

ZEN CORPORATION GROUP

THAILAND / FOOD & BEVERAGE

ZEN TB

BUY

UNCHANGED

Restrategizing to maintain profitability

- January SSSG got deeper into the red, with an expected revenue recovery in 2Q24. ZEN is restrategizing, including restaurant renovation, to maintain profitability.
- We have cut our 2024-26E profit by 14-18% to an average growth of 4-6% p.a.
- We have decreased our TP to THB10.3. Although ZEN lacks a short-term catalyst, we retain our BUY call to bet on purchasing power recovery.

TARGET PRICE	THB10.30
CLOSE	THB8.85
UP/DOWNSIDE	+16.4%
PRIOR TP	THB15.50
CHANGE IN TP	-33.5%
TP vs CONSENSUS	-22.6%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	3,915	4,224	4,537	4,839
Net profit	158	172	180	186
EPS (THB)	0.53	0.57	0.60	0.62
vs Consensus (%)	-	(0.5)	(6.7)	(7.9)
EBITDA	643	724	791	855
Recurring net profit	162	172	180	186
Core EPS (THB)	0.54	0.57	0.60	0.62
Chg. In EPS est. (%)	nm	(13.9)	(17.3)	nm
EPS growth (%)	5.1	6.4	4.4	3.6
Core P/E (x)	16.4	15.4	14.8	14.3
Dividend yield (%)	3.4	3.6	3.7	3.9
EV/EBITDA (x)	5.6	4.8	4.4	3.9
Price/book (x)	1.9	1.8	1.7	1.6
Net debt/Equity (%)	56.1	49.7	45.4	34.1
ROE (%)	12.1	12.0	11.9	11.7

Despite higher negative SSSG, 1Q24 profit should hover q-q and jump y-y

In the short term, SSSG remained negative at -10% y-y in January 2024, weakening from -7.9% y-y in 4Q23 due to slow purchasing power recovery and a high base in 1Q23. However, revenue should gradually recover in 2Q24 when ZEN enters a high season. In general, raw material prices were flat or edged down. Although salmon prices increased in line with seasonality, lower raw material prices should help offset it. Against this backdrop, we expect a net profit recovery (+11.7% q-q, +24% y-y) to THB42m in 1Q24. Excluding an allowance for doubtful accounts from franchises of THB4.2m in 4Q23, the core profit should be flat q-q but jump y-y.

2024 focus: revenue boost while maintaining gross margin

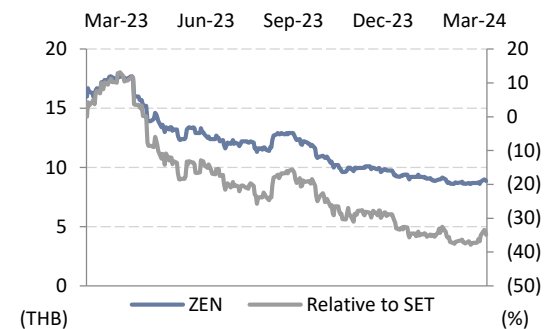
Management sets a 2024 revenue target growth of 17% y-y to THB4.6b, premised on an SSSG of 3-5% y-y and branch expansion of 24 to 365 by 2024. Toward this end, ZEN would focus on renovating its existing restaurants after improving Lao Yuan last year, resulting in improved SSSG. This year, ZEN would renovate AKA branches and Tam Mua. In particular, increased competition hits AKA sales as more new players enter the BBQ business. Also, ZEN would look closer at its gross margin. In 2023, although a retail sales jump of 40% y-y supported a total revenue growth of 15.7% y-y, its margins were lower than restaurants, which also faced increased costs. Therefore, the 2023 profit recorded a modest growth of only 2.4%. ZEN aims to retain its 2024 gross margin close to 42.8% in 2023, even though retail sales may grow more than expected.

