

**DISCOUNTED CASH FLOW VALUATION
OF OISHI GROUP**



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OF OISHI GROUP**

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DISCOUNTED CASH FLOW VALUATION OF OISHI GROUP

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M.M. (CORPORATE FINANCE)

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ABSTRACT

The purpose of this thematic paper is to estimate the share value of Oishi Group Public Company Limited (OISHI) by using the discounted cash flow valuation method (DCF), which represents the concept that a company's stock price should reflect its intrinsic value in terms of estimated cash flow, growth, and risk. After the COVID-19 pandemic, OISHI's sales recovered to normal and are expected to consistently grow in the same direction as nominal GDP growth. According to the DCF analysis, the estimated share value of OISHI is 55.8 baht per share, which is 20.01% higher than the latest stock price as of March 10, 2023. This suggests that OISHI's intrinsic value is higher than its market price, and at the current price of 46.50 baht, the recommendation is "BUY". However, there is one concern that the imposition of excise sugar taxes might have a significant negative impact on OISHI's sales revenue and profit

KEY WORDS: OISHI/ Valuation/ Discounted Cash Flow Valuation (DCF)/ Food and Beverage

59 pages

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CHAPTER I

INTRODUCTION

Oishi Group Public Company Limited (OISHI) is a Thailand-based food and beverage corporation founded in 2000 by Mr. Tan Passakornnatee. It operates Japanese restaurant chains in Thailand and manufactures tea beverages. In 2004, it was listed on the Stock Exchange of Thailand, and in 2008, it was acquired by ThaiBev. The company's vision is to be the leader and innovator in the Japanese food and beverage business for consumer quality of life and wellness while creating sustainable business growth. Thai Beverage Public Company Limited is the largest shareholder, holding 79.66% of 375,000,000 THB in paid-up registered capital.

OISHI Group Public Company Limited's revenue structure is divided into two business segments which are beverage and food. The beverage business accounts for 60% of total sales and service revenue, while the food business accounts for 40%. OISHI's operating units are mostly located in Thailand, resulting in 90% of total sales and service revenue from Thailand, compared to 10% overseas. The beverage business generates the majority of OISHI's net profit, with a 15.4% net profit margin, while the net profit margin from the food business is 1.4%. I discovered that OISHI's beverage sales will rise in line with a change in nominal GDP growth, and OISHI food sales will grow in line with the new store expansion goal. Thus, I assume the terminal growth rate for OISHI is calculated using the CAGR of sales from 2016 to 2027.

Thus, I estimate the intrinsic value of OISHI by using the discounted cash flow (DCF) valuation method. The estimated share value should be 55.8 baht per share, which is 20.01% higher than the latest stock price as of March 10, 2023. This suggests that OISHI's intrinsic value is higher than its market price, and at the current price of 46.50 baht, the recommendation is "BUY".

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. Table 2.1.1 shows the top ten shareholders and stock holding

proportions. Percent Shares in Minor Shareholders (% Free float) is around 20% of total shareholders.

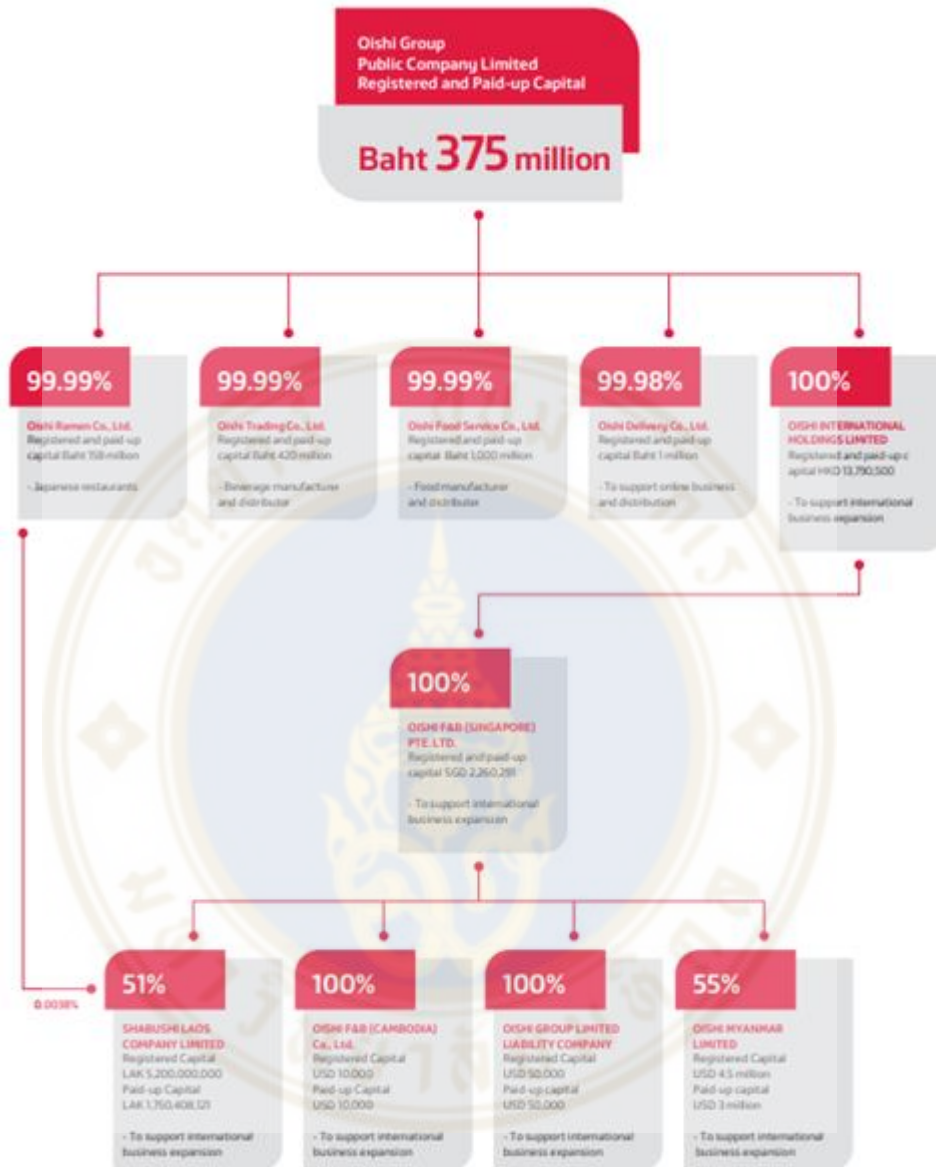
Table 2.1.1 OISHI's Top Ten Shareholders

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. Thaweecat 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 2.1.1, 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 2.1.1 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.

- 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.

- 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.

- 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.



2.2.2 Food Business

- 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.

- 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.



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 2.3.1 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 2.3.1 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
	<i>(in million Baht)</i>			
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 2.3.2, 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 2.3.2 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

- 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*).

- 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.

- 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

- **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.

- **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.

Figure 2.6.1 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	★	Listed co Avg 2020
	2020							
Oishi Group	97	100	99.25	100	99	100	98.5	95.46

Based on Figure 2.6.1, 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*).

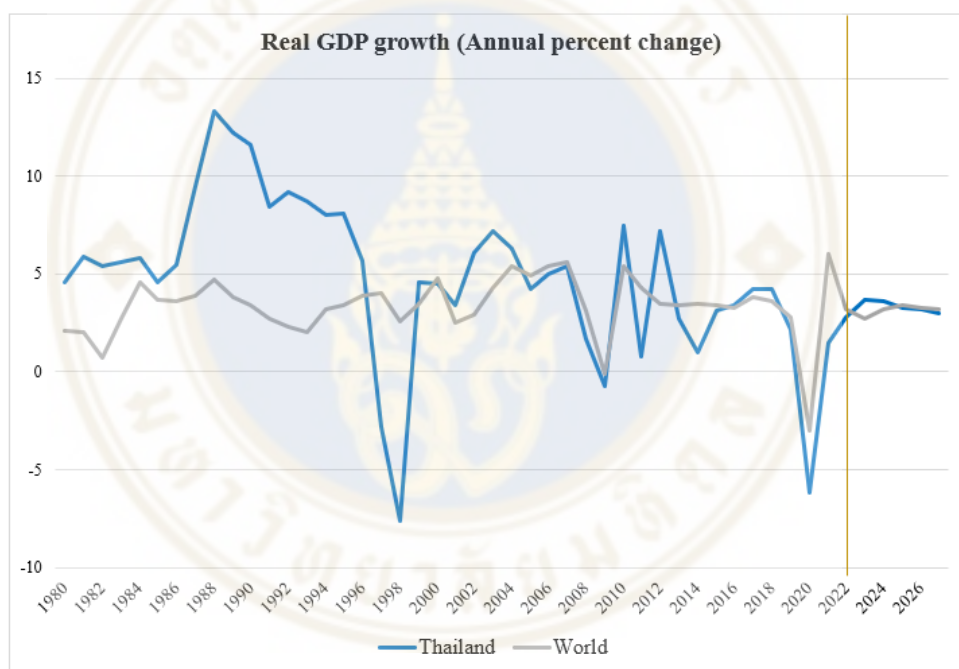
CHAPTER III

MACROECONOMIC, INDUSTRY, AND COMPETITION ANALYSIS

3.1 Macroeconomic Analysis

3.1.1 Global and Thailand GDP Growth

Figure 3.1.1 Real GDP growth of World and Thailand



Real GDP growth	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 3.1.1, 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.

