

STARFLEX SFLEX TB
THAILAND / PACKAGINGBUY
UNCHANGED

กำไรโตดีจากอัตรากำไรที่สูงขึ้น

- กำไรปกติ 1Q23 อยู่ที่ 40 ลบ. เพิ่มขึ้น 19% q-q และ 153% y-y และระดับสูงสุดในรอบเกือบ 4 ปี
- ปัจจัยหนุนสำคัญอยู่ที่อัตรากำไรขั้นต้นที่ดีถึง 20.5% สูงที่สุดใน 10 ไตรมาส
- SFLEX เป็นหุ้นพลิกฟื้น คงแนะนำซื้อที่ราคาเป้าหมาย 4.7 บาท

| | |
|-----------------|---------|
| TARGET PRICE | THB4.70 |
| CLOSE | THB3.60 |
| UP/DOWNSIDE | +30.6% |
| 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 |
| EPS growth (%) | (63.1) | 191.1 | 16.3 | 7.5 |
| Core P/E (x) | 53.6 | 18.4 | 15.8 | 14.7 |
| Dividend yield (%) | - | - | - | - |
| EV/EBITDA (x) | 25.1 | 12.3 | 10.3 | 9.4 |
| Price/book (x) | 3.0 | 2.6 | 2.5 | 2.3 |
| Net debt/Equity (%) | 16.3 | 11.2 | 3.3 | 1.4 |
| ROE (%) | 5.7 | 15.2 | 16.1 | 16.1 |

อัตรากำไรที่สูงที่สุดใน 10 ไตรมาสหนุนกำไร

SFLEX รายงานกำไรปกติ 1Q23 ที่ 40 ลบ. เพิ่มขึ้น 19% q-q และ 153% y-y สูงกว่าที่เราคาด 15% และแตะระดับสูงสุดในรอบเกือบ 4 ปี ตัวเลขกำไรโตต่อเนื่องส่วนมากจากอัตรากำไรขั้นต้นที่ปรับตัวดีขึ้นเป็น 20.5% สูงที่สุดใน 10 ไตรมาสนับตั้งแต่ 3Q20 อัตรากำไรขั้นต้นที่ดีดังกล่าวใกล้เคียงกับระดับก่อนราคาน้ำมันและค่าระวางปรับตัวขึ้นในช่วงปี 2021-22

ปัจจัยหนุนสำคัญอยู่ที่อัตรากำไรที่สูงขึ้นมากกว่าการเติบโตของยอดขาย

SFLEX รายงานรายได้จากการขายเพิ่ม 12% ทั้ง q-q และ y-y เป็น 472 ลบ. ดีกว่าที่เราคาดเล็กน้อย สัดส่วนรายได้จากบรรจุภัณฑ์ที่ไม่ใช่อาหารเทียบกับบรรจุภัณฑ์อาหารอยู่ที่ 78:22 เปลี่ยนแปลงเพียงเล็กน้อยจากในอดีต โดยปกติรายได้จากการขายจะทรงตัวอยู่ที่ประมาณ 400-450 ลบ. ต่อไตรมาสในช่วง 3 ปีที่ผ่านมาโดยมีปัจจัยผลักดันสำคัญอยู่ที่การบริหารต้นทุนเพียงอย่างเดียว ในปี 2023 เราคาดว่าอัตรากำไรขั้นต้นที่ 18.5% ฟื้นตัวจากจุดต่ำสุดที่ 12.6% ในปี 2022

ธุรกิจใหม่เวียดนามจะเริ่มเห็นผลตั้งแต่ 3Q23 เป็นต้นไป

กำไรปกติ 1Q23 ของ SFLEX คิดเป็น 25% ของประมาณการเต็มปีของเราที่ 160 ลบ. พุ่งสูงถึง 193% y-y เราคงประมาณการอัตราการเติบโตของกำไรของเราไว้ที่ 11.8% CAGR ในช่วงปี 2023-25 โดยมีสมมติฐานอัตราการเติบโตของยอดขายที่ 9% CAGR พร้อมอัตรากำไรขั้นต้นที่จะค่อย ๆ ปรับตัวดีขึ้นเป็น 18.5% ในปี 2023 และ 20.0% ในปี 2025 ในเดือน เม.ย. คณะกรรมการบริษัทของ SFLEX ได้อนุมัติแผนการลงทุนเพื่อซื้อหุ้น 25% ใน Star Print Vietnam JSC (SPV) ซึ่งเป็นผู้ผลิตบรรจุภัณฑ์ประเภทกล่องกระดาษพับในเวียดนามด้วยต้นทุนการลงทุนรวมที่ 383 ลบ. รายการดังกล่าวน่าจะแล้วเสร็จใน 3Q23 เราคาดว่า SFLEX จะได้ประโยชน์เป็นรายได้ต่อปีเพิ่มขึ้น 25-30 ลบ. จากการซื้อดังกล่าว เรามองว่าการซื้อ SPV เป็นการลงทุนที่ดีในราคาที่เหมาะสมโดยคิดเป็นค่า P/E ที่ 10.8x ของกำไรของ SPV ในปี 2022