Cut profit estimate following slow recovery and lower profitability

Given a higher-than-expected decrease in the gross margin brought on by slower-than-expected purchasing power recovery, increased competition, and a change in the revenue mix, we have slashed our 2024-26E net profit by 14-18%. Following such cuts, our 2024E net profit implies a growth of 9.2% to THB172m based on an SSSG of 3% and 15 new branches. Although our projected new branches are lower than the guidance, we believe ZEN will maintain its gross margin close to 2023.

Slash our TP to THB10.3 but maintain our BUY rating

Given a 2024-26 average profit growth of 4-6% p.a., lower than our previous projection of 7-10%, we have cut our P/E target to 18x (-1 SD) from 23x (its historical average), resulting in a lower TP of THB10.3 from THB15.5. Although we retain our BUY rating on its undemanding valuation and a 16% upside, ZEN still lacks short-term catalysts until purchasing power sharply recovers or profit increases after the restrategizing.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.6	(9.7)	(45.7)
Relative to country (%)	2.7	(9.3)	(35.9)
Mkt cap (USD m)	74		
3m avg. daily turnover (USD m)	0.0		
Free float (%)	27		
Major shareholder	AGB Sibling Holdings (25%)		
12m high/low (THB)	17.90/8.55		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

ZEN is a leading Japanese restaurant chain. It has 13 brands of Thai and Japanese restaurants, such as ZEN, AKA, On the Table, Sushi Cyu, Tam Mua, Lao Yuan, and Khiang. In 2021, ZEN invested in a franchise business to create branch expansion opportunities and awareness. Also, it invested in retail (ZKC - fermented fish and general sauces) and trading (King Marine - an importer of frozen seafood for sales to Japanese restaurants in Thailand), giving retail revenue a more crucial role. In particular, we expect the retail revenue mix to rise from 13.9% in 2023 to 14.9% and 15.5% of total revenue in 2024-25, respectively.

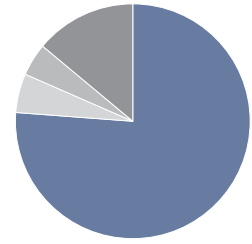
Company profile

ZEN is a holding company with investments in restaurants and related businesses. It has four units, including 1) restaurants under its brands, 2) franchises, 3) food delivery and catering, and 4) retail. As of the end of 2023, their revenue mix was 76.2%/5.4%/4.5%/13.9%, respectively.

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Principal activities (revenue, 2023)

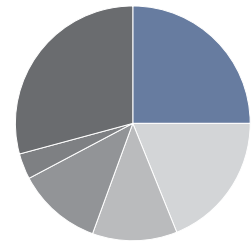
- Restaurant - 76.2 %
- Franchise - 5.4 %
- Delivery & Catering - 4.5 %
- Retail - 13.9 %



Source: Zen Corporation Group

Major shareholders

- AGB Sibling Holdings - 25.0 %
- Morgan Stanley & Co. International - 18.9 %
- Mr. Sakkanon Chirathivat - 11.7 %
- Miss Jomkwan Chirathivat - 11.7 %
- Mrs. Kessara Manasilp - 3.6 %



Source: Zen Corporation Group

Catalysts

Potential catalysts for ZEN's earning growth in 2024 are 1) foot traffic growth and food price hikes, 2) tourism recovery, supporting foreign customers, 3) lower raw material costs, and 4) store expansion.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected purchasing power recovery, 2) a slower-than-expected decrease in raw material costs, 3) lower-than-expected store expansion, and 4) a minimum wage increase or labor shortages.

