

AAPICO HITECH AH TB

THAILAND / AUTOMOTIVES

BUY

พร้อมโตต่อจนถึงปี 2024

- หลังทำสถิติใหม่ในปี 2022 เราเชื่อว่า AH จะสามารถเพิ่มกำไรปกติในอัตรา 8.2% CAGR ในช่วงปี 2023-25
- คาดว่ากำไรปกติ 3Q23 จะเพิ่ม 43.4% q-q และทรงตัว 0.7% y-y
- กลับมาเริ่มบทวิเคราะห์ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 45 บาท

TARGET PRICE	THB45.00
CLOSE	THB34.50
UP/DOWNSIDE	+30.4%
TP vs CONSENSUS	-2.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	27,967	30,264	31,893	32,922
Net profit	1,824	1,861	1,934	2,089
EPS (THB)	5.14	5.24	5.45	5.89
vs Consensus (%)	-	1.2	(1.9)	(1.1)
EBITDA	2,625	2,570	2,541	2,618
Recurring net profit	1,708	1,785	1,934	2,089
Core EPS (THB)	4.81	5.03	5.45	5.89
EPS growth (%)	115.6	4.6	8.3	8.0
Core P/E (x)	7.2	6.9	6.3	5.9
Dividend yield (%)	3.0	4.6	4.7	5.1
EV/EBITDA (x)	7.4	7.4	7.2	6.7
Price/book (x)	1.3	1.1	1.0	0.9
Net debt/Equity (%)	68.1	55.9	44.5	35.1
ROE (%)	18.8	17.3	16.5	15.9

รากฐานที่มั่นคงในอุตสาหกรรมรถยนต์

AH เป็นผู้ผลิตรถยนต์ที่ใหญ่ที่สุดในประเทศไทย บริษัทฯ มี 47 บริษัทย่อยและบริษัทร่วมตั้งอยู่ทั่วโลกโดย 33 บริษัทตั้งอยู่ในประเทศไทยและอีก 14 ดำเนินงานอยู่ในต่างประเทศ บริษัทฯ ประกอบ 3 ธุรกิจหลักประกอบด้วย: 1) รับจ้างผลิตชิ้นส่วนรถยนต์; 2) จัดจำหน่ายรถยนต์; และ 3) Internet of Things connectivity & mobility

กำไรปกติน่าจะทำสถิติใหม่ต่อเนื่องในช่วงปี 2023-25

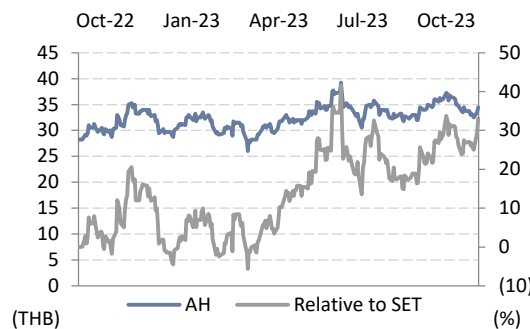
2022 นับว่าเป็นปีที่ดีสำหรับ AH ซึ่งรายงานรายได้แตะ 28.0 พัน ลบ. (+36.9% y-y) และกำไรสุทธิ 1.8 พัน ลบ. (+78.1% y-y) เราคาดว่ารายได้จะโตต่อเนื่องโดยจะเพิ่ม 8.2% และ 5.4% เป็น 30.3 พัน ลบ. และ 31.9 พัน ลบ. ในปี 2023-24 ตามลำดับ AH จะส่งชิ้นส่วน EV ให้แก่ Vinfast อย่างต่อเนื่องในอีก 2 ปีข้างหน้า นอกจากนี้บริษัทฯ ยังน่าจะมีรายได้เพิ่มเติมจากรถกระบะ Ford Ranger ใหม่ เราเชื่อว่า AH จะสามารถรักษาอัตรากำไรขั้นต้นในช่วง 1H23 ที่ 11.8% ไปจนถึงปี 2023-24 เราคาดว่ากำไรปกติจะทำสถิติสูงสุดใหม่ต่อเนื่องมาอยู่ที่ 1.86 พัน ลบ., 1.93 พัน ลบ., และ 2.09 พัน ลบ. คิดเป็นอัตราการเติบโตที่ 5%/8%/8% หรือ 8.2% CAGR ในช่วงปี 2023-25

