

NSL FOODS NSL TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

TARGET PRICE	THB26.00
CLOSE	THB19.80
UP/DOWNSIDE	+31.3%
PRIOR TP	THB26.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.0%

A good time to collect

- We think 2Q23 net profit has the potential to post a new high.
- We believe it is a good time to collect NSL, supported by solid profit momentum, a limited minimum wage impact and cheap valuations.
- We maintain our 2023E net profit growth at 15.3% y-y. We maintain our BUY rating and TP of THB26.

A good time to collect NSL stock

NSL's share price has fallen by 18% over the last three months, mainly due to the correction of the SET index. We think it is a good time to collect the stock, supported by 1) solid profit momentum through the remainder of this year; 2) a limited impact from the potential minimum wage increase; 3) our target price of THB26 has a wide upside of 31%; and 4) cheap valuations, currently trading at 2023-24E P/E multiples of 17.3x and 15.1x, respectively.

2Q23 profit has the potential to post a record high

We expect a solid 2Q23 net profit of THB82m (+9.2% q-q, +2% y-y). The single-digit growth rate q-q may seem unexciting, but its net profit might hit a record high. We forecast 2Q23 total revenue to grow by 3.8% q-q and 15% y-y, due to 1) 7-Eleven's SSSG should continue to see high single-digit growth, in line with the high season; 2) NSL has launched some new products for 7-Eleven; and 3) the full-quarter recognition of revenue from Bake A Wish. Meanwhile, the company is adjusting its average selling prices by +7% for two main menus, which should offset higher cheese costs. Therefore, we expect its 2Q23 gross margin to stabilise at 18.7% (vs 18.6% in 1Q23), down from 19.2% in 2Q22.

Limited impact from minimum wage hike

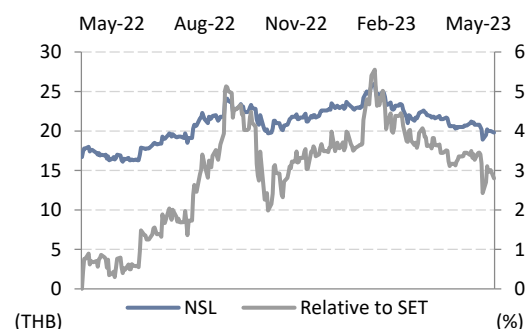
Regarding the potential minimum wage hike, NSL's labour cost accounted for c7% of its total cost in 2022. Based on our analysis, a 10% labour cost increase, while other factors remain unchanged, would cause its 2024 net profit to fall by 5.8%. However, if we consider only minimum wage labour, which accounted for c30% of total employees in 2022, our analysis finds that a 10% minimum wage increase would cause 2024 net profit to fall by only 1.7%, all else being equal.

Maintain 2023 profit forecast with strong growth

Assuming in-line 2Q23 results, NSL's 1H23 net profit would be THB158m (+7% y-y), accounting for 46% of our full-year forecast. NSL's overall situation is in line with our expectation. Hence, we maintain our 2023 net profit forecast of THB343m (+15.3% y-y). We think its 2H23 operations should continue to grow from 1H23, supported by seasonality and a higher revenue recognition from Bake A Wish.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,001	4,458	4,937	5,305
Net profit	298	343	394	432
EPS (THB)	0.99	1.14	1.31	1.44
vs Consensus (%)	-	0.0	-	-
EBITDA	484	563	635	697
Core net profit	298	343	394	432
Core EPS (THB)	0.99	1.14	1.31	1.44
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	41.5	15.3	14.9	9.7
Core P/E (x)	20.0	17.3	15.1	13.7
Dividend yield (%)	4.6	5.3	3.6	3.8
EV/EBITDA (x)	12.5	9.9	8.7	8.0
Price/book (x)	4.2	4.0	3.8	3.4
Net debt/Equity (%)	9.4	(25.2)	(24.9)	(19.3)
ROE (%)	22.4	23.8	26.0	26.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.4)	(13.2)	20.7
Relative to country (%)	(4.2)	(8.6)	28.4
Mkt cap (USD m)	171		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	0		
Major shareholder	Mr. Somchai Asavapiyanon (75%)		
12m high/low (THB)	26.25/15.90		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates


Sureeporn Teewasuwet

 sureeporn.t@fssia.com
 +66 2646 9972

Investment thesis

We believe NSL's growth outlook is positive. The company seeks to encourage sales revenue growth by diversifying its product lines and increasing both the number of its partners and points of sale. As the main supplier for CP All (CPALL TB, BUY, TP THB72), NSL has a competitive advantage over its rivals due to its distribution channel via 7-Eleven branches nationwide. Although its revenue exposure to CPALL is high, NSL has limited this risk via an MOU in which CPALL agrees not to buy products from other suppliers with similar characteristics as the products jointly developed with NSL. Furthermore, NSL plans to raise its non-7-Eleven revenue exposure with new ready-to-eat products and food services. Its M&A strategy also offers future growth opportunities.

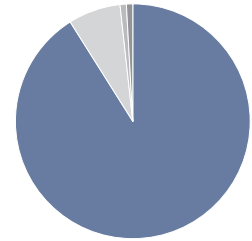
Company profile

NSL is a manufacturer and distributor of bakery products, appetisers (under CPALL brands, such as EZY Taste, EZY Sweet, and 7 Fresh), and snacks (under NSL brands). It is also in the food services business covering seafood, fish, meats, and frozen vegetables. NSL earns its revenue mainly from domestic sales, with CPALL as its key account. Moreover, it sells food service products to the HoReCa market and other modern trade distributors. It currently has four factories in Chonburi and Nontaburi.

www.nslfoods.com

Principal activities (revenue, 2022)

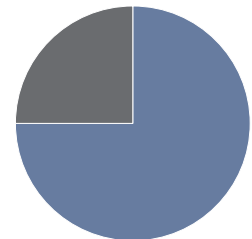
- Bakery and appetizers - 91.1 %
- Food Services - 7.2 %
- NSL snack - 0.9 %
- OEM & bread wastes - 0.9 %



Source: NSL Foods

Major shareholders

- Mr. Somchai Asavapiyanon - 75.0 %
- Others - 25.0 %



Source: NSL Foods

Catalysts

Potential catalysts for NSL's earnings growth in 2023 are 1) revenue growth driven by new product launches and a tourism recovery; 2) new 7-Eleven branch expansions; and 3) a decline in raw material costs that should offset higher utility costs.

Risks to our call

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.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Capacity (m pieces)	450.0	450.0	450.0
Actual volume (m pieces)	234.8	260.4	279.3
Utilisation rate (%)	52.2	57.9	62.1
Revenue from 7-Eleven (THB m)	4,064	4,516	4,854
% of total revenue (%)	91.2	91.5	91.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 5.2%, 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 5%, and vice versa, all else being equal.