Event calendar

Date	Event
May 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
SSSG (%)	3.0	3.0	3.0
New stores - Equity store (no.)	15	15	15
New stores - Franchise store (no.)	15	15	15
Total revenue growth (%)	7.9	7.4	6.6
Gross Margin (%)	42.8	42.5	42.2

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2024 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.2% increase in GPM, we estimate 2024 net profit to rise by 2.8%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2024 net profit to fall by 6.9%, and vice versa, all else being equal.
- For every 5% increase in labour cost, we estimate 2024 net profit to fall by 8.4%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: ZEN - 1Q24 earnings preview

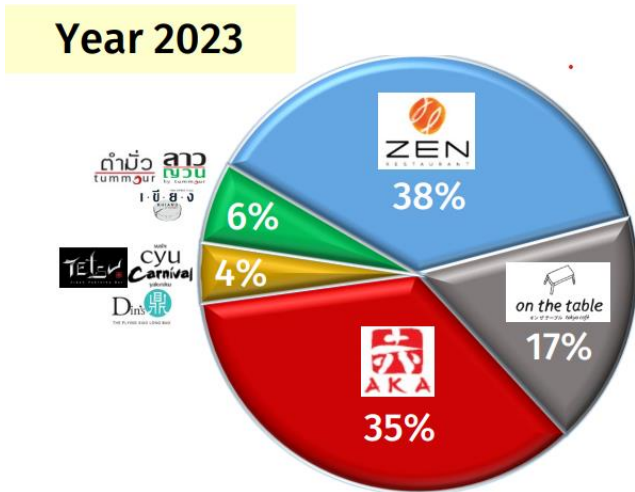
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	938	907	961	999	1,048	979	(6.5)	8.0
Cost of sales	513	509	543	569	618	568	(8.0)	11.5
Gross profit	425	397	418	430	430	411	(4.4)	3.5
SG&A	351	347	352	371	377	353	(6.5)	1.5
Operating profit	81	57	72	63	67	69	2.6	21.6
Interest expense	7	10	10	11	12	12	2.9	22.6
Tax expense	13	8	12	7	7	9	13.7	3.1
Reported net profit	55	34	46	40	38	42	11.7	23.9
Core profit	55	34	46	40	42	42	0.5	23.9

Key ratios (%)							(ppt)	(ppt)
Gross margin	45.3	43.8	43.5	43.1	41.1	42.0	0.9	(1.8)
SG&A to sales	37.5	38.3	36.6	37.2	36.0	36.0	0.0	(2.3)
Operating margin	8.6	6.2	7.4	6.3	6.4	7.0	0.6	0.8
Net margin	5.8	3.8	4.8	4.0	3.6	4.3	0.7	0.6
Core margin	5.8	3.8	4.8	4.0	4.0	4.3	0.3	0.6

Operating statistics								
SSSG (%)	0.4	12.5	3.1	(4.5)	(7.9)	(10.0)		
Total stores (no.)	345	339	327	329	341	346	1.5	2.1
Restaurant sales (THB m)	728	706	735	756	786	733	(6.8)	3.8
Franchise sales (THB m)	60	52	56	51	51	52	2.0	0.0
Delivery and catering (THB m)	52	47	45	41	42	43	2.4	(8.5)
Retail sales (THB m)	98	101	125	151	169	152	(10.4)	50.0

