

**RELATIVE VALUATION OF  
HAADTHIP PUBLIC COMPANY LIMITED**

The image features a large, faint watermark of the Mahidol University logo in the background. The logo is circular with a blue center containing a golden emblem of a stupa. The Thai text 'มหาวิทยาลัยมหิดล' (Mahidol University) is written around the perimeter of the circle.

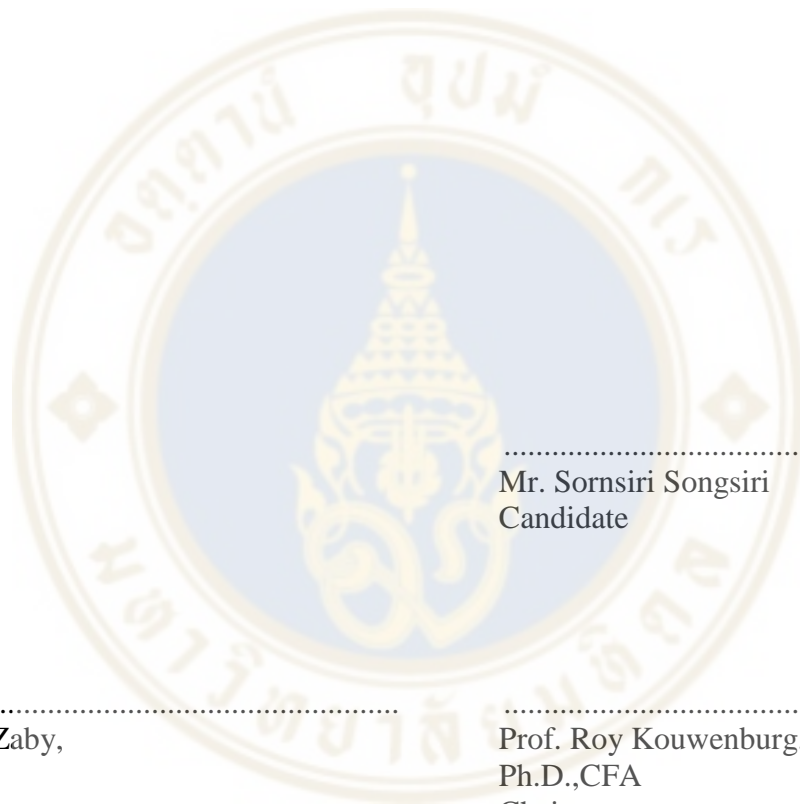
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**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTER OF MANAGEMENT  
COLLEGE OF MANAGEMENT  
MAHIDOL UNIVERSITY  
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entitled  
**RELATIVE VALUATION OF HAADTHIP  
PUBLIC COMPANY LIMITED**

was submitted to the College of Management, Mahidol University  
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**RELATIVE VALUATION OF HAAD THIP PUBLIC COMPANY LIMITED**

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M.M. (CORPORATE FINANCE)

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**ABSTRACT**

This thematic paper illustrates the value the stock of HAAD THIP Public Company Limited (HTC) from the relative valuation method based on multiples of trailing approaches and forward approaches. The multiple for the relative valuation method that I use consist of Price to Earnings per share, Price to Book Value and Enterprise value to EBITDA methods to forecast the target price of the HAAD THIP Public Company Limited. The forecasting financial of HaadThip Public Company Limited (HTC) under relative valuation has considering and integrating of the company financial analysis, macro analysis, industry analysis, competition analysis, and share price valuation. HaadThip Public Company Limited (HTC) is a producer of non-alcoholic beverages. It has also been given Coca-Cola franchise status for 14 provinces in southern Thailand. I recommend the investor to use Price to Book value multiple from trailing approach. This multiple could determine the company capacity and the market benchmark multiple for valuation more appropriate than other multiples. As a result, the answer from the analysis shows the target price of Haadthip company overvalued when compared to the current market price with the suggestion to "BUY".

**KEY WORDS:** HTC/ Relative valuation/ Soft drink/ NARTD

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## LIST ABBREVIATIONS

<b>ABBREVIATIONS</b>	<b>Explanation</b>
<b>BOI</b>	The Board of Investment of Thailand
<b>BOT</b>	Bank of Thailand's
<b>Co., Ltd</b>	Company Limited
<b>COGS</b>	Cost of goods sold
<b>COVID-19</b>	Coronavirus disease
<b>DCF</b>	The Discounted Cash Flow Method
<b>EBIT</b>	Earnings before Interest and Taxes
<b>EBITDA</b>	Earnings before Interest, Taxes, Depreciation and Amortization
<b>EM</b>	Earnings before Interest and Taxes Margin
<b>EV/EBITDA</b>	Enterprise Value to Earnings Before Interest, Tax and Depreciation and Amortization.
<b>F</b>	Forecast
<b>GDP</b>	Gross Domestic Product
<b>HORECA</b>	Hotels, Restaurants, and Catering
<b>HTC</b>	HaadThip Public Company Limited
<b>ICHI</b>	Ichitan Public Company Limited
<b>Ltd</b>	Limited
<b>MALEE</b>	Malee Group Public Company Limited
<b>MRP</b>	Market Risk Premium
<b>NARTD</b>	Non-Alcoholic Ready to Drink
<b>OISHI</b>	Oishi Public Company Limited
<b>OWG</b>	One-Way Glass
<b>P/E</b>	Price to Earnings Ratio

**LIST ABBREVIATIONS (cont )**

<b>ABBREVIATIONS</b>	<b>Explanation</b>
<b>P/BV</b>	Price to Book value Ratio
<b>PET</b>	Polyethylene terephthalate
<b>RGB</b>	Regular Glass Bottle
<b>ROA</b>	Return on Assets
<b>ROE</b>	Return on Equity
<b>SET</b>	Stock Exchange of Thailand
<b>SKU</b>	Stock-keeping unit
<b>SSC</b>	Serm Suk Public Company Limited
<b>SWOT</b>	Strength, Weakness, Opportunity, and Threat
<b>T</b>	Tax
<b>TATO</b>	Total Assets Turnover
<b>THB</b>	Thai Baht
<b>TIPCO</b>	Tipco Foods Public Company Limited

## **CHAPTER I**

### **INTRODUCTION**

Coca-Cola Company (USA), Atlanta, Georgia, has authorized HaadThip Public Company Limited (HTC) to manufacture and supply sparkling drinks under trademarks including "Coca-Cola," "Fanta," and "Sprite," in addition to Coca-Cola Company products such as Minute Maid, Namthip drinking water, and "Bon Aqua" 100% natural mineral water. With two plants in Amphoe Haad Yai, Songkhla, and Amphoe Poonpin, Surat Thani, the business supplies goods to 14 provinces throughout southern Thailand comprising Ranong, Yala, Krabi, Phuket, Trang, Phang-nga, Phatthalung, Surat Thani, Nakhon Si Thammarat, Songkhla, Satun, Pattani, and Narathiwat.

HTC has a five-year contract extension deal with Coca-Cola (USA). The current contract runs from January 1, 2019 through December 31, 2023. The organisation's market share is 83% or 25.9% in NARTD (Non-Alcoholic Ready to Drink) in the sparkling market in southern Thailand. HTC's shareholder structure divides shares by nationality, with Thai shareholders holding 73.40% and foreign shareholders holding 26.60% (HTC annual report, 2020). In addition, the company's dividend policy is to disburse dividends at between 50% and 80% of the residual Net Profits after subtracting all reserves required by law and regulated by HTC (HTC annual report, 2020).

Thailand's soft drink business is monopolistic by design. The acquisition of equipment, the development of interest, as well as the establishment of buildings including supply depots, besides sales and delivery vehicles, are all regarded as challenging for a new company to start business. ThaiNamthip Ltd., a maker and provider of Coca - Cola products in the 14 southern provinces covered by HTC, Pepsi - Cola (Thai) Trading Company Limited, a maker and provider of "Pepsi", Serm Suk Public Company Limited (SSC), a maker and provider of "Est Cola", and AJE THAI

Co., Ltd., a maker and provider of Big Cola, as well as 2 to 3 other smaller organisations, comprise the major rivals in Thailand's soft drink sector.

HTC's earnings amid the COVID-19 pandemic was THB 6,425.42 million in 2020, down THB 350.08 million or 5.17%, with total sales of 59.5 million unit-cases, down 7.2% from 64.1 million unit-cases in 2019. The major cause was a decrease in total beverage consumption due to the outbreak. Nonetheless, commercial and market performance operations enabled the business to increase its NARTD value share from 24.8% to 25.9% (HTC annual report, 2020)

Based on the Bank of Thailand's (BOT) anticipated GDP growth for this year to 0.70%, resulted from the third wave of Covid-19 outbreak has a severe impact on the country's economy. HTC earnings are expected to rise at a rate of 3% from business plan and Guidance during 2021 to 2025 (HTC investor presentation Q2, 2021) The COVID-19 situation in Thailand is thought to be a reflection of this prediction. The south of Thailand is still regarded as a "Wonder Tourist Destination." The Royal Thai Government has formally authorised steps to reopen Phuket to fully vaccinated overseas travellers without quarantine procedures, known as the "Phuket Sandbox," starting July 1, 2021. From July 15, 2021, overseas visitors will be allowed to visit Koh Samui, Koh Phangan, and Koh Tao without having to go through quarantine. This campaign will have the effect of encouraging international visitors to return to Thailand's south, as well as helping to preserve the country's devastated economy, particularly the HORECA (Hotels, Restaurants, and Catering) industry. HORECA is one of HTC's target markets, and it is obvious that this is an opportunity for the firm to improve its productivity, as the company expects to see a favourable trend from tourist recovery, in addition to the new sales and advertising strategy.

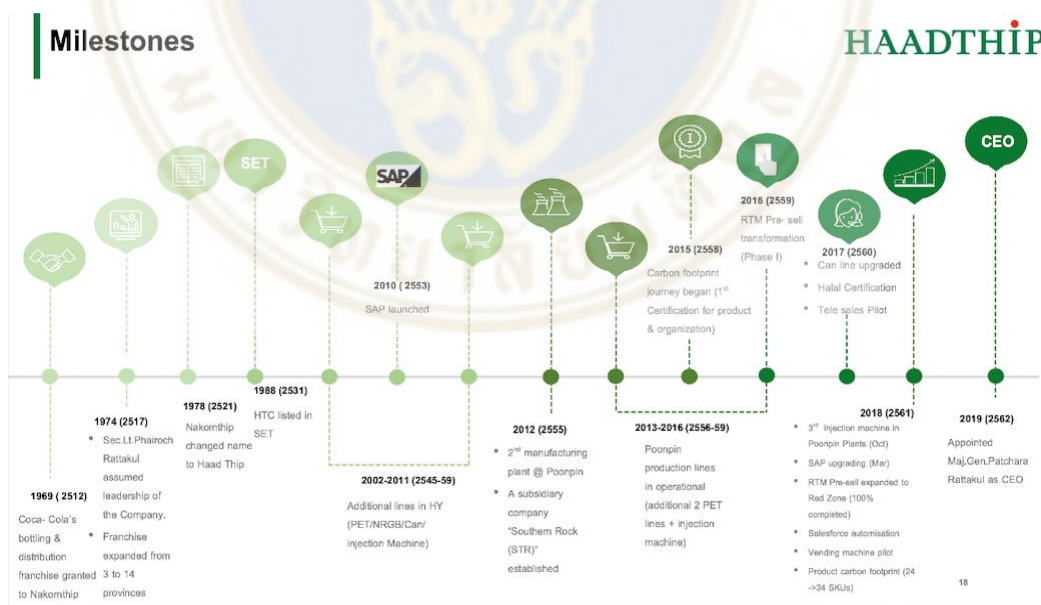
Regarding the relative valuation method, HTC's share price with a forecast period of 2021 and 2022, and under the assumption that the company's sales revenue will grow along with business plan growth. Due to the stock is undervalued compared to the current market price of 40.00 Baht as of 21 October 2021. The target share price in 2021 from the relative method is 48.85 Baht per share. The target share price in 2022 from the relative method is 51.83 Baht per share. I recommend an investor is to "BUY" HTC stock.

