

INDEX LIVING MALL ILM TB

THAILAND / COMMERCE

BUY

UNCHANGED

Good outlook but already priced in

- We expect a 3Q23 net profit of THB166m, growing both q-q and y-y, driven by tourist areas and consumption growth.
- We believe 2H23 and 2024 could benefit from the tourism and consumption recovery.
- Maintain BUY and roll over our TP to 2024 at THB26.7.

TARGET PRICE	THB26.70
CLOSE	THB23.00
UP/DOWNSIDE	+16.1%
PRIOR TP	THB24.80
CHANGE IN TP	+7.7%
TP vs CONSENSUS	+4.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	8,889	10,005	10,779	11,396
Net profit	659	694	771	836
EPS (THB)	1.31	1.37	1.53	1.66
vs Consensus (%)	-	(1.8)	(5.1)	(7.9)
EBITDA	1,807	1,913	2,038	2,144
Recurring net profit	659	694	771	836
Core EPS (THB)	1.31	1.37	1.53	1.66
Chg. In EPS est. (%)	-	0.3	2.4	2.4
EPS growth (%)	45.4	5.3	11.1	8.4
Core P/E (x)	17.6	16.7	15.1	13.9
Dividend yield (%)	2.6	3.8	4.0	4.4
EV/EBITDA (x)	8.7	8.0	7.2	6.6
Price/book (x)	2.0	2.0	1.9	1.8
Net debt/Equity (%)	71.0	61.1	49.3	37.7
ROE (%)	12.0	12.0	12.7	13.1

Another good performance in 3Q23

We project a 3Q23 net profit of THB166m (+1.1% q-q, +8.5% y-y), driven by retail and online sales followed by continuous same-store sales growth (SSSG). We expect 3Q23 SSSG could grow 11% y-y from tourist areas (contributing about 32% to total sales) in line with the recovery of the tourism sector and domestic consumption. We expect a retail gross margin of 47.2%, slightly up from 47.1% in 2Q23. Retail sales remain a key contributor to ILM's sales proportion, which is its highest gross margin channel. We expect SG&A to sales of 37.4%, dipping from 37.5% in 2Q23 as we expect electricity costs to soften in 3Q23 vs 2Q23.

A positive outlook in 4Q23

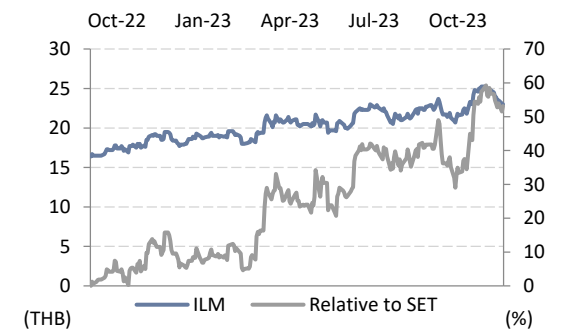
If 3Q23 earnings results are in line with our estimate, 9M23 earnings would account for 73% of our full-year earnings forecast. We maintain our full-year estimate of THB694m (+5.3% y-y), and 4Q23 earnings should be positive thanks to 1) the festive season in 4Q23 – we expect that total sales should continue to grow, supported by SSSG and the return of project sales following the recovery of the property sector; 2) a new store opening – Little Walk Krungthep Kreetha will fully book in 4Q23; and 3) a lower electricity price from THB4.45/kWh to THB3.99/kWh (-10%).

Benefitting from stimulus and continuous store expansion

For our outlook in 2024, we believe ILM would benefit from the tourism and consumption recovery. We forecast a 2024 net profit of THB771m (+11.1% y-y), driven by expected SSSG of 6.1% y-y and an expected store expansion of three stores – two Index Living Mall stores and one Little Walk store, resulting in a total of 35 stores for Index Living Mall and four Little Walk stores. We expect its gross margin could expand to 45.6% in 2024 (vs 45.4% in 2023E), and expect SG&A to sales to slightly increase to 36.4% (vs 36.1% in 2023E) from the store expansion.