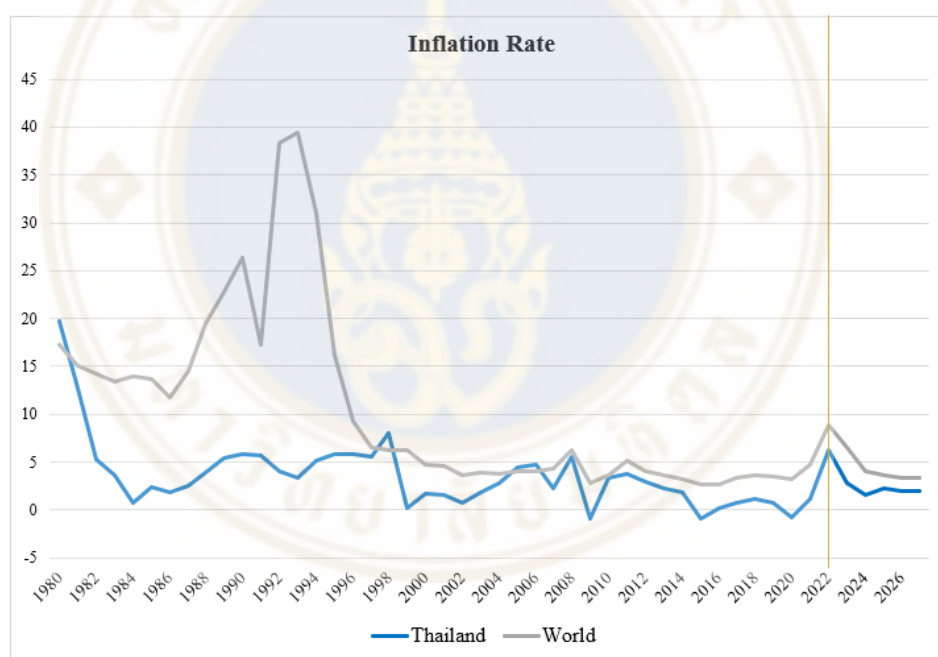
The pandemic also had a negative effect on OISHI's performance. Not only was there a decrease in the number of customers due to the prohibition on cross-border travel and the lockdown, but Oishi restaurants also had to operate within the constraints of service time and the number of dine-in customers. 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 3.1.1, 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 3.1.2 The Inflation Rate of World and Thailand



<u>Inflation Rate</u>	2018	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Thailand	1.1	0.7	-0.8	1.2	6.3	2.8	1.5	2.3	2.0	2.0
World	3.6	3.5	3.2	4.7	8.8	6.5	4.1	3.6	3.4	3.3

*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 3.1.2 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 3.1.3, 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 3.1.3 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 2.3.1. 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 3.2.1 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

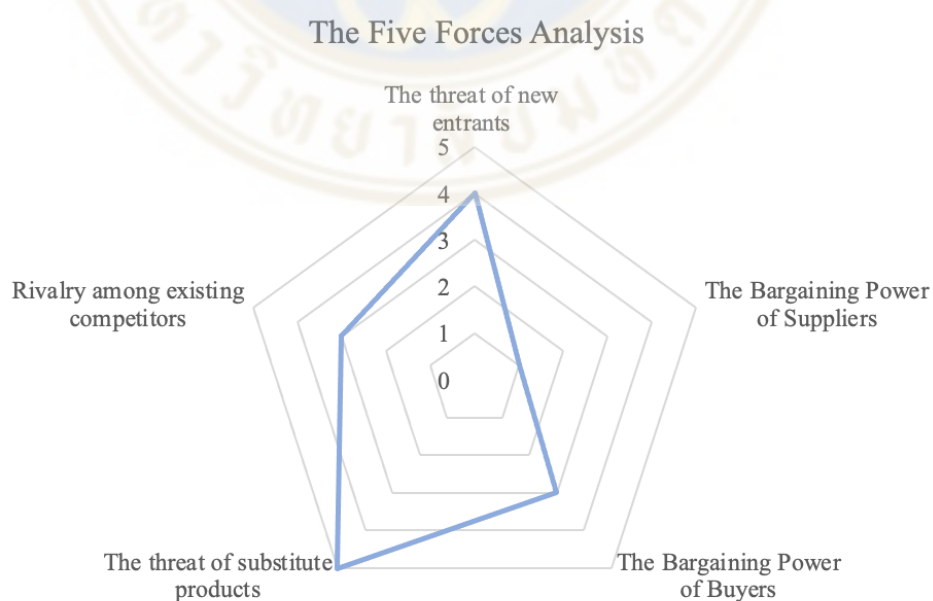
Source: (OISHI Group Annual Report (56-1), 2022, p. 109)

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 3.3.1 The Five Force Analysis



Source: (Analyzed by writer)

1. In Thailand, the food and beverage industries are 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.
2. 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.
3. 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.
4. 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.
5. 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

- 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.

- 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.

- 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.

- 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.

- 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.

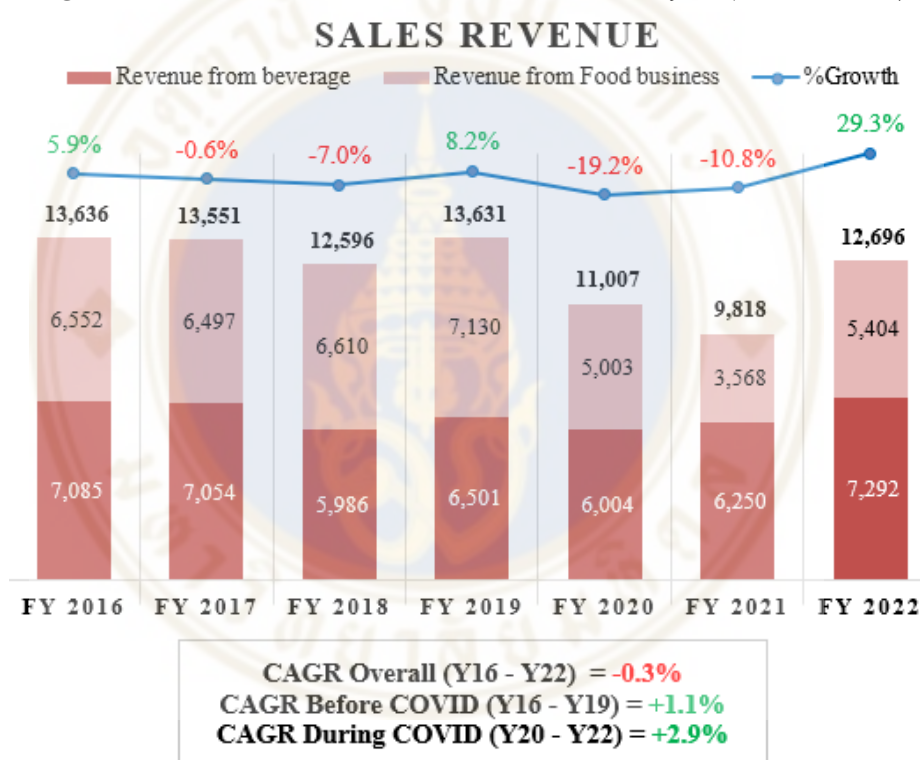
CHAPTER IV VALUATION

4.1 Financial Analysis

4.1.1 Growth Analysis

- Sales Revenue

Figure 4.1.1 OISHI's Sales Revenue Growth Analysis (Million Baht)



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

Figure 4.1.1 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

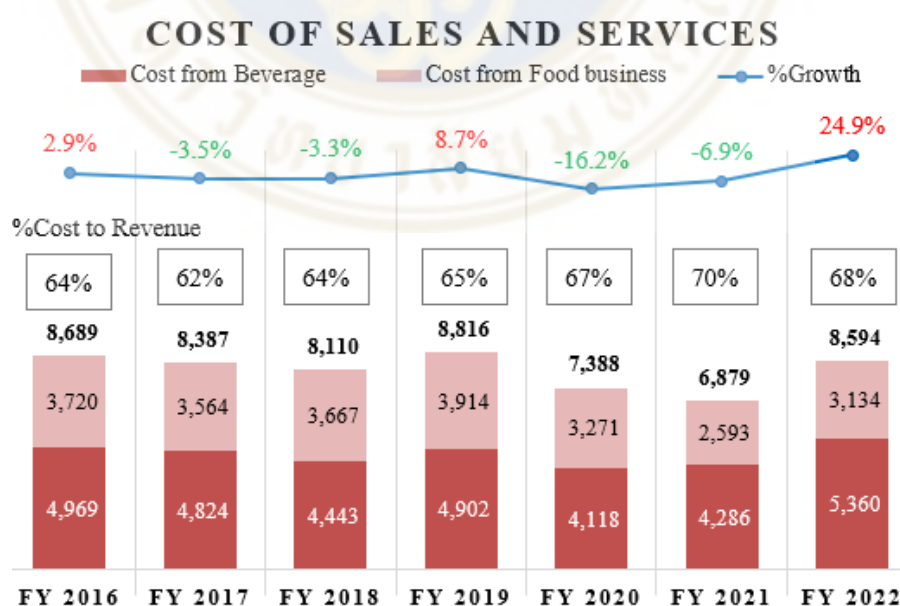
dine-in customers. It was evidenced by large negative growth rates of -19.2% and -10.8% in 2020 and 2021, respectively.

However, if I examine OISHI's sales revenue growth from 2016 to 2019, prior to the pandemic, I 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 I focus on sales revenue growth during COVID from 2020 to 2022, I 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.

