

RELATIVE VALUATION OF THAI PRESIDENT FOODS

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 traditional Thai stupa. The outer ring of the logo contains Thai text. Overlaid on this watermark is the author's name.

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**A THEMATIC PAPER SUBMITTED IN PARTIAL
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COLLEGE OF MANAGEMENT
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FOODS PUBLIC COMPANY LIMITED**

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RELATIVE VALUATION OF THAI PRESIDENT FOODS

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ABSTRACT

The average multiple from an industry peer group is commonly used to appraise companies in relative valuation. The multiple is required to clarify the present price using historical data to determine if it is less or more costly than the average value (5 years in this research). Historically, Thai President Foods's stock, TFMAMA, has a higher current price than the average and median value when utilizing the P/E and EV/EBITDA bands, while the P/BV multiple band reveals a cheaper current price.

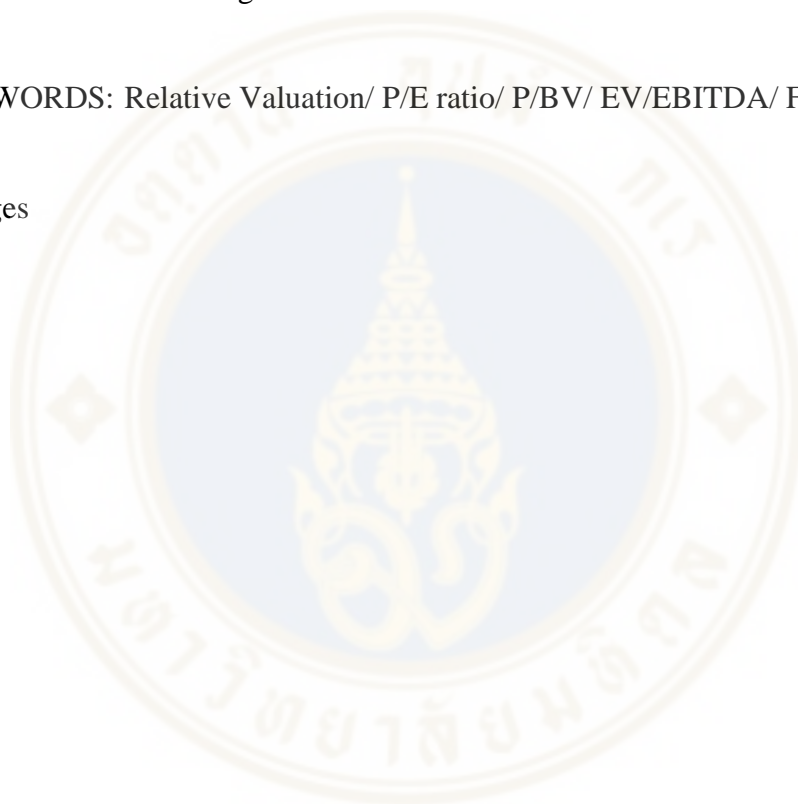
From the comparison with peers (NRF, NSL, TWPA, SSF and TMILLm), TFMAMA's Trailing P/E ratio is higher than the peers' median and average (TFMAMA = 24.14x, Peers' median = 21.88x.) Price to book value also indicates overvaluation (TDMAMA = 2.26, Peers' median = 1.47x). EV/EBITDA also exceeds peers (TFMAMA = 12.83, Peers' median = 9.65). The findings are plotted on the Football field chart, where TFMAMA's targeted price is finally selected with the median P/E multiple from peers to find the target price since the P/E multiple covers the closest ranges of price for all multiples, thus, the concluded target price of TFMAMA is THB 184.89, which is about 8.47% higher than the current price. TFMAMA is suitable for "HOLD" for the long-term value investor, but not for day traders because it has little liquidity. TFMAMA, on the other hand, has managed to stand out among its rivals by demonstrating a strong structure within the operational framework whereby value investors may enjoy TFMAMA's dividend

, which is considerably higher than its peers. But because the current price is considered overvalued at the moment, new investors are not recommended to buy at the time.

TFMAMA's risks are moderate, owing to increased raw material costs from the pandemic epidemic, as well as the impact of higher expenses absorbed due to a lack of shipping containers for its worldwide sales. However, as the COVID situation improves and the international market recovers in the coming years, the future of TFMAMA is regarded as medium to low risk.

KEY WORDS: Relative Valuation/ P/E ratio/ P/BV/ EV/EBITDA/ Fundamentals

48 pages



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CHAPTER I

INTRODUCTION

Thai President Foods PCL (TF) is a Thai company situated in Bangkok that was founded on April 18, 1972. Its main selling product, the "MAMA" instant noodle brand, is distributed both locally and internationally. As of 2020, Thai President Foods has a market share of more than 50% in Thailand's food and beverage business. Its stock symbol, TFMAMA, is listed on the Thailand Stock Exchange (SET) in the food and beverage category.

The company produces and offers food in six categories: instant noodles and semi-finished food, bakery, biscuit, fruit juice, packaging, and others (wheat flour production, real estate investment, and exporting agency). Furthermore, there are a variety of share profit sources for TF in associates and joint ventures that are operated by several companies (11 Subsidiaries and 6 Associated Companies), with Thai President Foods PCL holding a percentage of shareholding in each. Food Business, Raw Material Business, Packaging Business, Investment Business, and Other Business are the product groups.

TF's major source of revenue is instant food, which accounts for around 58% of sales, and bakery, which accounts for 29% of sales. The ratio of domestic to foreign revenue is around 52:48, with the overseas market consisting of Europe (25%) America (15%) Australia (4%), and Canada (4%).

TF operates five manufacturing plants in four provinces: Chonburi, Lumphun, Rayong, and Ratchaburi (2 plants), producing instant noodles, biscuits, semi-finished goods, etc.

TF's strategies include (1) developing novel products that improve nutrition and (2) developing a manufacturing procedure that ensures product quality in conformity with worldwide benchmarks. (3) Improving staff quality will be the driving force in advancing the organization toward its goals.

The dividend payout strategy of TF is that the Company stated the dividend payment policy to pay a dividend of no less than 50% of its net profit,

putting it in the upper bar among peer groups, attracting investors. (For example, TFMAMA's Payout Ratio in 2020 is 50.10%: Earnings Per Share = 9.52; Dividend Per Share = 4.77)

According to TF's annual report, following the COVID-19 pandemic, TF's income ascended by 8.98% in the first nine months of 2021 compared to the first nine months of 2020, while its expenses increased by 16.87%, resulting in a 27.78% fall in net profit. As a result, profits per share fell by 27.77%. The growth rate of both the domestic and international TF markets has slowed as a result of the COVID outbreak, but both are still growing (4.73% for domestic, 6.78% for international). The most affected sales were white rice noodles, congee, and porridge, which decreased by 25.29%, affecting the overall market size of its product group.

Price to earnings per share (P/E), price to book value (P/BV), and Enterprise Value (EV) to Earnings Before Interest, Taxes, Depreciation, and Amortization (EV/EBITDA) are used in this relative valuation analysis to determine the value of TFMAMA's stock in comparison to its peers (NRF, NSL, TWPA, SSF, and TMILLm).

Before comparing it to its peers, three 5-year bandwidths (P/E, P/BV, EV/EBITDA) are displayed to see if the present valuation ratios are within the historical range.

The results reveal that the current P/E and EV/EBITDA are above the average value, implying that the present price is greater than the average 5 year historical value (downside potential at -26.63% for the P/E ratio and -3.99% for the EV/EBITDA). For P/BV, it is between -1SD and -2SD, yet, contrary to the prior conclusion, it has an upside potential of 11.67%.

As a result, given that the three multiples do not support the same conclusion, as well as the scarcity of information on both trailing historical EV/EBITDA and forward estimates, I have concluded that using its own historical data to estimate its performance may not be the best option. As a consequence, I am required to compare and examine its peers in order to establish which conclusion is most suited for the evaluation.

TFMAMA's Trailing P/E ratio is higher than the median and average of its peers (TFMAMA = 24.14x, Peers' median = 21.88x), suggesting that the firm's P/E ratio is overpriced in respect to the market. Price to book value is likewise overpriced (TFMAMA = 2.26, Peers' median = 1.47x). EV/EBITDA has also leveled down in comparison to peers (TFMAMA = 12.83, Peers' median = 9.65).

TFMAMA's target price was determined using the Football field chart, and it was calculated from the median P/E multiple of peers. Because the P/E multiple covers the closest price ranges of all multiples, the concluded target price of TFMAMA is THB 184.89, representing an 8.47% downside potential.

Risks are examined, but none are urgent or severe. TF is experiencing high raw material cost risk, particularly palm oil prices, which have climbed dramatically, forcing the price of wheat flour to rise as well. As a result, the proportion of cost of sales to revenue has grown to 65.94%, 2.96% more than the previous year. Selling and administrative expenses were especially costly, since export costs increased due to a lack of shipping containers during the pandemic, resulting in a 7.27% rise in expenses in the 2021 annual report compared to 2020. However, as the COVID situation improves and the international market recovers in the coming years, the future of TFMAMA is regarded as medium to low risk.

TFMAMA is suitable for "HOLD" for the long-term value investor, but not for day traders because to it has little liquidity. TFMAMA, on the other hand, has managed to stand out among its competitors by demonstrating a strong structure within the operational framework whereby value investors may enjoy TFMAMA's dividend, which is considerably higher than its peers, but because the current price is considered overvalued at the moment, new investors are not recommended to buy at the time.

CHAPTER II

COMPANY DESCRIPTION

Thai President Foods Public Company Limited (abbreviated as "TF") was founded on February 15th, 1972, the company initially was a partnership between two companies, Sahapatanaphibul Company Limited which oversaw the marketing and sales, and President Enterprise Company Limited, a production technology specialist from Taiwan, under the purpose of producing instant noodles called "MAMA".

On October 16, 2017, there was a merger between Thai President Foods Public Company Limited ("TF") and President Rice Products Public Company Limited ("PR"), becoming a new company with the initial name "TF." And on that day, the business was listed on the Security Exchange of Thailand with the ticker symbol "TFMAMA."

2.1 Company Structure and Operation

The business produces and distributes food items including instant noodles, semi-finished foods, biscuits, bakery, fruit juice, and packaging, with the vision "To be a world-leading food producer and brand name that are well-accepted and recognized by consumers of all household for our safe and international standard products under creative and innovative management with responsibilities to social and environment for the long-term sustainability" (TFMAMA Annual report 2021, p. 16). Additionally, there are a variety of products that are operated by several companies (11 Subsidiaries and 6 Associated Companies) and a percentage of shareholding of each as follows.

Figure 2.1 Shareholding structure of TFMAMA

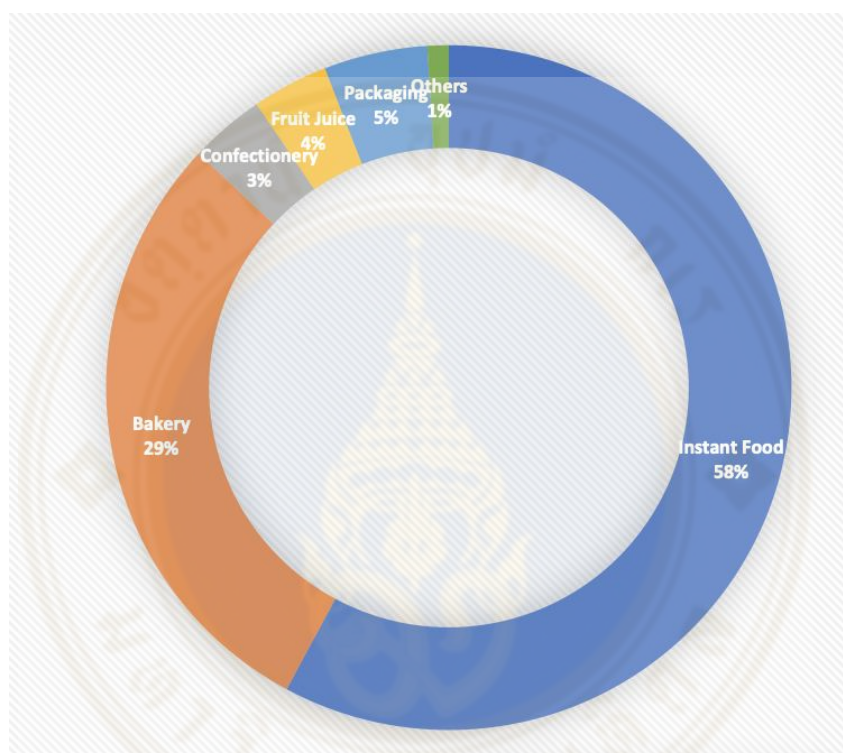


Source: TFMAMA Annual report 2021

2.2 Product and Service

Thai President Foods Public Company Limited operates 13 companies, which operate in five different Business Groups: Food, Packaging, Raw Material, Investing, and Agent, and there are six different Product Lines under its operation, as follows:

Figure 2.2: Sales Revenue proportion of Thai President Foods Public Company Limited by Product Lines as of 31 December 2021



Source: Team analysis

2.2.1 Instant Noodles and Semi-finished food

The Product line is further classified into three different types; Semi-finished products manufactured from wheat flour as major raw material, Semi-finished products manufactured from rice as major raw material and Semi-finished products manufactured from other raw materials. As of December 31, 2021, this Product line accounts for 58% of total sales revenue.

