

# NEO CORPORATE NEO TB

## THAILAND / PERSONAL PRODUCTS & PHARMACEUTICALS

**BUY**

### Leading consumer goods company

- We expect 2Q24 net profit to continue to grow q-q and y-y in line with seasonality and the new products, which are well-received.
- Revise up 2024E net profit by 9% to grow by 22% y-y to reflect a solid gross margin in 1Q24.
- Retain BUY call with a higher TP of THB64.

|                 |          |
|-----------------|----------|
| TARGET PRICE    | THB64.00 |
| CLOSE           | THB54.50 |
| UP/DOWNSIDE     | +17.4%   |
| TP vs CONSENSUS | +12.2%   |

### KEY STOCK DATA

| YE Dec (THB m)       | 2023  | 2024E  | 2025E  | 2026E  |
|----------------------|-------|--------|--------|--------|
| Revenue              | 9,484 | 10,438 | 11,336 | 12,241 |
| Net profit           | 830   | 1,012  | 1,116  | 1,237  |
| EPS (THB)            | 3.74  | 3.37   | 3.72   | 4.12   |
| vs Consensus (%)     | -     | (0.1)  | 2.8    | 5.2    |
| EBITDA               | 1,461 | 1,833  | 2,190  | 2,363  |
| Recurring net profit | 830   | 1,012  | 1,116  | 1,237  |
| Core EPS (THB)       | 3.74  | 3.37   | 3.72   | 4.12   |
| Chg. In EPS est. (%) | nm    | nm     | nm     | nm     |
| EPS growth (%)       | 47.0  | (9.7)  | 10.3   | 10.8   |
| Core P/E (x)         | 14.6  | 16.1   | 14.6   | 13.2   |
| Dividend yield (%)   | 9.1   | 3.7    | 4.1    | 4.5    |
| EV/EBITDA (x)        | 9.8   | 9.7    | 9.1    | 8.4    |
| Price/book (x)       | 7.8   | 3.5    | 3.0    | 2.7    |
| Net debt/Equity (%)  | 143.7 | 25.3   | 56.5   | 51.7   |
| ROE (%)              | 45.0  | 32.9   | 22.2   | 21.7   |

### Leading consumer goods company in Thailand

NEO manufactures, markets, and distributes consumer products. It has been in the business for over 34 years. NEO is a leader in almost every product category, such as D-nee (#1 in laundry detergent and fabric softener), Fineline (#2 in laundry detergent), and BeNice (#2 in shower cream). The company plans continued expansion of its production capacity at an annual rate of 15% CAGR until 2027, with a total investment of THB5.7b.

### Expect 2Q24 net profit to continue to grow in line with seasonality

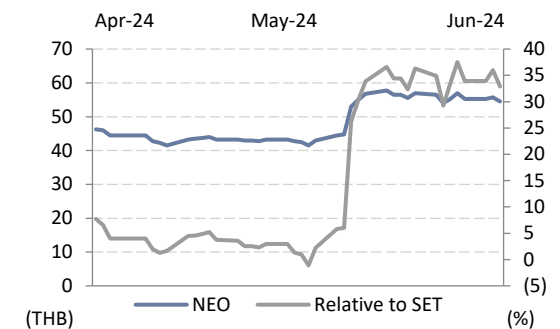
We estimate a 2Q24 net profit of THB285m (+6.3% q-q, +83% y-y) due to seasonal factors. Household revenue is expected to post a slight growth q-q and y-y, while personal care would continue to grow y-y. Baby and elderly products are expected to grow well q-q and y-y after the new products are well-received. Overall, we anticipate 2Q24 total revenue to grow by 2% q-q and 9.8% y-y in line with management's target. We project 2Q24 gross margin to remain close to 1Q24 of 46% due to high production capacity utilization.

### Revise up 2024E net profit to grow by 22% y-y

We have increased our 2024E net profit by 9% to THB1b (+22% y-y) by increasing our gross margin assumption to 44% from 42.1%. Although the gross margin was lower than our conservative 1H24E following a slight uptrend for crude palm oil prices, with a 2QTD average of MYR4,083 per tonne (+2.5% q-q, +6% y-y), we maintain our 2024E total revenue of THB10b (+10% y-y) in line with management's target. Meanwhile, we anticipate the profit growth rate over the next three years at 10.5% CAGR, close to the growth forecast of the Thai consumer products market value.

### Retain BUY call with a higher TP of THB64

Similarly, we have increased our TP to THB64 from THB58, based on the same 2024E P/E ratio of 19x. We like NEO's leadership in the Thai consumer products market due to its eight well-known brands. After the IPO, NEO's financial position should improve. We expect the 2024 IBD/E ratio to decrease to 0.45x from 1.78x in 2023. The ROE is expected to remain high at around 21.9% in 2024 but decline from 2023 due to its higher equity.



| Share price performance        | 1 Month                | 3 Month | 12 Month |
|--------------------------------|------------------------|---------|----------|
| Absolute (%)                   | 26.0                   | n/a     | n/a      |
| Relative to country (%)        | 29.0                   | n/a     | n/a      |
| Mkt cap (USD m)                | 445                    |         |          |
| 3m avg. daily turnover (USD m) | n/a                    |         |          |
| Free float (%)                 | 29                     |         |          |
| Major shareholder              | Thakolsri Family (65%) |         |          |
| 12m high/low (THB)             | 58.50/39.00            |         |          |
| Issued shares (m)              | 300.00                 |         |          |

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

Despite high competition in the Thai consumer products industry, NEO's products stand out with one unique characteristic – their scent. It is a leader in almost every product category, such as D-nee (#1 in laundry detergent and fabric softener), Fineline (#2 in laundry detergent), and BeNice (#2 in shower cream).

Although we expect the growth to be exciting, it is projected to be steady due to its leadership in the Thai consumer products market and its well-known reputation. In addition, NEO plans to expand its international market, particularly CLMV, which prefers Thai consumer goods brands. If it grows better than expected, it will be an upside to our estimate.

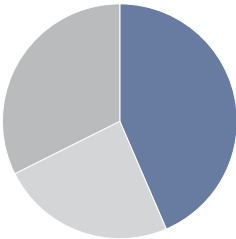
Company profile

NEO manufactures, markets, and distributes consumer products. It has been in the business for over 34 years and has three main product categories. They include 1) household, 2) personal care, and 3) baby and kids. In 2023, they accounted for 43.5%/24.1%/32.4% of total revenue, respectively. The income was mainly from Thailand, representing 87% of total revenue, while 13% came from exports.

[www.neo-corporate.com](http://www.neo-corporate.com)

Principal activities (revenue, 2023)

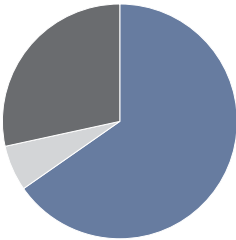
- Household products - 43.5 %
- Personal care products - 24.1 %
- Baby and kids products - 32.4 %



Source: Neo Corporate

Major shareholders

- Thakolsri Family - 65.3 %
- Finansa Fund Management - 6.3 %
- Others - 28.4 %



Source: Neo Corporate

Catalysts

Potential catalysts for NEO's earnings growth in 2024 are 1) revenue growth driven by sales volumes; 2) gaining higher domestic market share; 3) declining raw material and packaging costs; and 4) the success of its new product launches.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility of raw material prices; 3) changing consumer demand and lifestyles; and 4) a failure of new products.

Event calendar

| Date        | Event                     |
|-------------|---------------------------|
| August 2024 | 2Q24 results announcement |

Key assumptions

|                                  | 2024E | 2025E | 2026E |
|----------------------------------|-------|-------|-------|
| Household revenue growth (%)     | 7.7   | 7.0   | 7.0   |
| Personal care revenue growth (%) | 11.0  | 8.8   | 6.9   |
| Baby and kids revenue growth (%) | 12.5  | 10.5  | 10.0  |
| Total revenue growth (%)         | 10.1  | 8.6   | 8.0   |
| Gross margin (%)                 | 44.0  | 44.2  | 44.4  |
| SG&A to sales (%)                | 31.2  | 30.8  | 30.8  |

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 4.1%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2024 net profit to fall by 1.6%, and vice versa, all else being equal.

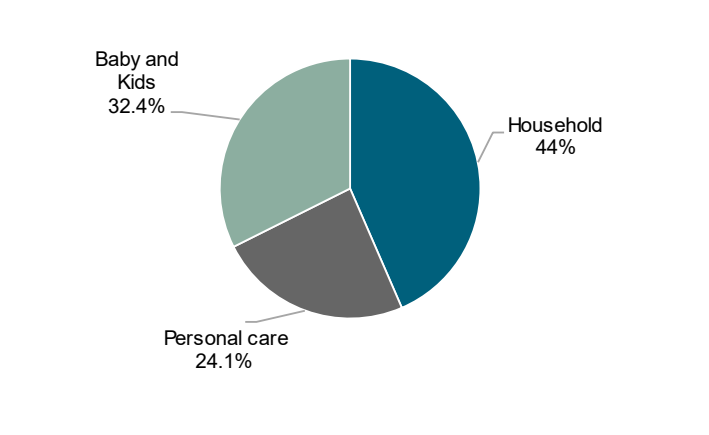
Source: FSSIA estimates

A leading consumer goods company in Thailand

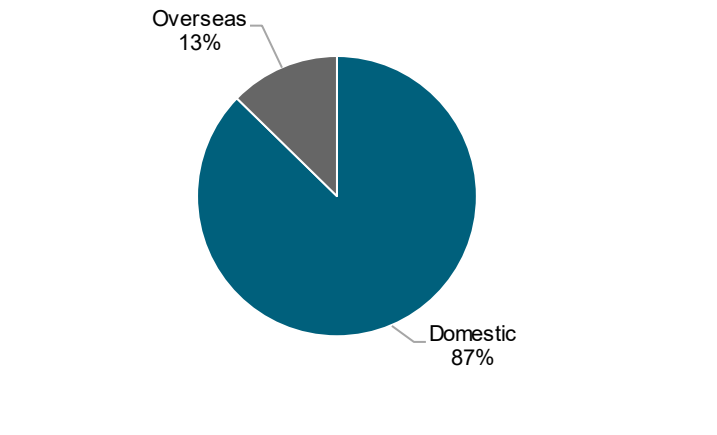
NEO manufactures, markets, and distributes consumer products in Thailand. It has been in the business for over 34 years and has three main product lines. They include 1) household, 2) personal care, and 3) baby and kids. In 2023, they accounted for 43.5%/24.1%/32.4% of total sales revenue, respectively. The income was mainly from Thailand, representing 87% of total sales revenue, while 13% came from exports.

