

MAGURO GROUP MAGURO TB
THAILAND / AGRO & FOOD INDUSTRY

BUY

แบรนด์ร้านอาหารสำหรับคนรุ่นใหม่

- MAGURO ประกอบกิจการร้านอาหารรายล้อมเยาจนถึง Premium โดยทีมผู้บริหารที่เป็นคนรุ่นใหม่
- เราคาดว่ากำไรสุทธิปี 2024-25 จะโต 16% และ 44% y-y และคาดว่าจะกำไรโตเฉลี่ย 23.2% CAGR ในช่วงปี 2024-26
- เริ่มบทวิเคราะห์ด้วยคำแนะนำซื้อที่ราคาเป้าหมายปี 2025 ที่ 22 บาท (DCF)

TARGET PRICE	THB22.00
CLOSE	THB17.50
UP/DOWNSIDE	+25.7%
TP vs CONSENSUS	+14.6%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	1,044	1,333	1,598	1,892
Net profit	72	84	121	156
EPS (THB)	0.69	0.67	0.96	1.24
vs Consensus (%)	-	-	-	-
EBITDA	218	262	314	368
Recurring net profit	72	91	121	156
Core EPS (THB)	0.69	0.67	0.96	1.24
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	131.1	(3.7)	44.0	28.5
Core P/E (x)	25.2	26.2	18.2	14.2
Dividend yield (%)	4.7	2.3	3.3	4.2
EV/EBITDA (x)	9.8	8.5	7.2	6.1
Price/book (x)	6.9	3.5	3.2	3.0
Net debt/Equity (%)	117.1	4.0	6.2	4.5
ROE (%)	26.5	18.7	18.4	21.9

MAGURO: ร้านอาหารรายล้อมเยาจนถึง Premium

MAGURO ประกอบกิจการร้านอาหารญี่ปุ่นและเกาหลีในรายล้อมเยาจนถึง Premium ภายใต้ 3 แบรนด์ประกอบด้วย Maguro, SSAMTHING Together, และ Hitori Shabu ณ สิ้นรอบ 1H24 บริษัท มี 28 สาขาในกรุงเทพและปริมณฑลโดยตั้งเป้าจับฐานลูกค้ารายได้ระดับกลางถึงสูงด้วยร้านอาหารในรูปแบบ à la carte MAGURO วางแผนเปิดสาขาใหม่ 13 แห่งในปี 2024 ในขณะที่เราคาดว่าบริษัท จะเปิดสาขาใหม่ 10-11 แห่งต่อปีในช่วงปี 2025-26 นอกจากนี้ MAGURO ยังวางแผนเปิด 2 แบรนด์ร้านอาหารใหม่อย่างเร็วที่สุดในช่วงต้นปี 4Q24

จุดแข็งอยู่ที่ทีมผู้บริหารและการวิจัยและพัฒนา

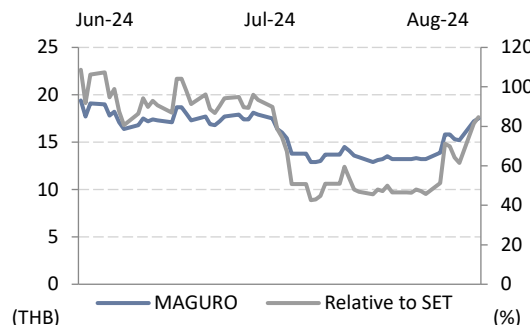
4 กรรมการบริหารที่เป็นผู้ร่วมก่อตั้งบริษัท เป็นผู้นำที่มาจากคนรุ่นใหม่ซึ่งประสบความสำเร็จในการนำเสนอประสบการณ์ในการรับประทานอาหารคุณภาพสูงอันมีเอกลักษณ์เป็นของตนเองซึ่งทำให้แบรนด์เป็นที่จดจำของลูกค้าอย่างรวดเร็ว ความพยายามในการวิจัยและพัฒนาของบริษัท ไม่เพียงมุ่งเน้นไปที่การพัฒนารายการอาหารใหม่แต่ยังรวมถึงการสร้างแบรนด์ใหม่เพื่อจับลูกค้าที่มีอำนาจในการซื้อสูง เรามองว่ากลยุทธ์ดังกล่าวช่วยกระจายความเสี่ยง ลดการพึ่งพาแบรนด์ใดแบรนด์หนึ่งและนำเสนออาหารที่แตกต่างกันออกไปเพื่อลดผลกระทบจากการแข่งขันกันเองของแต่ละแบรนด์

คาดว่ากำไรสุทธิจะโต 23.2% CAGR ในช่วง 3 ปีข้างหน้า

เราเชื่อว่า MAGURO ได้ผ่านจุดต่ำสุดไปแล้วใน 2Q24 แม้ว่าอัตราการเติบโตของยอดขายสาขาเดิม (SSSG) ในช่วง 3QTD ยังเป็นลบที่ประมาณ 2-3% y-y MAGURO วางแผนเปิดสาขาเพิ่มอีก 10 สาขาในช่วง 2H24 นอกจากนี้ต้นทุนของเชลมนยังเริ่มลดลงโดยมีราคาเฉลี่ยในช่วง 3QTD ลดลง 28% q-q และ y-y ในขณะที่ต้นทุนเพิ่มเติมที่เกี่ยวข้องกับการจดทะเบียนในตลาดหลักทรัพย์ที่เคยบันทึกใน 2Q24 จะหมดไป ดังนั้นเราจึงคาดว่ากำไรจะเร่งตัวขึ้นใน 3Q24 ก่อนแตะระดับสูงสุดของปีใน 4Q24 โดยคาดว่ากำไรสุทธิ 2024-25 จะโต 16% y-y และ 44% y-y และคาดว่าจะกำไรโตเฉลี่ย 23.2% CAGR ในช่วงปี 2025-27

เริ่มด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 22 บาท (DCF)

เราประเมินมูลค่า MAGURO และได้ราคาเป้าหมายปี 2025 อยู่ที่ 22 บาท (DCF) โดยมีสมมติฐานจากค่า WACC ที่ 8.6%, Beta ที่ 1.0, Risk premium ที่ 8.5%, และ TG rate ที่ 2% ราคาเป้าหมายดังกล่าวคิดเป็นค่า 2025E P/E ได้ที่ 23x ซึ่งต่ำกว่าค่า P/E เฉลี่ยที่ 38x ของกลุ่มร้านอาหารในช่วงที่มีการเติบโต (ไม่รวมปี 2020-21 จากการระบาดของโควิด) และใกล้เคียงกับค่า P/E ของกลุ่มฯ ในปัจจุบันที่ 23.6x นอกจากนี้เรายังคิดเป็นค่า PEG ได้ที่ 1x ดังนั้นเราจึงมองว่า Valuation ดังกล่าวมีความเหมาะสมสำหรับ MAGURO



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	27.7	n/a	n/a
Relative to country (%)	22.4	n/a	n/a
Mkt cap (USD m)	65		
3m avg. daily turnover (USD m)	n/a		
Free float (%)	29		
Major shareholder	The four founding directors (59.4%)		
12m high/low (THB)	23.70/12.60		
Issued shares (m)	126.00		

Sources: Bloomberg consensus; FSSIA estimates



Sureeporn Teewasuwet

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

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 28 สิงหาคม 2024

Investment thesis

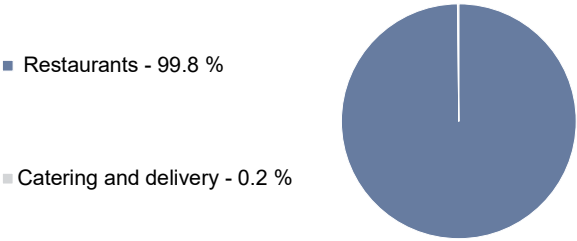
Although the overall outlook for Thailand's restaurant industry in 2024 may appear less optimistic due to weak purchasing power and high competition, MAGURO's 1H24 SSSG decline of 2.9% y-y is smaller compared to other operators like M and ZEN, which dropped by 9% and 11.4%, respectively. However, due to the positive impact of opening new branches, MAGURO's total revenue in 1H24 grew by a significant 23.4% y-y. The company has plans to open more branches in 2H24 and no major listing-related expenses as seen in 2Q24. We expect revenue and profit growth to accelerate in 2H24 and perform well into 2025-26. MAGURO is considered a growth stock in this sector.

Company profile

MAGURO was established in 2015 and operates in a restaurant business, offering food and beverages across the Premium-Mass range, under the brands MAGURO, SSAMTHING TOGETHER and HITORI SHABU. In addition, the company also provides delivery and catering services.

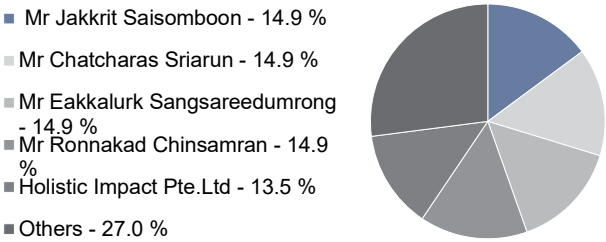
www.maguro.co.th

Principal activities (revenue, 2023)



Source: Maguro Group

Major shareholders



Source: Maguro Group

Catalysts

Potential catalysts for MAGURO’s earnings growth in 2025 include 1) foot traffic growth and food price hikes; 2) a tourism recovery, which would drive international customers; 3) lower raw material costs; and 4) new store expansion.

Risks to our call

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

Event calendar

Date	Event
November 2024	3Q24 results announcement

Key assumptions

	2024E	2025E	2026E
SSSG (%)	0.0	2.0	2.0
New branches (no.)	11	10	8
Total branches (no.)	36	46	54
Total revenue growth (%)	25.3	18.7	15.3
Gross margin (%)	44.8	44.6	44.8
SG&A to sales (%)	33.8	33.7	33.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2025 net profit to rise by 0.6%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2025 net profit to rise by 5.1%, and vice versa, all else being equal.
- For every 0.2% increase in SG&A, we estimate 2025 net profit to fall by 2.1%, and vice versa, all else being equal

Source: FSSIA estimates

Company background

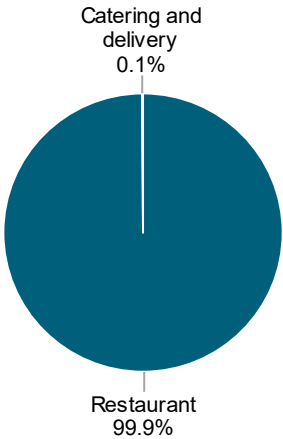
MAGURO was established in 2015. The company operates restaurants, sells food and beverages, and offers food delivery and catering services. The first Maguro branch opened at Chic Republic, Bangna on 27 May 2015. Currently, the company has three restaurant brands: 1) Maguro – Japanese cuisine; 2) SSAMTHING Together – premium Korean BBQ; and 3) Hitori Shabu – Japanese-style shabu and sukiyaki.

