

# OSOTSPA OSP TB

THAILAND / FOOD &amp; BEVERAGE

**BUY**

UNCHANGED

TARGET PRICE	THB24.50
CLOSE	THB21.20
UP/DOWNSIDE	+15.6%
PRIOR TP	THB28.50
CHANGE IN TP	-14.0%
TP vs CONSENSUS	-18.2%

## Continued juggling through reorganization

- Expect 4Q23 net profit to weaken due to one-time expenses, but normalized earnings seem promising.
- The 2024 market share and revenue should recover slowly.
- Cut our TP to THB24.5 after decreasing our PE assumption to reflect a lower growth forecast.

### One-time expenses would pressure 4Q23 net profit

We expect a 4Q23 net profit of THB430m (-33% q-q, +28% y-y). The anticipated q-q drop comes mainly from 1) one-time expenses of THB100-200m from the discontinuation of its glass factory in Samut Prakan and 2) an FX loss of THB100m due to the difference between market and CBM rates after the Myanmar government stopped setting foreign exchange rates. Therefore, OSP adopted a conservative stance by using a rate closer to market rates rather than only BOT rates. Excluding extra items, we anticipate decent normalized earnings of THB640m (+14% q-q, +102% y-y).

### Market share loss continued, but the gross margin should remain healthy

OSP is still the leader in the Thai energy drink market. However, it suffered continued market share loss. Specifically, its 4Q23 market share was 46%, down from 46.5% in 3Q23 and lower than 47.5% in 4Q22 due to continued promotions by rivals since early 2023. However, OSP has a diverse portfolio. Also, it saw continued revenue growth in its other products, such as functional drinks and personal care, while C-vitt started to stabilize or rise q-q. Also, its y-y loss decreased. It was high last year due to covid. We project a modest 4Q23 revenue growth. Moreover, we anticipate a higher gross margin (excluding extra items), its fifth consecutive gain, and its 10-quarter peak due to price hikes last year, increased production efficiency, the discontinuation of an unprofitable unit, and benefits from lower gas and electricity prices. They should fully offset a higher sugar cost.

### Profit growth should slow in the next two years

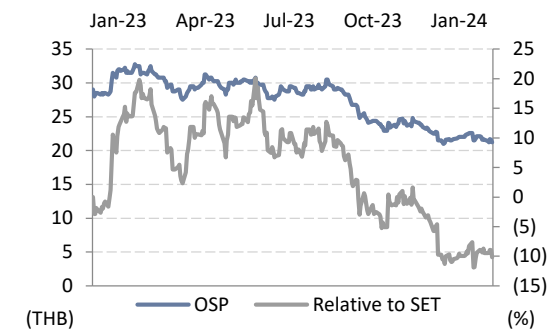
We maintain our bullish view of the solid gross margin. The gain should extend by another 20bps in 2024 after the closure of its low-efficiency factory in December 2023. Besides, we anticipate C-vitt revenue recovery in 2024 after a correction last year. However, we retain our cautious view of domestic purchasing power and persistently high competition. In particular, we expect the Thai energy drink market to see a low growth rate of 2-3% y-y in 2024 and a flat market share from 2023 while closely monitoring the situation in Myanmar since the risks from kyat weakness and political uncertainty persist. Therefore, we project a lower 2024-25 profit growth of 9.3% and 6.2%, respectively.

### Retain our BUY call after slashing our TP

We have cut our PE target to 28x (-1.0 SD) from 35x (-0.5 SD) to reflect slower growth, resulting in a lower 2024 TP of THB24.5 from THB28.5. However, it still implies a 15.6% upside. Also, we anticipate an annual dividend yield of 3-4%. Hence, we maintain our BUY call on OSP.

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	27,266	26,015	27,381	28,872
Net profit	1,934	2,399	2,626	2,789
EPS (THB)	0.64	0.80	0.87	0.93
vs Consensus (%)	-	(5.8)	(9.3)	(11.3)
EBITDA	3,644	4,256	4,729	4,959
Recurring net profit	1,914	2,223	2,626	2,789
Core EPS (THB)	0.64	0.74	0.87	0.93
Chg. In EPS est. (%)	-	1.9	(0.3)	(1.8)
EPS growth (%)	(41.2)	16.2	18.1	6.2
Core P/E (x)	33.3	28.6	24.2	22.8
Dividend yield (%)	4.2	5.7	3.7	3.9
EV/EBITDA (x)	17.7	15.1	13.6	12.9
Price/book (x)	3.4	4.0	3.9	3.8
Net debt/Equity (%)	4.3	4.3	2.6	2.1
ROE (%)	10.0	12.9	16.2	17.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.2)	(9.4)	(25.5)
Relative to country (%)	0.0	(9.2)	(9.0)
Mkt cap (USD m)			1,790
3m avg. daily turnover (USD m)			7.3
Free float (%)			52
Major shareholder	Osathanugrah Family (39%)		
12m high/low (THB)	32.11/20.70		
Issued shares (m)	3,003.75		

