

# ICHITAN GROUP

## THAILAND / FOOD & BEVERAGE

# ICHI TB

# BUY

UNCHANGED

## มุมมองเชิงบวกต่อกำไร 2Q23

- ผู้บริหารมีความมั่นใจเพิ่มขึ้นกับเป้าหมายในปี 2023 ของบริษัทฯ ในที่ประชุม นักวิเคราะห์ครั้งสุดท้าย
- เราคาดว่ากำไรสุทธิ 2Q23 จะทำสถิติสูงสุดใหม่จากรายได้และอัตรากำไรขั้นต้นที่สูงขึ้น
- เราปรับเพิ่มประมาณการกำไรสุทธิปี 2023 และราคาเป้าหมายเป็น 15.7 บาท

TARGET PRICE	THB15.70
CLOSE	THB13.50
UP/DOWNSIDE	+16.3%
PRIOR TP	THB14.00
CHANGE IN TP	+12.1%
TP vs CONSENSUS	+4.8%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	6,340	7,100	7,593	8,012
Net profit	642	814	896	966
EPS (THB)	0.49	0.63	0.69	0.74
vs Consensus (%)	-	6.1	5.3	5.0
EBITDA	1,296	1,548	1,640	1,732
Core net profit	651	814	896	966
Core EPS (THB)	0.50	0.63	0.69	0.74
Chg. In EPS est. (%)	0.0	11.3	11.7	10.7
EPS growth (%)	19.0	25.2	10.0	7.8
Core P/E (x)	27.0	21.5	19.6	18.2
Dividend yield (%)	4.4	4.6	5.1	5.5
EV/EBITDA (x)	13.0	10.9	10.2	9.5
Price/book (x)	2.8	2.8	2.8	2.8
Net debt/Equity (%)	(10.6)	(11.1)	(12.8)	(17.8)
ROE (%)	10.5	13.2	14.5	15.6

## ผู้บริหารมีความมั่นใจเพิ่มขึ้นกับเป้าหมายปี 2023 ของบริษัทฯ

เรามีมุมมองเชิงบวกจากที่ประชุมนักวิเคราะห์เมื่อวันที่ 16 พ.ค. 2023 ผู้บริหารมีความมั่นใจเพิ่มขึ้นกับเป้าหมายในปี 2023 ของบริษัทฯ อันประกอบด้วย 1) การเติบโตของรายได้รวมที่ 15% y-y เป็น 7.3% ลบ.; 2) อัตรากำไรขั้นต้นที่กว่า 21% (จากไม่เกิน 20%); และ 3) สัดส่วนค่าใช้จ่ายการขายต่อยอดขายที่ 5% ในขณะที่เดียวกันหุ้นมี Upside จากรายได้ในธุรกิจ OEM ซึ่งมีเป้าหมายในปัจจุบันอยู่ที่ 100 ลบ. เนื่องจาก ICHI พึ่งได้รับคำสั่งซื้อแรกสำหรับน้ำมะพร้าวธรรมชาติ 100% จาก General Beverage (not listed) ในเดือน มี.ค. 2023 บริษัทฯ คาดว่าจะรับรู้คำสั่งซื้อมูลค่าประมาณ 220-240 ลบ. ในปีนี้ซึ่งยังไม่ได้รับลูกค้า OEM รายใหม่

## คาดการณ์ 2Q23 จะทำสถิติสูงสุดใหม่

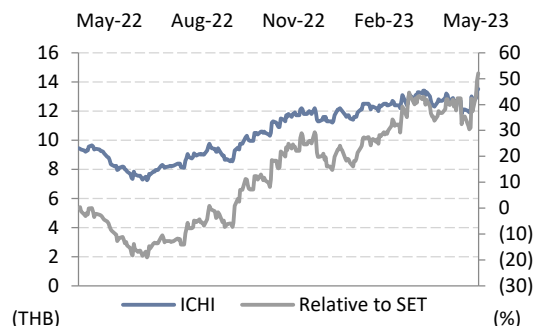
นอกจากนั้นแล้วผู้บริหารยังตั้งเป้าเพิ่มอัตรากำไรขั้นต้นหลังการผลิตในปี 2023 เป็น 70% จาก 60% ในปี 2022 ในขณะที่ต้นทุนวัตถุดิบและบรรจุภัณฑ์น่าจะทรงตัวหรือลดลงเล็กน้อยในปี 2023 ด้วยเหตุดังกล่าวบริษัทฯ จึงปรับเพิ่มประมาณการอัตรากำไรขั้นต้นปี 2023 เป็นกว่า 21% จากที่เคยคาดว่าจะไว้ที่ 20% ในระยะสั้นเราคาดว่ากำไรสุทธิ 2Q23 จะทำสถิติสูงสุดใหม่ที่ 251 ลบ. (+13% q-q, +64.2% y-y) จาก 1) ปัจจัยด้านฤดูกาลในอุตสาหกรรมเครื่องดื่ม; 2) อัตรากำไรขั้นต้นหลังการผลิตที่สูงขึ้น; และ 3) การรับรู้รายได้เต็มไตรมาสจากลูกค้า OEM รายใหม่

