11 JULY 2024

EQUITY RESEARCH - COMPANY REPORT

FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

ICHITAN GROUP ICHI TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

TARGET PRICE	THB19.00
CLOSE	THB16.60
UP/DOWNSIDE	+14.5%
PRIOR TP	THB21.00
CHANGE IN TP	-9.5%
TP vs CONSENSUS	-10.3%

แนวโน้มกำไรไม่น่าตื่นเต้น

- คาดว่ากำไร 2Q24 จะต่ำกว่าที่เคยคาดจากค่าใช้จ่ายที่สูงขึ้นและส่วนแบ่งกำไรที่ลดลง
- เราปรับลดมุมมองเป็น Neutral ต่อแนวโน้มกำไร 2H24 และยังไม่เห็นปัจจัยบวกจากสินค้าใหม่
- ลดราคาเป้าหมายเป็น 19 บาท คาดผลตอบแทนในรูปเงินปันผลอยู่ที่ 7%

คาดค่าใช้จ่าย 2Q24 จะสูงกว่าที่เคยคาด

เราคาดกำไรสุทธิ 2Q24 อยู่ที่ 366 ลบ. (+0.7% q-q, +43% y-y) หากไม่รวมกำไรจากการขายเครื่องจักรไลน์ UHT มูลค่า 24 ลบ. (หลักหักภาษี) กำไรปกติน่าจะอยู่ที่ 342 ลบ. (-6% q-q, +34% y-y) จากค่าใช้จ่ายรวมซึ่งเราคาดว่าจะปรับขึ้น 29.3% q-q และ 6.8% y-y มาจากโบนัสพิเศษและค่าใช้จ่ายทางการตลาดตามฤดูกาลซึ่งทำให้คาดว่าสัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายอาจเพิ่มเป็น 7.7% จาก 6.1% ใน 1Q24 นอกจากนี้ส่วนแบ่งกำไรจากอินโดนีเซียก็น่าจะลดลงเหลือ 4 ลบ. จาก 12 ลบ. ใน 1Q24 จากการปรับภาพลักษณ์ที่ทำให้ยอดขายชะลอตัวชั่วคราว

รายได้และอัตรากำไรขั้นต้นน่าจะยังดี

เราคาดว่ารายได้และกำไรจะยังอยู่ในเกณฑ์ดี โดยคาดรายได้รวมจะเพิ่ม 2.5% q-q และ 8.1% y-y แม้รายได้ OEM จะลดลงจากปัญหาผลผลิตมะพร้าวลดลง ซึ่งทำให้ลูกค้า OEM ไม่สามารถส่งวัตถุดิบให้แก่ ICHI ได้ตามแผน อย่างไรก็ดีเราคาดว่ายอดขายชาเขียวพร้อมดื่มที่โตต่อเนื่องจะช่วยหักล้างผลกระทบดังกล่าวได้ทั้งหมด เราคาดอัตราการใช้กำลังการผลิตในระดับสูงที่ 78% และต้นทุนบรรจุภัณฑ์ที่ทรงตัวซึ่งทำให้เราคาดว่าอัตรากำไรขั้นต้นจะทรงตัวในระดับสูงที่ 26.2% ใกล้เคียงกับใน 1Q24

ธุรกิจกำลังเข้าสู่ Low season

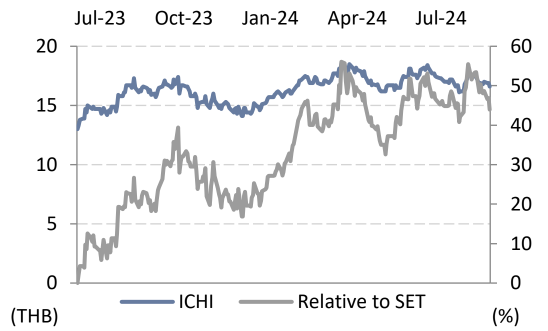
ผลิตภัณฑ์เครื่องดื่มในประเทศกำลังเข้าสู่ Low season ในช่วง 2H24 ในขณะที่ผลิตภัณฑ์เครื่องดื่มซูกำลังยังกระจายสู่ตลาดได้ช้า ซึ่งอาจทำให้รายได้ทรงตัวหรือลดลงในช่วง 2H24 อย่างไรก็ดี เราคาดว่าบริษัทฯ จะไม่มีค่าใช้จ่ายพิเศษเหมือนใน 2Q24 เราปรับเพิ่มประมาณการกำไรปี 2024 ของเราขึ้น 14% เป็น 1.35พัน ลบ. (+23% y-y) เนื่องจากประมาณการเดิมต่ำเกินไป นอกจากนี้เรายังคาดว่ากำไรจะโต 5% ในปี 2025 แม้เราจะคาดว่ารายได้จะโตในระดับ high single digit แต่คาดอัตรากำไรขั้นต้นจะลดลง 50bps สะท้อนการรับรู้ค่าเสื่อมสายการผลิตใหม่เต็มปี โดยบริษัทมีแผนติดตั้งและเริ่มดำเนินงานเชิงพาณิชย์ใน 4Q24

