

SAPPE

SAPPE TB

THAILAND / FOOD & BEVERAGE

BUY

Strong outlook ahead

- Management targets 25% y-y revenue growth in 2023.
- We expect 1Q23 net profit to hit THB171m (+11% q-q, +12% y-y), due to strong export revenue growth, up 25% y-y.
- Initiate with a BUY call for SAPPE and a TP of THB62 based on its impressive earnings momentum and strong balance sheet.

TARGET PRICE	THB62.00
CLOSE	THB54.75
UP/DOWNSIDE	+13.2%
TP vs CONSENSUS	+8.8%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,566	5,445	6,087	6,743
Net profit	653	763	863	969
EPS (THB)	2.12	2.47	2.80	3.14
vs Consensus (%)	-	16.5	16.9	13.6
EBITDA	1,018	1,160	1,301	1,446
Core net profit	666	763	863	969
Core EPS (THB)	2.16	2.47	2.80	3.14
EPS growth (%)	59.5	14.6	13.1	12.3

One of the leading functional drink companies in Thailand

SAPPE is a manufacturer and distributor of beverages targeting health and beauty-conscious consumers. The owner of the Sappe Beauti Drink brand and the current leader in Thailand's functional drink market, SAPPE launched its first drink, Mogu Mogu, in 2001, the world's first drink made from fruit juice with coconut jelly. The export market is its main exposure and accounted for 77% of total revenue in 2022.

Aggressive targets for 2023

We have a positive view from SAPPE's analyst meeting on 8 Mar-23. Management's 2023 growth targets include 1) aggressive overall revenue growth of 25% y-y; and 2) maintaining its gross margin at 40%-41%, near the 2022 level. We expect to see strong market growth in the EU, South Korea, Indonesia, the Philippines, and India. Management targets a 30% capacity increase, of which 10% will come from original equipment manufacturers (OEMs) and 20% via upgrades to its own production line.

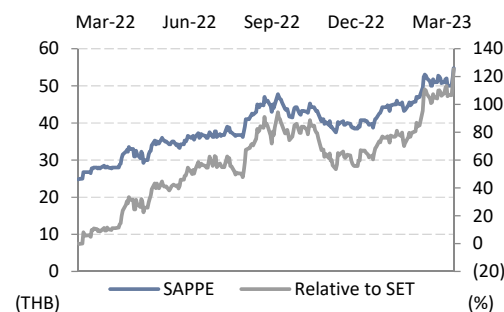
Expect 2023 profit to reach a record high

We expect 1Q23 net profit to hit THB171m (+11% q-q, +12% y-y), due to strong export revenue growth, up 25% y-y. We think earnings should continue to grow in 2Q23-3Q23, thanks to the high season and the 10% rise in production capacity from OEM manufacturers. However, we have some concerns about potentially lower profitability from its use of third-party outsourcing. However, this could be offset by lower packaging costs and higher export sales volumes as its own increased capacity should offset OEM production. Therefore, we forecast a 2023 net profit of THB763m (+17% y-y), again a record high.

BUY on earnings momentum and strong balance sheet

We initiate coverage with a BUY call for SAPPE with a TP of THB62, based on 25x 2023E P/E. Although its share price has outperformed, rising by 129% in 2022 and 18% 2023 YTD, it is still trading at only 22.1x 2023E P/E, below its local peers. We have a positive outlook for 2023 net profit growth based on its high profitability, strong balance sheet, and low D/E and IBD/E of 0.37x and 0.03x, respectively.

Core P/E (x)	25.4	22.1	19.6	17.4
Dividend yield (%)	3.1	3.6	4.1	4.6
EV/EBITDA (x)	14.7	13.2	11.6	10.3
Price/book (x)	5.2	5.0	4.8	4.5
Net debt/Equity (%)	(60.9)	(50.1)	(53.0)	(54.7)
ROE (%)	21.6	23.1	25.1	26.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.3	34.4	127.2
Relative to country (%)	7.0	35.0	128.1
Mkt cap (USD m)	481		
3m avg. daily turnover (USD m)	1.1		
Free float (%)	25		
Major shareholder	Ruckariyapong Family (68%)		
12m high/low (THB)	55.75/23.70		
Issued shares (m)	308.29		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

SAPPE is well-known as a leader in innovative and functional drinks in Thailand, some of which are made from Thai agricultural products, including Mogu Mogu, Sappe Aloe Vera, and All Coco. A strong global brand, its products are distributed in 98 countries via both modern trade and traditional stores.

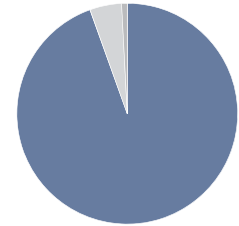
Company profile

SAPPE is a manufacturer and distributor of beverages targeting health and beauty-conscious consumers. A leading company in Thailand’s functional drink market, it currently has 12 successful brands in five categories, including the popular Sappe Beauti Drink brand. In 2022, 76.9% of SAPPE’s revenue came from overseas sales and domestic sales accounted for 23.1%.

www.sappe.com

Principal activities (revenue, 2022)

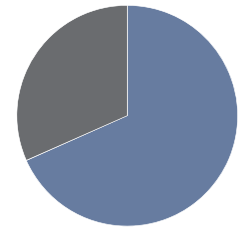
- Health drinking products - 94.5 %
- Coconut products - 4.7 %
- Others - 0.8 %



Source: Sappe

Major shareholders

- Ruckariyapong Family - 68.4 %
- Others - 31.6 %



Source: Sappe

Catalysts

Potential catalysts for SAPPE’s earning growth in 2023 include 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful expansion into new markets; and 4) successful new product launches.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.

Event calendar

Date	Event
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	1,266	1,415	1,564
Overseas revenue (THB m)	4,179	4,672	5,179
Total revenue (THB m)	5,445	6,087	6,743
Total revenue growth (%)	19.2	11.8	10.8
Gross margin (%)	40.6	40.8	41.0
SG&A to sales (%)	26.0	25.0	25.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 2.9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 2.8%, and vice versa, all else being equal.

Source: FSSIA estimates

One of the leading functional drink makers in Thailand

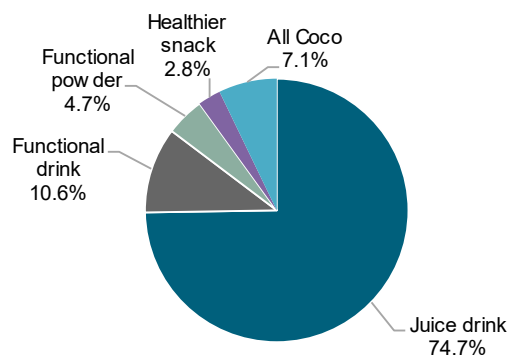
SAPPE was established in 1973 by the Ruckariyapong family. The company is a manufacturer and distributor of beverages targeting health and beauty-conscious consumers. A leading company in Thailand’s functional drink market, it currently has 12 successful brands in five categories, including the popular Sappe Beauti Drink brand. In 2001, the company launched Mogu Mogu, the world’s first drink made from fruit juice with coconut jelly.