Exhibit 1: Revenue breakdown by product segments in 2023

Exhibit 2: Revenue breakdown by destinations in 2023



Sources: NEO, FSSIA's compilation



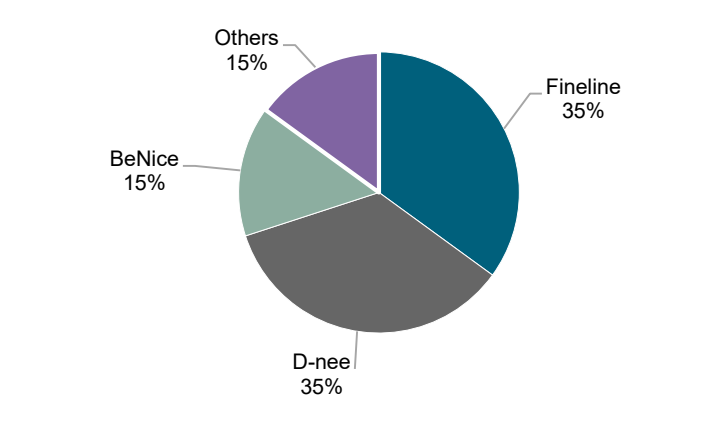
Sources: NEO, FSSIA's compilation

NEO currently has eight brands, such as Fineline and D-nee. They each made the highest contribution of 35% of total revenue in 2020-23, respectively. In second place is BeNice with 15%, followed by the remaining five brands with 15%. The product categories can be divided as follows:

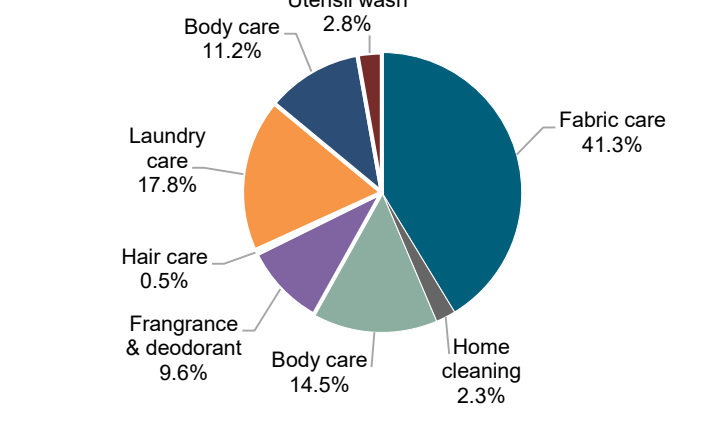
- Household – mainly composed of laundry and home cleaning products, with three brands: Fineline, Smart, and Tomi.
- Personal care – comprising skincare, deodorants, and hairstyling products, with four brands: BeNice, TROS, Eversense, and Vevite.
- Baby and kids – composed of laundry, skincare, dishwashing, and children's products under the D-nee brand.

Exhibit 3: Revenue breakdown by brands in 2023

Exhibit 4: Revenue breakdown by products in 2023



Sources: NEO, FSSIA's compilation



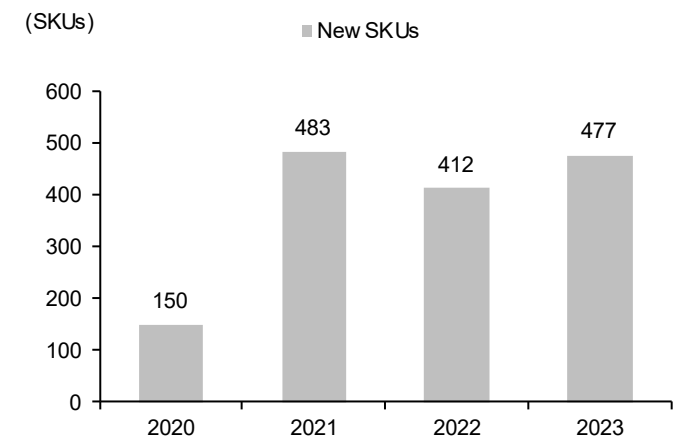
Sources: NEO, FSSIA's compilation

## Getting to know eight well-known brands

NEO's brands are well known and recognized by the market, having a long history of being accepted by consumers. The company has eight brands, including Fineline, D-nee, BeNice, Eversense, TROS, Vivite, Smart, and Tomi. Besides being high-quality products at reasonable prices, they have a distinctive characteristic, which is their fragrance. In addition to the fragrance, they are diverse and can cater to various aspects of daily life. The company also covers a wide range of consumer groups, from mass to premium and from infants to adults.

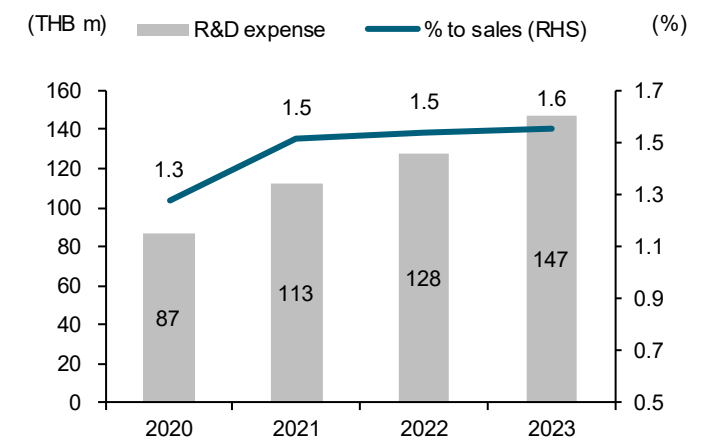
NEO has developed and refined its product formulas and packaging to keep up with market trends and consumer preferences. For example, the company uses natural and organic ingredients as key components in its products. It has been continuously launching new products every year. From 2020 to 2023, NEO launched a total of 150/483/412/477 SKUs, respectively, to keep up with changing consumer demands and continuously provide new products to consumers. The goal is to increase its market share by offering innovative products to consumers.

Exhibit 5: New SKUs



Sources: NEO, FSSIA's compilation

Exhibit 6: R&D expense as % to sales



Sources: NEO, FSSIA's compilation

## Exhibit 7: NEO's brands and product examples

| Brand   | Products  | Details   |
|---|---|---|
| <b>Household products</b>   |   |   |
|    |    | Fineline is a brand of products that provides complete care for all steps of fabric care, including washing, drying, and ironing. The brand highlights its quality advantage in being able to eliminate musty odors and featuring a distinctive and characteristic fragrance. |
|    |    | Smart is a brand of fabric care products that focuses on preventing bacterial growth. It offers a range of products, including laundry detergent and fabric softener.   |
|    |    | Tomi is a brand of interior cleaning products, known for its effectiveness in cleaning and its distinctive fragrant scent.  |
| <b>Personal care products</b>   |   |   |
|    |   | BeNice is a brand of cleaning products that stands out for its unique blend of concentrated fruit extracts, which helps to nourish the skin and has a distinctive fruity scent.   |
|  |  | TROS is a personal care brand for men, offering a complete range of products, including cologne, roll-on, powder, fragrance, and hair gel.  |
|  |  | Eversense is a brand of products that provide fragrance and body odor control for women, with a unique and distinctive scent.   |
|  |  | Vevite is a brand of products that provides fragrance and deodorizing properties for women. The brand's key selling points are its use of natural ingredients and its focus on whiteness and clarity.   |
| <b>Baby and kid products</b>  |   |   |
|  |  | D-nee is a brand of products for children that offers a wide range of options. The brand's highlights are its high quality, gentle, and diverse fragrances.   |

Source: NEO, FSSIA's compilation

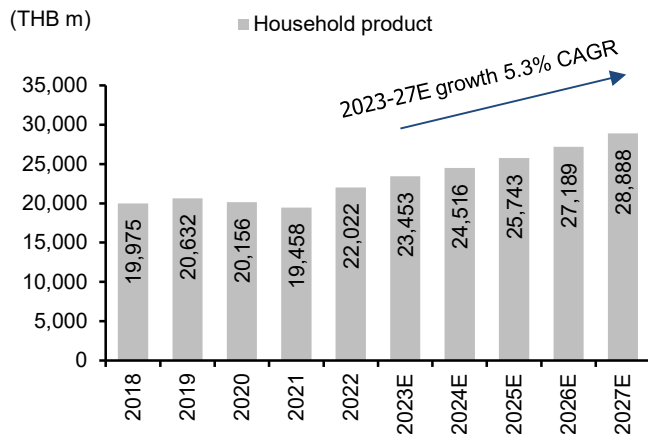
## Thailand's consumer product market is expected to grow 5-7% CAGR over the next four years

According to Frost & Sullivan's forecast, the retail market value of household products in Thailand is expected to grow by 5.3% CAGR from 2023 to 2027. The market for laundry products with water is expected to grow at a high rate of 8.1% CAGR, followed by floor cleaning products (5.6%), fabric softeners (4.1%), and bathroom cleaning products (2.8%).

As for the personal care products market, it is expected to grow by 6.2% CAGR. The roll-on product category is expected to grow at a high rate of 7.7% CAGR, followed by colognes (7%) and shampoo and body wash (5.6%). This suggests that consumers continue to prioritize maintaining their appearance.

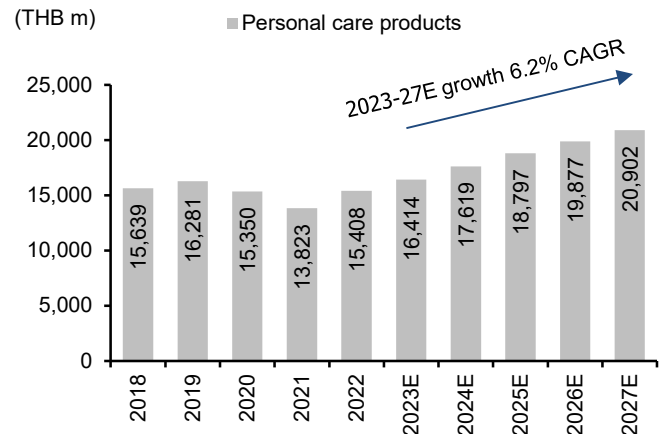
On the other hand, the market for baby care products is expected to grow by 6.6% CAGR. The skincare products for children are expected to grow at a high rate of 8.5% CAGR, followed by baby soap and shampoo (7.3%), baby laundry detergent (7.3%), baby powder (5.3%), and baby dish soap (2.8%).

