

MK RESTAURANT GROUP  
THAILAND / FOOD & BEVERAGE

M TB

BUY

UNCHANGED

## หุ้นยังโดนลือกดดาว์

- ราคาต่ํารัฐ 2Q23 ที่ 505 ลบ. (+55% q-q, +15% y-y) สูงที่สุดในรอบ 14 ไตรมาส
- เราปรับลดประมาณการกำไรสุทธิปี 2023 ลง 7.5% เพื่อสะท้อนอัตรากำไรที่ลดลง อย่างไรก็ตามกำไรดังกล่าวจะยังโตดี 39.6% y-y
- คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 55 บาท

TARGET PRICE	THB55.00
CLOSE	THB49.00
UP/DOWNSIDE	+12.2%
PRIOR TP	THB59.00
CHANGE IN TP	-6.8%
TP vs CONSENSUS	-2.4%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	15,728	17,631	18,953	19,977
Net profit	1,439	2,008	2,211	2,403
EPS (THB)	1.56	2.18	2.40	2.61
vs Consensus (%)	-	12.2	2.2	(0.6)
EBITDA	3,867	4,535	4,799	5,043
Core net profit	1,439	2,008	2,211	2,403
Core EPS (THB)	1.56	2.18	2.40	2.61
Chg. In EPS est. (%)	-	(7.4)	(5.3)	(4.1)
EPS growth (%)	998.5	39.6	10.1	8.7
Core P/E (x)	31.4	22.5	20.4	18.8
Dividend yield (%)	2.9	3.8	4.4	4.8
EV/EBITDA (x)	10.3	8.7	8.2	7.9
Price/book (x)	3.4	3.3	3.2	3.2
Net debt/Equity (%)	(41.8)	(41.6)	(41.8)	(40.0)
ROE (%)	10.8	14.8	16.0	17.1

## ปัจจัยด้านฤดูกาลอาจช่วยหนุนให้ยอดขายสาขาเดิม (SSSG) โตเป็นเลขสองหลักใน 2Q23

เรคาดกำไรสุทธิ 2Q23 ที่ 505 ลบ. (+55% q-q, +15% y-y) และรู้สึกประทับใจกับศักยภาพในการฟื้นตัวของกำไรที่อยู่ในเกณฑ์ดีของ M เรคาดว่า SSSG จะโตดีถึง 12% y-y ใน 2Q23 ส่วนมากจาก 1) ปัจจัยด้านฤดูกาลซึ่งน่าจะช่วยหนุนให้ตัวเลขลูกค้าที่เข้าร้านเพิ่มขึ้น; และ 2) การรับรู้ราคาขายเฉลี่ยที่สูงขึ้น 4% เต็มไตรมาส ประมาณการรายได้รวมใน 2Q23 ของเรต่ำกว่าระดับก่อนโควิดเพียง 5% อย่างไรก็ตามบริษัทได้ปิดสาขาเพิ่มไปอีก 4 แห่งในระหว่างไตรมาสโดยปิด 2 สาขาชั่วคราวเพื่อย้ายทำเลที่ตั้งและอีก 2 สาขาเป็นการถาวร

## คาดกำไร 2Q23 จะแตะระดับสูงสุดในรอบ 14 ไตรมาส

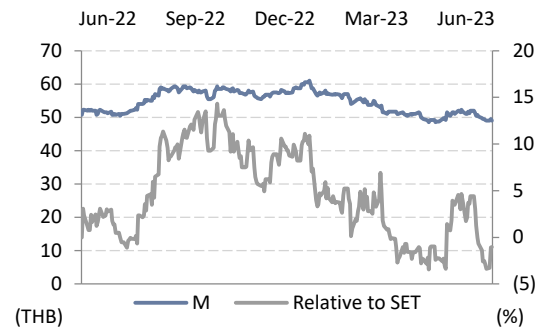
ใน 2Q23 เรคาดว่าอัตรากำไรขั้นต้นจะปรับตัวขึ้นเล็กน้อยเป็น 65.2% จาก 65.1% ใน 1Q23 จากต้นทุนวัตถุดิบที่ทรงตัวจาก 1Q23 ในขณะที่เดียวกันเรคาดว่าสัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายจะลดลงเหลือ 52.7% จาก 56.4% ใน 1Q23 จาก 1) ต้นทุนค่าไฟฟ้าที่ลดลงมาตั้งแต่เดือน พ.ค. 2023; และ 2) รายได้รวมที่สูงขึ้น เพราะฉะนั้นเรจึงคาดว่ากำไรสุทธิ 2Q23 น่าจะโตทั้ง q-q และ y-y ไปแตะระดับสูงสุดในรอบ 14 ไตรมาส

