

# STARFLEX SFLEX TB

THAILAND / PACKAGING

**BUY**

UNCHANGED

## Expect strong y-y, soft q-q in 3Q23

- Expect an 11-fold jump in 3Q23 core profit from a year earlier when the company was hard hit by the raw material cost surge.
- The recognition of a potential 25% share of profit from Star Print Vietnam JSC is likely to be delayed for 1-2 months.
- Maintain BUY rating with TP of THB5.50.

TARGET PRICE	THB5.50
CLOSE	THB3.92
UP/DOWNSIDE	+40.3%
PRIOR TP	THB5.50
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-4.3%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	1,669	1,922	2,080	2,234
Net profit	55	185	229	255
EPS (THB)	0.07	0.23	0.28	0.31
vs Consensus (%)	-	2.2	1.8	(4.6)
EBITDA	124	287	313	340
Recurring net profit	55	185	229	255
Core EPS (THB)	0.07	0.23	0.28	0.31
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(63.1)	236.7	23.7	11.1
Core P/E (x)	58.4	17.3	14.0	12.6
Dividend yield (%)	0.8	1.7	2.1	2.4
EV/EBITDA (x)	27.3	12.8	11.5	10.4
Price/book (x)	3.3	3.0	2.8	2.7
Net debt/Equity (%)	16.3	44.5	33.4	26.2
ROE (%)	5.7	18.2	21.0	21.8

### Expect 3Q23 profit to jump y-y but soften q-q

We expect another strong quarter with a THB45m core profit in 3Q23, an 11-fold jump as compared to 3Q22 profit, which was hard hit by the surging raw material and freight costs. The q-q profit, however, should decline by 11% due to 1) its gross margin sliding from an exceptionally high level in the previous quarter; and 2) the likely delayed recognition of an estimated 25% share of profit from Star Print Vietnam JSC (SPV).

### Acquisition of SPV likely to be delayed for 1-2 months

Despite the fact that shareholders had already approved the investment in SPV since June 2023, we think that the acquisition is more likely to be delayed to 4Q23 instead of 3Q23 because of additional procedures. Our earlier projection included SPV's performance for one month in 3Q23. We now shift the profit recognition into 4Q23, causing a q-q slip in 3Q23E profit.

### Gross margin should be back to normal level in 3Q23

We anticipate the company's gross margin to decrease from the abnormal high of 24.9% in 2Q23 to 22.0% in 3Q23, back to the normal pre-pandemic level of 21-22%. This is another reason for the expected q-q profit drop in 3Q23. The rising crude oil prices during July-August should have a limited impact on the company's material costs, as it has gradually locked in major raw material costs.

### Maintain BUY and TP of THB5.50

We maintain our net profit growth forecasts of 237%/24%/11%, or a CAGR of 17%, during 2023-25. We also maintain our BUY call with the same of TP of THB5.50, based on a 2023E P/E of 24x. SFLEX's share price is currently trading at 17x 2023E P/E, within -1.2SD of its four-year P/E average.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.5)	7.1	2.1
Relative to country (%)	(8.6)	5.9	8.0
Mkt cap (USD m)	87		
3m avg. daily turnover (USD m)	0.8		
Free float (%)	0		
Major shareholder	Mr. Printhorn Apithanasriwong (24%)		
12m high/low (THB)	4.50/2.76		
Issued shares (m)	820.00		

Sources: Bloomberg consensus; FSSIA estimates

**Jitra Amornthum**

Analyst register no. 014530

jitra.a@fssia.com, +66 2646 9966

## Investment thesis

SFLEX manufactures high-quality flexible packaging using mainly oil-linked raw materials, including BOPP, BOPET film, polyester, and polypropylene. After struggling with high costs due to rising oil prices for two years in 2021-22, SFLEX showed a strong core profit since 4Q22 with a gross margin recovery to 15.3%. The company's gross margin continuously recovered to 22.7% in 1H23, overcoming its pre-pandemic levels of 21-22%. A slight decline to the normal basis in 3Q23 is therefore expected.

