

NSL FOODS NSL TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

Exciting earnings trend

- We are excited about the 1Q24 earnings trend, expecting net profit to reach a new high of THB104m (+2.5% q-q, +38.4% y-y).
- Revise up our 2024-25E profit by 7-9% due to stronger expected revenue growth and declining losses from affiliates.
- Reaffirm BUY call with new TP of THB30.

| | |
|-----------------|----------|
| TARGET PRICE | THB30.00 |
| CLOSE | THB22.60 |
| UP/DOWNSIDE | +32.7% |
| PRIOR TP | THB26.00 |
| CHANGE IN TP | +15.4% |
| TP vs CONSENSUS | +7.8% |

KEY STOCK DATA

| YE Dec (THB m) | 2023 | 2024E | 2025E | 2026E |
|----------------------|-------|--------|--------|--------|
| Revenue | 4,793 | 5,579 | 6,308 | 7,075 |
| Net profit | 333 | 410 | 470 | 534 |
| EPS (THB) | 1.11 | 1.37 | 1.57 | 1.78 |
| vs Consensus (%) | - | 3.6 | 5.0 | 3.9 |
| EBITDA | 557 | 648 | 750 | 858 |
| Recurring net profit | 333 | 410 | 470 | 534 |
| Core EPS (THB) | 1.11 | 1.37 | 1.57 | 1.78 |
| Chg. In EPS est. (%) | - | 7.1 | 9.8 | 8.5 |
| EPS growth (%) | 12.1 | 23.1 | 14.5 | 13.6 |
| Core P/E (x) | 20.3 | 16.5 | 14.4 | 12.7 |
| Dividend yield (%) | 2.9 | 3.5 | 4.1 | 4.6 |
| EV/EBITDA (x) | 12.2 | 10.1 | 8.7 | 7.5 |
| Price/book (x) | 4.3 | 3.9 | 3.5 | 3.2 |
| Net debt/Equity (%) | 1.4 | (15.8) | (13.8) | (15.8) |
| ROE (%) | 22.5 | 25.0 | 25.7 | 26.2 |

Bullish view from Finansia event yesterday

We hosted Finansia's Food Day with management yesterday and came away with a more bullish view from the event. Management has set its 2024 revenue growth target at 19% y-y. In addition, management targets a recovery in its associate, Pen 1, and profitability for its subsidiary, BAW, in 2024. Additionally, NSL Intertrade targets BEV this year. Aside from that, the company plans to increase its non-7-Eleven revenue contribution through NSL brands and by contracting with other modern trade companies such as Central Group. Given that they already have a business relationship, the expansion plan for Tops Daily is not a concern.

Project 1Q24 profit to reach a new high

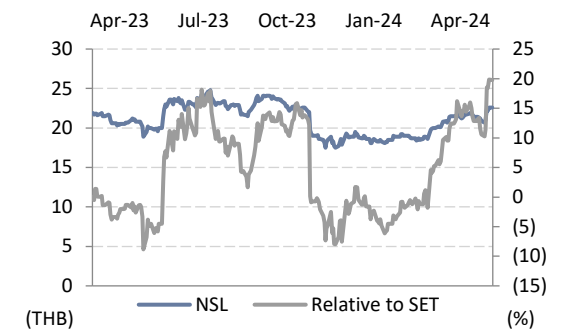
We are excited about the 1Q24 earnings trend, projecting total revenue to grow significantly by 21.9% y-y, exceeding our previous expectations. This would mainly come from the strong performance of existing products and the continued success of new products launched in 4Q23. Moreover, the cost of raw materials remains relatively stable. Hence, we anticipate the 1Q24 gross margin to remain high at around 19%. We also expect the share of losses from associated companies like Pen 1 to decrease q-q. BAW may potentially report a slight profit in 1Q24 due to adjustments in its structure and reduced costs. Hence, we forecast NSL's 1Q24 net profit to hit a record high of THB104m (+2.5% q-q, +38.4% y-y).