## ปรับเพิ่มประมาณการกำไรสุทธิปี 2023

เราปรับเพิ่มประมาณการกำไรสุทธิปี 2023 ของเราขึ้น 11.3% เป็น 814 ลบ. (+27% y-y) จากรายได้ในธุรกิจ OEM และจาก Tansansu ในช่วง 1H23 ที่น่าจะสูงเกินคาด เพราะฉะนั้นเราจึงปรับเพิ่มสมมติฐานการเติบโตของรายได้รวมในปี 2023 เป็น 12% y-y (จาก 9.1% y-y) และสมมติฐานอัตรากำไรขั้นต้นเป็น 20.8% (จาก 20%) ซึ่งต่ำกว่าเป้าหมายประมาณการของผู้บริหาร เราคาดว่าดำเนินงานในช่วง 2H23 จะชะลอตัว h-h สอดคล้องกับปัจจัยด้านฤดูกาล อย่างไรก็ตามก็ดีผู้บริหารตั้งเป้ารักษาการเติบโตของกำไรอย่างต่อเนื่องในช่วง 2H23 ด้วยการวางกลยุทธ์และการเพิ่มลูกค้า OEM ให้มากยิ่งขึ้น

## คำแนะนำซื้อที่ราคาเป้าหมายใหม่

เราปรับเพิ่มราคาเป้าหมายเป็น 15.7 จาก 14 บาทโดยใช้ค่า P/E เป้าหมายเดิมที่ 25x (+1.0 SD) ใกล้เคียงกับค่าเฉลี่ย 5 ปีย้อนหลังของคู่แข่ง เราแนะนำให้ซื้อ นอกจากนี้ราคาหุ้นยังมี Upside อีก 16.3%



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.7	9.8	45.2
Relative to country (%)	10.0	19.0	53.9
Mkt cap (USD m)	512		
3m avg. daily turnover (USD m)	3.3		
Free float (%)	53		
Major shareholder	Passakornnatee Family (42%)		
12m high/low (THB)	13.70/7.20		
Issued shares (m)	1,300.00		

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 17 พฤษภาคม 2023

Investment thesis

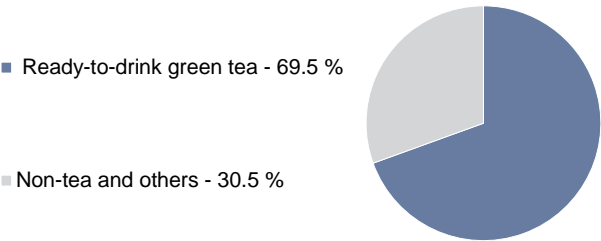
ICHI is a manufacturer and distributor of ready-to-drink green tea called “ICHITAN green tea”, the herbal drink “Yen Yen”, and green tea with chewy coconut cubes named “ICHITAN Chew Chew”, along with other beverages. In 2022, 90.3% of ICHI’s revenue came from domestic sales, and overseas sales accounted for 9.7%. ICHI’s factory is located at Rojana Industrial Park, Ayutthaya, which has seven bottle production lines and two UHT box product lines with a total capacity of 1,500 million bottles and 200 million boxes per year.

Company profile

Ichitan Group manufactures its own-branded beverages and sells ready-to-drink green tea beverages, herbal drinks, and low-sugar ready-to-drink tea beverages to the local market and CLMV. In 2014, ICHI engaged in a joint venture with the Indonesian company PT Atri Pasifik to produce and sell its products in Indonesia.

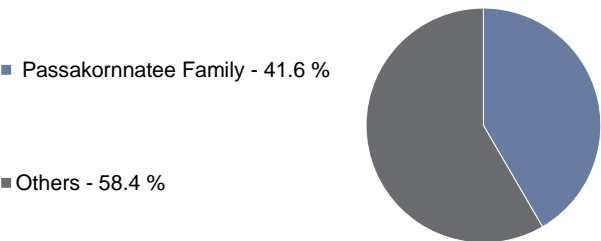
[www.ichitangroup.com](http://www.ichitangroup.com)

Principal activities (revenue, 2022)



Source: Ichitan Group

Major shareholders



Source: Ichitan Group

Catalysts

Potential catalysts for ICHI’s earnings growth in 2023 are 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful new product launches; and 4) successful original equipment manufacturer (OEM) customer products.

