

26 Apr 2022

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Recommendation:

Buy

Target Price: Bt 24.00

Price (Bt)	17.90
Market Value (Bt mn)	11,669
Date Established	26 Apr 2022
Average Daily Value (Bt mn)	160.36
Free Float (%)	50.63

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Initiate with a Buy and PO of Bt24

We initiate coverage of WICE with a Buy rating. WICE has proven to be the leader in its field on potential high growth demand for cross-border transport services unlocked by the Laos-China Railway launch in Dec 2021. The share price is attractive in our view, having corrected by 30% from the peak on 13 Jan 2022 driven by market fear on China's lockdown. Meanwhile the stock remains down 7% YTD while offering 12% profit growth according to our forecast. Valuations are also compelling at 19.5x PER for 2022E and 17.2x for 2023E, far below its long-term average of 21.8x and below peers (21.2x for 2022E and 18.5x for 2023E by consensus forecast). EV/EBITDA is 14.5x for 2022E and 12.5x for 2023E versus 18.4x and 16.4x for peers.

Leader in cross-border logistics services

WICE is the first-mover in cross-border operations in 2019 and the revenue has surged 4x within three years. The China-Laos railway, which commenced services in December 2021, is expected to reduce transportation cost between China and ASEAN by 36% and offers an alternative to maritime. The World Bank forecasts that the new railway would boost ASEAN-China trade by 3x by 2030. This is one of WICE's key growth drivers and we forecast 30% revenue growth in 2022E and 20% in 2023E from cross-border operations.

Most diverse business in the sector

We prefer WICE's business model with its well-diversified revenue forecast for 2022 for 44% sea freight, 28% cross-border services, 22% air freight, and 6% supply-chain management (warehousing). More than 70% of customers use its full services.

Normalized earnings growth forecast with scope for upside

We estimate normalized core profit growth of 12% for 2022E, 13% for 2023E, 8% for 2024E, and 4% for the long-term through 2032E. Our net margin model is 30bps below the margin implied in the company's budget. If WICE were to deliver net margin of 7.0-8.0% as planned, we see 5-20% profit upside to our 2022 forecast.

Price objective basis and risk

Our PO is a blend of (1) PER method at Bt21.50 with target PER of 22x and average EPS for 2022E-2023E and (2) Discounted Cash Flow at Bt26.50 with 8.0% WACC and 2.0% terminal growth. Downside risks are intense competition, freight rate uncertainty/fluctuation, China slowdown, global recession, and regulatory risks.

Estimates (Dec)

(Bt)	2020A	2021A	2022E	2023E	2024E
Net Income (report - mn)	201	536	598	677	730
EPS	0.31	0.82	0.92	1.04	1.12
EPS Change (YoY)	224.5%	166.3%	11.7%	13.2%	7.9%
DPS	0.14	0.23	0.28	0.42	0.45

Valuation (Dec)

	2020A	2021A	2022E	2023E	2024E
P/E	58.0	21.8	19.5	17.2	16.0
Dividend Yield	0.8%	1.3%	1.5%	2.3%	2.5%
EV / EBITDA	31.4	18.7	14.5	12.5	11.3
Free Cash Flow Yield	0.2%	2.9%	4.1%	5.3%	6.2%

Bus Performance (Dec)	2020A	2021A	2022E	2023E	2024E
Return on Asset	11.2%	19.3%	15.1%	14.0%	13.2%
Return on Equity	24.2%	49.1%	39.7%	35.3%	31.2%
Operating Margin	8.1%	9.8%	9.5%	9.9%	10.1%
Free Cash Flow (Bt mn)	23	343	483	614	723
Quality of Earnings (Dec)	2020A	2021A	2022E	2023E	2024E
Cash Realization Ratio (x)	1.4	1.2	1.1	1.1	1.2
Asset Replacement Ratio (x)	3.4	4.8	4.3	4.3	4.2
Net Debt-to-Equity Ratio	(0.3)	(0.4)	(0.6)	(0.7)	(0.7)
Interest Cover	34.2	51.1	37.9	40.1	41.2
Income Statement Data (Dec) (Bt Millions)	2020A	2021A	2022E	2023E	2024E
Sales	3,996	7,637	8,984	9,854	10,419
% Change	79.9%	91.1%	17.6%	9.7%	5.7%
EBIT	335	782	897	1,014	1,100
% Change	367.4%	133.1%	14.7%	13.1%	8.5%
EBITDA	397	855	1,005	1,144	1,244
% Change	248.3%	115.5%	17.6%	13.8%	8.7%
Net Interest & Other Income	10	33	39	43	45
Net Income (report - mn)	201	536	598	677	730
% Change	224.5%	166.3%	11.7%	13.2%	7.9%
Free Cash Flow Data (Dec) (Bt Millions)	2020A	2021A	2022E	2023E	2024E
Net Income from Cont Operations (GAAP)	201	536	598	677	730
Depreciation & Amortization	61	73	108	130	144
Change in Working Capital	-96	-197	-43	-33	-21
Capital Expenditure	-143	-68	-180	-160	-130
Free Cash Flow	23	343	483	614	723
Net Debt	-231	-458	-998	-1,411	-1,915
Balance Sheet Data (Dec) (Bt Millions)	2020A	2021A	2022E	2023E	2024E
Cash & Equivalents	263	429	998	1,440	1,964
Trade Receivables	953	1,667	1,969	2,160	2,284
Other Current Assets	185	476	502	511	516
Property, Plant & Equipment	208	350	468	553	599
Other Non-Current Assets	436	573	513	529	539
Total Assets	2,046	3,495	4,450	5,192	5,903
Short-Term Debt	12	8	32	35	38
Other Current Liabilities	833	1,617	1,882	2,055	2,168
Long-Term Debt	124	261	285	304	318
Other Non-Current Liabilities	101	108	225	246	260
Total Liabilities	1,070	1,993	2,424	2,641	2,784
Minority interest	99	204	310	429	558
Total Equity	877	1,298	1,716	2,123	2,561
Total Equity & Liabilities	2,046	3,495	4,450	5,192	5,903

Executive summary

We initiate coverage of WICE with a Buy rating and PO of Bt24. With optimistic prospects, valuations are attractive in our view. Our PO is based on a blend of (1) PER method at Bt21.50 with target PER of 22x and mean EPS for 2022E-2023E and (2) DCF at Bt26.50 with 8.0% WACC and 2.0% terminal growth. The short-term catalyst is unlocking the hidden value in its subsidiary Euroasia Total Logistics Company Limited (ETL) which plans to launch an IPO in 4Q22.

Attractive bargain-hunting prospect: Risk-reward offers a very good entry point in our view given a 30% share price correction within three months from the peak of Bt25.25 on 13 January 2022 (driven up by the opening of the Lao-China railway in December 2021, then reversing trajectory on market fears on a short-term China lockdown). Meanwhile the stock remains down 7% YTD but offers core profit growth of 12% for 2022E. Valuations are also compelling at PER of 19.5x for 2022E and 17.2x for 2023E, far below its long-term average of 21.8x and at a discount to peers (21.2x for 2022E and 18.5x for 2023E). EV/EBITDA is 14.5x for 2022E and 12.5x for 2023E versus 18.4x and 16.4x for peers.

WICE at a glance: WICE was established in 1993 and listed on the SET in 2015 under the vision to be the leading provider in innovative logistics services and solutions in Asia Pacific. The company provides full services of transportation and custom clearance for sea freight (USA, China, Japan, the Philippines), air freight (major trade zones in Asia such as Singapore, Hong Kong, and China), cross-border transport in ASEAN, and supply chain management (warehouse storage services).

Leader in cross-border services: WICE has proven to be the leader in cross-border transport services due to the fact that it was the first-mover since 2019 with proven performance success. The launch of the Laos-China Railway in December 2021 unlocks high growth potential for WICE's Rail-Road services which kicked off in January 2022. The World Bank forecasts 3x ASEAN-China road-rail transit trade demand growth to 6.4 million tons in 2030 due to substitution of maritime transport (from two-thirds portion to one-third). The Lao-China railway is expected to reduce costs by 36% under the route of Boten-Vientiane rail and Thai trucking, and be potentially cheaper by 45% under Boten-Vientiane rail and existing Thai rail.

Most revenue diversification: Revenue forecast in 2022 is well-diversified with 44% sea freight, 28% cross-border services, 22% air freight, and 6% supply-chain management. More than 70% of customers use the company's full services.

Never missed revenue targets in 2017-2021: For the past five years, WICE has delivered its revenue target, achieving them in 2017-2019 and beating them in 2020-2021 (actual revenue of Bt4.0bn in 2020 versus Bt2.7bn plan and actual Bt7.6bn in 2021 versus the plan of Bt5.8bn). Thus, its revenue growth target of 20% at Bt9bn for 2022E is promising.

