

11 NOVEMBER 2021

THAILAND / TRANSPORT & LOGISTICS

KERRY EXPRESS (THAILAND)

HOLD

FROM BUY

KEX TB

| | |
|-----------------|----------|
| TARGET PRICE | THB36.00 |
| CLOSE | THB36.75 |
| UP/DOWNSIDE | -2.0% |
| PRIOR TP | THB38.00 |
| CHANGE IN TP | -5.3% |
| TP vs CONSENSUS | -19.0% |

The big red ocean

Weak 3Q21 results

KEX's net profit in 3Q21 was only THB13m (-96% both y-y and q-q), which was its lowest net profit in many years, coming in below BBG's consensus estimate and our expectation. The company's revenue grew by 19% y-y and 16% q-q to THB5.3b thanks to the 48% y-y increase in the number of parcels delivered, but its revenue per parcel continue to decline. The lower revenue per parcel was due to the intense competition in the parcel delivery market. Cost of service increased significantly in 3Q21 by 28% q-q, comprising 1) a short-term investment for Covid preparation; and 2) capacity preparation, with a total value of cTHB208m.

Intense price war

KEX admitted that its cost per parcel might drop at a slower pace compared to the huge decline in the revenue per parcel in the short term. This could put significant pressure on its GPM in 4Q21, despite it being the high season. The price war might exist in the market for at least six more months, according to management. Moreover, the additional cost from Covid and new capacity preparations will carry on in to 4Q21, which will likely force its earnings downward y-y.

Another big earnings estimate cut

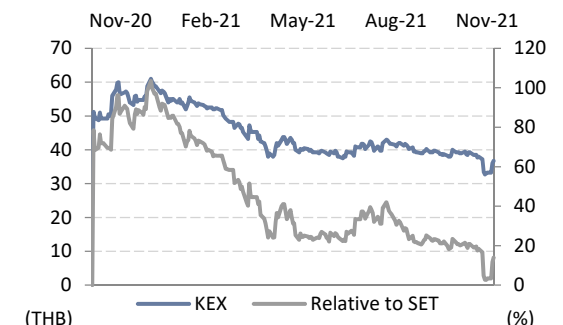
Due to the weaker-than-expected 3Q21 results, which may continue into 4Q21 and 2022, the additional costs from Covid and the capacity preparation, and the slow decline in the cost per parcel vs the faster decline in revenue per parcel, we cut our earnings estimate on KEX again by 38% in 2021 to THB796m (-43% y-y), which would be its lowest earnings in the past four years. The key revision comes from our 2021E GPM cut to 12.3% vs our previous expectation of 15.5%.

Downgrade to HOLD with a new DCF-based TP of THB36

We downgrade our call on KEX to HOLD from Buy in order to reflect the stronger-than-expected price war in the parcel delivery market. Its quarterly earnings should continue to decrease y-y until 1Q22 or 2Q22 in the worst-case scenario. Our 2022E earnings cut to THB1.1b (+41% y-y) has driven KEX's 2022E P/E up significantly to 57x. We reduce our TP from THB38 to THB36 and recommend investors monitor the competition in the parcel delivery market for at least six more months. KEX has various short-term downside risks such as 1) intense competition; 2) continually decreasing revenue per parcel; and 3) higher fuel prices.

