

CENTRAL PATTANA CPN TB  
THAILAND / PROPERTY DEVELOPMENT

FSSIA ESG rating



BUY

UNCHANGED

## คาดการณ์ 4Q23 จะอ่อนแอจาก SG&amp;A สูง

- ค่าใช้จ่าย 4Q23 ที่ 4.0 พัน ลบ. (-4.6% q-q, +35.1% y-y) จากค่าใช้จ่ายที่สูงตามฤดูกาล
- ค่าใช้จ่ายรวมที่ 45.2 พัน ลบ. และกำไรปกติที่ 15.0 พัน ลบ. ในปี 2023 เพิ่มขึ้น 27.2% y-y และ 36.9% y-y ตามลำดับ
- คงค้างหนี้ซื้อที่ราคาเป้าหมาย 82 บาท

TARGET PRICE	THB82.00
CLOSE	THB63.00
UP/DOWNSIDE	+30.2%
PRIOR TP	THB82.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.4%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	35,575	45,239	46,020	48,830
Net profit	10,760	14,988	15,809	16,800
EPS (THB)	2.40	3.34	3.52	3.74
vs Consensus (%)	-	6.5	2.4	0.9
EBITDA	19,608	24,587	25,811	27,399
Recurring net profit	10,945	14,988	15,809	16,800
Core EPS (THB)	2.44	3.34	3.52	3.74
Chg. In EPS est. (%)	-	0.6	0.0	0.0
EPS growth (%)	114.6	36.9	5.5	6.3
Core P/E (x)	25.8	18.9	17.9	16.8
Dividend yield (%)	1.4	2.0	2.1	2.2
EV/EBITDA (x)	20.9	15.4	14.7	14.1
Price/book (x)	3.5	3.1	2.8	2.5
Net debt/Equity (%)	133.7	88.4	80.8	80.4
ROE (%)	14.2	17.4	16.5	15.9

## คาดการณ์ 4Q23 จะโตเล็กน้อย q-q จากค่าใช้จ่ายที่สูงตามฤดูกาล

เราคาดว่า CPN จะรายงานรายได้รวมสูงเป็นประวัติการณ์ที่ 12.5 พัน ลบ. (+4.7% q-q, +22.2% y-y) พร้อมอัตรากำไรขั้นต้นที่สูงทำสถิติใหม่ที่ 54.8% ใน 4Q23 อย่างไรก็ตามค่าใช้จ่ายการขายและบริหาร (SG&A) ที่สูงตามฤดูกาลที่ 18.7% ของรายได้รวม (เทียบกับ 14.7% ใน 3Q23) และค่าใช้จ่ายดอกเบี้ยที่สูงขึ้นจากต้นทุนในการกู้ยืมที่สูงขึ้นน่าจะชะลอการเติบโตของกำไร นอกจากนี้บริษัท ยังน่าจะบันทึกการปรับรายการพิเศษจากการขยายสัญญาเช่า Central Rama 2 เป็นจำนวน 160 ลบ. เพราะฉะนั้นเราจึงคาดว่า CPN จะรายงานกำไรปกติ 4Q23 อยู่ที่ 4.0 พัน ลบ. (-4.6% q-q, +35.1% y-y)

## ศูนย์การค้าและโรงแรมน่าจะเป็นปัจจัยสำคัญที่ทำให้ผลประกอบการ 4Q23 ออกมาดี

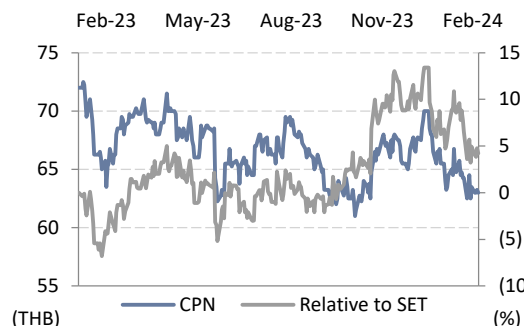
ปัจจัยหนุนการเติบโตสำคัญใน 4Q23 น่าจะมาจากธุรกิจให้เช่าและบริการของ CPN ซึ่งเราคาดว่ารายได้และอัตรากำไรขั้นต้นจะทำสถิติสูงสุดใหม่ต่อเนื่อง อัตราการเช่าและตัวเลขผู้ใช้บริการศูนย์การค้าน่าจะยังทรงตัว q-q แต่รายได้จากสัญญาแบ่งรายได้น่าจะเพิ่มตามแผนกแฟชันและเทคโนโลยีที่ปรับตัวดีขึ้น ในด้านธุรกิจที่พักอาศัย เราคาดว่ารายได้จะทำสถิติสูงสุดใหม่อย่างต่อเนื่องจากการโอนส่วนมากมาจากโครงการคอนโดในปัจจุบัน ในขณะที่ธุรกิจโรงแรมน่าจะรายงานค่าห้องพักรายวันเฉลี่ยสูงขึ้นซึ่งส่วนมากเป็นผลจากปัจจัยด้านฤดูกาล

