

# OSOTSPA OSP TB

THAILAND / FOOD & BEVERAGE

## BUY

UNCHANGED

## Profit should improve in 2024

- The 2H23 outlook is weaker than expected due to the failure to hit its market share target and a short-term negative impact from the closure of its factory in Samut Prakan.
- We have slashed our 2023-25E profit. After the cut, our 2024E profit implies a higher growth.
- OSP has plunged 32% in the past four months to reflect negative news.

### The closure of its glass factory in Samut Prakan would hurt 2H23 net profit

OSP is going through the necessary steps to close its glass factory in Samut Prakan from December 1, 2023 onwards. Hence, we expect extra gains from its restructuring, such as sales of unused assets in 3Q23. However, it would also recognize one-time expenses, such as asset write-offs and severance pay in 4Q23, that would be higher than the extra gains booked in 3Q23. Although the closure would hurt 2H23 profit, it would help raise the overall production efficiency since the factory, which mainly supports OEM customers, is old and has a low utilization rate. Also, OSP has improved its factory in Ayutthaya to achieve higher efficiency to cope with the closure.

### 3Q23 profit should edge up q-q even though market share decreased

We expect a 3Q23 net profit of THB610m (+11% q-q, +150% y-y). Excluding an extra gain of cTHB50m from restructuring, we project a core profit of THB560m (+2% q-q, +56% y-y). Although the 3Q23 energy drink market share dropped to 46.6% from 47.5% in 2Q23 and 48.2% in 3Q22 after its competitors introduced aggressive promotion while OSP did nothing, we anticipate modest y-y revenue growth. However, international sales would continue to decrease q-q, in line with seasonality. Total revenue would decrease by 5% q-q and increase by 3.2% y-y. However, a 50 bps q-q higher gross margin due to lower gas costs should help offset it. Also, SG&A expenses should decrease since OSP did not do any promotion during its low season. Thus, the core profit should edge up q-q. In 4Q23, we expect a q-q and y-y core profit recovery to the highest point of this year. However, the net profit should come in lower q-q, weighed down by extra expenses.

### Slash our profit estimate to where it implies a higher 2024 growth

OSP may miss its target to raise market share to no less than 2% in 2023. According to the latest data, it remained below 4Q22. Although the gross margin would grow q-q every quarter as expected due to decreased gas costs and higher production efficiency, revenue recovery is slower than expected. Therefore, we have cut our 2023-25E normalized earnings by 11.2%/9.8%/11.7% to where it now implies growth of 14.1%/20.7%/7.7% y-y, respectively. In this regard, we project purchasing power recovery in 2024 amid stubbornly fierce competition. Also, we will keep monitoring the gas price outlook due to the ongoing wars. Note that every 10% increase in gas costs will affect our 2024E profit by 4.2%, ceteris paribus.

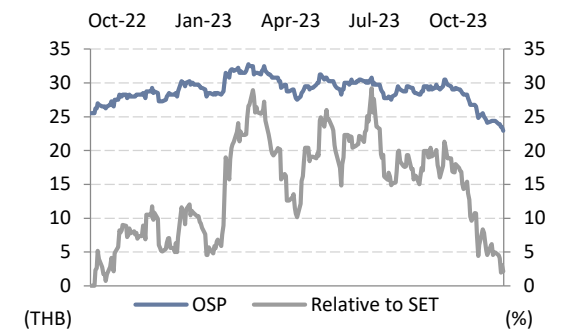
### Roll over to our 2024 TP and maintain our BUY rating after share price plunges have reflected bad news

We have rolled over to our 2024 TP of THB28.5, based on a lower PE target of 35x (-0.5 SD) from 40x (its historical average) after growth has returned to its normal level and competition remains high while downside risks to our forecast persist. However, the share price plunges have reflected most of the negative news. Hence, we retain our BUY rating on a 24% potential upside.

TARGET PRICE	THB28.50
CLOSE	THB22.90
UP/DOWNSIDE	+24.5%
PRIOR TP	THB33.00
CHANGE IN TP	-13.6%
TP vs CONSENSUS	-13.1%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	27,266	26,425	28,621	30,429
Net profit	1,934	2,449	2,636	2,840
EPS (THB)	0.64	0.82	0.88	0.95
vs Consensus (%)	-	(6.7)	(14.8)	(16.8)
EBITDA	3,644	4,188	4,779	5,069
Recurring net profit	1,914	2,183	2,636	2,840
Core EPS (THB)	0.64	0.73	0.88	0.95
Chg. In EPS est. (%)	-	(11.2)	(9.7)	(11.4)
EPS growth (%)	(41.2)	14.1	20.7	7.7
Core P/E (x)	35.9	31.5	26.1	24.2
Dividend yield (%)	3.9	5.2	3.4	3.7
EV/EBITDA (x)	19.1	16.5	14.5	13.6
Price/book (x)	3.7	4.3	4.2	4.1
Net debt/Equity (%)	4.3	2.8	1.6	1.2
ROE (%)	10.0	12.6	16.2	17.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(16.0)	(21.7)	(6.8)
Relative to country (%)	(8.6)	(14.4)	6.0
Mkt cap (USD m)	1,884		
3m avg. daily turnover (USD m)	6.4		
Free float (%)	52		
Major shareholder	Osathanugrah Family (39%)		
12m high/low (THB)	32.11/22.80		
Issued shares (m)	3,003.75		

