

# ICHITAN GROUP ICHI TB

## THAILAND / FOOD & BEVERAGE

# BUY

FROM HOLD

### การเติบโตที่ดีในอีก 3 ไตรมาสข้างหน้า

- เราคาดว่ากำไรสุทธิ 3Q23 จะแตะระดับสูงสุดในรอบ 8 ปีที่ 273 ลบ. (+6.6% q-q, +42% y-y) สวนแนวโน้มตามฤดูกาล
- พฤติกรรมที่เปลี่ยนไปของลูกค้าจะช่วยหนุนรายได้จากการขายชาเขียวพร้อมดื่มซึ่งอาจช่วยชดเชยรายได้จาก Tansansu และธุรกิจรับจ้างผลิตที่ลดลง
- ปรับเพิ่มคำแนะนำเป็นซื้อจากกำไรที่คาดว่าจะโตดี y-y ในอีก 3 ไตรมาสข้างหน้า

TARGET PRICE	THB19.00
CLOSE	THB16.00
UP/DOWNSIDE	+18.8%
PRIOR TP	THB15.70
CHANGE IN TP	+21.0%
TP vs CONSENSUS	+5.0%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	6,340	7,934	8,328	8,776
Net profit	642	999	1,071	1,135
EPS (THB)	0.49	0.77	0.82	0.87
vs Consensus (%)	-	10.5	5.5	3.2
EBITDA	1,296	1,812	1,915	2,009
Recurring net profit	651	999	1,071	1,135
Core EPS (THB)	0.50	0.77	0.82	0.87
Chg. In EPS est. (%)	-	22.6	19.6	17.6
EPS growth (%)	19.0	53.5	7.3	6.0
Core P/E (x)	32.0	20.8	19.4	18.3
Dividend yield (%)	3.8	4.8	5.2	5.5
EV/EBITDA (x)	15.5	11.2	10.7	10.0
Price/book (x)	3.4	3.4	3.4	3.4
Net debt/Equity (%)	(10.6)	(9.1)	(6.4)	(10.8)
ROE (%)	10.5	16.2	17.4	18.4

### คาดการณ์กำไรสุทธิ 3Q23 จะแตะระดับสูงสุดในรอบ 8 ปี

คาดการณ์กำไรสุทธิ 3Q23 จะแตะระดับสูงสุดในรอบ 8 ปี เราคาดว่ากำไรสุทธิ 3Q23 ของ ICHI จะแตะระดับสูงสุดในรอบ 8 ปีที่ 273 ลบ. (+6.6% q-q, +42% y-y) สวนแนวโน้มตามฤดูกาลโดยมีเหตุผลสำคัญประกอบด้วย: 1) 3Q เป็นฤดูฝนแต่มีสภาพอากาศร้อนกว่าปกติ; 2) พฤติกรรมที่เปลี่ยนไปของผู้บริโภค; 3) อัตราการใช้กำลังการผลิตที่คาดว่าจะอยู่ในระดับสูงถึง 73% เพิ่มขึ้นจาก 71% ใน 2Q23; และ 4) ต้นทุนบรรจุภัณฑ์ที่ทรงตัว บัณฑิตจบทั้งหมดน่าจะช่วยชดเชยรายได้จาก Tansansu และธุรกิจรับจ้างผลิตที่ต่ำกว่าคาด

### พฤติกรรมที่เปลี่ยนไปของผู้บริโภคจะช่วยหนุนรายได้จากการขายชาเขียวพร้อมดื่ม

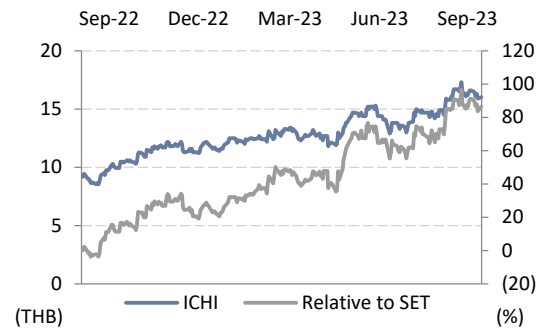
ในรายละเอียดเราคาดว่ารายได้ใน 3Q23 จะอยู่ที่ 2.06 พัน ลบ. (+2% q-q, +24% y-y) สูงสุดในรอบ 10 ปีจากผลิตภัณฑ์ชาเขียวพร้อมดื่มในปัจจุบันโดยมีน้ำผึ้งมะนาวเป็นรสชาติที่ขายดีที่สุด นอกจากนี้ชาเขียวรสดั้งเดิมขนาด 500 มล. ยังได้รับความนิยมเพิ่มขึ้นในปีนี้ซึ่งทำให้เราคิดว่าพฤติกรรมของผู้บริโภคเปลี่ยนไป เราคาดว่าสัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายจะลดลงเล็กน้อยเหลือ 7.2% ใน 3Q23 จาก 7.8% ใน 2Q23 นอกจากนี้ส่วนแบ่งกำไรของกิจการร่วมค้าในอินโดนีเซียยังน่าจะฟื้นตัวเป็น 5 ลบ. (เทียบกับ 1 ลบ. ใน 2Q23) แต่ยังคงต่ำกว่าที่เคยให้ส่วนแบ่งกำไร 21 ลบ. ใน 3Q22 อยู่มาก หมายถึงกิจการร่วมค้าดังกล่าวกำลังปรับกลยุทธ์ทางการตลาดในตลาดอินโดนีเซีย.

