

**VALUATION OF MINOR INTERNATIONAL PUBLIC  
COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
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COMPANY LIMITED**

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M.M. (ENTREPRENEURSHIP MANAGEMENT)

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**ABSTRACT**

This paper provides a perspective on valuation studies by a Master Degree student. Based on impressions from the Valuation and Investment class, I was inspired by the example of successful and failure mergers and acquisition to debate how we see, understand, and are inspired by the field of valuation studies. Using the classroom experience as a springboard, I argue that the domain of valuation studies still relies heavily on influences from the study of economics, with a strong emphasis on processes of quantification and calculation. With apparent pragmatism within the field, the discounted cash flow method is used to value the company, including other valuation method to derived at the most appropriate result. Financial and economic reports also used to develop assumptions together with consensus research to evaluate economics trend.

**KEY WORDS:** Valuation/ WACC/ Discounted Cash Flow/ FCFE

40 pages

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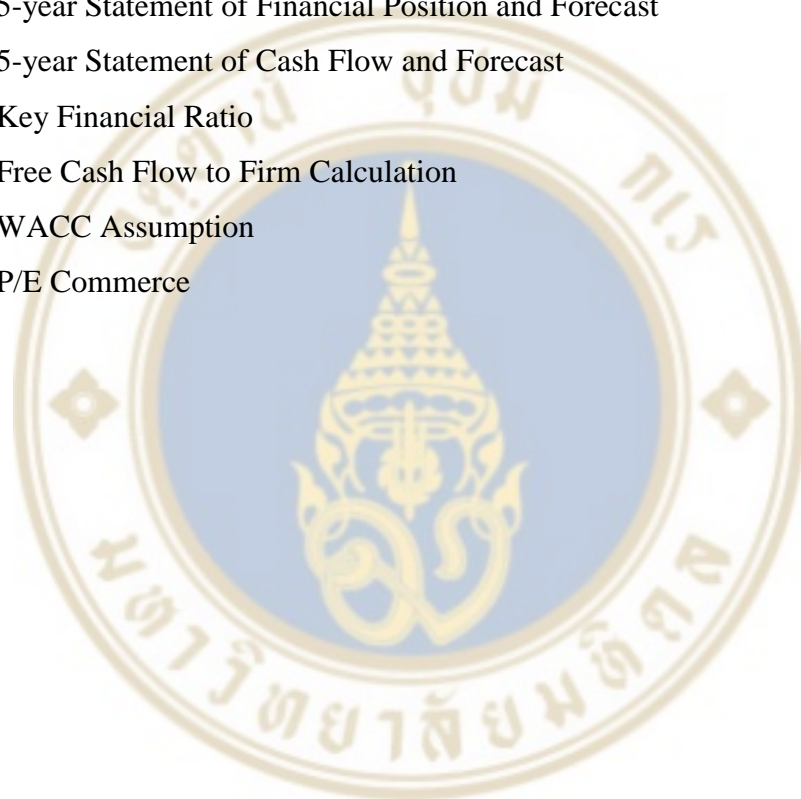
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## CHAPTER I VALUATION

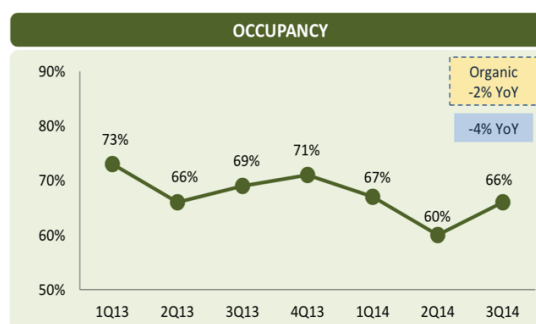
### 1.1 Company Highlight

**Table 1.1 Quarterly EPS and P/E Ratio**

<b>Earnings per share</b>	<b>Mar</b>	<b>Jun</b>	<b>Sep</b>	<b>Year</b>	<b>P/E Ratio</b>
2010A	0.18	0.02	0.04	0.38	27.01
2011A	0.25	0.08	0.40	0.88	12.91
2012A	0.35	0.10	0.16	0.92	26.80
2013A	0.37	0.11	0.18	1.04	22.21
2014E	0.35	0.15	0.10	0.92	27.87*

Source: Stock Exchange of Thailand, Company, and Valuation Calculation (\*trailing P/E)

Hotel in improving trend: In 3Q2014 system-wide revenue per available room was flat due to the domestic political events and the renovations of three hotels (Anantara Riverside, Anantara HuaHin and Avani Quy Nhon in Vietnam). As a result of the martial law and coup in 3Q2014, Thailand major destinations, especially Bangkok were most affected. However, oversea hotels, which the majority are Anantara hotels, saw an increase in revenue per available room of 14% y-o-y. Having said that, Thai hotels are still experiencing an improving trend in revenue growth month by month throughout 3Q2014.



**Figure 1.1 Hotel Improving Trend**

Source: Company data

**Expanding Real Estate Business:** Revenue contribution of real estate business account for 17% of total revenue from real estate and hotels. Part of the real estate business, Anantara Vacation Club, which leverage on the renowned Anantara brand, is growing to become another significant factor contributing to hotel and mixed-use business. On the other hand, two residential projects expected to be launched at the end of 2014, and one service suits to be completed in 2016. Additional residential club in Phuket soon be announced and more in the pipeline will be added over the years.

**Robust Restaurant Outlet Expansion:** Revenue of restaurant business increased by 11% y-o-y, primarily from the outlet expansion of 13%, as result net profit grew by 3%. MINT operates four main restaurants hubs, includes Thailand, Singapore, Australia and China. The restaurant presence is now in 21 countries across the region, operating owned, franchised and a combination of both business models. Company is continuously looking for opportunities to expand, especially in the existing market which company is currently operated.

**Growth with Diversification:** Q32014 net profit of thb 2.8 billion, an increase of 9% y-o-y, largely contribute to the company's diversification and international expansion strategy, as strong performance of international operations soften the impact of the slowdown in tourist arrival and domestic consumption in Thailand. Growth was attributable to both hospitality and restaurant business.

## **1.2 Business Description**

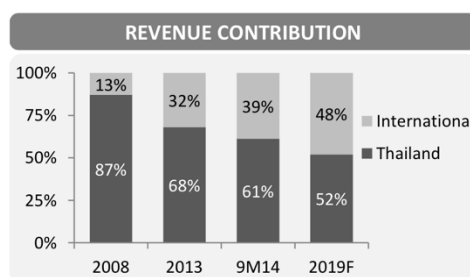
### **1.2.1 Hotel**

The business was first established in 1978 under the name of Royal Garden Resorts (RGR). The hotel is located in Pattaya and hotel now currently operates under the name of Pattaya Marriott Resort & Spa. RGR was listed in the Stock Exchange of Thailand (SET) in 1988 and three years later Minor Corporation (MINOR) was listed in SET.

RGR entered into a joint venture to operate Mandara Spa (Thailand), which was later acquired 100% by RGR and renamed M Spa International. In 2000 RGR acquired the Regent, Bangkok, which was later rebranded to Four Season Bangkok in 2005.

In 2001, RGR took a leap in pursuit for a higher standard by rebranding its exiting hotels with renowned international hotel chain and by introducing a new brand “Anantara” to the market. The Royal Garden Village Hua Hin became The Anantara Resort and Spa, the first hotel under RGR’s own 5-star hotel brand, Anantara. Royal Garden Resort in Hua Hin and Pattaya were rebranded to Marriott Resort and Spa to expand its relationship with Marriott International. JW Marriott Phuket Resort and Spa was introduced during the same year. MFG launched The Pizza Company, as its own Pizza brand. The following year, RGR together with Marriott International, opened the Marriott Phuket Vacation Village. Couple years later, company launched The Extate Samui, its first real estate development project in Samui.

The pursuit to expand of the luxury hotels portfolio continues. MINT expansion oversea continued in 2007 to 2008, after company invested in 20% stake of Serendib Hotel Limited in Sri Lanka, part of Hermas Group. Hermas is an operator of four hotels in Sri Lanka, which including Serendib Hotel, Club Dolphin Hotel, Miami Hotel and Sigiriya Hotel. Anantara also launched Anantara Saminyak, Bali Indonesia, and the first hotel that under Anantara’s management contract. Acquisition continued into Africa, after company acquired 50% of Elewana Afrika, a collection of luxury lodges in Africa and soon rebranded to Elewana Collection.



