

# Sappe PCL (SAPPE TB)

## Thirst for growth

# BUY

Share Price THB 46.00  
12m Price Target THB 60.00 (+30%)

### Initiate BUY for strong growth potential: TP THB60

Initiate coverage with BUY and TP of THB60.00. SAPPE is a leading drinks producer in Thailand with about 65% of sales from exports in FY21. We believe SAPPE is at a growth inflection point that could see core profit accelerate at a 22% CAGR from FY21-26E (vs FY16-FY21 at 5%), driven by: 1) the success of many products, eg Mugu Mugu, the export sales of which paused during Covid; and 2) resumption of export growth whose sales are more profitable because of higher selling prices. We estimate export sales contribution will rise to 84% of total sales in FY26E from 65% in FY21. Because of the higher gross margin for exports, we expect a 22% core profit CAGR from FY21-FY26E, outpacing our forecast sales CAGR of 19% for the same period. Because about 75% of FY22E sales are from exports, SAPPE is a prime beneficiary of the weak THB trend. We estimate every 1% THB depreciation leads to THB1.9% higher core profit.

### Export markets resume post-Covid

SAPPE started to export in FY04 (to the Netherlands) and will focus on strengthening distributorship in these markets to accelerate sales growth. As it was affected by Covid and supply chain bottlenecks in FY21, we forecast export sales growth to accelerate by 54% YoY in FY22E (to THB3.5b of sales) and further by 21% YoY in FY23E (to THB4.2b). We expect export sales to contribute 84% of total sales in FY26E, up from 65% in FY21.

### Expect core profit to more than double (FY21-26E)

SAPPE guided for revenues to approximately triple from FY21-FY26E (from THB3.4b to THB10b), or a 24% CAGR. Our assumptions are more conservative with a 19% revenue CAGR in the same period to THB8.3b as SAPPE's guidance includes inorganic growth (ie M&A), which is not visible in the near future and we only take into account the potential organic growth. We estimate SAPPE has substantial cash of THB2.1b at end of FY22E which could be used for potential M&A. As we expect core profit to more than double to THB1.1b in FY26E, from THB417m in FY21, we think SAPPE is particularly attractive for long-term investors. We also expect SAPPE to pay a high dividend yield of 3.7% in FY22E.

### DCF-based valuation. Rising costs is a key risk

We use DCF (base year FY23E), 11% WACC and 3.5% terminal growth. SAPPE is trading at 18.3x FY23E P/E, the cheapest among its consumer discretionary peers (Fig 31). Rising costs, especially for packaging and logistics, is a key risk that could pressure margins and profitability.

FYE Dec (THB m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,268	3,444	4,619	5,372	6,222
EBITDA	706	743	1,026	1,261	1,550
Core net profit	383	417	643	768	894
Core EPS (THB)	1.26	1.36	2.10	2.51	2.92
Core EPS growth (%)	(0.6)	8.2	54.1	19.4	16.5
Net DPS (THB)	1.02	1.10	1.68	2.01	2.34
Core P/E (x)	15.3	19.3	21.9	18.3	15.7
P/BV (x)	2.1	2.8	4.4	4.1	3.8
Net dividend yield (%)	5.3	4.2	3.7	4.4	5.1
ROAE (%)	14.2	14.7	21.0	23.0	24.8
ROAA (%)	10.9	11.1	15.6	16.7	17.9
EV/EBITDA (x)	6.4	8.7	11.8	9.6	7.8
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	578	615	676
MKE vs. Consensus (%)	-	-	11.3	24.9	32.3

Yuwanee Prommaporn  
Yuwanee.P@maybank.com  
(66) 2658 5000 ext 1393

### Company Description

Sappe is a leader in Thailand's functional drinks segment. As it expands, the bulk of its sales are to overseas markets.

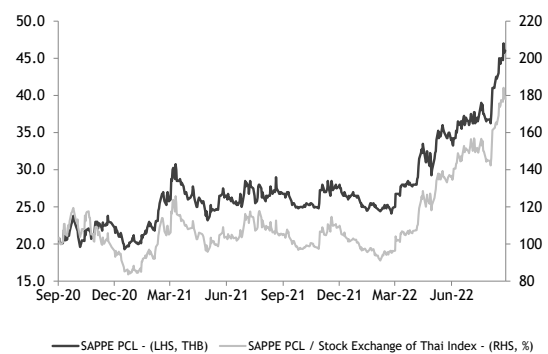
### Statistics

52w high/low (THB)	47.00/24.10
3m avg turnover (USDm)	1.3
Free float (%)	45.1
Issued shares (m)	304
Market capitalisation	THB14.0B USD386M

### Major shareholders:

Ms. Piyajit Ruckariyapong	17.7%
Mr. Atisak Ruckariyapong	17.0%
Mr. Arnupap Ruckariyapong	15.3%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	26	31	72
Relative to index (%)	23	30	69

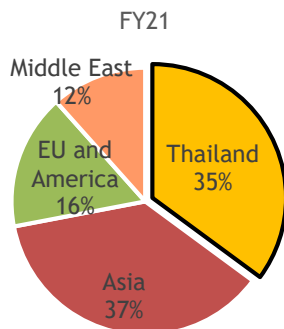
Source: FactSet

ESG@MAYBANK IBG  
Tear Sheet Insert

## Value Proposition

- SAPPE is one of the largest beverage players in Thailand.
- It sells products in 90 countries, with only 35% revenue contribution from Thailand in FY21. With 65% of revenues from exports, it benefits from a weak THB trend.
- The company has many product champions, such as Mogu (jelly drink), All CoCo (coconut drink) and Beauti Drink (vitamin water).
- SAPPE has four beverage manufacturing lines in Thailand, and grows its own coconuts and aloe vera. The company has a fair trade policy towards its farmers.

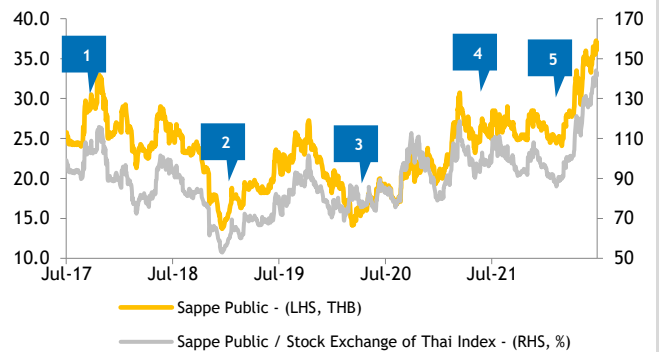
### Revenue mix (FY21)



Source: SAPPE

## Price Drivers

### Historical share price trend



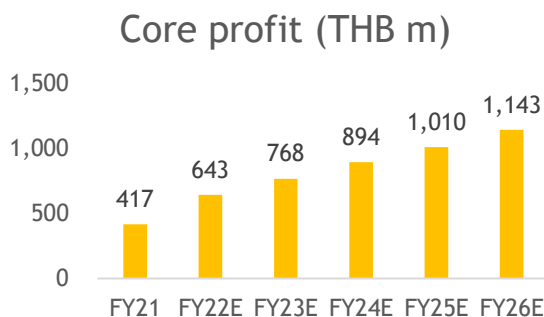
Source: Company, MST

1. Share price rebounded after the government announced a sugar tax with a 2-year grace period.
2. Sales growth accelerated across the board following the success of new products, such as two new flavours of Mogu Mogu.
3. Lockdown in Thailand dimmed sales outlook.
4. Concerns about cost inflation, especially for packaging, which is tied to the price of oil.
5. Weak THB strengthens SAPPE's earnings outlook as most of its sales are exports.

## Financial Metrics

- We expect revenue to grow 34% YoY in FY22E (to THB4.6b) and core profit to increase 54% YoY (to THB643m), driven by sales in Thailand and overseas as Covid eases this year.
- Gross margin in FY22E should improve by 0.7ppt to 40%, as sales in more profitable export markets grow faster than in Thailand (60% vs -4% in FY22E). We estimate demand in the Thai market to remain soft this year as Covid in Thailand eased later than overseas.
- From FY21-FY26E, we expect core profit to post a 22% CAGR to THB1.1b, driven by exports.

### Core profit (THB m)



Source: Company, MST

## Swing Factors

### Upside

- Weaker THB could increase sales as most sales are in foreign currencies.
- Stronger-than-expected demand from export markets.
- Lower packaging costs could increase EBIT margin.

### Downside

- Strong THB could hurt sales as most sales are in foreign currencies.
- Export demand could be impacted if there is a recession.
- Higher packaging costs could lower EBIT margin.

Risk Rating & Score <sup>1</sup>	Research Not Available
Score Momentum <sup>2</sup>	Research Not Available
Last Updated	-
Controversy Score <sup>3</sup>	Research Not Available

## Business Model & Industry Issues

- SAPPE has a fair policy towards its employees and stakeholders. It also helps farmers nearby the factory to earn additional income by teaching them to grow aloe vera, which is used for SAPPE's beverage products.
- During Covid, SAPPE donated a significant amount of beverages to medical staff and patients.
- In terms of energy consumption, SAPPE is using more solar energy, which is friendly to the environment and also helps to lower costs.
- The area where we feel SAPPE could do more is reducing the use of plastic for packaging its beverages and snacks, by applying more environment friendly materials, such as glass and paper.

### Material E issues

- The company has invested around THB45.3m to install 4,263 solar cell panels on the roof of the factory, which helped save 2,940,869 kWp in power consumption, equivalent to CO2 absorption of 34,408 big trees.
- In 2021, the company recycled waste water to be used in sanitary and utility systems within the building.
- The company emphasises on the 3R practice: reduce, reuse and recycle.

