FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

EQUITY RESEARCH - COMPANY REPORT

SOMBOON ADVANCE TECHNOLOGY   SAT TB

THAILAND / AUTOMOTIVES

BUY
UNCHANGED

TARGET PRICE	THB13.60
CLOSE	THB11.80
UP/DOWNSIDE	+15.3%
PRIOR TP	THB23.00
CHANGE IN TP	-40.9%
TP vs CONSENSUS	-16.2%

Hit hard by industry doldrums

- The 2Q24 profit marked its lowest in 15 quarters.
- We slashed our core profit forecast to reflect the industry's slow growth.
- Earnings projection and TP cut. Maintain BUY rating due to cheap valuations and generous dividend payouts.

The 2Q24 profit marked its lowest in 15 quarters

SAT registered a disappointing core profit of THB140m (-24.0% q-q, -35.6% y-y), marking the lowest in 15 quarters since the pandemic. Like other automotive parts manufacturers in Thailand, SAT's 2Q24 operations were hit hard by the doldrums in the automotive industry. SAT's 2Q24 sales revenue hit its lowest in 15 quarters at THB1.7b (-16.3% q-q, -20.5% y-y). Its gross margin was down to 15.6% (-70bps q-q, -240bps y-y) from a lower utilization rate. Its EBITDA declined 17.3% q-q and 29.3% y-y to THB268m.

Thailand's car production dropped 16% q-q and y-y in 2Q24

In 2Q24, Thailand's vehicle production plunged 16.4% q-q and y-y, with the highest fall in the production for domestic sales. Domestic car sales decreased by 11.9% q-q and 23.7% y-y, particularly pickups (-8.7% q-q, -37.2% y-y). In addition, the total agriculture production in 2Q24 shrank 18.0% q- and 15.0% y-y, caused by El Nino, which affected customer demand.

## Thailand's new car production target is still challenging

The Federation of Thai Industries (FTI) revised its forecast for Thailand's 2024 car production downward to 1.7m units (-8% y-y) from its initial goal of 1.9m units. Given the country's car production of 761K units in 1H24, it means the production has to rise by 23% H-H to 939K units, an average of 157K units per month, which is too challenging under the current situation, in our view.

Earnings projection and TP cut

We slashed our core profit forecast for 2024-26 by 32%/29%/21%, respectively, to reflect the risk of the automotive industry being slower than originally expected. We now expect SAT's core profit to fall 26.0% y-y in 2024 before growing 9.0% y-y in 2025 and 11.9% y-y in 2026. Following our projection revision, we cut our TP to THB13.60, based on 8x 2024E P/E (-1SD of its five-year average) from THB23.0 (9.3x 2024E P/E) on slower growth. Despite no short-term catalysts, we maintain our BUY rating due to cheap valuations and generous dividend payouts.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	9,089	7,948	8,156	8,412
Net profit	979	724	789	883
EPS (THB)	2.30	1.70	1.86	2.08
vs Consensus (%)	-	(10.9)	(10.4)	(6.7)
EBITDA	1,471	1,187	1,272	1,388
Recurring net profit	979	724	789	883
Core EPS (THB)	2.30	1.70	1.86	2.08
Chg. In EPS est. (%)	-	(32.1)	(28.9)	(21.2)
EPS growth (%)	3.3	(26.0)	9.0	11.9
Core P/E (x)	5.1	6.9	6.4	5.7
Dividend yield (%)	13.6	9.3	10.1	11.4
EV/EBITDA (x)	2.0	2.5	2.1	1.7
Price/book (x)	0.6	0.6	0.6	0.6
Net debt/Equity (%)	(25.0)	(24.5)	(26.7)	(29.6)
ROE (%)	12.1	8.7	9.2	10.0
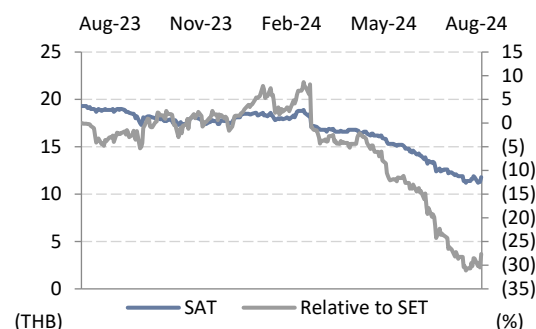
Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.3)	(27.2)	(37.9)
Relative to country (%)	(4.6)	(23.1)	(26.8)
Mkt cap (USD m)			142
3m avg. daily turnover (USD m)			0.4
Free float (%)			64
Major shareholder			Kitapanich Family (44%)
12m high/low (THB)			19.40/11.10
Issued shares (m)			425.19

Sources: Bloomberg consensus; FSSIA estimates

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Investment thesis

SAT registered a disappointing core profit of THB140m (-24.0% q-q, -35.6% y-y), marking the lowest in 15 quarters since the pandemic. Like other automotive parts manufacturers in Thailand, SAT's 2Q24 operations were hit hard by the doldrums in the automotive industry. SAT's 2Q24 sales revenue hit its lowest in 15 quarters at THB1.7b (-16.3% q-q, -20.5% y-y). Its gross margin was down to 15.6% (-70bps q-q, -240bps y-y) from a lower utilization rate.

