

# ZEN CORPORATION GROUP

## THAILAND / FOOD & BEVERAGE

# ZEN TB

# REDUCE

FROM BUY

TARGET PRICE	THB6.00
CLOSE	THB6.70
UP/DOWNSIDE	-10.4%
PRIOR TP	THB10.30
CHANGE IN TP	-41.7%
TP vs CONSENSUS	-20.0%

## Earnings momentum still sluggish

- We expect 2Q24 net profit to drop to a nine-quarter low, due to highly negative SSS of -14% y-y and a lower gross margin.
- Revising down 2024E net profit to plunge by 46% y-y.
- Downgrade to REDUCE with a lower TP of THB6.

### 2Q24 export profit still sluggish

We expect a 2Q24 net profit of THB12m (-26% q-q, -75% y-y) – a nine-quarter low. This would be a continuous decline in profit due to highly negative same-store sales (SSS) projected at -14% y-y, which is worse than the 7.8% drop in 1Q24. This would come from 1) slower-than-expected purchasing power, causing consumers to choose cheaper food options; and 2) higher competition, affecting both the ZEN and AKA brands. Although we expect retail business revenue to grow by 1.2% q-q and 32% y-y in 2Q24, it would not be enough to offset the decline in revenue from restaurant and franchise fee revenue. Thus, we estimate 2Q24 total revenue to drop by 3% q-q, but increase by 2.4% y-y.

### Gross margin pressured by high cost of salmon

Aside from the decline in SSS, ZEN also faces increased salmon costs. To elaborate, fresh salmon prices averaged NOK113/kg in 2Q24, increasing by 3-5% q-q. The change in revenue mix, with a higher proportion of retail sales, increased to 16.8% from 16.1% in 1Q24 and 13% in 2Q23. We anticipate the 2Q24 gross margin to drop to 42%, from 42.4% in 1Q24 and 43.5% in 2Q23. Meanwhile, most expenses are fixed costs, including employee salaries and rental costs, as ZEN has expanded its own branches. Therefore, we expect 2Q24 SG&A to sales to remain high at around 39%, similar to 1Q24. In 2Q24, the company has delayed opening new branches to control rising expenses.

### Revising down 2024-26 net profit forecasts by 32-51%

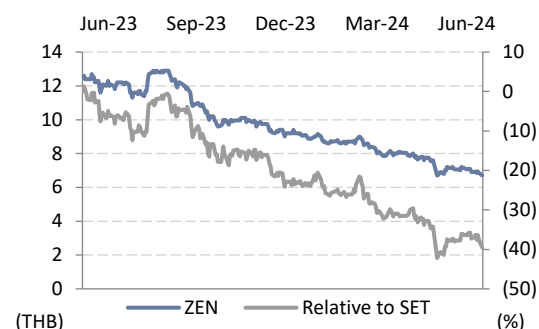
Assuming in-line results, ZEN's 1H24 net profit would equal THB28m (-66% y-y). This is a slower-than-expected recovery. Moreover, the outlook for 3Q24 may still be slow due to being the low season, and overall consumption demand is not yet robust. Therefore, we have decreased our 2024-26 net profit forecasts by 32-51%. This implies a decline of 46% y-y (from growth of 9.2%) to THB85m in 2024 – a three-year low.

