

# SRI TRANG AGRO INDUSTRY

## THAILAND / AGRIBUSINESS

STA TB

BUY

## Good momentum for Thai rubber

- We initiate coverage with a BUY call for STA with a 2025 TP of THB23.
- Despite the EUDR being delayed, global customers continue to place orders to meet ESG goals.
- Opportunities for Thai rubber gloves after US imposed tariffs on China.

TARGET PRICE	THB23.00
CLOSE	THB18.00
UP/DOWNSIDE	+27.8%
TP vs CONSENSUS	-1.3%

### Rubber prices are expected to continue rising in 2025

The IRSG expects a slight global rubber supply deficit for 2024-25 due to limited new production. Indonesia's production is expected to continue decreasing; however, Thailand's production is projected to increase in 2025 as weather conditions improve. Demand is also expected to gradually recover due to low inventory levels among tire manufacturers, and we anticipate that more orders from Indonesia will shift to Thailand. Our 2025 SICOM rubber price assumption is US cents 180/kg (+5% y-y) for 2025. While Cote d'Ivoire remains a strong competitor, STA has already invested there.

### ESG and trade war are positives for STA group

Mandatory ESG regulations for the rubber industry are set to begin, with the EU preparing to implement the EUDR standards, which will take effect on 30 December 2025. Although this has been delayed from 2024, STA has adapted quickly and has been selling EUDR-compliant rubber since 2Q24. Meanwhile, global customers continue to place orders for EUDR rubber to support their ESG business practices. We expect that customers who have not yet purchased will rush to buy more in 2H25. Regarding Thai rubber gloves, they may benefit from the US increasing tariffs on China by 50% (up from 7.5%) starting in early 2025.

### 2025 profit estimate excludes EUDR rubber premium

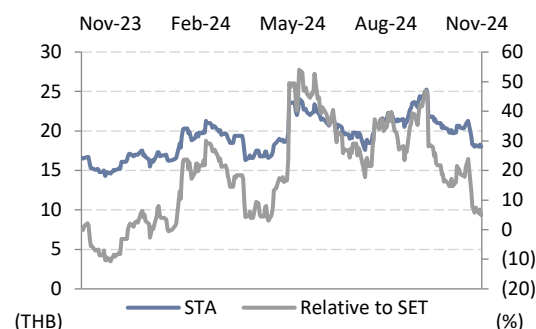
We expect 2025 net profit to grow by 42.5% y-y. We expect sales volumes of natural rubber (NR) and gloves to grow by 8-10% y-y, with prices for gloves increasing by 3% and rising by 5% for NR, in line with the SICOM rubber price forecast. We assume that the EUDR rubber prices and gross margins will be the same as for non-EUDR rubber, which is lower than the current cost-plus sales model. However, if this sales model can be sustained, even with an increase in the EUDR supply, we view it as a major restructuring of rubber pricing. This would help reduce earnings volatility and provide an upside to our forecast.

### Initiate coverage with BUY by using conservative valuation

We set a 2025 TP of THB23, based on the SoTP method, using a P/E of 11x for NR and 20x for gloves, reflecting ESG considerations in the valuation. This TP implies a target P/BV of 0.68x, close to the five-year historical average. Since rubber is a highly volatile commodity, both earnings and stock prices are likely to experience fluctuations. We suggest that investors study and monitor the rubber prices, exchange rates, and regulatory changes carefully.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	84,245	113,575	119,879	125,940
Net profit	(434)	1,789	2,544	2,652
EPS (THB)	(0.28)	1.16	1.66	1.73
vs Consensus (%)	-	(14.3)	(7.3)	(15.2)
EBITDA	4,086	7,865	8,245	8,641
Recurring net profit	(441)	2,510	2,544	2,652
Core EPS (THB)	(0.28)	1.16	1.66	1.73
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	nm	nm	42.2	4.2
Core P/E (x)	(63.7)	15.5	10.9	10.4
Dividend yield (%)	5.6	3.9	5.5	5.8
EV/EBITDA (x)	17.3	10.7	10.3	9.6
Price/book (x)	0.5	0.5	0.5	0.5
Net debt/Equity (%)	37.0	54.6	53.1	49.3
ROE (%)	(0.9)	3.5	4.9	5.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(11.8)	(15.9)	11.8
Relative to country (%)	(10.1)	(23.6)	8.5
Mkt cap (USD m)	796		
3m avg. daily turnover (USD m)	10.0		
Free float (%)	29		
Major shareholder	Sri Trang Holdings (22%)		
12m high/low (THB)	25.75/14.30		
Issued shares (m)	1,536.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We have a positive outlook on the performance in 2025 due to 1) a slight global rubber supply shortage; 2) an expected increase in rubber production in Thailand due to improved weather conditions; 3) anticipated higher demand driven by low inventory levels in China and expectations of a gradual global economic recovery; and 4) an expected slight increase in rubber prices by 5% y-y. Although the EU has announced a delay in the EUDR, many customers have already started purchasing EUDR-compliant rubber to support sustainable business practices. STA has been able to adapt quickly and began delivering EUDR-compliant rubber to customers in 2Q24.

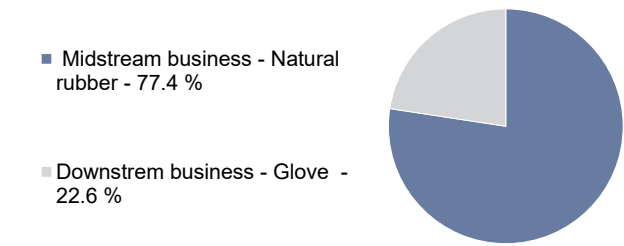
Our 2025 estimates are conservative, assuming selling prices and gross margins for EUDR rubber without a premium compared to non-EUDR rubber. If the price premium for EUDR rubber can be sustained, it would be an upside to our estimates.

Company profile

STA was established in 1987, which has expanded the business and grown to become the world’s leading fully integrated rubber company. In 2023, revenue from the midstream business accounted for 77.4% of total revenue, while 22.6% came from the glove business, which is operated through STGT TB (STA holds a 56% stake).

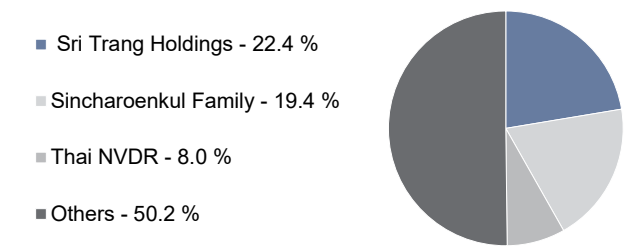
[www.sritranggroup.com](http://www.sritranggroup.com)

Principal activities (revenue, 2023)



Source: Sri Trang Agro Industry

Major shareholders



Source: Sri Trang Agro Industry

Catalysts

Potential catalysts for STA’s earnings growth in 2024-25 are 1) revenue growth driven by a China demand and automotive industry recovery; 2) declining raw material costs; 3) higher-than-expected demand for rubber under EUDR; and 4) the price of EUDR rubber is higher than non-EUDR rubber.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected automotive and glove industry recovery; 2) the high volatility of selling and raw material prices; 3) a higher competition; and 4) a stronger-than-expected THB.

Event calendar

Date	Event
February 2025	4Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Natural rubber sale volume (1,000 tonnes)	1,429	1,546	1,625
Natural rubber ASP (USD/tonne)	1,740	1,827	1,827
Glove sales volume (m pieces)	38,113	41,924	44,021
Glove ASP (USD/1,000 pieces)	18.4	19.0	19.0
Overall gross margin (%)	10.3	10.6	10.9

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in sale volume, we estimate 2025 net profit to rise by 2.8%, and vice versa, all else being equal.
- For every 1% increase in ASP, we estimate 2025 net profit to rise by 2.7%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2024 net profit to rise by 4%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2024 net profit to fall by 3.2%, and vice versa, all else being equal.

Source: FSSIA estimates

Business overview

STA was established in 1987 and operates as a fully integrated natural rubber company. The details of its business from upstream to downstream are as follows:

**Upstream:** Currently, STA has 47,000 rai of rubber plantations across 19 provinces in Thailand, with about 82% of the planted rubber trees ready for tapping. However, this accounts for a relatively small proportion of the total raw materials used, as most of the raw materials are still purchased from local growers.

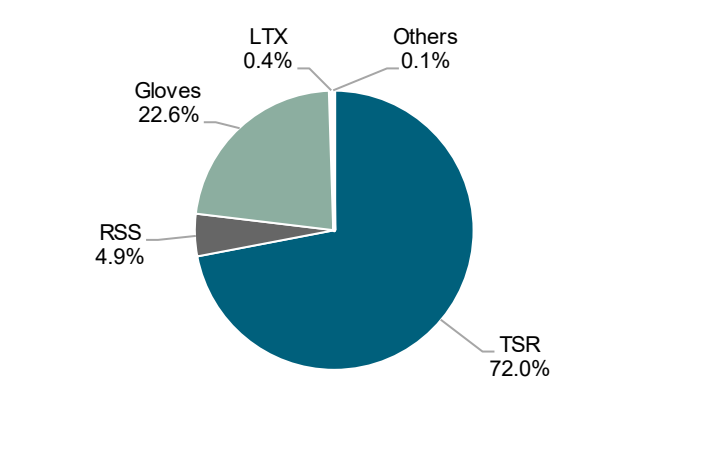
**Midstream:** STA produces and sells basic natural rubber products, including technically specified rubber (TSR), ribbed smoked sheet (RSS), and concentrated latex (LTX). As of the end of 1H24, the total production capacity was 3.62 million tonnes per year from 35 factories, comprising 24 TSR factories, 8 LTX factories, and 3 RSS factories, located in Thailand (31), Indonesia (3), Myanmar (1), and more recently, a rubber purchasing office and a production facility in Cote d'Ivoire.

**Downstream:** STA has a subsidiary, STGT (in which STA holds a 56% stake), that produces and sells natural rubber gloves and nitrile gloves for medical and industrial use. STGT has 6 factories in Thailand located in 4 provinces (Songkhla, Surat Thani, Trang, and Chumphon), selling to over 175 countries worldwide. It has sales offices in Thailand, China, the USA, Singapore, Indonesia, Vietnam, and the Philippines. The production capacity as of the end of 1H24 was 51,112 million pieces per year. In addition, there are other finished products, such as high-pressure hydraulic hoses.

STA's 2023 total revenue was THB84b, with 72% coming from TSR, followed by 22.6% from rubber gloves, 4.9% from RSS, 0.4% from LTX, and 0.1% from others. Over 77% of the revenue came from the midstream business, which remains volatile in relation to global rubber market prices.

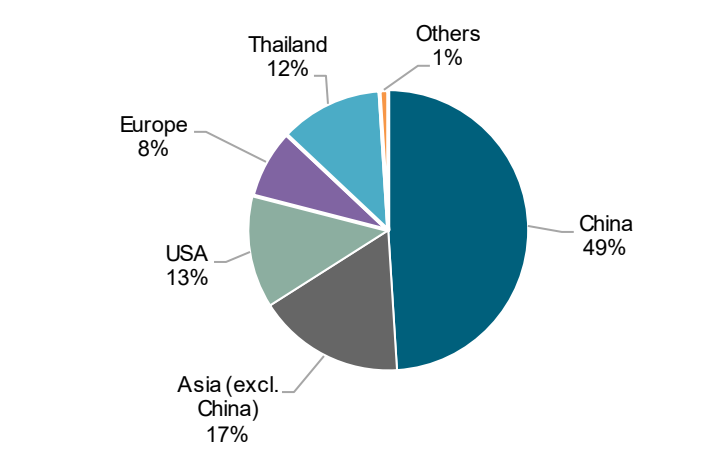
In terms of customers, c88% of the 2023 revenue contribution came from exports, consisting of 49% from China, 17% from Asia (excluding China), 13% from the USA, 8% from Europe, and 12% from Thailand.

Exhibit 1: Revenue breakdown by product in 2023



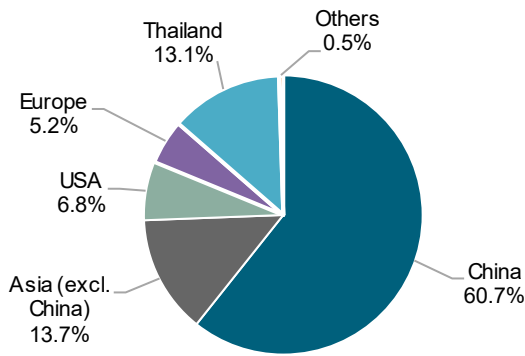
Sources: STA, FSSIA's compilation

Exhibit 2: Revenue breakdown by destination in 2023



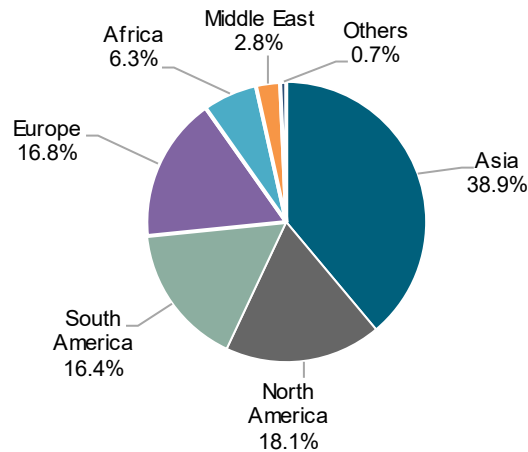
Sources: STA, FSSIA's compilation

Exhibit 3: Natural rubber revenue by destination in 2023



Sources: STA, FSSIA's compilation

Exhibit 4: Glove revenue by destination in 2023



Sources: STA, STGT, FSSIA's compilation

Exhibit 5: Example of products in natural rubber segment

TSR (Technically Specified Rubber)	RSS (Ribbed Smoked Sheet)	Concentrated Latex (LTX)
<b>Product Type</b> Produced in Thailand <ul style="list-style-type: none"><li>• STR</li><li>• STR CV</li><li>• STR Mixture</li></ul> Produced in Indonesia <ul style="list-style-type: none"><li>• SIR</li><li>• SIR Mixture</li></ul> Produced in Myanmar <ul style="list-style-type: none"><li>• Myanmar Block Rubber</li></ul> <b>Use</b> Raw material for the manufacture of automotive tires.	<b>Product Type</b> <ul style="list-style-type: none"><li>• 5 grades of RSS: RSS1, RSS2, RSS3, RSS4, and RSS5</li><li>• RSS 1XL</li></ul> <b>Use</b> Raw material for the manufacture of automotive tires, automotive parts, belts, pipes, shoes, and etc.	<b>Product Type</b> 60% Concentrated Latex <ul style="list-style-type: none"><li>• HA – High Ammonia Latex</li><li>• MA – Medium Ammonia Latex</li><li>• LA – Low Ammonia Latex</li><li>• Double Centrifuge Latex</li></ul> <b>Use</b> Raw material for the manufacture of examination gloves, condoms, elastic, adhesives, and etc.

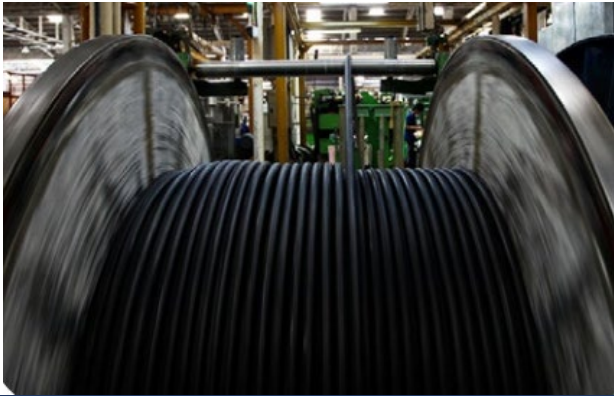
Sources: STA, FSSIA's compilation

Exhibit 6: Examination gloves product



Sources: STA, FSSIA's compilation

Exhibit 7: High-pressure hydraulic hose product



Sources: STA, FSSIA's compilation

Exhibit 8: STA's key developments

Key events	
Apr 1987	Started rubber business in Hat Yai, Songkhla Province.
Jan 1989	Co-founded Siam Sempermed Co, Ltd with a company from Austria (currently STGT) to manufacture medical latex gloves.
Aug 1991	Offered shares in an IPO and registered on the stock exchange.
Mar 1996	Co-founded Semperflex Asia Co, Ltd with a company from Austria to produce high-pressure hydraulic hoses.
Apr 2002	Established Sri Trang International in Singapore as a trading hub for natural rubber.
Oct 2004	Established PR Sri Trang Lingga in Indonesia as STA's first overseas subsidiary.
Dec 2007	Established Sri Trang Rubber and Plantation to invest in large rubber plantations.
Aug 2010	Established Shi Dong Shanghai in Shanghai as STA's first subsidiary in China.
Jan 2011	Offered a capital increase to the public in Singapore and listed the shares on the Singapore Stock Exchange.
Oct 2013	Expanded its production base in Myanmar and established a subsidiary in Vietnam.
Mar 2017	Divided joint ventures, increasing STA's stake in Siam Sempermed to 90.2% and renamed it Sri Trang Glove (STGT).
Oct 2017	Offered a capital increase to existing shareholders at a ratio of 5:1 at a price of THB10/share.
Apr 2019	Merged STGT with TK Public Company Limited.
Jul 2020	STGT offered an IPO and was listed on the Stock Exchange of Thailand.
May 2021	STGT was listed on the Singapore Stock Exchange (secondary listing).
Jun 2023	Sri Trang Africa opened its first natural rubber procurement center in Cote d'Ivoire.
Nov 2023	Leased a rubber factory in Cote d'Ivoire to produce natural rubber.

Source: STA, FSSIA's compilation

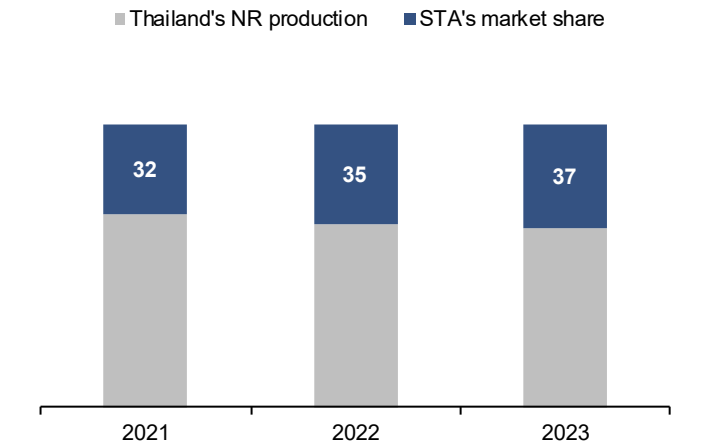
A global leader in natural rubber and gloves

As of the end of 2023, STA had a total production capacity of 3.62 million tonnes per year, the highest in the world. In 2023, its rubber production accounted for 37% of Thailand's total rubber output and positioned it as the largest rubber exporter globally, with a 12.9% market share of the global rubber demand. STA is a leader in the natural rubber industry, covering all stages of the supply chain – from upstream to downstream. It also has strategically located raw material purchasing centers, manufacturing plants, and sales offices around the world.

STGT is the largest rubber glove manufacturer in Thailand and ranks among the top five producers globally, holding a market share of c10.5% of the world's rubber glove demand in 2023.

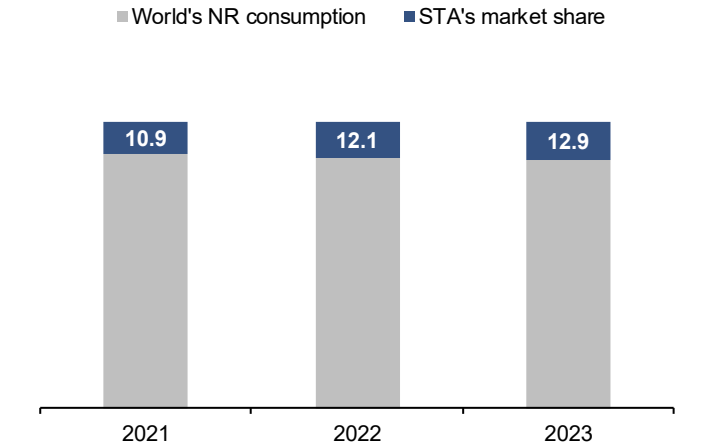
Furthermore, STA is the only rubber company in Thailand listed on the Stock Exchange of Thailand (primary listing) and the Singapore Exchange (secondary listing).