### ผลิตภัณฑ์ชาเขียวในปัจจุบันน่าจะช่วยชดเชย Tansansu และธุรกิจรับจ้างผลิตที่พลาดเป้า

เรามีมุมมองเชิงบวกเกี่ยวกับพฤติกรรมของลูกค้าที่เปลี่ยนไปซึ่งน่าจะช่วยหนุนรายได้จากการขายชาเขียวพร้อมดื่มได้อย่างต่อเนื่องใน 4Q23 จนถึงปี 2024 โดยเราคิดว่ารายได้ดังกล่าวอาจช่วยชดเชยรายได้จาก Tansansu และธุรกิจรับจ้างผลิตที่พลาดเป้าได้ ด้วยเหตุดังกล่าวเราจึงปรับเพิ่มประมาณการกำไรสุทธิปี 2023-24 ของเราขึ้น 22.7% และ 19.6% เป็นโต 55.7% y-y และ 7.3% y-y ตามลำดับ ในขณะที่ ICHI วางแผนจ้างผลิต 6% ของตัวเลขการผลิตใน 1Q24 เนื่องจากกำลังการผลิตเต็มอยู่ในปัจจุบัน บริษัทฯ วางแผนเพิ่มกำลังการผลิต 13% เป็น 1,700 ล้านขวดภายใน 4Q24 ในภาพรวมเราคาดว่ากำไรสุทธิจะโต y-y ในอีก 3 ไตรมาสข้างหน้า (3Q23-1Q24) เป็นอย่างน้อย

### ปรับเพิ่มคำแนะนำเป็นซื้อจากกำไรที่คาดว่าจะโตดี y-y ในอีก 3 ไตรมาสข้างหน้า

เราปรับใช้ราคาเป้าหมายปี 2024 ที่ 19 บาท ปัจจุบันเราประเมินมูลค่า ICHI ไว้ที่ 23x ของค่า 2024E P/E (ใกล้เคียงกับค่าเฉลี่ย 5 ปี) เทียบกับ 25x ของค่า P/E ก่อนหน้า (1.0SD เหนือค่าเฉลี่ย 5 ปี) ราคาเป้าหมายใหม่ของเรา Upside 18.8% เพราะฉะนั้นเราจึงปรับเพิ่มคำแนะนำเป็นซื้อจากถือ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.3	11.1	69.3
Relative to country (%)	0.7	13.2	80.8
Mkt cap (USD m)	582		
3m avg. daily turnover (USD m)	4.0		
Free float (%)	53		
Major shareholder	Passakornnatee Family (42%)		
12m high/low (THB)	17.50/8.50		
Issued shares (m)	1,300.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 19 กันยายน 2023

### Investment thesis

ICHI is a manufacturer and distributor of ready-to-drink green tea called “ICHITAN green tea”, the herbal drink “Yen Yen”, and green tea with chewy coconut cubes named “ICHITAN Chew Chew”, along with other beverages. In 2022, 90.3% of ICHI’s revenue came from domestic sales, and overseas sales accounted for 9.7%. ICHI’s factory is located at Rojana Industrial Park, Ayutthaya, which has seven bottle production lines and two UHT box product lines with a total capacity of 1,500 million bottles and 200 million boxes per year. ICHI plans to increase its capacity to 1,700 million bottles in 4Q24.

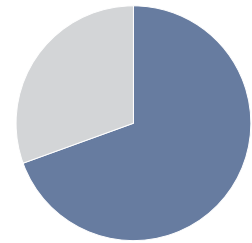
### Company profile

Ichitan Group manufactures its own-branded beverages and sells ready-to-drink green tea beverages, herbal drinks, and low-sugar ready-to-drink tea beverages to the local market and CLMV. In 2014, ICHI engaged in a joint venture with the Indonesian company PT Atri Pasifik to produce and sell its products in Indonesia.

