

11 December 2024

Sector: Personal Products

Bloomberg ticker	TOG TB
Recommendation	BUY (maintained)
Current price	Bt10.20
Target price	Bt12.00 (maintained)
Upside/Downside	+18%
EPS revision	No change

Bloomberg target price	n.a.
Bloomberg consensus	Buy 0 / Hold 0 / Sell 0

#### Stock data

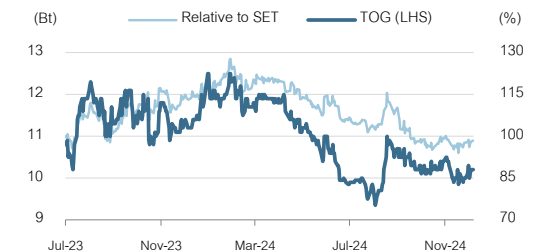
Stock price 1-year high/low	Bt13.00 / Bt9.15
Market cap. (Bt mn)	4,838
Shares outstanding (mn)	474
Avg. daily turnover (Bt mn)	1
Free float	43%
CG rating	Excellent
ESG rating	n.a.

#### Financial & valuation highlights

FY: Dec (Bt mn)	2022A	2023A	2024E	2025E
Revenue	2,923	2,993	3,654	3,990
EBITDA	598	659	759	849
Net profit	404	426	436	478
EPS (Bt)	0.85	0.90	0.92	1.01
Growth	30.1%	5.5%	2.5%	9.5%
Core EPS (Bt)	0.81	0.90	0.92	1.01
Growth	46.6%	11.8%	1.9%	9.5%
DPS (Bt)	0.60	0.65	0.64	0.71
Div. yield	5.9%	6.4%	6.3%	6.9%
PER (x)	12.0	11.4	11.1	10.1
Core PER (x)	12.6	11.3	11.1	10.1
EV/EBITDA (x)	8.7	9.1	8.0	6.9
PBV (x)	2.3	2.2	2.0	1.9

#### Bloomberg consensus

Net profit	404	426	n.a.	n.a.
EPS (Bt)	0.85	0.90	n.a.	n.a.



Price performance	1M	3M	6M	12M
Absolute	-1.0%	-2.9%	-3.8%	-8.9%
Relative to SET	0.2%	-4.0%	-12.4%	-13.7%

#### Major shareholders

1. Specsavers Asia Pacific Holdings Limited	Holding
2. Mr. Torn Prachartam	31.30%
3. Mr. Pakee Prachartam	5.52%
	5.47%

Analyst: Veeraya Mukdapitak (Reg. no. 086645)

## Thai Optical Group

Expanding capacity, US market, Vietnam plant set the stage for a promising 2025E growth outlook

We maintain a BUY rating on TOG with a target price of Bt12.00, implying a 2025E PER of 12x, which is positioned at -1 SD below the 5-year historical average. A recent group conference call with TOG reaffirmed our positive earnings outlook. The company targets to achieve +10-12% YoY revenue growth in 2025E (our estimate: +9% YoY), driven by the recent addition of an Rx lens production line that currently operates at 85% utilization. While an investment for the phase 1 plant in Vietnam is estimated at Bt600-800mn, the company expects to conclude its funding sources, including a potential capital increase, by May 2025E. If the company taps funds from financial institutions, the D/E ratio will increase from the current 0.8x to 1.1x, still below the 1.2x covenant. Moreover, the company's established presence in the US market provides a solid foundation for continued growth, particularly if a potential tariff increase on Chinese imports materializes.

Our core profit estimates for 2024E and 2025E remain unchanged at Bt436mn (+2% YoY) and /478mn (+10%). We anticipate robust 4Q24E performance, potentially reaching an annual peak driven by seasonal demand and the contribution from the new production line.

TOG's share price has tracked the SET Index over the past one and three months, likely influenced by uncertainties surrounding import policies of the Trump administration. While US orders remain substantial, the latest Rx lens production line continues to ramp up production, and the imminent phase 1 plant in Vietnam is expected to be concluded by May 2025E.