**Figure 1.2 MINT Revenue Contribution**

Source: Company data

Furthermore, in 2011 company acquired Oaks hotel and resorts and through Oaks, company acquired Grand Hotel and Oasis Resort Caliundra. In fact, many more hotels was acquired under the brand Anantara, OAKS and NIYAMA in Australia. AVANI hotel and Anantara Phuket Layan will soon launched after company had obtained the land on Lanya beach (Anantara) and private island resort in Southwest Coast of Sri Lanka (AVANI) and 2012 St. Regis Hotel and Residences was successfully launched and soon renowned as one of the prestigious standing and premier hotel and residences in Bangkok.

Today, MINT is one of the largest hospitality and leisure companies in the Asia Pacific Region. The company is a hotel owner, operator and investor with a portfolio of over 14,000 rooms across more than 110 hotels, resorts and serviced suites under the Anantara, AVANI, Per AQUUM, Oaks, Elewana, Four Seasons, Marriott, St. Regis and Minor International brands. Today MINT operates its hotel portfolio in 19 countries, including Thailand, the Maldives, Indonesia, the UAE, Vietnam, Malaysia, China, Tanzania, Kenya, Sri Lanka, Cambodia, Australia, New Zealand and many more. In addition, its mixed-use business operates spas, shopping plaza and entertainment outlets, residential properties and a vacation club.



**Figure 1.3 Logo Companies**



### **1.2.2 Restaurant Chain**

Royal Food Group (MFG) was separately found in 1980, with the first Pizza Hut restaurant in Thailand. Six years later MFG franchised Swensen's from company headquarter in San Francisco and developed into Thailand's largest premium ice cream brand. MFG soon launched restaurant under Sizzler brand and ice cream brand Dairy Queen in 1992 and 1996 respectively., 2005 during the same year MFG was introduced Burger King in Thailand.

RGR consolidated MFG operations into the company and open the first international Pizza Company franchised restaurant in Kuwait in 2003. Couple years later, RGR changed the name of the company to Minor International Pcl. (MINT), and soon MFG was delisted from the Stock Exchange of Thailand. MINT expanded its restaurant business into China through the opening of restaurant under two brands, The Pizza Company and Sizzler, a year time it invested heavily to expand its food business, by investing in S&P Syndicate, which company holds 31% stake in S&P.

More acquisitions was made in 2008 after company acquired 50% stakes of The Coffee Club, the Australia's largest homegrown café group and soon acquired of Ribs and Rumps through Coffee Club in 2011. The acquisition continues in 2008 as Thai Express was the next restaurant chain that company acquired after it bought 70% stakes in the company. Today, MINT holds 100% stake in Thai Express. Beijing Riverside & Courtyard was added into restaurant chain portfolio in 2012.

Today, MINT is one of Asia's largest casual dining and quick-service restaurant companies, operating over 1,500 outlets in 20 countries under well know brans such as The Pizza Company, Thai Express, The Coffee Club, Ribs and Rumps, Riverside, Swensen's, Sizzler, Dairy Queen and Burger King.

### **1.2.3 Retail Chain**

In 2009, MINT completed group business restructuring through consolidation of Minor Corporate into the retail trading business. Today, company is one of Thailand's largest distributors of lifestyle brands with over 250 points of sale focusing primarily on fashion and cosmetics. Brands on hand such as GAP, Esprit, Bossini, Charles & Keith, Pedro, Tumi and many more.

## **1.3 Industry Overview and Competitive Positioning**

### **1.3.1 Macro-Economic Analysis : Weak Domestic Performance... but improving**

In 2013, tourism in Thailand had hit the record-breaking in number of international visitors, increased 20% to 27 million visitors, despite on going political concerns in 4Q2014. International tourist arrivals brought in Bht 1.2 trillion in tourism income, and increase of 19% over the prior year. However, number of visitors has decrease dramatically over the last 6 months. Numbers of visitor in Thailand have been declined due to two main reasons i) Politic uncertainty and ii) low traveling seasonal. There are limited impact from coup and martial law in 2Q2014. Number of tourist is still expected to increase over the next few years. The latest data from AOT suggested that international passenger traffic growth in the first three weeks of October turned positive for the first time in eight months (+2.3% y-o-y). An increase number of tourism based on the assumption that this is the beginning of high season for tourism and benefits from the regulation such as granting visa-free travel to Chinese and Taiwanese tourist, further implementation on plans to attract tourist are also likely to be implement by the government.

Consumer confidence had been decreased since the end of 2013 caused by political unrest in Thailand, but has been improved since the National Council for Peace and Order (NCPO) took control. This affect how consumer feel about their spending activities, MINT has seen the affect from the lost of consumer confidence through a slowdown in domestic consumption in 2013. However, consumer confident has recovered in 2Q2014 and 3Q2104, and it is likely to be stable in 4Q2014.

Domestic tourism also has a brighter future as tax cut on travel expenses had been approved by government, hoping to boost tourism and consumption. Local expenses for tour packages and hotels can be deducted from annual personal income to a maximum amount of Bht 15,000 per person. In addition, travel expenses for training and seminars for juristic persons can be deducted at no more than two times the actual expenses incurred without a ceiling. This deduction will be effective from mid-Oct 2014 until at the end of 2015.

Government is expected to generate Bht 3bn of income from tourism operators. This would be a positive effect for businesses in the tourism sector including MINT, as

the proposal should raise hotel occupancy from tourism, business training and seminar event, as well as high consumption on food will likely to happen as consequence.

### **1.3.2 Competitive Analysis**

Direct competitors for hotel industry are Central Plaza Hotel and Dusit Thani group.

Hotel chains are expanding at a rapid rate in both domestic and around the globe. Domestic expansion is due to an increase in number of tourist in Thailand and a recovery from affect from the financial crisis that impacted tourism industry internationally. MINT is likely to face high level of competition throughout prime location of Thailand namely Bangkok, Chiang Mai, Phuket and Samui. Hotel chains such as Centara, Dusit Thani and MINT had been well established all around Thailand, many hotels are owned or managed by these hotel chains. A loosen in regulation and tax exemption for tourist, will surely improve number of tourist. Tourism industry is expected to expand and to find a quick recovery from the damage caused by political turmoil. Damage from political unrest in Thailand forced hotels to be more aggressive in promotional campaign to stay competitive. However, MINT had a very limited impact from this turmoil as company's hotel portfolio is well diversified in over many countries. Minor may also be facing competition from a smaller or standalone hotel from a well-known hotel chain from foreign countries, however, this has not been a real concern for MINT, as company still believe that there is still a lot of demand to be fulfill and room in the market for company to expand.

The Food Chain Industry (FCI) is expanding continuously due to the fact that the majority of consumers have to work in the office far away from home. The current 'rush' society and heavy traffic has left consumers with small amount of time to cook at home. As a result people are more likely to eat out. Correspondingly, the quick service food (QSF) has been made convenient to get, quick to cook and hygienic at reasonable price, matching the demand and lifestyle of city people. Consumers' behavior has helped increase the growth of the FCI. It covers the youngsters but also families, children and working people. As a result, food chain restaurants have become increasingly popular and mushroomed all over Thailand. As FCI has been continuously growing, the competition is higher and higher. There are more players in the market,



invested by entrepreneurs in the food industry and non-food industries such as real estate, logistics and consumer products based locally and internationally. Both local brand and international brand are entering into this market. MINT currently held more than 26% share of the Thai western casual dining restaurant market. Among our total outlets in Thailand, 668 are company-owned while the remaining 342 outlets are franchised. Company adopt an aggressive marketing and promotional campaign in efforts to increase traffic and average spending per head, by capitalized on our ability to identify strategic locations for expansion, both stand-alone outlets and within shopping malls, which in turn witnessed sustained expansion by major retail mall operators and modern trades during the year.

#### 1.3.3.1 Competition in Hotel Business

Currently MINT is operating in 3 main categories of business, hotel, restaurant, and retail. Hotel business is accountable for roughly 50% of total revenue generated, roughly 40% contributed by restaurant business and the remaining 10% through a restaurant chain. Competitors in hotel business are classified by their hotel operation, domestically and internationally. Each competitor both owned and managed hotel in both domestic and in foreign countries. Hotel business rival in Thailand are Centara (CENTEL) and Dusit Thani (DTC). Each company has started from operating a hotel in Thailand, then expanded through owned hotel, managing, joint venture and acquisition to become a renowned hotel operator internationally.

