

# KERRY EXPRESS (THAILAND)

THAILAND / TRANSPORT &amp; LOGISTICS

## KEX TB

# REDUCE

UNCHANGED

TARGET PRICE	THB19.00
CLOSE	THB23.70
UP/DOWNSIDE	-19.8%
PRIOR TP	THB22.00
CHANGE IN TP	-13.6%
TP vs CONSENSUS	-37.8%

## The long war

- KEX reported a huge loss in 4Q21 at THB604m, higher than BBG consensus and our expectation of around a THB200m loss.
- Management expects the loss to continue until 3Q22 before reaching breakeven in 4Q22.
- Maintain REDUCE with a new TP of THB19.

### A huge loss in 4Q21

KEX's reported net loss of THB604m in 4Q21 was a lot higher than BBG consensus and our expectation. Its revenue dropped q-q to THB4.7b (-12% q-q, +11% y-y) due to the price war, despite being the high season for parcel deliveries. Its operating cost jumped to THB5.1b – the highest cost of all time due to the short-term investment in its margins to prepare extra operating resources for service quality assurance during Covid-19.

### Negative view from management

2022 guidance from management includes 1) 30% parcel volume growth; 2) a cost reduction target of over 20%; and 3) 5-10% revenue contributions from its new partnerships. However, management admits that its loss is expected to continue for at least three more quarters. The company still needs to maintain its service quality during the Covid outbreak, which means its extra cost should gradually reduce but remain high. Management have changed their view slightly on the price war, intending to use a less aggressive but more efficient pricing strategy. They still believe that the end of intense price war will be near, as they believe the market consolidation should occur in the middle of this year.

### Expect a loss in 2022

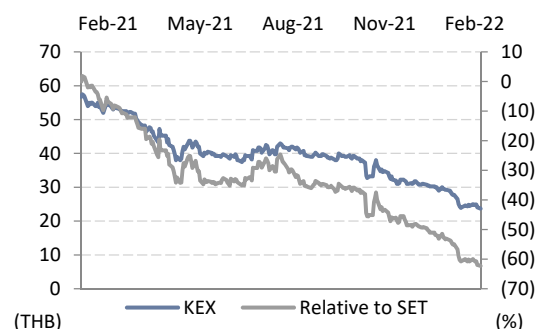
Given the weak outlook from management, we revise our earnings estimate on KEX in 2022 from a profit to a loss of THB356m. Its cost per parcel might be higher than the revenue per parcel at THB43 vs THB42, respectively. Although we expect KEX's parcel volume to grow by 19%, lower than management's expectation at 30%, the 15% decrease in revenue per parcel could limit the company's revenue in 2022 to grow by only 2% to THB19.2b. We believe the cost of Covid preparation and temporary capacity expansion should gradually lower from 4Q21, which should help its loss to improve in 1Q22 onward.

### Maintain REDUCE with a new TP of THB19

We still have the same view on KEX that it has an uncertain outlook on the back of the persistent and intense price war. We suggest investors wait for signs of a recovery or market consolidation before reinvesting in KEX. If the third-place competitor can continue its operations, KEX's outlook remains unclear. Therefore, we maintain our REDUCE call on KEX with a new DCF-based TP of THB19 from THB22.

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	18,818	19,213	19,944	21,387
Net profit	47	(356)	827	1,038
EPS (THB)	0.03	(0.20)	0.47	0.60
vs Consensus (%)	-	nm	(34.8)	(36.2)
EBITDA	2,456	1,493	2,753	2,831
Core net profit	47	(356)	827	1,038
Core EPS (THB)	0.03	(0.20)	0.47	0.60
Chg. In EPS est. (%)	nm	nm	(24.3)	nm
EPS growth (%)	(96.7)	nm	nm	25.5
Core P/E (x)	878.9	(116.0)	49.9	39.8
Dividend yield (%)	3.1	-	0.6	1.0
EV/EBITDA (x)	14.6	24.3	12.9	12.2
Price/book (x)	4.4	4.6	4.3	4.1
Net debt/Equity (%)	(56.6)	(56.7)	(60.7)	(65.3)
ROE (%)	0.5	(3.9)	8.9	10.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(19.0)	(35.1)	(59.7)
Relative to country (%)	(19.6)	(36.8)	(63.5)
Mkt cap (USD m)	1,272		
3m avg. daily turnover (USD m)	5.3		
Free float (%)	27		
Major shareholder	KLN Logistics (Thailand) (52%)		
12m high/low (THB)	59.50/23.40		
Issued shares (m)	1,742.58		

Sources: Bloomberg consensus; FSSIA estimates



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## 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.

