**BUY** (Unchanged)

**Change in Numbers**

**TP: Bt 13.00** (From: Bt 12.00)

**Upside : 25.0%**

# KCG Corporation Pcl. (KCG TB)

## Cost savings going well

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**KCG has focused on saving costs to counter the weak economy and we estimate 14/11/9% EPS growth in 2026-28F. Trading at only 10/9x PE and with 5/6% dividend yields in 2026-27F, we reaffirm our BUY call on the stock.**

### Decent growth continues; maintaining BUY

We maintain our BUY call on KCG, viewing it as a well-managed firm capable of generating profit growth despite a weak economy. ***First***, despite the Iran war impact, which led to flat sales in 2Q26F, we estimate KCG can achieve 13% y-y EPS growth due to margin expansion from cost savings and a rising mix of high-margin products. ***Second***, KCG has likely secured new snack product development contracts with corporate customers. This should result in sales growth resuming in 2H26F. ***Third***, despite the Iran war and a soft economy, we raise earnings by 2-3% p.a. and estimate 14/11/9% EPS growth for 2026-28F, with key drivers of margin expansion from cost savings and a new product mix, and at least organic sales growth from a recovering economy. ***Lastly***, we view KCG as a bargain at 10/9x PE with 5/6% dividend yields in 2026-27F. We roll over base year to 2027F, and DCF-based TP rises to Bt13 (from Bt12).

### More cost savings

KCG's EBIT margin rose from 5.8% in 2023 to 7.4% in 2025 due to its cost-saving strategies, including switching to cheaper raw materials for its end products. Starting this year, KCG, facing sluggish demand, introduced additional cost-saving strategies, including reducing its workforce by ~12% y-y in 1Q26 and replacing it with automation, increasing the number of suppliers to encourage price competition for lower raw material costs, and overhauling its production process to improve efficiency. KCG also focuses on promoting products that generate higher margins. We estimate EBIT margin to expand to 8.6% in 2028F from 7.4% in 2025.

### Working to generate sales growth

After 7% y-y sales growth in 1Q26, we project flat 2Q26F sales growth due to the Iran war and weak economy. That said, KCG expects sales growth to resume at in 2H26F. For its B2B business, KCG has likely secured new contracts to supply its products as raw materials for new products from existing customers, with delivery in 2H26F. For its B2C business, KCG plans to develop new cheese, butter, and bakery products to better match weaker consumer purchasing power. Note that KCG posted 12% p.a. sales growth in 2023-25 vs. ~3-4% snack industry growth due to its broader product portfolio and know-how from its in-house culinary school. We project 3-6% sales growth in 2026-28F.

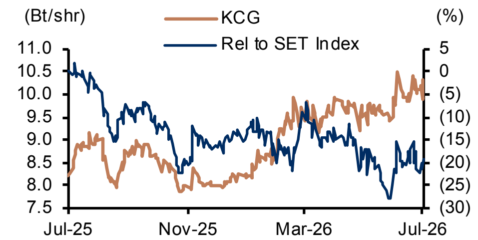
### Limited war-led inflation impact

KCG has not been significantly affected by the war in the Middle East in terms of supply shortages or food cost inflation. Its key raw materials, cheese and milk, are not related to the conflict; they are imported from other markets and do not rely on Middle East transport routes, e.g., from Australia and New Zealand. KCG faced increases in packaging and transportation costs, but its EBIT margin still expanded in 2Q26F.

#### COMPANY VALUATION

| Y/E Dec (Bt m) | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Sales | 8,645 | 8,896 | 9,445 | 9,917 |
| Net profit | 503 | 569 | 632 | 692 |
| Consensus NP | — | 557 | 616 | 679 |
| *Diff frm cons (%)* | — | *2.3* | *2.7* | *1.8* |
| Norm profit | 497 | 569 | 632 | 692 |
| Prev. Norm profit | — | 560 | 616 | 671 |
| *Chg frm prev (%)* | — | *1.7* | *2.5* | *3.1* |
| Norm EPS (Bt) | 0.91 | 1.04 | 1.16 | 1.27 |
| Norm EPS grw (%) | 22.8 | 14.5 | 11.0 | 9.5 |
| Norm PE (x) | 11.4 | 10.0 | 9.0 | 8.2 |
| EV/EBITDA (x) | 7.5 | 6.6 | 5.9 | 5.3 |
| P/BV (x) | 1.8 | 1.6 | 1.5 | 1.4 |
| Div yield (%) | 4.9 | 5.5 | 6.1 | 7.0 |
| ROE (%) | 16.2 | 17.1 | 17.5 | 17.6 |
| Net D/E (%) | 27.5 | 18.8 | 12.5 | 6.2 |

#### PRICE PERFORMANCE




#### COMPANY INFORMATION

| | |
|---|---|
| Price *as of* 10-Jul-26 (Bt) | 10.40 |
| Market Cap (US$ m) | 170.1 |
| Listed Shares (m shares) | 545.0 |
| Free Float (%) | 27.4 |
| Avg. Daily Turnover (US$ m) | 4.7 |
| 12M Price H/L (Bt) | 10.50/7.85 |
| Sector | Food & Beverage |
| Major Shareholder | Kim Chua Trading Co Ltd 52.2% |

Sources: Bloomberg, Company data, ttb wealth estimates

**ESG Summary Report ………....……………..… P8**

## Decent growth continuing

*We reaffirm our BUY rating on KCG*

We reaffirm our BUY call on KCG Corporation Pcl (KCG TB), viewing it as a well-managed company capable of generating profit growth despite a weak economy. We raise our earnings by 2-3% p.a. in 2026-28F to reflect its larger-than-expected cost savings and roll over our base year to 2027F, and our DCF-based 12-month TP is raised to Bt13 (from Bt12).