### Material S issues

- Since 2019, SAPPE initiated the 'Leader in Me' project in Ruamjit Prasert school in Pathum Thani to train students to embrace the seven habits of leadership.
- In 2021, SAPPE donated THB14m worth of beverages to hospitals, field hospitals and health venues for patients and medical personnel amid the Covid pandemic.
- The company donated about 40 tonnes of paper boxes for recycling and produced 600 paper beds for field hospitals in 2021 at the height of the pandemic.
- SAPPE emphasises equality and fairness in dealing with its business partners.
- Since 2016, SAPPE helped farmers near its factory to grow aloe vera, which in turn is supplied to SAPPE.

### Key G metrics and issues

- The board of directors consists of 10 members with 6 non-executive directors, 5 of whom are independent and 3 are also members of the audit committee. Three of the 10 directors are female.
- During every annual general meeting, at least one third of the directors must retire by rotation. The retired directors can be re-appointed.
- There are 3 members in the audit committee. The audit committee members hold office for a term of 3 years but may be re-appointed.
- For the remuneration of the CEO, the board of directors will review and evaluate his or her performance. The evaluation criteria are based on the key performance indicators, both financial and non-financial indicators.
- In FY21, the company paid THB67.87m to its executives.
- KPMG Phoomchai Audit is the company's auditor.
- The company paid THB3.43m in audit fees for FY21, or 0.82% of net profit.
- In the case of related-party transactions or any transactions that relate to a director or an executive, it must obtain approval from the audit committee and the board of directors.
- The company has a dividend policy of not less than 40% of net profit.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

## 1. Investment thesis

We believe SAPPE's revenue and profit will accelerate from FY22E onwards following the easing of Covid, which is leading to recovery in both domestic demand and export sales. In export markets, which have been severely hampered by supply chain issues, we expect international sales to increase by 54% YoY this year, compared with our forecast of a 4% YoY decline in domestic sales as Covid in Thailand has eased later than in international markets.

Although SAPPE guided for sales to almost triple from FY21E-FY26E to THB10b (from THB3.4b), our projection is less aggressive as we only factor in organic growth and in FY26E, and we expect sales to reach THB8.3b. We note that SAPPE's more aggressive assumptions include M&A, which is not highly visible at present. We also estimate SAPPE will have THB2.1b cash on hand by end-FY23E, to finance M&A, if any.

SAPPE is trading at 18.3x FY23E P/E, a discount to the average of 21.3x for peers. We think the discount is unjustified given SAPPE's accelerating EPS growth of 54% YoY in FY22E as well as our forecast of 22% earnings CAGR from FY21-FY26E.

## 2. Corporate background

SAPPE was founded in 1988 by Mr. Anant Ruckariyapong, manufacturing Thai snacks under the brand 'Piyajit'. By 2001, the company branched out to manufacture beverages under the brand 'Mogu Mogu', which is a fruit juice with coconut jelly that is now its best-selling product. In 2004, SAPPE began to export its best-selling Mogu Mogu drink. We estimate export markets to contribute around 75% of total FY22 revenues and it covers Europe, the Americas, Asia and the Middle East.

In terms of product portfolio, there are 5 categories: 1) fruit juice; 2) functional drinks; 3) functional powder; 4) healthy snacks; and 5) other ready-to-drink products. Its best-selling product is Mogu Mogu drink, which we estimate generates 60-70% of total sales, all from exports.

SAPPE prides itself on product innovation and every year launches 15-20 new products. In addition to adding new products, SAPPE emphasises new markets and plans to expand more internationally. Because of this, we expect the overseas sales contribution to reach 84% of total sales in FY26E, up from 65% in FY21.

Fig 1: SAPPE's timeline

Year	Description
1973	Founded. Sold snacks under brand "Piyajit"
1988	Sapanan General Food was established at Bangchan Industrial Park
2001	Launched its first drink "Mogu Mogu", the world's first drink made from fruit juice with coconut jelly
2006	Sappe Beauti Drink launched with the slogan "Just drink and become beautiful"
2010	Sappe factory began operations in Pathum Thani
2011	Established Sappe Europe in Slovakia
2014	Listed on SET
2016	Established Sappe Trading (Hong Kong)
	Acquired shares in Coconut Factory Co, and renamed All Coco
2019	Partnered with Myen PT (Danone) to launch B'lue vitamin water
2021	Launched "Krun Pensri" candy, in collaboration with Workpoint (WORD TB, Not rated)

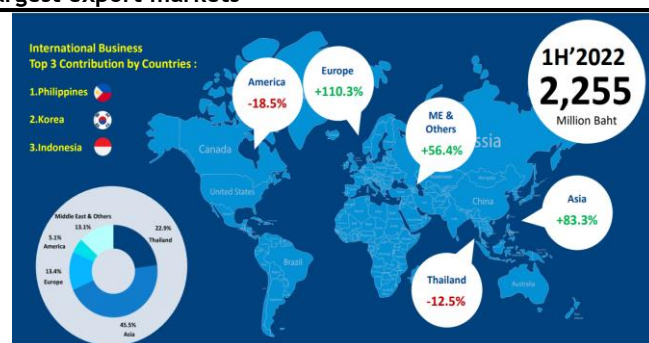
Source: SAPPE

Fig 2: Mogu Mogu drink is the product champion, contributing about 60-70% of total sales



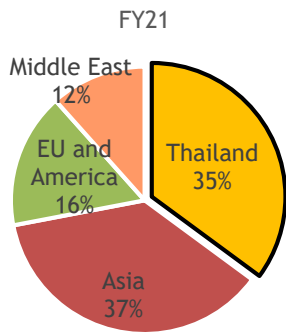
Source: SAPPE

Fig 3: The Philippines, South Korea and Indonesia are SAPPE's largest export markets



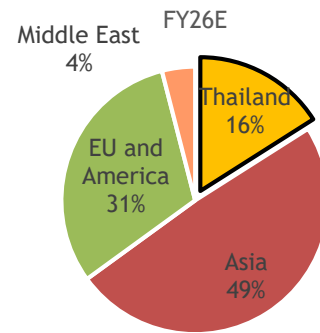
Source: SAPPE

**Fig 4: Revenue structure by geography (FY21)**



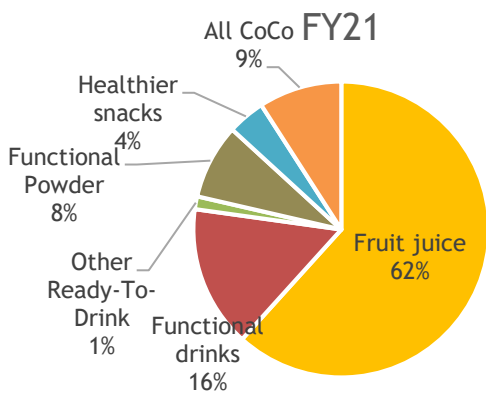
Source: SAPPE

**Fig 5: Domestic sales contribution could be lower due to faster sales growth for exports**



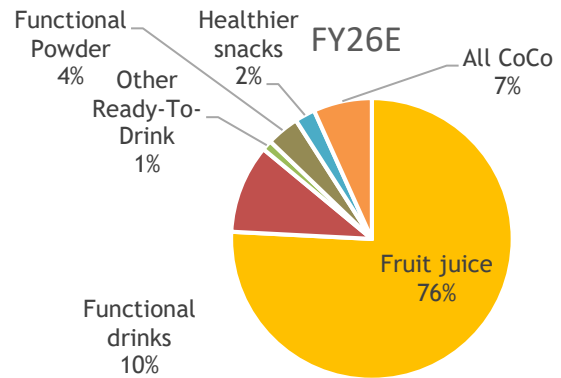
Source: MST

**Fig 6: Revenue structure by product (FY21)**



Source: SAPPE

**Fig 7: Fruit juice, especially Mogu Mogu, will be the growth driver and hence, revenue contribution rises to 76% in FY26E**



