EQUITY RESEARCH - COMPANY REPORT

NSL FOODS   NSL TB

THAILAND / FOOD & BEVERAGE

New business pressures in the short run

- 3Q23 profit may come in lower than previously thought after consolidating loss-making NSL BAW during its initial restructuring.
- Cut our profit estimate to reflect new businesses. Expect a turnaround in 2024.
- Roll over to our 2024 TP with a 22% upside. Recommend BUY on a recovery story.

3Q23 profit may come in lower than previously thought

We expect a 3Q23 net profit of THB73m (-12.6% q-q, flat y-y) despite strong 16% y-y revenue growth and a modest q-q revenue increase. The q-q gain, which would break its seasonality, would be made possible by the one-month consolidation of Bake A Wish after NSL set up NSL Bake A Wish (NSL BAW), a subsidiary in which it owns a 60% stake, to operate two businesses: bakery and franchise (84 outlets). Also, NSL would record revenue from sales of rice bars to 7-Eleven. Although raw material costs would decrease, other manufacturing costs should continue to increase. Hence, we expect the gross margin to edge down to 18% from 18.4% in 3Q22. Note that our estimate is lower than previously thought due to 1) the loss realization from NSL BAW during its initial restructuring and 2) the loss contribution from Pen 1 F&B due to marketing expenses related to the launch of its first beverage.

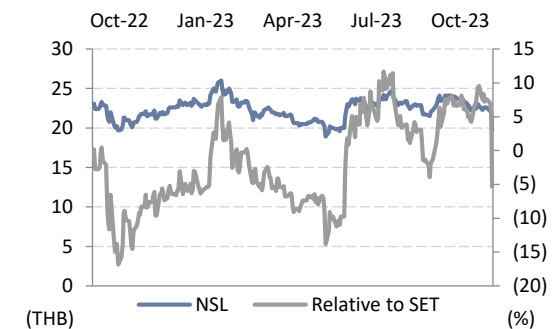## Expect a turnaround to a profit in 2024

The 4Q23 profit should grow q-q due to a high season. However, we expect an extended loss realization from its new associates and subsidiaries. Also, we anticipate a turnaround in its performance, to breakeven or a profit, from 2024 onwards. NSL will continue to monitor its rice bar business after introducing its first flavor at 7-Eleven. Also, it plans continued launches of new flavors. However, we view that significant revenue contribution from rice bars may hinge on successful exports, which should become clearer in 2024.

Cut profit estimate to reflect initial loss from new business

We maintain our bullish view of its existing business with 7-Eleven. In particular, continued sandwich sales growth has helped support a high utilization rate. Also, NSL has expanded to cover 7-Eleven in Cambodia and Laos. However, since its new business just started and is under restructuring, NSL would see short-term pressure from its new loss-making unit. Therefore, we have decreased our 2023-25E net profit by 9.3%/9.5%/6.1%, respectively. After the cut, our forecast implies a profit growth of 4.5% y-y in 2023 and a higher one of 14.6% y-y in 2024.

Maintain BUY rating after rolling over to our 2024 TP

We roll over to our 2024 TP of THB24 (PE 20x, down from 23x and close to TACC, which earns over 90% of its revenue from 7-11). We remain impressed by the strong balance sheet. NSL has a low D/E of only 0.7x and a high ROE of 21%. Also, we expect an annual dividend yield of c4.2% (1H23 DPS of THB0.3, 1.5% yield). Our new TP has a 22% upside. We retain our BUY rating on a recovery story in 2024.

FSSIA ESG rating ★

BUY
UNCHANGED

TARGET PRICE	**THB24.00**
CLOSE	**THB19.70**
UP/DOWNSIDE	**+21.8%**
PRIOR TP	**THB26.00**
CHANGE IN TP	**-7.7%**
TP vs CONSENSUS	**-15.0%**

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,001	4,651	5,044	5,442
Net profit	298	319	362	403
EPS (THB)	0.99	1.06	1.21	1.34
vs Consensus (%)	-	(6.2)	(9.4)	(9.2)
EBITDA	484	531	595	662
Recurring net profit	298	319	362	403
Core EPS (THB)	0.99	1.06	1.21	1.34
Chg. In EPS est. (%)	-	(7.0)	(8.0)	(6.8)
EPS growth (%)	41.5	7.2	13.6	11.2
Core P/E (x)	19.9	18.5	16.3	14.7
Dividend yield (%)	4.2	4.8	5.5	3.9
EV/EBITDA (x)	12.5	10.6	9.5	8.8
Price/book (x)	4.2	4.0	3.8	3.6
Net debt/Equity (%)	9.4	(17.8)	(17.0)	(4.0)
ROE (%)	22.4	22.2	24.1	25.5

Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(16.5)	(19.3)	(15.8)
Relative to country (%)	(11.6)	(13.7)	(7.0)
Mkt cap (USD m)			163
3m avg. daily turnover (USD m)			0.8
Free float (%)			0
Major shareholder		Mr. Somchai Asavapiyanon (75%)	
12m high/low (THB)			26.25/18.60
Issued shares (m)			300.00

Sources: Bloomberg consensus; FSSIA estimates

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Investment thesis

Besides growth in tandem with 7-Eleven, NSL continues to launch new bakery products to create a good impression and cope with rapidly changing consumer needs. Also, it plans to raise non-7-Eleven revenue to diversify dependency risks by introducing branded snacks and entering the food service business. In its latest move, NSL has invested in two associates, one with Bake A Wish and one with Pen 1 F&B, to further its future growth.

Company profile

NSL is a manufacturer and distributor of bakery products, appetisers (under CPALL brands, such as EZY Taste, EZY Sweet, and 7 Fresh), and snacks (under NSL brands). It is also in the food services business covering seafood, fish, meats, and frozen vegetables. NSL earns its revenue mainly from domestic sales, with CPALL as its key account. Moreover, it sells food services products to the HoReCa market and other modern trade distributors. It currently has four factories in Chonburi and Nontaburi.

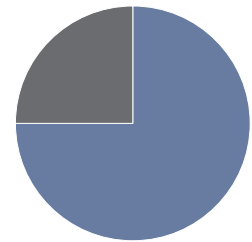www.nslfoods.com

Principal activities (revenue, 2022)

- ■ Bakery and appetizers - 91.1 %
- ■ Food Services - 7.2 %
- ■ NSL snack - 0.9 %
- ■ OEM & bread wastes - 0.9 %
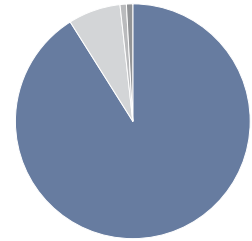
Source: NSL Foods

Major shareholders

- ■ Mr. Somchai Asavapiyanon - 75.0 %
- ■ Others - 25.0 %

Source: NSL Foods

Catalysts

Potential catalysts for NSL's earnings growth in 2023 are 1) revenue growth driven by new product launches and a tourism recovery; 2) new 7-Eleven branch expansions; and 3) a decline in raw material costs that should offset higher utility costs.

Risks to our call

Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.

Event calendar

Date	Event
November 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Capacity (m pieces)	450.0	450.0	450.0
Actual volume (m pieces)	244.5	260.4	279.3
Utilisation rate (%)	54.3	57.9	62.1
Revenue from 7-Eleven (THB m)	4,232	4,516	4,854
% of total revenue (%)	91.2	91.0	90.6

Source: FSSIA estimates

Earnings sensitivity

- ▪ For every 1% increase in revenue, we estimate 2023 net profit to rise by 0.9%, and vice versa, all else being equal.

- ▪ For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 5.2%, and vice versa, all else being equal.

- ▪ For every 0.5% increase in SG&A to sales, we estimate 2023 net profit to fall by 5%, and vice versa, all else being equal.

