

THAI FOODS GROUP
THAILAND / FOOD & BEVERAGE

TFG TB

HOLD

FROM BUY

ปรับลด Outlook หลังแนวโน้มกำไร 1Q หดตัวลง

- เราคาดว่ากำไรสุทธิ 1Q23 จะลดลง 63% q-q และ 33% y-y จากราคาเนื้อสัตว์ที่ลดลงและต้นทุนวัตถุดิบที่ปรับขึ้น
- เราปรับลดประมาณการกำไรสุทธิปี 2023-24 ลง 26% และ 25% มาอยู่ที่ 2.7 พัน ลบ. (-43% y-y) และ 3 พัน ลบ. (+11% y-y) ตามลำดับ
- ปรับลดคำแนะนำเป็นถือที่ราคาเป้าหมายใหม่ที่ 5.2 บาท

TARGET PRICE	THB5.20
CLOSE	THB4.76
UP/DOWNSIDE	+9.2%
PRIOR TP	THB8.00
CHANGE IN TP	-35.0%
TP vs CONSENSUS	-32.8%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	52,323	47,277	49,044	51,299
Net profit	4,724	2,676	2,966	3,252
EPS (THB)	0.81	0.43	0.48	0.53
vs Consensus (%)	-	(35.2)	(30.8)	(39.1)
EBITDA	10,419	7,647	8,149	8,609
Core net profit	4,724	2,676	2,966	3,252
Core EPS (THB)	0.81	0.43	0.48	0.53
Chg. In EPS est. (%)	-	(26.3)	(25.0)	(22.4)
EPS growth (%)	713.3	(46.5)	10.8	9.7
Core P/E (x)	5.9	11.0	9.9	9.0
Dividend yield (%)	8.4	4.6	5.1	5.5
EV/EBITDA (x)	4.9	6.2	5.6	5.1
Price/book (x)	1.8	1.7	1.6	1.4
Net debt/Equity (%)	150.8	103.4	88.7	72.9
ROE (%)	34.8	16.3	16.5	16.7

คาดการณ์กำไร 1Q23 จะลดลงแรง

เราคาดว่ากำไรสุทธิ 1Q23 ไว้ที่ 415 ลบ. (-63% q-q, -33% y-y) จาก 1) รายได้รวมที่คาดว่าจะลดลง 25.7% q-q; และ 2) อัตรากำไรขั้นต้นที่คาดว่าจะลดลงแรงมาอยู่ที่ 12.2% (เทียบกับ 16.9% ใน 4Q22 และ 15.3% ใน 1Q22) โดยเราคาดว่าราคาขายไก่และหมูของ TFG ใน 1Q23 จะลดลงเหลือ 58 บาท (-13.4% q-q, +10.3% y-y) และ 89 บาท (-8.7% q-q, -0.3% y-y) ตามลำดับสอดคล้องกับราคาเนื้อสัตว์ที่ลดลง นอกจากนี้ราคาหมูในเวียดนามยังลดลง 4.6% q-q และ y-y เป็น VND50,400/กก. ซึ่งน่าจะส่งผลกระทบต่อรายได้ของ TFG และทำให้เกิดผลขาดทุนจากการปรับมูลค่าสินทรัพย์ทางพันธุกรรม