### Ex 1: 12-month DCF-based TP Calculation Using A Base Year Of 2027F

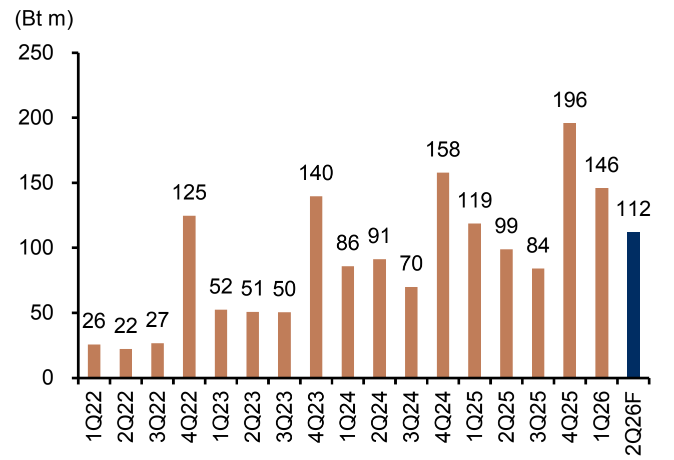
| (Bt m) | | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | 2033F | 2034F | 2035F | 2036F | 2037F | Terminal value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | | 1,040 | 1,125 | 1,175 | 1,197 | 1,240 | 1,263 | 1,298 | 1,276 | 1,276 | 1,275 | 1,270 | — |
| Free cash flow | | 509 | 597 | 643 | 671 | 697 | 731 | 755 | 759 | 758 | 757 | 679 | 9,057 |
| PV of free cash flow | | 508 | 497 | 488 | 465 | 440 | 420 | 396 | 363 | 331 | 301 | 246 | 3,288 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | | |
| Beta | 1.2 | | | | | | | | | | | | |
| WACC (%) | 9.6 | | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | | |
| Enterprise value - add investments | 7,743 | | | | | | | | | | | | |
| Net debt | 651 | | | | | | | | | | | | |
| Minority interest | (0) | | | | | | | | | | | | |
| Equity value | 7,093 | | | | | | | | | | | | |
| # of shares (m) | 545 | | | | | | | | | | | | |
| **Target price/share (Bt)** | **13.0** | | | | | | | | | | | | |

Sources: Company data, ttb wealth estimates

*13% y-y EPS growth in 2Q26F, 9-14% p.a. in 2026-28F*

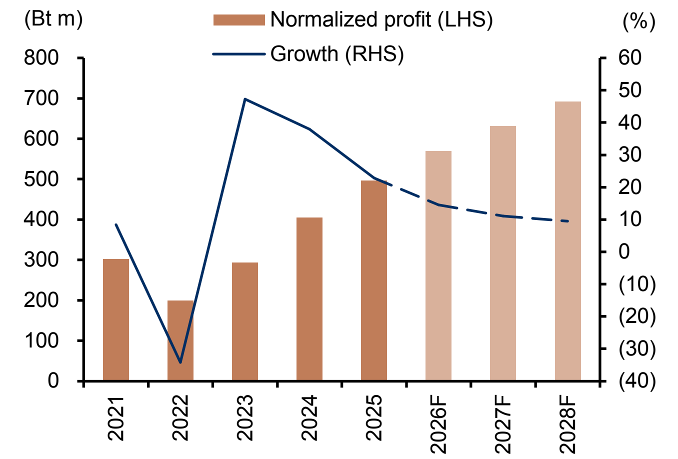
**First,** despite the Iran war impact, which led to flat sales in 2Q26F, we estimate KCG to achieve 13% y-y EPS growth due to margin expansion from cost savings and a higher mix of high-margin products. We project 14/11/9% EPS growth in 2026-28F.

### Ex 2: Record Quarterly Earnings




Sources: Company data, ttb wealth estimates

### Ex 3: Good Annual Earnings Growth




Sources: Company data, ttb wealth estimates

### Ex 4: Our Assumptions

| | 2022 | 2023 | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|---|---|
| **Total sales growth (%)** | **17.4** | **16.2** | **8.2** | **11.6** | **2.9** | **6.2** | **5.0** |
| Gross margin (%) | 28.7 | 30.0 | 30.9 | 30.9 | 31.2 | 31.4 | 31.6 |
| SG&A to sales (%) | 24.0 | 24.1 | 23.9 | 23.5 | 23.2 | 23.1 | 23.0 |
| EBIT margin (%) | 4.7 | 5.8 | 7.0 | 7.4 | 8.0 | 8.3 | 8.6 |

Sources: Company data, ttb wealth estimates

*Many areas of cost savings*

**Cost savings:** KCG's EBIT margin rose from 5.8% in 2023 to 7.4% in 2025, driven by cost-saving strategies, including switching to lower-cost raw materials for its products. This process is ongoing, and KCG is implementing it across a wider range of cheese and butter products. Examples could include optimizing formulations by using more cost-effective ingredients, e.g., increasing the use of palm oil and other vegetable oils in butter blends, and reformulating processed cheese with different combinations of cheese, butter oil, milk powders and emulsifying salts while maintaining the same taste, texture and quality. For its B2B business, any formulation changes are typically pre-approved by customers before production. For its B2C products, KCG's in-house RDI team ensures that product quality and taste remain unchanged.

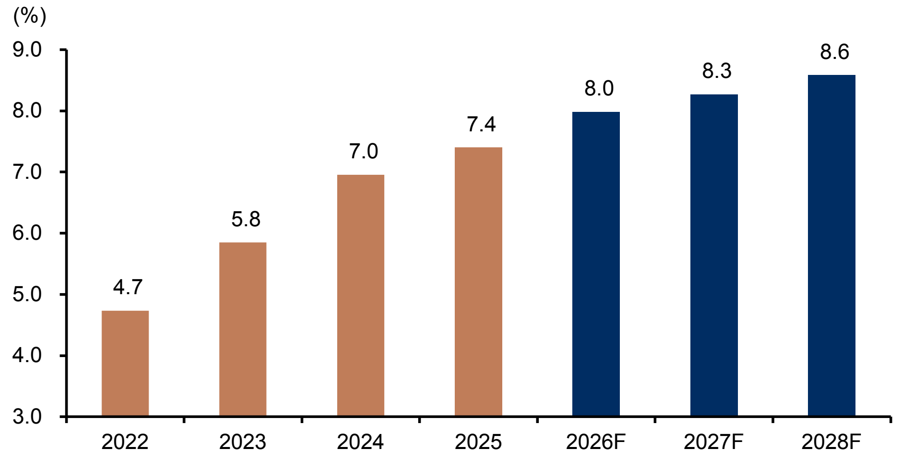
Starting this year, amid sluggish demand, KCG introduced additional cost-saving initiatives. KCG reduced its workforce by ~12% y-y in 1Q26, replacing it with automation. The automation ratio in its production process is now about 39%, and KCG expects this to rise further. Automation helps reduce production waste by improving consistency and reducing manual errors, while increasing throughput by enabling faster, more consistent production with less downtime. KCG is also overhauling parts of its production process. For example, it is improving equipment cleaning and product changeover procedures, allowing production lines to switch between different products more quickly. This reduces downtime and improves production yield.