ค่ากำไร 3Q23 จะฟื้นตัวจากปัจจัยด้านฤดูกาล

เราคาดว่าผลประกอบการ 3Q23 จะฟื้นตัวจากฤดูที่ตกต่ำใน 2Q22 2Q23 รายได้น่าจะเพิ่ม 3.9% q-q และ 1.8% y-y เป็น 7.4 พัน ลบ. พร้อมอัตรากำไรขั้นต้นที่คาดว่าจะปรับตัวดีขึ้นเป็น 11.8% จากอัตราการใช้กำลังการผลิตที่สูงขึ้น บริษัทฯ น่าจะสามารถรักษาต้นทุนขายรวมถึงค่าใช้จ่ายการขายและบริหารได้อย่างมีประสิทธิภาพ เราคาดว่ากำไรปกติ 3Q23 ที่ 429 ลบ. (+43.4% q-q, ทรงตัว 0.7% y-y) ผลประกอบการที่ปรับตัวดีขึ้นใน 3Q23 ส่วนมากน่าจะเกิดขึ้นจากรายได้ที่ดีขึ้นและการควบคุมต้นทุนอย่างมีประสิทธิภาพ

กลับมาเริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 45 บาท

เราได้ราคาเป้าหมายที่ 45 บาทซึ่งคิดจากค่า Target P/E ที่ 8.3x (ค่าเฉลี่ย 5 ปีย้อนหลัง) เราเห็นว่าบริษัทฯ มีแนวโน้มการดำเนินงานที่ดีในกลุ่มยานยนต์จากข้อเท็จจริงที่ว่ากระแสรายได้ของบริษัทฯ มีการกระจายความเสี่ยงที่ดีในแง่ของฐานการผลิตรวมถึงฐานลูกค้า



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.2)	(1.4)	20.0
Relative to country (%)	3.4	2.9	31.4
Mkt cap (USD m)			333
3m avg. daily turnover (USD m)			1.2
Free float (%)			50
Major shareholder			Thai NVDR (15%)
12m high/low (THB)			39.25/25.50
Issued shares (m)			354.84

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 11 ตุลาคม 2023

Investment thesis

AH is one of the largest automotive manufacturers in Thailand with 47 subsidiaries and associates around the globe, of which 33 companies are located in Thailand and 14 are operating overseas.

AH's operations outlook is the most promising in the automotive sector, in our view, given the fact that the company's revenue stream is well diversified in terms of production location base as well as customer base. The car dealership business is a B2C operation where the company sees consumers' real demand and automotive industry trends. The company is also ready for electric vehicle parts manufacturing as it is currently supplying EV parts to Vinfast. Its share price is currently trading at the cheapest P/E in the auto sector.

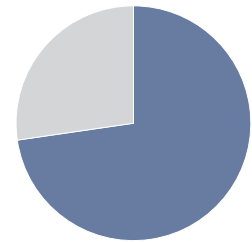
Company profile

Established in 1996, AH's business is to manufacture and distribute automotive parts to automobile manufacturers in Thailand and overseas. The products and services of AH and its subsidiaries include 1) OEM auto parts manufacturing; 2) car dealerships; and 3) Internet of Things (smart factory, smart logistics, smart office).

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Principal activities (revenue, 2022)

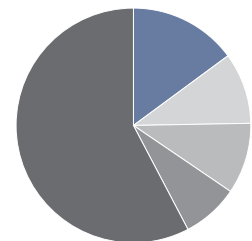
- Manufacture of auto parts - 72.7 %
- Car dealership and others - 27.3 %



Source: AAPICO Hitech

Major shareholders

- Thai NVDR - 14.9 %
- Teo Lee Ngo - 9.8 %
- Yeap Swee Chuan - 9.8 %
- Yeap Xin Rhu - 7.8 %
- Others - 57.7 %



Source: AAPICO Hitech

Catalysts

Key potential catalysts include 1) stronger demand for vehicles domestically; 2) lower steel prices; and 3) lower electricity tariffs.

Risks to our call

Key downside risks to our P/E-derived TP include lower-than-expected car production volumes and lower car sales in both Thailand and Malaysia, higher steel prices, semiconductor shortages, and exchange rate risk.

