

RELATIVE VALUATION OF OISHI GROUP

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RELATIVE VALUATION OF OISHI GROUP PUBLIC COMPANY LIMITED

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M.M. (CORPORATE FINANCE)

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ABSTRACT

This thematic paper determines whether the price of OISHI GROUP's stock (OISHI) on 3 March 2023 is undervalued or overvalued using five-year historical multiple data, which includes P/E, P/BV, and EV/EBITDA, as well as appropriate peers in the same industry such as ICHI, SNP, M, ZEN, and SAPPE. As the most suited valuation metric, the historical valuation bands were recommended, notably the Trailing P/E Band. This method involves analyzing whether OISHI's stock is undervalued in comparison to its historical P/E multiples shown on a trailing graph with five years of data. Based on these historical statistics, OISHI's target price is 56.03 THB, which is almost 20.50% higher than the current price. This price estimate suggests that OISHI's stock price has significant future growth potential. The recommendation to "Buy" OISHI stock is also based on the company's strong fundamentals, which include a recurring profit and a high dividend yield.

KEY WORDS: Relative Valuation/ P/E Ratio

58 pages

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LIST OF ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EPS	Net Income and Earnings Per Share
EV	Enterprise Value
FCF	Free cash flow
GDP	Gross domestic product
ICHI	Ichitan Group Public Company Limited
IMF	International Monetary Fund
M	MK Restaurant Group Public Company Limited
OISHI	Oishi Group Public Company Limited
P/E	Price to Earnings
PBV	Price to Book value
R&D	Research and development
ROE	Return on equity
RTD	Ready-to-drink tea
SET	The Stock Exchange of Thailand
ThaiBev	Thai Beverage Public Company Limited
ZEN	Zen Corporation Group Public Company Limited

CHAPTER I

INTRODUCTION

Oishi Group Public Company Limited, located in Thailand, is a registered food and beverage company with the name OISHI. In Thailand, Oishi operates Japanese restaurant chains. Additionally, it manufactures and exports tea beverages under the brand name "Oishi Green Tea." Oishi Group was listed on the Stock Exchange of Thailand, it was acquired by ThaiBev, the largest beverage manufacturer in Thailand. OISHI Market-listed stock has a market capitalization of THB 17,343.75 million with 375 million shares.

Table 1.1 Market Profile

Market Profile	
Closing Price	THB 46.50
52-Week Price	45.00 - 57.50
Share Outstanding	375 M
Market Capitalization	17,343.75 M
Dividend Yield	2.79%
Trailing P/E	48.57
P/BV	2.10
ROE	15.86%
EPS	THB 3.19
Dividend per share	THB 1.60
Book value per share	THB 21.20

The three multiples categories, P/E, PBV, and EV/EBITDA, can be used to determine whether the stock price of Oishi is undervalued or overvalued. The trailing price-to-earnings ratio is a common measure of the value of a stock. The current P/E ratio for OISHI is below the five-year average, indicating investors' pessimism regarding the company's future prospects. The three historical multiple bands demonstrate that OISHI is undervalued as a result.

Peer Group Multiples analysis compares it to other companies in the Agro & Food Industry and Food & Beverage sector: ICHI, SNP, M, ZEN, and SAPPE. All of the companies included OISHI on 3 March 2023, in comparison, M is the largest company with a Market Capitalization of 50,418,008 THB. In addition, M has the highest PE ratio at 34.40, while SAPPE has the highest PBV and EB/EBITDA at 4.73 and 13.0, respectively. In contrast, ZEN has the lowest market capitalization at 5,010 million THB. OISHI has the lowest P/E, P/BV, and EV/EBITDA ratios, with values of 15.48, 2.10, and 6.50, respectively. Calculating the Peer Average and Peer Median involved, excluding OISHI. As a consequence, OISHI's PE, PBV, and EV to EBITDA are all lower than the average of its peers. Due to the substantial difference in market capitalization between related companies, the peer group appeared inapplicable. The peer multiples method, which compares OISHI's valuation to those of its peers, may not be appropriate for an accurate market capitalization comparison.

The recommendation based on the historical valuation bands technique, specifically the Trailing P/E Band, is suggested. This evaluation determined that OISHI is presently undervalued, with a target price based on trailing P/E that is more than 20.50% higher than the current price or at 56.03 THB. As of 3 March 2023, the price is 46.50 baht. The upside and downside potential of the target prices were calculated at +/- 20% relative to the target price, as the minimum acceptable price for OISHI being 44.83 THB and the maximum acceptable price being 67.24 THB. The recommendation to "Buy" OISHI stock is based on the company's strong fundamentals, such as its revenue-generating regular profit and dividend yield that offers a sufficient return.

CHAPTER II

BUSINESS DESCRIPTION

Oishi Group Public Company Limited is a Thailand-based food and beverage corporation that was registered as OISHI. The company was founded in 2000 by Mr. Tan Passakornnatee, a famous businessman who owned many successful businesses. Oishi operates Japanese restaurant chains in Thailand. In addition, it manufactures tea beverages and exports them globally under the brand "Oishi Green Tea." The beverage part dramatically grew and became a market leader in Thailand. In 2004, the company was listed on the Stock Exchange of Thailand as Oishi Group, and in 2008, it was acquired by ThaiBev, the country's largest beverage manufacturer. OISHI has a registered and paid-up capital of 375,000,000 baht. The par value is 1 baht per stock.

The company's vision is to "be the leader and innovator of the Japanese food and beverage business for consumer quality of life and wellness while creating sustainable business growth." To achieve its vision, the business has to maintain the standard of its products and services, as well as the popularity of "Oishi" among consumers. Another mission that results in the highest level of client satisfaction and is well known in both domestic and foreign markets is the selection of safe and quality materials. Additionally, OISHI continually enhances the manufacturing process by integrating advanced technologies to improve production effectiveness and the business' competitiveness in terms of pricing and quality in both domestic and international markets as compared to competitors.

2.1 Company's Structure and Operations

The major shareholder, who held 79.66% of 375,000,000 in paid-up registered capital, is Thai Beverage Public Company Limited, the country's largest beverage manufacturer. Figure 2.1 shows the top ten shareholders and stock holding proportions. Percent Shares in Minor Shareholders (% Free float) is around 20% of total shareholders.

Figure 2.1 OISHI's Top Ten Shareholders

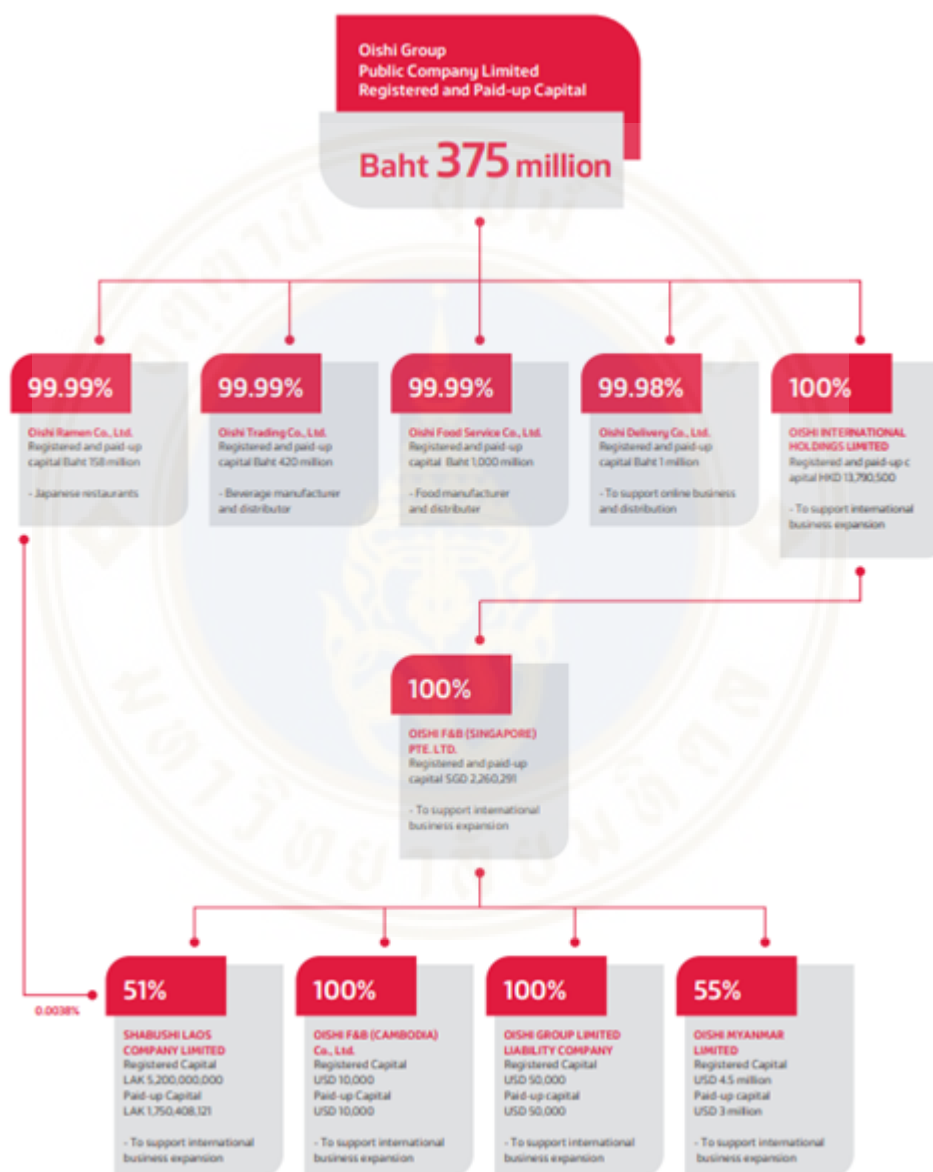
Ref	Shareholder's name	Shares	%
1	Thai Beverage Public Company Limited	298,720,398	79.66
2	UOB KAY HIAN PRIVATE LIMITED	18,000,000	4.80
3	DBS BANK LTD.	17,910,200	4.78
4	Mr. Thaweachat Jurangkool	12,203,800	3.25
5	BANK OF SINGAPORE LIMITED-THB SEG AC	9,357,400	2.50
6	Mr. Ayuth Charnsethikul	2,474,900	0.66
7	Bualuang Equity Retirement Mutual Fund	1,800,000	0.48
8	Bualuang Flexible Retirement Mutual Fund	1,550,000	0.41
9	Ms. Jintana Karnjanakamnerd	1,225,500	0.33
10	Mrs. Hatairat Jurangkool	1,061,400	0.28
11	Free Float shareholders	10,696,402	2.85
Total		375,000,000	100

Source: (OISHI Group Annual Report (56-1), 2022, p. 65)

According to Figure 2.2, as shown below, OISHI has four prominent subsidiaries in which the company directly or indirectly owns more than 50% of the issued shares, both in Thailand and overseas. The main subsidiary company in the beverage business is Oishi Trading Company Limited, in which OISHI holds 99.99% of the shares. The two main subsidiaries for the food business are Oishi Raman Company Limited and Oishi Food Service Company Limited, of which OISHI owns 99.99% of the shares. Additionally, in order to support its distribution and online business, the company also owns 99.99% of the

shares of Oishi Delivery Company Limited. Also, it fully owns Oishi International Holdings Limited to support the expansion of its international business.

Figure 2.2 OISHI's Prominent Subsidiaries



Source: (OISHI Group Annual Report (56-1), 2022, p. 59)

2.2 Products and Services Characteristics

The Company and its subsidiaries conduct their products and services in two segments including beverage business and food business.

2.2.1 Beverage Business

The beverage business has the main three products which are Oishi green tea, Oishi gold, and Oishi Chakulza.

2.2.1.1 Oishi Green Tea

Oishi Green Tea is ready-to-drink green tea produced from the best leaf green tea by using modern manufacturing innovations to ensure that its products have the best taste and benefits. Oishi Green Tea is available in various flavors and packaging, such as the Original flavor, Honey Lemon flavor, Genmai flavor, Watermelon flavor, Apple Honey flavor, and Apple Honey Light flavor (no sugar). To refresh drinkers and meet consumers' health demands, the product line also includes ready-to-drink green teas with added vitamin C, such as Kyoho Grape Plus C flavor and Orange Plus C flavor.

2.2.1.2 Oishi Gold

Oishi Gold is a line of premium green tea beverages prepared with young tea leaves from the Matsuda tea farm in Omaezaki, Japan. This plantation was awarded the "Emperor's Cup" for producing the highest-quality tea. Oishi Gold has several products in this line, including Oishi Gold Kabusecha, Oishi Gold Genmaicha, Oishi Gold Sencha Matcha, and Oishi Gold Gyokuro.

2.2.1.3 Oishi Chakulza

Oishi Chakulza sparkling green tea with two flavors which are Kyoho Grape as well as Honey Lemon, to refresh with the health benefits of green tea.

Figure 2.3 OISHI's Beverage



2.2.2 Food Business

2.2.2.1 Restaurant Business

The Oishi Restaurant Business has 11 brands and 3 sales channels to provide Japanese buffet and à-la-carte style. For Japanese buffet restaurants, Oishi Grand Buffet is the most premium Japanese buffet, which serves impressive experiences through various products with premium ingredients. Oishi Eaterium, the new definition of a Japanese restaurant, allows you to experience the taste that leads you to Japan in an extensive and pleasant atmosphere with the sense of walking through a Japanese neighborhood. Oishi Buffet and Shabushi are served under the concept "All You Can Eat," which allows you to enjoy an unlimited variety of food at a reasonable price. In addition, the company provides high-quality beef imported from New Zealand through the Nikuya Buffet restaurant.

