

SYNEX (THAILAND) SYNEX TB  
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BUY

UNCHANGED

## PC และ Smartphone จะแตะจุดต่ำสุดในปี 2023

- SYNEX รายงานกำไรปกติ 1Q23 ที่ 131 ลบ. (-33% q-q, -28% y-y) จากตลาดสินค้าอุปโภคบริโภคที่ซบเซา
- ปรับลดประมาณการกำไรปี 2023 ของเราลง 15.6% ส่วนมากจากความต้องการสินค้าอุปโภคบริโภคที่อ่อนตัวลงกว่าคาด
- คงแนะนำซื้อหลังปรับลดราคาเป้าหมายลงเป็น 17.2 บาท

## กำไรปกติ 1Q23 ลดลง q-q และ y-y จากตลาดที่ซบเซา

SYNEX รายงานกำไรปกติ 1Q23 ที่ 131 ลบ. (-33% q-q, -28% y-y) ส่วนมากจากกลุ่มสินค้าอุปโภคบริโภค (PC Laptop และชิ้นส่วนคอมพิวเตอร์) กำไรลดลง 23% y-y ตามตลาดที่ซบเซา สินค้าไตรมาสแรกโตเล็กน้อยที่ 4% y-y จากการเปิดตัวโทรศัพท์ HONOR ซึ่งบริษัทฯ เป็นผู้จัดจำหน่ายแต่เพียงผู้เดียว สินค้าเพื่อการพาณิชย์โตต่อเนื่องที่ 30% y-y ตามการเติบโตของตลาดและส่วนแบ่งตลาดที่เพิ่มขึ้นตามกลยุทธ์ปี 2023 ของบริษัทฯ ที่มุ่งเน้นในกลุ่มสินค้าเพื่อการพาณิชย์

## ความสามารถในการทำกำไรลดลงจากฐานที่สูงใน 1Q22

ใน 1Q23 อัตรากำไรขั้นต้นลดลงเหลือ 4.2% (-88bps q-q) จากปัจจัยด้านฤดูกาลและลดลง 43bps y-y จากฐานที่สูงใน 1Q22 สินค้าไตรมาสแรกยังคงขาดแคลนอย่างรุนแรงซึ่งทำให้ราคาปรับขึ้นตามอุปสงค์ที่อยู่ในระดับสูง สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายเพิ่มขึ้นเป็น 2.9% ส่วนมากจากสำรองสำหรับผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) จำนวน 45 ลบ. จากการขยายระยะเวลาในการชำระเงิน (Credit term) ของลูกค้าในกลุ่มสินค้าเพื่อการพาณิชย์ให้ยาวขึ้น ถ้าเราหักสำรอง ECL สัดส่วนค่าใช้จ่ายการขายและบริหารต่อยอดขายจะค่อนข้างทรงตัว y-y ที่ 2.4%

## ตลาด PC และ Smartphone น่าจะผ่านจุดต่ำสุดในปี 2023

เราเชื่อว่าตลาด PC และ Smartphone จะผ่านจุดต่ำสุดในปี 2023 และจะฟื้นตัวในปี 2024 ในปี 2024-25 ตลาด PC โลกอาจโต 4.1% CAGR ตามการเติบโตเมื่อวัดเป็นจำนวนชิ้นจากความต้องการของใหม่เพื่อทดแทนของเก่า ในขณะที่ตลาด Smartphone โลกอาจโต 2.5% CAGR ในระยะสั้นปัจจัยบวกในช่วง 2H23 น่าจะอยู่ที่การเปิดตัว iPhone15 และ Galaxy Z Fold5 / Flip5 สินค้าเพื่อการพาณิชย์น่าจะเป็นปัจจัยบวกในช่วง 2H23 ในขณะที่ SYNEX กำลังมุ่งเป้าไปที่การขาย Solution และตั้งเป้าเพิ่มส่วนแบ่งตลาดผ่านโครงการต่าง ๆ ทั้งจากภาครัฐและภาคเอกชนเพื่อกระตุ้นให้เกิดการเติบโตอย่างมีนัยสำคัญในกลุ่มสินค้าเครือข่ายและระบบ

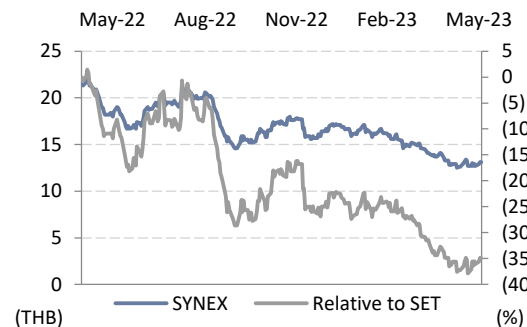
## ปรับลดประมาณการกำไรปี 2023; ราคาเป้าหมายใหม่ที่ 17.2 บาท

