

SYNEX (THAILAND) SYNEX TB

THAILAND / INFORMATION&COMM TECH

FSSIA ESG rating



BUY

UNCHANGED

TARGET PRICE	THB13.00
CLOSE	THB9.25
UP/DOWNSIDE	+40.5%
PRIOR TP	THB17.20
CHANGE IN TP	-24.4%
TP vs CONSENSUS	-13.1%

iPhone15 should support recovery despite slow PC

- We expect a 3Q23 core profit of THB106m, jumping by 120% q-q from a low base and a good response for iPhone15 and dropping 44% y-y from weak Consumer.
- We have cut our 2023-25E normalized earnings to reflect a challenging PC market.
- We have rolled over to our 2024 TP of THB13 (Forward 2024 P/E of 18x).

3Q23E core profit of THB106m (+120% q-q, -44% y-y)

We expect 3Q23 normalized earnings of THB106m. It would jump by 120% q-q, supported by sales of iPhone15, which received a good response and a low base in 2Q23. However, it would drop by 44% y-y from a persistently weak Consumer, in line with the market. 3Q23 revenue should come in at THB9.3b, up 9% q-q due to support from Communication sales after a good response for iPhone 15 and down 8% y-y from softer Consumer, in line with the market, while Commercial should remain flat. The gross margin would steady at 4.0% (vs 2Q23 of 3.8% and 3Q22 of 4.5%). The SG&A-to-sales ratio should be under control at 2.4% (vs 2Q23 of 2.7% and 3Q22 of 2.2%).

Expect growth in 4Q23, supported by iPhone15 and potential PC recovery

In 4Q23, Synex should grow q-q and y-y due to continued support from Communication sales, mainly from iPhone 15. In this regard, we anticipate no product shortages as in 4Q22, when Foxconn closed temporarily. Also, it should support sales until early next year. Meanwhile, we believe Consumer will hit its trough this year and begin recovering in 2024 from an IT upgrade cycle since the Covid-19 outbreak in 2020. Commercial should see strong growth after a recovery in both the public and private sectors.

Slash our 2023-25E normalized earnings to reflect a weak PC market

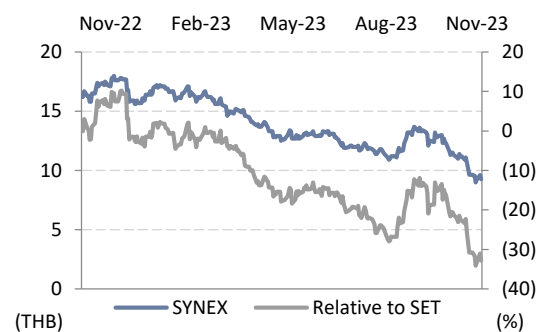
We have cut our 2023E core profit by 38% to THB435m (-41% y-y) by lowering our revenue estimate by 9.1% to reflect the stubbornly weak consumer product outlook. Also, we have decreased our 2024-25E normalized earnings by 26% and 21% by lowering our revenue estimate by 11% and 9.4%, respectively, to factor in our cautious stance on the PC device market, which remains challenging.

Roll over to our 2024 TP of THB13

We have rolled over to our 2024 TP of THB13. It assumes a forward 2024 P/E of 18x, the 5Y average of its rolling one-year forward P/E -0.5SD.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	39,061	36,607	39,802	44,512
Net profit	816	515	690	827
EPS (THB)	0.96	0.61	0.81	0.98
vs Consensus (%)	-	(5.1)	5.5	7.7
EBITDA	979	651	822	983
Recurring net profit	732	435	610	747
Core EPS (THB)	0.86	0.51	0.72	0.88
Chg. In EPS est. (%)	-	(38.3)	(26.0)	(21.3)
EPS growth (%)	(0.5)	(40.6)	40.3	22.5
Core P/E (x)	10.7	18.0	12.9	10.5
Dividend yield (%)	7.3	4.6	6.2	7.4
EV/EBITDA (x)	11.6	16.6	13.5	11.7
Price/book (x)	1.9	1.8	1.7	1.6
Net debt/Equity (%)	84.0	68.5	70.7	75.9
ROE (%)	18.1	10.2	13.8	16.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(24.8)	(21.6)	(39.5)
Relative to country (%)	(19.9)	(11.7)	(29.6)
Mkt cap (USD m)	218		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	20		
Major shareholder	TKS Technology PCL (39%)		
12m high/low (THB)	18.30/8.90		
Issued shares (m)	847.36		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

SYNEX is a leading IT distributor. It has been in the business for more than 30 years. SYNEX aims to become a leading distributor of IT products with comprehensive services, leading to sustainable and stable growth under its No.1 IT Ecosystem strategy.