## ปี 2023 ที่ยอดเยี่ยมพร้อมรายได้และกำไรทำสถิติสูงสุดใหม่

เมื่อพิจารณาจากตัวเลขประมาณการ 4Q23 ประมาณการทั้งปีของเรามีส่วนต่างอยู่เล็กน้อย CPN รายงานผลประกอบการที่โดดเด่นมาตั้งแต่ต้นปี 2023 จนถึงตอนนี้โดยได้ปัจจัยหนุนจากการปรับส่วนลดค่าเช่าสู่ระดับปกติในช่วงก่อนการระบาคของโควิดมาตั้งแต่ 1Q23 และการเติบโตที่ยอดเยี่ยมของธุรกิจอสังหาริมทรัพย์ประเภทที่อยู่อาศัย ปัจจุบันเราคาดว่ารายได้รวมอยู่ที่ 45.2 พัน ลบ. และกำไรปกติอยู่ที่ 15.0 พัน ลบ. ในปี 2023 เพิ่มขึ้น 27.2% y-y และ 36.9% y-y ตามลำดับ

## คงค้างหนี้ซื้อที่ราคาเป้าหมาย 82 บาท

ในปี 2024 CPN จะเปิด Central Nakorn Sawan และ Central Nakorn Pathom ในช่วง 1H24, Dusit Central Park Hotel ในกลางปี 2024 และ Centara One Rayong Hotel ในปี 2024 นอกจากนี้บริษัท ยังตั้งเป้าเพิ่มรายได้อย่างต่อเนื่องโดยคาดว่าจะอยู่ที่ 14-16% CAGR ในช่วงปี 2023-27 ในขณะที่ธุรกิจที่พักอาศัยและโรงแรมจะมีบทบาทสำคัญในการผลักดันการเติบโต เราคงค้างหนี้ซื้อที่ราคาเป้าหมาย 82 บาท (DCF, 7.2% WACC, 3% LTG) คิดเป็นเพียง 23.3x ของค่า 2024E P/E



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.8)	(5.6)	(14.3)
Relative to country (%)	(2.4)	(3.7)	1.8
Mkt cap (USD m)	7,816		
3m avg. daily turnover (USD m)	15.2		
Free float (%)	66		
Major shareholder	Chirathivat Family (37%)		
12m high/low (THB)	74.00/60.50		
Issued shares (m)	4,488.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 16 กุมภาพันธ์ 2024

### Investment thesis

We think CPN stands as one of the most attractive domestic plays with its solid five-year investment plan to develop mixed-use projects, including shopping malls, office buildings, residential properties, and hotels, in addition to the acquisition of Siam Future Development (SF, not rated).

CPN has low exposure to high energy prices and rising interest rates. The company also has a long-term plan to achieve net-zero carbon emissions by reducing energy consumption by 50% and increasing the use of clean energy by 50%.

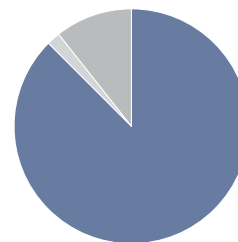
### Company profile

Central Pattana PCL is the largest retail property developer in Thailand, with over 40 years of experience. At end-3Q23, CPN managed 38 shopping centers, 17 community malls, one super-regional mall in Malaysia, 10 office buildings, eight hotels, and 27 residential projects. It has a net retail leasable area of 2.3m sqm. with an average 90% occupancy rate.

[www.centralpattana.co.th](http://www.centralpattana.co.th)

### Principal activities (revenue, 2022)

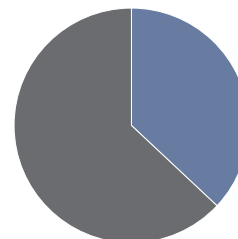
- Revenue from rent and services - 87.5 %
- Revenue from food and beverage - 1.8 %
- Revenue from hotel operation - 10.6 %



Source: Central Pattana

### Major shareholders

- Chirathivat Family - 37.0 %
- Others - 63.0 %



Source: Central Pattana

### Catalysts

Key catalysts include 1) stronger earnings growth from retail rents driven by the NLA expansion with new shopping malls, improving margins on higher occupancy rates for offices and hotels; 2) more launches of residential development; and 3) effective cost control to lower the variable cost portion.

### Risks to our call

Key downside risks to our DCF-derived TP are deviations from our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates.

