

## ZEN CORPORATION GROUP

THAILAND / FOOD &amp; BEVERAGE

## ZEN TB

BUY

UNCHANGED

## ค่าปลีกเติบโตดี ต้นทุนปลาเริ่มลด

- คาดกำไร 3Q23 โต q-q สวนทางฤดูกาล แต่อาจลดลง y-y เพราะฐานสูงปีก่อน
- ต้นทุนปลาแชลมอนเริ่มลดลงใน 4Q24 และธุรกิจค้าปลีกยังเดินหน้าเติบโตแข็งแกร่ง
- ปรับใช้ราคาเป้าหมายปี 2024 ยังแนะนำ ซื้อ

## คาดกำไร 3Q23 จะโต q-q สวนทางฤดูกาล ธุรกิจค้าปลีกยังแข็งแกร่ง

คาดกำไรสุทธิ 3Q23 อยู่ที่ 49 ลบ. (+7.4% q-q, -3.4% y-y) พื้นตัว q-q สวนทางฤดูกาลปกติ แม้อัตรา SSSG จะพลิกเป็นติดลบ -2% y-y จากฐานที่สูงในปีก่อน ซึ่งมีการผ่อนคลายมาตรการล็อกดาวน์ แต่คาดว่าจะได้ธุรกิจร้านอาหารจะเติบโตทั้ง q-q และ y-y เพราะมีการขยายสาขาใหม่ และคาดว่าจะได้ค้าปลีกจะยังเติบโตได้ดี โดยเฉพาะจากธุรกิจเทรตติ้ง King Marine ที่พื้นตัวได้แข็งแกร่งตามการฟื้นตัวของลูกค้าร้านอาหาร จึงคาดว่าจะได้รวม 3Q23 จะเติบโต +2.5% q-q, +9.5% y-y และคาดอัตรากำไรขั้นต้นจะขยับขึ้นเล็กน้อยมาอยู่ที่ 43.7% จาก 43.5% ใน 2Q23 จากแรงกดดันต้นทุนที่ลดลง

## คาดกำไร 4Q23 จะเร่งขึ้น เป็นจุดสูงสุดของปี

ระยะถัดไป คาดกำไร 4Q23 จะเร่งตัวขึ้นเป็นจุดสูงสุดของปี เพราะเป็น High Season, ยังเดินหน้าเปิดสาขาใหม่เพิ่มขึ้นราว 39 สาขาใน 2H23, คาดหวังการกลับมาของนักท่องเที่ยวต่างชาติ, และจะเริ่มรับรู้ต้นทุนปลาแชลมอนที่ถูกลงตั้งแต่ 4Q23 เป็นต้นไป โดยบริษัทได้ล็อกราคาปลาแชลมอนที่ราคาต่ำกว่า 400 บาท/กก. (ต่ำกว่าราคาเฉลี่ย 1H23 ที่ 500 บาท/กก.) ยาวไปจนถึง ม.ค. 2024

## แนวโน้มธุรกิจค้าปลีกแข็งแกร่ง และต้นทุนลด ช่วยหนุนกำไรปี 2024

เราคาดว่ารายได้ปี 2023 จะจบที่ 3.8 พันลบ. (+12.8% y-y) ถือว่า Conservative กว่าเป้าหมายของผู้บริหารที่ 4 พันลบ. เล็กน้อย สถานการณ์โดยรวมยังดูสอดคล้องกับประมาณการของเรา จึงยังคาดว่ากำไรสุทธิปี 2023-24 ไว้ตามเดิมเติบโต 12% y-y และ 16% y-y ตามลำดับ ปัจจัยหนุนการโตปี 2024 มาจากแนวโน้มต้นทุนอาหารที่ถูกลง และการเติบโตของธุรกิจค้าปลีกที่มีศักยภาพ จากลูกค้ารายใหม่ของ King Marine คาดสัดส่วนรายได้จากค้าปลีกในปี 2024 จะเพิ่มขึ้นเป็น 13.5% จาก 11.5% ในปี 2022