Sources: Bloomberg consensus; FSSIA estimates



**Sureeporn Teewasuwet**

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

## Investment thesis

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

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

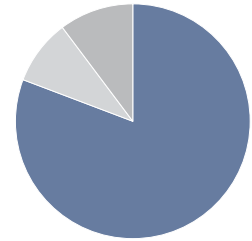
## Company profile

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

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

## Principal activities (revenue, 2022)

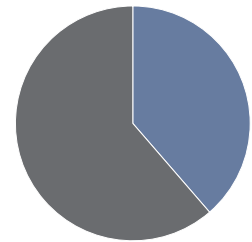
- Beverage - 80.8 %
- Personal care - 9.0 %
- Other (OEM) - 10.2 %



Source: Osotspa

## Major shareholders

- Osathanugrah Family - 38.7 %
- Others - 61.4 %



Source: Osotspa

## Catalysts

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

## Risks to our call

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

## Event calendar

Date	Event
28 February 2024	4Q23 results announcement
29 February 2024	4Q23 analyst meeting

## Key assumptions

	2023E	2024E	2025E
Beverage revenue growth (%)	(4.4)	7.3	5.6
Personal care revenue growth (%)	1.0	3.0	3.0
Total revenue growth (%)	(4.6)	5.3	5.4
Gross margin (%)	34.6	34.8	34.8
SG&A to sales (%)	25.3	24.5	24.5

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in revenue, we estimate 2024 net profit to rise by 1.2%, and vice versa, all else being equal.
- For every 0.2% increase in GPM, we estimate 2024 net profit to rise by 2.0%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2024 net profit to fall by 1.9%, and vice versa, all else being equal.

Source: FSSIA estimates

## Exhibit 1: 4Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	7,472	7,183	6,178	6,432	6,545	6,709	6,277	6,483	3.3	0.8
Cost of sales	5,100	4,940	4,367	4,509	4,360	4,428	4,058	4,175	2.9	(7.4)
Gross profit	2,372	2,244	1,811	1,924	2,186	2,281	2,220	2,308	4.0	20.0
SG&A	1,580	1,650	1,631	1,638	1,703	1,661	1,624	1,582	(2.6)	(3.4)
Operating profit	838	672	233	304	524	678	633	756	19.5	149.0
Interest expense	21	21	23	24	24	24	26	26	(1.2)	8.6
Tax expense	151	134	70	15	54	110	96	131	37.1	787.4
Profit (loss) sharing	85	90	78	62	39	13	51	43	(15.5)	(31.2)
Reported net profit	750	604	244	337	778	549	642	430	(33.1)	27.7
Core profit	750	604	359	317	472	549	562	640	13.8	102.1

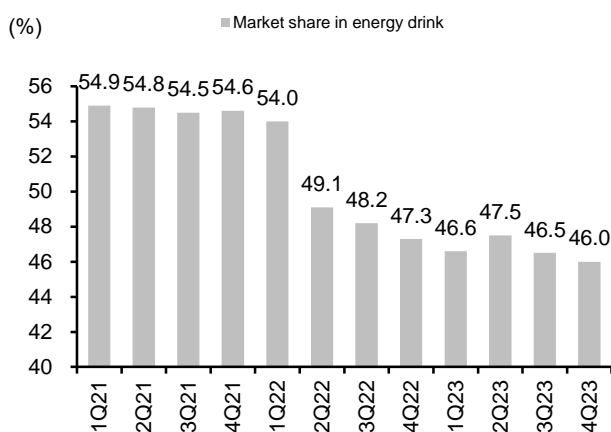
Key Ratios (%)									(ppt)	(ppt)
Gross margin	31.7	31.2	29.3	29.9	33.4	34.0	35.4	35.6	0.2	5.7
SG&A to sales	21.1	23.0	26.4	25.5	26.0	24.8	25.9	24.4	(1.5)	(1.1)
Operating margin	11.2	9.4	3.8	4.7	8.0	10.1	10.1	11.7	1.6	6.9
Net margin	10.0	8.4	3.9	5.2	11.9	8.2	10.2	6.6	(3.6)	1.4
Core margin	10.0	8.4	5.8	4.9	7.2	8.2	9.0	9.9	0.9	4.9

