

ZEN CORPORATION GROUP

THAILAND / FOOD & BEVERAGE

ZEN TB

REDUCE

UNCHANGED

2Q24 results at first glance

2Q24 net profit was only THB0.6m

Highlights

- ZEN posted a slim net profit of only THB0.6m, far lower than the profit of THB16m in 1Q24 and THB46m in 2Q23.
- Restaurant revenue declined by 3.3% q-q and modestly increased by 0.4% y-y in 2Q24. Same-store sales (SSS) worsened to -14.8% y-y. The number of branches was at 331, down from 338 in 1Q24 due to the closure of seven franchise branches. Revenue remained steady y-y due to having four more branches compared to the total in 2Q23.
- Retail business revenue continued to grow by 12% q-q and 46% y-y, with its contribution rising to 18% from 13% in 2Q23.
- The 2Q24 gross margin decreased to 40.2% from 42.4% in 1Q24 and 43.5% in 2Q23. This mainly came from higher salmon costs and a change in revenue mix, with a greater proportion of revenue coming from retail, which has a lower gross margin compared to the restaurant business.
- The SG&A to sales ratio increased to 39.2% from 39% in 1Q24 and 36.6% in 2Q23. ZEN was trying to control expenses to prevent an increase q-q, such as delaying new branch openings. However, the increase in expenses y-y was due to higher employee expenses and rental costs.

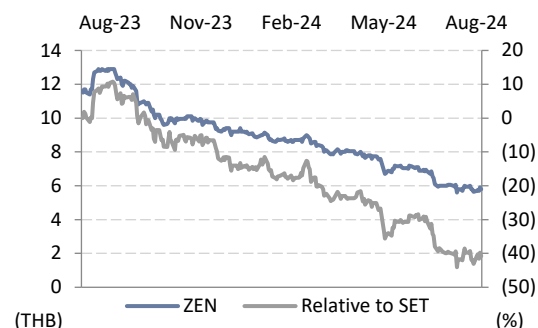
Outlook

- ZEN's 1H24 net profit equaled THB16m (-80% y-y), accounting for only 19% of our full-year estimate.
- The outlook for 2H24 remains concerning. Even though salmon prices have started to decrease, 3Q24 is a low season for the business, combined with weak customer purchasing power and high competition. In addition, the 2Q24 gross margin was only slightly higher than the SG&A to sales ratio, which means ZEN would face greater challenges in 3Q24 if revenue continues to decline. There is a possibility of experiencing losses in 3Q24.
- We have yet to see signs of a recovery and maintain our recommendation to REDUCE.

TARGET PRICE THB6.00
CLOSE THB5.80
UP/DOWNSIDE +3.4%
TP vs CONSENSUS -10.4%

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 (%)	-	(17.6)	(5.7)	(2.3)
EBITDA	643	609	705	781
Recurring net profit	162	85	114	127
Core EPS (THB)	0.54	0.28	0.38	0.42
EPS growth (%)	5.1	(47.5)	33.9	11.4
Core P/E (x)	10.8	20.5	15.3	13.7
Dividend yield (%)	5.2	2.7	3.6	4.0
EV/EBITDA (x)	4.1	4.3	3.7	3.2
Price/book (x)	1.2	1.2	1.2	1.1
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 (%)	(3.3)	(23.2)	(50.0)
Relative to country (%)	(1.6)	(18.9)	(41.1)
Mkt cap (USD m)	49		
3m avg. daily turnover (USD m)	0.0		
Free float (%)	27		
Major shareholder	AGB Sibling Holdings (25%)		
12m high/low (THB)	13.20/5.40		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates



Sureeporn Teewasuwet

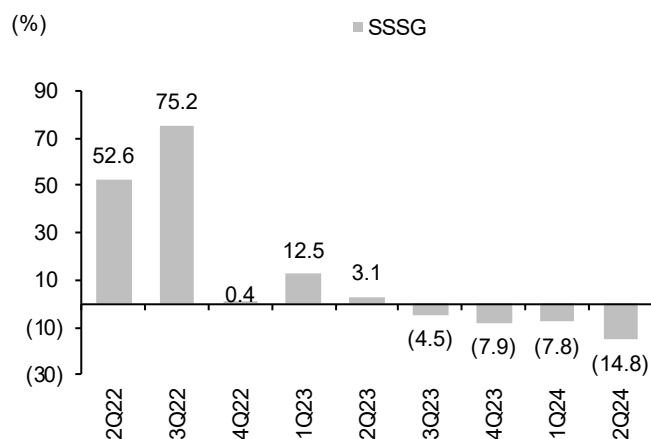
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Exhibit 1: ZEN – 2Q24 results summary

