

## SRINANAPORN MARKETING

THAILAND / FOOD &amp; BEVERAGE

## SNNP TB

BUY

UNCHANGED

## คาดการณ์ 2Q23 จะทำสถิติสูงสุดใหม่

- เราคาดว่ากำไรสุทธิ 2Q23 จะทำสถิติสูงสุดใหม่ที่ 160 ลบ. (+4.1% q-q, +38.5% y-y) ตามปัจจัยด้านฤดูกาล
- ผลประกอบการโดยรวมน่าจะใกล้เคียงกับที่เราคาดยกเว้นรายได้จากเวียดนามในช่วง 1H23 ซึ่งน่าจะคิดเป็นเพียง 32% ของเป้าหมายของ SNNP
- คงแนะนำซื้อที่ราคาเป้าหมายเดิมที่ 29 บาท

TARGET PRICE	THB29.00
CLOSE	THB22.70
UP/DOWNSIDE	+27.8%
PRIOR TP	THB29.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.0%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	5,556	6,566	7,411	8,196
Net profit	516	696	805	907
EPS (THB)	0.54	0.73	0.84	0.95
vs Consensus (%)	-	(0.4)	(5.7)	(5.4)
EBITDA	835	1,065	1,184	1,312
Core net profit	516	696	805	907
Core EPS (THB)	0.54	0.73	0.84	0.95
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	67.2	35.0	15.7	12.6
Core P/E (x)	42.3	31.3	27.1	24.0
Dividend yield (%)	1.8	2.1	2.4	2.7
EV/EBITDA (x)	26.6	20.7	18.4	16.3
Price/book (x)	7.1	6.9	6.4	5.8
Net debt/Equity (%)	5.2	(0.8)	(9.8)	(18.4)
ROE (%)	17.5	22.5	24.5	25.3

## คาดการณ์ 2Q23 จะทำสถิติสูงสุดใหม่

เราคาดว่ากำไรสุทธิ 2Q23 จะทำสถิติสูงสุดใหม่ที่ 160 ลบ. (+4.1% q-q, +38.5% y-y) ตามปัจจัยด้านฤดูกาล เนื่องจากเป็นฤดูร้อนเราคาดว่ารายได้ในประเทศจะโต q-q และ y-y โดยได้ปัจจัยหนุนจากยอดขายเครื่องดื่มที่สูงขึ้น ในขณะที่เราคาดว่ารายได้จากเวียดนามจะโต 16.2% q-q และ 3% y-y เป็น 172 ลบ. จากปัจจัยด้านฤดูกาลและอัตราการใช้กำลังการผลิตที่สูงขึ้นของโรงงานในเวียดนามซึ่งเริ่มดำเนินงานมาตั้งแต่ 4Q22 ในภาพรวมเราคาดว่ารายได้รวมจะทำสถิติสูงสุดใหม่ที่ประมาณ 1.5 พัน ลบ. (+5.3% q-q, +12.9% y-y)

## อัตราการใช้กำลังการผลิตที่สูงขึ้นจะช่วยหนุนให้อัตรากำไรให้ดีขึ้น

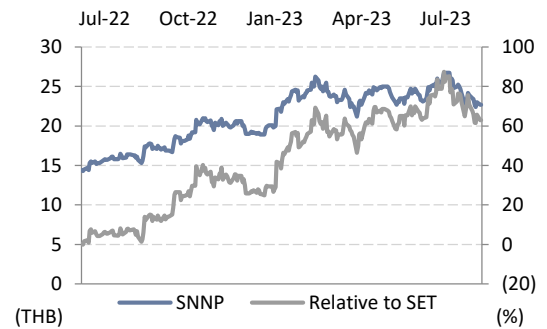
ใน 2Q23 เราคาดว่าอัตรากำไรขั้นต้นที่ 28% ลดลง 20 bps จาก 1Q23 โดยมีสาเหตุหลักอยู่ที่ Product mix ที่เปลี่ยนไปและฤดูร้อนซึ่งอาจช่วยหนุนรายได้จากการขายเครื่องดื่มให้สูงขึ้น หมายเหตุสินค้าประเภทเครื่องดื่มมีอัตรากำไรต่ำกว่าสินค้าประเภทของขบเคี้ยว อย่างไรก็ตาม อัตรากำไรที่คาดว่าจะสูงกว่า 26.1% ใน 2Q22 อยู่มากโดยได้ปัจจัยหนุนจากอัตราการใช้กำลังการผลิตที่สูงขึ้นทั้งในประเทศไทยและเวียดนาม ถ้าผลประกอบการออกมาตามคาดการณ์กำไรสุทธิในช่วง 1H23 น่าจะอยู่ที่ 314 ลบ. (+42% y-y) คิดเป็น 45% ของประมาณการเต็มปีของเรา