Operating statistics (THB m)										
Beverage sales	6,355	5,857	4,854	4,953	5,279	5,488	5,071	5,223	3.0	5.4
Personal care	554	587	605	706	556	566	647	707	9.3	0.2
Other	563	740	719	773	710	656	559	554	(1.0)	(28.4)
Domestic	6,049	5,834	5,303	5,448	4,992	5,268	5,383	5,490	2.0	0.8
Overseas	1,424	1,349	875	984	1,553	1,441	894	993	11.0	0.9
Energy drink's market share (%)	54.0	49.1	48.2	47.3	46.6	47.5	46.5	46.0	(1.0)	(1.7)
Functional drink's market share (%)	42.6	43.5	43.6	42.7	40.4	42.1	43.7	43.7	1.6	0.1

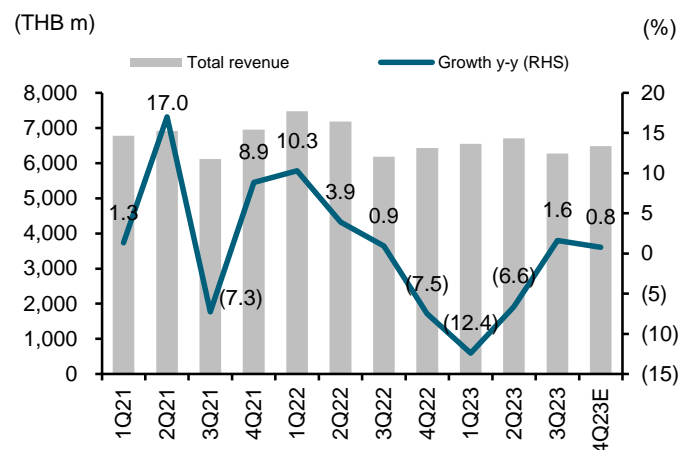
Sources: OSP, FSSIA estimates

## Exhibit 2: OSP's energy drink market share by value



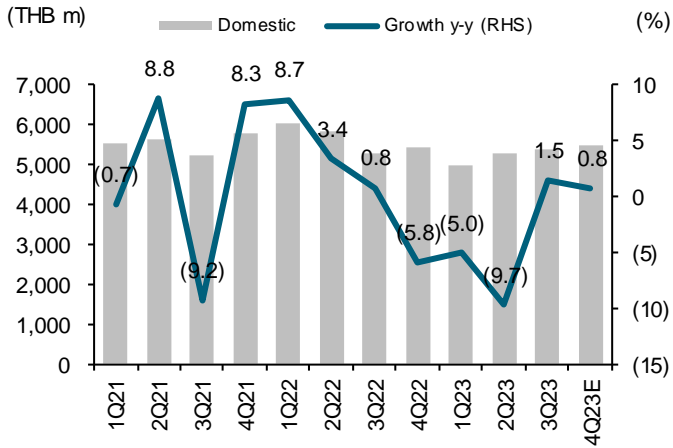
