

SAPPE SAPPE TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

TARGET PRICE	THB96.50
CLOSE	THB83.25
UP/DOWNSIDE	+15.9%
PRIOR TP	THB96.50
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-8.4%

2H23 ไม่ดีเกิน รอฟื้น 1Q24

- คาดกำไรสุทธิ 3Q23 ทรงตัว q-q แต่โตสูง y-y แนวโน้ม 4Q23 จะอ่อนตัวลงต่อ
- จะเริ่ม Operate ไลน์การผลิตใหม่ใน 1Q24 รองรับเป้าหมายได้ปี 2024 +25% y-y
- ระยะสั้นไม่มี Catalyst แนะนำ ซื้อ รอการฟื้นตัว 1H24

คาดการณ์กำไร 3Q23 ทรงตัว q-q ได้ และโตสูง y-y

เราคาดการณ์กำไรสุทธิ 3Q23 อยู่ที่ 316 ลบ. (+1.2% q-q, +76.5% y-y) ยังคงเป็นกำไรที่นิวไฮได้ใกล้เคียงกับ 2Q23 แต่ไม่ดีขึ้น โดยคาดการณ์รวมทรงตัว q-q สำหรับส่งออกบวกลบสลับ มีบางประเทศโตได้ แต่บางประเทศอ่อนลง q-q หลังลูกค้าสต็อกไปมากช่วงก่อนหน้า แม้อัตรากำไรขั้นต้นน่าจะขยับขึ้นได้ 50 bps q-q จากทั้งบาทอ่อน และต้นทุน Pet resin ที่ลดลง แต่คาดถูกหักล้างด้วยค่าใช้จ่ายที่สูงขึ้น จากการออกสินค้าใหม่ และค่าใช้จ่ายในต่างประเทศ นอกจากนี้ด้วยบาทที่อ่อนค่า จึงคาดไตรมาสนี้มีโอกาสรับรู้ FX loss ราว 15-17 ลบ. ทำให้กำไรสุทธิอาจทำได้เพียงทรงตัว q-q

แนวโน้ม 4Q23 จะอ่อนตัวลงเป็นจุดต่ำสุดของปีตามฤดูกาล

หากกำไร 3Q23 ทำได้ตามคาด บริษัทจะมีกำไรสุทธิ 9M23 อยู่ที่ 903 ลบ. (+81% y-y) แนวโน้มกำไร 4Q23 น่าจะอ่อนตัวลง q-q ตามฤดูกาล เบื้องต้นคาดว่าไว้ราว 220-250 ลบ. โดยคาดการณ์รายได้ปี 2023 โตได้ตามเป้าหมายที่ 30%-35% y-y ทั้งนี้ผู้บริหารได้ตั้งเป้าหมายรายได้ปี 2024 เบื้องต้นไว้ไม่ต่ำกว่า 25% y-y โดยอยู่ระหว่างขยายกำลังการผลิตด้วยการติดตั้งเครื่องจักรเพิ่ม 1 ไลน์ ได้กำลังการผลิตเพิ่ม 25% คาดจะแล้วเสร็จปลาย 1Q24 และเริ่ม Operate ใน 2Q24 จึงคาดหวังกำไรจะโต y-y เร่งขึ้นใน 2Q24 เป็นต้นไป