In 2016, SAPPE acquired shares in Coconut Factory Co Ltd (not listed), later renamed All Coco Co Ltd, a global exporter of coconut water. In 2019, the company partnered with Myen Ptd (Danone) to establish Danone Sappe Beverage Co Ltd (not listed) and launched B'lue vitamin water.

The company’s revenue in 2022 from juice drinks accounted for 74.7% of total revenue, followed by functional drinks (10.6%), All Coco (7.1%), functional powders (4.7%), and healthier snacks (2.8%).

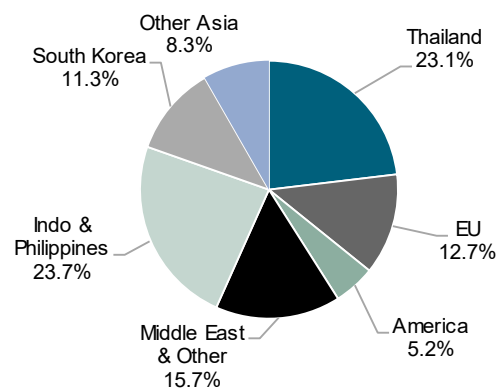
The company exported its products to more than 98 countries and territories in 2022. Of total revenue, 76.9% was from exports and 23.1% was from the domestic market. Asia, its main area of exposure, accounted for 43.4%, followed by Thailand (23.1%), the Middle East & other countries (15.7%), Europe (12.7%), and America (5.2%).

Exhibit 1: Revenue breakdown by product 2022



Source: SAPPE

Exhibit 2: Revenue breakdown by country 2022



Source: SAPPE

Its products can be divided into five categories:

- 1. Functional drinks** – SAPPE is regarded as the originator of the functional drink category in Thailand with its launch of Sappe Beauti Drink in 2006. Since its debut, Sappe Beauti Drink has dominated the functional drink market for over a decade. Its other brands in this category include Beauti Drink Ruby Lady and B'lue vitamin water.
- 2. Juice drinks** – Mogu Mogu, the world’s first functional drink made from fruit juice and coconut jelly, was launched by SAPPE in 2001. The company’s top exported juice drink brands globally are Gumi Gumi, Sappe Aloe Vera, and All Coco Nam Hom coconut juice.
- 3. Functional drink powder** – Its brands in this category include Prew Chlorophyll and Prew Coffee, which is the best seller in the weight-control coffee market.
- 4. Healthier Snacks** – Its products in this category are Sappe Beauti Jelly, Maxtive functional jelly, Zea Max crispy fish snack, and All Coco coconut pudding.
- 5. Ready-to-Drink (RTD) & others** - Products in this category are Kru Pensri candy and Sappe x Takabb cough relief shot.

Exhibit 3: Sappe Beauti Drinks



Source: SAPPE

Exhibit 4: B'lue vitamin water



Source: SAPPE

Exhibit 5: Mogu Mogu



Source: SAPPE

Exhibit 6: All CoCo products



Source: SAPPE

Exhibit 7: Functional drink powder



Source: SAPPE

Exhibit 8: Healthier products



Source: SAPPE

2022 net profit hit a record high

In 4Q22, SAPPE reported a net profit of THB154m (-14% q-q, +178% y-y), beating our expectation by 20%. Excluding an FX gain of THB22m, its core profit was THB131m (-36% q-q, +146% y-y), in line with our estimate of THB128m.

In 4Q22, total revenue dropped by 19% q-q to THB1.03b due to the low season. Revenue was up a solid 26% y-y thanks to strong export growth, up 50% y-y, which accounted for 73% of total revenue.

We are impressed by SAPPE's strong 4Q22 gross margin at 40.7% (vs 39.2% in 4Q21), which was due to a high utilisation rate that offset its higher costs. Its 4Q22 SG&A to sales was flat q-q at 27.5% but sharply lower from 39.6% in 4Q21 due to a marketing expense accrual adjustment in every quarter.

SAPPE's 2022 net profit hit a record high of THB653m (+59% y-y), supported by solid export sales growth, up 59% y-y, and a strong gross margin at 40.8% (vs 39.3% in 2021).

Exhibit 9: 4Q22 earnings results

	4Q21	1Q22	2Q22	3Q22	4Q22	----- Change -----		2021	2022	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	819	1,019	1,236	1,279	1,032	(19.4)	26.0	3,444	4,566	32.6
Cost of sales	498	599	736	756	612	(19.0)	23.0	2,089	2,703	29.4
Gross profit	321	420	500	524	420	(19.9)	30.6	1,355	1,863	37.5
SG&A	325	351	380	352	284	(19.2)	(12.4)	1,078	1,366	26.7
Operating profit	73	192	218	249	171	(31.5)	132.6	546	830	52.2
Interest expense	0.62	0.56	0.58	0.53	0.62	16.2	(1.1)	2.5	2.3	(9.1)
Tax expense	14	38	40	45	40	(9.9)	185.3	106	162	52.6
Profit (loss) sharing	(4)	(4)	1	1	(0)	nm	nm	(20)	0	nm
Reported net profit	55	153	167	179	154	(14.2)	178.1	411	653	59.0
Core profit	53	152	179	204	131	(35.6)	145.8	417	666	59.5
Key Ratios (%)						(ppt)	(ppt)			
Gross margin	39.2	41.2	40.4	40.9	40.7	(0.3)	1.4	39.3	40.8	1.5
SG&A / Sales	39.6	34.4	30.7	27.5	27.5	0.1	(12.1)	31.3	29.9	(1.4)
Operating margin	9.0	18.8	17.7	19.5	16.6	(2.9)	7.6	15.8	18.2	2.3
Net margin	6.7	15.1	13.5	14.0	14.9	0.9	8.1	11.9	14.3	2.4
Core margin	6.5	14.9	14.5	15.9	12.7	(3.2)	6.2	12.1	14.6	2.5
Operating Statistics (THB m)										
Domestic revenue	255	208	227	224	229	2.1	(10.1)	1,210	1,055	(12.8)
Overseas revenue	505	743	943	986	757	(23.2)	49.9	2,234	3,511	57.2
Indo/Philippines	173	265	298	296	223	(24.7)	28.5	1,082	1,277	18.0
South Korea	64	101	140	197	80	(59.4)	24.3	518	596	15.0
Other	267	376	505	494	454	(7.9)	70.0	634	1,639	158.4

Source: SAPPE

Aggressive targets for 2023

We have a positive view following SAPPE's analyst meeting on 8 Mar-23. Management's 2023 growth targets include 1) aggressive total revenue growth of 25% y-y; and 2) maintaining its gross margin at 40%-41%, close to 2022's high level. Particularly aggressive is the company's target for 2023 export revenue growth at 25% y-y, especially after the high base last year (+57% y-y). Management expects growth to be driven by expansions in both modern trade and traditional store channels. We expect to see strong market growth in the EU, South Korea, Indonesia, the Philippines, and India, which is a low-base market. Meanwhile, we expect 2023 domestic revenue growth at 20% y-y, below management's 25% target, due to a recovery in functional drink consumption.