- Cost of Sales and Services

Figure 4.1.2 OISHI's Cost of Sales and Services Growth Analysis (Million Baht)



<p>CAGR Overall (Y16 - Y22) = +0.3% CAGR Before COVID (Y16 - Y19) = +0.9% CAGR During COVID (Y20 - Y22) = +3.1%</p>
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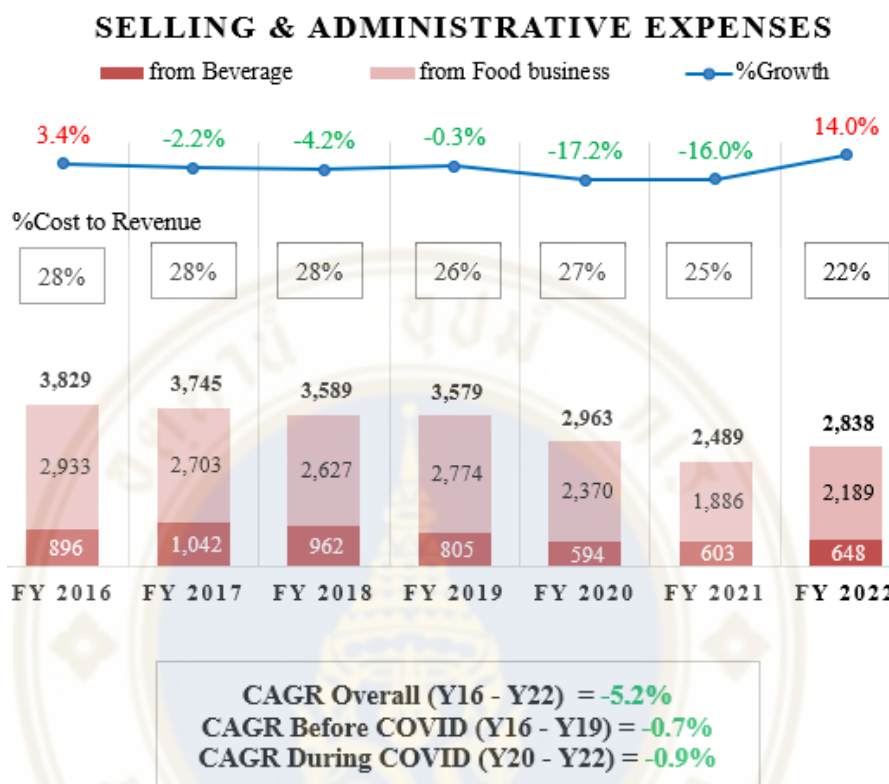
Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

According to figure 4.1.2, 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 I look at the cost-to-revenue ratio, I 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.

- Selling & Administrative expenses

Figure 4.1.3 OISHI's Selling & Administrative expenses Growth Analysis (Million baht)



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

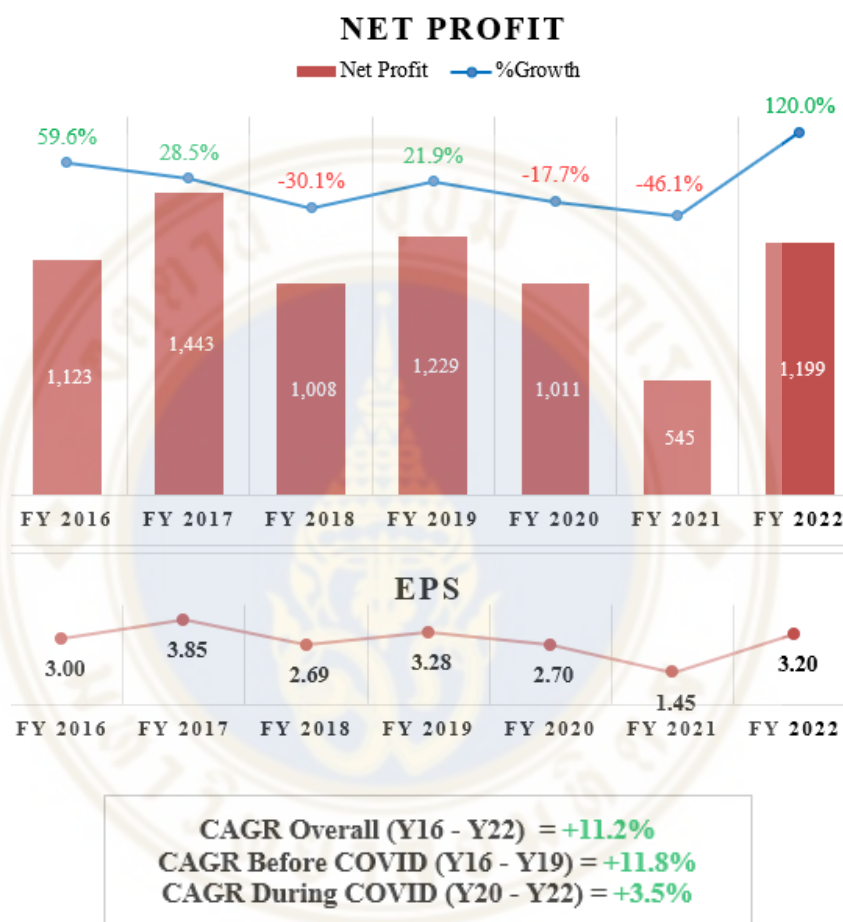
In terms of selling and administrative expense (SG&A), if I eliminate the impact of COVID-19, I discovered that OISHI could continue to control the selling and administrative expense (SG&A) efficiently from 2016 to 2019, showing a %CAGR of -0.7%, but if I look at the CAGR during 2016 to 2022, which decreased 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.

- Net Income and Earnings Per Share (EPS)

Figure 4.1.4 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 4.1.4. The ratio indicates that in 2022 OISHI can improve its performance to recover to nearly the normal situation if I 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.

- Free Cash Flow

Table 4.1.1 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%

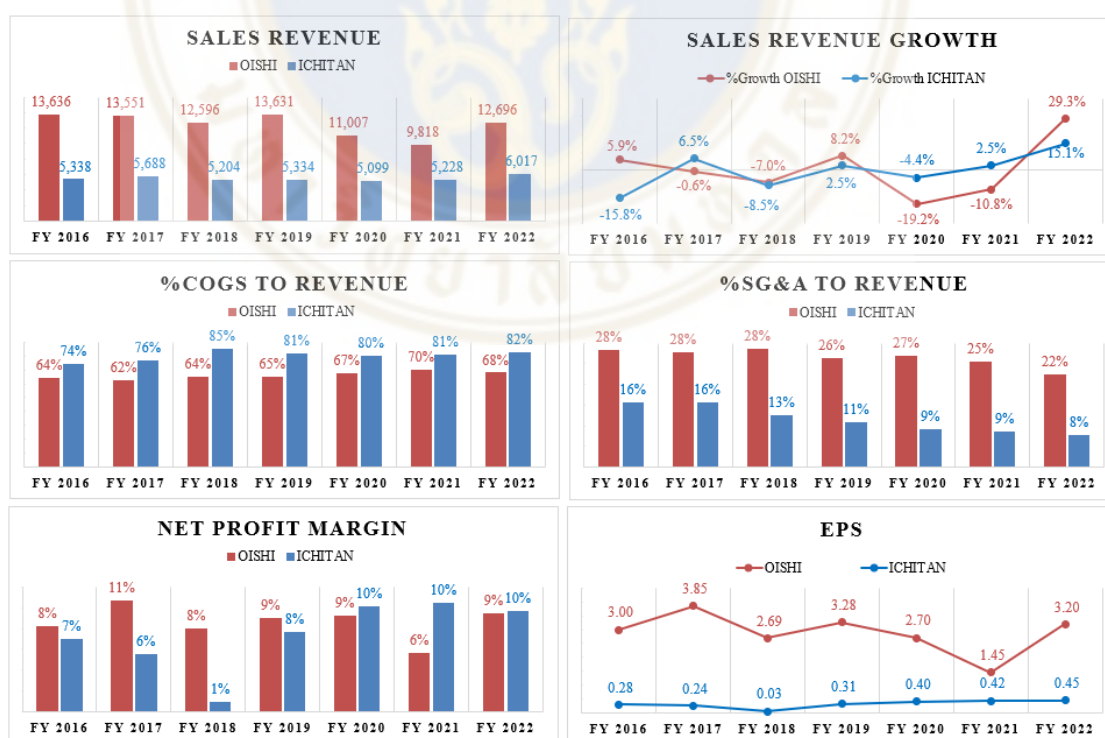
Source: (Financial statements for the year ended, 2016 - 2022, Calculated by Writers)

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 4.1.1, it shows OISHI's free cash flow is still healthy, referring to the +8.8% CAGR from 2016 to 2022. Also, when I compared the company's free cash flow to its interest-bearing debt, I 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.

- Compare to the Main Competitor

Figure 4.1.5 Comparison Analysis (OISHI & ICHITAN)



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

I 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 4.1.5, 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 expenses (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 bahts 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 4.1.6 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 4.1.6, 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 Discounted Cash Flow (DCF) Valuation

4.2.1 Financial Statement Projection

To estimate the fair value of OISHI, I have to estimate key topline that will affect the company's earnings over the next five years (2023–2027). OISHI Group Public Company Limited's (OISHI) revenue structure is divided into two business segments, including the beverage and food segments. The beverage business accounts for roughly 60% of total sales and service revenue, while the food business accounts for 40%. Thus, I estimate key financial items separated into the beverage and food businesses.

4.2.1.1 Revenue and Sales Forecast

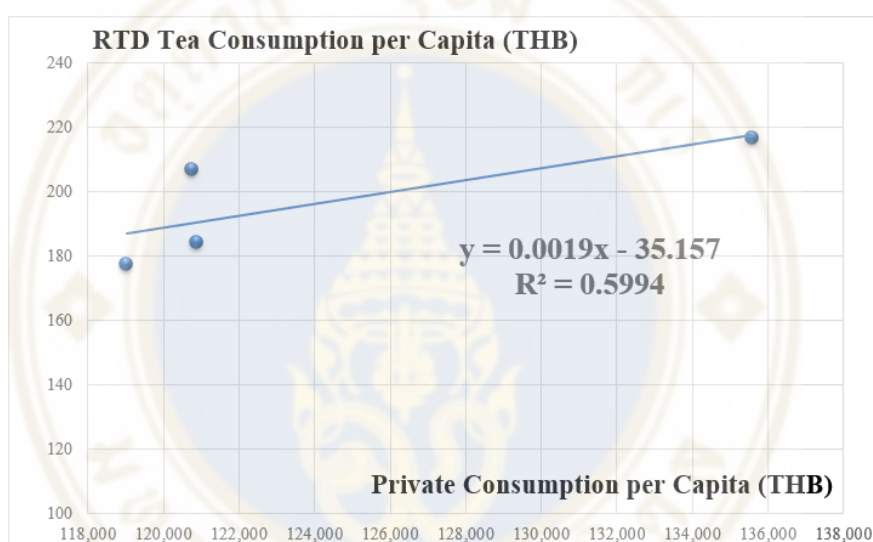
- Beverage Business

As OISHI beverage products are ready-to-drink (RTD) for the tea market, the first assumption for the beverage sales projection is to find the relationship between private consumption and RTD tea consumption by using a linear regression model. Based on the data in Table 4.2.1, I start calculating private consumption per capita in 2016–2022 by using the data from the IMF (*International Monetary Fund (IMF) Statistical Data*, <https://www.imf.org>). Also, I find RTD tea consumption per capita by using the RTD tea market size (*OISHI Group Annual Report (56-1)*), divided by population number. Then I found a linear regression model combining these two factors. However, the R-square, which explains how well the regression model works, is only 0.5994. It means private consumption does not explain much of the change in RTD tea consumption, as shown in figure 4.2.1 below.