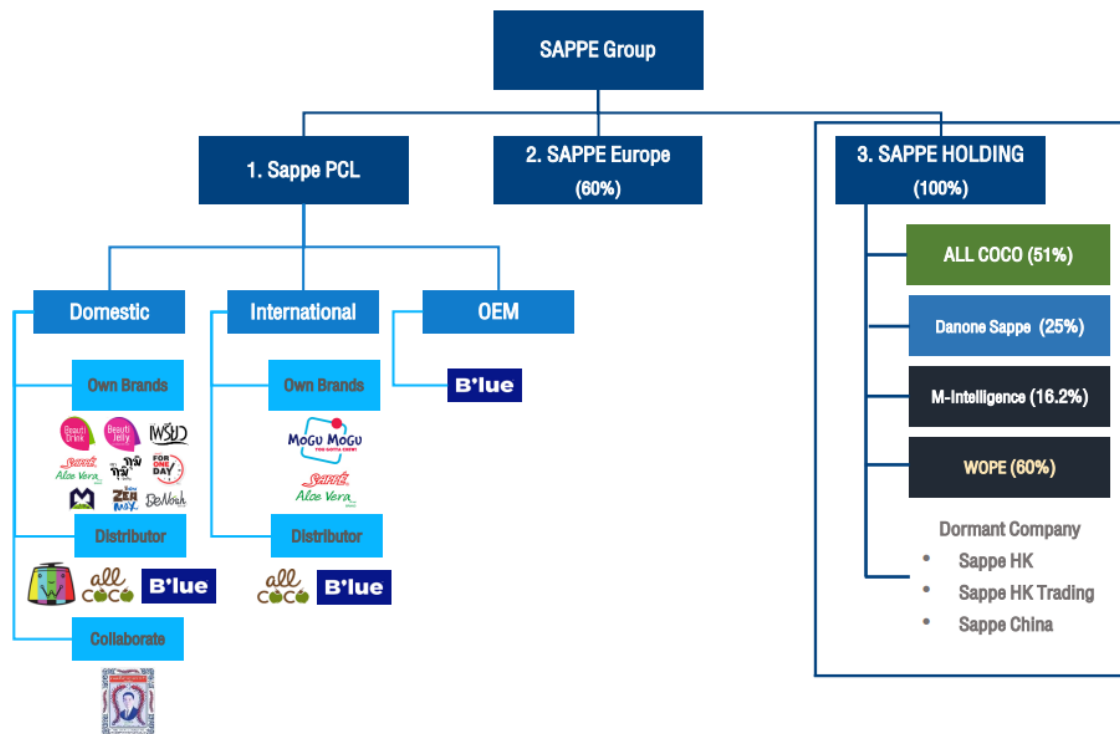
Source: MST

Fig 8: Product portfolio

Products	Target Customers
<b>Sappe Beauti Drink</b>	<ul style="list-style-type: none"> <li>Health and beauty conscious women.</li> </ul>
<b>B'lue</b>	<ul style="list-style-type: none"> <li>Teenage group or people of working age with young spirit who look for new and sensational things but care for health and seek items that meet their lifestyles.</li> </ul>
<b>All Coco</b>	<ul style="list-style-type: none"> <li>People who care about health and look for the best item in the market to meet their requirements of taste, benefit and social image.</li> </ul>
<b>Sappe Aloe Vera Drink</b>	<ul style="list-style-type: none"> <li>A new generation in all genders who are passionate about novelties and pleasure and prefer a delicious and refreshing product with aloe vera pulps.</li> </ul>
<b>Preaw Coffee</b>	<ul style="list-style-type: none"> <li>Ready mix coffee powder for health and beauty conscious women</li> </ul>
<b>Preaw Pudding</b>	<ul style="list-style-type: none"> <li>A new generation of both teenagers and working people who love snacks but still care about health.</li> </ul>
<b>Preaw Chlorophyll</b>	<ul style="list-style-type: none"> <li>Ready mix chlorophyll powder imported from Japan for health-conscious consumers of all ages.</li> </ul>
<b>SlimFit Coffee</b>	<ul style="list-style-type: none"> <li>Ready mix coffee powder for health and beauty conscious women, available in an affordable price.</li> </ul>
<b>Sappe Beauti Jelly</b>	<ul style="list-style-type: none"> <li>Jelly products for young people of all ages, who want to take good care of their health.</li> </ul>
<b>ZeaMax</b>	<ul style="list-style-type: none"> <li>Teenagers and working people who like to have snacks but prefer being healthy.</li> </ul>
<b>Maxtive</b>	<ul style="list-style-type: none"> <li>Health-conscious men who want to boost confidence</li> </ul>
<b>DeNosh</b>	<ul style="list-style-type: none"> <li>A new generation, both teenagers and working forces who love being healthy.</li> </ul>
<b>Sappe x Takabb</b>	<ul style="list-style-type: none"> <li>Mid-aged and elderly groups who are familiar with the brand, which has been developed and being presented in an innovative pattern.</li> </ul>
<b>Kru Pensri</b>	<ul style="list-style-type: none"> <li>Students and working people, being influenced by social media and look for candy with creative flavors.</li> </ul>
<b>Gumi Gumi Jelly</b>	<ul style="list-style-type: none"> <li>The new generation ranging from school-age to working age who like having sweet as a snack but favor the delicious and refreshing item, full of benefit and make stomach full. The affordable price is also preferable to make it the routine snack.</li> </ul>
<b>Mogu Mogu and Gumi Gumi</b>	<ul style="list-style-type: none"> <li>General people who prefer the delicious, refreshing product added with coconut jelly.</li> </ul>

Source: SAPPE

Fig 9: Corporate structure



Source: SAPPE

Since 2021, SAPPE has also established two partnerships, one with the 5 Takabb brand (anti-cough herbal medicine) to launch herbal drink Sappe Takabb, and the other one with Workpoint (WORK, CPTHB18.80, Not Rated) to launch Kru Pensri candies. Given the success with Kru Pensri candies, SAPPE and WORK set up a new joint venture called WOPE (not listed), in which SAPPE holds a 60% stake for THB30m.

In our view, these partnerships have allowed SAPPE to leverage the partners' brand (e.g. Takabb) or expertise in advertising and promotions towards brand building, in the case of WORK. We believe these partnerships should allow SAPPE to add more products to its portfolio with relatively lower promotional costs.

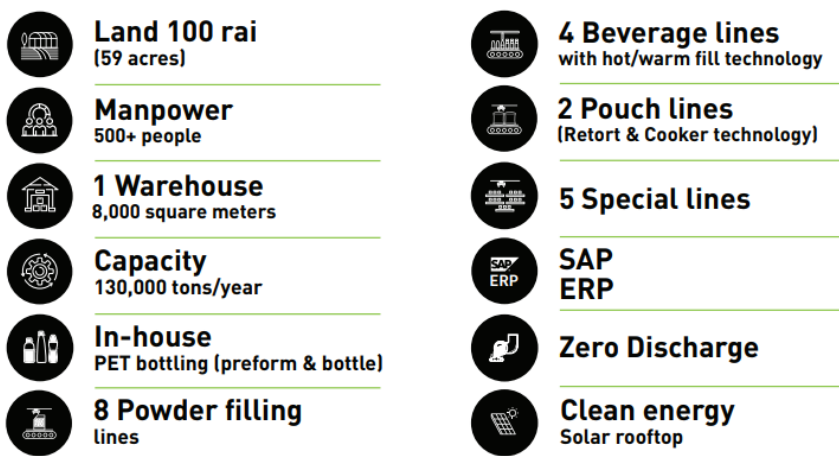


### 3. Operating assets

SAPPE has a manufacturing facility in Pathum Thani province, near Bangkok. The plant is on 59 acres of land with modern equipment. It consists of a warehouse, four beverage production lines, two pouch lines with 129,598 tonnes of capacity per year, eight powder-filling lines with a capacity of 2,450 tonnes per year and a warehouse.

In terms of utilisation, SAPPE reached 72% in FY21 and it expects to hit 100% by FY25E when a new production line will be added with capex of around THB500m. The company is also considering expanding the production facility in a key export market (e.g. in Europe), which could lead to lower logistics costs. However, SAPPE will make final decisions nearer to the time.

Fig 10: Details of SAPPE's plant



Source: SAPPE

Fig 11: SAPPE's factory in Pathum Thani...



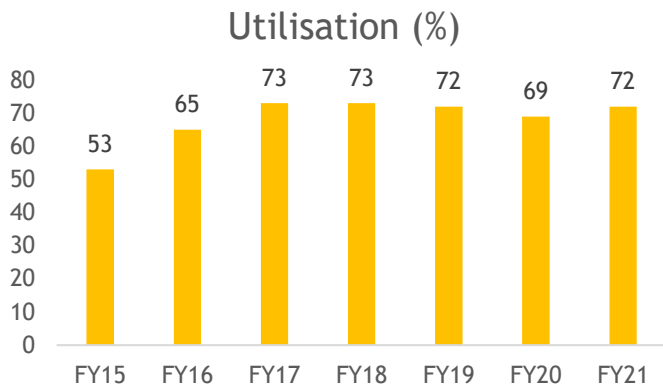
Source: SAPPE

Fig 12: ...with four beverage lines and a warehouse



Source: SAPPE

**Fig 13: Utilisation dipped in FY20, due to soft sales amid Covid**



Source: SAPPE

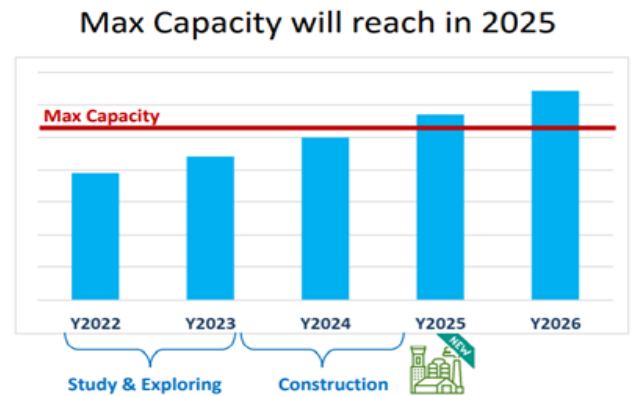
In 2016, SAPPE tested growing aloe vera at its factory in Pathum Thani. The company hired experts to teach farmers in Pathum Thani to plant aloe vera under the Wan Wan Wan project. Apart from buying the aloe vera from the farmers to ensure stable income for people in the surrounding community, this will reduce risk of shortage of aloe vera in the future.

