3 MARCH 2022

EQUITIES RESEARCH

FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

Thailand Market Strategy

Growth vs fear amid high inflation & interest rate

- We expect that the Fed will take a benign path on interest rate hikes in 2022.
- Four investment themes – Short-term: “Driving growth through transforming ecosystems”, and “Road to the true new normal”. Long-term: “A greener road to sustainable growth” and “Reshaping business amid the digital revolution”.
- Reiterate OVERWEIGHT; SET target of 1,700-1,780 in 2Q22 and 1,892 by end-2022.

Equity and SET volatility amid the “growth vs fear” outlook in 2Q22

Since 4Q21, the prices of global assets have been highly volatile as investors remain preoccupied by two major factors – the US Federal Reserve (Fed)’s interest rate hike and the impact of Russia’s invasion of Ukraine. Under these circumstances, we believe there are three major implications for earnings, risk premiums, the risk appetite of investors, and fund flows within global investment markets and the SET. First, the spikes in commodity prices could exacerbate the already rising global inflation. Second, the rising interest rate environment could trigger fund flow redirections among emerging markets and developed markets, based on interest rate differentials and GDP discrepancies post the full global economic reopening. Third, the growth vs fear outlook provides the basis for our four investment themes. We expect the SET index to remain volatile, moving within the 1,700-1,780 range in 2Q22.

US rate hike misery, BoT’s easing policy help to boost Thai GDP growth

We expect the Fed to raise its policy rate gradually by 0.25% in its first rate hike, not 0.5%, given the higher risk of inflation due to the spikes in energy and commodity prices caused by Russia’s invasion of Ukraine. A dovish Fed rate hike should be a boon to financial markets for three key reasons: 1) the need for gradual rate tightening; 2) the lower than 50% probability of a third rate hike of 0.5% until the end of 2023, as indicated by the futures market; and 3) the higher the Fed rate, the more likely it is to be behind the curve.

Four investment strategy themes in 2Q22

Given the uncertain investment horizon, we identify four themes for the next three quarters, based mainly on insights gained from the Finansia Investment Conference 2022 (FIC) that we hosted in Feb-22. Our short-term themes are: “Driving growth through transforming ecosystems” and the “Road to the true new normal”, which are relevant for our top picks in Mar-22. Long-term, our strategy switches to “A greener road to sustainable growth” and “Reshaping business amid the digital revolution” post 2Q22, when we expect the risks of energy prices, the Fed’s policy rate hike, and inflation, to subside substantially.

Reiterate OVERWEIGHT on the SET index, backed by solid corporate earnings

We remain OVERWEIGHT on the Thai equity market with our SET index target of 1,892 by the end of 2022, based on 17.2x 2022E P/E, or its 10-year average, based on our 23.4% y-y EPS growth estimate at THB110. Key drivers are: 1) solid corporate earnings in 2022; and 2) fiscal and monetary policies to accommodate the economic restart. We maintain our top picks in 2022 with a “Transition” investment theme, including AOT, MINT, HMPRO, AMATA, BA, BGRIM, IVL, BTS, SCB, KBANK, GULF and EA.

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Growth vs fear amid high inflation & interest rates

In the past four months, the prices of global assets, including equities, fixed incomes, asset-based securities, commodity prices, and in particular the high-risk cryptocurrencies, have all been moving with higher volatility as investors focus on two major factors – the Fed interest rate hike and the impact of Russia's invasion of Ukraine.

On a top-down macro view, we believe there are three major implications for earnings, risk premiums, the risk appetite of investors, and fund flows within global investment markets, including emerging markets like Thailand.

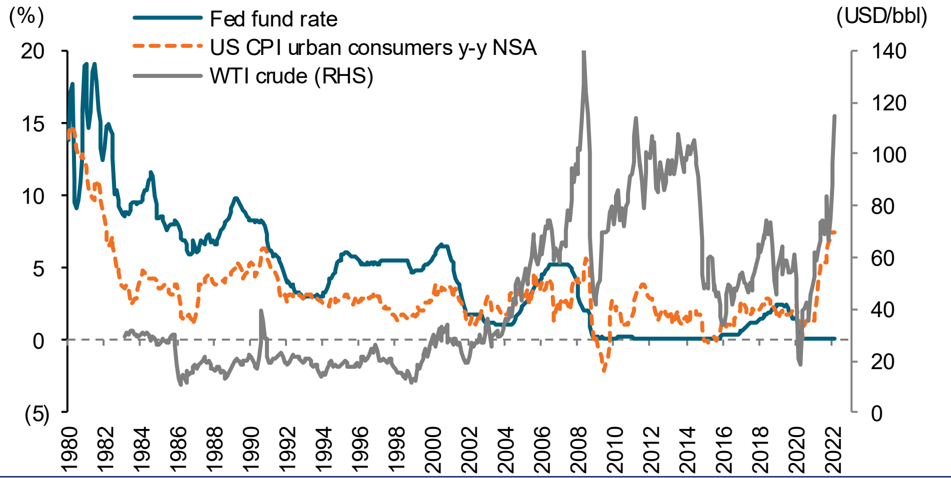
First, the spikes in commodity prices across the entire commodity universe, including energy, soft commodities, and metals, as Russia is one of the world's top exporters of nickel, aluminium, wheat, oil, coal, and gas. This could further exacerbate the already rising global inflation, which in turn could further accelerate the speed and scale of global central banks in raising their interest rates.

Second, the rising interest rate environment after over decades of low-to-zero interest rate monetary policies globally, could trigger fund flow redirections among two major investment markets – emerging markets and developed markets – due to the interest rate differentials and the GDP discrepancies following the full global economic reopening in 2022.

Third, under the higher energy costs and interest rates globally that could come concurrently in 2022 onward, we identify four key investment themes that are likely to outperform the SET index in 2022, in different periods of the year. As central banks globally weigh inflation constraints against economic growth and the susceptibility to changes in both negative factors (the rises in energy prices, inflation, and interest rates), and positive factors (strong economic recovery), we think our top picks under these investment themes will not only be survivors but also growth leaders in their respective sectors and industries.

For Thailand and its equity market, represented by the SET index, within these three contexts, we identify three key topics outlined in this report for investors to pick the potential outperformers in the SET market in 2022, including: 1) the impact of energy prices on Thailand's economy and its corporate earnings growth outlook; 2) the impact of the Fed's interest rate hike; and 3) investment themes for our top picks.