We slashed our core profit forecast for 2024-26 by 32%/29%/21%, respectively, to reflect the risk of the automotive industry being slower than originally expected. Despite no short-term catalysts, we maintain our BUY rating due to cheap valuations and generous dividend payouts.

Company profile

SAT manufactures parts for the motor vehicle industry. They are for passenger cars, pickup trucks, and the agricultural industry. Its major customers are original equipment manufacturers (OEMs) on long-term purchase contracts, as well as the replacement equipment manufacturer (REM) segment.

www.satpcl.co.th

Principal activities (revenue, 2023)

■ Auto - 84.0 %   ■ Non-auto - 16.0 %

Source: Somboon Advance Technology

Major shareholders

■ Kitapanich Family - 44.0 %

■ Thai NVDR - 7.7 %

■ NORTRUST NOMINEES - 3.6 %

■ Others - 44.6 %

Source: Somboon Advance Technology

Catalysts

Key potential catalysts include 1) stronger domestic demand for vehicles; 2) higher farm income; 3) lower steel prices; and 4) lower electricity tariffs.

Risks to our call

The key downside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower than expected, a faster-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.

Event calendar

Date	Event
21 August 2024	Opportunity day
21 August 2024	Ex-dividend date
6 September 2024	Interim dividend payment

Key assumptions

	2024E	2025E	2026E
	(%)	(%)	(%)
Auto parts sales growth	(16.0)	2.0	3.0
Kubota tractor growth	(22.0)	7.0	5.0
Gross margin	16.3	16.9	17.8
SG&A to sales	8.0	7.9	7.9
EBITDA magin	14.9	15.6	16.5
Core profit margin	9.1	9.7	10.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% change in auto parts revenue, we estimate SAT's 2024 net profit to change by 0.5%, all else being equal.

- For every 0.5% change in gross margin, we project SAT's 2024 net profit to change by 4%, all else being equal.

Source: FSSIA estimates

The 2Q24 profit marked its lowest in 15 quarters

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In 2Q24, Thailand's vehicle production plunged 16.4% q-q and y-y, with the highest fall in the production for domestic sales. Domestic car sales decreased by 11.9% q-q and 23.7% y-y, particularly pickups (-8.7% q-q, -37.2% y-y). In addition, the total agriculture production in 2Q24 shrank 18.0% q- and 15.0% y-y, caused by El Nino, which affected customer demand.

SAT's 2Q24 sales revenue hit its lowest in 15 quarters at THB1.7b (-16.3% q-q, -20.5% y-y). Its gross margin was down to 15.6% (-70bps q-q, -240bps y-y) from a lower utilization rate. Its EBITDA declined 17.3% q-q and 29.3% y-y to THB268m.

Exhibit 1: Thailand's car production, quarterly
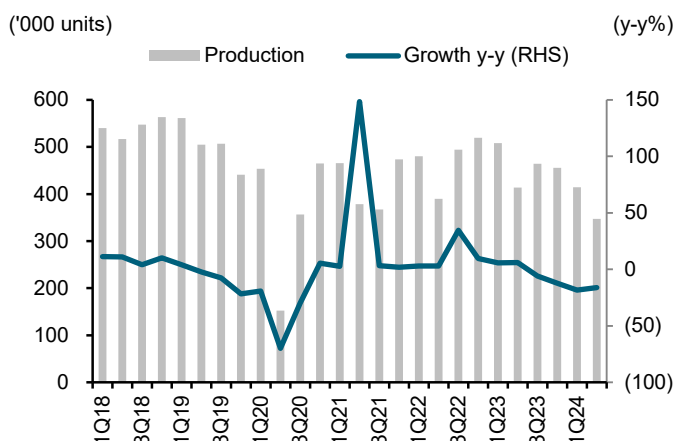
Sources: The Federation of Thai Industries, FSSIA's compilation

