

**DISCOUNTED CASH FLOW VALUATION OF
PRESIDENT BAKERY PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
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entitled
**DISCOUNTED CASH FLOW VALUATION OF
PRESIDENT BAKERY PUBLIC COMPANY LIMITED**

was submitted to the College of Management, Mahidol University
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on
February 3, 2018



.....
Miss Juthatip Khaovisate
Candidate

.....
Asst. Prof. Nareerat Taechapiroontong,
Ph.D.
Advisor

.....
Asst. Prof. Piyapas Tharavanij,
Ph.D.
Chairperson

.....
Duangporn Arbhasil,
Ph.D.
Dean
College of Management
Mahidol University

.....
Assoc. Prof. Tatre Jantarakolica,
Ph.D.
Committee member

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Juthatip Khaovisate

DISCOUNTED CASH FLOW VALUATION OF PRESIDENT BAKERY PUBLIC COMPANY LIMITED

JUTHATIP KHAOVISATE 5949005

M.M. (FINANCIAL MANAGEMENT)

THEMATIC PAPER ADVISORY COMMITTEE: ASST. PROF. NAREERAT TAECHAPIROONTONG, Ph.D., ASST. PROF. PIYAPAS THARAVANIJ, Ph.D., ASSOC. PROF. TATRE JANTARAKOLICA, Ph.D.

ABSTRACT

This thematic paper demonstrated how to value the stock price of President Bakery Public Company Limited (PB) 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 a recommendation whether to buy/hold/sell the company's stock.

President Bakery (PB) is a leading baked goods company in Thailand such as ready-to eat bread, ready-to eat sandwiches, cakes and confectionaries, with a 26% market share which is the highest market share in year 2017. Moreover, the company had invested in the new factory which was "Bangchan 2" and started the operation in November 2017 which will increase the production capacity about 20%. The new investment is expected to deliver a better earning for the company as well as to increase the level of market share of the company.

The result from this paper shows the value of PB share price is expected to be valued at 6% higher than the current share price. However, the ability to gain back market share and cost control is still unclear. This result lead to my recommendation of "hold".

KEY WORDS: PB/ Valuation/ Discounted Cash Flow/ Baked Goods Industry

56 pages

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LIST OF ABBREVIATIONS

AEC	Asean Economics Community
ASEAN	Association of Southeast Asian Nations
BOI	Board of Investment
BOT	Bank of Thailand
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CLMV	Cambodia, Laos, Myanmar and Vietnam
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
FCFF	Free Cash Flow to Firm
GDP	Gross Domestic Product
NESDB	National Economics and Social Development Board
NFI	National Food Institute
NI	Net Income
NPV	Net Present Value
NSO	National Statistical Official of Thailand
OP	Operational Risk
PB	President Bakery Public Company Limited
RD&I	Research, Development and Innovation (RD&I)
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expenses
SME	Small and Medium Enterprises
SR	Strategic Risk
TV	Terminal Value
THB	Thai Baht

LIST OF ABBREVIATIONS (cont.)

TSP	Thai Science Park
USD	United States Dollar
WACC	Weight Average Cost of Capital



CHAPTER I VALUATION

1.1 Highlights

Number of Share outstanding:	450,000,000 Shares
Free Float:	25.48%
Price Performance	
52 Week High:	65.50 THB
52 Week Low:	58.75 THB
52 Week Return (%):	11.49%
Industry:	Agro & Food
Sector:	Food and Beverage
Market Capitalization:	THB 28,800 Million
Dividend Yield:	2.58%

Yr Price Performance (Adjusted Price)

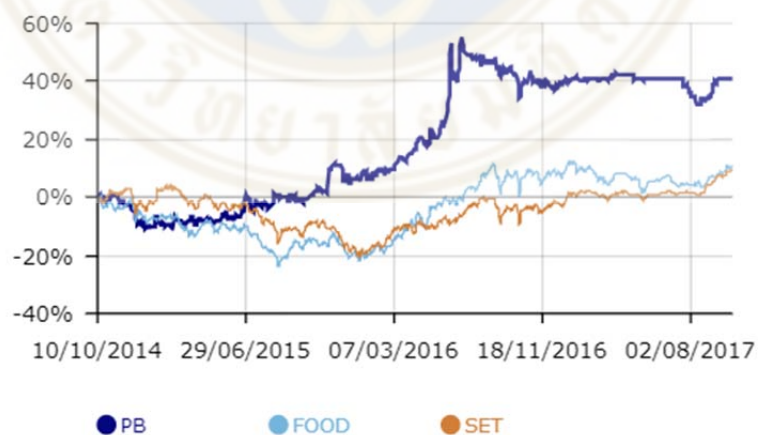


Figure 1.1 PB stock performance

Date:	11 October 2017
Ticker:	SET: PB
Recommendation:	Hold
Price:	63 THB
Target Price:	67.9 THB
Upside:	8%

1.1.1 Market leader with the largest market share in bakery industry

President Bakery also known as “Farmhouse” has a strong brand reputation and being a market leader in the bread society in Thailand. The company has been growing for more than 30 years with the strong performance in both business and financial. They mainly focus on the freshness and high-quality products to deliver to their consumers by selecting the best ingredients to produce and they never stop developing their products. With the strong position in the bread industry in Thailand, the company has maintained the largest market share position almost 30% in the market.

1.1.2 High margin, with continuous growth

The bakery industry is growing continuously due to the busy lifestyles whereby people prefer ready-to-eat food to fill their hunger and in these days bakery products are easier for consumers to reach, it is available in the both modern and traditional trade which resulted in a continuous growth. In the year 2016, the company had reported the earnings with the average continuous growth rate around 12% and where net profit was at THB1,400 million with the strong net profit margin at 19%.

1.1.3 Continuation of business expansion and development

President Bakery is mainly focused on developing new products to consumers to meet the new trend in the market. The company is aimed to develop and introduce at least 10 new products to the market each year. The newest investment in plant and machinery project is called “BangChan 2”, it had just begun to operate in the late 2016 which has increased the production capacity about 20% with the three lines production, those production lines are loaf of bread for 2 production lines, filled-bun for 1 production line and the coming up product line is hamburger bun production line. The most successful

products which was introduced last year were the Royal Whole Wheat Rich Bread and the Royal 12 Grains Bread.

1.1.4 Financial flexibility unlocks the potential growth of the company

The company has a high financial flexibility because of its short-term and long-term investments value around THB 1,160 million with the excessive amount of cash, this would help the company to unlock its future when the company wants to expand their business. Moreover, the low level of debt-to-equity- ratio around 0.23 times can ensure that the company is safe from the default or bankruptcy risk and also the level of debt is low so it results in the low level of interest expense.

1.1.5 Expanding distribution channels and vending machines to reach more consumers

The company is growing quite fast in the rural areas such as Eastern, Central, Southern and Northern Regions in which the number of sales in those areas grew around 70% in the year 2016 by expanding distribution channel could have a positive impact on sales. Moreover, vending machines are the new distribution channel which could reach consumers directly whereby the machines are mainly located in the factory and hospital, currently there are 25 vending machines whereby 6 vending machines are in Siriraj Hospital and the company is planning to locate the machine in the Ramathibodi Hospital. The reason that the company choose to locate in the hospital area is because of good traffic areas whereas people will have to spend a lot time in the hospital, hospital staffs are the targeted consumers as well.

1.2 Financial Summary

Table 1.1 Financial Summary

Financial Summary								
Million THB	2016	2017	2018F	2019F	2020F	2021F	2022F	2023F
Revenue	7,568	6,812	7,193	7,596	8,022	8,471	8,945	9,133
EBITDA	1,637	1,348	1,424	1,504	1,588	1,677	1,771	1,808
NI	1,463	1,219	1,130	1,194	1,260	1,331	1,406	1,436
ROA	23%	16%	13%	13%	13%	12%	12%	12%
ROE	25%	19%	16%	16%	15%	15%	15%	14%

1.3 Business Description

President Bakery Public Company Limited (PB) is listed in the Stock Exchange of Thailand under foods and beverage sector. President Bakery Public Company Limited (PB) was registered as a company limited on October 29, 1980 and the company transformed into a public company limited on July 19, 2002 with the registered capital of 300 million Baht and the registered increased to 450 million Baht on April 25, 2006. The company is mainly manufacture and distribute bread and bakery under the company's trade mark which is "Farmhouse". Their aim is to deliver the freshness to their consumers; therefore, they have picked the finest raw materials for the products, they also develop the product to meet the standard nutrition, moreover, they always develop the production lines and manufacturing techniques to improve the product quality and the main focused of the company are safety, freshness and cleanliness of the products to deliver to consumers. Currently, the company has three operating plants which are at Lad Krabang Industrial Estate and two plants are located at Bang Chan Industrial Estate.

There are four businesses line which are:

- Wholesale bakery business, manufacture and distributed bread and bakery such as sliced bread, hamburger bun, ready to eat bread such as filled flavored bun, ready to eat sandwiches, cake and confectionery under the company trademark which is "Farmhouse". The products are distributed via modern trade and traditional trade. The company distribute their products through outright sale channel because their aim is to deliver the freshness of the product to consumers and the remaining products will be replace with the new one.

- Retail bakery business manufacture the bakery which are distributed at Deliya by Farmhouse, Madame Marco cake, Sandwich Franchise calls Good Morning Farmhouse, Farmhouse Moon Cake and Farmhouse Vending Machine.
- Fast food and catering/ restaurant business, they mainly distribute the hamburger and hotdog bun, sliced bread, French bread, croissant crispy bread and pizza dough to their clients such as McDonald, KFC, Pizza Hut, Burger Kings, Chester Grill, A&W, The Pizza Company, Sizzler, Dairy Queen, Mos Burger, Sata Fe', Chocolate Ville and S&P. The company also manufacture the bread crumbs for fried product.
- Export business mainly produce frozen food to export to Japan.

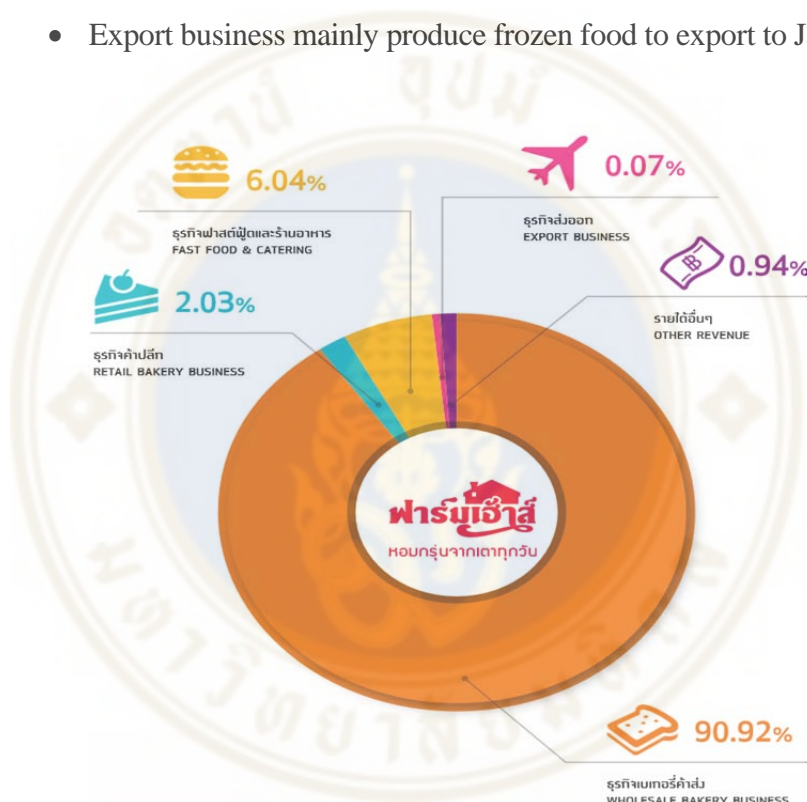


Figure 1.2 Revenue breakdown for each business line

Source: President Bakery Annual Report 2016

At the end of the year 2016, the company own 39 distribution centers with around 48,150 shops all over the country. The company has the logistic cars about 1,000 cars. In term of the company's performance, the company can generate revenue in year 2016 about 7,569 million baht with the growth rate of 3% compare to last year, and the net profit in year 2016 was 1,462 million baht with the growth rate of 12%.

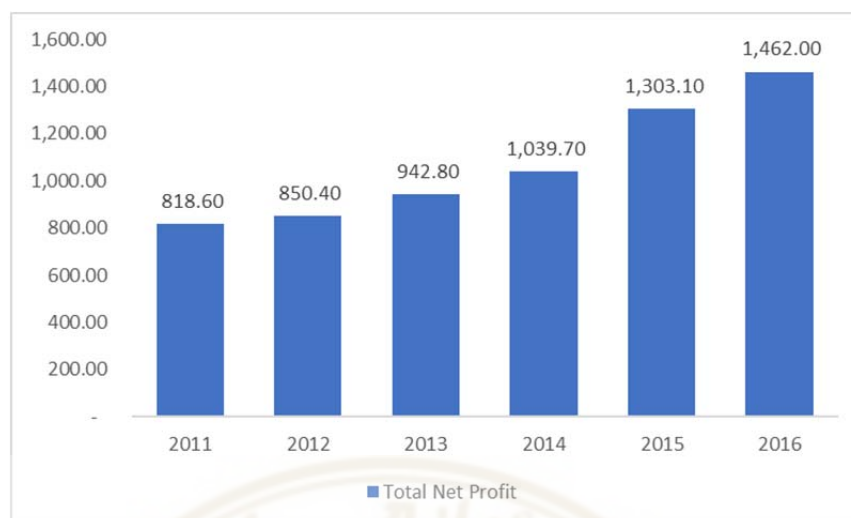


Figure 1.3 Total Net Profit with Compound Annual Growth Rate from year 2011-2016

Product and Services: President Bakery Public Company Limited has four business lines as follows:

- Wholesale Bakery Business is mainly about manufacturing and distributing the bread bakery under the trademark which is “Farmhouse” via channels and shops via modern trade and traditional trade are below:

Table 1.2 Example of Modern Trade Business

MODERN TRADE	
	Example:
Hypermarket	Tesco Lotus, BigC, Makro etc.
Department Stores	Tokyu etc.
Supermarkets	The Mall, Top Supermarkets, Foodland, etc.
Convenience Stores	7-eleven, Tesco Lotus Express, Central Familymart, Lawson108, Mini Big C etc.
Shops in Gasoline Station	Jiffy, Select and etc.

Table 1.3 Example of Traditional Trade Business

TRADITONAL TRADE	
	Example:
Traditional Retail Shops	Small Retail shops in schools, factories, welfare shops in official places

The products that are being distributed via wholesale bakery business are:

Sliced Bread is considered as the product which can create the most awareness from consumers under the brand Farmhouse. This product is also the core generating profit of the company. The sliced bread comes in different sizes where consumers can enjoy the bread in various ways as they prefer, and it is suitable with all ages and genders. At first, the original sliced bread comes in plain sliced bread as they develop the new generation of the products, currently the products are available in many kinds such as white bread and grain bread

Burger Buns and Hotdog Buns are a hamburger bun with a sesame seed on top and the hotdog roll in which consumers can do so many menus with the fillings such as Burgers and Sausages.

Snack Bread is distributed individually in a single package, it is a ready-to-eat bakery with different fillings. The products are suitable for the urban lifestyle where people have limited time because it is convenience and can be consumed as consumers prefer such as students, working people etc. Moreover, it comes with the sweet fillings and meat fillings and so many kinds of breads.

Snack Cake is distributed in different kinds of cake which are banana cake, flavored cake rolls such as pandan, vanilla etc., flavored dorayaki such custard cream, chocolate, almond cream etc., sandwich cake with 3 flavors such as coffee flavored, vanilla flavored, pandan flavored, waffle comes in two flavors such as strawberry filling and blueberry filling. They also produce donuts in 5 different flavors such as vanilla custard, chocolate custard, pandan etc. Last year, the company introduced new products which were Hokkaido Melon flavored custard filled donut cake and Swiss roll in three different flavors such as Matcha green tea, Hokkaido milk and Swiss Roll Raspberry.

Confectionery products are crispy butter toast, cookies in four different flavors such as butter, fruit, raisin and chocolate chips. Moreover, the company also produces three fruit pies flavors such as pineapple, strawberry and blueberry fruit pies.

- Retail Business is distributed the products via company's retail shops and sale directly to consumers under these brands:

Deliya by Farmhouse is a freshly homemade bread and bakery products which offers in a various type of products. The snack box delivery is also available throughout Bangkok and perimeter areas. As of the end of the year 2016, Deliya by Farmhouse has 7 branches in Chitrada School, Lotus-Lumlukka Klong 2, R.S. Tower Building Ratchada, Government Complex Chaeng Wattana, The Mall 2 Ramkamhaeng, Paradise Park and the Mall Bangkapi. Moreover, they also have a made to order ready-to-eat sandwiches, cakes and confectionaries for Lawson convenient store with the total number of 84 branches.

