

STARFLEX SFLEX TB

THAILAND / PACKAGING

BUY
 UNCHANGED

3Q24 results at first glance

3Q24 set a new record profit as expected

Highlights

- SFLEX set a new record for its highest-ever profit, reaching THB76m in 3Q24 (+17.2% q-q, +57.2% y-y). Although its profit was in line with our expectation, the gross margin was significantly better than we anticipated.
- The record profit was driven by the highest gross margin in over six years at 26.1%, along with profit sharing from joint ventures and tax benefits from the BOI.
- The impressively high gross margin was the result of efficient raw material management, including advanced pricing agreements, the ability to negotiate price adjustments with customers to reflect cost changes, and the economies of scale.
- Sales revenue continued to grow in 3Q24 (+5.3% q-q, +13.1% y-y), reaching THB476m, the second-highest quarter after 1Q24. This growth was driven by the expansion of domestic consumption, which boosted demand for flexible packaging, as well as price adjustments to reflect rising costs.
- The SG&A expenses were still well controlled, remaining within the historical range of 11-12% of revenue.
- Additionally, SFLEX's profit sharing from its joint venture, Starprint Vietnam (in which SFLEX holds a 25% stake), amounted to THB10m, nearly double that in 2Q24 (+82.7% q-q), reflecting the ongoing recovery of the Vietnamese economy. This profit share accounted for 13.0% of total profit. Excluding the profit share from Starprint Vietnam, SFLEX's core profit would still be a record high THB66m.

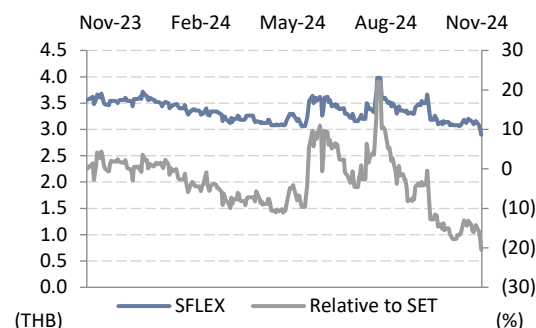
Outlook

- The 9M24 core profit rose 46.3% y-y to THB204m, driven by the higher gross margin and the recognition of profit sharing from Starprint Vietnam since the beginning of the year. This profit represents 84% of our full-year profit estimate of THB243m (+33.9% y-y). With a bright outlook for 4Q24, it is clear that our estimates have an upside potential.
- We reiterate our BUY call with a TP of THB5.10, based on a 2025E P/E of 16x (-0.7SD of its four-year average). The share price trades at only 9.1x 2025E P/E, being among the lowest of the stocks in the industry.

TARGET PRICE	THB5.10
CLOSE	THB2.90
UP/DOWNSIDE	+75.9%
TP vs CONSENSUS	+2.4%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	1,795	1,984	2,136	2,286
Net profit	184	243	261	268
EPS (THB)	0.22	0.30	0.32	0.33
vs Consensus (%)	-	(2.3)	(7.8)	(13.2)
EBITDA	288	326	343	369
Recurring net profit	181	243	261	268
Core EPS (THB)	0.22	0.30	0.32	0.33
EPS growth (%)	231.2	33.9	7.6	2.6
Core P/E (x)	13.1	9.8	9.1	8.9
Dividend yield (%)	3.1	4.1	4.4	4.5
EV/EBITDA (x)	10.2	9.2	8.7	7.9
Price/book (x)	2.4	2.3	2.3	2.2
Net debt/Equity (%)	56.7	59.9	58.7	49.6
ROE (%)	18.3	23.9	25.1	25.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.6)	(19.4)	(18.5)
Relative to country (%)	(6.5)	(28.0)	(22.2)
Mkt cap (USD m)	65		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	0		
Major shareholder	Mr. Printhorn Apithanasriwong (24%)		
12m high/low (THB)	4.06/2.86		
Issued shares (m)	820.01		

