

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% |

กลับสู่ช่วงฟื้นตัว หนุนจาก iPhone15 แต่ PC ยังแผ่ว

- ราคาตัวไปปกติ 3Q23 ที่ 106 ลบ. +120% q-q จากฐานที่ต่ำและการตอบรับที่ดีของ iPhone15 ขณะที่ -44% y-y จากกลุ่ม Consumer ที่ยังอ่อนแอ
- เราปรับกำไรปกติปี 2023-25 ลง สะท้อนภาพตลาด PC ที่ยังมีความท้าทาย
- เราปรับใช้ราคาเป้าหมายปี 2024 ที่ 13 บาท อิง Forward P/E ปี 2024 ที่ 18x

ราคาตัวไปปกติ 3Q23 ที่ 106 ลบ. (+120% q-q, -44% y-y)

ราคาตัวไปปกติ 3Q23 ที่ 106 ลบ. เพิ่มขึ้นแรง 120% q-q หนุนจากยอดขาย iPhone15 ที่มีกระแสดตอบรับที่ดี และฐานที่ต่ำใน 2Q23 ขณะที่ลดลง 44% y-y จากสินค้าในกลุ่ม Consumer ที่ยังแผ่วตามภาพรวมตลาด โดยเราคาดการณ์ได้รวม 3Q23 เท่ากับ 9.3 พันลบ. เพิ่มขึ้น 9% q-q หนุนจากยอดขายกลุ่มสินค้า Communication จากการตอบรับ iPhone 15 ที่ดี ขณะที่ลดลง 8% y-y จากสินค้าในกลุ่ม Consumer ที่ลดลงตามตลาดสำหรับสินค้าในกลุ่ม commercial ยังทรงตัว ขณะที่อัตรากำไรขั้นต้นคาดว่าจะยังรักษาได้ 4.0% (vs 2Q23 ที่ 3.8%, 3Q22 ที่ 4.5%) สำหรับ SG&A to sales ยังควบคุมได้โดยราคา 2.4% (vs 2Q23 ที่ 2.7%, 3Q22 ที่ 2.2%)

แนวโน้ม 4Q23 ฟื้นตัวยังคงหนุนจาก iPhone15 และตลาดตลาด PC ททยอยฟื้นตัว

แนวโน้ม 4Q23 ยอดขายสินค้ากลุ่ม Communication ผ่าน iPhone 15 จะยังคงหนุนให้ Synex เติบโตได้ทั้ง q-q และ y-y และคาดว่าจะไม่มีการขาดแคลนสินค้าเหมือน 4Q22 จากโรงงาน Foxconn หยุดชั่วคราว รวมไปถึงจะหนุนยอดขายไปจนถึงต้นปีหน้า ขณะที่สินค้าในกลุ่ม Consumer เราเชื่อว่าเป็นปีที่ bottom และจะเริ่มทยอยฟื้นตัวขึ้นในปี 2024 จากรอบการเปลี่ยนสินค้า IT ตั้งแต่การแพร่ระบาดของ Covid-19 ในช่วงปี 2020 ขณะที่กลุ่มสินค้า Commercial จะสามารถโตได้ดี หลังจากงานทั้งภาคเอกชนและภาครัฐฟื้นตัว

ปรับลดประมาณการกำไรปกติปี 2023-25 จากภาพรวมตลาด PC ที่อ่อนแอ

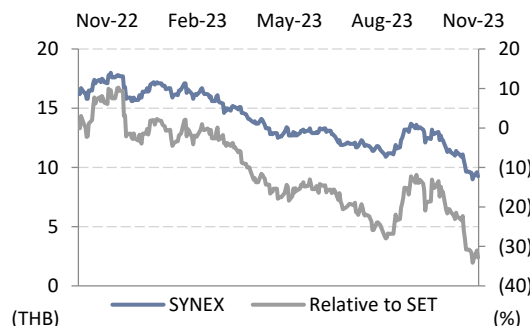
เราปรับลดประมาณการกำไรปกติปี 2023 ลง 38% เป็น 435 ลบ. (-41% y-y) โดยเราปรับรายได้รวมลดลง 9.1% จากแนวโน้มสินค้ากลุ่ม Consumer ที่ยังอ่อนแอ และปรับกำไรปกติปี 2024-25 ลง 26% และ 21% ตามลำดับ โดยปรับรายได้รวมลดลง 11% และ 9.4% ตามลำดับ บนความระมัดระวังของตลาด PC device ที่ยังมีความท้าทาย