## ปรับลดประมาณการกำไรสุทธิปี 2023 เพื่อสะท้อนอัตรากำไรขั้นต้นที่ลดลง

ถ้าผลประกอบการออกมาตามคาด อัตรากำไรขั้นต้นในช่วง 1H23 จะอยู่ที่ 65.2% ซึ่งต่ำกว่าที่เราเคยคาดเนื่องจากต้นทุนวัตถุดิบลดลงอาจช้ากว่าคาด ด้วยเหตุดังกล่าวเรจึงปรับลดประมาณการกำไรสุทธิปี 2023 ลง 7.5% มาอยู่ที่ 2 พัน ลบ. (+39.6% y-y) อย่างไรก็ตามเรยังมีมุมมองเชิงบวกต่อแนวโน้มในช่วง 2H23 จาก 1) การฟื้นตัวของนักท่องเที่ยว; 2) ค่าไฟฟ้าที่ลดเต็มไตรมาสตั้งแต่ 3Q23 เป็นต้นไป; และ 3) ราคาหมูอาจต่ำกว่าคาดหลังราคาหมูในประเทศเฉลี่ยใน 2Q23 เท่ากับ 80 บาท/กก. (-5% q-q, -22.8% y-y) ในขณะที่บริษัทกำลังเจรจาต่อรองกับผู้ส่งสินค้าให้ปรับราคาหมู ถ้าการเจรจาเป็นผลสำเร็จ อัตรากำไรขั้นต้นในช่วง 2H23 อาจเพิ่มจาก 1H23

## ราคาหุ้นดูเหมือนจะยังโดนลือกดดาว์

เราปรับลดราคาเป้าหมายเป็น 55 จาก 59 บาทโดยมีค่า 2023 P/E เป้าหมายเดิมที่ 25x ปัจจุบันหุ้นมีการซื้อขายที่ค่า 2023-24E P/E เท่ากับ 22.5x และ 20.4x ตามลำดับซึ่งเหมือนยังโดนลือกดดาว์อยู่ อย่างไรก็ตามเรชอบศักยภาพการฟื้นตัวของกำไรและสถานะทางการเงินที่ดีของบริษัท จากค่า D/E ที่อยู่ในระดับต่ำ ค่า ROE ที่สูงรวมถึงเงินสดและรายการเทียบเท่าเงินสดที่อยู่ในระดับสูง เราคงแนะนำซื้อ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.9)	(5.3)	(3.4)
Relative to country (%)	(4.4)	(1.9)	(0.1)
Mkt cap (USD m)	1,295		
3m avg. daily turnover (USD m)	1.2		
Free float (%)	36		
Major shareholder	Thirakomen Family (37%)		
12m high/low (THB)	61.50/48.00		
Issued shares (m)	920.88		

Sources: Bloomberg consensus; FSSIA estimates



Sureeporn Teewasuwet

sureeporn.t@fssia.com  
+66 2646 9972

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 22 มิถุนายน 2023

## Investment thesis

We think M is one of the leading chain restaurant companies in Thailand. Although the chain restaurant business is highly competitive, in our view, M has an edge based on its superior distribution and store networks, as well as its product quality and service.

