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### KEY HIGHLIGHTS

#### Update

**Charoen Pokphand Foods (CPF TB/HOLD/Bt28.50/Target: Bt28.75)** Page 2

Less exciting earnings in 2021.

**Thai Vegetable Oil (TVO TB/BUY/Bt35.25/Target: Bt44.00)** Page 5

Expect strong earnings in 2021.

**True Corporation (TRUE TB/BUY/Bt3.48/Target: Bt4.00)** Page 8

4Q20 results preview: Expect lower qoq core operating loss.

### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,519.13	(16.85)	(1.10)
SET50	957.86	(13.49)	(1.39)
Value (Btm) - SET	88,577		
<b>Top 5 Sector</b>			
BANK	360.39	(3.90)	(1.07)
PETRO	1,049.17	(11.24)	(1.06)
PROP	212.69	(2.22)	(1.03)
ENERG	24,145.34	(391.38)	(1.60)
ICT	139.71	(0.35)	(0.25)

Source: Bloomberg

### TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PTT	43.25	(1.70)	124,773.6
EA	62.25	(4.23)	54,259.8
GPSC	81.50	(2.98)	37,668.9
TASCO	20.40	(3.32)	131,719.2
CPALL	59.50	0.00	44,633.7

### TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
AQ	0.03	50.00	98,310.1
IRCP	1.23	29.47	32,414.6
BTNC	15.80	24.41	0.4
T	0.07	16.67	50,478.1
CSS	2.16	13.09	91,162.2

### TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
MPG	0.44	(15.38)	12,946.4
ZMICO	1.02	(12.07)	8,104.9
NEW	49.25	(12.05)	8.2
JUTHA	1.46	(12.05)	368.5
TFI	0.15	(11.76)	47,609.0

### KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	54.9	5.0	25.1	6.0
Dubai crude*	54.6	9.6	34.7	8.7
Baltic Dry Index	1,754.0	32.4	18.8	28.4
Gold Spot***	1,820.9	(3.2)	(4.1)	(4.1)

\*(US\$/bb), \*\*\* (US\$/toz)

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(19.2)	197.4	197.4	(6,180.5)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 30.08

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)\* - MLR = 5.25

### COMPANY UPDATE

## Charoen Pokphand Foods (CPF TB)

Less Exciting Earnings In 2021

We think CPF's 4Q20 earnings would drop qoq due to seasonality, but increase yoy on one-off gains from the acquisition of a swine business in China. For 2021, we think rising feed cost would pressure its gross margin. We project 2021 net profit to decline 17% yoy. However, stripping out one-off gains in 2020, core earnings would decrease 4% yoy in 2021. Maintain HOLD with a lower target price of Bt28.75. Entry price: Bt24.25.

### WHAT'S NEW

- **Domestic meat prices declined qoq while feed cost increased qoq in 4Q20.** In 4Q20, domestic swine price was Bt76.00/kg, down from Bt80.00 in 3Q20. Domestic chicken price was Bt32.00/kg, down from Bt33.67 in 3Q20. However, soybean meal price was Bt16.87/kg, up 20% qoq. Domestic corn price was Bt9.08/kg, down 2% qoq. The decline in meat prices was due to seasonality while soybean meal prices rose due to strong soybean demand from China and impact from La Nina in South America.
- **4Q20 earnings to drop qoq but increase yoy.** We project 4Q20 net profit at Bt5,319m, down 29% qoq on low meat prices, but would surge 33% yoy on one-off gains from the acquisition of a swine business in China for US\$84m. 4Q20 sales would have tumbled 16% yoy and 25% qoq after CPF cut its stake in Chia Tai Investment from 49.7% to 17.4%. Gross margin is expected at 15.9%, flat yoy but down from 19.1% in 3Q20 due to seasonality.

### STOCK IMPACT

- **2021 earnings would be less exciting.** Management sees domestic swine prices would remain firm in 2021 due to tight supply, especially as there is still no vaccine for the African Swine Fever outbreak in China and Vietnam. In addition, chicken prices would improve yoy in 2021 due to the expected economic recovery on an easing in the COVID-19 pandemic. Besides, the company would try to improve its livestock breeding efficiency to tackle with rising feed costs. We forecast 2021 net profit to decline 17% yoy, mainly due to a high base on one-off gains in 2020. Stripping out the one-off gains, 2021 core profit could drop 4% yoy as gross margin would be impacted by rising feed cost.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	541,937	532,573	557,414	505,782	520,162
EBITDA	28,867	37,002	61,090	51,224	52,895
Operating profit	13,660	21,485	45,016	34,203	34,927
Net profit (rep./act.)	15,531	18,456	24,932	20,699	22,010
Net profit (adj.)	15,531	18,456	24,932	20,699	22,010
EPS (Bt)	1.8	2.1	2.9	2.4	2.6
PE (x)	15.8	13.3	9.8	11.9	11.2
P/B (x)	1.6	1.6	1.4	1.3	1.2
EV/EBITDA (x)	22.4	17.5	10.6	12.7	12.3
Dividend yield (%)	2.3	2.7	3.7	3.0	3.2
Net margin (%)	2.9	3.5	4.5	4.1	4.2
Net debt/(cash) to equity (%)	181.4	180.4	171.1	168.1	157.8
Interest cover (x)	2.5	2.7	3.7	3.1	3.1
ROE (%)	9.3	11.1	13.8	10.3	10.3
Consensus net profit	-	-	22,293	20,303	19,892
UOBKH/Consensus (x)	-	-	1.12	1.02	1.11