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

### Principal activities (revenue, 2022)

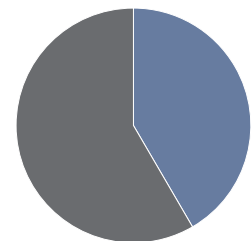
- Ready-to-drink green tea - 69.5 %
- Non-tea and others - 30.5 %



Source: Ichitan Group

### Major shareholders

- Passakornnatee Family - 41.6 %
- Others - 58.4 %



Source: Ichitan Group

### Catalysts

Potential catalysts for ICHI’s earnings growth in 2023 are 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful new product launches; and 4) successful original equipment manufacturer (OEM) customer products.

### Risks to our call

Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.

### Event calendar

Date	Event
November 2023	3Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	7,200	7,557	7,944
Overseas revenue (THB m)	734	771	832
Total revenue (THB m)	7,934	8,328	8,776
Total revenue growth (%)	25.1	5.0	5.4
Gross margin (%)	22.5	22.7	22.8
SG&A to sales (%)	7.3	7.3	7.3

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 1%, 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 0.5% increase in SG&A to sales, we estimate 2023 net profit to fall by 2%, and vice versa, all else being equal.

Source: FSSIA estimates



**Exhibit 1: 3Q23 earnings preview**

	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	1,664	1,617	1,833	2,030	2,064	1.7	24.1	4,723	5,927	25.5
Cost of sales	1,339	1,275	1,452	1,564	1,590	1.7	18.7	3,894	4,605	18.3
Gross profit	325	343	381	466	475	1.9	46.0	829	1,321	59.4
SG&A	115	135	120	158	149	(6.0)	29.1	330	427	29.2
Operating profit	222	206	269	320	336	5.2	51.5	520	925	78.1
Interest expense	0.3	0.5	0.4	0.5	0.5	3.1	52.9	1.3	1.4	11.3
Tax expense	50	44	57	65	68	5.5	35.2	111	189	70.3
Profit (loss) sharing	21	17	9	1	5	407.1	(76.2)	66	15	(76.4)
Reported net profit	192	193	222	256	273	6.6	41.8	449	750	67.1
Core profit	192	178	222	256	273	6.6	41.8	473	750	58.6

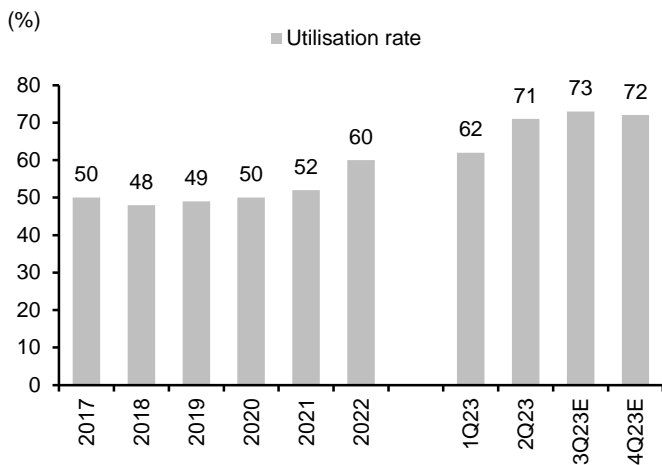
Key Ratios (%)						(ppt)	(ppt)			(ppt)
Gross margin	19.5	21.2	20.8	23.0	23.0	0.0	3.5	17.5	22.3	4.7
SG&A to sales	6.9	8.3	6.5	7.8	7.2	(0.6)	0.3	7.0	7.2	(0.2)
Operating margin	13.3	12.7	14.7	15.7	16.3	0.5	2.9	11.0	15.6	4.6
Net margin	11.6	11.9	12.1	12.6	13.2	0.6	1.7	9.5	12.7	3.2
Core margin	11.6	11.0	12.1	12.6	13.2	0.6	1.7	10.0	12.7	2.6

Operating statistics (THB m)										
Domestic	1,507	1,474	1,698	1,810	1,864	3.0	23.7	4,253	5,373	26.3
Overseas	157	143	134	220	200	(8.9)	27.4	470	554	17.9