ยังตั้งเป้าหมายรายได้ปี 2024 โตต่อเนื่อง ส่วนอัตรากำไรขั้นต้นดูท้าทายขึ้น

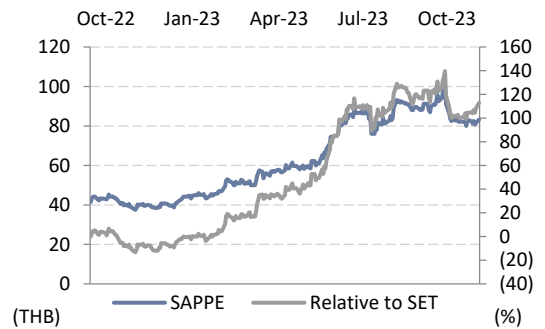
ปัจจัยหนุนการเติบโตปี 2024 ยังมาจากตลาดส่งออกเป็นหลัก โดยเฉพาะยุโรป (UK), สหรัฐ, ตะวันออกกลาง ส่วนเอเชียอาจเติบโตเป็นตัวเลขหลักเดียว เพราะฐานสูง สิ่งท้าทายคือ การรักษาอัตรากำไรขั้นต้นไว้ไม่ต่ำกว่าปี 2023 ที่ 43%-44% ขึ้นอยู่กับการใช้กำลังการผลิตให้เต็มได้ทันที กับค่าเสื่อมที่เพิ่มขึ้นหรือไม่ รวมถึงมีปัจจัยลบจากราคาน้ำตาลที่สูงขึ้น โดยมีต้นทุนน้ำตาล (ส่วนใหญ่เป็นโควตา ค. ผลิตเพื่อส่งออก) 6% ของต้นทุนรวม กรณีราคาน้ำตาลปรับขึ้นทุก 10% จะกระทบกำไร 1.5% ปัจจุบันโรงงานน้ำตาลเริ่มขายล่วงหน้าจากราว 25 เซนต์ต่อปอนด์ +20% y-y ดังนั้นหากกำหนดให้ปัจจัยอื่นคงที่ อาจกระทบกำไร SAPPE ราว 3%

ระยะสั้นไม่มี Catalyst คาดหวังกำไรกลับมาฟื้นตัวใน 1Q24

เรายังคาดการณ์กำไรสุทธิปี 2023-24 ไว้ตามเดิมเติบโต 82% y-y และ 11.7% y-y ตามลำดับ และคงราคาเป้าหมายปี 2023 ที่ 96.5 บาท (อิง PE เดิม 25x) แม้ระยะสั้นช่วง 2H23 อาจไม่มี Catalyst เชิงบวกต่อราคาหุ้น เพราะเป็น Low Season ของธุรกิจ แต่ราคาหุ้นที่ปรับลง 17% ใน 1 เดือนที่ผ่านมา ได้สะท้อนปัจจัยดังกล่าว และคาดหวังต่อการเติบโตในนี้หน้า จึงยังแนะนำ ซื้อ

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,566	6,281	6,998	7,750
Net profit	653	1,191	1,331	1,475
EPS (THB)	2.12	3.86	4.31	4.78
vs Consensus (%)	-	7.8	3.4	(0.3)
EBITDA	1,018	1,665	1,870	2,067
Recurring net profit	666	1,191	1,331	1,475
Core EPS (THB)	2.16	3.86	4.31	4.78
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	59.5	78.9	11.7	10.9
Core P/E (x)	38.6	21.6	19.3	17.4
Dividend yield (%)	2.0	3.5	3.9	4.3
EV/EBITDA (x)	23.3	14.6	13.1	11.7
Price/book (x)	7.9	7.2	6.6	6.0
Net debt/Equity (%)	(60.9)	(39.8)	(34.6)	(36.5)
ROE (%)	21.6	34.9	35.7	36.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.5)	2.5	99.4
Relative to country (%)	(2.8)	4.8	115.7
Mkt cap (USD m)	694		
3m avg. daily turnover (USD m)	2.6		
Free float (%)	25		
Major shareholder	Ruckariyapong Family (68%)		
12m high/low (THB)	100.00/37.00		
Issued shares (m)	308.29		

Sources: Bloomberg consensus; FSSIA estimates



สุรีย์พร ทิวะสุเวทย์

นักวิเคราะห์การลงทุนวิจัยพื้นฐานด้านหลักทรัพย์.

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Investment thesis

SAPPE ถือเป็นผู้นำในตลาดเครื่องดื่ม Functional drink ของไทย และได้มีการขยายตลาดไปในต่างประเทศมาตลอดระยะเวลา 10 กว่าปีที่ผ่านมา ด้วย Product champion อย่าง Mogu Mogu และ Aloe Vera ซึ่งได้รับการตอบรับที่ดี จนทำให้สัดส่วนรายได้ส่งออกขยับขึ้นต่อเนื่อง ล่าสุดในปี 2022 อยู่ที่ 77% ของรายได้รวม โดยเป็นการเติบโตดีในทุกประเทศหลักของ SAPPE อาทิ เอเชีย (อินโดนีเซีย ฟิลิปปินส์ เกาหลีใต้) ยุโรป (ฝรั่งเศส อังกฤษ) สหรัฐ และตะวันออกกลาง เป็นต้น ทั้งนี้ในปี 2023-24 ผู้บริหารตั้งเป้ารายได้รวมเติบโตต่อเนื่องไม่น้อยกว่า 30%-35 และ 20%-25% ตามลำดับ โดยมีเป้าหมายรายได้ระยะยาวแตะ 1 หมื่นลบ. ในปี 2026