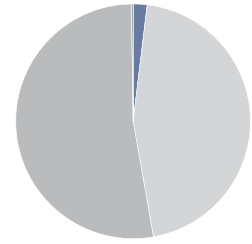
## Company profile

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, 2021)

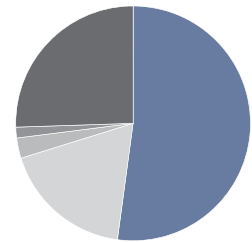
- B2B - 1.9 %
- B2C - 45.3 %
- C2C - 52.6 %
- Advertising - 0.2 %



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

- Aggressive price war strategy could hurt the company's earnings in the short term;
- The Covid situation in Thailand is forcing KEX to incur extra costs in order to maintain its service quality.

## Risks to our call

The key upside risks to our DCF-based TP are 1) if the competition is lower than our expectation; and 2) if the Covid-19 situation is under control

## Event calendar

Date	Event
May-22	1Q22 results announcement

## Key assumptions

	2020	2021	2022E	2023E	2024E
Total parcels delivered (m units)	294	382	455	500	545
Revenue per parcel (THB)	64	49	42	40	40
<b>Growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Total parcels delivered	7	30	19	10	9
Revenue per parcel	(10)	(24)	(15)	(5)	(0)

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase total parcels delivered, we project 2022 earnings to rise by 0.8%, and vice versa, all else being equal.
- For every 1% increase in price per parcel, we project 2022 earnings to rise by 1%, and vice versa, all else being equal.

Source: FSSIA estimates

## 2021 results review

The number of parcels grew by 30% to 382m units in 2021 but the company's revenue dropped slightly by 1% y-y to THB18.8b due to the aggressive price competition. Moreover, the extra cost of Covid preparation of THB638m on the EBIT level, and THB510m on the net profit level hurt the company's earnings. As a result, KEX's net profit in 2021 was only at THB47m (-97% y-y), lower than our expectation of THB459m.

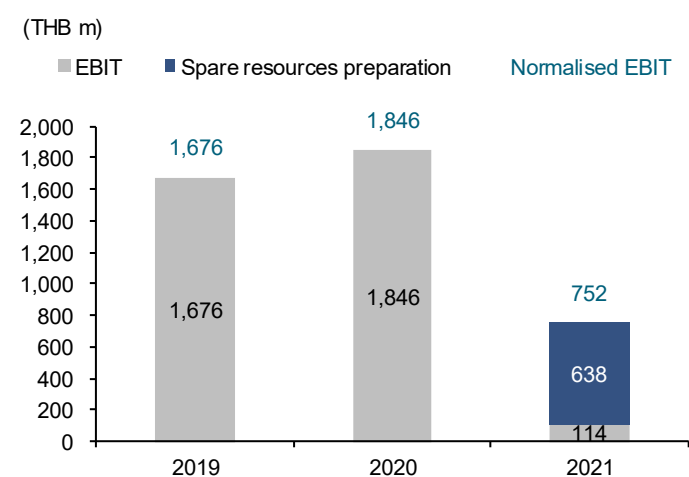
Due to the huge loss in 2H21, the company announced that no final dividend in 2021 would be paid. There was only a special dividend that KEX had paid in Aug-21 at THB0.743, reflecting a 3% dividend yield.