Maintain BUY and roll over our TP to 2024 at THB26.7

We maintain our BUY call and roll over our DCF-based TP to 2024 at THB26.7/shr, implying a 2024E P/E of 17.5x, equal to the 5Y-avg P/E at +1.2SD (vs 5Y-avg P/E of 14.7x). We like ILM in terms of being the cheapest in the sector, which trades at a 2024E P/E of 15.1x, below its peers' 23.2x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.5	8.5	42.9
Relative to country (%)	13.8	13.0	53.8
Mkt cap (USD m)	313		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	25		
Major shareholder	Krobkrua Thammada Panich Co Ltd (40%)		
12m high/low (THB)	26.00/16.10		
Issued shares (m)	505.00		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

The company's growth is sustainable, with a diverse range of sales channels including physical stores, project sales, online channels and international expansion. The company has a plan to expand its stores by two to three stores per year. The company has also expanded into rental spaces through the brands "The Walk" and "Little Walk", which are community malls. The Walk and Little Walk have received positive feedback from both customers and tenants. As a result, the average occupancy rate has exceeded 80% of total space.

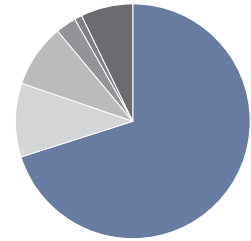
Company profile

ILM is domestically well-known through its Index Living Mall outlets which retail furniture, home decoration items, and home electrical products (own-branded and others). The company also distributes products through various distribution channels in Thailand and abroad. ILM operates rental spaces in Index Living Mall and community mall buildings – The Walk, Little Walk and Index Mall.

www.indexlivingmall.com

Principal activities (revenue, 2022)

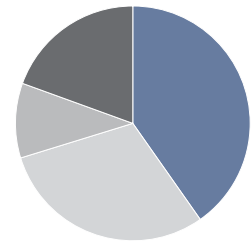
- Retail - 70.1 %
- Online - 10.2 %
- Project - 8.7 %
- Oversea - 2.8 %
- Dealer - 1.0 %
- Rental - 7.2 %



Source: Index Living Mall

Major shareholders

- Krobkrua Thammada Panich Co Ltd - 40.3 %
- Patamasatayasonthi Family - 30.0 %
- Udomma huntisuk Family - 10.3 %
- Others - 19.5 %



Source: Index Living Mall

Catalysts

Potential catalysts for ILM are 1) a faster-than-expected domestic consumption and tourism recovery; and 2) higher-than-expected demand for new houses, home improvement and home renovation.

Risks to our call

Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) higher-than-expected SG&A.

Event calendar

Date	Event
November	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
SSSG (%)	8.4	6.1	3.8
Average occupancy rate (%)	86.0	87.4	88.6
GPM (%)	45.7	45.9	46.1
- GPM sales (%)	45.4	45.6	45.8
- GPM Rental (%)	49.7	49.9	49.6
SG&A to sales (%)	36.1	36.4	36.6

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, 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 5.7%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 5.8%, and vice versa, all else being equal.