Source: CPF, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	Bt28.50
Target Price	Bt28.75
Upside	+0.9%
(Previous TP)	Bt29.50)

### COMPANY DESCRIPTION

CPF, which is Thailand's leading conglomerate, engages in the agro-industrial processing of feed, farm and food.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CPF TB
Shares issued (m):	8,413.6
Market cap (Btm):	239,786.7
Market cap (US\$m):	7,996.4
3-mth avg daily t'over (US\$m):	47.0

### Price Performance (%)

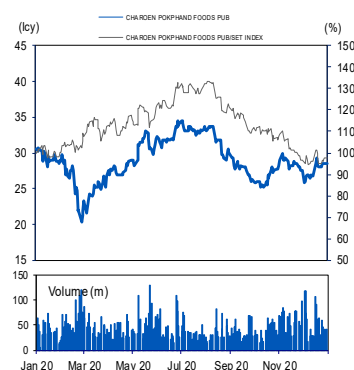
52-week high/low	Bt34.50/Bt20.30			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
1.8	7.5	(14.9)	(2.6)	6.5

### Major Shareholders

	<b>%</b>
Charoen Pokphand Group Co., Ltd.	25.1
Charoen Pokphand Holding Co., Ltd.	11.8
Charoen Pokphand Food Plc.	6.3

FY21 NAV/Share (Bt)	22.31
FY21 Net Debt/Share (Bt)	40.44

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### EARNINGS REVISION/RISK

- We trim our 2020-21 net profit projections by 3% and 2% respectively as soybean meal prices are rising more than what we had earlier expected.

### EARNINGS REVISION

CPF	2018	2019	----- 2020F -----		----- 2021F -----	
			old	new	old	new
Net profit (Btm)	15,531	18,456	25,654	24,932	21,112	20,699
%changed			0%	-3%	-3%	-2%
%YoY	2%	19%	39%	35%	-18%	-17%
Core profit (Btm)	1,530	10,169	20,093	18,627	18,230	17,818
%changed			-2%	-7%	-3%	-2%
%YoY	NM	564%	98%	83%	-9%	-4%
Gross margin (%)	12.12%	14.33%	18.09%	17.98%	16.38%	16.28%
Sales growth(%)	8.06%	-1.73%	4.66%	4.66%	-9.26%	-9.26%
domestic chicken price (Bt/kg)	32.63	35.25	33.92	33.29	36.56	36.56
domestic swine price (Bt/kg)	58.68	68.41	75.33	74.58	79.48	80.55

Source: UOB Kay Hian

### VALUATION/RECOMMENDATION

- **Maintain HOLD with a lower target price of Bt28.75**, pegged at 12x 2021F PE, or -0.5SD to its 5-year mean. Entry price is Bt24.25. We think 2021 earnings would be less exciting yoy but dividend yield would still be appealing at 3.0%.

### SHARE PRICE CATALYST

- Economic recovery and a rising population would lead to higher food demand.

### 4Q20 EARNINGS PREVIEW

(Btm)	4Q19	3Q20	4Q20F	% YoY	% QoQ
Sales	140,794	157,805	117,669	-16	-25
Gross profit	22,083	30,141	18,688	-15	-38
SG&A	15,302	15,695	11,943	-22	-24
EBIT	12,413	17,729	13,463	8	-24
Net Profit	4,010	7,474	5,319	33	-29
Core Profit	2,376	6,497	2,086	-12	-68
EPS (Bt)	0.47	0.87	0.62	33	-29