Exhibit 9: STA's market share in Thailand



Sources: STA, FSSIA's compilation

Exhibit 10: STA's market share vs global NR consumption



Sources: STA, FSSIA's compilation



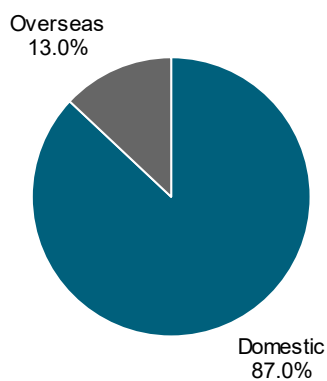
## Sourcing raw materials through its own application

The main raw materials used to produce TSR are cup lump, RSS (raw sheets and smoked sheets), and LTX, which comes from fresh latex. STA's cost breakdown for raw materials in 2023 was 82% for cup lump, 4% for raw sheets, and 14% for fresh latex. The company purchases raw materials domestically and internationally at a ratio of about 87%:13%. As of end-2023, there were a total of 68 procurement centers in Thailand, Indonesia, Myanmar, and Cote d'Ivoire.

For rubber glove production, the raw materials used are concentrated latex and synthetic latex. The STA group supplies concentrated latex, while synthetic latex is sourced from external companies.

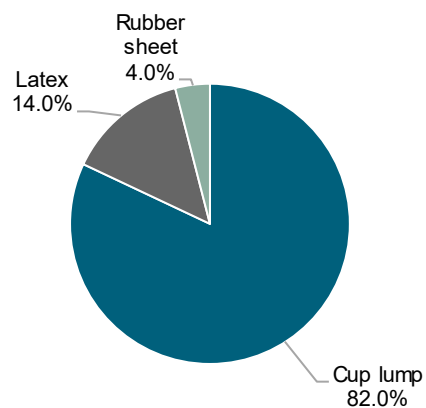
STA places great importance on efficient supply chain management, with a focus on traceability to the source of raw materials. The company developed an application for directly sourcing raw materials from rubber farmers, called Sri Trang Friends, in 2019. This initiative aims to create a competitive advantage in raw material procurement, ensuring that the company can meet customer orders sufficiently. It also helps manage raw material prices efficiently and fosters better relationships with local communities for sustainable growth. Since 2022, STA has sourced all its domestic raw materials through Sri Trang Friends, accounting for 87% of its total raw material procurement, a significant increase from 27.6% in 2019.

Exhibit 11: Sources of raw material



Sources: STA, FSSIA's compilation

Exhibit 12: Raw material contribution to total raw materials



Sources: STA, FSSIA's compilation

Exhibit 13: Sri Trang Friends Application



Source: STA

Exhibit 14: STA's factories and rubber sourcing centers

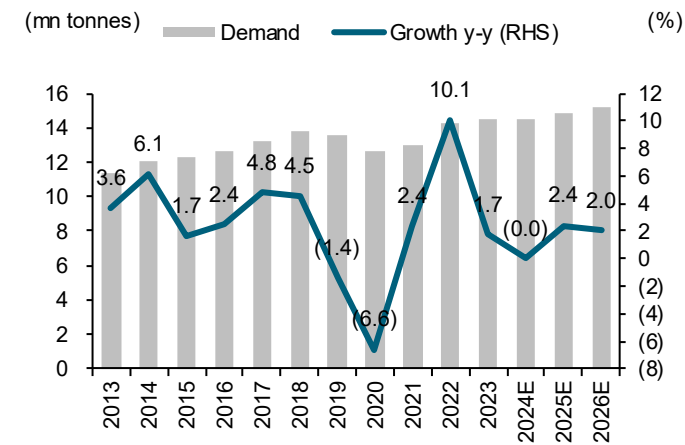


Source: STA

## Global natural rubber market to enter a deficit from 2024-26

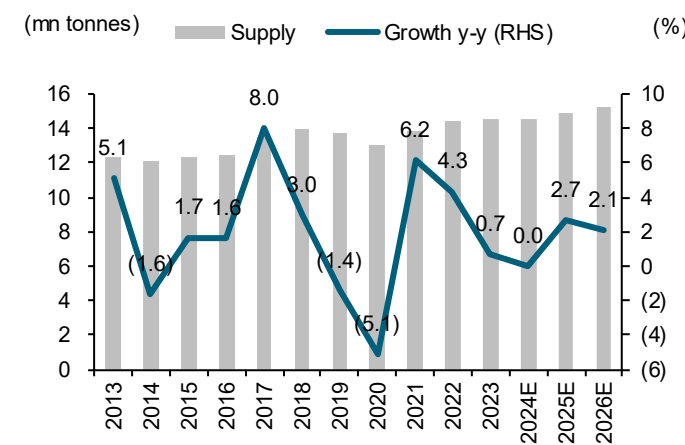
The International Rubber Study Group (IRSG) forecasts that the global natural rubber market will enter a deficit from 2024-26, with demand exceeding supply throughout these three years. IRSG projects that the production volume in 2024 will be 14.5 million tonnes, increasing by 2% CAGR to 15.2 million tonnes in 2026. Meanwhile, global demand in 2024 is expected to be 14.55 million tonnes, increasing by 2.2% CAGR to 15.2 million tonnes in 2026. Overall, the global rubber market is expected to remain in a slight deficit in 2024-25, with a return to balance anticipated in 2026. This outlook is positive for the future price trend of natural rubber.

Exhibit 15: Global natural rubber demand and growth



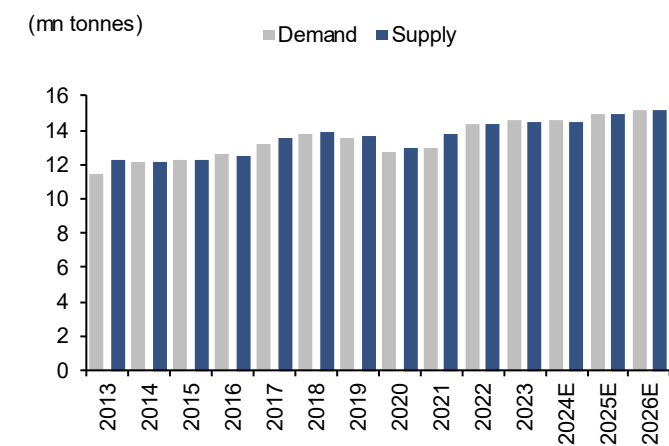
Sources: IRSG, Statista, FSSIA's compilation

Exhibit 16: Global natural rubber supply and growth



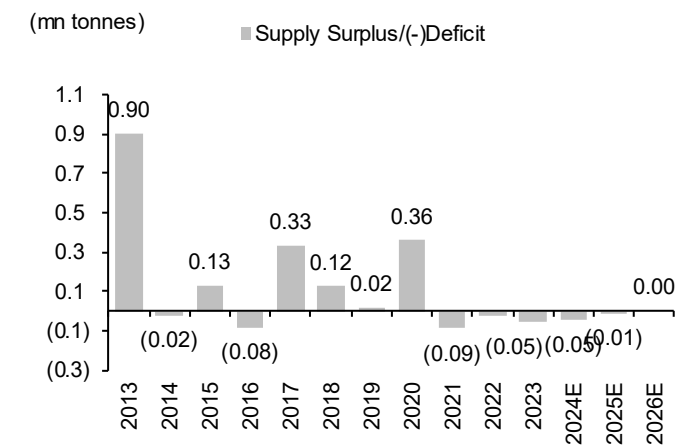
Sources: IRSG, Statista, FSSIA's compilation

Exhibit 17: Global natural rubber demand and supply



Sources: IRSG, Statista, FSSIA's compilation

Exhibit 18: Natural rubber supply surplus/(-)deficit



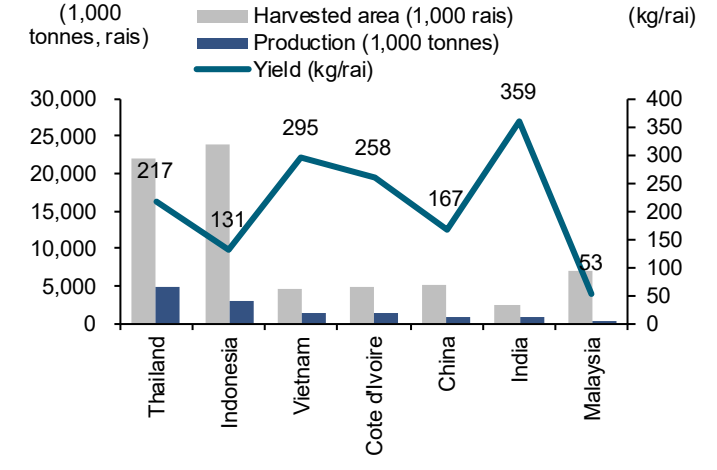
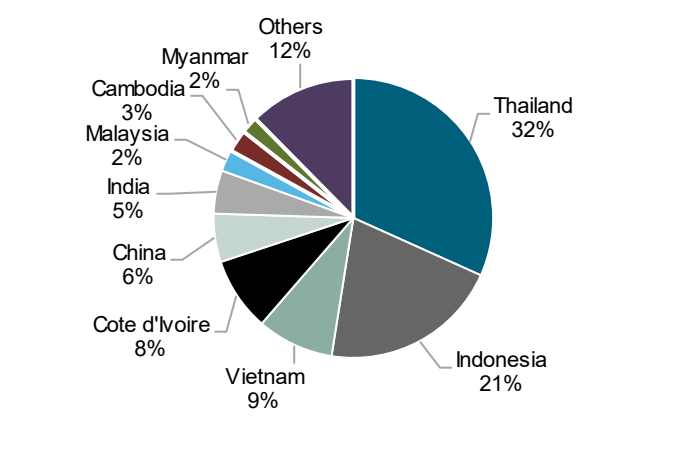
Sources: IRSG, Statista, FSSIA's compilation

Thailand’s rubber production is expected to increase by 2-4%

Thailand is the largest producer of natural rubber in the world, accounting for about 32%, or one-third, of the global rubber production volume. In 2023, production was 4.9 million tonnes, relatively stable compared to 2018. Although the area tapped for rubber has increased by 1.2% CAGR, the yield per rai decreased by 2.1% CAGR to 213 kg/rai in 2023, down from 237 kg/rai in 2018 due to fluctuating weather conditions, particularly the drought issues in 2022-23. The IRSG forecasts that Thailand's production volume will increase by 4% y-y in 2024 and by 2% y-y in 2025, rising to 5.2 million tonnes in 2025 on the back of higher rainfall in 2024.

Exhibit 19: Major natural rubber producing countries in 2023

Exhibit 20: Rubber production and yield by country

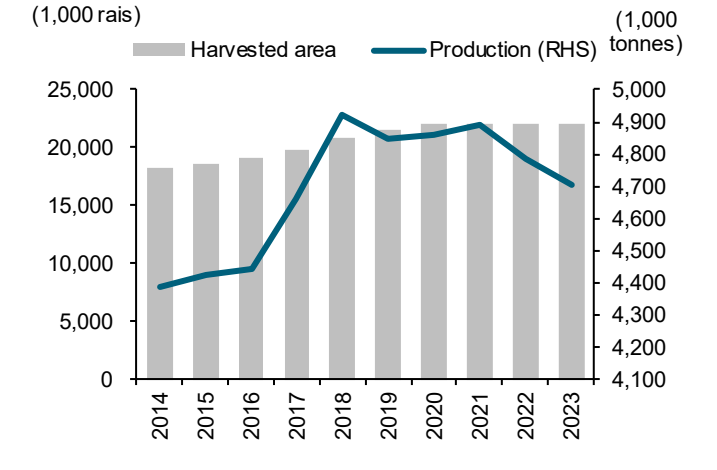
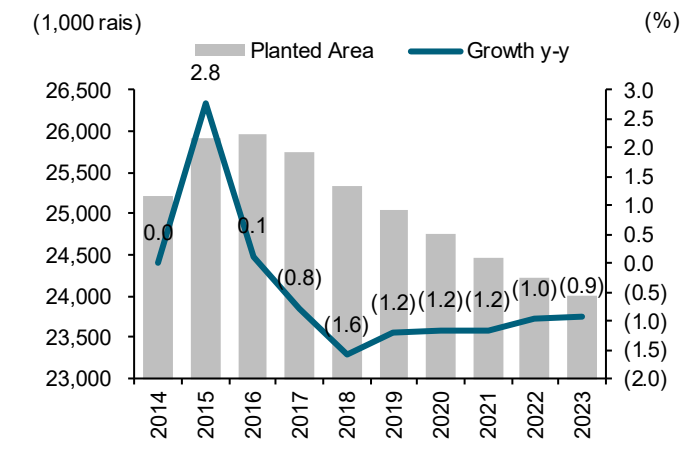


Sources: IRSG, FSSIA's compilation

Sources: OAE, FSSIA's compilation

Exhibit 21: Thailand’s rubber planted area

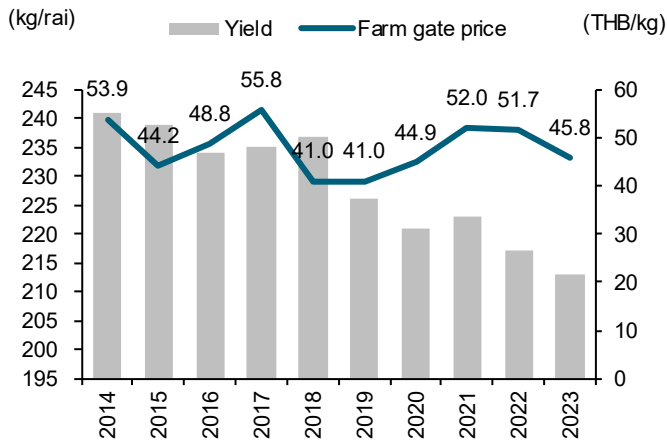
Exhibit 22: Thailand’s rubber harvested area and production



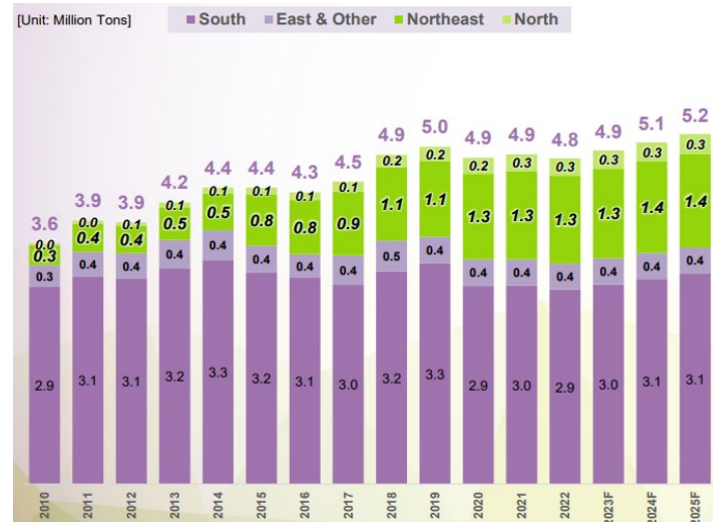
Sources: OAE, FSSIA's compilation

Sources: OAE, FSSIA's compilation



**Exhibit 23: Thailand's rubber production yield and price**

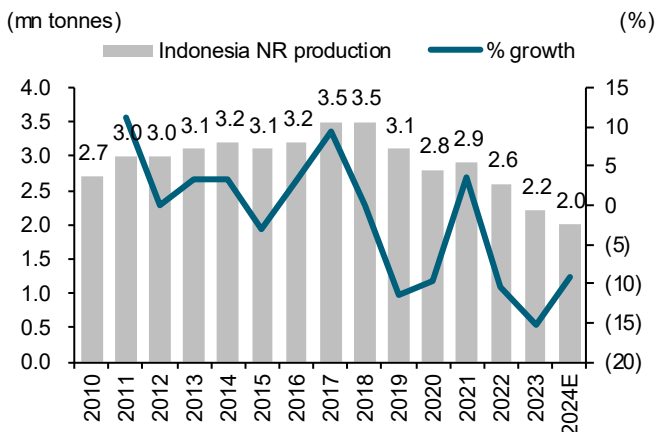
Sources: OAE, FSSIA's compilation

**Exhibit 24: Thailand's natural rubber supply by region**

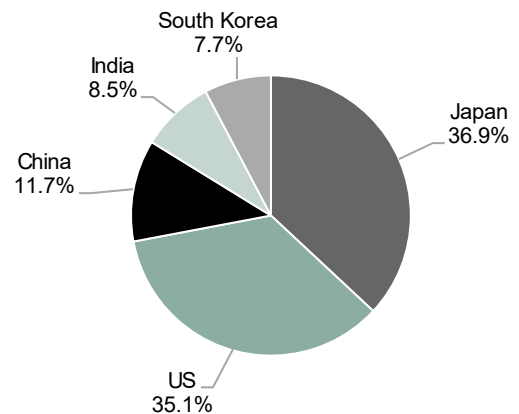
Source: STA

## Indonesia's rubber production has faced long-term challenges

Indonesia has faced issues with leaf fall disease, compounded by a lack of development and care for rubber planting areas over the past several years. As a result, rubber production has consistently declined from a high of about 3.5 million tonnes in 2018 (around 25% of global rubber production) to 2.2 million tonnes in 2023, reflecting a reduction rate of 9% CAGR. The IRSG also forecasts that Indonesia's production will decrease further by about 9% y-y in 2024, dropping to 2 million tonnes. Recently, Indonesia has begun importing rubber from other countries to sustain its domestic industry, particularly to increase the share of electric vehicles (EVs) in the country.

**Exhibit 25: Indonesia natural rubber production**

Sources: IRSG, FSSIA's compilation

**Exhibit 26: Destination for Indonesian rubber**

Sources: IRSG, FSSIA's compilation

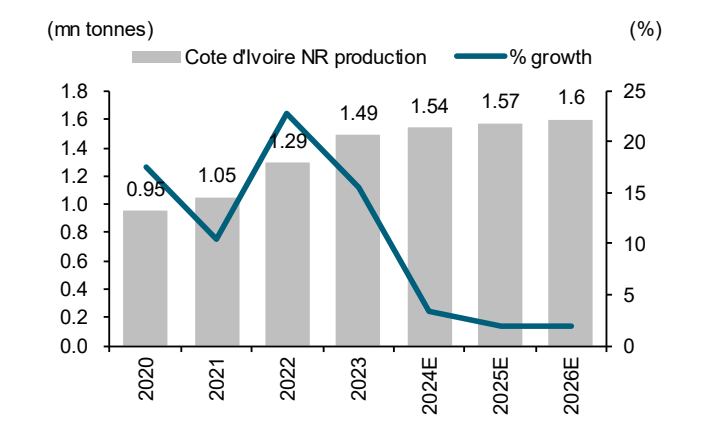
Cote d'Ivoire's rubber production becoming competitive with Thailand's

Cote d'Ivoire has risen to become the third-largest producer of natural rubber in the world in 2023, quickly surpassing Vietnam and India, and is closing in on the second spot held by Indonesia. Over the past four years, rubber production in Cote d'Ivoire has increased significantly by 16.2% CAGR, reaching 1.49 million tonnes in 2023. The IRSG projects that production in Cote d'Ivoire will continue to rise by 3.4% y-y in 2024, reaching 1.54 million tonnes, representing 10% of global production, up from 7% in 2020.

