

# SAPPE SAPPE TB

THAILAND / FOOD & BEVERAGE

**BUY**

UNCHANGED

TARGET PRICE	THB108.00
CLOSE	THB89.75
UP/DOWNSIDE	+20.3%
PRIOR TP	THB108.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+9.0%

## Bet on a 1Q24 profit recovery to a new high

- Management pressed on with its capacity expansion to support its revenue growth target of 20-25% p.a. to achieve long-term growth of THB10b by 2026.
- In the short term, bet on a 1Q24 profit recovery to a new high.
- Maintain our profit estimate and BUY call at our TP of THB108.

### Management maintains its high growth target in 2024

We have a bullish view of the analyst meeting held today (March 4, 24), where management retained its 2024 revenue growth target of 20-25% y-y brought on by export growth of 20-25% y-y and domestic sales growth of 20% y-y. Also, it reaffirmed its high gross margin target after a gross margin of 44.8% in 2023. Although sugar prices increased, and SAPPE started to recognize the depreciation of new production lines, it had locked in prices in forward contracts until the end of 2024. Also, lower pet resin costs and higher production efficiency would help offset them. However, management has raised its selling expense-to-sales by 1% and would trim its admin-to-sales. This year, SAPPE will focus its strategy on overseas brand building, especially Mogu Mogu, to create more awareness in a more competitive landscape. Additionally, competitors are introducing more competitive products in overseas markets.

### Bet on a 1Q24 profit recovery to a new high

In the short term, we expect an in-line 1Q24 revenue growth of 20-25% y-y to THB1.8b, a new high. It implies a q-q recovery in line with seasonality and increases y-y due to a low base in 1Q23. Primarily, we anticipate 1Q24 profit growth of 120% q-q and 18.6% y-y to THB332m, another new high. Although it is not a high season, and shipping delay problems persist, the impact is much less than during covid. Also, SAPPE has successfully expanded its distribution channel, while we believe SAPPE would delay some orders to realize in 1Q24 due to tight vessel supply in 4Q23.

### Capacity expansion of 20-25% p.a. to support growth

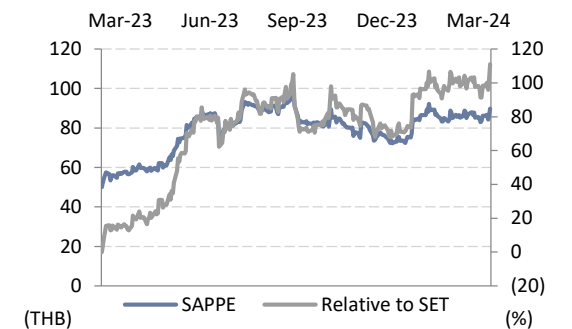
SAPPE will begin realizing new production lines from March 2024, resulting in a full-quarter realization in 2Q24. They will help raise its production capacity by 20-25% to support 2024 growth. Additionally, SAPPE is constructing a new factory adjacent to the current one in Pathum Thani with an investment budget of THB1.63b. It will begin to operate the first phase in 1H25, increasing its production capacity by another 20-25%. SAPPE will expand to phase 2 in 2026 with a revenue target of THB10b by the end of the year from THB6bn at the end of 2023. It implies a growth rate of 18.5% CAGR. However, our growth assumption is lower at 12% CAGR to THB8.5b by 2026.

