

R&B FOOD SUPPLY RBF TB

THAILAND / FOOD & BEVERAGE

BUY

Every cloud has a silver lining

- Management targets 2023 revenue growth at 15-20%. RBF is adding factories in Indonesia (2nd factory) and India (1st factory).
- We project a 2023 net profit of THB664m (+38% y-y). The gross margin should recover from 1Q23 onward.
- We rate with a BUY call and a TP of THB13.5.

TARGET PRICE	THB13.50
CLOSE	THB12.10
UP/DOWNSIDE	+11.6%
TP vs CONSENSUS	+9.5%

Manufacturer and distributor of food ingredients

RBF manufactures and distributes food ingredients, which can be divided into flavouring and food colouring, food coating, and trading products, which include food additives like preservatives, antifungal agents, citric acid, etc. The company's 2022 revenue contribution from food coating accounted for 45.1% of total revenue, followed by flavouring and food colouring (32.6%), trading products (12.9%), dried products (6.9%), frozen products (1.5%), and plastic packaging (1%).

Slightly positive view from latest analyst meeting

We have a slightly positive view from the analyst meeting on 15 Mar-23. Management targets 2023 total revenue growth at 15-20%, mainly from a flavouring and food colouring sales recovery, plus strong overseas sales growth. In particular, the company is adding a second factory in Indonesia which will have 3x the capacity of its first Indonesia factory. RBF has also decided to build its own food coating production line in India, with operations expected to start in 2H24. It would support India's market growth in 2025 onward.

Expect 2023 net profit to grow solidly

In 1Q23, we expect a net profit of THB135m (+44% q-q, -17% y-y) due to a consumption recovery. Moreover, RBF's beverage customers are launching new CBD drink products, for which the CBD extract will be provided by RBF. We forecast 2023 total revenue growth at 15% y-y, and its gross margin should rise to 35.8% from 34% in 2022, supported by declining raw material prices and a better product mix. Hence, we project a 2023 net profit of THB664m (+38% y-y). Assuming in-line 1Q23 results, it would contribute around 20% of our full-year profit forecast.

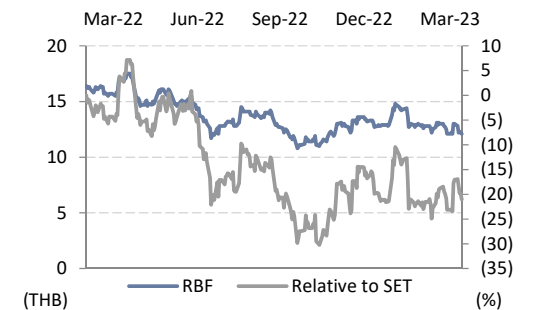
Recommend BUY with potential upside from Indian market

We rate RBF with a BUY call and a TP of THB13.5, based on 40.7x 2023E P/E, in line with its historical average. The share price fell sharply by 43% in 2022 due to investor disappointment over the unsuccessful hemp business. However, our forecast does not include CBD revenue, while faster-than-expected success in the Indian market could create an upside to our projections. This report represents FSSIA's continuation of coverage of RBF, which was previously published under FSS Research.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	3,961	4,554	5,104	5,677
Net profit	482	664	772	881
EPS (THB)	0.24	0.33	0.39	0.44
vs Consensus (%)	-	(6.2)	(6.3)	7.3
EBITDA	809	1,103	1,298	1,494
Core net profit	459	664	772	881
Core EPS (THB)	0.23	0.33	0.39	0.44
EPS growth (%)	(3.3)	44.5	16.3	14.1

Core P/E (x)	52.7	36.5	31.4	27.5
Dividend yield (%)	0.8	1.6	1.9	2.2
EV/EBITDA (x)	29.3	21.6	18.2	15.7
Price/book (x)	5.5	5.3	5.0	4.6
Net debt/Equity (%)	(11.4)	(9.3)	(11.3)	(14.7)
ROE (%)	10.7	14.8	16.3	17.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.2)	(8.3)	(26.2)
Relative to country (%)	2.2	(5.1)	(20.6)
Mkt cap (USD m)	706		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	28		
Major shareholder	Ratanapoompinyo Family (62%)		
12m high/low (THB)	17.60/10.70		
Issued shares (m)	2,000.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

RBF's customers are in the food and beverage industries. Since both are a necessity, RBF's revenues are constant. RBF has a long history and is accredited with international standards. RBF pays attention to R&D, which helps it to differentiate its products from competitors and create customer satisfaction. Since the company develops unique formulas for each customer, it is hard for customers to switch suppliers once consumers become attached to the flavour.

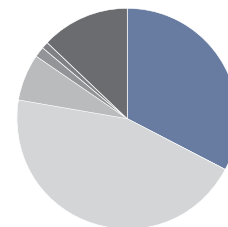
Company profile

RBF manufactures and distributes food ingredients, which can be divided into several product groups: flavour and food colouring, food coating, and trading products, which are food additives such as preservatives, antifungal agents, citric acid, etc. The company's 2022 revenue contribution from food coating accounted for 45.1% of total revenue, followed by flavouring and food colouring (32.6%), trading products (12.9%), dried products (6.9%), frozen products (1.5%), and plastic packaging (1%).

www.rbfoodsupply.co.th

Principal activities (revenue, 2022)

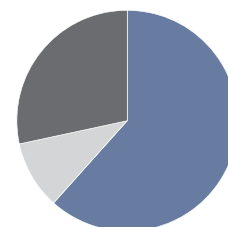
- Flavouring agents and Food colouring - 32.6 %
- Food coating - 45.1 %
- Dehydrated products - 6.9 %
- Frozen - 1.5 %
- Plastic packaging - 1.0 %



Source: R&B Food Supply

Major shareholders

- Ratanapoompinyo Family - 61.6 %
- Thai Union Group PCL - 10.0 %
- Others - 28.4 %



Source: R&B Food Supply

Catalysts

Potential catalysts for RBF's earning growth in 2023 are 1) revenue growth driven by consumption recovery, 2) the declining of raw material costs; 3) the success of its new markets expansion and 4) the success of its new product launched.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material costs; 3) a weaker THB than expected; and 4) a slower-than-expected India expansion.