Event calendar

Date	Event
November 2023	3Q23 earnings announcement

Key assumptions

	2023E	2024E	2025E
Auto parts revenue growth (%)	4.5	4.9	2.7
Car dealership revenue growth (%)	18.4	6.6	4.4
Total revenue growth (%)	8.2	5.4	3.2
Blended gross margin (%)	11.8	11.8	11.8
SG&A to sales (%)	5.6	5.6	5.6
EBITDA margin (%)	8.5	8.0	8.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% change in sales revenue, we estimate AH's 2024 net profit to change by 1%, all else being equal.
- For every 0.5% change in gross margin, we project AH's 2024 net profit to change by 7%, all else being equal.

Source: FSSIA estimates

The largest auto manufacturer operating in four countries

AH is one of the largest automotive manufacturers in Thailand with 47 subsidiaries and associates around the globe, of which 33 companies are located in Thailand and 14 are operating overseas. In Thailand, the company has factories in Samutprakarn, Chonburi, and Rayong provinces. Globally, AH has expanded its market presence in Malaysia, China, and Portugal. AH's main operations consist of three business pillars: 1) OEM auto parts manufacturing; 2) car dealerships; and 3) Internet of Things connectivity & mobility.

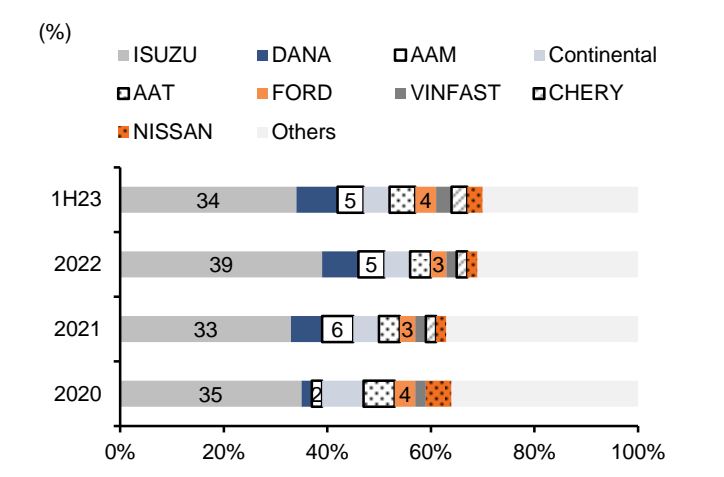
1. The OEM auto parts manufacturing business includes the manufacturing of stamped and welded assemblies, chassis frames, forging and machining, stamping dies and assembly jigs, plastic parts, and brake lines, to name a few. The company has three production bases in Thailand (metal forming, plastic parts, forging and machining, and tooling), China (forging and machining), and Portugal (iron casting and machining). Main customers are Isuzu Motors Co. (Thailand) Ltd., Dana Spicer (Thailand) Ltd., AutoAlliance (Thailand) Co., Ltd., and other leading car manufacturers domestically and globally.

Exhibit 1: OEM auto parts manufacturing business



Sources: AH, FSSIA compilation

Exhibit 2: OEM customer contributions



Sources: AH, FSSIA compilation

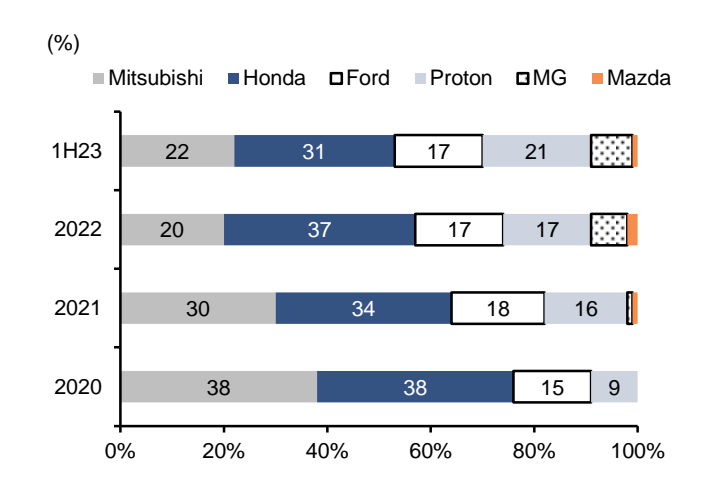
2. Car dealerships. AH operates car dealerships in Thailand and Malaysia. The dealership business is a B2C business where the company sees consumers' real demand and automotive industry trends.