### Exhibit 1: 4Q21 results review

	4Q20	3Q21	4Q21	Change		2020	2021	Change	2022E
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)
<b>Revenue</b>	<b>4,228</b>	<b>5,331</b>	<b>4,699</b>	<b>(12)</b>	<b>11</b>	<b>18,917</b>	<b>18,818</b>	<b>(1)</b>	<b>19,213</b>
Operating costs	(3,600)	(4,979)	(5,117)	3	42	(15,850)	(17,479)	10	(18,291)
<b>Gross profit</b>	<b>628</b>	<b>352</b>	<b>(418)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>3,067</b>	<b>1,339</b>	<b>(56)</b>	<b>922</b>
SG&A expenses	(176)	(362)	(375)	4	113	(1,314)	(1,380)	5	(1,441)
<b>EBIT</b>	<b>452</b>	<b>(10)</b>	<b>(793)</b>	<b>8,044</b>	<b>n.a.</b>	<b>1,753</b>	<b>(40)</b>	<b>(102)</b>	<b>(519)</b>
Deprn & amort.	538	573	640	12	19	2,356	2,342	(1)	0
<b>EBITDA</b>	<b>990</b>	<b>563</b>	<b>(153)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>4,109</b>	<b>2,302</b>	<b>(44)</b>	<b>(519)</b>
<i>EBITDA margin (%)</i>	23.4	10.6	(3.2)	<i>nm</i>	<i>nm</i>	21.7	12.2	<i>nm</i>	(2.7)
Interest expense	(28)	(21)	(22)	3	(22)	(112)	(97)	(14)	(85)
Other income	33	37	42	14	31	93	154	66	154
<b>Pretax profit</b>	<b>457</b>	<b>6</b>	<b>(772)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,734</b>	<b>17</b>	<b>(99)</b>	<b>(450)</b>
Tax	(82)	7	166	2,367	<i>n.a.</i>	(329)	28	(108)	90
<i>Tax rate (%)</i>	(17.9)	110.2	(21.5)	<i>nm</i>	<i>nm</i>	(19)	163	<i>nm</i>	(20)
MI	0	0	(2)	<i>n.a.</i>	<i>n.a.</i>	0	(2)	<i>nm</i>	(4)
<b>Net profit</b>	<b>375</b>	<b>13</b>	<b>(604)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,405</b>	<b>47</b>	<b>(97)</b>	<b>(356)</b>
<b>Core net profit</b>	<b>375</b>	<b>13</b>	<b>(604)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>1,405</b>	<b>47</b>	<b>(97)</b>	<b>(356)</b>
EPS (THB)	0.22	0.01	(0.35)	<i>n.a.</i>	<i>n.a.</i>	0.81	0.03	(97)	(0.20)
Core EPS (THB)	0.22	0.01	(0.35)	<i>n.a.</i>	<i>n.a.</i>	0.81	0.03	(97)	(0.20)