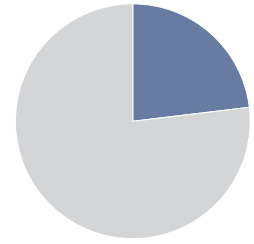
Company profile

SAPPE ดำเนินธุรกิจผลิตและจำหน่ายอาหารและเครื่องดื่มเพื่อสุขภาพ เครื่องดื่มแรกที่ผลิตคือ Mogu Mogu (น้ำผลไม้ผสมวุ้นมะพร้าว) ในปี 2001 หลังจากนั้นได้แตกไลน์ไปยังแบรนด์อื่น อาทิ Beauti Drink, Aloe Vera และกาแฟลดน้ำตาลกับแบรนด์ เพรียว เป็นต้น ในปี 2016 บริษัทได้เข้าลงทุนธุรกิจจำหน่ายมะพร้าว All Coco และในปี 2019 ได้เข้าร่วมทุนกับ Danone จัดตั้งบริษัท Danone Sappe Beverage และมีการออกเครื่องดื่มภายใต้แบรนด์ B'BLUE

www.sappe.com

Principal activities (revenue, 2022)

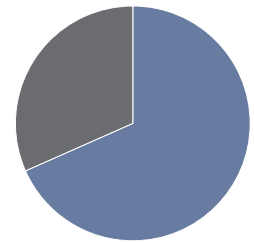
- Domestic revenue - 23.1 %
- Overseas revenue - 76.9 %



Source: Sappe

Major shareholders

- Ruckariyapong Family - 68.4 %
- Others - 31.6 %



Source: Sappe

Catalysts

ปัจจัยหนุนการเติบโตในปี 2023-24 คือ 1) การเติบโตในตลาดต่างประเทศ โดยเฉพาะตลาดใหม่หรือฐานต่ำอย่าง ฝรั่งเศส อังกฤษ สหรัฐ อินเดีย และ ตะวันออกกลาง 2) การประสบความสำเร็จในสินค้าใหม่ 3) ต้นทุนเม็ดพลาสติกปรับลดลง และ 4) การขยายกำลังการผลิต

Risks to our call

ความเสี่ยง 1) กำลังซื้อชะลอตัว 2) ต้นทุนวัตถุดิบและบรรจุภัณฑ์ปรับตัวสูงขึ้น 3) ค่าเงินบาทแข็งค่า และ 4) การแข่งขันสูงขึ้นหรือถูกลอกเลียนแบบสินค้า

Event calendar

Date	Event
November 2023	3Q23 results announcement 3Q23 analyst meeting

Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	1,143	1,261	1,395
Overseas revenue (THB m)	5,137	5,737	6,355
Total revenue (THB m)	6,281	6,998	7,750
Total revenue growth (%)	37.5	11.4	10.7
Gross margin (%)	43.5	43.5	43.5
SG&A to sales (%)	22.0	22.0	22.0