SFLEX's gross margin should return to pre-Covid levels within 2023. The growth story from 2024 onwards should be the profit from Star Print Vietnam JSC and opportunities in overseas markets.

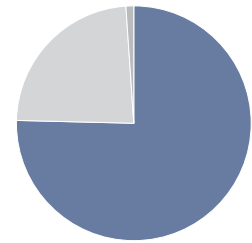
## Company profile

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

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

## Principal activities (revenue, 2022)

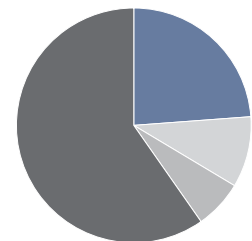
- Non-food packaging - 75.4 %
- Food packaging - 23.5 %
- Others - 1.1 %



Source: Starflex

## Major shareholders

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



Source: Starflex

## Catalysts

Key potential catalysts include 1) a broad-based economic recovery; 2) a decline in oil prices; 3) baht appreciation; and 4) strong consumption growth in Vietnam.

## Risks to our call

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

## Event calendar

Date	Event
30 October 2023	Extra-General Meeting of shareholders
November 2023	3Q23 earnings announcement

## Key assumptions

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

Source: FSSIA estimates

## Earnings sensitivity

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

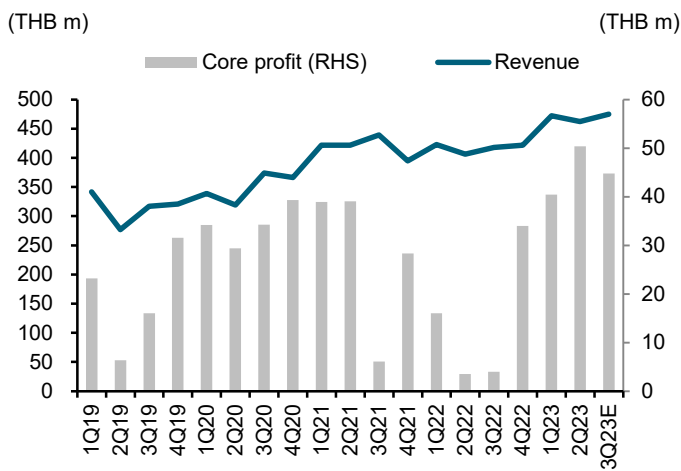
Source: FSSIA estimates

**Exhibit 1: 3Q23 earnings preview**

Year to Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	-----Change-----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	418	422	472	462	475	2.7	13.6	1,247	1,409	13.0
Cost of sales	(372)	(357)	(375)	(347)	(370)	6.6	(0.6)	(1,101)	(1,093)	(0.7)
Gross profit	45	64	97	115	104	(9.2)	130.5	147	316	115.8
Other income	6	10	5	6	5	(15.0)	(15.3)	16	16	(1.2)
Operating costs	(45)	(34)	(51)	(57)	(52)	(7.5)	16.3	(136)	(160)	17.6
Operating profit	6	40	51	64	57	(11.2)	833.5	27	172	540.9
Operating EBITDA	23	54	66	78	71	(9.5)	201.0	73	214	194.9
Interest expense	(1)	1	(1)	(1)	(1)	(18.5)	(27.9)	(4)	(3)	(20.6)
Profit before tax	6	41	50	63	56	(11.2)	895.8	24	169	612.4
Tax	(1)	(8)	(10)	(13)	(11)	(10.9)	1,602.7	(2)	(34)	1,607.9
<b>Reported net profit</b>	<b>5</b>	<b>33</b>	<b>41</b>	<b>50</b>	<b>45</b>	<b>(11.2)</b>	<b>802.1</b>	<b>22</b>	<b>136</b>	<b>522.8</b>
<b>Core profit</b>	<b>4</b>	<b>34</b>	<b>40</b>	<b>50</b>	<b>45</b>	<b>(11.1)</b>	<b>1,021.2</b>	<b>24</b>	<b>136</b>	<b>475.6</b>
Reported EPS (THB)	0.006	0.041	0.050	0.064	0.055	(14.7)	809.5	0.026	0.169	522.8
Core EPS (THB)	0.005	0.041	0.049	0.061	0.055	(11.1)	1,021.2	0.029	0.165	475.6
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	10.8	15.3	20.5	24.9	22.0	(2.9)	11.2	11.8	22.4	10.7
Operating margin	1.7	9.4	10.9	13.9	12.0	(1.9)	10.3	2.2	12.2	10.1
EBITDA margin	5.6	12.9	13.9	16.9	14.9	(2.0)	9.3	5.8	15.2	9.4
Recurring net margin	1.0	8.1	8.6	10.9	9.4	(1.5)	8.5	1.9	9.6	7.7
SG&A / Sales	10.8	8.1	10.8	12.3	11.1	(1.2)	0.3	10.9	11.4	0.4