## CHAPTER II

### WHO IS HAADTHIP (HTC)?

#### 2.1 What is Haadthip (HTC) does

HaadThip Public Company Limited (HTC) is a producer of non-alcoholic beverages. It has also been given Coca-Cola franchise status for 14 provinces in southern Thailand, from Chumporn to the Malaysian border (comprising 10 million people, accounting for 15% of the total population of Thailand (HTC's profile, Haadthip, 2021) Hatyai, Songkla is the company's headquarters, with executive offices in Bangkok. Beginning in 1969 under the name "Nakornthip," the firm has a lengthy history (almost 50 years), until changing its name to "HAADTHIP" in 1978. As indicated in the milestones in **Figure 2.1**, the firm was originally listed in the SET in 1988.



**Figure 2.1 HAADTHIP Milestones**

Source: (HTC's profile, Milestones, 2021)

## HAADTHIP

HaadThip Public Company Limited (HTC) purpose, philosophy, value, mission, and vision are as follows:

### **Purpose**

“Continually increasing profitable, sustainable unit case sales of our products by satisfying new and existing consumers through excellent service to and with our customers at an increasing return” (HTC's profile, Haadthip, 2021).

### **Philosophy**

“HTC philosophy is a perfect blend between Western and Eastern management characteristics” (HTC's profile, Haadthip, 2021)


### **Value**


“HTC will create an organizational culture on the foundation of the including 10 values: Integrity, Individual Initiative, Customer Value, Teamwork, People Development, Mutual Trust & Respect, Commitment, Always be part of the South, Relationship Marketing, Fun” (HTC's profile, Haadthip, 2021)


### **Vision**


“We are the leader in the beverage industry and committed to sustainable growth with the communities (HTC's profile, HTC Vision and Mission, 2021)

### **Mission**

 “To be a completely integrated beverage company and to maintain the leading position in the southern market, with revenue, sales and profits soaring on a continuous basis” (HTC's profile, HTC Vision and Mission, 2021)

 “To continue to be the manufacturer, distributor, and service provider of high-quality products, to customers and consumers, so that the Company is trusted as part of the South” (HTC's profile, HTC Vision and Mission, 2021)

 “To ensure that the Company’s personnel have integrity, perform their duties with loyalty and honesty; and have responsibilities to the organization and society as a whole” (HTC's profile, HTC Vision and Mission, 2021)

 “To be an organization with good governance, through the creation and development of the type of personnel that the society needs; and taking part in the development and improvement of natural resources and environment in a responsible and sustainable manner” (HTC's profile, HTC Vision and Mission, 2021)

HTC’s 10 brands, 163 SKUs, and 34 pack sizes (HTC annual report, 2020) are allocated into two categories: carbonated beverages (Coca-Cola, Fanta, Sprite, Schweppes, and A&W) (see **Figure 2.2**), and non-carbonated beverages (Minute Maid, Fuze Tea, Namthip, and Bon aqua) (see **Figure 2.3**).



**Figure 2.2 HAADTHIP Carbonated beverages**

Source: (HTC investor presentationQ2, 2021)



**Figure 2.3 HAADTHIP Non-Carbonated beverages**

Source: (HTC investor presentationQ2, 2021)

The New Products of HTC in 2021, the company has a plan to face with an increase sugar tax in the next year (October 1, 2022) by relaunch zero sugar product (HTC investor presentationQ2, 2021)



**Figure 2.4 HAADTHIP Coca-Cola & Fanta Zero Sugar Relaunch**

Source: (HTC investor presentationQ2, 2021)

According to **Table 2.1**, the company's major source of income for the annual report period of 2018 to 2020 was sparkling beverage sales in southern Thailand, which accounted for roughly 94% of revenue from carbonated goods and 6% of revenue from non-carbonated goods.

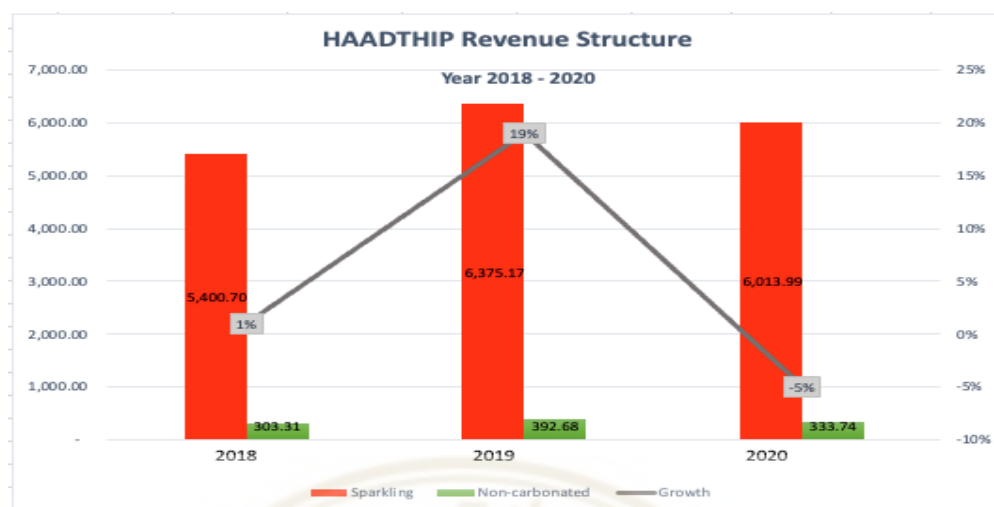
**Table 2.1 Revenue Structure**

Detail	2020		2019		2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Sparkling beverages	6,013.99	94.74	6,375.17	94.20	5,400.70	94.68
Non - carbonated products	333.74	5.26	392.68	5.80	303.31	5.32
<b>Total Revenue from Sales</b>	<b>6,347.72</b>	<b>100.00</b>	<b>6,767.85</b>	<b>100.00</b>	<b>5,704.01</b>	<b>100.00</b>

Source: (HTC annual report, 2020)

From 2018 to 2019, revenue climbed by 19% due to price changes and volume increases, while cost of goods sold (COGS) rose by 10.68%. COGS grew at a slower pace than volume, owing in part to reduced sugar prices and use, as well as cost reductions from economies of scale. As shown in **Figure 2.5**, total profit dropped by 5% from 2019 to 2020 due to lower beverage consumption as a result of the COVID-19 pandemic (HTC annual report, 2020).





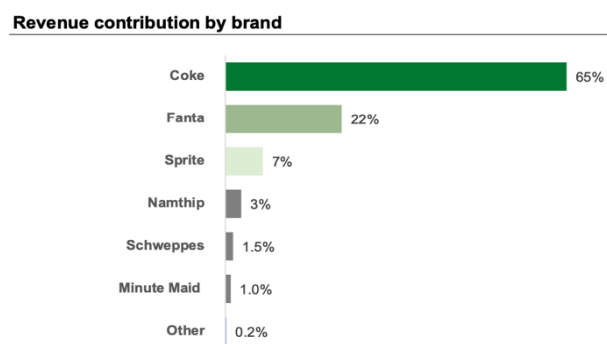
**Figure 2.5 Revenue Structure**

Source (HTC annual report, 2020)

As seen below, the company's major source of income in 2020 was from its brands, packaging, and distribution network:

### Revenue Contribution by Brand

Shown in **Figure 2.6**, profits from carbonated beverages made up 65% from Coke, 22% from Fanta and 7% from Sprite, while non-carbonated beverages involved 3% from Namthip Drinking Water, 1.5% from Schweppes Lemon Soda, 1% from Minute Maid, and 0.2% from Bon Aqua 100% natural mineral water (HTC Investor presentation, 2020)

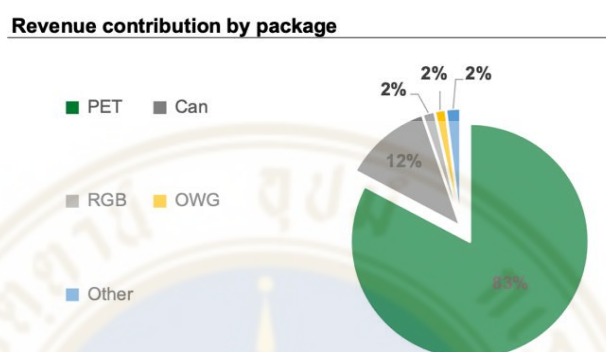


**Figure 2.6 Revenue contribution by brand**

Source: (HTC Investor presentation, 2020)

### Revenue Contribution by Package

Shown in **Figure 2.7**, profits by carbonated and non-carbonated beverage packaging comprised 83% from PET (polyethylene terephthalate), 12% from CAN, and 2% from RGB (Regular Glass Bottle), OWG (One-Way Glass), and (HTC Investor presentation, 2020).

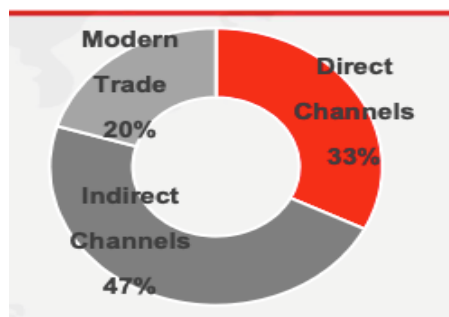


**Figure 2.7 Revenue contribution by package**

Source: (HTC Investor presentation, 2020)

### Revenue Contribution by Distribution Network

As shown in **Figure 2.8**, profits from the distribution network in 2020 comprised direct channels (53%) and indirect channels (47%), with traditional trade at 33% HORECA (Hotel, Restaurant, and Catering), and 20% modern trade such as supermarket / convenience stores making up the direct channels, while large wholesalers such as Makro accounted for the indirect channels (investor-presentaion, Q3-2020).



**Figure 2.8 Revenue contribution by distribution network**

Source: (investor-presentaion, Q3-2020)

## SWOT ANALYSIS

HTC has been in the beverage market for generations with consistent annual growth. Internal (strengths and weaknesses) and external (prospects and risks) variables, on the other hand, integrate the company operations and affect profitability.

### Strengths:

1. HTC holds a market share of 83% in the carbonated beverage market in southern Thailand (HTC investor presentation Q2, 2021)
2. HTC is the only organisation in southern Thailand allowed to make and supply “Coca-Cola” trademarked products.
3. The organisation has carbonated beverages in many varieties.

### Weakness:

1. Distribution is restricted to southern Thailand.
2. Production is costly and involves expensive equipment and technology.
3. Some carbonated beverages present health risks.

### Opportunities:

1. Few market competitors
2. Fabrication technology from Coca - Cola Company (U.S.A), Atlanta,

Georgia

### Threats:

1. Consumer attitudes regarding health are shifting.
2. Decline in the economy means consumers' purchasing power is reduced.
3. COVID-19 situation

## Strategies

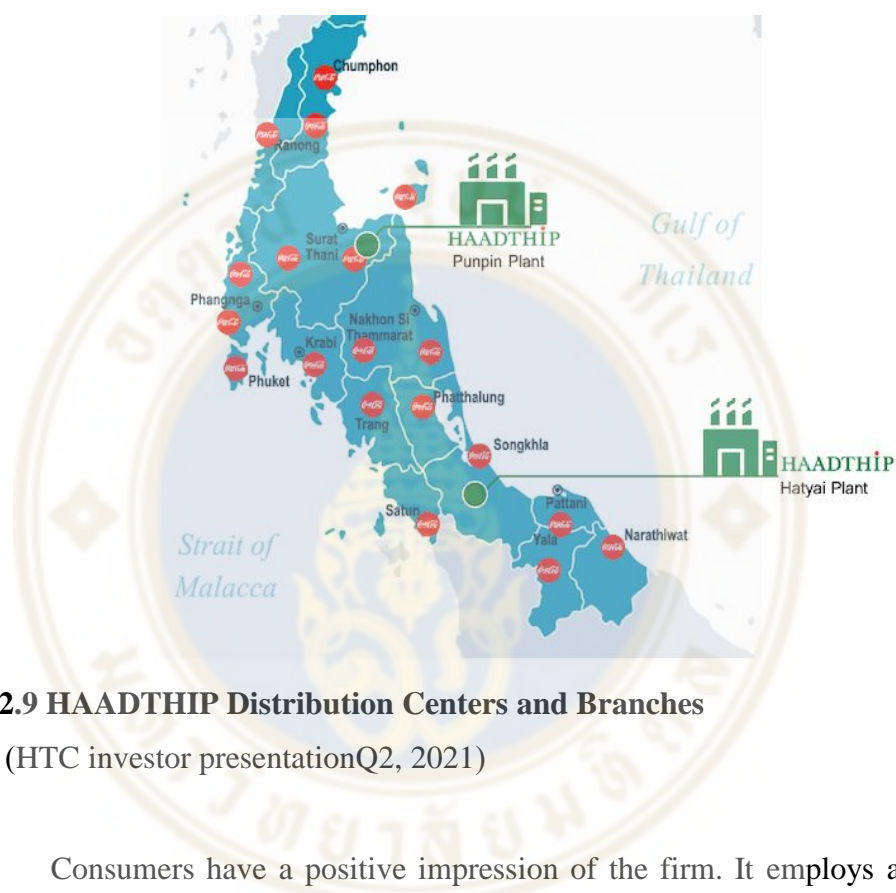
Contingent on COVID-19 control measures, the company's operation strategy for 2021 involves establishing a target for sales growth of 3-6% over the preceding year (HTC Investor presentation, 2020). The anticipated growth rate is based on the expectation that the economy would begin to revive in the second half of 2021; as a result of vaccine deployment, which will benefit Thailand's tourist industry as well as the country's broader economy.

