

SAPPE SAPPE TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB108.00 |
| CLOSE | THB84.00 |
| UP/DOWNSIDE | +28.6% |
| PRIOR TP | THB96.50 |
| CHANGE IN TP | +11.9% |
| TP vs CONSENSUS | +6.0% |

1Q24 might reach a new high

- SAPPE's 1Q24 profit might recover to reach a new high, with its purchase orders likely better than our previous expectation.
- New production lines in February 2024 to support its 2Q-3Q24 revenue growth.
- Retain BUY call with a new TP of THB108.

Look past the profit bottom in 4Q23

We expect SAPPE's 4Q23 net profit to be at THB201m (-37% q-q, +30% y-y), the bottom of the year. Revenue should drop q-q amid the low season of its export business. However, we forecast its 4Q23 gross margin to be flat q-q at 46%, due to 1) a high utilization rate for building up its inventory; and 2) stabilized raw material and packaging costs. In addition, its SG&A to sales might be higher at 28.5% (vs 23.4% in 3Q23), due to increasing marketing expenses. Assuming in-line results, SAPPE's 2023 net profit would reach a record high at THB1.1b (+69.5% y-y).

1Q24 might hit a new high, better than previously expected

The recovery of SAPPE's 1Q24 purchase orders will likely be better than we previously expected, support by the solid growth of Asian customers. Normally, 1Q is a good season for Asian countries (Indonesia, the Philippines, and South Korea), and Ramadan is starting in 1Q24, the same quarter as last year. For our preliminary estimate, we assume its 1Q24 total revenue will surge by 46% q-q and 18% y-y, supported by solid export revenue, and SAPPE has prepared inventory since 4Q23 to sell in 1Q24. Therefore, its 1Q24 should recover to reach a record high.

New capacity to support growth in 2Q-3Q24

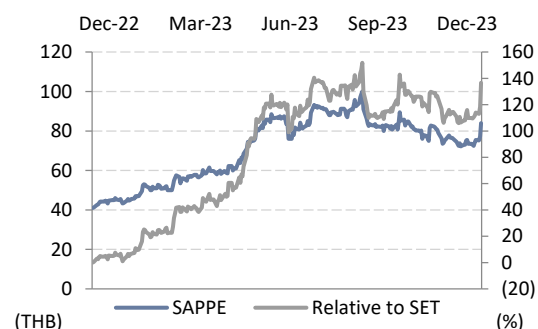
Management targets 2024 revenue growth of c20-25% y-y. We have a positive view on its earnings momentum in 2Q-3Q24, mainly from 1) the high season for customers in Europe and the Americas; 2) Thailand's summer season; and 3) its new 25% capacity increase will be completed in February 2024. Aside from that, 1H24 overall costs should stabilize to the 2H23 level. We are less concerned about the sugar cost in 2024. SAPPE has not locked in a sugar price (Quota C) for 2024 yet, but the latest NYMEX No.11 sugar price has declined to US cent21 per pound (vs US cent25-26 per pound earlier), in line with the 2023 price. Therefore, SAPPE should benefit from a declining sugar price in 2024.

Retain BUY call with new TP of THB108

We cut our 2023 net profit forecast by 7%, but maintain our 2024E net profit of THB1.33b. Hence, 2024E net profit growth would increase by 21% y-y. We roll our P/E-based TP forward by a year to 2024, deriving a TP of THB108, based on target P/E at 25x. We like its earnings momentum and strong balance sheet with a low D/E and a high ROE.

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|--------|--------|--------|
| Revenue | 4,566 | 6,073 | 7,131 | 7,896 |
| Net profit | 653 | 1,107 | 1,335 | 1,504 |
| EPS (THB) | 2.12 | 3.59 | 4.33 | 4.88 |
| vs Consensus (%) | - | (2.9) | 1.0 | (2.7) |
| EBITDA | 1,018 | 1,652 | 1,900 | 2,132 |
| Recurring net profit | 666 | 1,135 | 1,335 | 1,504 |
| Core EPS (THB) | 2.16 | 3.68 | 4.33 | 4.88 |
| Chg. In EPS est. (%) | - | (4.7) | 0.3 | 1.9 |
| EPS growth (%) | 59.5 | 70.5 | 17.6 | 12.7 |
| Core P/E (x) | 38.9 | 22.8 | 19.4 | 17.2 |
| Dividend yield (%) | 2.0 | 3.2 | 3.9 | 4.4 |
| EV/EBITDA (x) | 23.5 | 14.9 | 13.0 | 11.5 |
| Price/book (x) | 8.0 | 7.3 | 6.7 | 6.1 |
| Net debt/Equity (%) | (60.9) | (40.2) | (34.9) | (36.9) |
| ROE (%) | 21.6 | 33.4 | 36.1 | 37.1 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------------------|---------|----------|
| Absolute (%) | 8.0 | 5.0 | 116.8 |
| Relative to country (%) | 9.5 | 13.1 | 148.4 |
| Mkt cap (USD m) | 741 | | |
| 3m avg. daily turnover (USD m) | 1.8 | | |
| Free float (%) | 25 | | |
| Major shareholder | Ruckariyapong Family (68%) | | |
| 12m high/low (THB) | 100.00/37.00 | | |
| Issued shares (m) | 308.29 | | |

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

SAPPE is well known as a leader in innovative and functional drinks in Thailand, some of which are made from Thai agricultural products, including Mogu Mogu, Sappe Aloe Vera, and All Coco. A strong global brand, its products are distributed in 98 countries via both modern trade and traditional stores.

