

STARFLEX SFLEX TB
THAILAND / PACKAGING

BUY

UNCHANGED

การซื้อที่ดีในราคาที่เหมาะสม

- เราคิดว่าการซื้อหุ้น 25% ใน SPV ซึ่งเป็นผู้ผลิตบรรจุภัณฑ์ที่ผลิตจากกระดาษชั้นนำในเวียดนามเป็นการลงทุนที่ดี
- การซื้อดังกล่าวน่าจะแล้วเสร็จใน 3Q23
- คงแนะนำซื้อที่ราคาเป้าหมาย 4.70 บาท

TARGET PRICE	THB4.70
CLOSE	THB3.30
UP/DOWNSIDE	+42.4%
PRIOR TP	THB4.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-3.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	1,669	1,802	2,001	2,143
Net profit	55	160	186	200
EPS (THB)	0.07	0.20	0.23	0.24
vs Consensus (%)	-	(2.4)	(2.1)	-
EBITDA	124	251	289	317
Core net profit	55	160	186	200
Core EPS (THB)	0.07	0.20	0.23	0.24
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(63.1)	191.1	16.3	7.5
Core P/E (x)	49.1	16.9	14.5	13.5
Dividend yield (%)	-	-	-	-
EV/EBITDA (x)	23.2	11.3	9.5	8.6
Price/book (x)	2.7	2.4	2.3	2.1
Net debt/Equity (%)	16.3	11.2	3.3	1.4
ROE (%)	5.7	15.2	16.1	16.1

ข้อมูลผู้ผลิตบรรจุภัณฑ์ที่ผลิตจากกระดาษในเวียดนาม

เมื่อวันที่ 25 เม.ย. 2023 คณะกรรมการบริษัทของ SFLEX ได้อนุมัติแผนการลงทุนเพื่อซื้อหุ้น 25% ใน Star Print Vietnam JSC (SPV) ซึ่งเป็นผู้ผลิตบรรจุภัณฑ์ประเภทกล่องกระดาษพับในเวียดนาม ต้นทุนการลงทุนรวมของ SFLEX อยู่ที่ 383 ลบ. (คิดจากอัตราแลกเปลี่ยน ณ วันที่ 22 มี.ค. 2023) แหล่งเงินทุนในการซื้อจะมาจากเงินกู้จากธนาคารและกระแสเงินสดภายในของบริษัท รายการดังกล่าวน่าจะแล้วเสร็จใน 3Q23

ผู้ผลิตบรรจุภัณฑ์คุณภาพสูงชั้นนำพร้อมกลุ่มลูกค้าที่มีชื่อเสียง

SPV เป็นผู้ผลิตบรรจุภัณฑ์ที่ผลิตจากกระดาษเพื่อการพาณิชย์ชั้นนำในเวียดนาม บริษัท มีผลิตภัณฑ์หลักประกอบด้วยกล่องกระดาษพับ กล่องจิวบิงและกล่องกระดาษลูกฟูก ถุงกระดาษ และบรรจุภัณฑ์กระดาษอื่น ๆ บริษัท มีฐานลูกค้าสำคัญครอบคลุมทั้งภูมิภาคอาเซียนรวมถึงออสเตรเลียและนิวซีแลนด์ ในช่วง 3 ปีที่แล้ว (2020-2022) SPV มีรายได้จากการขายโตในอัตรา 10% CAGR ไปทำสถิติสูงสุดใหม่ที่ 1.5 พัน ลบ. ในปี 2022 บริษัท มีกำไรสุทธิพุ่งแรงจาก 52 ลบ. ในปี 2020 เป็น 135 ลบ. ในปี 2022 คิดเป็นอัตรากำไรสุทธิที่ 9.1% ในปี 2022