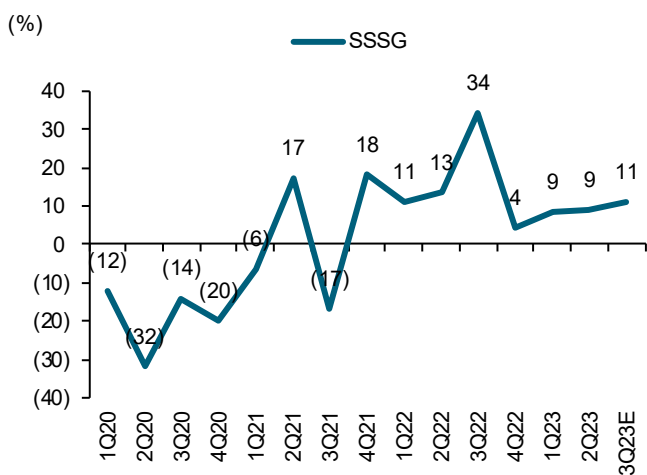
Source: FSSIA estimates

Exhibit 1: 3Q23 earnings preview

Year to Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	Change		9M23		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	(%23E)
Total revenue	2,188	2,435	2,188	2,184	2,225	1.9	1.7	6,598	2.2	66
- Retail sales	2,017	2,274	2,023	2,012	2,053	2.0	1.8	6,088	1.9	65
- Rental and Rendering of services	171	161	165	172	173	0.2	1.2	510	6.9	74
Core COGS	(1,207)	(1,377)	(1,159)	(1,147)	(1,168)	1.8	(3.3)	(3,474)	(0.8)	64
- COGS	(1,127)	(1,296)	(1,075)	(1,065)	(1,085)	1.9	(3.8)	(3,224)	(1.4)	63
- Cost of Rental and Rendering	(80)	(82)	(84)	(83)	(83)	0.2	3.6	(249)	8.4	72
Gross profit	981	1,058	1,029	1,037	1,058	2.0	7.9	3,124	5.8	68
Operating costs	(778)	(823)	(793)	(820)	(831)	1.4	6.9	(2,445)	5.7	68
Operating profit	203	236	236	217	226	4.3	11.5	679	6.2	71
Other income	32	35	24	32	27	(14.4)	(15.6)	83	(3.0)	72
Interest expense	(53)	(55)	(52)	(54)	(54)	0.9	2.3	(160)	0.0	63
Profit before tax	182	216	208	195	199	2.3	9.4	603	6.6	73
Tax	(30)	(32)	(34)	(31)	(34)	8.4	14.1	(99)	10.5	77
Non-recurring items	-	-	-	-	-	n/a	n/a	-	n/a	n/a
Reported net profit	153	183	174	164	166	1.1	8.5	503	5.9	73
Recurring net profit	153	183	174	164	166	1.1	8.5	503	5.9	73
EPS (THB)	0.30	0.36	0.35	0.32	0.33	1.1	8.5	1.00	5.9	73
Recurring EPS (THB)	0.30	0.36	0.35	0.32	0.33	1.1	8.5	1.00	5.9	73
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	
Gross margin	44.8	43.5	47.0	47.5	47.5	0.4	1.2	47.3	1.6	
- Retail	44.1	43.0	46.9	47.1	47.2	0.2	1.2	47.0	1.8	
- Rental and Rendering of services	53.1	49.3	49.2	52.0	52.0	2.9	1.2	51.1	(0.7)	
Operating margin	10.7	11.1	11.9	11.4	11.4	(0.5)	(0.0)	11.5	0.3	
Recurring net margin	7.0	7.5	8.0	7.5	7.4	(0.5)	(0.1)	7.6	0.3	
SG&A / Sales	35.5	33.8	36.3	37.5	37.4	1.3	1.5	37.1	1.2	
Operating statistics	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	
SSSG (y-y%)	34.3	4.3	8.5	9.0	11.0	2.0	(23.3)			
Retails Sales (% to sales)	74	73	83	83	81	(1.9)	6.8	82	6	
Project Sales (% to sales)	9	13	3	3	3	0.2	(6.0)	3	(5)	
Oversea Sales (% to sales)	4	3	2	1	2	1.0	(1.6)	2	(1)	
Dealer Sales (% to sales)	1	1	1	1	1	0.0	(0.0)	1	(0)	
Online Sales (% to sales)	12	10	11	12	12	0.8	0.8	12	0	

