

# HANA MICROELECTRONICS

THAILAND / ELECTRONIC COMPONENT

# HANA TB

## BUY

UNCHANGED

TARGET PRICE	THB50.00
CLOSE	THB40.25
UP/DOWNSIDE	+24.2%
PRIOR TP	THB50.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+12.9%

## Expect profits to accelerate in 2H24

- We anticipate that 1Q24 profit will be the bottom of this year, and expect 2Q24 to recover q-q.
- IS and SiC should recover significantly in 2H24, driving accelerated profit growth.
- Retain BUY call with TP of THB50.

### Positive view from analyst meeting

Management guides 2Q24 revenue to rebound gradually, especially in the PCBA segment, where both the Lamphun plant (50% of revenue) and Chinese plant (14% of revenue) continue to receive steady orders, with growth observed in the automotive, industrial, and medical sectors. Additionally, the RFID segment in the US factory has recovered on a quarterly basis. Although the IC segment should recover slowly in 2Q24, the factories in Ayutthaya (26%) and China (2%) are benefiting from low customer inventory levels. Management anticipates increased orders towards the end of 2Q24, with a significant rebound in 2H24.

### PMS revenue to recover in 2Q24 onward

Management explained the decline in the PMS factory's SiC revenue in 1Q24 as owing to 1) seasonal factors, like the Chinese New Year; and 2) a 10-day production halt for an electrical system inspection conducted every five years. Most of the revenue loss was from silicon (80% of PMS factory revenue), while the remaining 20% from silicon carbide remains robust. Management projects PMS revenue to rebound in 2Q24 and accelerate in 2H24 once equipment installation is complete, bolstered by a potential demand recovery from China. In addition, we maintain 2024E SiC revenue at USD35m, with an estimated 1H24 revenue of USD9m.

### Expect 2Q24 net profit to rebound q-q

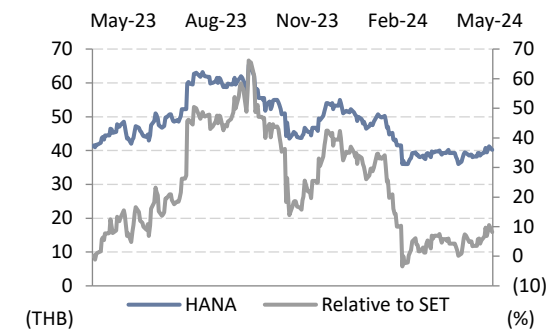
We expect a 2Q24 net profit of THB485m (+55% q-q, -24% y-y). HANA addressed the impact of the US import tariff increase on China, stating that the tariff is limited, as there is the possibility that orders might be transferred to HANA's factories in Thailand and Cambodia instead, and the number of US customers is already small. Meanwhile, we estimate that a minimum wage hike to THB400 per day could impact HANA's total costs by around THB15m per quarter, or its gross margin by roughly 0.2%, ceteris paribus. However, management has indicated that efforts are underway to adjust productivity levels to mitigate these potential impacts. Thus, we assume the impact will be rather limited.

### Retain BUY call with TP of THB50

We maintain our 2024 target price at THB50, based on the same P/E of 20x. We think HANA's 1Q24 net profit will be the bottom of this year and anticipate growth for the remainder of the year. We reaffirm BUY.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	26,152	26,260	28,108	29,998
Net profit	1,761	2,189	2,442	2,707
EPS (THB)	1.99	2.47	2.76	3.06
vs Consensus (%)	-	4.7	0.5	(1.6)
EBITDA	3,752	4,058	4,426	4,732
Recurring net profit	2,009	2,189	2,442	2,707
Core EPS (THB)	2.27	2.47	2.76	3.06
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(23.8)	8.9	11.5	10.9
Core P/E (x)	17.7	16.3	14.6	13.2
Dividend yield (%)	2.5	2.8	3.1	4.6
EV/EBITDA (x)	7.5	6.9	6.2	5.5
Price/book (x)	1.2	1.2	1.1	1.1
Net debt/Equity (%)	(26.0)	(24.7)	(25.7)	(29.1)
ROE (%)	7.6	7.4	7.9	8.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	11.8	(6.9)	3.9
Relative to country (%)	8.0	(6.8)	14.1
Mkt cap (USD m)	989		
3m avg. daily turnover (USD m)	13.1		
Free float (%)	58		
Major shareholder	OMAC and related companies (29%)		
12m high/low (THB)	66.25/35.25		
Issued shares (m)	885.36		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

HANA is a leading EMS provider in Southeast Asia with over 45 years of experience. Since its inception in 1978, even though it is mainly a midstream producer, its strength has come from its diversification to several end products, such as telecommunications, computers, consumer products, automobiles, radio frequency identification (RFID), and medical products. It also has manufacturing bases in several countries, while constantly developing new products, i.e., SiC, to catch up with industrial customer demands, particularly in EVs.