**Exhibit 2: Thailand's car domestic sales and exports**
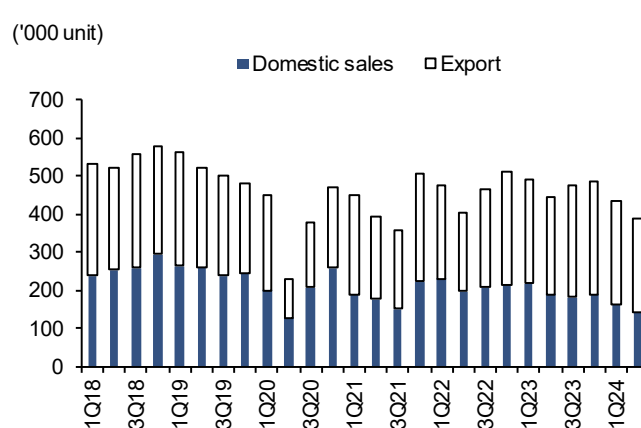
Sources: The Federation of Thai Industries, FSSIA's compilation

Exhibit 3: SAT - 2Q24 earnings results

|	2Q23	3Q23	4Q23	1Q24	2Q24	------ Change ------		1H23	1H24	Change	2024E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)	(y-y%)	2024E
Revenue	2,154	2,333	2,084	2,044	1,712	(16.3)	(20.5)	4,673	3,756	(19.6)	7,948	(12.6)	47.3
Costs of good sold	(1,766)	(1,890)	(1,695)	(1,711)	(1,445)	(15.5)	(18.1)	(3,851)	(3,156)	(18.0)	(6,652)	(10.5)	47.4
Gross profit	388	443	388	333	267	(20.0)	(31.3)	821	600	(27.0)	1,295	(21.6)	46.3
SG&A expenses	(168)	(174)	(185)	(161)	(163)	1.7	(2.5)	(326)	(324)	(0.7)	(731)	0.0	44.4
Other income	34	24	29	20	40	101.1	18.1	53	60	13.0	111	4.7	54.3
EBIT	262	304	257	214	157	(26.7)	(40.1)	575	371	(35.5)	845	0.0	43.9
Depreciation	125	126	128	132	125	(5.2)	(0.1)	249	256	2.7	528	4.8	48.6
EBITDA	**379**	**419**	**360**	**324**	**268**	**(17.3)**	**(29.3)**	**798**	**592**	**(25.8)**	**1,187**	**(19.3)**	**49.9**
Interest expense	(0)	(0)	(0)	(1)	(1)	6.9	46.9	(1)	(1)	34.8	(2)	0.0	70.8
Associates	1	12	25	18	13	(29.0)	1,419.7	19	31	61.0	56	(0.6)	55.1
Pretax profit	261	303	257	213	156	(26.8)	(40.2)	574	370	(35.6)	824	(27.3)	44.8
Tax	(41)	(43)	(42)	(29)	(18)	(38.5)	(57.1)	(82)	(46)	(43.5)	(107)	(35.9)	43.4
Net profit	**223**	**263**	**218**	**187**	**140**	**(25.1)**	**(37.2)**	**498**	**327**	**(34.2)**	**724**	**(26.0)**	**45.2**
Core profit	**217**	**265**	**218**	**184**	**140**	**(24.0)**	**(35.6)**	**490**	**323**	**(34.1)**	**724**	**(26.0)**	**44.6**
EPS (THB)	0.52	0.62	0.51	0.44	0.33	(25.1)	(36.6)	1.17	0.77	(34.2)	1.70	(26.0)	45.2
Core EPS (THB)	0.51	0.62	0.51	0.43	0.33	(24.0)	(35.6)	1.15	0.76	(34.1)	1.70	(26.0)	44.6
Key ratios	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(ppt)**	**(ppt)**	**(%)**	**(%)**	**(ppt)**	**(%)**	**(ppt)**	
Gross margin	18.0	19.0	18.6	16.3	15.6	(0.7)	(2.4)	17.6	16.0	(1.6)	16.3	(2.0)	
SG&A to sales	7.8	7.5	8.9	7.9	9.5	1.7	1.8	7.0	8.6	1.6	8.0	0.5	
Operating margin	10.2	11.5	9.8	8.4	6.0	(2.4)	(4.2)	12.3	9.9	(2.4)	10.4	(2.1)	
EBITDA margin	17.6	18.0	17.3	15.9	15.7	(0.2)	(1.9)	17.1	15.8	(1.3)	14.9	(1.2)	
Core profit margin	10.1	11.4	10.5	9.0	8.2	(0.8)	(1.9)	10.5	8.6	(1.9)	9.1	(1.7)	

Sources: SAT, FSSIA estimates

Exhibit 4: Revenue and core profit
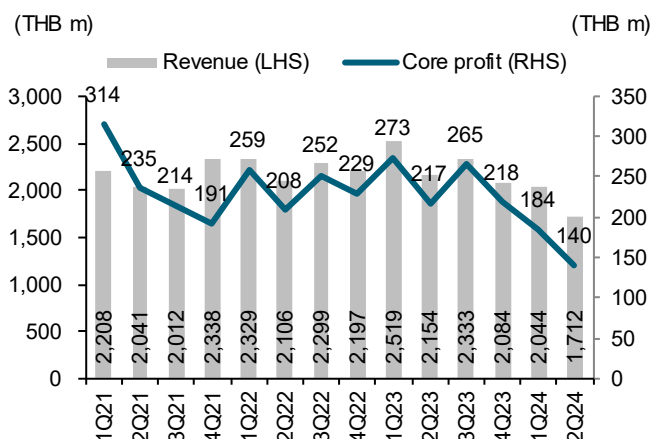
Sources: SAT, FSSIA's compilation