Dusit Thani is occupied in hospitality services, which include the operations of owned hotels, hotel management services and franchise services. Dusit Thani provided related business services through companies within the group. Flagship hotel of Dusit Thani in Thailand is located in Bangkok, it is a first Dusit Thani hotel, a 5 star hotel with 517 keys. In Thailand, Dusit Thani hotels are located Pattaya, Hua-Hin, Chiang Mai Phuket and Korat. Today, Dusit Thani manages its hotel portfolio in 8 countries, including China, Egypt, India, Kenya, Maldives, Philippines, U.A.E, and U.S.A.

Central Plaza Hotel was established by Chirathivat family. Centara is an extension of a family business, a business that has been well established under the name of Central department store. Today Centara manage and own upscale hotels around Thailand and around the globe, including Vietnam, Indonesia, Sri Lanka, Maldives, China, Manutius and Qatar. The company owns more than 15 hotels and resorts or

3,825 keys and managing more than 51 hotels and resorts or 9396 keys, both domestically and internationally.

#### 1.3.3.2 Competition in Restaurant Business

Main competitor in Quick Service Restaurant would be CENTEL. Central Restaurants Group (CRG) operates and manages restaurant chains under CENTEL, company owned and manage some of the renowned restaurant brands in the market. Brand that are currently under the management of CENTEL such as, Mister Donut, KFC, Cold Stone Creamery, Auntie Anne's, OOTOYA, The Terrace and many more. Restaurants are located throughout Bangkok and metropolitan area around Thailand.

MINT has been dominated in both restaurant and hotel business for extensive period of time. Company's restaurant chains business has been well established in Thailand since 1980, brand like such as Four Season, St. Regis, Anantara, and Marriot are renowned internationally. The company's expansion strategy oversea helps strengthening the company and adding competitive advantage on company's network. These factors have reflected on company's performance, the measure of performance shows in comparison with others companies through ROA, ROE and Net Profit Margin.

Pizza Hut (The Pizza Company), Sizzlers, Swensen's, Berger King and DairyQueen, have been well recognized in Thailand for more than a decade. The company is considerably positioned as one of the market leader in hotel business in Thailand. Company's portfolio of hotel chains in Thailand Company currently have the largest revenue among competitors in the market, with an outstanding profit margin and both returning on equity and returning on assets at 11.10%, 18.98% and 10.61% respectively. MINT has considerably high solvency risk (debt ratio = 66% or D/E = 1.32 times). However, it's liquidity ratio quite in an acceptable range (current ration = 0.97 times) and best among competitors. All the companies have negative Cash Conversion Cycle (CCC), where Dusit (DTC) has the lowest CCC, follow by Centel and MINT (-5.29 days). Therefore, MINT shows a great performance among competitors, and a solid financial condition.

#### 1.3.3 Power of diversification

As of end of 3Q2014, MINT owns 38 and manages 70 hotels in 14 countries with 13,128 rooms. Number of rooms in Thailand accounted for 28% of total rooms,

while the remaining 72% are located in every corner of the globe. In addition, MINT had 1,568 restaurants, consisting of 52% from equity-owned outlets, which 65% of the outlets are in Thailand, with the rest located in 20 different countries. Therefore, MINT has implemented a solid diversification strategy in order to capture growth in the new markets and more importantly a cushion against extraordinary events in one country or in one city as in the case of Bangkok demonstration in 2013/2014. This strategy gave company a more stable operating performance and smooth earning growth. International hotel revenue accountable for 40% of total hotel revenue, whereas only 6% back in 2008, and as at 3Q2014 contributed for 51%, which expected to increase to 56% by 2019F. Thailand is still remain the main market for MINT restaurant chain, which mainly driven by domestic consumption, the contribution to total revenue declined from 81% in 2008 to 70% in 2013, still only 30% contribution from international restaurant chain in 2013 and increased to 33% in 3Q2014, but it is projected to increase to 49% by 2019. This will definitely added more cushion for restaurant business performance through company's diversification strategy.

## **1.4 Investment Summary**

### **1.4.1 Cyclical Stock depending on economic trend and holiday seasons**

The hotel business in Thailand is expected to fully recover in 4Q2014, domestic political unrest in Thailand especially in Bangkok has seemed to be improving. Reservation Per Available Room (RevPAR) of owned hotels in Thailand (in particular Bangkok hotels), were impacted by the martial law and coup in the last few quarters, still Bangkok hotels account for only 10% of total hotel & mixed-use revenues (5% of total MINT revenues). The first three quarters Bangkok hotels RevPAR have dropped -40%, -36% and -27% respectively, where hotels in Thailand provinces see a marginally year on year growth in 1Q2014 and 2Q2014 at +3% and +1%, but declined by -4% in 3Q2014. Nevertheless, Thai hotels are seeing improving trend in RevPAR growth month-by-month throughout 3Q2014. However, overseas hotels performed exceptionally well in 1Q2014 and 2Q2014 with +6% and +12% year on year growth, but -5% decreased in 3Q2014 due to the

introduction of new properties with lower RevPAR, which pull down the RevPAR average, together with the renovation of Avani Quy Nhon in Vietnam.

Hotel expansion is expected to continue in 2015 through the implementation of “Asset Right” strategy, which is a combination of “Asset Heavy” (owned and joint venture) and “Asset Light” (management contracts), depending on circumstances and opportunities. Owned hotels are projected to expand by 13% in 2015 and 2016, to total of 3,537 rooms in 2016. Joint Venture projects are expected to expand up to 90% in 2015 from 1,263 rooms to 2,397 rooms but likely to be stable in 2016. Managed hotels are expected to expand by 27% in 2015 (4,334 rooms) and 38% in 2016 (5,969 rooms). These figures are projects that have been signed. The finalizations of on going due diligence and new opportunities that come along the future have not been included.

Tourism market is likely to expand in normal economic situation. However, it had suffered as a result of a strong economic slowdown in 2008-2009 and the outbreak of H1N1 influenza virus. The tourism industry has fully recovered in 2012, with number of international traveller broke the milestone of one billion tourists globally for the first time in history. In 2013-2014 Europe and emerging market economies slowdown has minimal impact on tourism market, as number of tourism still expanding, despite having some regional interruption.

Revenue from restaurant business in the first 9 months of 2014 increased 11% year on year, mainly due to the 13% of the outlet expansion and net profit increased by 3%. A smaller percentage increases of EBITDA and net profit margin mainly due to a slowdown in domestic consumption, which lead to lower operation leverage resulting from negative same-store-sales growth in 1Q2014 in Thailand and 3Q2014 in Singapore. However, Restaurant in Thailand saw a turnaround in same-store-sales growth since 2Q2014 despite a weak operation environment in 1Q2014.

Currently, MINT operates four restaurant hubs: Thailand, Singapore, Australia and China. MINT’s restaurant presence is now in 21 countries across the region. Restaurants are operating owned, franchised and combination of both business models. The company has been continuously expanding in the last five years, total revenue contribution from international operation has grown from 19% in 2008 to 33% in 9M2014. MINT is continuing its international expansion and increase the forecast of international revenue contribute to 49% of total revenue by the end of 2019.



In 2015, domestic tourism is likely to be improved, as V shape recovery in Thai economy is expected from it's low in the first two quarters of 2014 and consumer confidence should also be improved in 2015 as a result. Numbers show that restaurants same-store-sales growth started to pick up since the 2Q2014, this shows that domestic consumption and consumer confidence has recovered.

## **1.5 Valuation**

### **1.5.1 Assumption for MINT Projected Cash Flow:**

Revenue of hotel business grows with RevPAR growth and total number of hotel rooms. Based on the assumption, MINT's hotel business is expecting to see an increase on revenue from an increase in total number of hotel rooms and an increase in overall RevPAR (oversea and Thailand).

Revenue of restaurant business grows with total number of outlet and sales growth. Sales growth can be separated into two scopes, Same-Store-Sales-Growth (SSSG) and Total-System-Sales-Growth (TSSG). Higher the SSSG give business more operation leverage and higher profit margin. Higher TSSG drives revenue to increase. MINT's restaurant business sees both increase in TSSG from an expansion in total number of outlets and SSSG.

### **1.5.2 Expansion of new hotels and outlets:**

3Q2014 total number of hotel rooms has increase 15% year-on-year, with estimation of total room increase of 742 rooms will be added before the end of 2014, which brings total number of room to 14,207 rooms. Hotel rooms system-wide expansion for 2015 and 2016 is estimated to increase by 35% and 14% respectively, the expansion will be mainly through managed hotel and joint venture. This pipeline expansion figures are based on the current signed deal only. Restaurant outlets has expanded 13% year-on-year in 3Q2013 to total of 1,648 outlets and it is estimated to expand to 3,365 outlets by 2019 or an annual growth rate of 15.35%, which will be mainly focus on an oversea expansion.