*Focus to promote more high-margin product*

**Product mix:** KCG is shifting its promotional focus toward higher-margin cheese and butter products rather than food ingredients and biscuits. While KCG normally maintains a balanced product mix, it is placing greater emphasis on higher-margin product categories amid a weak economy.

We estimate KCG's EBIT margin to rise to 8.6% in 2028F from 7.4% in 2025.

### Ex 5: We Expect EBIT To Rise




Sources: Company data, ttb wealth estimates

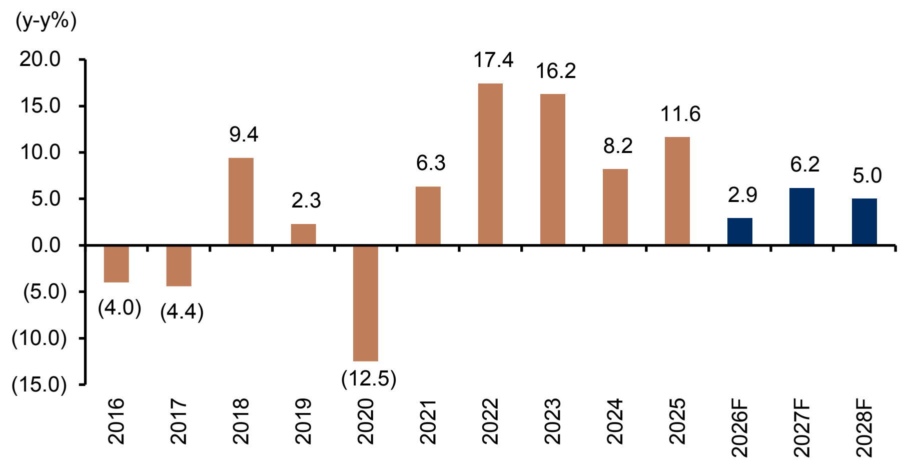
*Delaying product launches in 1H26 to 2H26F*

**Second,** KCG is working to generate sales growth. After 7% y-y sales growth in 1Q26, we estimate flat sales growth in 2Q26F due to the Iran war and the weak economy. KCG has deliberately delayed new product development for some B2B customers and postponed the launches of some of its own-branded products, as it believes the weak economy will limit demand for new impulse-driven snack products. That said, KCG expects sales growth to resume in 2H26F. For its B2B business, KCG has secured a few new contracts to supply ingredients for new products of existing customers, with deliveries starting in 2H26F. For its B2C business, KCG plans to develop new cheese, butter, and bakery products that better align with weaker consumer purchasing power.

*KCG has outperformed the industry*

Note that KCG delivered 12% p.a. sales growth in 2023-25, compared with the industry's ~3-4%, driven by its broader product portfolio. We believe this is because cheese and butter are versatile ingredients that can be used across a wide range of products, from savory meals to desserts, and from foodservice to packaged snacks. This allows KCG to continuously develop new products to meet different consumption trends, e.g., cheese for pizza, bakery, and snacks, and butter for cooking, bakery, and confectionery. Management is also expanding beyond meal ingredients into the fast-moving consumer goods (FMCG) market by launching additional consumer products, aiming to gain exposure to emerging food trends. This is supported by KCG's know-how from its in-house culinary school. We estimate 3-6% sales growth in 2026-28F.

**Ex 6: Still A Decent Sales Growth**

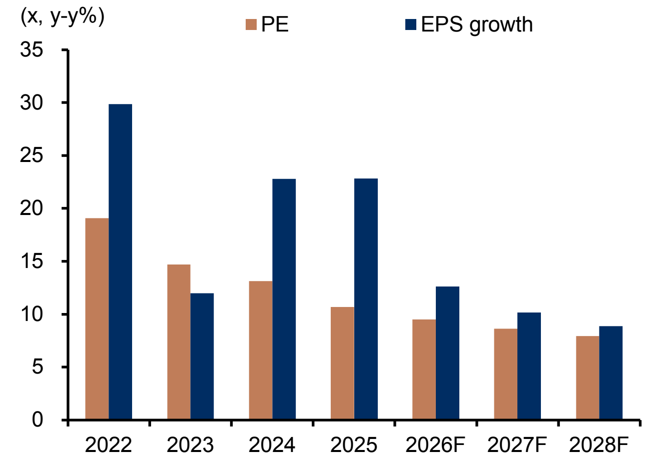



Sources: Company data, ttb wealth estimates

*9-14% p.a. EPS growth, 5-6% yield and 9-10xPE, a bargain in our view*

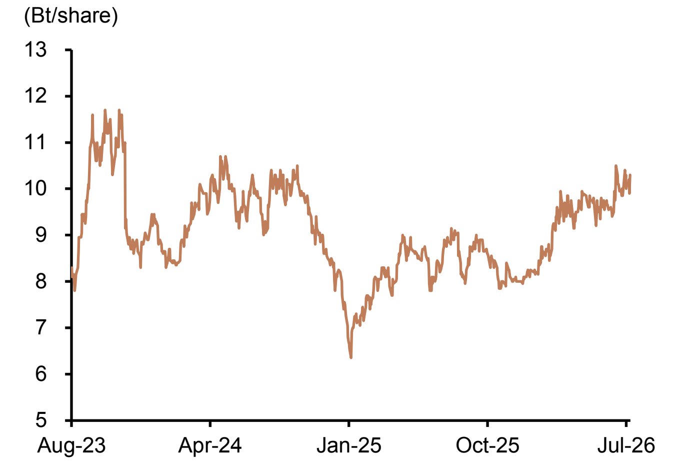
**Lastly,** we estimate 14/11/9% EPS growth estimates for 2026-28F, with key drivers including margin expansion from cost savings, a better product mix, and organic sales growth from an economic recovery. Valuation-wise, we see KCG as a bargain stock, trading at 10/9x PE multiples with 5/6% dividend yields in 2026-27F.