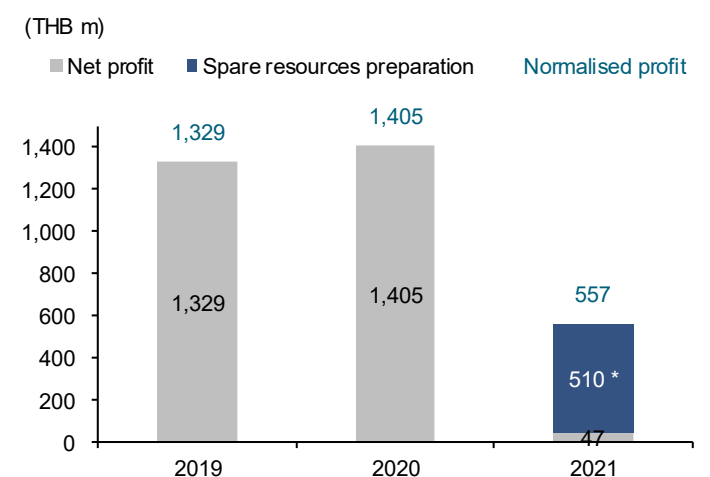
Sources: KEX; FSSIA estimates

### Exhibit 2: Profit breakdown (EBIT level)



Source: KEX

### Exhibit 3: Profit breakdown (net profit level)

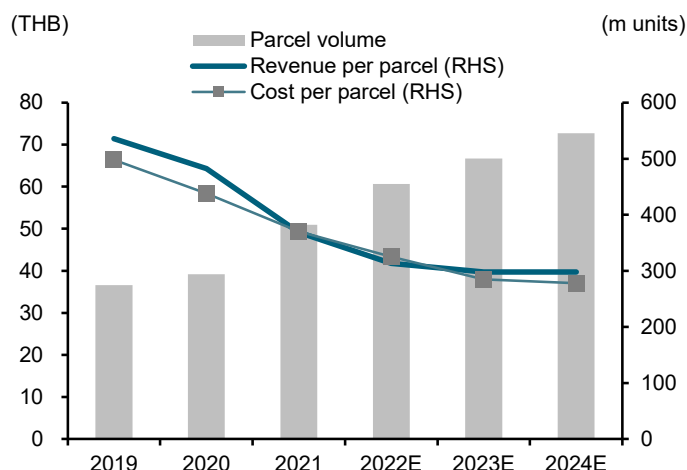


Note: \*After-tax figures  
Source: KEX

The temporary expenses include two parts: Covid preparation and the new capacity expansion.

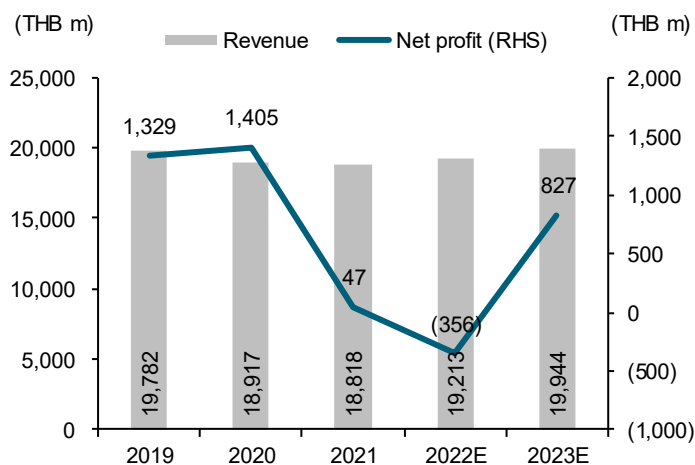
- 1) Covid preparation consisted of about 75% of temporary expenses. It comprised resources prepared to avoid business seizures caused by drastic shortages of labour and operating resources in certain areas and early procurement of supplies and equipment due to increasing equipment costs and delivery lead times caused by global supply chain disruptions.
- 2) New capacity expansion accounted for about 25% of temporary expenses. It comprised the preparation of new capacity in response to the sudden influx of volume in order to maintain its service level.

Exhibit 4: KEX – key assumptions



Sources: KEX; FSSIA estimates

Exhibit 5: KEX's revenue and net profit



Sources: KEX; FSSIA estimates

KEX has partnered with Thailand's retail giant, Central Retail Corporation (CRC TB, BUY, TP TH43) to introduce Kerry XL – an express pick-up and delivery service for large items. CRC and its business partners will be among the first clients to utilise the Kerry XL service. Kerry XL users will also have access to additional value-added services such as points for the loyalty programme, cash-on-delivery services, insurance on packages, an assembly service (e.g. for furniture), an installation service (e.g. for air conditioners), and an exchange service. The company expects full operations to start in early 2Q22. The initial share structure will be 49% CRC and 51% KEX with an initial capital investment of THB120m.

Exhibit 6: Key assumption changes

	New		Previous		Change	
	2022E	2023E	2022E	2023E	2022E	2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Revenue per parcel (THB)	42	40	52	52	(19.7)	(23.7)
Total parcels delivered (m units)	455	500	389	424	16.9	18.0
<b>Revenue</b>	<b>19,213</b>	<b>19,944</b>	<b>20,246</b>	<b>20,195</b>	<b>(5.1)</b>	<b>(1.2)</b>
Gross profit	922	2,353	2,328	2,787	(60.4)	(15.6)
EBIT	(365)	1,111	1,043	1,444	nm	(23.1)
<b>Net profit</b>	<b>(356)</b>	<b>827</b>	<b>766</b>	<b>1,122</b>	<b>nm</b>	<b>(26.3)</b>
<b>Margin</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Gross profit margin	4.8	11.8	11.5	13.8	(6.7)	(2.0)
Net profit margin	(39.6)	47.2	44.8	51.8	(84.4)	(4.6)