We estimate the 2023 gross margin at 40.6% (vs 40.8% in 2022), in line with management's target. In addition, the company has decided to outsource some of its production to OEMs from Mar-23 onward due to its plant reaching maximum capacity. While we are concerned about potentially lower profitability from third-party outsourcing, this should be offset by lower packaging costs and higher export sales volumes from its own fully utilised production capacity.

Management targets increasing production capacity by 30% via OEMs (10%) and upgrades to its own existing production line (20%). Aside from that, the company plans to build a new production line in 2024, which would increase capacity by a further 30%.

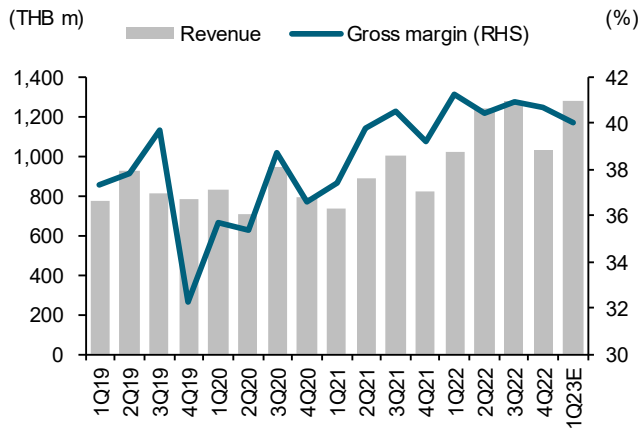
Overall, we forecast 2023 net profit at THB763m (+17% y-y), a record high for the second consecutive year. In the short term, we expect 1Q23 net profit to hit THB171m (+11% q-q, +12% y-y), due to strong export revenue growth of 25% y-y. Earnings should continue to grow in 2Q23-3Q23, thanks to the high season and the 10% production capacity increase from OEM outsourcing.

Exhibit 10: Key assumptions for SAPPE

Assumptions	Actual	Forecast			Growth		
	2022	2023E	2024E	2025E	2023E	2024E	2025E
Domestic revenue (THB m)	1,055	1,266	1,415	1,564	20.0	11.8	10.5
Overseas revenue (THB m)	3,511	4,179	4,672	5,179	19.0	11.8	10.9
Total revenue (THB m)	4,566	5,445	6,087	6,743	19.2	11.8	10.8
Gross profit (THB m)	1,863	2,210	2,484	2,765	18.6	12.4	11.3
Gross margin (%)	40.8	40.6	40.8	41.0	(0.2)	0.2	0.2
SG&A expenses (THB m)	1,366	1,416	1,522	1,686	3.6	7.5	10.8
SG&A to sales (%)	29.9	26.0	25.0	25.0	(3.9)	(1.0)	0.0
Profit (loss) sharing (THB m)	0.34	2.40	3.60	5.20	599.7	50.0	44.4
Reported net profit (THB m)	653	763	863	969	16.8	13.1	12.3
Net margin (%)	14.3	14.0	14.2	14.4	(0.3)	0.2	0.2
Core profit (THB m)	666	763	863	969	14.6	13.1	12.3
Core margin (%)	14.6	14.0	14.2	14.4	(0.6)	0.2	0.2