Company profile

SAPPE is a manufacturer and distributor of beverages targeting health and beauty-conscious consumers. A leading company in Thailand’s functional drink market, it currently has 12 successful brands in five categories, including the popular Sappe Beauti Drink brand. In 2022, 76.9% of SAPPE’s revenue came from overseas sales and domestic sales accounted for 23.1%.

www.sappe.com

Principal activities (revenue, 2022)

■ Domestic revenue - 23.1 %

■ Overseas revenue - 76.9 %

Source: Sappe

Major shareholders

■ Ruckariyapong Family - 68.4 %

■ Others - 31.6 %

Source: Sappe

Catalysts

Potential catalysts for SAPPE’s earnings growth in 2024 include 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful expansion into new markets; and 4) successful new product launches.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.

Event calendar

| Date | Event |
|---------------|---------------------------|
| February 2024 | 4Q23 results announcement |
| March 2024 | 4Q23 analyst meeting |

Key assumptions

| | 2023E | 2024E | 2025E |
|--------------------------|-------|-------|-------|
| Domestic revenue (THB m) | 1,163 | 1,280 | 1,415 |
| Overseas revenue (THB m) | 4,910 | 5,850 | 6,481 |
| Total revenue (THB m) | 6,073 | 7,131 | 7,896 |
| Total revenue growth (%) | 33.0 | 17.4 | 10.7 |
| Gross margin (%) | 44.9 | 44.6 | 45.0 |
| SG&A to sales (%) | 23.8 | 23.7 | 23.7 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2024 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 2.9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2024 net profit to fall by 2.8%, and vice versa, all else being equal.

Source: FSSIA estimates

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FINANSIA

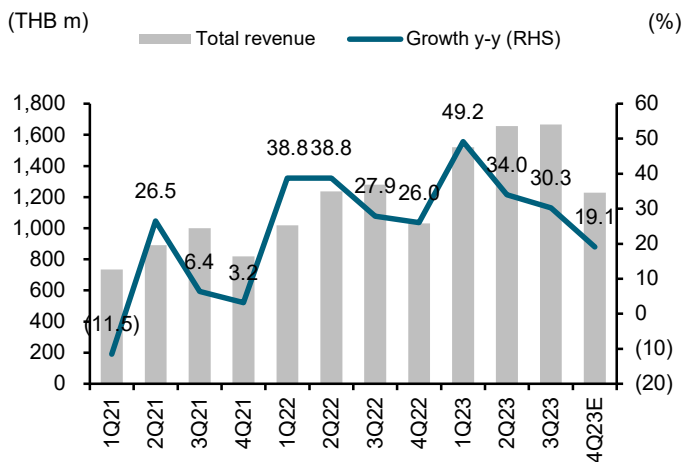
21 DECEMBER 2023

Exhibit 1: 4Q23 earnings preview

| | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23E | Change | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|--------------|--------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) |
| Sales | 1,279 | 1,032 | 1,520 | 1,657 | 1,667 | 1,229 | (26.3) | 19.1 |
| Cost of sales | 756 | 612 | 864 | 920 | 897 | 664 | (26.0) | 8.4 |
| Gross profit | 524 | 420 | 656 | 737 | 770 | 565 | (26.5) | 34.8 |
| SG&A | 352 | 284 | 354 | 352 | 389 | 350 | (10.0) | 23.3 |
| Operating profit | 249 | 171 | 337 | 421 | 412 | 255 | (38.2) | 49.3 |
| Other income | 77 | 35 | 35 | 36 | 32 | 40 | 24.1 | 12.9 |
| Interest expense | 0.53 | 0.62 | 0.71 | 0.64 | 0.60 | 0.60 | (0.5) | (2.8) |
| Tax expense | 45 | 40 | 67 | 81 | 83 | 50 | (39.9) | 24.3 |
| Profit (loss) sharing | (0) | (1) | (1) | (11) | (9) | (5) | nm | nm |
| Reported net profit | 178 | 154 | 275 | 312 | 319 | 201 | (37.0) | 30.3 |
| Core profit | 204 | 131 | 280 | 329 | 325 | 201 | (38.1) | 53.3 |
| Key ratios (%) | | | | | | | (ppt) | (ppt) |
| Gross margin | 40.9 | 40.7 | 43.2 | 44.5 | 46.2 | 46.0 | (0.2) | 5.3 |
| SG&A to sales | 27.5 | 27.5 | 23.3 | 21.3 | 23.4 | 28.5 | 5.1 | 1.0 |
| Operating margin | 19.5 | 16.6 | 22.1 | 25.4 | 24.7 | 20.8 | (4.0) | 4.2 |
| Net margin | 13.9 | 15.0 | 18.1 | 18.8 | 19.1 | 16.4 | (2.8) | 1.4 |
| Core margin | 15.9 | 12.7 | 18.4 | 19.9 | 19.5 | 16.4 | (3.1) | 3.6 |
| Operating statistics (THB m) | | | | | | | | |
| Domestic revenue | 268 | 267 | 295 | 283 | 291 | 295 | 1.1 | 10.3 |
| Overseas revenue | 1,012 | 765 | 1,226 | 1,374 | 1,375 | 934 | (32.1) | 22.2 |