It is important to note that Cote d'Ivoire is a significant competitor and one of the reasons why rubber prices have not been able to rise in line with increasing costs. This is due to relatively low rubber production costs, stemming from both inexpensive land and a minimum wage of around THB4,100 per month. In contrast, rubber tappers in Thailand typically earn 30-40% of their total income from rubber production, depending on the area. If calculated based on Thailand's minimum wage, this would be around THB10,000 per month, and the government has plans to raise the minimum wage to THB400 per day, or THB12,000 per month.

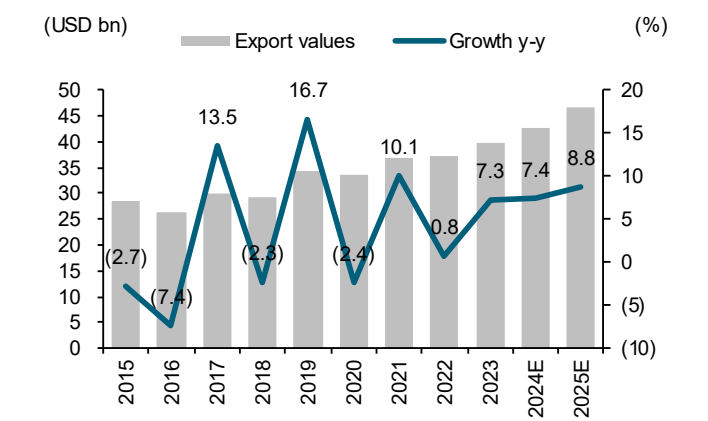
However, STA and several Thai companies have already begun investing in Cote d'Ivoire, including establishing rubber procurement centers and preparing to invest in rubber processing factories for export. In addition, the government of Cote d'Ivoire has implemented a policy that prohibits the export of raw rubber, requiring it to be exported only as processed rubber. This aims to add value to the natural rubber industry in the country. We expect this policy to help narrow the price differential between Cote d'Ivoire and other countries, including Thailand.

Exhibit 27: Cote d'Ivoire's natural rubber production



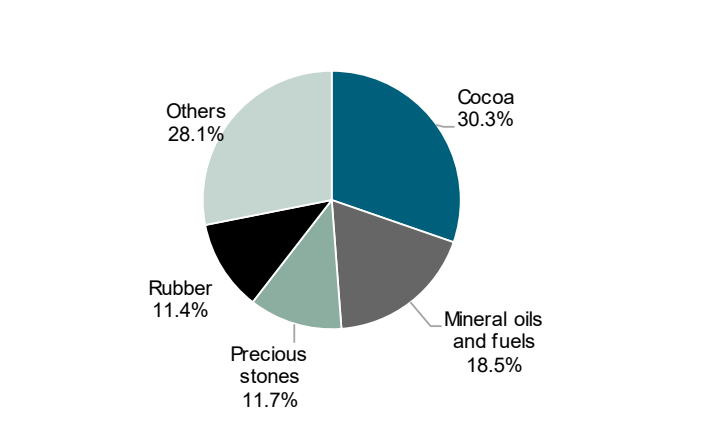
Sources: IRSG, FSSIA's compilation

Exhibit 28: Cote d'Ivoire's total export value and growth



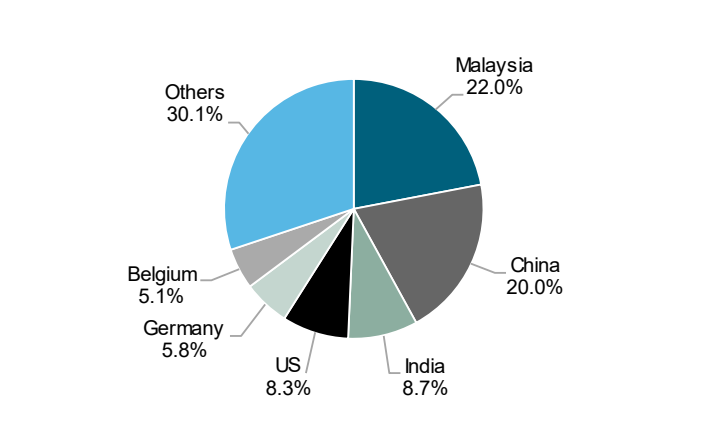
Sources: Afreximbank Research, World Bank, IMF, Economist Intelligence Unit

Exhibit 29: Export value by product of Cote d'Ivoire



Sources: Afreximbank Research, World Bank, IMF, Economist Intelligence Unit

Exhibit 30: Export destinations for Cote d'Ivoire rubber



Sources: Afreximbank Research, World Bank, IMF, Economist Intelligence Unit

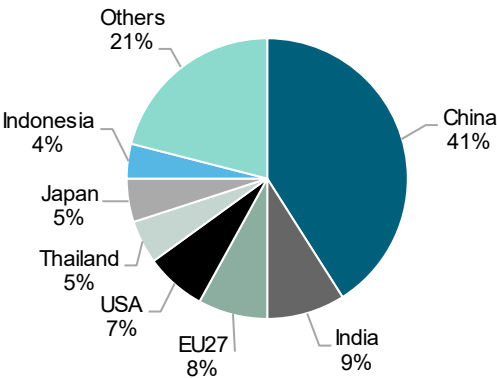
### China is increasing imports from Cote d'Ivoire

China is the world's largest consumer and importer of natural rubber, accounting for around 41% of global demand. The countries that follow as the second and third largest consumers are India, the EU and the USA, with shares of 9%, 8% and 7%, respectively. Clearly, these countries are significantly behind China in terms of consumption. This data does not include Chinese rubber processing factories that have been established in other countries, such as Vietnam, Cambodia, Thailand, Laos, and Indonesia. If factoring these in, we estimate that China's rubber consumption share could rise to 50-60% of global demand.

In addition, China imported natural rubber worth USD16.6b in 2023, accounting for 27% of global rubber imports that year. However, over the past six years (2018-23), China's rubber imports have seen little growth due to COVID-19 and the global economic slowdown. Moving forward, we expect a recovery in the global economy and the automotive industry.

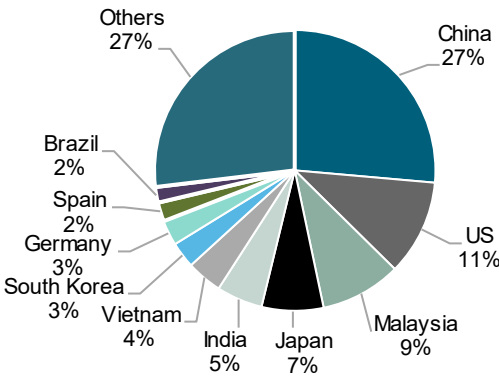
We have conducted further research on China's rubber imports and found that China imports rubber from 38 countries worldwide. Notably, imports from Cote d'Ivoire have been steadily increasing since 2017, when imports totaled USD36.6m. In 2023, this figure surged to USD642m, representing a 61% CAGR and accounting for 4% of China's total rubber imports. In 2023, the value of rubber imports from Thailand was USD1.45b, a continued decline by 13% y-y. While part of this decline is due to lower rubber prices, we believe some of it is also due to the lower cost of rubber from Cote d'Ivoire compared to Thailand and other countries. This trend suggests increased competition and a potential shift in production bases, posing challenges for Thailand's rubber industry.

Exhibit 31: Major natural rubber consuming countries in 2023



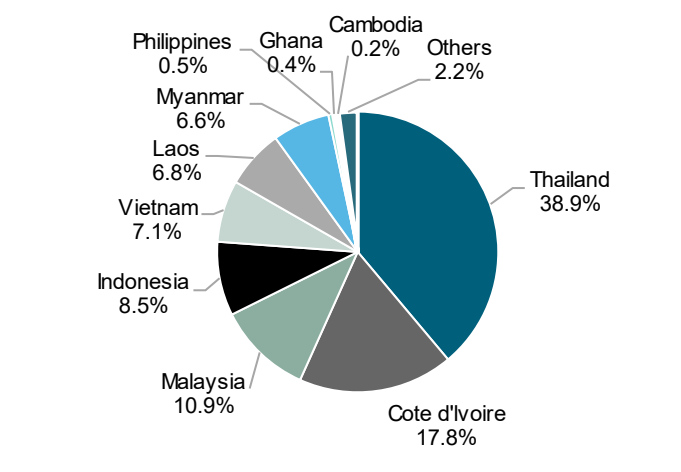
Sources: IRSG, FSSIA's compilation

Exhibit 32: Major natural rubber importing countries in 2023



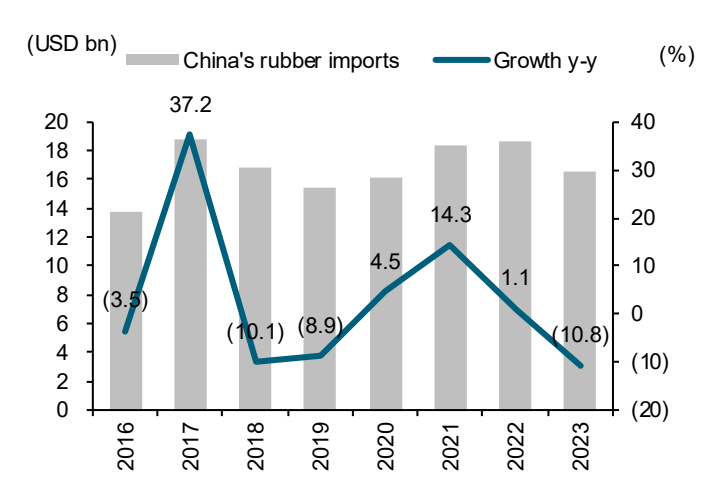
Sources: World's Top Exports, FSSIA's compilation

Exhibit 33: Natural rubber imports into China by country in 2023



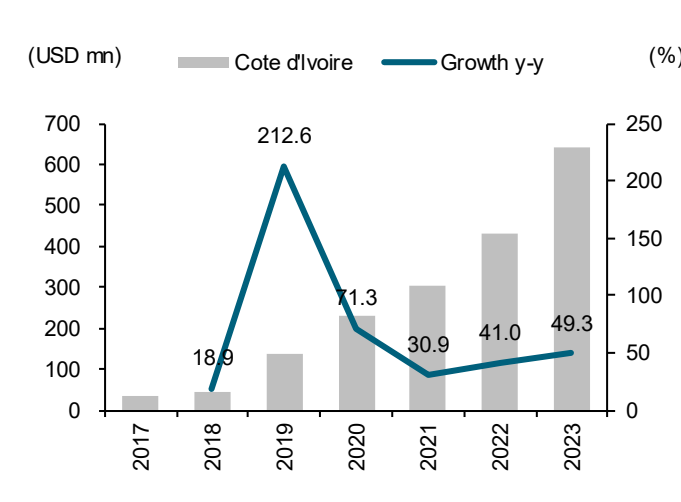
Sources: World's Top Exports, FSSIA's compilation

Exhibit 34: China's yearly rubber imports and growth



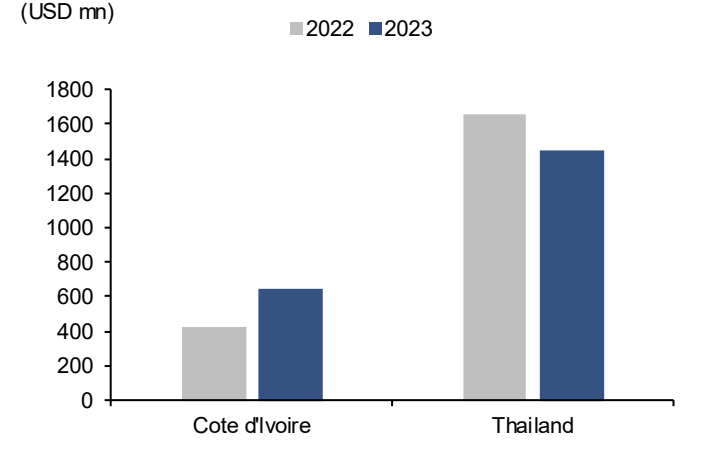
Sources: Trading Economic, FSSIA's compilation

Exhibit 35: China's rubber imports from Cote d'Ivoire



Sources: Trading Economic, FSSIA's compilation

Exhibit 36: China's rubber imports from Thailand and Cote d'Ivoire

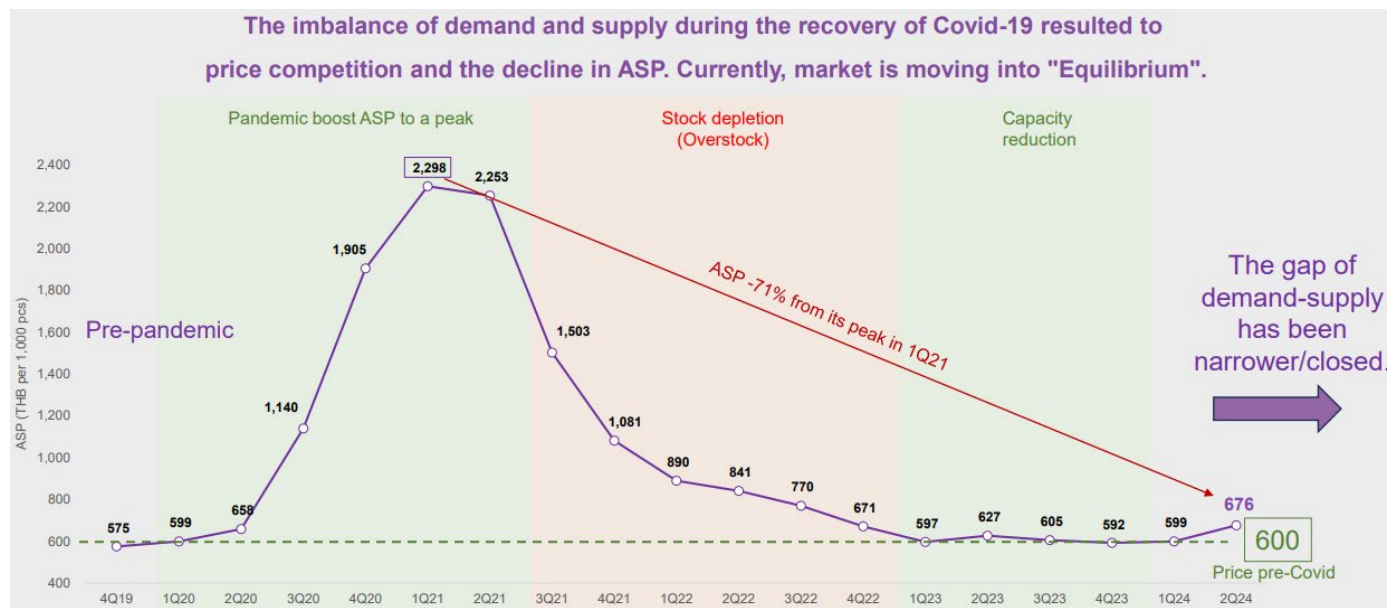


Sources: Trading Economic, FSSIA's compilation

## Global rubber glove market is expected to grow at 10% CAGR

In the past, the demand for rubber gloves grew at an average rate of 8-12% per year, driven by both medical gloves and other industries such as food production, electronics, and restaurants. During the COVID-19 pandemic, the price of medical rubber gloves surged to a record high of USD76/1,000 pieces or THB2,298/1,000 pieces in 1Q21, an increase of 289% y-y. As the COVID situation improved, along with increased production capacity from existing manufacturers and the entry of new players, an oversupply emerged, leading to a gradual decline in the selling prices of rubber gloves back to pre-COVID levels of USD17.7/1,000 pieces or THB637/1,000 pieces in 1H24.

### Exhibit 37: Selling price movement of rubber gloves



Sources: STGT's 2Q24 presentation

Research and Markets forecasts that the global medical glove market will grow at an average rate of 10.1% CAGR over the next six years, reaching USD46.9b by 2030. Currently, the main manufacturers of medical gloves are based in Malaysia, which holds about 65% of the global market share. Other significant producers include China (20%), Thailand (10%), and Indonesia (3%). Major companies in the industry include Top Glove, Hartalega, Kossan, Supermax, STGT, Intco Medical Technology, and Blue Sali Medical, among others.

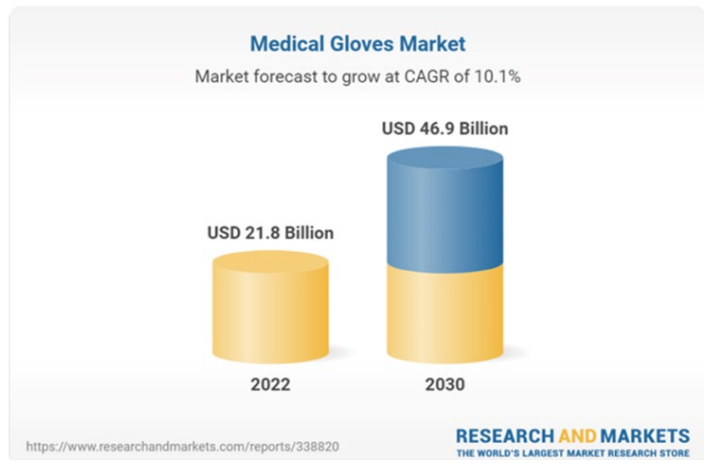
A key development to watch is the announcement in September 2024 by the United States Trade Representative (USTR) that import duties on medical gloves from China will increase to 50% in 2025, with a further rise to 100% in 2026, up from the current 7.5%. This is a positive for producers in Thailand and Malaysia. In 2023, the US imported medical gloves (HS code 4015) valued at cUSD2.2b, with the largest share coming from Malaysia (47%), follow by Thailand (28%) and China (22%).

This tariff increase is expected to drive up the price of imported gloves from China, which presents an opportunity for STGT, the leading producer and exporter of medical gloves in Thailand. On the other hand, if China shifts to focus on other markets, competition in the nitrile glove market from other countries may increase. However, STGT derives 75% of its revenue from natural rubber gloves and 25% from nitrile gloves, so it is likely to face less competition in the natural rubber glove segment. Moving forward, it will be important to monitor whether the US will impose additional tariffs on Chinese goods.

Note: Nitrile gloves are made from nitrile butadiene rubber (NBR), a synthetic rubber, and provide an alternative for those allergic to natural rubber proteins. STGT produces powder-free nitrile gloves.

