

MK RESTAURANT GROUP

M TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

แรงกดดันด้านต้นทุนเริ่มผ่อนคลาย

- ระยะสั้น คาดกำไร 3Q23 อ่อนลง q-q ตามฤดูกาล แต่ยังคงเล็กน้อย y-y
- แรงกดดันด้านต้นทุนลดจากทั้งราคาหมูและค่าไฟ คาดหนุนกำไร 4Q23 เป็นพีคของปี
- ปรับลดกำไรสะท้อนการฟื้นตัวช้า และแข่งขันสูง แต่ยังเป็นกำไรที่โตได้ ยังแนะนำ ซื้อ

TARGET PRICE	THB54.00
CLOSE	THB44.75
UP/DOWNSIDE	+20.7%
PRIOR TP	THB55.00
CHANGE IN TP	-1.8%
TP vs CONSENSUS	-1.8%

คาดการณ์ด้านต้นทุนเริ่มผ่อนคลาย

คาดการณ์กำไรสุทธิ 3Q23 อยู่ที่ 420 ลบ. (-8.4% q-q, +3% y-y) อ่อนตัวลง q-q ตามปัจจัยฤดูกาล โดยคาด SSSG +2.5% y-y และคาดรายได้รวม -5.6% q-q, +3% y-y ยังทยอยฟื้นตัวช้าๆ ส่วนหนึ่งยังรอการฟื้นตัวของนักท่องเที่ยว ที่จะช่วยหนุนร้านแหลมเจริญฯ ขณะที่ภาพรวมราคาวัตถุดิบคูลดลง จากราคาหมูที่ปรับลง -6% q-q, -38% y-y และ M สามารถซื้อได้ที่ราคาตลาด อาจถูกหักล้างบางส่วนจากราคาเปิดที่ปรับสูงขึ้น +6% q-q ซึ่งบริษัทได้ล็อกราคาเปิดล่วงหน้าถึงสิ้นปีแล้ว ทั้งนี้เรคาดอัตรากำไรขั้นต้นจะขยับขึ้นเล็กน้อย 30 bps q-q มาอยู่ที่ 66% ส่วนค่าใช้จ่ายแม้คาดลดลงเล็กน้อย q-q ตามค่าใช้จ่ายล่วงเวลาพนักงานที่ลดลง และค่าไฟเริ่มปรับลงเล็กน้อย แต่โดยรวมยังทรงตัวสูง คาด SG&A to sales อยู่ที่ 55.3% ลดลง 30 bps q-q แต่ยังคงสูง 160 bps y-y

4Q เป็น High Season กอปรกับต้นทุนหมูและค่าไฟลดเข้ามาช่วยหนุน

ทั้งนี้เรคาดกำไร 4Q23 จะเร่งขึ้นทำจุดสูงสุดของปีเพราะ High season และจะรับรู้ต้นทุนหมูที่ถูกลงได้ต่อเนื่อง ตามการปรับลงของราคาหมู รวมถึงค่าไฟที่ลดลงจากการปรับลด FT เบื้องต้นคาดว่ากำไร 4Q23 อยู่ที่ราว 500-520 ลบ. จะเป็นกำไรสูงสุดในรอบ 4 ปี นับตั้งแต่มีโควิด อย่างไรก็ตาม ภาพการแข่งขันยังคงค่อนข้างสูง โดยเฉพาะผู้เล่นรายใหม่ อาทิ สุกี้สายพาน ซาบูหมาล่า เป็นต้น ซึ่งผู้บริหารได้ทำการศึกษาและประเมินผลกระทบต่อเนื่อง โดยยังมีใจต่อกลยุทธ์หลักของตนเองในการเน้นคุณภาพอาหารเป็นหลัก หลีกเลี่ยงการแข่งขันด้านราคา และเน้นรักษาสถานะลูกค้าของตนเอง