Exhibit 3: Car dealership business



Sources: AH, FSSIA compilation

Exhibit 4: Dealership contributions



Sources: AH, FSSIA compilation

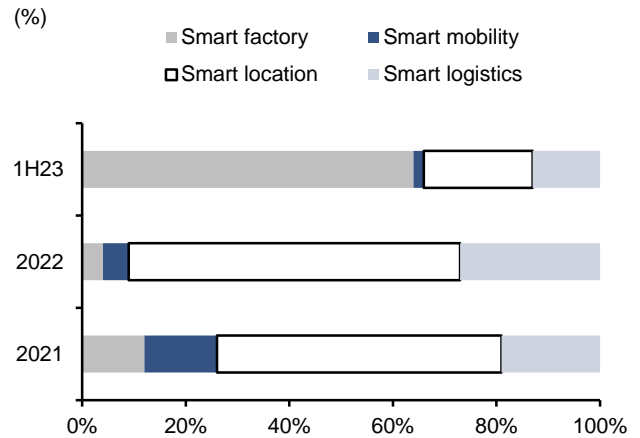
- Internet of Things (IoT) connectivity and mobility business. AH provides map and field data collection services to customers utilizing its expertise in location-based data by partnerships with HERE, TomTom, Grab, and GH Bank. Currently, Mitsubishi, Nissan, MG, and Hyundai use AH's digital maps for their navigation systems in Thailand and Malaysia.

Exhibit 5: IoT connectivity and mobility business



Sources: AH, FSSIA's compilation

Exhibit 6: IoT product contributions



Sources: AH, FSSIA's compilation

Expect AH's core profit to continue hitting record highs in 2023-25

2022 was a record year for AH where its revenue reached THB28.0b, an increase of 36.9% y-y, and its net profit hit THB1.8b, a jump of 78.1% y-y. The growth was attributable to the increased orders received from clients, especially parts for two Vinfast electric vehicles for export to the US since 4Q22 and the newly opened showrooms of Mitsubishi, MG, Mazda, and Ford since 2021.

We project AH's revenue to continue growing by 8.2% and 5.4% to THB30.3b and THB31.9b in 2023-24, respectively. AH will continue to supply EV parts to Vinfast for the next two years. Additional revenue should also come from the new Ford Ranger pickup, for which demand is very strong. This product is expected to continue for the next eight to ten years.

Unfavorable situations like the semiconductor shortages and the rising raw material (steel coil, steel plate, iron rod, etc.) prices have passed. Although challenges remain this year, namely the rising interest rates, higher inflation, and tightened auto credit, we believe AH can maintain its 1H23 gross margin of 11.8% into 2023-24.

Though the company had no share of profit from Hyundai Motor (Thailand) (AH holds 20%) since Hyundai Motor Group started its business operation in Thailand under Hyundai Mobility (Thailand) since April 2023, this should be offset by the share of profit from Purem AAPICO, its JV company (AH hold 49%), in Thailand and Malaysia starting from September and December 2023. We, therefore, expect AH's core profit to continue its record high at THB1.86b, THB 1.93b, and THB2.09b, a rise of 5%/8%/8% in 2023-25.

Expect 3Q23 to pick up from seasonality

We expect 3Q23 performance to pick up from the auto industry's low season in 2Q22. AH's 3Q23 revenue should rise 3.9% q-q and 1.8% y-y to THB7.4b with an improved gross margin to 11.8% due to increased orders, and thus a higher utilization rate. The company should be able to efficiently maintain its cost of sales and services and SG&A expenses. We expect a 3Q23 core profit at THB429m, a rise of 43.4% q-q and flat at 0.7% y-y. The improved performance in 3Q23 should largely be due to better revenue and effective cost control.