This product line's products are sold, distributed, and exported worldwide. The highlight example product for this category is "Mama," a well-known brand for instant noodles with a market share of over 47% in the domestic

market. According to the company's 2021 Annual report, its production capacity for this specific product is 6 million packs per day.

As of December 31, 2021, the company also produces for international brands in Europe (proportioning 25%), the United States (proportioning 15%), Australia (proportioning 4%), and Canada (proportioning 4%). President Kourakuen Co.,Ltd, Thai President Food (Hungary) Kft., Kallol Thai President Foods (BD) Ltd., Ayeyarwaddy Success Ventrue Foods Co., Ltd., and Thai President Foods Plc (TFMAMA) operate the Instant Noodles and Semi-finished food Product line, and TFMAMA holds 70%, 65%, 55%, 51%, and N/A of each company, respectively.

2.2.2 Bakery

The Bakery Product line is divided into three categories: Wholesale Bakery Products, Retail Bakery Products, and Fast Food & Catering Products. As of December 31, 2021, the Product line accounted for 29.28% of total sales revenue.

Thai President Foods Public Company Limited, President Bakery PCL., operates the product line, which produces and distributes bakery products in the local market. Thai President Food owns 51.99% of the total shares of President Bakery PCL.

2.2.3 Biscuit

Thai President Foods Public Company Limited operates the Biscuit Product Line, which accounts for 3.44% of total sales revenue as of December 31, 2021.

"Bissin" and "Homey" are two brands from this product line.

2.2.4 Fruit Juice

As of December 31, 2021, this product line accounted for 3.47% of total sales revenue. Taisun Foods Co., Ltd. operates it and TFMAMA holds a 52.08% stake in this product line.

“Green Mate”, “Kelly”, and “Thai Sun” are examples of brands in this product line.

2.2.5 Packaging

As of December 31, 2021, this product line accounts for 4.20% of total sales revenue. It is run by two businesses: Thai Anbao Paper Products Co., Ltd. and Dai-Ichi Packaging Co., Ltd. The companies' shareholding proportions in these subsidiaries are 51% and 50.1%, respectively.

2.2.6 Others

This Product line has three sub-categories: Wheat flour manufacturing, Real estate investment and Exporting Agent. As of December 31, 2021, this product line accounted for 0.98% of total sales revenue.

Different parties operate the three categories mentioned above. President Flour Mill Co., Ltd., which is owned 60% by TFMAMA, manufactures wheat flour and is also classified as a raw material business group. The Real estate investment is managed by President D Venture Co.Ltd., which is owned 70% by TFMAMA. The Exporting Agent is President Interfood Co., Ltd., of which TFMAMA owns 59.67% of the shares.

2.3 Marketing and Business Strategy

TFMAMA and the affiliated groups continue to strive towards the goals by creating new items that enhance nutrition, creating a production process that secures the product's quality in accordance with global benchmarks, and improving quality employees will be the driving force in propelling the company towards its objectives, TFMAMA expects its 30 billion Baht in sales to generate earnings. (TFMAMA Annual report 2021)

Amid the ongoing COVID-19 viral mutation and the current pandemic crisis towards the year 2021, the organization has made adjustments and developed business strategies in response to the environment, complying with the good corporate governance policy, social and environmental responsibility, anti-corruption policy, and recognizing the value and ability of staff in addition to consistently producing a good operational performance to become sustainable and stable.

Apart from that, the company divided the market into two main sections which are the Domestic market and the International market as follows:

2.3.1 Domestic market

For the year 2021, in the marketing strategy for Mama's instant noodle products, the company has created unique tastes for the OK Series, a high-end market that has earned positive responses from clients, and the modern trade association is where most sales take place. Thereupon, to reach all its target markets, the company then decided to develop more products under the OK Series with a range of flavors, which will boost the revenues of the Mama brand.

Furthermore, the company took various marketing and PR techniques into practice and placed a strong emphasis on offline and online promotional programs for the OK Series by concentrating on raising consumer awareness of the availability of OK Series bag products and constantly organizing different campaigns.

Meanwhile, TFMAMA has increased the creation of innovative products for the market in the high-end category, including OK instant rice. This would be owing to the decline in sales of the products in the porridge and instant boiling rice group in the year 2021.

To sum up, Mama intends to constantly create unexplored flavor products across all product categories, such as instant noodles, instant rice noodles, noodles, and vermicelli, instant porridge and instant boiled rice, and Biscuits, to develop a wide range of products and get customers with various product needs. Along with creating new items for customers who come across the relevance in health and wellness, to encourage revenues and to deliver better opportunities.

2.3.2 International Market

The unavoidable result of the Corona pandemic has effect labor scarcity, hikes in the price of raw materials, logistical issues, container deficiencies, and a spike in freight costs, increasing both production costs and retail prices at the terminal. Nevertheless, the corporation is dedicated to promoting positive business growth in many nations by making strategic reforms. For example, reorganizing Chinese distributors for offline marketing to increase sales nationally. Plus, with giving importance and emphasizes adapting to changes rapidly.

Likewise, the firm had advanced marketing online by assisting distributors in advertising on platforms for E-commerce, allowing customers to

see the content of the products and brands on the main social media and websites of China. Weibo, Sohu, Mafengwo, Ctrip, and others, for instant. With the purpose to broadcast unknown culinary styles to clients, MAMA has developed content on numerous platforms for social media like Facebook, Twitter, Instagram, and TikTok, as well as cooperated with overseas influencers in the United States, United Kingdom, and Singapore.

TFMAMA is devoted to developing products in accordance with market mechanisms and producing items that align with international trends. Nutritional products are regarded as one of the most significant culinary sensations nowadays. The organization has released non-fried items blended with vegetables to increase nourishing value, as well as publicizing canceled utilization of palm oil in various European nations and changed to utilize rice bran oil instead to match market demand while reducing the usage of palm oil to lessen the environmental effects.

2.4 Corporate governance

As of December 31, 2021, there are a total of 2,321 shareholders. The company's shareholding structure is as follows: Juristic Person has 59.94%, Natural Person has 40.06%, 79.08% of which is Thai Nationality, and the rest is Non-Resident.

The Company has a policy of limiting the Board of Directors and executives, and their family members to issued and paid-up shares of less than 25%. As of December 31, 2021, the Board of Directors executives and their family members, a total of 34 people, held shares of the company amounting to 14.97%.

The following are the top ten major shareholders of Thai President Foods Public Company Limited:

1. Saha PathnaInter-Holding PCL with a 25.98% stake.
2. NISSIN FOODS HOLDINGS CO., LTD with a 16.84% stake
3. Punsak-Udomsin Group with a 15.74% stake
4. Paniangvait Group with a 14.47% stake
5. Tatiyakavee Group with a 8.68% stake
6. NOMURA SECURITIES CO LTD-CLIENT A/C with a 3.18% stake

7. Chokwatana Group with a 2.27% stake
8. Sahapatanapibul Public Company Limited with a 1.95% stake.
9. I.C.C. International Public Company Limited with a 1.25% stake.
10. Osathanugrah Group with a 1.06% stake

The Company has crossholdings with Saha Pathana Inter-Holding Public Co.Ltd. as of 31 December 2021, where the Company holds 1.23% shares in Saha Pathana Inter-Holding Public Co.Ltd. and Saha Pathana Inter-Holding Public Co.Ltd. holds 25.98% shares in the Company.

As of 31 December 2021, the Company had Registered and Paid-up Capital of 329,704,014 shares, with no other share types, Stocks, Mutual funds, or other convertible securities.

Figure 2.3: TFMAMA Shareholders detail

Shareholders Detail	
Overview As of 29 Sep 2022 Rights Type : XD	Free Float As of 30 Mar 2022
Total Shareholders 2,297	Minor Shareholders (Free float) 1,686
% Shares in Scripless Holding 75.82	% Shares in Minor Shareholders (% Free float) 24.30

Source: SET

According to the most recent SET record (2022), the number of shareholders of TFMAMA was 2,297 in total. Free Float shares held by minor shareholders were recorded at 1,689 in total, representing 24.3% of the total shares.

CHAPTER III

MACROECONOMIC, INDUSTRY, AND COMPETITION ANALYSIS

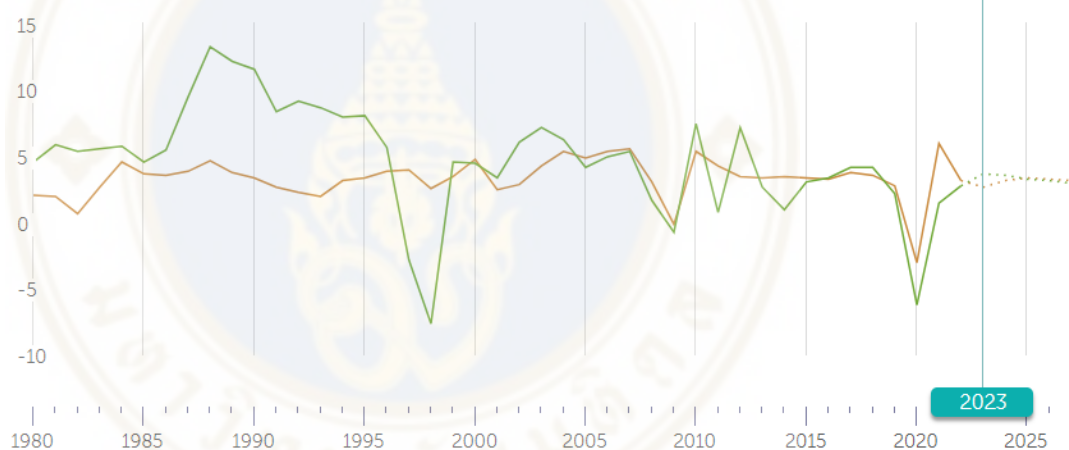
3.1 Macro-Economic Analysis

3.1.1 Global and Thai GDP

Figure 3.1: The world and Thai's real GDP growth

TREND (1980-2027)

Annual percent change



SELECTION (2023)

World	2.7
Thailand	3.7

Source: International Monetary Fund (IMF)

Figure 3.2: Forecast summary of Thailand's GDP growth and headline inflation

Forecast summary as of 30 November 2022				
%	2021*	2022	2023	2024
GDP Growth	1.5	3.2 (3.3)	3.7 (3.8)	3.9
Headline Inflation	1.2	6.3 (6.3)	3.0 (2.6)	2.1
Core Inflation	0.2	2.6 (2.6)	2.5 (2.4)	2.0

Source: Bank of Thailand (BOT)

Referring to the graph of the world and Thai's real GDP growth from the International Monetary Fund (IMF), Thai's GDP growth had outperformed the world until 1996 before the Asian Financial Crisis in 1997 which resulted in negative Thai GDP growth in that year due to a severe recession. After that, both world and Thai's real GDP growth sharply contracted in the year 2020, -3% and -6.2%, respectively, due to the Coronavirus pandemic that slowed down the entire world. However, the latest year indicated a recovery sign as the world's GDP growth increased by 2.8% and Thai's GDP growth rose by 3.2%. Besides, the Bank of Thailand (BOT) has predicted the Thai GDP growth rate to be 3.7% and 3.9% in the year 2023 and 2024, respectively, which provided a favorable indication that the country's GDP growth will be strengthened.