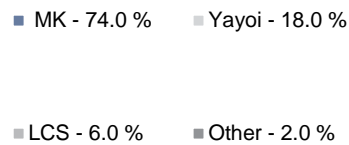
Looking ahead, M plans to continuously expand both locally and abroad within its various restaurant brands. We are impressed by the company's track record of profitability and its balance sheet, which we think is among the strongest both locally and internationally. Its M&A strategy could create growth opportunities in the future. Furthermore, its management strategy has traditionally been conservative and aimed at maximising return on equity.

## Company profile

M opened its first Sukiyaki branch in Thailand in 1984 and first branch in Japan in 1994. M celebrated its 100th branch in 2000 and 400th in 2013. Other brands in its portfolio include Yayoi Japanese restaurant, Hakata Ramen, Miyazaki, Laem Charoen Seafood, and Na Siam Thai restaurants.

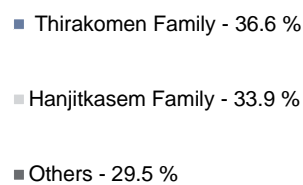
[www.mkrestaurant.com](http://www.mkrestaurant.com)

## Principal activities (revenue, 2022)



Source: MK Restaurant Group

## Major shareholders



Source: MK Restaurant Group

## Catalysts

Potential catalysts for M's earnings growth in 2023 are 1) revenue growth driven by a tourism recovery; 2) its new store expansion plan; and 3) a decline in raw material costs, which could offset higher utility costs.

## Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and labour shortages.

## Event calendar

Date	Event
August 2023	2Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
SSSG (%)	7.5	3.0	3.0
New stores (no.)	25	25	20
Total stores (no.)	735	760	780
GPM (%)	65.3	65.6	66.0
SG&A to sales (%)	53.0	53.0	53.0

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 3%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 3%, and vice versa, all else being equal.

Source: FSSIA estimates

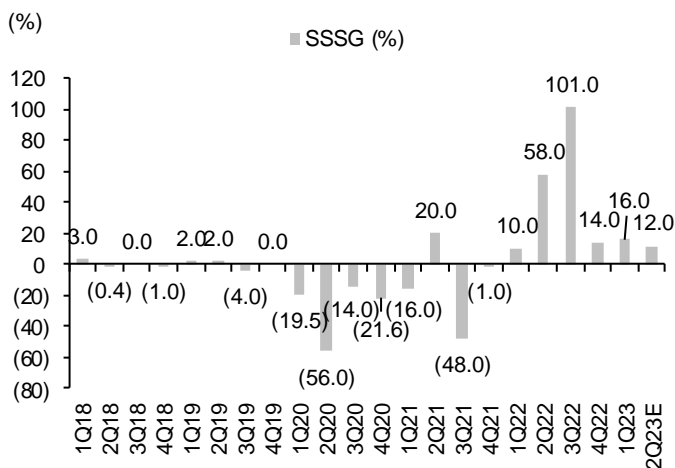


## Exhibit 1: 2Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	Change		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	3,495	4,016	4,067	4,149	4,089	4,498	10.0	12.0	7,511	8,587	14.3
Cost of sales	1,204	1,394	1,413	1,450	1,426	1,565	9.8	12.3	2,597	2,992	15.2
Gross profit	2,291	2,623	2,654	2,699	2,663	2,933	10.2	11.8	4,914	5,596	13.9
SG&A	2,008	2,118	2,182	2,337	2,307	2,371	2.8	11.9	4,126	4,677	13.4
Operating profit	347	555	527	442	424	632	49.2	14.0	902	1,056	17.1
Interest expense	21	21	21	23	23	23	(0.1)	11.2	42	46	9.3
Tax expense	51	89	86	82	65	97	48.5	9.0	140	162	15.8
Reported net profit	271	439	408	321	325	505	55.1	14.9	710	830	16.9
Core profit	271	418	408	321	325	505	55.1	20.6	689	830	20.4
<b>Key ratios (%)</b>							<b>(ppt)</b>	<b>(ppt)</b>			
Gross margin	65.6	65.3	65.2	65.0	65.1	65.2	0.1	(0.1)	65.4	65.2	(0.3)
SG&A / Sales	57.5	52.7	53.7	56.3	56.4	52.7	(3.7)	(0.0)	54.9	54.5	(0.5)
Operating margin	9.9	13.8	12.9	10.7	10.4	14.1	3.7	0.2	12.0	12.3	0.3
Net margin	7.7	10.9	10.0	7.7	8.0	11.2	3.3	0.3	9.5	9.7	0.2
Norm margin	7.7	10.4	10.0	7.7	8.0	11.2	3.3	0.8	9.2	9.7	0.5
<b>Operating statistics</b>											
SSSG (%)	10.0	58.0	101.0	14.0	16.0	12.0			34.0	14.0	
Total stores	705	707	710	710	703	699			707	699	

