

SAPPE SAPPE TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

SAPPE is still blooming

- Expect 2Q24 revenue and profit to surge to new highs due to seasonality and new additional capacity.
- Revising up 2024E net profit by 6% to THB1.4b (+31.7% y-y).
- Reaffirm BUY call with higher TP of THB115.

TARGET PRICE	THB115.00
CLOSE	THB102.00
UP/DOWNSIDE	+12.7%
PRIOR TP	THB108.00
CHANGE IN TP	+6.5%
TP vs CONSENSUS	+6.3%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	6,053	7,131	7,896	8,519
Net profit	1,074	1,415	1,536	1,686
EPS (THB)	3.48	4.59	4.98	5.47
vs Consensus (%)	-	6.9	(1.0)	(6.5)
EBITDA	1,536	1,954	2,149	2,366
Recurring net profit	1,085	1,415	1,536	1,686
Core EPS (THB)	3.52	4.59	4.98	5.47
Chg. In EPS est. (%)	-	6.0	2.1	2.2
EPS growth (%)	63.1	30.5	8.6	9.8
Core P/E (x)	29.0	22.2	20.5	18.6
Dividend yield (%)	2.1	3.4	3.7	4.0
EV/EBITDA (x)	18.9	15.0	13.7	12.4
Price/book (x)	8.2	7.5	6.9	6.3
Net debt/Equity (%)	(63.2)	(52.7)	(43.9)	(42.2)
ROE (%)	30.7	35.4	35.2	35.4

Expect revenue to hit a new high in 2Q24

We expect that 2Q24 total revenue will see continuous growth, potentially by 20-25% in line with management's target, due to seasonality. To elaborate, we anticipate domestic revenue growth of c10% y-y due to the hot weather and continued expansion in traditional trade channels following the change in distributors. We also project that export revenue will achieve new highs with support from European customers (20% of revenue), as well as strong growth in the Middle East (18% of revenue).

Gross margin target remains high, despite higher depreciation

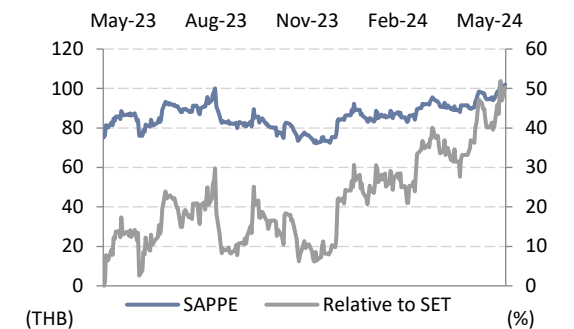
SAPPE has been operating a new production line since April 2024, which has increased production capacity by 25%. Despite an increase in depreciation by cTHB10m per quarter, or an impact on the gross margin of c0.4-0.5%, SAPPE has emphasized prudent cost management, increased production efficiency, and lower packaging costs. As a result, we project the 2Q24 gross margin to remain relatively high, close to 1Q24 at 46%. However, we project selling expenses to increase due to preparations for a global marketing campaign. Despite this, the selling expense to sales ratio should not exceed 12-13%. Hence, we estimate 2Q24 net profit to reach a record high of THB395m (+12% q-q, +26.5% y-y).

Revising up profit to reflect the solid gross margin

We assume 3Q24 net profit will further accelerate and reach its peak for the year, driven by seasonal factors. Meanwhile, SAPPE has already locked in the sugar price in advance covering the end of 2024, and has also locked in the price of pet resin for 3Q24. Consequently, we have increased our 2024 net profit forecast by 6% to THB1.4b (+31.7% y-y). We have revised our 2024 gross margin assumption upwards to 45.5% from 44.6% to reflect the higher expected gross margin in 1H24.

Reaffirm BUY call with higher TP of THB115

We have increased our TP to THB115 from THB108, based on the same P/E of 25x. We maintain our positive view on the earnings growth momentum, which should reach new highs over the next two quarters before a seasonal decline in 4Q24. Management has set an ambitious target of at least 20% revenue growth over the next 2-3 years and aims to achieve THB10b by 2026. Maintain our BUY rating.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	13.6	20.7	36.5
Relative to country (%)	9.8	20.9	49.9
Mkt cap (USD m)	872		
3m avg. daily turnover (USD m)	1.9		
Free float (%)	25		
Major shareholder	Ruckariyapong Family (65%)		
12m high/low (THB)	106.50/71.25		
Issued shares (m)	308.29		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

SAPPE is a leader in the Thai functional drink market. It has been exporting to overseas markets over the past ten years with product champions like Mogu Mogu and Aloe Vera. Those products received such favorable responses that it resulted in continued increases in the export sales mix. According to the latest data in 2023, exports stood at 81% of total revenue, with solid growth in all key markets, such as Asia (Indonesia, the Philippines, and South Korea), Europe (France and the UK), the US, and the Middle East. In 2024-26, management set a continued revenue growth target of 20-25% p.a. with a long-term revenue target of THB10b by 2026.