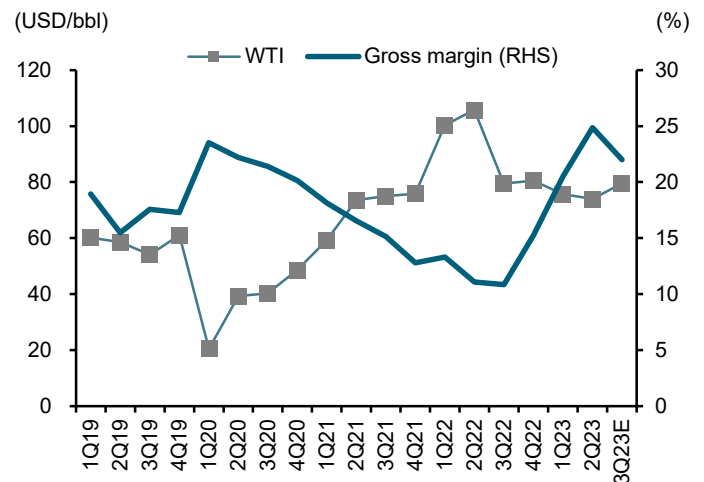
Sources: SFLEX, FSSIA estimates

**Exhibit 2: Revenue and core profit**



Sources: SFLEX, FSSIA estimates

**Exhibit 3: Gross margin vs crude oil prices**



Sources: SFLEX, FSSIA estimates

## Financial Statements

### Starflex

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

Sources: Starflex; FSSIA estimates

## Financial Statements

### Starflex

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

#### Per share (THB)

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

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

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

#### Per share (THB)

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

#### Financial strength

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

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>21.5</b>	<b>58.4</b>	<b>17.3</b>	<b>14.0</b>	<b>12.6</b>
<b>Recurring P/E @ target price (x) *</b>	<b>30.2</b>	<b>81.9</b>	<b>24.3</b>	<b>19.7</b>	<b>17.7</b>
Reported P/E (x)	21.5	58.4	17.3	14.0	12.6
Dividend yield (%)	1.1	0.8	1.7	2.1	2.4
Price/book (x)	3.3	3.3	3.0	2.8	2.7
Price/tangible book (x)	3.5	3.5	3.2	3.0	2.8
EV/EBITDA (x) **	15.0	27.3	12.8	11.5	10.4
EV/EBITDA @ target price (x) **	20.9	37.7	17.4	15.6	14.2
EV/invested capital (x)	3.0	2.8	2.3	2.3	2.2

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

Sources: Starflex; FSSIA estimates

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

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

### CG Score by the Thai Institute of Directors Association (Thai IOD)<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).

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. FSSIA does not confirm nor certify the accuracy of such survey result.

### 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

#### Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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

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

##### Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	12-Jun-2023	BUY	5.50	-	-	-

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Starflex	SFLEX TB	THB 3.92	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

Source: FSSIA estimates

#### Additional Disclosures

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

All share prices are as at market close on 07-Sep-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.