TALLINN UNIVERSITY OF TECHNOLOGY
School of Business and Governance
Department of Economics and Finance

Wipada Wongsarat

VALUATION OF A PUBLICLY LISTED COMPANY USING THE DISCOUNTED CASH FLOW METHOD ON THE EXAMPLE OF S&P SYNDICATE PLC

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Supervisor: Kalle Ahi, MA

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…Wipada Wongsarat …13 May 2021…………………
(signature, date)

Student code: 184076TVTB

Student e-mail address: ploy.wongsarat@gmail.com

Supervisor: Kalle Ahi, MA:

The paper conforms to requirements in force

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ABSTRACT

The aim of this bachelor’s thesis is to assess the enterprise value of a publicly listed company using the discounted cash flow valuation method. For the purpose of applying the valuation methods and DCF model in practice, S&P Syndicate Plc, a Thailand-based company operating a chain of bakery shops and restaurants is valuated.

Firstly, the paper gives an overview of theoretical background of valuation practices, cost of capital, and discounted cash flow methodology in more detail. Then, a financial analysis of S&P Syndicate is performed based on the company’s historical track record and projections are drawn for the period of 2021 and 2025. Thirdly, discounted cash flow model is applied, enterprise value as well as equity value are estimated and sensitivity analysis with 6 different variables is conducted. Finally, the findings are compared with market-based relative valuation implied from market data of peer group containing 11 publicly listed Thailand-based food and beverages industry participants. All in all, this thesis finds the price of S&P Syndicate public company limited to be overvalued with the fair value of one share to be 7.33 Thai baht. From sensitivity analysis it is concluded that the valuation is most sensitive towards inputs considering long-term profitability, needed capital investments, and cost of capital.

The author believes that the thesis could be useful for all potential stakeholders of S&P Syndicate public limited company, as well as for investors who consider to invest in the stock market of Thailand and may wish to replicate this kind of valuation on other Thai companies.

Keywords: Valuation, Enterprise Value, DCF, Trading Comparables.

INTRODUCTION

When referring to a company valuation, we must understand the word „valuation" itself as a primary step. A valuation can define as a process of determining how much does an asset (company) is worth or its fair market value. There are mainly three different ways to evaluate how much does a business worth: asset-based, income-based, and market value approaches (Ward, 2021). The assessment of the valuation is essential for many parties such as the owners themselves, potential buyers, investors and shareholders. The valuation allows them to understand the baseline value of the business, what are the elements that affect the profit or other line items and which area should be improved, forecasting the expectations of the future income or loss (McCabe, 2018). The result of business valuation can also help investors to intelligently decide their investment portfolio whether this particular company is price correctly and will provide them with a margin of safety for their long term investments (KenFaulkenberry, 2014).

The topic of this thesis is the valuation of a Thai publicly listed company using discounted cash flow method on an example of S&P Syndicate Plc. The company engages in the management of the chain of bakery shops, different food products and restaurants. It was founded on October 14, 1973, and its headquarter located in Bangkok, Thailand. The reason why this topic is chosen because of a personal interest in fundamental valuation analysis by using the DCF method as well as the curiosity in the fair value and future forecast of this mature bakery and restaurant business.

Historically, the stock price of S&P Syndicate Public Co. Ltd. peaked in February 2013 with a price above 40 THB per share, after which the price has been gradually declining and plummeted threefold over the past 7 years. As of now the market capitalization of this company is around 7 billion Thai baht or equivalent to €192,000,000, yet the past few months seem to have shown signs of trend reversion with the price recovering from below 9 THB to 15 THB in just a few months. Could this be only the beginning of great recovery for S&P Syndicate Plc and are the painful years passed? Or is it simply a temporary price fluctuation of a company that is in a declining stage of business.

The main goal/aim of the thesis is to assess the value of S&P Syndicate by applying the discounted cash flow method to examine whether the market value is appropriate or not.

Research tasks are formulated as follows:

1. Based on the historical financial data and analysis of the company, what should be the expectations and financial projections for the future?
2. What is the fair value of S&P Syndicate Public Co. Ltd. based on the discounted cash flow method?
3. Is the S&P Syndicate share price on the Stock Exchange of Thailand currently undervalued or overvalued?
4. What is the fair value of S&P Syndicate Public Co. Ltd. based on relative valuation with other publicly traded peers operating in Thai food and beverages industry?

The paper is divided into two main chapters. The first chapter will cover the theoretical background of valuation where the purpose of company valuation will be explained with a further deep dive into discounted cash flow method, in which advantages and disadvantages of this valuation model will be addressed. The second part is the valuation of S&P Syndicate where general overview of the company background, its peers in the market, the analysis of the economic environment as well as financial analysis will be discussed. After assessing the topics mentioned above, the calculation of S&P Syndicate valuation will be conducted by using discounted cash flow method, following by forecasting the company's free cash flow and finding the weighted average cost of capital (WACC) and terminal value. Finally, the company value will be estimated and sensitivity analysis will be conducted, the whole valuation is summarized and the enterprise value from DCF method is compared with an implied valuation range of relative valuation from other publicly traded industry peers listed on the stock exchange of Thailand.

1. VALUATION OF THE COMPANY

1.1. Purpose of company valuation

One of the main purposes of operating a business is to generate income, profit or some returning such as cash or dividends. For the owner, maximizing their business value in a long run can increase profit, employment, customers satisfaction and their employee's happiness (Koller, Goedhart, & Wessels, 2010). The value is vital and relevant to all stakeholders in the firm not only just shareholders, it assists to measure the company's performance in the long term (Koller et al., 2010). The dimension of measurement in the market can be determined by valuing the value (Koller et al., 2010). People who are working in the corporate finance sector or financial economists should understand the structure of company valuation because the analysis helps them to determine the strengths and weaknesses that may be the potential of bankruptcy or success of the firm as well as understanding what is the appropriate value when businesses are merging or takeover (Fernández, 2002).

There are three main methods to evaluate the company's value which are: 1) multiples approaches - comparable companies approach (CCA) and comparable transactions approach (CTA); 2) discounted cash flow model; 3) adjusted net book value approach (ANBV) (Janiszewski, 2011). The following are different scenarios when valuation is used (Fernández, 2002): 1) when there is a buying or selling event of a company; 2) for publicly listed companies, valuations must be determined so that the investors can evaluate the securities and make decisions for their investment portfolios whether to buy, sell, or hold; 3) to establish the fair price for the shares of public listed companies; 4) valuation can be conducted to estimate the value of legacies and wills; 5) determining the compensation strategy from value creation; 6) to discover what are the main elements in the company that creates value; 7) provide more insights regard to strategic decisions whether the business will continue to grow, merge with other companies or sell; 8) deciding future strategies on business lines, products, or customers. The most common methods of how to value a company can classify into four groups which are balance sheet-based methods, income statement-based methods, mixed methods, and cash flow discounting method (Fernández, 2002). This paper will assess the company S&P Syndicate valuation by using discounted cash flow method which will be explained in detail below.

1.2. Valuation of the company using the discounted cash flow method

There are various researches and studies on what is the most suitable method for valuing a company. The discounted cash flow valuation has been one of the most widely used in academia because it has a great connection to economic theory and competitive strategy (Koller et al., 2010). The base of discounted cash flow valuation is to take the value of an asset as the present value of the expected cash flows for the asset, then it discounted back at a rate where it indicates the riskiness of these particular cash flows (Damodaran, 2009). The explanation and main concepts of the company's valuation that using discounted cash flow (DCF) approach will be provided below. Afterwards, this methodology will be used to assess S&P Syndicate PLC.