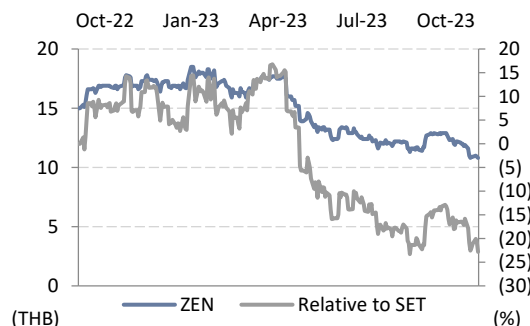
## ปรับใช้ราคาเป้าหมายปี 2024 ยังแนะนำซื้อ

เราปรับใช้ราคาเป้าหมายปี 2024 ที่ 15.5 บาท โดยขยับ Target PE ลงมาเป็น 23x (ใกล้เคียงค่าเฉลี่ยย้อนหลัง) จากเดิม 25x (+0.5 SD) เพื่อสะท้อนการเติบโตที่เข้าสู่ระดับปกติ ราคาหุ้นปัจจุบันมี Upside 43.5% คงคำแนะนำ ซื้อ

TARGET PRICE	THB15.50
CLOSE	THB10.80
UP/DOWNSIDE	+43.5%
PRIOR TP	THB15.40
CHANGE IN TP	+0.6%
TP vs CONSENSUS	-5.2%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	3,383	3,815	4,139	4,420
Net profit	154	172	200	217
EPS (THB)	0.51	0.57	0.67	0.72
vs Consensus (%)	-	(3.4)	(5.2)	(9.7)
EBITDA	594	687	779	864
Recurring net profit	154	172	200	217
Core EPS (THB)	0.51	0.57	0.67	0.72
Chg. In EPS est. (%)	-	1.0	(0.5)	(4.1)
EPS growth (%)	nm	11.9	16.0	8.8
Core P/E (x)	21.1	18.8	16.2	14.9
Dividend yield (%)	1.5	1.6	1.9	2.0
EV/EBITDA (x)	6.5	5.6	4.8	4.2
Price/book (x)	2.5	2.3	2.1	1.9
Net debt/Equity (%)	39.5	38.2	26.2	17.1
ROE (%)	12.8	12.8	13.6	13.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(16.3)	(9.2)	(28.0)
Relative to country (%)	(11.1)	(7.1)	(22.8)
Mkt cap (USD m)	89		
3m avg. daily turnover (USD m)	0.0		
Free float (%)	27		
Major shareholder	AGB Sibling Holdings (25%)		
12m high/low (THB)	19.20/10.60		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

ZEN ถือเป็นผู้นำในตลาดร้านอาหารญี่ปุ่น ปัจจุบันมีแบรนด์ร้านอาหารในเครือทั้งญี่ปุ่นและไทยราว 13 แบรนด์ ได้แก่ ZEN, AKA, On the Table, Sushi Cyu, ต่อมั่ว, ลาวญวน, เชียง เป็นต้น ในปี 2021 บริษัทได้เข้าลงทุนในธุรกิจแฟรนไชส์ เพื่อสร้างโอกาสในการขยายสาขาได้มากขึ้น และเป็นที่รู้จักมากขึ้น กอปรกับเข้าลงทุนในธุรกิจค้าปลีกได้แก่ โรงงานผลิตซอสและน้ำปลาร้า (ZKC) และธุรกิจเทรดดิ้งนำเข้าอาหารทะเลแช่แข็ง และขายให้กับร้านอาหารญี่ปุ่นในประเทศไทย (King Marine) ทำให้รายได้ธุรกิจค้าปลีกเข้ามา มีบทบาทมากขึ้น โดยคาดสัดส่วนจะขยับขึ้นเป็น 13.2% และ 13.5% ของรายได้รวมในปี 2023-24 ตามลำดับ

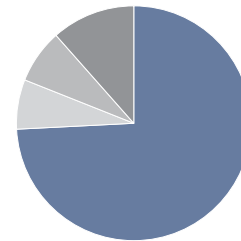
## Company profile

ZEN ดำเนินธุรกิจเป็น Holding company เข้าถือหุ้นในธุรกิจร้านอาหารและธุรกิจที่เกี่ยวข้องอื่น สามารถแบ่งออกเป็น 4 กลุ่มธุรกิจคือ 1) ธุรกิจร้านอาหาร ภายใต้แบรนด์ของกลุ่มบริษัท 2) ธุรกิจแฟรนไชส์ 3) ธุรกิจรับจัดส่งอาหารและจัดเลี้ยง และ 4) ธุรกิจค้าปลีก โดยสิ้นปี 2022 มีสัดส่วนรายได้แต่ละกลุ่มราว 74%/6.8%/7.4%/11.5% ตามลำดับ

