

**RELATIVE VALUATION OF MK RESTAURANT GROUP**

The image features a large, faint watermark of the Mahidol University logo in the background. The logo is circular, with a blue center containing a golden emblem of a traditional Thai stupa. The outer ring of the logo contains the university's name in Thai script at the top and in English at the bottom.

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**THEMATIC PAPER SUBMITTED IN PARTIAL  
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Thematic paper

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**RELATIVE VALUATION OF MK RESTAURANT GROUP PUBLIC COMPANY LIMITED**

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**ABSTRACT**

The objective of this thematic paper is to evaluate whether the price of MK Restaurant Group Public Company Limited's stock (M) on 2nd March 2023 (54.75 baht) is undervalued or overvalued. The method used is the Relative Valuation Technique which is comprised of Historical Multiple Bands Approach and Peer Group Multipoles Approach. The multiples that were applied in this research included P/E, Forward P/E, P/BV, Forward PBV, EV/EBITDA, and Forward EV/EBITDA. The peers that were selected for the analysis are consisted of Oishi, ZEN. Hotpot, and Greyhound.

The result of the valuation indicates that the sensible target prices (56.58 baht, 61.75 baht and 62.01 baht) are not so different from the current price of 54.75 baht. One of the possible explanations for this is that the market is relatively efficient and is valuing this stock at the price it should be. Consequently, the recommendation is to 'HOLD' as the approximate upside potentials of 3 percent and 13 percent are not high enough.

**KEY WORDS:** MK Restaurant/ Relative Valuation/ P/E Multiples

54 pages

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## **CHAPTER I**

### **INTRODUCTION**

MK Restaurant Group Public Company Limited is a restaurant which is famous for its Thai-style Sukiyaki, noodles, roasted ducks, and dim sum. The company was listed on the stock exchange of Thailand in August 2013 under the symbol of 'M'.

MK was named after Makong King Yee, a Hongkong businesswoman who encouraged Aunty Thongkam Mekto, a Thai cook at the restaurant, to carry on the business, before moving to USA in 1962 (Marketingoops, 2016). At first, MK had variety of Thai food, but after Central Group offered Aunty Thongkam to open a branch in their department store in 1984, MK shifted its main focus to Thai-style Sukiyaki. In 1996, the company became the first restaurant in Thailand to install electric pots at every table for the safety and the convenience of the customers. Furthermore, MK is also among the pioneers to adopt using condo plates, food serving robots, and tablet ordering system. At the end of 2022, MK has 446 branches in Thailand, 25 branches in Japan, six branches in Vietnam, and three branches in Laos. Currently, 74 percent of MK's revenue derived from Sukiyaki restaurant, while another 18 percent is from Yayoi.

Recently, MK has been challenged by many new players who jumped into this hotpot industry. The competitors are in various forms - Thai-style, Chinese-style, Japanese-style, both buffet and à la carte. In this report, Suki Teenoi, Hai Di Lao, Mo-Mo Paradise, Oishi, Hotpot Buffet, ZEN, and Greyhound are chosen to be analyzed in the competitor section. In addition to this, another obstacle during the past few years that must be mentioned was COVID-19. Since the distinctiveness of MK lies in the experience of eating the food at their restaurant, the pandemic was a big thorn that remarkably reduced the revenue of the company. Despite the fact that currently their earning seems to be returning to a normal stage, whether one should seize this opportunity to buy the stock 'M' or not is a subject to be explored.

By using the Relative Valuation method, it is found that the price of stock 'M' on 2<sup>nd</sup> March 2023 「54.75」 baht is fairly valued and, therefore, the recommendation is to 'HOLD'. Regarding the further details, the readers could find out in the content of this report which would explain the factors that led to this particular conclusion.

## **CHAPTER II**

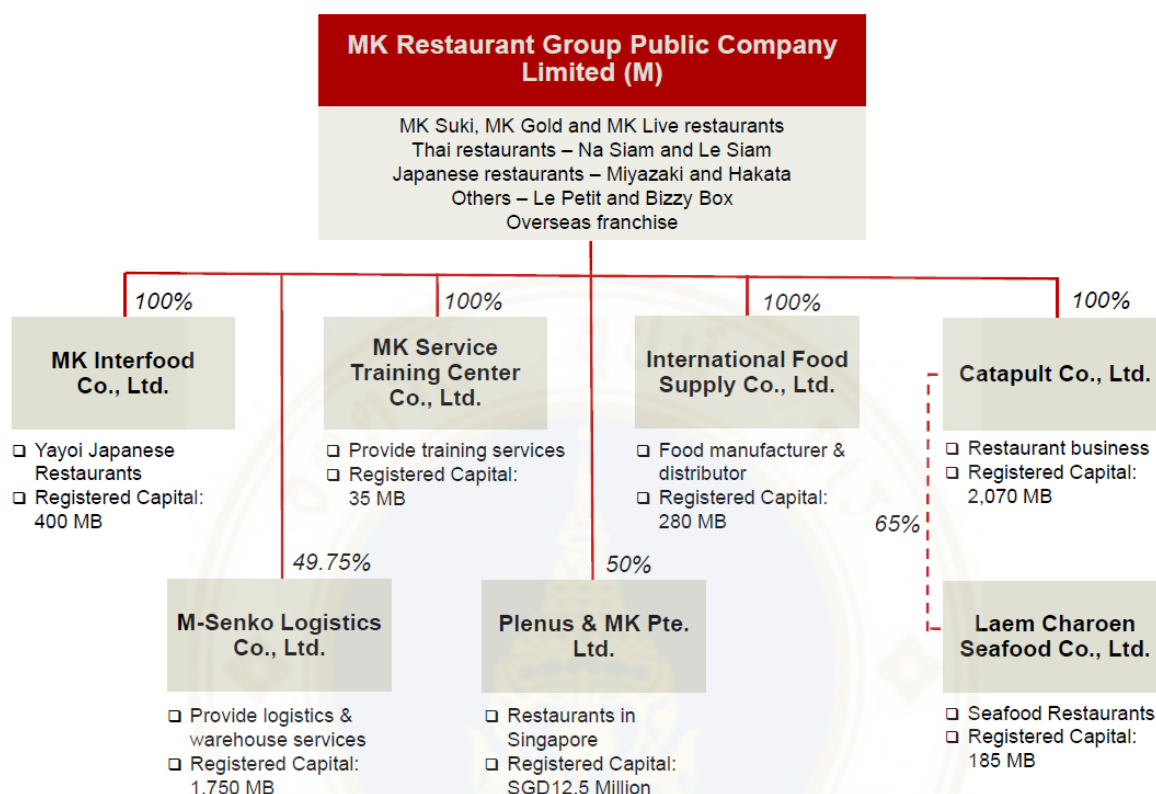
### **BUSINESS DESCRIPTION**

MK Restaurant Group Public Company Limited (“the Company”) was incorporated on July 10, 1989. Under the trademark "MK Restaurants," the Company primarily sells foods and beverages through restaurants. On August 15, 2013, the Company subsequently registered to a public limited company set its 185.85 million initial public offering (IPO) shares at 49 baht each. As of December 31, 2022, the Company has a paid-up registered capital of 920,878,100 baht with a par value of 1 Baht per share. There are currently operates 710 restaurants nationwide under various brands, comprising of 455 MK suki, 195 Yayoi, 36 Laem Charoen Seafood, and 24 other stores in Thailand. The company also has franchise operations in Laos and Vietnam, as well as a joint venture in Singapore.

The Company's vision is to provide happiness to customers by delivering delicious, high-quality meals and an extraordinary restaurant experience, while working for the greater good of employees, community, and environment.

## 2.1 Company's Group Structure

Figure 2.1 Company's Group Structure



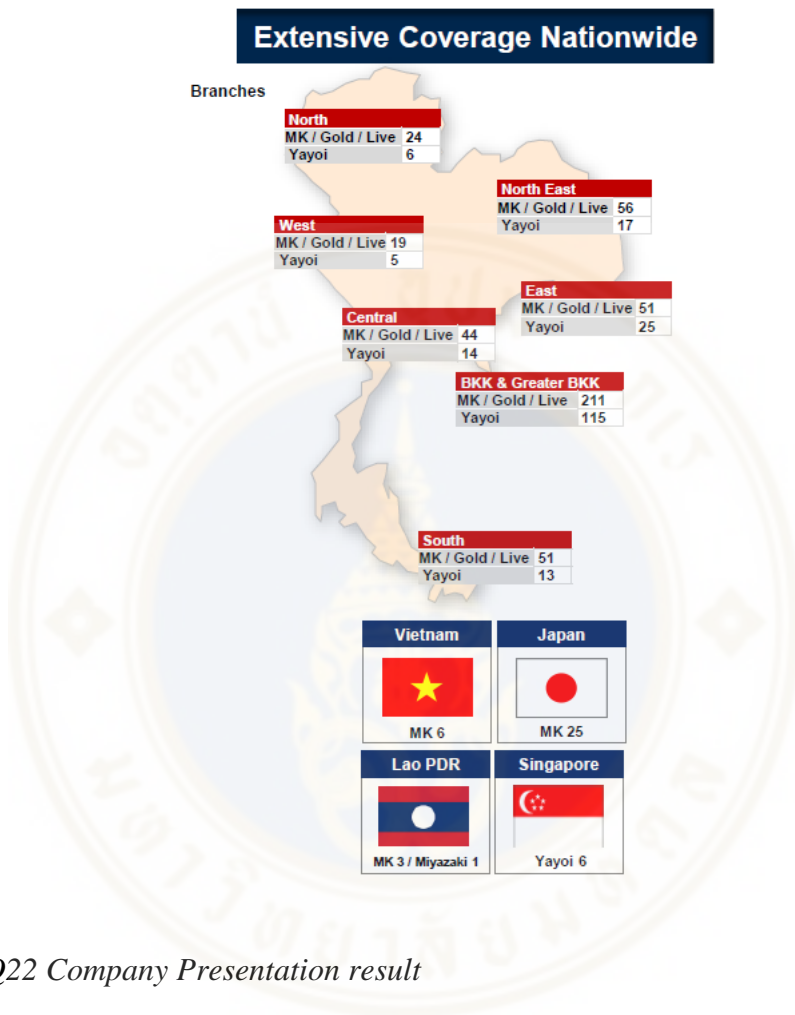
For the year 2022, the Company's structure consisted of 7 direct and indirect investments. The Company sold its subsidiary Mark One Innovation Center Company Limited on June 14, 2022 and recognised gain from sales of investment of approximately Baht 21.0 million. The composition of the Group company was as follows:

In addition to domestical expansion, the Company has expanded its business internationally to create opportunities and future growth through joint ventures and franchise sales. The Company participates in a joint venture with the Plenus, a Japanese stock exchange-listed company that serves as a market leader in the lunch box industry in Japan and owns the Yayoi-ken restaurant chain. The Company and Plenus have opened seven Yayoi restaurants in Singapore with a 50:50 joint venture operation.

According to the Company's fourth quarter of 2022 result, it has sold MK franchises internationally along with 25 branches in Japan, six branches in Vietnam, and three MK and

one Miyazaki in Laos. The proportion of international sales from stock ownership and from franchise fees accounted for less than 1 percent of total revenue.

**Figure 2.2 The Branches of MK and Yayoi Restaurants**



Source: MK 4Q22 Company Presentation result

## 2.2 Products or Services Characteristics

One of the very distinctive characteristics of the Company is that they have several services and diverse brands under its operation. Due to the fact that the Company recognized that the customers nowadays are prone to get bored easily and they prefer to have a variety of food. As a result, MK believes that expanding their product line is the most important. They keep looking for new opportunities to create a new brand and buying an interesting franchise from overseas to gain more customers from every segment. In addition, the Company tends to open a new restaurant according to the appropriateness of the location. For example, the company choose to open an MK Gold branch in a luxurious mall, while locating a small ordinary MK branch with easy-to-go menu at Don Mueang International Airport.

The Company's current brands can be classified into five categories as Suki restaurant, Japanese restaurant, Thai or seafood restaurant, Grab and Go business, and Coffee Shop and Bakery business.

### 1) Suki restaurant brands

#### MK Suki



MK Suki is a Thai-style hotpot restaurant which has over 100 varieties of items, including meat, pork balls, fish balls, and vegetables. They also offer jade noodles, roasted duck, crispy pork, wonton, beverages and desserts. MK Suki used to position itself as a family restaurant which targets group customers, such as a group of family and friends. However, recently, they want to get rid of that image because they demand to be a restaurant for anyone who is in the middle-high income range, especially the individuals who can drop by at their restaurant during lunch time. For the year 2022, the Company reported 446 branches of MK suki restaurants which were mainly situated in middle-class shopping malls around Thailand.

#### MK Gold



MK Gold offers similar dishes to MK Suki but it targets higher-class customers. The quality of the food is higher than the normal one. The decoration is in the theme of luxurious gold with golden pot and porcelain tableware. The average price per person is approximately 600 to 700 baht. For the year 2022, MK Gold Restaurant had five branches,

all of which were in prime locations, four in Bangkok and one in Phuket. The buffet is available in some locations.

### **MK Live**



MK LIVE is a theme restaurant created under the concept of being ‘ALIVE’, which includes “live ingredients, lively service, live showcase, live decoration, live experience, and live bonding”. The concept of decoration is inspired by the greenhouse. The food at MK LIVE is totally different from the normal MK Suki restaurant. Their signature dishes are steamed shabu and Japanese-styled Sukiyaki. The highlight of this restaurant is that the staff would interact with the customers in a lively way and they can see the chefs cooking their food. For the year 2022, there were four branches of MK LIVE which were all located at high-end shopping malls in Bangkok.

### **2) Japanese restaurant**

#### **Yayoi**



Yayoi is a franchised restaurant which MK has acquired its license from the Plenus company in Japan. The concept of the restaurant is to be a homely and lively restaurant. Thus, it is decorated in a colorful and bright theme. The prices of food at Yayoi restaurant are not too expensive as the company prefers it to be reachable and mass among the middle class. The signature dishes of Yayoi include Pork Tonkatsu Set, Japanese-style bento, Udon, and Ramen. For the year 2022, there were 195 branches across Thailand.

#### **Hakata**



Hakata is a Japanese restaurant which offers various types of ramen served with dumplings. The first branch of the restaurant is located at Siriraj Hospital whereby the branch’s net profit is all donated to the hospital as a part of the company’s Corporate social responsibility (CSR). Apart from the Siriraj hospital branch, another branch of Hakata located at Don Mueang International Airport.

## Miyazaki



Miyazaki is a Japanese teppanyaki restaurant which offers different types of grilled meat, desserts and beverages. For the year 2022, there were 13 Miyazaki branches in Thailand.

### 3) Thai restaurant

#### Laem Charoen Seafood Restaurant



Laem Charoen Seafood Restaurant is a Thai restaurant originally from Rayong province. Their famous dish is fried seabass with fish sauce. The menus also include fish, squid, crab, and shrimp. The Company had 36 Laem Charoen Seafood locations by the year 2022.

#### Na Siam Restaurant



Na Siam is a Thai restaurant decorated in Thai style which offers chili paste food, soups, noodles, and classic desert located at Central Plaza Bangna Shopping Center.

#### Le Siam Restaurant



Le Siam is a Thai restaurant decorated in traditional style like Na Siam, but the decoration is more luxurious and the food is top-graded. Le Siam focuses on high class customers and foreigners who are seeking for exclusive eating experience. There were two branches of Le Siam restaurant in Bangkok and one branch in Phuket as reported for the year 2022.

### 4) Grab and Go business

#### Bizzy Box



Bizzy Box is a meal box set station which offer a variety of food including Thai, Japanese, and Western dishes. The price is set in the range which they expect that the customers can come back to purchase the food at their shop repeatedly. For the year 2022, there were 2 branches of Bizzy Box in Bangkok.