ปรับลดแนวโน้มและจัด ICHI เป็นหุ้นปันผล

เราปรับลดมุมมองของเราเกี่ยวกับแนวโน้มการเติบโตในช่วง 2H24 เป็นกลาง โดยยังไม่เห็นปัจจัยบวกจากสินค้าใหม่ เราปรับลดค่า P/E เป้าหมายเป็น 18x (ค่าเฉลี่ย 5 ปีย้อนหลัง) จาก 23x (+1 SD) และปรับลดราคาเป้าหมายเป็น 19 จาก 21 บาท อย่างไรก็ดีจากสถานะทางการเงินที่อยู่ในเกณฑ์ดีเนื่องจากบริษัทฯ ไม่มีหนี้มีดอกเบี้ยและผลตอบแทนในรูปเงินปันผลที่คาดว่าจะอยู่ที่ 7% ในปี 2024 เราคงคำแนะนำซื้อและจัด ICHI เป็นหุ้นปันผล

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	8,050	8,728	9,390	9,861
Net profit	1,100	1,350	1,417	1,528
EPS (THB)	0.85	1.04	1.09	1.18
vs Consensus (%)	-	8.6	2.1	1.0
EBITDA	1,942	2,218	2,309	2,459
Recurring net profit	1,100	1,350	1,417	1,528
Core EPS (THB)	0.85	1.04	1.09	1.18
Chg. In EPS est. (%)	-	14.2	13.1	15.7
EPS growth (%)	69.1	22.7	5.0	7.9
Core P/E (x)	19.6	16.0	15.2	14.1
Dividend yield (%)	6.0	6.9	7.2	7.8
EV/EBITDA (x)	10.7	9.4	9.0	8.4
Price/book (x)	3.7	3.8	3.9	4.0
Net debt/Equity (%)	(15.2)	(11.7)	(14.1)	(16.4)
ROE (%)	18.3	23.4	25.1	27.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	0.0	23.0
Relative to country (%)	(0.4)	6.4	39.1

Mkt cap (USD m)	593
3m avg. daily turnover (USD m)	3.9
Free float (%)	53
Major shareholder	Passakornnatee Family (42%)
12m high/low (THB)	18.80/12.90
Issued shares (m)	1,300.00

Sources: Bloomberg consensus; FSSIA estimates

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 11 กรกฎาคม 2024

Investment thesis

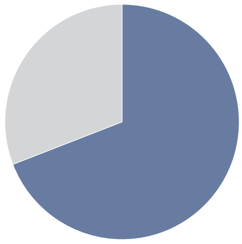
ICHI is a manufacturer and distributor of ready-to-drink green tea called “ICHITAN green tea”, the herbal drink “Yen Yen”, and green tea with chewy coconut cubes named “ICHITAN Chew Chew”, along with other beverages. In 2023, 91.7% of ICHI’s revenue came from domestic sales, and overseas sales accounted for 8.3%. ICHI’s factory is located at Rojana Industrial Park, Ayutthaya, which has seven bottle production lines and two UHT box product lines with a total capacity of 1,500 million bottles and 200 million boxes per year. ICHI plans to increase its capacity to 1,700 million bottles in 4Q24.

Company profile

Ichitan Group manufactures its own-branded beverages and sells ready-to-drink green tea beverages, herbal drinks, and low-sugar ready-to-drink tea beverages to the local market and CLMV. In 2014, ICHI engaged in a joint venture with the Indonesian company PT Atri Pasifik to produce and sell its products in Indonesia.

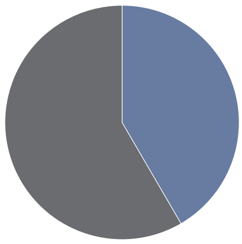
www.ichitangroup.com

Principal activities (revenue, 2023)



Source: Ichitan Group

Major shareholders



Source: Ichitan Group

Catalysts

Potential catalysts for ICHI’s earnings growth in 2024 are 1) revenue growth, driven by rising sales volumes; 2) declining packaging costs; 3) successful new product launches; and 4) successful original equipment manufacturer (OEM) customer products.

Risks to our call

Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.

Event calendar

Date	Event
7 August 2024	2Q24 results announcement
8 August 2024	2Q24 analyst meeting

Key assumptions

	2024E	2025E	2026E
Domestic revenue (THB m)	8,155	8,800	9,252
Overseas revenue (THB m)	573	590	608
Total revenue (THB m)	8,728	9,390	9,861
Total revenue growth (%)	8.4	7.6	5.0
Gross margin (%)	25.0	24.5	25.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2024 net profit to rise by 1%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2024 net profit to rise by 3.8%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to sales, we estimate 2024 net profit to fall by 2%, and vice versa, all else being equal.