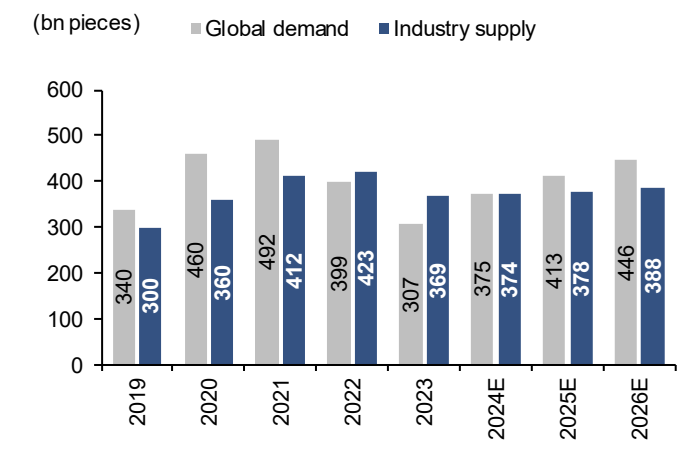


Exhibit 38: Global medical glove market growth estimated in 2030



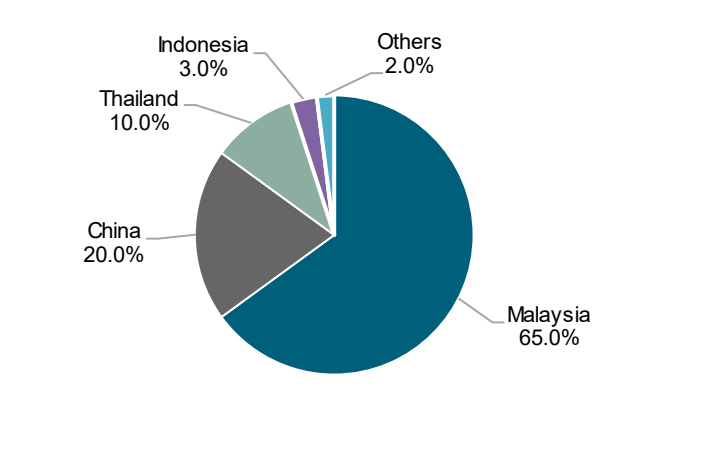
Sources: Research and Markets, FSSIA's compilation

Exhibit 39: Global glove demand and supply



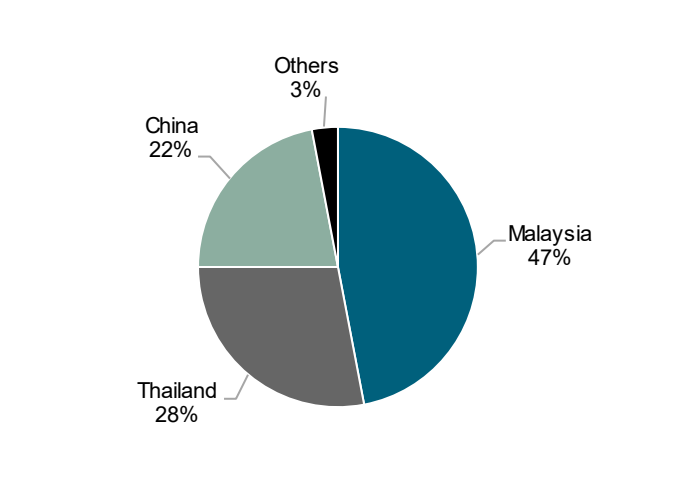
Sources: Malaysian Rubber Glove Manufacturers Association (MARGMA)

Exhibit 40: Market share of rubber glove manufacturing by country in 2022



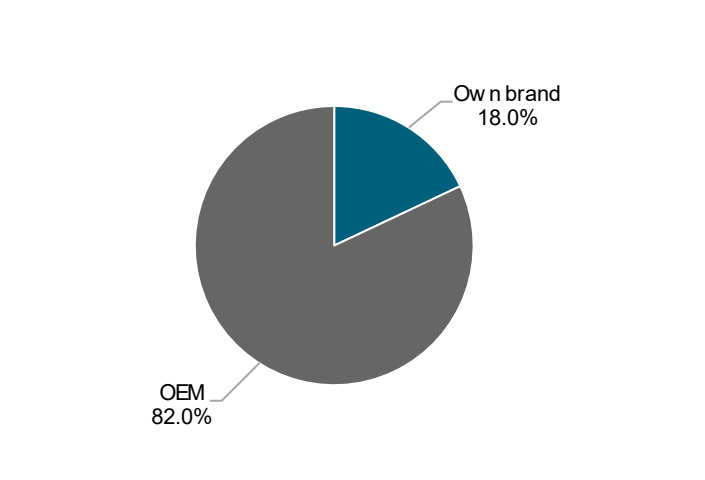
Sources: STGT's 2023 One Report, FSSIA's compilation

Exhibit 41: US rubber glove import value by country in 2023



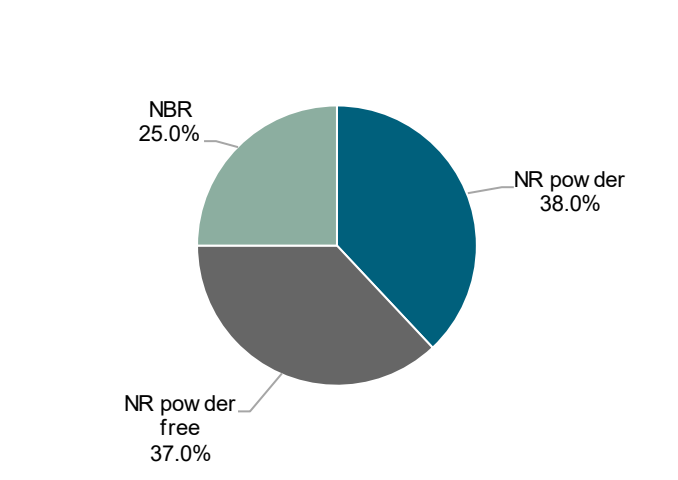
Source: Trade.gov

Exhibit 42: STGT's revenue breakdown by customer in 2Q24



Sources: STGT, FSSIA's compilation

Exhibit 43: STGT's revenue breakdown by type of glove 1H24



Sources: STGT, FSSIA's compilation

The delay in the EUDR reduces Thailand’s short-term advantage

The EU Deforestation Regulation (EUDR) is a European Union regulation concerning deforestation-free products, focusing on the traceability of the supply chain for imported commodities to ensure they do not come from deforested areas. This regulation has been in effect since 2020 for seven specific products: natural rubber, palm oil, beef, cocoa, coffee, peanuts, and timber. Recently, the European Parliament decided to postpone its implementation from 30 December 2024, to 30 December 2025, delaying enforcement by 12 months to allow exporters in each country more time to adjust.

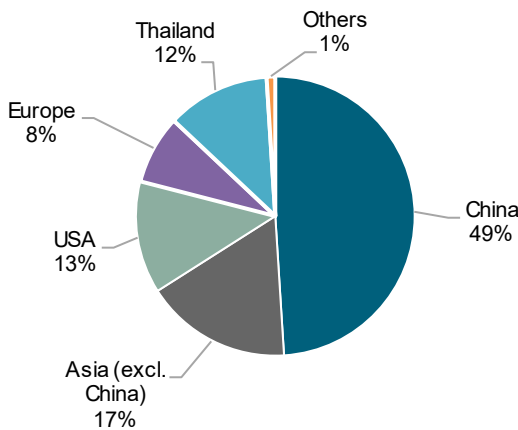
For STA, it can be said that the company is one of the most developed and communicative in terms of ESG information within the agricultural and food sector. STA has successfully adapted to meet EUDR requirements and began selling EUDR-compliant rubber starting in 2Q24. In 3Q24, STA’s sale volume of EUDR rubber accounted for 16.5% of total revenue.

Due to the limited supply of rubber meeting EUDR standards, coupled with the costs involved in managing traceability back to the source or origin of the raw materials, the current selling price of EUDR rubber is determined using a cost-plus method, with an additional profit margin for the producers. The price is estimated to be about 17-20% higher than the SICOM reference price. Management has indicated that the current gross margin for EUDR rubber is no less than 15%, compared to 8-12% for non-EUDR rubber.

Although the decision has been made to delay the EUDR implementation by another 12 months, which has led to Chinese and other Asian customers halting their orders for EUDR rubber and switching back to non-EUDR, there are still four major customers – France, Germany, Italy, and the US – that continue to purchase EUDR rubber from STA according to previously agreed plans. These customers have also signaled their intention to continue purchasing in 2025, as they aim to apply their products to meet EUDR standards. Management guided that the sales volume of EUDR rubber in 4Q24-1H25 would be around 10,000–15,000 tonnes per month, or 10–11% of the total sales volume.

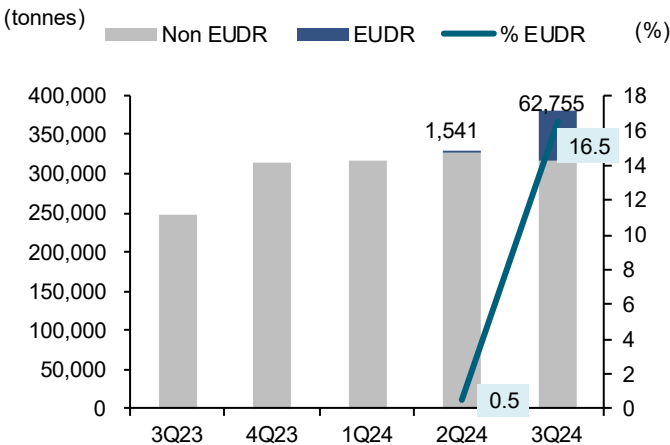
However, we believe there is a high possibility that competitors from other countries will be able to adjust and comply with EUDR standards as Thailand has done. As the volume of EUDR rubber production increases in the future, we anticipate that the selling price will adjust according to demand-supply dynamics, and it is likely that the gross profit margin will not be sustainable at the current level of 15% in the long term. Nevertheless, due to the cost structure of producers, particularly the traceability verification costs, the price of EUDR rubber may not be as volatile as non-EUDR rubber has been in the past. We believe it will take several more years before the global market (not just Europe) will solely use EUDR rubber.

Exhibit 44: STA’s revenue contribution by destination in 2023



Sources: STA, FSSIA’s compilation

Exhibit 45: STA’s EUDR rubber sales volumes in 2Q-3Q24

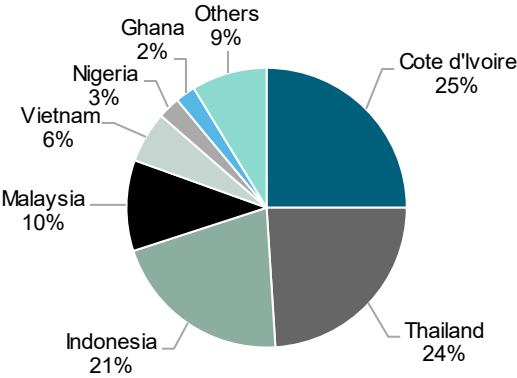


Sources: STA, FSSIA’s compilation

The rubber industry in Europe

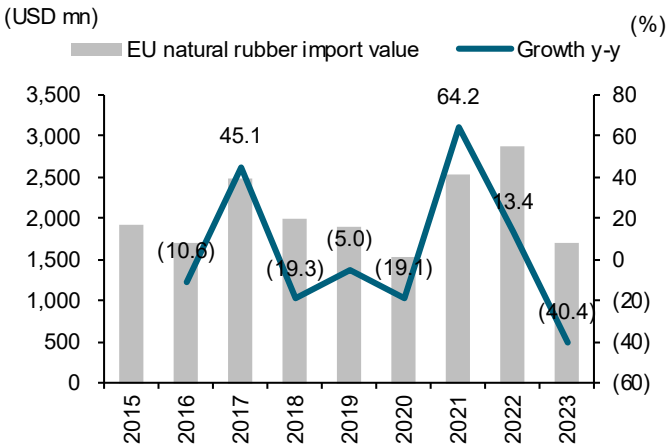
Since the EUDR standard is specific to the European Union, we have further analyzed the significance of the European market. European countries are import-dependent when it comes to natural rubber, accounting for 100% of the regional demand. In 2023, the value of natural rubber imports into Europe was USD1.71b, with the largest share coming from Cote d'Ivoire, accounting for 25% of total rubber imports. This was followed by Thailand (24%), Indonesia (21%), and Malaysia (10.5%). The import value has declined significantly from 2023 due to the slowdown in the automotive industry, where natural rubber is used in the production of tires, accounting for 75% of rubber consumption.

Exhibit 46: EU's natural rubber imports by country in 2023



Sources: Trendeconomy, FSSIA's compilation

Exhibit 47: EU's natural rubber import value

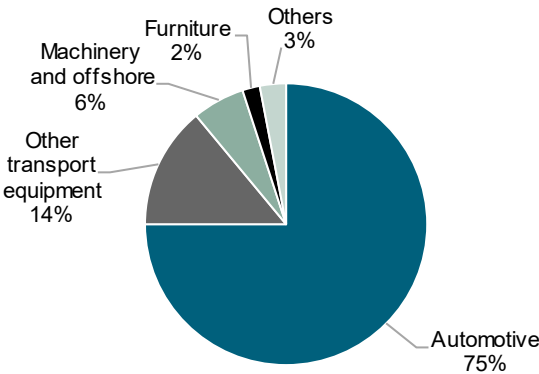


Sources: Trendeconomy, FSSIA's compilation

In 2023, the value of rubber imports from Thailand was USD426m, representing 10% of Thailand's total exports. This is similar to the US, which is Thailand's second-largest export market. Although Europe's share is smaller than that of China, which is Thailand's primary market, Europe remains an important export destination for Thailand.

However, Europe is not the world's largest consumer and importer of rubber, meaning it may not have a significant long-term impact on global rubber price changes. That said, if other countries – such as the US, Japan, India, and especially China – adopt the EUDR standard, coupled with a strong global economic recovery, this could have a positive impact on the global rubber price trend, leading to a more sustainable increase in prices.

Exhibit 48: Main uses of natural rubber in the EU in 2022



Sources: AidEnvironment, FSSIA's compilation

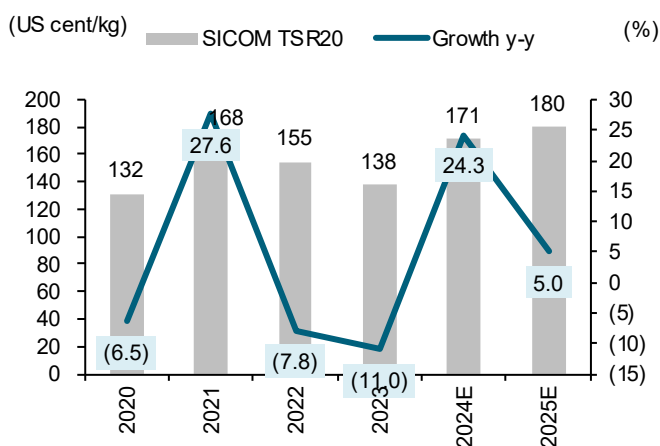
## The direction of rubber prices remains favorable

The average SICOM TSR20 rubber price for 2024 YTD is US cents 171/kg (+24.6% y-y), driven by a low base in 2023 and tight global rubber supply due to factors such as drought in Thailand and leaf fall disease in Indonesia. Although the overall demand remains subdued, we saw a strong price increase in 3Q24, partly due to preparations for the EUDR standards (before the delay was announced in October), leading to a buying rush in 2H24 and pushing prices higher.

We expect the SICOM TSR20 rubber price to increase slightly in 2025 compared to 2024. Initially, we assume that the average price will be US cents 180/kg (+5% y-y), which is in line with the lower price range forecast by STA, which expects the price to be between US cents 180-190/kg. The main supporting factors are as follows:

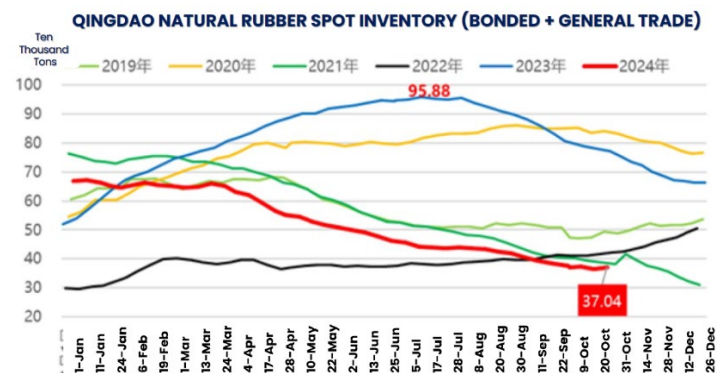
1. **Global and Chinese economic recovery:** We expect a recovery in the global economy and China's economy as inflation starts to ease and central banks in various countries gradually lower interest rates, which should positively impact consumer purchasing power. Meanwhile, China's rubber stock is at a low level, due to the sluggish economic conditions since the COVID-19 pandemic.
2. **Car sales growth:** Global car sales in 2025 are expected to grow by 3-4% y-y from 86 million units in 2024. S&P Global forecasts over 94 million units in 2025, while Statista projects 99 million. Many automakers expect a new high in 2025, with significant growth driven by EVs. EV sales in 2024 are expected to reach around 17 million units (about 20% of total global car sales), which would support higher demand for natural rubber.
3. **Increased rubber production in Thailand:** The IRSG expects Thai rubber production to increase by about 3-4% y-y. due to better weather conditions, after facing drought in 2023. However, global rubber production is likely to rise more slowly, as Indonesia's rubber output continues to decline due to ongoing leaf fall disease issues.
4. **Rising palm oil prices:** The market expects global palm oil prices to rise in 2025 due to tight supply and increased demand for biodiesel production in Malaysia and Indonesia. As a result, farmers are likely to switch from planting rubber to oil palm, continuing a trend seen in both countries.

Exhibit 49: Projected SICOM TSR20 price in 2025



Sources: Bloomberg, FSSIA estimates

Exhibit 50: China's natural rubber inventory at Qingdao



Source: NER's presentation (nenghua.mysteel.com)

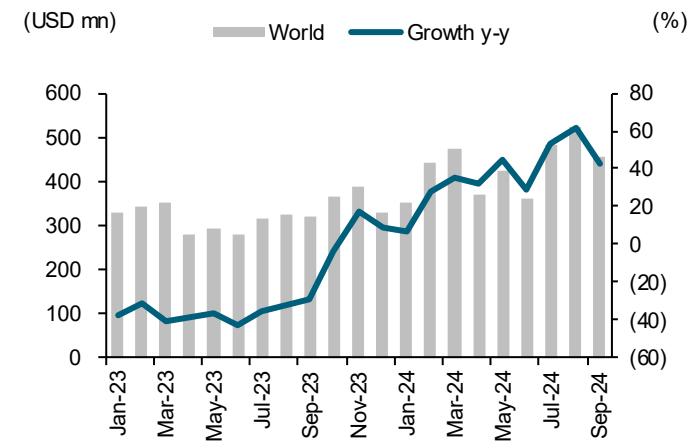
### Thailand’s rubber exports should continue growing

Thailand’s rubber export value in 9M24 was USD3.89b (+37% y-y), with growth seen across all major markets, led by Japan (62.6%), the US (55.6%), Malaysia (31.9%), and China (13.6%). However, when considering the export volume in 9M24, it grew by 8.8%, indicating that the strong export performance was mainly driven by a 26% increase in selling prices (similar to the SICOM price trend).

We initially expect Thailand’s rubber export value for 2024 to reach around USD4.8b (+22% y-y). While this represents strong growth from the previous year, it is still about 12% lower than in 2022, due to a 15% decline in the export volume compared to that year. Exports to China, the US, Malaysia, South Korea, Europe, and Brazil are still lower than in 2022.

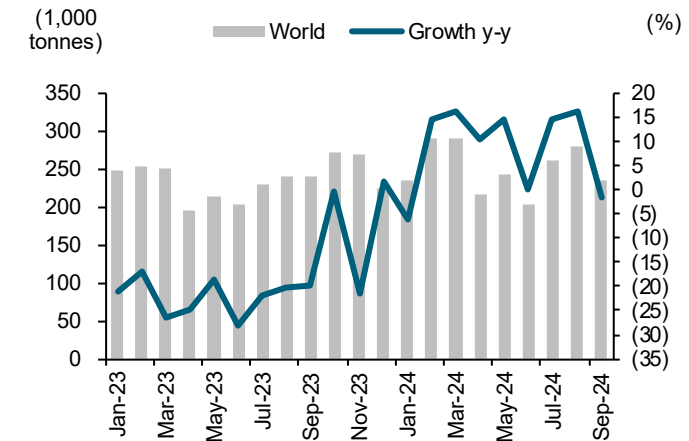
Therefore, if SICOM rubber prices remain stable, particularly in 2H25, we may see a rush to purchase rubber before the EUDR standards are enforced (similar to the situation in 2H24). If rubber demand gradually recovers as we expect, this would positively impact Thailand’s rubber export value in 2025.