ปรับลดกำไรสะท้อนการฟื้นตัวช้าและการแข่งขันสูง แต่ยังเป็นกำไรที่โตได้

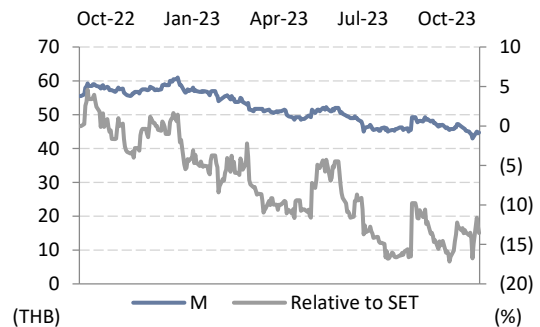
จากการฟื้นตัวที่ช้ากว่าคาด และการแข่งขันที่สูงขึ้น เราปรับลดกำไรปี 2023-25 ลง 14.8%/9.6%/9.5% ตามลำดับ โดยยังเป็นการเติบโต 19% y-y ในปี 2023 และคาดโตต่อเนื่อง 16.7% y-y ในปี 2024 และคาดเห็นกำไรกลับมาแตะระดับ 2 พันลบ. อีกครั้งในปี 2025 สำหรับการปรับขึ้นค่าแรง 400 บาท/วัน (+13% จากค่าแรงขั้นต่ำปัจจุบัน) เบื้องต้นเราประเมินผลกระทบต่อกำไรปี 2024 ไม่เกิน 7% บนสมมติฐานค่าใช้จ่ายพนักงานที่ 26% ของรายได้ และกำหนดให้ปัจจัยอื่นคงที่

ราคาหุ้นปรับลงสะท้อนกำไรที่ฟื้นช้าไปแล้ว ยังแนะนำซื้อ

เราปรับใช้ราคาเป้าหมายปี 2024 ที่ 54 บาท อิง PE เดิม 25x (-1.0 SD) ราคาหุ้นปรับลง -24% YTD สะท้อนกำไรที่ฟื้นตัวช้าจากผลกระทบของ Inflation และการแข่งขันสูงไปพอสมควรแล้ว ขณะที่เริ่มเห็นการฟื้นตัวของอัตรากำไรขั้นต้นและกำไร และเรายังชอบฐานะทางการเงินที่แข็งแกร่ง ทั้งนี้สินทางการเงินที่ต่ำมาก, เงินสดในมือระดับสูง และคาด Dividend yield ปี 2023 ราว 3.6% จึงยังแนะนำ ซื้อ

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	15,728	17,191	19,116	20,397
Net profit	1,439	1,712	1,998	2,175
EPS (THB)	1.56	1.86	2.17	2.36
vs Consensus (%)	-	(0.5)	(3.3)	(7.9)
EBITDA	3,867	4,172	4,555	4,780
Recurring net profit	1,439	1,712	1,998	2,175
Core EPS (THB)	1.56	1.86	2.17	2.36
Chg. In EPS est. (%)	-	(14.8)	(9.6)	(9.5)
EPS growth (%)	998.5	19.0	16.7	8.9
Core P/E (x)	28.6	24.1	20.6	18.9
Dividend yield (%)	3.1	3.6	4.1	4.5
EV/EBITDA (x)	9.3	8.6	7.8	7.4
Price/book (x)	3.1	3.0	2.9	2.9
Net debt/Equity (%)	(41.8)	(41.1)	(42.0)	(40.6)
ROE (%)	10.8	12.6	14.4	15.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.7)	(2.2)	(20.4)
Relative to country (%)	3.3	0.2	(14.7)
Mkt cap (USD m)	1,132		
3m avg. daily turnover (USD m)	0.9		
Free float (%)	36		
Major shareholder	Thirakomen Family (37%)		
12m high/low (THB)	61.50/42.75		
Issued shares (m)	920.88		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