### Event calendar

Date	Event
29 February 2024	2023 earnings announcement

### Key assumptions

	2023E	2024E	2025E
NLA (m sqm.)	2.13	2.24	2.27
Retail rental rate (THB/sqm./month)	1,635	1,684	1,734
Occupancy rate (%)	90	90	91
Revenue from malls (THB m)	37,173	40,236	42,847
Revenue from hotels (THB m)	1,499	1,502	1,623
Residential revenue (THB m)	5,645	3,300	3,300
Blended GPM (%)	52.6	52.4	52.5
SG&A to sales (%)	16.8	16.6	16.5

Source: FSSIA estimates

### Earnings sensitivity

- For every 5% increase in the rental rate, we project 2024 earnings to rise by 3%, and vice versa, all else being equal.
- For every 1% increase in SG&A to sales, we project 2024 earnings to drop by 2.8%, and vice versa, all else being equal.

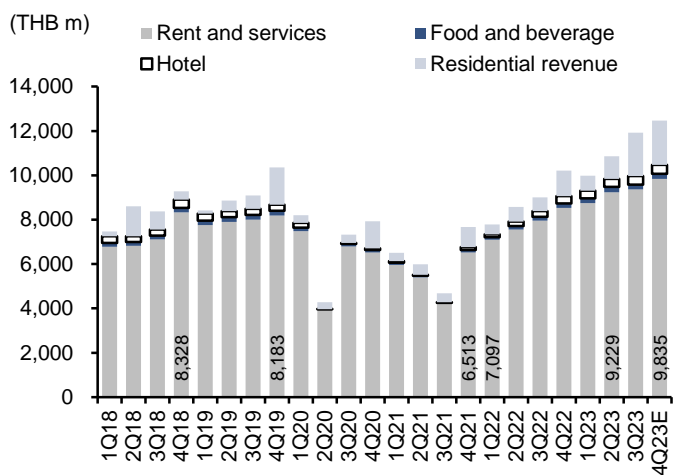
Source: FSSIA estimates

**Exhibit 1: 4Q23/2023 earnings preview**

Year to Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23E	----- Change -----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Total operating revenue	10,209	9,982	10,865	11,918	12,475	4.7	22.2	35,575	45,239	27.2
Cost of services	(5,047)	(4,755)	(5,275)	(5,764)	(5,632)	(2.3)	11.6	(18,033)	(21,426)	18.8
Gross profit	5,162	5,226	5,590	6,154	6,842	11.2	32.6	17,542	23,812	35.7
Operating costs	(2,159)	(1,756)	(1,716)	(1,754)	(2,334)	33.1	8.1	(6,483)	(7,559)	16.6
Operating profit	3,003	3,471	3,874	4,400	4,508	2.4	50.1	11,058	16,253	47.0
Operating EBITDA	5,194	5,513	6,035	6,466	6,573	1.7	26.5	19,608	24,587	25.4
Other income	374	309	269	359	246	(31.5)	(34.3)	1,580	1,182	-25.2
Interest expense	(601)	(596)	(663)	(660)	(698)	5.8	16.2	(2,204)	(2,618)	18.8
Profit before tax	3,183	3,591	3,887	4,544	4,341	(4.5)	36.4	11,987	16,362	36.5
Tax	(651)	(798)	(769)	(908)	(882)	(2.8)	35.6	(2,487)	(3,357)	35.0
Associates	434	477	532	579	545	(5.8)	25.6	1,560	2,132	36.7
Minority interests	(27)	(27)	(36)	(53)	(33)	(36.3)	25.3	(114)	(149)	30.2
<b>Reported net profit</b>	<b>2,806</b>	<b>3,246</b>	<b>3,678</b>	<b>4,161</b>	<b>3,970</b>	<b>(4.6)</b>	<b>41.5</b>	<b>10,760</b>	<b>14,988</b>	<b>39.3</b>
<b>Core profit</b>	<b>2,939</b>	<b>3,242</b>	<b>3,614</b>	<b>4,163</b>	<b>3,970</b>	<b>(4.6)</b>	<b>35.1</b>	<b>10,945</b>	<b>14,988</b>	<b>36.9</b>
Reported EPS (THB)	0.63	0.73	0.82	0.93	0.88	(4.9)	41.5	2.40	3.34	39.3
Recurring EPS (THB)	0.65	0.72	0.81	0.93	0.88	(4.6)	35.1	2.44	3.34	36.9
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	50.6	52.4	51.5	51.6	54.8	3.2	4.3	49.3	52.6	3.3
Operating margin	29.4	34.8	35.7	36.9	36.1	(0.8)	6.7	31.1	35.9	4.8
EBITDA margin	50.9	55.2	55.5	54.3	52.7	(1.6)	1.8	55.1	54.3	(0.8)
Core profit margin	28.8	32.5	33.3	34.9	31.8	(3.1)	3.0	30.8	33.1	2.4
SG&A / Sales	21.1	17.6	15.8	14.7	18.7	4.0	(2.4)	18.2	16.7	(1.5)
<b>Revenue breakdown</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q %)</b>	<b>(y-y %)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>
Rental and services	8,531	8,751	9,229	9,358	9,835	5.1	15.3	31,131	37,173	19.4
Food centre services	198	207	245	229	240	5.0	21.4	655	921	40.6
Hotel operations	337	353	368	384	394	2.5	17.0	918	1,499	63.3
Residential sales	1,143	670	1,023	1,947	2,005	3.0	75.4	2,870	5,645	96.7
<b>Gross margin by business</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Rental and services	52.0	53.4	52.9	54.8	58.4	3.6	6.4	50.4	55.0	4.6
Food centre services	47.6	47.3	51.4	49.3	49.0	(0.3)	1.4	42.2	49.4	7.2
Hotel operations	69.8	66.6	66.0	65.2	66.8	1.6	(3.1)	69.8	66.1	(3.7)
Residential sales	34.5	32.4	32.8	34.0	35.9	1.8	1.4	32.8	34.3	1.5