As of 1H24, MAGURO operated 28 branches: 15 under the Maguro brand, six under SSAMTHING Together, and seven under Hitori Shabu. The company also provides food delivery through its own platform, MAGURO Go. The Maguro brand contributed the largest share of revenue, accounting for 56.8% of total revenue in 1H24, followed by Hitori Shabu at 26.2% and SSAMTHING Together at 16.9%.

Currently, all of MAGURO’s branches are located in Bangkok and its surrounding areas, which are high-purchase-power locations. The company leases all of its spaces from external parties, including shopping malls, retail stores, community malls, and landlords. Most lease agreements have a duration of three years.

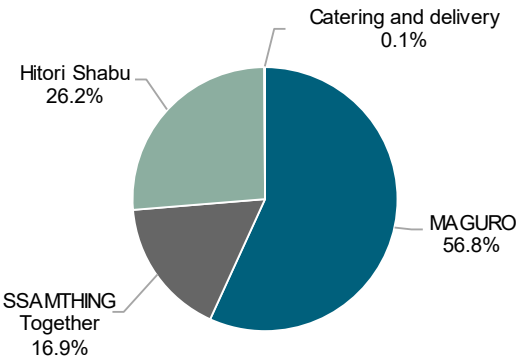
MAGURO operates a central kitchen for production and storage of goods and ingredients, and for the preparation of sauces and side dishes. This facility is located on Soi Chalermpkrakiat R.9, covering an area of 700 sqm. It can support up to 40 branches. The company plans to use the funds from the IPO to upgrade the central kitchen to accommodate future branch expansions, in addition to opening new locations and renovating existing ones.

Exhibit 1: Revenue breakdown by type of service in 1H24



Sources: MAGURO, FSSIA’s compilation

Exhibit 2: Revenue breakdown by brand in 1H24



Sources: MAGURO, FSSIA’s compilation

Exhibit 3: Details of MAGURO’s restaurant brands

Brand logo	Details	
	A Japanese restaurant and sushi bar focusing on high-quality ingredients. The first branch opened in 2015, and as of the end of 1H24, there are 15 branches. The restaurant also offers food delivery through the Maguro Go platform and other delivery services, as well as catering services for events outside of Bangkok and its vicinity.	
	A premium Korean BBQ restaurant with authentic Korean roots, offering a diverse range of dishes made from high-quality ingredients and featuring a traditional 'sam' dining culture, where everyone gathers around the table to enjoy and converse. The restaurant aims to provide an accessible dining experience for all customer groups. The first branch opened in 2021, and as of the end of H1 2024, there are 6 branches.	
	A restaurant specializing in authentic Japanese Sukiyaki and Shabu Shabu, offering premium-grade ingredients at accessible prices. The first branch opened at Siam Paragon in 2022, and as of the end of H1 2024, there are 7 branches.	


Source: MAGURO, FSSIA's compilation

Exhibit 4: Details of the customer segments and spending per head

Brand	Type of restaurant	Area per branch (sq.m.)	Target customers	Income level	Spending per head (THB)
Maguro	A La Carte	150	Families, Couples, Working professionals	a middle- to high-income target	750-850
SSAMTHING Together	A La Carte	200	Families, Couples, Students Working professionals	a middle- to high-income target	450-500
Hitori Shabu	A La Carte	170	Families, Couples, Students Working professionals	a middle- to high-income target	850-1,000


Sources: MAGURO; FSSIA's compilation

Exhibit 5: Current location of SSAMTHING Together branches (as of 3Q24)

Brand logo	Numbers	Location	Open date
	1	Maga Bangna	28 Jul 2021
	2	Central Westgate	19 May 2022
	3	Central Rama 2	5 Oct 2022
	4	Samyan Mitrtown	9 Dev 2022
	5	Robinson Lifestyle Ratchapruek	10 Feb 2023
	6	The Nine Rama IX	4 Dec 2023


Source: MAGURO, FSSIA's compilation

Exhibit 6: Current location of Maguro branches (as of 3Q24)

Brand logo	Numbers	Location	Open date
	1	Chic Republic Bangna	27 May 2015
	2	Int Intersect Rama 3	18 Jun 2016
	3	Chic Republic Ratchapruk	22 Nov 2016
	4	Health Land Chaengwattana	21 Dec 2016
	5	Mega Bangna	8 Dec 2017
	6	The Circle Ratchapruk	8 Feb 2019
	7	The Esplanade Ratchadapisek	18 Apr 2019
	8	Siam Square One	10 May 2019
	9	SB Design Square Rama 2	26 Nov 2020
	10	Central World	12 May 2021
	11	The Nine Rama IX	18 Aug 2022
	12	The Promenade Ramintra	1 Feb 2023
	13	The Mall Lifestyle Bangkai	1 Nov 2023
	14	Maeche Thonglor	15 Mar 2024
	15	Paradise Park	25 Jun 2024
	16	NIRVANA Krungthep Kreetha	2 Aug 2024

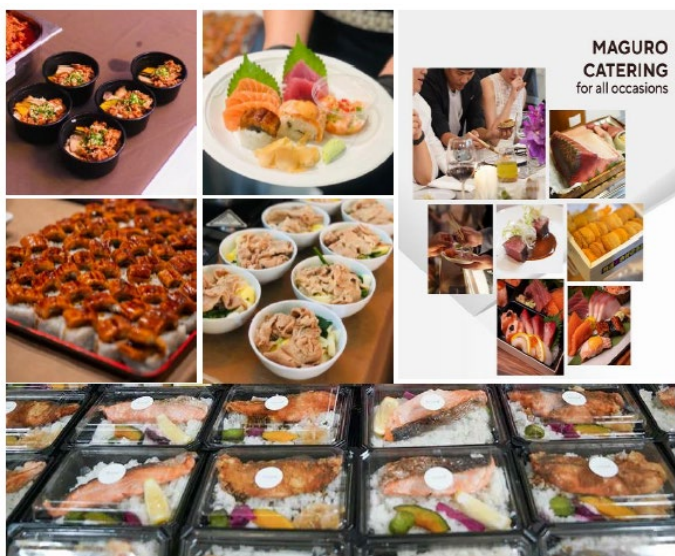
Source: MAGURO, FSSIA's compilation

Exhibit 7: Current location of Hitori Shabu branches (as of 3Q24)

Brand logo	Numbers	Location	Open date
	1	Siam Paragon	11 Jul 2022
	2	Chic Republic Ratchapruk	30 Jan 2023
	3	Marche Thonglor	11 Apr 2023
	4	Mega Bangna	3 Jul 2023
	5	The Promenade Ramintra	16 Nov 2023
	6	The Emsphere	1 Dec 2023
	7	Paradise Park	1 Apr 2024
	8	Ekkamai 12	15 Jul 2024
	9	Market Place Krungthep Kreetha	1 Aug 2024
	10	Int-Intersect Rama 3	27 Aug 2024

Source: MAGURO, FSSIA's compilation

Exhibit 8 : Catering services



Source: MAGURO

Exhibit 9: Delivery services



Source: MAGURO

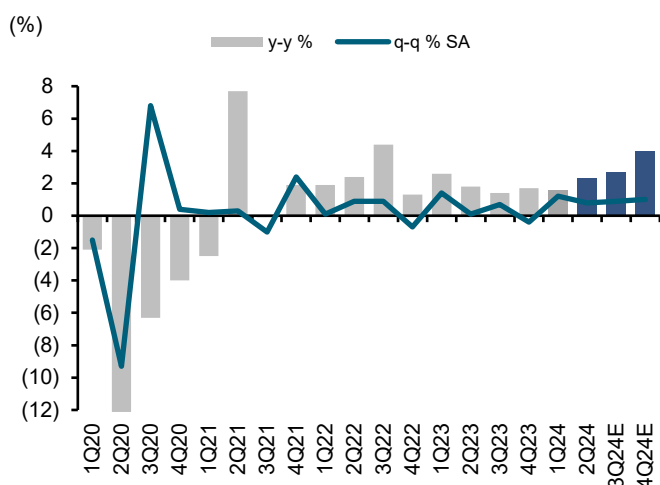
Expect 2024 Thailand's GDP to slightly grow 2.3-2.8%

The Office of the National Economic and Social Development Council (NESDC) reported 2Q24 Thai GDP growth at 0.8% q-q and 2.3% y-y. Overall, the Thai economy has gradually recovered from its bottom in 4Q23, and has been on the path of q-q and y-y growth every quarter this year. The key driver for positive 2Q24 GDP growth remained private consumption, which continued to grow by 4% y-y. The strong spending categories were food, restaurants and hotels, utilities, and transport services.

FSSIA anticipates the Thai economy to expand in 2H24 both h-h and y-y. The NESDC has narrowed its 2024 GDP growth estimate from 2-3% y-y to 2.3-2.8% y-y. Recently, the political uncertainty was resolved after Ms. Paetongtarn Shinawatra was named the 31st prime minister, two days after Mr. Srettha Thavisin was dismissed. The new cabinet is likely to be sworn in and start their job soon, while it is possible that the 2025 fiscal budget can be approved by the parliament within September 2024. (source: Thailand Market Strategy report by FSSIA as of 19 August 2024).

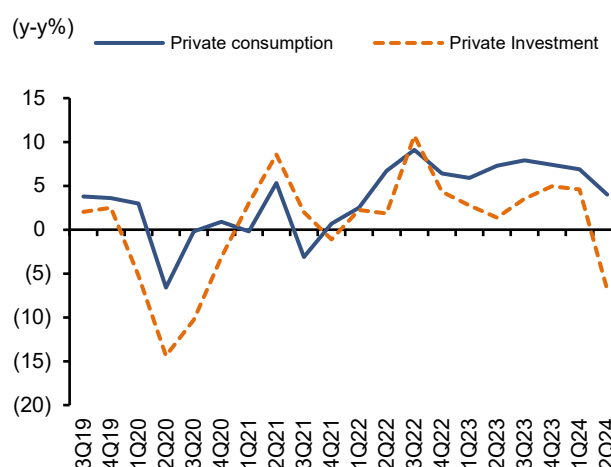
In 2023, the number of foreign tourists reached 28.1 million, and the trend for 2024 continues to show improvement. The NESDC predicts that this figure will increase to 36.5 million (+30% y-y), which is close to the Bank of Thailand (BoT)'s estimate of 35.5 million (+26.3% y-y). This is another significant factor in stimulating growth in domestic consumption and spending.