**Exhibit 8: Thailand household products market value**



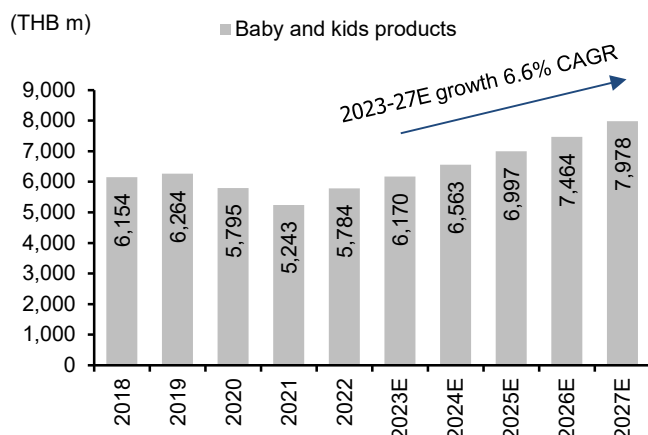
Sources: NEO filing (Nielsen, Frost & Sullivan), FSSIA's compilation

**Exhibit 9: Thailand personal care products market value**



Sources: NEO filing (Nielsen, Frost & Sullivan), FSSIA's compilation

**Exhibit 10: Thailand baby and kids products market value**



Sources: NEO filing (Nielsen, Frost & Sullivan), FSSIA's compilation



## A top three leader in many product categories

By market share, NEO is one of the top three players in the market in several product lines. The Thai consumer goods market has a large number of players, both domestic and foreign, including listed companies such as OSP TB (Babi Mild, Twelve Plus), BJC TB (Dermapon), and international companies such as P&G (Downy), Unilever (Breeze, Comfort), KAO (Attack, Magiclean), and Johnson & Johnson, among others. NEO is a successful Thai company that has achieved great success, as seen in its market leadership with a market share ranking among the top three in many products. For example, in 2022, the D-nee brand for baby laundry detergent and fabric softener had a market share of 70.6% and 79%, respectively. In addition, the Fineline brand for laundry detergent and the BeNice brand for body wash had a market share of 20.4% and 18%, respectively. The company also has the highest market share for men's cologne and the second highest for women's cologne.

### Exhibit 11: Major competitors

| Company                              | Head office | Major brands                | Company                       | Head office | Major brands                  |
|--------------------------------------|-------------|-----------------------------|-------------------------------|-------------|-------------------------------|
| <b>Household product segment</b>     |             |                             | <b>Personal care segment</b>  |             |                               |
| Procter & Gamble (P&G)               | US          | Downy, Tide, Bounce         | Reckitt Benckiser             | UK          | Dettol                        |
| I.P.ONE                              | Thailand    | Hygiene, Vixol, Whiz        | Beiersdorf AG                 | Germany     | Nivea, Eucerin                |
| Unilever Thai Trading                | UK          | Breeze, Comfort, Omo, Vim   | Lion Corporation              | Japan       | Shokubutsu, Kirei Kirei       |
| Lion Corporation                     | Japan       | Pao, Essence, Pro, Hi-Class | Colgate-Palmolive (Thailand)  | US          | Protex, Palmolive             |
| KAO Industrial                       | Japan       | Attack, Magiclean           | Unilever Thai Trading         | UK          | AXE, Rexona, Citra, Dove, Lux |
| SC Johnson & Son                     | US          | Mr.Muscle, Duck             | Osotspa (OSP TB)              | Thailand    | Twelve Plus, Exit             |
| <b>Baby and kids product segment</b> |             |                             | Berli Jucker (BJC TB)         | Thailand    | Parrot                        |
| Lion Corporation                     | Japan       | Kodomo, Enfant              | The British Dispensary (L.P.) | Thailand    | Sanake                        |
| Colgate-Palmolive (Thailand)         | US          | Care                        | I.P.ONE                       | Thailand    | Dance, Focus                  |
| Johnson & Johnson Consumer           | US          | Johnson, Aveeno             | Ruamchai Products             | Thailand    | Bhaesaj                       |
| Berli Jucker (BJC TB)                | Thailand    | DMP, Dermapon               | Sanofi-Aventis                | France      | Lactacyd                      |
| Unilever Thai Trading                | UK          | Breeze Baby                 |                               |             |                               |
| Procter & Gamble (P&G)               | US          | Downy                       |                               |             |                               |
| Osotspa (OSP TB)                     | Thailand    | Babi Mild                   |                               |             |                               |

Source: NEO filing, FSSIA's compilation

### Exhibit 12: Thailand market share of FMCG products in 2022

|                        | Mkt value in 2022<br>(THB m) | #1                 | #2                 | #3                 | #4                        | #5                |
|------------------------|------------------------------|--------------------|--------------------|--------------------|---------------------------|-------------------|
| <b>Household</b>       |                              |                    |                    |                    |                           |                   |
| Liquid detergents      | 6,265                        | Unilever (42.7%)   | <b>NEO (21.6%)</b> | Lion (15%)         | P&G (7.8%)                | KAO (7.6%)        |
| Fabric softener        | 12,847                       | P&G (38.6%)        | I.P.ONE (31.4%)    | Unilever (16.3%)   | <b>NEO (9.1%)</b>         |                   |
| Fabric starch          | 318                          | <b>NEO (60.3%)</b> | I.P.ONE (33.8%)    | Lion (5.8%)        |                           |                   |
| Floor cleaner          | 979                          | KAO (59.1%)        | <b>NEO (12.5%)</b> | KCCP (12.2%)       | I.P.ONE (6.0%)            | SC Johnson (2.4%) |
| Bathroom cleaner       | 1,613                        | SC Johnson (47.3%) | I.P.ONE (31%)      | KAO (12.3%)        | <b>NEO (3.7%)</b>         |                   |
| <b>Personal care</b>   |                              |                    |                    |                    |                           |                   |
| Shower cream           | 6,297                        | Lion (24.6%)       | <b>NEO (18.5%)</b> | Unilever (17.8%)   | Reckitt Benckiser (11.6%) | Colgate (8.2%)    |
| Deodorant - Men        | 2,501                        | Beiersdorf (68.6%) | Unilever (11.6%)   | <b>NEO (7.8%)</b>  | OSP (6.4%)                |                   |
| Deodorant - Women      | 2,829                        | Beiersdorf (60.1%) | Unilever (22.7%)   | OSP (6.9%)         | <b>NEO (6.3%)</b>         |                   |
| Powder                 | 2,183                        | Colgate (39.4%)    | Ruamchai (15%)     | Snake (10.9%)      | OSP (5.9%)                | <b>NEO (5.2%)</b> |
| Cologne - Men          | 260                          | <b>NEO (71.0%)</b> | OSP (18.0%)        | I.P.ONE (9.4%)     |                           |                   |
| Cologne - Women        | 561                          | OSP (45.7%)        | <b>NEO (26.7%)</b> | Cosmonation (5.4%) | I.P.ONE (5.4%)            |                   |
| Feminine wash          | 433                          | Sanofi (40.9%)     | <b>NEO (37.1%)</b> | Better way (11.1%) | Lion (2.6%)               |                   |
| <b>Baby and kids</b>   |                              |                    |                    |                    |                           |                   |
| Baby and kids products | 5,783                        | <b>NEO (26.0%)</b> | OSP (24.3%)        | Johnson (17.4%)    | Colgate (14.6%)           | Lion (7.0%)       |

Sources: NEO filing (Nielsen), FSSIA's compilation

**Exhibit 13: List of entrepreneurs in Thailand that operate businesses similar to NEO**

| Company                       | Established year | Revenue in 2022<br>(THB m) | Net profit in 2022<br>(THB m) | Gross margin in 2022<br>(%) | Net margin in 2022<br>(%) | Total assets in 2022<br>(THB m) |
|-------------------------------|------------------|----------------------------|-------------------------------|-----------------------------|---------------------------|---------------------------------|
| Berli Jucker (BJC TB)         | 1993             | 150,337                    | 5,010                         | 18.4                        | 3.3                       | 336,044                         |
| Unilever Thai Trading Limited | 2005             | 45,668                     | 5,013                         | 36.4                        | 11.0                      | 32,918                          |
| Osotspa (OSP TB)              | 1891             | 27,265                     | 1,934                         | 30.6                        | 7.1                       | 26,153                          |
| Colgate-Palmolive (Thailand)  | 1958             | 18,408                     | (828)                         | 31.7                        | (4.5)                     | 12,361                          |
| Lion (Thailand)               | 1967             | 17,766                     | 457                           | 38.3                        | 2.6                       | 10,912                          |
| Kao Industrial (Thailand)     | 1964             | 15,176                     | 562                           | 31.2                        | 3.7                       | 9,649                           |
| Procter & Gamble Trading      | 1966             | 13,637                     | 353                           | 18.0                        | 2.6                       | 3,494                           |
| Beiersdorf (Thailand)         | 1972             | 11,603                     | 1,656                         | 50.5                        | 14.3                      | 10,331                          |
| NEO Corporate (NEO TB)        | 1989             | 8,301                      | 565                           | 37.6                        | 6.8                       | 6,335                           |
| I.P. ONE                      | 1983             | 7,334                      | 311                           | 49.3                        | 4.2                       | 3,856                           |
| Reckitt Benckiser (Thailand)  | 1983             | 5,358                      | 480                           | 51.1                        | 9.0                       | 4,190                           |
| Johnson & Johnson Consumer    | 2006             | 3,643                      | 162                           | 47.8                        | 4.4                       | 1,838                           |
| S.C. Johnson and Son          | 1968             | 3,435                      | 486                           | 38.7                        | 14.1                      | 1,642                           |
| Sanofi-Aventis (Thailand)     | 1965             | 2,893                      | 81                            | 25.6                        | 2.8                       | 2,134                           |
| Ruamchai Products             | 1983             | 1,038                      | 58                            | N/A                         | 5.6                       | 707                             |
| The British Dispensary (L.P.) | 1963             | 455                        | (230)                         | 16.3                        | -50.7                     | 406                             |

Source: BOL, Data warehouse, NEO, FSSIA's compilation



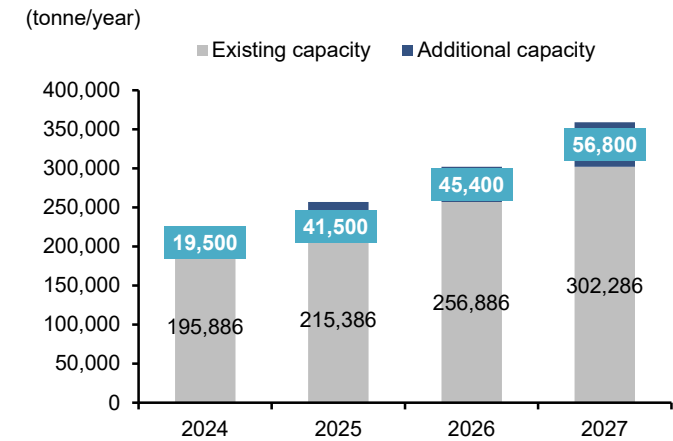
### Capacity expansion and automation

NEO is currently in the process of expanding its production capacity and automating its production lines. It has a factory located in Klong 13, Lam Lukka, Pathum Thani, which spans a total area of 229 rai. During 2020-2023, NEO continuously expanded its production capacity and upgraded its production lines, resulting in a total production capacity of 234,782 tons per year by the end of 2023. This included 159,166 tons per year for household products, 33,383 tons per year for personal care, and 42,233 tons per year for baby care.