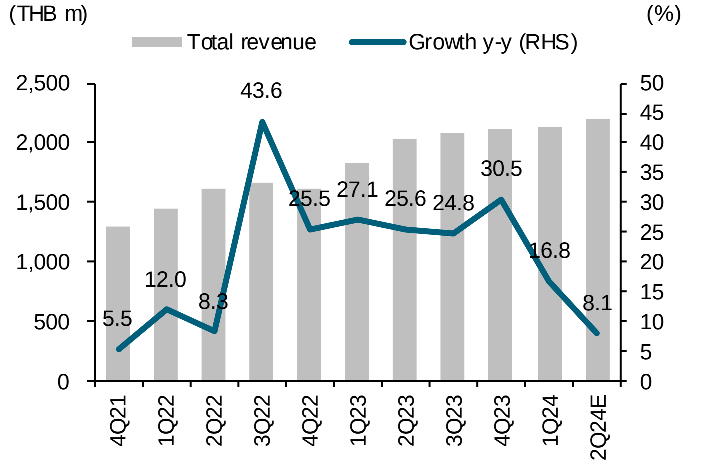
Source: FSSIA estimates

Exhibit 1: ICHI – 2Q24 earnings preview

	1Q23 (THB m)	2Q23 (THB m)	3Q23 (THB m)	4Q23 (THB m)	1Q24 (THB m)	2Q24E (THB m)	------ Change ----- (q-q%)	(y-y%)	2024E (THB m)	Change (y-y%)	% 1H24E to 2024E
Sales	1,833	2,030	2,077	2,111	2,140	2,194	2.5	8.1	8,728	8.4	49.7
Cost of sales	1,452	1,564	1,554	1,594	1,582	1,619	2.3	3.5	6,546	6.2	48.9
Gross profit	381	466	523	517	558	575	3.0	23.3	2,182	15.7	51.9
SG&A	120	158	119	152	131	169	29.3	6.8	594	8.0	50.5
Operating profit	269	320	409	374	441	419	(5.0)	31.0	1,623	18.3	53.0
Interest expense	0.4	0.5	0.5	0.4	0.4	0.4	1.0	(13.4)	1.7	(6.1)	48.6
Tax expense	57	65	82	71	88	80	(9.0)	24.3	296	7.9	56.9
Profit (loss) sharing	9	1	2	(8)	12	4	(65.3)	305.7	24	429.7	63.5
Reported net profit	222	256	328	295	364	366	0.7	43.3	1,350	22.7	54.1
Core profit	222	256	328	295	364	342	(5.9)	33.9	1,350	22.7	52.3
Key ratios (%)							(ppt)	(ppt)		(ppt)	
Gross margin	20.8	23.0	25.2	24.5	26.1	26.2	0.1	3.2	25.0	5.0	
SG&A to sales	6.5	7.8	5.7	7.2	6.1	7.7	1.6	(0.1)	6.8	(0.2)	
Operating margin	14.7	15.7	19.7	17.7	20.6	19.1	(1.5)	3.3	18.6	5.6	
Net margin	12.1	12.6	15.8	14.0	17.0	16.7	(0.3)	4.1	15.5	3.6	
Core margin	12.1	12.6	15.8	14.0	17.0	15.6	(1.4)	3.0	15.5	3.4	
Operating statistics (THB m)											
Domestic	1,698	1,810	1,913	1,962	1,992	2,049	2.9	13.2	8,155	29.0	49.5
Overseas	134	220	164	149	149	145	(2.5)	(34.0)	654	0.1	44.9
Utilisation rate (%)	62.0	71.0	79.0	73.0	77.0	78.0			78.5		

