

23 January 2023

Sector: Food & Beverage

Srinanaporn Marketing

Best of breed, upside from overseas sales

Bloomberg ticker	SNNP TB
Recommendation	BUY (maintained)
Current price	Bt24.40
Target price	Bt30.00 (maintained)
Upside/Downside	+23%
EPS revision	No change

Bloomberg target price	Bt27.56
Bloomberg consensus	Buy 5 / Hold 1 / Sell 0

Stock data	
Stock price 1-year high/low	Bt14.10 / Bt24.40
Market cap. (Bt mn)	23,424
Shares outstanding (mn)	960
Avg. daily turnover (Bt mn)	135
Free float	28.5%
CG rating	Very Good
ESG rating	Very Good

Financial & valuation highlights				
FY: Dec (Bt mn)	2021A	2022E	2023E	2024E
Revenue	4,358	5,543	6,438	7,382
EBITDA	592	830	1,079	1,320
Net profit	437	529	722	914
EPS (Bt)	0.46	0.55	0.75	0.95
Growth	366.0%	20.9%	36.6%	26.5%
Core EPS (Bt)	0.32	0.55	0.75	0.95
Growth	228.8%	71.4%	36.6%	26.5%
DPS (Bt)	0.24	0.33	0.45	0.57
Div. yield	1.0%	1.4%	1.9%	2.3%
PER (x)	53.6	44.3	32.4	25.6
Core PER (x)	75.9	44.3	32.4	25.6
EV/EBITDA (x)	39.8	28.4	21.8	17.6
PBV (x)	7.6	7.1	6.5	5.9

Bloomberg consensus				
Net profit	437	517	692	841
EPS (Bt)	0.53	0.54	0.71	0.88



Source: Aspen

Price performance	1M	3M	6M	12M
Absolute	27.7%	29.8%	59.5%	56.4%
Relative to SET	23.2%	24.5%	50.5%	55.2%

Major shareholders	Holding
1. Concord I. Capital	20.63%
2. Ascend I. Holdings	14.58%
3. Mr. Takorn Chaisataporn	10.42%

Analyst: Jacqueline Nham, (Reg. no. 112603)

We retain a BUY recommendation on SNNP with a target price of Bt30.00, which is pegged to 2023E PER of 40.0x. We Friday organized a food and beverage day, and SNNP's guidance entailed a promising 2023E growth outlook, which was in line with our forecast. First of all, the company set a double-digit revenue growth target for 2023E and was confident revenue will hit Bt8.0bn in 2025E, sooner than the company had previously expected in 2026E. Second, the company anticipated Vietnamese sales of Bt630-650mn in 2022E and Bt1.0bn in 2023E (in line with our assumption) with the sales likely to hit a quarterly record high in 4Q22E. Moreover, the start of commercial run in all three phases of the Vietnam-based plant will boost Vietnamese profit margin by 5-10% from its average of 30-32%, which will provide an upside to our 2024E earnings forecast. Third, sales to tourists, particularly from Vietnam, have surged to 70% of the pre-COVID level despite that there were few Chinese visitors in December and January. Fourth, the company has a plan to launch food supplements in late 3Q23E, at the soonest, which could provide an upside to our earnings forecast. Last, the company anticipated a record high net profit in 4Q22E in light of higher sales in both domestic and overseas markets and stronger profitability, while we predict net profit would grow +37% YoY, +17% QoQ to Bt166mn.

We maintain the 2022-23E net profit forecast at Bt529mn (+71% YoY) and Bt722mn (+37%) in the face of stronger spending power and profitability.

SNNP has outperformed the SET Index by 23% in the past month. The stock currently trades at an undemanding 32.4x 2023E PER, while core profit is projected to grow at a CAGR of 32% in 2022-24E. Additionally, the upcoming innovative products and market presence expansion into the Philippines, Indonesia, and China.

Event: Food and beverage day

■ **Bright earnings prospects in 2023E.** We Friday organized a food & beverage day. SNNP's guidance entailed a promising 2023E growth outlook, which was in line with our forecast. Key takeaways:

- 2023E outlook.** The company set a double-digit revenue growth target for 2023E, both domestic and overseas sales, and was confident revenue will hit Bt8.0bn in 2025E (domestic sales of Bt5.3bn and overseas sales of Bt2.7bn), sooner than the company had previously expected in 2026E as a result of market presence and distribution channel expansion. Blended gross profit margin would be on par with 4Q22E (our assumption of 28.2%).
- Vietnamese market a key growth driver.** The company anticipated Vietnamese sales of Bt630-650mn in 2022E and Bt1.0bn in 2023E (in line with our assumption) with the sales likely to hit a quarterly record high in 4Q22E (9M22 Vietnamese revenue of Bt367mn exceeded a 2021 level of Bt331mn). The Vietnamese plant has split into three phases. Phase 1 has recently started a commercial run with a dedicated production for Lotus bread stick, and the company has a plan to introduce three new flavors that particularly suits local test with a new pricing strategy for the Vietnamese general trade market, which has the largest market share in the country. Phase 2 is mainly for Bento with a commercial run set in May, the Thai Bento production will increase by 30% by then. The start of commercial run in all three phases of the Vietnam-based plant will boost gross profit margin by 5-10% from its average of 30-32% given a reduction in the costs of raw materials, packaging, and logistics and the further penetration into the general trade market.
- Sales to tourists improve at a faster pace than expected.** Sales to CLMV tourists have

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reached 70% of the pre-COVID level despite that there were few Chinese visitors in December and January. Beijing has allowed non-essential travel from January 8.

4. **Jele Beautie grabs the largest share of 77% in the jelly subsegment market in 2022**, up +28.5% YoY which beat the jelly market growth of +18.5%, after new packaging and a launch of the new products drove sales to a record high.
5. **Food supplements are set to be introduced to the market in late 3Q23E, at the soonest.** This could provide an upside to our earnings forecast.
6. **The Philippines market has a high growth potential.** SNNP has penetrated the Philippines market since 4Q22 and is going to sell its Jele lines in the leading convenient store 7-Eleven in March. The Philippines has a total of 3,500 7-Eleven stores count, currently.
7. **The products are going to be distributed on AirAsia flights.** The company has distributed its products on all AirAsia flights since the start of 2023 and is going to introduce a travel pack Bento in 7-Eleven (there are 600 stores in the tourist destinations) and AirAsia flights as well.
8. **The company anticipated a record-high net profit in 4Q22E** in light of higher domestic and overseas sales and a wider blended gross profit margin. We forecast net profit to grow +37% YoY, +17% QoQ to Bt166mn in 4Q22E.

Implication

■ **Maintain 2022-24E earnings forecast.** We keep 2022E core profit forecast unchanged at Bt529mn, which indicates a robust growth rate of +71%.

In 2023E, core profit will likely continue to grow +37% to Bt722mn. Overall revenue is predicted to increase +16% with domestic and overseas sales likely to rise +12% and +30%. As the phase-1 plant is going to run for the whole year for the first time this year and phase 2 and 3 will begin generating revenue in 2H23E, we project Vietnamese sales to surge +50%, which will account for 16% of overall revenue. Blended gross profit margin is likely to widen given a reduction in raw material costs and stronger profitability in the overseas division following the start of the Vietnamese plant.

In 2024E, we project net profit to pick up +27% to Bt914mn. Overall revenue would increase +15% as overseas sales are expected to climb +21% following the full-year operations in all three phases of the Vietnamese plant, and domestic sales are predicted to pick up +12%. Blended gross profit margin would improve further.

Valuation/Catalyst/Risk

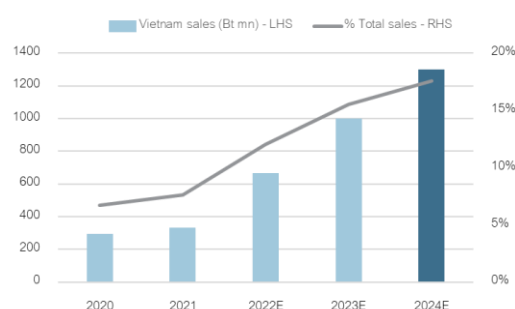
Our target price remains unchanged at Bt30.00, which is pegged to 2023E PER of 40.0x. We believe earnings may have entered a new growth phase, and the upcoming products and expansion of its presence into the Philippines, Indonesia, and China will create an upside to our earnings forecast.

Fig 1: Vietnam Project Timeline



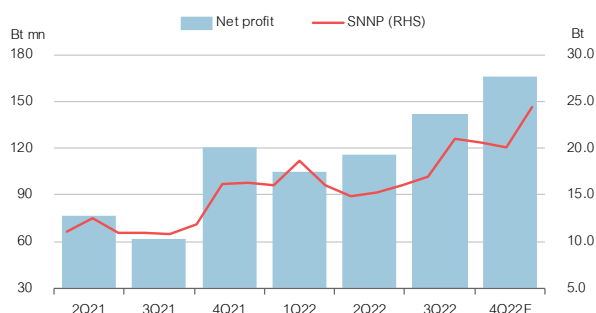
Source: Company

Fig 2: Vietnam sales



Sources: Company, DAOL

Fig 3: Price vs Net profit



Sources: Company, DAOL

Fig 4: SNNP's products distributes in Air Asia (Jan-23)



Source: Company

Fig 5: ESG

Environment

SNNP commits to saving the environment.