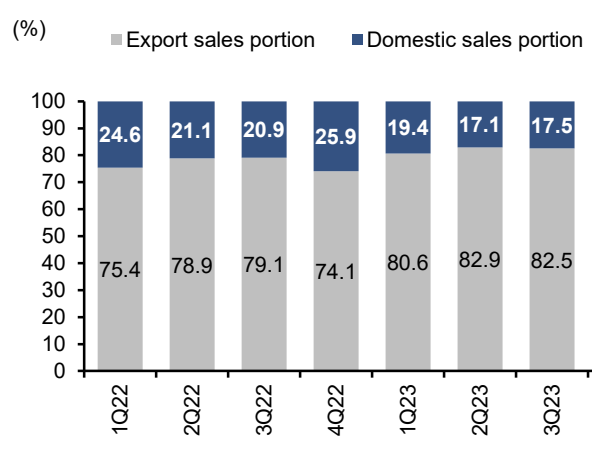
Sources: SAPPE, FSSIA estimates

Exhibit 2: Quarterly total revenue and growth

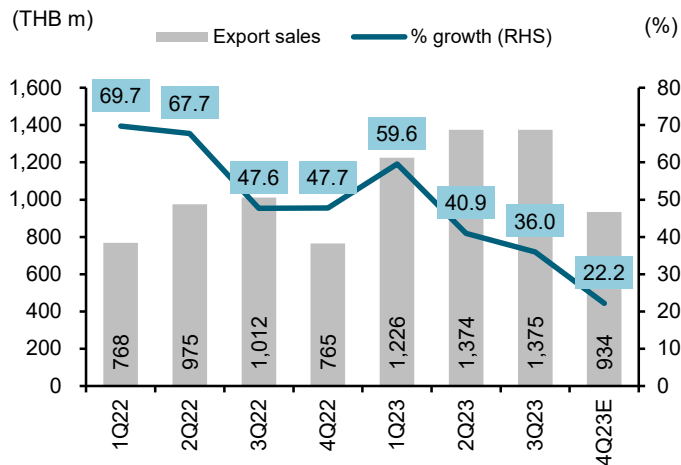


Sources: SAPPE, FSSIA estimates

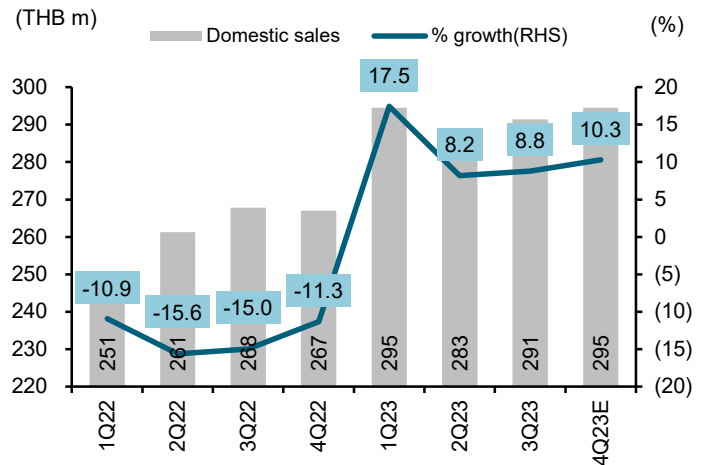
Exhibit 3: Quarterly revenue proportion



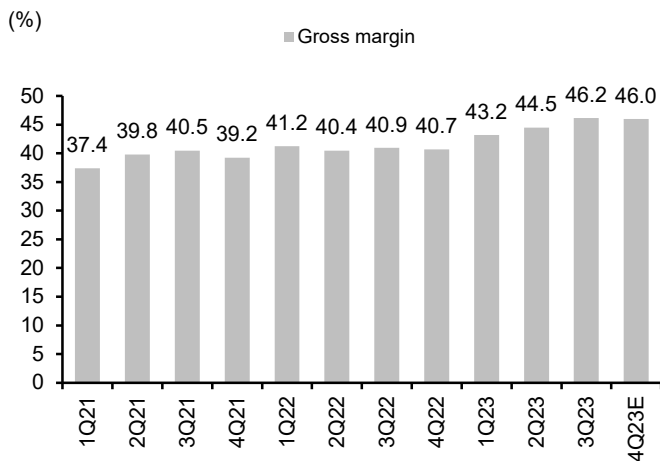
Sources: SAPPE, FSSIA estimates

Exhibit 4: Quarterly export sales and growth


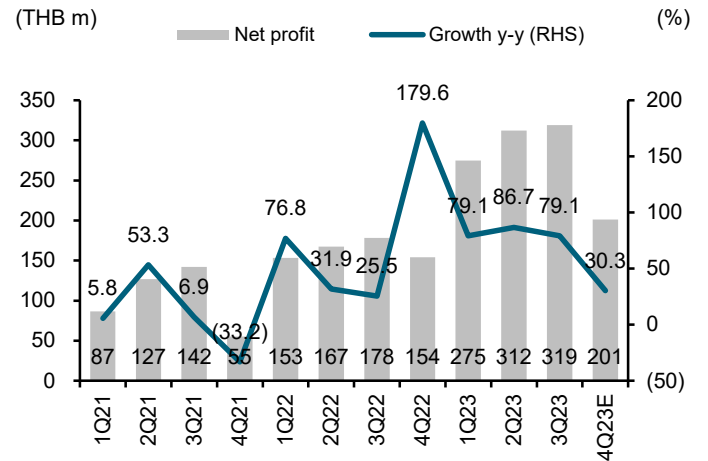
Sources: SAPPE, FSSIA estimates

Exhibit 5: Quarterly domestic sales and growth


Sources: SAPPE, FSSIA estimates

Exhibit 6: Quarterly gross margin


Sources: SAPPE, FSSIA estimates

Exhibit 7: Quarterly net profit and growth


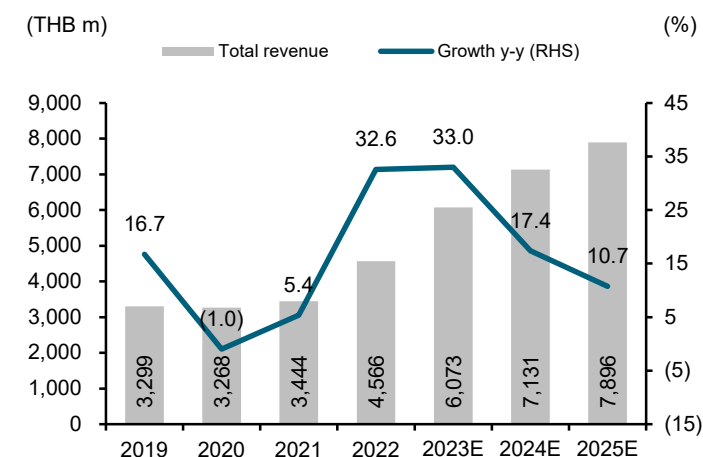
Sources: SAPPE, FSSIA estimates

Exhibit 8: Change of key assumptions for SAPPE

| | Current | | | Previous | | | Change | | |
|-----------------------------------|---------|---------|---------|----------|---------|---------|--------|-------|-------|
| | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E |
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (%) | (%) | (%) |
| Total sale value (THB m) | 6,073 | 7,131 | 7,896 | 6,281 | 6,998 | 7,750 | (3.3) | 1.9 | 1.9 |
| Costs | 3,344 | 3,950 | 4,343 | 3,549 | 3,954 | 4,379 | (5.8) | (0.1) | (0.8) |
| Gross profit | 2,728 | 3,180 | 3,553 | 2,732 | 3,044 | 3,371 | (0.1) | 4.5 | 5.4 |
| SG&A expense | 1,446 | 1,690 | 1,871 | 1,382 | 1,540 | 1,705 | 4.7 | 9.8 | 9.8 |
