

ICHITAN GROUP ICHI TB

THAILAND / FOOD & BEVERAGE

HOLD

FROM BUY

กำไร 2Q อาจแตะระดับสูงสุดในรอบ 29 ไตร

- เราคาดว่ารายได้รวม 2Q23 จะแตะระดับสูงสุดในรอบ 8 ปีจากปัจจัยด้านฤดูกาลและคำสั่งซื้อสินค้ารับจ้างผลิตใหม่
- ในขั้นต้นเราเห็นว่าประมาณการกำไรสุทธิปี 2023 ของเราอาจมี Upside ประมาณ 3-5%
- เรายังชอบ ICHI แต่ราคาหุ้นมี Upside จำกัด

ฤดูร้อนจะช่วยหนุนให้รายได้โตดี

เราคาดว่ารายได้รวม 2Q23 จะแตะระดับสูงสุดในรอบ 8 ปีที่ 2 พัน ลบ. (+9.4% q-q, +24% y-y) จาก 1) ปัจจัยด้านฤดูกาลในธุรกิจเครื่องดื่มหลังปี 2023 ร้อนผิดปกติ; และ 2) การรับรู้รายได้เพิ่มเติมไตรมาสจากคำสั่งซื้อสินค้ารับจ้างผลิตใหม่เป็นน้ำมะพร้าวคุณภาพสูง 100% จาก General Beverage (not listed) ในขณะเดียวกันเราคาดว่ารายได้ 2Q23 จาก Tansansu จะทรงตัว q-q ที่ 50 ลบ. ซึ่งต่ำกว่าประมาณการก่อนหน้านี้ที่ 80 ลบ. เนื่องจากลูกค้าอาจชอบเครื่องดื่มในปัจจุบัน อาทิเช่น ชาเขียวพร้อมดื่มมากกว่า แม้ว่ารายได้จาก Tansansu อาจต่ำกว่าเป้าของผู้บริหารที่ 500 ลบ. ในปี 2023 รายได้ดังกล่าวน่าจะใกล้เคียงกับประมาณการในปัจจุบันของเรา

คาดการณ์กำไรสุทธิ 2Q23 จะแตะระดับสูงสุดในรอบ 29 ไตรมาส

จากอัตราการใช้กำลังการผลิตที่คาดว่าจะสูงขึ้นใน 2Q23 เป็น 70% จาก 62% ใน 1Q23 และต้นทุนวัสดุสำหรับบรรจุภัณฑ์ที่ลดลง เราคาดว่าอัตรากำไรขั้นต้น 2Q23 จะปรับตัวดีขึ้นเป็น 21.5% จาก 20.8% ใน 1Q23 และ 18% ใน 2Q22 นอกจากนี้เรายังคาดว่าจะมีส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายใน 2Q23 จะเพิ่มเป็น 7% จาก 6.5% ใน 1Q23 แต่ลดลงจาก 7.3% ใน 2Q22 จากรายได้รวมที่สูงขึ้น เพราะฉะนั้นเราจึงคาดการณ์กำไรสุทธิ 2Q23 ที่ 247 ลบ. (+11.2% q-q, +61.6% y-y) สูงที่สุดในรอบ 29 ไตรมาส

เราเห็น Upside ต่อประมาณการกำไรปี 2023 ของเรา

ถ้าผลประกอบการออกมาตามคาด กำไรสุทธิในช่วง 1H23 ของ ICHI จะเท่ากับ 468 ลบ. (+83% y-y) ซึ่งคิดเป็น 57% ของประมาณการเต็มปีของเรา ในขั้นต้นเราคาดว่าการทำงานในช่วง 2H23 จะชะลอตัว h-h สอดคล้องกับปัจจัยด้านฤดูกาล อย่างไรก็ตามผู้บริหารตั้งเป้าให้กำไร 3Q23 ทรงตัวหรือเพิ่มขึ้นเล็กน้อยจากคำสั่งซื้อสินค้ารับจ้างผลิตที่อยู่ในเกณฑ์ดี เราเห็นว่าประมาณการกำไรสุทธิปี 2023 ของเราอาจมี Upside ประมาณ 3-5%