การเติบโตในธุรกิจค้าปลีกอาจไม่ช่วยอัตรากำไรในระยะสั้น

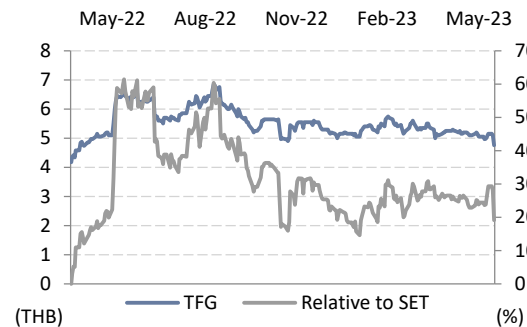
แม้ว่าเราจะมีมุมมองเชิงบวกต่อธุรกิจค้าปลีกของบริษัทฯ ซึ่งสร้างอัตรากำไรที่อยู่ในระดับสูงและน่าจะเป็นปัจจัยหนุนการเติบโตสำหรับรายได้รวม ปัจจัยดังกล่าวไม่น่าจะจะสามารถชดเชยอัตรากำไรขั้นต้นที่คาดว่าจะลดลงใน 1Q23 อันเป็นผลจากราคาเนื้อสัตว์ที่ลดลงและราคาวัตถุดิบที่ปรับขึ้น ใน 1Q23 ราคาข้าวโพดและกากถั่วเหลืองเฉลี่ยอยู่ที่ 13.5 บาท/กก. (+7.1% q-q, +18.4% y-y) และ 23.9 บาท/กก. (+2.6% q-q, +11.7% y-y) ตามลำดับ จากเป้าของผู้บริหารที่คาดว่าจะเปิดสาขาใหม่ 160-180 สาขาในปี 2023 เราคาดว่าสัดส่วนรายได้ธุรกิจค้าปลีกในปี 2023 จะแตะ 19% ของรายได้รวม (เทียบกับ 14.9% ในปี 2022)

ปรับลดประมาณการกำไรสุทธิปี 2023-24 เพื่อสะท้อนราคาเนื้อสัตว์ที่ลดลง

เราปรับลดประมาณการกำไรสุทธิปี 2023-24 ลง 26% และ 25% มาอยู่ที่ 2.7 พัน ลบ. (-43% y-y) และ 3 พัน ลบ. (+11% y-y) ตามลำดับเพื่อสะท้อนราคาเนื้อสัตว์ที่ลดลงทั้งในประเทศและเวียดนามรวมถึงอัตรากำไรขั้นต้นที่ต่ำกว่าคาด อย่างไรก็ตามเรายังคงเชื่อมั่นว่ากำไรของ TFG ใน 1Q23 น่าจะเป็นจุดต่ำสุดของปีนี้ถ้าราคาเนื้อสัตว์ปรับตัวขึ้นได้ในช่วง 2H23 ตามมุมมองของผู้บริหาร

ปรับลดคำแนะนำเป็นถือที่ราคาเป้าหมายใหม่ที่ 5.2 บาท

เราปรับลดราคาเป้าหมายเป็น 5.2 จาก 8 บาทเพื่อสะท้อนประมาณการกำไรสุทธิที่ลดลงโดยคิดจากค่า 2023E PE ที่ 12x (-0.5 SD) แม้ว่าหุ้นจะมีการซื้อขายที่ 11x ของค่า 2023E P/E หุ่นกลับมี Upside จำกัดที่ 9.2% ด้วยเหตุดังกล่าวเราจึงแนะนำถือ เนื่องจากหุ้นขาดปัจจัยบวกในระยะสั้น เราจึงแนะนำให้นักลงทุนรอจนกว่าราคาเนื้อสัตว์จะเริ่มปรับขึ้นใหม่อีกครั้ง



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.5)	(16.5)	11.7
Relative to country (%)	(4.5)	(8.0)	20.4
Mkt cap (USD m)	791		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	16		
Major shareholder	New Star Victor Co Ltd (28%)		
12m high/low (THB)	6.90/4.14		
Issued shares (m)	5,654.06		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 8 พฤษภาคม 2023

Investment thesis

TFG is one of the top three producers of chicken meat and live pigs in Thailand. The company has the capacity to produce 500,000 chickens per day and supply over 85,000 finished hogs per month.

We have a positive view on the 2023 chicken export recovery due to the low base last year. Also, the expansion of its retail shop business should support growth and profitability in the medium to long term. Although we estimate the THB/USD exchange rate to strengthen to THB33 from THB35 in 2022, TFG should see a limited impact from the stronger THB due to fully natural hedging.