เราปรับลดประมาณการกำไรปกติปี 2023 ของเราลง 15.6% มาอยู่ที่ 705 ลบ. และปรับลดราคาเป้าหมายเป็น 17.2 บาทจากค่า P/E เฉลี่ย 5 ปีย้อนหลังที่ 20.7x (+0.5SD) ส่วนมากจากอุปสงค์สินค้าอุปโภคบริโภคที่อ่อนตัวลงกว่าคาด อย่างไรก็ตามเราเชื่อว่าตลาด PC และ Smartphone จะผ่านจุดต่ำสุดในปี 2023 ในระยะสั้นปัจจัยบวกในช่วง 2H23 น่าจะอยู่ที่การเปิดตัว iPhone15 และ Galaxy Z Fold5 / Flip5

TARGET PRICE	THB17.20
CLOSE	THB13.10
UP/DOWNSIDE	+31.3%
PRIOR TP	THB20.00
CHANGE IN TP	-14.0%
TP vs CONSENSUS	+10.9%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	39,061	40,275	44,731	49,148
Net profit	816	785	903	1,028
EPS (THB)	0.96	0.93	1.07	1.21
vs Consensus (%)	-	1.1	7.0	8.2
EBITDA	979	912	1,044	1,184
Core net profit	732	705	823	948
Core EPS (THB)	0.86	0.83	0.97	1.12
Chg. In EPS est. (%)	nm	(15.6)	(16.1)	nm
EPS growth (%)	(0.5)	(3.7)	16.8	15.2
Core P/E (x)	15.2	15.7	13.5	11.7
Dividend yield (%)	5.1	4.9	5.7	6.5
EV/EBITDA (x)	14.9	16.0	14.3	12.9
Price/book (x)	2.7	2.5	2.4	2.2
Net debt/Equity (%)	84.0	77.8	81.1	82.5
ROE (%)	18.1	16.4	18.1	19.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.5)	(19.1)	(38.2)
Relative to country (%)	(1.3)	(14.0)	(34.6)
Mkt cap (USD m)			321
3m avg. daily turnover (USD m)			0.3
Free float (%)			20
Major shareholder	TKS Technology PCL (39%)		
12m high/low (THB)	22.40/12.20		
Issued shares (m)	847.36		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

SYNEX is a leading IT distributor that has been in the business for more than 30 years. The company is committed to being a leader in IT products and offering total solution services for sustainable growth under its “No.1 IT Ecosystem” strategy. We forecast 2023-25 average revenue growth at an 8.0% CAGR. We believe that the company should maintain its gross margin at c4.4-4.6% and its SG&A to sales at c2.5%, resulting in core profit growth at a 9.0% CAGR over 2023-25.

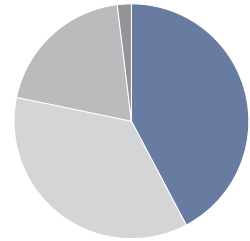
## Company profile

Synex (Thailand) distributes computers, computer peripherals, software, IT systems, computer supplies and communication devices. The company is a distributor for more than 60 world-class brands to a customer base of more than 6,000 retail, wholesale, modern trade, hypermarket, and stationery stores in Thailand and across Indochina.

[www.synnex.co.th](http://www.synnex.co.th)

## Principal activities (revenue, 2022)

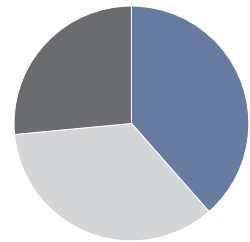
- Consumer - 42.3 %
- Communication - 36.0 %
- Commercial - 19.8 %
- Others - 1.9 %



Source: Synex (Thailand)

## Major shareholders

- TKS Technology PCL - 38.5 %
- King's Eye Investments Ltd - 35.0 %
- Others - 26.5 %



Source: Synex (Thailand)

## Catalysts

Key growth drivers for SYNEX's share price include 1) the post-Covid recovery of private and public sector companies that should boost revenue from the sales of consumer, communications, and commercial products; and 2) government stimulus packages.

## Risks to our call

Downside risks to our P/E-based TP include 1) outmoded or obsolete products; 2) product shortages; and 3) currency fluctuations.

## Event calendar

Date	Event
July 2023	2Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Sales (THB m)	40,275	44,731	49,148
- Consumer (THB m)	15,311	16,869	18,538
- Communication (THB m)	15,717	17,289	19,018
- Commercial (THB m)	8,741	10,052	11,057
GPM (%)	4.4	4.5	4.6
SG&A to sales (%)	2.5	2.5	2.5

Source: FSSIA estimates

## Earnings sensitivity

- For every 0.2% increase in GPM, we estimate 2023 net profit to rise by 7.5%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2023 net profit to fall by 3.9%, and vice versa, all else being equal.