Sources: OSP, FSSIA's compilation

## Exhibit 3: Quarterly total revenue and growth



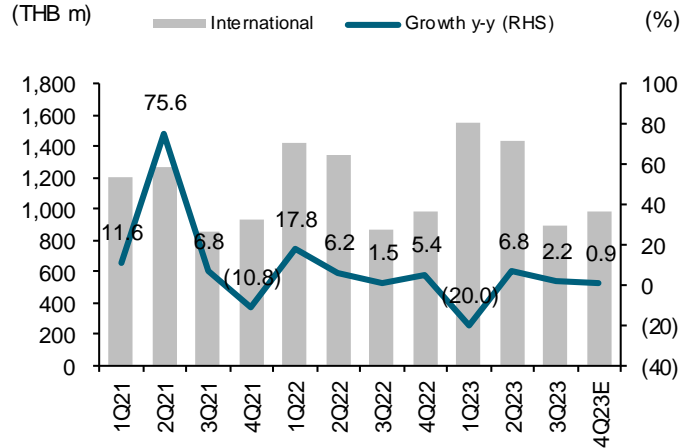
Sources: OSP, FSSIA estimates

**Exhibit 4: Domestic revenue and growth**



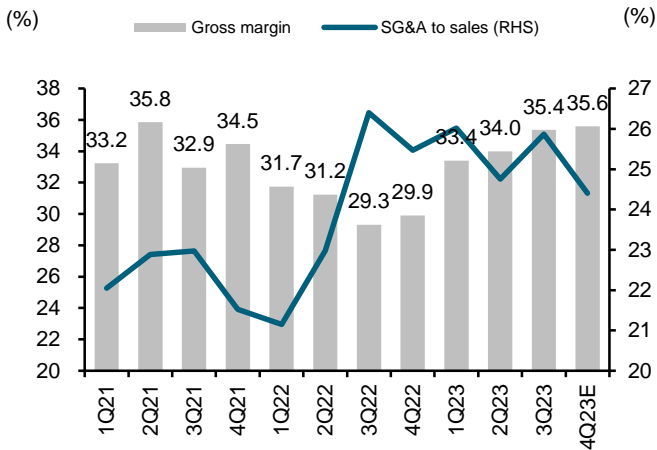
Sources: OSP, FSSIA estimates

**Exhibit 5: Overseas revenue and growth**



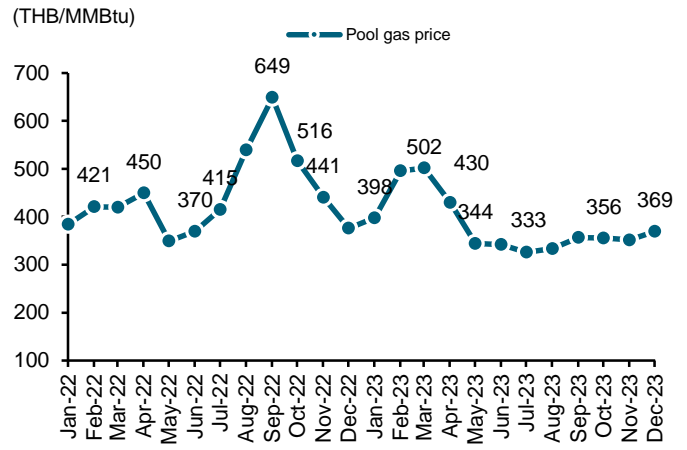
Sources: OSP, FSSIA estimates

**Exhibit 6: Gross margin and SG&A to sales**



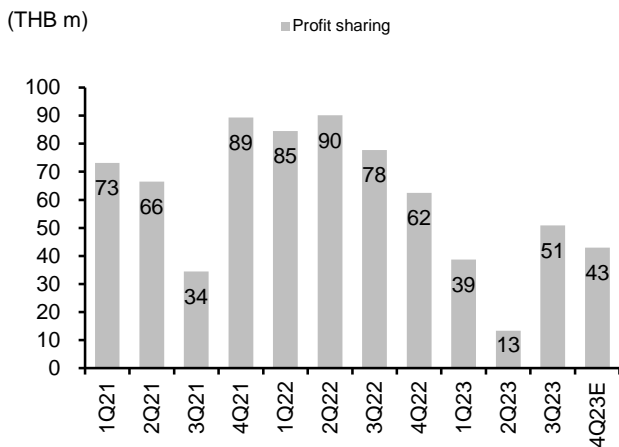
Sources: OSP, FSSIA estimates

**Exhibit 7: Monthly pool gas price**



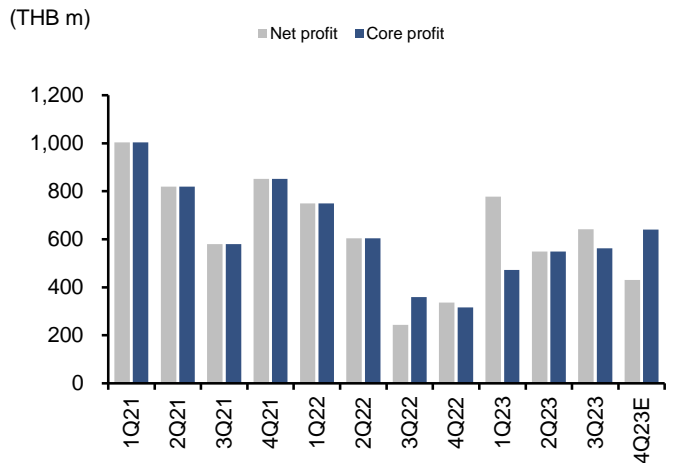
Source: Energy Policy and Planning Office (EPPO)