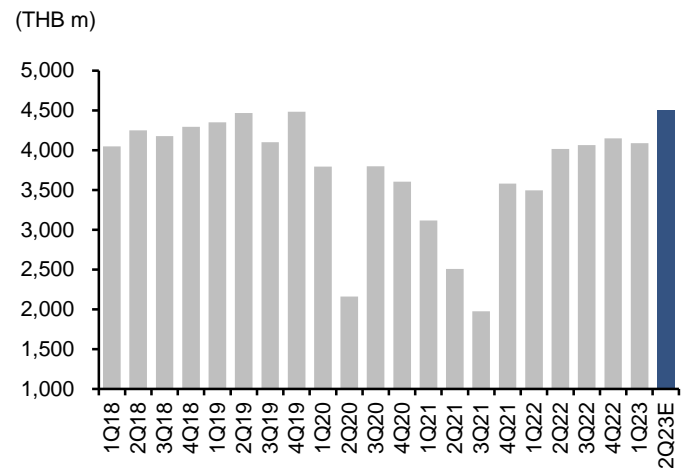
Sources: M; FSSIA estimates

## Exhibit 2: Quarterly SSSG



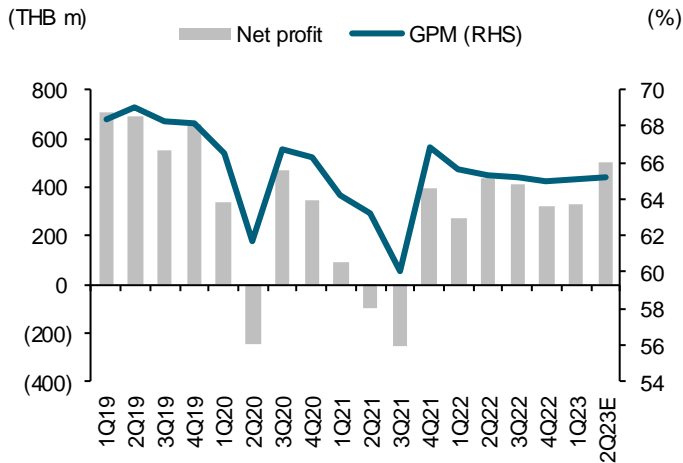
Sources: M, FSSIA's compilation

## Exhibit 3: Quarterly total revenue



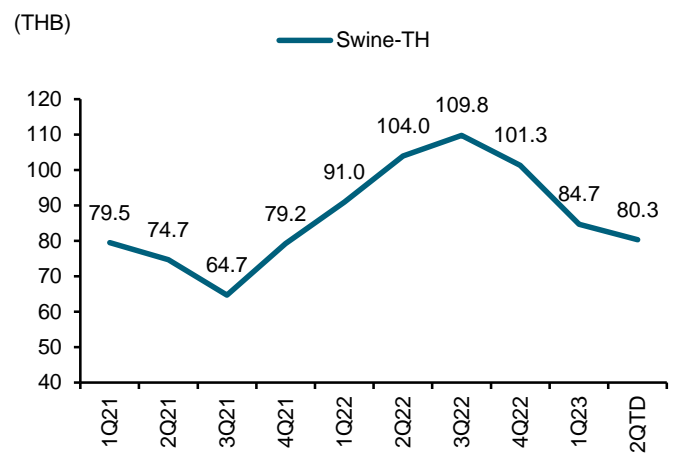
Sources: M, FSSIA's compilation

Exhibit 4: Quarterly net profit and gross margin



Sources: M; FSSIA estimates

Exhibit 5: Domestic swine price



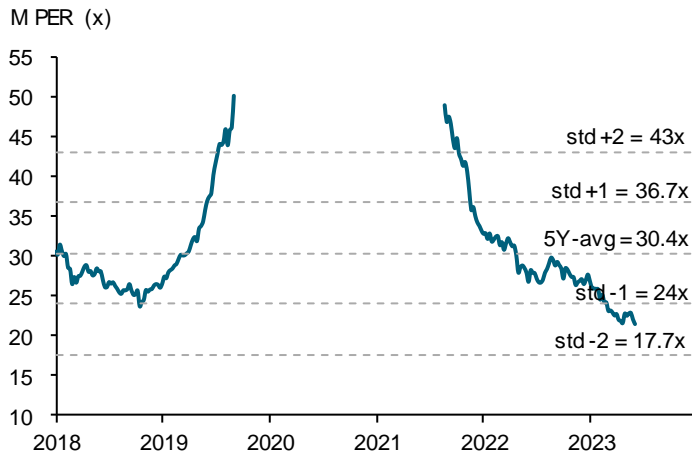
Sources: CPF, FSSIA's compilation

Exhibit 6: Key assumptions for M

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)	(%)	(%)	(%)
SSSG (%)	7.5	3.0	3.0	10.0	2.0	2.0	(2.5)	1.0	1.0
New stores (no.)	25	25	20	25	25	20	0.0	0.0	0.0
MK	10	10	8	10	10	8	0.0	0.0	0.0
Yayoi	10	10	7	10	10	7	0.0	0.0	0.0
Laem Charoen	5	5	5	5	5	5	0.0	0.0	0.0
Total stores (no.)	735	760	780	735	760	780	0.0	0.0	0.0
