

# THAI FOODS GROUP TFG TB

## THAILAND / FOOD & BEVERAGE

# BUY

FROM HOLD

## Best performer in 1Q

- Extend bet on a 1Q24 profit turnaround, but the core operation should show a modest loss.
- We retain our call for a profit turnaround in 2024 from a loss in 2023 on a promising outlook.
- Upgrade to BUY with a higher 2024 TP of THB4.8.

TARGET PRICE	THB4.80
CLOSE	THB3.66
UP/DOWNSIDE	+31.1%
PRIOR TP	THB4.00
CHANGE IN TP	+20.0%
TP vs CONSENSUS	+22.0%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	55,871	58,976	60,687	62,419
Net profit	(809)	2,102	2,319	2,546
EPS (THB)	(0.14)	0.34	0.34	0.38
vs Consensus (%)	-	13.0	(15.6)	(10.6)
EBITDA	5,287	8,760	9,254	9,759
Recurring net profit	(496)	2,102	2,319	2,546
Core EPS (THB)	(0.09)	0.34	0.34	0.38
Chg. In EPS est. (%)	nm	0.2	(9.1)	nm
EPS growth (%)	nm	nm	0.8	9.8
Core P/E (x)	(42.8)	10.7	10.7	9.7
Dividend yield (%)	0.8	4.2	4.2	4.6
EV/EBITDA (x)	8.7	5.2	4.9	4.4
Price/book (x)	1.6	1.5	1.4	1.3
Net debt/Equity (%)	179.5	148.3	117.8	99.0
ROE (%)	(3.4)	14.5	14.3	14.3

## Expect 1Q24 core operation to significantly improve

We expect 1Q24 core operation to significantly improve to a loss of just THB7m, from a loss of THB972m in 4Q23. Also, we anticipate gains from biological assets after swine price recoveries in Vietnam, which should help the bottom line turn into a profit of cTHB23m in 1Q24. It signals a solid recovery, which could make TFG the best performer among its swine peers in 1Q24. Crucial drivers should include 1) higher prices and sales volume in the poultry business (31% of total revenue), 2) a recovery in the swine business (20% of revenue) since substantially higher sales volume and swine prices in Vietnam should outweigh higher farming costs than swine prices in Thailand, and 3) zero retail shop expansion in 1Q24 and better performance of the 350 existing stores.

## 2Q24 profit would continue to accelerate

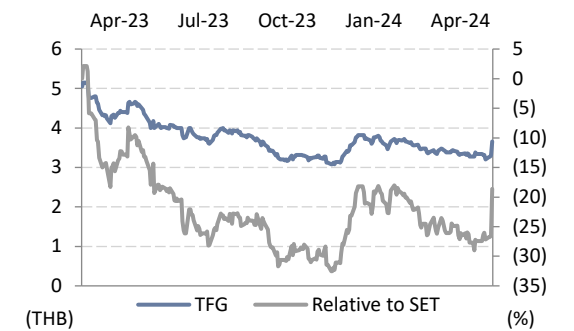
Given an extended drawdown of high-priced raw materials, we assume a remarkable 1Q24 gross margin recovery to 7%, from 0.8% in 4Q23, approaching the breakeven. In 2Q24, it could increase further to c9-10% in line with rising livestock prices. In particular, domestic swine prices increased to THB68-70 per kg from THB62.5 per kg in 1Q24, while swine prices in Vietnam surged to VND60,000 per kg (+12% QTD). With further declines in the cost of raw materials, 2Q24 should show a significant improvement in net profit, projected to reach THB300-400m.

## Retain our 2024E profit on a promising outlook

We expect another sharp earnings recovery in 2H24 due partly to the plan for more retail shop expansion from 3Q24 onward. The overall situation appears promising, and we expect a rapid recovery within the swine industry. Since our estimate has limited downside potential, we maintain our 2024E net profit of THB2.1b, rebounding from a net loss of THB810m in 2023.