OISHI offers a variety of à-la-carte options that are ready to serve in a short time and at an affordable price, including Japanese ramen by Oishi Ramen, Japanese rice bowls by Kakashi, and Oishi Biztoro, which provides both Japanese ramen and rice bowls. Additionally, Hou Yuu and Sakae are high-end Japanese restaurants that serve only selected, high-quality raw materials for à-la-carte dining.

In addition to enjoying various types of Japanese food in restaurants, OISHI offers home delivery service that is faster and more convenient for customers via food aggregators such as GrabFood, LINE MAN, foodpanda, Robinhood, and Shopee Food.

Also, the company offers Oishi TO GO to serve Japanese-style ready-to-eat food to meet a new generation's lifestyle, which is hurried, has limited time, and requires convenience and speed with healthy and portable products. Another sales channel is the Oishi Food Truck, which is a mobile food service with a variety of Oishi brands. The core strategy of this sales channel is convenience, mobility, and adapting to challenging situations or places where access is difficult.

2.2.2.2 Ready-to-Cook and Ready-to-Eat Business

The "Oishi Eato" business of ready-to-cook and ready-to-eat food, which is Oishi's packaged food business with a focus on Japanese-style, high-quality chilled and frozen products, was primarily developed with the intention to deliver a delicate selection of excellent-quality raw and cooked materials providing a typical Japanese food taste in a variety of categories such as sandwiches, gyoza, stir-fried ramen, Japanese rice meals, and sauces and seasonings.

Figure 2.4 OISHI's Food Business



2.3 Revenue and Profit Structure

According to the consolidated financial statement for the years 2021 to 2022, OISHI Group Public Company Limited's (OISHI) revenue structure is divided into two business segments, including the beverage and food segments. The revenue from the beverage business comes mainly from the production and distribution of green tea, fruit juice-flavored drinks, herbal drinks, and drinking water. Also, revenue from the food business mainly comes from providing service and food at Japanese restaurants, including ramen, snacks, and frozen foods.

Based on table 2.3 as shown below, The beverage business accounts for roughly 60% of total sales and service revenue, while the food business accounts for 40%. For the fiscal year 2022, the company reported total sales and service revenue from the beverage business, comparing revenue from the food business to the proportion of 57:43. Furthermore, because OISHI's operating units are mostly located in Thailand, portions of the products produced there are exported directly or indirectly through foreign subsidiaries to overseas customers. A few operating units of subsidiaries are located in foreign countries. As a result, the portion of the company's total sales and service revenue from Thailand is around 90%, compared to 10% overseas.

Table 2.1 OISHI's Revenue Structure from 2020-2022

Income by Business Type	Operated by	Consolidated Financial Statements					
		2022 (as of September 30, 2022)		2021 (as of September 30, 2021)		2020 (as of September 30, 2020)	
		Million Baht	%	Million Baht	%	Million Baht	%
Beverage business	The Company and Oishi Trading Co., Ltd	7,361	57%	6,303	64%	6,340	56%
Food and restaurant business	The Company and Oishi Ramen Co., Ltd., Oishi Food Services Co., Ltd., Oishi Delivery Co., Ltd. and Oishi Myanmar Limited	5,441	43%	3,594	36%	5,026	44%
Total		12,802	100%	9,897	100%	11,366	100%

Geographical information	Consolidated financial statements			
	Revenue	Property, plant and equipment		
	2022	2021	2022	2021
			(in million Baht)	
Thailand	11,619	8,866	4,397	4,849
Overseas	1,183	1,030	7	7
Total	12,802	9,896	4,404	4,856

Source: (OISHI Group Annual Report (56-1), 2022, p. 13, 35, 277)

According to OISHI's profit and loss separated by business segment in table 2.4, as indicated below, the beverage business generates the majority of OISHI's net profit, which is approximately 90% when compared to the food business. Additionally, according to the financial statements for the fiscal year 2022, the net profit margin from the beverage business was 15.4%, while the net profit margin from the food business was 1.4%.

Table 2.2 OISHI's Profit and Loss Separated by Business Segment in 2021 and 2022

In million Baht	2022	% to Sales and Services Revenue	2021	% to Sales and Services Revenue	Increase (Decrease)	Percentage
Sales and services revenue-Beverages	7,292	100.0%	6,250	100.0	▲ 1,042	16.7
Sales and services revenue-Foods	5,404	100.0%	3,568	100.0	▲ 1,836	51.5
Total sales and services revenue	12,696	100.0%	9,818	100.0	▲ 2,877	29.3
Cost of sales and service-Beverages	5,458	74.9%	4,714	75.4%	▲ 744	15.8
Cost of sales and service-Foods	3,135	58.0%	2,165	60.7%	▲ 971	44.8
Total Cost of sales and services	8,594	67.7%	6,879	70.1%	▲ 1,715	24.9
Selling expense-Beverages	356	4.9%	361	5.8%	▼ (5)	(1.5)
Selling expense-Foods	791	14.6%	616	17.3%	▲ 175	28.4
Total selling expense	1,147	9.0%	977	10.0%	▲ 170	17.4
Administrative expense-Beverages	292	4.0%	242	3.9%	▲ 50	20.7
Administrative expense-Foods	1,398	25.9%	1,270	35.6%	▲ 128	10.1
Total administrative expense	1,691	13.3%	1,512	15.4%	▲ 179	11.8
Net profit-Beverages	1,124	15.4%	902	14.4%	▲ 222	24.6
Net profit-Foods	75	1.4%	(357)	-10.0%	▲ 432	121.0
Total net profit	1,199	9.4%	545	5.5%	▲ 654	120.0

Source: (OISHI Group Annual Report (56-1), 2022, p. 109)

2.4 Business and Financial Strategy

OISHI Group Public Company Limited (OISHI) aims to maintain its leading position in the Japanese food and beverage market. In order to meet consumers' lifestyles, the organization continuously presents new inventions, and it has created a variety of strategies for interacting with younger generations of consumers. The main goals of the company are to keep "OISHI" products popular with consumers and maintain high standards for food and beverage production. The company also chooses high-quality, secure materials that guarantee the highest levels of customer satisfaction and are well known on both the domestic and global marketplaces. By using advanced technologies in production, research, and development, it also continuously enhances the production process. Furthermore, in comparison to its competitors, the company continuously increased production efficiency and competitiveness in terms of pricing and quality in both domestic and international markets. Also, OISHI complies with good corporate governance principles by considering the value of all stakeholders in order to create sustainable business growth. (OISHI Group Annual Report (56-1), 2022, p. 25).

2.4.1 Strategy for the Beverage Business

OISHI places a high priority on conducting strategy for the beverage industry by concentrating on product and service quality. The company is concerned with cleanliness, the use of hygienic water, and the selection of quality tea leaves in the production of green tea. Additionally, OISHI has a variety of products in order to meet the demand for different consumer needs. The company continues to develop new and diverse flavors and create packaging that is both unique and appropriate for its target customers. According to the high demand for health-related products, the company creates new products that use less sugar to meet the new trend in customer demand. It is demonstrated by the launch of "OISHI Green Tea Honey Lemon 0% Sugar," which is a new segment of ready-to-drink green tea with 0% sugar. Furthermore, the company continues to focus on product development and innovation that vary in size and price in order to continuously expand a new consumer base and respond to consumer demand. The company has advertised its products to promote their

sales growth. In addition to traditional media such as TV, radio, and public, the company focuses on new alternative media such as an online channel to reach consumers. Additionally, OISHI organizes activities and marketing campaigns through content in the form of TV series and marketing tie-ins. These factors will make it possible for OISHI to sustainably hold its market-leading position and generate significant growth in the ready-to-drink tea market.

2.4.2 Strategies for Food Business

OISHI develops its understanding of customer demands to develop menus by surveying and learning what kind of food customers prefer and which dishes and ingredients are popular to meet customer needs. Additionally, the company emphasizes food safety for the protection of both its customers and employees. Employees are trained in safe kitchen practices and how to prepare food without contaminating it. Moreover, the company's pricing reflects the preferences of its customers and is reasonable in terms of both business capital and product quality. The company has consistently invested in the opening of new stores by selecting those that directly serve the target customers and using distinctive decorating to help customers recognize its brand. The company has consistently offered special promotions to boost sales and address customer needs. For every 25-baht spent, customers gain 1 point, which translates to a 1-baht savings for dine-in, carryout, or delivery orders. Further, OISHI has consistently focused on and invested in social media platforms and online shopping. Based on consumers' new normal lifestyles, food delivery is still expanding. In addition to working with food platforms, OISHI offers its own delivery and self-pickup services. This will increase the restaurant's consumer base and improve new sales opportunities.

2.4.3 Financial Strategy

OISHI has a financial strategy in place to maintain a sustainable net cash position. The company typically doesn't need a short- to medium-term loan since the steady cash flow from operating activities is sufficient to support both its ongoing operations and its

long-term investment plan. It represents cautious and conservative cash management. Additionally, the company has consistently paid a dividend to provide a return to shareholders and recently announced a dividend per share of Baht 1.60 in fiscal year 2022, which is higher than the 40% dividend payout policy.

2.5 Risk Factors

2.5.1 Risk for Beverage Business

2.5.1.1 Raw Material Risk

The two main concerns with raw materials are limitations in raw material sourcing and fluctuations in raw material costs. The company does not have a policy of buying raw materials from a single supplier because it is focused on producing only high-quality items made from premium materials. This could lead to material shortages or a pricing disadvantage. As a result, in order to minimize potential risks and enhance the company's capacity for sourcing raw materials, the R&D and purchasing divisions have been searching for more qualified suppliers.

The major drivers of the increase in production costs are increases in fuel prices, transportation expenses, and packaging costs, which fluctuate based on supply and demand in the market. To avoid potential problems, the company signed contracts with several suppliers for periods ranging from three to five years. Additionally, there are purchases made in bulk for the entire business organization to strengthen their negotiating position and reduce risks. (OISHI Group Annual Report (56-1), 2022, p.67).

2.5.1.2 Tax Risks

Ready-to-drink tea is one of the beverage products subject to an excise tax based on the cost and amount of sugar, which has been in effect since September 2017. As a result, Ready to Drink Tea's production costs increase, requiring the company to modify the selling

prices for its products. The market for ready-to-drink tea has declined over the past year, mostly due to this cause. To achieve the optimal selling price for various distribution channels, the company has planned for potential tax risks by establishing a distribution strategy and packaging that are in line with the selling price. Research and development (R&D) for new healthy products is also performed in line with the company's objective to produce healthy products that fulfill consumer and market demand as well as successfully control manufacturing costs and other costs.

2.5.1.3 Competition Risks

The competition in the beverage business is quite intense, and there are several high-potential competitors with aggressive marketing activities trying to penetrate the market. However, the company has improved its ability to compete by enhancing the image of its brand and products through efficient advertising, marketing, and promotional strategies. The company believes that as the market continues to expand, it will motivate the company to perform its business better, which will benefit both consumers and the beverage industry.

2.5.2 Risk for Food Business

2.5.2.1 Raw Material Risk

The restaurant industry depends on the quality and freshness of its raw ingredients. Meat, seafood, and vegetables, which represent the majority of raw materials, are volatile. Because of this, efficient raw material management has a significant impact on manufacturing costs. The company has created procedures to only purchase from suppliers whose results are approved by international standards to ensure freshness and verifiable sources in order to prevent this risk. Additionally, the inventory system management has always been monitored and has a clear procedure for managing the inventory to effectively control the number of products to meet demand.

2.5.2.2 Consumer Behavior Risk

As we know, COVID-19 changes consumption behavior to be more internet-based. Nowadays, online purchasing behavior will become the new normal way of life. As a result, it drives many companies to shift to the online market to increase business opportunities. As a result of online purchases, companies that can provide their customers with online services will not only see an increase in sales but will also generate a consumer database that will help them get to know and understand their customers better. Additionally, COVID-19 has accelerated the shift to a cashless society. People are switching to using online transactions, including credit cards, e-payments, and mobile banking. Additionally, people are increasingly concerned about sanitation and health. Many companies will need to change their marketing approaches to convince customers that they recognize the importance of cleanliness and sanitation and are well-equipped to provide reliable service. However, consumers are more careful and aware of their money than ever before, which has a negative impact on both the number of customers at the restaurant and the amount of money spent on each transaction. Due to the need to pay more for business adjustments to fit the new situation, such as new business plans, adaptations to new government prevention measures, particularly in the most stringently controlled and monitored areas, or cleaning tools and equipment, the company's earnings decline while its costs rise. There will also be losses as a result of opportunity costs and changing raw material prices.

2.6 Corporate Governance

Corporate governance refers to the set of policies and procedures that regulate and control a company to balance between the interests of all its stakeholders, including shareholders, management executives, customers, suppliers, creditors, the government, and the community. The Board of Directors of OISHI Group Public Company Limited

emphasizes the significance of good corporate governance by establishing communication channels to motivate the collaboration of all functions in the organization to comply with the corporate governance policies, ethics, and guidelines. They also provide understanding for good corporate governance and monitor internal corporate governance. As a result, it helps in ensuring transparency, effective business processes, and the confidence of all stakeholders, leading to greater value and sustainable growth for the organization. (OISHI Group Annual Report (56-1), 2022, p. 130). Following are the five categories that compose the company's corporate governance policy:

2.6.1 Rights of shareholders

The fundamental rights of shareholders include the purchase, sale, and transfer of shares to benefit from the company's profit. Additionally, shareholders have a right to full disclosure, to participate in shareholder meetings to exercise their voting rights, and to be involved in decisions that affect the firm, such as how dividends are distributed and voting on dividend policies. In order to encourage and support all shareholders to attend the meeting and exercise their voting rights, the company must schedule an annual meeting of shareholders within four months of the end of the fiscal year, or within the time frame specified by law. Additionally, shareholders are allowed to make queries, suggestions, or express their opinions as each item on the agenda is discussed at the shareholders' meeting. Any questions must be answered by the company, and the company must accept and underline comments and suggestions from shareholders.