Revise up our 2024-25 net profit forecast

We revise up our 2024-25 net profit forecast by 7-9% to THB410m (+23% y-y) and THB470m (+14.5% y-y), respectively. This is due to stronger expected revenue growth and a declining trend in losses from associated companies. Meanwhile, the company has extended its MOU with 7-Eleven by five years from its previous expiration in 2026 to 2031. The company plans to expand its production capacity in 2025-26, in line with the expansion of 7-Eleven and the growth of NSL brands and BAW. The new factory will be built on the company's existing land and is expected to double its production capacity.

Reaffirm BUY call with new TP of THB30

We raise our target price on NSL to THB30 from THB26, as the company has demonstrated better-than-expected growth and strong financial performance. The target P/E multiple has also been re-rated from 20x to 22x (+1.0 SD) to reflect this positive trend. NSL plans to fully repay its bank loans totaling THB84m by August 2024. Once this is completed, the company will have a net cash position, indicating a strong balance sheet.



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|--------------------------------|---------|----------|
| Absolute (%) | 4.6 | 22.2 | 2.7 |
| Relative to country (%) | 3.7 | 25.4 | 19.8 |
| Mkt cap (USD m) | 186 | | |
| 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



Sureeporn Teewasuwet

Fundamental Investment Analyst on Securities; License no. 040694
sureeporn.t@fssia.com, +66 2646 9972

Investment thesis

Besides growth in tandem with 7-Eleven, NSL continues to launch new bakery products to create a good impression and cope with rapidly changing consumer needs. It also plans to raise non-7-Eleven revenue to diversify dependency risks by introducing branded snacks and entering the food services business. In its latest move, NSL has invested in two subsidiaries, one with Bake A Wish and one with NSL Intertrade, to further its future growth.

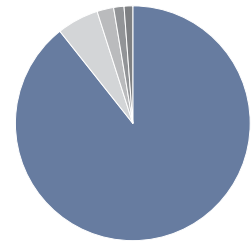
Company profile

NSL is a manufacturer and distributor of bakery products, appetizers (under CPALL brands, such as EZY Taste, EZY Sweet, and 7 Fresh), and snacks (under NSL brands). It is also in the food services business covering seafood, fish, meats, and frozen vegetables. NSL earns its revenue mainly from domestic sales, with CPALL as its key account. Moreover, it sells food services products to the HoReCa market and other modern trade distributors. It currently has four factories in Chonburi and Nontaburi.

www.nslfoods.com

Principal activities (revenue, 2023)

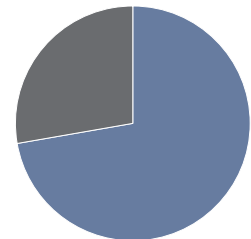
- Bakery and appetizers - 89.3 %
- Food Services - 5.8 %
- NSL snack - 2.3 %
- OEM & bread wastes - 1.4 %
- Franchise fees and others - 1.2 %



Source: NSL Foods

Major shareholders

- Mr. Somchai Asavapiyanon - 72.3 %
- Others - 27.7 %



Source: NSL Foods

Catalysts

Potential catalysts for NSL’s earnings growth in 2024 are 1) revenue growth driven by new product launches and a tourism recovery; 2) new 7-Eleven branch expansions; and 3) a decline in raw material costs that should offset higher utility costs.

Risks to our call

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.

Event calendar

| Date | Event |
|----------|---------------------------|
| May 2024 | 1Q24 results announcement |

Key assumptions

| | 2024E | 2025E | 2026E |
|-----------------------|-------|-------|-------|
| Total revenue (THB m) | 5,579 | 6,308 | 7,075 |
| Revenue growth (%) | 16.4 | 13.1 | 12.2 |
| Gross margin (%) | 18.5 | 18.6 | 18.7 |
| SG&A to sales (%) | 9.6 | 9.6 | 9.6 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2024 net profit to rise by 0.9%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 5.2%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to sales, we estimate 2024 net profit to fall by 5%, and vice versa, all else being equal.