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 2.9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 2.8%, 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	1,279	1,032	1,520	1,657	1,673	1.0	30.8	3,535	4,851	37.2
Cost of sales	756	612	864	920	920	0.1	21.8	2,091	2,704	29.3
Gross profit	524	420	656	737	753	2.2	43.8	1,444	2,147	48.7
SG&A	352	284	354	352	368	4.6	4.7	1,082	1,075	(0.7)
Operating profit	249	171	337	421	420	(0.2)	68.3	660	1,177	78.5
Other income	77	35	35	36	35	(2.3)	(54.7)	298	105	(64.6)
Interest expense	0.53	0.62	0.71	0.64	0.60	(6.1)	13.0	2	2	16.5
Tax expense	45	40	67	81	83	2.1	86.1	122	231	90.3
Profit (loss) sharing	(0)	(1)	(1)	(11)	(5)	<i>nm</i>	<i>nm</i>	1	(17)	<i>nm</i>
Reported net profit	179	154	275	312	316	1.2	76.5	500	903	80.7
Core profit	204	131	280	329	333	1.1	63.5	534	942	76.3
Key ratios (%)						(ppt)	(ppt)			
Gross margin	40.9	40.7	43.2	44.5	45.0	0.5	4.1	40.9	44.3	3.4
SG&A to sales	27.5	27.5	23.3	21.3	22.0	0.7	(5.5)	30.6	22.2	(8.5)
Operating margin	19.5	16.6	22.1	25.4	25.1	(0.3)	5.6	18.7	24.3	5.6
Net margin	14.0	14.9	18.1	18.8	18.9	0.0	4.9	14.1	18.6	4.5
Core margin	15.9	12.7	18.4	19.9	19.9	0.0	4.0	15.1	19.4	4.3
Operating statistics (THB m)										
Domestic revenue	268	267	295	283	298	(4.0)	8.2	780	876	12.3
Overseas revenue	1,012	765	1,226	1,374	1,375	12.1	40.9	2,755	3,975	44.3

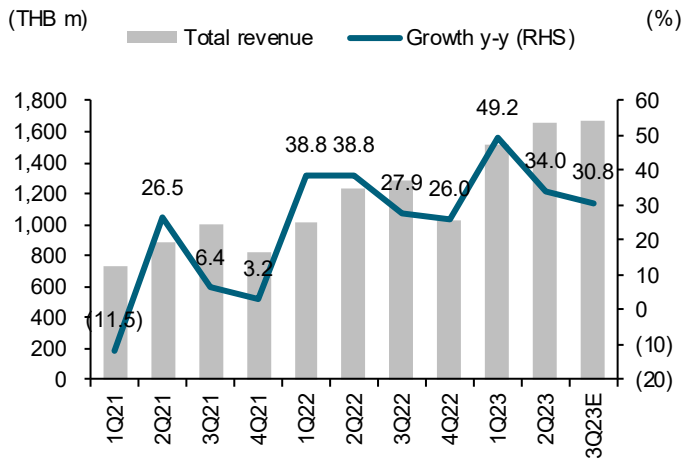
Sources: SAPPE, FSSIA estimates

Exhibit 2: Key assumptions for SAPPE

	----- Current -----			----- Growth -----		
	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total sale value (THB m)	6,281	6,998	7,750	37.5	11.4	10.7
Costs	3,549	3,954	4,379	31.3	11.4	10.7
Gross profit	2,732	3,044	3,371	46.6	11.4	10.7
SG&A expense	1,382	1,540	1,705	1.1	11.4	10.7
Interest expense	3	3	2	9.4	28.0	(37.5)
Reported net profit	1,191	1,331	1,475	82.3	11.7	10.9
Core profit	1,191	1,331	1,475	78.9	11.7	10.9
Key ratios (%)						
Gross margin	43.5	43.5	43.5	2.7	0.0	0.0
SG&A to sales	22.0	22.0	22.0	(7.9)	0.0	0.0
Net margin	19.0	19.0	19.0	4.7	0.1	0.0
Core margin	19.0	19.0	19.0	4.4	0.1	0.0
Operating statistics						
Domestic revenue (THB m)	1,143	1,261	1,395	8.4	10.3	10.6
Overseas revenue (THB m)	5,137	5,737	6,355	46.3	11.7	10.8
Domestic revenue portion (%)	18.2	18.0	18.0	(4.9)	(0.2)	(0.0)
Overseas revenue portion (%)	81.8	82.0	82.0	4.9	0.2	0.0

