siam Green Consumer Products Co., Ltd. appointed the Company as a distributor of “Darlie” toothpastes.
- Jack Chia Industries (Thailand) Public Co., Ltd. manufacturer under the brands “Tensoplast”, “Tigerplast”, “Taboo”, “Kangaroo”, “Ronson”, and “Jason Joojobb”.
- Hiyou Cosmetics (Thailand) Co., Ltd. manufacturer of hair coloring under the brands “Bigen”, “Beauty Labo” and “Bigen Speedy” for ladies and gentlemen.
- A Plus Supply Co., Ltd., manufacturer under the brand “A Bonne” including lotion, soap, spa salt and bath salt.

## **1.4 Macro-Economic Analysis**

### **1.4.1 Projected Thai economy**

The Thai economy is projected to grow at a slower pace due to mainly further weakness in China’s and other Asian economies’ growth (Except Japan) and falling export incomes and the impact of the drought on farmers’ income prompted households spending. Inflation is projected to further decline owing to lower domestic cost in oil and commodity prices and demand pressure delayed following economic recovery. Overall, the Thai economy is projected to grow slower than formerly expected of GDP in both 2015 at 2.7% and 2016 at 3.7% <sup>(1)</sup> published by Monetary Policy Committee (MPC) (Table 1.2).

**Table 1.2 GDP and inflation forecast summary (%)**

Percent per year	2014*	2015	2016
GDP Growth	0.9	2.7 (3.0)	3.7 (4.1)
Headline Inflation	1.9	-0.9 (-0.5)	1.2 (1.6)
Core Inflation	1.6	1.0 (1.0)	0.8 (1.0)

Note \*Actual data

() Monetary Policy Report, June 2015

Source NESDB, MOC, and forecasts from BOT

*Source: Bank of Thailand*

#### **1.4.2 Supported government policy**

Government moved quickly approves to support Thai's economy. On 1<sup>st</sup> September, at First the Thai's government creates a fund of 60,000 MB <sup>(2)</sup> for the Village and Urban Community fund. Each village will receive a revolving fund of up to one million baht. And most of the SMEs are running domestic business. They represent 25% of Thailand's exports. Second, the government spent a budget 36,275 MB to support for job creation projects by allocating 5 MB to each sub-districts. Third, offering a budget of 40,000 MB to implement small investment projects, not more than 1 MB per project. The three measures have a total budget of 136,275 MB. As a result, the Thailand's economic future will be recovered with boost spending of an injection of funds.

#### **1.4.3 ASEAN economic community**

With over 600 million people, ASEAN's potential market is larger than the European Union or North America. An ever-growing and diverse consumer market, ASEAN will be the fourth-largest economic region in the world by 2050<sup>(3)</sup>. Then, the growth of the region's various economies and its rising middle class speak volumes for the future as Thais' companies can tap into expanding opportunities.

#### **1.4.4 Outlook for 2015 the export volume**

An outlook for 2015 the export volume declined by 3.8% and export price contracted by 1.8%<sup>(4)</sup>. The mainly due to 5 key factors consists of the deceleration in key trading partners' economies, the appreciation of the Thai baht, especially, when compared with the Euro and the Yen, the decline in export prices in line with lower crude oil price and agricultural prices in global market, the decline in exports of automotive due to the model changing of the pick-up vehicles and lastly, the Generalized Scheme of Preferences (GSP) for Thai exports to Europe. In all, it is forecasted that export value will decline by 3.5%, while private consumption and total investment grow by 1.8% and 6.2%, respectively.

#### **1.4.5 Consumer confidence index**

Although Consumer Confidence Index was still lower than 100, it has recovered in Oct 15 to 73.4<sup>(5)</sup> representing its highest within 10 months because the consumers expected the economic recovery from the continuing economic support from government investment spending.

#### **1.4.6 Regional cargo transport hub**

The upcoming integration of seventh largest economy in the world or AEC, the Department of Land Transportation is considering the regional hub for goods transport development from 3 to 17<sup>(6)</sup> hubs and expects to be completed in 2020. The hubs would connect the regional land transport and be the main distribution centers for goods. In addition, this project will be able to stimulate and develop the border economic in order to be the hubs for trading with neighbor countries.

### **1.5 Industry Analysis**

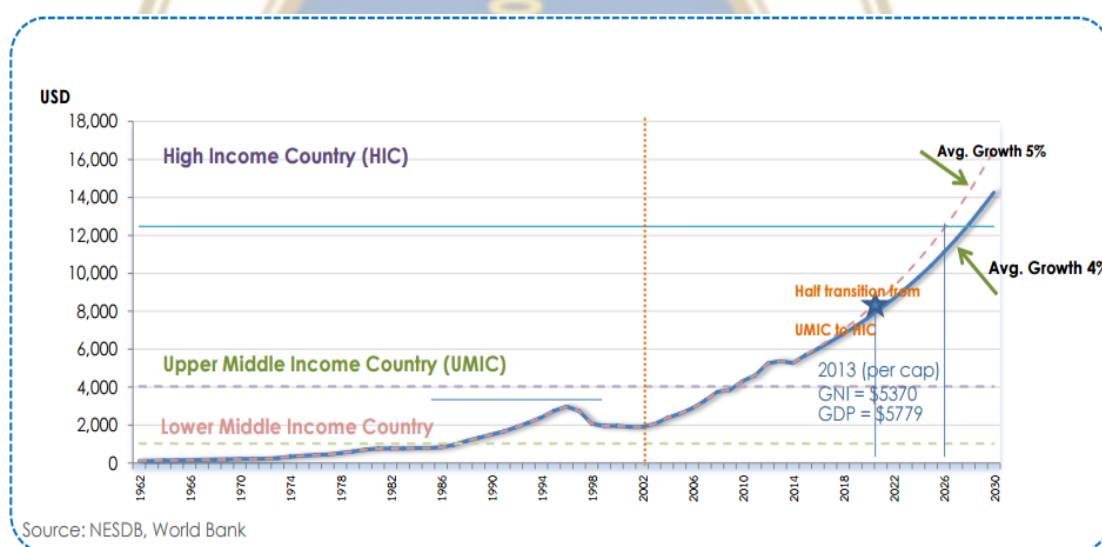
#### **1.5.1 Domestic food consumption**

In the second quarter of 2015, Food-and-Beverage price index increased by 0.4%<sup>(7)</sup>, decelerating from 1.8% in the first quarter of 2015 due to a decline in price of raw food, especially meats, eggs, and dairy products. However, due to slowdown in

household consumption, food and beverage sector experienced contraction of 0.8% in the second quarter of 2015.

### 1.5.2 Convenience food segment

With a growing middle class in Thailand comprising nearly 55%<sup>(8)</sup> of the population (Figure 1.4), demand for processed and pre-packaged food has jumped. Food processing includes products such as poultry, canned food, coffee and tea, snacks and vegetables will be gain more benefits since the lifestyle of the local society has changed, demanding for more convenience in food, and therefore, supporting growth in production of more canned and fast food, including snack foods. In response to increased demand from consumers for healthier snacks, there has been an increased focus on health and wellness snacks.



Source: NESDB, World Bank

**Figure 1.4 Thai GNI per capita (USD)**

### 1.5.3 Thailand position as “The kitchen of the world”

With an upward trajectory in Thai food exports, the government is set to transform Thailand into Asia’s largest food trade and distribution center. The Ministry of Commerce aims to export to new potential markets, particularly ASEAN, China, India, Russia and Africa, in order to avoid over-reliance on traditional markets. Similarly, the current leadership of Thailand seeks to raise the level of the country’s

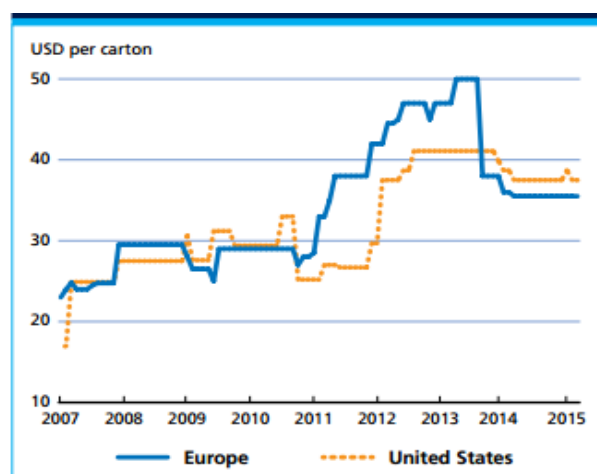
agricultural and food sectors concerning their respective productivity and global competitiveness.

For instance, the new seven-year BOI investment promotion strategy (2015-2021) contains 15 agriculture/food industry related activities. This promotion strategy mainly focuses on activities carry a CIT exemption as well as an exemption of import duty on machinery/raw materials along with other non-tax incentives. Certainly, the AEC will be an important factor for boosting the food industry in Thailand in order to increase the value of exports to 2 trillion baht<sup>(8)</sup>.

#### **1.5.4 Global demand for canned tuna**

Prices of both skipjack and yellowfin in US and Europe have declined due to limited demand from the canneries (Figure 1.5). Quantitative exports of processed tuna from Thailand were 8% lower during January-March 2015<sup>(9)</sup> compared with the same period a year ago, with the corresponding fall in value much higher at 18% due to the lower export prices.

During the first quarter of the year, canned tuna imports were lower than compared with the same period in 2014 in most of the traditional developed markets. Global demand for canned tuna remained dormant during the first quarter of 2015. Imports were lower than last year's in the large markets (the USA, the EU, Egypt, Libya and Australia) and in some emerging markets in developing countries. Compared with a year ago, canned tuna imports were lower in the major markets, upsetting export revenues in the producing countries. This situation is unlikely to change in the near future. However, for non-canned tuna, summer demand in the USA is likely to be strong for both fresh and frozen loins and steaks. Similarly, sashimi tuna consumption in Japan is likely to improve during the summer holiday months of July/August.



Source: FAO

**Figure 1.5 CFR Price Canned Tuna (USA and Europe)**

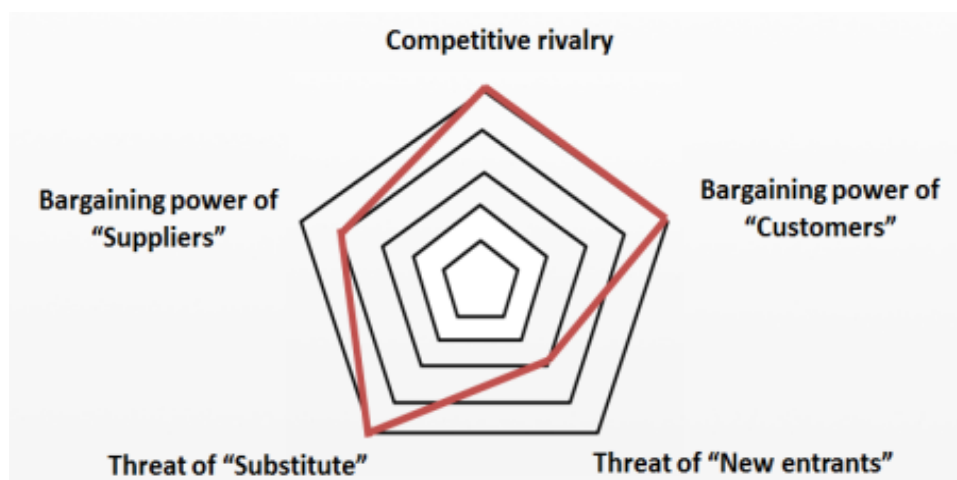
## 1.6 Competition Analysis

Premier Marketing Public Co., Ltd. is one of the leading distributors of consumer products in Thailand. Competitors of company, they mostly are existing companies for around 50 years above. They are skillful possessing remarkable experiences in marketing strategies, especially, they also have a distribution network that the whole country. For example, Berli Jucker PCL, Saha Pathanapibul PCL and Winner Group Enterprise PLC are listed company, and DKSH (Thailand) Co., Ltd. is unlisted company. All of them are not direct competitor owing to diversified production and sub-business. However, it may affect to PM's sales from their competition.

### 1.6.1 Porter five's force analysis

According to Porter Five's force model (Figure 1.6), this business needs big amount of investment and marketing expenses for advertising and sales promotion activities to gain acceptance from consumer. Thus, it is very difficult for the new player to enter into this market. Although there is low barrier to enter, high bargaining power of customer and Competitive rivalry including high threat of substitutes as main products are snack and confectionery. In addition, bargaining power of supplier range medium due to it is a general material.





**Figure 1.6 Porter's Five Force Model of PM**

Since the acquisition of consumer base and distribution channels, company still have cash van strategy to serve their customer. Moreover, they provide customer requirement from visiting every year. That is the reason why to have good relationship with the strong customer base, which is a significant part to the success of distribution and agent business. As DKSH distributes mostly premium products to either the bigger shops or big department stores, thus do not see it being a big threat to PM.

### **1.6.2 Vietnam and China not influence PM**

Regarding BJC is main competitor of PM whom always considers entering to other countries whether to reduce cost production or to gain more market share like DKSH. BJC used cost competitive on Economies of scale in production and high facility utilization rate that is their strange point. Furthermore, they are still continued to build a strong ASEAN brands in the global market place especially in Vietnam while PM has no brand for Tuna exporting. However, they has Taro is a popular product in Thailand.

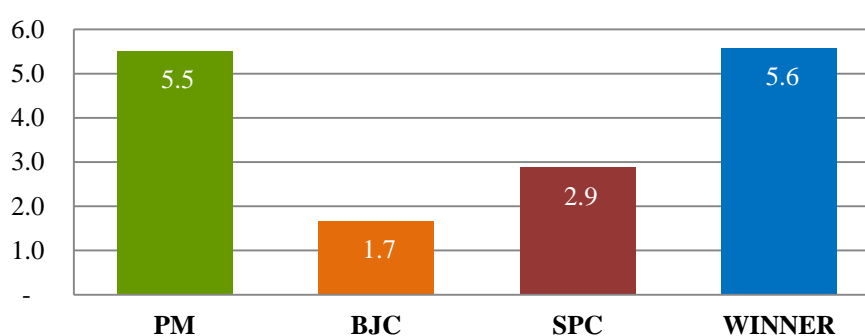
### **1.6.3 Fixed asset turnover of peer companies**

Regarding Fixed Asset turnover of each company as shown on the (Table 1.3) (Figure 1.7), BJC and SPC had lower amount of fixed asset turnover due to high of fixed asset amount. DKSH showed very high figure at 78.1 times while others were around less than 5.5 times. It may due to DKSH not located in Thailand. Then, it

showed very less amount of Non-CA. DKSH might have more warehouses than own asset. The reason why PM has a high fixed asset turnover amount because company has 3 subsidiary companies, then they can share fixed asset each other to run business. For example, land in order to produce product, same direct transportation. Thus, they could reduce its fixed asset. However, it cannot represent FA turnover well owing to unlisted company and different of sub-business and proportion. From listed company, PM is on the good ranged company to effectively generate sales from its fixed asset same as WINNER. It implies that PM still can compete with other competitors in this industry.