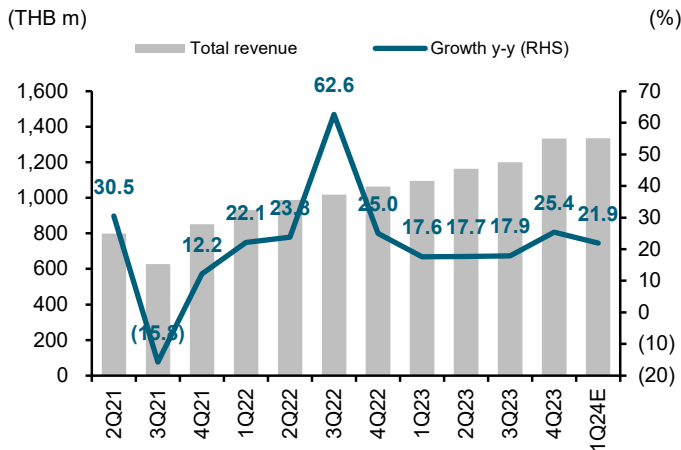
Source: FSSIA estimates

Exhibit 1: NSL - 1Q24 earnings preview

| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24E | Change | | 2024E | Change | % 1Q24E |
|-------------------------------------|---------|---------|---------|---------|---------|--------------|--------------|---------|--------|----------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (y-y%) | to 2024E |
| Sales | 1,095 | 1,163 | 1,201 | 1,333 | 1,335 | 0.1 | 21.9 | 5,579 | 16.4 | 23.9 |
| Cost of sales | 892 | 949 | 988 | 1,081 | 1,081 | 0.1 | 21.3 | 4,547 | 16.3 | 23.8 |
| Gross profit | 204 | 214 | 212 | 253 | 254 | 0.4 | 24.6 | 1,032 | 16.9 | 24.6 |
| SG&A | 107 | 109 | 117 | 129 | 127 | (1.7) | 18.2 | 536 | 15.9 | 23.7 |
| Operating profit | 98 | 108 | 98 | 132 | 133 | 0.4 | 35.0 | 508 | 16.1 | 26.2 |
| Interest expense | 3 | 3 | 2 | 3 | 3 | 6.7 | (6.3) | 6 | (46.0) | 48.7 |
| Profit (loss) sharing | (1) | (2) | (4) | (3) | (2) | nm | nm | (3) | nm | 53.8 |
| Tax expense | 19 | 21 | 19 | 27 | 26 | (3.0) | 33.1 | 90 | 5.8 | 28.5 |
| Reported net profit | 75 | 83 | 73 | 102 | 104 | 2.5 | 38.4 | 410 | 23.1 | 25.4 |
| Core profit | 78 | 83 | 73 | 102 | 104 | 2.5 | 33.1 | 410 | 23.1 | 25.4 |
| Key ratios (%) | | | | | | (ppt) | (ppt) | | | |
| Gross margin | 18.6 | 18.4 | 17.7 | 19.0 | 19.0 | 0.0 | 0.4 | 18.5 | 0.0 | |
| SG&A / Sales | 9.8 | 9.4 | 9.7 | 9.7 | 9.5 | (0.2) | (0.3) | 9.6 | 0.0 | |
| Operating margin | 9.0 | 9.3 | 8.2 | 9.9 | 9.9 | 0.0 | 1.0 | 9.1 | 0.0 | |
| Net margin | 6.9 | 7.1 | 6.1 | 7.6 | 7.8 | 0.2 | 0.9 | 7.4 | 0.4 | |
| Core margin | 7.2 | 7.1 | 6.1 | 7.6 | 7.8 | 0.2 | 0.7 | 7.4 | 0.4 | |
| Operating statistics (THB m) | | | | | | | | | | |
| Bakery sales | 1,004 | 1,066 | 1,060 | 1,152 | 1,191 | 3.4 | 18.7 | 4,988 | 16.5 | 23.9 |
| Food service sales | 68 | 69 | 64 | 75 | 75 | 0.0 | 10.3 | 303 | 10.0 | 24.7 |
| Snack sales (NSL brands) | 10 | 10 | 45 | 45 | 48 | 6.4 | 384.8 | 127 | 15.0 | 37.9 |
| OEM sales (incl. BAW and NSLI) | 14 | 19 | 19 | 17 | 18 | 6.5 | 29.5 | 149 | 22.9 | 12.1 |
| Franchise sales | 0 | 0 | 1 | 3 | 3 | 0.0 | nm | 12 | 172.7 | 25.0 |