Table 4.2.1 Beverage Sales Projection of OISHI (Assumption 1)

<u>Assumption 1</u>	ACT	ACT	ACT	ACT	ACT	ACT	ACT
Beverage Sales Assumption	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Population (Million person)	68.97	69.2	69.4	69.6	69.8	70.0	70.1
Private Consumption (BNTHB)	7,297	7,579	8,005	8,406	8,308	8,455	9,500
Private Consumption per Capita (THB)	105,792	109,503	115,295	120,736	119,025	120,873	135,563
RTD Tea Market Size (MTHB)	16,477	15,335	13,512	14,415	12,379	12,887	15,192
RTD Tea Consumption per Capita (THB)	239	222	195	207	177	184	217

Figure 4.2.1 The Linear Regression Model between Private and RTD Tea Consumption

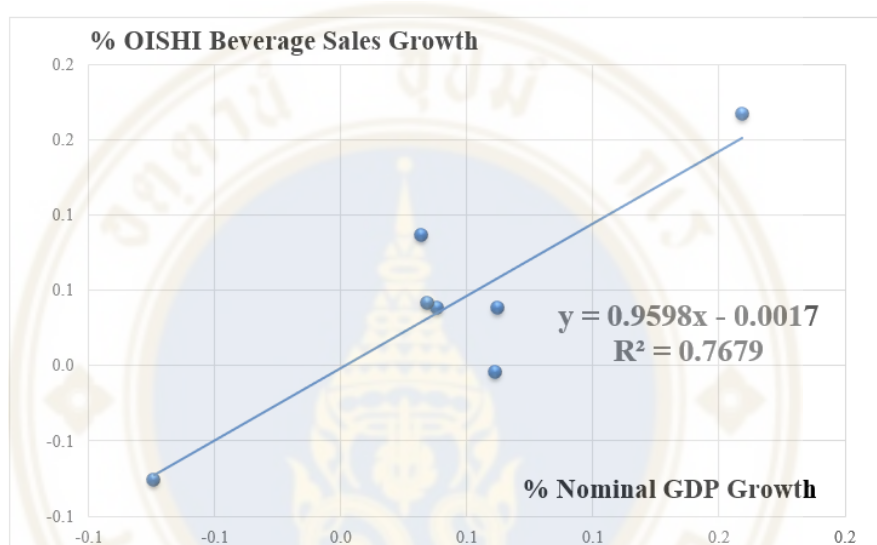


Thus, I find another assumption by using the linear regression model of the relationship between nominal GDP and OISHI beverage sales, as shown in figure 4.2.2 below. I use forecasted nominal GDP by using the data from the IMF (*International Monetary Fund (IMF) Statistical Data*, <https://www.imf.org>). I found that the R-square is 0.7679, or almost 0.8. It means the nominal GDP can explain well the change in OISHI beverage sales. So, I choose assumption 2 and apply the linear regression model to forecast OISHI beverage sales in 2023–2027, as indicated in Table 4.2.2 below. I discover that OISHI's beverage sales will rise 6.1% in 2023, in line with an increase in nominal GDP driven by the economic recovery and continue to rise in accordance with nominal GDP growth from 2024 to 2027.

Table 4.2.2 Beverage Sales Projection of OISHI (Assumption 2)

Assumption 2	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
Beverage Sales Assumption	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Nominal GDP Size (BNTHB)	14,596	15,494	16,367	16,892	15,642	16,179	18,754	19,981	20,562	22,029	23,157	25,196
% Nominal GDP Growth	6.2%	6.2%	5.6%	3.2%	-7.4%	3.4%	15.9%	6.5%	2.9%	7.1%	5.1%	8.8%
OISHI Beverage Sales (MTHB)	7,085	7,054	5,986	6,501	6,004	6,250	7,292	7,738	7,940	8,471	8,872	9,607
% OISHI Beverage Sales Growth	3.8%	-0.4%	-15.1%	8.6%	-7.6%	4.1%	16.7%	6.1%	2.6%	6.7%	4.7%	8.3%

Figure 4.2.2 Linear Regression Model between Nominal GDP and OISHI Beverage Sales



- Food Business

Due to the COVID-19 pandemic, OISHI postponed outlet expansion in 2020, so from 2023 onwards the company set a goal to expand new outlets with a new format outside of shopping malls and expand to other cities outside Bangkok (*OISHI Group Analyst Meeting, Q4/2022, p. 19*). Also, based on Table 4.2.3, I discover that without COVID-19, OISHI would expand its new store by around 10 stores on average. Thus, in 2023–2027, I assume the company expands 10 new stores each year. So, the total number of restaurant outlets at the end of 2023–2027 will be 276, 286, 296, 306, and 316, respectively. Also, as the average sales per store, including new stores and same-store sales, is 22.4 million baht, I can estimate OISHI food sales that will grow in line with the new store expansion goal.

Table 4.2.3 Food Sales Projection of OISHI

<u>Assumption 1</u>	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
<u>Food Sales Assumption</u>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Number of OISHI's Stores	244	242	252	266	270	255	266	276	286	296	306	316
Change in Number of OISHI's Stores	3	-2	10	14	4	-15	11	10	10	10	10	10
Average Sales per Store (MTHB)	26.9	26.8	26.2	26.8	18.5	14.0	20.3	22.4	25.4	26.4	26.4	26.4
OISHI Food Sales (MTHB)	6,552	6,497	6,610	7,130	5,003	3,568	5,404	6,174	7,256	7,806	8,069	8,333
% OISHI Food Sales Growth	8.2%	-0.8%	1.7%	7.9%	-29.8%	-28.7%	51.5%	14.3%	17.5%	7.6%	3.4%	3.3%

4.2.1.2 Expense Forecast

Table 4.2.4 Gross Margin and % Expenses Projection of OISHI

	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
<u>Profitability</u>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Gross Margin	36.3%	38.1%	35.6%	35.3%	32.9%	29.9%	32.3%	33.2%	33.8%	33.8%	33.8%	33.6%
from Beverage	29.9%	31.6%	25.8%	24.6%	31.4%	31.4%	26.5%	25.2%	25.2%	25.2%	25.2%	25.2%
from Food	43.2%	45.1%	44.5%	45.1%	34.6%	27.3%	42.0%	43.2%	43.2%	43.2%	43.2%	43.2%
SG&A to Revenue	28.1%	27.6%	28.5%	26.3%	26.9%	25.4%	22.4%	23.9%	24.9%	25.0%	24.9%	24.5%
from Beverage	12.6%	14.8%	16.1%	12.4%	9.9%	9.6%	8.9%	9.6%	9.6%	9.6%	9.6%	9.6%
from Food	44.8%	41.6%	39.7%	38.9%	47.4%	52.9%	40.5%	41.7%	41.7%	41.7%	41.7%	41.7%
Selling Expense to Revenue	11.9%	12.2%	12.6%	11.0%	10.3%	10.0%	9.0%	10.1%	10.4%	10.5%	10.4%	10.3%
from Beverage	9.6%	11.5%	12.1%	8.5%	6.2%	5.8%	4.9%	5.6%	5.6%	5.6%	5.6%	5.6%
from Food	14.3%	12.9%	13.1%	13.3%	15.2%	17.3%	14.6%	15.7%	15.7%	15.7%	15.7%	15.7%
Admin Expense to Revenue	16.2%	15.5%	15.9%	15.3%	16.6%	15.4%	13.3%	13.8%	14.5%	14.6%	14.5%	14.2%
from Beverage	3.0%	3.3%	4.0%	3.9%	3.7%	3.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
from Food	30.4%	28.7%	26.6%	25.6%	32.1%	35.6%	25.9%	26.0%	26.0%	26.0%	26.0%	26.0%

- Cost of Sales and Services

According to Table 4.2.4, OISHI experienced negative impacts from the excise tax on sugar-sweetened beverages. This was demonstrated by a decline in its gross margin in 2018 and 2019, which was recorded at 25.8% and 24.6%, respectively. Since the next phase of the sugar tax will be in April 2023 onwards (*The Excise Department, www.excise.go.th*), I estimate the gross margin of OISHI in the forecasted years will be affected by the negative impact of the sugar tax. Meanwhile, rising living expenses and the inflation rate continue to put pressure on consumer spending, while the beverage business continues to face increasing production costs. As a result, I assume that the gross margin in 2023–2027 will be 25.2%, which is calculated from the average value in 2018 and 2019.

High inflation's negative effects can also have an impact on the food business's gross margin. Even though the government releases the relaxation of COVID-

19 restrictions and consumption promotion programs to boost the economy, the food business has to deal with higher inflation and a slowing economy. Thus, I estimate that the gross margin of the food business will be 43.2% in the projected years, which is calculated from the average value before the pandemic.