**Exhibit 8: Quarterly profit sharing**



Sources: OSP, FSSIA estimates

**Exhibit 9: Quarterly net profit and core profit**



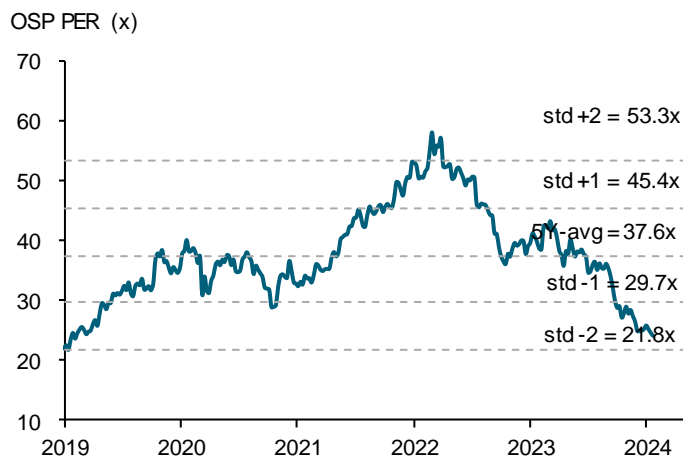
Sources: OSP, FSSIA estimates

## Exhibit 10: Change of key assumptions for OSP

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	26,015	27,381	28,872	26,224	28,468	30,268	(0.8)	(3.8)	(4.6)
Cost of sales	17,021	17,852	18,825	17,255	18,675	19,826	(1.4)	(4.4)	(5.0)
Gross profit	8,994	9,529	10,048	8,969	9,793	10,443	0.3	(2.7)	(3.8)
SG&A expenses	6,570	6,708	7,074	6,661	6,975	7,416	(1.4)	(3.8)	(4.6)
Operating profit	2,591	2,998	3,162	2,504	3,032	3,254	3.5	(1.1)	(2.8)
Interest expense	100	104	100	96	96	88	4.5	8.0	14.5
Profit sharing	146	219	245	142	171	182	3.1	28.2	35.1
Reported net profit	2,399	2,626	2,789	2,431	2,621	2,824	(1.3)	0.2	(1.2)
Core profit	2,403	2,626	2,789	2,165	2,621	2,824	11.0	0.2	(1.2)
<b>Key ratios (%)</b>									
Total revenue growth	(4.6)	5.3	5.4	(3.8)	8.6	6.3			
Net profit growth	24.1	9.5	6.2	25.7	7.8	7.8			
Core profit growth	25.6	9.3	6.2	13.1	21.1	7.8			
Gross margin	34.6	34.8	34.8	34.2	34.4	34.5	0.4	0.4	0.3
SG&A to sales	25.3	24.5	24.5	25.4	24.5	24.5	(0.1)	0.0	0.0
Net margin	9.2	9.6	9.7	9.3	9.2	9.3	(0.0)	0.4	0.3
Core margin	9.2	9.6	9.7	8.3	9.2	9.3	1.0	0.4	0.3
<b>Operating statistics (THB m)</b>									
Beverage revenue	21,060	22,600	23,858	21,263	23,259	24,799	(1.0)	(2.8)	(3.8)
Personal care revenue	2,476	2,550	2,627	2,448	2,571	2,699	1.1	(0.8)	(2.7)
Others revenue	2,479	2,231	2,387	2,513	2,638	2,770	(1.3)	(15.4)	(13.8)