Risks to our call

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

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	6,457	6,898	7,261
Overseas revenue (THB m)	644	695	751
Total revenue (THB m)	7,100	7,593	8,012
Total revenue growth (%)	12.0	6.9	5.5
Gross margin (%)	20.8	21.0	21.2
SG&A to sales (%)	7.5	7.5	7.4

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 1%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 3.8%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to sales, we estimate 2023 net profit to fall by 2%, and vice versa, all else being equal.

Source: FSSIA estimates



## Management shows more confidence with their 2023 targets

We have a positive view from the analyst meeting on 16 May 2023. Management has shown more confidence with their 2023 targets, which include 1) total revenue growth at 15% y-y to THB7.3b; 2) a gross margin above 21% (from not less than 20%); and 3) a selling expense to sales ratio of 5%. To elaborate, its ready-to-drink (RTD) green tea and export revenue targets remain the same from the previous meeting at 7% y-y and 5% y-y, respectively, while its target for Tansansu is THB500m in 2023, up from THB50m in 2022.

Meanwhile, there is an upside from OEM revenue with its current target of THB100m, as ICHI just received the first order for premium 100% natural coconut water from General Beverage (not listed) in March 2023. ICHI expects purchase orders of around THB220m-240m to be recognised this year, based on its target, which excludes this new OEM customer.

Aside from that, management aims to increase its 2023 utilisation rate to 70% from 60% in 2022, while raw material and packaging costs should stabilise or slightly decline in 2023. Hence, the company revised up its 2023 gross margin guidance to more than 21% from its previous guidance of 20%.

Exhibit 1: ICHI's OEM strategy in 2023



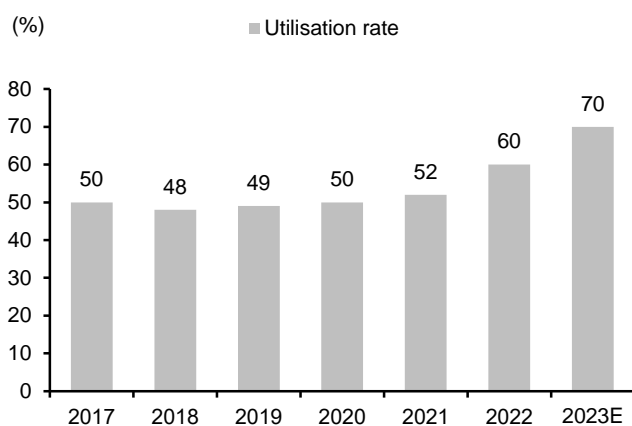
Source: ICHI

Exhibit 2: New OEM customer in 2023



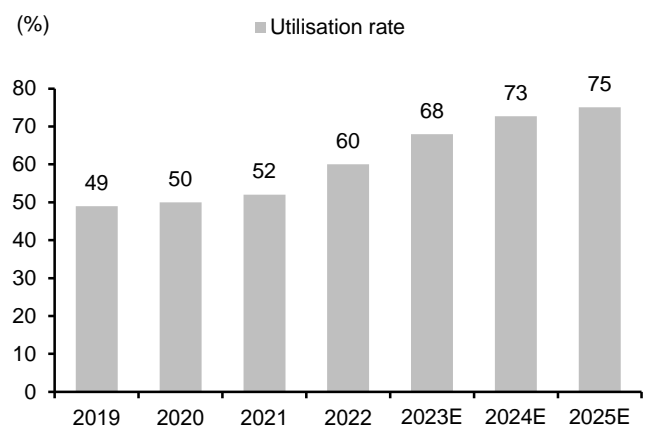
Source: ICHI

Exhibit 3: Utilisation rate target



Source: ICHI

Exhibit 4: Utilisation rate forecast by FSSIA



Source: FSSIA estimates

## Expect 2Q23 profit to reach another record high

We forecast a 2Q23 net profit of THB251m (+13% q-q, +64.2% y-y), due to 1) the high season for the beverage industry; 2) a higher utilisation rate; and 3) a full-quarter's revenue recognition from the new OEM customer.