## สถานการณ์โดยรวมยังสอดคล้องกับมุมมองของเรา

ในภาพรวมผลประกอบการของ SNNP น่าจะใกล้เคียงกับที่เราคาด อย่างไรก็ตามรายได้จากเวียดนามในช่วง 1H23 ที่คาดว่าจะอยู่ที่ 320 ลบ. (+47% y-y) ซึ่งคิดเป็น 40% ของประมาณการเต็มปีของเราคิดเป็นเพียง 32% ของเป้าหมายของผู้บริหาร ในช่วง 2H23 เราคาดว่ากำไรสุทธิจะสูงขึ้นจากปัจจัยด้านฤดูกาล เพราะฉะนั้นเราจึงคงประมาณการกำไรสุทธิปี 2023-24 ของเราไว้ที่ 696 ลบ. (+35% y-y) และ 805 ลบ. (+15.7% y-y) ตามลำดับโดยมีปัจจัยหนุนสำคัญอยู่ที่ 1) การเติบโตของการบริโภคภายในประเทศ; 2) การฟื้นตัวของการท่องเที่ยว; และ 3) การเติบโตของรายได้จากตลาด CLMV

## คงแนะนำซื้อที่ราคาเป้าหมาย 29 บาท

เราคงแนะนำซื้อที่ราคาเป้าหมายเดิมที่ 29 บาท (40x ของค่า 2023E P/E) ราคาหุ้นมี Upside อยู่ 28% เรายังคงมุมมองเชิงบวกต่อแนวโน้มกำไรของบริษัท ในช่วงที่เหลือของปีนี้



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.1)	(8.5)	57.6
Relative to country (%)	(12.1)	(2.6)	62.9
Mkt cap (USD m)	627		
3m avg. daily turnover (USD m)	3.7		
Free float (%)	34		
Major shareholder	Concord I. Capital Limited (21%)		
12m high/low (THB)	27.25/14.20		
Issued shares (m)	960.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 12 กรกฎาคม 2023

## Investment thesis

SNNP is one of Thailand's leading producers and distributors of snacks and jelly with three famous brands: Bento (fish and squid products), Jele (jelly), and Lotus (stick biscuit). In 2022, its revenue contributions from domestic/CLMV/the rest of the world were 73%/20%/7%.

We estimate SNNP's 2023-24 net profit to reach THB696m (+35% y-y) and THB805m (+15.7% y-y), respectively. Key drivers would be 1) a significant increase in Vietnam revenue after ramping up its new plant's utilisation rate; 2) the success of new products and expansions in new markets; and 3) a higher gross margin from the economies of scale.

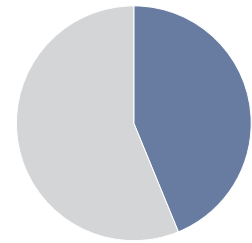
## Company profile

SNNP was founded in 1972 under the name of Sri Viwat. The company has been a manufacturer and distributor of snack foods for more than 30 years. It has many product categories with a lot of variety, such as jelly, fruit juice with carrageenan and konjac powder, fish and squid products, fruit and herb drinks, etc.

[www.snp.co.th](http://www.snp.co.th)

## Principal activities (revenue, 2022)

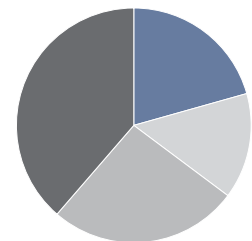
- Beverage - 43.8 %
- Snack - 56.2 %



Source: Srinanaporn Marketing

## Major shareholders

- Concord I. Capital Limited - 20.6 %
- Ascend I. Holding Company Limited - 14.6 %
- Chaisathaporn family - 26.1 %
- Others - 38.7 %



Source: Srinanaporn Marketing

## Catalysts

Potential catalysts for SNNP's earnings growth in 2023 are 1) domestic revenue growth driven by new products; 2) overseas revenue growth driven by its new plant and a channel expansion in Vietnam; and 3) a higher gross margin, supported by a higher utilisation rate.

## Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in raw material costs; 3) a slower-than-expected capacity expansion; and 4) unsuccessful new products.

## Event calendar

Date	Event
August 2023	2Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	4,653	5,212	5,733
Overseas revenue (THB m)	1,912	2,199	2,463
Total revenue (THB m)	6,566	7,411	8,196
Total revenue growth (%)	18.2	12.9	10.6
Gross margin (%)	28.3	28.5	28.7
SG&A to sales (%)	15.8	15.8	15.8

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in revenue, 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 3.8%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2023 net profit to fall by 1.6%, and vice versa, all else being equal.

Source: FSSIA estimates

## Exhibit 1: 2Q23 earnings preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	1,323	1,468	1,632	1,420	1,495	5.3	12.9	2,457	2,915	18.7
Cost of sales	978	1,067	1,174	1,020	1,076	5.5	10.0	1,801	2,096	16.4
Gross profit	345	400	458	400	419	4.5	21.2	656	819	24.9
SG&A	210	235	263	207	217	4.9	3.3	388	423	9.0
Operating profit	152	184	198	201	207	2.9	36.4	294	408	38.7
Interest expense	0.15	0.29	1.06	0.76	0.80	4.7	447.9	0.33	1.56	381.2
Tax expense	30	36	42	40	40	(1.2)	33.8	59	80	35.8
Profit (loss) sharing	(6)	(6)	(8)	(8)	(8)	(2.8)	28.6	(14)	(16)	nm
Reported net profit	116	142	152	154	160	4.1	38.5	221	314	42.1
Core profit	116	142	152	154	160	4.1	38.5	221	314	42.1
<b>Key ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>			<b>(ppt)</b>
Gross margin	26.1	27.3	28.1	28.2	28.0	(0.2)	1.9	26.7	28.1	1.4
SG&A to sales	15.8	16.0	16.1	14.6	14.5	(0.1)	(1.3)	15.8	14.5	(1.3)
Operating margin	11.5	12.6	12.1	14.2	13.8	(0.3)	2.4	12.0	14.0	2.0
Net margin	8.8	9.7	9.3	10.8	10.7	(0.1)	2.0	9.0	10.8	1.8
Core margin	8.8	9.7	9.3	10.8	10.7	(0.1)	2.0	9.0	10.8	1.8
<b>Operating statistics (THB m)</b>										
Domestic revenue	967	1,075	1,106	1,094	1,107	1.3	14.5	1,866	2,201	18.0
Overseas revenue	357	393	526	326	387	18.7	8.5	591	714	20.8
Vietnam revenue	167	169	251	148	172	16.2	3.0	218	320	46.8