| Interest expense | 3 | 3 | 3 | 3 | 3 | 3 | 0.0 | 0.0 | 0.0 |
| Reported net profit | 1,107 | 1,335 | 1,504 | 1,191 | 1,331 | 1,474 | (7.0) | 0.3 | 2.0 |
| Core profit | 1,135 | 1,335 | 1,504 | 1,191 | 1,331 | 1,474 | (4.7) | 0.3 | 2.0 |
| Key ratios (%) | | | | | | | | | |
| Total revenue growth | 33.0 | 17.4 | 10.7 | 37.5 | 11.4 | 10.7 | (4.6) | 6.0 | (0.0) |
| Net profit growth | 69.5 | 20.6 | 12.7 | 82.3 | 11.8 | 10.8 | (12.8) | 8.8 | 1.9 |
| Core profit growth | 70.5 | 17.6 | 12.7 | 78.9 | 11.8 | 10.8 | (8.4) | 5.8 | 1.9 |
| Gross margin | 44.9 | 44.6 | 45.0 | 43.5 | 43.5 | 43.5 | 1.4 | 1.1 | 1.5 |
| SG&A to sales | 23.8 | 23.7 | 23.7 | 22.0 | 22.0 | 22.0 | 1.8 | 1.7 | 1.7 |
| Net margin | 18.2 | 18.7 | 19.0 | 19.0 | 19.0 | 19.0 | (0.7) | (0.3) | 0.0 |
| Core margin | 18.7 | 18.7 | 19.0 | 19.0 | 19.0 | 19.0 | (0.3) | (0.3) | 0.0 |
| Operating statistics (no.) | | | | | | | | | |
| Domestic revenue | 1,163 | 1,280 | 1,415 | 1,143 | 1,261 | 1,395 | 1.7 | 1.5 | 1.5 |
| Overseas revenue | 4,910 | 5,850 | 6,481 | 5,137 | 5,737 | 6,355 | (4.4) | 2.0 | 2.0 |
| Domestic revenue growth | 10.3 | 10.1 | 10.6 | 8.4 | 10.3 | 10.6 | 1.9 | (0.3) | (0.0) |
| Overseas revenue growth | 39.8 | 19.2 | 10.8 | 46.3 | 11.7 | 10.8 | (6.5) | 7.5 | (0.0) |
| Domestic revenue portion | 19.2 | 18.0 | 17.9 | 18.2 | 18.0 | 18.0 | 0.9 | (0.1) | (0.1) |
| Overseas revenue portion | 80.8 | 82.0 | 82.1 | 81.8 | 82.0 | 82.0 | (0.9) | 0.1 | 0.0 |