1.2.1. Free cash flow and cost of capital

Free cash flow or FCF is taken into account as the foremost important indicator of a company's stock price. The basis of free cash flow to the firm is to estimate the amount of cash the company obtained from their business activities in order to pay off dividends to shareholders and the calculation usually begins with net income (Corelli, 2017). One of the vital benefits of free cash flow is to assess the profitability that excludes non-cash expenses, to discover potential issues in the income statement, and enable the total company's value (debt + equity) to be acquired (Corelli, 2017). To calculate free cash flow, the company or analyst must disregard their financing for operations but instead focusing on financial return on the company's asset after-tax (Fernández, 2002).

In corporate finance, there are in total two ways how to evaluate free cash flow: free cash flow to the firm (FCFF); and free cash flow to equity (FCFE). Free cash flow to equity is the amount of cash available to the owners after the firm has paid all their operating expenses, interest, reinvestments in working capital and debt (Pinto et al., 2010). On another hand, FCFF is the cash available to the firm and shareholders after it has paid all business expenses (including taxes) as well as invested into working capital (e.g. inventory) and long-term assets (Tracy, 2020). The main difference between FCFF and FCFE is that FCFF does not eliminate cash flow paid for debt liabilities, meaning that the generated cash is meant for all financing stakeholders - both debt and equity investors. In this case, we will use the discounted cash flow method based on FCFF to determine the fundamental value of S&P Syndicate. It can be calculated as follows:

$$FCFF = (EBIT \times (1\text{- tax rate})) \text{ - depreciation - long-term investments} - \text{investments in working capital} \quad (1)$$

The weighted average cost of capital (WACC) is the weighted average of various financing elements that the company apply to fund their financial requirements including provide the expect returns to its investors (Diakité, 2005). It can divide into three categories which are the cost of equity, the after-tax cost of debt, and the company's target capital structure (McKinsey & Company Inc. et al., 2020). To calculate WACC is to weigh the cost of debt and cost of equity with regard to that particular company's financial structure (Fernández, 2007). In another word, WACC is a calculation of a company's cost of capital, the cost of each type of capital is proportionately weighted, and it comes from all sources of capital, for example, common share, preferred shares, bonds and debt (McKinsey & Company Inc. et al., 2020). The formula for WACC can be represented as follows:

$$WACC = E\ (Re) + \frac{D}{V}\ (Rd)\ (1 - t) \quad (2)$$

Where

E - market value of equity

D - market value of debt

V - present value or E + D

Re - cost of equity

Rd - cost of debt

t - tax rate.

There are several models for the cost of equity, but Capital Asset Pricing Model (CAPM) is most commonly used in finance to assess the cost of equity. The model represents the cost of capital equal to a risk-free rate and including a correlative risk premium to the systematic risk of the portfolio or stocks (Hitchner, 2017). The CAPM obtained from the capital markets and seeks to determine the expected returns for assets and systematic risks based on market relationships and the expectation of how investors behave (Hitchner, 2017). The formula can be expressed as follows:

$$Re = Rf + \beta \times (Rm - Rf) \tag{3}$$

Where

Rf - the risk-free rate

β - the beta of security

Rm - expected return of the market

(Rm - Rf) - equity market premium.

The risk-free rate of return means the rate of return of investment that contains zero risks. It often calculated on the basis of the yield on government bonds. However, a risk-free rate of return is impossible to achieve in practice because every investment contains at least a small amount of risk. Hence, when investors refer to a risk-free rate of return, it means that they wish to have the minimum risk on their return, they know the expected return with certainty and will not receive the further risk unless there's a certainty that the potential return will be greater than the risk-free rate (Damodaran, 2006). The market risk premium can provide a quantitative measure of the additional return required by investors for the increased risk (Damodaran, 2006). There are two main approaches on how to find the market risk premium: 1) finding the risk premium based on historical data 2) forecast or projected the expected risk premium (Pinto et al., 2010). Adjustments capturing risk premiums for specific risks may also be added to regular CAPM formulas (EY Switzerland, 2020).

1.2.2. Discounted cash flow method

When estimating the fundamental value of the companies by using discounted cash flow method, there are two commonly used variables which are free cash flow to the firm (FCFF) and free cash flow to equity or owners (FCFE). Using free cash flow to equity to find the company's value, the result will reflect how much does a company worth for its owner, the main steps are discounting the FCFE for different periods at the cost of equity and sum the present values that you obtained. In order to acquire the company's value by using FCFF method, the FCFF of the observed periods must be discounted by WACC and sum the present value we received. This valuation method is available to all providers of the company's capital, both creditors, shareholders and owners. One of the biggest advantages of using FCFF or FCFE to estimate the company's value is that it can be used directly to the discounted cash flow model (Pinto et al., 2010). The value of the company through discounting FCFF can be found using the below formula:

$$Firm\ value = \sum_{t=1}^{\infty} \frac{FCFF_t}{(1+WACC)^t} \quad (4)$$

Where

FCFF - free cash flow to the firm

WACC - weighted average cost of capital

t - time period

It is essential to understand how much cash flows the company will generate in the future in order to evaluate the value of the companies. However, obtaining all future cash flows is rather difficult. Hence, one possible way to determine all the future cash flows from the period where it is impossible to forecast with good accuracy is to use the terminal value instead. The present value of a growing perpetuity is the key element to estimate the terminal value. The terminal value determines the potential company's cash flow beyond the forecasted period, it is considered the future cash flows that are assumed to grow at a rate permanent-growth rate meaning that the future cash flows will grow at a constant growth rate forever assuming the company is still operating (Corelli, 2017). Given that the terminal value often compromises the majority of the valuations, therefore, it is important to assess the terminal value as accurate as possible (Janiszewski, 2011). When using the terminal value to find the company's value, it can be expressed as below:

$$Firm\ value = \sum_{t=1}^{n} \frac{FCFF_t}{(1+r)^t} + \frac{Terminal\ value_n}{(1+r)^n} \quad (5)$$

Where

$FCFF_t$- estimated free cash flow to the firm in period t

r - discount rate

$Terminal\ value_n$- terminal value in year n

n - year in which it is no longer to accurately forecast the annual cash flows

There are two most common methods on how to find the terminal value: constant growth rate or known as Gordon Growth Model and exit multiple (Corelli, 2017). The constant growth rate method is assuming that the free cash flow continues to grow forever at a stable rate. The terminal value can be found by using the Gordon growth model as below:

$$\textit{Terminal value} = \frac{[FCFF_n * (1+g)]}{(r-g)} \tag{6}$$

Where

$FCFF_n$- free cash flow to the firm for the last forecast period

r - discount rate

g - constant growth rate

In conclusion, the value of the company using DCF model is to find the present value of the cash flow generated by the company throughout its business life. Moreover, historical financial data and analysis as well as the economic environment are the basis for forecasting the company's future free cash flows. Finding the correct price for capital and terminal value with a constant growth rate is essential in fundamental valuation.

2. VALUATION OF S&P SYNDICATE PLC.

2.1. Overview of S&P Syndicate Plc.

S&P Syndicate Public company limited was founded in 1973. The business was first started with a small ice cream shop back then, it has gradually grown over 48 years to become restaurants, bakery shops, and distributing ready-made food/quick meal (S&P Syndicate … 2019). The overview of the company section will cover details of business operations, products and services, the structure of the company.