## 5) Coffee Shop and Bakery business

### Le Petit



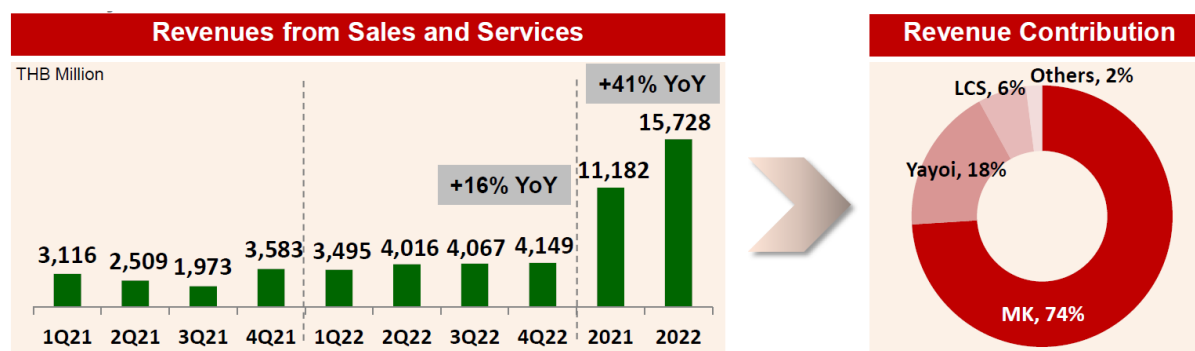
Le Petit is a café which sells beverages, snacks, bakeries, and western food. For the year 2022, there were 3 branches of Le Petit café in Bangkok. One of them is operated at Siriraj Hospital whereby the net profit of the Le Petit branch is all donated to the hospital as well.

## 2.3 Revenue Structure

The Company operates in two business segments which are restaurant business and other businesses that support restaurant business. The support business consists of training service provider, food manufacturing and distribution as well as research and development (R&D) of technology and innovation of food and beverage products. The Company's sales and service income primarily represent revenues from food and beverage sales through restaurants, which are recognised when goods are delivered and services are rendered. Other income primarily from membership card fee revenue and revenues from partners to support the marketing promotion as agreed.

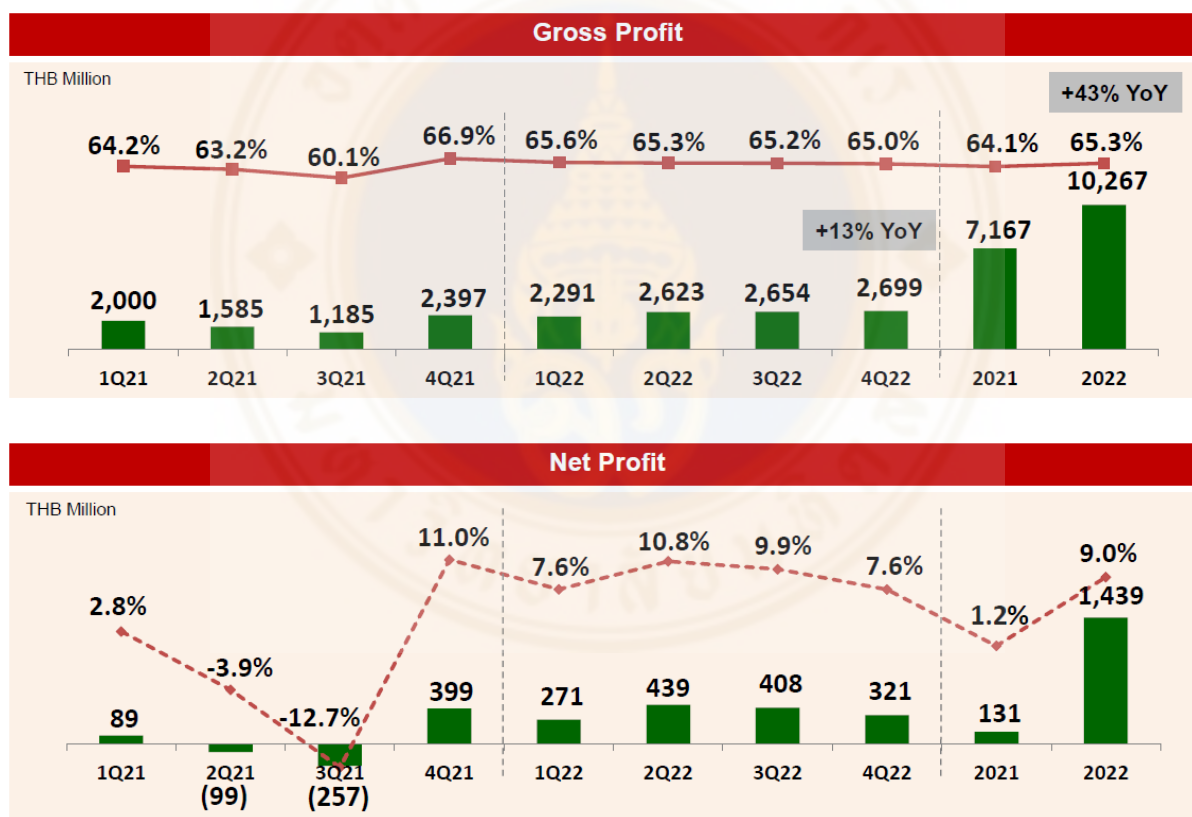
According to the Company's financial position for the year ended of December 2022, operating revenues from sales and services increased 16 percent from the third quarter result and 41 percent over the previous year respectively, owing primarily to a small base from the previous year as a result of the Coronavirus disease 2019 (COVID-19) epidemic situation

**Figure 2.3 Revenue Growth**



In year 2022 operating results of the Company and its subsidiaries were also favorably recovered to register a revenue from sales and services of Baht 4,149 million as result of the government's easing of the strict COVID-19 control measures imposed by the government according to the decrease of number of infected cases. For the year ended 31 December 2022, the Group Company recorded revenues from sales and services of Baht 15,728 million, increased by Baht 4,546 million or an increase of 41 percent as compared to the same period of last year. Revenues Contribution by Brands represent MK contribute significantly 74 percent of revenue, Yayoi adds 18 percent Laem Charoen Seafood helps 6 percent, and others contribute by 2 percent.

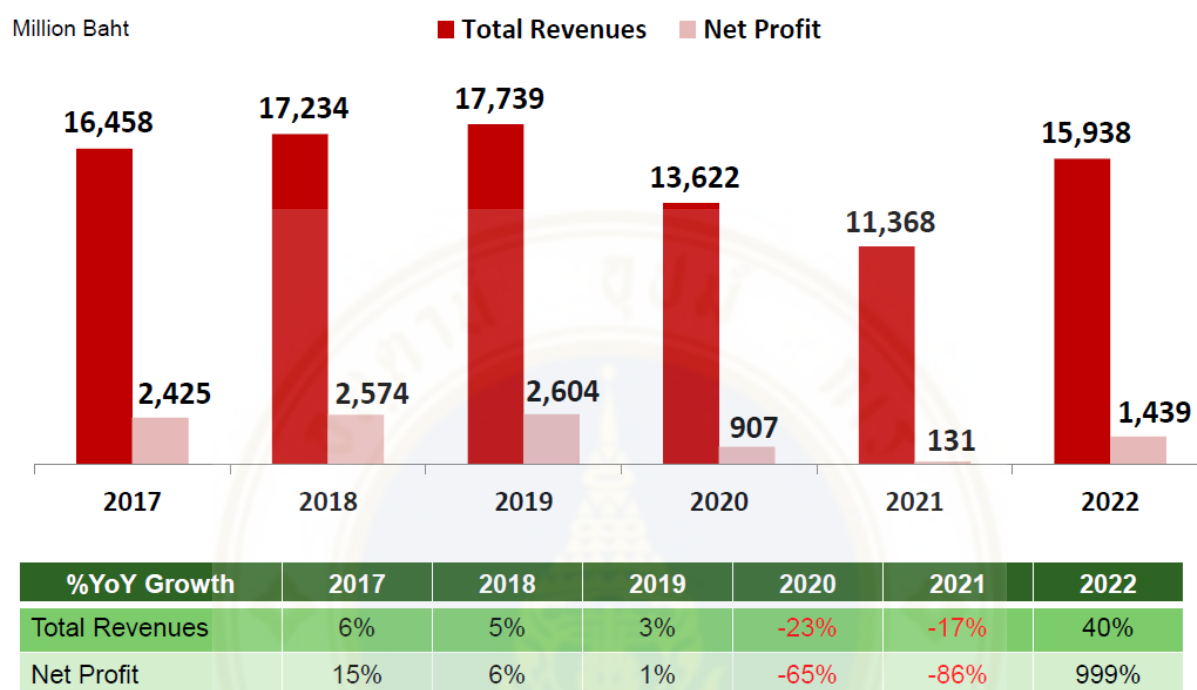
**Figure 2.4 Gross Profit and Net Profit**



The table 2.3.2 gross profit represents the difference between revenues from sales and services and costs of sales and services which included food costs and transportation and warehousing costs. The Group Company reported the fourth-quarter gross profit of Baht 2,699 million, increase by 13 percent from the same quarter of last year. As a result, the year 2022 gross profit was Baht 10,267 million or an increase of 43 percent as compared to the last year.

As a result, the Group's net profit of Baht 1,439 million increased by Baht 1,308 million, or 9 percent, when compared to the last year.

**Figure 2.5 Total Revenues and Net Profit 5 years**



During the year 2020 and 2021 performance, the COVID-19 measures had a significant impact on the Company's sales and service revenues due to the restaurant's closure, prohibition of dine-in service, seating capacity limit in the restaurant, operating hours restriction, and so on. The Company's net profit growth rate was significantly decreased by 65 percent and 86 percent for the year of 2020 and 2021, respectively. To summarize, the net profit for year of 2022 increased strongly due to the increased relaxation of COVID-19 restrictions.

## 2.4 Marketing and Business Strategy

### 1) Creativity

In terms of customer experience management, The Company worked hard to attract and impress their customers by utilizing creativity and new technology. The inventiveness of the Company is evidenced by the following facts:

1. They are the first leader among the Suki businesses in Thailand who started to use electric hot pot
2. Inspired by the 'Pinto lunch box' of Thailand and the 'Bento lunch box' of Japan, MK invented 'condo plates' to make it convenient for the customers to order the food without having to worry about the space on their table
3. MK was one of the very first pioneers among the Thai restaurant entrepreneurs who used robots to serve food to the customers
4. MK is one of the first adopters who allow the customers to use the tablets provided on the tables to order the food by themselves
5. MK accepts reservations via their application
6. MK provides a complementary birthday cake with photo taking and birthday song playing services to the customers who ordered more than 500 baht
7. MK has a welcome dance show performed by the waiters occasionally

Prior to the COVID-19, there was a campaign called "MK X", which was based on the company's collaboration with a group of people from various fields of interest, such as art, music, games, fashion, and so on. They redesigned the employee uniforms to be more fashionable in order to make it a symbol of the new era. Unfortunately, due to the pandemic, this campaign appeared to be put on hold for a time.

## **2) Collaboration**

Apart from acquiring potential franchises from abroad, another important strategy employed by MK is collaboration with other business entities, particularly joint ventures with M-Senko Logistics, a logistics company ranked second in Japan's transportation industry. This company specializes in business-to-business and business-to-customer freight transport. M-Senko, which specializes in 'cold chain' transportation using temperature-controlled trucks, provides a significant benefit to MK by strengthening the company's food distribution system. Management claimed that 'know-how' and robotic technology of M-Senko will aid in lowering costs, increasing delivery speed, and improving food quality in terms of freshness.

## **3) Increasing the Delivery Channels and Providing Service for Public Events**

The Company has their own application and has placed their food on delivery platforms in order to increase the quantity of orders. The COVID-19 outbreaks stimulated the company to

focus even more on online sales. However, there are few limitations with the ordering application, such as the fact that customers can only order food between 10 a.m. and 9 p.m., the minimum order is 150 baht, and there is a delivery fee of 40 baht per trip. Therefore, the company's app review on the app store appears to be unsatisfactory, with a score of only 2.4 out of 5, indicating a major issue with the application's smoothness. As a result, ordering through other food delivery platforms would be less expensive and have fewer restrictions. However, due to the highly competitive nature of the food platform nowadays, the Company has reported that the net profit from the delivery platform is not that high and it can only assist the company to get through the crisis.

In order to gain more customers, the Company also expanded their service to include providing food at private events. They would prepare the necessary dishware, hotpot, and food, and serve the guests at the events like they were dining in the Company restaurants.

#### **4) Enhancing and Maintaining the Quality of the Service Via Training Center**

Paying attention to recruiting the right people and developing their employees is one of the methods that the Company used to improve and maintain the quality of service. The company has a training center located in Km.3 Bangna-Trad Highway, that is specifically built and equipped with tools for developing the skills of their full-time and part-time employees in almost every position. To ensure that the restaurants' service is always consistent and up to standard, the company hires trainers from both inbound and outbound.

## **2.5 Corporate Governance**

The Board of Directors reviewed the implementation of the Corporate Governance Code 2017 for listed companies (CG Code) for the Company's business at least once a year, according to the Form 56-1 one report for the year of 2021. In order to make the Company an efficient organization when it comes to business operation, the Board of Directors has adopted the following CG policy for itself, the Company's executives and employees to adhere to. Key processes are as follows:

**Section 1: Shareholders' Rights**

The Board of Directors is aware of shareholders' rights to own and control the Company through the Board of Directors appointed to perform duties on their behalf and make major changes to the Company.

**Section 2: Equal treatment of shareholders**

The Board of Directors has done giving information prior to the shareholders' meeting, protecting the rights of minority shareholders, protection against the use of insider information and director's interest.

**Section 3: Roles of Stakeholders**

The Board of Directors prioritized the rights of all stakeholders, including customers, suppliers, competitors, creditors, society, employees, and shareholders. To protect the interests of all parties in an honest and fair manner, the Board has formulated the Code of Conduct and best practices for employees to be aware of the stakeholders, to be faithful to their duties, and to refrain from corruption.

**Section 4: Disclosure of information and transparency**

The Board of Directors is responsible for timely and reliable disclosure of all financial and non-financial information to shareholders and stakeholders, as well as requiring the Audit Committee to examine and oversee risk management. Moreover, the Company established the Investor Relations Unit to provide performance and investment information regarding the Company.

**Section 5: Responsibilities of the Board of Directors**

Directors shall possess qualifications and shall not have prohibited characteristics as stated in components and qualifications of the Board of Directors and appointment, Roles and responsibilities of the Chairman of the Board of Directors. Remunerations of the Board and CEO are determined and proposed by Nominating and Compensation Committee to avoid a conflict of interest.

## 2.6 Major Shareholders

Following the latest information from the Stock Exchange in Thailand (SET), the percentage of shares owned by Minor Shareholders (% Free float) is 36.19% of total shares. Top 10 shareholders in the shareholder registration book as of August 24, 2022 were as follows:

**Table 2.1 List of MK Shareholders**

Rank	Lists of Shareholder	No. of Shares	%
1	Mrs. Yupin Thirakomen	182,396,802	19.81
2	Mr. Somchai Hanjitikasem <sup>(1)</sup>	147,494,812	16.02
3	Mr. Rit Thirakomen <sup>(2)</sup>	123,059,333	13.36
4	Mrs. Aumporn Hanjitikasem	82,403,989	8.95
5	Mr. Varakorn Hanjitikasem	41,039,694	4.46
6	Ms. Varaporn Hanjitikasem	41,031,994	4.46
7	Aunt Thongkam Foundation <sup>(3)</sup>	31,265,983	3.40
8	Bualuang Long-term Equity Fund	22,802,600	2.48
9	Social Security Office	18,171,000	1.97
10	Thai NVDR Company Limited	13,830,415	1.50

Remark:

(1) Mr. Somchai Hanjitikasem is a brother of Mrs. Yupin Thirakomen

(2) Mr. Rit Thirakomen is a spouse of Mrs. Yupin Thirakomen

(3) Aunt Thongkam Foundation was founded by Mrs. Yupin Thirakomen and Mr. Somchai Hanjitikasem, a daughter and a son of Mrs. Thongkam Mekto. Mrs. Yupin Thirakomen and Mr. Somchai Hanjitikasem are the chairman and vice chairman of Aunt Thongkam MK Foundation respectively

MK was founded in 1962 by Aunty Thongkam Mekto, Mr. Rit Thirakomen's mother-in-law. The founding family owns 648,692,607 shares, accounting for 70.46% of the total shareholders. Furthermore, according to Forbes, Rit Thirakomen and family are ranked #23 among 2022 Thailand's 50 richest net worth (total \$1.55 billion).

