

SAPPE SAPPE TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

Reaching for new heights in 2Q-3Q23

- SAPPE has expanded its capacity to support higher revenue.
- We raise our 2023 net profit forecast by 29%, with growth of 66% y-y. Short-term, we expect 2Q23 net profit to hit a record high.
- Retain BUY call with a new TP of THB88.

TARGET PRICE	THB88.00
CLOSE	THB75.25
UP/DOWNSIDE	+16.9%
PRIOR TP	THB68.00
CHANGE IN TP	+29.4%
TP vs CONSENSUS	+24.2%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,566	5,889	6,499	7,117
Net profit	653	1,086	1,202	1,301
EPS (THB)	2.12	3.52	3.90	4.22
vs Consensus (%)	-	22.0	17.9	10.2
EBITDA	1,018	1,552	1,729	1,872
Core net profit	666	1,086	1,202	1,301
Core EPS (THB)	2.16	3.52	3.90	4.22
Chg. In EPS est. (%)	-	28.9	27.6	24.0
EPS growth (%)	59.5	63.1	10.7	8.2
Core P/E (x)	34.9	21.4	19.3	17.8
Dividend yield (%)	2.2	3.5	3.9	4.2
EV/EBITDA (x)	20.9	14.1	12.8	11.7
Price/book (x)	7.1	6.7	6.2	5.7
Net debt/Equity (%)	(60.9)	(38.5)	(32.5)	(34.0)
ROE (%)	21.6	32.3	33.2	33.1

Positive view from analyst meeting on 22 May 2023

Management mentioned that there is a potential upside to the current revenue growth target of 25% in 2023 because 2QTD total revenue is stronger than targeted. SAPPE has expanded its production capacity by 20% since February 2023, while it began outsourcing 10% of its production to OEMs in March 2023. Management raised the targeted 2023 gross margin to 42-43% from 40%, due to a higher-than-expected utilisation rate. The company plans to increase its capacity by another 30% via its own new production line within 1Q24, while it aims to achieve its long-term revenue target of THB10b in 2026.

Solid revenue should support a new profit high in 2Q23

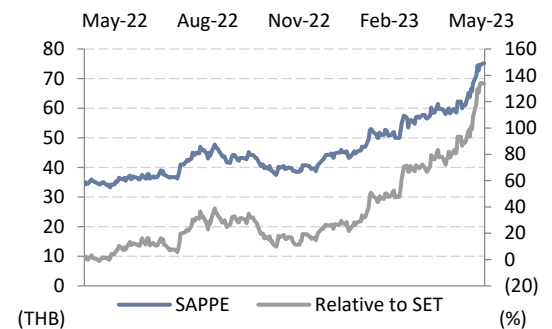
In the short term, we forecast a 2Q23 net profit at a record high of THB298m (+8.3% q-q, +78% y-y), due to favourable seasonal factors. We expect a new revenue high of THB1.6b (+5.7% q-q, +30% y-y) in 2Q23. Its gross margin should stabilise q-q at 43.5%, but sharply increase from 40.4% in 2Q22. Assuming in-line 1H23 results, SAPPE's 1H23 net profit would be THB572m (+78.5% y-y). We expect to see its 3Q23 net profit grow slightly or be flat q-q, as it is still part of the high season for the export industry. Its 4Q23 operations should drop q-q to the lowest point of the year, in line with the seasonality.

Raise our 2023 net profit forecast

We raise our 2023 net profit forecast by 29% to THB1.09b (+66% y-y), supported by 1) higher revenue growth in line with 1H23E revenue; and 2) a higher gross margin of 42.7% from our previous forecast of 41% – though still more conservative than management's target. Aside from that, we anticipate a 2024 net profit of THB1.2b, slightly growing by 10.7% y-y due to a high base in 2023.

Maintain BUY call with a new TP of THB88

We revise up our target price to THB88 from THB68, based on 25x 2023E P/E. Its share price has outperformed among its peers, jumping by 69% in 2022 and 70% in 2023 YTD. We think the share price has partially reflected the high profit growth expectations. However, our new target price has an upside of 16.9%, hence we retain our BUY recommendation.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	29.2	43.3	121.3
Relative to country (%)	31.6	54.9	136.7
Mkt cap (USD m)	673		
3m avg. daily turnover (USD m)	1.4		
Free float (%)	25		
Major shareholder	Ruckariyapong Family (68%)		
12m high/low (THB)	76.25/32.25		
Issued shares (m)	308.29		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

SAPPE is well known as a leader in innovative and functional drinks in Thailand, some of which are made from Thai agricultural products, including Mogu Mogu, Sappe Aloe Vera, and All Coco. A strong global brand, its products are distributed in 98 countries via both modern trade and traditional stores.

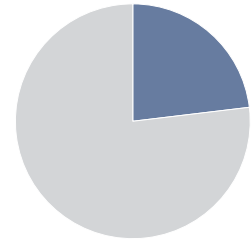
Company profile

SAPPE is a manufacturer and distributor of beverages targeting health and beauty-conscious consumers. A leading company in Thailand’s functional drink market, it currently has 12 successful brands in five categories, including the popular Sappe Beauti Drink brand. In 2022, 76.9% of SAPPE’s revenue came from overseas sales and domestic sales accounted for 23.1%.

www.sappe.com

Principal activities (revenue, 2022)

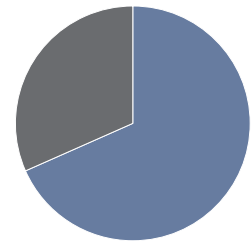
- Domestic revenue - 23.1 %
- Overseas revenue - 76.9 %



Source: SAPPE

Major shareholders

- Ruckariyapong Family - 68.4 %
- Others - 31.6 %



Source: SappeAPPE

Catalysts

Potential catalysts for SAPPE’s earnings growth in 2023 include 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful expansion into new markets; and 4) successful new product launches.