### Ex 7: PE Vs. EPS Growth



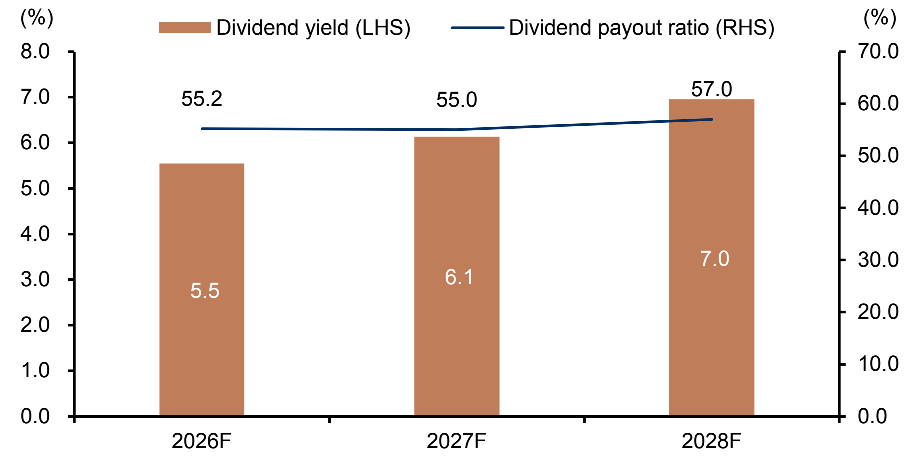

Sources: Company data, ttb wealth estimates

### Ex 8: Share Price Since Listing




Source: Bloomberg

### Ex 9: Dividend Yield And Payout




Sources: Company data, ttb wealth estimates

### Ex 10: Earnings Revisions

| | 2023 | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|---|
| **Sales (Bt m)** | | | | | | |
| - New | 7,157 | 7,743 | 8,645 | 8,896 | 9,445 | 9,917 |
| - Old | | | | 9,362 | 9,940 | 10,437 |
| *- Change (%)* | | | | (5.0) | (5.0) | (5.0) |
| | | | | | | |
| **Gross margin (%)** | | | | | | |
| - New | 30.0 | 30.9 | 30.9 | 31.2 | 31.4 | 31.6 |
| - Old | | | | 31.1 | 31.2 | 31.2 |
| *- Change (ppt)* | | | | *0.1* | *0.2* | *0.4* |

Sources: Company data, ttb wealth estimates

**Ex 10: Earnings Revisions (Con't)**

| | 2023 | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|---|
| **SG&A to sales (%)** | | | | | | |
| - New | 24.1 | 23.9 | 23.5 | 23.2 | 23.1 | 23.0 |
| - Old | | | | 23.3 | 23.1 | 23.1 |
| *- Change (ppt)* | | | | *(0.1)* | *(0.0)* | *(0.1)* |
| | | | | | | |
| **Normalized profit (Bt m)** | | | | | | |
| - New | 293 | 405 | 497 | 569 | 632 | 692 |
| - Old | | | | 560 | 616 | 671 |
| *- Change (%)* | | | | *1.7* | *2.5* | *3.1* |

Sources: Company data, ttb wealth estimates

## Valuation Comparison

**Ex 11: Valuation Comparison With Regional Peers**

| | | | EPS growth | | —— PE —— | | — P/BV — | | EV/EBITDA | | Div Yield | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **BBG Code** | **Market** | **26F** | **27F** | **26F** | **27F** | **26F** | **27F** | **26F** | **27F** | **26F** | **27F** |
| | | | **(%)** | **(%)** | **(x)** | **(x)** | **(x)** | **(x)** | **(x)** | **(x)** | **(%)** | **(%)** |
| Fonterra Co-operative | FSF NZ | New Zealand | 7.0 | (13.7) | 9.5 | 11.0 | 2.0 | 1.9 | 6.2 | 7.6 | 9.1 | 7.1 |
| Unilever Pcl | ULVR LN | UK | 3.7 | 4.9 | 16.7 | 15.9 | 7.1 | 6.6 | 12.0 | 11.6 | 3.6 | 3.8 |
| Saputo Inc | SAPIF US | US | 15.8 | 13.8 | 19.6 | 17.2 | 2.4 | 2.3 | 10.8 | 10.2 | 2.1 | 2.2 |
| Kraft Heinz | KHC US | US | (20.7) | 1.8 | 12.0 | 11.8 | 0.7 | 0.7 | 9.3 | 9.3 | 6.5 | 6.5 |
| | | | | | | | | | | | | |
| NSL Foods Pcl | NSL TB | Thailand | 4.2 | 10.7 | 10.8 | 9.8 | 2.7 | 2.4 | 8.0 | 6.6 | 5.0 | 5.6 |
| Exotic Food Pcl | XO TB | Thailand | 5.1 | 7.3 | 15.4 | 14.4 | 3.9 | 3.5 | 12.6 | 10.8 | na | na |
| KCG Corporation Pcl | KCG TB* | Thailand | 14.5 | 11.0 | 10.0 | 9.0 | 1.6 | 1.5 | 6.6 | 5.9 | 5.5 | 6.1 |
| Srinanaporn Mkt. Pcl | SNNP TB* | Thailand | 5.2 | 2.5 | 11.4 | 11.1 | 2.6 | 2.6 | 9.8 | 9.4 | 9.1 | 9.3 |
| Taokaenoi Food & Mkt. | TKN TB* | Thailand | (1.0) | 8.3 | 14.3 | 13.2 | 2.6 | 2.5 | 8.6 | 8.0 | 5.9 | 6.4 |
| | | | | | | | | | | | | |
| **Average** | | | **3.8** | **5.2** | **13.3** | **12.6** | **2.8** | **2.7** | **9.3** | **8.8** | **5.9** | **5.9** |

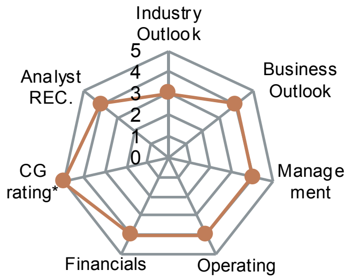
Source: Bloomberg
Note: * ttb wealth estimates, using ttb wealth normalized EPS
Based on 10 July 2026 closing prices

## COMPANY DESCRIPTION

KCG Corporation Pcl (KCG) produces and distributes cheese & butter, bakery ingredients, and branded biscuits, catering both to household and corporate food customers in Thailand.