2.6.2 Equal treatment to all shareholders

The board of directors should establish policies to help and protect all shareholders in order to ensure that they are all treated fairly and equally. The company sends the invitation letter and attachments in both Thai and English versions to treat shareholders equally. Prior to the meeting, the invitation letter and any supporting documents are also published on the company website, where they are available to all shareholders. If a shareholder is unable to attend the meeting in person, the company provides a letter of

representation that enables shareholders to advise vote-casting, allowing the shareholder to approve their delegate to attend the meeting and vote at the meeting on their behalf.

2.6.3 Roles of stakeholders

There are several different stakeholder parties in the corporate governance system, such as shareholders, employees, customers, trade partners, creditors, business competitors, society, the environment, and the government. The company realized that if all stakeholders cooperated well, performance would improve. In order to achieve mutual benefit, the company has decided to support it through its policy.

For the benefit of shareholders, the company is concerned about honoring its commitment to treating all shareholders equally and fairly in all business dealings. The company regularly makes arrangements to ensure that information is disclosed in a complete, accurate, and fair manner.

Also, employees are expected to be treated fairly by the company in terms of opportunities, compensation, and future development, as well as assurances about workplace quality, safety, and hygiene. Additionally, to promote and enhance the knowledge and skills of the workforce and to help the company in the long run, the company also offers a variety of internal and external training courses for its employees.

For the benefit of customers, in order to deliver the greatest level of customer satisfaction and ensure that customers are treated with the greatest care and responsibility, the company is committed to continuously improving the quality of its products and services.

The company recognizes the importance of choosing business partners carefully, taking into account performance, price, credibility, and a faultless past free of any accusations of fraud or human rights violations. This applies to creditors as well as business competitors. The company commits to a policy of treating all creditors equally and fairly, and it strictly follows the terms and conditions of any warranties and agreements signed in

accordance with the contracts made with each creditor. Additionally, the company respects competitors fairly, avoids dishonest behavior, and uses no illegal or unethical measures to harm their reputations.

In order to give back to the community and the environment, the company creates employment opportunities near its restaurants and production facilities. Also, the company supports reducing workplace paper usage and takes steps to make sure that the production process is environmentally responsible for the community. The company's manufacturing facilities received ISO 14001 certification, indicating its awareness of environmental management and its commitment to protecting the environment as it expands its operations.

For the government, the company is committed to complying with all legal requirements, including those related to the environment, safety, labor, taxation, and accounting management, as well as any other rules, issued by the government that have an impact on how business is conducted.

2.6.4 Disclosure and transparency

The company recognizes the importance of accurately, completely, transparently, and reliably publishing significant information about the company, including financial and non-financial information, as well as other material information that may affect the price of the company's shares. All shareholders are treated equally and legitimately while receiving the information.

2.6.5 Responsibility of the Board of Directors.

The Board of Directors has a responsibility to perform its tasks honestly. It is to dedicate their time, expertise, abilities, and experience to the company's business operations. It has a role to provide suggestions and ensure that the company operates in strict compliance with all applicable laws and shareholder meeting votes. Additionally, it is responsible for effectively controlling and monitoring the management and operation of the business in accordance with the company's policies and business strategies, taking into

account the interests of all stakeholders. The company has also determined its policy to ensure a check and balance on the performance of the board. The structure of the board of directors should retain the balance between the ratio of independent directors, executive directors, and non-executive directors.

Table 2.3 OISHI's Good Corporate Governance (AGM Score) from 2014-2020

Good Corporate Governance Scores								
	Oishi Group							Listed co Avg 2020
	2014	2015	2016	2017	2018	2019	★ 2020	
Rights of Shareholders	89	94	95	95	95	95	95	94
Equitable Treatment of Shareholders	96	98	99	99	99	99	99	94
Role of Stakeholders	76	80	79	91	92	93	97	83
Disclosure and Transparency	84	87	89	93	96	96	97	87
Board Responsibilities	70	76	81	81	85	84	85	76
Total score	78	84	86	88	91	91	92	83

Source : Thai Institute of Directors (สมาคมส่งเสริมสถาบันกรรมการบริษัทไทย)

AGM Quality Score								
	2014	2015	2016	2017	2018	2019	★ 2020	Listed co Avg 2020
Oishi Group	97	100	99.25	100	99	100	98.5	95.46

Based on table 2.5, as shown above, it shows that the Good Corporate Governance AGM Score of OISHI has continuously increased from 2014–2020. Also, in 2022, the Thai Institute of Directors Association (IOD) awarded the company full 100 marks for the quality results of the 2022 Annual General Meeting of Shareholders (AGM Checklist). (OISHI Group Annual Report (56-1), 2022, p. 129).

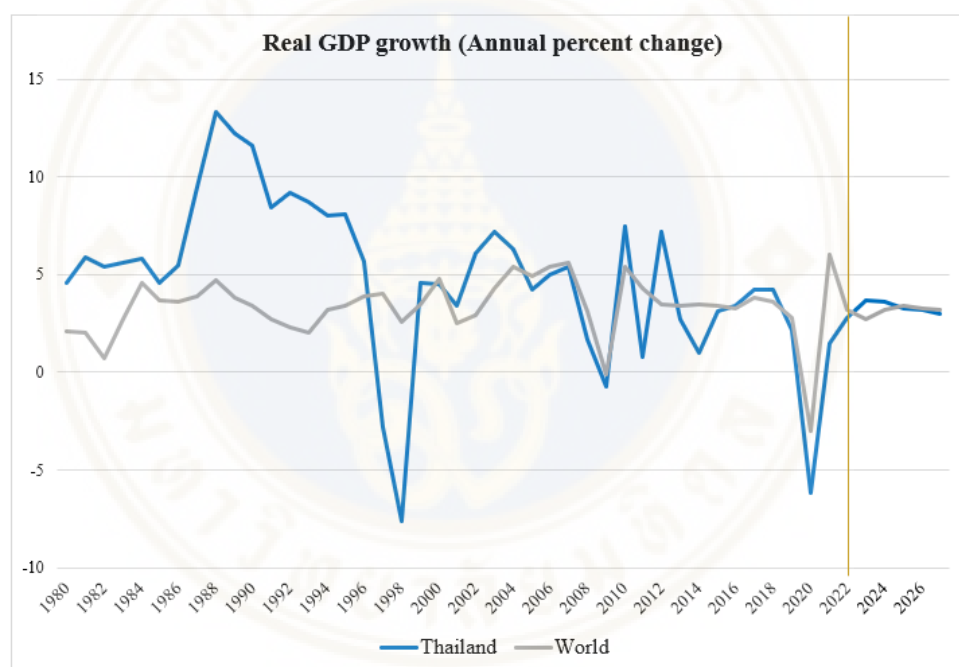
CHAPTER III

MACROECONOMIC, INDUSTRY, AND COMPETITION ANALYSIS

3.1 Macroeconomic Analysis

3.1.1 Global and Thailand GDP Growth

Figure 3.1 Real GDP growth of World and Thailand



<u>Real GDP growth</u>	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Thailand	4.2	2.2	-6.2	1.5	2.8	3.7	3.6	3.3	3.2	3.0
World	3.6	2.8	-3.0	6	3.2	2.7	3.2	3.4	3.3	3.2

Source: (International Monetary Fund (IMF) Statistical Data, <https://www.imf.org>)

According to figure 3.1, from 2014 to 2018, the real GDP growth of Thailand continued to increase slightly due to the Thai economy gradually recovering after the easing of political uncertainty. However, in 2019, it fell and plummeted to a negative change of -6.2% in 2020 because of the spreading of the COVID-19 outbreak. Following the relaxation of COVID-19 restrictions and consumption promotion programs, GDP growth can recover to a positive level and slightly improve in 2021 at 1.5%. In 2022, even if we can adjust ourselves to the "new normal" in the era of COVID-19, Thailand's GDP growth increased slightly to 2.8%, similar to the worldwide trend because of the Russia-Ukraine War and China's economic slowdown, which led to higher inflation and slower consumption.

The COVID-19 outbreak has impacted every business and industry around the world. The main impact on GDP growth is that it slows down economic activity because every country must comply with various government controls to prevent the spread of COVID-19, such as lockdowns and restrictions on cross-border travel. This results in shocks in demand and supply as well as a lack of tourists. Since consumption and tourism contribute significantly to Thailand's GDP, Thailand's economy has declined more sharply and recovered more slowly when compared to the global economy. It was evident by the GDP growth rate from 2020 to 2022, which was lower than the global average.

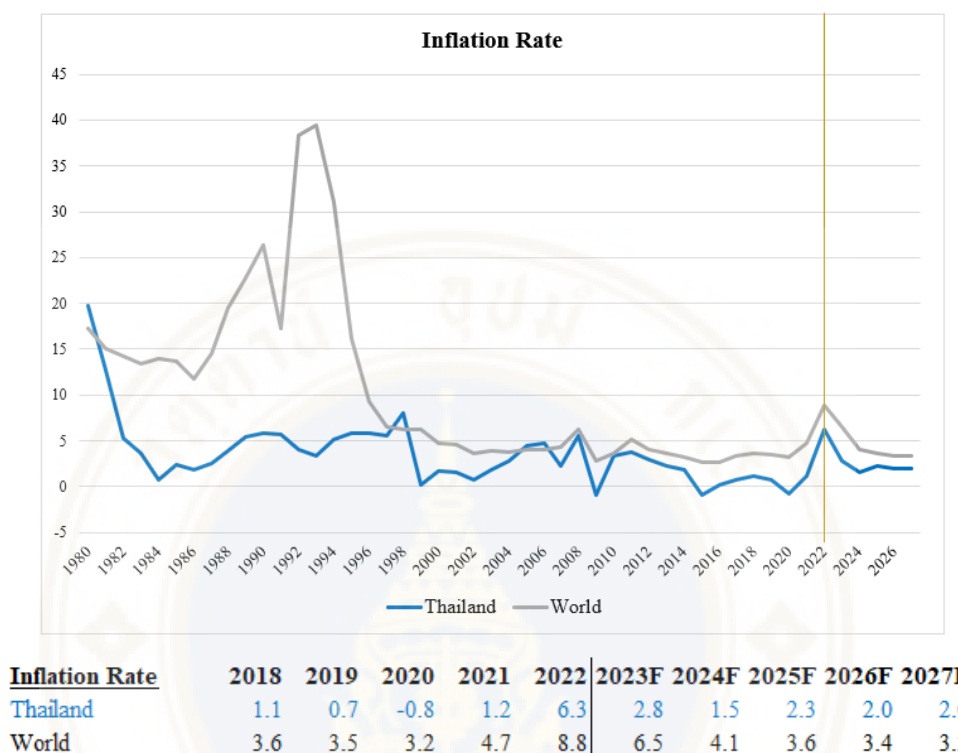
The pandemic also had a negative effect on OISHI's performance. Not only was there a decrease in the number of customers due to the prohibition on cross-border travel and the lockdown, but Oishi restaurants also had to operate within the constraints of service time and the number of dine-in customers. In addition, the economic slowdown led to a decrease in consumer confidence and purchasing power. Consumers were more conscious of their spending than ever, which resulted in a decrease in earnings for the company, while the company had to spend more on their business adjustments for the changed situation.

In 2022, while many countries were about to recover from the COVID-19 pandemic, the Russia-Ukraine war started. It indirectly increased the price of energy substantially. This had a significant impact on global supply disruptions as well as high inflation, resulting in real GDP growth that cannot recover back to the level before the COVID-19 pandemic. Even though Thailand was not as badly affected as other countries, the cost of goods and services was rising, which had a significant impact on many businesses. One of these businesses is OISHI, because it affected the company's costs and consumers' buying power, which led to a decrease in the company's earnings.

Based on Figure 3.1, the International Monetary Fund (IMF) has forecast that in 2023 global GDP growth will be lower than in 2022, from 3.2% to 2.7%. The main reasons are the rise in central bank rates to fight inflation and the slow recovery from the impact of the Russia-Ukraine war. It will lead to low global demand in 2023. In contrast to the worldwide economic slowdown, the IMF predicts that Thailand's real GDP will expand by 3.7% in 2023. The higher GDP growth forecast is driven by strong tourism growth in 2023, which contributes significantly to Thailand's GDP. Therefore, OISHI will probably get this benefit to boost the company's revenue.

3.1.2 Interest, Inflation, and Exchange Rate

Figure 3.2 The Inflation Rate of World and Thailand



Source: (International Monetary Fund (IMF) Statistical Data, <https://www.imf.org>)

Even though the expected real GDP growth rate in 2023 will be higher than in 2022, another key macroeconomic indicator that should raise concern is the inflation rate. Figure 3.2 shows that the global and Thai inflation rates in 2022 skyrocketed to the highest level in a decade, at 8.8% and 6.3%, respectively, driven mainly by rising energy prices due to the Russia-Ukraine war. Because the inflation rate has already reached its peak, the International Monetary Fund (IMF) has forecast that in 2023 the global and Thai inflation rates will drop to 6.5% and 2.8%, respectively. Despite the fact that the inflation rate will fall in the future, all countries have to deal with the impact of tighter monetary policies, which used to fight against inflation, and the on-going impact of cost-push inflation.

According to Figure 3.3, the Thai central bank has been steadily raising its policy rate since the middle of 2022, from less than 1% to 1.5% in January 2023, and it is expected to rise to 2% in 2023. (Economic Outlook 2023, Krungthai COMPASS, p. 46). This means that OISHI has to deal with higher funding costs in addition to high production costs. Similarly, it means that customers have to deal with high costs of living and borrowing costs. This will result in additional cuts to their purchasing power. As a result, this is the pain point at which the company will be affected and should be concerned about.