Exhibit 1: Interest rate, inflation and WTI



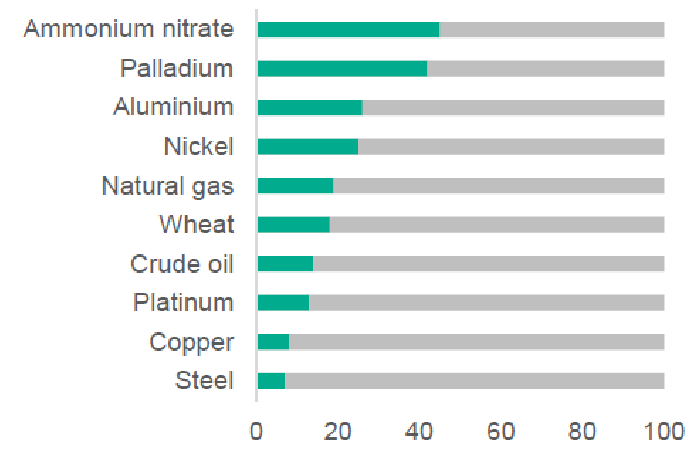
Sources: Bloomberg; FSSIA's compilation

Topic #1: Energy price hikes – a lose-lose scenario for Europe and Russia

From Russia with loss? Immediately after Russia's invasion of Ukraine on 24 Feb-22, global commodity prices swiftly responded to the supply risks of gas, oil, and coal from Russia, as Russia is the world's top exporter of ammonium nitrate (fertiliser), palladium, aluminium, platinum, and nickel (batteries), and ranks among the top five in the world as an exporter of natural gas, crude oil, and coal. Over 60% of its national budget comes from the exports of hydrocarbons, and oil & gas accounts for nearly one-third of Russia's gross national product, according to the World Trade Organization (WTO).

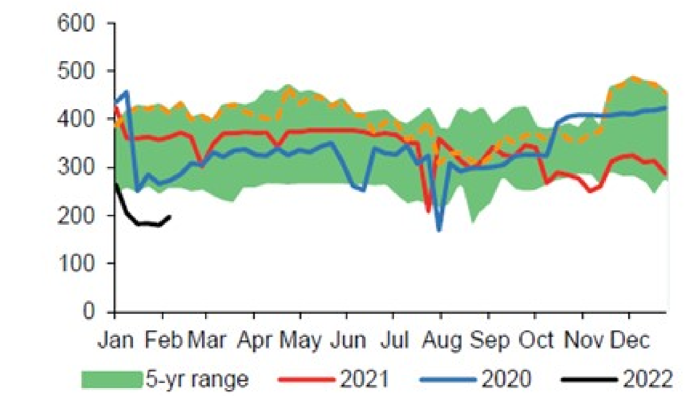
If Russia stopped sending just the gas that goes through Ukraine, it would take the equivalent of about 1.27 shiploads of additional LNG per day to replace that supply, based on the US Energy Information Administration (EIA)'s forecast. But Russia's invasion of Ukraine now places Europe's gas supply from Russia itself in danger, and Russia may not be able to reroute some of that gas through other pipelines, including the stalled USD11b Nord Stream 2 (NS2) as a result of sanctions that could hurt Russia's finances.

Exhibit 2: Share of Russia's global exports in 2019-21 (%)



Sources: WTO; Russian Trade Ministry; BNP Paribas

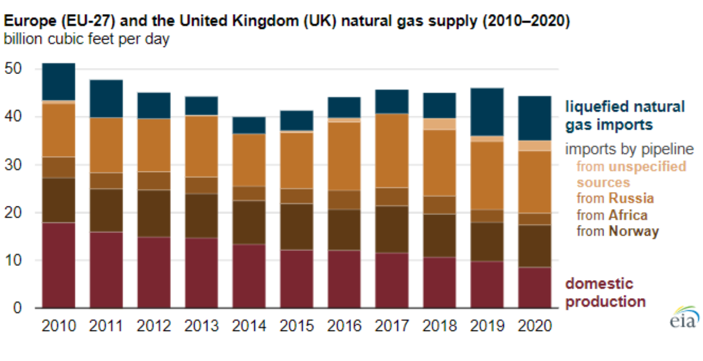
Exhibit 3: Russian gas exports below a five-year band (mmscfd)



Sources: Bloomberg; BNP Paribas

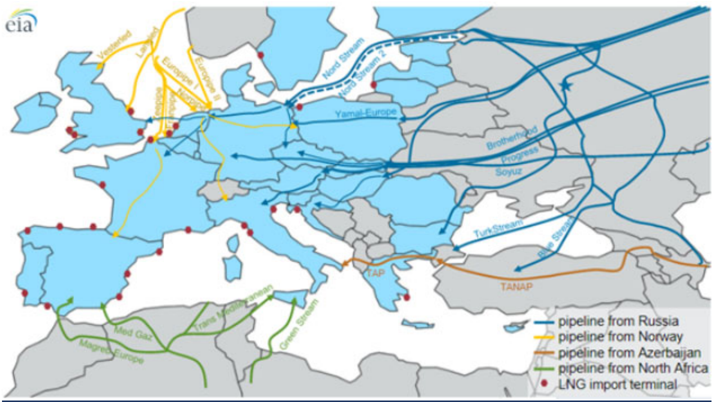
Europe at a loss, US gains, Ukraine at war. Europe relies on imports of natural gas via both pipelines and LNG to supply over 80% of the gas consumed by the countries of the EU (EU-27) and the UK as of 2020. The gas imports via pipeline accounted for 74% of the total gas imported in 2020 and LNG accounted for only 26% in 2020. Pipeline imports of natural gas into the region come from Russia, Norway, North Africa, and Azerbaijan. Pipeline imports originating in Russia – the largest supplier in the region – grew from about 11b cubic feet per day (bcfd) in 2010 to more than 13 bcfd in 2020 (a low consumption year due to Covid-19 related impacts).