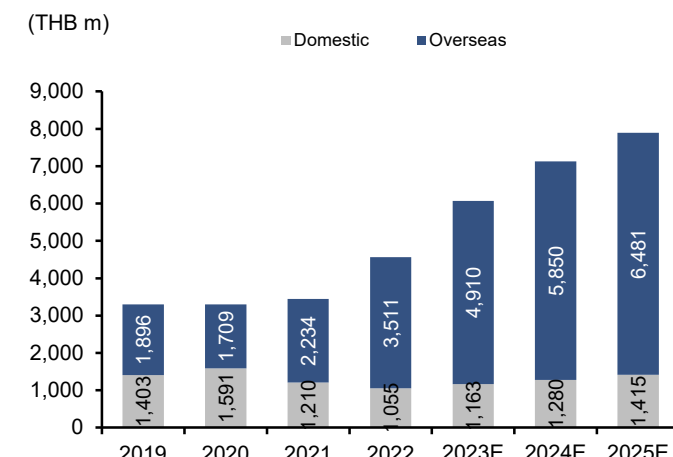
Source: FSSIA estimates

Exhibit 9: Yearly total revenue and growth

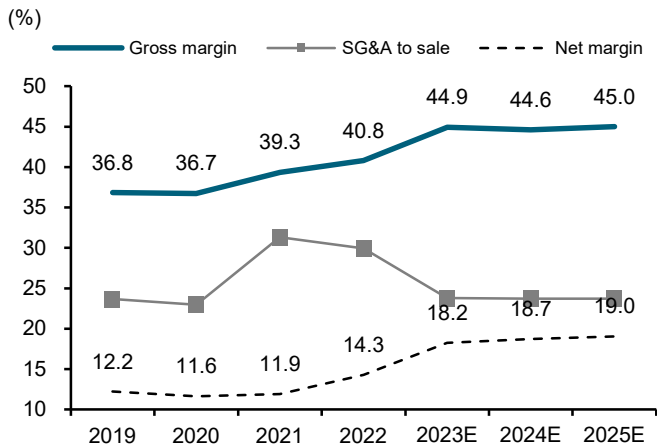


Sources: SAPPE, FSSIA estimates

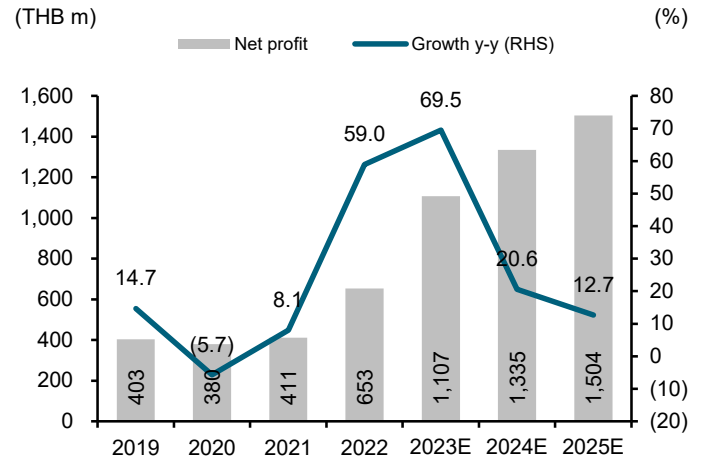
Exhibit 10: Yearly domestic and overseas revenue