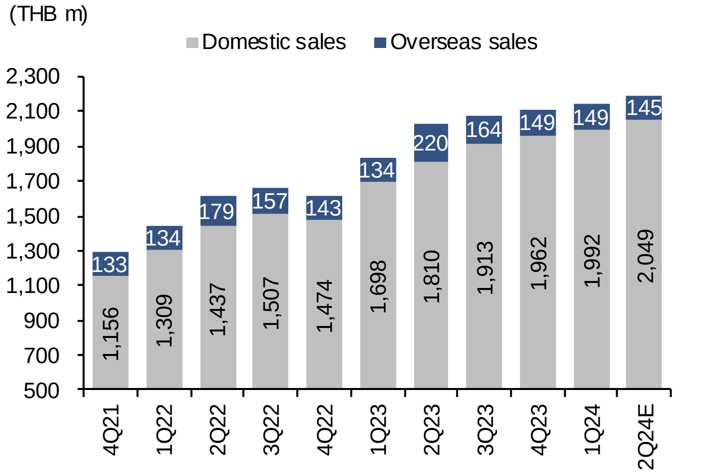
Sources: ICHI, FSSIA estimates

Exhibit 2: Quarterly total revenue and growth



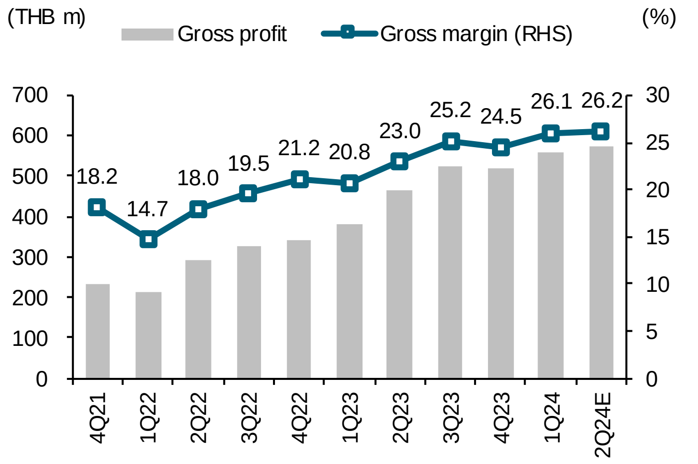
Sources: ICHI, FSSIA estimates

Exhibit 3: Revenue breakdown by destination



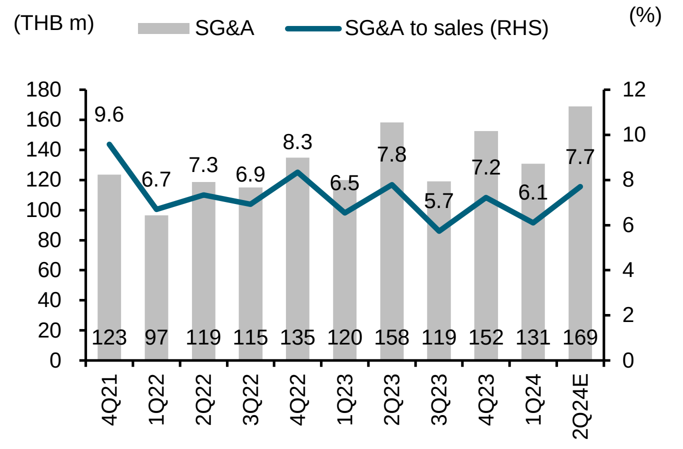
Sources: ICHI, FSSIA estimates

Exhibit 4: Quarterly gross margin



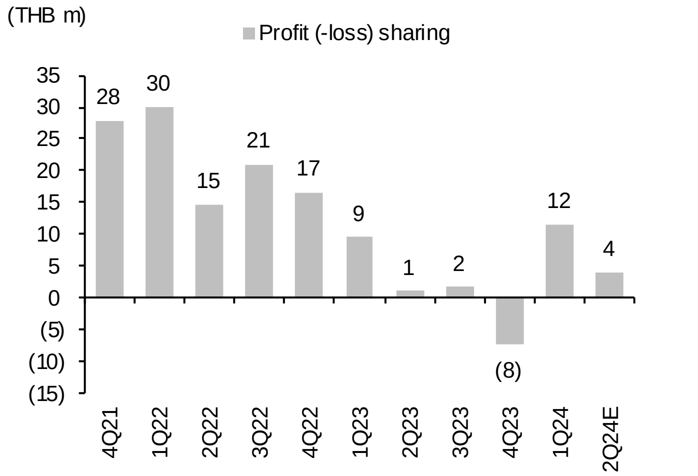
Sources: ICHI, FSSIA estimates

Exhibit 5: Quarterly SG&A to sales



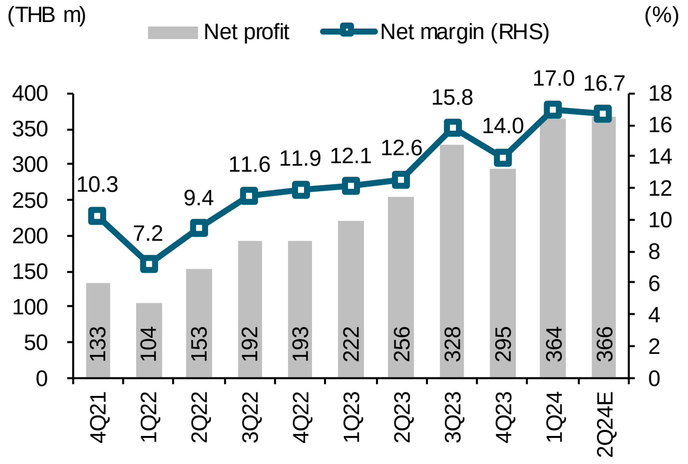
Sources: ICHI, FSSIA estimates

Exhibit 6: Quarterly profit/loss sharing



Sources: ICHI, FSSIA estimates

Exhibit 7: Quarterly net profit and net margin



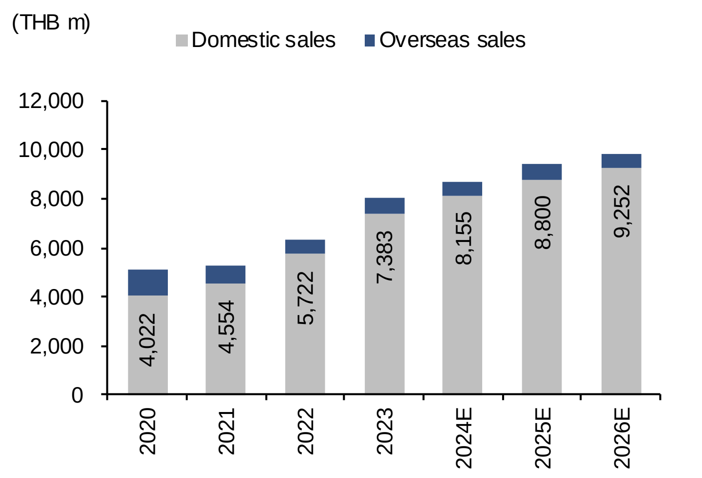
Sources: ICHI, FSSIA estimates

Exhibit 8: Changes in key assumptions for ICHI

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Sales	8,728	9,390	9,861	8,728	9,215	9,705	0.0	1.9	1.6
Cost of sales	6,546	7,090	7,395	6,721	7,094	7,473	(2.6)	(0.1)	(1.0)
Gross profit	2,182	2,301	2,465	2,007	2,121	2,232	8.7	8.5	10.4
SG&A	594	639	671	594	627	660	0.0	1.9	1.6
Operating profit	1,623	1,700	1,833	1,449	1,532	1,610	12.0	11.0	13.9
Interest expense	2	2	2	2	3	4	0.0	(30.0)	(46.8)
Tax expense	296	311	335	296	313	330	0.3	(0.7)	1.6
Profit (loss) sharing	24	30	32	31	37	44	(20.0)	(18.5)	(27.7)
Reported net profit	1,350	1,417	1,528	1,182	1,253	1,320	14.2	13.1	15.7
Core profit	1,350	1,417	1,528	1,182	1,253	1,320	14.2	13.1	15.7
Key ratios (%)									
Total revenue growth	8.4	7.6	5.0	8.4	5.6	5.3			
Net profit growth	22.7	5.0	7.8	7.4	6.0	5.4			
Core profit growth	22.7	5.0	7.8	7.4	6.0	5.4			
Gross margin	25.0	24.5	25.0	23.0	23.0	23.0	2.0	1.5	2.0
SG&A to sales	6.8	6.8	6.8	6.8	6.8	6.8	0.0	0.0	0.0
Net margin	15.5	15.1	15.5	13.5	13.6	13.6	1.9	1.5	1.9
Norm margin	15.5	15.1	15.5	13.5	13.6	13.6	1.9	1.5	1.9
Operating statistics (THB m)									
Domestic revenue	8,155	8,800	9,252	8,155	8,625	9,096	0.0	2.0	1.7
RTD green tea	7,141	7,629	8,011	7,141	7,498	7,873	0.0	1.8	1.8
Non tea	882	1,015	1,086	882	971	1,068	0.0	4.5	1.7
OEM	132	156	156	132	156	156	0.0	0.0	0.0
Overseas revenue	573	590	608	573	590	608	0.0	0.0	0.0