การซื้อที่ดีในราคาที่เหมาะสม

เรามองว่าการซื้อดังกล่าวจะช่วยเสริมความสามารถของ SFLEX ในการตอบสนองความต้องการของลูกค้าให้ดียิ่งขึ้นจากประเภทสินค้าที่หลากหลายมากขึ้น จากปัจจุบันที่มีแต่ผลิตภัณฑ์บรรจุภัณฑ์พลาสติกอ่อน การลงทุนดังกล่าวจะช่วยให้ SFLEX โตเพื่อที่จะได้มีโอกาสทางธุรกิจในตลาดมากขึ้นในอนาคต นอกจากนี้เราคิดว่า การซื้อดังกล่าวจะช่วยกระตุ้นกำไรของ SFLEX จากกำไรสุทธิปี 2022 ของ SPV ที่ 135 ลบ. เราคาดว่า SFLEX น่าจะได้ประโยชน์จากกำไรต่อปีเพิ่มขึ้น 25-30 ลบ. ถ้าสมมติให้เงินที่ใช้ซื้อหุ้น 25% ดังกล่าวมาจากแหล่งเงินทุนที่อิงหนี้สินต่อทุน (D/E ratio) ที่ 1x

คงแนะนำซื้อที่ราคาเป้าหมาย 4.7 บาท

ต้นทุนในการซื้อคิดเป็นค่า P/E ที่ 10.8x ของกำไรปี 2022 ของ SPV ซึ่งต่ำกว่าค่า 2023E P/E ที่ 16.9x ของ SFLEX เราคงแนะนำซื้อ SFLEX ที่ราคาเป้าหมาย 4.7 บาท (อิง PE 24x) ต่ำกว่า -0.5SD ของค่าเฉลี่ย 4 ปีย้อนหลังนับตั้งแต่การจดทะเบียนในตลาดฯ ปัจจุบันราคาหุ้นซึ่งมีการซื้อขายที่ 2023E P/E 16.9x และ 2023E EV/EBITDA เพียง 11.3x (ต่ำกว่า -1.0SD ของค่าเฉลี่ย P/E และ EV/EBITDA 4 ปีย้อนหลัง) เป็นระดับที่เกือบต่ำที่สุดนับตั้งแต่บริษัท จดทะเบียนในตลาดฯ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(11.3)	1.2	(22.5)
Relative to country (%)	(8.5)	10.2	(16.6)
Mkt cap (USD m)			77
3m avg. daily turnover (USD m)			0.1
Free float (%)			0
Major shareholder	Mr. Printhorn Apithanasriwong (24%)		
12m high/low (THB)	4.54/2.76		
Issued shares (m)	820.00		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 27 เมษายน 2023

Investment thesis

We think that the 25% acquisition in Star Print Vietnam JSC (SPV), a folding carton packaging manufacturer in Vietnam, is a good investment for SFLEX. This transaction should strengthen SFLEX's capability to serve customer needs with a more diversified product range beyond its current soft plastic packaging products. This investment will allow SFLEX to expand its overseas business opportunities and enhance SFLEX's profit. Based on SPV's 2022 net profit of THB135m, we forecast SFLEX to benefit from THB25m-30m in additional annual net profit.

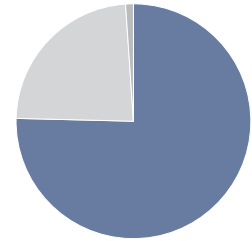
Company profile

Starflex is a leading manufacturer and distributor of flexible packaging in roll form sold mainly to local consumer product suppliers. Its flexible packaging is a multilayer film made from splicing 2-5 layers using glue or resin as a binding material. This results in a rigid film that is resistant to heat and high pressure, lightweight, and capable of having graphic patterns printed on its surface.

www.starflex.co.th

Principal activities (revenue, 2022)

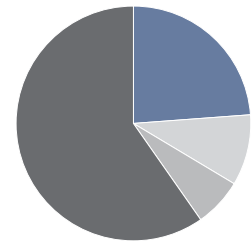
- Non-food packaging - 75.4 %
- Food packaging - 23.5 %
- Others - 1.1 %



Source: Starflex

Major shareholders

- Mr. Printhorn Apithanasriwong - 23.8 %
- Mr. Ek Picharnchitra - 9.8 %
- BTS Group Holdings - 6.7 %
- Others - 59.7 %



Source: Starflex

Catalysts

Key potential catalysts include 1) a broad-based economic recovery; 2) a plunge in oil prices; and 3) baht appreciation.