Madame Marco is a European style cake with the finest ingredients from domestic and International and it is made with the uniqueness. It is a made-to-order cake with the free delivery service within Bangkok and Perimeter. Currently, there are 23 branches in Bangkok such as Paragon, Mega Bangna, The Malls, Robinsons, Terminal 2 etc.

Good Morning Farmhouse is a franchise whereby the sale representative will buy the raw materials to make a sandwich from the company and the sandwich will be made to order according to consumer's order. The location of the booth will be picked by the company and the company will choose the appropriate sale representative based on their readiness. The objective of the brand is to increase the popularity in bread consumption and also provide extra income to sale representative. At the end of the year 2016, there are 57 branches of Good Morning Farmhouse.

Farmhouse Vending Machine is a new distribution channel of the company by providing the ready-to-eat sandwiches viz vending machines at 9 locations such as hospitals, offices, plant and banks with the total amount of 38 machines. The sandwich will be added in the machines twice a day to meet the demand from consumers.

- Fast Food and Catering is mainly produced the burgers and buns for fast food restaurants. The details of the products can be categorized as follows:

Fast Food production line is mainly produced the burger buns with sesame seeds and without sesame seed and they also produced the hot dog buns. Currently, the capacity is at 36,000 pieces per hour, this also includes french bread, croissant, crispy toast bread to meet consumer's desire. The clients for this group are McDonald, KFC, Pizza Hut, Burger King, A&W, Sizzler. Mos Burger, Jeffer etc. The company also provides frozen dough in different sizes base on the consumer's demand. Currently, the company is on the research and development stage in order to expand the market in this product.

Catering production line is a distribution of the bakery though restaurants and coffee shops business. Moreover, customers can choose the existing products or the newly developed based on their needs.

Fried Products production line is the ingredient which is used for the friend dishes such as bread crumbs. It is made in the standard size in flakes that are not too finely ground with the creamy white colored. It is suitable for frying both meat and vegetables.

- Export Business, the products are distributed to coffee shop chain and pizza shop Customers in Japan.

1.4 Industry Overview and Competitive Positioning

1.4.1 Macro-Economic Analysis

- Revised projected Thai GDP to be higher

Thai GDP forecasted for year 2018 has been revised up to 3.70% - 4.0%. During, the year 2017, Thai's economy performed quite well from the 1st half of the year 2017 due to a strong export from the external demand such as merchandise and tourism factors are the main expansions. The result is mainly from petroleum-related products, agro-manufacturing products, electronic devices and agricultural products. On the other hand, the demand from domestic grew moderately due to a lower in farm income, however, the durable good consumption is slowly picking up whereas the inflation slightly improved but still missed the central bank's target. Therefore, the driver for

higher expected GDP will be from tourism, manufacturing, construction, and related service sectors which will support the private consumption.

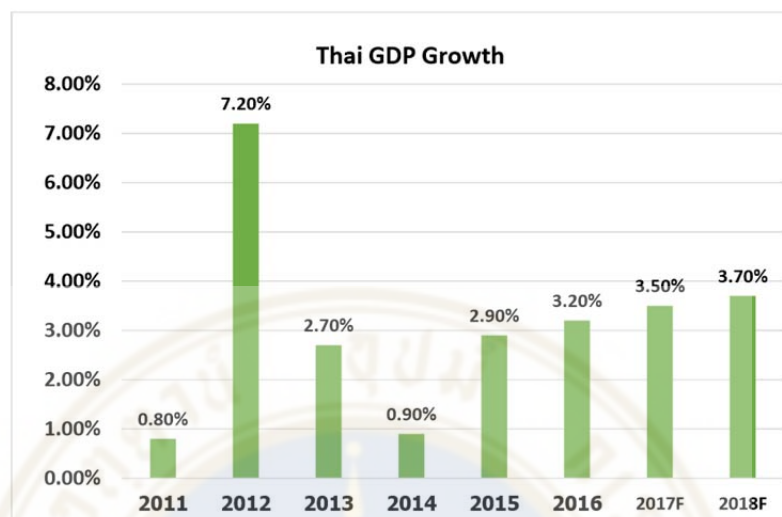


Figure 1.4 The Expected Thailand GDP Growth Rate

Source: Kasikorn Securities Research

- Supporting factors for Thai economic growth

The world's economic growth has picked up as well as the trade volume tend to increase, the expected number is revised up from 3.3-3.6% to 3.4-4.0%. The reasons behind this is because the economics around the world is picking up such as in the Eurozone, Chinese, Japanese and ASEAN-5 have contributed around 46% of total Thai export value. Moreover, the improvement of public and private investment would result in a better economic growth. Lastly, the household income expansion would have a positive impact on the GDP. The agricultural and relating productions have recovered from the drought impacts. An increase in the number of export and manufacturing would contribute to the higher income as there is more work to perform. An increase in the income in tourism tends to be better due to the higher expected number of tourists and tourism receipts.

- Consumer Confidence Index

The consumer confidence index remains under 100 points, however, the economic expansion is expected to boost the private consumption as well due to an increase in household income. Currently, the consumer confidence index stays at 75.0 points in

August which is a good sign because it was the highest within the last 4 months and it is expected to increase in the 2nd half of the year.

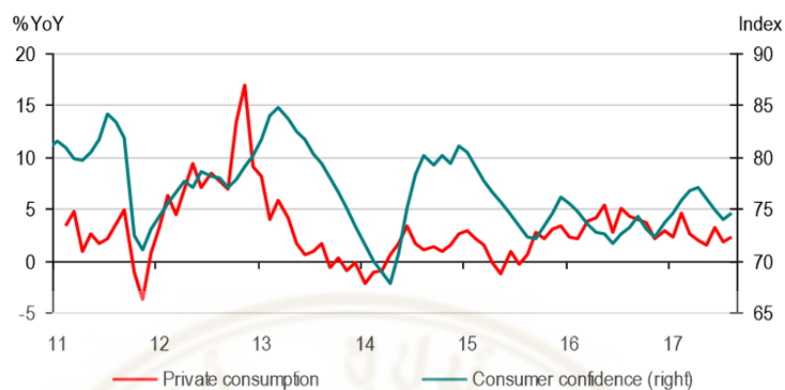


Figure 1.5 Consumer Confidence Index

Source: Kbank, BoT, NESDB

1.4.2 Industry Analysis

- High potential growth of Thailand Food exporter

In 2016, Thailand is rising as the world's 13th leading food exporter, up by two ranks from the previous year. Food export grew by 7% in 2016, generating approximately USD 27.5 billion in export value, due to higher agricultural productivity, low costs of animal feed ingredients and growing economies in the CLMV (Cambodia, Laos, Myanmar and Vietnam) bloc. The steady economic growth in CLMV, in particular, greatly contributed to the growth of Thailand's food exports last year, as they replaced Japan as the number one export market for Thai food products. As for the food industry, the National Food Institute (NFI) expects exports to grow by 8% this year, generating around USD 30 billion, compared to 7% the year before. (<https://www.figlobal.com/asia-thailand/visit/news-and-updates/thailands-food-industry-set-prosper>)

- Thailand is going to become a global food innovation hub

According to the National News Bureau of Thailand, the Finance Ministry has proposed setting up a THB 10 billion (USD 283.8 million) fund to support the Food Innopolis Project at the Thailand Science Park (TSP). This project aims to position Thailand as a global food innovation hub in the global food industry. According to the Ministry of Science and Technology, the expected availability of resources for the Food Innopolis include 3,000 researchers, 10,000 students in Food Science and Technology,

9,000 food factories, 150 food research laboratories, 20 pilot plants, and 70 universities. (http://www.boi.go.th/upload/content/TIR_JULY_82855.pdf) The government hopes that this project will provide a one-stop solution for Research, Development and Innovation (RD&I) services to investors. The goal is to link private sectors at all levels, ranging from startups and SMEs to large companies, to effectively take part in the food industry value chain at an international level, and create a perfect atmosphere to support an innovation ecosystem.

- Offer attractive incentives from BOI

The BOI offers a wide range of tax and non-tax incentives in the food industry. “Food Innopolis” also belongs to one of the BOI’s targeted industries under the Super Cluster Policy. Tax-based incentives include the exemption of corporate income tax for up to 8 years, with an additional 50% reduction for five years and the exemption of import duty on machinery. Non-tax incentives include the permission to own land and the government’s consideration of granting permanent residence status to foreign experts.

Moreover, the cost of raw materials is also the main concerned, for example, Wheat is the main ingredient in bread and bakery production. Far products such as margarine and shortening which is usually made from palm oil. Chicken eggs are also the ingredients that is quite important in the process of the production. Therefore, the changes in the price of these products will have a negative impact on the company cost of production. Wheat is used as the main ingredient in the bread and bakery production, for example, President Bakery uses Wheat around 40% of total raw material. Moreover, wheat price is based on seasonality as well as the demand and supply of the wheat. The fluctuation of the wheat price depends on the demand and quality of wheat.

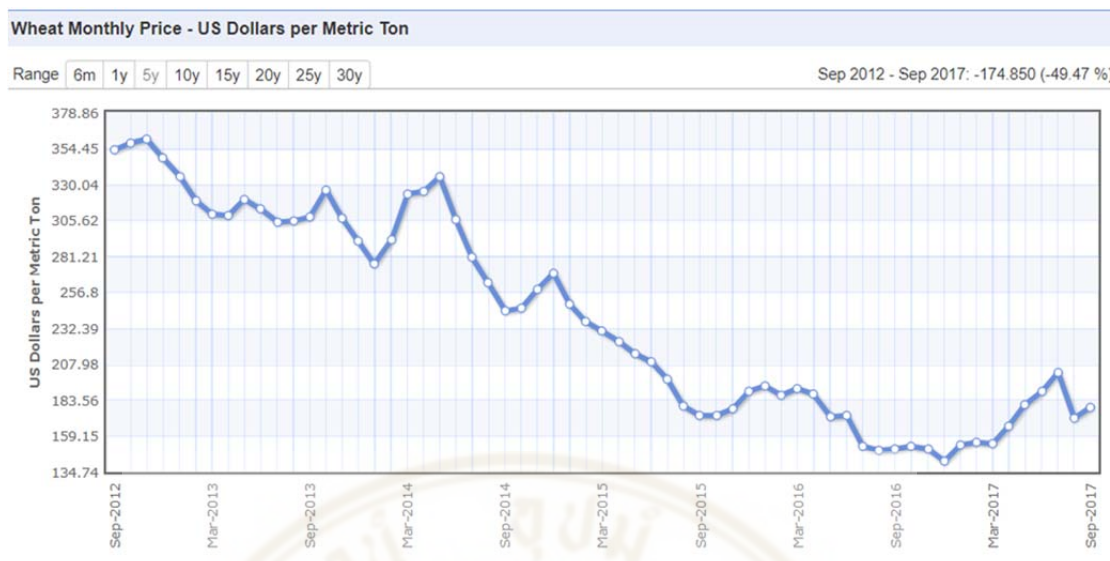


Figure 1.6 Wheat Price’s Movement from year 2012 – 2017

Source: <http://www.indexmundi.com/commodities/?commodity=wheat>

The price of wheat is in the downtrend during the year 2012 – 2017 due to the lower wheat consumption, however, during the 2nd half of 2016 the price had bottomed out already at the lowest price of around \$134 per metric ton and after March 2017 until now the wheat price’s trend tends to have a rebound back to an uptrend again which is around \$170 - \$178 per metric ton. Therefore, the price is still stayed at the lower bound.

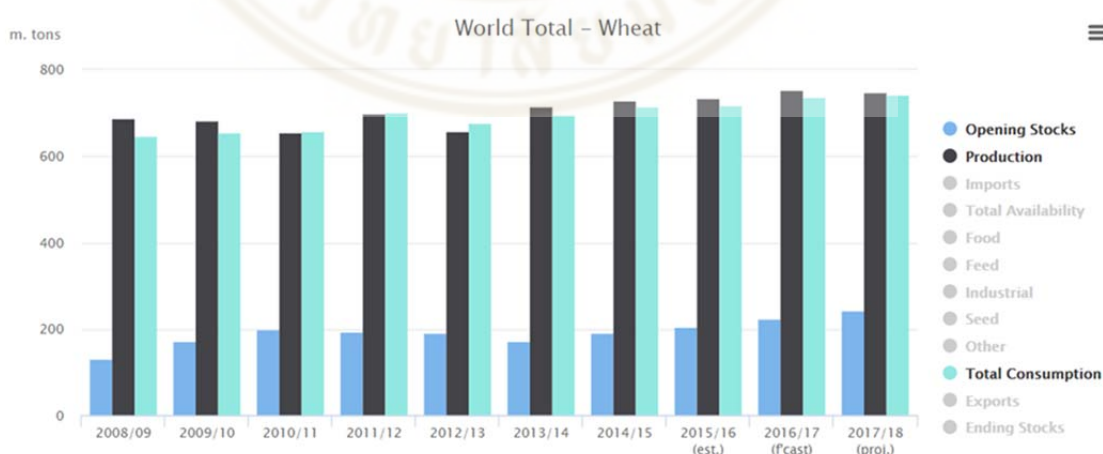


Figure 1.7 World Total Wheat Production, Stocks and Consumption

Source: <https://www.igc.int/en/markets/marketinfo-sd.aspx>

Wheat production tends to increase around 1.0% per year and it moves in the same direction as the wheat consumption. Moreover, the stock of the wheat tends to slowly increase from the year 2009 – 2016 but it remained at a low level at not more than 200 million tons. However, the forecasted number for the year 2018 both production and consumption tend to stay at the same level which is around 780 million tons, but the stock tends slightly to increase to 220 tons.

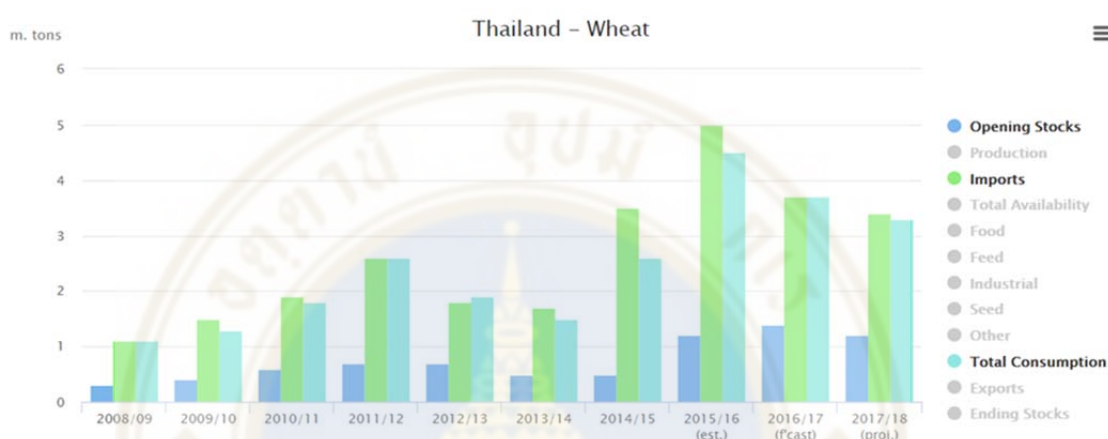


Figure 1.8 Thailand's total imports, consumption and stocks on Wheat

Source: <https://www.igc.int/en/markets/marketinfo-sd.aspx>

Thailand relies on the wheat that is imported from other countries. The average wheat import from the year 2008 – 2016 was around 3 million tons per year. The consumption remained at the same level as the import.

Chicken eggs are also one of the main ingredients for bread and bakery productions. However, the price of chicken egg tends to increase gradually due to the higher demand for the chicken eggs, the changes in the climates affects the production of chicken eggs to become lower due to hens tend to lay lesser and unhealthy egg, and an increase in the price of hen food, breed of livestock and labor cost. These factors will have a direct impact of the production cost.

Fat groups such as Margarine and Shortening plays the second biggest role in the ingredients of the bread and bakery production whereas it uses palm oil as the main raw material. The price of palm oil is volatile, and it is quite difficult for the company

- Competitors who are manufacturers but do not have their own distribution channels. These competitors will sell their products in the form of wholesaling to small shops and modern stores. Their production might be based in Bangkok or upcountry. Some examples of competitor include C&W Co., Ltd. and S.T. Bakery Co., Ltd.

For both types of competitors, there is high rate of business entering and leaving the market. Competitors in the market tend to focus on price competition while the company emphasizes on freshness of its products and is the leader in introducing new products to the market. Therefore, it is clear that the company has some competitive advantages over both types of competitor due to investment in cutting edge production machinery, which is controlled by computer in every process. This resulted in low production cost, consistent high quality and standard products while some of the competitors have their factories scattering in many areas or branches, thus causing inconsistent product quality. The company also invests in logistics and distribution technologies, which enable products to be delivered fresh and on time every day. Moreover, the company has an effective process to recall unsold products to ensure that our products are fresh and able to satisfy our consumers. This leads to a great competitive advantage in terms of product quality and service standard that cover all regions, throughout the country.