Exhibit 10: q-q and y-y growth continued for TH 2Q24 GDP



Source: NESDC

Exhibit 11: Private consumption remained resilient but investment dropped sharply



Source: NESDC

Exhibit 12: NESDC and BoT economic projections

	2018	2019	2020	2021	2022	2023	----- NESDC -----	---- Bank of Thailand ----
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	2024E	2024E
							(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	1.9	2.3-2.8	2.6
Private consumption	4.6	4.0	(0.8)	0.6	6.3	7.1	4.5	4.2
Private investment	4.1	2.7	(8.1)	3.0	5.1	3.2	0.3	3.3
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(4.6)	1.7	1.8
Public investment	2.8	0.1	5.1	3.4	(4.9)	(4.6)	(0.7)	3.6
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.7)	2.0	1.8
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	1.2	0.4-0.9	0.6
Current account to GDP (%)	5.6	7.0	4.2	(2.0)	(3.2)	1.3	2.3	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.2	28.1	36.5	35.5

Note: 2024 NESDC and BoT projections do not include the digital wallet scheme
Sources: NESDC and BoT

Thailand restaurant market value to continue growing

The restaurant business was significantly impacted by Covid-19 due to restrictions on in-store dining, with customers only able to order for delivery or takeout. According to data from TTB Analytics, the market value of the Thai restaurant industry decreased by 15% y-y and 5.6% y-y in 2020-21, respectively. This trend was in line with the average decline of 25% y-y and 12% y-y in revenue for publicly listed restaurant groups (M, ZEN, AU). However, the industry began to recover and grow again in 2022-23.

Over the past three years, the market value of restaurants in Thailand has grown at an average rate of 9.9% CAGR, reaching about THB435b in 2023 (according to Kasikorn Research Center), up from THB360b in 2021.

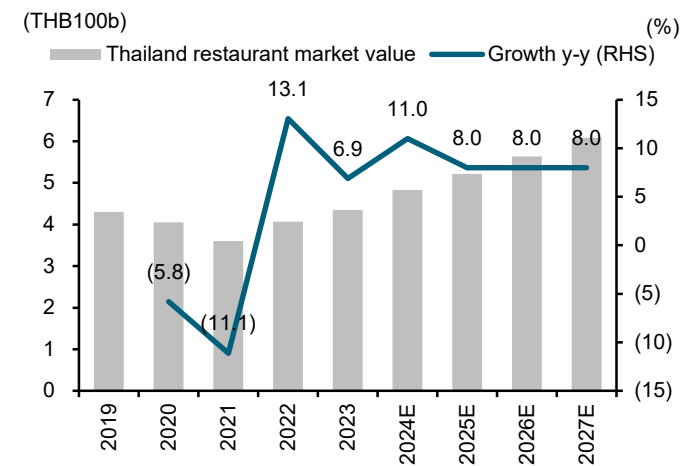
SCB EIC forecasts that the restaurant market value will continue to grow by 11% y-y in 2024, reaching THB483b. In addition, the growth is expected to continue at an average rate of 8% CAGR over the next three years (2025-28). Meanwhile, TTB Analytics also anticipates growth but at a lower rate, projecting a 3.2% y-y increase in 2024 due to a gradual economic recovery, increasing purchasing power, and a rise in international tourism.

Kasikorn Research Center categorizes the restaurant business into three main types: 1) Street Food – the largest market segment, valued at cTHB202b or 47% of the restaurant market in 2023; 2) Full-Service Restaurants – valued at THB161b or 37%; and 3) Limited-Service Restaurants – valued at THB72b or 16%.

MAGURO falls into the Full-Service Restaurant segment. Over the past three years (2021-23), this segment has experienced the highest growth rate of 16.3% CAGR. This reflects Thai consumers' ongoing preference for dining out, whether with family, friends, or partners, and their desire for convenient service beyond just food quality and taste.

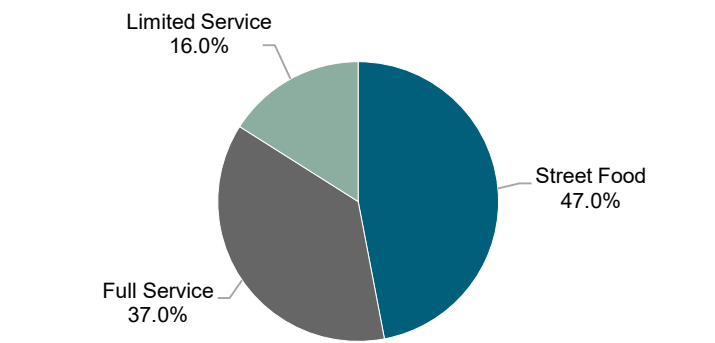
Limited-Service Restaurants have grown at an average rate of 8.6% CAGR, benefiting from trends such as the pandemic-driven increase in takeout and delivery services. Meanwhile, Street Food has grown at an average rate of 5.9% CAGR during the period, partly due to its already high base and intense competition, as entry barriers for new operators are relatively low.

Exhibit 13: Thailand restaurant market value and growth



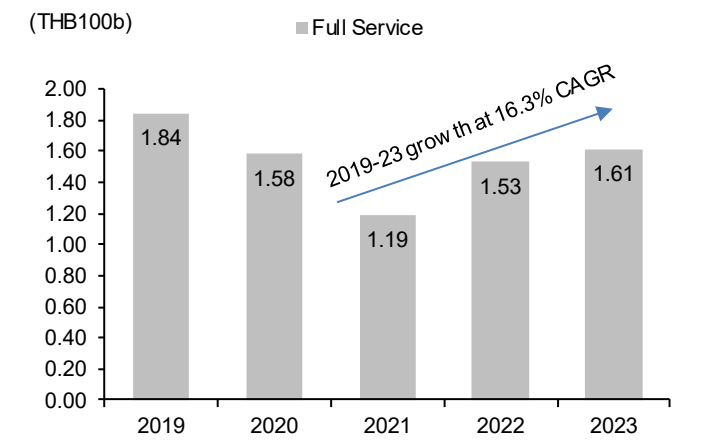
Sources: Kasikorn Research, SCB EIC, MAGURO

Exhibit 14: Restaurant market value breakdown by type of restaurant



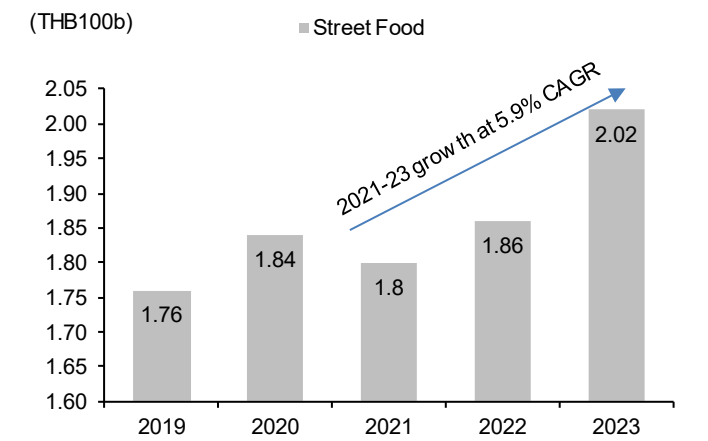
Sources: Kasikorn Research, MAGURO

Exhibit 15: Full-Service Restaurant market value



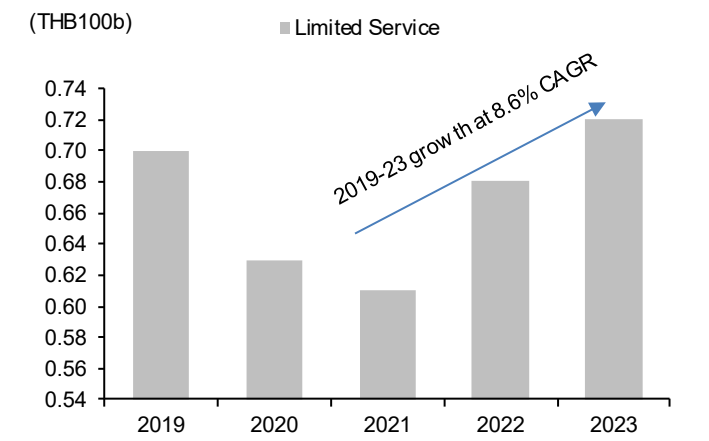
Sources: Kasikorn Research, MAGURO, FSSIA's compilation

Exhibit 16: Street Food market value



Sources: Kasikorn Research, MAGURO, FSSIA's compilation

Exhibit 17: Limited-Service Restaurant market value



Sources: Kasikorn Research, MAGURO, FSSIA's compilation

High competition and a large number of competitors

The restaurant industry faces high competition due to the large number of operators, resulting in constant movement within the industry. Even well-established restaurant chains with many branches may struggle to grow or survive in this competitive environment. Some restaurants close periodically, while new ones continue to enter the market. In addition, consumer behavior rapidly changes with emerging trends and the evolving lifestyles of younger generations, as well as varying purchasing power among different income groups.

Maguro is a premium Japanese restaurant brand. According to Jetro Bangkok, in 2023, there were 5,751 Japanese restaurants across Thailand, with around 3,452 of these located in Bangkok and its surrounding areas, representing 60% of the total number of Japanese restaurants in Thailand. Maguro's main competitors are other chain restaurants, such as Shichi, Kabocha Sushi, and Sushiro.

SSAMTHING Together is a premium Korean BBQ restaurant targeting middle-income customers who seek close service from staff. Its main competitors are also chain restaurants, including Sukishi Korean Charcoal Grill, Saemaeul Sikdang, and Nice Two Meat U.

Hitori Shabu is a traditional Japanese-style shabu and sukiyaki restaurant catering to middle- to high-income customers who value premium ingredients. Key competitors in this segment are also chain restaurants, such as Yuzu Suki, Nabezo Premium, Suki Masa, and Shabu Baru.