Risks to our call

Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

Event calendar

Date	Event
May 2023	Annual General Meeting
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)
Sales revenue	1,802	2,001	2,143
Growth (%)	8.0	11.0	7.1
Non-food packaging	1,359	1,501	1,607
Growth (%)	8.0	10.5	7.1
Food packaging	436	492	527
Growth (%)	11.0	12.9	7.1
Gross margin (%)	18.5	19.5	20.0
SG&A to sales (%)	9.4	9.4	9.4

Source: FSSIA estimates

Earnings sensitivity

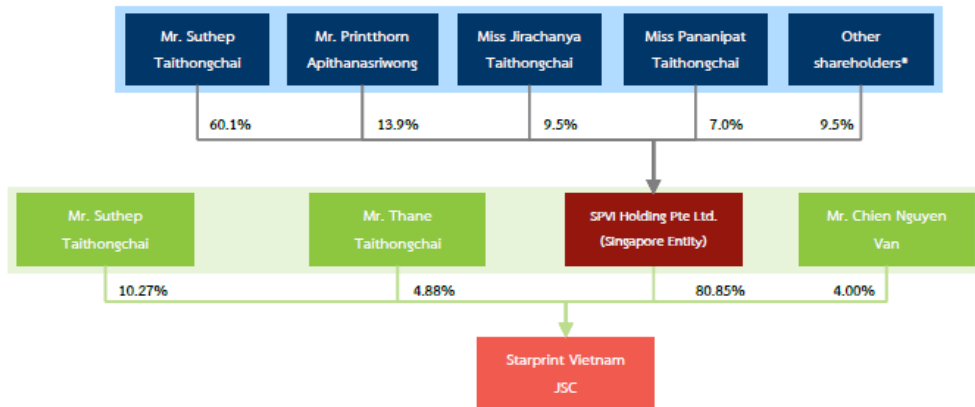
- For every 0.5% change in gross margin, we project SFLEX's 2023 core profit to change by 4.8%, all else being equal.
- For every 0.5% change in SG&A to sales, we project SFLEX's 2023 core profit to change by 4.0%, all else being equal.

Source: FSSIA estimates

Acquisition of a paper-based packaging producer in Vietnam

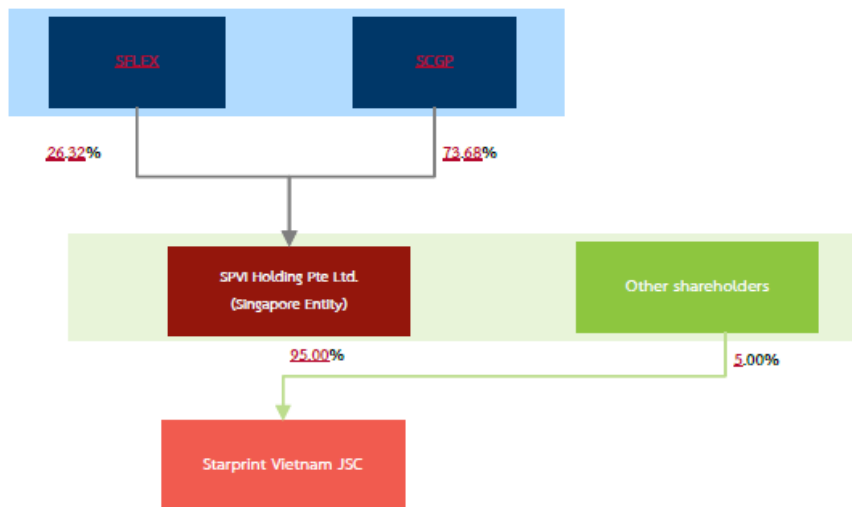
SFLEX’s board of directors approved on 25 April 2023 a joint venture project with SCG Packaging (SCGP TB, not rated) to invest in Star Print Vietnam JSC (SPV), a folding carton packaging manufacturer in Vietnam. SFLEX and SCGP will together acquire a 95% stake in the ordinary shares of SPV from the existing shareholders for a total investment of approximately THB1.46b. Of the 95% stake, SCGP will hold 70% and SFLEX will hold 25% of the total shares of SPV. The transaction is expected to be completed in 3Q23.

