FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

EQUITY RESEARCH – ANALYST MEETING

NSL FOODS   NSL TB
THAILAND / FOOD & BEVERAGE

BUY
UNCHANGED

Key takeaways from analyst meeting

|	
TARGET PRICE	**THB26.00**
CLOSE	**THB21.80**
UP/DOWNSIDE	**+19.3%**
TP vs CONSENSUS	**+1.5%**

Highlights

- At the Opportunity Day meeting on March 12, 2024, management disclosed a 2024 revenue growth target of 19% y-y, in line with 7-Eleven, food service, and NSL brands + BAW. The highlight was its short-term outlook, picturing an in-line 1Q24 growth, which would help the profit hover q-q at its record peak, breaking its seasonal pattern.

- Management targets a recovery in its associate Pen 1 and its subsidiary BAW to a profit in 2024 (after Pen 1 and BAW posted a loss of THB8.9m and THB2.1m in 2023). Also, NSLI (NSL Intertrade) targets BEV to post a profit this year (after a loss of THB2m in 2023). If they do not record a loss, it will add THB13m to the bottom line, 3.3% of the 2024 profit.

- NSL is marketing new products for exports under other brands, such as Kroven (rice bars) and Chooze (trading). Starting only in December 2023, they have already had repeat orders. These new products have potential, in our view, but may need time to gain traction.

- Besides continued product presentation to 7-Eleven, BAW plans to open one new branch every month. They will be an equity store after nearly all were previously under a franchise agreement.

- NSL is conducting a study to reduce raw material costs through investment in SPCI, a manufacturer and distributor of food ingredients, such as burning cooking wok aroma and cheese. NSL does not plan to produce cheese and will continue to buy it from multiple suppliers.

- NSL has extended its MOU with 7-Eleven by five years from its previous expiration in 2026 to 2031. It still has sufficient capacity to support growth in the next two years. After which, it may consider an expansion.

Comment

- We have a bullish view of the meeting. In the short term, we expect the 1Q24 profit to be flat or edge up q-q, breaking its seasonality due to the outlook for continued revenue growth and potentially lower loss from subsidiaries.

- We see a 4-5% upside to our estimate from 1) our 2024E revenue growth of 13.7% y-y, lower than the guidance, 2) the prospect that its associates and subsidiaries do not post a loss, which is better than our current assumption for a loss of THB7m (after they recorded a loss of THB13m in 2023), and 3) the likelihood that NSL will repay all bank loans of THB84m by August 2024 through a monthly repayment of THB10m. Upon completion, NSL will have a net cash position. Since the annual interest burden of THB10-12m equals 3% of its full-year profit, its absence will provide an upside to our estimate.

- We retain our BUY call. Our TP remains unchanged at THB26.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	4,793	5,449	6,009	6,390
Net profit	333	383	428	492
EPS (THB)	1.11	1.28	1.43	1.64
vs Consensus (%)	-	0.4	0.4	0.0
EBITDA	557	625	701	800
Recurring net profit	333	383	428	492
Core EPS (THB)	1.11	1.28	1.43	1.64
EPS growth (%)	12.1	14.9	11.7	14.9
Core P/E (x)	19.6	17.1	15.3	13.3
Dividend yield (%)	3.0	3.5	3.9	4.5
EV/EBITDA (x)	11.8	10.1	8.9	7.6
Price/book (x)	4.2	3.8	3.5	3.1
Net debt/Equity (%)	1.4	(15.7)	(18.0)	(23.6)
ROE (%)	22.5	23.4	23.8	24.8
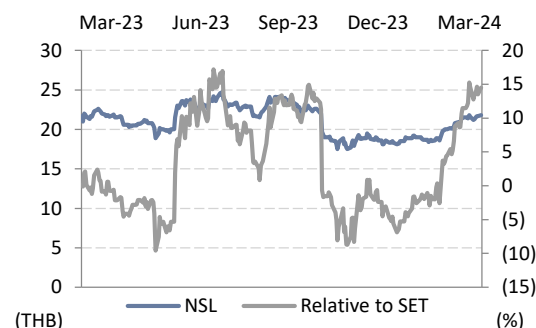
Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.0	17.2	(4.0)
Relative to country (%)	9.6	17.3	11.3

Mkt cap (USD m)	185
3m avg. daily turnover (USD m)	0.3
Free float (%)	0
Major shareholder	Mr. Somchai Asavapiyanon (72%)
12m high/low (THB)	25.25/17.30
Issued shares (m)	300.00

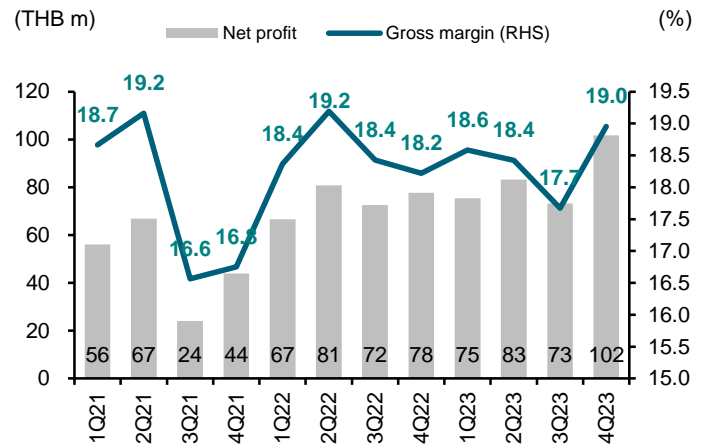Sources: Bloomberg consensus; FSSIA estimates