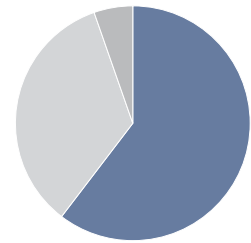
### Company profile

HANA provides integrated electronic manufacturing services (EMS), including IC PCBA, RFID, and LCOS. It has seven manufacturing bases in Thailand, China, the US, Cambodia, and South Korea, with a total production area of 1.7m SQF and over 10,000 employees worldwide. At the end of 2023, HANA generated revenue from PCBA (61% of total revenue), followed by IC (31%), RFID (6%), and SiC (2%).

[www.hanagroup.com](http://www.hanagroup.com)

### Principal activities (revenue, 2023)

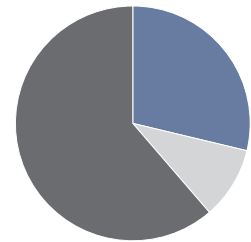
- PCBA - 60.4 %
- IC - 34.3 %
- IC Assemble (RFID / Microdisplay) - 5.3 %



Source: Hana Microelectronics

### Major shareholders

- OMAC and related companies - 28.7 %
- LGT Bank (Singapore) Ltd - 9.9 %
- Others - 61.3 %



Source: Hana Microelectronics

### Catalysts

Potential catalysts for HANA's earnings growth in 2024 are 1) a recovery in the global economy and purchasing power, especially in China; 2) a decrease in raw material costs; and 3) a faster-than-expected capacity expansion.

### Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in the global economy and purchasing power; 2) higher-than-expected raw material costs; 3) Baht strength; and 4) higher minimum wage and labor shortages.

### Event calendar

Date	Event
August 2024	2Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
USD total revenue (USD m)	796	852	909
SiC revenue (USD m)	35	65	98
FX rate (USD/THB)	33	33	33
THB revenue growth (%)	0.4	7.0	6.7
Gross margin (%)	13.0	13.4	13.7

Source: FSSIA estimates

### Earnings sensitivity

- For every THB1/USD increase, we estimate 2024 net profit to fall by 6.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 5.7%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2024 net profit to fall by 1.3%, and vice versa, all else being equal.
- For every 10% increase in labor cost, we estimate 2024 net profit to fall by 6.6%, and vice versa, all else being equal.

Source: FSSIA estimates

**Exhibit 1: HANA – 2Q24 earnings preview**

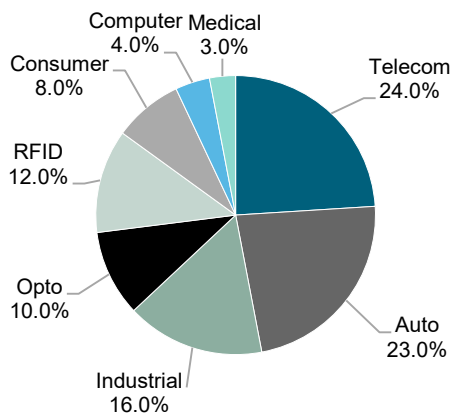
	2Q23	3Q23	4Q23	1Q24	2Q24E	-----Change-----		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Total revenue	6,910	6,555	6,221	6,371	6,710	5.3	(2.9)	26,152	26,260	0.4
Cost of sales	5,871	5,523	5,602	5,683	5,871	3.3	(0.0)	22,910	22,846	(0.3)
Gross profit	1,039	1,031	619	687	839	22.1	(19.3)	3,242	3,414	5.3
SG&A	392	449	408	415	416	0.2	6.0	1,631	1,654	1.4
Operating profit	646	582	211	272	423	55.5	(34.6)	1,611	1,759	9.2
Interest expense	8.0	17.4	24.7	23.9	25.0	4.8	211.0	52	19	(63.9)
Tax expense	33	21	20	27	42	58.4	28.4	85	103	20.7
Reported net profit	635	734	125	313	485	55.0	(23.6)	1,761	2,189	24.3
Core profit	749	674	291	352	485	37.8	(35.2)	2,009	2,189	8.9

Key Ratios (%)					(ppt)	(ppt)				
Gross margin	15.0	15.7	9.9	10.8	12.5	1.7	(2.5)	12.4	13.0	0.6
SG&A to sales	5.7	6.9	6.6	6.5	6.2	(0.3)	0.5	6.2	6.3	0.1
Operating margin	9.4	8.9	3.4	4.3	6.3	2.0	(3.1)	6.2	6.7	0.5
Net margin	9.2	11.2	2.0	4.9	7.2	2.3	(2.0)	6.7	8.3	1.6
Core margin	10.8	10.3	4.7	5.5	7.2	1.7	(3.6)	7.7	8.3	0.7