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|--------|--------|--------|--------|
| Revenue | 18,917 | 19,418 | 20,195 | 22,087 |
| Net profit | 1,405 | 796 | 1,122 | 1,458 |
| EPS (THB) | 0.81 | 0.46 | 0.64 | 0.84 |
| vs Consensus (%) | - | (38.6) | (23.4) | (13.2) |
| EBITDA | 4,202 | 3,252 | 3,313 | 3,437 |
| Core net profit | 1,405 | 796 | 1,122 | 1,458 |
| Core EPS (THB) | 0.81 | 0.46 | 0.64 | 0.84 |
| Chg. In EPS est. (%) | - | (37.5) | (19.3) | (9.4) |
| EPS growth (%) | (12.5) | (43.4) | 40.9 | 30.0 |
| Core P/E (x) | 45.5 | 80.4 | 57.0 | 43.9 |
| Dividend yield (%) | 2.6 | 0.4 | 0.5 | 0.7 |
| EV/EBITDA (x) | 13.1 | 16.8 | 16.0 | 14.9 |
| Price/book (x) | 5.9 | 5.6 | 5.2 | 4.8 |
| Net debt/Equity (%) | (82.0) | (80.4) | (89.4) | (96.2) |
| ROE (%) | 21.5 | 7.2 | 9.5 | 11.5 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|--------------------------------|---------|----------|
| Absolute (%) | (8.1) | (9.8) | n/a |
| Relative to country (%) | (7.6) | (14.7) | n/a |
| Mkt cap (USD m) | 1,952 | | |
| 3m avg. daily turnover (USD m) | 4.5 | | |
| Free float (%) | 27 | | |
| Major shareholder | KLN Logistics (Thailand) (52%) | | |
| 12m high/low (THB) | 73.00/32.50 | | |
| Issued shares (m) | 1,740.00 | | |

Sources: Bloomberg consensus; FSSIA estimates


Naruedom Mujjalinkool

 naruedom.muj@fssia.com
 +66 2611 3566

Investment thesis

Kerry Express is the second biggest parcel delivery company in Thailand with over 30% of the market share.

According to Frost & Sullivan, a research & consulting firm, e-commerce in Thailand is projected to grow by 26.7% CAGR from 2019-24. Growth in e-commerce would boost the demand of using parcel delivery services, directly benefitting KEX.

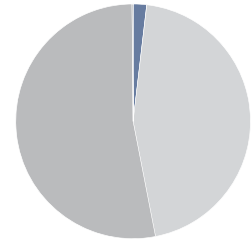
Company profile

Provides a one-stop express delivery service to a comprehensive range of customers in Thailand. The main parcels that are delivered include goods that are ordered via e-commerce and online merchants, parcels that are delivered between C2C including documents from companies, with cash-on-delivery also provided.

<https://th.kerryexpress.com/th/home>

Principal activities (revenue, 2020)

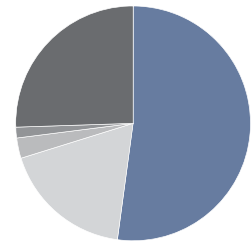
- B2B - 1.9 %
- B2C - 45.1 %
- C2C - 52.9 %
- Advertising - 0.1 %



Source: Kerry Express (Thailand)

Major shareholders

- KLN Logistics (Thailand) - 52.1 %
- VGI - 18.1 %
- Gulf Holding (Thailand) - 2.8 %
- Thai NVDR - 1.5 %
- Others - 25.5 %



Source: Kerry Express (Thailand)

Catalysts

- Synergies with SF Holding and KLN in China;
- New businesses such as cold chain, less than load shipping, and new partnerships;
- Solid growth in e-commerce by 26.7% CAGR from 2019-24, based on Frost & Sullivan's estimate.

Risks to our call

The key downside and upside risks to our DCF-based TP are 1) if the competition is higher or lower than our expectation; and 2) if Covid-19 continues to spread further.

Event calendar

| Date | Event |
|--------|---------------------------|
| Feb-22 | 2021 results announcement |

Key assumptions

| | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------------------|-------|--------|--------|--------|-------|
| Total parcels delivered (m units) | 274 | 294 | 335 | 385 | 424 |
| Revenue per parcel (THB) | 71 | 64 | 58 | 52 | 52 |
| Growth | (%) | (%) | (%) | (%) | (%) |
| Total parcels delivered | 58.0 | 7.2 | 14.0 | 15.0 | 10.0 |
| Revenue per parcel | (8.5) | (10.1) | (10.0) | (10.0) | (1.0) |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase total parcels delivered, we project 2021 earnings to rise by 0.8%, and vice versa, all else being equal.
- For every 1% increase in price per parcel, we project 2021 earnings to rise by 1%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: 3Q21 results review