- Selling & Administrative Expenses (SG&A)

The company's SG&A is normally in line with sales growth. Considering that 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, SG&A appears to start to rebound in 2022 due to higher sales 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. Thus, I assume the percentage of SG&A to revenue in 2023–2027 will be the average value of the last 3 years (2020–2022).

- Interest and Tax expense

I assume the company's interest-bearing debt in projected years will be the same as in 2022, but I assume the cost of debt will increase by around 0.25% based on Krungsri Bank's forecast for the economy (*Krungsri, Outlook 2023*) to reduce the impact of inflation. Thus, interest expense will be 17 million baht, or 3.84% of interest-bearing debt, each projected year. For tax expenses, because OISHI benefits from tariff exemption for machinery under the BOI board's agreement, the company's tax rate is less than 20%. Thus, assuming the company will continue to benefit from the BOI tax exemption, I decide to apply 2022's tax rate to each projected year at 11.53%.

4.2.1.3 Capital Expenditure Forecast

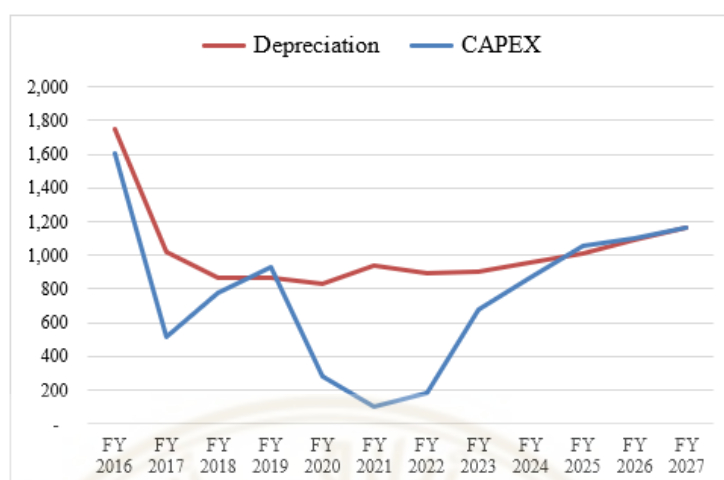
Table 4.2.5 Capital Expenses and depreciation Projection of OISHI (Million Baht)

	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
<u>CAPEX</u>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Fixed Assets	7,155	6,676	5,924	5,886	5,321	5,186	4,865	4,638	4,548	4,591	4,603	4,603
CAPEX	(1,608)	(512)	(779)	(929)	(285)	(98)	(184)	(680)	(865)	(1,058)	(1,101)	(1,166)
Depreciation	1,750	1,017	866	871	828	936	894	907	955	1,015	1,089	1,166
% CAPEX to Sales	11.8%	3.8%	6.2%	6.8%	2.6%	1.0%	1.4%	4.9%	5.7%	6.5%	6.5%	6.5%
Useful Life	6.5	11.8	14.0	14.3	15.2	13.6	14.6	14.3	14.3	14.3	14.3	14.3
Depreciation	1,750	1,017	866	871	828	936	894	907	955	1,015	1,089	1,166
Existing								894	894	894	894	894
CAPEX 2022								13	13	13	13	13
CAPEX 2023									47	47	47	47
CAPEX 2024										60	60	60
CAPEX 2025											74	74
CAPEX 2026												77

OISHI plans to use the capital expenditures (CAPEX) amounting to 680 million baht which is 4.9% of sales, to open 10 new stores in 2023 and support its higher sales, including its beverage and food businesses (*OISHI Group Analyst Meeting, Q4/2022, p. 20*). According to Table 4.2.5, which is displayed above, the ratio of CAPEX to sales in 2018 and 2019 was 6.2% and 6.8%, respectively, with an average of 6.5%. As a result, I assume that the percentage of CAPEX to sales will gradually rise to its average level of 6.5% in 2025. I also expect that the percentage of CAPEX to sales in 2024 will be on average between the level in 2023 and the normal level of 4.9% and 6.5%, which is 5.7%, reflecting an expected economic recovery. As a result, the company's CAPEX in 2023–2027 is forecast to be 680, 865, 1,058, 1,101, and 1,166 million baht, respectively.

As I believe OISHI will increase the budget for annual CAPEX over the coming years after postponing expansion during the COVID-19 pandemic, I can estimate depreciation by using the average asset useful life from the last five years, which is 14.3 years. As a result, CAPEX will gradually exceed depreciation starting in 2025. Then the depreciation will be equal to CAPEX in 2027, which determines the terminal period forecasted cash flows as shown in figure 4.2.3 below.

Figure 4.2.3 Capital Expenses and depreciation Projection of OISHI (Million Baht)



4.2.1.4 Working Capital Forecast

Table 4.2.6 Working Capital and Cash Cycle Projection of OISHI (Million Baht)

	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Working Capital												
Account Receivables	424	709	670	686	638	910	995	1,062	1,160	1,242	1,293	1,369
Inventory	490	319	404	451	498	384	633	610	660	707	736	782
Account Payables	970	977	809	613	510	485	738	698	756	809	843	895
Working Capital	(56)	52	265	524	626	809	890	974	1,064	1,140	1,187	1,256
Working Capital Change	21	107	213	259	103	183	81	84	91	76	47	70
Cash Cycle												
AC Receivable Days	11.36	19.11	19.41	18.37	21.15	33.83	28.60	27.86	27.86	27.86	27.86	27.86
Inventory Days	20.60	13.89	18.17	18.67	24.61	20.35	26.89	23.95	23.95	23.95	23.95	23.95
AC Payable Days	40.76	42.52	36.41	25.39	25.18	25.71	31.36	27.42	27.42	27.42	27.42	27.42
Cash Cycle	(8.80)	(9.52)	1.17	11.65	20.58	28.47	24.13	24.39	24.39	24.39	24.39	24.39

I also estimate working capital by using the average cash cycle over the last 3 years. Thus, I assume OISHI will maintain the cash cycle at 24.39 days. Account receivables are projected using the assumption that OISHI can collect cash from its expected sales in 27.86 days. I also assume that the company will take 23.95 days to sell its inventory compared with the cost of goods sold (COGS). Lastly, the company is assumed to have 27.42 days to pay back its payables.

4.2.1.5 Net Profit and Earnings per Share Projection

Table 4.2.7 Financial Statement Projection of OISHI (Million Baht)

Unit: THBmn	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT	CAGR	CAGR	CAGR
Income Statement	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	16-19	16-22	16-27
Sales Revenue	13,636	13,551	12,596	13,631	11,007	9,818	12,696	13,912	15,196	16,276	16,942	17,940	0.0%	-1.2%	2.5%
from Beverage	7,085	7,054	5,986	6,501	6,004	6,250	7,292	7,738	7,940	8,471	8,872	9,607	-2.8%	0.5%	2.8%
from Food	6,552	6,497	6,610	7,130	5,003	3,568	5,404	6,174	7,256	7,806	8,069	8,333	2.9%	-3.2%	2.2%
Cost of Sales and Services	8,689	8,387	8,110	8,816	7,388	6,879	8,594	9,293	10,059	10,768	11,218	11,917	0.5%	-0.2%	2.9%
from Beverage	4,969	4,824	4,443	4,902	4,118	4,286	5,360	5,789	5,941	6,337	6,638	7,188	-0.4%	1.3%	3.4%
from Food	3,720	3,564	3,667	3,914	3,271	2,593	3,134	3,504	4,118	4,430	4,580	4,730	1.7%	-2.8%	2.2%
Gross Profit	4,947	5,163	4,486	4,814	3,619	2,939	4,102	4,619	5,137	5,509	5,724	6,023	-0.9%	-3.1%	1.8%
from Beverage	2,116	2,230	1,543	1,599	1,886	1,964	1,932	1,949	2,000	2,133	2,235	2,420	-8.9%	-1.5%	1.2%
from Food	2,832	2,933	2,943	3,216	1,732	975	2,270	2,670	3,137	3,375	3,489	3,603	4.3%	-3.6%	2.2%
Selling & Administrative Expenses	3,829	3,745	3,589	3,579	2,963	2,489	2,838	3,319	3,789	4,070	4,218	4,399	-2.2%	-4.9%	1.3%
from Beverage	896	1,042	962	805	594	603	648	743	763	814	852	923	-3.5%	-5.3%	0.3%
from Food	2,933	2,703	2,627	2,774	2,370	1,886	2,189	2,575	3,026	3,256	3,366	3,476	-1.8%	-4.8%	1.6%
Selling Expenses	1,623	1,650	1,591	1,497	1,132	977	1,147	1,404	1,585	1,701	1,765	1,848	-2.7%	-5.6%	1.2%
from Beverage	683	809	725	551	370	361	356	434	445	475	497	539	-6.9%	-10.3%	-2.1%
from Food	940	841	866	946	762	616	791	970	1,140	1,226	1,268	1,309	0.2%	-2.8%	3.1%
Administrative Expenses	2,206	2,095	1,998	2,083	1,832	1,512	1,691	1,915	2,204	2,368	2,453	2,551	-1.9%	-4.3%	1.3%
from Beverage	213	233	237	254	224	242	292	310	318	339	355	384	6.0%	5.4%	5.5%
from Food	1,993	1,862	1,761	1,828	1,608	1,270	1,398	1,605	1,887	2,029	2,098	2,167	-2.8%	-5.7%	0.8%
Operating Profit	1,118	1,419	897	1,235	655	450	1,265	1,300	1,348	1,439	1,506	1,624	3.4%	2.1%	3.5%
from Beverage	1,220	1,188	581	794	1,292	1,361	1,284	1,206	1,237	1,320	1,382	1,497	-13.3%	0.9%	1.9%
from Food	(102)	230	316	442	(638)	(911)	81	94	111	119	123	127	-	-	-
Other Income/Expenses	134	126	(594)	41	72	76	107	100	100	100	100	100	-32.6%	-3.7%	-2.6%
Extraordinary Gains/Losses	0	-	868	47	287	3	-	-	-	-	-	-	434.4%	-100.0%	-100.0%
EBIT	1,252	1,545	1,171	1,323	1,014	529	1,371	1,400	1,448	1,539	1,606	1,724	1.9%	1.5%	3.0%
Interest Expense	90	54	45	21	0	8	16	17	17	17	17	17	-38.6%	-24.9%	-13.9%
Income Before Taxes	1,162	1,491	1,126	1,303	1,014	520	1,355	1,383	1,431	1,522	1,588	1,707	3.9%	2.6%	3.6%
Income Taxes	39	48	118	74	3	(25)	156	159	165	176	183	197	23.5%	25.9%	15.8%
Net Profit	1,123	1,443	1,008	1,229	1,011	545	1,199	1,223	1,266	1,346	1,405	1,510	3.0%	1.1%	2.7%
Earning Per Share (EPS)	3.00	3.85	2.69	3.28	2.70	1.45	3.20	3.26	3.38	3.59	3.75	4.03	3.0%	1.1%	2.7%
Number of Share	375	375	375	375	375	375	375	375	375	375	375	375			
%TAX	3.37%	3.21%	10.46%	5.66%	0.26%	-4.73%	11.53%	11.53%	11.53%	11.53%	11.53%	11.53%			