## Upgrade to BUY at a higher TP of THB4.8

We have upgraded our rating to BUY (from Hold), with a higher 2024 target price of THB4.8 (from THB4) after we raised our PE target to 14x (its 5-year average) from 12x (-0.5 standard deviation). TFG announced its issuance of 10:1 TFG-W4 warrants. They will go XW on April 30, 2024, at a THB3.8 exercise price. Given its first exercise date on November 29, 2024, we anticipate an EPS dilution from 2025 onwards, assuming a 100% conversion.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	7.6	1.7	(26.2)
Relative to country (%)	8.3	2.5	(16.7)
Mkt cap (USD m)	559		
3m avg. daily turnover (USD m)	0.1		
Free float (%)	16		
Major shareholder	New Star Victor Co Ltd (28%)		
12m high/low (THB)	5.25/3.04		
Issued shares (m)	5,810.82		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

TFG is one of Thailand's top three chicken processors and live pig farmers, with a daily production capacity of 500,000 chickens and a monthly supply of over 100,000 hogs.

We have a more bullish view of the 2024 growth outlook. Specifically, we anticipate a profit turnaround due to meat price recovery, particularly pig prices in Thailand, which have recovered close to raising costs. Besides the easing illegal pork outlook, TFG also benefited from decreased feed costs, such as maize and soybean meal, after their output increased. Also, the broiler unit should improve, in line with exports, while domestic chicken price increases should follow after pigs.

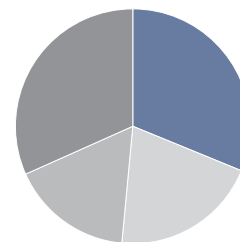
### Company profile

Thai Foods Group (TFG) was established in 1987 by Mr. Winai Teawsomboonkij, who currently serves as CEO. It started from a chicken farm in Lopburi before expanding to a vertically integrated food producer specializing in chicken and swine production, with operations in Thailand and Vietnam. Also, it expanded more into downstream businesses by entering the retail market through retail shops. In 2023, the revenue mix from poultry, swine, retail, and feed was 31%/20%/31%/17%, respectively.

[www.tfg.co.th](http://www.tfg.co.th)

### Principal activities (revenue, 2023)

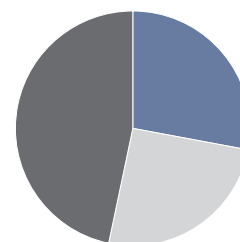
- Poultry - 31.2 %
- Swine - 20.3 %
- Feed - 16.8 %
- Retail Shop and other - 31.7 %



Source: Thai Foods Group

### Major shareholders

- New Star Victor Co Ltd - 27.9 %
- Teawsomboonkij Family - 25.4 %
- Others - 46.7 %



Source: Thai Foods Group

### Catalysts

Potential catalysts for TFG's earnings growth in 2024 are 1) revenue growth driven by sales volume; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) its new Thai Foods Fresh Market store expansion.

### Risks to our call

Downside risks to our P/E-based TP are 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; and 3) a stronger-than-expected THB against USD.

### Event calendar

Date	Event
13 May 2024	1Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
TFG's chicken asp (THB/kg)	58.0	58.0	58.0
TFG's swine asp (THB/kg)	72.0	72.0	72.0
Total Sales Growth (%)	5.6	2.9	2.9
Gross Margin (%)	11.7	12.0	12.3
SG&A to sales (%)	6.0	6.0	6.0

Source: FSSIA estimates

### Earnings sensitivity

- For every 1% increase in revenue, we estimate 2024 net profit to rise by 1.2%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 5.1%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2024 net profit to fall by 4.7%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: TFG - 1Q24 earnings preview

	1Q23	2Q23	3Q23	4Q23	1Q24E	Change		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	13,677	13,562	14,081	14,550	14,967	2.9	9.4	55,871	58,976	5.6
Cost of sales	11,925	12,276	13,457	14,427	13,919	(3.5)	16.7	52,086	52,075	(0.0)
Gross profit	1,751	1,286	624	123	1,048	750.6	(40.2)	3,785	6,900	82.3
SG&A	861	853	782	1,182	1,003	(15.2)	16.4	3,678	3,539	(3.8)
Operating profit	890	434	(157)	(1059)	45	nm	(95.0)	107	3,362	3,038.2
Interest expense	286	335	322	178	215	21.1	(24.8)	1,120	1,354	20.9
Tax expense	223	(18)	(112)	(170)	1	nm	nm	(77)	372	nm
Other gain (loss)	(86)	(160)	(178)	111	100	(10.0)	nm	(313)	0	nm
Reported net profit	425	69	(446)	(861)	23	nm	(94.5)	(809)	2102	nm
Core profit	511	229	(268)	(972)	(77)	nm	nm	(496)	2102	nm