| | 3Q20 | 2Q21 | 3Q21 | ----- Change ----- | | 9M20 | 9M21 | Change | 2021E |
|--------------------------|--------------|--------------|--------------|--------------------|--------------|---------------|---------------|-------------|---------------|
| | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (THB m) | (y-y%) | (THB m) |
| Revenue | 4,489 | 4,600 | 5,331 | 16 | 19 | 14,689 | 14,118 | (4) | 19,418 |
| Operating costs | (3,805) | (3,891) | (4,979) | 28 | 31 | (12,250) | (12,361) | 1 | (17,030) |
| Gross profit | 683 | 709 | 352 | (50) | (48) | 2,439 | 1,757 | (28) | 2,388 |
| SG&A expenses | (307) | (328) | (362) | 10 | 18 | (1,138) | (1,005) | (12) | (1,408) |
| EBIT | 376 | 381 | (10) | (103) | (103) | 1,301 | 753 | (42) | 981 |
| Depn & amort. | 647 | 558 | 573 | 3 | (11) | 1,818 | 1,702 | (6) | 2,174 |
| EBITDA | 1,023 | 940 | 563 | (40) | (45) | 3,119 | 2,455 | (21) | 3,154 |
| <i>EBITDA margin (%)</i> | 22.8 | 20.4 | 10.6 | <i>nm</i> | <i>nm</i> | 21.2 | 17.4 | <i>nm</i> | 16.2 |
| Interest expense | (31) | (22) | (21) | (5) | (31) | (84) | (75) | (11) | (83) |
| Other income | 20 | 47 | 37 | (21) | 82 | 60 | 112 | 85 | 97 |
| Pretax profit | 366 | 406 | 6 | (98) | (98) | 1,277 | 789 | (38) | 995 |
| Tax | (74) | (70) | 7 | <i>n.a.</i> | <i>n.a.</i> | (247) | (138) | (44) | (199) |
| <i>Tax rate (%)</i> | (20.2) | (17.3) | 110.2 | <i>nm</i> | <i>nm</i> | (19.4) | (17.5) | <i>nm</i> | (20) |
| Net profit | 292 | 336 | 13 | (96) | (96) | 1,030 | 651 | (37) | 796 |
| Core net profit | 292 | 336 | 13 | (96) | (96) | 1,030 | 651 | (37) | 796 |
| EPS (THB) | 0.17 | 0.19 | 0.01 | (96) | (96) | 0.59 | 0.37 | (37) | 0.46 |
| Core EPS (THB) | 0.17 | 0.19 | 0.01 | (96) | (96) | 0.59 | 0.37 | (37) | 0.46 |

Sources: KEX; FSSIA estimates

Temporary expenses explained: Covid and capacity preparation

At its recent analyst meeting, management explained the rationale of the new expenses that were incurred in 3Q21 as follows:

Covid preparation

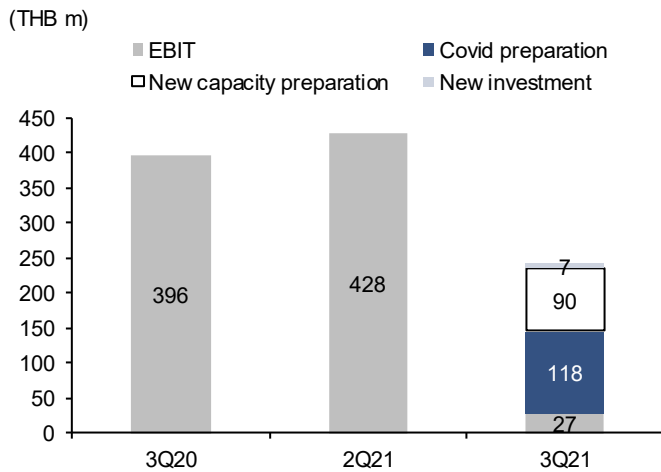
- Resources prepared to avoid business seizures caused by drastic shortages of labour and operating resources in certain areas;
- Early procurement of supplies and equipment due to increasing equipment costs and delivery lead times caused by global supply chain disruptions;
- Covid-induced impacts are still prevalent, but are expected to gradually decline and be eliminated.