We estimate its domestic revenue to grow solidly by 8.5% q-q and 28.2% y-y, thanks to higher RTD green tea market value growth at 15% y-y in 2Q23, which would support ICHI's RTD green tea revenue growth. We expect Tansansu's 2Q23 revenue to increase by 60% q-q to THB80m. The company will also recognise a full-quarter revenue contribution from the new OEM customer. Hence, we expect its 2Q23 total revenue to hit a record high of THB2b (+9.4% q-q, +24% y-y).

We estimate its 2Q23 gross margin to rise to 21.5%, up from 20.8% in 1Q23 and 18% in 2Q22, supported by 1) a higher utilization rate to 69-70% from 62% in 1Q23; and 2) stabilised raw material and packaging costs. In addition, we think its 2Q23 SG&A to sales will slightly increase to 7% from 6.5% in 1Q23, in line with the seasonality. The company usually plans to create more marketing and advertising activity in the summer season.

Therefore, we have a positive view on 2Q23E net profit, which should reach another record high. Assuming in-line results, ICHI's 1H23 net profit would account for 65% of our previous full-year forecast.

### Exhibit 5: 2Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	1,442	1,616	1,664	1,617	1,833	2,004	9.4	24.0	3,059	3,837	25.4
Cost of sales	1,230	1,325	1,339	1,275	1,452	1,573	8.4	18.7	2,555	3,025	18.4
Gross profit	212	291	325	343	381	431	13.2	48.0	504	811	61.2
SG&A	97	119	115	135	120	140	17.1	18.4	215	260	20.9
Operating profit	121	176	222	206	269	299	10.8	69.3	298	568	90.8
Interest expense	0.5	0.5	0.3	0.5	0.4	0.5	12.6	6.6	1	1	(1.4)
Tax expense	23	38	50	44	57	63	10.3	64.7	61	119	96.1
Profit (loss) sharing	30	15	21	17	9	15	58.1	2.5	45	24	(45.1)
Reported net profit	104	153	192	193	222	251	13.0	64.2	256	472	84.1
Core profit	128	153	192	178	222	251	13.0	64.2	280	472	68.4
<b>Key Ratios (%)</b>							<b>(ppt)</b>	<b>(ppt)</b>			<b>(ppt)</b>
Gross margin	14.7	18.0	19.5	21.2	20.8	21.5	0.7	3.5	16.5	21.1	4.7
SG&A to sales	6.7	7.3	6.9	8.3	6.5	7.0	0.5	(0.3)	7.0	6.8	(0.2)
Operating margin	8.4	10.9	13.3	12.7	14.7	14.9	0.2	4.0	9.7	14.8	5.1
Net margin	7.2	9.4	11.6	11.9	12.1	12.5	0.4	3.1	8.4	12.3	3.9
Core margin	8.9	9.4	11.6	11.0	12.1	12.5	0.4	3.1	9.2	12.3	3.1
<b>Operating statistics (THB m)</b>											
Domestic	1,309	1,437	1,507	1,474	1,698	1,843	8.5	28.2	2,746	3,541	29.0
Overseas	134	179	157	143	134	161	20.0	(10.0)	313	296	(5.5)

Source: FSSIA estimates

## Revise up our 2023 net profit forecast

We revise up our 2023 net profit forecast by 11.3% to THB814m (+27% y-y), due to stronger expected 1H23 OEM and Tansansu revenue. Hence, we revise up our 2023 total revenue growth assumption to 12% y-y (from 9.1% y-y) and our gross margin estimate to 20.8% (from 20%), which are more conservative than management's targets. Aside from that, we expect to see its 2H23 operations drop h-h, in line with the seasonality. However, management aims to maintain continual profit growth in 2H23 via managing its strategies and expanding to more OEM customers.