Figure 3.3 The Policy Rate of Thailand



Source: (Trading Economics Statistical
Data, <https://tradingeconomics.com/thailand/interest-rate>)

3.2 Industry Analysis

OISHI Group Public Company Limited is a leading food and beverage firm in Thailand that is recorded in the Agro & Food Industry, a significant contributor to the country's economy at the worldwide recognition level due to an iconic culture and geography, making a variety of industry sub-sectors, starting from street food to high-end restaurants, that gains interest from both home and foreign markets for the reason that the

restaurant can provide countless combinations between flavors and nutrition, presenting in rich and delicious cuisine products.

The food industry consumption trend is mainly categorized into three characteristics. Firstly, a convenience-first customer reflects an increasing demand for instant, frozen, and processed foods. Secondly, the growth of vegetarian and plant-based consumers indicates a trend toward ethical food production and environmental concerns. Lastly, health awareness is one of the most significant obstacles OISHI and others confront, amidst to high domestic and global competition. In addition, OISHI not only gets a direct benefit from its home market but also initiates innovation and sustainability in its goods and operations to fulfill the above-mentioned directions and concerns.

Following the COVID-19 post-pandemic, the agriculture and food industries have been slowly recovering over the last few years, driving revenue growth. OISHI Group's efforts to encourage sustainable business growth by creating a stable foundation for the company's continued performance It can be seen in table 2.4 OISHI's Profit and Loss Separated by Business Segment in 2021 and 2022, sales and services revenue from beverages, sales and services revenue from foods, as well as total sales and services revenue, increased by 16.7 percent, 51.5 percent, and 29.3 percent, respectively. The business reported total sales and service revenue that was driven by the beverage and food business, which is its core business.

Table 3.1 OISHI's Profit and Loss Separated by Business Segment in 2021 and 2022

In million Baht	2022	% to Sales and Services Revenue	2021	% to Sales and Services Revenue	Increase (Decrease)	Percentage
Sales and services revenue-Beverages	7,292	100.0%	6,250	100.0	▲ 1,042	16.7
Sales and services revenue-Foods	5,404	100.0%	3,568	100.0	▲ 1,836	51.5
Total sales and services revenue	12,696	100.0%	9,818	100.0	▲ 2,877	29.3

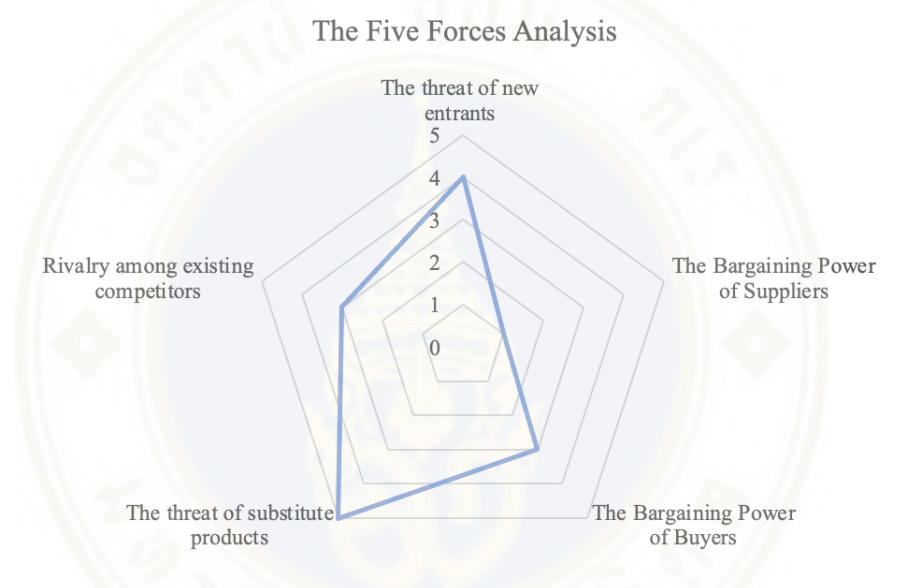
Source: (OISHI Group Annual Report (56-1), 2022, p. 109)

3.3 Competition Analysis

3.3.1 The Five Forces Analysis

The Five Forces Analysis is a methodology for understanding the competing dynamics in an industry. This analysis will apply the framework to OISHI, a Thailand-based food and beverage company.

Figure 3.4 The Five Force Analysis



Source: (Analyzed by writer)

In Thailand, the food and beverage industry is highly competitive, with a large number of established players. Newcomers would face a high barrier to entry, such as building brand recognition and distribution networks. Oishi has already established itself as a market leader, which provides it with a competitive advantage.

The bargaining power of suppliers is low because the ingredients utilized in the food and beverage industry are widely accessible. So, the suppliers have limited negotiating power. Oishi's size and market control also enable it to negotiate beneficial terms with its suppliers, contributing to its ability to maintain low prices.

The bargaining power of buyers in the food and beverage industry and the purchasing power of consumers are high. Customers dissatisfied with Oishi's products can easily switch to another brand. This threat is decreased by the fact that Oishi has built a strong brand reputation and offers high-quality products at competitive prices.

The threat of substitute products is relatively high. In the current market, there are numerous alternative food and beverage products that can replace Oishi's. The product's quality and the substitute's relative price performance seem to be on par with those of its sector, such as ICHITAN.

Rivalry among existing competitors in Thailand's food and beverage industry is intense. Existing players, such as Coca-Cola and PepsiCo, pose challenging competition for Oishi. However, Oishi's strong brand, diverse product line, and devoted customer base help it stay competitive in the marketplace.

Overall, the Five Forces Analysis demonstrates that Oishi is well-positioned in Thailand's food and beverage business, with a powerful brand, a diversified product line, and a competitive edge over new entrants. Nevertheless, it still encounters substantial barriers in an extremely competitive industry.

3.3.2 OISHI Competitors

3.3.2.1 ICHI

Ichitan Group Public Company Limited is a listed company on the Stock Exchange of Thailand (SET) under the symbol "ICHI." that holds the production and distribution of ready-to-drink tea beverages under the brands of Ichitan Green Tea, Yen Yen by Ichitan, and Juice Drinks. The business's marketing strategy positions its products as premium. ICHI was listed on the SET in 2015, and its shares were actively traded on the exchange's main board with several billion Thai baht of the company's capitalization.

3.3.2.2 SNP

S & P SYNDICATE PUBLIC COMPANY LIMITED is a business with shares traded on the Stock Exchange of Thailand (SET) under the symbol SNP that conducts several food and beverage businesses in Thailand. It not only operates restaurants and

bakeries domestically and overseas but also provides the manufacturing and distribution of bakery products and frozen prepared foods. Moreover, it supplies additional services, including food delivery to the home and outside catering.

3.3.2.3 M

MK Restaurant Group Public Company Limited was a company that was listed in 2014 on SET with the symbol "M." The company is the leading restaurant chain operator in Thailand, specializing in Chinese cuisine and hot pot under the name "MK Suki." The company manages diverse restaurant brands, for example, MK Restaurants, Yayoi, and Miyabi, Le Siam, and Le Petite, with over seven hundred locations throughout Thailand and other nations, including Japan, Cambodia, and Myanmar.

3.3.2.4 ZEN

Zen Corporation Group Public Company Limited is a holding company, listed on the Stock Exchange of Thailand (SET) in 2007 with the symbol "ZEN." in the food and beverage sector. The company mainly operates multiple brands, including Zen Japanese Restaurant, On The Table, The Coffee Club, and other related businesses. Zen manages thirteen Thai and Japanese restaurant brands with more than 240 locations.

3.3.2.5 SAPPE

SAPPE PUBLIC COMPANY LIMITED was listed on the Stock Exchange of Thailand (SET) as SAPPE, originally listed on the SET in 2012. The company mainly focuses on manufacturing, distributing, and selling five primary groups of products, including functional beverages, functional powders, healthier snacks, and fruit juices. These are marketed under twenty-four brands both domestically and internationally.

CHAPTER IV

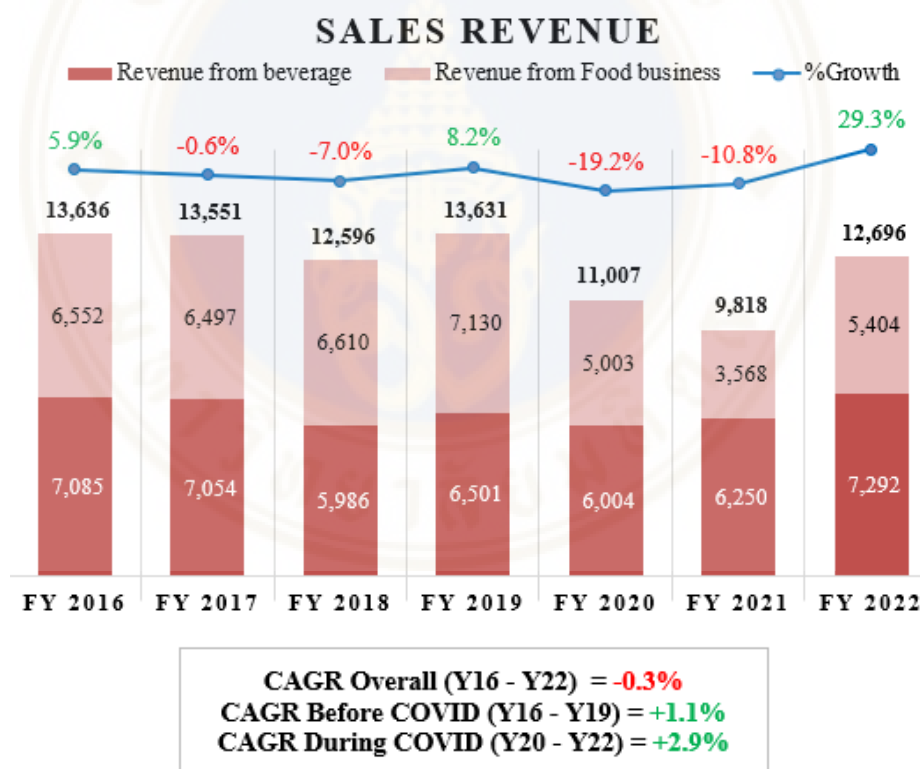
VALUATION

4.1 Financial Analysis

4.1.1 Growth Analysis

4.1.1.1 Sales Revenue

Figure 4.1 OISHI's Sales Revenue Growth Analysis (Million Baht)



Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

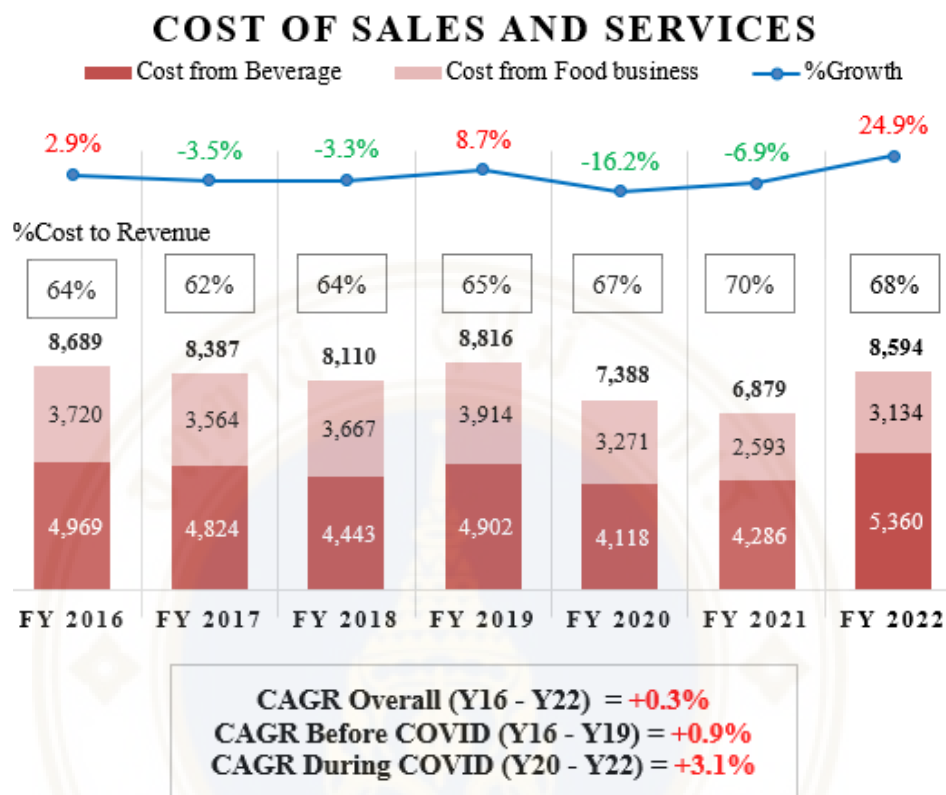
Figure 4.1 shows that the majority of OISHI's sales revenue comes from the beverage business, which accounts for about 60% of the company's total sales revenue, and

40% from the food business. The company's compound annual growth rate (CAGR) for the seven-year period between 2016 and 2022 was -0.3%. The COVID-19 pandemic had a substantial negative impact on sales growth, especially for the food business, because lockdown measures were implemented, which resulted in a decline in dine-in customers. It was evidenced by large negative growth rates of -19.2% and -10.8% in 2020 and 2021, respectively.

However, if we examine OISHI's sales revenue growth from 2016 to 2019, prior to the pandemic, we discover that the company can expand at a rate of about +1.1% CAGR. It appears that OISHI could grow steadily by maintaining its high market share level of 45% (*OISHI Group Analyst Meeting, Q4/2019, p. 14*) to generate sales revenue of around 13,500 million baht annually, even though the company experienced negative effects in 2018 as a result of the government's increase in the tax on sugar-sweetened beverages, leading to a decrease in customer spending.