Bakery market in Thailand has average growth at 7.6% from 2011-2016. The market size of the bakery is 23,516 million Baht in 2014. The highest market size is bread which is 54% or 12,838 million Baht. The second one is cake with 22% of total market size or 5,098 million baht. Next, pastry has market size at 4,432 million baht or 19%. Cookie has the lowest market size which is 1,148 million Baht or 5%.

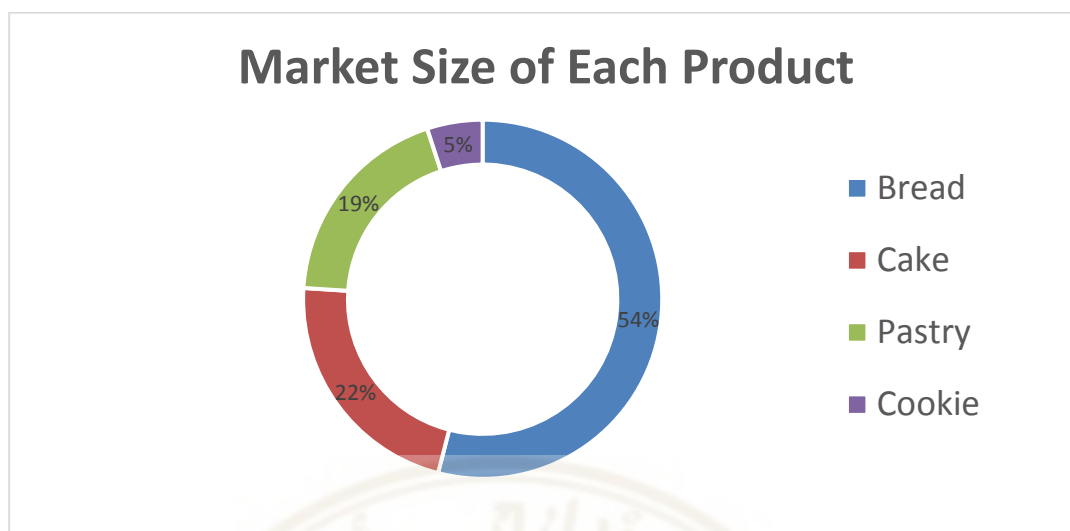


Figure 1.10 Market size of each product in baked goods industry

Source: Euromonitor International 2017

In 2015, the market size of bakery market increased around 9% from 2014 which is equal to 25,809 million Baht. President Bakery Public Company Limited gained the highest market share compare with the bakery company which is 26.4%. CPRAM is the number two as they have 11.3% of total market share. The third one is S&P with only 5.62% of total market share.

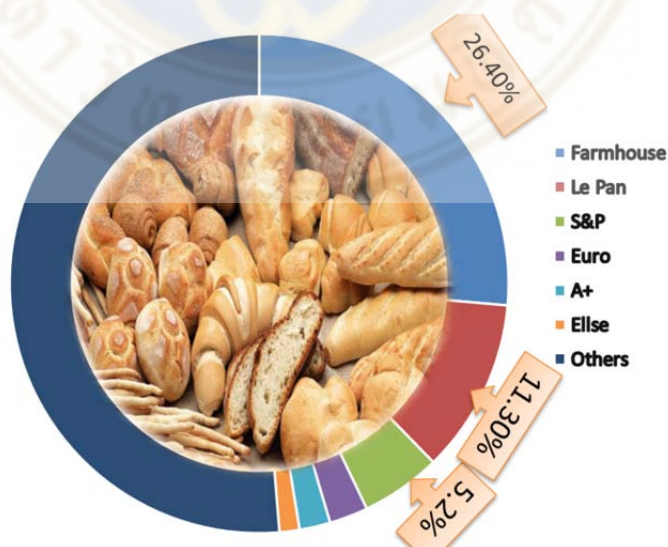


Figure 1.11 Market size of each brand in baked goods industry

Source: Euromonitor International 2017

The main revenue of PB came from wholesale. The main customers are modern trade shops and traditional retail shops such as Tesco Lotus Big C and 7-eleven. So that CPRAM is direct competitor for PB as it has second market size and operated under CPALL which is the owner of 7-eleven. PB can gain the sale spaces in the 7-11 as they put their own product on the top of the shelf. So that PB may need to rely more on loyalty customers in order to maintain the sale volume in this channel. However, PB has variety products which made them gain more customers than Cpram. Other main competitor is S&P as they are the third competitor, but S&P is indirect competitor of PB as they have their own distribution channels. Moreover, S&P is more premium in term of product and price. Therefore, this might not be the problem for President Bakery.

1.5 Investment Summary

1.5.1. Market leader with the largest market share in bakery industry

President Bakery also known as “Farmhouse” has a strong brand reputation and being a market leader in the bread society in Thailand. The company has been growing for more than 30 years with the strong performance in both business and financial. They mainly focus on the freshness and high-quality products to deliver to their consumers by selecting the best ingredients to produce and they never stop developing their products. With the strong position in the bread industry in Thailand, the company has maintained the largest market share position almost 30% in the market.

1.5.2 High margin, with continuous growth

The bakery industry is growing continuously due to the busy lifestyles whereby people prefer ready-to-eat food to fill their hunger and in these days bakery products are easier for consumers to reach, it is available in the both modern and traditional trade which resulted in a continuous growth. In the year 2016, the company had reported the earnings with the average continuous growth rate around 12% and where net profit was at THB1,400million with the strong net profit margin at 19%.

1.5.3 Continuation of business expansion and development

President Bakery is mainly focused on developing new products to consumers to meet the new trend in the market. The company is aimed to develop and introduce at least 10 new products to the market each year. The newest investment in plant and machinery project is called “BangChan 2”, it had just begun to operate in the late 2016 which has increased the production capacity about 20% with the three lines production, those production lines are loaf of bread for 2 production lines, filled-bun for 1 production line and the coming up product line is hamburger bun production line. The most successful products which was introduced last year were the Royal Whole Wheat Rich Bread and the Royal 12 Grains Bread.

1.5.4 Financial flexibility unlocks the potential growth of the company

The company has a high financial flexibility because of its short-term and long-term investments value around THB 1,160 million with the excessive amount of cash, this would help the company to unlock its future when the company wants to expand their business. Moreover, the low level of debt-to-equity- ratio around 0.23 times can ensure that the company is safe from the default or bankruptcy risk and also the level of debt is low so it results in the low level of interest expense.

1.5.5 Expanding distribution channels and vending machines to reach more consumers

The company is growing quite fast in the rural areas such as Eastern, Central, Southern and Northern Regions in which the number of sales in those areas grew around 70% in the year 2016 by expanding distribution channel could have a positive impact on sales. Moreover, vending machines are the new distribution channel which could reach consumers directly whereby the machines are mainly located in the factory and hospital, currently there are 25 vending machines whereby 6 vending machines are in Siriraj Hospital and the company is planning to locate the machine in the Ramathibodi Hospital. The reason that the company choose to locate in the hospital area is because of good traffic areas whereas people will have to spend a lot time in the hospital, hospital staffs are the targeted consumers as well.

1.6 Valuation

We use two methods to value the appropriate price of PB, those methods are Discounted Free Cash Flow Model and Multiple Analysis. The Free Cash Flow to Firm will determine the cash inflow and outflow of the company by using Weighted Average Cost of Capital as a discount rate by taking cost of debt and cost of equity into account.

1.6.1 Discounted Cash Flow Model: FCFE

The discount rate will be calculated by using WACC in which the market value of cost of equity and cost of debt will be taken into the cost of equity is at 5.93%, where by the risk free rate came from the average return from the 10-year government bond yield which is about 2.43% whereas the market risk premium is 7 %. Therefore, the discount rate is at 5.91%. After that taking the value of free cash flow to firm and then discount back to the present value, therefore, the net present value (NPV) is 29,388,486.91 million Baht. After that the enterprise value is calculated by subtracting the enterprise value with net debt then the value of equity is found, so divide by the total number of share outstanding which is 450 million shares. Therefore, the share price is 67.90 Baht per share. The current share price of the company is trading between the range of 63 – 64 Baht per share, so there is around 6% of upside.

Therefore, the recommendation is to hold the PB's stock in the market since the share price of the company has a limited upside in which it is only about 6% of upside. On the other hand, the company also pay a dividend regularly in which the return is better than the return of savings account, but the company still has to prove that it can compete with its competitors and there is an opportunity for the company to expand in the future.

Table 1.4 Source of WACC for DCF method

Market Value of Equity		Value of Debt	
No. of Shareoutstanding	450,000	Interest Bearing Debt	
Share Price	64	FINANCE LEASE LIABILITIES (CL)	56,189.00
Total Market Value of Equity	28,800,000	FINANCE LEASE LIABILITIES (NCL)	68,000.00
Cost of Equity	Risk Free + Beta (Market Risk Premium)	RELATED PARTIES	41,805.00
	2.43% +0.5 (7%)	LONG-TERM BORROWINGS FROM	95,115.00
	5.93%	Total Market Value of Debt	261,109.00
Weighted of Equity	99%	Interest Expenses	11,812.73
		Cost of Debt	4.52%
		Weighted of Debt	1%

WACC	
Risk Free Rate	2.43%
Beta	50%
Market Risk Premium	7%
Cost of Equity	5.93%
Weight of Equity	99%
Cost of Debt	4.52%
Weight of Debt	1%
Tax Rate	20%
WACC	5.91%

Table 1.5 Projected Cash Flow by DCF Method

PRESIDENT BAKERY	2018	2019	2020	2021	2022	2023
Free Cash Flow to Firm Model	Projected Year 1	Projected Year 2	Projected Year 3	Projected Year 4	Projected Year 5	Projected Year 6
EBIT (Operating profit)	1,423,835.50	1,503,563.91	1,587,756.78	1,676,664.12	1,770,549.91	1,807,768.98
Taxes on EBIT	284,767.10	300,712.78	317,551.36	335,332.82	354,109.98	361,553.80
NOPAT	1,139,068.40	1,202,851.12	1,270,205.42	1,341,331.29	1,416,439.93	1,446,215.19
Add Depreciation	692,014.80	741,479.80	792,108.02	844,205.61	898,059.74	953,942.91
+/- Change in net working capital	(4,610.74)	82,698.63	(19,268.02)	(20,347.09)	(21,486.58)	(22,689.89)
Investment in fixed asset	(863,201.00)	(911,540.25)	(962,586.50)	(1,016,491.35)	(1,073,414.86)	(1,095,956.58)
Free cash flow to Firm	963,271.47	1,115,489.31	1,080,458.92	1,148,698.47	1,219,598.23	1,281,511.63

Table 1.6 Valuation Summary

Valuation Summary	
Value of Operating Assets	29,388,486.91
Value of Non-Operating Assets	1,428,255.00
Value of Firm	30,816,741.91
Value of Debt	261,109.00
Value of Equity	30,555,632.91
No. of Shares Outstanding	450,000
Share Price	67.90
Current Market Price	64.00
Upside	6%

1.6.2 Key Assumptions:

Six years forecasted cash flow:

Revenue growth rate: PB revenue growth rate is mainly from the wholesale business in which almost half of revenue is from selling bread products at convenience stores which is 7-Eleven. However, the company (PB) holds the biggest market share in the bread and bakery industry about 26% - 29% of the total market. On the other hand, the bread and bakery industry in Thailand is growing quite fast due to the urban lifestyle of the people which they prefer to grab and go during the rush hours. Therefore, the compounded annual growth rate of the industry is growing about 7.6% per annum from the year 2011 until 2017. However, after year 2017 the forecasted from Euromonitor has shown that the baked goods industry will grow at 5.6% (CAGR), therefore, we assume that the company can maintain the lowest level of market share at 26% of the total market then the company should grow at the same size of the baked goods industry. For the projected year 1 until year 5, the sales growth of the company is assumed to be at 5.6% per year. The research from National Statistic Organization also had shown that three-fourths of Thai population consumes snacks during their free time which is a large proportion. Moreover, the baked goods industry in Thailand still has more room to grow because the studies has shown that in the Developed countries such as Japan or Hong Kong, people usually consume bread at 10-20 Kilograms/per capita/year whereas currently in Thailand people consume bread at only about 5 Kilograms/ per capita/ year, so we believe that the number should increase. Lastly, the company has just invested in new production factory which is Bangchan 2, this will increase the capacity of the company by 20% and it will support the growth of the company in the future for 4-5 years. However, the projected year for the constant growth is assumed to be at 2.1% in which 2 % comes from the expected forecast rate from NESDB and the 0.1% is from the projected growth rate of Thailand population in the year 2023. Moreover, the foreigners in Thailand is about 2.5 million people which comprised about 4% of total Thai population, however, the majority of them (82%) are from Myanmar, Cambodia and Lao. Therefore, we did not include the projected of foreigners in our model because based on the lifestyle, these foreigners tend to consume another type of products which instant noodle is more than bread.

Proportion of Cost of Goods Sold: the company's cost of goods sold is quite stable during the past 5 years, it remained about 59% of sales. Therefore, the assumption on cost of goods sold is based on the sales as the sales increase, the cost of goods sold also increase.

Selling and Administrative Expenses: the company's SG&A is quite stable for the past 5 years, it moves in the same direction as sales. Therefore, the assumption on selling and administrative expenses is assumed to be 22% of sales.

Tax Rate: the company had the promotional privilege from the Board of Investment for the past 5 years, so the company was subjected to the tax rate at 9%, however, the privilege that the company get will be expired at the end of 2017. Therefore, the assumption on the tax rate of the company will be at 20% as the normal corporate tax rate.

Terminal Value (TV), discounted rate at 5.91%: For the constant growth, the assumption on the constant growth is at 2.1% as Thailand's projected inflation rate and the forecasted population growth of Thai people. The discount rate of 5.91% is applied from WACC.

Capital Expenditure (CAPEX): The average capital expenditure of the company from the last 5 years was at 15% of sales. Therefore, the assumption on the projected years is at 15% of sales. The CAPEX moves in the same direction as sales.

Change in net working capital: Net working capital is the combination of three items which are account receivable, inventories and account payable. Therefore, the net operating working capital is from the account receivable combines with inventories then deduct with the account payable to get the net working capital whereas the account receivable is assumed at 12% of sales whereas the inventories is at 5% of cost of goods sold and account payable is at 17% of cost of goods sold.

Weighted average cost of capital (WACC): The weighted average cost of capital is from cost of debt and cost of equity. Cost of debt of the company is based on the interest-bearing debt only which is about 4.5% before tax, the majority of the debts are from financial lease in current and non-current liabilities, long-term borrowing from other parties and related parties which is mainly from the directors and employees, the company compensate these creditors about 3% per annum. The company's cost of debt is at 4.5% whereas the portion of debt of the company is only at 1%. The market value

of equity is at 28,800 million baht, the number comes from the total number of share outstanding times with the current share price which is 64 Baht per share. Therefore, the cost of equity is at 5.93%. The risk-free rate is assumed to be at 2.43% according to the 10-year government bond yield. The adjusted beta of the company is at 0.4 from the SETSMART, the number is quite low quite low, it can imply that the risk of holding the stock of the company is lower than the market because the share price does not have high volatility. The market risk premium is assumed to be at 7%. The weight of equity is 99% because the company is almost in a debt-free position.

1.7 Financial Statement

1.7.1 Summary figures from financial statements

For Income Statement, we found that PB can control their cost very well and also keep increasing their profit with the higher portion of increasing it cost. Moreover, PB has higher current asset in every year until 2016 they have lower current asset as they sold some short investment. They also have higher non-current asset as they invested in the new manufacturing and also increasing in long term investment. On the other hands, they decreased the current portion of long term liabilities. Lastly, the retained earnings were increasing every year.