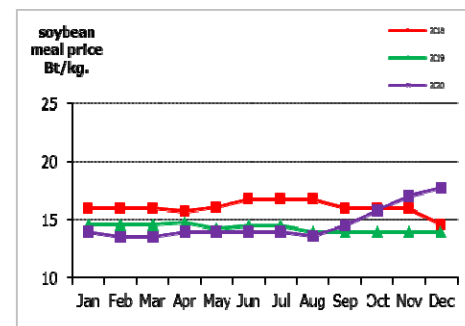
Source: UOB Kay Hian

### CPF: FORWARD PE BAND



Source: UOB Kay Hian

### SOYBEAN MEAL PRICES



Source: CPF

### PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Net turnover</b>	<b>532,573</b>	<b>557,414</b>	<b>505,782</b>	<b>520,162</b>
EBITDA	37,002	61,090	51,224	52,895
Deprec. & amort.	15,517	16,074	17,021	17,968
EBIT	21,485	45,016	34,203	34,927
Total other non-operating income	9,725	8,396	3,602	5,340
Associate contributions	8,893	9,612	20,233	21,734
Net interest income/(expense)	(13,785)	(16,444)	(16,688)	(17,267)
<b>Pre-tax profit</b>	<b>29,544</b>	<b>45,585</b>	<b>41,349</b>	<b>44,535</b>
Tax	(5,446)	(9,398)	(8,270)	(8,907)
Minorities	(5,642)	(11,255)	(12,380)	(13,618)
<b>Net profit</b>	<b>18,456</b>	<b>24,932</b>	<b>20,699</b>	<b>22,010</b>
Net profit (adj.)	18,456	24,932	20,699	22,010

### CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Operating</b>	<b>40,609</b>	<b>42,871</b>	<b>14,052</b>	<b>29,522</b>
Pre-tax profit	29,544	45,585	41,349	44,535
Tax	(5,446)	(9,398)	(8,270)	(8,907)
Deprec. & amort.	15,517	16,074	17,021	17,968
Associates	8,893	9,612	20,233	21,734
Working capital changes	(10,521)	10,441	(15,091)	(1,878)
Non-cash items	n.a.	n.a.	n.a.	n.a.
Other operating cashflows	2,621	(29,444)	(41,191)	(43,930)
<b>Investing</b>	<b>(26,648)</b>	<b>(62,962)</b>	<b>(22,540)</b>	<b>(22,540)</b>
Capex (growth)	0	(22,540)	(22,540)	(22,540)
Investments	n.a.	n.a.	n.a.	n.a.
Others	(26,648)	(40,422)	0	0
<b>Financing</b>	<b>(12,035)</b>	<b>48,988</b>	<b>7,486</b>	<b>1,091</b>
Dividend payments	0	(8,447)	(7,694)	(7,909)
Issue of shares	399	0	0	0
Proceeds from borrowings	0	57,435	15,180	9,000
Loan repayment	0	0	0	0
Others/interest paid	(12,434)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>1,927</b>	<b>28,896</b>	<b>(1,002)</b>	<b>8,072</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>30,044</b>	<b>30,377</b>	<b>59,273</b>	<b>58,271</b>
Changes due to forex impact	(1,594)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>30,377</b>	<b>59,273</b>	<b>58,271</b>	<b>66,343</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Fixed assets</b>	<b>197,430</b>	<b>229,632</b>	<b>243,157</b>	<b>256,681</b>
Other LT assets	257,979	301,684	300,626	299,738
Cash/ST investment	30,376	59,273	58,271	66,343
Other current assets	148,270	162,836	182,731	186,857
<b>Total assets</b>	<b>634,056</b>	<b>753,425</b>	<b>784,784</b>	<b>809,619</b>
ST debt	137,407	128,004	113,184	99,184
Other current liabilities	60,304	57,987	60,109	61,269
LT debt	196,495	263,333	293,333	316,333
Other LT liabilities	20,972	50,020	51,071	51,645
Shareholders' equity	168,280	194,126	207,131	221,231
Minority interest	50,597	59,957	59,957	59,957
<b>Total liabilities &amp; equity</b>	<b>634,056</b>	<b>753,425</b>	<b>784,784</b>	<b>809,619</b>

### KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
<b>Profitability</b>				
EBITDA margin	6.9	11.0	10.1	10.2
Pre-tax margin	5.5	8.2	8.2	8.6
Net margin	3.5	4.5	4.1	4.2
ROA	2.9	3.6	2.7	2.8
ROE	11.1	13.8	10.3	10.3
<b>Growth</b>				
Turnover	(1.7)	4.7	(9.3)	2.8
EBITDA	28.2	65.1	(16.2)	3.3
Pre-tax profit	6.9	54.3	(9.3)	7.7
Net profit	18.8	35.1	(17.0)	6.3
Net profit (adj.)	18.8	35.1	(17.0)	6.3
EPS	18.8	35.1	(17.0)	6.3
<b>Leverage</b>				
Debt to total capital	60.4	60.6	60.3	59.6
Debt to equity	198.4	201.6	196.3	187.8
Net debt/(cash) to equity	180.4	171.1	168.1	157.8
Interest cover (x)	2.7	3.7	3.1	3.1

### COMPANY UPDATE

## Thai Vegetable Oil (TVO TB)

Expect Strong Earnings In 2021

Global soybean prices are rising, thanks to strong soybean demand from China and recent crop losses in the US. In addition, the drought brought about by La Nina in South America would also support soybean prices. Also, rising domestic palm oil prices from the implementation of the B10 mandate which started in Oct 20 would be positive for soybean oil prices. We think TVO's earnings in 2021 would be strong on rising soybean meal and soybean oil prices. Maintain BUY and raise target price to Bt44.00.