S&P Syndicate Plc operates over 529 branches and 2 franchise in Thailand, therefore, major revenues and distributions mainly come from domestic markets (S&P Syndicate … 2019). For the international group, there are in total 18 restaurants in 6 countries. The company primarily concentrate on bakery shops and restaurants with its principles of cleanliness, delicious foods and premium quality. The firm target group are diverse, which are people who are working (e.g. office workers), teenagers, and all family members. The most attractive areas located in Bangkok metropolitan region, this can be concluded as there are in total 202 bakery shops and 99 restaurants operating there which considered to be 60% of all branches (S&P Syndicate … 2019). The stores often located in areas that reachable for customers such as supermarkets, shopping malls, educational institutions, hospital and gas stations. Over the past decades, the company has expanded into 12 business groups, all are operated under S&P Syndicate, which are the following: 1) S&P Restaurant & Bakery, 2) S&P Bakery Shop, 3) Bluecup Coffee, 4) S&P Delivery 1344, 5) S&P Catering (Outside Catering), 6) Trading Business – Food, Bakery and OEM , 7) VANILLA, 8) Patio: Delicatessen, 9) Patara : Fine Thai Cuisine, 10) Grand Seaside: Seafood, 11) SNP/HQ & SNP CAFE and 12) Nai Harng (S&P Syndicate … 2019).

The primary products and services under S&P Syndicate are bakery products (e.g. cake, puff and pastry, fresh bread and sandwich, moon cake, Thai sweet delicacies, and cookies), food products (e.g. frozen finished food, sausages, and ready-made jelly) and beverage products (e.g. 100% fruit juice beverage, coffee, and organic matcha tea). Most of S&P Syndicate customers are loyal customers, and these customers place importance on food quality and service as a key factor. Consuming behaviour of S&P customers apart from eating inside the restaurants, most of them still prefer the bakery products for consumption and buy as a gift, the cake is the most popular product with customers in the first place followed by bread, pastries, frozen cakes, moon cakes, respectively (Aitt88, 2020). At this present, S&P Syndicate Plc owns 18 subsidiaries, mainly are domestic groups and some are operating abroad such as in the UK, China, and Switzerland (S&P Syndicate … 2019). The detailed group structure with the share percentages can be found in appendix 1.

2.2. S&P Syndicate economic environment and competitors

Thai economy within the past few years still encountered rising pressure from world economic slowdown, particularly once the trade war incident between China and also the United States. The competition in the price of exporters and growth of private investment and government has been weakened (S&P Syndicate … 2019).

Before the pandemic started, in 2019, the restaurant sectors in Thailand had the potential to grow throughout the economic fluctuation, and it appears to be a positive trend that this industry will continue to improve. It is due to the structural change in households and changes in consumer lifestyles that brought out this trend (S&P Syndicate … 2019). According to the data from Euromonitor, it reflects that the sales amount of Thailand's food sector has been a constant growth at a rate of 4% per year from 2013-2018, which is higher than the private consumption rate where it grows is 2.4% per year (S&P Syndicate … 2019).

The impact of COVID-19 was an unforeseen incident for all of us including the restaurant industry. Hence, once the pandemic started in 2020, the Thai government obligated the lockdown regulation, curfew time, restricted domestic travelling, closure of shopping centre, and prohibited all dine-in services (Euromonitor, 2021). This has severely affected and transformed the food and restaurant industry in Thailand. In order to survive, most restaurants are forced to adapt to the current new normal, by offering services through the online platform, partner up with online food delivery companies. Moreover, as the COVID-19 pandemic still remains, the number of people who are cooking by themselves at home has increased, more logical and reasonable decisions are made toward private consumptions, and consumers are paying more attention to their health and consume more healthy and ethical food products (Nxpo, 2020).

Due to this behaviour change, there is a great potential to grow in the healthy food sector, and other types of restaurants also have to embrace this healthy food trend, which could be including healthy sugar substitutes and food made from organic ingredients etc. (Nxpo, 2020). According to Mordor Intelligence (n.d.), the tourism industry in Thailand has been one of the largest divisions for the food industry growth, therefore, once the restriction on travel is revoked, the food and restaurant industry will most likely improve respectively.

Due to the fact that S&P Syndicate's operation is mainly targeted domestic market, the majority of its competitors are local stores. S & P Syndicate's direct competitors are those that operate a restaurant and/or bakery stores, which sell products in the same line as the company or with the same target audience. Examples of main domestic competitors are See Fah, Little Home bakery, Farm House, Phung Noi Bakery, After You, Yamazaki Bakery and Gateaux House etc. Most of the peers in the market are private limited companies, only a couple are publicly listed firms (e.g. After You and Yamazaki). On another hand, indirect competitors include fast-food restaurants. Although they offer different type of food from S&P Syndicate, the customer segment is the same, the main competitors are restaurants that offer hamburgers, pizza, fried chicken and ice cream (S&P Syndicate … 2019).

The level of competition in this market is fierce, with various marketing strategies such as discounts, promotions, vouchers, lottery and giveaways are aimed at attracting the attention of customers (S&P Syndicate … 2019). Even though the competition is high and rising every year, there is currently no official survey on the total market value of the restaurant and bakery business or the competing groups that produce similar goods (S&P Syndicate … 2019). Therefore, it is difficult for the company to compare the market share with their peers. However, S & P Syndicate's restaurant and bakery business continue to focus on themselves and develop new products. The company also launching healthy products such as green tea cake and carrot cake to follow the new consumption trend.

2.3. Company financial analysis

Financial analysis is performed to get an overview of the company's financial situation. According to Financial planner world (n.d), the financial analysis is also determining the company's profitability, liabilities, strengths and weaknesses and future financial situation. The analysis helps us to clarify and disclose the information contained in the financial statements. In the case of S&P Syndicate's financial analysis, the financial results, developments and trends of the most recent history of the company are analysed, all of which are to provide information for the fundamental valuation of the company and as the basis for forecasting cash flows. The analysis mainly concentrates on the horizontal analysis of the financial statements, and the changes from year to year. Ratio analysis is also used to assess the firm's liquidity, asset efficiency, capital utilization, and profitability. S&P Syndicate's financial analysis is based on the company's consolidated annual reports.

According to figure 1, the revenue has dropped drastically in 2020. Even though S&P Syndicate is one of the biggest food chain companies in Thailand, from 2019 to 2020, the company's sales revenue plummeted by 29% from 7.3 billion THB to 5.2 billion THB. The reason for the decline was primarily the general economic downturn due to the impacts of COVID-19 and lockdowns related to containing the virus.

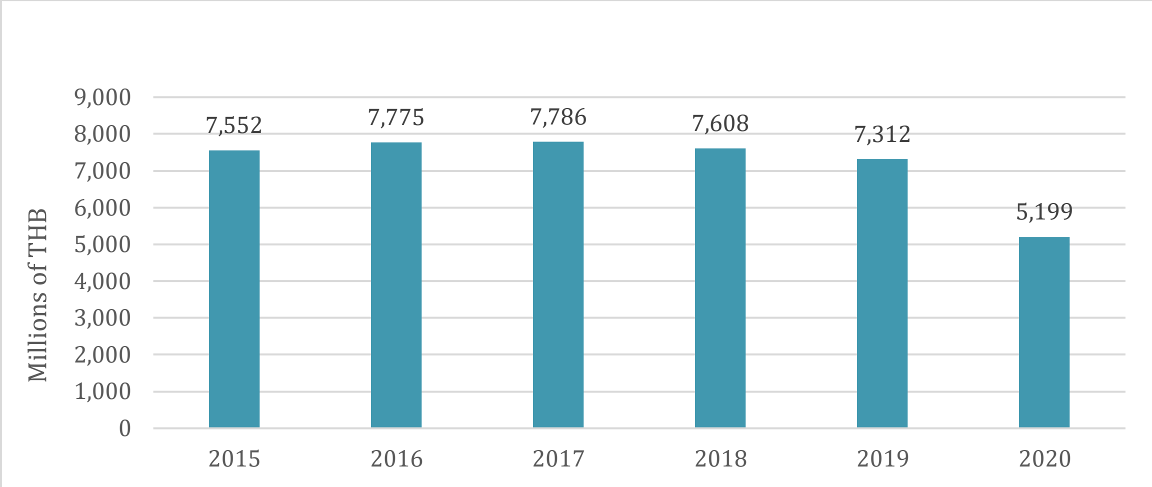

Figure 1. S&P Syndicate sales revenue in millions of THB in 2015-2020.