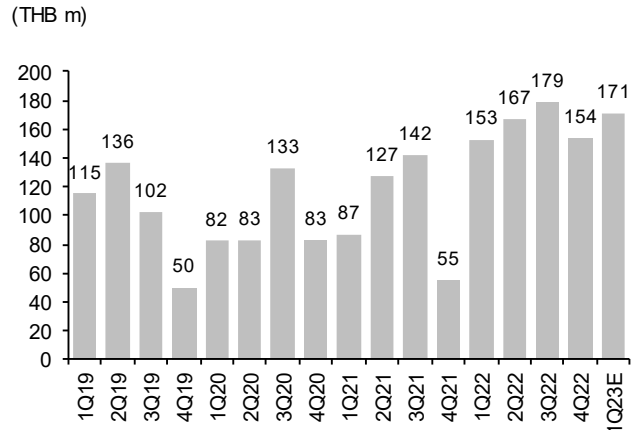
Sources: SAPPE, FSSIA estimates

Exhibit 11: Quarterly revenue and gross margin



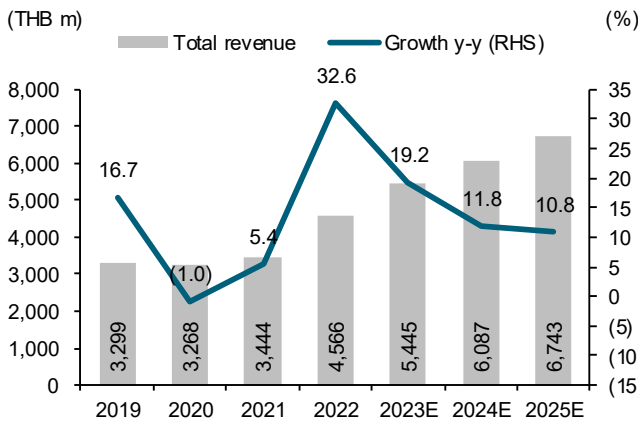
Sources: SAPPE, FSSIA estimate

Exhibit 12: Quarterly net profit



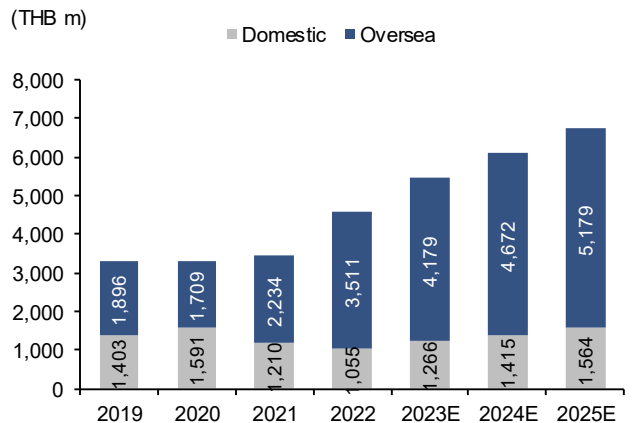
Sources: SAPPE, FSSIA estimate

Exhibit 13: Yearly total revenue and growth



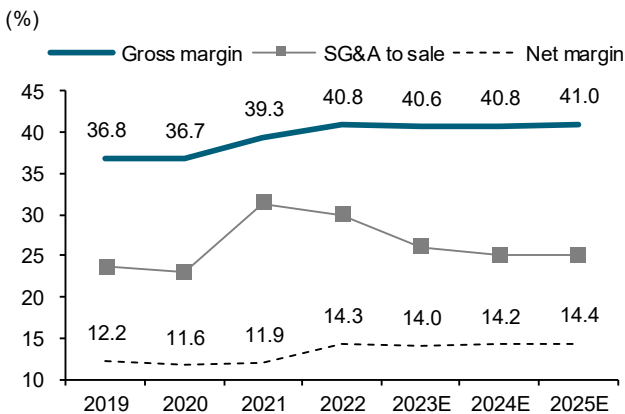
Sources: SAPPE, FSSIA estimates

Exhibit 14: Yearly domestic and overseas revenue



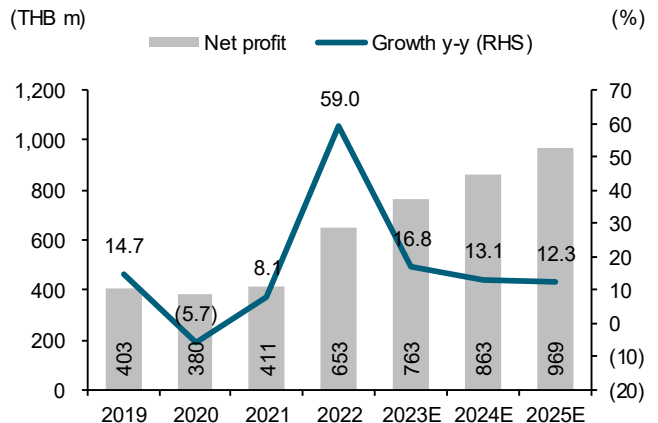
Sources: SAPPE, FSSIA estimates

Exhibit 15: Gross margin and net margin



Sources: SAPPE, FSSIA estimates

Exhibit 16: Yearly net profit and growth



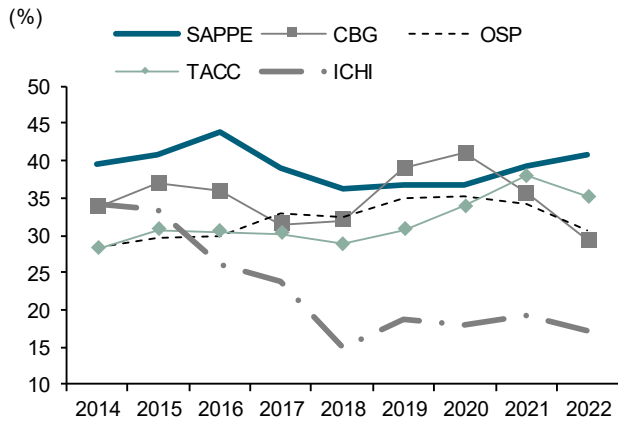
Sources: SAPPE, FSSIA estimates

Valuation

We initiate coverage with a BUY call for SAPPE and a TP of THB62, based on 25x 2023E P/E, which is in line with its peers' five-year historical average. Although its share price has outperformed (+129% in 2022 and +18% 2023 YTD), it is currently trading at 22.1x 2023E P/E, below its local peers.

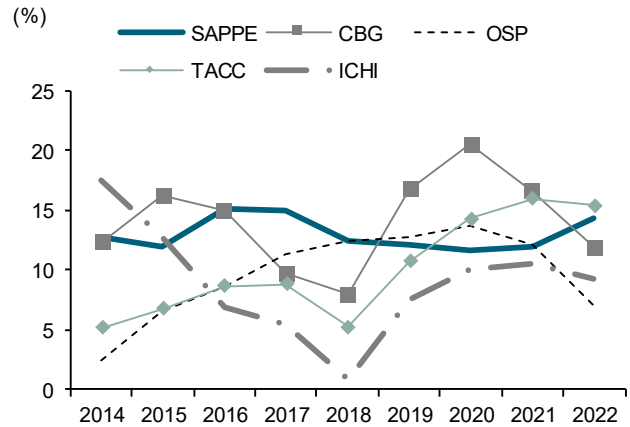
SAPPE is our top pick for the beverage sector in 1H23. We have a positive outlook for 2023 net profit growth and its healthier product image for overseas customers. We are impressed by its high profitability and strong financial position, particularly in terms of gross margin (c39%-41%) and net margin (c13%-14%), which are the highest among its local peers. Furthermore, SAPPE's D/E and IBD/E are low at 0.37x and 0.03x, respectively.

Exhibit 17: Gross margin



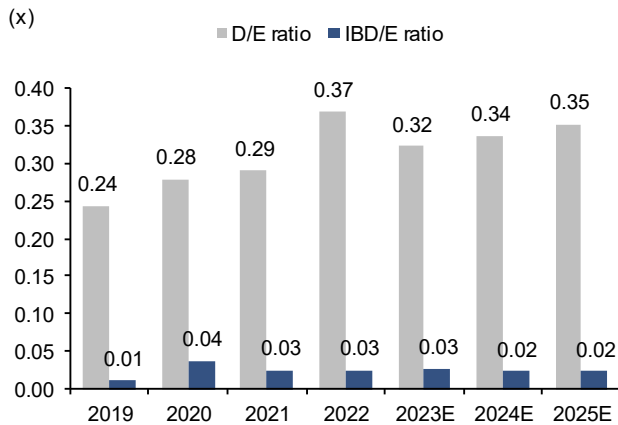
Sources: Company data, FSSIA's compilation

Exhibit 18: Net margin



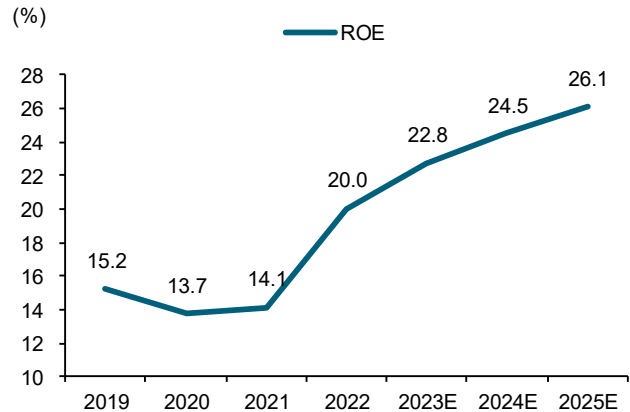
Sources: Company data, FSSIA's compilation