**Fig 15: Aloe vera farmer in the Wan Wan Wan project**



Source: SAPPE

**Fig 14: Management expects full utilization by FY25E, and a new production facility to be added**



Source: SAPPE

**Fig 16: Aloe vera grown in the project**



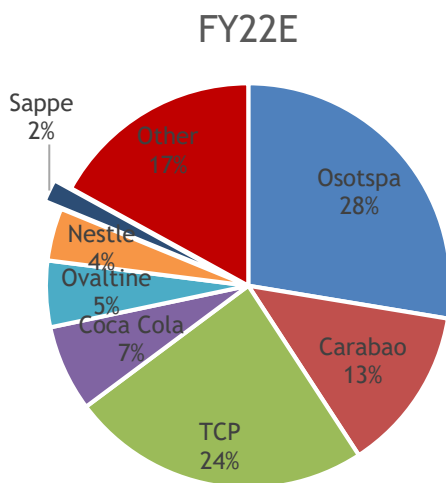
Source: SAPPE

## 4. Competitive landscape and positioning

According to Euromonitor, Thailand’s functional beverage sales reached THB51.3b in 2021, up by 5% YoY. About 58% of functional drinks sales are energy drinks, which is why the top players are all energy drinks manufacturers, such as Osotspa (OSP, CP THB30.75, BUY, TP THB45.0), TCP (not listed) and Carabao (CBG, CP THB100, not rated), commanding market shares of 28%, 24% and 13%, respectively. Given the energy drink players’ combined market share of 55%, this leaves little room for other players.

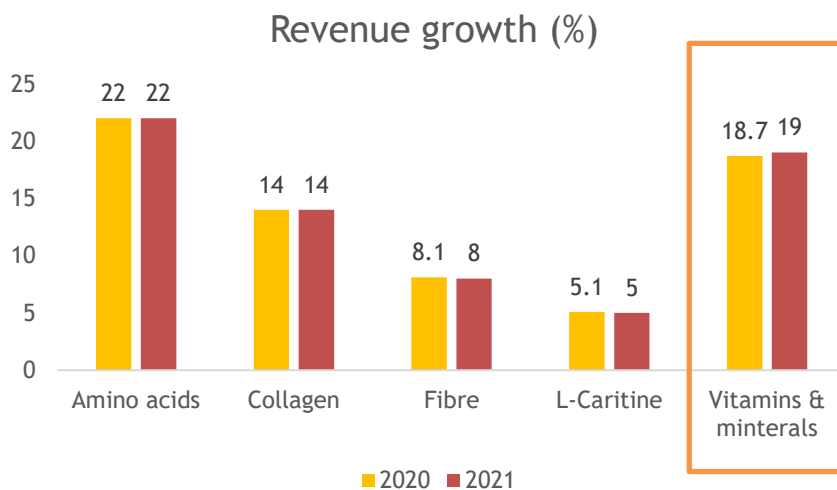
From 2016-2021, functional beverage sales posted a 2.7% CAGR on average. Despite the low growth as the energy drinks market was already highly penetrated, some sub-segments grew rapidly, such as amino acid drinks, which registered a 22% CAGR from 2020-2021, as well as the vitamins and mineral sub-segment, which rose 18.8% YoY during the same period. We note that most of SAPPE’s products, e.g. Beauti Drinks, are in the rapidly growing vitamins segment.

**Fig 17: SAPPE has about 2% share of functional beverage market in Thailand**



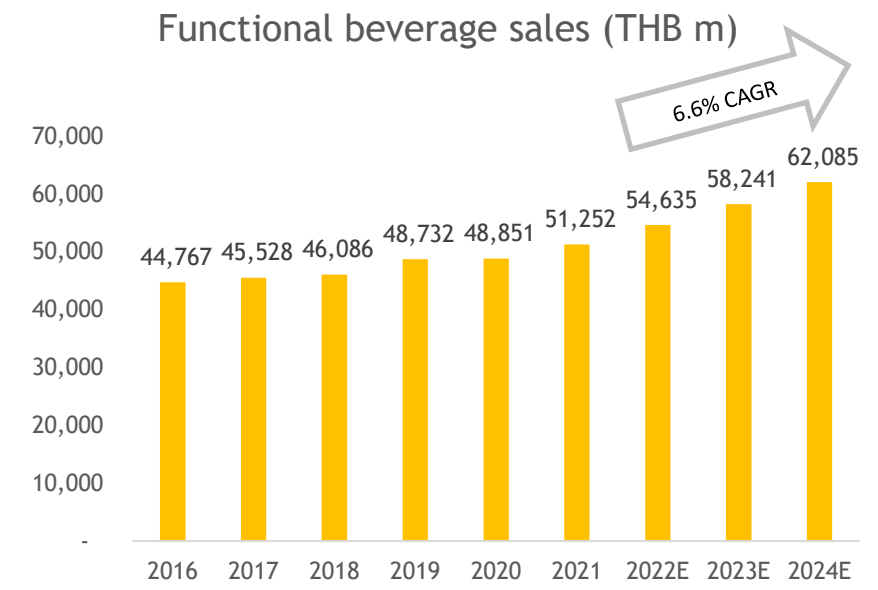
Source: Euromonitor

**Fig 18: Sappe’s drinks are in one of the fastest growing segments in the functional drinks market**



Source: Euromonitor

**Fig 19: Functional beverage sales could grow 6.6% pa in the next three years**



Source: Euromonitor, Matichon

Euromonitor also identified three key trends going forward:

**Vitamin C is a growth driver:** During Covid, vitamin C drinks sales chalked up an 18.9% CAGR in 2020-2021 as consuming vitamin C could help prevent Covid. Euromonitor believes this trend could continue post-Covid and sales of vitamin C functional drinks could continue to grow strongly in this segment. We also note that Sappe's Beauti Drink (vitamin drinks) is also a leader in this category.

**Thai players may have more knowledge of benefits of local herbs:** As herbs are increasingly appreciated for their general health benefits and immunity support against Covid, many new products in this category were launched in 2021, such as Sappe's herbal Takabb drink, which is produced in partnership with the Takabb Lozenge brand. Domestic players also have an advantage in this category as they appear to have more knowledge of the benefits of local herbs.

**Cannabis use may increase as it became legalised in June 2022:** As cannabis and hemp extracts are legal substances in Thailand, many local companies have included cannabis/hemp in their functional beverages, e.g. Ichitan Group (ICHI, CP THB9.05 Not Rated), which launched Ichitan Green Lab in 2021. SAPPE is also considering launching a cannabis drink, but there are no concrete plans yet.

## 5. Financial analysis

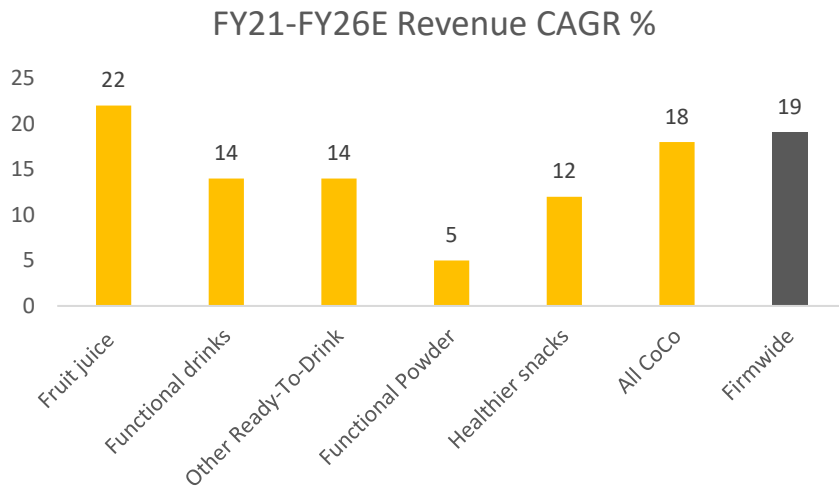
**Stagnant sales amid Covid:** From 2019-2021, SAPPE's revenues grew only 4% to THB3.4b as both domestic demand and international sales were affected by Covid. The growth was driven by sales in international markets, which rose 21% during this period to THB2.3b whereas domestic sales dropped 11% to THB1.2b as Thailand's vaccination was behind many countries in Asia and Europe - hence, Covid was relatively less contained. SG&A expenses to total sales increased significantly to 31.3% in FY21 from 23.7% in FY19 as supply-chain costs (especially overseas) soared during Covid.

**Acceleration in revenue growth in FY22E:** Going forward, we project overall sales to grow 34% YoY in FY22E, driven by international sales as Covid eases, making exporting easier. As export sales are more profitable, we expect gross margin to increase by 0.7 ppt YoY to 40% in FY22E. We also forecast SG&A to total sales to remain quite high but still 0.3ppt lower than FY21, at 31% in FY22E as international supply chains remain challenging. With higher gross margin and lower SG&A to total sales, operating margin could expand by 1ppt to 9%.

**Strong long-term revenue growth potential:** From FY21-FY26E, we expect SAPPE to register 19% revenue CAGR (to THB8.3b), accelerating from 5% CAGR from FY16 to FY21. We think the revenue growth from FY16-FY21 was unnaturally low due to the disruption caused by Covid. Additionally, we believe the success of its marketing, especially for key products such as Mogu Mogu, started to bear fruit recently, particularly in Asia (+83% YoY in 1H22) and Europe (+111 YoY in 1H22). In our view, this is a result of long-term investment in distribution channels and brands, which should lead to core profit to more than double to THB1.1b in FY26E from THB417m in FY21. We also note that our projected revenue growth is lower than management's guidance, which expects sales to reach THB10b in FY26E (ours is THB8.3b) as its forecasts include both organic and M&A-driven growth, whereas ours is based on organic growth only.