Exhibit 7: 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%)
Auto parts	5,211	5,449	5,966	5,166	5,403	4.6	3.7	14,867	16,535	11.2
Car dealership and others	2,089	2,342	2,160	1,987	2,027	2.0	(3.0)	5,308	6,174	16.3
Revenue	7,300	7,792	8,126	7,153	7,429	3.9	1.8	20,175	22,708	12.6
Operating costs	(6,486)	(6,782)	(7,100)	(6,380)	(6,553)	2.7	1.0	(17,994)	(20,033)	11.3
Gross profit	813	1,010	1,026	772	877	13.5	7.8	2,181	2,675	22.7
SG&A expenses	(455)	(512)	(458)	(429)	(417)	(2.7)	(8.5)	(1,260)	(1,303)	3.4
EBIT	358	498	568	344	460	33.8	28.5	921	1,372	49.0
Depreciation & amortization	276	309	311	310	312	0.8	13.2	845	933	10.4
EBITDA	634	807	879	653	772	18.1	21.8	1,766	2,305	30.5
Interest expense	(86)	(98)	(91)	(111)	(91)	(17.9)	5.9	(244)	(293)	20.0
Other income	78	86	74	95	87	(7.8)	11.9	238	256	7.6
Associates	152	95	123	32	40	26.0	(73.7)	357	195	(45.4)
Gain/Loss from exchange	175	(237)	(35)	111	0	<i>nm</i>	<i>nm</i>	300	76	(74.8)
Pretax profit	677	397	638	471	496	5.5	(26.7)	1,572	1,605	2.1
Tax	(68)	(38)	(74)	(63)	(66)	5.6	(2.9)	(139)	(203)	45.9
Net profit	601	355	562	410	429	4.6	(28.6)	1,413	1,366	(3.3)
Core net profit	426	539	597	299	429	43.4	0.7	1,113	1,246	12.0
EPS (THB)	1.69	1.00	1.58	1.16	1.21	4.2	(28.6)	3.98	3.85	(3.3)
Core EPS (THB)	1.20	1.52	1.68	0.84	1.21	43.4	0.7	3.14	3.51	12.0
Margins	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	11.1	13.0	12.6	10.8	11.8	1.0	0.7	10.8	11.8	1.0
SG&A to sales	6.2	6.6	5.6	6.0	5.6	(0.4)	(0.6)	6.2	5.7	(0.5)
Operating margin	4.9	6.4	7.0	4.8	6.2	1.4	1.3	4.6	6.0	1.5
EBITDA margin	8.7	10.4	10.8	9.1	10.4	1.3	1.7	8.8	10.1	1.4
Core profit margin	5.8	6.9	7.3	4.2	5.8	1.6	(0.1)	5.5	5.5	(0.0)

Sources: AH, FSSIA estimates

Reinitiate coverage with a BUY call on AH with a TP of THB45

We derive AH's target price at THB45 based on a target P/E of 8.3x, its five-year historical average. AH's operational outlook is the most promising in the automotive sector, in our view, given the fact that the company's revenue stream is well diversified in terms of production location base as well as customer base. The company is also ready for electric vehicle parts manufacturing as it is currently supplying EV parts to Vinfast. AH's share price is presently trading at only 6.3x 2024E P/E, or a PEG of 0.8. We reinitiate coverage with a BUY rating on AH and choose AH as a top pick for the sector.

