

INDEX LIVING MALL ILM TB
THAILAND / COMMERCE

BUY

แนวโน้มการเติบโตดี

- ILM รายงานกำไรปกติ 174 ลบ. ใน 1Q23 ลดลง 5% q-q จากปัจจัยด้านฤดูกาลแต่เพิ่มขึ้น 8% y-y จากยอดขายปลีกที่ดี
- แนวโน้มเชิงบวก: 1) การเติบโตของยอดขายจากสาขาเดิม (SSSG) ยังมีศักยภาพที่จะโตได้อีก; 2) ต้นทุนค่าไฟฟ้าที่ลดลง; 3) Little Walk อาจเปิดสาขาใหม่ใน 3Q23
- แนะนำซื้อที่ราคาเป้าหมาย 24.8 บาท (DCF)

TARGET PRICE	THB24.80
CLOSE	THB22.40
UP/DOWNSIDE	+10.7%
TP vs CONSENSUS	+6.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	8,889	10,005	10,779	11,396
Net profit	659	692	753	816
EPS (THB)	1.31	1.37	1.49	1.62
vs Consensus (%)	-	2.2	(9.1)	(12.9)
EBITDA	1,807	1,924	2,063	2,195
Core net profit	659	692	753	816
Core EPS (THB)	1.31	1.37	1.49	1.62
EPS growth (%)	45.4	5.0	8.8	8.4

Core P/E (x)	17.2	16.3	15.0	13.9
Dividend yield (%)	2.7	3.9	4.1	4.4
EV/EBITDA (x)	8.5	8.0	7.2	6.5
Price/book (x)	2.0	1.9	1.8	1.7
Net debt/Equity (%)	71.0	70.1	58.0	45.7
ROE (%)	12.0	11.9	12.4	12.8

กำไร 1Q23 ออกมาตามที่เราและตลาดคาด

ILM รายงานกำไรปกติ 174 ลบ. ใน 1Q23 ลดลง 5% q-q จากปัจจัยด้านฤดูกาล เนื่องจาก 4Q22 เป็นฤดูเฉลิมฉลอง รวมถึงยอดขายโครงการลดลงหลังมีการส่งมอบเป็นปริมาณมากในระหว่างไตรมาส ใน 1Q23 กำไรปกติเพิ่ม 8% y-y ส่วนมากมาจากยอดขายปลีกซึ่งเป็นช่องทางบริหารจัดการที่มีอัตรากำไรสูงและการเติบโตทั้ง q-q และ y-y

ยอดขายปลีกเป็นปัจจัยหนุนสำคัญใน 1Q23

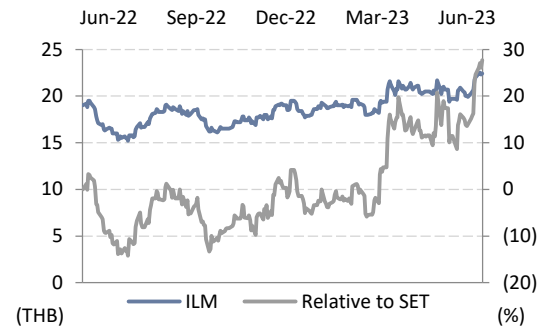
ใน 1Q23 ยอดขายรวมอยู่ที่ 2.2 พัน ลบ. โต 3% y-y จากยอดขายปลีกที่โตต่อเนื่องโดยเฉพาะอย่างยิ่งในสาขาที่อยู่ในเมืองท่องเที่ยวและจากโครงการช้อปปิ้งที่มีคีน นอกจากนี้บริษัท ยังเปิดสาขาใหม่ที่ลาดกระบังในเดือน ธ.ค. 22 ในขณะที่ยอดขายออนไลน์โตต่อเนื่อง รายได้จากค่าเช่าเพิ่ม 2% q-q และ 8% y-y ส่วนมากจากพื้นที่เช่าที่เพิ่มขึ้นจาก Little Walk (สาขาลาดกระบัง) อัตรากำไรขั้นต้นโตเป็น 47% (+360bps q-q, +80bps y-y) โดยได้ปัจจัยหนุนจากสัดส่วนที่เพิ่มขึ้นของยอดขายปลีกซึ่งมีอัตรากำไรสูง นอกจากนี้สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายยังเพิ่มเป็น 36.3% (+250bps q-q, +30bps y-y) ส่วนมากจาก 1) เงินเดือนและสวัสดิการพนักงานที่เพิ่มขึ้น; 2) ต้นทุนการจัดส่งที่สูงขึ้นตามยอดขายและราคาน้ำมันที่เพิ่มขึ้น; และ 3) ต้นทุนค่าไฟฟ้าที่สูงขึ้น.