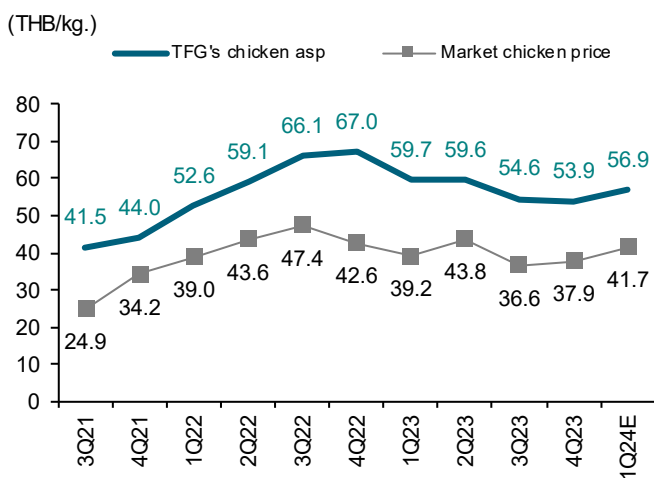
Key ratios (%)						(ppt)	(ppt)			
Gross margin	12.8	9.5	4.4	0.8	7.0	6.2	(5.8)	6.8	11.7	4.9
SG&A to sales	6.3	6.3	5.6	8.1	6.7	(1.4)	0.4	6.6	6.0	(0.6)
Operating margin	6.5	3.2	(1.1)	(7.3)	0.3	7.6	(6.2)	0.2	5.7	5.5
Net margin	3.1	0.5	(3.2)	(5.9)	0.2	6.1	(3.0)	(1.4)	3.6	5.0
Core margin	3.7	1.7	(1.9)	(6.7)	(0.5)	6.2	(4.2)	(0.9)	3.6	4.5

Operating Statistics (THB/kg)										
Domestic chicken price - TFG	59.7	59.6	54.6	53.9	56.9	5.7	(4.6)	56.9	58.0	1.8
Domestic swine price - TFG	81.2	69.6	59.5	57.9	62.0	7.2	(23.6)	67.0	70.1	4.6
Vietnam swine price (VND/kg)	50,400	55,095	57,023	47,082	53,400	13.4	6.0	52,311	55,000	5.1
Corn price	13.3	12.9	11.7	10.4	10.4	0.0	(21.8)	12.1	10.0	(17.4)
Soybean meal price	24.0	23.4	21.5	22.0	22.7	3.2	(5.4)	22.7	20.5	(9.7)
Poultry sales (THB m)	4,623	4,352	4,340	4,106	4,311	5.0	(6.7)	17,421	18,913	8.6
Swine sales (THB m)	3,116	2,822	2,626	2,785	2,896	4.0	(7.1)	11,349	12,050	6.2
Feed sales (THB m)	2,432	2,408	2,414	2,143	2,207	3.0	(9.3)	9,397	9,585	2.0
Retail shop sale value (THB m)	3,459	3,930	4,642	5,464	5,502	0.7	59.1	17,496	18,216	4.1