Exhibit 4: Europe relies primarily on imports to meet its natural gas needs



Source: EIA

Exhibit 5: Major natural gas delivery routes into European markets

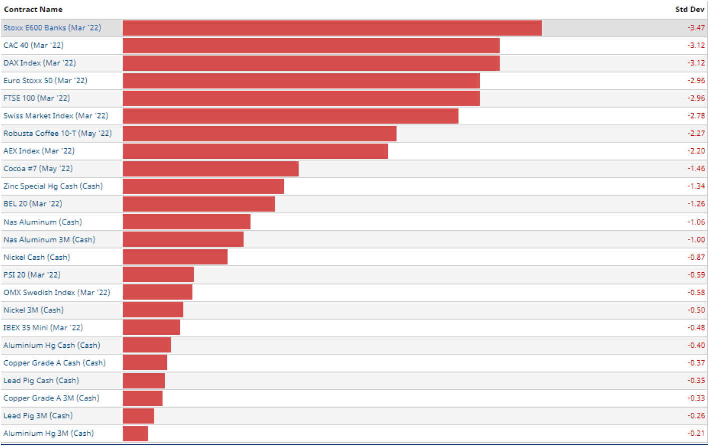


Source: EIA

European price reactions. While all equity indices in European markets have negatively reacted to Russia's invasion of Ukraine, the prices of soft and hard commodities, precious metals, and energy have all jumped higher.

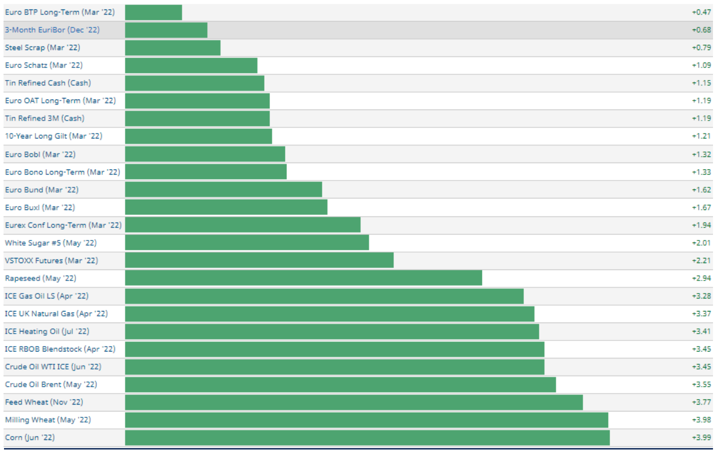
By the end of 24 Feb-22, the energy prices, including the futures prices of ICE gas oil, UK natural gas, heating oil, WTI and Brent crude oil, had risen by 3.3-3.6%. But the sharpest rises in the price response were for feed wheat (+3.77%), milled wheat (+4.0%), and corn (+4%).

Exhibit 6: Performances of European equity and fixed income markets (24 Feb 2022)



Source: Bloomberg

Exhibit 7: Performances of European commodity markets (24 Feb 2022)



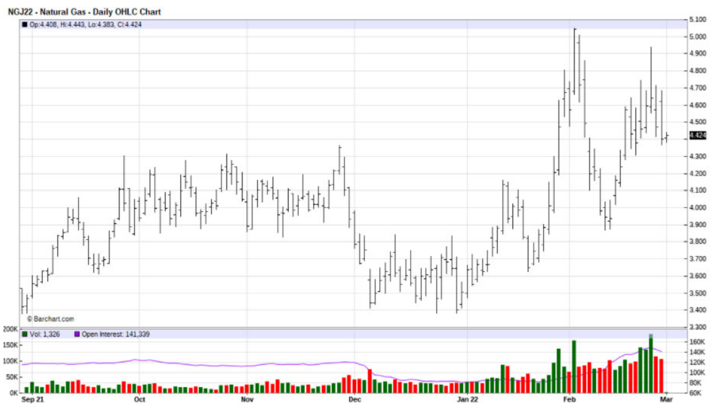
Source: Bloomberg

Even after Russia's invasion of Ukraine, the Title Transfer Facility (TTF) gas price index in Europe and the Henry Hub (HH) gas price index in the US spiked only shortly and then declined, reflecting that the gas supply and demand balance in 2022 is loosening rather than tightening thanks to the rising US gas supply, in our view. However, in the worst-case scenario that Russia completely cuts off the gas supply to Europe, the gas price could spike further, but we think this is less likely and it is not our base case.

Exhibit 8: Dutch Title Transfer Facility gas price futures (Apr 2022) (TGJ22) in €/MWh

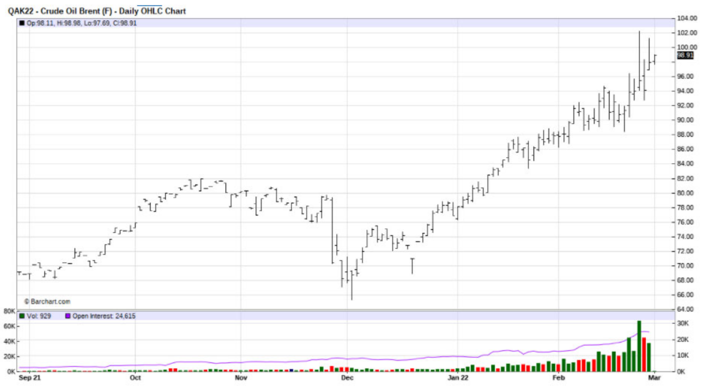
Source: Barchart

Exhibit 9: Henry Hub natural gas price futures (Apr 2022) (NGJ22) in USD/mmbtu



Source: Barchart

Exhibit 10: Brent crude oil futures (May 2022) (CAK22) in USD/bbl



Source: Barchart

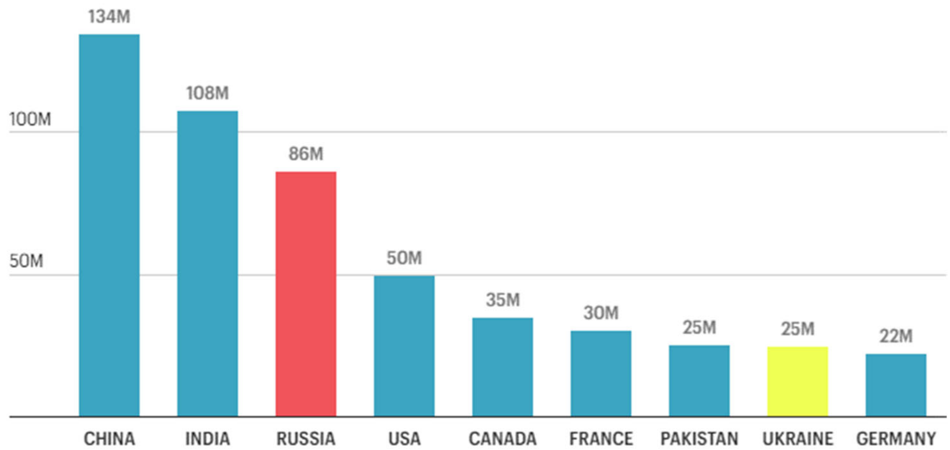
Exhibit 11: Newcastle coal price index futures (Mar 2022) (LQH22) in USD/tonne

