

MK RESTAURANT GROUP

THAILAND / FOOD & BEVERAGE

M TB

HOLD

FROM BUY

SSSG has not recovered

- We expect 2Q24 net profit to drop by 22% y-y with a negative SSSG of 11% y-y.
- Selling sauce has not produced significant feedback yet, while restaurants still recover slower than expected.
- Downgrade to HOLD with a lower TP of THB34.

TARGET PRICE	THB34.00
CLOSE	THB31.00
UP/DOWNSIDE	+9.7%
PRIOR TP	THB47.00
CHANGE IN TP	-27.7%
TP vs CONSENSUS	-19.7%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	16,661	16,711	17,567	18,283
Net profit	1,682	1,549	1,664	1,775
EPS (THB)	1.83	1.68	1.81	1.93
vs Consensus (%)	-	(9.8)	(9.4)	(7.6)
EBITDA	4,072	3,928	4,068	4,201
Recurring net profit	1,682	1,549	1,664	1,775
Core EPS (THB)	1.83	1.68	1.81	1.93
Chg. In EPS est. (%)	-	(11.7)	(12.2)	(12.3)
EPS growth (%)	16.9	(7.9)	7.4	6.7
Core P/E (x)	17.0	18.4	17.2	16.1
Dividend yield (%)	5.2	4.6	4.7	5.0
EV/EBITDA (x)	5.7	5.9	5.8	5.7
Price/book (x)	2.1	2.0	2.0	1.9
Net debt/Equity (%)	(41.3)	(38.3)	(36.7)	(33.3)
ROE (%)	12.3	11.1	11.7	12.2

2Q24 still recovers slower than expected

We expect a 2Q24 net profit of THB360m (+3.9% q-q, -22% y-y). Despite being a typically strong quarter for the business, M remains affected by the same factors, such as weak consumption and high competition. The SSSG in April-May was negative at 12% y-y and 14% y-y, respectively. Although we still expect a recovery in June after M launched a promotion - MK condo, we expect 2Q24 SSS to decrease by 11% y-y, worse than -6.1% in 1Q24. Since M opened three new branches, we project that 2Q24 revenue would drop by 10% y-y but slightly increase by 1.2% q-q.

Promotional campaigns did not help much

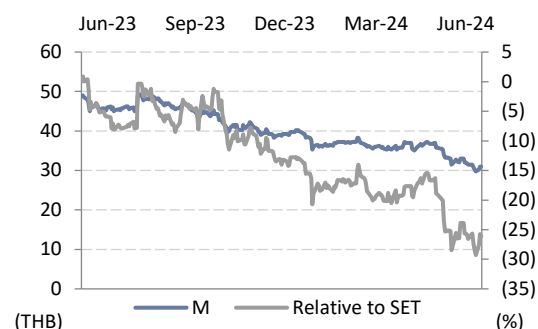
Even though M launched the MK Condo campaign from 30 Apr to 15 Jun 24, SSSG in May still declined. Since the campaign entailed a selling price reduction, we estimate the 2Q24 gross margin would decrease to 67%, down from 67.6% in 1Q24 but higher than 65.7% in 2Q23 due to lower raw material costs. Meanwhile, overall expenses should remain stable mainly due to labor and rent, which are fixed costs. Hence, we estimate 2Q24 SG&A to sales at 58%, higher than 55.6% in 2Q23 but lower than 58.9% in 1Q24.

Selling sauce has not produced significant feedback yet

Assuming in-line results, M's 1H24 net profit would equal THB707m (-10% y-y). We do not expect 3Q24 profit to recover due to a low season. Although we anticipate a q-q recovery in 4Q24, the profit may decrease y-y due to the high base effect. In addition, M has entered the retail business by selling sauces at retail stores starting in Mar 2024. Currently, we have not seen significant feedback yet. It is still in its infant stage, with a revenue contribution of less than 5%. If successful, it will become an additional driver for profit growth.