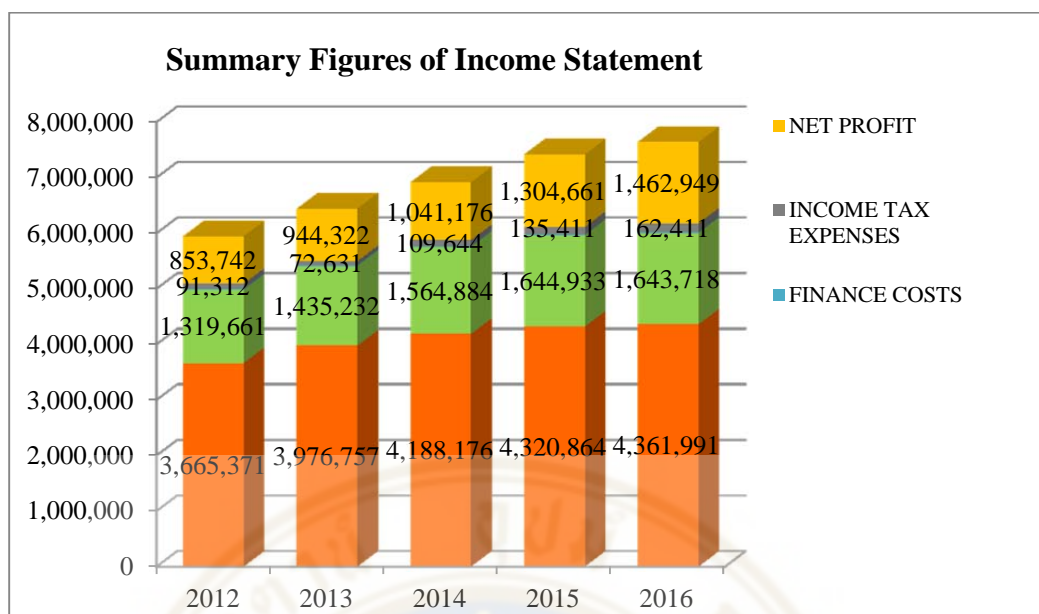


Figure 1.12 PB's Summary Figure of Income Statement

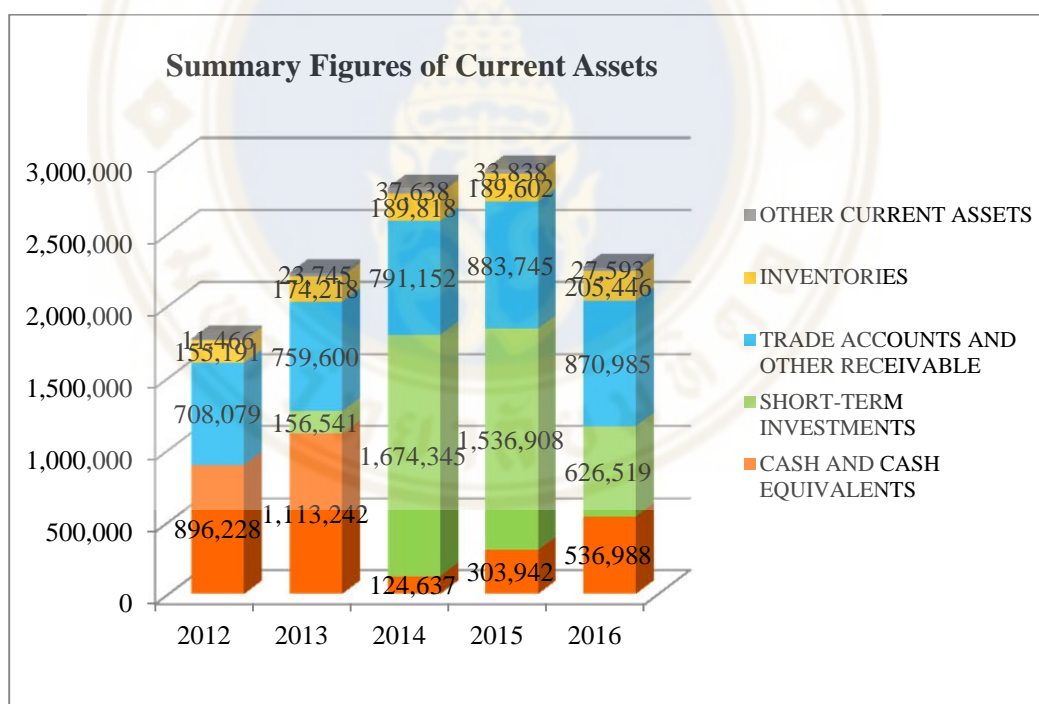


Figure 1.13 PB's Summary Figures of Current Assets

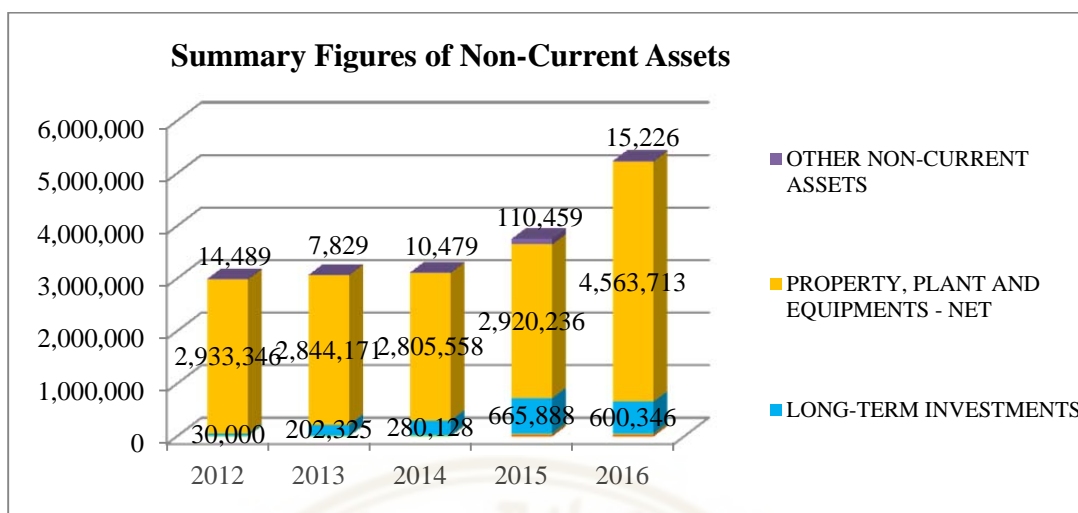


Figure 1.14 PB's Summary Figures of Non-Current Assets

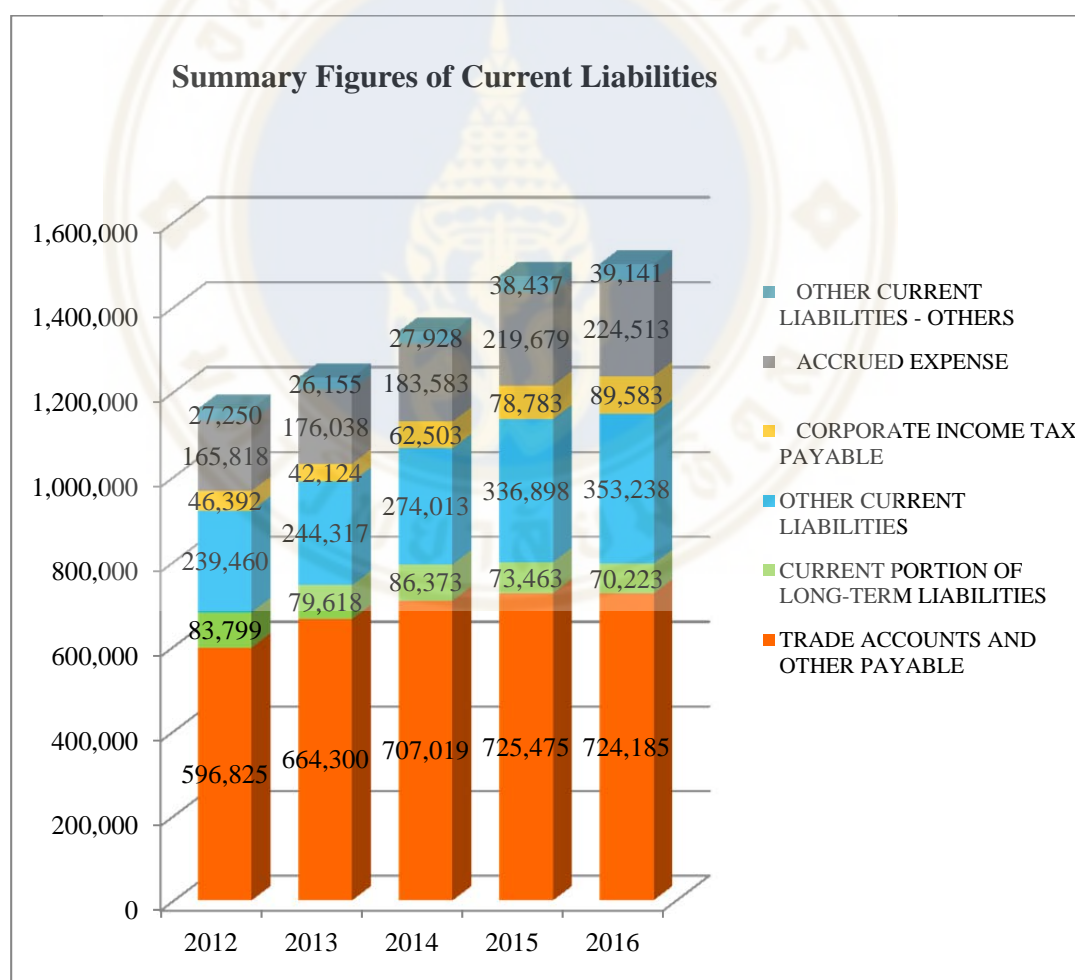


Figure 1.15 PB's Summary Figures of Current Liabilities

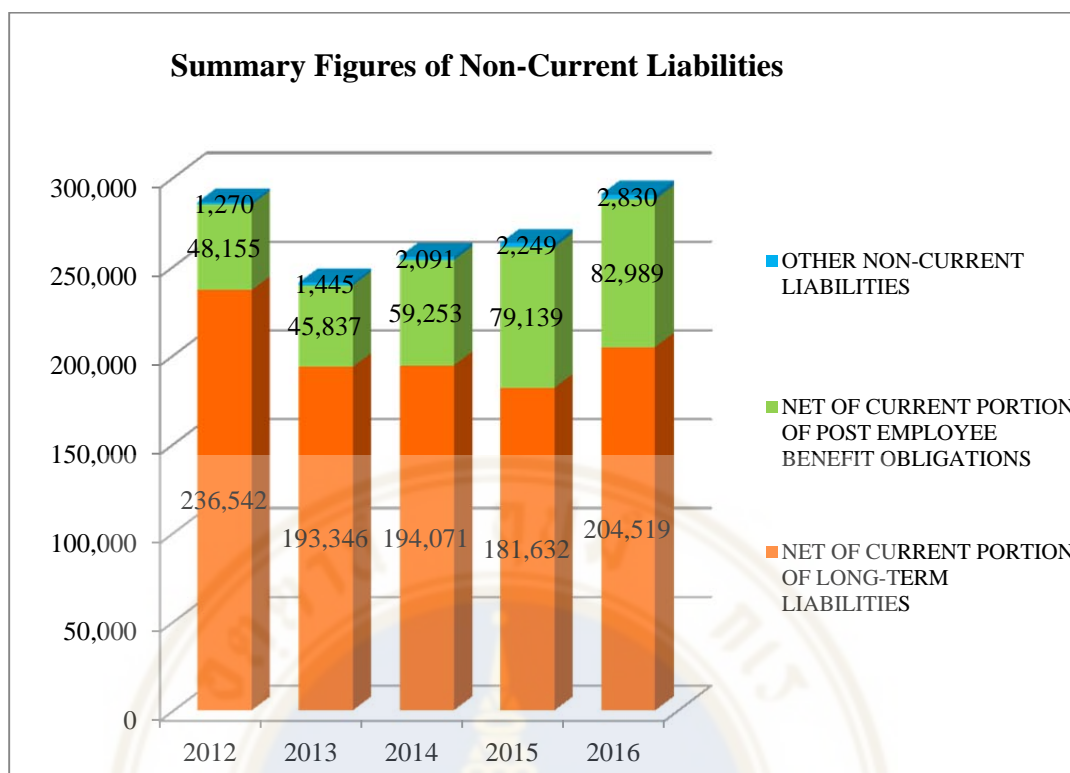


Figure 1.16 PB's Summary Figures of Non-Current Liabilities

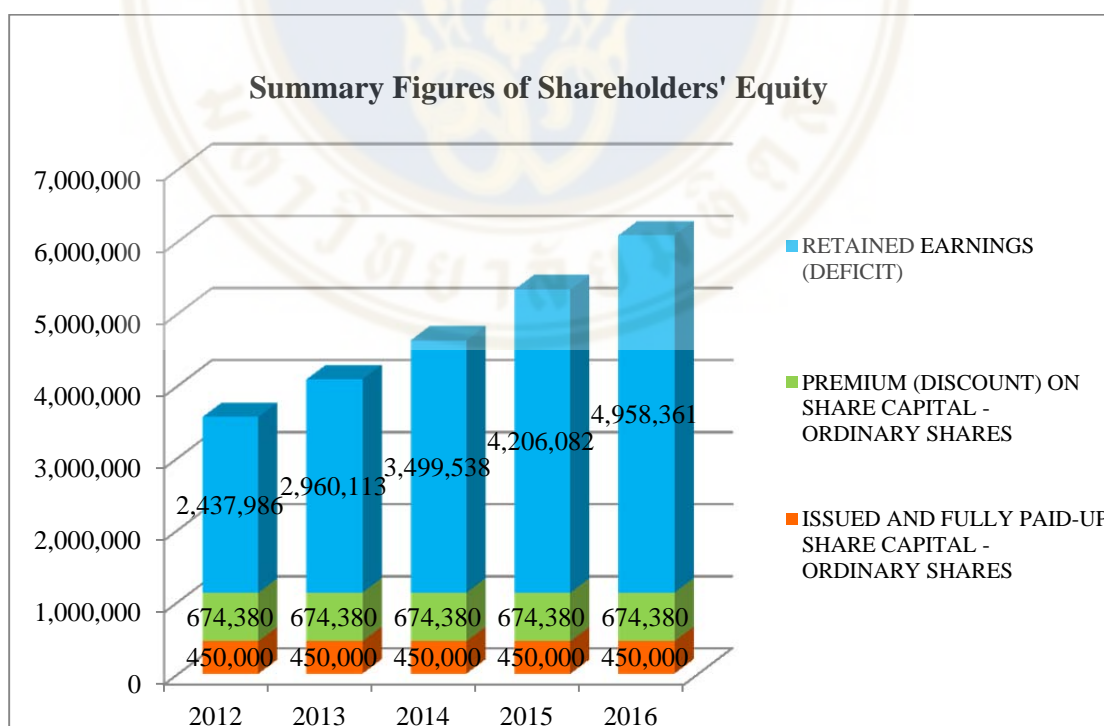


Figure 1.17 PB's Summary Figure of Shareholder's Equity

1.7.2 Common size analysis

CPRAM has higher sales than PB around two times but PB can control the cost of goods sold better than CPRAM around three times. It means PB has higher profit margin than its competitor. Therefore, they have higher profit even they have lower sales. PB has higher current asset and of most its current asset is account receivable. In non-current asset, both of them have a lot of PPE as they have their own manufacturing. However, CPRAM has a lot of short term borrowing compared to PB. PB has higher retained earnings than CPRAM around two times.

Table 1.7 Common Size Analysis on Balance Sheet for PB and CPRAM

Income Statement as of Dec. 2016	PB		CPRAM	
	Million Baht	Percentage	Million Baht	Percentage
Revenues				
Sales	7,569	100%	14,759	100%
Expenses				
Cost of sales	4,362	58%	12,873	87%
Selling and Administrative Expenses	1,644	22%	1,538	10%
Total expenses	6,006	79%	14,410	98%
Profit before finance cost and income tax expenses	1,637	22%	542	4%
Finance cost	12	0%	90.35	1%
Profit before income tax expenses	1,625	21%	452	3%
Income tax expenses	162	2%	524	4%
Profit for the year	1,463	19%	399	3%

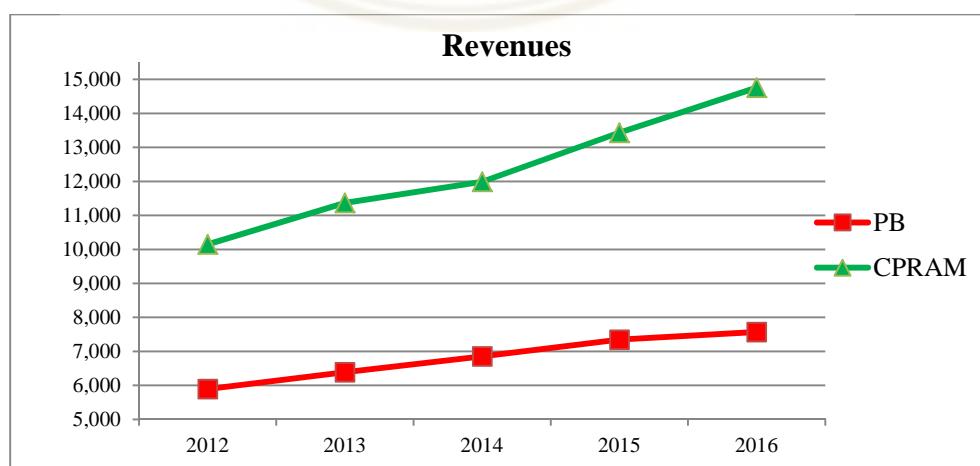
Balance Sheet as of Dec. 2016	PB		CPRAM	
	Million Baht	Percentage	Million Baht	Percentage
ASSETS				
CURRENT ASSETS				
CASH AND CASH EQUIVALENTS	537	7%	376	4%
SHORT-TERM INVESTMENTS	627	8%	0	0%
TRADE ACCOUNTS AND OTHER RECEIVABLE	871	12%	375	4%
INVENTORIES	205	3%	527	5%
OTHER CURRENT ASSETS	28	0%	24	0%
TOTAL CURRENT ASSETS	2,268	30%	1,303	13%
NON-CURRENT ASSETS				
CASH RESTRICTED OR PLEDGED	36	0%	0	0%
INVESTMENT IN ASSOCIATES JOINT VENTURES	25	0%	0	0%
LONG-TERM INVESTMENTS	600	8%	0	0%
NET OF CURRENT PORTION OF LONG-TERM LOANS -RELATED PARTIES	0	0%	0	0%
PROPERTY, PLANT AND EQUIPMENTS - NET	4,564	61%	8,671	86%
LEASEHOLD RIGHT - NET	1	0%	0	0%
INTANGIBLE ASSETS - NET	9	0%	0	0%
DEFERRED TAX ASSETS	9	0%	0	0%
OTHER NON-CURRENT ASSETS	15	0%	61	1%
TOTAL NON-CURRENT ASSETS	5,260	70%	8,732	87%
TOTAL ASSETS	7,528	100%	10,035	100%

Table 1.7 Common Size Analysis on Balance Sheet for PB and CPRAM (cont.)