Thus, if we focus on sales revenue growth during COVID from 2020 to 2022, we notice that OISHI sales revenue shows an improving trend. Revenue could recover to nearly 12,700 million baht in 2022, representing a 2.9% CAGR increase over 2020. Due to the reopening of borders and domestic economic recovery, the company can continue to be a market leader in ready-to-drink tea. It demonstrates a positive sign that OISHI's sales revenue will recover to normal CAGR growth of around +1% in the future.

4.1.1.2 Cost of Sales and Services

Figure 4.2 OISHI's Cost of Sales and Services Growth Analysis (Million Baht)

Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

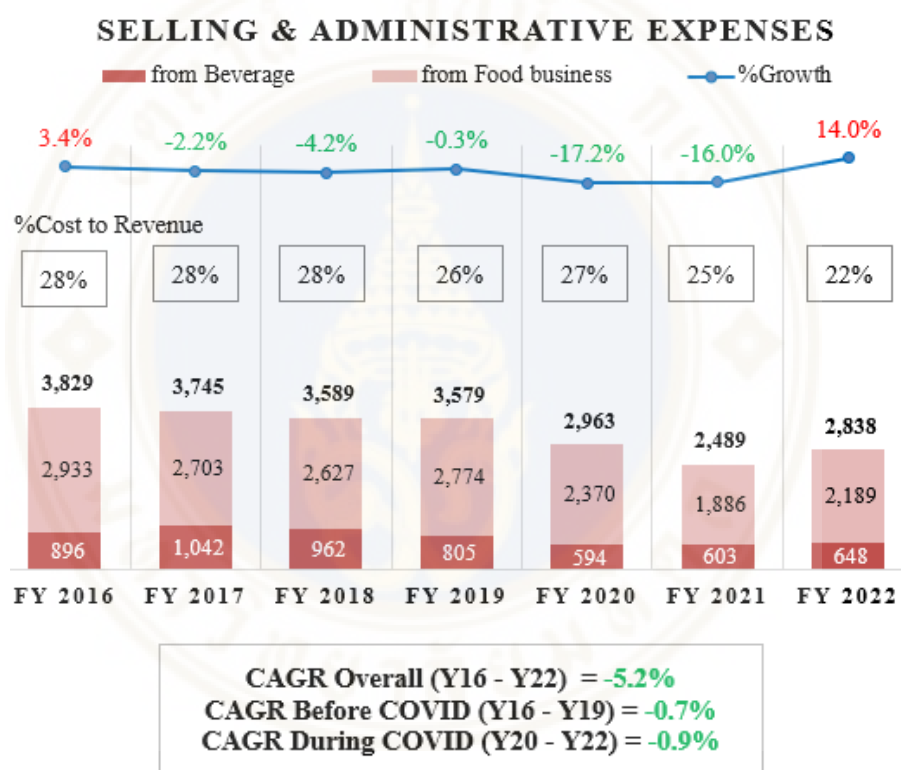
According to figure 4.2, the CAGR of OISHI's cost of sales and services from 2016 to 2022 recorded an increase of 0.3%. When comparing the situation before and after COVID-19, the company's costs of sales and services during the pandemic seem higher than the normal situation, referring to a %CAGR between 3.1% and 0.9%. The reason is that in 2020 and 2021, even though revenue growth dropped due to COVID-19, the decrease in costs was less than revenue because some raw material, packaging, and operational costs at OISHI's factory and restaurant cannot decrease as fast as sales shortfalls.

However, when we look at the cost-to-revenue ratio, we see that in 2022, the cost-to-revenue ratio was 68%, which was lower than in 2021. Even in 2022, OISHI faced high raw material costs due to high inflation and energy costs, but incremental sales growth and

the efficiency of cost management control can offset the impact of raw material price increases. Hence, even during a period of high inflation and high raw material prices, it shows a positive sign for OISHI.

4.1.1.3 Selling & Administrative expenses

Figure 4.3 OISHI's Selling & Administrative expenses Growth Analysis (Million baht)



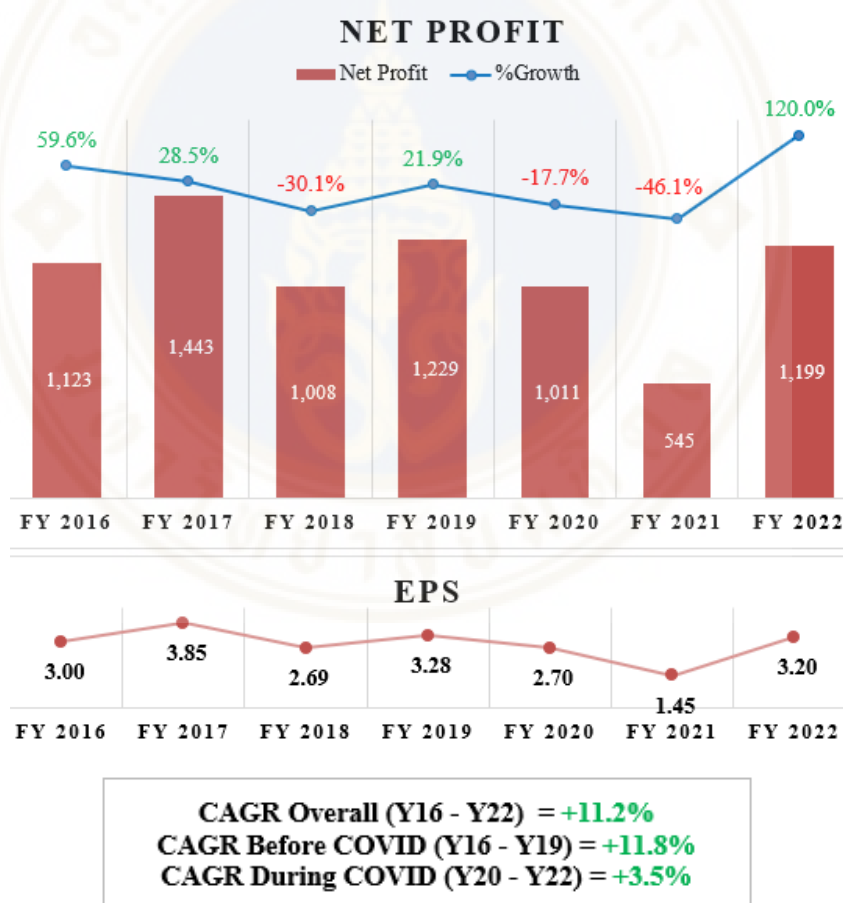
Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

In terms of selling and administrative expense (SG&A), if we eliminate the impact of COVID-19, we discovered that OISHI could continue to control the selling and administrative expense (SG&A) efficiently from 2016 to 2019, showing a %CAGR of -0.7%, but if we look at the CAGR during 2016 to 2022, which decreased a lot to -5.2%, that is because in 2020 and 2021 the company had to face sales shortfalls due to COVID-19, which caused a sharp drop in SG&A in line with the reduction in sales.

However, SG&A appears to start to rebound in 2022, rising by about 14% as a result of high revenue growth. Yet, the percentage of SG&A to revenue has decreased from 28% to 22% from 2016 to 2022. It demonstrates the effectiveness of cost-cutting strategies, as the company spent its money in the most efficient way possible, resulting in higher sales and profits for the company. For example, a company can save costs by using online marketing activities and by educating and upskilling its staff to be able to work in multiple roles and be more productive.

4.1.1.4 Net Income and Earnings Per Share (EPS)

Figure 4.4 OISHI's Net Income and EPS Growth Analysis (Million Baht)



Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

OISHI's net income mainly grows in line with revenue growth, which is an 11.2% CAGR from 2016 to 2022 due to effective cost management and business strategy, as shown in figure 4.4. The ratio indicates that in 2022 OISHI can improve its performance to recover to nearly the normal situation if we take into account the CAGR during a normal situation free of the impact of COVID-19, which is 11.8%. The net profit of the company was decreased mainly by two negative impacts. The first is the fire damage, which cost 710 million baht in 2018. The second impact is the COVID-19 pandemic. The pandemic pushed down the company's revenue and net profit substantially, and it took the company 2 years to recover its business. Because of the net profit growth trend and stable share amount, the earnings per share (EPS) of OISHI grow in line with the net profit, which shows that the return for shareholders was 3.2 baht per share in 2022. It indicates positive potential growth in the future. However, due to higher inflation and a slowing economy, the company still faces difficulties achieving its goals.

4.1.1.5 Free Cash Flow

Table 4.1 OISHI's Free Cash Flow Growth Analysis (Million Baht)

INCOME STATEMENT							
OISHI GROUP PUBLIC COMPANY LIMITED							
Unit: THBmn	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Interest Bearing Debt	2,536	2,013	1,701	-	-	299	449
EBIT	1,252	1,545	1,171	1,323	1,014	529	1,371
TAX	(42)	(50)	(122)	(75)	(3)	25	(158)
EBIT AFTER TAX	1,210	1,495	1,048	1,249	1,011	554	1,213
DEPRECIATION	1,750	1,017	866	871	828	936	894
WORKING CAPITAL CHANGE	(21)	(107)	(213)	(259)	(103)	(183)	(81)
CAPEX	(1,608)	(512)	(779)	(929)	(285)	(98)	(184)
Free Cash Flow	1,330	1,893	922	932	1,451	1,209	1,843
%Free Cash Flow to Interest Bearing Debt	52%	94%	54%	-	-	404%	411%

GROWTH ANALYSIS							
Unit: THBmn	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Interest Bearing Debt	-4.3%	-20.6%	-15.5%	-100.0%	-	-	50.1%
EBIT	54.2%	23.4%	-24.2%	13.0%	-23.4%	-47.9%	159.4%
TAX	1221.0%	17.6%	146.7%	-38.8%	-96.4%	-1038.5%	-732.8%
EBIT AFTER TAX	49.6%	23.6%	-29.9%	19.1%	-19.0%	-45.3%	119.1%
DEPRECIATION	77.9%	-41.9%	-14.8%	0.6%	-5.0%	13.1%	-4.5%
WORKING CAPITAL CHANGE	-	406.3%	99.0%	21.5%	-60.4%	78.2%	-55.8%
CAPEX	109.0%	-68.1%	52.0%	19.3%	-69.3%	-65.4%	87.0%
Free Cash Flow	30.0%	42.3%	-51.3%	1.0%	55.8%	-16.7%	52.4%

CAGR Overall (Y16 - Y22) = +8.8%
CAGR Before COVID (Y16 - Y19) = -2.3%
CAGR During COVID (Y20 - Y22) = +12.7%

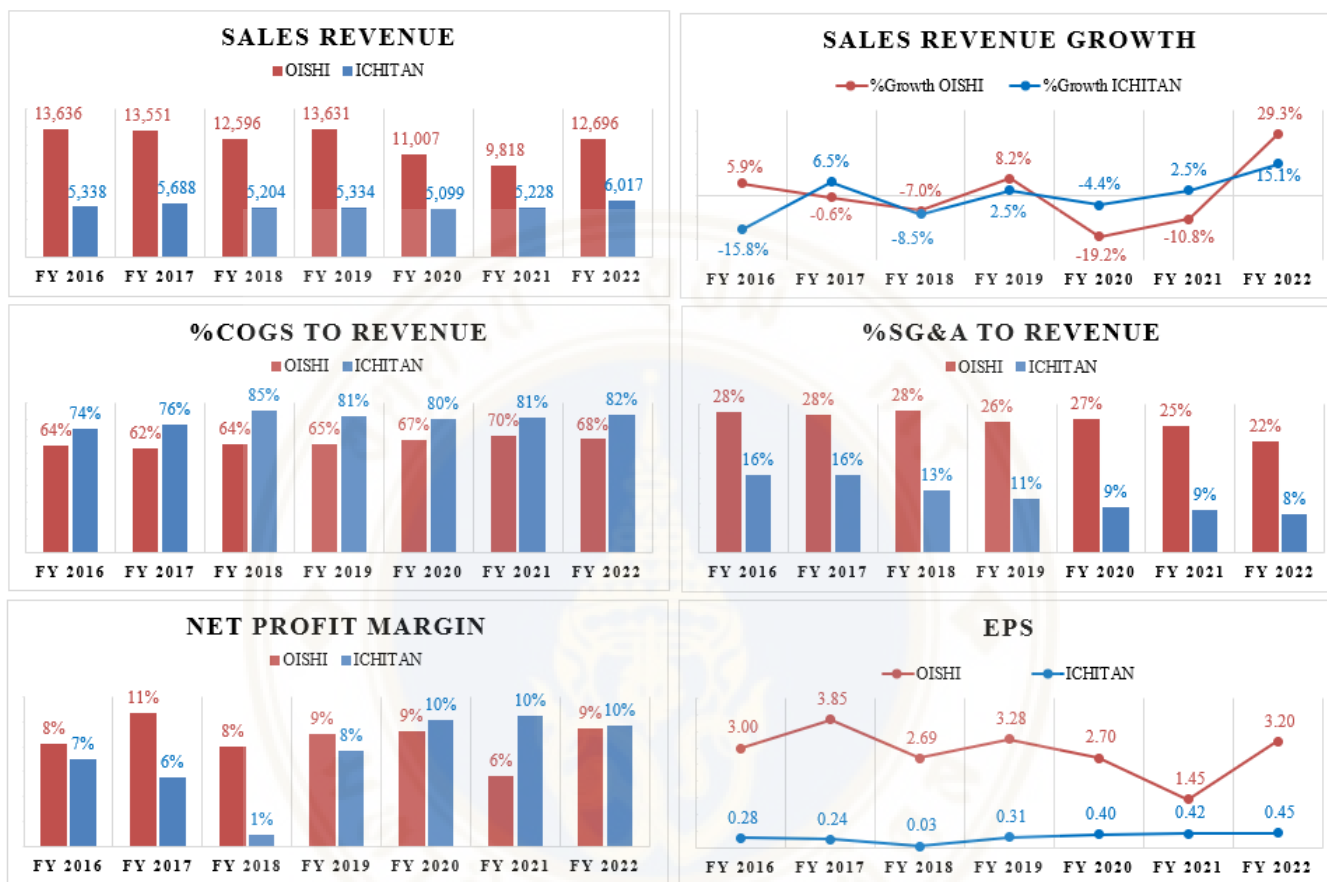
Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

Free cash flow (FCF) is a profit measure that includes balance-sheet changes in working capital as well as spending on assets and equipment but excludes non-cash expenses from the income statement. Also, it reflects the money a company earns after deducting cash outflows for operating expenses and capital asset maintenance.