เรามองว่า M คือผู้นำในธุรกิจเซ่นร้านอาหารในไทย จากจำนวนสาขาที่ค่อนข้างมาก และกระจายอยู่ทั่วประเทศไทยทั้งในกทม.ปริมณฑล และต่างจังหวัด โดยมีจุดแข็งอยู่ที่การบริหารจัดการอย่างมืออาชีพ ทั้งศูนย์ฝึกอบรมพนักงาน ศูนย์กระจายสินค้า และครัวกลาง โดยเน้นการนำเสนออาหารที่มีคุณภาพ สดใหม่ ให้กับลูกค้า ภายใต้การให้บริการที่ดี

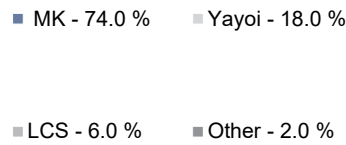
ปัจจุบันถือเป็นช่วงเวลาที่ทำนายสำหรับบริษัท ทั้งการฟื้นตัวหลังโควิด, การแข่งขันที่สูงขึ้นจากผู้ประกอบการรายใหม่ และภาวะเงินเฟ้อทำให้ผลประกอบการยังฟื้นตัวอย่างค่อยเป็นค่อยไปในปี 2023 อย่างไรก็ตาม เราคาดว่ากำไรจะฟื้นตัวได้ต่อเนื่องในปี 2024-25 คาดหวังการฟื้นตัวของจำนวนลูกค้าและนักท่องเที่ยวต่างชาติ รวมถึงต้นทุนวัตถุดิบอาหารและค่าไฟที่เริ่มปรับลดลง จะช่วยหักล้างต้นทุนค่าแรงที่มีแนวโน้มปรับขึ้นในปี 2024 ได้

Company profile

M เปิดร้านสุกี้ยากิสาขาแรกในไทยในปี 1984 และเป็นสาขาแรกในญี่ปุ่นปี 1994 สิ้นปี 2022 บริษัทมีจำนวนสาขาทั้งสิ้น 710 สาขา ประกอบด้วยหลากหลายแบรนด์ นำโดย MK 455 สาขา, Yayoi 195 สาขา, และยังมีแบรนด์อื่นๆ อาทิ Miyazaki, Hakata, ณ สยาม, เลอ สยาม และในปี 2020 ได้เข้าลงทุนในร้านอาหารแหลมเจริญซีฟู้ด ซึ่งมีจำนวนสาขาเท่ากับ 36 สาขาในปี 2022

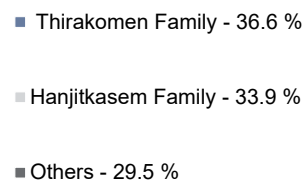
www.mkrestaurant.com

Principal activities (revenue, 2022)



Source: MK Restaurant Group

Major shareholders



Source: MK Restaurant Group

Catalysts

ปัจจัยหนุนการเติบโตในปี 2024 คือ 1) การเติบโตของจำนวนลูกค้าเข้าร้าน และการปรับขึ้นของราคาอาหาร 2) การฟื้นตัวของภาคท่องเที่ยวช่วยหนุนลูกค้าต่างชาติ 3) ต้นทุนวัตถุดิบอาหารปรับลดลง และ 4) การขยายสาขาใหม่

Risks to our call

ความเสี่ยง 1) กำลังซื้อฟื้นตัวช้ากว่าคาด การแข่งขันสูงขึ้น 2) ต้นทุนวัตถุดิบอาหารปรับลงช้ากว่าคาด 3) ขยายสาขาใหม่ต่ำกว่าแผน และ 4) ต้นทุนค่าแรงปรับตัวสูงขึ้น หรือประสบปัญหาขาดแคลนแรงงาน

Event calendar

Date	Event
November 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
SSSG (%)	7.5	5.0	3.0
New stores (no.)	25	25	20
Total stores (no.)	735	760	780
GPM (%)	65.8	66.0	66.2
SG&A to sales (%)	55.3	54.8	54.8

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, 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 3%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 3%, and vice versa, all else being equal.