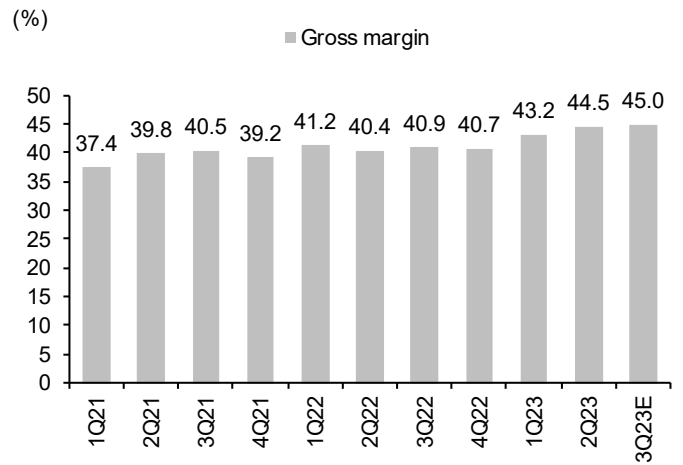
Source: FSSIA estimates

Exhibit 3: Quarterly total revenue and growth



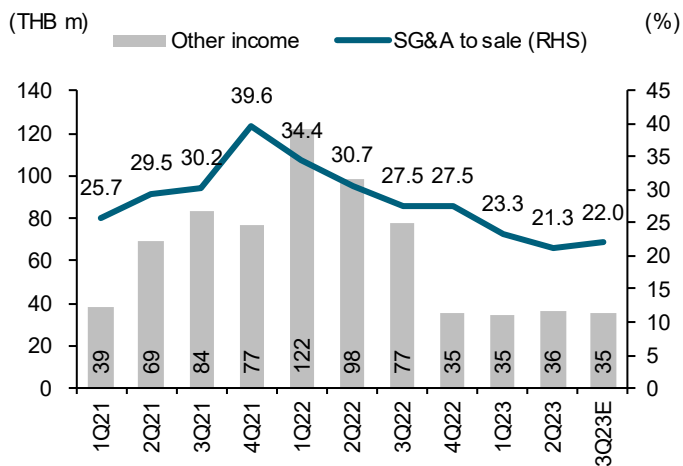
Sources: SAPPE, FSSIA estimates

Exhibit 4: Quarterly gross margin



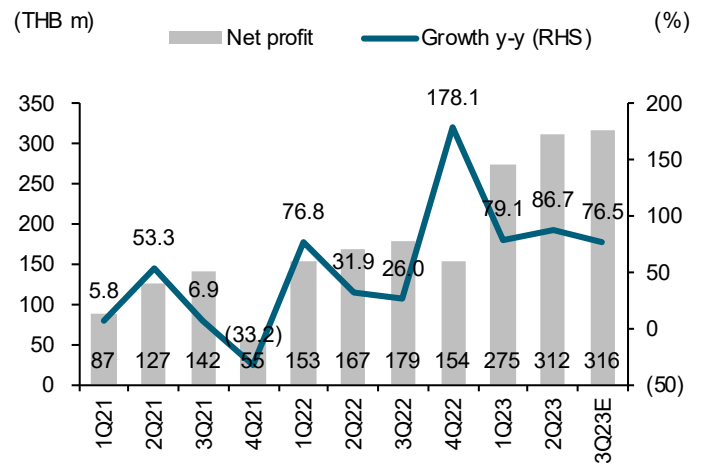
Sources: SAPPE, FSSIA estimates

Exhibit 5: Quarterly SG&A to sales



Sources: SAPPE, FSSIA estimates

Exhibit 6: Quarterly net profit and growth



Sources: SAPPE, FSSIA estimates

Financial Statements

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Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,444	4,566	6,281	6,998	7,750
Cost of goods sold	(2,089)	(2,703)	(3,549)	(3,954)	(4,379)
Gross profit	1,355	1,863	2,732	3,044	3,371
Other operating income	269	333	88	98	109
Operating costs	(1,078)	(1,366)	(1,382)	(1,540)	(1,705)
Operating EBITDA	743	1,018	1,665	1,870	2,067
Depreciation	(198)	(187)	(227)	(267)	(292)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	546	830	1,438	1,603	1,775
Net financing costs	(3)	(2)	(3)	(3)	(2)
Associates	(20)	0	(2)	3	3
Recurring non-operating income	(20)	0	(2)	3	3
Non-recurring items	(7)	(12)	0	0	0
Profit before tax	516	816	1,433	1,602	1,776
Tax	(106)	(162)	(287)	(320)	(355)
Profit after tax	410	654	1,147	1,282	1,421
Minority interests	1	(1)	44	49	54
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	411	653	1,191	1,331	1,475
Non-recurring items & goodwill (net)	7	12	0	0	0
Recurring net profit	417	666	1,191	1,331	1,475
Per share (THB)					
Recurring EPS *	1.35	2.16	3.86	4.31	4.78
Reported EPS	1.34	2.12	3.86	4.31	4.78
DPS	1.10	1.65	2.90	3.24	3.59
Diluted shares (used to calculate per share data)	308	308	308	308	308
Growth					
Revenue (%)	5.4	32.6	37.5	11.4	10.7
Operating EBITDA (%)	5.3	36.9	63.7	12.3	10.5
Operating EBIT (%)	8.3	52.2	73.2	11.4	10.7
Recurring EPS (%)	8.9	59.5	78.9	11.7	10.9
Reported EPS (%)	7.5	57.8	82.3	11.7	10.9
Operating performance					
Gross margin inc. depreciation (%)	39.3	40.8	43.5	43.5	43.5