### Maintain profit estimate and BUY call at our TP of THB108

We retain our 2024E net profit growth of 24% y-y to THB1.33b and our TP of THB108 (PE 25x, unchanged). We like a short-term catalyst, i.e., an expected new-high 1Q24 profit. SAPPE announced a 2023 DPS of THB2.18, implying a 2.4% yield. Since our TP implies a 20% upside, we retain our BUY rating on SAPPE.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	6,053	7,131	7,896	8,519
Net profit	1,074	1,335	1,504	1,650
EPS (THB)	3.48	4.33	4.88	5.35
vs Consensus (%)	-	19.9	16.6	9.1
EBITDA	1,536	1,861	2,118	2,332
Recurring net profit	1,085	1,335	1,504	1,650
Core EPS (THB)	3.52	4.33	4.88	5.35
Chg. In EPS est. (%)	nm	0.0	0.0	nm
EPS growth (%)	63.1	23.1	12.7	9.7
Core P/E (x)	25.5	20.7	18.4	16.8
Dividend yield (%)	2.4	3.6	4.1	4.5
EV/EBITDA (x)	16.5	13.7	12.2	11.0
Price/book (x)	7.2	6.7	6.1	5.6
Net debt/Equity (%)	(63.2)	(52.6)	(43.9)	(42.3)
ROE (%)	30.7	33.5	34.7	34.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.8	24.2	72.6
Relative to country (%)	3.8	25.4	104.5
Mkt cap (USD m)	770		
3m avg. daily turnover (USD m)	1.6		
Free float (%)	25		
Major shareholder	Ruckariyapong Family (65%)		
12m high/low (THB)	100.00/37.00		
Issued shares (m)	308.29		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

SAPPE is a leader in the Thai functional drink market. Also, it has been exporting to overseas markets in the past ten years with product champions, such as Mogu Mogu and Aloe Vera. They received such favorable responses that it resulted in continued increases in the export sales mix. According to the latest data in 2023, it stood at 81% of total revenue, with solid growth in all key markets, such as Asia (Indonesia, the Philippines, South Korea), Europe (France and the U.K.), the U.S., and the Middle East. In 2024-26, management sets a continued revenue growth target of 20%-25% p.a. with a long-term revenue target of THB10b by 2026.

### Company profile

SAPPE manufactures and distributes healthy food and beverages, with Mogu Mogu, fruit juice with nata de coco, as its first beverage in 2001. Later, it expanded product lines and brands, including Beauti Drink, Aloe Vera, and Preaw Coffee. In 2016, SAPPE invested in All Coco coconut juice. In 2019, it partnered with Danone to set up Danone Sappe Beverage to introduce beverages under the B'LUE brand.

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

### Principal activities (revenue, 2023)

Domestic revenue - 19.2 %

Overseas revenue - 80.8 %

Source: Sappe

### Major shareholders

Ruckariyapong Family - 65.4 %

Others - 34.6 %

Source: Sappe

### Catalysts

Potential catalysts for SAPPE’s earnings growth in 2023-2024 include 1) overseas market growth, especially new or low-base ones, such as France, the U.K., the U.S., India, and the Middle East, 2) successful new products, 3) lower plastic pellet costs, and 4) capacity expansion.

### Risks to our call

Downside risks to our P/E-based TP include 1) lower purchasing power, 2) higher raw material and packaging costs, 3) Baht strength, and 4) increased competition and product infringement.

### Event calendar

Date	Event
May 2024	1Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
Domestic revenue (THB m)	1,280	1,415	1,538
Overseas revenue (THB m)	5,850	6,481	6,981
Total revenue (THB m)	7,131	7,896	8,519
Total revenue growth (%)	17.8	10.7	7.9
Gross margin (%)	44.6	45.0	45.4
SG&A to sale (%)	23.7	23.7	23.7