Revise down profit estimate and recommendation

We have decreased our 2024-26 net profit forecast by 11-12%. It now implies a decline of 7.9% y-y (from growth of 4.3%) in 2024. Similarly, we have cut our TP to THB34 (from THB47), with an adjusted PE target of 20x (from 25x), and downgraded our rating to HOLD due to the following reasons 1) the strong financial position, 2) an expected 2024 dividend yield of 4.7%, and 3) the plan to launch a new restaurant brand in 2H24. Recently, M announced a share buyback of 20 million shares for a total value of cTHB800m from 24 Jun to 23 Dec 24.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.8)	(13.9)	(36.7)
Relative to country (%)	(1.1)	(8.7)	(24.5)
Mkt cap (USD m)	778		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	36		
Major shareholder	Thirakomen Family (37%)		
12m high/low (THB)	49.50/29.50		
Issued shares (m)	920.88		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

M is a leading chain restaurant company in Thailand. It has several branches across the country, in Bangkok, its vicinity, and other provinces. M's strengths lie in its professional management, training centers, distribution centers, and central kitchens. It focuses on offering fresh and quality food to its customers and excellent services.

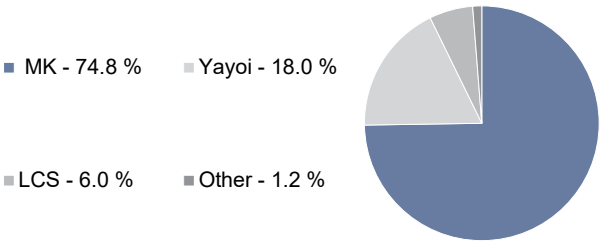
M is experiencing challenges, including post-covid recovery, more intense competition from new players, and inflation. We expect 2024 net profit would decline by 7.9% y-y due to sluggish SSSG that has not yet recovered. In addition, M has entered the retail business by selling sauces at retail stores starting in March 2024. Although we have not seen significant feedback yet, if successful, it will become an additional driver for profit growth.

Company profile

M opened its first Sukiyaki restaurant in Thailand in 1984 and Japan in 1994. At the end of 2022, it had 710 branches under several brands, led by MK (455), Yayoi (195), and several others, such as Miyazaki, Hakata, Na Siam, and Le Siam. In 2020, it invested in Laem Charoen, which had 36 branches.

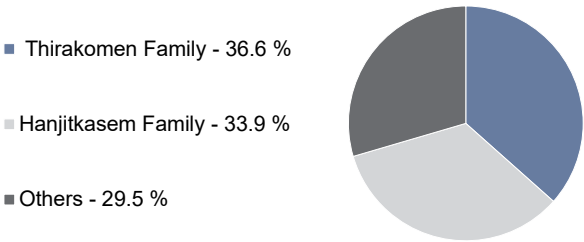
www.mkrestaurant.com

Principal activities (revenue, 2023)



Source: MK Restaurant Group

Major shareholders



Source: MK Restaurant Group

Catalysts

Potential catalysts for M's earnings growth in 2024 include 1) foot traffic growth and food price hikes, 2) tourism recovery, which would drive international customers, 3) lower raw material costs, and 4) new store expansion.

Risks to our call

Downside and upside risks to our TP include 1) a slower or faster-than-expected consumption recovery and more intense competition; 2) slower or faster-than-expected decreases in raw material costs; 3) a lower or higher-than-expected new store expansion; and 4) a minimum wage increase and labor shortages.

Event calendar

Date	Event
13 August 2024	2Q24 results announcement

Key assumptions

	2024E	2025E	2026E
SSSG (%)	(2.0)	3.0	3.0
Total stores (no.)	722	737	752
Total revenue growth (%)	0.3	5.1	4.1
Gross margin (%)	67.0	67.1	67.2
SG&A to sale (%)	57.8	57.6	57.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2024 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 3%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2024 net profit to fall by 3%, and vice versa, all else being equal.