*Source: The Stock Exchange of Thailand (SET) and MK annual report 2021*

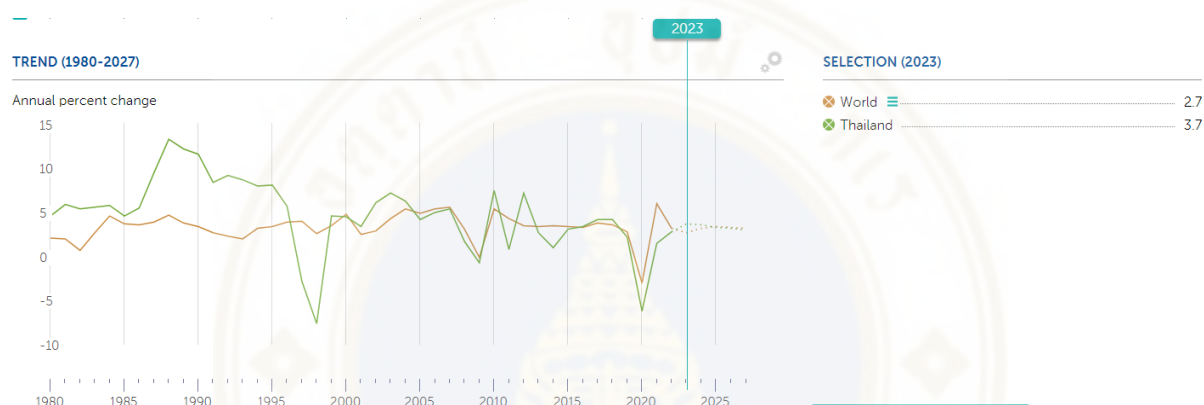
## CHAPTER III

### MACROECONOMICS, INDUSTRY, AND COMPETITION ANALYSIS

#### 3.1 Macro-Economic Analysis

##### 3.1.1) Global and Thai Gross Domestic Product (GDP)

**Figure 3.1 GDP Growth (annual %) of Global and Thailand**



*Source: International Monetary Fund (IMF)*

According to the annual percentage growth rate of GDP from the IMF indicators, Table 3.1 shows that the historical GDP growth both globally and for Thailand decreased during the global financial crisis and the acute phase of the COVID-19 pandemic during 2019 to 2020, causing significant slowdowns for the largest economies. Full-year GDP growth in World economic has risen by 2.9 percent in 2022, compared to -5.87 percent in 2021. In addition, Thailand's GDP growth increased 2.6 percent in 2022, up from -1.5 percent in 2021, boosted primarily by a rebound in tourism and continued improvement in domestic demand in both private consumption and investment.

Global growth is projected to fall to 2.5 percent in 2023 before rising to 3.1 percent in 2024, according to the IMF World economic outlook update January 2023. The growth rate in 2023 is relatively slow, due to high inflation, tighter global financial conditions due to monetary tightening in many countries, and China's economic slowdown as a result of the government's Zero-COVID policy. The IMF expects stronger growth in 2024 as the impact of

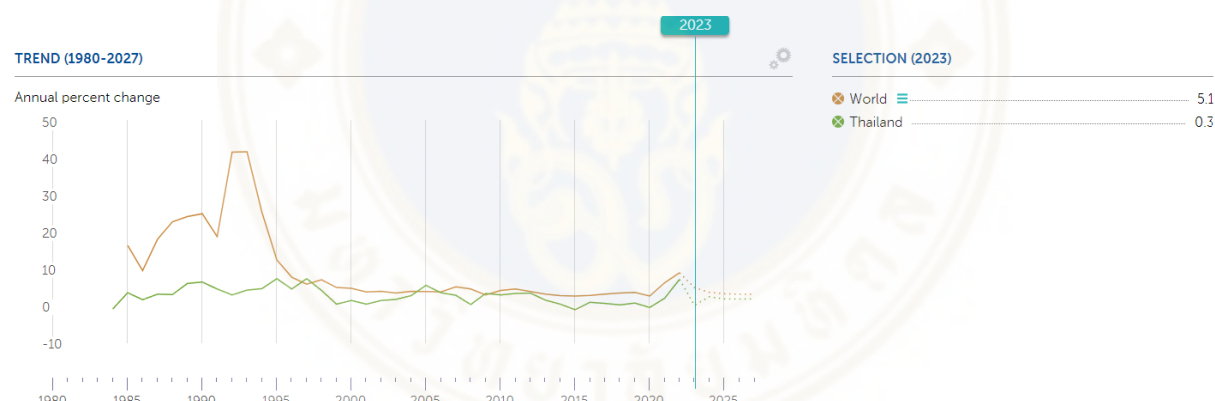


consumer price inflation gradually fades and financial conditions loosen. According to the Bank of Thailand's November 2022 monetary policy report, Thailand GDP growth is expected to be 3.7 percent in 2023 and 3.9 percent in 2024. A stronger recovery in tourism and private consumption would accelerate the recovery, helping to offset the impact of the global economic slowdown.

The continued rise in tourist arrivals and the recovery in private consumption should support sales growth for MK, Yayoi and LCS, as their proportion of sales to tourists amounts to 5 percent, 5 percent and 20-30 percent, respectively. From the Company's 3Q 2022 results (Table 2.3.3), the Company's total revenues and net profit for the nine-month period in 2022 have gradually improved. As a consequence, this could have an impact on the Company's future earnings and cashflow.

### 3.1.2) Interest Rate, Inflation Rate and Exchange Rate

**Figure 3.2 Inflation Rate of Global and Thailand**

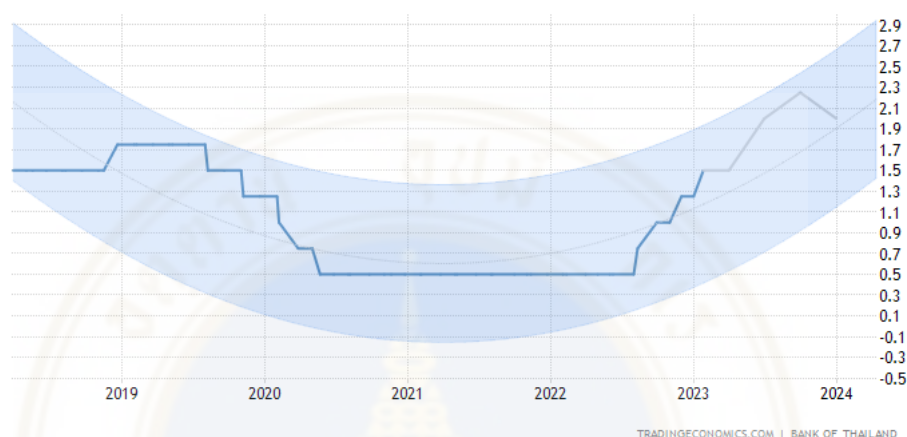


According to the inflation rate from the IMF World economic outlook update in January 2023, global headline inflation is expected to be lower in 2023 than in 2022. Global inflation is set to fall from the peak 9.1 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024 above pre-COVID during 2017 to 2019 levels that has been approximately 2 to 3 percent in past few years (table 3.2). The rise in interest rates by central banks to control inflation, as well as Russia's war in Ukraine, are still having an impact on economic activity. The recent reopening in China has opened up the possibility for a faster-than-expected recovery. Meanwhile, the Bank of Thailand is expected Thailand headline inflation to decline from 7.3 percent in 2022 to 3.0 percent in 2023 and 2.1 percent in 2024 with declining global crude oil

and commodity prices as a result of the slowdown in global demand, and declining cost pressure as labor shortages resolve.

### ***Interest Rate Risk***

**Figure 3.3 Thailand Interest Rate**



The Bank of Thailand raised interest rates by 25 basis points to 1.50 percent during January 2023, confirming market expectations and pushing borrowing costs to their highest level since mid-2019, as the Bank of Thailand committee considers economic growth and inflation outlook. Thailand's interest rate is expected to be 1.50 percent by the end of this quarter, before falling to around 1.25 percent in 2024. The Company's exposure to interest rate risk relates primarily to its cash at banks, most of financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. As at 31 December 2022, the Group Company's debt-to-equity ratio was 0.45:1 (2021: 0.45:1).

### ***Foreign Currency Risk***

The Bank of Thailand forecasts that interest rates will continue to rise over the next six months. All currencies in the region are expected to appreciate against the US dollar as the US Federal Reserve slows its rate hikes. The Singapore-dollar was the only currency to appreciate against the US dollar last year, making it a strong competitor in the region.

The Japanese yen has been weakening throughout the year in the midst of global inflation. A huge gap between Japanese and U.S. interest rates has been a leading cause of the depreciation of the yen, since it supports the selling of the yen in the market. However, raising

interest rates would be difficult for the Bank of Japan as it could have a devastating effect on the Japanese economy.

**Figure 3.4 SGD/THB - Singapore Dollar Thai Baht**

**Figure 3.5 JPY/THB - Japanese Yen Thai Baht**



As stated in the Company's financial statements for the year ended 2022, M's exposure to foreign currency risk is primarily due to its foreign currency trading transactions and borrowings. The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

**Table 3.1 Balances of Financial Assets and Liabilities in Foreign Currencies**

Foreign currency	Consolidated		Separate		Average exchange rate	
	financial statements		financial statements			
	2022	2021	2022	2021	2022	2021
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
<b>Financial assets</b>						
US dollar	10.2	10.1	10.2	10.1	34.3913	33.2469
Japanese yen	1.2	1.1	1.2	1.1	0.2573	0.2869
<b>Financial liabilities</b>						
Singapore dollar	0.2	0.2	-	-	26.0167	25.0254
Japanese yen	-	8.4	-	8.4	0.2645	0.2944

The Company uses foreign exchange forward contracts to manage some of its transaction exposures. As of 31 December 2022, the Company reported a fair value as follows:

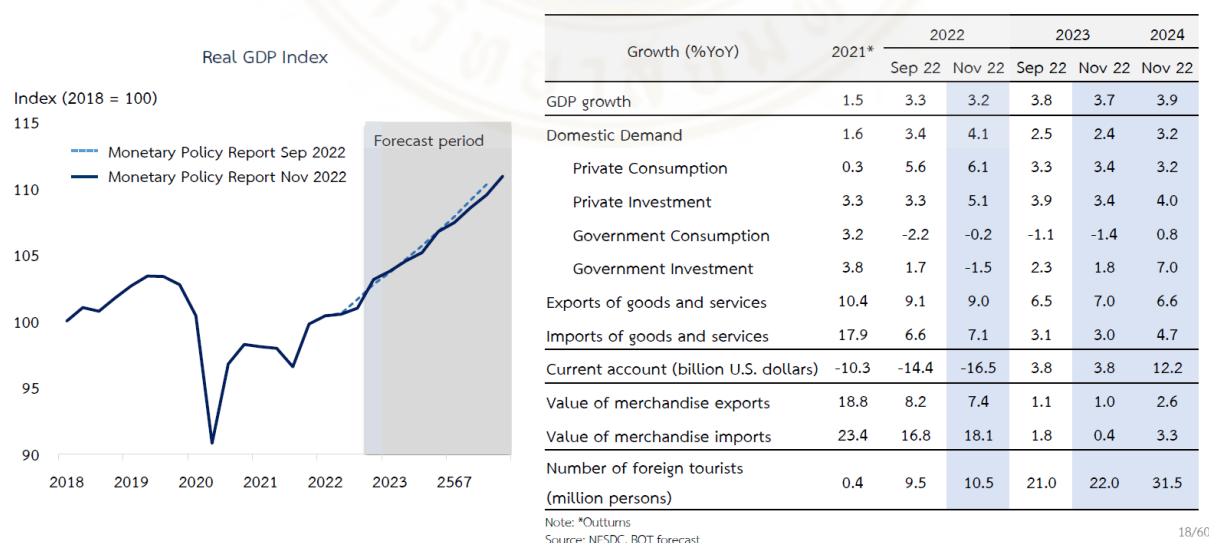
**Table 3.2 Foreign Exchange Forward Contracts**

(Unit: Million Baht)

	Consolidated financial statements			
	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Financial assets measured at FVTPL				
Debt investments	-	7,642	-	7,642
Derivatives - forward exchange contracts - gain	-	23	-	23

### 3.2 Industry Analysis

MK Restaurant Group is a food services company. Bank of Thailand forecasts that the Thai economy is expected to continue growth mainly by tourism and private consumption. The current account balance is expected to return to a surplus in 2023 and 2024. The food service industry is expected to revive going forward, driven by Thailand's economic activity that has gradually returned to normal, along with recovery in the tourism sector. The increasing number of Thai and foreign tourists, particularly in light of the expected increase in international tourist arrivals, will support revenue generation in the restaurant industry.

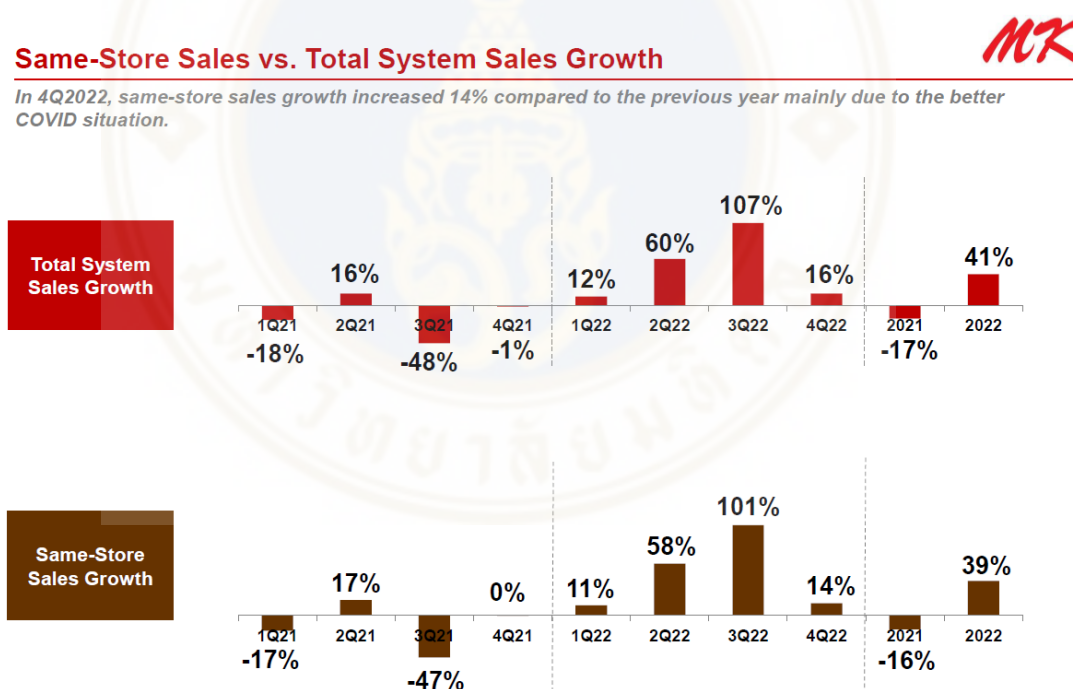
**Table 3.3 Thai Economy Outlook**

According to the Kasikorn Research Center (Issue no. 3352/2022), the restaurant industry's sales growth will be cautiously optimistic (Kasikorn Research Center, 2022).

In 2023, the industry's sales turnover could reach 418-425 billion baht, up 2.7-4.5 percent year on year. However, consumption is decelerating due to limited purchasing power, while expenditures, particularly electricity and cooking gas, are rising in line with global energy prices. Over the next three years, the restaurant industry will improve as a result of economic growth, which will support higher levels of consumption, and an increase in tourist arrivals, leading to an increase in the number of visitors and spending in tourist areas.