	2Q23	3Q23	4Q23	1Q24	2Q24	----- Change -----		2024E	Change	% 1H24
	(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	1,012	(0.2)	5.3	3,992	15.7	50.8
Cost of sales	543	569	618	585	605	3.5	11.5	2,307	21.8	51.6
Gross profit	418	430	430	430	407	(5.4)	(2.7)	1,685	8.4	49.6
SG&A	352	371	377	396	396	0.2	12.6	1,553	8.9	51.0
Operating profit	72	63	67	39	16	(58.9)	(77.7)	164	5.0	33.4
Interest expense	10	11	12	15	14	(9.4)	34.5	51	28.9	56.2
Tax expense	12	7	7	2	-3	(316.6)	(129.9)	8	(11.4)	(23.8)
Reported net profit	46	40	38	16	0.6	(96.3)	(98.7)	85	2.4	19.1
Core profit	46	40	42	16	0.6	(96.3)	(98.7)	85	5.1	19.1
Key ratios (%)										
						(ppt)	(ppt)			
Gross margin	43.5	43.1	41.1	42.4	40.2	(2.2)	(3.3)	42.2	(2.9)	
SG&A to sales	36.6	37.2	36.0	39.0	39.2	0.2	2.5	38.9	(2.3)	
Operating margin	7.4	6.3	6.4	3.8	1.6	(2.2)	(5.9)	4.1	(0.7)	
Net margin	4.8	4.0	3.6	1.5	0.1	(1.5)	(4.7)	2.1	(0.5)	
Core margin	4.8	4.0	4.0	1.5	0.1	(1.5)	(4.7)	2.1	(0.4)	
Operating statistics										
SSSG (%)	3.1	(4.5)	(7.9)	(7.8)	(14.8)			-4.0		
Total stores (no.)	327	329	341	338	331	(2.1)	1.2	366	7.3	
Restaurant sales (THB m)	735	756	786	763	738	(3.3)	0.4	2,984	0.0	50.3
Franchise sales (THB m)	56	51	51	48	50	4.2	(10.7)	191	(8.9)	51.2
Delivery and catering (THB m)	45	41	42	40	41	2.5	(8.9)	162	(8.0)	50.0
Retail sales (THB m)	125	151	169	163	183	12.3	46.4	655	20.0	52.8