Source: FSSIA estimates

FINANSIA   18 OCTOBER 2023

Exhibit 1: 3Q23 earnings preview

	3Q22 (THB m)	4Q22 (THB m)	1Q23 (THB m)	2Q23 (THB m)	3Q23E (THB m)	--------- Change -------- (q-q%)	(y-y%)	9M22 (THB m)	9M23E (THB m)	Change (y-y%)
Sales	1,018	1,063	1,095	1,163	1,181	1.5	16.0	2,938	3,440	17.1
Cost of sales	831	870	892	949	969	2.1	16.6	2,390	2,809	17.6
Gross profit	188	194	204	214	213	(0.8)	13.3	548	630	15.0
SG&A	97	97	107	109	117	7.5	20.6	272	333	22.5
Operating profit	93	100	98	108	98	(9.9)	5.6	282	304	8.0
Interest expense	3	3	3	3	3	12.4	19.5	7	9	15.6
Profit (loss) sharing	0	0	(1)	(2)	(3)	nm	nm	0	(5)	nm
Tax expense	18	20	19	21	18	(11.8)	4.6	54	58	7.3
Reported net profit	72	78	75	83	73	(11.8)	1.2	220	232	5.5
Core profit	72	78	78	83	73	(11.8)	1.2	220	235	6.8
Key ratios (%)										
Gross margin	18.4	18.2	18.6	18.4	18.0	(0.4)	(0.4)	18.7	18.3	(0.3)
SG&A / Sales	9.5	9.1	9.8	9.4	9.9	0.5	0.4	9.3	9.7	0.4
Operating margin	9.1	9.4	9.0	9.3	8.3	(1.0)	(0.8)	9.6	8.9	(0.7)
Net margin	7.1	7.3	6.9	7.1	6.2	(0.9)	(0.9)	7.5	6.7	(0.7)
Core margin	7.1	7.3	7.2	7.1	6.2	(0.9)	(0.9)	7.5	6.8	(0.7)
Operating statistics (THB m)										
Bakery sales	938	966	1,004	1,066	1,079	1.2	15.1	2,682	3,149	17.4
Food service sales	62	80	68	69	65	(5.6)	5.5	207	202	(2.5)
Snack sales	10	10	10	10	12	23.0	17.0	24	32	31.7
OEM sales	9	8	14	19	25	34.0	180.0	25	57	127.0

Sources: NSL, FSSIA estimates

Exhibit 2: Key assumptions for NSL

	------------------ Current ------------------ 2023E (THB m)	2024E (THB m)	2025E (THB m)	---------------- Previous ----------------- 2023E (THB m)	2024E (THB m)	2025E (THB m)	------------------ Change ------------------ 2023E (%)	2024E (%)	2025E (%)
Total revenue	4,651	5,044	5,442	4,458	4,937	5,305	4.3	2.2	2.6
Costs	3,800	4,116	4,430	3,624	4,009	4,297	4.9	2.7	3.1
Gross profit	851	928	1,012	834	928	1,008	2.1	0.0	0.4
SG&A expenses	451	484	517	401	444	477	12.5	9.1	8.4
Profit sharing	(8)	(6)	3	0	0	0	nm	nm	nm
Reported net profit	311	356	406	343	394	432	(9.3)	(9.5)	(6.1)
Core profit	311	356	406	343	394	432	(9.3)	(9.5)	(6.1)
Key ratios (%)									
Total revenue growth	16.2	8.4	7.9	11.4	10.7	7.5	4.8	(2.3)	0.4
Net profit growth	4.5	14.6	13.8	15.1	14.9	9.7	(10.6)	(0.3)	4.1
Core profit growth	4.5	14.6	13.8	15.1	14.9	9.7	(10.6)	(0.3)	4.1
Gross margin	18.3	18.4	18.6	18.7	18.8	19.0	(0.4)	(0.4)	(0.4)
SG&A to sales	9.7	9.6	9.5	9.0	9.0	9.0	0.7	0.6	0.5
Net margin	6.7	7.1	7.5	7.7	8.4	8.8	(1.0)	(1.3)	(1.4)
Core margin	6.7	7.1	7.5	7.7	8.4	8.8	(1.0)	(1.3)	(1.4)
Operating statistics (THB m)									
Bakery sales	4,242	4,595	4,938	4,064	4,516	4,854	4.4	1.7	1.7
Food service sales	281	301	337	317	339	363	(11.3)	(11.3)	(7.2)
Snack sales	45	48	51	38	41	44	17.6	16.6	16.2
OEM sales	84	101	116	38	41	44	120.4	145.2	162.7