Source: FSSIA estimates



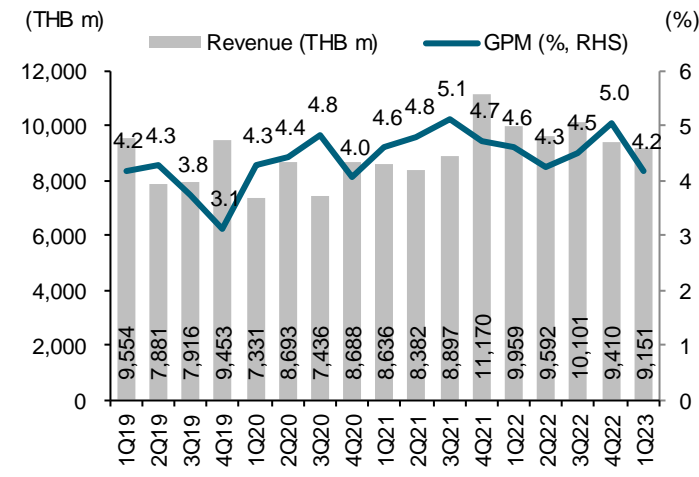
# 1Q23 earnings results

Exhibit 1: 1Q23 earnings results

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Revenue	9,959	9,592	10,101	9,410	9,151	(3)	(8)
COGS	(9,502)	(9,183)	(9,646)	(8,935)	(8,770)	(2)	(8)
Gross profit	457	409	455	475	381	(20)	(17)
Operating costs	(242)	(218)	(223)	(258)	(267)	3	10
Operating profit	215	191	232	217	114	(47)	(47)
Other income	7	27	12	34	32	(7)	369
FX Gain (Loss)	41	24	28	(9)	5	(149)	(89)
Interest expense	(6)	(8)	(14)	(23)	(27)	16	370
Profit before tax	258	234	258	219	124	(43)	(52)
Tax	(55)	(46)	(48)	(52)	(26)	(51)	(53)
Associates	16	2	3	17	37	111	134
Minority interests	4	2	2	2	0.2	(88)	(95)
Non-recurring items	0	0	0	0	0	n/a	n/a
Reported net profit	222	192	215	186	136	(27)	(39)
Recurring net profit	181	168	188	195	131	(33)	(28)
EPS (THB)	0.26	0.23	0.25	0.22	0.16	(27)	(39)
Recurring EPS (THB)	0.21	0.20	0.22	0.23	0.15	(33)	(28)
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	4.6	4.3	4.5	5.0	4.2	(0.9)	(0.4)
Operating margin	2.6	2.5	2.7	2.6	1.3	(1.3)	(1.4)
Recurring net margin	1.8	1.8	1.9	2.1	1.4	(0.6)	(0.4)
SG&A / Sales	2.4	2.3	2.2	2.7	2.9	0.2	0.5

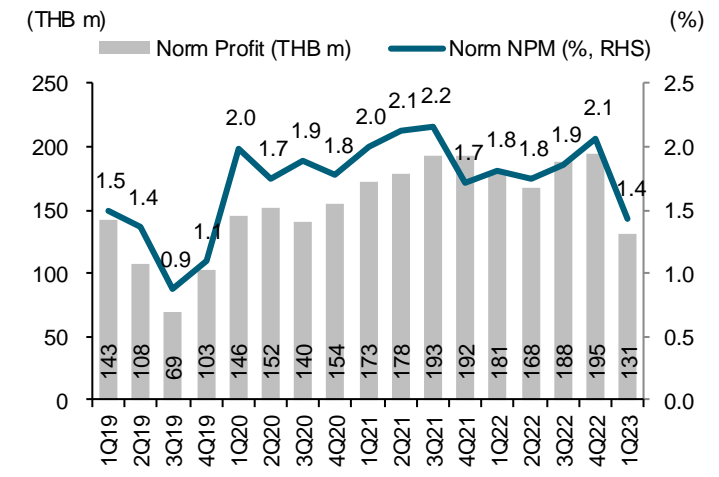
Sources: SYNEX; FSSIA's compilation

Exhibit 2: Revenue by quarter



Sources: SYNEX; FSSIA's compilation

Exhibit 3: Core profit by quarter



Sources: SYNEX; FSSIA's compilation

### Global PC and smartphone markets should bottom out in 2023

According to an International Data Corporation (IDC) report, in 1Q23, the PC industry’s shipment volume dropped by 29% y-y due to weak demand and excess inventory since the end of Covid-19. The PC market should bottom out by 2023, in our view. In 2024-25, the PC market could grow at a 4.1% CAGR as educational institutions start looking for new computers to replace the old units. Moreover, various organisations are beginning to transition to Windows 11 as Microsoft is ending support for Windows 10 in 2025.