NEO plans to continue expanding its production capacity by 15% CAGR until 2027, with an estimated total investment of THB5.7b. The source of funds will come from a combination of funds received from the IPO, bank loans, and internal cash flow.

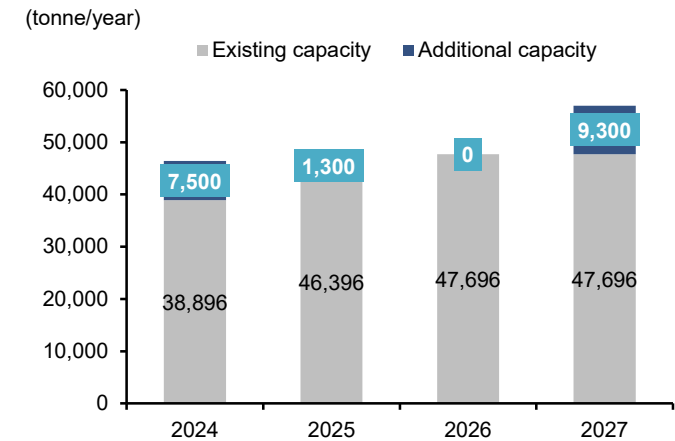
In addition, NEO has introduced automated machinery to increase efficiency and has a ready-to-ship warehouse (ASRS) that can store over 45,700 pallets. It plans to invest in expanding its raw material storage and packaging facilities, as well as its warehouse management system, with an estimated investment of around THB830m. This is expected to increase storage capacity by another 18,200 pallets to a total of 29,620 pallets by 2027.

Exhibit 14: Production capacity expansion for household plant (including baby and kids)



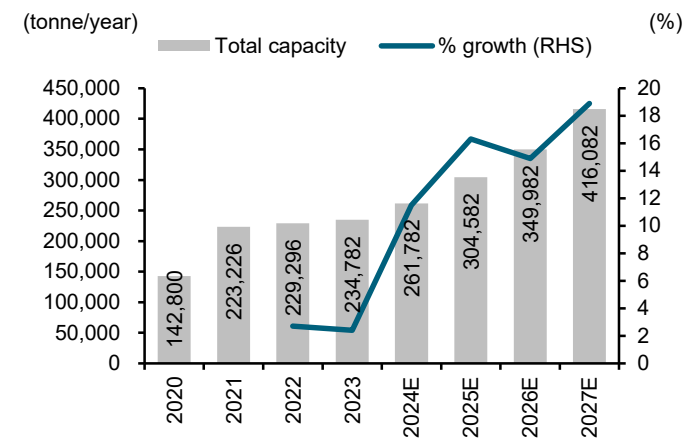
Sources: NEO, FSSIA's compilation

Exhibit 15: Production capacity expansion for personal care plant (including baby and kids)



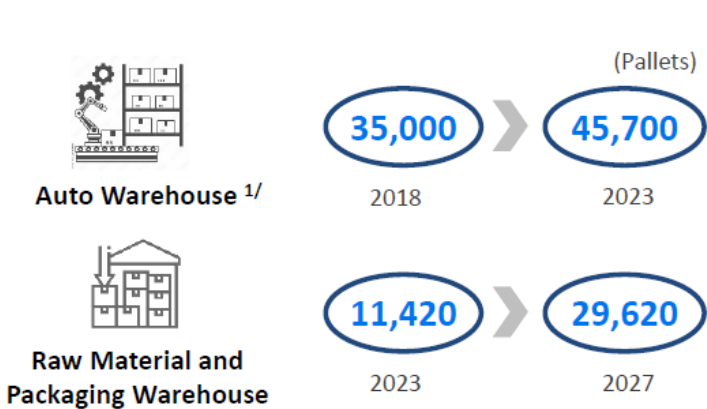
Sources: NEO, FSSIA's compilation

Exhibit 16: Total production capacity expansion



Sources: FSSIA; FSSIA's compilation

Exhibit 17: Warehouse capacity expansion



Sources: NEO, FSSIA's compilation

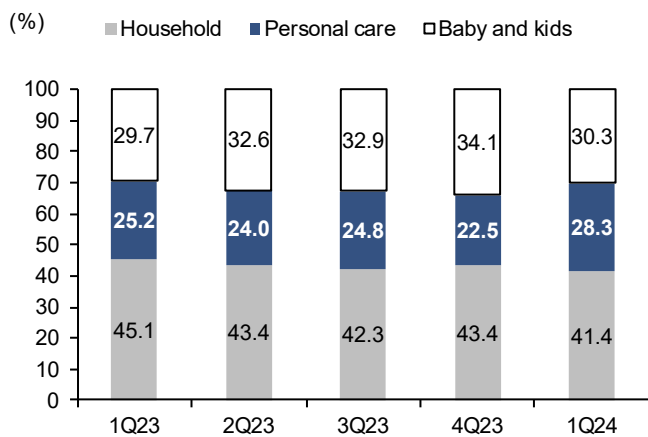
## NEO's impressive 1Q24 net profit

NEO's 1Q24 net profit of THB268m (-62% q-q, -49% y-y) was a good recovery and accounted for 29% of our previous full-year estimate. It was driven by revenue growth of 1% q-q and 8.5% y-y and a solid margin expansion to 45.9% from 41.6% in 4Q23 and 38.8% in 1Q23.

The total revenue grew q-q, breaking its seasonality, with crucial drivers including 1) revenue growth from personal care products, driven by hot weather, which boosted revenue of fragrances and deodorants, and 2) solid performance of baby and kid products. In addition, NEO has launched a new product line called D-nee Deluxe. With the elderly as its main target, it offers a new market with potential for strong growth.

NEO's high gross margin was due to several factors 1) changing product mix, with higher revenue contribution from high-margin personal care products, 2) increased utilization rate as revenue grew, and 3) lower raw material costs, particularly for surfactants, which decreased in tandem with crude palm oil price losses of 3.8% q-q and 6.2% y-y in 4Q23. The material costs declined in 1Q24, reflecting its strategy of keeping raw material stocks 3-6 months in advance, depending on the period.

Exhibit 18: Revenue contribution by product segment



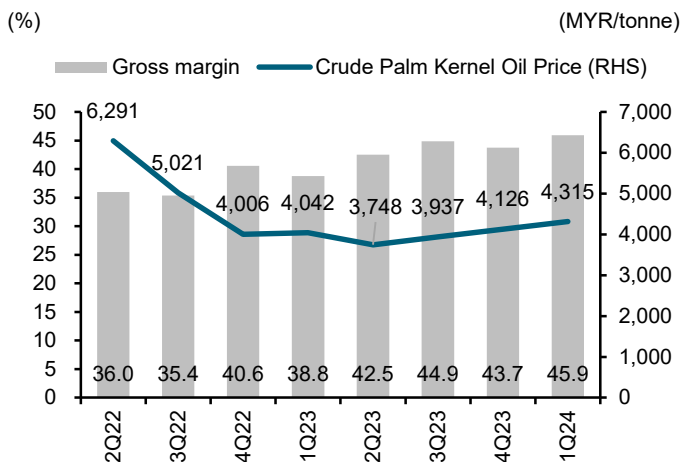
Source: NEO

Exhibit 19: D-nee Deluxe



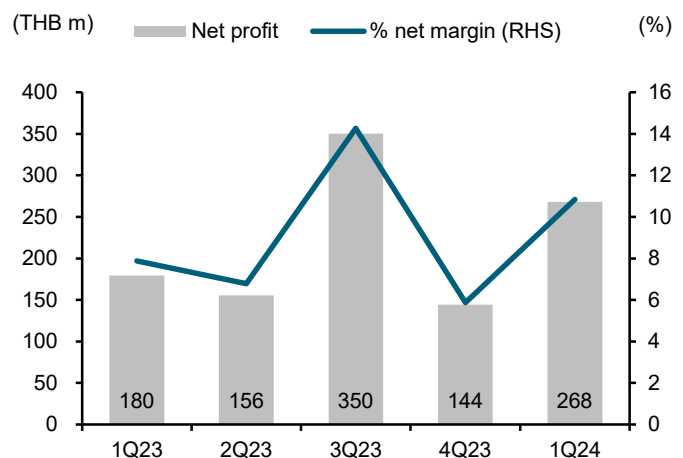
Sources: D-nee's facebook

Exhibit 20: Quarterly gross margin



Source: NEO,

Exhibit 21: Quarterly net profit and net margin



Source: NEO

## Expect 2Q24 net profit to continue to grow in line with seasonality

We estimate a 2Q24 net profit of THB285m (+6.3% q-q, +83% y-y) due to seasonal factors. Household revenue is expected to post a slight growth q-q and y-y, while personal care would continue to grow y-y. Baby and elderly products are expected to grow well q-q and y-y after the new products are well-received. Overall, we anticipate 2Q24 total revenue to grow by 2% q-q and 9.8% y-y, in line with management's target.

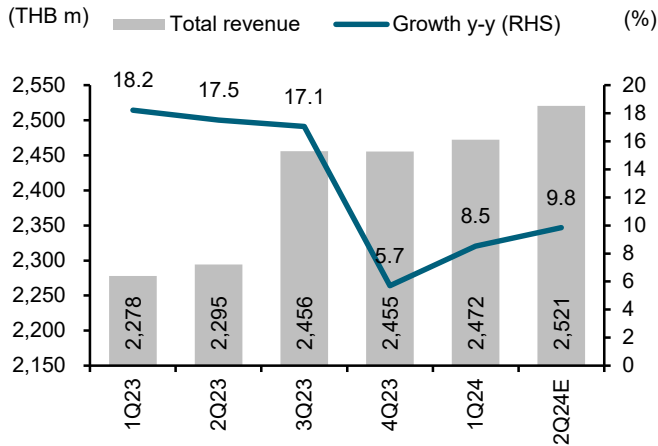
We project 2Q24 gross margin to remain close to 1Q24 of 46% due to high production capacity utilization. Even though we expect household revenue to grow seasonally, the baby and elderly groups are expected to see higher growth from the revenue recognition of new products, which have a higher gross margin than households.

Total expenses are expected to increase from new product launches, but revenue is expected to grow faster. Thus, we expect the 2Q24 SG&A-to-sales ratio to decrease to 31% from 31.5% in 1Q24 and 32.6% in 2Q23.