#### Event: Group Conference Call

- Capacity expansion, strong US market presence, and potential Vietnam plant expansion a key 2025E growth driver

We maintain a positive outlook on TOG following a group conference call on Monday, December 9<sup>th</sup>. Key takeaways include:

- Revenue growth target for 2025E: TOG aims for a +10-12% YoY increase in revenue (vs. our estimate of +9% YoY), supported by the ramp-up of new Rx lens capacity and continued expansion in the US customer base, particularly with large insurance company clients.
- New Rx lens production line: The new Rx lens production line, commenced in 4Q24, currently operates at 85% utilization.
- Update on Vietnam factory investment plan: The initial investment for the first phase of the new Vietnam factory, focusing on casting lens production, is estimated at Bt600-800mn. The company is evaluating funding sources, including potential capital increase, with a conclusion expected by May 2025E. TOG has set a target D/E ratio cap at 1.2x.
- Potential benefits from US import policy changes: Amid concerns about new US policies potentially raising import tariffs, TOG views the higher tariffs on Chinese imports compared to Thai products as a business opportunity. The company remains confident in its ability to grow its US revenue in 2025E to over 30%, driven by accelerated orders from US insurance clients.

#### Implication

- Maintaining 2024-25E earnings estimates with robust 4Q24E outlook

We maintain our core profit estimates for 2024E and 2025E at Bt436mn (+2% YoY) and Bt478mn (+10% YoY). While our study indicates the D/E ratio will increase from

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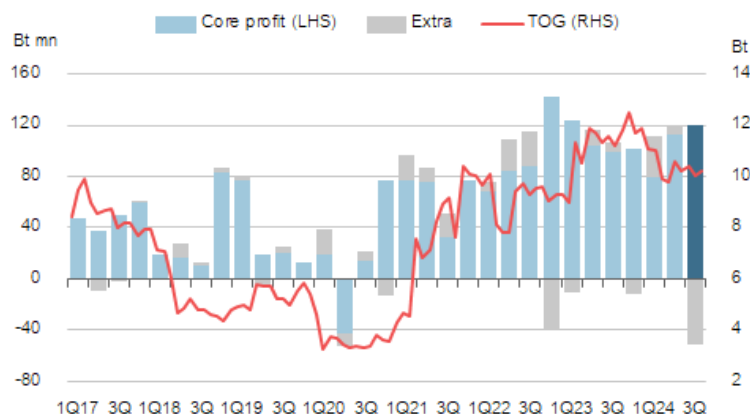
the current 0.8x to 1.1x if the company taps Bt800mn funds from financial institutions for the phase 1 plan in Vietnam, this points to a low likelihood of capital increase.

For 4Q24E, we expect core profit to continue growing both YoY and QoQ, supported by accelerated export value in October (+8% YoY, +7% MoM to USD94mn) alongside seasonal demand, particularly from vision insurance policies. The addition of the Rx lens production line has further strengthened earnings growth for 4Q24E.

### Valuation/Catalyst/Risk

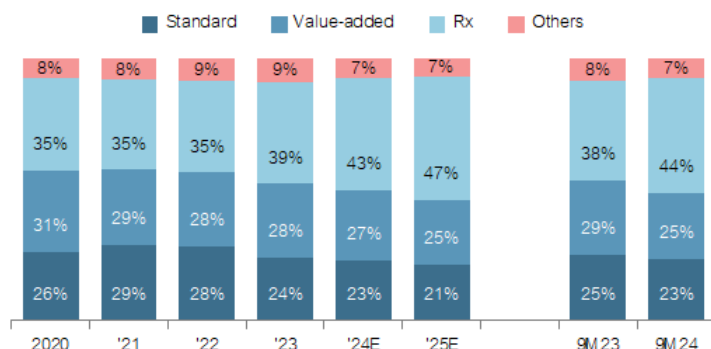
We reiterate our BUY recommendation on TOG with a target price of Bt12.00, based on a 2025E PER of 12x (-1 SD below the 5-year average). The stock is supported by catalysts including the ongoing ramp-up of the new Rx lens production capacity and anticipated progress in the investment plan for the new Vietnam factory, expected by May 2025E.

Fig 1: TOG share prices vs profits



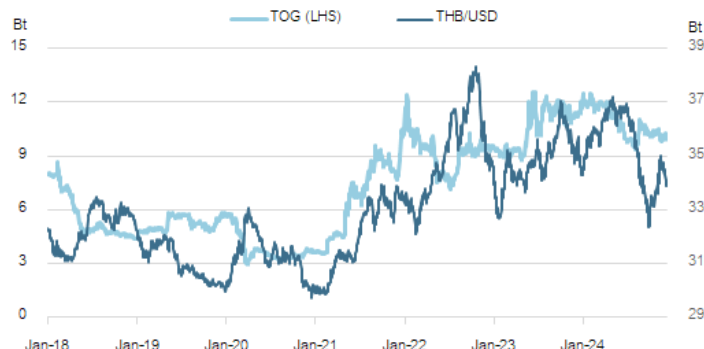
Source: Setsmart, DAOL

Fig 2: Revenue breakdown by product



Source: TOG

Fig 3: TOG share prices vs USDTHB (Correlation = 0.8x)