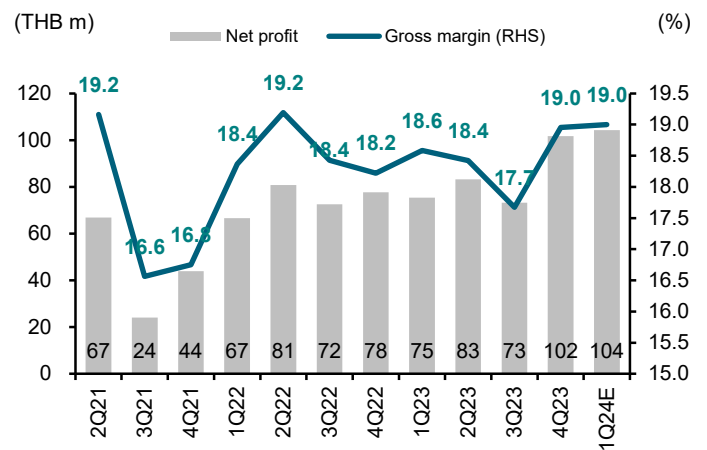
Sources: NSL; FSSIA estimates

Exhibit 2: Quarterly total revenue and growth



Sources: NSL, FSSIA estimates

Exhibit 3: Quarterly net profit and gross margin



Sources: NSL, FSSIA estimates

Exhibit 4: Changes in key assumptions for NSL

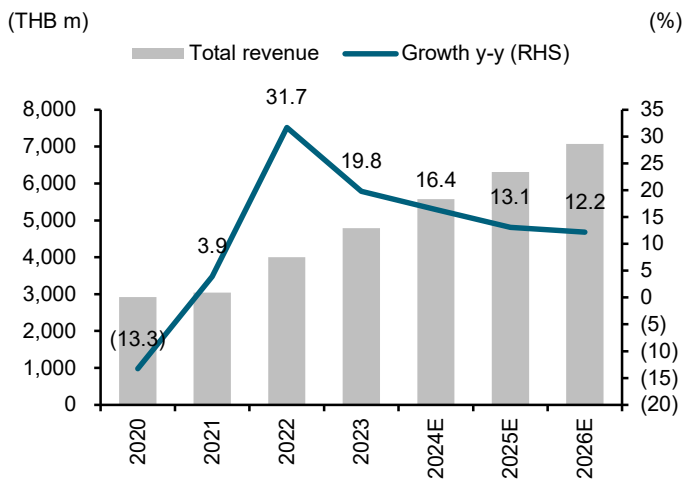
| | Current | | | Previous | | | Change | | |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|--------------|--------------|
| | 2024E (THB m) | 2025E (THB m) | 2026E (THB m) | 2024E (THB m) | 2025E (THB m) | 2026E (THB m) | 2024E (%) | 2025E (%) | 2026E (%) |
| Total revenue | 5,579 | 6,308 | 7,075 | 5,449 | 6,009 | 6,390 | 2.4 | 5.0 | 10.7 |
| Costs | 4,547 | 5,135 | 5,752 | 4,451 | 4,903 | 5,208 | 2.1 | 4.7 | 10.4 |
| Gross profit | 1,032 | 1,173 | 1,323 | 997 | 1,106 | 1,182 | 3.5 | 6.1 | 11.9 |
| SG&A expenses | 536 | 606 | 679 | 523 | 577 | 575 | 2.4 | 5.0 | 18.1 |
| Profit sharing | (3) | 2 | 3 | (5) | 0 | 0 | <i>nm</i> | <i>nm</i> | <i>nm</i> |
| Reported net profit | 410 | 470 | 534 | 383 | 428 | 492 | 7.1 | 9.8 | 8.5 |
| Core profit | 410 | 470 | 534 | 383 | 428 | 492 | 7.1 | 9.8 | 8.5 |