According to the latest company data 9M2013, Revenue from Hotel & Mixed Used is account for 48% of total revenue, Restaurant and Retail is account for 43% and 9% respectively. However, from the trend of the pipeline expansion, the forecast would be that hotel & mixed used revenue contribution will likely to increase to approximately 51% of total revenue, or 45% from owned and manage hotel and 6% from real estate. Where revenue generated by Restaurant and Retail accounts for 49% of total revenue, or breakdown to 43% and 6% respectively.

### **1.5.3 Revenue Growth and Net Profit:**

Revenue from hotel business is expected to pickup in the last quarter of 2014, as RevPAR in Thailand has shown a positive trend in the third quarter. International expansion in 2014 will increase revenue from oversea and its contribution to total revenue. The expansion of OAKS' in Australia is expecting to bring a high revenue for MINT in 2014 and 2015, with a consistent 70%+ occupancy rate, expectation of the last quarter to generate a substantial revenue growth through a higher occupancy rate and peak in average daily price (ADR). Projected revenues for 2014 and 2015 are in line with exponential growth in both domestic and oversea market.

Restaurant business is expecting to recover in domestic market and will show a positive SSSG again in the last quarter of 2014, 9M2014 revenue increased by 11% year-on-year despite the slowdown in domestic consumption which lead to lower operating leverage and as a result a lower net profit margin. Projection for restaurant business in the next two year will be a steady growth at 15% and 12% until 2018, primarily from the outlet expansion and a turnaround of domestic consumption. Australia hub performed extraordinarily well in 2013, although it contributes only 1% to MINT restaurant business's revenues but accounting for 13% to the total restaurant's net profit. Coffee Club (including Ribs and Rumps) achieving a 34% increases in net profit and account for 9% of restaurant business's net profit.

### **1.5.4 Terminal Value Assumption:**

Assumption needed to be made in order to calculate the terminal value of the company. Assumption made on perpetual growth at 3.5%, which might be lower than the forecasts of the nominal GDP expected from many sources. I am being pessimistic

about the world economy, I believe that world economy will soon be facing another dramatic economic slowdown, or in the other word, we are on the verge of another financial crisis. Therefore, it would be safer approach to take a more conservative approach to the perpetual growth.

### **1.5.5 Capital Expenditure (CAPX):**

The expansion of both hotel and restaurant business, can be leverage through restaurant franchising or hotel management contracts. Capital Expenditure is mainly being use for the expansion of owned hotel, restaurant and joint venture. However, MINT expected expansion would be mainly through management contracts and franchises.

### **1.5.6 Weight Average Cost of Capital (WACC):**

CAPM model is being used to calculate cost of equity by using 10 year-government bonds at the rate of 3.41% as at 08 October 2014 from ThaiBMA. The expected risk premium of 7.40% from Professor Aswath Damodaran website and the adjusted beta of 1.181 from Bloomberg. Therefore, cost of equity for the company is at 12.15%.

Cost of debt calculated by using Financial Cost in year 2013 divide by the summation of 2012 and 2013, Short Term debt, Current Long Term Debt and Long Term Debt, divided by 2. From the calculation of under this method, the cost of debt is equal to 4.34%. WACC is equal to 7.12%

### **1.5.7 Valuation Method Conclusion**

Forecasted free cash flow for the firm (FFCF) is being used for a valuation as the model shows an intrinsic value of the firm and the model is suitable for long-term investment and value orient investor. Value of the company will be increase from an income that will be generated through the future expansion of hotel and restaurant chains, therefore future cash flow will determine the actual value of the firm. Applying DCF model to evaluate the firm (MINT), and we recommend “BUY” with a target price as 40.00 baht with the upside gain of 14.0% (current price at 35 baht, 23 January 2015).



## 1.6 Downside Possibility

Expansion falls short of the estimation: Uncertainty is the only certainty. The following possibilities can be treated as the downside risk of the forecasted earning. First, if MINT missed the estimation of the expansion of either restaurant or hotel business. Second, an impact of slowdown in sales from decrease in RevPAR or SSSG that affects operating leverage, which drive down the net profit. The second possibility could be a result of a strong growth of existing competitor and new competitor entry into the market or an uncertainty on political, breakout of a virus or natural disaster.

Note: Breakout of Ebo virus in Africa countries could get worsen and could affect on number of tourist visiting MINT's Africa hotels. This could have a directly impact on RevPAR for hotel which could be in the area.

## 1.7 Investment Risks

Economic uncertainty domestically and internationally: There are many uncertainties on current global politic situation and economy outlook in many regions, conflict between Russia and U.S caused fluctuation on currencies. Europe may experiences a flat growth for many years to come, as European economic situation has yet see the sign of recovery if not worsen. However, a new round of Quantitative Easing is expected to be implement by European Central Bank to fight a deflation.

Global crisis event cycle, global economy has enjoyed a growth and a recovery stage for the last 4-6 years, from 2008 the financial crisis in U.S and 2010 in Europe. The question would be, where is the next inflated bubble, when will it popped and how it will impact the business?

Federal Reserve had tapered the latest round of Quantitative Easing and considering for an interest rate hike. Fed adjusted its language about whether when it will increase an interest rate, from "considerable time" to it will be "patient" in the latest Federal Open Market Committee meeting. This might be a signal that, an increase in interest rate may come sooner than what the market expected. Increase in an interest rate will cause a change in the direction of fund flow, which is likely to be flowing back U.S.

The volatility of currency is crucial to MINT's earning, as MINT had established nearly half of its business oversea and invested in foreign companies. An appreciation or depreciation of Thai baht could affect MINT's earning. However, businesses that are established in foreign country, profit and loss will be determined in foreign currency. Income and cash flow from foreign entity will then be translated into group report currency at the weight average exchange rate.