### Downgrade to REDUCE with lower TP of THB6

Similarly, we have reduced our TP to THB6, based on a P/E ratio of 20x. Despite the stock price having fallen by 27% YTD, we believe that this decline has not yet reflected the potential earnings drop. Therefore, we recommend REDUCE, as we are monitoring the recovery of its operating performance. As of 21 Jun, ZEN has repurchased 1.815 million shares (0.6% of total shares) at an average price of THB7.7/share.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	3,915	3,992	4,256	4,506
Net profit	158	85	114	127
EPS (THB)	0.53	0.28	0.38	0.42
vs Consensus (%)	-	(40.4)	(25.5)	(25.9)
EBITDA	643	609	705	781
Recurring net profit	162	85	114	127
Core EPS (THB)	0.54	0.28	0.38	0.42
Chg. In EPS est. (%)	-	(50.7)	(36.8)	(32.0)
EPS growth (%)	5.1	(47.5)	33.9	11.4
Core P/E (x)	12.4	23.7	17.7	15.9
Dividend yield (%)	4.5	2.3	3.1	3.5
EV/EBITDA (x)	4.5	4.7	4.1	3.5
Price/book (x)	1.4	1.4	1.4	1.3
Net debt/Equity (%)	56.1	52.9	51.1	41.3
ROE (%)	12.1	6.0	7.8	8.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.3)	(17.3)	(47.7)
Relative to country (%)	(2.9)	(13.2)	(40.2)
Mkt cap (USD m)	54		
3m avg. daily turnover (USD m)	0.0		
Free float (%)	27		
Major shareholder	AGB Sibling Holdings (25%)		
12m high/low (THB)	13.20/6.50		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates



**Sureeporn Teewasuwet**

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

Investment thesis

ZEN is a leading Japanese restaurant chain. It has 13 brands of Thai and Japanese restaurants, such as ZEN, AKA, On the Table, Sushi Cyu, Tam Mua, Lao Yuan, and Khiang. In 2021, ZEN invested in a franchise business to create branch expansion opportunities and awareness. Also, it invested in retail (ZKC – fermented fish and general sauces) and trading (King Marine – an importer of frozen seafood for sales to Japanese restaurants in Thailand), giving retail revenue a more crucial role. In particular, we expect the retail revenue mix to rise from 13.9% in 2023 to 16.4% and 17.2% of total revenue in 2024-25, respectively.

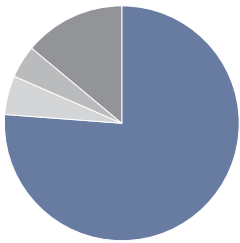
Company profile

ZEN is a holding company with investments in in restaurants and related businesses. It has four units, including 1) restaurants under its brands, 2) franchises, 3) food delivery and catering, and 4) retail. As of the end of 2023, their revenue mix was 76.2%/5.4%/4.5%/13.9%, respectively.

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

Principal activities (revenue, 2023)

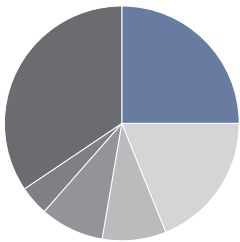
- Restaurant - 76.2 %
- Franchise - 5.4 %
- Delivery & Catering - 4.5 %
- Retail - 13.9 %



Source: Zen Corporation Group

Major shareholders

- AGB Sibling Holdings - 25.0 %
- Morgan Stanley & Co.International - 18.9 %
- Mr.Sakkanon Chirathivat - 8.8 %
- Miss Jomkwan Chirathivat - 8.8 %
- Mrs. Kessara Manasilp - 4.1 %



Source: Zen Corporation Group

Catalysts

Potential catalysts for ZEN’s earnings growth in 2024 are 1) foot traffic growth and food price hikes; 2) tourism recovery, supporting foreign customers; 3) lower raw material costs; and 4) store expansion.

Risks to our call

Upside risks to our P/E-based TP include 1) a faster-than-expected purchasing power recovery; 2) a faster-than-expected decrease in raw material costs; 3) greater-than-expected store expansion; and 4) a minimum wage increase or labor shortages.

Event calendar

Date	Event
August 2024	2Q24 results announcement

Key assumptions

	2024E	2025E	2026E
SSSG (%)	(4.0)	3.0	3.0
New stores - Equity store (no.)	15	10	10
New stores - Franchise store (no.)	10	10	10
Total revenue growth (%)	2.0	6.6	5.9
Gross margin (%)	42.2	42.4	42.5

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 0.2% increase in GPM, we estimate 2024 net profit to rise by 2.8%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2024 net profit to fall by 6.9%, and vice versa, all else being equal.
- For every 5% increase in labour cost, we estimate 2024 net profit to fall by 8.4%, and vice versa, all else being.

