

SCG DECOR SCGD TB

THAILAND / CONSTRUCTION

BUY

Recovering in 2024

- The 2023 core profit ended at THB775m, up 6% y-y due to lower SG&A expenses. However, it was unexciting since sales tumbled by 20% y-y, pressured by international demand, while GPM inched up.
- Cut 2024-2025E core profit to +71% y-y and +11% y-y, respectively.
- Slash our TP to THB12 but retain our BUY call due to an anticipated recovery from a low base.

TARGET PRICE	THB12.00
CLOSE	THB9.10
UP/DOWNSIDE	+31.9%
TP vs CONSENSUS	-23.1%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	28,312	29,524	31,197	32,013
Net profit	328	1,327	1,474	1,524
EPS (THB)	0.20	0.80	0.89	0.92
vs Consensus (%)	-	83.9	(2.2)	(1.1)
EBITDA	2,669	3,315	3,560	3,689
Recurring net profit	775	1,327	1,474	1,524
Core EPS (THB)	0.47	0.80	0.89	0.92
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	(94.9)	71.3	11.1	3.3
Core P/E (x)	19.4	11.3	10.2	9.9
Dividend yield (%)	-	2.7	2.9	3.0
EV/EBITDA (x)	9.9	7.9	7.4	7.1
Price/book (x)	0.8	0.7	0.7	0.7
Net debt/Equity (%)	46.0	42.6	40.3	36.4
ROE (%)	4.4	6.6	6.9	6.8

2023 core profit of THB775m (+6% y-y) misses our estimate

SCGD reported a 2023 net profit of THB328m (vs. its net loss of THB421m in 2022). It included one-time items, which produced a net negative impact of THB447m, mainly from a loss of THB249m from sales of the investment in subsidiaries to restructure its business. Excluding that, the core profit amounted to THB775m (+6% y-y), missing our estimate by 9% due to higher-than-expected tax expenses. It recovered modestly due to lower SG&A expenses from 2022 when SCGD booked an impairment provision on a factory.

2023 sales contracted, pressured by weak international tile demand

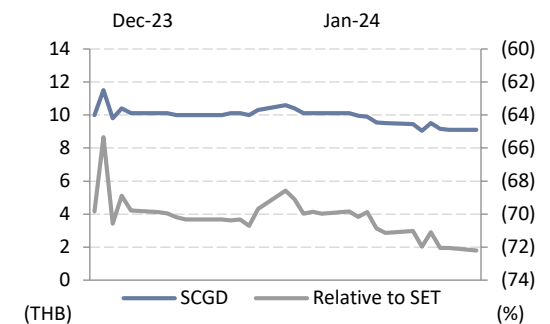
The 2023 operating performance was weak, with sales sharply contracting by 20% y-y to THB28b due mainly to sluggish international tile demand. Specifically, Vietnam saw an impact from the property crisis. Also, the Philippines and Indonesia faced pressure from high inflation, resulting in a sales drop of 23% y-y and 13% y-y, respectively. Meanwhile, domestic tile sales were flat y-y, in line with economic uncertainty. However, domestic sanitary ware sales (18% of total sales) increased by 5% y-y from its low base. The gross margin stood at 23.6%, up from 23.3% in 2022, due to lower energy costs in 2H23.

Slash our 2024-2025 estimate by 20% to reflect a more cautious view

We have cut our 2024-2025E core profit by 20% to THB1.3b (+71% y-y) and THB1.5b (+11% y-y) to incorporate a more cautious view of the tile market demand. In particular, Vietnam is yet to signal a clear recovery signal. The anticipated growth should see support from 1) lower energy costs (30% of the production costs), particularly natural gas, and 2) higher sales volume, supported by domestic tile demand, an international recovery, and a sanitary ware business expansion to ASEAN.

Cut TP to THB12 but retain BUY rating

We have decreased our TP to THB12 from THB15 (a PER of 15x, unchanged). SCGD currently has a high upside. It traded on a low 2024 PE of 11.3x, lower than its building material peers' average of 13-14x, and a PBV of 0.7x. Also, SCGD has announced a 2023 DPS of THB0.15, implying a dividend yield of 1.6%. It will go XD on April 1. The payment date is on April 22, 2024. In 2024, cost pressure has decreased while demand is recovering. Also, SCGD would see a catalyst in 1Q24 since it is a high season for the tile business in Thailand and Vietnam. Hence, we retain our BUY rating.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.0)	n/a	n/a
Relative to country (%)	(6.4)	n/a	n/a
Mkt cap (USD m)	422		
3m avg. daily turnover (USD m)	n/a		
Free float (%)	27		
Major shareholder	Thitisuriyarak Family (26%)		
12m high/low (THB)	10.90/8.95		
Issued shares (m)	1,210.90		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We view that the operating performance has passed its bottom in 2022-2023. It would improve in 2024 due to lower energy costs, higher sales from an international sales recovery, and higher sanitary ware sales from the market expansion to ASEAN.