[www.zengroup.co.th](http://www.zengroup.co.th)

## Principal activities (revenue, 2022)

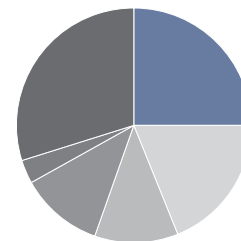
- Restaurant - 74.2 %
- Franchise - 6.8 %
- Delivery & Catering - 7.4 %
- Retail - 11.5 %



Source: Zen Corporation Group

## Major shareholders

- AGB Sibling Holdings - 25.0 %
- Morgan Stanley & Co. International - 18.9 %
- Mr. Sakkanon Chirathivat - 11.5 %
- Miss Jomkwan Chirathivat - 11.5 %
- Mrs. Kessara Manasilp - 3.3 %



Source: Zen Corporation Group

## Catalysts

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

## Risks to our call

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

## Event calendar

Date	Event
November 2023	3Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
SSSG (%)	5.0	4.0	3.0
New stores - Equity store (no.)	11	15	15
New stores - Franchise store (no.)	10	15	15
Total revenue growth (%)	12.8	8.5	6.8
Gross Margin (%)	44.0	44.2	44.5

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 0.2% increase in GPM, we estimate 2023 net profit to rise by 2.8%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 6.9%, and vice versa, all else being equal.
- For every 5% increase in labour cost, we estimate 2024 net profit to fall by 8.4%, and vice versa, all else being equal.

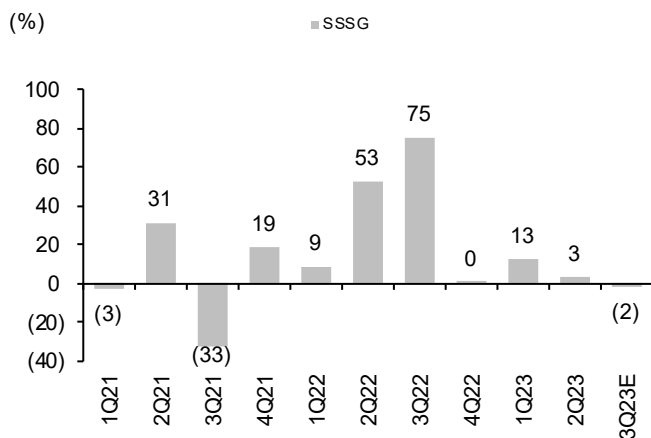
Source: FSSIA estimates

## 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	686	859	900	938	907	961	985	2.5	9.5	2,445	2,853	16.7
Cost of sales	378	466	480	513	509	543	555	2.2	15.5	1,324	1,607	21.4
Gross profit	309	393	420	425	397	418	431	3.0	2.6	1,121	1,246	11.2
SG&A	295	329	354	351	347	352	360	2.1	1.6	978	1,059	8.3
Operating profit	19	69	76	81	57	72	76	6.2	(0.6)	165	204	23.6
Interest expense	9	9	8	7	10	10	10	(1.1)	21.8	26	30	15.3
Tax expense	2	11	13	13	8	12	12	1.7	(11.7)	26	32	22.1
Reported net profit	4	44	51	55	34	46	49	7.4	(3.4)	99	129	29.9
Core profit	4	44	51	55	34	46	49	7.4	(3.4)	99	129	29.9
<b>Key ratios (%)</b>								<b>(ppt)</b>	<b>(ppt)</b>			
Gross margin	45.0	45.7	46.6	45.3	43.8	43.5	43.7	0.2	(2.9)	45.8	43.7	(2.2)
SG&A to sales	43.0	38.3	39.3	37.5	38.3	36.6	36.5	(0.1)	(2.8)	40.0	37.1	(2.9)
Operating margin	2.8	8.1	8.5	8.6	6.2	7.4	7.7	0.3	(0.8)	6.7	7.2	0.4
Net margin	0.6	5.1	5.6	5.8	3.8	4.8	5.0	0.2	(0.7)	4.1	4.5	0.5
Core margin	0.6	5.1	5.6	5.8	3.8	4.8	5.0	0.2	(0.7)	4.1	4.5	0.5
<b>Operating statistics</b>												
SSSG (%)	8.5	52.6	75.2	0.4	12.5	3.1	(2.0)			45.4	4.5	
Total stores (no.)	354	356	356	345	339	327	344	5.2	(3.4)	356	344	(3.4)
Restaurant sales (THB m)	502	599	683	728	706	735	744	1.3	9.0	1,784	2,185	22.5
Franchise sales (THB m)	52	61	58	60	52	56	58	3.6	0.0	171	166	(2.9)
Delivery and catering (THB m)	68	67	64	52	47	45	45	0.0	(29.7)	199	137	(31.2)
Retail sales (THB m)	64	131	96	98	101	125	138	10.4	43.8	291	364	25.1