Risks to our call

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.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	1,310	1,445	1,597
Overseas revenue (THB m)	4,579	5,054	5,521
Total revenue (THB m)	5,889	6,499	7,117
Total revenue growth (%)	29.0	10.4	9.5
Gross margin (%)	42.7	43.0	43.2
SG&A to sales (%)	24.2	23.5	23.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 2.9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 2.8%, and vice versa, all else being equal.

Source: FSSIA estimates

Impressive 1Q23 results

SAPPE reported a 1Q23 net profit of THB275m (+79% q-q, +79% y-y), beating our estimate by 15% and hitting a new high, thanks to solid revenue growth and a higher gross margin.

Total revenue rose by 47% q-q and 49% y-y in 1Q23, supported by stronger domestic and overseas revenue. To elaborate, domestic revenue increased by 7.5% q-q and 18.4% y-y, mainly from a consumption recovery and seven new product launches. Meanwhile, overseas revenue grew sharply by 61% q-q and 64% y-y, as Ramadan began in 1Q23, earlier than usual, which led to strong growth in Indonesia and the Philippines (+88% q-q, +58% y-y).

We are impressed by the new gross margin high at 43.2% in 1Q23 (vs 40.7% in 4Q22 and 41.2% in 1Q22). Key drivers came from 1) a high utilisation rate at 81%; and 2) declining packaging costs by around 20% y-y.

Exhibit 1: 1Q23 results earnings

	1Q22	2Q22	3Q22	4Q22	1Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	1,019	1,236	1,279	1,032	1,520	47.4	49.2
Cost of sales	599	736	756	612	864	41.1	44.3
Gross profit	420	500	524	420	656	56.5	56.2
SG&A	351	380	352	284	354	24.8	1.1
Operating profit	192	218	249	171	337	97.0	75.4
Interest expense	0.56	0.58	0.53	0.62	0.71	14.3	25.9
Tax Expense	38	40	45	40	67	67.9	79.6
Profit (loss) sharing	(4)	1	1	(0)	(1)	44.1	(81.8)
Reported net profit	153	167	179	154	275	79.0	79.1
Core profit	152	179	204	131	280	113.2	84.3
Key ratios (%)						(ppt)	(ppt)
Gross margin	41.2	40.4	40.9	40.7	43.2	2.5	1.9
SG&A to sales	34.4	30.7	27.5	27.5	23.3	(4.2)	(11.1)
Operating margin	18.8	17.7	19.5	16.6	22.1	5.6	3.3
Net margin	15.1	13.5	14.0	14.9	18.1	3.2	3.0
Core margin	14.9	14.5	15.9	12.7	18.4	5.7	3.5
Operating statistics (THB m)							
Domestic revenue	208	227	224	229	246	7.5	18.4
Overseas revenue	743	943	986	757	1,216	60.6	63.8
Indo/Philippines	265	298	296	223	420	88.4	58.2
South Korea	101	140	197	80	137	71.0	35.3
Other	376	505	494	454	660	45.2	75.3

Sources: SAPPE; FSSIA's compilation

Exhibit 2: Seven new products launched in 1Q23



Source: SAPPE

Expanding production capacity to support long-term growth

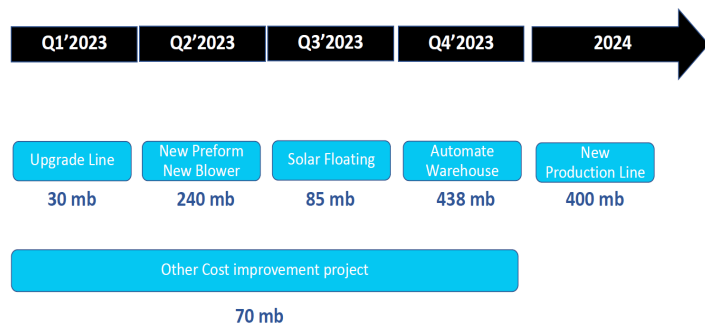
We have a positive view from the analyst meeting on 22 May 2023. Even though management still targets 2023 revenue growth at 25% y-y, they mentioned there is a potential upside to their target. Because 2QTD total revenue is stronger than targeted, they might revise the yearly target after 2Q23 results release.

SAPPE has expanded its production capacity by 20% since February 2023, while it began outsourcing 10% of its production to original equipment manufacturers (OEMs) in March 2023. The total additional production capacity of 30% will be fully recognised in 2Q23 onward. This should support higher revenue from both domestic and overseas sources in 2Q23 and 3Q23, in line with the high season.

In addition, the company plans to increase its capacity by another 30% via its own new production line within 1Q24, and then stop outsourcing to OEMs at that time. Moreover, the company aims to achieve its long-term revenue target of THB10b in 2026, up from THB4.57b in 2022.