Source: FSSIA estimates

Exhibit 1: M - 2Q24 earnings preview

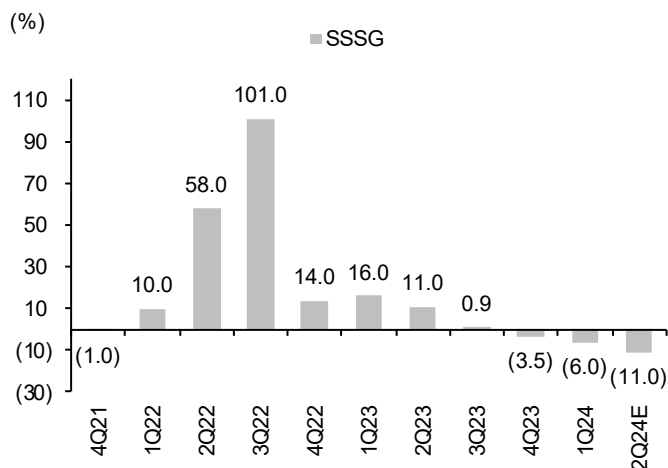
	2Q23	3Q23	4Q23	1Q24	2Q24E	----- Change -----		2024E	Change	% 1H24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	to 2024E
Sales	4,435	4,094	4,042	3,946	3,992	1.2	(10.0)	16,711	0.3	47.5
Cost of sales	1,521	1,365	1,336	1,279	1,317	3.0	(13.4)	5,515	(2.4)	47.1
Gross profit	2,914	2,730	2,706	2,667	2,675	0.3	(8.2)	11,196	1.7	47.7
SG&A	2,468	2,360	2,153	2,323	2,315	(0.3)	(6.2)	9,659	4.0	48.0
Operating profit	541	473	653	443	459	3.6	(15.1)	1,930	(7.7)	46.8
Profit sharing	(3.6)	(0.3)	2.3	(0.3)	0.0	nm	nm	(5.0)	nm	6.3
Interest expense	26	20	26	27	27	0.5	3.4	92	(3.5)	58.7
Tax expense	47	60	108	66	69	4.7	48.4	275	(1.8)	49.2
Reported net profit	459	389	509	347	360	3.9	(21.5)	1,549	(7.9)	45.6
Core profit	459	389	509	347	360	3.9	(21.5)	1,549	(7.9)	45.6

Key ratios (%)						(ppt)	(ppt)			
Gross margin	65.7	66.7	67.0	67.6	67.0	(0.6)	1.3	67.0	0.9	
SG&A to sales	55.6	57.6	53.3	58.9	58.0	(0.9)	2.4	57.8	2.1	
Operating margin	12.2	11.5	16.2	11.2	11.5	0.3	(0.7)	11.6	(1.0)	
Net margin	10.3	9.5	12.6	8.8	9.0	0.2	(1.3)	9.3	(0.8)	
Norm margin	10.3	9.5	12.6	8.8	9.0	0.2	(1.3)	9.3	(0.8)	

Operating statistics										
SSSG (%)	11.0	0.9	(3.5)	(6.1)	(11.0)					
Total stores (no.)	698	698	703	706	709					
-MK Brand	448	448	448	448	450					
-Yayoi Brand	195	194	198	199	200					
-LCS Brand	34	36	39	41	41					
-Other Brand	21	20	18	18	18					