### WHAT'S NEW

- **Global soybean prices are rising.** Current soybean price is US\$14.11/bushel and Thai Vegetable Oil (TVO) expects soybean prices at US\$14.50-15.00 within the next couple of months due to strong demand from China and the recent crop loss in the US. Note that China imported 100m tons of soybean in 2020, a record high and amid the COVID-19 pandemic, driven by growing soybean meal demand as China's pig production is still recovering from the African Swine Fever outbreak. Besides, according to a USDA report in Jan 21, ending stock for US soybeans in 2021 is projected at 140m bushels, which is the lowest in seven years. Furthermore, the drought brought about by La Nina in South America would also support soybean prices.
- **Soybean oil prices expected to be firm in 2021.** Palm oil is generally considered a substitute for soybean oil and prices of these two products always move in the same direction. TVO management sees healthy domestic palm oil prices this year, thanks to the stricter implementation of the B10 mandate which started on 1 Oct 20 and lower production of palm fruits in Thailand. Rising domestic palm oil prices would also support domestic soybean oil prices.

### STOCK IMPACT

- **2021 earnings would be strong.** We think 4Q20 net profit is likely to be the highest for 2020, thanks to the 15% qoq rise in soybean meal ASP. In addition, the uptrend in soybean meal and soybean oil prices in 2021 would definitely be positive for TVO's earnings as its gross margin expands when soybean prices rise. We project 2021 net profit to grow 26% yoy.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	25,077	23,587	25,019	31,756	34,631
EBITDA	2,385	1,967	2,630	3,214	3,384
Operating profit	2,046	1,595	2,181	2,740	2,884
Net profit (rep./act.)	1,867	1,411	1,759	2,221	2,349
Net profit (adj.)	1,783	1,364	1,741	2,221	2,341
EPS (Bt)	2.4	1.8	2.3	3.0	3.1
PE (x)	14.9	19.4	15.2	11.9	11.3
P/B (x)	3.1	3.1	2.9	2.6	2.5
EV/EBITDA (x)	11.6	14.0	10.5	8.6	8.2
Dividend yield (%)	5.4	4.1	5.1	6.5	6.8
Net margin (%)	7.4	6.0	7.0	7.0	6.8
Net debt/(cash) to equity (%)	1.3	(2.9)	(17.3)	(13.8)	(5.1)
Interest cover (x)	681.4	630.3	863.4	1,526.6	1,607.2
ROE (%)	22.4	16.5	19.6	23.1	22.9
Consensus net profit	-	-	1,659	2,071	2,036
UOBKH/Consensus (x)	-	-	1.05	1.07	1.15

Source: TVO, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Bt35.25
Target Price	Bt44.00
Upside	+24.8%
(Previous TP)	Bt39.00)

### COMPANY DESCRIPTION

TVO manufactures and distributes soybean oil under the A-Ngoon brand, as well as raw materials of animal feed or soybean meal.

### STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	TVO TB
Shares issued (m):	808.6
Market cap (Btm):	28,503.5
Market cap (US\$m):	948.5
3-mth avg daily t'over (US\$m):	4.5

### Price Performance (%)

52-week high/low Bt35.50/Bt21.10

1mth	3mth	6mth	1yr	YTD
11.9	0.7	24.8	27.0	4.4

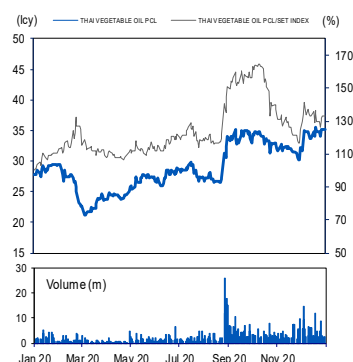
### Major Shareholders

	%
Miss SUDARATH VITAYATANAGORN	7.2
MR. VICHAI VITAYATHANAGORN	6.6
MRS. RATTANA CHANPITAKSA	5.2

FY21 NAV/Share (Bt) 13.32

FY21 Net Cash/Share (Bt) 1.83

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### EARNINGS REVISION/RISK

- We raise our 2020-21 net profit projections by 8.5% and 6.1% respectively as we lift our assumptions for soybean meal and soybean oil prices.