**Table 1.3 Peer-comparative of fixed asset turnover**

	Net sales (MB)	Fixed Asset (MB)	FA-Turnover
<b>PM</b>	4,060.3	737.0	5.5
<b>BJC</b>	43,422.5	26,177.7	1.7
<b>SPC</b>	26,444.9	9,196.9	2.9
<b>WINNER</b>	1,430.8	256.4	5.6
<b>DKSH</b>	110,893.7	1,420.4	78.1



**Figure 1.7 Peer-comparative of fixed asset turnover**

## 1.7 Investment Summary

Regarding our analysis and assumptions, I expect an upside gain of 17.6% at the target price of THB 12.00, under the DCF model. I am positive in PM position in regards to the market and economy and recommend BUY investment.

### **1.7.1 House brand will become the main sales contributors**

At present, the portion of house brand products to trading partner products is 50% to 50%. However, PM expects snacks industry could grow by 5% in this year and 'Taro' is the main product expected to grow above 7%. Therefore, in the long-term, PM plans to focus more on their house brand products instead of distributing products from trading partners.

### **1.7.2 Allocate budget for new products introduction**

PM plans to invest at least THB 80 million in manufacturing factory and machinery upgrading to support an increasing in production. This year, the company will introduce more 30 new products and products with new flavors to the market same as the previous year.

### **1.7.3 Expansion to social enterprise business**

On 10 April 2015, Premier Marketing Public Company Limited has arranged for registration for setting up of a Subsidiary Company, PM SE Co., Ltd. With registered capital and paid-up capital of THB 50 million at par value of THB 10. This company will then do business of investment in social enterprise business and business of manufacturing, marketing, product development and distribution of products from social enterprise business. In the first stage, the company will invest THB 36 million or 50% of total shares in Green Net SE Co., Ltd., the producer and seller of organic coffee and other agricultural products that are eco-friendly.

### **1.7.4 Sustain profitability and attractive dividend yield**

PM's high margins result in high earnings per share. In spite of economic slowdown and political instabilities, the company was still able to grow and maintain the constant margins. Moreover, the company has highly attractive dividend policy that pays out at least 50% to its shareholders. The recent dividend yield in 2014 was 5.56%.

## 1.8 Valuation

I believe that Discounted Cash Flow model is the most appropriate approach for evaluating PM since it is able to demonstrate company growth potential and ability to generate future cash flows under the current economy and industry situation.

Since the business nature of PM is related to consumer products distribution, mainly of food, the business growth normally follows the economic and industry growth. Since the revenues structure of the company are mainly from distribution, and tuna and seafood export, company growth would be derived from two drivers. The distribution growth follows the projected Thailand economic growth of 2.7% and then 3.7% in upcoming 5 years, and then it will grow perpetually at 5.1% regarding the GDP growth projection and the target inflation rate by BOT. While the canned food export will follow the projection of per capita fish food consumption of the world by FAO of 0.5% perpetually. The target price is THB 12.00 (Table 1.4).

**Table 1.4 Discounted Cash Flow model – FCFF (Thousands Baht)**

(Unit: Thousands Baht)	E2015	E2016	E2017	E2018	E2019
EBIT	526,815	539,988	553,751	568,120	583,111
Tax on EBIT	(105,363)	(107,998)	(110,750)	(113,624)	(116,622)
NOPAT	632,178	647,985	664,501	681,744	699,733
Depreciation	25,697	29,103	32,512	35,931	39,367
CAPEX	(94,043)	(97,522)	(101,131)	(104,873)	(108,753)
ΔNWC	55,040	(11,329)	(11,735)	(12,155)	(12,592)
<b>FCFF</b>	<b>618,873</b>	<b>568,237</b>	<b>584,148</b>	<b>600,647</b>	<b>617,756</b>
<b>Terminal value</b>					<b>9,164,541</b>
<b>Total FCFF</b>	<b>618,873</b>	<b>568,237</b>	<b>584,148</b>	<b>600,647</b>	<b>9,782,297</b>

Enterprise value	7,299,263.99
Add: Cash and ST Investment	575,882.49
<b>Firm value</b>	<b>7,875,146.48</b>
Less: Debt value	697,346.26
<b>Equity value</b>	<b>7,177,800.22</b>
Share outstanding	598,245.00
<b>Target Price</b>	<b>12.00</b>

### 1.8.1 DCF model assumptions

The primary elements of our FCF model are (1) 5-year forecasted cash flow, (2) terminal value, (3) capital expenditure, and (4) weighted average cost of capital.

#### 1.8.1.1 5-year forecasted cash flow

- *Gradually increasing revenue*

Due to economic support from government investment spending, domestic consumption is expected to be boosted in this upcoming 5-year. The marketing strategy of more new product launch together with continuing finding the new trading partners also contribute to revenue from sales. In addition, the setting up of new subsidiaries of doing business related with social enterprise will increase the company competitive potential.

- *Maintain same gross margins*

Trend and past analysis shows stable gross profit margin and net profit margin. I am confident that the company will follow their current cost and pricing strategies and manage their products price regarding the changing in economic situation. Thus, company will be able to maintain the same margins.

- *Stable SG&A expenses growth*

The historical SG&A expenses, as percentage of sales remain constant although the company invests in new products every year to stimulate sales. PM does not have any plan to invest in mega project, any additional labours acquire, or layoff in the recent upcoming year, but only new products launch similar to the prior. Hence, I expect SG&A still to move along with forecasted sales.

#### 1.8.1.2 Terminal growth rate at 5.1%

As I know that PM sales mainly move along with the economy and industry, I estimate the enterprise value by using GDP and world fish consumption. Bank of Thailand foresees GDP in next 10 years at 3%. FAO also foresees fish food consumption during 2014 to 2023 at 0.05%. Therefore, I believe that weighted average of those two growth factors by current revenue structure can represent long-run PM's operational performance. However, the result of 2.6% from the growth rate weighting can represent only the growth of quantities. To reflect both quantities and price change regarding the economic and industry circumstances, I add

the target inflation rate by BOT of 2.5% into that weighted growth rate. Finally, I believe that the company will be grows at 5.1% in the long-term.

#### 1.8.1.3 Constant increase in capital expenditure, CAPEX

In 2015, PM plans to invest in factory and machinery upgrade to support new products launch, which is same strategy as the previous year. I expect that CAPEX in 2015 will not different from 2014, and this product investment will grow parallel with sales in following year, so I assume the constant CAPEX growth as the same rate of sales growth.

#### 1.8.1.4 Weighted average cost of capital, WACC

For the cost of equity (Table 1.5), CAPM model is applied. I assume risk-free rate from 10-year government bond yield at 2.71% (as of November 10, 2015). Market risk premium is yielded from the different between annualized SET total return index and 10-year government bond yield of each year for 5 year period which is 11.4%. Finally, beta of 0.83 is calculated by weighting average 3-year beta by value trade per day of each year since the stocks were traded significantly in different amount each year since I do not believe that the current beta of 0.30 can reflect the real market risk of the company's shares (Table 1.6).

**Table 1.5 Cost of equity**

<b>Cost of Equity</b>	<b>12.19%</b>
Risk-free rate	2.71%
Market risk premium	11.4%
Beta	0.83

**Table 1.6 Averaged stock beta**

	YTD 9-Nov-15	2014 30-Dec-14	2013 27-Dec-13	Overall
<b>Beta</b>	0.35	0.51	0.99	1.11
<b>Value trade / day (MB)</b>	6.24	7.21	34	47.45
% Trading	13.2%	15.2%	71.7%	100.0%
<b>Average Beta</b>	<b>0.83</b>			

*Source: Stock Exchange of Thailand*

Consequently, I come across cost of equity at 12.19%, along with 11.875% cost of debt from corporate loan rate (MRR+4%) and 20% tax rate. Since PM has very low debt financing, the debt and equity weight are 0.01% and 99.99% respectively, and WACC is 12.19% (Table 1.7).

**Table 1.7 Weighted average cost of capital**

<b>Cost of Capital</b>	<b>12.19%</b>
Cost of Debt	11.875%
Cost of Equity	12.19%
Debt Weight	0.01%
Equity Weight	99.99%
<b>WACC</b>	<b>12.19%</b>

### **1.8.2 DCF model conclusion**

Over the past 3 years, SET index was much volatile mainly influenced by the political uncertainty, panics, and investor confidence. P/E and P/BV must really be affected by this stock market uncertainty and may not reflect the real value of the firm regarding the operating results. Having a gradual sales and net income growth together with a stable management, I believe that DCF model is the most appropriate valuation approach for PM. Therefore, I issue a call to buy with target price at THB 12.00; a 17.6% upside gain from the quote of THB 10.20, as at 1 December, 2015.

## **1.9 Financial Statement Analysis**

### **1.9.1 Financial statement summary (Size analysis)**

#### **1.9.1.1 Income statement**

Generally, the income statement slowly grows together with slowdown economic. The instabilities of political cause a slower pace of Thai economic. Local consumption has also shown a low consumer confidence index for couple of years. In 2014, PM sales slowly grew 1.5% to THB 4,060.31 million, and gross profit grew only 0.3% to THB 1,132.13 million. With an efficient expenses

management, SG&A declined by 2.2%. At the bottom line, net profit increased by 2.0% to THB 428.37 million. However, dividend payout policy is at least 50% of the net income.

#### 1.9.1.2 Balance sheet statement

PM has been managing under conservative territory. In 2014, PM's total assets were comprised of 68% in current assets and 32% in non-current assets. Current assets increased by 2.3% to THB 1,567.93 million mainly due to an increasing in inventory. Due to increasing in sales, inventory increased by 28.6% to THB 283.84 million, and account receivable however decreased by 2.7% from more efficient of payment collection. The company also had 17.2% increasing in property, plant, and equipment to THB 515.69 million mainly from warehouse investing and machine upgrading to support product line extension. Overall, total assets grew by 3.7% to 2,304.65 million.

Total liabilities were comprised of 82% in current liabilities and 18% in non-current liabilities. Current liabilities decreased by 2.7% to THB 574.63 million mainly due to a decreasing in account payable by 2.3% to THB 525.09 million. PM had no longer short-term debt obligation in 2014 but only long-term debt with the financial institution and leasing which decreased by 36% to only THB 0.60 million. In addition, the company has no plan to finance more debt. Overall, total liabilities decreased by 1.6% to THB 697.35 million.

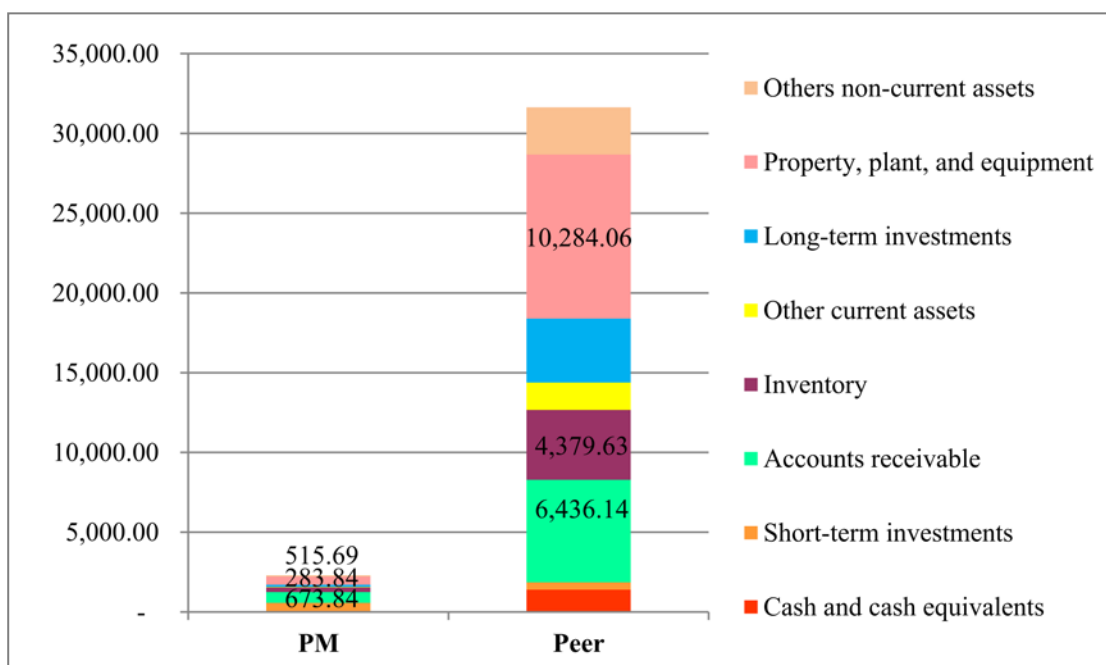
Unappropriated retain earnings proportion increased by 19.1% THB 905.12 million consistent with profit result and also be the majority part of shareholders equity. Consequently, total shareholders' equity increased by 6.2% to THB 1,607.30 million.

#### 1.9.2 Common size analysis

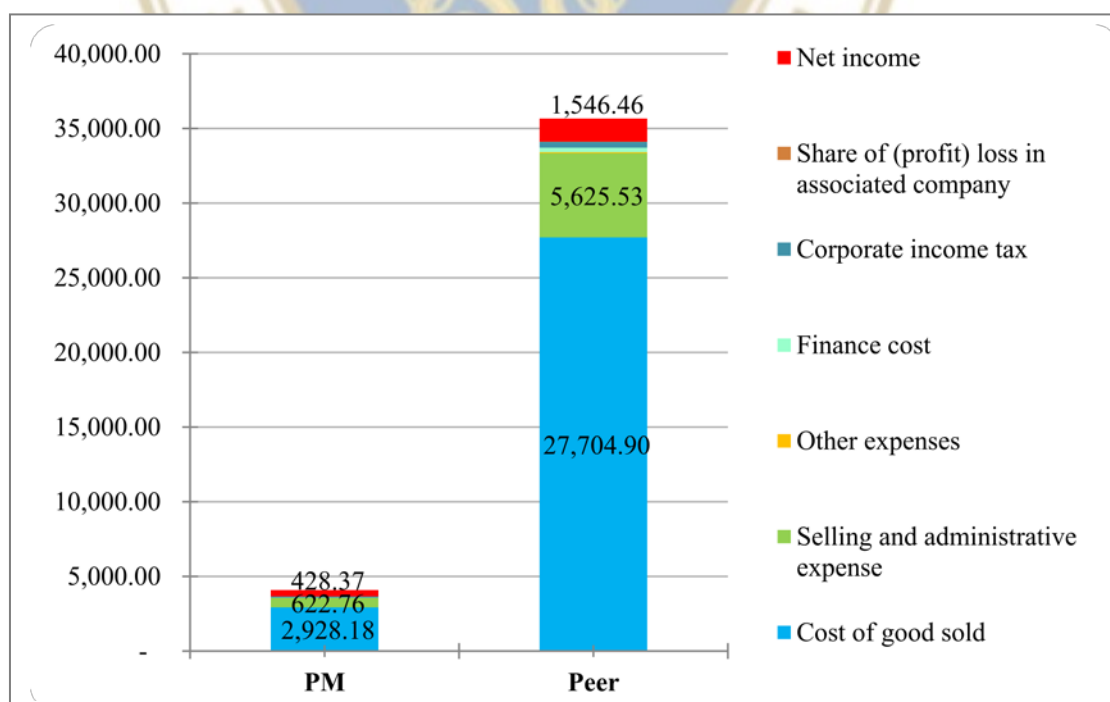
Although the management of PM said that one of the main competitors is BJC, I found that PM and BJC company size are too different to make a comparison. Therefore, I believe that using BJC and SPC as the peer companies to compare with PM is better solution since both of them are also consumer products distributor and have highly revenues from sales correlation with PM. Although PM's assets size and



total revenues generating still differ from the peer companies (Figure 1.8 and 1.9), common size analysis could better illustrate the companies' size comparison.