แนวโน้มเชิงบวกในปี 2023

ใน 2Q23 ผลประกอบการน่าจะโต y-y โดยน่าจะได้ปัจจัยหนุนจาก 2QTD SSSG ที่คาดว่าจะโต 7-8% y-y กลุ่มท่องเที่ยวยังคงเป็นปัจจัยหนุนสำคัญที่ทำให้เกิดการเติบโตโดยเฉพาะอย่างยิ่งในแหล่งท่องเที่ยวอย่างภูเก็ต พัทยาและเชียงใหม่ นอกจากนี้ Little Walk ยังอาจเปิดสาขาใหม่ในบริเวณกรุงเทพมหานครใน 3Q23 ซึ่งจะช่วยให้พื้นที่เช่าเพิ่ม 6% ILM มีแผนการเติบโตในช่วง 3-5 ปีข้างหน้าประกอบด้วย: 1) การขยาย Index Living Mall อย่างต่อเนื่องโดยมีแผนเปิด 2 สาขาใหม่ต่อปี; 2) การขยายพื้นที่เช่าผ่าน Little Walk สาขาใหม่และการปรับพื้นที่ใน Index Living Mall โดยจะจัดสรรพื้นที่เช่าให้มากขึ้น; 3) การมุ่งเน้นไปยังกลุ่มตลาดขนาดใหญ่ (ระดับกลางถึงล่าง) เพิ่มขึ้นผ่านการออกแบรนด์ใหม่ (Furinbox); และ 4) การมุ่งเน้นไปยังตลาดเฟอร์นิเจอร์ Customised ซึ่งมีศักยภาพในการเติบโต.

แนะนำซื้อที่ราคาเป้าหมาย 24.8 บาท

กำไร 1Q23 คิดเป็น 25% ของประมาณการเติบโตปีของเราซึ่งยังคงไว้ตามเดิม เราแนะนำซื้อที่ราคาเป้าหมาย 24.8 บาท (DCF) ซึ่งคิดเป็น 18.1x ของค่า 2023E P/E (1.5SD เหนือค่า forward P/E เฉลี่ย 2 ปีล่วงหน้า)



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	8.2	14.9	15.5
Relative to country (%)	8.8	22.3	26.0
Mkt cap (USD m)			326
3m avg. daily turnover (USD m)			0.6
Free float (%)			25
Major shareholder	Krobkrua Thammada Panich Co Ltd (40%)		
12m high/low (THB)	22.90/15.00		
Issued shares (m)	505.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

The company's growth is sustainable in our view, with a diverse range of sales channels including physical stores, project sales, online channels and international expansion. The company plans to expand the number of its stores by two to three stores per year. ILM has also expanded into rental spaces through the brands "The Walk" and "Little Walk", which are community malls. The Walk and Little Walk have received positive feedback from both customers and tenants, as a result, the average occupancy rate exceeds 80% of total space.

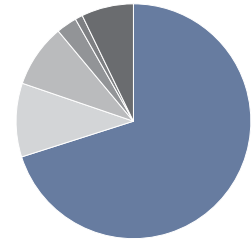
Company profile

ILM is domestically well-known through its Index Living Mall outlets which retail furniture, home decoration items, and home electrical products (own-branded and others). The company also distributes products through various distribution channels in Thailand and abroad. ILM operates rental spaces in Index Living Mall and community mall buildings – The Walk, Little Walk and Index Mall.

www.indexlivingmall.com

Principal activities (revenue, 2022)

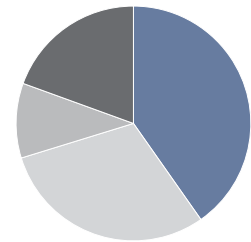
- Retail - 70.1 %
- Online - 10.2 %
- Project - 8.7 %
- Oversea - 2.8 %
- Dealer - 1.0 %
- Rental - 7.2 %



Source: Index Living Mall

Major shareholders

- Krobkrua Thammada Panich Co Ltd - 40.3 %
- Patamasatayasonthi Family - 30.0 %
- Udomma huntisuk Family - 10.3 %
- Others - 19.5 %



Source: Index Living Mall

Catalysts

Potential catalysts for ILM are 1) a faster-than-expected domestic consumption and tourism recovery; and 2) a higher-than-expected demand for new houses, home improvement and home renovation.