With the current economic situation, the total value for the period of 2023 remains lower than pre-COVID-19 levels due to difficulties in the recovery of full-service restaurants, as reported in table 2.3.3 Total Revenues and Net Profit 5 Years. In contrast, the Company reported in 4Q 2022 performance that same-store sales resume and growth by 14 percent compared to the previous year.

**Figure 3.6 MK 4Q22 Company Same-Store Sale Growth**



### **3.3 Competition Analysis**

It is undeniable that MK Restaurant Group Public Company Limited has been among the top tier hotpot restaurants in Thailand for a very long time. Prior to COVID-19, they received Thailand Top Company Awards from the University of the Thai Chamber of Commerce and No.1 Brand Thailand Marketeer from Marketeer. Nevertheless, in this day and age, with the society that is becoming more and more modern, eating has more than ever turned to be a tool that people use to socialize with each other. This trend has attracted a number of new competitive players to the hotpot market. In this part of the report, we are going to discuss about the emerging competitors, their identity, and their strengths in comparison to MK Restaurant Group Public Company Limited.

#### **3.3.1 Non-listed Companies**

##### **1) BNN Restaurant Group Company Limited**

BNN Restaurant Group Company Limited has been running a hotpot restaurant under the name of ‘Suki Teenoi’ for five years. Despite being a new company, their marketing tactics and their business management are remarkably on point. By positioning themselves as a relatively cheap (276 baht) buffet hotpot restaurant which opens from 12 a.m. to 5 a.m., Suki Teenoi has become so successful to the point that some customers are willing to wait a few hours to dine in. In February 2023, there are 45 branches of the restaurant which are mainly located inside the community malls in Bangkok. The company also expanded their branches to the nearby provinces such as Nonthaburi, Pathum Thani, Samut Prakan, Samut Sakhon, Ayutthaya, and Nonthaburi.

Suki Teenoi is a competitor which MK has to beware of. They have special characteristics which MK does not possess. The fact that they are cheap buffet restaurants which operate until dawn made them very appealing to the new generation who value worthiness. In addition to this, the company is also considering opening more branches, creating new brands, purchasing other potential companies, and aiming to open new branches in neighboring countries. This is a sign which shows that their business structure would become even more similar to MK in the future.

## 2) Hai Di Lao Proprietary (Thailand) Limited

Hai Di Lao is a hot pot restaurant originated from Sichuan, China. It is the largest hotpot brand in the mainland with more than one thousand branches. As of February 2023, there are nine branches of Hai Di Lao in Thailand - five in Bangkok and four in other major cities namely, Pattaya, Chiangmai, and Phuket. The price of this restaurant is higher than MK, as the average cost is approximately six hundred to one thousand per person. Operating from 10 a.m. to 3 p.m., Hai Di Lao is so successful to the point that some customers are willing to wait for more than five hours. The specialty of this hot pot restaurant lies in their service which gives an exceptional eating experience. The followings are some of the examples of their strengths:

- While waiting for the ques, the customers can eat free ice-cream, relax on massage chairs, have their nails polished, have their shoes shined, eat free ice-cream, play with their children in the kid room, or ask for UNO cards from the staff.
- The waiters would provide rubber bands for the customers who have long hairs and lens cleaning cloth for the customers who wear glasses.
- The customers can ask for free toys and take away soup by saying the secret codes in Chinese.
- There is a mask-changing show and a Kungfu noodle stretching dance performed at their restaurants.
- There is a wireless phone charger on every table.
- There are a number of staffs who can communicate with the customers in English and Chinese fluently.

Apparently, the thing that Haidilao could do better than MK is the attentiveness of the staff towards their customers. Despite the fact that MK also have some extra services, such as a welcome dance in the past and a birthday-photo taking service, the things that Hai Di Lao provide for their customers are undeniably much more impressing. Luckily, this restaurant brand targets higher-class customers or a group of friends and family who may visit their restaurants on special occasions, thus they still have some differences in terms of their positionings.

### **3) Noble Restaurant Company Limited**

Noble Restaurant Company Limited run a Shabu Hot Pot restaurant under the name of Mo-Mo Paradise. The company bought the franchise from Japan. In February 2023, there are 25 branches of the restaurants which largely based in Bangkok, and in some nearby provinces such as Nonthaburi and Chonburi. The buffet is approximately seven hundred baht per person. Their signature ingredients are the Japanese soups which include original shabu, black suki, Karamiso, and Tonkotsu soups. The strategy of Mo-Mo Paradise restaurant is based on the concept of 'quality over quantity', making the customers become addicted to the limited number of foods on the menus that they have. By this approach, they are able to better control the amount of food in their stocks and save the cost by minimizing the waste.

The method of quality over quantity of Noble Restaurant Company is relatively different from the strategy of MK which is based on the thinking of variety to escape the boredom. Both strategies seem to be working for both companies. Currently, the buffet price of Mo-Mo Paradise is relatively high, so their targets might not be in the same area with MK that much. However, provided that Momo- paradise put more emphasis on a la carte menus with reasonable prices, they could become MK's tough competitor due to the quality of the food.

#### **3.3.2 Listed Companies**

##### **1) Oishi Group Public Company Limited**

Oishi Group Public Company Limited conduct three main sectors of business which are composed of beverages, restaurants, and packaged food. 60 percent of their revenue is from the beverage sector and the other 40 percent is from the food sector. The food brands that are under their business are comprised of Oishi Grand, Oishi Eaterium, Oishi Buffet, Shabushi, Oishi Ramen, Kakashi, Sakae, Hou Yuu, and Nikuya. Among these restaurants, the one that has the greatest number of branches is Shabushi which has 162 branches in February 2023. It is noted that a number of branches are located in the provinces other than Bangkok such as, Kanchanaburi, Chanthaburi, Chiangmai, Trang, Suratthani, and Phuket. Shabushi focuses on buffet food served on conveyor belt with an average price of four hundred to five hundred baht per person. Nevertheless, recently the restaurant also attempts to provide more A la carte



menus. There are also long tables with stools to make the customers who come alone do not feel out of place while eating.

Oishi Group Public Company Limited is a competitor that MK has to beware of because their food business model is quite similar to one another. Same as MK, Shabushi has extended their branches to other provinces across Thailand already and they also pay attention the customers who come to their restaurant alone. They are planning to open more 24 hours branches in the future. In addition, the other Japanese restaurants of Oishi group, such as Oishi Grand and Oishi Ramen, could be considered as strong opponents to Yayoi, Hakata, and Miyazaki of MK.

## **2) JCK Hospitality Public Company Limited**

JCK Hospitality Public Company Limited operate a buffet hot pot restaurant under the name of Hotpot Buffet. As of December 2022, there are approximately 59 branches under their management, located in Bangkok and other provinces around Thailand. The concept of the restaurant is 'All You Can Eat'. Hotpot Buffet serves various types of food, ranging from pork, beef, seafood, sushi, Dim sum, and salad. The price is around four hundred baht per person. The customers can pay forty baht for the table with a grill pan.

Hotpot Buffet might not be a competitor that MK has to worry that much because they seem not to have a strong position in the market. The brand provides too many types of food, causing it a little bit difficult for the customers to feel the specialty of their brand. Moreover, the variety of ingredients made the cost more expensive than usual. As a result, Hotpot Buffet need a high volume of consumers to compensate for that.

## **3) ZEN Corporation Group Public Company Limited**

The famous restaurant brands under ZEN Corporation Group Public Company Limited are Zen, AKA, Kiang, and Tummour. Zen is a Japanese sushi restaurant which provide both buffet and a-la cart menus. They have branches in Bangkok and in other major provinces. The price is approximately six hundred baht per person. AKA is a high-end Japanese buffet yakiniku restaurant with prices ranging from four hundred to seven hundred baht per person. Kiang, Krapao restaurant and Tummour, Somtum restaurant, are another two brands of ZEN Corporation which have much lower price to target the other sectors of customer.

The key feature of Zen Corporation which we can detect is that they have both premium Japanese food brands and street food brands to capture a wide range of people. MK might have to be cautious of this company because they seem to be successful in managing their brands to attract both types of customers.

#### **4) Mud & Hound Public Company Limited**

Mud & Hound Public Company Limited has both fashion and food businesses. Food sector accounts for 90 percent of the company's revenue. Their food brands include Greyhound café, Au Bon Pain, Baskin Robin and Dunkin Donuts. In terms of restaurants, the most well-known brand of Mud & Hound company is Greyhound café. Since they originated from a fashion store, the decoration of the restaurant and the style of the dish are quite classy compared to the normal café. Greyhound café has 4 sub-restaurants under their brand, namely Greyhound Café, Another Hound Café, Kin-Hey, and Gai Hound. Each focus on different types of food and targets different sections of customers. For example, Kin-Hey restaurant is based on the concept of street food, targeting office workers, while Another Hound is much fancier, targeting customers who prefer a sense of high-class.

There might be some overlapping of the customers of Greyhound restaurants and Na Siam and Le Siam restaurants of MK, but the majority of the customer base of both companies are not the same one, as Mud & Hound pays much more attention to the upper-class market.

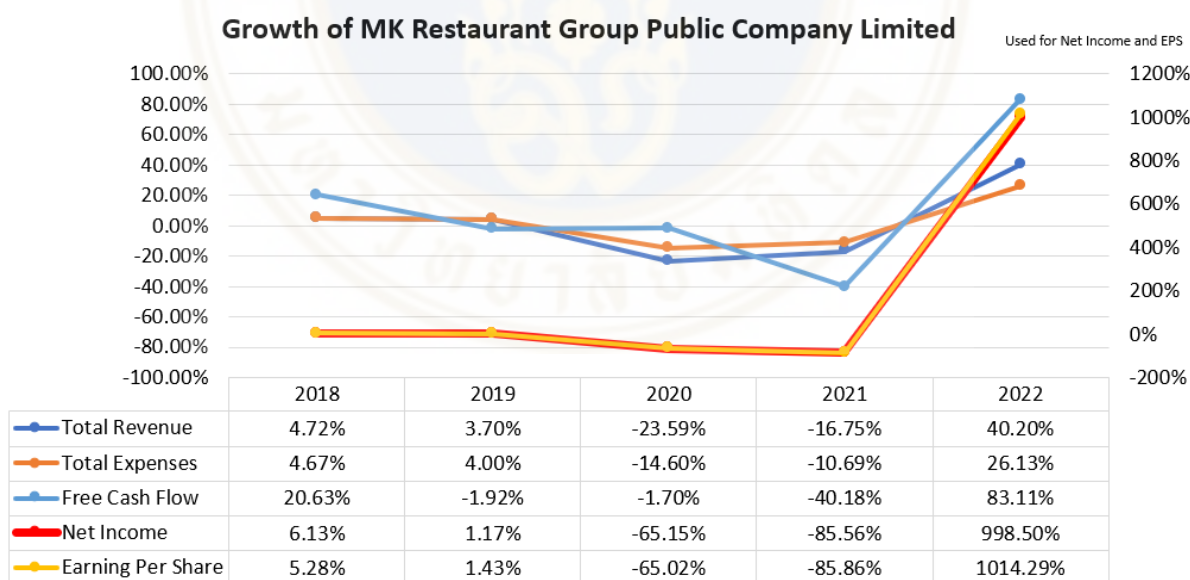
## CHAPTER IV

### FINANCIAL ANALYSIS

#### 4.1 Growth Analysis

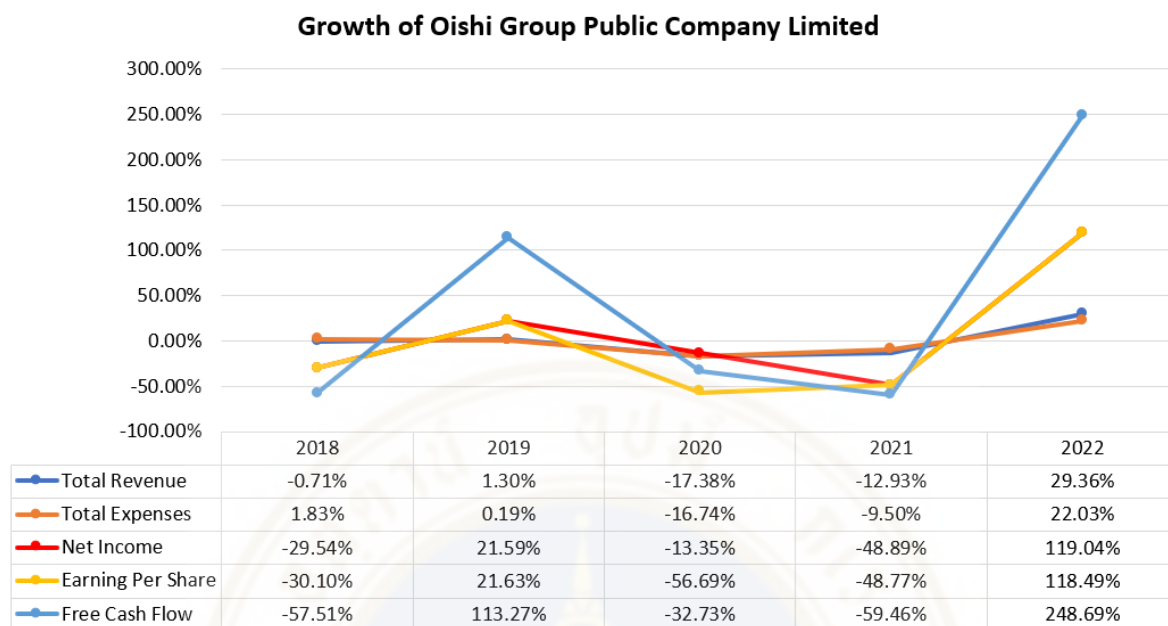
The companies which we chose to be the competitors of MK in the growth analysis section are Oishi and ZEN. Despite the fact that 60 percent of Oishi's revenue is from beverage business, we believe that Oishi is an appropriate competitor of MK. This is due to the fact that Oishi possess a hotpot restaurant chain (Shabushi) which brings a huge profit to the company. The business size of MK and Oishi and the amount of the revenue they gained each year are also on par with one another. Regarding ZEN, although they do not have a hotpot restaurant, we believe that ZEN should be included in this analysis section because their revenue primarily derived from selling food.

**Figure 4.1 Graph 1 Growth of MK**



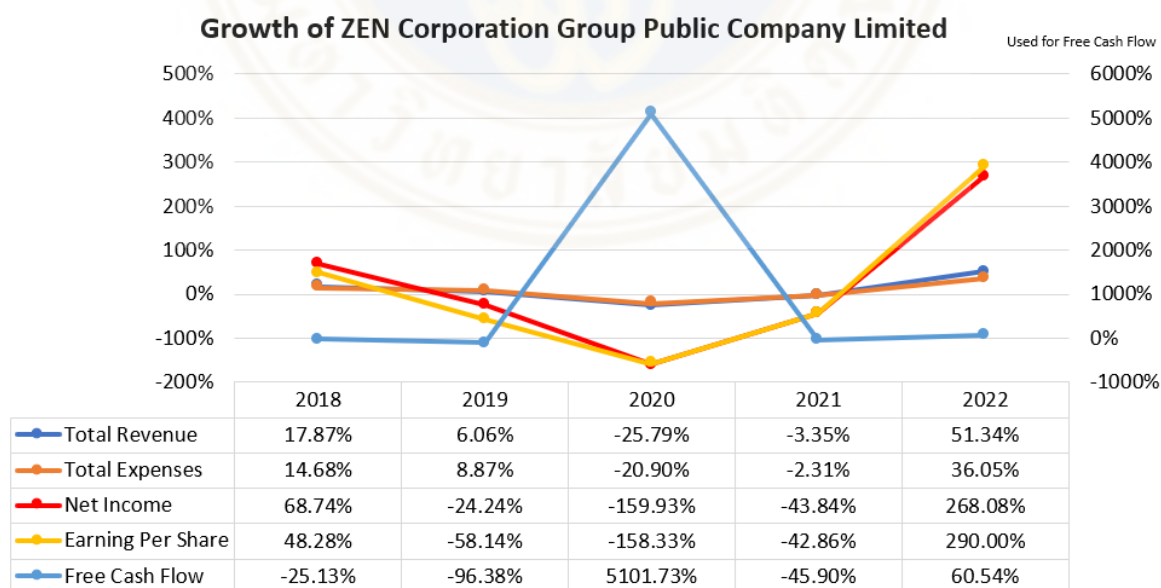
Source: <https://www.setsmart.com/ssm/stockQuotationByStock/M>

Figure 4.2 Graph 2 Growth of Oishi



Source: <https://www.setsmart.com/ssm/stockQuotationByStock/Oishi>

Figure 4.3 Graph 3 Growth of ZEN



Source: <https://www.setsmart.com/ssm/stockQuotationByStock/ZEN>

COVID-19 made 2019, 2020 and 2021 harsh years for MK, as we can see from the graph 1 that all the items are in decreasing trends with a significant drop in the net income of 65% in 2020 and 85% in 2021.