Source: Based on the data provided by the author in Annex 2 (see Annex 2).

The business has been profitable every year in 2015-2020.

S&P Syndicate's operating profit, net profit and dividends paid in 2015-2020 are shown in Figure 2 below.

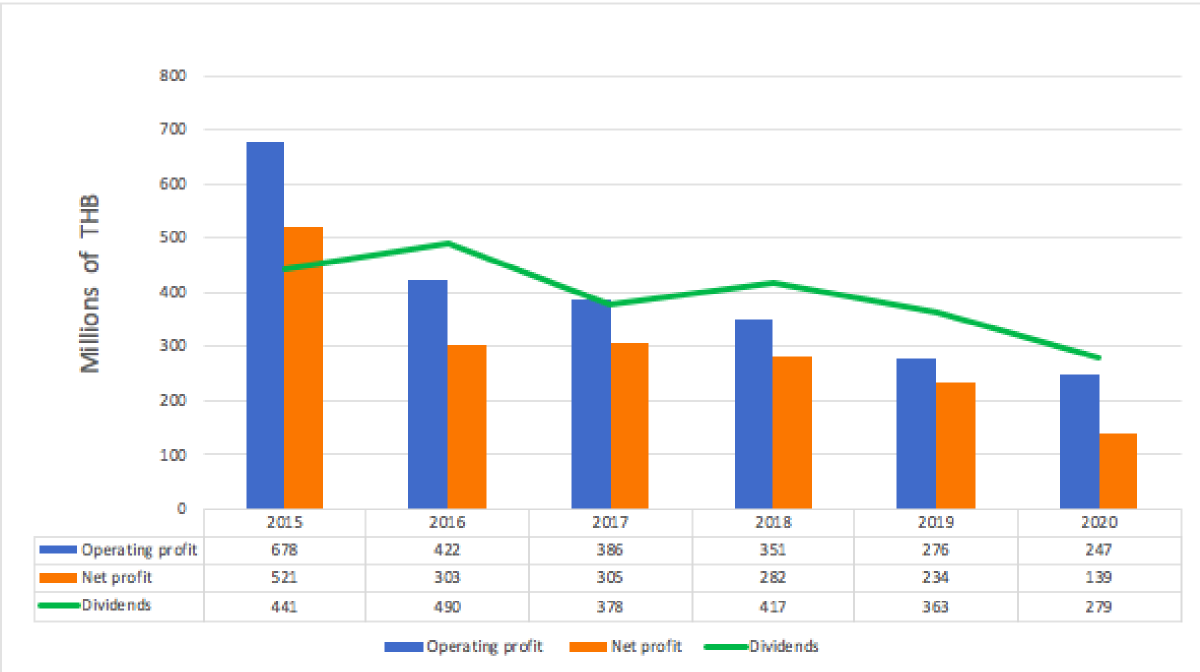

Figure 2. S&P Syndicate's operating profit, net profit and dividends in 2015-2020.

Source: Based on the data provided by the author in Annex 2 (see Annex 2)

The company has paid dividends every year to its shareholders. Net profit from 2015-2019 was stable and positive every year, but in 2020, the net profit was the lowest for the company due to the pandemic crisis. In 2015, the largest operating profit and the largest net profit of the last 6 years was achieved.

As seen in Figure 2, S&P Syndicate has exercised a very aggressive dividend payout policy. Already for 5 consecutive years, dividend distribution has exceeded the net profit for the year. This means that whereas net earnings have deteriorated, the company has continued to pay out relatively high dividends from its liquidity buffers.

Table number 1 shows the solvency and liquidity indicators of S&P Syndicate.

Table 1. S&P Syndicate's solvency and liquidity indicators for the period 2015-2020

Indicator / Year	2015	2016	2017	2018	2019	2020
Net working capital (in million baht)	-363	-319	-299	-301	-232	-211
Short-term debt coverage ratio	4.24	-5.01	12.06	0.13	-3.12	-0.15
Liquidity ratio	1.48	1.39	1.57	1.59	1.75	1.20
Cash ratio	0.59	0.53	0.75	0.75	0.71	0.45

Source: Author's calculations based on the data in Annex 2 (see Annex 2)

According to table 1, net working capital has been negative every year from 2015-2020, meaning that its working capital has been financed mainly by trade payables and the company has no short-term capital needs to finance its inventories. In 2020, the company's liquidity ratio and cash ratio have sharply decreased. This indicates, that the COVID-19 crisis has had a negative impact on the company’s liquidity and cash position has dried up. Although the liquidity ratio above 1.0x indicates that total current assets cover total current liabilities i.e. there are no immediate liquidity concerns, the drop in cash ratio shows that the most liquid assets have been reduced. Although there might be rather many current assets, cash and cash equivalents do not fully cover the liabilities of the next 12 months. Then again, the cash ratio has been relatively low for the past six years, and it appears to not have caused any harm to the company.

The efficiency of the company's asset management is represented in Table 2.

Table 2. S&P Syndicate's asset management efficiency in 2015-2020.

Indicator / Year	2015	2016	2017	2018	2019	2020
Asset turnover ratio	1.98	2.09	1.96	1.88	1.88	0.96
Inventory turnover ratio	23.31	24.94	24.52	24.78	24.34	23.15
Days' sales in inventories (days)	30	26	27	26	26	26
Days' sales in receivables (days)	16	15	17	16	16	17
Operating cycle (days)	46	41	44	43	42	43
Days' sales in payables (days)	44	42	44	43	42	45
Cash cycle (days)	2	-1	0	-1	1	-2

Source: Author's calculations based on the data in Annex 2 (see Annex 2).

Notes: Turnover periods are calculated in days and are calculated as 365 days a year.

When analysing the turnover ratios of total assets and inventories from Table 2, it can be stated that the turnover ratios have been relatively stable over the years except the year 2020, when the total asset turnover ratio dropped 50% from the previous year implying that a hike in total assets has not yielded with the increase in sales. When the asset turnover ratio is high, it means that the company is using its assets efficiently as the higher ratios indicate that more revenue is generated per one unit of assets. During the past 6 years, on average 1.79 baht of revenue per year has been generated for each baht worth of assets and 24 baht worth of revenue has been generated for each baht of inventory in the company's balance sheet.

From the cash cycle, we can conclude that the company has very efficient working capital management policies as effectively the suppliers are financing the company's working capital. This is in line with Table 1 that showed us that the company has negative net working capital, although in Table 1 the net working capital includes more line items from the balance sheet. The use of the S&P Syndicate's debt capital is characterized in Table 3.

Table 3. Indicators characterizing the use of S&P Syndicate's debt capital 2015-2020.