### Exhibit 6: Key assumptions for ICHI

	----- Current -----			----- Previous -----			----- Change -----		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Sales	7,100	7,593	8,012	6,914	7,464	7,991	2.7	1.7	0.3
Cost of sales	5,624	5,998	6,313	5,532	5,956	6,361	1.7	0.7	(0.7)
Gross profit	1,477	1,594	1,699	1,383	1,508	1,630	6.8	5.8	4.2
SG&A	533	569	593	588	634	679	(9.4)	(10.2)	(12.7)
Operating profit	966	1,048	1,130	816	896	975	18.4	17.0	15.9
Interest expense	4	4	3	2	3	2	82.0	33.8	19.0
Tax expense	204	224	241	172	188	205	18.6	19.1	18.0
Profit (loss) sharing	57	76	80	90	97	104	(36.8)	(21.7)	(22.9)
Reported net profit	814	896	966	732	802	872	11.3	11.7	10.7
Core profit	814	896	966	732	802	872	11.3	11.7	10.7
<b>Key ratios (%)</b>									
Total revenue growth	12.0	6.9	5.5	9.1	7.9	7.1	2.9	(1.0)	(1.5)
Net profit growth	26.9	10.0	7.8	14.0	9.6	8.8	12.9	0.4	(1.0)
Core profit growth	25.2	10.0	7.8	12.5	9.6	8.8	12.7	0.4	(1.0)
Gross margin	20.8	21.0	21.2	20.0	20.2	20.4	0.8	0.8	0.8
SG&A to sales	7.5	7.5	7.4	8.5	8.5	8.5	(1.0)	(1.0)	(1.1)
Net margin	11.5	11.8	12.1	10.6	10.7	10.9	0.9	1.1	1.1
Norm margin	11.5	11.8	12.1	10.6	10.7	10.9	0.9	1.1	1.1
<b>Operating statistics (THB m)</b>									
Domestic revenue	6,457	6,898	7,261	6,228	6,709	7,160	3.7	2.8	1.4
RTD green tea	5,666	6,044	6,346	5,666	6,091	6,497	0.0	(0.8)	(2.3)
Non-tea	643	695	743	503	553	592	28.0	25.7	25.7
OEM	147	159	171	59	65	71	150.0	145.5	141.0
Overseas revenue	644	695	751	687	755	831	(6.2)	(8.0)	(9.6)

Source: FSSIA estimates

## Maintain BUY recommendation with new TP

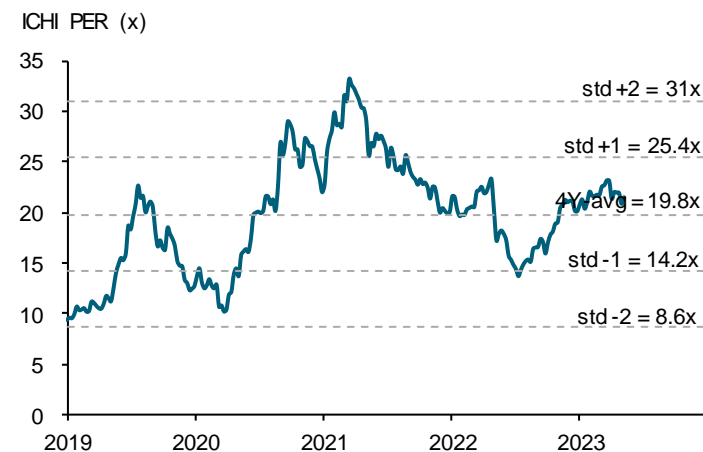
We raise our target price to THB15.7 from THB14, based on the same target P/E of 25x (+1.0 SD), in line with the five-year historical average of its peers. We have a more positive outlook for 2Q23 and 2H23 operations. However, we see an upside for our net profit forecast if the company can hit its target to generate 2H23 net profit growth from 1H23. We maintain our BUY rating; its share price has an upside of 16.3%

Exhibit 7: Peers comparison as of 17 May 2023

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)	(x)
<b>Thailand</b>														
TAC Consumer	TACC TB	BUY	5.35	7.20	35	95	14.9	12.3	28.3	33.1	4.1	4.0	8.5	7.0
NSL Foods	NSL TB	BUY	20.50	26.00	27	179	17.9	15.6	23.8	26.0	4.2	4.0	10.3	9.1
Sappe	SAPPE TB	BUY	72.75	68.00	(7)	654	26.7	23.8	25.4	27.2	6.7	6.3	16.5	14.7
Ichitan Group	ICHI TB	BUY	13.50	15.70	16	512	21.5	19.6	13.2	14.5	2.8	2.8	10.9	10.2
Osotspa	OSP TB	n/a	30.75	n/a	n/a	2,695	33.6	28.5	14.8	17.0	4.9	4.9	19.5	17.1
Carabao Group	CBG TB	n/a	70.50	n/a	n/a	2,057	31.1	25.7	20.3	22.5	6.1	5.6	21.1	18.5
<b>Thailand average</b>						<b>6,192</b>	<b>24.3</b>	<b>20.9</b>	<b>21.0</b>	<b>23.4</b>	<b>4.8</b>	<b>4.6</b>	<b>14.4</b>	<b>12.8</b>