### EARNINGS REVISION

	2018	2019	2020F		2021F	
			old	new	old	new
Net profit (Btm)	1,867	1,411	1,621	1,759	2,093	2,221
%chg.			(13.4)	8.5	(2.8)	6.1
%yoy	40.8	(24.5)	14.9	24.7	29.1	26.3
Gross margin (%)	13.1	10.0	11.3	11.9	12.4	11.93
Sales growth (%)	2.1	(5.9)	5.3	6.1	14.4	26.93
Soybean meal price (Bt/kg)	16.05	14.29	14.3	14.69	16.4	20.08
Soybean oil price (Bt/kg)	46.86	42.80	45.0	43.22	48.5	45.83

Source: UOB Kay Hian

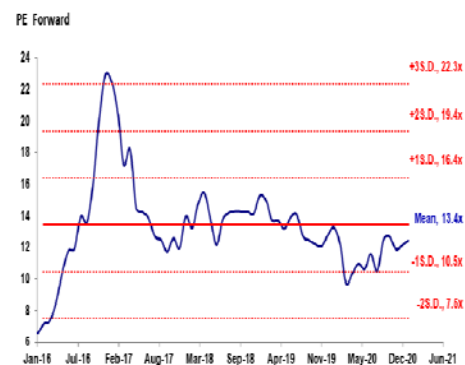
### VALUATION/RECOMMENDATION

- **Maintain BUY and raise target price to Bt44.00**, pegged at 16x 2021F PE, or +1SD to its 5-year mean.

### SHARE PRICE CATALYST

- High global soybean prices.

### TVO: PE BAND



Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Net turnover</b>	<b>23,587</b>	<b>25,019</b>	<b>31,756</b>	<b>34,631</b>
EBITDA	1,967	2,630	3,214	3,384
Deprec. & amort.	371	449	474	499
EBIT	1,595	2,181	2,740	2,884
Total other non-operating income	157	53	34	37
Net interest income/(expense)	(3)	(3)	(2)	(2)
<b>Pre-tax profit</b>	<b>1,749</b>	<b>2,231</b>	<b>2,772</b>	<b>2,920</b>
Tax	(352)	(434)	(519)	(548)
Minorities	(45)	(61)	(32)	(32)
<b>Net profit</b>	<b>1,411</b>	<b>1,759</b>	<b>2,221</b>	<b>2,349</b>
Net profit (adj.)	1,364	1,741	2,221	2,341

### CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Operating</b>	<b>1,321</b>	<b>2,756</b>	<b>1,540</b>	<b>2,114</b>
Pre-tax profit	1,749	2,231	2,772	2,920
Tax	(352)	(434)	(519)	(548)
Deprec. & amort.	371	449	474	499
Working capital changes	(813)	114	(1,675)	(1,283)
Non-cash items	(3)	0	0	0
Other operating cashflows	369	396	487	526
<b>Investing</b>	<b>295</b>	<b>(300)</b>	<b>(334)</b>	<b>(1,150)</b>
Capex (growth)	(604)	(300)	(500)	(500)
Investments	876	0	166	(650)
Others	23	0	0	0
<b>Financing</b>	<b>(1,576)</b>	<b>(1,110)</b>	<b>(1,428)</b>	<b>(1,811)</b>
Dividend payments	(1,213)	(1,171)	(1,460)	(1,843)
Issue of shares	0	0	0	0
Proceeds from borrowings	n.a.	n.a.	n.a.	n.a.
Loan repayment	0	0	0	0
Others/interest paid	(363)	61	32	32
<b>Net cash inflow (outflow)</b>	<b>41</b>	<b>1,346</b>	<b>(222)</b>	<b>(847)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>214</b>	<b>255</b>	<b>1,601</b>	<b>1,379</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>255</b>	<b>1,601</b>	<b>1,379</b>	<b>532</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Fixed assets</b>	<b>3,026</b>	<b>2,629</b>	<b>2,654</b>	<b>2,655</b>
Other LT assets	160	245	131	279
Cash/ST investment	255	1,601	1,379	532
Other current assets	8,324	7,553	9,283	10,768
<b>Total assets</b>	<b>11,766</b>	<b>12,027</b>	<b>13,447</b>	<b>14,234</b>
ST debt	0	0	0	0
Other current liabilities	2,559	2,172	2,799	3,048
LT debt	0	0	0	0
Other LT liabilities	157	157	157	157
Shareholders' equity	8,665	9,253	10,014	10,520
Minority interest	385	445	477	509
<b>Total liabilities &amp; equity</b>	<b>11,766</b>	<b>12,027</b>	<b>13,447</b>	<b>14,234</b>

### KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
<b>Profitability</b>				
EBITDA margin	8.3	10.5	10.1	9.8
Pre-tax margin	7.4	8.9	8.7	8.4
Net margin	6.0	7.0	7.0	6.8
ROA	12.4	14.8	17.4	17.0
ROE	16.5	19.6	23.1	22.9
<b>Growth</b>				
Turnover	(5.9)	6.1	26.9	9.1
EBITDA	(17.5)	33.7	22.2	5.3
Pre-tax profit	(20.6)	27.6	24.2	5.3
Net profit	(24.5)	24.7	26.3	5.8
Net profit (adj.)	(23.5)	27.7	27.6	5.4
EPS	(23.5)	27.7	27.6	5.4
<b>Leverage</b>				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(2.9)	(17.3)	(13.8)	(5.1)
Interest cover (x)	630.3	863.4	1,526.6	1,607.2

### COMPANY UPDATE

## True Corporation (TRUE TB)

4Q20 Results Preview: Expect Lower qoq Core Operating Loss

We expect TRUE to report a lower qoq core operating loss in 4Q20 on: a) a slight qoq increase in service revenue from strong iPhone 12 sales with high-priced 5G packages; and b) a more effective implementation of its cost savings programme. The 5G development in Thailand would lift TRUE's overall ARPU in the medium to long term. TRUE's share price has been lagging behind peers as well. Maintain BUY. Target price: Bt4.00.

### WHAT'S NEW

- **Expect net loss in 4Q20.** We expect True Corporation (TRUE) to post a net loss of Bt598m in 4Q20 vs net profits of Bt104m in 3Q20 and Bt210m in 4Q19. The weak qoq performance would mainly be due to the absence of extraordinary gains. TRUE recorded divestment gains of Bt1.5b and Bt798m after it sold a 2.8% and 1% stake in Digital Infrastructure Fund in 3Q20 and 4Q19 respectively.
- **Expect lower core operating loss in 4Q20.** Stripping out extraordinary items, we expect a lower qoq core operating loss of Bt898m in 4Q20 (3Q20: Bt1.5b loss) as mobile service revenue increased 0.6% qoq on strong iPhone 12 sales with high-priced 5G packages (Bt699-1,999 per month). We expect TRUE's 5G subscribers to have reached 100,000-200,000 as at end-4Q20. We also expect SG&A expense to have dropped qoq after TRUE focused on telephone and digital marketing rather than mass marketing as in the past as well as no seasonal expenses such as the New Year countdown due to the second wave of COVID-19 in Thailand.
- **Service revenue to have edged up 0.6% qoq.** We expect service revenue to have edged up 0.6% qoq in 4Q20 due to strong iPhone 12 sales with high-priced 5G package plans (Bt699-Bt1,999/month). This should offset the impact of some customers lowering their monthly price plans due to weak economic conditions. Blended ARPU is expected to have increased slightly qoq on more 5G subscribers. For the fibre broadband business, we expect friendlier competition as operators phased out low-priced plans (Bt299/month with Internet speed of 100/50 Mbps). We also expect a qoq increase in segment revenue, thanks to positive subscriber net adds.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	161,820	140,943	138,355	141,424	145,502
EBITDA	53,998	33,849	51,442	54,752	58,416
Operating profit	20,406	7,104	10,006	12,404	14,234
Net profit (rep./act.)	7,035	5,637	880	1,044	2,790
Net profit (adj.)	(3,499)	1,703	(3,238)	1,044	2,790
EPS (Bt)	(0.1)	0.0	(0.1)	0.0	0.1
PE (x)	n.m.	80.9	n.m.	132.0	49.4
P/B (x)	1.1	1.2	1.0	1.0	1.0
EV/EBITDA (x)	5.3	8.5	5.6	5.3	4.9
Dividend yield (%)	0.0	2.6	0.0	0.5	1.2
Net margin (%)	4.3	4.0	0.6	0.7	1.9
Net debt/(cash) to equity (%)	101.0	130.2	116.1	122.7	121.1
Interest cover (x)	7.2	3.6	2.8	3.0	3.1
ROE (%)	5.3	4.4	0.7	0.7	2.0
Consensus net profit	-	-	(1,567)	(920)	1,068
UOBKH/Consensus (x)	-	-	2.07	n.m.	2.61

Source: TRUE, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Bt3.48
Target Price	Bt4.00
Upside	+14.9%

### COMPANY DESCRIPTION

TRUE is a communications conglomerate in Thailand. It controls the country's largest cable TV provider TrueVisions, Thailand's largest Internet service provider TrueOnline and one of Thailand's largest mobile operators TrueMove H, which is second only to AIS as it surpassed Dtac in Jan 17.