Indicator / Year	2015	2016	2017	2018	2019	2020
Debt ratio	1%	1%	1%	5%	4%	12%
Debt to equity ratio	1%	2%	1%	8%	6%	27%
Interest coverage ratio	299	240	158	48	34	3.4
Debt service coverage ratio	46	38	23	17	12	1.6

Source: Author's calculations based on the data in Annex 2 (see Annex 2).

During the period of 2015-2019, the company was essentially debt-free and its interest and debt service coverage ratios were very solid. In 2020, the company took on substantial debt and this was immediately also reflected in coverage ratios. Nonetheless, an interest coverage ratio of 3.4x and DSCR of 1.6x indicate that the company has sufficient debt repayment capacity and has so far experienced no issues with its interest and principal payments.

The development of S&P Syndicate's income and expenses is presented in Table 4.

Table 4. Sales growth and development of expenses of S&P Syndicate's during 2015-2020.

Indicator / Year	2015	2016	2017	2018	2019	2020
Sales growth	…	3%	0%	-2%	-4%	-29%
COGS as % of sales	53%	55%	55%	56%	58%	60%
Selling expenses as % of sales	27%	28%	30%	28%	28%	27%
Administrative expenses as % of sales	10%	11%	10%	11%	10%	8%
Management expenses as % of sales	1%	1%	1%	1%	1%	1%

Source: Author's calculations based on the data in Annex 2 (see Annex 2).

Prior to the COVID-19 crisis, S&P Syndicate experienced close to non-existent top-line growth during 2015-2019 with sales growth fluctuating between -4% and 3%. When the pandemic started, revenue decreased drastically as the already deteriorating revenues were hit by the lockdown. This resulted in 29% drop to 5.2 billion baht in annual sales. Meanwhile, the company's COGS have been growing steadily. The cost of sales, which was representing 53% of total sales in 2015, has reached 60% by 2020. Other key expense items have remained relatively stable, with selling expenses proportionally increasing during the years but coming back down to 27% in 2020. Administrative expenses have fluctuated, but in 2020 there have been severe cost-cutting and the annual administrative expense was actually at a historical low point: the cost that has previously always been above 700 million baht per year (2015-2019 average was 788 million baht) was reduced to 420 million baht in 2020. Profitability margins and historical returns of S&P Syndicate is represented in Table 5.

Table 5. Development of profitability margins and return on equity and assets of S&P Syndicate's during 2015-2020.

Indicator / Year	2015	2016	2017	2018	2019	2020
Gross margin	47%	45%	45%	44%	42%	40%
EBITDA margin	14%	10%	10%	10%	8%	18%
EBIT margin	9%	5%	5%	5%	4%	5%
Net profit margin	7%	4%	4%	4%	3%	3%
Return on equity	21%	13%	12%	11%	9%	6%
Return on assets	14%	8%	8%	7%	6%	3%

Source: Author's calculations based on the data in Annex 2 (see Annex 2).

During 2015-2020, S&P Syndicate has experienced consistent pressure on profit margins on every level. With the exception to very high EBITDA margin in 2020, margins have been deteriorating year after year with gross margin coming down from 47% to 40%, EBIT margin decreasing from 9% to 5% and net margin from 7% to 3% during these years. A similar negative trend has happened with return figures. Whereas S&P Syndicate was able to generate an excellent 14% return on assets and 21% return on equity to its equity investors in 2015, by 2020 the annual return on assets had diminished to 3% and return on equity to barely 6%. These negative developments in profitability have also been clearly noted by the stock market as the stock price during this time period has plummeted.

2.4. Valuation of S&P Syndicate using discounted cash flow method

The value of the company is determined on the idea of free cash flow that goes into the company. This is to estimate the total value of the company, not simply just the value of the equity. It is also conceivable to demonstrate the equity and debt capital values from the enterprise's value. Moreover, it provides a good overview of the company, which is why the chosen method is most suitable. Given that the basis of calculations is free cash flow to the firm and not only free cash flow to equity owners, the applied discount rate is weighted average cost of capital (WACC) i.e. both equity and debt capital.

2.4.1. Company's free cash flow forecast

One of the key assumptions when projecting free cash flow is sales growth. When forecasting sales, there are several significant factors that might affect future earning. For example, developments in the economic environment, changes in customer's lifestyle, technology etc. The purpose of projecting free cash flow to the firm is to give as an accurate estimate as possible regarding the changes in the company's sales revenue in the future. According to the financial analysis of S&P Syndicate, it has revealed that revenues from sales in the past several years (2015-2019) has been relatively stable - annual revenues have been approximately 7 billion baht per annum. Yet, the business was heavily impacted by COVID-19 when sales plummeted by around two billion baht from previous levels or equivalent to a decreased of 29%.

One of the directors of S&P Syndicate reported that the impact of the epidemic of COVID-19 has caused the company's overall performance to be negative for the first time in history since it opened for operation (Thansettakij, 2020). When the pandemic started in 2020, the company has planned their strategy to handle the crisis by developing new products into the market, implementing cost control including product costs, labour, rental fees, expanding more branches to sub-district area, both a restaurant and a bakery, and offers delivery service. Recently, the company has partnered with companies who have expertise in technology in order to develop CRM which could in turn expand and build strength for the delivery. In addition, S&P Syndicate also promotes the market segmentation strategy where they divide the customer groups into 3 groups: upper level, middle-class and lower levels to meet their needs. In 2020, the company was being able to adjust to the new normal in business management and managed to increase profit for the third quarter and the fourth quarter in 2020 above the previous year. The total profit was 107 million baht in Q4 2020, compared with 86 million baht in Q4 2019, with the increase being equivalent to 21 million baht or 24.5%. Even though they managed to increase profit during that period, overall, the company is still facing a crisis as restaurants barely open during the COVID-19 outbreak, and even they have been promoted delivery service, the loss of shopfront sales still cannot be replaced.

Recently Thailand has been facing the third phase of coronavirus. The infected cases have rapidly hiked, the country is back to the period where everything is closed, and strict rules are implemented. The vaccination is in a slow process due to some conflicts and negligence from the government. Hence, it will be tough for S&P Syndicate to boost their sales in the near future. Due to strict lockdown, Q2 2021 is expected to bring in the least amount of sales, with full-year 2021 result most likely falling below the level of 2020. Following the roll-out of COVID-19 vaccines to the public during 2021-2022, sales are expected to start to recover. Hence, in projections, the sales growth is assumed to be -11.5% in 2021, +13.5% in 2022, and +10.0% per annum during 2023-2025.

Whereas the impact of the pandemic has been terrible, the company has successfully managed to decrease its cost base that led to a hike in profitability in 2020. Most importantly, the cost-cutting strategy has helped to reduce administrative expenses from 741 million baht to 420 million baht (-43.3%) and selling expenses from 2018 million baht to 1,378 million baht in 2020 (31.7%). In total, operating expenses were decreased by close to 1 billion baht. Consequently, EBITDA margin jumped to 18%. Going forward, it is expected that cost-cutting continues during the lockdown period in 2021, but operating costs will turn back to growth as soon as revenues start to recover from 2022. Although key cost articles are estimated to remain proportionally in line with group revenues, profitability margins are expected to deteriorate slightly year by year and comes down to last 6-year average (EBITDA margin 12%) by 2025, which is the last forecasted year and also the base year for terminal value calculations.

Table 6. S&P Syndicate company's free cash flow forecast for 2021-2025 (in millions of baht)

	S&P Syndicate				
Year	2021	2022	2023	2024	2025
EBITDA	932	868	840	837	850
- Tax	-40	-43	-46	-50	-55
- CapEx	-500	-500	-500	-500	-500
+/- Change in working capital	-36	23	20	22	24
Free cash flow to firm (FCFF)	356	348	314	309	319

Source: Author's calculations based on data in appendix 3

After EBITDA was forecasted, it is necessary to eliminate the income tax from free cash flow calculations. To estimate tax rate for future years, tax rate at historical 6-year average effective tax rate was assumed.

