

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



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**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
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Thematic paper  
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**DISCOUNTED CASH FLOW VALUATION OF PREMIER  
MARKETING PUBLIC COMPANY LIMITED (PM)**

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

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**ABSTRACT**

This thematic paper applies the discounted cash flow method to Premier marketing share to find an intrinsic value of the share at December 31, 2020. The paper includes Premier marketing business, macro-economic analysis, snack industry analysis, competition analysis, investment summary, valuation, financial statement analysis, and investment risk analysis.

The intrinsic value price found for PM is 12.65 baht, comparing to the market share price at December 4, 2020 which is 8.45 baht. The current price is undervalued by 49.69%. The recommendation statement is to “BUY”

**KEY WORDS:** PM / Valuation / Discounted Cash Flow / Snack

42 pages

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## LIST OF ABBREVIATIONS



CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CAPEX	Capital Expenditure
COGS	Cost of Goods Sold
DCF	Discounted Cash Flow
D/E	Debt/Equity
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes and Depreciation
EPS	Earnings per share
GDP	Gross Domestic Product
NOPAT	Net Operating Profit after Taxes
NOWC	Net Operating Working Capital
R <sub>f</sub>	Risk free
ROA	Return on Assets
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
K <sub>e</sub>	Cost of equity
K <sub>d</sub>	Cost of debt
WACC	Weighted Average Cost of Capital

## CHAPTER I

### INTRODUCTION

We issue a “BUY” recommendation on Premier Marketing Public Co. Ltd. with a target price of 12.65 baht, because our expected target price of PM share (12.65 baht) is higher than its market price on December 4, 2020 which is 8.45 baht. The target price is higher than the market price by 49.69%.

We have applied the Discounted Free Cash Flow method to find the intrinsic value of PM’s share price. There are two main factors that are taken to accounts to find the target share price, namely the expected growth rate and the opportunity of the company to increase its revenue, and the cost of capital of the company.

The target price that we calculated after applying the Discounted Free Cashflow method is based on 5-years forecasted free cashflow of year 2021-2025 plus the terminal value, and then we discount its back with the WACC. Then we received the target share price of 12.65 baht per share.

To introduce the investor to our selected company, below are the brief description of the company and its businesses. Premier Marketing Public Company Limited (PM) is a food and consumer product manufacturing and distributing company categorized in the food sector by the stock exchange of Thailand (SET). PM's revenue consists of 3 nature businesses, which are 74% of total revenues in distributing snacks and frozen food, 26% in manufacturing food, and 0-1% in cold storage warehouse and services. The core revenue comes from Thailand, at approximately 82% of total revenues, while international sales are around 18%.

The company's product categories under PM are snacks, food, beverage, confectionery, household products, nutrition food, and supplements. The well-known product of the company is "Taro – fish strip snacks."

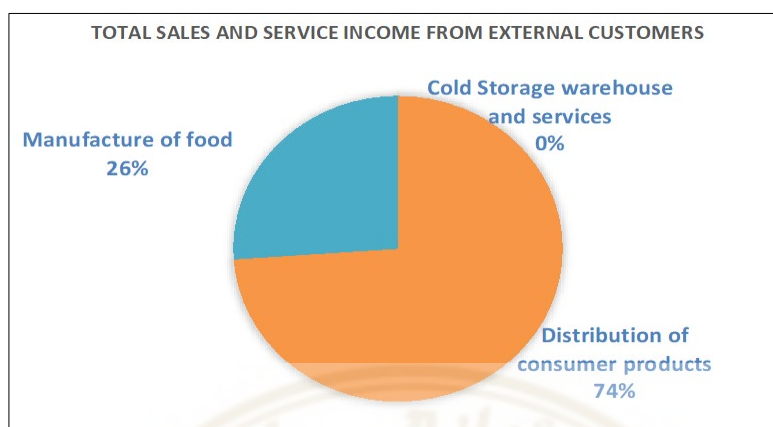
## **CHAPTER II**

### **BUSINESS DESCRIPTION**

Premier Marketing Public Company Limited was founded in 1977 and became listed on the Stock Exchange of Thailand in 2008 with paid-up capital of 650 million Baht, Premier Marketing (PM) is the distribution of consumer products consisting of 3 groups which are 1. Consumer Products: snacks, foods, and beverages 2. Manufacturer of food 3. Cold Storage warehouse and services. PM distributes its products both domestic and international. Domestic market distributes for many channels which are wholesalers, general retailers and modern trade stores covers more than 30,000 stores nationwide, and online channels. International markets distribution can be divided into 2 groups; Taro (Fish snack brand) exported to China, and Pet foods are mainly exported to Europe and US.

#### **2.1 Company products under PM groups**

1. Snack Foods
  - a. “Taro” – Fish strips snack
  - b. “Kaoshong Nuts” – Peanut coated with coconut milk, coffee, other flavors.
2. Food and beverage
  - a. “Squid” - fish sauce
  - b. “Kub Kao” - fish sauce
  - c. “Mivana” - roasted organic coffee beans and roasted and ground organic coffee
  - d. “Atlas” – Pet food distributed to domestic and international
  - e. “King’s Kitchen” – Tomato sauce, Chili sauce, Black Pepper sauce
3. Confectionery
  - a. “Ole” Sweet candy
  - b. “Botun” – Herbal Mouth Refreshment
4. Household products
  - a. “Cusson Soap” liquid soap
  - b. “Dr. Klean” Adult Diaper
5. Nutrition food and Supplement
  - a. “Yi-Xin” – Extract of Reishin



**Figure 2.1 Total Sales and Services income from external**

**Source:** Notes of 2Q2020 Financial Statement

According to the above infographic and data table, PM's main revenue is from distributing snacks and frozen food. This part is counted as 74% of total revenue. The second source of PM revenue is manufacturing tuna can, tuna pouch, and snacks food. The last segment is Cold storage warehouse and services which is counted approximated 0-1% of company's total revenue. PM holds 100% equity of its subsidiaries and operates through 4 companies which are per below;

**Table 2.1 List of PM's subsidiaries**

Company's name	Nature of business
1. Premier Frozen Products Company Limited	Cold storage warehouse, Frozen foods Manufacturing and Distributing and rent out space
2. Premier Canning Industry Company Limited	Tuna can, tuna pouch Manufacturing and Distributing
3. P.M. Food Company Limited	Snacks foods Manufacturing and Distributing
4. PM SE Company Limited	Invest in social impact business and engage in manufacturing, marketing, product development and product distribution for socially responsible businesses

**Source:** Notes of Financial statement

## 2.2 Revenue Growth



**Figure 2.2 Total Revenue 2010 – 2019**

**Source:** SETSmart – historical total revenue of PM 2010-2019

The company revenue rose continuously from 2,900 million baht to 4,280 million Baht between year 2010-2015, then in year 2016-2020 its revenue became fluctuated between 4,000 – 4,500 million Baht. Our team calculated 5-year compound annual growth rate using 2015 as the base year, and the CAGR is -0.86%, and according to the Dupont analysis that we have analyzed, we would like to conclude that the company is now in the maturity stage and significant revenue growth is not expected in the future.

### **Table 2.2 Dupont Analysis**

Premier Marketing	2015	2016	2017	2018	2019
Asset Turnover	177.96%	161.43%	169.80%	175.83%	160.27%
Total Revenue	4,273,926	4,082,101	4,339,896	4,499,690	4,128,086
Average Total Asset	2,401,636	2,528,707	2,555,930	2,559,131	2,575,735
Net Profit Margin	10.14%	8.45%	11.56%	8.10%	6.54%
Net profit	433,225.80	345,108.98	501,570.32	364,690.80	270,146.31
ROA	18.04%	13.65%	19.62%	14.25%	10.49%
Asset/Equity	1.42	1.43	1.46	1.49	1.54
Average Total Equity	1,685,989	1,768,588	1,745,704	1,712,835	1,676,697
ROE	25.70%	19.51%	28.73%	21.29%	16.11%
Average Debt	4,266	2,255	245	0	22,606
Average Total Equity	1,685,989	1,768,588	1,745,704	1,712,835	1,676,697
Debt/Equity Ratio	0.00	0.00	0.00	-	0.01

Source: Calculation based on company financial statement

Table 2.3 Historical dividend paid

Dividend	2015	2016	2017	2018	2019
Earnings per share	0.72	0.58	0.84	0.61	0.45
Dividend per share	0.58	0.90	0.80	0.56	0.73
dividend payout ratio	0.81	1.56	0.95	0.92	1.62

Source: Company Annual Report 2019

Regarding to the above Dupont Ratio and the historical dividend payout ratio we found that by highlighting on ROA, ROE, and Dividend payout ratio, all the mentioned items are continuously dropping since year 2017, plus the average total assets from year 2017 to 2019 was maintained stable. We can imply that the company growth will continuously slow down and became more stable in the future because the company payback to its shareholders very high, furthermore the company holds small portions of debt which is only 0-1% of the equity. So, the retention ratio is quite low and the company has small source of fund to reinvest in big assets, so the growth of the company is expected to slow down in the future.