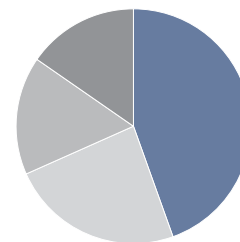
Company profile

Thai Foods Group (TFG) was established in 1987 by Mr Winai Teawsomboonkij, the founder and CEO. TFG is a vertically integrated food producer specialising in the production of chicken and swine, with operations in Thailand and Vietnam. During 2019-2021, the company generated key revenues from three businesses: poultry, swine, and feed & others, each contributing in percentage terms 47/27/24, respectively.

www.tfg.co.th

Principal activities (revenue, 2022)

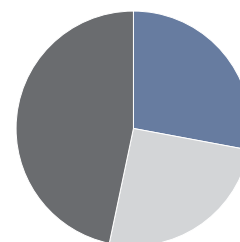
- Poultry - 44.5 %
- Swine - 23.8 %
- Feed - 16.3 %
- Retail Shop and other - 15.4 %



Source: Thai Foods Group

Major shareholders

- New Star Victor Co Ltd - 27.9 %
- Teawsomboonkij Family - 25.4 %
- Others - 46.7 %



Source: Thai Foods Group

Catalysts

Potential catalysts for TFG’s earning growth in 2023 are 1) revenue growth driven by sales volume; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) its new Thai Foods Fresh Market store expansion.

Risks to our call

Downside and upside risks to our P/E-based TP are 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; 3) a stronger or weaker-than-expected THB against USD.

Event calendar

Date	Event
10 May 2023	1Q23 results announcement
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
TFG’s chicken ASP (THB/kg)	44.5	45.0	45.0
TFG’s swine ASP (THB/kg)	85.0	85.0	88
Total sales growth (%)	(9.6)	3.7	4.6
Gross margin (%)	14.5	14.8	15.0
SG&A to sales (%)	6.4	6.3	6.3

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 1.2%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 5.1%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 4.7%, and vice versa, all else being equal.

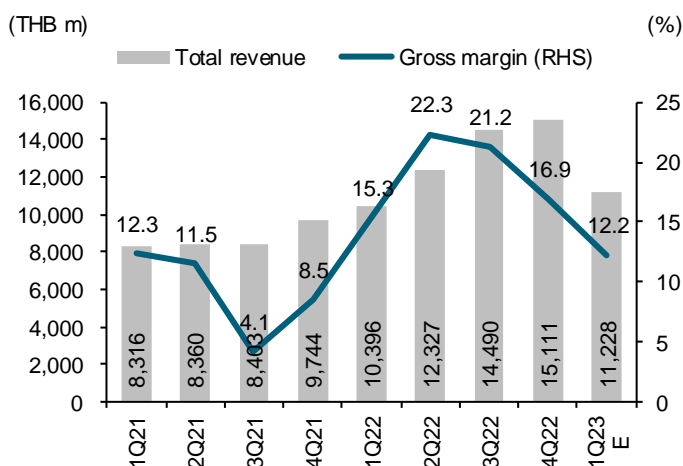
Source: FSSIA estimates

Exhibit 1: 1Q23E earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	10,396	12,327	14,490	15,111	11,228	(25.7)	8.0
Cost of sales	8,804	9,581	11,420	12,562	9,857	(21.5)	12.0
Gross profit	1,592	2,746	3,070	2,548	1,371	(46.2)	(13.9)
SG&A	727	854	770	892	730	(18.2)	0.4
Operating profit	866	1,892	2,300	1,656	641	(61.3)	(25.9)
Interest expense	163	179	221	281	283	0.6	73.1
Tax expense	154	304	325	62	26	(57.6)	(82.9)
Other gain (loss)	(1)	(284)	(106)	(266)	0	nm	nm
Reported net profit	619	1,238	1,734	1,131	415	(63.3)	(32.9)
Core profit	620	1,522	1,840	1,397	415	(70.3)	(33.1)
Key ratios (%)							
						(ppt)	(ppt)
Gross margin	15.3	22.3	21.2	16.9	12.2	(4.7)	(3.1)
SG&A to sales	7.0	6.9	5.3	5.9	6.5	0.6	(0.5)
Operating margin	8.3	15.3	15.9	11.0	5.7	(5.2)	(2.6)
Net margin	5.9	10.0	12.0	7.5	3.7	(3.8)	(2.3)
Core margin	6.0	12.3	12.7	9.2	3.7	(5.6)	(2.3)
Operating statistics (THB/kg)							
Domestic chicken price	52.6	59.1	66.1	67.0	58.0	(13.4)	10.3
Domestic swine price	89.3	100.0	104.6	97.5	89.0	(8.7)	(0.3)
Vietnam swine price (VND/kg)	52,809	55,387	62,760	52,819	50,400	(4.6)	(4.6)
Corn price	11.4	13.1	12.1	12.6	13.5	7.1	18.4
Soybean meal price	21.4	23.1	23.1	23.3	23.9	2.6	11.7