Source: ttb wealth

## COMPANY RATING




| Rating Scale | |
|---|---|
| **Excellent** | **5** |
| **Good** | **4** |
| **Fair** | **3** |
| **Weak** | **2** |
| **Very Wea** | **1** |
| **None** | **0** |

Source: ttb wealth; *CG Rating

## TTB WEALTH'S SWOT ANALYSIS

### S — Strength

- A leading producer of its key products in Thailand.
- Offering more product SKUs than local competitors.
- Offering a one-stop service.

### W — Weakness

- The food market in Thailand is saturated with only low organic growth.
- Heavy reliance on food customers who have strong bargaining power.

### O — Opportunity

- Penetrating new customers.
- Mergers and acquisitions.

### T — Threat

- Currency fluctuations.
- Domestic consumption and economic conditions.

## CONSENSUS COMPARISON

| | Consensus | ttb wealth | Diff |
|---|---|---|---|
| **Target price (Bt)** | 11.84 | 13.00 | 10% |
| **Net profit 26F (Bt m)** | 557 | 569 | 2% |
| **Net profit 27F (Bt m)** | 616 | 632 | 3% |
| **Consensus REC** | **BUY: 5** | **HOLD: 0** | **SELL: 0** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- **Our 2026F-27F earnings estimates are slightly higher than the Bloomberg consensus, which we attribute to our factoring in greater cost savings, leading to margin expansion.**

Sources: Bloomberg consensus, ttb wealth estimates

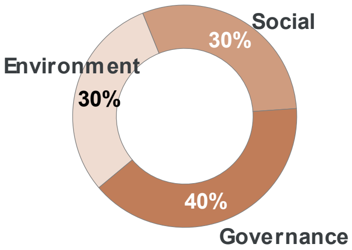
## RISKS TO OUR INVESTMENT CASE

- Lower-than-expected growth of the food sector in KCG's focus markets would pose a downside risk to our numbers.
- Failure to gain new orders and customers would pose another downside risk to our earnings forecasts.

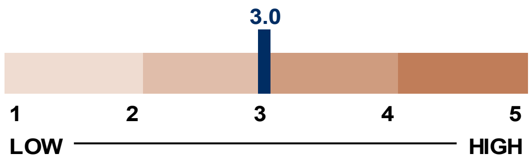
Source: ttb wealth

# ESG & Sustainability Report

ESG Weighting




ESG Rating




| | SET ESG Index | SET ESG (BBB-AAA) | DJSI Index | ttb wealth ESG Rating (1.0-5.0) | MSCI (CCC-AAA) | ESG Book (0-100) | CG Rating (0-5) |
|---|---|---|---|---|---|---|---|
| KCG | - | AAA | - | 3.01 | 0 | - | 5.0 |

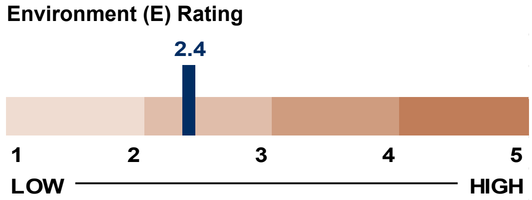
Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI)
MSCI ESG Research LLC, ESG Book, Thai IOD (CG rating)
Note: Please see third party on “terms of use” toward the back of this report.

## ESG Summary

- KCG is the largest manufacturer of cheese and butter in Thailand, selling its products to both retail and business customers. KCG operates two factories, one warehouse, and three distribution centers in Thailand.
- We assign a decent 3.0 ESG score to KCG and do not view it as an ESG play. KCG is strong in the Governance (G) pillar, but this is offset by lower scores for the Environmental (E) and Social (S) pillars.
- We assign a low 2.4 E score to KCG. The company’s $CO_2$ emissions have increased over the years, and it lacks a long-term roadmap for reduction. However, we believe water and waste management are decent.
- We assign a decent S score of 3.0 to KCG. While the company performs well in employee well-being and product quality, it lacks clear and structured social commitment plans.
- KCG’s G score is decent at 3.5, reflecting good practices in business sustainability and innovation. It meets required standards in other areas, although it is not yet at best-practice levels.

**Sector: Agro & Food Industry | Food & Beverage**

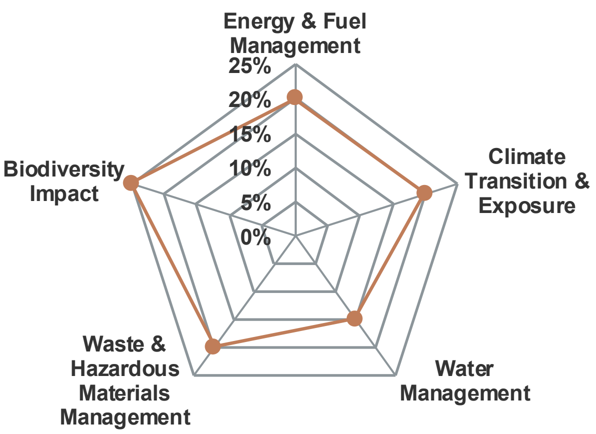
**We assign KCG a low E score of 2.4, compared with the sector average of 3.2. KCG's carbon emissions have increased over the years, and it lacks a clear roadmap for environmental improvement. However, it has established effective water and waste management systems.**




| ENVIRONMENT | Our Comments |
|---|---|

- **Biodiversity Impact**
- **Climate Transition & Exposure**
- **Energy & Fuel Management**
- **Waste & Hazardous Materials Management**
- **Water Management**