Exhibit 51: Thailand’s rubber export value and growth



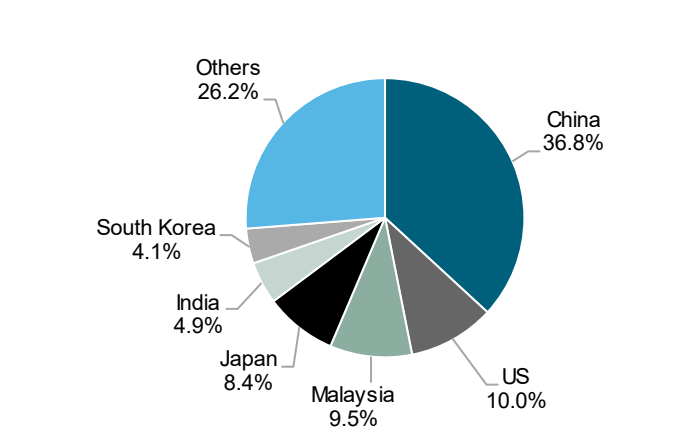
Sources: Tradereport, MOC, FSSIA’s compilation

Exhibit 52: Thailand’s rubber export volume and growth



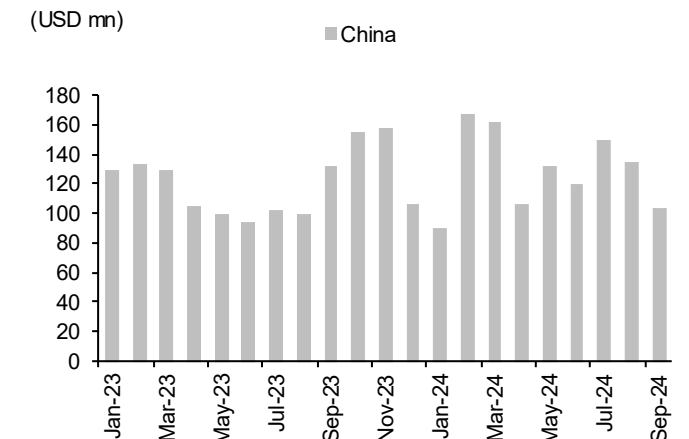
Sources: Tradereport, MOC, FSSIA’s compilation

Exhibit 53: Thailand’s rubber export value by destination



Sources: Tradereport, MOC, FSSIA’s compilation

Exhibit 54: Thailand’s rubber exports to China by value



Sources: Tradereport, MOC, FSSIA’s compilation



## Expect 4Q24 profit to recover for both NR and gloves

**Glove business:** We expect the glove business to turn profitable in 4Q24, with increased glove sales following the resolution of shipping issues. This has led to an improvement in the utilization rate estimate for 4Q24 to 86-88%, up from 77% in 3Q24. We also expect glove rubber prices to increase by 2-3% q-q, following higher latex costs. The gross margin for gloves should recover to 10% from 5.1% in 3Q24, driven by inventory adjustments after the Thai baht weakened slightly.

**NR business:** Despite the delay of the EUDR, four major customers continue to purchase EUDR rubber as planned. Management has guided that the average monthly EUDR sales in 4Q24-1H25 will be 10,000-15,000 tonnes, accounting for about 10-11% of total sale volumes. Although this is lower than the 62,755 tonnes (16.5% of total sales) sold in 3Q24, it still reflects that tire manufacturers in developed countries value and support sustainable business practices across the supply chain, as EUDR rubber prices remain higher than non-EUDR. In addition, the 4Q-1Q period is when customers typically stockpile rubber ahead of the winter season in 2Q. As a result, we expect the total sales volume in 4Q24 to increase by 10% q-q and 34% y-y. We project the average price of SICOM TSR20 in 4Q24 to be US cents 194.6/kg (+11% q-q, +34% y-y). Rubber cup lump prices should also rise by 5.8% q-q and 31% y-y. Overall, we expect the continued strong performance of NR in terms of revenue and profits.

**End of 2024 outlook:** We forecast STA's 2024 net profit to be THB1.79b, a recovery from the loss of THB434m in 2023.

### Exhibit 55: STA – 4Q24 earnings preview

	4Q23	1Q24	2Q24	3Q24	4Q24E	----- Change -----		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	21,709	23,678	25,821	31,619	32,459	2.7	49.5	84,245	113,575	34.8
Cost of sales	19,727	21,805	22,675	28,327	29,018	2.4	47.1	76,082	101,919	34.0
Gross profit	1,982	1,873	3,146	3,292	3,441	4.5	73.6	8,163	11,656	42.8
SG&A	2,285	1,789	1,996	2,047	2,110	3.1	(7.7)	8,063	7,942	(1.5)
Operating profit	(189)	129	1,218	1,308	1,396	6.7	nm	469	3,998	751.9
Interest expense	341	391	435	452	452	(0.0)	32.5	1,422	1,728	21.6
Tax expense	(72)	(40)	93	18	21	18.7	nm	(71)	90	226.0
Reported net profit	(422)	(330)	628	517	983	90.0	nm	(434)	1,789	511.8
Core profit	(301)	(183)	725	995	983	(1.2)	nm	(441)	2,510	669.0
<b>Key Ratios (%)</b>						<b>(ppt)</b>	<b>(ppt)</b>			
Gross margin	9.1	7.9	12.2	10.4	10.6	0.2	1.5	9.7	10.3	0.6
SG&A to Sales	10.5	7.6	7.7	6.5	6.5	0.0	(4.0)	9.6	7.0	(2.6)
Operating margin	(0.9)	0.5	4.7	4.1	4.3	0.2	5.2	0.6	3.5	3.0
Net margin	(1.9)	(1.4)	2.4	1.6	3.0	1.4	5.0	(0.5)	1.6	2.1
Core margin	(1.4)	(0.8)	2.8	3.1	3.0	(0.1)	4.4	(0.5)	2.2	2.7
<b>Operating Statistics</b>										
Revenue from TSR	15,184	16,447	18,653	23,202	23,825	2.7	56.9	60,558	82,127	35.6
Revenue from RSS	1,179	1,152	1,404	1,834	1,816	(1.0)	54.1	4,095	6,206	51.5
Revenue from gloves	5,239	6,001	5,666	6,389	6,636	3.9	26.7	19,035	24,692	29.7
Revenue from LTX	62	63	51	159	162	2.1	163.9	355	435	22.7
<b>Natural rubber</b>										
Sales volumes (tonnes)	313,656	317,872	329,376	380,565	401,286	5.4	27.9	1,306,494	1,429,099	9.4
Non-EUDR	313,656	317,872	327,835	317,810	401,286	26.3	27.9	1,306,494	1,324,803	1.4
EUDR	0	0	1,541	62,755	40,000	(36.3)	nm	0	104,296	nm
ASP (USD/tonne)	1,461	1,552	1,692	1,862	1,950	4.7	33.5	1,425	1,740	22.1
SICOM TSR20 (US cents/kg)	145.3	157.3	168.3	175.4	194.6	10.9	33.9	137.6	171.0	24.3
<b>Gloves</b>										
Sales volumes (m pieces)	8,840	10,091	8,429	9,593	10,000	4.2	13.1	31,384	38,113	21.4
ASP (USD/1,000 pieces)	16.7	16.9	18.5	18.9	19.5	3.2	16.8	17.5	18.4	5.1
GM - Natural rubber (%)	7.9	7.7	10.8	11.8	10.8	(1.0)	2.9	9.4	10.5	1.1
GM - Gloves (%)	10.3	8.4	13.5	5.1	9.9	4.8	(0.4)	10.5	9.3	(1.2)

Sources: STA, FSSIA estimates

2025 profit estimate excludes EUDR rubber premium

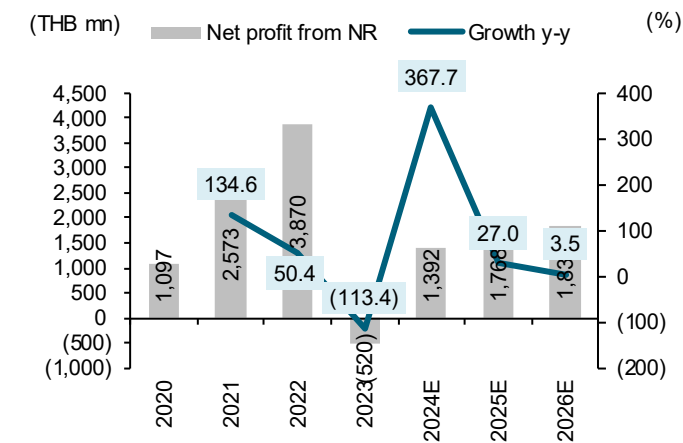
**Glove business** – STGT targets 15% y-y growth in the sales volume for 2025. In addition to global demand for rubber gloves, which the company expects to grow by 10% annually, STGT is likely to benefit from the US increasing import tariffs on medical rubber gloves from China to 50% (up from 7.5%) starting in early 2025. We believe STGT's revenue share from US customers will increase from the current 10% of total revenue. While raw material prices in 2025 should remain high or rise slightly, the company expects to pass on these costs by raising prices. Therefore, we anticipate that rubber glove prices will continue to increase by 3% y-y to USD19/1,000 pieces, the highest in three years since the post-COVID period. We forecast STGT's net profit for 2025 to be at THB1.39b (+97% y-y), representing strong growth from the low base.

In addition, the company is pushing for EUDR-certified glove sales, which started in 2024 and are expected to increase in 2025. Although the proportion is still small, and the current selling price of EUDR gloves is not at a premium over non-EUDR gloves, we are optimistic because it reflects good ESG practices and continuous development.

**Natural business** – STA continues to expand its production capacity for both TSR and latex to support the growth of the NR and STGT businesses. Production capacity is expected to increase by 7% in 2025 to 4.14 million tonnes, according to management. We maintain a positive outlook for the NR business in 2025, driven by expectations of a global economic recovery and a gradual recovery in the automotive industry in 2H25. In addition, customer rubber stock levels in China are low, and we anticipate more customers shifting orders from Indonesia to Thailand due to Indonesia's ongoing production issues. We expect the sales volume in 2025 to increase by 8.2% to 1.54 million tonnes, with continued sales of EUDR rubber accelerating in 2H25. However, we are using conservative assumptions for rubber selling prices and gross margins compared to management's target, basing the rubber selling price at USD1,820/tonne (+5% y-y), in line with SICOM rubber price trends. We expect a gross margin of 10.6% in 2025 (assuming the EUDR rubber margin is the same as non-EUDR). As a result, we forecast the NR net profit for 2025 at THB1.76b (+27% y-y).

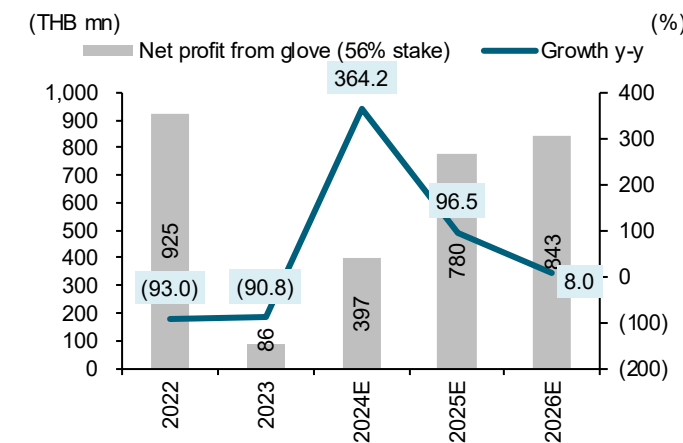
**Overall conclusion for both main businesses:** We forecast STA's total net profit for 2025 to be THB2.54b (+42% y-y), marking the highest profit in the past three years.

Exhibit 56: Net profit from natural rubber business



Sources: FSSIA estimates

Exhibit 57: Net profit from glove business

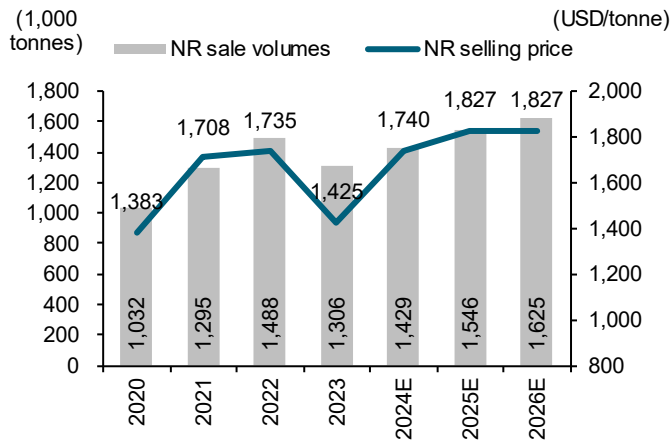


Sources: FSSIA estimates

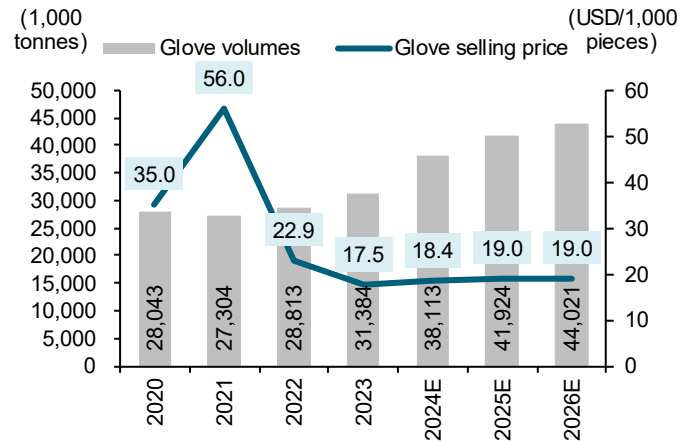
## Exhibit 58: Key assumptions for STA

	Actual	Forecast			Growth		
	2023 (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	84,245	113,575	119,879	125,940	34.8	5.6	5.1
Costs	76,082	101,919	107,119	112,284	34.0	5.1	4.8
Gross profit	8,163	11,656	12,760	13,657	42.8	9.5	7.0
SG&A expense	8,063	7,942	8,991	9,760	(1.5)	13.2	8.6
Interest expense	1,422	1,728	1,540	1,565	21.6	(10.9)	1.6
Profit sharing	(107)	95	120	126	nm	26.2	5.1
Other gain (-loss)	(32)	(675)	0	0			
FX gain (-loss)	39.26	(46)	0	0			
Reported net profit	(434)	1,789	2,544	2,652	nm	42.2	4.2
Core profit	(441)	2,510	2,544	2,652	nm	1.3	4.2
<b>Key ratios (%)</b>							
Total revenue growth	(23.9)	34.8	5.6	5.1			
Net profit growth	(109.1)	nm	42.5	4.9			
Core profit growth	(111.7)	nm	1.5	4.9			
Gross margin	9.7	10.3	10.6	10.9	0.6	0.4	0.3
SG&A to sales	9.6	7.0	7.5	7.8	(2.6)	0.5	0.3
Net margin	(0.5)	1.6	2.1	2.1	2.1	0.6	(0.0)
Core margin	(0.5)	2.2	2.1	2.1	2.7	(0.1)	(0.0)
<b>Operating statistics (THB m)</b>							
Revenue from TSR	60,558	82,127	86,339	90,742	35.6	5.1	5.1
Revenue from RSS	4,095	6,206	6,485	6,745	51.5	4.5	4.0
Revenue from gloves	19,035	24,692	26,220	27,531	29.7	6.2	5.0
Revenue from LTX	355	435	635	683	22.7	45.9	7.5
<b>Net profit breakdown (THB m)</b>							
Natural rubber	(520)	1,392	1,763	1,809	nm	26.7	2.6
Gloves (56% stake)	86	397	780	843	364.2	96.5	8.0
<b>Natural rubber</b>							
Sales volume (tonnes)	1,306,494	1,429,099	1,546,083	1,624,503	9.4	8.2	5.1
Non-EUDR	1,306,494	1,324,803	1,546,083	1,624,503	1.4	16.7	5.1
EUDR	0	104,296	0	0	100.0	(100.0)	0.0
ASP (USD/tonne)	1,425	1,740	1,827	1,827	22.1	5.0	0.0
SICOM TSR20 (US cents/kg)	137.6	171.0	179.6	179.6	24.3	5.0	0.0
<b>Gloves</b>							
Sales volume (m pieces)	31,384	38,113	41,924	44,021	21.4	10.0	5.0
ASP (USD/1,000 pieces)	17.5	18.4	19.0	19.0	5.1	3.0	0.0
GM - Natural rubber (%)	9.4	10.5	10.6	10.8	1.1	0.1	0.2
GM - Gloves (%)	10.5	9.3	10.8	11.0	(1.2)	1.5	0.2

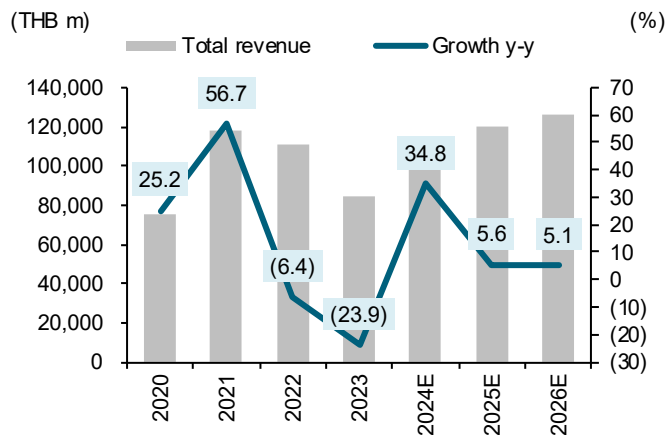
Source: FSSIA estimates

**Exhibit 59: NR – sales volume and selling price**

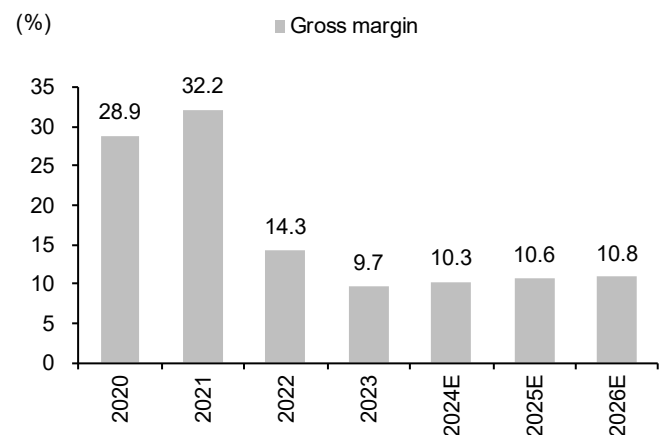
Sources: STA, FSSIA estimates

**Exhibit 60: Gloves – sales volume and selling price**

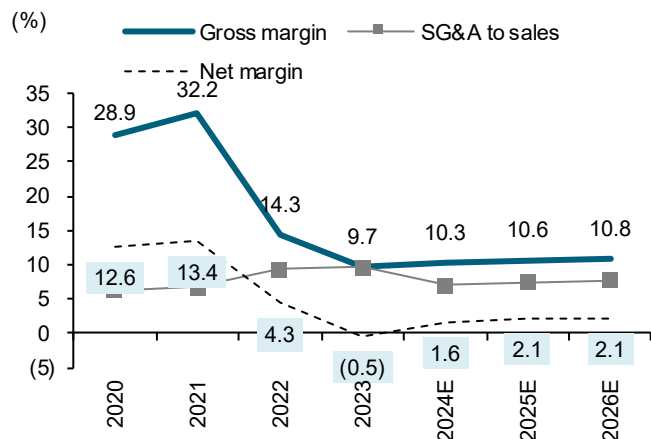
Sources: STA, STGT, FSSIA estimates

**Exhibit 61: Total revenue and growth**

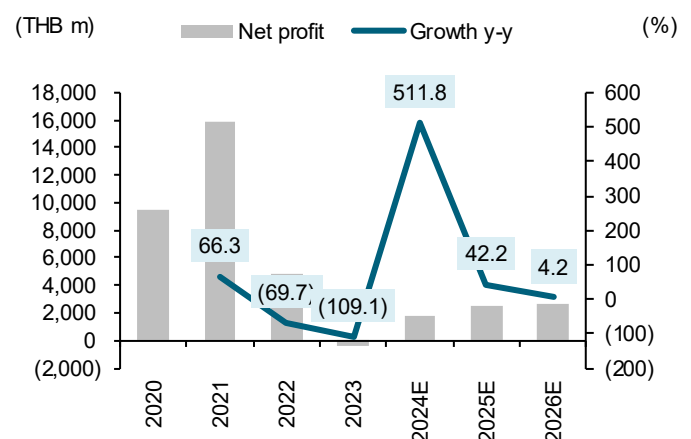
Sources: STA, FSSIA estimates

**Exhibit 62: Overall gross margin**

Sources: STA, FSSIA estimates

**Exhibit 63: Overall net margin**

Sources: STA, FSSIA estimates

**Exhibit 64: Total net profit and growth**

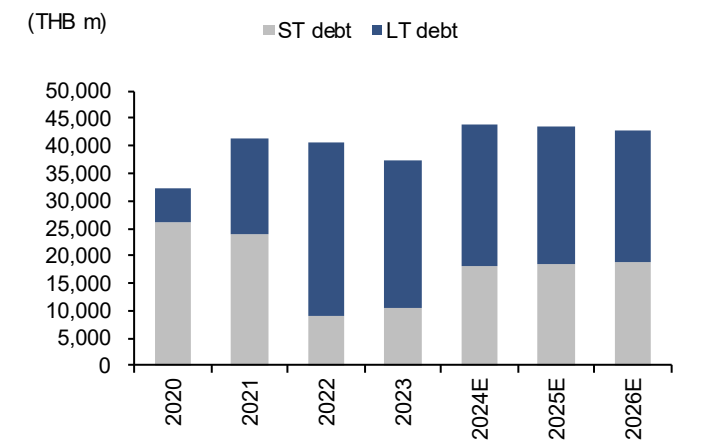
Sources: STA, FSSIA estimates

Good financial position

STA has a good liquidity position. As of 9M24, the company had a current ratio of 1.82x and interest-bearing liabilities (excluding lease agreements) of THB44.3b, up from THB36.9b at the end of 2023. This increase was due to short-term loans from financial institutions to support working capital in response to higher rubber prices, resulting in an increase in inventory to THB33.5b (from THB26.9b at the end of 2023) in order to meet growing order volumes.