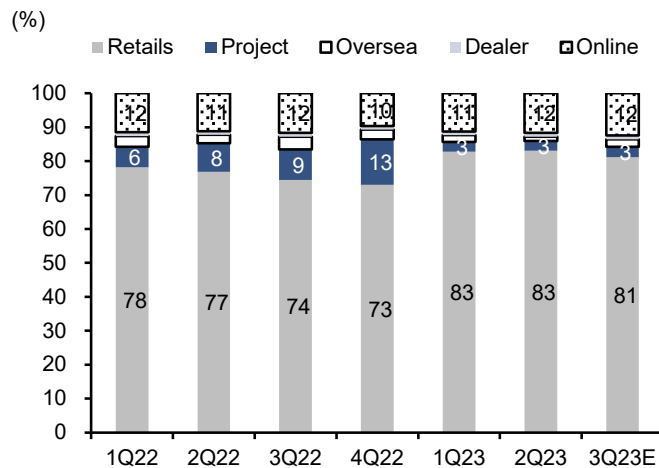
Sources: ILM; FSSIA estimates

Exhibit 2: Same-store sales growth



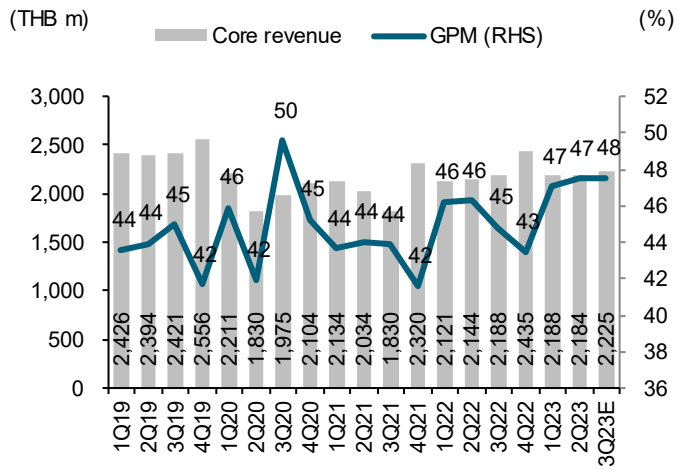
Sources: ILM; FSSIA estimates

Exhibit 3: Revenue breakdown by channel



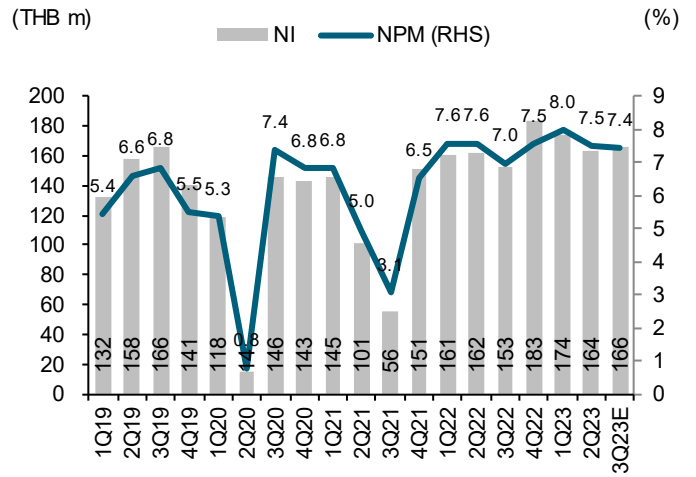
Sources: ILM; FSSIA estimates

Exhibit 4: Revenue and gross margin



Sources: ILM; FSSIA estimates

Exhibit 5: Net profit and net margin



Sources: ILM; FSSIA estimates

Roll over our 2024 target price of THB26.7/shr

We maintain our BUY call and roll over our DCF-based TP to 2024 at THB26.7/shr, implying a 2024E P/E of 17.5x, equal to the 5Y-average P/E at +1.2SD (vs 5Y-average P/E of 14.7x). We like ILM in terms of being the cheapest in the sector, which trades at a 2024E P/E of 15.1x, below its peers' 23.2x.

Exhibit 6: DCF-based valuation

DCF-derived TP	(%)	(THB m)
Discount rate (WACC)	8.5	
Terminal growth	2	
FCFF		9,254
Terminal Value		7,303
Net Debt		(3,069)
Value of equity		13,488
No. of shares (m)		505
Share price (THB/share)		26.7