## CHAPTER II DATA

### 2.1 Company's Information

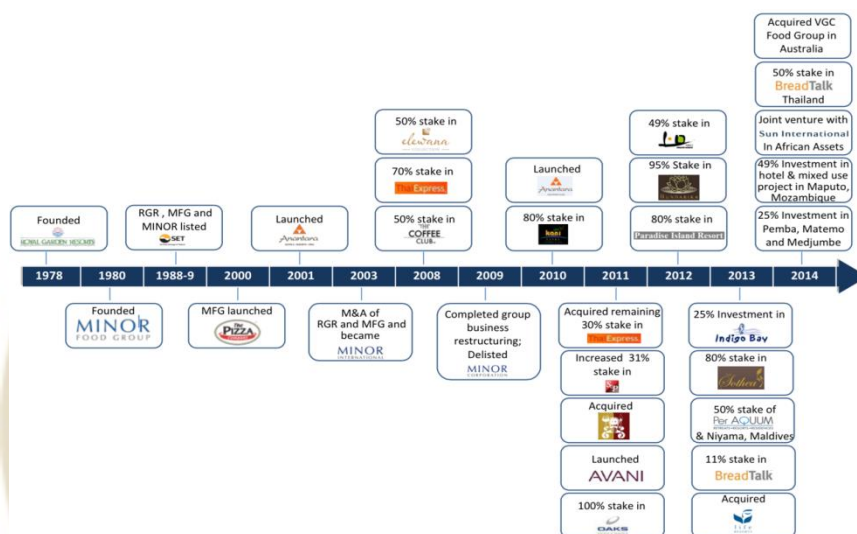


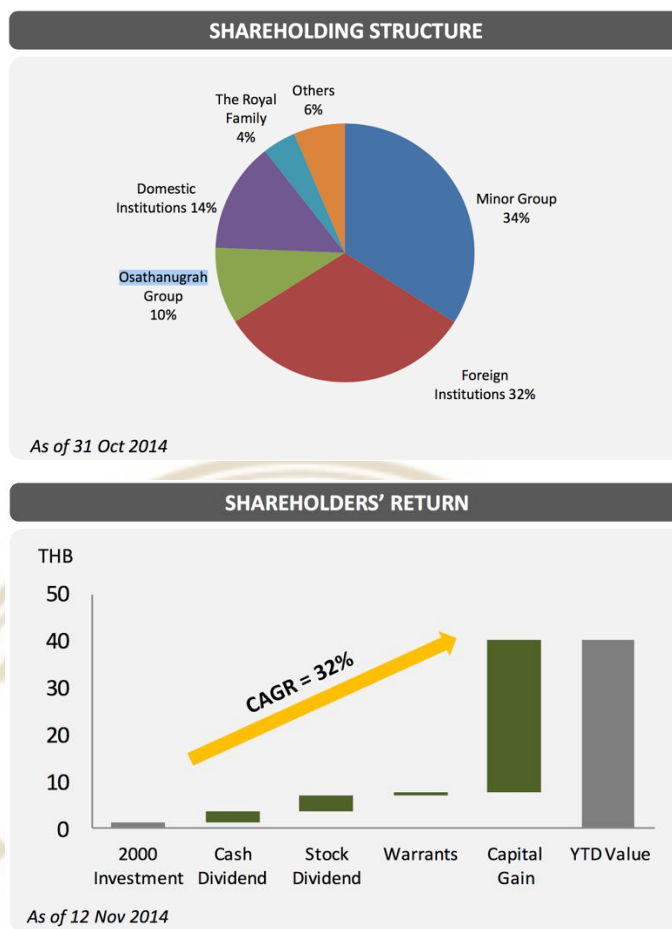
Figure 2.1 Business Structure

Source: Company data

Shareholder as of 21/10/2014 - XR				
Total Shareholders		12,978 % Shares in Scripless Holding		93.46
Rank	Major Shareholders	Nationality	# Shares (Shares)	% Shares
1.	บริษัท โคมินท์ โฮลดิ้ง (ไทย) จำกัด	ไทย	611,606,982	15.28
2.	UBS AG SINGAPORE BRANCH	SWISS	475,330,251	11.88
3.	นายคณินธร เกตุวิฑูร์ โคมินท์	ไทย	342,274,027	8.55
4.	นายธีร์ โสภานุเคราะห์	ไทย	315,086,452	7.87
5.	บริษัท โคมินท์อินฟรา จำกัด	ไทย	254,668,134	6.36
6.	CREDIT SUISSE AG, SINGAPORE BRANCH	SWISS	152,916,094	3.82
7.	STATE STREET BANK EUROPE LIMITED	BRITISH	113,585,110	2.84
8.	พระบาทสมเด็จพระปรมินทรมหาภูมิพลอดุลยเดช	ไทย	87,689,741	2.19
9.	STATE STREET BANK AND TRUST COMPANY	AMERICAN	58,997,434	1.47
10.	HSBC (SINGAPORE) NOMINEES PTE LTD	SINGAPOREAN	50,034,230	1.25
11.	บริษัท โคมินท์ โฮลดิ้ง (ไทย)	ไทย	50,000,000	1.25
12.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	FRENCH	45,733,002	1.14
13.	กองทุนบำเหน็จบำนาญข้าราชการ (EQ-TH)	ไทย	43,870,340	1.10
14.	สำนักงานประกันสังคม (2 กรณี)	ไทย	43,775,875	1.09
15.	BANK OF SINGAPORE LIMITED	SINGAPOREAN	41,244,556	1.03
16.	RBC INVESTOR SERVICES TRUST	BRITISH	35,449,233	0.89
17.	บริษัท นานกอร์ปแอนด์ จำกัด	ไทย	35,055,542	0.88
18.	นายหญิงวิมลวิมล สดุดะควน	ไทย	34,982,784	0.87
19.	นางสมพร โสภานุเคราะห์	ไทย	32,534,510	0.81
20.	THE BANK OF NEW YORK (NOMINEES) LIMITED	BRITISH	31,414,941	0.79
21.	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, FUND SERVICES DEPARTMENT	HONGKONG	27,753,882	0.69
22.	ธนาคาร ไทยพาณิชย์ จำกัด (มหาชน)	ไทย	25,692,898	0.64
23.	NORTRUST NOMINEES LIMITED-NTD SEC LENDING THAILAND	BRITISH	22,755,520	0.57
24.	นายอุษาศ สดุดะควน	ไทย	20,690,000	0.52
<b>MINOR INTERNATIONAL PUBLIC COMPANY LIMITED</b>				
Free Float as of 07/03/2014		10,787 % Shares in Minor Shareholders (% Free float)		50.97

Figure 2.2 MINT Major Shareholders & Free float

Source: SetSmart.



**Figure 2.3 Shareholding Structure & Return**



**Figure 2.4 Management Team**

Source: Company data

## 2.2 SWOT Analysis

### 2.2.1 S (Strengths)

- Strong expertise in hotel management and restaurant chain business, in both Thailand and internationally.
- Well established restaurant and hotel brands in portfolio.

### 2.2.2 W (Weaknesses)

- More than half of the revenue still from one country (Thailand).
- The core businesses relied heavily on human resource.
- Uncertainty on the new oversea acquisitions and its managements.

### **2.2.3 O (Opportunities)**

- Recovery in Thailand's tourism industry.
- Increasing in number of tourist in Thailand.
- Hotel expansion oversea, both owns and managing.

### **2.2.4 T (Threats)**

- Political uncertainties and Natural disasters.
- Slower growth in domestic consumption.
- Extreme fluctuation in currency exchange market.

## **2.3 Porter's 5 Forces**

### **2.3.1 Competition in the Industry**

Hotel and restaurant chain can be considered as a very highly competitive industry. However, company with established brand can be consider as competitive advantage within the industry. MINT's brands are well established within Thailand and oversea, Anatara(hotel), Swensen's and Pizza Company(restaurant) in South East Asia region and OAKS(hotel) and COFFEE CLUB(restaurant) in Australia, are few examples of well established brands. Newly introduced brands are benefiting from the knowhow of the management team in both domestic and oversea markets.

### **2.3.2 Threat of New Entry**

Establishing a new hotel chains can be very difficult as it required a significant amount of money and it would take a long period of time to be able to establish a brand in the market. A new hotel chain entering into the market will not be significantly affecting the current market shares of the company, as there are many hotel categories and consumer segments in the market. Location wise can give each hotel a unique advantage and limiting the effect of new competitors entering into the market.

Restaurant business can be extremely competitive and the cost of entry in considerably low. However, it is not an easy task to establish a restaurant chain in the market, especially the segments which company currently operating.



### **2.3.3 Threat of Substitution**

In an era of technology company replacing many of traditional businesses. Hotel market has been threaten by a newly established technology company called AirBnB. It is the closest substitute that could be replacing a hotel. As mentioned, hotel market can be separated into many segments and this new business model can only be replacing partly of a certain segment of the market. Experience and services is still a crucial factor in hotel business, it is not an easy element which can be easily duplicated.

### **2.3.4 Buyer Bargaining Power**

Level of buyer bargaining power of hotels can be seasonal. In high season buyer's bargaining power tend to be lower than in low season, as there are higher demands for hotel during the high season and rooms are likely to be short of supply. However, buyer/customer still has considerably high bargaining power, because the switching cost (to competitor) is low. Buyer bargaining power in restaurant business has a similarity to hotel business, as bargaining power is varying depends on level of demand, with low switching cost.

### **2.3.5 Supplier Bargaining Power**

Minor owns a large hotel and restaurant chains, resulting in an economy of scale. Which gives the company higher bargaining power over its supplier.