**Figure 1.8 PM and peer companies' 2014 total assets (millions baht)**



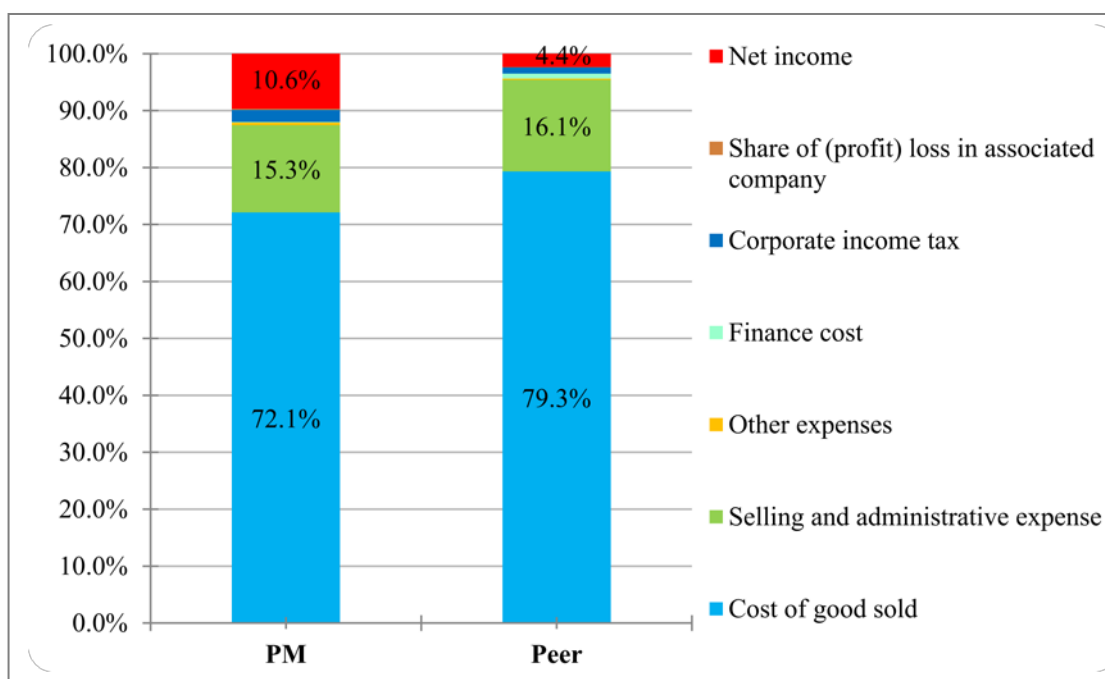
**Figure 1.9 PM and peer companies' 2014 total revenues (millions baht)**

### 1.9.2.1 Income statement

In 2014, total revenues from sales of PM and peer companies are THB 4,060.31 million and 34,933.70 million respectively. Overall, PM and peer companies have not much different in their cost and expenses management. However, I found that PM is better at cost and expenses management than its peers. Given all expenses over its sales, PM costs of goods sold is 72.1% of sales compared to 79.3% at peers. Total operating expenses of PM is 87.5% of sales compared to 95.4% at peers. Consequently, PM gross profit and net profit are 27.9% and 10.6% of sales respectively compared to 20.7% and 4.4% at BJC (Table 1.8) (Figure 1.10).

**Table 1.8 PM and peer companies' 2014 income statement common size analysis**

<i>Income statement for the year end Dec 31, 2014</i>	<b>PM</b> <i>(Unit: MB)</i>	<b>PM</b>	<b>Peer</b> <i>(Unit: MB)</i>	<b>Peer</b>
Total revenues from sales	4,060.31	100.0%	34,933.70	100.0%
Other income	35.50	0.9%	685.59	2.0%
<b>Total revenues</b>	<b>4,095.81</b>	<b>100.9%</b>	<b>35,619.29</b>	<b>102.0%</b>
Cost of goods sold	2,928.18	72.1%	27,704.90	79.3%
Selling and administrative expense	622.76	15.3%	5,625.53	16.1%
<b>Total operating expense</b>	<b>3,550.94</b>	<b>87.5%</b>	<b>33,330.43</b>	<b>95.4%</b>
Other expenses	18.44	0.5%	37.43	0.1%
Finance cost	4.64	0.1%	308.21	0.9%
Corporate income tax	84.73	2.1%	386.36	1.1%
<b>Total expenses</b>	<b>3,658.74</b>	<b>90.1%</b>	<b>34,062.43</b>	<b>97.5%</b>
Share of profit (loss) in associated company	(8.70)	0.2%	19.32	0.1%
Gross profit	1,132.13	27.9%	7,228.80	20.7%
EBIT	517.74	12.8%	2,241.04	6.4%
EBT	513.10	12.6%	1,169.04	3.3%
<b>Net income</b>	<b>428.37</b>	<b>10.6%</b>	<b>1,546.46</b>	<b>4.4%</b>



**Figure 1.10 PM and peer companies' 2014 income statement common size analysis**

#### 1.9.2.2 Balance sheet statement

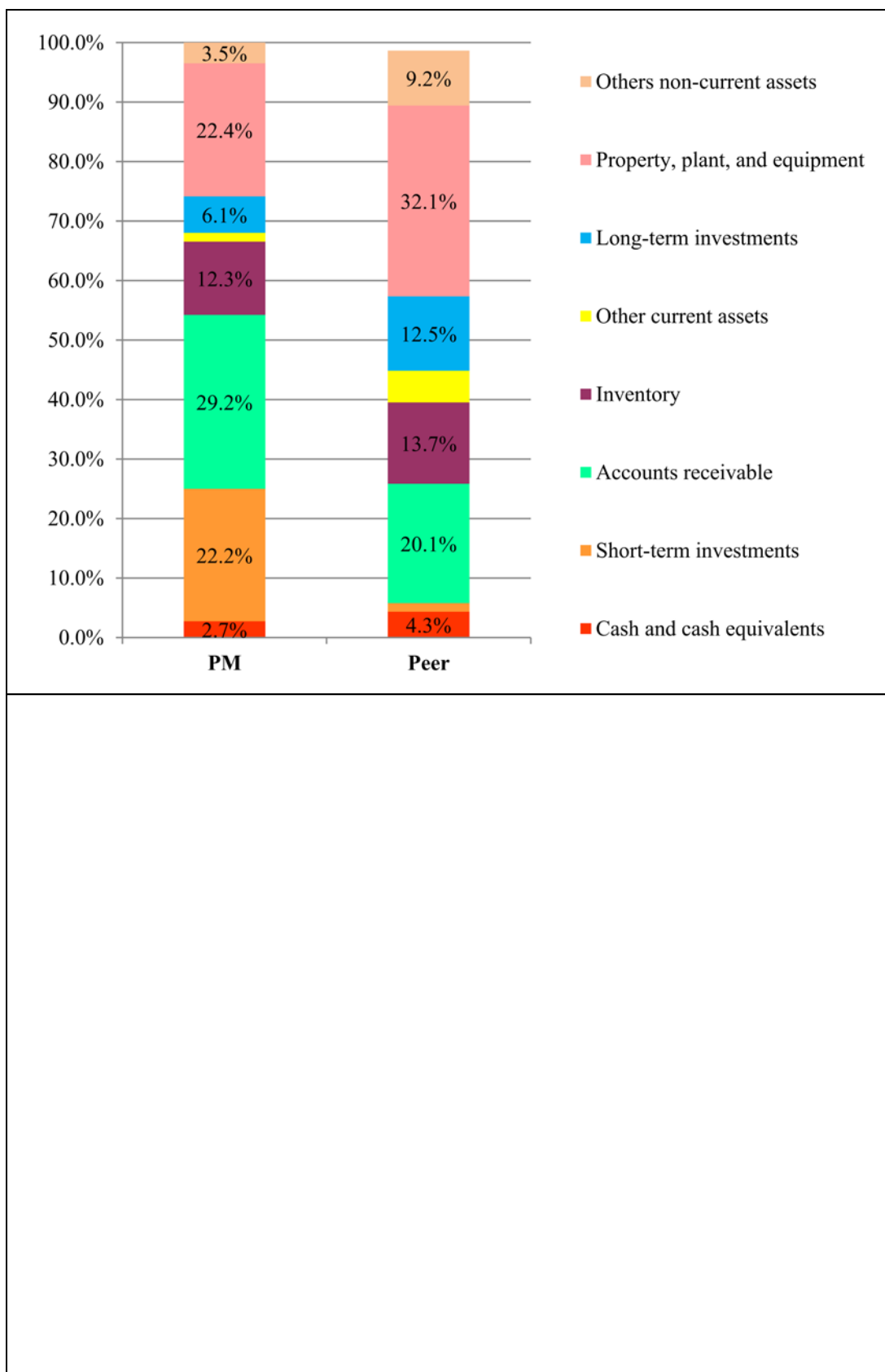
At the end of 2014, total assets of PM and peers are THB 2,304.65 million and THB 32,067.93 respectively. Since the main business activity of PM is consumer product distribution, the company is more intensively invest in current assets, which are accounted for 68.0% of total assets while peer companies have 44.8%. The major part of PM assets is account receivable 29.2% of total assets.

However, peer companies invest more in property, plant, and equipment than PM with portion of 32.1% of total assets while PM has 22.4%. On the right side of balance sheet, total liabilities and shareholder's equity, I found that PM is more conservative than it peers. Total liabilities of PM are 30.3% of total assets compared with 53.6% at peer companies. Account payable take the biggest part in total liabilities of PM with 22.8% of total assets while its peers have 14.5%. For the long-term debt, peer companies have 10.6% of total assets while PM is willing to carry only 0.03%. However, please be noted that long-term debt is hundred percent from BJC because SPC also manage conservative capital structure and does not have any long-term debt obligation. Nevertheless, paid-up share capital and total shareholders'

equity of PM are 26.0% and 69.7% of total assets respectively compared with only 3.0% in paid-up capital and equity of 46.4% at its peers (Table 1.9) (Figure 1.11).

**Table 1.9 PM and peer companies' 2014 balance sheet common size analysis**

<i>Statement of financial position at Dec 31, 2014</i>	<b>PM</b> <i>(Unit: MB)</i>	<b>PM</b>	<b>Peer</b> <i>(Unit: MB)</i>	<b>Peer</b>
<b>Assets</b>				
Cash and cash equivalents	63.12	2.7%	1,392.42	4.3%
Short-term investments	512.76	22.2%	461.84	1.4%
Accounts receivable	673.84	29.2%	6,436.14	20.1%
Inventory	283.84	12.3%	4,379.63	13.7%
Other current assets	34.36	1.5%	1,710.57	5.3%
<b>Total current assets</b>	<b>1,567.93</b>	<b>68.0%</b>	<b>14,380.60</b>	<b>44.8%</b>
Investment in associated companies	0.00	0.0%	429.73	1.3%
Long-term investments	141.02	6.1%	4,012.27	12.5%
Property, plant, and equipment	515.69	22.4%	10,284.06	32.1%
Others non-current assets	80.01	3.5%	2,961.27	9.2%
<b>Total non-current assets</b>	<b>736.72</b>	<b>32.0%</b>	<b>17,687.33</b>	<b>55.2%</b>
<b>Total assets</b>	<b>2,304.65</b>	<b>100.0%</b>	<b>32,067.93</b>	<b>100.0%</b>
<b>Liabilities and Shareholders' Equity</b>				
Short-term loans	0.00	0.0%	2,973.10	9.3%
Accounts payable	525.09	22.8%	4,636.60	14.5%
Other current liabilities	49.54	2.1%	5,052.72	15.8%
<b>Total current liabilities</b>	<b>574.63</b>	<b>24.9%</b>	<b>12,662.42</b>	<b>39.5%</b>
Long-term debt	0.60	0.03%	3,387.33	10.6%
Other non-current liabilities	122.12	5.3%	1,129.22	3.5%
<b>Total non-current liabilities</b>	<b>122.72</b>	<b>5.3%</b>	<b>4,516.55</b>	<b>14.1%</b>
<b>Total liabilities</b>	<b>697.35</b>	<b>30.3%</b>	<b>17,178.97</b>	<b>53.6%</b>
Paid-up share capital	598.25	26.0%	959.99	3.0%
Premium on share capital	0.00	0.0%	2,795.36	8.7%
Retained earnings	967.30	42.0%	8,364.86	26.1%
Other components of equity	41.76	1.8%	2,768.74	8.6%
<b>Total shareholders' equity</b>	<b>1,607.30</b>	<b>69.7%</b>	<b>14,888.96</b>	<b>46.4%</b>
<b>Total liabilities and shareholder's equity</b>	<b>2,304.65</b>	<b>100.0%</b>	<b>32,067.93</b>	<b>100.0%</b>



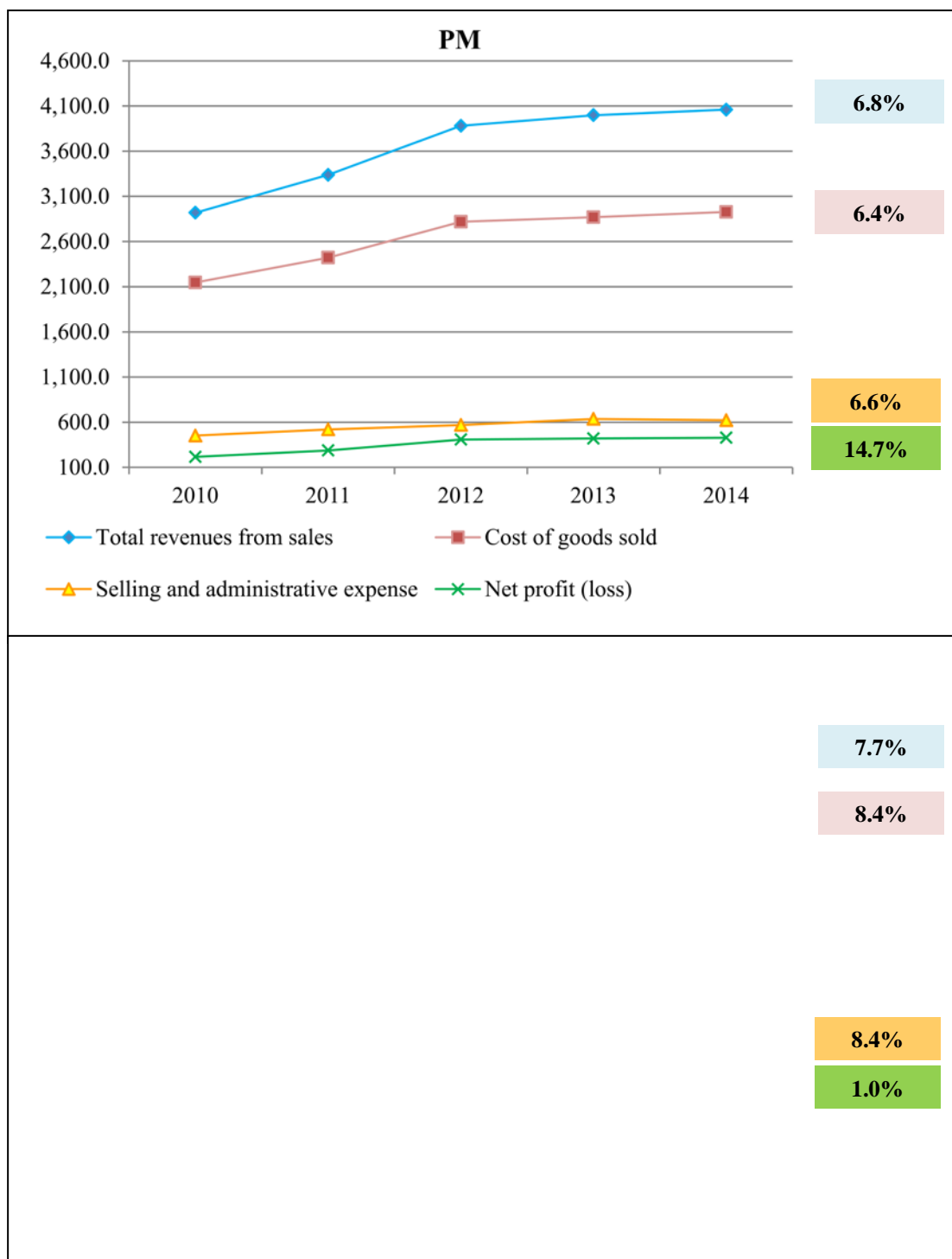
**Figure 1.11 PM and peer companies' 2014 balance sheet common size analysis**

