FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

30 JULY 2021
THAILAND / CONSUMER STAPLES

SRINANAPORN MARKETING   SNNP TB

BUY

TARGET PRICE	**THB15.00**
CLOSE	**THB10.60**
UP/DOWNSIDE	**+41.5%**
TP vs CONSENSUS	**+4.2%**

ยี่ห้อดี กลยุทธ์เยี่ยม

ขนมขบเคี้ยว 3 แบรนด์หลัก: Bento, Jele, and Lotus

ในฐานะที่เป็นหนึ่งในผู้ผลิตและจำหน่ายขนมขบเคี้ยวและเยลลีชั้นนำของไทย ด้วย 3 ตราสินค้าที่ได้รับการยอมรับอย่างสูงประกอบด้วย 'Bento' (ปลาหมึกและปลาเส้น), 'Jele' (เยลลี่), และ 'Lotus' (ขนมปังขาไก่) Srinanaporn Marketing (SNNP) ได้กลายเป็นผู้นำในตลาดขนมขบเคี้ยวของประเทศไทยในช่วงกว่า 3 ทศวรรษที่ผ่านมา หลังความพยายามในการปรับโครงสร้างเป็นระยะเวลา 3 ปีในช่วงปี 2018-20 เราคิดว่า SNNP จะสามารถเก็บเกี่ยวผลประโยชน์จากอัตรากำไรสุทธิที่สูงขึ้น ปริมาณขายที่เพิ่มขึ้น และประสิทธิภาพการดำเนินงานและการกระจายสินค้าที่ดีขึ้น ต่างจากขนมขบเคี้ยวยี่ห้ออื่น ซึ่งความต้องการลดลงอย่างรุนแรงหลังเวลาเพียงไม่กี่ปีจากความกังวลด้านสุขภาพและราคาที่อยู่ในระดับสูง เรามองว่าความต้องการขนมขบเคี้ยวที่ผลิตจากอาหารทะเลและเยลลี่ของ SNNP มีการเติบโตอย่างสม่ำเสมอในช่วง 3 ทศวรรษที่ผ่านมา

3 ปัจจัยผลักดัน: การเติบโตของรายได้ การลดต้นทุน และการเพิ่มอัตรากำไร

นับตั้งแต่ปี 2021 เราคิดว่ากำไรสุทธิของ SNNP จะโตจาก 94 ลบ. ในปี 2020 เป็น 592 ลบ. ในปี 2023 คิดเป็นอัตราการเติบโตที่ 84.8% CAGR ในช่วงปี 2020-23 เราคาดว่าปัจจัยผลักดันสำคัญจะประกอบด้วย 1) การเติบโตของรายได้ในรอบ 4 ปีที่ 9.1% CAGR (ปี 2020-23) โดยได้ปัจจัยผลักดันจากอัตราการใช้กำลังการผลิตที่สูงขึ้นและโรงงานใหม่ในเวียดนาม (กำหนดเริ่มดำเนินงานเชิงพาณิชย์ (COD) ในปี 2022); 2) ค่าใช้จ่ายในการขายและการบริหารที่จะลดลงจาก 1พัน ลบ. ในปี 2019-20 เหลือ 0.7-THB0.8พัน ลบ. ในปี 2021-23; และ 3) อัตรากำไรสุทธิที่จะเพิ่มจาก 2.1% ในปี 2020 เป็น 9.1-10.2% ในปี 2021-23 โดยได้ปัจจัยผลักดันจากค่าใช้จ่ายการขายและการบริหาร รวมถึงค่าใช้จ่ายดอกเบี้ยที่ลดลงจากปริมาณขายผ่านช่องทางการจัดจำหน่ายแบบดั้งเดิมที่สูงขึ้น โดยเราคาดว่าจะเพิ่มจาก 48% ในปี 2020 เป็น 52% ของปริมาณขายรวมในปี 2023

### 3 กลยุทธ์: การทำเงินจากตราสินค้า การลดต้นทุน และการพัฒนาสินค้าให้เข้ากับแต่ละท้องถิ่น

เราเห็น 3 กลยุทธ์ที่จะสนับสนุน 3 ปัจจัยผลักดันประกอบด้วย: 1) การพัฒนาผลิตภัณฑ์จากชื่อเสียงที่ดีของตราสินค้า; 2) การลดต้นทุนจากการปรับโครงสร้าง; และ 3) การขยายตลาดโดยใช้กลยุทธ์การพัฒนาให้เข้ากับความต้องการของผู้บริโภคในตลาดต่างประเทศ

เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 15 บาท (DCF)

เราเริ่ม SNNP ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 15 บาท (DCF) เราเชื่อว่าค่า 2022E P/E ที่ 28.7x เหมาะสมเนื่องจาก 1) อัตราการเติบโตของกำไรสุทธิในรอบ 3 ปีของ SNNP ที่เราคาดว่าจะอยู่ในระดับสูงถึง 84.8% สูงกว่าค่าเฉลี่ยของกลุ่มค้าปลีกไทยในช่วงเดียวกันที่ 23.6% อยู่มาก; 2) อัตรากำไรสุทธิที่คาดว่าจะสูงถึง 9.1-10.2% ในช่วงปี 2021-23; และ 3) ผลตอบแทนต่อส่วนผู้ถือหุ้นที่คาดว่าจะอยู่ในระดับสูงถึง 29.9% ในปี 2021, 18.6% ในปี 2022, และ 20.2% ในปี 2023

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	4,436	4,625	5,260	5,822
Net profit	94	421	502	592
EPS (THB)	0.13	0.44	0.52	0.62
vs Consensus (%)	-	-	-	-
EBITDA	381	829	881	1,007
Core net profit	94	421	502	592
Core EPS (THB)	0.13	0.44	0.52	0.62
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	(15.5)	236.5	19.2	17.9
Core P/E (x)	81.4	24.2	20.3	17.2
Dividend yield (%)	-	2.5	3.0	3.5
EV/EBITDA (x)	26.7	12.9	12.1	10.3
Price/book (x)	34.5	3.9	3.6	3.3
Net debt/Equity (%)	497.8	8.3	7.5	(1.3)
ROE (%)	53.8	29.9	18.6	20.2
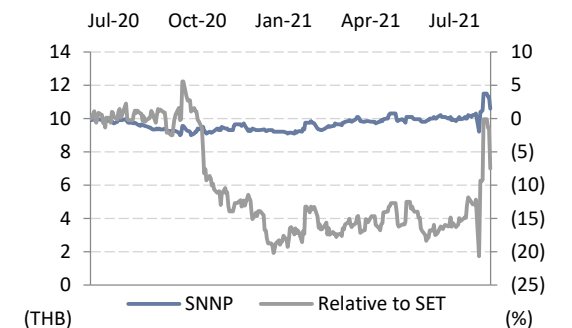
Share price performance	1 Month	3 Month	12 Month
Absolute (%)	n/a	n/a	n/a
Relative to country (%)	n/a	n/a	n/a
Mkt cap (USD m)			310
3m avg. daily turnover (USD m)			n/a
Free float (%)			34
Major shareholder		Concord I. Capital Limited (21%)	
12m high/low (THB)			12.30/10.30
Issued shares (m)			960.00

Sources: Bloomberg consensus; FSSIA estimates
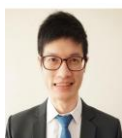
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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 30 กรกฎาคม 2021

Investment thesis

As one of Thailand's leading producers and distributors of snacks and jelly, with three highly recognized brands – 'Bento' (squid and fish strips), 'Jele' (jelly), and 'Lotus' (biscuit sticks), Srinanaporn Marketing (SNNP) has been an iconic snack market leader in Thailand over the past three decades. After three years of restructuring efforts in 2018-20, we think SNNP will now reap the benefits from higher net margins, rising sales volumes, and improving operational and distribution efficiency. Unlike other snacks makers, which have seen their demand sharply dwindle after a few years due to health concerns and high prices, we think SNNP's seafood snacks and jelly products are "core snacks" that have seen consistent demand growth in the past three decades.
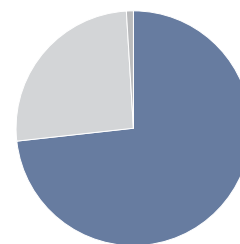
Company profile

Founded in 1972 by the Kraipisitkul family as a snack wholesaler under the name Sriwiwat, SNNP has been operating for more than 30 years and is currently a market leader with strong brands in snack and beverage products.

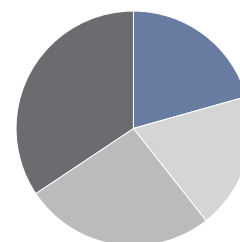https://snnp.co.th

Principal activities (revenue, 2020)

- Domestic - 73.2 %
- Overseas - 25.8 %
- Others - 1.0 %

Source: Srinanaporn Marketing

Major shareholders

- Concord I. Capital Limited - 20.6 %
- Ascend I. Holding Company Limited - 18.8 %
- Chaisathaporn family - 26.3 %
- Others - 34.4 %

Source: Srinanaporn Marketing

Catalysts

Potential catalysts are 1) revenue growth driven by higher utilisation rates and the new production plant in Vietnam (COD in 2022); 2) a sharp drop in SG&A expenses from THB1b in 2019-20 to THB0.7b-THB0.9b in 2021-23; and 3) a net margin rise from 2.1% in 2020 to 9.1-10.2% in 2021-23, driven by lower SG&A and interest expenses, along with higher sales volumes from traditional trade, rising from 48% in 2020 to 52% of the total sales volume in 2023, based on our estimate.

Risks to our call

The key downside risks to our DCF-based TP are 1) slower-than-expected demand growth and market penetration overseas, especially in Cambodia and Vietnam; 2) a lower-than-expected profit margin due to high raw material and transportation costs; and 3) higher-than-expected SG&A expenses from overseas operations.

Event calendar

Date	Event
Aug 2021	2Q21 results announcement

Key assumptions

Year to Dec		2021E	2022E	2023E
	Product	(%)	(%)	(%)
Utilisation rate	Bento	71.8	80.0	90.0
	Lotus	63.2	70.0	73.0
	Jele	71.6	79.0	79.0
	Magic farm	54.2	54.2	75.0
	Cambodia	30.0	50.0	60.0
	Vietnam	-	-	25.0
Cost	COGS-to-sales	71.7	72.9	72.8
	SG&A-to-sales	15.0	15.0	14.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in utilisation rate, we estimate that 2021 earnings would rise by 2.4%, and vice versa, all else being equal.