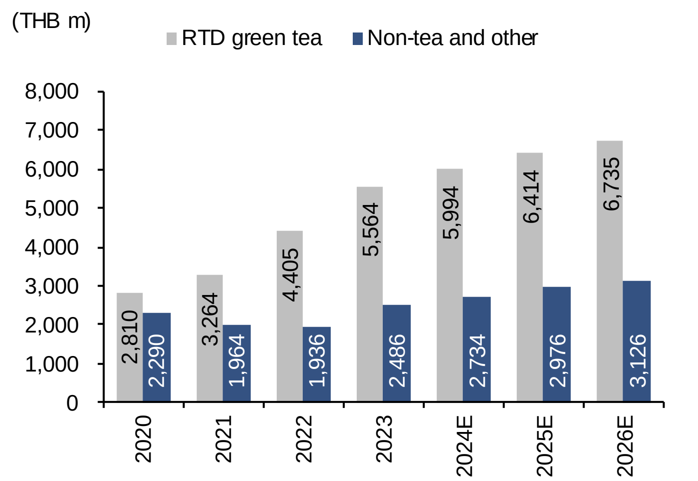
Sources: FSSIA estimates

Exhibit 9: Yearly revenue breakdown by destination



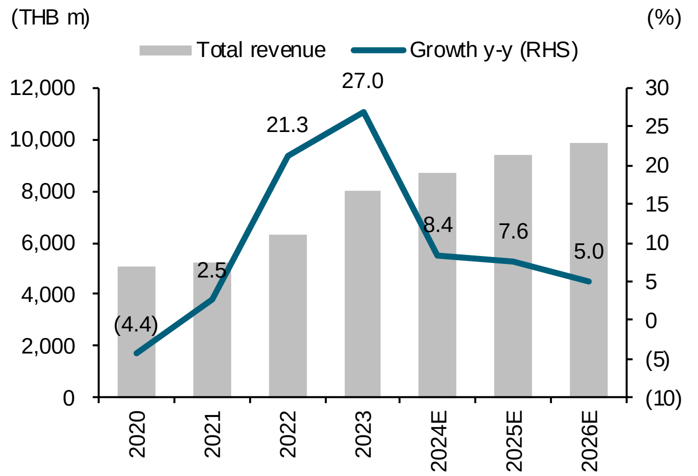
Sources: ICHI, FSSIA estimates

Exhibit 10: Yearly revenue breakdown by product



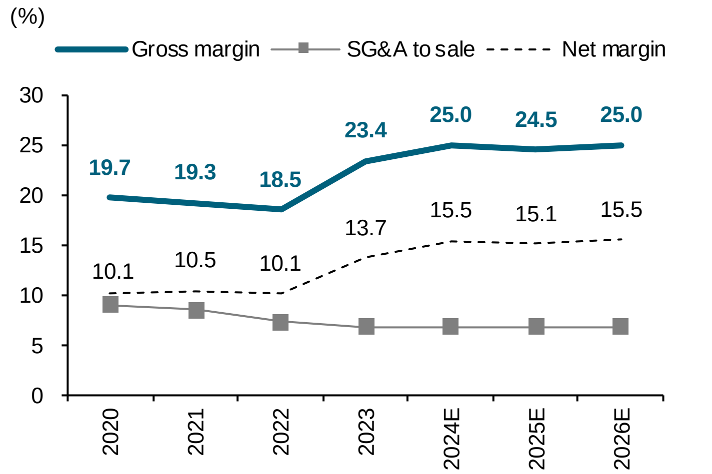
Sources: ICHI, FSSIA estimates

Exhibit 11: Yearly total revenue and growth



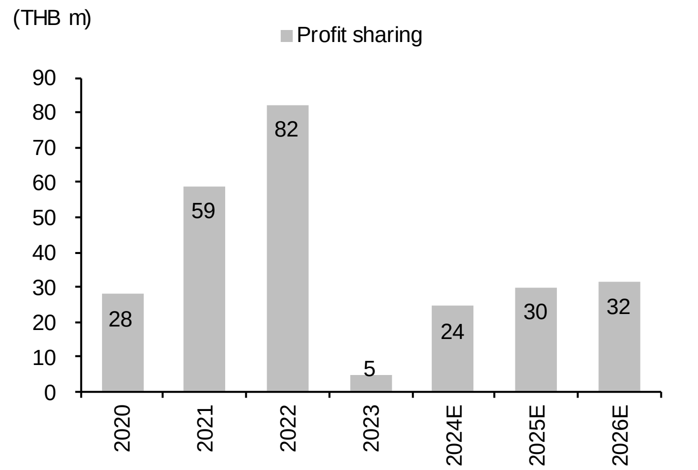
Sources: ICHI, FSSIA estimates

Exhibit 12: Yearly gross margin and net margin



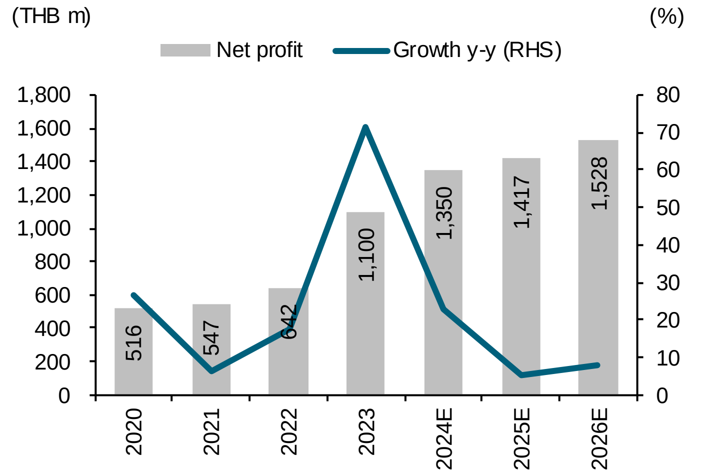
Sources: ICHI, FSSIA estimates

Exhibit 13: Yearly profit/loss sharing



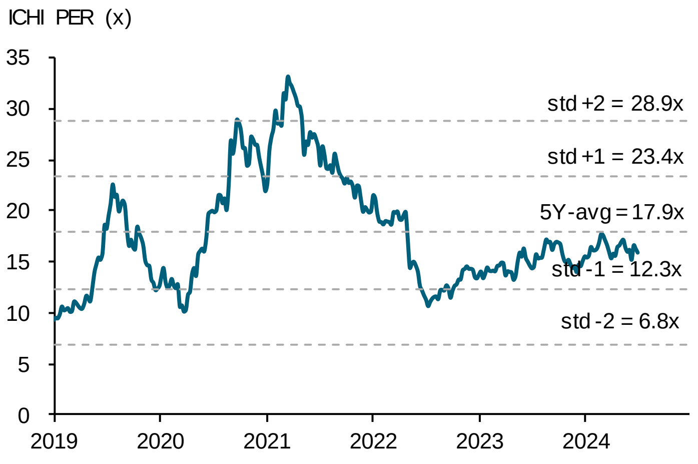
Sources: ICHI, FSSIA estimates

Exhibit 14: Yearly net profit and growth



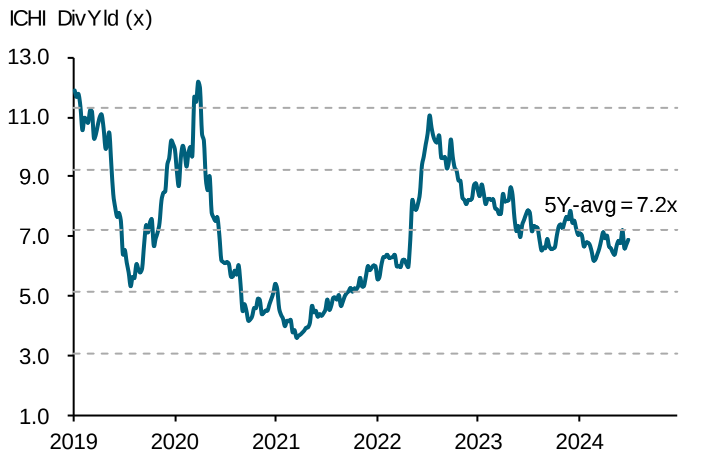
Sources: ICHI, FSSIA estimates

Exhibit 15: Historical P/E band



Sources: Bloomberg, FSSIA's compilation

Exhibit 16: Dividend yield



Sources: Bloomberg, FSSIA's compilation

Financial Statements

Ichitan Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	6,340	8,050	8,728	9,390	9,861
Cost of goods sold	(5,169)	(6,163)	(6,546)	(7,090)	(7,395)
Gross profit	**1,172**	**1,887**	**2,182**	**2,301**	**2,465**
Other operating income	19	35	35	38	39
Operating costs	(465)	(550)	(594)	(639)	(671)
Operating EBITDA	**1,296**	**1,942**	**2,218**	**2,309**	**2,459**
Depreciation	(570)	(570)	(595)	(610)	(625)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**726**	**1,372**	**1,623**	**1,700**	**1,834**
Net financing costs	(2)	(2)	(2)	(2)	(2)
Associates	82	5	24	30	32
Recurring non-operating income	82	5	24	30	32
