

# G-ABLE GABLE TB

THAILAND / ICT

# BUY

## Tech enabler poised for growth

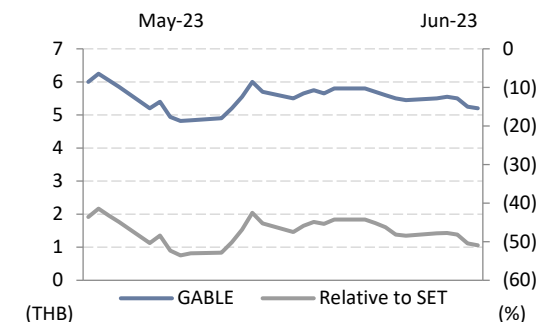
- GABLE is a fully integrated IT and digital solutions provider, with over 33 years of experience.
- Key highlights include software business expansion and a solid backlog.
- Expect profit growth of 19% in 2023; TP at THB9.

TARGET PRICE	THB9.00
CLOSE	THB5.00
UP/DOWNSIDE	+80.0%
TP vs CONSENSUS	-

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,731	5,451	5,878	6,176
Net profit	267	317	379	406
EPS (THB)	0.51	0.45	0.54	0.58
vs Consensus (%)	-	-	-	-
EBITDA	366	438	501	534
Core net profit	267	317	379	406
Core EPS (THB)	0.51	0.45	0.54	0.58
EPS growth (%)	8.7	(10.9)	19.5	7.2

Core P/E (x)	9.8	11.0	9.2	8.6
Dividend yield (%)	38.4	4.6	5.5	5.9
EV/EBITDA (x)	7.7	5.1	4.2	3.7
Price/book (x)	2.3	1.4	1.3	1.2
Net debt/Equity (%)	15.7	(49.6)	(50.8)	(52.2)
ROE (%)	18.8	17.2	14.3	14.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.3	n/a	n/a
Relative to country (%)	1.8	n/a	n/a
Mkt cap (USD m)	101		
3m avg. daily turnover (USD m)	n/a		
Free float (%)	64		
Major shareholder	Liuchareon Family (22%)		
12m high/low (THB)	7.60/4.80		
Issued shares (m)	700.00		

Sources: Bloomberg consensus; FSSIA estimates

### Leading solutions provider with over 33 years of experience

GABLE has three main businesses, including 1) enterprise solutions and services; 2) value-added distribution solutions; and 3) software platforms. Its services cover crucial technologies for helping its customers upgrade their businesses and prepare for the digital age. GABLE is the industry leader with over 33 years of experience.

### Clear strengths

GABLE has three explicit strengths. First is its software platform business, which has a high gross margin, strong growth potential, and only a few listed competitors. Second, GABLE's continuously rising recurring income from 42% in 2020 to 51% in 2022 helps boost its long-term stability. Third, GABLE has a solid backlog. It should realise THB2.9b of its backlog as revenue in 2023, which is already equal to 61% of its revenue in 2022.

### Expect strong profit growth in 2023

We expect continued growth in 2023. GABLE's key catalysts include 1) a focus on software platform growth; 2) the market's need for digital services; and 3) a solid backlog. We expect its 2023 revenue to reach THB5.5b (+15% y-y). Given the estimated revenue growth and a slightly higher gross margin, we project its 2023 net profit to hit THB317m (+19% y-y).

### Initiate coverage with BUY rating and TP of THB9

We initiate coverage of GABLE with a TP of THB9, assuming 20x P/E, equal to its peers, and 2023E EPS of THB0.45. In our view, the 20x P/E assumption is justified by GABLE's 2023 profit growth which we project at 19%, implying a PEG of 1.05x. Also, using the DCF valuation method, we derive nearly the same TP at THB8.92. Its share price is currently trading at only 11.0x 2023E P/E with a PEG of 0.6x, the lowest among its peers in the ICT sector. We recommend BUY.


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## Investment thesis

GABLE is the industry leader with over 33 years of experience. GABLE has three explicit strengths. First is the advanced state of development of its software platform business, which has a high gross margin, strong growth potential, and only a few listed competitors. Second, GABLE's continuously rising recurring income from 42% in 2020 to 51% in 1Q23 should sustain long-term stability. Third, GABLE has a solid backlog. We expect a solid net profit of THB317m in 2023, +19% y-y. Its share price is currently trading at only 11.0x 2023E P/E with a PEG of 0.6x, the lowest among its peers in the ICT sector. We recommend BUY.

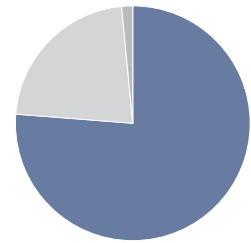
## Company profile

GABLE is a leading "tech enabler" company that has provided integrated technology and digital solutions for organisations for more than 33 years. Business of the company is divided into three categories: 1) enterprise solutions and services; 2) value-added distribution; and 3) software platforms.

[www.g-able.com](http://www.g-able.com)

## Principal activities (revenue, 2022)

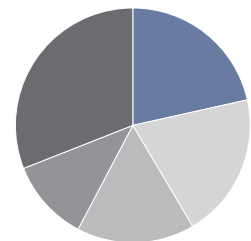
- Enterprise solution and services - 76.2 %
- Value-added distribution solution - 22.2 %
- Software Platform - 1.5 %



Source: G-Able

## Major shareholders

- Liuchareon Family - 21.5 %
- Uahwatanasakul Family - 20.0 %
- Chansue Family - 16.2 %
- Phantumvanit Family - 11.3 %
- Others - 31.0 %



Source: G-Able

## Catalysts

Key potential catalysts include 1) stronger project winning bids; 2) stronger demand from enterprises for digital transformation; and 3) mergers and acquisitions.

## Risks to our call

The key downside risks to our TP are 1) failure to secure new projects from customers; 2) a lack of human resources; and 3) more intense competition.

## Event calendar

Date	Event
August 2023	2Q23 results announcement

## Key assumptions

	2023E (THB m)	2024E (THB m)	2025E (THB m)
Enterprise solution and services	4,040	4,303	4,496
Value-added distribution solutions	1,262	1,338	1,394
Software platforms	149	238	286
Gross margin (%)	21.6	21.9	22.1
EBITDA margin (%)	8.0	8.5	8.6
Net margin (%)	5.8	6.4	6.6

Source: FSSIA estimates

## Earnings sensitivity

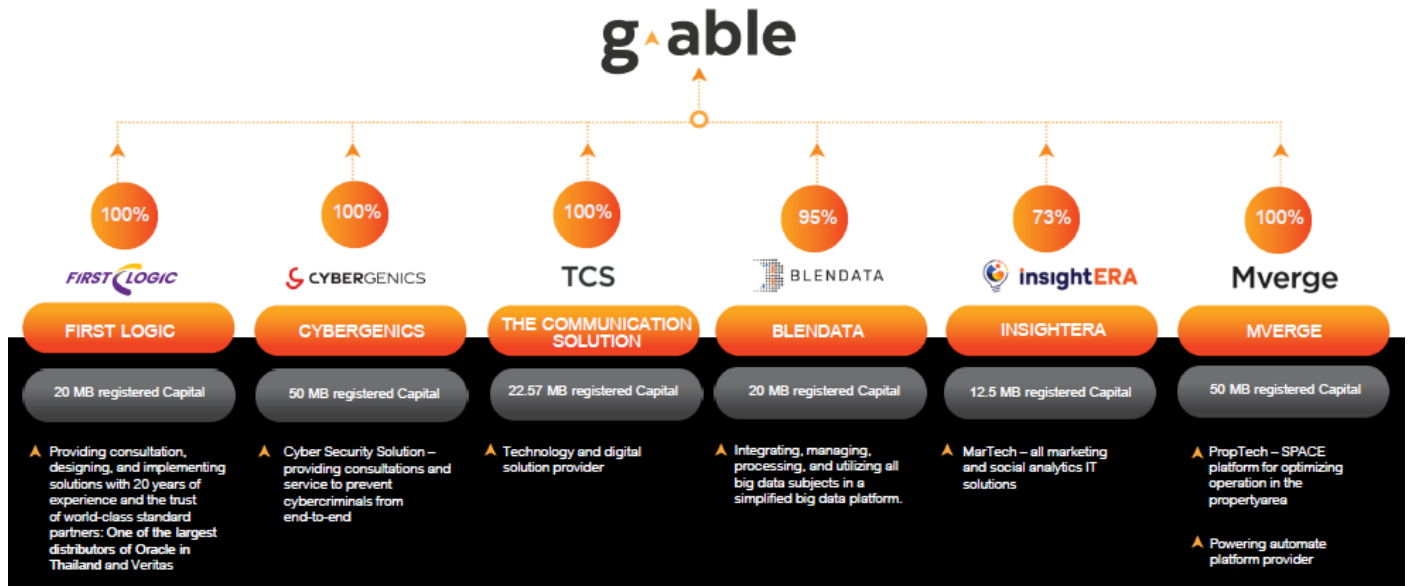
- For every 0.5% change in gross margin, we project GABLE's 2023 net profit to change by 6%, all else being equal.
- For every 1% change in SG&A expense, we project GABLE's 2023 net profit to change by 1%, all else being equal.