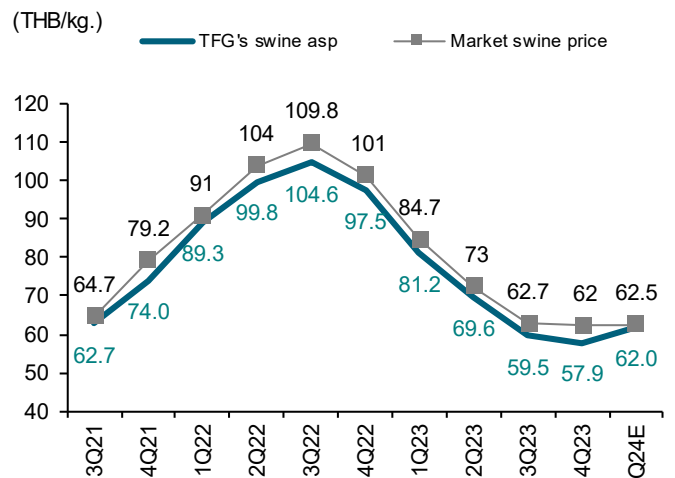
Sources: TFG; FSSIA estimates

Exhibit 2: Quarterly chicken price



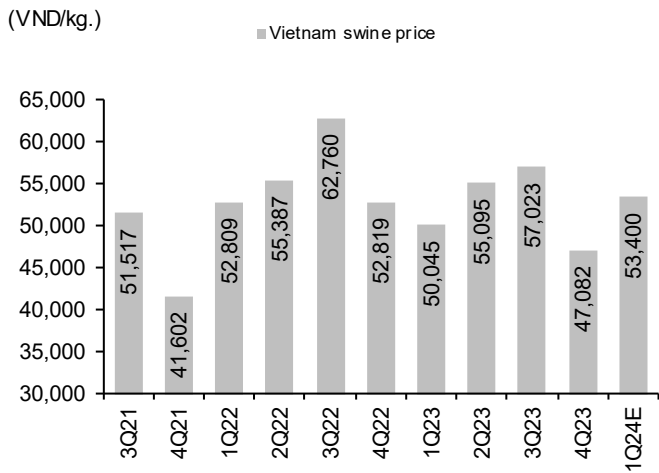
Sources: TFG, FSSIA estimates

Exhibit 3: Quarterly swine price



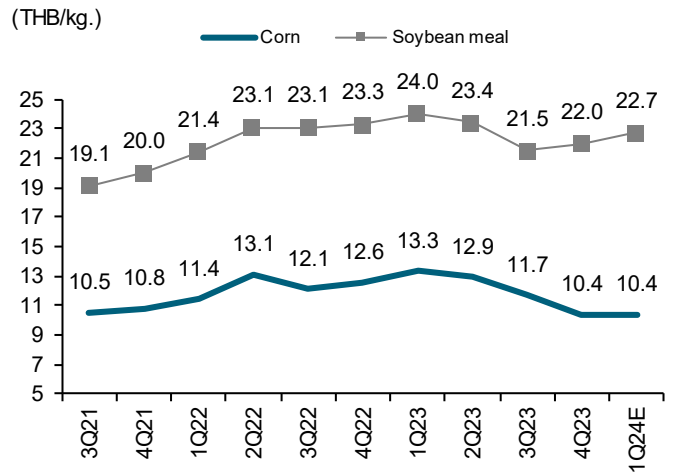
Sources: TFG, FSSIA estimates

**Exhibit 4: Quarterly Vietnam swine price**



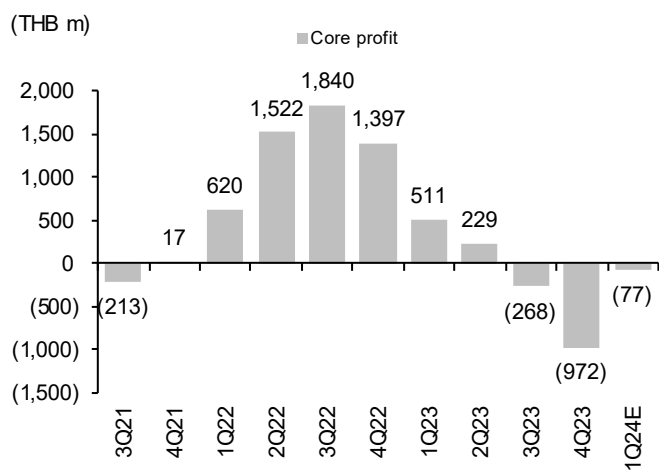
Sources: CPF, FSSIA estimates

**Exhibit 5: Quarterly raw material prices**



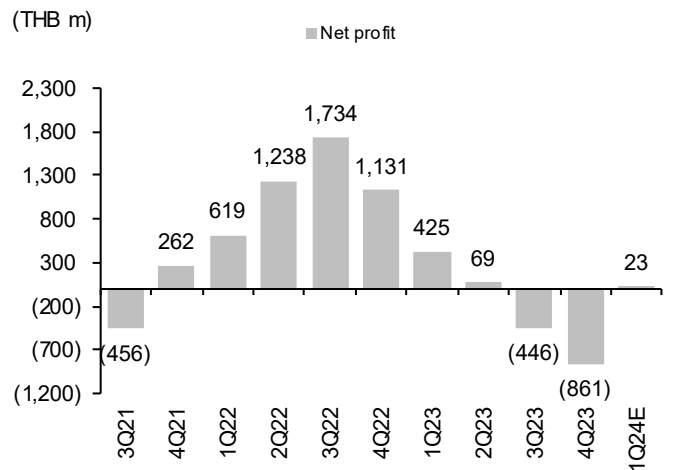
Sources: CPF, OAE, FSSIA estimates

**Exhibit 6: Quarterly core profit**



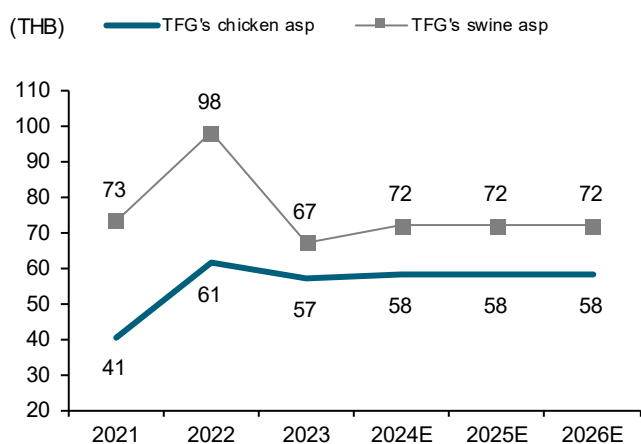
Sources: TFG, FSSIA estimates

**Exhibit 7: Quarterly net profit**



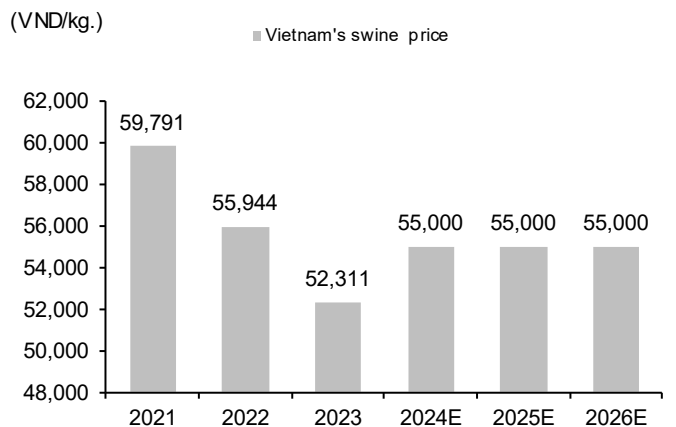
Sources: TFG, FSSIA estimates