Risks to our call

Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Sales (THB m)	9,315	10,033	10,607
Rental (THB m)	690	746	789
GPM (%)	45.7	45.9	46.1
- GPM sales (%)	45.4	45.6	45.8
- GPM Rental (%)	49.7	49.9	49.6
SG&A to sales (%)	36.1	36.3	36.4

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, 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 5.7%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 5.8%, and vice versa, all else being equal.

Source: FSSIA estimates

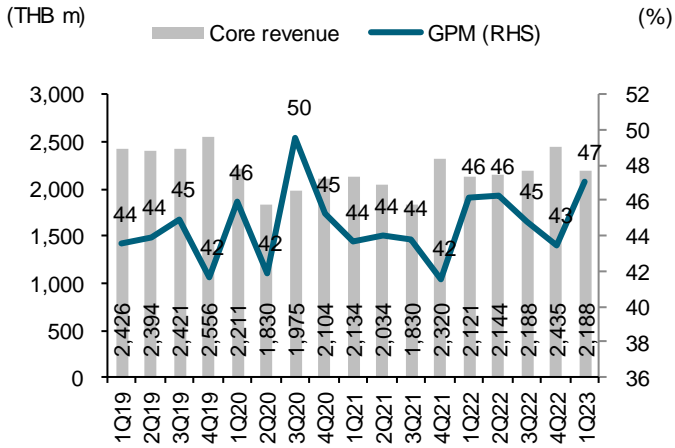
1Q23 earnings results

Exhibit 1: 1Q23 earnings results

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)
Total revenue	2,121	2,144	2,188	2,435	2,188	(10)	3	10,005
- Retail sales	1,969	1,990	2,017	2,274	2,023	(11)	3	9,315
- Rental and rendering of services	153	154	171	161	165	2	8	690
Core COGS	(1,141)	(1,152)	(1,207)	(1,377)	(1,159)	(16)	2	(5,434)
- COGS	(1,066)	(1,077)	(1,127)	(1,296)	(1,075)	(17)	1	(5,086)
- Cost of rental and rendering	(74)	(76)	(80)	(82)	(84)	3	13	(347)
Gross profit	981	992	981	1,058	1,029	(3)	5	4,571
Operating costs	(763)	(773)	(778)	(823)	(793)	(4)	4	(3,614)
Operating profit	217	219	203	236	236	0	9	958
Other income	28	25	32	35	24	(30)	(13)	115
Interest expense	(54)	(53)	(53)	(55)	(52)	(5)	(3)	(252)
Profit before tax	191	192	182	216	208	(3)	9	820
Tax	(31)	(29)	(30)	(32)	(34)	5	11	(128)
Non-recurring items	-	-	-	-	-	n/a	n/a	-
Reported net profit	161	162	153	183	174	(5)	8	692
Recurring net profit	161	162	153	183	174	(5)	8	692
EPS (THB)	0.32	0.32	0.30	0.36	0.35	(5)	8	1.37
Recurring EPS (THB)	0.32	0.32	0.30	0.36	0.35	(5)	8	1.37
Number of shares (no.)	505	505	505	505	505	0	0	505
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Gross margin	46.2	46.3	44.8	43.5	47.0	3.6	0.8	45.7
- Retail	45.8	45.9	44.1	43.0	46.9	3.8	1.0	45.4
- Rental and rendering of services	51.2	50.8	53.1	49.3	49.2	(0.2)	(2.0)	49.7
Operating margin	11.6	11.4	10.7	11.1	11.9	0.8	0.3	10.7
Recurring net margin	7.6	7.6	7.0	7.5	8.0	0.4	0.4	6.9
SG&A / Sales	36.0	36.0	35.5	33.8	36.3	2.5	0.3	36.1
Operating Statistics	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
SSSG (y-y%)	11.0	13.4	34.3	4.3	8.5	4.2	(2.5)	8.4
Retail sales (% to sales)	78	77	74	73	83	9.8	4.6	73
Project sales (% to sales)	6	8	9	13	3	(10.6)	(3.1)	8
Overseas sales (% to sales)	3	3	4	3	2	(0.8)	(1.2)	4
Dealer sales (% to sales)	1	1	1	1	1	0.0	(0.1)	1
Online sales (% to sales)	11	11	12	10	11	1.6	(0.2)	14