### 1.9.3 Trend analysis

#### 1.9.3.1 Income statement

Overall, revenues from sales of both PM and its peers have obviously increased over the past five years. At PM, the CAGR of revenues from sales is approximately 6.8%. Before 2013, the company sales grew aggressively because the increase in consumer confidence in the economy after the major flooding and rise in household consumption expenditures from the increase in minimum wage. Additionally, the company also introduced of new products from various trade partners in an increased effort to best maintain competitiveness. However, after 2012, revenues from sales were slowdown due to deceleration in purchasing orders from the Japanese importers resulting from the substantial increase in the costs according to the policy of currency devaluation in Yen. The domestic distribution business has confronted the decrease of households' purchasing power resulting from the weak circular flow and the changing political atmosphere, which caused consumer uncertainty. Cost of goods sold and selling and administrative expenses have increased consistently with an increasing in sales with CAGR at 6.4% and 6.6% respectively. An increasing in selling and administrative expenses was mainly from the warehouse and factory expansion, and machine upgrading. Consequently, net profit has grown with CAGR at 14.7% over the past five years.

For the peer companies, revenues from sales over the past five years were increased at higher CAGR rate than PM at 7.7%. Cost of goods sold, and selling and administrative expenses also increased in the same direction of increasing in sales with CAGR at of 8.4%. Before 2013, peer companies had steep upward trend of revenues from sales same as PM. However, in 2014, the peer companies incurred a decreasing in net profit because one of them, BJC, suffered from the economic slowdown and higher raw material cost affecting to lower net profit. Consequently, the CAGR of net profit over the past five years of peer companies was only 1.1% (Figure 1.12).



**Figure 1.12 PM and peer companies 5-year income statement trend analysis (millions baht)**

### 1.9.3.2 Balance sheet

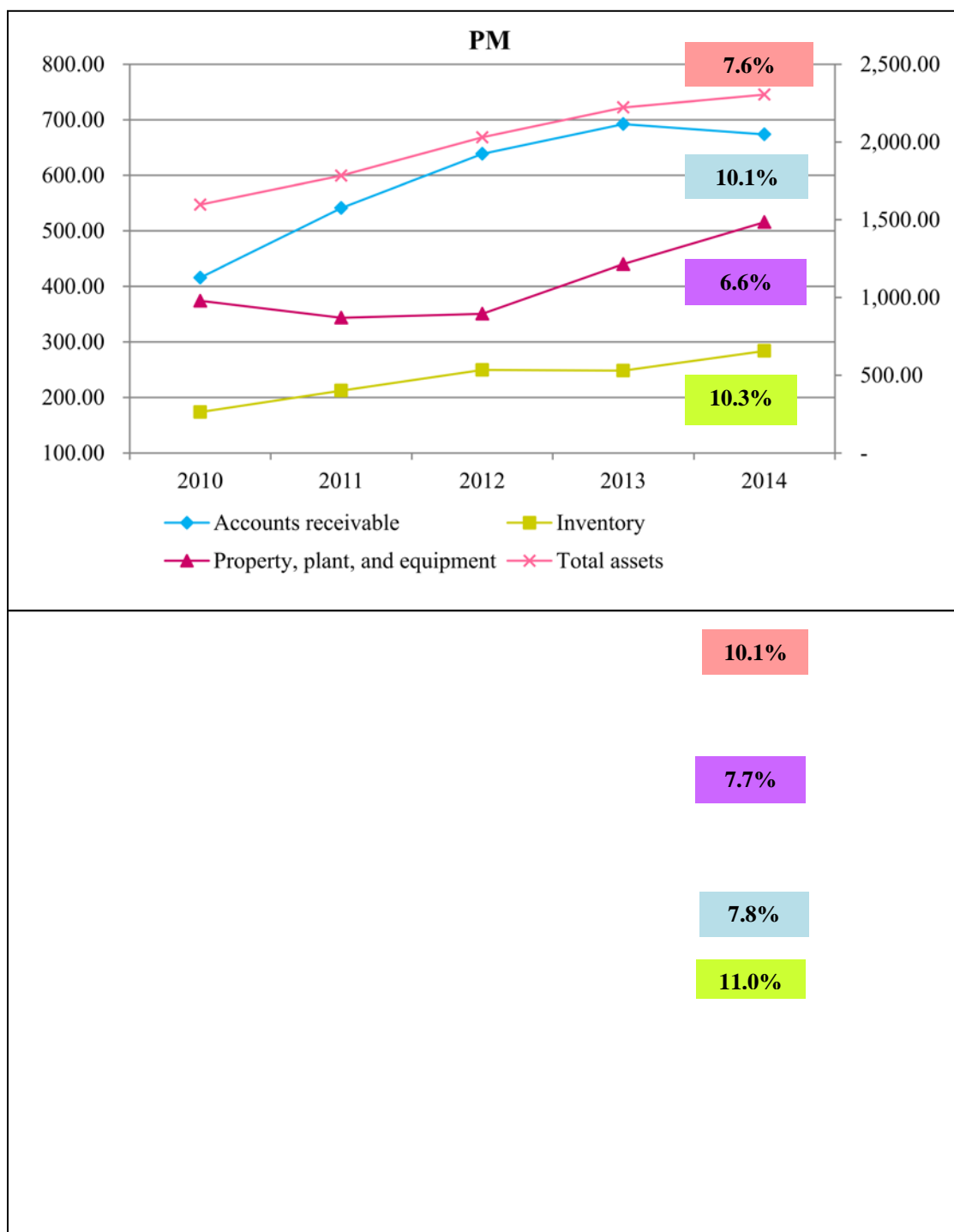
Since the revenues from sales of PM have gradually grown over the past five years, their inventories and account receivable also increased at CAGR of 10.1% and 10.3% respectively. An increasing in inventories was caused by new products launching and product line extension which resulted in higher of raw materials, work-in-process, and also finished goods. Property, plant, and equipment of PM increased at CAGR of 6.6% due to an investing in warehouse, factory, and machine over the past three years. Overall, total assets of PM increased at CAGR of 7.6% over the past five years. While its peer companies' account receivable and inventories also grew consistently with its growing sales at CAGR of 7.8% and 11.0% respectively. Additionally, its peers were more aggressive investing in property, plant, and equipment with CAGR of 7.7%. At BJC, the company and its subsidiaries mainly invested in capital expenditure in packaging and consumer supply chain while SPC mainly invested in equipment, machines, and vehicles (Figure 1.13).

On the liabilities and shareholders' equity side, CAGR of total liabilities of PM was 6.3%, which mainly result of increasing in account payable at COGS of 9.5% and post employee benefit obligations at COGS of 5.0%. However, long-term debt was decreased at CAGR of 53.4% since the company kept repaying the existing loan with financial institution and still doesn't have more debt financing plan. Total shareholder's equity was significantly increased at CAGR of 8.2% mainly resulting from an increasing in retained earnings although on 23 August 2010, board of directors had approved a program to repurchase shares which then decreased paid-up share capital from THB 650 million to THB 598.25 million. However, these treasury stocks were already recognized to unappropriated retained earnings by THB 130 million over the past five years, and the repurchasing shares program was already completed on 22 May 2014.

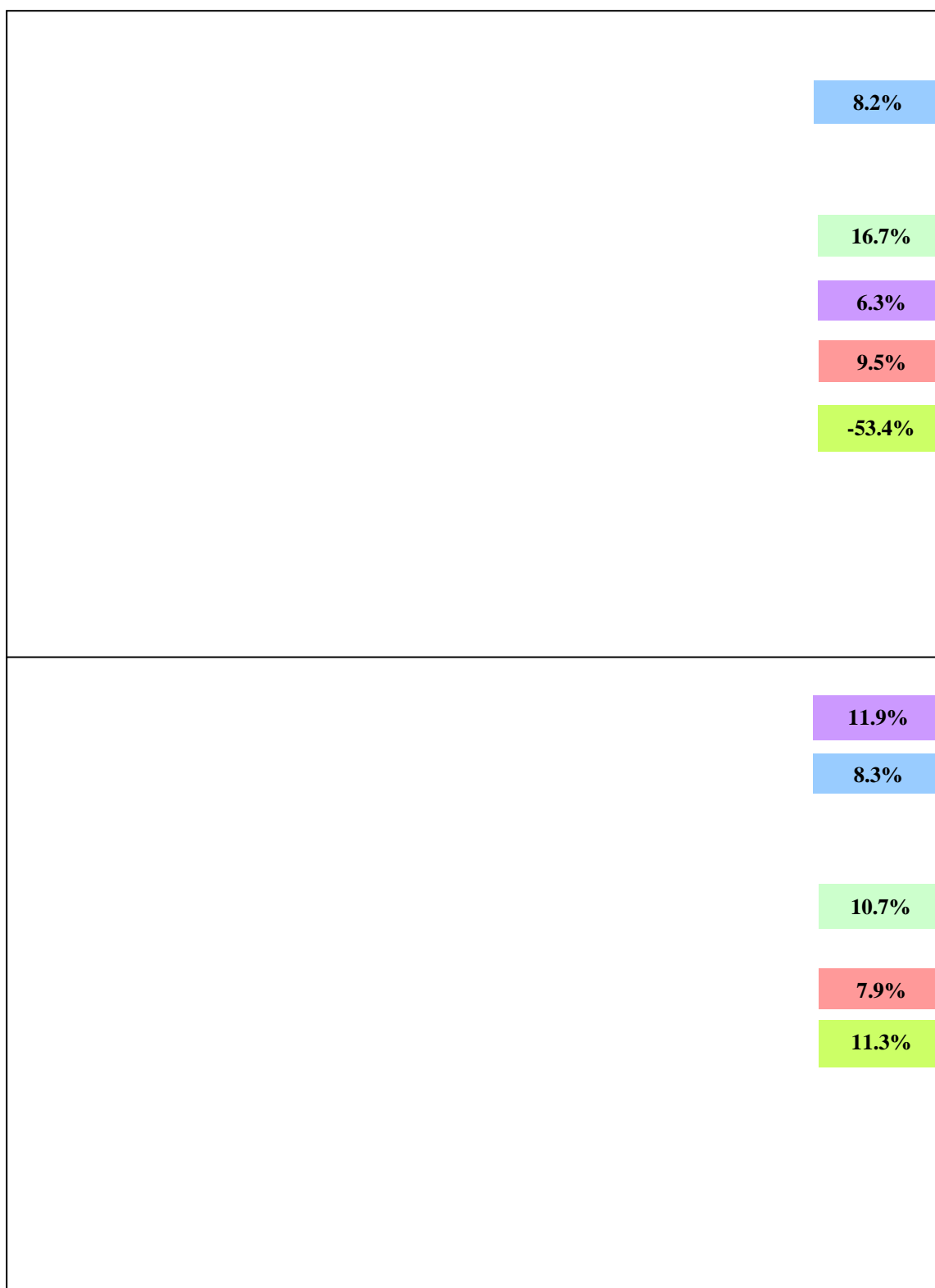
For its peer companies, the companies maintain higher portion of liabilities to equity over the past five years. However, I found that SPC also maintains portion of liabilities lower than equity same as PM but not for BJC. Total liabilities grew aggressively at CAGR of 11.9% due to an increasing in loan from financial institutions to support an investment in supply chain at BJC, and increasing in account payable at SPC. Total long-term liabilities grew at CAGR of 11.3%,



however, in 2014 total long-term liabilities was dropped due to a matured of debenture issued on July 2010 amount of THB 1,900 million at BJC together with no longer long-term loans obligation at SPC. Nevertheless, total shareholders' equity increased at CAGR of 8.3% resulting of increasing in retained earnings (Figure 1.14).



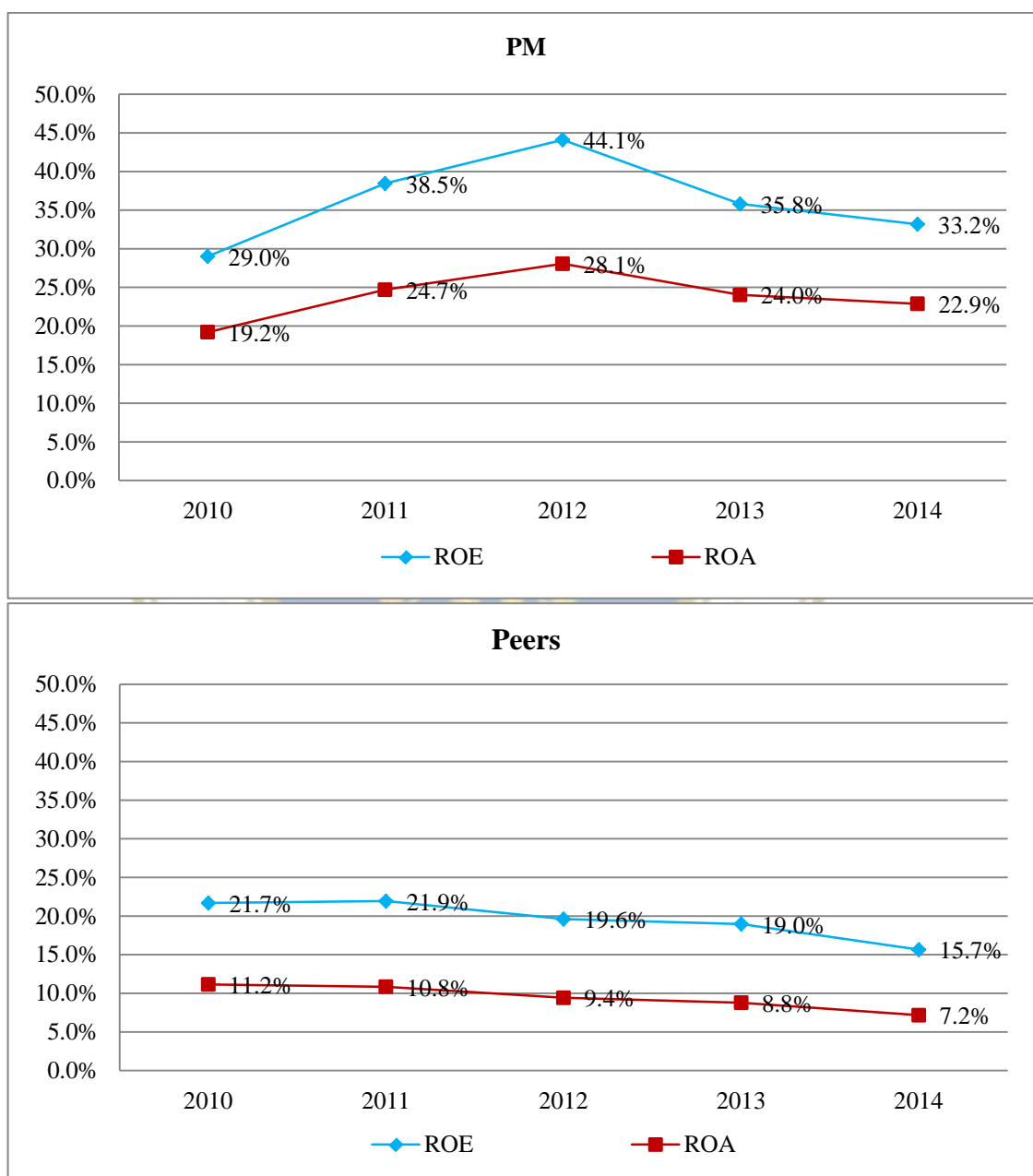
**Figure 1.13 PM and peer companies 5-year assets trend analysis (millions baht)**



**Figure 1.14 PM and peer companies 5-year liabilities and equity trend analysis (millions baht)**

### 1.9.4 Financial ratios - return analysis

According to financial ratio in terms of return, I would like to concern in profitability of ROA and ROE (Figure 1.15) and return from each profitability margin (Figure 1.16) by comparing between PM and peer companies who are BJC and SPC as our competitors during the past 5 years from 2010 to 2014.