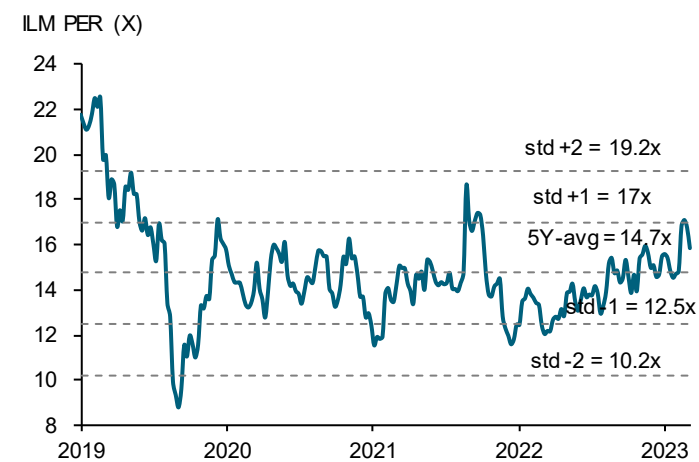
Source: FSSIA estimates

Exhibit 7: Sensitivity to 2024 target price

		Terminal Growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.5%	28.5	29.8	31.5	33.4	35.8
	8.0%	26.4	27.6	28.9	30.5	32.3
	8.5%	24.7	25.6	26.7	28.0	29.5
	9.0%	23.1	23.9	24.8	25.9	27.1
	9.5%	21.7	22.4	23.2	24.1	25.1

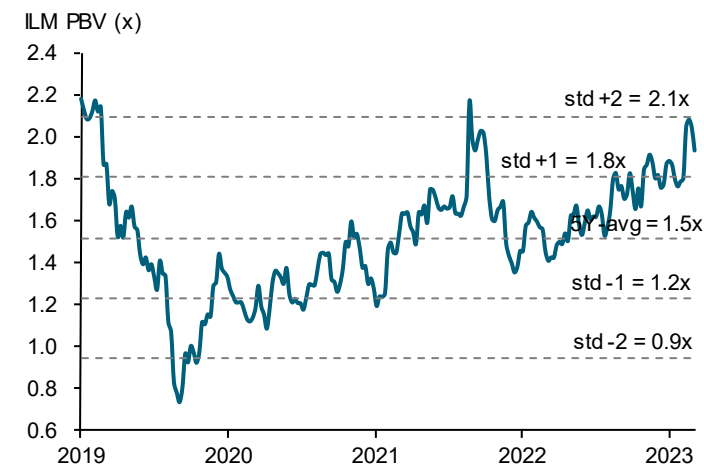
Source: FSSIA estimates

Exhibit 8: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Commerce peers as of 3 October 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Consumer Staple														
CP All	CPALL TB	BUY	60.00	77.00	28	14,527	32.9	27.7	15.6	17.0	5.4	4.9	22.3	19.8
CP Axtra	CPAXT TB	BUY	31.50	38.00	21	8,983	37.3	30.0	3.1	3.8	1.1	1.1	11.6	10.7
Berli Jucker*	BJC TB	n/a	29.25	n/a	n/a	3,160	20.2	17.5	4.8	5.4	0.9	0.9	13.1	12.6
Consumer Staple average						26,670	30.1	25.1	7.8	8.7	2.5	2.3	15.7	14.4
Consumer Discretionary														
Com7	COM7 TB	BUY	31.25	40.00	28	2,009	21.7	18.0	44.8	46.7	9.1	7.8	15.4	13.0
Central Retail Corp*	CRC TB	n/a	39.00	n/a	n/a	6,340	28.3	23.0	12.7	14.3	3.5	3.1	11.5	10.5
Home Improvement														
Index Living Mall	ILM TB	BUY	23.00	26.70	16	313	16.7	15.1	12.0	12.7	2.0	1.9	8.0	7.2
Home Product Center	HMPRO TB	BUY	12.30	16.00	30	4,360	24.6	22.3	26.4	27.7	6.3	6.0	14.5	13.3
Siam Global House	GLOBAL TB	BUY	16.60	20.50	23	2,238	28.4	24.9	12.8	13.4	3.5	3.2	21.5	19.2
Dohome	DOHOME TB	BUY	11.00	13.00	18	916	57.1	30.5	4.9	8.5	2.7	2.5	25.1	18.5
Home Improvement avg.						7,827	31.7	23.2	14.0	15.6	3.6	3.4	17.3	14.5
Consumer Discretionary avg.						16,175	29.5	22.3	18.9	20.6	4.5	4.1	16.0	13.6
Total average						42,845	29.7	23.2	15.2	16.6	3.8	3.5	15.9	13.8