Event calendar

Date	Event
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Domestic sales proportion (%)	75.9	73.2	71.0
Overseas sales proportion (%)	24.1	26.8	29.0
Food coating sales growth (%)	11.2	9.9	10.3
Flavour & fragrance sales growth (%)	20.0	15.0	12.0
Total sales growth (%)	15.0	12.1	11.2
Gross margin (%)	35.8	36.5	37.0

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 3%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A to sales, we estimate 2023 net profit to fall by 1.1%, and vice versa, all else being equal.

Source: FSSIA estimates

Manufacturer and distributor of food ingredients

R&B Food Supply was established in 1989 to engage in the business of producing and distributing food ingredients such as flavouring and food colouring, food coating, flour, sauce, etc. The company mainly manufactures and distributes products to customers in the industry on a made-to-order basis, and distributes to industrial entrepreneurs and large retail customers who make original equipment manufacturer (OEM) orders.

The company's research and development teams have personnel with knowledge, expertise, and long experience in food, odour, and taste analysis in particular. This enables the company to produce products that are unique and able to meet the needs of all types of customers. In 2022, the company had 10 factories that manufacture food ingredients and produce plastic packaging, eight factories of which are located in Thailand and two factories in Vietnam and Indonesia.

Exhibit 1: RBF's 10 factories

Ladprao 101 Headquarter <ul style="list-style-type: none"> Breadcrumbs/Flavoring Company Headquarter Bangkok, Thailand 	Hi-Tech Industrial Estate <ul style="list-style-type: none"> Fragrance Factory Ayutthaya, Thailand 	
Factory Wang Noi <ul style="list-style-type: none"> Food Coating Factory Ayutthaya, Thailand 	989 Hi-Tech Industrial Estate <ul style="list-style-type: none"> Food Coating Seasoning/Sauce Ayutthaya, Thailand 	Lot B2-4a Long Hau Commune <ul style="list-style-type: none"> Food Coating Factory Long An Province Vietnam
134 Hi-Tech Industrial Estate <ul style="list-style-type: none"> Plastic Packaging Ayutthaya, Thailand 	989 Hi-Tech Industrial Estate <ul style="list-style-type: none"> Flavoring Factory Ayutthaya, Thailand 	Kawasan Industry Jababeka <ul style="list-style-type: none"> Food Coating Factory Cikarang Province Indonesia
136 Hi-Tech Industrial Estate <ul style="list-style-type: none"> Food Coloring Ayutthaya, Thailand 	San Sai Factory <ul style="list-style-type: none"> Dried Products Frozen Food Chiang Mai, Thailand 	

Source: RBF

Exhibit 2: RBF's product categories

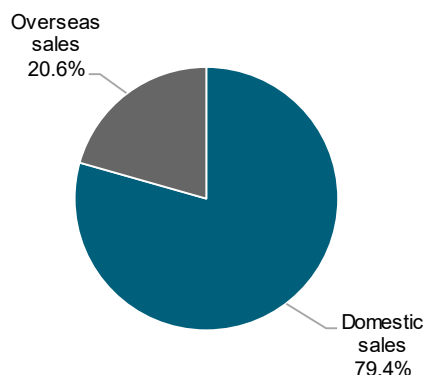
 Flavoring, Fragrance and Food coloring	 Dried product: Air Dried, Spray Dried, Freeze Dried
 Food Coating: Breadcrumbs, Premixed, Seasoning	 Frozen product: Ready to eat, Ready to cook
 Trading Product: Sausage casing, Food additive	 Plastic Packaging: PLA, PET, PP, PS

Source: RBF

By product category, the company's 2022 revenue contribution from food coating accounted for 45.1% of total revenue, followed by flavouring and food colouring (32.6%), trading products (12.9%), dried products (6.9%), frozen products (1.5%), and plastic packaging (1%).

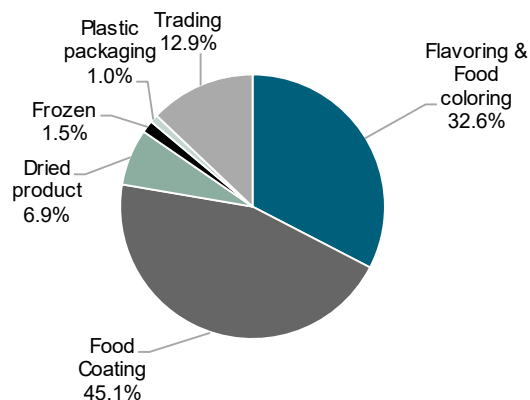
By destination, the company's 2022 domestic revenue accounted for 79.4%, and overseas revenue made up 20.6% of total revenue. In addition, the company exports its products to more than 30 countries, such as Indonesia, Vietnam, Japan, Cambodia, Myanmar, China, Australia, Pakistan, the UK, the Philippines, etc.