Balance Sheet as of Dec. 2016	PB		CPRAM	
	Million Baht	Percentage	Million Baht	Percentage
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
SHORT-TERM BORROWINGS	0	0%	4,093	41%
TRADE ACCOUNTS AND OTHER PAYABLE	724	10%	2,052	20%
CURRENT PORTION OF LONG-TERM LIABILITIES	70	1%	0	0%
OTHER CURRENT LIABILITIES	353	5%	73	1%
TOTAL CURRENT LIABILITIES	1,148	15%	6,219	62%
NET OF CURRENT PORTION OF LONG-TERM LIABILITIES	205	3%	0	0%
NET OF CURRENT PORTION OF POST EMPLOYEE BENEFIT OBLIGATIONS	83	1%	0	0%
OTHER NON-CURRENT LIABILITIES	3	0%	200	2%
TOTAL NON-CURRENT LIABILITIES	290	4%	200	2%
TOTAL LIABILITIES	1,438	19%	6,418	64%
SHAREHOLDERS' EQUITY				
AUTHORIZED SHARE CAPITAL - ORDINARY SHARES	450	6%	600	6%
ISSUED AND FULLY PAID-UP SHARE CAPITAL - ORDINARY SHARES	450	6%	600	6%
PREMIUM (DISCOUNT) ON SHARE CAPITAL - ORDINARY SHARES	674	9%	0	0%
RETAINED EARNINGS (DEFICIT)	4,958	66%	3,016	30%
TOTAL SHAREHOLDERS' EQUITY	6,090	81%	3,616	36%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,528	100%	10,035	100%

1.7.3 Trend analysis

CPRAM has higher CAGR of revenue than PB. PB has CAGR of revenue only 6.5% but CPRAM has CAGR at 9.8%. However, PB has lower cost of goods sold with 4.4% of CAGR compared to CPRAM which has CAGR at 11.2%. PB can manage their inventory a lot better than CPRAM but PB has higher CAGR as the last year CPRAM can perform better than the past but the total amount of inventory still higher than PB around two times. Moreover, CPRAM has higher debt than PB.

**Figure 1.18 Trend Analysis of Revenue for PB and CPRAM**

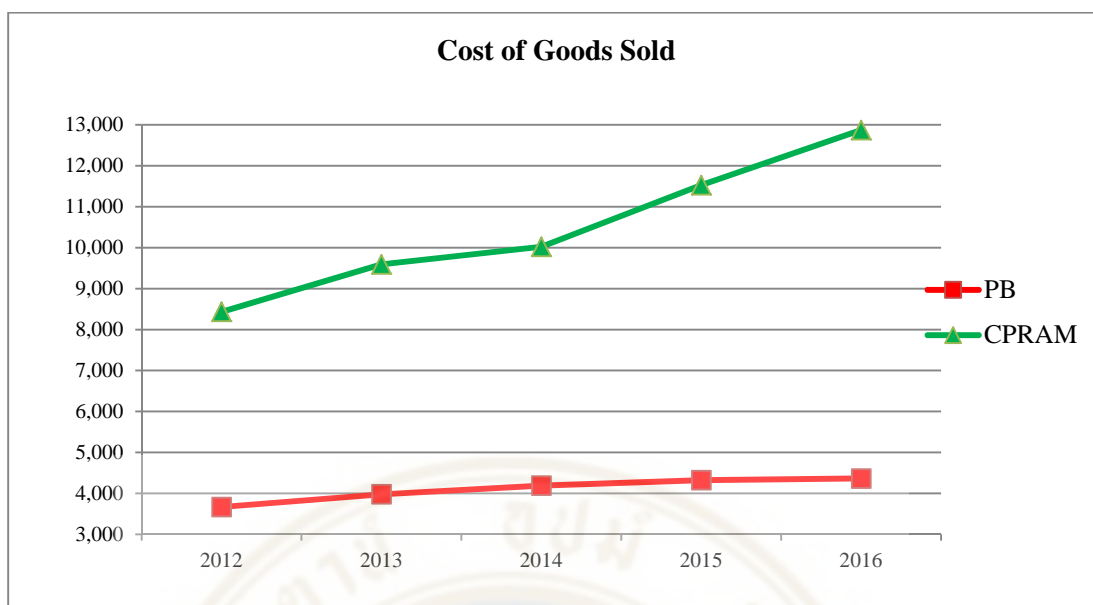


Figure 1.19 Trend Analysis of Cost of Goods Sold for PB and CPRAM

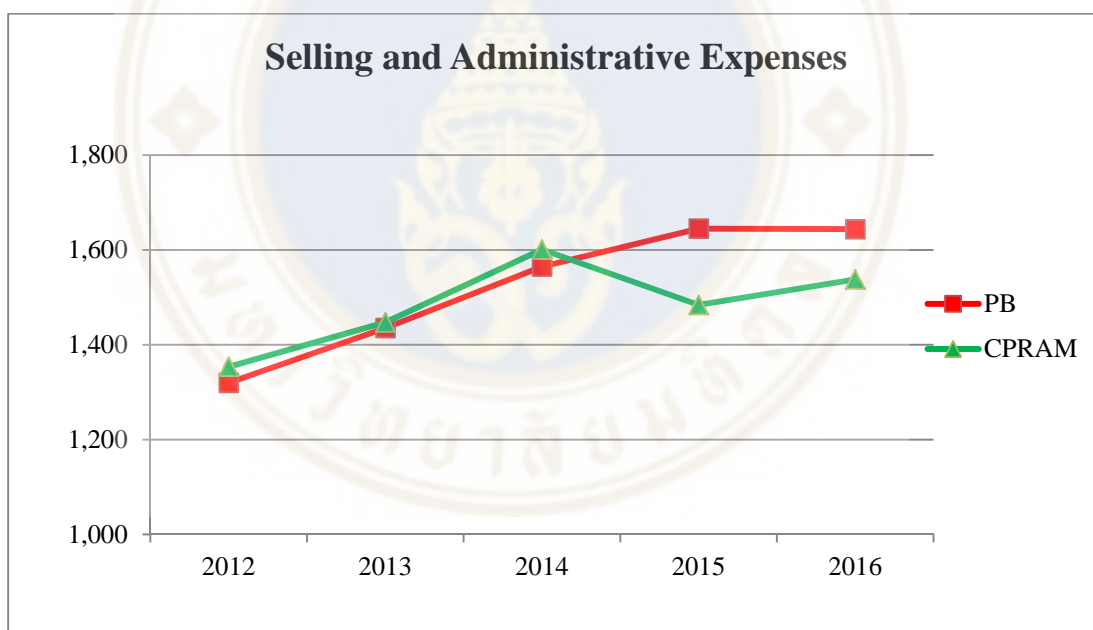


Figure 1.20 Trend Analysis of Selling and Administrative Expenses for PB and CPRAM

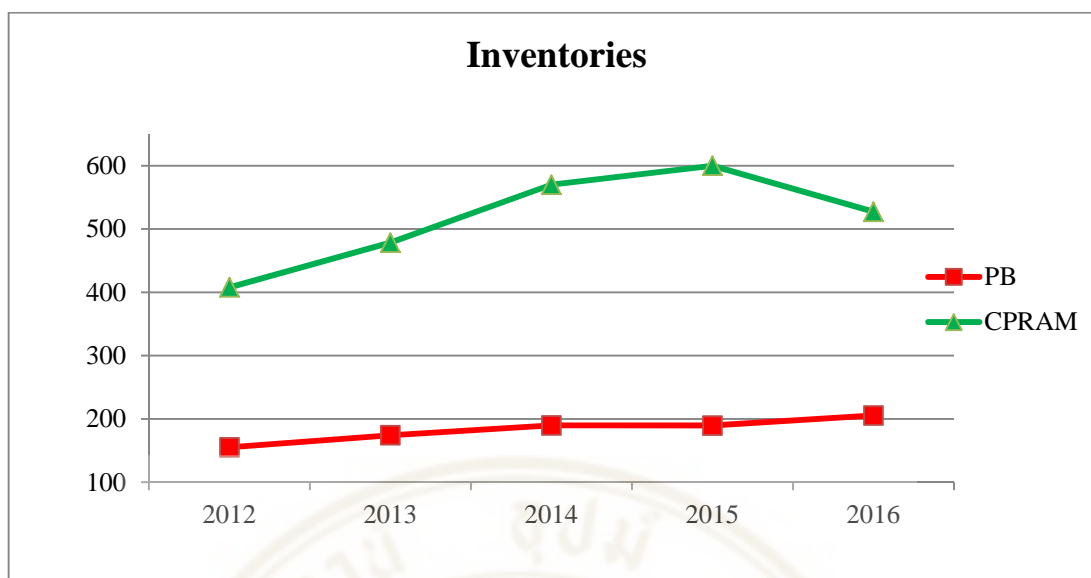


Figure 1.21 Trend Analysis of Inventories for PB and CPRAM

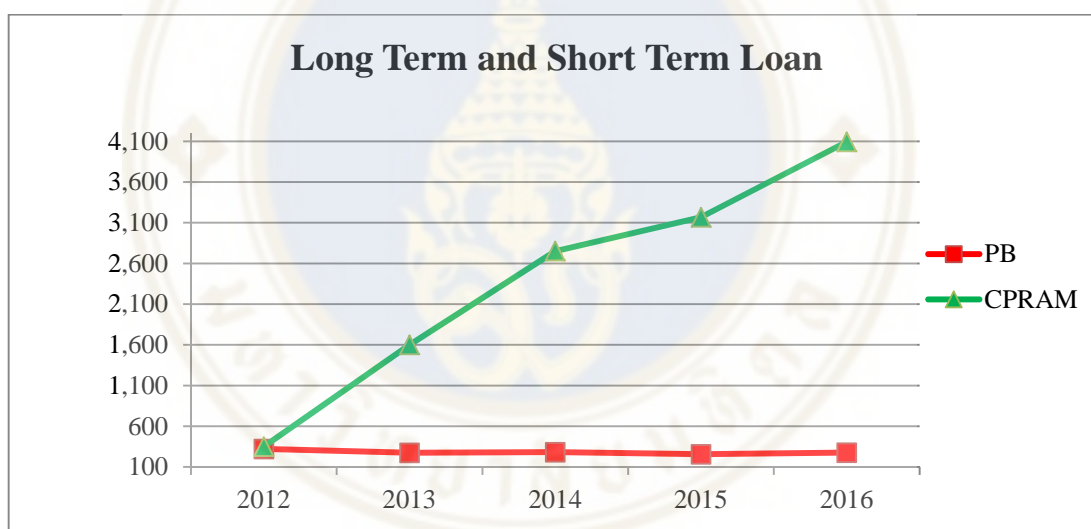


Figure 1.22 Trend Analysis of Long-Term and Short-Term Loan for PB and CPRAM

1.7.4 Financial ratios

PB has higher ROA than SNP in every year except the first year which is 2012. However, ROA of SNP has decrease sharply in 2016. It means PB has efficient management at using its assets to generate earnings. For ROE, PB still can perform better than SNP in the last three years. ROE of SNP was decreasing in the first three years (2012-2014) and increased a little bit in 2015 then dropped down again in 2016.

PB can generate much more profit with the money shareholders have invested. PB has higher current ratio which mean that PB has higher liquidity as they have higher value of all assets that can reasonably expect to be converted into cash within one year. PB has higher Interest Coverage Ratio than SNP which mean PB can pay interest more easily on outstanding debt.