**Exhibit 8: Yearly meat prices**



Sources: TFG, FSSIA estimates

**Exhibit 9: Yearly Vietnam swine price**



Sources: TFG, FSSIA estimates

Exhibit 10: Key assumptions for TFG

	Actual	Forecast			Growth		
	2023 (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	55,871	58,976	60,687	62,419	5.6	2.9	2.9
Costs	52,086	52,075	53,404	54,741	(0.0)	2.6	2.5
Gross profit	3,785	6,900	7,282	7,678	82.3	5.5	5.4
SG&A expenses	3,678	3,539	3,641	3,745	(3.8)	2.9	2.9
Reported net profit	(809)	2,102	2,319	2,546	<i>nm</i>	10.3	9.8
Core profit	(496)	2,102	2,319	2,546	<i>nm</i>	10.3	9.8

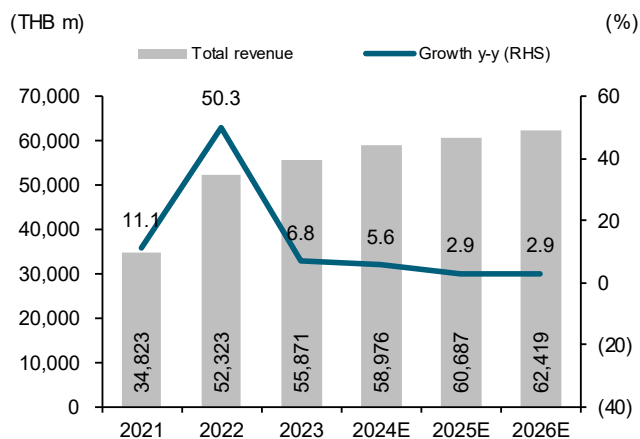
Key ratios (%)							
Gross margin	6.8	11.7	12.0	12.3			
SG&A to sales	6.6	6.0	6.0	6.0			
Net margin	(1.4)	3.6	3.8	4.1			
Core margin	(0.9)	3.6	3.8	4.1			