Carbon Emission

- The company has a plan to install more solar rooftops with a target to reduce CO_2 by a further 170,000 $KgCO_2e$ per year after its first solar rooftop cut CO_2 by 1,270,944 $KgCO_2e$ per year.
- The company has implemented an inverter system, which reduces CO_2 by 316,420 $KgCO_2e$ per year.
- The company looks to change to environment-friendly packaging after the packaging reduction policy cut CO_2 by 217,287 $KgCO_2e$ per year.
- The company has laid out a policy for its suppliers to promote carbon footprint reduction.

Water Stress

The company promotes water saving policy and implements a wastewater treatment system, which reduces water use by 1,047mn cu.m. per month. The company also set up a program to investigate wastewater and opts for water supply alternatives.

Social

The company values its employees and regularly provides training programs. The ratio of male to female workforce is 4 to 6 and local to foreign workers is 4 to 6. In 2021, the number of workers with disability was 33.

The company sets up a committee to take charge of workplace safety and requires a regular report on health and safety issues in the workplace. During the COVID-19 pandemic, the company implemented several measures as per the "industrial and production hygiene administration (IDPHA)". The company also gives priority to CSR activities to foster a relationship in the communities nearby.

Governance

The company has transparent management. The Chairman of the Board of Directors is a non-executive member, and four out of nine in the BOD are independent. The internal compensation committee and audit committee are independent.

The company has an anti-corruption policy, as well as a whistleblower protection policy. Additionally, the company has an ethical standard training course on an annual basis.

Our comment: We like the company's ESG measures, which have been applied to its businesses effectively. We believe the ESG measures will be a key supportive factor in the long term.

Sources: Company, DAOL

Quarterly income statement

(Bt mn)	3Q21	4Q21	1Q22	2Q22	3Q22
Sales	978	1,210	1,133	1,323	1,468
Cost of sales	(732)	(870)	(823)	(978)	(1,067)
Gross profit	245	340	310	345	400
SG&A	(162)	(197)	(179)	(210)	(235)
EBITDA	124	184	171	175	205
Finance costs	(4)	(0)	(0)	(0)	(0)
Core profit	62	121	105	116	142
Net profit	62	121	105	116	142
EPS	0.06	0.13	0.11	0.12	0.15
Gross margin	25.1%	28.1%	27.4%	26.1%	27.3%
EBITDA margin	12.7%	15.2%	15.1%	13.2%	14.0%
Net profit margin	6.3%	10.0%	9.3%	8.8%	9.7%

Balance sheet

FY: Dec (Bt mn)	2020A	2021A	2022E	2023E	2024E
Cash & deposits	173	162	140	241	438
Accounts receivable	1,031	1,126	1,386	1,609	1,846
Inventories	418	412	526	603	684
Other current assets	3	2	111	129	148
Total cur. assets	1,625	1,702	2,163	2,583	3,116
Investments	0	137	0	0	0
Fixed assets	2,262	2,227	2,372	2,423	2,446
Other assets	89	85	111	129	148
Total assets	3,976	4,152	4,646	5,135	5,709
Short-term loans	1,280	10	13	15	17
Accounts payable	968	877	1,164	1,335	1,514
Current maturities	464	6	0	0	0
Other current liabilities	11	34	33	39	44
Total cur. liabilities	2,722	927	1,210	1,389	1,576
Long-term debt	721	13	22	26	30
Other LT liabilities	73	122	111	129	148
Total LT liabilities	794	135	133	155	177
Total liabilities	3,516	1,062	1,343	1,543	1,753
Registered capital	450	480	480	480	480
Paid-up capital	360	480	480	480	480
Share premium	0	2,018	2,018	2,018	2,018
Retained earnings	160	500	711	1,000	1,366
Others	(299)	(160)	(160)	(160)	(160)
Minority interests	239	253	253	253	253
Shares' equity	460	3,091	3,302	3,591	3,957

Cash flow statement

FY: Dec (Bt mn)	2020A	2021A	2022E	2023E	2024E
Net profit	94	437	529	722	914
Depreciation	206	173	165	176	177
Chg in working capital	143	(180)	(86)	(130)	(138)
Others	343	78	(147)	(13)	(13)
CF from operations	786	507	461	755	940
Capital expenditure	(535)	(138)	(309)	(227)	(200)
Others	0	(137)	0	0	0
CF from investing	(535)	(275)	(172)	(227)	(200)
Free cash flow	252	232	289	528	740
Net borrowings	(292)	(2,436)	6	6	6
Equity capital raised	0	2,138	0	0	0
Dividends paid	0	(96)	(317)	(433)	(548)
Others	(19)	151	0	0	0
CF from financing	(310)	(243)	(311)	(428)	(542)
Net change in cash	(59)	(11)	(22)	101	197