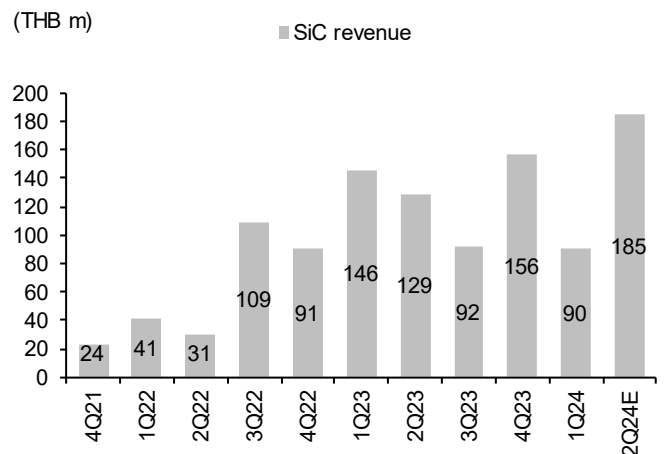
Sources: HANA, FSSIA estimates

**Exhibit 2: 1Q24 revenue breakdown by product segment**



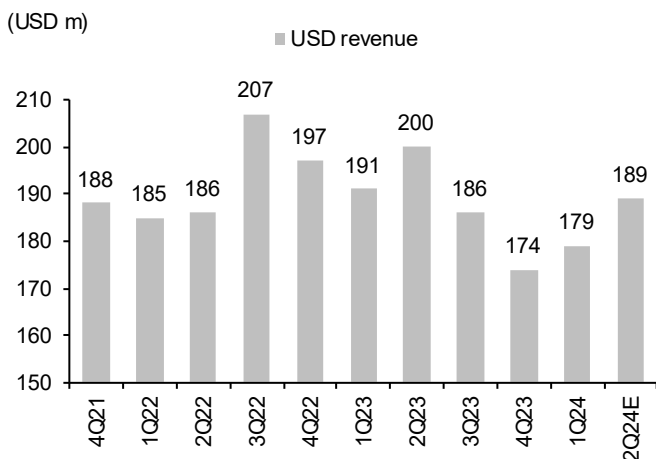
Source: HANA

**Exhibit 3: Quarterly SiC revenue**



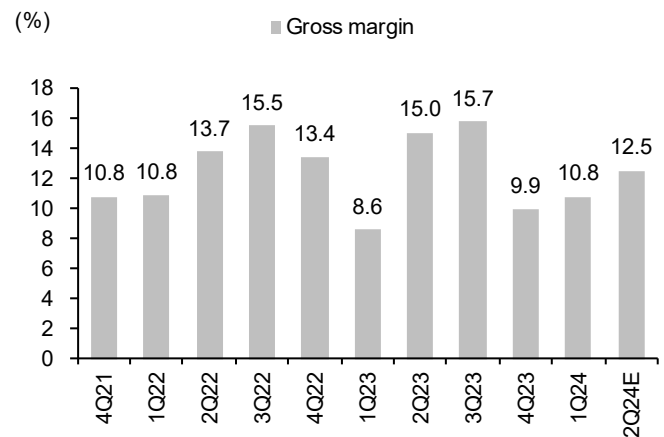
Sources: HANA, FSSIA estimates

**Exhibit 4: Quarterly total USD revenue**



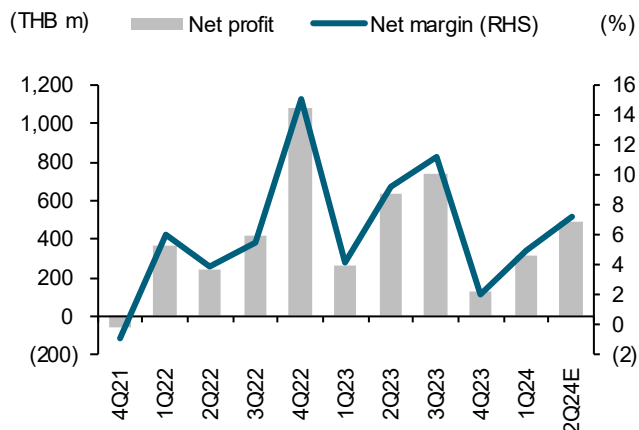
Sources: HANA, FSSIA estimates

**Exhibit 5: Quarterly gross margin**



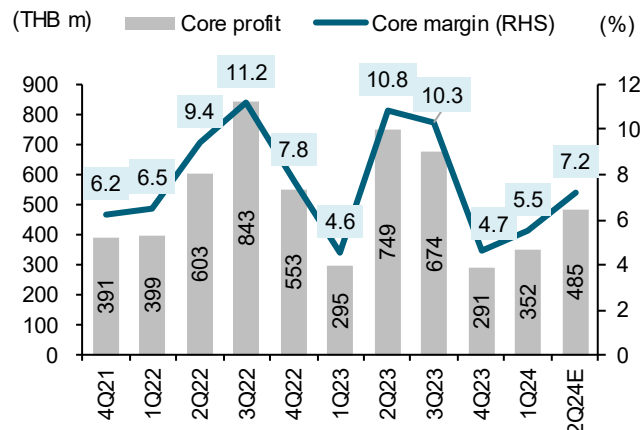
Sources: HANA, FSSIA estimates

Exhibit 6: Quarterly net profit and net margin



Sources: HANA, FSSIA estimates

Exhibit 7: Quarterly core profit and core margin



Sources: HANA, FSSIA estimates

Exhibit 8: Key assumptions for HANA