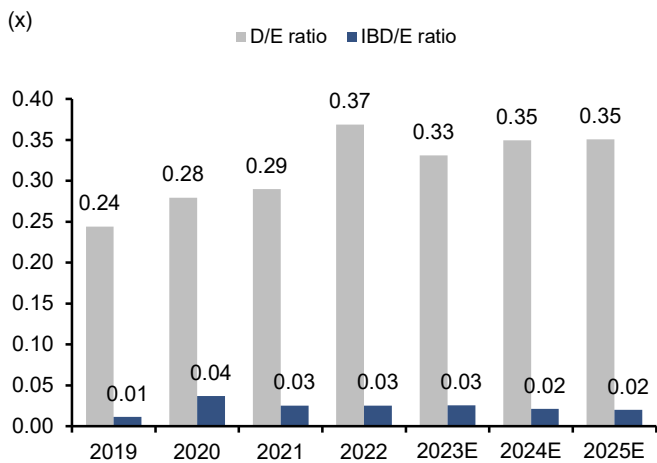
Sources: SAPPE, FSSIA estimates

Exhibit 11: Gross margin and net margin


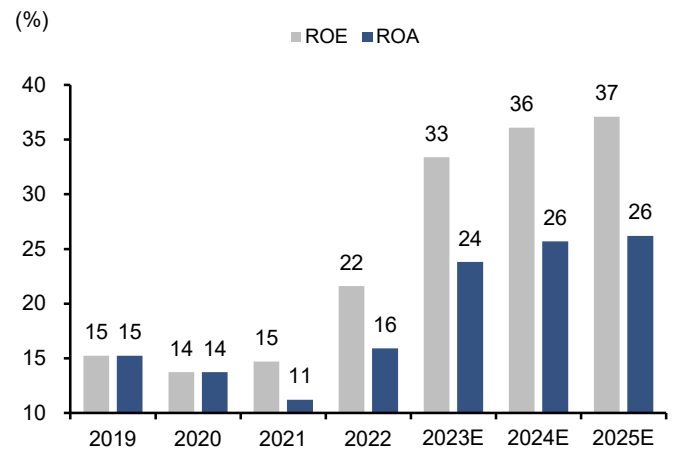
Sources: SAPPE, FSSIA estimates

Exhibit 12: Yearly net profit and growth


Sources: SAPPE, FSSIA estimates

Exhibit 13: D/E ratio and IBD/E ratio


Sources: SAPPE, FSSIA estimates

Exhibit 14: ROE and ROA


Sources: SAPPE, FSSIA estimates

Financial Statements

Sappe

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,444 | 4,566 | 6,073 | 7,131 | 7,896 |
| Cost of goods sold | (2,089) | (2,703) | (3,344) | (3,950) | (4,343) |
| Gross profit | 1,355 | 1,863 | 2,728 | 3,180 | 3,553 |
| Other operating income | 269 | 333 | 143 | 143 | 158 |
| Operating costs | (1,078) | (1,366) | (1,446) | (1,690) | (1,871) |
| Operating EBITDA | 743 | 1,018 | 1,652 | 1,900 | 2,132 |
| Depreciation | (198) | (187) | (227) | (267) | (292) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 546 | 830 | 1,425 | 1,633 | 1,840 |
| Net financing costs | (3) | (2) | (3) | (3) | (3) |
| Associates | (20) | 0 | (26) | 3 | 3 |
| Recurring non-operating income | (20) | 0 | (26) | 3 | 3 |
| Non-recurring items | (7) | (12) | (28) | 0 | 0 |
| Profit before tax | 516 | 816 | 1,369 | 1,633 | 1,840 |
| Tax | (106) | (162) | (281) | (327) | (368) |
| Profit after tax | 410 | 654 | 1,087 | 1,306 | 1,472 |
| Minority interests | 1 | (1) | 20 | 29 | 32 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 411 | 653 | 1,107 | 1,335 | 1,504 |
| Non-recurring items & goodwill (net) | 7 | 12 | 28 | 0 | 0 |
| Recurring net profit | 417 | 666 | 1,135 | 1,335 | 1,504 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.35 | 2.16 | 3.68 | 4.33 | 4.88 |
| Reported EPS | 1.34 | 2.12 | 3.59 | 4.33 | 4.88 |
| DPS | 1.10 | 1.65 | 2.69 | 3.25 | 3.66 |
| Diluted shares (used to calculate per share data) | 308 | 308 | 308 | 308 | 308 |
| Growth | | | | | |
| Revenue (%) | 5.4 | 32.6 | 33.0 | 17.4 | 10.7 |
| Operating EBITDA (%) | 5.3 | 36.9 | 62.3 | 15.0 | 12.2 |
| Operating EBIT (%) | 8.3 | 52.2 | 71.6 | 14.6 | 12.7 |
| Recurring EPS (%) | 8.9 | 59.5 | 70.5 | 17.6 | 12.7 |
| Reported EPS (%) | 7.5 | 57.8 | 69.5 | 20.6 | 12.7 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 39.3 | 40.8 | 44.9 | 44.6 | 45.0 |
| Gross margin exc. depreciation (%) | 45.1 | 44.9 | 48.7 | 48.3 | 48.7 |
| Operating EBITDA margin (%) | 21.6 | 22.3 | 27.2 | 26.6 | 27.0 |
| Operating EBIT margin (%) | 15.8 | 18.2 | 23.5 | 22.9 | 23.3 |
| Net margin (%) | 12.1 | 14.6 | 18.7 | 18.7 | 19.0 |
| Effective tax rate (%) | 20.5 | 19.8 | 20.6 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 81.3 | 76.5 | 73.2 | 75.0 | 75.0 |
| Interest cover (X) | 208.9 | 363.6 | 548.6 | 623.3 | 677.6 |
| Inventory days | 49.4 | 53.3 | 47.5 | 36.9 | 35.8 |
| Debtor days | 41.1 | 26.6 | 32.2 | 39.2 | 38.1 |
| Creditor days | 38.5 | 29.8 | 32.2 | 34.7 | 35.8 |
| Operating ROIC (%) | 38.4 | 63.7 | 78.5 | 62.9 | 62.3 |
| ROIC (%) | 30.3 | 48.3 | 62.1 | 53.8 | 54.0 |
| ROE (%) | 14.7 | 21.6 | 33.4 | 36.1 | 37.1 |
| ROA (%) | 11.2 | 15.9 | 23.8 | 25.7 | 26.2 |

* Pre-exceptional, pre-goodwill and fully diluted

| Revenue by Division (THB m) | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------|-------|-------|-------|-------|-------|
| Domestic revenue | 1,210 | 1,055 | 1,163 | 1,280 | 1,415 |
| Overseas revenue | 2,234 | 3,511 | 4,910 | 5,850 | 6,481 |