Source: FSSIA estimates

### Earnings sensitivity

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

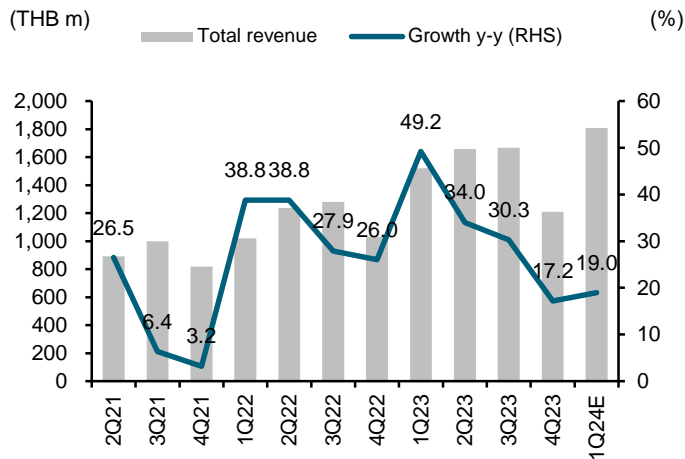
Source: FSSIA estimates

## Exhibit 1: SAPPE - 1Q24E earnings preview

	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	1,520	1,657	1,667	1,209	1,809	49.7	19.0
Cost of sales	864	920	897	661	999	51.2	15.6
Gross profit	656	737	770	548	810	47.9	23.5
SG&A	354	352	389	403	425	5.6	19.9
Operating profit	337	421	412	189	415	120.2	23.4
Other income	35	36	32	43	30	(30.6)	(13.2)
Interest expense	0.71	0.64	0.60	0.61	0.60	(0.8)	(14.9)
Tax expense	67	81	83	43	83	90.9	22.5
Profit (loss) sharing	(1)	(11)	(9)	1	(2)	nm	nm
Reported net profit	275	312	319	168	332	97.4	20.7
Core profit	280	329	325	151	332	120.1	18.6
<b>Key ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	43.2	44.5	46.2	45.3	44.8	(0.5)	1.6
SG&A to sales	23.3	21.3	23.4	33.3	23.5	(9.8)	0.2
Operating margin	22.1	25.4	24.7	15.6	23.0	7.4	0.8
Net margin	18.1	18.8	19.1	13.9	18.3	4.4	0.3
Core margin	18.4	19.9	19.5	12.5	18.3	5.9	(0.1)
<b>Operating statistics (THB m)</b>							
Domestic revenue	295	283	291	295	309	5.0	5.0
Overseas revenue	1,226	1,374	1,375	934	1,500	60.5	22.4