- For every 1% increase in THB/USD, we estimate that 2021 earnings would rise by 1.7%, and vice versa, all else being equal

- For every 1% increase in electricity tariff, we estimate that 2021 earnings would drop by 0.2%, and vice versa, all else being equal

Source: FSSIA estimates

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Solid brands, sound strategies, and strong key drivers

As one of Thailand's leading producers and distributors of snacks and jelly, with three highly recognized brands – 'Bento' (squid and fish strips), 'Jele' (jelly), and 'Lotus' (biscuit sticks), Srinanaporn Marketing (SNNP) has been an iconic snack market leader in Thailand over the past three decades.

However, in 2018-20, SNNP's management decided to restructure its business model by 1) initiating its own distribution company, Siri Pro (SRP, not listed), in order to enhance its distribution channels and market presence; 2) increase its production capacity in Cambodia, one of its major overseas markets; and 3) increase the sales volume via the traditional trade channel, which commands a higher margin than modern trade distribution which has relied on a number of large-scale modern trade companies like cash-and-carry store chain operators, including Lotus, Makro, and Big C, as well as the 7-Eleven convenience stores.

As a result of its restructuring implementation, SNNP has suffered from ballooning expenses related to the establishment and development of SRP and the low utilisation rate of its new production plant in Cambodia. This resulted in the sharp drop in SNNP's net profit from THB252m in 2018 down to THB105m in 2019 (the year that SRP started operating) and THB94m in 2020, worsened by the demand drop due to the Covid-19 pandemic impact).

Exhibit 1: Core net profit and core net profit growth
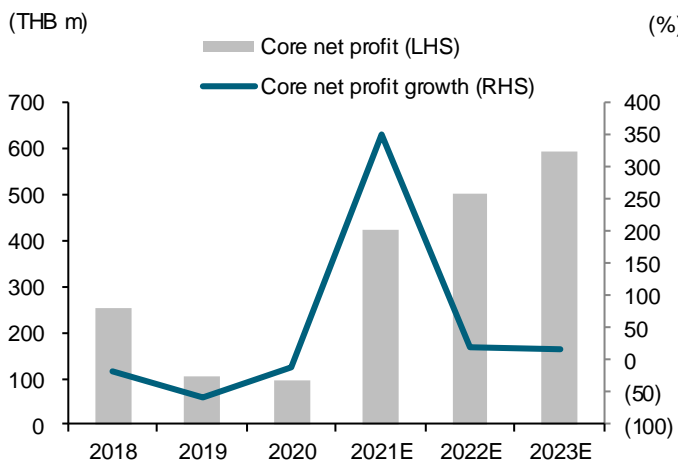
Sources: SNNP; FSSIA estimates

Exhibit 2: EPS and EPS growth
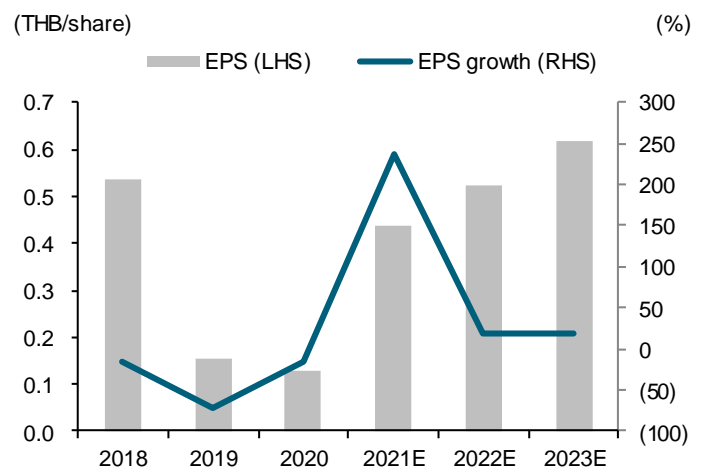
Sources: SNNP; FSSIA estimates

Let's begin again. We think SNNP's net profit will accelerate to THB421m in 2021, rising to THB502m in 2022 and THB592m in 2023, growing at an 84.8% CAGR in 2020-23. The key drivers we forecast are 1) revenue growth at a 4-year 9.1% CAGR in 2020-23, driven by higher utilisation rates and its new production plant in Vietnam (commercial operation date (COD) in 2022); 2) a sharp drop in SG&A expenses from THB1b in 2019-20 to THB0.7b-THB0.8b in 2021-23; and 3) a net margin improvement from 2.1% in 2020 to 9.1-10.2% in 2021-23, driven by lower SG&A, interest expenses, and a higher proportion of the sales volume via the high-margin traditional trade channel that we project to increase from 48% in 2020 to 52% of the total sales volume in 2023.

With an additional 240m shares from its initial public offering (IPO), the total number of shares outstanding will rise to 960m post-IPO, resulting in EPS growth of 236% y-y in 2021; lower than its net profit growth that we project at 348.5%. However, we think the EPS and net profit growth rates will be aligned starting in 2022 onward, given that the dilution impact from the IPO will only occur in 2021.

We think SNNP's strong net profit growth from the three drivers above will be executed via its three key strategies: 1) product expansion under its strong brand recognition; 2) restructuring for cost reduction and higher efficiency; and 3) market expansion using product, marketing, and distribution localisation strategies to fit with consumers' needs in each overseas market.

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Three pillars of net profit growth and sustainability

We project SNNP's net profit growth at an 84.8% CAGR in 2020-23, rising from THB94m in 2020 to THB421m in 2021, THB502m in 2022 and THB592m in 2023. The key driver would come from SNNP's past three years of restructuring efforts that we think will begin to yield benefits in the form of higher net margins, rising sales volumes, and improving operational and distribution efficiency.

## Driver #1: Revenue growth at a 4-year 9.1% CAGR in 2020-23

We believe SNNP's revenue growth will be driven by higher utilisation rates and the new production plant in Vietnam (COD in 2022). We expect SNNP's revenue to grow from THB4.4b in 2020 to 5.8b in 2023, driven by higher utilisation rates, a capacity expansion, and a market expansion via new distribution channels and markets.

Exhibit 3: Revenue breakdown by domestic and overseas markets
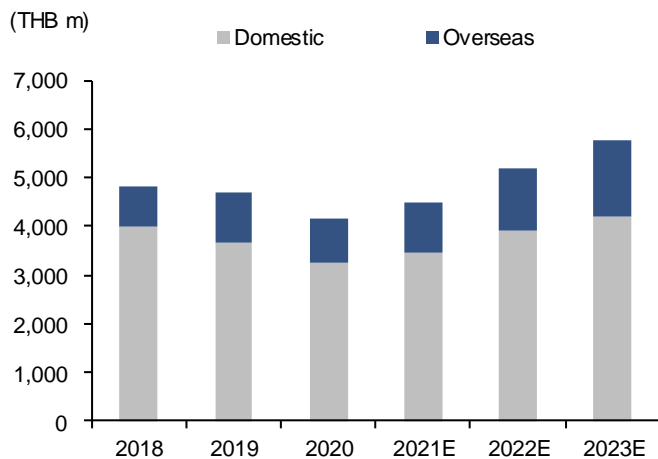
Sources: SNNP; FSSIA estimates

Exhibit 4: Revenue breakdown by domestic and overseas markets (%)
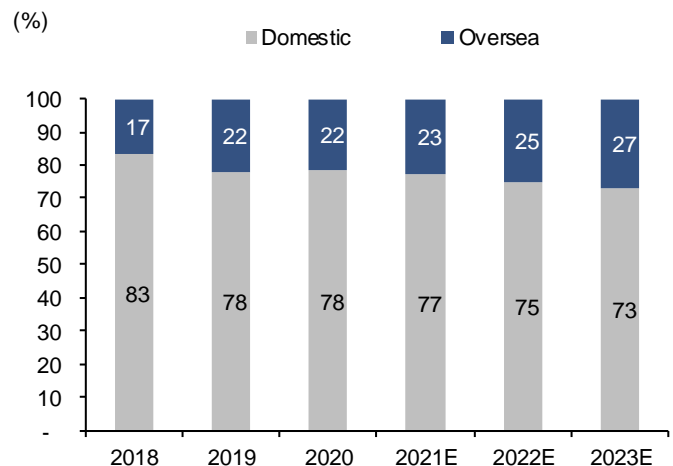
Sources: SNNP; FSSIA estimates

Production capacity. As of 1Q21, SNNP operates five productions plants in two countries. Four operating plants are located in Thailand and one is in Cambodia. In Thailand, to attain the economies of scale, SNNP operates its four plants by dedicating each one to producing only one product line: Bento, Lotus, Jele (BLJ), and Magic Farm.

However, in Cambodia, SNNP operates only one plant to produce a number of major products marketed in Cambodia, including Lotus and other secondary brands, as the Cambodia market prefers different and lower-priced snacks compared to Thailand and Vietnam.

Exhibit 5: Plant capacity, key products, and locations

|	Plant	Key products	Country	COD	Capacity (tpa)
1	Setthakit plant	Baked squid, squid strips, and fish strips (Bento)	Thailand	Operating	4,000
2	Phutthamonthon sai 5 plant	Moulded snacks, bread sticks, wafers, and crackers (Lotus)	Thailand	Operating	11,900
3	Om Noi plant	Ready-to-drink jelly in cups, bottles, and sachets (Jele)	Thailand	Operating	61,700
4	Ratchaburi plant	Other snacks (Magic Farm)	Thailand	Operating	27,300
5	Cambodia	Moulded snacks, wafers, and bread sticks	Cambodia	Operating	1,600
6	Vietnam	Lotus, Jele, Bento	Vietnam	2022E	20,300

Sources: SNNP; FSSIA estimates

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In 2020, when the Covid-19 pandemic hit Thailand and CLMV markets, most of SNNP's plants saw lower utilisation rates due to the weaker demand, particularly for Bento produced at its Setthakit plant, which saw its utilisation rates drop from 90% in 2018 to 86% in 2019 and 71.6% in 2020. SNNP's plant in Cambodia also saw a similar situation, with the utilisation rate plunging from 47% to only 5% in 1Q21 and 30% in 2021, based on our estimate.