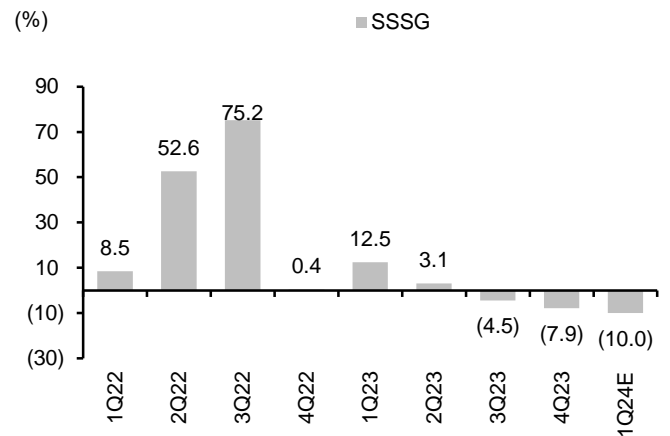
Sources: ZEN, FSSIA estimates

Exhibit 2: Restaurant revenue breakdown by brand



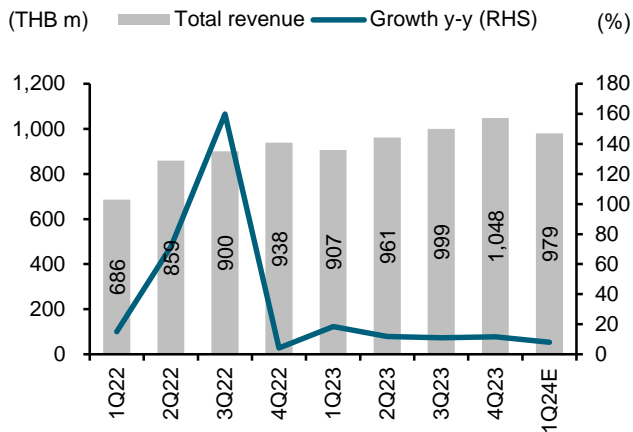
Source: ZEN

Exhibit 3: Quarterly SSSG



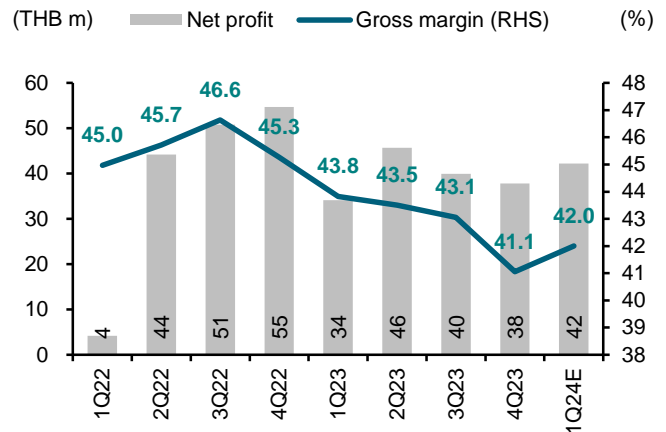
Sources: ZEN, FSSIA estimates

Exhibit 4: Quarterly total revenue and growth



Sources: ZEN, FSSIA estimates

Exhibit 5: Quarterly net profit and gross margin



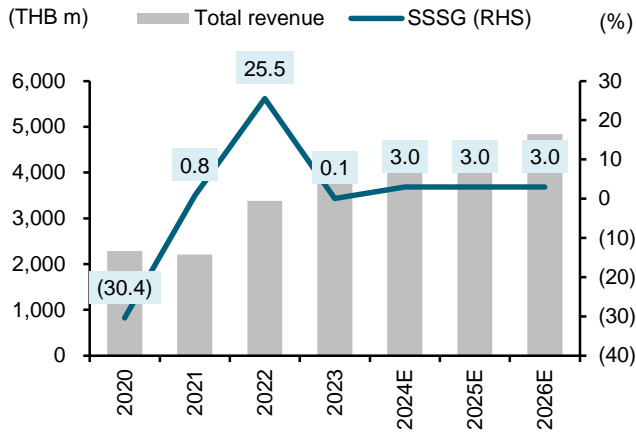
Sources: ZEN, FSSIA estimates

Exhibit 6: Changes in key assumptions for ZEN

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sale value	4,224	4,537	4,839	4,139	4,420	4,645	2.0	2.7	4.2
Costs	2,416	2,609	2,797	2,310	2,453	2,574	4.6	6.4	8.7
Gross profit	1,808	1,928	2,042	1,829	1,967	2,072	(1.2)	(2.0)	(1.4)
SG&A expense	1,563	1,679	1,790	1,552	1,666	1,751	0.7	0.8	2.2
Interest expense	49	45	40	40	37	35	21.8	21.2	13.9
Reported net profit	172	180	186	200	217	229	(14.0)	(17.2)	(18.8)
Core profit	172	180	186	200	217	229	(14.0)	(17.2)	(18.8)