Source: FSSIA estimates

## Exhibit 1: ZEN – 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	961	999	1,048	1,014	984	(3.0)	2.4	3,992	15.7	50.1
Cost of sales	543	569	618	585	571	(2.4)	5.1	2,307	21.8	50.1
Gross profit	418	430	430	430	413	(3.8)	(1.1)	1,685	8.4	50.0
SG&A	352	371	377	396	384	(3.0)	9.0	1,553	8.9	50.2
Operating profit	72	63	67	39	35	(10.8)	(51.7)	164	5.0	44.7
Interest expense	10	11	12	15	15	(0.1)	48.4	51	28.9	58.9
Tax expense	12	7	7	2	2	21.1	(83.3)	8	(11.4)	45.2
Reported net profit	46	40	38	16	12	(26.0)	(74.7)	85	2.4	32.1
Core profit	46	40	42	16	12	(26.0)	(74.7)	85	5.1	32.1

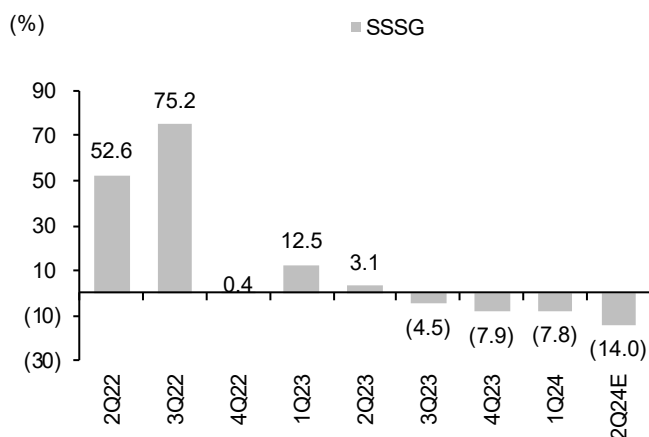
Key ratios (%)					(ppt)	(ppt)				
Gross margin	43.5	43.1	41.1	42.4	42.0	(0.4)	(1.5)	42.2	(2.9)	
SG&A to sales	36.6	37.2	36.0	39.0	39.0	0.0	2.4	38.9	(2.3)	
Operating margin	7.4	6.3	6.4	3.8	3.5	(0.3)	(3.9)	4.1	(0.7)	
Net margin	4.8	4.0	3.6	1.5	1.2	(0.4)	(3.6)	2.1	(0.5)	
Core margin	4.8	4.0	4.0	1.5	1.2	(0.4)	(3.6)	2.1	(0.4)	

Operating statistics										
SSSG (%)	3.1	(4.5)	(7.9)	(7.8)	(14.0)					
Total stores (no.)	327	329	341	338	338	0.0	3.4	366	7.3	
Restaurant sales (THB m)	735	756	786	763	732	(4.0)	(0.4)	2,984	0.0	50.1
Franchise sales (THB m)	56	51	51	48	47	(2.1)	(16.1)	191	(8.9)	49.7
Delivery and catering (THB m)	45	41	42	40	40	0.0	(11.1)	162	(8.0)	49.4
Retail sales (THB m)	125	151	169	163	165	1.2	32.0	655	20.0	50.1