Exhibit 18: Operators in the Japanese and Korean restaurant industry and companies listed on the SET

Company name	Established year	Brands	Number of brands	Number of branches	----- 2022 or 2023 -----	
					Revenue (THB m)	Profit (THB m)
Companies operating in the restaurant business and listed on the SET						
MK Restaurant Group (M TB)	1986	MK, Yayoi, Laem Charoen Seafood	11	703	16,794	1,682
S&P Syndicate (SNP TB)	1973	S&P	5	143	6,290	485
ZEN Corporation Group (ZEN TB)	1991	ZEN, AKA, On the Table, Tummour	13	341	3,945	158
After You (AU TB)	2007	After U, Mikka	4	76	1,231	178
MAGURO Group (MAGURO TB)	2015	Maguro, SSAMTHING, Hitori Shabu	3	25	1,046	72
Companies operating in the Japanese and Korean restaurant business						
Khaopun Edo	2011	Kabocha Sushi	1	12	270	5
Sushiro GH (Thailand)	2020	Sushiro	1	21	1,892	172
Sukishi Intergroup	2001	Sukishi	3	46	1,752	77
Meation International Food Group	2020	Saemaeul Sikdang	1	14	250	25
Sumpasuk	2019	Yuzu Suki	9	26	427	80
Noble Restaurant	2007	Nabezo Premium	2	36	1,519	213
Shabu Baru	2007	Shabu Baru	1	3	56	8

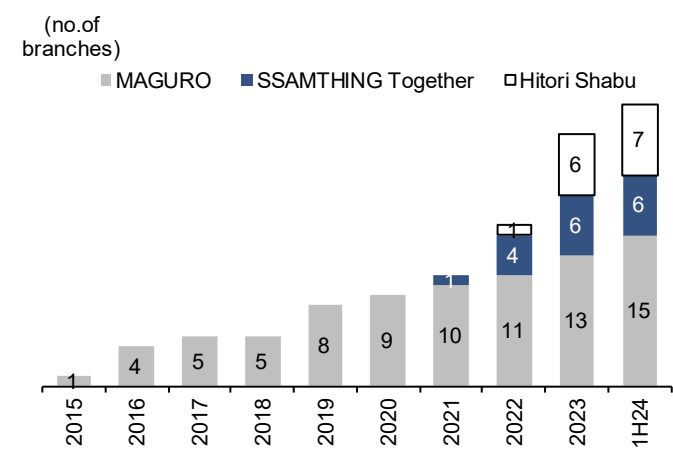
Sources: MAGURO, BOL, company websites, FSSIA's compilation

Opportunity for more branches and more brands

As of 1H24, MAGURO had a total of 28 branches, all located in Bangkok and its surrounding areas. With the current number of branches being relatively small, we see ongoing opportunities for expansion. The company plans to open 13 new branches in 2024. Given the company's potential and the funds from this IPO, we expect it to continue opening at least 10 new branches per year for the next 3-5 years.

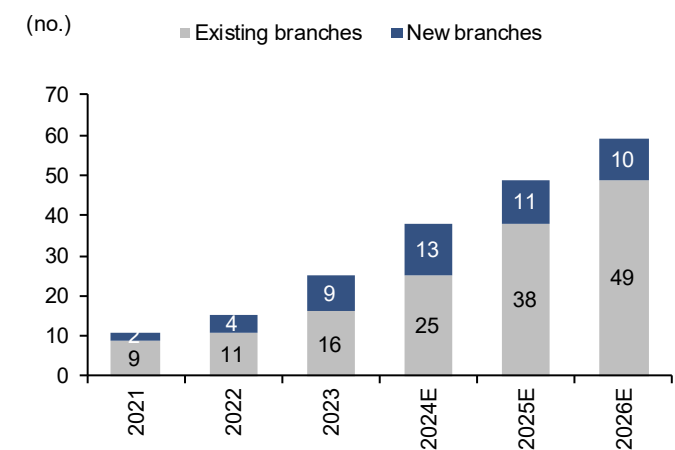
In addition to expanding existing brands, we also anticipate the continuous introduction of new brands by the company to bring innovation to the market. This approach would likely increase the frequency of visits by loyal customers (members) to various brands within the company's portfolio. We believe that the success of new brands will further enhance brand recognition and drive sustained growth in performance. Furthermore, the company is not only looking to expand in Bangkok and its vicinity but also sees the potential for branching out to major cities in other provinces in the future.

Exhibit 19: Existing branches by brand



Sources: MAGURO, FSSIA's compilation

Exhibit 20: Projected number of new branches in 2024-26



Source: FSSIA estimates

The strength is the management team

While we agree that the location of a restaurant is a key factor for its success, another factor for MAGURO's success is the management team. This team is able to deliver quality and innovative food that satisfies customers, quickly making the brand memorable. The management team includes the four founding directors: Mr. Eakkalurk Sangsareedumrong, Mr. Jakkrit Saisomboon, Mr. Ronnakad Chinsamran, and Mr. Chatcharas Sriarun, as well as an experienced team with long-standing expertise in the restaurant industry.

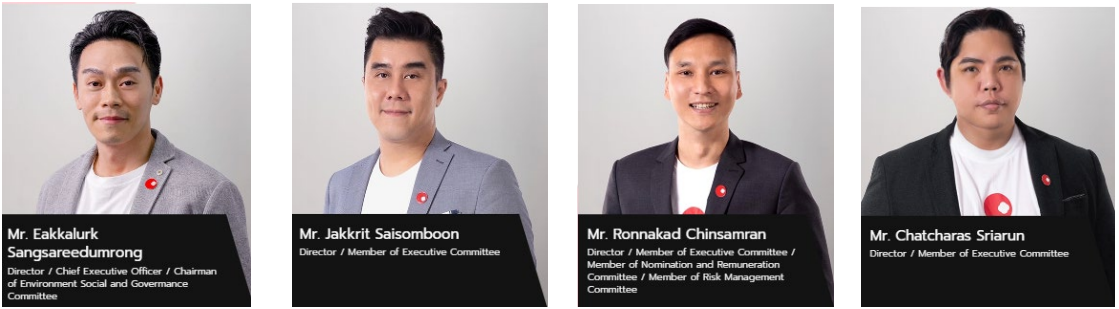
MAGURO chose to open its first Maguro branch in 2015 at Chic Republic, Bangna, located on Bangna-Trat Road, an area outside the city center that had only just begun urban development and did not have the same purchasing power as in central Bangkok. Despite this, MAGURO quickly gained recognition and a positive response from customers due to its exceptional food quality and taste, leading to long queues and significant social media attention.

Another strategy of the company that we find positive is its continuous search for new business opportunities through the creation of new brands. This approach aligns well with the preferences of new-generation consumers who seek new experiences, enjoy discovering and reviewing high-quality restaurants, and appreciate impressive service. This strategy allows the company to diversify its risks, reduce reliance on any single brand, and offer different types of food, thereby minimizing customer cannibalization.

In 2021, MAGURO expanded with a new brand, SSAMTHING Together, which quickly received a positive response, aligning with the growing popularity of Korean culture among Thais. The first branch was opened at Mega Bangna. In 2022, the company launched its third brand, Hitori Shabu, offering premium ingredients in individual pots and an à la carte service to a middle- to high-income target market. The first branch was opened at Siam Paragon and also received excellent feedback, leading to the opening of six branches by 2023 and generating revenue of THB197m, accounting for 19% of total revenue. This expansion also enhanced the company's bargaining power in procuring ingredients (especially meat) in larger quantities, improving cost management efficiency.

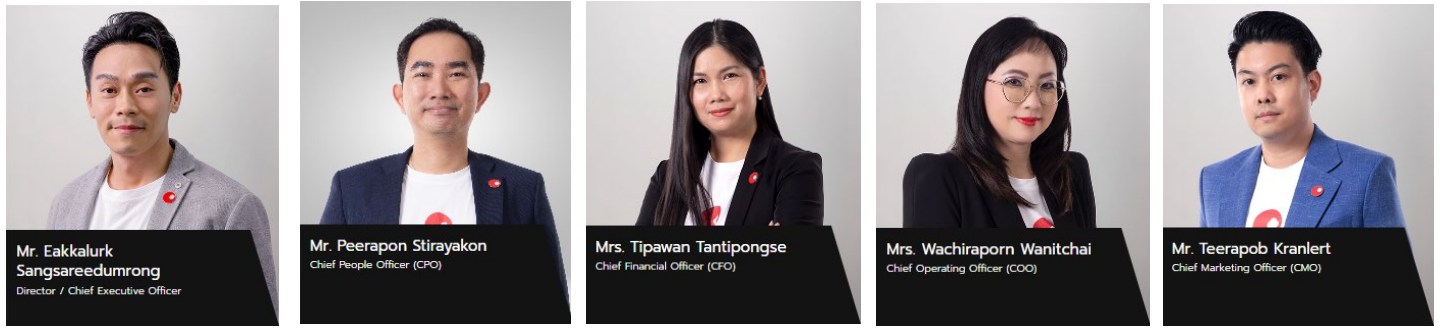
Currently, about 37.5% of MAGURO's branches are located in mixed-use buildings or community malls, reflecting the strength of the brand in attracting customers directly, rather than being a secondary option in large department stores. This location strategy also benefits from lower competition compared to large malls with numerous restaurants and from lower rental costs.

Exhibit 21: Executive directors who co-founded the company



Source: MAGURO

Exhibit 22: Management team



Source: MAGURO

MAGURO focuses on R&D alongside branding and digital marketing

We have a positive view on MAGURO's focus on R&D. In addition to the R&D team, the company also has a team of chefs and culinary experts who collaborate to develop new and innovative menu items and regularly refine existing menus. The company introduces new recommended menu items each quarter, develops special menus for major festivals, and creates new brands to keep customers engaged and expand their choices. This approach also helps maintain profitability through the introduction of new menu items, priced according to the current cost structure.

From 2021 to 2023, MAGURO allocated cTHB3-5m per year for R&D, including menu development and new brand creation, accounting for 1.3-2.2% of total expenses and only 0.4-0.8% of total revenue.

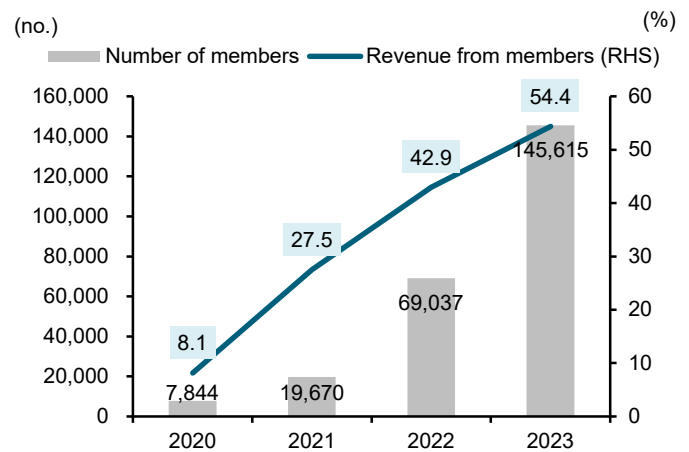
In addition, MAGURO is an expert in brand creation and recognition through social media trends. This is partly achieved through digital marketing via content creators or celebrities, which helps generate buzz and influence on social media. As of 10 March 2024, the company had over 500,000 followers on social media and had 145,615 regular customers who were members by the end of 2023.