Normalized earnings growth forecast with scope for upside: We conservatively estimate normalized core profit growth for 12% in 2022E, 13% for 2023E, 8% for 2024E, and 4% for 2025E-2032E. The key driver is mainly 18% top-line growth in 2022E and 10% in 2023E. If WICE were to deliver net margin of 7.0-8.0% as planned, we would expect a 5-20% profit upside to our forecast for 2022.

Risk: Key upside risks are (1) faster-than-expected cross-border logistics demand (Rail-Road services), (2) higher-than-expected Thai exports-imports, and (3) new joint ventures and M&As. Meanwhile, downside risks are intense competition, freight rate uncertainty and fluctuation, China's economic slowdown, global economic recession, and regulatory risks.

Why WICE?

Winning as a cross-border logistics provider

I) First-mover in cross-border logistics services: WICE jointly established Euroasia Total Logistics Company Limited (ETL), with a 51% stake by WICE and 49% stake by global logistics partners to operate cross-border services for the past three years. Currently, WICE has developed multi-cross-border services in Thailand, Singapore, Malaysia, Cambodia, Laos, Vietnam, and China. WICE's cross-border services income jumped by 4x during 2019-2021. We expect growth in cross-border income of 30% to Bt2.5bn in 2022E and 20% to Bt3.0bn in 2023E, with overall revenue contribution rising from 21% in 2019 to 25% in 2021, 28% in 2022E, and 31% in 2023E.

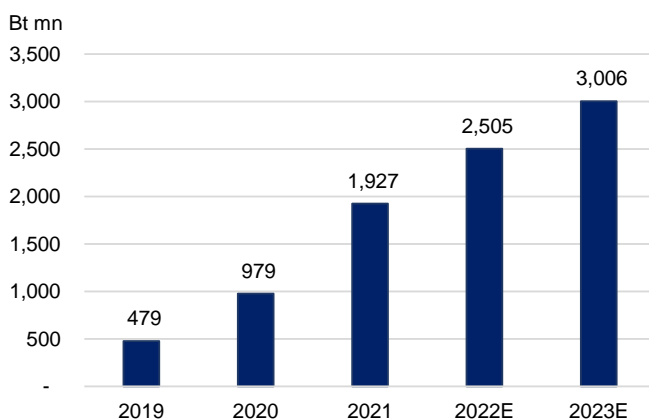
II) Road-rail services—from landlocked to land link thanks to Laos-China

Railway: WICE offered a new service, Rail-Road, in 1Q22 through which a new channel is being added via the Laos-China railway under the Belt and Road initiative (BRI) to expand routes, avoiding climate uncertainty from shipping freight, solving the congestion of container delays, and opening up new opportunities with routes to Europe and the Middle East. The company expects this will become a key growth driver in the long-term.

Laos-China Railway recap: Launched in December 2021, the Laos-China Railway is a 414km high-speed railway connecting Vientiane with the city of Boten at the northern border with China. At Boten, the railway will connect with the BRI network at Kunming, China, through another 595km railway link. It will create closer trade linkages between all economies in the BRI and is expected to lower trade costs and accelerate economic growth in the region, particularly in CLMV (see details in Figures 6-9).

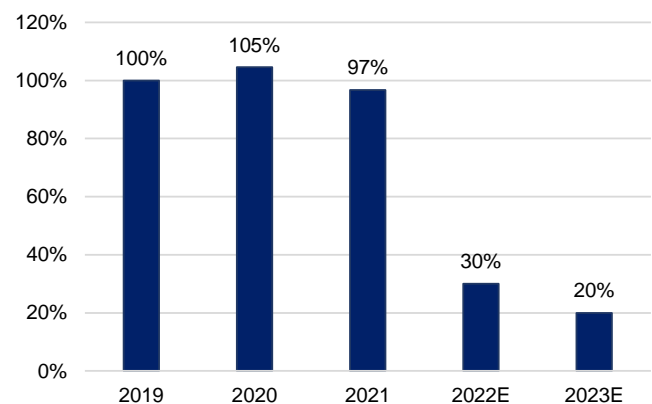
- The BRI has enabled CLMV to attract Chinese companies to invest in establishing industrial clusters and services industries to meet urbanization.
- With de-globalization triggered by the US-China trade and technology war, Chinese and international companies have set up new locations for supply chains in order to diversify operational risk.
- CLMV now serves as a manufacturing base for agriculture and food products to ensure food security post COVID-19 pandemic.

Figure 1: WICE's cross-border logistics service revenue



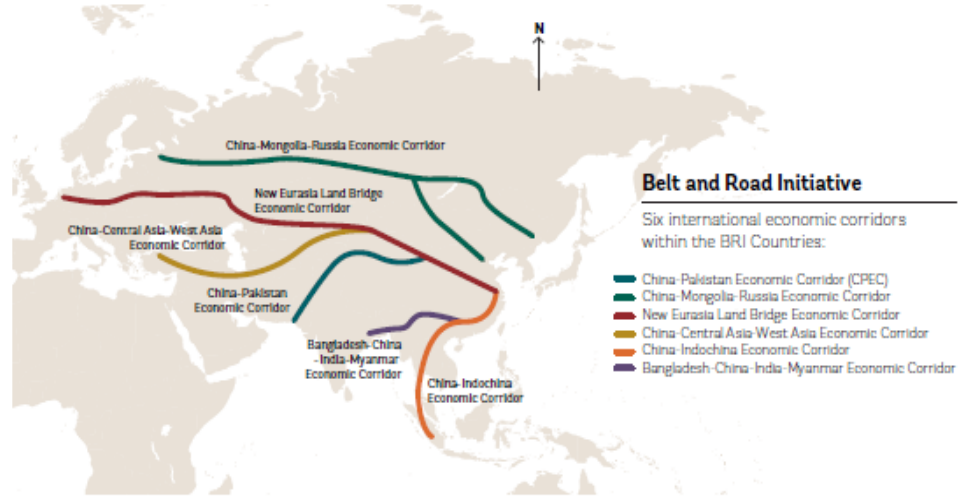
Source: WICE, KKPS estimates

Figure 2: WICE's cross-border logistic revenue growth



Source: WICE, KKPS estimates

Figure 3: The Laos-China railway is one of the Belt and Road initiative (BRI) projects connecting China with Southeast Asia



Source: World Bank

Figure 4: WICE's Road and Road-Rail Service routing

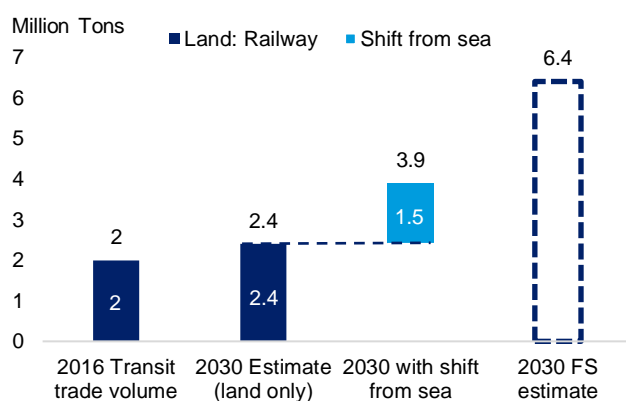


Source: WICE

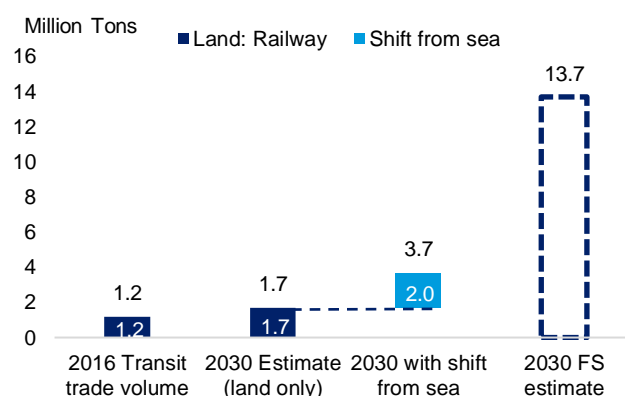
Figure 5: WICE's cross-border service routing