- The decrease in net income accordingly caused the free cash flow and EPS growths of MK to sink tremendously in the same direction.
- In terms of the growth of Oishi, the net income in 2021 also showed a minus of 49%, but it is still lower than the net income decrease of MK. One of the reasons might be because in 2021, MK had to bear the joint venture costs of M-Senko Logistics and Plenus MK Ptc. MK believes that the joint venture between MK and Senko logistic would give them advantages in controlling the transportation costs of their company in the future.
- Net income growth of ZEN decreased the most among the 3 companies, especially in 2020 which dropped to 159.93%.
- The reason that free cash flow of ZEN is extremely high in 2020 (5101.73%) is because of a decrease in the number of new branches opening that year, a huge decrease in fixed assets purchase, and the disposals of assets in 2020. According to ZEN's financial report this is an abnormal activity (ZEN, 2021).
- During the recovery in 2022, the net income and earnings per share of M increased to 998.5% and 1014.29% respectively. They adjusted the price to be a little bit higher and the delivery orders which have lower profit margins decreased.
- In the same way, the net income and free cash flow of Oishi increased by 119% and 248% respectively. The net income and free cash flow of ZEN also rose to 268.08% and 290%.

Based on the overall picture, it seems like the financial health of Oishi is slightly better than MK's during COVID-19, probably because they still had a revenue from the beverage. Nevertheless, in 2020 the recovery of MK is extremely high as the eat-in number of customers tremendously increased. However, it must be pointed out that the net income of MK has not yet recovered to the pre-pandemic period's.

## 4.2 Dupont ROE Analysis

**Table 4.1 ROE of MK and Its Competitors**

ROE of MK and Its Competitors						
	2017	2018	2019	2020	2021	2022
MK Restaurant Group Public Company Limited	17.83	18.38	18.28	6.52	0.98	10.8
Oishi Group Public Company Limited	28.53	17.56	19.56	15.73	7.76	15.86
JCK Hospitality Public Company Limited (Hotpot Buffet)	-283.69	-79.17	-141.65	-231.29	-1223.82	-551.23
ZEN Corporation Group Public Company Limited	22.38	33.62	11.17	-4.81	-7.85	12.81
Mud & Hound (Greyhound)	-2.16	-0.43	-0.69	-15.91	-4.58	1.11

ROE of MK Restaurant Group Public Company Limited						
	2017	2018	2019	2020	2021	2022
Net Profit Margin (net income/revenue)	14.73	14.93	14.61	6.68	1.06	9.08
Total Asset Turnover (revenue/total asset)	1.03	1.03	1.02	0.71	0.57	0.81
Financial Leverage (total asset/total equity)	1.18	1.21	1.25	1.51	1.48	1.48

ROE of Oishi Group Public Company Limited						
	2017	2018	2019	2020	2021	2022
Net Profit Margin (net income/revenue)	10.54	7.42	8.93	9.38	5.5	9.36
Total Asset Turnover (revenue/total asset)	1.41	1.40	1.52	1.34	1.12	1.30
Financial Leverage (total asset/total equity)	1.74	1.62	1.27	1.23	1.28	1.32

ROE of ZEN Corporation Group Public Company Limited						
	2017	2018	2019	2020	2021	2022
Net Profit Margin (net income/revenue)	3.30	4.73	3.38	-2.73	-3.93	5.05
Total Asset Turnover (revenue/total asset)	1.58	1.88	1.74	0.99	0.86	1.27
Financial Leverage (total asset/total equity)	4.35	3.34	1.43	2.22	2.28	2.21

Dupont ROE analysis is believed to be one of the most useful financial ratio analyses as it also combines net profit margin, total asset turnover, and equity multiplier together. In other words, we can enhance ROE by improving the mentioned ratios.

- Based on the first table above, it seems like MK has been doing fairly good overall in this category. Among the five companies in the food industry, MK ranked the third in 2017 and 2022, and ranked the second from 2018 to 2021.
- The net profit margin in the tables show that before COVID-19, MK had been managing quite well in terms of controlling the costs, in comparison to Oishi and ZEN. It would be nice if they are able to retrieve their ranking in the future.
- The total asset turnover in the tables indicate that the management in terms of assets in relation to the revenue of Oishi is relatively good even during the pandemic period. In contrast, the ratio of MK decreased to 0.57 in 2021.
- The equity multipliers of MK and Oishi are quite moderate, while ZEN's is relatively higher. Provided that MK would like to improve the ratio, they might need to consider

financing business by using more debt to decrease the equity ratio. Nevertheless, based on the history, it seems like debt financing is not the style that MK would prefer.

### **4.3 Relative Valuation**

The purpose of this part of the report is to find the target price which best represents the value of the stock M (MK Restaurant Group Public Company Limited) in order to determine whether the current price on 2<sup>nd</sup> March 2023 [54.75 baht] is overvalued or undervalued, alternatively stated ‘expensive’ or ‘cheap’. The approach that was used is the relative valuation technique which is consisted into two main methods – Historical Multiple Bands and Peer Group Multiples. The multiples which were used for the analysis are comprised of P/E, Forward P/E, P/BV, Forward PBV, EV/EBITDA, and Forward EV/EBITDA. Regarding the Historical Multiple Bands, a sensitivity analysis based on different assumptions of the amount of Earning per Share, Book Value and EBITDA is also provided for a better overview of the target prices.

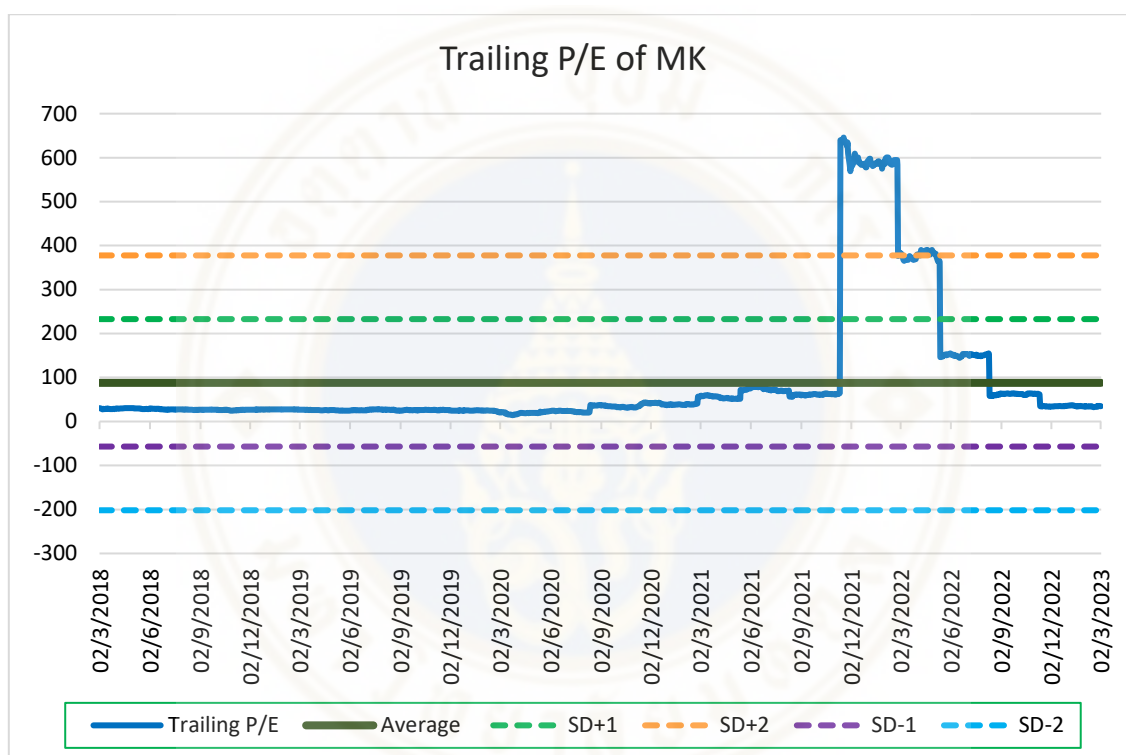
#### **4.3.1 Historical Multiple Bands Valuation**

Historical Multiple Bands Valuation Method is based on the assumption that stock, more or less, has a pattern which can be predicted by using the historical data that have relationship to the price such as P/E, P/BV, EV/EBITDA. The underlying assumption is that these multiples have a tendency to go back to the 5 years average in long run. For this reason, the result of ① FY0 EPS multiplied by average P/E, ② the result of FY0 BV multiplied by average P/BV and ③ the result of FY0 EBITDA multiplied by average EV/EBITDA could be used to determine whether the current price is overvalued or undervalued. In the figures of the multiple bands below, standard deviation of +1, +2, -1, -2 were also provided to allow us to see the deviation of the actual multiple from the 5-year average.

### 1) Trailing P/E Band

Price to Earnings per Share ratio is often used to assess how much the price of a firm is overvalued or undervalued based on the earnings that a company can make each year divided by the number of outstanding shares. Trailing P/E is calculated by dividing a stock's current market price by the most recent four quarter' EPS. The figure of the 5-year MK's Trailing P/E Band is presented as below.

**Figure 4.4 Trailing P/E of MK**



The figure above shows that the trailing P/E of MK during the past 5 years is quite volatile. Particularly, there are some extremes occurred between 12<sup>th</sup> November 2021 to 10<sup>th</sup> August 2022. This is due to the fact that the EPS of MK decreased tremendously from 0.872 to 0.0883 as a result of COVID-19. Since their main business is an 'eat in' hotpot restaurant, the pandemic outbreak negatively affected their EPS a lot. It is noted that these outliers caused the standard deviations and the average P/E to be extraordinarily higher than normal.

The current trailing P/E as of 2<sup>nd</sup> March 2023 is 35.04 which is below the average of 87.94 but is much far away from the SD-1 (-56.92). The 2023 target price of MK, which is calculated by multiplying FY0 EPS (1.56) by 5-year P/E Average (87.94), is 137.18 baht with

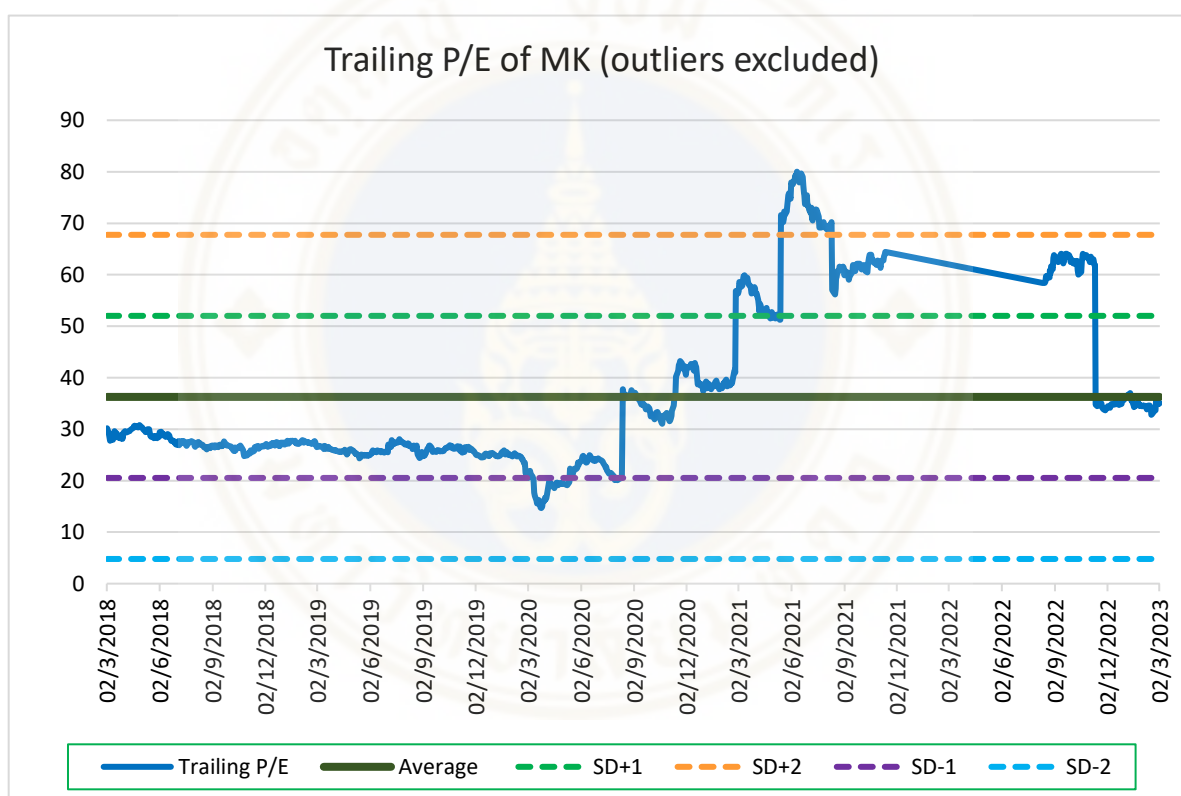


an upside potential of 150.56%. Although the result shows that the firm is undervalued, the valuation of this band might not be accurate as the noises are too big. Thus, another Trailing P/E Band graph excluding the dates mentioned was created to give a better valuation.

## 2) Trailing P/E Band (extremes excluded)

The figure below shows the graph after the outliers occurred between 12th November 2021 to 10th August 2022 were eliminated.

**Figure 4.5 Trailing P/E of MK (outliers excluded)**



The result shows that this time the range of the standard deviation is narrower and the average is much lower, decreasing from 87.94 to 36.27. We can see that most of the trailing P/E before 2021 are in between 20 to 30. The gap of the trailing P/E of the dates before and after the outliers occurred, 11<sup>th</sup> November 2021 (56.25) and 11<sup>th</sup> August 2022 (58.38), are not so big, implying that the company is going back to its normal stage.