Sources: Bloomberg, FSSIA's compilation

Exhibit 8: Historical P/E band



Sources: Bloomberg, FSSIA's compilation

Exhibit 9: Historical P/BV band



Sources: Bloomberg, FSSIA's compilation

## Financial Statements

### Ichitan Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	5,228	6,340	7,100	7,593	8,012
Cost of goods sold	(3,637)	(4,599)	(5,041)	(5,406)	(5,711)
<b>Gross profit</b>	<b>1,591</b>	<b>1,742</b>	<b>2,060</b>	<b>2,187</b>	<b>2,301</b>
Other operating income	23	19	21	23	24
Operating costs	(445)	(465)	(533)	(569)	(593)
<b>Operating EBITDA</b>	<b>1,168</b>	<b>1,296</b>	<b>1,548</b>	<b>1,640</b>	<b>1,732</b>
Depreciation	(584)	(570)	(583)	(593)	(603)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>585</b>	<b>726</b>	<b>966</b>	<b>1,048</b>	<b>1,130</b>
Net financing costs	(3)	(2)	(4)	(4)	(3)
Associates	59	82	57	76	80
Recurring non-operating income	59	82	57	76	80
Non-recurring items	0	(9)	0	0	0
<b>Profit before tax</b>	<b>641</b>	<b>797</b>	<b>1,018</b>	<b>1,120</b>	<b>1,207</b>
Tax	(94)	(155)	(204)	(224)	(241)
<b>Profit after tax</b>	<b>547</b>	<b>642</b>	<b>814</b>	<b>896</b>	<b>966</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>547</b>	<b>642</b>	<b>814</b>	<b>896</b>	<b>966</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>547</b>	<b>651</b>	<b>814</b>	<b>896</b>	<b>966</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.42	0.50	0.63	0.69	0.74
Reported EPS	0.42	0.49	0.63	0.69	0.74
DPS	0.50	0.60	0.63	0.69	0.74
Diluted shares (used to calculate per share data)	1,300	1,300	1,300	1,300	1,300
<b>Growth</b>					
Revenue (%)	2.5	21.3	12.0	6.9	5.5
Operating EBITDA (%)	1.7	10.9	19.5	6.0	5.6
Operating EBIT (%)	5.1	24.1	33.1	8.5	7.8
Recurring EPS (%)	6.1	19.0	25.2	10.0	7.8
Reported EPS (%)	6.1	17.4	26.9	10.0	7.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	19.3	18.5	20.8	21.0	21.2
Gross margin of key business (%)	19.3	18.5	20.8	21.0	21.2
Operating EBITDA margin (%)	22.3	20.4	21.8	21.6	21.6
Operating EBIT margin (%)	11.2	11.4	13.6	13.8	14.1
Net margin (%)	10.5	10.3	11.5	11.8	12.1
Effective tax rate (%)	14.7	19.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	118.9	119.9	100.0	100.0	100.0
Interest cover (X)	244.4	462.2	230.3	283.8	470.7
Inventory days	56.3	44.4	43.6	43.0	43.1
Debtor days	61.8	62.5	66.6	67.7	68.2
Creditor days	53.4	51.0	51.9	48.4	48.5
Operating ROIC (%)	8.0	10.8	15.2	17.3	20.1
ROIC (%)	8.3	11.2	14.7	16.4	18.4
ROE (%)	8.8	10.5	13.2	14.5	15.6
ROA (%)	7.6	9.0	11.2	12.3	13.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Ready-to-drink green tea	3,264	4,405	4,713	5,043	5,295
Non-tea and others	1,964	1,936	2,387	2,550	2,717