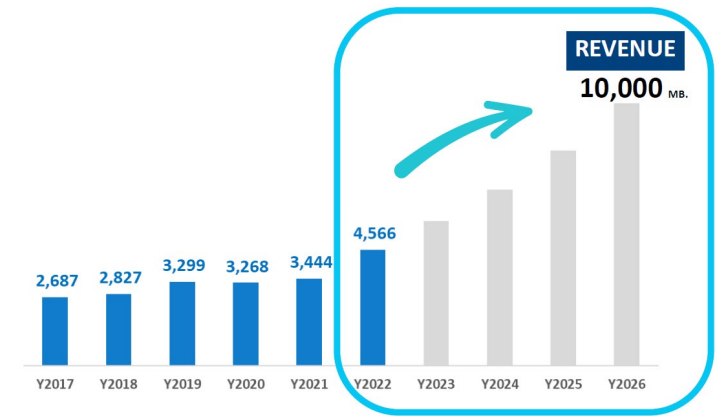
Management raised its targeted 2023 gross margin to 42-43% from 40%, due to a higher-than-expected utilisation rate. Its high utilisation rate should offset higher utility costs and a low gross margin contribution from OEM outsourcing.

Exhibit 3: Investment timeline in 2023-24



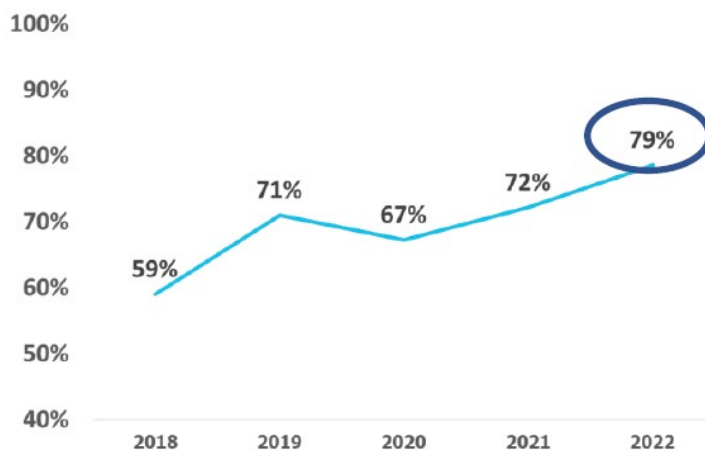
Source: SAPPE

Exhibit 4: Target revenue in 2023-26



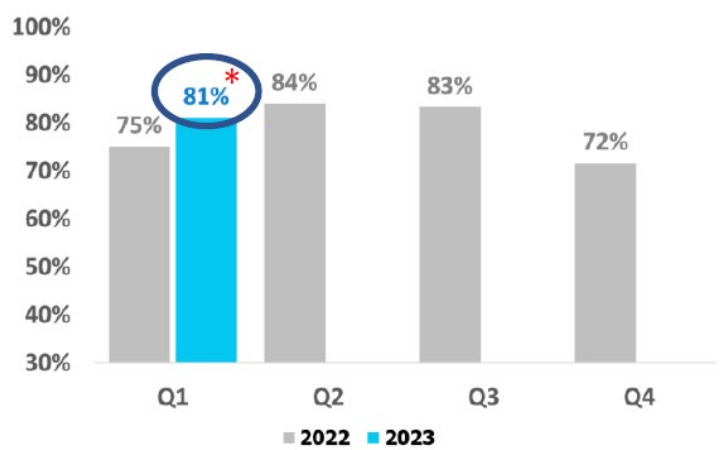
Source: SAPPE

Exhibit 5: Yearly actual utilisation rate



Source: SAPPE

Exhibit 6: Quarterly actual utilisation rate



*Calculated from the increase in maximum capacity, +19% y-y
Source: SAPPE

Expect 2Q23 profit to hit another record high

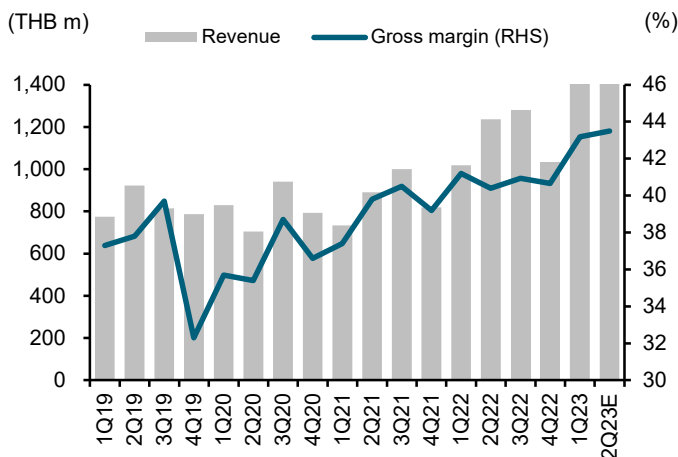
In the short term, we forecast a 2Q23 net profit at a record high of THB298m (+8.3% q-q, +78% y-y), due to favourable seasonal factors. We expect a new revenue high of THB1.6b (+5.7% q-q, +30% y-y) in 2Q23. Its gross margin should stabilise q-q at 43.5%, but sharply increase from 40.4% in 2Q22.