Based on Table 4.2.7 as displayed above, I determine that OISHI's expected net profit in 2023 will be 1,223 million baht and will reach 1,510 million baht in 2027, representing a 2.7% CAGR growth from 2016. It exceeds the net profit growth recorded during the COVID pandemic and reaches the CAGR of 3.0% that occurred prior to the COVID-19 pandemic. As a result, assuming that there are 375 million shares outstanding, the earnings per share will be 3.26 baht in 2023 and 4.03 baht in 2027.

Table 4.2.8 OISHI's EPS Projection from other Analysts

Broker	EPS 23F	EPS 24F	Updated Date
Pi Securities	3.34	3.60	06-Dec-22
Finansia	3.49	3.73	21-Mar-22
Average	3.42	3.67	

Based on Table 4.2.8 as indicated above, compared to other analysts, who estimate OISHI's earnings per share (EPS) to average around 3.42 baht in 2023 and 3.67 baht in 2024, my estimation shows that forecasted earnings per share (EPS) will be 3.26

in 2023 and 3.38 in 2024, which seems slightly lower than other analysts' estimates but is only around 5%, or the difference is still within the reasonable range (not extreme).

4.2.2 Free Cash Flow to Firm (FCFF) Projection

Table 4.2.9 Free Cash Flow to Firm (FCFF) Projection of OISHI (Million Baht)

Unit: Million THB	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
EBIT	1,252	1,545	1,171	1,323	1,014	529	1,371	1,400	1,448	1,539	1,606	1,724
TAX	(42)	(50)	(122)	(75)	(3)	25	(158)	(161)	(167)	(178)	(185)	(199)
EBIT AFTER TAX	1,210	1,495	1,048	1,249	1,011	554	1,213	1,238	1,281	1,362	1,420	1,525
DEPRECIATION	1,750	1,017	866	871	828	936	894	907	955	1,015	1,089	1,166
WORKING CAPITAL CHANGE	(21)	(107)	(213)	(259)	(103)	(183)	(81)	(84)	(91)	(76)	(47)	(70)
CAPEX	(1,608)	(512)	(779)	(929)	(285)	(98)	(184)	(680)	(865)	(1,058)	(1,101)	(1,166)
Free Cash Flow	1,330	1,893	922	932	1,451	1,209	1,843	1,382	1,280	1,243	1,362	1,456

After I calculate the expected net profit for 2023 to 2027, I have to determine the cash that OISHI has left over after paying its operating expenses and capital expenditures (free cash flow). I estimate OISHI's free cash flow by using EBIT after tax, plus depreciation and amortization expenses, deducted by changes in working capital and capital expenditures to reflect the company's earnings after deducting cash outflows for operating expenses and capital asset maintenance. According to Table 4.2.9, OISHI's free cash flow during 2023–2027 is estimated to be 1,200–1,500 million baht per year, which will be lower than in 2022, when it was 1,800 million baht. The main reason is due to an increase in capital expenditure (CAPEX) over the next 5 years. However, OISHI's free cash flow will remain healthy.

4.2.3 Terminal Growth Rate of FCFF

The terminal growth rate assumes that the company's expected free cash flows will grow or shrink at a consistent, stable rate into perpetuity. To determine the terminal growth rate for OISHI, I utilize the compound annual growth rate (CAGR) of OISHI's sales from 2016 to 2027 in the beverage and food businesses, which are 2.8% and 2.2%, respectively, weighted with the proportional amount between food and beverage sales. Hence, the terminal growth rate is 2.5% as indicated in Table 4.2.10 below.

Table 4.2.10 Terminal Growth Rate of OISH

	Beverage	Food
Sales Growth (CAGR 2016-2027)	2.8%	2.2%
% Portion	53.6%	46.4%
Terminal Growth Rate based on Sales Growth	2.53%	

4.2.4 Weighted Average Cost of Capital (WACC)

The Weighted Average Cost of Capital (WACC) represents the company's cost of capital, which is determined by each part of its capital structure based on the proportion of equity, debt, and preferred stock. As shown below, the WACC formula is:

$$\text{WACC} = (E/V \times R_e) + ((D/V \times R_d) \times (1 - T))$$

Where:

E = Market Value of the Equity (Market Cap)

D = Market Value of the Debt

V = Total Value of Capital

E/V = Weight of Equity (We)

D/V = Weight of Debt (Wd)

Re = Cost of Equity

Rd = Cost of Debt

T = Tax Rate

4.2.4.1 Capital Structure

The above WACC formula has two components, which are the cost of debt and the cost of equity, both multiplied by the proportions of the company's debt and equity capital, respectively. As a result, to determine the WACC, I must consider the company's debt and equity capital weights.

To start, I calculate the company's equity capital weights using the market value of the company's equity (market cap). I use the price of OISHI stock on March 10, 2023, which was 46.5 Baht per share, multiplied by the 375 million shares that were still outstanding at the time. As a result, I got OISHI's market capital, or its equity capital, which is 17,438 million baht.

Market value of Debt	-	
Market value of Equity	17,438	
Market value of capital	17,438	→
Weight of Debt (Wd)	0.00%	
Weight of Equity (We)	100.00%	

46.5 baht per share
Share price as of 10 March 2023
X
375 million outstanding shares

Then, I try to determine the market value of debt by analyzing the historical cash and interest-bearing debt on the company's balance sheet, as shown in Table 4.2.11 below. I found that from 2019 to 2022, OISHI had total interest-bearing debt, including short-term, long-term, and the current portion of long-term debt, lower than its cash or negative net debt. Additionally, based on OISHI's strategy, the company continues to maintain its zero-net debt strategy. It implies that OISHI's weight of debt (Wd) should be zero. Thus, OISHI's capital structure is determined by its 100% equity capital.

Table 4.2.11 Net Debt value of OISHI (Million Baht)

	ACT	ACT	ACT	ACT	ACT	ACT	ACT	FCT	FCT	FCT	FCT	FCT
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Cash and Equivalents	594	1,447	1,289	710	1,127	938	1,966	2,886	3,769	4,493	5,096	5,736
Current Interest Bearing Debt	523	13	1,701	-	-	165	203	203	203	203	203	203
Long Term Interest Bearing Debt	2,013	2,000	-	-	-	134	246	246	246	246	246	246
Total Interest Bearing Debt	2,536	2,013	1,701	-	-	299	449	449	449	449	449	449
Net Debt	1,942	566	412	(710)	(1,127)	(639)	(1,518)	(2,437)	(3,320)	(4,045)	(4,647)	(5,288)

4.2.4.2 Cost of Debt

The cost of debt for the company is determined by using the borrowing rate on the company's loans at 3.59% in 2022 plus 0.25%, resulting in 3.84%, as I assume the interest rate will increase by around 0.25% to reduce the impact of inflation. Then I applied a tax rate of 11.53%, which reflected the tax shield. So, the cost of debt after tax would be 3.40%. However, since the company's capital structure depends only on its equity, which is 100%, the cost of debt has no impact on the cost of capital at OISHI.

4.2.4.3 Cost of Equity Estimate

I estimate the cost of equity by using the Capital Asset Pricing Model (CAPM), which analyzes the relationship between expected return and risk when

investing in the company's stocks. It demonstrates that a stock's expected return is equal to the risk-free return plus a risk premium. Below is the formula for the cost of equity:

$$Re = Rf + \beta \times MRP$$

Where:

Rf = The Risk-Free Rate

β = The Equity Beta

MRP = Market Risk Premium

The first factor is the risk-free rate. Since the risk-free rate is the return that can be earned by investing in risk-free assets, I use the 10-year government bond yield as of March 10, 2023, which is 2.50%, to determine OISHI's risk-free rate. For the risk premium, I use the data based on estimation from Research Affiliates, (<https://interactive.researchaffiliates.com>), which is 7.00%. The final factor is the equity beta (β). As I know, Beta (β), which is mainly determined from historical data, is not a reliable forecasting measure. The real beta of assets is expected to move towards the market average of 1, and over time, betas may demonstrate mean-reverting characteristics. Hence, in order to reflect beta's tendency for mean reversion, I choose to use the adjusted beta, which is 0.98, (*Bloomberg Statistic Data*). Then I inserted these values into the Capital Asset Pricing Model (CAPM) as described below, I found that OISHI's estimated cost of equity should be 9.36%.

$$Re = Rf + \beta \times MRP$$

$$Re = 2.50\% + 0.98 \times 7.0\%$$

$$Re = 9.36\%$$

4.2.4.4 WACC Estimate

After I determine all factors as well as the 100% weighted equity capital, I can estimate the weighted average cost of capital (WACC) of OISHI, as shown below.