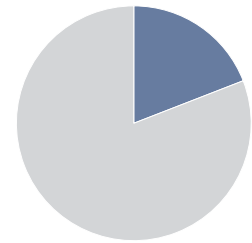
Company profile

SAPPE manufactures and distributes healthy food and beverages, with Mogu Mogu, fruit juice with nata de coco, as its first beverage in 2001. Later, it expanded product lines and brands, including Beauti Drink, Aloe Vera, and Preaw Coffee. In 2016, SAPPE invested in All Coco coconut juice. In 2019, it partnered with Danone to set up Danone Sappe Beverage to introduce beverages under the B'LUE brand.

www.sappe.com

Principal activities (revenue, 2023)

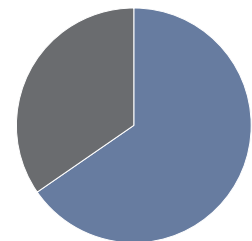
- Domestic revenue - 19.1 %
- Overseas revenue - 80.9 %



Source: Sappe

Major shareholders

- Ruckariyapong Family - 65.4 %
- Others - 34.6 %



Source: Sappe

Catalysts

Potential catalysts for SAPPE’s earnings growth in 2024 include 1) overseas market growth, especially new or low-base markets, such as France, the UK, the US, India, and the Middle East; 2) successful new products; 3) lower plastic pellet costs; and 4) capacity expansion.

Risks to our call

Downside risks to our P/E-based TP include 1) lower purchasing power; 2) higher raw material and packaging costs; 3) Baht strength; and 4) increased competition and product infringement.

Event calendar

Date	Event
August 2024	2Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Domestic revenue (THB m)	1,280	1,415	1,538
Overseas revenue (THB m)	5,851	6,481	6,981
Total revenue (THB m)	7,131	7,896	8,519
Total revenue growth (%)	17.8	10.7	7.9
Gross margin (%)	45.5	45.5	45.6
SG&A to sale (%)	25.0	24.8	24.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2024 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 2.9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2024 net profit to fall by 2.8%, and vice versa, all else being equal.

Source: FSSIA estimates

We have a positive view from the analyst meeting

The feedback from yesterday's analyst meeting was positive. We expect that 2Q24 total revenue will see continuous growth, potentially by 20-25% in line with management's target, due to seasonality. To elaborate, we anticipate domestic revenue growth of c10% y-y due to the hot weather and continued expansion in traditional trade channels following the change in distributors. We also project that export revenue will achieve new highs with support from European customers (20% of revenue), as French and UK clients experience an inventory replenishment, as well as strong growth in the Middle East (18% of revenue) due to market expansion in existing and new countries.

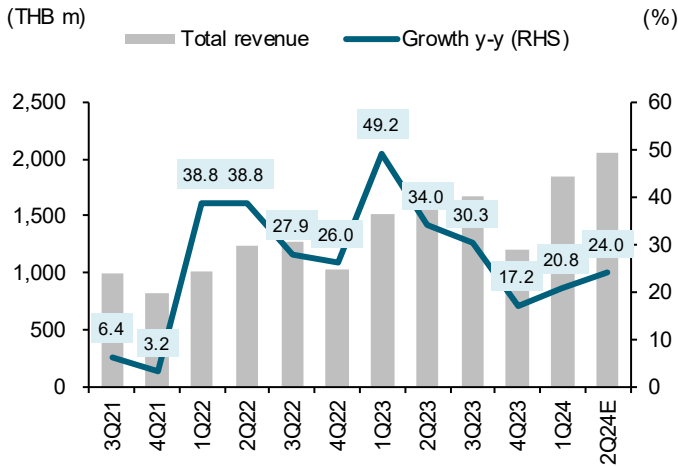
SAPPE has been operating a new production line since April 2024, which has increased production capacity by 25%. This allows the company to support revenue growth, despite an increase in depreciation by cTHB10m per quarter, or a potential impact on its gross margin of about 0.4-0.5%. Nevertheless, the company has emphasized prudent cost management, increased production efficiency, and lower packaging costs. As a result, we project the 2Q24 gross margin to remain relatively high, close to 1Q24 at 46%. However, we project selling expenses to increase due to preparations for a global marketing campaign featuring well-known presenters to introduce the brand in international markets. Despite this, the selling expense to sales ratio should not exceed 12-13%. Preliminarily, we estimate 2Q24 net profit to reach a record high of THB395m (+12% q-q, +26.5% y-y).

Exhibit 1: SAPPE – 2Q24 earnings preview

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	-----Change-----		2024E	Change	% 1H24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	to 2024E
Sales	1,520	1,657	1,667	1,209	1,836	2,055	11.9	24.0	7,131	17.8	54.6
Cost of sales	864	920	897	661	991	1,109	12.0	20.6	3,886	16.3	54.0
Gross profit	656	737	770	548	845	945	11.8	28.2	3,245	19.7	55.2
SG&A	354	352	389	403	459	516	12.4	46.4	1,783	19.0	54.7
Operating profit	337	421	412	189	455	494	8.7	17.5	1,726	27.0	55.0
Other income	35	36	32	43	68	65	(4.5)	81.4	264	80.9	50.4
Interest expense	0.71	0.64	0.60	0.61	0.57	0.60	6.2	(6.1)	3	2.8	44.4
Tax expense	67	81	83	43	90	99	10.8	22.4	347	26.1	54.5
Profit (loss) sharing	(1)	(11)	(9)	1	2	3	4.3	nm	10	nm	49.0
Reported net profit	275	312	319	168	352	395	12.1	26.5	1,415	31.7	52.8
Core profit	280	329	325	151	365	395	8.1	20.0	1,415	30.5	53.7
Key ratios (%)							(ppt)	(ppt)			
Gross margin	43.2	44.5	46.2	45.3	46.0	46.0	0.0	1.5	45.5	0.7	
SG&A to sales	23.3	21.3	23.4	33.3	25.0	25.1	0.1	3.8	25.0	0.2	
Operating margin	22.1	25.4	24.7	15.6	24.8	24.1	(0.7)	(1.3)	24.2	1.8	
Net margin	18.1	18.8	19.1	13.9	19.2	19.2	0.0	0.4	19.8	2.1	
Core margin	18.4	19.9	19.5	12.5	19.9	19.2	(0.7)	(0.6)	19.8	1.9	
Operating statistics (THB m)											
Domestic revenue	295	283	291	295	309	317	5.0	5.0	1,280	10.7	48.9
Overseas revenue	1,226	1,374	1,375	934	1,523	1,738	63.0	24.3	5,851	19.5	55.7