SCGD has a strong balance sheet, with an end-2023 D/E of 0.95x. Post-IPO, SCGD has solid cash flow ready for a business expansion to enhance its future growth potential and future M&As.

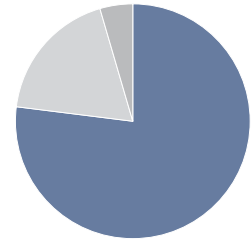
Company profile

SCGD is a holding company with subsidiaries and associates in tile manufacturing and distribution in Thailand, Vietnam, the Philippines, and Indonesia. Also, it operates businesses, such as sanitary ware manufacturing in Thailand, product sourcing for sale, ceramic tile and bathroom product retailing, and an industrial estate.

www.scgdecor.com

Principal activities (revenue, 2023)

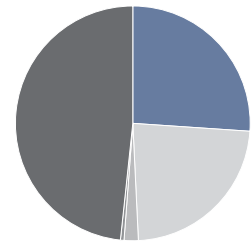
- Decor Surfaces - 77.0 %
- Bathroom - 18.5 %
- Other - 4.5 %



Source: SCG Decor

Major shareholders

- Thitisuriyarak Family - 26.1 %
- Manothumraksa Family - 23.2 %
- Wangpaitoon Family - 2.0 %
- Chantarat Family - 0.5 %
- Others - 48.3 %



Source: SCG Decor

Catalysts

Potential catalysts for 2024 growth include 1) sales volume growth, 2) a sanitary ware expansion to ASEAN, 3) lower energy costs, especially natural gas, and 4) future M&As.

Risks to our call

Key downside risks to our DCF-based TP include 1) slower-than-expected economic and purchasing power recovery, 2) global uncertainties, 3) energy and raw material cost fluctuation, 4) an unsuccessful sanitary ware business in ASEAN, and 5) an additional impairment provision on its discontinued factory.

Event calendar

Date	Event
April 2024	1Q24 results announcement

Key assumptions

	2023	2024E	2025E
Sales revenue (THB m)	28,312	29,524	31,197
Decor Surfaces revenue (THB m)	21,794	22,777	24,155
Bathroom revenue (THB m)	5,238	5,747	6,242
GPM (%)	23.6	25.0	25.0
SG&A to sales (%)	19.6	19.2	19.1

Source: FSSIA estimates

Earnings sensitivity

- For every 5% increase in sales revenue, we estimate 2024 net profit to rise by 11%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to revenue, we estimate 2024 net profit to fall by 8%, and vice versa, all else being equal

Source: FSSIA estimates

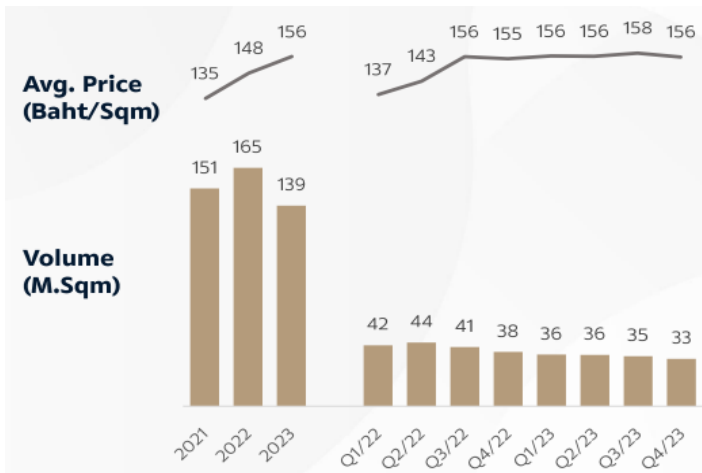
Exhibit 1: Ceramic market in ASEAN

(Y-o-Y)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23	2022	2023
Ceramic tiles*										
Thailand	-2%	-2%	+8%	+2%	-2%	-6%	-4%	-2%	+1%	-4%
Vietnam	+45%	+57%	+60%	+22%	-22%	-34%	-27%	-30%	+45%	-29%
Philippines	-19%	-18%	+2%	-10%	-16%	-4%	-17%	-9%	-11%	-11%
Indonesia	-26%	+9%	+3%	+42%	0%	-10%	+7%	-21%	+5%	-7%