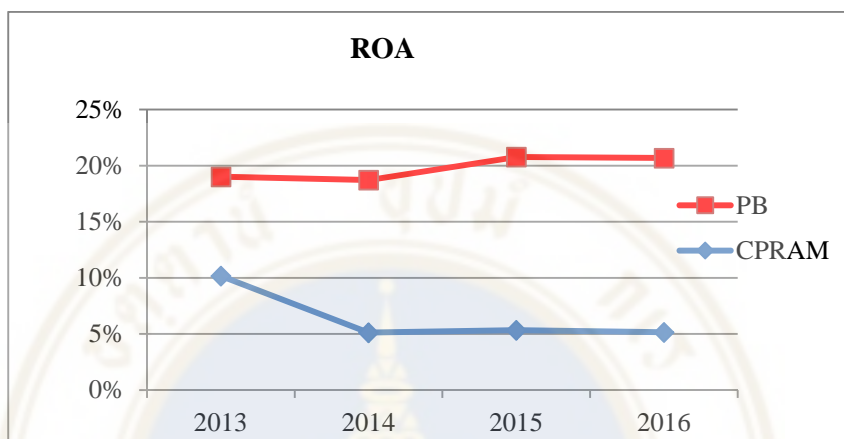


Figure 1.23 Financial Ratio Analysis of ROA for PB and CPRAM

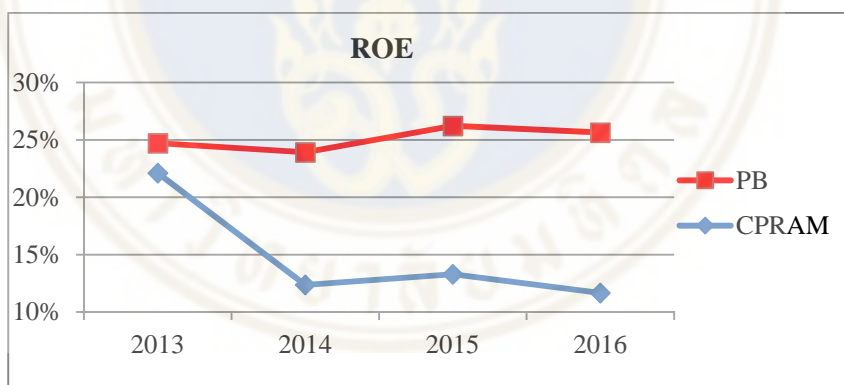


Figure 1.24 Financial Ratio Analysis of ROE for PB and CPRAM

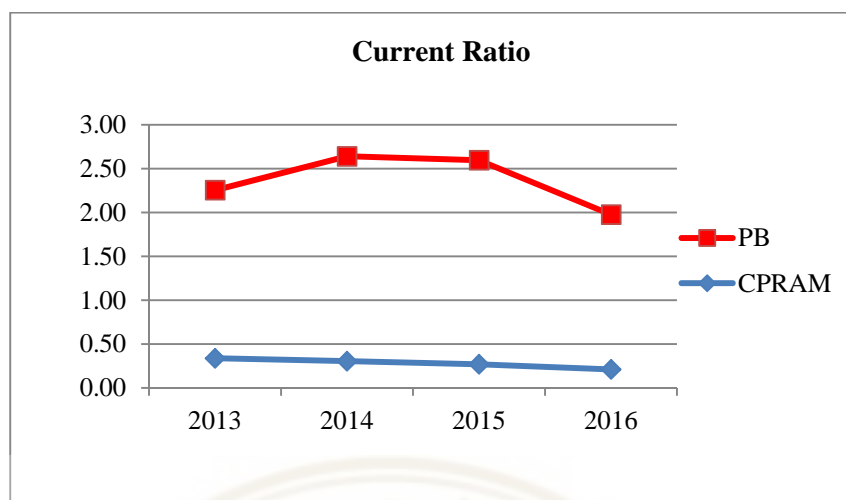


Figure 1.25 Financial Ratio Analysis of Current Ratio for PB and CPRAM

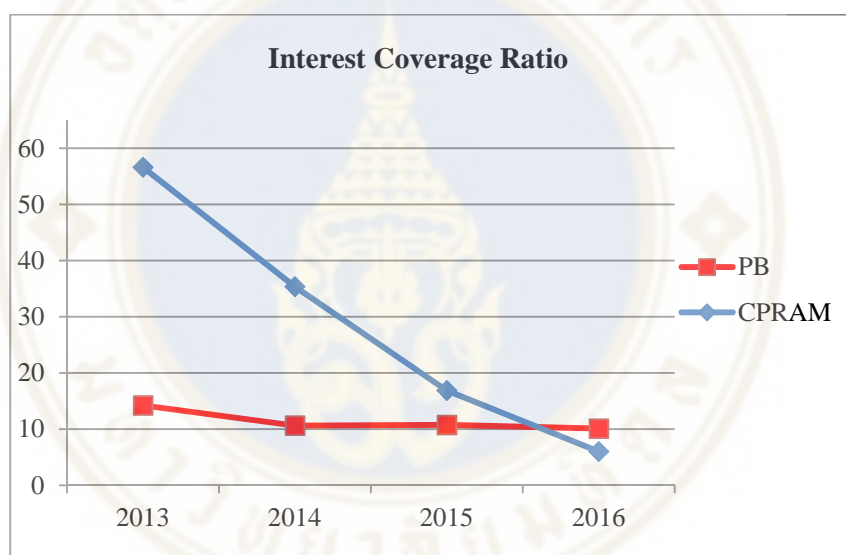


Figure 1.26 Financial Ratio Analysis of Interest Coverage Ratio for PB and CPRAM

Table 1.8 Dupont Analysis for PB

Return		2016	2015	2014	2013	2012
ROA		20.68%	20.77%	18.72%	19.01%	19.09%
= Profit Margin (Core business)	= $EBIT(1-T_b) / Sales$	17.30%	15.82%	13.60%	12.92%	13.04%
x Tax Change	= $(1-T_s)/(1-T_b)$	1.00	1.00	1.00	1.00	0.96
x Tax Management	= $(1-T_a) / (1-T_s)$	1.13	1.13	1.13	1.16	1.17
x Total Assets Turnover	= $Sales / Avg. TA$	1.06	1.16	1.22	1.27	1.30
ROE		25.63%	26.22%	23.92%	24.71%	25.40%
= ROA	= $NOPAT / Avg. TA$	20.68%	20.77%	18.72%	19.01%	19.09%
x Earning Leverage	= $NI / NOPAT$	0.99	0.99	0.99	0.99	0.98
x Capital Structure Leverage	= $Avg. TA / Avg. E$	1.25	1.27	1.29	1.32	1.35

Table 1.9 Dupont Analysis for CPRAM

Return		2016	2015	2014	2013
ROA		5.14%	5.33%	5.11%	10.16%
= Profit Margin (Core business)	= $EBIT(1-T_b) / Sales$	2.94%	2.81%	2.64%	4.00%
x Tax Change	= $(1-T_s)/(1-T_b)$	1.00	1.00	1.00	1.00
x Tax Management	= $(1-T_a) / (1-T_s)$	1.10	1.13	1.07	1.11
x Total Assets Turnover	= $Sales / Avg. TA$	1.58	1.67	1.80	2.28
ROE		11.66%	13.29%	12.37%	22.10%
= ROA	= $NOPAT / Avg. TA$	5.14%	5.33%	5.11%	10.16%
x Earning Leverage	= $NI / NOPAT$	0.83	0.94	0.97	0.98
x Capital Structure Leverage	= $Avg. TA / Avg. E$	2.72	2.65	2.49	2.21

1.8 Investment Risk and Downside Possibilities

Table 1.10 Risk Matrix of PB

		IMPACT				
		Negligible	Minor	Moderate	Significant	Severe
LIKELIHOOD	Very Likely					
	Likely				SR1	OP1
	Possible			OP2, OP3		
	Unlikely		OP4			
	Very Unlikely					

1.8.1 Operational Risks:

- Operational Risk 1: Almost half of revenue relying solely on single customer (OP1)

President Bakery mainly distribute products to C.P. All Co., Ltd.(CPALL) which operates the convenience store business under the 7-Eleven trademark. During the year 2016, PB generated about 40% of revenue to the company and in case if the company lose this client it will have a huge negative impact on the company's performance. Moreover, CPALL has introduced the house brand products which is Le Pan. It offers almost similar products as Farmhouse.

Risk Management: The bread and bakery products from President Bakery are widely accepted by customers and the products could generate a higher revenue compare to other competitors, therefore, CPALL still benefits from selling bread and bakery from Farmhouse.

- Operational Risk 2: Volatility of raw material's price (OP2)

The main ingredients that the company use to produce bread and bakery are Wheat, Chicken Egg and Fat Groups such as Margarine. The price of these products is not stable including the quality of the raw materials, therefore, it is quite difficult for the company to predict the price of these ingredients because it depends on the demand and quality of the product. Therefore, the company has managed these risks by not relying on a single supplier instead the company choose at least 3 suppliers in each product, so the company can bargain the price with suppliers.

Risk Management: The company does not rely solely on one suppliers, there are at least 5 suppliers to supply one kind of raw material to the company. For instance, the company requires a high very high demand in wheat, therefore, the company has about 6 suppliers for wheat, moreover, there are more wheat supplier in the market, so this gives the company the bargaining power of the company. For the fat group which are the second important ingredient, the company has around 6 suppliers for this kind of raw material and the company is seeking for more suppliers, this will enhance the company to negotiate the price with all suppliers. For chicken eggs, the use of chicken eggs has constantly increased, currently the company has around 5 suppliers of chicken eggs. The company also uses the import egg powder as the replacement during the price of domestic chicken eggs are high.

- Operational Risk 3: Limited source of raw materials (OP3)

Due to the company is mainly focused on the highest quality of raw materials therefore there are not many suppliers in the market that can meet the standard quality that is required by the company. The company may have to rely on single supplier for certain raw material due to the raw material is made privately for the company only. Moreover, when the company rely on single supplier the company lose the bargaining power of supplier and there might be a shortage of raw materials.

Risk Management: The company has prevented the problem with the shortage of raw materials by planning the appropriate amount of raw materials needed and the company has the back up source of raw materials. They rely on both international and domestic suppliers. In case that if the uncertainty happens such as natural disaster, political issue the company already has a back up plan for these situations.

- Operational Risk 4: Controlling freshness of short shelf-life products (OP4)

Most of the bread and bakery products have a short shelf-life normally around 3-7 days from the manufacturing date because of the freshness that the company wants to deliver to customers, therefore the company will be exposed into the risk in case that large number of products are returned from the shop. The company will have a negative impact on the company's performance.

Risk Management: The company has trained the sales representative to use the mobile computer for recording the sales and distributing the products to shops. Therefore, each sales representative can summarize their own amount of sales and can control the products when distribute to the shop to meet consumers' demand. However, the company has set the goal for sales representative by providing the incentive for those who have the lowest amount of product return from shops.

1.8.2 Strategic Risk:

- Strategic Risk 1: Entering the ASEAN Economic Community (SR1)

Thailand is stepping into the ASEAN Economic Community (AEC) which has a risk involved due to the company could face more competitors from other countries which could draw down the company's market share. Moreover, the company could face the labor shortage due to some people might move out of the country to have a better pay.

Risk Management: The company has managed the risk by planning to expand their sale units to cover nationwide as well as expanding into nearby countries in the ASEAN countries. Moreover, the company try to improve the manufacturing efficiency by using latest technologies in order to reduce the labor shortage. To compete with the competitors the company try to procure the best quality of raw materials with the competitive price to be able to manage cost effectiveness in order to compete with new competitors.

CHAPTER II

DATA

2.1 Revenue Growth Assumption

PB revenue growth rate is mainly from the wholesale business in which almost half of revenue is from selling bread products at convenience stores which is 7-Eleven. However, the company (PB) holds the biggest market share in the bread and bakery industry about 26% - 29% of the total market.

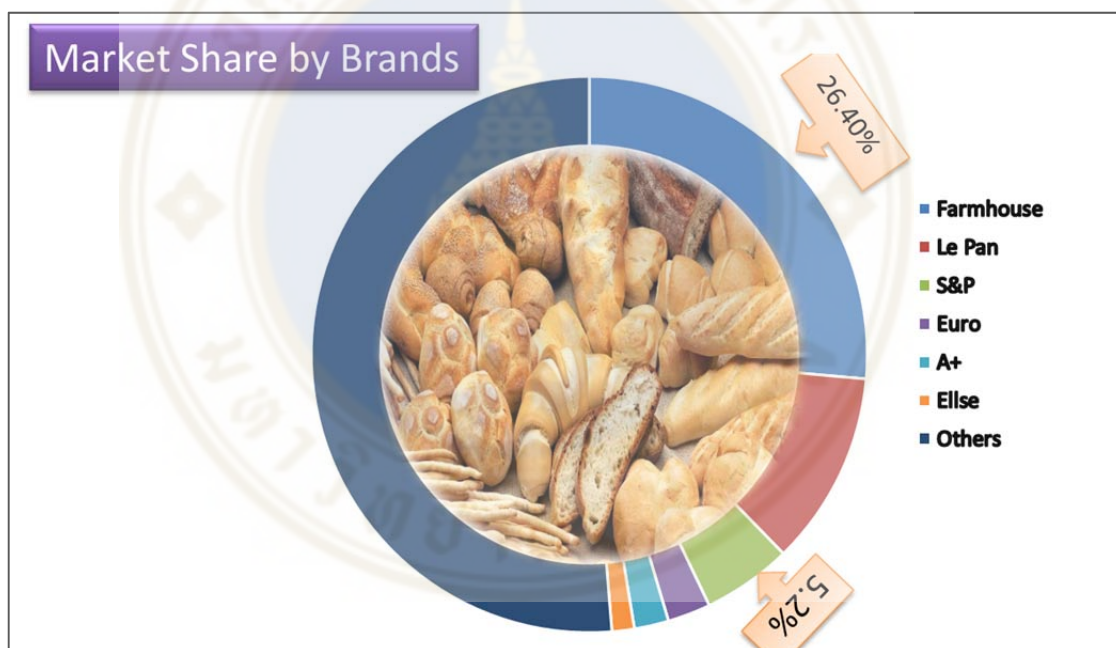


Figure 2.1 Market Share of Baked Goods Industry by Brands

Source: Euromonitor International 2017

On the other hand, the bread and bakery industry in Thailand is growing quite fast due to the urban lifestyle of the people which they prefer to grab and go during the rush hours. Therefore, the compounded annual growth rate of the industry is growing about 7.6% per annum from the year 2011 until 2017. However, after year 2017 the forecasted from Euromonitor has shown that the baked goods industry will grow at 5.6%

(CAGR), therefore, we assume that the company can maintain the lowest level of market share at 26% of the total market then the company should grow at the same size of the baked goods industry. For the projected year 1 until year 5, the sales growth of the company is assumed to be at 5.6% per year.



Figure 2.2 Forecasted Sales of Baked Goods 2017 – 2022

Source: Euromonitor International 2017

The research from National Statistic Organization also had shown that three-fourths of Thai population consumes snacks during their free time which is a large proportion.

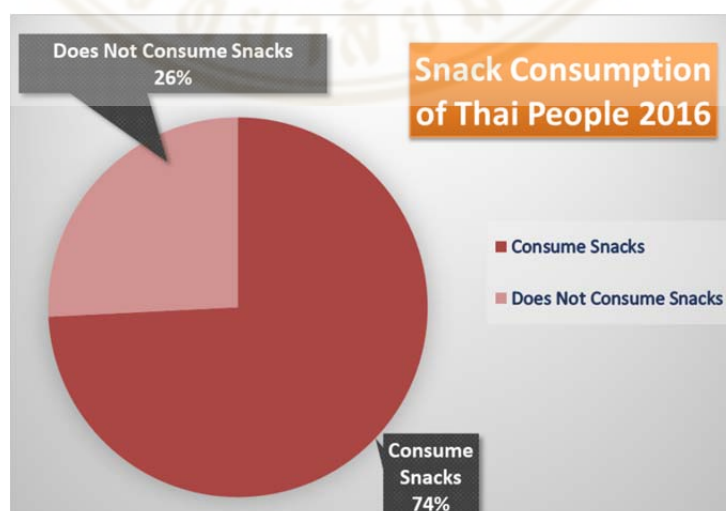


Figure 2.3 Snack Consumption of Thai People Year 2016

Source: NSO.go.th (Revised every 4 years)

Moreover, the baked goods industry in Thailand still has more room to grow because the studies has shown that in the Developed countries such as Japan or Hong Kong, people usually consume bread at 10-20 Kilograms/per capita/year whereas currently in Thailand people consume bread at only about 5 Kilograms/ per capita/ year, so we believe that the number should increase.

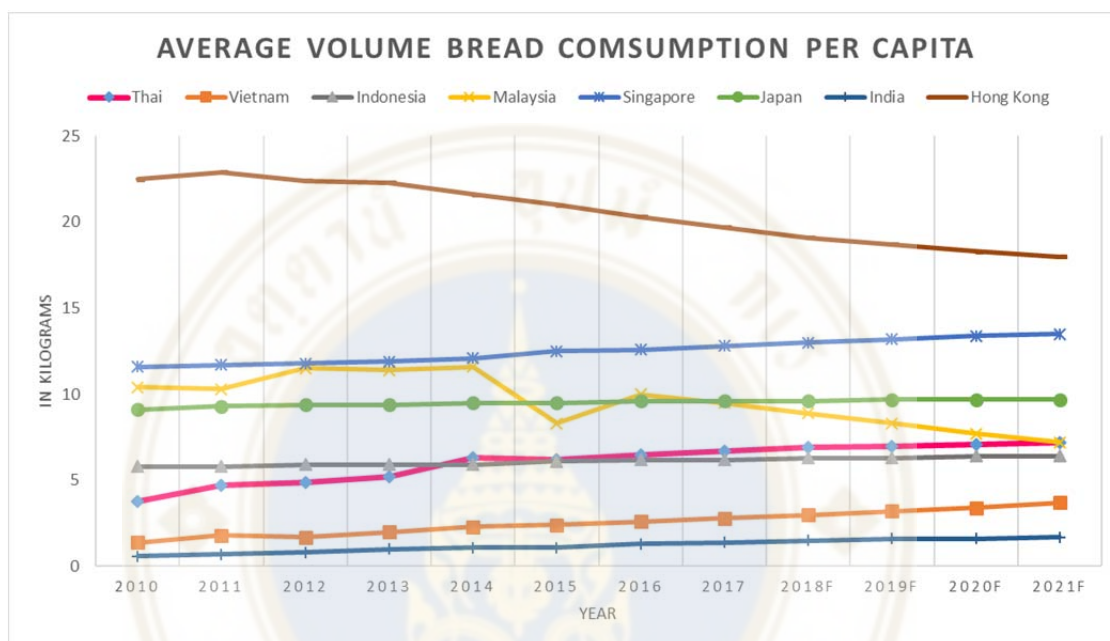


Figure 2.4 Average Volume Bread Consumption Per Capita

Source: Statista, Household Consumption 2010: Bread (World Bank)

Lastly, the company has just invested in new production factory which is Bangchan 2, this will increase the capacity of the company by 20% and it will support the growth of the company in the future for 4-5 years. However, the projected year for the constant growth is assumed to be at 2.1% in which 2 % comes from the expected forecast rate from NESDB and the 0.1% is from the projected growth rate of Thailand population in the year 2023.

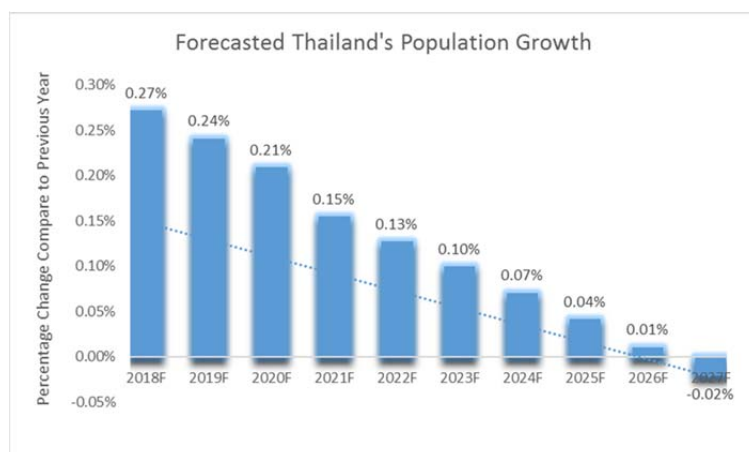


Figure 2.5 Forecasted Thailand's Population Growth

Source: NESDB, BOT

Moreover, the foreigners in Thailand is about 2.5 million people which comprised about 4% of total Thai population, however, most them (82%) are from Myanmar, Cambodia and Lao. Therefore, we excluded the projection of foreigners in our model because of different preference; instant noodle could satisfy them more than bread.

