

STARFLEX SFLEX TB
THAILAND / PACKAGINGBUY
UNCHANGED

ธุรกิจไทยเวียดนามจะช่วยเพิ่มมูลค่า

- การซื้อธุรกิจไทยเวียดนามน่าจะใช้เงินจากการกู้ยืมอย่างไรก็ดีสถานะทางการเงินของ SFLEX น่าจะดีอยู่
- คาด SPV จะช่วยเพิ่มกำไรสุทธิของ SFLEX ได้ 5-15% ในช่วงปี 2023-25
- ปรับเพิ่มประมาณการกำไรสุทธิปี 2023-25 ขึ้น 16%/23%/27% และราคาเป้าหมายเป็น 5.5 บาท

TARGET PRICE	THB5.50
CLOSE	THB3.60
UP/DOWNSIDE	+52.8%
PRIOR TP	THB4.70
CHANGE IN TP	+17.0%
TP vs CONSENSUS	+13.4%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	1,669	1,922	2,080	2,234
Net profit	55	185	229	255
EPS (THB)	0.07	0.23	0.28	0.31
vs Consensus (%)	-	12.2	19.1	29.2
EBITDA	124	287	313	340
Core net profit	55	185	229	255
Core EPS (THB)	0.07	0.23	0.28	0.31
Chg. In EPS est. (%)	-	15.7	23.1	27.2
EPS growth (%)	(63.1)	236.7	23.7	11.1
Core P/E (x)	53.6	15.9	12.9	11.6
Dividend yield (%)	0.8	1.9	2.3	2.6
EV/EBITDA (x)	25.1	11.9	10.6	9.6
Price/book (x)	3.0	2.8	2.6	2.4
Net debt/Equity (%)	16.3	44.5	33.4	26.2
ROE (%)	5.7	18.2	21.0	21.8

ธุรกิจไทยเวียดนามจะเห็นผลตั้งแต่ 3Q23 เป็นต้นไป

เราปรับเพิ่มประมาณการของเราหลัง SFLEX ซื้อหุ้น 25% ใน Star Print Vietnam JSC (SPV) ด้วยต้นทุนในการลงทุนที่ประมาณ 385 ลบ. บริษัทฯ จะจัดประชุมวิสามัญผู้ถือหุ้นในวันที่ 19 มิ.ย. 2023 และเราคาดว่าผู้ถือหุ้นจะอนุมัติการซื้อดังกล่าว บริษัทฯ คาดว่ารายการดังกล่าวจะแล้วเสร็จใน 3Q23 เราคาดว่าบริษัทฯ จะกู้เงินจำนวน 300 ลบ. เพื่อชำระค่าซื้อหุ้นดังกล่าวซึ่งจะทำให้อัตราส่วนหนี้สินต่อส่วนผู้ถือหุ้น (D/E ratio) เพิ่มเล็กน้อยเป็น 0.9x ในปี 2023 เทียบกับ 0.6x ณ สิ้นปี 2022 ค่าใช้จ่ายดอกเบี้ยอาจกระโดดเพิ่มสามเท่าจากที่มีเพียงเล็กน้อยในปี 2022 อย่างไรก็ดีอัตราส่วนความสามารถในการชำระดอกเบี้ย (Interest coverage ratio) น่าจะสูงถึง 26x ซึ่งสูงกว่า 23x ในปี 2022