Figure 3.3: TFMAMA's Statement of Comprehensive Income Summary

Statement of Comprehensive Income				Unit: M.Baht
Accounting Type	Y/E 2020 31 Dec 2020	Y/E 2021 31 Dec 2021	9M/2021 30 Sep 2021	9M/2022 30 Sep 2022
	Consolidate	Consolidate	Consolidate	Consolidate
Revenue From Operations	23,580.48	24,457.04	17,972.54	19,600.51
Other Income	183.16	228.30	168.12	111.33
Total Revenues	23,838.54	25,095.88	18,437.86	20,094.46
Costs	14,849.96	16,126.93	11,735.15	14,075.62
Selling And Administrative Expenses	3,611.08	3,873.73	2,878.81	3,004.62
Total Cost And Expenses	18,461.04	20,000.66	14,613.96	17,080.24
EBITDA	6,920.81	6,629.10	5,002.63	4,144.45
Depre. & Amor.	1,216.06	1,219.53	918.51	879.47
EBIT	5,704.75	5,409.57	4,084.12	3,264.98
Net Profit : Owners Of The Parent	4,090.01	3,574.64	2,707.31	1,954.74
EPS (B.)	12.41	10.84	8.21	5.93

Source: Stock Exchange of Thailand (SET)

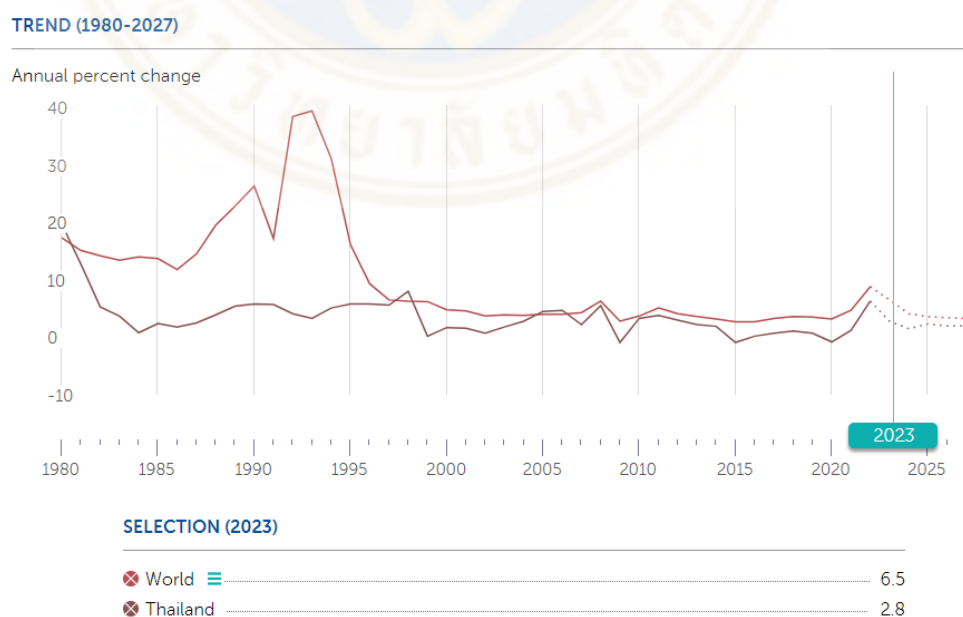
Figure 3.4: TFMAMA's Growth Rate Summary**Growth Rate (%)**

	Y/E 2020 31 Dec 2020	Y/E 2021 31 Dec 2021	9M/2021 30 Sep 2021	9M/2022 30 Sep 2022
Sales Growth	-1.74	3.72	0.81	9.06
COGs Growth	-2.95	8.60	4.95	19.94
Total Revenue Growth	-2.77	5.27	1.07	8.98
Total Expense Growth	-3.47	8.34	5.18	16.88
Net Profit Growth	3.73	-12.60	-13.65	-27.80

Source: Stock Exchange of Thailand (SET)

Interestingly, since instant noodle is considered an inferior good, when the economy is strong the demand for this product will decline. However, it can be seen in Figures 3.3 and 3.4 that the revenue from operation for 9M/2022 is 19,600.51 million baht whereas for 9M/2021 was 17,972.54 million baht, increasing by 9.06%. This was mostly owing to an increase in selling prices, together with the higher value of export sales which improved due to the depreciation of the Thai baht.

3.1.2 Inflation Rate

Figure 3.5: The world and Thai's inflation rate

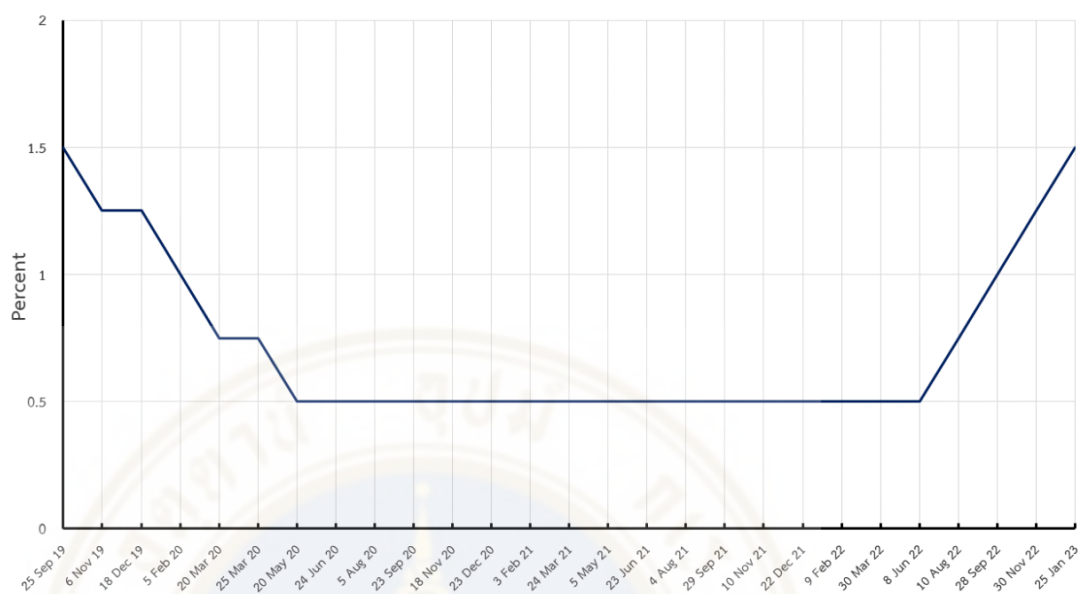
Source: International Monetary Fund (IMF)

In terms of inflation, the historical data revealed that since the year 2000, world and Thai inflation have a parallel in which Thai inflation is lower than the world by approximately 1.5-2%. In the year 2020, the world's inflation was 3.2% while Thailand's inflation was -0.8%. And among the two following years, both numbers significantly climbed to 8.8% and 6.3%, respectively. This might be attributed to a shortage of consumer products (higher demand and lower supply) as a consequence of the easing of covid-19 restrictions, the conflict between Russia-Ukraine, and skyrocketing of the World crude oil prices (Zipmex, 2022). Nevertheless, the prediction of BOT about the headline inflation of Thailand is 3.0% in 2023 and 2.1% in 2024 which decreases over the next two years (Figure 3.5).

The current high inflation rate in Thailand created a challenge for the company to higher raw material costs. According to figures 3.3 and 3.4, the cost of goods sold was 14,075.62 and 11,735.15 million baht for 9M/2022 and 9M/2021, respectively, illustrating an increase of 19.94%. So, as mentioned above that the revenue rose by 9.06% while the cost of goods sold increased by 19.94%, this would negatively affect the gross profit margin of the firm. In other words, inflation decreased the gross profit margin and consequently negatively impacted the net profit at the end. Evidently, the net profit of 9M/2022 was 1,954.73 million baht whereas of 9M/2021 was 2,707.31 million baht, a decrease of 27.80%. Nevertheless, the inflation rate was predicted to be lower in the next year, hence the raw material costs might also be lower, and the company might be able to grow its net profit as a result.

3.1.3 Interest Rate

Figure 3.6: Thailand's Interest Rate



Source: Bank of Thailand (BOT)

According to Figure 3.6 Thailand's Interest Rate above, it is shown that the bank of Thailand gradually declined its interest rate from 1.50% in September 2019 to 0.5% in May 2020 and maintain the same level for around two years until the mid of the year 2022, in order to help relieve the impact of the Covid-19. Recently, the BOT raise the interest to 1.50%, causing borrowing costs to reach their highest level since mid-2019 as the committee considers economic growth that the Thai economy is expected to regain pace, boosted by an ongoing rebound in tourism and private consumption and inflation forecasts (Bank of Thailand, 2023).

From TFMAMA's point of view, the change in interest rate might not have a high influence on the company since there is just a small portion of assets were funded by debt as the debt-to-equity ratio in the year 2021 was just 0.12 times, and 9M/2022 was 0.13 times.

3.1.4 Exchange Rate

Figure 3.7: Exchange Rate (USD/THB)

USD/THB - US Dollar Thai Baht ▲ 33.530 +0.030 (+0.09%)



Source: Investing.com

When looking at Figure 3.7, we can see that the Thai baht depreciated against USD during the mid of 2022 which lead to an increase in the volume of export sales in the Thai Baht as aforementioned. The proportion of sales from foreign that the company exports to sell abroad in the year 2021 is 21.66% of total revenue, which is exported to Asia, Europe, and America and mainly came from the sale of instant food at 18.69% (TFMAMA Annual report 2021).

Although this benefited the company for the first 9 months of the year 2022, THB just appreciated against USD at the beginning of the year 2023, hence this benefit might not still be available for the next year.

3.2 Industry analysis

This section will include four consecutive analyses: 3.2.1 Global F&B analysis, 3.2.2 Regional F&B analysis, and 3.2.3 Domestic F&B analysis, as well as a section for analysis of Thai President Foods Public Company Limited's dominant product: 3.2.4 Market Overview for Convenient Foods-Instant Noodles.

Thai President Foods Public Company Limited operates in the Food, Beverages and Tobacco industry or the F & B industry. According to the SET index as of 17 February 2023, TFMAMA is the 6th largest company in the Thailand Food and beverage market, with a market capitalization of THB 66.9 billion.

3.2.1 Global analysis of F&B industry

A report on the global Food, Beverage, and Tobacco industry (Euromonitor, 2022) indicted production growth and market gain for the F&B and Tobacco industry to continue growing in the year as it has leveled off from the pre-pandemic level in 2021 to a higher value in 2022. Price increases that reflect increased production value are a significant indicator. The United States (ranked first) and China (ranked second) remain the industry's global leaders in this sector, followed by Germany, Ireland, and Indonesia. However, the total number of companies in the industry has actually decreased as a result of consolidation, owing in part to the rise in raw material costs, which has put pressure on global producers.