New capacity expansion

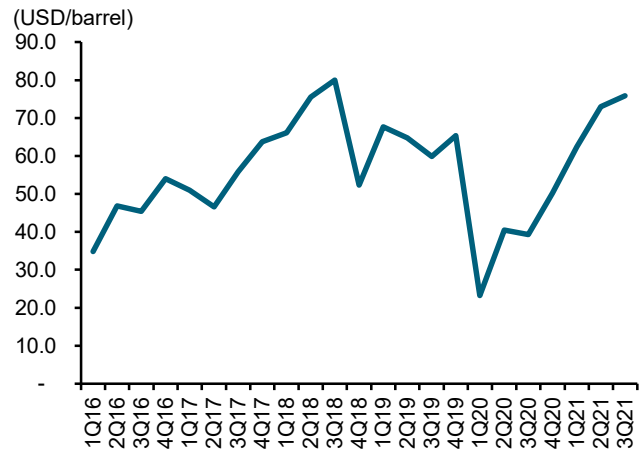
- Preparation of new capacity in response to a fast influx of volume;
- Great service levels maintained;
- Preparation lead time is expected to be shortened and such expenses are expected to gradually decline.

As a result, despite spiking labour shortages and random disruptions to workforces and supplies, KEX is putting in spare operating resources to maintain its service excellence with zero downtime, while peer players are heavily impacted. KEX believes this will be the key advantage for the company.

The company believes that the additional costs resulting from these temporary expenses at over THB200m are worth the investment in order to maintain its service level and build customers' trust in KEX's brand.

Exhibit 2: EBIT outlook

Sources: KEX; FSSIA compilation

Exhibit 3: Dubai oil price

Source: Bloomberg

Higher fuel price could pressure KEX's GPM

We believe the continuous increase in the fuel price in Thailand, still not having reached its peak point over the past several years, will pressure KEX's cost in 2022. Given that the fuel cost accounts for about 10% of KEX's operating service cost, the higher fuel price would have an impact on its total cost, particularly since we project its total parcels delivered to grow by 15% in 2022. FSSIA estimates that the Dubai oil price will stay at USD75 per barrel in 2022, compared to the YTD average price of USD72 per barrel. The 4% increase in the fuel price could drive KEX's cost up slightly next year.

Exhibit 4: Key assumption changes

| | ----- New ----- | | ----- Previous ----- | | ----- Change----- | |
|-----------------------------------|------------------|------------------|----------------------|------------------|-------------------|--------------|
| | 2021E (THB m) | 2022E (THB m) | 2021E (THB m) | 2022E (THB m) | 2021E (%) | 2022E (%) |
| Revenue per parcel (THB) | 58 | 52 | 58 | 53 | (0.3) | (1.8) |
| Total parcels delivered (m units) | 335 | 385 | 326 | 375 | 2.8 | 2.8 |
| Revenue | 19,418 | 20,195 | 19,133 | 20,107 | 1.5 | 0.4 |
| Gross profit | 2,388 | 2,787 | 2,966 | 3,117 | (19.5) | (10.6) |
| EBIT | 1,078 | 1,444 | 1,674 | 1,779 | (35.6) | (18.8) |
| Net profit | 796 | 1,122 | 1,273 | 1,390 | (37.5) | (19.3) |
| Margin | (%) | (%) | (%) | (%) | (ppt) | (ppt) |
| Gross profit margin | 12.3 | 13.8 | 15.5 | 15.5 | (3.2) | (1.7) |
| Net profit margin | 4.1 | 5.6 | 6.7 | 6.9 | (2.6) | (1.3) |

