

ZEN CORPORATION GROUP

THAILAND / FOOD & BEVERAGE

ZEN TB

BUY

UNCHANGED

อยู่ระหว่างปรับปรุงสาขา และโฟกัสกำไร

- SSSG ม.ค. ติดลบมากขึ้น คาดหวังการทยอยฟื้นตัวใน 2Q24 รวมถึงอยู่ระหว่างปรับกลยุทธ์ทั้งปรับปรุงร้านอาหาร และรักษาความสามารถทำกำไร
- เราปรับลดกำไรปี 2024-26 ลง 14-18% เป็นการโตเฉลี่ย 4-6% ต่อปี
- ปรับลดเป้าเป็น 10.3 บาท ระยะสั้นขาด Catalyst กำลังรอการฟื้นตัวของกำลังซื้อ

| | |
|-----------------|----------|
| 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 |

แม้คาด SSSG จะติดลบมากขึ้น แต่คาดการณ์กำไร 1Q24 จะทรงตัว q-q และโตสูง y-y

ระยะสั้น SSSG เดือน ม.ค. 24 ยังติดลบต่อเนื่องราว -10% y-y เป็นการติดลบมากขึ้นจาก -7.9% y-y ใน 4Q23 จากภาพรวมกำลังซื้อที่ยังฟื้นตัวช้า กอปรกับฐานสูงใน 1Q23 แต่คาดแนวโน้มรายได้น่าจะทยอยฟื้นตัวในเดือน 2Q24 เมื่อเข้าสู่ช่วง High season อีกครั้ง ขณะที่ภาพรวมราคาวัตถุดิบทรงตัวถึงปรับลง แม้ราคาปลาแซลมอนจะขยับขึ้นตามฤดูกาล แต่คาดถูกหักล้างด้วยวัตถุดิบอื่นๆที่อ่อนตัวลง เบื้องต้นคาดการณ์กำไรสุทธิ 1Q24 จะฟื้นตัว 11.7% q-q และ 24% y-y เป็น 42 ลบ. หากไม่รวมการตั้งสำรองหนี้สูญลูกค้า Franchise ใน 4Q23 ราว 4.2 ลบ. คาดกำไรปกติ 1Q24 อาจทรงตัว q-q แต่โตสูง y-y

ปี 2024 จะโฟกัสที่การกระตุ้นรายได้ร้านอาหารและรักษาระดับอัตรากำไรขั้นต้น

ผู้บริหารตั้งเป้ารายได้ปี 2024 โต 17% y-y เป็น 4.6 พันลบ. มาจาก SSSG +3-5% y-y และแผนขยายสาขา 24 สาขา เป็น 365 ในปี 2024 โดยปีนี้จะมีโฟกัสที่ 1) การปรับปรุงสาขาใหม่ จากปีก่อนที่ปรับสาขาของลาวญวนไป ทำให้ SSSG แรงตัวขึ้นได้ดี และปีนี้จะปรับปรุงสาขาของ AKA และตำมั่ว โดยเฉพาะ AKA ที่ปัจจุบันยอดขายเริ่มถูกกระทบจากการแข่งขันที่สูงขึ้น เพราะมีผู้ประกอบการรายใหม่เข้ามาในธุรกิจร้านอาหารประเภทนี้เป็นอย่างมาก และ 2) จะโฟกัสที่อัตรากำไรขั้นต้นมากขึ้น ในปี 2023 แม้รายได้ค่าปลีกจะโตถึง 40% y-y หนุ่ยรายได้รวม +15.7% y-y แต่ด้วยมาร์จินที่ต่ำกว่าธุรกิจร้านอาหาร ขณะที่ธุรกิจร้านอาหารเองก็เผชิญต้นทุนสูงขึ้น ส่งผลให้กำไรในปี 2023 โตเพียง 2.4% ทั้งนี้บริษัทตั้งเป้าจะรักษาระดับอัตรากำไรขั้นต้นปี 2024 ให้ใกล้เคียงปี 2023 ที่ 42.8% แม้รายได้ค่าปลีกอาจโตได้มากกว่าเป้าก็ตาม