Sources: Bloomberg consensus; FSSIA estimates



**Sureeporn Teewasuwet**

Fundamental Investment Analyst on Securities; License no. 040694  
sureeporn.t@fssia.com, +66 2646 9972

## Investment thesis

OSP is a company with a very long history of over 132 years. We are impressed with OSP's growth over the last century via innovative products that have evolved according to changing consumer needs, organisational advancements, and marketing breakthroughs. We think OSP conducts its business with good governance and responsibility to all stakeholders.

The company has continued to focus on cost efficiency via its Fast Forward 10x program, whose five pillars for transformation are: cost, process, function, hybrid workforce, and assets. It targets THB5b in cost savings in 5-7 years (2022-28).

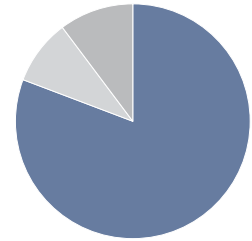
## Company profile

Osotspa was established in 1891 as a pharmaceutical company. It is now one of the largest consumer product companies in Thailand. Revenue is derived from beverages (81% of sales), personal care (9% of sales) and others (10%). About 17% of its sales come from overseas markets, such as Myanmar, Laos and Cambodia, nearly all of which are from the energy drinks segment. It was listed in October 2018.

[www.osotspa.com](http://www.osotspa.com)

## Principal activities (revenue, 2022)

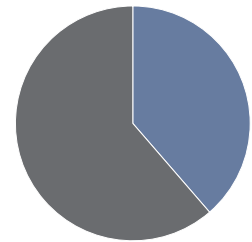
- Beverage - 80.8 %
- Personal care - 9.0 %
- Other (OEM) - 10.2 %



Source: Osotspa

## Major shareholders

- Osathanugrah Family - 38.7 %
- Others - 61.4 %



Source: Osotspa

## Catalysts

Potential catalysts for OSP's earnings growth in 2023 are 1) revenue growth driven by sales volumes; 2) gaining more domestic energy drink market share; 3) declining energy costs; 4) successfully improving its production efficiency; and 5) the success of new product launches.

## Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.

## Event calendar

Date	Event
November 2023	3Q23 results announcement 3Q23 analyst meeting

## Key assumptions

	2023E	2024E	2025E
Beverage revenue growth (%)	(3.2)	9.1	6.6
Personal care revenue growth (%)	(1.2)	5.0	5.0
Total revenue growth (%)	(3.1)	8.3	6.3
Gross margin (%)	34.2	34.4	34.5
SG&A to sales (%)	25.4	24.5	24.5

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 1.2%, and vice versa, all else being equal.
- For every 0.2% increase in GPM, we estimate 2023 net profit to rise by 2.0%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2023 net profit to fall by 1.9%, and vice versa, all else being equal.

Source: FSSIA estimates

## Exhibit 1: 3Q23 earnings preview

	3Q22	4Q22	1Q23	2Q23	3Q23E	---- Change ----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	6,178	6,432	6,545	6,709	6,375	(5.0)	3.2	20,833	19,630	(5.8)
Cost of sales	4,367	4,509	4,360	4,428	4,176	(5.7)	(4.4)	14,407	12,964	(10.0)
Gross profit	1,811	1,924	2,186	2,281	2,199	(3.6)	21.4	6,427	6,666	3.7
SG&A	1,631	1,638	1,703	1,661	1,619	(2.5)	(0.7)	4,862	4,983	2.5
Operating profit	233	304	524	678	630	(7.1)	169.9	1,743	1,833	5.1
Interest expense	23	24	24	24	23	(3.1)	(0.1)	65	71	9.0
Tax expense	70	15	54	110	78	(29.2)	11.2	354	241	(31.8)
Profit (loss) sharing	78	62	39	13	40	198.2	(48.6)	252	92	(63.5)
Reported net profit	244	337	778	549	610	11.1	150.3	1,597	1,938	21.3
Core profit	359	317	472	549	560	2.0	56.2	1,712	1,582	(7.6)