Sources: Sappe; FSSIA estimates

Financial Statements

Sappe

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|----------------|----------------|
| Recurring net profit | 417 | 666 | 1,135 | 1,335 | 1,504 |
| Depreciation | 198 | 187 | 227 | 267 | 292 |
| Associates & minorities | 20 | 0 | 26 | (3) | (3) |
| Other non-cash items | (1) | 1 | 25 | 12 | 14 |
| Change in working capital | 96 | 191 | (337) | 141 | 4 |
| Cash flow from operations | 731 | 1,045 | 1,077 | 1,752 | 1,810 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (140) | (302) | (797) | (820) | (455) |
| Net acquisitions & disposals | 7 | 6 | 0 | 0 | 0 |
| Other investments (net) | (163) | (41) | (45) | (11) | (8) |
| Cash flow from investing | (296) | (338) | (842) | (831) | (463) |
| Dividends paid | (310) | (348) | (830) | (1,001) | (1,128) |
| Equity finance | 47 | 63 | (2) | 0 | 0 |
| Debt finance | (34) | 0 | 1 | (8) | 3 |
| Other financing cash flows | 7 | 25 | (39) | 5 | 4 |
| Cash flow from financing | (291) | (259) | (871) | (1,004) | (1,121) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 70 | 0 | 0 |
| Net other adjustments | 0 | (73) | 70 | 0 | 0 |
| Movement in cash | 144 | 375 | (566) | (83) | 227 |
| Free cash flow to firm (FCFF) | 437.25 | 709.65 | 236.80 | 924.30 | 1,350.52 |
| Free cash flow to equity (FCFE) | 407.22 | 659.24 | 266.56 | 918.62 | 1,354.63 |
| Per share (THB) | | | | | |
| FCFF per share | 1.42 | 2.30 | 0.77 | 3.00 | 4.38 |
| FCFE per share | 1.32 | 2.14 | 0.86 | 2.98 | 4.39 |
| Recurring cash flow per share | 2.07 | 2.77 | 4.58 | 5.22 | 5.86 |
| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
| Tangible fixed assets (gross) | 2,268 | 2,530 | 3,330 | 4,130 | 4,630 |
| Less: Accumulated depreciation | (1,262) | (1,398) | (1,625) | (1,892) | (2,184) |
| Tangible fixed assets (net) | 1,006 | 1,132 | 1,705 | 2,238 | 2,445 |
| Intangible fixed assets (net) | 134 | 128 | 128 | 128 | 128 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 156 | 186 | 160 | 163 | 166 |
| Cash & equivalents | 1,754 | 2,129 | 1,562 | 1,480 | 1,707 |
| A/C receivable | 430 | 459 | 814 | 866 | 905 |
| Inventories | 291 | 444 | 367 | 379 | 416 |
| Other current assets | 50 | 47 | 36 | 36 | 39 |
| Current assets | 2,524 | 3,079 | 2,779 | 2,761 | 3,068 |
| Other assets | 29 | 36 | 61 | 71 | 79 |
| Total assets | 3,848 | 4,561 | 4,833 | 5,360 | 5,886 |
| Common equity | 2,906 | 3,258 | 3,535 | 3,869 | 4,245 |
| Minorities etc. | 101 | 102 | 127 | 139 | 153 |
| Total shareholders' equity | 3,006 | 3,360 | 3,663 | 4,008 | 4,398 |
| Long term debt | 52 | 61 | 56 | 48 | 51 |
| Other long-term liabilities | 45 | 70 | 30 | 36 | 39 |
| Long-term liabilities | 96 | 130 | 87 | 84 | 90 |
| A/C payable | 181 | 230 | 321 | 379 | 416 |
| Short term debt | 21 | 21 | 34 | 34 | 34 |
| Other current liabilities | 543 | 820 | 729 | 856 | 948 |
| Current liabilities | 745 | 1,071 | 1,083 | 1,268 | 1,398 |
| Total liabilities and shareholders' equity | 3,848 | 4,561 | 4,833 | 5,360 | 5,886 |
| Net working capital | 46 | (99) | 167 | 46 | (3) |
| Invested capital | 1,371 | 1,383 | 2,221 | 2,646 | 2,815 |
| * Includes convertibles and preferred stock which is being treated as debt | | | | | |
| Per share (THB) | | | | | |
| Book value per share | 9.49 | 10.56 | 11.46 | 12.54 | 13.76 |
| Tangible book value per share | 9.05 | 10.15 | 11.05 | 12.13 | 13.35 |
| Financial strength | | | | | |
| Net debt/equity (%) | (55.9) | (60.9) | (40.2) | (34.9) | (36.9) |
| Net debt/total assets (%) | (43.7) | (44.9) | (30.5) | (26.1) | (27.6) |
| Current ratio (x) | 3.4 | 2.9 | 2.6 | 2.2 | 2.2 |
| CF interest cover (x) | 218.4 | 421.9 | 418.1 | 663.6 | 666.3 |
| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
| Recurring P/E (x) * | 62.1 | 38.9 | 22.8 | 19.4 | 17.2 |
| Recurring P/E @ target price (x) * | 79.8 | 50.1 | 29.3 | 25.0 | 22.2 |
| Reported P/E (x) | 62.6 | 39.7 | 23.4 | 19.4 | 17.2 |
| Dividend yield (%) | 1.3 | 2.0 | 3.2 | 3.9 | 4.4 |
| Price/book (x) | 8.8 | 8.0 | 7.3 | 6.7 | 6.1 |
| Price/tangible book (x) | 9.3 | 8.3 | 7.6 | 6.9 | 6.3 |
| EV/EBITDA (x) ** | 32.5 | 23.5 | 14.9 | 13.0 | 11.5 |
| EV/EBITDA @ target price (x) ** | 42.3 | 30.8 | 19.3 | 16.9 | 14.9 |
| EV/invested capital (x) | 17.6 | 17.3 | 11.1 | 9.3 | 8.7 |
| * Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income | | | | | |