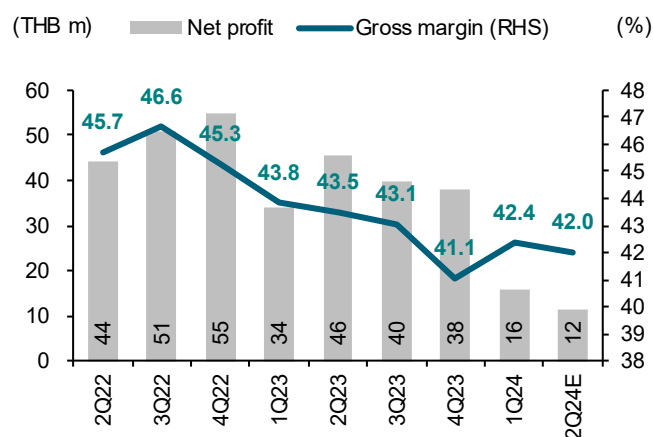
Sources: ZEN; FSSIA estimates

## Exhibit 2: Quarterly SSSG



Sources: ZEN, FSSIA estimates

## Exhibit 3: Quarterly gross margin and net profit



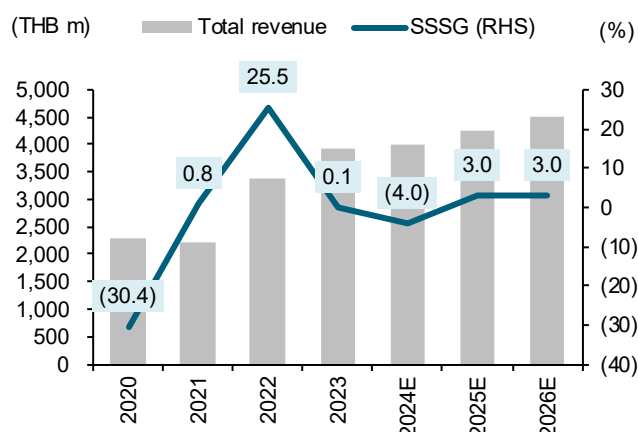
Sources: ZEN, FSSIA estimates

## Exhibit 4: Changes in key assumptions for ZEN

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total sale value	3,992	4,256	4,506	4,224	4,537	4,839	(5.5)	(6.2)	(6.9)
Costs	2,307	2,452	2,591	2,416	2,609	2,797	(4.5)	(6.0)	(7.4)
Gross profit	1,685	1,805	1,915	1,808	1,928	2,042	(6.8)	(6.4)	(6.2)
SG&A expense	1,553	1,639	1,735	1,563	1,679	1,790	(0.6)	(2.4)	(3.1)
Interest expense	51	45	41	49	45	40	4.6	0.2	2.4
Reported net profit	85	114	127	172	180	186	(50.7)	(36.8)	(32.0)
Core profit	85	114	127	172	180	186	(50.7)	(36.8)	(32.0)
<b>Key ratios (%)</b>									
Total revenue growth	2.0	6.6	5.9	7.9	7.4	6.6	(5.9)	(0.8)	(0.8)
Net profit growth	(46.1)	33.9	11.4	9.2	4.4	3.6	(55.4)	29.5	7.8
Core profit growth	(47.5)	33.9	11.4	6.4	4.4	3.6	(53.9)	29.5	7.8
Gross margin	42.2	42.4	42.5	42.8	42.5	42.2	(0.6)	(0.1)	0.3
SG&A to sales	38.9	38.5	38.5	37.0	37.0	37.0	1.9	1.5	1.5
Net margin	2.1	2.7	2.8	4.1	4.0	3.8	(1.9)	(1.3)	(1.0)
Norm margin	2.1	2.7	2.8	4.1	4.0	3.8	(1.9)	(1.3)	(1.0)
<b>Operating statistics (no.)</b>									
New stores - Equity store	15	10	10	15	15	15			
New stores - Franchise store	10	10	10	15	15	15			
Total new stores	25	20	20	30	30	30			
Total stores	366	386	406	371	401	431			
SSSG (%)	(4.0)	3.0	3.0	3.0	3.0	3.0			
Restaurant sales (THB m)	2,984	3,153	3,328	3,192	3,408	3,631	(6.5)	(7.5)	(8.3)
Franchise sales (THB m)	191	199	207	219	232	245	(12.5)	(14.1)	(15.5)
Delivery & catering (THB m)	162	170	179	185	194	204	(12.4)	(12.4)	(12.4)
Retail sales (THB m)	655	734	793	628	703	760	4.3	4.3	4.3