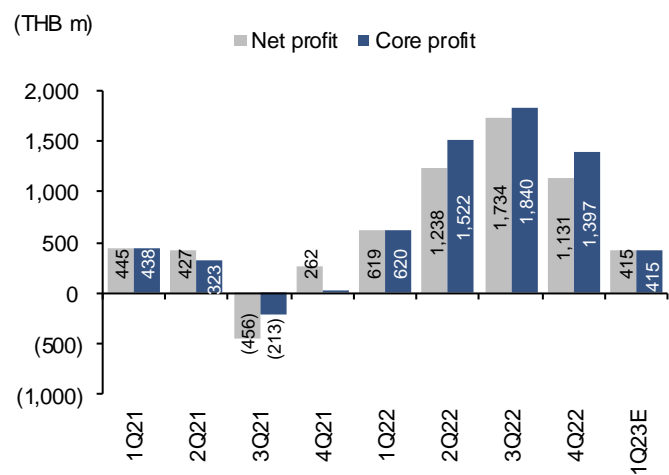
Sources: TFG, FSSIA estimates

Exhibit 2: Quarterly total revenue and gross margin



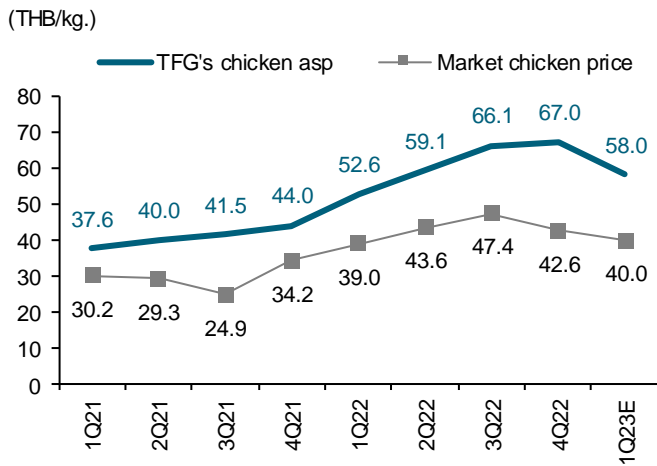
Sources: TFG, FSSIA estimates

Exhibit 3: Quarterly net profit and core profit



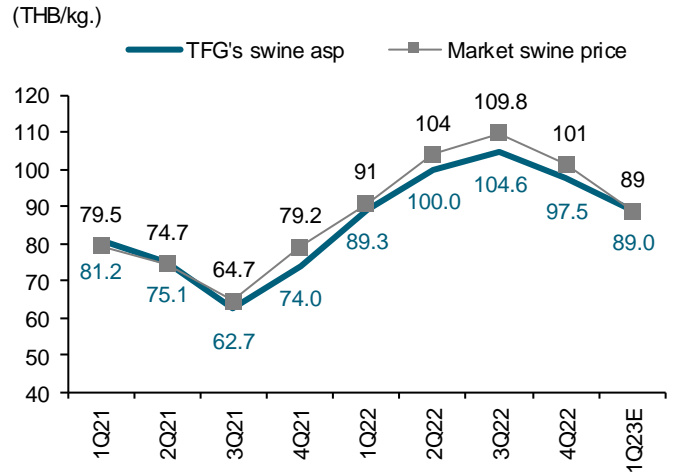
Sources: TFG, FSSIA estimates

Exhibit 4: Quarterly chicken price



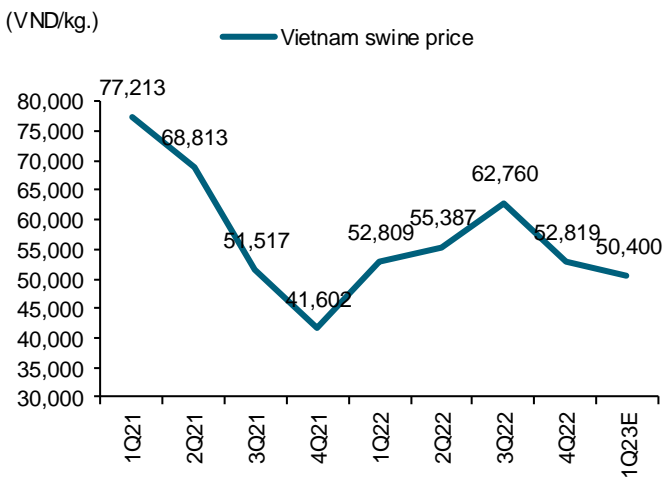