ประโยชน์จากการควบรวมทั้งในด้านความหลากหลายของสินค้าและฐานลูกค้า

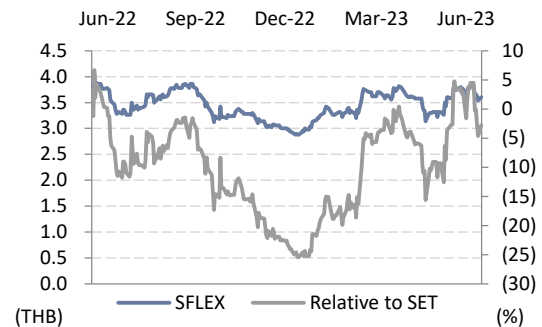
SPV เป็นผู้ผลิตบรรจุภัณฑ์กระดาษคุณภาพสูง บริษัทฯ มีผลิตภัณฑ์หลักประกอบด้วยกล่องกระดาษพับ กล่องกระดาษลูกฟูก กล่องจั่วบัง ถุงกระดาษ กระดาษรองสินค้า ฯลฯ และมีลูกค้าสำคัญเป็นผู้ผลิตสินค้าอุปโภคบริโภคในอาเซียน ออสเตรเลียและนิวซีแลนด์ อาทิเช่น Unilever Colgate Nestle Mondelez Heineken P&G Crayola และ Walmart ผลิตภัณฑ์ดังกล่าวแตกต่างจาก SFLEX ซึ่งผลิตบรรจุภัณฑ์พลาสติกเป็นหลัก เพราะฉะนั้นเราจึงเห็นว่าบริษัทฯ จะได้ประโยชน์จากการควบรวมในแง่ของความหลากหลายของผลิตภัณฑ์และฐานลูกค้า

ธุรกิจไทยเวียดนามจะช่วยเพิ่มกำไรสุทธิของ SFLEX ได้ 5-15%

ในปี 2022 SPV รายงานรายได้จากการขายอยู่ที่ 1.5 พัน ลบ. (+16% y-y) และกำไรสุทธิ 135 ลบ. (+66% y-y) พร้อมอัตรากำไรขั้นต้นและอัตรากำไรสุทธิที่ 20.9% และ 9.1% ตามลำดับซึ่งใกล้เคียงกับระดับก่อนโควิดของ SFLEX เราคาดว่า SFLEX จะรับส่วนแบ่งกำไรจำนวน 10 ลบ. ในปี 2023 (คิดจากการดำเนินงาน 5 เดือน), 34 ลบ. ในปี 2024, และ 36 ลบ. ในปี 2025 ซึ่งจะช่วยเพิ่มกำไรสุทธิได้ 5%/15%/14% ในปี 2023-25

ปรับราคาเป้าหมายเป็น 5.5 บาท

เราปรับเพิ่มสมมติฐานอัตรากำไรขั้นต้นปี 2023-25 ขึ้น 100-200bps จากราคานำมันที่ต่ำกว่า คาด ด้วยเหตุดังกล่าวเราจึงปรับเพิ่มประมาณการกำไรสุทธิปี 2023-25 ของเรารับขึ้น 16%/23%/27% สมมติฐานใหม่ของเราคาดการณ์โตของกำไรสุทธิไว้ที่ 237%/24%/11% คิดเป็น 17% CAGR ซึ่งสูงกว่าประมาณการก่อนหน้าของเราที่ 12% เราปรับเพิ่มราคาเป้าหมายเป็น 5.5 บาท (ซึ่งคิดจากค่า 2023E P/E เดิมที่ 24x) จาก 4.7 บาท เราคงแนะนำซื้อ SFLEX



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(2.2)	(9.5)
Relative to country (%)	0.6	0.9	(4.8)
Mkt cap (USD m)	82		
3m avg. daily turnover (USD m)	0.1		
Free float (%)	0		
Major shareholder	Mr. Printhorn Apithanasriwong (24%)		
12m high/low (THB)	4.12/2.76		
Issued shares (m)	820.00		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

jitra.a@fssia.com
+66 2646 9966

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 12 มิถุนายน 2023

Investment thesis

A 25% acquisition of Star Print Vietnam JSC (SPV) – a folding carton packaging manufacturer in Vietnam – is a good investment for SFLEX, in our view. This transaction would strengthen SFLEX's ability to serve customers' needs with more diversified product ranges beyond its current soft plastic packaging products. It would also allow SFLEX to expand its business to opportunities overseas. Moreover, it should enhance SFLEX's profit. Based on SPV's 2022 net profit of THB135m, we forecast that SFLEX could earn an additional THB33m-36m a year.