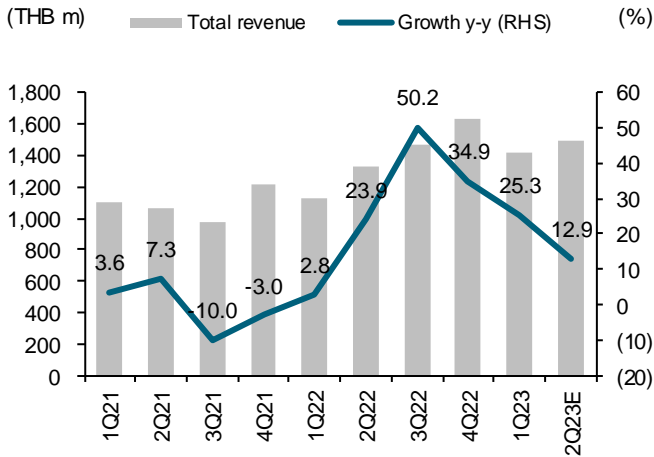
Sources: SNNP; FSSIA estimates

## Exhibit 2: Key assumptions for SNNP

Assumptions	Actual	----- Forecast -----				----- % Growth -----		
	2022	2023E	2024E	2025E	2023E	2024E	2025E	
Domestic revenue (THB m)	4,046	4,653	5,212	5,733	15.0	12.0	10.0	
Overseas revenue (THB m)	1,510	1,912	2,199	2,463	26.7	15.0	12.0	
Vietnam revenue (THB m)	638	844	1,013	1,114	32.2	20.0	10.0	
Total revenue (THB m)	5,556	6,566	7,411	8,196	18.2	12.9	10.6	
Gross profit (THB m)	1,514	1,858	2,112	2,352	22.7	13.7	11.4	
Gross margin (%)	27.3	28.3	28.5	28.7	1.0	0.2	0.2	
SG&A expenses (THB m)	886	1,037	1,171	1,295	17.1	12.9	10.6	
SG&A to sales (%)	16.0	15.8	15.8	15.8	(0.2)	0.0	0.0	
Profit (loss) sharing (THB m)	(25)	(15)	7	12	nm	nm	nm	
Report net profit (THB m)	516	696	805	907	35.0	15.7	12.6	
Net margin (%)	9.3	10.6	10.9	11.1	1.3	0.3	0.2	
Core profit (THB m)	516	696	805	907	35.0	15.7	12.6	
Core margin (%)	9.3	10.6	10.9	11.1	1.3	0.3	0.2	