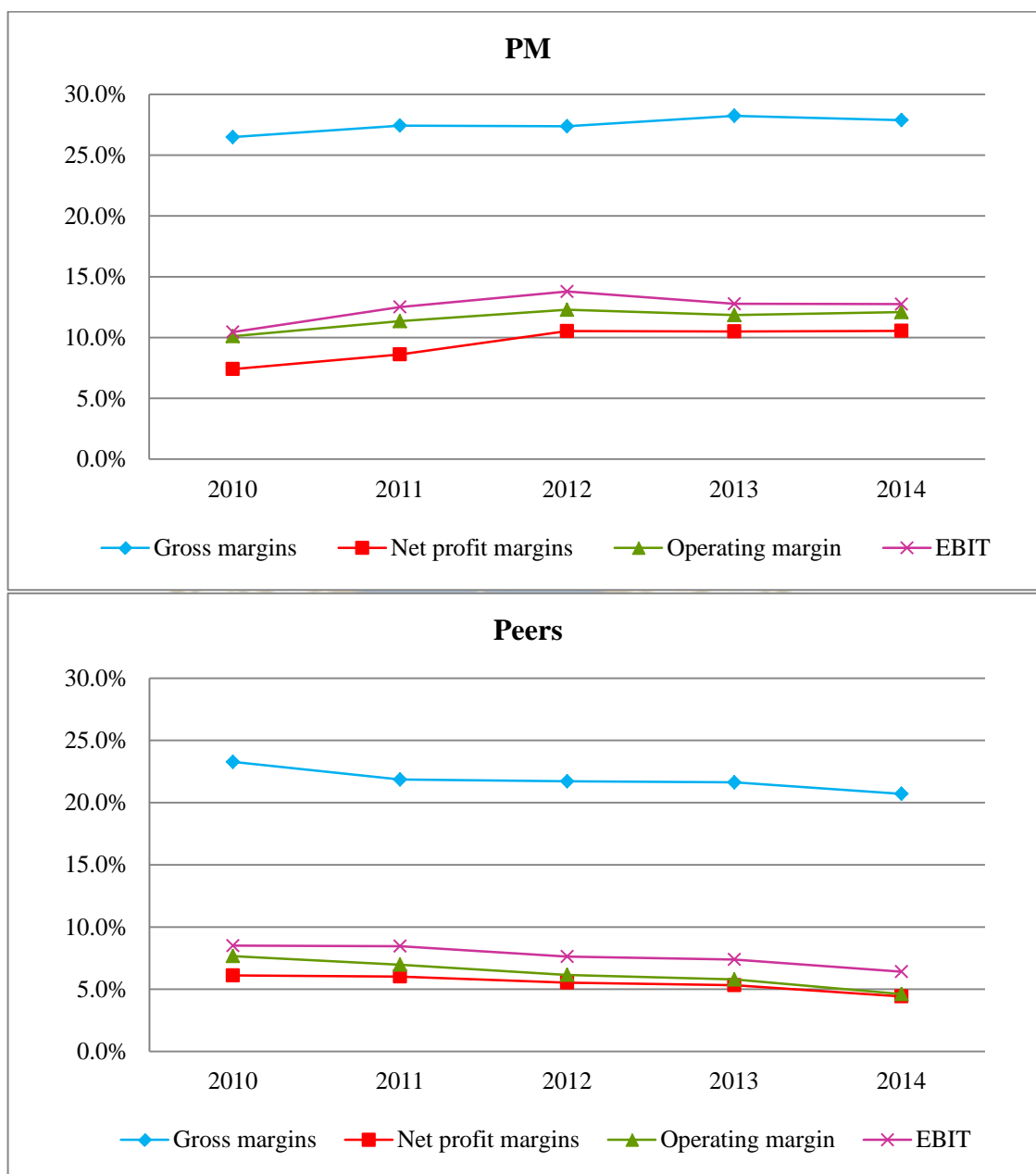
**Figure 1.15 Profitability ratios - Return on Equity (ROE) and Return on Assets (ROA)**

According to Figure 1.15, Return on Equity of PM was significantly higher than Peers about 16.54% as ROE of PM was at 33.2% in 2014 due to dramatically increase in Earnings before Interest and Taxes (EBIT) of PM. However, EBIT of BJC was dropped but total equity was being gone up. When SPC's EBIT slightly increased, equity had dramatically increased. Thus, average ROE of PM and Peers were 36.11% and 19.57%, respectively.

Return on Asset of PM was also higher than average BJC and SPC for the past 5 years which moving in the same direction as ROE. Because PM is able to control using their assets and continue stable increased in their net profit. But BJC's average total asset still slightly increased even if their EBIT was decreased from 3,756.3 MB in 2013 to 2,948.7 MB in 2014. For SCP, EBIT has slightly increased but average total assets had dramatically increased. Thus, average ROA of PM was 23.77% whereas ROA of Peers was 9.47% (Figure 1.15). It implies that PM has ability to manage its operating asset better than BJC and SPC as peer companies.

In terms of profitability, margins consist of Gross profit margin, Operating margin, EBIT margin and Net profit margin between PM and Peers companies within 5 years since 2010. It illustrates that PM is able to manage their profitability margins well because it was stable trend. PM can maintain consistently in gross profit margin around 26.5%-28.2% from year 2010 to 2014. On the other hand, gross profit of peers was a downtrend that ranged around 20.7%-23.3% due to their sales was a bit increase while COGS was remained at high cost. Averaged gross profit margin of PM and peers were 27.5% and 21.8%, respectively (Figure 1.16).

Regarding the three more lines graph which moving in the same direction as gross profit margins, obviously, PM can also manage well in SG&A expenses. In terms of Operating margin and EBIT margin, it showed an uptrend of PM that higher than 12% but downtrend of peers to around 7.7%. Because PM has no additional other expenses after year 2012 which it showed 41 MB in 2010. Especially, averaged net profit margin showed 9.5% of PM and 6.7% of BJC. And also, in year 2014, net profit of PM still higher than peers about 4% which peers was about 5.5% owing to PM is conservative company, they tries to reduce its debt (Figure 1.16). Thus, it caused PM had a low burden of interest expenses. Overall, PM can manage and maintain all their expenses very well whether COGS or SG&A is better than the peer companies.



**Figure 1.16 Profitability margin of PM and peer companies during 2010 to 2014**

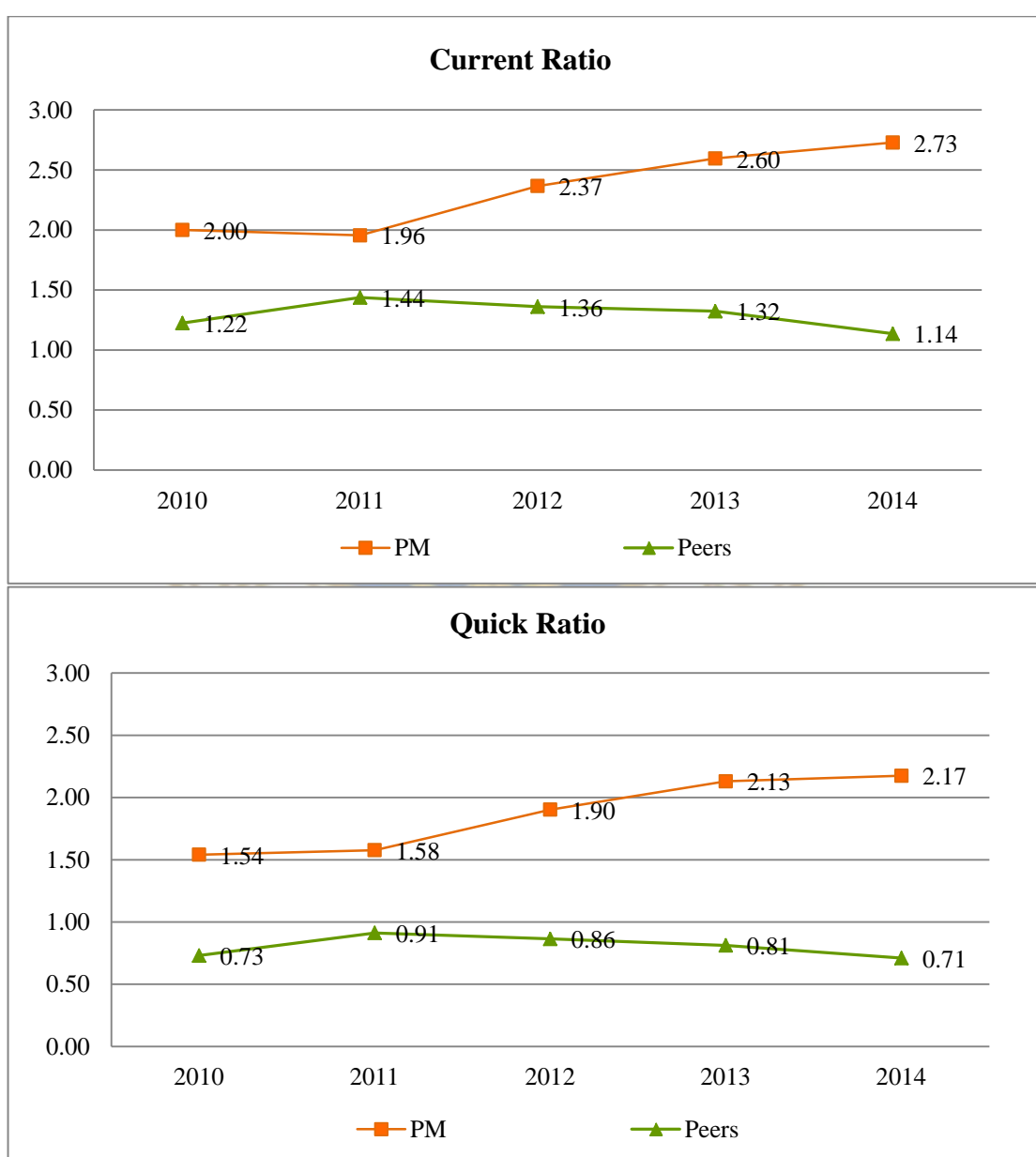
### 1.9.5 Financial ratios – risk analysis

In order to measure liquidity risk, it can use Current and Quick ratios (Figure 1.17) including Cash Conversion Cycle (Figure 1.18) by comparing PM and Peers during the past 5 years from 2010 to 2014.

#### 1.9.5.1 Liquidity risk

Within 5-year in operating activity, both Current ratio and Quick ratio are moving relating to each other. As describing from graph above, PM

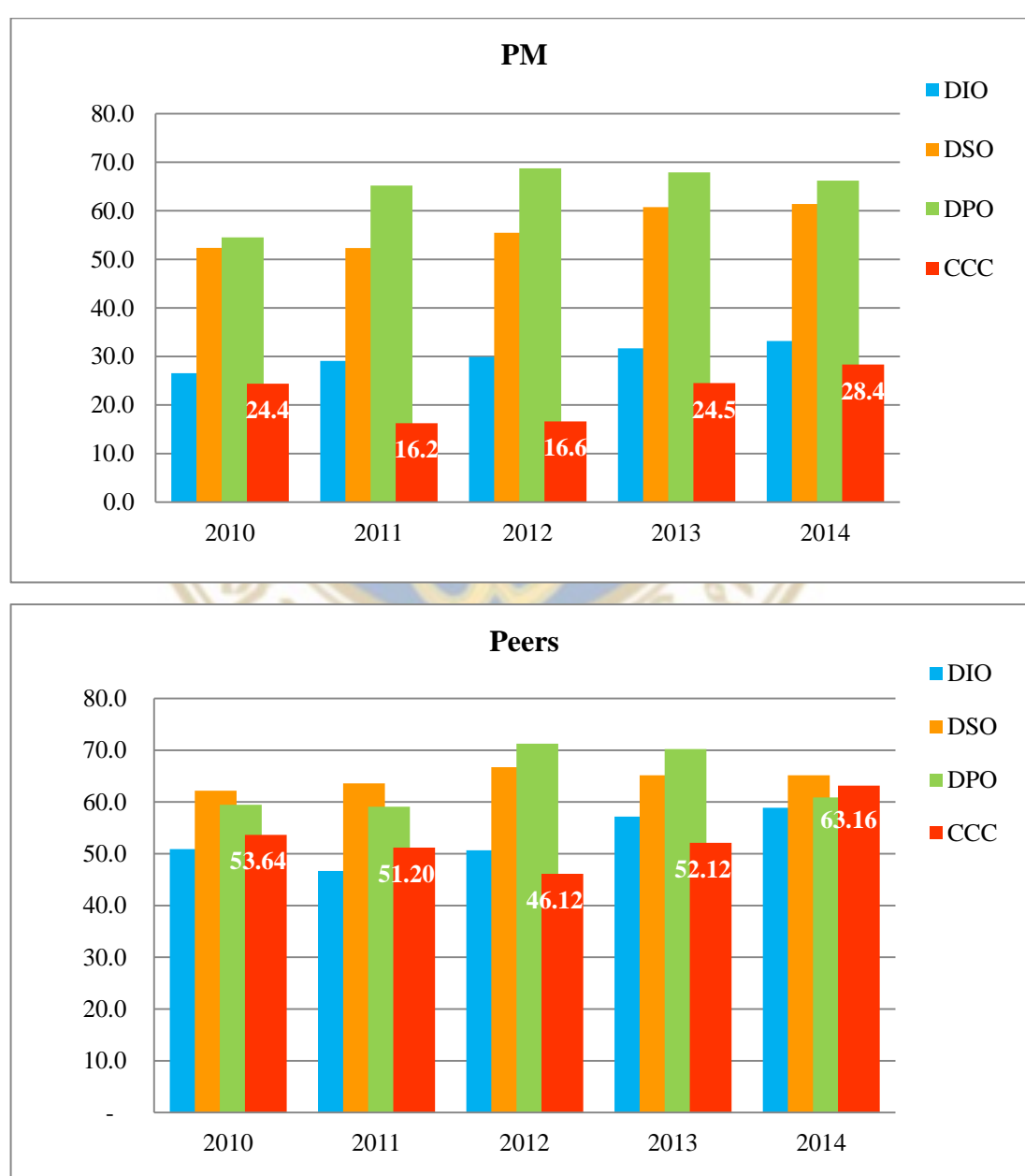
has better in number of both ratios than peers. Especially, in 2014, current and quick ratios of PM were 2.33 and 1.87 however peers were only 1.30 and 0.81, respectively. In conclusion, PM showed the upward trend both of ratios that means company has ability to pay back current liabilities. And also, PM's short term payment ability is better than peers during 2010-2014. As I see in the graph that quick ratio was lower than 1 and current ratio equal to 1 (Figure 1.17). Moreover, both ratio of peer tend to be worse which company might have short-term liquidity problem.