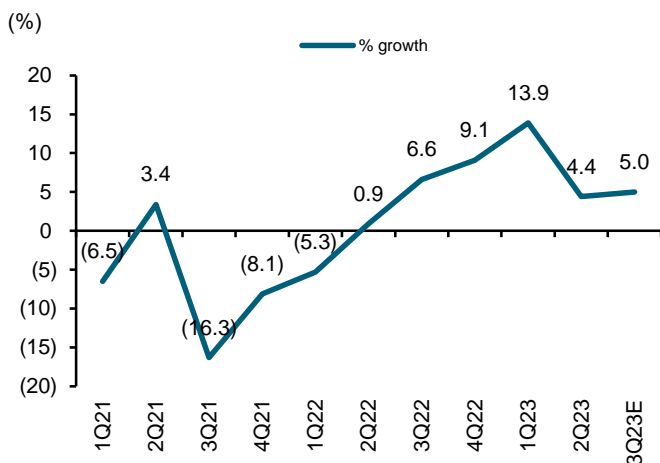
Key Ratios (%)			(ppt)	(ppt)			(ppt)			
Gross margin	29.3	29.9	33.4	34.0	34.5	0.5	5.2	30.8	34.0	3.1
SG&A to sales	26.4	25.5	26.0	24.8	25.4	0.6	(1.0)	23.3	25.4	2.0
Operating margin	3.8	4.7	8.0	10.1	9.9	(0.2)	6.1	8.4	9.3	1.0
Net margin	3.9	5.2	11.9	8.2	9.6	1.4	5.6	6.5	5.2	(1.3)
Core margin	5.8	4.9	7.2	8.2	8.8	0.6	3.0	7.7	9.9	2.2

Operating statistics (THB m)										
Beverage sales	4,854	4,953	5,279	5,488	5,097	(7.1)	5.0	17,067	15,864	(7.0)
Personal care	605	706	556	566	635	12.2	5.0	1,746	1,757	0.6
Other	719	773	710	656	643	(2.0)	(10.5)	2,021	2,009	(0.6)