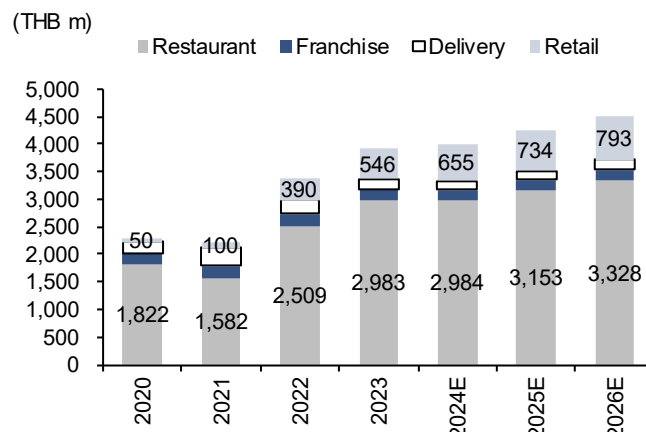
Source: FSSIA estimates

## Exhibit 5: Yearly SSSG and total revenue



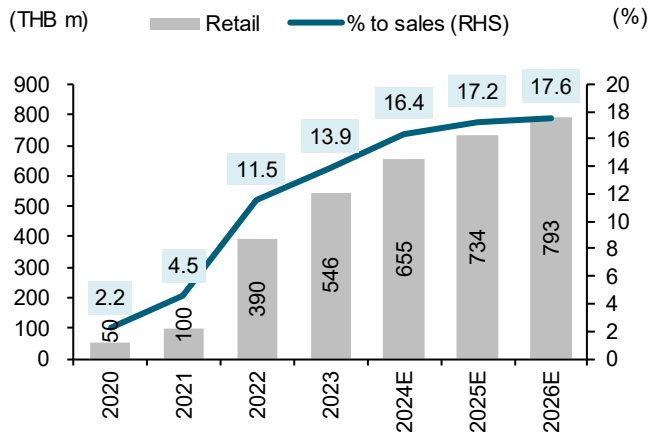
Sources: ZEN; FSSIA estimates

## Exhibit 6: Yearly revenue breakdown by business



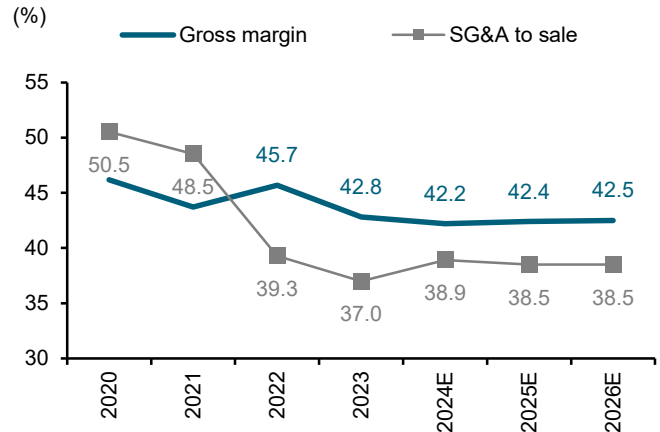
Sources: ZEN; FSSIA estimates

Exhibit 7: Yearly retail business revenue and % to sales



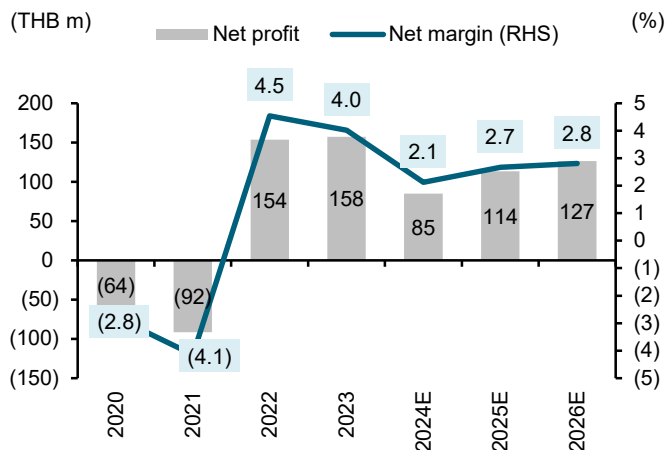
Sources: ZEN; FSSIA estimates

Exhibit 8: Yearly gross margin and SG&amp;A to sales



Sources: ZEN; FSSIA estimates

Exhibit 9: Yearly net profit



Sources: ZEN; FSSIA estimates

Exhibit 10: Historical P/E band



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Zen Corporation Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	3,383	3,915	3,992	4,256	4,506
Cost of goods sold	(1,838)	(2,239)	(2,307)	(2,452)	(2,591)
<b>Gross profit</b>	<b>1,546</b>	<b>1,676</b>	<b>1,685</b>	<b>1,805</b>	<b>1,915</b>
Other operating income	30	30	32	34	36
Operating costs	(1,330)	(1,448)	(1,553)	(1,639)	(1,735)
<b>Operating EBITDA</b>	<b>594</b>	<b>643</b>	<b>609</b>	<b>705</b>	<b>781</b>
Depreciation	(348)	(385)	(445)	(505)	(565)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>246</b>	<b>258</b>	<b>164</b>	<b>200</b>	<b>216</b>
Net financing costs	(33)	(42)	(51)	(45)	(41)
Associates	(2)	0	0	0	0
Recurring non-operating income	(2)	0	0	0	0
Non-recurring items	0	(4)	0	0	0
<b>Profit before tax</b>	<b>211</b>	<b>212</b>	<b>113</b>	<b>155</b>	<b>175</b>