Source: FSSIA estimates

## GABLE at a glance

Established on 30 January 1989, G-ABLE Pcl (GABLE) is a fully integrated IT and digital solutions provider. It has expertise in integrating and offering solutions that increase business operational efficiency and enhance competitiveness. GABLE aims to help its customers succeed in their digital transformation. It has earned the trust of its customers, who are leaders in several industries, such as financials, telecoms, insurance, manufacturing, power, and education.

### Exhibit 1: Business structure

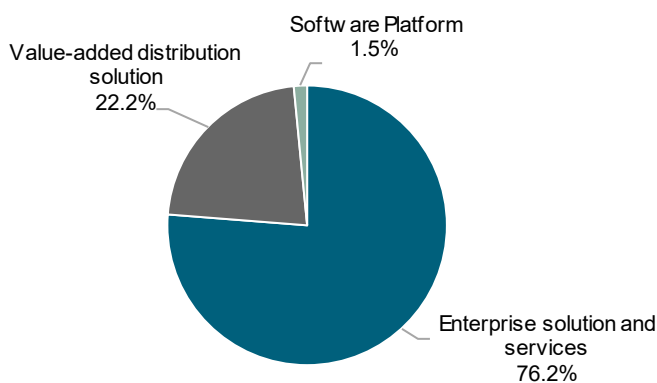


Source: GABLE

GABLE has three main businesses:

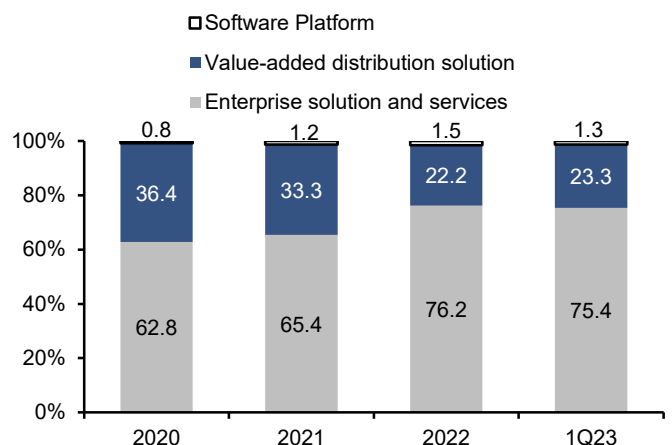
- 1) Enterprise solutions and services;
- 2) Value-added distribution;
- 3) Software platforms.

### Exhibit 2: Revenue structure by business (2022)



Source: GABLE

### Exhibit 3: Revenue structure by business (2020-1Q23)



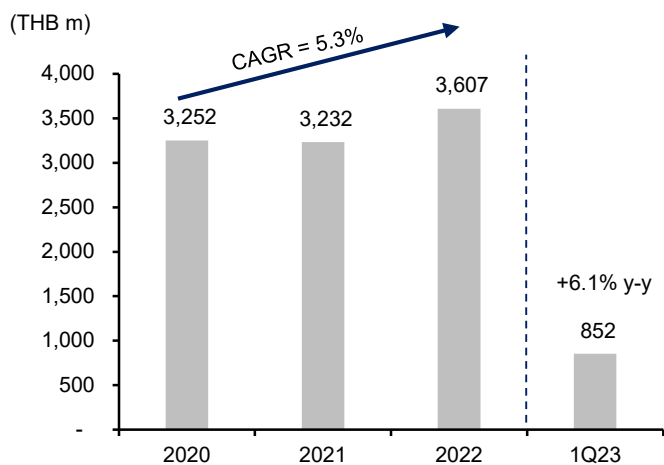
Source: GABLE

## Enterprise solutions and services

Enterprise solutions and services are GABLE's main business, accounting for 76% of its total revenue in 2022. Enterprise solutions include consultancy, design, installation, distribution, maintenance, and other related services. Also, it covers crucial technologies in the digital age. GABLE divides this unit into five groups, which are as follows:

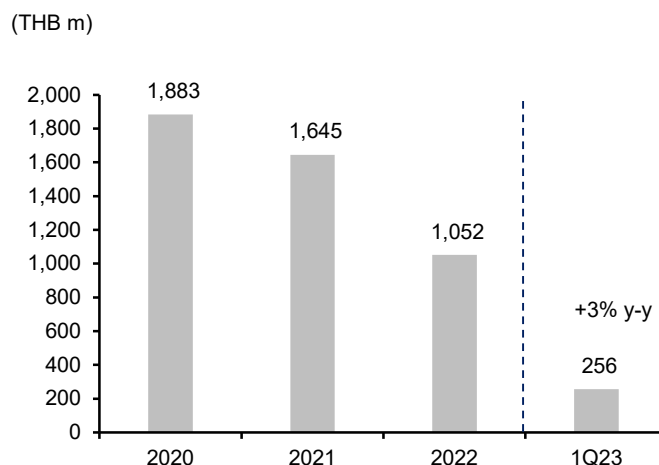
- 1) **Cyber security.** GABLE's end-to-end cyber security services cover studies of customer needs, design, technology selection, consultancy services for IT security, security protection for IT, cloud, application, data, and end-point infrastructure.
- 2) **Cloud and data centre modernisation.** These services cover consultancy, design of infrastructure that answers corporate demands based on budgets, and installation and management of infrastructure to achieve sustainability.
- 3) **Data and analytics.** GABLE provides comprehensive data management and analytics services. They comprise understanding corporate needs, designing infrastructure for database systems, selecting suitable technology, verifying data accuracy, data entry, and training and maintenance to ensure proper functioning.
- 4) **Digital business and applications.** GABLE designs and develops software for specific business needs, with a focus on platforms designed to suit industry requirements. Currently, GABLE provides various solutions for businesses, including insurance, credit, asset valuation, and education. Also, it has solutions for support departments within organisations.
- 5) **Managed tech services.** GABLE provides end-to-end managed tech services to support its customers in information management. They help manage end devices, work systems (such as surveillance, protection, and verification against cyber threats), cloud systems, and data processing systems.

**Exhibit 4: Revenue from enterprise solutions and services**



Source: GABLE

**Exhibit 5: Revenue from value-added distribution**



Source: GABLE

## Value-added distribution

GABLE operates a distributor business for IT systems via its subsidiary, First Logic Co Ltd (FLG, not listed). FLG is a distributor of IT systems for Oracle Corporation (“Oracle”) and Veritas Technologies LLC (“Veritas”), two technology developers for the corporate market that have long been accepted by global users.

