

Thoresen Thai Agencies Plc.

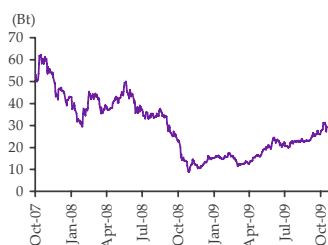
Buy

Stock Data

Last close (Oct 16) (Bt)	29.25
Foreign price (Oct 15) (Bt)	28.00
12-m target price (Bt)	31.0
Mkt cap (Btbn)	20.71
Mkt cap (US\$mn)	620

Bloomberg code	TTA TB
Reuters code	TTA.BK
Risk rating	H
Mkt cap (%) SET	0.38
Sector % SET	2.97
Shares issued (mn)	708
Par value (Bt)	1
12-m high / low (Bt)	32 / 9.8
Avg. daily 6m (US\$mn)	30.13
Foreign limit / actual (%)	49 / 34
Free float (%)	99.6
Dividend policy (%)	25

Price Performance



Source: SET

Share performances

	1M	3M	12M
Absolute	13.6	34.8	107.6
Relative	12.6	11.7	57.5

Source: SET

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Acquiring UMS, further diversification into energy sector

- **Event:** TTA subsidiary, Hermelin Shipping (99% held by TTA), has agreed to buy the shares and warrants of Unique Mining Services Public Company Limited (UMS). Hermelin will purchase 73.65mn shares at Bt23/share, 48.5% of existing share capital, and 3.22mn warrants at Bt14.6579/warrant from UMS' major shareholders. Completion of the transaction as planned would trigger a tender offer for all UMS shares and warrants remaining. The tender offer is expected to be completed around end-December 2009.
- **Unattractive ROI** – Using UMS consensus earnings estimates (Bt388mn for 2010) and the full tender cost (Bt4.345bn) we calculate an expected return on investment (ROI) of ~9%, not very attractive against TTA's benchmark IRR of 15%. At Bt23, the acquisition price is 3.5x BVPS, higher than the 3.2x average PBV multiple of regional peers.
- **Still, 9% is better than cash yield** – At the same time, we consider this deal a better way of utilizing excess cash, as UMS' potential earnings contribution could exceed interest income on the same money. Assuming TTA acquires 100%, its EPS could be increased by 23% in FY10. As of June 2009, TTA has Bt5.3bn net cash or Bt7.4/ share vs. the acquisition cost of Bt6.1/share.
- **Some synergy potential hinted at** – Based on UMS' annual volume trade of 1.0m tons, mainly from Indonesia to Sri Chang Island, it would require 1-2 Supramax ships per year and would serve as a "guarantee volume". Relative to TTA's fleet size of 36 the fraction is small, but still positive in terms of securing vessel utilization. In addition, UMS' focus on small and medium size customers could fit well with TTA's expansion into coal mining. TTA just announced a Bt169mn acquisition of a stake in young coal mining operations in the Philippines. Should that mine become operational, some volume could be channeled to UMS. There scope for more synergies within the group, possibly enhancing potential return.
- **Forecast under review** – We are going to be revisiting our assumptions on Mermaid Maritime and UMS contribution.

Forecasts and Valuation

FY Sep	FY'07	FY08	FY09F	FY10F	FY11F
Core profit (Btmn)	4,239	8,540	835	964	2,767
Net profit (Btmn)	4,962	8,776	1,712	964	2,767
EPS (Bt)	7.01	12.40	2.42	1.36	3.91
EPS growth (%)	27	77	(80)	(44)	187
BVPS (Bt)	21.35	35.34	36.87	37.83	41.04
DPS (Bt)	1.65	2.25	0.60	0.30	1.00
SCBS core PER (x)	4.89	2.42	24.79	21.49	7.49
SCBS PBV (x)	1.37	0.83	0.79	0.77	0.71
Dividend yields (%)	5.64	7.69	2.05	1.03	3.42

Source: SCBS Investment Research

APPENDICES

Chart 1: Demand for other coals (bituminous & sub-bituminous) continues to increase, with 18% CAGR since 2000. UMS has ~5.3% (600kt) market share in 2006, ~6.9% (1.0mn ton) in 2007, and ~6.3% (1.0mn tons) in 2008.