Exhibit 3: Revenue breakdown by destination in 2022



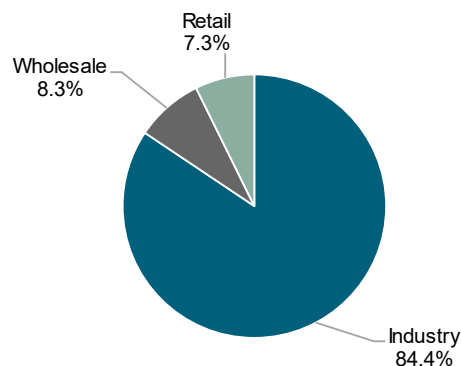
Source: RBF

Exhibit 4: Revenue breakdown by product in 2022






Source: RBF

Exhibit 5: Revenue breakdown by channel in 2022



Source: RBF

Exhibit 6: RBF's own brands

Logo	Brand	Product
	Best Odour	<ul style="list-style-type: none"> Flavoring Coloring Baking Soda Food Additive
	Uncle Barns	<ul style="list-style-type: none"> Breadcrumbs Premix Product Milk Power
	Gob Jung	<ul style="list-style-type: none"> Breadcrumbs
	Super-Find	<ul style="list-style-type: none"> Premix Product
	Haeyo	<ul style="list-style-type: none"> Flavoring
	Angelo	<ul style="list-style-type: none"> Flavoring

Source: RBF

2022 core profit should be the bottom

RBF reported a 4Q22 net profit of THB94m (-15% q-q, -9% y-y). Excluding an FX loss of THB13m, and an expected credit loss of THB1m, its 4Q22 core profit was equal to THB108b (+20% q-q, +16% y-y). Even though its profit recovery was slower than expected, its sales did improve.

4Q22 total revenue grew by 1.1% q-q and 8.3% y-y to THB1b, which was a record high. We are impressed by the recovery of flavouring & fragrance revenue to THB339m (+13% q-q, +20% y-y), which accounted for 34% of total revenue. The gross margin was flat q-q at 32.1% due to the high-priced inventory for the food coating segment. It had a low margin, in our view, but it should be the bottom.

RBF's 2022 net profit grew by 15% to THB482m. Excluding extra items, its core profit amounted to THB459m (-3.3% y-y). We are impressed by the record high total revenue with solid growth at 17% y-y to THB3.96b. However, its 2022 gross margin fell sharply to 34% from 37.2% in 2021, due to higher raw material costs and its product mix.

Exhibit 7: 2022 earnings results

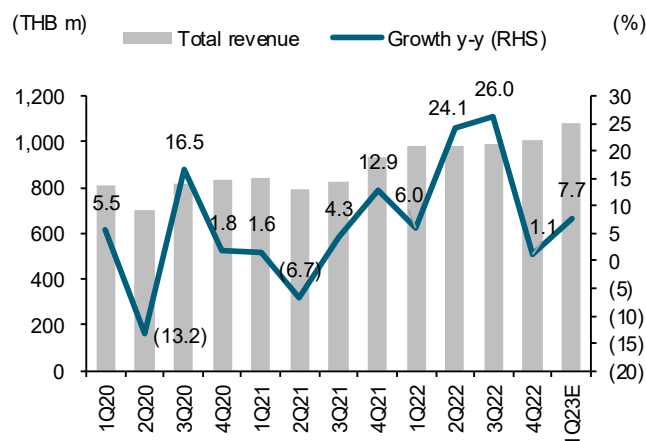
	4Q21	1Q22	2Q22	3Q22	4Q22	----- Change -----		2021	2022	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	928	984	978	994	1,005	1.1	8.3	3,384	3,961	17.1
Cost of sales	633	615	643	675	682	1.1	7.8	2,126	2,615	23.0
Gross profit	295	370	335	319	323	1.2	9.2	1,258	1,346	7.0
SG&A	179	184	190	195	193	(1.2)	8.1	663	763	15.1
Operating profit	119	189	146	124	131	5.3	10.0	603	590	(2.0)
Interest expense	3	2	2	2	2	20.1	(11.7)	8.9	9.2	3.3
Tax expense	23	35	31	29	19	(33.9)	(18.4)	116	113	(2.5)
Profit (loss) sharing	0.00	0.00	0.00	0.00	0.02	nm	nm	0.00	0.02	nm
Reported net profit	103	163	115	110	94	(14.7)	(9.2)	420	482	14.8
Core profit	93	150	112	90	108	19.5	16.1	475	459	(3.3)
Key ratios (%)						(ppt)	(ppt)			
Gross margin	31.8	37.5	34.2	32.1	32.1	0.0	0.3	37.2	34.0	(3.2)
SG&A to sales	19.2	18.7	19.4	19.7	19.2	(0.5)	(0.0)	19.6	19.3	(0.3)
Operating margin	12.8	19.2	14.9	12.5	13.0	0.5	0.2	17.8	14.9	(2.9)
Net margin	11.1	16.5	11.8	11.1	9.4	(1.7)	(1.8)	12.4	12.2	(0.2)
Core margin	10.0	15.2	11.4	9.1	10.7	1.6	0.7	14.0	11.6	(2.4)
Operating statistics (THB m)										
Domestic	733	789	771	788	795	0.8	8.4	2,792	3,143	12.6
Overseas	195	195	207	205	210	2.3	7.8	592	818	38.2
Sales breakdown by product (THB m)										
Flavouring & food colouring	282	344	310	299	339	13.4	20.0	1,194	1,292	8.2
Food coating	410	414	429	476	462	(2.8)	12.9	1,365	1,787	30.9
Trading	154	132	135	130	119	(7.9)	(22.6)	519	511	(1.6)
Dried products	54	70	75	66	61	(8.0)	11.2	214	272	26.9
Other	27	24	29	24	23	(1.0)	(14.5)	92	100	9.1