| Key ratios (%) | | | | | | | | | |
|----------------------|------|------|------|------|------|------|-----|-----|-------|
| Total revenue growth | 16.4 | 13.1 | 12.2 | 13.7 | 10.3 | 6.3 | 2.7 | 2.8 | 5.8 |
| Net profit growth | 23.1 | 14.5 | 13.6 | 14.9 | 11.7 | 14.9 | 8.2 | 2.8 | (1.3) |
| Core profit growth | 23.1 | 14.5 | 13.6 | 14.9 | 11.7 | 14.9 | 8.2 | 2.8 | (1.3) |
| Gross margin | 18.5 | 18.6 | 18.7 | 18.3 | 18.4 | 18.5 | 0.2 | 0.2 | 0.2 |
| SG&A to sales | 9.6 | 9.6 | 9.6 | 9.6 | 9.6 | 9.0 | 0.0 | 0.0 | 0.6 |
| Net margin | 7.4 | 7.4 | 7.5 | 7.0 | 7.1 | 7.7 | 0.3 | 0.3 | (0.2) |
| Core margin | 7.4 | 7.4 | 7.5 | 7.0 | 7.1 | 7.7 | 0.3 | 0.3 | (0.2) |

| Operating statistics (THB m) | | | | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| Bakery sales | 4,988 | 5,656 | 6,369 | 4,890 | 5,387 | 5,708 | 2.0 | 5.0 | 11.6 |
| Food service sales | 303 | 328 | 354 | 295 | 330 | 363 | 2.8 | (0.9) | (2.7) |
| Snack sales | 127 | 139 | 150 | 121 | 131 | 140 | 4.5 | 6.5 | 7.5 |
| OEM sales | 89 | 107 | 120 | 79 | 90 | 104 | 13.0 | 18.0 | 14.9 |