Source: Setsmart, Bloomberg

## Quarterly income statement

(Bt mn)	3Q23	4Q23	1Q24	2Q24	3Q24
Sales	780	831	845	945	858
Cost of sales	(608)	(666)	(676)	(718)	(661)
Gross profit	172	165	169	227	197
SG&A	(56)	(54)	(80)	(88)	(71)
EBITDA	160	162	154	197	191
Finance costs	(7)	(10)	(9)	(10)	(10)
Core profit	99	101	79	112	120
Net profit	106	90	112	119	68
EPS	0.22	0.19	0.24	0.25	0.14
Gross margin	22.1%	19.8%	20.0%	24.0%	23.0%
EBITDA margin	20.5%	19.5%	18.2%	20.9%	22.3%
Net profit margin	13.6%	10.8%	13.2%	12.6%	7.9%

## Balance sheet

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Cash & deposits	158	271	169	134	169
Accounts receivable	420	471	503	562	614
Inventories	1,087	1,331	1,526	1,665	1,717
Other current assets	85	90	116	121	126
<b>Total cur. Assets</b>	<b>1,749</b>	<b>2,164</b>	<b>2,314</b>	<b>2,482</b>	<b>2,625</b>
Investments	33	35	18	16	14
Fixed assets	996	1,011	1,621	1,767	1,719
Other assets	109	92	94	96	98
<b>Total assets</b>	<b>2,888</b>	<b>3,302</b>	<b>4,047</b>	<b>4,360</b>	<b>4,456</b>
Short-term loans	485	635	855	872	890
Accounts payable	297	425	411	515	562
Current maturities	44	14	74	187	121
Other current liabilities	3	25	20	20	20
<b>Total cur. liabilities</b>	<b>830</b>	<b>1,099</b>	<b>1,361</b>	<b>1,594</b>	<b>1,593</b>
Long-term debt	21	12	363	296	205
Other LT liabilities	80	76	85	105	120
<b>Total LT liabilities</b>	<b>101</b>	<b>88</b>	<b>448</b>	<b>401</b>	<b>325</b>
<b>Total liabilities</b>	<b>931</b>	<b>1,187</b>	<b>1,809</b>	<b>1,995</b>	<b>1,918</b>
Registered capital	475	475	475	475	475
Paid-up capital	474	474	474	474	474
Share premium	482	482	482	482	482
Retained earnings	837	995	1,115	1,243	1,415
Others	164	164	167	167	167
Minority interests	0	0	0	0	0
<b>Shares' equity</b>	<b>1,957</b>	<b>2,115</b>	<b>2,238</b>	<b>2,366</b>	<b>2,538</b>

## Cash flow statement

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Net profit	310	404	426	436	478
Depreciation	184	179	165	220	247
Chg in working capital	(295)	(192)	(268)	(94)	(56)
Others	38	46	37	20	16
<b>CF from operations</b>	<b>237</b>	<b>437</b>	<b>360</b>	<b>582</b>	<b>684</b>
Capital expenditure	(72)	7	(732)	(365)	(199)
Others	(104)	(180)	(35)	(5)	(5)
<b>CF from investing</b>	<b>(175)</b>	<b>(174)</b>	<b>(767)</b>	<b>(370)</b>	<b>(204)</b>
<b>Free cash flow</b>	<b>62</b>	<b>263</b>	<b>(407)</b>	<b>211</b>	<b>480</b>
Net borrowings	(118)	110	632	63	(139)
Equity capital raised	0	0	0	0	0
Dividends paid	(157)	(247)	(299)	(308)	(305)
Others	(12)	(13)	(31)	0	0
<b>CF from financing</b>	<b>(286)</b>	<b>(149)</b>	<b>302</b>	<b>(246)</b>	<b>(445)</b>
<b>Net change in cash</b>	<b>(225)</b>	<b>113</b>	<b>(106)</b>	<b>(34)</b>	<b>35</b>