Source: RBF

Expect 1Q23 profit to recover q-q

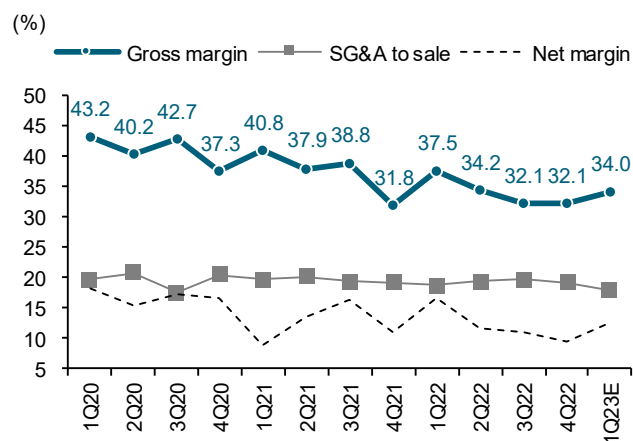
We expect a 1Q23 net profit of THB135m (+44% q-q, -17% y-y). The drop y-y would come from the high base in 1Q22. We estimate total revenue to grow by 7% q-q in 1Q23, due to 1) a consumption recovery; and 2) RBF's beverage customers launching new products as CBD drinks. In particular, General Beverage (not listed) is launching a drink shot with CBD under the brand 'Double C', and Ichitan Group (ICHI TB, not rated) is launching a vitamin water PH plus 8.5 drink with CBD, for which the CBD extract is provided by RBF. The company's gross margin should improve in 1Q23 onward after the high-priced inventory burns out. We forecast its 1Q23 gross margin to rise to 34% from 32% in 4Q22.

Exhibit 8: Quarterly total revenue



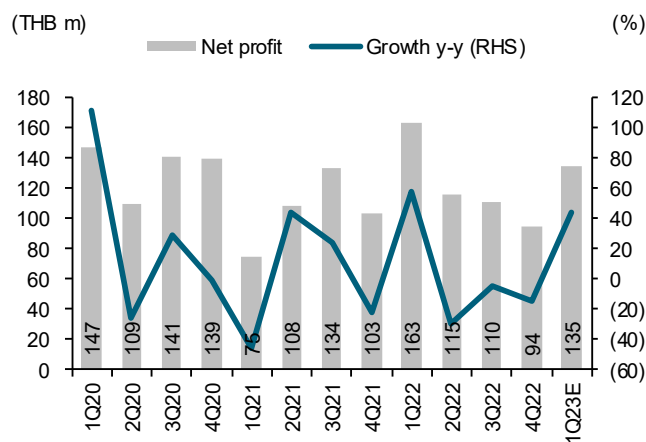
Source: FSSIA estimate

Exhibit 9: Quarterly profitability



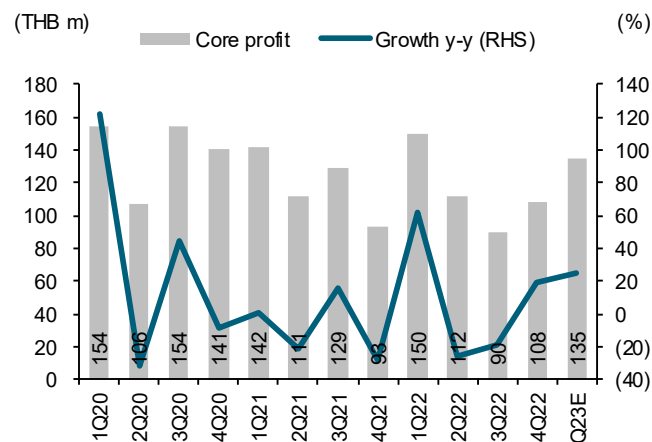
Source: FSSIA estimate

Exhibit 10: Quarterly net profit and growth



Source: FSSIA estimate

Exhibit 11: Quarterly core profit and growth



Source: FSSIA estimate

2023 profit should recover to grow strongly

We have a slightly positive view from the analyst meeting on 15 Mar-23. Management targets 2023 total revenue growth at 15-20%. Key drivers are expected to be 1) a domestic sales recovery with flavouring & food colouring growth; and 2) strong overseas sales growth. In particular, the company is adding the second phase of its factory in Indonesia, as its first factory has been running at its full utilisation rate. Note, the second Indonesia factory will have 3x the capacity of its first factory. Its second factory's operations are scheduled to start in 3Q23 onward.

We expect RBF's 2023 gross margin to rise by 1.8 ppt to 35.8% from 34% in 2022, below management's target of 36-38%. The gross margin recovery would come from 1) declining food coating raw material costs; 2) changes in its product mix; and 3) an increasing utilisation rate.

Overall, we forecast a 2023 net profit of THB664m (+38% y-y). Assuming in-line 1Q23 results, it would contribute around 20% of our 2023 forecast.