Exhibit 5: Margins
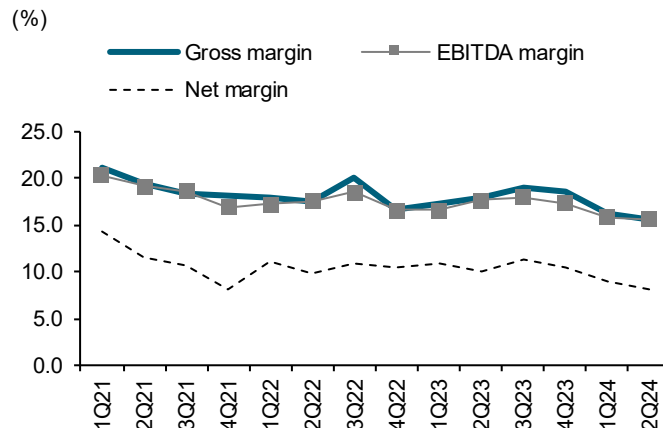
Sources: SAT, FSSIA's compilation

Earnings projection and TP cut

The Federation of Thai Industries (FTI) revised its forecast for Thailand's 2024 car production downward to 1.7m units (-8% y-y) from its initial goal of 1.9m units goal. Given the country's car production of 761K units in 1H24, it means the production has to rise by 23% H-H to 939K units, an average of 157K units per month, which is too challenging under the current situation, in our view.

SAT's core profit for 1H24 slid 34.1% y-y and accounted for only 30% of our previous full-year projection. Thus, we slashed our core profit forecast for 2024-26 by 32%/29%/21%, respectively, to reflect the risk of the automotive industry being slower than originally expected. We now expect SAT's core profit to fall 26.0% y-y in 2024 before growing 9.0% y-y in 2025 and 11.9% y-y in 2026.

Following our projection revision, we cut our TP to THB13.60, based on 8x 2024E P/E (-1SD of its five-year average) from THB23.0 (9.3x 2024E P/E) on slower growth. Despite no short-term catalysts, we maintain our BUY rating due to cheap valuations and generous dividend payouts.

Exhibit 6: Key changes in assumptions

|	-------------------- Current --------------------			------------------- Previous -------------------			-------------------- Change --------------------		
	2024E	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**	*2024E*	*2025E*	*2025E*
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total revenue	7,948	8,156	8,412	10,164	10,425	10,603	*(21.8)*	*(21.8)*	*(20.7)*
Auto parts	6,813	6,942	7,138	8,276	8,471	8,590	*(17.7)*	*(18.0)*	*(16.9)*
Non-auto parts (Kubota)	1,134	1,214	1,274	1,888	1,954	2,013	*(39.9)*	*(37.9)*	*(36.7)*
Cost of goods sold	(6,652)	(6,781)	(6,915)	(8,263)	(8,434)	(8,578)	*(19.5)*	*(19.6)*	*(19.4)*
Gross profit	1,295	1,374	1,497	1,901	1,991	2,025	*(31.8)*	*(31.0)*	*(26.1)*
SG&A	(636)	(644)	(665)	(793)	(834)	(848)	*(19.8)*	*(22.7)*	*(21.7)*
EBITDA	1,187	1,272	1,388	1,635	1,699	1,732	*(27.4)*	*(25.1)*	*(19.9)*
EBIT	827	901	1,009	1,248	1,301	1,323	*(33.8)*	*(30.7)*	*(23.7)*
Core profit	724	789	883	1,066	1,110	1,121	*(32.1)*	*(28.9)*	*(21.2)*
Net profit	724	789	883	1,066	1,110	1,121	*(32.1)*	*(28.9)*	*(21.2)*
Margins	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	**(%)**	***(ppt)***	***(ppt)***	***(ppt)***
Gross margin	16.3	16.9	17.8	18.7	19.1	19.1	*(2.4)*	*(2.3)*	*(1.3)*
EBITDA margin	14.9	15.6	16.5	16.1	16.3	16.3	*(1.2)*	*(0.7)*	*0.2*
EBIT margin	10.4	11.1	12.0	12.3	12.5	12.5	*(1.9)*	*(1.4)*	*(0.5)*
Core profit margin	9.1	9.7	10.5	10.5	10.6	10.6	*(1.4)*	*(1.0)*	*(0.1)*