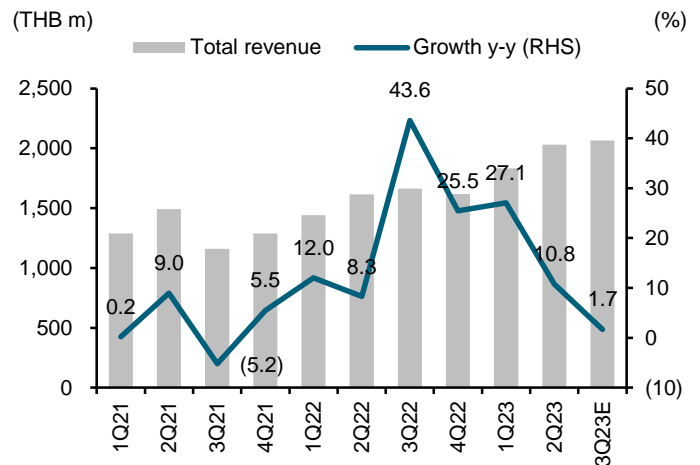
Sources: ICHI; FSSIA estimates

**Exhibit 2: Utilisation rate**



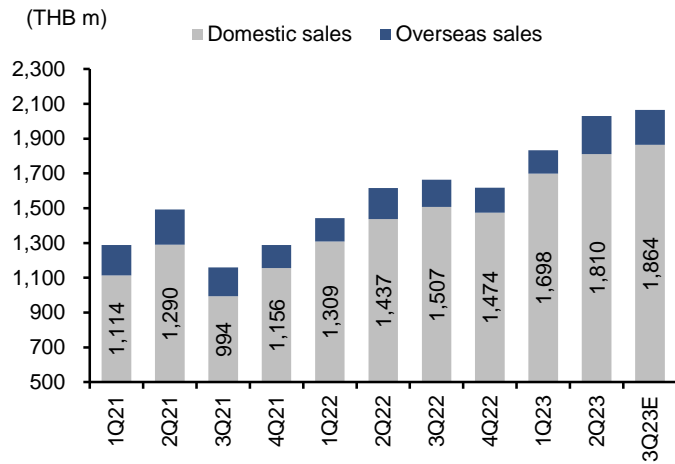
Sources: ICHI, FSSIA estimates

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



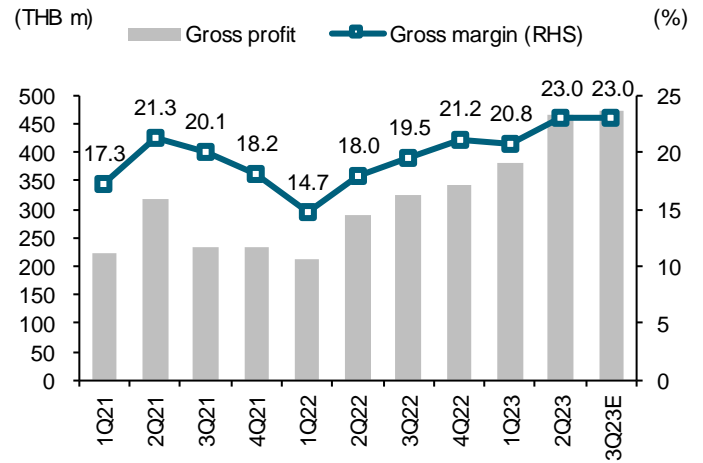
Sources: ICHI, FSSIA estimates

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



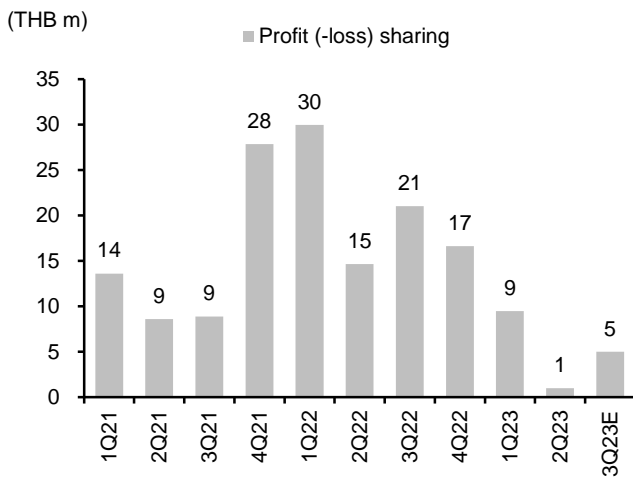
Sources: ICHI, FSSIA estimates

**Exhibit 5: Quarterly gross profit and gross margin**



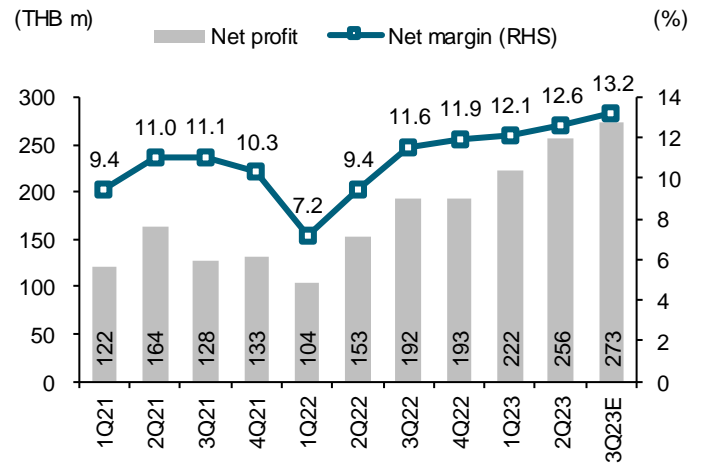
Sources: ICHI, FSSIA estimates

**Exhibit 6: Profit sharing from Indonesia JV**



Sources: ICHI, FSSIA estimates

**Exhibit 7: Quarterly net profit and net margin**



Sources: ICHI, FSSIA estimates

**Exhibit 8: Tansansu's new flavour**



Source: ICHI

**Exhibit 9: Production capacity expansion plan**

ICHITAN plans an investment of 460 THB million to enhance a maximum capacity of 1,700 million bottles per year:

- 1 additional PET Production Line (200 million bottles/year)
- Utilized the existing area of Ichitan Green Factory
- Increase capacity to support domestic, international consumption, and OEM business
- To be completed and operated in Q4/2024



Source: ICHI

**Exhibit 10: Key assumptions for ICHI**

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Sales	7,934	8,328	8,776	7,100	7,593	8,012	11.7	9.7	9.5
Cost of sales	6,149	6,437	6,775	5,624	5,998	6,313	9.3	7.3	7.3
Gross profit	1,785	1,890	2,001	1,477	1,594	1,699	20.9	18.6	17.8
SG&A	579	608	641	533	569	593	8.7	6.8	8.0
Operating profit	1,230	1,307	1,387	969	1,048	1,130	26.9	24.8	22.7
Interest expense	2	2	3	4	4	3	(51.8)	(57.0)	(14.3)
Tax expense	250	268	284	204	224	241	22.4	19.6	17.8
Profit (loss) sharing	21	33	35	57	76	80	(63.8)	(56.2)	(56.1)
Reported net profit	999	1,071	1,135	814	896	966	22.7	19.6	17.5
Core profit	999	1,071	1,135	814	896	966	22.7	19.6	17.5

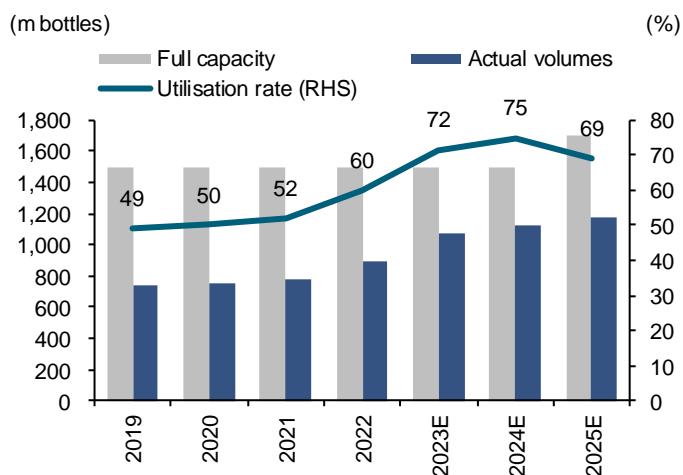
Key ratios (%)									
Total revenue growth	25.1	5.0	5.4	12.0	6.9	5.5	13.1	(1.9)	(0.1)
Net profit growth	55.7	7.3	6.0	26.9	10.0	7.8	28.8	(2.7)	(1.8)
Core profit growth	53.5	7.3	6.0	25.2	10.0	7.8	28.3	(2.7)	(1.8)
Gross margin	22.5	22.7	22.8	20.8	21.0	21.2	1.7	1.7	1.6
SG&A to sales	7.3	7.3	7.3	7.5	0.5	7.4	(0.2)	6.8	(0.1)
Net margin	12.6	12.9	12.9	11.5	11.8	12.1	1.1	1.1	0.8
Norm margin	12.6	12.9	12.9	11.5	11.8	12.1	1.1	1.1	0.8

Operating statistics (THB m)									
Domestic revenue	7,200	7,557	7,944	6,457	6,898	7,261	11.5	9.6	9.4
RTD green tea	6,469	6,793	7,133	5,666	6,044	6,346	14.2	12.4	12.4
Non tea	583	613	656	643	695	743	(9.3)	(11.9)	(11.8)
OEM	147	151	156	147	159	171	0.0	(4.8)	(8.8)
Overseas revenue	734	771	832	644	695	751	14.0	10.9	10.8