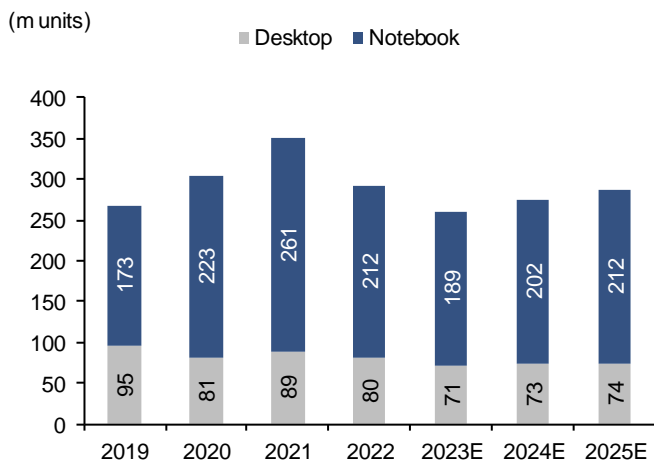
According to the IDC report, the 1Q23 smartphone market’s shipment volume dropped by 14.6% y-y in 1Q23 due to struggling demand, inflation and macro uncertainties. In addition, companies destocked in 1Q with heavy promotional activities in order to aggressively clear excess inventory. However, in 2024-25, the smartphone market could grow at a 2.5% CAGR with a positive outlook on a potential volume expansion from the need to upgrade and a greater 5G mix. In the short term, the smartphone market should be robust in 3Q-4Q23 from the launch of the new iPhone 15 and Galaxy Z Fold 5 / Flip 5 models.

**Exhibit 4: 1Q23 shipment woes for both the PC and smartphone markets**

PCs				Smartphone			
Company	1Q23 Shipments	1Q22 Shipments	Change	Company	1Q23 Shipments	1Q22 Shipments	Change
	(m units)	(m units)	(%)		(m units)	(m units)	(%)
Lenovo	12.7	18.3	(31)	Samsung	60.5	74.6	(19)
HP Inc.	12	15.8	(24)	Apple	55.2	56.5	(2)
Dell Technologies	9.5	13.7	(31)	Xiaomi	30.5	39.9	(24)
Apple	4.1	6.9	(41)	OPPO	27.4	29.3	(6)
ASUS	3.9	5.6	(30)	vivo	20.5	25.3	(19)
Others	14.7	19.9	(26)	Others	74.5	88.9	(16)
<b>Total</b>	<b>56.9</b>	<b>80.2</b>	<b>(29)</b>	<b>Total</b>	<b>268.6</b>	<b>314.5</b>	<b>(15)</b>