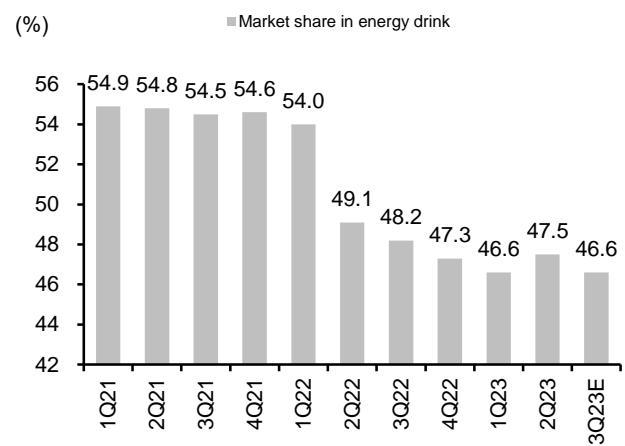
Sources: OSP, FSSIA estimates

## Exhibit 2: Quarterly (MAT TY) energy drink market value growth



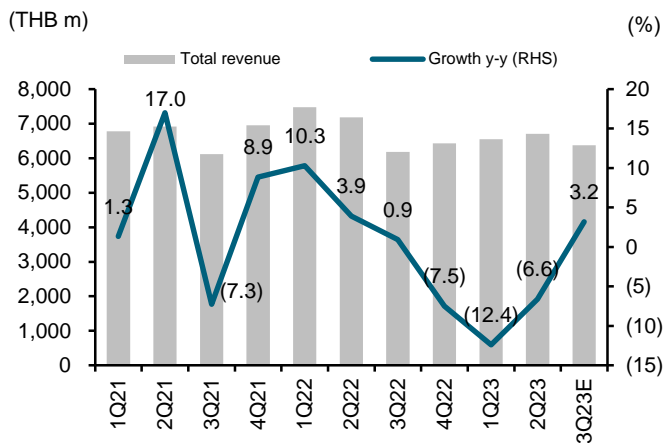
Sources: OSP, FSSIA estimates

## Exhibit 3: OSP's energy drink market share by value



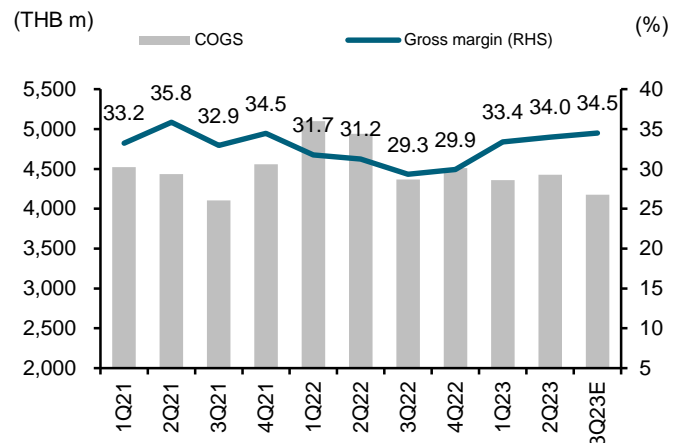
Sources: OSP, FSSIA estimates

Exhibit 4: Quarterly total revenue and growth



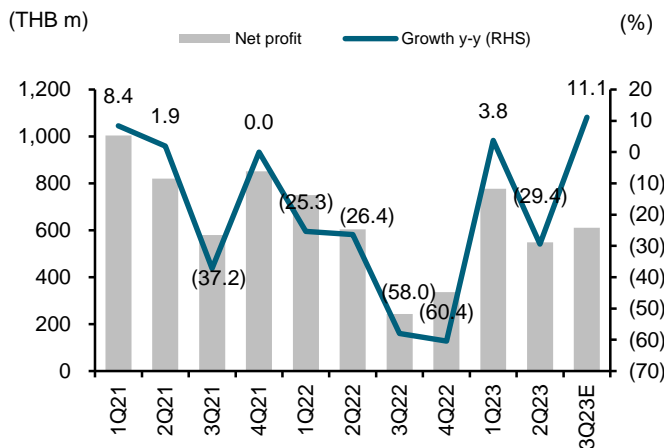
Sources: OSP, FSSIA estimates

Exhibit 5: Quarterly gross margin



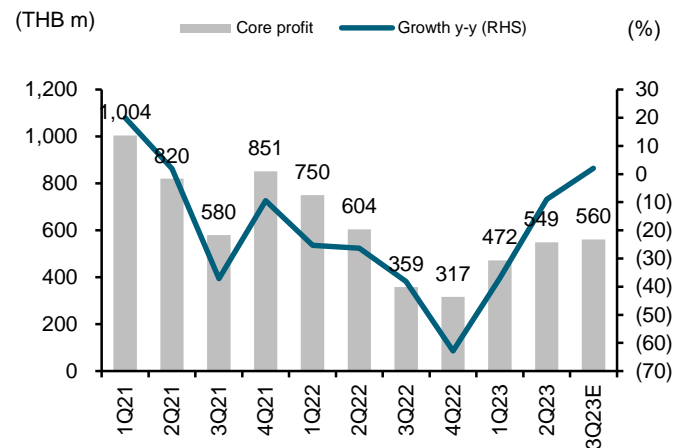
Sources: OSP, FSSIA estimates

Exhibit 6: Quarterly net profit and growth



Sources: OSP, FSSIA estimates

Exhibit 7: Quarterly core profit and growth



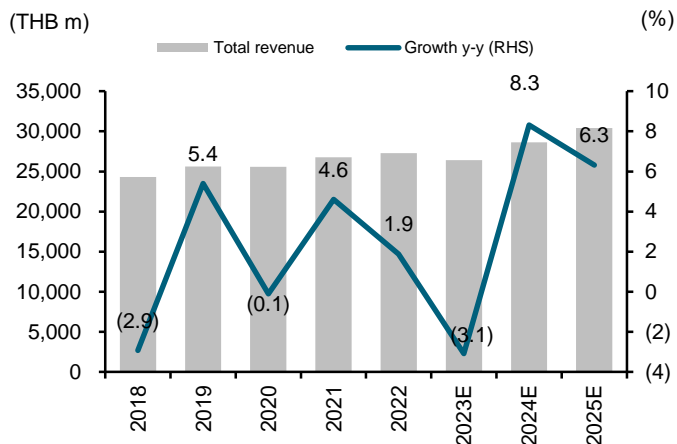
Sources: OSP, FSSIA estimates

Exhibit 8: Key assumptions for OSP

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	26,425	28,621	30,429	28,491	30,707	32,258	(7.3)	(6.8)	(5.7)
Cost of sales	17,388	18,775	19,931	19,089	20,420	21,290	(8.9)	(8.1)	(6.4)
Gross profit	9,037	9,846	10,498	9,402	10,287	10,968	(3.9)	(4.3)	(4.3)
SG&A expenses	6,712	7,012	7,455	6,838	7,216	7,581	(1.8)	(2.8)	(1.7)
Operating profit	2,524	3,048	3,271	2,789	3,313	3,642	(9.5)	(8.0)	(10.2)
Interest expense	96	96	88	104	100	99	(8.1)	(3.8)	(11.2)
Profit sharing	143	172	183	228	246	258	(37.4)	(30.1)	(29.3)
Reported net profit	2,449	2,636	2,840	2,758	2,918	3,206	(11.2)	(9.7)	(11.4)
Core profit	2,183	2,636	2,840	2,458	2,918	3,206	(11.2)	(9.7)	(11.4)
<b>Key ratios (%)</b>									
Total revenue growth	(3.1)	8.3	6.3	4.5	7.8	5.1			
Net profit growth	26.6	7.6	7.7	42.6	5.8	9.9			
Core profit growth	14.1	20.7	7.7	28.5	18.7	9.9			
Gross margin	34.2	34.4	34.5	33.0	33.5	34.0	1.2	0.9	0.5
SG&A to sales	25.4	24.5	24.5	24.0	23.5	23.5	1.4	1.0	1.0
Net margin	9.3	9.2	9.3	9.7	9.5	9.9	(0.4)	(0.3)	(0.6)
Core margin	8.3	9.2	9.3	8.6	9.5	9.9	(0.4)	(0.3)	(0.6)
<b>Operating statistics (THB m)</b>									
Beverage revenue	21,318	23,259	24,799	22,581	24,260	25,383	(5.6)	(4.1)	(2.3)
Personal care revenue	2,423	2,544	2,672	2,697	2,912	3,058	(10.1)	(12.6)	(12.6)
Others revenue	2,684	2,818	2,959	3,213	3,535	3,817	(16.5)	(20.3)	(22.5)