	Current			Growth		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sales value (THB m)	26,260	28,108	29,998	0.4	7.0	6.7
Costs	22,846	24,341	25,888	(0.3)	6.5	6.4
Gross profit	3,414	3,766	4,110	5.3	10.3	9.1
SG&A expense	1,654	1,771	1,890	1.4	7.0	6.7
Interest expense	19	15	0	(63.9)	(19.3)	(100.0)
Reported net profit	2,189	2,442	2,707	24.3	11.5	10.9
Core profit	2,189	2,442	2,707	8.9	11.5	10.9
EPS (THB/share)	2.47	2.76	3.06	24.3	11.5	10.9

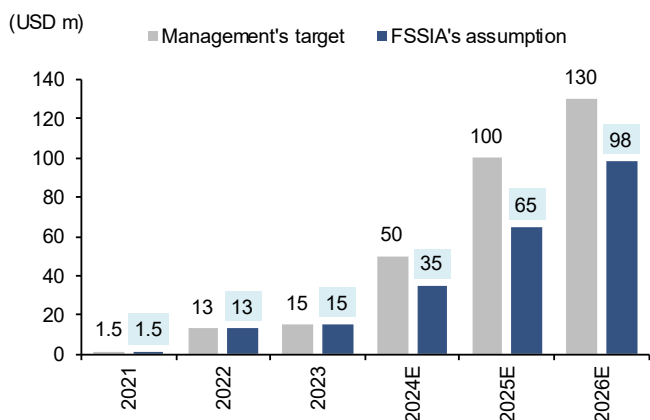
Key ratios (%)						
Gross margin	13.0	13.4	13.7	0.6	0.4	0.3
SG&A to sales	6.3	6.3	6.3	0.1	0.0	0.0
Net margin	8.3	8.7	9.0	1.6	0.4	0.3
Core margin	8.3	8.7	9.0	0.7	0.4	0.3

Operating statistics						
Total revenue (USD m)	796	852	909	6.0	7.0	6.7
SiC revenue (USD m)	35	65	98	133.3	85.7	50.8
FX rate (THB/USD)	33.0	33.0	33.0	(5.2)	0.0	0.0