3.2.2 Regional (APAC) analysis of F&B industry

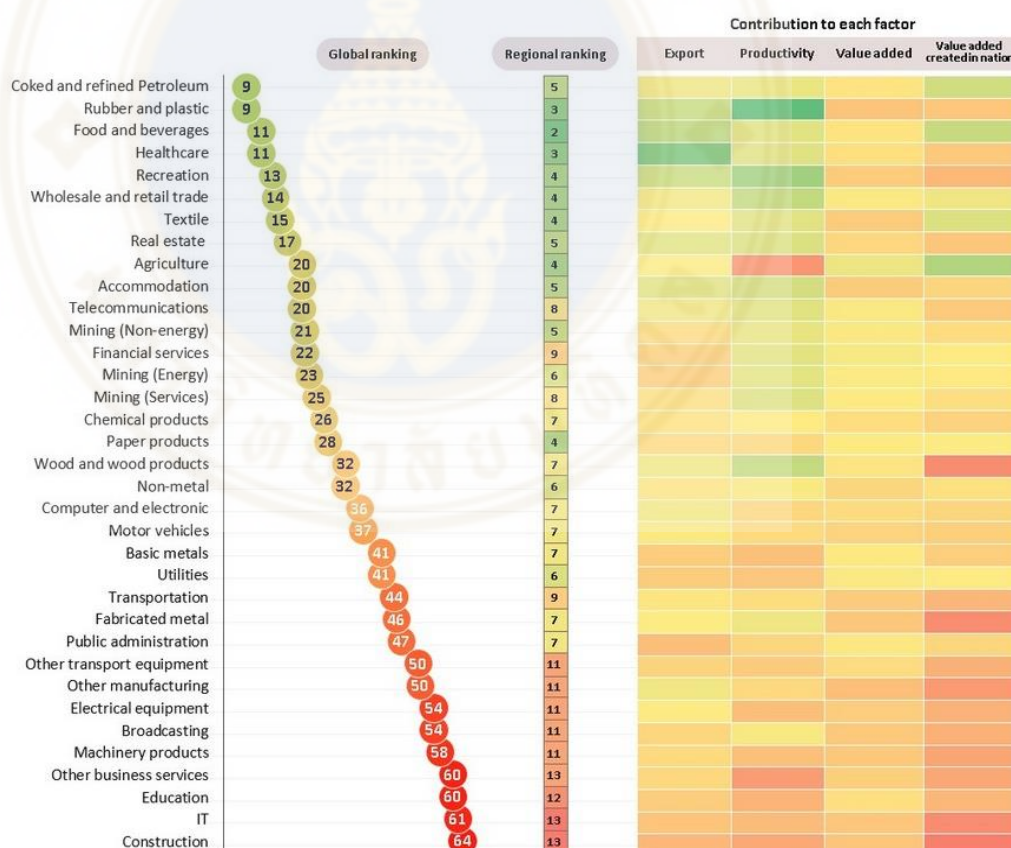
The regional (Asia Pacific or APAC) outlook for the F&B industry also indicates growth, with a CAGR of 8.90% expected between 2021 and 2028 (Euromonitor, 2022). APAC's growing population is expected to fuel significant economic growth, cementing the region's position as the world's largest food producer. Many APAC countries' growing middle classes are expected to boost

domestic demand for food. Between 2021 and 2030, the F&B and Tobacco industry in APAC is expected to grow by more than USD 1 billion, reaching USD 5.1 billion.

3.2.3 Domestic (Thailand) analysis of F&B industry

Thailand is ranked in the top 11 countries worldwide and second in the region in a ranking of the F&B industry (Krungsri Research, 2021). Thailand's top three domestic sectoral rankings are Rubber and Plastics, Food and Beverage, and Healthcare. Nonetheless, Thailand's competitiveness falls short of that of its neighbors and the ASEAN group in a number of industries, including IT, construction, and education.

Figure 3.8: Thai sectoral potential ranking



Source: OECD, calculation by Krungsri Research
 Note: Regional ranking includes Brunei Darussalam, Cambodia, Indonesia, Philippines, Singapore, Thailand, Vietnam, Japan, Korea, India, Hong Kong, Malaysia, and Taiwan

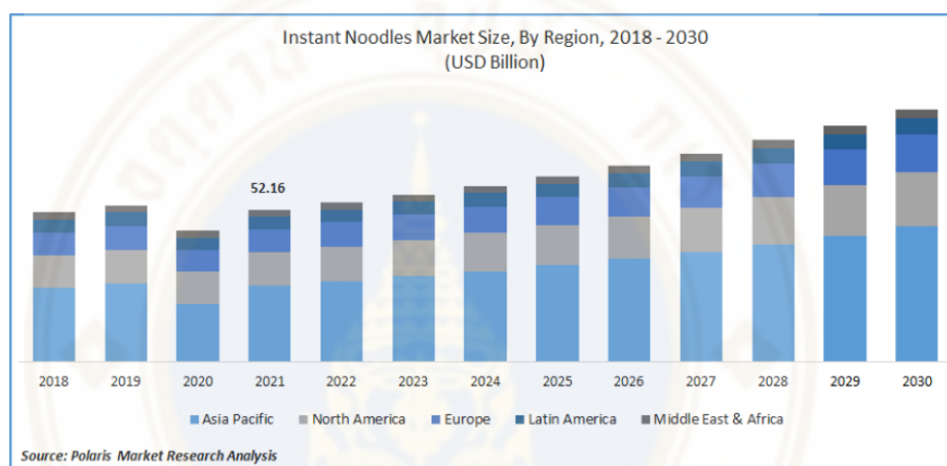
Source: Krungsri Research

3.2.4 Market Overview for Instant Noodles

Instant Noodles: Global overview

Over the forecast period, 2022-2030, the market for Instant Noodles is anticipated to grow at a CAGR of 5.91% (Polaris Market Research, 2021). Moreover, the same report shows that the Global Instant Noodles market revenue in 2021 stood at a value of USD 52.16 billion and is expected to reach USD 69.9 Billion in 2028.

Figure 3.9: Instant Noodles Market Size, By Region



Source: Polaris Market

In the past few years, the COVID-19 pandemic has had a considerable impact on the global market for Instant Noodles. Consumers are prone to shop in larger amounts knowing a lockdown is uncertain, and, due to this, consumers have resorted to panic shopping and stocked up on long-lasting items like Instant Noodles.

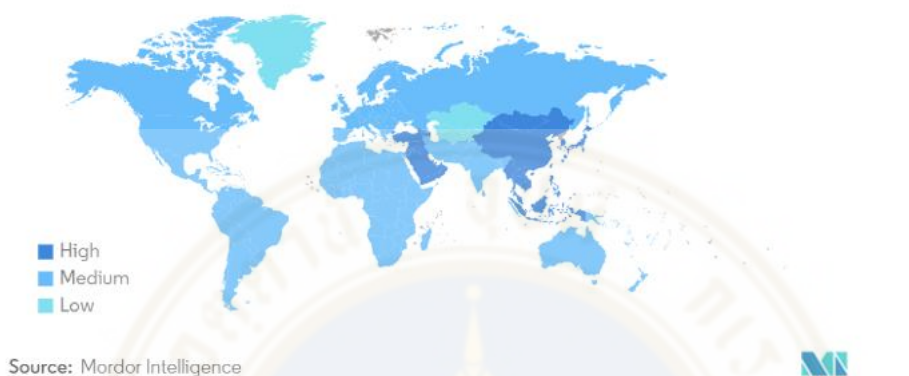
Furthermore, consumers' increasingly hectic lifestyles influence their dietary preferences for ready-to-eat foods. More consumers want to prepare quick meals, such as Instant Noodles, that can be consumed right away. According to reports, consumer disposable income per capita is expected to rise in the coming years, making low-cost food options may be less popular due to it is considered an inferior good. Meanwhile, Instant Noodles manufacturers are

developing products to appeal to the growing number of health-conscious consumers, which will contribute to the market's progress.

Instant Noodles: APAC overview

Figure 3.10: Instant Noodles Market Size, By Global Geography

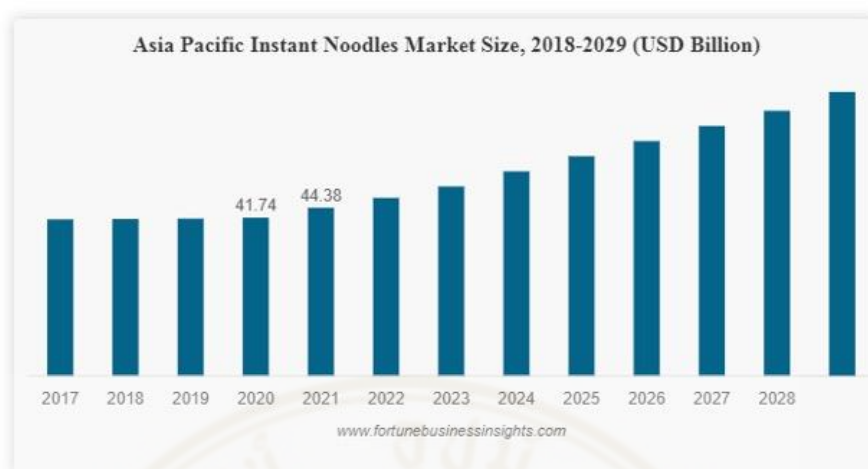
Instant Noodles Market: Market Size (%), by Geography, Global, 2021



Source: Mordor Intelligence

The APAC Market Size of Global Instant Noodles is the largest in the world, reaching USD 44.38 billion in 2021. The region's market dominance is due to the region's strong presence of numerous local and global brands. The reason for this is that Instant Noodles are a byproduct of the deeply ingrained Asian culinary culture and thus the most popular among its countries. Asian countries account for ten of the top fifteen countries in terms of instant noodle consumption.

Figure 3.11: Instant Noodles Market Size, APAC



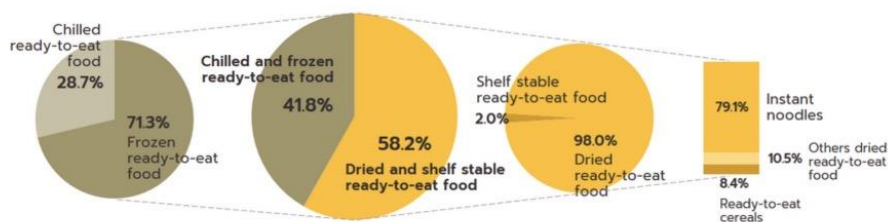
Source: Fortune Business Insights

The APAC market is expected to maintain its global dominance in the coming years, owing to the expected continued growth and increasing collaborations of a significant number of Instant Noodles companies, as well as the high adoption rate as a result of government policies that promote this particular industry in the region. Countries such as India, Malaysia, Indonesia, and China, in particular, play an important role in accelerating market expansion as Instant Noodle preferences among urban consumers. The global increase in demand for Convenience Foods will have a positive correlation with the growing market size in APAC.

Instant Noodles: Domestic (Thailand) Overview

Figure 3.12: Instant Noodles Market Value, Thailand

Figure 1: Share of Ready-to-eat Food Market Value in Thailand (2021)



Source: Euromonitor, Krungsri Research

Source: Euromonitor and Krungsri Research

In terms of Thailand's Instant Noodle market overview, Instant Noodles accounted for 79.1% of the total domestic Ready-to-eat Food Market, followed by Other dried ready-to-eat food (10.5%) and Ready-to-eat cereals (8.4%).

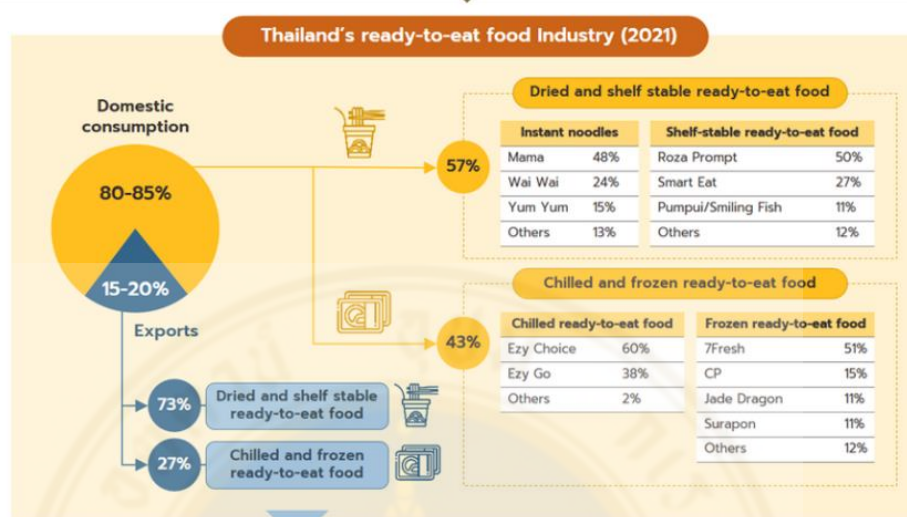
The domestic market, which increased by 6.4% annually on average between 2016 and 2021 and reached THB 20 billion in 2021, accounts for the majority of sales of local Instant Noodles companies. Furthermore, the export value of Thai Instant Noodles shows growth, with an annual 3.9% average growth in the sector's manufacturing production index (MPI). The attribution to growth was supported by the stronger year on year domestic market strength.