Exhibit 19: SAPPE's gearing ratio



Sources: SAPPE, FSSIA estimates

Exhibit 20: SAPPE's ROE



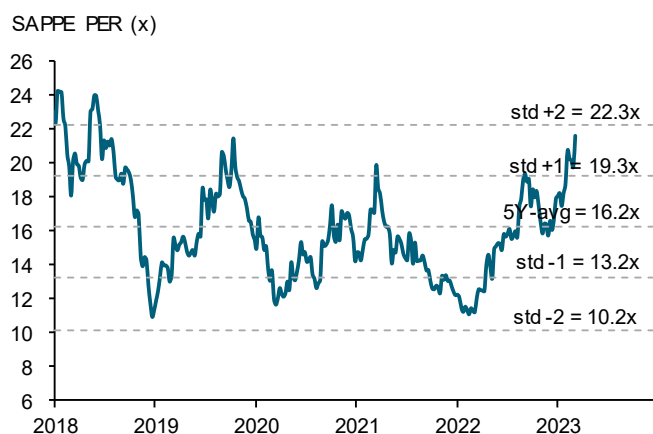
Sources: SAPPE, FSSIA estimates

Exhibit 21: Peer comparisons as of 8 Mar-23

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/ EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand														
TAC Consumer	TACC TB	BUY	6.05	10.00	65	105	13.8	12.4	34.3	36.6	4.6	4.5	8.3	7.3
NSL Foods	NSL TB	BUY	23.40	26.00	11	200	20.5	17.8	23.8	26.0	4.8	4.5	11.8	10.5
Sappe	SAPPE TB	BUY	54.75	62.00	13	481	22.1	19.6	23.1	25.1	5.0	4.8	13.2	11.6
Osoetspa	OSP TB	n/a	32.25	n/a	n/a	2,767	34.3	29.2	14.6	16.8	5.1	5.1	20.3	17.7
Carabao Group	CBG TB	n/a	101.00	n/a	n/a	2,885	34.2	29.3	25.8	27.6	8.8	7.7	24.6	21.7
Sappe	SAPPE TB	n/a	54.75	n/a	n/a	482	22.9	19.8	21.9	23.4	4.9	4.5	13.4	11.4
Ichitan Group	ICHI TB	n/a	12.70	n/a	n/a	472	21.7	19.9	12.3	13.6	2.7	2.7	11.1	10.5
Thailand average						7,392	24.2	21.1	22.2	24.2	5.1	4.8	14.7	13.0

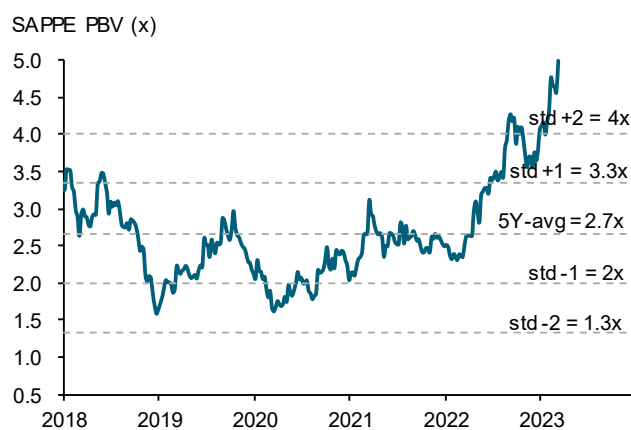
Sources: Bloomberg; FSSIA estimates

Exhibit 22: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 23: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Corporate Governance – SAPPE

Board structure at end of 2021

Independent Directors (ID)	5 of 10 board members, 3 females
Percentage of IDs on the board	50%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	At each annual general meeting, 1/3 of the longest-serving directors must vacate, but may be re-elected.

Additional information: [2021 One Report](#) IDs are reviewed and certified at least once a year, with the results announced via a directors' profile report at year-end in the One Report.

The Audit Committee serves three-year terms in office. When the term of office is expired, members may be re-appointed as the Board of Directors deems appropriate. At end 2021, there were four major shareholders holding 4/10 company director positions.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022, THB8.31m vs NP of THB653m In 2021, THB7.95m vs NP of THB380.2m (c2% of NP)
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Additional information: None

Audit Practices

Auditor	KPMG Phoomchai Audit Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB3.43m
Policy on change of audit firm	To be reviewed every five years

Additional information: None

Shareholders' rights

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

Additional information: None

ESG and sustainability management

SAPPE is one of Thailand's leading innovative beverage companies with 12 product brands sold in 98 countries. In 2021, fruit juice drinks contributed 71.7% of total revenue; 15.7% from functional beverages, 4.2% from healthy snacks, and 1.4% from other ready-to-drink products.

Materiality issues	Activities and practice
Raw materials and suppliers	The main raw materials used in its beverage products include juice concentrates, fruit bits such as Nata de Coco, active ingredients such as fibre, collagen, vitamins, sugar, and PET and paper cartons. SAPPE procures juice concentrates and active ingredients via local importers; fruit bits from the largest supplier in Samut Songkhram and some from small suppliers without cyclical risk; and PET resin (Polyethylene Terephthalate) used for bottle preform production is procured 70% domestically and 30% internationally. In 2019 and 2020, the company had no purchase orders with individual supplier greater than 30% of total purchase value.
Fluctuation of raw material prices, PET and sugar	PET is a commodity product whose price is volatile. SAPPE monitors price trends and assesses material demand to plan advanced procurement on an annual basis and prepares a list of suppliers for alternative sourcing and competitive pricing. Given that sugar production is subject to natural disasters, the company orders granulated sugar from domestic suppliers where price is regulated and therefore relatively stable. Nevertheless, the company seeks confirmation from suppliers to ensure sufficient materials for sales targets each year.
Intense competition in beverage business	To differentiate, SAPPE strategically creates and innovates a variety of healthy products for different groups of consumers and expands the customer base from the current refreshment consumers. It offers attractive packages and promotional activities to enhance repeated buying and adds distribution channels to reach more customers.
Major shareholders with management authority	The Ruckariyapong family holds a 68.37% stake, which allows control over nearly all resolutions from shareholders' meetings, ranging from the appointment of directors or the approval of agendas, which require a majority of votes. The company, therefore, maintains five knowledgeable and experienced independent directors on the 10-member board to achieve a balance of power.
No ownership of land at office and factory location	Bangchan office: The land is owned by one of the shareholders and has been occupied under a three-year lease agreement since 1 Oct-13. The lease was renewed after it expired on 30 Sept-22. In 2013, the land's appraised value was THB34.6m. The current monthly rental rate is c493,000. Khlong 13 factory: The current production base is on a plot of land co-owned by all major shareholders under a twenty-year lease agreement from 1 Oct-12 to 30 Sep-33. The company is entitled to purchase the land at an average price of appraised values, evaluated by two independent appraisers approved by the Securities and Exchange Commission. The issue is still under consideration. In 2013, the land's appraised value was THB61.2m. The current monthly rental rate is c180,000.
Natural disasters	Salinity in the tap water used for production has exceeded the standard level. In 2022, the company began conserving water during the rainy season to compensate and should be able to sustain operations should salinity become an issue. Flooding risk: The ground floor of the factory was built c2.2 metres higher than the nearby road surface, and the company closely monitors water levels in the Chao Phraya and Bang Pakong rivers to assess and plan emergency response measures.
Covid-19 outbreak	Impact is limited as SAPPE's food and beverage products continue to be well-received by consumers. Mitigation strategies include work-from-home for employees and E-commerce. The company's Online to Online and Online to Offline (O2O) marketing strategies both domestically and overseas achieved new highs in revenue and net profit in 2021 despite the Covid-19 pandemic, with total revenue of THB3,712.8m and net profit of THB410.2m. Domestic sales contributed 35.1% and overseas 64.9%.
Green environment	SAPPE invested cTHB45.3m to install 4,263 solar panels on its 11,655.36-sqm factory roof. The grid-tied system generates 2,408.595 kWh per day. Annually, the solar rooftop can generate up to 2,940,869 kWh which lowers the factory's electricity bill by THB10.8m and reduces CO ₂ emissions by 1.6m kg – roughly equal to the CO ₂ sequestered by 34,408 large trees or 172 rai of forested area. To help the environment, the company will gradually change its bottles from PVC to PET to allow for natural degradation. New packaging is currently being developed with partners that will be more environmentally friendly.
Awards and recognitions	In Aug-21, SAPPE received a full score of 100% for the second year in a row from the AGM Checklist 2021, evaluated by the Thai Investors Association. In 2020, the company was certified as a member of the Thai Private Sector Collective Action Against Corruption (CAC) by the Thai Institute of Directors (IOD). Sappe has joined the UN's WeEmpowerAsia program.