Total revenue (THB m)	17,631	18,953	19,977	18,008	18,639	19,347	(2.1)	1.7	3.3
Growth (%)	12.1	7.5	5.4	14.5	3.5	3.8	(2.4)	4.0	1.6
Gross profit (THB m)	11,513	12,433	13,185	11,796	12,302	12,866	(2.4)	1.1	2.5
Gross margin (%)	65.3	65.6	66.0	65.5	66.0	66.5	(0.2)	(0.4)	(0.5)
SG&A expenses (THB m)	9,344	10,045	10,588	9,454	9,785	10,157	(1.2)	2.7	4.2
SG&A to sales (%)	53.0	53.0	53.0	52.5	52.5	52.5	0.5	0.5	0.5
Reported net profit (THB m)	2,008	2,211	2,403	2,170	2,334	2,506	(7.5)	(5.3)	(4.1)
Net margin (%)	11.4	11.7	12.0	12.0	12.5	13.0	(0.6)	(0.9)	(0.9)
Growth (%)	39.6	10.1	8.7	50.8	7.6	7.4	(11.2)	2.5	1.3
Core profit (THB m)	2,008	2,211	2,403	2,170	2,334	2,506	(7.5)	(5.3)	(4.1)
Core margin (%)	11.4	11.7	12.0	12.0	12.5	13.0	(0.6)	(0.9)	(0.9)
Growth (%)	39.6	10.1	8.7	50.8	7.6	7.4	(11.2)	2.5	1.3