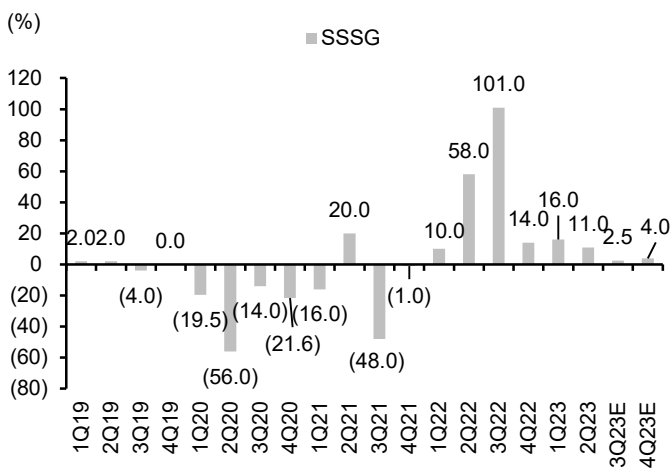
Source: FSSIA estimates

Exhibit 1: 3Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	3,495	4,016	4,067	4,149	4,089	4,435	4,189	(5.6)	3.0	11,578	12,714	9.8
Cost of sales	1,204	1,394	1,413	1,450	1,426	1,521	1,424	(6.4)	0.8	4,011	4,372	9.0
Gross profit	2,291	2,623	2,654	2,699	2,663	2,914	2,765	(5.1)	4.2	7,568	8,342	10.2
SG&A	2,008	2,118	2,182	2,337	2,307	2,468	2,317	(6.1)	6.1	6,309	7,091	12.4
Operating profit	347	555	527	442	424	541	543	0.4	3.2	1,428	1,508	5.6
Interest expense	21	21	21	23	23	26	26	(0.4)	22.3	63	75	18.6
Tax expense	51	89	86	82	65	47	87	87.3	1.6	226	199	(11.8)
Reported net profit	271	439	408	321	325	459	420	(8.4)	3.0	1,118	1,205	7.7
Core profit	271	418	408	321	325	459	420	(8.4)	3.0	1,097	1,205	9.8
Key ratios (%)								(ppt)	(ppt)			
Gross margin	65.6	65.3	65.2	65.0	65.1	65.7	66.0	0.3	0.8	65.4	65.6	0.3
SG&A / Sales	57.5	52.7	53.7	56.3	56.4	55.6	55.3	(0.3)	1.6	54.5	55.8	1.3
Operating margin	9.9	13.8	12.9	10.7	10.4	12.2	13.0	0.8	0.0	12.3	11.9	(0.5)
Net margin	7.7	10.9	10.0	7.7	8.0	10.3	10.0	(0.3)	0.0	9.7	9.5	(0.2)
Norm margin	7.7	10.4	10.0	7.7	8.0	10.3	10.0	(0.3)	0.0	9.5	9.5	(0.0)
Operating statistics												
SSSG (%)	10.0	58.0	101.0	14.0	16.0	11.0	2.5			56.3	9.8	
Total stores (no.)	705	707	710	710	703	699	710			710	710	

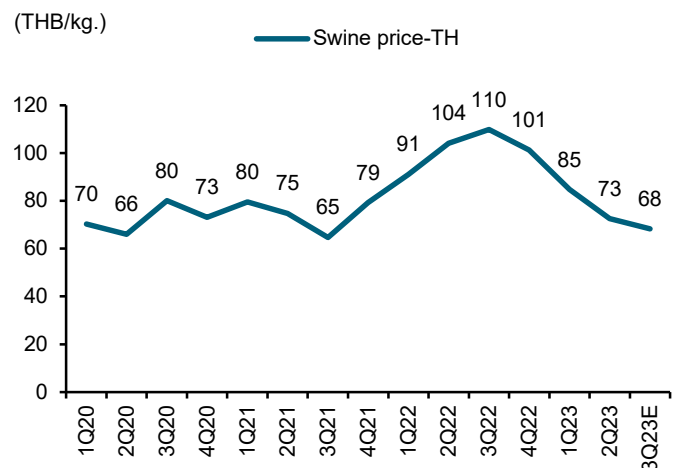
Sources: M, FSSIA estimates

Exhibit 2: Quarterly same-store-sale growth (% y-y)