ปรับลดประมาณการกำไร หลังฟื้นตัวช้า และความสามารถทำกำไรปรับลดลง

จากกำลังซื้อที่ฟื้นช้ากว่าคาด การแข่งขันที่สูงขึ้น และผลของ Product Mix ทำให้อัตรากำไรขั้นต้นปรับลงมากกว่าที่เคยคาด เราจึงปรับลดกำไรสุทธิปี 2024-26 ลง 14-18% โดยในปี 2024 คาดกำไรสุทธิจะเติบโตราว 9.2% เป็น 172 ลบ. ด้วยสมมติฐาน SSSG ที่ +3% และเปิดสาขาใหม่ 15 สาขา ต่ำกว่าเป้าหมายของบริษัท แต่เชื่อในความสามารถของบริษัทในการรักษาระดับอัตรากำไรขั้นต้นให้ใกล้เคียงปี 2023

ปรับลดราคาเป้าหมายลงเป็น 10.3 บาท ระยะสั้นยังขาด Catalyst

ด้วยแนวโน้มการเติบโตของกำไรปี 2024-26 ที่จะเติบโตเฉลี่ย 4-6% ต่อปี ต่ำกว่าเดิมที่เคยคาดไว้ 7-10% เราจึงปรับลด Target P/E ลงเป็น 18x (-1 SD) จากเดิม 23x (เท่ากับค่าเฉลี่ย) นำไปสู่การปรับลดราคาเป้าหมายลงเป็น 10.3 บาท จาก 15.5 บาท ยังมี Upside 16% จึงคงเรตติ้ง ชื้อ ด้วย Valuation ที่ไม่แพง แต่ระยะสั้นยังไม่มี Catalyst จนกว่าจะเห็นกำลังซื้อฟื้นตัวชัด หรือเห็นพัฒนาการของกำไรหลังปรับกลยุทธ์



| 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 ถือเป็นผู้นำในตลาดร้านอาหารญี่ปุ่น ปัจจุบันมีแบรนด์ร้านอาหารในเครือทั้งญี่ปุ่นและไทยรวม 13 แบรนด์ ได้แก่ ZEN, AKA, On the Table, Sushi Cyu, ต้มยำ, ลาวญวน, เชียง เป็นต้น ในปี 2021 บริษัทได้ลงทุนในธุรกิจแฟรนไชส์ เพื่อสร้างโอกาสในการขยายสาขาได้มากขึ้น และเป็นที่รู้จักมากขึ้น ก่อปรกับการลงทุนในธุรกิจค้าปลีกได้แก่ โรงงานผลิตซอสและน้ำปลาร้า (ZKC) และธุรกิจเทรตติงนำเข้าอาหารทะเลแช่แข็ง และขายให้กับร้านอาหารญี่ปุ่นในประเทศไทย (King Marine) ทำให้รายได้ธุรกิจค้าปลีกเข้ามา มีบทบาทมากขึ้น โดยคาดสัดส่วนจะขยับขึ้นจาก 13.9% ในปี 2023 เป็น 14.9% และ 15.5% ของรายได้รวมในปี 2024-25 ตามลำดับ

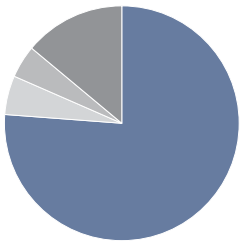
Company profile

ZEN ดำเนินธุรกิจเป็น Holding company เข้าถือหุ้นในธุรกิจร้านอาหารและธุรกิจที่เกี่ยวข้องอื่น สามารถแบ่งออกเป็น 4 กลุ่มธุรกิจคือ 1) ธุรกิจร้านอาหาร ภายใต้แบรนด์ของกลุ่มบริษัท 2) ธุรกิจแฟรนไชส์ 3) ธุรกิจรับจัดส่งอาหารและจัดเลี้ยง และ 4) ธุรกิจค้าปลีก โดยสิ้นปี 2023 มีสัดส่วนรายได้แต่ละกลุ่มราว 76.2%/5.4%/4.5%/13.9% ตามลำดับ

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Principal activities (revenue, 2023)

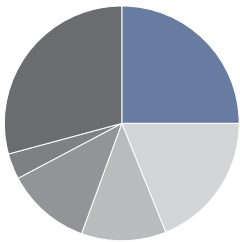
- Restaurant - 76.2 %
- Franchise - 5.4 %
- Delivery & Catering - 4.5 %
- Retail - 13.9 %



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

ปัจจัยหนุนการเติบโตในปี 2024 คือ 1) การเติบโตของจำนวนลูกค้าเข้าร้าน และการปรับขึ้นของราคาอาหาร 2) การฟื้นตัวของภาคท่องเที่ยว ช่วยหนุนลูกค้าต่างชาติ 3) ต้นทุนวัตถุดิบอาหารปรับลดลง และ 4) การขยายสาขาใหม่