## 2.4 Income Statement

**Table 2.1 5-year Income Statement and Forecast**

Income Statement	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
RENDERING OF SERVICES	16,460.01	18,139.90	26,136.79	31,310.16	34,668.72	39,915.90	46,485.09	52,058.81	58,304.69	65,304.12
REVENUES FROM SALES (Restaurant + Retail)	10,575.48	12,270.40	13,633.45	15,135.30	17,391.43	19,461.85	22,021.83	24,706.87	27,719.30	31,099.02
REVENUES FROM SALES OF REAL ESTATE	00.00	00.00	2,820.83	2,898.52	3,319.88	2,656.00	3,187.20	3,462.69	3,761.99	4,087.16
REVENUES FROM RENDERING OF SERVICES	5,884.52	5,869.50	9,682.52	13,276.33	13,957.41	17,798.05	21,276.06	23,889.25	26,823.40	30,117.93
OTHER INCOME	662.13	732.80	1,931.25	1,237.05	1,737.61	1,929.44	2,142.44	2,378.95	2,641.58	2,933.20
INTEREST INCOME	-	-	-	80.77	228.94					
DIVIDEND INCOME	47.76	82.56	83.79	00.32	08.78					
OTHER INCOMES - OTHERS	614.37	650.25	1,847.46	1,155.96	1,499.90					
SHARES OF PROFITS FROM INVESTMENTS	168.65	216.54	263.81	446.30	529.90	493.49	574.71	643.61	720.83	807.37
<b>TOTAL REVENUES</b>	<b>17,290.79</b>	<b>19,089.25</b>	<b>28,331.86</b>	<b>32,993.51</b>	<b>36,936.24</b>	<b>42,338.83</b>	<b>49,202.23</b>	<b>55,081.38</b>	<b>61,667.10</b>	<b>69,044.68</b>
SERVICES	6,612.73	7,704.15	11,267.32	13,790.23	14,548.65	17,160.88	20,037.39	22,445.32	25,144.13	28,169.11
COST OF GOODS SOLD	3,946.59	4,835.10	5,351.75	5,995.54	6,638.74	7,541.97	8,534.02	9,574.55	10,741.94	12,051.67
COST OF SALES OF PROPERTY	00.00	00.00	1,332.39	1,195.00	968.44	1,041.44	1,249.73	1,357.75	1,475.11	1,602.62
COST OF RENDERING OF SERVICES	2,666.15	2,869.05	4,583.17	6,599.70	6,941.47	8,577.46	10,253.63	11,513.01	12,927.08	14,514.82
SELLING AND ADMINISTRATIVE EXPENSES	8,346.26	9,201.38	12,843.78	14,315.27	16,503.81	19,470.71	22,675.11	25,393.94	28,440.63	31,854.90
SELLING EXPENSES	6,741.91	6,988.44	9,501.03	10,394.83	12,051.52					
ADMINISTRATIVE EXPENSES	1,604.35	2,212.94	3,342.75	3,920.44	4,452.30					
OTHER EXPENSES	00.00	00.00	00.00	00.00	00.00					
LOSS ON FOREIGN CURRENCY EXCHANGE	00.00	00.00	00.00	00.00	00.00					
MANAGEMENT AND DIRECTORS' REMUNERATION	101.52	117.73	00.00	00.00	00.00					
<b>TOTAL EXPENSES</b>	<b>15,060.52</b>	<b>17,023.26</b>	<b>24,111.10</b>	<b>28,105.50</b>	<b>31,052.47</b>	<b>36,631.58</b>	<b>42,712.50</b>	<b>47,839.25</b>	<b>53,584.77</b>	<b>60,024.01</b>
EBIT	2,230.27	2,065.99	4,220.76	4,888.01	5,883.77	5,707.25	6,489.73	7,242.13	8,082.34	9,020.67
FINANCE COSTS	428.71	458.08	879.40	1,085.38	1,027.10	1,025.54	1,025.54	1,025.54	1,025.54	1,025.54
EBT	1,801.56	1,607.91	3,341.36	3,802.63	4,856.67	4,681.71	5,464.19	6,216.59	7,056.80	7,995.13
INCOME TAX EXPENSES	305.77	291.07	414.53	392.57	675.09	936.34	1,092.84	1,243.32	1,411.36	1,599.03
<b>NET PROFIT (LOSS)</b>	<b>1,495.79</b>	<b>1,316.84</b>	<b>2,926.83</b>	<b>3,410.05</b>	<b>4,181.58</b>	<b>3,745.36</b>	<b>4,371.35</b>	<b>4,973.27</b>	<b>5,645.44</b>	<b>6,396.10</b>
INTEREST	95.47	75.74	46.69	01.50	80.20	71.83	83.84	95.38	108.27	122.67
HOLDERS OF THE PARENT	1,400.32	1,241.10	2,880.14	3,408.55	4,101.38	3,673.53	4,287.52	4,877.89	5,537.17	6,273.43
EBITDA	3,710.00	3,595.50	6,197.29	7,117.59	8,301.86	8,521.01	9,256.22	9,995.53	10,721.84	11,548.35
BASIC EARNINGS PER SHARE (UNIT : BAHT)	00.00	00.00	00.00	00.00	00.00					
Dividend per share	00.00	00.00	00.00	00.00	00.00					
DILUTED EARNINGS PER SHARE (UNIT : BAHT)	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
DIVIDEND PAID	-1,053.63	-581.12	-502.80	-498.87	-1,191.90	-1,260.95	-1,471.71	-1,674.35	-1,900.65	-2,153.38