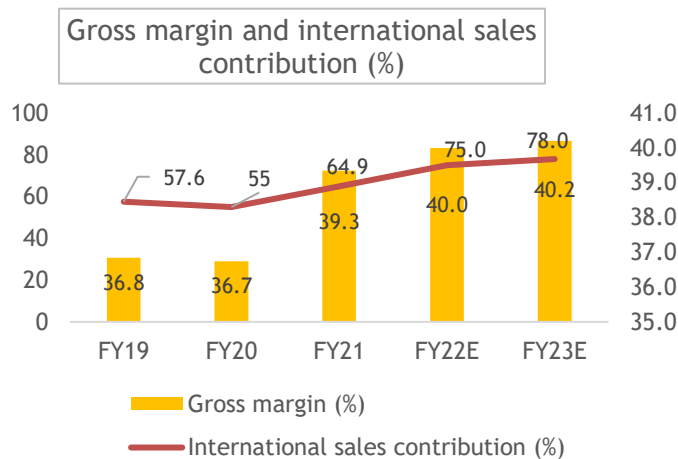
**Moderate capex in FY22E but could increase in FY23E to expand facilities:** we expect SAPPE to invest THB250m in capex in FY22E, before accelerating to THB600m in FY23E. SAPPE expects to reach full capacity utilisation of its production facility by around FY24-FY25 and hence, we expect the new facility to be completed by the end of FY23E. This is why capex should increase to THB600m, up substantially from THB250m in FY22E.

**Fig 20: Growth of the fruit juice market should drive SAPPE’s growth owing to the popularity of its Mogu Mogu drinks**



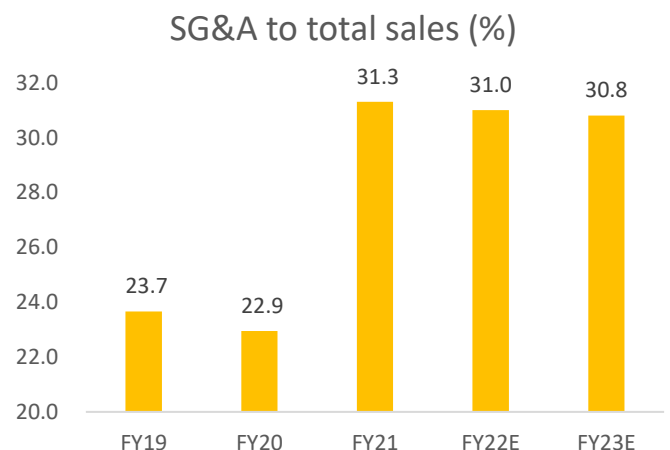
Source: MST

**Fig 21: We forecast SAPPE’s gross margin to grow with rise in international sales contribution**



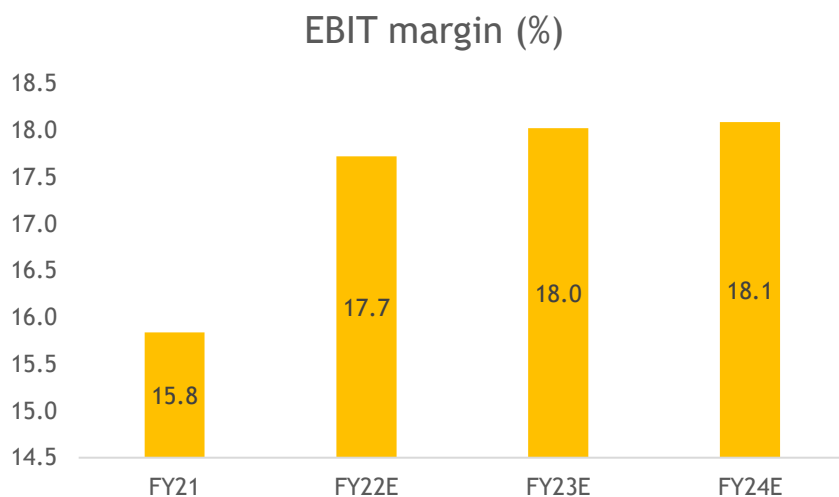
Source: SAPPE, MST

**Fig 22: SG&A expenses to total sales rose in FY21 due to supply-chain problems that should continually ease in FY22E & FY23E**

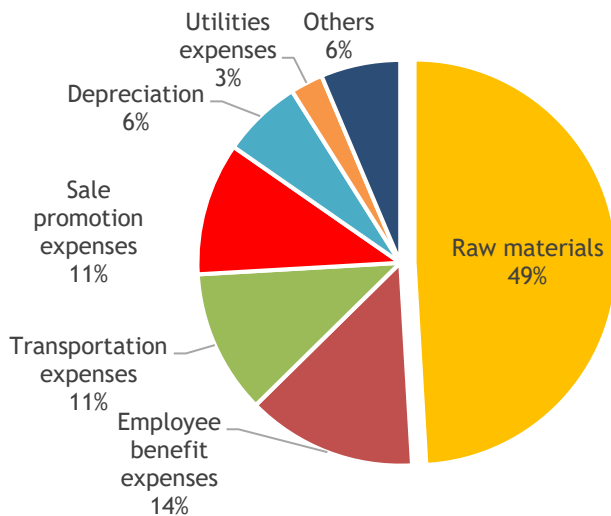


Source: SAPPE, MST

**Fig 23: Due to higher gross margin and lower SG&A to sales, EBIT margin is on a rising trend**



Source: MST

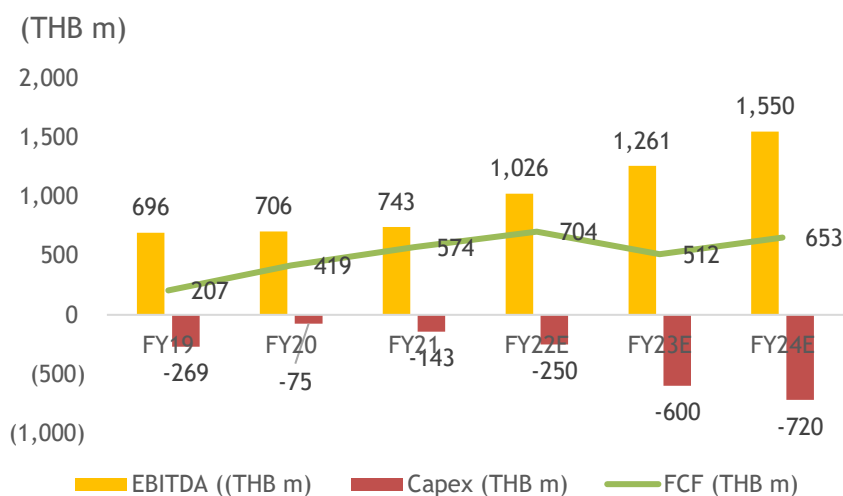
**Fig 24: Raw materials make up around 50% of total costs (FY21)**


Source: SAPPE

**Rising costs could be a risk:** About half of SAPPE's total costs are raw materials, 14% is salaries and wages and 11% is for logistics. We believe food and packaging cost inflation could be a risk to its gross margin and profitability. With regard to the rise in minimum wage in October 2022, the company believes the impact will be minimal as most of its employees are not on the minimum wage. Although we think rising costs could be a risk, we believe EBIT margin could trend up due to strong sales growth in the more profitable export markets (26% CAGR from FY21-FY26E), which outpaces domestic sales growth (2% CAGR from FY21-FY26E).

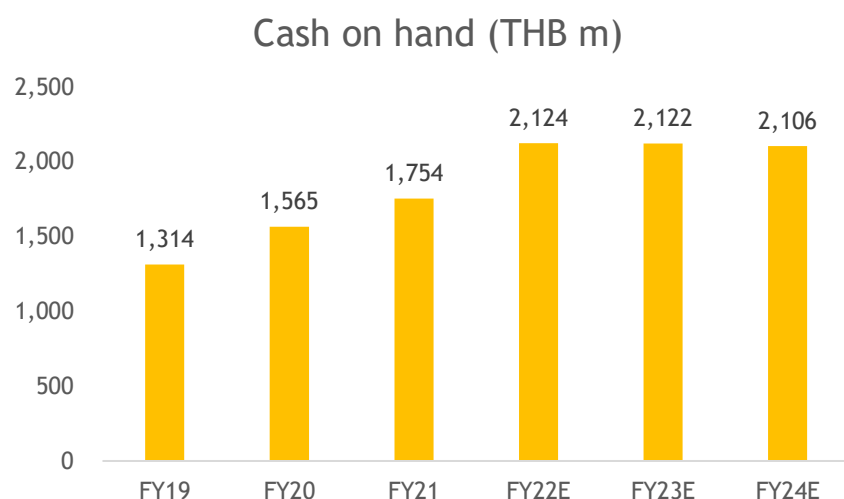
**High EBITDA and limited capex set to lead to net cash position:** Due to high forecast FY22 EBITDA of THB1b and capex of only THB250m, we expect SAPPE to have THB 2.1b cash on hand by end-FY22E. This could be the source of funds for acquisitions, if any, to accelerate revenue growth.

**High dividend payout ratio:** Due to relatively limited capex and high EBITDA, we forecast the dividend payout ratio to be 80%. This is in line with FY21 payout ratio of 81%.