Non-recurring items	(9)	0	0	0	0
Profit before tax	**797**	**1,375**	**1,646**	**1,728**	**1,864**
Tax	(155)	(275)	(296)	(311)	(335)
Profit after tax	**642**	**1,100**	**1,350**	**1,417**	**1,528**
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	**642**	**1,100**	**1,350**	**1,417**	**1,528**
Non-recurring items & goodwill (net)	**9**	**0**	**0**	**0**	**0**
Recurring net profit	**651**	**1,100**	**1,350**	**1,417**	**1,528**
Per share (THB)					
Recurring EPS *	0.50	0.85	1.04	1.09	1.18
Reported EPS	0.49	0.85	1.04	1.09	1.18
DPS	0.60	1.00	1.14	1.20	1.29
Diluted shares (used to calculate per share data)	1,300	1,300	1,300	1,300	1,300
Growth					
Revenue (%)	21.3	27.0	8.4	7.6	5.0
Operating EBITDA (%)	10.9	49.8	14.2	4.1	6.5
Operating EBIT (%)	24.1	89.1	18.3	4.7	7.9
Recurring EPS (%)	19.0	69.1	22.7	5.0	7.9
Reported EPS (%)	17.4	71.5	22.7	5.0	7.9
Operating performance					
Gross margin inc. depreciation (%)	18.5	23.4	25.0	24.5	25.0
Gross margin exc. depreciation (%)	27.5	30.5	31.8	31.0	31.3
Operating EBITDA margin (%)	20.4	24.1	25.4	24.6	24.9
Operating EBIT margin (%)	11.4	17.0	18.6	18.1	18.6
Net margin (%)	10.3	13.7	15.5	15.1	15.5
Effective tax rate (%)	19.5	20.0	18.0	18.0	18.0
Dividend payout on recurring profit (%)	119.9	118.1	110.0	110.0	109.9
Interest cover (X)	462.2	752.0	958.1	960.9	981.9
Inventory days	44.4	35.8	32.2	31.6	32.1
Debtor days	62.5	61.1	65.7	67.5	68.3
Creditor days	51.0	53.2	54.8	52.6	53.5
Operating ROIC (%)	10.8	22.4	27.7	29.6	33.9
ROIC (%)	11.2	20.9	26.2	27.9	31.7
ROE (%)	10.5	18.3	23.4	25.1	27.8
ROA (%)	9.0	15.1	18.8	19.9	21.7