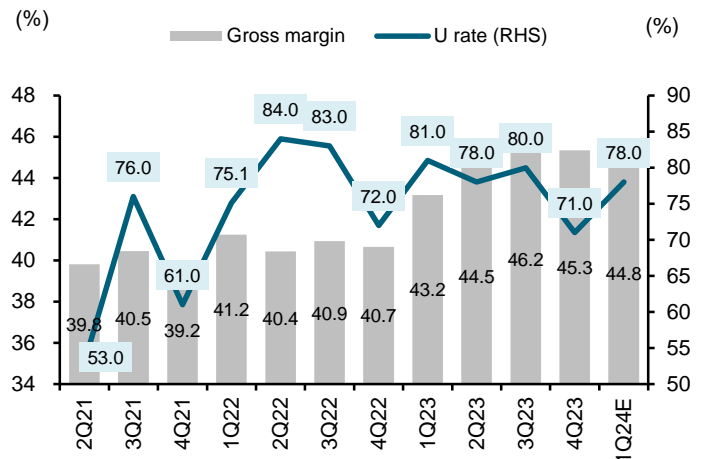
Sources: SAPPE; FSSIA estimates

## Exhibit 2: Quarterly total revenue and growth



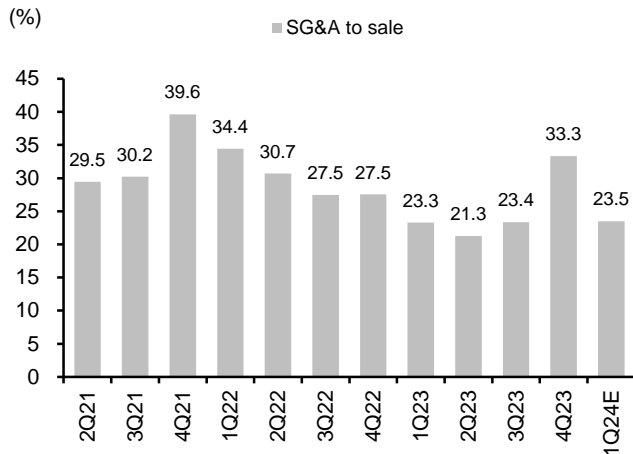
Sources: SAPPE, FSSIA estimates

## Exhibit 3: Quarterly gross margin and utilisation rate



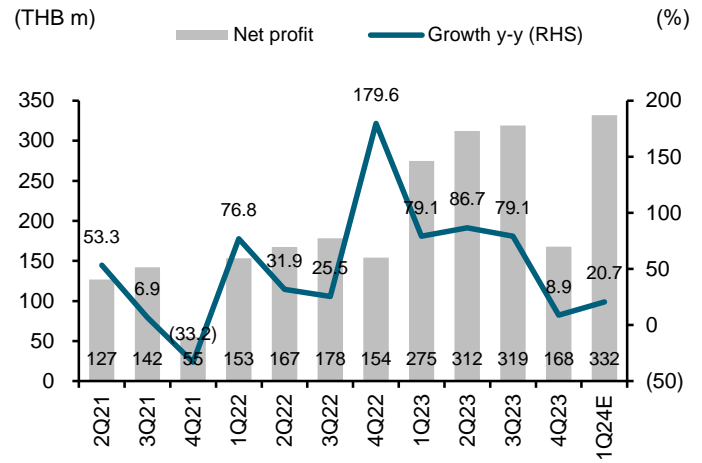
Sources: SAPPE, FSSIA estimates

Exhibit 4: Quarterly SG&amp;A to sales



Sources: SAPPE, FSSIA estimates

Exhibit 5: Quarterly net profit and growth

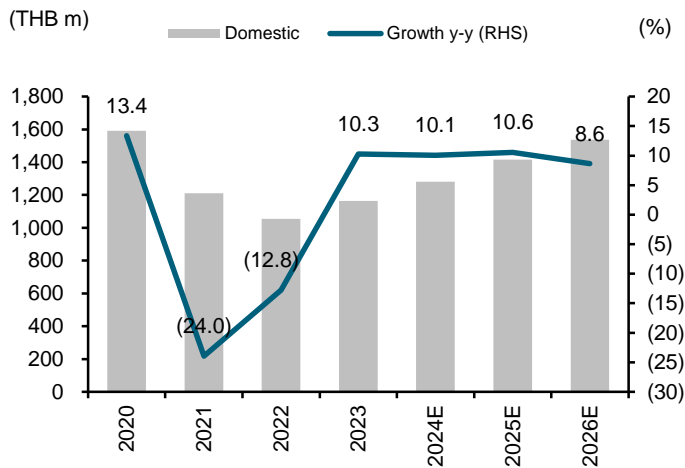


Sources: SAPPE, FSSIA estimates

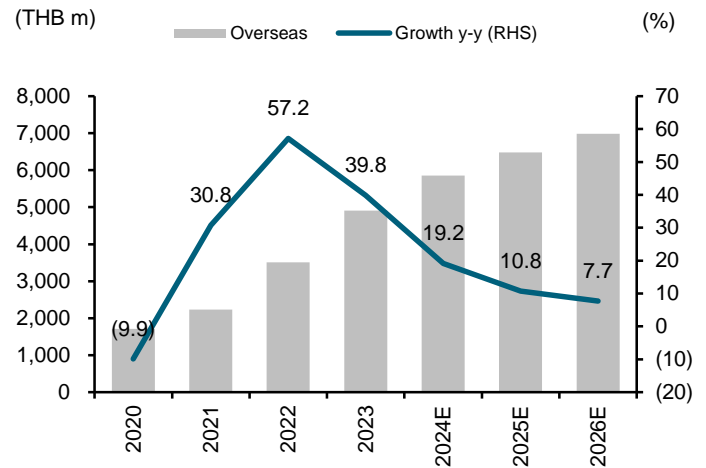
Exhibit 6: Key assumptions for SAPPE

	Current			Growth		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sale value (THB m)	7,131	7,896	8,519	17.8	10.7	7.9
Costs	3,950	4,343	4,651	18.2	9.9	7.1
Gross profit	3,180	3,553	3,867	17.3	11.7	8.8
SG&A expense	1,690	1,871	2,019	12.8	10.7	7.9
Interest expense	3	3	3	2.8	3.7	3.5
Reported net profit	1,335	1,504	1,650	24.3	12.7	9.7
Core profit	1,335	1,504	1,650	23.1	12.7	9.7
<b>Key ratios (%)</b>						
Gross margin	44.6	45.0	45.4	(0.2)	0.4	0.4
SG&A to sales	23.7	23.7	23.7	(1.1)	0.0	0.0
Net margin	18.7	19.0	19.4	1.0	0.3	0.3
Core margin	18.7	19.0	19.4	0.8	0.3	0.3
<b>Operating statistics</b>						
Domestic revenue (THB m)	1,280	1,415	1,538	10.1	10.6	8.6
Overseas revenue (THB m)	5,850	6,481	6,981	19.2	10.8	7.7
Domestic revenue portion (%)	18.0	17.9	18.1	(1.2)	(0.0)	0.1
Overseas revenue portion (%)	82.0	82.1	81.9	1.2	0.0	(0.1)