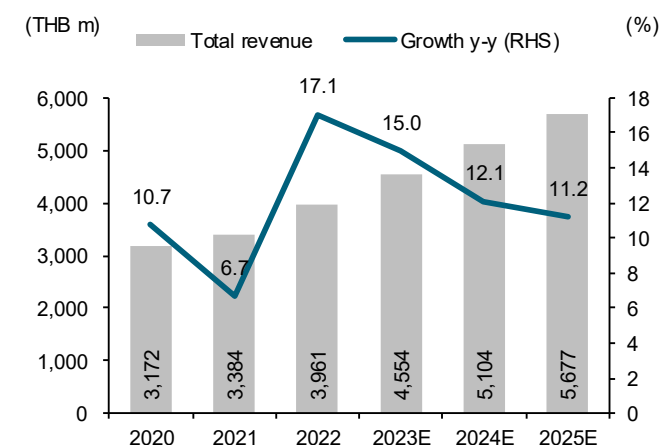
Exhibit 12: Key assumptions for RBF

Assumptions	Actual	Forecast			Growth		
	2022	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Domestic sales	3,143	3,458	3,734	4,033	10.0	8.0	8.0
Overseas sales	818	1,096	1,370	1,644	34.0	25.0	20.0
Food coating sales	1,787	1,987	2,184	2,409	11.2	9.9	10.3
Flavouring & food colouring sales	1,292	1,550	1,782	1,996	20.0	15.0	12.0
Total sales	3,961	4,554	5,104	5,677	15.0	12.1	11.2
Gross profit	1,346	1,630	1,863	2,100	21.1	14.3	12.7
Gross margin (%)	34.0	35.8	36.5	37.0	1.8	0.7	0.5
SG&A expenses	763	820	919	1,022	7.5	12.1	11.2
SG&A to sales (%)	19.3	18.0	18.0	18.0	(1.3)	0.0	0.0
Reported net profit	482	664	772	881	37.6	16.3	14.1
Net margin (%)	12.2	14.6	15.1	15.5	2.4	0.5	0.4
Core profit	459	664	772	881	44.5	16.3	14.1
Core margin (%)	11.6	14.6	15.1	15.5	3.0	0.5	0.4

Note: Change of items in percentage terms are represented in ppt change

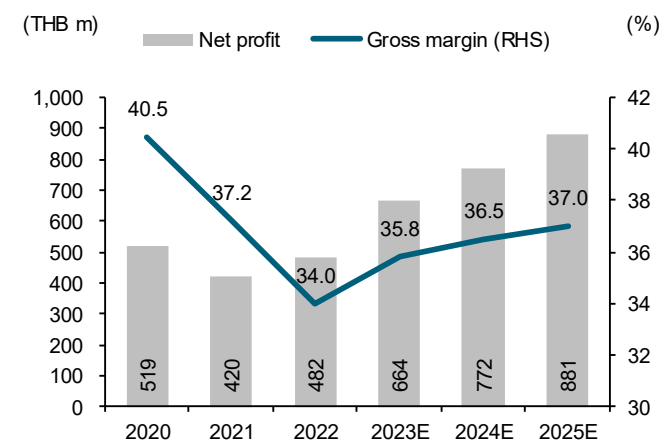
Sources: RBF; FSSIA estimates

Exhibit 13: Yearly total revenue and growth



Source: FSSIA estimates

Exhibit 14: Yearly net profit and growth



Source: FSSIA estimates

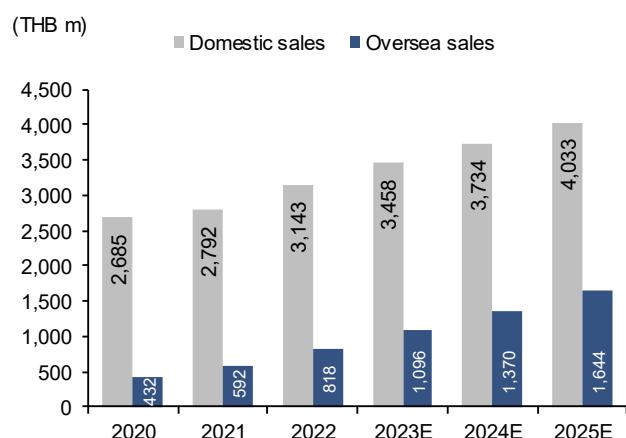
India expansion

According to RBF and its partners, Thai Union Group (TU TB, BUY, TP THB24) and Srinivasa Cystine Private Limited, which is an associate of Avanti Group, has established a joint venture company named RBS-TU Food Ingredients Private Limited in India. RBS-TU's business is importing and distributing RBF's products into the Indian market. Its current products are in the food coating segment, and it has started to recognise revenue since 2H22.

RBS-TU has decided to build its own production line in India, and construction will start in 2023. The investment project, including land, construction, machinery, and equipment, has a total value of approximately THB200m, and RBF will invest THB201m followed by a 51% stake in RBS-TU. The operation is expected to start in 2H24. We expect that this new factory will support the Indian market's growth in 2025 onward.

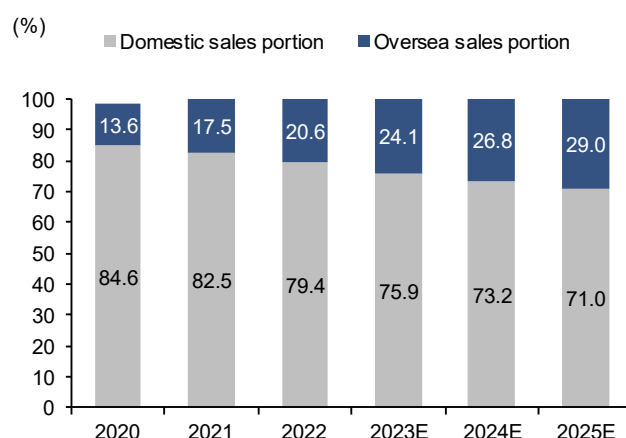
However, in 2023-24, RBF will export its products for sale in India. We forecast 2023 revenue from India of THB60m and THB120m in 2024, which should account for 1.3% and 2.4% of total revenue, respectively.