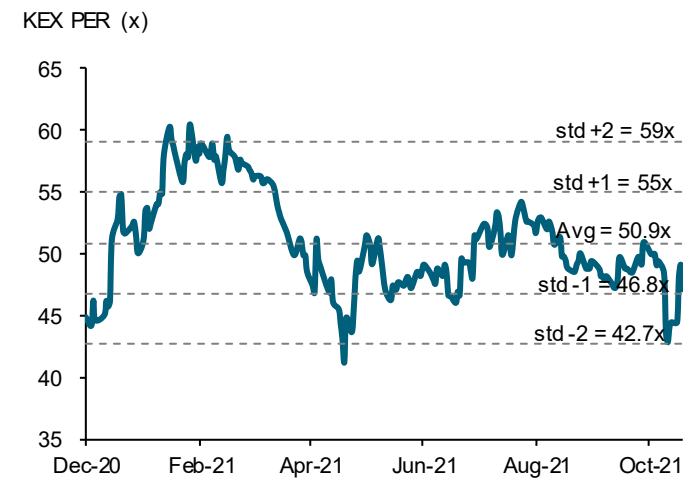
Source: FSSIA estimates

Exhibit 5: DCF valuation

| | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E |
|-----------------------------------|-----------|---------|---------|---------|---------|---------|---------|---------|
| (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) |
| EBITDA | 3,313 | 3,437 | 3,587 | 3,750 | 4,060 | 4,111 | 4,195 | 4,293 |
| (less) tax on EBIT | (280) | (364) | (435) | (500) | (593) | (629) | (666) | (703) |
| (less) capex & investments | (920) | (820) | (820) | (820) | (720) | (720) | (720) | (720) |
| decrease in working cap | 37 | 54 | 7 | 29 | 40 | 7 | 13 | 13 |
| Free Cash Flow | 2,150 | 2,307 | 2,339 | 2,459 | 2,787 | 2,768 | 2,822 | 2,883 |
| WACC (%) | 7.77 | | | | | | | |
| Terminal growth (%) | 3 | | | | | | | |
| PV of FCF | 2,150 | 2,142 | 2,017 | 1,969 | 2,072 | 1,911 | 1,809 | 1,715 |
| Enterprise value | 53,375 | | | | | | | |
| Net debt+cash | 9,168 | | | | | | | |
| Equity value | 62,543 | | | | | | | |
| No. of shares (m) | 1,740 | | | | | | | |
| Equity value / share (THB) | 36 | | | | | | | |

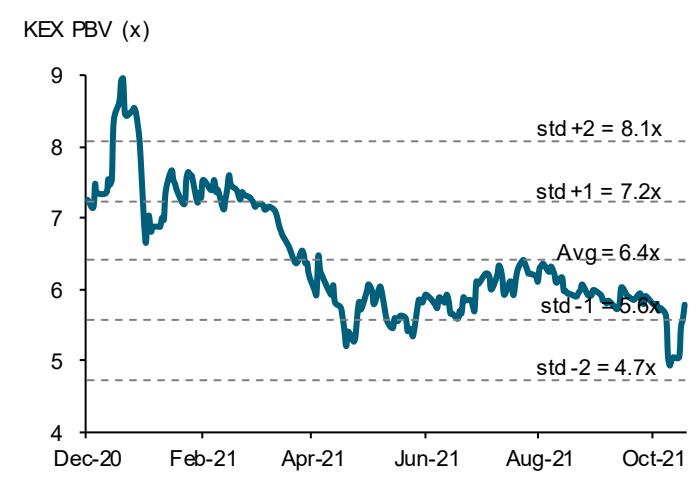
Sources: KEX; FSSIA estimates

Exhibit 6: Rolling one-year prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 7: Rolling one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Kerry Express (Thailand)