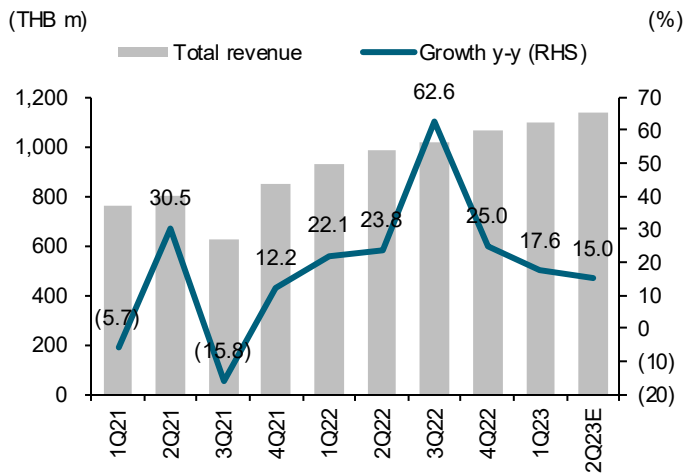
Source: FSSIA estimates

Exhibit 1: 2Q23E earnings preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	Change		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	988	1,018	1,063	1,095	1,137	3.8	15.0	1,920	2,232	16.2
Cost of sales	799	831	870	892	924	3.6	15.7	1,559	1,816	16.5
Gross profit	190	188	194	204	213	4.4	12.1	361	416	15.3
SG&A	88	97	97	107	108	0.6	22.6	175	215	23.0
Operating profit	104	93	100	98	107	8.3	2.7	189	205	8.3
Interest expense	3	3	3	3	3	0.4	18.3	5	6	20.3
Tax expense	20	18	20	19	21	6.5	0.6	37	40	8.0
Reported net profit	81	72	78	75	82	9.2	1.9	147	158	7.0
Core profit	81	72	78	78	82	5.0	1.9	147	161	9.0
Key ratios (%)										
Gross margin	19.2	18.4	18.2	18.6	18.7	0.1	(0.5)	18.8	18.6	(0.1)
SG&A / Sales	8.9	9.5	9.1	9.8	9.5	(0.3)	0.6	9.1	9.6	0.5
Operating margin	10.5	9.1	9.4	9.0	9.4	0.4	(1.1)	9.9	9.2	(0.7)
Net margin	8.2	7.1	7.3	6.9	7.2	0.4	(0.9)	7.7	7.1	(0.6)
Core margin	8.2	7.1	7.3	7.2	7.2	0.1	(0.9)	7.7	7.2	(0.5)
Operating statistics (THB m)										
Bakery sales	898	938	966	1,004	1,033	2.9	15.0	1,745	2,036	16.7
Food service sales	73	62	80	68	80	17.9	10.0	145	148	2.1
Snack sales	9	10	10	10	10	(2.4)	5.0	14	20	41.7
OEM sales	8	9	8	14	14	0.3	68.0	16	28	69.8

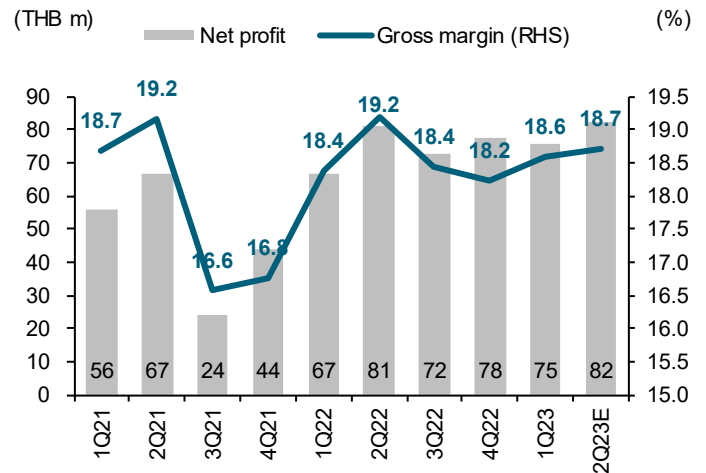
Sources: NSL, FSSIA estimates

Exhibit 2: Quarterly total revenue



Sources: FSSIA estimates

Exhibit 3: Quarterly net profit and gross margin



Sources: FSSIA estimates

Exhibit 4: New products for 7-Eleven in 2023

PMA01

Level Up สินค้า Existing Rank A
 โดยการปรับสูตรให้อร่อยยิ่งขึ้น และปรับแบบ Packaging ให้สวยงามมากขึ้น ให้โดดเด่นเมื่อบางบน Shelf เพื่อกระตุ้นยอดขาย

- ตบเบิ้ลครัวซองต์แอมชีส
- ตบเบิ้ลครัวซองต์โคโรกชีส
- เบอร์รี่โมเมชีส
- มดเจ้าบุญอธิชาทุฟ



PMA02

พัฒนาสินค้าใหม่กลุ่มสลดเพิ่มอีก 1 SKU
 คือ สลัดซีซาร์อ็อกโก เพื่อเพิ่มยอดขาย



PMA03

พัฒนาสินค้าใหม่กลุ่มซ็อกโกแลต
 พัฒนาสินค้าใหม่กลุ่มซ็อกโกแลต ซึ่งเป็นกลุ่มลูกค้าคุ้นเคย



ปรับ Packaging กลุ่มคาวาเสก
 ให้สวยงามโดยการซีกการ์ดที่เป็นนิ่มๆ เพื่อช่วยดึงดูดความน่าสนใจให้กับสินค้า