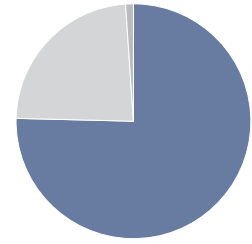
Company profile

Starflex is a leading manufacturer and distributor of flexible packaging in roll form, selling mainly to local consumer product suppliers. Its flexible packaging is a multilayer film, splicing 2-5 layers using glue or resin as a binding material which results in a rigid film that is resistant to heat and high pressure, and is lightweight and capable of having graphic patterns printed on the surface.

www.starflex.co.th

Principal activities (revenue, 2022)

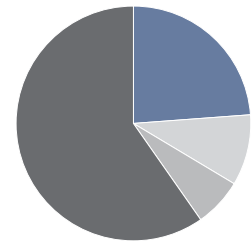
- Non-food packaging - 75.4 %
- Food packaging - 23.5 %
- Others - 1.1 %



Source: Starflex

Major shareholders

- Mr. Printhorn Apithanasriwong - 23.8 %
- Mr. Ek Picharnchitra - 9.8 %
- BTS Group Holdings - 6.7 %
- Others - 59.7 %



Source: Starflex

Catalysts

Key potential catalysts include 1) a broad-based economic recovery; 2) a plunge in oil prices; and 3) baht appreciation.

Risks to our call

Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

Event calendar

Date	Event
19 June 2023	The extraordinary general meeting of shareholders on the approval of SPV.
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)
Sales revenue	1,922	2,080	2,234
<i>Growth (%)</i>	15.1	8.3	7.4
Non-food packaging	1,449	1,560	1,676
<i>Growth (%)</i>	15.2	7.7	7.4
Food packaging	465	512	550
<i>Growth (%)</i>	18.4	10.1	7.4
Gross margin (%)	20.5	21.0	21.0
SG&A to sales (%)	10.1	10.1	9.8

Source: FSSIA estimates

Earnings sensitivity

- For every 0.5% change in gross margin, we project SFLEX's 2023 core profit to change by 4.8%, all else being equal.
- For every 0.5% change in SG&A to sales, we project SFLEX's 2023 core profit to change by 4.0%, all else being equal.

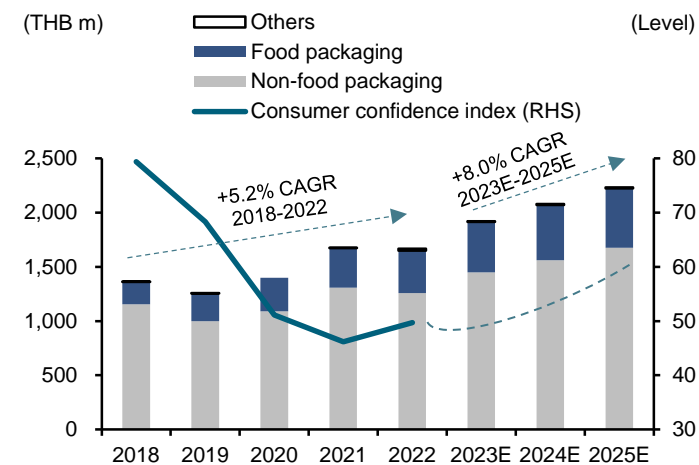
Source: FSSIA estimates

Exhibit 1: Changes in key assumptions

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Sales revenue	1,922	2,080	2,234	1,802	2,001	2,143	6.6	3.9	4.3
Growth (%)	15.1	8.3	7.4	8.0	11.0	7.1	7.1	(2.8)	0.3
Gross profit	394	437	469	333	390	429	18.1	11.9	9.5
Growth (%)	86.8	10.9	7.4	58.1	17.1	9.8	28.7	(6.1)	(2.4)
EBITDA	287	313	340	251	289	317	14.2	8.3	7.3
Growth (%)	131.1	9.2	8.7	102.3	15.2	9.6	28.8	(6.0)	(0.9)
Net profit	185	229	255	160	186	200	15.7	23.1	27.2
Growth (%)	236.7	23.7	11.1	191.1	16.3	7.5	45.7	7.4	3.6
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross profit	20.5	21.0	21.0	18.5	19.5	20.0	2.0	1.5	1.0
SG&A to sales	10.1	10.1	9.8	9.4	9.4	9.4	0.7	0.7	0.3
EBITDA	14.9	15.1	15.2	13.9	14.5	14.8	1.0	0.6	0.4
Net profit margin	9.7	11.0	11.4	8.9	9.3	9.4	0.8	1.7	2.1