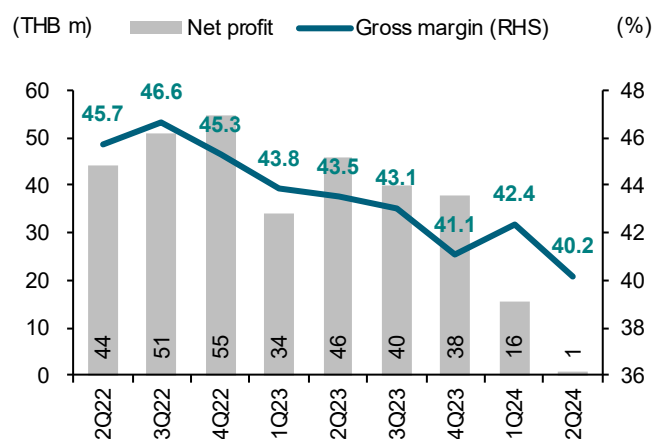
Sources: ZEN; FSSIA's compilation

Exhibit 2: Same-store-sales growth



Sources: ZEN, FSSIA's compilation

Exhibit 3: Net profit and gross margin



Sources: ZEN, FSSIA's compilation

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)
Gross profit	1,546	1,676	1,685	1,805	1,915
Other operating income	30	30	32	34	36
Operating costs	(1,330)	(1,448)	(1,553)	(1,639)	(1,735)
Operating EBITDA	594	643	609	705	781
Depreciation	(348)	(385)	(445)	(505)	(565)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	246	258	164	200	216
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
Profit before tax	211	212	113	155	175
Tax	(39)	(34)	(8)	(20)	(26)
Profit after tax	172	177	105	135	149
Minority interests	(18)	(20)	(20)	(21)	(23)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	154	158	85	114	127
Non-recurring items & goodwill (net)	0	4	0	0	0
Recurring net profit	154	162	85	114	127
Per share (THB)					
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
Growth					
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
Operating performance					
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)					
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
Cash flow from operations	431	449	613	623	696
Capex - maintenance	-	-	-	-	-
Capex - new investment	0	(687)	(482)	(550)	(480)
Net acquisitions & disposals	(390)	(24)	(17)	(22)	(21)
Other investments (net)	-	-	-	-	-
Cash flow from investing	(390)	(711)	(499)	(572)	(501)
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
Cash flow from financing	8	215	(168)	(171)	(150)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	11	0	0	0	0
Net other adjustments	11	0	0	0	0
Movement in cash	60	(47)	(54)	(120)	45
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

Per share (THB)					
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)
Tangible fixed assets (net)	1,118	1,422	1,457	1,502	1,418
Intangible fixed assets (net)	353	349	349	349	349
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
Current assets	729	820	700	610	684
Other assets	299	322	339	362	383
Total assets	2,824	3,240	3,172	3,150	3,160
Common equity	1,281	1,393	1,430	1,481	1,538
Minorities etc.	66	85	68	69	70
Total shareholders' equity	1,346	1,479	1,498	1,550	1,608
Long term debt	535	669	599	529	459
Other long-term liabilities	135	146	116	128	131
Long-term liabilities	670	815	715	657	590
A/C payable	337	359	379	403	426
Short term debt	324	441	420	370	357
Other current liabilities	147	146	160	170	180
Current liabilities	808	946	959	943	963
Total liabilities and shareholders' equity	2,824	3,240	3,172	3,150	3,160
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

Per share (THB)					
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

Financial strength					
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
Recurring P/E (x) *	11.3	10.8	20.5	15.3	13.7
Recurring P/E @ target price (x) *	11.7	11.1	21.2	15.8	14.2
Reported P/E (x)	11.3	11.0	20.5	15.3	13.7
Dividend yield (%)	2.8	5.2	2.7	3.6	4.0
Price/book (x)	1.4	1.2	1.2	1.2	1.1
Price/tangible book (x)	1.9	1.7	1.6	1.5	1.5
EV/EBITDA (x) **	3.9	4.1	4.3	3.7	3.2
EV/EBITDA @ target price (x) **	4.0	4.2	4.4	3.8	3.2
EV/invested capital (x)	1.2	1.1	1.1	1.1	1.0

* 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 THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar 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 & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

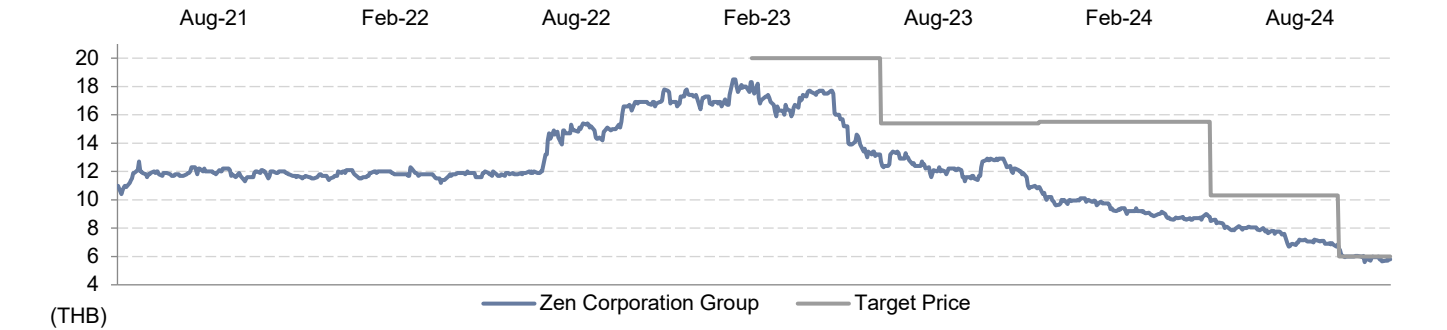
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History of change in investment rating and/or target price

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	25-Jun-2024	REDUCE	6.00
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 5.80	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 09-Aug-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.