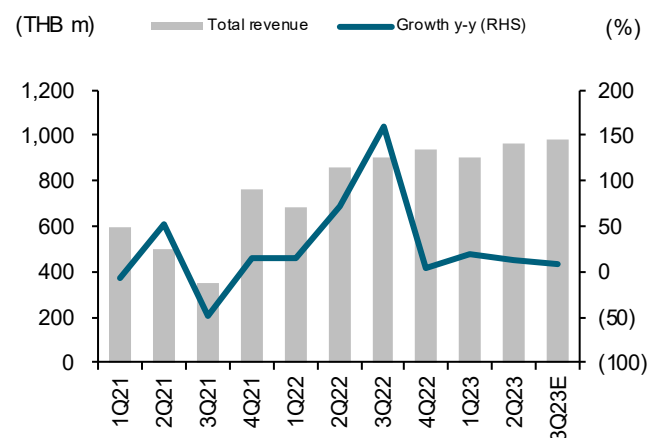
Sources: ZEN, FSSIA estimates

## Exhibit 2: Quarterly same-store-sales growth



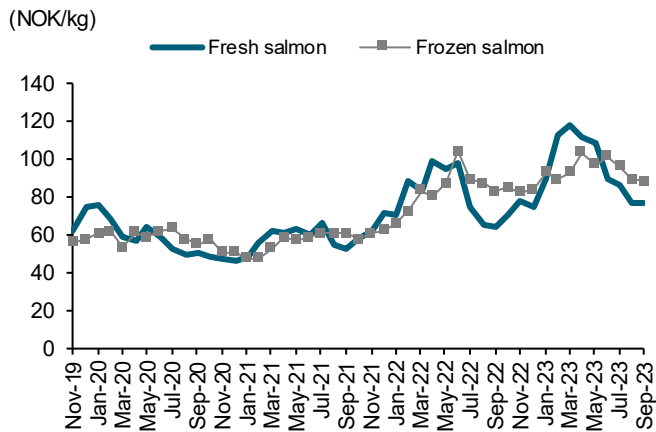
Sources: ZEN, FSSIA estimates

## Exhibit 3: Quarterly total revenue and growth



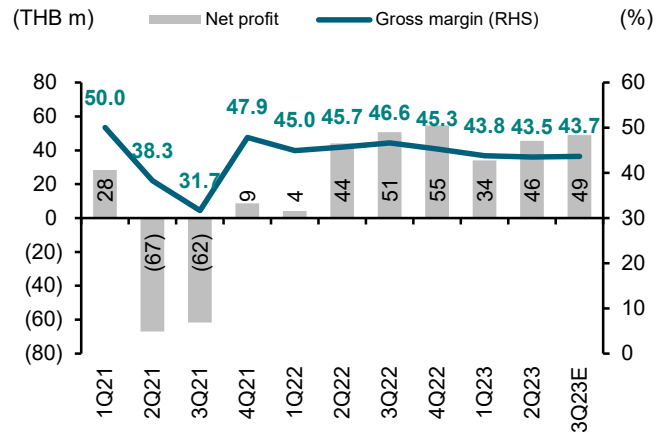
Sources: ZEN, FSSIA estimates

## Exhibit 4: Norway salmon prices



Sources: Bloomberg, FSSIA's compilation

## Exhibit 5: Quarterly gross margin and net profit



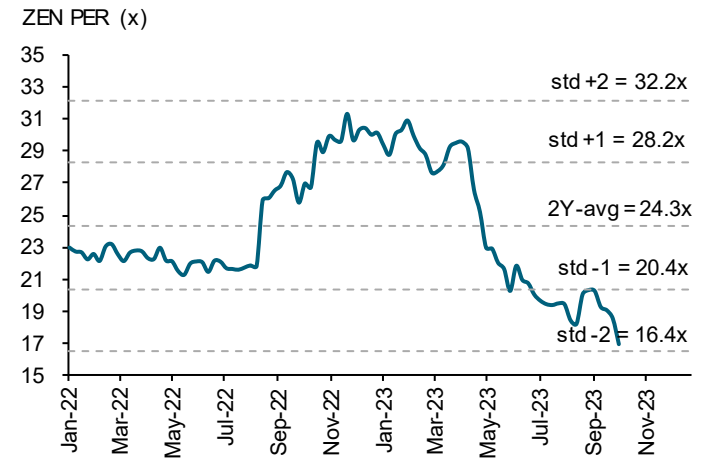
Sources: ZEN, FSSIA estimates

## Exhibit 6: Key assumptions for ZEN

	Current			Growth		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total sale value	3,815	4,139	4,420	12.8	8.5	6.8
Costs	2,137	2,309	2,453	16.3	8.1	6.2
Gross profit	1,679	1,829	1,967	8.6	9.0	7.5
SG&A expense	1,431	1,552	1,666	7.6	8.5	7.4
Interest expense	44	40	37	35.5	(8.7)	(9.5)