Based on table 4.1, it shows OISHI's free cash flow is still healthy, referring to the +8.8% CAGR from 2016 to 2022. Also, when we compare the company's free cash flow to its interest-bearing debt, we found that it continues to maintain its zero-net debt strategy, showing a high proportion of free cash flow to its debt. There were two key factors that had a negative effect on the company's free cash flow. The first factor is a decrease in earnings, especially in 2018 and 2021, which are affected by fire damage accidents and the COVID-19 pandemic. Another factor is a higher investment expenditure than revenue, especially in 2019, with the company's substantial investment in UHT production leading to a drop in free cash flow.

4.1.1.6 Compare to the Main Competitor

Figure 4.5 Comparison Analysis (OISHI & ICHITAN)



Source: (OISHI and ICHI Financial statements, 2016 - 2022, Calculated by Writers)

We chose ICHITAN as our main competitor because they provide similar product types and tastes, and their target customers are quite similar. OISHI's revenue ranged between 11,000 and 14,000 million baht per year, two times higher than ICHITAN's. OISHI has two businesses, including food and beverage, whereas ICHITAN has only a beverage business. However, OISHI's beverage business still generated greater revenue than ICHITAN's.

Based on figure 4.5, the revenue of OISHI and ICHITAN exhibited the same trend, declining in 2018 and in 2020. An imposition of excise and sugar taxes imposed in 2018 forced both companies to increase their selling prices and lower their sales volumes. The COVID-19 pandemic and stagnant economies also cut demand for their products in 2020 and 2021. OISHI was affected more severely as its restaurant was closed during the lockdown. OISHI's revenue fell by 19.2% year-on-year (y-o-y) in 2020, while ICHITAN's slid by 4.4% y-o-y. However, OISHI can efficiently control its cost of sales and services (COGS), as evidenced by the %COGS to revenue, which is around 65%, whereas ICHITAN's is around 80%. ICHITAN, on the other hand, can better control its selling and administrative expense (SG&A), which accounts for only 10% of sales and has consistently declined from 16% in 2016 to 8% in 2022.

As a result, despite having to deal with an uncertain situation, OISHI was able to maintain its net profit margin at roughly 9% by using effective ways to recover its profit margin. In 2022, the company can provide 3.2 baths per share to its shareholders, which is the normal level, the same as before the pandemic. Similar to ICHITAN, although severely impacted in 2018 by the loss of overseas investment and the sugar tax, ICHITAN was able to handle the situation, recover its earnings over time, and distribute them to shareholders, as shown in the EPS graph trend.

4.1.2 Dupont Analysis (of ROE)

Figure 4.6 OISHI and ICHITAN Dupont Analysis

DuPont ROE							
OISHI GROUP PUBLIC COMPANY LIMITED							
Unit: THBmn	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Sales	13,636	13,551	12,596	13,631	11,007	9,818	12,696
Profit After Tax	1,123	1,443	1,008	1,229	1,011	545	1,199
Total Assets	9,278	9,707	9,680	8,407	8,562	9,109	10,529
Total Equity	4,609	5,591	5,990	6,640	6,906	7,132	7,968
Total Liabilities	4,669	4,116	3,690	1,768	1,656	1,977	2,561
Profit Margin	8.2%	10.7%	8.0%	9.0%	9.2%	5.5%	9.4%
Asset Turnover	1.5	1.4	1.3	1.6	1.3	1.1	1.2
Return on Assets (ROA)	12.1%	14.9%	10.4%	14.6%	11.8%	6.0%	11.4%
Equity Multiplier	2.0	1.7	1.6	1.3	1.2	1.3	1.3
Return on Equity (ROE)	24.4%	25.8%	16.8%	18.5%	14.6%	7.6%	15.0%

DuPont ROE							
ICHITAN GROUP PUBLIC COMPANY LIMITED							
Unit: THBmn	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Sales	5,338	5,688	5,204	5,334	5,099	5,228	6,017
Profit After Tax	368	315	44	407	516	547	583
Total Assets	8,627	8,626	8,177	7,687	7,405	7,106	7,255
Total Equity	5,751	6,056	5,885	6,220	6,279	6,191	6,235
Total Liabilities	2,876	2,570	2,291	1,467	1,126	915	1,021
Profit Margin	6.9%	5.5%	0.8%	7.6%	10.1%	10.5%	9.7%
Asset Turnover	0.6	0.7	0.6	0.7	0.7	0.7	0.8
Return on Assets (ROA)	4.3%	3.7%	0.5%	5.3%	7.0%	7.7%	8.0%
Equity Multiplier	1.5	1.4	1.4	1.2	1.2	1.1	1.2
Return on Equity (ROE)	6.4%	5.2%	0.7%	6.6%	8.2%	8.8%	9.3%

Source: (OISHI and ICHI Financial statements, 2016 - 2022, Calculated by Writers)

There is one useful method, called Dupont Analysis, by which investors and analysts can dig into what drives changes in ROE or why an ROE is considered high or low. A Dupont analysis can also be used to determine whether ROE is being driven by debt, asset utilization, or profitability.

Based on figure 4.6, in 2022, OISHI's profitability, measured by ROE, was still significantly higher than ICHITAN's, even ICHITAN could improve its returns on equity steadily from 6.4% in 2016 to 9.3% in 2022. The main driver is that ICHITAN can effectively manage its costs even in difficult situations, as shown by the increasing trend of its profit margin. In contrast, the profit margin of OISHI suffered heavily during COVID-19 in 2021, which pushed down the net profit, leading to the lowest net profit margin recorded at 5.5%. However, OISHI could generate revenue from its assets more effectively than ICHITAN, as indicated by the fact that OISHI's total asset turnover stayed in a range higher than 1.0, while ICHITAN's ranged between 0.6 and 0.7 times. However, OISHI will need to improve its cost management control in order to overcome a lot of challenging factors such as rising inflation, high energy costs, and a stagnant economy in order to increase its ROE and satisfy the goals of the company and its shareholders.

4.2 Relative valuation

Relative valuation is a methodology for valuing the company's stock worth, using historical multiple data or contemporary peers in the same industry. This chapter illustrates OISHI value through Historical Multiple bands and Multiple Valuation Compared to Peers.

4.2.1 Historical Multiple Bands

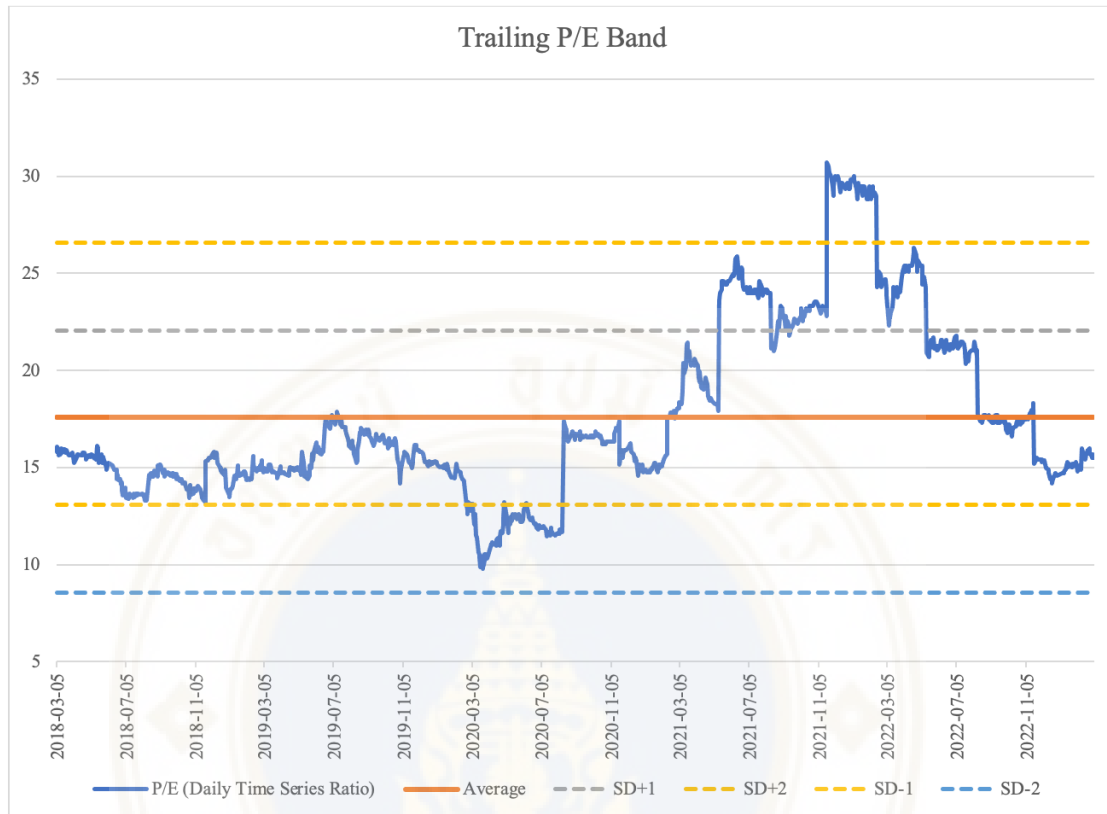
Historical Multiple Bands is the method to consider a stock value using five years of historical information to determine Oishi's stock whether under or overvalued in financial metrics by the trailing graph plotting in this part.

4.2.1.1 The trailing Price to Earnings (PE) band

4.2.1.2 The trailing Price to Book value (PBV) band

4.2.1.3 The trailing Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) band

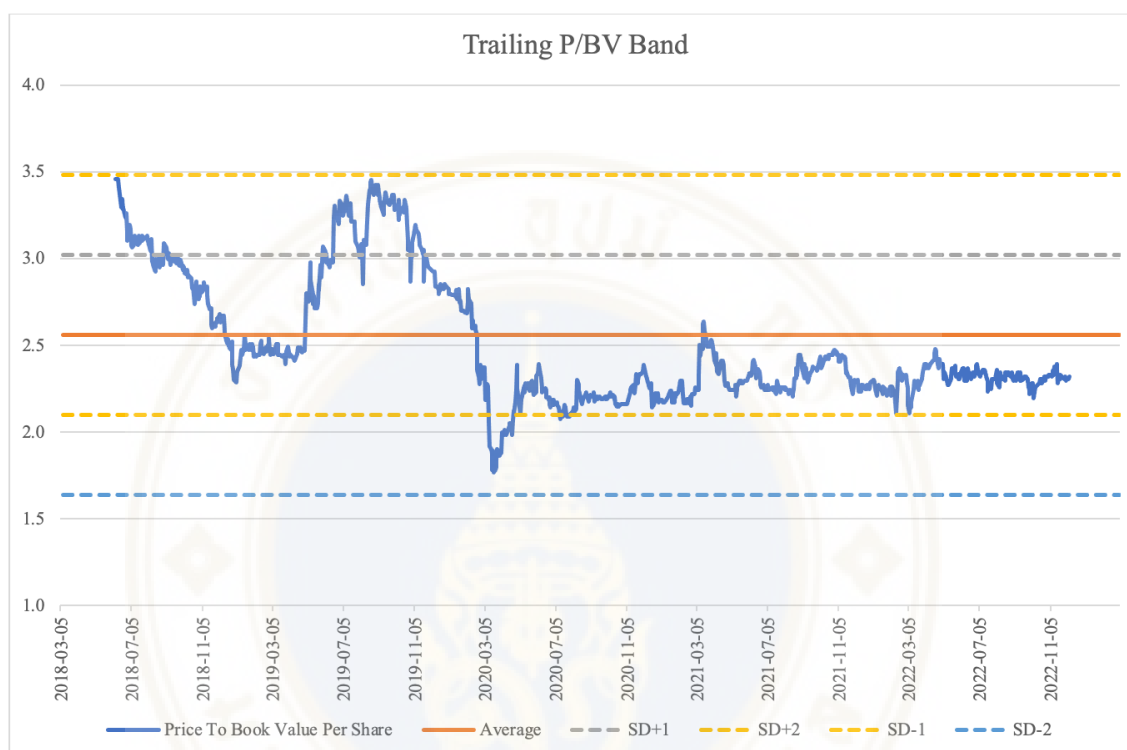
The trailing value is a calculated value that uses the current price and actual data from the previous twelve months.