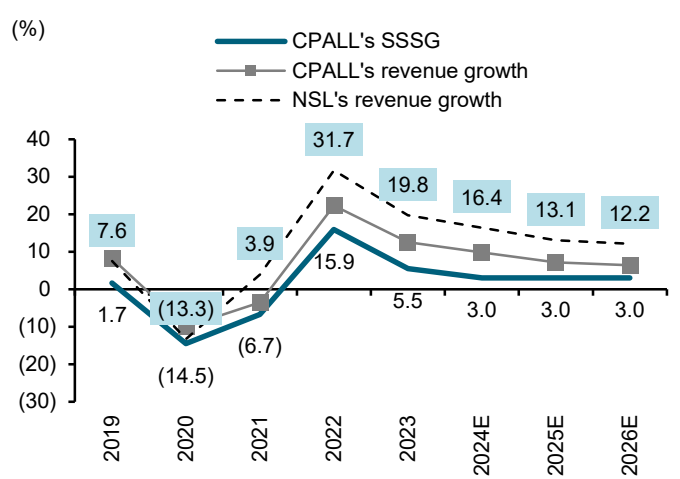
Source: FSSIA estimates

Exhibit 5: Yearly total revenue and growth



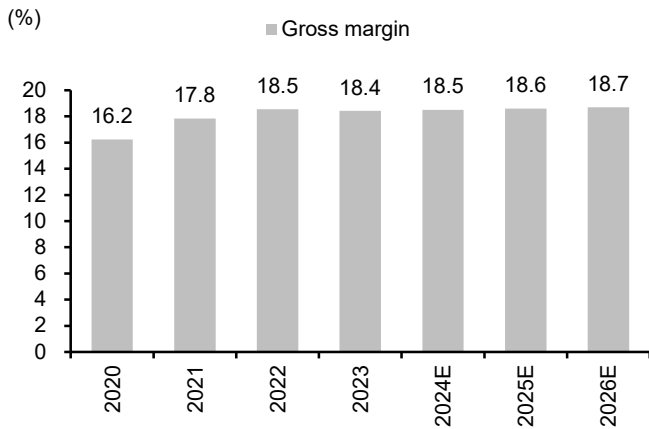
Sources: FSSIA estimates

Exhibit 6: NSL's revenue growth vs CPALL's SSSG



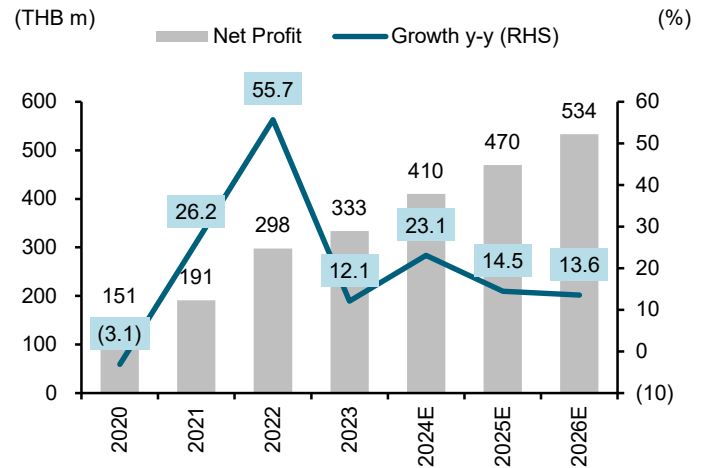
Sources: NSL, CPALL, FSSIA's compilation

Exhibit 7: Yearly gross margin



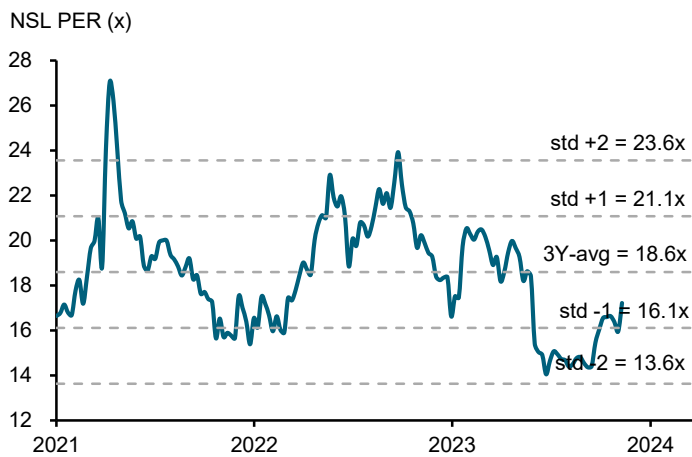
Source: FSSIA estimates

Exhibit 8: Yearly net profit and growth



Sources: FSSIA estimates

Exhibit 9: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 10: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Financial Statements