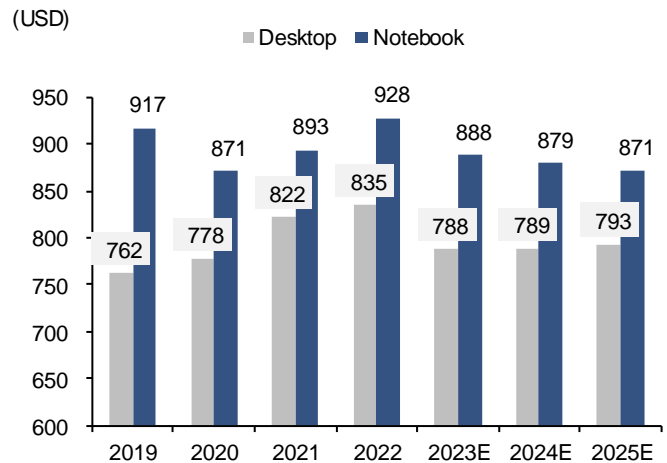
Sources: IDC; FSSIA’s compilation

**Exhibit 5: PC unit shipment trends**



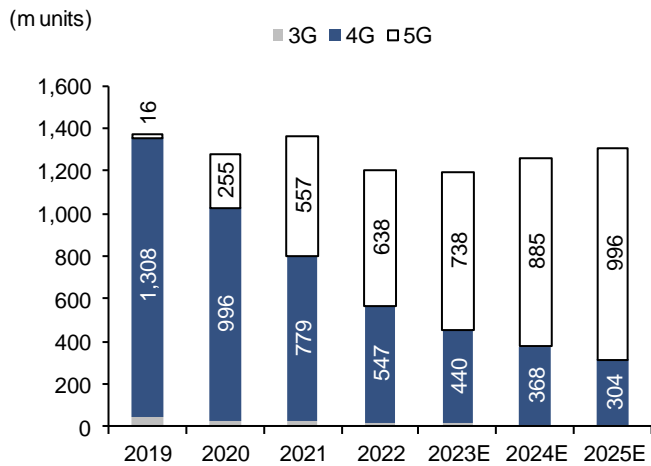
Sources: Bloomberg; FSSIA’s compilation

**Exhibit 6: PC average selling prices**



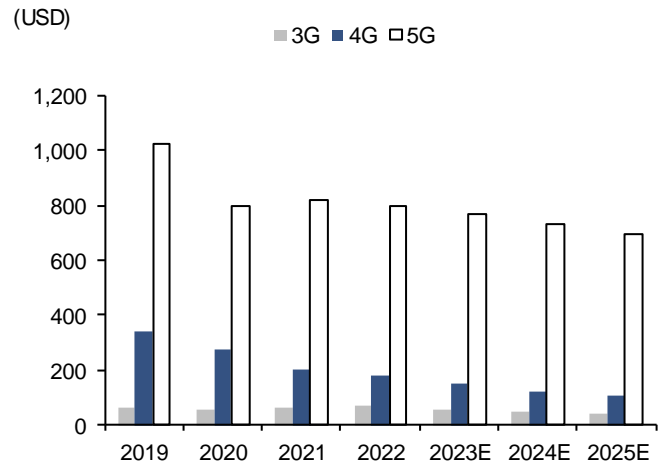
Sources: Bloomberg; FSSIA’s compilation

**Exhibit 7: Smartphone units by generation**



Sources: Bloomberg; FSSIA compilation

**Exhibit 8: Smartphone average selling prices by generation**



Sources: Bloomberg; FSSIA compilation

**Revise down our 2023 earnings forecast and target price**

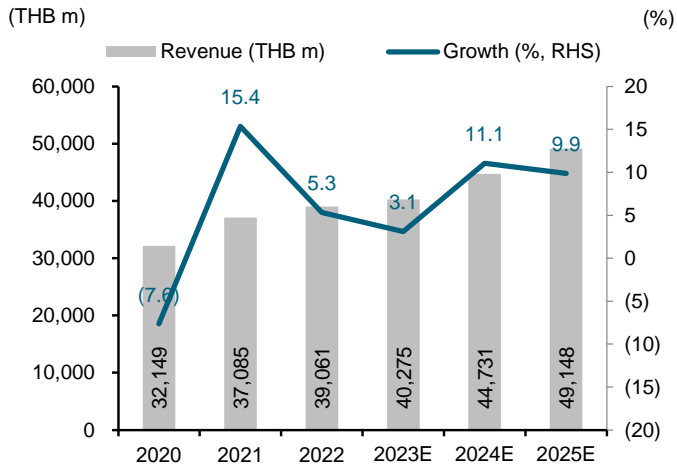
We revise down our 2023 earnings forecast by 15.6% to THB705m, and cut our target price to THB17.2, based on its five-year average P/E of 20.7x (+0.5SD), due mainly to the softer-than-expected demand for consumer products. However, we believe the PC and smartphone markets will bottom out in 2023, and could recover in 2024-25 at a 4.1% CAGR for the global PC market and at a 2.5% CAGR for the global smartphone market. We believe Thailand would benefit from a global market recovery, as well as an overall positive trend in the Thai economy, which could lead to increased consumer confidence. Moreover, various projects from both the public and private sectors should boost significant growth in the network and system product group, which would be a positive sign for commercial product sales.

**Exhibit 9: Key assumptions**

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue (THB m)	40,275	44,731	49,148	44,103	48,834	53,539	(8.7)	(8.4)	(8.2)
- Consumer	15,311	16,869	18,538	19,139	20,973	22,929	(20.0)	(19.6)	(19.1)
- Communication	15,717	17,289	19,018	15,717	17,289	19,018	0.0	0.0	0.0
- Commercial	8,741	10,052	11,057	8,741	10,052	11,057	0.0	0.0	0.0
- Other	505	520	535	505	520	535	0.0	0.0	0.0
Gross margin (%)	4.4	4.5	4.6	4.6	4.6	4.7	(0.2)	(0.2)	(0.1)
SG&A to sales (%)	2.5	2.5	2.5	2.4	2.3	2.2	0.1	0.2	0.2
Core profit (THB m)	705	823	948	836	982	1,106	(15.6)	(16.1)	(14.3)