## 2.3 Financial highlights for Quarter 3, 2020

(Million Baht)	Q3 / 2015	Q3 / 2016	Q3 / 2017	Q3 / 2018	Q3 / 2019	Q3 / 2020
<b>Revenues</b>						
Revenues from Sale of Goods and Rendering of Services	1,053.44	1,029.05	987.59	1,122.07	983.02	955.83
Other Incomes	2.08	8.96	20.92	6.11	7.18	7.37
<b>Total Revenues</b>	<b>1,055.53</b>	<b>1,038.01</b>	<b>1,008.51</b>	<b>1,128.19</b>	<b>990.21</b>	<b>963.20</b>
<b>Expenses</b>						
Cost of Sale of Goods and Rendering of Services	747.33	739.76	728.62	802.41	703.06	626.10
Selling and Administrative Expenses	168.47	165.82	169.62	191.06	222.07	185.66
Other Expenses	15.54	0.28	-	-	-	9.81
Shares of Losses from Investments Accounted for Using the Equity Method	27.94	3.48	-	0.59	0.57	-
<b>Total Expenses</b>	<b>959.27</b>	<b>909.35</b>	<b>898.24</b>	<b>994.06</b>	<b>925.70</b>	<b>821.58</b>
<b>Net Profit</b>						
Profit (Loss) Before Finance Costs and Income Tax Expenses	96.26	128.66	110.27	134.13	64.51	141.62
Finance Costs	1.09	1.11	0.99	1.00	1.80	1.93
Income Tax Expenses	15.02	25.92	6.48	22.80	15.35	23.29
<b>Net Profit (Loss)</b>	<b>80.16</b>	<b>101.64</b>	<b>102.80</b>	<b>110.32</b>	<b>47.35</b>	<b>116.41</b>

**Figure 2.3 Income statement of accumulated amount to quarter 3 year 2015-2020**

Source: SET Smart

According to Income statement as of quarter 3 since year 2015-2020, the company has not got much impact from the Covid-19 pandemic. Referring to the above table, the revenue and net profit of the company are in the same trend since 2015-2020. Furthermore, based on Minutes of annual shareholder meeting of year 2020 and Management discussion and analysis, the impacts of Covid-19 on the company are per below.

1. In the first quarter, the opening hours of retail stores were shorter because of the Emergency Decree on Public Administration in Emergency Situation B.E. 2548. This caused the revenue from local distribution of consumer products which is the main revenue of the company dropped from last year.



For the three-month periods ended 31 March	Distribution of consumer products		Manufacture of food		Cold storage warehouse and services		Total segments	
	2020	2019	2020	2019	2020	2019	2020	2019
	<b>Revenues</b>							
Sales and service income from external customers								
Local	770	853	21	15	1	-	792	868
Export	11	3	209	223	-	-	220	226
Total sales and service income from external customers	781	856	230	238	1	-	1,012	1,094

**Figure 2.4 Revenue break-down year 2019-2020 (Quarter 1)**

Source: Notes of financial statement as of March 31, 2020

2. In the second quarter, the revenue from local distribution of consumer products was still got effected from Covid-19. However, there was an increase in revenue from export segment of manufacture of food due to the increase of export volume.

For the three-month periods ended 30 June	Distribution of consumer products		Manufacture of food		Cold storage warehouse and services		Total segments	
	2020	2019	2020	2019	2020	2019	2020	2019
	<b>Revenues</b>							
Sales and service income from external customers								
Local	699	792	14	11	-	1	713	804
Export	8	4	281	160	-	-	289	164
Total sales and service income from external customers	707	796	295	171	-	1	1,002	968

**Figure 2.5 Revenue break-down year 2019-2020 (Quarter 2)**

Source: Notes of financial statement as of June 30, 2020

3. In the third quarter, the revenue still dropped from last year. Still, the difference of revenue between this year and previous year got closer.

For the three-month periods ended 30 September	Distribution of consumer products		Manufacture of food		Cold storage warehouse and services		Total segments	
	2020	2019	2020	2019	2020	2019	2020	2019
	<b>Revenues</b>							
Sales and service income from external customers								
Local	752	779	15	12	-	-	767	791
Export	12	12	177	180	-	-	189	192
Total sales and service income from external customers	764	791	192	192	-	-	956	983

**Figure 2.6 Revenue break-down year 2019-2020 (Quarter 3)**

Source: Notes of financial statement as of November 30, 2020

## 2.4 Strategy

According to the company direction stated in company annual report 2019, the Company has set the direction to create continuous growth and stability through four main ways as follows:

1. Maintain and strengthen the existing business.
2. Business development and introduction of new products by relying on the strength of the Company's current distribution system.
3. Open new markets by emphasizing the brands of the Company
4. Look for new business opportunities through joint investments.

Currently based on 2020 economy with COVID-19 situation in annual shareholders meeting, the company has updated its short-term strategy per below.

1. The company main profits are from Taro product. Currently Taro product group has 6.5% share of savory snack food market. The company will try to increase the Taro product's revenue growth through advertisement and entering to a new market through marketing campaign in China. The company has registered the trademark of the Taro brand name in Chinese under section 29 (meat, fish, poultry), it is now effective with a protection period of 10 years from 28 March 2019 to 27 March 2029. Furthermore, the company is now focusing on the new channel of distribution which is on e-commerce platform.
2. Secondly, the impact of Covid-19 has caused the pet food products group to generate more income and profit to the company. There are plans to change from being an OEM manufacturer into being an ODM (original design manufacturing) manufacturer to enables the company to receive additional product development fees. The company will create the more stability to balance income source by making the manufacturing process of OEM which was developed in the human food and pet food groups to applicable with frozen food products.

3. Lastly, Company and its subsidiaries' primary businesses are manufacturing and distributing consumer products, overall it is less impacted from COVID-19 than other business groups. However, the Company has adjusted its administrative expenses to be suitable with the economic conditions, as well as the advertising and promotion expenses by reducing the budget for the selling and administrative expenses. In addition, the Company will slow down the introduction of some new products.

Source: "Minute of Company annual shareholder meeting 2020"

## 2.5 Corporate Governance

According to Company's annual report of year 2019, PM's Board Directors emphasize good governance under the conditions of good ethics, fairness, accountability and transparency to all relevant stakeholders. The principles of good corporate governance written by the Board of Directors for the management and employees are as follows:

1. Conduct business with integrity, fairness, transparency and accountability, and disclose adequate information to all relevant parties.
2. Provide appropriate and effective internal control, risk management and internal audit systems.
3. Emphasize on the rights of shareholders and treat shareholders equally with fairness to all parties.
4. Comply with the requirements of all relevant laws and regulations and business ethics in order to protect the rights of all groups of stakeholders.
5. Organize the structure, duties and responsibilities of each group of directors clearly.



**Figure 2.7 PM Government rating**

Source: SET.or.t

## CHAPTER III MACRO ANALYSIS

### 3.1. Country Analysis

#### 3.1.1. Thailand

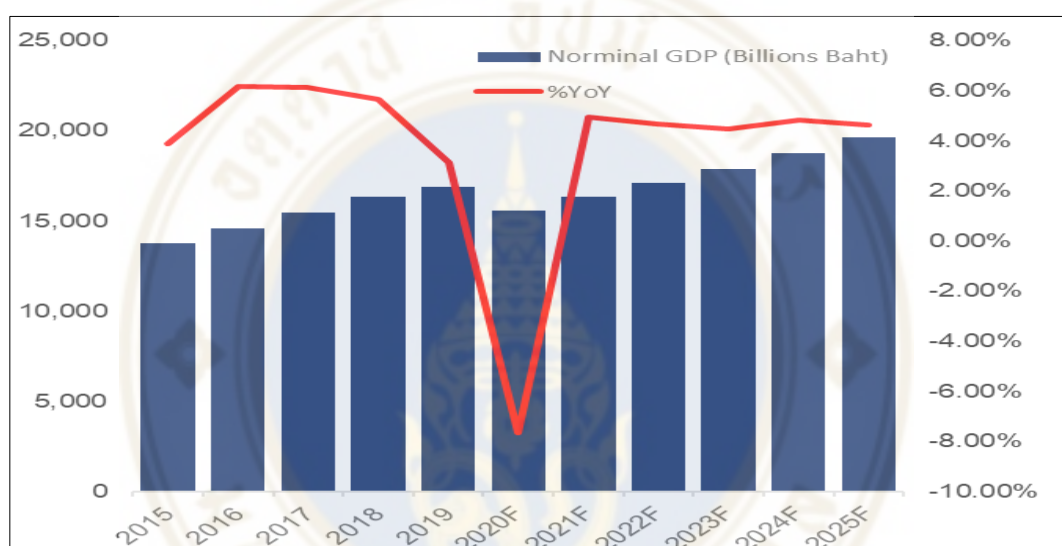


Figure 3.1 Thailand's Nominal GDP

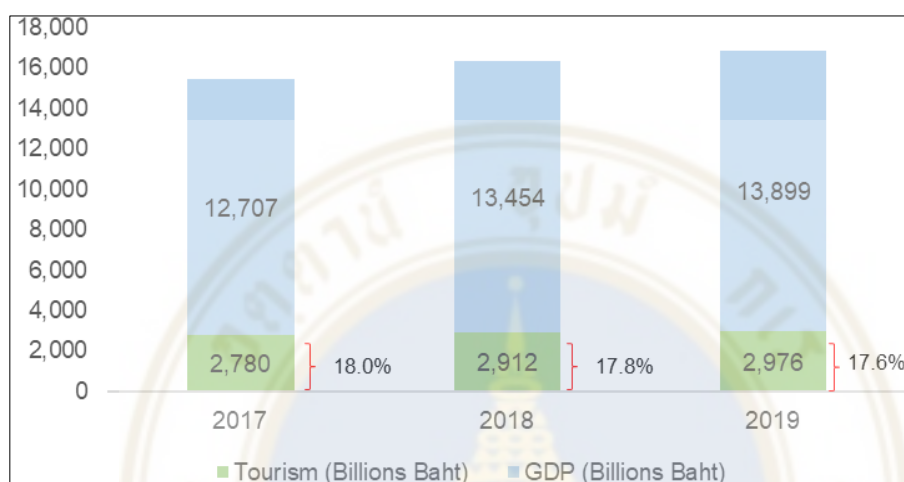
Source: IMF

Between 2014-2019, Thailand has average GDP growth around 5%. It is higher than world's GDP average which is around 2.2% (Source: IMF). However, in 2020 because of COVID-19, seem like Thailand (-7.6%) is worse than anyone compare with Emerging Asia (+0.6%) and ASEAN 5 (-3.4%). The information is based on IMF Forecasting.

Although Thailand will recover from the impact of Covid-19 around 4-5% after 2020. The Emerging Asia and the ASEAN 5 still have higher growth of recovery in the next five year than Thailand which is 8.5%, 7.6% respectively. The main reason is from

foreign tourism problem. Since Thailand's GDP proportion of Tourism is 17-18% thus COVID-19 hugely affects tourism and transportation market.