We expect a 2023 revenue decrease of 6.3% y-y due to the softer PC sales outlook. We believe 2023 will be its bottom and expect recoveries in 2024-25, supported by smartphones and several projects. In this regard, we anticipate 2024-25 revenue growth of 8.7% and 12%, respectively.

The gross margin should be flat at 4.0-4.4%, while the SG&A-to-sales ratio should come in at 2.5-2.6%. Therefore, we expect a 2023 core profit plunge of 41% y-y before a 2024-25 jump of 40% and 22.5%, respectively.

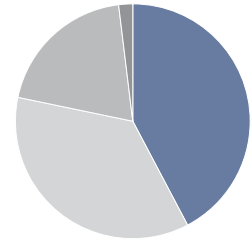
Company profile

SYNEX distributes computers, computer peripherals, software, IT systems, and computer-related supplies. Its customer base includes retailers and wholesalers nationwide, local-branded computer manufacturers, department stores, and superstores.

www.synnex.co.th

Principal activities (revenue, 2022)

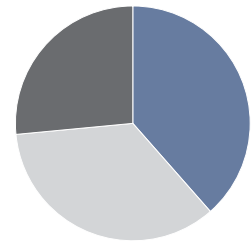
- Consumer - 42.3 %
- Communication - 36.0 %
- Commercial - 19.8 %
- Others - 1.9 %



Source: Synex (Thailand)

Major shareholders

- TKS Technology PCL - 38.5 %
- King's Eye Investments Ltd - 35.0 %
- Others - 26.5 %



Source: Synex (Thailand)

Catalysts

Key growth drivers for SYNEX include 1) consumption and tourism recoveries, 2) the government's stimulus packages, and 3) IT investment from the public and private sectors, which would help stimulate Commercial sales.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected PC recovery, 2) product shortages, and 3) currency fluctuations.

Event calendar

Date	Event
13 November 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Revenues (THB m)	36,607	39,802	44,512
- Consumer	13,185	14,818	17,075
- Communication	14,717	15,453	16,998
- Commercial	8,209	9,030	9,933
- Other	496	501	506
Gross margin (%)	4.0	4.2	4.4
SG&A to sales (%)	2.6	2.5	2.5

Source: FSSIA estimates

Earnings sensitivity

- For every 0.2% increase in GPM, we estimate 2023 net profit to rise by 7.5%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 net profit to fall by 3.9%, and vice versa, all else being equal.