Exhibit 23: Number of followers on social media platforms



Source: MAGURO

Exhibit 24: Number of members



Sources: MAGURO, FSSIA's compilation

2Q24, the bottom of the year; expect profit to accelerate in 2H24

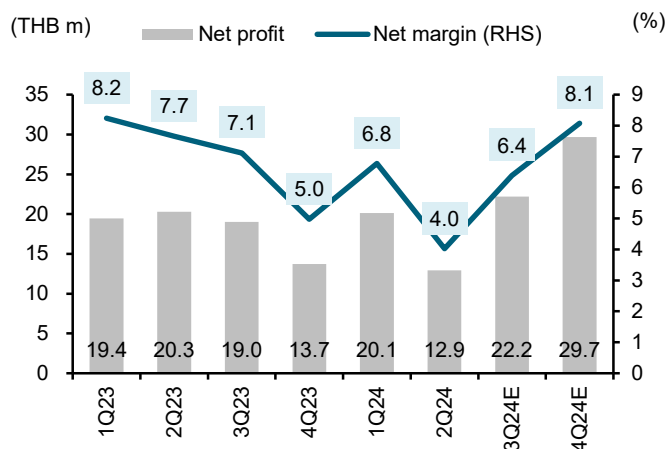
MAGURO reported a 1H24 net profit of THB33m (-17% y-y). Excluding one-time expenses related to the initial public offering (IPO) of THB7.1m or THB5.7m after tax, its core profit equaled THB38.7m (-2.6% y-y). The minor decrease in profit came from higher costs of salmon, which put downward pressure on the gross margin in 1H24 to 43.9%, down from 45.3% in 1H23.

Despite negative same-store sales growth (SSSG) of 2.9% y-y, total revenue for 1H24 grew by 23.4% y-y. This positive performance was mainly from the successful expansion of eight new branches from 1H23, which received a good reception and contributed to the overall revenue growth.

We have a positive outlook based on yesterday's analyst meeting. Although SSSG for 3QTD is still down by 2-3% y-y, we expect total revenue to grow by 30% y-y due to the impact of new branches. MAGURO plans to open 10 new branches in 2H24. By the end of 2024, the total number of branches is expected to reach 38, an increase of 13 branches from 2023. In addition, the cost of salmon is starting to decrease seasonally, so we anticipate the 2H24 gross margin to recover to the range of 43% once again. Moreover, there are expected to be no listing-related expenses as seen in 2Q24. Therefore, we expect 3Q24 profit to grow both q-q and y-y, with profits likely to accelerate in 4Q24 due to the high season for the business. We should also see two new brands in 4Q24, one of which is slated to be a standalone branch located in Pradit Manutham. In addition to the new brands, we anticipate new branches for Maguro and Hitori Shabu as well.

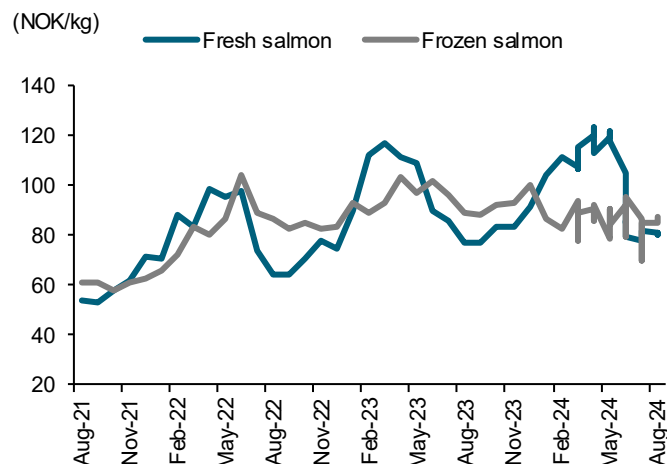
We forecast a 2024 net profit of THB84m (+16% y-y) and a core profit of THB91m (+26% y-y), marking a new high for the company.

Exhibit 25: Quarterly net profit and net margin



Sources: MAGURO, FSSIA estimates

Exhibit 26: Monthly salmon prices



Sources: Bloomberg, FSSIA's compilation

Projected profit growth at 23.2% CAGR in 2025-27

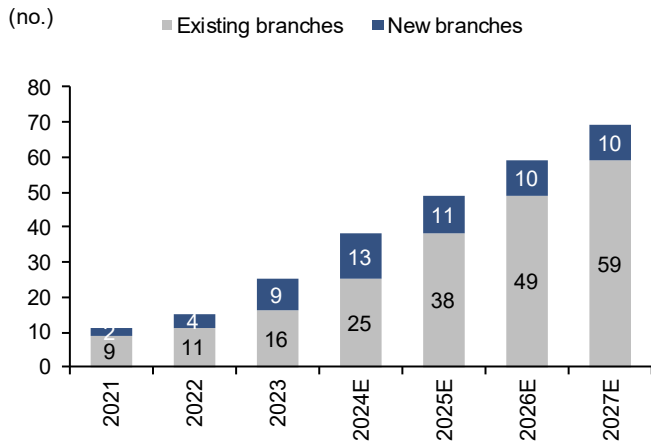
We anticipate 2025 net profit to grow by 44% y-y to THB121m. We expect net profit to grow at a CAGR of 23.2% over the next three years (2025-2027), assuming that MAGURO opens 10-11 new branches annually. The number of branches is projected to increase to 49 and 59 in 2025 and 2026, respectively, based on our estimates. We anticipate that SSSG will grow slightly by around 2% per year. The revenue contribution from the Maguro brand could decrease to 47% of total revenue in 2026, while the contribution from other brands should rise to 53%, up from 38% of total revenue in 2023. The change in revenue mix is likely to support a modest increase in the gross margin. In addition to the increased revenue share from higher-margin brands, we also expect to see positive effects from greater bargaining power in sourcing raw materials due to the growing number of branches. Overall, MAGURO's growth over the next 2-3 years should primarily come from expanding new branches and building new brands.

Exhibit 27: Key assumptions for MAGURO

	Actual	Forecast			Growth		
	2023 (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	1,044	1,333	1,598	1,908	27.7	19.9	19.4
Costs	572	753	887	1,050	31.6	17.8	18.3
Gross profit	471	580	711	858	22.9	22.6	20.8
SG&A expense	364	440	529	630	20.9	20.3	19.0
Interest expense	19	31	34	35	60.2	8.7	4.9
Tax expense	18	21	30	39	15.5	44.3	30.3
Reported net profit	72	84	121	158	16.1	44.0	30.3
Core profit	72	91	121	158	25.9	32.8	30.3
Key ratios (%)							
Gross margin	45.2	43.5	44.5	45.0	(1.7)	1.0	0.5
SG&A to sales	34.9	33.0	33.1	33.0	(1.9)	0.1	(0.1)
Net margin	6.9	6.3	7.6	8.3	(0.6)	1.3	0.7
Core margin	6.9	6.8	7.6	8.3	(0.1)	0.7	0.7
Operating statistics							
SSSG (%)	4.0	0.0	2.0	2.0			
Existing branches (no.)	16	25	38	49			
New branches (no.)	9	13	11	10			
Total branches (no.)	25	38	49	59			
Restaurant revenue by brand (THB m)							
Maguro	645	770	826	902	19.4	7.2	9.3
SSAMTHING Together	199	199	203	207	0.0	2.0	2.0
Hitori Shabu	197	351	422	494	78.0	20.1	17.2
Others		10	145	302		1,350.0	108.0
Restaurant revenue contribution (%)							
Maguro	61.8	57.8	51.7	47.3			
SSAMTHING Together	19.1	14.9	12.7	10.9			
Hitori Shabu	18.9	26.4	26.4	25.9			
Others	0.0	0.8	9.1	15.8			