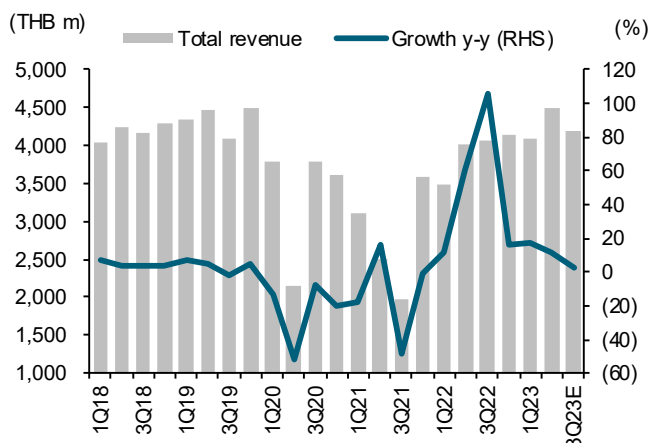
Sources: M, FSSIA estimates

Exhibit 3: Quarterly domestic pig price



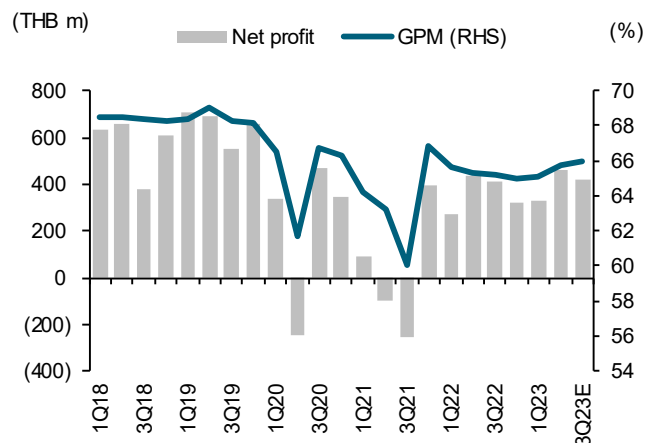
Sources: CPF, FSSIA's compilation

Exhibit 4: Quarterly total revenue and growth



Sources: M, FSSIA estimates

Exhibit 5: Quarterly net profit and gross margin



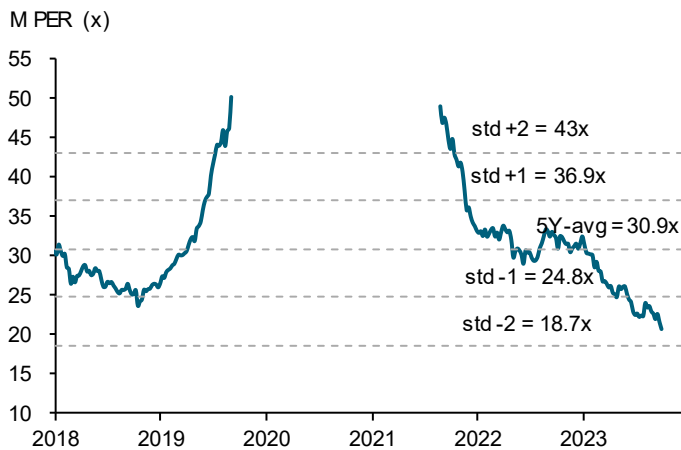
Sources: M, FSSIA estimates

Exhibit 6: Key assumptions for M

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
SSSG (%)	7.5	5.0	3.0	7.5	3.0	3.0	0.0	2.0	0.0
New stores (no.)	25	25	20	25	25	20	0.0	0.0	0.0
MK	10	10	8	10	10	8	0.0	0.0	0.0
Yayoi	10	10	7	10	10	7	0.0	0.0	0.0
Laem Charoen	5	5	5	5	5	5	0.0	0.0	0.0
Total stores (no.)	735	760	780	735	760	780	0.0	0.0	0.0
Total revenue (THB m)	17,191	19,116	20,397	17,631	18,953	19,977	(2.5)	0.9	2.1
Growth (%)	9.3	11.2	6.7	12.1	7.5	5.4	(2.8)	3.7	1.3
Gross profit (THB m)	11,311	12,617	13,503	11,513	12,433	13,185	(1.8)	1.5	2.4
Gross margin (%)	65.8	66.0	66.2	65.3	65.6	66.0	0.5	0.4	0.2
SG&A expenses (THB m)	9,506	10,476	11,177	9,344	10,045	10,588	1.7	4.3	5.6
SG&A to sales (%)	55.3	54.8	54.8	53.0	53.0	53.0	2.3	1.8	1.8
Report net profit (THB m)	1,712	1,998	2,175	2,008	2,211	2,403	(14.8)	(9.6)	(9.5)
Net margin (%)	10.0	10.5	10.7	11.4	11.7	12.0	(1.4)	(1.2)	(1.4)
Growth (%)	19.0	16.7	8.9	39.6	10.1	8.7	(20.6)	6.7	0.1
Core profit (THB m)	1,712	1,998	2,175	2,008	2,211	2,403	(14.8)	(9.6)	(9.5)
Core margin (%)	10.0	10.5	10.7	11.4	11.7	12.0	(1.4)	(1.2)	(1.4)
Growth (%)	19.0	16.7	8.9	39.6	10.1	8.7	(20.6)	6.7	0.1