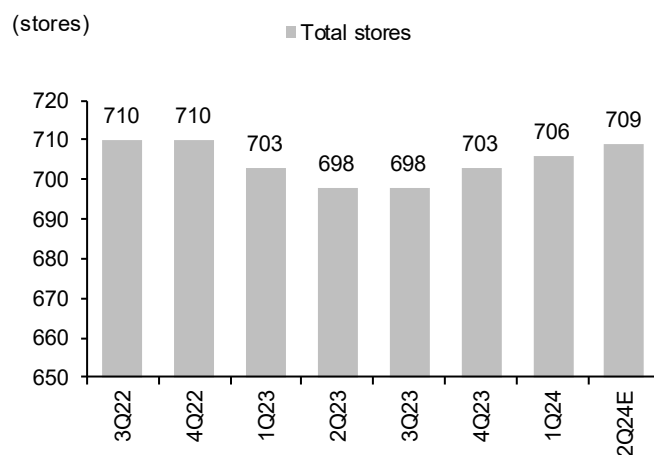
Sources: M; FSSIA estimates

Exhibit 2: Quarterly SSSG



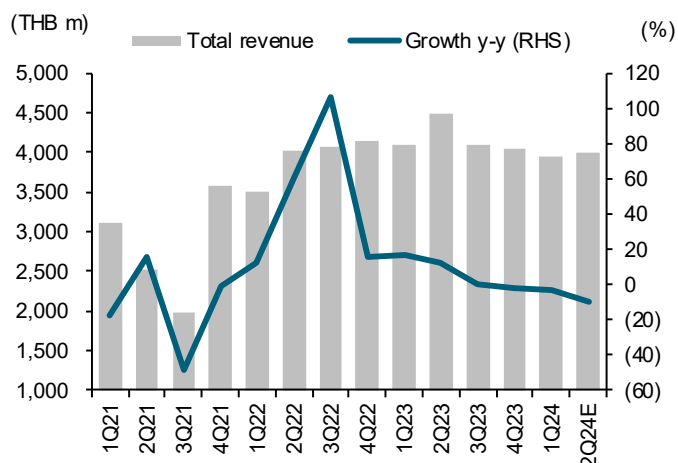
Sources: M, FSSIA estimates

Exhibit 3: Quarterly total stores



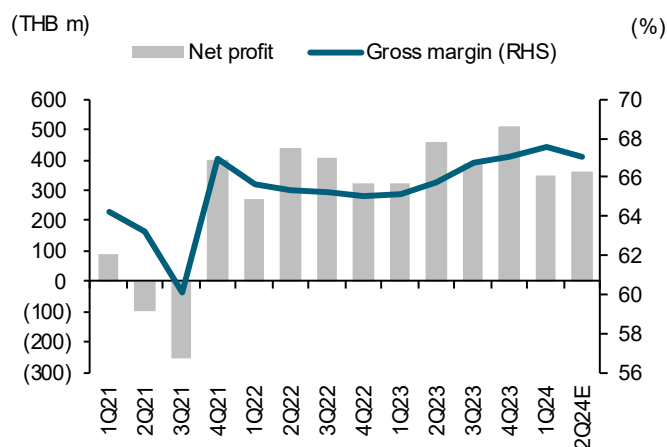
Sources: M, FSSIA estimates

Exhibit 4: Quarterly total revenue and growth



Sources: M, FSSIA estimates

Exhibit 5: Quarterly net profit and gross margin



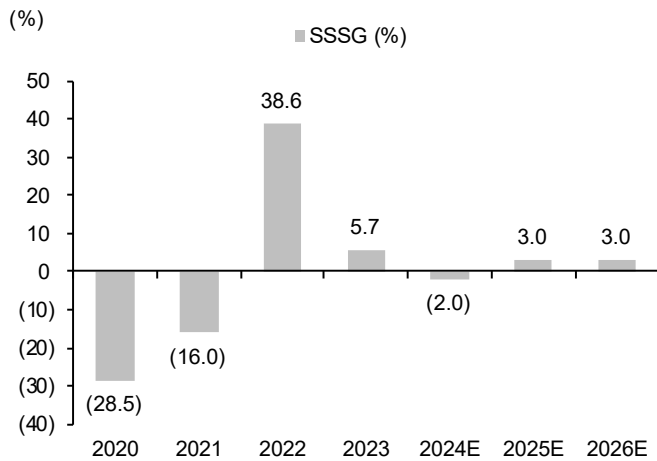
Sources: M, FSSIA estimates

Exhibit 6: Change in key assumptions for M

	Current			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Sales	16,711	17,567	18,283	18,006	18,984	19,810	(7.2)	(7.5)	(7.7)
Cost of sales	5,515	5,779	5,997	6,086	6,379	6,617	(9.4)	(9.4)	(9.4)
Gross profit	11,196	11,787	12,286	11,920	12,606	13,194	(6.1)	(6.5)	(6.9)
SG&A	9,659	10,118	10,512	10,084	10,631	11,094	(4.2)	(4.8)	(5.2)
Operating profit	1,930	2,055	2,176	2,197	2,354	2,496	(12.1)	(12.7)	(12.8)
Interest expense	92	92	93	92	92	93	0.0	0.0	0.0
Tax expense	275	295	314	336	362	386	(18.2)	(18.6)	(18.7)
Reported net profit	1,549	1,664	1,775	1,755	1,896	2,024	(11.7)	(12.2)	(12.3)
Core profit	1,549	1,664	1,775	1,755	1,896	2,024	(11.7)	(12.2)	(12.3)
Key ratios (%)									
Total sales growth	0.3	5.1	4.1	8.1	5.4	4.3			
Net profit growth	(7.9)	7.4	6.7	4.3	8.0	6.7			
Core profit growth	(7.9)	7.4	6.7	4.3	8.0	6.7			
Gross margin	67.0	67.1	67.2	66.2	66.4	66.6	1.2	1.1	0.9
SG&A to sales	57.8	57.6	57.5	56.0	56.0	56.0	1.8	1.6	1.5
Operating margin	11.6	11.7	11.9	12.2	12.4	12.6	(5.3)	(5.6)	(5.6)
Net margin	9.3	9.5	9.7	9.7	10.0	10.2	(0.5)	(0.5)	(0.5)
Core margin	9.3	9.5	9.7	9.7	10.0	10.2	(4.9)	(5.1)	(4.9)
Operating statistics									
SSSG (%)	(2.0)	3.0	3.0	5.0	3.0	1.0			
Total stores (no.)	722	737	752	722	737	752			