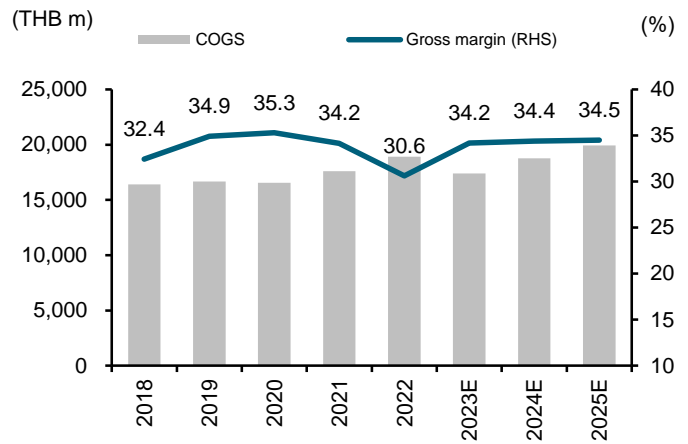
Source: FSSIA estimates

**Exhibit 9: Yearly total revenue and growth**



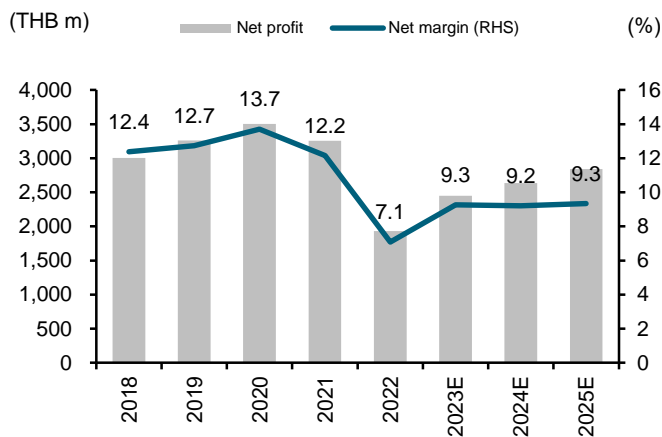
Sources: OSP, FSSIA estimates

**Exhibit 10: Yearly gross margin**



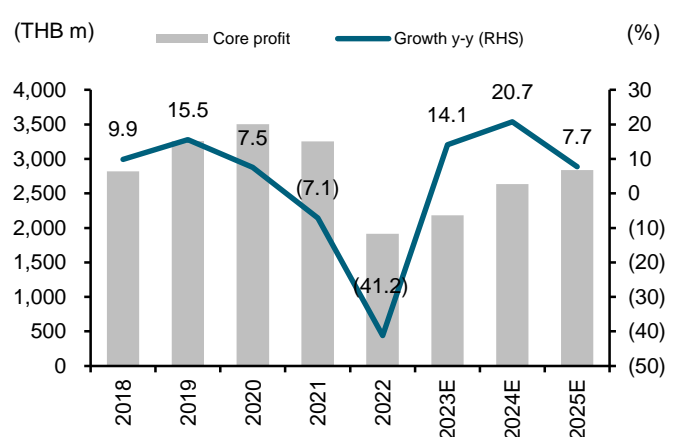
Sources: OSP, FSSIA estimates

**Exhibit 11: Yearly net profit and margin**



Sources: OSP, FSSIA estimates

**Exhibit 12: Yearly core profit and growth**



Sources: OSP, FSSIA estimates

**Exhibit 13: Historical P/E band**



Sources: Bloomberg, FSSIA's compilation

**Exhibit 14: Historical P/BV band**



Sources: Bloomberg, FSSIA's compilation

## Financial Statements

### Osotspa

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	26,762	27,266	26,425	28,621	30,429
Cost of goods sold	(17,619)	(18,915)	(17,388)	(18,775)	(19,931)
<b>Gross profit</b>	<b>9,143</b>	<b>8,350</b>	<b>9,037</b>	<b>9,846</b>	<b>10,498</b>
Other operating income	516	196	198	215	228
Operating costs	(5,978)	(6,500)	(6,712)	(7,012)	(7,455)
<b>Operating EBITDA</b>	<b>5,199</b>	<b>3,644</b>	<b>4,188</b>	<b>4,779</b>	<b>5,069</b>
Depreciation	(1,518)	(1,598)	(1,664)	(1,731)	(1,798)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>3,681</b>	<b>2,047</b>	<b>2,524</b>	<b>3,048</b>	<b>3,271</b>
Net financing costs	(96)	(89)	(96)	(96)	(88)
Associates	263	315	143	172	183
Recurring non-operating income	263	315	143	172	183
Non-recurring items	0	20	266	0	0
<b>Profit before tax</b>	<b>3,849</b>	<b>2,293</b>	<b>2,837</b>	<b>3,124</b>	<b>3,366</b>
Tax	(664)	(369)	(347)	(500)	(539)
<b>Profit after tax</b>	<b>3,185</b>	<b>1,924</b>	<b>2,489</b>	<b>2,624</b>	<b>2,827</b>
Minority interests	70	10	(41)	11	12
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>3,255</b>	<b>1,934</b>	<b>2,449</b>	<b>2,636</b>	<b>2,840</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>(20)</b>	<b>(266)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,255</b>	<b>1,914</b>	<b>2,183</b>	<b>2,636</b>	<b>2,840</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.08	0.64	0.73	0.88	0.95
Reported EPS	1.08	0.64	0.82	0.88	0.95
DPS	1.10	0.90	1.20	0.79	0.85
Diluted shares (used to calculate per share data)	3,004	3,004	3,004	3,004	3,004
<b>Growth</b>					
Revenue (%)	4.6	1.9	(3.1)	8.3	6.3
Operating EBITDA (%)	1.0	(29.9)	14.9	14.1	6.1
Operating EBIT (%)	(4.8)	(44.4)	23.3	20.8	7.3
Recurring EPS (%)	(7.1)	(41.2)	14.1	20.7	7.7