Looking into 2022-23, we project that the utilisation rates for all plants will improve to their pre-Covid levels in 2018 in the range of 60-90%, up from 47-72% in 2020. We expect the Bento plant to see the most significant improvement in utilisation rate, rising from 72% in 2020 to 90% in 2023, as we expect the demand for squid and fish strips will gradually improve as Thailand recovers from the economic reopening and tourism returns to Thailand.

Note that, according to management, tourists account for 30% of Bento's demand, and hence, the return of tourism to Thailand would have a manifest impact on SNNP's Bento brand.

Exhibit 6: Utilisation rates
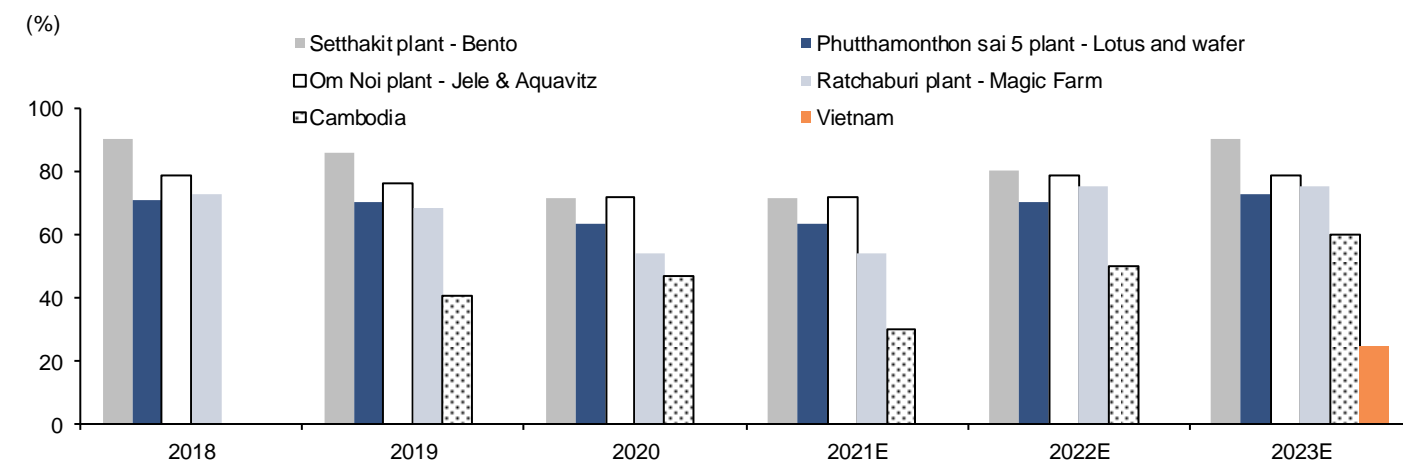
Sources: SNNP; FSSIA estimates

Strong brand and high market shares for SNNP's "three musketeers". As one of Thailand's leading producers of snacks with its three major brands, Bento, Jele, and Lotus, SNNP has long commanded the number one market share in many snack market segments, including seafood snacks at 66% in 1Q21 (Bento), cuttlefish at 68% (Bento), jelly at 51% (Jele), and extruded snacks at 25% (Lotus).

Exhibit 7: Market shares by snack category

Sources: SNNP; FSSIA estimates

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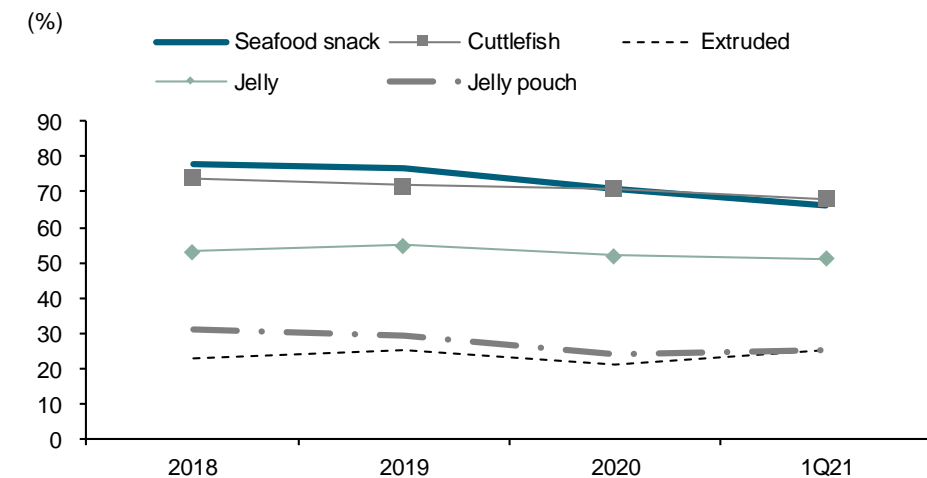
Revenue target to reach THB8b by 2025. According to the CEO of SNNP, Mr. Vivat Kraipisitkul, SNNP aims to achieve THB8b in revenue in 2025, almost doubling its revenue of THB4.4b in 2020. This implies revenue growth at a 12.5% CAGR from 2020-25, which is slightly higher than our projected 4-year CAGR of 9.1%, as we are more conservative on SNNP's revenue growth in both Thailand and overseas markets vs the company's projections.

Exhibit 8: Revenue breakdown by snack segment (2020)
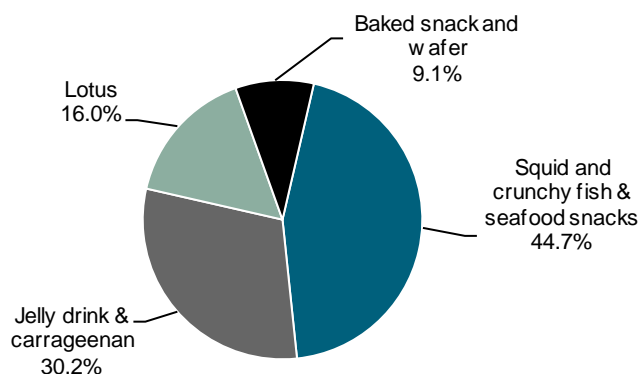
Source: SNNP

Exhibit 9: Quarterly revenue breakdown by jelly and seafood snacks (%)
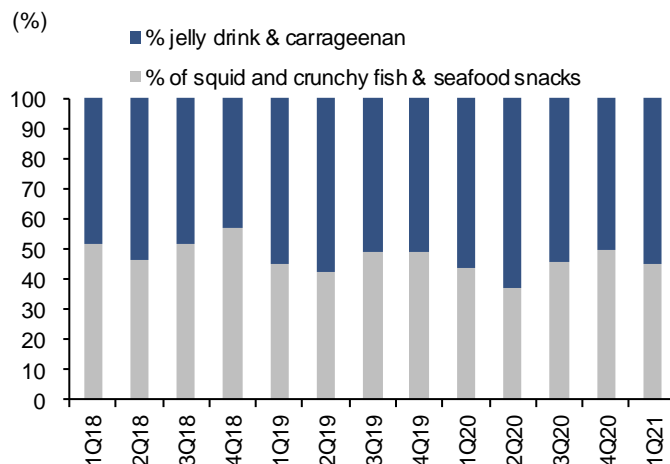
Source: SNNP

Core snacks for Bento and Jele. Unlike some snacks, such as crispy seaweed snacks, which have seen their demand sharply dwindle after a few years due to health concerns, high prices, and the lower inclination for consumers to consume with drinks, we believe SNNP's two product segments of seafood snacks and jelly are "core snacks" that have seen consistent demand growth in the past three decades.

Strategy #1: Product expansion under its strong brand recognition. We believe SNNP will be able to monetise its strong brand franchise to create a higher value for shareholders' wealth, both in terms of financials (net profit) and strategic goals (market expansion) to further strengthen its products and market presence outside Thailand.

Exhibit 10: Jelly and vitamin drink products

Source: SNNP

Exhibit 11: Squid and fish strip products

Source: SNNP

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SNP's seafood snacks, led by the Bento brand, and jelly, led by the Jele brand, have long been at the forefront of SNNP's revenue and net profit growth since their establishment in 1998. We believe SNNP's seafood snack and jelly product groups are not only Thailand's core snacks but have also been core snacks and well-established products in CLMV markets over the past two decades.

Exhibit 12: SNNP's major product brands in the seafood snack segment

Source: SNNP; FSSIA estimates

Exhibit 13: SNNP's major product brands in the jelly segment

Source: SNNP

As a result, SNNP has generated revenue mostly from its three major brands, with Bento having the highest total revenue (32%) in 2020, then Jele (31%), and Lotus (14%), together accounting for 77% of the total revenue in 2020. If we include the sales of BLJ in CLMV and other export markets, we estimate that BLJ will generate revenue in the range of 80-90% in 2020.

Exhibit 14: Revenue breakdown by major brands

Note: Vietnam sales in this chart are sales derived from its manufacturing plant in Vietnam not sales exported from Thailand
Sources: SNNP; FSSIA estimates

Exhibit 15: Revenue breakdown by major brands (%)

Note: Vietnam sales in this chart are sales derived from its manufacturing plant in Vietnam not sales exported from Thailand
Sources: SNNP; FSSIA estimates

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Driver #2: A sharp drop in SG&A expenses

We project SG&A expenses to decline from THB1b in 2019-20 down to THB0.7b-THB0.8b in 2021-23. We believe that starting in 2021, SNNP will begin to reap the benefits from its restructuring efforts that it has implemented since 2018, including the establishment of SRP, new production in Cambodia, and investments to improve plant and distribution efficiency.

Strategy #2: Restructuring for cost reduction and higher efficiency. Under its restructuring plan, SNNP, via SRP, built new 11 distribution centres in Jan-Nov 2019, purchasing 150 cash vans and hiring 700 new employees. This led to a jump in SG&A expenses in 2018-20, as SNNP consolidated SRP into its financial statements.

Deconsolidation of Siri Pro in 2Q21. Starting from 2Q21 onward, SNNP will deconsolidate SRP from its financial statements, given the lower ownership from over 70% to 50.1%, as the Boonrawd group – Thailand's producer of the local beer brand, Singha, a food snack conglomerate, and property developer – bought a 30% stake in SRP via the new shares issued on 16 Mar-21

Hence, SRP will now only contribute equity income to SNNP. Accordingly, we think SNNP's cost components will be significantly lower than its 2018-20 levels; mainly its SG&A expenses. As a result, we project the SG&A-to-sales ratio to drop sharply from 22.5% in 2020 to 15% in 2021, 15.0% in 2022 and 14.5% in 2023, partly due to the SRP deconsolidation and partly due to improving operational efficiency and higher revenue.