Sources: *Bloomberg; FSSIA estimates

Financial Statements

Index Living Mall

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	8,317	8,889	10,005	10,779	11,396
Cost of goods sold	(4,724)	(4,877)	(5,434)	(5,828)	(6,143)
Gross profit	3,593	4,011	4,571	4,951	5,253
Other operating income	97	120	111	119	126
Operating costs	(2,914)	(3,136)	(3,614)	(3,921)	(4,168)
Operating EBITDA	1,648	1,807	1,913	2,038	2,144
Depreciation	(872)	(812)	(844)	(888)	(932)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	776	995	1,068	1,150	1,212
Net financing costs	(246)	(214)	(246)	(236)	(221)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	529	781	822	914	991
Tax	(76)	(122)	(128)	(143)	(155)
Profit after tax	453	659	694	771	836
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	453	659	694	771	836
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	453	659	694	771	836
Per share (THB)					
Recurring EPS *	0.90	1.31	1.37	1.53	1.66
Reported EPS	0.90	1.31	1.37	1.53	1.66
DPS	0.44	0.60	0.87	0.92	1.02
Diluted shares (used to calculate per share data)	505	505	505	505	505
Growth					
Revenue (%)	2.4	6.9	12.6	7.7	5.7
Operating EBITDA (%)	(0.8)	9.7	5.9	6.5	5.2
Operating EBIT (%)	(0.3)	28.3	7.3	7.6	5.4
Recurring EPS (%)	7.6	45.4	5.3	11.1	8.4
Reported EPS (%)	7.6	45.4	5.3	11.1	8.4
Operating performance					
Gross margin inc. depreciation (%)	43.2	45.1	45.7	45.9	46.1
Gross margin exc. depreciation (%)	53.7	54.3	54.1	54.2	54.3
Operating EBITDA margin (%)	19.8	20.3	19.1	18.9	18.8
Operating EBIT margin (%)	9.3	11.2	10.7	10.7	10.6
Net margin (%)	5.4	7.4	6.9	7.2	7.3
Effective tax rate (%)	14.4	15.6	15.6	15.6	15.6
Dividend payout on recurring profit (%)	48.9	46.0	63.5	60.2	61.7
Interest cover (X)	3.1	4.6	4.3	4.9	5.5
Inventory days	161.8	145.6	134.9	138.3	139.4
Debtor days	9.2	9.3	9.0	9.0	9.1
Creditor days	140.0	144.5	134.6	138.3	140.8
Operating ROIC (%)	10.7	15.1	16.8	18.7	20.5
ROIC (%)	5.6	7.6	8.3	9.1	9.8
ROE (%)	8.7	12.0	12.0	12.7	13.1
ROA (%)	5.1	6.8	7.2	7.7	8.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Retail	5,886	6,230	6,845	7,400	7,825
Online	1,001	903	1,266	1,380	1,490
Project	588	773	782	790	798
Oversea	284	253	337	375	403