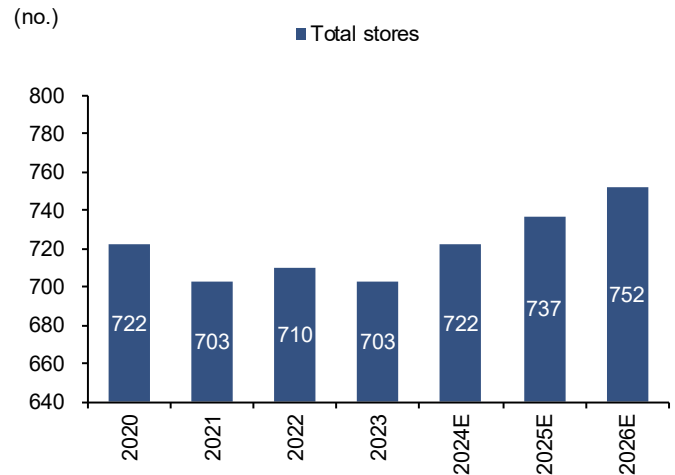
Source: FSSIA estimates

Exhibit 7: Yearly SSSG



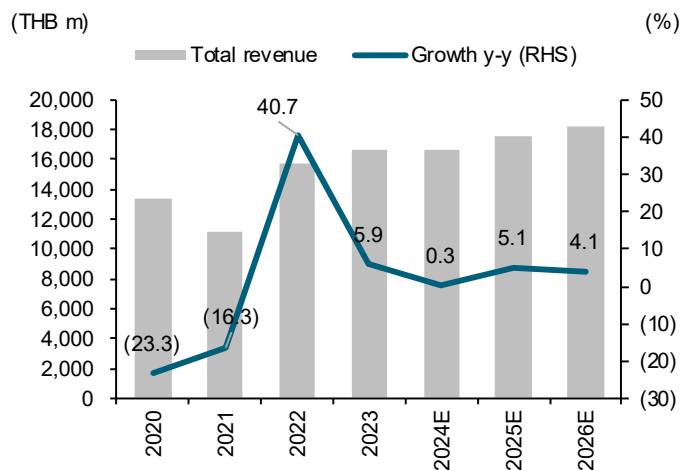
Sources: M; FSSIA estimates

Exhibit 8: Total stores



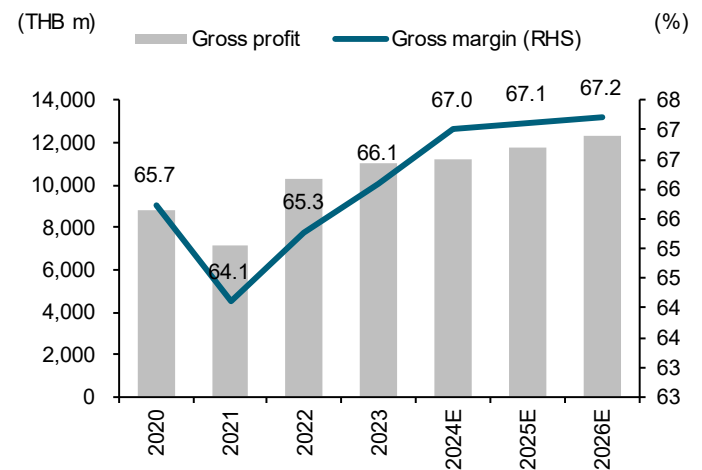
Sources: M; FSSIA estimates

Exhibit 9: Yearly total revenue and growth



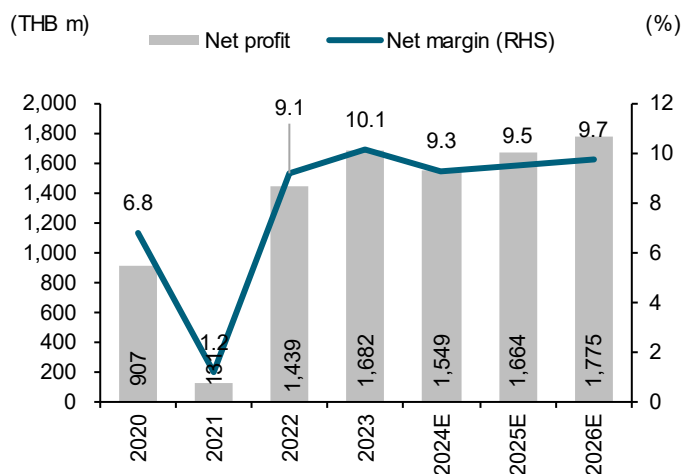
Sources: M; FSSIA estimates

Exhibit 10: Yearly gross profit and gross margin



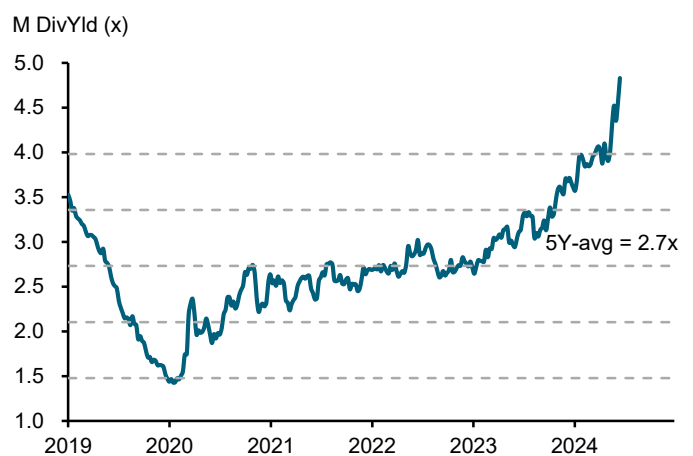
Sources: M; FSSIA estimates

Exhibit 11: Yearly net profit and net margin



Sources: M; FSSIA estimates

Exhibit 12: Historical dividend yield



Sources: SET, FSSIA estimates

Financial Statements

MK Restaurant Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	15,728	16,661	16,711	17,567	18,283
Cost of goods sold	(5,461)	(5,648)	(5,515)	(5,779)	(5,997)
Gross profit	10,267	11,013	11,196	11,787	12,286
Other operating income	249	365	393	386	402
Operating costs	(8,646)	(9,288)	(9,659)	(10,118)	(10,512)
Operating EBITDA	3,867	4,072	3,928	4,068	4,201
Depreciation	(1,997)	(1,980)	(1,998)	(2,013)	(2,025)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,870	2,091	1,930	2,055	2,176
Net financing costs	(87)	(95)	(92)	(92)	(93)
Associates	(29)	(9)	(5)	4	12
Recurring non-operating income	(29)	(9)	(5)	4	12
Non-recurring items	0	0	0	0	0
Profit before tax	1,755	1,987	1,833	1,966	2,095
Tax	(308)	(280)	(275)	(295)	(314)