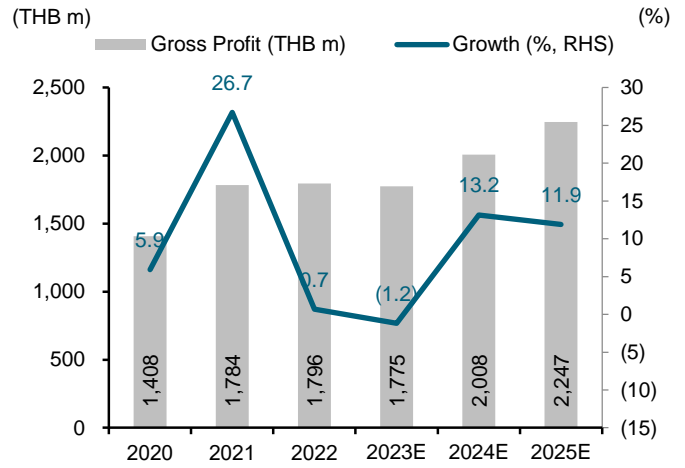
Source: FSSIA estimates

**Exhibit 10: Yearly revenue**



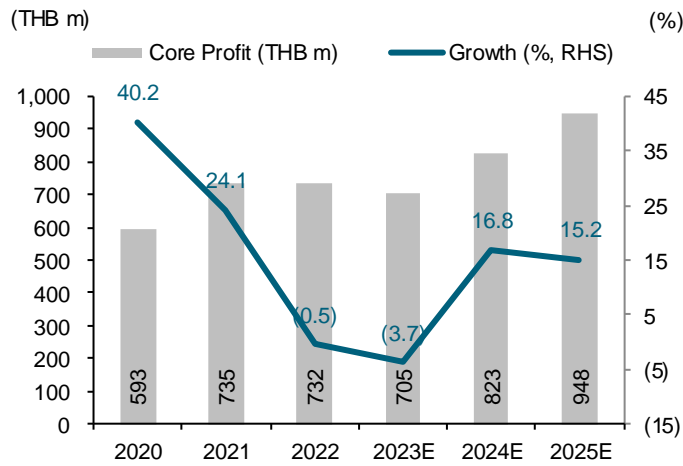
Sources: SYNEX; FSSIA estimates

**Exhibit 11: Yearly gross profit**



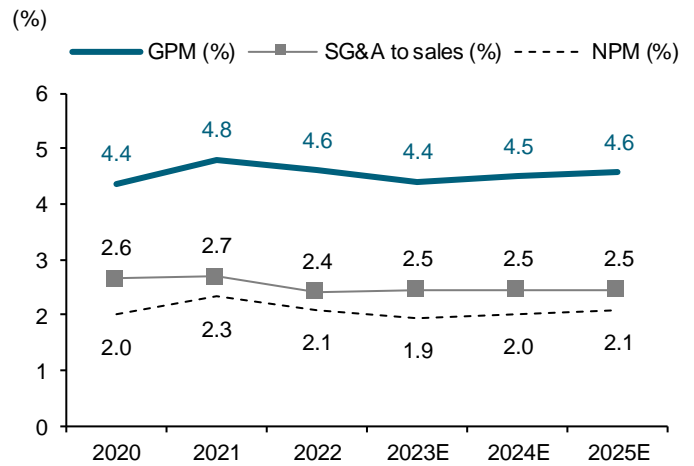
Sources: SYNEX; FSSIA estimates

**Exhibit 12: Yearly core profit**



Sources: SYNEX; FSSIA estimates

**Exhibit 13: Profitability ratio**



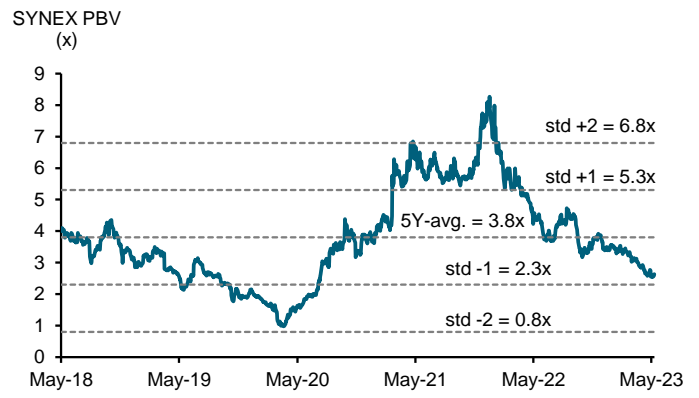
Sources: SYNEX; FSSIA estimates

**Exhibit 14: Historical P/E band**



Source: Bloomberg

**Exhibit 15: Historical P/BV band**



Source: Bloomberg

## Financial Statements

Synex (Thailand)