In terms of consumers, Instant Noodles are popular among consumers, and sales have increased as a result of the product's low cost. Additionally, because of the economy's gloomy outlook and weak purchasing power during the Covid-19 pandemic, consumers have been encouraged to be more frugal with their spending. Furthermore, pandemic control measures influenced consumer behavior by reducing eat-in meal options and restaurant and canteen hours, resulting in a shift in demand for consumers to consume more Instant Noodles.

However, costs for palm oil and wheat, which are the key ingredients in wheat flour used to make Instant Noodles, have risen, putting pressure on profitability for domestic producers.

3.3 Competitor analysis

Figure 3.13: Ready-to-eat Food Industry overview, Thailand



Source: The Office of Industrial Economics, Ministry of Commerce, Euromonitor and Krungsri Research

3.3.1 Domestic Competition - Instant Noodles Companies

The market for instant noodles in Thailand was estimated to be worth USD 20 billion in year 2021 (Krungsri Research, 2022). The market is dominated by three huge prominent brands: Mama, Waiwai, and YumYum, which are operated by Thai President Foods with a 47.6% market share, Thai Preserved Food Factory with a 23.7% market share, and Wan Thai Foods Industry with a 15.4% market share, respectively. The combined market share of the three brands was 86.7%. Other market players include Nissin foods Thailand, which has a 0.7% market share, and Nong Shim, which has a 0.6% market share. And other brands account for the remaining 12% of the market.

Because of their large market share and widespread brand recognition, the three leading local brands benefit from economies of scale as well as advantages in terms of gaining better access to raw materials and capital. Furthermore, they are able to expand their extensive distribution networks.

However, there is insufficient financial data of the following two Instant Noodles companies: Thai Preserved Food Factory and Wan Thai Foods Industry to conduct valuation analysis for this paper; thus, to tackle better analysis, this report will be analyzing the Company (Thai President Foods) against domestic F&B companies in the same industry.

3.3.2 Domestic Competition - F&B Industry

This report will compare Thai President Foods to three other leading Food, Beverage, and Tobacco companies by market capitalization. The criteria for peer company selections are set in the range of approximately THB 50 billion to THB 110 billion in market capitalization size; new companies (that do not have sufficient financial data) are also excluded.

Thus, the peer companies are as follows:

1. **Carabao Group Public Company Limited (CBG)** is the second largest company in the Food, Beverage, and Tobacco industry by market capitalization, with THB 105.0 billion as of February 19 2023. CBG and its subsidiaries produce, sell, and distribute beverages in both the domestic and international markets.
2. **Osotspa (OSP)** comes in third by market capitalization with THB 94.6 billion as of February 19 2023. OSP and its subsidiaries manufacture and distribute energy drinks and personal care products around the world.
3. **Thai Union Group Public Company Limited (TU)** and its subsidiaries produce and sell frozen, chilled, and canned seafood in Thailand and around the world, ranking fifth in terms of market capitalization with a THB 73.1 billion as of February 19 2023.

CHAPTER IV VALUATION

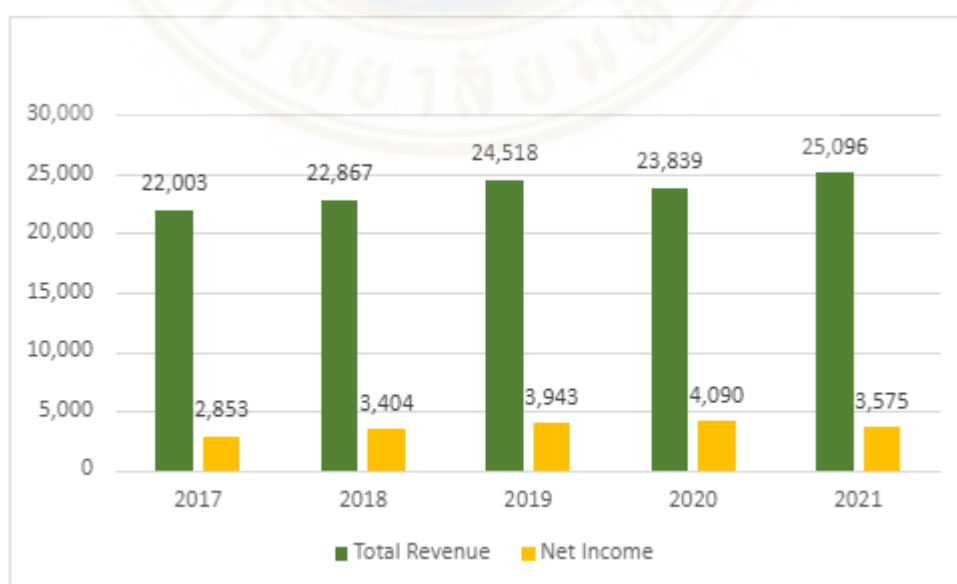
4.1 Financial Analysis

The following part of this paper moves on to describe in greater detail the financial analysis of the organization and its main competitor, Thai Union Group Public Company Limited, TU (listed in the Stock Exchange of Thailand, SET), which includes Growth Analysis and Return on Equity (ROE)

4.1.1 Growth Analysis

In this section, we investigate the growth rate of total revenues, total expenses, net income, earnings per share, and free cash flow from the last five years (2017-2021) and the first nine-month of years 2021 and 2022 of TFMAMA against TU.

Figure 4.1: Comparison of Total Revenue and Net Income



Source: Team Analysis

Table 4.1: TFMAMA's Financial Summary

	2017	2018	2019	2020	2021
Total Revenue	22,003	22,867	24,518	23,839	25,096
Total Expense	17,966	18,156	19,131	18,461	20,001
Net Income	2,853	3,404	3,943	4,090	3,575
Earnings per Share	8.65	10.33	11.96	12.41	10.84
Free Cash Flow	3574	4672	3580	4042	3401

Source: Team Analysis

As shown in Figure 4.1 and Table 4.1, TFMAMA's total revenue which comprises revenue from the operation, interest income, and dividend income has gradually risen from 22,003 million baht in 2017 to 25,096 million baht in 2021. Even if the total revenue has dropped a bit in 2020 from the Covid-19 impact, the company is able to boost its total revenue in the following year. On the opposite, the net income illustrated an upward trend until 2020 and decline sharply to 3,575 million baht in 2021.

Table 4.2: Growth Analysis of 2018 to 2021

	TFMAMA				CAGR	
	2018	2019	2020	2021	TFMAMA	TU
Total Revenue	3.92%	7.22%	-2.77%	5.27%	2.67%	0.45%
Total Expense	1.06%	5.37%	-3.50%	8.34%	2.17%	0.43%
Net Income	19.31%	15.82%	3.73%	-12.60%	4.61%	6.00%
Earnings per Share	19.37%	15.82%	3.73%	-12.60%	4.62%	5.84%
Free Cash Flow	30.71%	-23.36%	12.88%	-15.87%	-0.99%	-2.75%

Source: Team Analysis

When examining the pace of growth, TFMAMA's compound annual growth rate (CAGR) of total revenue at 2.67% is greater than its CAGR of the total expense at 2.17%. The interpretation could be over the year 2018 to 2021 the company could manage its total expense well and might enjoy with higher profit margin which will be analyzed in the next part. In Addition, TFMAMA's CAGR of net income and earnings per share are around 4.61% which is considered good. Last but not least, TFMAMA'S CAGR of free cash flow to the firm is -0.99%.

In comparison's sake, TU's CAGR of total revenue is also higher than its total expense, however, the spread between these two is much narrower than that of TFMAMA, with 0.02% for TU and 0.5% for TFMAMA. Surprisingly, TU's CAGR of net income and earnings per share is larger than TFMAMA by approximately 1.4%, meaning that these two items of TU grow faster than TFMAMA. Lastly, for the CAGR of free cash flow, TU shows a stronger decrease at -2.75% while TFMAMA indicates a decrease of just -0.99%.

Table 4.3: Growth Analysis of 9M/2021 and 9M/2022

	TFMAMA		TU		Growth (%)	
	9M/2021	9M/2022	9M/2021	9M/2022	TFMAMA	TU
Total Revenue	18,438	20,094	103,131	116,664	8.98%	13.12%
Total Expense	14,614	17,080	96,288	110,307	16.88%	14.56%
Net Income	2,707	1,955	6,083	5,900	-27.80%	-3.00%
Earnings per Share	8.21	5.93	1.26	1.22	-27.78%	-3.17%

Source: Team Analysis

Finally, we look at the recent performance of the firm and its peer compared to the same period of the prior year. For the nine-month analysis, the total expense of TFMAMA grew faster than its total revenue by two times which represents a negative signal for the company. Fortunately, there is still a positive net income for the company but the growth rate of net income and earnings per share are strongly negative at around -27.78%. And when compared with the peer, TU's growth rate of total revenue and total expense is in the same position as TFMAMA which is the total expense growth more than the total revenue by about 1.5%, much lower than TFMAMA. As a result, TU's growth rate of net income and earnings per share are in the negative number as well at around -3.00%.

4.1.2 Dupont analysis of ROE

In this section of the Dupont ROE calculation and analysis from the last five years (2017-2021) of Thai President Foods and also, it will be compared to its closest market capitalization peer: Thai Union Group Public Company Limited (TU). TU has a market capitalization of THB 73.1 billion, which is slightly higher than Thai President Foods (TFMAMA)'s market capitalization of THB 66.9 billion.

Calculation formula used:

$$\text{Dupont ROE} = \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}$$

Where:

$$\text{Net Profit Margin} = \text{Net Income} / \text{Sales}$$

$$\text{Asset Turnover (AT)} = \text{Sales} / \text{Average Total Assets}$$

$$\text{Equity Multiplier (EM)} = \text{Average Total Assets} / \text{Average Shareholders' Equity}$$

Table 4.4: Dupont ROE Analysis of 5Y TFMAMA and 2021 TU

	TFMAMA					TU
	2017	2018	2019	2020	2021	2021
Revenue (in million baht)	22,003	22,867	24,518	23,839	25,096	141,858
Net Profit Margin	13.19%	15.17%	16.43%	17.34%	14.62%	5.68%
Asset Turnover	0.74	0.73	0.70	0.63	0.60	1.08
Equity Multiplier	1.48	1.48	1.46	1.44	1.44	2.19
Dupont of ROE	14.36%	16.29%	16.88%	15.75%	12.69%	13.51%

Source: Team Analysis

Table 4.4 shows the decomposed variable of Dupont ROE of TFMAMA year-by-year and TU 2021. The table also displays revenue in million baht for both companies over the specified years.

For TFMAMA, during the first three years (2017-2019), the calculation result shows an increasing percentage of ROE, from 14.36% to 16.88%, before dropping to 15.75% and 12.69% in 2020 and 2021, respectively. The lower percentage of ROE in 2020 is due to a 1.74% drop in total sales, which

also mirrored in TFMAMA Revenue that slipped from THB 24,518 million in 2019 to THB 23,839 billion in 2020.

Another finding from the ROE calculation is a nearly 3% drop in TFMAMA's net profit margin in 2021. Despite the fact that TFMAMA revenue increased by approximately 4% in 2021 over the previous year, its net income dropped by more than 12%, resulting in TFMAMA's overall net profit margin decreasing by nearly 3%, and thus the percentage of ROE decreasing by more than 3%.