$$WACC = (E/V \times Re) + ((D/V \times Rd) \times (1 - T))$$

$$WACC = (100\% \times 9.36\%) + ((0\% \times 3.84\%) \times (1 - 11.53\%))$$

$$WACC = 9.36\%$$

Then, I use the estimated weighted average cost of capital (WACC) to evaluate the worth of OISHI's future free cash flows as reflected by the discounted cash flow (DCF) to estimate the present value of expected future cash flows in terms of the

return per share for OISHI. WACC is used to apply in the discounted cash flow as shown below.

$$\text{Discounted Cash Flow (DCF)} = \sum_{t=1}^{\infty} \text{Free Cash Flow (FCFF)} / (1+\text{WACC})^t$$

4.2.5 DCF Valuation Result

4.2.5.1 Discounted Cash Flow Valuation

Table 4.2.12 The Discounted Cash Flow Valuation of OISHI (Million Baht)

Unit : Million THB	ACT						FCT					Terminal Value	
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026		FY 2027
EBIT	1,252	1,545	1,171	1,323	1,014	529	1,371	1,400	1,448	1,539	1,606	1,724	
TAX	(42)	(50)	(122)	(75)	(3)	25	(158)	(161)	(167)	(178)	(185)	(199)	
EBIT AFTER TAX	1,210	1,495	1,048	1,249	1,011	554	1,213	1,238	1,281	1,362	1,420	1,525	
DEPRECIATION	1,750	1,017	866	871	828	936	894	907	955	1,015	1,089	1,166	
WORKING CAPITAL CHANGE	(21)	(107)	(213)	(259)	(103)	(183)	(81)	(84)	(91)	(76)	(47)	(70)	
CAPEX	(1,608)	(512)	(779)	(929)	(285)	(98)	(184)	(680)	(865)	(1,058)	(1,101)	(1,166)	
Free Cash Flow to Firm (FCFF)	1,330	1,893	922	932	1,451	1,209	1,843	1,382	1,280	1,243	1,362	1,456	21,850
DISCOUNTED CASHFLOW								1,382	1,170	1,039	1,041	1,018	15,276

PV OF FIRM VALUE (NPV)	20,926
NET DEBT	-
PV OF EQUITY VALUE	20,926
# OF SHARES (MN)	375
EST. SHARE VALUE	55.8

Based on Table 4.2.12, as shown above, I apply the estimated weighted average cost of capital (WACC) into OISHI's estimated free cash flow to firm to evaluate the discounted cash flow (DCF). Also, I use the WACC to estimate the value of the company after the forecast period, or the terminal value. Terminal value is calculated by dividing the last cash flow forecast by the difference between the discount rate and terminal growth rate. The formula to calculate terminal value is:

$$[\text{FCF} \times (1 + g)] / (d - g)$$

Where:

FCF = Free cash flow for the last forecast period

g = Terminal growth rate

d = Discount rate or the weighted average cost of capital (WACC)

Thus, the estimated terminal value should be 21,850 million baht as shown below which is 76.47% of the total free cash flow in 2023 to 2027.

$$[\text{FCF} \times (1 + g)] / (d - g) = [1,456 \times (1 + 2.53\%)] / (9.36\% - 2.53\%) = 21,850$$

I also estimate the net present value of the terminal value, which should be 15,276 million baht. Following that, the total present value of free cash flow that I expect

to generate from OISHI in the next five years and the company's estimated terminal value should be 20,926 million baht. Because OISHI has zero net debt, the present value of its equity should be the same as its present value of free cash flow to the firm. Given the outstanding share number of 375 million shares, the estimated share value should be 55.8 baht per share, which is 20.01% higher than the latest price as of March 10, 2023, at 46.5 baht.

To determine whether the stock price is undervalued or overvalued, I calculated the implied WACC and the implied cost of equity at the latest stock price, 46.5 baht, as shown in Table 4.2.13 below. Given my estimated free cash flow and the terminal growth rate, which is 2.53%, the implied WACC is 10.83%, which is equal to the implied cost of equity. Based on the analysis, the estimated WACC and cost of equity are lower than the implied rate. It implies that the company's intrinsic value is undervalued. In other words, investors who buy OISHI's stock at the latest price of 46.5 baht expect to earn a rate of return of 10.83%, while the company's estimated cost of capital is only 9.36%, meaning that at the latest price, OISHI's stock is undervalued.

Furthermore, by assuming terminal growth declines to 1.5% and 1.0%, I sensitized the implied WACC. I discovered that the implied WACCs are 10.01% and 9.62%, respectively, for terminal growth rates of 1.5% and 1.0%. The estimated WACC and cost of equity of OISHI are still less than the implied rate, according to the sensitivity analysis. It emphasizes OISHI's intrinsic value is undervalued.

Table 4.2.13 Implied WACC and Cost of Equity

Estimated Stock Price	Terminal Growth	Estimated WACC	Estimated Cost of Equity
55.80	2.53%	9.36%	9.36%

Stock Price (Baht)	Terminal Growth	Implied WACC	Implied Cost of Equity
46.50	2.53%	10.83%	10.83%

Implied WACC when Terminal Growth Rates Change			
Stock Price (Baht)	Terminal Growth	Implied WACC	Implied Cost of Equity
46.50	1.50%	10.01%	10.01%
46.50	1.00%	9.62%	9.62%

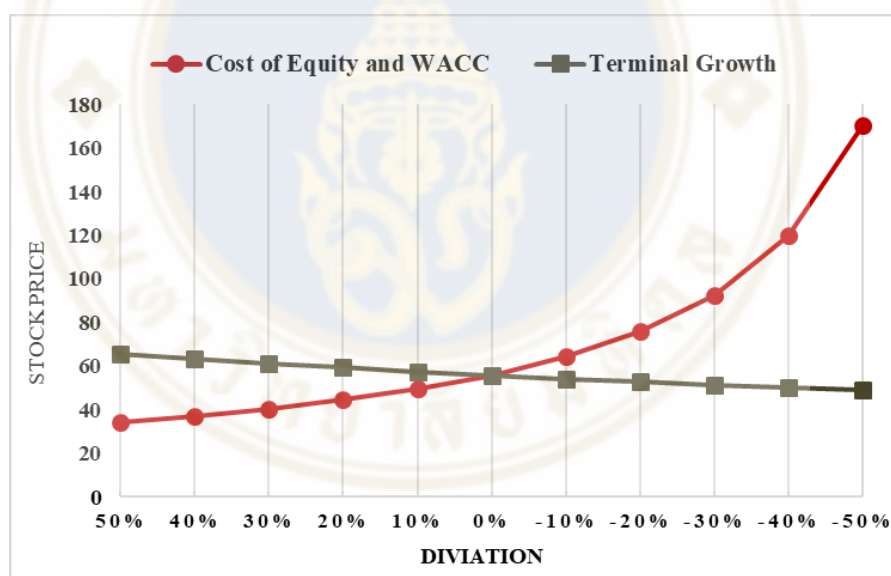
4.2.5.2 Sensitivity Analysis

A discounted cash flow (DCF) analysis is highly sensitive and dependent on key variables such as the terminal growth rate, the cost of debt and equity, and the weighted average cost of capital (WACC), such that even small changes might result in significant value fluctuations. As a result, it is important to sensitize the output for these key variables to provide a valuation range. Consequently, I conduct hypothetical scenarios to examine the sensitivity of OISHI's stock price depending on key variables of DCF, including the cost of equity, WACC, and terminal growth rate changes, by setting the deviation range between 50% and -50%, as indicated in Table 4.2.14 below.

Table 4.2.14 Sensitivity of WACC and Terminal Growth Rate to OISHI's Stock Price

Deviation	Cost of Equity	WACC	Stock Price (Baht)	Change in Value	Terminal Growth	Stock Price (Baht)	Change in Value
50%	14.04%	14.04%	34.41	-38%	3.79%	65.68	18%
40%	13.10%	13.10%	37.17	-33%	3.54%	63.36	14%
30%	12.17%	12.17%	40.47	-27%	3.29%	61.24	10%
20%	11.23%	11.23%	44.48	-20%	3.04%	59.28	6%
10%	10.30%	10.30%	49.46	-11%	2.78%	57.48	3%
0%	9.36%	9.36%	55.80	0%	2.53%	55.80	0%
-10%	8.42%	8.42%	64.17	15%	2.28%	54.25	-3%
-20%	7.49%	7.49%	75.69	36%	2.02%	52.81	-5%
-30%	6.55%	6.55%	92.58	66%	1.77%	51.46	-8%
-40%	5.62%	5.62%	119.72	115%	1.52%	50.20	-10%
-50%	4.68%	4.68%	170.51	206%	1.26%	49.01	-12%

Figure 4.2.4 Sensitivity of WACC and Terminal Growth Rate to OISHI's Stock Price



As the net debt of OISHI is zero, the WACC is determined only by the cost of equity. Given that the expected free cash flow has no deviation from the projection and other factors are constant, if OISHI's cost of equity increases, the stock price will decrease. When the cost of equity changes from 0% to 50% deviation, the stock price will decrease from 55.80 baht to 34.41 baht per share. In contrast, if the terminal growth rate increases, the stock price will increase. The price of the stock will rise from 55.80

to 65.68 Baht per share when the terminal rate shifts from 0% to 50% deviation. Thus, the terminal growth has a positive relationship with stock price, whereas the cost of capital has a negative relationship with stock price.

To determine the expected price range, I focus on two sensitivities. First, based on IMF forecasts (*International Monetary Fund (IMF) Statistical Data*, <https://www.imf.org>), the compound annual growth rate (CAGR) of nominal GDP growth is 3.18%. If the terminal growth increases from 2.53% to 3.18% at the same rate as the CAGR of nominal GDP growth, it will grow by 26%. Thus, I assume that the possible deviation ranges of terminal growth are between +30% and -30%. Based on Table 4.2.14, in this deviation range, OISHI's stock price ranges between 51.46 and 61.24 baht.