HTC has a five-year strategy that includes expanding its market share in the non-alcoholic ready-to-drink (NARTD) sector from 25.9% to 30% (HTC Investor presentation, 2020) HTC employs the following approaches:

1. Expand no-sugar product lines including Coca-Cola no sugar to generate rapid revenue boost and broadening the no-sugar product lines to include Fanta no sugar and Sprite no sugar as a way to insert the products into the firm's no-sugar collection in order to align with the growing trend of health-conscious consumers.
2. Promote the use of containers that ease global warming by encouraging growth of returnable glass bottled product sales (RGB) and highlighting local grocery stores, eateries and cafés as sales channels.
3. Employ various sales promotions to persistently push sales of beverages including Bon Aqua mineral water and Minute Maid through every sales channel. Further, the firm will use printed materials, signage, and online marketing to concentrate on better communicating with end consumers.
4. Use online platforms to boost sales and distribution channels by using the company's website, market place, and pure player to sell and distribute items more extensively.
5. Refine and enhance the marketing strategy to be more in accordance with real-world settings where the COVID-19 epidemic is still prevalent, by concentrating more on generating options for home consumption.
6. Use HTC's customer privilege/loyalty programme (MVIP Programme) as a policy to charm and motivate the customers, who are also valued business partners.

## 2.2 Haadthip (HTC) Business operation

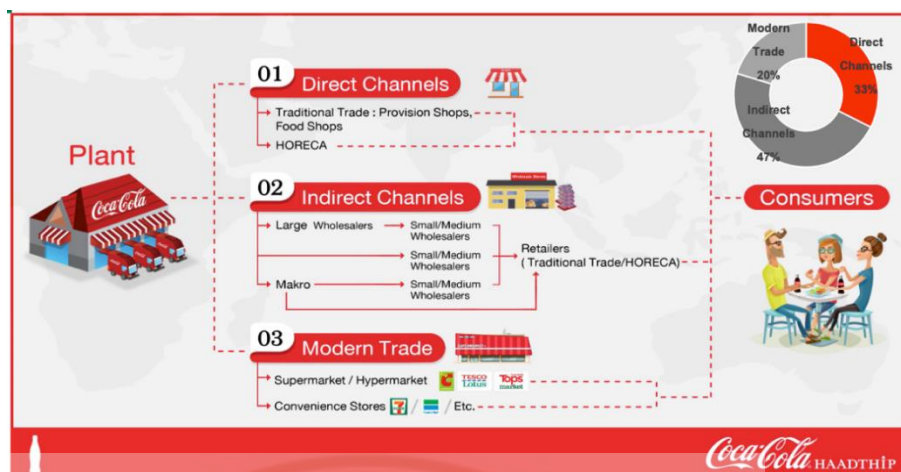
Figure 2.9 illustrates the production factories in Hatyai, Songkhla, and Poonpin, Surat Thani (with 7 production lines and 3 injection machines), 19 sales and delivery branches with 172 sales vehicles, and 2,000 workers servicing over 46,000 outlets (HTC investor presentationQ2, 2021)



**Figure 2.9 HAADTHIP Distribution Centers and Branches**

Source: (HTC investor presentationQ2, 2021)

Consumers have a positive impression of the firm. It employs a pre-sale strategy, taking orders one day prior to delivery to customers and distributing items through three channels. As shown in **Figure 2.10**, direct channels including traditional trade and HORECA (Hotel, Restaurant, and Catering), indirect channels, such as wholesalers (Makro) and retailers (Traditional Trade/HORECA), and modern trade, such as supermarkets/hypermarkets (Big C, Lotus, Tops Super Market, 7-eleven, Family Mart), are the three main channels (**HTC investor presentationQ2, 2021**).



**Figure 2.10 HAADTHIP Distribution Network**

Source: (HTC investor presentation Q2, 2021)

### 2.3 Haadthip involvement

Shown in **Figure 2.11**, HTC has holdings in four corporations and one ancillary holding, as follows:



**Figure 2.11 Business Structure**

Source: (HTC structure, 2021)

### **Subsidiaries Business**

With financial support from the BOI, the **Southern Rocks Co., Ltd.** promotes and offers semi-completed plastic bottles and offers services for blown plastic bottles. The firm's total capital amounts to THB 97 million, which translates to HaadThip Public Company Limited owning 99.99% of the company. The company has power over the subsidiary's financial and operational business activities, both direct and indirect (HTC structure, 2021).

With a total investment of THB 16 million and 99.99% participation by HaadThip Public Company Limited, **HaadThip Commercial Co., Ltd.** engages in the consumer goods production and distribution industry.

As such, the parent corporation has direct and indirect influence over the subsidiary's financial and operational business activities (HTC structure, 2021)

With a total investment of THB 16 million and 99.99% participation by HaadThip Public Company Limited, **HaadThip Commercial Co., Ltd.** engages in the consumer goods production and distribution industry. As such, the parent corporation has direct and indirect influence over the subsidiary's financial and operational business activities (HTC structure, 2021)

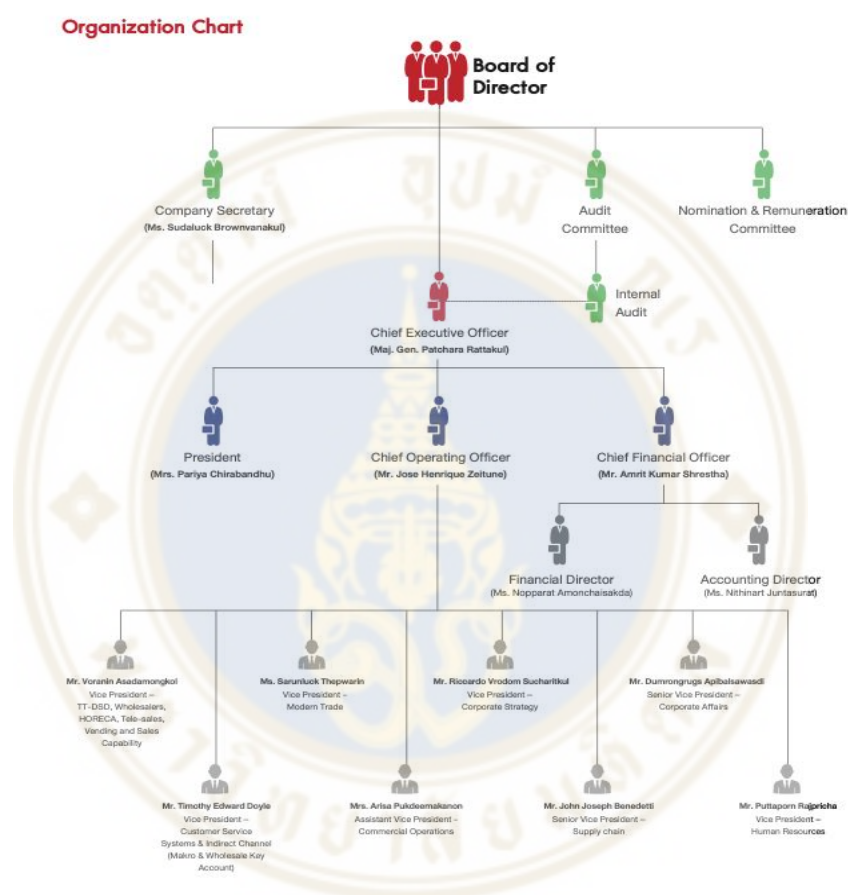
**HaadThip Development Co., Ltd.** is a real estate development company with a net worth of THB 1 million and HaadThip Public Company Limited owning 99.99 percent of the company. The company has the power to oversee the subsidiary's financial and operational business activities, both directly and indirectly (HTC structure, 2021)

### **Indirect Subsidiary**

**KindeeYudee 2020 Co., Ltd.** is a food and beverage sales and service company. Zen and Spicy Co., Ltd and HaadThip Food and Beverage Co., Ltd formed a joint venture (holding 71% shares). Kindee Yudee 2020 Co., Ltd. has a THB 30 million registered capital and THB 16.5 million capital (HTC structure, 2021)

## Management and Administrative Structure

Maj. Gen. Patchara Rattakul is the CEO of HAADTHIP, and the company's management and administration structure includes the Board of Directors, Audit Commission, Nomination and Remuneration Commission, and Supervision Team. As shown in Figure 2.12, each member must have certain qualifications, duties, and functions (HTC annual report, 2020)).



**Figure 2.12 Organization Chart**

Source: (HTC annual report, 2020)

## Shareholders Structure

The organisation had a registered capital of THB201,210,180 as of December 31, 2020, comprising 201,210,180 common stocks having a par value of 1 Baht per share, and a paid up capital of THB200,960,500, comprised of 200,960,500 common stocks (HTC annual report, 2020)



### Distribution of shares by nationality

Thai investors received 73.40% of HAADTHIP shares, or 147,508,716 shares, while foreign investors received 26.60%, or 53,451,784 shares. As seen in **Table 2.2**, foreign investors were limited to 35% (HTC annual report, 2020).