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Exhibit 1: Total revenue and growth
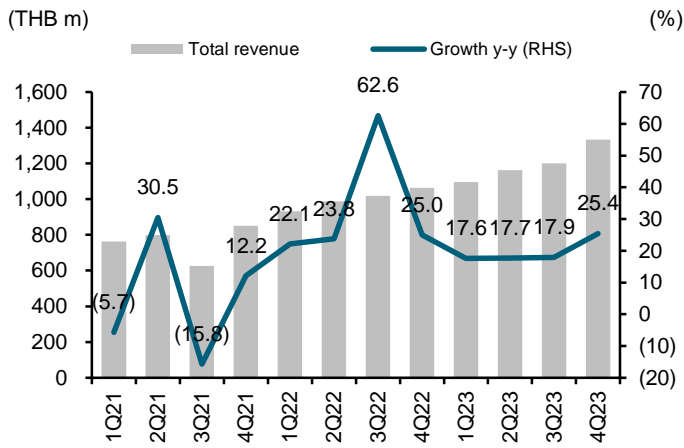
Source: NSL

Exhibit 2: Net profit and gross margin

Source: NSL

FINANSIA

Financial Statements
NSL Foods

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,001	4,793	5,449	6,009	6,390
Cost of goods sold	(3,259)	(3,910)	(4,451)	(4,903)	(5,208)
Gross profit	**742**	**883**	**997**	**1,106**	**1,182**
Other operating income	8	17	11	13	13
Operating costs	(369)	(462)	(523)	(577)	(575)
Operating EBITDA	**484**	**557**	**625**	**701**	**800**
Depreciation	(102)	(120)	(140)	(160)	(180)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**382**	**437**	**485**	**541**	**620**
Net financing costs	(10)	(11)	(12)	(13)	(14)
Associates	-	-	-	-	-
Recurring non-operating income	0	(9)	(5)	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	**372**	**418**	**468**	**528**	**607**
Tax	(74)	(85)	(85)	(100)	(115)
Profit after tax	**298**	**332**	**383**	**428**	**492**
Minority interests	0	1	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	**298**	**333**	**383**	**428**	**492**
Non-recurring items & goodwill (net)	**0**	**0**	**0**	**0**	**0**
Recurring net profit	**298**	**333**	**383**	**428**	**492**
Per share (THB)					
Recurring EPS *	0.99	1.11	1.28	1.43	1.64
Reported EPS	0.99	1.11	1.28	1.43	1.64
DPS	0.55	0.65	0.77	0.86	0.98
Diluted shares (used to calculate per share data)	300	300	300	300	300
Growth					
Revenue (%)	31.7	19.8	13.7	10.3	6.3
Operating EBITDA (%)	40.0	15.1	12.3	12.1	14.1
Operating EBIT (%)	53.3	14.5	11.1	11.5	14.6
Recurring EPS (%)	41.5	12.1	14.9	11.7	14.9
Reported EPS (%)	41.5	12.1	14.9	11.7	14.9
Operating performance					
Gross margin inc. depreciation (%)	18.5	18.4	18.3	18.4	18.5
Gross margin exc. depreciation (%)	21.1	20.9	20.9	21.1	21.3
Operating EBITDA margin (%)	12.1	11.6	11.5	11.7	12.5
Operating EBIT margin (%)	9.5	9.1	8.9	9.0	9.7
Net margin (%)	7.4	7.0	7.0	7.1	7.7
Effective tax rate (%)	19.9	20.4	18.1	19.0	19.0
Dividend payout on recurring profit (%)	55.4	58.5	60.0	60.0	60.0
Interest cover (X)	37.1	40.2	39.2	41.3	45.8
Inventory days	26.4	26.1	27.1	29.6	30.2
Debtor days	49.8	50.5	49.5	47.7	48.5
Creditor days	58.5	58.2	58.5	59.2	60.3
Operating ROIC (%)	25.9	27.2	27.9	29.3	32.3
ROIC (%)	22.3	21.3	24.1	27.4	30.2
ROE (%)	22.4	22.5	23.4	23.8	24.8
ROA (%)	13.9	14.2	14.8	15.0	15.9
* Pre exceptional, pre-goodwill and fully diluted					

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Bakery and appetizers	3,643	4,282	4,890	5,387	5,708
Food Services	288	276	295	330	363
NSL snack	35	110	121	131	140
OEM & bread wastes	35	68	79	90	104