Sources: Bloomberg consensus; FSSIA estimates


Jitra Amornthum

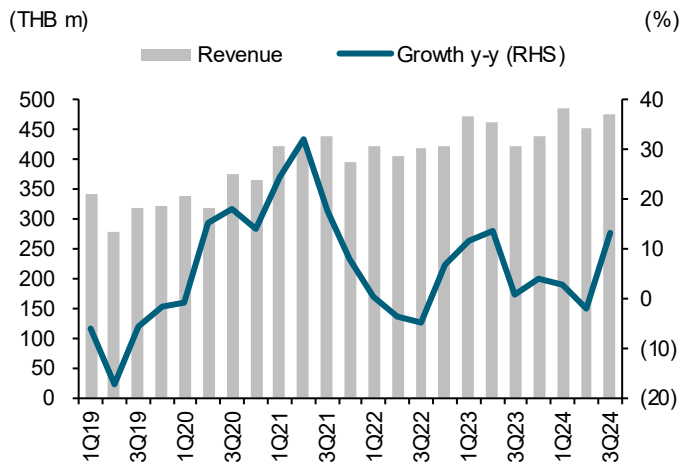
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Exhibit 1: SFLEX – 3Q24 results summary

Year to Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		9M23	9M24	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	2024E
Sales	421	439	485	452	476	5.3	13.1	1,356	1,414	4.3	71.3
Cost of sales	(314)	(328)	(368)	(341)	(352)	3.5	12.1	(1,037)	(1,061)	2.4	70.3
Gross profit	107	111	117	112	124	11.0	15.9	319	353	10.6	74.2
Other income	8	4	6	5	7	30.8	(10.0)	19	18	(4.9)	82.2
Operating costs	(52)	(63)	(55)	(47)	(55)	16.9	5.3	(160)	(156)	(2.0)	68.0
Operating profit	63	52	68	70	76	8.5	21.7	178	214	20.3	30.4
Operating EBITDA	77	66	85	87	92	5.8	19.1	221	264	19.4	80.9
Interest expense	(2)	(6)	(8)	(10)	(8)	(14.0)	453.6	(4)	(27)	601.2	67.6
Associates	0	0	3	5	10	82.7	nm	(1)	18	nm	89.1
Profit before tax	62	46	63	66	77	16.3	24.9	175	206	17.6	90.5
Reported net profit	49	42	64	65	75	15.6	54.3	140	204	45.8	84.1
Core profit	48	42	63	65	76	17.2	57.2	139	204	46.3	83.9
Reported EPS (THB)	0.062	0.051	0.077	0.083	0.097	16.9	57.1	0.18	0.26	46.5	87.0
Core EPS (THB)	0.059	0.051	0.077	0.079	0.093	17.2	57.2	0.17	0.25	46.3	83.9
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	
Gross margin	25.4	25.3	24.0	24.7	26.1	1.3	0.6	23.5	24.9	1.4	
Operating margin	15.0	11.8	14.1	15.6	15.9	0.3	0.9	13.2	15.2	2.0	
EBITDA margin	18.4	14.9	17.5	19.2	19.3	0.1	1.0	16.3	18.7	2.4	
Core profit margin	11.5	9.6	12.9	14.3	16.0	1.6	4.5	10.3	14.4	4.1	
SG&A / Sales	12.4	14.4	11.3	10.4	11.5	1.1	(0.9)	11.8	11.1	(0.7)	