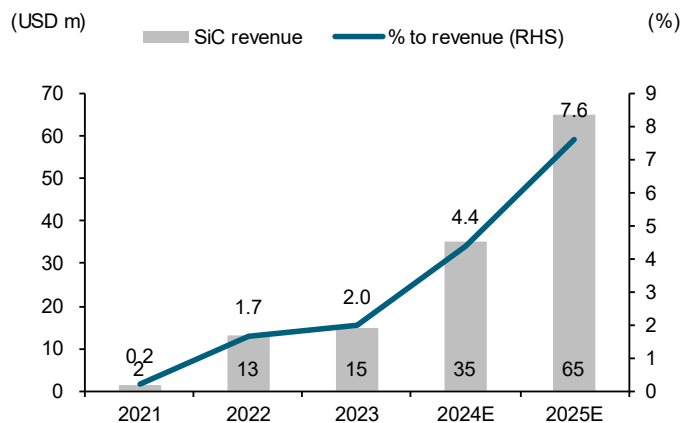
Source: FSSIA estimates

Exhibit 9: SiC revenue assumptions



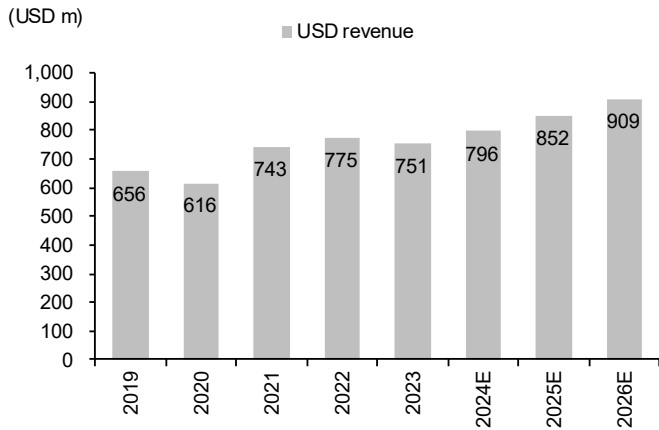
Sources: HANA, FSSIA estimates

Exhibit 10: Yearly SiC revenue and % to sales



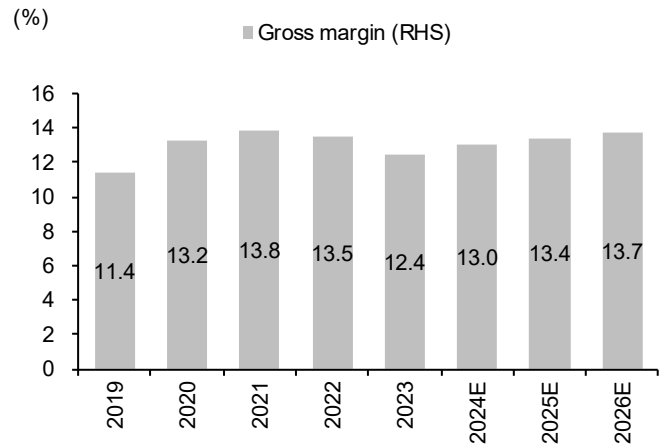
Sources: HANA, FSSIA estimates

**Exhibit 11: Yearly USD revenue**



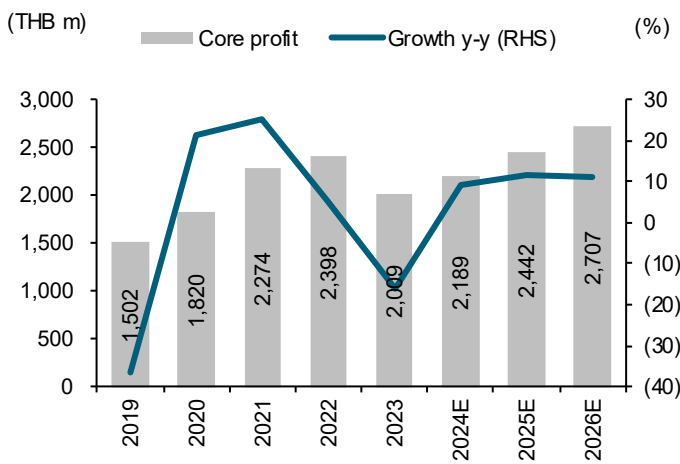
Sources: HANA, FSSIA estimates

**Exhibit 12: Yearly gross margin**



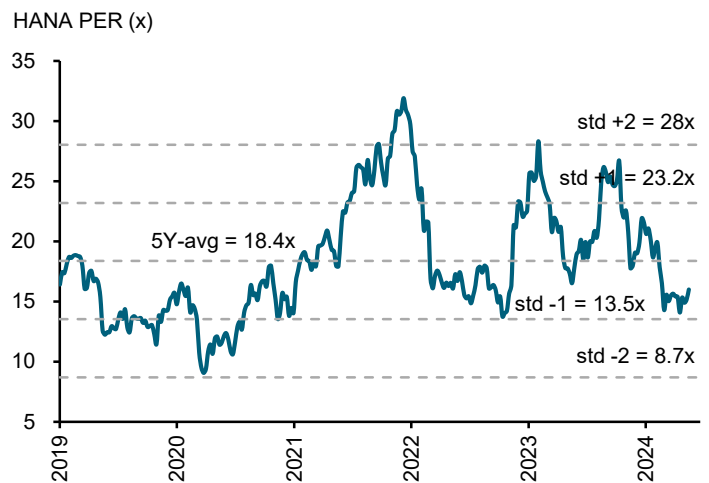
Sources: HANA, FSSIA estimates

**Exhibit 13: Yearly core profit and growth**



Sources: HANA, FSSIA estimates

**Exhibit 14: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Hana Microelectronics

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	27,167	26,152	26,260	28,108	29,998
Cost of goods sold	(23,506)	(22,910)	(22,846)	(24,341)	(25,888)
<b>Gross profit</b>	<b>3,661</b>	<b>3,242</b>	<b>3,414</b>	<b>3,766</b>	<b>4,110</b>
Other operating income	458	439	446	478	510
Operating costs	(1,695)	(1,631)	(1,654)	(1,771)	(1,890)
<b>Operating EBITDA</b>	<b>4,054</b>	<b>3,752</b>	<b>4,058</b>	<b>4,426</b>	<b>4,732</b>
Depreciation	(1,630)	(1,702)	(1,852)	(1,952)	(2,002)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,425</b>	<b>2,050</b>	<b>2,206</b>	<b>2,473</b>	<b>2,730</b>
Net financing costs	81	45	86	83	105
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(296)	(249)	0	0	0
<b>Profit before tax</b>	<b>2,209</b>	<b>1,846</b>	<b>2,292</b>	<b>2,557</b>	<b>2,835</b>
Tax	(107)	(85)	(103)	(115)	(128)
<b>Profit after tax</b>	<b>2,102</b>	<b>1,761</b>	<b>2,189</b>	<b>2,442</b>	<b>2,707</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,102</b>	<b>1,761</b>	<b>2,189</b>	<b>2,442</b>	<b>2,707</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>296</b>	<b>249</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>2,398</b>	<b>2,009</b>	<b>2,189</b>	<b>2,442</b>	<b>2,707</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.98	2.27	2.47	2.76	3.06
Reported EPS	2.61	1.99	2.47	2.76	3.06
DPS	1.00	1.00	1.11	1.24	1.83
Diluted shares (used to calculate per share data)	805	885	885	885	885
<b>Growth</b>					
Revenue (%)	14.2	(3.7)	0.4	7.0	6.7
Operating EBITDA (%)	15.1	(7.5)	8.2	9.1	6.9
Operating EBIT (%)	9.2	(15.5)	7.6	12.1	10.4
Recurring EPS (%)	5.4	(23.8)	8.9	11.5	10.9