Sources: NSL Foods; FSSIA estimates

FINANSIA

Financial Statements
NSL Foods

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	298	333	383	428	492
Depreciation	102	120	140	160	180
Associates & minorities	-	-	-	-	-
Other non-cash items	0	26	7	0	0
Change in working capital	(54)	(36)	(34)	(34)	(24)
Cash flow from operations	**346**	**443**	**496**	**554**	**648**
Capex - maintenance	(146)	(200)	(200)	(200)	(200)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(301)	28	196	(6)	(4)
Cash flow from investing	**(448)**	**(172)**	**(4)**	**(206)**	**(204)**
Dividends paid	(144)	(180)	(230)	(257)	(295)
Equity finance	0	0	0	0	0
Debt finance	(100)	(93)	70	(9)	(13)
Other financing cash flows	1	20	27	(22)	4
Cash flow from financing	**(243)**	**(252)**	**(133)**	**(288)**	**(304)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	**0**	**0**	**0**	**0**	**0**
Movement in cash	**(344)**	**19**	**359**	**61**	**140**
Free cash flow to firm (FCFF)	(91.06)	281.68	504.04	361.50	458.10
Free cash flow to equity (FCFE)	(200.65)	198.69	588.50	317.46	435.34

Per share (THB)					
FCFF per share	(0.30)	0.94	1.68	1.21	1.53
FCFE per share	(0.67)	0.66	1.96	1.06	1.45
Recurring cash flow per share	1.33	1.60	1.76	1.96	2.24

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,738	1,896	2,024	2,137	2,236
Less: Accumulated depreciation	(768)	(846)	(914)	(987)	(1,066)
Tangible fixed assets (net)	**970**	**1,050**	**1,110**	**1,150**	**1,170**
Intangible fixed assets (net)	**6**	**47**	**47**	**47**	**47**
Long-term financial assets	301	214	0	0	0
Invest. in associates & subsidiaries	0	6	0	0	0
Cash & equivalents	115	134	493	553	694
A/C receivable	595	732	746	823	875
Inventories	267	274	366	403	428
Other current assets	3	7	3	3	3
Current assets	**980**	**1,147**	**1,608**	**1,782**	**2,000**
Other assets	32	36	54	60	64
Total assets	**2,290**	**2,500**	**2,819**	**3,039**	**3,281**
Common equity	1,406	1,560	1,713	1,884	2,081
Minorities etc.	0	17	18	18	19
Total shareholders' equity	**1,406**	**1,576**	**1,731**	**1,902**	**2,099**
Long term debt	80	14	65	56	43
Other long-term liabilities	30	49	82	60	64
Long-term liabilities	**110**	**64**	**147**	**116**	**107**
A/C payable	559	650	732	806	856
Short term debt	167	141	155	155	155
Other current liabilities	47	68	54	60	64
Current liabilities	**774**	**859**	**941**	**1,021**	**1,075**
Total liabilities and shareholders' equity	**2,290**	**2,500**	**2,819**	**3,039**	**3,281**
Net working capital	259	295	329	363	387
Invested capital	1,568	1,648	1,540	1,620	1,667
* Includes convertibles and preferred stock which is being treated as debt					

Per share (THB)					
Book value per share	4.69	5.20	5.71	6.28	6.94
Tangible book value per share	4.67	5.04	5.55	6.12	6.78
Financial strength					
Net debt/equity (%)	9.4	1.4	(15.7)	(18.0)	(23.6)
Net debt/total assets (%)	5.8	0.9	(9.7)	(11.3)	(15.1)
Current ratio (x)	1.3	1.3	1.7	1.7	1.9
CF interest cover (x)	(18.5)	19.7	49.0	25.2	33.1

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	**22.0**	**19.6**	**17.1**	**15.3**	**13.3**
Recurring P/E @ target price (x) *	**26.2**	**23.4**	**20.4**	**18.2**	**15.9**
Reported P/E (x)	22.0	19.6	17.1	15.3	13.3
Dividend yield (%)	2.5	3.0	3.5	3.9	4.5
Price/book (x)	4.7	4.2	3.8	3.5	3.1
Price/tangible book (x)	4.7	4.3	3.9	3.6	3.2
EV/EBITDA (x) **	13.8	11.8	10.1	8.9	7.6
EV/EBITDA @ target price (x) **	16.4	14.1	12.1	10.7	9.1
EV/invested capital (x)	4.3	4.0	4.1	3.8	3.6
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: NSL Foods; 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%). *(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.)*	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. *(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.)*	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. *Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.*	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. 	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. AAA 8.571-10.000; AA 7.143-8.570; A 5.714-7.142; BBB 4.286-5.713; BB 2.857-4.285; B 1.429-2.856; CCC 0.000-1.428. **Leader:** leading its industry in managing the most significant ESG risks and opportunities **Average:** a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers **Laggard:** lagging its industry based on its high exposure and failure to manage significant ESG risks	
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. *(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)*	
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

NSL Foods (NSL TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	26.00	18-Oct-2023	BUY	24.00	05-Feb-2024	BUY	26.00

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
NSL Foods	NSL TB	THB 21.80	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.

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 11-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.