Operating statistics (THB/kg)							
TFG's chicken ASP	56.9	58.0	58.0	58.0	1.9	0.0	0.0
TFG's swine ASP	67.0	72.0	72.0	72.0	7.4	0.0	0.0
Vietnam's swine price	52,311	55,000	55,000	55,000	5.1	0.0	0.0
Corn	12.1	10.0	10.0	10.0	(17.4)	0.0	0.0
Soybean meal	22.7	20.5	20.5	20.5	(9.7)	0.0	0.0
Retail shop stores (no.)	350	450	550	650			

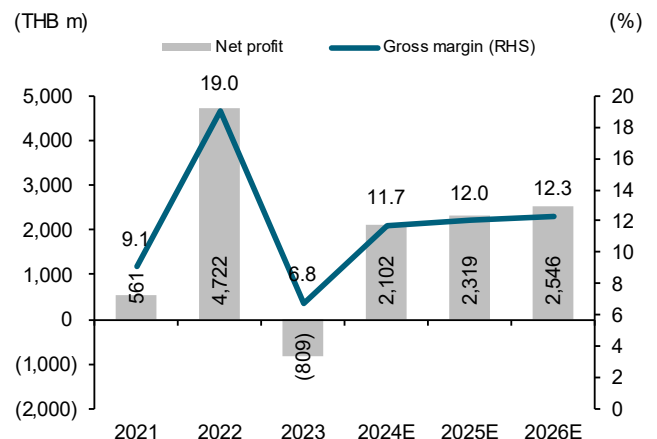
Source: FSSIA estimates

Exhibit 11: Total revenue and growth



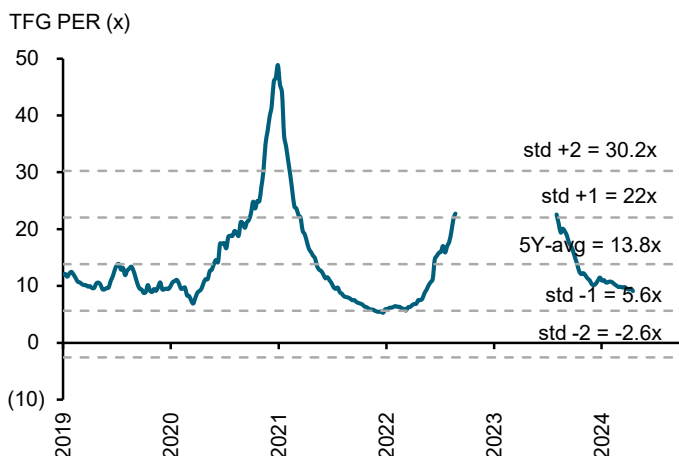
Sources: TFG; FSSIA estimates

Exhibit 12: Net profit and gross margin



Sources: TFG; FSSIA estimates

Exhibit 13: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 14: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Thai Foods Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	52,323	55,871	58,976	60,687	62,419
Cost of goods sold	(42,367)	(52,086)	(52,075)	(53,404)	(54,741)
<b>Gross profit</b>	<b>9,956</b>	<b>3,785</b>	<b>6,900</b>	<b>7,282</b>	<b>7,678</b>
Other operating income	369	453	472	485	499
Operating costs	(3,243)	(3,678)	(3,539)	(3,641)	(3,745)
<b>Operating EBITDA</b>	<b>10,419</b>	<b>5,287</b>	<b>8,760</b>	<b>9,254</b>	<b>9,759</b>
Depreciation	(3,337)	(4,727)	(4,927)	(5,127)	(5,327)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>7,082</b>	<b>560</b>	<b>3,833</b>	<b>4,127</b>	<b>4,432</b>
Net financing costs	(845)	(1,117)	(1,354)	(1,392)	(1,430)
Associates	(9)	(20)	1	1	1
Recurring non-operating income	(9)	(20)	1	1	1
Non-recurring items	(657)	(313)	0	0	0
<b>Profit before tax</b>	<b>5,571</b>	<b>(890)</b>	<b>2,480</b>	<b>2,735</b>	<b>3,002</b>
Tax	(845)	77	(372)	(410)	(450)
<b>Profit after tax</b>	<b>4,726</b>	<b>(813)</b>	<b>2,108</b>	<b>2,325</b>	<b>2,552</b>
Minority interests	(4)	3	(6)	(6)	(6)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,722</b>	<b>(809)</b>	<b>2,102</b>	<b>2,319</b>	<b>2,546</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>657</b>	<b>313</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>5,379</b>	<b>(496)</b>	<b>2,102</b>	<b>2,319</b>	<b>2,546</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.95	(0.09)	0.34	0.34	0.38
Reported EPS	0.84	(0.14)	0.34	0.34	0.38
DPS	0.40	0.03	0.15	0.15	0.17
Diluted shares (used to calculate per share data)	5,654	5,811	6,168	6,749	6,749
<b>Growth</b>					
Revenue (%)	50.3	6.8	5.6	2.9	2.9
Operating EBITDA (%)	167.0	(49.3)	65.7	5.6	5.5
Operating EBIT (%)	379.5	(92.1)	584.9	7.7	7.4
Recurring EPS (%)	1,099.8	nm	nm	0.8	9.8