Risks to our call

ความเสี่ยง 1) กำลังซื้อฟื้นตัวช้ากว่าคาด 2) ต้นทุนวัตถุดิบอาหารปรับลงช้ากว่าคาด 3) ขยายสาขาใหม่ต่ำกว่าแผน และ 4) ต้นทุนค่าแรงปรับตัวสูงขึ้น หรือประสบปัญหาขาดแคลนแรงงาน

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

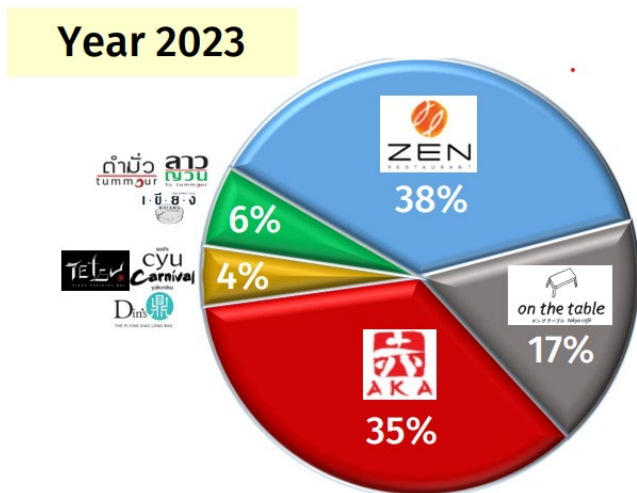
| | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24E | Change | |
|---------------------|---------|---------|---------|---------|---------|---------|--------|--------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) |
| Sales | 938 | 907 | 961 | 999 | 1,048 | 979 | (6.5) | 8.0 |
| 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 |