From the perspective of future investment needs of S&P Syndicate, after observing actual historical investment the maintenance capital expenditure was assumed to be equal to 500 million baht per year, which is lower than actual historical investment cash flows as well as annual depreciation and amortization, which was around 700 million baht in 2020.

In projections, all separate working capital items are tied to its past 5-year averages. As historically net working capital has been slightly less negative than in 2020 (-4.1% of sales), normalization of working capital i.e. change towards historical average levels leads to cash equal to 36 million baht tied as working capital in 2021. As sales recover during 2022-2025, 88 billion baht of cash is to be released from working capital as free cash flow, given that the nature of the business is so that net working capital is negative (-3.8% of sales).

2.4.2. Assessing the weighted average cost of capital and terminal value

The weighted average cost of capital (WACC) was calculated using 10-year Thai government bond yield as risk-free rate for Thai baht. Unlevered beta and share of debt of ‘restaurants and dining sector’ were taken from Damodaran database and are based on New York university’s professor Aswath Damodaran’s calculations and derived from publicly listed companies in Emerging Markets region. Levered beta is calculated from unlevered beta, assuming capital structure equal to the sector’s average. For cost of debt, the company’s last 5-year actual average interest rates are assumed. For income tax rate, effective tax rate of the company during 2016-2020 is assumed. Market risk premium and country risk premium for Thailand were obtained from Damodaran database.

Table 7. Finding the weighted average cost of capital for S&P Syndicate PCL

Calculation of the weighted average cost of capital	
Factor	Value
Risk-free rate	2%
Unlevered Beta	0.90
Levered Beta	1.02
Share of debt	14.6%
Share of equity	85.4%
Market risk premium	6.27%
Country risk premium	1.55%
Cost of equity	9.84%
Cost of debt	6.06%
Effective tax rate	20.5%
Weighted average cost of capital (WACC)	9.11%

Source: Author’s calculations based on data in appendix 3

Considering the mentioned calculation inputs and the sector’s average capital structure in Emerging Markets region, the weighted average cost of capital in local Thai baht for S&P Syndicate PCL was estimated at 9.11%.

Terminal value (the value of S&P Syndicate as of 31.12.2025) was calculated using a Gordon growth model, assuming a constant growth rate of 2% per year after 2025. The terminal value was 4,579 million baht, which then had to be discounted.

2.4.3. Company value and sensitivity analysis

To determine the discounted value of the company's cash flows, free cash flow to firm was discounted with the weighted average cost of capital of 9.11%. Similarly, the terminal value was discounted. As a result, the enterprise value (cumulative present value of all future free cash flows to firm) was found as of year-end 2020. With the aforementioned projections and valuation assumptions, the enterprise value of S&P Syndicate PCL was 4,246 million baht. When eliminating net debt from the enterprise value, the equity value could be 3,592 million (3.6 billion) baht and the fair share price for S&P Syndicate could be 7.33 baht per share.

Given that forecasting is never fully accurate and the estimated value of the company is dependent on assumed inputs, which may turn out to be either too optimistic or too conservative compared to the actual market developments, sensitivity analysis must be conducted.

Table 8. Sensitivity of perpetuity growth and cost of capital assumptions towards value of share

		Perpetuity growth						
		0,50%	1,00%	1,50%	**2,00%**	2,50%	3,00%	3,50%
WACC	10,61%	5,78	6,09	6,43	6,83	7,29	7,82	8,44
	10,11%	5,92	6,23	6,59	6,99	7,46	8,00	8,64
	9,61%	6,06	6,38	6,74	7,16	7,63	8,19	8,84
	9,11%	6,20	6,53	6,90	**7,33**	7,81	8,38	9,05
	8,61%	6,35	6,68	7,06	7,50	8,00	8,58	9,27
	8,11%	6,50	6,84	7,23	7,68	8,19	8,78	9,49
	7,61%	6,65	7,01	7,41	7,86	8,38	8,99	9,71

Figure 3. Sensitivity of perpetuity growth rate and cost of capital towards value of share

Source: Author's calculations based on data in appendix 3

Two key inputs in any valuation model based on discounted cash flow method are cost of capital (WACC) and perpetuity growth rate, which plays a huge role in terminal value calculation. In case of S&P Syndicate, Terminal Value makes up about 70% of total net present value. Nevertheless, the sensitivity analysis shows that even with significantly lower cost of capital and perpetuity growth rate as high as 3.5%, fair value of S&P Syndicate would still remain below 10 THB.

Cost of equity	Share of equity: 95,43%	**85,43%**	75,43%	65,43%	55,43%	45,43%	35,43%
11,34%	6,03	6,40	6,83	7,35	7,96	8,72	9,66
10,84%	6,30	6,68	7,12	7,64	8,26	9,02	9,96
10,34%	6,59	6,98	7,43	7,96	8,59	9,35	10,28
9,84%	6,93	**7,33**	7,78	8,32	8,95	9,71	10,63
9,34%	7,30	7,71	8,18	8,72	9,35	10,10	11,00
8,84%	7,73	8,15	8,62	9,16	9,79	10,53	11,41
8,34%	8,23	8,65	9,13	9,67	10,29	11,01	11,85

Figure 4. Sensitivity of share of equity and cost of equity assumptions towards value of share
Source: Author's calculations based on data in appendix 3

Although S&P Syndicate has historically had conservative capital structure, the sensitivity analysis show that increase in debt (and hence, proportional decrease of equity) would result with higher valuation. Nonetheless, even with relatively aggressive capital structure the fair value of share price would not reach THB 12, the lowest point on the stock exchange during 2021 year-to-date.

Annual CapEx, thTHB	EBITDA margin at Terminal Year: 11,86%	**12,36%**	12,86%	13,36%	13,86%	14,36%	14,86%
700	2,11	2,81	3,50	4,20	4,90	5,59	6,29
600	4,37	5,07	5,76	6,46	7,16	7,85	8,55
500	6,63	**7,33**	8,02	8,72	9,41	10,11	10,81
400	8,89	9,58	10,28	10,98	11,67	12,37	13,07
300	11,15	11,84	12,54	13,24	13,93	14,63	15,33
200	13,41	14,10	14,80	15,50	16,19	16,89	17,58
100	15,67	16,36	17,06	17,75	18,45	19,15	19,84

Figure 5. Sensitivity of long-term profitability and capital expenditure towards value of share
Source: Author's calculations based on data in appendix 3

The valuation is relatively sensitive towards the possible changes in profitability and capital expenditure. If the expected long-term profitability would improve and/or the annual capital expenditure would be significantly lower than the company's depreciation and amortization, the fair value of S&P Syndicate's shares could be as high as 20 THB. However, these would be rather optimistic assumptions that are relatively unlikely to realize when considering the company's historical track record.

2.5. Relative valuation (Trading Comparables as an alternative valuation method)

The relative valuation or trading comparables approach assumes that one valuates the company by comparison with similar public companies that are publicly traded on the stock exchange. In the case of S&P Syndicate PCL, the peer group for relative valuation is combined from 10 food and beverages industry market participants that are all traded on the Thailand stock exchange. Most commonly, investors using multiples of similar companies for the purpose of valuation, are referring to P/E, EV/EBITDA, EV/EBIT, and EV/Sales. Please see the table below with both market data and financial data as of 31.12.2020 for the most relevant Thai food and beverages companies that have relatively comparable size, similar products, and other characteristics.