Source: FSSIA estimates

## Exhibit 7: 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	1,493	2,753	2,831	2,853	2,888	2,939	3,018	3,053
(less) tax on EBIT	90	(206)	(259)	(294)	(328)	(360)	(395)	(419)
(less) capex & investments	(920)	(820)	(820)	(820)	(820)	(820)	(820)	(820)
decrease in working cap	123	148	(1)	16	14	5	12	7
Free Cash Flow	787	1,874	1,751	1,754	1,754	1,764	1,815	1,821
WACC (%) (unchanged)	8.4							
Terminal growth (%) (unchanged)	2.5							
PV of FCF	787	1,729	1,490	1,377	1,270	1,178	1,119	1,035
Enterprise value	31,637							
Debt+cash	5,083							
Equity value	33,057							
No. of shares (m)	1,743							
<b>Equity value / share (THB)</b>	<b>19</b>							

Sources: KEX; FSSIA estimates

## Financial Statements

Kerry Express (Thailand)

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	18,917	18,818	19,213	19,944	21,387
Cost of goods sold	(13,494)	(15,136)	(16,433)	(15,949)	(17,253)
<b>Gross profit</b>	<b>5,423</b>	<b>3,681</b>	<b>2,781</b>	<b>3,995</b>	<b>4,134</b>
Other operating income	93	154	154	164	180
Operating costs	(1,314)	(1,380)	(1,441)	(1,406)	(1,482)
<b>Operating EBITDA</b>	<b>4,202</b>	<b>2,456</b>	<b>1,493</b>	<b>2,753</b>	<b>2,831</b>
Depreciation	(2,356)	(2,342)	(1,858)	(1,642)	(1,460)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>1,846</b>	<b>114</b>	<b>(365)</b>	<b>1,111</b>	<b>1,371</b>
Net financing costs	(112)	(97)	(85)	(81)	(77)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>1,734</b>	<b>17</b>	<b>(450)</b>	<b>1,030</b>	<b>1,294</b>
Tax	(329)	28	90	(206)	(259)
<b>Profit after tax</b>	<b>1,405</b>	<b>45</b>	<b>(360)</b>	<b>824</b>	<b>1,035</b>
Minority interests	0	2	4	3	3
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>1,405</b>	<b>47</b>	<b>(356)</b>	<b>827</b>	<b>1,038</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,405</b>	<b>47</b>	<b>(356)</b>	<b>827</b>	<b>1,038</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.81	0.03	(0.20)	0.47	0.60
Reported EPS	0.81	0.03	(0.20)	0.47	0.60
DPS	0.22	0.74	0.00	0.14	0.24
Diluted shares (used to calculate per share data)	1,740	1,740	1,743	1,743	1,743
<b>Growth</b>					
Revenue (%)	(4.4)	(0.5)	2.1	3.8	7.2
Operating EBITDA (%)	78.5	(41.5)	(39.2)	84.3	2.9
Operating EBIT (%)	10.1	(93.8)	nm	nm	23.4
Recurring EPS (%)	(12.5)	(96.7)	nm	nm	25.5
Reported EPS (%)	(12.5)	(96.7)	nm	nm	25.5
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	16.2	7.1	4.8	11.8	12.5
Gross margin of key business (%)	16.2	7.1	4.8	11.8	12.5
Operating EBITDA margin (%)	22.2	13.1	7.8	13.8	13.2
Operating EBIT margin (%)	9.8	0.6	(1.9)	5.6	6.4
Net margin (%)	7.4	0.2	(1.9)	4.1	4.9
Effective tax rate (%)	19.0	-162.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	27.2	2,755.5	-	30.0	40.0
Interest cover (X)	16.5	1.2	(4.3)	13.8	17.9
Inventory days	2.9	3.1	3.2	2.4	2.2
Debtor days	30.8	29.9	30.3	29.2	28.6
Creditor days	42.6	40.1	41.5	38.7	36.0
Operating ROIC (%)	174.3	(14.7)	27.7	(105.1)	(145.3)
ROIC (%)	37.1	1.5	(4.7)	15.2	20.1
ROE (%)	21.5	0.5	(3.9)	8.9	10.5
ROA (%)	11.8	0.7	(1.8)	5.6	6.9
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
B2B	352	361	368	382	413
B2C	8,528	8,524	8,779	9,043	9,676
C2C	10,011	9,892	9,991	10,390	11,117
Advertising	26	42	76	129	181