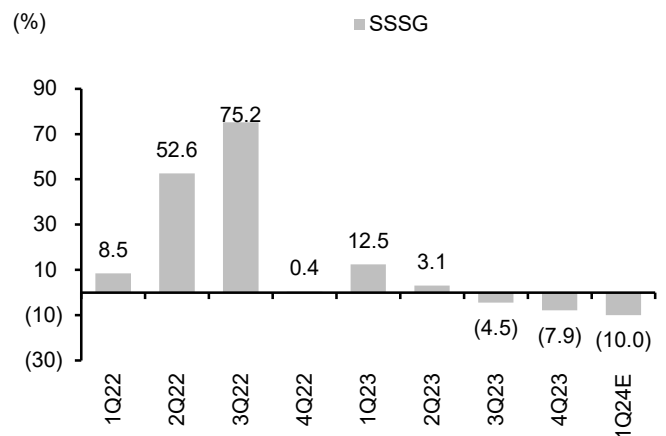
Sources: ZEN, FSSIA estimates

Exhibit 2: Restaurant revenue breakdown by brand



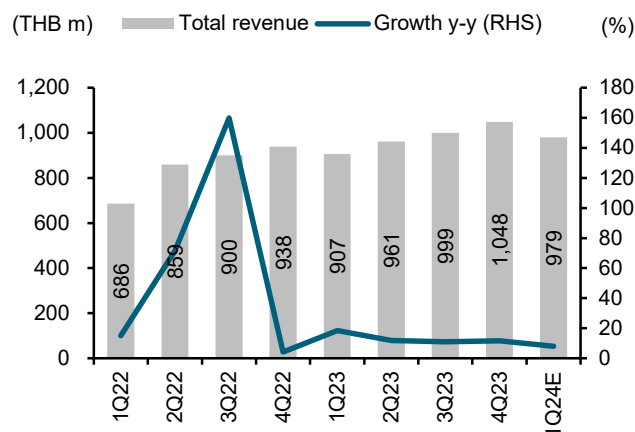
Source: ZEN

Exhibit 3: Quarterly SSSG



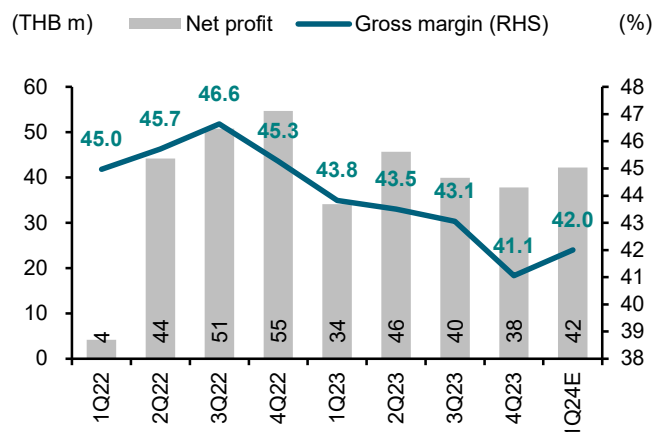
Sources: ZEN, FSSIA estimates

Exhibit 4: Quarterly total revenue and growth



Sources: ZEN, FSSIA estimates

Exhibit 5: Quarterly net profit and gross margin



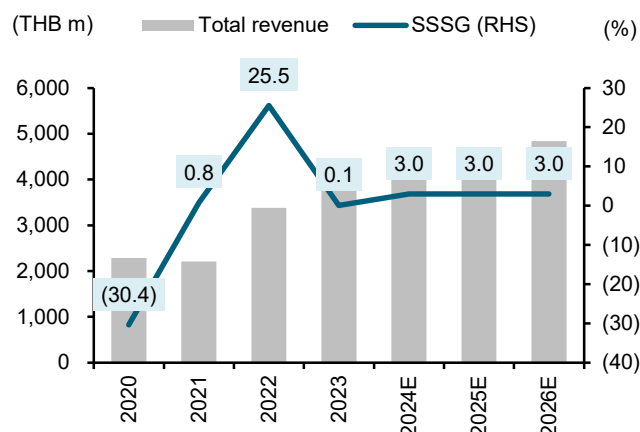
Sources: ZEN, FSSIA estimates

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 |

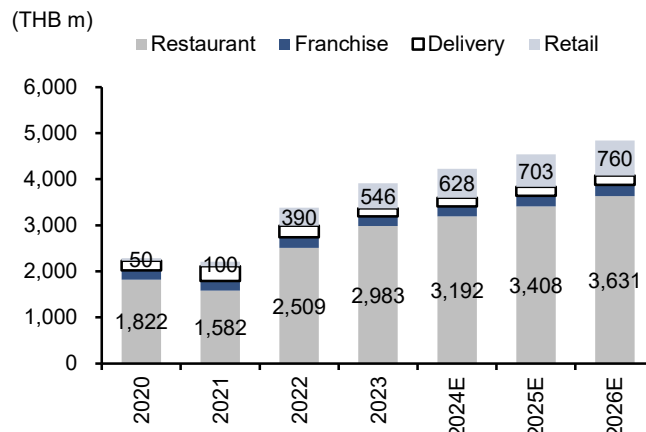
Source: FSSIA estimates

Exhibit 7: Yearly total revenue and SSSG



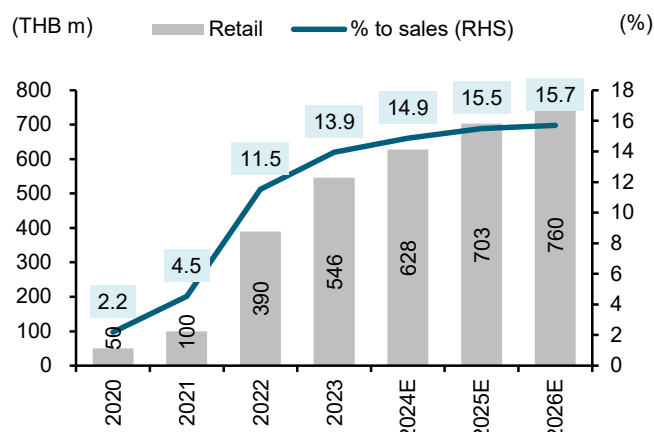
Sources: ZEN; FSSIA estimates

Exhibit 8: Yearly revenue breakdown by type of service



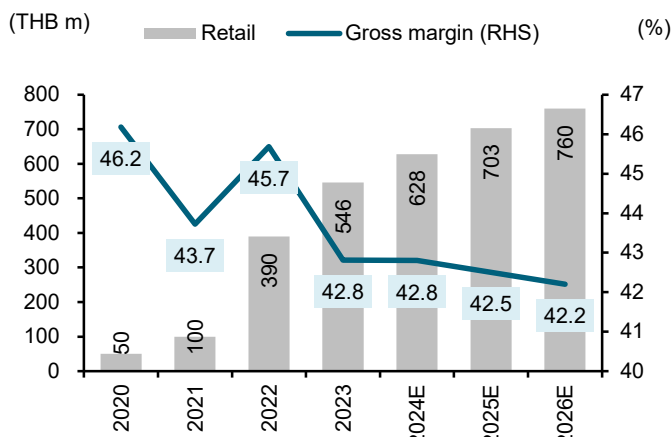
Sources: ZEN; FSSIA estimates

Exhibit 9: Yearly retail revenue and % to sales



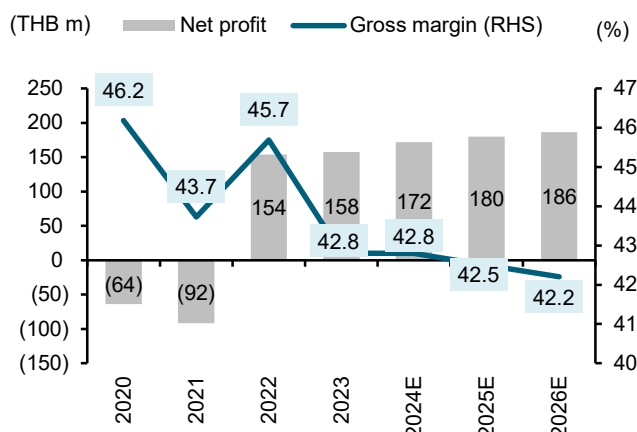
Sources: ZEN; FSSIA estimates

Exhibit 10: Yearly retail revenue and gross margin



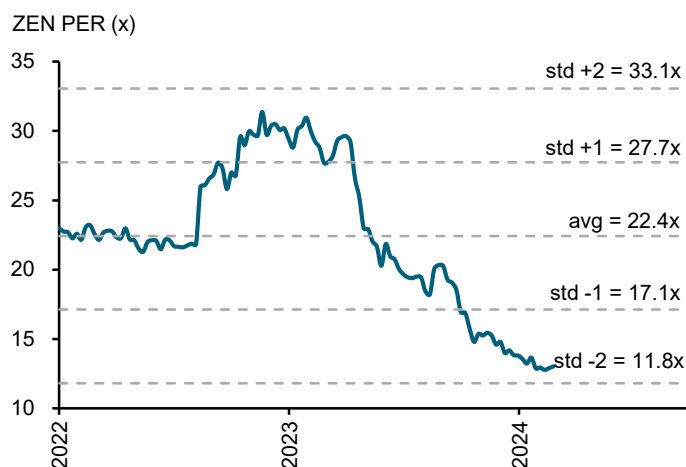
Sources: ZEN; FSSIA estimates