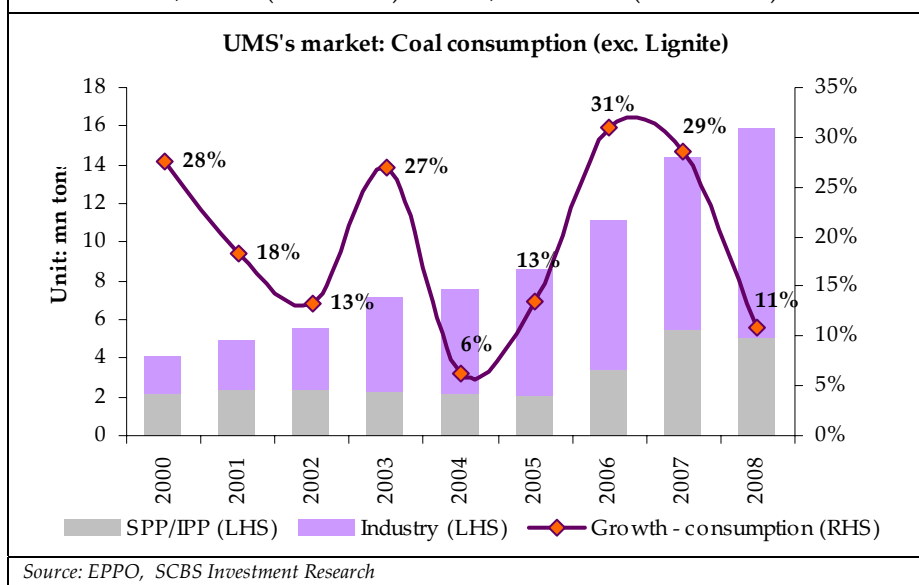


Table 1: Competitive landscape of coal industry in Thailand

Company name	Ticker	Type of Business				Coal type		Customer focus	
		Distributor	Coal Mine	Power gen.	Logistic	Consultation	Lignite	Bituminous	SME
Banpu	BANPU		✓	✓			✓		✓
Lanna Resources	LANNA	✓	✓				✓		✓
Unique Mining Services	UMS	✓			✓		✓	✓ 50%	✓ 50%
Asia Green Energy	-	✓					✓		✓

Source: Companies, SCBS Investment Research

Table 2: Financial highlights of UMS

UMS	2006	2007	2008	6M09
P&L analysis				
Total revenue	1,379	2,480	3,448	1,394
Gross profit	420	751	1,054	253
Net profit	174	361	403	192
Gross margin	30%	30%	31%	26%
Net margin	13%	15%	12%	14%
ROAE	41%	63%	53%	21%
EPS	1.24	2.58	2.72	1.26
BV per share	3.14	4.99	5.47	6.60
Balance sheet analysis				
Total Assets	858	1,460	2,553	2,669
Total Liabilities	419	761	1,728	1,667
Total Equities	439	698	825	1,003

Source: UMS, TTA, SCBS Investment Research

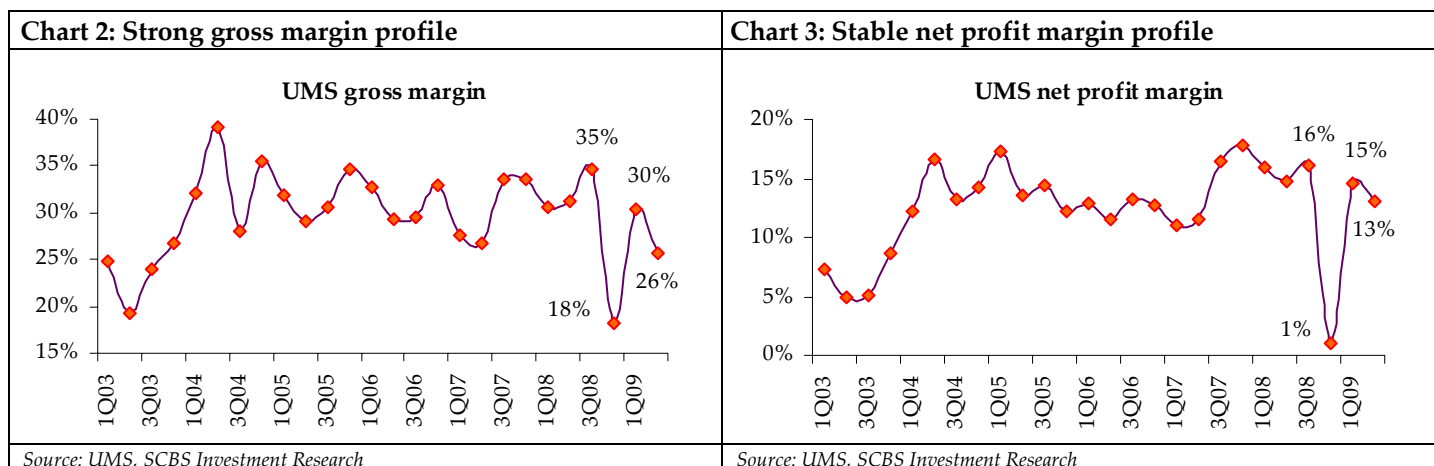


Table 3: Consensus earnings estimates

	FY09F	FY10F
Net profit		
TTA	1,475	1,681
UMS	351	388
Consolidated (100%)	1,826	2,069
EPS		
TTA	2.08	2.37
TTA + UMS	2.58	2.92
Incremental profit	24%	23%
Return to shareholders		
TTA (ROAE)	5.6%	6.1%
UMS (ROI)	8.1%	8.9%
TTA + UMS (ROAE)	6.0%	6.5%

Source: Bloomberg consensus