Table 8. Market data of S&P Syndicate's trading comparables

Data as of 31.12.2020		Market Data		
Company name	Industry	Price (baht/share)	Market cap (millions)	EV (millions)
S&P Syndicate PCL	Bakery, restaurants, frozen foods	12.8	6,272	8,311
President Bakary PCL	Bakery, Pastry	70	31,500	31,516
Oishi Group PCL	Restaurants, bakery, beverage	40	15,000	15,000
Malee Group PCL	Food, beverage, canned fruits	6.45	1,780	3,978
Ichitan Group PCL	Beverage	9.25	12,025	12,350
Food and Drinks PCL	Canned food and beverage	21.3	362	479
Exotic Food PCL	Food products, beverage	11.1	4,718	4,756
Sappe PCL	Beverage	19.3	5,867	5,969
Chiangmai Frozen foods PCL	Frozen foods	2.68	1,021	1,023
MK Restaurant Group PCL	Restaurants	49.25	45,310	49,001
After You PCL	Bakery, Pastry, Café	10.7	8,721	9,031

Source: Stock exchange of Thailand, Author's calculations

Table 9. Financial data of S&P Syndicate's trading comparables

Data as of 31.12.2020		Financial Data			
Company name	Industry	Sales (millions)	EBITDA (millions)	EBIT (millions)	Earning (millions)
S&P Syndicate PCL	Bakery, restaurants, frozen foods	5,199	986	290	182
President Bakary PCL	Bakery, Pastry	7,143	2,327	1,834	1,679
Oishi Group PCL	Restaurants, bakery, beverage	10,809	1,841	1,014	1,066
Malee Group PCL	Food, beverage, canned fruits	3,870	121	-165	-203
Ichitan Group PCL	Beverage	5,099	1,149	556	516
Food and Drinks PCL	Canned food and beverage	695	47	23	24
Exotic Food PCL	Food products, beverage	1,268	392	333	318
Sappe PCL	Beverage	3,268	700	498	386
Chiangmai Frozen foods PCL	Frozen foods	1,097	53	-2	1
MK Restaurant Group PCL	Restaurants	13,361	3,234	1,097	912
After You PCL	Bakery, Pastry, Café	768	210	74	55

Source: Companies' financial reports

Table 10. Valuation multiples of S&P Syndicate's trading comparables

Data as of 31.12.2020		Valuation			
Company name	Industry	EV/ Sales	EV/ EBITDA	EV/EBIT	P/E
S&P Syndicate PCL	Bakery, restaurants, frozen foods	1.6x	8.4x	28.7x	34.5x
President Bakary PCL	Bakery, Pastry	4.4x	13.5x	17.2x	18.8x
Oishi Group PCL	Restaurants, bakery, beverage	1.4x	8.1x	14.8x	14.1x
Malee Group PCL	Food, beverage, canned fruits	1.0x	32.9x	...	...
Ichitan Group PCL	Beverage	2.4x	10.8x	22.2x	23.3x
Food and Drinks PCL	Canned food and beverage	0.7x	10.1x	20.9x	14.9x
Exotic Food PCL	Food products, beverage	3.8x	12.1x	14.3x	14.8x
Sappe PCL	Beverage	1.8x	8.5x	12.0x	15.2x
Chiangmai Frozen foods PCL	Frozen foods	0.9x	19.3x	...	...
MK Restaurant Group PCL	Restaurants	3.7x	15.2x	44.7x	49.7x
After You PCL	Bakery, Pastry, Café	11.8x	42.9x	121.5x	157.2x
Median		1.8x	12.1x	20.9x	18.8x
Implied EV of S&P Syndicate PCL based on peer group (millions of baht)		9496	11973	6053	5449

Source: Author's calculations

As of year-end 2020, comparable Thai public companies on the Thailand stock exchange were trading at various price levels. Peer group median for EV/Sales was 1.8x, EV/EBITDA was 12.1x, EV/EBIT was 20.9x, and median P/E was 18.8x. From these peer group medians, the implied enterprise valuation of S&P Syndicate would be between 5.45 billion baht and 11.97 billion baht. When taking an average of 4 different relative valuations based on these multiples, we would arrive at an enterprise valuation of 8,243 million baht. Hence, we can conclude that relative valuation based on peer group median valuation multiples yields with more optimistic valuation than our discounted cash flow model. Arguably, it could be that the sector as a whole in Thailand is overvalued. Alternatively, it could be that the investors are expecting S&P Syndicate to deliver stronger performance than deemed is deemed likely in this research.

CONCLUSION

The purpose of this thesis was to assess the fair value of S&P Syndicate Public Co. Ltd. based on the primary valuation method, which was the discounted cash flow model, the implied enterprise valuation of S&P Syndicate PCL was 4.2 billion baht. When eliminating the debt burden and dividing the intrinsic equity value by its shareholders, the fair value per share would be THB 7.73, which is significantly lower than the levels at which S&P Syndicate has been trading on the stock exchange of Thailand (between THB 12.0 and THB 15.0 during YTD 2021).

As an alternative method, market-based approach was applied. The valuation of S&P Syndicate was derived from a publicly traded peer group with 11 industry participants that are the most similar to the company under valuation. The relative valuation from peer group median EV/EBITDA, EV/EBIT, P/E, and EV/Sales multiples implied that equity value of S&P Syndicate should be between 5.4 and 12.0 billion baht. As of 31.12.2020, the market capitalization of S&P Syndicate was 6.3 billion baht. Thus, it could be noted the market capitalization of S&P Syndicate was in line with its peers on the stock exchange of Thailand. Nevertheless, the author’s assessment of the company’s market outlook and financial projections that were drawn for the period of 2021-2025, yield a considerably lower valuation. Hence, it is concluded that whereas the share price of S&P Syndicate is relatively similarly priced as its trading comparable, based on the discounted cash flow method the share price is overvalued and a value investor should not invest in this company at this point and existing shareholders should consider selling their investment.