In terms of peer comparison, TU2021's ROE is calculated to be 13.51%, which is nearly equivalent to the 5-year average of TFMAMA ROE (15.19%).

TU 2021 has a higher revenue than TFMAMA, but its Cost of sales is extremely high when compared to TFMAMA, leaving its Net profit margin at only 5.68%, which is nearly three times lower than TFMAMA's average Net profit margin over the specified five years (15.35%). However, TU 2021 has a higher asset turnover ratio than TFMAMA. This generally means that TU is more efficient in generating revenue from its assets. TU2021 has a higher Equity Multiplier, indicating that a company uses debt to finance its assets and operations more than TFMAMA. However, both companies' Equity Multipliers are considered high.

4.2 Relative valuation

Relative valuation is to practice on the theory that assumes the targeted company and its peers share the same relation between their prices and their earnings and is used to determine whether the targeted company's performance is in a good place for investment or not. And to derive that conclusion, data on financial multiples are to be collected and compared, in order to generate the appropriate evaluation.

This relative valuation analysis will be presented in two sections 4.2.1) TFMAMA's Historical multiple bands that will show how TFMAMA has been performing throughout 5 years and to observe significant relations between

financial multiples of the firm relative to its own history. Secondly, in part 4.2.2) Peer group multiples will then include comparable financial data (prices, earnings, book value, EBITDA, etc.) of the peers. This data will be further tailored to generate average values and to be used as a baseline to compare with TFMAMA.

4.2.1 Historical Multiple Bands - TFMAMA

- **TFMAMA's 5-Year Trailing P/E Ratio**

The P/E ratio is widely used to determine a firm's value because it provides a quick snapshot of the price of a company's stock over its earnings. As a result, it is frequently used to justify the worthiness of a stock; of whether it is cheap or expensive to invest in. The P/E ratio is measured in terms of times; a P/E ratio of 20x, for example, means that it will take 20 years for earnings to catch up to the share price, assuming no growth. As a result, the less time a stock has (lower P/E ratio), the shorter the payback period is expected, and thus the stock is considered cheaper. However, solely evaluating the P/E ratio may lack depth because it only considers its price over exhibiting earnings, which are absent of other significant factors such as profitability, growth rate, industry standpoint, peer comparison, and so on, which circulate around significant detail to defining whether a business's actual performance is good or bad within the present circumstances. Thus, in reality, investors do not only look for low P/E ratio stocks and avoid high values, because there are other factors to consider. Relative evaluation, thus, provides a more well-rounded valuation to justify a firm's performance. In this case, an evaluation of P/E ratio will still be presented to incorporate TFMAMA's price analysis.

As of March 3, 2023, the P/E ratio of TFMAMA is 24.02x with the price of 202 baht. Below is the graph showing TFMAMA's 5-year historical data on P/E ratio. Throughout 5 past years, 2018-2022, the average P/E ratio of TFMAMA is 17.54x, maximum P/E ratio is 24.1427x on December 23, 2022 and minimum P/E ratio is 14.7582x on March 19, 2020. The standard deviation of the P/E ratio ranges between $\pm 2.3926x$ from the average P/E ratio, and $\pm 4.7814x$ from the average P/E ratio for two standard deviations. From the Trailing P/E band below shows that P/E ratio in the past few months (after November 15, 2022) has

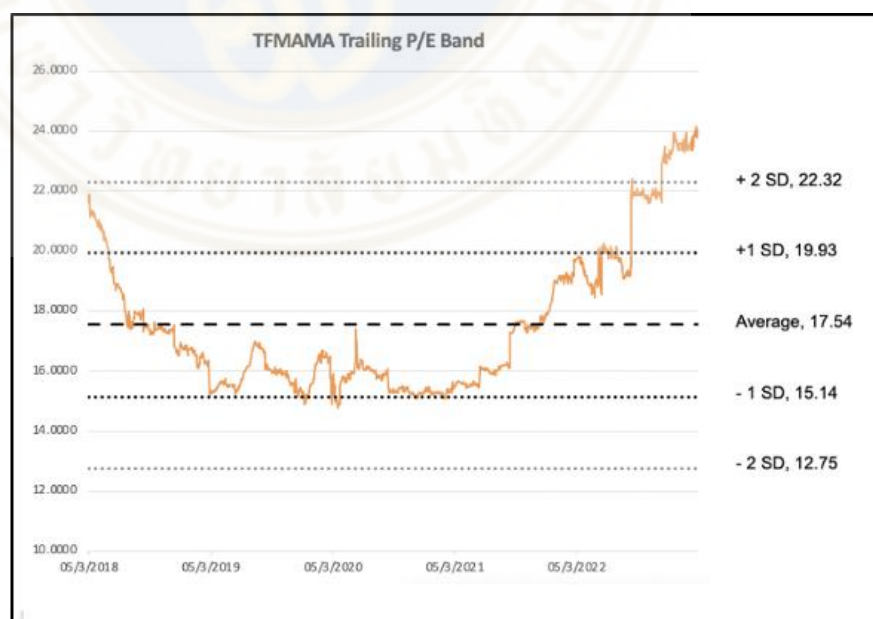
grown above two standard deviations of average of 5-year P/E ratio historical band. The band showed a near constant declining trend in P/E ratio back in 2018 and 2019 and fluctuated within the minus one standard deviation range during the pandemic outbreak (2019-2020), and started to become an increasing trend since the beginning of 2021 up until present date of March 3, 2023. This increase is primarily due to the increasing stock price of 5% on average over the last five years (increasing nominator) and the declining trend of earnings per share of -3.8% over the same time period (decreasing denominator). TFMAMA's P/E ratio performance generally indicates that the company is moving toward a higher P/E ratio, which can both indicate that its investors see potential in the company's growth and could also indicate that the stock is currently **overvalued**.

From TFMAMA's 5-year Trailing P/E ratio, the target price can be calculated as follows:

$$\text{Target price} = \text{EPS} \times \text{5-Year P/E average} = 8.45 \times 17.54 = 148.213$$

With the current price of 202, the result indicates that TFMAMA's stock price has a **downside potential of $148.213/202-1 = -26.63\%$** .

Figure 4.5: TFMAMA's Trailing P/E Band



Source: Eikon, self-plotted

- TFMAMA's 5-Year Trailing Price to Book Value (P/BV)

Price to Book Value (P/BV) is the ratio of a stock's market price to its book value of equity. The book value of equity may change when a company has more or less debt (liability) with the same asset. The greater the PBV, the more expensive the stock is considered to be. For example, a price-to-book value of three indicates that a company's stock is trading at three times its book value.

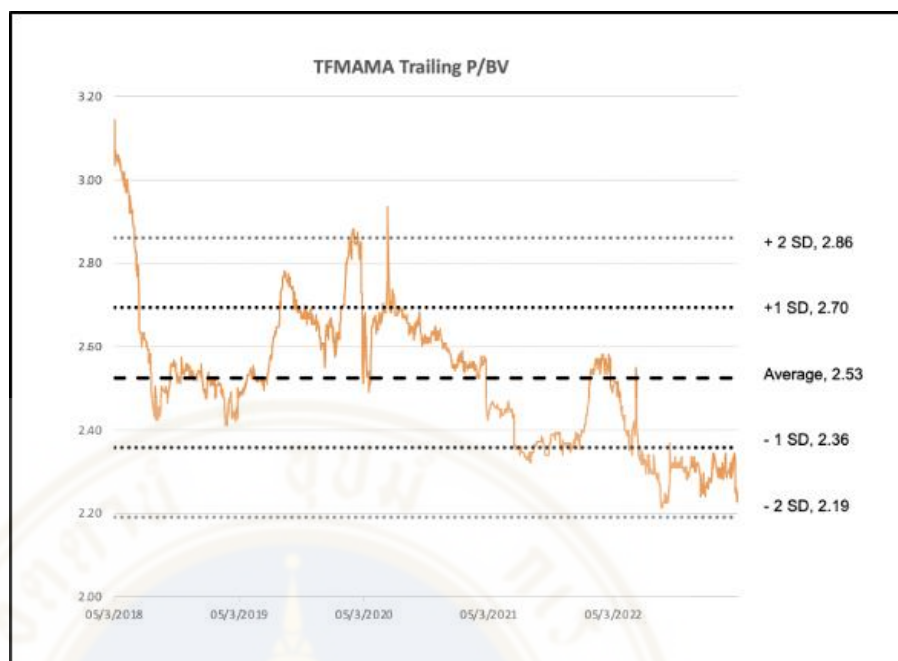
For TFMAMA, the maximum P/BV was on March 6, 2018 of the value 3.14 and the minimum P/BV appeared on July 21, 2022 with the value 2.21. From the graph, there is a significant drop in 2018 of P/BV, this is due to a rapid decrease in price of TFMAMA, which had dropped from 189.5 on March 6, 2018 to 151 on July 11, 2018, a more than 20% drop in price, from above 5Y average price to the minimum 5Y price, within 5 months. TFMAMA's 2017 Annual report (annual report is published around March each year), and looking into the report, there is a finding showing in a scene of a drop in net profit from 2,871 million THB in 2016 to 2,853 million THB in 2017, despite an increase in sales revenue and total assets, which may result in investors' lost trust in TFMAMA and thus the price dropped dramatically. Despite the fact that the D/E ratio was lower than the previous year (down from 0.17 to 0.14 at the time), indicating that the company is better able to finance its business and operations for growth, ROA fell from 15.83 to 14.45, indicating that the company was losing profitability in relation to total assets. Additionally, the company's declining profit margins and ROE may have alarmed investors, leading to a huge price decline in that five-month period.

Today, as of March 3, 2022, TFMAMA's current P/BV is 2.25, which is below the 5-year average of 2.53. It is in between the -1SD band of 2.36 and -2SD band of 2.19. If TFMAMA's P/BV value continues to fall, it generally means the stock is becoming less expensive and moving away from trading at a premium to its book value.

From TFMAMA's 5-year Trailing P/BV ratio, the target price can be calculated as follows:

$$\text{Target price} = \text{BV} \times \text{5-Year P/BV average} = 89.16 \times 2.53 = 225.57$$

With the current price of 202, the result indicates that TFMAMA's stock price is at an **upside potential of 225.57/202-1 = 11.67%**.

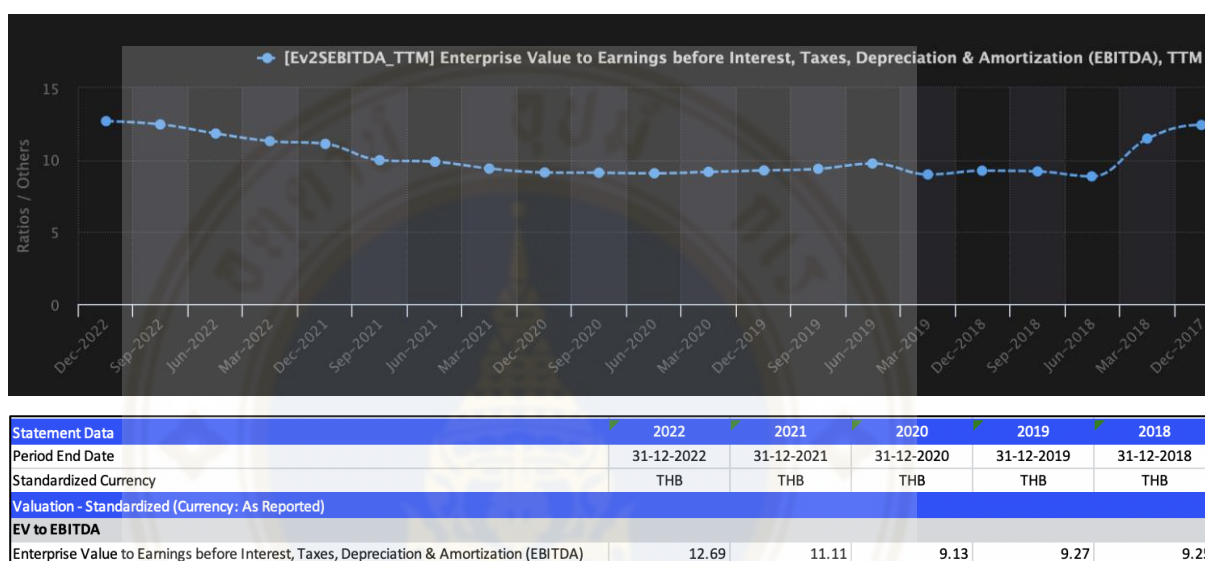
Figure 4.6: TFMAMA's Trailing P/BV Band

Source: Eikon, self-plotted

- **TFMAMA's 5-Year Enterprise Value to EBITDA (EV/EBITDA)**

TFMAMA's valuation data on Trailing EV/EBITDA information is lacking, making the processing and provision of the data limited for further usage; only historical annual and quarterly data are available in this field (EV/EBITDA), as shown in the table below:

Figure 4.7: TFMAMA's 5-year EV/EBITDA information



Source: Eikon

The 5-year average of the EV/EBITDA value would be 10.41 based on the available data. The standard deviation of the EV/EBITDA ranges between ± 1.90 from the average EV/EBITDA, and ± 3.80 from the average EV/EBITDA for two standard deviations.