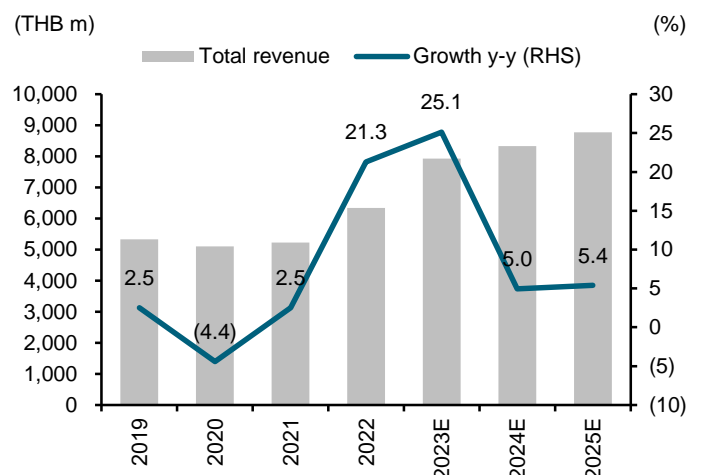
Source: FSSIA estimates

**Exhibit 11: Utilisation rate forecast by FSSIA**



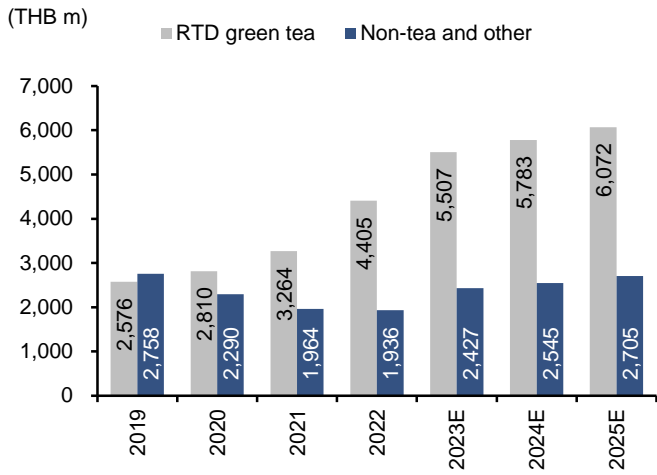
Sources: ICHI, FSSIA estimates

**Exhibit 12: Yearly total revenue and growth**



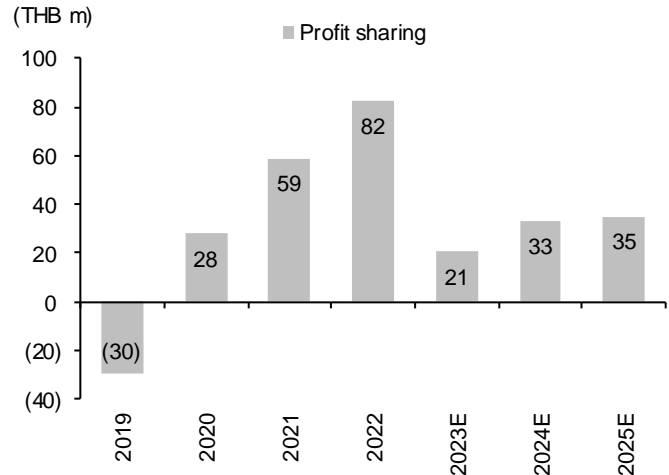
Sources: ICHI, FSSIA estimates

**Exhibit 13: Yearly total revenue breakdown by product**



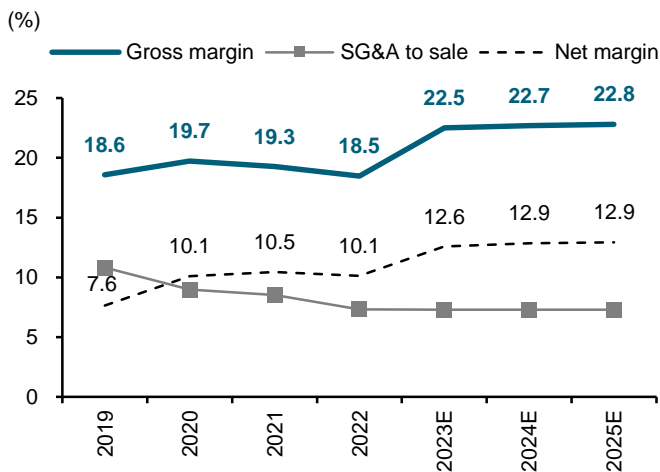
Sources: ICHI, FSSIA estimates

**Exhibit 14: Yearly profit sharing from Indonesia JV**



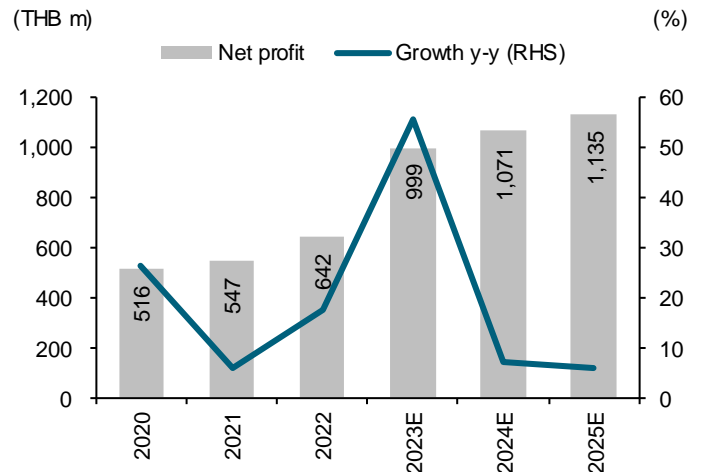
Sources: ICHI, FSSIA estimates

**Exhibit 15: Yearly profitability**



Sources: ICHI, FSSIA estimates

**Exhibit 16: Yearly net profit and growth**



Sources: ICHI, FSSIA estimates

## Financial Statements

### Ichitan Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	5,228	6,340	7,934	8,328	8,776
Cost of goods sold	(4,221)	(5,169)	(6,149)	(6,437)	(6,775)
<b>Gross profit</b>	<b>1,007</b>	<b>1,172</b>	<b>1,785</b>	<b>1,890</b>	<b>2,001</b>
Other operating income	23	19	24	25	26
Operating costs	(445)	(465)	(579)	(608)	(641)
<b>Operating EBITDA</b>	<b>1,168</b>	<b>1,296</b>	<b>1,812</b>	<b>1,915</b>	<b>2,009</b>
Depreciation	(584)	(570)	(583)	(608)	(623)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>585</b>	<b>726</b>	<b>1,230</b>	<b>1,307</b>	<b>1,387</b>
Net financing costs	(3)	(2)	(2)	(2)	(3)
Associates	59	82	21	33	35
Recurring non-operating income	59	82	21	33	35
Non-recurring items	0	(9)	0	0	0
<b>Profit before tax</b>	<b>641</b>	<b>797</b>	<b>1,248</b>	<b>1,339</b>	<b>1,419</b>
Tax	(94)	(155)	(250)	(268)	(284)