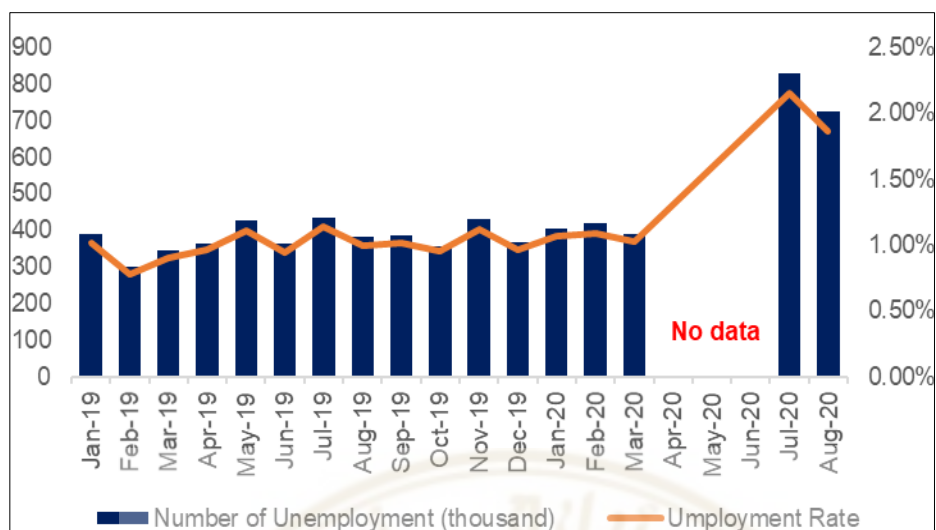
According to the Market Economic, the Latest PMI of Thai manufacturing conditions in September is recovering and almost touches to 50.0. This is a good sign of manufacturing industry because it signals that purchasing manager has more confidence in the market after the bad situation of 7 months.



**Figure 3.2 Proportion of Tourism compared to GDP**

**Source:** IMF, Statista

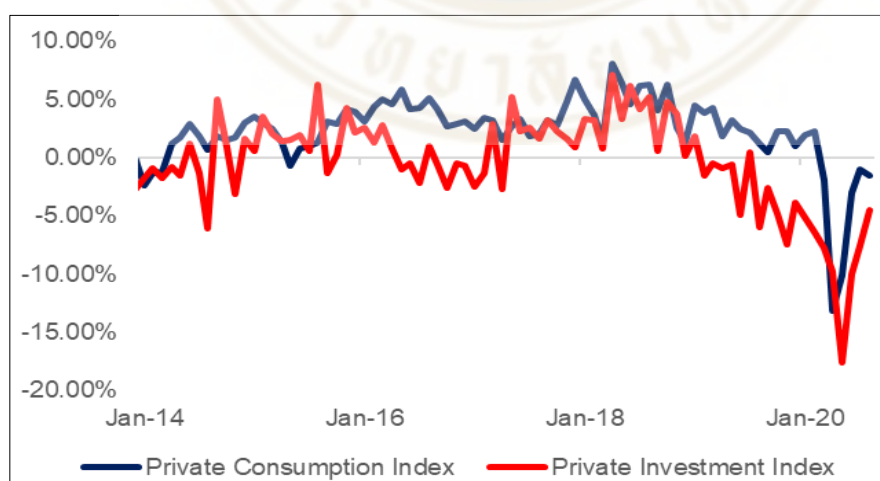
However, many companies are laying off their employees to reduce cost as much as possible, therefore it is not actually a good sign at all. Government just only uses stimulus packages to mitigate the losses until the COVID-19 vaccine becomes available.



**Figure 3.3 Unemployment of Thailand**

**Source:** BOT

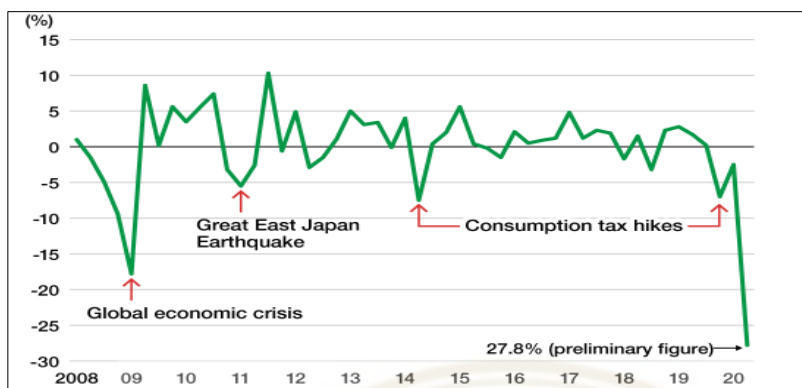
Thailand's domestic demand has already started declining since 2019. GDP growth started declining since 2017. Furthermore, in year 2020, COVID-19 is another driver that contributes negative effect of Thailand economy. Moreover, Political uncertainty is another factor that we cannot ignore. All of those factors; declining in tourism and manufacturing, decrease in domestic demand, higher unemployment, and Covid-19; cause Thailand's economic outlook weak in 2020 and the next 5 years.



**Figure 3.4. Domestic Demand Indicators**

**Source:** BOT

### 3.1.2. Japan



**Figure 3.5 Real GDP growth comparison in Japan**

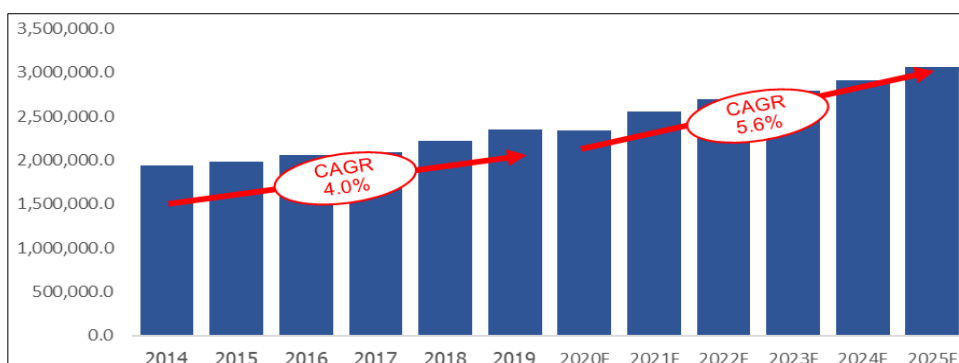
Source: Nippon.com

Japan is facing new challenge because year 2020 is the worst crisis that Japan has ever faced since 2009 (Hamburger Crisis, -18%). Personal consumption drops by -8.2% YoY. In addition, Export massively declines by -18.5% YoY. However, IMF thinks that Japan will get better soon by a little bit, and compare to Thailand's economy recovery growth rate, Japan will be in better situation than Thailand, but if compare with the Emerging Asia the Japan growth rate of recovery will be after the emerging Asia.

## 3.2. Industry and Competitor Analysis

### 3.2.1. Thailand

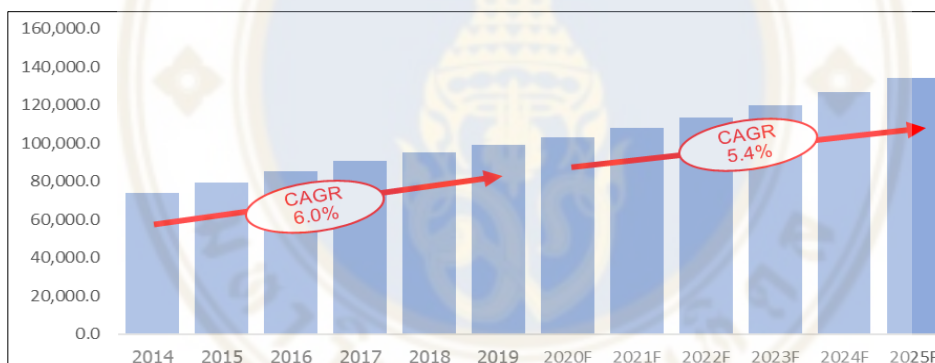
(THB Million)



**Figure 3.6 Consumer Expenditure on Food and Non-Alcoholic Beverages**

**Source:** Euromonitor

Food and Non-Alcoholic Beverages always have stable growth for over past 5 years (2014-2019). In the 2020, It will slow down by a little bit or almost zero percent. COVID-19 does not affect this sector strongly. According to Euromonitor report, they published the growth in the next 5 years which is 5.6%

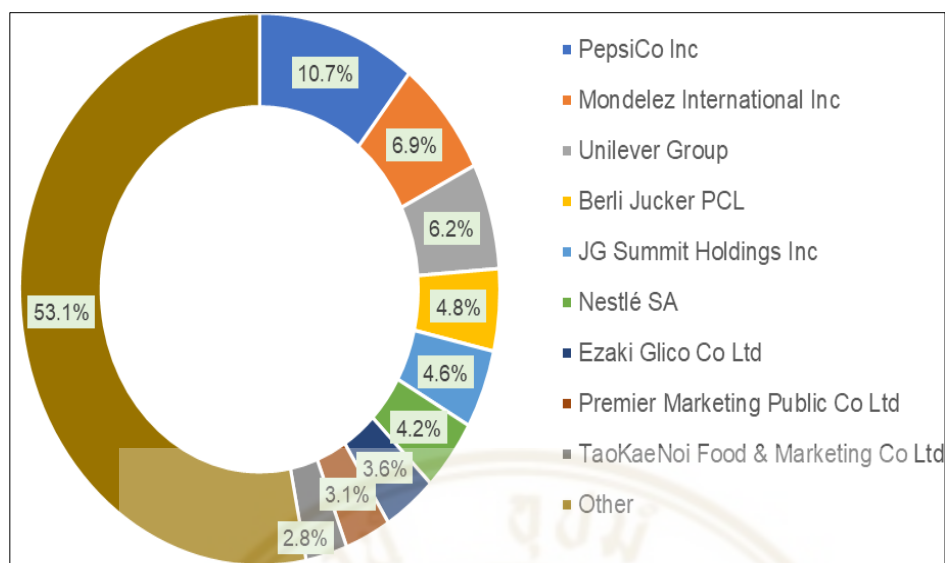


**Figure 3.7 Snacks Market (THB Million)**

**Source:** Euromonitor

COVID-19 does not slow down the growth for Snacks Market (+3.86%). Snacks has 6.0% CAGR over the past 5 years. However, In the next 5 years It will be downed by a little bit (+5.4%).