Source: FSSIA estimates

FINANSIA   18 OCTOBER 2023

Financial Statements
NSL Foods

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,038	4,001	4,651	5,044	5,442
Cost of goods sold	(2,497)	(3,259)	(3,800)	(4,116)	(4,430)
Gross profit	**542**	**742**	**851**	**928**	**1,012**
Other operating income	5	8	8	9	10
Operating costs	(297)	(369)	(451)	(484)	(517)
Operating EBITDA	**346**	**484**	**531**	**595**	**662**
Depreciation	(97)	(102)	(122)	(142)	(157)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**249**	**382**	**408**	**453**	**505**
Net financing costs	(17)	(10)	(12)	(12)	(13)
Associates	-	-	-	-	-
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	**232**	**372**	**397**	**441**	**492**
Tax	(41)	(74)	(78)	(78)	(89)
Profit after tax	**191**	**298**	**319**	**362**	**403**
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	**191**	**298**	**319**	**362**	**403**
Non-recurring items & goodwill (net)	**0**	**0**	**0**	**0**	**0**
Recurring net profit	**191**	**298**	**319**	**362**	**403**
Per share (THB)					
Recurring EPS *	0.70	0.99	1.06	1.21	1.34
Reported EPS	0.70	0.99	1.06	1.21	1.34
DPS	0.50	0.83	0.95	1.08	0.77
Diluted shares (used to calculate per share data)	273	300	300	300	300
Growth					
Revenue (%)	3.9	31.7	16.2	8.4	7.9
Operating EBITDA (%)	7.7	40.0	9.6	12.2	11.3
Operating EBIT (%)	15.9	53.3	6.9	10.9	11.5
Recurring EPS (%)	3.7	41.5	7.2	13.6	11.2
Reported EPS (%)	3.7	41.5	7.2	13.6	11.2
Operating performance					
Gross margin inc. depreciation (%)	17.8	18.5	18.3	18.4	18.6
Gross margin exc. depreciation (%)	21.0	21.1	20.9	21.2	21.5
Operating EBITDA margin (%)	11.4	12.1	11.4	11.8	12.2
Operating EBIT margin (%)	8.2	9.5	8.8	9.0	9.3
Net margin (%)	6.3	7.4	6.9	7.2	7.4
Effective tax rate (%)	17.8	19.9	19.6	17.8	18.1
Dividend payout on recurring profit (%)	71.3	83.6	89.4	89.5	57.0
Interest cover (X)	14.8	37.1	34.9	37.0	38.5
Inventory days	25.1	26.4	28.8	29.9	30.0
Debtor days	54.6	49.8	48.4	48.1	48.2
Creditor days	65.2	58.5	63.9	69.7	59.6
Operating ROIC (%)	18.0	25.9	26.6	28.7	28.4
ROIC (%)	17.5	22.3	23.0	27.5	27.3
ROE (%)	22.4	22.4	22.2	24.1	25.5
ROA (%)	11.1	13.9	13.6	14.3	15.9
* Pre-exceptional, pre-goodwill and fully diluted					

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Bakery and appetizers	2,791	3,643	4,242	4,595	4,938
Food Services	207	288	281	301	337
NSL snack	25	35	45	48	51
OEM & bread wastes	15	35	84	101	116

Sources: NSL Foods; FSSIA estimates

FINANSIA

Financial Statements
NSL Foods

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	191	298	319	362	403
Depreciation	97	102	122	142	157
Associates & minorities	-	-	-	-	-
Other non-cash items	61	0	0	0	0
Change in working capital	(157)	(54)	83	(15)	(259)
Cash flow from operations	**192**	**346**	**524**	**489**	**301**
Capex - maintenance	(39)	(146)	(200)	(200)	(150)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	7	(301)	279	(10)	(1)
Cash flow from investing	**(33)**	**(448)**	**79**	**(210)**	**(151)**
Dividends paid	(266)	(144)	(249)	(285)	(324)
Equity finance	75	0	0	0	0
Debt finance	(107)	(100)	(16)	(7)	(34)
Other financing cash flows	588	1	39	3	(21)
Cash flow from financing	**290**	**(243)**	**(226)**	**(289)**	**(380)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	**0**	**0**	**0**	**0**	**0**
Movement in cash	**449**	**(344)**	**376**	**(10)**	**(230)**
Free cash flow to firm (FCFF)	176.03	(91.06)	614.53	291.47	162.84
Free cash flow to equity (FCFE)	640.64	(200.65)	625.30	275.02	94.19

Per share (THB)					
FCFF per share	0.59	(0.30)	2.05	0.97	0.54
FCFE per share	2.14	(0.67)	2.08	0.92	0.31
Recurring cash flow per share	1.28	1.33	1.47	1.68	1.87