Key ratios (%)									
Total revenue growth	7.9	7.4	6.6	5.7	6.8	5.1	2.2	0.6	1.5
Net profit growth	9.2	4.4	3.6	27.1	8.4	5.7	(17.8)	(4.0)	(2.1)
Core profit growth	6.4	4.4	3.6	23.8	8.4	5.7	(17.4)	(4.0)	(2.1)
Gross margin	42.8	42.5	42.2	44.2	44.5	44.6	(1.4)	(2.0)	(2.4)
SG&A to sales	37.0	37.0	37.0	37.5	37.7	37.7	(0.5)	(0.7)	(0.7)
Net margin	4.1	4.0	3.8	4.8	4.9	4.9	(0.8)	(0.9)	(1.1)
Norm margin	4.1	4.0	3.8	4.8	4.9	4.9	(0.8)	(0.9)	(1.1)
Operating statistics (no.)									
New stores - Equity store	15	15	15	15	15	15			
New stores - Franchise store	15	15	15	15	15	15			
Total new stores	30	30	30	30	30	30			
Total stores	371	401	431	371	401	431			
SSSG (%)	3.0	3.0	3.0	4.0	3.0	2.0			
Restaurant sales (THB m)	3,192	3,408	3,631	3,407	3,629	3,822	(6.3)	(6.1)	(5.0)
Franchise sales (THB m)	219	232	245	197	210	224	10.8	10.2	9.7
Delivery & catering (THB m)	185	194	204	193	203	213	(4.3)	(4.3)	(4.3)
Retail sales (THB m)	628	703	760	558	602	633	12.6	16.7	20.0