Profit after tax	1,447	1,707	1,558	1,671	1,780
Minority interests	(8)	(25)	(9)	(7)	(5)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,439	1,682	1,549	1,664	1,775
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	1,439	1,682	1,549	1,664	1,775
Per share (THB)					
Recurring EPS *	1.56	1.83	1.68	1.81	1.93
Reported EPS	1.56	1.83	1.68	1.81	1.93
DPS	1.40	1.60	1.43	1.45	1.54
Diluted shares (used to calculate per share data)	921	921	921	921	921
Growth					
Revenue (%)	40.7	5.9	0.3	5.1	4.1
Operating EBITDA (%)	74.7	5.3	(3.5)	3.6	3.3
Operating EBIT (%)	816.8	11.8	(7.7)	6.5	5.9
Recurring EPS (%)	998.5	16.9	(7.9)	7.4	6.7
Reported EPS (%)	998.5	16.9	(7.9)	7.4	6.7
Operating performance					
Gross margin inc. depreciation (%)	65.3	66.1	67.0	67.1	67.2
Gross margin exc. depreciation (%)	78.0	78.0	79.0	78.6	78.3
Operating EBITDA margin (%)	24.6	24.4	23.5	23.2	23.0
Operating EBIT margin (%)	11.9	12.6	11.6	11.7	11.9
Net margin (%)	9.1	10.1	9.3	9.5	9.7
Effective tax rate (%)	17.5	14.1	15.0	15.0	15.0
Dividend payout on recurring profit (%)	89.6	87.6	85.0	80.0	80.0
Interest cover (X)	21.2	21.9	21.0	22.3	23.5
Inventory days	42.5	40.1	43.8	45.0	44.5
Debtor days	3.3	2.5	2.7	2.9	2.9
Creditor days	147.7	154.0	156.0	134.9	133.4
Operating ROIC (%)	230.6	450.4	274.0	187.7	187.6
ROIC (%)	16.1	17.9	16.0	16.2	16.2
ROE (%)	10.8	12.3	11.1	11.7	12.2
ROA (%)	7.7	8.9	8.0	8.5	8.7