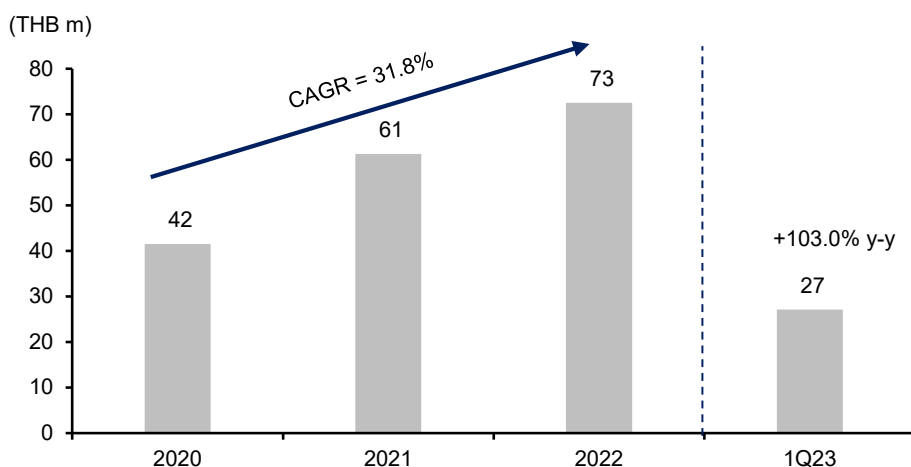
- 1) FLG has been an Oracle Corporation distributor since 2010. Oracle, a global technology developer with comprehensive products and services, is a market leader in database systems for business that is trusted by world-class companies in several industries. Oracle’s hardware and software helps support efficient data processing of all types, including database, cloud and virtualisation, and servers and storage. FLG has the highest number of Oracle-Sun certified field engineers in Thailand.
- 2) FLG has been appointed as a distributor for US-based Veritas Technologies LLC, a global leader in data protection and storage management since 2003.

## Software platforms

To differentiate itself from other IT and digital solutions providers, GABLE builds upon its internal technology to create additional value and develop software service businesses. It sets up subsidiaries in areas with high growth potential to achieve flexibility and develop new businesses via software platforms. Currently, GABLE owns three software platforms:

- 1) **Marketing technology.** Social analytics tools are used to derive crucial data for efficient business and marketing strategy planning with measurable operating performance indicators. InsightEra covers all marketing and social analytics IT solutions that answer diverse business needs, from market research to channel management, data analytics, and marketing activities.
- 2) **Big data.** GABLE develops comprehensive platforms to manage big data. It offers Blendata, a platform that provides software as a service to help companies handle big data. GABLE’s products are easy to use and require no coding experience. This helps businesses manage data at every step from data collection to application under one platform.
- 3) **PropTech.** This platform helps optimise operations in the property business by increasing efficiency in managing leases, reducing paperwork, and eliminating unnecessary steps.

### Exhibit 6: Revenue from software platforms



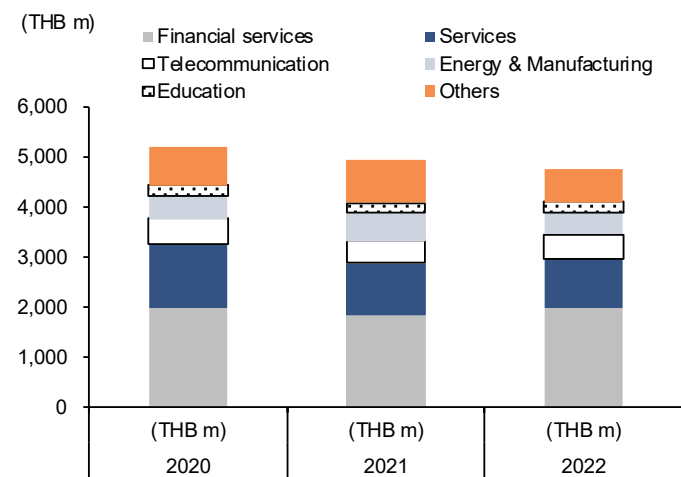
Source: GABLE

### Target customers

GABLE is a fully integrated IT and digital solutions provider focused on the business and education sectors. Most of its customers are groups of companies or leading organisations in each industry that would like to use innovation and digital technology to increase their operating efficiency, prepare for competition in the digital era, and generate further business opportunities. GABLE targets the following as its customers:

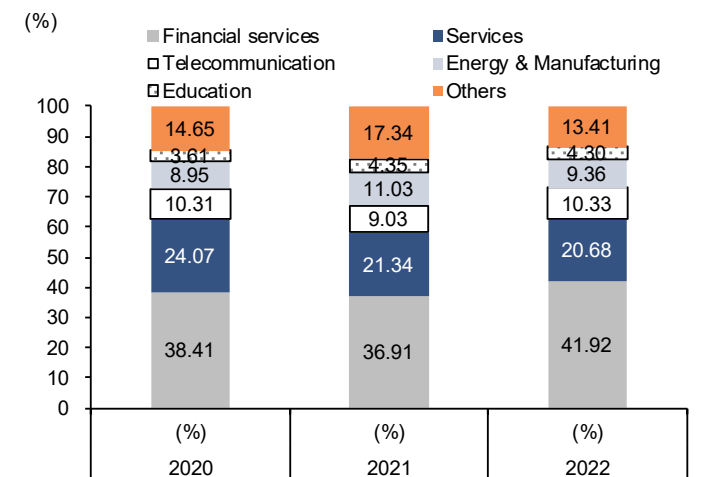
1. **Financial services:** Banks, securities, insurance, and assurance firms.
2. **Services:** Consultancy, IT, data, and professional services.
3. **Telecommunications:** Mobile operators and broadband internet.
4. **Manufacturing and energy:** Auto, food production, petrochemicals, and energy.
5. **Education:** State and private universities, schools, and training centres.
6. **Others:** Property development, leisure and tourism, commerce, transport, and healthcare.

**Exhibit 7: Revenue by customer group**



Source: GABLE

**Exhibit 8: Revenue by customer group**



Source: GABLE

## Industry trend

### Technology industry outlook

According to Gartner, Thailand's IT spending in 2021 at THB299b grew by 9% to THB327b in 2022. Enterprise software recorded the highest growth rate at 15% in 2022 as businesses began to develop more software technology rather than buy it. To maintain their focus on cyber security, companies are investing in infrastructure to enhance safety and equipment in line with employees' hybrid work environments, which are likely to become more complicated in the future.

If we look at Thailand's IT markets that GABLE operates in such as data centres, enterprise software, and IT services, the company had an aggregate value of THB171m in 2021. With 13% growth in 2022, this implies that the markets GABLE operates in have a higher growth rate than Thailand's IT market overall.

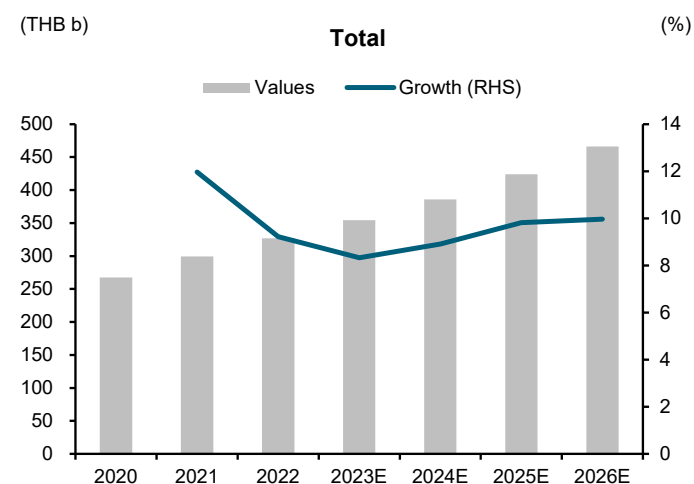
#### Exhibit 9: Thailand's projected IT spending

	2020	2021	2022	2023E	2024E	2025E	2026E
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)
Data centres	20	22	26	27	29	32	33
Corporate software	50	59	68	79	91	105	121
Electronic devices	43	46	49	51	52	56	60
IT services	71	90	99	109	122	138	158
Communication services	83	83	85	88	91	92	94
<b>Total</b>	<b>267</b>	<b>299</b>	<b>327</b>	<b>354</b>	<b>386</b>	<b>424</b>	<b>466</b>
<b>Growth</b>		(%)	(%)	(%)	(%)	(%)	(%)
Data centres		8	17	5	9	8	4
Corporate software		20	15	15	16	15	15
Electronic devices		6	7	4	2	7	7
IT services		27	10	10	12	13	14
Communication services		(1)	3	4	3	2	2
<b>Total</b>		<b>12</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>10</b>

Source: Gartner; Enterprise IT Spending by Vertical Industry Market, Worldwide, 2020-2026, 2Q22

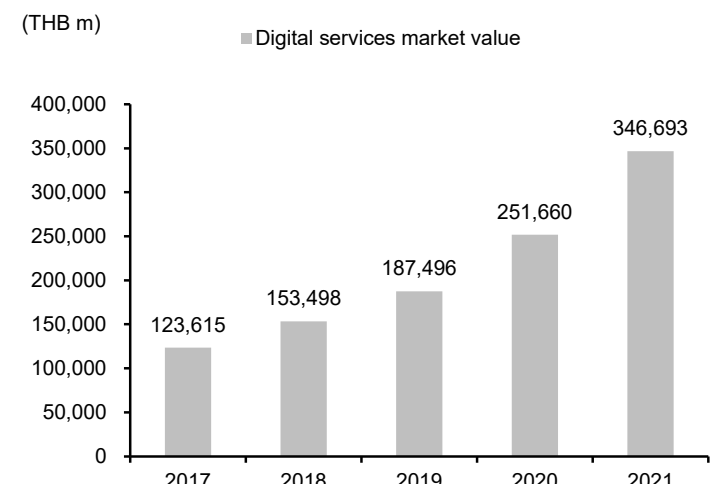
The table above shows that all are adapting to the digital age as seen from the market value growth rate. Most of GABLE's customers are large corporations in the sector with IT spending growth, such as financials and telecommunications.