Exhibit 15: Yearly total revenue breakdown by destination



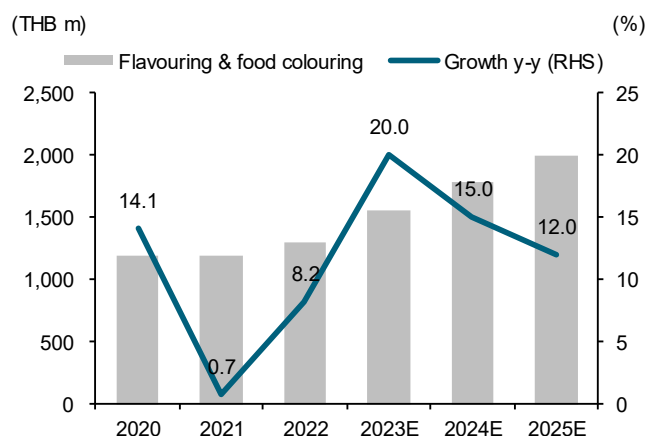
Source: FSSIA estimates

Exhibit 16: Yearly revenue proportions by destination



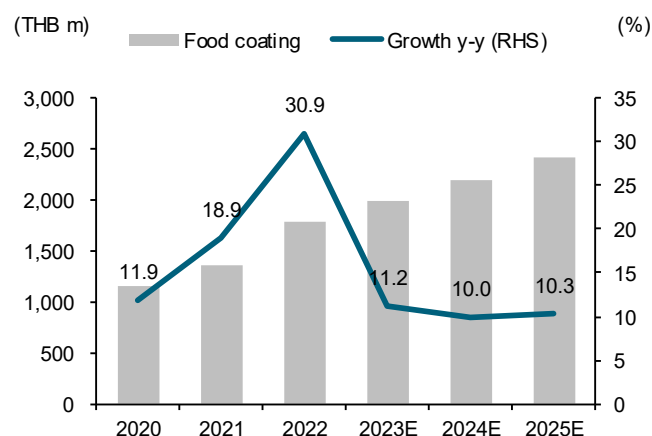
Source: FSSIA estimates

Exhibit 17: Yearly flavouring & food colouring sales



Source: FSSIA estimates

Exhibit 18: Yearly food coating sales



Source: FSSIA estimates

Valuation

We rate RBF with a BUY recommendation and a TP of THB13.5, based on 40.7x 2023E P/E, in line with its five-year historical average. The share price fell sharply by 43% in 2022 as investors were disappointed by the lacklustre performance of the CBD business. However, our forecast does not include CBD revenue, while the success of RBF's ventures in the India market could create an upside to our projections.

Exhibit 19: Peer comparisons as of 17 Mar-23

Company	BBG	Rec	Share price			Market Cap	PE		ROE		PBV		EV/ EBITDA	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Thailand														
R&B Food Supply	RBF TB	BUY	12.10	13.50	12	706	36.5	31.4	14.8	16.3	5.3	5.0	21.6	18.2
TAC Consumer	TACC TB	BUY	5.80	10.00	72	103	13.2	11.9	34.3	36.6	4.4	4.3	7.9	7.0
NSL Foods	NSL TB	BUY	21.60	26.00	20	189	18.9	16.5	23.8	26.0	4.4	4.2	10.9	9.6
Minor International	MINT TB	BUY	32.00	40.00	25	4,969	33.5	26.1	7.9	10.7	2.7	2.8	11.1	10.2
Srinanaporn Marketing	SNNP TB	BUY	22.50	29.00	29	630	31.0	26.8	22.5	24.5	6.9	6.3	20.6	18.2
Thai Union Group	TU TB	BUY	14.60	24.00	64	2,024	11.2	10.1	7.6	8.1	0.8	0.8	7.4	7.0
Taokaenoi Food & Marketing	TKN TB	n/a	9.90	n/a	n/a	399	25.6	21.2	24.6	27.7	6.1	5.7	16.0	13.7
Thailand average						9,021	24.3	20.6	19.3	21.4	4.4	4.1	13.6	12.0
Regional														
Givaudan	GIVN SW	n/a	2,915.00	n/a	n/a	29,007	29.1	25.9	20.3	21.5	6.0	5.6	20.8	19.0
International Flavors & Fragrances	IFF US	n/a	82.76	n/a	n/a	21,109	17.0	14.6	5.0	5.8	1.2	1.2	13.5	12.2
McCormick	MKC US	n/a	72.62	n/a	n/a	19,413	28.3	25.3	14.7	15.9	4.1	3.9	19.8	18.4
Kerry Group	KYGA ID	n/a	90.20	n/a	n/a	17,040	19.9	17.8	12.4	12.6	2.4	2.2	14.5	13.4
Qingdao Richen Foods	603755 CH	n/a	42.49	n/a	n/a	600	40.6	29.9	13.1	15.7	5.2	4.5	32.7	24.1
Agro Tech Foods	ATFL IN	n/a	861.95	n/a	n/a	254	129.0	53.3	3.4	7.9	4.4	4.1	47.6	27.6
Britannia Industries	BRIT IN	n/a	4,362.55	n/a	n/a	12,730	54.2	47.1	65.0	60.2	31.5	25.7	38.9	34.1
Three Squirrels	300783 CH	n/a	19.26	n/a	n/a	1,137	25.4	21.0	11.8	13.4	3.0	2.6	20.8	16.2
Zhongyin Babi Food	605338 CH	n/a	31.40	n/a	n/a	1,136	27.7	22.8	11.9	12.8	3.3	2.9	18.4	15.2
Ligao Foods	300973 CH	n/a	99.96	n/a	n/a	2,461	54.0	38.2	13.0	16.0	7.3	6.4	34.5	24.7
Hostess Brands	TWNK US	n/a	24.40	n/a	n/a	3,257	22.1	20.2	8.1	8.3	1.7	1.6	13.0	12.2
Lotus Bakeries	LOTB BB	n/a	6,030.00	n/a	n/a	5,252	40.7	36.4	19.7	19.1	7.3	6.5	27.4	24.7
Gourmet Master	2723 TT	n/a	146.50	n/a	n/a	872	25.3	19.3	8.8	11.4	2.1	2.0	7.2	6.7
Regional average						114,268	39.5	28.6	15.9	17.0	6.1	5.3	23.8	19.1
Total average						123,290	34.2	25.8	17.1	18.5	5.5	4.9	20.2	16.6