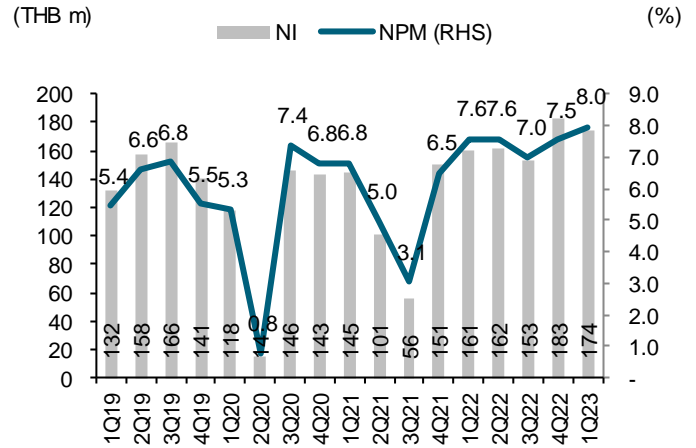
Sources: ILM; FSSIA estimates

Exhibit 2: Quarterly total revenue and GPM



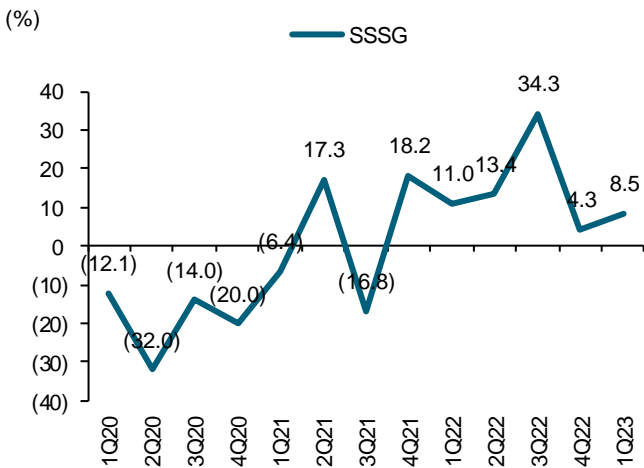
Sources: ILM; FSSIA's compilation

Exhibit 3: Quarterly net profit and NPM



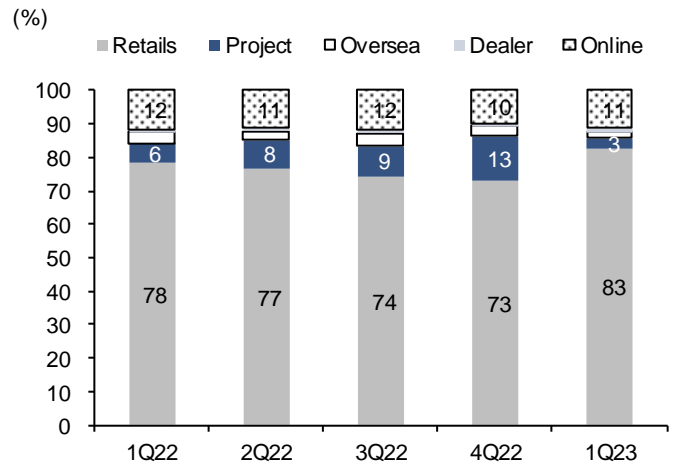
Sources: ILM; FSSIA's compilation

Exhibit 4: Robust recovery of SSSG



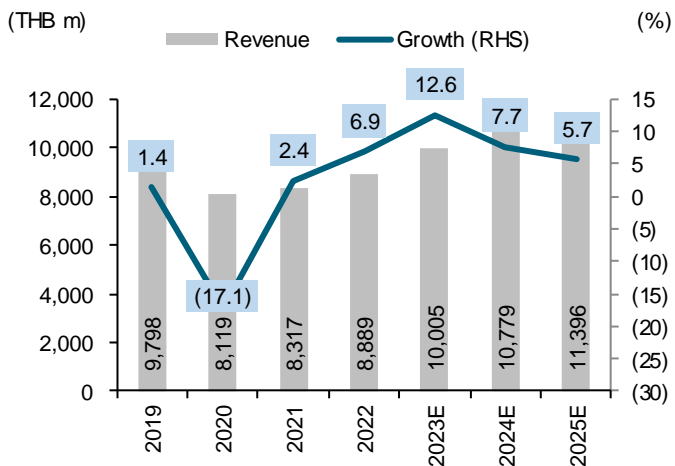
Sources: ILM; FSSIA's compilation

Exhibit 5: Retail sales were a key driver in 1Q23



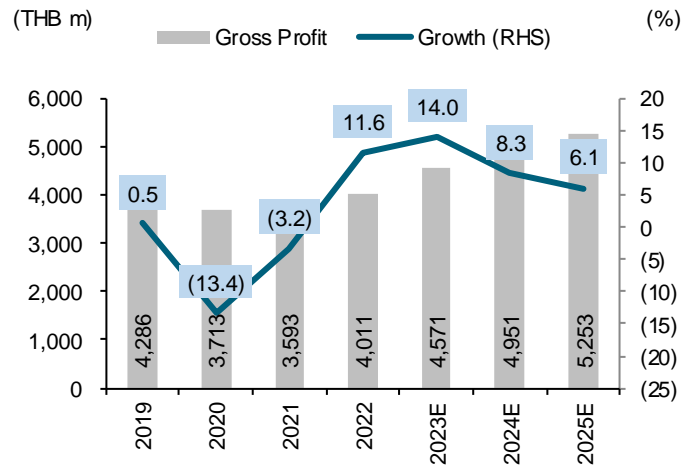
Sources: ILM; FSSIA's compilation

Exhibit 6: Yearly total revenue



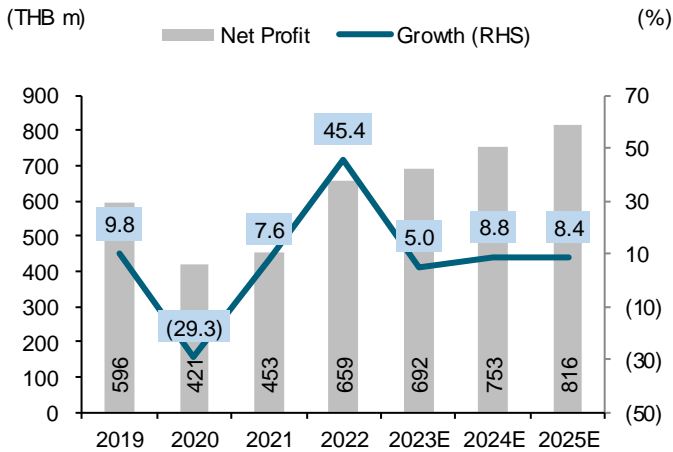
Sources: ILM; FSSIA estimates

Exhibit 7: Yearly gross profit



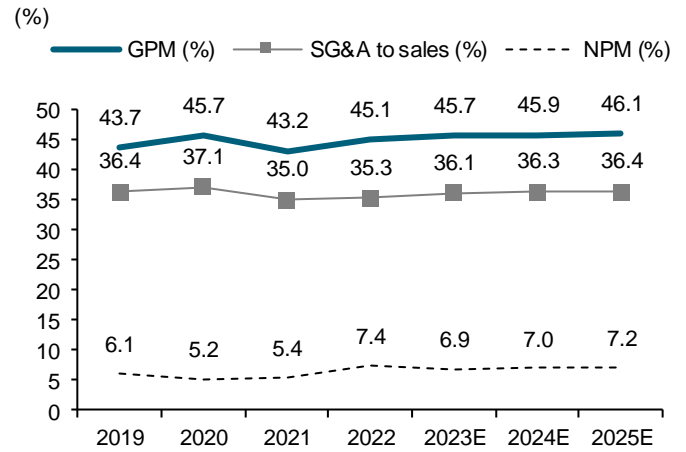
Sources: ILM; FSSIA estimates

Exhibit 8: Yearly net income