Reported net profit	172	200	217	11.9	16.0	8.8
Core profit	172	200	217	11.9	16.0	8.8
<b>Key ratios (%)</b>						
Gross margin	44.0	44.2	44.5	(1.7)	0.2	0.3
SG&A to sales	37.5	37.5	37.7	(1.8)	0.0	0.2
Net margin	4.5	4.8	4.9	(0.0)	0.3	0.1
Core margin	4.5	4.8	4.9	(0.0)	0.3	0.1
<b>Operating statistics</b>						
Total stores (no.)	394	424	454	14.2	7.6	7.1
SSSG (%)	5.0	4.0	3.0			
Restaurant sales (THB m)	2,900	3,135	3,350	15.5	8.1	6.8
Franchise sales (THB m)	229	252	266	(0.9)	10.2	5.2
Delivery & catering (THB m)	184	193	203	(27.0)	5.0	5.0
Retail sales (THB m)	503	558	602	28.9	10.9	8.0
<b>Revenue proportion</b>						
Restaurant sales (%)	76.0	75.8	75.8	1.8	(0.2)	0.0
Franchise sales (%)	6.0	6.1	6.0	(0.8)	0.1	(0.1)
Delivery & catering (%)	4.8	4.7	4.6	(2.6)	(0.2)	(0.1)
Retail sales (%)	13.2	13.5	13.6	1.7	0.3	0.2