Exhibit 16: Major cost as % of revenue
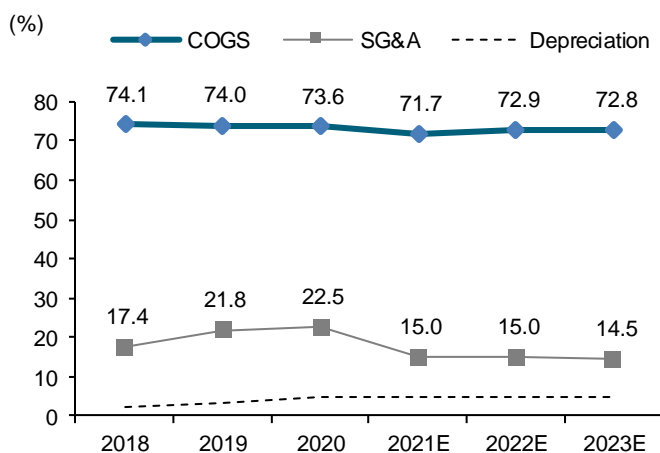
Sources: SNNP; FSSIA estimates

Exhibit 17: Margins are projected to rise in 2021-23
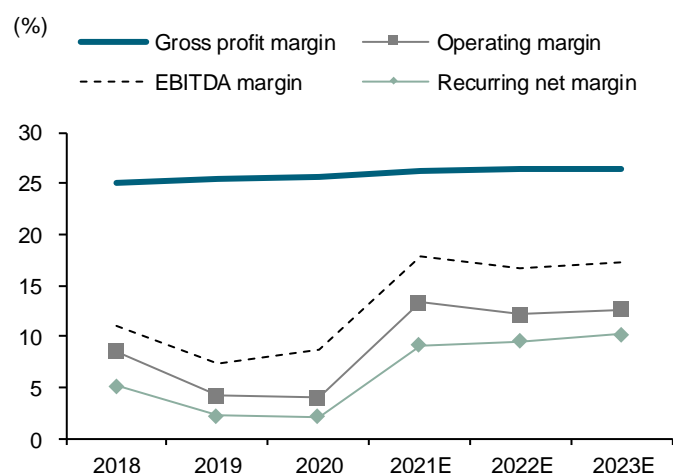
Sources: SNNP; FSSIA estimates

High operating leverage to reduce fixed cost per unit. We think SNNP's margin improvement will also come from its high operating leverage with its high fixed cost component, which we estimate to be in the range of 45-55%, including depreciation (2.5% of total cost in 2020), packaging, and direct labour and overhead (41%) as part of total COGS (74.1%) and part of SG&A and others as an interest expense.

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Exhibit 18: COGS breakdown (2020)
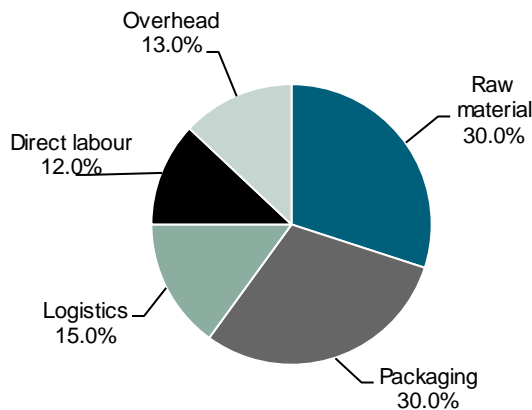
Sources: SNNP; FSSIA estimates

Exhibit 19: Total cost breakdown (2020)
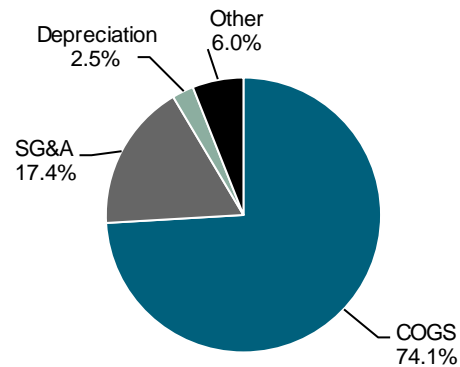
Sources: SNNP; FSSIA estimates

Driver #3: Net margin expansion from 2.1% in 2020 to 9.1-10.2% in 2021-23

We project SNNP's net margin to expand in 2021-23, driven by lower SG&A and interest expenses, along with a higher proportion of the sales volume coming from the high-margin traditional trade channel that we project to increase from 49% in 2020 to 52% of the total sales volume in 2023.

Exhibit 20: Revenue breakdown by distribution channel
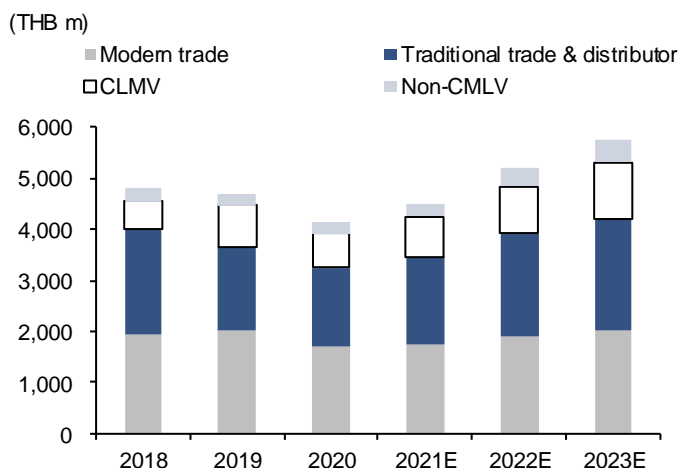
Sources: SNNP; FSSIA estimates

Exhibit 21: Revenue breakdown by distribution channel (%)
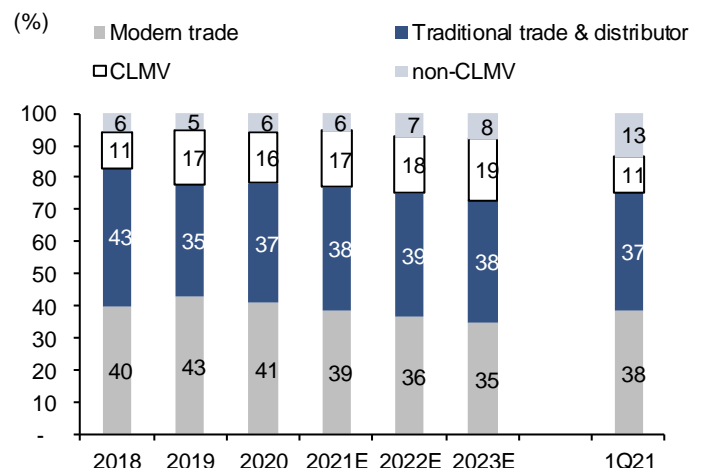
Sources: SNNP; FSSIA estimates

Thailand: Land of snacks. Thailand has long seen demand growth for the snack (Bento, Lotus, and Magic Farm brand market) and non-alcoholic (Jele) markets increase by 1.5-2.0x of the country's GDP growth, but the demand growth stumbled in 2020 due to the country's lockdown.

According to the research house, Frost & Sullivan, Thailand is projected to witness demand growth for snacks and non-alcoholic beverages in 2021 onward, growing at a 5-7% range p.a., driven by the Thai consumer preference for core snacks, which includes crackers, squid and fish strips, jelly, and nuts.

Hence, the subpar utilisation rates of SNNP's production plants in Thailand and Cambodia and the new plant in Vietnam should place SNNP well to capture the rising demand for snacks in Thailand and CLMV markets in 2021-25, in our view.

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Exhibit 22: Thailand's snack market growth projection for 2021-25
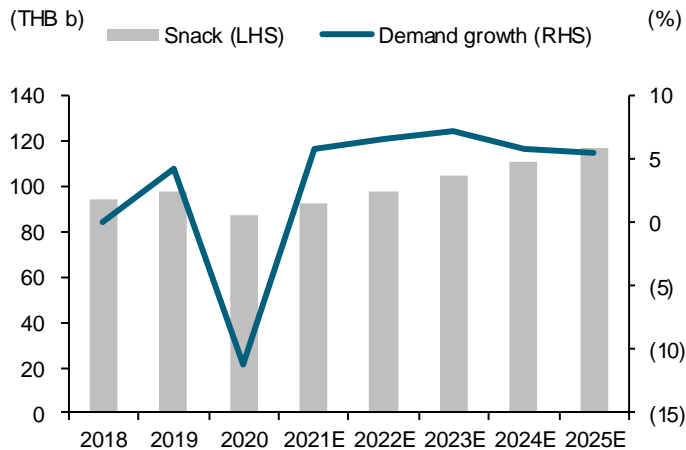
Source: SNNP

Exhibit 23: Thailand's non-alcoholic beverage market growth projection for 2021-25
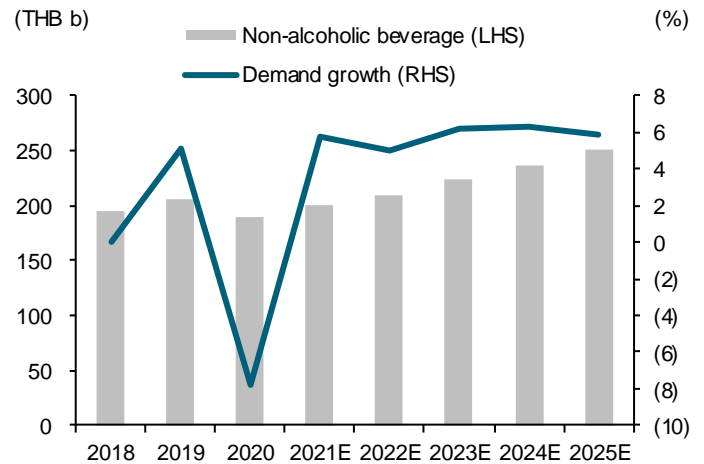
Source: SNNP

Distribution strategy is a key value enhancement for SNNP. As the price discount for modern trade companies is one of SNNP's major costs under the SG&A expense component (17.4% of total cost in 2020), SNNP plans to gradually shift its sales from modern trade, which accounted for 52% of total sales in 2020, to the traditional trade and small mom & pop distributors channels.