## SCALE WEIGHTING



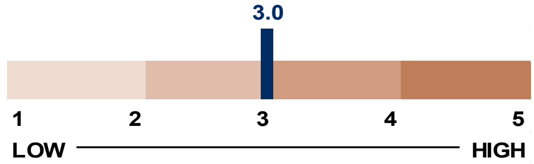

- We assign KCG a low E score of 2.4. KCG has set a net-zero target by 2050. However, its emissions and energy use have increased over the years, and it lacks a clear environmental roadmap for carbon and energy management. These are crucial factors for the E pillar and more than offset KCG's strengths in water and waste management.
- **Carbon management:** KCG's $CO_2$ emissions in 2024 increased by 17% from the 2022 base year. We see challenges for KCG in meeting its long-term reduction target. Breaking it down, KCG has low Scope 1 emissions (direct emissions from combustion), accounting for 9% of total $CO_2$ emissions, due to its business nature, which relies more on electricity than combustion processes. However, Scope 2 emissions (from electricity usage), which account for 11% of total emissions, have increased as KCG consumes a large amount of electricity, while renewable power accounted for only 7% of total electricity consumption in 2024. Scope 3 emissions are the KCG's largest contributor, accounting for 80% of total emissions and have also increased. This reflects KCG's reliance on third-party suppliers for raw materials used in cheese and butter production, as well as third-party temperature-controlled transportation for its products. As many of these suppliers are non-listed companies, we see challenges for KCG in controlling and reducing Scope 3 emissions.
- **Energy management:** This is an area of weakness. Total electricity usage increased by 20% in 2024 from the 2022 base year. Electricity usage per tonne of production increased by 7%, implying higher energy intensity in KCG's production process. We believe this was mainly due to KCG's production lines remaining outdated, requiring higher power input and generating more production waste, although KCG is in the process of replacing equipment with newer machinery. Renewable energy (e.g., solar rooftops) stood at only 7.4% of usage in 2024, which remains insignificant. KCG does not have a clear plan to materially increase renewable electricity usage.
- **Water and waste management:** This is a strong area for KCG. Water withdrawal declined by 10% in 2024 compared with 2022, while water discharged fell by 74%, indicating lower water usage in production and reduced wastewater discharge due to its closed-loop water recycling system. KCG has established recycling technology, and its recycling rate improved from 82% in 2022 to 84% in 2024.

Sources: ttb wealth, Company data

**Sector: Agro & Food Industry | Food & Beverage**

**We assign a moderate S score of 3.0 to KCG, vs. the sector average of 3.2. While KCG demonstrates strengths in employee well-being, talent management, and product quality, we believe it lacks a strong commitment to the broader social impact.**

Social (S) Rating




## SOCIAL

- **Access & Affordability**
- **Customer Welfare**
- **Diversity & Inclusion**
- **Fair Labor Practices**
- **Fair Product Marketing & Labelling**
- **Health, Safety & Well-being**
- **Human Rights & Community Relations**
- **Labor Relations**
- **Product Quality & Safety**
- **Recruitment, Development & Retention**
- **Social Supply Chain Management**

## SCALE WEIGHTING

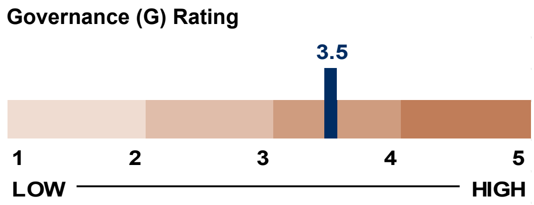

## Our Comments

- We assign a decent S score of 3.0, vs. the sector average of 3.2. KCG focuses on improving employee well-being and training, even as it increases automation. However, its monetary contribution to society remains limited and insufficient to drive meaningful social impact, in our view.
- **Employee well-being and management:** This is KCG's strongest social area. KCG integrates employee well-being into its remuneration structure, with explicit targets related to healthcare improvement for its workforce. KCG also increased employee training hours to 16 hours p.a. in 2024, above its target of 12 hours.
- **Product safety and quality:** This is another strong area for KCG. KCG is the largest provider of butter and cheese products in Thailand, commanding over 50% and 30% market shares, with operations spanning over 60 years. KCG also supplies milk-based raw materials to leading restaurants in Thailand. KCG focuses on cost efficiency by developing alternative raw materials through a thorough R&D process, without compromising product quality.
- **Social responsibility:** In our view, KCG does not demonstrate a strong commitment to social support. KCG provides some mandatory initiatives, such as knowledge-sharing activities and limited flood relief support. However, total monetary donations amounted to only Bt2.5m in 2024, representing just 0.03% of total revenue.

Sources: ttb wealth, Company data

**Sector: Agro & Food Industry | Food & Beverage**

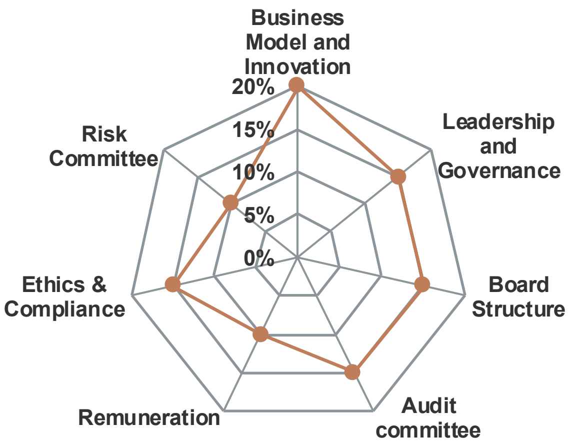
**We assign a good G score of 3.5 to KCG, vs. the sector average of 2.8. KCG receives a high score for business sustainability and business risk management. It also meets required standards in other governance areas, although these do not reach best-practice levels.**




## GOVERNANCE & SUSTAINABILITY

- **Audit committee**
- **Board Structure**
- **Business Model and Innovation**
- **Ethics & Compliance**
- **Leadership and Governance**
- **Remuneration**
- **Risk Committee**