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 19,782 | 18,917 | 19,418 | 20,195 | 22,087 |
| Cost of goods sold | (16,027) | (13,494) | (14,856) | (15,540) | (17,203) |
| Gross profit | 3,755 | 5,423 | 4,562 | 4,656 | 4,884 |
| Other operating income | 113 | 93 | 97 | 101 | 110 |
| Operating costs | (1,514) | (1,314) | (1,408) | (1,444) | (1,557) |
| Operating EBITDA | 2,354 | 4,202 | 3,252 | 3,313 | 3,437 |
| Depreciation | (678) | (2,356) | (2,174) | (1,869) | (1,615) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 1,676 | 1,846 | 1,078 | 1,444 | 1,822 |
| Net financing costs | (24) | (112) | (83) | (42) | 0 |
| Associates | 0 | 0 | 0 | 0 | 0 |
| Recurring non-operating income | 0 | 0 | 0 | 0 | 0 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 1,652 | 1,734 | 995 | 1,402 | 1,822 |
| Tax | (324) | (329) | (199) | (280) | (364) |
| Profit after tax | 1,329 | 1,405 | 796 | 1,122 | 1,458 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 1,329 | 1,405 | 796 | 1,122 | 1,458 |
| Non-recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 1,329 | 1,405 | 796 | 1,122 | 1,458 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.92 | 0.81 | 0.46 | 0.64 | 0.84 |
| Reported EPS | 0.92 | 0.81 | 0.46 | 0.64 | 0.84 |
| DPS | 0.41 | 0.95 | 0.14 | 0.19 | 0.25 |
| Diluted shares (used to calculate per share data) | 1,440 | 1,740 | 1,740 | 1,740 | 1,740 |
| Growth | | | | | |
| Revenue (%) | 45.8 | (4.4) | 2.6 | 4.0 | 9.4 |
| Operating EBITDA (%) | 33.2 | 78.5 | (22.6) | 1.9 | 3.8 |
| Operating EBIT (%) | 14.2 | 10.1 | (41.6) | 34.0 | 26.2 |
| Recurring EPS (%) | 12.1 | (12.5) | (43.4) | 40.9 | 30.0 |
| Reported EPS (%) | 12.1 | (12.5) | (43.4) | 40.9 | 30.0 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 15.6 | 16.2 | 12.3 | 13.8 | 14.8 |
| Gross margin of key business (%) | 15.6 | 16.2 | 12.3 | 13.8 | 14.8 |
| Operating EBITDA margin (%) | 11.9 | 22.2 | 16.7 | 16.4 | 15.6 |
| Operating EBIT margin (%) | 8.5 | 9.8 | 5.6 | 7.2 | 8.3 |
| Net margin (%) | 6.7 | 7.4 | 4.1 | 5.6 | 6.6 |
| Effective tax rate (%) | 19.6 | 19.0 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 44.3 | 117.2 | 30.0 | 30.0 | 30.0 |
| Interest cover (X) | 69.7 | 16.5 | 13.0 | 34.4 | - |
| Inventory days | 2.0 | 2.9 | 2.1 | 2.4 | 2.3 |
| Debtor days | 30.2 | 30.8 | 28.8 | 29.4 | 28.4 |
| Creditor days | 41.4 | 42.6 | 36.6 | 38.8 | 36.2 |
| Operating ROIC (%) | 103.2 | 174.3 | 136.2 | 92.1 | 133.1 |
| ROIC (%) | 77.9 | 37.1 | 14.6 | 20.6 | 30.6 |
| ROE (%) | 71.4 | 21.5 | 7.2 | 9.5 | 11.5 |
| ROA (%) | 25.0 | 11.8 | 4.7 | 6.4 | 7.6 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| B2B | 426 | 352 | 356 | 370 | 403 |
| B2C | 8,949 | 8,528 | 8,784 | 9,135 | 9,957 |
| C2C | 10,232 | 10,011 | 10,211 | 10,569 | 11,520 |
| Advertising | 175 | 26 | 68 | 122 | 207 |

Sources: Kerry Express (Thailand); FSSIA estimates

Financial Statements

Kerry Express (Thailand)