Remark: Demand growth in 2023 was estimated data

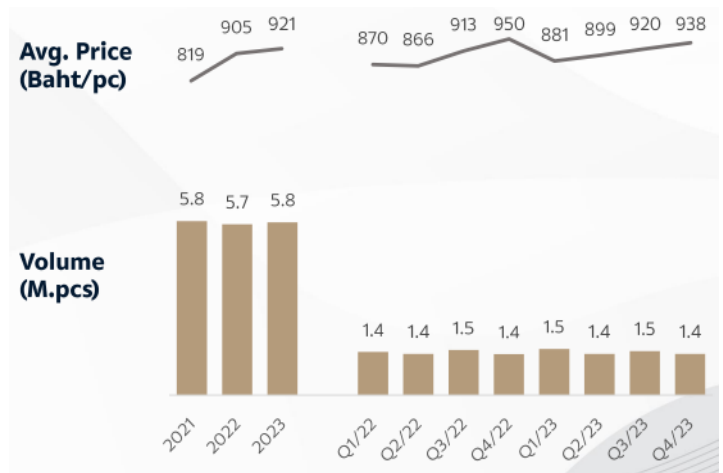
Source: SCGD

Exhibit 2: Decor Surfaces business



Source: SCGD

Exhibit 3: Bathroom business



Source: SCGD

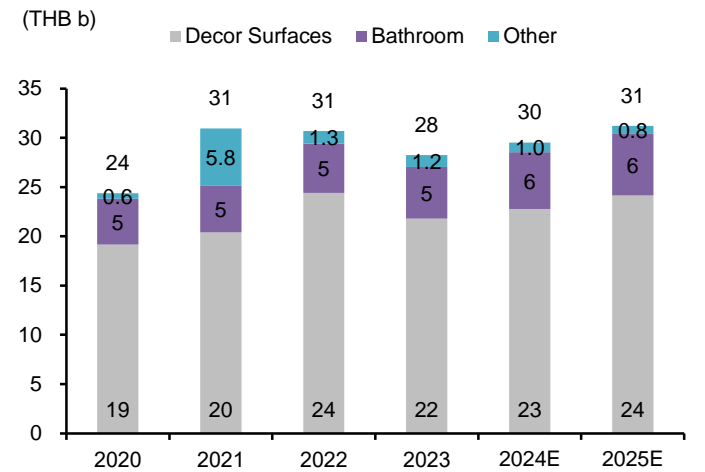
Exhibit 4: Change of key assumptions for SCGD

	Actual	Current		Previous		Change	
	2023	2024E	2025E	2024E	2025E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Sales revenue (THB m)	28,312	23,315	24,019	30,877	33,118	(24)	(27)
Cost of sales (THB m)	21,633	22,150	23,383	22,871	24,524	(3)	(5)
Gross profit (THB m)	6,679	7,374	7,813	8,006	8,594	(8)	(9)
Gross margin (%)	23.6	25.0	25.0	25.9	25.9	(1.0)	(0.9)
SG&A (THB m)	5,550	5,675	5,951	6,087	6,459	(7)	(8)
SG&A to revenue (%)	19.6	19.2	19.1	19.7	19.5	(0.5)	(0.4)
Interest expense (THB m)	548	453	434	415	387	9	12
Core profit (THB m)	775	1,327	1,474	1,649	1,842	(20)	(20)
Net profit (THB m)	328	1,327	1,474	1,649	1,842	(20)	(20)

Key assumptions							
Decor Surfaces							
Sales volume (m)	139	145	152	151	162	(4)	(6)
Average selling price (THB/sq m)	156	158	159	158	160	(0)	(0)
Bathroom							
Sales volume (unit)	5.8	6.1	6.6	6.5	7.0	(6)	(6)
Average selling price (THB/unit)	921	935	949	910	919	3	3