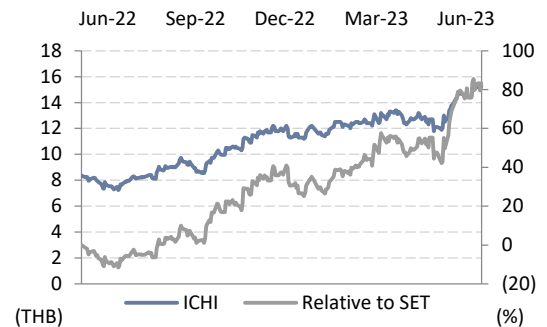
เรายังชอบ ICHI แต่ Upside จำกัด

เราคงราคาเป้าหมายปี 2023 ไว้ที่ 15.7 บาท (25x ของค่า 2023E P/E) อย่างไรก็ตามราคาหุ้นได้ปรับขึ้นแล้ว 19% ในช่วง 2 เดือนที่ผ่านมา ปัจจุบันหุ้นมี Upside จำกัดเพียง 4% เพราะฉะนั้นเราจึงปรับลดคำแนะนำเป็นถือจากซื้อ แม้กระนั้นก็ตามเรายังชอบแนวโน้มกำไรของ ICHI และแนะนำให้นักลงทุนระยะสั้นถึงกำไรหุ้นดังกล่าว

TARGET PRICE	THB15.70
CLOSE	THB15.30
UP/DOWNSIDE	+2.6%
PRIOR TP	THB15.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-0.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	6,340	7,100	7,593	8,012
Net profit	642	814	896	966
EPS (THB)	0.49	0.63	0.69	0.74
vs Consensus (%)	-	(0.5)	(1.4)	(2.4)
EBITDA	1,296	1,548	1,640	1,732
Core net profit	651	814	896	966
Core EPS (THB)	0.50	0.63	0.69	0.74
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	19.0	25.2	10.0	7.8
Core P/E (x)	30.6	24.4	22.2	20.6
Dividend yield (%)	3.9	4.1	4.5	4.9
EV/EBITDA (x)	14.8	12.4	11.6	10.8
Price/book (x)	3.2	3.2	3.2	3.2
Net debt/Equity (%)	(10.6)	(11.1)	(12.8)	(17.8)
ROE (%)	10.5	13.2	14.5	15.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	22.4	22.4	73.9
Relative to country (%)	20.8	22.7	77.5
Mkt cap (USD m)	573		
3m avg. daily turnover (USD m)	4.1		
Free float (%)	53		
Major shareholder	Passakornnatee Family (42%)		
12m high/low (THB)	15.40/7.20		
Issued shares (m)	1,300.00		

Sources: Bloomberg consensus; FSSIA estimates



Sureeporn Teewasuwet

sureeporn.t@fssia.com
+66 2646 9972

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

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 15 มิถุนายน 2023

Investment thesis

ICHI is a manufacturer and distributor of ready-to-drink green tea called “ICHITAN green tea”, the herbal drink “Yen Yen”, and green tea with chewy coconut cubes named “ICHITAN Chew Chew”, along with other beverages. In 2022, 90.3% of ICHI’s revenue came from domestic sales, and overseas sales accounted for 9.7%. ICHI’s factory is located at Rojana Industrial Park, Ayutthaya, which has seven bottle production lines and two UHT box product lines with a total capacity of 1,500 million bottles and 200 million boxes per year.

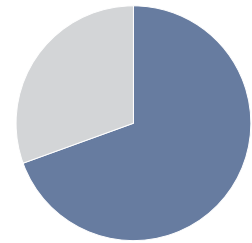
Company profile

Ichitan Group manufactures its own-branded beverages and sells ready-to-drink green tea beverages, herbal drinks, and low-sugar ready-to-drink tea beverages to the local market and CLMV. In 2014, ICHI engaged in a joint venture with the Indonesian company PT Atri Pasifik to produce and sell its products in Indonesia.

www.ichitangroup.com

Principal activities (revenue, 2022)

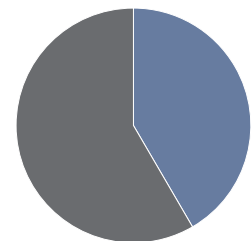
- Ready-to-drink green tea - 69.5 %
- Non-tea and others - 30.5 %



Source: Ichitan Group

Major shareholders

- Passakornnatee Family - 41.6 %
- Others - 58.4 %



Source: Ichitan Group

Catalysts

Potential catalysts for ICHI’s earnings growth in 2023 are 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful new product launches; and 4) successful original equipment manufacturer (OEM) customer products.