Exhibit 7: 2Q23E 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	1,019	1,236	1,279	1,032	1,520	1,607	5.7	30.0	2,255	3,128	38.7
Cost of sales	599	736	756	612	864	908	5.1	23.3	1,335	1,772	32.7
Gross profit	420	500	524	420	656	699	6.5	39.8	920	1,356	47.3
SG&A	351	380	352	284	354	374	5.6	(1.4)	730	729	(0.2)
Operating profit	192	218	249	171	337	360	6.9	64.7	410	696	69.7
Interest expense	0.56	0.58	0.53	0.62	0.71	0.70	(0.7)	21.3	1.14	1.41	23.6
Tax Expense	38	40	45	40	67	72	6.4	81.4	77	139	80.5
Profit (loss) sharing	(4)	1	1	(0)	(1)	(1)	nm	nm	(3)	(1)	(59.3)
Reported net profit	153	167	179	154	275	298	8.3	78.0	321	572	78.5
Core profit	152	179	204	131	280	298	6.4	66.4	331	577	74.6
Key ratios (%)							(ppt)	(ppt)			
Gross margin	41.2	40.4	40.9	40.7	43.2	43.5	0.3	3.1	40.8	43.3	2.5
SG&A to sales	34.4	30.7	27.5	27.5	23.3	23.3	(0.0)	(7.4)	32.4	23.3	(9.1)
Operating margin	18.8	17.7	19.5	16.6	22.1	22.4	0.2	4.7	18.2	22.3	4.1
Net margin	15.1	13.5	14.0	14.9	18.1	18.5	0.4	5.0	14.2	18.3	4.1
Core margin	14.9	14.5	15.9	12.7	18.4	18.5	0.1	4.1	14.7	18.5	3.8

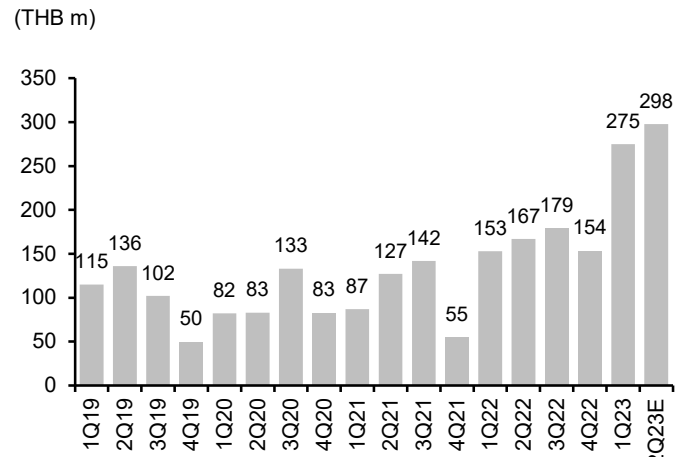
Sources: SAPPE, FSSIA estimates

Exhibit 8: Quarterly revenue and gross margin



Sources: SAPPE, FSSIA estimates

Exhibit 9: Quarterly net profit



Sources: SAPPE, FSSIA estimates

Raising our 2023 net profit estimate with solid growth of 66% y-y

Assuming in-line 1H23 results, SAPPE's 1H23 net profit would be THB572m (+78.5% y-y). We expect to see its 3Q23 net profit grow slightly or be flat q-q, as it is still part of the high season for the export industry. Its 4Q23 operations should drop q-q to the lowest point of the year, in line with the seasonality.

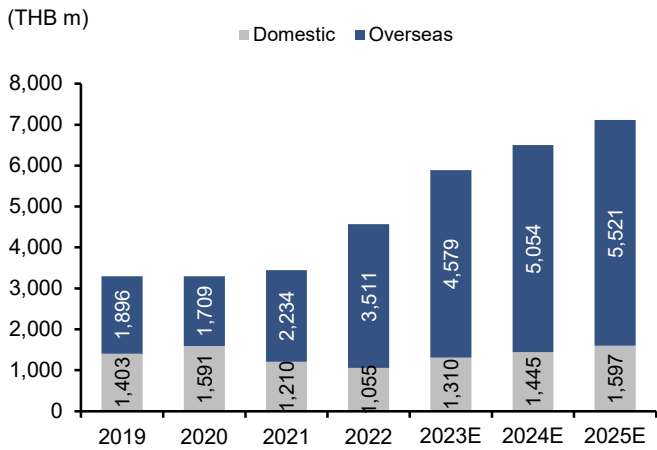
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Exhibit 10: Key assumptions for SAPPE

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total sales value	5,889	6,499	7,117	5,655	6,323	6,986	4.1	2.8	1.9
Costs	3,375	3,704	4,043	3,336	3,718	4,101	1.2	(0.4)	(1.4)
Gross profit	2,515	2,795	3,075	2,319	2,605	2,885	8.4	7.3	6.6
SG&A expense	1,425	1,527	1,637	1,459	1,581	1,712	(2.3)	(3.4)	(4.4)
Interest expense	3	3	2	3	3	2	0.0	0.0	0.0
Reported net profit	1,086	1,202	1,301	842	942	1,048	28.9	27.6	24.1
Core profit	1,086	1,202	1,301	842	942	1,048	28.9	27.6	24.1
Key ratios (%)									
Total revenue growth	29.0	10.4	9.5	23.8	11.8	10.5	5.2	(1.4)	(1.0)
Net profit growth	66.2	10.7	8.2	28.9	11.8	11.3	37.3	(1.1)	(3.1)
Core profit growth	63.1	10.7	8.2	26.5	11.8	11.3	36.6	(1.1)	(3.1)
Gross margin	42.7	43.0	43.2	41.0	41.2	41.3	1.7	1.8	1.9
SG&A to sales	24.2	23.5	23.0	25.8	25.0	24.5	(1.6)	(1.5)	(1.5)
Net margin	18.4	18.5	18.3	14.9	14.9	15.0	3.5	3.6	3.3
Core margin	18.4	18.5	18.3	14.9	14.9	15.0	3.5	3.6	3.3
Operating statistics (no.)									
Domestic revenue	1,310	1,445	1,597	1,266	1,415	1,564	3.5	2.1	2.1
Overseas revenue	4,579	5,054	5,521	4,289	4,907	5,422	6.8	3.0	1.8
Domestic revenue growth	24.2	10.3	10.5	20.0	11.8	10.5	4.2	(1.5)	(0.0)
Overseas revenue growth	30.4	10.4	9.2	25.0	11.8	10.5	5.4	(1.4)	(1.3)
Domestic revenue portion	22.3	22.2	22.4	22.4	22.4	22.4	(0.1)	(0.1)	0.0
Overseas revenue portion	77.7	77.8	77.6	75.8	77.6	77.6	1.9	0.2	0.0