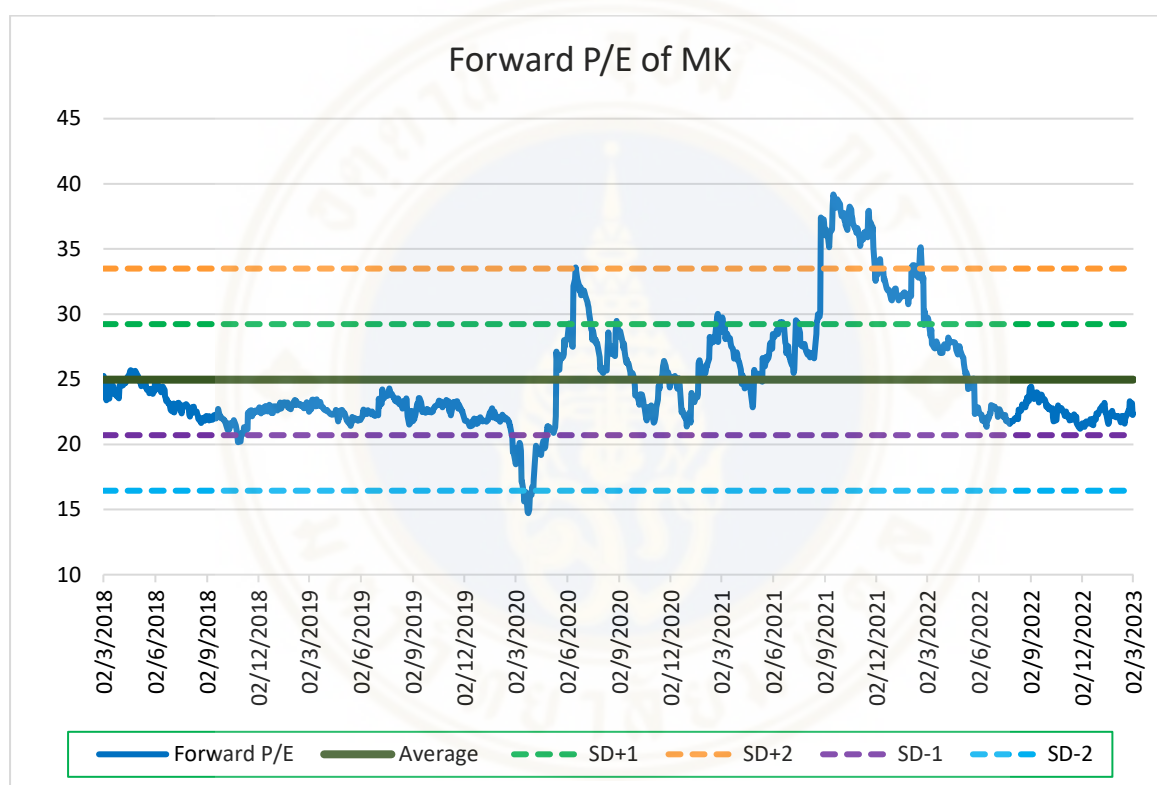
It must be pointed out that the current trailing P/E (35.04) is almost exactly at the average 5-year mean of 36.27. Having an upside potential of 3.35%, the target price of 2023

calculated (56.58) is very close to the current price of 54.75. This could be a sign which indicates that the market is relatively efficient.

### 3) Forward P/E Band

Forward P/E is calculated by dividing the stock's current price by the expected EPS of the next fiscal year. It is based on the future earnings estimates. The forward P/E band of MK is as presented below.

**Figure 4.6 Forward P/E of MK**



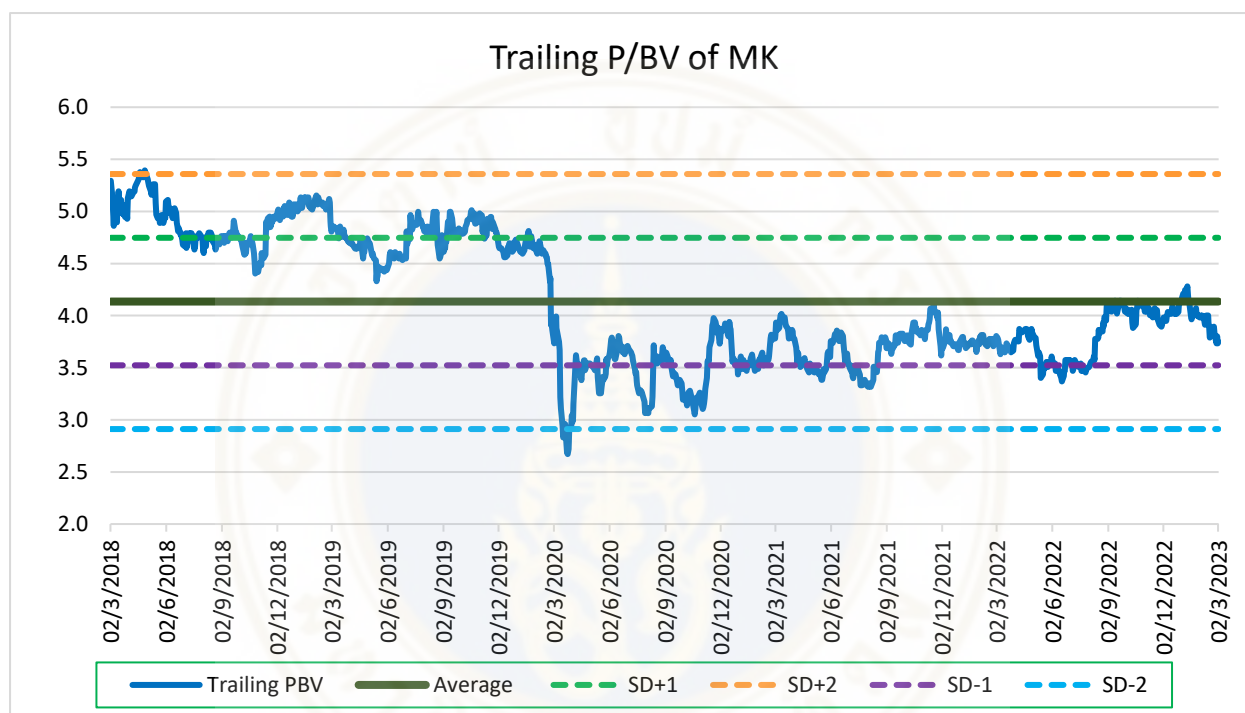
The figure shows that the volatility of the forward P/E is not as big as the trailing P/E. For the same reason with the trailing P/E, COVID19 made the forward P/E went over the average line from the second half of 2020 to the beginning of 2022, while the other values were running between 20 to 25.

The current forward P/E as of 2<sup>nd</sup> March 2023 is 22.34 which is a little bit below the 5-year mean of 24.97, but is still above SD-1 (29.23). The target price of 2023 calculated is 59.92. Compared to the current price which is 54.75, MK is a little bit undervalued with an upside potential of 9.45%.

#### 4) Trailing P/BV Band

Price to Book Value Ratio tells us whether the price of a stock is expensive or cheap in relation to its book value which is the value of the company's assets that is over its liabilities. The trailing P/BV is calculated by dividing the current stock price by the historical book value per share.

**Figure 4.7 Trailing P/BV of MK**



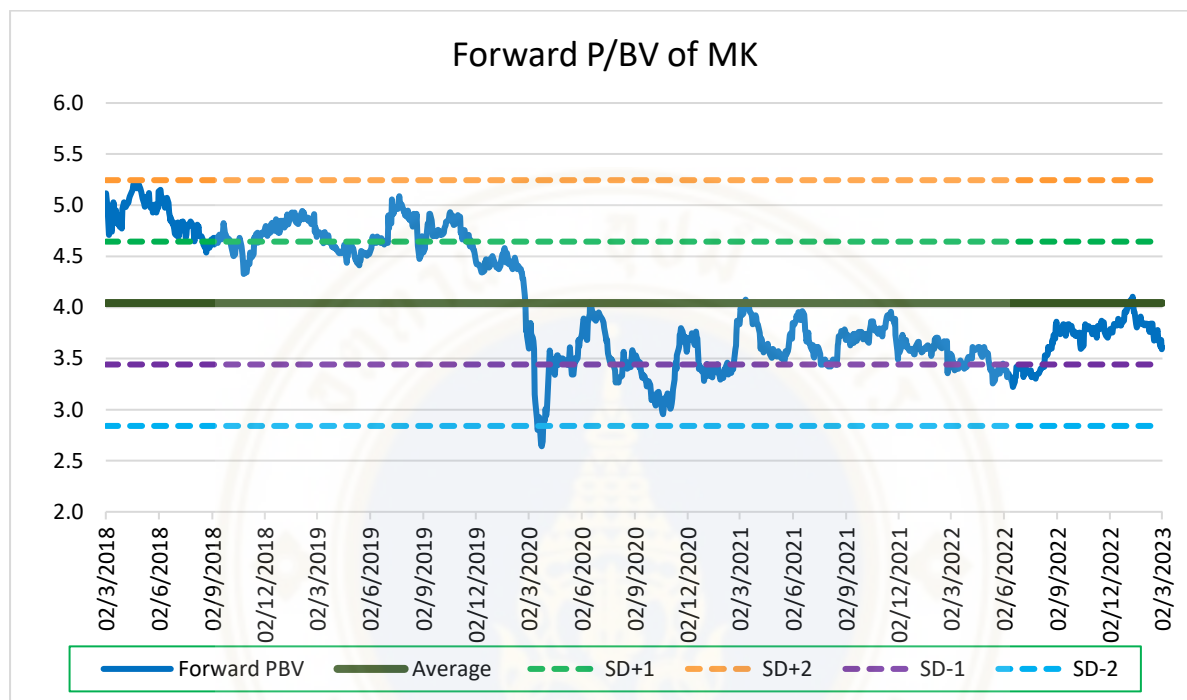
The trailing P/BV of MK had been in the range of SD+1 and SD+2 in 2018 and 2019. In the beginning of 2020, P/BV of MK dropped from 4.8 to 2.6 in 3 months mainly because of the price of the company which decreased from 70.25 to 41.5 due to the pandemic outbreak. After that, most of the data run between SD-1 (3.52) and the average (4.14). It is noted that the liabilities which increased from 3 thousand million in 2019 to 5 thousand million in 2020 also caused the book value of MK to decrease accordingly.

The current PB/V of MK as of 2<sup>nd</sup> March 2023 is 3.75 which is slightly below the average of 4.14. The 2023 target price of this band, calculated by multiplying the FY0 book value per share (14.6) by the 5-year PB/V average (4.14), is 60.37. Compared to the current price of 2<sup>nd</sup> March 2023 (54.75), the stock is a little bit undervalued and has an upside potential of 10.27%.

### 5) Forward P/BV Band

Forward P/BV Band is calculated by dividing the current price of the stock by the forecasted book value per share. The forward P/BV of MK is presented as below.

**Figure 4.8 Forward P/BV of MK**



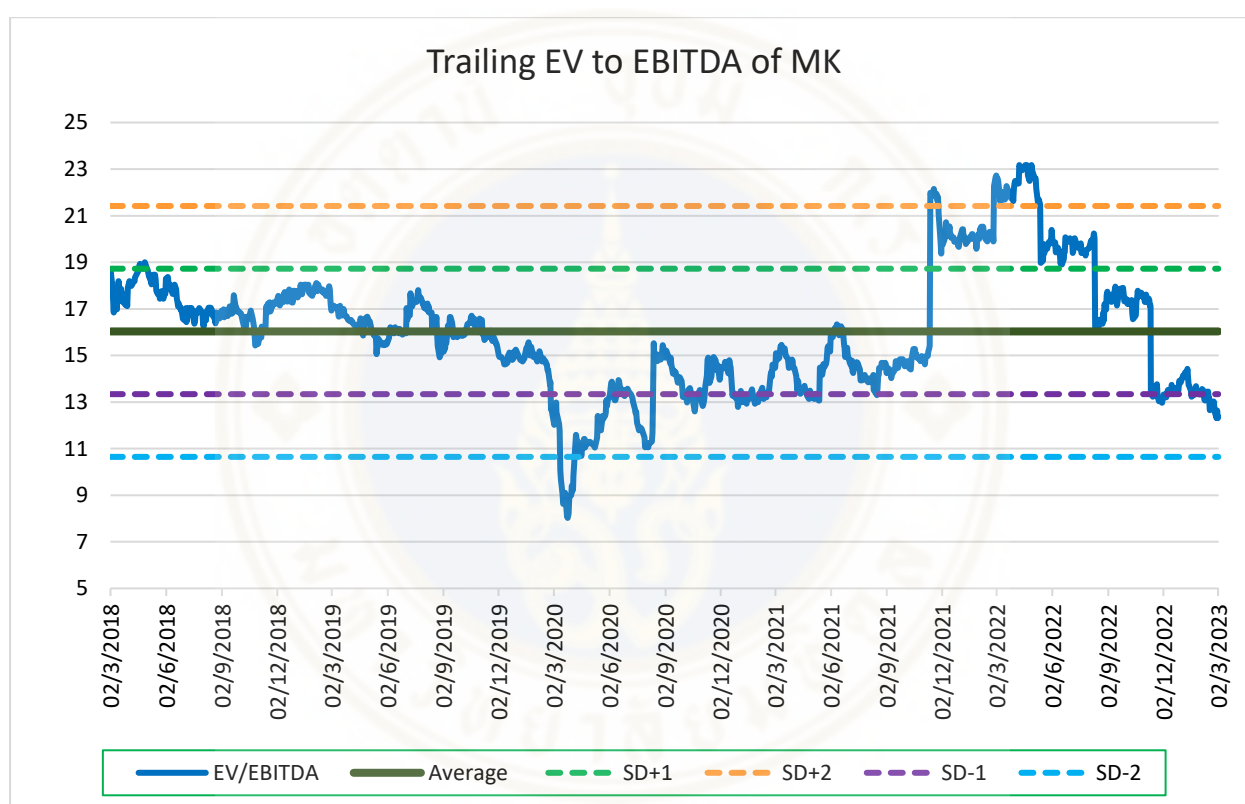
It must be pointed out that the trailing P/BV and the forward P/BV of MK are not so different from each other. It is probably because the forecasted book value per share and the historical book value per share do not vary that much. Before the COVID years, MK's forward P/BV ran between SD+1 (4.64) and SD+2 (5.24) and most dropped to the range between SD-1 (3.44) and average (4.04) after that.

The current forward P/BV as of 2<sup>nd</sup> March 2023 is 3.60 which is a little bit under the average of 4.04. The target price of 2023 calculated is 61.33 baht, having an upside potential of 12.01% compared to the current price of 54.75 baht.

## 6) Trailing EV/EBITDA Band

Enterprise Value (EV) is a measure of a company's value which could be obtained by summing market capitalization and net debt together and deducted by cash and cash equivalents. EV to EBITDA ratio is often used to analyze whether the price of a firm is expensive or cheap. It is said that the lower the EV to EBITDA, the cheaper. The trailing EV to EBITDA is calculated by dividing the current EV by the historical EBITDA.

**Figure 4.9 Trailing EV/EBITDA of MK**



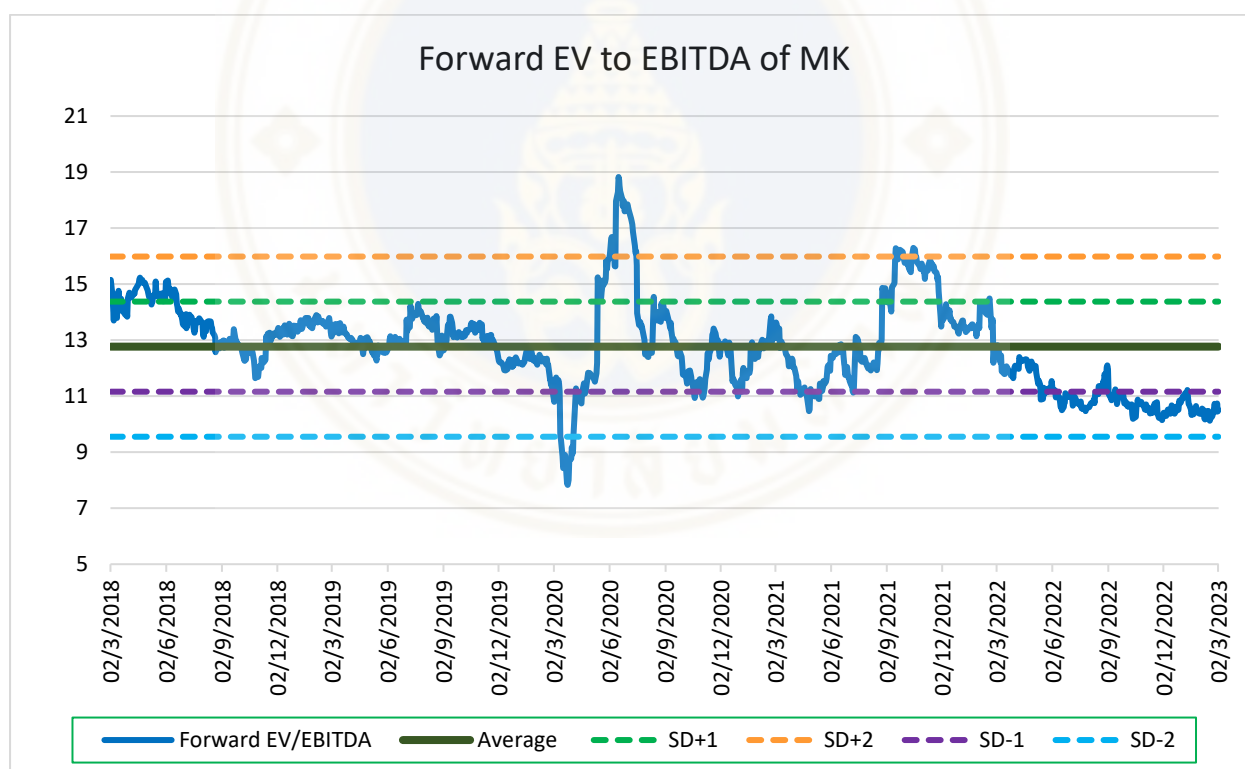
Before the pandemic, the trailing EV to EBITDA of MK was in the range of the average line (16.03) to SD+1 (18.72). As same as P/BV and forward P/BV, trailing EV to EBITDA fell from 15 to 8 in the beginning of 2020 due to the enterprise value which decreased because of the stock's price that went down. After that, the price gradually increases from below SD-2 (10.65) to the average (16.03). Nevertheless, we can see another significant spike during the end of 2021 which occurred due to the EBITDA's shrink of the third wave COVID-19. The price of the stock, however, did not fall that much compared to the first wave which people panicked more. Later on, the EBITDA of MK gradually returns to normal because of the recovery, making the trailing EV to EBITDA to go back to SD-1 line.