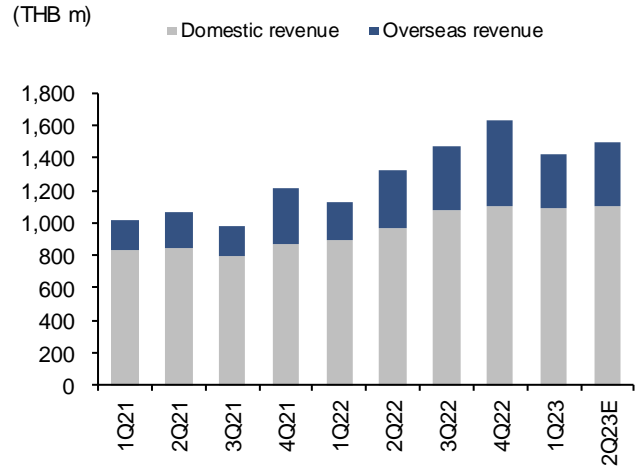
Sources: SNNP; FSSIA estimates

**Exhibit 3: Quarterly total revenue and growth**



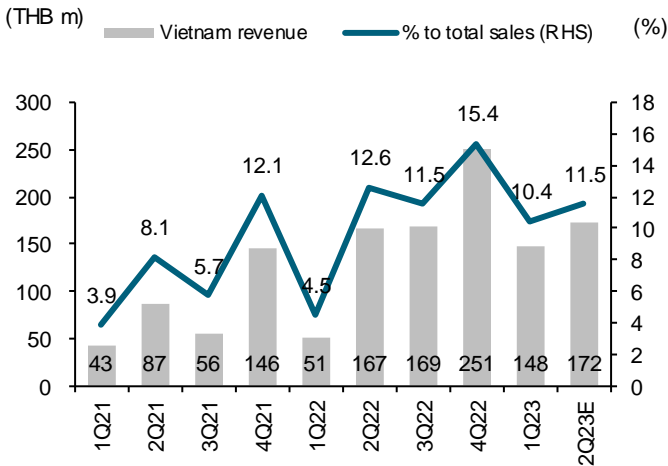
Sources: SNNP, FSSIA estimates

**Exhibit 4: Quarterly revenue breakdown by destination**



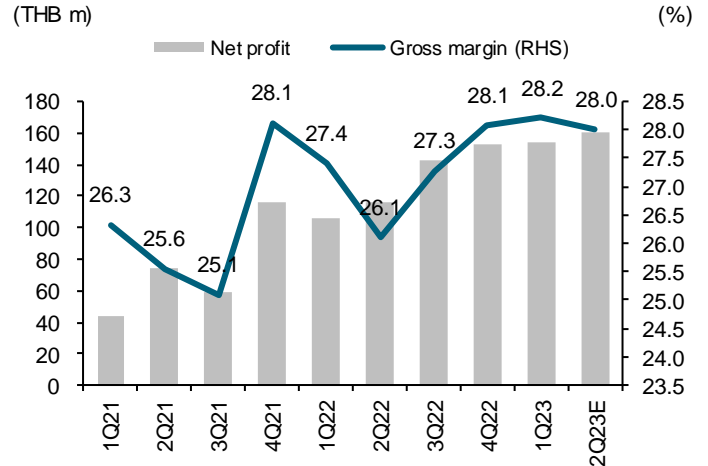
Sources: SNNP, FSSIA estimates

**Exhibit 5: Quarterly Vietnam revenue**



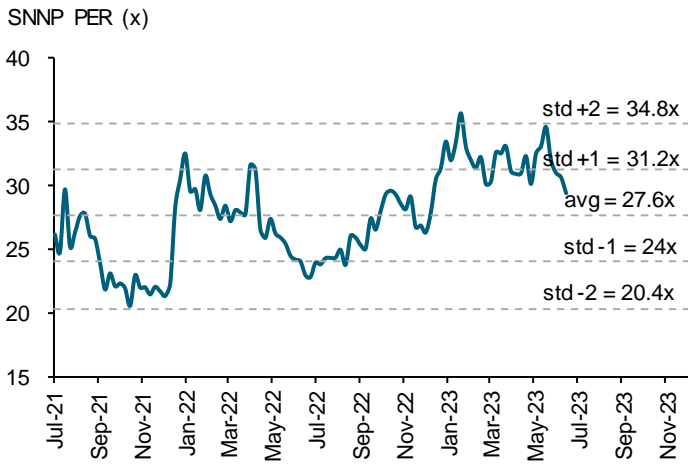
Sources: SNNP, FSSIA estimates

**Exhibit 6: Quarterly net profit and gross margin**



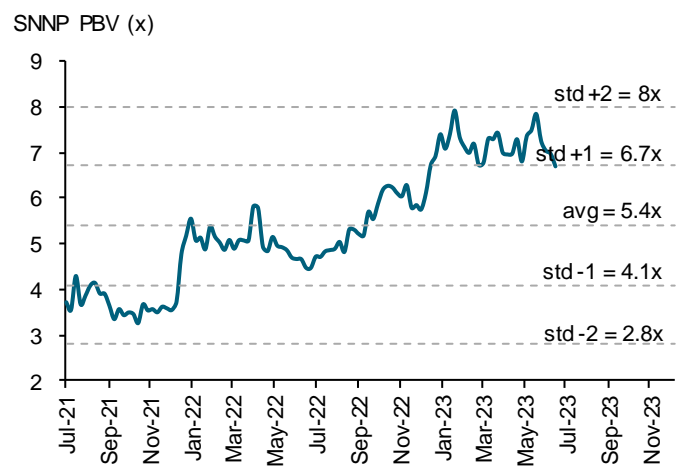
Sources: SNNP, FSSIA estimates

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



Sources: Bloomberg, FSSIA's compilation

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



Sources: Bloomberg, FSSIA's compilation

## Financial Statements

### Srinaporn Marketing

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,358	5,556	6,566	7,411	8,196
Cost of goods sold	(3,209)	(4,042)	(4,708)	(5,299)	(5,844)
<b>Gross profit</b>	<b>1,149</b>	<b>1,514</b>	<b>1,858</b>	<b>2,112</b>	<b>2,352</b>
Other operating income	33	48	66	59	66
Operating costs	(737)	(886)	(1,037)	(1,171)	(1,295)
<b>Operating EBITDA</b>	<b>618</b>	<b>835</b>	<b>1,065</b>	<b>1,184</b>	<b>1,312</b>
Depreciation	(173)	(159)	(179)	(184)	(189)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>445</b>	<b>676</b>	<b>886</b>	<b>1,000</b>	<b>1,123</b>
Net financing costs	(40)	(2)	(1)	(1)	(1)
Associates	(26)	(25)	(15)	7	12
Recurring non-operating income	(26)	(25)	(15)	7	12
Non-recurring items	129	0	0	0	0
<b>Profit before tax</b>	<b>507</b>	<b>649</b>	<b>870</b>	<b>1,007</b>	<b>1,134</b>
Tax	(86)	(137)	(174)	(201)	(227)
<b>Profit after tax</b>	<b>422</b>	<b>512</b>	<b>696</b>	<b>805</b>	<b>907</b>
Minority interests	16	4	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>437</b>	<b>516</b>	<b>696</b>	<b>805</b>	<b>907</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(129)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>308</b>	<b>516</b>	<b>696</b>	<b>805</b>	<b>907</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.32	0.54	0.73	0.84	0.95
Reported EPS	0.46	0.54	0.73	0.84	0.95
DPS	0.24	0.41	0.47	0.55	0.61
Diluted shares (used to calculate per share data)	960	960	960	960	960
<b>Growth</b>					
Revenue (%)	(0.8)	27.5	18.2	12.9	10.6
Operating EBITDA (%)	62.1	35.1	27.6	11.2	10.8
Operating EBIT (%)	154.6	51.9	31.1	12.9	12.2
Recurring EPS (%)	146.5	67.2	35.0	15.7	12.6
Reported EPS (%)	249.4	18.0	35.0	15.7	12.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	26.4	27.3	28.3	28.5	28.7
Gross margin exc. depreciation (%)	30.3	30.1	31.0	31.0	31.0
Operating EBITDA margin (%)	14.2	15.0	16.2	16.0	16.0
Operating EBIT margin (%)	10.2	12.2	13.5	13.5	13.7
Net margin (%)	7.1	9.3	10.6	10.9	11.1
Effective tax rate (%)	16.9	21.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	74.7	76.3	65.0	65.0	65.0
Interest cover (X)	10.4	389.1	719.2	886.9	1,069.5
Inventory days	49.9	51.4	50.8	44.0	44.3
Debtor days	90.3	89.1	89.1	84.9	85.7
Creditor days	110.8	100.3	102.6	97.8	98.5
Operating ROIC (%)	12.9	17.9	22.2	25.2	28.5
ROIC (%)	11.4	15.6	19.3	22.3	25.2
ROE (%)	20.2	17.5	22.5	24.5	25.3
ROA (%)	8.0	11.1	13.6	14.8	15.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Beverage	1,862	2,434	2,681	2,949	3,244
Snack	2,411	3,123	3,884	4,462	4,952
Distribution other product	85				