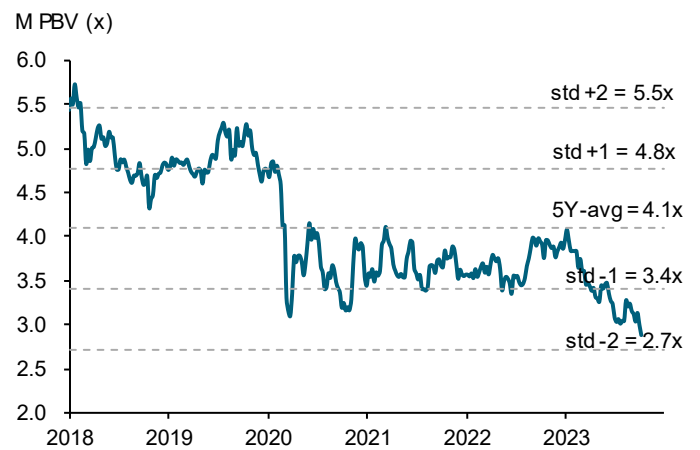
Source: FSSIA estimates

Exhibit 7: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

MK Restaurant Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,182	15,728	17,191	19,116	20,397
Cost of goods sold	(4,015)	(5,461)	(5,879)	(6,499)	(6,894)
Gross profit	7,167	10,267	11,311	12,617	13,503
Other operating income	207	249	352	382	408
Operating costs	(7,170)	(8,646)	(9,506)	(10,476)	(11,177)
Operating EBITDA	2,213	3,867	4,172	4,555	4,780
Depreciation	(2,009)	(1,997)	(2,014)	(2,032)	(2,047)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	204	1,870	2,157	2,523	2,733
Net financing costs	(69)	(87)	(101)	(101)	(101)
Associates	(23)	(29)	(18)	(5)	4
Recurring non-operating income	(23)	(29)	(18)	(5)	4
Non-recurring items	0	0	0	0	0
Profit before tax	111	1,755	2,038	2,417	2,635
Tax	10	(308)	(306)	(411)	(448)
Profit after tax	121	1,447	1,733	2,006	2,187
Minority interests	10	(8)	(21)	(8)	(12)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	131	1,439	1,712	1,998	2,175
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	131	1,439	1,712	1,998	2,175
Per share (THB)					
Recurring EPS *	0.14	1.56	1.86	2.17	2.36
Reported EPS	0.14	1.56	1.86	2.17	2.36
DPS	0.80	1.40	1.60	1.84	2.01
Diluted shares (used to calculate per share data)	921	921	921	921	921
Growth					
Revenue (%)	(16.3)	40.7	9.3	11.2	6.7
Operating EBITDA (%)	(32.3)	74.7	7.9	9.2	4.9
Operating EBIT (%)	(82.0)	816.8	15.3	17.0	8.3
Recurring EPS (%)	(85.6)	998.5	19.0	16.7	8.9
Reported EPS (%)	(85.6)	998.5	19.0	16.7	8.9
Operating performance					
Gross margin inc. depreciation (%)	64.1	65.3	65.8	66.0	66.2
Gross margin exc. depreciation (%)	82.1	78.0	77.5	76.6	76.2
Operating EBITDA margin (%)	19.8	24.6	24.3	23.8	23.4
Operating EBIT margin (%)	1.8	11.9	12.6	13.2	13.4
Net margin (%)	1.2	9.1	10.0	10.5	10.7