Reported EPS (%)	739.9	nm	nm	0.8	9.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	19.0	6.8	11.7	12.0	12.3
Gross margin exc. depreciation (%)	25.4	15.2	20.1	20.4	20.8
Operating EBITDA margin (%)	19.9	9.5	14.9	15.2	15.6
Operating EBIT margin (%)	13.5	1.0	6.5	6.8	7.1
Net margin (%)	10.3	(0.9)	3.6	3.8	4.1
Effective tax rate (%)	15.2	8.7	15.0	15.0	15.0
Dividend payout on recurring profit (%)	42.0	(35.1)	45.0	45.0	45.0
Interest cover (X)	8.4	0.5	2.8	3.0	3.1
Inventory days	55.3	53.7	54.6	54.6	54.7
Debtor days	22.2	22.6	21.5	21.7	21.7
Creditor days	38.2	43.6	50.3	49.2	49.2
Operating ROIC (%)	18.5	1.4	9.7	10.6	11.8
ROIC (%)	16.0	1.1	7.9	8.6	9.4
ROE (%)	39.7	(3.4)	14.5	14.3	14.3
ROA (%)	14.9	0.8	6.8	7.4	8.0
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Poultry	23,298	17,421	18,913	19,291	19,677
Swine	12,457	11,349	12,050	12,291	12,536
Feed	8,533	9,397	9,585	9,872	10,168
Retail Shop and other	8,036	17,704	18,428	19,232	20,037

Sources: Thai Foods Group; FSSIA estimates

## Financial Statements

### Thai Foods Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	5,379	(496)	2,102	2,319	2,546
Depreciation	3,337	4,727	4,927	5,127	5,327
Associates & minorities	9	20	(1)	(1)	(1)
Other non-cash items	343	82	(1)	(1)	(1)
Change in working capital	(1,281)	1,421	(739)	(337)	(341)
<b>Cash flow from operations</b>	<b>7,787</b>	<b>5,754</b>	<b>6,288</b>	<b>7,108</b>	<b>7,530</b>
Capex - maintenance	(8,633)	(4,138)	(4,679)	(3,977)	(4,199)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(34)	(19)	53	0	0
Other investments (net)	(1,854)	(2,266)	660	(170)	(173)
<b>Cash flow from investing</b>	<b>(10,521)</b>	<b>(6,422)</b>	<b>(3,966)</b>	<b>(4,148)</b>	<b>(4,371)</b>
Dividends paid	(797)	(1,815)	(946)	(1,044)	(1,146)
Equity finance	56	862	358	581	0
Debt finance	4,132	1,970	(1,771)	(2,400)	(2,604)
Other financing cash flows	20	78	50	17	17
<b>Cash flow from financing</b>	<b>3,411</b>	<b>1,095</b>	<b>(2,309)</b>	<b>(2,845)</b>	<b>(3,732)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	95	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>95</b>	<b>(22)</b>	<b>(1)</b>
<b>Movement in cash</b>	<b>677</b>	<b>426</b>	<b>108</b>	<b>92</b>	<b>(574)</b>
Free cash flow to firm (FCFF)	(1,888.67)	451.64	3,676.56	4,351.60	4,589.18
Free cash flow to equity (FCFE)	1,418.57	1,379.53	696.56	554.71	571.50

Per share (THB)	2022	2023	2024E	2025E	2026E
FCFF per share	(0.33)	0.08	0.63	0.75	0.79
FCFE per share	0.24	0.24	0.12	0.10	0.10
Recurring cash flow per share	1.60	0.75	1.14	1.10	1.17