Exhibit 24: SNNP's sales breakdown by distribution channel in Thailand
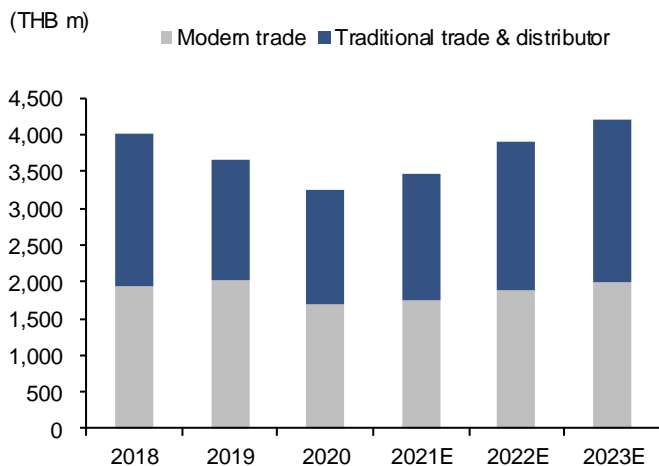
Sources: SNNP; FSSIA estimates

Exhibit 25: SNNP's sales breakdown by distribution channel in Thailand (%)
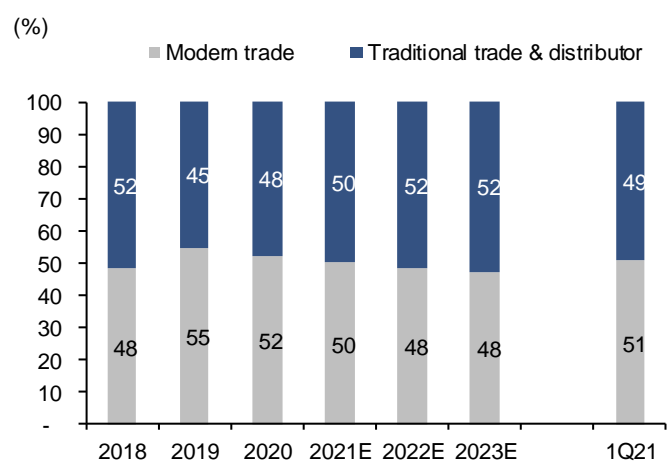
Sources: SNNP; FSSIA estimates

According to management, the price discount for modern trade is 3-5% higher than for the traditional trade channel due to the higher bargaining power of the modern trade companies. Modern trade only has a few players and is an oligopolistic market structure, compared to the traditional trade fragmented market with over 3,600 secondary dealers and 150,000-200,000 mom & pop shops nationwide, according to management.

Via SRP, which will focus on product distribution through traditional trade channels, we think SNNP will be able to reduce its price discount to distributors piecemeal by 1 ppt annually in 2021-25, thereby boosting SNNP's net margin toward our projected 10% in 2023 onward.

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Exhibit 26: Monthly revenue from modern trade channel

(THB m)
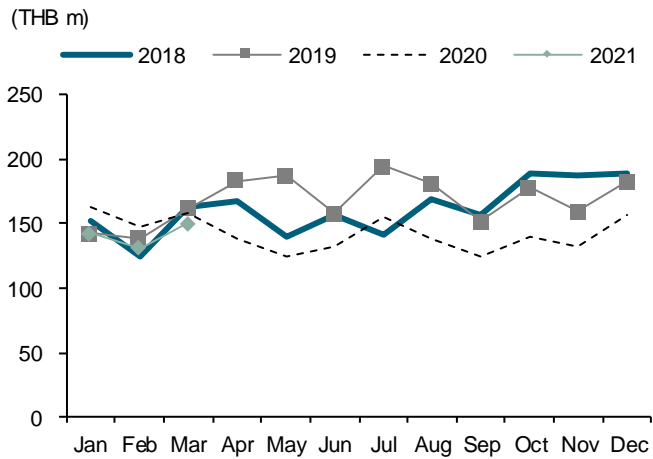
Source: SNNP

Exhibit 27: Monthly revenue from traditional trade channel

(THB m)
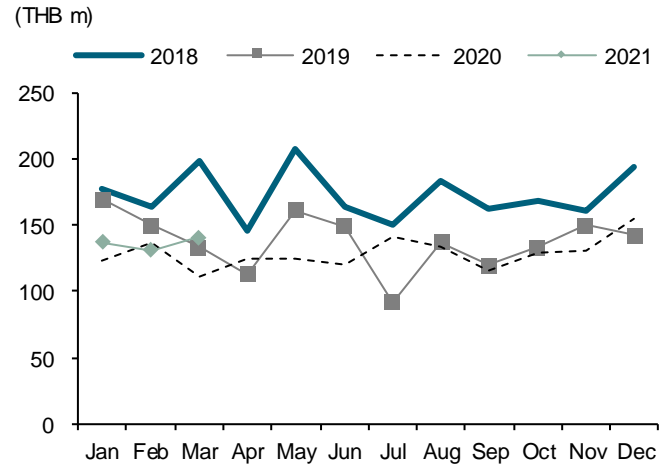
Source: SNNP

The key change in distribution channel will be for Jele, which is currently marketed mostly via the modern trade channel at 80% and 20% via traditional trade, compared to the roughly 50% equal distribution via the modern and traditional trade channels for Bento and Lotus brand products.

According to management, SNNP plans to increase Jele's sales volume via traditional trade from 20% in 2020 to 35-40% by 2025, while raising the proportion of Bento and Lotus sold via traditional trade to 55-60% by 2025. We estimate that this alone could improve SNNP's net margin by 3-5 ppts over the next five years.

Exhibit 28: Monthly revenue by distribution channel

(THB m)

Source: SNNP

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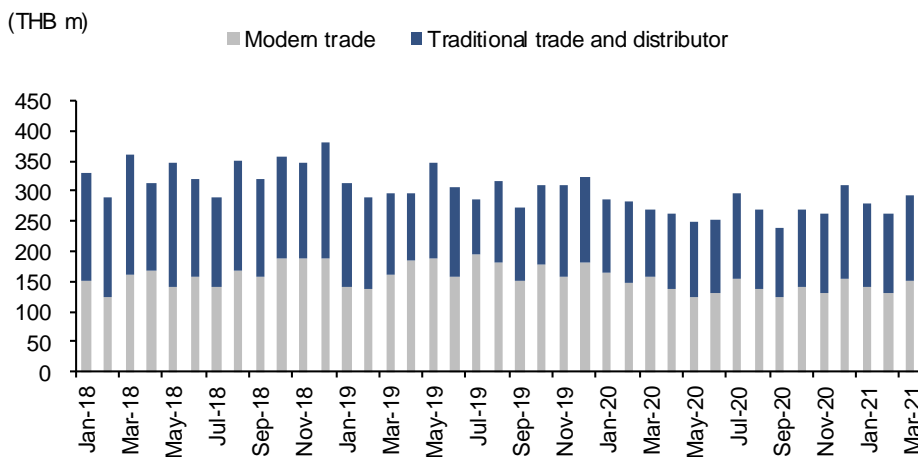
Overseas market opportunity. SNNP has sold its products in CLMV markets since the 2000s, and many of its product brands have been highly recognised and perceived as premium snacks by consumers in CLMV countries. CLMV markets, mainly Cambodia and Vietnam, accounted for 76% of SNNP's overseas revenue in 2019, but dropped to 74% in 2020 due to the impact of the Covid-19 pandemic.

Exhibit 29:   Revenue breakdown for overseas markets
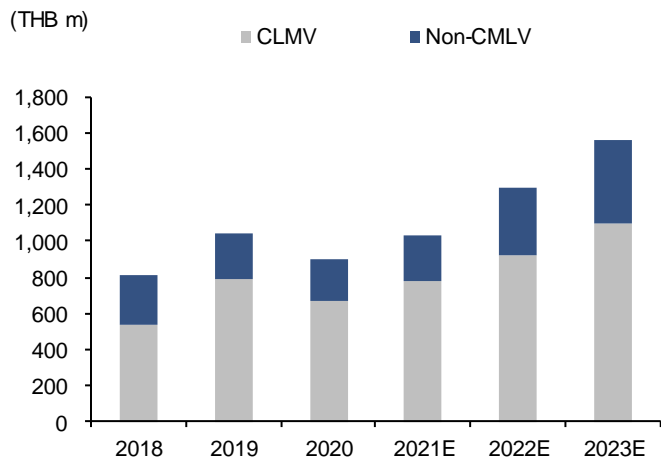
Sources: Forst & Sullivan; FSSIA estimates

Exhibit 30:   Revenue breakdown for overseas markets (%)
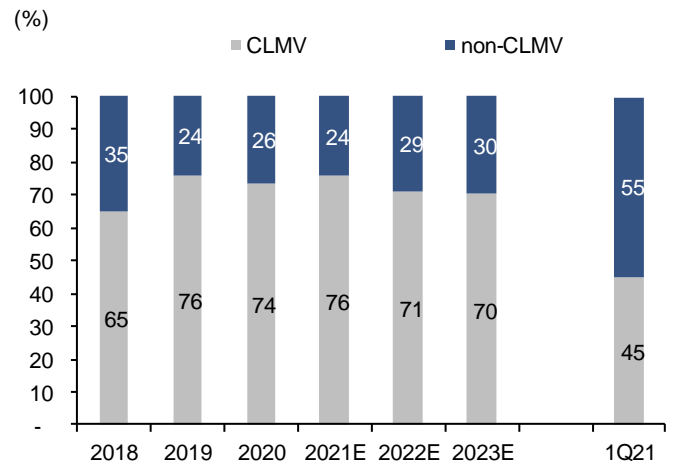
Sources: Forst & Sullivan; FSSIA estimates

Strategy #3: Market expansion using localised product, marketing, and distribution strategies to fit with consumers' needs in each overseas market. To leverage SNNP's product and brand strengths, management believes that a localisation strategy is key to the success of not only penetrating new markets but also enhancing its brand awareness and improving the revenue and margins in each market where SNNP will focus on.