NSL Foods

| Profit and Loss (THB m) Year Ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|------------|------------|--------------|--------------|--------------|
| Revenue | 4,001 | 4,793 | 5,579 | 6,308 | 7,075 |
| Cost of goods sold | (3,259) | (3,910) | (4,547) | (5,135) | (5,752) |
| Gross profit | 742 | 883 | 1,032 | 1,173 | 1,323 |
| Other operating income | 8 | 17 | 11 | 13 | 14 |
| Operating costs | (369) | (462) | (536) | (606) | (679) |
| Operating EBITDA | 484 | 557 | 648 | 750 | 858 |
| Depreciation | (102) | (120) | (140) | (170) | (200) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 382 | 437 | 508 | 580 | 658 |
| Net financing costs | (10) | (11) | (6) | (5) | (5) |
| Associates | - | - | - | - | - |
| Recurring non-operating income | 0 | (9) | (3) | 2 | 3 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 372 | 418 | 499 | 578 | 656 |
| Tax | (74) | (85) | (90) | (110) | (125) |
| Profit after tax | 298 | 332 | 409 | 468 | 531 |
| Minority interests | 0 | 1 | 2 | 2 | 2 |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 298 | 333 | 410 | 470 | 534 |
| Non-recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 298 | 333 | 410 | 470 | 534 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.99 | 1.11 | 1.37 | 1.57 | 1.78 |
| Reported EPS | 0.99 | 1.11 | 1.37 | 1.57 | 1.78 |
| DPS | 0.55 | 0.65 | 0.80 | 0.92 | 1.04 |
| Diluted shares (used to calculate per share data) | 300 | 300 | 300 | 300 | 300 |
| Growth | | | | | |
| Revenue (%) | 31.7 | 19.8 | 16.4 | 13.1 | 12.2 |
| Operating EBITDA (%) | 40.0 | 15.1 | 16.3 | 15.9 | 14.3 |
| Operating EBIT (%) | 53.3 | 14.5 | 16.1 | 14.3 | 13.4 |
| Recurring EPS (%) | 41.5 | 12.1 | 23.1 | 14.5 | 13.6 |
| Reported EPS (%) | 41.5 | 12.1 | 23.1 | 14.5 | 13.6 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 18.5 | 18.4 | 18.5 | 18.6 | 18.7 |
| Gross margin exc. depreciation (%) | 21.1 | 20.9 | 21.0 | 21.3 | 21.5 |
| Operating EBITDA margin (%) | 12.1 | 11.6 | 11.6 | 11.9 | 12.1 |
| Operating EBIT margin (%) | 9.5 | 9.1 | 9.1 | 9.2 | 9.3 |
| Net margin (%) | 7.4 | 7.0 | 7.4 | 7.4 | 7.5 |
| Effective tax rate (%) | 19.9 | 20.4 | 18.1 | 19.0 | 19.0 |
| Dividend payout on recurring profit (%) | 55.4 | 58.5 | 58.5 | 58.5 | 58.5 |
| Interest cover (X) | 37.1 | 40.2 | 87.8 | 129.4 | 139.1 |
| Inventory days | 26.4 | 26.1 | 26.8 | 29.2 | 29.4 |
| Debtor days | 49.8 | 50.5 | 48.9 | 47.1 | 47.3 |
| Creditor days | 58.5 | 58.2 | 57.9 | 58.5 | 58.8 |
| Operating ROIC (%) | 25.9 | 27.2 | 29.1 | 30.2 | 31.0 |
| ROIC (%) | 22.3 | 21.3 | 25.2 | 28.3 | 29.1 |
| ROE (%) | 22.4 | 22.5 | 25.0 | 25.7 | 26.2 |
| ROA (%) | 13.9 | 14.2 | 15.8 | 16.4 | 16.9 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Bakery and appetizers | 3,643 | 4,282 | 4,988 | 5,656 | 6,369 |
| Food Services | 288 | 276 | 303 | 328 | 354 |
| NSL snack | 35 | 110 | 127 | 139 | 150 |
| OEM & bread wastes | 35 | 68 | 89 | 107 | 120 |

Sources: NSL Foods; FSSIA estimates

Financial Statements

NSL Foods

| Cash Flow (THB m) Year Ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Recurring net profit | 298 | 333 | 410 | 470 | 534 |
| Depreciation | 102 | 120 | 140 | 170 | 200 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 0 | 26 | 4 | (1) | (2) |
| Change in working capital | (54) | (36) | (42) | (45) | (47) |
| Cash flow from operations | 346 | 443 | 512 | 594 | 684 |
| Capex - maintenance | (146) | (200) | (200) | (300) | (300) |
| Capex - new investment | - | - | - | - | - |
| Net acquisitions & disposals | - | - | - | - | - |
| Other investments (net) | (301) | 28 | 191 | (5) | (5) |
| Cash flow from investing | (448) | (172) | (9) | (305) | (305) |
| Dividends paid | (144) | (180) | (240) | (275) | (312) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | (100) | (93) | (35) | (25) | 5 |
| Other financing cash flows | 1 | 20 | 29 | (21) | 8 |
| Cash flow from financing | (243) | (252) | (247) | (320) | (299) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (344) | 19 | 257 | (32) | 80 |
| Free cash flow to firm (FCFF) | (91.06) | 281.68 | 508.82 | 292.79 | 383.84 |
| Free cash flow to equity (FCFE) | (200.65) | 198.69 | 496.63 | 242.69 | 391.76 |

Per share (THB)

| | | | | | |
|-------------------------------|--------|------|------|------|------|
| FCFF per share | (0.30) | 0.94 | 1.70 | 0.98 | 1.28 |
| FCFE per share | (0.67) | 0.66 | 1.66 | 0.81 | 1.31 |
| Recurring cash flow per share | 1.33 | 1.60 | 1.85 | 2.13 | 2.44 |