Exhibit 1: SPV’s shareholding structure before the transaction



Note: * Other shareholders refer to those who are not related to Mr. Printhorn Apithanasriwong
Source: SFLEX

Exhibit 2: SPV’s shareholding structure after the transaction



Source: SFLEX

Acquisition of leading paper-based packaging company in Vietnam

SPV was founded in 1962 in Thailand and arrived in Vietnam in 2001. The company is a leading manufacturer of paper-based commercial packaging in Vietnam using

advanced technologies for printing, coating, and assembly solutions. Its main product portfolio comprises folding cartons, rigid boxes, corrugated boxes, carry bags, and other paper packaging. SPV's main customer base is the high growth and fast-moving consumer product industry covering the entire ASEAN region as well as Australia and New Zealand. Its major clients include Unilever, Colgate, Nestle, P&G, Mondelez, Crayola, Heineken, and Walmart.

SPV has two factories at the Amata Industrial Park, in Bien Hoa, southern Vietnam with a total area of more than 26,000 sq m. The company has a combined capacity of 16,500 tons of offset printing per year and 8 million pieces of rigid boxes per year.

Exhibit 3: Products of SPV



Source: Starprint Vietnam JSC website

During the past three years (2020-2022), SPV grew its sales revenue from THB1.2b in 2020 to THB1.5b in 2022 for a 10% CAGR and an improvement in gross margin from 16.0% in 2020 to 20.9% in 2022. The company's net profit skyrocketed at a CAGR of 61% from THB52m in 2020 to THB135m in 2022, implying net margins of 4.2%/6.4%/9.1% in 2020-2022, respectively. Its financial position is strong with a D/E of only 1.2x at end-2022.

Exhibit 4: Key performances of SPV

	2020		2021		2022	
	(VND m)	(THB m)	(VND m)	(THB m)	(VND m)	(THB m)
Profit and Loss Account						
Sales revenue	838	1,224	874	1,276	1,013	1,481
Cost of sales	(704)	(1,028)	(709)	(1,036)	(801)	(1,171)
Gross profit	134	196	165	241	212	310
SG&A	(73)	(107)	(84)	(122)	(83)	(122)
Other income	3	5	3	4	6	8
Operating profit	64	94	84	123	135	196
Interest expense	(19)	(27)	(16)	(23)	(19)	(27)
EBT	46	67	68	99	116	169
Tax	(10)	(15)	(12)	(18)	(23)	(34)
Net profit	35	52	56	82	92	135
Key Ratios (%)						
Gross margin	16.0	16.0	18.9	18.9	20.9	20.9
Operating margin	7.7	7.7	9.6	9.6	13.3	13.3
Net margin	4.2	4.2	6.4	6.4	9.1	9.1
SG&A / Sales	8.7	8.7	9.6	9.6	8.2	8.2
Balance sheet						
Cash and cash equivalents	6	9	9	13	3	5
Trade receivables	166	243	134	195	116	170
Inventory	138	201	215	314	208	304
Other current assets	6	9	11	16	5	8
Fixed assets	86	125	51	75	45	66
Other non-current assets	54	79	73	107	63	92
Total assets	456	666	492	719	440	643
Loans	18	26	19	28	8	12
Other liabilities	325	475	304	445	232	339
Total liabilities	343	501	323	472	241	352
Capital	61	90	61	90	61	90
Retained earnings	52	75	108	157	138	202
Total shareholders' equity	113	165	169	247	200	292

Note: * refers to the exchange rate announced by the Bank of Thailand as of 22 March 2023 which was equal to THB0.1461 to VND100
Sources: SFLEX

Good investment at a good price

We view that this transaction should strengthen SFLEX's capability to serve customer needs with a more diversified product range beyond its current soft plastic packaging products. This investment will allow SFLEX to expand its overseas business opportunities via a strong relationship with SCGP, one of the world's leading integrated consumer packaging solutions providers. The acquisition should also boost SFLEX's profit as SPV's 2022 net profit resembled SFLEX's net profit during 2020-2021, before it was hit hard by the increase in oil-linked raw material costs.

Based on SPV's 2022 net profit of THB135m, we forecast SFLEX to gain an additional THB25m-30m in annual net profit, assuming the 25% acquisition is financed via a 1x D/E ratio.