Figure 4.7 OISHI's Trailing P/E Band

Trailing P/E is a financial metric used to evaluate a company's stock price relative to its twelve months' earnings by calculating from the current stock price divided by the average of the company's four quarters' earnings per share (EPS). As of 3 March 2023, the current Trailing Price-to-Earnings was 15.4846 which is approximately -2.08 lower than the average, but still stays above SD-1. The graph illustrates the P/E value together with an average and Standard Deviation (SD) bands. Overall, the value fluctuates along with the average started from 9 March 2018 with two significant areas. The first one a suddenly dropped to the lowest level on 23 March 2020 at 9.7881, lower than the SD-1 band. It might caused from the Covid-19 pandemic as well as lockdown policy since all the restaurants were shut. The second is the top of the mountain at 30.6961 over the SD+2 band in November 2021. It's possibly because of the pandemic recovery, reflected from a continuous upward trend combined with Thai government lifting the lockdown at the

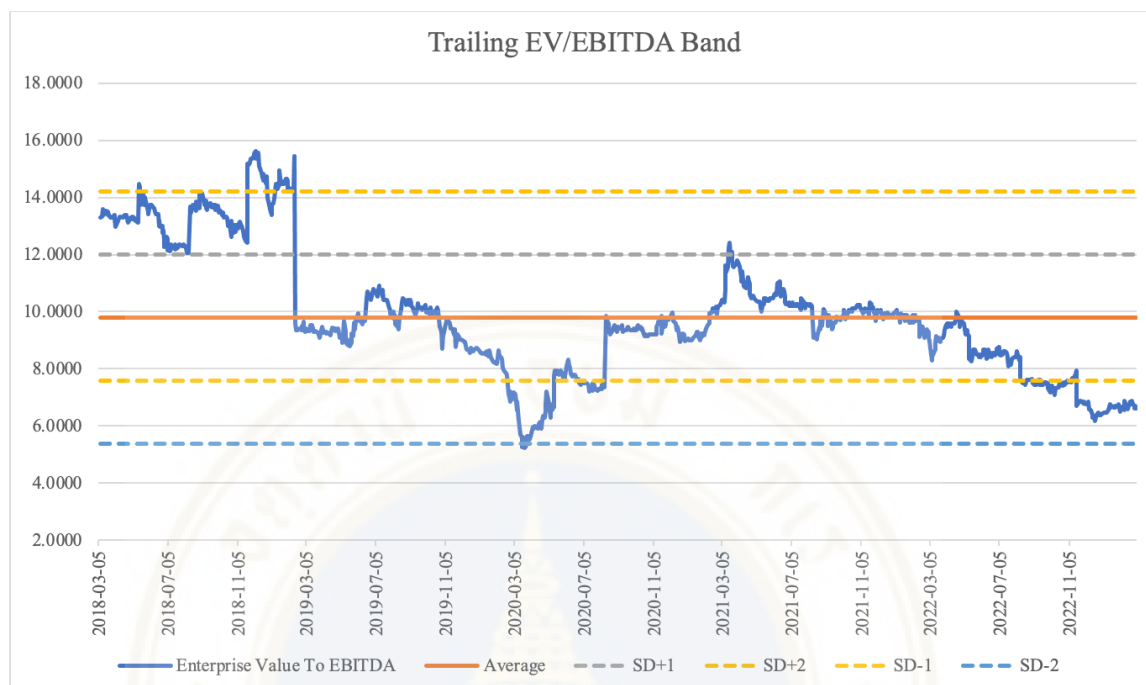
beginning of September 2021. On the other hand, the value seemed to be on a downward trend from the last quarter of 2021 until today. So the OISHI stock price is currently slightly undervalued compared to its own history.

Figure 4.8 OISHI's Trailing P/BV Band



Trailing PBV Bands uses the Price to Book Value ratio to analyze the stock value by determining from historical data using five years backward in this part. The chart compares OISHI PBV, calculated from share price divided by the book value per share, with the average Price to Book Value over the five years which equals 2.5611 plus Standard Deviations bands. Overall the PBV value fluctuated until the first quarter of 2020 when it dramatically drops to bottom out under SD-1 at 1.7696 which is 0.1321 nearby SD-2 due to the pandemic's disease spread in Wuhan, China which led to panic selling from concerned investors. Then the value stayed stable below the average. So, OISHI's price is undervalued based on the current Price-to-Book Value as of 3 March 2023 was 2.1047, under the average by approximately 0.4564.

Figure 4.9 OISHI's Trailing EV/EBITDA Band



The trailing EV/EBITDA Bands use for considering the value of the company in terms of the enterprise value and operating performance, which excludes non-operating expenses like interest, taxes, depreciation, and amortization. This chart is calculated from five years of OISHI's EV divided by EBITDA data that represents the fluctuation from 2018 to 2022. It grew slightly to the top on 6 December 2018, the highest level EV/EBITDA is at 15.6230, over the SD+2 by 1.3815. Then, it plunged to the lower average area and continued to fall with a downtrend to its lowest on 23 March 2023 at 5.2229 or around SD-2. Typically, the lower EV/EBITDA ratio, the lower company's value. So, from the current EV to EBITDA on 3 March 2023, equal to 6.6192 or under SD-1, roughly 3.2040 reflects that OISHI's price is undervalued relative to its own historical valuation.

For the forward bands, there are no available data on the Refinitiv Workspace, including forward P/V, forward P/BV, and forward EV/EBITDA. Thus, the writer analyzes the data based on the three trailing bands that are P/E, P/BV, and EV/EBITDA.

These three multiples bands contain P/E, PBV, and EV/EBITDA, helping to consider the value of Oishi stock's price that is undervalued or overvalued. Trailing P/E is a commonly used indicator of the value of the stock. Currently, OISHI P/E is lower than the average compared to the last five years, which indicates investors are pessimistic about a company's future prospects. On the contrary, the P/E ratio could not be utilized in isolation since it did not provide a comprehensive overview of a business's financial health or growth potential. For the Trailing P/BV, Price to Book Value ratio is generally used to analyze the value of a stock by comparing it with historical data. The last five years' graph has immensely fluctuated and then touched the below-average point, which could indicate that the OISHI stock price is comparatively low than its book value per share. In terms of EV/EBITDA, this ratio is utilized to determine a company's value in terms of enterprise value and operating performance. The past five-year EV/EBITDA has fluctuated wildly before reaching a below-average point. It could be indicated that the company's earnings are disproportionately high to its market value. In addition, These three multiples bands were affected by the pandemic, starting from the last quarter of 2019, when the line significantly dropped in the same way, shown in the three figures. Then the better in the situation, the rose on the graph. However, all results are below average in the end. Overall, the use of five years historical record show undervalued as a result of every method, leading to the fact that the recent Oishi stock price is cheaper than the expected price based on the five years average historical multiple bands.

Based on my perspective, Trailing Price to Earnings Bands is the most suitable approach to evaluate the stock value in this industry since it reflects business profitability better than others because it calculates from the market value price per share and Oishi's earnings per share. Moreover, Oishi continued making a profit for five years, producing a series of positive historical EPS data that can apply this technique straightforwardly with no issues.

Table 4.2 OISHI's Sensitivity Analysis

	Bands Valuation Method			Average
	P/E Multiple	P/BV Multiple	EV/EBITDA Multiple	
Target price	56.03	54.30	59.33	56.55
Upside/Downside potential	20.50%	16.77%	27.60%	21.62%

	Bands Valuation Method + 20% EPS/BV/EBITDA			Average
	P/E Multiple	P/BV Multiple	EV/EBITDA Multiple	
Target price	67.24	65.16	71.20	67.86
Upside/Downside potential	44.60%	40.12%	53.11%	45.95%

	Bands Valuation Method - 20% EPS/BV/EBITDA			Average
	P/E Multiple	P/BV Multiple	EV/EBITDA Multiple	
Target price	44.83	43.44	47.47	45.24
Upside/Downside potential	-3.60%	-6.59%	2.08%	-2.70%

The table describes the Bands Valuation Method of the price based on the current stock price (as of 3 March 2023) to evaluate the target price in relation to Historical Multiple Bands. The sensitivity analysis was set with +20% and -20%. It can be seen that the upper band average is 67.86, or a rise from the regular bands of around 45.95%, while the lower band average is 42.24, or a drop of about 2.70%.

4.2.2 Peer Group Multiples

Peer Group Multiples analysis is used to determine the value of a company by comparing it to other companies in the same industry. The contemporary peers of Oishi are ICHI, SNP, M, ZEN, and SAPPE. These peers were deliberately chosen on the basis of the same corporation profile attributes as Oishi.

Table 4.3 OISHI's Peer Group Multiples

Stock	Market Capital (M THB)	Closing Price as of 03 Mar 2023	P/E	P/BV	EV/EBITDA
OISHI	17,343.75	46.50	15.48	2.10	6.62
ICHI	17,030.00	12.40	25.12	2.61	11.81
SNP	9,384.51	18.20	20.32	3.45	7.46
M	50,418.08	53.75	34.40	3.68	12.12
ZEN	5,010.00	16.30	31.77	3.82	9.29
SAPPE	17,341.26	50.00	23.63	4.73	13.24

	P/E	P/BV	EV/EBITDA
Peer Average	27.05	3.66	10.78
Peer Median	25.12	3.68	11.81
Max	34.40	4.73	13.24
Min	15.48	2.10	6.62

All competitors were listed in the Stock Exchange of Thailand or SET in Thailand's Agro & Food Industry and Food & Beverage sector. As the companies list below,

- ICHITAN GROUP PUBLIC COMPANY LIMITED
- S & P SYNDICATE PUBLIC COMPANY LIMITED
- MK RESTAURANT GROUP PUBLIC COMPANY LIMITED
- ZEN CORPORATION GROUP PUBLIC COMPANY LIMITED
- SAPPE PUBLIC COMPANY LIMITED

All of the companies included OISHI on 3 March 2023, and the largest company is M or MK RESTAURANT GROUP PUBLIC COMPANY LIMITED, which is the famous restaurant business called "MK suki" as well as "Yayoi". MK has a Market Capital of 50,418.08 million THB among comparisons. Furthermore, M also has the highest PE ratio at 34.40. and the highest PBV and EB/EBITDA are SAPPE at 4.73 and 13.24, respectively. On the other hand, The lowest Market Capital is ZEN or ZEN CORPORATION GROUP

PUBLIC COMPANY LIMITED at 5,010 million THB. For OISHI, the company has the lowest P/E, P/BV, and EV/EBITDA at 15.48, 2.10, and 6.62, respectively.

The Peer Average and Peer Median were calculated by excluding OISHI. As a result, OISHI has PE, PBV, and EV to EBITDA under the peer average for all three valuation multiples.

4.2.3 Peer Group Comparison

Table 4.4 OISHI's Peer Group Comparison

Stocks	2022					EPS GROWTH (2018-2022)
	BETA	ROE (%)	DEBT Ratio	Payout	Net profit Margin	
OISHI	0.24	15.86	4.26	54.88	9.36	3.32%
ICHI	1.78	10.38	1.06	118.88	10.09	74.83%
SNP	0.36	17.43	25.72	87.25	8.00	2.38%
M	0.76	10.80	15.55	562.46	9.08	-10.98%
ZEN	0.57	12.81	30.42	N/A	5.05	-9.92%
SAPPE	1.19	21.19	1.79	N/A	13.36	12.82%
Peer Average	0.93	14.52	14.91	256.20	9.12	13.83%
Peer Median	0.76	12.81	15.55	118.88	9.08	2.38%

Peer Group Comparison is used for the evaluation of the business and the comparisons with the same entity's performance or characteristics. As mentioned in Peer Group Multiples section above, there are five competitors, which are ICHI, SNP, M, ZEN, and SAPPE. In the figure, there are six components to compare all peers, which are Beta, ROE, DEBT ratio, Payout, Net Profit Margin, and EPS growth.

First of all, Beta is the indicator for the risk volatility measuring in investment to determine the investment that conforms with the industry or not. OISHI's Beta is the lowest and slighter than the average, approximately 0.69, which could indicate OISHI is relatively less risky as well as could offer less potential returns than overall competitors. The highest is ICHI at 1.78. The high Beta represents the potential of a significant return on the stock, but also high market risk.

Secondly, ROE is Return on Equity that calculated from Net income divided by Shareholder Equity, and the outcome will show in the percentage. The peer average ROE

is 14.52, and OISHI's ROE is slightly higher than the average, roughly 1.34. It can be indicated Oishi is efficient in generating profit from shareholder investments more than the ROE average. Conversely, the lowest ROE is ICHI at 10.38.

Thirdly, the DEBT ratio measures the total debt percentage of the total asset in the business. This ratio was calculated by total debt divided by total assets, then multiplied by a hundred. In the figure, the average peer debt ratio is 14.91. OISHI has a relatively low debt ratio compared with a competitor's average of 10.65, which could measure Oishi as having less leverage or a minor risk level. On the contrary, ZEN is the most elevated debt ratio at 30.42.

Fourthly, the Payout ratio is the financial measure that represents the proportion of the profits, which are distributed to its shareholders in the form of dividends. It is computed by using the total dividends divided by the net income. The peer average of the Payout ratio is at 256.20. And the highest payout ratio is M at 562.46, above the peer average of around 306.26, which means the company paid out an enormous amount of revenue as dividends compared with the others company in terms of competitors. On the other hand, it can be indicated that the company might utilize the income to invest in terms of business. This cause might be affected on company's growth in the long run. And the lowest payout ratio was OISHI at 54.88, which might come from the company's relatively low profit or the company having to use the earnings to reinvest in the business. However, Utilizing the payout ratio requires another factor to integrate with it in order to indicate a wealthy company's finances.

Fifthly, the Net profit Margin is the financial ratio that is used for measuring the profitability of the company. The ratio was calculated by the Net profit (revenue deducted from all expenses) divided by the total revenue. The peer average of the Net profit Margin was 9.12, and OISHI's ratio was 9.39 or above the average of roughly 0.27. In this case, it can be interpreted that Oishi generated the benefit from the revenue over the peer average. The highest net profit margin is SAPPE at 13.36. It is particularly high compared with the others peers. The net profit margin of SAPPE might come from the proportion of the increase in net profit that was higher than the rise in revenue of SAPPE, or the company could efficiently manage the business's expenses.