TFMAMA's current EV/EBITDA as of 3 March 2023 is at the value of 12.69, which is above +1SD band of 12.50 but does not exceed +2SD of 14.40. Thus, the result can conclude that relative to its 5-year historical data on EV/EBITDA, TFMAMA is currently overvalued.

From TFMAMA's 5-year EV/EBITDA data, the target price can be calculated consecutively as follows:

$$\text{Target EV} = \text{EBITDA} \times \text{5Y EV/EBITDA average} = 4977.97 \times 10.41 = 51820.6677; \text{ and,}$$

$$\text{Target price} = (\text{Target EV} - \text{Debt} + \text{Cash}) / \text{Number of shares} = (51820.6677 - 109.88 + 12232.18) / 329.704014 = 193.94$$

With the current price of 202, the result indicates that TFMAMA's stock price is at a **downside potential of 193.94/202-1 = -3.99%**.

- **Conclusion: TFMAMA 5-year historical bands**

According to TFMAMA's historical multiples bands, both the P/E and EV/EBITDA historical bands indicate that the stock is now overpriced, whilst the P/BV historical band indicates that it is undervalued. The three multiples do not support the same conclusion; additionally, given the scarcity of information on both Trailing historical EV/EBITDA (some quarter information was also missing), as well as TFMAMA forward estimates by analysts, I have concluded that using its own historical data to estimate its performance may not be the best option. As a result, in the next part, I will compare and review its peers to determine which conclusion is most suited for the evaluation.

4.2.2 Peer group multiples

- **Selection of peers**

The peers selected to generate comparisons differ from the previous competitor valuation in Chapter 3. For relative evaluation, benchmark companies are chosen to be domestic peers (from Thailand) from the same food industry that produce similar ready-to-eat products and processed food as their main selling products because they will share more similar asset and cost structures, as well as their profitability, growth rate, and stock risk, which will be more suitable for evaluation to reflect clearer results in terms of peers comparability. The peer companies names are; NR Instant Produce PCL (stock name: NRF.BK), NSL Foods PCL (stock name: NSL.BK), Thai Wah PCL (stock name: TWPC.BK), Surapon Foods PCL (stock name: SSF.BK), and T S Flour Mill PCL (stock name TMILLm.BK). NR Instant Produce PCL (NRF.BK) is a Thai food manufacturer and distributor. Following TFMAMA.BK, it has the highest market capitalization among local ready-to-eat manufacturer peers. NRF.BK, like TFMAMA, operates

many brands, including Por Kwan, Sabzu, Lee Brand, Thai Delight, and Dede, producing products such as Soup Powder, Chili Paste, Crab and Shrimp Paste, Meal Kits, Instant Noodles/Pasta, Frozen Food, Dipping Sauces, Cooking Sauces, Spices and Condiments, Instant Beverages, Pasteurized Juices, and Dry vegetables.

NSL Foods Public Company Limited (NSL.BK) manufactures bread for supermarkets and convenience store chains. The company produces and sells bakery goods, ready-to-eat foods, and snacks. In addition, the company offers food processing services. Chilee, Natural Bites, Pangtai, and Butterfin are among its brands. It also creates snacks for both domestic and international markets, such as Butterfin, ChiLee, and others, which are manufactured in its factory.

Thai Wah Public Company Limited (TWPC.BK) produces and distributes vermicelli, tapioca starch, and other food products. The Company is divided into two business segments: starch and food. The Food segment is responsible for the production and distribution of vermicelli and other food products. The Company sells its products through a variety of channels, such as wholesalers, retailers, department stores, convenient stores and supermarkets.

This part of valuation will also include smaller capitalization of peers like **Surapon Foods PCL (SSF.BK)** and **T S Flour Mill PCL (TMILLm.BK)** that also operate in producing processed and ready-to-eat food products.

- **Peer group comparison of multiples**

Below is the financial summary of the comparable benchmark companies and TFMAMA as of March 13, 2022. (SOURCE: EIKON)

Figure 4.8: Financial multiples of TFMAMA and peers

Identifier (RIC)	Company Name	Company Market Capitalization (M. thb)	Price Close (thb)	Trailing P/E	P/BV	EV / EBITDA
TFMAMA.BK	Thai President Foods PCL	65,611.10	204.00	24.14	2.26	12.83
NRF.BK	NR Instant Produce PCL	7,726.22	5.45	27.09	2.61	22.07
NSL.BK	NSL Foods PCL	6,420.00	21.70	21.88	4.63	12.98
TWPC.BK	Thai Wah PCL	4,226.02	4.80	14.17	0.80	5.62
SSF.BK	Surapon Foods PCL	2,254.49	8.35	27.01	1.21	7.30
TMILLm.BK	T S Flour Mill PCL	1,586.68	4.00	14.58	1.47	9.65
			Peer Average	20.95	2.14	11.52
			Peer Median	21.88	1.47	9.65
			Max	27.09	4.63	22.07
			Min	14.17	0.80	5.62

Source: Eikon, self-calculation

The lower rows of the table compare TFMAMA, Peer Average and Peer Median of Trailing P/E, P/BV, and EV/EBITDA among the benchmark peer group. These results are calculated without TFMAMA's data to examine market performance without the firm, and the results of each multiple will be used to examine the firm's position (TFMAMA). The median value is more practical than the average value because it is less affected by outliers.

The peers' average Trailing P/E ratio is 20.95x, and the median is 21.88x, both of which are lower than TFMAMA's Trailing P/E ratio. This indicates that the firm's P/E ratio is overvalued in relation to the market. Price to book value is 2.14x on average, and the median is 1.47x, indicating an overvaluation of P/BV on TFMAMA (2.26x). Finally, for EV/EBITDA, the peer average is 11.52, with a median of 9.65. TFMAMA leveled off both values with 12.83, indicating an overvalued result. However, it is worth noting that TFMAMA has high values in all multiples but not the highest values among all; the highest Trailing P/E goes to NRF, the highest P/BV goes to TMILL, and the highest EV/EBITDA goes to NRF; this eliminates the possibility that TFMAMA is an outlier to this multiple set, which is proven here to be false.

- **Expected Prices from Relative Valuation**

Figure 4.9: Expected price of TFMAMA from Relative Valuation

Price as of March 3, 2023	202			
TFMAMA (2022)				
EPS	8.45			
BV per share	89.94			
EBITDA (M. thb)	4977.97			
Debt (M. thb)	109.88			
Cash (M. thb)	3827.28			
Number of Shares	329.7			
Multiples	P/E Multiple	P/BV Multiple	EV/EBITDA Multiple	
Multiple (Max)	27.09	4.63	22.07	
Multiple (Median)	21.88	1.47	9.65	
Multiple (Min)	14.17	0.80	5.62	
Expected Price (Max)	228.91	416.40	344.50	
Expected Price (Median)	184.89	132.21	156.98	
Expected Price (Min)	119.74	71.95	96.13	

Source: Self-calculation

By using the multiples from the previous findings, the Expected prices or Target prices can be generated with the equations;

- $P/E \text{ median multiple} = \text{Expected price} \div \text{Earnings}$

The median P/E multiple is plugged into the equation to find the Expected price, thus, Expected Price = 21.88 x 8.45 = 184.89 thb. Where, the Minimum and Maximum P/E multiples also show the Expected price between the prices of 119.74 and 228.91 thb. According to P/E median multiple, TFMAMA is at downside potential.

- $P/BV \text{ median multiple} = \text{Expected price} \div \text{Book Value per share}$

The median P/BV multiple is plugged into the equation to find the Expected price, thus, Expected Price = 1.47 x 89.94 = 132.21 thb. Where, the Minimum and Maximum P/BV multiples also show the Expected price between the prices of 71.95 and 416.40 thb. According to P/BV median multiple, TFMAMA is at downside potential.

- $EV/EBITDA \text{ median multiple} = \text{Enterprise Value} \div \text{EBITDA}$

The median EV/EBITDA multiple is plugged into the equation to find the Expected price, thus, Expected Price = $((4977.97 \times 9.65) - 109.88 + 2827.28) / 329.7 = 156.98$ thb. Where, the Minimum and Maximum EV/EBITDA multiples also show the Expected price between the prices of 96.13 and 344.60 thb. According to EV/EBITDA median multiple, TFMAMA is also at downside potential.

- **Peer group comparison of fundamentals and outlook**

Figure 4.10: Peers and TFMAMA's financial ratios

Identifier (RIC)	Company Name	Company Market Capitalization (M. thb)	BETA	ROE (%)	Net Profit Margin (%)	Debt Ratio (%)	Payout Ratio (%)	5Y EPS Growth (2018-2022)
TFMAMA.BK	Thai President Foods PCL	65,611.10	0.09	9.62	14.96	0.26	76.69	-18.2%
NRF.BK	NR Instant Produce PCL	7,726.22	0.90	10.97	11.66	40.05	15.08	185.7%
NSL.BK	NSL Foods PCL	6,420.00	1.21	10.20	7.44	10.79	30.24	280.8%
TWPC.BK	Thai Wah PCL	4,226.02	0.94	5.72	2.88	20.41	63.75	54.5%
SSF.BK	Surapon Foods PCL	2,254.49	0.66	4.39	2.85	25.22	155.72	-229.2%
TMILLm.BK	T S Flour Mill PCL	1,586.68	0.51	12.89	5.57	25.10	76.52	-10.0%
	Peer Average		0.84	8.83	6.08	24.31	68.26	56.37%
	Peer Meadian		0.90	10.20	5.57	25.10	63.75	54.55%

Source: Eikon

This section provides a summary of key financial ratios that explain more about the financial structures and performance of the companies. The following are the collected 2022 ratios (Source: Eikon), with each ratio's value explained as follows;

Beta is a measure of a stock's volatility in relation to the market as a whole. The market (i.e. SET100) has a beta of 1.0, and by definition, an individual stocks are ranked based on how much they deviate from SET100. A stock with a beta greater than 1.0 swings more than SET100 market index over time. In this case, for TFMAMA's stock has the lowest beta (=0.09) among its peer. This indicates that TFMAMA's security is theoretically less volatile than the market, which means it is best to invest in this aspect.

TFMAMA's **Net Profit Margin** is also the highest among all peers, at 14.96%, while the peer average is only 6.08%, less than half of TFMAMA's Margin. This demonstrates that TFMAMA can effectively control its costs and provide goods or services at a significantly higher price than its costs.

TFMAMA's **ROE (%)** is slightly above average, and when combined with its lowest Debt ratio among peers, this confirms that TFMAMA is achieving higher profitability than its peers.

TFMAMA's **Dividend Payout Ratio** ranks second among peers. Apart from SFF stock (which has an extremely high payout ratio of 155.72% and an Earning Retention Rate of -0.56 in 2022), indicating that SFF pays its shareholders more dividends than it earns in a year, according to an Eikon report on SFF's financial summary. In this case, SFF can be considered an outlier, making TFMAMA the highest payout company among peers, which is the most attractive to invest in.