Exhibit 31:   CLMV snack market growth projection (2021-25)
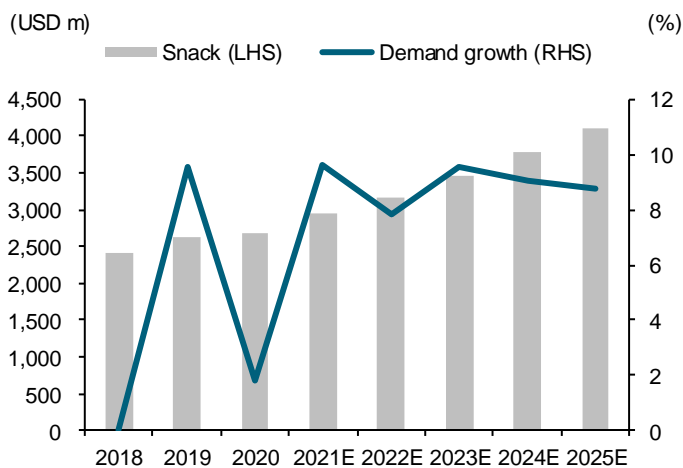
Sources: Forst & Sullivan; FSSIA estimates

Exhibit 32:   CLMV drink market growth projection (2021-25)

Sources: Forst & Sullivan; FSSIA estimates

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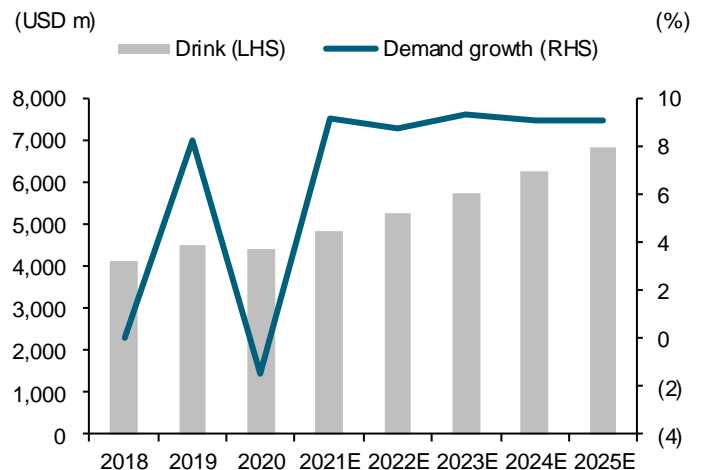
SNNP will pursue three actions to achieve its localisation strategy to expand its market presence and sales volume.

First, the company plans to build a production plant on site in Cambodia and Vietnam, the two major markets overseas, to reduce the cost of production, logistics, and taxes.

Second, SNNP intends to reduce the selling prices of its products sold locally in CLMV markets to match the purchasing power of each market. For example, SNNP will reduce the selling price of BLJ products in the Cambodia market by up to 20-30% by cutting production and logistics costs, reducing the product size, and changing the packaging to cheaper forms.

Third, SNNP plans to localise its products using local brand ambassadors for domestic advertisement, aiming to familiarise local consumers with SNNP's products in each market in different ways.

Exhibit 33: Product localisation strategy – packaging & size adaptations

Source: SNNP

Exhibit 34: Product localisation strategy – production and logistics cost reductions

Key Raw Material		Uniit	Thailand Price	% cost saving from Cambodia Operation	% cost saving from Vietnam Operation
โลตัส	Wheat Flour	Kg.	100%	18.00%	12.30%
โลตัส	Sugar	kg.	100%	17.70%	N/A
Bento	Surimi Fish	kg.	100%	N/A	12.70%
โลตัส	Packaging	Piece	100%	8.70%	N/A
Jele	Packaging	Piece	100%	N/A	2.00%

Source: SNNP

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Financials

While we project SNNP's net profit growth to be driven by its three strategies of product monetisation on existing brand strengths, cost reduction via restructuring, and market expansion via localisation, we think SNNP's shareholder value creation will mostly be via its margin enhancement rather than higher sales (sales turnover) and increasing debt (financial leverage), based on our Dupont analysis.

Exhibit 35:   Core net profit and EPS
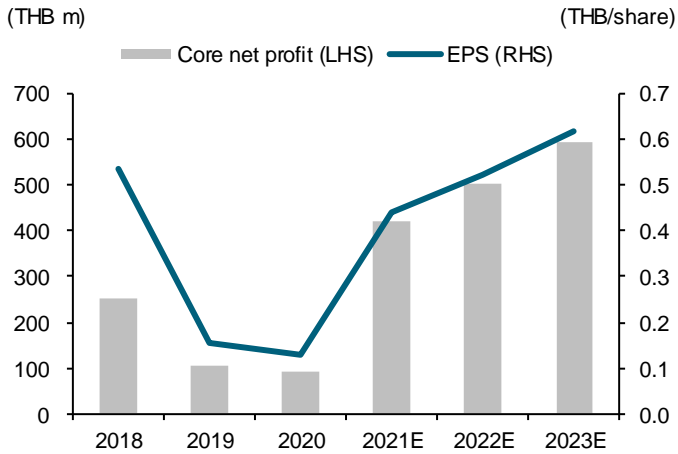
Sources: SNNP; FSSIA estimates

Exhibit 36:   Dupont analysis

Dupont	2019	2020	2021E	2022E	2023E
	(%)	(%)	(%)	(%)	(%)
Net margin	2.2	2.1	8.7	10.1	9.6
Sales turnover (sales/asset)	1.2	1.1	1.0	1.0	1.1
Financial leverage (asset/equity)	34.2	23.5	3.1	1.9	1.9
ROE	92.0	53.8	29.9	18.6	20.2

Sources: SNNP; FSSIA estimates

Thanks to the lower capex following SNNP's heavy capex cycle in 2018-20 and the capital raised via its IPO, we project that SNNP will see a sharp drop in its net debt-to-equity (net DE) to become a net cash company (negative net DE) in 2023. SNNP's ROA is projected to rise, while its ROE should decline due to the larger equity base as a result of the IPO and its higher net profit growth, based on our estimate.

Exhibit 37: ROA and ROE
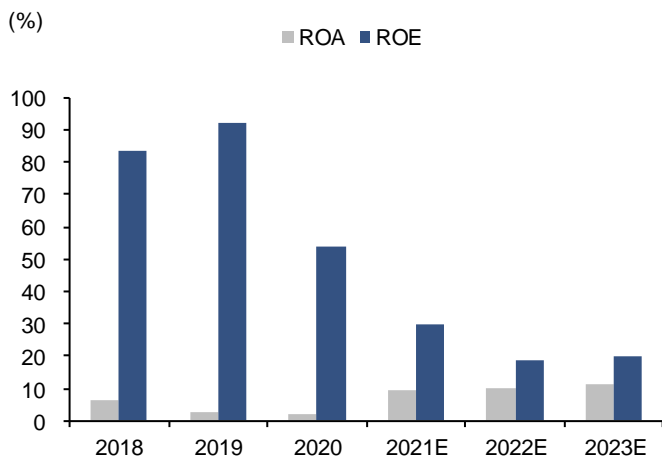
Sources: SNNP; FSSIA estimates

Exhibit 38: Net debt-to-equity and capex

Sources: SNNP; FSSIA estimates

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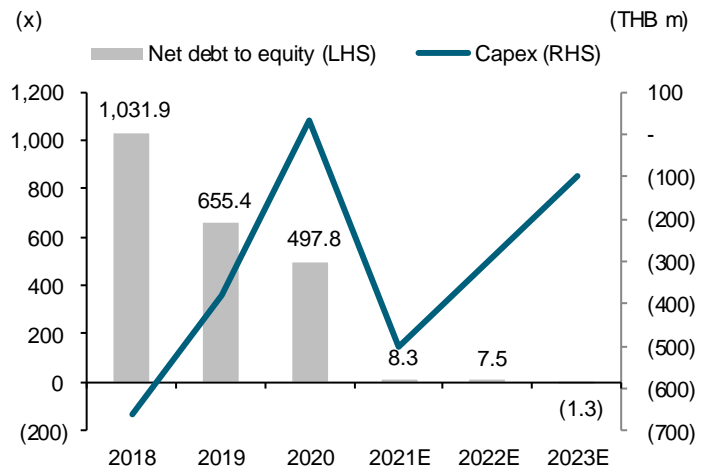
Expect solid 2Q21 earnings amid the outbreak

We estimate SNNP to post solid earnings in 2Q21 at THB80m (vs a loss of THB9m in 2Q20 and THB49m core earnings in 1Q21). Domestic sales should grow 5% y-y in 2Q21 due to high season for beverages and a high contribution from the traditional trade channel after its restructuring. Overseas sales could grow 20% q-q in 2Q21 driven by the Vietnam market. Overall, its revenue could drop 1% q-q after deconsolidating SRP since 16 March, which had distribution for third party sales of THB85m in 1Q21. Its 2Q21 GPM should be flat q-q but rise 2 ppt y-y following the solid demand from high-margin products (Jele and Bento) and the higher contribution from traditional trade. We expect SG&A expenses to drop 21% q-q to THB174m from THB220m in 1Q21 due to the absence of THB60m SG&A expenses related to SRP.

SNNP could post negative equity income at THB9m in 2Q21, dragged down by SRP's performance. Distribution to third party sales is currently at THB130m-140m per month, under the EBITDA breakeven point at THB150m-160m per month and the net profit breakeven point at THB170m-180m per month, which we expect SNNP to achieve by 4Q21. SNNP is targeting SRP sales of THB1.8b-1.9b in 2021 vs the net profit breakeven target at THB2.0b per year.

3Q21 revenue could soften following the seasonality expected from the rainy season. Its bottom line could be cushioned by the low interest expense at THB5m vs cTHB20m per quarter in 1Q-2Q, as SNNP plans to repay its debt via IPO proceeds. Hence, we expect that THB70m-80m core earnings in 3Q21-4Q21 could be achievable.