Lastly, EPS growth comes from the growth of the EPS ratio used for measuring the company profit generated per share over a particular time or annually. The ratio was calculated by using the net income divided by the number of shares. In the figure, the highest EPS growth is ICHI at 74.83%, which was relatively high to bear in comparison with peers. FOR OISHI, the EPS growth from 2018 to 2022 was 3.32%, which was lower than average, approximately 10.51%. In addition, there are two companies that had the minus EPS, which are M and ZEN at -10.98% and -9.92%, respectively. It was caused by the drop in the EPS ratio from 2018 to 2022.

In conclusion, Overall, OISHI ratio seems to be better than the median. It can be seen in Figure 4.2.6 that ROE, Net profit Margin, and EPS growth are not the highest, but they are over the median. These three ratios were mainly calculated from the company's revenue and reflected that Oishi could generate more significant profit than the other competitors. Regarding the DEBT ratio, OISHI has a comparatively small debt ratio. With all of the financial ratio analysis presented in the figure above, it appears that OISHI is a strong fundamental stock. For the competition, OISHI and ICHI can be considered direct competitors since both offer comparable product varieties and flavors, and their target markets are pretty similar. The observed ratios, namely BETA, ROE, Net profit margin, and Payout ratio, demonstrate a high degree of similarity between the two companies. Moreover, both OISHI and ICHI are engaged in similar core business activities.

4.2.4 Price from Multiples

Table 4.5 OISHI's Price from Multiples

OISHI (2022)				
EPS	3.19			
BV per share	21.20			
EBITDA (M THB)	2,265.00			
Cash (M THB)	1,966.17			
Debt (M THB)	2,561.00			
Number of shares (000'000 shares)	375.00			

	P/E Multiple	P/BV Multiple	EV/EBITDA Multiple
Multiple (MAX)	34.40	4.73	13.24
Multiple (Average)	27.05	3.66	10.78
Multiple (Median)	25.12	3.68	11.81
Multiple (MIN)	15.48	2.10	6.62
Expected Price (MAX) 2023	109.74	100.31	79.95
Expected Price (Average) 2023	86.28	77.57	65.12
Expected Price (Median) 2023	80.14	78.06	71.30
Expected Price (MIN) 2023	49.40	44.62	39.98

Price from multiples is one of the financial methods that is a valuation technique used to determine the valuation of a business by comparing it to other comparable companies by determining a multiple, such as the price-to-earnings (P/E) multiple, P/BV multiples, and EV/EBITDA multiple for comparable companies and applying that multiple to the earnings or other financial indicator of the company being valued. All multiples are used the Peer Group Benchmark data to range the Maximum, Average, Median, and Minimum. It can be shown in the table 4.5 OISHI's Price from Multiples.

The expected price was computed from proper peer group multiples. This method could be performed by examining the multiples of comparable competitors. The expected price for P/E used all of the multiples above multiplied by the earning per share at 3.19. For P/BV multiple expected prices used all of multiple multiplied by BV per share. And, the expected price for EV/EBITDA used EBITDA divided by the number of shares then multiplied by multiple. As a result of this, the price to earning shows the highest median at 80.14. On the other hand, the price-to-book value demonstrates the lowest is at 44.62. In

this case, the median will be utilized instead of the average since the median cuts the weight of outliers.

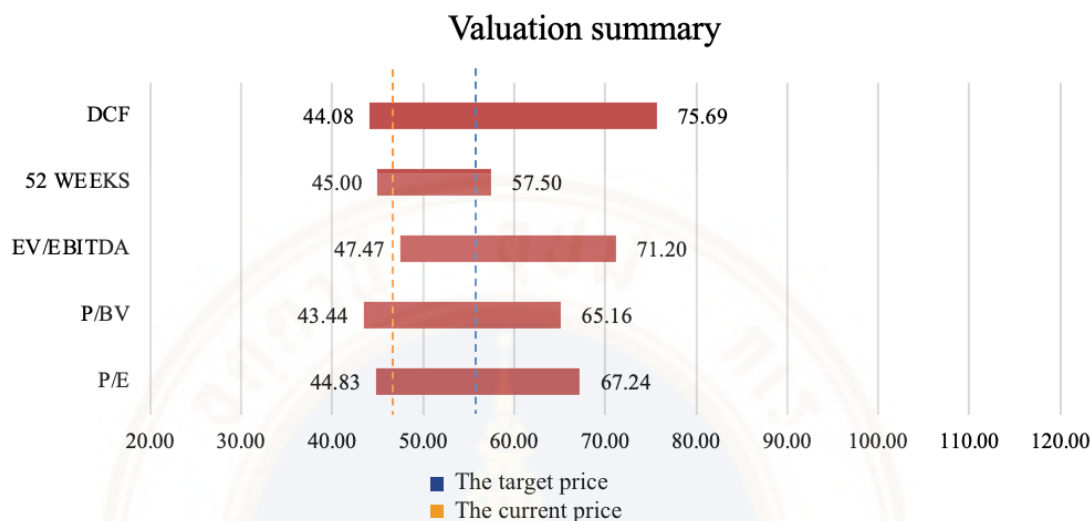
Table 4.6 OISHI's Upside and Downside Potential

	Upside/Downside Potential		
	P/E Multiple	P/BV Multiple	EV/EBITDA Multiple
Expected Price (MAX) 2023	136.00%	115.72%	71.93%
Expected Price (Average) 2023	85.56%	66.82%	40.05%
Expected Price (Median) 2023	72.35%	67.87%	53.34%
Expected Price (MIN) 2023	6.23%	-4.04%	-14.02%

Upside and Downside Potential was used to interpret in terms of financial investment that might be profit or loss. This method is computed by utilizing the expected price with MAX, Average, Median, and MIN, then divided by the current stock price, then minus by one. In this case, the stock price was at as of 3 March 2023 at 46.50 THB. As a result, most expected prices of the P/E, P/BV, and EV/EBITDA multiples imply upside potential. Conversely, the minimum expected prices (MIN) in 2023 of P/BV and EV/EBITDA Multiples show some limited downside potential.

4.3 Valuation recommendation

Figure 4.10 OISHI Valuation Summary



Upon conducting a valuation of OISHI using historical data and contemporary peers in the same industry, the peer group benchmark appeared to be inapplicable due to the significant contrast in market capitalization among related companies. The peer multiples method, which compares OISHI's valuation to those of its peers, may not be suitable for an accurate comparison as market capitalization of M is 10 times larger than ZEN's.

Consequently, a recommendation based on the historical valuation bands technique, specifically the Trailing P/E Band, is suggested. This method involves evaluating OISHI's stock value based on financial parameters plotted on a trailing graph by analyzing five years of recorded data to assess whether OISHI's stock is over or undervalued in comparison to its historical valuation multiples. The result of this evaluation indicated that OISHI is currently undervalued, with a target price based on trailing P/E of 56.03 THB, which is more than 20.50% higher than the current price. This suggests that OISHI has significant growth potential in the future. As explained in the above section, the P/E ratio fluctuated according to the COVID-19 pandemic, and there has been a decline in value since the end of 2021, which is currently below average. Additionally, the upside and downside of the

target prices were estimated at +/- 20% relative to the target price. The acceptable low price for OISHI is 44.83 THB, and the acceptable high price is 67.24 THB, as illustrated in Figure 4.10 OISHI Valuation Summary. In light of OISHI's strong fundamental stock based on the revenue generating regular profit and dividend yield that offers a sufficient return, the recommendation is to "Buy" OISHI stock.



CHAPTER V

INVESTMENT RISKS

Investment risks and downside possibilities for OISHI that impact the company's profitability or stock price are clarified in this chapter. A risk assessment matrix for OISHI, as shown in Table 5.1 below, presents the downside possibilities for OISHI. The risk matrix considers two factors, including impact and probability of risk. There are four OISHI investment risks, which are raw material cost risk, rules and regulations risk, high competition risk, and consumer behavior change risk.

Figure 5.1 A Risk Assessment Matrix for OISHI

		Risk Assessment Matrix for OISHI				
		Almost Certain			Rules and Regulations Risk	
Impact of Risk	High				Raw Material Cost and Supplier Risk	
		Likely				
		Possible		Consumer Behavior Change Risk		
		Unlikely	High Competition Risk			
	Low	Rare				
		Insignificantly	Minor	Moderate	Major	Severe
		Probability of Risk				
		Low				High

5.1 Rules and Regulations Risk

Ready-to-drink tea (RTD) is one of the beverage products subject to an excise tax based on the cost and amount of sugar, which has been in effect since September 2017. The imposition of excise and sugar taxes forced OISHI to increase their selling prices and lower

their sales volumes. The sugar tax also increased production costs and significantly impacted the company's profit margin, as evidenced by a significant decrease in sales revenue and profit in 2018. The next phase of the sugar tax will be from April 2023 onwards. Rules and Regulations Risk is considered as a major risk, and its impact is certain to influence OISHI's profits and the company's stock price in the future.

To minimize the negative impact of the sugar tax, the company has planned for potential tax risks by establishing a distribution strategy and packaging that are in line with the selling price. Research and development (R&D) for new healthy products is also performed in line with the company's objective to produce healthy products that fulfill consumer and market demand, and successfully control manufacturing costs and other costs.

5.2 Raw Material Cost and Supplier Risk

The main concerns with raw materials are limitations in sourcing and increases in raw material costs. To ensure freshness and verifiable sources, the company has created procedures to only purchase from suppliers who are approved by international standards. This could lead to material shortages or a pricing disadvantage. The major drivers of the increase in production costs are also increasing fuel prices, transportation expenses, and packaging costs, which fluctuate based on supply and demand in the market and inflation. It is likely that rising prices impact OISHI's profits and stock price, although if OISHI can manage its costs effectively, it may partially offset the impact of raw material price increases.

5.3 Consumer Behavior Change Risk

COVID-19 has changed consumption behavior to be more internet-based. As a result of this, OISHI was driven to shift to the online market to increase business opportunities. OISHI will need to change its marketing approaches to convince customers. Also, according to the high demand for health-related products, the company creates new products that use less sugar to meet the new trend in customer demand. However, consumers are more aware of their money than ever before, which has a negative impact on both the number of customers at the restaurant and the amount of money spent on each transaction. Due to the need to pay more for business adjustments to fit the new situation, the company's earnings declined while its costs rose. There will also be losses because of opportunity costs and changing raw material prices. Hence, it is another risk that could impact profits and the company's stock price. This risk was considered as a moderate probability of risk, and it is possible to influence OISHI's profits and the company's stock price. If the company can improve its business strategy to meet customers' needs, it can reduce the effect on OISHI's profits and the company's stock price.

5.4 High Competition Risk

The food and beverage business is highly competitive, with existing and new competitors entering the market. To remain competitive, companies must differentiate their products through branding, packaging, advertising, and promotions without cutting prices. Quality testing and effective marketing and advertising are necessary to be successful. However, few new products can penetrate the market due to high competition and barriers. Hence, high competition is another risk that could impact profits and the company's stock price. Thus, the high competition risk was classified as a minor concern and is unlikely to influence OISHI's profits and stock price, if OISHI can continue to be a market leader in ready-to-drink tea. It appears that OISHI could grow steadily by maintaining its high market share level of 45% (OISHI Group Analyst Meeting, Q4/2019, p. 14).

CHAPTER VI

CONCLUSION

6.1 Investment recommendation

Oishi Group Public Company Limited is a Thailand-based food and beverage corporation that was registered as OISHI. The company has a paid-up capital of 375,000,000 baht and a current stock market capitalization of 17,343.75 million baht. The stock price is currently 46.50 baht per stock as of 3 March 2023. OISHI's valuation was evaluated by using historical data and appropriate peers in the same industry, which are ICHI, SNP, M, ZEN, and SAPPE. Due to the considerable disparity in market capitalization across the companies, the peer group benchmark appears inapplicable. The peer multiples method, which compares OISHI's valuation to that of its rivals, may not provide a realistic comparison, given that market capitalization is very different among peers. A recommendation based on the historical valuation bands, specifically the Trailing P/E Band, was recommended. This method entails determining if OISHI's stock is undervalued relative to its historical valuation multiples based on financial indicators plotted on a trailing graph and five years of collected data. And then, utilizing the data with a target price based on trailing P/E, as the result of this analysis, the target price is more than 20.50% greater than the current price. The target price is 56.03 THB. This price target indicates that OISHI has substantial future growth potential. The upside and downside potential of the target prices were calculated as the acceptable minimum price for OISHI is 44.83 THB, and 67.24 THB for the maximum price. The recommendation to "Buy" OISHI stock is based on the company's strong fundamentals, such as its revenue-generating regular profit and dividend yield that delivers a suitable return.

6.2 Triggers for re-assessment

In terms of triggers for re-assessment, the major shareholder of OISHI that is ThaiBev, intends to delist Oishi Group from the Stock Exchange of Thailand by offering 59 baht share for the Oishi Group shares it does not own on March 10. Its board has authorized its plan to tender offer all 76.3 million Oishi shares. Since the lack of trading volume in OISHI, the delisting of OISHI affords ThaiBev the option to acquire the remaining Oishi shares from the company's other shareholders. After the news was issued, the OISHI stock price jumped up from 46.50 THB to 57.50 THB. According to the target price, the recent OISHI stock price seems to be close to the target price based on the P/E multiple, which is 56.03 THB.

6.3 Limitations

The limitation of the relative valuation is the lack of forward multiple data. As mentioned in the valuation chapter, there are no available data for forward multiple data, including forward P/V, forward P/BV, and forward EV/EBITDA on the Refinitiv Workspace. Hence, the writer conducts an analysis of the data using the Historical Multiple Bands, which are the trailing Price to Earnings (PE) band, the trailing Price to Book value (PBV) band, the trailing Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) band. As a result of this, the target price is based on the band valuation method (and +/- 20%) on the target price that was calculated with only trailing bands, not forward. Moreover, the target Prices from analysts are not available on the broker analysis data since the OISHI stock was delisted from the Thai stock exchange by ThaiBev, as mentioned.

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