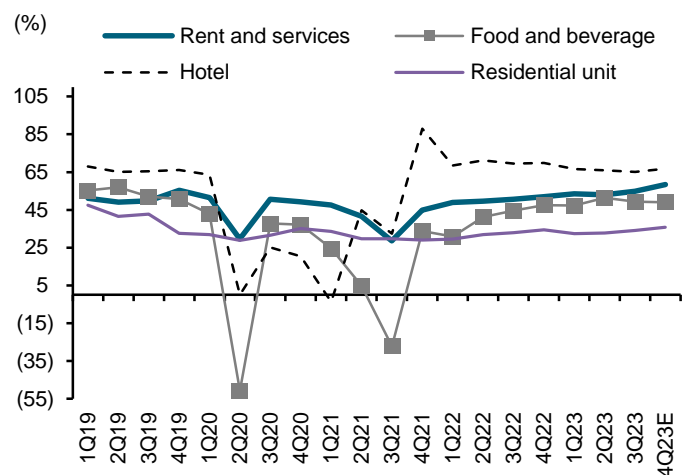
Sources: CPN, FSSIA estimates

**Exhibit 2: Revenue by business unit**



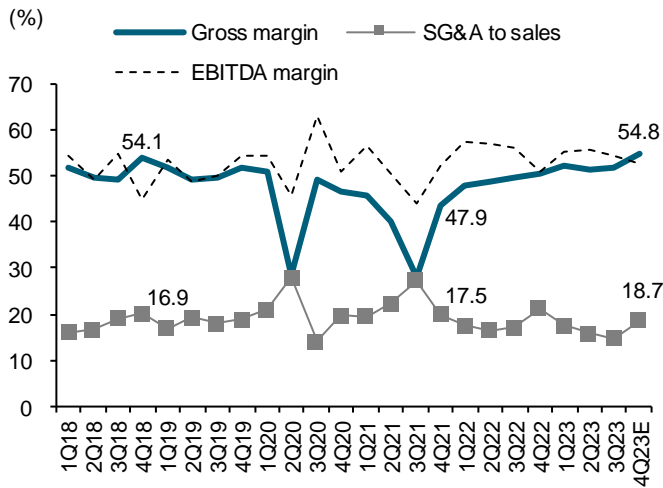
Sources: CPN, FSSIA estimates

**Exhibit 3: Gross margins by business unit**



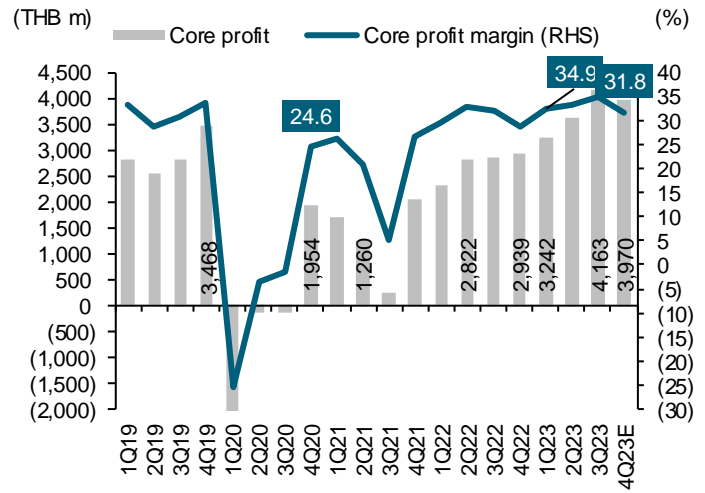
Sources: CPN, FSSIA estimates

Exhibit 4: Margins



Sources: CPN, FSSIA estimates

Exhibit 5: Core profit and core profit margin



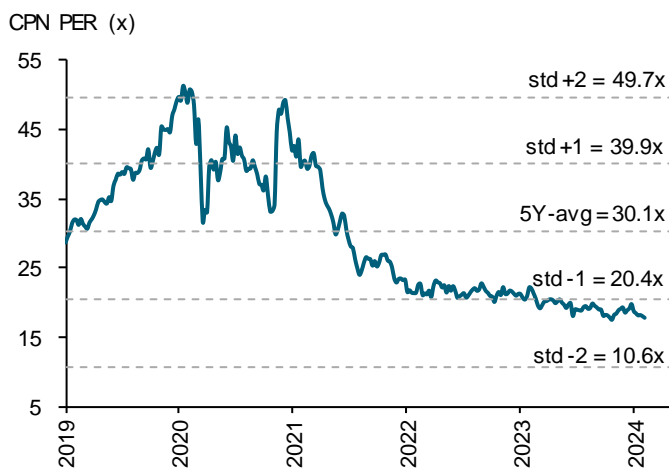
Sources: CPN, FSSIA estimates

Exhibit 6: Key changes in our assumptions

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Total revenues (THB m)	45,239	46,020	48,830	44,803	46,020	48,830	1.0	0.0	0.0
NLA (m sqm.)	2.13	2.24	2.27	2.13	2.24	2.27	0.0	0.0	0.0