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	1,614	1,738	1,877	2,001	2,065
Less: Accumulated depreciation	(688)	(768)	(829)	(896)	(967)
Tangible fixed assets (net)	**926**	**970**	**1,047**	**1,105**	**1,098**
Intangible fixed assets (net)	**7**	**6**	**6**	**6**	**6**
Long-term financial assets	0	301	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	459	115	492	482	251
A/C receivable	496	595	637	691	745
Inventories	189	267	312	338	364
Other current assets	2	3	2	3	3
Current assets	**1,147**	**980**	**1,443**	**1,513**	**1,364**
Other assets	31	32	47	50	54
Total assets	**2,111**	**2,290**	**2,544**	**2,675**	**2,522**
Common equity	1,252	1,406	1,468	1,540	1,621
Minorities etc.	0	0	0	0	0
Total shareholders' equity	**1,252**	**1,406**	**1,468**	**1,540**	**1,621**
Long term debt	181	80	72	65	56
Other long-term liabilities	50	30	70	76	54
Long-term liabilities	**231**	**110**	**142**	**141**	**110**
A/C payable	453	559	729	789	607
Short term debt	146	167	158	155	130
Other current liabilities	29	47	47	50	54
Current liabilities	**628**	**774**	**933**	**995**	**791**
Total liabilities and shareholders' equity	**2,111**	**2,290**	**2,544**	**2,675**	**2,522**
Net working capital	205	259	177	192	451
Invested capital	1,169	1,568	1,277	1,354	1,610
* Includes convertibles and preferred stock which is being treated as debt					

Per share (THB)					
Book value per share	4.17	4.69	4.89	5.13	5.40
Tangible book value per share	4.15	4.67	4.87	5.11	5.38
Financial strength					
Net debt/equity (%)	(10.6)	9.4	(17.8)	(17.0)	(4.0)
Net debt/total assets (%)	(6.3)	5.8	(10.3)	(9.8)	(2.6)
Current ratio (x)	1.8	1.3	1.5	1.5	1.7
CF interest cover (x)	39.1	(18.5)	54.4	23.5	8.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	**28.1**	**19.9**	**18.5**	**16.3**	**14.7**
Recurring P/E @ target price (x) *	**34.2**	**24.2**	**22.6**	**19.9**	**17.9**
Reported P/E (x)	28.1	19.9	18.5	16.3	14.7
Dividend yield (%)	2.5	4.2	4.8	5.5	3.9
Price/book (x)	4.7	4.2	4.0	3.8	3.6
Price/tangible book (x)	4.7	4.2	4.0	3.9	3.7
EV/EBITDA (x) **	16.7	12.5	10.6	9.5	8.8
EV/EBITDA @ target price (x) **	20.4	15.1	13.1	11.7	10.8
EV/invested capital (x)	4.9	3.9	4.4	4.2	3.6
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: NSL Foods; FSSIA estimates

NSL FOODS PCL (NSL TB)

Exhibit 3: FSSIA ESG score implication

Rating	Score	Implication
★ ★ ★ ★ ★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★ ★ ★ ★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★ ★ ★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★ ★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	**The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.**

Sources: FSSIA estimates

Exhibit 4: ESG – peer comparison

	FSSIA	----------------- Domestic ratings -----------------------						----------------------------------- Global ratings -----------------------------						--- Bloomberg ---	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.2	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.1	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BTG	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
ITC	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
M	26.38	--	--	--	4.00	4.00	Certified	Medium	--	--	--	--	17.00	--	--
NSL	12.00	--	--	--	3.00	4.00	--	--	--	--	--	--	--	--	--
SNNP	13.00	--	--	--	4.00	4.00	--	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; * FSSIA estimate; FSSIA's compilation

Exhibit 5: ESG disclosure from prospectus as of 31 Mar 2023

FY ending Dec 31	FY 2022
Environmental	
Climate change policy	Yes
Climate change opportunities discussed	--
GHG scope 2 location-based policy	Yes
Biodiversity policy	--
Energy efficiency policy	Yes
Electricity used	Yes
Fuel used - crude oil/diesel	--
Waste reduction policy	Yes
Water policy	Yes
Water consumption	Yes
Social	
Human rights policy	Yes
Policy against child labor	Yes
Quality assurance and recall policy	Yes
Consumer data protection policy	Yes
Equal opportunity policy	Yes
Gender pay gap breakout	--
Pct women in workforce	53.53
Business ethics policy	Yes
Anti-bribery ethics policy	--
Health and safety policy	Yes
Lost time incident rate - employees	--
Training policy	Yes
Fair remuneration policy	Yes
Number of employees - CSR	Yes
Total hours spent by firm - employee training	21017
Social supply chain management	Yes