**Fig 25: High EBITDA and relatively limited capex leads to high FCF**


Source: SAPPE, MST

Fig 26: Substantial cash on hand



Source: MST

Fig 27: Our assumptions

	-----Actual-----			----- Forecast -----				
	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E
<b>Sales (THB m)</b>	<b>3,299</b>	<b>3,268</b>	<b>3,444</b>	<b>4,619</b>	<b>5,372</b>	<b>6,222</b>	<b>7,198</b>	<b>8,331</b>
(% YoY growth)	14	-1	5	34	16	16	16	16
---- Fruit juice	1,989	1,766	2,152	3,121	3,682	4,308	5,041	5,898
(% YoY growth)	15	-11	22	45	18	17	17	17
---- Functional drinks	548	692	541	623	710	816	931	1,061
(% YoY growth)	63	26	-22	15	14	15	14	14
---- Other Ready-To-Drink	32	26	47	62	68	75	81	89
(% YoY growth)	-9	-19	86	30	10	10	9	9
---- Functional Powder	297	250	242	244	261	280	297	314
(% YoY growth)	-6	-16	-3	1	7	7	6	6
---- Healthier snacks	158	220	144	159	178	199	223	249
(% YoY growth)	27	39	-34	10	12	12	12	12
---- All CoCo	276	315	317	411	473	544	626	720
(% YoY growth)	-20	14	1	30	15	15	15	15
<b>Gross margin (%)</b>	<b>36.8</b>	<b>36.7</b>	<b>39.3</b>	<b>40.0</b>	<b>40.2</b>	<b>40.4</b>	<b>40.4</b>	<b>40.4</b>
<b>SG&amp;A to total sales (%)</b>	<b>23.7</b>	<b>22.9</b>	<b>31.3</b>	<b>31.0</b>	<b>30.8</b>	<b>30.5</b>	<b>30.0</b>	<b>29.5</b>
<b>Capex (THB m)</b>	<b>269</b>	<b>75</b>	<b>143</b>	<b>250</b>	<b>600</b>	<b>720</b>	<b>864</b>	<b>1,037</b>
<b>Core profit (THB m)</b>	<b>386</b>	<b>383</b>	<b>417</b>	<b>643</b>	<b>768</b>	<b>894</b>	<b>1,010</b>	<b>1,143</b>

Source: MST



## 6. Valuation

We use DCF (FY23E base year), 11% WACC and 3.5% terminal growth to derive a TP of THB60. SAPPE is trading at 18.3x FY23E P/E, which is among the cheapest among Thai food peers. In our view, the discount is unjustified given the accelerating core profit growth of 54% in FY22E and 19% in FY23E, driven by its product success as well as the recovery post-Covid. For long-term investors, we think SAPPE is particularly attractive, given its fast profit growth, which could more than double to THB1.1b in FY26E from THB417m in FY21.

**Fig 28: DCF assumptions**

Risk free rate	3.0
Market risk premium	6.3
Stock beta	1.3
Cost of equity	11.2
Cost of debt	3.0
WACC (%)	11.0

Source: MST

**Fig 29: DCF summary**

Unit:THB m	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	TV
EBITDA	1,261	1,550	1,852	2,212	2,572	2,973	3,425	3,955	4,576	5,305	6,163	
Adjusted tax	-194	-225	-254	-288	-314	-340	-364	-391	-421	-453	-489	
Working capital	51	48	56	64	53	37	21	16	8	-3	-17	
Capex	-600	-720	-864	-1,037	-1,244	-1,493	-1,792	-2,150	-2,580	-3,096	-3,715	
FCF	518	653	790	951	1,067	1,178	1,291	1,429	1,583	1,753	1,942	2,157
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
FCF PV	518	588	641	695	702	698	689	687	685	684	682	9,059
<b>Sum of PV</b>	<b>16,327</b>											

Source: MST

**Fig 30: DCF-based TP of THB60**

DCF valuation estimate at FY23E	THB m	THB /share
Core operating assets	16,327	53.3
Cash & liquid assets	2,122	6.9
Investments	89	0.3
Entity valuation	18,539	60.6
Debt	72	0.2
Preferred equity	0	0.0
Minorities	100	0.3
<b>Residual ordinary equity</b>	<b>18,367</b>	<b>60.0</b>

Source: MST

**Fig 31: Peers valuation**

BB Ticker	Name	Mkt cap	Price	P/E (x)			P/BV (x)		ROE (%)		Yield (%)		EV/EBITDA (x)		EPS Gr (%)		Share Price Performance			
		USDm	LC	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	1M	3M	6M	YTD	
AU TB	AFTER YOU PCL	232	10.40	52.0	34.7	10.4	10.4	16.7	27.0	1.9	2.9	14.8	10.4	3,301.4	50.0	7.2	4.5	6.7	4.5	
CBG TB	CARABAO GROUP PCL	2,717	99.50	31.5	26.0	8.7	8.8	28.9	31.2	2.2	2.7	23.3	19.7	9.7	21.4	(11.9)	(6.6)	1.0	(16.7)	
HTC TB	HAAD THIP PUBLIC CO LTD	177	32.25	11.9	9.8	1.7	1.6	14.8	17.0	5.9	7.1	7.0	6.1	1.1	22.2	7.5	7.5	(0.8)	(9.2)	
ICHI TB	ICHITAN GROUP PCL	321	9.05	20.7	17.5	1.9	1.9	9.2	10.8	4.8	5.9	10.0	9.4	4.2	17.8	10.4	(2.2)	(10.4)	(9.5)	
M TB	MK RESTAURANTS GROUP PCL	1,452	57.75	32.7	22.6	3.8	3.7	12.1	16.7	2.7	3.9	14.3	11.7	1,212.2	44.7	10.5	13.8	11.1	11.1	
OSP TB	OSOTSPA PCL	2,523	30.75	29.7	25.1	4.7	4.6	15.6	18.0	3.2	3.9	18.3	16.1	(4.3)	18.2	(3.1)	(9.6)	(14.0)	(10.2)	
SAPPE TB	SAPPE PCL	385	45.75	25.0	21.7	4.5	4.2	18.6	19.9	2.6	2.9	14.8	12.9	38.2	15.1	24.5	31.7	89.8	74.3	
ZEN TB	ZEN CORP GROUP PCL	123	15.00	36.6	27.4	3.7	3.5	9.7	12.9	1.5	2.0	8.9	8.0	nm	33.7	26.1	26.1	30.4	25.0	
1216 TT	UNI-PRESIDENT ENTERPRISES CO	12,227	66.50	18.9	17.0	3.1	3.0	16.8	18.2	4.1	4.4	8.4	8.0	7.5	11.5	0.8	1.8	1.7	(3.1)	
FB PM	SAN MIGUEL FOOD AND BEVERAGE	4,498	43.50	12.4	11.2	2.3	2.0	19.3	19.7	3.9	4.1	5.7	5.2	3.8	10.6	(4.9)	(28.2)	(33.7)	(38.7)	
	<b>Average (simple)</b>			<b>27.1</b>	<b>21.3</b>	<b>4.5</b>	<b>4.4</b>	<b>16.2</b>	<b>19.1</b>	<b>3.3</b>	<b>4.0</b>	<b>12.6</b>	<b>10.7</b>							

Source: Bloomberg

**Fig 32: P/E band**



Source: MST

**Fig 33: P/B band**



Source: MST

## 7. Risks

### **Risk from THB fluctuation**

About 75% of FY22E revenue should be from exports and as such, SAPPE is exposed to THB appreciation. The company has a policy to hedge the exchange risk with forward contracts, of not more than 75% of FX sales in the next six months. We estimate every 1% THB depreciation leads to 1.9% higher core profit.

### **Risk from higher raw material prices**

About 49% of total costs is for raw materials, and rising costs, especially for packaging (35% of total costs), could hurt earnings. We estimate every 1% increase in raw material prices, core profit could be lower by 1.5%.

### **Risk from product imitation**

SAPPE customers have strong brand loyalty in many of its well-known products. If SAPPE's intellectual property is not properly protected, eg if its products are imitated with lower-quality products, this can hurt its reputation and brands as well as revenue and earnings in the long term.

### **Risk from Covid**

Covid can hurt the company's production and supply chain/logistics in the export markets. Nevertheless, we expect Covid to ease by the end of FY22E.

## Appendix

Fig 34: Product portfolio (1)



Source: SAPPE

Fig 35: Product portfolio (2)