PMA07

พัฒนาสินค้าใหม่กลุ่มแซนวิชอบร้อน



PMA08

พัฒนาสินค้าใหม่กลุ่มเบอร์เกอร์ ในกลุ่มเบิงพิเศษ

- เบอร์เกอร์ไฟรชชีสแอมชีส
- มีฟีนเบอร์เกอร์ไซดาชีส



CAMBODIA

นำเสนอสินค้าใหม่เพื่อเข้าไปหมุนเวียน



Source: NSL

Exhibit 5: New businesses

ข้าวแห้ง (RICE BAR) BY NSL



STRATEGY :

- สร้างคำว่า ข้าวแห้ง ให้เข้าใจและอยู่ในใจผู้บริโภค
- สร้างประสบการณ์ให้กับผู้บริโภคด้วยการเข้าถึงกลุ่มเป้าหมาย
- เปิดสาขาในจุดที่สร้างการรับรู้ในกลุ่มเป้าหมาย+การขายช่องทางโมเดิร์นเทรด SHOP / FOODTRUCK / VENDING / MODERNTREDE



BAKE A WISH

STRATEGY :

- บริหารจุดแข่งจากทั้ง 2 ธุรกิจ NSL ผู้ผลิตเบเกอรี่ที่มีศักยภาพ+ BAW แปรนต์และการตลาดที่แข็งแรง



PEN1 F&B

NSL + ONE SANOOK + MASCOT

PEN 1

STRATEGY :

- ร่วมลงทุนในบริษัท เป็น1 เอฟแอนด์บี จำกัด ตั้งจุดแข่งของแต่ละ party เพื่อสร้างผลิตภัณฑ์และจัดจำหน่ายแก่ลูกค้า

Source: NSL

Financial Statements

NSL Foods

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,038	4,001	4,458	4,937	5,305
Cost of goods sold	(2,400)	(3,157)	(3,502)	(3,867)	(4,140)
Gross profit	638	844	956	1,070	1,165
Other operating income	5	8	8	9	10
Operating costs	(297)	(369)	(401)	(444)	(477)
Operating EBITDA	346	484	563	635	697
Depreciation	(97)	(102)	(122)	(142)	(157)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	249	382	440	493	540
Net financing costs	(17)	(10)	(12)	(12)	(13)
Associates	-	-	-	-	-
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	232	372	429	480	527
Tax	(41)	(74)	(86)	(86)	(95)
Profit after tax	191	298	343	394	432
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	191	298	343	394	432
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	191	298	343	394	432
Per share (THB)					
Recurring EPS *	0.70	0.99	1.14	1.31	1.44
Reported EPS	0.70	0.99	1.14	1.31	1.44
DPS	0.50	0.91	1.05	0.72	0.76
Diluted shares (used to calculate per share data)	273	300	300	300	300
Growth					
Revenue (%)	3.9	31.7	11.4	10.8	7.4
Operating EBITDA (%)	7.7	40.0	16.2	12.8	9.8
Operating EBIT (%)	15.9	53.3	15.3	11.9	9.6
Recurring EPS (%)	3.7	41.5	15.3	14.9	9.7
Reported EPS (%)	3.7	41.5	15.3	14.9	9.7
Operating performance					
Gross margin inc. depreciation (%)	17.8	18.5	18.7	18.8	19.0
Gross margin of key business (%)	16.2	17.8	18.5	18.7	18.8
Operating EBITDA margin (%)	11.4	12.1	12.6	12.9	13.1
Operating EBIT margin (%)	8.2	9.5	9.9	10.0	10.2
Net margin (%)	6.3	7.4	7.7	8.0	8.1
Effective tax rate (%)	17.8	19.9	20.0	18.0	18.0
Dividend payout on recurring profit (%)	71.3	92.2	91.9	54.8	52.9
Interest cover (X)	14.8	37.1	37.6	40.2	41.2
Inventory days	25.1	26.4	24.3	19.7	20.1
Debtor days	54.6	49.8	49.4	47.6	48.3
Creditor days	65.2	58.5	65.4	69.1	59.8
Operating ROIC (%)	18.0	25.9	30.0	34.2	33.1
ROIC (%)	17.5	22.3	25.7	32.7	31.8
ROE (%)	22.4	22.4	23.8	26.0	26.0
ROA (%)	11.1	13.9	14.6	15.6	16.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Bakery and appetizers	2,791	3,643	4,064	4,516	4,854
Food Services	207	288	317	339	363
NSL snack	25	35	38	41	44
OEM & bread wastes	15	35	38	41	44