Sources: Ichitan Group; FSSIA estimates



## Financial Statements

### Ichitan Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	547	651	814	896	966
Depreciation	584	570	583	593	603
Associates & minorities	(59)	(82)	(57)	(76)	(80)
Other non-cash items	-	-	-	-	-
Change in working capital	(35)	(27)	(210)	(65)	(55)
<b>Cash flow from operations</b>	<b>1,036</b>	<b>1,112</b>	<b>1,131</b>	<b>1,348</b>	<b>1,433</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(65)	(114)	(247)	(200)	(155)
Net acquisitions & disposals	(65)	-	-	-	-
Other investments (net)	46	58	(49)	(134)	(8)
<b>Cash flow from investing</b>	<b>(83)</b>	<b>(56)</b>	<b>(296)</b>	<b>(334)</b>	<b>(163)</b>
Dividends paid	(650)	(644)	(814)	(896)	(966)
Equity finance	0	0	0	0	0
Debt finance	(238)	(9)	(65)	0	0
Other financing cash flows	(62)	(6)	9	(12)	2
<b>Cash flow from financing</b>	<b>(950)</b>	<b>(658)</b>	<b>(870)</b>	<b>(908)</b>	<b>(964)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	132	0	0	0	0
<b>Net other adjustments</b>	<b>132</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>135</b>	<b>397</b>	<b>(36)</b>	<b>106</b>	<b>306</b>
Free cash flow to firm (FCFF)	955.69	1,057.45	838.63	1,017.95	1,272.71
Free cash flow to equity (FCFE)	785.29	1,040.82	778.82	1,002.25	1,272.23
<b>Per share (THB)</b>					
FCFF per share	0.74	0.81	0.65	0.78	0.98
FCFE per share	0.60	0.80	0.60	0.77	0.98
Recurring cash flow per share	0.82	0.88	1.03	1.09	1.14
Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	9,261	9,370	9,620	9,820	10,020
Less: Accumulated depreciation	(4,483)	(5,032)	(5,615)	(6,208)	(6,810)
<b>Tangible fixed assets (net)</b>	<b>4,778</b>	<b>4,338</b>	<b>4,005</b>	<b>3,613</b>	<b>3,210</b>
<b>Intangible fixed assets (net)</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	254	312	375	575	655
Cash & equivalents	338	735	699	806	1,112
A/C receivable	1,054	1,304	1,437	1,531	1,567
Inventories	531	588	616	657	692
Other current assets	0	0	0	0	0
<b>Current assets</b>	<b>1,923</b>	<b>2,627</b>	<b>2,753</b>	<b>2,995</b>	<b>3,371</b>
Other assets	140	99	142	152	160
<b>Total assets</b>	<b>7,106</b>	<b>7,386</b>	<b>7,285</b>	<b>7,344</b>	<b>7,406</b>
Common equity	6,191	6,170	6,173	6,173	6,173
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>6,191</b>	<b>6,170</b>	<b>6,173</b>	<b>6,173</b>	<b>6,173</b>
Long term debt	73	65	0	0	0
Other long-term liabilities	47	41	50	38	40
<b>Long-term liabilities</b>	<b>119</b>	<b>105</b>	<b>50</b>	<b>38</b>	<b>40</b>
A/C payable	546	739	693	740	778
Short term debt	15	14	14	14	14
Other current liabilities	235	357	355	380	401
<b>Current liabilities</b>	<b>796</b>	<b>1,110</b>	<b>1,062</b>	<b>1,133</b>	<b>1,193</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,106</b>	<b>7,386</b>	<b>7,285</b>	<b>7,344</b>	<b>7,406</b>
Net working capital	804	795	1,005	1,070	1,079
Invested capital	5,987	5,554	5,537	5,419	5,115
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	4.76	4.75	4.75	4.75	4.75
Tangible book value per share	4.75	4.74	4.74	4.74	4.74
<b>Financial strength</b>					
Net debt/equity (%)	(4.0)	(10.6)	(11.1)	(12.8)	(17.8)
Net debt/total assets (%)	(3.5)	(8.9)	(9.4)	(10.8)	(14.8)
Current ratio (x)	2.4	2.4	2.6	2.6	2.8
CF interest cover (x)	323.9	661.7	232.1	304.6	556.2
Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>32.1</b>	<b>27.0</b>	<b>21.5</b>	<b>19.6</b>	<b>18.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>37.3</b>	<b>31.4</b>	<b>25.1</b>	<b>22.8</b>	<b>21.1</b>
Reported P/E (x)	32.1	27.4	21.5	19.6	18.2
Dividend yield (%)	3.7	4.4	4.6	5.1	5.5
Price/book (x)	2.8	2.8	2.8	2.8	2.8
Price/tangible book (x)	2.8	2.8	2.8	2.8	2.8
EV/EBITDA (x) **	14.8	13.0	10.9	10.2	9.5
EV/EBITDA @ target price (x) **	17.3	15.2	12.7	12.0	11.1
EV/invested capital (x)	2.9	3.0	3.0	3.1	3.2
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Ichitan 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)<sup>1</sup>

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)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> 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 >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: 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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> 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

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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#### History of change in investment rating and/or target price