Sources: SAT, FSSIA estimates

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Exhibit 7: Revenue and core profit
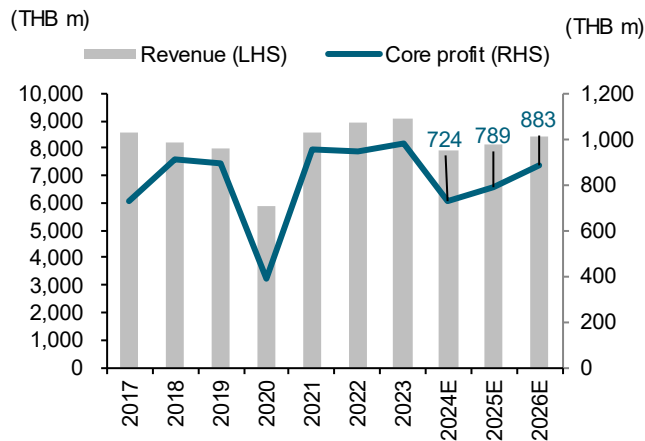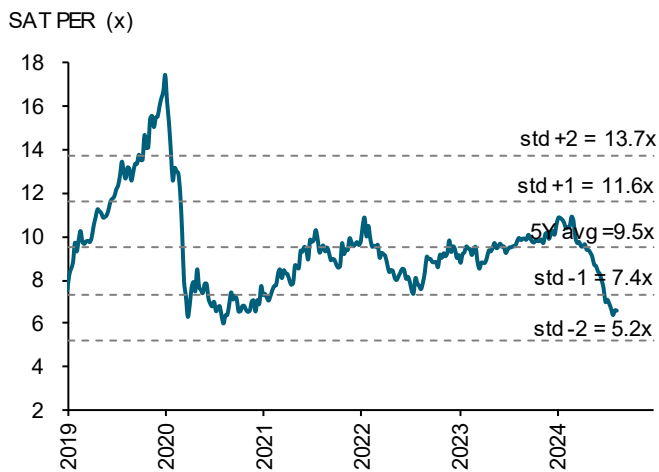

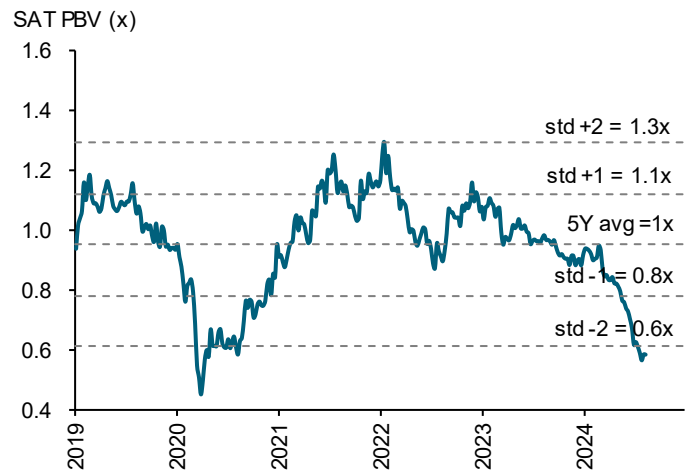Sources: SAT, FSSIA estimates

Exhibit 8: Margins
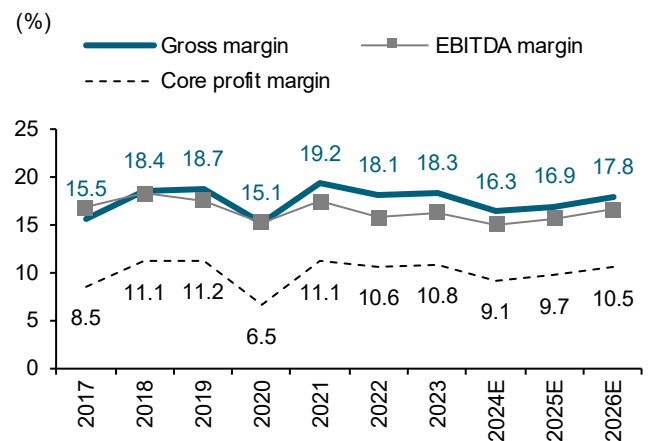
Sources: SAT, FSSIA estimates