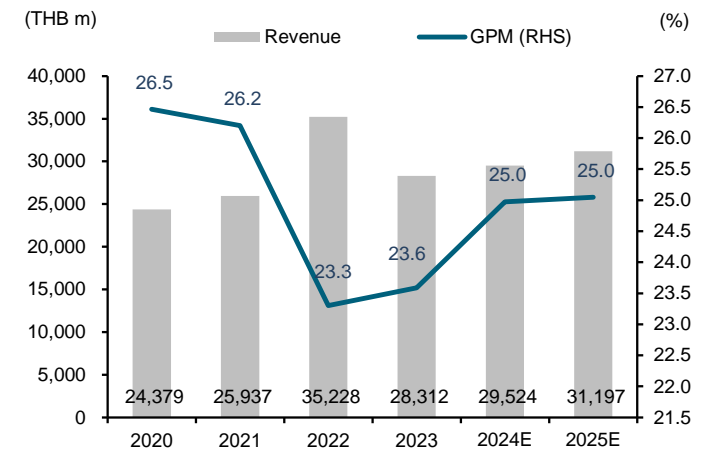
Source: FSSIA estimates

Exhibit 5: Revenue breakdown by business



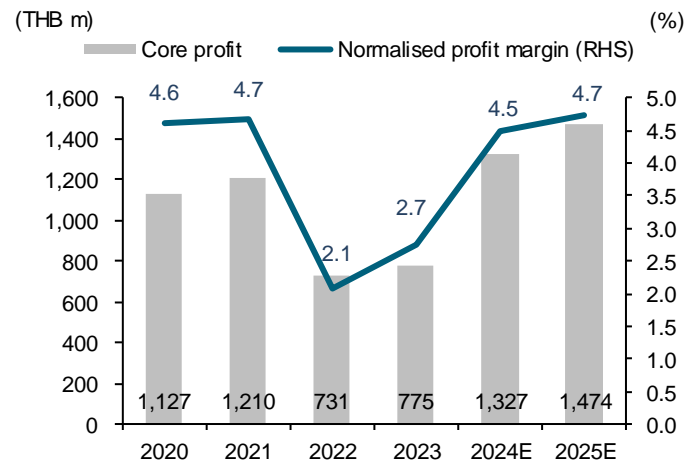
Sources: SCGD; FSSIA estimates

Exhibit 6: Total revenue and GPM



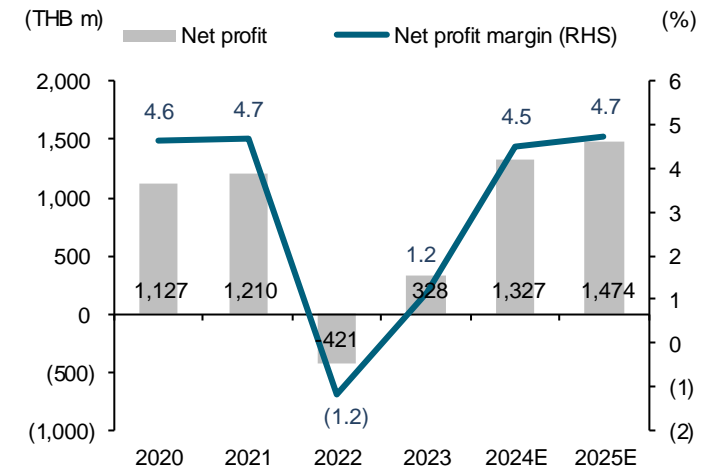
Sources: SCGD; FSSIA estimates

Exhibit 7: Core profit and normalised profit margin



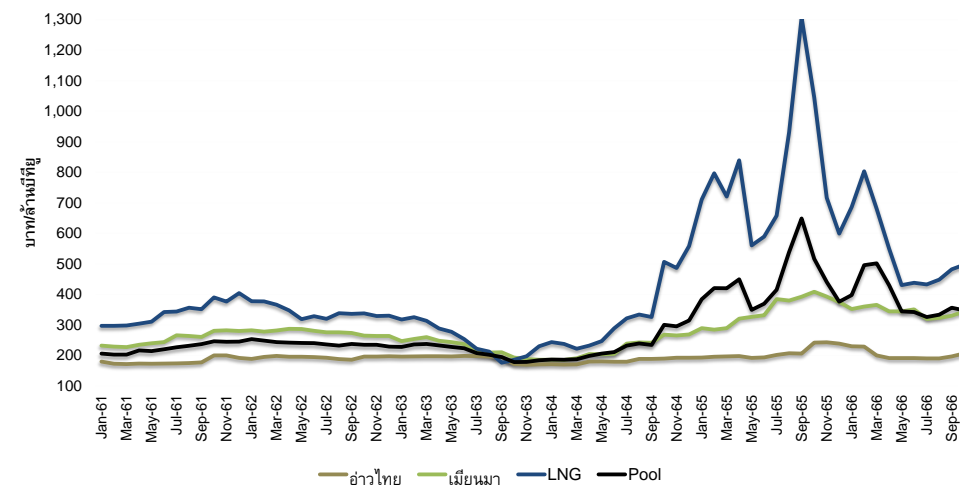
Sources: SCGD; FSSIA estimates

Exhibit 8: Net profit and net profit margin



Sources: SCGD; FSSIA estimates

Exhibit 9: Natural gas



Source: EPPO

Financial Statements

SCG Decor

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	35,228	28,312	29,524	31,197	32,013
Cost of goods sold	(27,019)	(21,633)	(22,150)	(23,383)	(23,981)
Gross profit	8,209	6,679	7,374	7,813	8,033
Other operating income	-	-	-	-	-
Operating costs	(7,250)	(5,550)	(5,675)	(5,951)	(6,126)
Operating EBITDA	2,740	2,669	3,315	3,560	3,689
Depreciation	(1,781)	(1,540)	(1,617)	(1,698)	(1,782)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	959	1,129	1,698	1,863	1,907
Net financing costs	(160)	(548)	(453)	(434)	(416)
Associates	4	1	1	1	1
Recurring non-operating income	930	630	631	636	636
Non-recurring items	(1,152)	(447)	0	0	0
Profit before tax	576	764	1,877	2,065	2,127
Tax	(261)	(290)	(403)	(444)	(457)
Profit after tax	315	474	1,474	1,621	1,670
Minority interests	(736)	(147)	(147)	(147)	(147)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	(421)	328	1,327	1,474	1,524
Non-recurring items & goodwill (net)	1,152	447	0	0	0
Recurring net profit	731	775	1,327	1,474	1,524
Per share (THB)					
Recurring EPS *	9.24	0.47	0.80	0.89	0.92
Reported EPS	(5.32)	0.20	0.80	0.89	0.92
DPS	0.00	0.00	0.24	0.27	0.28
Diluted shares (used to calculate per share data)	79	1,650	1,650	1,650	1,650
Growth					
Revenue (%)	35.8	(19.6)	4.3	5.7	2.6
Operating EBITDA (%)	(20.7)	(2.6)	24.2	7.4	3.6
Operating EBIT (%)	(47.4)	17.8	50.4	9.7	2.4
Recurring EPS (%)	(39.6)	(94.9)	71.3	11.1	3.3