Sources: Bloomberg; FSSIA estimates

Exhibit 20: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 21: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

R&B Food Supply

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,384	3,961	4,554	5,104	5,677
Cost of goods sold	(1,919)	(2,397)	(2,645)	(2,902)	(3,178)
Gross profit	1,465	1,565	1,909	2,202	2,499
Other operating income	7	7	14	15	17
Operating costs	(663)	(763)	(820)	(919)	(1,022)
Operating EBITDA	809	809	1,103	1,298	1,494
Depreciation	(207)	(219)	(279)	(339)	(399)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	603	590	824	960	1,096
Net financing costs	(9)	(9)	(9)	(12)	(15)
Associates	-	-	-	-	-
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(55)	23	0	0	0
Profit before tax	539	604	815	948	1,081
Tax	(116)	(113)	(147)	(171)	(195)
Profit after tax	423	491	668	777	886
Minority interests	(3)	(9)	(5)	(5)	(6)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	420	482	664	772	881
Non-recurring items & goodwill (net)	55	(23)	0	0	0
Recurring net profit	475	459	664	772	881
Per share (THB)					
Recurring EPS *	0.24	0.23	0.33	0.39	0.44
Reported EPS	0.21	0.24	0.33	0.39	0.44
DPS	0.15	0.10	0.20	0.23	0.26
Diluted shares (used to calculate per share data)	2,000	2,000	2,000	2,000	2,000
Growth					
Revenue (%)	6.7	17.1	15.0	12.1	11.2
Operating EBITDA (%)	(5.3)	(0.1)	36.3	17.7	15.1
Operating EBIT (%)	(9.6)	(2.0)	39.6	16.4	14.2
Recurring EPS (%)	(11.8)	(3.3)	44.5	16.3	14.1
Reported EPS (%)	(19.1)	14.8	37.6	16.3	14.1
Operating performance					
Gross margin inc. depreciation (%)	37.2	34.0	35.8	36.5	37.0
Gross margin of key business (%)	37.2	34.0	35.8	36.5	37.0
Operating EBITDA margin (%)	23.9	20.4	24.2	25.4	26.3
Operating EBIT margin (%)	17.8	14.9	18.1	18.8	19.3
Net margin (%)	14.0	11.6	14.6	15.1	15.5
Effective tax rate (%)	21.5	18.7	18.0	18.0	18.0
Dividend payout on recurring profit (%)	63.1	43.5	60.0	60.0	60.0
Interest cover (X)	68.0	64.5	88.5	80.0	74.6
Inventory days	166.1	168.0	177.9	180.5	182.4
Debtor days	91.2	85.2	85.0	85.1	85.5
Creditor days	81.2	77.3	75.1	74.3	75.1
Operating ROIC (%)	14.9	13.7	17.1	18.9	(5.2)
ROIC (%)	14.3	13.0	16.1	17.7	(4.9)
ROE (%)	11.4	10.7	14.8	16.3	17.4
ROA (%)	9.8	9.3	12.7	14.0	14.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Flavoring agents and Food coloring	1,194	1,292	1,550	1,782	1,996
Food coating	1,335	1,787	1,987	2,184	2,409
Dehydrated products	214	272	318	366	420
Frozen	68	60	67	75	84

Sources: R&B Food Supply; FSSIA estimates

Financial Statements

R&B Food Supply

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	475	459	664	772	881
Depreciation	207	219	279	339	399
Associates & minorities	0	0	0	0	0
Other non-cash items	14	11	(1)	2	2
Change in working capital	(135)	(354)	(234)	(221)	(231)
Cash flow from operations	562	335	708	891	1,050
Capex - maintenance	-	-	-	-	-
Capex - new investment	-	(456)	(367)	(300)	(300)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	30	(109)	(28)	(9)	(9)
Cash flow from investing	30	(565)	(395)	(309)	(309)
Dividends paid	(300)	(295)	(398)	(463)	(528)
Equity finance	0	0	0	0	0
Debt finance	(129)	19	(10)	(10)	(11)
Other financing cash flows	(1)	(3)	10	8	9
Cash flow from financing	(430)	(278)	(398)	(465)	(530)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	162	(508)	(85)	118	210
Free cash flow to firm (FCFF)	600.43	(220.64)	322.55	594.44	755.37
Free cash flow to equity (FCFE)	461.77	(213.05)	313.20	580.70	738.77