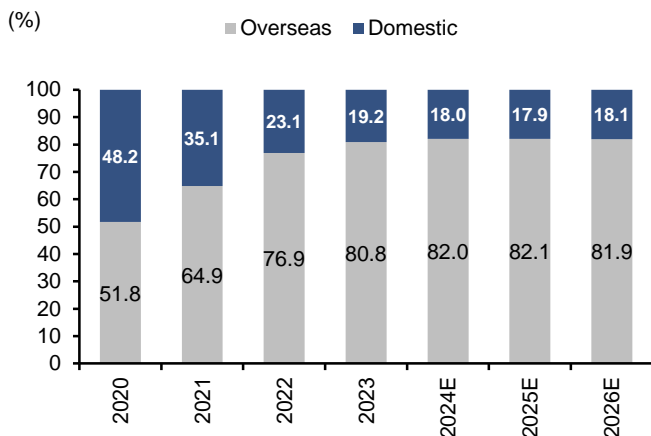
Source: FSSIA estimates

**Exhibit 7: Yearly domestic revenue and growth**


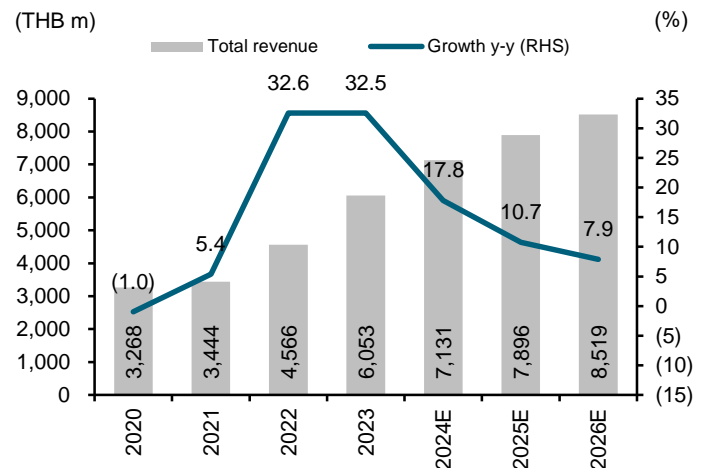
Sources: SAPPE, FSSIA estimates

**Exhibit 8: Yearly overseas revenue and growth**


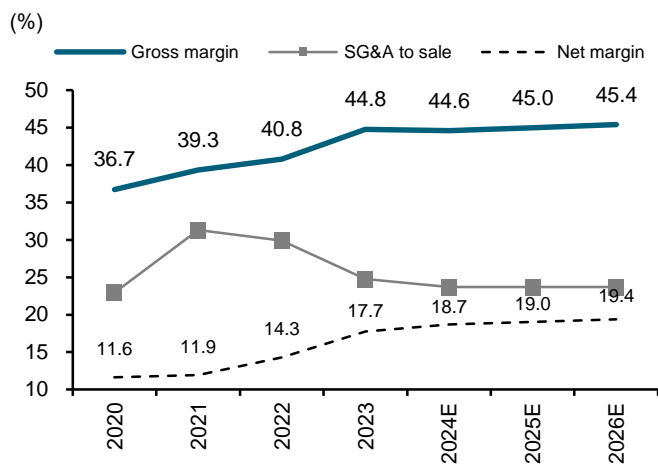
Sources: SAPPE, FSSIA estimates

**Exhibit 9: Revenue breakdown by destination**


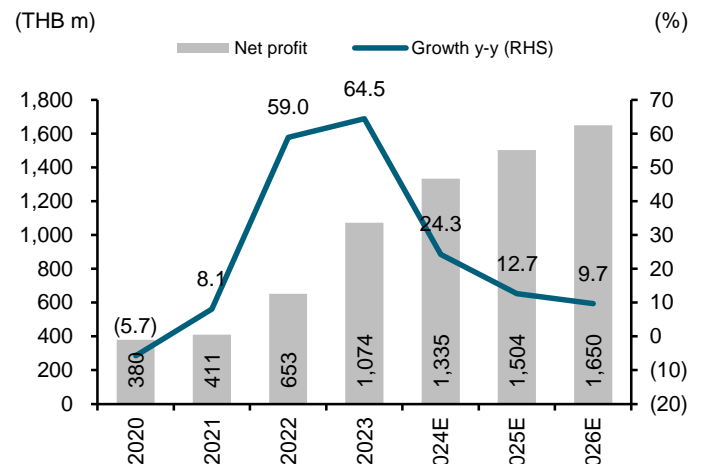
Sources: SAPPE, FSSIA estimates

**Exhibit 10: Yearly total revenue and growth**


Sources: SAPPE, FSSIA estimates

**Exhibit 11: Yearly profit margin**


Sources: SAPPE, FSSIA estimates

**Exhibit 12: Yearly net profit and growth**


Sources: SAPPE, FSSIA estimates

## Financial Statements

### Sappe

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,566	6,053	7,131	7,896	8,519
Cost of goods sold	(2,703)	(3,341)	(3,950)	(4,343)	(4,651)
<b>Gross profit</b>	<b>1,863</b>	<b>2,711</b>	<b>3,180</b>	<b>3,553</b>	<b>3,867</b>
Other operating income	333	146	143	158	170
Operating costs	(1,366)	(1,499)	(1,690)	(1,871)	(2,019)
<b>Operating EBITDA</b>	<b>1,018</b>	<b>1,536</b>	<b>1,861</b>	<b>2,118</b>	<b>2,332</b>
Depreciation	(187)	(178)	(228)	(278)	(313)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>830</b>	<b>1,358</b>	<b>1,633</b>	<b>1,840</b>	<b>2,019</b>
Net financing costs	(2)	(3)	(3)	(3)	(3)
Associates	0	(20)	3	3	4
Recurring non-operating income	0	(20)	3	3	4
Non-recurring items	(12)	(10)	0	0	0
<b>Profit before tax</b>	<b>816</b>	<b>1,325</b>	<b>1,633</b>	<b>1,840</b>	<b>2,020</b>
Tax	(162)	(275)	(327)	(368)	(404)