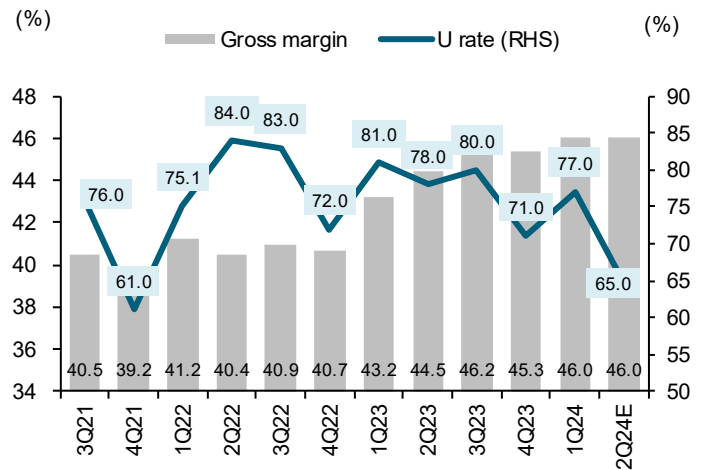
Sources: SAPPE, FSSIA estimates

Exhibit 2: Quarterly total revenue and growth



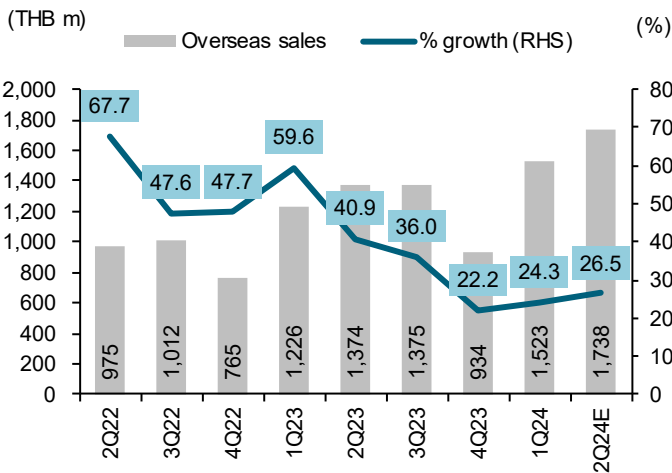
Sources: SAPPE, FSSIA estimates

Exhibit 3: Quarterly utilization rate and gross margin



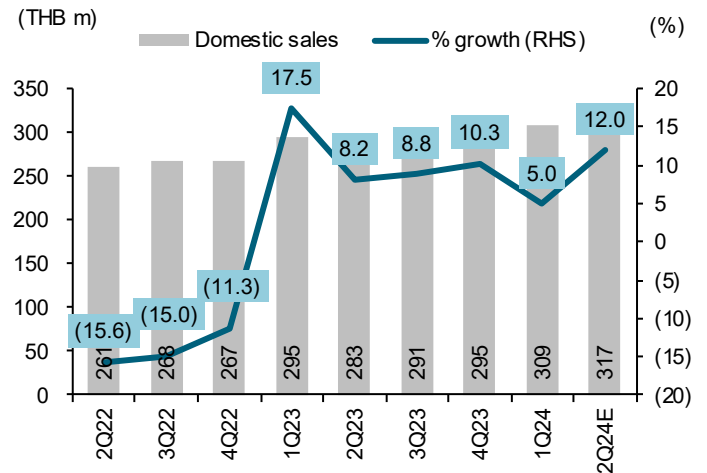
Sources: SAPPE, FSSIA estimates

Exhibit 4: Quarterly overseas revenue and growth



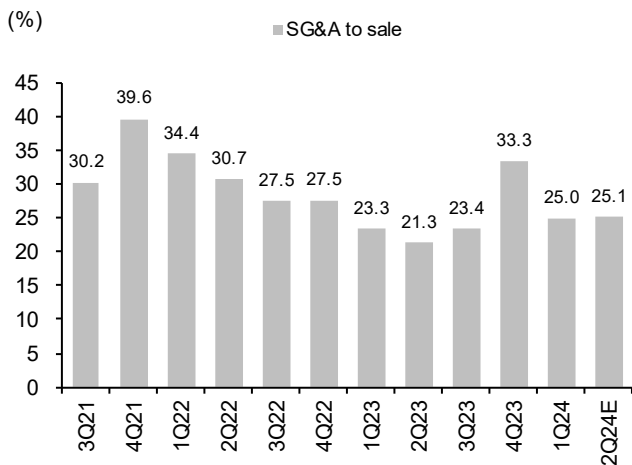
Sources: SAPPE, FSSIA estimates

Exhibit 5: Quarterly domestic revenue and growth



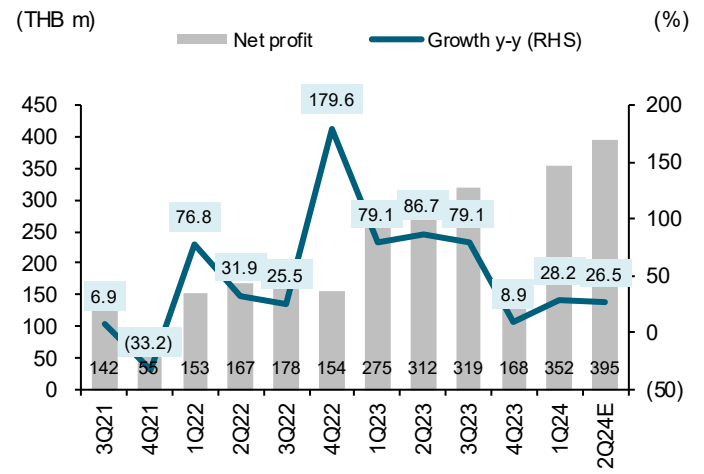
Sources: SAPPE, FSSIA estimates

Exhibit 6: Quarterly SG&A to sales



Sources: SAPPE, FSSIA estimates

Exhibit 7: Quarterly net profit and growth



Sources: SAPPE, FSSIA estimates

Revising up profit to reflect the solid gross margin

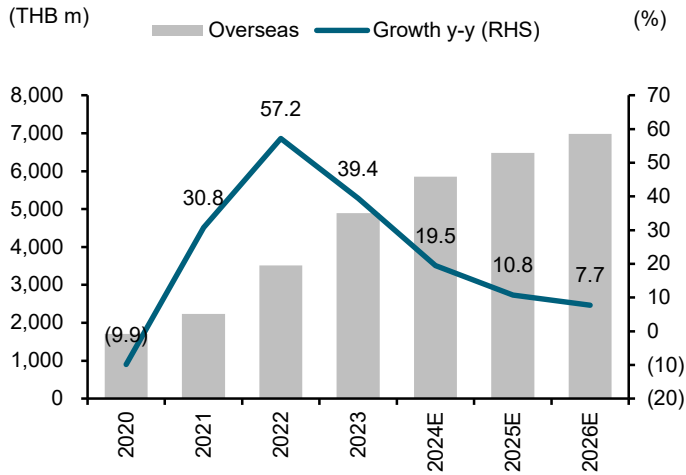
Assuming in-line 2Q24 results, SAPPE's 1H24 net profit would equal THB747m (+27% y-y). We assume 3Q24 net profit will further accelerate and reach its peak for the year, driven by seasonal factors. Meanwhile, the gross margin trend should continue to remain high, as SAPPE has already locked in the sugar price in advance covering the end of 2024. The company has also locked in the price of pet resin for 3Q24. Consequently, we have increased our 2024 net profit forecast by 6% to THB1.4b (+31.7% y-y). We have revised our 2024 gross margin assumption upwards to 45.5% from 44.6% to reflect the higher expected gross margin in 1H24. Our revised estimates indicate a 53%:47% profit split between 1H24 and 2H24, aligning with the company's historical trend.