Per share (THB)

FCFF per share	0.30	(0.11)	0.16	0.30	0.38
FCFE per share	0.23	(0.11)	0.16	0.29	0.37
Recurring cash flow per share	0.35	0.34	0.47	0.56	0.64

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	3,031	3,133	3,433	3,733	4,033
Less: Accumulated depreciation	(1,188)	(1,092)	(1,370)	(1,709)	(2,108)
Tangible fixed assets (net)	1,842	2,041	2,063	2,024	1,925
Intangible fixed assets (net)	6	6	11	11	11
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	69	180	180	180	180
Cash & equivalents	1,176	668	583	700	910
A/C receivable	850	998	1,123	1,259	1,400
Inventories	989	1,217	1,362	1,510	1,666
Other current assets	23	44	50	56	62
Current assets	3,039	2,927	3,117	3,524	4,038
Other assets	50	51	73	82	91
Total assets	5,006	5,204	5,444	5,821	6,246
Common equity	4,224	4,373	4,572	4,881	5,233
Minorities etc.	12	23	22	24	26
Total shareholders' equity	4,237	4,397	4,594	4,905	5,259
Long term debt	156	157	147	136	125
Other long-term liabilities	61	58	68	77	85
Long-term liabilities	217	215	215	213	211
A/C payable	487	528	561	622	686
Short term debt	12	10	10	11	11
Other current liabilities	53	54	64	71	79
Current liabilities	552	593	634	704	776
Total liabilities and shareholders' equity	5,006	5,204	5,444	5,821	6,246
Net working capital	1,323	1,676	1,910	2,131	2,363
Invested capital	3,290	3,954	4,237	4,428	4,570

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

Per share (THB)

Book value per share	2.11	2.19	2.29	2.44	2.62
Tangible book value per share	2.11	2.18	2.28	2.43	2.61

Financial strength

Net debt/equity (%)	(23.8)	(11.4)	(9.3)	(11.3)	(14.7)
Net debt/total assets (%)	(20.1)	(9.6)	(7.8)	(9.5)	(12.4)
Current ratio (x)	5.5	4.9	4.9	5.0	5.2
CF interest cover (x)	53.1	27.5	74.0	74.4	71.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	50.9	52.7	36.5	31.4	27.5
Recurring P/E @ target price (x) *	56.8	58.8	40.7	35.0	30.7
Reported P/E (x)	57.6	50.2	36.5	31.4	27.5
Dividend yield (%)	1.2	0.8	1.6	1.9	2.2
Price/book (x)	5.7	5.5	5.3	5.0	4.6
Price/tangible book (x)	5.7	5.5	5.3	5.0	4.6
EV/EBITDA (x) **	28.7	29.3	21.6	18.2	15.7
EV/EBITDA @ target price (x) **	32.1	32.8	24.1	20.4	17.6
EV/invested capital (x)	7.1	6.0	5.6	5.3	5.1

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

Sources: R&B Food Supply; FSSIA estimates

Disclaimer: Corporate Governance Report of Thai listed companies (CGR)

The Thai Institute of Directors Association (Thai IOD), with support from the Stock Exchange of Thailand (SET), assesses the corporate governance practices of Thai listed businesses. The report will be reviewed and updated on an annual basis. It is publicly disclosed and can be accessed by a general public investor at [the Thai IOD website](#). The results are from the perspective of a third party. It is not an evaluation of operations and is not based on inside information. The CGR results recognise corporate governance in four levels: Excellent (score range 90-100), Very Good (score range 80-89), Good (Score range 70-79), and Lower Levels.

The five underlying categories used for corporate governance scoring are the rights of shareholders, equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and board responsibilities.

The survey results are as of the date appearing in the Corporate Governance Report of Thai Listed Companies. Accordingly, 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.

Other useful information regarding corporate governance and sustainable development evaluation

Apart from the CG Score report by the Thai Institute of Directors Association (Thai IOD), mentioned above, investors may find other useful information from [The Securities and Exchange Commission of Thailand website](#), including 1) AGM quality assessments by the Thai Investors Association; 2) companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under the Thai IOD that are categorised into companies that have declared their intention to join the CAC and companies certified by the CAC; and 3) the record of listed companies with corporate sustainable development, "Thai Sustainability Investment", by the Stock Exchange of Thailand for SET and MAI-listed companies which have passed the assessment conducted by the Stock Exchange of Thailand and THSI (SET), THSI (MAI), and SET-listed companies which have passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI).

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Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
R&B Food Supply	RBF TB	THB 12.10	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material costs; 3) a weaker THB than expected; and 4) a slower-than-expected India expansion.
T.A.C. Consumer	TACC TB	THB 5.80	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.
NSL Foods	NSL TB	THB 21.60	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.
Minor International	MINT TB	THB 32.00	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Srinanaporn Marketing	SNNP TB	THB 22.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in raw material costs; 3) a slower-than-expected capacity expansion; and 4) unsuccessful new products.
Thai Union Group	TU TB	THB 14.60	BUY	Downside risks to our SoTP-based TP include 1) a stronger-than-expected THB against the USD; 2) the high volatility of raw material prices; 3) labour shortages; and 4) tariff and non-tariff barriers in international trade.

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

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All share prices are as at market close on 17-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.