#### Exhibit 10: Thailand's projected IT spending



Source: Gartner; Enterprise IT Spending by Vertical Industry Market, Worldwide, 2020-2026, 2Q22

#### Exhibit 11: The market value of digital services by year

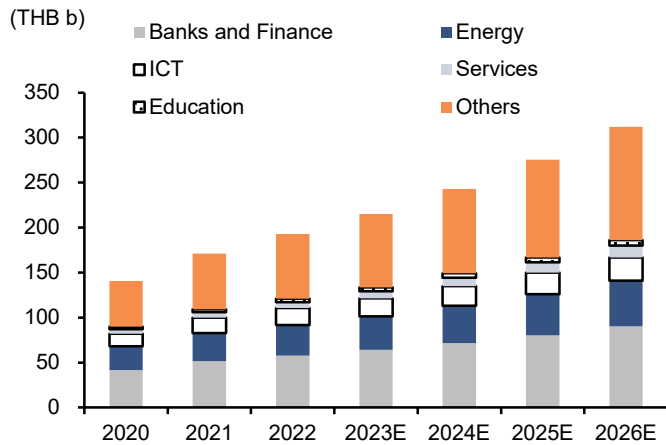


Source: Digital Economy Promotion Agency (Depa)

### Digital services jump

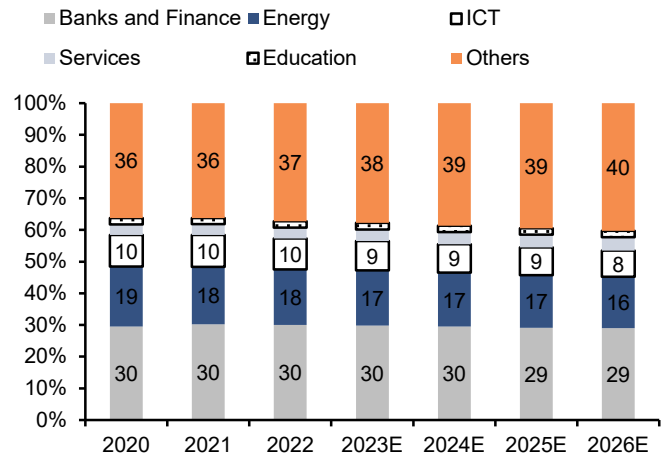
According to the Digital Economy Promotion Agency (Depa), which tracks the value of digital services such as online media, e-Logistics, e-Retail, Fintech, e-Advertising, e-Tourism, Edtech, and HealthTech, the value of the digital services industry surged to THB347b (+38%) in 2021 due to growth in online-media, e-Logistics, and e-Retail. Also, Depa anticipates that growth should remain high since Thai consumers have turned more towards digital services via the internet due to Covid-19. They are familiar with the new normal. Online content platforms enjoyed high user growth, while ads have moved to these platforms, especially social media. Digital services personnel amounted to 87,000 workers, up 18% from 2019, mainly in e-Logistics businesses.

**Exhibit 12: IT spending by sector**



Note: Data centre, enterprise software, and IT services related to GABLE's core businesses  
 Source: Gartner; Enterprise IT Spending by Vertical Industry Market, Worldwide, 2020-2026, 2Q22

**Exhibit 13: IT spending by sector as a percent of total**



Note: Data centre, enterprise software, and IT services related to GABLE's core businesses  
 Source: Gartner; Enterprise IT Spending by Vertical Industry Market, Worldwide, 2020-2026, 2Q22



### Financials invest most in digital systems

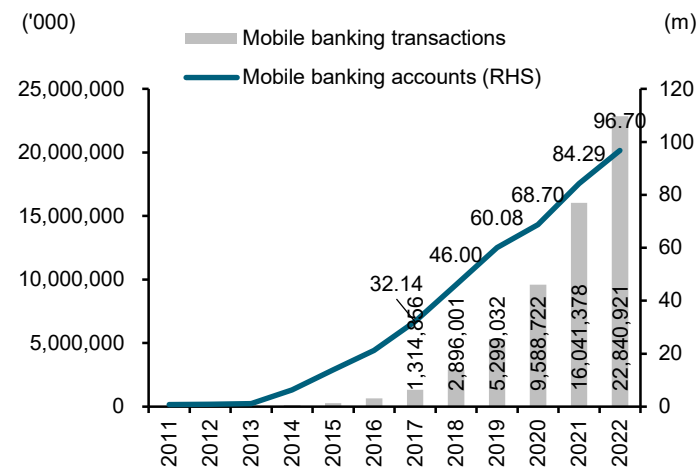
According to GABLE, financials (banks, securities, insurance, and assurance firms) contributed the highest revenue, in line with the industry outlook, which shows that financials made the highest IT investment at 30% in 2022, significantly higher than the energy sector, which ranked second.

### Mobile banking grows exponentially

Financial institutions focused on digital investments and development had the highest digital transformation adoption rate in the industry and the highest IT spending in the market at 30% last year. We believe this can be attributed to consumers' changing behaviour. Currently, consumers can process almost all available financial transactions via their mobile phones. Online services and mobile banking have flourished, resulting in fierce competition for service quality. Therefore, financial institutions should continue to make investments in developing their services to respond to consumers' needs and changing behaviour.

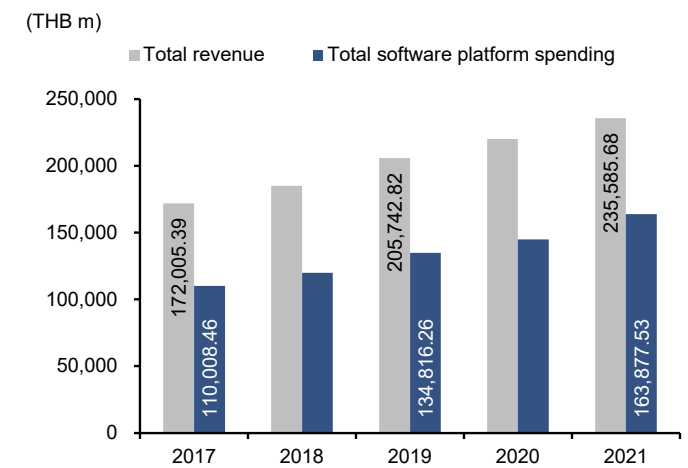
According to the Bank of Thailand, the number of mobile banking users has grown continuously as more people open mobile banking accounts for transfers, top-ups, and payments. In 2022, there were 96.7m mobile banking users, up from 32.1m in 2017, which implies a 24.6% CAGR. During the same period, mobile transactions amounted to 22.8b, up from 1.3b in 2017 (+77.0% CAGR), due mainly to banks' commitment to developing secure and user-friendly applications offering more types of transactions. Furthermore, most of the transactions were no longer subject to fees after commercial banks announced a fee cut for transfers in 2018.