<b>Profit after tax</b>	<b>654</b>	<b>1,051</b>	<b>1,306</b>	<b>1,472</b>	<b>1,616</b>
Minority interests	(1)	24	29	32	34
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>653</b>	<b>1,074</b>	<b>1,335</b>	<b>1,504</b>	<b>1,650</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>12</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>666</b>	<b>1,085</b>	<b>1,335</b>	<b>1,504</b>	<b>1,650</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.16	3.52	4.33	4.88	5.35
Reported EPS	2.12	3.48	4.33	4.88	5.35
DPS	1.65	2.18	3.25	3.66	4.01
Diluted shares (used to calculate per share data)	308	308	308	308	308
<b>Growth</b>					
Revenue (%)	32.6	32.5	17.8	10.7	7.9
Operating EBITDA (%)	36.9	51.0	21.1	13.8	10.1
Operating EBIT (%)	52.2	63.6	20.2	12.7	9.7
Recurring EPS (%)	59.5	63.1	23.1	12.7	9.7
Reported EPS (%)	57.8	64.5	24.3	12.7	9.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	40.8	44.8	44.6	45.0	45.4
Gross margin exc. depreciation (%)	44.9	47.7	47.8	48.5	49.1
Operating EBITDA margin (%)	22.3	25.4	26.1	26.8	27.4
Operating EBIT margin (%)	18.2	22.4	22.9	23.3	23.7
Net margin (%)	14.6	17.9	18.7	19.0	19.4
Effective tax rate (%)	19.8	20.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	76.5	62.0	75.0	75.0	75.0
Interest cover (X)	363.6	524.4	623.3	677.6	718.3
Inventory days	53.3	50.9	45.3	45.9	46.6
Debtor days	26.6	19.7	23.4	28.5	28.9
Creditor days	29.8	28.9	31.8	35.7	36.3
Operating ROIC (%)	63.7	96.7	88.5	72.5	65.2
ROIC (%)	48.3	73.7	72.8	62.2	57.1
ROE (%)	21.6	30.7	33.5	34.7	34.9
ROA (%)	15.9	20.8	21.7	22.1	22.3