No	Route	From		To			Distance (KM)	Time (Day)
1	Southern	Bangkok	Thailand	Penang	Malaysia		1,150 km	2 days
2	Southern	Bangkok	Thailand	Kuala Lumpur	Malaysia		1,460 km	3 days
3	Southern	Bangkok	Thailand	Johor Bahru	Malaysia		1,970 km	3 days
4	Southern	Bangkok	Thailand	Singapore	Singapore		2,000 km	3 days
5	Western	Bangkok	Thailand	Rangoon(Yangon)	Myanmar		987 km	2-3 days
6	Eastern	Bangkok	Thailand	Phnompenh	Cambodia		730 km	1 day
7	Eastern	Bangkok	Thailand	Vientiane	Laos		650 km	1 day
8	Eastern	Bangkok	Thailand	Hanoi	Vietnam		1,600 km	2 days
9	Eastern	Bangkok	Thailand	Ho Chi Minh City	Vietnam		1,050 km	2 days
10	Northern	Bangkok	Thailand	Shenzhen	China		2,600 km	4 days
11	Northern	Bangkok	Thailand	Guangzhou	China		2,500 km	4 days
12	Northern	Bangkok	Thailand	Changsha	China		2,810 km	4 days
13	Northern	Bangkok	Thailand	Chongqing	China		2,650 km	4 days
14	Northern	Bangkok	Thailand	Shanghai	China		3,865 km	5 days
15	Northern	Bangkok	Thailand	Beijing	China		4,400 km	6-7 days
16	Northern	Bangkok	Thailand	Tianjin	China		4,350 km	6-7 days
17	Northern	Bangkok	Thailand	Hong Kong	Hong Kong		2,650 km	4 days

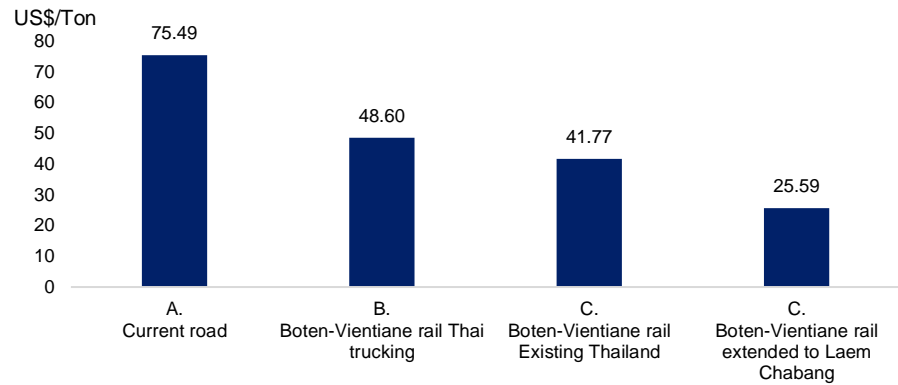
Source: WICE

Figure 6: Projection of land-based trade between China and Thailand, Malaysia, and Singapore (transit trade through Laos) by 2030

Source: World Bank

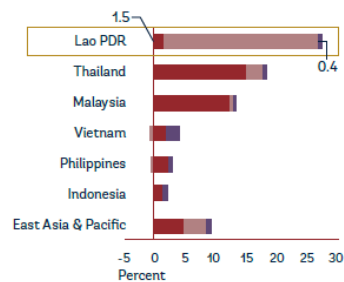
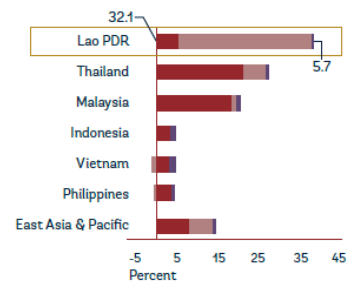
Figure 7: Projection of land-based trade between China and Laos by 2030

Source: World Bank

Figure 8: Estimated cost for transit trade between Laem Chabang and Kunming

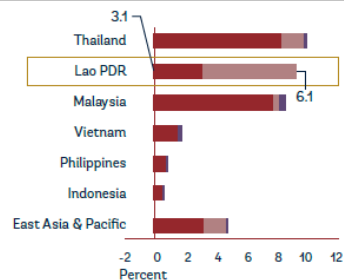
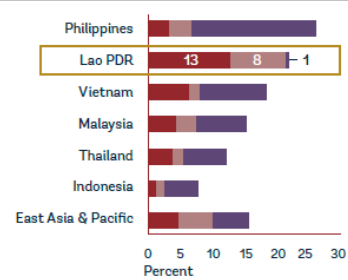
	China and Laos PDR	Thailand	Remark
Scenario A	Road	Road	Current road
Scenario B	Rail	Road	Boten-Vientiane rail (Thai trucking)
Scenario C	Rail	Existing rail	Boten-Vientiane rail (Existing in Thailand)
Scenario D	Rail	New rail	Boten-Vientiane rail (Extended to Laem Chabang)

Source: World Bank

Figure 9: Laos-China Railway to create trade gains as modeled by the World Bank**A. Increases in exports of goods and services****B. Increases in imports of goods and services**

CGE-based estimates of Lao PDR's overall gains in income are lower than those of Thailand. They also point to the importance of reducing border delays.

In contrast, SGE-based estimated gains are smaller than those of the Philippines and derived mostly from infrastructure improvement.

C. Increases in GDP (CGE analysis)**D. Increases in GDP (SGE analysis)**

Infrastructure improvement Reduce border delays Reduce tariffs

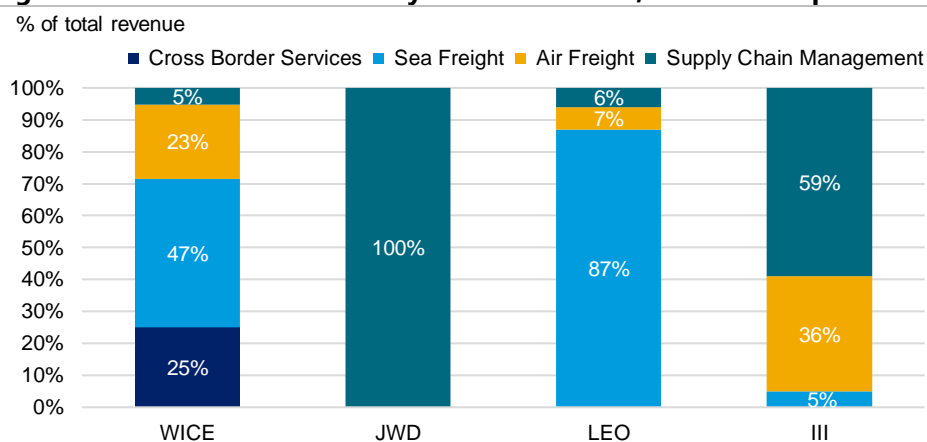
Source: World Bank

Most services diversification in the sector

We prefer WICE due to its highest revenue diversification among listed logistics companies; 47% of WICE's revenue contribution comes from sea freight, 25% from cross-border services, 23% from air freight, and 5% from supply chain management (warehousing). Listed peers have a high exposure in only one or two logistics services (Figure 10).

With 29 years of experience in Thailand-USA sea freight, WICE has expanded its international transportation services and logistics management to other countries in ASEAN, Hong Kong, and China to meet client needs for fast, accurate, and reliable services. WICE now offers integrated services from freight to other services, which are Door-To-Door, Door-To-Port, and Port-To-Door. Revenue from customers who use its full range of services rose from 63% of total revenue in 2019 to 65% in 2020 and 72% in 2021.