Exhibit 8: Changes in key assumptions for SAPPE

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sale value (THB m)	7,131	7,896	8,519	7,131	7,896	8,519	0.0	0.0	0.0
Costs	3,886	4,303	4,634	3,951	4,343	4,651	(1.6)	(0.9)	(0.4)
Gross profit	3,245	3,593	3,885	3,180	3,553	3,868	2.0	1.1	0.4
SG&A expense	1,783	1,958	2,087	1,690	1,871	2,019	5.5	4.6	3.4
Interest expense	3	3	3	3	3	3	0.0	0.0	0.0
Reported net profit	1,415	1,536	1,686	1,335	1,504	1,650	6.0	2.1	2.2
Core profit	1,415	1,536	1,686	1,335	1,504	1,650	6.0	2.1	2.2
Key ratios (%)									
Total revenue growth	17.8	10.7	7.9	17.8	10.7	7.9	0.0	0.0	0.0
Net profit growth	31.7	8.6	9.8	24.3	12.7	9.7	7.5	(4.1)	0.1
Core profit growth	30.5	8.6	9.8	23.1	12.7	9.7	7.4	(4.1)	0.1
Gross margin	45.5	45.5	45.6	44.6	45.0	45.4	0.9	0.5	0.2
SG&A to sales	25.0	24.8	24.5	23.7	23.7	23.7	1.3	1.1	0.8
Net margin	19.8	19.5	19.8	18.7	19.0	19.4	1.1	0.4	0.4
Core margin	19.8	19.5	19.8	18.7	19.0	19.4	1.1	0.4	0.4
Operating statistics (no.)									
Domestic revenue	1,280	1,415	1,538	1,280	1,415	1,538	0.0	0.0	0.0
Overseas revenue	5,851	6,481	6,981	5,851	6,481	6,981	0.0	0.0	0.0
Domestic revenue growth	10.7	10.5	8.7	10.7	10.5	8.7	0.0	0.0	0.0
Overseas revenue growth	19.5	10.8	7.7	19.5	10.8	7.7	0.0	0.0	0.0
Domestic revenue portion	17.9	17.9	18.1	17.9	17.9	18.1	0.0	0.0	0.0
Overseas revenue portion	82.1	82.1	81.9	82.1	82.1	81.9	0.0	0.0	0.0