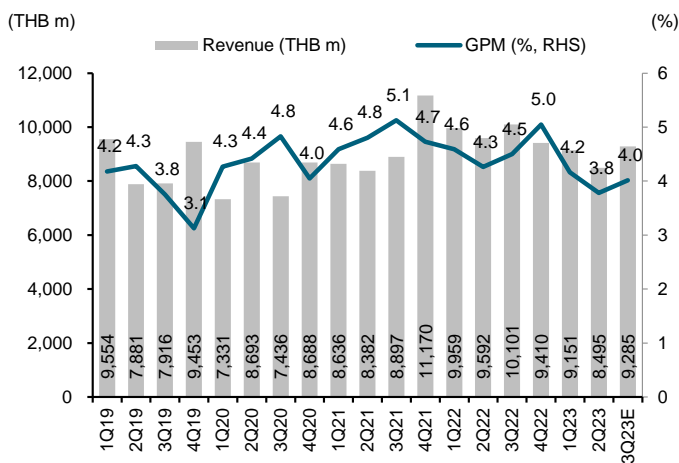
Source: FSSIA estimates

Exhibit 1: 3Q23 earnings previews

Year to Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	Change		9M23E			2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	(%23E)	(THB m)	(y-y%)
Revenue	10,101	9,410	9,151	8,495	9,285	9	(8)	26,930	(9)	74	36,607	(6)
COGS	(9,646)	(8,935)	(8,770)	(8,173)	(8,912)	9	(8)	(25,855)	(9)	74	(35,139)	(6)
Gross profit	455	475	381	321	373	16	(18)	1,075	(19)	73	1,467	(18)
Operating costs	(223)	(258)	(267)	(230)	(223)	(3)	(0)	(719)	5	77	(935)	(1)
Operating profit	232	217	114	91	150	64	(35)	356	(44)	67	532	(38)
Other income	12	34	32	19	14	(27)	17	65	41	89	73	(9)
FX Gain (Loss)	28	(9)	5	39	-	(100)	(100)	44	(53)	55	80	(5)
Interest expense	(14)	(23)	(27)	(36)	(42)	17	204	(105)	279	73	(143)	182
Profit before tax	258	219	124	114	122	7	(53)	360	(52)	66	542	(44)
Tax	(48)	(52)	(26)	(36)	(26)	(26)	(44)	(88)	(41)	70	(126)	(37)
Associates	3	17	37	9	10	10	192	56	170	63	89	133
Minority interests	2	2	0.2	0.2	0.2	(9)	(89)	1	(92)	6	10	1
Non recurring items	0	0	0	0	0	n/a	n/a	0	n/a	n/a	0	n/a
Reported net profit	215	186	136	87	106	21	(51)	329	(48)	64	515	(37)
Recurring net profit	188	195	131	48	106	120	(44)	285	(47)	66	435	(41)
EPS (THB)	0.25	0.22	0.16	0.10	0.12	21	(51)	0.39	(48)	64	0.61	(37)
Recurring EPS (THB)	0.22	0.23	0.15	0.06	0.12	120	(44)	0.34	(47)	66	0.51	(41)
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	(%)	(ppt)	
Gross margin	4.5	5.0	4.2	3.8	4.0	0.2	(0.5)	4.0	(0.5)		4.0	(0.6)
Operating margin	2.7	2.6	1.3	1.1	1.6	0.5	(1.1)	1.3	(0.8)		1.5	(0.7)
Recurring net margin	1.9	2.1	1.4	0.6	1.1	0.6	(0.7)	1.1	(0.8)		1.2	(0.7)
SG&A / Sales	2.2	2.7	2.9	2.7	2.4	(0.3)	0.2	2.7	0.4		2.6	0.1
Product mix (% to sales)												
Consumer (%)	41	42	37	39	36							
Communication (%)	37	31	37	35	40							
Commercial (%)	21	21	24	21	23							
Other (%)	1	6	2	2	2							