Additional information: [2020 Sustainability Report](#); [2021 One Report](#)

Financial Statements

Sappe

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,444	4,566	5,445	6,087	6,743
Cost of goods sold	(1,891)	(2,516)	(3,032)	(3,386)	(3,746)
Gross profit	1,553	2,051	2,413	2,701	2,997
Other operating income	269	333	163	122	135
Operating costs	(1,078)	(1,366)	(1,416)	(1,522)	(1,686)
Operating EBITDA	743	1,018	1,160	1,301	1,446
Depreciation	(198)	(187)	(202)	(217)	(232)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	546	830	958	1,083	1,214
Net financing costs	(3)	(2)	(3)	(3)	(2)
Associates	(20)	0	2	4	5
Recurring non-operating income	(20)	0	2	4	5
Non-recurring items	(7)	(12)	0	0	0
Profit before tax	516	816	958	1,084	1,217
Tax	(106)	(162)	(192)	(217)	(243)
Profit after tax	410	654	767	867	974
Minority interests	1	(1)	(4)	(4)	(5)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	411	653	763	863	969
Non-recurring items & goodwill (net)	7	12	0	0	0
Recurring net profit	417	666	763	863	969
Per share (THB)					
Recurring EPS *	1.35	2.16	2.47	2.80	3.14
Reported EPS	1.34	2.12	2.47	2.80	3.14
DPS	1.10	1.69	1.98	2.24	2.51
Diluted shares (used to calculate per share data)	308	308	308	308	308
Growth					
Revenue (%)	5.4	32.6	19.2	11.8	10.8
Operating EBITDA (%)	5.3	36.9	14.0	12.1	11.2
Operating EBIT (%)	8.3	52.2	15.4	13.1	12.0
Recurring EPS (%)	8.9	59.5	14.6	13.1	12.3
Reported EPS (%)	7.5	57.8	16.8	13.1	12.3
Operating performance					
Gross margin inc. depreciation (%)	39.3	40.8	40.6	40.8	41.0
Gross margin of key business (%)	39.3	40.8	40.6	40.8	41.0
Operating EBITDA margin (%)	21.6	22.3	21.3	21.4	21.4
Operating EBIT margin (%)	15.8	18.2	17.6	17.8	18.0
Net margin (%)	12.1	14.6	14.0	14.2	14.4
Effective tax rate (%)	20.5	19.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	81.3	78.5	80.0	80.0	80.0
Interest cover (X)	208.9	363.6	384.3	339.7	609.5
Inventory days	49.4	53.3	48.1	37.7	35.4
Debtor days	41.1	26.6	33.4	40.1	38.1
Creditor days	38.5	29.8	32.5	35.3	35.4
Operating ROIC (%)	38.4	63.7	63.3	62.9	70.7
ROIC (%)	30.3	48.3	48.9	49.6	55.4
ROE (%)	14.7	21.6	23.1	25.1	26.8
ROA (%)	11.2	15.9	16.9	18.5	19.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Health drinking products	3,182	4,316			
Coconut products	228	213			
Others	35	37			

Sources: Sappe; FSSIA estimates

Financial Statements

Sappe

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	417	666	763	863	969
Depreciation	198	187	202	217	232
Associates & minorities	20	0	(2)	(4)	(5)
Other non-cash items	(1)	1	18	6	7
Change in working capital	96	191	(329)	128	4
Cash flow from operations	731	1,045	652	1,210	1,206
Capex - maintenance	-	-	-	-	-
Capex - new investment	(140)	(302)	(297)	(320)	(255)
Net acquisitions & disposals	7	6	0	0	0
Other investments (net)	(163)	(41)	(18)	(6)	(7)
Cash flow from investing	(296)	(338)	(315)	(326)	(262)
Dividends paid	(310)	(348)	(610)	(690)	(775)
Equity finance	47	63	(63)	0	0
Debt finance	(34)	0	8	(8)	3
Other financing cash flows	7	25	(42)	3	3
Cash flow from financing	(291)	(259)	(707)	(695)	(769)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	70	0	0
Net other adjustments	0	(73)	70	0	0
Movement in cash	144	375	(301)	189	176
Free cash flow to firm (FCFF)	437.25	709.65	338.60	887.25	946.81
Free cash flow to equity (FCFE)	407.22	659.24	372.57	878.92	951.09

Per share (THB)

FCFF per share	1.42	2.30	1.10	2.88	3.07
FCFE per share	1.32	2.14	1.21	2.85	3.09
Recurring cash flow per share	2.07	2.77	3.18	3.51	3.90

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,268	2,530	2,830	3,130	3,430
Less: Accumulated depreciation	(1,262)	(1,398)	(1,600)	(1,817)	(2,049)
Tangible fixed assets (net)	1,006	1,132	1,230	1,313	1,380
Intangible fixed assets (net)	134	128	128	128	128
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	156	186	188	192	197
Cash & equivalents	1,754	2,129	1,828	2,016	2,193
A/C receivable	430	459	736	752	779
Inventories	291	444	354	346	381
Other current assets	50	47	33	30	34
Current assets	2,524	3,079	2,951	3,145	3,387
Other assets	29	36	54	61	67
Total assets	3,848	4,561	4,552	4,838	5,160
Common equity	2,906	3,258	3,350	3,523	3,716
Minorities etc.	101	102	121	127	134
Total shareholders' equity	3,006	3,360	3,471	3,650	3,850
Long term debt	52	61	56	48	51
Other long-term liabilities	45	70	27	30	34
Long-term liabilities	96	130	84	78	85
A/C payable	181	230	310	346	381
Short term debt	21	21	34	34	34
Other current liabilities	543	820	653	730	809
Current liabilities	745	1,071	997	1,110	1,225
Total liabilities and shareholders' equity	3,848	4,561	4,552	4,838	5,160
Net working capital	46	(99)	160	52	4
Invested capital	1,371	1,383	1,760	1,745	1,776

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

Per share (THB)

Book value per share	9.49	10.56	10.86	11.42	12.05
Tangible book value per share	9.05	10.15	10.45	11.01	11.63

Financial strength

Net debt/equity (%)	(55.9)	(60.9)	(50.1)	(53.0)	(54.7)
Net debt/total assets (%)	(43.7)	(44.9)	(38.2)	(40.0)	(40.8)
Current ratio (x)	3.4	2.9	3.0	2.8	2.8
CF interest cover (x)	218.4	421.9	268.9	375.7	604.0