Source: TOG, DAOL

## Forward PER band



## Income statement

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
Sales	2,381	2,923	2,993	3,654	3,990
Cost of sales	(1,867)	(2,248)	(2,265)	(2,830)	(3,090)
<b>Gross profit</b>	<b>514</b>	<b>675</b>	<b>728</b>	<b>824</b>	<b>899</b>
SG&A	(259)	(295)	(252)	(325)	(343)
<b>EBITDA</b>	<b>477</b>	<b>598</b>	<b>659</b>	<b>759</b>	<b>849</b>
Depre. & amortization	(184)	(179)	(165)	(220)	(247)
Equity income	0	2	(3)	(2)	(2)
Other income	38	38	20	42	48
<b>EBIT</b>	<b>293</b>	<b>419</b>	<b>494</b>	<b>539</b>	<b>602</b>
Finance costs	(9)	(8)	(26)	(40)	(40)
Income taxes	(24)	(28)	(39)	(63)	(85)
<b>Net profit before MI</b>	<b>261</b>	<b>383</b>	<b>428</b>	<b>436</b>	<b>478</b>
Minority interest	0	0	0	0	0
<b>Core profit</b>	<b>261</b>	<b>383</b>	<b>428</b>	<b>436</b>	<b>478</b>
Extraordinary items	49	21	(3)	0	0
<b>Net profit</b>	<b>310</b>	<b>404</b>	<b>426</b>	<b>436</b>	<b>478</b>

## Key ratios

FY: Dec (Bt mn)	2021	2022	2023	2024E	2025E
<b>Growth YoY</b>					
Revenue	29.5%	22.8%	2.4%	22.1%	9.2%
EBITDA	90.7%	25.4%	10.1%	15.2%	11.9%
Net profit	350.9%	30.1%	5.5%	2.5%	9.5%
Core profit	282.8%	46.6%	11.8%	1.9%	9.5%
<b>Profitability ratio</b>					
Gross profit margin	21.6%	23.1%	24.3%	22.5%	22.5%
EBITDA margin	20.0%	20.5%	22.0%	20.8%	21.3%
Core profit margin	11.0%	13.1%	14.3%	11.9%	12.0%
Net profit margin	13.0%	13.8%	14.2%	11.9%	12.0%
ROA	10.7%	12.2%	10.5%	10.0%	10.7%
ROE	15.8%	19.1%	19.0%	18.4%	18.8%
<b>Stability</b>					
D/E (x)	0.48	0.56	0.81	0.84	0.76
Net D/E (x)	0.39	0.43	0.73	0.79	0.69
Interest coverage ratio	34.3	53.2	19.1	13.6	15.1
Current ratio (x)	2.11	1.97	1.70	1.56	1.65
Quick ratio (x)	0.80	0.76	0.58	0.51	0.57
<b>Per share (Bt)</b>					
Reported EPS	0.65	0.85	0.90	0.92	1.01
Core EPS	0.55	0.81	0.90	0.92	1.01
Book value	4.13	4.46	4.72	4.99	5.35
Dividend	0.56	0.60	0.65	0.64	0.71
<b>Valuation (x)</b>					
PER	15.60	11.99	11.37	11.09	10.13
Core PER	18.52	12.63	11.30	11.09	10.13
P/BV	2.47	2.29	2.16	2.04	1.91
EV/EBITDA	10.96	8.74	9.05	7.99	6.93
Dividend yield	5.5%	5.9%	6.4%	6.3%	6.9%

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## Corporate governance report of Thai listed companies 2023

### CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

### IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information that companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("listed companies") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

### DAOL SEC's stock rating definition

<b>BUY</b>	The stock's total return is expected to exceed 10% over the next 6-12 months. The stock has good fundamentals and attractive valuations.
<b>HOLD</b>	The stock's total return is expected to be between 0% and 10% over the next 6-12 months. The stock has good fundamentals but may lack near-term catalysts or its valuations are not attractive.
<b>SELL</b>	The stock's total return is expected to fall below 0% or more over the next 6-12 months. Stock should be sold as negative total return is anticipated due to deteriorating fundamentals compared with its valuations.

The stock's expected total return is the percentage difference between the target price and the current price, which excludes dividend yields.

### ESG rating (ESG: Environmental, Social, and Governance)

DAOL SEC believes environment, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- ☐ **Environment.** Environment factors relate to corporate responsibility for its actions and how it manages its impact on the environment. DAOL SEC analyzes revenue, which exposes to environment risks and opportunities.
- ☐ **Social.** Social factors deal with company's relationship with its employees and vendors. That also includes company's initiatives related to employee health and well-being, as well as community involvement. DAOL SEC's evaluation on social practices is based on Bloomberg, which measure from company's social responsibility news.
- ☐ **Governance.** Corporate government factors include company's transparency, decision-making structure, concrete risk assessment method, treatment of minority shareholders and anti-corruption practices. DAOL SEC conduct this analysis based on IOD's scores.

#### DAOL SEC's ESG ratings score from 1-5

1. Excellent scores at 5
2. Very Good scores at 4
3. Good scores at 3
4. Satisfactory scores at 2
5. Pass scores at 1

DAOL SEC provides "n.a." in cases of insufficient data.