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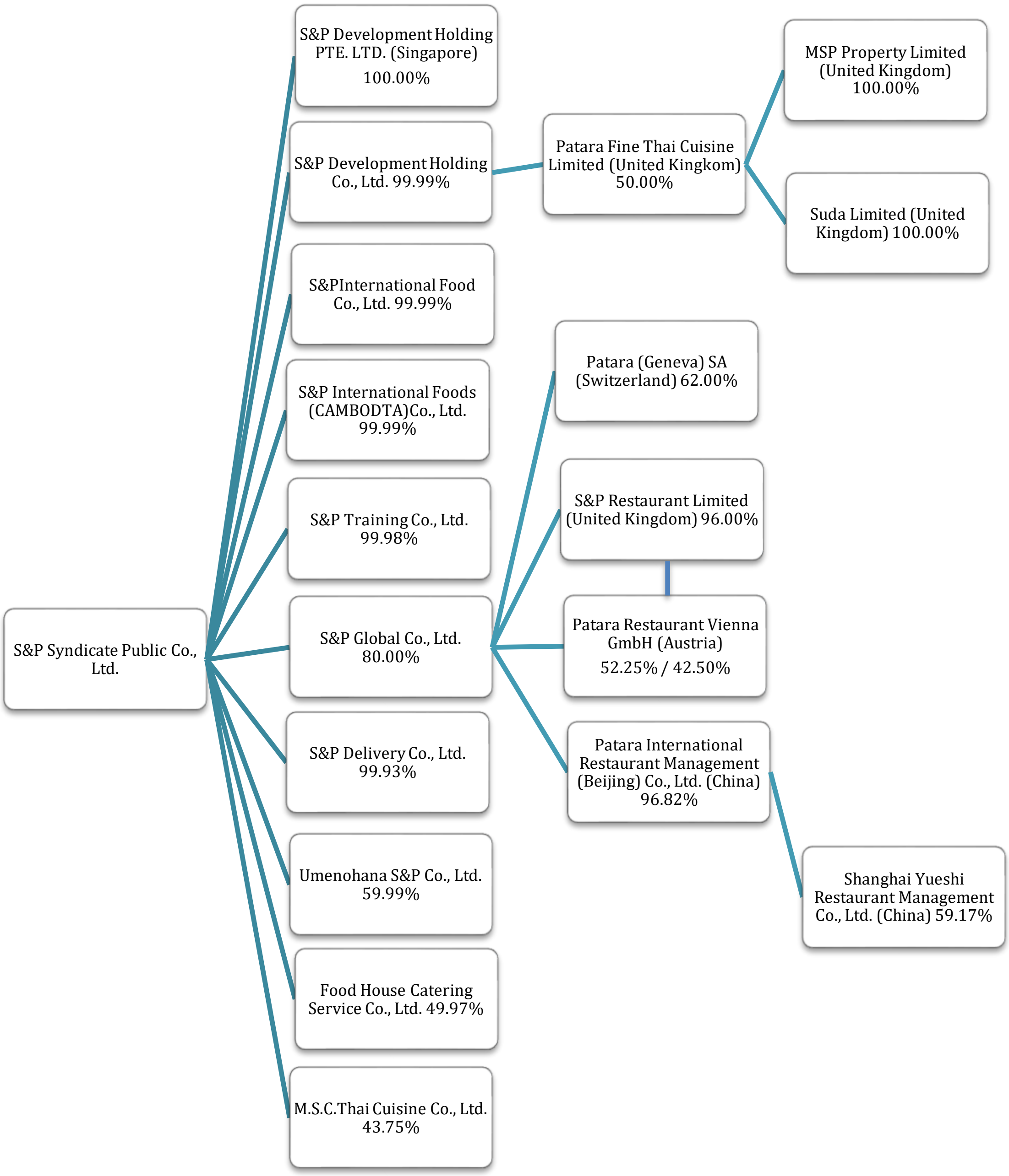
APPENDICES

Appendix 1. S&P Syndicate Public Co., Ltd. Group Structure



Source: S&P Syndicate PCL Annual report 2020

Appendix 2. S&P Syndicate balance sheet and income statement in Thai baht in 2015-2020

Balance Sheet (in million Baht)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Assets						
Current assets						
Cash and cash equivalents	651	552	796	783	674	577
Trade and other current receivables	334	318	363	344	328	242
Inventories	324	312	318	307	300	225
Other current financial assets	318	225	176	205	328	479
Other current assets	9	42	17	26	26	25
Total Current Assets	**1,635**	**1,447**	**1,670**	**1,665**	**1,657**	**1,548**
Non-current assets						
Long-term financial assets	189	141	320	348	328	267
Property, plant and equipment	1,580	1,674	1,529	1,616	1,510	1,410
Other non-current assets	403	451	451	411	396	2,164
Total Non-current Assets	**2,171**	**2,266**	**2,301**	**2,375**	**2,235**	**3,841**
Total assets	**3,807**	**3,714**	**3,970**	**4,040**	**3,891**	**5,389**
Liabilities and shareholder's equity						
Current liabilities						
Current debt obligations	16	22	18	40	36	561
Trade and other current payables	908	900	935	905	833	647
Current income tax payable	112	48	44	47	27	30
Other current liabilities	67	74	63	57	50	47
Total Current Liabilities	**1,104**	**1,044**	**1,061**	**1,048**	**946**	**1,286**
Non-current liabilities						
Long-term debt obligations	18	30	16	159	128	93
Other non-current liabilities	186	219	269	243	281	1,615
Total Non-Current Liabilities	**204**	**249**	**285**	**402**	**409**	**1,708**
Total liabilities	**1,308**	**1,293**	**1,346**	**1,450**	**1,355**	**2,994**
Liabilities and shareholder's equity						
Shareholder's equity						
Capital Stock	490	490	490	490	490	490
Additional Paid in Capital	690	690	690	690	690	690
Other reserves	29	4	83	105	112	114
Retained earnings	1,201	1,147	1,253	1,236	1,198	1,065
Minority Interest	89	89	108	68	46	36
Total shareholder's equity	2,499	2,421	2,625	2,589	2,536	2,395
Total liabilities and shareholder's equity	3,807	3,714	3,970	4,040	3,891	5,389

Source: S&P Syndicate PCL Annual reports 2016-2020

Appendix 2 continued

Income Statement (in million Baht)	2015	2016	2017	2018	2019	2020
Revenues from sales	7,552	7,775	7,786	7,608	7,312	5,199
Sales growth	*n/a*	*3%*	*0%*	*-2%*	*-4%*	*-29%*
Cost of sales	-3,998	-4,299	-4,258	-4,274	-4,220	-3,106
Cost of sales, %	*-53%*	*-55%*	*-55%*	*-56%*	*-58%*	*-60%*
Gross profit	3,554	3,476	3,527	3,334	3,092	2,093
Gross Margin, %	*47%*	*45%*	*45%*	*44%*	*42%*	*40%*
Selling expenses	-2,057	-2,182	-2,297	-2,103	-2,018	-1,378
Selling exp, %	*-27%*	*-28%*	*-30%*	*-28%*	*-28%*	*-27%*
Administrative expenses	-767	-819	-792	-823	-741	-420
Administrative exp, %	*-10%*	*-11%*	*-10%*	*-11%*	*-10%*	*-8%*
Management benefit expenses	-53	-53	-53	-58	-57	-47
Management benefit exp, %	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*	*-1%*
Other income and expenses	87	135	191	95	70	42
Other income and exp, %	*1%*	*2%*	*2%*	*1%*	*1%*	*1%*
Profit from operating activities (EBIT)	678	422	386	351	276	247
Depreciation and amortization	-368	-392	-417	-382	-342	-696
EBITDA	**1,046**	**814**	**804**	**733**	**618**	**943**
EBITDA Margin, %	*14%*	*10%*	*10%*	*10%*	*8%*	*18%*
Finance income	0	0	0	0	3	1
Finance costs	-2	-2	-2	-7	-8	-73
Profit before income tax expense (EBT)	675	420	384	343	271	175
Income tax expense	-155	-117	-79	-61	-36	-36
Net profit	**521**	**303**	**305**	**282**	**234**	**139**
EBITDA Margin, %	*7%*	*4%*	*4%*	*4%*	*3%*	*3%*

Source: S&P Syndicate PCL Annual reports 2016-2020

Appendix 3. Electronic material for valuation and sensitivity models

S&P Syndicate PLC valuation model:
https://www.dropbox.com/scl/fi/prixoz9ca0niem2disa0r/S-P-Syndicate-PLC-valuation-model.xlsx?dl=0&rlkey=updd35gviz107vog1jg2rtw84

S&P Syndicate PLC valuation model sensitivity analysis:

https://www.dropbox.com/scl/fi/k3lds81w1kjsxp8y8ap0g/S-P-Syndicate-PLC-valuation-model-sensitivity-analysis.xlsx?dl=0&rlkey=sdn0svxz3rdqi4x2gcuatejlj

Source: S&P Syndicate PLC Annual reports 2016-2020 and author’s calculations

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