Sources: TFG, FSSIA estimates

Exhibit 5: Quarterly swine price



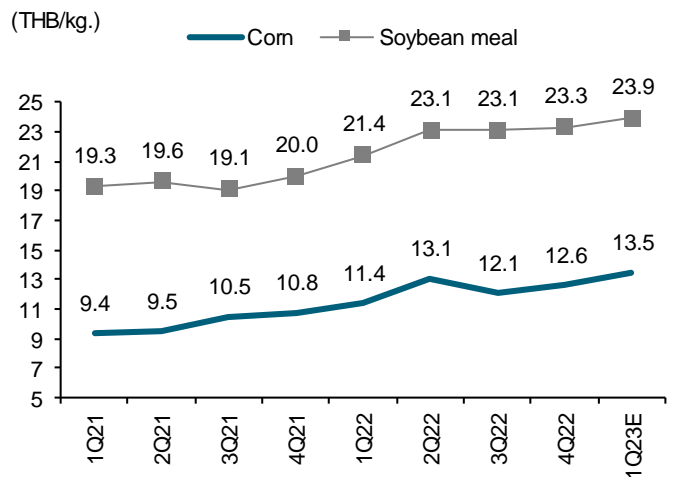
Sources: TFG, FSSIA estimates

Exhibit 6: Quarterly swine price in Vietnam



Sources: CPF, FSSIA estimates

Exhibit 7: Quarterly corn and soybean meal price



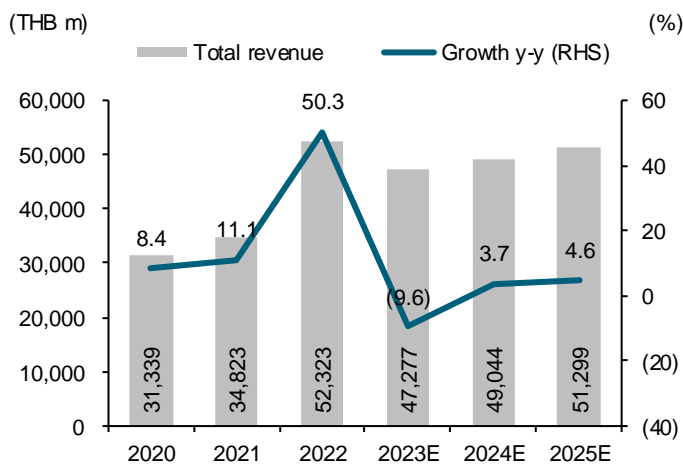
Sources: TFG, Office of Agricultural Economics, FSSIA estimates