Reported EPS (%)	(7.1)	(40.6)	26.6	7.6	7.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	34.2	30.6	34.2	34.4	34.5
Gross margin exc. depreciation (%)	39.8	36.5	40.5	40.4	40.4
Operating EBITDA margin (%)	19.4	13.4	15.8	16.7	16.7
Operating EBIT margin (%)	13.8	7.5	9.6	10.7	10.8
Net margin (%)	12.2	7.0	8.3	9.2	9.3
Effective tax rate (%)	17.3	16.1	12.2	16.0	16.0
Dividend payout on recurring profit (%)	101.5	141.3	165.1	90.0	90.0
Interest cover (X)	41.3	26.6	27.9	33.6	39.4
Inventory days	53.7	61.2	64.2	53.0	53.4
Debtor days	48.9	51.6	53.6	49.7	50.5
Creditor days	46.7	50.7	53.9	47.7	48.0
Operating ROIC (%)	20.2	10.6	12.9	15.5	16.0
ROIC (%)	16.8	9.5	11.3	14.7	15.5
ROE (%)	16.6	10.0	12.6	16.2	17.2
ROA (%)	12.3	7.4	9.3	11.5	12.2
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
	2021	2022	2023E	2024E	2025E
Beverage	22,709	22,020	21,318	23,259	24,799
Personal care	2,102	2,452	2,423	2,544	2,672
Other (OEM)	1,952	2,794	2,684	2,818	2,959

Sources: Osotspa; FSSIA estimates

## Financial Statements

### Osotspa

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	3,255	1,914	2,183	2,636	2,840
Depreciation	1,518	1,598	1,664	1,731	1,798
Associates & minorities	(349)	(343)	(84)	(142)	(163)
Other non-cash items	0	-	-	0	0
Change in working capital	(65)	(923)	546	(283)	(355)
<b>Cash flow from operations</b>	<b>4,359</b>	<b>2,245</b>	<b>4,310</b>	<b>3,942</b>	<b>4,120</b>
Capex - maintenance	(1,855)	(1,461)	(3,001)	(2,132)	(2,023)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(489)	546	2,712	654	459
<b>Cash flow from investing</b>	<b>(2,344)</b>	<b>(915)</b>	<b>(290)</b>	<b>(1,478)</b>	<b>(1,564)</b>
Dividends paid	(3,304)	(3,130)	(3,605)	(2,372)	(2,556)
Equity finance	0	0	0	0	0
Debt finance	11	548	(161)	(176)	(328)
Other financing cash flows	241	(156)	(40)	72	60
<b>Cash flow from financing</b>	<b>(3,052)</b>	<b>(2,737)</b>	<b>(3,805)</b>	<b>(2,476)</b>	<b>(2,824)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	25	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>(25)</b>	<b>25</b>	<b>0</b>
<b>Movement in cash</b>	<b>(1,037)</b>	<b>(1,407)</b>	<b>190</b>	<b>13</b>	<b>(268)</b>
Free cash flow to firm (FCFF)	2,110.59	1,419.55	4,115.81	2,559.82	2,643.85
Free cash flow to equity (FCFE)	2,266.57	1,723.44	3,794.21	2,385.42	2,287.85

#### Per share (THB)

FCFF per share	0.70	0.47	1.37	0.85	0.88
FCFE per share	0.75	0.57	1.26	0.79	0.76
Recurring cash flow per share	1.47	1.05	1.25	1.41	1.49