<b>Profit after tax</b>	<b>547</b>	<b>642</b>	<b>999</b>	<b>1,071</b>	<b>1,135</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>547</b>	<b>642</b>	<b>999</b>	<b>1,071</b>	<b>1,135</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>547</b>	<b>651</b>	<b>999</b>	<b>1,071</b>	<b>1,135</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.42	0.50	0.77	0.82	0.87
Reported EPS	0.42	0.49	0.77	0.82	0.87
DPS	0.50	0.60	0.77	0.82	0.87
Diluted shares (used to calculate per share data)	1,300	1,300	1,300	1,300	1,300
<b>Growth</b>					
Revenue (%)	2.5	21.3	25.1	5.0	5.4
Operating EBITDA (%)	1.7	10.9	39.9	5.7	4.9
Operating EBIT (%)	5.1	24.1	69.5	6.3	6.1
Recurring EPS (%)	6.1	19.0	53.5	7.3	6.0
Reported EPS (%)	6.1	17.4	55.7	7.3	6.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	19.3	18.5	22.5	22.7	22.8
Gross margin exc. depreciation (%)	30.4	27.5	29.8	30.0	29.9
Operating EBITDA margin (%)	22.3	20.4	22.8	23.0	22.9
Operating EBIT margin (%)	11.2	11.4	15.5	15.7	15.8
Net margin (%)	10.5	10.3	12.6	12.9	12.9
Effective tax rate (%)	14.7	19.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	118.9	119.9	100.0	100.0	100.0
Interest cover (X)	244.4	462.2	647.9	779.5	553.2
Inventory days	56.3	44.4	41.4	43.2	42.9
Debtor days	61.8	62.5	63.3	68.3	68.2
Creditor days	53.4	51.0	49.1	48.6	48.3
Operating ROIC (%)	8.0	10.8	19.2	20.5	22.6
ROIC (%)	8.3	11.2	17.8	18.7	20.0
ROE (%)	8.8	10.5	16.2	17.4	18.4
ROA (%)	7.6	9.0	13.5	14.5	15.2
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Ready-to-drink green tea	3,264	4,405	5,507	5,783	6,072
Non-tea and others	1,964	1,936	2,427	2,545	2,705