**Exhibit 14: Number of mobile banking users**



Source: Bank of Thailand

**Exhibit 15: Listed companies' total revenue vs software spending (yearly)**



Source: Digital Economy Promotion Agency (Depa)

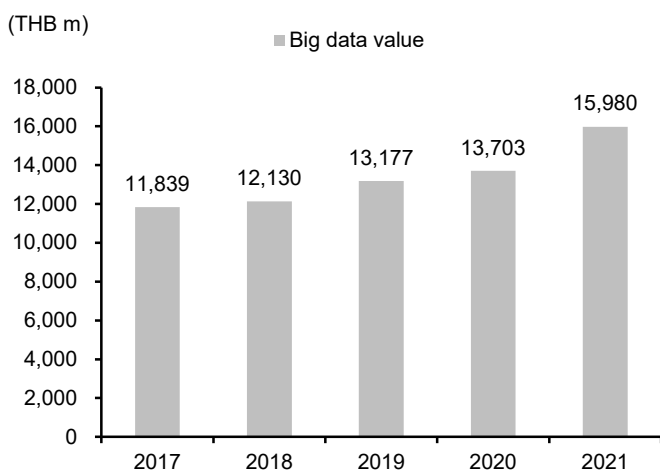
## Thailand's big data and data analytics growth likely to continue

Big data and data analytics are technologies created to utilise benefits from data. Industries use them to study users' behavioural patterns to improve operating efficiency.

In Thailand, banks and the telecommunications sector should continue to drive data analytics investments. We think the market value of data analytics should increase from THB28b in 2018 to THB92b in 2025, implying an 18% CAGR.

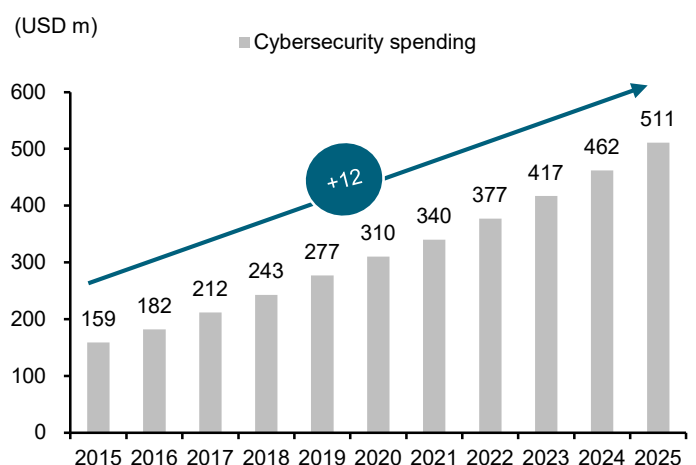
According to Depa, Thailand's big data market had a high value of THB16b in 2021. It was up by 17% y-y, higher than its four-year historical growth rate (2017-21) of only 8% CAGR. This shows that, despite its sizable market, big data still has continued growth prospects due to digital expansion. Also, the trend toward digital systems should result in rising data volumes. In this regard, Frost & Sullivan expects data volume to grow from 33 zettabytes in 2018 to 175 zettabytes in 2025, jumping at a 61% CAGR. Given the massive data volume, organisations are likely to continue to invest in hardware and software for data storage and processing. Also, they will need to hire consultants to design data analytics systems as they seek to gain increased access to customer data. Since accurate data analytics could translate into strong operating performance, big data has high growth prospects. Five industries that could make the highest investments in big data comprise financial institutions, telecoms, parts manufacturers, government, and professional services.

**Exhibit 16: Big data value by year**



Source: Depa

**Exhibit 17: Thailand's cyber security spending**



Sources: Frost & Sullivan, IDC, Gartner

## Increased cyber security needs

In our view, internet technology will develop continuously, in line with the rise in global internet users. However, along with the positive impacts on society and business, there will undoubtedly also be negative aspects, particularly for cyber security and online privacy. Currently, criminals have the capability to attack everything from mobile phones to cloud networks, and this activity could become widespread on organisational, international, and regional levels. In the past, there have been several worldwide attacks, such as the Wannacry ransomware attack.

We estimate Thailand's cyber security spending should increase to USD511m by 2025 from USD159m in 2015, implying an annual growth rate of 12%. Spending on cyber security per capita should also increase by more than 3x to USD7.4 by 2025 from USD2.3 in 2015.

## Competition

### One of the most fully integrated technology players in the industry

Although Thailand's technology industry has other players, only GABLE has fully integrated IT and digital solutions. Hence, it has few direct competitors.

#### Exhibit 18: Service comparison

Company name	Solution services					Distribution	Software platform
	Cyber security	Cloud & data centre	Data & analytics	Digital business & application	Managed tech services		
<b>GABLE</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MFEC	Yes	Yes	Yes	Yes	Yes	Yes	Yes
AIT	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MSC	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BE8	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BBIK	Yes	Yes	Yes	Yes	Yes	Yes	Yes
IIG	Yes	Yes	Yes	Yes	Yes	Yes	Yes
NETBAY	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: FSSIA's compilation

As the table above shows, GABLE is the only solutions provider with fully integrated IT and digital solutions that completely answer customer needs.

More importantly, its software platforms are larger than its peers, who have lower software platform revenue exposure compared to total revenue.

### Strong net profit margin

Since GABLE's main business is solutions, its margins are relatively low compared to other digital services. However, its revenue and net profit margins are strong compared to the industry average. GABLE has the second highest net profit margin among companies with over THB1b in annual revenue.

#### Exhibit 19: Revenue and profit comparison, 2022

Company name	Revenue (THB m)	Net profit (THB m)	Net profit margin (%)
<b>GABLE</b>	<b>4,731</b>	<b>267</b>	<b>5.6</b>
MSC	9,452	245	2.6
AIT	6,727	542	8.1
MFEC	5,453	235	4.3
IIG	959	84	8.7
BE8	811	139	17.1
BBIK	568	127	22.4
NETBAY	462	170	36.8

Source: FSSIA's compilation

## Strengths

### 1. Focus on high-margin software platforms.

Currently, GABLE owns three operating software platforms, including 1) Marketing Technology; 2) Big Data; and 3) PropTech and Microsoft Power.

One of GABLE's key strategies is developing software platforms to generate income and higher margins. During 2020-22, its software platforms generated a high 32% CAGR, which was one crucial factor that helped enhance its competitiveness over its industry rivals. GABLE developed the E-Tax Invoice software which was launched in February 2023 to support higher digital transaction volumes, which should continue to rise, in our view.

We view this strategy as GABLE's key strength. Software platforms are a challenging business that require lengthy development lead times and hefty investments before the product can be sold. Also, software platforms must compete with both local players and larger international developers with higher capabilities. Despite these obstacles, GABLE has recorded continuous growth and an improving gross margin over the past four years that should continue. The high initial investment cost for software platforms could result in losses at the early stages due to high fixed costs and relatively low variables, however, there is the possibility of generating high profit margins with increased customers. Also, continued software subscriptions from customers result in recurring income, which is vital for GABLE.

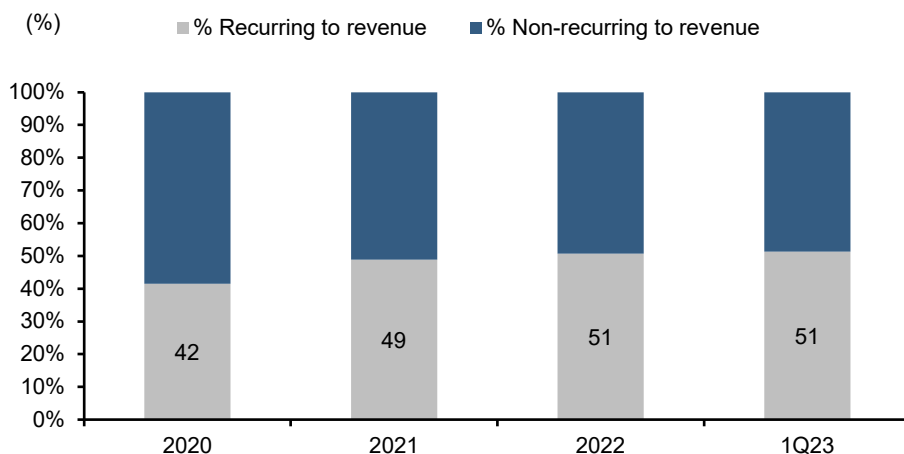
One of the objectives of GABLE's IPO is to use the proceeds to invest in related businesses. We believe software platforms will be one of them as they are GABLE's main target for future growth.

### 2. High recurring income

Currently, GABLE earns recurring income, comprising revenue from maintenance, revenue from renting software as a service (SaaS), and from providing IT personnel as a service. GABLE realises revenue throughout the service period, and this trend should rise in line with new installations each year. Once installed, customers are unlikely to switch solutions. As a result, the company's revenue from these services grew from THB2.1b in 2020 to THB2.4b in 2021 and remained steady at THB2.4b in 2022.