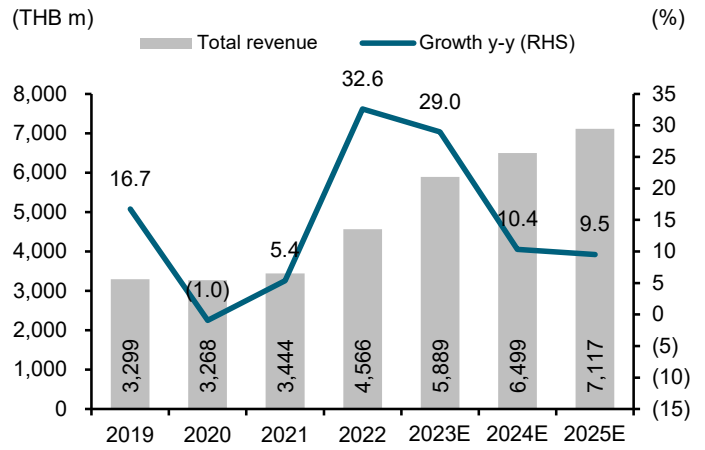
Source: FSSIA estimates

Exhibit 11: Yearly domestic and overseas revenue



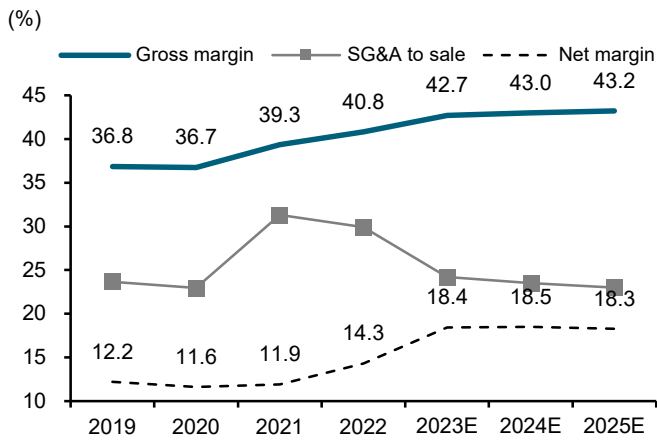
Sources: SAPPE, FSSIA estimates

Exhibit 12: Yearly total revenue and growth



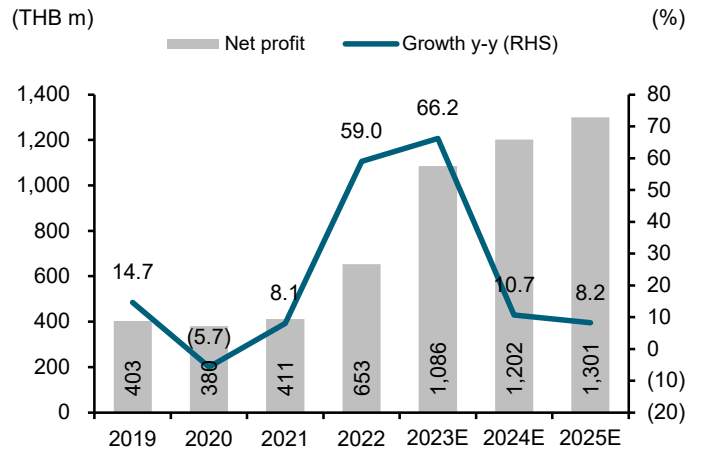
Sources: SAPPE, FSSIA estimates

Exhibit 13: Gross margin and net margin



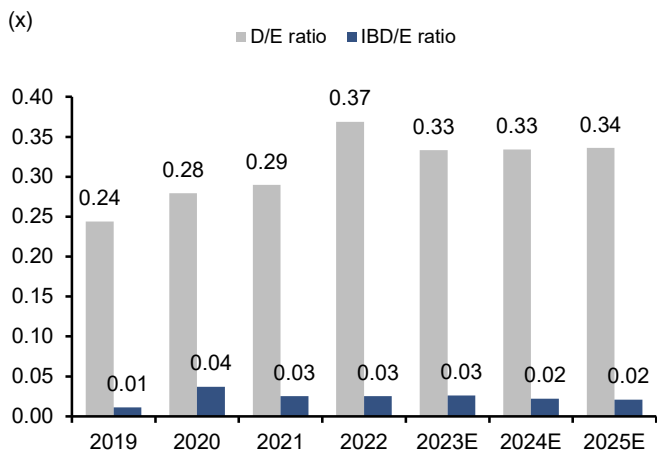
Sources: SAPPE, FSSIA estimates

Exhibit 14: Yearly net profit and growth



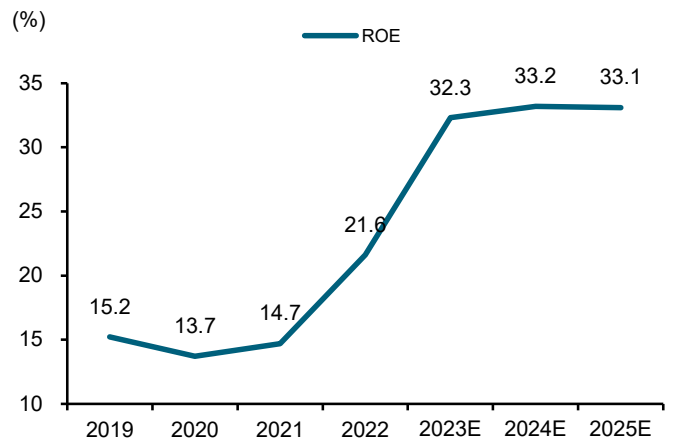
Sources: SAPPE, FSSIA estimates

Exhibit 15: SAPPE's gearing ratio



Sources: SAPPE, FSSIA estimates

Exhibit 16: SAPPE's ROE



Sources: SAPPE, FSSIA estimates

Maintain BUY call with new TP of THB88

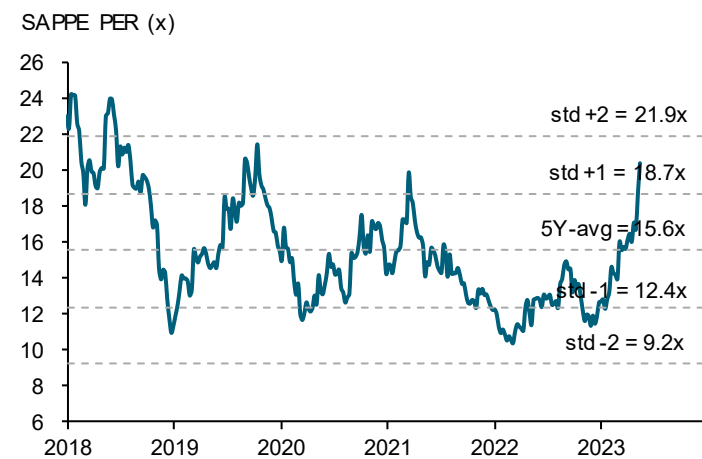
We revise up our target price to THB88 from THB68, based on the same 2023E P/E of 25x, in line with its peers' five-year historical average. Even though its share price has outperformed among its peers, jumping by 69% in 2022 and 70% in 2023 YTD, we think the share price has partially reflected the high profit growth expectations. However, our new target price has an upside of 16.9%, hence we retain our BUY recommendation.