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

### Zen Corporation Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	2,209	3,383	3,815	4,139	4,420
Cost of goods sold	(1,243)	(1,838)	(2,137)	(2,309)	(2,453)
<b>Gross profit</b>	<b>966</b>	<b>1,546</b>	<b>1,679</b>	<b>1,829</b>	<b>1,967</b>
Other operating income	47	30	31	33	35
Operating costs	(1,072)	(1,330)	(1,431)	(1,552)	(1,666)
<b>Operating EBITDA</b>	<b>304</b>	<b>594</b>	<b>687</b>	<b>779</b>	<b>864</b>
Depreciation	(363)	(348)	(408)	(468)	(528)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>(59)</b>	<b>246</b>	<b>279</b>	<b>310</b>	<b>336</b>
Net financing costs	(38)	(33)	(44)	(40)	(37)
Associates	(2)	(2)	0	0	0
Recurring non-operating income	(2)	(2)	0	0	0
Non-recurring items	(13)	0	0	0	0
<b>Profit before tax</b>	<b>(112)</b>	<b>211</b>	<b>234</b>	<b>270</b>	<b>299</b>
Tax	23	(39)	(43)	(49)	(60)
<b>Profit after tax</b>	<b>(89)</b>	<b>172</b>	<b>191</b>	<b>221</b>	<b>239</b>
Minority interests	(3)	(18)	(19)	(21)	(22)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(92)</b>	<b>154</b>	<b>172</b>	<b>200</b>	<b>217</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(78)</b>	<b>154</b>	<b>172</b>	<b>200</b>	<b>217</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.26)	0.51	0.57	0.67	0.72
Reported EPS	(0.31)	0.51	0.57	0.67	0.72
DPS	0.00	0.16	0.17	0.20	0.22
Diluted shares (used to calculate per share data)	300	300	300	300	300
<b>Growth</b>					
Revenue (%)	(3.3)	53.2	12.8	8.5	6.8
Operating EBITDA (%)	(13.0)	95.4	15.6	13.4	11.0
Operating EBIT (%)	nm	nm	13.3	11.5	8.2
Recurring EPS (%)	nm	nm	11.9	16.0	8.8
Reported EPS (%)	nm	nm	11.9	16.0	8.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	43.7	45.7	44.0	44.2	44.5
Gross margin exc. depreciation (%)	60.2	56.0	54.7	55.5	56.4
Operating EBITDA margin (%)	13.8	17.6	18.0	18.8	19.5
Operating EBIT margin (%)	(2.7)	7.3	7.3	7.5	7.6
Net margin (%)	(3.5)	4.5	4.5	4.8	4.9
Effective tax rate (%)	20.8	18.4	18.3	18.3	20.0
Dividend payout on recurring profit (%)	-	31.2	30.0	30.0	30.0
Interest cover (X)	(1.6)	7.5	6.3	7.7	9.2
Inventory days	43.8	46.6	54.9	54.3	55.7
Debtor days	11.0	8.0	8.2	6.7	5.8
Creditor days	118.4	80.3	72.7	72.4	74.2
Operating ROIC (%)	(3.4)	16.9	21.1	23.2	25.2
ROIC (%)	(2.5)	10.0	10.7	11.6	12.4
ROE (%)	(6.7)	12.8	12.8	13.6	13.4
ROA (%)	(1.7)	7.4	7.9	8.6	8.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Restaurant	1,582	2,510	2,900	3,135	3,350
Franchise	206	231	229	252	266
Delivery & Catering	321	252	184	193	203
Retail	100	390	503	558	602

Sources: Zen Corporation Group; FSSIA estimates

## Financial Statements

### Zen Corporation Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(78)	154	172	200	217
Depreciation	363	348	408	468	528
Associates & minorities	2	2	0	0	0
Other non-cash items	37	29	2	1	1
Change in working capital	14	(102)	28	32	9
<b>Cash flow from operations</b>	<b>338</b>	<b>431</b>	<b>610</b>	<b>701</b>	<b>755</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(158)	0	(480)	(480)	(550)
Net acquisitions & disposals	(42)	(390)	(83)	(32)	(28)
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(199)</b>	<b>(390)</b>	<b>(563)</b>	<b>(512)</b>	<b>(578)</b>
Dividends paid	-	0	(52)	(60)	(65)
Equity finance	0	0	0	0	0
Debt finance	(141)	6	(54)	(70)	(70)
Other financing cash flows	2	2	(24)	9	8
<b>Cash flow from financing</b>	<b>(139)</b>	<b>8</b>	<b>(129)</b>	<b>(121)</b>	<b>(127)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	11	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(1)</b>	<b>60</b>	<b>(82)</b>	<b>68</b>	<b>50</b>
Free cash flow to firm (FCFF)	175.84	73.98	91.50	229.03	213.85
Free cash flow to equity (FCFE)	(1.01)	60.15	(30.61)	127.96	115.41

#### Per share (THB)

FCFF per share	0.59	0.25	0.31	0.76	0.71
FCFE per share	0.00	0.20	(0.10)	0.43	0.38
Recurring cash flow per share	1.08	1.78	1.94	2.23	2.49