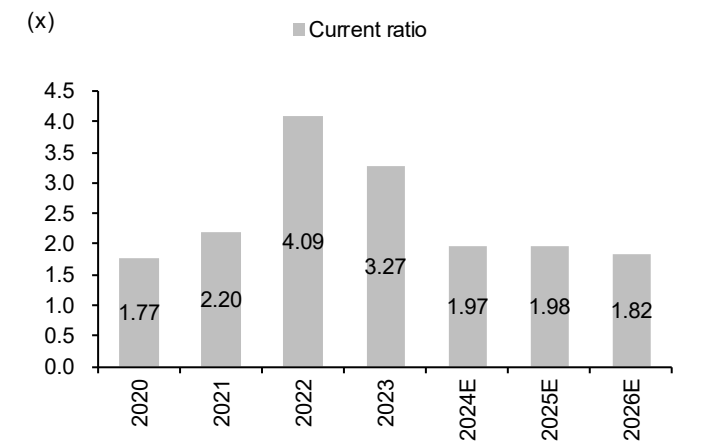
Most of the debt consists of THB24.5b in bonds and THB19.4b in loans from financial institutions. The D/E ratio and IBD/E ratio at the end of 9M24 stood at 1.1x and 0.89x, respectively. STA also has bonds maturing in 2025 worth THB5b. We expect the D/E ratio and IBD/E ratio at the end of 2024 to be 1.04x and 0.84x, respectively. The company holds cash totaling cTHB5b and expects the operating cash flow in 2024-25 to be THB3.5b and THB5.1b, respectively. The company plans to invest in a production capacity expansion, with 2024-25 investments of around THB3b-5b, and expects no issues with its financial situation.

Exhibit 65: Short-term and long-term debt



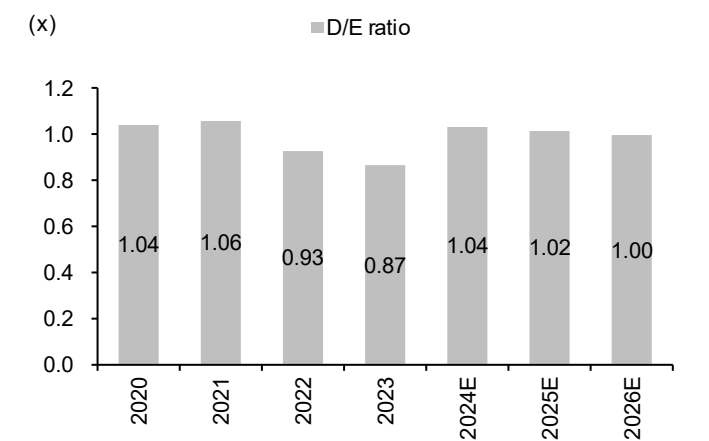
Sources: STA, FSSIA estimates

Exhibit 66: Current ratio



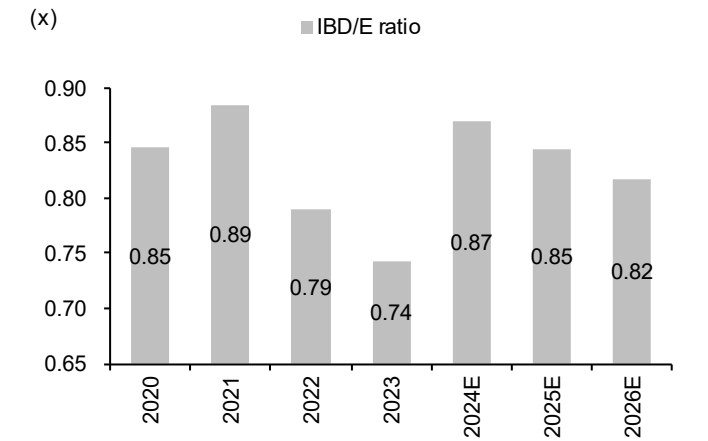
Sources: STA, FSSIA estimates

Exhibit 67: D/E ratio



Sources: STA, FSSIA estimates

Exhibit 68: Interest-bearing D/E ratio



Sources: STA, FSSIA estimates



## Sensitivity analysis of impact of rubber price and FX

From our study, we have found that several factors impact STA's profitability, including sales volumes, changes in rubber prices (both selling prices and raw material costs), and the exchange rate. When considering the relationship between these factors, we have found that rubber prices and exchange rates have the greatest impact on STA's performance.

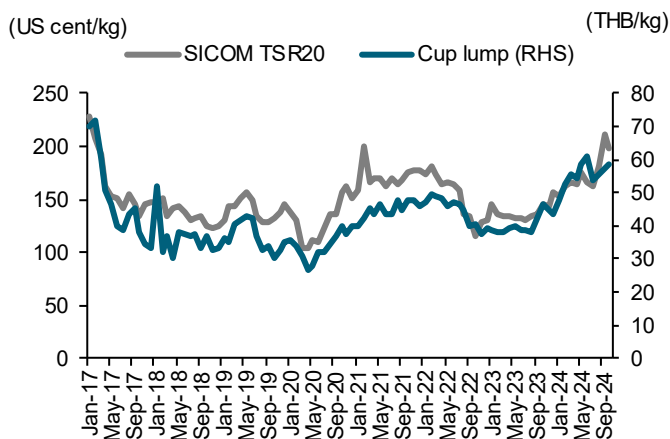
### #1: Rubber price

Natural rubber is one of the commodities traded in futures markets, which makes its price highly volatile. At times, the movement of global rubber prices (such as SICOM or TOCOM) may not align with the domestic rubber prices, which entail the raw material costs for STA. This is due to various factors affecting rubber prices differently, creating a significant risk to the company's operations. This is particularly critical since revenue from natural rubber products constitutes 77% of total revenue, while raw material costs from block rubber, sheet rubber, and latex make up 90% of production costs.

To manage this risk, the company has established a centralized raw material procurement network and implemented the "Sri Trang Friends" application for easier, more convenient, transparent, and simplified procurement of natural rubber. This ensures a sufficient supply of raw materials. The company also mitigates price risks by using futures contracts and forward contracts in the natural rubber futures market.

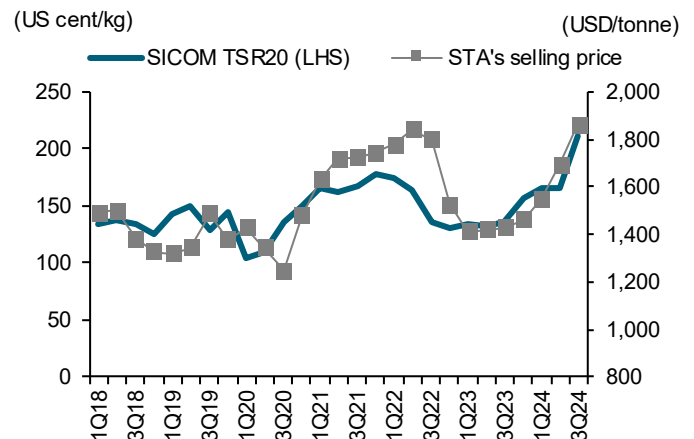
From our sensitivity analysis, if rubber costs increase by 5%, all else being equal (and assuming the company cannot raise selling prices), we estimate 2025 net profit to fall by 16.2%. However, due to the slight rubber deficit situation, we do not anticipate a scenario where the company cannot adjust its selling prices to reflect the rising raw material costs. In addition, the company has risk mitigation policies in place, such as using natural rubber futures contracts in the futures market.

**Exhibit 69: SICOM TSR20 and cup lump prices**

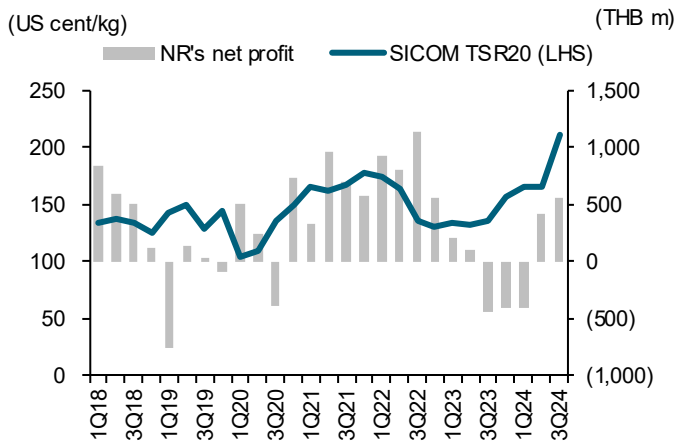


Sources: Bloomberg, Rubber Authority of Thailand, The Thai Rubber Association

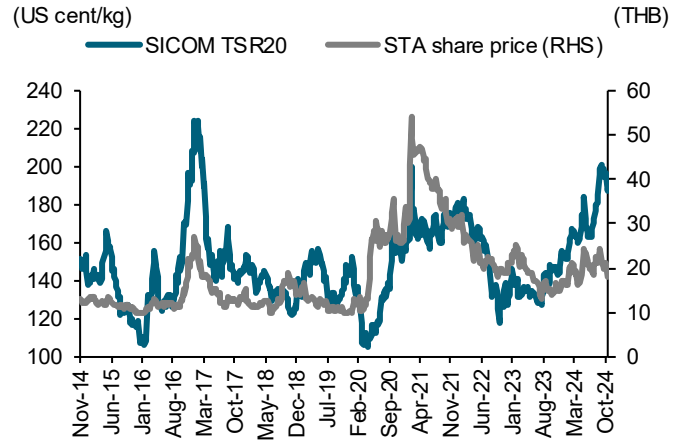
**Exhibit 70: SICOM TSR20 and STA's selling price**



Sources: Bloomberg, STA, FSSIA's compilation

**Exhibit 71: SICOM TSR20 and NR net profit**

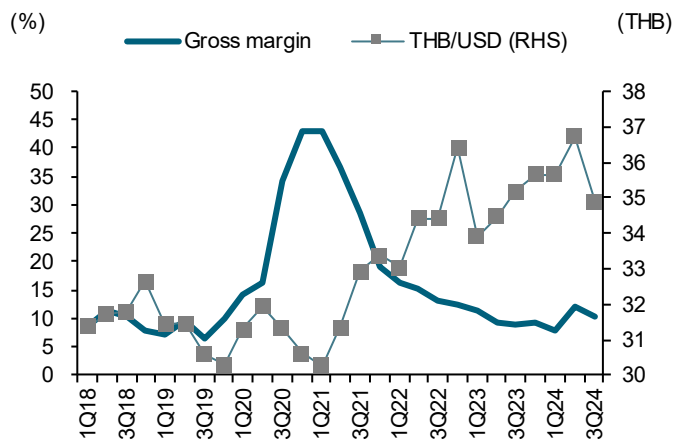
Sources: Bloomberg, STA, FSSIA's compilation

**Exhibit 72: STA's share price movement in line with rubber prices**

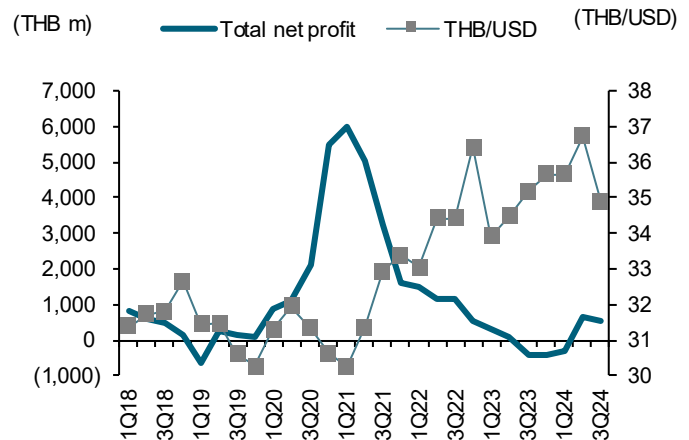
Sources: Bloomberg, FSSIA's compilation

**#2: Stronger Thai baht**

STA generates 85% of its revenue from exports and sales in USD, while the majority of its costs are in Thai baht. Therefore, when the Thai baht strengthens against the USD, it negatively impacts the company's financial performance. From our sensitivity analysis, for every THB1/USD appreciation, all else being equal, we estimate 2025 net profit to fall by 11%. However, the company is aware of this risk and has implemented a hedging policy using financial instruments to mitigate the exchange rate risk.

**Exhibit 73: THB/USD and gross margin**

Sources: Bloomberg, STA, FSSIA's compilation

**Exhibit 74: THB/USD and net profit**

Sources: Bloomberg, STA, FSSIA's compilation

## ESG analysis

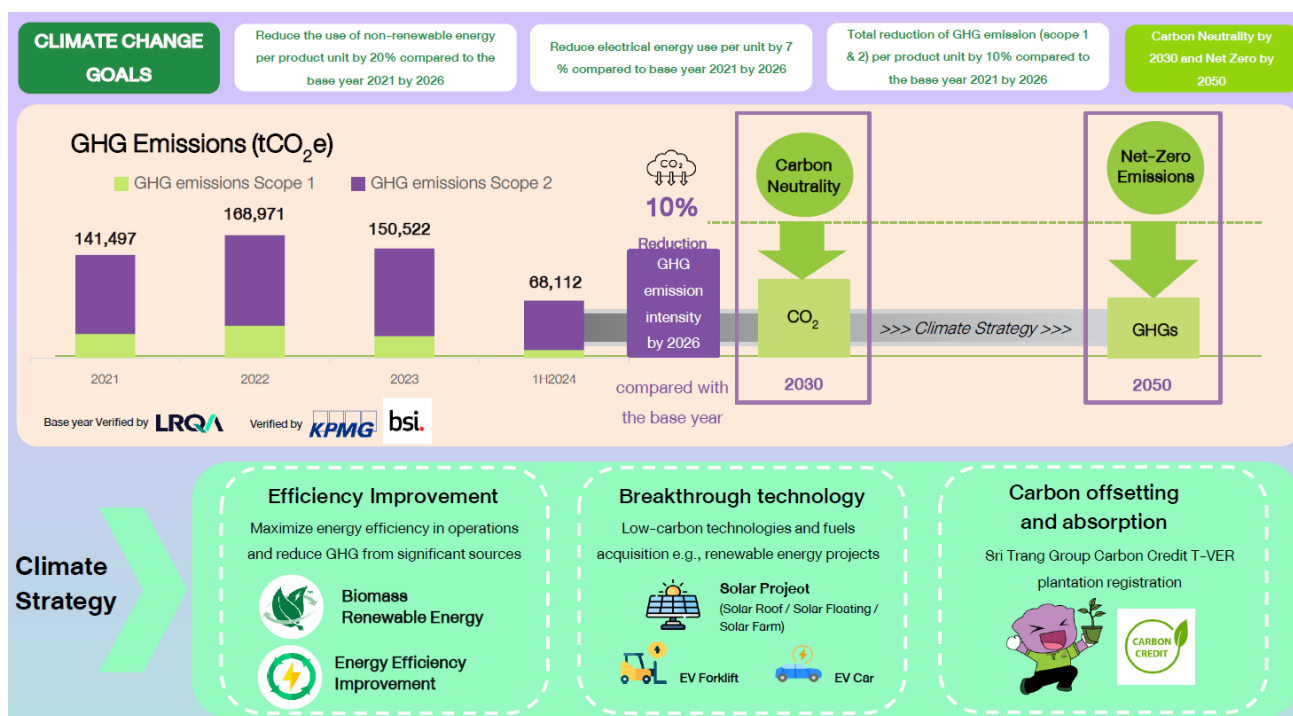
The natural rubber manufacturing and processing industry uses significant resources in its production process, including raw materials, energy, water, and machinery. It also generates odors and air pollution. The company has placed great emphasis on continuously controlling and reducing greenhouse gas (GHG) emissions. We view STA as one of the companies with the most prominent ESG development in the Thai stock market, as both STA and STGT have received an AAA rating from the SET ESG Rating. The company has set clear and concrete sustainability goals, being the first in the agricultural sector to do so. It has established operational guidelines and reports progress annually with specific targets as follows:

1. Reduce GHG emissions per unit of product by 10% by 2026 (compared to 2021 levels).
2. Increase the share of renewable energy used to more than 60% by 2026.
3. Achieve carbon neutrality by 2030 and net zero by 2050.

We are impressed by STA's sustainable business approach, including STGT. We note that STA has been able to adapt to regulations more quickly than its competitors in the same industry. For example, the Forest Stewardship Council (FSC) is a European standard that ensures products come from sustainably managed forests, where trees must be replanted or allowed to regenerate naturally. It also considers environmental impacts, wildlife, and surrounding communities. Products meeting this standard can be certified and use the FSC label. STA is the first integrated rubber company in the world to be fully certified with the FSC standard throughout its supply chain, from rubber plantations to medical rubber gloves, since 2019.

In addition, STA has successfully complied with the EUDR regulations and started selling rubber that met those criteria before they became mandatory, showcasing the company's preparedness and adaptability. This builds customer confidence in STA as a knowledgeable partner with high standards, reflecting its competitive strength.

### Exhibit 75: STA's climate change ambition toward net zero in 2050



Source: STA

Carbon credits are an opportunity

Carbon credits represent the next opportunity for the STA group. The company has expanded into upstream activities, such as rubber plantations, which not only secure raw materials but also help absorb greenhouse gasses. Recently, the group has registered for carbon credit certification under the Thailand Voluntary Emission Reduction Program (T-VER), a voluntary greenhouse gas reduction project based on Thailand's standards. Any project that reduces greenhouse gas emissions can register its reduction amount, known as carbon credits, with the Thailand Greenhouse Gas Management Organization (TGO) for sale in the carbon market.

Currently, the carbon credit market in Thailand is still small, but we have seen the volume of certified T-VER projects grow continuously, averaging a 29% CAGR from 2019-24. Many countries also have their own national carbon credit markets. In the future, we may see a global platform that connects buying and selling across countries, with a unified carbon credit price. According to Research and Markets, the global carbon credit market is expected to grow at an average 22.7% CAGR, reaching USD567m by 2030.