## 2.5 Statement of Financial Position

**Table 2.2 5-year Statement of Financial Position and Forecast**

	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
CASH AND CASH EQUIVALENTS	968.82	1,156.28	1,145.78	3,702.39	3,370.48	5,146.34	3,835.22	4,677.37	7,768.78	11,174.64
Account Receivables (Debtors)	1,000.23	1,047.37	2,739.26	2,954.82	3,331.51	3,303.27	3,846.91	4,308.16	4,825.05	5,404.29
INVENTORIES	1,239.80	3,488.13	3,061.77	2,662.68	3,114.34	3,802.50	4,302.68	4,827.29	5,415.87	6,076.20
OTHER SHORT-TERM ACCOUNT RECEIVABLES - NET	65.27	00.00	00.00	00.00						
OTHER CURRENT ASSETS	1,642.64	1,155.36	659.87	941.06	815.84	763.14	713.85	667.74	624.61	584.27
<b>TOTAL CURRENT ASSETS</b>	<b>4,916.75</b>	<b>6,847.14</b>	<b>7,606.68</b>	<b>10,260.96</b>	<b>10,632.17</b>	<b>13,015.25</b>	<b>12,698.65</b>	<b>14,480.56</b>	<b>18,634.30</b>	<b>23,239.40</b>
INVESTMENT IN ASSOCIATES JOINT VENTURES	1,353.10	1,535.86	3,925.13	4,211.04	4,998.70	6,570.61	8,636.82	11,352.78	11,352.78	11,352.78
PROPERTY, PLANT AND EQUIPMENTS - NET	14,064.36	10,838.78	17,137.37	18,189.03	21,744.64	22,831.88	23,973.47	25,172.14	26,430.75	27,752.29
Other Non-Current (LT) Assets	7,936.62	13,564.40	12,196.02	18,313.95	22,560.75	22,560.75	22,560.75	22,560.75	22,560.75	22,560.75
<b>TOTAL NON-CURRENT ASSETS</b>	<b>23,354.07</b>	<b>25,939.03</b>	<b>33,258.52</b>	<b>40,714.03</b>	<b>49,304.09</b>	<b>51,963.23</b>	<b>55,171.04</b>	<b>59,085.68</b>	<b>60,344.28</b>	<b>61,665.82</b>
<b>TOTAL ASSETS</b>	<b>28,270.82</b>	<b>32,786.17</b>	<b>40,865.20</b>	<b>50,974.98</b>	<b>59,936.27</b>	<b>64,978.49</b>	<b>67,869.69</b>	<b>73,566.24</b>	<b>78,978.58</b>	<b>84,905.22</b>
ST Debt	683.34	576.81	1,097.35	910.38	970.96	970.96	970.96	970.96	970.96	970.96
Account Payables (Creditor)	1,201.37	1,114.49	3,992.36	4,639.86	4,997.77	4,669.98	5,452.77	6,108.04	6,842.46	7,665.65
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>4,792.72</b>	<b>4,367.34</b>	<b>3,497.02</b>	<b>3,389.08</b>	<b>4,989.74</b>	<b>4,989.74</b>	<b>4,989.74</b>	<b>4,989.74</b>	<b>4,989.74</b>	<b>4,989.74</b>
OTHER SHORT-TERM ACCOUNT PAYABLES - NET	29.17	00.00	00.00	00.00	00.00					
CURRENT PORTION OF LONG-TERM LIABILITIES	1,810.02	1,555.02	3,263.40	2,360.18	3,624.27	3,624.27	3,624.27	3,624.27	3,624.27	3,624.27
LONG-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	535.02	555.02	382.16	295.31	00.00					
LONG-TERM BORROWINGS FROM OTHER PARTIES	-	-	-	-	1,539.83					
FINANCE LEASE LIABILITIES	-	-	141.24	64.87	24.44					
DEBENTURES AND DEBT CERTIFICATES	1,275.00	1,000.00	1,840.00	2,000.00	2,060.00					
OTHER LONG-TERM LIABILITIES	-	-	-	-	-					
CURRENT PORTION OF DEFERRED INCOME	32.18	27.50	42.67	68.80	72.11	72.11	72.11	72.11	72.11	72.11
<b>OTHER CURRENT LIABILITIES</b>	<b>2,921.34</b>	<b>2,784.81</b>	<b>1,090.94</b>	<b>960.11</b>	<b>1,293.36</b>	<b>1,293.36</b>	<b>1,293.36</b>	<b>1,293.36</b>	<b>1,293.36</b>	<b>1,293.36</b>
CORPORATE INCOME TAX PAYABLE	198.62	156.61	210.16	183.34	384.46					
ACCRUED EXPENSE	858.15	957.16	-	-	-					
OTHER CURRENT LIABILITIES - OTHERS	1,864.58	1,671.04	880.78	776.77	908.89					
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,677.42</b>	<b>6,058.64</b>	<b>8,586.73</b>	<b>8,939.33</b>	<b>10,958.46</b>	<b>10,630.68</b>	<b>11,413.46</b>	<b>12,068.73</b>	<b>12,803.16</b>	<b>13,626.35</b>
LT Debt	9,036.55	12,235.86	16,363.36	20,892.24	18,602.40	18,602.40	18,602.40	18,602.40	18,602.40	18,602.40
LONG-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	2,136.55	2,335.86	5,923.30	6,497.32	00.00					
LONG-TERM BORROWINGS FROM OTHER PARTIES	-	-	-	-	6,290.98					
FINANCE LEASE LIABILITIES	-	-	80.06	34.91	11.42					
DEBENTURES AND DEBT CERTIFICATES	6,900.00	9,900.00	10,360.00	14,360.00	12,300.00					
Other LT Liability	502.61	685.77	980.61	1,796.89	3,500.73	3,500.73	3,500.73	3,500.73	3,500.73	3,500.73
OBLIGATIONS	167.07	117.34	151.39	179.78	200.73					
DEFERRED TAX LIABILITIES	-	-	-	-	2,100.14					
OTHER NON-CURRENT LIABILITIES	335.54	568.43	829.22	1,617.11	1,199.86	00.00	00.00	00.00	00.00	00.00
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>9,539.16</b>	<b>12,921.63</b>	<b>17,343.97</b>	<b>22,689.13</b>	<b>22,103.13</b>	<b>22,103.13</b>	<b>22,103.13</b>	<b>22,103.13</b>	<b>22,103.13</b>	<b>22,103.13</b>
<b>TOTAL LIABILITIES</b>	<b>16,216.58</b>	<b>18,980.27</b>	<b>25,930.70</b>	<b>31,628.45</b>	<b>33,061.60</b>	<b>32,733.81</b>	<b>33,516.60</b>	<b>34,171.87</b>	<b>34,906.29</b>	<b>35,729.48</b>
ISSUED AND FULLY PAID-UP SHARE CAPITAL	3,246.42	3,262.34	3,275.22	3,686.77	4,001.36	4,001.36	4,001.36	4,001.36	4,001.36	4,001.36
PREMIUM (DISCOUNT) ON SHARE CAPITAL	3,065.86	3,133.79	3,215.33	3,995.90	7,331.86	7,331.86	7,331.86	7,331.86	7,331.86	7,331.86
RETAINED EARNINGS (DEFICIT)	5,635.34	6,388.29	8,728.17	11,314.66	13,964.22	16,376.80	19,192.61	22,396.15	26,032.66	30,152.71
SUBSIDIARIES	-	-	-	-	-					
OTHER COMPONENTS OF EQUITY	-795.59	139.65	-851.37	-863.93	-207.03					
Shareholder's Equity	11,152.03	12,924.08	14,367.35	18,133.39	25,090.41	27,710.02	30,525.83	33,729.36	37,365.88	41,485.93
Minority Interest	902.22	881.82	567.16	1,213.13	1,784.26	1,784.26	1,784.26	1,784.26	1,784.26	1,784.26
<b>TOTAL EQUITY</b>	<b>12,054.24</b>	<b>13,805.90</b>	<b>14,934.51</b>	<b>19,346.53</b>	<b>26,874.67</b>	<b>32,263.43</b>	<b>34,393.08</b>	<b>39,458.17</b>	<b>44,162.81</b>	<b>49,296.24</b>
<b>Total Liability and Equity</b>	<b>28,270.82</b>	<b>32,786.17</b>	<b>40,865.20</b>	<b>50,974.98</b>	<b>59,936.27</b>	<b>64,997.25</b>	<b>67,909.68</b>	<b>73,630.04</b>	<b>79,069.10</b>	<b>85,025.72</b>

## 2.6 Statement of Cash Flow

**Table 2.3 5-year Statement of Cash Flow and Forecast**

	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
PROFIT (LOSS) BEFORE FINANCIAL COSTS AND/OR INCOME TAX EXPENSES	1,801.56	1,607.91	3,341.36	3,802.63	4,856.67	4,681.71	5,464.19	6,216.59	7,056.80	7,995.13
DEPRECIATION AND AMORTISATION	1,575.20	1,605.25	2,023.22	2,231.09	2,498.29	2,885.59	2,850.32	2,848.78	2,747.77	2,650.35
Change in NOWC	247.51	148.43	-207.55	794.03	606.80	-987.70	-261.03	-330.60	-371.03	-416.40
FINANCE COSTS	428.71	458.08	879.40	1,085.38	1,027.10	1,025.54	1,025.54	1,025.54	1,025.54	1,025.54
OTHER RECONCILIATION ITEMS	-137.34	-96.64	-202.80	-116.67	-446.03					
<b>CASH FLOWS FROM (USED IN) OPERATIONS</b>	<b>3,606.01</b>	<b>3,339.90</b>	<b>4,837.80</b>	<b>6,563.25</b>	<b>7,437.56</b>	<b>8,592.84</b>	<b>9,340.06</b>	<b>10,090.91</b>	<b>10,830.11</b>	<b>11,671.02</b>
(INCREASE) DECREASE IN OPERATING ASSETS	-192.01	-197.38	-08.42	-1,347.78	-1,846.70	-607.22	-994.52	-939.76	-1,062.33	-1,199.24
(INCREASE) DECREASE IN Receivables	-175.48	28.56	-596.44	-573.86	-165.20	28.25	-543.64	-461.26	-516.88	-579.24
(INCREASE) DECREASE IN INVENTORIES	84.62	-212.97	626.77	646.86	200.70	-688.16	-500.17	-524.61	-588.58	-660.34
(INCREASE) DECREASE IN OTHER CURRENT ASSETS	-101.15	-12.98	-38.75	-179.44	-153.49	52.70	49.29	46.11	43.13	40.34
(INCREASE) DECREASE IN OTHER NON-CURRENT ASSETS	-	-	-	-1,241.34	-1,728.71	00.00	00.00	00.00	00.00	00.00
INCREASE (DECREASE) IN OPERATING LIABILITIES	205.99	203.09	419.85	417.52	900.88	-327.78	782.78	655.27	734.43	823.19
INCREASE (DECREASE) IN Account Payables	114.39	-19.35	416.22	476.85	444.13	-327.78	782.78	655.27	734.43	823.19
INCREASE (DECREASE) IN OTHER CURRENT LIABILITIES	95.88	238.42	88.57	-105.91	198.06	00.00	00.00	00.00	00.00	00.00
INCREASE (DECREASE) IN OTHER NON-CURRENT LIABILITIES	-04.28	-15.98	92.20	46.58	258.69	00.00	00.00	00.00	00.00	00.00
CASH GENERATED FROM OPERATIONS	3,619.99	3,345.61	5,249.23	5,632.99	6,491.74	7,657.84	9,128.32	9,806.42	10,502.21	11,294.97
INTEREST PAID	-366.69	-448.12	-827.61	-1,077.37	-1,030.06	-1,025.54	-1,025.54	-1,025.54	-1,025.54	-1,025.54
INCOME TAX PAID	-458.16	-357.31	-608.22	-509.78	-280.73	-936.34	-1,092.84	-1,243.32	-1,411.36	-1,599.03
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>2,795.14</b>	<b>2,540.18</b>	<b>3,813.40</b>	<b>4,045.83</b>	<b>5,180.95</b>	<b>5,695.95</b>	<b>7,009.94</b>	<b>7,537.56</b>	<b>8,065.31</b>	<b>8,670.40</b>
CAPEX	-2,528.01	-4,309.39	-2,796.07	-4,355.99	-4,452.47	-1,087.23	-4,783.14	-2,305.10	-3,073.25	-3,111.15
(INCREASE) DECREASE IN PROPERTY, PLANT AND EQUIPMENTS	-2,463.06	-4,236.39	-2,768.58	-4,055.43	-4,110.18	-1,087.23	-1,141.59	-1,198.67	-1,258.61	-1,321.54
(INCREASE) DECREASE IN LONGTERM INVESTMENTS	-64.95	-73.01	-27.48	-300.56	-342.29	-	-3,641.55	-1,106.42	-1,814.64	-1,789.61
(INCREASE) DECREASE IN INVESTMENT IN SUBSIDIARIES AND ASSOCIATES	-299.91	-1,007.52	-3,439.21	-1,387.13	-1,708.28	-1,571.91	-2,066.21	-2,715.96	00.00	00.00
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>-3,010.52</b>	<b>-4,752.77</b>	<b>-6,538.56</b>	<b>-6,329.05</b>	<b>-6,973.60</b>	<b>-2,659.14</b>	<b>-6,849.36</b>	<b>-5,021.06</b>	<b>-3,073.25</b>	<b>-3,111.15</b>
DIVIDEND PAID	-1,053.63	-581.12	-502.80	-498.87	-1,191.90	-1,260.95	-1,471.71	-1,674.35	-1,900.65	-2,153.38
OTHER ITEMS	-	-	-	09.67	35.44	-	-	-	-	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>-160.47</b>	<b>2,412.63</b>	<b>2,669.79</b>	<b>4,834.11</b>	<b>1,444.91</b>	<b>-1,260.95</b>	<b>-1,471.71</b>	<b>-1,674.35</b>	<b>-1,900.65</b>	<b>-2,153.38</b>
OTHER ITEMS	-	-	-	-	-	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	-375.85	200.05	-55.37	2,550.89	-347.74	1,775.86	-1,311.12	842.15	3,091.41	3,405.87
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-04.04	-14.63	39.79	01.22	18.37	-	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING BALANCE</b>	<b>1,349.17</b>	<b>968.82</b>	<b>1,156.28</b>	<b>1,145.78</b>	<b>3,702.39</b>	<b>3,370.48</b>	<b>5,146.34</b>	<b>3,835.22</b>	<b>4,677.37</b>	<b>7,768.78</b>
<b>CASH AND CASH EQUIVALENTS, ENDING BALANCE</b>	<b>968.82</b>	<b>1,156.28</b>	<b>1,145.78</b>	<b>3,702.39</b>	<b>3,370.48</b>	<b>5,146.34</b>	<b>3,835.22</b>	<b>4,677.37</b>	<b>7,768.78</b>	<b>11,174.64</b>