Forward PER band



Income statement

FY: Dec (Bt mn)	2020A	2021A	2022E	2023E	2024E
Sales	4,393	4,358	5,543	6,438	7,382
Cost of sales	(3,264)	(3,209)	(4,030)	(4,622)	(5,241)
Gross profit	1,129	1,149	1,513	1,815	2,141
SG&A	(997)	(737)	(892)	(972)	(1,063)
EBITDA	381	592	830	1,079	1,320
Depre. & amortization	206	173	165	176	177
Equity income	0	-26	-22	2	6
Other income	43	33	67	58	59
EBIT	175	419	665	903	1,143
Finance costs	(81)	(40)	(0)	(0)	(0)
Income taxes	(19)	(86)	(136)	(181)	(228)
Net profit before MI	74	293	529	722	914
Minority interest	20	16	0	0	0
Core profit	94	308	529	722	914
Extraordinary items	0	129	0	0	0
Net profit	94	437	529	722	914

Key ratios

FY: Dec (Bt mn)	2020A	2021A	2022E	2023E	2024E
Growth YoY					
Revenue	-6.7%	-0.8%	27.2%	16.1%	14.7%
EBITDA	5.7%	55.3%	40.3%	29.9%	22.3%
Net profit	-10.4%	366.0%	20.9%	36.6%	26.5%
Core profit	-10.4%	228.8%	71.4%	36.6%	26.5%
Profitability ratio					
Gross profit margin	25.7%	25.8%	27.3%	28.2%	29.0%
EBITDA margin	8.7%	13.6%	15.0%	16.8%	17.9%
Core profit margin	2.1%	7.1%	9.5%	11.2%	12.4%
Net profit margin	2.1%	10.0%	9.5%	11.2%	12.4%
ROA	2.4%	10.5%	11.4%	14.1%	16.0%
ROE	20.4%	14.1%	16.0%	20.1%	23.1%
Stability					
D/E (x)	7.64	0.34	0.41	0.43	0.44
Net D/E (x)	4.98	Cash	Cash	Cash	Cash
Interest coverage ratio	2.15	10.40	1,899.69	2,217.46	2,446.51
Current ratio (x)	0.60	1.84	1.79	1.86	1.98
Quick ratio (x)	0.44	1.39	1.26	1.33	1.45
Per share (Bt)					
Reported EPS	0.10	0.46	0.55	0.75	0.95
Core EPS	0.10	0.32	0.55	0.75	0.95
Book value	0.48	3.22	3.44	3.74	4.12
Dividend	0.00	0.24	0.33	0.45	0.57
Valuation (x)					
PER	249.7	53.6	44.3	32.4	25.6
Core PER	249.7	75.9	44.3	32.4	25.6
P/BV	50.9	7.6	7.1	6.5	5.9
EV/EBITDA	68.1	39.8	28.4	21.8	17.6
Dividend yield	0.0%	1.0%	1.4%	1.9%	2.3%

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Corporate governance report of Thai listed companies 2022

CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information that companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment (“listed companies”) disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

DAOL SEC's stock rating definition

- BUY** The stock's total return is expected to exceed 10% over the next 6-12 months. The stock has good fundamentals and attractive valuations.
- HOLD** The stock's total return is expected to be between 0% and 10% over the next 6-12 months. The stock has good fundamentals but may lack near-term catalysts or its valuations are not attractive.
- SELL** The stock's total return is expected to fall below 0% or more over the next 6-12 months. Stock should be sold as negative total return is anticipated due to deteriorating fundamentals compared with its valuations.

The stock's expected total return is the percentage difference between the target price and the current price, which excludes dividend yields.

ESG rating (ESG: Environmental, Social, and Governance)

DAOL SEC believes environment, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- Environment.** Environment factors relate to corporate responsibility for its actions and how it manages its impact on the environment. DAOL SEC analyzes revenue, which exposes to environment risks and opportunities.
- Social.** Social factors deal with company's relationship with its employees and vendors. That also includes company's initiatives related to employee health and well-being, as well as community involvement. DAOL SEC's evaluation on social practices is based on Bloomberg, which measure from company's social responsibility news.
- Governance.** Corporate government factors include company's transparency, decision-making structure, concrete risk assessment method, treatment of minority shareholders and anti-corruption practices. DAOL SEC conduct this analysis based on IOD's scores.

DAOL SEC's ESG ratings score from 1-5

1. Excellent scores at 5
2. Very Good scores at 4
3. Good scores at 3
4. Satisfactory scores at 2
5. Pass scores at 1

DAOL SEC provides “n.a.” in cases of insufficient data.