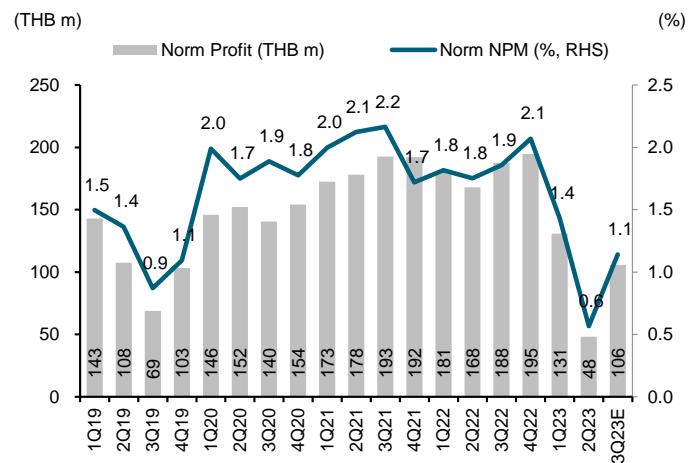
Sources: SYNEX; FSSIA estimates

Exhibit 2: Quarterly revenue and gross margin



Sources: SYNEX; FSSIA estimates

Exhibit 3: Quarterly norm profit and norm margin



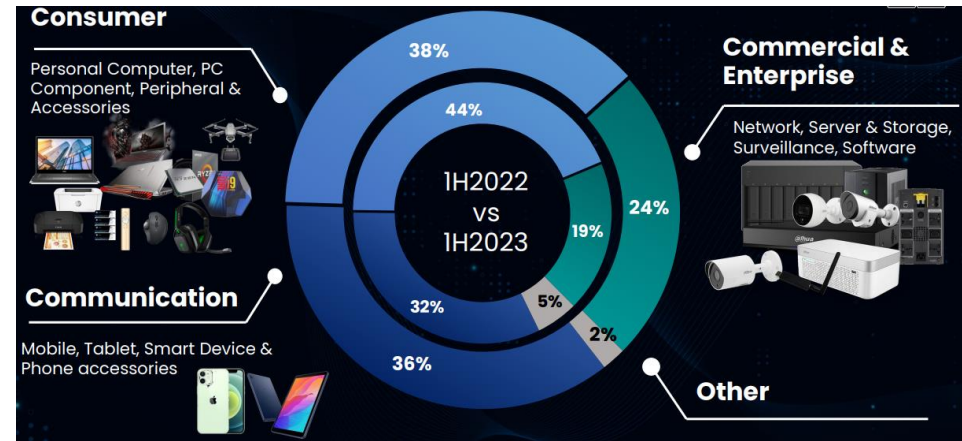
Sources: SYNEX; FSSIA estimates

Exhibit 4: Quarterly global PC device tracker (as of 9 Oct 2023)

Company	3Q23 Shipments (Units m.)	3Q23 Market Share	3Q22 Shipments (Units m.)	3Q22 Market Share	%y-y Growth
1. Lenovo	16	23.5%	16.9	22.9%	-5.0%
2. HP Inc.	13.5	19.8%	12.7	17.2%	6.4%
3. Dell Technologies	10.3	15.0%	12	16.2%	-14.3%
4. Apple	7.2	10.6%	9.4	12.7%	-23.1%
5. Asus	4.9	7.1%	5.4	7.4%	-10.7%
Others	16.3	23.9%	17.4	23.6%	-6.3%
Total	68.2	100%	73.8	100%	-7.6%

Source: IDC

Exhibit 5: 1H23 Revenue breakdown



Source: SYNEX

We have cut our 2023E-25E core profit to reflect a challenging PC market

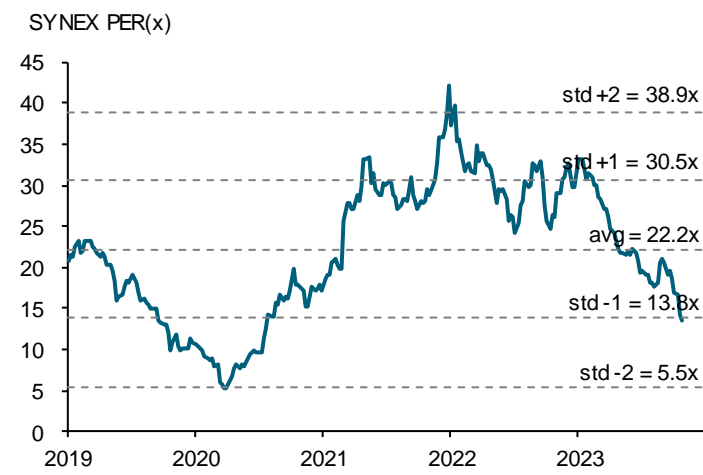
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Exhibit 6: Key assumption for SYNEX

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenues (THB m)	36,607	39,802	44,512	40,275	44,731	49,148	(9.1)	(11.0)	(9.4)
- Consumer	13,185	14,818	17,075	15,311	16,869	18,538	(13.9)	(12.2)	(7.9)
- Communication	14,717	15,453	16,998	15,717	17,289	19,018	(6.4)	(10.6)	(10.6)
- Commercial	8,209	9,030	9,933	8,741	10,052	11,057	(6.1)	(10.2)	(10.2)
- Other	496	501	506	505	520	535	(1.8)	(3.7)	(5.4)
Gross margin (%)	4.0	4.2	4.4	4.4	4.5	4.6	(0.4)	(0.3)	(0.2)
SG&A to sales (%)	2.6	2.5	2.5	2.5	2.5	2.5	0.1	0.0	0.0
Core profit (THB m)	435	610	747	705	823	948	(38)	(26)	(21)