Risks to our call

Downside and upside risks to our P/E-based TP would be 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in packaging costs; and 3) competition and government policy changes such as excise taxes for sugary drinks.

Event calendar

Date	Event
August 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Domestic revenue (THB m)	6,457	6,898	7,261
Overseas revenue (THB m)	644	695	751
Total revenue (THB m)	7,100	7,593	8,012
Total revenue growth (%)	12.0	6.9	5.5
Gross margin (%)	20.8	21.0	21.2
SG&A to sales (%)	7.5	7.5	7.4

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 1%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 3.8%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to sales, we estimate 2023 net profit to fall by 2%, and vice versa, all else being equal.

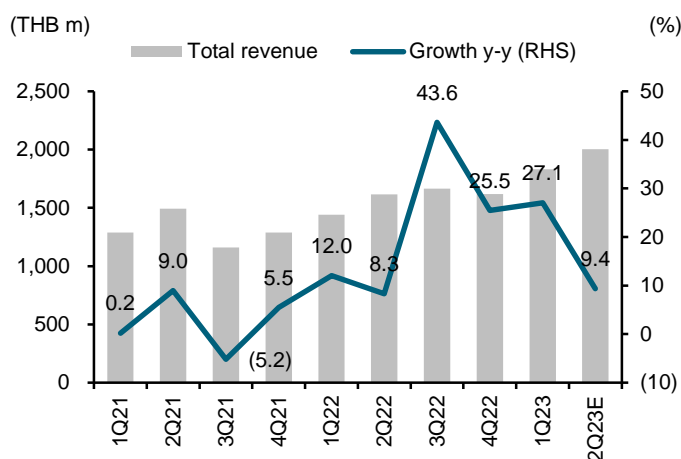
Source: FSSIA estimates

Exhibit 1: 2Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	----- Change -----		1H22	1H23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	1,442	1,616	1,664	1,617	1,833	2,004	9.4	24.0	3,059	3,837	25.4
Cost of sales	1,230	1,325	1,339	1,275	1,452	1,573	8.4	18.7	2,555	3,025	18.4
Gross profit	212	291	325	343	381	431	13.2	48.0	504	811	61.2
SG&A	97	119	115	135	120	140	17.1	18.4	215	260	20.9
Operating profit	121	176	222	206	269	299	10.8	69.3	298	568	90.8
Interest expense	0.5	0.5	0.3	0.5	0.4	0.5	12.6	6.6	1	1	(1.4)
Tax expense	23	38	50	44	57	62	8.6	62.1	61	118	94.5
Profit (loss) sharing	30	15	21	17	9	10	5.4	(31.7)	45	19	(56.3)
Reported net profit	104	153	192	193	222	247	11.2	61.6	256	468	82.6
Core profit	128	153	192	178	222	247	11.2	61.6	280	468	66.9
Key ratios (%)							(ppt)	(ppt)			(ppt)
Gross margin	14.7	18.0	19.5	21.2	20.8	21.5	0.7	3.5	16.5	21.1	4.7
SG&A to sales	6.7	7.3	6.9	8.3	6.5	7.0	0.5	(0.3)	7.0	6.8	(0.2)
Operating margin	8.4	10.9	13.3	12.7	14.7	14.9	0.2	4.0	9.7	14.8	5.1
Net margin	7.2	9.4	11.6	11.9	12.1	12.3	0.2	2.9	8.4	12.2	3.8
Core margin	8.9	9.4	11.6	11.0	12.1	12.3	0.2	2.9	9.2	12.2	3.0
Operating statistics (THB m)											
Domestic	1,309	1,437	1,507	1,474	1,698	1,843	8.5	28.2	2,746	3,541	29.0
Overseas	134	179	157	143	134	161	20.0	(10.0)	313	296	(5.5)