Source: SAPPE

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Metrics</b>					
P/E (reported) (x)	15.0	18.8	21.9	18.3	15.7
Core P/E (x)	15.3	19.3	21.9	18.3	15.7
P/BV (x)	2.1	2.8	4.4	4.1	3.8
P/NTA (x)	2.1	2.8	4.4	4.1	3.8
Net dividend yield (%)	5.3	4.2	3.7	4.4	5.1
FCF yield (%)	7.1	7.1	5.0	3.6	4.6
EV/EBITDA (x)	6.4	8.7	11.8	9.6	7.8
EV/EBIT (x)	9.0	11.8	14.8	12.5	10.7
<b>INCOME STATEMENT (THB m)</b>					
Revenue	3,268.1	3,444.2	4,619.2	5,372.1	6,221.9
EBITDA	706.0	743.4	1,026.5	1,261.1	1,550.5
Depreciation	(202.2)	(197.9)	(207.8)	(292.8)	(424.8)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	503.9	545.5	818.6	968.3	1,125.6
Net interest income / (exp)	(3.2)	(2.5)	(2.1)	(2.1)	(1.3)
Associates & JV	(15.6)	(20.2)	(15.0)	(5.0)	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	485.1	522.8	801.6	961.3	1,124.3
Income tax	(96.0)	(106.0)	(163.3)	(193.3)	(224.9)
Minorities	(5.8)	0.6	5.0	0.0	(5.0)
Reported net profit	383.4	417.3	643.2	768.0	894.5
Core net profit	383.4	417.3	643.2	768.0	894.5
<b>BALANCE SHEET (THB m)</b>					
Cash & Short Term Investments	1,565.5	1,753.7	2,124.1	2,122.3	2,105.7
Accounts receivable	435.6	340.6	340.6	340.6	340.6
Inventory	290.7	221.1	299.7	341.3	383.8
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	1,006.2	951.3	993.4	1,300.6	1,595.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	14.2	89.0	89.0	89.0	89.0
Other assets	335.0	492.8	563.9	609.4	660.8
<b>Total assets</b>	<b>3,647.2</b>	<b>3,848.4</b>	<b>4,410.6</b>	<b>4,803.2</b>	<b>5,175.6</b>
ST interest bearing debt	36.2	21.4	20.0	20.0	20.0
Accounts payable	577.9	675.9	916.2	1,043.5	1,173.5
LT interest bearing debt	65.9	51.9	51.9	51.9	0.0
Other liabilities	94.0	93.0	110.0	122.0	136.0
<b>Total Liabilities</b>	<b>774.1</b>	<b>841.9</b>	<b>1,098.6</b>	<b>1,237.7</b>	<b>1,329.1</b>
Shareholders Equity	2,771.6	2,905.7	3,212.2	3,465.6	3,745.7
Minority Interest	101.5	100.8	99.8	99.8	100.8
<b>Total shareholder equity</b>	<b>2,873.1</b>	<b>3,006.5</b>	<b>3,312.0</b>	<b>3,565.4</b>	<b>3,846.5</b>
<b>Total liabilities and equity</b>	<b>3,647.2</b>	<b>3,848.4</b>	<b>4,410.6</b>	<b>4,803.2</b>	<b>5,175.6</b>
<b>CASH FLOW (THB m)</b>					
Pretax profit	485.1	522.8	801.6	961.3	1,124.3
Depreciation & amortisation	202.2	197.9	207.8	292.8	424.8
Adj net interest (income)/exp	(3.2)	(2.5)	(2.1)	(2.1)	(1.3)
Change in working capital	(116.6)	115.6	107.1	50.6	48.0
Cash taxes paid	(96.9)	(106.7)	(163.9)	(193.9)	(225.3)
Other operating cash flow	4.1	(33.2)	(13.7)	(3.6)	1.4
Cash flow from operations	493.5	716.5	953.9	1,112.2	1,373.3
Capex	(74.5)	(142.9)	(250.0)	(600.0)	(720.0)
Free cash flow	418.9	573.6	703.9	512.2	653.3
Dividends paid	(252.6)	(310.5)	(336.7)	(514.6)	(614.4)
Equity raised / (purchased)	0.0	47.5	0.0	0.0	0.0
Change in Debt	72.0	(28.8)	(1.4)	0.0	(51.9)
Other invest/financing cash flow	13.3	(93.5)	4.6	0.6	(3.6)
Net cash flow	251.7	188.2	370.4	(1.8)	(16.6)

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	(1.0)	5.4	34.1	16.3	15.8
EBITDA growth	1.4	5.3	38.1	22.9	22.9
EBIT growth	(0.2)	8.3	50.1	18.3	16.2
Pretax growth	(0.0)	7.8	53.3	19.9	17.0
Reported net profit growth	(0.6)	8.9	54.1	19.4	16.5
Core net profit growth	(0.6)	8.9	54.1	19.4	16.5
<b>Profitability ratios (%)</b>					
EBITDA margin	21.6	21.6	22.2	23.5	24.9
EBIT margin	15.4	15.8	17.7	18.0	18.1
Pretax profit margin	14.8	15.2	17.4	17.9	18.1
Payout ratio	81.0	80.7	80.0	80.0	80.0
<b>DuPont analysis</b>					
Net profit margin (%)	11.7	12.1	13.9	14.3	14.4
Revenue/Assets (x)	0.9	0.9	1.0	1.1	1.2
Assets/Equity (x)	1.3	1.3	1.4	1.4	1.4
ROAE (%)	14.2	14.7	21.0	23.0	24.8
ROAA (%)	10.9	11.1	15.6	16.7	17.9
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(10.4)	(23.4)	(43.0)	(51.1)	(52.7)
Days receivable outstanding	43.4	40.6	26.5	22.8	19.7
Days inventory outstanding	44.2	44.1	33.8	35.9	35.2
Days payables outstanding	98.1	108.0	103.4	109.8	107.6
Dividend cover (x)	1.2	1.2	1.3	1.2	1.3
Current ratio (x)	3.5	3.4	3.0	2.7	2.5
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	4.7	4.6	4.0	3.9	3.9
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	nm	nm	nm	nm	nm
Debt/EBITDA (x)	0.1	0.1	0.1	0.1	0.0
Capex/revenue (%)	2.3	4.1	5.4	11.2	11.6
Net debt/ (net cash)	(1,463.4)	(1,680.4)	(2,052.2)	(2,050.4)	(2,085.7)

Source: Company; Maybank IBG Research

## Research Offices

### ECONOMICS

**Suhaimi ILIAS**  
Chief Economist  
Malaysia | Philippines | Global  
(603) 2297 8682  
suhaimi\_ilias@maybank-ib.com

**CHUA Hak Bin**  
Regional Thematic Macroeconomist  
(65) 6231 5830  
chuahb@maybank.com

**LEE Ju Ye**  
Singapore | Thailand | Indonesia  
(65) 6231 5844  
leejuy@maybank.com

**Dr Zamros DZULKAFLI**  
(603) 2082 6818  
zamros.d@maybank-ib.com

**Fatin Nabila MOHD ZAINI**  
(603) 2297 8685  
fatinnabila.mohdzaini@maybank-ib.com

**Brian LEE Shun Rong**  
(65) 6231 5846  
brian.lee1@maybank.com

**Luong Thu Huong**  
(65) 6231 8467  
hana.thuluong@maybank.com

### FX

**Saktiandi SUPAAT**  
Head of FX Research  
(65) 6320 1379  
saktiandi@maybank.com.sg

**TAN Yanxi**  
(65) 6320 1378  
tanyx@maybank.com.sg

**Fiona LIM**  
(65) 6320 1374  
fionalim@maybank.com.sg

### STRATEGY

**Anand PATHMAKANTHAN**  
ASEAN  
(603) 2297 8783  
anand.pathmakanthan@maybank-ib.com

### FIXED INCOME

**Winson PHOON, FCA**  
Head of Fixed Income  
(65) 6340 1079  
winsonphoon@maybank.com

**SE THO Mun Yi, CFA**  
(603) 2074 7606  
munyi.st@maybank-ib.com

### PORTFOLIO STRATEGY

**CHAN Han Chin**  
(603) 2297 8888  
hanchin.chan@maybank-ib.com

**ONG Seng Yeow**  
(65) 6231 5839  
ongsengyeow@maybank.com

### MIBG SUSTAINABILITY RESEARCH

**Jigar SHAH**  
Head of Sustainability Research  
(91) 22 4223 2632  
jigars@maybank.com

**Neerav DALAL**  
(91) 22 4223 2606  
neerav@maybank.com

### REGIONAL EQUITIES

**Anand PATHMAKANTHAN**  
Head of Regional Equity Research  
(603) 2297 8783  
anand.pathmakanthan@maybank-ib.com

**WONG Chew Hann, CA**  
Head of ASEAN Equity Research  
(603) 2297 8686  
wchewh@maybank-ib.com

### MALAYSIA

**Anand PATHMAKANTHAN Head of Research**  
(603) 2297 8783  
anand.pathmakanthan@maybank-ib.com  
• Strategy

**WONG Chew Hann, CA**  
(603) 2297 8686  
wchewh@maybank-ib.com  
• Non-Bank Financials (stock exchange)  
• Construction & Infrastructure

**Desmond CH'NG, BFP, FCA**  
(603) 2297 8680  
desmond.chng@maybank-ib.com  
• Banking & Finance

**LIAW Thong Jung**  
(603) 2297 8688 tjliaw@maybank-ib.com  
• Oil & Gas Services- Regional  
• Automotive

**ONG Chee Ting, CA**  
(603) 2297 8678 ct.ong@maybank-ib.com  
• Plantations - Regional

**YIN Shao Yang, CPA**  
(603) 2297 8916 samuel.y@maybank-ib.com  
• Gaming - Regional  
• Media • Aviation • Non-Bank Financials

**TAN Chi Wei, CFA**  
(603) 2297 8690 chiwei.t@maybank-ib.com  
• Power • Telcos

**WONG Wei Sum, CFA**  
(603) 2297 8679 weisum@maybank-ib.com  
• Property • Glove

**Jade TAM**  
(603) 2297 8687 jade.tam@maybank-ib.com  
• Consumer Staples & Discretionary

**Nur Farah SYIFAA**  
(603) 2297 8675  
nurfarahsyifaa.mohamadfuad@maybank-ib.com  
• Construction • Renewable Energy • REITs

**Arvind JAYARATNAM**  
(603) 2297 8692  
arvind.jayaratnam@maybank.com  
• Petrochemicals • Technology

**Shafiq KADIR, CFA**  
(603) 2297 8691  
msshafiqk.abkadir@maybank-ib.com  
• Healthcare • Software

**LOH Yan Jin**  
(603) 2297 8687  
lohyanjin.loh@maybank-ib.com  
• Ports • Shipping

**TEE Sze Chiah Head of Retail Research**  
(603) 2082 6858 szechiah.t@maybank-ib.com  
• Retail Research

**Nik Ihsan RAJA ABDULLAH, MSTA, CFTE**  
(603) 2297 8694  
nikmohdihsan.ra@maybank-ib.com  
• Chartist

**Amirah AZMI**  
(603) 2082 8769 amirah.azmi@maybank-ib.com  
• Retail Research

### SINGAPORE

**Thilan WICKRAMASINGHE Head of Research**  
(65) 6231 5840 thilanw@maybank.com  
• Banking & Finance - Regional  
• Consumer