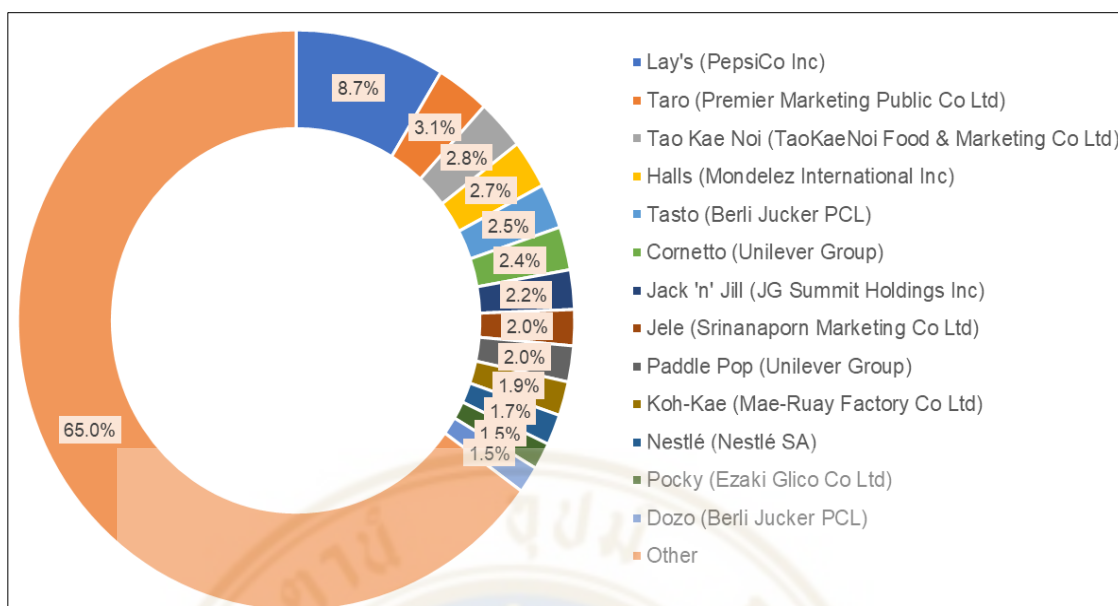




**Figure 3.8 Snacks Market shared by Company**

**Source:** Euromonitor

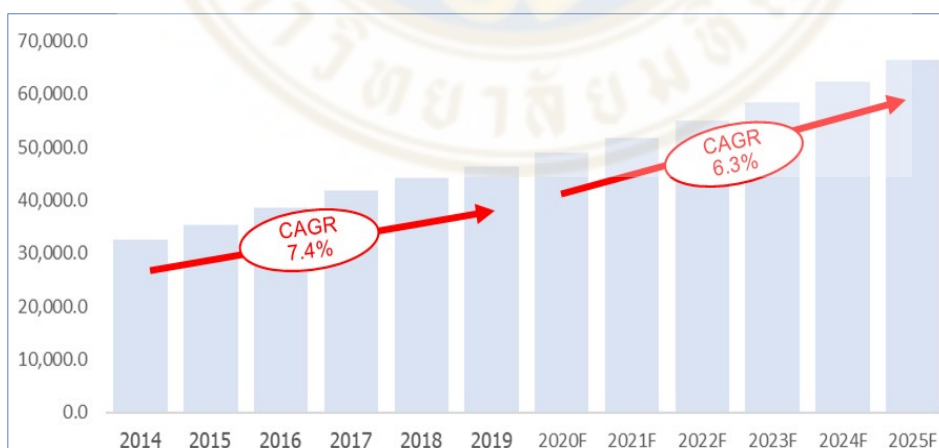
In term of Market Size categorized by company, PepsiCo Inc has the highest proportion of market size. Their well-known product is Lay's chips. The main companies listed in Thailand stock market are Berli Jucker Inc (BJC), Premier Marketing Public Co Ltd (PM) and TaoKaeNoi Food & Marketing Co Ltd (TKN). Premier Marketing (PM) has 3.1%, and their well-known product is TARO. Obviously, this Sector is very competitive, similar to a Red Ocean. Lay's has highest market share by brand, and Taro is second respectively. We can thus confirm that snack is very competitive market. Other product is around 65%.



**Figure 3.9 Snacks Market shared by Brand**

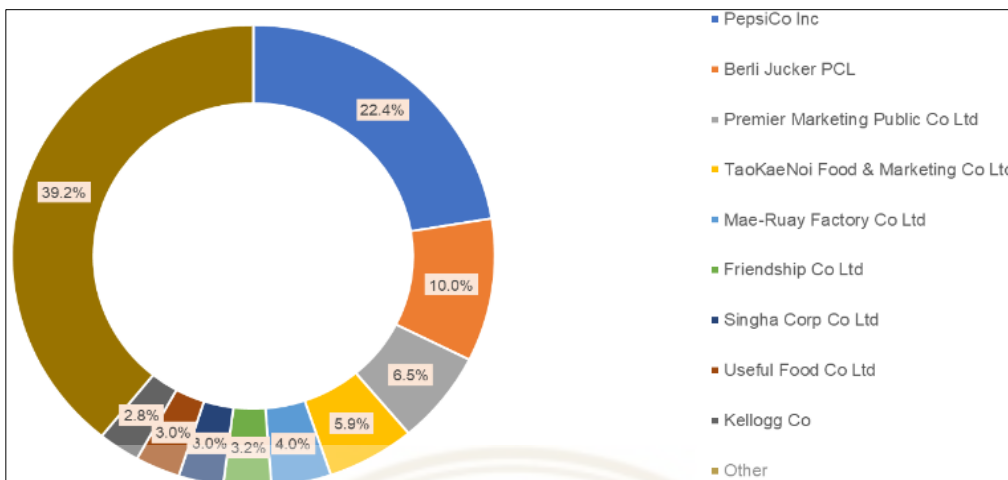
Source: Euromonitor

Snacks can be categorized to Savoury Snacks and others. In the savoury snacks segment, there is a high potential growth because people enjoy eating savoury snacks during the entertainment time such as watching movie or while there are friend or family gathering. Savoury Snack growth is higher than general in the past 5 years (7.4%) and the next 5 years (5.3%).



**Figure 3.10 Savoury Snacks Market (THB Million)**

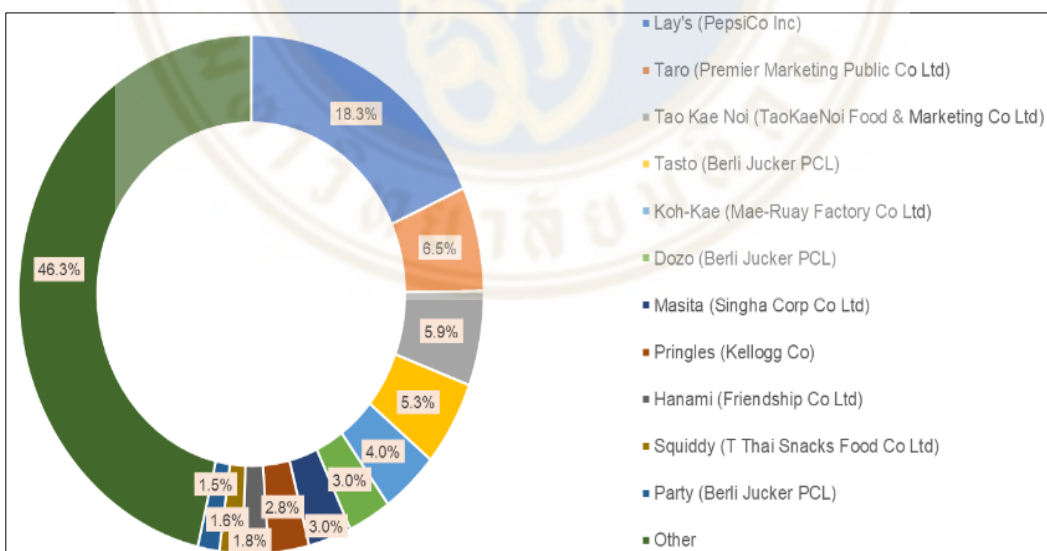
Source: Euromonitor



**Figure 3.11 Savoury Snacks Market Shares by Company**

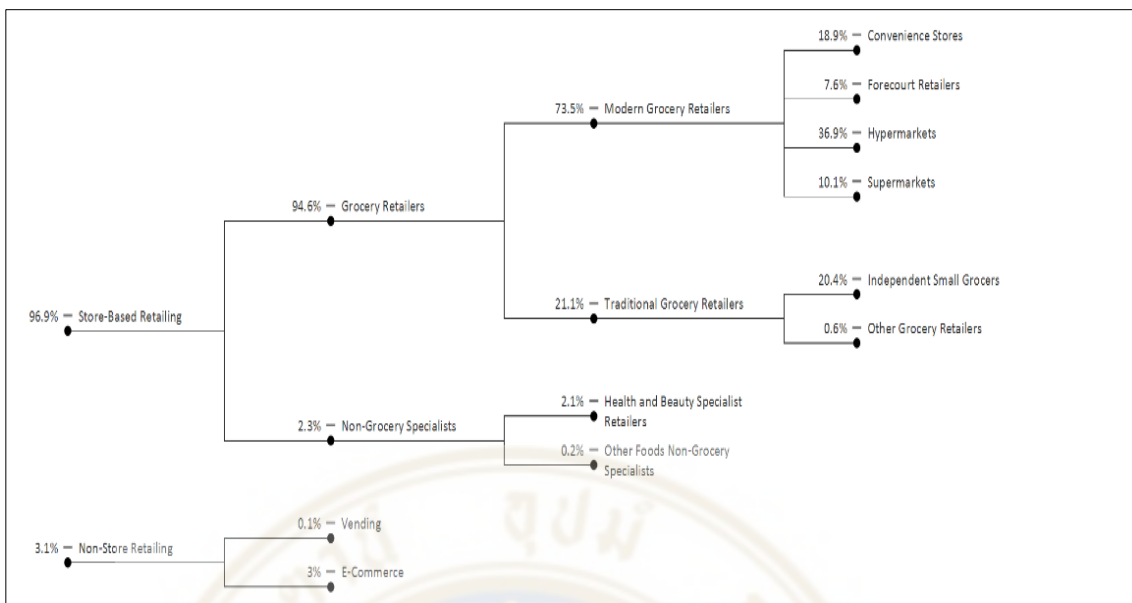
Source: Euromonitor

Focusing on this sector in detail, PepsiCo Inc. dominates the market which is 22.4% because of product line extension. while PM has only 6.5% market share. Although, COVID-19 affects Thailand GDP directly, it does not affect the growth of the Food and Snacks Market.