Exhibit 17: Peers comparison as of 22 May 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV / EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand														
TAC Consumer	TACC TB	BUY	5.30	7.20	36	94	14.7	12.2	28.3	33.1	4.1	4.0	8.4	7.0
NSL Foods	NSL TB	BUY	19.50	26.00	33	170	17.1	14.8	23.8	26.0	4.0	3.8	9.7	8.6
Sappe	SAPPE TB	BUY	75.25	88.00	17	673	21.4	19.3	32.3	33.2	6.7	6.2	14.1	12.8
Ichitan Group	ICHI TB	BUY	14.30	15.70	10	540	22.8	20.8	13.2	14.5	3.0	3.0	11.6	10.8
Osotspa	OSP TB	n/a	30.25	n/a	n/a	2,593	32.5	27.6	14.8	17.0	4.8	4.7	19.0	16.7
Carabao Group	CBG TB	n/a	69.00	n/a	n/a	1,988	31.1	25.5	19.7	22.0	6.0	5.5	21.2	18.5
Thailand average						6,057	23.3	20.0	22.0	24.3	4.8	4.5	14.0	12.4

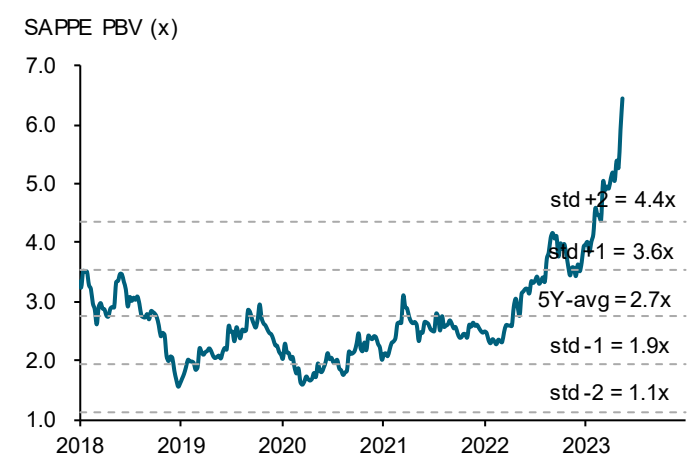
Sources: Bloomberg, FSSIA estimates

Exhibit 18: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 19: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Financial Statements