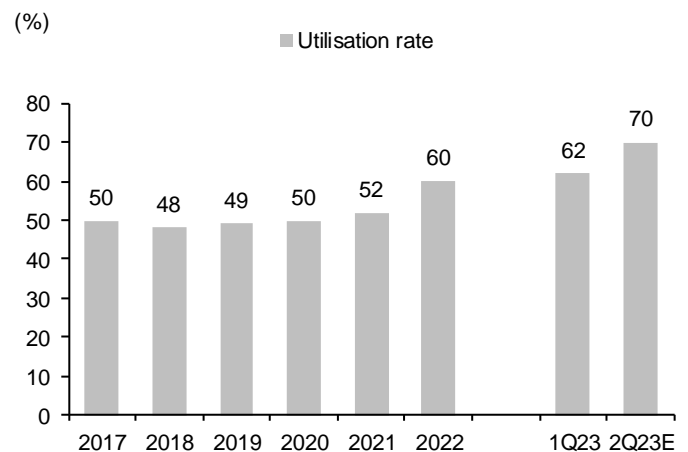
Sources: ICHI; FSSIA estimates

Exhibit 2: Quarterly total revenue and growth



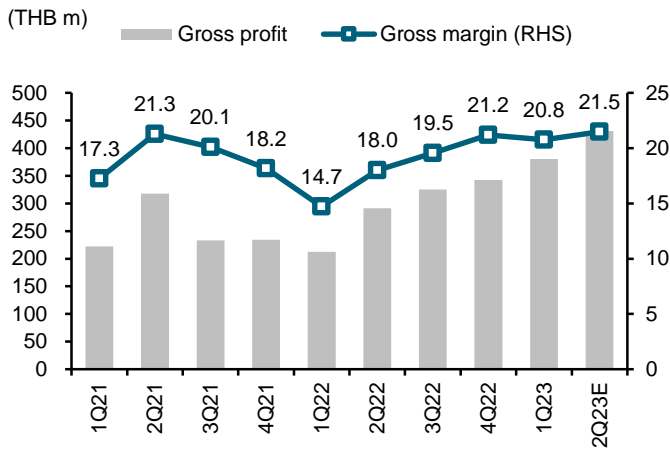
Sources: ICHI; FSSIA estimates

Exhibit 3: Utilisation rate



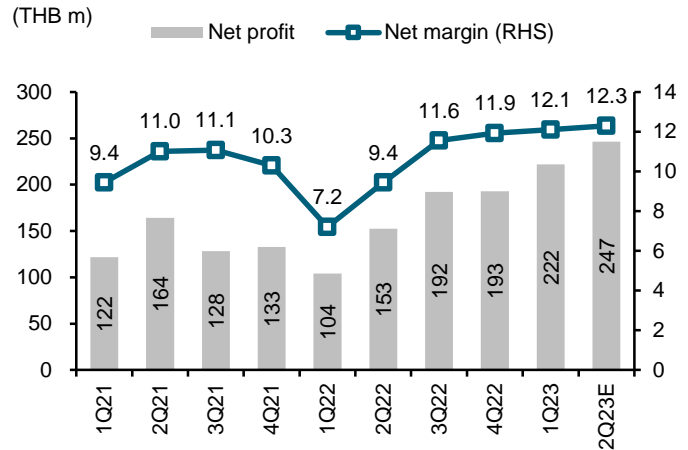
Sources: ICHI; FSSIA estimates

Exhibit 4: Quarterly gross margin



Sources: ICHI; FSSIA estimates

Exhibit 5: Quarterly net profit



Sources: ICHI; FSSIA estimates

Exhibit 6: Key assumptions for ICHI

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Sales	7,100	7,593	8,012	6,914	7,464	7,991	2.7	1.7	0.3
Cost of sales	5,624	5,998	6,313	5,532	5,956	6,361	1.7	0.7	(0.7)
Gross profit	1,477	1,594	1,699	1,383	1,508	1,630	6.8	5.8	4.2
SG&A	533	569	593	588	634	679	(9.4)	(10.2)	(12.7)
Operating profit	966	1,048	1,130	816	896	975	18.4	17.0	15.9
Interest expense	4	4	3	2	3	2	82.0	33.8	19.0
Tax expense	204	224	241	172	188	205	18.6	19.1	18.0
Profit (loss) sharing	57	76	80	90	97	104	(36.8)	(21.7)	(22.9)
Reported net profit	814	896	966	732	802	872	11.3	11.7	10.7
Core profit	814	896	966	732	802	872	11.3	11.7	10.7
Key ratios (%)									
Total revenue growth	12.0	6.9	5.5	9.1	7.9	7.1	2.9	(1.0)	(1.5)
Net profit growth	26.9	10.0	7.8	14.0	9.6	8.8	12.9	0.4	(1.0)
Core profit growth	25.2	10.0	7.8	12.5	9.6	8.8	12.7	0.4	(1.0)
Gross margin	20.8	21.0	21.2	20.0	20.2	20.4	0.8	0.8	0.8
SG&A to sales	7.5	7.5	7.4	8.5	8.5	8.5	(1.0)	(1.0)	(1.1)
Net margin	11.5	11.8	12.1	10.6	10.7	10.9	0.9	1.1	1.1
Norm margin	11.5	11.8	12.1	10.6	10.7	10.9	0.9	1.1	1.1
Operating statistics (THB m)									
Domestic revenue	6,457	6,898	7,261	6,228	6,709	7,160	3.7	2.8	1.4
RTD green tea	5,666	6,044	6,346	5,666	6,091	6,497	0.0	(0.8)	(2.3)
Non-tea	643	695	743	503	553	592	28.0	25.7	25.7
OEM	147	159	171	59	65	71	150.0	145.5	141.0
Overseas revenue	644	695	751	687	755	831	(6.2)	(8.0)	(9.6)