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	26,379	27,369	29,369	31,369	33,369
Less: Accumulated depreciation	(12,648)	(13,889)	(15,554)	(17,285)	(19,082)
<b>Tangible fixed assets (net)</b>	<b>13,730</b>	<b>13,480</b>	<b>13,815</b>	<b>14,084</b>	<b>14,286</b>
<b>Intangible fixed assets (net)</b>	<b>396</b>	<b>359</b>	<b>359</b>	<b>359</b>	<b>359</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	4,001	3,805	1,500	1,000	800
Cash & equivalents	2,493	1,087	1,276	1,290	1,022
A/C receivable	3,660	4,051	3,708	4,086	4,332
Inventories	2,658	3,147	2,382	2,572	2,730
Other current assets	16	16	26	29	152
<b>Current assets</b>	<b>8,827</b>	<b>8,301</b>	<b>7,392</b>	<b>7,976</b>	<b>8,236</b>
Other assets	188	209	211	229	152
<b>Total assets</b>	<b>27,142</b>	<b>26,154</b>	<b>23,278</b>	<b>23,648</b>	<b>23,833</b>
Common equity	19,884	18,464	16,096	16,359	16,643
Minorities etc.	19	(9)	50	80	100
<b>Total shareholders' equity</b>	<b>19,904</b>	<b>18,455</b>	<b>16,146</b>	<b>16,439</b>	<b>16,743</b>
Long term debt	641	723	673	623	573
Other long-term liabilities	1,068	912	872	944	1,004
<b>Long-term liabilities</b>	<b>1,708</b>	<b>1,635</b>	<b>1,545</b>	<b>1,567</b>	<b>1,577</b>
A/C payable	4,822	4,787	4,432	4,603	4,746
Short term debt	469	1,161	1,050	924	646
Other current liabilities	238	116	106	114	122
<b>Current liabilities</b>	<b>5,530</b>	<b>6,064</b>	<b>5,588</b>	<b>5,642</b>	<b>5,513</b>
<b>Total liabilities and shareholders' equity</b>	<b>27,142</b>	<b>26,154</b>	<b>23,278</b>	<b>23,648</b>	<b>23,833</b>
Net working capital	1,274	2,311	1,579	1,969	2,347
Invested capital	19,588	20,164	17,464	17,641	17,944

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

#### Per share (THB)

Book value per share	6.62	6.15	5.36	5.45	5.54
Tangible book value per share	6.49	6.03	5.24	5.33	5.42

#### Financial strength

Net debt/equity (%)	(6.9)	4.3	2.8	1.6	1.2
Net debt/total assets (%)	(5.1)	3.0	1.9	1.1	0.8
Current ratio (x)	1.6	1.4	1.3	1.4	1.5
CF interest cover (x)	24.7	20.4	40.7	25.9	27.1

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>21.1</b>	<b>35.9</b>	<b>31.5</b>	<b>26.1</b>	<b>24.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>26.3</b>	<b>44.7</b>	<b>39.2</b>	<b>32.5</b>	<b>30.1</b>
Reported P/E (x)	21.1	35.6	28.1	26.1	24.2
Dividend yield (%)	4.8	3.9	5.2	3.4	3.7
Price/book (x)	3.5	3.7	4.3	4.2	4.1
Price/tangible book (x)	3.5	3.8	4.4	4.3	4.2
EV/EBITDA (x) **	13.0	19.1	16.5	14.5	13.6
EV/EBITDA @ target price (x) **	16.2	23.7	20.6	18.0	16.9
EV/invested capital (x)	3.4	3.5	4.0	3.9	3.8

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

Sources: Osotspa; FSSIA estimates

# Osotspa PCL (OSP TB)

## FSSIA ESG rating



**61.48 /100**

### Exhibit 15: 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.
★★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★★	>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 16: ESG – peer comparison

	FSSIA ESG score	Domestic ratings					Global ratings						Bloomberg		
		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
CBG	51.54	--	Y	Y	4.00	4.00	Declared	High	59.58	B	--	33.28	56.00	2.12	--
SAPPE	35.25	--	Y	Y	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
OSP	61.48	--	Y	Y	5.00	4.00	Declared	Medium	68.64	BBB	--	63.08	51.00	3.00	63.65
TACC	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--
ICHI	43.67	--	Y	Y	5.00	5.00	Certified	High	61.36	--	--	--	18.00	--	--

Sources: [SETTRADE.com](http://SETTRADE.com); FSSIA's compilation

### Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.58	2.89	2.91	3.18	3.00
BESG environmental pillar score	0.67	2.96	2.83	3.25	3.18
BESG social pillar score	0.84	1.57	1.78	1.76	1.77
BESG governance pillar score	4.15	4.38	4.36	4.77	4.18
ESG disclosure score	40.25	52.25	60.06	64.77	63.65
Environmental disclosure score	13.38	36.18	50.56	51.40	48.02
Social disclosure score	26.69	39.36	48.46	55.47	55.47
Governance disclosure score	80.52	81.10	81.10	87.36	87.36
Environmental					
Emissions reduction initiatives	No	No	No	No	No
Climate change policy	No	No	No	No	No
Climate change opportunities discussed	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No
GHG scope 1	—	125	151	157	141
GHG scope 2 location-based	—	90	91	85	95
GHG Scope 3	—	—	—	—	—
Carbon per unit of production	0	0	0	0	0
Biodiversity policy	No	No	No	No	No
Energy efficiency policy	No	No	No	No	No
Total energy consumption	—	839	913	922	917
Renewable energy use	28	50	32	36	40
Electricity used	—	148	158	170	187
Fuel used - natural gas	—	60,675	67,626	70,172	68,074
Fuel used - crude oil/diesel	No	No	No	No	No
Waste reduction policy	No	No	No	No	No
Hazardous waste	—	0	1	1	1
Total waste	—	8	13	11	12
Waste recycled	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No
Water policy	No	No	No	No	No
Water consumption	3,031	3,109	3,077	3,117	—