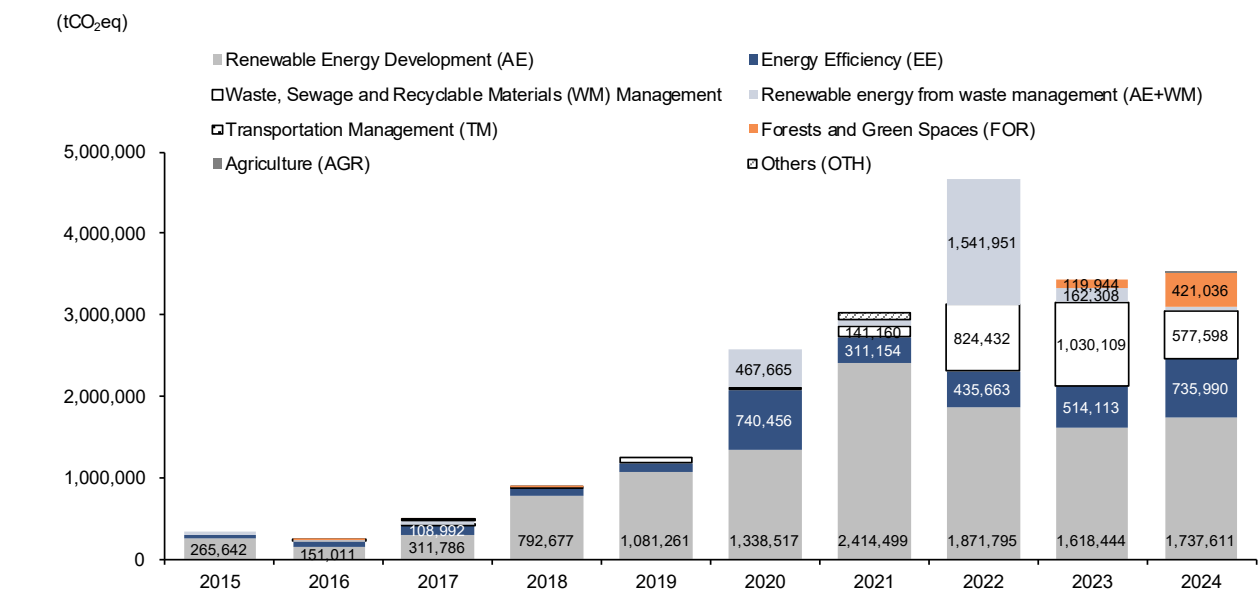
Thus, if STA can further reduce its greenhouse gas emissions, it will not only enhance its ESG image but also create opportunities to generate returns from selling carbon credits and reduce future risks related to carbon taxes.

Exhibit 76: Certified GHG in T-VER

Fiscal year	No. of certified projects	
	No. of certification requests (times)	Certified greenhouse gas emissions (tCO <sub>2</sub> eq)
2015	7	339,537
2016	15	249,612
2017	22	493,207
2018	27	887,523
2019	34	1,262,757
2020	50	2,578,321
2021	52	3,030,038
2022	59	4,673,841
2023	42	3,444,918
2024	41	3,535,918
Total	349	20,495,672

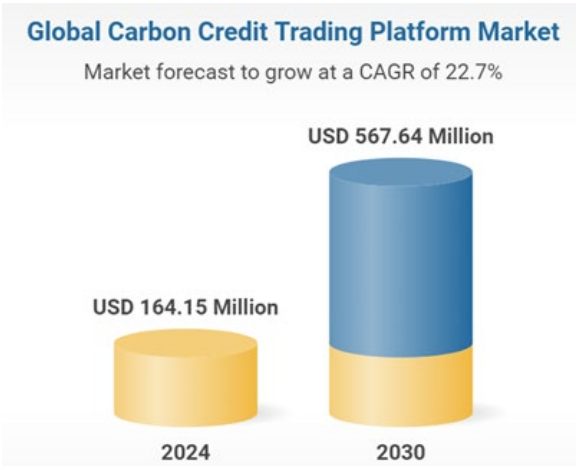
Source: Thailand Greenhouse Gas Management Organization

Exhibit 77: Project details of certified GHG in T-VER



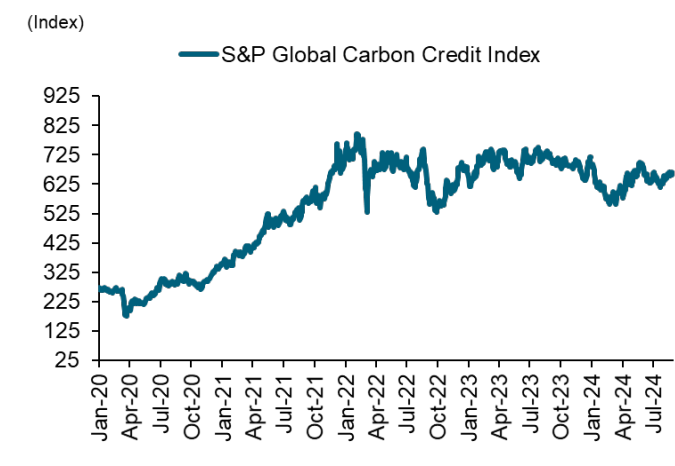
Source: Thailand Greenhouse Gas Management Organization

Exhibit 78: Global Carbon Credit Trading Platform Market



Sources: Researchandmarkets.com

Exhibit 79: S&A Global Carbon Credit Index



Sources: Bloomberg, FSSIA's compilation



# Sri Trang-Agro Industry PCL (STA TB)

## FSSIA ESG rating



### Exhibit 80: FSSIA ESG score implication

**60.94 /100**

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	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

### Exhibit 81: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET ESG	SET ESG Rating	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	67.71	5.69	4.38	4.05	4.77	4.43	4.02	Medium	57.34	BBB	22.70	60.82	67.31	1.19	35.34
Coverage	66.17	5.16	4.33	3.94	4.81	4.43	3.83	Medium	56.41	BBB	18.92	59.20	65.82	1.38	35.46
NER	30.00	--	Y	A	5.00	5.00	Certified	--	--	--	--	--	--	--	--
STA	60.94	--	Y	AAA	5.00	4.00	Certified	Low	57.05	--	--	64.49	54.00	--	--
STGT	68.21	--	Y	AAA	5.00	4.00	Certified	Low	69.14	BBB	--	79.76	59.00	--	64.37
TEGH	20.00	--	--	--	5.00	5.00	Certified	--	--	--	--	--	--	--	--
TRUBB	14.00	--	--	--	5.00	4.00	--	--	--	--	--	--	--	--	--

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

### Exhibit 82: ESG score by Bloomberg

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>ESG financial materiality scores - ESG score</b>	<b>1.92</b>	<b>2.11</b>	<b>3.10</b>	<b>3.31</b>	<b>3.49</b>	<b>3.65</b>	<b>4.29</b>	<b>—</b>
BESG environmental pillar score	0.00	0.00	1.42	2.64	2.87	2.83	3.49	—
BESG social pillar score	3.37	4.12	4.65	3.49	3.56	4.11	5.18	—
BESG governance pillar score	4.16	4.21	4.29	4.08	4.30	4.38	4.54	—
<b>ESG disclosure score</b>	<b>42.46</b>	<b>45.44</b>	<b>48.45</b>	<b>59.04</b>	<b>59.79</b>	<b>63.64</b>	<b>72.92</b>	<b>—</b>
Environmental disclosure score	18.21	26.06	25.82	55.06	57.32	61.01	68.65	—
Social disclosure score	27.93	29.02	35.79	38.36	38.36	39.93	60.19	—
Governance disclosure score	81.10	81.10	83.59	83.59	83.59	89.86	89.86	—
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes
GHG scope 1	—	—	—	35	15	33	44	30
GHG scope 2 location-based	—	—	—	200	82	109	125	120
GHG Scope 3	—	—	—	—	—	—	—	—
Carbon per unit of production	—	—	—	0	0	0	0	0
Biodiversity policy	No	No	No	No	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	404	450	602	706	627
Renewable energy use	—	—	—	200	210	299	354	305
Electricity used	—	—	57	159	175	217	250	241
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 83: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	2	3	0	0	0	0	0
Total waste	—	4	7	4	5	8	15	10
Waste recycled	—	1	—	0	1	1	2	1
Waste sent to landfills	—	2	3	0	0	0	1	1
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	2,300	2,090	2,090	1,830	1,350
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	Yes	No
Pct women in workforce	—	34	32	43	32	33	34	44
Pct disabled in workforce	—	0	1	1	1	0	0	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	1	—	—	—	—	—	—	1
Total recordable incident rate - employees	2	—	—	—	—	1	0	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	12,413	13,482	14,047	15,073	15,052	16,730	15,287	15,852
Employee turnover pct	—	6	3	2	2	3	3	—
Total hours spent by firm - employee training	265,886	519,192	51,974	55,016	210,728	204,980	535,045	713,340
Social supply chain management	No	Yes	Yes	Yes	Yes	Yes	Yes	No
<b>Governance</b>								
Board size	12	12	12	12	12	13	12	12
No. of independent directors (ID)	4	4	4	4	4	5	4	4
No. of women on board	0	1	1	1	1	1	2	2
No. of non-executive directors on board	4	4	4	4	4	5	4	4
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	7	7	9	7	9	8	8	7
Board meeting attendance pct	99	98	95	99	95	99	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	32	33	34	35	34	35	36	37
Age of the oldest director	78	79	80	81	82	83	71	72
No. of executives / company managers	8	16	16	13	11	12	12	9
No. of female executives	3	3	3	1	1	2	1	1
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	8	10	8	8	8	8	8	8
Audit meeting attendance %	96	97	100	100	100	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	3	3	3	3	3	3	3	3
No. of compensation committee meetings	2	2	2	2	2	2	2	2
Compensation meeting attendance %	100	100	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	2	2	2	2	2	2	2	2
Nomination meeting attendance %	100	100	100	100	100	100	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	No	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

# Sri Trang Gloves PCL (STGT TB)

FSSIA ESG rating

★★★★

Exhibit 84: FSSIA ESG score implication

68.21 /100

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

Sources: FSSIA estimates

Exhibit 85: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET ESG	SET ESG Rating	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	67.71	5.69	4.38	4.05	4.77	4.43	4.02	Medium	57.34	BBB	22.70	60.82	67.31	1.19	35.34
Coverage	66.17	5.16	4.33	3.94	4.81	4.43	3.83	Medium	56.41	BBB	18.92	59.20	65.82	1.38	35.46
NER	30.00	--	Y	A	5.00	5.00	Certified	--	--	--	--	--	--	--	--
STA	60.94	--	Y	AAA	5.00	4.00	Certified	Low	57.05	--	--	64.49	54.00	--	--
STGT	68.21	--	Y	AAA	5.00	4.00	Certified	Low	69.14	BBB	--	79.76	59.00	--	64.37
TEGH	20.00	--	--	--	5.00	5.00	Certified	--	--	--	--	--	--	--	--
TRUBB	14.00	--	--	--	5.00	4.00	--	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 86: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022	FY 2023
ESG financial materiality scores - ESG score	2.58	2.99	3.01	—
BESG environmental pillar score	1.83	2.05	1.84	—
BESG social pillar score	1.66	2.62	3.04	—
BESG governance pillar score	4.94	4.89	4.84	—
ESG disclosure score	54.47	62.77	62.88	64.37
Environmental disclosure score	53.01	71.22	71.55	72.40
Social disclosure score	26.69	33.40	33.40	37.03
Governance disclosure score	83.59	83.59	83.59	83.59
Environmental				
Emissions reduction initiatives	No	Yes	Yes	Yes
Climate change policy	No	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	Yes	Yes
GHG scope 1	17	33	44	30
GHG scope 2 location-based	82	109	125	120
GHG Scope 3	—	1,216	879	1,140
Carbon per unit of production	6	7	6	6
Biodiversity policy	No	No	No	Yes
Energy efficiency policy	No	Yes	Yes	Yes
Total energy consumption	5,002	5,238	706	2,258
Renewable energy use	213	293	354	305
Electricity used	247	255	250	868
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 87: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2020	FY 2021	FY 2022	FY 2023
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	No	Yes	Yes	Yes
Hazardous waste	4	1	1	1
Total waste	38	19	27	29
Waste recycled	1	0	0	0
Waste sent to landfills	28	7	8	9
Environmental supply chain management	No	Yes	Yes	Yes
Water policy	No	Yes	Yes	Yes
Water consumption	2,090	2,090	1,830	1,350
<b>Social</b>				
Human rights policy	Yes	Yes	Yes	Yes
Policy against child labor	No	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes
Consumer data protection policy	No	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	52	51	53	53
Pct disabled in workforce	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	No	Yes	Yes	Yes
Health and safety policy	No	Yes	Yes	Yes
Lost time incident rate - employees	1	0	0	1
Total recordable incident rate - employees	1	1	1	1
Training policy	No	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	7,839	9,738	8,180	9,399
Employee turnover pct	26	30	37	37
Total hours spent by firm - employee training	254,615	405,509	389,451	745,044
Social supply chain management	No	Yes	Yes	Yes
<b>Governance</b>				
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of women on board	3	3	3	3
No. of non-executive directors on board	9	7	8	8
Company conducts board evaluations	Yes	Yes	Yes	Yes
No. of board meetings for the year	7	10	8	6
Board meeting attendance pct	96	98	100	99
Board duration (years)	3	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	30	31	32	33
Age of the oldest director	66	67	68	69
<b>No. of executives / company managers</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>11</b>
No. of female executives	5	5	5	5
Executive share ownership guidelines	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3
Audit committee meetings	4	5	4	5
Audit meeting attendance %	100	100	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	1	2	2	2
No. of compensation committee meetings	1	2	2	2
Compensation meeting attendance %	100	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	4	2	3	2
Nomination meeting attendance %	100	100	100	100
<b>Sustainability governance</b>				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Valuation

We initiate coverage of STA with a BUY call and a 2025 target price of THB23, based on the Sum of the Parts valuation method. We apply a P/E of 11x for the natural rubber business and a P/E of 20x for the glove business (STGT). This target price implies a target P/BV of 0.68x, which is close to STA's historical average P/BV over the past five years of 0.7x.

The target P/E of 11x for the natural rubber business is slightly higher than STA's 10-year average of 10x. We have raised the multiple to reflect the company's positive ESG outlook, supported by its clear sustainability policies and strategies. These factors enable STA to adapt well to regulatory changes.

For the glove business, the target P/E of 20x is based on the 10-year average P/E of four major Malaysian glove producers (Top Glove, Hartalega, Kossan, and Supermax). The P/E range for glove companies tends to be wide due to the fluctuating performance in the sector.

We have used both P/E and P/BV as reference points for valuation due to the historical volatility of the company's earnings. This approach helps to provide a more balanced and careful assessment of the stock's fair value.

However, we caution investors to thoroughly understand the rubber industry before investing, as it is highly volatile. Key factors include fluctuations in raw material costs (which move with supply and demand), the prices of processed rubber (which depend on demand and competition), as well as the impact of the rubber futures market. Additionally, exchange rate movements (as the majority of revenues come from exports) and regulatory changes both domestically and internationally, including the risk of pandemics, are significant risks that are difficult to predict. This means that the rubber business is highly volatile, with the potential for both significant profits in some years and substantial losses in others. This volatility extends to STA's stock price, which mirrors the company's performance. Therefore, we recommend buying the stock with a speculative outlook based on anticipated favorable rubber prices and positive earnings projections for 2025.

### Exhibit 88: Peers comparison – rubber companies, as of 19 Nov 2023

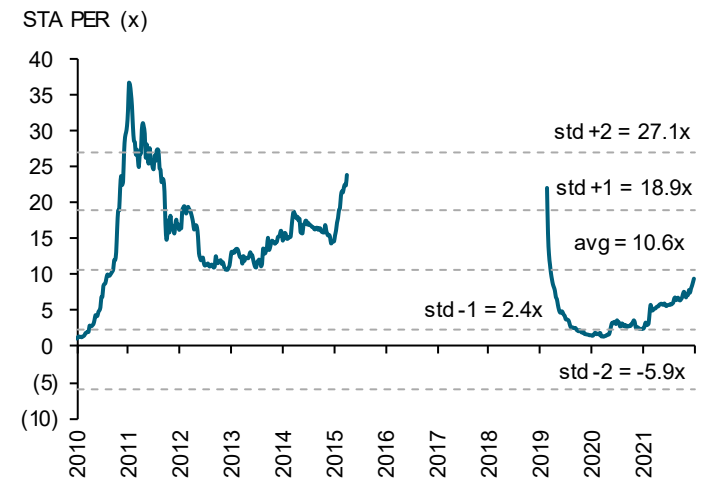
Company	BBG	Market Cap (USD m)	Gross margin	Net margin	PE		PBV		ROE		EV/ EBITDA	
			25E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
Sri Trang-Agro Industry	STA TB	799	10.6	2.1	13.4	9.1	0.6	0.5	3.8	5.4	11.9	10.4
North East Rubber	NER TB	263	10.8	6.2	5.3	4.9	1.1	0.9	22.0	20.3	7.2	6.5
Thai Eastern Group Holdings	TEGH TB	103	9.8	3.5	6.8	5.4	1.0	0.9	15.5	17.1	7.9	6.8
<b>Average</b>		<b>1,165</b>			<b>8.5</b>	<b>6.5</b>	<b>0.9</b>	<b>0.8</b>	<b>13.8</b>	<b>14.3</b>	<b>9.0</b>	<b>7.9</b>

Sources: Bloomberg consensus, FSSIA's compilation

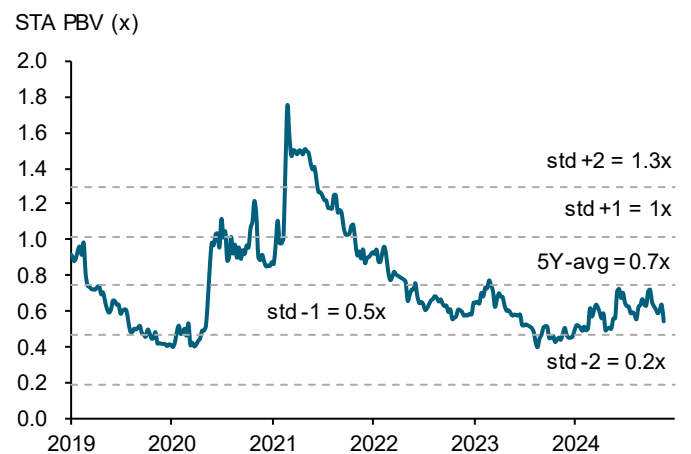
### Exhibit 89: Peers comparison – glove companies, as of 19 Nov 2023

Company	BBG	Market Cap (USD m)	Gross margin	Net margin	PE		PBV		ROE		EV/ EBITDA	
			25E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
Sri Trang Gloves	STGT TB	828	12.2	4.7	32.9	18.6	0.8	0.8	3.0	4.3	11.4	10.5
Kossan Rubber	KRI MK	1,394	25.3	7.8	51.3	33.9	1.6	1.5	3.2	4.8	19.5	13.7
Top Glove Corp	TOPG MK	2,063	16.5	6.0	60.0	33.5	1.8	1.8	2.7	5.2	17.1	12.6
Hartalega Holdings	HART MK	2,721	20.1	9.1	77.6	41.5	2.5	2.5	3.3	6.0	35.1	21.5
Supermax Corp	SUCB MK	500	27.8	4.3	72.1	37.6	0.5	0.5	0.6	1.3	11.0	6.8
<b>Average</b>		<b>7,506</b>			<b>58.8</b>	<b>33.0</b>	<b>1.5</b>	<b>1.4</b>	<b>2.6</b>	<b>4.3</b>	<b>18.8</b>	<b>13.0</b>
<b>Overall average</b>		<b>8,671</b>			<b>39.9</b>	<b>23.1</b>	<b>1.2</b>	<b>1.2</b>	<b>6.8</b>	<b>8.0</b>	<b>15.1</b>	<b>11.1</b>