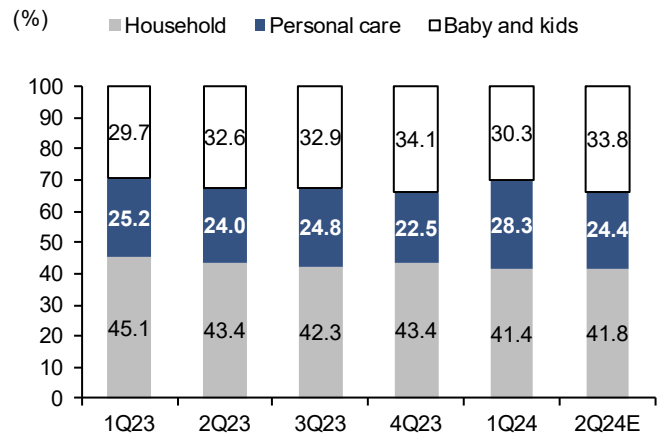
### Exhibit 22: NEO – 2Q24 earnings preview

|                                     | 2Q23    | 3Q23    | 4Q23    | 1Q24    | 2Q24E   | ----- Change ----- |        | 2023    | 2024E   | Change | % 1H24E  |
|-------------------------------------|---------|---------|---------|---------|---------|--------------------|--------|---------|---------|--------|----------|
|                                     | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%)             | (y-y%) | (THB m) | (THB m) | (y-y%) | to 2024E |
| Sales                               | 2,295   | 2,456   | 2,455   | 2,472   | 2,521   | 1.9                | 9.8    | 9,484   | 10,438  | 10.1   | 47.8     |
| Cost of sales                       | 1,319   | 1,354   | 1,381   | 1,337   | 1,361   | 1.8                | 3.2    | 5,449   | 5,845   | 7.3    | 46.2     |
| Gross profit                        | 975     | 1,102   | 1,074   | 1,136   | 1,159   | 2.1                | 18.9   | 4,035   | 4,593   | 13.8   | 50.0     |
| SG&A                                | 749     | 676     | 881     | 780     | 781     | 0.2                | 4.4    | 2,957   | 3,257   | 10.1   | 47.9     |
| Operating profit                    | 234     | 431     | 207     | 364     | 386     | 6.0                | 65.0   | 1,106   | 1,357   | 22.7   | 55.3     |
| Interest expense                    | 10      | 15      | 20      | 24      | 25      | 3.4                | 154.6  | 55      | 73      | 33.0   | 67.8     |
| Tax expense                         | 40      | 86      | 37      | 68      | 72      | 6.3                | 81.2   | 212     | 257     | 21.2   | 54.6     |
| Reported net profit                 | 156     | 350     | 144     | 268     | 285     | 6.3                | 83.2   | 830     | 1,012   | 22.0   | 54.6     |
| Core profit                         | 183     | 329     | 144     | 268     | 285     | 6.3                | 55.8   | 830     | 1,012   | 22.0   | 54.6     |
| <b>Key Ratios (%)</b>               |         |         |         |         |         | (ppt)              | (ppt)  |         |         |        |          |
| Gross margin                        | 42.5    | 44.9    | 43.7    | 45.9    | 46.0    | 0.1                | 3.5    | 42.5    | 44.0    | 1.5    | 1.5      |
| SG&A / Sales                        | 32.6    | 27.5    | 35.9    | 31.5    | 31.0    | (0.5)              | (1.6)  | 31.2    | 31.2    | 0.0    | 0.0      |
| Operating margin                    | 10.2    | 17.5    | 8.4     | 14.7    | 15.3    | 0.6                | 5.1    | 11.7    | 13.0    | 1.3    | 1.3      |
| Net margin                          | 6.8     | 14.3    | 5.9     | 10.8    | 11.3    | 0.5                | 4.5    | 8.7     | 9.7     | 1.0    | 1.0      |
| Core margin                         | 8.0     | 13.4    | 5.9     | 10.8    | 11.3    | 0.5                | 3.3    | 8.7     | 9.7     | 1.0    | 1.0      |
| <b>Operating Statistics (THB m)</b> |         |         |         |         |         |                    |        |         |         |        |          |
| Household products revenue          | 997     | 1,038   | 1,065   | 1,024   | 1,054   | 2.9                | 5.7    | 4,127   | 4,445   | 7.7    | 46.7     |
| Personal care products revenue      | 550     | 610     | 553     | 699     | 616     | (11.9)             | 12.0   | 2,287   | 2,538   | 11.0   | 51.8     |
| Baby and kids products revenue      | 748     | 808     | 837     | 749     | 851     | 13.6               | 13.7   | 3,070   | 3,454   | 12.5   | 46.3     |
| Domestic revenue                    | 1,978   | 2,137   | 2,136   | 2,250   | 2,265   | 0.7                | 14.5   | 8,238   | 9,227   | 12.0   | 48.9     |
| Export revenue                      | 316     | 319     | 319     | 223     | 256     | 14.9               | (19.1) | 1,246   | 1,211   | (2.8)  | 39.5     |

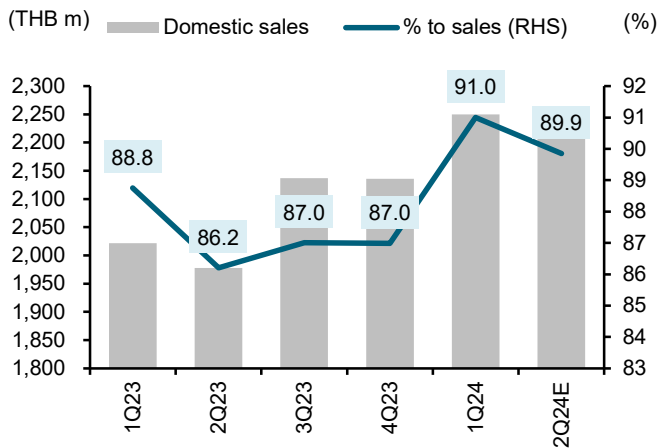
Sources: NEO, FSSIA estimates

**Exhibit 23: 2Q24E total revenue and growth**

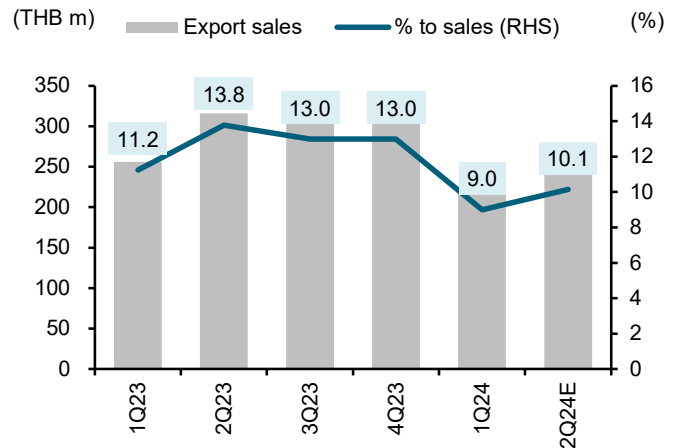
Sources: NEO, FSSIA estimates

**Exhibit 24: 2024E revenue breakdown by product segment**

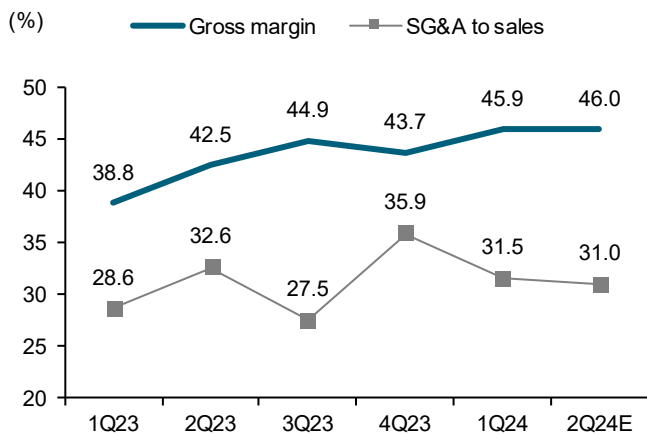
Sources: NEO, FSSIA estimates

**Exhibit 25: Quarterly domestic sales**

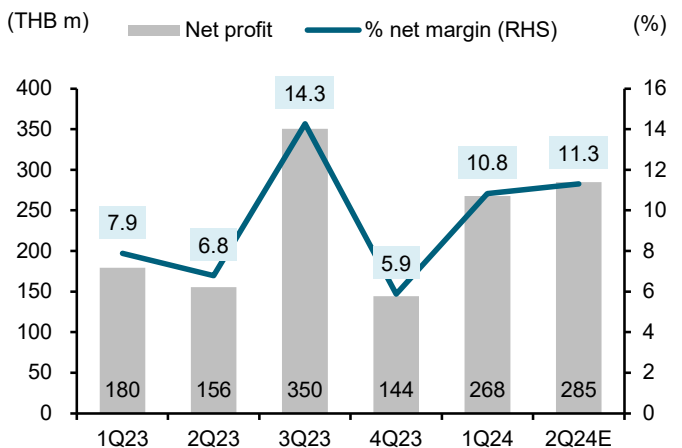
Sources: NEO, FSSIA estimates

**Exhibit 26: Quarterly export sales**

Sources: NEO, FSSIA estimates

**Exhibit 27: Quarterly gross margin and SG&A to sales**

Sources: NEO, FSSIA estimates

**Exhibit 28: Quarterly net profit and net margin**

Sources: NEO, FSSIA estimates

## Revise up 2024E net profit to grow by 22% y-y

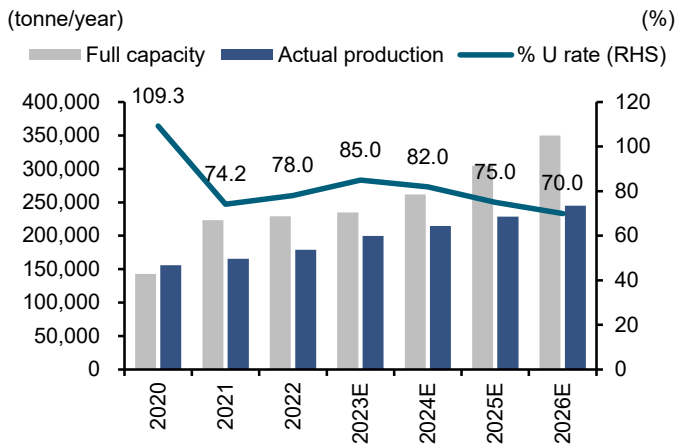
Given the profitability trend in 1H24 that is recovering better than expected, we therefore have increased our 2024E net profit by 9% to THB1b (+22% y-y) by increasing our gross margin assumption to 44% from 42.1%. Although the gross margin was lower than our conservative 1H24E following a slight uptrend for crude palm oil prices, with a 2QTD average of MYR4,083 per tonne (+2.5% q-q, +6% y-y), we maintain our 2024E total revenue of THB10b (+10% y-y) in line with management's target.

Meanwhile, we anticipate the profit growth rate over the next three years at 10.5% CAGR, close to the growth forecast of the Thai consumer products market value.