เราปรับใช้ราคาเป้าหมายปี 2024 ที่ 13 บาท

เราปรับไปใช้ราคาเป้าหมายปี 2024 ที่ 13 บาท อิง Forward P/E ปี 2024 ที่ 18 เท่า (Average 5Y ของ 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



Jitra Amorntum

Fundamental Investment Analyst on Securities; License no. 014530
jitra.a@fssia.com, +66 2646 9966

Thada Jirachoenying

Research assistant
thada.j@fssia.com, +66 2646 9964

Investment thesis

SYNEX เป็นผู้ผู้นำในด้าน IT distributor ภายใต้การดำเนินงานธุรกิจกว่า 30 ปี โดยบริษัทมุ่งที่จะเป็นผู้ผู้นำในการจัดจำหน่ายสินค้าและบริการแบบครบวงจรด้าน IT ไปสู่การเติบโตที่มั่นคงและยั่งยืน ภายใต้กลยุทธ์ “No.1 IT Ecosystem”

เรคาดรายได้รวมในปี 2023 จะลดลง 6.3% y-y จากแนวโน้มยอดขายกลุ่มสินค้า PC ที่ลดลง ซึ่งเราเชื่อว่าในปี 2023 จะเป็นจุดต่ำสุด และทยอยกลับมาฟื้นตัวได้ในปี 2024-25 รวมถึงสินค้าในกลุ่ม Smart phone และงานโครงการต่างๆจะเป็นอีกแรงหนุน โดยเรคาดรายได้รวมปี 2024-25 เติบโตได้ 8.7% และ 12% ตามลำดับ

ขณะที่อัตรากำไรขั้นต้นเรคาดว่าบริษัทจะสามารถรักษาระดับได้ในช่วง 4.0-4.4% และ SG&A to sales ได้ในช่วง 2.5-2.6% ทำให้เรคาดกำไรปกติปี 2023 ลดลง 41% y-y ก่อนที่จะกลับมาเติบโตได้ในปี 2024-25 ที่ 40% และ 22.5% ตามลำดับ

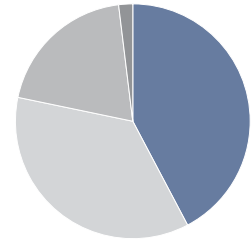
Company profile

SYNEX เป็นผู้จัดจำหน่ายคอมพิวเตอร์ อุปกรณ์ต่อพ่วงคอมพิวเตอร์ ซอฟต์แวร์ ระบบสารสนเทศ และวัสดุสิ้นเปลืองที่ใช้กับคอมพิวเตอร์ โดยมีฐานลูกค้าที่เป็นผู้ประกอบการคอมพิวเตอร์ทั้งที่เป็นร้านค้าปลีกและค้าส่งทั่วประเทศ ผู้ผลิตคอมพิวเตอร์ภายใต้เครื่องหมายการค้าของตัวเอง รวมถึงห้างสรรพสินค้า ห้างค้าปลีกขนาดใหญ่

www.synnex.co.th

Principal activities (revenue, 2022)

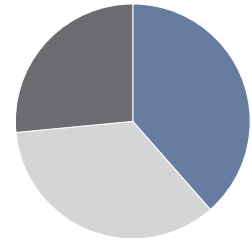
- Consumer - 42.3 %
- Communication - 36.0 %
- Commercial - 19.8 %
- Others - 1.9 %



Source: Synex (Thailand)