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	37,085	39,061	40,275	44,731	49,148
Cost of goods sold	(35,253)	(37,221)	(38,455)	(42,681)	(46,859)
<b>Gross profit</b>	<b>1,832</b>	<b>1,840</b>	<b>1,820</b>	<b>2,050</b>	<b>2,289</b>
Other operating income	75	81	81	89	98
Operating costs	(997)	(941)	(988)	(1,096)	(1,204)
<b>Operating EBITDA</b>	<b>910</b>	<b>979</b>	<b>912</b>	<b>1,044</b>	<b>1,184</b>
Depreciation	(49)	(44)	(45)	(42)	(43)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>861</b>	<b>935</b>	<b>867</b>	<b>1,002</b>	<b>1,141</b>
Net financing costs	111	33	13	18	20
Associates	77	38	89	97	112
Recurring non-operating income	77	38	89	97	112
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>1,048</b>	<b>1,007</b>	<b>969</b>	<b>1,117</b>	<b>1,273</b>
Tax	(191)	(201)	(194)	(223)	(255)
<b>Profit after tax</b>	<b>857</b>	<b>806</b>	<b>775</b>	<b>893</b>	<b>1,018</b>
Minority interests	4	10	10	10	10
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>860</b>	<b>816</b>	<b>785</b>	<b>903</b>	<b>1,028</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(125)</b>	<b>(84)</b>	<b>(80)</b>	<b>(80)</b>	<b>(80)</b>
<b>Recurring net profit</b>	<b>735</b>	<b>732</b>	<b>705</b>	<b>823</b>	<b>948</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.87	0.86	0.83	0.97	1.12
Reported EPS	1.02	0.96	0.93	1.07	1.21
DPS	0.70	0.67	0.65	0.75	0.85
Diluted shares (used to calculate per share data)	847	847	847	847	847
<b>Growth</b>					
Revenue (%)	15.4	5.3	3.1	11.1	9.9
Operating EBITDA (%)	29.2	7.6	(6.8)	14.4	13.4
Operating EBIT (%)	31.9	8.6	(7.3)	15.6	13.9
Recurring EPS (%)	24.1	(0.5)	(3.7)	16.8	15.2
Reported EPS (%)	34.0	(5.1)	(3.8)	15.1	13.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	4.8	4.6	4.4	4.5	4.6
Gross margin of key business (%)	4.8	4.6	4.4	4.5	4.6
Operating EBITDA margin (%)	2.5	2.5	2.3	2.3	2.4
Operating EBIT margin (%)	2.3	2.4	2.2	2.2	2.3
Net margin (%)	2.0	1.9	1.8	1.8	1.9
Effective tax rate (%)	18.3	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	80.7	78.0	77.9	76.8	75.9
Interest cover (X)	(8.5)	(29.2)	(72.8)	(62.4)	(63.4)
Inventory days	27.4	33.4	34.4	33.3	33.5
Debtor days	50.4	50.4	49.6	47.9	48.1
Creditor days	31.1	31.9	30.6	29.6	29.7
Operating ROIC (%)	13.5	12.6	11.1	12.1	(3.1)
ROIC (%)	12.5	10.8	9.7	10.6	(2.8)
ROE (%)	19.9	18.1	16.4	18.1	19.6
ROA (%)	6.4	5.8	5.4	6.0	6.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Consumer	16,666	16,511	15,311	16,869	18,538
Communication	13,608	14,061	15,717	17,289	19,018
Commercial	6,334	7,734	8,741	10,052	11,057
Others	477	755	505	520	535

Sources: Synex (Thailand); FSSIA estimates



## Financial Statements

Synex (Thailand)

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	735	732	705	823	948
Depreciation	49	44	45	42	43
Associates & minorities	(77)	(38)	(89)	(97)	(112)
Other non-cash items	452	110	122	156	204
Change in working capital	(1,596)	(561)	(222)	(721)	(750)
<b>Cash flow from operations</b>	<b>(437)</b>	<b>286</b>	<b>561</b>	<b>203</b>	<b>332</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(30)	(30)	(15)	(16)	(17)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(124)	(627)	0	0	0
<b>Cash flow from investing</b>	<b>(155)</b>	<b>(657)</b>	<b>(15)</b>	<b>(16)</b>	<b>(17)</b>
Dividends paid	(488)	(571)	(549)	(632)	(720)
Equity finance	16	0	0	0	0
Debt finance	923	1,163	(247)	288	124
Other financing cash flows	84	1	0	1	1
<b>Cash flow from financing</b>	<b>536</b>	<b>592</b>	<b>(797)</b>	<b>(344)</b>	<b>(595)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>125</b>	<b>84</b>	<b>80</b>	<b>80</b>	<b>80</b>
<b>Movement in cash</b>	<b>70</b>	<b>305</b>	<b>(170)</b>	<b>(77)</b>	<b>(199)</b>
Free cash flow to firm (FCFF)	(576.89)	(320.37)	612.99	249.30	376.07
Free cash flow to equity (FCFE)	541.00	876.17	379.01	555.55	520.64

### Per share (THB)

FCFF per share	(0.68)	(0.38)	0.72	0.29	0.44
FCFE per share	0.64	1.03	0.45	0.66	0.61
Recurring cash flow per share	1.37	1.00	0.92	1.09	1.28