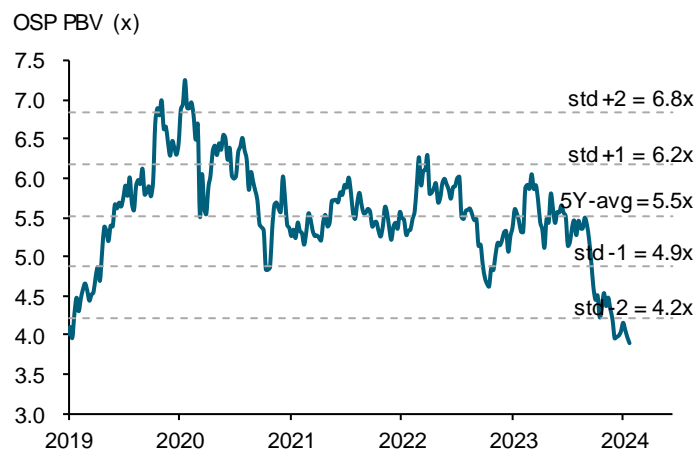
Source: FSSIA estimates

## Exhibit 11: Historical P/E band



Sources: Bloomberg, FSSIA's compilation

## Exhibit 12: Historical P/BV band



Sources: Bloomberg, FSSIA's compilation

## Financial Statements

### Osotspa

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	26,762	27,266	26,015	27,381	28,872
Cost of goods sold	(17,619)	(18,915)	(17,021)	(17,852)	(18,825)
<b>Gross profit</b>	<b>9,143</b>	<b>8,350</b>	<b>8,994</b>	<b>9,529</b>	<b>10,048</b>
Other operating income	516	196	167	178	188
Operating costs	(5,978)	(6,500)	(6,570)	(6,708)	(7,074)
<b>Operating EBITDA</b>	<b>5,199</b>	<b>3,644</b>	<b>4,256</b>	<b>4,729</b>	<b>4,959</b>
Depreciation	(1,518)	(1,598)	(1,664)	(1,731)	(1,798)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>3,681</b>	<b>2,047</b>	<b>2,591</b>	<b>2,998</b>	<b>3,162</b>
Net financing costs	(96)	(89)	(100)	(104)	(100)
Associates	263	315	146	219	245
Recurring non-operating income	263	315	146	219	245
Non-recurring items	0	20	176	0	0
<b>Profit before tax</b>	<b>3,849</b>	<b>2,293</b>	<b>2,813</b>	<b>3,114</b>	<b>3,307</b>
Tax	(664)	(369)	(391)	(498)	(529)
<b>Profit after tax</b>	<b>3,185</b>	<b>1,924</b>	<b>2,422</b>	<b>2,616</b>	<b>2,778</b>
Minority interests	70	10	(23)	11	12
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>3,255</b>	<b>1,934</b>	<b>2,399</b>	<b>2,626</b>	<b>2,789</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>(20)</b>	<b>(176)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,255</b>	<b>1,914</b>	<b>2,223</b>	<b>2,626</b>	<b>2,789</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.08	0.64	0.74	0.87	0.93
Reported EPS	1.08	0.64	0.80	0.87	0.93
DPS	1.10	0.90	1.20	0.79	0.84
Diluted shares (used to calculate per share data)	3,004	3,004	3,004	3,004	3,004
<b>Growth</b>					
Revenue (%)	4.6	1.9	(4.6)	5.3	5.4
Operating EBITDA (%)	1.0	(29.9)	16.8	11.1	4.9
Operating EBIT (%)	(4.8)	(44.4)	26.6	15.7	5.4
Recurring EPS (%)	(7.1)	(41.2)	16.2	18.1	6.2
Reported EPS (%)	(7.1)	(40.6)	24.1	9.5	6.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	34.2	30.6	34.6	34.8	34.8
Gross margin exc. depreciation (%)	39.8	36.5	41.0	41.1	41.0
Operating EBITDA margin (%)	19.4	13.4	16.4	17.3	17.2
Operating EBIT margin (%)	13.8	7.5	10.0	11.0	11.0
Net margin (%)	12.2	7.0	8.5	9.6	9.7
Effective tax rate (%)	17.3	16.1	13.9	16.0	16.0
Dividend payout on recurring profit (%)	101.5	141.3	162.1	90.0	90.0
Interest cover (X)	41.3	26.6	27.4	31.1	33.9
Inventory days	53.7	61.2	67.9	59.5	59.2
Debtor days	48.9	51.6	54.1	50.6	51.0
Creditor days	46.7	50.7	54.6	48.7	48.5
Operating ROIC (%)	20.2	10.6	13.2	15.1	15.4
ROIC (%)	16.8	9.5	11.6	14.6	15.3
ROE (%)	16.6	10.0	12.9	16.2	17.0
ROA (%)	12.3	7.4	9.4	11.6	12.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Beverage	22,709	22,020	21,060	22,600	23,858
Personal care	2,102	2,452	2,476	2,550	2,627
Other (OEM)	1,952	2,794	2,479	2,231	2,387

Sources: Osotspa; FSSIA estimates

## Financial Statements

### Osotspa

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	3,255	1,914	2,223	2,626	2,789
Depreciation	1,518	1,598	1,664	1,731	1,798
Associates & minorities	(349)	(343)	(87)	(189)	(233)
Other non-cash items	0	-	-	0	0
Change in working capital	(65)	(923)	368	(187)	(321)
<b>Cash flow from operations</b>	<b>4,359</b>	<b>2,245</b>	<b>4,168</b>	<b>3,981</b>	<b>4,032</b>
Capex - maintenance	(1,855)	(1,461)	(3,001)	(2,132)	(2,023)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(489)	546	2,628	708	520
<b>Cash flow from investing</b>	<b>(2,344)</b>	<b>(915)</b>	<b>(373)</b>	<b>(1,424)</b>	<b>(1,503)</b>
Dividends paid	(3,304)	(3,130)	(3,605)	(2,364)	(2,510)
Equity finance	0	0	0	0	0
Debt finance	11	548	(161)	(176)	(118)
Other financing cash flows	241	(156)	(53)	45	49
<b>Cash flow from financing</b>	<b>(3,052)</b>	<b>(2,737)</b>	<b>(3,819)</b>	<b>(2,495)</b>	<b>(2,579)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	25	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>(25)</b>	<b>25</b>	<b>0</b>
<b>Movement in cash</b>	<b>(1,037)</b>	<b>(1,407)</b>	<b>(49)</b>	<b>88</b>	<b>(50)</b>
Free cash flow to firm (FCFF)	2,110.59	1,419.55	3,895.03	2,661.09	2,629.38
Free cash flow to equity (FCFE)	2,266.57	1,723.44	3,555.59	2,451.63	2,460.23