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Domestic revenue	1,055	1,163	1,280	1,415	1,538
Overseas revenue	3,511	4,889	5,850	6,481	6,981

Sources: Sappe; FSSIA estimates

## Financial Statements

### Sappe

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	666	1,085	1,335	1,504	1,650
Depreciation	187	178	228	278	313
Associates & minorities	0	20	(3)	(3)	(4)
Other non-cash items	1	(24)	71	14	15
Change in working capital	191	581	23	91	74
<b>Cash flow from operations</b>	<b>1,045</b>	<b>1,840</b>	<b>1,654</b>	<b>1,883</b>	<b>2,048</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(376)	(935)	(776)	(955)	(700)
Net acquisitions & disposals	6	4	0	0	0
Other investments (net)	(41)	(1)	(28)	(8)	(6)
<b>Cash flow from investing</b>	<b>(411)</b>	<b>(931)</b>	<b>(804)</b>	<b>(963)</b>	<b>(706)</b>
Dividends paid	(348)	(521)	(1,001)	(1,128)	(1,237)
Equity finance	63	0	0	0	0
Debt finance	0	(2)	12	3	3
Other financing cash flows	25	18	(52)	4	3
<b>Cash flow from financing</b>	<b>(259)</b>	<b>(506)</b>	<b>(1,041)</b>	<b>(1,121)</b>	<b>(1,231)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>375</b>	<b>403</b>	<b>(191)</b>	<b>(201)</b>	<b>110</b>
Free cash flow to firm (FCFF)	636.44	911.11	853.22	922.88	1,344.69
Free cash flow to equity (FCFE)	659.23	924.28	810.36	926.99	1,347.99
<b>Per share (THB)</b>					
FCFF per share	2.06	2.96	2.77	2.99	4.36
FCFE per share	2.14	3.00	2.63	3.01	4.37
Recurring cash flow per share	2.77	4.08	5.29	5.81	6.40
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	2,530	3,121	4,121	5,121	5,821
Less: Accumulated depreciation	(1,398)	(1,403)	(1,631)	(1,909)	(2,222)
<b>Tangible fixed assets (net)</b>	<b>1,132</b>	<b>1,718</b>	<b>2,490</b>	<b>3,212</b>	<b>3,599</b>
<b>Intangible fixed assets (net)</b>	<b>128</b>	<b>124</b>	<b>124</b>	<b>124</b>	<b>124</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	186	140	142	146	149
Cash & equivalents	2,129	2,532	2,341	2,140	2,250
A/C receivable	459	642	671	689	740
Inventories	444	438	487	535	573
Other current assets	47	45	36	39	43
<b>Current assets</b>	<b>3,079</b>	<b>3,656</b>	<b>3,535</b>	<b>3,404</b>	<b>3,607</b>
Other assets	36	43	71	79	85
<b>Total assets</b>	<b>4,561</b>	<b>5,680</b>	<b>6,362</b>	<b>6,964</b>	<b>7,564</b>
Common equity	3,258	3,818	4,147	4,523	4,936
Minorities etc.	102	78	149	163	178
<b>Total shareholders' equity</b>	<b>3,360</b>	<b>3,896</b>	<b>4,297</b>	<b>4,686</b>	<b>5,113</b>
Long term debt	61	49	48	51	54
Other long-term liabilities	70	88	36	39	43
<b>Long-term liabilities</b>	<b>130</b>	<b>137</b>	<b>84</b>	<b>90</b>	<b>97</b>
A/C payable	230	271	379	416	446
Short term debt	21	21	34	34	34
Other current liabilities	820	1,356	1,569	1,737	1,874
<b>Current liabilities</b>	<b>1,071</b>	<b>1,647</b>	<b>1,982</b>	<b>2,188</b>	<b>2,354</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,561</b>	<b>5,680</b>	<b>6,362</b>	<b>6,964</b>	<b>7,564</b>
Net working capital	(99)	(502)	(754)	(890)	(964)
Invested capital	1,383	1,522	2,073	2,671	2,994
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	10.56	12.38	13.45	14.67	16.01
Tangible book value per share	10.15	11.98	13.05	14.27	15.61
<b>Financial strength</b>					
Net debt/equity (%)	(60.9)	(63.2)	(52.6)	(43.9)	(42.3)
Net debt/total assets (%)	(44.9)	(43.3)	(35.5)	(29.5)	(28.6)
Current ratio (x)	2.9	2.2	1.8	1.6	1.5
CF interest cover (x)	453.9	729.4	605.5	692.9	728.3
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>41.6</b>	<b>25.5</b>	<b>20.7</b>	<b>18.4</b>	<b>16.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>50.1</b>	<b>30.7</b>	<b>24.9</b>	<b>22.1</b>	<b>20.2</b>
Reported P/E (x)	42.4	25.8	20.7	18.4	16.8
Dividend yield (%)	1.8	2.4	3.6	4.1	4.5
Price/book (x)	8.5	7.2	6.7	6.1	5.6
Price/tangible book (x)	8.8	7.5	6.9	6.3	5.7
EV/EBITDA (x) **	25.3	16.5	13.7	12.2	11.0
EV/EBITDA @ target price (x) **	30.8	20.1	16.8	14.8	13.4
EV/invested capital (x)	18.6	16.6	12.3	9.7	8.6
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Sappe; FSSIA estimates