Maintain BUY with TP of THB4.70

We consider this to be a good move for SFLEX that should help it to explore more opportunities overseas. SPV's products are mostly different from SFLEX's, therefore, this acquisition should enhance the company's income performance once the transaction is completed. The acquisition cost implies a P/E of 10.8x SPV's 2022 profit, cheaper than SFLEX's 2023E P/E at 16.9x. We maintain our BUY rating on SFLEX with a TP of THB4.70 based on 24x 2023E P/E, within -0.5SD of its four-year average since listing on the SET. Its share price, currently trading at 16.9x 2023E P/E and only 11.3x 2023E EV/EBITDA (within -1.0SD of its four-year P/E and EV/EBITDA averages) is almost at its lowest level since it was listed on the SET.

Financial Statements

Starflex

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,677	1,669	1,802	2,001	2,143
Cost of goods sold	(1,352)	(1,401)	(1,410)	(1,550)	(1,651)
Gross profit	325	267	393	451	492
Other operating income	50	27	27	26	28
Operating costs	(152)	(170)	(169)	(188)	(202)
Operating EBITDA	223	124	251	289	317
Depreciation	(62)	(57)	(59)	(61)	(63)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	161	67	192	228	254
Net financing costs	(4)	(3)	(3)	(4)	(4)
Associates	-	-	-	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	157	65	189	225	250
Tax	(7)	(10)	(28)	(38)	(50)
Profit after tax	149	55	160	186	200
Minority interests	-	-	-	-	-
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	149	55	160	186	200
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	149	55	160	186	200
Per share (THB)					
Recurring EPS *	0.18	0.07	0.20	0.23	0.24
Reported EPS	0.18	0.07	0.20	0.23	0.24
DPS	0.00	0.00	0.00	0.00	0.00
Diluted shares (used to calculate per share data)	820	820	820	820	820
Growth					
Revenue (%)	20.0	(0.5)	8.0	11.0	7.1
Operating EBITDA (%)	(4.2)	(44.4)	102.8	15.2	9.6
Operating EBIT (%)	(7.4)	(58.2)	185.0	19.0	11.4
Recurring EPS (%)	4.6	(63.1)	191.1	16.3	7.5
Reported EPS (%)	4.6	(63.1)	191.1	16.3	7.5
Operating performance					
Gross margin inc. depreciation (%)	15.7	12.6	18.5	19.5	20.0
Gross margin of key business (%)	15.7	12.6	18.5	19.5	20.0
Operating EBITDA margin (%)	13.3	7.4	13.9	14.5	14.8
Operating EBIT margin (%)	9.6	4.0	10.6	11.4	11.9
Net margin (%)	8.9	3.3	8.9	9.3	9.4
Effective tax rate (%)	4.8	14.9	15.0	17.0	20.0
Dividend payout on recurring profit (%)	-	-	-	-	-
Interest cover (X)	40.7	26.0	60.1	62.7	69.5
Inventory days	75.9	86.9	87.5	79.8	77.4
Debtor days	66.1	66.6	61.8	65.4	66.0
Creditor days	78.2	74.3	73.8	72.5	71.4
Operating ROIC (%)	18.1	5.4	14.1	15.7	(4.0)
ROIC (%)	15.7	4.8	12.8	14.3	(3.6)
ROE (%)	16.2	5.7	15.2	16.1	16.1
ROA (%)	11.0	3.7	9.8	10.5	10.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-food packaging	1,309	1,258	1,359	1,501	1,607
Food packaging	365	393	436	492	527
Others	3	18	7	8	9