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) | 2022 | 2023 | 2024E | 2025E | 2026E |
|-----------------------------|-------|-------|-------|-------|-------|
| 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 Sustainabilitytics | The Sustainabilitytics' 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><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+ | | | | | | | | | | | | | | | | | | |
| 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><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></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 |
| 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 | | | | | | | | | | | | | | | | | | | |
| 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

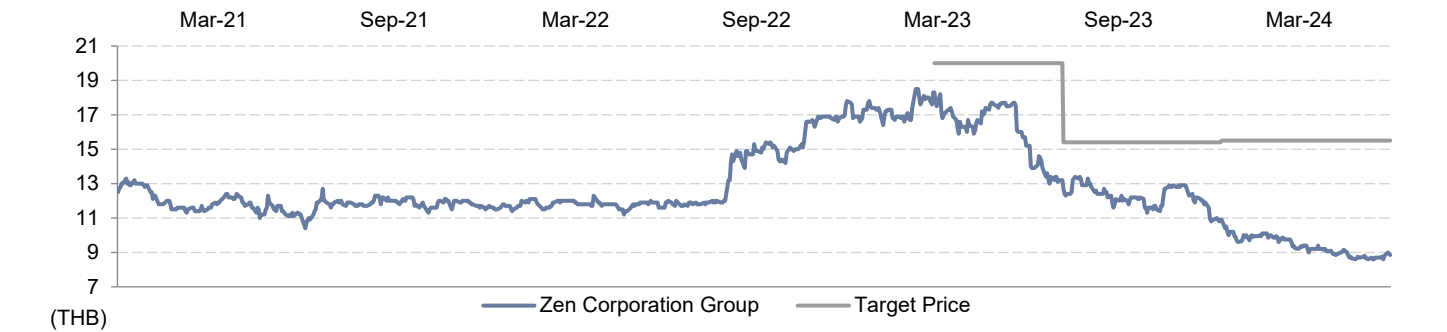
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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 consumption recovery; 2) a potential rise in raw material costs; 3) lower-than-expected new store expansion; and 4) a minimum wage increase and labour 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 $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.