Sources: Kerry Express (Thailand); FSSIA estimates

## Financial Statements

Kerry Express (Thailand)

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	1,405	47	(356)	827	1,038
Depreciation	2,356	2,342	1,858	1,642	1,460
Associates & minorities	-	-	-	-	-
Other non-cash items	32	(187)	(4)	(3)	(3)
Change in working capital	(336)	120	(77)	(152)	14
<b>Cash flow from operations</b>	<b>3,457</b>	<b>2,322</b>	<b>1,422</b>	<b>2,314</b>	<b>2,509</b>
Capex - maintenance	(147)	(195)	(368)	(328)	(328)
Capex - new investment	(220)	(293)	(552)	(492)	(492)
Net acquisitions & disposals	7	3	0	0	0
Other investments (net)	(15)	(6,092)	0	0	0
<b>Cash flow from investing</b>	<b>(375)</b>	<b>(6,577)</b>	<b>(920)</b>	<b>(820)</b>	<b>(820)</b>
Dividends paid	(1,646)	(1,676)	0	(248)	(415)
Equity finance	8,861	72	0	0	0
Debt finance	0	(800)	1	1	1
Other financing cash flows	(1,509)	(1,750)	(692)	(547)	(432)
<b>Cash flow from financing</b>	<b>5,706</b>	<b>(4,153)</b>	<b>(691)</b>	<b>(794)</b>	<b>(846)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	3,984	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>3,984</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>8,787</b>	<b>(4,424)</b>	<b>(190)</b>	<b>700</b>	<b>843</b>
Free cash flow to firm (FCFF)	3,193.20	(4,157.61)	586.66	1,574.93	1,766.03
Free cash flow to equity (FCFE)	1,572.30	(2,821.00)	(189.68)	948.22	1,258.21

### Per share (THB)

FCFF per share	1.83	(2.39)	0.34	0.90	1.01
FCFE per share	0.90	(1.62)	(0.11)	0.54	0.72
Recurring cash flow per share	2.18	1.27	0.86	1.41	1.43

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	3,996	4,733	5,233	5,633	6,033
Less: Accumulated depreciation	(1,737)	(2,489)	(3,196)	(3,843)	(4,432)
<b>Tangible fixed assets (net)</b>	<b>2,259</b>	<b>2,244</b>	<b>2,037</b>	<b>1,791</b>	<b>1,602</b>
<b>Intangible fixed assets (net)</b>	<b>5,520</b>	<b>5,091</b>	<b>4,360</b>	<b>3,785</b>	<b>3,333</b>
Long-term financial assets	0	2,022	2,022	2,022	2,022
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	9,697	5,272	5,083	5,783	6,626
A/C receivable	1,467	1,613	1,581	1,609	1,747
Inventories	80	176	114	99	109
Other current assets	35	64	68	71	74
<b>Current assets</b>	<b>11,278</b>	<b>7,125</b>	<b>6,845</b>	<b>7,561</b>	<b>8,556</b>
Other assets	262	562	590	620	651
<b>Total assets</b>	<b>19,318</b>	<b>17,046</b>	<b>15,855</b>	<b>15,779</b>	<b>16,165</b>
Common equity	10,847	9,317	8,957	9,533	10,153
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>10,847</b>	<b>9,317</b>	<b>8,957</b>	<b>9,533</b>	<b>10,153</b>
Long term debt	0	0	0	0	0
Other long-term liabilities	3,773	2,451	2,167	1,917	1,730
<b>Long-term liabilities</b>	<b>3,773</b>	<b>2,451</b>	<b>2,167</b>	<b>1,917</b>	<b>1,730</b>
A/C payable	1,962	2,701	2,505	2,393	2,565
Short term debt	800	0	0	0	0
Other current liabilities	1,936	2,577	2,226	1,937	1,716
<b>Current liabilities</b>	<b>4,698</b>	<b>5,278</b>	<b>4,732</b>	<b>4,329</b>	<b>4,282</b>
<b>Total liabilities and shareholders' equity</b>	<b>19,318</b>	<b>17,046</b>	<b>15,855</b>	<b>15,779</b>	<b>16,165</b>
Net working capital	(2,317)	(3,425)	(2,969)	(2,551)	(2,351)
Invested capital	5,723	6,495	6,041	5,667	5,257