Reported EPS (%)	36.0	(23.9)	24.3	11.5	10.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	13.5	12.4	13.0	13.4	13.7
Gross margin exc. depreciation (%)	19.5	18.9	20.1	20.3	20.4
Operating EBITDA margin (%)	14.9	14.3	15.5	15.7	15.8
Operating EBIT margin (%)	8.9	7.8	8.4	8.8	9.1
Net margin (%)	8.8	7.7	8.3	8.7	9.0
Effective tax rate (%)	4.9	4.6	4.5	4.5	4.5
Dividend payout on recurring profit (%)	33.6	44.1	45.0	45.0	60.0
Interest cover (X)	(29.9)	(45.4)	(25.5)	(29.7)	(26.0)
Inventory days	136.1	158.6	154.1	147.5	147.2
Debtor days	64.0	70.9	71.0	67.7	67.8
Creditor days	64.0	65.0	56.7	52.7	52.6
Operating ROIC (%)	10.2	7.7	7.8	8.4	9.2
ROIC (%)	9.9	7.5	7.7	8.3	9.0
ROE (%)	10.2	7.6	7.4	7.9	8.4
ROA (%)	8.1	6.1	6.1	6.7	7.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
PCBA	15,214	15,791	16,107	16,912	18,265
IC	10,595	8,962	8,726	9,697	10,115
IC Assemble (RFID / Microdisplay)	1,358	1,399	1,427	1,498	1,618

Sources: Hana Microelectronics; FSSIA estimates

## Financial Statements

### Hana Microelectronics

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	2,398	2,009	2,189	2,442	2,707
Depreciation	1,630	1,702	1,852	1,952	2,002
Associates & minorities	-	-	-	-	-
Other non-cash items	24	(241)	0	0	0
Change in working capital	(2,626)	(491)	63	(695)	(716)
<b>Cash flow from operations</b>	<b>1,426</b>	<b>2,980</b>	<b>4,104</b>	<b>3,699</b>	<b>3,994</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(2,821)	(2,550)	(3,000)	(2,000)	(1,000)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	14	162	(21)	(28)	(28)
<b>Cash flow from investing</b>	<b>(2,807)</b>	<b>(2,389)</b>	<b>(3,021)</b>	<b>(2,028)</b>	<b>(1,028)</b>
Dividends paid	(1,191)	(859)	(985)	(1,099)	(1,624)
Equity finance	0	4,588	0	0	0
Debt finance	(2)	1,280	(1,280)	0	0
Other financing cash flows	209	(342)	(191)	55	57
<b>Cash flow from financing</b>	<b>(984)</b>	<b>4,667</b>	<b>(2,457)</b>	<b>(1,043)</b>	<b>(1,568)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(2,365)</b>	<b>5,258</b>	<b>(1,374)</b>	<b>628</b>	<b>1,398</b>
Free cash flow to firm (FCFF)	(1,368.15)	643.40	1,101.54	1,686.10	2,965.63
Free cash flow to equity (FCFE)	(1,174.20)	1,529.93	(389.12)	1,726.43	3,022.33
<b>Per share (THB)</b>					
FCFF per share	(1.55)	0.73	1.24	1.90	3.35
FCFE per share	(1.33)	1.73	(0.44)	1.95	3.41
Recurring cash flow per share	5.03	3.92	4.56	4.96	5.32