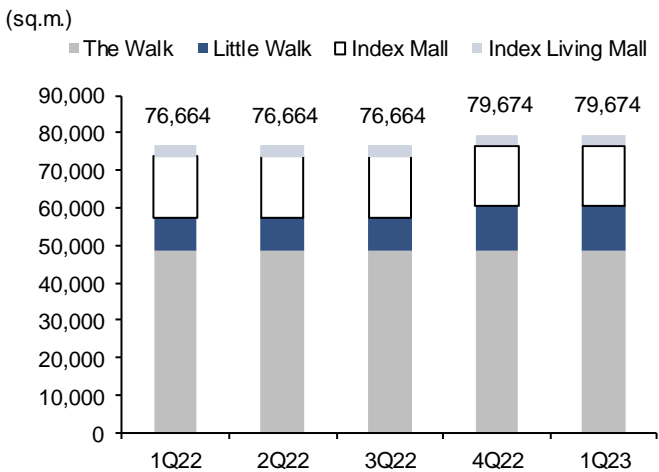
Sources: ILM; FSSIA estimates

Exhibit 9: Profitability



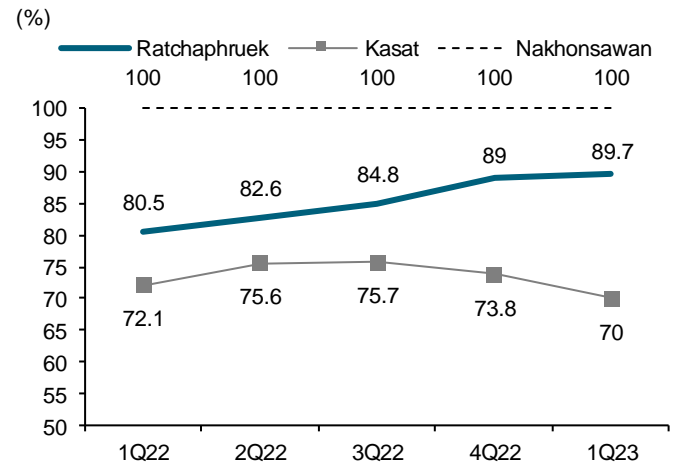
Sources: ILM; FSSIA estimates

Exhibit 10: Total space (sqm)



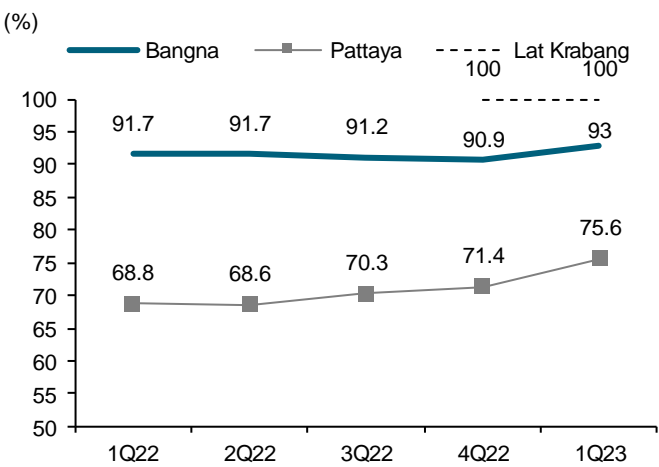
Sources: ILM; FSSIA's compilation

Exhibit 11: The Walk occupancy rate (%)



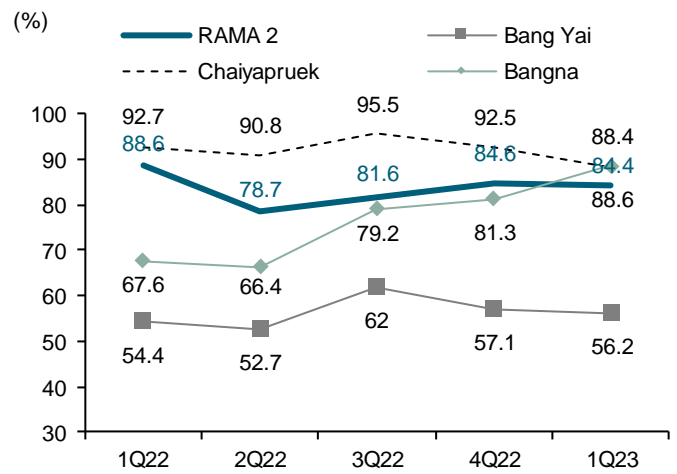
Sources: ILM; FSSIA's compilation

Exhibit 12: Little Walk occupancy rates (%)



Sources: ILM; FSSIA's compilation

Exhibit 13: Index Mall occupancy rates (%)



Sources: ILM; FSSIA's compilation

Valuation

We recommend BUY for ILM with a TP of THB24.8, based on a DCF valuation (WACC 9.1%, terminal growth 1%) implying a 2023E P/E of 18.1x, close to 1.5SD above its average two-year forward P/E. Potential short-term catalysts include the new Little Walk - Krungthep