Exhibit 9: One-year rolling forward P/E band

Sources: Bloomberg, FSSIA estimates

Exhibit 10: One-year rolling forward P/BV band

Sources: Bloomberg, FSSIA estimates

Financial Statements
Somboon Advance Technology

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	8,931	9,089	7,948	8,156	8,412
Cost of goods sold	(7,316)	(7,436)	(6,652)	(6,781)	(6,915)
Gross profit	**1,616**	**1,653**	**1,295**	**1,374**	**1,497**
Other operating income	-	-	-	-	-
Operating costs	(731)	(686)	(636)	(644)	(665)
Operating EBITDA	**1,399**	**1,471**	**1,187**	**1,272**	**1,388**
Depreciation	(515)	(504)	(528)	(542)	(556)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	**885**	**967**	**660**	**730**	**833**
Net financing costs	(2)	4	(2)	(2)	(2)
Associates	38	56	56	57	59
Recurring non-operating income	200	162	167	171	177
Non-recurring items	(8)	0	0	0	0
Profit before tax	**1,075**	**1,133**	**824**	**899**	**1,007**
Tax	(140)	(167)	(107)	(117)	(131)
Profit after tax	**936**	**966**	**717**	**782**	**876**
Minority interests	4	12	7	7	7
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	**940**	**979**	**724**	**789**	**883**
Non-recurring items & goodwill (net)	**8**	**0**	**0**	**0**	**0**
Recurring net profit	**948**	**979**	**724**	**789**	**883**
Per share (THB)					
Recurring EPS *	2.23	2.30	1.70	1.86	2.08
Reported EPS	2.21	2.30	1.70	1.86	2.08
DPS	1.50	1.60	1.10	1.20	1.34
Diluted shares (used to calculate per share data)	425	425	425	425	425
Growth					
Revenue (%)	3.9	1.8	(12.6)	2.6	3.2
Operating EBITDA (%)	(6.1)	5.1	(19.3)	7.1	9.2
Operating EBIT (%)	(3.6)	9.3	(31.8)	10.6	14.1
Recurring EPS (%)	(0.7)	3.3	(26.0)	9.0	11.9
Reported EPS (%)	(1.3)	4.1	(26.0)	9.0	11.9
Operating performance					
Gross margin inc. depreciation (%)	18.1	18.2	16.3	16.9	17.8
Gross margin exc. depreciation (%)	23.9	23.7	22.9	23.5	24.4
Operating EBITDA margin (%)	15.7	16.2	14.9	15.6	16.5
Operating EBIT margin (%)	9.9	10.6	8.3	9.0	9.9
Net margin (%)	10.6	10.8	9.1	9.7	10.5
Effective tax rate (%)	(13.0)	(14.7)	(13.0)	(13.0)	(13.0)
Dividend payout on recurring profit (%)	67.3	69.5	64.4	64.4	64.5
Interest cover (X)	548.4	(280.6)	359.4	391.8	438.9
Inventory days	36.7	42.1	45.1	40.4	39.3
Debtor days	74.0	68.9	69.9	66.6	65.5
Creditor days	98.1	93.9	89.1	80.7	79.7
Operating ROIC (%)	17.5	19.1	12.8	14.1	16.1
ROIC (%)	17.2	17.6	12.5	13.5	15.0
ROE (%)	12.2	12.1	8.7	9.2	10.0
ROA (%)	9.4	9.3	7.0	7.6	8.2
* Pre-exceptional, pre-goodwill and fully diluted					

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Auto	7,145	7,635	6,813	6,942	7,138
Non-auto	1,786	1,454	1,134	1,214	1,274

Sources: Somboon Advance Technology; FSSIA estimates

Financial Statements
Somboon Advance Technology

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	948	979	724	789	883
Depreciation	515	504	528	542	556
Associates & minorities	(4)	(12)	(7)	(7)	(7)
Other non-cash items	(40)	106	(7)	(7)	(7)
Change in working capital	(200)	(166)	(36)	(15)	15
Cash flow from operations	**1,218**	**1,409**	**1,202**	**1,301**	**1,440**
Capex - maintenance	(452)	(430)	(357)	(357)	(357)
Capex - new investment	(194)	(184)	(153)	(153)	(153)
Net acquisitions & disposals	0	4	0	0	0
Other investments (net)	471	(69)	(56)	(57)	(59)
Cash flow from investing	**(174)**	**(680)**	**(566)**	**(567)**	**(569)**
Dividends paid	(629)	(637)	(628)	(466)	(508)
Equity finance	0	0	0	0	0
Debt finance	0	0	(14)	0	0
Other financing cash flows	(18)	(17)	(19)	0	0
Cash flow from financing	**(648)**	**(655)**	**(662)**	**(466)**	**(508)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	**0**	**0**	**0**	**0**	**0**
Movement in cash	**396**	**75**	**(26)**	**268**	**362**
Free cash flow to firm (FCFF)	1,046.06	731.38	638.57	736.68	873.08
Free cash flow to equity (FCFE)	1,025.68	712.30	602.56	734.38	870.78

Per share (THB)					
FCFF per share	2.46	1.72	1.50	1.73	2.05
FCFE per share	2.41	1.68	1.42	1.73	2.05
Recurring cash flow per share	3.34	3.71	2.91	3.10	3.35