Effective tax rate (%)	(8.5)	17.5	15.0	17.0	17.0
Dividend payout on recurring profit (%)	562.5	89.6	86.0	85.0	85.0
Interest cover (X)	2.6	21.2	21.2	24.9	27.0
Inventory days	73.8	42.5	46.2	48.5	48.4
Debtor days	4.5	3.3	2.8	2.8	2.9
Creditor days	242.7	147.7	136.9	124.7	124.3
Operating ROIC (%)	17.2	230.6	242.6	201.4	205.0
ROIC (%)	1.5	16.1	18.5	21.5	22.6
ROE (%)	1.0	10.8	12.6	14.4	15.4
ROA (%)	0.9	7.7	9.1	10.4	10.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
MK	8,274	11,639	12,715	14,088	15,032
Yayoi	2,124	2,831	3,071	3,462	3,679
LCS	559	944	1,043	1,184	1,278
Other	224	315	362	382	407

Sources: MK Restaurant Group; FSSIA estimates

Financial Statements

MK Restaurant Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	131	1,439	1,712	1,998	2,175
Depreciation	2,009	1,997	2,014	2,032	2,047
Associates & minorities	13	37	42	10	2
Other non-cash items	0	0	0	0	0
Change in working capital	(147)	295	(183)	110	71
Cash flow from operations	2,007	3,768	3,585	4,150	4,294
Capex - maintenance	(5,049)	(1,653)	(1,950)	(2,300)	(2,600)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	3,910	(691)	56	(87)	(58)
Cash flow from investing	(1,139)	(2,344)	(1,894)	(2,387)	(2,658)
Dividends paid	(460)	(1,197)	(1,472)	(1,699)	(1,849)
Equity finance	0	0	0	0	0
Debt finance	(410)	(187)	(270)	(23)	177
Other financing cash flows	28	51	(144)	116	77
Cash flow from financing	(842)	(1,333)	(1,886)	(1,606)	(1,595)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	26	91	(195)	158	41
Free cash flow to firm (FCFF)	937.23	1,510.24	1,792.38	1,864.78	1,737.94
Free cash flow to equity (FCFE)	486.05	1,287.71	1,277.11	1,856.36	1,890.46

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	1.02	1.64	1.95	2.03	1.89
FCFE per share	0.53	1.40	1.39	2.02	2.05
Recurring cash flow per share	2.34	3.77	4.09	4.39	4.59