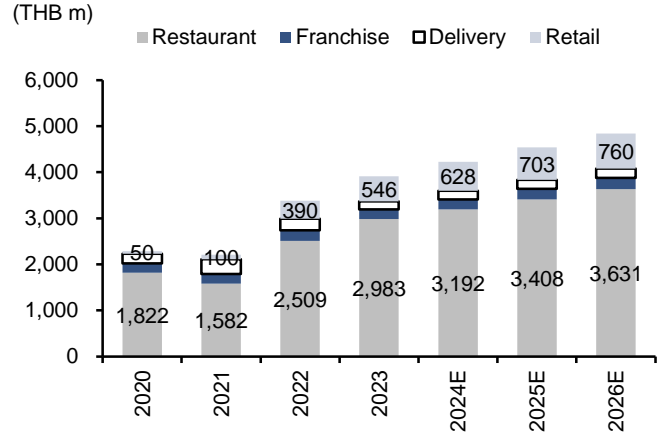
Source: FSSIA estimates

Exhibit 7: Yearly total revenue and SSSG



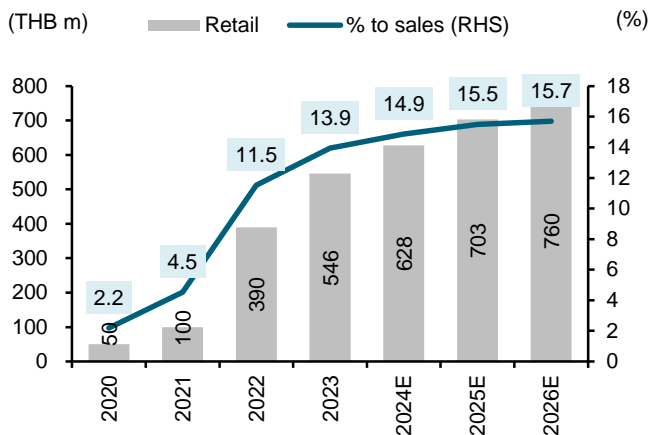
Sources: ZEN; FSSIA estimates

Exhibit 8: Yearly revenue breakdown by type of service



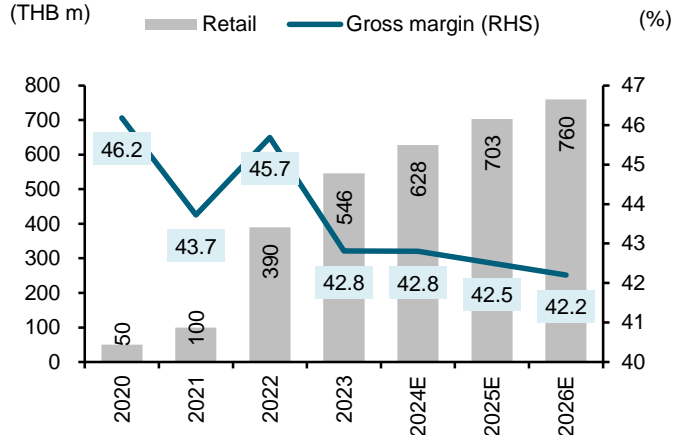
Sources: ZEN; FSSIA estimates

Exhibit 9: Yearly retail revenue and % to sales



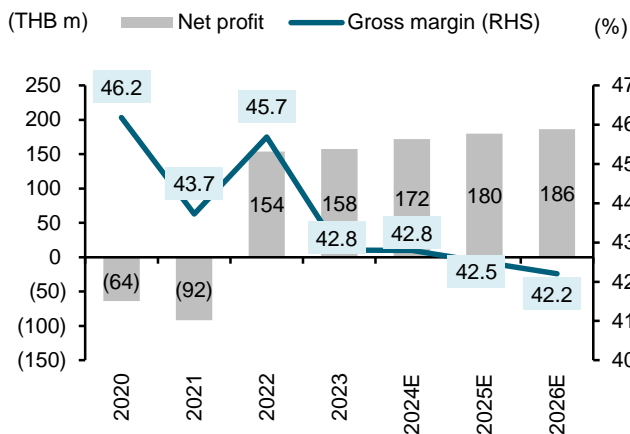
Sources: ZEN; FSSIA estimates

Exhibit 10: Yearly retail revenue and gross margin



Sources: ZEN; FSSIA estimates

Exhibit 11: Yearly net profit and gross margin



Sources: ZEN; FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Zen Corporation Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	3,383	3,915	4,224	4,537	4,839
Cost of goods sold	(1,838)	(2,239)	(2,416)	(2,609)	(2,797)
Gross profit	1,546	1,676	1,808	1,928	2,042
Other operating income	30	30	34	36	39
Operating costs	(1,330)	(1,448)	(1,563)	(1,679)	(1,790)
Operating EBITDA	594	643	724	791	855
Depreciation	(348)	(385)	(445)	(505)	(565)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	246	258	279	286	290
Net financing costs	(33)	(42)	(49)	(45)	(40)
Associates	(2)	0	0	0	0
Recurring non-operating income	(2)	0	0	0	0
Non-recurring items	0	(4)	0	0	0
Profit before tax	211	212	230	241	250
Tax	(39)	(34)	(37)	(39)	(40)
Profit after tax	172	177	193	202	210
Minority interests	(18)	(20)	(21)	(23)	(24)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	154	158	172	180	186
Non-recurring items & goodwill (net)	0	4	0	0	0
Recurring net profit	154	162	172	180	186
Per share (THB)					
Recurring EPS *	0.51	0.54	0.57	0.60	0.62
Reported EPS	0.51	0.53	0.57	0.60	0.62
DPS	0.16	0.30	0.32	0.33	0.34
Diluted shares (used to calculate per share data)	300	300	300	300	300
Growth					
Revenue (%)	53.2	15.7	7.9	7.4	6.6
Operating EBITDA (%)	95.4	8.2	12.5	9.3	8.2
Operating EBIT (%)	nm	5.0	8.0	2.5	1.6
Recurring EPS (%)	nm	5.1	6.4	4.4	3.6
Reported EPS (%)	nm	2.4	9.2	4.4	3.6
Operating performance					
Gross margin inc. depreciation (%)	45.7	42.8	42.8	42.5	42.2
Gross margin exc. depreciation (%)	56.0	52.6	53.3	53.6	53.9
Operating EBITDA margin (%)	17.6	16.4	17.1	17.4	17.7
Operating EBIT margin (%)	7.3	6.6	6.6	6.3	6.0
Net margin (%)	4.5	4.1	4.1	4.0	3.8
Effective tax rate (%)	18.4	16.2	16.0	16.0	16.0
Dividend payout on recurring profit (%)	31.2	55.6	55.0	55.0	55.0
Interest cover (X)	7.5	6.1	5.7	6.4	7.3
Inventory days	46.6	62.3	65.5	59.7	60.5
Debtor days	8.0	9.5	10.0	9.7	9.7
Creditor days	80.3	68.5	70.0	71.6	72.7
Operating ROIC (%)	16.9	16.6	15.7	16.2	16.8
ROIC (%)	10.0	9.2	9.1	9.3	9.5
ROE (%)	12.8	12.1	12.0	11.9	11.7