**Figure 3.12 Savoury Snacks Market Shares by Brand**

Source: Euromonitor

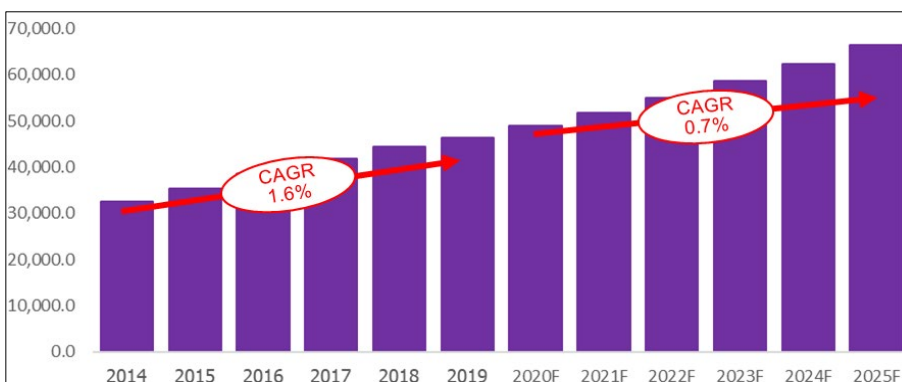


**Figure 3.13 Channel Distribution by percentage in Thailand**

**Source:** Euromonitor

Most savoury snacks in Thailand are mainly distributed by using store-based retailing (Convenience Stores, Forecourt Retailers, Hyper Market, Super Market etc.) while Non-store retailing such as e-commerce is not popular to distribute. According to this characteristic, Thai Population are shopping for snacks the traditional way which is going to shop, even though e-commerce has lower cost. Many companies still apply Business to Business (B2B) more than Business to Customer (B2C).

### 3.2.2. Japan



**Figure 3.14 Savoury Snacks Market in Japan (JPY Billion)**

**Source:** Euromonitor

For the Japanese market growth, it is a low growth which is on the same trend as their GDP. This low growth of Japan's savory snack market growth is similar to Thailand's because currently Japan is facing ageing population problem. Since Japanese Market have various brands to for customer to select. The Most Famous and highest market shared is Calbee brand (9.9%). In term of Company Market's Size, Calbee Foods Co Ltd is No. 1 in Japan that has 16.3% market share.



## CHAPTER IV VALUATION

### 4.1. Financial Ratios

**Table 4.1 PM's financial ratios**

	2015	2016	2017	2018	2019	3Q2020
ROA	2.66	2.31	2.45	2.62	2.42	2.22
ROE	3.97	3.31	3.53	3.90	3.65	3.86
Asset Turnover	1.78	1.61	1.70	1.76	1.60	1.28
Net Profit Margin	0.10	0.09	0.12	0.08	0.07	0.10
Asset/Equity	1.49	1.43	1.44	1.49	1.51	1.74
Earnings per share	0.72	0.58	0.84	0.61	0.45	0.50
Share price at the end of year	10.50	8.90	12.30	8.60	7.80	8.00

Source: Own calculation from financial statement and SETSmart

**Table 4.2 TKN's financial ratio (Peer Comparison)**

	2015	2016	2017	2018	2019	3Q2020
ROA	25.02	33.42	25.22	15.29	10.65	11.65
ROE	36.14	38.46	27.67	21.16	17.01	18.74
Asset Turnover	1.72	1.60	1.65	1.60	1.41	1.24
Net Profit Margin	11.29	16.53	11.52	8.06	6.91	8.46
Asset/Equity	0.47	0.61	0.47	0.25	0.27	0.26
Earnings per share	0.38	0.57	0.44	0.33	0.26	0.19
Share price at the end of year	8.55	28.00	20.90	8.05	10.50	10.30

Source: Own calculation from financial statement and SETSmart

#### 4.1.1. Return of Assets

Referring to the above tables of PM and TKN, the return of assets of PM and the peer company have very huge gaps. Still, the trend line of TKN is declining while PM has constant-horizontal line. The equation of the return of assets is  $ROA = \text{Asset}$

Turnover x Net Profit Margin. We can see that the component that makes the ROA between the two companies have huge gap is because of Net Profit Margin. The asset turnover of these two companies are close, but TKN has high net profit margin.

#### **4.1.2. Return on equity**

The return on equity of PM and the peer company has the same pattern and difference as the return on assets. As the components of ROE are ROA x Asset/Equity, we can break-down the difference per below.

##### **4.1.2.1. ROA**

ROA caused the huge difference of ROE between the two companies. As TKN has high net profit margin around 8-16%, but PM has the net profit margin ratio around 0.07-0.12%.

##### **4.1.2.2. Asset/Equity**

PM and TKN have different company structure. Based on Asset/Equity ratio, we can see that PM has small portion of liabilities this causes the asset/equity ratio more than 1, while TKN has the asset/equity less than 1.

#### **4.1.3. Conclusion**

Comparing the ROA and ROE between the two companies, we can summarize that TKN provides higher accounting returns than PM.

## **4.2. Valuation Overview**

Our target price of 12.65 per share was calculated by the Discounted Cash Flow (DCF) method, under the main assumption that the company has slow growth as it is now at the maturity stage and the primary products are consumer and food products, which do not receive much negative impact from Covid-19 situation. Most of our assumptions are based on 5-year historical information of the company since 2015-2019, and some non-significant items will be based on 5-year averaged common size.

## 4.3. Valuation assumptions

### 4.3.1. Risk-free rate

Risk-free rate was derived by using Thailand 10-year government bond yield. We use the rate of November 9 ,2020 which is 1.39% to reflect the current market situation.



**Figure 4.1 10-year government bond**

Source: ThaiBMA

### 4.3.2. Beta

We refer the 5-year Beta of the company from Morningstar which is 0.81. This beta reflects a systematic risk of comparison movement between the share's rate of return and the industry group's return.



**Figure 4.2 Beta of historical trading**



Source: Morningstar

#### 4.3.3. Market Risk Premium

We referred the market risk premium from Damodar's website (2020) at the Stern NYU Business School data which is published on his website and updated on July 2020.

**Table 4.3 Country Equity Risk Premium**

Country	Moody's rating	Default Spread	Country Risk Premium	Equity Risk Premium
Thailand	Baa1	1.87%	2.35%	7.58%

Source:

[http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/ctryprem.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html)

#### 4.3.4. Cost of Equity

We use the Cost of equity instead of WACC because the debt portion of the company is only 1%, also some of the previous years the company had zero debt.

We used two methods to calculate the cost of capital.

1. The capital asset pricing model (CAPM) to find the estimated cost of equity. CAPM formula is Cost of Equity = Risk-free rate + Beta (Market Risk Premium)  
Using the CAPM model, the cost of equity of the company is = 7.53%

2. The Dividend Discount model

**Table 4.4 EPS and DPS**

Dividend	2014	2015	2016	2017	2018	2019	3Q2020	5-year CAGR
Earnings per share	0.72	0.72	0.58	0.84	0.61	0.45	0.50	-9%
Dividend per share	0.56	0.58	0.90	0.80	0.56	0.73	0.10	5%
Dividend payout ratio	0.78	0.81	1.56	0.95	0.92	1.62	0.20	15%

Share Price (end of year)	9.00	10.50	8.90	12.30	8.60	7.80	8.00	-
Dividend yield	8.7%	7.7%	17.5%	7.7%	10.7%	20.8%	8.7%	-

Source: SETSmart and own calculation

From the above table, we use data from year 2015-2019 to calculate 5-year compound annual growth rate. We can see that the CAGR of earnings per share over the past 5 years is -9% while the dividend per share and dividend payout ratio increases. This is not a good sign. The value of more than 100% dividend payout ratio means the previous year's earnings and dividends paid out were higher than earnings are now. In the long run, the company cannot maintain to pay such a high dividend payout ratio.

## 2.1 Assumption for DPS, Dividend payout ratio

**Table 4.5 Forecasted DPS**

Forecasted Dividend	2020
Earnings per share	0.49
Dividend per share	0.49
Share price	8.35
Dividend payout ratio (0.49/0.49)	100
Dividend yield (0.49/8.35)	5.87%

Source: SETSmart and own calculation

We forecast a dividend payout ratio of 100% for 2020. Given the current share price of 8.53 baht per share, with the above assumptions, the dividend yield will become 5.87%.

## 2.2 Average growth of DPS

Referring to table 4.4, the 5-CAGR of dividend per share is 5% while the CAGR of EPS is -9%. We cannot use the CAGR of year 2015-2019 to add into dividend discount model equation, so we will use data of year 2019 – year 2025F to find CAGR instead.

**Table 4.6 Forecasted DPS/EPS**

<b>Dividend Per share</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>CAGR</b>
<b>Earnings per Share</b>	0.45	0.49	0.52	0.53	0.53	0.54	0.55	0.04
<b>Dividend per share</b>	0.73	0.49	0.52	0.53	0.53	0.54	0.55	(0.06)

Source: SETSmart and own calculation

I assume that year 2021-2025, the dividend payout ratio will be 100% and then find the compounding average growth rate of 2019 to 2025F. The growth rate is negative so we will use 0% growth rate to be more conservative.