# SAPPE PCL (SAPPE TB)

## FSSIA ESG rating


**35.25 /100**

### Exhibit 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.
★★★★☆	>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	<b>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.</b>
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Source: FSSIA estimates

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

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

### Exhibit 15: ESG disclosure from the company's one report

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

Source: FSSIA's compilation



## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <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 <a href="#">THSI inclusion</a> , 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. <a href="#">SETTHSI Index</a> 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 (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%).																				
<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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' 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. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td><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></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>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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>																					
<a href="#">S&amp;P Global</a>	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

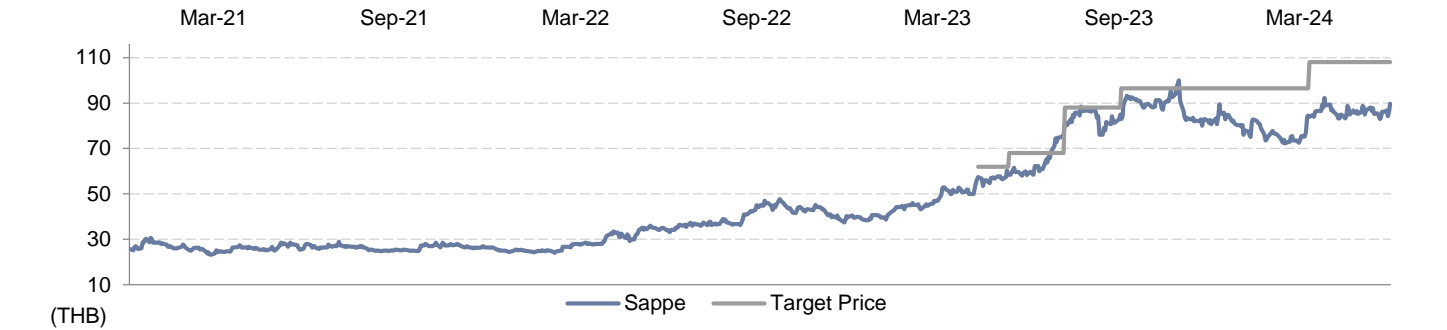
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History of change in investment rating and/or target price

Sappe (SAPPE TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	23-May-2023	BUY	88.00	21-Dec-2023	BUY	108.00
05-Apr-2023	BUY	68.00	11-Jul-2023	BUY	96.50			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sappe	SAPPE TB	THB 89.75	BUY	Downside risks to our P/E-based TP include 1) lower purchasing power, 2) higher raw material and packaging costs, 3) Baht strength, and 4) increased competition and product infringement.

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 01-Mar-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.