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
MK	11,639	12,455	12,330	12,947	13,465
Yayoi	2,831	2,999	3,143	3,300	3,432
LCS	944	1,000	1,020	1,091	1,146
Other	315	207	218	229	240

Sources: MK Restaurant Group; FSSIA estimates

Financial Statements

MK Restaurant Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	1,439	1,682	1,549	1,664	1,775
Depreciation	1,997	1,980	1,998	2,013	2,025
Associates & minorities	37	37	6	2	(7)
Other non-cash items	0	0	0	0	0
Change in working capital	295	214	(297)	55	46
Cash flow from operations	3,768	3,914	3,256	3,734	3,840
Capex - maintenance	(1,653)	(1,982)	(2,289)	(2,600)	(2,900)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(691)	(449)	77	(35)	(20)
Cash flow from investing	(2,344)	(2,431)	(2,211)	(2,635)	(2,920)
Dividends paid	(1,197)	(1,270)	(1,317)	(1,332)	(1,420)
Equity finance	0	0	0	0	0
Debt finance	(187)	(10)	(99)	177	227
Other financing cash flows	51	(118)	(55)	51	43
Cash flow from financing	(1,333)	(1,397)	(1,471)	(1,103)	(1,150)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	91	85	(426)	(4)	(231)
Free cash flow to firm (FCFF)	1,510.24	1,577.48	1,136.67	1,191.64	1,012.26
Free cash flow to equity (FCFE)	1,287.71	1,355.18	891.12	1,327.63	1,189.26
Per share (THB)					
FCFF per share	1.64	1.71	1.23	1.29	1.10
FCFE per share	1.40	1.47	0.97	1.44	1.29
Recurring cash flow per share	3.77	4.02	3.86	4.00	4.12
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	11,913	12,203	12,553	12,853	13,103
Less: Accumulated depreciation	(9,167)	(9,405)	(9,499)	(9,594)	(9,689)
Tangible fixed assets (net)	2,747	2,798	3,054	3,259	3,413
Intangible fixed assets (net)	5,533	5,434	5,480	5,862	6,582
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,366	2,840	2,840	2,840	2,840
Cash & equivalents	7,779	7,865	7,439	7,435	7,204
A/C receivable	121	110	137	144	150
Inventories	414	391	453	475	493
Other current assets	111	76	84	88	91
Current assets	8,426	8,441	8,113	8,142	7,938
Other assets	830	834	752	791	823
Total assets	19,901	20,347	20,239	20,893	21,596
Common equity	13,443	13,843	14,087	14,420	14,775
Minorities etc.	322	351	352	357	362
Total shareholders' equity	13,765	14,194	14,439	14,777	15,137
Long term debt	2,023	2,008	1,908	2,008	2,158
Other long-term liabilities	1,175	1,058	1,003	1,054	1,097
Long-term liabilities	3,198	3,065	2,911	3,062	3,255
A/C payable	1,449	1,646	1,360	1,425	1,479
Short term debt	0	0	0	0	0
Other current liabilities	1,489	1,441	1,529	1,629	1,726
Current liabilities	2,938	3,087	2,889	3,054	3,204
Total liabilities and shareholders' equity	19,901	20,347	20,239	20,893	21,596
Net working capital	(2,291)	(2,511)	(2,215)	(2,347)	(2,470)
Invested capital	9,184	9,395	9,911	10,404	11,188
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	14.60	15.03	15.30	15.66	16.04
Tangible book value per share	8.59	9.13	9.35	9.29	8.90
Financial strength					
Net debt/equity (%)	(41.8)	(41.3)	(38.3)	(36.7)	(33.3)
Net debt/total assets (%)	(28.9)	(28.8)	(27.3)	(26.0)	(23.4)
Current ratio (x)	2.9	2.7	2.8	2.7	2.5
CF interest cover (x)	15.9	15.2	10.7	15.4	13.8
Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	19.8	17.0	18.4	17.2	16.1
Recurring P/E @ target price (x) *	21.8	18.6	20.2	18.8	17.6
Reported P/E (x)	19.8	17.0	18.4	17.2	16.1
Dividend yield (%)	4.5	5.2	4.6	4.7	5.0
Price/book (x)	2.1	2.1	2.0	2.0	1.9
Price/tangible book (x)	3.6	3.4	3.3	3.3	3.5
EV/EBITDA (x) **	6.0	5.7	5.9	5.8	5.7
EV/EBITDA @ target price (x) **	6.7	6.3	6.7	6.4	6.3
EV/invested capital (x)	2.5	2.5	2.4	2.3	2.1
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: MK Restaurant Group; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainabilitys	The Sustainabilitys' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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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
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