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	28,300	29,984	32,984	34,984	35,984
Less: Accumulated depreciation	(17,446)	(18,283)	(20,135)	(22,087)	(24,089)
<b>Tangible fixed assets (net)</b>	<b>10,853</b>	<b>11,701</b>	<b>12,849</b>	<b>12,897</b>	<b>11,895</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	72	72	72	72	72
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	3,634	8,893	7,518	8,146	9,544
A/C receivable	4,981	5,178	5,036	5,391	5,753
Inventories	9,457	8,969	8,763	9,336	9,930
Other current assets	171	119	131	141	150
<b>Current assets</b>	<b>18,243</b>	<b>23,159</b>	<b>21,449</b>	<b>23,014</b>	<b>25,377</b>
Other assets	534	373	394	422	450
<b>Total assets</b>	<b>29,703</b>	<b>35,306</b>	<b>34,764</b>	<b>36,404</b>	<b>37,794</b>
Common equity	23,862	29,147	30,292	31,634	32,717
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>23,862</b>	<b>29,147</b>	<b>30,292</b>	<b>31,634</b>	<b>32,717</b>
Long term debt	0	204	0	0	0
Other long-term liabilities	813	921	788	843	900
<b>Long-term liabilities</b>	<b>814</b>	<b>1,125</b>	<b>788</b>	<b>843</b>	<b>900</b>
A/C payable	4,161	3,391	3,130	3,334	3,546
Short term debt	274	1,105	30	30	30
Other current liabilities	593	538	525	562	600
<b>Current liabilities</b>	<b>5,027</b>	<b>5,034</b>	<b>3,685</b>	<b>3,927</b>	<b>4,176</b>
<b>Total liabilities and shareholders' equity</b>	<b>29,703</b>	<b>35,306</b>	<b>34,764</b>	<b>36,404</b>	<b>37,794</b>
Net working capital	9,856	10,338	10,276	10,971	11,687
Invested capital	21,316	22,485	23,591	24,362	24,103

\* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)	2022	2023	2024E	2025E	2026E
Book value per share	29.65	32.92	34.21	35.73	36.95
Tangible book value per share	29.65	32.92	34.21	35.73	36.95
<b>Financial strength</b>					
Net debt/equity (%)	(14.1)	(26.0)	(24.7)	(25.7)	(29.1)
Net debt/total assets (%)	(11.3)	(21.5)	(21.5)	(22.3)	(25.2)
Current ratio (x)	3.6	4.6	5.8	5.9	6.1
CF interest cover (x)	(19.3)	(89.4)	(29.2)	(43.7)	(37.3)

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>13.5</b>	<b>17.7</b>	<b>16.3</b>	<b>14.6</b>	<b>13.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>16.8</b>	<b>22.0</b>	<b>20.2</b>	<b>18.1</b>	<b>16.4</b>
Reported P/E (x)	15.4	20.2	16.3	14.6	13.2
Dividend yield (%)	2.5	2.5	2.8	3.1	4.6
Price/book (x)	1.4	1.2	1.2	1.1	1.1
Price/tangible book (x)	1.4	1.2	1.2	1.1	1.1
EV/EBITDA (x) **	7.2	7.5	6.9	6.2	5.5
EV/EBITDA @ target price (x) **	9.1	9.8	9.1	8.2	7.3
EV/invested capital (x)	1.4	1.2	1.2	1.1	1.1

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Hana Microelectronics; FSSIA estimates

# Hana Microelectronics PCL (HANA TB)

**FSSIA ESG rating**

★ ★ ★

**56.35 /100**

## Exhibit 15: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	<b>&gt;39-59</b>	<b>Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.</b>
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

## Exhibit 16: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
DELTA	87.59	Y	Y	Y	5.00	5.00	Certified	Low	68.81	AA	--	91.19	74.00	4.15	--
HANA	56.35	--	Y	Y	5.00	5.00	Certified	Negligible	56.93	BBB	--	44.01	31.00	1.81	--
KCE	45.77	--	--	--	5.00	5.00	Certified	Medium	52.70	--	--	61.53	16.00	2.16	52.98

Sources: [SETTRADE.com](http://SETTRADE.com); FSSIA's compilation

## Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>0.91</b>	<b>0.98</b>	<b>0.99</b>	<b>1.39</b>	<b>1.61</b>	<b>1.81</b>	<b>—</b>
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	—
BESG social pillar score	0.37	0.37	0.37	1.14	1.63	1.66	—
BESG governance pillar score	3.51	3.89	3.96	3.95	3.95	4.88	—
<b>ESG disclosure score</b>	<b>25.98</b>	<b>25.98</b>	<b>25.98</b>	<b>30.50</b>	<b>36.02</b>	<b>36.02</b>	<b>—</b>
Environmental disclosure score	1.66	1.66	1.66	7.13	22.92	22.92	—
Social disclosure score	15.90	15.90	15.90	24.00	24.79	24.79	—
Governance disclosure score	60.26	60.26	60.26	60.26	60.26	60.26	—
<b>Environmental</b>							
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	Yes	Yes	Yes	Yes
Risks of climate change discussed	No	No	No	No	No	No	No
GHG scope 1	—	—	—	—	1	1	1
GHG scope 2 location-based	—	—	—	26	26	23	23
GHG Scope 3	—	—	—	—	—	—	—
Carbon per unit of production	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No
Energy efficiency policy	No	No	No	No	No	No	Yes
Total energy consumption	—	—	—	—	—	—	—
Renewable energy use	—	—	—	—	—	—	—
Electricity used	—	—	—	—	—	—	—
Fuel used - natural gas	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation



**Exhibit 18: ESG score by Bloomberg (cont.)**

<b>FY ending Dec 31</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Fuel used - crude oil/diesel	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	—
Waste recycled	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	—
<b>Social</b>							
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	No	No	No	No	No	No	No
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No
Pct women in workforce	—	—	—	73	73	72	—
Pct disabled in workforce	—	—	—	1	1	1	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0	0	0	—
Total recordable incident rate - employees	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of employees – CSR	4,038	3,947	3,969	3,957	3,742	3,636	3,324
Employee turnover pct	—	—	—	—	—	—	—
Total hours spent by firm - employee training	199,881	165,774	182,574	197,850	179,616	207,252	150,148
Social supply chain management	No	No	No	No	Yes	Yes	Yes
<b>Governance</b>							
<b>Board size</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>8</b>
<b>No. of independent directors (ID)</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>
No. of women on board	1	1	1	1	1	1	2
No. of non-executive directors on board	3	3	3	3	3	3	4
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	7	7	7	7	7	7	6
Board meeting attendance pct	100	100	100	100	100	100	100
Board duration (years)	—	—	—	—	—	—	—
Director share ownership guidelines	No	No	No	No	No	No	No
Age of the youngest director	56	53	54	55	56	57	58
Age of the oldest director	82	72	73	73	74	75	65
<b>No. of executives / company managers</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>
No. of female executives	1	1	1	1	1	1	1
Executive share ownership guidelines	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>
No. of ID on audit committee	3	3	3	3	3	3	4
Audit committee meetings	4	4	4	4	4	4	4
Audit meeting attendance %	100	100	100	100	100	100	100
<b>Size of compensation committee</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
No. of ID on compensation committee	—	—	—	—	—	—	—
No. of compensation committee meetings	—	—	—	—	—	—	—
Compensation meeting attendance %	—	—	—	—	—	—	—
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>
No. of nomination committee meetings	3	2	3	3	2	3	3
Nomination meeting attendance %	100	100	100	100	100	100	100
<b>Sustainability governance</b>							
Verification type	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																											
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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0-10	10-20	20-30	30-40	40+																									
<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

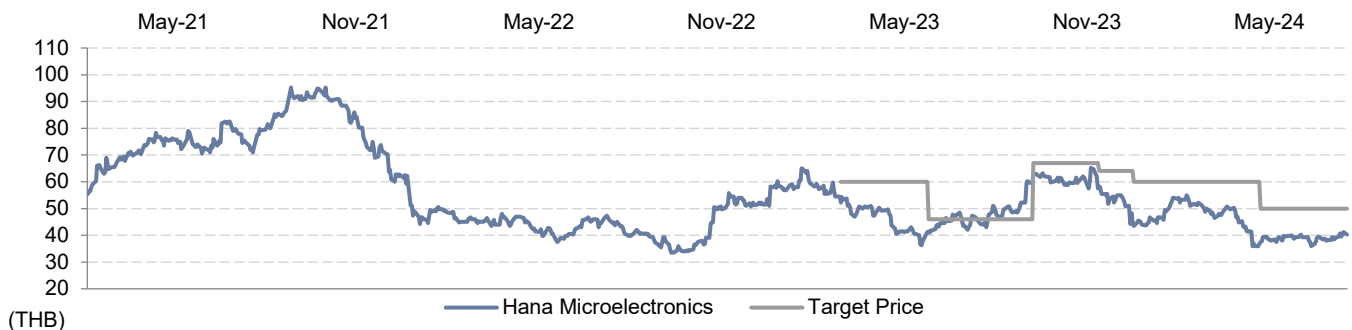
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### History of change in investment rating and/or target price

#### Hana Microelectronics (HANA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Mar-2023	HOLD	60.00	21-Aug-2023	BUY	67.00	16-Nov-2023	BUY	60.00
22-May-2023	BUY	46.00	17-Oct-2023	BUY	64.00	05-Mar-2024	BUY	50.00

Sureeporn Teewasuwet started covering this stock from 07-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Hana Microelectronics	HANA TB	THB 40.25	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in the global economy and purchasing power, 2) higher-than-expected raw material costs, 3) Baht strength, and 4) higher minimum wage and labor shortages.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 20-May-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.