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	40.5	25.4	22.1	19.6	17.4
Recurring P/E @ target price (x) *	45.8	28.7	25.1	22.2	19.7
Reported P/E (x)	40.8	25.9	22.1	19.6	17.4
Dividend yield (%)	2.0	3.1	3.6	4.1	4.6
Price/book (x)	5.8	5.2	5.0	4.8	4.5
Price/tangible book (x)	6.0	5.4	5.2	5.0	4.7
EV/EBITDA (x) **	20.4	14.7	13.2	11.6	10.3
EV/EBITDA @ target price (x) **	23.4	16.9	15.1	13.3	11.9
EV/invested capital (x)	11.1	10.8	8.7	8.6	8.4

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

Sources: Sappe; FSSIA estimates

Corporate Governance report of Thai listed companies 2022

EXCELLENT LEVEL – Score range 90-100											
AAV	BAM	CIMBT	ECL	HENG	LALIN	NEP	PRG	SCC	SPRC	THRE	TTW
ADVANC	BANPU	CK	EE	HMPRO	LANNA	NER	PRM	SCCC	SPVI	THREL	TU
AF	BAY	CKP	EGCO	ICC	LHFG	NKI	PSH	SCG	SSC	TIPCO	TVDH
AH	BBIK	CM	EPG	ICHI	LIT	NOBLE	PSL	SCGP	SSSC	TISCO	TVI
AIRA	BBL	CNT	ETC	III	LOXLEY	NSI	PTG	SCM	SST	TK	TVO
AJ	BCP	COLOR	ETE	ILINK	LPN	NVD	PTA	SCN	STA	TKN	TPWC
AKP	BCPG	COM7	FN	ILM	LRH	NYT	PTTEP	SDC	STEC	TKS	UAC
AKR	BDMS	COMAN	FNS	IND	LST	OISHI	PTTGC	SEAFCO	STGT	TKT	UBIS
ALLA	BEM	COTTO	FPI	INTUCH	MACO	OR	PYLON	SEAOIL	STI	TMILL	UPOIC
ALT	BEYOND	CPALL	FPT	IP	MAJOR	ORI	Q-CON	SE-ED	SUN	TMT	UV
AMA	BGC	CPF	FSMART	IRC	MAKRO	OSP	QH	SELIC	SUSCO	TNDT	VCOM
AMARIN	BGRIM	CPI	FVC	IRPC	MALEE	OTO	QTC	SENA	SUTHA	TNITY	VGI
AMATA	BIZ	CPN	GC	ITEL	MBK	PAP	RABBIT	SENAJ	SVI	TOA	VIH
AMATAV	BKI	CRC	GEL	IVL	MC	PCSGH	RATCH	SGF	SYMC	TOP	WACOAL
ANAN	BOL	CSS	GFPT	JTS	MCOT	PDG	RBF	SHR	SYNTEC	TPBI	WAVE
AOT	BPP	DDD	GFC	JWD	METCO	PDJ	RS	SICT	TACC	TQM	WHA
AP	BRR	DELTA	GLAND	K	MFEC	PG	S	SIRI	TASCO	TRC	WHAUP
APURE	BTS	DEMCO	GLOBAL	KBANK	MINT	PHOL	S&J	SIS	TCAP	TRUE	WICE
ARIP	BTW	DOHOME	GPI	KCE	MONO	PLANB	SAAM	SITHAI	TEAMG	TSC	WINNER
ASP	BWG	DRT	GPSC	KEX	MOONG	PLANET	SABINA	SMPC	TFMAMA	TSR	XPG
ASW	CENTEL	DTAC	GRAMMY	KGI	MSC	PLAT	SAMART	SNC	THANA	TSTE	ZEN
AUCT	CFRESH	DUSIT	GULF	KKP	MST	PORT	SAMTEL	SONIC	THANI	TSTH	
AWC	CGH	EA	GUNKUL	KSL	MTC	PPS	SAT	SORKON	THCOM	TTA	
AYUD	CHEWA	EASTW	HANA	KTB	MVP	PR9	SC	SPALI	THG	TTB	
BAFS	CHO	ECF	HARN	KTC	NCL	PREB	SCB	SPI	THIP	TTCL	
VERY GOOD LEVEL – Score range 80-89											
2S	ASIMAR	CHOTI	ESSO	INSURE	LH	NRF	PROEN	SCI	SR	TMC	UMI
7UP	ASK	CHOW	ESTAR	IRCP	LHK	NTV	PROS	SCP	SRICHA	TMD	UOBKH
ABM	ASN	CI	FE	IT	M	NUSA	PROUD	SE	SSF	TMI	UP
ACE	ATP30	CIG	FLOYD	ITD	MATCH	NWR	PSG	SECURE	SSP	TNL	UPF
ACG	B	CITY	FORTH	J	MBAX	OCC	PSTC	SFLEX	STANLY	TNP	UTP
ADB	BA	CIVIL	FSS	JAS	MEGA	OGC	PT	SFP	STC	TNR	VIBHA
ADD	BC	CMC	FTE	JCK	META	ONEE	PTC	SFT	STPI	TOG	VL
AEONTS	BCH	CPL	GBX	JCKH	MFC	PACO	QLT	SGP	SUC	TPA	VPO
AGE	BE8	CPW	GCAP	JMT	MGT	PATO	RCL	SIAM	SVOA	TPAC	VRANDA
AHC	BEC	CRANE	GENCO	JR	MICRO	PB	RICHY	SINGER	SVT	TPCS	WGE
AIE	BH	CRD	GJS	KBS	MILL	PICO	RJH	SKE	SWC	TIPLI	WIHK
AIT	BIG	CSC	GTB	KCAR	MTSIB	PIMO	ROJNA	SKN	SYNEX	TIPIP	WIN
ALUCON	BJC	CSP	GYT	KGEN	MK	PIN	RPC	SKR	TAE	TPLAS	WINMED
AMANAH	BJCHI	CV	HEMP	KIAT	MODERN	PJW	RT	SKY	TAKUNI	TPS	WORK
AMR	BLA	CWT	HPT	KISS	MTI	PL	RWI	SLP	TCC	TQR	WP
APCO	BR	DCC	HTC	KK	NATION	PLE	S11	SMART	TCCM	TRITN	XO
APCS	BRI	DHOUSE	HUMAN	KOOL	NCAP	PM	SA	SMD	TFG	TRT	YUASA
AQUA	BROOK	DITTO	HYDRO	KTIS	NCH	PMTA	SABUY	SMIT	TFI	TRU	ZIGA
ARIN	BSM	DMT	ICN	KUMWEL	NDR	PPP	SAK	SMT	TFM	TRV	
ARROW	BYD	DOD	IFS	KUN	NETBAY	PPPM	SALEE	SNNP	TGH	TSE	
AS	CBG	DPAINT	IIG	KWC	NEX	PRAPAT	SAMCO	SNP	TIDLOR	TVT	
ASAP	CEN	DV8	IMH	KWM	NINE	PRECHA	SANKO	SO	TIGER	TWP	
ASEFA	CHARAN	EASON	INET	L&E	NNCL	PRIME	SAPPE	SPA	TIPH	UBE	
ASIA	CHAYO	EFORL	INGRS	LDC	NOVA	PRIN	SAWAD	SPC	TITLE	UEC	
ASIAN	CHG	ERW	INSET	LEO	NPK	PRINC	SCAP	SPCG	TM	UKEM	
GOOD LEVEL – Score range 70-79											
A	BEAUTY	CMAN	EMC	HL	KWI	MORE	PF	RSP	SUPER	TOPP	VARO
A5	BGT	CMO	EP	HTECH	KYE	MPIC	PK	SIMAT	TC	TPCH	W
AI	BLAND	CMR	EVER	IHL	LEE	MUD	PPM	SISB	TCCC	TPOLY	WFX
ALL	BM	CPANEL	F&D	INOX	LPH	NC	PRAKIT	SK	TCJ	TRUBB	WPH
ALPHAX	BROCK	CPT	FMT	JAK	MATI	NEWS	PTECH	SOLAR	TEAM	TTI	YGG
AMC	BSBM	CSR	GIFT	JMART	M-CHAI	NFC	PTL	SPACK	THE	TYCN	
APP	BTNC	CTW	GLOCON	JSP	MCS	NSL	RAM	SPG	THMUI	UMS	
AQ	CAZ	D	GLORY	JUBILE	MDX	NV	ROCK	SQ	TKC	UNIQ	
AU	CCP	DCON	GREEN	KASET	MENA	PAF	RP	STARK	TNH	UPA	
B52	CGD	EKH	GSC	KCM	MJD	PEACE	RPH	STECH	TNPC	UREKA	