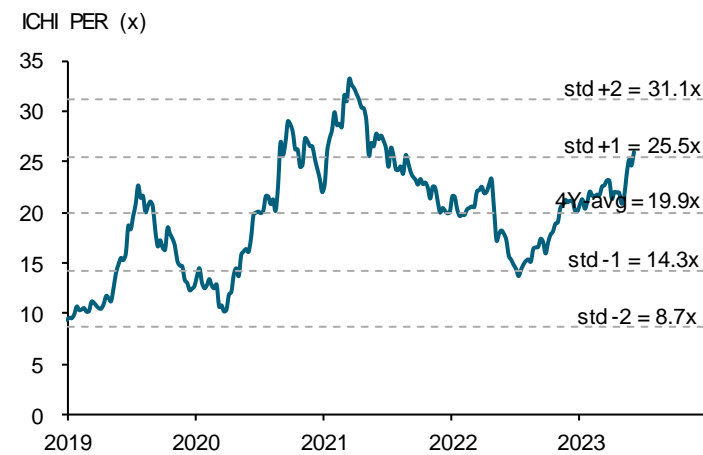
Source: FSSIA estimates

Exhibit 7: Peers comparison as of 14 June 2023

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
Thailand														
TAC Consumer	TACC TB	BUY	5.00	7.20	44	88	13.9	11.5	28.3	33.1	3.9	3.7	7.8	6.5
Sappe	SAPPE TB	BUY	86.50	88.00	2	769	24.6	22.2	32.3	33.2	7.7	7.1	16.4	14.8
Ichitan Group	ICHI TB	BUY	15.30	15.70	3	573	24.4	22.2	13.2	14.5	3.2	3.2	12.4	11.6
Osotspa	OSP TB	BUY	30.25	33.00	9	2,619	37.0	31.1	13.4	15.6	5.0	4.8	20.6	18.2
Carabao Group	CBG TB	n/a	70.75	n/a	n/a	1,998	34.6	27.8	18.1	21.2	6.2	5.7	23.0	19.8
Thailand average						6,046	26.9	23.0	21.0	23.5	5.2	4.9	16.0	14.2