คงแนะนำซื้อ

เราคงแนะนำซื้อ SFLEX ที่ราคาเป้าหมาย 4.7 บาท (24x ของค่า 2023E P/E) ต่ำกว่า -0.5SD ของค่าเฉลี่ย 4 ปีย้อนหลังนับตั้งแต่จดทะเบียนในตลาด ปัจจุบันหุ้นมีการซื้อขายที่ 18.4x ของค่า 2023E P/E และเพียง 12.3x ของค่า 2023E EV/EBITDA ต่ำกว่า -1.0SD ของค่า P/E และ EV/EBITDA เฉลี่ย 4 ปีย้อนหลังนับว่าต่ำที่สุดตั้งแต่จดทะเบียนในตลาด



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-------------------------------------|---------|----------|
| Absolute (%) | 0.6 | 7.8 | (11.8) |
| Relative to country (%) | 2.5 | 14.5 | (9.2) |
| Mkt cap (USD m) | 85 | | |
| 3m avg. daily turnover (USD m) | 0.2 | | |
| Free float (%) | 0 | | |
| Major shareholder | Mr. Printhorn Apithanasriwong (24%) | | |
| 12m high/low (THB) | 4.48/2.76 | | |
| Issued shares (m) | 820.00 | | |

Sources: Bloomberg consensus; FSSIA estimates



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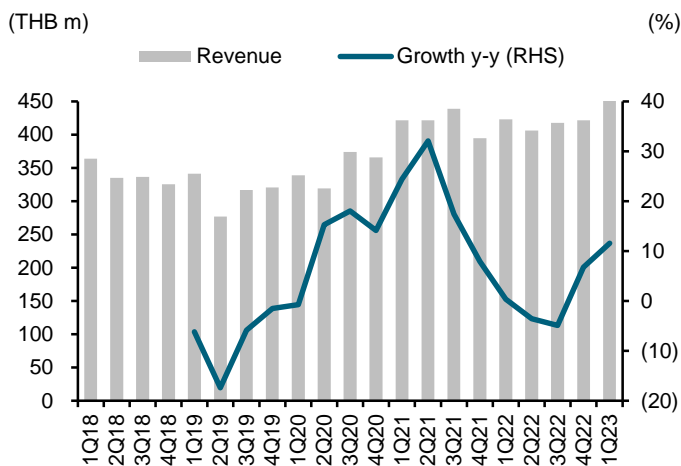
บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 12 พฤษภาคม 2023