ROA (%)	7.4	7.1	7.2	7.4	7.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Restaurant	2,509	2,983	3,192	3,408	3,631
Franchise	232	210	219	232	245
Delivery & Catering	252	176	185	194	204
Retail	390	546	628	703	760

Sources: Zen Corporation Group; FSSIA estimates

Financial Statements

Zen Corporation Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	154	162	172	180	186
Depreciation	348	385	445	505	565
Associates & minorities	2	0	0	0	0
Other non-cash items	29	20	(17)	1	1
Change in working capital	(102)	(118)	104	5	5
Cash flow from operations	431	449	704	691	757
Capex - maintenance	-	-	-	-	-
Capex - new investment	0	(687)	(482)	(550)	(480)
Net acquisitions & disposals	(390)	(24)	(37)	(27)	(26)
Other investments (net)	-	-	-	-	-
Cash flow from investing	(390)	(711)	(519)	(577)	(506)
Dividends paid	0	(47)	(95)	(99)	(102)
Equity finance	0	0	0	0	0
Debt finance	6	251	(136)	(77)	(100)
Other financing cash flows	2	11	(24)	14	4
Cash flow from financing	8	215	(254)	(162)	(198)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	11	0	0	0	0
Net other adjustments	11	0	0	0	0
Movement in cash	60	(47)	(69)	(48)	53
Free cash flow to firm (FCFF)	73.98	(220.41)	233.57	159.00	291.33
Free cash flow to equity (FCFE)	60.15	(0.42)	25.30	50.78	155.69

Per share (THB)

FCFF per share	0.25	(0.73)	0.78	0.53	0.97
FCFE per share	0.20	0.00	0.08	0.17	0.52
Recurring cash flow per share	1.78	1.89	2.00	2.28	2.51

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	2,124	2,500	2,589	2,690	2,665
Less: Accumulated depreciation	(1,006)	(1,078)	(1,131)	(1,188)	(1,247)
Tangible fixed assets (net)	1,118	1,422	1,457	1,502	1,418
Intangible fixed assets (net)	353	349	349	349	349
Long-term financial assets	326	326	326	326	326
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	327	280	211	163	216
A/C receivable	88	115	116	124	133
Inventories	256	377	331	357	383
Other current assets	57	48	51	54	58
Current assets	729	820	708	699	790
Other assets	299	322	359	386	411
Total assets	2,824	3,240	3,200	3,262	3,294
Common equity	1,281	1,393	1,469	1,550	1,634
Minorities etc.	66	85	68	69	70
Total shareholders' equity	1,346	1,479	1,537	1,619	1,703
Long term debt	535	669	599	529	459
Other long-term liabilities	135	146	122	136	140
Long-term liabilities	670	815	722	665	599
A/C payable	337	359	397	429	460
Short term debt	324	441	375	368	338
Other current liabilities	147	146	169	181	194
Current liabilities	808	946	941	978	991
Total liabilities and shareholders' equity	2,824	3,240	3,200	3,262	3,294
Net working capital	(83)	35	(69)	(74)	(80)
Invested capital	2,013	2,455	2,423	2,489	2,425