Exhibit 8: Key assumptions for TFG

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total revenue	47,277	49,044	51,299	49,061	49,698	50,558	(3.6)	(1.3)	1.5
Costs	40,422	41,786	43,604	41,211	41,498	42,064	(1.9)	0.7	3.7
Gross profit	6,855	7,259	7,695	7,850	8,200	8,494	(12.7)	(11.5)	(9.4)
SG&A expenses	3,026	3,090	3,232	3,091	3,081	3,135	(2.1)	0.3	3.1
Reported net profit	2,676	2,966	3,252	3,632	3,956	4,192	(26.3)	(25.0)	(22.4)
Core profit	2,676	2,966	3,252	3,632	3,956	4,192	(26.3)	(25.0)	(22.4)
Key ratios (%)									
Total revenue growth (%)	(9.6)	3.7	4.6	(6.2)	1.3	1.7	(3.4)	2.4	2.9
Net profit growth (%)	(43.4)	10.8	9.7	(23.1)	8.9	6.0	(20.2)	1.9	3.7
Core profit growth (%)	(50.3)	10.8	9.7	(32.5)	8.9	6.0	(17.8)	1.9	3.7
Operating statistics (THB/kg)									
TFG's chicken ASP	44.5	45.0	45.0	49.7	47.2	44.8	(10.4)	(4.7)	0.4
TFG's swine ASP	85.0	85.0	88.0	90.0	85.0	80.0	(5.6)	0.0	10.0
Corn	12.0	11.0	10.0	12.0	11.0	10.0	0.0	0.0	0.0
Soybean meal	22.0	20.0	19.0	22.0	20.0	19.0	0.0	0.0	0.0
Other metrics									
Retail shop stores (no.)	320	390	490	320	390	490	0.0	0.0	0.0
Retail shop sales (THB m)	9,035	10,038	11,038	9,035	10,038	11,038	0.0	0.0	0.0