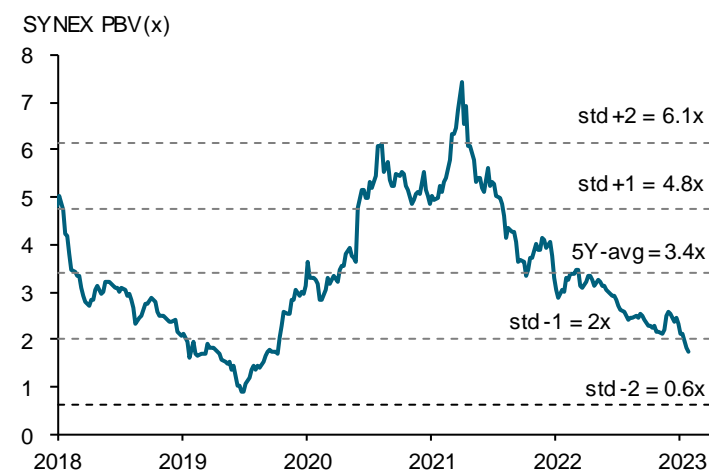
Source: FSSIA estimates

Exhibit 7: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Synex (Thailand)

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	37,085	39,061	36,607	39,802	44,512
Cost of goods sold	(35,302)	(37,265)	(35,139)	(38,126)	(42,569)
Gross profit	1,784	1,796	1,467	1,676	1,942
Other operating income	75	81	73	80	89
Operating costs	(997)	(941)	(935)	(975)	(1,091)
Operating EBITDA	910	979	651	822	983
Depreciation	(49)	(44)	(45)	(42)	(43)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	861	935	605	780	941
Net financing costs	111	33	(63)	(28)	(32)
Associates	77	38	89	97	112
Recurring non-operating income	77	38	89	97	112
Non-recurring items	0	0	0	0	0
Profit before tax	1,048	1,007	631	850	1,021
Tax	(191)	(201)	(126)	(170)	(204)
Profit after tax	857	806	505	680	817
Minority interests	4	10	10	10	10
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	860	816	515	690	827
Non-recurring items & goodwill (net)	(125)	(84)	(80)	(80)	(80)
Recurring net profit	735	732	435	610	747
Per share (THB)					
Recurring EPS *	0.87	0.86	0.51	0.72	0.88
Reported EPS	1.02	0.96	0.61	0.81	0.98
DPS	0.70	0.67	0.43	0.57	0.68
Diluted shares (used to calculate per share data)	847	847	847	847	847
Growth					
Revenue (%)	15.4	5.3	(6.3)	8.7	11.8
Operating EBITDA (%)	29.2	7.6	(33.5)	26.3	19.6
Operating EBIT (%)	31.9	8.6	(35.3)	28.9	20.6
Recurring EPS (%)	24.1	(0.5)	(40.6)	40.3	22.5
Reported EPS (%)	34.0	(5.1)	(36.9)	34.0	19.9
Operating performance					
Gross margin inc. depreciation (%)	4.8	4.6	4.0	4.2	4.4
Gross margin exc. depreciation (%)	4.9	4.7	4.1	4.3	4.5
Operating EBITDA margin (%)	2.5	2.5	1.8	2.1	2.2
Operating EBIT margin (%)	2.3	2.4	1.7	2.0	2.1
Net margin (%)	2.0	1.9	1.2	1.5	1.7
Effective tax rate (%)	18.3	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	80.7	78.0	82.9	79.2	77.5
Interest cover (X)	(8.5)	(29.2)	11.0	31.2	32.9
Inventory days	27.4	33.4	36.1	33.7	33.2
Debtor days	50.4	50.4	52.1	48.4	47.7
Creditor days	31.1	31.9	32.1	29.9	29.5
Operating ROIC (%)	13.5	12.6	8.1	10.4	(2.9)
ROIC (%)	12.5	10.8	7.3	9.2	(2.6)
ROE (%)	19.9	18.1	10.2	13.8	16.0
ROA (%)	6.4	5.8	3.8	5.0	5.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Consumer	16,666	16,511	13,185	14,818	17,075
Communication	13,608	14,061	14,717	15,453	16,998
Commercial	6,334	7,734	8,209	9,030	9,933
Others	477	755	496	501	506