Figure 10: Revenue breakdown by business in 2021, WICE versus peers

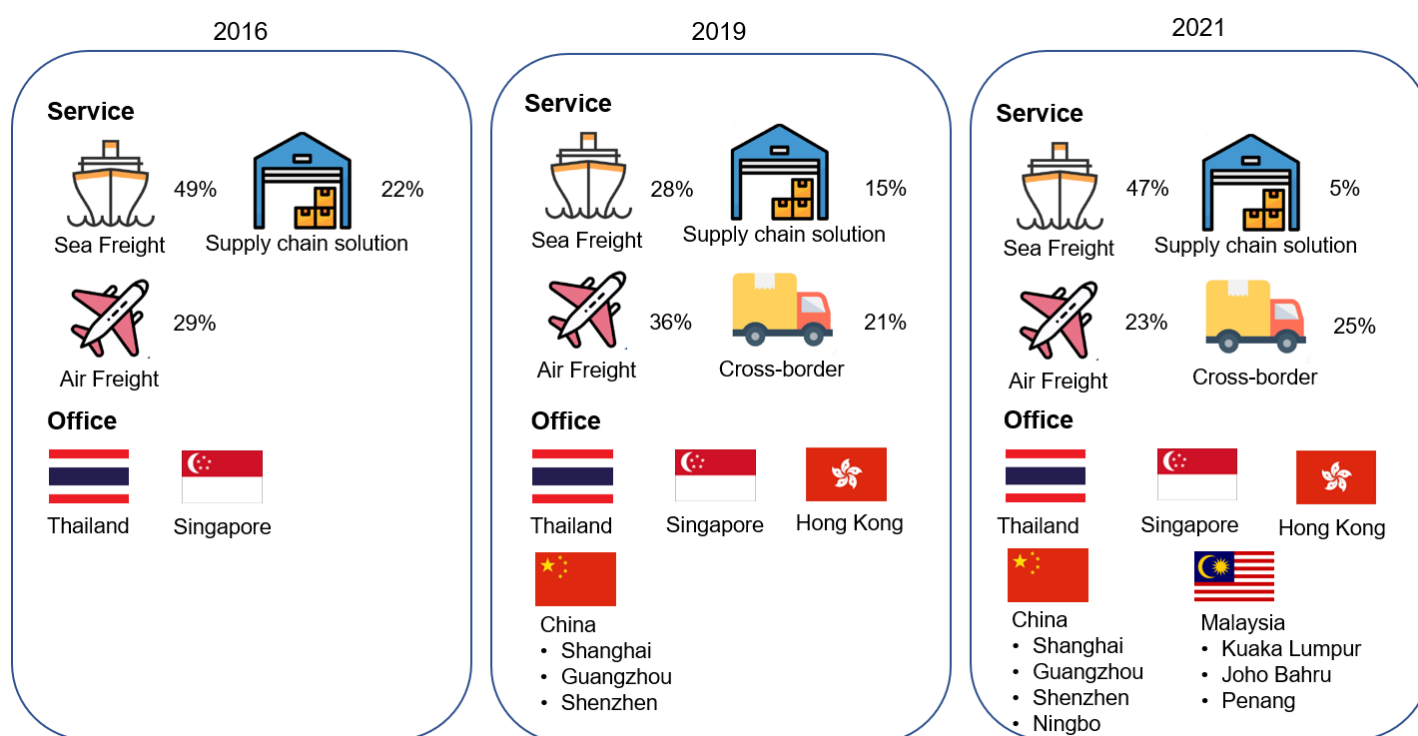


Source: Company data, KKPS. Note:

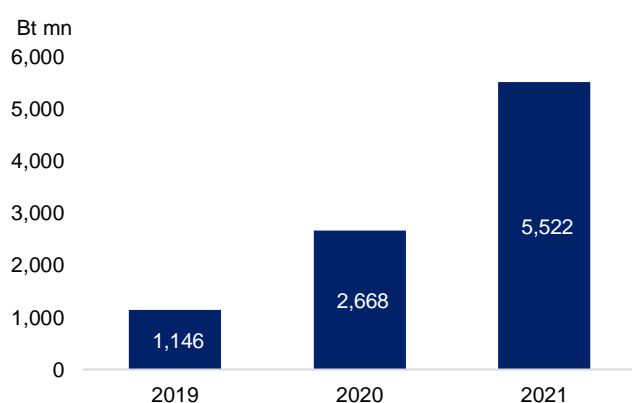
III: Triple I Logistics Pcl

JWD: Jwd Infologistics Pcl

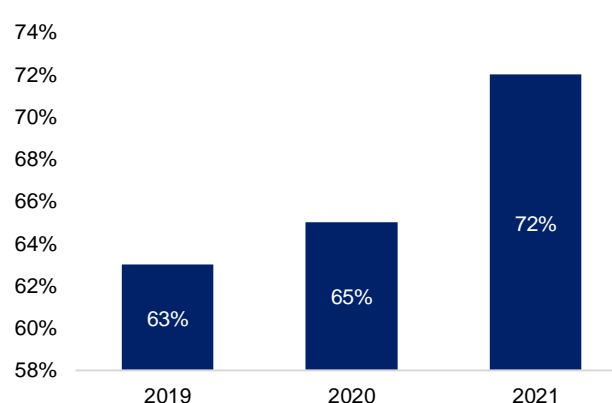
Leo: Leo Global Logistics Pcl

Figure 11: WICE's services expansion

Source: WICE

Figure 12: WICE's customers who use full-services, by value

Source: WICE

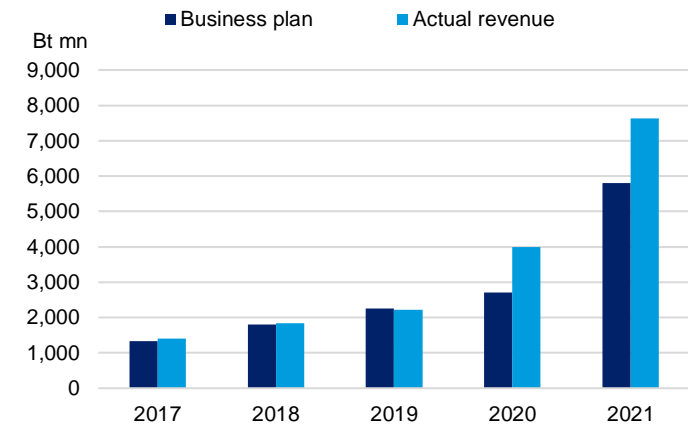
Figure 13: WICE's customers who use full-services, % of total revenue

Source: WICE

Proven to have delivered and exceeded revenue targets

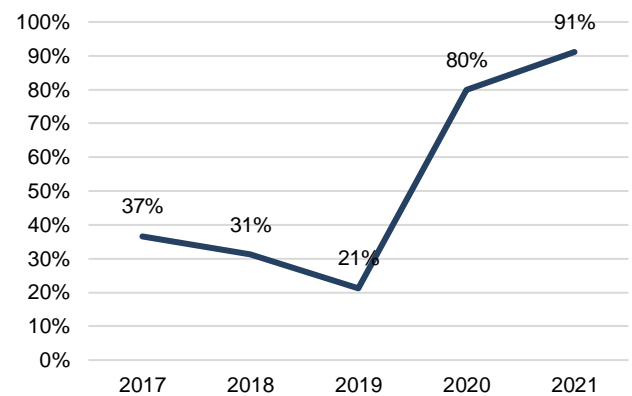
We studied the company's business plan and revenue target execution at the year-end for the past five years from 2017-2021. The result is impressive, as WICE has proven to deliver on its revenue targets, achieving them in 2017-2019 and beating them in 2020-2021 (Figure 14). Actual revenue in 2020 is Bt4.0bn, above the target of Bt2.7bn while actual revenue in 2021 is Bt7.6bn versus the target of Bt5.8bn. Apart from price hikes, volume growth has driven WICE's revenue despite the COVID-19 pandemic in 2020-2021 (Figure 16). In 2022, the company continues to target strong revenue growth of approximately 20% to at least Bt9bn. Our modeled revenue in 2022E aligns with its business plan.

Figure 14: WICE has proven to deliver revenue target in 2017-2019 and beat the target in 2020-2021



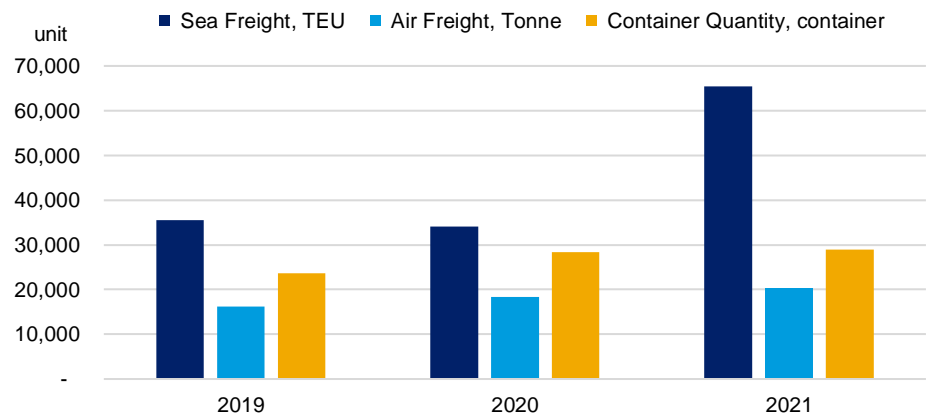
Sources: Company data

Figure 15: WICE's revenue growth profile, actual in 2017-2021



Sources: Company data

Figure 16: Increase in volume across all business units



Source: Company data, KKPS

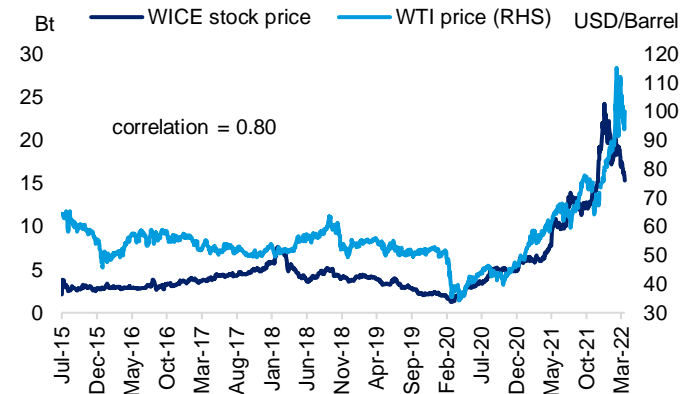
Capability to defend against macro environment

WICE is strongly positioned to defend against unfavorable recent and upcoming macroeconomic conditions such as inflation pressure, interest rate uptrend, and baht depreciation, as follows:

- Inflation hike: The jump in energy prices is one of the key drivers for inflation cost push. Despite that, WICE is able to pass on higher costs as higher logistics service charge to customers.
- Interest rate uptrend: WICE has low financial leverage and net cash position.
- Baht depreciation: The weakening baht would benefit exports which is a key driver for WICE's logistics business.