Tax	(39)	(34)	(8)	(20)	(26)
<b>Profit after tax</b>	<b>172</b>	<b>177</b>	<b>105</b>	<b>135</b>	<b>149</b>
Minority interests	(18)	(20)	(20)	(21)	(23)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>154</b>	<b>158</b>	<b>85</b>	<b>114</b>	<b>127</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>154</b>	<b>162</b>	<b>85</b>	<b>114</b>	<b>127</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.51	0.54	0.28	0.38	0.42
Reported EPS	0.51	0.53	0.28	0.38	0.42
DPS	0.16	0.30	0.16	0.21	0.23
Diluted shares (used to calculate per share data)	300	300	300	300	300
<b>Growth</b>					
Revenue (%)	53.2	15.7	2.0	6.6	5.9
Operating EBITDA (%)	95.4	8.2	(5.4)	15.8	10.8
Operating EBIT (%)	nm	5.0	(36.6)	22.2	8.1
Recurring EPS (%)	nm	5.1	(47.5)	33.9	11.4
Reported EPS (%)	nm	2.4	(46.1)	33.9	11.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	45.7	42.8	42.2	42.4	42.5
Gross margin exc. depreciation (%)	56.0	52.6	53.3	54.3	55.0
Operating EBITDA margin (%)	17.6	16.4	15.2	16.6	17.3
Operating EBIT margin (%)	7.3	6.6	4.1	4.7	4.8
Net margin (%)	4.5	4.1	2.1	2.7	2.8
Effective tax rate (%)	18.4	16.2	7.0	13.0	15.0
Dividend payout on recurring profit (%)	31.2	55.6	55.0	55.0	55.0
Interest cover (X)	7.5	6.1	3.2	4.5	5.3
Inventory days	46.6	62.3	67.9	61.1	62.2
Debtor days	8.0	9.5	10.3	9.7	9.7
Creditor days	80.3	68.5	72.4	73.3	74.7
Operating ROIC (%)	16.9	16.6	9.2	11.3	12.5
ROIC (%)	10.0	9.2	5.4	6.6	7.1
ROE (%)	12.8	12.1	6.0	7.8	8.4
ROA (%)	7.4	7.1	4.5	5.4	5.8