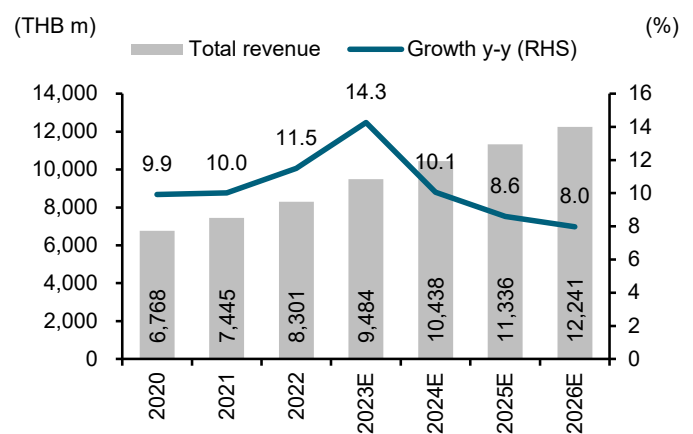
### Exhibit 29: Changes in key assumption for NEO

|                                     | Current          |                  |                  | Previous         |                  |                  | Change       |              |              |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|--------------|--------------|
|                                     | 2024E<br>(THB m) | 2025E<br>(THB m) | 2026E<br>(THB m) | 2024E<br>(THB m) | 2025E<br>(THB m) | 2026E<br>(THB m) | 2024E<br>(%) | 2025E<br>(%) | 2026E<br>(%) |
| Total revenue                       | 10,438           | 11,336           | 12,241           | 10,438           | 11,337           | 12,244           | (0.0)        | (0.0)        | (0.0)        |
| Cost of sales                       | 5,845            | 6,326            | 6,806            | 6,041            | 6,542            | 7,052            | (3.2)        | (3.3)        | (3.5)        |
| Gross profit                        | 4,593            | 5,011            | 5,435            | 4,396            | 4,796            | 5,191            | 4.5          | 4.5          | 4.7          |
| SG&A expenses                       | 3,257            | 3,492            | 3,770            | 3,184            | 3,446            | 3,722            | 2.3          | 1.3          | 1.3          |
| Operating profit                    | 1,357            | 1,544            | 1,689            | 3,184            | 3,446            | 3,722            | (57.4)       | (55.2)       | (54.6)       |
| Interest expense                    | 73               | 131              | 123              | 67               | 124              | 123              | 8.1          | 5.6          | 0.0          |
| Tax expense                         | 257              | 283              | 313              | 233              | 250              | 274              | 10.1         | 13.0         | 14.3         |
| Reported net profit                 | 1,012            | 1,116            | 1,237            | 928              | 993              | 1,089            | 9.1          | 12.4         | 13.6         |
| Core profit                         | 1,012            | 1,116            | 1,237            | 928              | 993              | 1,089            | 9.1          | 12.4         | 13.6         |
| <b>Key ratios (%)</b>               |                  |                  |                  |                  |                  |                  |              |              |              |
| Total revenue growth                | 10.1             | 8.6              | 8.0              | 10.1             | 8.6              | 8.0              |              |              |              |
| Net profit growth                   | 22.0             | 10.3             | 10.8             | 11.9             | 7.0              | 9.6              |              |              |              |
| Core profit growth                  | 22.0             | 10.3             | 10.8             | 11.9             | 7.0              | 9.6              |              |              |              |
| Gross margin                        | 44.0             | 44.2             | 44.4             | 42.1             | 42.3             | 42.4             | 1.9          | 1.9          | 2.0          |
| SG&A to sales                       | 31.2             | 30.8             | 30.8             | 30.5             | 30.4             | 30.4             | 0.7          | 0.4          | 0.4          |
| Net margin                          | 9.7              | 9.8              | 10.1             | 8.9              | 8.8              | 8.9              | 0.8          | 1.1          | 1.2          |
| Core margin                         | 9.7              | 9.8              | 10.1             | 8.9              | 8.8              | 8.9              | 0.8          | 1.1          | 1.2          |
| <b>Operating statistics (THB m)</b> |                  |                  |                  |                  |                  |                  |              |              |              |
| Household products revenue          | 4,445            | 4,757            | 5,090            | 4,445            | 4,757            | 5,090            | 0.0          | 0.0          | 0.0          |
| Personal care products revenue      | 2,538            | 2,763            | 2,953            | 2,538            | 2,763            | 2,953            | 0.0          | 0.0          | 0.0          |
| Baby and kids products revenue      | 3,454            | 3,817            | 4,198            | 3,454            | 3,817            | 4,198            | 0.0          | 0.0          | 0.0          |
| Domestic revenue                    | 9,227            | 9,983            | 10,782           | 9,227            | 9,983            | 10,782           | 0.0          | 0.0          | 0.0          |
| Export revenue                      | 1,211            | 1,353            | 1,459            | 1,211            | 1,353            | 1,459            | 0.0          | 0.0          | 0.0          |
| <b>Revenue proportion (%)</b>       |                  |                  |                  |                  |                  |                  |              |              |              |
| Household products revenue          | 42.6             | 42.0             | 41.6             | 42.6             | 42.0             | 41.6             |              |              |              |
| Personal care products revenue      | 24.3             | 24.4             | 24.1             | 24.3             | 24.4             | 24.1             |              |              |              |
| Baby and kids products revenue      | 33.1             | 33.7             | 34.3             | 33.1             | 33.7             | 34.3             |              |              |              |
| Domestic revenue                    | 88.4             | 88.1             | 88.1             | 88.4             | 88.1             | 88.1             |              |              |              |
| Export revenue                      | 11.6             | 11.9             | 11.9             | 11.6             | 11.9             | 11.9             |              |              |              |

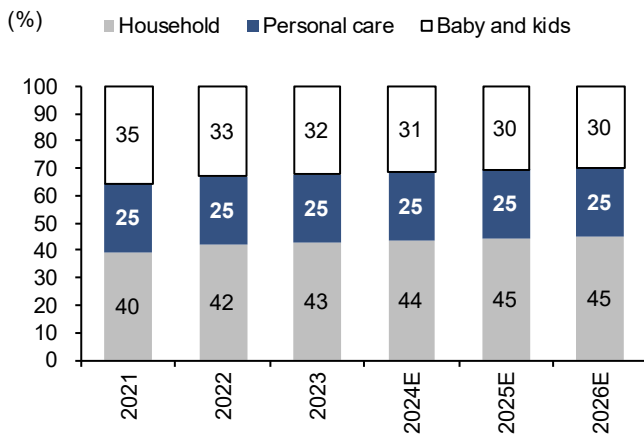
Source: FSSIA estimates

**Exhibit 30: Capacity production and utilization rate**

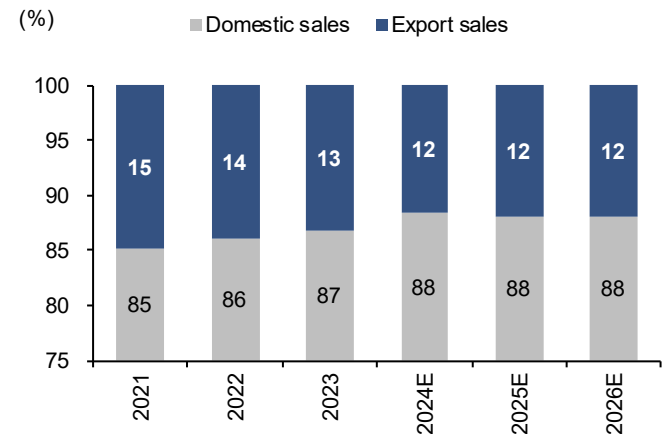
Sources: NEO, FSSIA estimates

**Exhibit 31: Yearly total revenue and growth**

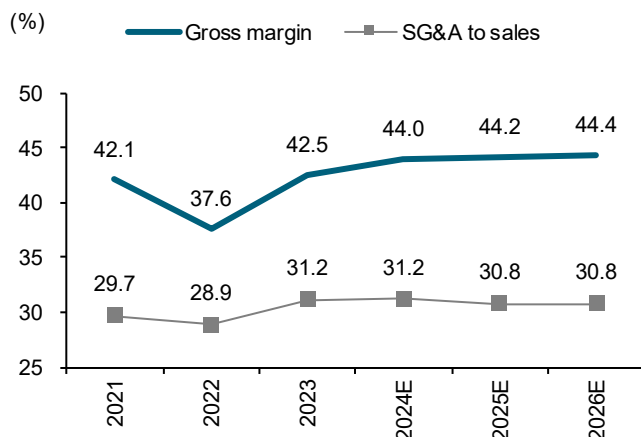
Sources: NEO, FSSIA estimates

**Exhibit 32: Revenue contribution by product segments**

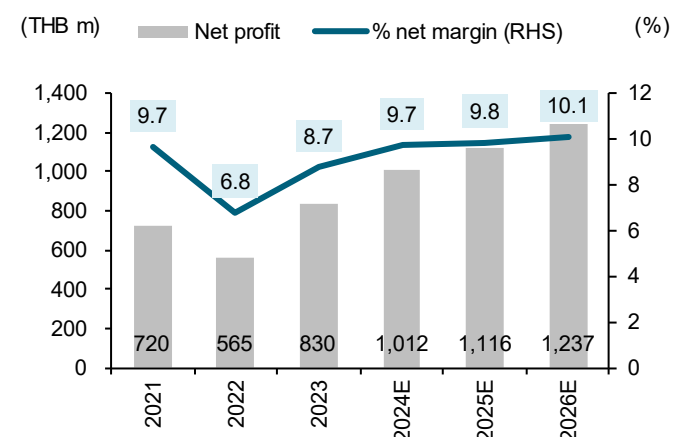
Sources: NEO, FSSIA estimates

**Exhibit 33: Revenue contribution by destinations**

Sources: NEO, FSSIA estimates

**Exhibit 34: Yearly gross margin and SG&A to sales**

Sources: NEO, FSSIA estimates

**Exhibit 35: Yearly net profit and net margin**

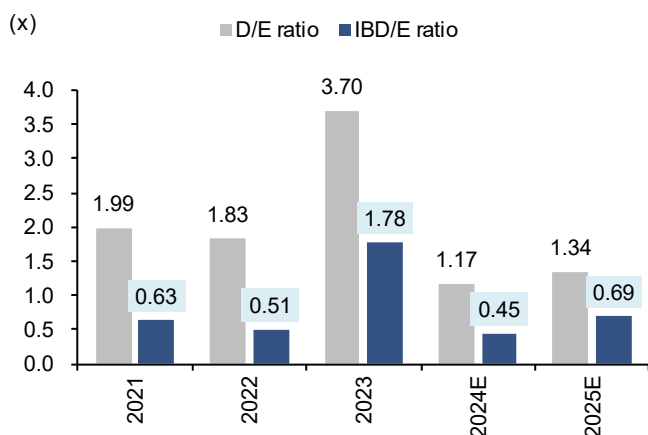
Sources: NEO, FSSIA estimates



## Retain BUY call with a higher TP of THB64

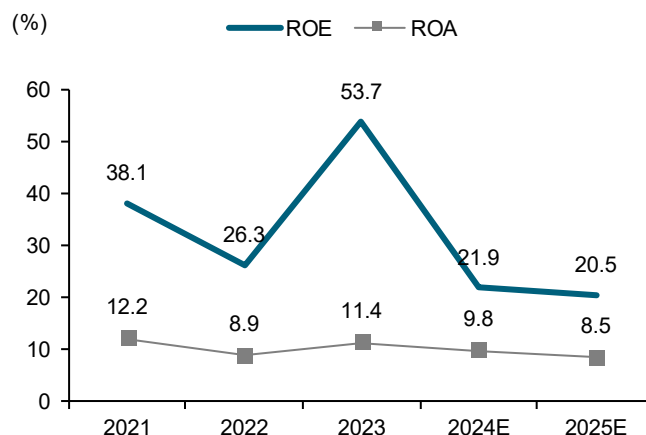
Similarly, we have increased our target price to THB64 from THB58, based on the same 2024E P/E ratio of 19x. We like NEO's leadership in the Thai consumer products market due to its eight well-known brands, making it popular among consumers. Also, the company's trendsetting product innovation aligns with the rapidly changing consumer behavior. After the IPO, NEO's financial position should improve. We expect the 2024 IBD/E ratio to decrease to 0.45x from 1.78x in 2023 partly from the additional funds raised through the IPO. The ROE is expected to remain high at around 21.9% in 2024 but decline from 2023 due to its higher equity.