Sources: Starflex; FSSIA estimates

Financial Statements

Starflex

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	149	55	160	186	200
Depreciation	62	57	59	61	63
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(134)	50	(191)	(9)	(126)
Cash flow from operations	78	162	29	239	137
Capex - maintenance	-	-	-	-	-
Capex - new investment	(196)	(144)	(15)	(45)	(56)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(196)	(144)	(15)	(45)	(56)
Dividends paid	(70)	(37)	(48)	(56)	(60)
Equity finance	0	0	0	0	0
Debt finance	128	66	0	1	3
Other financing cash flows	-	-	-	-	-
Cash flow from financing	58	29	(48)	(54)	(57)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	7	45	0	0
Net other adjustments	(34)	7	45	(54)	(1)
Movement in cash	(94)	54	11	85	23
Free cash flow to firm (FCFF)	(114.34)	20.98	16.97	197.27	85.55
Free cash flow to equity (FCFE)	(23.95)	91.15	58.90	141.28	83.32
Per share (THB)					
FCFF per share	(0.14)	0.03	0.02	0.24	0.10
FCFE per share	(0.03)	0.11	0.07	0.17	0.10
Recurring cash flow per share	0.26	0.14	0.27	0.30	0.32
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	859	1,046	1,136	1,206	1,276
Less: Accumulated depreciation	(428)	(307)	(366)	(427)	(490)
Tangible fixed assets (net)	431	739	770	779	786
Intangible fixed assets (net)	47	54	55	56	57
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	32	32	32	32
Cash & equivalents	75	129	140	226	249
A/C receivable	346	263	347	371	404
Inventories	334	333	342	336	365
Other current assets	185	22	23	24	25
Current assets	939	747	852	956	1,043
Other assets	89	29	30	31	32
Total assets	1,507	1,602	1,739	1,853	1,950
Common equity	960	985	1,121	1,200	1,284
Minorities etc.	0	0	0	0	0
Total shareholders' equity	960	985	1,121	1,200	1,284
Long term debt	84	175	176	177	180
Other long-term liabilities	43	43	49	56	65
Long-term liabilities	127	218	225	233	244
A/C payable	295	276	294	322	323
Short term debt	121	114	90	89	88
Other current liabilities	4	8	9	9	10
Current liabilities	419	398	393	420	421
Total liabilities and shareholders' equity	1,507	1,602	1,739	1,853	1,950
Net working capital	566	334	409	398	461
Invested capital	1,133	1,188	1,296	1,296	1,367
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	1.17	1.20	1.37	1.46	1.57
Tangible book value per share	1.11	1.14	1.30	1.39	1.50
Financial strength					
Net debt/equity (%)	13.5	16.3	11.2	3.3	1.4
Net debt/total assets (%)	8.6	10.0	7.2	2.2	0.9
Current ratio (x)	2.2	1.9	2.2	2.3	2.5
CF interest cover (x)	44.5	91.9	24.2	52.1	39.0
Valuation					
Recurring P/E (x) *	18.1	49.1	16.9	14.5	13.5
Recurring P/E @ target price (x) *	25.8	70.0	24.0	20.7	19.2
Reported P/E (x)	18.1	49.1	16.9	14.5	13.5
Dividend yield (%)	-	-	-	-	-
Price/book (x)	2.8	2.7	2.4	2.3	2.1
Price/tangible book (x)	3.0	2.9	2.5	2.4	2.2
EV/EBITDA (x) **	12.7	23.2	11.3	9.5	8.6
EV/EBITDA @ target price (x) **	17.9	32.4	15.8	13.5	12.2
EV/invested capital (x)	2.5	2.4	2.2	2.1	2.0
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Starflex; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

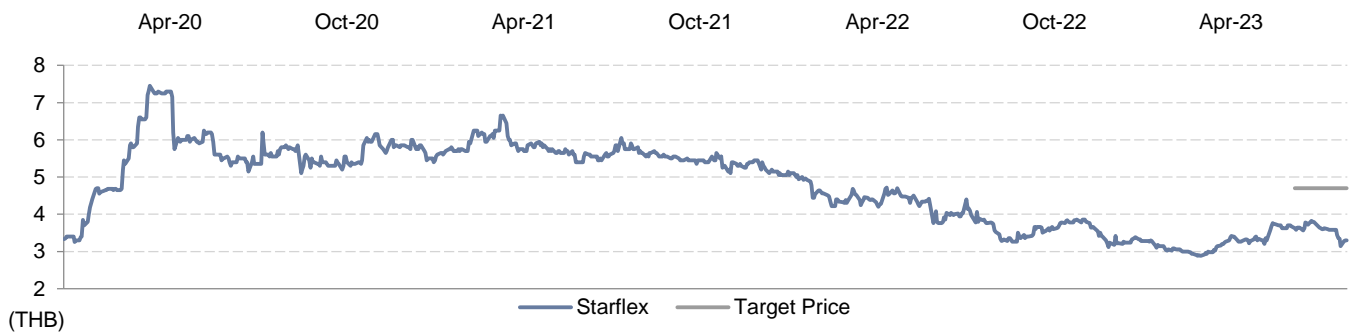
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History of change in investment rating and/or target price

Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 10-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Starflex	SFLEX TB	THB 3.30	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

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 26-Apr-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.