Source: Barchart

Food inflation could escalate, potentially triggering a faster and higher interest rate hike. Russia and Ukraine are the world's third and eighth largest wheat producers, according to the Food and Agriculture Organisation (FAO) of the United Nations. The conflict between Russia and Ukraine has already shot the price of wheat up to its highest level since 2012, with the wheat price in the European market rising by 4% and on the Chicago Board of Trade by 6% as of 11:00 am London time on 24 Feb-22. Russia's invasion jeopardises a number of ports that ship out to all of Europe, as well as the country's major steel mills.

The Western world, particularly European countries, will now have to balance taking strong action against Russia with the likelihood that this could send commodity prices rocketing higher. The riskiest picture in the energy market, and perhaps the global economy via higher inflation and rising interest rates, will strongly depend on how Europe and the US will respond. Whether or not the US and its allies will pursue sanctions against the oil and gas sector will remain a key issue to watch.

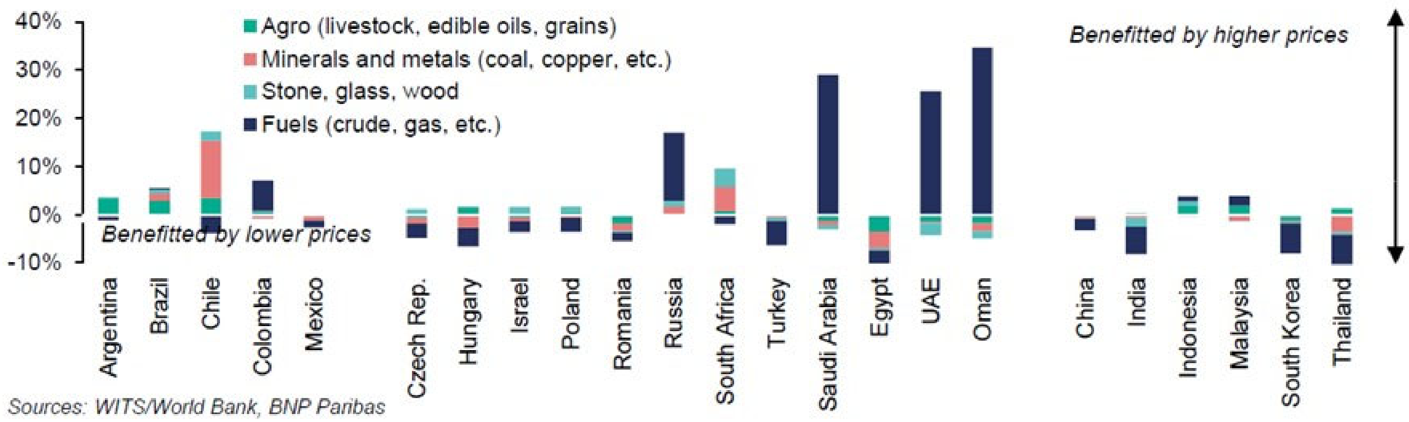
Exhibit 12: Global wheat production by country (2020)



Source: FAO

Other non-energy and utilities sectors: While the capital outflows have higher values and the imported energy could hurt Thailand's revenue, we think Thailand will be healthy enough to withstand the spike in energy prices thanks to the country's high current account balance.

Exhibit 13: Thailand's exposure to commodities is high for energy imports and agricultural exports



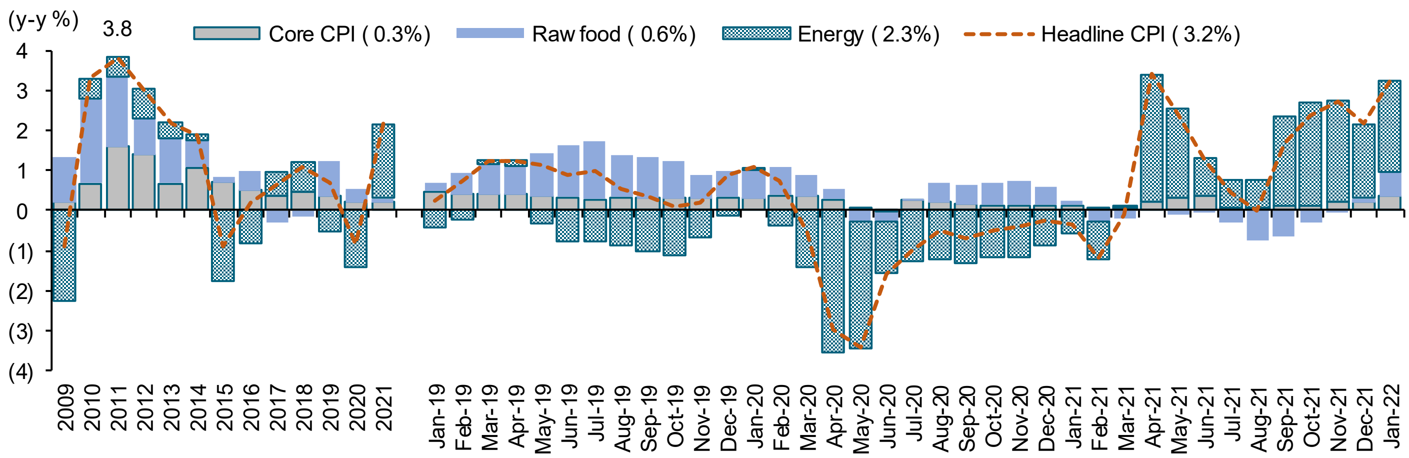
Sources: World Bank; BNP Paribas

Is higher inflation a friend or foe for Thailand? We think that the ongoing commodity price uptrends for coal, gas, and oil – reflecting the impact of the potentially strong demand ahead of the global reopening and the tight supply with Russia's invasion of Ukraine – should increase the energy costs for consumers and corporates in 2022.