Sources: Bloomberg; FSSIA's compilation



**Exhibit 18: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.58	2.89	2.91	3.18	3.00
ESG disclosure score	40.25	52.25	60.06	64.77	63.65
Social					
Human rights policy	No	No	No	No	No
Policy against child labor	No	No	No	No	No
Quality assurance and recall policy	No	No	No	No	No
Consumer data protection policy	No	No	No	No	No
Equal opportunity policy	No	No	No	No	No
Gender pay gap breakout	No	No	No	No	No
Pct women in workforce	—	—	42	43	57
Pct disabled in workforce	—	—	—	—	—
Business ethics policy	No	No	No	No	No
Anti-bribery ethics policy	No	No	No	No	No
Health and safety policy	No	No	No	No	No
Lost time incident rate - employees	0	0	0	0	0
Total recordable incident rate - employees	—	0	0	1	0
Training policy	No	No	No	No	No
Fair remuneration policy	No	No	No	No	No
Number of employees – CSR	3,656	3,590	3,792	3,620	3,542
Employee turnover pct	—	—	9	14	19
Total hours spent by firm - employee training	—	30,731	36,451	40,333	57,881
Social supply chain management	No	No	No	No	No
Governance					
Board size	15	15	15	17	17
No. of independent directors (ID)	5	5	5	6	6
No. of women on board	4	4	5	5	5
No. of non-executive directors on board	11	11	10	12	12
Company conducts board evaluations	No	No	No	No	No
No. of board meetings for the year	12	12	13	12	13
Board meeting attendance pct	89	91	89	99	94
Board duration (years)	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No
Age of the youngest director	45	46	47	48	34
Age of the oldest director	86	87	88	89	90
No. of executives / company managers	6	13	5	5	5
No. of female executives	2	5	2	2	2
Executive share ownership guidelines	No	No	No	No	No
Size of audit committee	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3
Audit committee meetings	10	8	9	8	8
Audit meeting attendance %	97	100	100	100	96
Size of compensation committee	3	3	3	3	3
No. of ID on compensation committee	2	2	2	2	2
No. of compensation committee meetings	8	9	11	15	6
Compensation meeting attendance %	100	100	100	100	100
Size of nomination committee	3	3	3	3	3
No. of nomination committee meetings	8	9	11	15	6
Nomination meeting attendance %	100	100	100	100	100
Sustainability governance					
Verification type	No	No	No	No	No

Source: Bloomberg

Sources: Bloomberg; 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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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.																												
<b>CG Score</b> 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%).																												
<b>AGM level</b> 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.																												
<b>Thai CAC</b> 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.																												
<b>Morningstar Sustainalytics</b>	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. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
NEGL	Low	Medium	High	Severe																										
0-10	10-20	20-30	30-40	40+																										
<b>ESG Book</b>	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.																												
<b>MSCI</b>	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. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<b>Moody's ESG solutions</b>	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.																													
<b>Refinitiv ESG rating</b>	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.)																													
<b>S&amp;P Global</b>	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.																													
<b>Bloomberg</b>	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

### ANALYST(S) CERTIFICATION

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

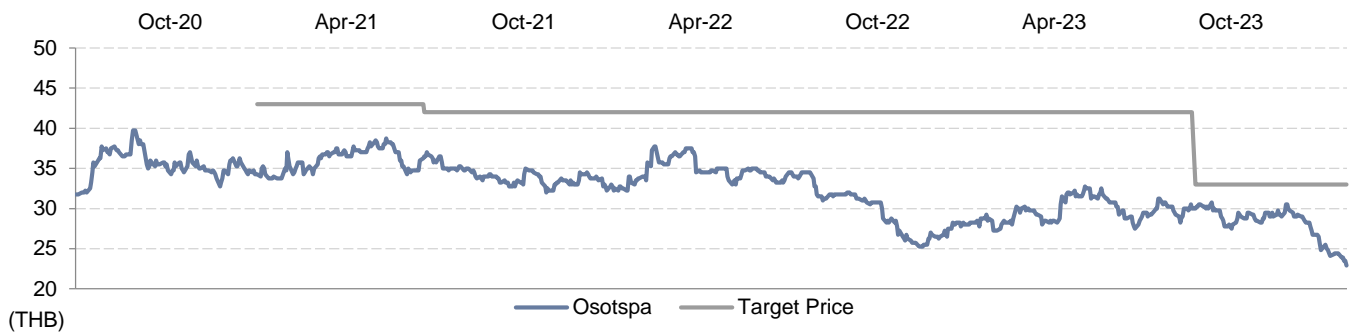
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### History of change in investment rating and/or target price

#### Osotspa (OSP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Mar-2021	BUY	43.00	16-Aug-2021	BUY	42.00	09-Jun-2023	BUY	33.00

Sureeporn Teewasuwet started covering this stock from 17-Sep-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Osotspa	OSP TB	THB 22.90	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.

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 Finasia Syrus Securities Public Company Limited.

All share prices are as at market close on 20-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.