Retail rental rate (THB/sqm./month)	1,635	1,684	1,734	1,635	1,684	1,734	0.0	0.0	0.0
Occupancy rate (%)	90.0	90.0	91.0	90.0	90.0	91.0	0.0	0.0	0.0
Revenue from malls (THB m)	37,173	40,236	42,847	36,988	40,236	42,847	0.5	0.0	0.0
Revenue from hotels (THB m)	1,499	1,502	1,623	1,497	1,502	1,623	0.1	0.0	0.0
Residential revenue (THB m)	5,645	3,300	3,300	5,400	3,300	3,300	4.5	0.0	0.0
Blended GPM (%)	52.6	52.4	52.5	51.4	52.4	52.5	1.3	0.0	0.0
SG&A to sales (%)	16.8	16.6	16.5	16.5	16.6	16.5	0.3	0.0	0.0
Net profit (THB m)	14,988	15,809	16,567	14,904	15,809	16,568	0.6	0.0	(0.0)

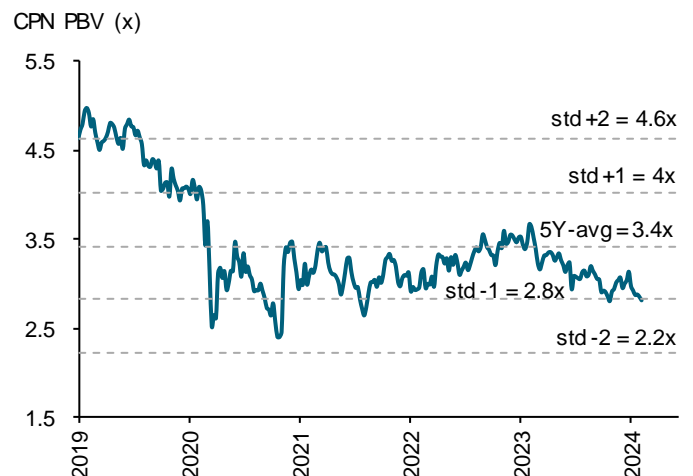
Sources: CPN, FSSIA estimates

Exhibit 7: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 8: One-year rolling forward P/BV band