Sappe

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,444	4,566	5,889	6,499	7,117
Cost of goods sold	(1,891)	(2,516)	(3,147)	(3,437)	(3,750)
Gross profit	1,553	2,051	2,742	3,062	3,367
Other operating income	269	333	236	195	142
Operating costs	(1,078)	(1,366)	(1,425)	(1,527)	(1,637)
Operating EBITDA	743	1,018	1,552	1,729	1,872
Depreciation	(198)	(187)	(227)	(267)	(292)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	546	830	1,325	1,462	1,580
Net financing costs	(3)	(2)	(3)	(3)	(2)
Associates	(20)	0	(2)	3	3
Recurring non-operating income	(20)	0	(2)	3	3
Non-recurring items	(7)	(12)	0	0	0
Profit before tax	516	816	1,320	1,462	1,581
Tax	(106)	(162)	(264)	(292)	(316)
Profit after tax	410	654	1,056	1,169	1,265
Minority interests	1	(1)	29	32	36
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	411	653	1,086	1,202	1,301
Non-recurring items & goodwill (net)	7	12	0	0	0
Recurring net profit	417	666	1,086	1,202	1,301
Per share (THB)					
Recurring EPS *	1.35	2.16	3.52	3.90	4.22
Reported EPS	1.34	2.12	3.52	3.90	4.22
DPS	1.10	1.65	2.64	2.92	3.16
Diluted shares (used to calculate per share data)	308	308	308	308	308
Growth					
Revenue (%)	5.4	32.6	29.0	10.4	9.5
Operating EBITDA (%)	5.3	36.9	52.5	11.4	8.3
Operating EBIT (%)	8.3	52.2	59.6	10.4	8.1
Recurring EPS (%)	8.9	59.5	63.1	10.7	8.2
Reported EPS (%)	7.5	57.8	66.2	10.7	8.2
Operating performance					
Gross margin inc. depreciation (%)	39.3	40.8	42.7	43.0	43.2
Gross margin of key business (%)	39.3	40.8	42.7	43.0	43.2
Operating EBITDA margin (%)	21.6	22.3	26.4	26.6	26.3
Operating EBIT margin (%)	15.8	18.2	22.5	22.5	22.2
Net margin (%)	12.1	14.6	18.4	18.5	18.3
Effective tax rate (%)	20.5	19.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	81.3	76.5	75.0	75.0	75.0
Interest cover (X)	208.9	363.6	529.1	457.8	791.6
Inventory days	49.4	53.3	47.2	38.5	36.1
Debtor days	41.1	26.6	32.5	40.4	38.3
Creditor days	38.5	29.8	32.1	36.0	36.1
Operating ROIC (%)	38.4	63.7	73.0	56.3	53.4
ROIC (%)	30.3	48.3	58.4	47.8	46.0
ROE (%)	14.7	21.6	32.3	33.2	33.1
ROA (%)	11.2	15.9	22.7	23.7	23.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Domestic revenue	1,210	1,055	1,310	1,445	1,597
Overseas revenue	2,234	3,511	4,579	5,054	5,521

Sources: Sappe; FSSIA estimates

Financial Statements

Sappe

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	417	666	1,086	1,202	1,301
Depreciation	198	187	227	267	292
Associates & minorities	20	0	2	(3)	(3)
Other non-cash items	(1)	1	23	11	12
Change in working capital	96	191	(335)	136	3
Cash flow from operations	731	1,045	1,003	1,613	1,605
Capex - maintenance	-	-	-	-	-
Capex - new investment	(140)	(302)	(797)	(820)	(455)
Net acquisitions & disposals	7	6	0	0	0
Other investments (net)	(163)	(41)	(23)	(6)	(6)
Cash flow from investing	(296)	(338)	(820)	(826)	(461)
Dividends paid	(310)	(348)	(814)	(901)	(975)
Equity finance	47	63	(63)	0	0
Debt finance	(34)	0	8	(8)	3
Other financing cash flows	7	25	(40)	3	3
Cash flow from financing	(291)	(259)	(909)	(907)	(969)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	70	0	0
Net other adjustments	0	(73)	70	0	0
Movement in cash	144	375	(656)	(119)	174
Free cash flow to firm (FCFF)	437.25	709.65	185.07	790.45	1,145.45
Free cash flow to equity (FCFE)	407.22	659.24	221.27	781.95	1,149.54

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	1.42	2.30	0.60	2.56	3.72
FCFE per share	1.32	2.14	0.72	2.54	3.73
Recurring cash flow per share	2.07	2.77	4.34	4.79	5.19

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,268	2,530	3,330	4,130	4,630
Less: Accumulated depreciation	(1,262)	(1,398)	(1,625)	(1,892)	(2,184)
Tangible fixed assets (net)	1,006	1,132	1,705	2,238	2,445
Intangible fixed assets (net)	134	128	128	128	128
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	156	186	184	186	189
Cash & equivalents	1,754	2,129	1,473	1,353	1,527
A/C receivable	430	459	791	797	820
Inventories	291	444	370	355	388
Other current assets	50	47	35	32	36
Current assets	2,524	3,079	2,669	2,538	2,770
Other assets	29	36	59	65	71
Total assets	3,848	4,561	4,744	5,155	5,604
Common equity	2,906	3,258	3,469	3,769	4,095
Minorities etc.	101	102	125	136	147
Total shareholders' equity	3,006	3,360	3,594	3,905	4,242
Long term debt	52	61	56	48	51
Other long-term liabilities	45	70	29	32	36
Long-term liabilities	96	130	86	80	87
A/C payable	181	230	324	355	388
Short term debt	21	21	34	34	34
Other current liabilities	543	820	707	780	854
Current liabilities	745	1,071	1,064	1,169	1,276
Total liabilities and shareholders' equity	3,848	4,561	4,744	5,155	5,604
Net working capital	46	(99)	166	50	1
Invested capital	1,371	1,383	2,241	2,667	2,835

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	9.49	10.56	11.25	12.22	13.28
Tangible book value per share	9.05	10.15	10.83	11.81	12.86