#### Per share (THB)

FCFF per share	0.70	0.47	1.30	0.89	0.88
FCFE per share	0.75	0.57	1.18	0.82	0.82
Recurring cash flow per share	1.47	1.05	1.27	1.39	1.45

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	26,379	27,369	29,369	31,369	33,369
Less: Accumulated depreciation	(12,648)	(13,889)	(15,554)	(17,285)	(19,082)
<b>Tangible fixed assets (net)</b>	<b>13,730</b>	<b>13,480</b>	<b>13,815</b>	<b>14,084</b>	<b>14,286</b>
<b>Intangible fixed assets (net)</b>	<b>396</b>	<b>359</b>	<b>359</b>	<b>359</b>	<b>359</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	4,001	3,805	1,500	1,000	800
Cash & equivalents	2,493	1,087	1,038	1,125	1,076
A/C receivable	3,660	4,051	3,657	3,933	4,140
Inventories	2,658	3,147	2,565	2,690	2,837
Other current assets	16	16	26	27	144
<b>Current assets</b>	<b>8,827</b>	<b>8,301</b>	<b>7,286</b>	<b>7,776</b>	<b>8,196</b>
Other assets	188	209	208	219	144
<b>Total assets</b>	<b>27,142</b>	<b>26,154</b>	<b>23,168</b>	<b>23,438</b>	<b>23,786</b>
Common equity	19,884	18,464	16,046	16,309	16,588
Minorities etc.	19	(9)	50	80	92
<b>Total shareholders' equity</b>	<b>19,904</b>	<b>18,455</b>	<b>16,096</b>	<b>16,389</b>	<b>16,680</b>
Long term debt	641	723	673	623	573
Other long-term liabilities	1,068	912	858	904	953
<b>Long-term liabilities</b>	<b>1,708</b>	<b>1,635</b>	<b>1,531</b>	<b>1,526</b>	<b>1,525</b>
A/C payable	4,822	4,787	4,387	4,489	4,609
Short term debt	469	1,161	1,050	924	856
Other current liabilities	238	116	104	110	115
<b>Current liabilities</b>	<b>5,530</b>	<b>6,064</b>	<b>5,541</b>	<b>5,523</b>	<b>5,581</b>
<b>Total liabilities and shareholders' equity</b>	<b>27,142</b>	<b>26,154</b>	<b>23,168</b>	<b>23,438</b>	<b>23,786</b>
Net working capital	1,274	2,311	1,757	2,051	2,396
Invested capital	19,588	20,164	17,640	17,714	17,986

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

#### Per share (THB)

Book value per share	6.62	6.15	5.34	5.43	5.52
Tangible book value per share	6.49	6.03	5.22	5.31	5.40

#### Financial strength

Net debt/equity (%)	(6.9)	4.3	4.3	2.6	2.1
Net debt/total assets (%)	(5.1)	3.0	3.0	1.8	1.5
Current ratio (x)	1.6	1.4	1.3	1.4	1.5
CF interest cover (x)	24.7	20.4	36.6	24.7	25.5

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>19.6</b>	<b>33.3</b>	<b>28.6</b>	<b>24.2</b>	<b>22.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>22.6</b>	<b>38.5</b>	<b>33.1</b>	<b>28.0</b>	<b>26.4</b>
Reported P/E (x)	19.6	32.9	26.5	24.2	22.8
Dividend yield (%)	5.2	4.2	5.7	3.7	3.9
Price/book (x)	3.2	3.4	4.0	3.9	3.8
Price/tangible book (x)	3.3	3.5	4.1	4.0	3.9
EV/EBITDA (x) **	12.0	17.7	15.1	13.6	12.9
EV/EBITDA @ target price (x) **	13.9	20.4	17.5	15.7	14.9
EV/invested capital (x)	3.2	3.2	3.7	3.6	3.6