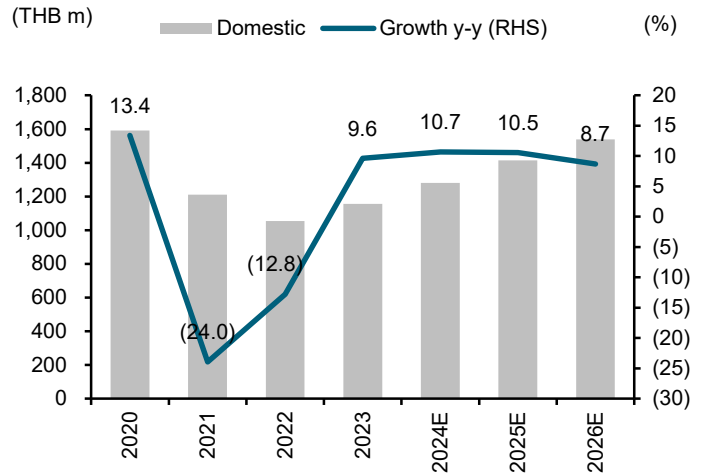
Source: FSSIA estimates

Exhibit 9: Yearly overseas revenue and growth



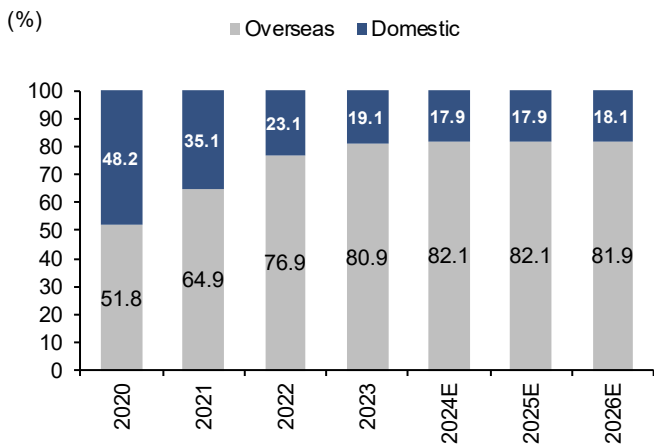
Sources: SAPPE, FSSIA estimates

Exhibit 10: Yearly domestic revenue and growth



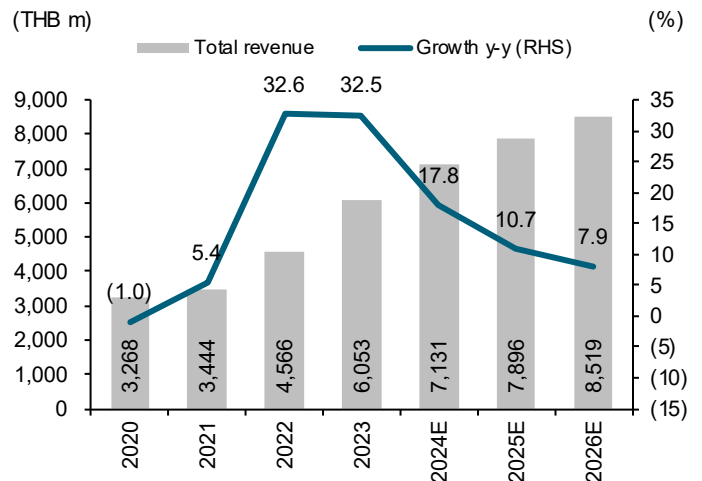
Sources: SAPPE, FSSIA estimates

Exhibit 11: Revenue contribution by destination



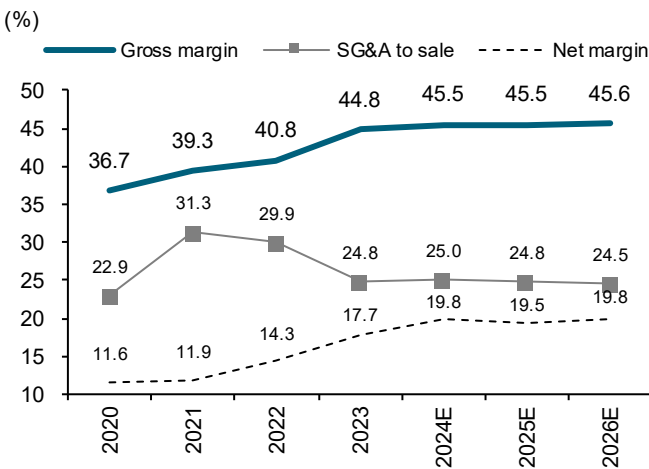
Sources: SAPPE, FSSIA estimates

Exhibit 12: Yearly total revenue and growth



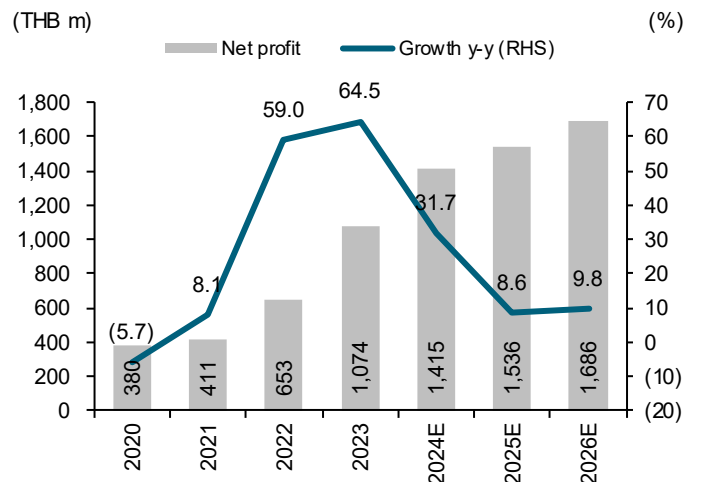
Sources: SAPPE, FSSIA estimates

Exhibit 13: Yearly gross margin and net margin



Sources: SAPPE, FSSIA estimates

Exhibit 14: Yearly net profit and growth

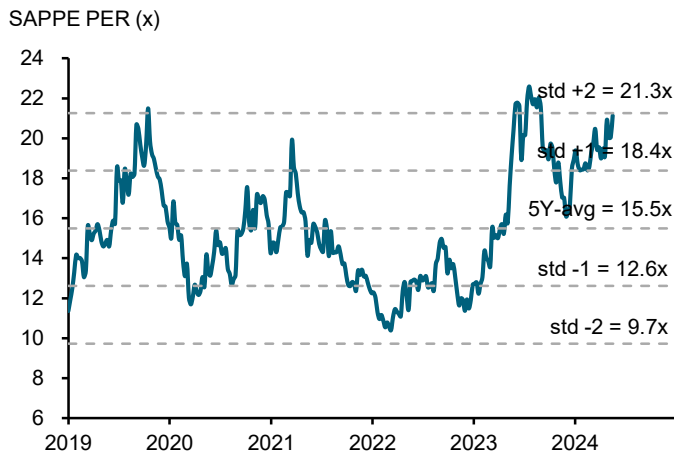


Sources: SAPPE, FSSIA estimates

Reaffirm BUY call with a higher TP of THB115

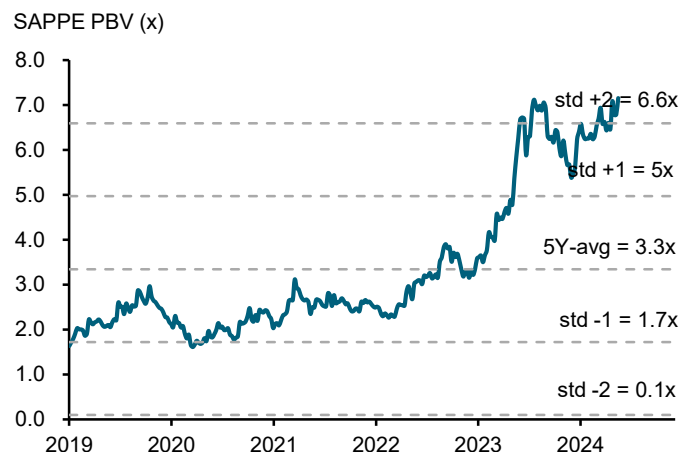
We have increased our TP to THB115 from THB 108, based on the same P/E of 25x. We maintain our positive view on the earnings growth momentum, which should reach new highs over the next two quarters before a seasonal decline in 4Q24. Management has set an ambitious target of at least 20% revenue growth over the next 2-3 years and aims to achieve THB10b in revenue by 2026, up from an estimated THB7b in 2024. We maintain our BUY recommendation.

Exhibit 15: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 16: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Peers comparison as of 20 May 2024

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV / EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)
Thailand														
Carabao Group	CBG TB	BUY	68.75	70.00	2	1,907	27.7	25.8	20.2	19.5	5.3	4.8	19.2	18.2
Osotspa	OSP TB	BUY	21.60	24.50	13	1,800	24.7	23.4	15.6	15.9	3.7	3.7	13.6	13.0
Sappe	SAPPE TB	BUY	102.00	115.00	13	872	22.2	20.5	35.4	35.2	7.5	6.9	15.0	13.7
Ichitan Group	ICHI TB	BUY	17.70	21.00	19	638	19.5	18.4	20.4	22.1	4.0	4.1	10.9	10.4
TAC Consumer	TACC TB	HOLD	4.96	6.30	27	83	13.4	12.0	31.2	34.0	4.2	4.0	7.8	6.8
Thailand average						5,301	21.5	20.0	24.6	25.3	4.9	4.7	13.3	12.4