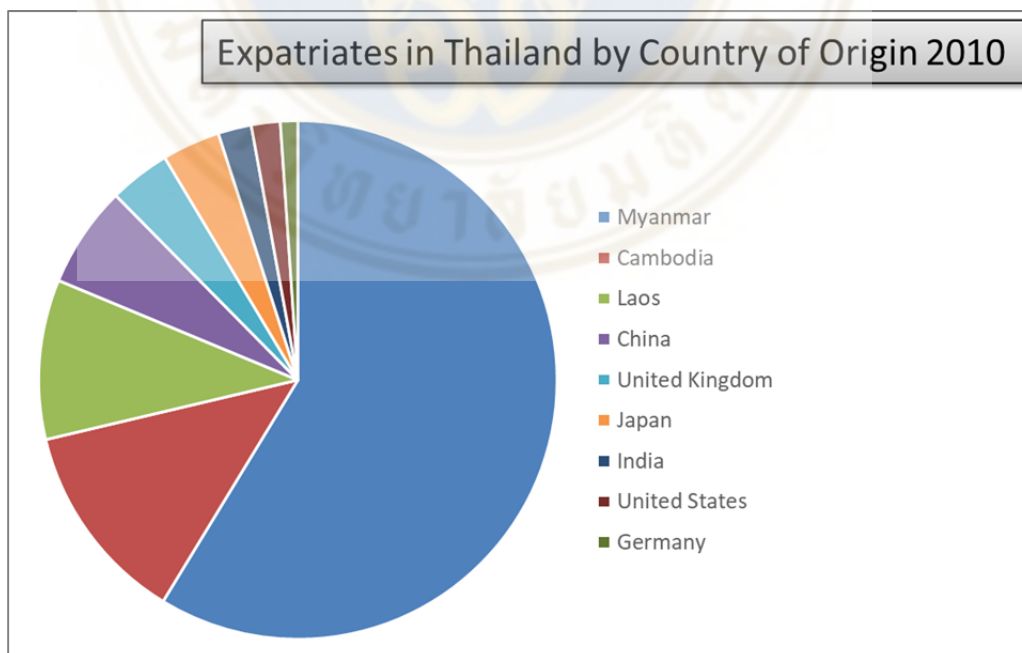


Figure 2.6 Expatriates in Thailand by Country of Origin Year 2010

Source: NSO.go.th (The data will be revised every 10 years)

During year 2017, the sales growth of the company had dropped due to lack-luster economy, so the impact is on the consumer private consumption which resulted in the negative performance of the company. During the year 2018 – 2022, we assume that the company will continue to grow as the same size of the baked goods industry which is 5.6% because of the new investment (Bandchan 2) whereby it would bring 20% higher capacity.



Figure 2.7 PB's Assumption on Sales Growth

Source: Team's Estimation

2.2 Terminal Growth Rate

The constant growth rate will grow as the same rate of Thailand's inflation which is 2% and Thailand's forecasted population growth rate in the year 2023 which is 0.1%.

2.3 WACC Assumptions

The weighted average cost of capital is from cost of debt and cost of equity. Cost of debt of the company is based on the interest-bearing debt only which is about 4.5% before tax, the majority of the debts are from financial lease in current and non-current liabilities, long-term borrowing from other parties and related parties which is mainly from the directors and employees, the company compensate these creditors

about 3% per annum. The company's cost of debt is at 4.5% whereas the portion of debt of the company is only at 1%. The market value of equity is at 28,800 million baht, the number comes from the total number of share outstanding times with the current share price which is 64 Baht per share. Therefore, the cost of equity is at 5.93%. The risk-free rate is assumed to be at 2.43% according to the 10-year government bond yield. The adjusted beta of the company is at 0.4 from the SETSMART, the number is quite low quite low, it can imply that the risk of holding the stock of the company is lower than the market because the share price does not have high volatility. The market risk premium is assumed to be at 7%. The weight of equity is 99% because the company is almost in a debt-free position.

Table 2.1 WACC

WACC	
Risk Free Rate	2.43%
Beta	50%
Market Risk Premium	7%
Cost of Equity	5.93%
Weight of Equity	99%
Cost of Debt	4.52%
Weight of Debt	1%
Tax Rate	20%
WACC	5.91%

Source: Team's Estimate

2.4 Other Assumptions

Proportion of Cost of Goods Sold: the company's cost of goods sold is quite stable during the past 5 years, it remained about 59% of sales. Therefore, the assumption on cost of goods sold is based on the sales as the sales increase, the cost of goods sold also increase.

Selling and Administrative Expenses: the company's SG&A is quite stable for the past 5 years, it moves in the same direction as sales. Therefore, the assumption on selling and administrative expenses is assumed to be 22% of sales.

Tax Rate: the company had the promotional privilege from the Board of Investment for the past 5 years, so the company was subjected to the tax rate at 9%, however, the privilege that the company get will be expired at the end of 2017. Therefore, the assumption on the tax rate of the company will be at 20% as the normal corporate tax rate.

Table 2.2 PB's Tax Privilege

Certificate No.	1973(3)/2550	1343(2)/2555	2218(2)/2557
Date	26 September 2007	22 March 2012	25 September 2014
1. Promotional privileges for	Manufacture of ready-made foods	Manufacture of bakery products	Manufacture of whole grain products
2. Significant privileges			
2.1 Exemption from import duty on approved machinery	Granted	Granted	Granted
2.2 Exemption from corporate income tax on net income from promoted operation (commencing from the date of earning operating income) and exemption from income tax on dividend paid from the income of the operations on which the corporate income tax is exempted throughout the corporate income tax exemption period	8 years (will expire on 2 June 2017)	8 years (not over 100 percent of investment excluding land and working capital)	8 years (not over 100 percent of investment excluding land and working capital)
2.3 Allowance to deduct operating loss incurred during the corporate income tax exemption period from net income incurred thereafter (after exemption period in 2.2)	5 years	5 years	5 years
2.4 Exemption from import duty on raw and essential materials imported for export manufacturing commencing as from the first import date	1 year	Not granted	Not granted
2.5 Exemption from import duty on goods imported for re-export commencing as from the first import date	1 year	Not granted	Not granted
3. Commencing date	3 June 2009	Not yet commenced	1 October 2014

Source: PB's Financial Report

Terminal Value (TV), discounted rate at 5.91%: For the constant growth, the assumption on the constant growth is at 2.1% as Thailand's projected inflation rate and the forecasted population growth of Thai people. The discount rate of 5.91% is applied from WACC.

Capital Expenditure (CAPEX): The average capital expenditure of the company from the last 5 years was at 15% of sales. Therefore, the assumption on the projected years is at 15% of sales. The CAPEX moves in the same direction as sales.

Change in net working capital: Net working capital is the combination of three items which are account receivable, inventories and account payable. Therefore, the net operating working capital is from the account receivable combines with inventories then deduct with the account payable to get the net working capital whereas the account receivable is assumed at 12% of sales whereas the inventories is at 5% of cost of goods sold and account payable is at 17% of cost of goods sold.

2.5 Business Structure



Figure 2.8 PB's Business Structure

Source: PB's Annual Report

2.6 Major Shareholders and Free Float

Table 2.3 PB's Shareholders and Free Float

Rank	Major Shareholders	# Shares	% Shares
1.	บริษัท เพชรเจเนทโรชิโปรดักส์ จำกัด (มหาชน)	168,817,500	37.52
2.	บริษัท สหพัฒนาอินเตอร์โฮลดิ้ง จำกัด (มหาชน)	97,127,400	21.58
3.	บริษัท ไทยเพชรเจเนทโรฟูดส์ จำกัด (มหาชน)	42,245,300	9.39
4.	นายพิพัฒน์ พระเนียงเวทย์	14,060,850	3.12
5.	นายวีรพัฒน์ พูนศักดิ์อุดมสิน	7,136,800	1.59
6.	บริษัท สหพัฒนพิบูล จำกัด (มหาชน)	5,650,000	1.26
7.	น.ส.อภิรดี ธรรมมโนมัย	5,634,940	1.25
8.	บริษัท ไอ.ซี.ซี. อินเตอร์เนชั่นแนล จำกัด (มหาชน)	4,650,000	1.03
9.	บริษัท ธนลักษณ์ จำกัด (มหาชน)	4,500,000	1.00
10.	บริษัท เอส แอนด์ เจ อินเตอร์เนชั่นแนล เอนเตอร์ไพรส์ จำกัด (มหาชน)	4,500,000	1.00
11.	บริษัท อินเตอร์เนชั่นแนล แลบบอราทอรีส์ จำกัด	4,500,000	1.00
12.	บริษัท เบทเตอร์เวย์ (ประเทศไทย) จำกัด	4,500,000	1.00
13.	บริษัท ประชาอาภรณ์ จำกัด (มหาชน)	4,500,000	1.00
14.	บริษัท ไทยวาโก้ จำกัด (มหาชน)	4,500,000	1.00
15.	บริษัท ไอ.ดี.เอฟ. จำกัด	4,199,900	0.93
16.	นายกำธร ดติยกวี	3,822,150	0.85
17.	นายกำธร พูนศักดิ์อุดมสิน	3,491,570	0.78
18.	นายอภิเศรษฐ ธรรมมโนมัย	3,344,810	0.74
19.	นายสงวน ดติยกวี	3,164,050	0.70
20.	นายวีระศักดิ์ ศรีสีด้ว	2,593,700	0.58

Source: PB's Annual Report

2.7 Management Organization Chart, Corporate Governance

Table 2.4 PB's Management Organization Chart

รายชื่อกรรมการ NAME	ตำแหน่ง POSITION	การประชุมคณะกรรมการ BOARD OF DIRECTORS MEETING	
		จำนวนครั้ง การประชุม NO. OF MEETING	จำนวนครั้ง ที่เข้าร่วมประชุม NO. OF MEETING ATTENDANCE
1. นายพิพัฒน์ พะเนียงเวทย์ Mr. Pipat Paniangvait	ประธานกรรมการ Chairman of the Board	13	13
2. นายอภิชาติ ธรรมมโนเมย์ Mr. Apichart Thammanomai	กรรมการผู้อำนวยการ Managing Director	13	13
3. นายกำธร ตติยภักดิ์ Mr. Kamthorn Tatiyakavee	กรรมการ Director	13	12
4. ดร.พจณี พะเนียงเวทย์ Dr. Pojjanee Paniangvait	กรรมการ Director	13	12
5. นายพันธ์ พะเนียงเวทย์*** Mr. Pun Paniangvait	กรรมการ Director	10	10
6. นางมาลี ตั้งใจสนอง Mrs. Malee Tangjaisanong	กรรมการ Director	13	13
7. นางสาวเพชรรัตน์ อนันต์วิชัย Ms. Petcharat Anantawichai	กรรมการและเลขานุการบริษัท Director and Company Secretary	13	13
8. นายอภิเศรษฐ ธรรมมโนเมย์ Mr. Apisate Thammanomai	กรรมการ Director	13	13
9. นายธวัช แก้วพิทักษ์ Mr. Thavach Keawpitag	กรรมการ Director	13	13
10. นางสาวพนิดา ประโยชน์เทวีกิจ Miss Panida Prayottaweekij	กรรมการ Director	13	13
11. ศาสตราจารย์ ดร. สุวิมล กิรติพิบูล Prof. Dr. Suwimon Keeratipibul	กรรมการอิสระ และประธานคณะกรรมการตรวจสอบ Independent Director and Chairman of Audit Committee	13	11
12. แพทย์หญิงยุพา สุนทรภา Dr. Yupa Soontrapa	กรรมการอิสระ และกรรมการตรวจสอบ Independent Director and Audit Committee	13	13
13. รองศาสตราจารย์ ดร. กุลภัทรา สีโรดม Assoc. Prof. Dr. Kulpatra Sirodom	กรรมการอิสระ และ กรรมการตรวจสอบ Independent Director and Audit Committee	13	8
14. นายบุญศักดิ์ เจียมปรีชา Mr. Boonsak Chiempricha	กรรมการอิสระ และกรรมการตรวจสอบ Independent Director and Audit Committee	13	12
15. นางเอมอร ปทุมารักษ์ Mrs. Aim-On Pathumarak	กรรมการอิสระ Independent Director	13	10

*** กรรมการลำดับที่ 5 เข้ามาดำรงตำแหน่งกรรมการบริษัทเมื่อวันที่ 22 เมษายน 2560
*** Director No.5 sit in the Board of Director position on April 22 2016

รายชื่อกรรมการ NAME	ตำแหน่ง POSITION	การประชุมคณะกรรมการ BOARD OF DIRECTORS MEETING	
		จำนวนครั้ง การประชุม NO. OF MEETING	จำนวนครั้ง ที่เข้าร่วมประชุม NO. OF MEETING ATTENDANCE
1. นายสุชาติ รัตนเจียรณ Mr. Suchat Rattanajiaroen	ที่ปรึกษาคณะกรรมการ Board of Director Advisor	13	13

Source: PB's Annual Report

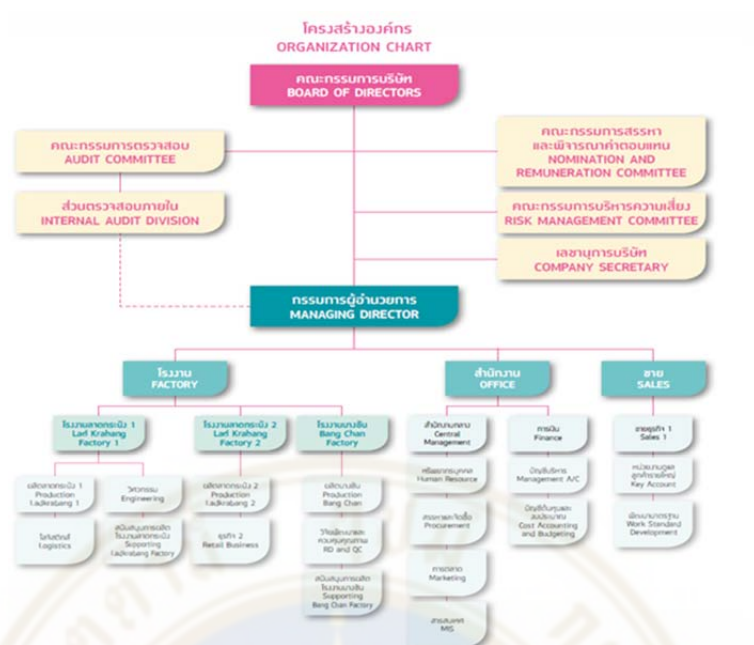


Figure 2.9 PB's Management Organization Chart

Corporate Governance

The Board of Directors is confident that a proper, transparent and accountable governance system is in place along with checks and balances and an internal control system that is sufficient and appropriate. Alongside these mechanisms are due respect for the rights and equality of shareholders and accountability to all stakeholders. These key factors contribute to the enhancement of the organization's immunity and promotion of a balanced and sustainable growth in the long-term.

In pursuance thereof, the Board of Directors thereby prescribed the following corporate governance policies as a practice guideline for the Company directors, Executives and all employees.

1. Company Directors, Executives and all employees are fully committed to the application of corporate governance principles, business ethics and Codes of Conduct for Company Directors, Executives and employees to Company operations.
2. Company Directors, Executives and all employees must perform their duties responsibly, prudently, earnestly and honestly in accordance with the relevant laws, Company Articles and Notifications.

3. Actions shall be taken to ensure that the Company management structure contains clear prescriptions of powers, duties and responsibilities of each Company Committees and Executives.

4. An internal control system shall be installed and risks management shall be managed at suitable levels, including an accounting system and financial statement which are accurate and reliable.

5. Information shall be disclosed in a sufficient, reliable and timely matter to the extent that the legitimate interests of the Company are not prejudiced.

6. The ownership rights of shareholders shall be appreciated and respected. Shareholders shall be treated equitably.

7. Undertakings shall have regard to the responsibilities of shareholders, stakeholders, communities, society and the environment.

8. There shall be a determination to strive towards business excellence with commitment to the creation of customer satisfaction by receiving comments and self-assessments in order to enhance management capabilities and continually promote productive creativity.

9. Virtue, ethics and good values shall be instilled. Employees shall be treated fairly with a commitment to develop and enhance the capabilities of personnel.

10. Dishonest conduct, corruption and intellectual property violations shall be suppressed. Laws and human rights shall be respected.

11. Conflict of interests shall be dealt with prudently and reasonably with due regard for the Company's interests. The Company has disclosed policies on corporate governance, business ethics and code of conduct for the Board of Directors, Executives and employees in order for the employees, shareholders and general public to acknowledge through the Company's website, under the topic "Investment.