**Table 2.2 Distribution of Shares by nationality**

Nationality	Number of shares	% of paid-up share capital
Thai	147,508,716	73.40
Forieng	53,451,784	26.60
<b>Total</b>	<b>200,960,500</b>	<b>100.000</b>

Source: HaadThip Public Company Limited (2020)

### Dividend Policy

After deducting all forms of reserves needed by law and set out by HTC, HTC's procedure is to disburse dividends at between 50% and 80% of the outstanding net profits. Dividends are disbursed based on the statements of Net Profits from the company's Consolidated Finances. Dividend disbursements, on the other hand, will be determined by the company's cash flow, investment strategy, and other requirements, as well as future conditions considered acceptable, as in **Table 2.3** (HTC annual report, 2020)

**Table 2.3 Dividend Payment**

Details of Dividend Payment	2020	2019	2018
Number of paid - Up capital (shares)	200,960,500	200,960,500	199,218,000
Profit for the year (million Baht)	564.94	440.70	249.07
Basic earnings per share (Baht)	2.82	2.21	1.25
Dividend per share (Baht/share)	1.90 <sup>1/</sup>	1.76	0.80
Total dividend payment (million Baht)	381.82	352.33	159.37
Dividend as % of profit for the year (%)	67.59	80.08	63.99

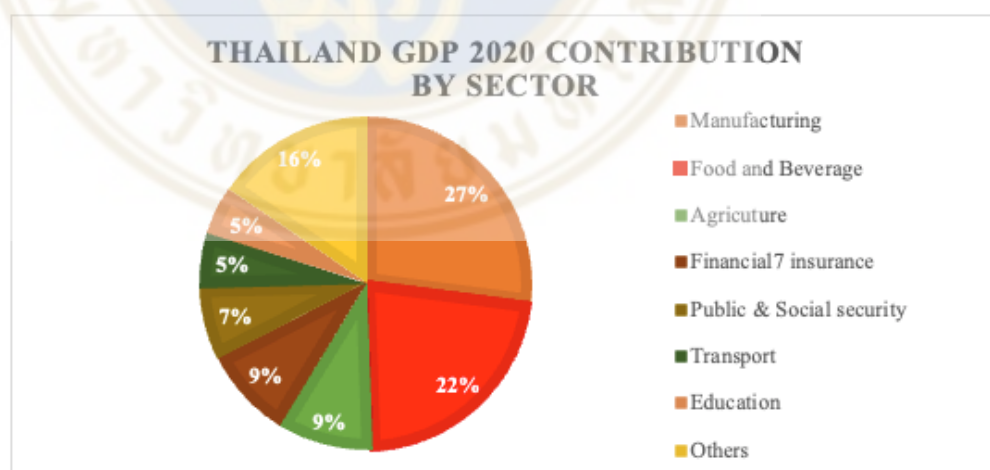
Source: (HTC annual report, 2020)

## CHAPTER III

### HOW TO OPERATE IN THAILAND'S FOOD & BEVERAGE MARKETPLACE

#### 3.1 Gross Domestic Product in Thailand

According to Thailand's GDP (Gross Domestic Product) in the second quarter of 2021, Thailand showed a growth of 2.6% (year-on-year) (nesdc, 2021) Although it looks better than the fourth quarter of 2020 (nesdc 2. , 2020), which shows a negative growth of 4.2%, Thailand is still facing a crisis such as a slowdown in the global economy because of the United States. The American trade war with China is the biggest influence in China and internationally. During the COVID-19 pandemic, GDP showed increased growth in the first and second quarter of 2021 compared to the fourth quarter of 2020 due to market expectations, as shown in **Figure 3.1.**



**Figure 3.1 Thailand GDP 2020 Contribution by Sector**

Source: (Statista-GDP, 2020)

### **3.2 Industry analysis**

The Coca-Cola Company (USA), the largest drinks company in the world, has headquarters in Atlanta, Georgia, it produces carbonated soft beverages and sells both their beverages and concentrates to licensed companies internationally. Thailand has two exclusively certified companies under the trademark “Coca-Cola” having production contracts with The Coca-Cola Company (USA), Atlanta, Georgia. The first Haadthip is a public company that produces and distributes only in southern Thailand. The other is Thai-Namtip Company Limited, which produces and sells in other parts of Thailand rather than in southern Thailand.

Sparkling or carbonated drinks are seasonal products. To cover the summer in southern Thailand, where consumption normally increase during the second and third quarters of each, as it is the high seasons for the travel industry, will allow the company to target marketing to its customers, retail stores, hotels, and restaurants. However, the COVID-19 pandemic has directly affected consumer consumption habits and, as the pandemic continues unabated customer consumption behaviour remains sedated. To address the downturn the company changed its marketing approach to increase value (HTC investor presentation Q2, 2021) to respond to the covid-19 pandemic and maintain revenue levels.

#### **The Thailand Food and Beverage Industry**

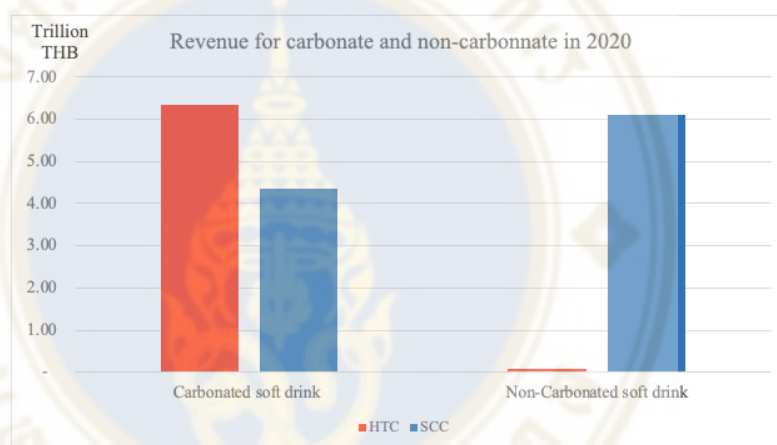
Thailand’s food and beverage industry contributed 3.28 trillion Baht (22.4 %) to Thailand’s GDP (Statista-GDP, 2020) The drinks market has two distinct areas alcoholic drinks 65 percent, and non-alcoholic drinks 35 percent (Krungsri, 2019). There are few non-Alcoholic drink companies in Thailand, and more so in the carbonated drinks arena as the set-up investment is substantial, also the ability of newcomers to make a worthwhile profit is reduced due to the existing powerful producers’ economies of scale and strong bargaining powers. The two largest carbonated drink companies operating in Thailand, and many other countries, are the producers of the Coca-cola brand, including the products Coke, Sprite, and Fanta, are the Haadthip Public Company Limited and Thai-Namthip Company Limited. Followed by the Suntorypepsico Company Limited who produces the Pepsi brand beverages such as Pepsi, 7 Up, and Mirinda 7 Up ( (Krungsri, 2019)).

### 3.3 Other player in food & beverage industry in Thailand

The Haadthip Public Company Limited has some competition from Thai local brands, for example Sermsuk Public Company Limited, Ichitan Public Company Limited, Oishi Public Company Limited, Tipco foods Public Company Limited and Malee Public Company Limited.

#### Sermsuk Public Company Limited (Ssc)

The significant competitor of Haadthip Public Company Limited is Sermsuk Public Company limited. Sermsuk has larger scale of total revenue from carbonate drink and non-carbonate than Haadthip in **Figure 3.2**.



**Figure 3.2 Revenue for carbonated and non-carbonated of HTC and SCC in 2020**

Source: (HTC annual report, 2020), and (SSC annual report, 2020)

Sermsuk PLC beverage business was established in 1953. The company produces its own cola rival known as “est” and through aggressive marketing has become a very popular product. On the non-carbonated side of the business, Sermsuk markets product names such as Oishi, Rangwe, Cytal, and Powerplus. Sermsuk was bought by the Thai Beverage Logistics Co., Ltd in 2012 and subsumed into the Thai Beverage Group (Thai Bev) where it became a leading business in the group. Thai Bev is a prominent company in the Thai beverage business, supporting both alcoholic and non-alcoholic products. (SSC, 2021)

**Oishi Public Company Limited (Oishi)**

Tea beverages and restaurants are Oishi's main business areas. Beverages provide 55 percent of Oishi's margin while the food produces 45 percent (Oishi, 2021). Oishi concentrates on bottled tea drinks as bottled tea makes up 6.4 percent of the non-alcoholic beverage marketplace (Oishi, 2021) The company is the market leader with a 48.4 percent market share (Oishi, 2021), and produces a wide variety of flavoured teas.

**Ichitan Public Company Limited (Ichi)**

Ichitan's market share, 30.3 percent (Oishi, 2021), is less than the Oishi Group and their primary produce, like Oishi's, is tea along with other carbonated beverages. Ichitan's most celebrated product is green tea. The company also retails Yen, Birely and Chew. The products' base ingredients are tea, herbs and fruit juices, which reflect consumers' requirements and desires. (Ichitan, 2021)

**Tipco Foods Public Company Limited (Tipco)**

The fundamental business of Tipco Foods revolves around the production and distribution of fruit juice, cold drinks, and bottled water. The income from beverage sales provided 65.92 percent of Tipco's income (TIPCO, 2020). Cold drinks and bottled water make up 52.4 percent (bottled water 48.1 and fruit juice 4.3 percent) to the Tipco non-Alcoholic drink market (Krungsri, 2019). That "Tipco" trademark fruit juice brand is well known in the marketplace as is "Aura" the bottled water brand (TIPCO-product, 2021)Tipco has 35 percent of market share in Juice segment and 17 percent of market share in mineral water segment (TIPCO, 2020).

**Malee Group Public Company Limited (Malee)**

The primary business of the Malee Group is the production and distribution of fruit and vegetable juice, canned fruit, milk, and cereal drinks. All the products are marketed under the "Malee" brand name (Malee, 2021) and make-up 4.3 percent of the non-alcoholic drinks market (Krungsri, 2019)

## **CHAPTER IV**

### **WHAT WE HAVE TO KNOW BEFORE INVEST IN HAADTHIP (HTC)**

#### **4.1 COVID-19 pandemic effect for the company**

The Covid-19 pandemic has significantly affected HaadThip's overall business, as a high proportion of beverages sold were bought by tourists who for over one year have not visited Thailand. HaadThip's reacted by adjusting its sales strategy, focusing more on the local market by increasing online sales and offering delivery through the emerging home delivery services to off-set the loss in sales to the tourist market.

It is reported that management analysis of quarter 2 '2021 showed sale revenue was increase by 3% compared to the same period in 2020 (Quarter-on-quarter). The reason mainly from market execution capabilities, pack mix and distribution mix. In accumulated 1H-21 compared to the same period in 2020 (year-on-year), the revenue growth has -1%. The sales volume has maintained by increased sales of larger packs to drive at home consumption and implemented selective price promotion activities in specific channels to mitigate the impact of COVID-19 (HTC investor presentationQ2, 2021). The gross profit margin also dropped by -2.4% QoQ and -0.3% YoY because a one time of discounts from suppliers and business partners during COVID-19 in last year have contributed increase of around 3%. (HTC investor presentationQ2, 2021). To mitigate this downturn, Haadthip promoted larger order sizes to reduce distribution costs.

In term of operating expense, the SG&A costs decreased by 1.4% from lower employees related costs and expenses management down by 1.4%. Moreover, the marketing costs and included the can and PET production relocation from Hatyai to the Punpin Plant cost has reduction marketing cost for 3.8% (HTC investor presentationQ2, 2021)in **Table 4.1**.

**Table 4.1 Financial Performance Q2'2021**

	1H'2021 THB mil	1H'2020 THB mil	YOY
Domestic Sale Volume (MUC)	28.9	28.8	▲ 0%
Made-to-order sale Volume (MUC)	2.7	2.1	▲ 26%
<b>Total sale (MUC)</b>	<b>31.5</b>	<b>30.9</b>	<b>▲ 2%</b>
<b>PROFIT AND LOSS STATEMENT</b>			
Revenue	3,324	3,360	▼ -1%
Gross Profit	1,376	1,400	▼ -2%
Distribution expenses	632	664	▲ -5%
Administration expenses	365	380	▲ -4%
<b>EBITDA</b>	<b>539</b>	<b>512</b>	<b>▲ 5%</b>
<b>EBT(excluding other income)</b>	<b>379</b>	<b>356</b>	<b>▲ 6%</b>
Interest expenses	-7	-9	▲ -26%
Tax expenses	-54	-38	▼ 41%
<b>Net profit</b>	<b>333</b>	<b>312</b>	<b>▲ 7%</b>
<b>Gross profit margin</b>	41.4%	41.7%	-0.3ppts
<b>EBITDA margin</b>	16.2%	15.2%	1.0ppts
<b>EBIT margin (excluding other income)</b>	11.4%	10.6%	0.8ppts
<b>Net profit margin</b>	10.0%	9.3%	0.7ppts

Source: (HTC investor presentation Q2, 2021)

## 4.2 Cost risk

Due to HTC business type, manufacturing and distribution, a real cost risk comprising two elements, explained below, needs to be addressed.

### 4.2.1 Cost risk–raw material

A constant raw materials quality and cost risk exists as suppliers are always searching for means to reduce their raw material cost to maximise their profit and comply with customer pricing trends. Possibly leading to reduced quality that does not meet Coca-Cola's quality standards. It is imperative that HTC discusses with the current suppliers the need to maintain quality standards of raw material such as liquid sugar and PET bottles, being our chief materials.

Liquid sugar: as global warming advances, climatic changes are more common and amplified increasing the risk of sugar obtainability and therefore its by-products. HTC has obligated its liquid sugar suppliers to provide the contracted volumes so as not to affect annual sales targets.