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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED

2S	BCPG	CPI	GCAP	JR	MCOT	PHOL	RABBIT	SNC	THANI	TTCL
7UP	BE8	CPL	GEL	K	META	PK	RATCH	SNP	THCOM	TU
ADVANC	BEC	CPN	GFPT	KASET	MFC	PL	RML	SORKON	THIP	TVDH
AF	BEYOND	CRC	GGC	KBANK	MFEC	PLANB	RWI	SPACK	THRE	TVI
AI	BGC	CSC	GJS	KBS	MILL	PLANET	S&J	SPALI	THREL	TVO
AIE	BGRIM	DCC	GPI	KCAR	MINT	PLAT	SAAM	SPC	TIDLOR	TWPC
AIRA	BKI	DELTA	GPSC	KCE	MONO	PM	SABINA	SPI	TIPCO	UBE
AJ	BLA	DEMCO	GSTEEL	KGEN	MOONG	PPP	SAPPE	SPRC	TISCO	UBIS
AKP	BPP	DIMET	GULF	KGI	MSC	PPPM	SAT	SRICHA	TKS	UEC
AMA	BROOK	DRT	GUNKUL	KKP	MST	PPS	SC	SSF	TKT	UKEM
AMANAHA	BRR	DTAC	HANA	KSL	MTC	PR9	SCB	SSP	TMILL	UOBKH
AMATA	BSBM	DUSIT	HARN	KTB	MTI	PREB	SCC	SSSC	TMT	UPF
AMATAV	BTS	EA	HEMP	KTC	NEP	PRG	SCCC	SST	TNITY	UV
AP	BWG	EASTW	HENG	KWI	NINE	PRINC	SCG	STA	TNL	VGI
APCS	CEN	EGCO	HMPRO	L&E	NKI	PRM	SCGP	STGT	TNP	VIH
AS	CENDEL	EP	HTC	LANNA	NOBLE	PROS	SCM	STOWER	TNR	WACOAL
ASIAN	CFRESH	EPG	ICC	LH	NOK	PSH	SCN	SUSCO	TOG	WHA
ASK	CGH	ERW	ICHI	LHFG	NSI	PSL	SEAOIL	SVI	TOP	WHAUP
ASP	CHEWA	ESTAR	IFS	LHK	NWR	PSTC	SE-ED	SYMC	TOPP	WICE
AWC	CHOTI	ETE	III	LPN	OCC	PT	SELIC	SYNTEC	TPA	WIIK
AYUD	CHOW	FE	ILINK	LRH	OGC	PTG	SENA	TAE	TPCS	XO
B	CIG	FNS	INET	M	ORI	PTT	SGP	TAKUNI	TPP	YUASA
BAFS	CIMBT	FPI	INSURE	MAJOR	PAP	PTTEP	SINGER	TASCO	TRU	ZEN
BAM	CM	FPT	INTUCH	MAKRO	PATO	PTTGC	SIRI	TCAP	TRUE	ZIGA
BANPU	CMC	FSMART	IRC	MALEE	PB	PYLON	SITHAI	TCMC	TSC	
BAY	COM7	FSS	IRPC	MATCH	PCSGH	Q-CON	SKR	TFG	TSTE	
BBL	COTTO	FTE	ITEL	MBAX	PDG	QH	SMIT	TFI	TSTH	
BCH	CPALL	GBX	IVL	MBK	PDJ	QLT	SMK	TFMAMA	TTA	
BCP	CPF	GC	JKN	MC	PG	QTC	SMPC	TGH	TTB	

DECLARED

AH	CHG	DHOUSE	EVER	J	KUMWEL	NRF	RS	SUPER	TQM	VIBHA
ALT	CI	DOHOME	FLOYD	JMART	LDC	NUSA	SAK	SVT	TRT	W
APCO	CPR	ECF	GLOBAL	JMT	MEGA	OR	SIS	TKN	TSI	WIN
ASW	CPW	EKH	ILM	JTS	NCAP	PIMO	SSS	TMD	VARO	
B52	DDD	ETC	INOX	KEX	NOVA	PLE	STECH	TMI	VCOM	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

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ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

NSL Foods (NSL TB)



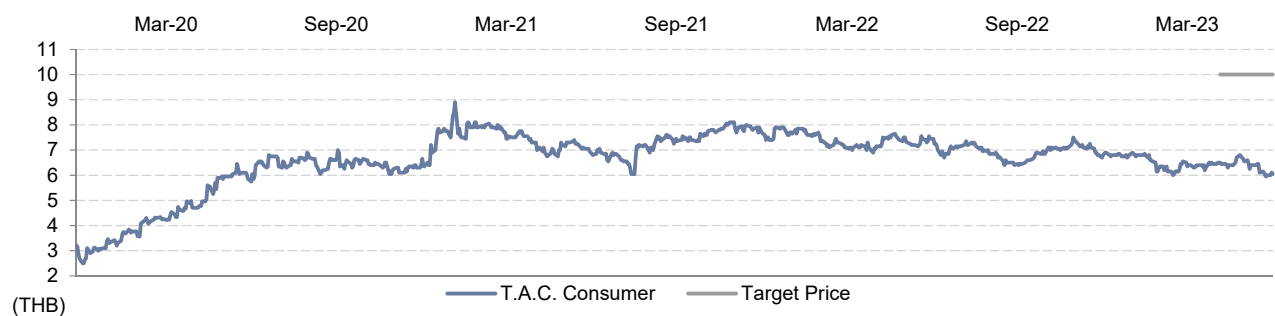
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	26.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

T.A.C. Consumer (TACC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	10.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sappe	SAPPE TB	THB 54.75	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.
NSL Foods	NSL TB	THB 23.40	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.
T.A.C. Consumer	TACC TB	THB 6.05	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.

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 08-Mar-2023 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.