### STOCK DATA

GICS sector	Communication Services
Bloomberg ticker:	TRUE TB
Shares issued (m):	33,344.2
Market cap (Btm):	116,037.8
Market cap (US\$m):	3,865.1
3-mth avg daily t'over (US\$m):	14.5

### Price Performance (%)

52-week high/low Bt4.16/Bt2.44

1mth	3mth	6mth	1yr	YTD
0.6	17.6	1.2	(15.9)	1.2

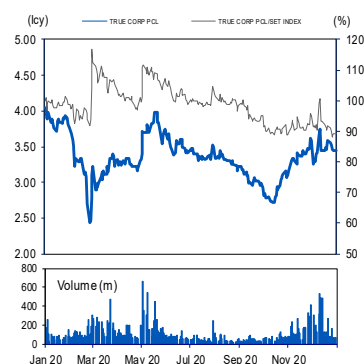
### Major Shareholders

	%
CP Group	64.7
Uniq Network	9.6
Wide Broadcast	7.6

FY21 NAV/Share (Bt) 3.34

FY21 Net Debt/Share (Bt) 4.32

### PRICE CHART



Source: Bloomberg

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### 4Q20 RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q19 (Btm)	3Q20 (Btm)	4Q20F (Btm)	yoy % change	qoq % change
Revenue	37,681	33,008	36,625	-2.8%	11.0%
- Service revenue	30,787	30,011	30,195	-1.9%	0.6%
- Sale	6,894	2,997	6,429	-6.7%	114.6%
COGS	29,748	23,862	27,627	-7.1%	15.8%
SG&A	7,221	6,595	6,463	-10.5%	-2.0%
EBITDA	8,058	13,351	13,202	63.8%	-1.1%
Net income	210	104	-598	n.a.	n.a.
EPS (Bt)	0.01	0.00	-0.02	n.a.	n.a.
Other income/expenses	732	1,652	300	-59.0%	-80.0%
Recurring income	-467	-1,548	-898	92.5%	-22.7%
SG&A/Sales (%)	19.2%	20.0%	17.6%		
EBITDA margin (%)	21.4%	40.4%	36.0%		
Net profit margin (%)	0.6%	0.3%	-1.6%		

Source: TRUE, UOB Kay Hian

### STOCK IMPACT

- Insignificant impact from new relief measures.** The Digital Economy and Society Minister has requested mobile operators to support the COVID-19 relief measures. Mobile operators have agreed to roll out low-cost unlimited monthly data packages on tools that support working from home, and waive data usage charges when subscribers use the contact-tracing app, Mor Chana. The assistance is to run from 15 Jan-15 Mar 21. The low-cost monthly package of Bt79 offers 10Mbps of Internet, a reduction from the Bt199 packages offered by mobile operators since last year. The app can help to identify individuals who have been exposed to virus patients using GPS and Bluetooth technology to track their locations. Mor Chana has 6m downloads currently. The app consumes around 100 megabytes per user per day, or 3 gigabytes per month as the app needs frequent updates to track the locations of mobile users.
- 5G remains key growth driver.** We expect 5G development in Thailand to drive earnings growth as 5G packages are expected to be priced higher. According to a London-based data and analytics firm, 5G subscriptions will account for more than 55% of total mobile subscriptions by 2025 in Thailand. 5G demand for digital solutions in sectors such as healthcare, education, retail and tourism will drive the development of 5G in Thailand. TRUE is also focusing more on customers in the Eastern Economic Corridor (EEC) in 5G services/deployment, and this should pave the way for another revenue stream in the near future.
- Expect core operation to gradually improve in 2021.** We expect TRUE's core operation to gradually improve on higher service revenue, thanks to strong 5G smartphone sales and 5G price packages which yield higher ARPU than the overall ARPU of Bt217/subscriber/month in 3Q20. Moreover, we expect TRUE to book more revenue from new business opportunities in 5G digital infrastructure in the industrial and EEC.

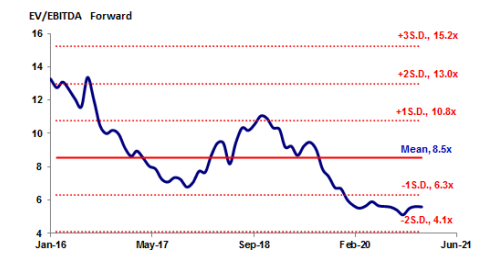
### EARNINGS REVISION/RISK

- None.

### VALUATION/RECOMMENDATION

- Maintain BUY and SOTP-based target price of Bt4.00.** The stock has underperformed the SET index by 4.8% ytd and this should have priced in most of the negatives. Share price has also been lagging peers'.