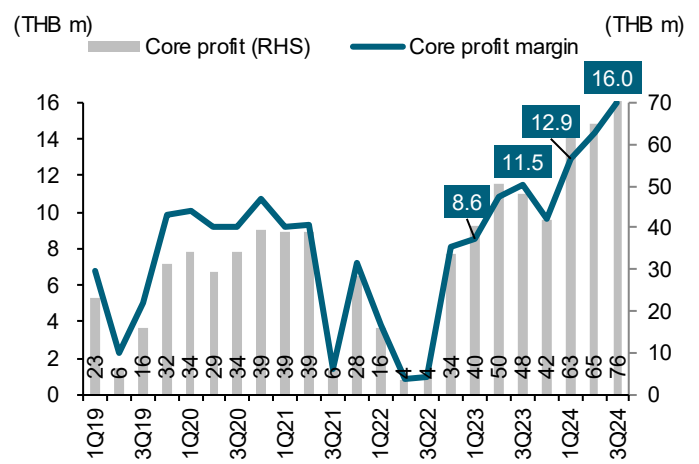
Sources: SFLEX, FSSIA estimates

Exhibit 2: Revenue and growth



Sources: SFLEX, FSSIA's compilation

Exhibit 3: Core profit and core profit margin



Sources: SFLEX, FSSIA's compilation

Financial Statements

Starflex

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	1,669	1,795	1,984	2,136	2,286
Cost of goods sold	(1,458)	(1,365)	(1,509)	(1,629)	(1,743)
Gross profit	211	430	475	507	543
Other operating income	27	23	22	21	23
Operating costs	(170)	(223)	(230)	(246)	(258)
Operating EBITDA	124	288	326	343	369
Depreciation	(57)	(58)	(59)	(60)	(61)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	67	230	267	283	307
Net financing costs	(3)	(10)	(39)	(35)	(28)
Associates	-	0	20	23	25
Recurring non-operating income	0	0	20	23	25
Non-recurring items	0	3	0	0	0
Profit before tax	65	223	247	271	304
Tax	(10)	(39)	(5)	(10)	(36)
Profit after tax	55	184	243	261	268
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	55	184	243	261	268
Non-recurring items & goodwill (net)	0	(3)	0	0	0
Recurring net profit	55	181	243	261	268
Per share (THB)					
Recurring EPS *	0.07	0.22	0.30	0.32	0.33
Reported EPS	0.07	0.22	0.30	0.32	0.33
DPS	0.03	0.09	0.12	0.13	0.13
Diluted shares (used to calculate per share data)	820	820	820	820	820
Growth					
Revenue (%)	(0.5)	7.5	10.5	7.7	7.0
Operating EBITDA (%)	(44.4)	132.7	13.2	5.1	7.5
Operating EBIT (%)	(58.2)	241.6	16.1	6.1	8.6
Recurring EPS (%)	(63.4)	231.2	33.9	7.6	2.6
Reported EPS (%)	(63.1)	234.6	31.8	7.6	2.6
Operating performance					
Gross margin inc. depreciation (%)	12.6	24.0	24.0	23.8	23.8
Gross margin exc. depreciation (%)	16.0	27.2	26.9	26.6	26.4
Operating EBITDA margin (%)	7.4	16.1	16.4	16.1	16.1
Operating EBIT margin (%)	4.0	12.8	13.5	13.3	13.5
Net margin (%)	3.3	10.1	12.2	12.2	11.7
Effective tax rate (%)	14.9	17.4	1.8	3.7	11.9
Dividend payout on recurring profit (%)	45.0	40.7	40.0	40.0	40.0
Interest cover (X)	23.0	23.7	7.3	8.8	11.8
Inventory days	86.9	92.1	82.3	79.3	72.8
Debtor days	66.6	59.5	59.5	56.8	53.1
Creditor days	74.3	83.9	85.1	83.9	82.2
Operating ROIC (%)	5.4	17.5	19.4	20.3	22.5
ROIC (%)	4.8	13.6	14.0	14.4	15.9
ROE (%)	5.6	18.3	23.9	25.1	25.4
ROA (%)	3.7	10.4	13.0	13.2	13.6
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-food packaging	1,258	1,353	1,488	1,602	1,714
Food packaging	393	434	488	525	562
Others	18	7	8	9	9

Sources: Starflex; FSSIA estimates

Financial Statements

Starflex

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	55	181	243	261	268
Depreciation	57	58	59	60	61
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	(120)	(55)	(151)
Change in working capital	50	(43)	(77)	(77)	47
Cash flow from operations	162	197	105	189	225
Capex - maintenance	-	-	-	-	-
Capex - new investment	(144)	-	(206)	(106)	(108)
Net acquisitions & disposals	-	(460)	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(144)	(460)	(206)	(106)	(108)
Dividends paid	(37)	(59)	(97)	(105)	(107)
Equity finance	0	(100)	0	0	0
Debt finance	66	346	180	(33)	(55)
Other financing cash flows	-	-	7	8	9
Cash flow from financing	29	187	90	(130)	(153)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	7	28	49	0	0
Net other adjustments	7	28	49	0	0
Movement in cash	54	(48)	38	(47)	(36)
Free cash flow to firm (FCFF)	20.64	(252.93)	(61.63)	116.80	145.41
Free cash flow to equity (FCFE)	90.80	111.57	135.24	57.05	71.02

Per share (THB)

FCFF per share	0.03	(0.31)	(0.08)	0.14	0.18
FCFE per share	0.11	0.14	0.16	0.07	0.09
Recurring cash flow per share	0.14	0.29	0.22	0.32	0.22