2.8 SWOT Analysis and Five Force Analysis

2.8.1 SWOT Analysis



Figure 2.10 SWOT Analysis

Source: Team's Analysis

2.8.1.1 Strength

- Most advanced manufacturing technology in Southeast Asia

The company has used the most advanced technology in the production line in order to improve the quality of the products to meet the demands on nutrition value, safety of food. Moreover, the company also keep developing the technology to meet maintain the quality standard.

- Manufacturing capacity in the country

Currently, the company has the highest capacity in the country to supply to all the shops in nationwide via traditional trade about 33,322 shops, modern trade about 15,592 shops and on demand from customers about 2,226 shops.

- Maintains the quality and standard of the products

The company must make sure that the best quality, standard and freshness of the products are being distributed to consumers daily. The company uses the effective information technology to guarantee the freshness of the products.

- Be able to distribute the products nationwide on a daily basis

The company is able to distribute their products nationwide on a daily basis via their 39 distribution centers which are located in all regions North 6 centers, North East 8 centers, Central 4 centers, East 4 centers, Bangkok 9 centers and Bangkok

and Vicinity 9 centers in which they distribute about 48,914 shops nationwide within 12 hours with the use of 988 delivery trucks. This shows that the company has a better edge compared to competitors.

2.8.1.2 Weaknesses

- No bargaining power with customer (CPALL) which generates the main revenue

Due to a high competitiveness in the industry, bread and bakery distributors try to distribute their products to reach customers in the easiest and convenient way. Therefore, Farmhouse is mainly distributed their products via convenience stores which is 7-Eleven, however, CPALL also introduced their bread and bakery product line which is Le Pan that produce similar products to Farmhouse. By introducing the new brand to the market, the shelf space of Farmhouse is reduced, and Farmhouse has no power to renegotiate for more space in order to put their products on the shelves.

2.8.1.3 Opportunities

Stepping into AEC to expand their business: By stepping into the ASEAN Economic Community or AEC, this will introduce the company to the new market. Moreover, President Bakery could expand into the nearby countries in the ASEAN group and the company could use a modern technology to develop their own to compete with others in terms of better manage cost effective.

2.8.1.4 Threats

- Higher competition in pricing and sales promotions

An increase in number of competitors in the market leads to a very competitive in pricing and sales promotions. Therefore, when the company sells a lower price, this will have an effect on the profit margin of the company as well as the sales promotion would result in a higher expense.

- Distribution channel at convenience stores (7-Eleven)

President Bakery relies too much on one single customer which is CPALL, moreover, the company does not have the bargaining power, so this could have a negative impact on the revenue in case if the company could not have any further space to sell their products.

- Risk from fluctuation of raw material price

There are three main ingredients that the company uses regularly. Therefore, the price of these raw materials depends on demand and supply in the market and the price of some products are very hard to predict. If the price of raw materials increases, it will affect in higher cost of goods sold which will also have an impact on the profit margin.

- Risk from limitation of raw material source

The company is only picked the highest quality of ingredients; therefore, there is not so many suppliers that supply the raw materials that could reach the standard of the company. Therefore, the company could face a shortage of raw materials and the company could lose the bargaining power to negotiate the price with suppliers

- Higher competitors from AEC

This could be a threat of the company because there will be an expansion in the bread and bakery business from both small and big entrepreneurs. The company could lose market share to others.

2.8.2 Five Force Analysis



Figure 2.11 Five Force Analysis

Source: Team's Analysis

In the bread and bakery industry, there are a lot of existing suppliers in the industry, moreover, the number of the competitors are growing very fast such as Le Pan from CPRAM and A-Plus from C&W Interfoods. These companies produce similar

products and distribute in the same distribution channel. Therefore, this has a negative impact directly to the company in terms of the diversity of competitors and consumers have so many choices to consume.

2.8.2.1 Bargaining Power of Suppliers: High

President Bakery has high bargaining power of suppliers because they demand a very huge amount of raw materials from suppliers such as wheat, chicken egg, and fat groups such as palm oil. Therefore, the company could negotiate the price with the suppliers because the company rely on more than 5 suppliers in one products and because they demand in a large amount, moreover, they still search for new suppliers to supply the raw materials, so the company have a high level of bargaining power to suppliers.

2.8.2.2 Bargaining Power of Customers: High

Consumers do not have to rely only on the products from Farmhouse anymore since there are more than two bread and bakery suppliers in the market. Therefore, consumers could choose their own desire products that they want. Currently, there are so many sources of information availability to consumers for them to make the decision.

2.8.2.3 Threat of New Entrants: Low

The barrier for the new entrants are low because there is a high barrier because of the economies of scale in the industry since President Bakery holds the largest market share and the second largest share is from CPRAM which is a very strong competitor in term of invested capital and research and development as well. Therefore, this might be very hard for the new entrant to enter into the market and compete with them. The new entrant does not have an economy of scale, moreover, the brand recognition is not well-known enough

2.8.2.4 Threat of Substitutes: High

There are so many substitute products in the market from competitors in which the product differentiation is very low in other words they almost offer the similar products on the shelf as Farmhouse. Moreover, the price and quality of the substitute products are not varied from Farmhouse, therefore, there is a high possibility that consumers will switch to substitute products.

2.9 Income Statement including projections

Table 2.5 PB's Income Statement with projections

Items	Yearly /2016	Year 2017	Projected Year 2018	Projected Year 2019	Projected Year 2020	Projected Year 2021	Projected Year 2022	Projected Year 2023
	(01/01/2016 - 31/12/2016)	(01/01/2017- 31/12/2017)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
Income Statement								
REVENUES FROM SALE OF GOODS AND RENDERING OF SERVICES	7,568,751.71	6,811,876.54	7,193,341.63	7,596,168.76	8,021,554.21	8,470,761.24	8,945,123.87	9,132,971.47
TOTAL REVENUES	7,642,882.00	6,943,774.82	7,332,611.37	7,743,222.03	8,176,826.11	8,634,711.20	9,118,236.99	9,309,811.48
COST OF SALE OF GOODS AND RENDERING OF SERVICES	4,361,990.76	4,096,827.14	4,326,240.71	4,568,501.00	4,824,327.40	5,094,479.61	5,379,759.82	5,492,788.78
COST OF GOODS SOLD	4,361,990.76	4,096,827.14	4,326,240.71	4,568,501.00	4,824,327.40	5,094,479.61	5,379,759.82	5,492,788.78
SELLING AND ADMINISTRATIVE EXPENSES	1,643,718.33	1,498,612.84	1,582,535.16	1,671,157.13	1,764,741.93	1,863,567.47	1,967,927.25	2,009,253.72
SELLING EXPENSES	991,349.32	899,167.70	949,521.09	1,002,694.28	1,058,845.16	1,118,140.48	1,180,756.35	1,205,552.23
ADMINISTRATIVE EXPENSES	652,369.01	599,445.14	633,014.06	668,462.85	705,896.77	745,426.99	787,170.90	803,701.49
TOTAL EXPENSES	6,005,709.10	5,595,439.98	5,908,775.87	6,239,658.12	6,589,069.33	6,958,047.08	7,347,687.08	7,502,042.50
PROFIT (LOSS) BEFORE FINANCE COSTS AND INCOME TAX EXPENSES	1,637,172.90	1,348,334.84	1,423,835.50	1,503,563.91	1,587,756.78	1,676,664.12	1,770,549.91	1,807,768.98
FINANCE COSTS	11,812.73	7,833.27	8,775.64	9,285.40	9,771.53	10,234.06	10,672.97	10,472.25
INCOME TAX EXPENSES	162,410.98	121,350.14	284,767.10	300,712.78	317,551.36	335,332.82	354,109.98	361,553.80
NET PROFIT (LOSS)	1,462,949.19	1,219,151.43	1,130,292.76	1,193,565.73	1,260,433.89	1,331,097.24	1,405,766.96	1,435,742.94

Source: Team's Estimation

2.10 Balance Sheet including projections

Table 2.6 PB's Balance Sheet with projections

Items	Yearly /2016	Projected Year 2017	Projected Year 2018	Projected Year 2019	Projected Year 2020	Projected Year 2021	Projected Year2022	Projected Year2023
	(01/01/2016 - 31/12/2016)	2017	2018F	2019F	2020F	2021F	2022F	2023F
	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
CASH AND CASH EQUIVALENTS	536,988.43	768,930.00	576,572.55	657,413.09	704,229.12	753,685.76	805,932.91	861,128.82
SHORT-TERM INVESTMENTS	626,518.87	361,582.00	1,426,975.03	1,572,374.46	1,773,825.43	1,994,557.52	2,234,513.80	2,508,790.01
TRADE ACCOUNTS AND OTHER RECEIVABLE	870,984.95	918,370.00	863,201.00	911,540.25	962,586.50	1,016,491.35	1,073,414.86	1,095,956.58
INVENTORIES	205,446.31	201,962.00	216,312.04	228,425.05	241,216.37	254,723.98	268,987.99	274,639.44
TOTAL CURRENT ASSETS	2,267,531.85	2,283,209.00	3,110,653.89	3,397,346.13	3,709,450.71	4,047,051.89	4,410,442.85	4,768,108.12
PROPERTY, PLANT AND EQUIPMENTS - NET	4,563,713.32	4,613,432.00	4,943,198.68	5,280,720.12	5,628,037.42	5,987,064.94	6,359,619.38	6,747,445.06
INTANGIBLE ASSETS - NET	9,477.51	10,848.00	9,477.51	9,477.51	9,477.51	9,477.51	9,477.51	9,477.51
TOTAL NON-CURRENT ASSETS	5,260,142.91	5,404,425.00	5,654,854.03	5,992,375.47	6,339,692.77	6,698,720.29	7,071,274.73	7,459,100.41
TOTAL ASSETS	7,527,674.76	7,687,634.00	8,765,507.92	9,389,721.61	10,049,143.47	10,745,772.18	11,481,717.58	12,227,208.53
BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS	-	-	-	-	-	-	-	-
TRADE ACCOUNTS AND OTHER PAYABLE	724,184.97	698,192.00	735,460.92	776,645.17	820,135.66	866,061.53	914,559.17	933,774.09
CURRENT PORTION OF LONG-TERM LIABILITIES	70,223.30	56,189.00	70,223.30	70,223.30	70,223.30	70,223.30	70,223.30	70,223.30
OTHER CURRENT LIABILITIES	353,237.60	-	353,237.60	353,237.60	353,237.60	353,237.60	353,237.60	353,237.60
TOTAL CURRENT LIABILITIES	1,147,645.87	1,058,389.00	1,512,159.41	1,553,346.66	1,596,834.15	1,642,760.02	1,691,257.66	1,710,472.58
LONG-TERM BORROWINGS FROM OTHER PARTIES	45,172.35	95,115.00	43,522.76	41,873.17	40,223.58	38,573.99	36,924.40	35,274.81
LONG-TERM BORROWINGS FROM RELATED PARTIES	84,156.71	41,805.00	81,083.50	78,010.30	74,937.09	71,863.88	68,790.67	65,717.47
TOTAL NON-CURRENT LIABILITIES	129,329.06	136,920.00	124,606.26	120,883.47	115,160.67	110,437.87	105,715.07	101,092.28
TOTAL LIABILITIES	1,276,974.93	1,195,309.00	1,636,765.67	1,674,230.13	1,712,000.82	1,753,197.89	1,796,972.73	1,811,564.86
AUTHORIZED SHARE CAPITAL	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
PREMIUM (DISCOUNT) ON SHARE CAPITAL	674,380	674,380	674,380	674,380	674,380	674,380	674,380	674,380
RETAINED EARNINGS (DEFICIT)	4,958,361	5,157,445	5,791,404	6,379,156	6,999,810	7,655,236	8,347,406	9,078,405
RETAINED EARNINGS - APPROPRIATED	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
RETAINED EARNINGS (DEFICIT) - UNAPPROPRIATED	4,913,361.32	5,112,445.00	5,746,403.74	6,334,155.98	6,954,810.16	7,610,235.78	8,302,406.34	9,033,405.16
OTHER COMPONENTS OF EQUITY	6,949.89	14,934.00	6,949.89	6,949.89	6,949.89	6,949.89	6,949.89	6,949.89
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	6,089,690.72	6,341,759.00	6,967,733.14	7,555,485.38	8,176,139.56	8,831,565.18	9,523,735.74	10,254,734.56
TOTAL EQUITY	6,089,690.72	6,341,759.00	6,967,733.14	7,555,485.38	8,176,139.56	8,831,565.18	9,523,735.74	10,254,734.56
TOTAL LIABILITIES AND SHAREHOLDER EQUITY	7,527,674.75	7,687,634.00	8,765,507.92	9,389,721.61	10,049,143.48	10,745,772.18	11,481,717.58	12,227,208.53

Source: Team Estimation

2.11 Statement of Cash Flow including projections

Table 2.7 PB's Statement of Cash Flows with projections

Items	Yearly /2016	Year 2017	Projected Year	Projected Year	Projected Year	Projected Year	Projected Year	Projected Year
	(01/01/2016 - 31/1/)	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
PROFIT (LOSS) BEFORE FINANCIAL COSTS AND/OR INCOME TAX EXPENSES	1,625,360	1,219,151	1,130,293	1,193,566	1,260,434	1,331,097	1,405,767	1,435,743
DEPRECIATION AND AMORTISATION	451,353	692,015	692,015	741,480	792,108	844,206	898,060	953,943
BAD DEBT AND DOUBTFUL ACCOUNTS (REVERSAL)	-	-	-	-	-	-	-	-
FINANCE COSTS	9,333	7,833	8,776	9,285	9,772	10,234	10,673	10,472
OTHER RECONCILIATION ITEMS	-36,705	-47,715	-62,030	-80,639	-104,830	-136,279	-	-
CASH FLOWS FROM (USED IN) OPERATIONS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	2,038,817	1,871,284	1,769,053	1,863,692	1,957,483	2,049,258	2,314,500	2,400,158
(INCREASE) DECREASE IN OPERATING ASSETS	10,341	52,777	-71,427	36,226	38,255	40,397	42,660	16,890
(INCREASE) DECREASE IN OPERATING LIABILITIES	-19,437	-35,279	46,460	41,184	43,490	45,926	48,498	19,215
CASH GENERATED FROM OPERATIONS	2,029,720	1,888,782	1,744,087	1,941,103	2,039,229	2,135,581	2,405,657	2,436,263
INTEREST PAID	-9,333	-7,833	-8,776	-9,285	-9,772	-10,234	-10,673	-10,472
INCOME TAX PAID	-150,434	-121,350	-284,767	-300,713	-317,551	-335,333	-354,110	-361,554
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,869,954	1,759,598	1,450,544	1,631,105	1,711,906	1,790,014	2,040,874	2,064,237
(INCREASE) DECREASE IN SHORT-TERM INVESTMENTS	1,028,042	-264,937	1,065,393	145,399	201,451	220,732	239,956	274,276
(INCREASE) DECREASE IN LONG-TERM INVESTMENTS	-37,692	31,551	-31,551	0	0	0	0	0
(INCREASE) DECREASE IN OTHER INVESTMENT	-	-892,323	-2,192,976	-1,414,469	-1,498,869	-1,564,199	-1,801,337	-1,847,523
(INCREASE) DECREASE IN PROPERTY, PLANT AND EQUIPMENTS	-1,996,639	49,719	329,767	337,521	347,317	359,028	372,554	387,826
(INCREASE) DECREASE IN INTANGIBLE ASSETS	-5,292	1,370	-1,370	0	0	0	0	0
(INCREASE) DECREASE IN RESTRICTED DEPOSITS AT FINANCIAL INSTITUTIONS	-36,348	-36,348	-36,348	-36,348	-36,348	-36,348	-36,348	-36,348
DIVIDENDS RECEIVED	7,540	-	-	-	-	-	-	-
INTEREST RECEIVED	34,903	-3,860	1,983	2,094	2,212	2,336	2,466	977
OTHER ITEMS	94,170	122,421	-130,815	-56,370	-71,122	-78,456	-86,427	-94,369
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-874,969	-992,407	-995,917	-1,022,172	-1,055,359	-1,096,908	-1,309,136	-1,315,162
(INCREASE) DECREASE IN LONG-TERM BORROWINGS FROM RELATED PARTIES	7,171	49,943	-51,592	-1,650	-1,650	-1,650	-1,650	-1,650
(INCREASE) DECREASE IN LONG-TERM BORROWINGS FROM OTHER PARTIES	11,168	-	-42,352	39,279	-3,073	-3,073	-3,073	-3,073
DIVIDEND PAID	-706,500	-585,193	-545,851	-572,912	-605,008	-638,927	-674,768	-689,157
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	-761,938	-535,250	-646,985	-528,092	-609,731	-643,649	-679,491	-693,879
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	233,047	231,942	-192,357	80,841	46,816	49,457	52,247	55,196
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE	303,942	536,988	768,930	576,573	657,413	704,229	753,686	805,933

Source: Team's Estimation

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