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Ready-to-drink green tea	4,405	5,564	5,994	6,414	6,735
Non-tea and others	1,936	2,486	2,734	2,976	3,126

Sources: Ichitan Group; FSSIA estimates

Financial Statements

Ichitan Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	651	1,100	1,350	1,417	1,528
Depreciation	570	570	595	610	625
Associates & minorities	(82)	(5)	(24)	(30)	(32)
Other non-cash items	-	-	-	-	-
Change in working capital	(27)	(252)	(169)	(84)	(64)
Cash flow from operations	**1,112**	**1,413**	**1,751**	**1,912**	**2,057**
Capex - maintenance	-	-	-	-	-
Capex - new investment	(114)	0	(498)	(264)	(300)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	58	78	15	21	25
Cash flow from investing	**(56)**	**78**	**(483)**	**(244)**	**(275)**
Dividends paid	(644)	(1,430)	(1,485)	(1,559)	(1,680)
Equity finance	0	0	0	0	0
Debt finance	(9)	(6)	(3)	5	(60)
Other financing cash flows	(6)	6	(3)	3	2
Cash flow from financing	**(658)**	**(1,431)**	**(1,491)**	**(1,550)**	**(1,738)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	165	0	0	0
Net other adjustments	**0**	**165**	**0**	**0**	**(1)**
Movement in cash	**397**	**225**	**(223)**	**119**	**44**
Free cash flow to firm (FCFF)	1,057.45	1,492.92	1,269.80	1,670.69	1,784.25
Free cash flow to equity (FCFE)	1,040.82	1,655.48	1,262.26	1,677.20	1,723.70
Per share (THB)					
FCFF per share	0.81	1.15	0.98	1.29	1.37
FCFE per share	0.80	1.27	0.97	1.29	1.33
Recurring cash flow per share	0.88	1.28	1.48	1.54	1.63

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	9,370	8,951	9,451	9,751	10,051
Less: Accumulated depreciation	(5,032)	(5,337)	(5,932)	(6,541)	(7,166)
Tangible fixed assets (net)	**4,338**	**3,614**	**3,520**	**3,210**	**2,885**
Intangible fixed assets (net)	**10**	**8**	**10**	**10**	**10**
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	312	225	225	225	225
Cash & equivalents	735	960	738	856	900
A/C receivable	1,304	1,533	1,740	1,831	1,921
Inventories	588	511	538	583	608
Other current assets	0	239	262	282	296
Current assets	**2,627**	**3,243**	**3,277**	**3,552**	**3,725**
Other assets	99	114	122	131	138
Total assets	**7,386**	**7,205**	**7,154**	**7,128**	**6,983**
Common equity	6,170	5,842	5,708	5,567	5,414
Minorities etc.	0	0	0	0	0
Total shareholders' equity	**6,170**	**5,842**	**5,708**	**5,567**	**5,414**
Long term debt	65	55	55	60	0
Other long-term liabilities	41	46	44	47	49
Long-term liabilities	**105**	**102**	**99**	**107**	**49**
A/C payable	739	890	897	971	1,013
Short term debt	14	17	14	14	14
Other current liabilities	357	355	436	470	493
Current liabilities	**1,110**	**1,262**	**1,347**	**1,455**	**1,520**
Total liabilities and shareholders' equity	**7,386**	**7,205**	**7,154**	**7,128**	**6,983**
Net working capital	795	1,038	1,206	1,255	1,319
Invested capital	5,554	5,000	5,083	4,831	4,577
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	4.75	4.49	4.39	4.28	4.16
Tangible book value per share	4.74	4.49	4.38	4.27	4.16
Financial strength					
Net debt/equity (%)	(10.6)	(15.2)	(11.7)	(14.1)	(16.4)
Net debt/total assets (%)	(8.9)	(12.3)	(9.3)	(11.0)	(12.7)
Current ratio (x)	2.4	2.6	2.4	2.4	2.5
CF interest cover (x)	661.7	905.1	1,024.6	1,079.6	1,066.1