The current trailing EV to EBITDA of MK is 12.36 which is slightly below the SD-1 (13.34). The target price was calculated by finding the target EV obtained by multiplying FY0 EBITDA by the 5-year EV/EBITDA average. After that, dividing the target EV which is deducted by debt FY01 and added cash FY0, by the number of shares FY0. The result shows that the current price (54.75) is undervalued as the 2023 target price of this band is 63.97 baht with an upside potential of 16.84%.

### 7) Forward EV/EBITDA Band

Forward EV to EBITDA is calculated by dividing the current EV by the projected EBITDA. The figure of the forward EV to EBITDA of MK is as below.

**Figure 4.10 Forward EV/EBITDA of MK**



As same as trailing EV to EBITDA, most of the EV to EBITDA of MK from 2018 to 2019 is in between the average (12.77) to SD+1(14.37). It fell to 7.9 in the beginning of the pandemic outbreak, but went up to 18.5 in the middle of 2020 because of the declining

EBITDA. After that, from 2022 to 2023, EV to EBITDA of MK gradually decreased to the range between SD-1 (11.16) and SD-2 (9.55) due to the recovery.

The current forward EV to EBITDA as of 2<sup>nd</sup> March 2023 is 10.5, below SD-1 of 11.16. The target price of 2023 calculated is 68.31, having an upside potential of 24.76% compared to the current price of 54.75.

**Table 4.2 Summary of 2023 Target Prices**

Bands Valuation Method (2023)							
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV to EBITDA	Forward EV to EBITDA
<b>Target Price</b>	137.18	56.58	59.92	60.37	61.33	63.97	68.31
<b>Upside/Downside Potential</b>	150.56%	3.35%	9.45%	10.27%	12.01%	16.84%	24.76%

### *Sensitivity Analysis*

Apart from the target prices of 2023 which were mentioned in the previous section, in this sensitivity analysis part, the target prices of 2024 based on the expected Earning per Shares, Book Value, and EBITDA with +20 and -20 percent sensitivities would also be provided for the sake of the comparisons and better overview of the expected price possibilities.

**Table 4.3 Sensitivity Analysis**

Bands Valuation Method (2024 forecasted)							
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV/EBITDA	Forward EV/EBITDA
<b>Target Price</b>	211.05	87.05	68.16	62.73	63.15	80.31	73.51
<b>Upside/Downside Potential</b>	285.48%	59.00%	24.50%	14.58%	15.34%	41.52%	34.27%

Bands Valuation Method (2024 forecasted) + 20% EPS/BV/EBITDA							
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV/EBITDA	Forward EV/EBITDA
<b>Target Price</b>	253.26	104.46	81.79	75.28	75.78	95.40	86.36
<b>Upside/Downside Potential</b>	362.57%	90.80%	49.40%	37.49%	38.40%	74.25%	57.74%

Bands Valuation Method (2024 forecasted) - 20% EPS/BV/EBITDA							
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV/EBITDA	Forward EV/EBITDA
<b>Target Price</b>	168.8392	69.64	54.53	50.18	50.52	65.23	60.66
<b>Upside/Downside Potential</b>	208.38%	27.20%	-0.40%	-8.34%	-7.73%	19.13%	10.79%

Compared to the expected prices of 2023, the tables above illustrate that most of the target prices in 2024 would increase due to the EPS, BV, and EBITDA which are expected to

go up. In the bad case scenario (-20%), the downside potentials of the forward P/E (-0.40%), trailing P/BV (-8.34%), and forward P/BV (-7.73%) appeared consecutively.

### 4.3.2 Peer Group Multiples Valuation

As same as Historical Multiple Bands Valuation, Peer Group Multiples Valuation Method is based on the assumption that there are some patterns which we can use to predict the price. In this case, it is the relation between the different multiples of the target company and its peers in the same industry. Since this method greatly relies on choosing the suitable benchmarks, I tried to choose the firms that either have businesses related to hotpot and Japanese restaurant, or their net income principally derived from the food business. The selected peers include Oishi, ZEN, Hotpot, and Greyhound. The trailing multiples of these companies are as shown below.

**Table 4.4 Peer Group Multiples (Trailing)**

Peer Group Multiples (Trailing)						
Business Name	Stock	Market Capital (M.Baht)	Closing Price (2/3/2023)	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA
MK	M	50,418.18	54.75	35.04	3.75	12.36
Oishi	OISHI	17,531.25	46.75	15.57	2.12	6.66
ZEN	ZEN	32,038.00	16.6	32.36	3.89	9.44
Hotpot	JCK	659.20	0.32	47.15	0.48	38.93
Greyhound	MUD	6,270.80	2.44	106.64	1.17	9.31
Peer Average				50.43	1.91	16.08
Peer Median				39.75	1.65	9.38
Max				106.64	3.89	38.93
Min				15.57	0.48	6.66

In terms of the trailing P/E, the trailing P/E of MK is 35.04, ranking the third among the five companies, but is much higher than the minimum which is Oishi. This implies that the trailing P/E of MK might be moderate or slightly expensive. The two companies which have the highest trailing P/E are Greyhound and Hotpot. This is because of their earnings per share which are relatively low, compared to the other companies.

In terms of the trailing P/BV, the trailing P/BV of MK is 3.75, ranking the second among the selected companies in the same industry. It indicates that the price of M might be relatively expensive in comparison to their book value amidst its peers. The company which has the highest P/BV is ZEN and the lowest one is Hotpot.



In terms of the trailing EV/EBITDA, the trailing EV to EBITDA of MK is 12.36, ranking the second among the five companies. This might suggest that the value of MK might be expensive in comparison to the EBITDA that the company can generate. The firm which ranks the first in this category is Hotpot (38.93) and the lowest one is Oishi (6.66).

In addition to the Peer Group Multiples (Trailing), the forward table was also created. However, due to the lack of forward data of many companies, this table shall not be used for the analysis.

**Table 4.5 Peer Group Multiples (Forward)**

Peer Group Multiples (Forward)						
Business Name	Stock	Market Capital (M.Baht)	Closing Price (2/3/2023)	Forward P/E	Forward P/BV	Forward EV/EBITDA
MK	M	54,085.96	54.75	22.34	3.61	10.50
Oishi	OISHI	17,437.50	46.75	-	-	-
ZEN	ZEN	5,188.50	16.6	24.22	3.76	8.39
Hotpot	JCK	302.90	0.32	-	-	-
Greyhound	MUD	2,721.65	2.44	-	-	-
Peer Average				24.22	3.76	8.39
Peer Median				24.22	3.76	8.39
Max				24.22	3.76	8.39
Min				24.22	3.76	8.39

**Table 4.6 Expected Prices Based on Peer Group Multiples (Trailing)**

Expected Price (Trailing)			
M (2022)			
EPS	1.56		
BV per share	14.60		
EBITDA (M THB)	3828.06		
Cash (M THB)	630.36		
Debt (M THB)	3094.36		
Number of shares	920.88		
	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA
Multiple (MAX)	106.64	3.89	38.93
Multiple (Average)	50.43	1.91	16.08
Multiple (Median)	39.75	1.65	9.38
Multiple (MIN)	15.57	0.48	6.66
Expected Price (MAX)	166.36	56.77	159.14
Expected Price (Average)	78.67	27.95	64.19
Expected Price (Median)	62.01	24.02	36.30
Expected Price (MIN)	24.29	6.97	25.02
Upside/Downside Potential			
Expected Price (MAX)	203.86%	3.69%	190.67%
Expected Price (Average)	43.69%	-48.96%	17.24%
Expected Price (Median)	13.27%	-56.13%	-33.70%
Expected Price (MIN)	-55.64%	-87.27%	-54.30%

The table above illustrates the results of the expected price calculated by using the Earning per Share, Book Value per Share, Cash, Debt, and Number of Shares of MK and the maximum, average, median, and minimum multiples of peers.

Amongst the expected prices in the table above, the numbers of the expected price (median) seem to be close to the reality and is appealing to use. Median, most of the time, is said to be better than the average in peer group valuation. As a result, expected price (median) will be included in the summary of the target prices and selection section of this paper.

### 1) Peer Group Financial Ratios

Peer Group Financial Ratios are used as additional information to analyze the business situation of the company and its peers in different aspects. The table helps us to decide whether the current and the expected prices calculated are overvalued or undervalued in comparison to its business fundamentals such as profitability, growth, and debt. The stock which has good foundations tend to be more expensive.

**Table 4.7 Peer Group Financial Ratios**

2022												
Business Name	Stock	Number of Outstanding Shares (M)	Price (2/3/2023)	Market Capital	BETA (5Y)	ROE (%)	D/A Ratio	D/E Ratio	Payout Ratio	Net Profit Margin	Compound EPS Growth (2018-2022)	
MK	M	920.88	54.75	50,418.18	0.96	10.61%	0.31	0.45	0.83	9.20%	-10.98%	
Oishi	OISHI	375	46.75	17,531.25	0.97	15.88%	0.49	0.32	0.53	9.44%	-10.03%	
ZEN	ZEN	1,930	16.6	32,038.00	1.67	13.76%	0.52	1.1	-	5.10%	-7.90%	
Hotpot	JCK	2,060	0.32	659.20	1.14	-300.11%	0.94	16.26	-	-44.44%	1.61%	
Greyhound	MUD	2,570	2.44	6,270.80	0.61	0.17%	0.59	1.47	-	0.12%	-214.87%	
Average		1571.18	24.17	21383.49	1.07	-0.52	0.57	3.92	0.68	-0.04	-0.48	
Median		1930.00	16.60	17531.25	0.97	0.11	0.52	1.10	0.68	0.05	-0.10	
Max		2570.00	54.75	50418.18	1.67	0.16	0.94	16.26	0.83	0.09	0.02	
Min		375.00	0.32	659.20	0.61	-3.00	0.31	0.32	0.53	-0.44	-2.15	

1. The market capital of MK is the largest among its peers. Generally, it is good for a company to have a large market capital because the price tends to be more stable and it tends to have less risks. Nevertheless, it must be pointed out that the percentage of MK's free float is merely 29.54%, meaning that the majority of the shares belong to a small number of shareholders. Therefore, the price may shift by the decision of a group of few people.

2. The beta of MK is 0.96, ranking the third in the table. Since it is very close to 1, it could be interpreted that stock M has a low risk in the sense that it tends to move in the same direction with the market.

3. The ROE of MK is 10.61%, ranking the fourth on the list. However, the ROE of Oishi and ZEN do not differ from MK's that much. The worst one is Hotpot which has a negative ROE of -300.11% due to the negative net income.

4. The Debt to Asset ratio of MK is 0.31 ranking the first among its peers. Its Debt to Equity ratio is 0.45, ranking the second. Both ratios indicate that the debt of MK is very low which is due to the fact that MK's financial policy is quite conservative. Not only MK, Oishi seems to have a low debt based on their debt ratio and D/E ratio as well.

5. There are only two companies which their payout ratio is available – MK and Oishi. The payout ratio of M is 0.83 which is relatively high.

6. The net profit margin of MK is 9.2%, ranking the second, but not so different from Oishi. The ratio implies that MK and Oishi are quite decent in terms of controlling their costs.

7. The compound EPS growth of MK is -10.98%. Most of the other companies also have a negative EPS growth as a result of COVID-19. Actually, if we look year by year, the company which has the best EPS is Oishi, thanks to their beverage business sector.

To sum up, in terms of the business basis, it seems like MK has been doing fairly good in comparison to its peers. MK has a large market capital, beta that is close to 1, very low debts, and is able to control their costs. Nevertheless, it must be noted that MK also has relatively low free float which is exposed to the risk of price manipulation.

## **2) Summary of the Target Prices and Selection**

In this section, the summary tables of each target price of both Historical Multiple Bands Valuation and Peer Group Multiples Valuation that were calculated would be provided for comparison. I am also going to discuss about the multiple that I prefer. After that, the significant target prices will be selected. It is noted that I exclude the trailing P/E with outliers for all average target price in every table below because I believe that it would cause the mean to be higher than it should be.

**Table 4.8 Summary of the Target Prices**

Bands Valuation Method (2023)									Current Price = 54.75
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV to EBITDA	Forward EV to EBITDA	Average Multiples	(Exclude P/E with outliers)
Target Price	137.18	56.58	59.92	60.37	61.33	63.97	68.31	61.75	
Upside/Downside Potential	150.56%	3.35%	9.45%	10.27%	12.01%	16.84%	24.76%	12.78%	

Bands Valuation Method (2024 forecasted)									(Exclude P/E with outliers)
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV/EBITDA	Forward EV/EBITDA	Average Multiples	
Target Price	211.05	87.05	68.16	62.73	63.15	80.31	73.51	72.49	
Upside/Downside Potential	285.48%	59.00%	24.50%	14.58%	15.34%	41.52%	34.27%	32.39%	

Bands Valuation Method (2024 forecasted) + 20% EPS/BV/EBITDA									(Exclude P/E with outliers)
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV/EBITDA	Forward EV/EBITDA	Average Multiples	
Target Price	253.26	104.46	81.79	75.28	75.78	95.40	86.36	86.51	
Upside/Downside Potential	362.57%	90.80%	49.40%	37.49%	38.40%	74.25%	57.74%	58.01%	

Bands Valuation Method (2024 forecasted) - 20% EPS/BV/EBITDA									(Exclude P/E with outliers)
	Trailing P/E	Trailing P/E (Outliers Excluded)	Forward P/E	Trailing P/BV	Forward P/BV	EV/EBITDA	Forward EV/EBITDA	Average Multiples	
Target Price	168.8392	69.64	54.53	50.18	50.52	65.23	60.66	58.46	
Upside/Downside Potential	208.38%	27.20%	-0.40%	-8.34%	-7.73%	19.13%	10.79%	6.78%	

Peer Group Valuation Method 2023 (Median)				
	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA	Average Multiples
Target Price	62.01	24.02	36.30	40.78
Upside/Downside Potential	13.27%	-56.13%	-33.70%	-25.52%

### Multiple Selection

Among all the available choices, I believe that P/E is the most appropriate option for calculating the target price of MK because of the following reasons.

- MK is in the food industry which the price of the stock is hugely influenced by the earnings of the company.
- MK's earnings is positive, thus, the use of P/E is valid.
- MK has exceptionally low debts which can help us, to a certain extent, be certain that the proportion of the net income generated is truly high without noises from the liabilities.
- I do not choose P/BV and EV/EBITDA because there is no use to do so. MK is not a manufacturing company or a bank which has high tangible assets. Plus, their debts are quite low and they have no significant business activity that would lead to high amortization and depreciation.