**CHUA Su Tye**  
(65) 6231 5842 chuasutye@maybank.com  
• REITs - Regional

**Eric ONG**  
(65) 6231 5924 ericong@maybank.com  
• Healthcare • Transport • SMIDs

**Kelvin TAN**  
(65) 6231 5837 kelvintan1@maybank.com  
• Telcos • Industrials

**LI Jialin**  
(65) 6231 5845 jialin.li@maybank.com  
• REITs

### PHILIPPINES

**Jacqui de JESUS Head of Research**  
(63) 2 8849 8840  
jacqui.dejesus@maybank.com  
• Strategy • Conglomerates

**Rachelleen RODRIGUEZ, CFA**  
(63) 2 8849 8843  
rachelleen.rodriquez@maybank.com  
• Banking & Finance • Transport • Telcos

**Daphne SZE**  
(63) 2 8849 8847  
daphne.sze@maybank.com  
• Consumer

**Miguel SEVIDAL**  
(63) 2 8849 8844  
miguel.sevidal@maybank.com  
• REITs • Property

**Fiorenzo de JESUS**  
(63) 2 8849 8846  
fiorenzo.dejesus@maybank.com  
• Utilities

### THAILAND

**Jesada TECHAHUSDIN, CFA**  
(66) 2658 6300 ext 1395  
jesada.t@maybank.com  
• Banking & Finance

**Vanida GEISLER, CPA**  
(66) 2658 6300 ext 1394  
Vanida.G@maybank.com  
• Property • REITs

**Yuwanee PROMMAPORN**  
(66) 2658 6300 ext 1393  
Yuwanee.P@maybank.com  
• Services • Healthcare

**Wasu MATTANAPOTCHANART**  
(66) 2658 6300 ext 1392  
wasu.m@maybank.com  
• Telcos

**Surachai PRAMUALCHAROENKIT**  
(66) 2658 5000 ext 1470  
Surachai.p@maybank.com  
• Auto • Conmat • Contractor • Steel

**Suttatip PEERASUB**  
(66) 2658 5000 ext 1430  
suttatip.p@maybank.com  
• Food & Beverage • Commerce

**Jaroonpan WATTANAWONG**  
(66) 2658 5000 ext 1404  
jaroonpan.w@maybank.com  
• Transportation • Small cap

### INDONESIA

**Jeffrosenberg CHENLIM Head of Research**  
(62) 21 8066 8680  
Jeffrosenberg.lim@maybank.com  
• Strategy

**Willy GOUTAMA**  
(62) 21 8066 8500  
willy.goutama@maybank.com  
• Consumer

**Richard SUHERMAN**  
(62) 21 8066 8691  
richard.suherman@maybank.com  
• Metals & Mining

**Etta Rusdiana PUTRA**  
(62) 21 8066 8683  
etta.putra@maybank.com  
• Telcos

**Satriawan, CTA**  
(62) 21 8066 8682  
satriawan@maybank.com  
• Chartist

### VIETNAM

**Quan Trong Thanh Head of Research**  
(84 28) 44 555 888 ext 8184  
thanh.quan@maybank.com  
• Banks

**Hoang Huy, CFA**  
(84 28) 44 555 888 ext 8181  
hoanghuy@maybank.com  
• Strategy • Technology • Industrials

**Le Nguyen Nhat Chuyen**  
(84 28) 44 555 888 ext 8082  
chuyen.le@maybank.com  
• Oil & Gas • Logistics

**Nguyen Thi Sony Tra Mi**  
(84 28) 44 555 888 ext 8084  
trami.nguyen@maybank.com  
• Consumer

**Tyler Manh Dung Nguyen**  
(84 28) 44 555 888 ext 8085  
manhdung.nguyen@maybank.com  
• Utilities • Property

**Tran Thi Thanh Nhan**  
(84 28) 44 555 888 ext 8088  
nhan.tran@maybank.com  
• Consumer

**Nguyen Le Tuan Loi**  
(84 28) 44 555 888 ext 8088  
loi.nguyen@maybank.com  
• Industrials

**Nguyen Thi Ngan Tuyen**  
Head of Retail Research  
(84 28) 44 555 888 ext 8081  
tuyen.nguyen@maybank.com  
• Retail Research

**Nguyen Thanh Lam**  
(84 28) 44 555 888 ext 8086  
thanhlam.nguyen@maybank.com  
• Chartist



## APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

### DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "Maybank IBG") and consequently no representation is made as to the accuracy or completeness of this report by Maybank IBG and it should not be relied upon as such. Accordingly, Maybank IBG and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. Maybank IBG expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Maybank IBG and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of Maybank IBG may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of Maybank IBG's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank IBG and Maybank IBG and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

#### Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

#### Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Research Pte. Ltd. ("MRPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact MRPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), MRPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

#### Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Securities (Thailand) Public Company Limited. Maybank Securities (Thailand) Public Company Limited ("MST") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MST Institutional and Retail Research departments may differ in either recommendation or target price, or both. MST reserves the rights to disseminate MST Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MST Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MST does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MST does not confirm, verify, or certify the accuracy and completeness of the assessment result.

#### US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Securities USA Inc ("MSUS"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by MSUS in the US shall be borne by MSUS. This report is not directed at you if Maybank IBG is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that MSUS is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Securities USA Inc. 400 Park Avenue, 11th Floor, New York, New York 10022, 1-(212) 688-8886 and not with, the issuer of this report.

## UK

This document is being distributed by Maybank Securities (London) Ltd (“MSUK”) which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

## DISCLOSURES

### Legal Entities Disclosures

**Malaysia:** This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by MRPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Sekuritas Indonesia (“PTMSI”) (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MST (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank Securities Inc (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** MIB Securities (Hong Kong) Limited (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** MIB Securities India Private Limited (“MIBSI”) is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India (“SEBI”) (Reg. No. INZ000010538). MIBSI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) **US:** Maybank Securities USA Inc is a member of/and is authorized and regulated by the FINRA - Broker ID 27861. **UK:** Maybank Securities (London) Ltd (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

### Disclosure of Interest

**Malaysia:** Maybank IBG and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

**Singapore:** As of 12 September 2022, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

**Thailand:** MST may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MST, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

**Hong Kong:** As of 12 September 2022, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

**India:** As of 12 September 2022, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months MIBSI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

Maybank IBG may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

## OTHERS

### Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

### Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of Maybank IBG.

### Definition of Ratings

Maybank IBG Research uses the following rating system

<b>BUY</b>	Return is expected to be above 10% in the next 12 months (including dividends)
<b>HOLD</b>	Return is expected to be between 0% to 10% in the next 12 months (including dividends)
<b>SELL</b>	Return is expected to be below 0% in the next 12 months (including dividends)

### Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

### Malaysia

Maybank Investment Bank Berhad  
(A Participating Organisation of  
Bursa Malaysia Securities Berhad)  
33rd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur  
Tel: (603) 2059 1888;  
Fax: (603) 2078 4194

Stockbroking Business:  
Level 8, Tower C, Dataran Maybank,  
No.1, Jalan Maarof  
59000 Kuala Lumpur  
Tel: (603) 2297 8888  
Fax: (603) 2282 5136

### Philippines

Maybank Securities Inc  
17/F, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1200

Tel: (63) 2 8849 8888  
Fax: (63) 2 8848 5738

### Sales Trading

Kevin Foy  
Regional Head Sales Trading  
kevinfoy@maybank.com  
Tel: (65) 6636-3620  
US Toll Free: 1-866-406-7447

#### Indonesia

Helen Widjaja  
helen.widjaja@maybank.com  
(62) 21 2557 1188

#### New York

James Lynch  
jlynch@maybank-keusa.com  
Tel: (212) 688 8886

#### Philippines

Keith Roy  
keith\_roy@maybank.com  
Tel: (63) 2 848-5288

### Singapore

Maybank Securities Pte Ltd  
Maybank Research Pte Ltd  
50 North Canal Road  
Singapore 059304

Tel: (65) 6336 9090

### Hong Kong

MIB Securities (Hong Kong) Limited  
28/F, Lee Garden Three,  
1 Sunning Road, Causeway Bay,  
Hong Kong

Tel: (852) 2268 0800  
Fax: (852) 2877 0104

### Thailand

Maybank Securities (Thailand) PCL  
999/9 The Offices at Central World,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
Tel: (66) 2 658 6801 (research)

### London

Maybank Securities (London) Ltd  
PNB House  
77 Queen Victoria Street  
London EC4V 4AY, UK

Tel: (44) 20 7332 0221  
Fax: (44) 20 7332 0302

### Indonesia

PT Maybank Sekuritas Indonesia  
Sentral Senayan III, 22<sup>nd</sup> Floor  
Jl. Asia Afrika No. 8  
Gelora Bung Karno, Senayan  
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188  
Fax: (62) 21 2557 1189

### Vietnam

Maybank Securities Limited  
Floor 10, Pearl 5 Tower,  
5 Le Quy Don Street,  
Vo Thi Sau Ward, District 3  
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888  
Fax : (84) 28 38 271 030

### New York

Maybank Securities USA Inc  
400 Park Avenue, 11th Floor  
New York, New York 10022,  
U.S.A.

Tel: (212) 688 8886  
Fax: (212) 688 3500

### India

MIB Securities India Pte Ltd  
1101, 11<sup>th</sup> floor, A Wing, Kanakia  
Wall Street, Chakala, Andheri -  
Kurla Road, Andheri East,  
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600  
Fax: (91) 22 6623 2604

[www.maybank.com/investment-banking](http://www.maybank.com/investment-banking)  
[www.maybank-keresearch.com](http://www.maybank-keresearch.com)