Recurring revenue accounted for 42%, 49%, and 51% of total sales and service revenue in those three years, implying an average growth rate of 5.6% p.a.

#### Exhibit 20: Recurring income as a percent of total



Source: GABLE

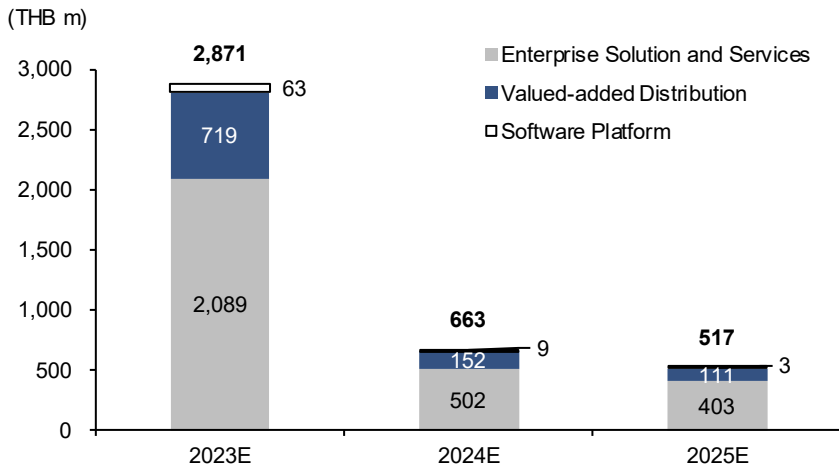
### 3. High backlog

At the end of 1Q23, GABLE had a high backlog of THB3.7b, which was enough for future growth. Hence, the lower sales in the past two years are not worrying given its solid backlog, in our view.

GABLE should realise THB2.9b from its current backlog of THB3.7b in 2023, already equal to 61% of its 2022 revenue. Since it is still early in the year, we believe GABLE will sign up more customers to support our growth projection.

Also, GABLE's software platforms have a backlog of THB63m that could be realised as revenue in 2023, representing 86% of 2022 revenue.

#### Exhibit 21: Projected realisation from 2023 backlog



Source: GABLE

## Risks

### Competition risks

IT and digital solutions are highly competitive. Each operator tries to differentiate itself from its competitors to gain competitive advantages by partnering with world-class technology developers to gain access to modern technology or by developing solutions that answer customers' needs. They also compete on price to increase their market share, which could result in higher competition and affect GABLE's operations and profitability.

Developers must have in-depth knowledge of digital technology to design and develop responsive solutions. They also need the right technology and personnel to deliver on time. Hence, we believe GABLE has good potential. Moreover, it does not have many direct competitors.

GABLE is a leading digital solutions provider that partners with over 100 world-class tech companies. It also has over 1,465 experienced personnel in various technology fields.

### Dependency risk

FLG (a subsidiary of GABLE) is in the value-added distribution solutions business. Among the many solutions it offers, it distributes products from Oracle, the world's third-largest software company. FLG has a contract to serve as Oracle's distributor for three years, from 15 August 2022 to 15 July 2025. In the future, if Oracle changes its business model, terminates the contract, decides not to renew the contract, or decreases or increases its distributors, there may be a significant impact on GABLE's revenue and earnings performance.

However, GABLE has a good relationship with Oracle. Also, FLG has been one of Oracle's four authorised distributors in Thailand for the past 12 years, starting from 2010. GABLE's policy is to foster solid, long-term relationships with its principals. FLG has also developed its operating procedures to be on par with Oracle's standards and can fully comply with the terms and conditions set in the contract.

### Risks from inconsistent revenue streams

GABLE works mainly on projects. In 2020-22, project revenue accounted for 58%, 51%, and 49% of its sales and service revenues, respectively. Hence, it faces risks from inconsistent revenue streams if its existing customers cancel continued investments in new projects or if it fails to secure new accounts. Also, its risks include project delays or terminations, which would affect its business, financial position, and operating performance.

As mentioned earlier in the company's strengths, we view continuously high recurring income and backlog growth as key variables that help mitigate risks from inconsistent revenue streams. GABLE also focuses on software platforms that generate recurring income, which should help stabilise future revenue and growth.

### Risks from FX volatility

GABLE has risks from foreign exchange since it imports some of its products in USD. During 2020-22, purchases in foreign currencies accounted for 21%, 22%, and 14% of the total, respectively.

Meanwhile, GABLE receives sales and service revenues in THB. Since it has an obligation to pay in foreign currencies, FX volatility may result in higher costs, which would in turn affect its operating performance.

However, GABLE fixes its prices by taking into consideration FX volatility. Hence, it can determine prices in line with costs. Moreover, GABLE closely monitors FX movements and hedges against risks through forward contracts if needed. As of 31 December 2022, GABLE has hedged THB1.2b against FX risks in forward contracts based on an exchange rate of THB34.55 per USD. During 2020-22, GABLE recorded an FX gain every year.

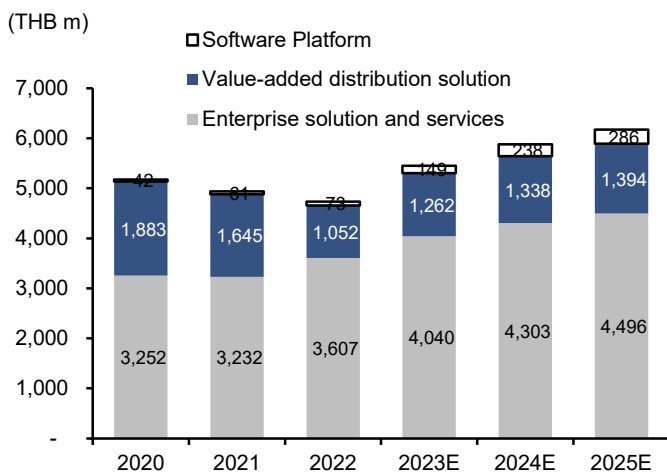
## Analysis of future performance

### Continued revenue growth expected in 2023

We expect continued growth in 2023 due to 1) GABLE's focus on software platform growth; 2) the market's need for digital services; and 3) the company's high backlog.

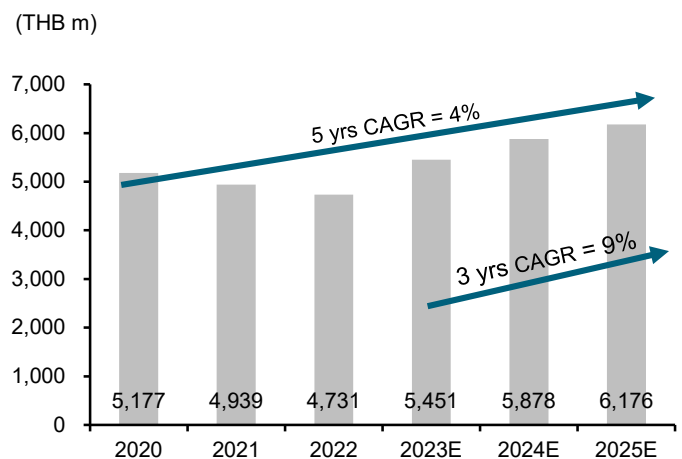
With such positive factors, we believe 2023 revenue will jump to THB5.5b (+15% y-y), a new high. We expect software platforms to have the most outstanding growth prospects, with revenue surging from THB73m to THB149m (+105% y-y), while enterprise and value-added distribution solutions should grow by 12% and 20%, respectively. We believe that GABLE should maintain its current growth rate until 2025 when we project revenue to hit THB6.2b, implying a 9% CAGR over the next three years.