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Central Pattana

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	24,840	35,575	45,239	46,020	48,830
Cost of goods sold	(14,784)	(18,033)	(21,426)	(21,906)	(23,191)
<b>Gross profit</b>	<b>10,056</b>	<b>17,542</b>	<b>23,812</b>	<b>24,114</b>	<b>25,639</b>
Other operating income	-	-	-	-	-
Operating costs	(5,414)	(6,483)	(7,559)	(7,639)	(8,057)
<b>Operating EBITDA</b>	<b>12,766</b>	<b>19,608</b>	<b>24,587</b>	<b>25,811</b>	<b>27,399</b>
Depreciation	(8,124)	(8,550)	(8,334)	(9,336)	(9,817)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>4,642</b>	<b>11,058</b>	<b>16,253</b>	<b>16,475</b>	<b>17,582</b>
Net financing costs	(1,790)	(2,204)	(2,618)	(2,553)	(2,765)
Associates	704	1,560	2,132	2,734	2,931
Recurring non-operating income	3,594	4,692	4,860	5,445	5,685
Non-recurring items	2,048	(186)	0	0	0
<b>Profit before tax</b>	<b>8,495</b>	<b>13,361</b>	<b>18,494</b>	<b>19,367</b>	<b>20,502</b>
Tax	(1,265)	(2,487)	(3,357)	(3,410)	(3,554)
<b>Profit after tax</b>	<b>7,230</b>	<b>10,874</b>	<b>15,137</b>	<b>15,957</b>	<b>16,948</b>
Minority interests	(81)	(114)	(149)	(147)	(147)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>7,148</b>	<b>10,760</b>	<b>14,988</b>	<b>15,809</b>	<b>16,800</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(2,048)</b>	<b>186</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>5,100</b>	<b>10,945</b>	<b>14,988</b>	<b>15,809</b>	<b>16,800</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.14	2.44	3.34	3.52	3.74
Reported EPS	1.59	2.40	3.34	3.52	3.74
DPS	0.60	0.90	1.26	1.33	1.39
Diluted shares (used to calculate per share data)	4,488	4,488	4,488	4,488	4,488
<b>Growth</b>					
Revenue (%)	(7.1)	43.2	27.2	1.7	6.1
Operating EBITDA (%)	(5.7)	53.6	25.4	5.0	6.2
Operating EBIT (%)	(17.5)	138.2	47.0	1.4	6.7
Recurring EPS (%)	(9.3)	114.6	36.9	5.5	6.3
Reported EPS (%)	(25.2)	50.5	39.3	5.5	6.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	40.5	49.3	52.6	52.4	52.5
Gross margin exc. depreciation (%)	73.2	73.3	71.1	72.7	72.6
Operating EBITDA margin (%)	51.4	55.1	54.3	56.1	56.1
Operating EBIT margin (%)	18.7	31.1	35.9	35.8	36.0
Net margin (%)	20.5	30.8	33.1	34.4	34.4
Effective tax rate (%)	22.0	20.7	20.7	20.5	20.5
Dividend payout on recurring profit (%)	52.8	37.0	37.7	37.7	37.1
Interest cover (X)	4.6	7.1	8.1	8.6	8.4
Inventory days	-	-	-	-	-
Debtor days	94.8	65.9	50.0	55.5	54.4
Creditor days	319.5	267.0	232.3	265.6	259.8
Operating ROIC (%)	2.1	5.0	7.2	7.1	7.4
ROIC (%)	2.9	5.0	6.5	6.5	6.9
ROE (%)	7.2	14.2	17.4	16.5	15.9
ROA (%)	2.7	4.8	6.1	6.2	6.5
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Revenue from rent and services	22,073	31,131	37,173	40,236	42,847
Revenue from food and beverage	325	655	921	982	1,060
Revenue from hotel operation	2,443	3,788	7,144	4,802	4,923

Sources: Central Pattana; FSSIA estimates

## Financial Statements

### Central Pattana

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	5,100	10,945	14,988	15,809	16,800
Depreciation	8,124	8,550	8,334	9,336	9,817
Associates & minorities	558	(942)	0	0	0
Other non-cash items	81	2,150	149	147	147
Change in working capital	(1,750)	(4,317)	(1,772)	(111)	(388)
<b>Cash flow from operations</b>	<b>12,114</b>	<b>16,387</b>	<b>21,699</b>	<b>25,182</b>	<b>26,376</b>
Capex - maintenance	(14,748)	(11,409)	(11,400)	(15,000)	(13,500)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(32,648)	(6,029)	(2,952)	(1,422)	930
Other investments (net)	0	10,001	8,001	10,001	5,001
<b>Cash flow from investing</b>	<b>(47,396)</b>	<b>(7,438)</b>	<b>(6,351)</b>	<b>(6,421)</b>	<b>(7,569)</b>
Dividends paid	(2,693)	(2,709)	(5,646)	(5,955)	(6,241)
Equity finance	(144)	293	0	0	0
Debt finance	34,951	1,991	(32,420)	28,446	8,800
Other financing cash flows	0	(8,445)	0	0	0
<b>Cash flow from financing</b>	<b>32,114</b>	<b>(8,871)</b>	<b>(38,066)</b>	<b>22,491</b>	<b>2,559</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	22,556	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>(15)</b>	<b>22,556</b>	<b>(41,407)</b>	<b>(21,513)</b>
<b>Movement in cash</b>	<b>(3,168)</b>	<b>63</b>	<b>(162)</b>	<b>(154)</b>	<b>(146)</b>
Free cash flow to firm (FCFF)	(33,492.06)	11,152.76	17,966.25	21,314.57	21,571.62
Free cash flow to equity (FCFE)	(331.39)	2,479.58	5,483.63	5,801.17	6,094.30

#### Per share (THB)

FCFF per share	(7.46)	2.49	4.00	4.75	4.81
FCFE per share	(0.07)	0.55	1.22	1.29	1.36
Recurring cash flow per share	3.09	4.61	5.23	5.64	5.96