Exhibit 39: 2Q21 earnings forecast

YE Dec 31	2Q20 (THB m)	3Q20 (THB m)	4Q20 (THB m)	1Q21 (THB m)	2Q21E (THB m)	Change (q-q%)	Change (y-y%)	2021E (THB m)
Total revenue	996	1,086	1,247	1,102	1,096	(1)	10	4,625
Retail sales	996	1,086	1,247	1,102	1,096	(1)	10	4,499
Cost of sales	754	782	937	812	808	(1)	7	3,318
Gross profit	242	304	310	290	288	(1)	19	1,307
Operating costs	242	235	260	220	174	(21)	(28)	694
Operating profit	(0)	69	50	70	114	62	n/a	614
Operating EBITDA	49	119	104	118	164	39	233	829
Interest expense	(20)	(19)	(20)	(19)	(20)	8	0	(50)
Profit before tax	(18)	58	41	59	102	73	(683)	563
Tax	2	(11)	(9)	(15)	(20)	39	n/a	104
Associates	0	0	0	(1)	(9)	794	n/a	(30)
Minority interests	(6)	(5)	(5)	(6)	(7)	23	13	(8)
Reported net profit	(9)	51	37	178	80	(55)	n/a	421
Recurring net profit	(9)	51	37	49	80	62	n/a	421
EPS (THB)	(0.01)	0.05	0.04	0.19	0.08	(55)	n/a	0.44
Recurring EPS (THB)	(0.01)	0.05	0.04	0.05	0.08	62	n/a	0.44
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Sales margin	24.3	28.0	24.9	26.3	26.3	(0.0)	2.0	26.2
EBIT margin	(0.0)	6.4	4.0	6.4	10.4	4.0	10.4	13.3
Recurring net margin	(1.5)	4.2	2.6	4.0	7.5	3.4	9.0	9.1
SG&A / Sales	24.3	21.7	20.9	19.9	15.9	(4.1)	(8.4)	15.0
Effective tax rate	(12.4)	(20.0)	(22.2)	(24.8)	(20.0)	4.8	(7.6)	18.5
Operating statistics								
Branded own								
Domestic sales				833	874			
Oversea sales				185	222			
Distribution for third party (Domestic)				85	0			

Sources: SNNP; FSSIA estimates

Key assumptions

Our assumptions include the utilisation rates for each plant that we project to rise from 2020 to 2022-23 post-Covid-19 pandemic and the global economic reopening. The revenue breakdowns by product are based on our assumption that the gradually rising revenues from overseas plants will reduce the proportion of revenues generated from key products in Thailand, rather than declines in revenue in Thailand per se.

We assume that the COGS-to-sales ratio will be relatively stable at 72-73% in 2021-23, as SNNP's restructuring plan is likely to reduce the SG&A costs rather than the raw material and other costs. This leads to our assumption of a lower SG&A-to-sales ratio from 22.5% in 2020 down to 15.0% in 2021, 15.0% in 2022, and 14.5% in 2023, mainly due to the deconsolidation of SRP and the lower SG&A expenses from the higher revenue to reduce the fixed SG&A cost components.

Exhibit 40: Key assumptions

Utilisation rate assumptions	2018	2019	2020	2021E	2022E	2023E
	(%)	(%)	(%)	(%)	(%)	(%)
Bento	90.0	86.1	71.8	71.8	80.0	90.0
Lotus	71.2	70.1	63.2	63.2	70.0	73.0
Jele	78.8	76.2	71.6	71.6	79.0	79.0
Magic farm	72.6	72.6	68.3	54.2	54.2	75.0
Cambodia	-	40.5	46.6	30.0	50.0	60.0
Vietnam	-	-	-	-	-	25.0
Revenue by production	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Bento	33.4	34.8	34.8	32.9	31.0	31.5
Lotus	17.6	17.0	15.8	14.9	14.0	13.2
Jele	28.5	28.3	33.7	31.8	29.8	26.9
Magic farm	20.5	19.9	15.8	14.9	17.5	15.8
Cambodia	-	5.0	9.0	5.5	7.7	8.4
Vietnam	-	-	-	-	-	4.2
Cost-to-income ratio	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
COGS-to-sales	74.1	74.0	73.6	71.7	72.9	72.8
SG&A-to-sales	17.4	21.8	22.5	15.0	15.0	14.5

Source: FSSIA estimates

Risks

We see four key risks for SNNP's net profit outlook.

Demand downside due to external factors such as the prolonged Covid-19 pandemic. However, we think only Bento would see a significant demand risk as seen in 2020, as 30% of its demand comes from tourists.

Raw material cost volatility. Given that raw material costs represent 22% of SNNP's total cost, we think the fluctuation in raw material prices such as wheat flour, tapioca starch, squid and fish, and sugar, could be major risks to SNNP's net margin.

Slower-than-expected demand growth and market penetration overseas. We think the new production plants in Cambodia and Vietnam could pose major risks to SNNP if there is low demand growth in those countries and the company's localisation strategy fails to achieve its goal to successfully penetrate those snack markets.

Distribution risk. While SNNP already plans to boost its sales volume via SRP, we think there remains a risk for the abrupt disconnection of SNNP's key distributors. However, we think this risk is low and will be decline over time once SNNP has successfully increased its share of sales volume visa SRP and the traditional trade channel.

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Initiate with BUY and a target price of THB15

We initiate coverage on SNNP with a BUY call and a DCF-based target price of THB15. We use DCF valuation methodology for SNNP as we think its net profit is highly visible except under extreme cases such as the Covid-19 pandemic, which we think is rare and unlikely to occur again anytime soon.

Our assumptions include 1) a risk-free rate of 2.3%; 2) a risk premium of 8.5%; 3) a discounted period of 12 years to reflect a sufficient period of sustainable growth; and 4) a terminal value based on a 2% terminal growth rate which we think is justified based on SNNP's past historical demand for its core products.

Exhibit 41: DCF-based valuation

Year to Dec	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal
Unit: THB m											@ last cell
EBITDA	1,007	1,109	1,200	1,284	1,348	1,375	1,403	1,431	1,459	1,488	
(less) tax on EBIT	(132)	(147)	(160)	(171)	(180)	(184)	(187)	(191)	(195)	(199)	
decrease in working cap	(62)	(45)	(50)	(51)	(39)	(16)	(17)	(17)	(18)	(18)	
(less) capex & investment	(100)	(105)	(500)	(500)	(200)	(200)	(206)	(208)	(204)	(192)	
extraordinary cash											
Free cash flow	713	812	490	561	929	975	992	1,014	1,043	1,080	19,720
WACC (%)	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Terminal growth (%)	2%										
PV of FCF	663	702	393	419	644	628	595	565	540	519	9,488
Enterprise value	15,156										
Net debt	228										
Minority interest	239										
Equity value	14,688										
No. of shares (m)	960										
Equity value (THB/shr)	15.0										

Sources: SNNP; FSSIA estimates

At our TP of THB15, SNNP's valuation is attractive, trading at a 28.7x forward P/E for 2022, which we think is justified by its strong net profit growth, higher net margin, and decent ROE.

Exhibit 42: Forward P/E

(x)

— At share price of THB10.4   — At target price of THB15.0

Sources: SNNP; FSSIA estimates

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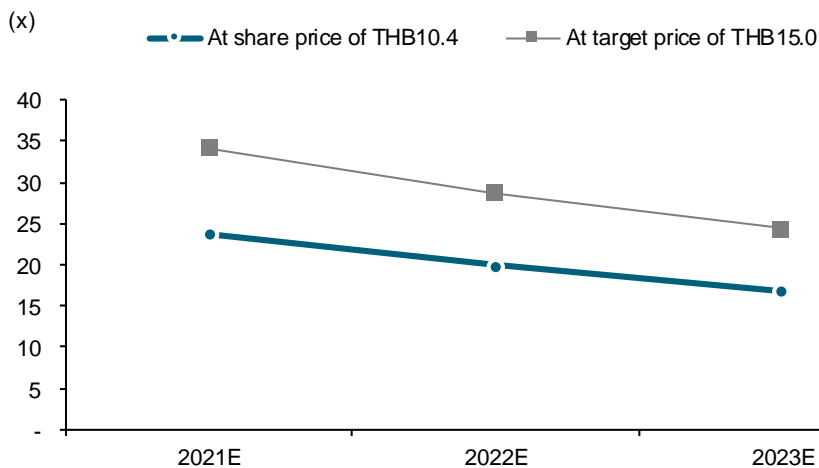
We believe the implied 28.7x 2022E P/E is justified for our THB15 target price, considering that 1) SNNP's strong 3-year CAGR net profit growth that we estimate at 67.9% is much higher than the Thai commerce sector's average of 23.6% in the same period; 2) it has a high projected net margin of 9.1-10.2% in 2021-23; and 3) its superior projected ROE at 29.9% in 2021, 18.6% in 2022, and 20.2% in 2023.

Exhibit 43: Peers comparison

Company	BBG	Price	Market	3Y EPS	-------- PE -------		--------- ROE -------		--------- PBV ------		---- EVEBITDA ---	
		Current	Cap	CAGR	21E	22E	21E	22E	21E	22E	21E	22E
		(LCY)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Berli Jucker	BJC TB	35.00	4,267	21.3	25.2	21.3	4.9	5.8	1.2	1.2	14.8	13.8
CP All	CPALL TB	59.75	16,326	14.4	35.6	26.4	14.9	18.2	6.2	5.5	20.3	17.6
Siam Global House	GLOBAL TB	23.30	3,261	22.6	35.5	31.9	16.2	16.4	5.5	5.0	22.9	20.8
Home Pro Center	HMPRO TB	13.20	5,280	13.4	29.6	25.7	26.3	28.4	7.6	7.1	17.3	15.4
Siam Makro	MAKRO TB	37.00	5,402	9.9	25.0	22.4	30.5	31.0	7.3	6.6	15.1	13.6
Central Retail Corp	CRC TB	31.25	5,733	466.5	54.7	24.7	6.3	13.2	3.4	3.1	15.5	11.7
Srinanaporn	SNNP TB	10.60	310	67.9	24.2	20.3	29.9	18.6	3.9	3.6	12.9	12.1
FSSIA coverage			**40,579**	**23.6**	**32.8**	**24.7**	**18.4**	**18.8**	**5.0**	**4.6**	**17.0**	**15.0**
Dohome	DOHOME TB	25.50	1,878	51.8	33.6	29.3	19.6	18.9	6.5	5.6	24.6	21.8
Lawson	2651 JP	5,470.00	4,995	(17.5)	61.1	31.4	3.4	6.4	2.1	2.0	4.2	3.7
Dairy Farm Intl	DFI SP	3.98	5,385	59.6	17.1	14.3	22.7	24.9	3.9	3.5	12.2	11.2
Better Life Comm	002251 CH	6.60	883	29.8	29.2	25.1	2.1	2.6	0.8	0.8	13.3	12.5
Regional			**13,141**	**(13.3)**	**35.2**	**25.0**	**11.9**	**13.2**	**3.3**	**3.0**	**13.6**	**12.3**
Average			**53,719**	**10.9**	**33.7**	**24.8**	**16.1**	**16.8**	**4.4**	**4.0**	**15.8**	**14.0**