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	11,867	12,284	12,784	13,284	13,784
Less: Accumulated depreciation	(8,654)	(9,028)	(9,544)	(10,074)	(10,619)
Tangible fixed assets (net)	**3,213**	**3,256**	**3,240**	**3,210**	**3,165**
Intangible fixed assets (net)	**44**	**52**	**49**	**48**	**47**
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,114	1,229	1,285	1,342	1,401
Cash & equivalents	1,998	2,073	2,048	2,316	2,678
A/C receivable	1,869	1,562	1,481	1,497	1,521
Inventories	776	822	693	687	682
Other current assets	1,188	1,241	1,240	1,253	1,265
Current assets	**5,830**	**5,698**	**5,461**	**5,753**	**6,147**
Other assets	149	167	140	142	144
Total assets	**10,351**	**10,401**	**10,175**	**10,494**	**10,904**
Common equity	7,951	8,290	8,379	8,695	9,063
Minorities etc.	16	3	(4)	(11)	(18)
Total shareholders' equity	**7,966**	**8,293**	**8,375**	**8,684**	**9,044**
Long term debt	0	0	0	0	0
Other long-term liabilities	330	339	336	353	370
Long-term liabilities	**330**	**339**	**336**	**353**	**370**
A/C payable	1,961	1,607	1,385	1,375	1,402
Short term debt	0	0	0	0	0
Other current liabilities	93	162	79	83	87
Current liabilities	**2,054**	**1,769**	**1,464**	**1,458**	**1,489**
Total liabilities and shareholders' equity	**10,351**	**10,401**	**10,175**	**10,494**	**10,904**
Net working capital	1,778	1,856	1,950	1,980	1,980
Invested capital	6,299	6,559	6,663	6,720	6,736
* Includes convertibles and preferred stock which is being treated as debt					

Per share (THB)					
Book value per share	18.70	19.50	19.71	20.45	21.31
Tangible book value per share	18.60	19.38	19.59	20.34	21.20
Financial strength					
Net debt/equity (%)	(25.1)	(25.0)	(24.5)	(26.7)	(29.6)
Net debt/total assets (%)	(19.3)	(19.9)	(20.1)	(22.1)	(24.6)
Current ratio (x)	2.8	3.2	3.7	3.9	4.1
CF interest cover (x)	617.2	(221.8)	329.5	386.8	446.1

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	**5.3**	**5.1**	**6.9**	**6.4**	**5.7**
Recurring P/E @ target price (x) *	**6.1**	**5.9**	**8.0**	**7.3**	**6.5**
Reported P/E (x)	5.3	5.1	6.9	6.4	5.7
Dividend yield (%)	12.7	13.6	9.3	10.1	11.4
Price/book (x)	0.6	0.6	0.6	0.6	0.6
Price/tangible book (x)	0.6	0.6	0.6	0.6	0.6
EV/EBITDA (x) **	2.2	2.0	2.5	2.1	1.7
EV/EBITDA @ target price (x) **	2.7	2.5	3.1	2.7	2.2
EV/invested capital (x)	0.5	0.4	0.4	0.4	0.3

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

Sources: Somboon Advance Technology; FSSIA estimates

Somboon Advance Technology (SAT TB)

Exhibit 11: 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.

Sources: FSSIA estimates

Exhibit 12: 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
AH	44.82	--	Y	Y	5.00	4.00	Certified	--	49.81	--	--	34.05	--	3.56	--
IRC	32.75	--	--	Y	5.00	4.00	--	--	62.24	--	--	47.74	--	--	--
SAT	54.39	--	Y	Y	5.00	5.00	Certified	--	70.44	--	--	53.45	29.00	3.52	52.94
STANLY	9.00	--	--	--	4.00	--	--	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 13: ESG score by Bloomberg

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	—	**3.55**	**3.52**
BESG environmental pillar score	—	—	—	1.68	1.81
BESG social pillar score	—	—	—	4.42	4.42
BESG governance pillar score	—	—	—	5.09	4.68
ESG disclosure score	**55.82**	**55.57**	**56.04**	**53.52**	**52.94**
Environmental disclosure score	57.14	57.14	57.14	51.13	49.41
Social disclosure score	29.11	28.36	29.78	28.20	28.20
Governance disclosure score	81.10	81.10	81.10	81.10	81.10
Environmental					
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No
Risks of climate change discussed	No	No	No	Yes	Yes
GHG scope 1	—	—	—	6	5
GHG scope 2 location-based	—	—	—	73	70
GHG Scope 3	—	—	—	32	33
Carbon per unit of production	—	—	—	1	0
Biodiversity policy	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes
Total energy consumption	273	206	125	174	177
Renewable energy use	0	0	1	3	6
Electricity used	152	156	117	159	160
Fuel used - natural gas	5,135	15	13	619	275