Sources: Index Living Mall; FSSIA estimates

Financial Statements

Index Living Mall

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	453	659	694	771	836
Depreciation	872	812	844	888	932
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	484	311	195	228	210
Cash flow from operations	1,809	1,782	1,733	1,887	1,978
Capex - maintenance	-	-	-	-	-
Capex - new investment	(374)	(587)	(647)	(670)	(694)
Net acquisitions & disposals	100	(40)	(25)	(3)	25
Other investments (net)	125	(2)	(2)	(2)	(1)
Cash flow from investing	(150)	(629)	(673)	(675)	(671)
Dividends paid	(222)	(303)	(441)	(464)	(515)
Equity finance	0	0	0	0	0
Debt finance	(1,104)	(674)	106	(827)	125
Other financing cash flows	(333)	(208)	(212)	(198)	(193)
Cash flow from financing	(1,658)	(1,185)	(546)	(1,488)	(584)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1	(32)	514	(277)	724
Free cash flow to firm (FCFF)	1,905.54	1,367.18	1,305.58	1,447.28	1,528.66
Free cash flow to equity (FCFE)	222.34	270.70	954.21	187.07	1,239.45
Per share (THB)					
FCFF per share	3.77	2.71	2.59	2.87	3.03
FCFE per share	0.44	0.54	1.89	0.37	2.45
Recurring cash flow per share	2.62	2.91	3.05	3.29	3.50
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	12,803	13,001	13,309	13,617	13,925
Less: Accumulated depreciation	(7,891)	(8,314)	(8,819)	(9,344)	(9,890)
Tangible fixed assets (net)	4,912	4,688	4,491	4,273	4,034
Intangible fixed assets (net)	3,244	2,979	2,975	2,957	2,923
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	107	75	588	311	1,035
A/C receivable	509	522	569	620	659
Inventories	1,658	1,586	1,807	1,938	2,041
Other current assets	12	14	15	17	18
Current assets	2,287	2,197	2,980	2,886	3,753
Other assets	1,913	2,168	2,214	2,255	2,279
Total assets	12,356	12,032	12,660	12,371	12,990
Common equity	5,310	5,668	5,921	6,228	6,549
Minorities etc.	1	0	0	0	0
Total shareholders' equity	5,311	5,668	5,921	6,228	6,549
Long term debt	3,603	3,029	2,764	2,743	2,746
Other long-term liabilities	588	615	676	743	793
Long-term liabilities	4,190	3,644	3,440	3,486	3,539
A/C payable	1,630	1,590	1,793	1,950	2,070
Short term debt	1,172	1,072	1,443	638	759
Other current liabilities	53	57	62	69	73
Current liabilities	2,855	2,719	3,299	2,657	2,902
Total liabilities and shareholders' equity	12,356	12,032	12,660	12,371	12,990
Net working capital	497	474	536	556	575
Invested capital	10,567	10,310	10,216	10,041	9,811
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	10.51	11.22	11.73	12.33	12.97
Tangible book value per share	4.09	5.32	5.83	6.48	7.18
Financial strength					
Net debt/equity (%)	87.9	71.0	61.1	49.3	37.7
Net debt/total assets (%)	37.8	33.5	28.6	24.8	19.0
Current ratio (x)	0.8	0.8	0.9	1.1	1.3
CF interest cover (x)	3.4	5.0	7.5	4.6	9.7
Valuation					
Recurring P/E (x) *	25.6	17.6	16.7	15.1	13.9
Recurring P/E @ target price (x) *	29.8	20.5	19.4	17.5	16.1
Reported P/E (x)	25.6	17.6	16.7	15.1	13.9
Dividend yield (%)	1.9	2.6	3.8	4.0	4.4
Price/book (x)	2.2	2.0	2.0	1.9	1.8
Price/tangible book (x)	5.6	4.3	3.9	3.6	3.2
EV/EBITDA (x) **	9.9	8.7	8.0	7.2	6.6
EV/EBITDA @ target price (x) **	11.0	9.7	8.9	8.1	7.4
EV/invested capital (x)	1.5	1.5	1.5	1.5	1.4
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Index Living Mall; 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 **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 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

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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Company	Ticker	Price	Rating	Valuation & Risks
Index Living Mall	ILM TB	THB 23.00	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; and 3) higher-than-expected SG&A.
CP All	CPALL TB	THB 60.00	BUY	The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from CPAXT; and 3) a slower recovery in tourist arrival numbers and private consumption.
CP Axtra	CPAXT TB	THB 31.50	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.
Com7	COM7 TB	THB 31.25	BUY	Downside risks to our P/E-based TP include 1) lower consumer spending; 2) store cannibalisation; and 3) product shortages.
Synex (Thailand)	SYNEX TB	THB 11.30	BUY	Downside risks to our P/E-based TP include 1) outmoded or obsolete products; 2) product shortages; and 3) currency fluctuations.
Dohome PCL	DOHOME TB	THB 11.00	BUY	Downside risks to our DCF-based TP include 1) lower-than-expected SSSG; 2) a lower-than-expected GPM; 3) higher-than-expected SG&A; 4) higher-than-expected effect of El Nino
Siam Global House	GLOBAL TB	THB 16.60	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces and a larger-than-expected impact on farm income from the El Nino effect.
Home Product Center	HMPRO TB	THB 12.30	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.

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 3-Oct-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.