### 2.3 Cost of equity

Now we have all the components for the dividend discount model, we will find the cost of equity using this equation “cost of equity = dividend yield + average dividend growth rate”.

Cost of equity is 5.87%

In conclusion, we select cost of equity we calculated with CAPM method which gives the cost of equity equal to 7.53%. This estimate reflects the cost of equity closer to reality than the Dividend discount model method referring to the historical company’s dividend yield.

#### 4.3.5. Terminal Growth Rate

According to the company revenue model which mainly focus on Thailand and consumer products, we assume that the company’s terminal growth will align with country GDP growth. Based on data of nominal country GDP including nominal GDP data of year 2015 until the forecasted nominal GDP of year 2025, our terminal growth rate is 3.72%

#### 4.3.6. Free Cashflow

**Table 4.7 Free Cash Flow**

Unit: Thousand Baht	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F	2025F
EBIT	508,453	460,152	547,578	464,276	361,300	369,727	388,968	394,418	398,572	404,037	410,874
% TAX	14%	24%	8%	21%	24%	24%	24%	24%	24%	24%	24%
Tax	70,934	111,206	42,428	95,871	85,641	88,735	93,352	94,660	95,657	96,969	98,610
NOPAT	437,519	348,946	505,150	368,405	275,659	280,993	295,616	299,758	302,915	307,068	312,264
Depreciation	31,188	41,182	44,850	51,259	61,858	73,266	70,725	75,169	80,425	88,625	106,008
Chang in NOWC	-45,458	54,009	120,405	60,137	-55,036	148,661	-61,857	-31,316	-35,771	11,404	-32,813
CAPEX	203,856	2,764	9,923	84,325	62,435	21,975	36,039	32,795	38,792	60,515	128,293
FCF	310,308	333,355	419,672	275,202	330,119	183,623	392,159	373,447	380,318	323,774	322,793

Source: Own calculation

We use financial statement data since the year-end of 2015 until quarter-3 2020 which is taken into account of quarter-1 to quarter-3 number to reflect the base line of year 2020 number to develop the forecasted cashflow of 2020 to 2025.

For the key components of the free cashflow, we will describe how we derive the data per below.

#### 4.3.6.1 EBIT

We derived the forecasted EBIT by separating Revenue, Cost of goods sold, and Selling and administrative expense and other expenses.

Firstly, we forecasted the revenue by country using different assumptions.

##### 1. Thailand Sales Forecast

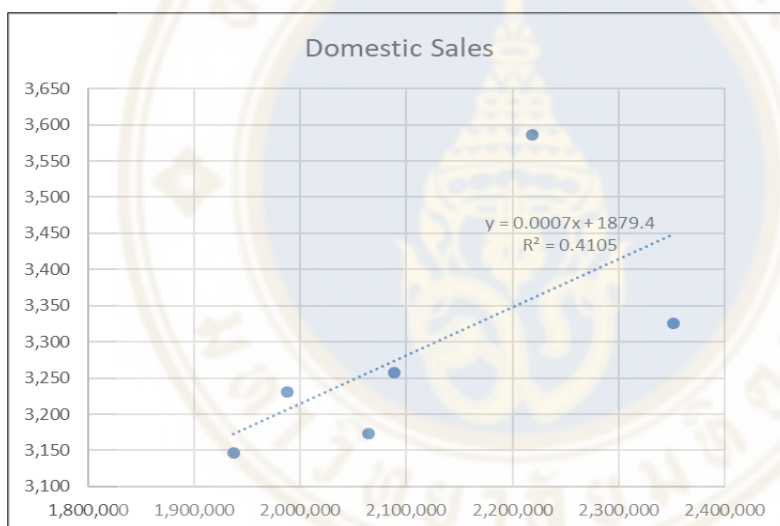
**Table 4.8. Thailand's Consumer Expenditure on Food and Non-Alcoholic Beverages**

	2014	2015	2016	2017	2018	2019
Sales	3,146	3,231	3,173	3,258	3,586	3,325
Consumer Expenditure on Food and Non-Alcoholic Beverages	1,937,242	1,987,389	2,064,821	2,088,282	2,218,145	2,352,058
	2020F	2021F	2022F	2023F	2024F	2025F
Sales	3,514	3,669	3,764	3,834	3,920	4,023

Consumer Expenditure on Food and Non-Alcoholic Beverages	2,334,777	2,556,397	2,692,319	2,791,757	2,914,712	3,062,781
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Source: <https://www-portal-euromonitor.com.ejournal.mahidol.ac.th/portal/StatisticsEvolution/index>

We used the relationship between company sales and consumer expenditure on Food and Non-Alcoholic Beverages of year 2014-2019 to predict the domestic sales of the company.



**Figure 4.3 Relationship between Domestic Sales and Thailand consumer expenditure on Food and Non-Alcoholic Beverages**

Source: Euromonitor

2. Japan Sales Forecast

**Table 4.9. Japan Savory Snack market forecast**

		2014	2015	2016	2017	2018	2019
Sales	THB Million	698	715	562	510	423	329
% Growth			2.44%	-21.40%	-9.25%	-17.06%	-22.22%
Savory Snacks	JPY Billion	1,188	1,224	1,231	1,266	1,258	1,289
% Growth			3.00%	0.56%	2.90%	-0.69%	2.47%

		2020F	2021F	2022F	2023F	2024F	2025F
Sales	THB Million	280	238	202	172	146	124
% Growth		-15.00%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
Savory Snacks	JPY Billion	1,366	1,327	1,348	1,369	1,391	1,412
% Growth		6.01%	-2.87%	1.59%	1.58%	1.56%	1.52%

Source: Euromonitor

According to the Japan Savory Snack market forecast, we can see the trend of Savory snack in Japan that the growth is quite little, so we expected that the revenue growth in Japan will decrease by 15% from 2020 to 2025.

### 3. World Sales Forecast

We refer to world GDP data from IMF and forecast the company's world sales based on world GDP data.

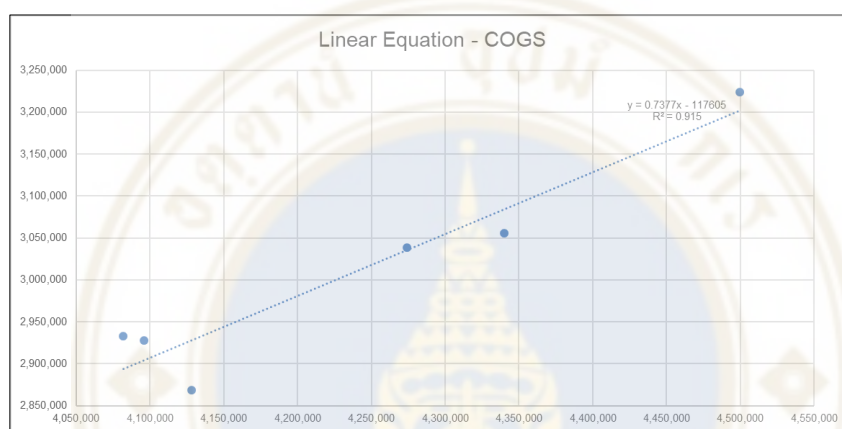
**Table 4.10. World sales forecast**

	2014	2015	2016	2017	2018	2019
Sales	204	308	318	418	463	432
Sales Growth	-	50.98%	3.25%	31.45%	10.77%	-6.70%

	2020F	2021F	2022F	2023F	2024F	2025F
Sales	414	449	477	505	532	560
Sales Growth	-4.23%	8.57%	6.23%	5.74%	5.43%	5.26%

Source: GDP world data and IMF

Secondly, we forecasted the Cost of Goods sold by finding the relationship between sales and cost of goods sold using data of year 2015-2019.



**Figure 4.4 Relationship between Sales and COGS of the company year 2015-2019**

Source: Company Financial statement

Now, we can forecast the cost of sold of year 2020-2025 using the linear regression equation. The forecasted number are per below.

**Table 4.11. Forecasted COGS**

	2014	2015	2016	2017	2018	2019
Total Revenues	4,095,811	4,273,926	4,082,101	4,339,896	4,499,690	4,128,086
COGS	2,928,178	3,038,860	2,932,575	3,055,722	3,223,712	2,868,303

	2020F	2021F	2022F	2023F	2024F	2025F
Total Revenues	4,207,101	4,355,745	4,443,228	4,509,902	4,597,624	4,707,369
COGS	2,985,973	3,095,628	3,160,164	3,209,350	3,274,062	3,355,021

Source: Own calculation

Lastly, forecasting SG&A and other expense by using 20% of total revenue of each year. As we noticed that the common size of SG&A and other expense of the company is between 15-22%.

**Table 4.12 SG&A + others expense common size**

	2014	2015	2016	2017	2018	2019
Total Revenues	4,095,811	4,273,926	4,082,101	4,339,896	4,499,690	4,128,086
SG&A + Others	641,195	703,194	628,594	733,932	810,239	896,211
Common Size (%)	15.7%	16.5%	15.4%	16.9%	18.0%	21.7%

Source: Company financial statement

Now the component for finding EBIT is completed. The EBIT for Free Cashflow is per below.

**Table 4.13 Forecasted EBIT**

Unit: Thousand Baht	2015	2016	2017	2018	2019	
EBIT	508,453	460,152	547,578	464,276	361,300	
Unit: Thousand Baht	2020F	2021F	2022F	2023F	2024F	2025F
EBIT	369,727	388,968	394,418	398,572	404,037	410,874

Source: own calculation

#### 4.3.6.2 NOPAT

**Table 4.14 Forecasted NOPAT**

Unit: Thousand Baht	2015	2016	2017	2018	2019	
EBIT	508,453	460,152	547,578	464,276	361,300	
% TAX	14%	24%	8%	21%	24%	
Tax	70,934	111,206	42,428	95,871	85,641	
NOPAT	437,519	348,946	505,150	368,405	275,659	
Unit: Thousand Baht	2020F	2021F	2022F	2023F	2024F	2025F
EBIT	369,727	388,968	394,418	398,572	404,037	410,874
% TAX	24%	24%	24%	24%	24%	24%
Tax	88,735	93,352	94,660	95,657	96,969	98,610
NOPAT	280,993	295,616	299,758	302,915	307,068	312,264

Source: Own calculation



We noticed from the common-sized of tax paid that the ratio is 24% which is above Thailand corporate tax rate, so we think that the company does not good tax management policies. In conclusion, we expect that the tax rate will stay at 24%.