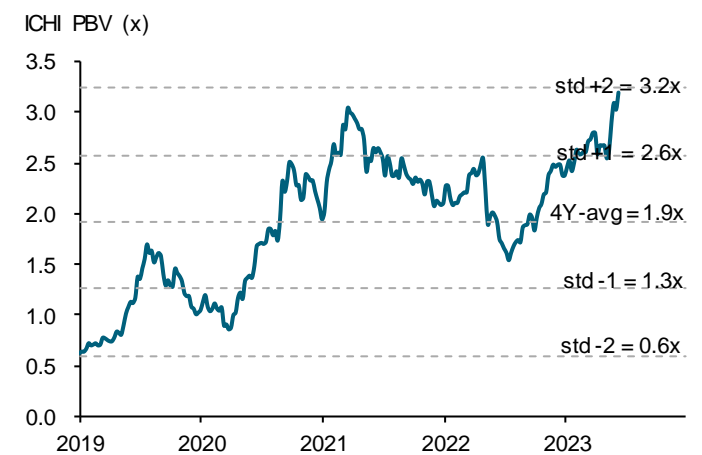
Sources: Bloomberg; FSSIA's compilation

Exhibit 8: Historical P/E band



Sources: Bloomberg; FSSIA's compilation

Exhibit 9: Historical P/BV band



Sources: Bloomberg; FSSIA's compilation

Financial Statements

Ichitan Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	5,228	6,340	7,100	7,593	8,012
Cost of goods sold	(4,221)	(5,169)	(5,624)	(5,998)	(6,313)
Gross profit	1,007	1,172	1,477	1,594	1,699
Other operating income	23	19	21	23	24
Operating costs	(445)	(465)	(533)	(569)	(593)
Operating EBITDA	1,168	1,296	1,548	1,640	1,732
Depreciation	(584)	(570)	(583)	(593)	(603)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	585	726	966	1,048	1,130
Net financing costs	(3)	(2)	(4)	(4)	(3)
Associates	59	82	57	76	80
Recurring non-operating income	59	82	57	76	80
Non-recurring items	0	(9)	0	0	0
Profit before tax	641	797	1,018	1,120	1,207
Tax	(94)	(155)	(204)	(224)	(241)
Profit after tax	547	642	814	896	966
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	547	642	814	896	966
Non-recurring items & goodwill (net)	0	9	0	0	0
Recurring net profit	547	651	814	896	966
Per share (THB)					
Recurring EPS *	0.42	0.50	0.63	0.69	0.74
Reported EPS	0.42	0.49	0.63	0.69	0.74
DPS	0.50	0.60	0.63	0.69	0.74
Diluted shares (used to calculate per share data)	1,300	1,300	1,300	1,300	1,300
Growth					
Revenue (%)	2.5	21.3	12.0	6.9	5.5
Operating EBITDA (%)	1.7	10.9	19.5	6.0	5.6
Operating EBIT (%)	5.1	24.1	33.1	8.5	7.8
Recurring EPS (%)	6.1	19.0	25.2	10.0	7.8
Reported EPS (%)	6.1	17.4	26.9	10.0	7.8
Operating performance					
Gross margin inc. depreciation (%)	19.3	18.5	20.8	21.0	21.2
Gross margin exc. depreciation (%)	30.4	27.5	29.0	28.8	28.7
Operating EBITDA margin (%)	22.3	20.4	21.8	21.6	21.6
Operating EBIT margin (%)	11.2	11.4	13.6	13.8	14.1
Net margin (%)	10.5	10.3	11.5	11.8	12.1
Effective tax rate (%)	14.7	19.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	118.9	119.9	100.0	100.0	100.0
Interest cover (X)	244.4	462.2	230.3	283.8	470.7
Inventory days	56.3	44.4	43.6	43.0	43.1
Debtor days	61.8	62.5	66.6	67.7	68.2
Creditor days	53.4	51.0	51.9	48.4	48.5
Operating ROIC (%)	8.0	10.8	15.2	17.3	20.1
ROIC (%)	8.3	11.2	14.7	16.4	18.4
ROE (%)	8.8	10.5	13.2	14.5	15.6
ROA (%)	7.6	9.0	11.2	12.3	13.1
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Ready-to-drink green tea	3,264	4,405	4,713	5,043	5,295
Non-tea and others	1,964	1,936	2,387	2,550	2,717

Sources: Ichitan Group; FSSIA estimates

Financial Statements

Ichitan Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	547	651	814	896	966
Depreciation	584	570	583	593	603
Associates & minorities	(59)	(82)	(57)	(76)	(80)
Other non-cash items	-	-	-	-	-
Change in working capital	(35)	(27)	(210)	(65)	(55)
Cash flow from operations	1,036	1,112	1,131	1,348	1,433
Capex - maintenance	-	-	-	-	-
Capex - new investment	(65)	(114)	(247)	(200)	(155)
Net acquisitions & disposals	(65)	-	-	-	-
Other investments (net)	46	58	(49)	(134)	(8)
Cash flow from investing	(83)	(56)	(296)	(334)	(163)
Dividends paid	(650)	(644)	(814)	(896)	(966)
Equity finance	0	0	0	0	0
Debt finance	(238)	(9)	(65)	0	0
Other financing cash flows	(62)	(6)	9	(12)	2
Cash flow from financing	(950)	(658)	(870)	(908)	(964)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	132	0	0	0	0
Net other adjustments	132	0	0	0	0
Movement in cash	135	397	(36)	106	306
Free cash flow to firm (FCFF)	955.69	1,057.45	838.63	1,017.95	1,272.71
Free cash flow to equity (FCFE)	785.29	1,040.82	778.82	1,002.25	1,272.23

Per share (THB)