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

Sources: Osotspa; FSSIA estimates



# Osotspa PCL (OSP TB)

## FSSIA ESG rating



**61.48 /100**

### Exhibit 13: FSSIA ESG score implication

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

Sources: FSSIA estimates

### Exhibit 14: 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	--
ICHI	43.67	--	Y	Y	5.00	5.00	Certified	High	61.36	--	--	--	18.00	--	--
OSP	61.48	--	Y	Y	5.00	4.00	Declared	Medium	68.64	BBB	--	63.08	51.00	3.00	63.65
SAPPE	35.25	--	Y	Y	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
TACC	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--

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

### Exhibit 15: ESG score by Bloomberg

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

Sources: Bloomberg; FSSIA's compilation



## Exhibit 16: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	0	1	1	1
Total waste	—	8	13	11	12
Waste recycled	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—
Environmental supply chain management	No	No	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes
Water consumption	3,031	3,109	3,077	3,117	—
<b>Social</b>					
Human rights policy	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No
Pct women in workforce	—	—	42	43	57
Pct disabled in workforce	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	0	0	0
Total recordable incident rate - employees	—	0	0	1	0
Training policy	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No
Number of employees – CSR	3,656	3,590	3,792	3,620	3,542
Employee turnover pct	—	—	9	14	19
Total hours spent by firm - employee training	—	30,731	36,451	40,333	57,881
Social supply chain management	No	No	Yes	Yes	Yes
<b>Governance</b>					
<b>Board size</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>17</b>	<b>17</b>
<b>No. of independent directors (ID)</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>
No. of women on board	4	4	5	5	5
No. of non-executive directors on board	11	11	10	12	12
Company conducts board evaluations	No	Yes	Yes	Yes	Yes
No. of board meetings for the year	12	12	13	12	13
Board meeting attendance pct	89	91	89	99	94
Board duration (years)	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No
Age of the youngest director	45	46	47	48	34
Age of the oldest director	86	87	88	89	90
<b>No. of executives / company managers</b>	<b>6</b>	<b>13</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of female executives	2	5	2	2	2
Executive share ownership guidelines	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3	3
Audit committee meetings	10	8	9	8	8
Audit meeting attendance %	97	100	100	100	96
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	2	2	2	2	2
No. of compensation committee meetings	8	9	11	15	6
Compensation meeting attendance %	100	100	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	8	9	11	15	6
Nomination meeting attendance %	100	100	100	100	100
<b>Sustainability governance</b>					
Verification type	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <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&amp;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.																				
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <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.																				
<b>Morningstar Sustainability</b>	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 &amp; 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.																				
<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	<table border="1"> <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> <p>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.</p>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></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><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

**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

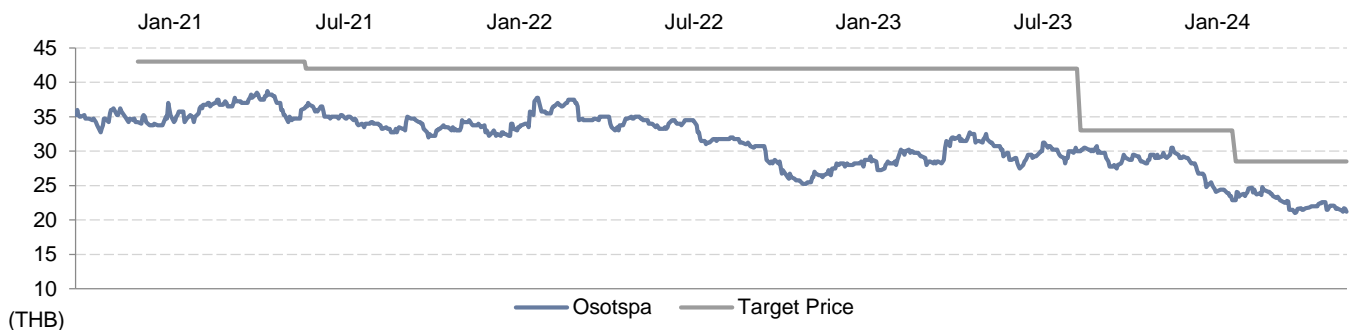
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#### History of change in investment rating and/or target price

##### Osotspa (OSP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Mar-2021	BUY	43.00	09-Jun-2023	BUY	33.00	-	-	-
16-Aug-2021	BUY	42.00	20-Oct-2023	BUY	28.50			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Osotspa	OSP TB	THB 21.20	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 26-Jan-2024 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.