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

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Restaurant	2,509	2,983	2,984	3,153	3,328
Franchise	232	210	191	199	207
Delivery & Catering	252	176	162	170	179
Retail	390	546	655	734	793

Sources: Zen Corporation Group; FSSIA estimates

## Financial Statements

### Zen Corporation Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	154	162	85	114	127
Depreciation	348	385	445	505	565
Associates & minorities	2	0	0	0	0
Other non-cash items	29	20	(17)	1	1
Change in working capital	(102)	(118)	101	4	4
<b>Cash flow from operations</b>	<b>431</b>	<b>449</b>	<b>613</b>	<b>623</b>	<b>696</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	0	(687)	(482)	(550)	(480)
Net acquisitions & disposals	(390)	(24)	(17)	(22)	(21)
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(390)</b>	<b>(711)</b>	<b>(499)</b>	<b>(572)</b>	<b>(501)</b>
Dividends paid	0	(47)	(47)	(63)	(70)
Equity finance	0	0	0	0	0
Debt finance	6	251	(91)	(120)	(83)
Other financing cash flows	2	11	(30)	12	3
<b>Cash flow from financing</b>	<b>8</b>	<b>215</b>	<b>(168)</b>	<b>(171)</b>	<b>(150)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	11	0	0	0	0
<b>Net other adjustments</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>60</b>	<b>(47)</b>	<b>(54)</b>	<b>(120)</b>	<b>45</b>
Free cash flow to firm (FCFF)	73.98	(220.41)	165.13	95.82	235.74
Free cash flow to equity (FCFE)	60.15	(0.42)	(7.11)	(57.21)	114.93
<b>Per share (THB)</b>					
FCFF per share	0.25	(0.73)	0.55	0.32	0.79
FCFE per share	0.20	0.00	(0.02)	(0.19)	0.38
Recurring cash flow per share	1.78	1.89	1.71	2.06	2.31
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	2,124	2,500	2,589	2,690	2,665
Less: Accumulated depreciation	(1,006)	(1,078)	(1,131)	(1,188)	(1,247)
<b>Tangible fixed assets (net)</b>	<b>1,118</b>	<b>1,422</b>	<b>1,457</b>	<b>1,502</b>	<b>1,418</b>
<b>Intangible fixed assets (net)</b>	<b>353</b>	<b>349</b>	<b>349</b>	<b>349</b>	<b>349</b>
Long-term financial assets	326	326	326	326	326
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	327	280	226	107	152
A/C receivable	88	115	109	117	123
Inventories	256	377	316	336	355
Other current assets	57	48	48	51	54
<b>Current assets</b>	<b>729</b>	<b>820</b>	<b>700</b>	<b>610</b>	<b>684</b>
Other assets	299	322	339	362	383
<b>Total assets</b>	<b>2,824</b>	<b>3,240</b>	<b>3,172</b>	<b>3,150</b>	<b>3,160</b>
Common equity	1,281	1,393	1,430	1,481	1,538
Minorities etc.	66	85	68	69	70
<b>Total shareholders' equity</b>	<b>1,346</b>	<b>1,479</b>	<b>1,498</b>	<b>1,550</b>	<b>1,608</b>
Long term debt	535	669	599	529	459
Other long-term liabilities	135	146	116	128	131
<b>Long-term liabilities</b>	<b>670</b>	<b>815</b>	<b>715</b>	<b>657</b>	<b>590</b>
A/C payable	337	359	379	403	426
Short term debt	324	441	420	370	357
Other current liabilities	147	146	160	170	180
<b>Current liabilities</b>	<b>808</b>	<b>946</b>	<b>959</b>	<b>943</b>	<b>963</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,824</b>	<b>3,240</b>	<b>3,172</b>	<b>3,150</b>	<b>3,160</b>
Net working capital	(83)	35	(66)	(70)	(74)
Invested capital	2,013	2,455	2,407	2,470	2,402
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	4.27	4.64	4.77	4.94	5.13
Tangible book value per share	3.09	3.48	3.60	3.77	3.96
<b>Financial strength</b>					
Net debt/equity (%)	39.5	56.1	52.9	51.1	41.3
Net debt/total assets (%)	18.8	25.6	25.0	25.2	21.0
Current ratio (x)	0.9	0.9	0.7	0.6	0.7
CF interest cover (x)	2.8	17.3	10.3	12.0	15.6
Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>13.1</b>	<b>12.4</b>	<b>23.7</b>	<b>17.7</b>	<b>15.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>11.7</b>	<b>11.1</b>	<b>21.2</b>	<b>15.8</b>	<b>14.2</b>
Reported P/E (x)	13.1	12.8	23.7	17.7	15.9
Dividend yield (%)	2.4	4.5	2.3	3.1	3.5
Price/book (x)	1.6	1.4	1.4	1.4	1.3
Price/tangible book (x)	2.2	1.9	1.9	1.8	1.7
EV/EBITDA (x) **	4.4	4.5	4.7	4.1	3.5
EV/EBITDA @ target price (x) **	4.0	4.2	4.4	3.8	3.2
EV/invested capital (x)	1.3	1.2	1.2	1.2	1.1
* Pre-exceptional, pre-goodwill and fully diluted    ** EBITDA includes associate income and recurring non-operating income					