Gross margin exc. depreciation (%)	45.1	44.9	47.1	47.3	47.3
Operating EBITDA margin (%)	21.6	22.3	26.5	26.7	26.7
Operating EBIT margin (%)	15.8	18.2	22.9	22.9	22.9
Net margin (%)	12.1	14.6	19.0	19.0	19.0
Effective tax rate (%)	20.5	19.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	81.3	76.5	75.0	75.0	75.0
Interest cover (X)	208.9	363.6	574.4	501.6	889.0
Inventory days	49.4	53.3	45.8	38.0	35.7
Debtor days	41.1	26.6	31.9	40.2	38.1
Creditor days	38.5	29.8	31.3	35.6	35.7
Operating ROIC (%)	38.4	63.7	79.1	61.6	60.1
ROIC (%)	30.3	48.3	63.2	52.2	51.7
ROE (%)	14.7	21.6	34.9	35.7	36.2
ROA (%)	11.2	15.9	24.3	25.0	25.3
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Domestic revenue	1,210	1,055	1,143	1,261	1,395
Overseas revenue	2,234	3,511	5,137	5,737	6,355

Sources: Sappe; FSSIA estimates

Financial Statements

Sappe

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	417	666	1,191	1,331	1,475
Depreciation	198	187	227	267	292
Associates & minorities	20	0	2	(3)	(3)
Other non-cash items	(1)	1	26	12	13
Change in working capital	96	191	(341)	145	4
Cash flow from operations	731	1,045	1,105	1,752	1,781
Capex - maintenance	-	-	-	-	-
Capex - new investment	(140)	(302)	(797)	(820)	(455)
Net acquisitions & disposals	7	6	0	0	0
Other investments (net)	(163)	(41)	(47)	(7)	(8)
Cash flow from investing	(296)	(338)	(844)	(827)	(463)
Dividends paid	(310)	(348)	(893)	(998)	(1,106)
Equity finance	47	63	(2)	0	0
Debt finance	(34)	0	28	(8)	3
Other financing cash flows	7	25	(38)	4	4
Cash flow from financing	(291)	(259)	(905)	(1,003)	(1,099)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	70	0	0
Net other adjustments	0	(73)	70	0	0
Movement in cash	144	375	(574)	(78)	219
Free cash flow to firm (FCFF)	437.25	709.65	263.35	927.95	1,320.84
Free cash flow to equity (FCFE)	407.22	659.24	321.50	919.99	1,325.60

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	1.42	2.30	0.85	3.01	4.28
FCFE per share	1.32	2.14	1.04	2.98	4.30
Recurring cash flow per share	2.07	2.77	4.69	5.21	5.76