Reported EPS (%)	nm	nm	304.9	11.1	3.3
Operating performance					
Gross margin inc. depreciation (%)	23.3	23.6	25.0	25.0	25.1
Gross margin exc. depreciation (%)	28.4	29.0	30.5	30.5	30.7
Operating EBITDA margin (%)	7.8	9.4	11.2	11.4	11.5
Operating EBIT margin (%)	2.7	4.0	5.8	6.0	6.0
Net margin (%)	2.1	2.7	4.5	4.7	4.8
Effective tax rate (%)	45.3	37.9	21.5	21.5	21.5
Dividend payout on recurring profit (%)	-	-	30.0	30.0	30.0
Interest cover (X)	11.8	3.2	5.1	5.8	6.1
Inventory days	110.4	142.7	137.9	138.0	140.3
Debtor days	49.9	61.3	56.7	56.8	57.7
Creditor days	59.6	69.6	72.9	76.7	78.0
Operating ROIC (%)	3.8	4.4	6.7	(1.8)	(1.7)
ROIC (%)	4.5	4.2	5.7	(1.5)	(1.4)
ROE (%)	4.6	4.4	6.6	6.9	6.8
ROA (%)	3.9	3.3	4.5	3.8	3.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Decor Surfaces	24,418	21,794	22,777	24,155	24,761
Bathroom	4,996	5,238	5,747	6,242	6,652
Other	5,814	1,280	1,000	800	600

Sources: SCG Decor; FSSIA estimates

Financial Statements

SCG Decor

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	731	775	1,327	1,474	1,524
Depreciation	1,781	1,540	1,617	1,698	1,782
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(1,699)	1,214	(73)	(410)	(220)
Cash flow from operations	813	3,528	2,871	2,762	3,086
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,788)	-	(2,455)	(2,529)	(2,402)
Net acquisitions & disposals	-	(717)	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,788)	(717)	(2,455)	(2,529)	(2,402)
Dividends paid	0	(4,494)	(332)	(369)	(381)
Equity finance	(236)	6,207	147	147	147
Debt finance	587	(1,137)	(3,685)	(458)	(466)
Other financing cash flows	-	-	-	-	-
Cash flow from financing	351	576	(3,870)	(680)	(701)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	(467)	0	0	0	0
Movement in cash	(1,092)	3,387	(3,454)	(446)	(16)
Free cash flow to firm (FCFF)	(815.13)	3,358.91	868.54	668.10	1,100.61
Free cash flow to equity (FCFE)	(855.76)	1,674.29	(3,269.18)	(224.38)	218.39