Kreetha, which could open in 3Q23, and an increase in rental space by another 5,000 sqm, or 6% of its total rental space. In 2024, ILM plans to open two more stores for Little Walk, as well as open three additional stores for Index Living Mall. In addition, we expect to see a robust recovery for the tourism sector and consumption spending. We expect ILM's operating results to continue to grow for the rest of 2023.

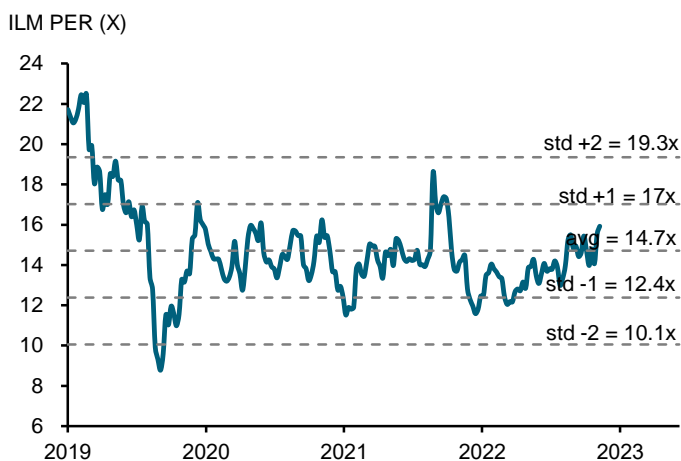
In terms of the impact of the potential increase in the minimum wage from THB350 to THB450 by the new government, we estimate the company's expenses would rise by approximately THB35m-40m per year (-4% of our net profit in 2024), all else being equal. However, we anticipate that SSSG of approximately 5% would be able to offset the higher labour costs.