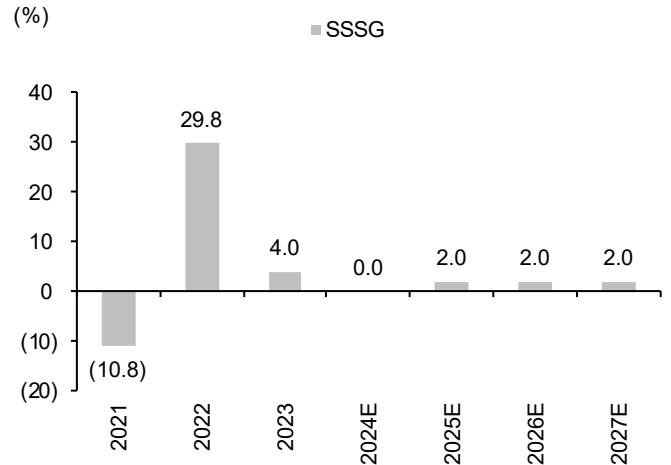
Source: FSSIA estimates

Exhibit 28: Total new branch expansions



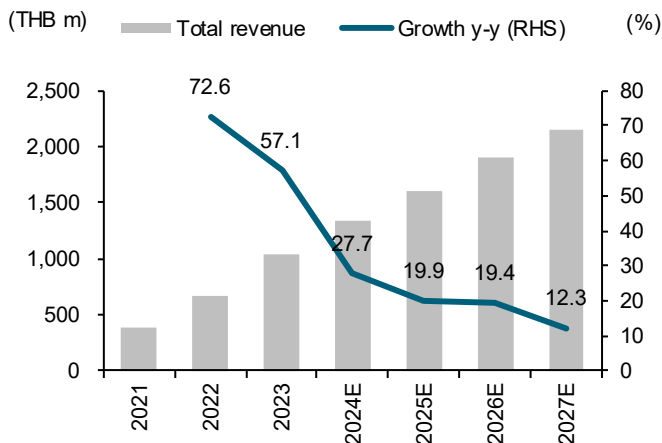
Sources: MAGURO, FSSIA estimates

Exhibit 29: Same-store sales growth



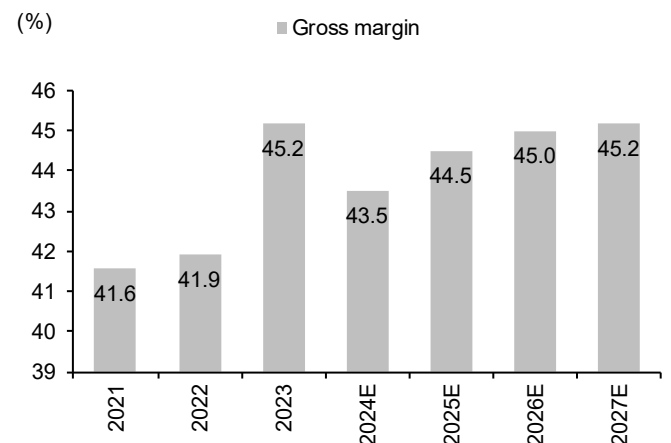
Sources: MAGURO, FSSIA estimates

Exhibit 30: Total revenue and growth



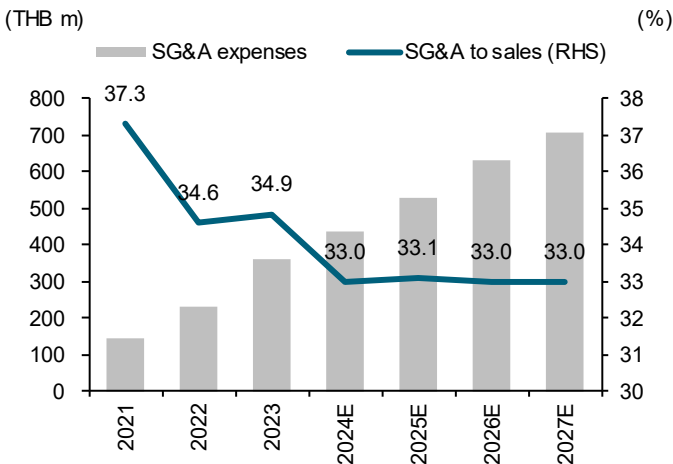
Sources: MAGURO, FSSIA estimates

Exhibit 31: Gross margin



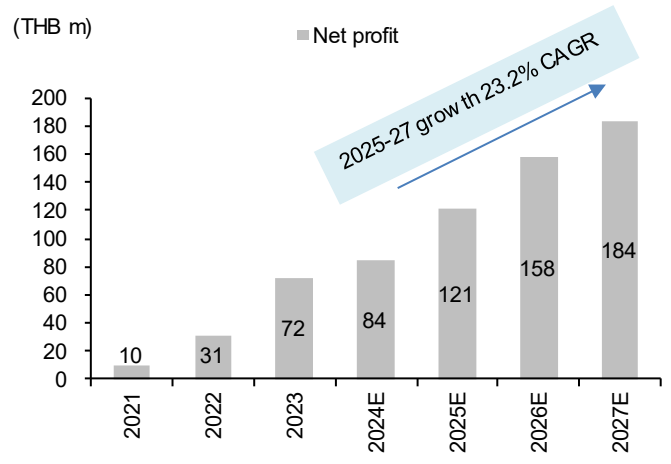
Sources: MAGURO, FSSIA estimates

Exhibit 32: SG&A to sales



Sources: MAGURO, FSSIA estimates

Exhibit 33: Net profit

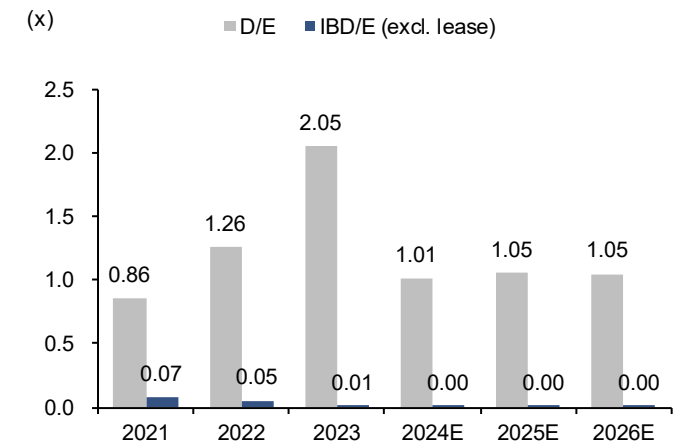


Sources: MAGURO, FSSIA estimates

Strong financial position and high liquidity

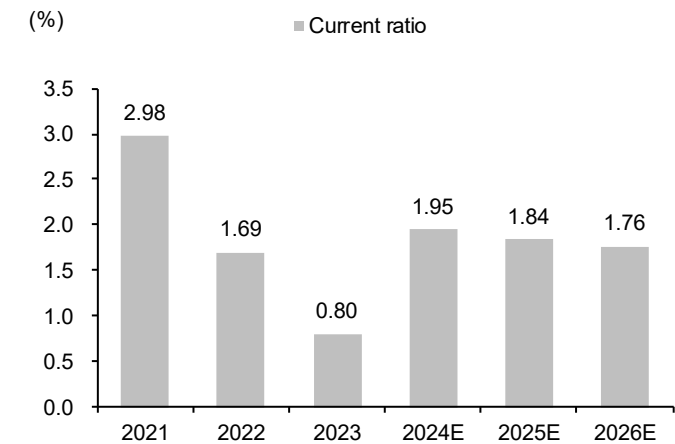
At the end of 2023, MAGURO had strong liquidity. Although the D/E ratio was high at 2.05x, most of the liabilities were trade payables and lease obligations. When considering the IBD/E ratio (excluding lease liabilities), it was very low at only 0.01x. By the end of 2Q24, the D/E ratio decreased to 1.04x due to an increase in equity from a capital increase. With more cash on hand, the current ratio rose to 2.22x from 0.8x in 2023. We expect the D/E ratio and the current ratio at the end of 2024 to be 1x and 1.9x, respectively. Aside from that, MAGURO’s ROE has been high since before the IPO, standing at 27% in 2023. Post-IPO, with the increase in the number of shares, we expect the 2024 ROE to decrease to 13%, before rising above 20% again in 2026. This reflects the company’s overall strong financial position.

Exhibit 34: D/E ratio and IBD/E ratio



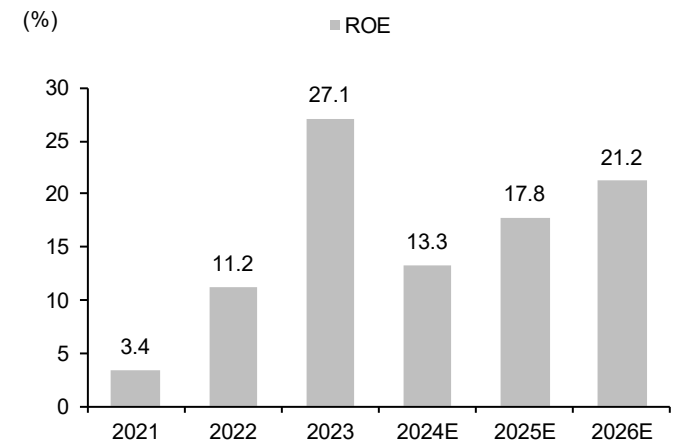
Sources: MAGURO, FSSIA estimates

Exhibit 35: Current ratio



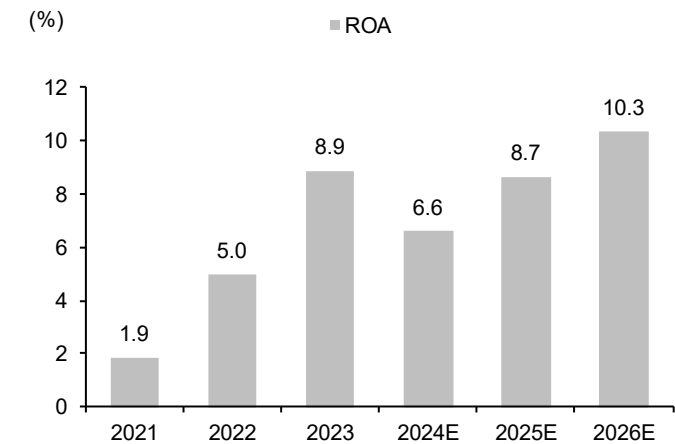
Sources: MAGURO, FSSIA estimates

Exhibit 36: Return on equity



Sources: MAGURO, FSSIA estimates

Exhibit 37: Return on assets



Sources: MAGURO, FSSIA estimates

ESG analysis

MAGURO recently listed on the stock exchange on 5 June and has not yet been included in the SETESG Index. We are currently unable to assess MAGURO's ESG score due to insufficient ESG information. However, the company is in the process of planning and setting goals to reduce greenhouse gas emissions. We believe that MAGURO will show clear progress over time and will be able to establish and communicate ESG goals, policies, and methods to investors and the public in the future.

Nevertheless, MAGURO has disclosed in its prospectus and annual report that it prioritizes ESG, aiming for carbon neutrality by 2050 and achieving net-zero greenhouse gas emissions by 2065.

Starting with the environment, MAGURO is committed to conducting its business responsibly towards the environment and society throughout the supply chain. This includes managing and utilizing waste and unused materials, such as exploring methods to trim raw materials to reduce waste and repurpose them into new menu items. Additionally, the company uses environmentally friendly equipment, reducing the use of disposable materials. Over the past year, the company has reduced plastic packaging by 9,490 kg, saving approximately 0.19 million baht. Recently, MAGURO partnered with KEEEN Biotech Group (KEEEN) to establish sustainable business practices and manage an eco-industrial system by employing biotechnology innovations to develop products used in the industry, aiming to reduce costs and manage waste.

Regarding social aspects, MAGURO emphasizes fair and equitable treatment of employees under fair employment conditions, providing appropriate compensation, conducting transparent performance evaluations, and offering comprehensive benefits. It focuses on improving product quality and standards by selecting safe, internationally certified products and adheres to fair marketing practices without distortion or exaggeration. A customer relations system is also in place for feedback and complaints.

In terms of corporate governance, MAGURO prioritizes comprehensive sustainability assessment for new investments, mergers, or acquisitions, covering environmental, social, governance, and economic aspects. The board of directors consists of nine members, including three independent directors, ensuring that at least one-third of the board members are independent, in accordance with SEC regulations.