**Figure 1.17 Liquidity ratio 5-year comparing PM and peers**

### 1.9.5.2 Working capital management

According to working capital management of these companies during 2010-2014, Cash Conversion Cycle (CCC) of PM showed slightly increased trend owing to high amount of DIO and DSO. However, 5-year average CCC of PM was 22 days, it interprets that company has a very strong operating management. Compare to peer's CCC, there was a higher cycle of cash, average CCC of peer was around 53 days which higher than PM about 31 days (Figure 1.18).



**Figure 1.18 Cash Conversion Cycle between year 2010 and 2014 of PM and peers**

### 1.9.5.3 Solvency risk

One of financial measurements to look at how much capital comes in the form of debt or evaluating solvency and capital structure is Debt-to-Equity ratio (Figure 1.19) which including Interest coverage ratio (Figure 1.20). To describe financial structure of PM and Peers by using the period during year 2010 through 2014.

Debt to equity ratio of these companies in the past 5 years, I can see that PM had maintained its financial structure, average D/E ratio at 0.5 times and it also showed a downward trend. For average D/E ratio of peer companies equal to 1.1 times and seem like to keep going up due to dramatically increase in liabilities while total equity was just slightly increased (Figure 1.19). Thus, it can indicate that there was a higher solvency risk in long term compared to PM. When PM had stable amount of total liabilities and improve of total equity.



**Figure 1.19 Debt-to-Equity ratio of PM and peers**



Interest coverage ratio also can tell how possible company can pay its interest expenses. Due to conservative company as PM, they had very low of their liabilities. Thus, the main factor that rose up this ratio was Earnings before Interest and Tax (EBIT) which significantly increased through 5 years until average to 84.3 times, for peer companies around 11.3 times (Figure 1.20). Overall, in order to assess the ability of a company to meet financial obligations, interest coverage ratio, between PM and Peers, PM has got a better result of the average 5 years. It can imply that PM, surely, can generate enough profit to cover its interest expenses on outstanding debt every year.



**Figure 1.20 Interest coverage ratio 5-year of PM and Peers**

## 1.10 Investment Risks and Downside Possibilities

### 1.10.1 Macro-economic risks

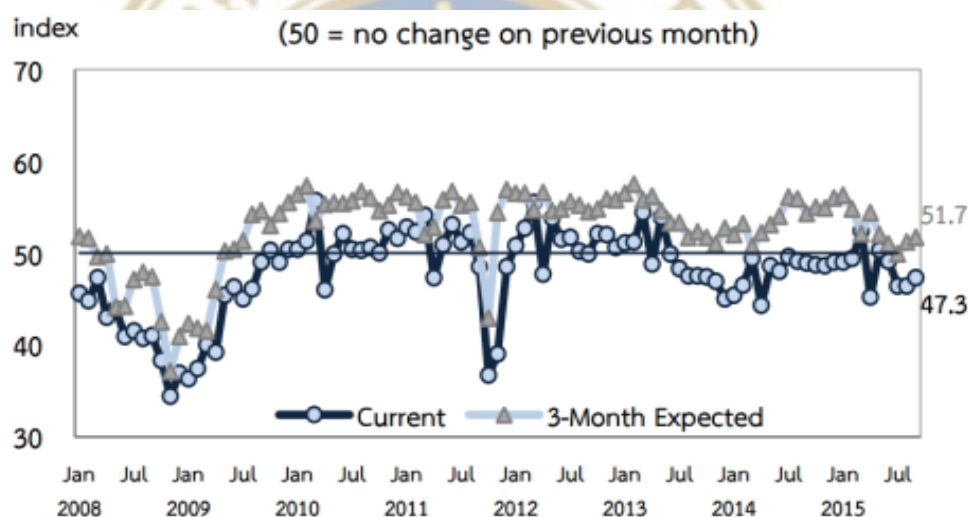
#### 1.10.1.1 Economic growth depends on Political situation

Due to growing risk that Thailand could remain a military-governed country for longer than expected. There are higher levels of risk in terms of

the country's legal environment and moderate risk in terms of government intervention. However, over the medium term Thailand performs most strongly for economic openness

#### 1.10.1.2 BSI showed increase signal, but still below 50 <sup>(10)</sup>

Due to improved confidence of respondents in the chemical and food sectors, business sentiment index (BSI) moved up (Figure 1.21). And most respondent expected over the next 3 months business conditions to improve. However, the BSI remained below 50 which lower than its historical average, it seems no positive business condition and uncertainly of economic recovery in the short future period.



Source: Bank of Thailand

**Figure 1.21 Business Sentiment Index (BSI)**

#### 1.10.1.3 Purchasing power of customers decreased

There are various reasons of economic recession, for example, global economic uncertainty and political issues, these affect the purchasing power of domestic consumers that may affect determined sale target. And all of these risk factors are still not eliminated and still continues to occur in the future.

#### 1.10.1.4 Foreign investment as important competitors

In 2015, nearly AEC opening, it is not only local competitors will decrease ours market share, but also foreign investor tries to catch our demand. China and India manufacturers launch their aggressive marketing strategy by using

advantage in offering lower price. Thus, it causes the competition will be more intense. At least, every company will protect their market share in order to maintain sustainable growth.

#### 1.10.1.5 Currency exchange rate impact on tuna export

Since PM and its subsidiaries earn export revenue at about proportion of 25% of total revenue so fluctuations in exchange rates will affect to the company's revenue. The revenues from exports are mostly in US dollars. Thus, PM will prevent this risk especially when the exchange rate often fluctuates because it may impact to company's revenue and profit.

### **1.10.2 Market and competition risks**

#### 1.10.2.1 Dependence on major customers and export to Japan

According to Premier Canning Industry Co., Ltd. (PCI) as PM's subsidiary, has exporting tuna and pet food product, mainly to Japan market. It affected by financial and economic crisis, for instant, when the Japanese government announced to devalue Japanese Yen, it impacted import margins decreased. However, as company and its trade partners has a good relationship because they trust and confidence in the quality of PM's product. In addition, PM always continues developing new products and its subsidiaries have expanded their exports to other countries.

#### 1.10.2.2 Variety of local and international distributor

As PM engages in many businesses both in local and international, it always shows the intensive competition will be progress all the time. The competition becomes more intense in every distribution channel especially with the economy slowdown early in the year. However, PM has a strong business strategy and strong brand in terms of fish snack also known as "Taro" which is the highest market.

### **1.10.3 Operational risks**

#### 1.10.3.1 Failure in renewing the distributorship agreement

As the nature of business as a supplier, the company will jointly discuss with business partners concerning future plan as to indicate share

benefits and satisfy all partners' requirements. The distributorship agreement is a significant tool for operating the company's business. The duration of agreements is between 3-5 years and the conditions for renewing are clearly specified. However, there could be a risk of failure in renewing agreements, business partners, for example, may not agree to renew agreements or may request a revision of some conditions of agreements causing decrease of revenue and benefits.

#### 1.10.3.2 Price and quantity fluctuation of main raw materials

Main products of the company are raw tuna and frozen fish meat. Since the ingredients are natural-origin products, the quantity of raw materials depends on seasons, weather, natural disasters, as well as the level of demand and supply in the market which affects prices of raw materials. Moreover, there are also external uncontrolled factors such as oil prices, increase of wages due to the government's policies or even the new laws and regulations of business partners' countries that can cause a rapid change in raw material prices and direct cost of subsidiaries.

#### 1.10.3.3 Higher negotiation powers of outlet customers

The expansion of modern retail stores (Modern Trade) such as, convenience stores, department stores, discount stores and Whole sale stores (Cash & Carry) is gradually developing and be more important. According to this, consumer products sale through those aforementioned distribution channels have gained more negotiation powers causing risks related to costs increased and low returns

### **1.10.4 Sensitivity analysis**

Since the terminal value mainly depends on the long-term assumptions, there are so many uncertainty involved. This huge amount of terminal value highly effect on target price. Therefore, I run the sensitivity analysis on the impact on target price regarding the changing of terminal growth rate and cost of capital which is the direct factors that effect on terminal value (Table 1.10).

**Table 1.10 Sensitivity analysis on the impact on target price**

WACC	Terminal Growth Rate						
	3.5%	4.0%	4.5%	5.0%	5.1%	5.5%	6.0%
9.00%	16.31	17.64	19.27	21.30	21.80	23.91	27.40
9.50%	14.95	16.04	17.34	18.94	19.33	20.93	23.50
10.00%	13.79	14.70	15.77	17.05	17.36	18.61	20.57
10.50%	12.80	13.56	14.45	15.50	15.75	16.76	18.30
11.00%	11.94	12.59	13.34	14.21	14.42	15.24	16.48
11.50%	11.19	11.75	12.39	13.12	13.29	13.98	14.99
12.00%	10.53	11.01	11.56	12.19	12.33	12.91	13.75
12.19%	10.30	10.76	11.28	11.86	12.00	12.54	13.33
12.50%	9.94	10.36	10.84	11.37	11.50	11.99	12.70
13.00%	9.42	9.79	10.20	10.67	10.77	11.19	11.80
13.50%	8.94	9.27	9.63	10.04	10.13	10.50	11.02
14.00%	8.51	8.80	9.12	9.48	9.56	9.88	10.33
14.50%	8.12	8.38	8.67	8.98	9.06	9.33	9.73

Terminal growth rate would change regarding the changing of Thailand economic situation. The cost of capital would change regarding the changing of capital structure mix or changing of cost of funds. Terminal growth rate has positive relation with the target price while the cost of capital has adverse relation with the price. The more recovering of Thailand economic, the higher target price of the company will be. Also, the higher cost of capital, the lower target price of the company will be. Consequently, the red area represents the condition that makes the stock overvalued; the target price is below THB 10.20, the current price. The green area represents the condition that makes target price greater than THB 12.00, the price I get from DCF model. The yellow area represents the condition that still makes stock undervalued and target price doesn't exceed the price from DCF model.

## CHAPTER II

### DATA

#### 2.1 Business Overview

##### 2.1.1 PM history

The Company was incorporated on 28 July 1977 as Premier Marketing Co., Ltd. with a registered capital of 1 million Baht and was initially involved in marketing, promotion and distribution of snack foods and consumer products. The Company converted into a public limited company on 20 July 2007 and was listed on the Stock Exchange of Thailand on 27 May 2008 with a registered and paid-up capital of 650 million Baht.

Presently, the Company is a distributor and sales agent of 5 groups of consumer products covering snack foods, food and beverages, confectionery, pharmaceuticals and dietary supplements, and personal care and household products. The Company distributes through wholesalers and general retailers, including modern trade stores, and has sales staff responsible for visiting over 30,000 stores nationwide.

For social and community activities, the Company promotes learning for the sustained development of children, youths and the Thai people by supporting and enhancing educational opportunities for underprivileged children who will be major forces in developing the country, which is an important approach that will lead to sustained social development. The Company and its subsidiaries have set a policy to allocate 5 percent of its net profit annually for scholarship donation for poor and underprivileged youths through the Yuvabadhana Foundation, a public charity listed as number 300 in the Ministry of Finance's notification. Additionally, the Company has organized activities that are beneficial to society and the environment under its business philosophy of harmonious alignment of successes among its business pursuit, its staff motivation and society enhancement. These are the core values under which the Company and its subsidiaries have always operated and applied through several projects that benefits society and are in line with the changing environment. These

projects are co-operations between the Company, its trade partners, staff, the communities and the general public and are carried out regularly throughout the year through various activities.

### **2.1.2 PM group structure**

In other parts of its operations, as at April 30, 2015, the Company has acquired 100 percent of the registered capital of 4 subsidiaries, which operate related businesses as follows (Figure 2.1). Currently, major shareholder of PM is Premier Fission Capital Co., Ltd. (Figure 2.2).

- P.M. Food Co., Ltd. (PMF)

The manufactures and sells fish strips and fish sheets under the "Taro" brand and fried seaweed products under the "Taro Biggu" brand. PMF's products are sold locally and overseas and the Company has been appointed as its sole distributor for the local market.

- Premier Canning Industry Co., Ltd. (PCI)

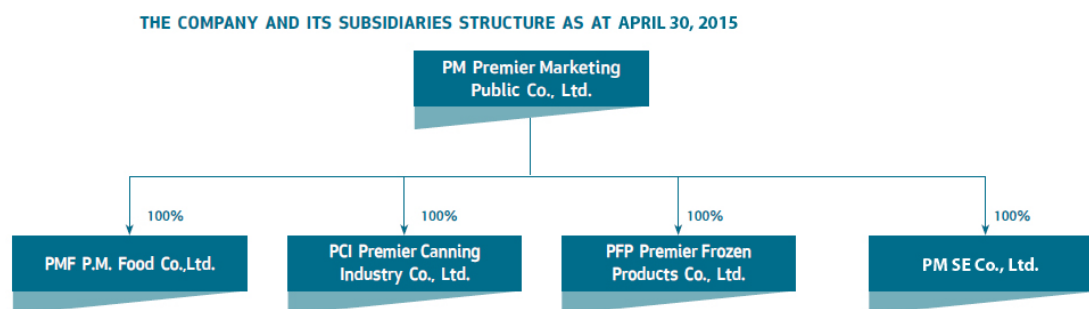
The manufactures and sells tuna related products, which are pouched and canned ready-to-eat tuna and pouched and canned tuna pet food under the customer's brand. All tuna products are exported to overseas markets in Asia, Europe and the Middle East. In addition, PCI also manufactures ketchup and chili sauce under the "King's Kitchen" brand with the Company being the sole distributor of its sauce products.

- Premier Frozen Products Co., Ltd. (PFP)

The manufactures frozen processed food to order from buyers. In addition, PFP also leases manufacturing space and provides cold storage services. It is also developing new projects to increase revenue and profit.

- PM SE Co., Ltd. (PM SE)

The company was established on April 10, 2015 with the objective of investing in social enterprise businesses and to build on the core values of the Company and the Premier Group of Companies on the sustainability on society.