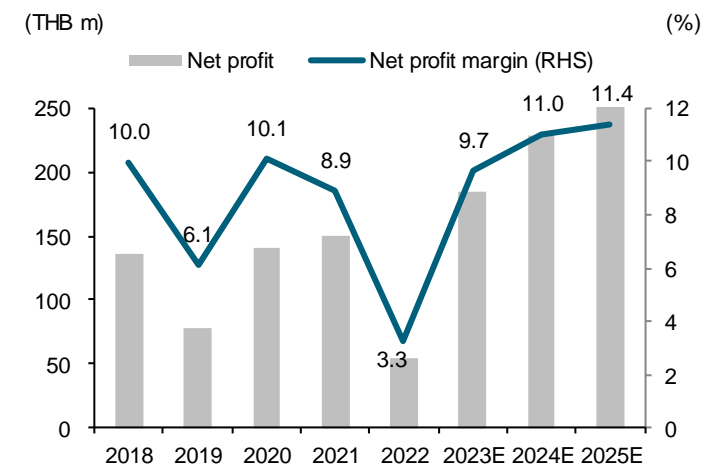
Sources: SFLEX, FSSIA estimates

Exhibit 2: Revenue and growth



Sources: SFLEX, FSSIA estimates

Exhibit 3: Net profit and net margin



Sources: SFLEX, FSSIA estimates

Exhibit 4: Key performance of SPV

Profit and loss statement	2020		2021		2022	
	(VND b)	(THB m)	(VND b)	(THB m)	(VND b)	(THB m)
Sales revenue	838	1,224	874	1,276	1,013	1,481
Cost of sales	(704)	(1,028)	(709)	(1,036)	(801)	(1,171)
Gross profit	134	196	165	241	212	310
SG&A	(73)	(107)	(84)	(122)	(83)	(122)
Other income	3	5	3	4	6	8
Operating profit	64	94	84	123	135	196
Interest expense	(19)	(27)	(16)	(23)	(19)	(27)
EBT	46	67	68	99	116	169
Tax	(10)	(15)	(12)	(18)	(23)	(34)
Net profit	35	52	56	82	92	135
Key Ratios (%)						
Gross margin	16.0	16.0	18.9	18.9	20.9	20.9
Operating margin	7.7	7.7	9.6	9.6	13.3	13.3
Net margin	4.2	4.2	6.4	6.4	9.1	9.1
SG&A / Sales	8.7	8.7	9.6	9.6	8.2	8.2
Balance sheet	2020		2021		2022	
	(VND b)	(THB m)	(VND b)	(THB m)	(VND b)	(THB m)
Cash and cash equivalents	6	9	9	13	3	5
Trade receivables	166	243	134	195	116	170
Inventory	138	201	215	314	208	304
Other current assets	6	9	11	16	5	8
Fixed assets	86	125	51	75	45	66
Other non-current assets	54	79	73	107	63	92
Total assets	456	666	492	719	440	643
Loans	18	26	19	28	8	12
Other liabilities	325	475	304	445	232	339
Total liabilities	343	501	323	472	241	352
Capital	61	90	61	90	61	90
Retained earnings	52	75	108	157	138	202
Total shareholders' equity	113	165	169	247	200	292

Note: Using the exchange rate announced by the Bank of Thailand as of 22 March 2023, which was equal to THB0.1461 to VND100