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	24,693	27,597	29,182	32,182	35,182
Less: Accumulated depreciation	(3,391)	(6,934)	(9,445)	(13,572)	(17,899)
<b>Tangible fixed assets (net)</b>	<b>21,302</b>	<b>20,663</b>	<b>19,736</b>	<b>18,609</b>	<b>17,282</b>
<b>Intangible fixed assets (net)</b>	<b>213</b>	<b>232</b>	<b>179</b>	<b>179</b>	<b>179</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	605	1,092	1,092	1,092	1,092
Cash & equivalents	1,093	1,518	1,626	1,719	1,145
A/C receivable	3,531	3,398	3,555	3,658	3,762
Inventories	6,963	6,971	7,134	7,316	7,499
Other current assets	7,177	7,396	7,667	7,889	8,114
<b>Current assets</b>	<b>18,764</b>	<b>19,284</b>	<b>19,982</b>	<b>20,581</b>	<b>20,520</b>
Other assets	4,786	5,875	5,898	6,069	6,242
<b>Total assets</b>	<b>45,670</b>	<b>47,146</b>	<b>46,886</b>	<b>46,530</b>	<b>45,315</b>
Common equity	15,568	13,681	15,292	17,149	18,349
Minorities etc.	18	15	15	14	14
<b>Total shareholders' equity</b>	<b>15,587</b>	<b>13,696</b>	<b>15,307</b>	<b>17,163</b>	<b>18,363</b>
Long term debt	11,960	10,106	10,957	9,767	8,577
Other long-term liabilities	462	540	590	607	624
<b>Long-term liabilities</b>	<b>12,422</b>	<b>10,646</b>	<b>11,547</b>	<b>10,374</b>	<b>9,201</b>
A/C payable	4,733	6,584	6,420	6,584	6,749
Short term debt	12,370	15,998	13,376	12,166	10,752
Other current liabilities	557	222	236	243	250
<b>Current liabilities</b>	<b>17,661</b>	<b>22,804</b>	<b>20,032</b>	<b>18,993</b>	<b>17,751</b>
<b>Total liabilities and shareholders' equity</b>	<b>45,670</b>	<b>47,146</b>	<b>46,886</b>	<b>46,530</b>	<b>45,315</b>
Net working capital	12,381	10,960	11,699	12,036	12,377
Invested capital	39,287	38,821	38,603	37,984	37,172

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

Per share (THB)	2022	2023	2024E	2025E	2026E
Book value per share	2.75	2.35	2.48	2.54	2.72
Tangible book value per share	2.72	2.31	2.45	2.51	2.69

Financial strength	2022	2023	2024E	2025E	2026E
Net debt/equity (%)	149.1	179.5	148.3	117.8	99.0
Net debt/total assets (%)	50.9	52.1	48.4	43.4	40.1
Current ratio (x)	1.1	0.8	1.0	1.1	1.2
CF interest cover (x)	2.7	2.2	1.5	1.4	1.4

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>3.8</b>	<b>(42.8)</b>	<b>10.7</b>	<b>10.7</b>	<b>9.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>5.0</b>	<b>(56.2)</b>	<b>14.1</b>	<b>14.0</b>	<b>12.7</b>
Reported P/E (x)	4.4	(26.3)	10.7	10.7	9.7
Dividend yield (%)	10.9	0.8	4.2	4.2	4.6
Price/book (x)	1.3	1.6	1.5	1.4	1.3
Price/tangible book (x)	1.3	1.6	1.5	1.5	1.4
EV/EBITDA (x) **	4.2	8.7	5.2	4.9	4.4
EV/EBITDA @ target price (x) **	4.8	9.9	6.0	5.7	5.2
EV/invested capital (x)	1.1	1.2	1.2	1.2	1.2

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

Sources: Thai Foods 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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																			
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (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%).																			
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
<b>Thai CAC</b> 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.																			
<b>Morningstar Sustainalytics</b>	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 &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
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<b>ESG Book</b>	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.																			
<b>MSCI</b>	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><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	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.																				
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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

##### Thai Foods Group (TFG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	8.00	08-May-2023	HOLD	5.20	27-Nov-2023	HOLD	4.00

Sureeporn Teewasuwet started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thai Foods Group	TFG TB	THB 3.66	BUY	Downside risks to our P/E-based TP are 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; 3) a stronger-than-expected THB against USD.

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 25-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.