Exhibit 14: DCF valuation

DCF-derived TP	(%)	(THB m)
Discount rate (WACC)	9.1	
Terminal growth	1	
NPV (Value of the firm)		16,693
Net Debt		(4,151)
Value of equity		12,542
No. of shares (m)		505
Share price (THB/share)		24.8

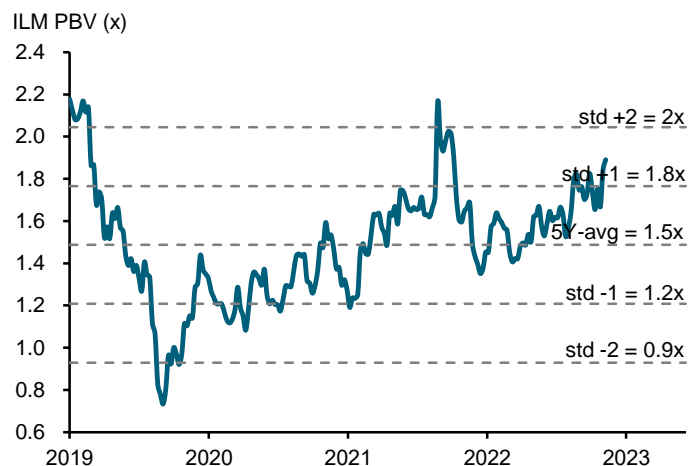
Source: FSSIA estimates

Exhibit 15: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 16: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Index Living Mall

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	8,317	8,889	10,005	10,779	11,396
Cost of goods sold	(3,852)	(4,066)	(4,582)	(4,923)	(5,183)
Gross profit	4,465	4,823	5,423	5,856	6,213
Other operating income	97	120	115	124	131
Operating costs	(2,914)	(3,136)	(3,614)	(3,918)	(4,149)
Operating EBITDA	1,648	1,807	1,924	2,063	2,195
Depreciation	(872)	(812)	(851)	(905)	(960)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	776	995	1,073	1,157	1,236
Net financing costs	(246)	(214)	(252)	(265)	(268)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	529	781	820	892	967
Tax	(76)	(122)	(128)	(139)	(151)
Profit after tax	453	659	692	753	816
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	453	659	692	753	816
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	453	659	692	753	816
Per share (THB)					
Recurring EPS *	0.90	1.31	1.37	1.49	1.62
Reported EPS	0.90	1.31	1.37	1.49	1.62
DPS	0.44	0.60	0.87	0.92	1.00
Diluted shares (used to calculate per share data)	505	505	505	505	505
Growth					
Revenue (%)	2.4	6.9	12.6	7.7	5.7
Operating EBITDA (%)	(0.8)	9.7	6.5	7.2	6.4
Operating EBIT (%)	(0.3)	28.3	7.8	7.9	6.8
Recurring EPS (%)	7.6	45.4	5.0	8.8	8.4
Reported EPS (%)	7.6	45.4	5.0	8.8	8.4
Operating performance					
Gross margin inc. depreciation (%)	43.2	45.1	45.7	45.9	46.1
Gross margin of key business (%)	44.2	51.1	49.7	49.9	49.6
Operating EBITDA margin (%)	19.8	20.3	19.2	19.1	19.3
Operating EBIT margin (%)	9.3	11.2	10.7	10.7	10.8
Net margin (%)	5.4	7.4	6.9	7.0	7.2
Effective tax rate (%)	14.4	15.6	15.6	15.6	15.6
Dividend payout on recurring profit (%)	48.9	46.0	63.7	61.5	61.7
Interest cover (X)	3.1	4.6	4.3	4.4	4.6
Inventory days	161.8	145.6	135.2	138.8	140.1
Debtor days	9.2	9.3	9.0	9.0	9.1
Creditor days	140.0	144.5	134.8	138.8	141.5
Operating ROIC (%)	10.7	15.1	16.5	18.1	20.2
ROIC (%)	5.6	7.6	8.2	8.7	9.5
ROE (%)	8.7	12.0	11.9	12.4	12.8
ROA (%)	5.1	6.8	7.2	7.4	7.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Retail	5,886	6,230	6,845	7,400	7,825
Online	1,001	903	1,266	1,380	1,490
Project	588	773	782	790	798
Oversea	284	253	337	375	403