Sources: Synex (Thailand); FSSIA estimates

Financial Statements

Synex (Thailand)

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	735	732	435	610	747
Depreciation	49	44	45	42	43
Associates & minorities	(77)	(38)	(89)	(97)	(112)
Other non-cash items	452	110	84	105	194
Change in working capital	(1,596)	(561)	360	(481)	(783)
Cash flow from operations	(437)	286	835	178	88
Capex - maintenance	-	-	-	-	-
Capex - new investment	(30)	(30)	(14)	(14)	(16)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(124)	(627)	0	0	0
Cash flow from investing	(155)	(657)	(14)	(14)	(16)
Dividends paid	(488)	(571)	(360)	(483)	(579)
Equity finance	16	0	0	0	0
Debt finance	923	1,163	(523)	174	147
Other financing cash flows	84	1	0	0	1
Cash flow from financing	536	592	(883)	(309)	(431)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	125	84	80	80	80
Movement in cash	70	305	18	(65)	(279)
Free cash flow to firm (FCFF)	(576.89)	(320.37)	964.15	272.22	183.76
Free cash flow to equity (FCFE)	541.00	876.17	378.42	417.96	299.59

Per share (THB)

FCFF per share	(0.68)	(0.38)	1.14	0.32	0.22
FCFE per share	0.64	1.03	0.45	0.49	0.35
Recurring cash flow per share	1.37	1.00	0.56	0.78	1.03

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	941	969	982	996	1,010
Less: Accumulated depreciation	(614)	(658)	(703)	(745)	(788)
Tangible fixed assets (net)	327	311	279	251	222
Intangible fixed assets (net)	22	25	24	25	27
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	609	1,236	1,236	1,236	1,236
Cash & equivalents	234	539	557	492	213
A/C receivable	5,886	5,937	5,595	6,041	6,748
Inventories	3,243	3,566	3,370	3,656	4,082
Other current assets	615	671	667	673	738
Current assets	9,977	10,713	10,188	10,862	11,781
Other assets	351	356	356	356	361
Total assets	11,287	12,640	12,083	12,730	13,628
Common equity	3,925	4,169	4,324	4,531	4,779
Minorities etc.	16	16	16	16	16
Total shareholders' equity	3,941	4,186	4,340	4,547	4,795
Long term debt	8	783	556	331	148
Other long-term liabilities	82	87	87	87	93
Long-term liabilities	90	870	643	418	241
A/C payable	3,655	3,524	3,340	3,598	4,013
Short term debt	2,884	3,271	2,976	3,374	3,705
Other current liabilities	718	789	784	792	874
Current liabilities	7,256	7,584	7,100	7,765	8,592
Total liabilities and shareholders' equity	11,287	12,640	12,083	12,730	13,628
Net working capital	5,372	5,861	5,507	5,980	6,681
Invested capital	6,681	7,788	7,402	7,848	8,528

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

Per share (THB)

Book value per share	4.63	4.92	5.10	5.35	5.64
Tangible book value per share	4.61	4.89	5.07	5.32	5.61

Financial strength

Net debt/equity (%)	67.4	84.0	68.5	70.7	75.9
Net debt/total assets (%)	23.5	27.8	24.6	25.2	26.7
Current ratio (x)	1.4	1.4	1.4	1.4	1.4
CF interest cover (x)	(4.2)	(26.2)	7.2	16.3	10.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	10.7	10.7	18.0	12.9	10.5
Recurring P/E @ target price (x) *	15.0	15.0	25.3	18.1	14.8
Reported P/E (x)	9.1	9.6	15.2	11.4	9.5
Dividend yield (%)	7.6	7.3	4.6	6.2	7.4
Price/book (x)	2.0	1.9	1.8	1.7	1.6
Price/tangible book (x)	2.0	1.9	1.8	1.7	1.6
EV/EBITDA (x) **	11.6	11.6	16.6	13.5	11.7
EV/EBITDA @ target price (x) **	15.0	14.9	21.5	17.3	14.9
EV/invested capital (x)	1.6	1.5	1.5	1.4	1.3

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

Sources: Synex (Thailand); FSSIA estimates

Synnex (Thailand) PCL (SYNEX TB)