Sources: Srinaporn Marketing; FSSIA estimates

## Financial Statements

### Srinaporn Marketing

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	308	516	696	805	907
Depreciation	173	159	179	184	189
Associates & minorities	26	25	15	(7)	(12)
Other non-cash items	14	4	72	42	39
Change in working capital	(156)	(307)	46	(117)	(109)
<b>Cash flow from operations</b>	<b>365</b>	<b>397</b>	<b>1,007</b>	<b>907</b>	<b>1,014</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(4)	(227)	(343)	(50)	(50)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(154)	(171)	(51)	(9)	(3)
<b>Cash flow from investing</b>	<b>(158)</b>	<b>(398)</b>	<b>(394)</b>	<b>(59)</b>	<b>(53)</b>
Dividends paid	(98)	(307)	(452)	(524)	(590)
Equity finance	2,138	0	0	0	0
Debt finance	(2,308)	276	(62)	(15)	(15)
Other financing cash flows	50	4	38	21	20
<b>Cash flow from financing</b>	<b>(218)</b>	<b>(28)</b>	<b>(476)</b>	<b>(517)</b>	<b>(585)</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>(11)</b>	<b>(29)</b>	<b>137</b>	<b>330</b>	<b>375</b>
Free cash flow to firm (FCFF)	246.99	0.16	614.83	848.76	961.44
Free cash flow to equity (FCFE)	(2,051.27)	277.89	589.75	853.75	965.00

#### Per share (THB)

FCFF per share	0.26	0.00	0.64	0.88	1.00
FCFE per share	(2.14)	0.29	0.61	0.89	1.01
Recurring cash flow per share	0.54	0.73	1.00	1.07	1.17

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	3,394	3,600	3,800	3,850	3,900
Less: Accumulated depreciation	(1,189)	(1,324)	(1,503)	(1,686)	(1,875)
<b>Tangible fixed assets (net)</b>	<b>2,204</b>	<b>2,276</b>	<b>2,297</b>	<b>2,163</b>	<b>2,025</b>
<b>Intangible fixed assets (net)</b>	<b>23</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>21</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	137	275	275	275	275
Cash & equivalents	162	133	270	600	976
A/C receivable	1,126	1,587	1,619	1,827	2,021
Inventories	412	681	580	653	720
Other current assets	2	1	1	1	1
<b>Current assets</b>	<b>1,702</b>	<b>2,402</b>	<b>2,470</b>	<b>3,082</b>	<b>3,718</b>
Other assets	85	96	131	148	164
<b>Total assets</b>	<b>4,152</b>	<b>5,069</b>	<b>5,194</b>	<b>5,689</b>	<b>6,202</b>
Common equity	2,838	3,049	3,150	3,432	3,749
Minorities etc.	253	257	328	371	410
<b>Total shareholders' equity</b>	<b>3,091</b>	<b>3,306</b>	<b>3,478</b>	<b>3,802</b>	<b>4,159</b>
Long term debt	13	242	227	212	197
Other long-term liabilities	122	126	164	185	205
<b>Long-term liabilities</b>	<b>135</b>	<b>368</b>	<b>391</b>	<b>398</b>	<b>402</b>
A/C payable	877	1,256	1,290	1,452	1,601
Short term debt	16	62	15	15	15
Other current liabilities	34	76	20	22	25
<b>Current liabilities</b>	<b>927</b>	<b>1,395</b>	<b>1,324</b>	<b>1,489</b>	<b>1,641</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,152</b>	<b>5,069</b>	<b>5,194</b>	<b>5,689</b>	<b>6,202</b>
Net working capital	630	936	891	1,007	1,117
Invested capital	3,080	3,604	3,615	3,615	3,601