**PET Bottle:** PET is key company cost and is growing because of the current non-returnable bottle tendency. The price of the resins needed for the production of PET bottles is driven by the international oil price, which fluctuates in-line with global demand. Fortunately, last year the cost of the resin was reduced. HTC maintains a close watch on resin prices and buys for future requirements, if possible, when the market price is low, so keeping the bottle price as low as possible. Also, in collaboration with the PET bottle manufacturer HTC has designed and produced lighter bottles using less resin but maintaining the required bottle strength.

#### **4.2.2 Cost risk–distribution cost**

The largest component of distribution cost is fuel, and the oil price is volatile and beyond HTC's control. HTC has invoked the strategy to use B20 diesel for its trucks, as it is currently at a lower price than standard diesel. It must be recognised that all fuel price fluctuated, and it is difficult to predict future prices.

Logistic network planning allows the company to sub-contract non-commercially cost-effective distribution routes to other transport operators and add a significant amount to the distribution cost. The risk is that other truck operations may encounter unexpected and unavoidable delivery issues that may influence HTC's logistic network planning.

### **4.3 Change in consumer preference**

As the social trend is to become more health conscious this has focused consumers' mindfulness on healthier drinks containing less sugar and additives and are more natural such as milk, fresh fruit juice, mineral water, tea, and either abstaining from or reducing the intake of foods and beverages believed to be detrimental to their health. The soda industry's products are judged as bad for ones' health, this therefore has had an effect on drinks manufacturers. Due to the alterations in customers] attitudes actions and growing government public health initiatives, the Company has adopted a new business approach, positioning itself as Thailand's leading manufacturer and distributor of a full range of beverages.



The Company is committed to driving the Company's sustainable growth by expanding the distribution network to cover all areas nationwide, increasing sales and market shares and driving the Company's major brands to be the leading brands that capture the hearts of Thai consumers. This ran concurrent with consolidating the Company by pushing the growth of healthy drink products to address customer demand. To that effect, the Company has developed a new range of products for progressive health and wellness of consumers. In response to today's consumers' growing demand for products with less sugar and more nutrients, the Company has rolled out several low sugar products whilst reducing sugar content in the existing products. In the long-term, the Company pledges its commitment to contributing to the better health and wellness of consumers.

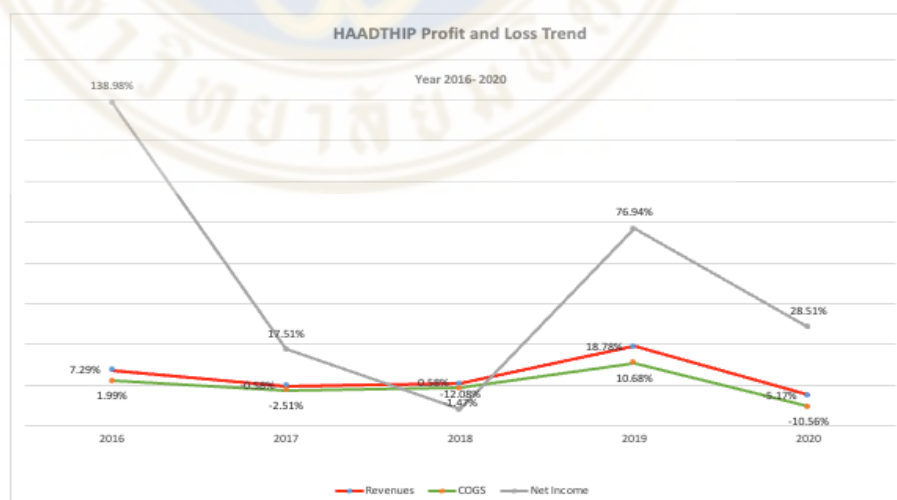
Health living, including beverage consumption, is now a growing social trend and has encouraged consumers to purchase perceived health beneficial drinks, while reducing food and drinks considered detrimental to health. Therefore, the sparkling beverage products considered unhealthy have been directly affected negatively. To advance HTC's position in the Thai market, the company has adapted by increasing its range of beverages to reflect consumers' health drinks trend to become Thailand's leading beverage retailer carrying a full range of soft drinks. The company is steadfast in driving sustainable growth by expanding the distribution network to cover all areas nationwide, increasing sales and market shares, and propelling the Company's brands to be the principal brands with Thai consumers' loyalty. Along with expanding the variety of health drinks and making them available throughout the country to fulfil consumer needs everywhere. One major area of consumer requirement is reduced sugar drinks to which the company has responded, with the bonus of added nutrients. HTC is obligated to advancing the health of all Thais by continuing to produce socially responsible beverages far into the future.

## CHAPTER V

### FINANCIAL STATEMENT ANALYSIS

#### 5.1 Financial highlight

HaadThip's revenue over the last five years has oscillated due to more dramatic seasonal variations and the current disaster circumstances. Sales revenue decreased between 2016 to 2017 because of torrential rain and severe flooding from the summer until the end of the year, causing people to be gloomy and so slower growth. Revenue increased in 2018 because of improved sales volume. Price modifications and volume development caused a 19 percent increase in revenue in 2019, with the cost of goods sold (COGS) increased by 10.68 percent. The COGS growth rate was less than the volumes, as sugar prices were lower and saving related to economies of scale. As the Covid-19 pandemic emerged in 2020 so beverage consumption sales declined as did company profits, because COGS and net income variable depend on company revenue as shown in **Figure 5.1**.



**Figure 5.1 HAADTHIP Profit and Loss Trend**

Source: (HTC, 2017-2020)

## 5.2 Financial operation ratios

**Table 5.1 Financial Operation Ratios of HaadThip 2016–2020**

<b>Haadthip Public Company Limited</b>					
<b>Ratios</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current ratio (times)	1.23	1.11	0.89	0.93	1.05
Quick Ratio (times)	0.88	0.80	0.61	0.64	0.76
Cash conversion cycle (days)	47.06	40.26	37.17	39.28	41.65
- Inventory Conversion Period (days)	30.52	26.00	25.72	25.19	28.64
- Receivable Collection Period (days)	36.01	33.96	35.48	37.26	41.34
- Payable Deferral Period (days)	19.47	19.70	24.03	23.17	28.33

Source: own calculation. HaadThip Public Company Limited Financial Statement 2016- 2020

**Table 5.2 Financial ratios of Sermsuk 2016-2020**

<b>Sermsuk Public Company Limited</b>					
<b>Ratios</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Current ratio (times)	1.36	1.17	1.03	0.98	0.98
Quick Ratio (times)	1.05	0.82	0.74	0.65	0.66
Cash conversion cycle (days)	25.31	25.62	26.37	24.14	22.53
- Inventory Conversion Period (days)	30.43	27.82	29.69	32.30	40.72
- Receivable Collection Period (days)	24.54	28.05	33.29	33.68	38.64
- Payable Deferral Period (days)	29.66	30.25	36.61	41.84	56.83

Source: own calculation. Sermsuk Public Company Limited Financial Statement 2016- 2020

### Current ratio and quick ratio

Table 5.2 shows that Sermasuk had a slightly higher than current ratio and quick ratio than Haadthip; it also had a higher liquidity due to current liabilities payment, and those that required reimbursement within the year. The current ratio and quick ratio of Haadthip and Sermasuk have improved annually, meaning both companies have perennial growth capacity.

### Cash conversion cycle

Sermasuk has a shorter date of cash conversion than Haadthip. In 2020, it took Haadthip about 48 days to convert their inventory to sale, customer cash collection and pay suppliers, but Sermuk took only 26 days, 22 days quicker. Both companies' inventory conversion cycle is similar, around 30 days and they have a comparable turnover. The Payable Deferral Period of Haadthip has shorter than Sermasuk because Haadthip strictly follows the suppliers credit terms. Haadthip's suppliers are principally aligned to the Coca - Cola Company (U.S.A) as official purveyors and because of this Haadthip's credit terms must comply with the Coca – Cola corporate rules.

## 5.3 Financial return ratio

Using the financial return ratio over the last five years to examine the Dupont's analysis of ROA and ROE, and compare Haadthip's with its principal competitor Sermasuk (SCC), the results are shown below:

### Dupont's Analysis ROA

**Table 5.3 Dupont's Analysis ROA of HaadThip 2016-2020**

HaadThip Public Company Limited					
Dupont's Analysis of ROA	2020	2019	2018	2017	2016
EBIT Margin (EM)	10.10%	7.37%	5.26%	5.98%	5.16%
Total Asset Turnover (TATO)	1.26	1.40	1.22	1.22	1.24
<b>Dupont's Analysis of ROA</b>	<b>12.69%</b>	<b>10.33%</b>	<b>6.40%</b>	<b>7.28%</b>	<b>6.42%</b>

Source: own calculation. HaadThip Public Company Limited Financial Statement 2016-2020

**Table 5.4 Dupont's Analysis ROA of Sermsuk 2016-2020**

Dupont's ROA	Sermsuk Public Company Limited				
	2020	2019	2018	2017	2016
EBIT Margin (EM)	1.56%	-3.91%	-2.57%	-2.17%	-1.10%
Total Asset Turnover (TATO)	0.87	0.96	0.91	0.86	0.66
<b>Dupont's Analysis of ROA</b>	<b>1.36%</b>	<b>-3.76%</b>	<b>-2.34%</b>	<b>-1.86%</b>	<b>-0.72%</b>

Source: own calculation. Sermsuk Public Company Limited Financial Statement 2016-2020

DuPont's analysis permits stakeholders to concentrate on each individual financial performance metric to recognise the strengths and weaknesses. The analysis of return on asset indicates four rudiments profit margins, tax management, tax change, and total asset turnover. Dupont's ROA formula is **EM x TATO**. We comprehend that the company is effective in managing the return of assets by profit in total revenue and total revenue in an average of total assets.

According to Dupont's Analysis of ROA, this analysis indicates that the performance of HaadThip concerning EBIT margin and total asset turnover (TATO) was higher than Sermsuk. In 2020, Haadthip had a better ROA (12.69%-1.36%) of 11.33% and a greater EBIT margin (10.10%-1.56%) of 8.54% when likened to Sermsuk. The results are shown in **Table 5.3** and **Table 5.4**. Meaning, HaadThip administered their total assets and total revenue effectively and increased EBIT. Also, HaadThip had a total asset turnover (TATO) that was greater than Sermsuk (1.26-0.87) by 0.39 because the company could earn revenue by effective total asset operation.

Sermsuk for 2016- 2019 had higher total expense than total revenue. Leading to Sermsuk having a negative ROA because they have a EBIT Margin lower than their total revenue, shown in **Table 5.4**.