Financial Statements

AAPICO Hitech

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	20,433	27,967	30,264	31,893	32,922
Cost of goods sold	(18,225)	(24,777)	(26,698)	(28,130)	(29,037)
Gross profit	2,208	3,191	3,565	3,763	3,885
Other operating income	-	-	-	-	-
Operating costs	(1,540)	(1,719)	(1,707)	(1,796)	(1,827)
Operating EBITDA	1,699	2,625	2,570	2,541	2,618
Depreciation	(1,031)	(1,154)	(712)	(574)	(560)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	668	1,471	1,858	1,968	2,058
Net financing costs	(343)	(333)	(356)	(347)	(307)
Associates	281	452	244	285	333
Recurring non-operating income	593	769	553	598	655
Non-recurring items	232	116	76	0	0
Profit before tax	1,151	2,024	2,130	2,220	2,405
Tax	(113)	(177)	(266)	(282)	(313)
Profit after tax	1,037	1,847	1,864	1,938	2,092
Minority interests	(13)	(23)	(3)	(3)	(4)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,024	1,824	1,861	1,934	2,089
Non-recurring items & goodwill (net)	(232)	(116)	(76)	0	0
Recurring net profit	792	1,708	1,785	1,934	2,089
Per share (THB)					
Recurring EPS *	2.23	4.81	5.03	5.45	5.89
Reported EPS	2.89	5.14	5.24	5.45	5.89
DPS	0.61	1.05	1.57	1.64	1.77
Diluted shares (used to calculate per share data)	355	355	355	355	355
Growth					
Revenue (%)	19.0	36.9	8.2	5.4	3.2
Operating EBITDA (%)	117.0	54.5	(2.1)	(1.1)	3.0
Operating EBIT (%)	nm	120.1	26.3	5.9	4.6
Recurring EPS (%)	393.4	115.6	4.6	8.3	8.0
Reported EPS (%)	530.0	78.1	2.0	3.9	8.0
Operating performance					
Gross margin inc. depreciation (%)	10.8	11.4	11.8	11.8	11.8
Gross margin exc. depreciation (%)	15.9	15.5	14.1	13.6	13.5
Operating EBITDA margin (%)	8.3	9.4	8.5	8.0	8.0
Operating EBIT margin (%)	3.3	5.3	6.1	6.2	6.2
Net margin (%)	3.9	6.1	5.9	6.1	6.3
Effective tax rate (%)	(9.9)	(8.7)	(12.5)	(12.7)	(13.0)
Dividend payout on recurring profit (%)	27.2	21.8	31.3	30.0	30.0
Interest cover (X)	3.7	6.7	6.8	7.4	8.8
Inventory days	59.7	52.6	52.8	50.7	51.2
Debtor days	45.4	42.9	49.6	47.3	49.2
Creditor days	95.6	91.9	90.3	79.1	76.7
Operating ROIC (%)	7.7	17.2	20.1	19.8	19.5
ROIC (%)	7.5	13.3	13.6	13.8	14.0
ROE (%)	9.9	18.8	17.3	16.5	15.9
ROA (%)	5.1	8.6	8.5	8.8	9.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Manufacture of auto parts	15,201	20,333	21,327	22,362	22,967
Car dealership and others	5,232	7,634	8,937	9,531	9,955

Sources: AAPICO Hitech; FSSIA estimates

Financial Statements

AAPICO Hitech

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	792	1,708	1,785	1,934	2,089
Depreciation	1,031	1,154	712	574	560
Associates & minorities	13	23	3	3	4
Other non-cash items	375	101	(99)	4	(148)
Change in working capital	1,059	(939)	(669)	(448)	(558)
Cash flow from operations	3,271	2,047	1,734	2,068	1,947
Capex - maintenance	(910)	(671)	(609)	(539)	(399)
Capex - new investment	(390)	(287)	(261)	(231)	(171)
Net acquisitions & disposals	73	58	0	0	1
Other investments (net)	463	128	6	6	(41)
Cash flow from investing	(763)	(773)	(864)	(764)	(610)
Dividends paid	(215)	(372)	(558)	(580)	(627)
Equity finance	0	0	0	0	0
Debt finance	(1,631)	(278)	(662)	(247)	(600)
Other financing cash flows	(431)	(493)	16	5	4
Cash flow from financing	(2,277)	(1,143)	(1,205)	(822)	(1,223)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	14	0	0	0	0
Net other adjustments	(178)	(106)	70	(37)	(38)
Movement in cash	52	25	(265)	445	76
Free cash flow to firm (FCFF)	2,853.67	1,616.44	1,238.76	1,659.74	1,653.99
Free cash flow to equity (FCFE)	267.66	397.59	293.30	1,024.98	702.18

Per share (THB)

FCFF per share	8.04	4.56	3.49	4.68	4.66
FCFE per share	0.75	1.12	0.83	2.89	1.98
Recurring cash flow per share	6.23	8.42	6.77	7.09	7.06

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	20,209	20,524	21,124	21,724	22,124
Less: Accumulated depreciation	(11,987)	(12,612)	(13,141)	(13,533)	(13,910)
Tangible fixed assets (net)	8,222	7,913	7,983	8,191	8,214
Intangible fixed assets (net)	3,317	3,347	3,477	3,466	3,453
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	4,150	4,199	4,199	4,199	4,229
Cash & equivalents	742	767	502	947	1,023
A/C receivable	2,237	4,330	3,897	4,369	4,510
Inventories	3,031	3,784	3,730	3,930	4,057
Other current assets	277	302	317	349	384
Current assets	6,286	9,184	8,447	9,596	9,974
Other assets	746	826	1,024	1,067	1,207
Total assets	22,722	25,469	25,130	26,518	27,077
Common equity	8,513	9,611	11,066	12,424	13,889
Minorities etc.	302	318	322	325	329
Total shareholders' equity	8,815	9,929	11,388	12,749	14,218
Long term debt	4,238	3,759	2,100	2,550	2,432
Other long-term liabilities	512	543	536	553	497
Long-term liabilities	4,750	4,302	2,636	3,103	2,929
A/C payable	4,884	7,010	5,852	6,088	5,887
Short term debt	3,687	3,771	4,768	4,070	3,588
Other current liabilities	587	456	487	508	455
Current liabilities	9,158	11,237	11,106	10,667	9,930
Total liabilities and shareholders' equity	22,722	25,469	25,130	26,518	27,077
Net working capital	73	950	1,607	2,052	2,610
Invested capital	16,509	17,235	18,290	18,975	19,713