Sources: Index Living Mall; FSSIA estimates

Financial Statements

Index Living Mall

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	453	659	692	753	816
Depreciation	872	812	851	905	960
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	484	311	201	257	257
Cash flow from operations	1,809	1,782	1,745	1,915	2,033
Capex - maintenance	-	-	-	-	-
Capex - new investment	(374)	(587)	(855)	(670)	(694)
Net acquisitions & disposals	100	(40)	(354)	(3)	25
Other investments (net)	125	(2)	(2)	(2)	(1)
Cash flow from investing	(150)	(629)	(1,211)	(675)	(671)
Dividends paid	(222)	(303)	(441)	(463)	(503)
Equity finance	0	0	0	0	0
Debt finance	(1,104)	(674)	322	(325)	159
Other financing cash flows	(333)	(208)	(218)	(227)	(240)
Cash flow from financing	(1,658)	(1,185)	(337)	(1,015)	(585)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1	(32)	197	225	778
Free cash flow to firm (FCFF)	1,905.54	1,367.18	785.98	1,504.41	1,630.79
Free cash flow to equity (FCFE)	222.34	270.70	637.82	687.49	1,281.52
Per share (THB)					
FCFF per share	3.77	2.71	1.56	2.98	3.23
FCFE per share	0.44	0.54	1.26	1.36	2.54
Recurring cash flow per share	2.62	2.91	3.06	3.28	3.52
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	12,803	13,001	13,517	13,825	14,133
Less: Accumulated depreciation	(7,891)	(8,314)	(8,826)	(9,368)	(9,942)
Tangible fixed assets (net)	4,912	4,688	4,691	4,456	4,191
Intangible fixed assets (net)	3,244	2,979	3,197	3,179	3,145
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	107	75	272	497	1,275
A/C receivable	509	522	569	620	659
Inventories	1,658	1,586	1,807	1,938	2,041
Other current assets	12	14	15	17	18
Current assets	2,287	2,197	2,663	3,072	3,993
Other assets	1,913	2,168	2,322	2,363	2,387
Total assets	12,356	12,032	12,874	13,070	13,715
Common equity	5,310	5,668	5,919	6,210	6,523
Minorities etc.	1	0	0	0	0
Total shareholders' equity	5,311	5,668	5,920	6,210	6,523
Long term debt	3,603	3,029	2,971	2,950	2,955
Other long-term liabilities	588	615	676	743	793
Long-term liabilities	4,190	3,644	3,647	3,693	3,748
A/C payable	1,630	1,590	1,793	1,950	2,070
Short term debt	1,172	1,072	1,452	1,148	1,301
Other current liabilities	53	57	62	69	73
Current liabilities	2,855	2,719	3,307	3,167	3,444
Total liabilities and shareholders' equity	12,356	12,032	12,874	13,070	13,715
Net working capital	497	474	536	556	575
Invested capital	10,567	10,310	10,746	10,554	10,297
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.51	11.22	11.72	12.30	12.92
Tangible book value per share	4.09	5.32	5.39	6.00	6.69
Financial strength					
Net debt/equity (%)	87.9	71.0	70.1	58.0	45.7
Net debt/total assets (%)	37.8	33.5	32.2	27.6	21.7
Current ratio (x)	0.8	0.8	0.8	1.0	1.2
CF interest cover (x)	3.4	5.0	6.9	6.1	8.4
Valuation					
Recurring P/E (x) *	25.0	17.2	16.3	15.0	13.9
Recurring P/E @ target price (x) *	27.6	19.0	18.1	16.6	15.3
Reported P/E (x)	25.0	17.2	16.3	15.0	13.9
Dividend yield (%)	2.0	2.7	3.9	4.1	4.4
Price/book (x)	2.1	2.0	1.9	1.8	1.7
Price/tangible book (x)	5.5	4.2	4.2	3.7	3.3
EV/EBITDA (x) **	9.7	8.5	8.0	7.2	6.5
EV/EBITDA @ target price (x) **	10.4	9.2	8.7	7.8	7.1
EV/invested capital (x)	1.5	1.5	1.4	1.4	1.4
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Index Living Mall; 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Index Living Mall	ILM TB	THB 22.40	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 1-Jun-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.