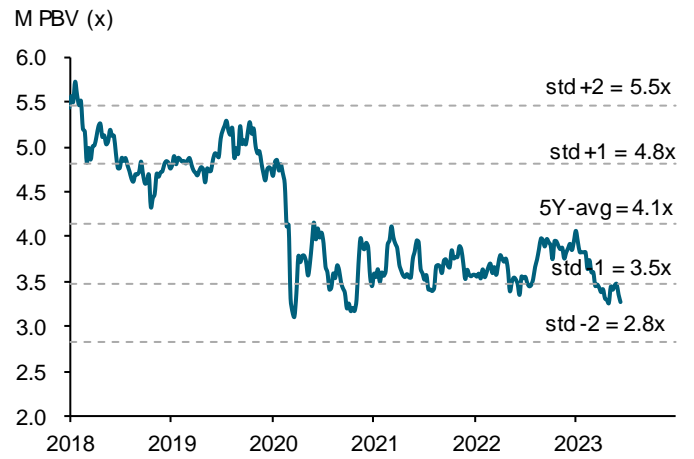
Sources: FSSIA estimates

**Exhibit 7: Historical P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: Historical P/BV Band**



Sources: Bloomberg; FSSIA estimates

## Financial Statements

### MK Restaurant Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,182	15,728	17,631	18,953	19,977
Cost of goods sold	(4,015)	(5,461)	(6,118)	(6,520)	(6,792)
<b>Gross profit</b>	<b>7,167</b>	<b>10,267</b>	<b>11,513</b>	<b>12,433</b>	<b>13,185</b>
Other operating income	207	249	353	379	400
Operating costs	(7,170)	(8,646)	(9,344)	(10,045)	(10,588)
<b>Operating EBITDA</b>	<b>2,213</b>	<b>3,867</b>	<b>4,535</b>	<b>4,799</b>	<b>5,043</b>
Depreciation	(2,009)	(1,997)	(2,014)	(2,032)	(2,047)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>204</b>	<b>1,870</b>	<b>2,521</b>	<b>2,767</b>	<b>2,997</b>
Net financing costs	(69)	(87)	(88)	(89)	(90)
Associates	(23)	(29)	(8)	(5)	4
Recurring non-operating income	(23)	(29)	(8)	(5)	4
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>111</b>	<b>1,755</b>	<b>2,425</b>	<b>2,673</b>	<b>2,910</b>
Tax	10	(308)	(412)	(454)	(495)
<b>Profit after tax</b>	<b>121</b>	<b>1,447</b>	<b>2,013</b>	<b>2,219</b>	<b>2,415</b>
Minority interests	10	(8)	(5)	(8)	(12)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>131</b>	<b>1,439</b>	<b>2,008</b>	<b>2,211</b>	<b>2,403</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>131</b>	<b>1,439</b>	<b>2,008</b>	<b>2,211</b>	<b>2,403</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.14	1.56	2.18	2.40	2.61
Reported EPS	0.14	1.56	2.18	2.40	2.61
DPS	0.80	1.40	1.85	2.16	2.35
Diluted shares (used to calculate per share data)	921	921	921	921	921
<b>Growth</b>					
Revenue (%)	(16.3)	40.7	12.1	7.5	5.4
Operating EBITDA (%)	(32.3)	74.7	17.3	5.8	5.1
Operating EBIT (%)	(82.0)	816.8	34.8	9.8	8.3
Recurring EPS (%)	(85.6)	998.5	39.6	10.1	8.7
Reported EPS (%)	(85.6)	998.5	39.6	10.1	8.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	64.1	65.3	65.3	65.6	66.0
Gross margin exc. depreciation (%)	82.1	78.0	76.7	76.3	76.2
Operating EBITDA margin (%)	19.8	24.6	25.7	25.3	25.2
Operating EBIT margin (%)	1.8	11.9	14.3	14.6	15.0
Net margin (%)	1.2	9.1	11.4	11.7	12.0
Effective tax rate (%)	(8.5)	17.5	17.0	17.0	17.0
Dividend payout on recurring profit (%)	562.5	89.6	85.0	90.0	90.0
Interest cover (X)	2.6	21.2	28.6	31.0	33.2
Inventory days	73.8	42.5	44.5	49.3	49.1
Debtor days	4.5	3.3	2.8	2.9	2.9
Creditor days	242.7	147.7	131.5	126.7	126.2
Operating ROIC (%)	17.2	230.6	291.7	225.5	222.9
ROIC (%)	1.5	16.1	21.8	23.6	24.7
ROE (%)	1.0	10.8	14.8	16.0	17.1
ROA (%)	0.9	7.7	10.5	11.4	12.0
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
MK	8,274	11,639	13,035	13,883	14,577
Yayoi	2,124	2,831	3,125	3,441	3,646
LCS	559	944	1,109	1,247	1,347
Other	224	315	362	382	407