FCFF per share	0.74	0.81	0.65	0.78	0.98
FCFE per share	0.60	0.80	0.60	0.77	0.98
Recurring cash flow per share	0.82	0.88	1.03	1.09	1.14

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	9,261	9,370	9,620	9,820	10,020
Less: Accumulated depreciation	(4,483)	(5,032)	(5,615)	(6,208)	(6,810)
Tangible fixed assets (net)	4,778	4,338	4,005	3,613	3,210
Intangible fixed assets (net)	12	10	10	10	10
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	254	312	375	575	655
Cash & equivalents	338	735	699	806	1,112
A/C receivable	1,054	1,304	1,437	1,531	1,567
Inventories	531	588	616	657	692
Other current assets	0	0	0	0	0
Current assets	1,923	2,627	2,753	2,995	3,371
Other assets	140	99	142	152	160
Total assets	7,106	7,386	7,285	7,344	7,406
Common equity	6,191	6,170	6,173	6,173	6,173
Minorities etc.	0	0	0	0	0
Total shareholders' equity	6,191	6,170	6,173	6,173	6,173
Long term debt	73	65	0	0	0
Other long-term liabilities	47	41	50	38	40
Long-term liabilities	119	105	50	38	40
A/C payable	546	739	693	740	778
Short term debt	15	14	14	14	14
Other current liabilities	235	357	355	380	401
Current liabilities	796	1,110	1,062	1,133	1,193
Total liabilities and shareholders' equity	7,106	7,386	7,285	7,344	7,406
Net working capital	804	795	1,005	1,070	1,079
Invested capital	5,987	5,554	5,537	5,419	5,115

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

Per share (THB)

Book value per share	4.76	4.75	4.75	4.75	4.75
Tangible book value per share	4.75	4.74	4.74	4.74	4.74

Financial strength

Net debt/equity (%)	(4.0)	(10.6)	(11.1)	(12.8)	(17.8)
Net debt/total assets (%)	(3.5)	(8.9)	(9.4)	(10.8)	(14.8)
Current ratio (x)	2.4	2.4	2.6	2.6	2.8
CF interest cover (x)	323.9	661.7	232.1	304.6	556.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	36.4	30.6	24.4	22.2	20.6
Recurring P/E @ target price (x) *	37.3	31.4	25.1	22.8	21.1
Reported P/E (x)	36.4	31.0	24.4	22.2	20.6
Dividend yield (%)	3.3	3.9	4.1	4.5	4.9
Price/book (x)	3.2	3.2	3.2	3.2	3.2
Price/tangible book (x)	3.2	3.2	3.2	3.2	3.2
EV/EBITDA (x) **	16.8	14.8	12.4	11.6	10.8
EV/EBITDA @ target price (x) **	17.3	15.2	12.7	12.0	11.1
EV/invested capital (x)	3.3	3.5	3.5	3.5	3.7

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

Sources: Ichitan Group; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

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**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The CG Score indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the Thai IOD website in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The five underlying categories and weighting used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The Checklist contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A CAC certified member is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member start with by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the CAC Council for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the THSI list, the SET further developed a sustainability SETTHSI Index in June 2018 from selected THSI companies whose 1) market capitalisation > 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.

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association (Thai IOD) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association (TIA) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption (CAC) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – Wikipedia – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

Ichitan Group (ICHI TB)



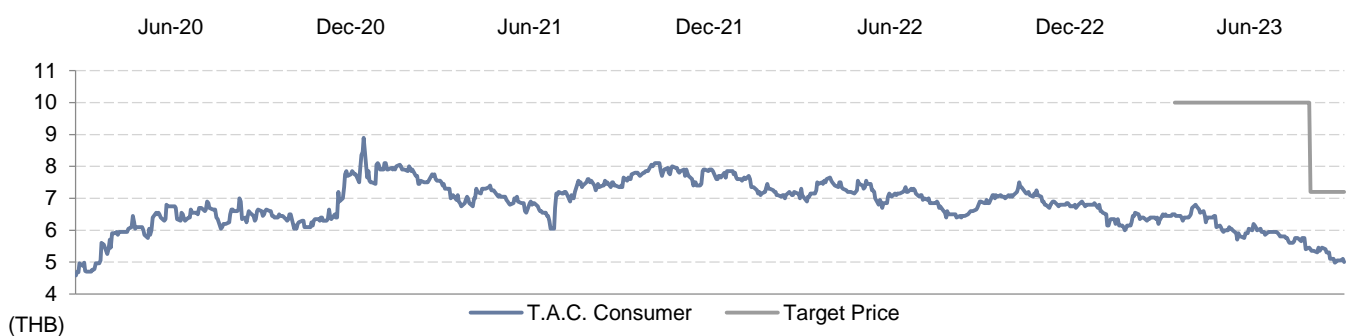
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	17-May-2023	BUY	15.70	-	-	-

Sureeporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

T.A.C. Consumer (TACC TB)



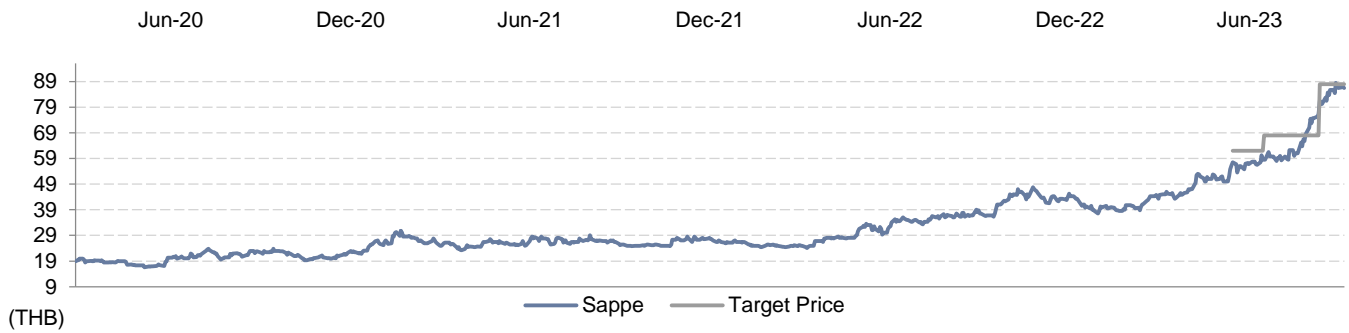
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	10.00	15-May-2023	BUY	7.20	-	-	-

Sureeporn Teewasuwet covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Sappe (SAPPE TB)



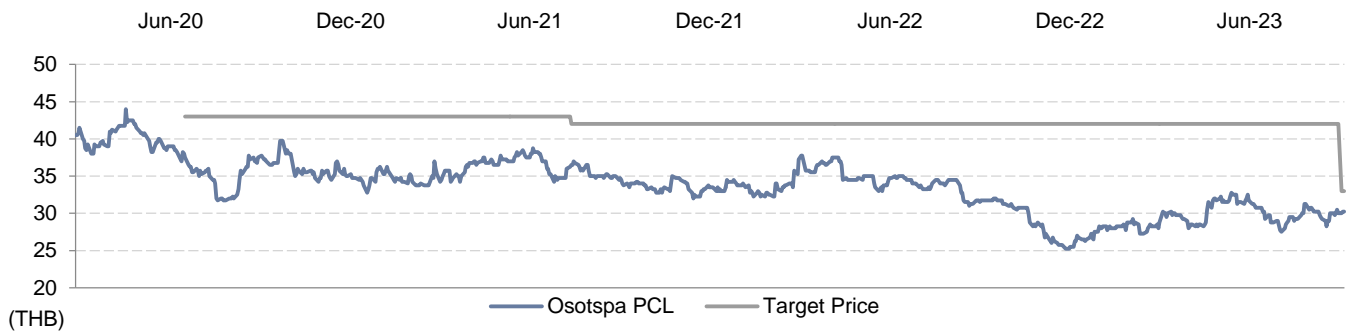
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	05-Apr-2023	BUY	68.00	23-May-2023	BUY	88.00

Sureeporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Osotspa PCL (OSP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
17-Sep-2020	BUY	43.00	16-Aug-2021	BUY	42.00	09-Jun-2023	BUY	33.00

Sureeporn Teewasuwet started covering this stock from 09-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Ichitan Group	ICHI TB	THB 15.30	HOLD	Downside and upside risks to our P/E-based TP would be 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in packaging costs; and 3) competition and government policy changes such as excise taxes for sugary drinks.
T.A.C. Consumer	TACC TB	THB 5.00	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.
Sappe	SAPPE TB	THB 86.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.
Osotspa PCL	OSP TB	THB 30.25	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 14-Jun-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.