## Dupont's Analysis of ROE

**Table 5.5 Dupont's Analysis ROE of HaadThip 2016-2020**

HaadThip Public Company Limited					
Dupont's Analysis of ROE	2020	2019	2018	2017	2016
Tax (Ta)	10.66%	7.62%	7.63%	5.77%	2.93%
Tax Burden (TB)	0.8	0.8	0.8	0.8	0.8
Tax Management (TM)	1.12	1.15	1.15	1.18	1.21
Interest Burden (IB)	0.97	0.96	0.90	0.89	0.84
Profit Share (PS)	1.00	1.00	1.00	1.00	1.00
TL and NCI	1.61	1.72	1.74	1.81	1.90
Liability to Equity ratio	0.61	0.72	0.74	0.81	0.90
Non-Controlling Interest (NCI)	0.00054	0.00001	0.00001	0.00001	0.00000
<b>Dupont's Analysis of ROE</b>	<b>17.71%</b>	<b>15.67%</b>	<b>9.26%</b>	<b>11.03%</b>	<b>10.00%</b>

Source: own calculation. HaadThip Public Company Limited Financial Statement 2016-2020

**Table 5.6 Dupont's Analysis ROE of Sermsuk 2016-2020**

Sermsuk Public Company Limited					
Dupont's Analysis of ROE	2020	2019	2018	2017	2016
Tax (Ta)	35.50%	-68.12%	0.97%	20.11%	22.20%
Tax Burden (TB)	0.8	0.8	0.8	0.8	0.8
Tax Management (TM)	0.81	2.10	1.24	1.00	0.97
Interest Burden (IB)	0.80	0.99	0.68	0.95	0.89
Profit Share (PS)	1.00	1.00	1.00	1.00	1.00
TL and NCI	1.41	1.39	1.38	1.40	1.41
Liability to Equity ratio	0.41	0.39	0.38	0.40	0.41
Non-Controlling Interest (NCI)	0.00	0.00	0.00	0.00	0.00
<b>Dupont's Analysis of ROE</b>	<b>0.99%</b>	<b>-8.71%</b>	<b>-2.17%</b>	<b>-1.98%</b>	<b>-0.71%</b>

Source: own calculation. Sermsuk Public Company Limited Financial Statement 2016-2020

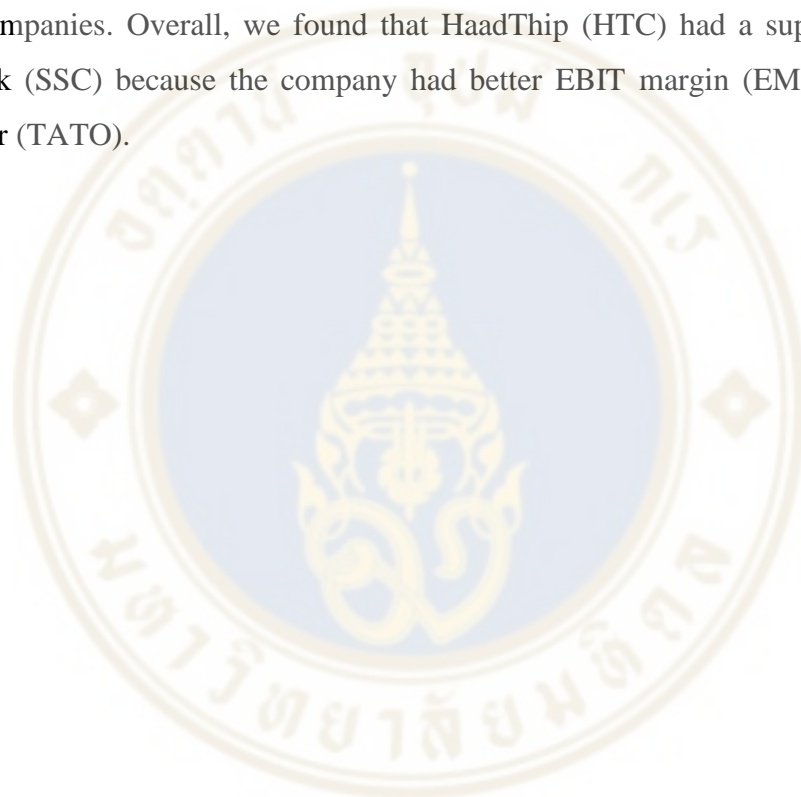
The DuPont's analysis of return on equity has many elements which are earning leverage, capital structure leverage, and return on asset. The Dupon'ts ROE formula is **ROA\*Tax Burden\*Tax Management\*Interest Burden\*Profit Share\*TL and NCI**.

From Table 5.4, the DuPont's analysis permits stakeholders to concentrate on each individual financial performance metric to recognise the strengths and weaknesses. The analysis of return on equity has various fundamentals earning leverage, capital structure leverage and return on asset. The Dupon'ts ROE formula is **ROA\*Tax Burden\*Tax Management\*Interest Burden\*Profit Share\*TL and NCI**.

Regarding tax management, Haadthip has a better tax position than Sermsuk because it has a good percentage of income tax (T) and income before tax (EBT). Sermsuk (SSC) was a negative tax in 2019 because it had the lowest income before tax and had the highest income tax (T).

Both companies managed the interest burden ration well, close to 1 during 2017 to 2020.

In terms of interest management, both companies can manage the interest burden ration is nearby 1 during 2016-2020, when related to yearly EBT and EBIT for both companies. Overall, we found that HaadThip (HTC) had a superior ROE than Sermsuk (SSC) because the company had better EBIT margin (EM) and total asset turnover (TATO).



## CHAPTER VI

### VALUATION

#### 6.1 Relative valuation

Relative Valuation approach is one of the methods for valuation the Company by using the historical financial ratios and compare to the peers or the market benchmark. The information for valuation HTC stock under relative valuation based-on Refinitive Eikon including

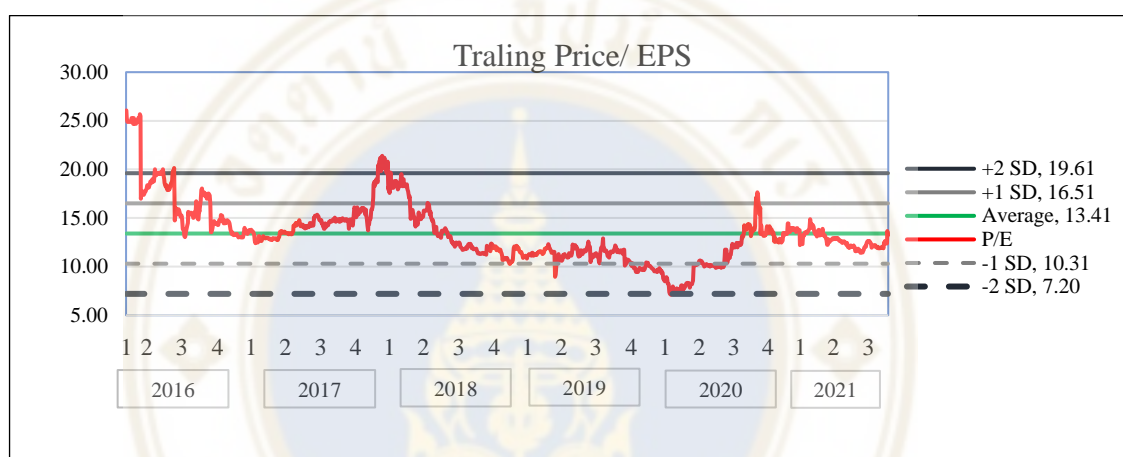
1. Price to Earnings Ratio.
  - a. Trailing approach
  - b. Forward approach
2. Price to Book value Ratio.
  - a. Trailing approach
  - b. Forward approach
3. Enterprise Value to Earnings Before Interest, Tax and Depreciation and Amortization.
  - a. Trailing approach
  - b. Forward approach



## 6.2 Multiple bands of HTC and market multiple

To illustrate the relative valuation method, I am applying multiple bands with two level of standard deviation and calculate historical average P/E, P/BV and EV/EBITDA to be the baseline from 2016 up to 2021 and plotting in line. For EV/EBITDA, I am using the historical of quarterly basis instead of daily basis because EV/EBITDA usually have significant movement after announcement of financial statements, and HTC financial statements have been announcement in quarterly basis.

### 6.2.1 Trailing P/E Ratio



**Figure 6.1** HTC Trailing Price/ EPS from 2016 to 2021

Source: Refinitive, 2021

As of 21 October 2021, the P/E multiple of HTC is 13.24 which is 1.3% lower than the historical P/E ratio 5 years average. The current P/E multiple is almost fall to -1SD band which most of the historical P/E multiple had fluctuated within this band since 2018 until now. The result shown that the HTC P/E a bit undervalues comparing to itself the historical P/E multiple 5 years average.

### 6.2.2 Forward P/E Ratio4

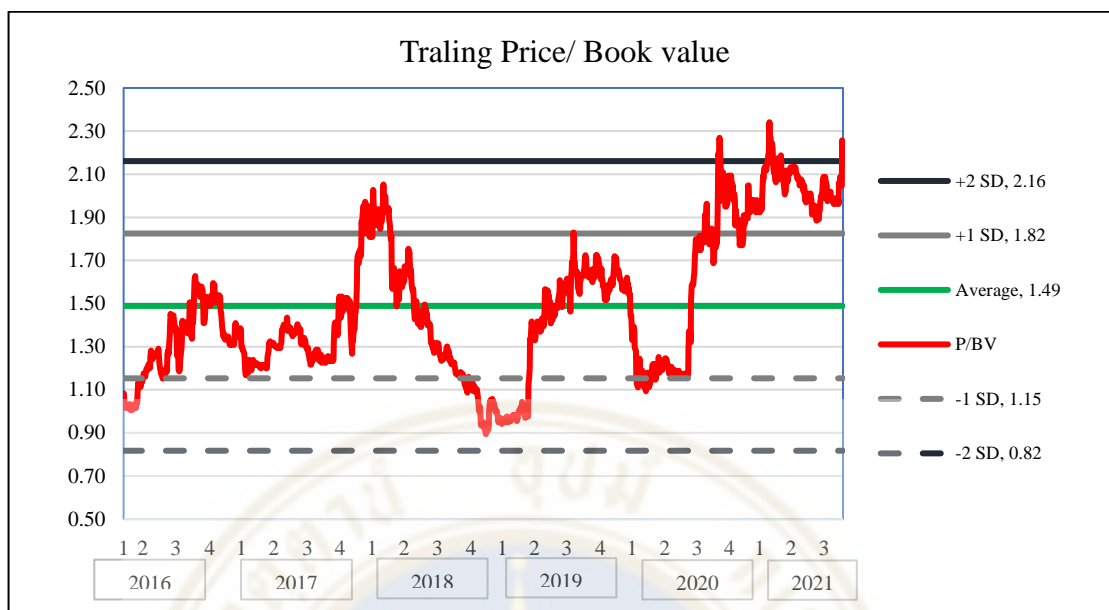


**Figure 6.2 HTC Forward Price/ EPS from 2018 to 2021**

Source: Refinitive, 2021

Besides, the current forward P/E multiple of HTC as of 21 October 2021 is 12.96 that almost touches the +2SD band of 13.17. The forward P/E multiple of HTC has been higher than the historical five-year average since Q4'2020 and remains at this level until now. In a historical view, the forward P/E multiple has been stable at 7.53 since the 1<sup>st</sup> quarter of 2019 until the 3<sup>rd</sup> quarter of 2020, which is close to the -1SD band of the historical forward P/E ratio over five years. The results show that the HTC forward P/E is slightly overvalued compared to its own historical forward P/E multiple five-year average.

### 6.2.3 Trailing P/BV Ratio

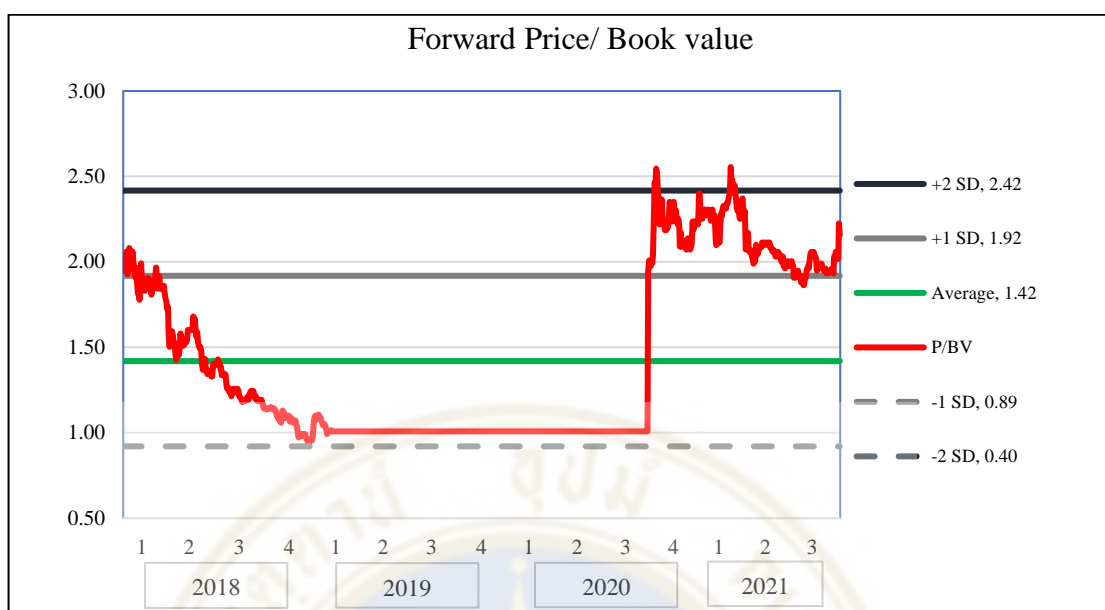


**Figure 6.3 HTC Trailing Price/ Book value from 2016 to 2021**

Source: Refinitive, 2021

HTC's current P/BV multiple amounts to 2.19 (21 October 2021) which is 46.9% higher than the historical five years average. It exceeds the +2SD band, which was even exceeded for several months recently. In a historical view, the P/BV relation mostly fluctuated within the +1SD bands. Altogether, HTC is overvalued in terms of this multiple.