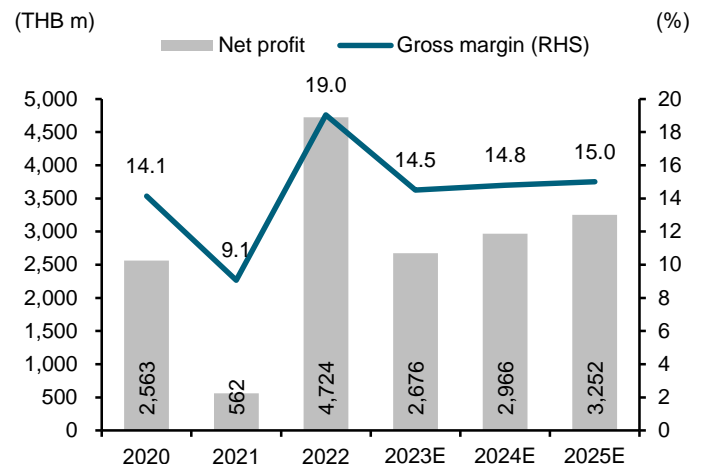
Sources: FSSIA estimates

Exhibit 9: Yearly total revenue and growth



Sources: FSSIA estimates

Exhibit 10: Yearly net profit and gross margin



Sources: FSSIA estimates

Financial Statements

Thai Foods Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	34,823	52,323	47,277	49,044	51,299
Cost of goods sold	(29,244)	(39,030)	(36,935)	(38,149)	(39,817)
Gross profit	5,579	13,293	10,342	10,896	11,482
Other operating income	251	369	331	343	359
Operating costs	(1,927)	(3,243)	(3,026)	(3,090)	(3,232)
Operating EBITDA	3,903	10,419	7,647	8,149	8,609
Depreciation	(2,425)	(3,337)	(3,487)	(3,637)	(3,787)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,477	7,082	4,160	4,512	4,822
Net financing costs	(595)	(1,080)	(1,007)	(1,018)	(991)
Associates	0	(9)	0	0	1
Recurring non-operating income	216	(429)	0	0	1
Non-recurring items	0	0	0	0	0
Profit before tax	1,098	5,573	3,153	3,495	3,832
Tax	(546)	(845)	(473)	(524)	(575)
Profit after tax	552	4,728	2,680	2,970	3,257
Minority interests	10	(4)	(5)	(5)	(5)
Preferred dividends	0	0	0	0	0
Other items	-	-	0	0	0
Reported net profit	562	4,724	2,676	2,966	3,252
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	562	4,724	2,676	2,966	3,252
Per share (THB)					
Recurring EPS *	0.10	0.81	0.43	0.48	0.53
Reported EPS	0.10	0.81	0.43	0.48	0.53
DPS	0.09	0.40	0.22	0.24	0.26
Diluted shares (used to calculate per share data)	5,644	5,831	6,168	6,168	6,168
Growth					
Revenue (%)	11.1	50.3	(9.6)	3.7	4.6
Operating EBITDA (%)	(28.3)	167.0	(26.6)	6.6	5.6
Operating EBIT (%)	(55.8)	379.5	(41.3)	8.5	6.9
Recurring EPS (%)	(78.2)	713.3	(46.5)	10.8	9.7
Reported EPS (%)	(78.2)	713.3	(46.5)	10.8	9.7
Operating performance					
Gross margin inc. depreciation (%)	9.1	19.0	14.5	14.8	15.0
Gross margin of key business (%)	9.1	19.0	14.5	14.8	15.0
Operating EBITDA margin (%)	11.2	19.9	16.2	16.6	16.8
Operating EBIT margin (%)	4.2	13.5	8.8	9.2	9.4
Net margin (%)	1.6	9.0	5.7	6.0	6.3
Effective tax rate (%)	49.7	15.2	15.0	15.0	15.0
Dividend payout on recurring profit (%)	90.4	49.4	50.0	50.0	50.0
Interest cover (X)	2.8	6.2	4.1	4.4	4.9
Inventory days	51.3	55.3	61.8	53.9	53.6
Debtor days	25.1	22.2	26.1	24.5	24.5
Creditor days	43.9	38.2	45.3	43.1	42.9
Operating ROIC (%)	5.2	18.4	10.3	11.8	12.7
ROIC (%)	5.1	15.0	8.8	10.1	10.8
ROE (%)	5.0	34.8	16.3	16.5	16.7
ROA (%)	3.3	13.8	8.0	9.2	9.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Poultry	16,642	23,298	19,011	19,391	19,779
Swine	9,518	12,457	10,723	10,937	11,547
Feed	6,958	8,533	8,268	8,434	8,687
Retail Shop and other	1,705	8,036	9,274	10,282	11,287

Sources: Thai Foods Group; FSSIA estimates

Financial Statements

Thai Foods Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	562	4,724	2,676	2,966	3,252
Depreciation	2,425	3,337	3,487	3,637	3,787
Associates & minorities	0	9	0	0	(1)
Other non-cash items	635	(184)	0	0	0
Change in working capital	(5,519)	252	1,645	(871)	(475)
Cash flow from operations	(1,896)	8,138	7,808	5,732	6,564
Capex - maintenance	(4,947)	(9,785)	(2,435)	(3,159)	(3,203)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(4,947)	(9,785)	(2,435)	(3,159)	(3,203)
Dividends paid	(589)	(799)	(1,338)	(1,483)	(1,626)
Equity finance	36	56	469	0	0
Debt finance	8,960	2,756	(4,746)	(1,002)	(1,873)
Other financing cash flows	(1,931)	36	(32)	(200)	0
Cash flow from financing	6,475	2,049	(5,648)	(2,685)	(3,500)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(368)	402	(274)	(113)	(139)
Free cash flow to firm (FCFF)	(6,349.87)	(801.37)	6,380.43	3,590.56	4,351.60
Free cash flow to equity (FCFE)	184.99	1,145.83	594.59	1,369.90	1,486.81

Per share (THB)

FCFF per share	(1.12)	(0.14)	1.13	0.64	0.77
FCFE per share	0.03	0.20	0.11	0.24	0.26
Recurring cash flow per share	0.64	1.35	1.00	1.07	1.14