Sources: Ichitan Group; FSSIA estimates



## Financial Statements

### Ichitan Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	547	651	999	1,071	1,135
Depreciation	584	570	583	608	623
Associates & minorities	(59)	(82)	(21)	(33)	(35)
Other non-cash items	-	-	-	-	-
Change in working capital	(35)	(27)	(321)	(52)	(59)
<b>Cash flow from operations</b>	<b>1,036</b>	<b>1,112</b>	<b>1,240</b>	<b>1,594</b>	<b>1,664</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(65)	(114)	(247)	(500)	(255)
Net acquisitions & disposals	(65)	-	-	-	-
Other investments (net)	46	58	(102)	(175)	(9)
<b>Cash flow from investing</b>	<b>(83)</b>	<b>(56)</b>	<b>(349)</b>	<b>(675)</b>	<b>(264)</b>
Dividends paid	(650)	(644)	(999)	(1,071)	(1,135)
Equity finance	0	0	0	0	0
Debt finance	(238)	(9)	(65)	0	0
Other financing cash flows	(62)	(6)	15	(14)	2
<b>Cash flow from financing</b>	<b>(950)</b>	<b>(658)</b>	<b>(1,048)</b>	<b>(1,085)</b>	<b>(1,133)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	132	0	0	0	0
<b>Net other adjustments</b>	<b>132</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>135</b>	<b>397</b>	<b>(157)</b>	<b>(166)</b>	<b>267</b>
Free cash flow to firm (FCFF)	955.69	1,057.45	892.82	920.87	1,402.83
Free cash flow to equity (FCFE)	785.29	1,040.82	841.35	905.25	1,402.51

#### Per share (THB)

FCFF per share	0.74	0.81	0.69	0.71	1.08
FCFE per share	0.60	0.80	0.65	0.70	1.08
Recurring cash flow per share	0.82	0.88	1.20	1.27	1.33

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	9,261	9,370	9,620	10,120	10,420
Less: Accumulated depreciation	(4,483)	(5,032)	(5,615)	(6,223)	(6,845)
<b>Tangible fixed assets (net)</b>	<b>4,778</b>	<b>4,338</b>	<b>4,005</b>	<b>3,898</b>	<b>3,575</b>
<b>Intangible fixed assets (net)</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	254	312	375	575	610
Cash & equivalents	338	735	578	412	679
A/C receivable	1,054	1,304	1,597	1,672	1,713
Inventories	531	588	674	705	743
Other current assets	0	0	0	0	0
<b>Current assets</b>	<b>1,923</b>	<b>2,627</b>	<b>2,848</b>	<b>2,789</b>	<b>3,134</b>
Other assets	140	99	159	167	176
<b>Total assets</b>	<b>7,106</b>	<b>7,386</b>	<b>7,397</b>	<b>7,438</b>	<b>7,505</b>
Common equity	6,191	6,170	6,173	6,173	6,173
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>6,191</b>	<b>6,170</b>	<b>6,173</b>	<b>6,173</b>	<b>6,173</b>
Long term debt	73	65	0	0	0
Other long-term liabilities	47	41	56	42	44
<b>Long-term liabilities</b>	<b>119</b>	<b>105</b>	<b>56</b>	<b>42</b>	<b>44</b>
A/C payable	546	739	758	794	835
Short term debt	15	14	14	14	14
Other current liabilities	235	357	397	416	439
<b>Current liabilities</b>	<b>796</b>	<b>1,110</b>	<b>1,169</b>	<b>1,224</b>	<b>1,288</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,106</b>	<b>7,386</b>	<b>7,397</b>	<b>7,438</b>	<b>7,505</b>
Net working capital	804	795	1,116	1,168	1,182
Invested capital	5,987	5,554	5,665	5,817	5,552

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

#### Per share (THB)

Book value per share	4.76	4.75	4.75	4.75	4.75
Tangible book value per share	4.75	4.74	4.74	4.74	4.74

#### Financial strength

Net debt/equity (%)	(4.0)	(10.6)	(9.1)	(6.4)	(10.8)
Net debt/total assets (%)	(3.5)	(8.9)	(7.6)	(5.3)	(8.9)
Current ratio (x)	2.4	2.4	2.4	2.3	2.4
CF interest cover (x)	323.9	661.7	565.0	818.0	645.8

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>38.0</b>	<b>32.0</b>	<b>20.8</b>	<b>19.4</b>	<b>18.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>45.2</b>	<b>38.0</b>	<b>24.7</b>	<b>23.1</b>	<b>21.8</b>
Reported P/E (x)	38.0	32.4	20.8	19.4	18.3
Dividend yield (%)	3.1	3.8	4.8	5.2	5.5
Price/book (x)	3.4	3.4	3.4	3.4	3.4
Price/tangible book (x)	3.4	3.4	3.4	3.4	3.4
EV/EBITDA (x) **	17.6	15.5	11.2	10.7	10.0
EV/EBITDA @ target price (x) **	20.9	18.6	13.3	12.7	12.0
EV/invested capital (x)	3.4	3.6	3.6	3.5	3.6

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

Sources: Ichitan 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).

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

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

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

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

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

#### Disclaimer:

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

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

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

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

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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.

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

#### Ichitan Group (ICHI TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	17-May-2023	BUY	15.70	15-Jun-2023	HOLD	15.70

Sureeporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Ichitan Group	ICHI TB	THB 16.00	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.

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 18-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.