Sources: NSL Foods; FSSIA estimates

Financial Statements

NSL Foods

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	191	298	343	394	432
Depreciation	97	102	122	142	157
Associates & minorities	-	-	-	-	-
Other non-cash items	61	0	0	0	0
Change in working capital	(157)	(54)	187	(8)	(243)
Cash flow from operations	192	346	652	528	346
Capex - maintenance	(39)	(146)	(200)	(200)	(150)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	7	(301)	289	(5)	(4)
Cash flow from investing	(33)	(448)	89	(205)	(154)
Dividends paid	(266)	(144)	(274)	(315)	(216)
Equity finance	75	0	0	0	0
Debt finance	(107)	(100)	(3)	(20)	(34)
Other financing cash flows	588	1	36	4	(21)
Cash flow from financing	290	(243)	(242)	(331)	(271)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	449	(344)	500	(8)	(79)
Free cash flow to firm (FCFF)	176.03	(91.06)	753.12	335.26	205.84
Free cash flow to equity (FCFE)	640.64	(200.65)	774.02	307.10	137.42

Per share (THB)

FCFF per share	0.59	(0.30)	2.51	1.12	0.69
FCFE per share	2.14	(0.67)	2.58	1.02	0.46
Recurring cash flow per share	1.28	1.33	1.55	1.79	1.96

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	1,614	1,738	1,877	2,001	2,065
Less: Accumulated depreciation	(688)	(768)	(829)	(896)	(967)
Tangible fixed assets (net)	926	970	1,047	1,105	1,098
Intangible fixed assets (net)	7	6	6	6	6
Long-term financial assets	0	301	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	459	115	615	607	528
A/C receivable	496	595	611	676	727
Inventories	189	267	199	220	235
Other current assets	2	3	2	2	3
Current assets	1,147	980	1,426	1,505	1,493
Other assets	31	32	45	49	53
Total assets	2,111	2,290	2,524	2,666	2,650
Common equity	1,252	1,406	1,475	1,553	1,770
Minorities etc.	0	0	0	0	0
Total shareholders' equity	1,252	1,406	1,475	1,553	1,770
Long term debt	181	80	85	65	56
Other long-term liabilities	50	30	67	74	53
Long-term liabilities	231	110	152	139	109
A/C payable	453	559	695	769	589
Short term debt	146	167	158	155	130
Other current liabilities	29	47	45	49	53
Current liabilities	628	774	898	973	772
Total liabilities and shareholders' equity	2,111	2,290	2,524	2,666	2,650
Net working capital	205	259	72	80	323
Invested capital	1,169	1,568	1,170	1,241	1,480

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

Per share (THB)

Book value per share	4.17	4.69	4.92	5.18	5.90
Tangible book value per share	4.15	4.67	4.90	5.16	5.88

Financial strength

Net debt/equity (%)	(10.6)	9.4	(25.2)	(24.9)	(19.3)
Net debt/total assets (%)	(6.3)	5.8	(14.7)	(14.5)	(12.9)
Current ratio (x)	1.8	1.3	1.6	1.5	1.9
CF interest cover (x)	39.1	(18.5)	67.1	26.1	11.5

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	28.2	20.0	17.3	15.1	13.7
Recurring P/E @ target price (x) *	37.1	26.2	22.7	19.8	18.1
Reported P/E (x)	28.2	20.0	17.3	15.1	13.7
Dividend yield (%)	2.5	4.6	5.3	3.6	3.8
Price/book (x)	4.7	4.2	4.0	3.8	3.4
Price/tangible book (x)	4.8	4.2	4.0	3.8	3.4
EV/EBITDA (x) **	16.8	12.5	9.9	8.7	8.0
EV/EBITDA @ target price (x) **	22.2	16.4	13.2	11.7	10.7
EV/invested capital (x)	5.0	3.9	4.8	4.5	3.8