#### 4.3.6.3 Depreciation and CAPEX

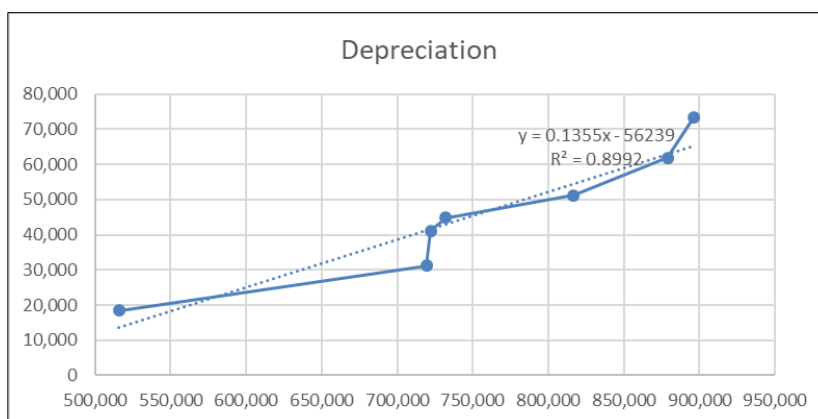
**Table 4.13 Forecasted Depreciation and CAPEX**

	2014	2015	2016	2017	2018	2019
Sales	4,062,290	4,254,129	4,052,743	4,186,203	4,472,009	4,086,309
Depreciation and Amortisation	18,438	31,188	41,182	44,850	51,259	61,858
PPE	515,687	719,543	722,307	732,230	816,555	878,990
PPE Growth		39.53%	0.38%	1.37%	11.52%	7.65%
CAPEX		203,856	2,764	9,923	84,325	62,435
Depre per PPE	3.58%	4.33%	5.70%	6.13%	6.28%	7.04%
CAPEX per Sale		4.79%	0.07%	0.24%	1.89%	1.53%

	2020F	2021F	2022F	2023F	2024F	2025F
Sales	4,207,101	4,355,745	4,443,228	4,509,902	4,597,624	4,707,369
Depreciation and Amortisation	65,842	70,725	75,169	80,425	88,625	106,008
PPE	900,965	937,003	969,798	1,008,590	1,069,106	1,197,398
PPE Growth	2.50%	4.00%	3.50%	4.00%	6.00%	12.00%
CAPEX	21,975	36,039	32,795	38,792	60,515	128,293
Depre per PPE	7.31%	7.55%	7.75%	7.97%	8.29%	8.85%
CAPEX per Sale	0.52%	0.83%	0.74%	0.86%	1.32%	2.73%

Source: Own calculation

For Depreciation, we forecasted by referring to linear regression of relation between PPE and Depreciation.



**Figure 4.5 Relationship between PPE and Depreciation of the company between year 2015-2019**

Source: Financial statement

For assumption on CAPEX between year 2020-2025, we noticed that in year 2015-2016 there was a consolidation of P.M. Food Company Limited and Premier Canning Industry Company Limited, so the company's PPE increased significantly in 2015 and 2016. Since now there is a Covid-19 situation, we expected that the increase of CAPEX will be slow in the first phrase and increase again in year 2024-2025 after the economy has recovered from Covid-19.

#### 4.3.6.4 Change in Net Working Capital

**Table 4.16 Account Receivable**

	2014	2015	2016	2017	2018	2019
Sales	4,062,290	4,254,129	4,052,743	4,186,203	4,472,009	4,086,309
COGS	2,928,178	3,038,860	2,932,575	3,055,722	3,223,712	2,868,303
Growth		4.7%	-4.7%	3.3%	6.8%	-8.6%
Trade Accounts and Other Receivable	673,844	667,022	733,497	777,816	762,487	687,195
Growth		-1.0%	10.0%	6.0%	-2.0%	-9.9%
AR per Sale	16.59%	15.68%	18.10%	18.58%	17.05%	16.82%

	2020F	2021F	2022F	2023F	2024F	2025F
Sales	4,207,701	4,356,345	4,443,828	4,510,502	4,598,224	4,707,969

COGS	2,985,973	3,095,628	3,160,164	3,209,350	3,274,062	3,355,021
Growth	3.0%	3.5%	2.0%	1.5%	1.9%	2.4%
Trade Accounts and Other Receivable	799,463	784,142	755,451	721,680	735,716	706,195
Growth	16.3%	1.9%	-3.7%	-4.5%	1.9%	-4.0%
AR per Sale	19.00%	18.00%	17.00%	16.00%	16.00%	15.00%

Source: Financial statement and own calculation

In year 2016-2017, PM had lower sales due to recession in the economy.

They offered credit sales to customers. This made the A/R per sales ratio higher than other periods. In year 2018, there was an economy rebound, and the AR per sales ratio was back to normal.

**Table 4.17 Inventories**

	2014	2015	2016	2017	2018	2019
Inventories	283,841	228,292	271,902	407,161	458,665	435,126
INV per Sales	6.99%	5.37%	6.71%	9.73%	10.26%	10.65%
	2020F	2021F	2022F	2023F	2024F	2025F
Inventories	420,770	435,634	444,383	451,050	459,822	470,797
INV per Sales	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

Source: Financial statement and own calculation

Since 2017, the company has an inventory per sales ratio around 9-10%. We expect that the inventory per sales will remain constant at 10%.

**Table 4.18 Account payables**

	2014	2015	2016	2017	2018	2019
Trade Accounts and Other Payable	525,094	508,180	564,257	623,429	599,468	555,673
Growth		-3.20%	11.00%	10.50%	-3.80%	-7.30%
Account Payable per Sales	12.93%	11.95%	13.92%	14.89%	13.40%	13.60%
	2020F	2021F	2022F	2023F	2024F	2025F
Trade Accounts and Other Payable	504,924	566,325	577,698	586,365	597,769	612,036
Growth	-9.10%	12.20%	2.00%	1.50%	1.90%	2.40%
Account Payable per Sales	12.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Source: Financial statement and own calculation

Since 2014-2019, the company has accounts payable per sales of around 12-14%. So, we expect the account payable ratio to stay at around 12-13%.

**Table 4.19 Change in NOWC**

Change in NOWC	2020F	2021F	2022F	2023F	2024F	2025F
Change in AR	112,268	(15,321)	(28,691)	(33,770)	14,035	(29,521)
Change in INV	(14,356)	14,864	8,748	6,667	8,772	10,974
Change in AP	(50,749)	61,401	11,373	8,668	11,404	14,267
NOWC	715,309	653,452	622,136	586,365	597,769	564,956
Change in NOWC	148,661	(61,857)	(31,316)	(35,771)	11,404	(32,813)

Source: Own calculation

#### 4.4. Valuation Result

**Table 4.20 Forecasted Free cashflow**

	2020F	2021F	2022F	2023F	2024F	2025F
<b>EBIT</b>	<b>369,727</b>	<b>388,968</b>	<b>394,418</b>	<b>398,572</b>	<b>404,037</b>	<b>410,874</b>
<b>% TAX</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>
<b>Tax</b>	<b>88,735</b>	<b>93,352</b>	<b>94,660</b>	<b>95,657</b>	<b>96,969</b>	<b>98,610</b>
<b>NOPAT</b>	<b>280,993</b>	<b>295,616</b>	<b>299,758</b>	<b>302,915</b>	<b>307,068</b>	<b>312,264</b>
<b>Depreciation</b>	<b>73,266</b>	<b>70,725</b>	<b>75,169</b>	<b>80,425</b>	<b>88,625</b>	<b>106,008</b>
<b>Chang in NOWC</b>	<b>148,661</b>	<b>-61,857</b>	<b>-31,316</b>	<b>-35,771</b>	<b>11,404</b>	<b>-32,813</b>
<b>CAPEX</b>	<b>21,975</b>	<b>36,039</b>	<b>32,795</b>	<b>38,792</b>	<b>60,515</b>	<b>128,293</b>
<b>FCF</b>	<b>183,623</b>	<b>392,159</b>	<b>373,447</b>	<b>380,318</b>	<b>323,774</b>	<b>322,793</b>
<b>Terminal Value</b>						<b><u>8,783,339</u></b>
<b>TOTAL</b>		<b>392,159</b>	<b>373,447</b>	<b>380,318</b>	<b>323,774</b>	<b>9,106,132</b>