Share prices as of 29 July 2021
Sources: Bloomberg consensus; FSSIA estimates

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Corporate Governance - SNNP

Board structure

Number of Independent Directors (ID)	4 of 9 board members
Percentage of IDs on the board	44.44%
ID participation/attendance at board meetings	95.8%
ID participation in audit/remuneration committees	3/3 in audit committee and 1/3 in remuneration committee
ID terms (years of service, re-election/replacement procedures)	3 years; 9 years consecutively

Source: SNNP

Additional comments: Chairman of the Board is also an independent director

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Ltd.
Length of service	More than four years
Reporting incidents	None
Fee track record	In 2021, THB 5.14m for parent company and THB2.18m for subsidiaries
Policy on change of audit firm	In accordance with SEC guidelines

Source: SNNP

Additional comments: None

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2020, THB 2.1m vs net profit of THB94m in 2020
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Source: SNNP

Additional comments: None

Shareholders' rights

Communication - shareholder participation in AGMs/EGMs	AGM annually, EGM when appropriate
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Source: SNNP

Additional comments: None

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Financial Statements

Srinanaporn Marketing

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	4,749	4,436	4,625	5,260	5,822
Cost of goods sold	(3,364)	(3,058)	(3,103)	(3,590)	(3,970)
Gross profit	**1,385**	**1,378**	**1,522**	**1,671**	**1,851**
Other operating income	0	0	0	0	0
Operating costs	(1,037)	(997)	(694)	(789)	(844)
Operating EBITDA	**348**	**381**	**829**	**881**	**1,007**
Depreciation	(151)	(206)	(215)	(245)	(271)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**197**	**175**	**614**	**637**	**736**
Net financing costs	(83)	(81)	(50)	(23)	(22)
Associates	0	0	(30)	3	15
Recurring non-operating income	0	0	(30)	3	15
Non-recurring items	0	0	0	0	0
Profit before tax	**114**	**94**	**533**	**617**	**730**
Tax	(30)	(19)	(104)	(111)	(132)
Profit after tax	**84**	**74**	**429**	**507**	**598**
Minority interests	21	20	(8)	(5)	(6)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	**105**	**94**	**421**	**502**	**592**
Non-recurring items & goodwill (net)	**0**	**0**	**-**	**-**	**-**
Recurring net profit	**105**	**94**	**421**	**502**	**592**
Per share (THB)					
Recurring EPS *	0.15	0.13	0.44	0.52	0.62
Reported EPS	0.15	0.13	0.44	0.52	0.62
DPS	0.08	0.00	0.26	0.31	0.37
Diluted shares (used to calculate per share data)	680	720	960	960	960
Growth					
Revenue (%)	(2.8)	(6.6)	4.3	13.7	10.7
Operating EBITDA (%)	(35.5)	9.4	117.5	6.4	14.2
Operating EBIT (%)	(52.6)	(11.3)	251.1	3.8	15.6
Recurring EPS (%)	(71.3)	(15.5)	236.5	19.2	17.9
Reported EPS (%)	(71.3)	(15.5)	236.5	19.2	17.9
Operating performance					
Gross margin inc. depreciation (%)	26.0	26.4	28.3	27.1	27.2
Gross margin of key business (%)	25.4	25.7	26.2	26.4	26.4
Operating EBITDA margin (%)	7.3	8.6	17.9	16.8	17.3
Operating EBIT margin (%)	4.1	3.9	13.3	12.1	12.7
Net margin (%)	2.2	2.1	9.1	9.5	10.2
Effective tax rate (%)	26.5	20.8	18.5	18.0	18.5
Dividend payout on recurring profit (%)	54.5	-	60.0	60.0	60.0
Interest cover (X)	2.4	2.2	11.6	28.4	34.8
Inventory days	40.3	50.0	49.6	46.6	47.6
Debtor days	86.7	91.5	83.1	79.7	80.7
Creditor days	106.3	116.7	114.8	107.8	110.0
Operating ROIC (%)	6.3	5.9	21.7	20.7	23.8
ROIC (%)	5.3	4.8	15.9	16.1	18.3
ROE (%)	92.0	53.8	29.9	18.6	20.2
ROA (%)	3.7	3.4	10.7	10.5	11.5
* Pre-exceptional, pre-goodwill and fully diluted					

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
Domestic	3,667	3,249			
Overseas	1,042	1,144			
Others	40	43			

Sources: Srinanaporn Marketing; FSSIA estimates

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Financial Statements
Srinanaporn Marketing

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	105	94	421	502	592
Depreciation	151	206	215	245	271
Associates & minorities	163	1	(8)	(5)	(6)
Other non-cash items	(31)	(9)	3	9	5
Change in working capital	(212)	142	(35)	(61)	(62)
Cash flow from operations	**175**	**434**	**596**	**689**	**799**
Capex - maintenance	(380)	0	(500)	(300)	(100)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(17)	(233)	3	(84)	(74)
Other investments (net)	0	32	0	0	0
Cash flow from investing	**(397)**	**(201)**	**(497)**	**(384)**	**(174)**
Dividends paid	(57)	0	(253)	(301)	(355)
Equity finance	(20)	0	2,210	2	2
Debt finance	440	(292)	(1,565)	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**363**	**(292)**	**393**	**(299)**	**(353)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	**0**	**0**	**0**	**0**	**0**
Movement in cash	**141**	**(59)**	**492**	**6**	**272**
Free cash flow to firm (FCFF)	(138.61)	314.37	150.11	327.74	646.72
Free cash flow to equity (FCFE)	218.53	(58.45)	(1,465.34)	305.24	625.12

Per share (THB)					
FCFF per share	(0.14)	0.33	0.16	0.34	0.67
FCFE per share	0.23	(0.06)	(1.53)	0.32	0.65
Recurring cash flow per share	0.57	0.41	0.66	0.78	0.90

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	2,655	2,724	3,224	3,524	3,624
Less: Accumulated depreciation	(752)	(1,060)	(1,275)	(1,520)	(1,790)
Tangible fixed assets (net)	**1,903**	**1,664**	**1,949**	**2,005**	**1,834**
Intangible fixed assets (net)	**0**	**0**	**0**	**0**	**0**
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	232	173	665	672	944
A/C receivable	1,193	1,031	1,075	1,222	1,353
Inventories	419	418	425	491	544
Other current assets	2	3	3	3	3
Current assets	**1,847**	**1,625**	**2,168**	**2,389**	**2,844**
Other assets	449	687	687	781	865
Total assets	**4,199**	**3,976**	**4,805**	**5,175**	**5,543**
Common equity	128	221	2,600	2,802	3,041
Minorities etc.	258	239	239	239	239
Total shareholders' equity	**385**	**460**	**2,839**	**3,042**	**3,281**
Long term debt	871	721	600	600	600
Other long-term liabilities	68	73	76	87	96
Long-term liabilities	**939**	**794**	**676**	**687**	**696**
A/C payable	988	968	983	1,137	1,257
Short term debt	1,886	1,744	300	300	300
Other current liabilities	1	11	6	10	9
Current liabilities	**2,875**	**2,722**	**1,289**	**1,446**	**1,566**
Total liabilities and shareholders' equity	**4,199**	**3,976**	**4,805**	**5,175**	**5,543**
Net working capital	626	473	513	571	633
Invested capital	2,978	2,825	3,150	3,357	3,332
* Includes convertibles and preferred stock which is being treated as debt					

Per share (THB)					
Book value per share	0.19	0.31	2.71	2.92	3.17
Tangible book value per share	0.19	0.31	2.71	2.92	3.17
Financial strength					
Net debt/equity (%)	655.4	497.8	8.3	7.5	(1.3)
Net debt/total assets (%)	60.1	57.6	4.9	4.4	(0.8)
Current ratio (x)	0.6	0.6	1.7	1.7	1.8
CF interest cover (x)	3.6	0.3	(28.0)	14.6	29.9

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	**68.8**	**81.4**	**24.2**	**20.3**	**17.2**
Recurring P/E @ target price (x) *	**97.3**	**115.1**	**34.2**	**28.7**	**24.3**
Reported P/E (x)	68.8	81.4	24.2	20.3	17.2
Dividend yield (%)	0.8	-	2.5	3.0	3.5
Price/book (x)	56.5	34.5	3.9	3.6	3.3
Price/tangible book (x)	56.5	34.5	3.9	3.6	3.3
EV/EBITDA (x) **	28.7	26.7	12.9	12.1	10.3
EV/EBITDA @ target price (x) **	37.3	35.0	18.0	16.9	14.5
EV/invested capital (x)	3.4	3.6	3.4	3.2	3.1
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Srinanaporn Marketing; FSSIA estimates

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Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL

AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL

2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAH	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL

7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

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Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAH	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIIK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of th e Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company . The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Srinanaporn Marketing	SNNP TB	THB 10.60	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected demand growth and market penetration overseas, especially in Cambodia and Vietnam; 2) a lower-than-expected profit margin due to high raw material and transportation costs; and 3) higher-than-expected SG&A expenses from overseas operations.
Berli Jucker	BJC TB	THB 35.00	HOLD	Key downside risks to our DCF-based TP could come from 1) competition with Tesco Lotus which could impact its sales and gross margin; and 2) a lower-than-expected utilisation rate and profit margin from its packaging unit after losing major customers in Thailand. The key upside risk is from easing competition in the hypermarket segment.
CP All	CPALL TB	THB 59.75	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Siam Global House	GLOBAL TB	THB 23.30	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces.
Home Product Center	HMPRO TB	THB 13.20	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Siam Makro	MAKRO TB	THB 37.00	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operation losses from its overseas business.
Central Retail Corp	CRC TB	THB 31.75	BUY	The key downside risks to our DCF-based TP include 1) new waves of Covid-19; and 2) lower-than-expected sales from the high-margin fashion business.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 29-Jul-2021 unless otherwise stated.

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RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.

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