Sources: Bloomberg; FSSIA's compilation

FINANSIA

Exhibit 14: ESG score by Bloomberg *(cont.)*

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes
Hazardous waste	14	4	3	4	5
Total waste	33	28	20	36	40
Waste recycled	30	9	5	29	32
Waste sent to landfills	1	16	12	7	6
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—
Social					
Human rights policy	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	No	No	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No
Pct women in workforce	15	15	16	15	15
Pct disabled in workforce	1	1	1	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	1	0	0
Total recordable incident rate - employees	1	0	1	1	0
Training policy	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No
Number of employees – CSR	2,038	2,221	1,968	2,067	2,140
Employee turnover pct	8	11	9	8	13
Total hours spent by firm - employee training	43,479	27,168	14,701	25,717	25,602
Social supply chain management	Yes	Yes	Yes	Yes	Yes
Governance					
Board size	**9**	**9**	**9**	**9**	**9**
No. of independent directors (ID)	**5**	**6**	**6**	**6**	**6**
No. of women on board	1	1	1	1	1
No. of non-executive directors on board	8	8	8	8	8
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	11	12	12	14	11
Board meeting attendance pct	96	98	100	100	100
Board duration (years)	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No
Age of the youngest director	54	55	56	57	58
Age of the oldest director	75	76	77	78	79
No. of executives / company managers	**7**	**7**	**7**	**6**	**8**
No. of female executives	0	0	0	1	1
Executive share ownership guidelines	No	No	No	No	No
Size of audit committee	**3**	**3**	**3**	**3**	**3**
No. of ID on audit committee	3	3	3	3	3
Audit committee meetings	5	6	5	7	8
Audit meeting attendance %	100	100	100	100	100
Size of compensation committee	**3**	**3**	**3**	**3**	**3**
No. of ID on compensation committee	3	3	3	3	3
No. of compensation committee meetings	3	3	3	2	2
Compensation meeting attendance %	100	100	100	100	100
Size of nomination committee	**3**	**3**	**3**	**3**	**3**
No. of nomination committee meetings	3	3	3	2	2
Nomination meeting attendance %	100	100	100	100	100
Sustainability governance					
Verification type	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

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%). *(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.)*	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. *(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.)*	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. *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.*	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. | NEGL	Low	Medium	High	Severe
---	---	---	---	---
0-10	10-20	20-30	30-40	40+	
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. 	AAA	8.571-10.000		
---	---	---	---
AA	7.143-8.570		
A	5.714-7.142	**Leader:**	leading its industry in managing the most significant ESG risks and opportunities
BBB	4.286-5.713		
BB	2.857-4.285	**Average:**	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
B	1.429-2.856		
CCC	0.000-1.428	**Laggard:**	lagging its industry based on its high exposure and failure to manage significant ESG risks		
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.	
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. *(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)*	
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

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History of change in investment rating and/or target price

Somboon Advance Technology (SAT TB)
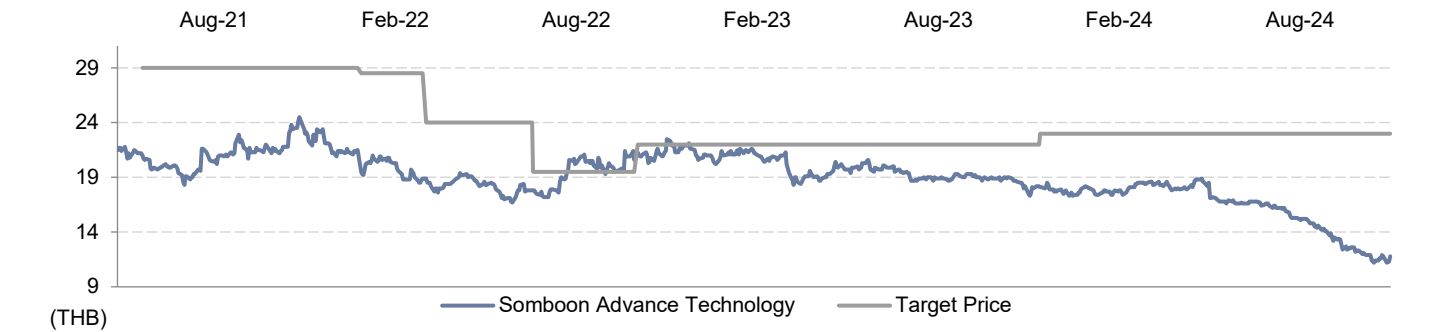
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Aug-2021	BUY	29.00	29-Apr-2022	BUY	24.00	28-Oct-2022	HOLD	22.00
04-Mar-2022	BUY	28.50	01-Aug-2022	HOLD	19.50	11-Oct-2023	BUY	23.00

Jitra Amornthum started covering this stock from 19-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Somboon Advance Technology	SAT TB	THB 11.80	BUY	The key downside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower than expected, a faster-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.

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 08-Aug-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.