MAGURO GROUP PCL (MAGURO TB)

FSSIA ESG rating

n/a

Exhibit 38: 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 39: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		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
AU	11.75	--	--	--	--	3.00	--	High	--	--	--	--	--	--	--
M	26.38	--	--	--	4.00	4.00	Certified	Medium	--	--	--	--	17.00	--	--
MAGURO	n/a	--	--	--	--	--	--	--	--	--	--	--	--	--	--
SNP	39.25	--	--	Y	4.00	5.00	Certified	--	64.55	--	--	57.45	--	--	--
ZEN	37.06	--	--	Y	5.00	4.00	Certified	--	52.09	--	--	52.41	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 40: ESG disclosure from the company's one report

FY ending Dec 31	FY 2023	FY ending Dec 31	FY 2023
Environmental		Governance	
Climate change policy	Yes	Board size / Independent directors (ID) / Female	9 / 3 / 1
Climate change opportunities discussed	--	No. of board meetings for the year / % attendance	9 / 95%
GHG scope 2 location-based policy	Yes	Company conducts board evaluations	--
Biodiversity policy	Yes	Number of non-executive directors on board	4
Energy efficiency policy	Yes	Director share ownership guidelines	No
Electricity used	--	Board age limit	No
Fuel used - crude oil/diesel	--	Age of the youngest / oldest director	-- / --
Waste reduction policy	Yes	Number of executives / female	5 / 2
Water policy	Yes	Executive share ownership guidelines	No
Water consumption	--	Size of audit committee / ID	3 / 3
Social		Audit committee meetings	5
Human rights policy	Yes	Audit committee meeting attendance (%)	100
Policy against child labor	Yes	Size of compensation committee	3 / 2
Quality assurance and recall policy	--	Number of compensation committee meetings	5
Consumer data protection policy	Yes	Compensation committee meeting attendance (%)	100
Equal opportunity policy	Yes	Size of nomination committee / ID	3 / 2
Gender pay gap breakout	--	Number of nomination committee meetings	5
Pct women in workforce	Yes	Nomination committee meeting attendance (%)	100
Business ethics policy	Yes	Board compensation (THB m)	1.61
Anti-bribery ethics policy	Yes	Auditor fee (THB m)	2.20
Health and safety policy	Yes	<i>(PricewaterhouseCoopers ABAS Ltd.)</i>	
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		

Source: FSSIA's compilation

Valuation

We value MAGURO at a 2025 TP of THB22, based on the DCF valuation method, which is suitable for evaluating a restaurant business with clear expansion plans. Although the restaurant industry in Thailand is highly competitive and challenging for both established and new players, we believe that this is just the beginning of MAGURO Group's growth. With the relatively small number of branches currently and the company's strategy of continuously introducing new restaurant brands, along with its IPO to increase brand visibility, we see a significant growth potential. Given MAGURO's past performance, the growth targets and strategies of its young founding management team, and its focus on R&D for quality and innovative menu development, combined with a management team with extensive experience in the restaurant industry, we see substantial opportunities for branch expansion and growth.

We categorize MAGURO as a growth stock, projecting a 23.2% CAGR in net profit over the next three years. Using FCFF discounted by a WACC of 8.6%, beta of 1.0 (close to the average beta for M, ZEN, AU, and MAI market), risk premium of 8.5%, and terminal growth rate of 2%, our TP of THB22 implies a 2025E P/E ratio of 23x.

The target P/E of 23x for MAGURO is lower than the five-year historical average P/E of 38x for the restaurant sector during its growth stage (excluding 2020-21 due to Covid), with average P/E multiples for M, ZEN, and AU at 31x, 29x, and 67.8x, respectively, and close to the current sector's P/E of 23.6x. This results in an implied PEG of 1x, indicating that MAGURO's valuation is appropriate.

Comparing MAGURO's P/E with the current P/E ratios of M and ZEN, which are 16.3x and 22.1x, respectively, may not be entirely appropriate. Both M and ZEN are currently facing challenges due to increased competition and the rise of new restaurant brands. M continues to expand its MK brand, which had 446 branches nationwide in 1H24, and is implementing buffet-style branches and retail sales to boost revenue growth, although the contribution from these new channels is still minor.

ZEN has shifted its main Japanese restaurant brand, ZEN Restaurant, to a buffet format to attract mid-range customers seeking better value, and is also working to improve other brands and increase the retail business' revenue contribution.

However, M reported a 1H24 net profit of THB748m (-4.6% y-y), while ZEN's net profit was significantly impacted, dropping to THB16m (-80% y-y). FSSIA forecasts the 2024 net profits for M and ZEN to drop by 8% and 47.5% y-y, respectively. The expected profit growth for M over the next three years is 7% CAGR, while we project ZEN to grow at an average of only 12.5% CAGR due to the very low base in 2024.

Exhibit 41: MAGURO – DCF valuation table

(THB m)	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	185	232	265	283	301	309
FCFF	85	134	170	193	216	232
Risk premium	8.5					
Beta	1.0					
WACC (%)	8.6					
Terminal growth (%)	2.0					
Terminal value	3,578					
NPV (value of the firm)	3,093					
Equity values	2,828					
No. of shares	126					
Share price (THB/share)	22.4					

Source: FSSIA estimates

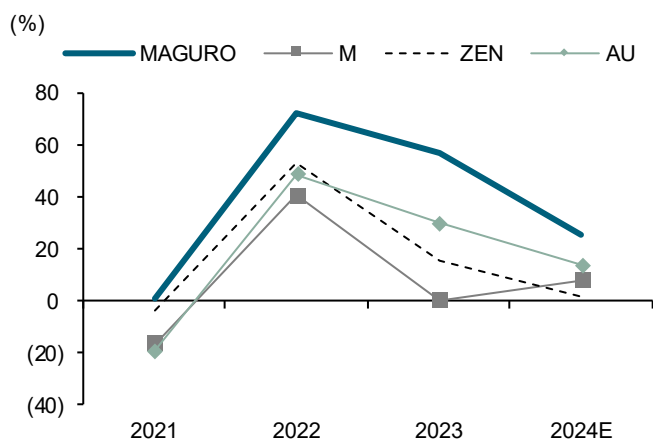
Exhibit 42: Domestic peers comparison

Company	BBG	Market Cap (USD m)	PE			ROE		PBV		EV/ EBITDA	
			Pre-covid	5Y-avg**	24E	24E	25E	24E	25E	24E	25E
			(x)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand											
MK Restaurants Group*	M TB	926	27.6	31.1	16.3	11.1	11.7	1.8	1.8	5.1	5.0
Zen Corp Group*	ZEN TB	63	40.6	29.0	22.1	6.0	7.8	1.3	1.3	4.5	3.9
After You	AU TB	202	53.1	67.8	32.5	22.6	25.5	7.3	6.8	15.8	14.4
S&P Syndicate	SNP TB	200	24.4	24.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Thailand average		1,391	36.4	38.1	23.6	13.2	15.0	3.5	3.3	8.5	7.8

**Excludes 2020-21 PER

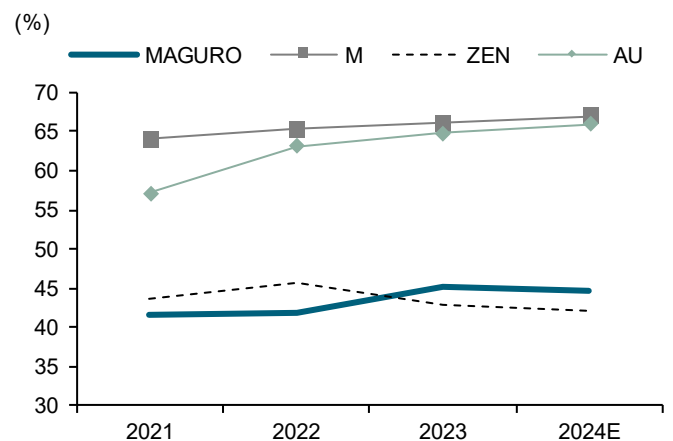
Sources: Bloomberg, *FSSIA estimates

Exhibit 43: Total revenue growth



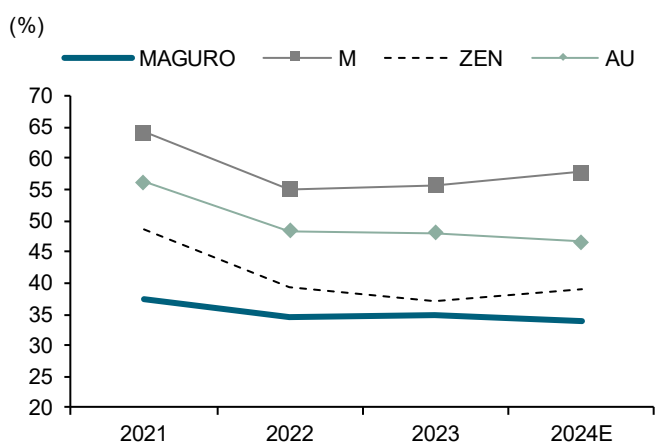
Sources: MAGURO, M, ZEN, AU, Bloomberg, FSSIA estimates

Exhibit 44: Gross margin



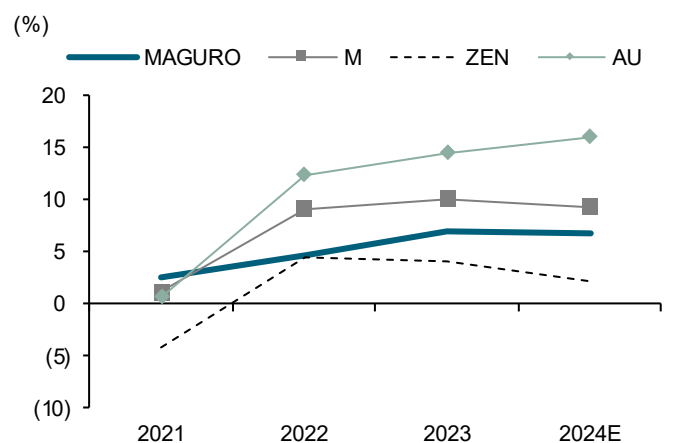
Sources: MAGURO, M, ZEN, AU, Bloomberg, FSSIA estimates

Exhibit 45: SG&A to sales



Sources: MAGURO, M, ZEN, AU, Bloomberg, FSSIA estimates

Exhibit 46: Net margin



Sources: MAGURO, M, ZEN, AU, Bloomberg, FSSIA estimates

Shareholding structure

As of 31 May 2024, the top four major shareholders are the executives and co-founders, each holding an equal stake of 14.86%, totaling 59.44% for the founder group. The fifth-largest shareholder is Holistic Impact, holding 13.52% or 17 million shares.

Holistic Impact is fully owned by Lombard Asia V.LP (LAV), a private equity fund. The shareholders of LAV include eight large institutional investors and the general partner with management control, Lombard Asia Management (LAM). Mr. Ekkalak Wangsuchidkul is a director of LAM and also serves as a director of the company. In addition, there are currently no LAV investors who may have conflicts of interest with the company, in accordance with SEC regulations.