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,445	2,124	2,246	2,311	2,388
Less: Accumulated depreciation	(972)	(1,006)	(1,057)	(1,110)	(1,165)
<b>Tangible fixed assets (net)</b>	<b>1,472</b>	<b>1,118</b>	<b>1,190</b>	<b>1,201</b>	<b>1,223</b>
<b>Intangible fixed assets (net)</b>	<b>290</b>	<b>353</b>	<b>353</b>	<b>353</b>	<b>353</b>
Long-term financial assets	4	326	326	326	326
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	268	327	245	313	363
A/C receivable	61	88	84	68	73
Inventories	124	256	263	285	302
Other current assets	42	57	46	50	53
<b>Current assets</b>	<b>495</b>	<b>729</b>	<b>638</b>	<b>716</b>	<b>791</b>
Other assets	296	299	382	414	442
<b>Total assets</b>	<b>2,557</b>	<b>2,824</b>	<b>2,888</b>	<b>3,010</b>	<b>3,136</b>
Common equity	1,122	1,281	1,401	1,541	1,693
Minorities etc.	37	66	67	68	69
<b>Total shareholders' equity</b>	<b>1,159</b>	<b>1,346</b>	<b>1,469</b>	<b>1,610</b>	<b>1,763</b>
Long term debt	650	535	485	415	345
Other long-term liabilities	133	135	111	120	128
<b>Long-term liabilities</b>	<b>784</b>	<b>670</b>	<b>596</b>	<b>536</b>	<b>474</b>
A/C payable	319	337	351	380	403
Short term debt	202	324	320	320	320
Other current liabilities	93	147	153	166	177
<b>Current liabilities</b>	<b>614</b>	<b>808</b>	<b>824</b>	<b>865</b>	<b>900</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,557</b>	<b>2,824</b>	<b>2,888</b>	<b>3,010</b>	<b>3,136</b>
Net working capital	(185)	(83)	(111)	(143)	(152)
Invested capital	1,878	2,013	2,140	2,152	2,193

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

#### Per share (THB)

Book value per share	3.74	4.27	4.67	5.14	5.64
Tangible book value per share	2.77	3.09	3.49	3.96	4.47

#### Financial strength

Net debt/equity (%)	50.5	39.5	38.2	26.2	17.1
Net debt/total assets (%)	22.9	18.8	19.4	14.0	9.6
Current ratio (x)	0.8	0.9	0.8	0.8	0.9
CF interest cover (x)	5.2	2.8	11.1	16.0	19.2

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>(41.4)</b>	<b>21.1</b>	<b>18.8</b>	<b>16.2</b>	<b>14.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(59.4)</b>	<b>30.2</b>	<b>27.0</b>	<b>23.3</b>	<b>21.4</b>
Reported P/E (x)	(35.4)	21.1	18.8	16.2	14.9
Dividend yield (%)	-	1.5	1.6	1.9	2.0
Price/book (x)	2.9	2.5	2.3	2.1	1.9
Price/tangible book (x)	3.9	3.5	3.1	2.7	2.4
EV/EBITDA (x) **	12.7	6.5	5.6	4.8	4.2
EV/EBITDA @ target price (x) **	17.3	8.8	7.7	6.6	5.8
EV/invested capital (x)	2.1	1.9	1.8	1.7	1.6

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

Sources: Zen Corporation Group; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

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

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

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

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

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

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

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

#### Disclaimer:

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

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

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

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

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



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

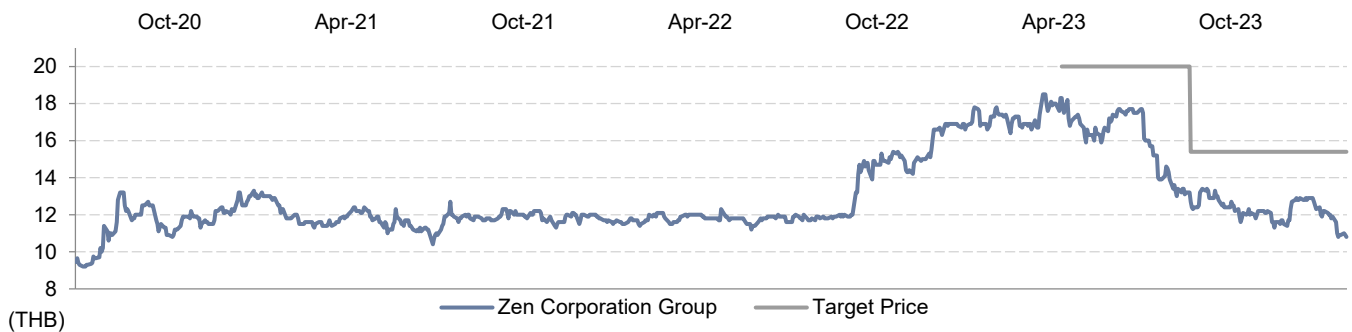
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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

#### Zen Corporation Group (ZEN TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Feb-2023	BUY	20.00	29-May-2023	BUY	15.40	-	-	-

Sureeporn Teewasuwet started covering this stock from 07-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Zen Corporation Group	ZEN TB	THB 10.80	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in raw material costs; 3) 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.