However, TFMAMA has a negative -18.2% EPS growth rate during the past five years (2018-2022). Given TFMAMA's constant Outstanding Shares value of 329.7 M thb, the negative EPS growth is due to a 10% decline in earnings over the years. Despite the constantly increasing revenue, the gross profit margin has decreased from 34.1% to 28.7% from 2021 to 2022. This confirms the previous indication that the food market is confronted with the challenge of rising raw material costs, TFMAMA included.

- **Conclusion: TFMAMA and Peer group comparison of fundamentals and outlook**

In conclusion, TFMAMA's fundamentals are stronger than those of its peers. TFMAMA has the lowest beta, which implies it is less volatile, in terms of stock volatility. TFMAMA's profitability performance is above average, with a modest ROE and the largest net profit margin. Despite the negative increase in EPS, which is an inconsistent tendency in the food business, TFMAMA's Payout ratio, omitting a peer (SFF), is the most appealing to buy in. Consequently, in terms of fundamentals, TFMAMA is thought to be a stronger company to invest in than its peers.

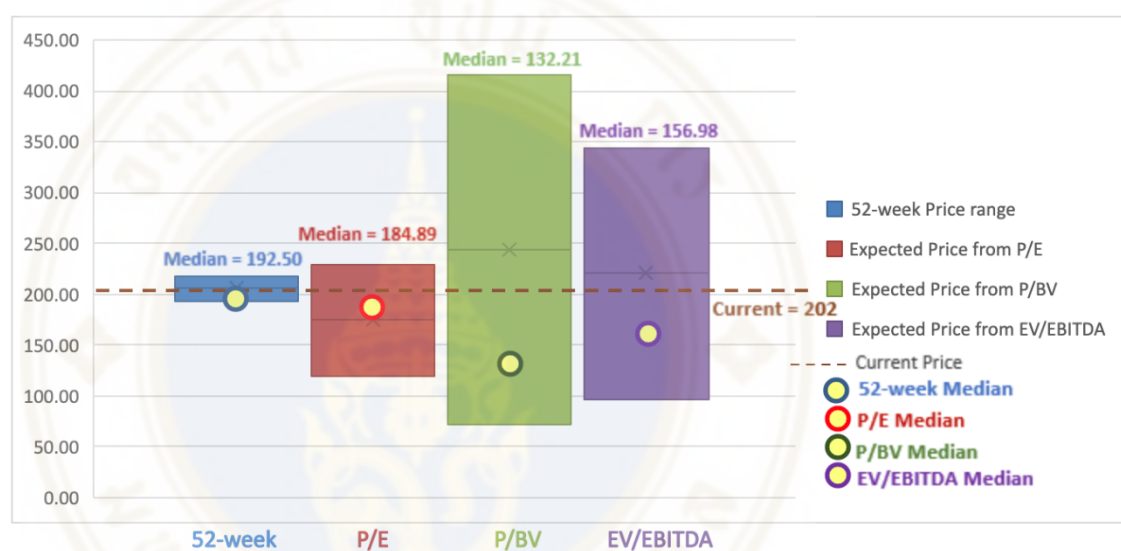
4.3 Valuation recommendation

Figure 4.11: TFMAMA's Targeted price summary from relative valuation

Current Price = 202	lo(bar)	Min	hi(bar)	Max	Median
52-week Price range	193.00	193.00	218.00	218.00	192.50
Expected Price from P/E	119.74	119.74	228.91	228.91	184.89
Expected Price from P/BV	71.95	71.95	416.40	416.40	132.21
Expected Price from EV/EBITDA	96.13	96.13	344.50	344.50	156.98

Source: Self-calculation

Figure 4.11: TFMAMA's Football Field Targeted price summary



Source: Self-calculation

The table above shows the valuation analysis summary for TFMAMA's Target prices, and the football field chart above shows the overlapping ranges of each method's targeted price. Let alone TFMAMA's 52-week Price range, a fair range for TFMAMA's price is between 119.74 and 228.91 baht, which is the range generated by the peers' P/E multiples. As a result, the P/E multiple is the most appropriate multiple to use in terms of peer valuation. However, looking at TFMAMA's previous 52-week price range, which is between 193 and 218 baht, offered an even closer range to TFMAMA's current price of 202 baht (as of 3 March 2023), which also fits within the range of all peer

multiples supplied Expected price. However, while the current price of 202 baht is at the upper end of the P/E football field and at the lower end of the other two multiples (P/BV and EV/EBITDA), it can be interpreted from the football field graph that the area of upside is overall larger than the area of downside, implying that TFMAMA has a higher tendency to grow upside, according to peer valuation.



CHAPTER V

INVESTMENT RISKS

5.1 Risk of Price and Availability of Raw Materials

There were issues with the supply chain last year due to the epidemic, which has not yet been fully addressed and leading to the imbalance between supply and demand that had an impact on the cost and timing for delivery. TFMAMA faced the risk of having insufficient supplies and price fluctuations of its primary raw materials, such as wheat, palm oil, and rice as well as secondary raw materials and processed agricultural goods used as additives.

Even though on 24 August 2022 the Department allow the company to increase the selling price by 1 baht per pack, it still could not compensate for all of the increase in raw material price. Nonetheless, the corporation used futures contracts to buy rice and palm oil when the prices were lower and carefully monitored the effects on the prices to reduce the risk of price fluctuations. Besides, to reduce the risk of raw material shortages and to retain the ability to bargain with suppliers, the company purchased a large number of raw materials from various distributors. (Prachachat.net, 2022)

5.2 Risk of Exchange Rate

Since the firm exports its products to other countries and earned revenue in foreign currency, it is exposed to the risk of exchange rates. So far, the Firm had no foreign loan obligations and invested in foreign exchange forward contracts for the purpose of hedging exchange rate risk rather than speculation. Furthermore, the company handled foreign exchange risk by matching foreign income from exports with foreign expenditure from purchasing raw materials, machinery, and equipment from other countries.

5.3 Risk of Major Shareholder Holding More Than 25% of Total Shares

On page 37 of the Thai President Public Company Limited's Annual Report 2021, it is shown that Saha Pathana Inter-Holding PCL had a total of 85,654,153 shares, or 25.98% of paid-up capital– a cross holding.

A cross holding happens when one publicly listed company holds a significant number of shares in another publicly traded company, which can result in several risk concerns such as double counting if the financial data of the two companies is not explicitly handled. As a result, as an investor, it is critical to keep up with Saha Pathana Inter-Holding PCL and the firm's news because it is a major shareholder and may have a significant impact on TFMAMA's management and performance.

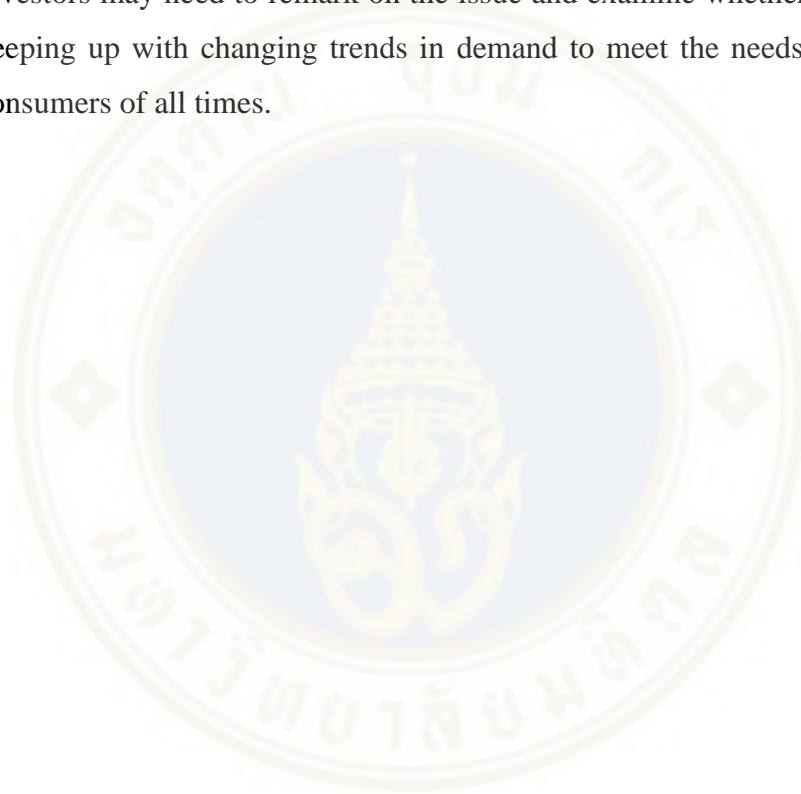
5.4 Risk of Distribution Channel

The Instant food product line is the largest contributor to Thai President's Sales income (approximately 40%). SPC, a local consumer goods distributor, received more than 50% of total domestic sales of instant noodles, semi-finished foods, and biscuit product. Despite the fact that the two companies' business connections have been lengthy and steady, the risk of reliance on one big domestic distributor is obvious. Nonetheless, the Business intends to raise its exporting share and has formed a working panel to extend alternative distribution channels through subsidiaries.

The Bakery product line is the second largest contributor to Thai President's Sales revenue (approximately 30%), with 40% of total revenues supplied to CP All PLC. As a result, if the Business loses business volume with this significant distributor, its sales income would suffer. Besides the dependence risk, the Business is confident in continuing to do business with this big distributor because there is mutual benefit for both sides. Yet, given CP ALL PLC's significant contribution to Thai President distribution channels, it is vital for investors to stay up to date on both the firms' news.

5.5 Competition and Change in Demand Risks

Industrial rivalry is likewise growing tougher as new technology and ideas are introduced. Technological advancements and innovations may endanger the company's operations in terms of supplies, business methods, and distribution networks. If the company does not adapt to changing technologies to efficiently operate and expand to meet consumers' emerging desires and habits, its profitability, marketing share, and, eventually, brand value may suffer. Thus, investors may need to remark on the issue and examine whether the company is keeping up with changing trends in demand to meet the needs and lifestyle of consumers of all times.



CHAPTER VI

CONCLUSION

Thai President Foods PLC (Stock symbol: TFMAMA) is assessed using the relative valuation approach in this thematic paper to determine the appropriate target price. The major multiples used to evaluate TFMAMA's value are P/E, P/BV, and EV/EBITDA.

Due to TFMAMA's own historical multiples not aligning in the same direction towards TFMAMA's current performance; P/E and EV/EBITDA show overvalued while P/BV shows undervalued, as well as the limited historical and forward data, I chose to use peer-based relative valuation as the appropriate method to determine TFMAMA's value.

While TFMAMA's fundamentals show positive signals of leadership through peer comparison, with the lowest beta (0.09), lowest debt ratio, and best profit margin, P/E multiple is selected as the most acceptable multiple to assess the value of TFMAMA for peer multiples comparisons based on overlapping range. TFMAMA's P/E ratio is now at a moderate level when compared to its peers, with a value of 24.14x, compared to the peers' range of 14.17x - 27.09x. This shows the level of sensitivity of TFMAMA's price. Using the P/E multiple, the price of TFMAMA is predicted range between 119.97 and 228.91 THB, and to elevate the targeted price, I use P/E multiple's median for comparison to the current price, which is 184.89 THB (median) and 202 THB (current), meaning TFMAMA's present price is considered expensive by 8.47%.

Given that the current price is 8.47% overvalued, which is regarded as an acceptable level of overvaluation, it is advised for current holders to HOLD from the standpoint of an investor. Future aspects show that if TFMAMA's price rises to 221.86 THB (a result of a 20% increase in the P/E multiple median), it would be overvalued and investors would be advised to SHORT a position. On

the other hand, the investors are advised to BUY in the event that the price falls below 147.91THB by more than 20% from the median P/E multiple.

In conclusion, despite the risks and difficulties the company faces as a result of the rise in raw material prices and other concerns, TFMAMA has managed to stand out among its competitors by showcasing a strong structure within the operational framework. Notwithstanding the fact that the company's growth should not be anticipated to be exponential and that the current price is somewhat overvalued, I would advise “HOLDING” TFMAMA at its current price.



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