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

#### Per share (THB)

Book value per share	2.96	3.18	3.28	3.57	3.91
Tangible book value per share	2.93	3.15	3.26	3.55	3.88

#### Financial strength

Net debt/equity (%)	(4.3)	5.2	(0.8)	(9.8)	(18.4)
Net debt/total assets (%)	(3.2)	3.4	(0.5)	(6.6)	(12.3)
Current ratio (x)	1.8	1.7	1.9	2.1	2.3
CF interest cover (x)	(49.8)	303.0	771.1	796.3	957.3

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>70.7</b>	<b>42.3</b>	<b>31.3</b>	<b>27.1</b>	<b>24.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>90.3</b>	<b>54.0</b>	<b>40.0</b>	<b>34.6</b>	<b>30.7</b>
Reported P/E (x)	49.8	42.3	31.3	27.1	24.0
Dividend yield (%)	1.1	1.8	2.1	2.4	2.7
Price/book (x)	7.7	7.1	6.9	6.4	5.8
Price/tangible book (x)	7.7	7.2	7.0	6.4	5.8
EV/EBITDA (x) **	35.5	26.6	20.7	18.4	16.3
EV/EBITDA @ target price (x) **	45.3	33.9	26.4	23.5	21.0
EV/invested capital (x)	7.1	6.2	6.1	6.0	6.0

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

Sources: Srinaporn Marketing; 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

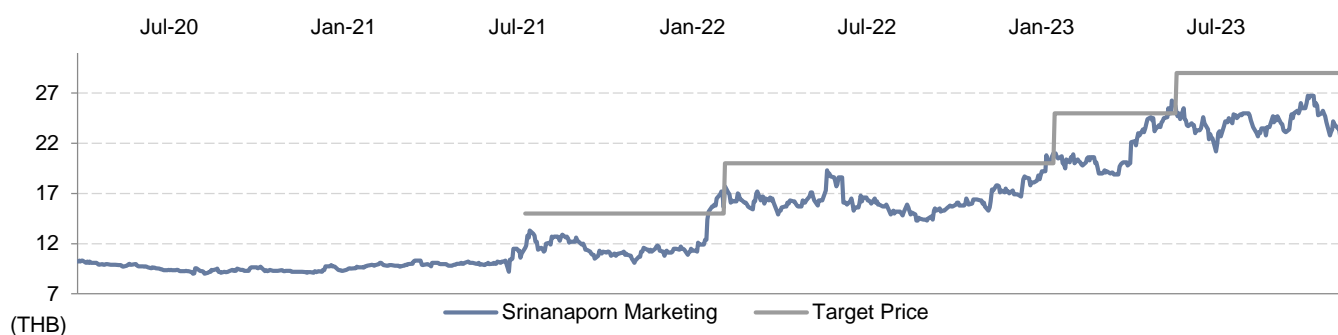
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### History of change in investment rating and/or target price

#### Srinaporn Marketing (SNNP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Jul-2021	BUY	15.00	31-Oct-2022	BUY	25.00	-	-	-
20-Jan-2022	BUY	20.00	13-Feb-2023	BUY	29.00			

Sureeporn Teewasuwet started covering this stock from 13-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Srinaporn Marketing	SNNP TB	THB 22.70	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in raw material costs; 3) a slower-than-expected capacity expansion; and 4) unsuccessful new products.

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 11-Jul-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.