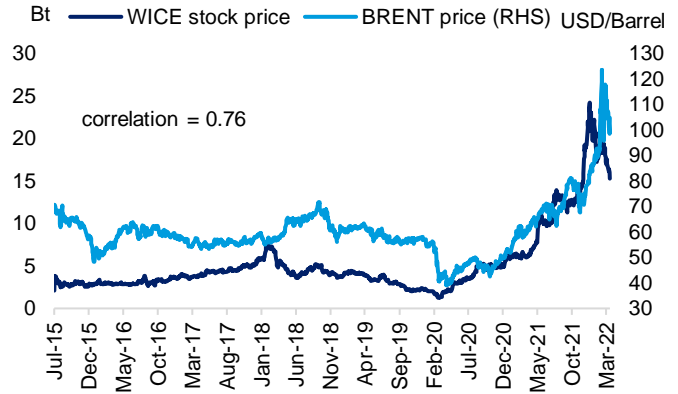
WICE's share price has shown good positive correlation to the energy price, CPI in Thailand, and Thai exports (Figures 17-20).

Figure 17: Correlation between WICE's share price and WTI price



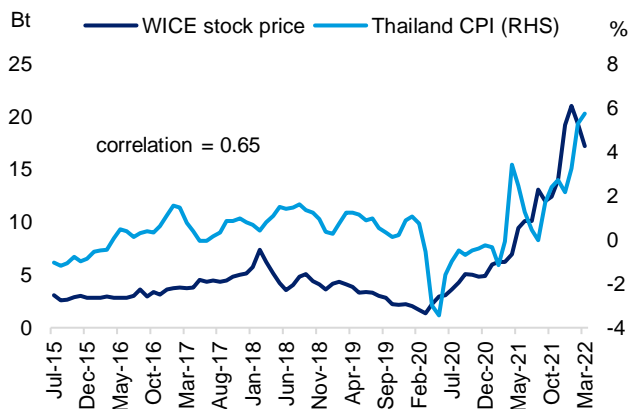
Source: Bloomberg, KKPS

Figure 18: Correlation between WICE's share price and BRENT price



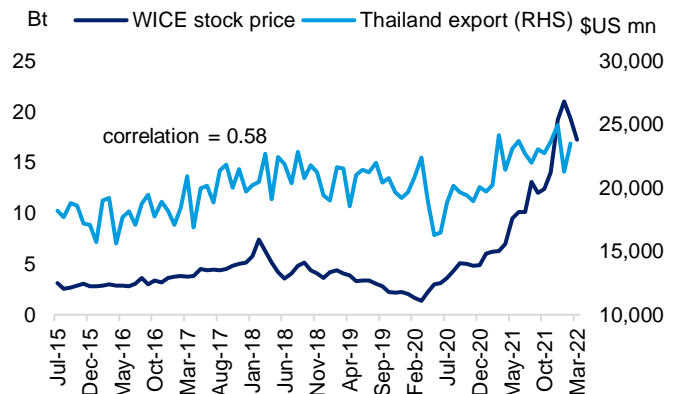
Source: Bloomberg, KKPS

Figure 19: Correlation between WICE's share price and CPI in Thailand



Source: MOC, KKPS

Figure 20: Correlation between WICE's share price and Thai exports



Source: MOC, KKPS

Attractive bargain-hunting prospects

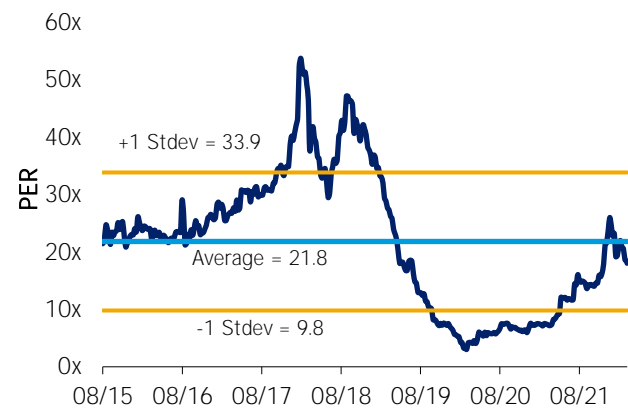
WICE's risk-reward offers very a good entry at (1) a 30% sharp share price correction within three months from the peak at Bt25.25 on 13 January 2022 (driven by market fear on short-term China lockdown), (2) an 7% share price decline YTD but core profit growth forecast of 12% in 2022, and (3) compelling valuations at PER of 19.5x for 2022E and 17.2x for 2023E, far below its long-term average of 21.8x and at a discount to peers (21.2x for 2022E and 18.5x for 2023E by consensus forecast). In terms of EV/EBITDA, WICE looks much cheaper at EV/EBITDA of 14.5x for 2022E and 12.5x for 2023E vs. 18.4x and 16.4x for peers.

Figure 21: WICE's share price is a 30% drawdown from the peak of Bt25.25 on 13 January 2022



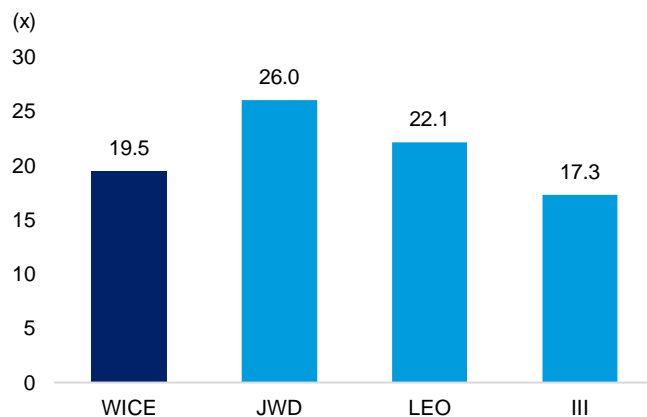
Source: Bloomberg

Figure 22: WICE's forward PER



Source: WICE, Bloomberg, KKPS

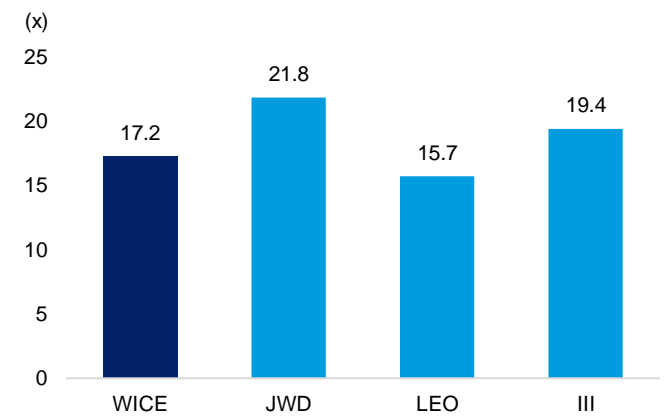
Figure 23: 2022E PER comparison



Source: Company data, Bloomberg, KKPS. Note:

III: Triple I Logistics Pcl
JWD: Jwd Infologistics Pcl
Leo: Leo Global Logistics Pcl

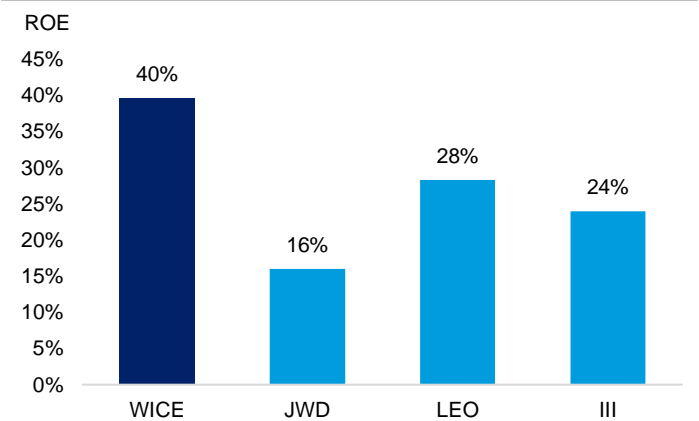
Figure 24: 2023E PER comparison



Source: Company data, Bloomberg, KKPS. Note:

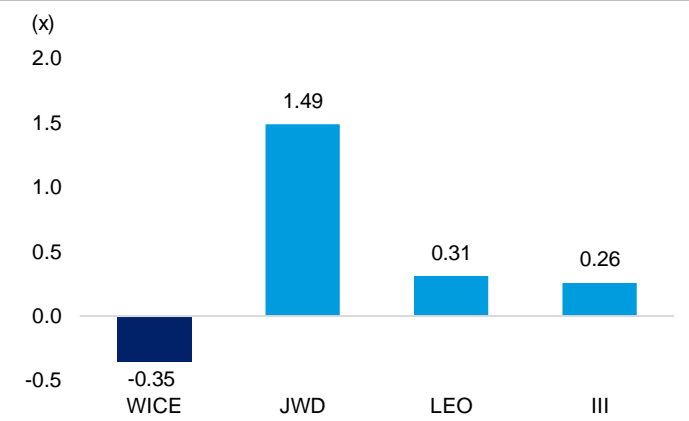
III: Triple I Logistics Pcl
JWD: Jwd Infologistics Pcl
Leo: Leo Global Logistics Pcl

Figure 25: 2022E ROE comparison



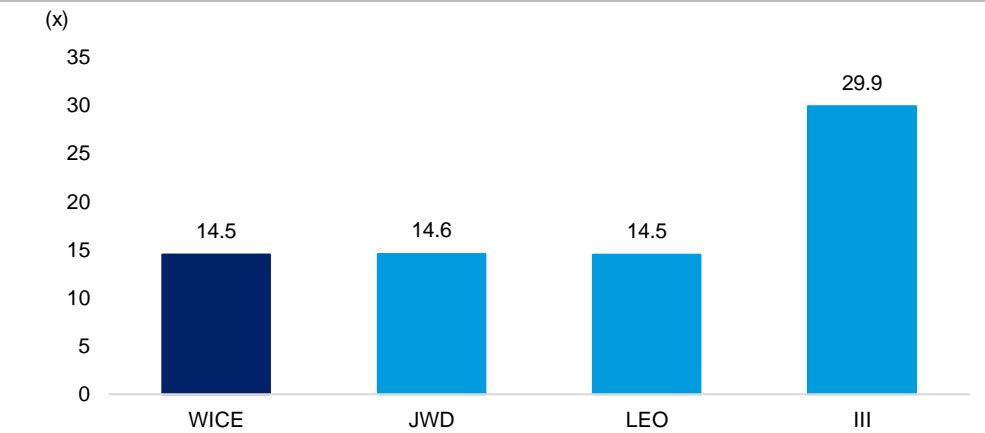
Source: Company data, Bloomberg, KKPS

Figure 26: 2021 Net debt to equity comparison



Source: Company data, Bloomberg, KKPS

Figure 27: 2022E EV/EBITDA comparison



Source: Company data, Bloomberg, KKPS

Figure 28: Peer comparison

	Ticker	PER (x)		EPS growth (%)		PBV (x)		ROE (%)		EV/EDITDA (x)	
Name	(Bloomberg)	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Thai peers											
Wice Logistics Pcl	WICE TB	19.5	17.2	12%	13%	2.6	3.3	40%	35%	14.5	12.5
Triple I Logistics Pcl	III TB	22.1	19.4	8%	14%	4.8	4.1	25%	24%	29.9	26.6
Jwd Infologistics Pcl	JWD TB	26.0	21.8	27%	19%	4.3	4.0	16%	18%	14.6	13.2
Leo Global Logistics Pcl	LEO TB	17.3	15.7	42%	10%	4.8	4.0	27%	26%	14.5	13.1
Average of Thai peers		21.2	18.5	22%	14%	4.1	3.8	27%	26%	18.4	16.4
Rail											
Canadian Natl Railway Co	CNI US	17.6	15.6	22%	12%	4.1	3.9	22%	25%	14.8	13.5
Canadian Pacific Railway Ltd	CP US	19.6	16.8	1%	17%	1.9	1.7	10%	11%	24.0	21.1
Csx Corp	CSX US	19.0	17.5	8%	9%	5.7	5.4	29%	31%	12.2	11.7
Norfolk Southern Corp	NSC US	18.7	17.0	15%	10%	4.4	3.8	24%	25%	13.1	12.3
Union Pacific Corp	UNP US	20.0	18.0	17%	11%	12.4	11.7	58%	77%	13.8	13.0
Average Rail peers		19.0	17.0	13%	12%	5.7	5.3	29%	34%	15.6	14.3
Global logistics operators											
United Parcel Service-CI B	UPS US	14.6	13.9	-13%	5%	8.2	6.3	66%	53%	10.2	9.8
Fedex Corp	FDX US	9.9	9.1	5%	9%	2.1	1.7	21%	20%	6.2	5.7
Deutsche Post Ag-Reg	DPW GY	10.2	10.0	-2%	2%	2.5	2.2	25%	23%	5.5	5.4
Average Global logistics operators		11.6	11.0	-3%	5%	4.2	3.4	38%	32%	7.3	7.0
Less-Than-Truckload											
Xpo Logistics Inc	XPO US	10.7	9.8	75%	9%	3.8	2.8	37%	30%	7.0	6.6
Saia Inc	SAIA US	16.6	15.1	29%	10%	3.6	2.9	24%	21%	9.0	8.1
Old Dominion Freight Line	ODFL US	24.3	22.2	24%	10%	7.0	5.9	32%	31%	15.1	14.0
Tfi International Inc	TFII CN	16.2	14.4	-9%	12%	3.8	3.2	25%	24%	7.4	6.8
Arcbest Corp	ARCB US	6.8	7.0	28%	-2%	1.6	1.3	26%	22%	3.7	3.7
Average Less-Than-Truckload		14.9	13.7	29%	8%	3.9	3.2	29%	26%	8.4	7.9
Asia Express delivery/logistics operators											
Yunda Holding Co Ltd-A	002120 CH	33.2	21.1	-5%	57%	2.9	2.6	9%	12%	13.6	9.9
S F Holding Co Ltd-A	002352 CH	32.1	22.9	51%	40%	2.5	2.3	8%	10%	12.5	9.9
Zto Express Cayman Inc-Adr	ZTO US	3.0	2.5	35%	21%	0.4	0.3	12%	14%	11.4	9.2
Jd Logistics Inc	2618 HK	n.a.	79.9	97%	300%	2.5	2.5	-3%	2%	16.9	9.5
Yto Express Group Co Ltd-A	600233 CH	25.5	18.0	1%	42%	2.4	2.1	9%	12%	13.9	9.6
Sto Express Co Ltd-A	002468 CH	n.a.	46.5	n.a.	148%	1.4	1.3	-5%	3%	19.2	8.5
Deppon Logistics Co Ltd-A	603056 CH	104.8	39.3	-79%	167%	2.6	2.4	4%	7%	12.6	8.9
Average Asia express delivery/logistics operators		39.7	32.9	17%	111%	2.1	1.9	5%	9%	14.3	9.3
Average		21.3	18.6	16%	30%	4.0	3.5	25%	25%	12.2	10.3

As of 25 April 2022

Source: Bloomberg, KKPS

Earnings outlook

Normalized earnings growth forecast

We expect normalized core earnings to show good growth of 12% to Bt598mn in 2022E and 13% to Bt677mn in 2023E after a big jump of 225% in 2020 and 166% in 2021. Despite the COVID-19 pandemic in 2020 and weak exports (on a global economic hiccup), WICE reported all-time high core profit of Bt201mn (QoQ growth for every quarter in 1Q20-4Q20) due to strong growth in cross-border services. In 2021, the global economic recovery pushed Thai export growth to 18.9%, leading to a windfall for WICE with record profit of Bt536mn boosted by sea freight and cross-border services.

We expect a moderate earnings growth outlook for 2022E-2023E driven by total revenue growth of 18% to Bt9.0bn in 2022E and 10% to Bt9.9bn in 2023E thanks to cross-border services and supply chain management (warehousing). WICE aims to expand its warehouse portfolio from 24,000sq.m. in 2021 to 44,000sq.m. in 2022, 76,000sq.m. in 2023, and 100,000sq.m. in 2024 with collaboration with partners to serve the growing e-commerce business. Core margin is conservatively forecast to dip from 7.0% in 2021 to 6.7% in 2022E to reflect the early stage of Rail-Road services and China's COVID lockdowns.

When compared to management guidance, our 2022 modeled revenue aligns with the company's target at Bt9bn, but is 30bps lower than the target for net margin. If WICE were to deliver net margin of 7.0-8.0% as planned, we expect a 5-20% profit upside to our forecast for 2022.