Per share (THB)

FCFF per share	(0.67)	2.77	0.72	0.55	0.91
FCFE per share	(0.71)	1.38	(2.70)	(0.19)	0.18
Recurring cash flow per share	31.76	1.40	1.78	1.92	2.00

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	44,909	47,155	49,513	51,988	54,588
Less: Accumulated depreciation	(33,475)	(35,534)	(37,292)	(39,168)	(41,367)
Tangible fixed assets (net)	11,435	11,621	12,221	12,821	13,221
Intangible fixed assets (net)	6,201	5,797	5,911	6,027	6,145
Long-term financial assets	984	850	894	926	943
Invest. in associates & subsidiaries	5,547	5,076	5,157	5,240	5,324
Cash & equivalents	1,817	5,203	1,749	1,302	1,287
A/C receivable	5,068	4,449	4,724	4,991	5,122
Inventories	8,165	7,542	7,972	8,423	8,644
Other current assets	532	448	530	530	530
Current assets	15,581	17,642	14,974	15,247	15,582
Other assets	803	666	699	734	770
Total assets	40,550	41,651	39,855	40,994	41,985
Common equity	15,854	19,697	20,692	21,798	22,941
Minorities etc.	2,971	1,615	1,762	1,908	2,055
Total shareholders' equity	18,825	21,312	22,454	23,706	24,995
Long term debt	638	609	640	672	705
Other long-term liabilities	1,346	1,280	1,329	1,404	1,441
Long-term liabilities	1,984	1,889	1,968	2,076	2,146
A/C payable	3,891	3,768	4,429	4,680	4,802
Short term debt	15,503	14,395	10,680	10,190	9,690
Other current liabilities	348	286	325	343	352
Current liabilities	19,742	18,450	15,433	15,213	14,844
Total liabilities and shareholders' equity	40,550	41,651	39,855	40,994	41,985
Net working capital	9,526	8,384	8,472	8,922	9,142
Invested capital	34,495	32,393	33,353	34,669	35,545

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

Per share (THB)

Book value per share	200.45	11.94	12.54	13.21	13.90
Tangible book value per share	122.04	8.42	8.96	9.56	10.18

Financial strength

Net debt/equity (%)	76.1	46.0	42.6	40.3	36.4
Net debt/total assets (%)	35.3	23.5	24.0	23.3	21.7
Current ratio (x)	0.8	1.0	1.0	1.0	1.0
CF interest cover (x)	6.8	4.1	(0.8)	6.3	7.3

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	1.0	19.4	11.3	10.2	9.9
Recurring P/E @ target price (x) *	1.3	25.6	14.9	13.4	13.0
Reported P/E (x)	(1.7)	45.8	11.3	10.2	9.9
Dividend yield (%)	-	-	2.7	2.9	3.0
Price/book (x)	0.0	0.8	0.7	0.7	0.7
Price/tangible book (x)	0.1	1.1	1.0	1.0	0.9
EV/EBITDA (x) **	6.6	9.9	7.9	7.4	7.1
EV/EBITDA @ target price (x) **	6.7	11.7	9.4	8.8	8.4
EV/invested capital (x)	0.5	0.8	0.8	0.8	0.7

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

Sources: SCG Decor; FSSIA estimates

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 (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%).										
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.										
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.										
Morningstar Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+
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0-10	10-20	20-30	30-40	40+								
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.										
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"> AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428 </td> <td style="vertical-align: top; padding-left: 10px;"> Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks </td> </tr> </table>	AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428	Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks									
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.											
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>											
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.											
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.										
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.										

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

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Company	Ticker	Price	Rating	Valuation & Risks
SCG Decor	SCGD TB	THB 9.10	BUY	Key downside risks to our DCF-based TP include 1) slower-than-expected economic and purchasing power recovery, 2) global uncertainties, 3) energy and raw material cost fluctuation, 4) an unsuccessful sanitary ware business in ASEAN, and 5) an additional impairment provision on its discontinued factory.

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 29-Jan-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.