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

Per share (THB)

Book value per share	4.27	4.64	4.90	5.17	5.45
Tangible book value per share	3.09	3.48	3.73	4.00	4.28

Financial strength

Net debt/equity (%)	39.5	56.1	49.7	45.4	34.1
Net debt/total assets (%)	18.8	25.6	23.9	22.5	17.6
Current ratio (x)	0.9	0.9	0.8	0.7	0.8
CF interest cover (x)	2.8	17.3	11.4	14.4	17.0

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	17.3	16.4	15.4	14.8	14.3
Recurring P/E @ target price (x) *	20.1	19.1	18.0	17.2	16.6
Reported P/E (x)	17.3	16.8	15.4	14.8	14.3
Dividend yield (%)	1.8	3.4	3.6	3.7	3.9
Price/book (x)	2.1	1.9	1.8	1.7	1.6
Price/tangible book (x)	2.9	2.5	2.4	2.2	2.1
EV/EBITDA (x) **	5.5	5.6	4.8	4.4	3.9
EV/EBITDA @ target price (x) **	6.2	6.2	5.4	4.9	4.4
EV/invested capital (x)	1.6	1.5	1.4	1.4	1.4

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

Sources: Zen Corporation Group; 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 (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
Morningstar 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. <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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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="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

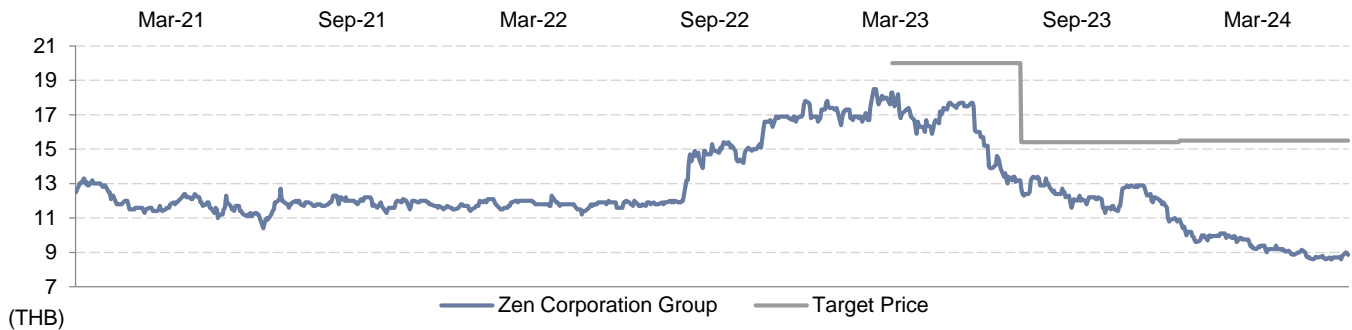
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History of change in investment rating and/or target price

Zen Corporation Group (ZEN TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Feb-2023	BUY	20.00	29-May-2023	BUY	15.40	12-Oct-2023	BUY	15.50

Sureeporn Teewasuwet started covering this stock from 07-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Zen Corporation Group	ZEN TB	THB 8.85	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected purchasing power recovery, 2) a slower-than-expected decrease in raw material costs, 3) lower-than-expected store expansion, and 4) a minimum wage increase or labor shortages.

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 06-Mar-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.