Sources: Zen Corporation Group; FSSIA estimates



## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
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. <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 Sustainabilitytics	The Sustainabilitytics' 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+										
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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; &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

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

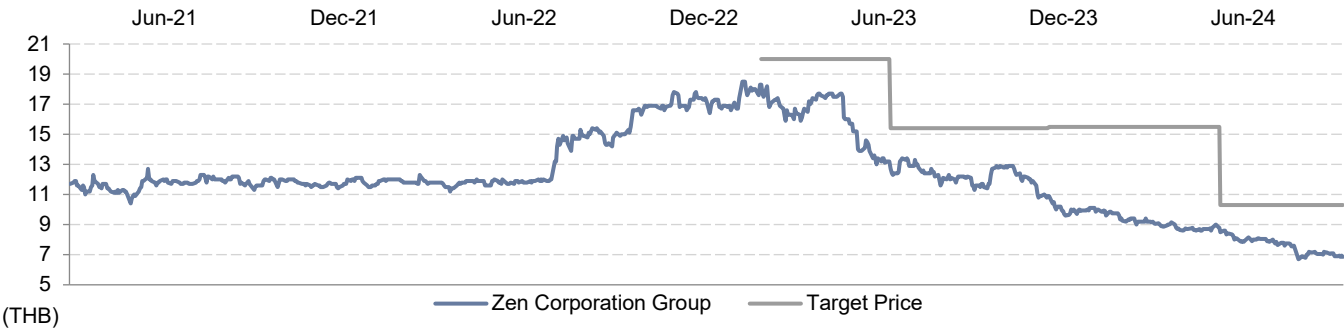
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

Zen Corporation Group (ZEN TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Feb-2023	BUY	20.00	12-Oct-2023	BUY	15.50	-	-	-
29-May-2023	BUY	15.40	07-Mar-2024	BUY	10.30			

Sureeporn Teewasuwet started covering this stock from 07-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Zen Corporation Group	ZEN TB	THB 6.70	REDUCE	Upside risks to our P/E-based TP include 1) a faster-than-expected purchasing power recovery, 2) a faster-than-expected decrease in raw material costs, 3) greater-than-expected store expansion, and 4) a minimum wage increase or 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 24-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.