Exhibit 36: D/E and IBD/E ratio



Sources: NEO, FSSIA estimates

Exhibit 37: ROE and ROA



Sources: NEO, FSSIA estimates

Exhibit 38: Peers comparison as of 5 Jun 2024

| Company                  | BBG       | Market    | Gross margin | Net margin | ----- PE ----- |      | ----- ROE ----- |       | ----- PBV ----- |      | -- EV/ EBITDA -- |      |
|--------------------------|-----------|-----------|--------------|------------|----------------|------|-----------------|-------|-----------------|------|------------------|------|
|                          |           | Cap       | 24E          | 24E        | 5Y-avg         | 24E  | 24E             | 25E   | 24E             | 25E  | 24E              | 25E  |
|                          |           | (USD m)   | (%)          | (%)        | (x)            | (x)  | (%)             | (%)   | (x)             | (x)  | (x)              | (x)  |
| Thailand                 |           |           |              |            |                |      |                 |       |                 |      |                  |      |
| Osotspa*                 | OSP TB    | 1,915     | 41.2         | 9.6        | 34.2           | 26.8 | 15.6            | 15.9  | 4.1             | 4.0  | 14.7             | 14.1 |
| Srinanaporn Marketing*   | SNNP TB   | 403       | 32.2         | 11.5       | 28.8           | 18.8 | 23.8            | 25.5  | 4.4             | 4.2  | 12.8             | 11.3 |
| Neo Corporate*           | NEO TB    | 445       | 32.2         | 11.5       | n/a            | 16.1 | 32.9            | 22.2  | 3.5             | 3.0  | 9.7              | 9.1  |
| Berli Jucker             | BJC TB    | 2,440     | 19.7         | 2.9        | 28.3           | 18.9 | 3.9             | 4.4   | 0.7             | 0.7  | 11.6             | 11.1 |
| Taokaenoi Food&Marketing | TKN TB    | 392       | 32.2         | 13.1       | 42.5           | 17.7 | 34.6            | 33.1  | 6.0             | 5.6  | 12.8             | 12.3 |
| Karmarts                 | KAMART TB | 487       | 47.1         | 23.8       | 18.1           | 24.6 | 22.3            | 21.5  | 4.7             | 4.3  | 19.8             | 17.0 |
| Thailand average         |           | 6,083     |              |            | 30.4           | 20.5 | 22.2            | 20.4  | 3.9             | 3.6  | 13.6             | 12.5 |
| Regional                 |           |           |              |            |                |      |                 |       |                 |      |                  |      |
| Procter & Gamble         | PG US     | 392,037   | 51.3         | 19.0       | 24.3           | 25.4 | 32.8            | 33.5  | 8.1             | 7.6  | 18.2             | 17.0 |
| Johnson & Johnson        | JNJ US    | 351,832   | 74.7         | 29.2       | 21.0           | 13.7 | 35.6            | 32.8  | 4.7             | 4.2  | 11.1             | 10.8 |
| Unilever                 | ULVR LN   | 139,994   | 43.5         | 11.3       | 20.0           | 18.8 | 36.7            | 36.0  | 6.8             | 6.2  | 12.9             | 12.2 |
| Lion Corporation         | 4912 JP   | 2,323     | 45.8         | 4.7        | 23.7           | 19.1 | 6.7             | 6.8   | 1.2             | 1.2  | 7.6              | 7.1  |
| KAO Corporation          | 4452 JP   | 20,770    | 38.0         | 6.7        | 35.2           | 30.2 | 10.8            | 12.0  | 3.2             | 3.1  | 14.5             | 13.3 |
| Colgate-Palmolive        | CL US     | 76,949    | 59.9         | 14.3       | 26.7           | 26.6 | 504.1           | 472.3 | 115.5           | 63.7 | 17.0             | 16.0 |
| Beiersdorf AG            | BEI GY    | 38,954    | 57.8         | 9.9        | 35.6           | 32.8 | 11.8            | 12.1  | 3.8             | 3.5  | 18.0             | 16.8 |
| Regional average         |           | 1,022,860 |              |            | 26.7           | 23.8 | 91.2            | 86.5  | 20.5            | 12.8 | 14.2             | 13.3 |
| Overall average          |           | 1,028,943 |              |            | 28.2           | 22.3 | 59.4            | 56.0  | 12.8            | 8.6  | 13.9             | 12.9 |

Sources: Bloomberg; \*FSSIA estimates

## Financial Statements

### Neo Corporate

| Profit and Loss (THB m) Year Ending Dec           | 2022         | 2023         | 2024E        | 2025E        | 2026E        |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue   | 8,301        | 9,484        | 10,438       | 11,336       | 12,241       |
| Cost of goods sold                                | (5,181)      | (5,449)      | (5,845)      | (6,326)      | (6,806)      |
| <b>Gross profit</b>                               | <b>3,120</b> | <b>4,035</b> | <b>4,593</b> | <b>5,011</b> | <b>5,435</b> |
| Other operating income                            | 22           | 28           | 21           | 25           | 24           |
| Operating costs                                   | (2,395)      | (2,957)      | (3,257)      | (3,492)      | (3,770)      |
| <b>Operating EBITDA</b>                           | <b>1,070</b> | <b>1,461</b> | <b>1,833</b> | <b>2,190</b> | <b>2,363</b> |
| Depreciation                                      | (323)        | (355)        | (476)        | (646)        | (674)        |
| Goodwill amortisation                             | 0            | 0            | 0            | 0            | 0            |
| <b>Operating EBIT</b>                             | <b>746</b>   | <b>1,106</b> | <b>1,357</b> | <b>1,544</b> | <b>1,689</b> |
| Net financing costs                               | (36)         | (55)         | (73)         | (131)        | (123)        |
| Associates  | 0            | 0            | 0            | 0            | 0            |
| Recurring non-operating income                    | 0            | 0            | 0            | 0            | 0            |
| Non-recurring items                               | 0            | 0            | 0            | 0            | 0            |
| <b>Profit before tax</b>                          | <b>710</b>   | <b>1,052</b> | <b>1,284</b> | <b>1,413</b> | <b>1,566</b> |
| Tax   | (142)        | (212)        | (257)        | (283)        | (313)        |
| <b>Profit after tax</b>                           | <b>569</b>   | <b>840</b>   | <b>1,027</b> | <b>1,130</b> | <b>1,253</b> |
| Minority interests                                | (4)          | (10)         | (15)         | (14)         | (17)         |
| Preferred dividends                               | 0            | 0            | 0            | 0            | 0            |
| Other items                                       | -            | -            | -            | -            | -            |
| <b>Reported net profit</b>                        | <b>565</b>   | <b>830</b>   | <b>1,012</b> | <b>1,116</b> | <b>1,237</b> |
| <b>Non-recurring items &amp; goodwill (net)</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Recurring net profit</b>                       | <b>565</b>   | <b>830</b>   | <b>1,012</b> | <b>1,116</b> | <b>1,237</b> |
| <b>Per share (THB)</b>                            |              |              |              |              |              |
| Recurring EPS *                                   | 2.54         | 3.74         | 3.37         | 3.72         | 4.12         |
| Reported EPS                                      | 2.54         | 3.74         | 3.37         | 3.72         | 4.12         |
| DPS   | 2.56         | 4.95         | 2.02         | 2.23         | 2.47         |
| Diluted shares (used to calculate per share data) | 222          | 222          | 300          | 300          | 300          |
| <b>Growth</b>                                     |              |              |              |              |              |
| Revenue (%)                                       | 11.5         | 14.3         | 10.1         | 8.6          | 8.0          |
| Operating EBITDA (%)                              | (15.2)       | 36.6         | 25.5         | 19.4         | 7.9          |
| Operating EBIT (%)                                | (21.1)       | 48.2         | 22.7         | 13.8         | 9.4          |
| Recurring EPS (%)                                 | (21.5)       | 47.0         | (9.7)        | 10.3         | 10.8         |
| Reported EPS (%)                                  | (21.5)       | 47.0         | (9.7)        | 10.3         | 10.8         |
| <b>Operating performance</b>                      |              |              |              |              |              |
| Gross margin inc. depreciation (%)                | 37.6         | 42.5         | 44.0         | 44.2         | 44.4         |
| Gross margin exc. depreciation (%)                | 41.5         | 46.3         | 48.6         | 49.9         | 49.9         |
| Operating EBITDA margin (%)                       | 12.9         | 15.4         | 17.6         | 19.3         | 19.3         |
| Operating EBIT margin (%)                         | 9.0          | 11.7         | 13.0         | 13.6         | 13.8         |
| Net margin (%)                                    | 6.8          | 8.7          | 9.7          | 9.8          | 10.1         |
| Effective tax rate (%)                            | 19.9         | 20.2         | 20.0         | 20.0         | 20.0         |
| Dividend payout on recurring profit (%)           | 100.8        | 132.5        | 60.0         | 60.0         | 60.0         |
| Interest cover (X)                                | 20.6         | 20.3         | 18.7         | 11.8         | 13.7         |
| Inventory days                                    | 59.3         | 58.6         | 58.9         | 64.3         | 64.2         |
| Debtor days                                       | 80.7         | 75.4         | 74.8         | 76.8         | 77.0         |
| Creditor days                                     | 84.5         | 127.3        | 124.8        | 85.7         | 85.7         |
| Operating ROIC (%)                                | 18.3         | 23.8         | 21.1         | 15.8         | 14.2         |
| ROIC (%)  | 17.5         | 22.5         | 20.2         | 15.4         | 13.9         |
| ROE (%)   | 28.0         | 45.0         | 32.9         | 22.2         | 21.7         |
| ROA (%)   | 9.8          | 13.0         | 12.4         | 10.6         | 10.1         |