The ensuing impacts could be highly damaging, from energy supply shortages to price spikes, potentially disrupting industrial production and supply chains worldwide and eventually leading to higher inflation globally.

The higher inflation trend could drive up the interest rate curve of government bond yields and has already resulted in higher volatility for equity and bond markets globally in the past few weeks.

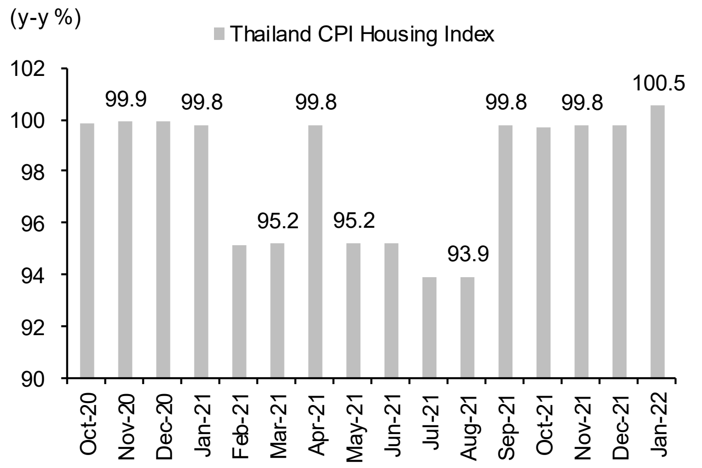
Exhibit 14: Contribution to Thailand Consumer Price Index by sector, y-y



Sources: Office of the National Economic and Social Development Council (NESDC), Ministry of Commerce

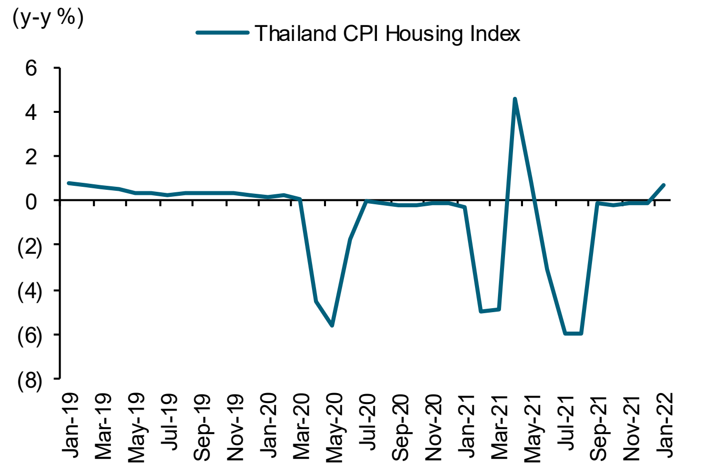
Is Thailand facing high inflation in 2022? We do not believe so. Thailand has ample food production volumes for export and should see a limited impact from the higher commodity prices. The headline Consumer Price Index (CPI) inflation level was still below 2% y-y in Sep-21 and the core inflation level, excluding energy inflation, was even lower at only 0.2% y-y.

Exhibit 15: Thailand's CPI housing



Source: Ministry of Commerce

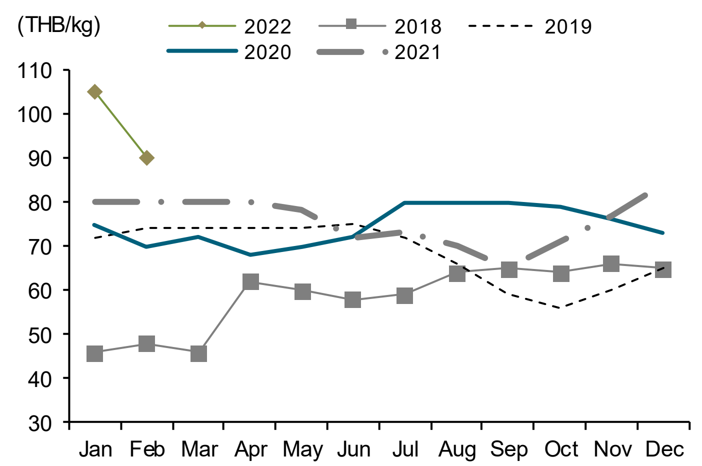
Exhibit 16: Thailand's CPI housing growth



Source: Ministry of Commerce

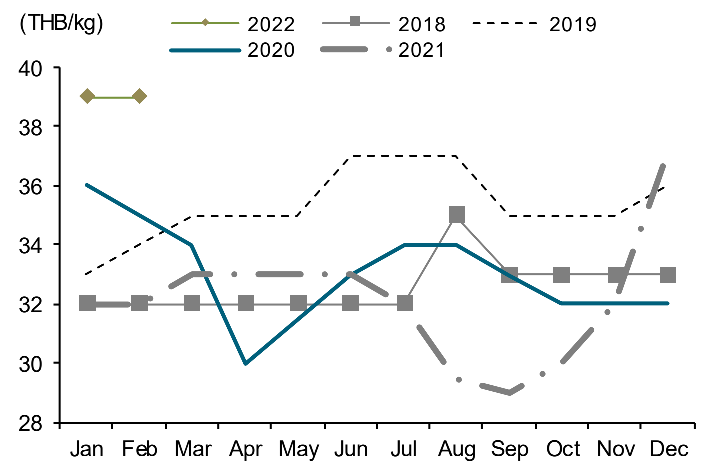
First, Thailand saw mild food price inflation in Nov-Dec 2021 that rose to 2.4% y-y in Jan-22 after a deflation period in Aug-Sep 2021, thanks to the country's large-scale, well-developed industries and food supply chains for the export products of poultry, seafood, rice, rubber, sugar, and palm.