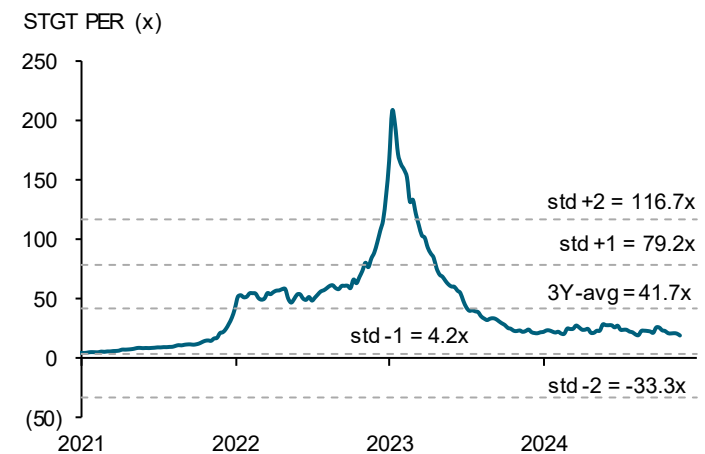
Sources: Bloomberg consensus, FSSIA's compilation

**Exhibit 90: STA – historical P/E band**

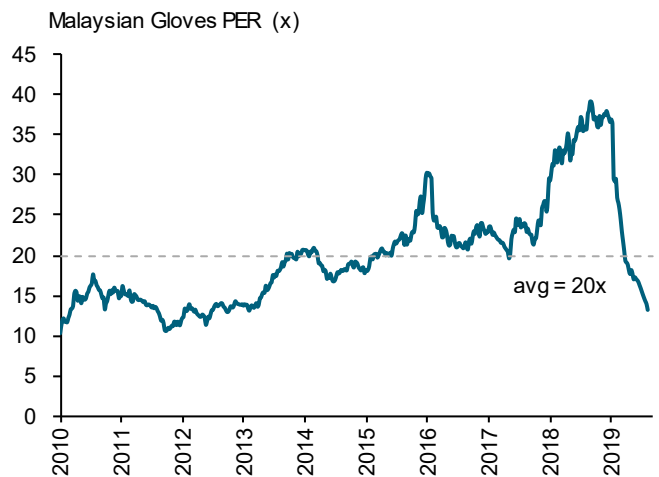
Sources: Bloomberg, FSSIA estimates

**Exhibit 91: STA – historical P/E band**

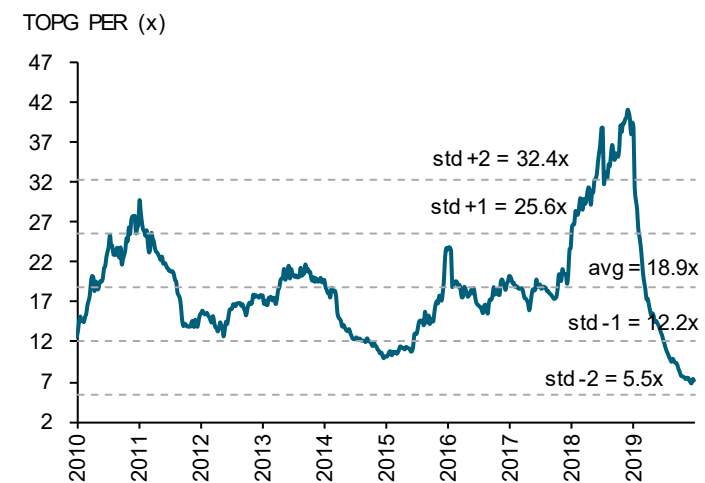
Sources: Bloomberg, FSSIA estimates

**Exhibit 92: STGT – historical P/E band**

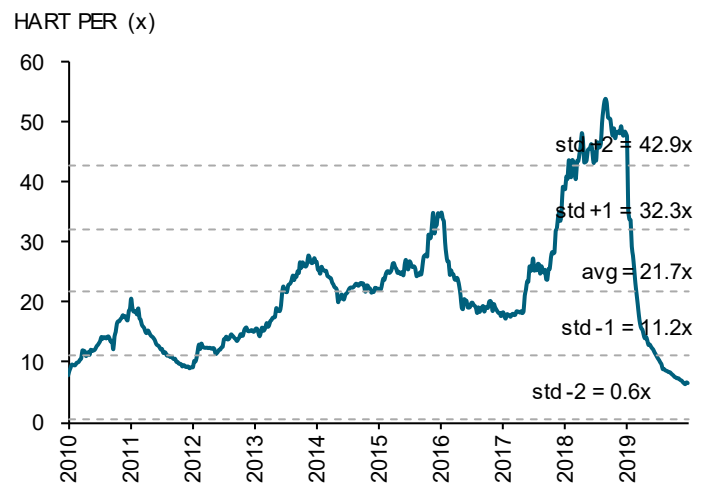
Sources: Bloomberg, FSSIA estimates

**Exhibit 93: Malaysian Gloves – 10-yr historical P/E band**

Sources: Bloomberg, FSSIA estimates

**Exhibit 94: Top Glove – 10-yr historical P/E band**

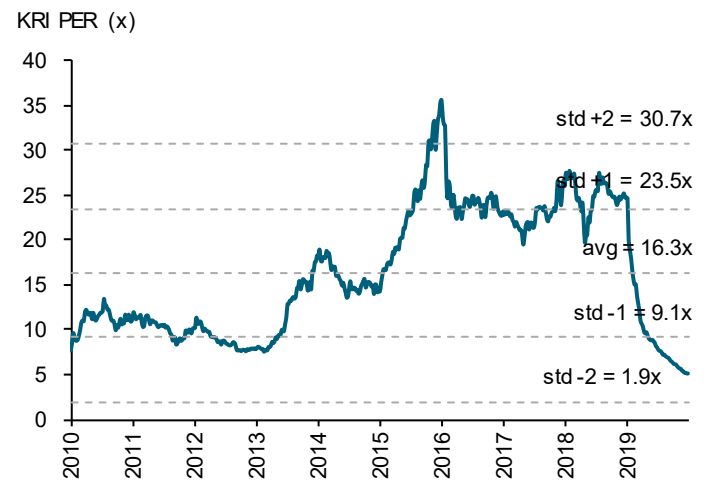
Sources: Bloomberg, FSSIA estimates

**Exhibit 95: Hartalega – 10-yr historical P/E band**

Sources: Bloomberg, FSSIA estimates

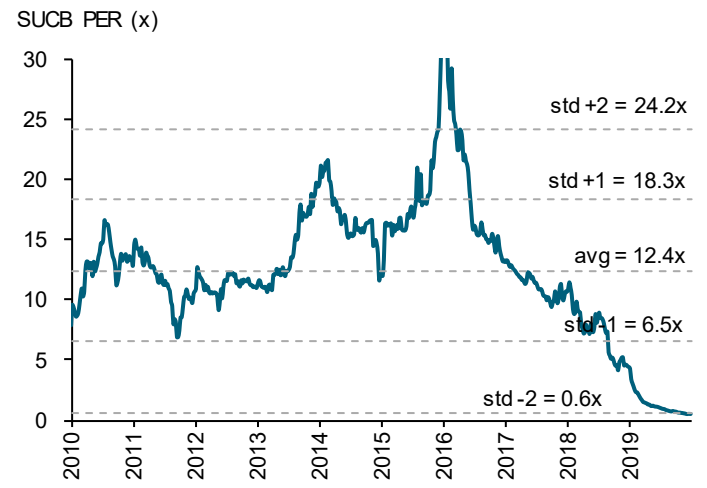


Exhibit 96: Kossan – 10-yr historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 97: Supermax – 10-yr historical P/E band



Sources: Bloomberg, FSSIA estimates

## Risk factors

### **Risk from volatility in natural rubber prices**

Natural rubber is a commodity and is traded in futures markets, leading to significant price volatility. Several factors affect the fluctuations in rubber prices, such as the global economic situation, car sales, rubber demand, rubber production levels, crude oil prices, and exchange rates. With natural rubber accounting for up to 90% of total production costs, it presents a significant risk to STA's operational performance.

### **Risk from increased competition in the medical glove market**

The medical glove market is dominated by a few large players, but production capacity continues to expand, and the barriers to market entry are relatively low. In addition, both natural and synthetic rubber, such as nitrile rubber, can be used to produce gloves, leading to a higher level of competition, especially on price. This may cause STA's financial performance to become more volatile.

### **Risk from a stronger Thai baht**

STA generates around 85% of its revenue from exports and sales in USD, while most of its costs are in Thai baht, except for synthetic rubber used in the production of nitrile gloves, which is imported. Therefore, if the Thai baht appreciates against the USD, it will negatively impact the company's financial performance. As a result, the company has implemented a policy to use financial instruments to hedge against exchange rate risks.

### **Risk from changes in regulations or government intervention**

STA's operations are subject to various laws, regulations, and policies both in Thailand and internationally. Therefore, there is a risk if regulatory changes occur and the company is unable to adapt in time. In addition, in the past, there have been instances of government intervention in rubber prices to address issues of falling rubber prices, such as setting minimum rubber prices, purchasing rubber at a minimum price of THB100/kg with a limited budget (in 2012), and collaborating with Indonesia and Malaysia to limit export quotas to stimulate global rubber prices (in 2012 and 2019). These interventions distorted domestic rubber prices, leading to higher costs for STA and affecting its export volume.

### **Risk from changes in ESG regulations to achieve sustainability goals**

As STA is a manufacturing business that emits greenhouse gases during its production processes, it faces potential risks related to changes in environmental, social, and governance (ESG) regulations. Many countries, particularly in Europe, have begun implementing carbon taxes on products from industries with high carbon emissions, such as oil, petrochemicals, steel, fertilizers, and aluminum. These taxes are gradually being extended to other product categories, and both the US and Thailand are also preparing to introduce carbon taxes. If carbon taxes are introduced for rubber products, it could impact the company's performance if it fails to adapt in time.

Furthermore, as STA is a major exporter of natural rubber and medical gloves, it must align with the ESG regulations and measures of other countries, such as Forest Stewardship Council (FSC) certification for sustainable forest management and European Union Deforestation Regulation (EUDR), which requires products to be free from deforestation. Failure to comply with these regulations could affect the company's operations and competitiveness.

## Financial Statements

### Sri Trang Agro Industry

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	110,657	84,245	113,575	119,879	125,940
Cost of goods sold	(94,851)	(76,082)	(101,919)	(107,119)	(112,284)
<b>Gross profit</b>	<b>15,806</b>	<b>8,163</b>	<b>11,656</b>	<b>12,760</b>	<b>13,657</b>
Other operating income	299	370	284	360	378
Operating costs	(10,248)	(8,063)	(7,942)	(8,991)	(9,760)
<b>Operating EBITDA</b>	<b>9,763</b>	<b>4,086</b>	<b>7,865</b>	<b>8,245</b>	<b>8,641</b>
Depreciation	(3,906)	(3,617)	(3,867)	(4,117)	(4,367)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>5,857</b>	<b>469</b>	<b>3,998</b>	<b>4,128</b>	<b>4,274</b>
Net financing costs	(1,037)	(896)	(1,298)	(1,102)	(1,118)
Associates	336	(107)	95	120	126
Recurring non-operating income	336	(107)	95	120	126
Non-recurring items	1,012	7	(721)	0	0
<b>Profit before tax</b>	<b>6,167</b>	<b>(527)</b>	<b>2,073</b>	<b>3,147</b>	<b>3,282</b>
Tax	(650)	71	(90)	(363)	(379)
<b>Profit after tax</b>	<b>5,518</b>	<b>(456)</b>	<b>1,984</b>	<b>2,783</b>	<b>2,903</b>
Minority interests	(723)	22	(195)	(240)	(252)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,795</b>	<b>(434)</b>	<b>1,789</b>	<b>2,544</b>	<b>2,652</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Recurring net profit</b>	<b>4,795</b>	<b>(441)</b>	<b>2,510</b>	<b>2,544</b>	<b>2,652</b>
<b>Per share (THB)</b>					
Recurring EPS *	3.12	(0.29)	1.63	1.66	1.73
Reported EPS	3.12	(0.28)	1.16	1.66	1.73
DPS	2.00	1.00	0.70	0.99	1.04
Diluted shares (used to calculate per share data)	1,536	1,536	1,536	1,536	1,536
<b>Growth</b>					
Revenue (%)	(6.4)	(23.9)	34.8	5.6	5.1
Operating EBITDA (%)	(70.9)	(58.1)	92.5	4.8	4.8
Operating EBIT (%)	(80.8)	(92.0)	751.9	3.3	3.5
Recurring EPS (%)	(69.7)	nm	nm	42.2	4.2
Reported EPS (%)	(69.7)	nm	nm	42.2	4.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.3	9.7	10.3	10.6	10.8
Gross margin exc. depreciation (%)	17.8	14.0	13.7	14.1	14.3
Operating EBITDA margin (%)	8.8	4.9	6.9	6.9	6.9
Operating EBIT margin (%)	5.3	0.6	3.5	3.4	3.4
Net margin (%)	4.3	(0.5)	1.6	2.1	2.1
Effective tax rate (%)	10.5	13.5	4.3	11.5	11.5
Dividend payout on recurring profit (%)	64.1	(353.6)	60.0	60.0	60.0
Interest cover (X)	6.0	0.4	3.2	3.9	3.9
Inventory days	116.1	131.5	107.3	111.6	101.4
Debtor days	29.4	36.4	27.8	29.2	29.3
Creditor days	20.8	22.8	17.8	20.3	20.3
Operating ROIC (%)	5.8	0.4	3.6	3.4	3.4
ROIC (%)	5.7	0.3	3.2	3.1	3.2
ROE (%)	9.8	(0.9)	3.5	4.9	5.0
ROA (%)	5.5	0.2	2.6	3.0	3.0

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Midstream business - Natural rubber	87,744	65,210	88,883	93,659	98,409
Downstream business - Glove	22,913	19,035	24,692	26,220	27,531

Sources: Sri Trang Agro Industry; FSSIA estimates

## Financial Statements

### Sri Trang Agro Industry

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	4,795	(434)	1,789	2,544	2,652
Depreciation	3,906	3,617	3,867	4,117	4,367
Associates & minorities	-	-	-	-	-
Other non-cash items	(1,611)	1	1,671	365	665
Change in working capital	6,849	(447)	(3,795)	(1,857)	4,326
<b>Cash flow from operations</b>	<b>13,940</b>	<b>2,737</b>	<b>3,532</b>	<b>5,168</b>	<b>12,010</b>
Capex - maintenance	(12,318)	(5,155)	(10,386)	(8,317)	(8,567)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	86	(3,259)	(5,471)	4,833	(79)
<b>Cash flow from investing</b>	<b>(12,232)</b>	<b>(8,414)</b>	<b>(15,857)</b>	<b>(3,484)</b>	<b>(8,646)</b>
Dividends paid	(2,406)	(1,314)	(1,073)	(1,526)	(1,591)
Equity finance	0	0	0	0	0
Debt finance	(229)	(3,102)	6,947	(405)	(531)
Other financing cash flows	618	(207)	561	126	121
<b>Cash flow from financing</b>	<b>(2,017)</b>	<b>(4,623)</b>	<b>6,434</b>	<b>(1,805)</b>	<b>(2,001)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(309)</b>	<b>(10,301)</b>	<b>(5,891)</b>	<b>(120)</b>	<b>1,363</b>
Free cash flow to firm (FCFF)	2,929.78	(4,255.89)	(10,597.21)	3,224.84	4,929.28
Free cash flow to equity (FCFE)	2,097.03	(8,987.50)	(4,817.84)	1,405.65	2,954.35

#### Per share (THB)

FCFF per share	1.91	(2.77)	(6.90)	2.10	3.21
FCFE per share	1.37	(5.85)	(3.14)	0.92	1.92
Recurring cash flow per share	4.62	2.07	4.77	4.57	5.00

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	64,158	69,385	74,635	79,885	85,135
Less: Accumulated depreciation	(13,207)	(16,197)	(14,927)	(15,977)	(17,027)
<b>Tangible fixed assets (net)</b>	<b>50,951</b>	<b>53,188</b>	<b>59,708</b>	<b>63,908</b>	<b>68,108</b>
<b>Intangible fixed assets (net)</b>	<b>3,632</b>	<b>3,601</b>	<b>3,600</b>	<b>3,600</b>	<b>3,600</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,454	5,726	9,915	5,000	5,000
Cash & equivalents	22,500	12,199	6,308	6,188	7,551
A/C receivable	8,853	7,941	9,335	9,853	10,351
Inventories	25,261	26,959	30,715	32,283	27,686
Other current assets	2,550	1,253	1,704	1,798	1,889
<b>Current assets</b>	<b>59,164</b>	<b>48,353</b>	<b>48,062</b>	<b>50,122</b>	<b>47,478</b>
Other assets	883	869	1,476	1,558	1,637
<b>Total assets</b>	<b>117,084</b>	<b>111,737</b>	<b>122,762</b>	<b>124,188</b>	<b>125,823</b>
Common equity	51,388	50,340	51,056	52,073	53,134
Minorities etc.	17,798	17,806	18,756	19,121	19,786
<b>Total shareholders' equity</b>	<b>69,186</b>	<b>68,146</b>	<b>69,812</b>	<b>71,194</b>	<b>72,920</b>
Long term debt	31,517	27,115	26,235	25,257	24,266
Other long-term liabilities	1,918	1,711	2,272	2,398	2,519
<b>Long-term liabilities</b>	<b>33,435</b>	<b>28,825</b>	<b>28,506</b>	<b>27,654</b>	<b>26,784</b>
A/C payable	5,058	3,979	5,585	5,870	6,153
Short term debt	9,045	10,305	18,178	18,751	19,211
Other current liabilities	360	482	681	719	756
<b>Current liabilities</b>	<b>14,463</b>	<b>14,766</b>	<b>24,444</b>	<b>25,340</b>	<b>26,119</b>
<b>Total liabilities and shareholders' equity</b>	<b>117,084</b>	<b>111,737</b>	<b>122,762</b>	<b>124,188</b>	<b>125,823</b>
Net working capital	31,246	31,693	35,488	37,345	33,019
Invested capital	89,166	95,077	110,187	111,411	111,364

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

#### Per share (THB)

Book value per share	33.46	32.77	33.24	33.90	34.59
Tangible book value per share	31.09	30.43	30.90	31.56	32.25

#### Financial strength

Net debt/equity (%)	26.1	37.0	54.6	53.1	49.3
Net debt/total assets (%)	15.4	22.6	31.0	30.5	28.6
Current ratio (x)	4.1	3.3	2.0	2.0	1.8
CF interest cover (x)	3.0	(9.0)	(2.7)	2.3	3.6

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>5.8</b>	<b>(63.7)</b>	<b>15.5</b>	<b>10.9</b>	<b>10.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>7.4</b>	<b>(81.3)</b>	<b>19.8</b>	<b>13.9</b>	<b>13.3</b>
Reported P/E (x)	5.8	(63.7)	15.5	10.9	10.4
Dividend yield (%)	11.1	5.6	3.9	5.5	5.8
Price/book (x)	0.5	0.5	0.5	0.5	0.5
Price/tangible book (x)	0.6	0.6	0.6	0.6	0.6
EV/EBITDA (x) **	6.5	17.3	10.7	10.3	9.6
EV/EBITDA @ target price (x) **	7.3	19.2	11.7	11.2	10.5
EV/invested capital (x)	0.7	0.7	0.8	0.8	0.7

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

Sources: Sri Trang Agro Industry; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology		Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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.																				
SET ESG Ratings List ( <a href="#">SETESG</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	SET ESG 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 <b>SETESG inclusion</b> , 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. <b>SETESG Index</b> is extended from the SET ESG Ratings 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.																				
<b>CG Score</b> 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%).																				
<b>AGM level</b> 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&amp;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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainability</a>	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 &amp; 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+										
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0-10	10-20	20-30	30-40	40+																			
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></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><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>			<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<a href="#">Moody's ESG solutions</a>	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.																						
<a href="#">Refinitiv ESG rating</a>	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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																						
<a href="#">S&amp;P Global</a>	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.																						
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																					
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																					

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

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ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Sri Trang Agro Industry	STA TB	THB 18.00	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected automotive and glove industry recovery; 2) the high volatility of selling and raw material prices; 3) higher competition; and 4) a stronger-than-expected THB.

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 20-Nov-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.