**Figure 2.1 PM and its subsidiaries structure as at April 30, 2015**

**Free Float As of 10/03/2015**

Minor Shareholders (Free float)	2,985
% Shares in Minor Shareholders (% Free float)	35.91

Remark: Updated as of the latest book closing date.

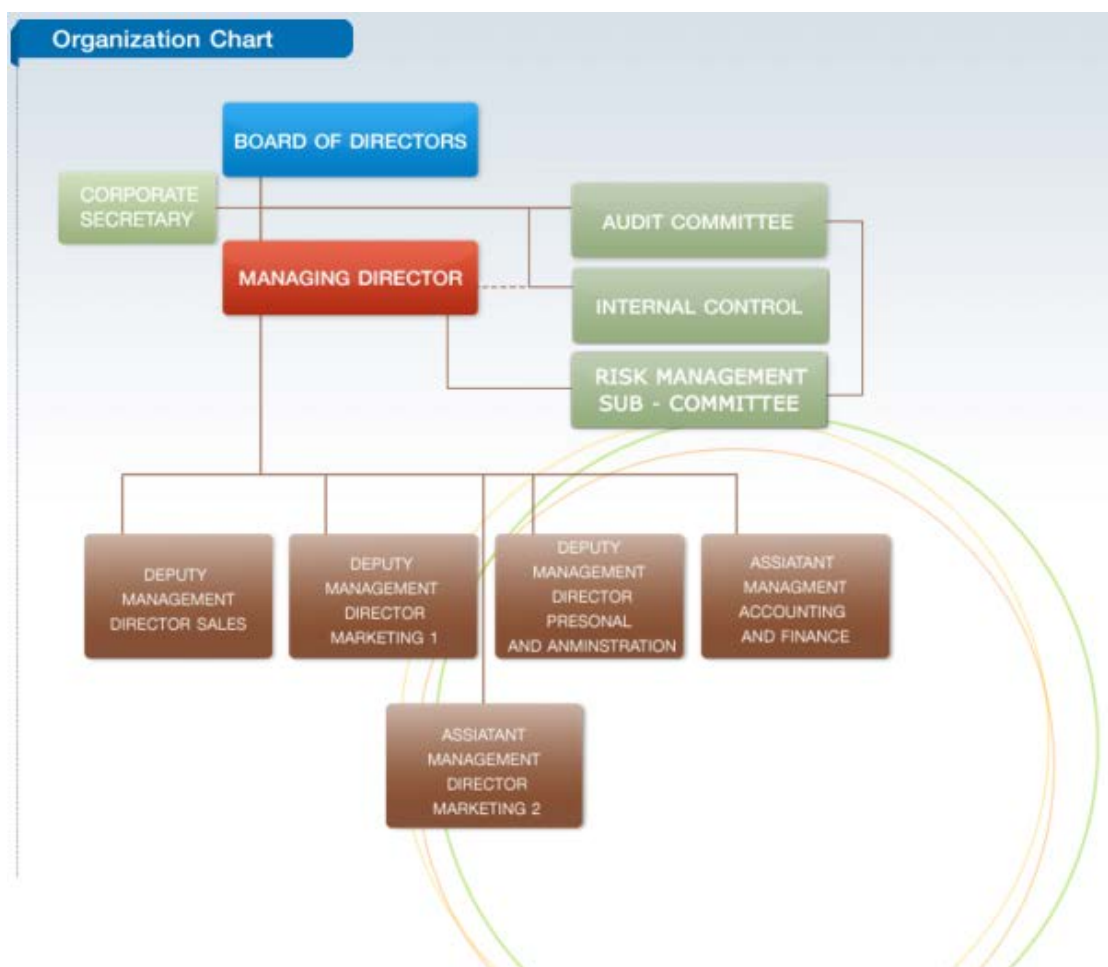
**Overview As of 25/08/2015 Rights Type : XD**

Total Shareholders	2,778
% Shares in Scripless Holding	50.98

Rank	Major Shareholders	# Shares	% Shares
1.	บริษัท พรีเมียร์ ฟู้ด จำกัด	295,410,600	49.38
2.	บริษัท ไทยเอ็นวีดีอาร์ จำกัด	53,837,104	9.00
3.	HSBC (SINGAPORE) NOMINEES PTE LTD	28,693,600	4.80
4.	DEUTSCHE BANK AG, SINGAPORE (DCS) A/C PANGOLIN ASIA FUND	23,560,100	3.94
5.	STATE STREET BANK AND TRUST COMPANY FOR CANADA	14,362,644	2.40
6.	NORTRUST NOMINEES LIMITED-NTGS CL AC	13,299,520	2.22
7.	CHASE NOMINEES LIMITED	12,418,929	2.08
8.	STATE STREET BANK EUROPE LIMITED	10,806,200	1.81
9.	นายอภิสิทธิ์ พันธุ์พฤษณ์	6,500,000	1.09
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	5,975,600	1.00

**Figure 2.2 10 major shareholders and free-float**





**Figure 2.3 Management and organizational chart**

### **2.1.3 PM's corporate governance policy**

The Company's Board of Directors emphasizes good corporate governance. It believes that good corporate governance and management under the framework of good ethics, transparency, accountability and fairness to all relevant parties will help to promote the Company's stable and sustained growth and help to increase the confidence of the shareholders, investors and all related parties. Therefore, the Board of Directors has established in writing the principles of good corporate governance as guidance for the management and employees as follows:

2.1.3.1 Conduct business with integrity, fairness, transparency and accountability, and disclose adequate information to all relevant parties.

2.1.3.2 Provide appropriate and effective internal control, risk management and internal audit systems.

2.1.3.3 Emphasize on the rights of shareholders and treat shareholders equally with fairness to all parties.

2.1.3.4 Comply with the requirements of all relevant laws, regulations, and business ethics in order to protect the rights of all groups of stakeholders.

2.1.3.5 Organize the structure, duties and responsibilities of each group of directors clearly.

## 2.2 Business Analysis

### 2.2.1 SWOT analysis



Figure 2.4 SWOT analysis

## 2.2.2 Porter's five-force analysis

In general, the company is in a very high competitive and tough environment. For food and beverage industry, many competitors are doing business in order to be the leader in the market intensively. It seems that the company is operating in high threat industry. Regarding my analysis, I consider threat of potential new entrants at medium level, threat of bargaining power of supplier at high level, threat of substitute products and services, threat of bargaining power of buyers, and threat of rivalry among current competitors at very high level (Figure 2.5).

### 2.2.2.1 Threat of potential new entrants: Medium

Distributing business is not too that difficult to enter but needed high initial investment in terms of distributing vehicles and distributing routes expertise. Distribution channels for new entrants may be the barrier to entry to new players.

### 2.2.2.2 Threat of substitute products and services: Very high

Convenient food is not necessity food to consumers. Leaving without convenient food and eat only fresh food is possible. Moreover, customers of PM are able to choose their distribution channel or distributing approaches independently. They might choose other distribution channels, which are not available by PM such as airfreight by other distributor or rail freight services offered by government with lower cost.

### 2.2.2.3 Threat of bargaining power of supplier: High

Since the sources of main raw materials are from the quality supplier, additionally, raw materials are the natural resources; the company is facing with the raw material price and quantity fluctuation. Either, the price of raw material increase or raw materials are scarce, the company still has to purchase those natural raw materials.

### 2.2.2.4 Threat of bargaining power of buyers: Extremely high

Since there are many substitute-distributing channels available for the customers, they can choose and negotiate services price with the company. In addition, the house brand products that the company is selling in the market categorized as the convenient food especially snacks. As there are so many snacks sold in the market, consumers have a very high power of choosing whichever they want.

### 2.2.2.5 Threat of rivalry among current competitors: Very high

Nowadays, there are so many potential distributors play in the market such as SPC, BJC, WINNER, and DKSH. Therefore, the company is doing business in a very competitive market.

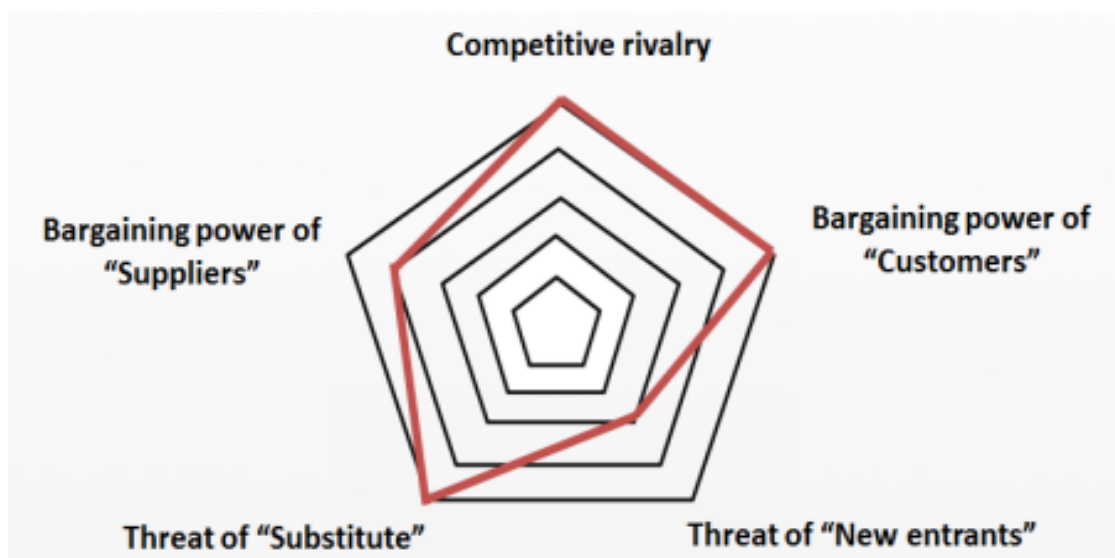


Figure 2.5 Five force analysis



## 2.3 Financial Statements

### 2.3.1 Actual and projected income statements

The tables below show the actual 5 years income statement for the year ended December 31, 2010 to 2014 (Table 2.1) and the projected 5 years income statement for the year ended December 31, 2015 to 2019 regarding the DCF model (Table 2.2).

**Table 2.1 Actual income statements for the year ended December 31, 2010 to 2014**

(Unit: Thousands Baht)	2010A	2011A	2012A	2013A	2014A
Total revenues from sales	2,919,708.00	3,337,573.68	3,882,065.68	3,999,154.60	4,060,309.38
Other incomes	51,203.00	39,138.52	58,342.46	37,196.70	26,799.85
<b>Total revenues</b>	<b>2,970,911.00</b>	<b>3,376,712.20</b>	<b>3,940,408.14</b>	<b>4,036,351.30</b>	<b>4,087,109.23</b>
Total revenues from sales	2,919,708.00	3,337,573.68	3,882,065.68	3,999,154.60	4,060,309.38
Cost of goods sold	(2,146,403.00)	(2,422,020.58)	(2,819,398.25)	(2,870,112.83)	(2,928,178.21)
<b>Gross profit</b>	<b>773,305.00</b>	<b>915,553.10</b>	<b>1,062,667.43</b>	<b>1,129,041.77</b>	<b>1,132,131.17</b>
Selling and administrative expense	(452,468.00)	(520,848.34)	(569,415.81)	(636,891.40)	(622,757.39)
Depreciation and amortization expenses	(25,727.00)	(15,882.95)	(16,189.19)	(18,410.33)	(18,437.68)
<b>Operating profit</b>	<b>295,110.00</b>	<b>378,821.81</b>	<b>477,062.43</b>	<b>473,740.04</b>	<b>490,936.10</b>
Other incomes	51,203.00	39,138.52	58,342.46	37,196.70	26,799.85
Other expenses	(41,154.00)	(455.52)	(223.16)	0.00	0.00
<b>EBIT</b>	<b>305,159.00</b>	<b>417,504.81</b>	<b>535,181.73</b>	<b>510,936.74</b>	<b>517,735.95</b>
Interest expenses	(6,491.00)	(6,290.44)	(5,862.45)	(4,850.40)	(4,636.01)
<b>EBT</b>	<b>298,668.00</b>	<b>411,214.37</b>	<b>529,319.28</b>	<b>506,086.34</b>	<b>513,099.94</b>
Income tax expenses	(82,509.00)	(123,795.14)	(120,586.03)	(86,101.08)	(84,733.59)
<b>Net profit (loss)</b>	<b>216,159.00</b>	<b>287,419.23</b>	<b>408,733.25</b>	<b>419,985.26</b>	<b>428,366.35</b>

Number of outstanding shares	643,816.00	599,632.00	598,245.00	598,245.00	598,245.00
Basic earnings per share (Unit: Baht)	0.34	0.48	0.68	0.70	0.72
Dividend paid	59,384.00	155,460.37	155,473.04	263,170.01	334,957.66
Dividend paid per share (Unit: Baht)	0.09	0.26	0.26	0.44	0.56

**Table 2.2 Projected income statements for the year ended December 31, 2015 to 2019**

(Unit: Thousands Baht)	2015F	2016F	2017F	2018F	2019F
Total revenues from sales	4,161,007.00	4,285,859.46	4,415,185.93	4,549,151.24	4,687,926.28
Other incomes	50,093.50	51,596.58	53,153.51	54,766.29	56,436.98
<b>Total revenues</b>	<b>4,211,100.50</b>	<b>4,337,456.04</b>	<b>4,468,339.45</b>	<b>4,603,917.53</b>	<b>4,744,363.25</b>
Total revenues from sales	4,161,007.00	4,285,859.46	4,415,185.93	4,549,151.24	4,687,926.28
Cost of goods sold	(3,017,511.96)	(3,108,053.45)	(3,201,839.45)	(3,298,989.47)	(3,399,627.45)
<b>Gross profit</b>	<b>1,143,495.04</b>	<b>1,177,806.01</b>	<b>1,213,346.49</b>	<b>1,250,161.77</b>	<b>1,288,298.83</b>
Selling and administrative expense	(641,076.51)	(660,312.23)	(680,237.26)	(700,876.97)	(722,257.72)
Depreciation and amortization expenses	(25,697.04)	(29,102.76)	(32,512.16)	(35,931.48)	(39,366.86)
<b>Operating profit</b>	<b>476,721.49</b>	<b>488,391.01</b>	<b>500,597.07</b>	<b>513,353.32</b>	<b>526,674.25</b>
Other incomes	50,093.50	51,596.58	53,153.51	54,766.29	56,436.98
Other expenses	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>526,814.99</b>	<b>539,987.59</b>	<b>553,750.58</b>	<b>568,119.61</b>	<b>583,111.23</b>
Interest expenses	(75.49)	(84.88)	(94.29)	(103.73)	(113.23)
<b>EBT</b>	<b>526,739.50</b>	<b>539,902.71</b>	<b>553,656.29</b>	<b>568,015.88</b>	<b>582,998.00</b>
Income tax expenses	(105,347.90)	(107,980.54)	(110,731.26)	(113,603.18)	(116,599.60)
<b>Net profit (loss)</b>	<b>421,391.60</b>	<b>431,922.17</b>	<b>442,925.03</b>	<b>454,412.71</b>	<b>466,398.40</b>

Number of outstanding shares	598,245.00	598,245.00	598,245.00	598,245.00	598,245.00
Basic earnings per share (Unit: Baht)	0.70	0.72	0.74	0.76	0.78
Dividend paid	210,695.80	215,961.08	221,462.52	227,206.35	233,199.20
Dividend paid per share (Unit: Baht)	0.35	0.36	0.37	0.38	0.39

### 2.3.2 Actual and projected balance sheet statements (assets)

The tables below show the actual balance sheet as at December 31, 2010 to 2014 (Figure 2.3), and projected balance sheet as at December 31, 2015 to 2019 regarding the DCF model (Figure 2.4) only for the assets side.