Sources: Bloomberg, FSSIA estimates

Financial Statements

Sappe

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,566	6,053	7,131	7,896	8,519
Cost of goods sold	(2,703)	(3,341)	(3,886)	(4,303)	(4,634)
Gross profit	1,863	2,711	3,245	3,593	3,885
Other operating income	333	146	264	237	256
Operating costs	(1,366)	(1,499)	(1,783)	(1,958)	(2,087)
Operating EBITDA	1,018	1,536	1,954	2,149	2,366
Depreciation	(187)	(178)	(228)	(278)	(313)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	830	1,358	1,726	1,871	2,053
Net financing costs	(2)	(3)	(3)	(3)	(3)
Associates	0	(20)	10	12	15
Recurring non-operating income	0	(20)	10	12	15
Non-recurring items	(12)	(10)	0	0	0
Profit before tax	816	1,325	1,733	1,881	2,065
Tax	(162)	(275)	(347)	(376)	(413)
Profit after tax	654	1,051	1,386	1,505	1,652
Minority interests	(1)	24	29	32	34
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	653	1,074	1,415	1,536	1,686
Non-recurring items & goodwill (net)	12	10	0	0	0
Recurring net profit	666	1,085	1,415	1,536	1,686
Per share (THB)					
Recurring EPS *	2.16	3.52	4.59	4.98	5.47
Reported EPS	2.12	3.48	4.59	4.98	5.47
DPS	1.65	2.18	3.44	3.74	4.10
Diluted shares (used to calculate per share data)	308	308	308	308	308
Growth					
Revenue (%)	32.6	32.5	17.8	10.7	7.9
Operating EBITDA (%)	36.9	51.0	27.2	10.0	10.1
Operating EBIT (%)	52.2	63.6	27.0	8.4	9.7
Recurring EPS (%)	59.5	63.1	30.5	8.6	9.8
Reported EPS (%)	57.8	64.5	31.7	8.6	9.8
Operating performance					
Gross margin inc. depreciation (%)	40.8	44.8	45.5	45.5	45.6
Gross margin exc. depreciation (%)	44.9	47.7	48.7	49.0	49.3
Operating EBITDA margin (%)	22.3	25.4	27.4	27.2	27.8
Operating EBIT margin (%)	18.2	22.4	24.2	23.7	24.1
Net margin (%)	14.6	17.9	19.8	19.5	19.8
Effective tax rate (%)	19.8	20.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	76.5	62.0	75.0	75.0	75.0
Interest cover (X)	363.6	524.4	661.5	692.4	734.4
Inventory days	53.3	50.9	45.7	45.8	46.5
Debtor days	26.6	19.7	23.4	28.5	28.9
Creditor days	29.8	28.9	32.1	35.6	36.2
Operating ROIC (%)	63.7	96.7	93.6	73.8	66.3
ROIC (%)	48.3	73.7	77.1	63.2	58.0
ROE (%)	21.6	30.7	35.4	35.2	35.4
ROA (%)	15.9	20.8	23.0	22.5	22.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Domestic revenue	1,055	1,156	1,280	1,415	1,538
Overseas revenue	3,511	4,896	5,851	6,481	6,981

Sources: Sappe; FSSIA estimates

Financial Statements

Sappe

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	666	1,085	1,415	1,536	1,686
Depreciation	187	178	228	278	313
Associates & minorities	0	20	(10)	(12)	(15)
Other non-cash items	1	(24)	72	14	15
Change in working capital	191	581	25	90	74
Cash flow from operations	1,045	1,840	1,730	1,906	2,073
Capex - maintenance	-	-	-	-	-
Capex - new investment	(376)	(935)	(776)	(955)	(700)
Net acquisitions & disposals	6	4	0	0	0
Other investments (net)	(41)	(1)	(28)	(8)	(6)
Cash flow from investing	(411)	(931)	(804)	(963)	(706)
Dividends paid	(348)	(521)	(1,061)	(1,152)	(1,265)
Equity finance	63	0	0	0	0
Debt finance	0	(2)	12	3	3
Other financing cash flows	25	18	(52)	4	3
Cash flow from financing	(259)	(506)	(1,101)	(1,145)	(1,259)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	375	403	(176)	(202)	108
Free cash flow to firm (FCFF)	636.44	911.11	928.49	945.98	1,369.54
Free cash flow to equity (FCFE)	659.23	924.28	885.64	950.09	1,372.84

Per share (THB)

FCFF per share	2.06	2.96	3.01	3.07	4.44
FCFE per share	2.14	3.00	2.87	3.08	4.45
Recurring cash flow per share	2.77	4.08	5.53	5.89	6.49

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	2,530	3,121	4,121	5,121	5,821
Less: Accumulated depreciation	(1,398)	(1,403)	(1,631)	(1,909)	(2,222)
Tangible fixed assets (net)	1,132	1,718	2,490	3,212	3,599
Intangible fixed assets (net)	128	124	124	124	124
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	186	140	150	162	177
Cash & equivalents	2,129	2,532	2,356	2,154	2,262
A/C receivable	459	642	671	689	740
Inventories	444	438	479	531	571
Other current assets	47	45	36	39	43
Current assets	3,079	3,656	3,542	3,413	3,616
Other assets	36	43	71	79	85
Total assets	4,561	5,680	6,377	6,989	7,601
Common equity	3,258	3,818	4,167	4,551	4,973
Minorities etc.	102	78	150	164	179
Total shareholders' equity	3,360	3,896	4,317	4,715	5,152
Long term debt	61	49	48	51	54
Other long-term liabilities	70	88	36	39	43
Long-term liabilities	130	137	84	90	97
A/C payable	230	271	373	413	444
Short term debt	21	21	34	34	34
Other current liabilities	820	1,356	1,569	1,737	1,874
Current liabilities	1,071	1,647	1,975	2,184	2,353
Total liabilities and shareholders' equity	4,561	5,680	6,377	6,989	7,601
Net working capital	(99)	(502)	(756)	(891)	(964)
Invested capital	1,383	1,522	2,079	2,686	3,020