Moreover, if we focus on the sensitivity of stock prices when the WAAC changes, I assume that the possible deviation ranges are between +20% and -20%, as supported by the ranges of the market risk premium. I discovered that the highest market risk premium is 8.70% based on an estimation from Professor Aswath Damodaran, Stern School of Business (<https://pages.stern.nyu.edu>), which calculates to the WACC at 11.03%, and the lowest value is 5.31%, according to Refinitiv, which leads to the cost of equity at 7.70%. As a result, the stock price of OISHI should be between 44.08 and 75.69 baht a share, based on the deviation ranging between +20% and -20%.

Consequently, it can be suggested that the most potential OISHI stock price should range from 44.08 to 75.69 baht, based on these sensitivity analyses.

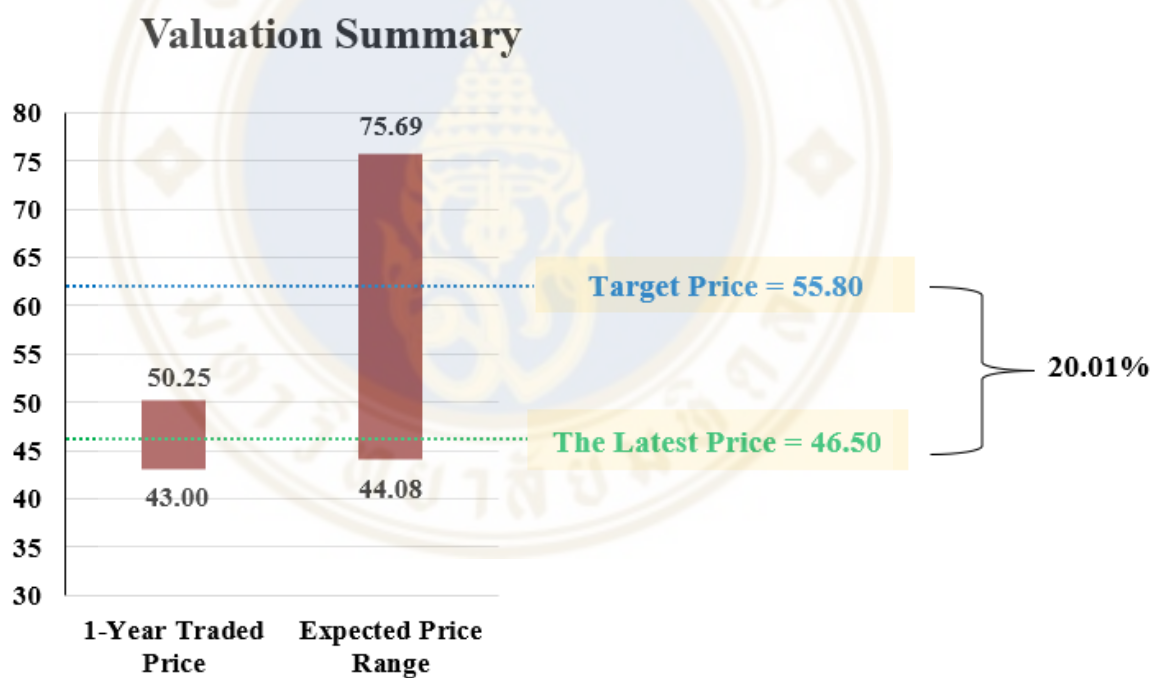
4.3 Valuation Recommendation

Based on the most potential OISHI stock price, ranging between 44.08 and 75.69 baht from the sensitivity analysis, I compare the range with the actual traded OISHI stock price for the last year. I found that both the high and low prices of the potential stock price range are higher than the actual data, as shown in figure 4.3.1 below. It implies that OISHI's intrinsic value is higher than its market price. In other words, OISHI's stock is undervalued. Therefore, the appropriate target price for OISHI

is 55.80 baht per share, which is higher than the latest traded price on March 10, 2023, which is 46.50 baht per share or 20.01%, so my recommendation for OISHI is "BUY".

I recommend setting criteria for buying and selling by using the percentage change between the target price and the latest traded stock price. I recommend "BUY" if the percentage change is around 20% or higher. I also suggest "SELL" when the target price is down from the traded price by 20% or more. Yet, if the target price is ranged between 20% downside and 20% upside, I recommend "HOLD". Based on the criteria, it emphasizes that at the latest traded price of 46.50 baht per share, the percentage change between the target price and the latest traded stock price is 20.01%. Thus, my recommendation is "BUY."

Figure 4.3.1 OISHI's Football Field of Target Price Comparison



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				
Impact of Risk ↑ High ↓ Low	Almost Certain				Rules and Regulations Risk	
	Likely				Raw Material Cost and Supplier Risk	
	Possible			Consumer Behavior Change Risk		
	Unlikely		High Competition Risk			
	Rare					
		Insignificantly	Minor	Moderate	Major	Severe
		Low ←	Probability of Risk			→ High

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 are 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

CONCLUSIONS

6.1 Investment recommendation

In this thematic paper, I chose to estimate the intrinsic value of OISHI by using the discounted cash flow (DCF) valuation method to determine the appropriate target price and determine whether the current stock price is undervalued or overvalued. To estimate the fair value of OISHI, I estimate key topline that will affect the company's earnings over the next five years (2023–2027), which are based on forecasted nominal GDP growth from the IMF and the new store expansion goal of the company. I also assume the company's expected free cash flows will grow at a 2.53% terminal growth rate by utilizing the compound annual growth rate (CAGR) of OISHI's sales from 2016 to 2027 in the beverage and food businesses. Also, as the company's capital structure depends only on its equity, which is 100%, the cost of debt has no impact on the cost of capital at OISHI, thus, WACC is 9.36%, the same as the cost of equity.

After applying all factors into the DCF valuation model, the estimated share value should be 55.8 baht per share, which is 20.01% higher than the latest price as of March 10, 2023, of 46.5 baht. I also perform a sensitivity analysis by focusing on the possible deviation ranges for terminal growth and the WAAC. The most potential OISHI stock price should range from 44.08 to 75.69 baht. To determine whether the stock price is undervalued or overvalued, I calculated the implied WACC at the latest stock price, 46.5 baht, which is 10.83%. Thus, the estimated WACC and cost of equity are lower than the implied rate. It implies that the company's intrinsic value is undervalued, meaning that at the latest price, OISHI's stock is undervalued. Also, I compare the range of the most potential OISHI stock price with the actual traded OISHI stock price for the last year. I found that both the high and low prices of the potential stock price range are higher than the actual data. It implies that OISHI's intrinsic value is higher than its market price. In other words, OISHI's stock is undervalued.

Based on criteria for buying and selling, use the percentage change between the target price and the latest traded stock price. BUY if the percentage change is 20% or higher, SELL if it is down by 20%, and HOLD if it ranges between 20% downside and 20% upside. At the latest traded price of 46.50 baht per share, the percentage change between the target price and the latest traded stock price is 20.01%. Thus, my recommendation is "BUY."

The evidence that supports my recommendation is that Thai Beverage Public Company Limited, which is the major shareholder and holds 79.66% of the paid-up registered capital, announced that it will make a tender offer to all remaining shares in OISHI, that are not already owned by ThaiBev, which represents around 20% of the total, and will delist OISHI from the listed company in the Thai stock market. The tender offer price is 59.00 baht per share. Thus, it reflects that OISHI's stock at the current price of 46.50 baht is undervalued. Also, the estimated share value of 55.8 baht per share is nearly equal to the tender offer price from the major shareholders of the company. It emphasizes that OISHI's intrinsic value is higher than its market price, and at the current price of 46.50 baht, my recommendation is "BUY."

6.2 Triggers for re-assessment

A variety of assumptions, including both controllable and uncontrollable factors like the economy, governmental policies, and the capital structure of a company, might lead the discounted cash flow approach to need to be reevaluated. Thus, the price of the OISHI stock should be reevaluated in response to the four main triggers described below.

6.2.1 Change in Business Strategy

A change in the company's business strategy is the main trigger for re-evaluation. Based on the current strategy, the beverage business accounts for roughly 60% of total sales and service revenue, while the food business accounts for 40%. The beverage profit margin is 15.6%, while the food profit margin is only 1.5%. Hence, if OISHI changes its business plan and product mix, it will lead to a change in estimated free cash flow and the stock price.

6.2.2 Change in Capital Structure

Based on OISHI's strategy, the company continues to maintain its zero-net debt strategy. The current company's capital structure depends only on its equity, which is 100%. Thus, the cost of debt has no impact on the cost of capital at OISHI. However, if the company changes its policy to acquire more debt, the company's capital structure can change. The change in capital structure can lead to a reassessment of valuation because it can lead to a change in the weighted average cost of capital (WACC), and the company's estimated stock price will differ.

6.2.3 Change in Government Regulation

Ready-to-Drink Tea (RTD) is the main beverage product of OISHI, which is inevitably subject to a higher excise tax. An imposition of excise and sugar taxes has a significantly negative impact on OISHI's sales revenue and profit. Thus, if the government changes the criteria of the regulation, it can have a significant effect on the company's estimated free cash flow. Also, because sales cannot continue to grow at the same steady rate into perpetuity, it led to a change in the terminal growth rate. It then has to result in a reassessment of valuation.

6.3 Limitations

The main drawback of this assessment is the limitations of the discounted cash flow method. The main reason is that the DCF valuation is highly sensitive to changes in significant parameter values, such as the forecasted terminal growth rate, which generates terminal value that accounts for roughly 70–80% of the company's value, and the WACC, which determines the present value of future cash flows. Even if one key parameter slightly changes, the intrinsic value or fair value of the stock can be drastically different. Moreover, if the estimated free cash flow of the company differs from the key assumptions, it will lead to a change in the estimated share value as well. Additionally, DCF valuation does not consider the relative valuation compared to peers in the industry, so we cannot compare the potential of the estimated fair value of the company.

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