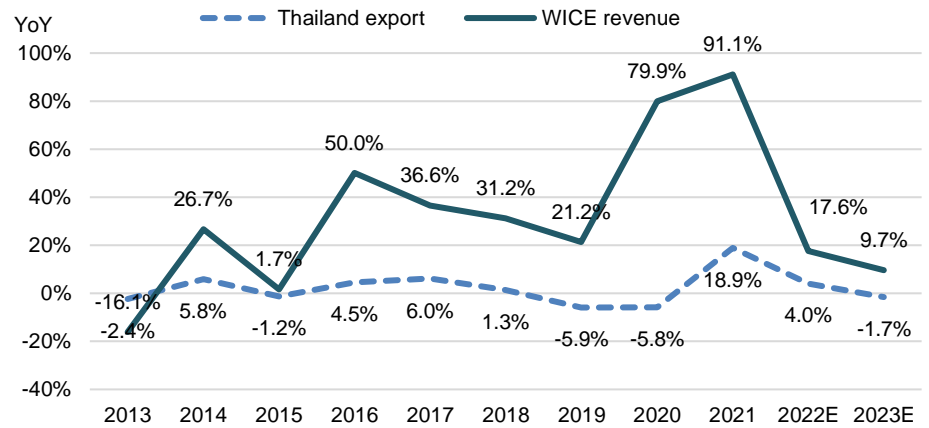
Given KKPS's conservative view for decelerating Thai export growth of 4.0% in 2022E and falling to 1.7% in 2023E, we still expect revenue growth for WICE, as WICE's revenue has historically outperformed Thailand's export growth in the past decade (Figure 30).

WICE announced plans to spin off its 51%-held subsidiary Euroasia Total Logistics Co., Ltd. ("ETL") through an IPO on the Market for Alternative Investment (MAI) in 4Q22. The company plans ETL's new share issuance to not exceed 30% for the IPO and allow pre-emptive rights to WICE's shareholders not exceeding 20% of total shares of ETL to mitigate the dilution effect.

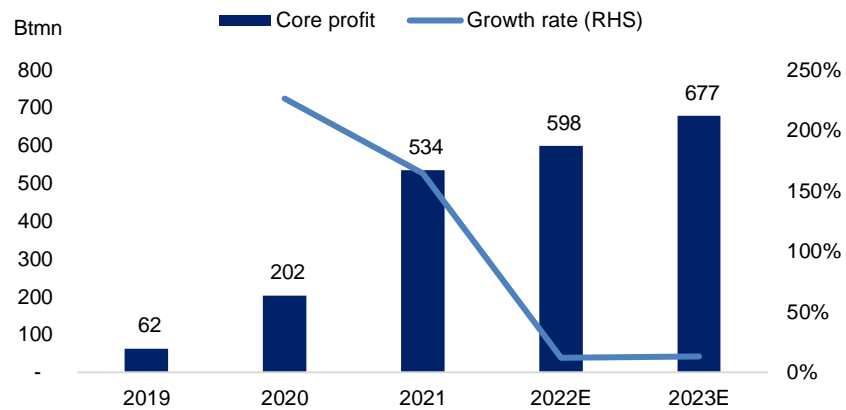
Figure 29: Key assumptions

	2019	2020	2021	2022E	2023E	2024E
Air freight growth	-9.9%	162.0%	-16.2%	12.0%	10.0%	5.0%
Sea freight growth	3.1%	0.8%	469.0%	5.0%	0.0%	-5.0%
Supply chain solution growth	-4.4%	-3.9%	18.2%	40.0%	30.0%	15.0%
Cross-border service growth	n.a.	104.6%	96.7%	30.0%	20.0%	18.0%
Gross profit margin	15.9%	15.5%	16.3%	16.1%	16.4%	16.6%
SG&A to total revenue	13.1%	7.3%	6.5%	6.6%	6.6%	6.5%

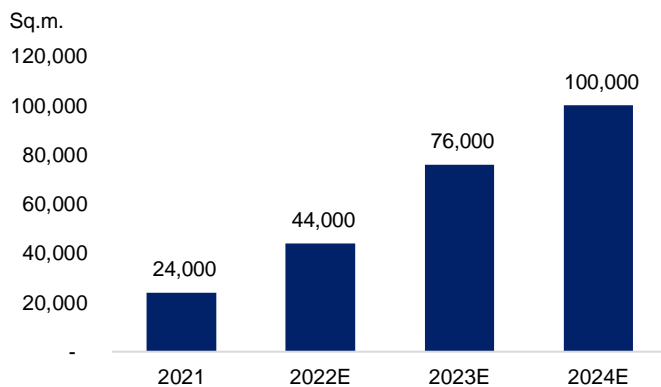
Source: WICE, KKPS estimates

Figure 30: WICE's revenue has outperformed Thai exports

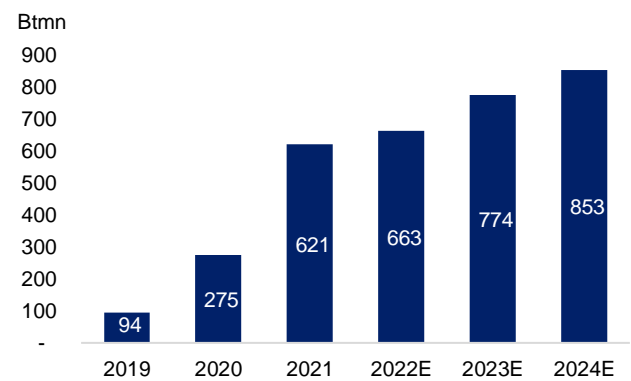
Source: WICE, MOC, KKPS estimates

Figure 31: WICE's core profit outlook

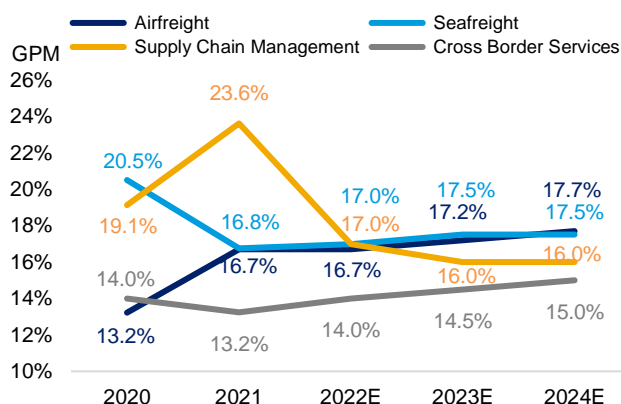
Source: WICE, KKPS estimates

Figure 32: Warehouse portfolio expansion

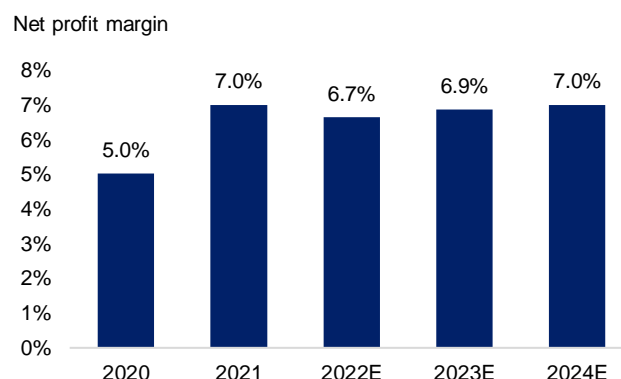
Source: WICE

Figure 33: Quality positive cash flow from operations

Source: WICE, KKPS estimates

Figure 34: Gross margin and forecast

Source: WICE, KKPS estimates

Figure 35: Conservative forecast for net margin

Source: WICE, KKPS estimates

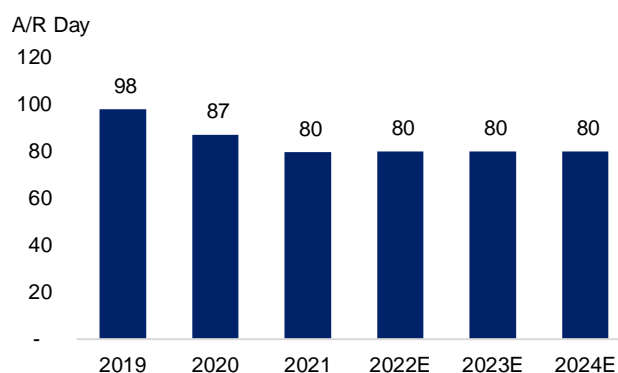
Figure 36: Sensitivity analysis

	Increase in 2022E	Change	Increase in 2023E	Change
Upside risk				
10% increase in supply chain solution growth	3	0.5%	8	1.1%
10% increase in cross-border service growth	10	1.7%	29	4.2%
100 bps increase in gross profit margin	62	10.3%	67	9.9%
	Decrease in 2022E	Change	Decrease in 2023E	Change
Downside risk				
10% decrease in air freight growth	13	-2.2%	29	-4.2%
10% decrease in sea freight growth	28	-4.6%	57	-8.4%
100 bps decrease in gross profit margin	61	-10.2%	67	-9.9%

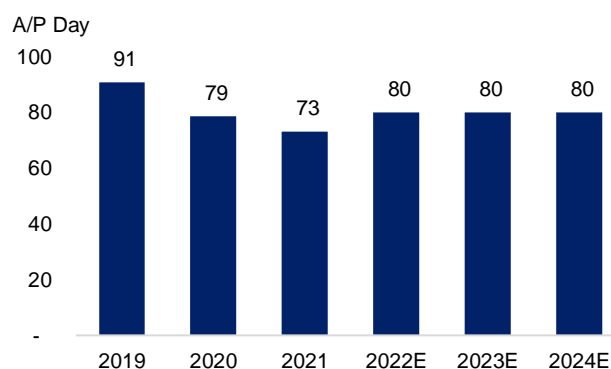
Source: KKPS estimates

Strong balance sheet

Liquidity is strong at stable A/R days of 80 and A/P days of 80, with no inventory as its business nature. Balance sheet is healthy at net cash (Bt400mn cash on hand at YE21 versus Bt383mn of interest-bearing debt) and low debt to equity ratio of 0.24x for YE22E. WICE has the cleanest balance sheet among peers (Figure 26).