### 6.2.4 Forward P/BV Ratio

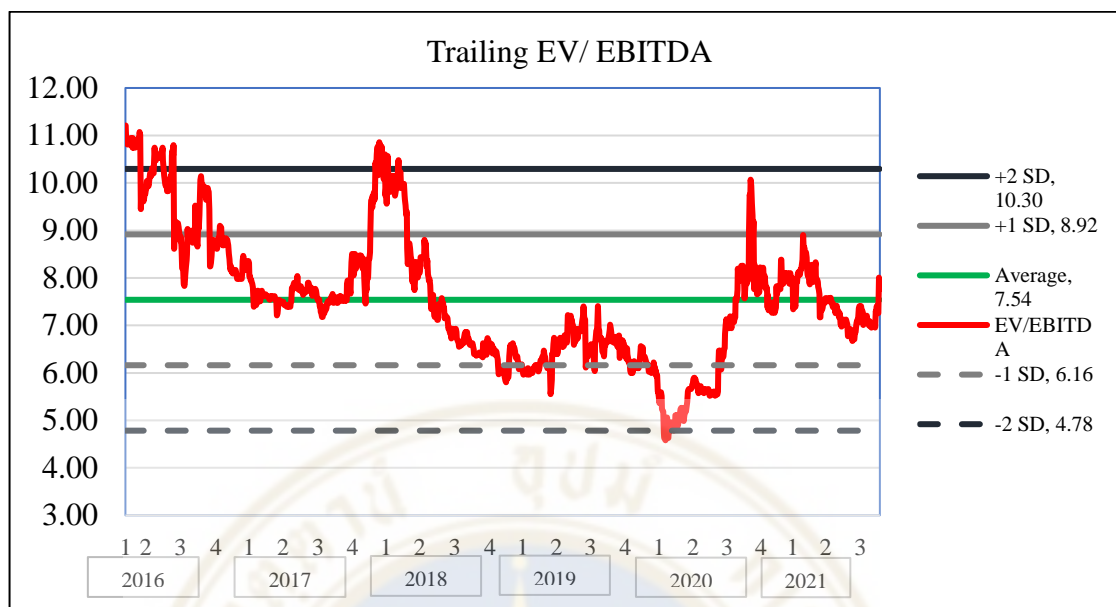


**Figure 6.4 HTC Forward Price/ Book value from 2018 to 2021**

Source: Refinitive, 2021

Therefore, the forward P/BV multiple of HTC is 2.16 (21 October 2021) which is 52.0% higher than the historical five years average. It fluctuates between +1SD and +2SD band for several months recently. In a historical view, forward P/BV multiple has stable for 0.96 since 1<sup>st</sup> quarter of 2019 till 3<sup>rd</sup> quarter of 2020 that is close to -1SD band of historical forward P/BV multiple 5 years. To summarize, HTC is overvalued in terms of this multiple.

### 6.2.5 Trailing EV/ EBITDA Ratio

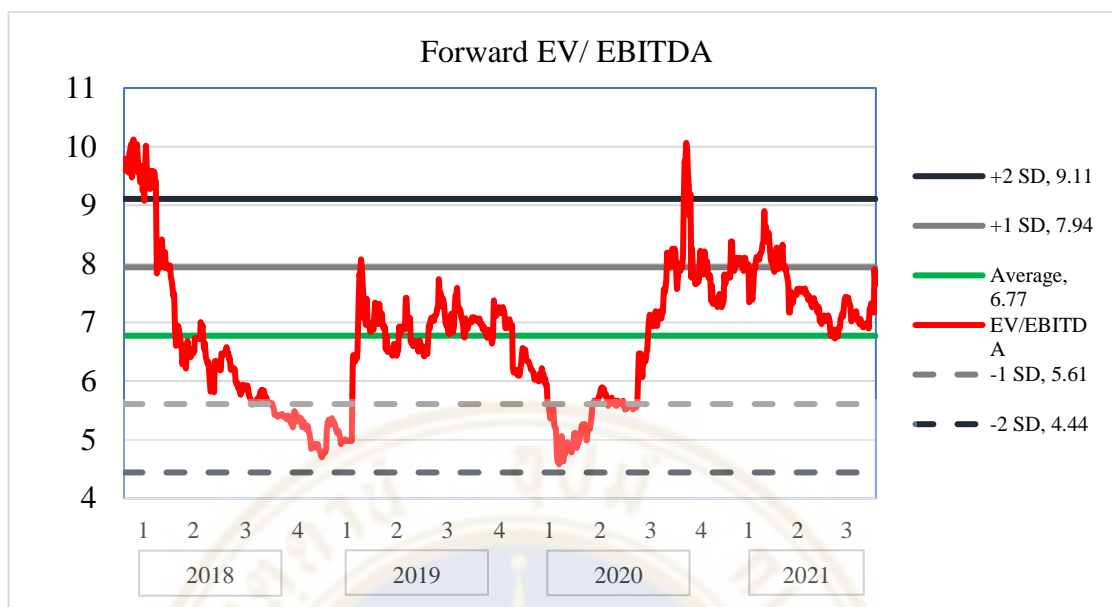


**Figure 6.5** HTC Trailing EV/EBITDA from 2016 to 2021

Source: Refinitive, 2021

The EV/EBITDA multiple of HTC is 7.76 (21 October 2021) which is 2.9% higher than the historical EV/EBITDA multiple 5 years average. In a historical view, the EV/EBITDA has high volatile especially during 2020. The historical EV/EBITDA has fallen to -2SD bands in 1<sup>st</sup> quarter of 2020 and almost reach to +2SD bands in 4<sup>th</sup> quarter of 2020. In 2021, EV/EBITDA trend has slightly decrease QoQ until now that the multiple has lower than the average. The result shown that the HTC of EV/EBITDA undervalued comparing to itself 5 years EV/EBITDA historical information.

### 6.2.6 Forward EV/ EBITDA Ratio



**Figure 6.6 HTC Forward EV/EBITDA from 2018 to 2021**

Source: Refinitive, 2021

Moreover, the forward EV/ EBITDA multiple of HTC is 7.65 (21 October 2021) 10.6% higher than the historical EV/ EBITDA multiple 5 years average. It has quite similar trend to the trailing EV/ EBITDA. In a historical view, EV/ EBITDA has fallen to -2SD bands in 1<sup>st</sup> quarter of 2020 and slightly increase within -1SD in other quarter of 2019. It has high volatile especially during 2020 similar to trailing EV/ EBITDA. In 2021, EV/ EBITDA trend volatile within +1SD bands until now that the multiple has lower than the average. The result shown that the HTC of EV/ EBITDA undervalued.

### 6.2.7 Market multiple

I calculate market multiple for HTC based on information as of 21 October 2021 from following peers.

- Sermsuk public company limited (SSC)
- Oishi public company limited (Oishi)
- Ichitan public company limited (Ichi)
- Tipco foods public company limited (Tipco)
- Malee group public company limited (Malee)

#### 6.2.7.1 Trailing Multiple

**Table 6.1 Peer analysis for Trailing multiple**

Identifier	Company Name	Market Cap ( Billion THB)	Price close (21-10-2021)	P/ E	P/ BV	EV/ EBITDA
HTC	Haad Thip PCL	7.74	40.00	13.24	2.19	7.76
Peer						
SSC	Sermsuk PCL	8.26	31.25	48.34	0.92	12.97
OISHI	Oishi Group PCL	16.96	45.50	23.39	2.45	10.11
ICHI	Ichitan Group PCL	14.35	11.10	29.28	2.44	12.88
TIPCO	Tipco Foods PCL	4.39	9.15	6.62	1.05	30.49
MALEE	Malee Group PCL	1.82	6.70	n/a	2.57	69.76
<b>Median</b>				<b>26.34</b>	<b>2.44</b>	<b>12.97</b>
<b>Average</b>				<b>26.91</b>	<b>1.89</b>	<b>27.24</b>
<b>Max</b>				<b>48.34</b>	<b>2.57</b>	<b>69.76</b>
<b>Min</b>				<b>6.62</b>	<b>0.92</b>	<b>10.11</b>

Source: Refinitive Eikon, 2021

For calculated the market multiple of selecting peer, I used median of each ratio to be market multiple. There are some limitations for calculation market multiple of trailing approach.

First, MALEE has net loss for first and second quarter 2021, so there is not able to find P/E ratio of MALEE. The calculation for P/E market multiple has to take out MALEE stock.

Second, the median of P/E ratio is in between OISHI and ICHI, so I average those P/E ratios as the market multiple of P/E ratios.

As of 21 October 2021, HTC has lower than the market multiple (median) for all multiple; as a result, HTC stock price is seemed to be undervalued.

#### 6.2.7.2 Forward Multiple

**Table 6.2 Peer analysis for Forward multiple**

Identifier	Company Name	Market Cap (Billion THB)	Price close (21-10-2021)	Forward P/E	Forward P/BV	Forward EV/EBITDA
HTC	Haad Thip PCL	7.74	40.00	12.96	2.16	7.65
Peer						
SSC	Sermasuk PCL	8.26	31.25	n/a	n/a	n/a
OISHI	Oishi Group PCL	16.96	45.50	n/a	n/a	n/a
ICHI	Ichitan Group PCL	14.35	11.10	20.57	2.23	10.65
TIPCO	Tipco Foods PCL	4.39	9.15	16.73	n/a	9.58
MALEE	Malee Group PCL	1.82	6.70	n/a	n/a	n/a
<b>Median</b>				<b>18.65</b>	<b>2.23</b>	<b>10.12</b>
<b>Average</b>				<b>18.65</b>	<b>2.23</b>	<b>10.12</b>
<b>Max</b>				<b>20.57</b>	<b>2.23</b>	<b>10.65</b>
<b>Min</b>				<b>16.73</b>	<b>2.23</b>	<b>9.58</b>

Source: Refinitive Eikon, 2021



For calculated the forward market multiple of selecting peer, I used median of each ratio to be market multiple. There are some limitations for calculation market multiple of trailing approach.

First, SSC, OISHI and MALEE don't have forward for all multiples, the calculation of forward market multiple has to take out those stocks.

Second, TIPCO don't have forward of P/BV multiples, the calculation of forward market multiple of P/BV has to take out TIPCO stocks. This mean that the market multiple of forward P/BV is equal to ICHI forward P/BV.

Third, the median of P/E ratio is in between TIPCO and ICHI, so I average those P/E ratios as the forward market multiple of P/E ratios.

As of 21 October 2021, HTC has lower than the forward market multiple (median) for all multiple; as a result, HTC stock price is seemed to be undervalued.