Source: Own calculation

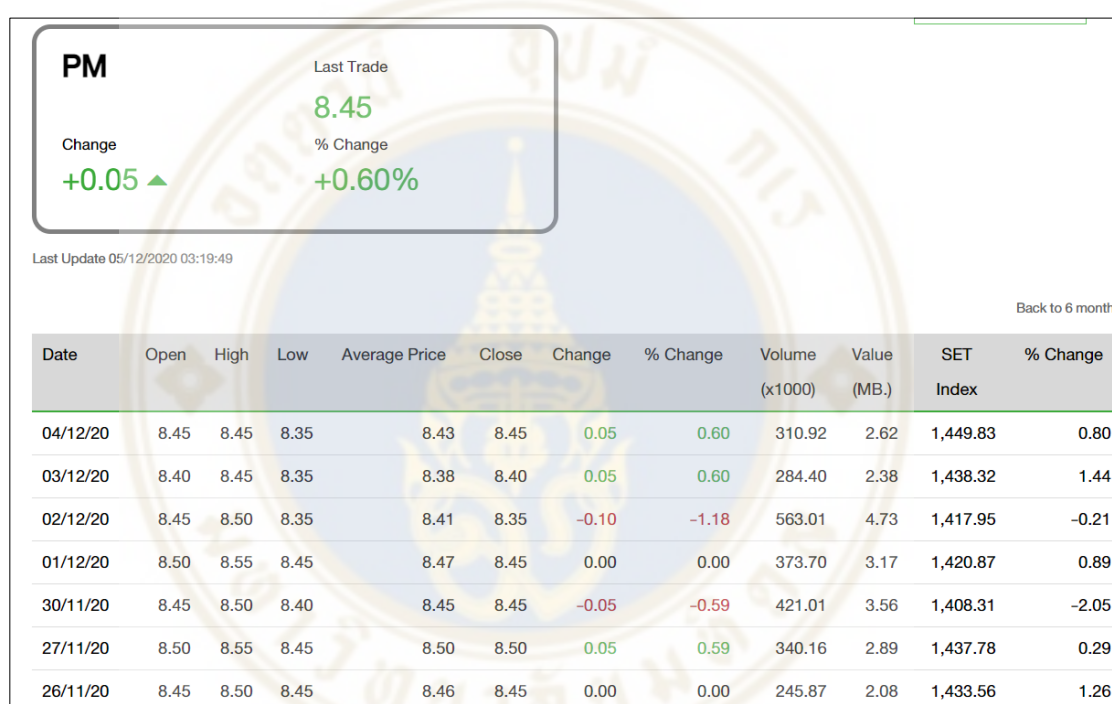
We use cost of equity that we calculate with Dividend Discounted model to discount the free cashflow of year 2021 to year 2025 and get the value of the company as of December 31, 2020.

Cost of Equity = 7.53%

Terminal growth = 3.72% which aligns with Thailand nominal GDP

Now we get the present value of the company at the end of year 2020 equal to 7,569,676 thousand baht. We deduct the company's debt of 65,004 thousand baht and cash of 62,637 thousand baht. The net equity value is 598,245 thousand baht which is 12.65 baht per share.

Compared to the latest market price data on December 4, 2020, the share price was 8.45 baht per share. The company has the total capital market of 5,055.17 million baht. And the trading volume of last week (November 26,2020 – December 4,2020) is approximately 300-400 thousand shares, valuing 2.5 – 4 million baht.



**Figure 4.6 PM Historical Trading**

Source: SETsmart

#### 4.5. Sensitivity analysis

Based on our estimates and calculations, the share value from the discounted cashflow method is 12.65 baht. However, there is a chance that the share price might be different from the target price due to uncertainty about the discount rate (cost of equity) and the

perpetual growth rate. So, we have conducted the sensitivity analysis to see how the price will be affected by the growth rate and the cost of equity.

The worst scenario is leading to the minimum share price which is 4.38 baht per share. The minimum share price is due to 0% terminal growth and very high cost of equity which is 13%. The best scenario is leading to the maximum share price which is 90.96 baht per share from very high terminal growth of 4.5% and the lowest cost of equity of 5%.

For the implied cost of equity for the current market price of 8.45 baht per share: we can find in the sensitivity analysis table that the implied cost of equity is 9.52%, which is the expected return for the PM investors.

**Table 4.19 Sensitivity Analysis between cost of equity and terminal growth**

<b>Price</b>		<b>g</b>				
		<b>0%</b>	<b>1.00%</b>	<b>2.00%</b>	<b>3.72%</b>	<b>4.50%</b>
<b>Ke</b>	<b>12.65</b>					
	5.00%	11.06	13.28	16.98	36.86	90.96
	5.87%	9.46	10.96	13.24	22.12	33.49
	7.53%	7.25	8.03	9.07	<b>12.65</b>	14.54
	9.52%	5.91	6.38	6.96	8.45	9.45
	11.00%	5.15	5.47	5.86	6.80	7.38
	13.00%	4.38	4.60	4.85	5.40	5.73

Source: Own calculation

#### **4.6. Valuation recommendation**

We recommend to “buy” the share as the DCF method share price is 12.65 baht while the market price at December 4, 2020 is 8.45 baht per share. The current share price is now undervalued relative its intrinsic value by 49.69%.

The main cause of the undervaluation is from the current implied cost of equity based on data of December 5, 2020 which is 9.52% while we expected that the cost of equity for year-end 2020 and in the future will be lower at 7.53%. This is the main

reason that the share price in the future could go up. Also, the company financial status is strong for having a lot of cash and has almost 0% of debt, so the company has almost 0% risk of insolvency. Furthermore, the company received less COVID-19 impact than other industries since people stay at home and consume more food and snack products.

Choose Symbol	
PM	▼
* Market data provided for educational purpose or personal use only, not intended for trading purpose.	
* Last Update 05 Dec 2020 03:19:49	
Market Status : Closed	
Sign	
Last	▲8.45
Change	+0.05
%Change	+0.60
Prior	8.40
Open	8.45
High	8.45
Low	8.35
Volume (Shares)	310,922
Value ('000 Baht)	2,619.65
Average Price **	8.43
** Only Auto Matching	
Par (Baht)	1.00
Ceiling	10.90
Floor	5.90

**Figure 4.7 PM Market trading price**

Source: Set.or.th

## **CHAPTER V**

### **INVESTMENT RISK**

#### **5.1. Market Risk**

Market risk refers to risk of an investment losing its value due to various economic and other events that can affect the entire market. Currently, there are many types of uncertainties due to the economy, Covid-19, and politics issues in Thailand. Furthermore, there are more risks of the company per below

##### **5.1.1 Risk of dependence of sales on one single brand which is Taro fish snack.**

5.1.2. Risk of impact of customer demand loss, because of the product switching cost of snack and consumer food industry is low and there are so many competitors in the market. Additionally, the market of snacks and consumer products is very competitive on price and marketing campaign.

##### **5.1.3. Risk of Raw Material Price and Supply Fluctuation**

As stated in company's annual report that "Products manufactured depend on tuna and frozen minced fish meat as major raw materials. As such raw materials come from nature, this makes their supply dependent on seasonality, natural phenomena, natural disasters, etc. and their prices to increase/decrease according to market supply and demand. Additionally, prices of such materials may also be indirectly affected by various external factors that cannot be controlled, such as exchange rates or from new laws and regulations of trade partner countries"



## 5.2 Liquidity Risk

### 5.2.1 Risk of low liquidity

There is liquidity risk for investing in this share because the share trading volume is relatively low, and fluctuating due to uncontrollable issues such as Covid-19, US new president, Thailand politics, and fluctuations of the Thai stock market. We can see from the trading volume it dropped since November 20,2020.

Back to 6 months												
Date	Open	High	Low	Average Price	Close	Change	% Change	Volume (x1000)	Value (MB.)	SET Index	% Change	
04/12/20	8.45	8.45	8.35	8.43	8.45	0.05	0.60	310.92	2.62	1,449.83	0.80	
03/12/20	8.40	8.45	8.35	8.38	8.40	0.05	0.60	284.40	2.38	1,438.32	1.44	
02/12/20	8.45	8.50	8.35	8.41	8.35	-0.10	-1.18	563.01	4.73	1,417.95	-0.21	
01/12/20	8.50	8.55	8.45	8.47	8.45	0.00	0.00	373.70	3.17	1,420.87	0.89	
30/11/20	8.45	8.50	8.40	8.45	8.45	-0.05	-0.59	421.01	3.56	1,408.31	-2.05	
27/11/20	8.50	8.55	8.45	8.50	8.50	0.05	0.59	340.16	2.89	1,437.78	0.29	
26/11/20	8.45	8.50	8.45	8.46	8.45	0.00	0.00	245.87	2.08	1,433.56	1.26	
25/11/20	8.50	8.55	8.45	8.48	8.45	0.00	0.00	492.01	4.17	1,415.72	1.01	
24/11/20	8.60	8.60	8.45	8.52	8.45	-0.10	-1.17	538.40	4.59	1,401.63	-1.32	
23/11/20	8.65	8.65	8.50	8.57	8.55	-0.15	-1.72	933.80	8.00	1,420.43	2.24	
20/11/20	8.70	8.75	8.65	8.70	8.70	0.00	0.00	978.90	8.51	1,389.34	1.45	
19/11/20	8.60	8.75	8.50	8.62	8.70	0.15	1.75	2,373.91	20.46	1,369.42	0.35	
18/11/20	8.45	8.60	8.40	8.51	8.55	0.10	1.18	2,222.12	18.91	1,364.59	1.09	
17/11/20	8.45	8.50	8.35	8.38	8.45	0.10	1.20	3,400.20	28.50	1,349.81	-0.09	
16/11/20	8.45	8.55	8.30	8.40	8.35	0.00	0.00	3,480.30	29.22	1,351.06	0.34	

**Figure 5.1 PM historical trade**

Source: SetSmart

## CHAPTER VI

### CONCLUSION

The DCF estimated value per share is 12.65 baht per share while the current market price on December 4, 2020 is 8.45 per share, so we recommend investors to buy the share. As of Dec 4, the price of the company is undervalued by 49.69% according to our estimate.

Our recommendation for investors is that investors should “buy” the share as the market price is substantially lower than its intrinsic value (12.65 baht).

The recommendation considers the below factors into account.

1. Based on the historical data, although the company has very low growth and high dependence on one product which is the fish-snack named “Taro” which holds the second-highest market share of savory snack market (6.5%). The snack market in Thailand has quite constant growth rate, and there is an opportunity that the revenue of the company will be growing relatively to the industry. Furthermore, the company financial status is strong because of cash on hands and the snack and consumption products do not receive much impact of COVID-19 pandemic.
2. The investors can benefit from the high dividend yield which is around 7-9%, although the high cost of equity is one of the important factors that cause the company has low growth because instead of investing in new assets that generate more income, the company uses that capital to pay back cash to the investors. This is the short-term benefit to investors, but this is not beneficial to the investors in the long run.
3. Currently, the company tried to expand the revenue line from export products (snack, canned tuna, and pet food) from China and United States. This can be the opportunity to increase revenue from export products, it possibly could lead to higher growth of the company in the future.

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