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	246,508	257,917	269,317	284,317	297,817
Less: Accumulated depreciation	(76,660)	(85,210)	(94,101)	(103,437)	(113,254)
<b>Tangible fixed assets (net)</b>	<b>169,848</b>	<b>172,707</b>	<b>175,216</b>	<b>180,880</b>	<b>184,564</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	42,381	41,306	41,306	42,316	43,306
Cash & equivalents	6,057	6,121	5,958	5,804	5,658
A/C receivable	7,395	5,455	6,937	7,057	7,488
Inventories	0	0	0	0	0
Other current assets	10,062	13,667	17,379	17,679	18,759
<b>Current assets</b>	<b>23,515</b>	<b>25,242</b>	<b>30,274</b>	<b>30,540</b>	<b>31,904</b>
Other assets	27,677	33,436	42,519	38,929	35,109
<b>Total assets</b>	<b>263,421</b>	<b>272,692</b>	<b>289,316</b>	<b>292,665</b>	<b>294,882</b>
Common equity	73,102	81,475	90,817	100,671	110,997
Minorities etc.	8,973	8,145	8,294	8,442	8,589
<b>Total shareholders' equity</b>	<b>82,075</b>	<b>89,620</b>	<b>99,111</b>	<b>109,113</b>	<b>119,587</b>
Long term debt	94,176	98,522	71,060	72,669	79,354
Other long-term liabilities	43,677	42,517	78,648	71,240	54,062
<b>Long-term liabilities</b>	<b>137,853</b>	<b>141,040</b>	<b>149,708</b>	<b>143,909</b>	<b>133,416</b>
A/C payable	6,259	7,614	9,047	9,250	9,792
Short term debt	29,796	27,441	22,483	21,320	22,435
Other current liabilities	7,437	6,976	8,967	9,073	9,653
<b>Current liabilities</b>	<b>43,492</b>	<b>42,032</b>	<b>40,496</b>	<b>39,643</b>	<b>41,880</b>
<b>Total liabilities and shareholders' equity</b>	<b>263,420</b>	<b>272,691</b>	<b>289,316</b>	<b>292,665</b>	<b>294,882</b>
Net working capital	3,762	4,531	6,302	6,413	6,801
Invested capital	243,668	251,981	265,343	268,537	269,780

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

#### Per share (THB)

Book value per share	16.29	18.15	20.24	22.43	24.73
Tangible book value per share	16.29	18.15	20.24	22.43	24.73

#### Financial strength

Net debt/equity (%)	143.7	133.7	88.4	80.8	80.4
Net debt/total assets (%)	44.8	43.9	30.3	30.1	32.6
Current ratio (x)	0.5	0.6	0.7	0.8	0.8
CF interest cover (x)	0.8	2.1	3.1	3.3	3.2

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>55.4</b>	<b>25.8</b>	<b>18.9</b>	<b>17.9</b>	<b>16.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>72.2</b>	<b>33.6</b>	<b>24.6</b>	<b>23.3</b>	<b>21.9</b>
Reported P/E (x)	39.6	26.3	18.9	17.9	16.8
Dividend yield (%)	1.0	1.4	2.0	2.1	2.2
Price/book (x)	3.9	3.5	3.1	2.8	2.5
Price/tangible book (x)	3.9	3.5	3.1	2.8	2.5
EV/EBITDA (x) **	32.1	20.9	15.4	14.7	14.1
EV/EBITDA @ target price (x) **	38.8	25.3	18.9	18.0	17.3
EV/invested capital (x)	1.7	1.6	1.4	1.4	1.4

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

Sources: Central Pattana; FSSIA estimates

# Central Pattana PCL (CPN TB)

**FSSIA ESG rating**

**81.38 /100**
**Exhibit 9: FSSIA ESG score implication**

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

Sources: FSSIA estimates

**Exhibit 10: ESG – peer comparison**

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	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
AP	53.36	--	Y	Y	5.00	5.00	Certified	Low	43.30	--	--	16.91	24.00	1.89	34.26
AWC	71.74	--	Y	Y	5.00	5.00	Certified	Low	55.63	AA	--	69.90	73.00	2.11	60.03
CPN	81.38	Y	Y	Y	5.00	5.00	Certified	Low	56.02	BBB	35.00	69.83	81.00	3.67	--
SIRI	66.14	--	Y	Y	5.00	5.00	Certified	Low	43.82	A	--	57.85	23.00	3.00	61.14
SPALI	59.80	--	Y	Y	5.00	5.00	Certified	Low	52.93	BB	--	36.30	24.00	2.19	42.36

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

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>2.24</b>	<b>2.42</b>	<b>2.76</b>	<b>3.13</b>	<b>3.12</b>	<b>3.35</b>	<b>3.67</b>	<b>—</b>
BESG environmental pillar score	0.97	1.31	1.29	1.93	1.90	2.22	2.60	—
BESG social pillar score	3.25	3.25	6.78	6.78	6.78	6.78	6.78	—
BESG governance pillar score	4.03	3.91	3.95	3.86	3.90	4.01	4.31	—
<b>ESG disclosure score</b>	<b>50.21</b>	<b>53.42</b>	<b>57.94</b>	<b>58.14</b>	<b>59.45</b>	<b>60.66</b>	<b>60.66</b>	<b>—</b>
Environmental disclosure score	40.65	52.85	54.82	52.85	56.78	56.78	56.78	—
Social disclosure score	28.75	26.18	31.53	34.10	34.10	37.73	37.73	—
Governance disclosure score	81.10	81.10	87.36	87.36	87.36	87.36	87.36	—
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GHG scope 1	4	4	4	4	6	7	3	2
GHG scope 2 location-based	202	255	250	258	278	220	185	239
GHG Scope 3	191	270	284	300	305	246	167	365
Carbon per unit of production	0	0	0	0	0	75	54	0
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	846	930	909	956	1,003	810	718	1,030
Renewable energy use	0	0	1	6	9	13	19	22
Electricity used	846	923	904	951	998	806	715	922
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation



## Exhibit 12: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	9	—	0	0	0	—
Total waste	67	77	107	84	70	52	45	65
Waste recycled	—	0	0	0	2	2	2	6
Waste sent to landfills	—	—	—	—	68	49	42	53
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	2,536	2,489	2,573	3,071	2,475	2,378	—
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	No	No	No	No	No	No	No	No
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	Yes	Yes	Yes	Yes	Yes	No
Pct women in workforce	49	49	50	50	50	49	49	—
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	—
Total recordable incident rate - employees	—	—	0	0	0	0	0	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	4,099	4,301	4,658	4,911	5,093	4,863	4,712	4,991
Employee turnover pct	—	—	—	—	—	—	—	—
Total hours spent by firm - employee training	81,980	90,321	116,450	132,597	122,232	53,593	117,800	49,910
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>14</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of women on board	2	1	1	1	1	2	3	4
No. of non-executive directors on board	11	11	10	10	10	11	9	13
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	8	8	8	10	10	9	8
Board meeting attendance pct	96	86	90	99	90	96	98	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	53	54	55	56	57	58	59	—
Age of the oldest director	75	76	77	78	79	80	79	—
<b>No. of executives / company managers</b>	<b>11</b>	<b>12</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>6</b>	<b>5</b>	<b>7</b>
No. of female executives	6	5	5	5	5	2	2	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>
No. of ID on audit committee	4	4	4	4	4	4	4	3
Audit committee meetings	11	11	11	11	11	11	11	8
Audit meeting attendance %	97	98	95	100	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>	<b>3</b>	<b>5</b>	<b>3</b>
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	3	3	2	3	4	3	5	4
Compensation meeting attendance %	89	88	80	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>	<b>3</b>	<b>5</b>	<b>3</b>
No. of nomination committee meetings	3	3	2	3	4	3	5	4
Nomination meeting attendance %	89	88	80	100	100	100	100	100
<b>Sustainability governance</b>								
Verification type	No	No	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation



## Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <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.																			
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&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.																			
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. 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.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="2"><b>Leader:</b></td> <td rowspan="2">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> <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>BBB</td> <td>4.286-5.713</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td rowspan="2"><b>Laggard:</b></td> <td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> </tr> </tbody> </table>	AAA	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BBB	4.286-5.713	BB	2.857-4.285	B	1.429-2.856	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

#### Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

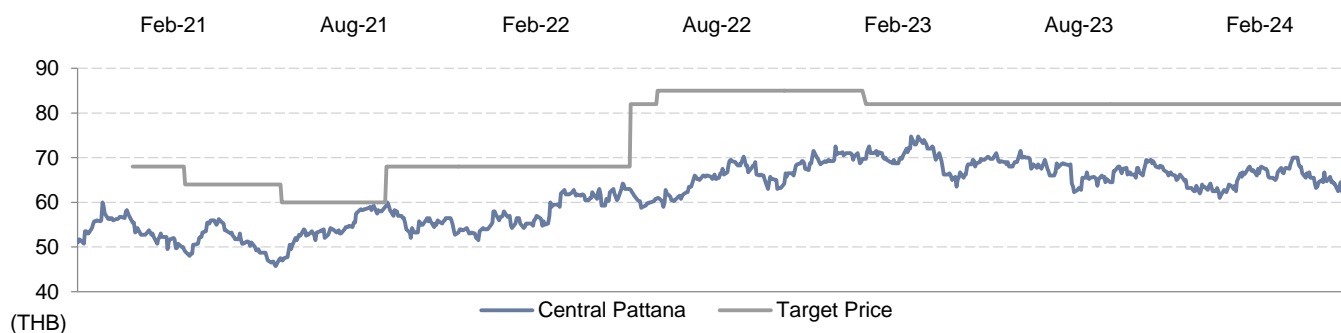
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

##### Central Pattana (CPN TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Apr-2021	BUY	68.00	08-Nov-2021	BUY	68.00	23-Dec-2022	BUY	82.00
19-May-2021	BUY	64.00	06-Jun-2022	BUY	82.00			
10-Aug-2021	BUY	60.00	29-Jun-2022	BUY	85.00			

Jitra Amornthum started covering this stock from 23-Dec-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Central Pattana	CPN TB	THB 63.00	BUY	Key downside risks to our DCF-derived TP are deviations to our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates.

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 15-Feb-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.