On the first day of trading on 5 June 2024, the four founding group members sold 1.4 million shares each, totaling 5.6 million shares (4.45%), to three institutional investors at the IPO price of THB15.9/share. As a result, the founder group still holds a combined 55% of the total shares.

The three institutional investors and Holistic Impact have agreed to a silent period of three months from the first day of trading, expiring on 6 September 2024, after which they will be able to sell their shares.

The four founding members have agreed to a silent period of one year from the first day of trading. After six months, they can sell up to 25% of the shares under the silent period (or 17.325 million shares), with the remaining shares available for sale after the one-year period, in accordance with SEC regulations.

Exhibit 47: MAGURO's shareholders

Shareholders	----- As of 16 August 2023 -----		----- As of 31 May 2024 -----	
	Number of shares (Shares)	Holding (%)	Number of shares (Shares)	Holding (%)
1 Holistic Impact Pte.Ltd	29,629,400	28.34	17,029,400	13.52
2 Mr.Eakkaluk Sangsareedumrong	18,727,600	17.91	18,727,600	14.86
3 Mr.Chatcharas Sriarun	18,727,600	17.91	18,727,600	14.86
4 Mr.Ronnakad Chinsamran	18,727,400	17.91	18,727,400	14.86
5 Mr.Jakkrit Saisomboon	18,727,800	17.91	18,727,800	14.86
Investors and the general public	--	--	34,060,200	27.03
Total shares	104,539,800	100.00	126,000,000	100.00

Sources: SET; FSSIA's compilation

Risk factors

Risk from high competition and changes in consumer behavior

The restaurant industry faces significant competition due to the large number of operators and changing consumer behavior. This results in the introduction of new products, menus, and service formats, all of which are competitors for MAGURO. Therefore, the company's performance may be at risk if it cannot adapt quickly to these rapid changes.

Risk from fluctuations in costs and raw material shortages

MAGURO's main raw material costs include fresh foods such as salmon, tuna, beef, pork, and fresh vegetables, which are subject to fluctuations in both quantity and price. This exposes the company's performance to risks if there are shortages of raw materials or if prices rise higher than anticipated, and if the company cannot adjust its selling prices to mitigate these impacts.

Risk of inability to secure rental space for expansion or renew leases

One of the key factors for success in the restaurant business is location. With the increasing number of operators in the restaurant industry and continuous branch expansions, finding suitable locations for new branches has become more challenging. Additionally, there is a risk of not being able to renew leases for existing locations due to the short-term nature of the company's current leases (mostly 3-year terms). High competition also gives landlords, such as community malls, department stores, or standalone spaces, more negotiating power, which could lead to increased rental costs (if other operators are willing to pay higher rents).

Risk of new branches or new brands not reaching targets each year

MAGURO approves plans for new branch expansions and the launch of new restaurant brands, including investment budgets and the number of new branches per brand. These plans are evaluated based on economic conditions, competition, opportunities, and consumer demand at the time. However, with increasing competition, finding suitable locations can be challenging and time-consuming, which may result in fewer new branches than planned and potentially lower-than-expected performance of new branches.

Risk of employee shortages for expansion

As MAGURO operates full-service restaurants, it requires skilled culinary personnel. With its ongoing expansion plans, MAGURO has an average of 25 staff per branch, SSAMTHING Together has 35 staff per branch, and Hitori Shabu has 25 staff per branch. There is a risk that the performance of the company's branches may not meet targets if there is a shortage of staff or if skilled personnel are poached by competitors.

Risk of minimum wage increases

The restaurant business is a labor-intensive service industry, with employee costs accounting for 22% of total revenue. Although current wages or salaries for restaurant staff are higher than the minimum wage, increases in the minimum wage set by the government could affect the company. This may lead to higher wages for daily or part-time employees and adjustments in salaries for permanent staff based on the increased minimum wage. This poses a risk if the company cannot raise prices to reflect these increased fixed costs.

Financial Statements

Maguro Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	664	1,044	1,333	1,598	1,892
Cost of goods sold	(386)	(572)	(753)	(887)	(1,042)
Gross profit	278	471	580	711	851
Other operating income	2	2	3	3	4
Operating costs	(230)	(364)	(440)	(529)	(625)
Operating EBITDA	115	218	262	314	368
Depreciation	(65)	(109)	(119)	(129)	(139)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	50	110	143	185	230
Net financing costs	(11)	(19)	(31)	(34)	(35)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	(7)	0	0
Profit before tax	39	91	105	151	195
Tax	(8)	(18)	(21)	(30)	(39)
Profit after tax	31	72	84	121	156
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	31	72	84	121	156
Non-recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	31	72	84	121	156
Per share (THB)					
Recurring EPS *	0.30	0.69	0.67	0.96	1.24
Reported EPS	0.30	0.69	0.67	0.96	1.24
DPS	0.29	0.82	0.40	0.58	0.74
Diluted shares (used to calculate per share data)	105	105	126	126	126
Growth					
Revenue (%)	72.6	57.1	27.7	19.9	18.4
Operating EBITDA (%)	73.2	89.3	19.8	19.8	17.5
Operating EBIT (%)	162.7	119.9	30.2	29.3	24.3
Recurring EPS (%)	227.6	131.1	(3.7)	44.0	28.5
Reported EPS (%)	227.6	131.1	(3.7)	44.0	28.5
Operating performance					
Gross margin inc. depreciation (%)	41.9	45.2	43.5	44.5	44.9
Gross margin exc. depreciation (%)	51.8	55.6	52.4	52.5	52.3
Operating EBITDA margin (%)	17.4	20.9	19.6	19.6	19.5
Operating EBIT margin (%)	7.5	10.5	10.7	11.6	12.1
Net margin (%)	4.7	6.9	6.3	7.6	8.2
Effective tax rate (%)	20.3	20.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	96.7	118.3	60.0	60.0	60.0
Interest cover (X)	4.7	5.7	4.6	5.5	6.5
Inventory days	16.4	24.0	29.6	32.4	32.0
Debtor days	7.6	7.1	5.1	4.6	4.6
Creditor days	74.0	71.4	71.6	75.7	74.7
Operating ROIC (%)	17.2	21.0	20.4	23.8	27.3
ROIC (%)	14.9	18.5	17.9	20.6	23.5
ROE (%)	11.2	26.5	18.7	18.4	21.9
ROA (%)	6.9	12.2	10.4	11.1	12.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Restaurants	662	1,042	1,331	1,595	1,890
Catering and delivery	3	2	2	2	3

Sources: Maguro Group; FSSIA estimates

Financial Statements

Maguro Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	31	72	84	121	156
Depreciation	65	109	119	129	139
Associates & minorities	-	-	-	-	-
Other non-cash items	2	0	7	0	0
Change in working capital	(2)	19	20	14	16
Cash flow from operations	96	200	230	263	310
Capex - maintenance	(217)	(352)	(200)	(200)	(200)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(13)	(25)	(29)	(12)	(13)
Cash flow from investing	(231)	(377)	(229)	(212)	(213)
Dividends paid	(26)	(85)	(50)	(73)	(93)
Equity finance	0	0	332	0	0
Debt finance	82	151	47	39	24
Other financing cash flows	3	8	5	5	5
Cash flow from financing	59	73	333	(29)	(64)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(75)	(104)	334	23	33
Free cash flow to firm (FCFF)	(123.56)	(157.84)	32.08	85.02	132.08
Free cash flow to equity (FCFE)	(48.67)	(18.70)	52.52	95.55	126.42
Per share (THB)					
FCFF per share	(0.98)	(1.25)	0.25	0.67	1.05
FCFE per share	(0.39)	(0.15)	0.42	0.76	1.00
Recurring cash flow per share	0.94	1.73	1.67	1.98	2.34
Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	418	696	788	870	941
Less: Accumulated depreciation	(73)	(108)	(119)	(129)	(139)
Tangible fixed assets (net)	345	588	670	741	803
Intangible fixed assets (net)	13	23	30	30	30
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	198	94	428	451	484
A/C receivable	21	19	18	22	26
Inventories	20	41	62	73	86
Other current assets	4	3	7	8	9
Current assets	243	158	515	554	605
Other assets	30	45	60	72	85
Total assets	631	814	1,274	1,397	1,523
Common equity	280	267	633	681	743
Minorities etc.	0	0	0	0	0
Total shareholders' equity	280	267	633	681	743
Long term debt	196	331	353	385	402
Other long-term liabilities	12	19	24	29	34
Long-term liabilities	208	351	377	414	436
A/C payable	77	105	144	170	200
Short term debt	60	76	100	108	115
Other current liabilities	6	17	20	24	28
Current liabilities	143	197	265	302	343
Total liabilities and shareholders' equity	631	814	1,274	1,397	1,523
Net working capital	(39)	(57)	(78)	(91)	(107)
Invested capital	350	599	682	752	811
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	2.68	2.55	5.02	5.40	5.90
Tangible book value per share	2.55	2.34	4.78	5.17	5.66
Financial strength					
Net debt/equity (%)	20.8	117.1	4.0	6.2	4.5
Net debt/total assets (%)	9.2	38.4	2.0	3.0	2.2
Current ratio (x)	1.7	0.8	1.9	1.8	1.8
CF interest cover (x)	(3.6)	0.0	2.7	3.9	4.6
Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	58.3	25.2	26.2	18.2	14.2
Recurring P/E @ target price (x) *	73.3	31.7	32.9	22.9	17.8
Reported P/E (x)	58.3	25.2	26.2	18.2	14.2
Dividend yield (%)	1.7	4.7	2.3	3.3	4.2
Price/book (x)	6.5	6.9	3.5	3.2	3.0
Price/tangible book (x)	6.9	7.5	3.7	3.4	3.1
EV/EBITDA (x) **	16.4	9.8	8.5	7.2	6.1
EV/EBITDA @ target price (x) **	20.4	12.0	10.7	9.0	7.6
EV/invested capital (x)	5.4	3.6	3.3	3.0	2.8
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Maguro Group; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainabilitys	The Sustainabilitys' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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="2">Average:</td><td rowspan="2">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><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>		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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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CCC	0.000-1.428																					
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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Company	Ticker	Price	Rating	Valuation & Risks
Maguro Group	MAGURO TB	THB 17.50	BUY	Downside risks to our TP include 1) a slower-than-expected consumption recovery and more intense competition; 2) higher raw material prices; 3) lower-than-expected new store expansion; and 4) a minimum wage increase and labor shortages.

Source: FSSIA estimates

Additional Disclosures

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

All share prices are as at market close on 27-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.