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,268	2,530	3,330	4,130	4,630
Less: Accumulated depreciation	(1,262)	(1,398)	(1,625)	(1,892)	(2,184)
Tangible fixed assets (net)	1,006	1,132	1,705	2,238	2,445
Intangible fixed assets (net)	134	128	128	128	128
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	156	186	184	186	189
Cash & equivalents	1,754	2,129	1,555	1,477	1,696
A/C receivable	430	459	839	852	889
Inventories	291	444	389	379	420
Other current assets	50	47	38	35	39
Current assets	2,524	3,079	2,821	2,743	3,044
Other assets	29	36	63	70	78
Total assets	3,848	4,561	4,900	5,365	5,884
Common equity	2,906	3,258	3,556	3,889	4,258
Minorities etc.	101	102	128	140	153
Total shareholders' equity	3,006	3,360	3,684	4,029	4,411
Long term debt	52	61	56	48	51
Other long-term liabilities	45	70	31	35	39
Long-term liabilities	96	130	88	83	90
A/C payable	181	230	340	379	420
Short term debt	21	21	34	34	34
Other current liabilities	543	820	754	840	930
Current liabilities	745	1,071	1,128	1,253	1,384
Total liabilities and shareholders' equity	3,848	4,561	4,900	5,365	5,884
Net working capital	46	(99)	172	47	(2)
Invested capital	1,371	1,383	2,251	2,669	2,838

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	9.49	10.56	11.53	12.61	13.80
Tangible book value per share	9.05	10.15	11.11	12.19	13.39

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	(55.9)	(60.9)	(39.8)	(34.6)	(36.5)
Net debt/total assets (%)	(43.7)	(44.9)	(29.9)	(26.0)	(27.4)
Current ratio (x)	3.4	2.9	2.5	2.2	2.2
CF interest cover (x)	218.4	421.9	448.5	544.7	891.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	61.5	38.6	21.6	19.3	17.4
Recurring P/E @ target price (x) *	71.3	44.7	25.0	22.4	20.2
Reported P/E (x)	62.0	39.3	21.6	19.3	17.4
Dividend yield (%)	1.3	2.0	3.5	3.9	4.3
Price/book (x)	8.8	7.9	7.2	6.6	6.0
Price/tangible book (x)	9.2	8.2	7.5	6.8	6.2
EV/EBITDA (x) **	32.2	23.3	14.6	13.1	11.7
EV/EBITDA @ target price (x) **	37.6	27.3	17.1	15.2	13.7
EV/invested capital (x)	17.4	17.2	10.8	9.2	8.5

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

Sources: Sappe; 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)¹

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)²

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)³

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)⁴ 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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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

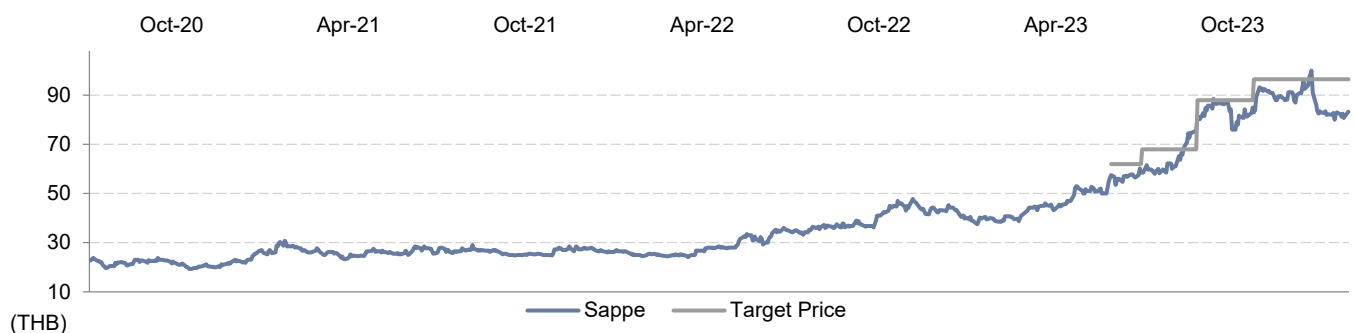
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

Sappe (SAPPE TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	23-May-2023	BUY	88.00	-	-	-
05-Apr-2023	BUY	68.00	11-Jul-2023	BUY	96.50			

Sureeporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sappe	SAPPE TB	THB 83.25	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) 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.

All share prices are as at market close on 02-Oct-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.