Exhibit 17: Swine price



Source: CPF

Exhibit 18: Chicken price



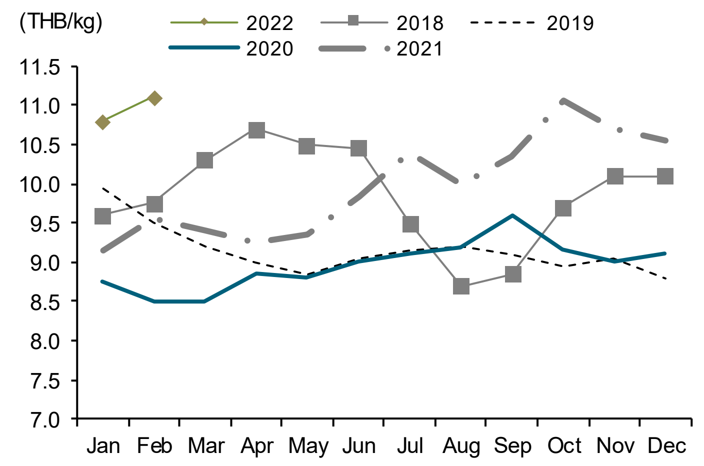
Source: CPF

Despite the recent spike in Thailand's food inflation to 2.4% y-y in Jan-22, which was driven by the higher prices of pork (+15% m-m to THB98/kg in Jan-22) and chicken (+25% m-m to THB39/kg in Jan-22), the overall headline CPI was still at 3.2% y-y in Jan-22 and the core CPI remained at only 0.3% y-y, thanks to the government's price cap policy for diesel at THB30/litre since Nov-21, the key fuel for the transportation and industrial sectors in Thailand.

We note that one potential impact from Russia's invasion of Ukraine is the higher prices of soft commodity products, particularly wheat, corn, and soybeans, the three major ingredients in livestock feed. In Jan-Feb 2022, the prices of both wheat, corn, and soybeans have all spiked as a result of the potential supply disruptions from Russia and Ukraine, two of the global top-ten producers of wheat, corn, and soybeans.

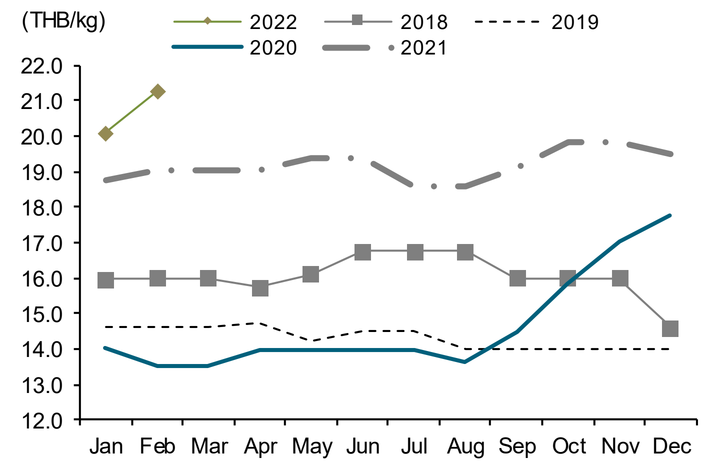
However, we think the spikes in the prices of feed grains that could potentially drive up the costs of farming for swine and chicken should be offset by Thailand's abundant supplies of chicken and pork, thanks to the country's position as a global top exporter of foods, including pork, chicken, seafood, and soft commodities such as cassava, sugar, rice, and various types of fruits.

Exhibit 19: Corn price



Source: CPF

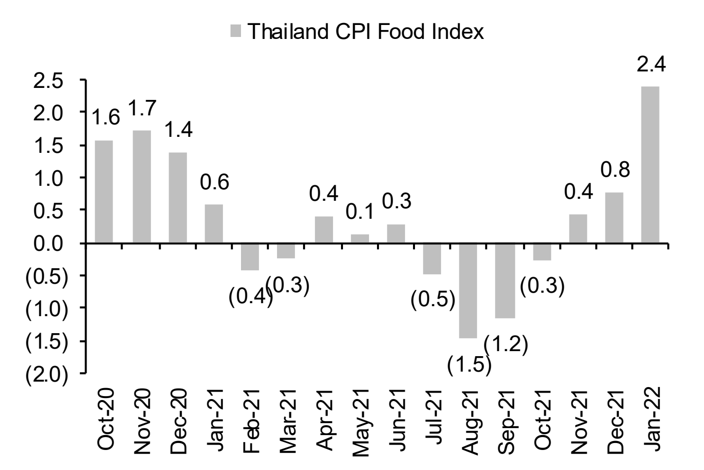
Exhibit 20: Soybean meal price



Source: CPF

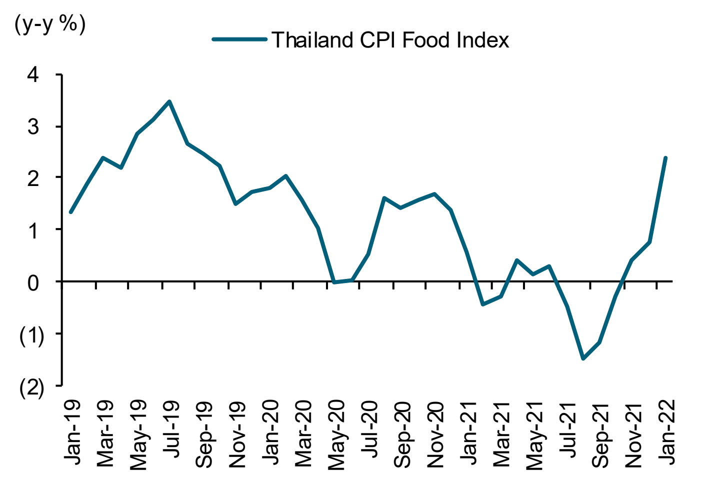
As a result, we expect Thailand's food inflation to soften in Feb-22 onward given that the prices of food, including pork and chicken, have already declined from their peaks in Jan-22 by 15-25% m-m in Feb-22 as higher supplies and government price controls took effect.