### Trailing or Forward Selection

- Regarding the selection of trailing and forward, I believe that trailing P/E is a better than forward P/E in the sense that trailing P/E is based on the actual performance statistics, while the forward P/E is based on the performance estimates. Despite the fact that historical data might not perfectly predict the future, the estimates of P/E also rely on the historical data and the analysts, just like us, also do not know exactly what is going to happen in the future. Therefore, trailing P/E is chosen.

For all the reasons above, there are three target prices that I think are reasonable and would like to focus on.

1. The trailing P/E (outliers excluded) of Bands Valuation Method (2023) in the first table which has the target price of 56.58 baht with an upside potential of 3.35%

- This target price is very similar to the current price of 54.75 baht. It might imply that the market is quite efficient, valuing the stock at the price which they think it should be.

2. The average target price of all multiples (outliers excluded) of Bands Valuation Method (2023) in the first table which has the target price of 61.75 baht with an upside potential of 12.78%

- As the target prices calculated in the first table are in between 55 baht to 70 baht. I think that the average target price of all multiples is a significant one that we should pay attention to. The upside potential of 12.78% is still relatively low.

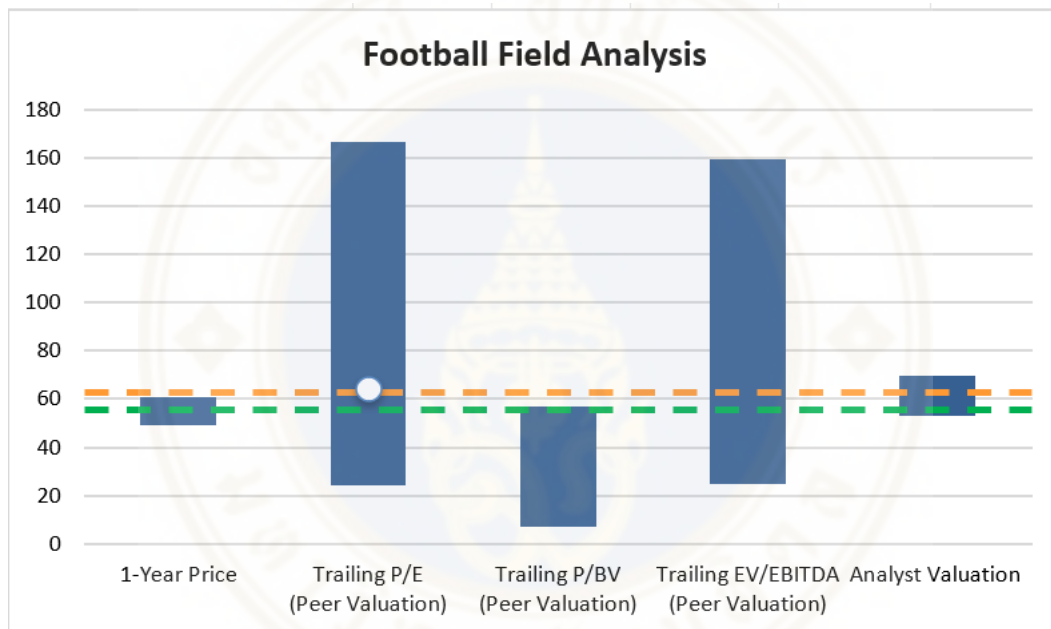
3. The trailing P/E multiple of the Peer Group Valuation Method (2023) which has the target price of 62.01 baht with an upside potential of 13.27%.




- This target price is very similar to the upper one (61.75), despite the fact that they both used different methods in calculation. Therefore, I believe that the approximation of 62 baht is quite appealing to be used as a target price.

### 3) Football Field Analysis

The bar graph below was created for comparing the maximum and minimum prices of M’s 1-year history, Trailing P/E (Peer valuation), Trailing P/BV (Peer valuation), Trailing EV/EBITDA (Peer valuation), and Analysts Valuation. In addition to this, the white circle, the green line, and the yellow line were also provided to illustrate the prices of Trailing P/E (Peer Valuation)’s median, Average multiples – outliers excluded (2023 band valuation), and the current price of stock M respectively.

**Figure 4.11 Football Field Analysis**



	62.01 : Median of Trailing P/E (2023 Peer Valuation)
	61.75 : Target Price of Average Multiples - Outliers Excluded (2023 Band Valuation)
	54.75 : Current Price of Stock M

**Table 4.9 Target Prices of Different Brokers**

Broker	Date Updated	Target price
YUANTA	13/03/2023	68.50
KS	3/3/2023	58.20
FSSIA	27/02/2023	66.00
CNS	27/02/2023	59.00
PI	27/02/2023	64.00
CGS-CIMB	24/02/2023	63.50
ASPS	24/02/2023	65.00
BLS	24/02/2023	53.00
MST	10/01/2023	69.40

Based on the football field analysis, it can be observed that the median of trailing P/E - peer valuation (62.01) and the target price of average multiples - band valuation (61.75) aligned with one another and is in range that the analysts estimated which has the minimum of 53.00 baht and the maximum of 69.40 baht.

#### 4.3.3 Valuation Recommendation

Based on the relative valuation method which uses both Historical Multiple Bands Valuation and Peer Group Valuation Approaches, it seems like the reasonable target prices obtained are not so different from the current price of 54.75, ranging between 56 to 62. The main reason might be due to the fact that the market is quite efficient. Consequently, I think that it is not necessary to recommend purchasing the stock M right now. The recommendation is to 'HOLD'. It is, however, noted that buying this stock is also not a totally wrong decision, provided that we consider it from the business health aspect which is reflected through the company's strong financial ratios and the earning which might increase because of the growing number of tourists in the future. 'M' is still a very interesting stock in a long run.

## **CHAPTER V**

### **INVESTMENT RISKS**

The company's business is exposed to various risks. The following risks are possibilities that may adversely affect the Company's business, financial position and performance in a material matter.

#### **5.1 Competitor Risk**

Due to the fact that the demand for eating and socializing in restaurants increases along with the growing number of the new middle class and owing to the fact that food business has low barriers of entry in comparison to other industry sectors, the success of MK greatly depends upon their ability to stand out from the competitors and to hold on their market share. In the competitor analysis section of this report, the firms that were selected were composed of Suki Teenoi, Hai Di Lao, Mo-Mo Paradise for the non-listed companies and Oishi, Hot Pot buffet, ZEN, and Greyhound for the listed companies. Among the names mentioned, the restaurant which MK should pay attention to is 'Suki Teenoi'. Although the company was established four years ago, their success in terms of the branding strategy is extremely remarkable.

The following are the reasons which explain why this company could become a significant 'risk' for MK in the future. First, the business model of Suki Teenoi is becoming more and more like MK. They are expanding their branches to other provinces in Thailand and aiming to become a listed company within a few years. Second, Suki Teenoi is very appealing to the teenagers and the people who work late at night because they operate from 12 a.m. to 5 a.m. Third, the price (276 baht) is cheaper than MK and some people might think that it is more worthwhile for the reason that Suki Teenoi is a buffet restaurant. Fourth, the net income of Suki Teenoi keeps increasing every year. In 2021, the pandemic even caused the net income of MK (131 million baht) to be lower than Suki Teenoi (148 million baht), in spite of MK's greater number of branches (Spotlight, 2022). Fifth, because Suki Teenoi is quite new to the market, it is popular to the point that, at some branches, customers have to wait for a few hours to dine in.

In order to minimize this particular risk, it might be necessary for MK to maintain and focus on their strong point which is creativity. It is evident that MK has been doing quite good



in terms of putting innovative ideas into practice, such as, serving robot, and a welcoming dance. Nevertheless, since the potential rival has appeared in the market, it is inevitable for them to enhance their brand and services with new creative approaches that are on-point and appealing to people of all age ranges.

## 5.2 Liability Risk

**Table 5.1 Total Liabilities of MK**

Unit in Million

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Liabilities</b>	2,482	2,197	2,124	2,265	2,454	2,997	3,314	6,506	6,059	6,135

From 2013 to 2018, the total liabilities of MK were in between two thousand million and three thousand million. After the pandemic broke out in 2019, the total liabilities jumped from three thousand million to six thousand million in one year. Although the debt increased in a large amount, the 2022 Debt to Asset and Debt to Equity proportion of this company are still relatively low, having the ratios of 0.31 and 0.45 respectively. Based on the history, MK was quite conservative and did not prefer debt financing. They tended to pay off their debts when they had enough financial flexibility. Consequently, investors might not need to worry about this category of risk that much.

## 5.3 Volatility of Raw Material Prices Risk

The Company's most important item is costs of food as it accounts for 31-36 percent of the total revenues from sales and services. The majority of the Company's raw materials are fresh produce, with market prices and quantities fluctuating at any time based on demand and supply and could be impacted by unfavorable weather, natural disasters, or contagious diseases in animals or plants, which are all beyond the Company's control. As an outcome of these negative factors, the Company is required to purchase raw materials at higher prices and in greater quantities than planned.

Furthermore, changes in raw material prices will materially and adversely affect the Company's performance if the Company is unable to increase its sales prices to compensate for the rise, or if the Company could only partially compensate for the rise due to intense

competition or weakening purchasing power. This may result in a negative impact on the Company's performance in the long run.

#### **5.4 Additional Staff Costs Risk**

The second most important cost of the Company is costs of employee. The restaurant business is a labor-intensive industry which depends very much on employees especially service staff who will make customers satisfy through their services. As a result, changes in staff costs will materially and adversely affect the Company's performance if the Company is unable to increase its sales prices to compensate for the rise, or if the Company could only partially compensate for the rise due to intense competition or weakening purchasing power. This may result in a negative impact on the Company's performance in the long run.

#### **5.5 New Branch Opening Risk**

To consistently support the Company's growth, opening new branches is an essential component of accomplishing the goal. However, operating a new branch for design, construction, merchandise and electricity system, furniture, kitchen equipment, and other office equipment costs between 8 and 10 million Baht. Furthermore, the areas of newly-opened branches may overlap with existing branches located nearby, leading to an impact on the Company's sales and performance in a long run. Therefore, the Company is vulnerable to the risk that its new branch may not accomplish its target sales, resulting in an unsatisfactory investment return and payback period.

## CHAPTER VI

### CONCLUSIONS

#### 6.1 Investment Recommendation

The objective of this report is to find out if the price of stock 'M' on 2<sup>nd</sup> March 2023 [54.75] baht is overvalued or undervalued by using Historical Multiple Bands and Peer Group Multiples Methods. As for Historical Multiple Bands, it was found that there were some extremes which occurred due to the pandemic. Thus, another outlier-excluded P/E Band series was created. As for Peer Group Multiples Valuation, the forward multiples table was not used due to the lack of information for several stocks. Of all the target prices that were calculated, the three prices which I believed are reasonable include ① [56.58] baht of the trailing P/E (outliers excluded) of Bands Valuation Method (2023) which is very close to the current price of 54.75 – It might be because the market is efficient. ② [61.75] baht of the average target price of all multiples (outliers excluded) of Bands Valuation Method (2023) which is very close to ③ [62.01] baht of the trailing P/E multiple of the Peer Group Valuation Method (2023). In addition to this, it can be observed in the football field analysis section that the approximate price of 62 baht is within the range that the analysts have estimated.

With all the factors stated, my recommendation is to 'HOLD'. The price of 56.58 might indicate that the market is valuing the stock at the price it should be. Moreover, the upside potential of 61.75 and 62.01 are merely approximately 13% which is not high enough. Nevertheless, as mentioned in the recommendation section above, it is not a wrong decision to buy this stock provided one wishes to invest in a long-term period. The business health reflected through the financial ratios could be considered satisfactory enough.

## 6.2 Trigger for Reassessment

As MK is in the food industry which the stock price is hugely influenced by the earnings of the company, the significant trigger for the reassessment lies in the earnings of the firm. Provided that the net income of MK is better than expected, the EPS of MK would go up accordingly, resulting in a higher P/E target price. This kind of price increase is driven by the real income growth of a company. The table below is the last five years net income and the expected 2023 net income of MK based on Refinitiv.

**Table 6.1 Net Income of MK**

	Unit in Million					
Year	2018	2019	2020	2021	2022	2023F
<b>Net Income</b>	2,573	2,603	907	131	1,438	1,988

It can be observed that the expected net income of this year (1,988 million baht) is still less than 2019's (2,603 million baht) when its earning had not yet been impacted by the pandemic. Nevertheless, if MK is able to retrieve the amount of net income which they used to obtain in 2019 within this year, I believe that the stock price may have potential to go higher than the three prices selected in this report. Provided that the upside potential is high enough, the recommendation might be changed to 'BUY'.

One of the conditions which I think MK could satisfy to achieve this, are to put more effort on attracting the customers to visit their restaurant between morning and afternoon on workdays, as most MK restaurants are particularly crowded in the evening. The target customers of the MK during this period of day could be students, office people, and tourists.

## 6.3 Limitations

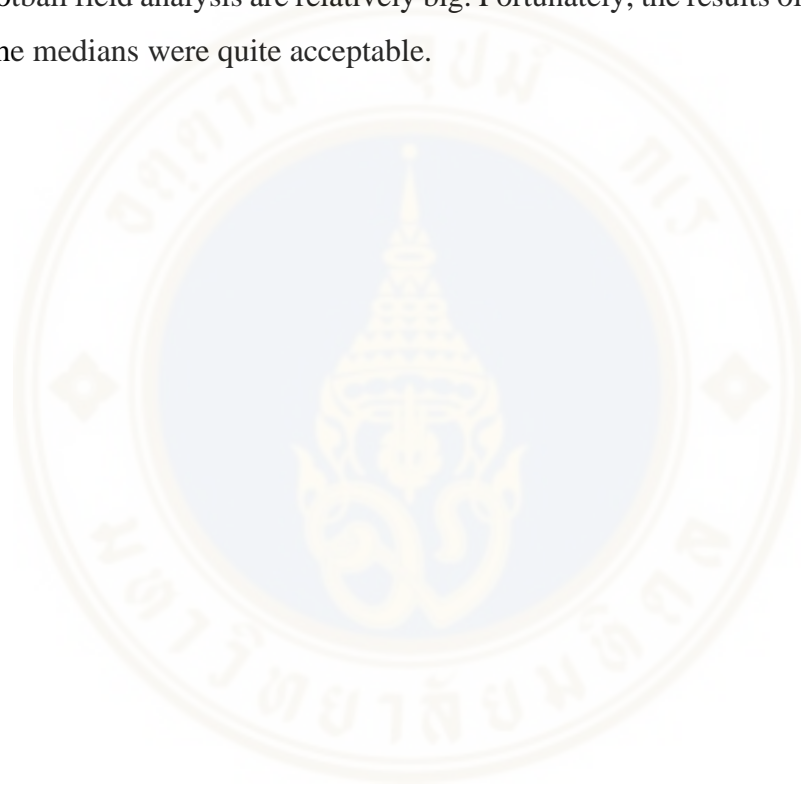
The following are the limitations which I encountered while conducting the analysis which should be clearly stated for one's consideration.

1. Since the outliers of the P/E between 12th November 2021 to 10th August 2022 were eliminated in Graph 2, there might be some minor differences occurred. However, owing to the fact that the gap of the trailing P/E of the dates before and after the outliers occurred,

11th November 2021 (56.25) and 11th August 2022 (58.38), are not so big, I believe that the data is still considerably reliable.

2. The target prices of the forward Peer Group Multiple valuation were not calculated due to the lack of Oishi, Hotpot Buffet, and Greyhound's forward multiple data.

3. The peers differ a lot in terms of their business performance, causing the minimum and maximum target prices of the Trailing P/E, Trailing P/BV, and Trailing EV/EBITDA to be different from each other. As a consequence, the range of the Peer Group Multiples Valuation prices in the football field analysis are relatively big. Fortunately, the results of the target prices calculated by the medians were quite acceptable.



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