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	(55.9)	(60.9)	(38.5)	(32.5)	(34.0)
Net debt/total assets (%)	(43.7)	(44.9)	(29.1)	(24.7)	(25.7)
Current ratio (x)	3.4	2.9	2.5	2.2	2.2
CF interest cover (x)	218.4	421.9	408.4	501.6	803.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	55.6	34.9	21.4	19.3	17.8
Recurring P/E @ target price (x) *	65.0	40.8	25.0	22.6	20.9
Reported P/E (x)	56.1	35.5	21.4	19.3	17.8
Dividend yield (%)	1.5	2.2	3.5	3.9	4.2
Price/book (x)	7.9	7.1	6.7	6.2	5.7
Price/tangible book (x)	8.3	7.4	6.9	6.4	5.9
EV/EBITDA (x) **	28.9	20.9	14.1	12.8	11.7
EV/EBITDA @ target price (x) **	34.1	24.8	16.7	15.0	13.8
EV/invested capital (x)	15.7	15.4	9.8	8.3	7.7

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

Sources: Sappe; 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 >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 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

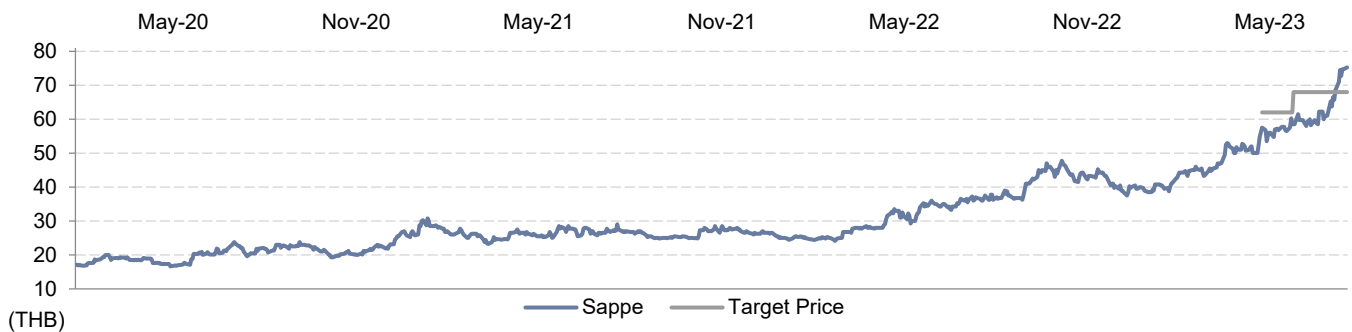
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

Sappe (SAPPE TB)



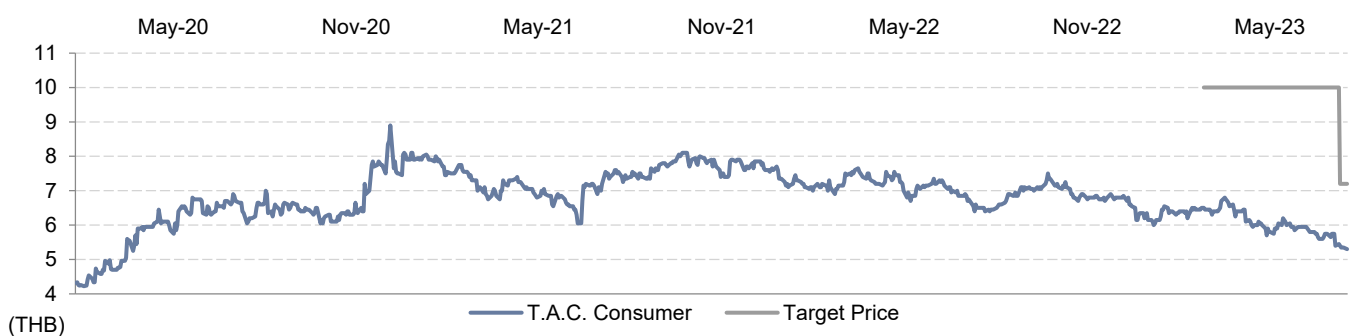
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	05-Apr-2023	BUY	68.00	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

T.A.C. Consumer (TACC TB)



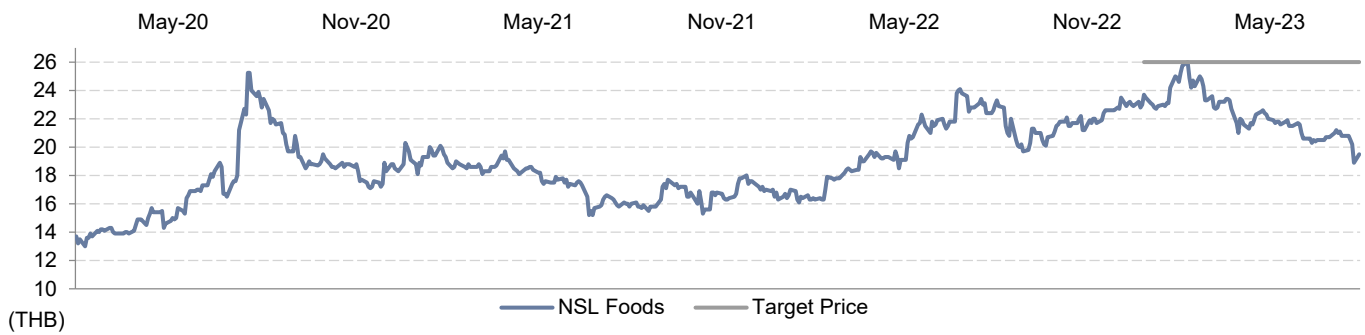
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	10.00	15-May-2023	BUY	7.20	-	-	-

Sureeporn Teewasuwet 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

Ichitan Group (ICHI TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	17-May-2023	BUY	15.70	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sappe	SAPPE TB	THB 75.25	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.
T.A.C. Consumer	TACC TB	THB 5.30	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 19.50	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.
Ichitan Group	ICHI TB	THB 14.30	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.

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 22-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.