| Cash Flow (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------------------|----------------|--------------|----------------|--------------|--------------|
| Recurring net profit | 1,329 | 1,405 | 796 | 1,122 | 1,458 |
| Depreciation | 678 | 2,356 | 2,174 | 1,869 | 1,615 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 18 | 32 | 0 | 0 | 0 |
| Change in working capital | (163) | (336) | 218 | (1) | (17) |
| Cash flow from operations | 1,861 | 3,457 | 3,188 | 2,989 | 3,056 |
| Capex - maintenance | (614) | (147) | (368) | (368) | (328) |
| Capex - new investment | (920) | (220) | (552) | (552) | (492) |
| Net acquisitions & disposals | 1 | 7 | 0 | 0 | 0 |
| Other investments (net) | 0 | (15) | 0 | 0 | 0 |
| Cash flow from investing | (1,533) | (375) | (920) | (920) | (820) |
| Dividends paid | (588) | (1,646) | (239) | (336) | (437) |
| Equity finance | 0 | 8,861 | 0 | 0 | 0 |
| Debt finance | 600 | 0 | (797) | 3 | 3 |
| Other financing cash flows | 0 | (1,509) | (1,761) | 0 | 0 |
| Cash flow from financing | 12 | 5,706 | (2,797) | (334) | (435) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 341 | 8,787 | (529) | 1,736 | 1,801 |
| Free cash flow to firm (FCFF) | 352.70 | 3,193.20 | 2,350.92 | 2,111.32 | 2,235.55 |
| Free cash flow to equity (FCFE) | 928.65 | 1,572.30 | (290.06) | 2,071.98 | 2,238.29 |

Per share (THB)

| | | | | | |
|-------------------------------|------|------|--------|------|------|
| FCFF per share | 0.20 | 1.84 | 1.35 | 1.21 | 1.28 |
| FCFE per share | 0.53 | 0.90 | (0.17) | 1.19 | 1.29 |
| Recurring cash flow per share | 1.41 | 2.18 | 1.71 | 1.72 | 1.77 |

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|--------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross) | 3,742 | 3,996 | 4,496 | 4,996 | 5,396 |
| Less: Accumulated depreciation | (1,036) | (1,737) | (2,436) | (3,097) | (3,703) |
| Tangible fixed assets (net) | 2,706 | 2,259 | 2,059 | 1,899 | 1,693 |
| Intangible fixed assets (net) | 235 | 5,520 | 4,465 | 3,677 | 3,088 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 0 |
| Invest. in associates & subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Cash & equivalents | 910 | 9,697 | 9,168 | 10,903 | 12,704 |
| A/C receivable | 1,722 | 1,467 | 1,596 | 1,661 | 1,782 |
| Inventories | 136 | 80 | 95 | 109 | 106 |
| Other current assets | 50 | 35 | 36 | 38 | 40 |
| Current assets | 2,818 | 11,278 | 10,895 | 12,712 | 14,632 |
| Other assets | 255 | 262 | 271 | 280 | 289 |
| Total assets | 6,014 | 19,318 | 17,690 | 18,568 | 19,702 |
| Common equity | 2,233 | 10,847 | 11,405 | 12,190 | 13,210 |
| Minorities etc. | 0 | 0 | 0 | 0 | 0 |
| Total shareholders' equity | 2,233 | 10,847 | 11,405 | 12,190 | 13,210 |
| Long term debt | 800 | 0 | 0 | 0 | 0 |
| Other long-term liabilities | 120 | 3,773 | 3,824 | 3,855 | 3,878 |
| Long-term liabilities | 920 | 3,773 | 3,824 | 3,855 | 3,878 |
| A/C payable | 2,685 | 1,962 | 2,266 | 2,328 | 2,410 |
| Short term debt | 0 | 800 | 0 | 0 | 0 |
| Other current liabilities | 176 | 1,936 | 195 | 195 | 203 |
| Current liabilities | 2,861 | 4,698 | 2,462 | 2,523 | 2,614 |
| Total liabilities and shareholders' equity | 6,014 | 19,318 | 17,690 | 18,568 | 19,702 |
| Net working capital | (953) | (2,317) | (735) | (715) | (686) |
| Invested capital | 2,243 | 5,723 | 6,060 | 5,141 | 4,384 |

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

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 1.55 | 6.23 | 6.55 | 7.01 | 7.59 |
| Tangible book value per share | 1.39 | 3.06 | 3.99 | 4.89 | 5.82 |