#### Exhibit 22: Projected revenue by business



Sources: GABLE; FSSIA estimates

#### Exhibit 23: Projected revenue



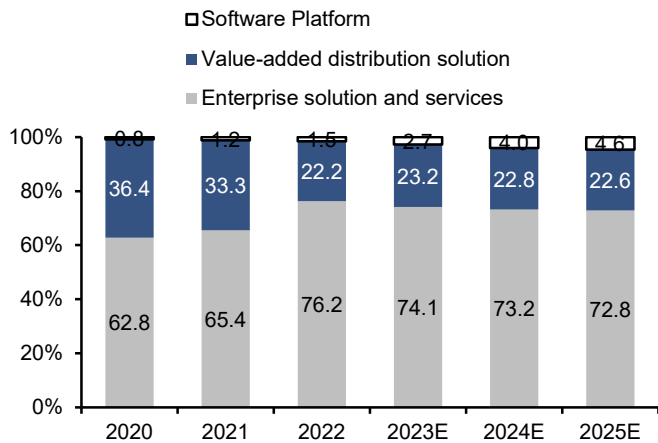
Sources: GABLE; FSSIA estimates

### Gross margin should gradually improve

In our view, enterprise and value-added distribution solutions, which generate most of its revenue, should have stable margins in line with revenue growth. Hence, we expect GABLE's 2023 gross margin to be maintained at a conservative rate of 21.6%. This figure is slightly up from 21.2% a year ago, supported by growth in high-margin businesses such as software platforms, which should see outstanding growth and report higher revenue, rising from 1.5% of total revenue in 2022 to 2.7% in 2023.

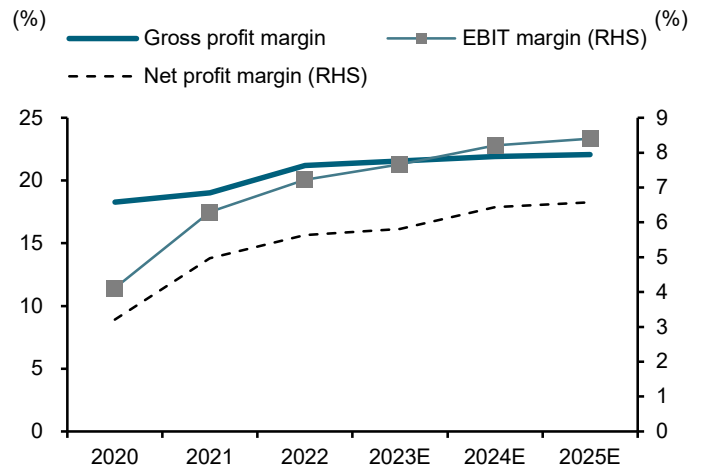
We also think that the revenue contributions from such businesses should see continued growth and serve as a crucial factor driving future gross margin improvements.

**Exhibit 24: Projected revenue contributions by business**



Sources: GABLE; FSSIA estimates

**Exhibit 25: Projected profit margin**



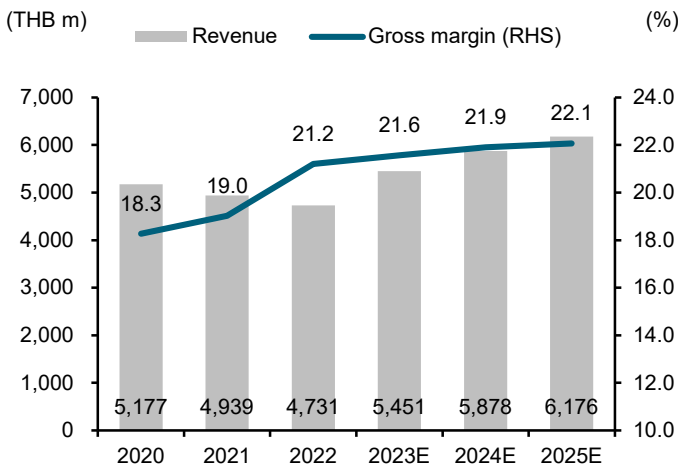
Sources: GABLE; FSSIA estimates

**Profit should jump**

At the end of 2022, GABLE had loans totalling THB488m. Some of the proceeds from the IPO will be used to repay its debts. Since the repayment should be completed in the middle of this year, the interest burden may slightly increase in 2023. Specifically, we expect an interest expense of THB19m before it decreases to its normal level from 2024 onwards.

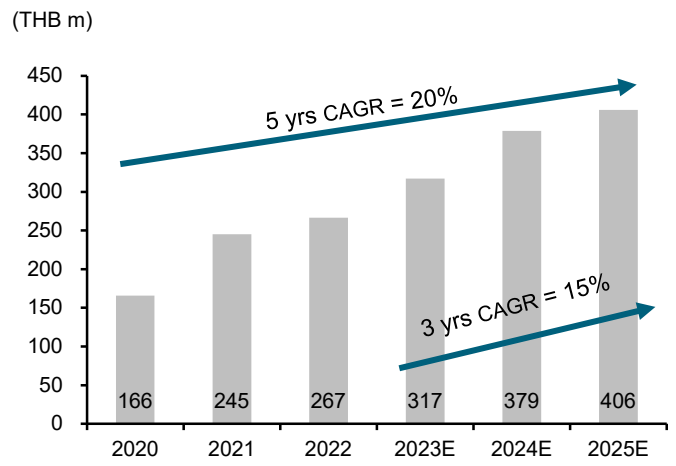
Given the estimated revenue growth and a slightly higher gross margin, we anticipate a net profit of THB317m in 2023, implying a high growth rate of 19% y-y. In the long run, we think that GABLE should maintain its profit growth potential. In particular, we expect profit growth over the next three years of 15%. Although this may seem high compared to its past record, we believe the market's exponential growth and the company's expansion into new businesses should support stable and solid growth.

**Exhibit 26: Expected revenue and gross margin**



Sources: GABLE; FSSIA estimates

**Exhibit 27: Expected net profit**



Sources: GABLE; FSSIA estimates



## Valuation

We derive our 2023 TP of THB9 using the P/E multiple and discount cash flow (DCF) methods.

- P/E multiple (TP THB9).** We assume a P/E of 20x, lower than the tech industry's average P/E of 30x, and 2023E EPS of THB0.45. Although the target P/E is higher than its close rivals, such as Advanced Information Technology (AIT TB, NR) or MFEC+ (MFEC TB, NR), which trade at a P/E of 15x, GABLE has software platforms that have higher growth prospects than solution services.

We think the P/E target of 20x is justified. Given our 2023 profit growth projection of 19%, we derive an estimated PEG ratio of 1.05x. We expect high three-year profit growth at a 15% CAGR until 2025, implying a PEG ratio of 1.33x.

### Exhibit 28: P/E valuation

		P/E (x)				
		16	18	20	22	24
2023 EPS (THB)	0.36	5.80	6.52	7.24	7.97	8.69
	0.41	6.52	7.33	8.15	8.96	9.78
	0.45	7.24	8.15	<b>9.06</b>	9.96	10.87
	0.50	7.97	8.96	9.96	10.96	11.95
	0.54	8.69	9.7	10.87	11.95	13.04

Sources: FSSIA estimates

- Discount cash flow (DCF) (TP THB8.92).** We assume terminal growth of 3%, a weighted average cost of capital (WACC) of 8.59%, a risk-free rate of 3%, a market rate of return of 10%, and a Beta of 1.3 (compared to the industry's average of 1.37).

### Exhibit 29: Beta

Company	Beta
MFEC	1.35
HUMAN	1.11
IIG	1.23
NETBAY	1.35
AIT	1.62
MSC	1.50
BOL	1.41
<b>Average</b>	<b>1.37</b>

Note: Selected beta of listed companies of over two years

Source: Bloomberg

## Exhibit 29: DCF valuation

	2023E	2024E	2025E	2026E	2027E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
EBITDA	438	501	534	592	666
(less) tax on EBIT	(80)	(96)	(103)	(115)	(131)
(less) CAPEX	(95)	(95)	(85)	(85)	(85)
decrease in working cap	(23)	76	82	107	147
Free cash flow	287	234	264	285	303
WACC (%)	8.59				
Terminal growth (%)	3				
PV of FCF	287	215	223	220	215
Enterprise value	4,860				
Net debt + cash	1,395				
Minority	(9)				
Equity value	6,245				
No. of shares (m)	700				
<b>Equity value / share (THB)</b>	<b>8.92</b>				