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	19,682	23,182	26,182	29,182	32,182
Less: Accumulated depreciation	(3,316)	(1,879)	(5,366)	(9,003)	(12,790)
Tangible fixed assets (net)	16,366	21,302	20,815	20,178	19,391
Intangible fixed assets (net)	179	213	179	179	179
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	704	605	605	605	605
Cash & equivalents	416	818	544	431	292
A/C receivable	2,829	3,531	3,238	3,359	3,514
Inventories	4,863	6,963	5,537	5,724	5,973
Other current assets	7,001	7,452	6,146	6,376	6,669
Current assets	15,109	18,764	15,465	15,890	16,448
Other assets	3,210	4,786	4,255	4,414	4,617
Total assets	35,567	45,670	41,319	41,266	41,239
Common equity	11,556	15,568	17,343	18,626	20,252
Minorities etc.	14	18	18	18	17
Total shareholders' equity	11,570	15,587	17,361	18,643	20,269
Long term debt	8,229	11,960	8,132	7,532	6,832
Other long-term liabilities	442	462	567	589	616
Long-term liabilities	8,670	12,422	8,699	8,121	7,448
A/C payable	3,434	4,733	4,430	4,579	4,779
Short term debt	11,734	12,370	10,356	9,432	8,231
Other current liabilities	159	557	473	490	513
Current liabilities	15,326	17,661	15,259	14,502	13,523
Total liabilities and shareholders' equity	35,567	45,670	41,319	41,266	41,239
Net working capital	11,100	12,655	10,019	10,389	10,864
Invested capital	31,559	39,562	35,873	35,765	35,656

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

Per share (THB)

Book value per share	2.05	2.67	2.81	3.02	3.28
Tangible book value per share	2.02	2.63	2.78	2.99	3.25

Financial strength

Net debt/equity (%)	168.9	150.8	103.4	88.7	72.9
Net debt/total assets (%)	55.0	51.5	43.4	40.1	35.8
Current ratio (x)	1.0	1.1	1.0	1.1	1.2
CF interest cover (x)	1.3	2.1	1.6	2.3	2.5

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	47.8	5.9	11.0	9.9	9.0
Recurring P/E @ target price (x) *	52.2	6.4	12.0	10.8	9.9
Reported P/E (x)	47.8	5.9	11.0	9.9	9.0
Dividend yield (%)	1.9	8.4	4.6	5.1	5.5
Price/book (x)	2.3	1.8	1.7	1.6	1.4
Price/tangible book (x)	2.4	1.8	1.7	1.6	1.5
EV/EBITDA (x) **	11.9	4.9	6.2	5.6	5.1
EV/EBITDA @ target price (x) **	12.5	5.2	6.5	6.0	5.4
EV/invested capital (x)	1.5	1.3	1.3	1.3	1.2

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

Sources: Thai Foods Group; 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 **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. 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 >15% 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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (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

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

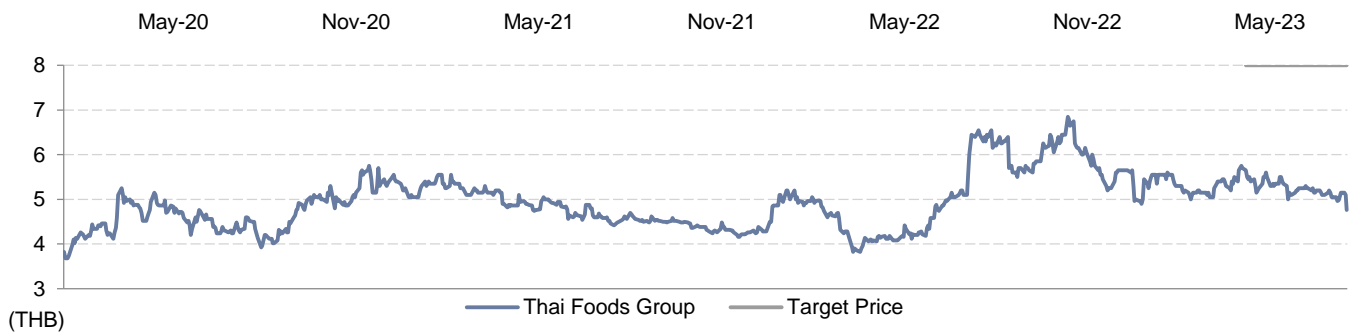
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History of change in investment rating and/or target price

Thai Foods Group (TFG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	8.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thai Foods Group	TFG TB	THB 4.76	HOLD	Downside and upside risks to our P/E-based TP are 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; 3) a stronger or weaker-than-expected THB against USD.

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 03-May-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.