Exhibit 21: Thailand's food inflation



Source: Ministry of Commerce

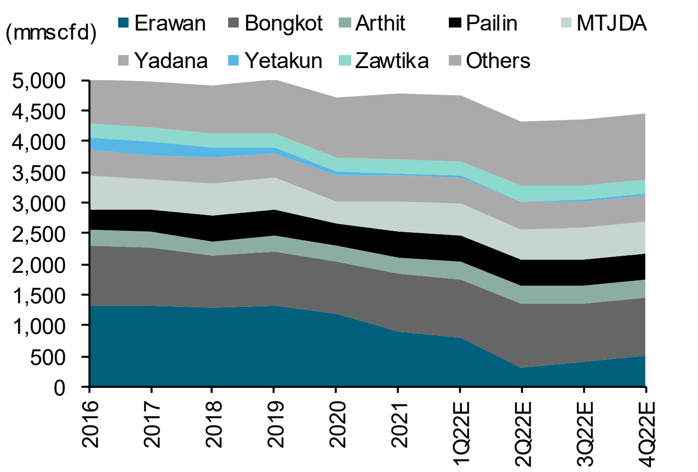
Exhibit 22: Thailand's food inflation growth



Source: Ministry of Commerce

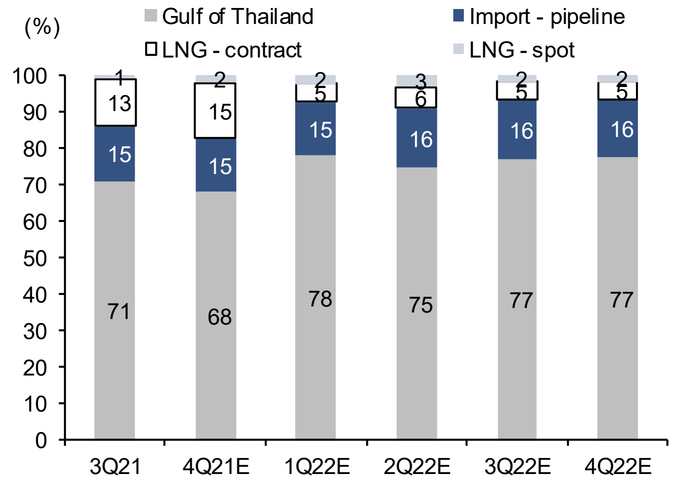
Second, while the higher energy prices, particularly for crude oil and coal, are driving up overall inflation and increasing the country's production costs, the negative impact from coal and crude oil prices should be offset by the limited consumption of coal for the country's power generating capacity, which accounted for less than one-fifth of Thailand's total power generating capacity of 50GW as of 2Q21.

Exhibit 23: Gas price by source



Sources: PTT; PTTEP; FSSIA estimates

Exhibit 24: Gas price component breakdown by source (% of pool gas price)



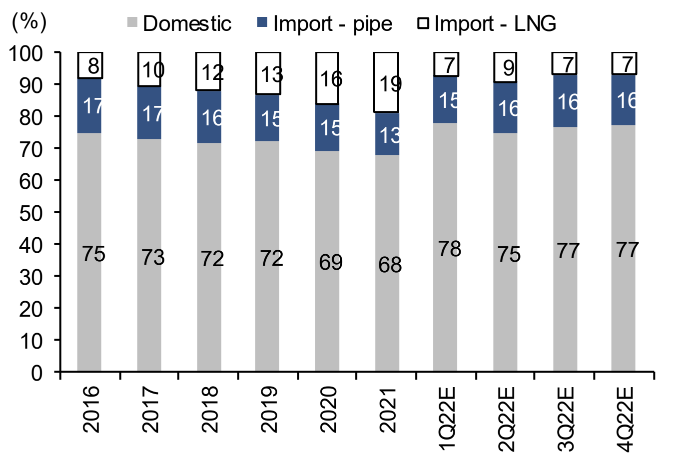
Sources: PTT; PTTEP; FSSIA estimates

Meanwhile, the high oil price should mainly impact land transportation, which primarily consumes diesel. However, the impact should be somewhat offset as Thailand exports 10-15% of its refined oil products to neighbouring countries, mainly via land transportation to Laos, Myanmar, and Cambodia.

The sharp rise in the global LNG price has a limited impact on Thailand's production costs and inflation, thanks to the government's electricity tariff policy that has allowed the price of electricity to increase more gradually than the increase in the prices of gas, LNG, and oil, the three components embedded in Thailand's national grid price.

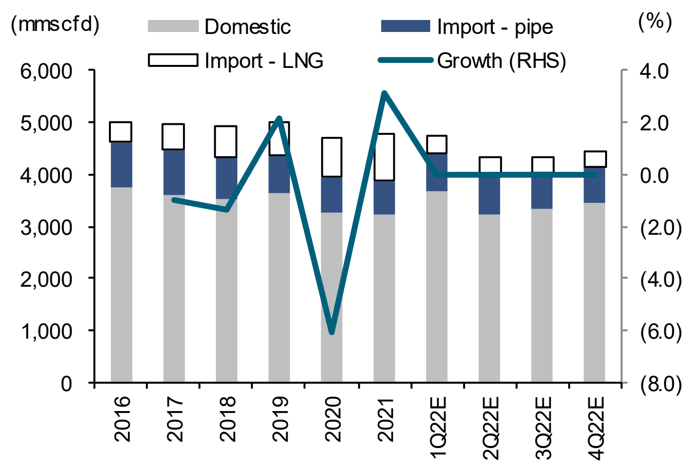
In addition, even though Thailand is now facing a temporary decline in domestic gas production from its Erawan gas field due to a production disruption during 2022-23, Erawan remains the country's largest domestic gas source, which accounted for over 65% of total gas consumption in 2021. Over 15% of Thailand's gas supply is imported from Myanmar via pipelines, and the gas pricing formula is linked to only around one-third of the high-sulphur fuel oil price. Therefore, the increasing proportion of LNG imports should have a temporary and limited impact on the country in 2022-23.