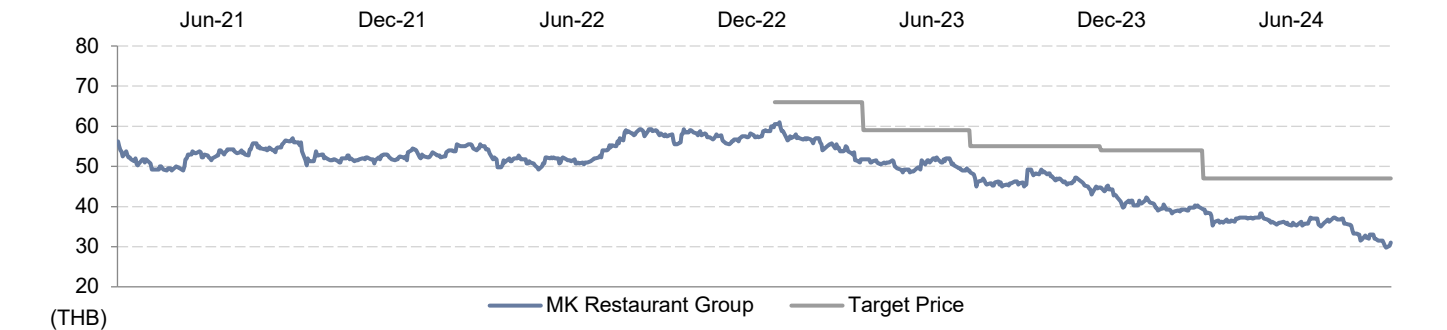
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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History of change in investment rating and/or target price

MK Restaurant Group (M TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Jan-2023	BUY	66.00	22-Jun-2023	BUY	55.00	08-Jan-2024	BUY	47.00
22-Mar-2023	BUY	59.00	12-Oct-2023	BUY	54.00			

Sureeporn Teewasuwet started covering this stock from 05-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
MK Restaurant Group	M TB	THB 31.00	HOLD	Downside and upside risks to our TP include 1) a slower or faster-than-expected consumption recovery and more intense competition; 2) slower or faster-than-expected decreases in raw material costs; 3) a lower or higher-than-expected new store expansion; and 4) a minimum wage increase and labor shortages.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 19-Jun-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.