Source: SFLEX

Exhibit 5: Examples of SPV's products



Source: Starprint Vietnam JSC website

Financial Statements

Starflex

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,677	1,669	1,922	2,080	2,234
Cost of goods sold	(1,414)	(1,458)	(1,528)	(1,643)	(1,765)
Gross profit	263	211	394	437	469
Other operating income	50	27	29	27	29
Operating costs	(152)	(170)	(194)	(210)	(218)
Operating EBITDA	223	124	287	313	340
Depreciation	(62)	(57)	(58)	(59)	(60)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	161	67	229	254	280
Net financing costs	(4)	(3)	(9)	(9)	(7)
Associates	-	-	10	34	36
Recurring non-operating income	0	0	10	34	36
Non-recurring items	0	0	0	0	0
Profit before tax	157	65	229	278	310
Tax	(7)	(10)	(44)	(49)	(55)
Profit after tax	149	55	185	229	255
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	149	55	185	229	255
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	149	55	185	229	255
Per share (THB)					
Recurring EPS *	0.18	0.07	0.23	0.28	0.31
Reported EPS	0.18	0.07	0.23	0.28	0.31
DPS	0.05	0.03	0.07	0.08	0.09
Diluted shares (used to calculate per share data)	820	820	820	820	820
Growth					
Revenue (%)	20.0	(0.5)	15.1	8.3	7.4
Operating EBITDA (%)	(4.2)	(44.4)	131.7	9.2	8.7
Operating EBIT (%)	(7.4)	(58.2)	239.8	11.0	10.5
Recurring EPS (%)	4.6	(63.1)	236.7	23.7	11.1
Reported EPS (%)	4.6	(63.1)	236.7	23.7	11.1
Operating performance					
Gross margin inc. depreciation (%)	15.7	12.6	20.5	21.0	21.0
Gross margin exc. depreciation (%)	19.4	16.0	23.5	23.9	23.7
Operating EBITDA margin (%)	13.3	7.4	14.9	15.1	15.2
Operating EBIT margin (%)	9.6	4.0	11.9	12.2	12.6
Net margin (%)	8.9	3.3	9.7	11.0	11.4
Effective tax rate (%)	4.8	14.9	19.2	17.6	17.6
Dividend payout on recurring profit (%)	24.7	44.7	30.0	30.0	30.0
Interest cover (X)	40.7	26.0	27.0	31.1	43.2
Inventory days	75.9	86.9	91.3	94.9	92.3
Debtor days	66.1	66.6	60.1	66.2	65.9
Creditor days	78.2	74.3	72.2	73.1	70.8
Operating ROIC (%)	18.1	5.4	15.0	14.2	(3.7)
ROIC (%)	15.7	4.8	14.3	14.8	(3.8)
ROE (%)	16.2	5.7	18.2	21.0	21.8
ROA (%)	11.0	3.7	10.7	11.7	12.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-food packaging	1,309	1,258	1,449	1,560	1,676
Food packaging	365	393	465	512	550
Others	3	18	8	8	9

Sources: Starflex; FSSIA estimates

Financial Statements

Starflex

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	149	55	185	229	255
Depreciation	62	57	58	59	60
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(134)	50	(317)	(26)	(106)
Cash flow from operations	78	162	(74)	263	209
Capex - maintenance	-	-	-	-	-
Capex - new investment	(196)	(144)	(226)	(7)	(19)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(196)	(144)	(226)	(7)	(19)
Dividends paid	(70)	(37)	(56)	(69)	(76)
Equity finance	0	0	0	0	0
Debt finance	128	66	302	(98)	(101)
Other financing cash flows	-	-	-	-	-
Cash flow from financing	58	29	246	(167)	(177)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	7	48	0	0
Net other adjustments	(34)	7	48	(71)	(50)
Movement in cash	(94)	54	(6)	18	(37)
Free cash flow to firm (FCFF)	(114.34)	20.98	(291.17)	265.66	198.05
Free cash flow to equity (FCFE)	(23.95)	91.15	49.81	87.00	39.31

Per share (THB)

FCFF per share	(0.14)	0.03	(0.36)	0.32	0.24
FCFE per share	(0.03)	0.11	0.06	0.11	0.05
Recurring cash flow per share	0.26	0.14	0.30	0.35	0.38