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

Per share (THB)

Book value per share	10.56	12.38	13.52	14.76	16.13
Tangible book value per share	10.15	11.98	13.12	14.36	15.73

Financial strength

Net debt/equity (%)	(60.9)	(63.2)	(52.7)	(43.9)	(42.2)
Net debt/total assets (%)	(44.9)	(43.3)	(35.7)	(29.6)	(28.6)
Current ratio (x)	2.9	2.2	1.8	1.6	1.5
CF interest cover (x)	453.9	729.4	634.2	701.4	737.1

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	47.3	29.0	22.2	20.5	18.6
Recurring P/E @ target price (x) *	53.3	32.7	25.1	23.1	21.0
Reported P/E (x)	48.2	29.3	22.2	20.5	18.6
Dividend yield (%)	1.6	2.1	3.4	3.7	4.0
Price/book (x)	9.7	8.2	7.5	6.9	6.3
Price/tangible book (x)	10.1	8.5	7.8	7.1	6.5
EV/EBITDA (x) **	29.0	18.9	15.0	13.7	12.4
EV/EBITDA @ target price (x) **	32.9	21.5	17.1	15.6	14.1
EV/invested capital (x)	21.3	19.1	14.1	11.0	9.8

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

Sources: Sappe; FSSIA estimates

SAPPE PCL (SAPPE TB)

FSSIA ESG rating

★★

35.25 /100

Exhibit 18: 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.
★★★☆☆	>39-59	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.
★★☆☆☆	>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.

Source: FSSIA estimates

Exhibit 19: 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
CBG	51.54	--	Y	Y	4.00	4.00	Declared	High	59.58	B	--	33.28	56.00	2.12	--
SAPPE	35.25	--	Y	Y	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
OSP	61.48	--	Y	Y	5.00	4.00	Declared	Medium	68.64	BBB	--	63.08	51.00	3.00	63.65
TACC	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--
ICHI	43.67	--	Y	Y	5.00	5.00	Certified	High	61.36	--	--	--	18.00	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 20: ESG disclosure from the company's one report

FY ending Dec 31	FY 2022	FY ending Dec 31	FY 2022
Environmental		Governance	
Climate change policy	Yes	Board size / Independent directors (ID) / Female	10 / 5 / 3
Climate change opportunities discussed	--	No. of board meetings for the year / % attendance	8 / 96.75%
GHG scope 2 location-based policy	Yes	Company conducts board evaluations	Yes
Biodiversity policy	--	Number of non-executive directors on board	6
Energy efficiency policy	Yes	Director share ownership guidelines	No
Electricity used	Yes	Board age limit	No
Fuel used - crude oil/diesel	--	Age of the youngest / oldest director	44 / 79
Waste reduction policy	Yes	Number of executives / female	5 / 2
Water policy	Yes	Executive share ownership guidelines	No
Water consumption	--	Size of audit committee / ID	4 / 4
Social		Audit committee meetings	4
Human rights policy	Yes	Audit committee meeting attendance (%)	100
Policy against child labor	Yes	Size of compensation committee	--
Quality assurance and recall policy	Yes	Number of compensation committee meetings	--
Consumer data protection policy	Yes	Compensation committee meeting attendance (%)	--
Equal opportunity policy	Yes	Size of nomination committee / ID	--
Gender pay gap breakout	--	Number of nomination committee meetings	--
Pct women in workforce	55	Nomination committee meeting attendance (%)	--
Business ethics policy	Yes	Board compensation (THB m)	4.1
Anti-bribery ethics policy	Yes	Auditor fee (THB m)	3.13
Health and safety policy	Yes	(P&L Corporation Co., Ltd.)	
Lost time incident rate - employees	--		
Training policy	Yes		
Fair remuneration policy	Yes		
Number of employees - CSR	--		
Total hours spent by firm - employee training	--		
Social supply chain management	--		

Source: 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 THSI inclusion , 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. SETTHSI Index 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.																			
CG Score 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 (60-69), 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%).																			
AGM level 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&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.																			
Thai CAC 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.																			
Morningstar Sustainalytics	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 & 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+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
ESG Book	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.																			
MSCI	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>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	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.																				
Refinitiv ESG rating	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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																				
S&P Global	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.																				
Bloomberg	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

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Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Sappe	SAPPE TB	THB 102.00	BUY	Downside risks to our P/E-based TP include 1) lower purchasing power, 2) higher raw material and packaging costs, 3) Baht strength, and 4) increased competition and product infringement.
Carabao Group	CBG TB	THB 68.75	BUY	Downside risks to our P/E-based TP are 1) a slower-than-expected recovery in consumption; 2) higher competition in the domestic energy drink market; 3) a potential rise in packaging and raw material costs; and 4) regulatory risks from domestic and international markets.
Osotspa	OSP TB	THB 21.60	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.
Ichitan Group	ICHI TB	THB 17.70	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.
T.A.C. Consumer	TACC TB	THB 4.96	HOLD	Downside and upside risks to our P/E-based TP include 1) a lower or higher-than-expected recovery in purchasing power, 2) unusually cold weather, 3) lower or higher new product launches than planned, 4) a slower or faster-than-expected decrease in raw material prices, and 5) changes in laws and regulations.

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.