### EV/EBITDA BAND



Source: Bloomberg, UOB Kay Hian

### SOTP VALUATION

	Bt m	Bt/sh	Comment
Mobile business	208,347	6.2	Target EV/EBITDA of 6x
(+) True Online	2,000	0.1	Target EV/EBITDA of 5x
(+) True Vision	1,000	0.0	Target EV/EBITDA of 5x
(+) value of fund retained	31,566	0.9	Market value
EV	242,914	7.3	
(-) debts	(108,157)	(3.2)	
<b>Equity value</b>	<b>134,757</b>	<b>4.00</b>	

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Net turnover</b>	<b>140,943</b>	<b>138,355</b>	<b>141,424</b>	<b>145,502</b>
EBITDA	33,849	51,442	54,752	58,416
Deprec. & amort.	26,745	41,436	42,347	44,182
EBIT	7,104	10,006	12,404	14,234
Total other non-operating income	4,420	4,542	3,089	3,349
Associate contributions	5,134	3,964	4,003	4,043
Net interest income/(expense)	(9,362)	(18,050)	(18,453)	(18,837)
<b>Pre-tax profit</b>	<b>7,745</b>	<b>737</b>	<b>1,044</b>	<b>2,790</b>
Tax	(2,172)	(14)	0	0
Minorities	64	156	0	0
Preferred dividends	0	0	0	0
<b>Net profit</b>	<b>5,637</b>	<b>880</b>	<b>1,044</b>	<b>2,790</b>
Net profit (adj.)	1,703	(3,238)	1,044	2,790

### CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Operating</b>	<b>9,652</b>	<b>29,941</b>	<b>37,206</b>	<b>42,205</b>
Pre-tax profit	2,611	(3,227)	(2,959)	(1,253)
Tax	(2,172)	(14)	0	0
Deprec. & amort.	26,745	41,436	42,347	44,182
Associates	5,134	3,964	4,003	4,043
Working capital changes	(15,311)	(12,748)	(2,981)	(1,524)
Non-cash items	(7,355)	(3,964)	(4,003)	(4,043)
Other operating cashflows	0	4,493	800	800
<b>Investing</b>	<b>(35,517)</b>	<b>(38,200)</b>	<b>(36,274)</b>	<b>(34,791)</b>
Capex (growth)	(33,868)	(36,550)	(34,623)	(32,791)
Capex (maintenance)	(2,000)	(2,000)	(2,000)	(2,000)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	351	350	349	0
<b>Financing</b>	<b>54,597</b>	<b>188</b>	<b>(625)</b>	<b>3,675</b>
Dividend payments	(3,003)	0	(626)	(1,674)
Issue of shares	0	0	0	0
Proceeds from borrowings	(68,390)	0	0	0
Loan repayment	121,598	0	0	5,000
Others/interest paid	4,392	188	1	349
<b>Net cash inflow (outflow)</b>	<b>28,732</b>	<b>(8,071)</b>	<b>308</b>	<b>11,088</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>20,718</b>	<b>49,450</b>	<b>41,379</b>	<b>41,686</b>
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>49,450</b>	<b>41,379</b>	<b>41,686</b>	<b>52,775</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
<b>Fixed assets</b>	<b>228,962</b>	<b>161,090</b>	<b>162,701</b>	<b>164,328</b>
Other LT assets	160,581	269,650	278,520	279,182
Cash/ST investment	49,450	41,379	41,686	52,775
Other current assets	85,000	98,912	103,070	105,781
<b>Total assets</b>	<b>523,993</b>	<b>571,031</b>	<b>585,977</b>	<b>602,066</b>
ST debt	16,663	0	0	0
Other current liabilities	116,451	117,615	118,791	119,979
LT debt	196,067	202,810	212,838	222,966
Other LT liabilities	68,794	110,906	114,223	117,873
Shareholders' equity	125,368	139,042	139,460	140,576
Minority interest	651	658	664	671
<b>Total liabilities &amp; equity</b>	<b>523,993</b>	<b>571,031</b>	<b>585,977</b>	<b>602,066</b>

### KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
<b>Profitability</b>				
EBITDA margin	24.0	37.2	38.7	40.1
Pre-tax margin	5.5	0.5	0.7	1.9
Net margin	4.0	0.6	0.7	1.9
ROA	1.1	0.2	0.2	0.5
ROE	4.4	0.7	0.7	2.0
<b>Growth</b>				
Turnover	(12.9)	(1.8)	2.2	2.9
EBITDA	(37.3)	52.0	6.4	6.7
Pre-tax profit	(40.3)	(90.5)	41.7	167.2
Net profit	(19.9)	(84.4)	18.7	167.2
Net profit (adj.)	n.a.	(290.2)	n.a.	167.2
EPS	n.a.	(290.2)	n.a.	167.2
<b>Leverage</b>				
Debt to total capital	62.8	59.2	60.3	61.2
Debt to equity	169.7	145.9	152.6	158.6
Net debt/(cash) to equity	130.2	116.1	122.7	121.1
Interest cover (x)	3.6	2.8	3.0	3.1

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