## 2.7 Key Financial Ratio

**Table 2.4 Key Financial Ratio**

Key Financial Ratio	2009A	2010A	2011A	2012A	2013A	2014F	2015F	2016F	2017F	2018F
<b>Liquidity Ratio</b>										
Current Ratio (x)	0.736	1.130	0.886	1.148	0.970	1.224	1.113	1.200	1.455	1.705
Quick Ratio (x)	0.295	0.364	0.452	0.745	0.612	0.795	0.673	0.745	0.984	1.217
Cash Ratio (x)	0.145	0.191	0.133	0.414	0.308	0.484	0.336	0.388	0.607	0.820
<b>Efficiency Ratio</b>										
Total Asset Turnover (x)	0.62	0.59	0.71	0.68	0.63	0.64	0.70	0.74	0.76	0.80
Fixed Asset Turnover (x)	1.23	1.46	1.87	1.77	1.74	1.79	1.99	2.12	2.26	2.41
Acc Receivable Turnover (x)	22.15	17.72	13.80	11.00	11.03	12.03	13.00	12.77	12.77	12.77
Collection Period (days)	16.48	20.60	26.44	33.19	33.09	30.33	28.07	28.59	28.59	28.59
Inventory Turnover (x)	5.93	3.26	3.44	4.82	5.04	4.96	4.94	4.92	4.91	4.90
Days in Inventory (days)	61.51	112.00	106.09	75.76	72.47	73.56	73.82	74.23	74.35	74.45
Payables Turnover (x)	6.69	8.60	4.25	3.10	3.11	3.69	4.06	3.97	3.97	3.97
Payables Period (days)	54.53	42.47	85.97	117.64	117.26	98.85	89.95	91.85	91.85	91.84
Cash Conversion Cycle (days)	23.46	90.13	46.56	(8.70)	(11.70)	5.04	11.94	10.97	11.09	11.20
<b>Profitability Ratio</b>										
Gross Profit Margin (%)	62%	60%	60%	58%	61%	59%	59%	59%	59%	59%
EBIT Margin (%)	13%	11%	15%	15%	16%	13%	13%	13%	13%	13%
EBITDA Margin (%)	22%	19%	22%	22%	23%	20%	19%	18%	18%	17%
Net Profit Margin (%)	9%	7%	10%	10%	11%	9%	9%	9%	9%	9%
ROA (%)	6%	4%	8%	7%	8%	6%	7%	7%	7%	8%
ROE (%)	12%	10%	20%	18%	16%	12%	13%	13%	13%	13%
SG&A/Sale	51%	51%	49%	46%	48%	49%	49%	49%	49%	49%
<b>Solvency Ratio</b>										
Debt Ratio (%)	57%	58%	63%	62%	55%	50%	49%	46%	44%	42%
Debt to Equity Ratio (x)	1.35	1.37	1.74	1.63	1.23	1.01	0.97	0.87	0.79	0.72
Equity Multiply (x)	2.35	2.37	2.74	2.63	2.23	2.01	1.97	1.86	1.79	1.72
Long Term Debt Ratio (%)	0.34	0.39	0.42	0.45	0.37	0.34	0.33	0.30	0.28	0.26
Interest Coverage Ratio (x)	5.20	4.51	4.80	4.50	5.73	5.57	6.33	7.06	7.88	8.80

## 2.8 Free Cash Flow to Firm Model and Assumption

**Table 2.5 Free Cash Flow to Firm Calculation**

Free Cash Flow to Firm		2014F	2015F	2016F	2017F	2018F
EBIT		5,707,247	6,489,733	7,242,129	8,082,340	9,020,671
Tax on EBIT		(1,141,449)	(1,297,947)	(1,448,426)	(1,616,468)	(1,804,134)
NOPAT (Net operation profit after taxes)		4,565,797	5,191,787	5,793,703	6,465,872	7,216,537
Add: Depreciation		2,885,595	2,850,323	2,848,784	2,747,774	2,650,346
+/- Change in net working capital		(987,702)	(261,028)	(330,600)	(371,030)	(416,395)
+/- Investment in gross fixed asset		(1,087,232)	(1,141,594)	(1,198,674)	(1,258,607)	(1,321,538)
Free cash flow to firm		5,376,458	6,639,488	7,113,214	7,584,009	8,128,950
Terminal value of firm						232,625,199
Net cash flow		5,376,458	6,639,488	7,113,214	7,584,009	240,754,149
Enterprise value	193,074,949					
Value of debt	32,733,813					
Value of equity	160,341,137					
Share price (THB)	40.07					
Net working capital		(987,702)	(261,028)	(330,600)	(371,030)	(416,395)
Discount rate	7.12%					
Growth	3.50%	Based on assumption made				

**Table 2.6 WACC Assumption**

Weight Average Cost of Capital		
Risk-free rate (Rf)	3.41%	10-year Government Bond (Source: Thai BMA) (8/10/2014)
Risk premium (Rm - Rf)	7.40%	Based on Moody's rating and adjusted by the relative equity market volatility (Source: Damodaran)
Adjusted Beta (b)	1.181	Based on Bloomberg adjusted BETA
<b>CAPM (Ks)</b>	<b>12.15%</b>	
<b>Cost of debt (Kd)</b>	<b>4.34%</b>	
Country default spread	1.60%	Based on Moody's rating and adjusted by the relative equity market volatility (Source: Damodaran)
Company Default spread (A+)	2.38%	Tris rating and Thai BMA for 4 years bond (Debenture term of the Company is normally 3-4 years)
<b>Weight of Debt (Wd)</b>	<b>57.98%</b>	Market value of long-term debt
<b>Weight of Equity (We)</b>	<b>42.02%</b>	Market value of the equity
<b>WACC</b>	<b>7.12%</b>	

Equity risk premium based on Professor Aswath Damodaran's estimation because we believe that the market risk premium of 7.10% applied by Bloomberg is quite low for Thai Equity Market during the uncertainty economic situation. However, Professor Aswath's estimation has much stronger mathematical proved and more valid in our point of view.





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