Sources: MK Restaurant Group; FSSIA estimates

## Financial Statements

### MK Restaurant Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	131	1,439	2,008	2,211	2,403
Depreciation	2,009	1,997	2,014	2,032	2,047
Associates & minorities	13	37	33	10	2
Other non-cash items	0	0	0	0	0
Change in working capital	(147)	295	(143)	72	50
<b>Cash flow from operations</b>	<b>2,007</b>	<b>3,768</b>	<b>3,912</b>	<b>4,324</b>	<b>4,501</b>
Capex - maintenance	(5,049)	(1,653)	(1,950)	(2,300)	(2,600)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	3,910	(691)	36	(60)	(46)
<b>Cash flow from investing</b>	<b>(1,139)</b>	<b>(2,344)</b>	<b>(1,914)</b>	<b>(2,360)</b>	<b>(2,646)</b>
Dividends paid	(460)	(1,197)	(1,707)	(1,990)	(2,163)
Equity finance	0	0	0	0	0
Debt finance	(410)	(187)	(270)	(23)	177
Other financing cash flows	28	51	(117)	79	61
<b>Cash flow from financing</b>	<b>(842)</b>	<b>(1,333)</b>	<b>(2,095)</b>	<b>(1,933)</b>	<b>(1,924)</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>26</b>	<b>91</b>	<b>(97)</b>	<b>32</b>	<b>(69)</b>
Free cash flow to firm (FCFF)	937.23	1,510.24	2,085.67	2,054.16	1,945.53
Free cash flow to equity (FCFE)	486.05	1,287.71	1,610.16	2,021.30	2,093.54

#### Per share (THB)

FCFF per share	1.02	1.64	2.26	2.23	2.11
FCFE per share	0.53	1.40	1.75	2.19	2.27
Recurring cash flow per share	2.34	3.77	4.40	4.62	4.83

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	11,525	11,913	12,263	12,613	12,913
Less: Accumulated depreciation	(8,683)	(9,167)	(9,258)	(9,351)	(9,444)
<b>Tangible fixed assets (net)</b>	<b>2,842</b>	<b>2,747</b>	<b>3,005</b>	<b>3,263</b>	<b>3,469</b>
<b>Intangible fixed assets (net)</b>	<b>5,810</b>	<b>5,533</b>	<b>5,210</b>	<b>5,221</b>	<b>5,568</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,690	2,366	2,358	2,353	2,357
Cash & equivalents	7,689	7,779	7,683	7,714	7,645
A/C receivable	167	121	145	156	164
Inventories	392	414	587	625	651
Other current assets	170	111	176	190	200
<b>Current assets</b>	<b>8,418</b>	<b>8,426</b>	<b>8,590</b>	<b>8,685</b>	<b>8,660</b>
Other assets	808	830	793	853	899
<b>Total assets</b>	<b>19,569</b>	<b>19,901</b>	<b>19,957</b>	<b>20,375</b>	<b>20,953</b>
Common equity	13,194	13,443	13,744	13,965	14,205
Minorities etc.	314	322	347	352	357
<b>Total shareholders' equity</b>	<b>13,509</b>	<b>13,765</b>	<b>14,091</b>	<b>14,317</b>	<b>14,562</b>
Long term debt	2,207	2,023	1,823	1,723	1,823
Other long-term liabilities	1,124	1,175	1,058	1,137	1,199
<b>Long-term liabilities</b>	<b>3,331</b>	<b>3,198</b>	<b>2,881</b>	<b>2,860</b>	<b>3,022</b>
A/C payable	1,355	1,449	1,509	1,608	1,675
Short term debt	0	0	0	0	0
Other current liabilities	1,374	1,489	1,477	1,590	1,694
<b>Current liabilities</b>	<b>2,729</b>	<b>2,938</b>	<b>2,986</b>	<b>3,197</b>	<b>3,369</b>
<b>Total liabilities and shareholders' equity</b>	<b>19,569</b>	<b>19,901</b>	<b>19,957</b>	<b>20,375</b>	<b>20,953</b>
Net working capital	(2,000)	(2,291)	(2,078)	(2,227)	(2,354)
Invested capital	9,151	9,184	9,289	9,463	9,939