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,046	1,141	1,231	1,291	1,351
Less: Accumulated depreciation	(307)	(365)	(424)	(484)	(546)
Tangible fixed assets (net)	739	776	807	807	806
Intangible fixed assets (net)	54	40	40	41	42
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	32	408	479	479	479
Cash & equivalents	129	81	119	71	35
A/C receivable	263	322	325	339	327
Inventories	333	326	328	354	317
Other current assets	22	27	29	30	32
Current assets	747	756	801	795	710
Other assets	29	62	64	66	67
Total assets	1,602	2,042	2,191	2,187	2,104
Common equity	985	1,001	1,032	1,050	1,064
Minorities etc.	0	0	0	0	0
Total shareholders' equity	985	1,001	1,032	1,050	1,064
Long term debt	175	168	348	315	260
Other long-term liabilities	43	46	53	61	71
Long-term liabilities	218	215	402	377	331
A/C payable	276	331	351	370	387
Short term debt	114	480	389	372	303
Other current liabilities	8	16	17	18	19
Current liabilities	398	827	757	760	709
Total liabilities and shareholders' equity	1,602	2,042	2,191	2,187	2,104
Net working capital	334	328	314	335	269
Invested capital	1,188	1,615	1,704	1,728	1,663

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	1.20	1.22	1.26	1.28	1.30
Tangible book value per share	1.14	1.17	1.21	1.23	1.25

Financial strength

Net debt/equity (%)	16.3	56.7	59.9	58.7	49.6
Net debt/total assets (%)	10.0	27.8	28.2	28.2	25.1
Current ratio (x)	1.9	0.9	1.1	1.0	1.0
CF interest cover (x)	81.1	12.5	9.6	5.7	7.3

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	43.5	13.1	9.8	9.1	8.9
Recurring P/E @ target price (x) *	76.4	23.1	17.2	16.0	15.6
Reported P/E (x)	43.2	12.9	9.8	9.1	8.9
Dividend yield (%)	1.0	3.1	4.1	4.4	4.5
Price/book (x)	2.4	2.4	2.3	2.3	2.2
Price/tangible book (x)	2.6	2.5	2.4	2.4	2.3
EV/EBITDA (x) **	20.5	10.2	9.2	8.7	7.9
EV/EBITDA @ target price (x) **	35.1	16.5	14.7	14.0	12.8
EV/invested capital (x)	2.1	1.8	1.8	1.7	1.7

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

Sources: Starflex; 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 Sustainability	The Sustainability's 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

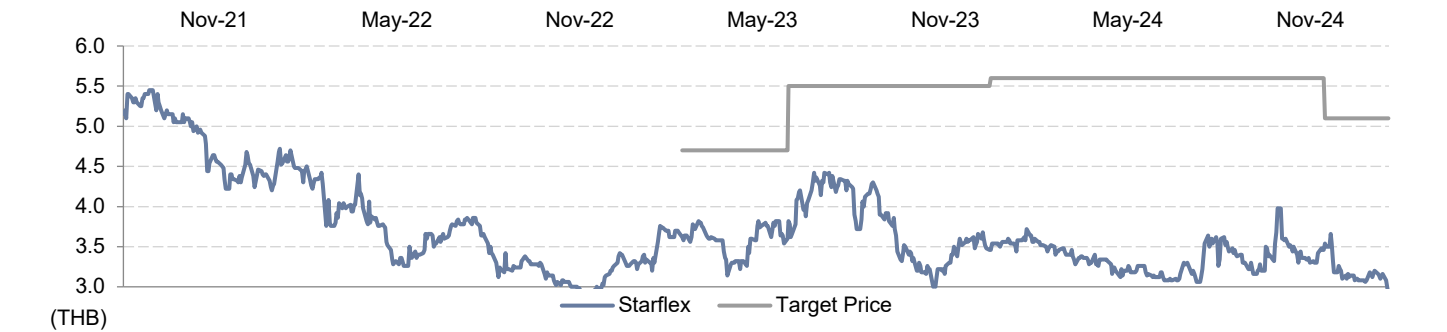
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History of change in investment rating and/or target price

Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	04-Dec-2023	BUY	5.60	-	-	-
12-Jun-2023	BUY	5.50	18-Sep-2024	BUY	5.10			

Jitra Amornthum started covering this stock from 10-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Starflex	SFLEX TB	THB 2.90	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

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 13-Nov-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.