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

Per share (THB)

Book value per share	23.99	27.09	31.19	35.01	39.14
Tangible book value per share	14.64	17.65	21.39	25.25	29.41

Financial strength

Net debt/equity (%)	81.5	68.1	55.9	44.5	35.1
Net debt/total assets (%)	31.6	26.6	25.3	21.4	18.5
Current ratio (x)	0.7	0.8	0.8	0.9	1.0
CF interest cover (x)	2.9	3.1	2.6	4.6	3.8

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	15.5	7.2	6.9	6.3	5.9
Recurring P/E @ target price (x) *	20.2	9.4	8.9	8.3	7.6
Reported P/E (x)	12.0	6.7	6.6	6.3	5.9
Dividend yield (%)	1.8	3.0	4.6	4.7	5.1
Price/book (x)	1.4	1.3	1.1	1.0	0.9
Price/tangible book (x)	2.4	2.0	1.6	1.4	1.2
EV/EBITDA (x) **	11.6	7.4	7.4	7.2	6.7
EV/EBITDA @ target price (x) **	13.8	8.8	8.8	8.6	8.1
EV/invested capital (x)	1.2	1.1	1.0	1.0	0.9

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

Sources: AAPICO Hitech; 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 >15% 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

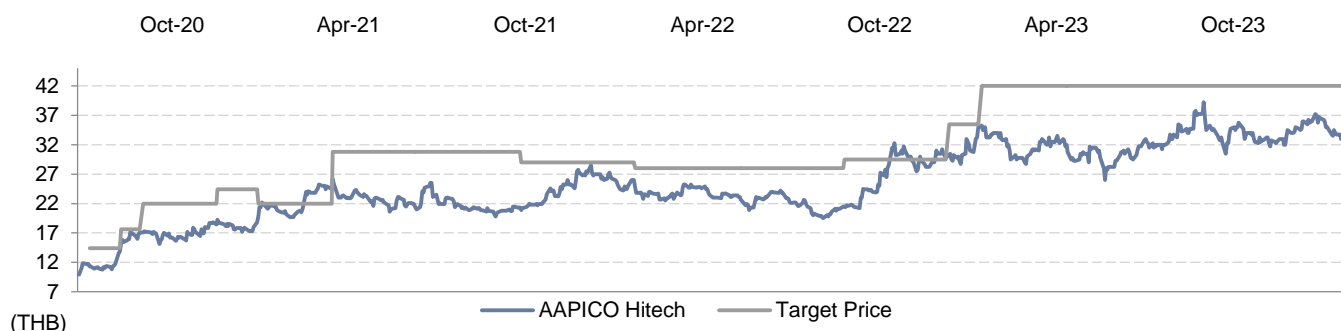
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History of change in investment rating and/or target price

AAPICO Hitech (AH TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Oct-2020	BUY	14.40	15-Mar-2021	BUY	22.00	16-Mar-2022	BUY	28.00
17-Nov-2020	BUY	17.60	18-May-2021	BUY	30.80	01-Aug-2022	BUY	29.50
04-Dec-2020	BUY	22.00	27-Oct-2021	BUY	29.00	28-Oct-2022	BUY	35.50
08-Feb-2021	BUY	24.40	02-Feb-2022	HOLD	28.00	25-Nov-2022	BUY	42.00

Jitra Amornthum started covering this stock from 11-Oct-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
AAPICO Hitech	AH TB	THB 34.50	BUY	Key downside risks to our P/E-derived TP include lower-than-expected car production volumes and lower car sales in both Thailand and Malaysia, higher steel prices, semiconductor shortages, and exchange rate risk.

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 10-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.