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	941	969	982	996	1,010
Less: Accumulated depreciation	(614)	(658)	(703)	(745)	(788)
<b>Tangible fixed assets (net)</b>	<b>327</b>	<b>311</b>	<b>279</b>	<b>251</b>	<b>222</b>
<b>Intangible fixed assets (net)</b>	<b>22</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>30</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	609	1,236	1,236	1,236	1,236
Cash & equivalents	234	539	368	291	92
A/C receivable	5,886	5,937	6,127	6,783	7,456
Inventories	3,243	3,566	3,692	4,097	4,497
Other current assets	615	671	697	744	817
<b>Current assets</b>	<b>9,977</b>	<b>10,713</b>	<b>10,885</b>	<b>11,915</b>	<b>12,863</b>
Other assets	351	356	358	362	368
<b>Total assets</b>	<b>11,287</b>	<b>12,640</b>	<b>12,783</b>	<b>13,791</b>	<b>14,719</b>
Common equity	3,925	4,169	4,405	4,676	4,984
Minorities etc.	16	16	16	16	16
<b>Total shareholders' equity</b>	<b>3,941</b>	<b>4,186</b>	<b>4,421</b>	<b>4,692</b>	<b>5,001</b>
Long term debt	8	783	556	331	148
Other long-term liabilities	82	87	89	94	100
<b>Long-term liabilities</b>	<b>90</b>	<b>870</b>	<b>645</b>	<b>425</b>	<b>248</b>
A/C payable	3,655	3,524	3,643	4,029	4,426
Short term debt	2,884	3,271	3,251	3,764	4,071
Other current liabilities	718	789	823	881	973
<b>Current liabilities</b>	<b>7,256</b>	<b>7,584</b>	<b>7,717</b>	<b>8,674</b>	<b>9,470</b>
<b>Total liabilities and shareholders' equity</b>	<b>11,287</b>	<b>12,640</b>	<b>12,783</b>	<b>13,791</b>	<b>14,719</b>
Net working capital	5,372	5,861	6,051	6,713	7,372
Invested capital	6,681	7,788	7,949	8,590	9,228

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

### Per share (THB)

Book value per share	4.63	4.92	5.20	5.52	5.88
Tangible book value per share	4.61	4.89	5.17	5.49	5.85

### Financial strength

Net debt/equity (%)	67.4	84.0	77.8	81.1	82.5
Net debt/total assets (%)	23.5	27.8	26.9	27.6	28.0
Current ratio (x)	1.4	1.4	1.4	1.4	1.4
CF interest cover (x)	(4.2)	(26.2)	(29.0)	(31.4)	(26.2)

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>15.1</b>	<b>15.2</b>	<b>15.7</b>	<b>13.5</b>	<b>11.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>19.8</b>	<b>19.9</b>	<b>20.7</b>	<b>17.7</b>	<b>15.4</b>
Reported P/E (x)	12.9	13.6	14.1	12.3	10.8
Dividend yield (%)	5.3	5.1	4.9	5.7	6.5
Price/book (x)	2.8	2.7	2.5	2.4	2.2
Price/tangible book (x)	2.8	2.7	2.5	2.4	2.2
EV/EBITDA (x) **	15.1	14.9	16.0	14.3	12.9
EV/EBITDA @ target price (x) **	19.0	18.5	19.8	17.6	15.8
EV/invested capital (x)	2.1	1.9	1.8	1.7	1.7

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

Sources: Synex (Thailand); 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)<sup>1</sup>

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)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> 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 >150 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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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

#### Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

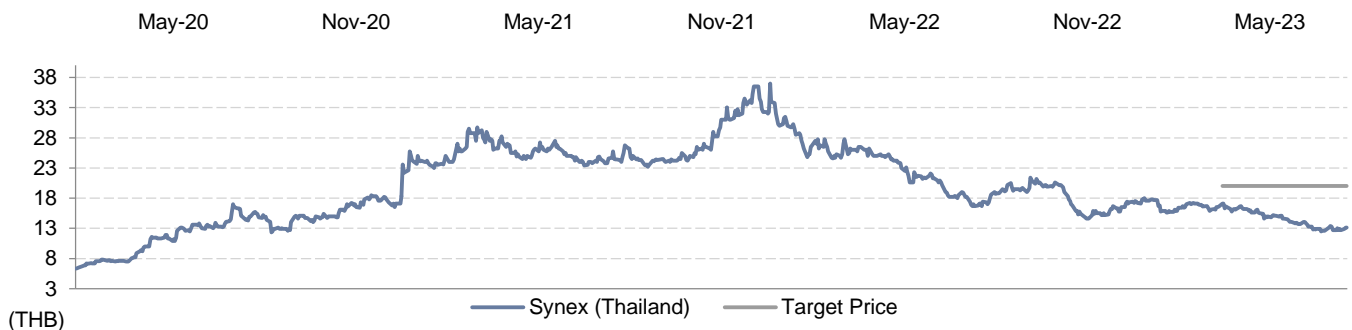
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#### History of change in investment rating and/or target price

#### Synex (Thailand) (SYNEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	20.00	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Synex (Thailand)	SYNEX TB	THB 13.10	BUY	Downside risks to our P/E-based TP include 1) outmoded or obsolete products; 2) product shortages; and 3) currency fluctuations.

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

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All share prices are as at market close on 24-May-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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