| Balance Sheet (THB m) Year Ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|--------------|--------------|--------------|--------------|--------------|
| Tangible fixed assets (gross) | 1,738 | 1,896 | 2,024 | 2,227 | 2,406 |
| Less: Accumulated depreciation | (768) | (846) | (914) | (987) | (1,066) |
| Tangible fixed assets (net) | 970 | 1,050 | 1,110 | 1,240 | 1,340 |
| Intangible fixed assets (net) | 6 | 47 | 47 | 47 | 47 |
| Long-term financial assets | 301 | 214 | 0 | 0 | 0 |
| Invest. in associates & subsidiaries | 0 | 6 | 6 | 6 | 6 |
| Cash & equivalents | 115 | 134 | 390 | 358 | 438 |
| A/C receivable | 595 | 732 | 764 | 864 | 969 |
| Inventories | 267 | 274 | 374 | 422 | 473 |
| Other current assets | 3 | 7 | 3 | 3 | 4 |
| Current assets | 980 | 1,147 | 1,531 | 1,648 | 1,883 |
| Other assets | 32 | 36 | 56 | 63 | 71 |
| Total assets | 2,290 | 2,500 | 2,750 | 3,003 | 3,347 |
| Common equity | 1,406 | 1,560 | 1,730 | 1,925 | 2,146 |
| Minorities etc. | 0 | 17 | 18 | 18 | 19 |
| Total shareholders' equity | 1,406 | 1,576 | 1,748 | 1,943 | 2,165 |
| Long term debt | 80 | 14 | 0 | 35 | 40 |
| Other long-term liabilities | 30 | 49 | 84 | 63 | 71 |
| Long-term liabilities | 110 | 64 | 84 | 98 | 111 |
| A/C payable | 559 | 650 | 747 | 844 | 946 |
| Short term debt | 167 | 141 | 115 | 55 | 55 |
| Other current liabilities | 47 | 68 | 56 | 63 | 71 |
| Current liabilities | 774 | 859 | 918 | 962 | 1,071 |
| Total liabilities and shareholders' equity | 2,290 | 2,500 | 2,750 | 3,003 | 3,347 |
| Net working capital | 259 | 295 | 338 | 382 | 429 |
| Invested capital | 1,568 | 1,648 | 1,556 | 1,738 | 1,893 |

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

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 4.69 | 5.20 | 5.77 | 6.42 | 7.15 |
| Tangible book value per share | 4.67 | 5.04 | 5.61 | 6.26 | 7.00 |

Financial strength

| | | | | | |
|---------------------------|--------|------|--------|--------|--------|
| Net debt/equity (%) | 9.4 | 1.4 | (15.8) | (13.8) | (15.8) |
| Net debt/total assets (%) | 5.8 | 0.9 | (10.0) | (8.9) | (10.2) |
| Current ratio (x) | 1.3 | 1.3 | 1.7 | 1.7 | 1.8 |
| CF interest cover (x) | (18.5) | 19.7 | 87.4 | 54.9 | 83.5 |

| Valuation | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 22.8 | 20.3 | 16.5 | 14.4 | 12.7 |
| Recurring P/E @ target price (x) * | 30.2 | 27.0 | 21.9 | 19.2 | 16.9 |
| Reported P/E (x) | 22.8 | 20.3 | 16.5 | 14.4 | 12.7 |
| Dividend yield (%) | 2.4 | 2.9 | 3.5 | 4.1 | 4.6 |
| Price/book (x) | 4.8 | 4.3 | 3.9 | 3.5 | 3.2 |
| Price/tangible book (x) | 4.8 | 4.5 | 4.0 | 3.6 | 3.2 |
| EV/EBITDA (x) ** | 14.3 | 12.2 | 10.1 | 8.7 | 7.5 |
| EV/EBITDA @ target price (x) ** | 18.9 | 16.2 | 13.5 | 11.7 | 10.1 |
| EV/invested capital (x) | 4.4 | 4.1 | 4.2 | 3.8 | 3.4 |

* 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 (50-59), 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+ | | | | | | | | | |
| NEGL | Low | Medium | High | Severe | | | | | | | | | | | | | | | | | |
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | | | | | | | | | |
| ESG Book | The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis. | The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance. | | | | | | | | | | | | | | | | | | | |
| MSCI | MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="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 |
| 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

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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 |

Sureporn 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 22.60 | 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 01-Apr-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.