FSSIA ESG rating

35.18 /100
Exhibit 9: 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 10: 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	69.20	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	67.12	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
ITEL	38.30	--	--	Y	5.00	5.00	Certified	--	40.60	--	--	41.18	--	2.05	39.11
ILINK	37.92	--	--	Y	5.00	5.00	Certified	--	57.40	--	--	45.96	--	--	--
SYNEX	35.18	--	Y	Y	4.00	4.00	--	--	53.33	--	--	27.64	--	--	41.24
ADVANC	84.07	Y	Y	Y	5.00	5.00	Certified	Medium	59.80	AA	40.00	73.60	90.00	3.62	59.09
FORTH	23.00	--	--	--	4.00	4.00	--	Low	--	--	--	--	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
Exhibit 11: ESG score by Bloomberg

FY ending Dec 31	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—
BESG environmental pillar score	—	—
BESG social pillar score	—	—
BESG governance pillar score	4.06	4.01
ESG disclosure score	42.99	41.24
Environmental disclosure score	21.41	14.59
Social disclosure score	23.82	25.39
Governance disclosure score	83.59	83.59
Environmental		
Emissions reduction initiatives	Yes	Yes
Climate change policy	Yes	Yes
Climate change opportunities discussed	No	No
Risks of climate change discussed	No	No
GHG scope 1	714	622
GHG scope 2 location-based	—	—
GHG Scope 3	—	—
Carbon per unit of production	—	—
Biodiversity policy	No	No
Energy efficiency policy	Yes	Yes
Total energy consumption	1	1
Renewable energy use	0	—
Electricity used	1	1
Fuel used - natural gas	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 12: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No
Waste reduction policy	Yes	Yes
Hazardous waste	0	0
Total waste	0	0
Waste recycled	—	—
Waste sent to landfills	—	—
Environmental supply chain management	No	No
Water policy	Yes	Yes
Water consumption	11	14
Social		
Human rights policy	Yes	Yes
Policy against child labor	No	No
Quality assurance and recall policy	Yes	Yes
Consumer data protection policy	Yes	Yes
Equal opportunity policy	Yes	Yes
Gender pay gap breakout	No	No
Pct women in workforce	—	—
Pct disabled in workforce	—	1
Business ethics policy	Yes	Yes
Anti-bribery ethics policy	Yes	Yes
Health and safety policy	Yes	Yes
Lost time incident rate - employees	0	0
Total recordable incident rate - employees	—	—
Training policy	Yes	Yes
Fair remuneration policy	No	No
Number of employees – CSR	698	704
Employee turnover pct	—	—
Total hours spent by firm - employee training	17,450	14,784
Social supply chain management	No	No
Governance		
Board size	12	12
No. of independent directors (ID)	4	4
No. of women on board	4	4
No. of non-executive directors on board	9	10
Company conducts board evaluations	Yes	Yes
No. of board meetings for the year	4	4
Board meeting attendance pct	100	100
Board duration (years)	3	3
Director share ownership guidelines	No	No
Age of the youngest director	40	41
Age of the oldest director	71	72
No. of executives / company managers	13	11
No. of female executives	6	6
Executive share ownership guidelines	No	No
Size of audit committee	3	3
No. of ID on audit committee	3	3
Audit committee meetings	5	5
Audit meeting attendance %	100	100
Size of compensation committee	3	3
No. of ID on compensation committee	1	1
No. of compensation committee meetings	2	2
Compensation meeting attendance %	100	100
Size of nomination committee	3	3
No. of nomination committee meetings	2	2
Nomination meeting attendance %	100	100
Sustainability governance		
Verification type	No	No

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 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%). <i>(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.)</i>	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. <i>(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.)</i>	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 Sustainability	The Sustainability's 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. <i>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.</i>	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+									
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0-10	10-20	20-30	30-40	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. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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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. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																				
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

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Synex (Thailand) (SYNEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	20.00	25-May-2023	BUY	17.20	-	-	-

Jitra Amornthum started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Synex (Thailand)	SYNEX TB	THB 9.25	BUY	Downside risks to our P/E-based TP include 1) outmoded or obsolete products; 2) product shortages; and 3) currency fluctuations.

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 31-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.