Major shareholders

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



Source: Synex (Thailand)

Catalysts

ปัจจัยบวกต่อราคาหุ้น 1) การฟื้นตัวของภาคการบริโภคและภาคท่องเที่ยว 2) นโยบายการกระตุ้นเศรษฐกิจของภาครัฐ 3) โครงการภาคเอกชนและภาครัฐ ที่เริ่มกลับมาลงทุนด้าน IT ซึ่งจะช่วยกระตุ้นยอดขายในกลุ่มสินค้า

Commercial

Risks to our call

ความเสี่ยง 1) การฟื้นตัวของสินค้าในกลุ่ม PC ช้ากว่าที่คาด 2) สินค้าขาดแคลน 3) อัตราแลกเปลี่ยนผันผวน

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.

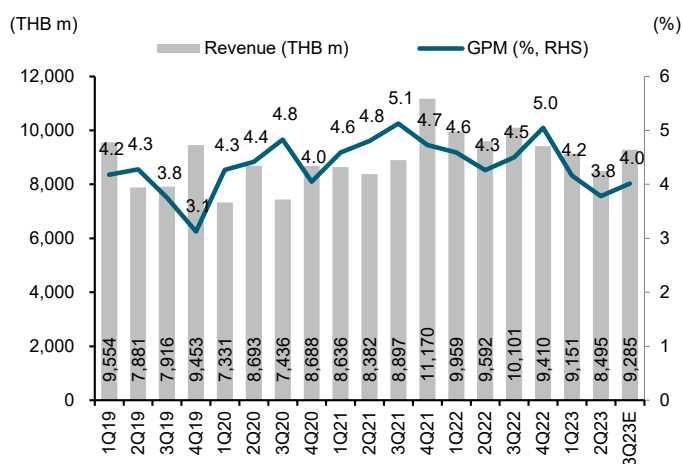
Source: FSSIA estimates

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 | | | | | | | |

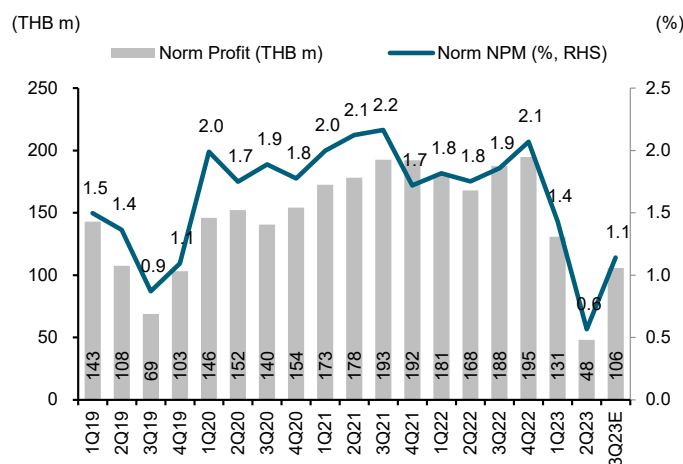
Sources: SYNEX; FSSIA estimates

Exhibit 2: Quarterly revenue and gross margin



Sources: SYNEX; FSSIA estimates

Exhibit 3: Quarterly norm profit and norm margin



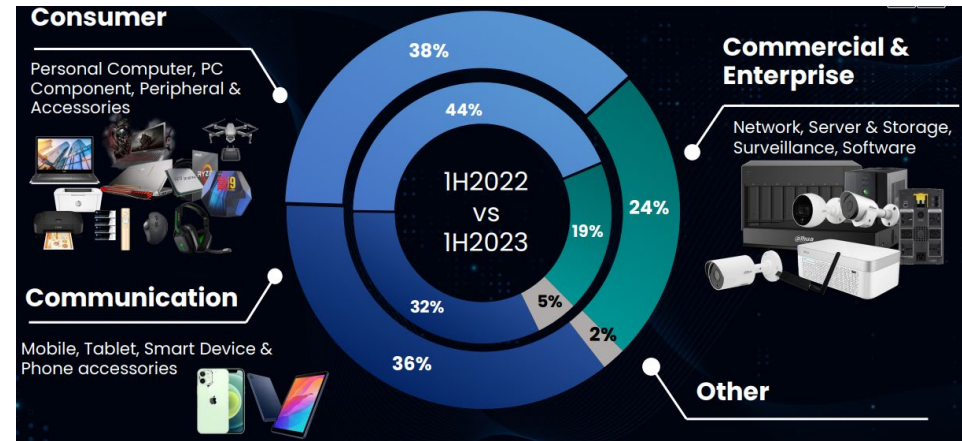
Sources: SYNEX; FSSIA estimates

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

เราปรับลดประมาณการกำไรปกติปี 2023-25 ลง สะท้อนตลาด PC ที่อ่อนแอ

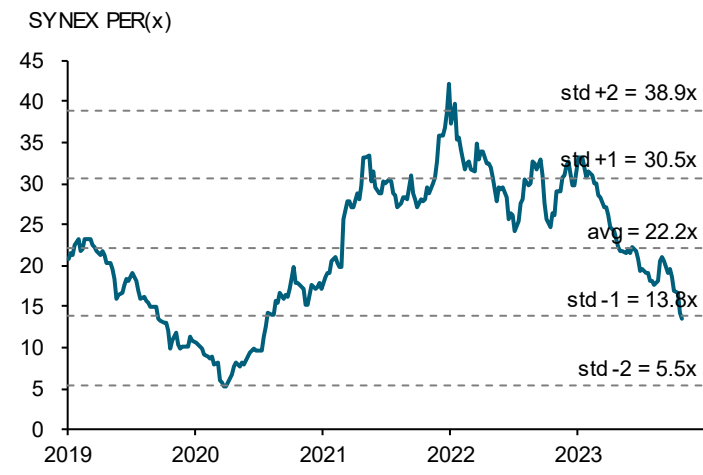