##### Ichitan Group (ICHI TB)



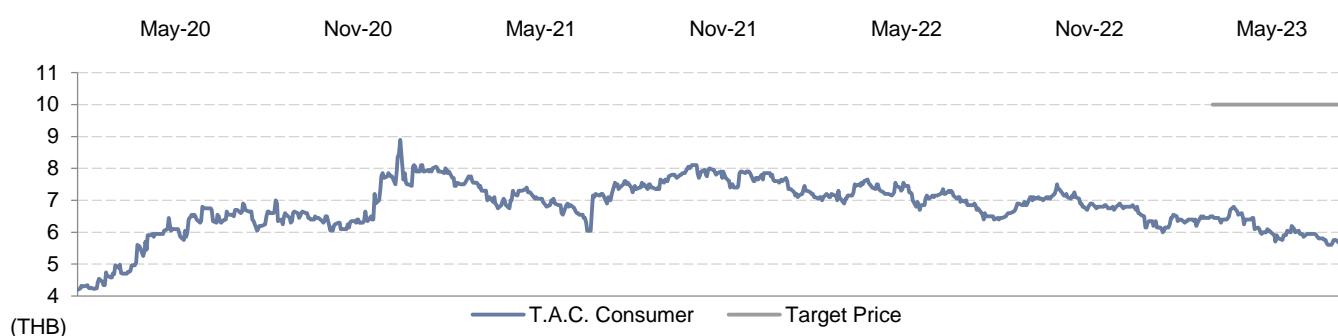
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

##### T.A.C. Consumer (TACC TB)

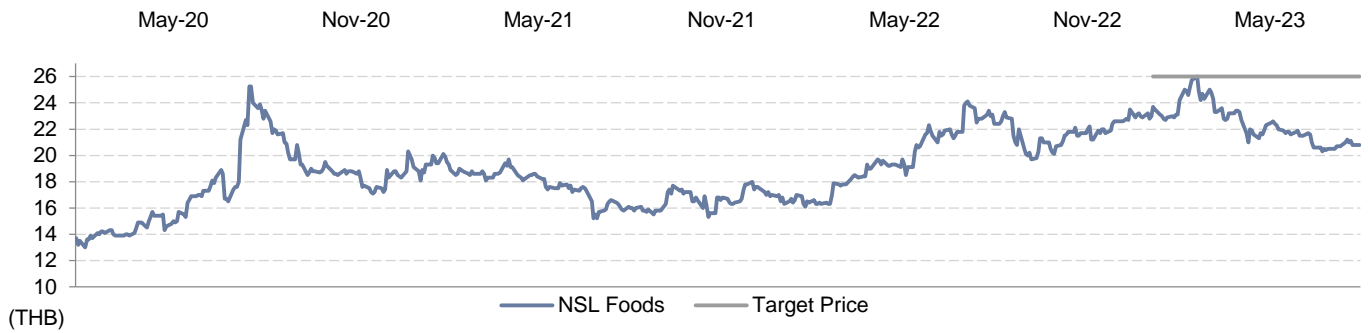


Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	10.00	15-May-2023	BUY	7.20	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

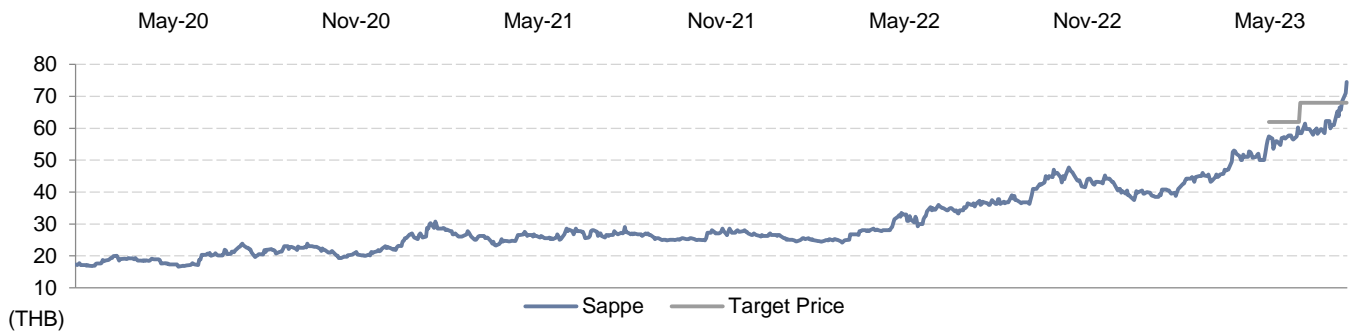
**NSL Foods (NSL TB)**

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

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

Price and TP are in local currency

Source: FSSIA estimates

**Sappe (SAPPE TB)**

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	05-Apr-2023	BUY	68.00	-	-	-

Sureeporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Ichitan Group	ICHI TB	THB 13.50	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.
T.A.C. Consumer	TACC TB	THB 5.35	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 20.50	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.
Sappe	SAPPE TB	THB 72.75	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.

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 17-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.