**Table 2.3 Actual balance sheet statements (assets) as at December 31, 2010 to 2014**

(Unit: Thousands Baht)	2010A	2011A	2012A	2013A	2014A
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	333,076.00	241,511.45	58,600.14	53,321.06	63,119.48
Short-term investments	0.00	182,395.87	455,759.99	512,496.01	512,763.01
Accounts receivable	415,874.00	541,241.25	638,666.02	692,424.90	673,844.09
Inventory	173,655.00	212,421.99	249,638.97	248,324.83	283,841.43
Other current assets	49,752.00	19,015.43	31,208.23	26,727.00	34,362.37
<b>Total current assets</b>	<b>972,357.00</b>	<b>1,196,585.99</b>	<b>1,433,873.35</b>	<b>1,533,293.80</b>	<b>1,567,930.38</b>
<b>Non-Current assets</b>					
Long-term investments	123,531.00	162,218.11	145,239.55	169,449.00	141,021.05
Property, plant, and equipment	374,096.00	343,477.18	350,675.72	440,081.39	515,686.52
Current portion of Long term loans	42,157.00	0.00	26,196.78	0.00	0.00
Other non-current assets	85,333.00	81,691.54	74,364.49	79,817.34	80,009.88
<b>Total non-current assets</b>	<b>625,117.00</b>	<b>587,386.83</b>	<b>596,476.54</b>	<b>689,347.73</b>	<b>736,717.45</b>
<b>Total Assets</b>	<b>1,597,474.00</b>	<b>1,783,972.82</b>	<b>2,030,349.89</b>	<b>2,222,641.53</b>	<b>2,304,647.83</b>

**Table 2.4 Projected balance sheet statements (assets) as at December 31, 2015 to 2019**

(Unit: Thousands Baht)	2015F	2016F	2017F	2018F	2019F
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	219,988.67	337,929.98	460,110.48	586,609.95	717,514.54
Short-term investments	525,479.78	541,246.98	557,579.19	574,497.23	592,022.67
Accounts receivable	672,603.15	692,784.85	713,689.74	735,344.47	757,776.66
Inventory	265,908.19	273,886.85	282,151.43	290,712.45	299,580.84
Other current assets	34,362.37	34,362.37	34,362.37	34,362.37	34,362.37
<b>Total current assets</b>	<b>1,718,342.16</b>	<b>1,880,211.03</b>	<b>2,047,893.21</b>	<b>2,221,526.47</b>	<b>2,401,257.08</b>
<b>Non-Current assets</b>					
Long-term investments	170,958.08	176,087.74	181,401.21	186,905.28	192,606.95
Property, plant, and equipment	584,032.29	652,451.92	721,070.48	790,011.56	859,397.54
Current portion of Long term loans	0.00	0.00	0.00	0.00	0.00
Other non-current assets	80,009.88	80,009.88	80,009.88	80,009.88	80,009.88
<b>Total non-current assets</b>	<b>835,000.25</b>	<b>908,549.54</b>	<b>982,481.57</b>	<b>1,056,926.72</b>	<b>1,132,014.37</b>
<b>Total Assets</b>	<b>2,553,342.41</b>	<b>2,788,760.57</b>	<b>3,030,374.78</b>	<b>3,278,453.19</b>	<b>3,533,271.46</b>

### 2.3.3 Actual and projected balance sheet statements (liabilities and shareholder's equity)

The tables below show the actual balance sheet as at December 31, 2010 to 2014 (Figure 2.5), and projected balance sheet as at December 31, 2015 to 2019 regarding the DCF model (Figure 2.6) only for the liabilities and shareholder's equity side.

**Table 2.5 Actual balance sheet statements (liabilities and shareholder's equity) as at December 31, 2010 to 2014**

(Unit: Thousands Baht)	2010A	2011A	2012A	2013A	2014A
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current Liabilities					
Short-term loans	0.00	912.32	0.00	0.00	0.00
Accounts payable	333,359.00	531,710.93	530,310.29	537,420.79	525,093.88
Other current liabilities	152,771.00	79,316.79	75,559.36	53,242.48	49,536.17
<b>Total current liabilities</b>	<b>486,130.00</b>	<b>611,940.04</b>	<b>605,869.65</b>	<b>590,663.27</b>	<b>574,630.05</b>
Long-Term Liabilities					
Long-term debt	27,062.00	20,220.27	12,400.72	930.30	596.21
Current portion of post employee benefit obligations	0.00	64,843.39	71,920.95	77,371.19	82,803.54
Other non-current liabilities	0.00	0.00	0.00	39,723.63	39,316.46
<b>Total non-current liabilities</b>	<b>27,062.00</b>	<b>85,063.66</b>	<b>84,321.67</b>	<b>118,025.12</b>	<b>122,716.21</b>
<b>Total Liabilities</b>	<b>513,192.00</b>	<b>697,003.70</b>	<b>690,191.32</b>	<b>708,688.39</b>	<b>697,346.26</b>
Shareholders' Equity					
Share capital					
Authorized share capital (ordinary shares@Baht 1 each)	650,000.00	650,000.00	650,000.00	650,000.00	598,245.30
Paid-up share capital (ordinary shares@Baht 1 each)	650,000.00	650,000.00	650,000.00	650,000.00	598,245.30
Retained earnings					
Appropriated	101,834.00	159,602.21	173,625.23	192,172.97	62,180.27
Unappropriated	344,851.00	370,132.32	609,298.68	760,016.07	905,119.19
Treasury shares	(83,490.00)	(129,992.70)	(129,992.70)	(129,992.70)	0.00
Other components of equity	71,087.00	37,227.30	37,227.30	41,756.80	41,756.80
<b>Total shareholders' equity</b>	<b>1,084,282.00</b>	<b>1,086,969.13</b>	<b>1,340,158.51</b>	<b>1,513,953.14</b>	<b>1,607,301.56</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,597,474.00</b>	<b>1,783,972.83</b>	<b>2,030,349.83</b>	<b>2,222,641.53</b>	<b>2,304,647.82</b>



**Table 2.6 Forecasted balance sheet statements (liabilities and shareholder's equity) as at December 31, 2015 to 2019**

(Unit: Thousands Baht)	2015F	2016F	2017F	2018F	2019F
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current Liabilities</b>					
Short-term loans	0.00	0.00	0.00	0.00	0.00
Accounts payable	560,960.07	577,791.88	595,226.84	613,287.17	631,995.93
Other current liabilities	49,536.17	49,536.17	49,536.17	49,536.17	49,536.17
<b>Total current liabilities</b>	<b>610,496.24</b>	<b>627,328.05</b>	<b>644,763.01</b>	<b>662,823.34</b>	<b>681,532.10</b>
<b>Long-Term Liabilities</b>					
Long-term debt	675.23	754.33	833.66	913.37	993.59
Current portion of post employee benefit obligations	84,857.11	87,403.27	90,040.68	92,772.69	95,602.79
Other non-current liabilities	39,316.46	39,316.46	39,316.46	39,316.46	39,316.46
<b>Total non-current liabilities</b>	<b>124,848.80</b>	<b>127,474.07</b>	<b>130,190.81</b>	<b>133,002.52</b>	<b>135,912.84</b>
<b>Total Liabilities</b>	<b>735,345.04</b>	<b>754,802.11</b>	<b>774,953.81</b>	<b>795,825.86</b>	<b>817,444.93</b>
<b>Shareholders' Equity</b>					
<b>Share capital</b>					
Authorized share capital (ordinary shares@Baht 1 each)	598,245.30	598,245.30	598,245.30	598,245.30	598,245.30
Paid-up share capital (ordinary shares@Baht 1 each)	598,245.30	598,245.30	598,245.30	598,245.30	598,245.30
<b>Retained earnings</b>					
Appropriated	62,180.27	62,180.27	62,180.27	62,180.27	62,180.27
Unappropriated	1,115,814.99	1,331,776.07	1,553,238.59	1,780,444.94	2,013,644.15
Treasury shares	0.00	0.00	0.00	0.00	0.00
Other components of equity	41,756.80	41,756.80	41,756.80	41,756.80	41,756.80
<b>Total shareholders' equity</b>	<b>1,817,997.36</b>	<b>2,033,958.44</b>	<b>2,255,420.96</b>	<b>2,482,627.31</b>	<b>2,715,826.52</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,553,342.40</b>	<b>2,788,760.56</b>	<b>3,030,374.77</b>	<b>3,278,453.18</b>	<b>3,533,271.45</b>

### 2.3.4 Actual and projected statements of Cash Flows

The tables below show the actual statement of cash flows for the year ended 2010 to 2014 (Figure 2.7), and projected statement of cash flows for the year ended 2015 to 2019 regarding the DCF model (Figure 2.8).

**Table 2.7 Actual statements of cash flows for the year ended December 31, 2010 to 2014**

(Unit: Thousands Baht)	2010A	2011A	2012A	2013A	2014A
<b>Cash flow from operations</b>					
Profit (loss) before financial cost and income tax expenses	298,667.00	411,214.37	529,319.28	506,086.34	513,099.95
Depreciation and amortization	25,727.00	15,882.95	16,189.19	18,410.33	18,437.68
(Income tax paid)	(110,752.00)	(94,049.32)	(127,489.83)	(111,335.84)	(80,873.49)
Share of (profit) loss from investments in associated company	(6,499.00)	(12,409.65)	(15,783.41)	(5,370.80)	8,701.71
(Increase) decrease in operating working capital	(10,727.00)	(39,760.11)	(144,985.16)	(49,194.88)	(35,110.28)
Other non-cash and reconciliation items	(12,027.00)	5,971.42	(9,908.33)	(7,391.80)	(210.03)
<b>Net cash from operating activities</b>	<b>184,389.00</b>	<b>286,849.66</b>	<b>247,341.74</b>	<b>351,203.35</b>	<b>424,045.54</b>
<b>Cash flow from investing</b>					
(Increase) decrease in short-term investments	119,868.00	(181,543.90)	(214,856.43)	(48,014.29)	7,684.19
(Increase) decrease in long-term investments	33,037.00	0.00	(42,019.73)	0.00	
(Increase) decrease in PPE	(9,723.00)	(14,992.65)	(17,218.45)	(55,803.92)	(91,630.84)
Interest received	7,318.00	9,944.95	8,468.44	11,338.40	7,867.25
(Increase) decrease in other investment	8,291.00	7,954.12	(60.94)	7,908.39	7,917.51
<b>Total cash from investing activities</b>	<b>158,791.00</b>	<b>(178,637.48)</b>	<b>(265,687.11)</b>	<b>(84,571.42)</b>	<b>(68,161.89)</b>
<b>Cash flow from financing</b>					
Increase (decrease) in short-term borrowings	(23,074.00)	912.32	(912.32)	0.00	0.00
Increase (decrease) in long-term borrowings	(29,871.00)	(5,864.66)	(6,842.10)	(7,819.54)	(10,449.74)
Issued (repurchased) common stock	(83,490.00)	(46,502.50)	0.00	0.00	0.00
(Dividends paid)	(59,384.00)	(155,460.37)	(155,473.04)	(263,170.01)	(334,957.66)
(Interest paid)	(3,117.00)	(1,848.94)	(1,338.46)	(796.79)	(303.84)
Increase (decrease) in other financing	138.00	8,987.60	0.00	(124.66)	(373.98)
<b>Total cash from financing activities</b>	<b>(198,798.00)</b>	<b>(199,776.55)</b>	<b>(164,565.92)</b>	<b>(271,911.00)</b>	<b>(346,085.22)</b>
<b>Total net change in cash</b>	<b>144,382.00</b>	<b>(91,564.37)</b>	<b>(182,911.29)</b>	<b>(5,279.07)</b>	<b>9,798.43</b>

Beginning cash	188,693.00	333,075.81	241,511.44	58,600.14	53,321.06
Change in cash from CFS	144,382.00	(91,564.37)	(182,911.29)	(5,279.07)	9,798.43
<b>Net cash available at end of year</b>	<b>333,075.00</b>	<b>241,511.44</b>	<b>58,600.15</b>	<b>53,321.07</b>	<b>63,119.49</b>

**Table 2.8 Projected statements of cash flows for the year ended December 31, 2015 to 2019**

(Unit: Thousands Baht)	2015F	2016F	2017F	2018F	2019F
<b>Cash flow from operations</b>					
Profit (loss) before financial cost and income tax expenses	526,814.99	539,987.59	553,750.58	568,119.61	583,111.23
Depreciation and amortization	25,697.04	29,102.76	32,512.16	35,931.48	39,366.86
(Income tax paid)	(105,347.90)	(107,980.54)	(110,731.26)	(113,603.18)	(116,599.60)
(Increase) decrease in operating working capital	55,040.38	(11,328.56)	(11,734.51)	(12,155.42)	(12,591.83)
<b>Net cash from operating activities</b>	<b>502,204.51</b>	<b>449,781.25</b>	<b>463,796.97</b>	<b>478,292.50</b>	<b>493,286.66</b>
<b>Cash flow from investing</b>					
(Increase) decrease in short-term investments	(12,716.77)	(15,767.20)	(16,332.21)	(16,918.03)	(17,525.44)
(Increase) decrease in long-term investments	(29,937.03)	(5,129.66)	(5,313.47)	(5,504.06)	(5,701.68)
(Increase) decrease in CAPEX	(94,042.81)	(97,522.39)	(101,130.72)	(104,872.56)	(108,752.84)
<b>Total cash from investing activities</b>	<b>(136,696.61)</b>	<b>(118,419.25)</b>	<b>(122,776.41)</b>	<b>(127,294.66)</b>	<b>(131,979.96)</b>
<b>Cash flow from financing</b>					
Increase (decrease) in long-term borrowings	79.02	79.10	79.33	79.71	80.22
Issued (repurchased) common stock	0.00	0.00	0.00	0.00	0.00
(Dividends paid)	(210,695.80)	(215,961.08)	(221,462.52)	(227,206.35)	(233,199.20)
(Interest paid)	(75.49)	(84.88)	(94.29)	(103.73)	(113.23)
Increase (decrease) in other financing	2,053.57	2,546.17	2,637.41	2,732.01	2,830.10
<b>Total cash from financing activities</b>	<b>(208,638.71)</b>	<b>(213,420.69)</b>	<b>(218,840.06)</b>	<b>(224,498.37)</b>	<b>(230,402.11)</b>
<b>Total net change in cash</b>	<b>156,869.19</b>	<b>117,941.31</b>	<b>122,180.50</b>	<b>126,499.47</b>	<b>130,904.59</b>
Beginning cash	63,119.48	219,988.67	337,929.98	460,110.48	586,609.95
Change in cash from CFS	156,869.19	117,941.31	122,180.50	126,499.47	130,904.59
<b>Net cash available at end of year</b>	<b>219,988.67</b>	<b>337,929.98</b>	<b>460,110.48</b>	<b>586,609.95</b>	<b>717,514.54</b>

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