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

#### Per share (THB)

Book value per share	14.33	14.60	14.92	15.16	15.43
Tangible book value per share	8.02	8.59	9.27	9.50	9.38

#### Financial strength

Net debt/equity (%)	(40.6)	(41.8)	(41.6)	(41.8)	(40.0)
Net debt/total assets (%)	(28.0)	(28.9)	(29.4)	(29.4)	(27.8)
Current ratio (x)	3.1	2.9	2.9	2.7	2.6
CF interest cover (x)	8.0	15.9	19.3	23.7	24.2

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>344.5</b>	<b>31.4</b>	<b>22.5</b>	<b>20.4</b>	<b>18.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>386.7</b>	<b>35.2</b>	<b>25.2</b>	<b>22.9</b>	<b>21.1</b>
Reported P/E (x)	344.5	31.4	22.5	20.4	18.8
Dividend yield (%)	1.6	2.9	3.8	4.4	4.8
Price/book (x)	3.4	3.4	3.3	3.2	3.2
Price/tangible book (x)	6.1	5.7	5.3	5.2	5.2
EV/EBITDA (x) **	18.1	10.3	8.7	8.2	7.9
EV/EBITDA @ target price (x) **	20.5	11.7	10.0	9.4	9.0
EV/invested capital (x)	4.4	4.3	4.3	4.2	4.0

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

Sources: MK Restaurant Group; 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

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

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability 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

#### Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

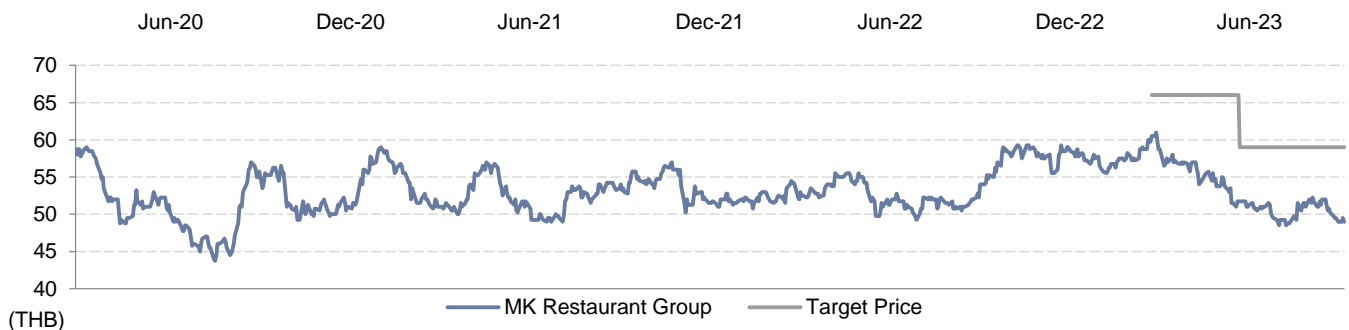
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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

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

#### History of change in investment rating and/or target price

#### MK Restaurant Group (M TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Jan-2023	BUY	66.00	22-Mar-2023	BUY	59.00	-	-	-

Sureeporn Teewasuwet started covering this stock from 05-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
MK Restaurant Group	M TB	THB 49.00	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and labour shortages.

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 21-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.