Exhibit 1: 1Q23 results review

| Year to Dec 31 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | -----Change----- | | 2022 | 2023E | Change |
|----------------------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (y-y %) |
| Sales | 423 | 406 | 418 | 422 | 472 | 12 | 12 | 1,669 | 1,802 | 8 |
| Cost of sales* | (367) | (361) | (372) | (357) | (375) | 5 | 2 | (1,458) | (1,469) | 1 |
| Gross profit | 56 | 45 | 45 | 64 | 97 | 51 | 72 | 211 | 333 | 58 |
| Operating costs | (44) | (47) | (45) | (34) | (51) | 49 | 16 | (170) | (169) | (1) |
| Operating profit | 100 | 92 | 90 | 99 | 148 | 50 | 48 | 381 | 502 | 32 |
| Operating EBITDA | 35 | 14 | 23 | 54 | 66 | 21 | 88 | 124 | 251 | 102 |
| Other income | 5 | 6 | 6 | 10 | 5 | (48) | 7 | 27 | 27 | 1 |
| Interest expense | (1) | (1) | (1) | 1 | (1) | (179) | (28) | (3) | (3) | 9 |
| Profit before tax | 16 | 2 | 6 | 41 | 50 | 23 | 213 | 65 | 189 | 191 |
| Tax | (3) | 1 | (1) | (8) | (10) | 28 | 250 | (10) | (28) | 194 |
| Reported net profit | 13 | 3 | 5 | 33 | 41 | 22 | 205 | 55 | 160 | 191 |
| Core profit | 16 | 4 | 4 | 34 | 40 | 19 | 153 | 55 | 160 | 191 |
| Reported EPS (THB) | 0.02 | 0.00 | 0.01 | 0.04 | 0.05 | 23 | 207 | 0.07 | 0.20 | 191 |
| Core EPS (THB) | 0.02 | 0.00 | 0.00 | 0.04 | 0.05 | 19 | 153 | 0.07 | 0.20 | 191 |
| Key ratios (%) | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (%) | (ppt) |
| Gross margin | 13.3 | 11.1 | 10.8 | 15.3 | 20.5 | 5.3 | 7.2 | 44.0 | 42.7 | (1.3) |
| Operating margin | 4.1 | 0.8 | 1.7 | 9.4 | 10.9 | 1.5 | 6.8 | 17.6 | 16.9 | (0.7) |
| EBITDA margin | 8.3 | 3.5 | 5.6 | 12.9 | 13.9 | 1.0 | 5.6 | 19.4 | 18.6 | (0.8) |
| Recurring net margin | 3.8 | 0.9 | 1.0 | 8.1 | 8.6 | 0.5 | 4.8 | 14.9 | 14.2 | (0.6) |
| SG&A / Sales | 10.4 | 11.6 | 10.8 | 8.1 | 10.8 | 2.7 | 0.4 | 26.9 | 26.3 | (0.7) |
| Revenue structure | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (y-y %) |
| Non-food packaging | 322 | 305 | 312 | 320 | 362 | 13 | 12 | 1,258 | 1,359 | 8 |
| Food packaging | 97 | 100 | 99 | 98 | 102 | 5 | 6 | 393 | 436 | 11 |
| Gross margin (%) | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (%) | (ppt) |
| Non-food packaging | 16.7 | 14.2 | 13.8 | 18.3 | 23.4 | 5.1 | 6.7 | 15.8 | 20.0 | 4.2 |
| Food packaging | 2.5 | 1.5 | 1.7 | 4.9 | 10.2 | 5.4 | 7.8 | 2.6 | 8.5 | 5.9 |

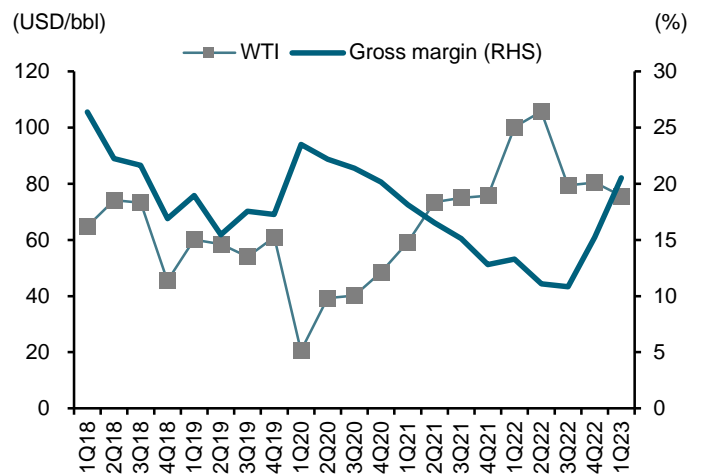
*Include depreciation
Sources: SFLEX; FSSIA estimates

Exhibit 2: Revenue and growth



Source: SFLEX

Exhibit 3: Gross margin vs crude oil prices



Sources: SFLEX, Bloomberg

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 | 0.005 | 0.003 | 0.006 | 0.007 | 0.007 |
| 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 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|--------------|
| 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 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 19.8 | 53.6 | 18.4 | 15.8 | 14.7 |
| Recurring P/E @ target price (x) * | 25.8 | 70.0 | 24.0 | 20.7 | 19.2 |
| Reported P/E (x) | 19.8 | 53.6 | 18.4 | 15.8 | 14.7 |
| Dividend yield (%) | 1.2 | 0.8 | 1.6 | 1.9 | 2.0 |
| Price/book (x) | 3.1 | 3.0 | 2.6 | 2.5 | 2.3 |
| Price/tangible book (x) | 3.2 | 3.2 | 2.8 | 2.6 | 2.4 |
| EV/EBITDA (x) ** | 13.8 | 25.1 | 12.3 | 10.3 | 9.4 |
| EV/EBITDA @ target price (x) ** | 17.9 | 32.4 | 15.8 | 13.5 | 12.2 |
| EV/invested capital (x) | 2.7 | 2.6 | 2.4 | 2.3 | 2.2 |

* 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

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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 3.60 | 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

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All share prices are as at market close on 11-May-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.