## SCALE WEIGHTING




## Our Comments

- We assign a decent G score of 3.5, higher than the sector average of 2.8. The score reflects KCG's active efforts to improve its product portfolio, which supports customer base expansion. In other areas, KCG meets governance standards, though it is not yet at best-practice levels.
- **Business sustainability and innovation:** This is KCG's strongest governance area. KCG commands the largest market share in cheese, butter, and festive-focused biscuit products in Thailand, with nationwide distribution across modern and traditional trade channels. While traditional cheese and butter consumption continues to grow faster than the Thailand food average due to a low base, KCG has expanded into FMCG cheese and butter products, such as cheese snacks. KCG has also successfully expanded into business customers, including restaurant chains, by developing customized food and snack formulations, leveraging its in-house certified culinary food school.
- **Risk management:** This area is closely linked to business sustainability. While overall consumption of Western-based food products that require cheese and butter remains relatively low in Thailand, new revenue streams from FMCG cheese and butter products, as well as KCG's expansion into business customers, help reduce overall business risk.
- **Board structure:** KCG's board structure is not ideal but not weak, in our view. The board chairman is an independent director and is separate from the CEO role. However, only 42% of its 12-member board are independent directors, below the ideal ratio of two-thirds.
- **Committees:** KCG has the required committees in place, including audit, risk management, and remuneration.
- **Ethics and transparency:** KCG has a clean compliance record, with zero reported cases of corruption, conflicts of interest, or code of conduct violations in 2024. The audit committee identified no internal control deficiencies, and external auditors raised no concerns.

Sources: ttb wealth, Company data

*Decent sales growth*

*Margin expansion*

*A solid balance sheet, in our view*

## INCOME STATEMENT

| FY ending Dec (Bt m) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Sales | 7,743 | 8,645 | 8,896 | 9,445 | 9,917 |
| Cost of sales | 5,351 | 5,978 | 6,125 | 6,479 | 6,783 |
| **Gross profit** | **2,392** | **2,668** | **2,771** | **2,966** | **3,134** |
| % gross margin | 30.9% | 30.9% | 31.2% | 31.4% | 31.6% |
| Selling & administration expenses | 1,854 | 2,028 | 2,061 | 2,185 | 2,283 |
| **Operating profit** | **538** | **640** | **710** | **781** | **851** |
| % operating margin | 7.0% | 7.4% | 8.0% | 8.3% | 8.6% |
| Depreciation & amortization | 213 | 235 | 244 | 259 | 274 |
| **EBITDA** | **751** | **875** | **954** | **1,040** | **1,125** |
| % EBITDA margin | 9.7% | 10.1% | 10.7% | 11.0% | 11.3% |
| Non-operating income | 25 | 26 | 30 | 30 | 30 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (53) | (43) | (28) | (20) | (15) |
| **Pre-tax profit** | **510** | **623** | **713** | **791** | **866** |
| Income tax | 105 | 126 | 144 | 160 | 175 |
| **After-tax profit** | **405** | **497** | **569** | **632** | **692** |
| % net margin | 5.2% | 5.7% | 6.4% | 6.7% | 7.0% |
| Shares in affiliates' Earnings | 0 | 0 | 0 | 0 | 0 |
| Minority interests | 0 | (0) | (0) | (0) | (0) |
| Extraordinary items | 1 | 6 | 0 | 0 | 0 |
| **NET PROFIT** | **406** | **503** | **569** | **632** | **692** |
| **Normalized profit** | **405** | **497** | **569** | **632** | **692** |
| EPS (Bt) | 0.7 | 0.9 | 1.0 | 1.2 | 1.3 |
| Normalized EPS (Bt) | 0.7 | 0.9 | 1.0 | 1.2 | 1.3 |

## BALANCE SHEET

| FY ending Dec (Bt m) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Current assets: | 3,175 | 3,465 | 3,590 | 3,800 | 3,980 |
| Cash & cash equivalent | 64 | 68 | 100 | 100 | 100 |
| Account receivables | 1,866 | 1,912 | 1,968 | 2,089 | 2,193 |
| Inventories | 1,174 | 1,423 | 1,458 | 1,543 | 1,615 |
| Others | 70 | 62 | 64 | 68 | 71 |
| Investments & loans | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 2,618 | 2,648 | 2,705 | 2,746 | 2,769 |
| Other assets | 201 | 202 | 134 | 134 | 134 |
| **Total assets** | **5,994** | **6,316** | **6,428** | **6,679** | **6,882** |
| **LIABILITIES:** | | | | | |
| Current liabilities: | 2,808 | 2,829 | 2,665 | 2,601 | 2,472 |
| Account payables | 1,141 | 1,722 | 1,764 | 1,866 | 1,954 |
| Bank overdraft & ST loans | 1,518 | 947 | 751 | 572 | 352 |
| Current LT debt | 6 | 0 | 0 | 0 | 0 |
| Others current liabilities | 143 | 160 | 150 | 163 | 166 |
| **Total LT debt** | **0** | **0** | **0** | **0** | **0** |
| Others LT liabilities | 245 | 291 | 294 | 307 | 319 |
| **Total liabilities** | **3,052** | **3,119** | **2,959** | **2,908** | **2,791** |
| Minority interest | (0) | (0) | (0) | (0) | (0) |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 545 | 545 | 545 | 545 | 545 |
| Share premium | 0 | 0 | 0 | 0 | 0 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | 1,673 | 1,670 | 1,670 | 1,670 | 1,670 |
| **Retained earnings** | **723** | **982** | **1,255** | **1,556** | **1,877** |
| Shareholders' equity | 2,941 | 3,197 | 3,470 | 3,771 | 4,091 |
| **Liabilities & equity** | **5,994** | **6,316** | **6,428** | **6,679** | **6,882** |