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

### Per share (THB)

Book value per share	6.23	5.35	5.14	5.47	5.83
Tangible book value per share	3.06	2.43	2.64	3.30	3.91

### Financial strength

Net debt/equity (%)	(82.0)	(56.6)	(56.7)	(60.7)	(65.3)
Net debt/total assets (%)	(46.1)	(30.9)	(32.1)	(36.6)	(41.0)
Current ratio (x)	2.4	1.4	1.4	1.7	2.0
CF interest cover (x)	17.0	(25.1)	5.3	18.8	23.8

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>29.4</b>	<b>878.9</b>	<b>(116.0)</b>	<b>49.9</b>	<b>39.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>23.5</b>	<b>704.6</b>	<b>(93.0)</b>	<b>40.0</b>	<b>31.9</b>
Reported P/E (x)	29.4	878.9	(116.0)	49.9	39.8
Dividend yield (%)	0.9	3.1	-	0.6	1.0
Price/book (x)	3.8	4.4	4.6	4.3	4.1
Price/tangible book (x)	7.7	9.8	9.0	7.2	6.1
EV/EBITDA (x) **	7.7	14.6	24.3	12.9	12.2
EV/EBITDA @ target price (x) **	5.8	11.3	18.8	9.9	9.4
EV/invested capital (x)	5.7	5.5	6.0	6.3	6.6

\* 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	PAP	PCSGH	PDJ	PG	PHOL	PLANB
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

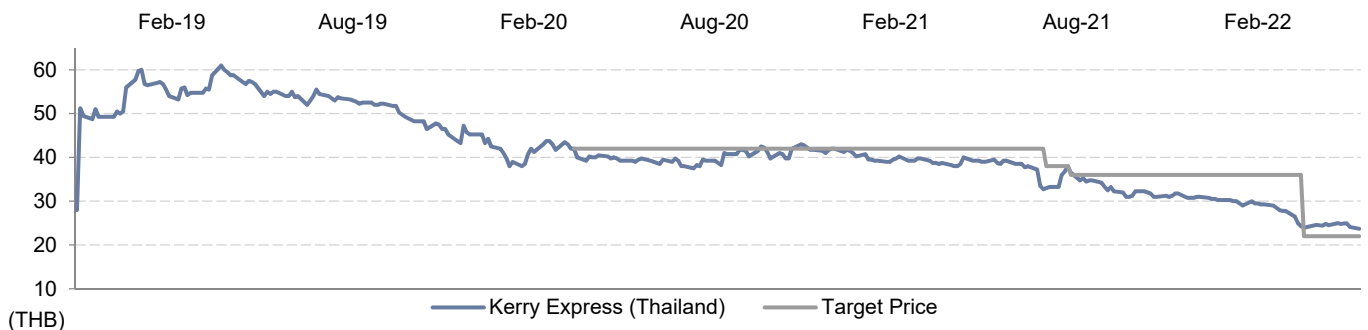
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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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	11-Nov-2021	HOLD	36.00	-	-	-
03-Nov-2021	BUY	38.00	26-Jan-2022	REDUCE	22.00			

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

Price and TP are in local currency

Source: FSSIA estimates

#### Central Retail Corp (CRC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Feb-2020	REDUCE	33.00	02-Mar-2021	BUY	40.00	09-Feb-2022	BUY	43.00
24-Jul-2020	HOLD	31.00	09-Jun-2021	BUY	44.00			
18-Aug-2020	HOLD	30.50	18-Aug-2021	BUY	40.00			

Karun Intrachai started covering this stock from 24-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Kerry Express (Thailand)	KEX TB	THB 23.70	REDUCE	The key upside risks to our DCF-based TP are 1) if the competition is lower than our expectation; and 2) if the Covid-19 situation is under control
Central Retail Corp	CRC TB	THB 38.00	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 14-Feb-2022 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.