### 6.3 Target price

I calculated the target price by using the market multiple that has calculation in previous topics for trailing and forward approach. To find target in 2021 and 2022, I multiply the market multiple with the forecast of EPS, Book value and EBITDA in **Table 6.3.**

**Table 6.3 HTC projection 2021 to 2022**

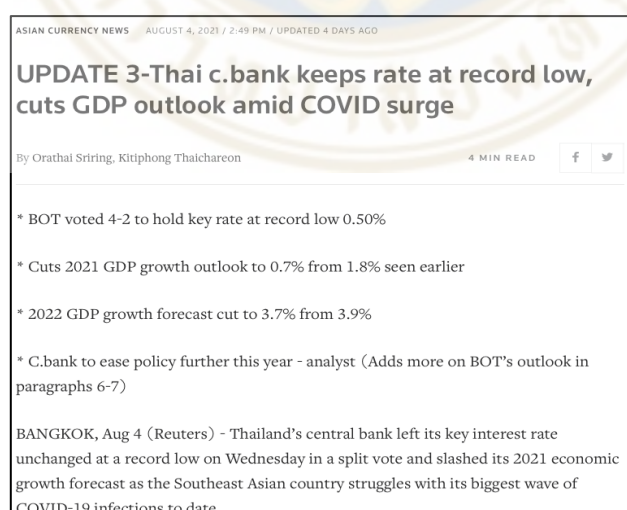
HTC	2021F	2022F	
Book value	4,001.32	4,268.62	From Proforma
Net income	441.20	267.30	From Proforma
EBITDA	778.66	603.31	From Proforma
No. share	200.96	200.96	
EPS	2.20	1.33	
Book value/ share	19.91	21.24	
EBITDA/ share	3.87	3.00	

Source: (HTC-FS, Q1 2021)

The Assumption of forecast in 2021 and 2022 are based-on the pro-forma. I have explained for significant financial statements and key assumption in 6.4 HAADTHIP (HTC) PRO FORMA STATEMENT

## 6.4 Haadthip (HTC) pro forma statement

The COVID-19 pandemic has had a substantial impact on the revenue of HaadThip. Nevertheless, through commercial and market execution activities, the company was able to improve the NARTD value of their shares to 25.9% in 2020 (HTC annual report, 2020). For this case, in 2021, we annualize the actual number of income statements from the second quarter of 2021. However, we also use the GDP growth forecast in the year 2021 provided by the Bank of Thailand (BOT) of 0.70%. With the spread of the Delta variant, the third wave of Covid-19 outbreak has a severe impact on the country's economy. The central bank conducted its earlier projection (BOT, 2021) in **Figure 6.7**. I used GDP of 0.7% instead of the historical growth of the HaadThip period from 2016 to 2020 as 4.18% to forecast cost of goods and SG&A expense of HAADTHIP from 2021 to 2025 because the cost and operating expense mainly rely on the gross production of the country.



**Figure 6.7 Asian Currency NEWS Updated BOT cuts 2021 GDP rise to 0.7%**

Source: (BOT, 2021)

However, it was assumed that the economy would recover by 2023. We predict that the COVID-19 pandemic will recover by 2024 since we believe that Thailand has an efficient vaccine distribution and experienced medical personnel. From the sales record, we have found an abnormal growth when HaadThip sales jump to 19% in 2019. The reason is due to the product price adjustments.

Therefore, we decided to use 3% from the company business plan and guidance (HTC investor presentation Q2, 2021) instead of 0.7% forecast by BOT (BOT, 2021) in our revenue forecast in 2022 of HaadThip. For more precise, we also forecast quantity sold of carbonated product and other products multiply with fixed current price (based-on Financial statement Q2 -2021). Moreover, the cost per unit and SG&A per unit will be growth based-on GDP projection because the cost and operating expense mainly rely on the gross production of the country. **Table 6.4.**

**Table 6.4 Pro-forma HTC's Statement of Revenue 2021-2025**

Proforma Driver & Assumption	Actual			Forecast					
	FY 2018	FY 2019	FY 2020	2021 F	2022 F	2023 F	2024 F	2025 F	
Quantity sold (Million unit case)	53.0	64.0	59.5	61.6	63.4	65.3	67.3	69.3	
Carbonated product	50.2	60.3	55.7	57.4	59.0	60.8	62.7	64.5	
other product	2.8	3.7	3.8	4.2	4.4	4.5	4.6	4.8	
Price per unit	107.6	103.7	108.0	108.0	108.0	108.0	108.0	108.0	
Carbonated product	100.2	99.7	101.1*	101.1	101.1	101.1	101.1	101.1	
other product	7.4	3.9	6.9	6.9	6.9	6.9	6.9	6.9	
Cost per unit	71.3	65.4	62.9	63.7	66.1	65.1	65.1	65.1	
Carbonated product	67.5	61.6	58.9	59.3	61.5	60.6	60.6	60.6	
other product	3.8	3.8	4.0	4.4	4.5	4.5	4.5	4.5	
SG&A per unit	30.6	32.7	34.2	35.1	36.4	35.9	35.9	35.9	
Carbonated product	29.0	30.8	32.0	32.7	33.9	33.4	33.4	33.4	
other product	1.6	1.9	2.2	2.4	2.5	2.5	2.5	2.5	
GDP Projection				0.70%	3.70%	2.20%	2.20%	2.20%	
		Actual			Forecast				
<b>Financial</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>2021 F</b>	<b>2022 F</b>	<b>2023 F</b>	<b>2024 F</b>	<b>2025 F</b>	
Revenue	5,704.01	6,775.50	6,425.42	6,647.80	6,847.23	7,052.65	7,264.23	7,482.16	
- Carbonated product	5,400.56	6,382.52	5,941.63	6,190.30	6,409.03	6,601.30	6,799.34	7,003.32	
- Other product	303.45	392.98	483.79	457.50	438.21	451.35	464.89	478.84	
Cost of good sold	(3,780.01)	(4,183.66)	(3,741.91)	(3,922.39)	(4,189.54)	(4,252.81)	(4,380.39)	(4,511.80)	
<b>Gross profit</b>	<b>1,924.00</b>	<b>2,591.84</b>	<b>2,683.51</b>	<b>2,725.41</b>	<b>2,657.69</b>	<b>2,799.84</b>	<b>2,883.84</b>	<b>2,970.35</b>	
Selling and administrative	(1,624.24)	(2,092.50)	(2,034.31)	(2,160.50)	(2,308.85)	(2,343.23)	(2,413.53)	(2,485.93)	
Finance cost	(30.12)	(22.27)	(16.88)	(15.54)	(16.01)	(16.49)	(16.98)	(17.49)	
Tax expense	(20.57)	(36.34)	(67.39)	(108.18)	(65.54)	(86.67)	(89.27)	(13.64)	
<b>Net income</b>	<b>249.07</b>	<b>440.73</b>	<b>564.93</b>	<b>441.20</b>	<b>267.30</b>	<b>353.46</b>	<b>364.06</b>	<b>453.29</b>	

Source: own calculation. Refinitive, 2021

For calculate target price of 2021 and 2022, I used market multiple multiply with forecast of 2021 and 2022 of EPS, Book value and EBITDA that has explain on previous page. The result for trailing and forward approach has been explained in table 6.4.

**Table 6.5 Target price from market multiple**

Relative valuation for target price	HTC (21-10-21)	Market Multiple	2021F	2022F
Trailing P/E	13.24	26.34	57.82	35.03
Trailing P/BV	2.19	2.44	48.58	51.83
Trailing EV/EBITDA	7.76	12.97	50.25	38.94
Average			52.22	41.93
Forward P/E	12.96	18.65	40.95	24.81
Forward P/BV	2.16	2.23	44.40	47.37
Forward EV/EBITDA	7.65	10.12	39.19	30.37
Average			41.51	34.18
Current price (21 October 2021) = 40.00				

Source: own calculation. Refinitive,2021

### Selection Multiple

I chose the P/BV multiple for valuation the target price because it has reflected the capability of company since HTC and peer company are the manufacturer company.

In market multiple views, P/BV can cover all market multiple unlike P/E ratios that has to exclude MALEE because of the net loss of the company.

In HTC view, it reflects the performance of the manufacturing company that drive by the net assets of company.

### Selection Approach

I chose the trailing approach of P/BV for valuation the target price because it cover all market multiple unlike forward approach that have limitation of information for calculate the forward market multiple.

## Summary

The current price of HTC stock is 40.00 Baht per share (21 October 2021). Based-on the relative approach from trailing P/BV market multiple, the target price in 2021 and in 2022 will be rise. The target price in year ended 2021 will be rise to 48.58 Baht per share and in the year end 2022 will be rise to 51.83 Baht per share. The HTC stock is currently undervalued when compared to the market benchmark.

The P/BV of HTC is undervalued compared to the market multiple from **Table 6.2**. I also calculated the boundaries for target price in 2021F and 2022F.

## 6.5 Sensitivity analysis

From the summary above, I select P/BV multiple of trailing approach because of the best appropriated multiple than others. However, it might incur some factors that affected to the Book value or the market multiple. This will change the result of calculation of target price from **Table 6.6**.

**Table 6.6 Target price from P/BV**

Multiple (Selected)	Market Multiple	Forecast Book value in 2021F	Target price
Trailing P/BV	2.19	2.44	48.58

Source: own calculation. Refinitive, 2021

I decided to apply the sensitivity analysis from my calculation target price. The factors that might affect to the target consist of the forecast book value (horizontal axis) and the market multiples (vertical axis). Sensitivity Analysis displays the changes in target price from change of factors as the **Table 6.7**.

**Table 6.7 Sensitivity Analysis**

Sensitivity		-5%	-3%	-1%	0	1%	3%	5%
Analysis		18.92	19.31	19.71	19.91	20.11	20.51	20.91
-5%	2.32	43.85	44.77	45.69	46.15	46.62	47.54	48.46
-3%	2.37	44.77	45.71	46.65	47.13	47.60	48.54	49.48
-1%	2.42	45.69	46.65	47.62	48.10	48.58	49.54	50.50
0	2.44	46.15	47.13	48.10	48.58	49.07	50.04	51.01
1%	2.46	46.62	47.60	48.58	49.07	49.56	50.54	51.52
3%	2.51	47.54	48.54	49.54	50.04	50.54	51.54	52.54
5%	2.56	48.46	49.48	50.50	51.01	51.52	52.54	53.56

Source: own calculation. Refinitive,2021

To summarize the sensitivity analysis, the volatility of the forecast book value (horizontal axis) and the market multiples (vertical axis) within the boundaries of -5% up to 5% can generate the minimum target price for 43.85Baht and the maximum target price for 53.56Baht.

## **CHAPTER VII**

### **CONCLUSION**

#### **7.1 Result from relative valuation method**

In this academic paper, I have applied relative valuation method to estimate the target of HTC. As a result, this paper estimated HaadThip's share price based on the relative valuation method a forecast period of 2021 to 2022. with the assumption that the company facing with COVID-19 pandemic in 2021 and in 2022, the company will grow along with GDP growth expected from BOT. I use the trailing approach of Price per Book value multiple for estimate the target price. P/BV multiple can reflect the HTC performance and the company capacity in business. The P/BV also cover all peer for calculate the market multiple.

According to the relative approach, the target price in 2021 is 48.58 Baht per share, which increase from current price of 40.00 Baht per share. In 2022, the target price will be 51.83 Baht per share, which will be increase from the current price.

#### **7.2 Investment recommendation**

In this academic paper, for the valuation of target price from relative valuation method (48.58Baht in 2021F) and discounted cashflow (42.20Baht in 2021F) are not significantly different. The target price from both methods shown the price of HTC will increase from the current price of 40.00Baht (21 October 2021). We recommend the investor is to buy HTC stock because the current price of HTC is undervalued.

### **7.3 Triggers for re-assessment**

The Relative Valuation method of Price to Book value multiple under trailing approach is influenced by many assumptions including the volatility of price in the market and the book value of the company. This method is considered tend to be more sensitive to the book value of the company as the controllable factor than the price as the non-controllable factor. The trigger for re-assessment is come from the change in book value of the company as the following incident.

First, growth in assets depends on capital investment. HaadThip needs to improve in warehouse, building, vehicles, and upgrade a line of products every year. This investment will affect the book value of the company. Thus, the company needs to be re-assessed the business model, as the change will affect the capital structure or the funding capital of the company. This will affect to the book value and the revenue from the operations and may result in a change in cash flows.

Second incident is change in structure of shareholder. Currently, the major shareholders are the Rattakul family, which holds 35.85% of total HTC's shares as the block shareholders. If the structure of shareholder has change, this will impact the book value directly. Consequent, using price to book value multiple will need to re-assessment for relative valuation.

### **7.4 Limitations**

For the limitations in relative valuation method, the historical data of HTC multiple for forward approach is available since 1 February 2018 onward. The period of analysis of forward approach is almost 3 years which shorter than the trailing approach (5 years). This result of forward approach is not comparable to the trailing approach.

Moreover, there are some peers that do not have the multiple of calculate the market benchmark especially in forward multiple of peer companies. The limitation affects to the interpretation of market benchmark to use for calculation target price.



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