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	11,525	11,913	12,263	12,613	12,913
Less: Accumulated depreciation	(8,683)	(9,167)	(9,258)	(9,351)	(9,444)
Tangible fixed assets (net)	2,842	2,747	3,005	3,263	3,469
Intangible fixed assets (net)	5,810	5,533	5,210	5,221	5,568
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,690	2,366	2,348	2,343	2,347
Cash & equivalents	7,689	7,779	7,584	7,742	7,784
A/C receivable	167	121	141	157	168
Inventories	392	414	564	623	661
Other current assets	170	111	172	191	204
Current assets	8,418	8,426	8,461	8,714	8,816
Other assets	808	830	774	860	918
Total assets	19,569	19,901	19,799	20,401	21,118
Common equity	13,194	13,443	13,682	13,982	14,308
Minorities etc.	314	322	347	352	357
Total shareholders' equity	13,509	13,765	14,029	14,334	14,665
Long term debt	2,207	2,023	1,823	1,723	1,823
Other long-term liabilities	1,124	1,175	1,031	1,147	1,224
Long-term liabilities	3,331	3,198	2,854	2,870	3,047
A/C payable	1,355	1,449	1,450	1,603	1,700
Short term debt	0	0	0	0	0
Other current liabilities	1,374	1,489	1,465	1,594	1,706
Current liabilities	2,729	2,938	2,915	3,197	3,406
Total liabilities and shareholders' equity	19,569	19,901	19,799	20,401	21,118
Net working capital	(2,000)	(2,291)	(2,038)	(2,225)	(2,373)
Invested capital	9,151	9,184	9,299	9,462	9,929

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	14.33	14.60	14.86	15.18	15.54
Tangible book value per share	8.02	8.59	9.20	9.51	9.49

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	(40.6)	(41.8)	(41.1)	(42.0)	(40.6)
Net debt/total assets (%)	(28.0)	(28.9)	(29.1)	(29.5)	(28.2)
Current ratio (x)	3.1	2.9	2.9	2.7	2.6
CF interest cover (x)	8.0	15.9	13.6	19.4	19.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	314.6	28.6	24.1	20.6	18.9
Recurring P/E @ target price (x) *	379.7	34.6	29.1	24.9	22.9
Reported P/E (x)	314.6	28.6	24.1	20.6	18.9
Dividend yield (%)	1.8	3.1	3.6	4.1	4.5
Price/book (x)	3.1	3.1	3.0	2.9	2.9
Price/tangible book (x)	5.6	5.2	4.9	4.7	4.7
EV/EBITDA (x) **	16.3	9.3	8.6	7.8	7.4
EV/EBITDA @ target price (x) **	20.1	11.5	10.6	9.7	9.2
EV/invested capital (x)	3.9	3.9	3.8	3.8	3.6

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

Sources: MK Restaurant Group; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

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

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

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

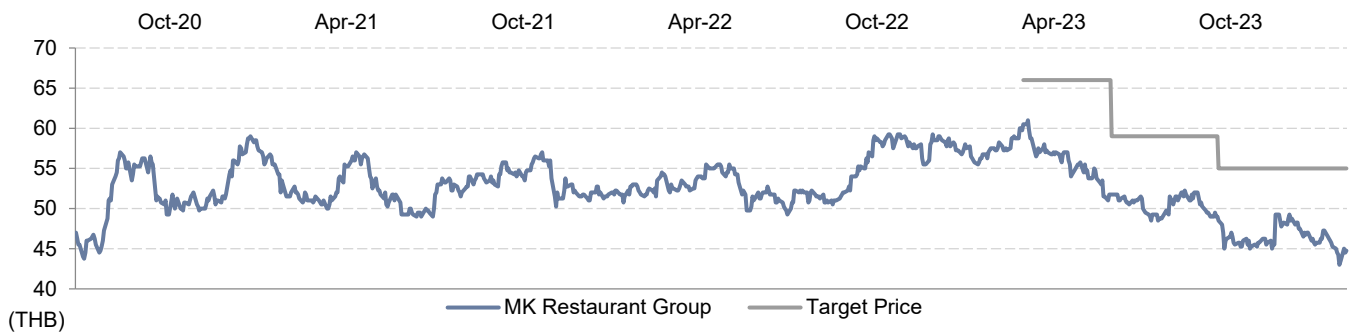
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

MK Restaurant Group (M TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Jan-2023	BUY	66.00	22-Mar-2023	BUY	59.00	22-Jun-2023	BUY	55.00

Sureeporn Teewasuwet started covering this stock from 05-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
MK Restaurant Group	M TB	THB 44.75	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and labour shortages.

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 11-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.