Sources: Company data, ttb wealth estimates

*Passed its heavy capex cycle*

### CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Earnings before tax | 510 | 623 | 713 | 791 | 866 |
| Tax paid | (77) | (113) | (145) | (154) | (172) |
| Depreciation & amortization | 213 | 235 | 244 | 259 | 274 |
| Chg In w orking capital | 35 | 285 | (48) | (104) | (89) |
| Chg In other CA & CL / minorities | 43 | 56 | (11) | 3 | (3) |
| **Cash flow from operations** | **724** | **1,086** | **753** | **796** | **876** |
| Capex | (477) | (265) | (300) | (300) | (298) |
| Right of use | (5) | (2) | 0 | 0 | 0 |
| ST loans & investments | 0 | 0 | 0 | 0 | 0 |
| LT loans & investments | 0 | 0 | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | (62) | 3 | 72 | 14 | 12 |
| **Cash flow from investments** | **(544)** | **(264)** | **(228)** | **(286)** | **(286)** |
| Debt financing | (292) | (570) | (196) | (179) | (219) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (163) | (223) | (296) | (331) | (371) |
| Warrants & other surplus | 5 | (25) | 0 | 0 | 0 |
| **Cash flow from financing** | **(451)** | **(818)** | **(492)** | **(510)** | **(590)** |
| **Free cash flow** | **180** | **822** | **525** | **510** | **590** |

### VALUATION

| FY ending Dec | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Normalized PE (x) | 14.00 | 11.4 | 10.0 | 9.0 | 8.2 |
| Normalized PE - at target price (x) | 17.51 | 14.3 | 12.5 | 11.2 | 10.2 |
| PE (x) | 13.97 | 11.3 | 10.0 | 9.0 | 8.2 |
| PE - at target price (x) | 17.46 | 14.1 | 12.5 | 11.2 | 10.2 |
| EV/EBITDA (x) | 9.5 | 7.5 | 6.6 | 5.9 | 5.3 |
| EV/EBITDA - at target price (x) | 11.4 | 9.1 | 8.1 | 7.3 | 6.5 |
| P/BV (x) | 1.9 | 1.8 | 1.6 | 1.5 | 1.4 |
| P/BV - at target price (x) | 2.4 | 2.2 | 2.0 | 1.9 | 1.7 |
| P/CFO (x) | 7.8 | 5.2 | 7.5 | 7.1 | 6.5 |
| Price/sales (x) | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| Dividend yield (%) | 3.9 | 4.9 | 5.5 | 6.1 | 7.0 |
| FCF Yield (%) | 3.2 | 14.5 | 9.3 | 9.0 | 10.4 |
| **(Bt)** | | | | | |
| Normalized EPS | 0.74 | 0.91 | 1.04 | 1.16 | 1.27 |
| EPS | 0.74 | 0.92 | 1.04 | 1.16 | 1.27 |
| DPS | 0.41 | 0.51 | 0.58 | 0.64 | 0.72 |
| BV/share | 5.40 | 5.87 | 6.37 | 6.92 | 7.51 |
| CFO/share | 1.33 | 1.99 | 1.38 | 1.46 | 1.61 |
| FCF/share | 0.33 | 1.51 | 0.96 | 0.94 | 1.08 |

Sources: Company data, ttb wealth estimates

*Sales growth, margin expansions, good dividend yield, in our view*

## FINANCIAL RATIOS

| FY ending Dec | 2024A | 2025A | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| **Growth Rate** | | | | | |
| Sales (%) | 8.2 | 11.6 | 2.9 | 6.2 | 5.0 |
| Net profit (%) | 32.7 | 24.0 | 13.1 | 11.0 | 9.5 |
| EPS (%) | 7.7 | 24.0 | 13.1 | 11.0 | 9.5 |
| Normalized profit (%) | 38.0 | 22.8 | 14.5 | 11.0 | 9.5 |
| Normalized EPS (%) | 12.0 | 22.8 | 14.5 | 11.0 | 9.5 |
| Dividend payout ratio (%) | 55.1 | 55.2 | 55.2 | 55.0 | 57.0 |
| **Operating performance** | | | | | |
| Gross margin (%) | 30.9 | 30.9 | 31.2 | 31.4 | 31.6 |
| Operating margin (%) | 7.0 | 7.4 | 8.0 | 8.3 | 8.6 |
| EBITDA margin (%) | 9.7 | 10.1 | 10.7 | 11.0 | 11.3 |
| Net margin (%) | 5.2 | 5.7 | 6.4 | 6.7 | 7.0 |
| D/E (incl. minor) (x) | 0.5 | 0.3 | 0.2 | 0.2 | 0.1 |
| Net D/E (incl. minor) (x) | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 |
| Interest coverage - EBIT (x) | 10.1 | 14.7 | 25.8 | 39.5 | 58.0 |
| Interest coverage - EBITDA (x) | 14.2 | 20.2 | 34.6 | 52.7 | 76.7 |
| ROA - using norm profit (%) | 6.8 | 8.1 | 8.9 | 9.6 | 10.2 |
| ROE - using norm profit (%) | 14.4 | 16.2 | 17.1 | 17.5 | 17.6 |
| **DuPont** | | | | | |
| ROE - using after tax profit (%) | 14.4 | 16.2 | 17.1 | 17.5 | 17.6 |
| - asset turnover (x) | 1.3 | 1.4 | 1.4 | 1.4 | 1.5 |
| - operating margin (%) | 7.3 | 7.7 | 8.3 | 8.6 | 8.9 |
| - leverage (x) | 2.1 | 2.0 | 1.9 | 1.8 | 1.7 |
| - interest burden (%) | 90.6 | 93.5 | 96.3 | 97.6 | 98.3 |
| - tax burden (%) | 79.3 | 79.8 | 79.8 | 79.8 | 79.8 |
| WACC (%) | 9.6 | 9.6 | 9.6 | 9.6 | 9.6 |
| ROIC (%) | 10.2 | 11.6 | 13.9 | 15.1 | 16.0 |
| NOPAT (Bt m) | 427 | 511 | 567 | 624 | 679 |
| invested capital (Bt m) | 4,401 | 4,076 | 4,120 | 4,242 | 4,344 |

Sources: Company data, ttb wealth estimates

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|---|---|
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| | | |
|---|---|---|
| 90-100 | △△△△△ | Excecllent |
| 80-89 | △△△△ | Very Good |
| 70-79 | △△△ | Good |
| 60-69 | | Satisfactory |
| 50-59 | △△ | Pass |
| Below | △ | N/A |

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.


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