Sources: Sappe; FSSIA estimates

SAPPE PCL (SAPPE TB)

FSSIA ESG rating


35.25 /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. |
| ★★★★☆ | >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. |

Source: 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 risk | 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 |
| 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](https://www.settrade.com); FSSIA's compilation

Exhibit 17: ESG disclosure from the company's one report

| FY ending Dec 31 | FY 2022 | FY ending Dec 31 | FY 2022 |
|---|---------|---|-------------------|
| Environmental | | Governance | |
| Climate change policy | Yes | Board size / Independent directors (ID) / Female | 10 / 5 / 3 |
| Climate change opportunities discussed | -- | No. of board meetings for the year / % attendance | 8 / 96.75% |
| GHG scope 2 location-based policy | Yes | Company conducts board evaluations | Yes |
| Biodiversity policy | -- | Number of non-executive directors on board | 6 |
| Energy efficiency policy | Yes | Director share ownership guidelines | No |
| Electricity used | Yes | Board age limit | No |
| Fuel used - crude oil/diesel | -- | Age of the youngest / oldest director | 44 / 79 |
| Waste reduction policy | Yes | Number of executives / female | 5 / 2 |
| Water policy | Yes | Executive share ownership guidelines | No |
| Water consumption | -- | Size of audit committee / ID | 4 / 4 |
| Social | | Audit committee meetings | 4 |
| Human rights policy | Yes | Audit committee meeting attendance (%) | 100 |
| Policy against child labor | Yes | Size of compensation committee | -- |
| Quality assurance and recall policy | Yes | Number of compensation committee meetings | -- |
| Consumer data protection policy | Yes | Compensation committee meeting attendance (%) | -- |
| Equal opportunity policy | Yes | Size of nomination committee / ID | -- |
| Gender pay gap breakout | -- | Number of nomination committee meetings | -- |
| Pct women in workforce | 55 | Nomination committee meeting attendance (%) | -- |
| Business ethics policy | Yes | Board compensation (THB m) | 4.1 |
| Anti-bribery ethics policy | Yes | Auditor fee (THB m) | 3.13 |
| Health and safety policy | Yes | (P&L Corporation Co., Ltd.) | |
| Lost time incident rate - employees | -- | | |
| Training policy | Yes | | |
| Fair remuneration policy | Yes | | |
| Number of employees - CSR | -- | | |
| Total hours spent by firm - employee training | -- | | |
| Social supply chain management | -- | | |

Source: 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 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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><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></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. | | | | | | | | | | | | | | | | | | | | |

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **CG Score**; 2) **AGM Level**; 3) **Thai CAC**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

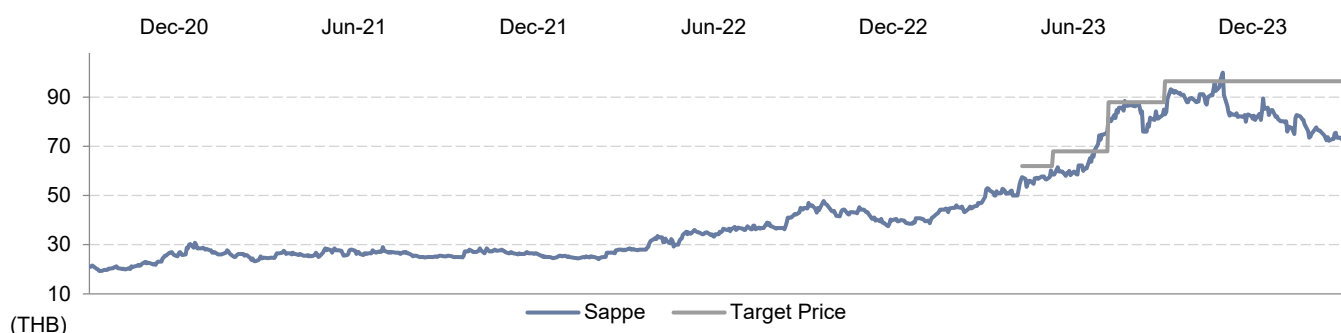
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

Sappe (SAPPE TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 09-Mar-2023 | BUY | 62.00 | 23-May-2023 | BUY | 88.00 | - | - | - |
| 05-Apr-2023 | BUY | 68.00 | 11-Jul-2023 | BUY | 96.50 | | | |

Sureeporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------|----------|-----------|--------|--|
| Sappe | SAPPE TB | THB 84.00 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks. |

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 20-Dec-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.