\* Pre-exceptional, pre-goodwill and fully diluted

| Revenue by Division (THB m) | 2022  | 2023  | 2024E | 2025E | 2026E |
|-----------------------------|-------|-------|-------|-------|-------|
| Household products          | 3,498 | 4,127 | 4,445 | 4,757 | 5,090 |
| Personal care products      | 2,071 | 2,287 | 2,538 | 2,763 | 2,953 |
| Baby and kids products      | 2,731 | 3,070 | 3,454 | 3,817 | 4,198 |

Sources: Neo Corporate; FSSIA estimates

## Financial Statements

### Neo Corporate

| Cash Flow (THB m) Year Ending Dec | 2022         | 2023         | 2024E          | 2025E          | 2026E          |
|-----------------------------------|--------------|--------------|----------------|----------------|----------------|
| Recurring net profit              | 565          | 830          | 1,012          | 1,116          | 1,237          |
| Depreciation                      | 323          | 355          | 476            | 646            | 674            |
| Associates & minorities           | -            | -            | -              | -              | -              |
| Other non-cash items              | 4            | (243)        | 259            | 5              | 4              |
| Change in working capital         | (152)        | 157          | (173)          | (36)           | (36)           |
| <b>Cash flow from operations</b>  | <b>740</b>   | <b>1,098</b> | <b>1,575</b>   | <b>1,731</b>   | <b>1,878</b>   |
| Capex - maintenance               | (663)        | (704)        | (3,156)        | (3,094)        | (1,144)        |
| Capex - new investment            | -            | -            | -              | -              | -              |
| Net acquisitions & disposals      | -            | -            | -              | -              | -              |
| Other investments (net)           | 3            | (132)        | 99             | (12)           | (12)           |
| <b>Cash flow from investing</b>   | <b>(660)</b> | <b>(837)</b> | <b>(3,057)</b> | <b>(3,105)</b> | <b>(1,156)</b> |
| Dividends paid                    | (307)        | (1,657)      | (607)          | (670)          | (742)          |
| Equity finance                    | 0            | 0            | 3,078          | 0              | 0              |
| Debt finance                      | (106)        | 1,652        | (668)          | 1,667          | (228)          |
| Other financing cash flows        | 79           | 9            | 26             | 36             | 36             |
| <b>Cash flow from financing</b>   | <b>(335)</b> | <b>3</b>     | <b>1,828</b>   | <b>1,033</b>   | <b>(934)</b>   |
| Non-recurring cash flows          | -            | -            | -              | -              | -              |
| Other adjustments                 | 0            | 0            | 0              | 0              | 0              |
| <b>Net other adjustments</b>      | <b>0</b>     | <b>0</b>     | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>Movement in cash</b>           | <b>(255)</b> | <b>265</b>   | <b>346</b>     | <b>(341)</b>   | <b>(212)</b>   |
| Free cash flow to firm (FCFF)     | 116.06       | 315.80       | (1,409.50)     | (1,242.93)     | 844.77         |
| Free cash flow to equity (FCFE)   | 52.45        | 1,921.90     | (2,124.20)     | 329.11         | 530.05         |

#### Per share (THB)

|                               |      |      |        |        |      |
|-------------------------------|------|------|--------|--------|------|
| FCFF per share                | 0.39 | 1.05 | (4.70) | (4.14) | 2.82 |
| FCFE per share                | 0.17 | 6.41 | (7.08) | 1.10   | 1.77 |
| Recurring cash flow per share | 4.02 | 4.24 | 5.83   | 5.89   | 6.38 |

| Balance Sheet (THB m) Year Ending Dec             | 2022         | 2023         | 2024E         | 2025E         | 2026E         |
|---|--------------|--------------|---------------|---------------|---------------|
| Tangible fixed assets (gross)                     | 4,900        | 4,900        | 7,452         | 11,011        | 11,599        |
| Less: Accumulated depreciation                    | (1,781)      | (1,204)      | (1,490)       | (2,202)       | (2,320)       |
| <b>Tangible fixed assets (net)</b>                | <b>3,119</b> | <b>3,696</b> | <b>5,961</b>  | <b>8,809</b>  | <b>9,279</b>  |
| <b>Intangible fixed assets (net)</b>              | <b>0</b>     | <b>0</b>     | <b>47</b>     | <b>47</b>     | <b>47</b>     |
| Long-term financial assets                        | -            | -            | -             | -             | -             |
| Invest. in associates & subsidiaries              | 11           | 6            | 6             | 6             | 6             |
| Cash & equivalents                                | 224          | 488          | 835           | 494           | 282           |
| A/C receivable                                    | 1,929        | 1,992        | 2,288         | 2,485         | 2,683         |
| Inventories                                       | 864          | 772          | 961           | 1,040         | 1,119         |
| Other current assets                              | 45           | 52           | 52            | 57            | 61            |
| <b>Current assets</b>                             | <b>3,061</b> | <b>3,304</b> | <b>4,135</b>  | <b>4,075</b>  | <b>4,145</b>  |
| Other assets                                      | 144          | 282          | 136           | 147           | 159           |
| <b>Total assets</b>                               | <b>6,335</b> | <b>7,287</b> | <b>10,285</b> | <b>13,084</b> | <b>13,636</b> |
| Common equity                                     | 2,144        | 1,544        | 4,613         | 5,459         | 5,954         |
| Minorities etc.                                   | 267          | 24           | 283           | 287           | 291           |
| <b>Total shareholders' equity</b>                 | <b>2,411</b> | <b>1,568</b> | <b>4,895</b>  | <b>5,747</b>  | <b>6,245</b>  |
| Long term debt                                    | 726          | 1,740        | 1,748         | 2,965         | 2,844         |
| Other long-term liabilities                       | 383          | 392          | 418           | 453           | 490           |
| <b>Long-term liabilities</b>                      | <b>1,108</b> | <b>2,131</b> | <b>2,166</b>  | <b>3,418</b>  | <b>3,334</b>  |
| A/C payable                                       | 1,162        | 2,391        | 1,281         | 1,386         | 1,492         |
| Short term debt                                   | 364          | 1,001        | 325           | 775           | 668           |
| Other current liabilities                         | 1,290        | 196          | 1,618         | 1,757         | 1,897         |
| <b>Current liabilities</b>                        | <b>2,816</b> | <b>3,588</b> | <b>3,224</b>  | <b>3,919</b>  | <b>4,057</b>  |
| <b>Total liabilities and shareholders' equity</b> | <b>6,335</b> | <b>7,287</b> | <b>10,285</b> | <b>13,084</b> | <b>13,636</b> |
| Net working capital                               | 386          | 229          | 402           | 438           | 474           |
| Invested capital                                  | 3,659        | 4,212        | 6,551         | 9,446         | 9,965         |

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

#### Per share (THB)

|                               |      |      |       |       |       |
|-------------------------------|------|------|-------|-------|-------|
| Book value per share          | 9.66 | 6.95 | 15.38 | 18.20 | 19.85 |
| Tangible book value per share | 9.66 | 6.95 | 15.22 | 18.04 | 19.69 |

#### Financial strength

|                           |      |       |        |      |      |
|---------------------------|------|-------|--------|------|------|
| Net debt/equity (%)       | 35.9 | 143.7 | 25.3   | 56.5 | 51.7 |
| Net debt/total assets (%) | 13.7 | 30.9  | 12.0   | 24.8 | 23.7 |
| Current ratio (x)         | 1.1  | 0.9   | 1.3    | 1.0  | 1.0  |
| CF interest cover (x)     | 2.5  | 36.2  | (28.3) | 3.5  | 5.3  |

| Valuation                                 | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Recurring P/E (x) *</b>                | <b>21.4</b> | <b>14.6</b> | <b>16.1</b> | <b>14.6</b> | <b>13.2</b> |
| <b>Recurring P/E @ target price (x) *</b> | <b>25.2</b> | <b>17.1</b> | <b>19.0</b> | <b>17.2</b> | <b>15.5</b> |
| Reported P/E (x)                          | 21.4        | 14.6        | 16.1        | 14.6        | 13.2        |
| Dividend yield (%)                        | 4.7         | 9.1         | 3.7         | 4.1         | 4.5         |
| Price/book (x)                            | 5.6         | 7.8         | 3.5         | 3.0         | 2.7         |
| Price/tangible book (x)                   | 5.6         | 7.8         | 3.6         | 3.0         | 2.8         |
| EV/EBITDA (x) **                          | 12.4        | 9.8         | 9.7         | 9.1         | 8.4         |
| EV/EBITDA @ target price (x) **           | 14.3        | 11.3        | 11.3        | 10.4        | 9.6         |
| EV/invested capital (x)                   | 3.6         | 3.4         | 2.7         | 2.1         | 2.0         |

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

Sources: Neo Corporate; 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.<br><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. |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| CG Score by Thai Institute of Directors Association (Thai IOD)                | An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.   | Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).  |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| AGM level By Thai Investors Association (TIA) with support from the SEC       | It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&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.  |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| 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.<br><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 &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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>   | NEGL  | Low          | Medium  | High  | Severe | 0-10        | 10-20 | 20-30       | 30-40 | 40+         |          |   |    |             |   |             |     |             |          |   |
| NEGL  | Low  | Medium  | High  | Severe       |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| 0-10  | 10-20  | 20-30   | 30-40   | 40+          |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| ESG Book  | The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.  | The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.   |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| MSCI  | MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table> |   | AAA   | 8.571-10.000 | Leader: | leading its industry in managing the most significant ESG risks and opportunities | AA     | 7.143-8.570 | A     | 5.714-7.142 | BBB   | 4.286-5.713 | Average: | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers | BB | 2.857-4.285 | B | 1.429-2.856 | CCC | 0.000-1.428 | Laggard: | lagging its industry based on its high exposure and failure to manage significant ESG risks |
| AAA   | 8.571-10.000   | Leader:   | leading its industry in managing the most significant ESG risks and opportunities   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| AA  | 7.143-8.570  |   |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| A   | 5.714-7.142  |   |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| BBB   | 4.286-5.713  | Average:  | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| BB  | 2.857-4.285  |   |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| B   | 1.429-2.856  |   |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| CCC   | 0.000-1.428  | Laggard:  | lagging its industry based on its high exposure and failure to manage significant ESG risks                                   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| Moody's ESG solutions   | Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.  |   |   |              |         |   |        |             |       |             |       |             |          |   |    |             |   |             |     |             |          |   |
| Refinitiv ESG rating  | Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

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Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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| Company       | Ticker | Price     | Rating | Valuation & Risks   |
|---------------|--------|-----------|--------|---|
| Neo Corporate | NEO TB | THB 54.50 | BUY    | Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) the high volatility of raw material prices; 3) changing consumer demand and lifestyles; and 4) a failure of new products. |

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 5-Jun-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.