Sources: GABLE; FSSIA estimates

## Financial Statements

G-Able

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,939	4,731	5,451	5,878	6,176
Cost of goods sold	(3,999)	(3,728)	(4,275)	(4,591)	(4,813)
<b>Gross profit</b>	<b>940</b>	<b>1,003</b>	<b>1,175</b>	<b>1,288</b>	<b>1,363</b>
Other operating income	-	-	-	-	-
Operating costs	(682)	(703)	(801)	(852)	(893)
<b>Operating EBITDA</b>	<b>328</b>	<b>366</b>	<b>438</b>	<b>501</b>	<b>534</b>
Depreciation	(71)	(66)	(63)	(65)	(64)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>257</b>	<b>300</b>	<b>374</b>	<b>436</b>	<b>469</b>
Net financing costs	(5)	(8)	(19)	(5)	(5)
Associates	0	0	0	0	0
Recurring non-operating income	54	41	44	47	49
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>306</b>	<b>334</b>	<b>399</b>	<b>478</b>	<b>514</b>
Tax	(61)	(66)	(80)	(96)	(103)
<b>Profit after tax</b>	<b>245</b>	<b>268</b>	<b>319</b>	<b>382</b>	<b>411</b>
Minority interests	1	(2)	(2)	(3)	(5)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>245</b>	<b>267</b>	<b>317</b>	<b>379</b>	<b>406</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>245</b>	<b>267</b>	<b>317</b>	<b>379</b>	<b>406</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.47	0.51	0.45	0.54	0.58
Reported EPS	0.47	0.51	0.45	0.54	0.58
DPS	1.33	1.92	0.23	0.27	0.29
Diluted shares (used to calculate per share data)	525	525	700	700	700
<b>Growth</b>					
Revenue (%)	(4.6)	(4.2)	15.2	7.8	5.1
Operating EBITDA (%)	14.4	11.7	19.5	14.3	6.6
Operating EBIT (%)	37.7	16.7	24.7	16.3	7.8
Recurring EPS (%)	47.9	8.7	(10.9)	19.5	7.2
Reported EPS (%)	47.9	8.7	(10.9)	19.5	7.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	19.0	21.2	21.6	21.9	22.1
Gross margin exc. depreciation (%)	20.5	22.6	22.7	23.0	23.1
Operating EBITDA margin (%)	6.6	7.7	8.0	8.5	8.6
Operating EBIT margin (%)	5.2	6.3	6.9	7.4	7.6
Net margin (%)	5.0	5.6	5.8	6.4	6.6
Effective tax rate (%)	(19.6)	(20.0)	(20.0)	(20.0)	(20.0)
Dividend payout on recurring profit (%)	284.8	378.3	50.4	50.4	50.6
Interest cover (X)	59.6	43.5	22.0	96.2	100.9
Inventory days	3.4	4.4	5.2	7.3	10.4
Debtor days	54.5	64.8	66.1	63.6	64.4
Creditor days	38.5	44.9	41.7	42.1	42.6
Operating ROIC (%)	37.2	27.5	26.0	29.7	30.3
ROIC (%)	30.3	23.6	22.7	25.7	26.4
ROE (%)	13.3	18.8	17.2	14.3	14.3
ROA (%)	6.1	6.8	7.5	7.6	7.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Enterprise solution and services	3,232	3,607	4,040	4,303	4,496
Value-added distribution solution	1,645	1,052	1,262	1,338	1,394
Software Platform	61	73	149	238	286

Sources: G-Able; FSSIA estimates

## Financial Statements

G-Able

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	245	267	317	379	406
Depreciation	71	66	63	65	64
Associates & minorities	-	-	-	-	-
Other non-cash items	(19)	2	2	3	5
Change in working capital	(71)	(570)	61	(35)	(37)
<b>Cash flow from operations</b>	<b>226</b>	<b>(235)</b>	<b>444</b>	<b>412</b>	<b>438</b>
Capex - maintenance	(31)	(66)	(76)	(76)	(68)
Capex - new investment	(8)	(17)	(19)	(19)	(17)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	16	7	0	0	0
<b>Cash flow from investing</b>	<b>(23)</b>	<b>(76)</b>	<b>(95)</b>	<b>(95)</b>	<b>(85)</b>
Dividends paid	(699)	(1,009)	(160)	(191)	(205)
Equity finance	166	150	1,260	0	0
Debt finance	0	678	(678)	0	0
Other financing cash flows	(30)	(19)	3	3	3
<b>Cash flow from financing</b>	<b>(563)</b>	<b>(200)</b>	<b>425</b>	<b>(188)</b>	<b>(202)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(359)</b>	<b>(511)</b>	<b>775</b>	<b>129</b>	<b>151</b>
Free cash flow to firm (FCFF)	208.75	(303.20)	368.12	322.04	358.24
Free cash flow to equity (FCFE)	173.82	347.56	(325.85)	320.14	356.31
<b>Per share (THB)</b>					
FCFF per share	0.30	(0.43)	0.53	0.46	0.51
FCFE per share	0.25	0.50	(0.47)	0.46	0.51
Recurring cash flow per share	0.57	0.64	0.55	0.64	0.68
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	486	343	393	443	483
Less: Accumulated depreciation	(429)	(260)	(281)	(302)	(324)
<b>Tangible fixed assets (net)</b>	<b>56</b>	<b>83</b>	<b>112</b>	<b>141</b>	<b>158</b>
<b>Intangible fixed assets (net)</b>	<b>145</b>	<b>173</b>	<b>175</b>	<b>177</b>	<b>180</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	1,131	620	1,395	1,524	1,674
A/C receivable	691	988	986	1,063	1,117
Inventories	39	48	72	108	162
Other current assets	1,839	1,980	2,019	2,060	2,101
<b>Current assets</b>	<b>3,700</b>	<b>3,636</b>	<b>4,471</b>	<b>4,754</b>	<b>5,054</b>
Other assets	110	145	149	154	158
<b>Total assets</b>	<b>4,012</b>	<b>4,037</b>	<b>4,908</b>	<b>5,225</b>	<b>5,551</b>
Common equity	1,700	1,133	2,551	2,738	2,939
Minorities etc.	4	7	9	12	17
<b>Total shareholders' equity</b>	<b>1,704</b>	<b>1,140</b>	<b>2,560</b>	<b>2,751</b>	<b>2,956</b>
Long term debt	75	101	104	107	110
Other long-term liabilities	159	167	175	184	193
<b>Long-term liabilities</b>	<b>234</b>	<b>268</b>	<b>279</b>	<b>291</b>	<b>304</b>
A/C payable	442	459	504	541	567
Short term debt	28	698	20	20	20
Other current liabilities	1,605	1,472	1,545	1,622	1,704
<b>Current liabilities</b>	<b>2,074</b>	<b>2,629</b>	<b>2,069</b>	<b>2,183</b>	<b>2,291</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,012</b>	<b>4,037</b>	<b>4,908</b>	<b>5,225</b>	<b>5,551</b>
Net working capital	522	1,085	1,028	1,067	1,109
Invested capital	834	1,486	1,464	1,538	1,605
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	3.24	2.16	3.64	3.91	4.20
Tangible book value per share	2.96	1.83	3.39	3.66	3.94
<b>Financial strength</b>					
Net debt/equity (%)	(60.4)	15.7	(49.6)	(50.8)	(52.2)
Net debt/total assets (%)	(25.6)	4.4	(25.9)	(26.7)	(27.8)
Current ratio (x)	1.8	1.4	2.2	2.2	2.2
CF interest cover (x)	35.8	47.4	(15.2)	68.6	73.6
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>10.7</b>	<b>9.8</b>	<b>11.0</b>	<b>9.2</b>	<b>8.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>19.3</b>	<b>17.7</b>	<b>19.9</b>	<b>16.6</b>	<b>15.5</b>
Reported P/E (x)	10.7	9.8	11.0	9.2	8.6
Dividend yield (%)	26.6	38.4	4.6	5.5	5.9
Price/book (x)	1.5	2.3	1.4	1.3	1.2
Price/tangible book (x)	1.7	2.7	1.5	1.4	1.3
EV/EBITDA (x) **	4.9	7.7	5.1	4.2	3.7
EV/EBITDA @ target price (x) **	11.3	13.4	11.5	9.8	8.9
EV/invested capital (x)	1.9	1.9	1.5	1.4	1.2
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: G-Able; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

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

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

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

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

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

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

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

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

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

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

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

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

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

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

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

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

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

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

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

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

#### Disclaimer:

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

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

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

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

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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Company	Ticker	Price	Rating	Valuation & Risks
G-Able	GABLE TB	THB 5.00	BUY	The key downside risks to our TP are 1) failure to secure new projects from customers; 2) a lack of human resources; and 3) more intense competition.

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 20-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.