เราปรับลดประมาณการกำไรปกติปี 2023 ลง 38% เป็น 435 ลบ. (-41% y-y) โดยเราปรับรายได้รวม ลดลง 9.1% จากแนวโน้มสินค้ากลุ่ม Consumer ที่ยังอ่อนแอ และปรับกำไรปกติปี 2024-25 ลง 26% และ 21% ตามลำดับ และปรับไปใช้ราคาเป้าหมายปี 2024 ที่ 13 บาท อิง Forward P/E ปี 2024 ที่ 18 เท่า (Average 5Y ของ rolling one-year forward P/E -0.5SD)

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) |

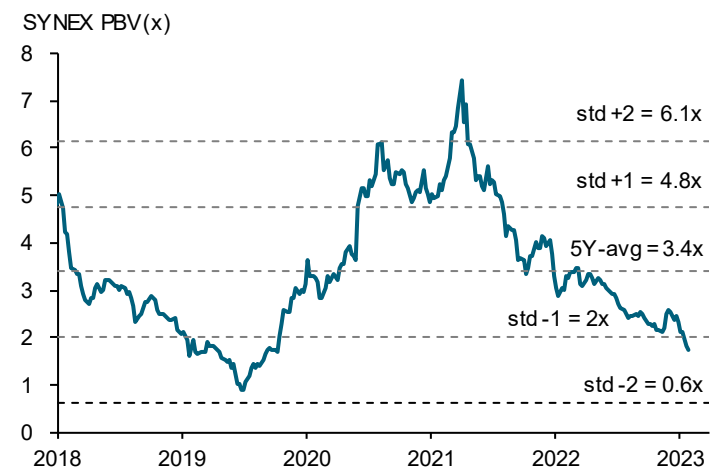
Source: FSSIA estimates

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; 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 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. <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+ | | | | | | | | | |
| NEGL | Low | Medium | High | Severe | | | | | | | | | | | | | | | | | |
| 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 |
| 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 | | | | | | | | | | | | | | | | | | |
| 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

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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 $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.