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

Sources: NSL Foods; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

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

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

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

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

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

AGM Checklist by the Thai Investors Association (TIA)²

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Disclaimer:

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

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

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

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

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

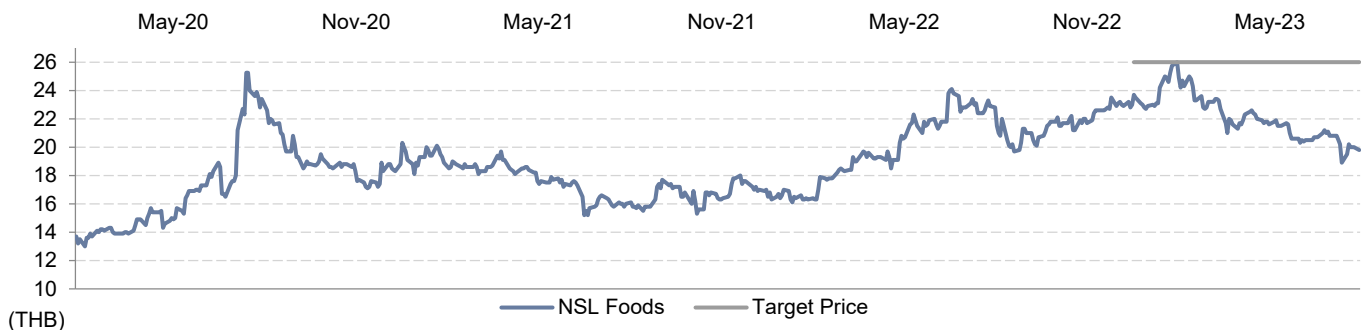
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

NSL Foods (NSL TB)



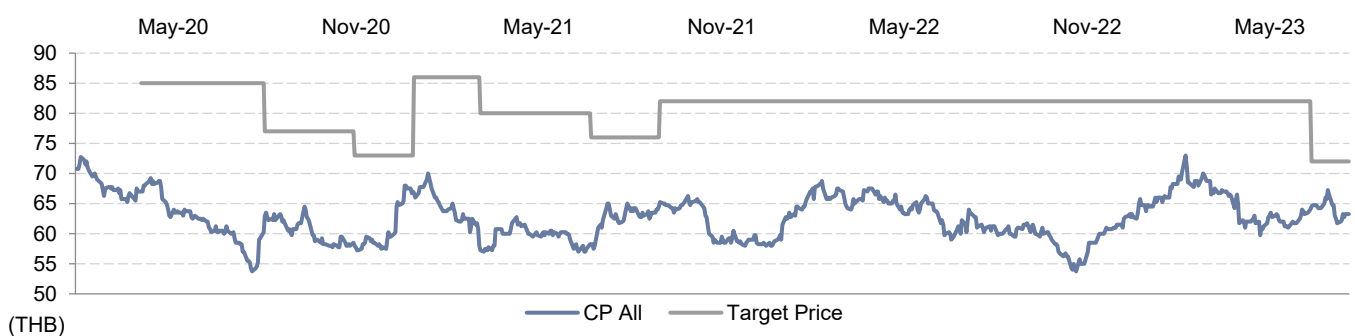
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	26.00	-	-	-	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

CP All (CPALL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Jul-2020	BUY	85.00	17-Mar-2021	BUY	86.00	14-Oct-2021	BUY	82.00
09-Nov-2020	BUY	77.00	13-May-2021	BUY	80.00	26-Apr-2023	BUY	72.00
25-Jan-2021	BUY	73.00	16-Aug-2021	BUY	76.00			

Jitra Amornthum started covering this stock from 26-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
NSL Foods	NSL TB	THB 19.80	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.
CP All	CPALL TB	THB 63.25	BUY	The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from MAKRO; and 3) a slower recovery in tourist arrival numbers and private consumption.

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 29-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.