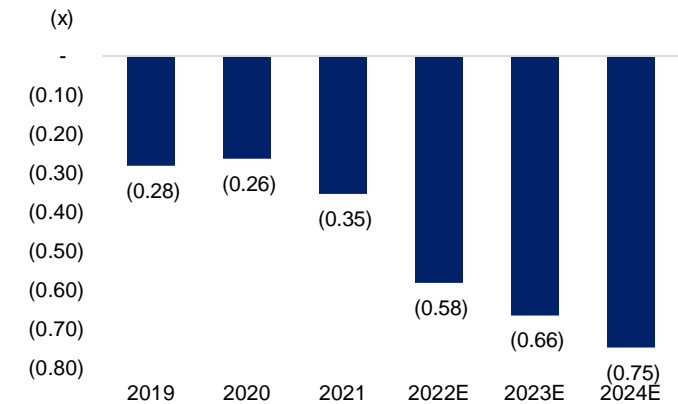
Figure 37: A/R days

Source: WICE, KKPS estimates

Figure 38: A/P days

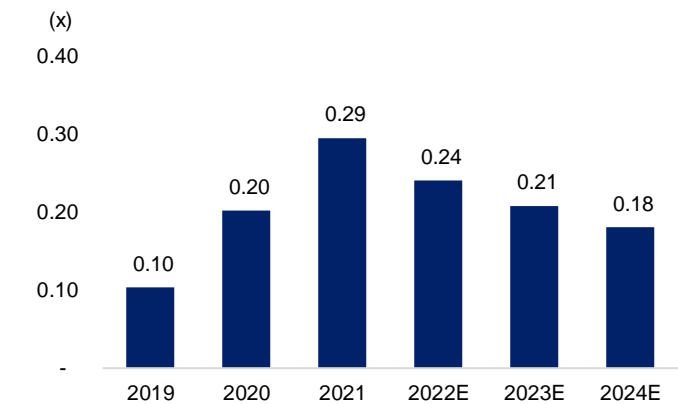
Source: WICE, KKPS estimates

Figure 39: Net gearing ratio



Source: WICE, KKPS estimates

Figure 40: Debt to Equity ratio



Source: WICE, KKPS estimates

Company background

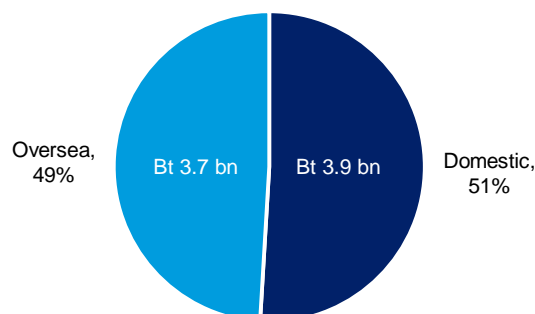
WICE is an international logistics service and solution provider which offers import and export services via sea, air, road, and rail (cross-border). WICE also offers customs clearance, domestic transportation, and warehousing services. WICE has over 29 years of experience. Its current core businesses are as follows:

- 1) Sea freight (47% of 2021 revenue): WICE offers the services of ships and containers from leading and reputable shipping lines and is able to book a fleet which is suitable for the needs of each customer. Its main market is the United States, followed by China, Japan, and the Philippines. Electrical appliances and office equipment/computers, auto parts, solar cells, canned food, and construction materials are the most common products shipped by sea freight.
- 2) Air freight (23% of 2021 revenue): WICE can contact and reserve airlines according to the schedule and requirements which the customer wants, taking into account punctuality and cost savings for customers. The main markets are those in Asia, such as Singapore, Hong Kong, China, etc. Most of the products are electronic components.
- 3) Supply chain management (5% of 2021 revenue): WICE provides customs clearance services, transportation services from the port/airport to the destination which the customer wants, and warehouse services. WICE currently has three warehouses totaling approximately 24,000 square meters.
- 4) Cross-border services (25% of 2021 revenue): Euroasia Total Logistics (ETL), a 51%-owned subsidiary of WICE, provides cross-border services. At present, WICE's cross-border freight forwarding from Singapore to China can be arranged by picking up goods from Singapore and transporting them through Malaysia, Thailand, Laos, and Vietnam before entering China.

In 2021, WICE generated 51% of its revenue from domestic customers and 49% from international customers.

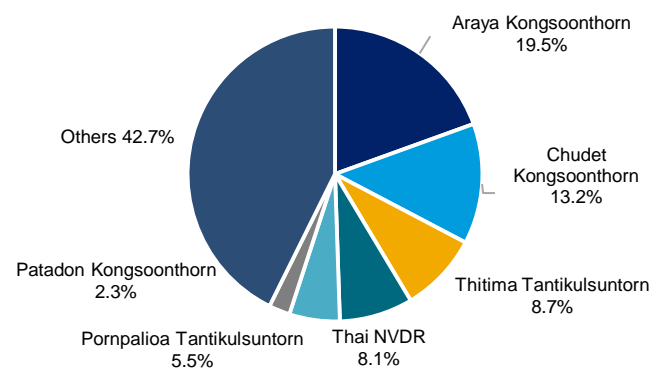
On 10 March 2022, the major shareholders comprise Araya Kongsoonthorn with a 19.5% stake, followed by Chudet Kongsoonthorn (13.2%), Thitima Tantikulsuntorn (8.7%), Thai NVDR (8.1%), Pornpalioa Tantikulsuntorn (5.5%), and Patadon Kongsoonthorn (2.3%).

Figure 41: WICE - 2021 revenue breakdown by geography



Source: WICE

Figure 42: WICE - Shareholders



Source: WICE

ESG Analysis

Environment

- WICE enhances or modifies procedures and equipment to increase energy efficiency. WICE intends to reduce electricity consumption by at least 10% by 2031 from the base of the year 2021.
- WICE develops products, services, and solutions which reduce greenhouse gas emissions throughout the value chain. WICE plans to reduce greenhouse gas emissions both directly and indirectly by 2% by 2031 from the average of the base of the year 2021.

Social

- WICE respects its employees' rights to express themselves. This includes the freedom to speak freely and without interference, as well as the ability to obtain information or opinions through the media.
- WICE provides employees with the opportunity to receive extensive training and self-development in order to improve their competency in a variety of fields, whether it is knowledge, skills, or capabilities.

Governance

Figure 43: Corporate governance

	Board of Directors	Audit Committee	Nomination and Remuneration Committee
Member	8	3	3
Independent	4 (50%)	3 (100%)	1 (33%)
Female	3 (38%)	0	2 (67%)
Director in other company	2 (25%)	1 (33%)	0
Over 10 years of tenure	3 (38%)	0	2 (67%)
% of shares held by	41.4%	0%	28.2%

Source: WICE, KKPS

Price objective basis and risk

Our PO of Bt24.00 is derived from the average intrinsic value estimates of two methodologies, Bt21.50 from the Price/Earnings ratio (PER) of 22.0x and Bt26.50 from DCF. Target PER is pegged at 22.0x, which is close to the long-term average of 21.8x, and average EPS for 2022E-2023E at Bt0.98. DCF is based on 8.0% WACC derived by a risk-free rate assumption of 3% and equity risk premium of 8% (Kiatnakin Phatra Securities' key assumption), 1.1x beta, and 2% terminal growth rate.

Key upside risks are (1) faster-than-expected cross-border logistics demand (Rail-Road services), (2) higher-than-expected Thai exports-imports, and (3) new joint ventures and M&As. Meanwhile, downside risks are intense competition, freight rate uncertainty and fluctuation, China's economic slowdown, global economic recession, and regulatory risk.

Figure 44: WICE – 12-month price objective

Valuation methodology	Bt
PER	26.5
DCF	21.5
Average	24.0

Source: KKPS estimates

Figure 45: PO Calculation by PER

Target PER (x)	22.0x
EPS (Average 2022-2023E)	0.98
PO (Bt)	21.5

Figure 46: PO Calculation by DCF methodology

PV of free cash flow	6,686
Terminal value	9,678
Total present value	16,364
Net debt	(998)
Minority interest	105
Equity value	17,257
DCF value (Bt)	26.5

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