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	859	1,046	1,346	1,376	1,406
Less: Accumulated depreciation	(428)	(307)	(365)	(424)	(484)
Tangible fixed assets (net)	431	739	981	952	922
Intangible fixed assets (net)	47	54	55	56	57
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	32	32	32	32
Cash & equivalents	75	129	123	142	104
A/C receivable	346	263	370	385	422
Inventories	334	333	402	421	441
Other current assets	185	22	23	24	25
Current assets	939	747	918	972	992
Other assets	89	29	30	31	32
Total assets	1,507	1,602	2,016	2,042	2,035
Common equity	960	985	1,058	1,130	1,206
Minorities etc.	0	0	0	0	0
Total shareholders' equity	960	985	1,058	1,130	1,206
Long term debt	84	175	477	379	278
Other long-term liabilities	43	43	49	56	65
Long-term liabilities	127	218	526	435	343
A/C payable	295	276	306	329	333
Short term debt	121	114	117	139	142
Other current liabilities	4	8	9	9	10
Current liabilities	419	398	432	477	485
Total liabilities and shareholders' equity	1,507	1,602	2,016	2,042	2,035
Net working capital	566	334	480	492	545
Invested capital	1,133	1,188	1,578	1,563	1,587

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

Per share (THB)

Book value per share	1.17	1.20	1.29	1.38	1.47
Tangible book value per share	1.11	1.14	1.22	1.31	1.40

Financial strength

Net debt/equity (%)	13.5	16.3	44.5	33.4	26.2
Net debt/total assets (%)	8.6	10.0	23.4	18.4	15.5
Current ratio (x)	2.2	1.9	2.1	2.0	2.0
CF interest cover (x)	44.5	91.9	32.2	11.1	8.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	19.8	53.6	15.9	12.9	11.6
Recurring P/E @ target price (x) *	30.2	81.9	24.3	19.7	17.7
Reported P/E (x)	19.8	53.6	15.9	12.9	11.6
Dividend yield (%)	1.3	0.8	1.9	2.3	2.6
Price/book (x)	3.1	3.0	2.8	2.6	2.4
Price/tangible book (x)	3.2	3.2	2.9	2.8	2.6
EV/EBITDA (x) **	13.8	25.1	11.9	10.6	9.6
EV/EBITDA @ target price (x) **	20.9	37.7	17.4	15.6	14.2
EV/invested capital (x)	2.7	2.6	2.2	2.1	2.1

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

Sources: Starflex; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

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

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

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

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

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

AGM Checklist by the Thai Investors Association (TIA)²

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

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

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

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

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

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

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

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

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

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

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

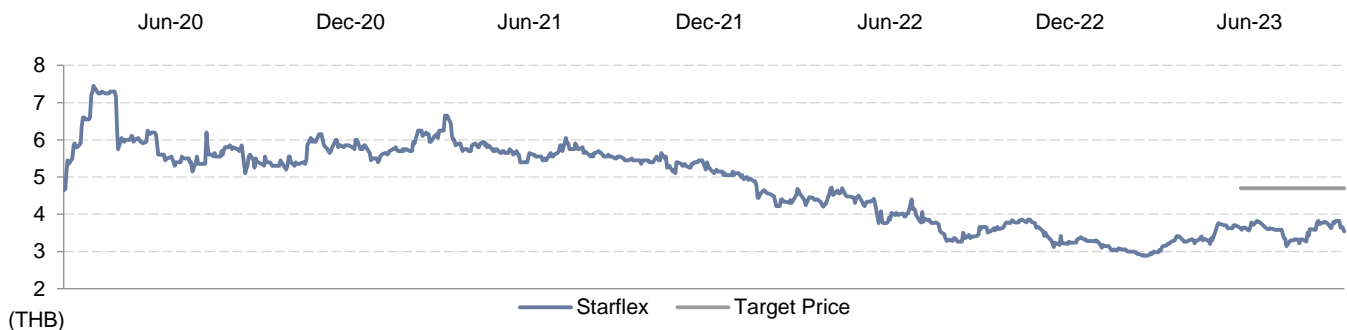
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 10-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Starflex	SFLEX TB	THB 3.54	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

Source: FSSIA estimates

Additional Disclosures

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

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 09-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.