FY ending Dec 31	FY 2022
Governance	
Board size / Independent directors (ID) / Female	**8 / 4 / 2**
No. of board meetings for the year / % attendance	6 /100
Company conducts board evaluations	Yes
Number of non-executive directors on board	6
Director share ownership guidelines	No
Board age limit	No
Age of the youngest / oldest director	38 / 70
Number of executives / female	6 / 1
Executive share ownership guidelines	No
Size of audit committee / ID	**3 / 3**
Audit committee meetings	5
Audit committee meeting attendance (%)	100
Size of compensation committee / ID	**-- / --**
Number of compensation committee meetings	--
Compensation committee meeting attendance (%)	--
Size of nomination committee / ID	**-- / --**
Number of nomination committee meetings	--
Nomination committee meeting attendance (%)	**--**
Board compensation (THB m)	2.24
Executive compensation (THB m)	22.92
Auditor fee (THB m)	2.02
(Deloitte Touche Tohmatsu Jaiyos Co., Ltd.)	
Total employee (no.)	**2141**
Employee compensation (THB m)	508.1
Sustainability governance	
Verification type	--
Board duration (years)	3

Sources: NSL; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for **THSI inclusion**, verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. **SETTHSI Index** is extended from the THSI companies whose 1) market capitalization > 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.
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. 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 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 scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (*Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including 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 document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. *Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.*	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. **NEGL** 0-10 / **Low** 10-20 / **Medium** 20-30 / **High** 30-40 / **Severe** 40+
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. AAA 8.571-10.000 / AA 7.143-8.570 / A 5.714-7.142 / BBB 4.286-5.713 / BB 2.857-4.285 / B 1.429-2.856 / CCC 0.000-1.428 **Leader:** leading its industry in managing the most significant ESG risks and opportunities **Average:** a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers **Laggard:** lagging its industry based on its high exposure and failure to manage significant ESG risks	
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.	
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (*Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.*)	
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.	
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.

Source: FSSIA's compilation

GENERAL DISCLAIMER

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History of change in investment rating and/or target price
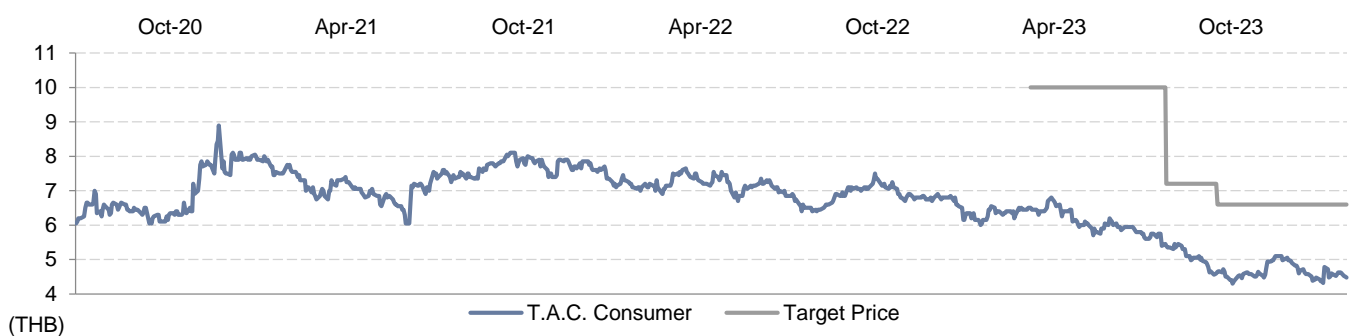
NSL Foods (NSL TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	26.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

T.A.C. Consumer (TACC TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	10.00	15-May-2023	BUY	7.20	28-Jun-2023	BUY	6.60

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
NSL Foods	NSL TB	THB 19.70	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.
T.A.C. Consumer	TACC TB	THB 4.48	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.

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 18-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.