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	**33.2**	**19.6**	**16.0**	**15.2**	**14.1**
Recurring P/E @ target price (x) *	**38.0**	**22.4**	**18.3**	**17.4**	**16.2**
Reported P/E (x)	33.6	19.6	16.0	15.2	14.1
Dividend yield (%)	3.6	6.0	6.9	7.2	7.8
Price/book (x)	3.5	3.7	3.8	3.9	4.0
Price/tangible book (x)	3.5	3.7	3.8	3.9	4.0
EV/EBITDA (x) **	16.1	10.7	9.4	9.0	8.4
EV/EBITDA @ target price (x) **	18.6	12.3	10.8	10.4	9.7
EV/invested capital (x)	3.8	4.1	4.1	4.3	4.5

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

Sources: Ichitan Group; FSSIA estimates

ICHITAN GROUP PCL (ICHI TB)

FSSIA ESG rating

★★★

43.67 /100

Exhibit 17: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	**>39-59**	**Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.**
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Source: FSSIA estimates

Exhibit 18: ESG – peer comparison

	FSSIA	------------------ Domestic ratings -----------------------						-------------------------------- Global ratings ------------------------						--- Bloomberg ---	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
CBG	51.54	--	Y	Y	4.00	4.00	Declared	High	59.58	B	--	33.28	56.00	2.12	--
SAPPE	35.25	--	Y	Y	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
OSP	61.48	--	Y	Y	5.00	4.00	Declared	Medium	68.64	BBB	--	63.08	51.00	3.00	63.65
TACC	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--
ICHI	43.67	--	Y	Y	5.00	5.00	Certified	High	61.36	--	--	--	18.00	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 19: ESG disclosure from the company's one report

FY ending Dec 31	FY 2022
Environmental	
Climate change policy	Yes
Climate change opportunities discussed	--
GHG scope 2 location-based policy	Yes
Biodiversity policy	--
Energy efficiency policy	Yes
Electricity used	Yes
Fuel used - crude oil/diesel	--
Waste reduction policy	Yes
Water policy	--
Water consumption	--
Social	
Human rights policy	Yes
Policy against child labor	Yes
Quality assurance and recall policy	Yes
Consumer data protection policy	--
Equal opportunity policy	Yes
Gender pay gap breakout	--
Pct women in workforce	Yes
Business ethics policy	Yes
Anti-bribery ethics policy	Yes
Health and safety policy	Yes
Lost time incident rate - employees	--
Training policy	Yes
Fair remuneration policy	Yes
Number of employees - CSR	--
Total hours spent by firm - employee training	--
Social supply chain management	Yes

FY ending Dec 31	FY 2022
Governance	
Board size / Independent directors (ID) / Female	**9 / 3 / 2**
No. of board meetings for the year / % attendance	7 / 100%
Company conducts board evaluations	Yes
Number of non-executive directors on board	3
Director share ownership guidelines	No
Board age limit	No
Age of the youngest / oldest director	47 / 72
Number of executives / female	6 / 1
Executive share ownership guidelines	No
Size of audit committee / ID	**3 / 3**
Audit committee meetings	4
Audit committee meeting attendance (%)	100
Size of compensation committee	**3 / 2**
Number of compensation committee meetings	3
Compensation committee meeting attendance (%)	100
Size of nomination committee / ID	**3 / 2**
Number of nomination committee meetings	3
Nomination committee meeting attendance (%)	100
Board compensation (THB m)	8.615
Auditor fee (THB m)	3.00
(KPMG Phoomchai Audit Company Limited)	

Source: FSSIA's compilation

Disclaimer for ESG scoring

<table>
<tr><th>ESG score</th><th>Methodology</th><th>Rating</th></tr>
<tr><td>The Dow Jones Sustainability Indices (DJSI) By S&P Global</td><td>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.</td><td>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.</td></tr>
<tr><td>Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)</td><td>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.</td><td>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.</td></tr>
<tr><td>CG Score by Thai Institute of Directors Association (Thai IOD)</td><td>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.</td><td>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%).</td></tr>
<tr><td>AGM level By Thai Investors Association (TIA) with support from the SEC</td><td>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%). (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.)</td><td>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.</td></tr>
<tr><td>Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)</td><td>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.
(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.)</td><td>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.</td></tr>
<tr><td>Morningstar Sustainalytics</td><td>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. 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.</td><td>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></td></tr>
<tr><td>ESG Book</td><td>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.</td><td>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.</td></tr>
<tr><td>MSCI</td><td colspan="2">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="2">Leader:</td><td rowspan="2">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><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>BBB</td><td>4.286-5.713</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</td></tr></table></td></tr>
<tr><td>Moody's ESG solutions</td><td colspan="2">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.</td></tr>
<tr><td>Refinitiv ESG rating</td><td colspan="2">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. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</td></tr>
<tr><td>S&P Global</td><td colspan="2">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.</td></tr>
<tr><td>Bloomberg</td><td>ESG Score</td><td>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.</td></tr>
<tr><td>Bloomberg</td><td>ESG Disclosure Score</td><td>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.</td></tr>
</table>

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

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History of change in investment rating and/or target price

Ichitan Group (ICHI TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	15-Jun-2023	HOLD	15.70	27-Feb-2024	BUY	21.00
17-May-2023	BUY	15.70	19-Sep-2023	BUY	19.00			

Sureeporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Ichitan Group	ICHI TB	THB 16.60	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected consumption recovery; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.

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 10-Jul-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.