Financial strength

| | | | | | |
|---------------------------|-------|--------|--------|--------|--------|
| Net debt/equity (%) | (4.9) | (82.0) | (80.4) | (89.4) | (96.2) |
| Net debt/total assets (%) | (1.8) | (46.1) | (51.8) | (58.7) | (64.5) |
| Current ratio (x) | 1.0 | 2.4 | 4.4 | 5.0 | 5.6 |
| CF interest cover (x) | 77.9 | 17.0 | 4.2 | 63.5 | - |

| Valuation | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 39.8 | 45.5 | 80.4 | 57.0 | 43.9 |
| Recurring P/E @ target price (x) * | 39.0 | 44.6 | 78.7 | 55.9 | 43.0 |
| Reported P/E (x) | 39.8 | 45.5 | 80.4 | 57.0 | 43.9 |
| Dividend yield (%) | 1.1 | 2.6 | 0.4 | 0.5 | 0.7 |
| Price/book (x) | 23.7 | 5.9 | 5.6 | 5.2 | 4.8 |
| Price/tangible book (x) | 26.5 | 12.0 | 9.2 | 7.5 | 6.3 |
| EV/EBITDA (x) ** | 22.4 | 13.1 | 16.8 | 16.0 | 14.9 |
| EV/EBITDA @ target price (x) ** | 22.0 | 12.8 | 16.4 | 15.6 | 14.5 |
| EV/invested capital (x) | 23.5 | 9.6 | 9.0 | 10.3 | 11.7 |

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

Sources: Kerry Express (Thailand); FSSIA estimates

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 | ICI | 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 | SEOIL | 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 | TTB | TMILL | TNDT |
| TNL | TOA | TOP | TPBI | TQM | TRC | TRC | TSC | TSR | TSTE | TSTH |
| 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 | AMANAHA | 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 | WIJK | 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 | TIPIP | TPLAS |
| TTI | TYCN | UKEM | UMS | VCOM | VRANDA | WIN | WORK | WPH | | |

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

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 | TTB | 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 | WIJK | 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 the 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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

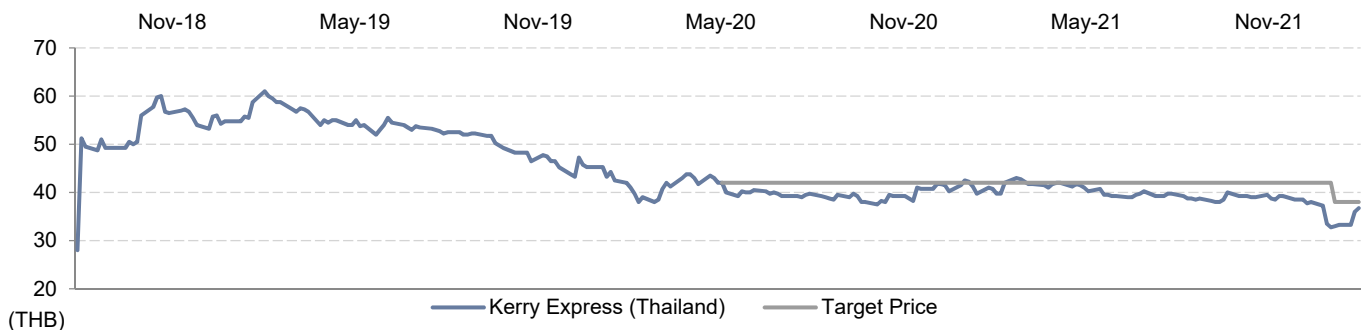
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History of change in investment rating and/or target price

Kerry Express (Thailand) (KEX TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 02-Jun-2021 | HOLD | 42.00 | 03-Nov-2021 | BUY | 38.00 | - | - | - |

Naruedom Mujjalinkool started covering this stock from 02-Jun-2021

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------------|--------|-----------|--------|--|
| Kerry Express (Thailand) | KEX TB | THB 36.75 | HOLD | The key downside and upside risks to our DCF-based TP are 1) if the competition is higher or lower than our expectation; and 2) if Covid-19 continues to spread further. |

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 10-Nov-2021 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.