Exhibit 25: Thailand's gas supply, breakdown by source (%)



Sources: Department of Mineral Fuels (DMF) and PTT; FSSIA estimates

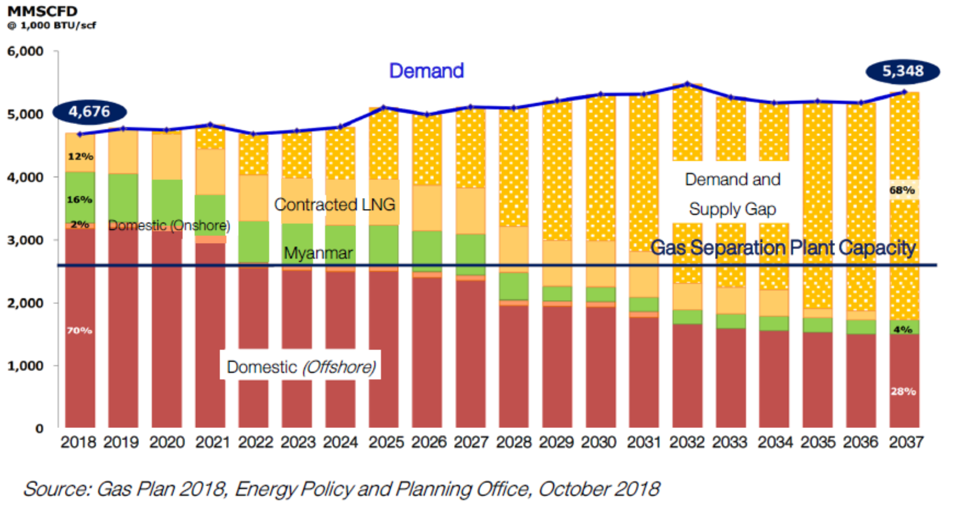
Exhibit 26: Thailand's gas supply, breakdown by source



Sources: DMF and PTT; FSSIA estimates

In 2022, we forecast that PTT will import up to 9.8mt of LNG, equivalent to 1,372mmscfd or 7-9% of the total gas supply in 2022 at 4,450mmscfd, up from 6.4mt in 2021 and 5.3mt in 2020, based on PTT's guidance. Of the total projected 9.8mt of LNG imported, 5.2mt would come from contract LNG at a USD8-13/mmbtu price and the remainder would come from spot LNG imports at a higher price of over USD25-30/mmbtu, based on our estimate.

Exhibit 27: Thailand's gas supply and demand forecast in Gas Plan 2018



Sources: Ministry of Energy, Energy Policy and Planning Office

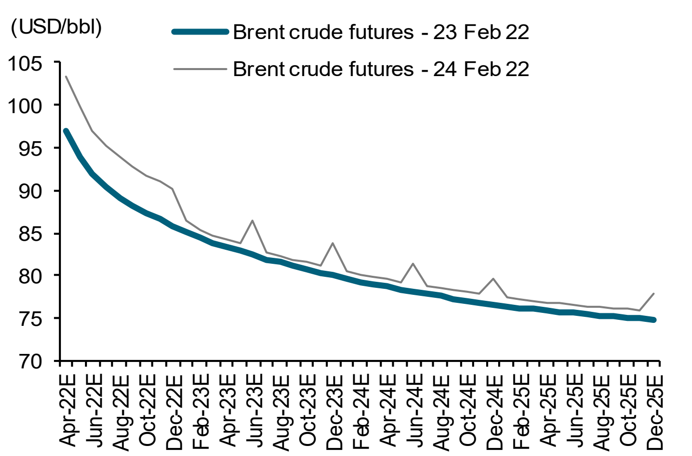
Global futures energy price responses are limited to Russia's invasion

The impact of Russia's invasion of Ukraine has, however, resulted in a far smaller reaction for the commodity crude oil futures market than the spot price market, moving up higher in near-dated futures by 10% for the front month futures (Apr-22), and then rising by only 2-4% on average for the far-dated futures (Dec-22 onward).

Crude oil futures reacted modestly. While the futures of Brent and West Texas Intermediate (WTI) moved higher by 3-15%, the futures of Dubai crude oil inched up only 1-2% and there was almost no change for the near-dated futures (Feb to Apr-22).

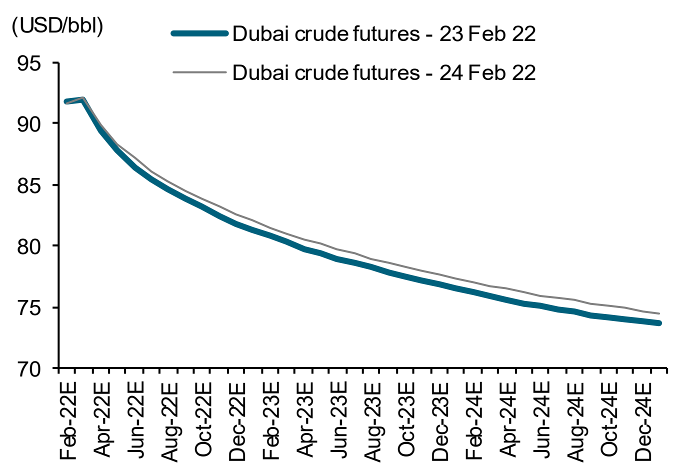
We believe this reflects investors' and the market's belief that the energy supply disruptions will be mostly limited to the European market and should last only temporarily to the end of 2022. We think the sufficient crude oil supply from OPEC+, excluding Russia, will continue to increase by 0.4mbpd until the end of 2022, and should be sufficient to serve the projected demand growth post Covid-19 in 2H22 onward.

Exhibit 28: Brent crude futures



Source: Bloomberg

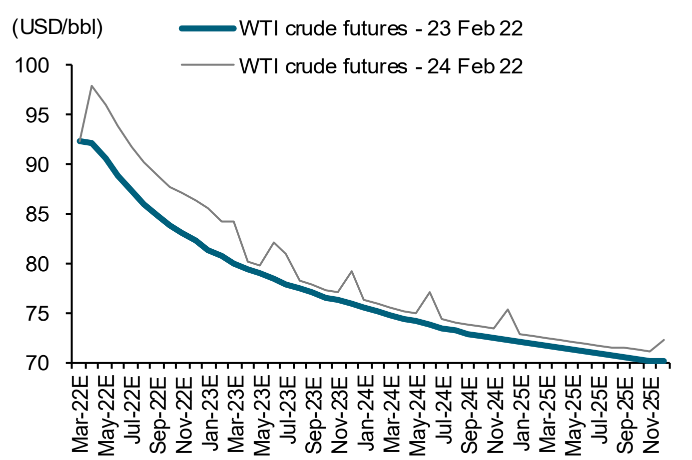
Exhibit 29: Dubai crude futures



Source: Bloomberg

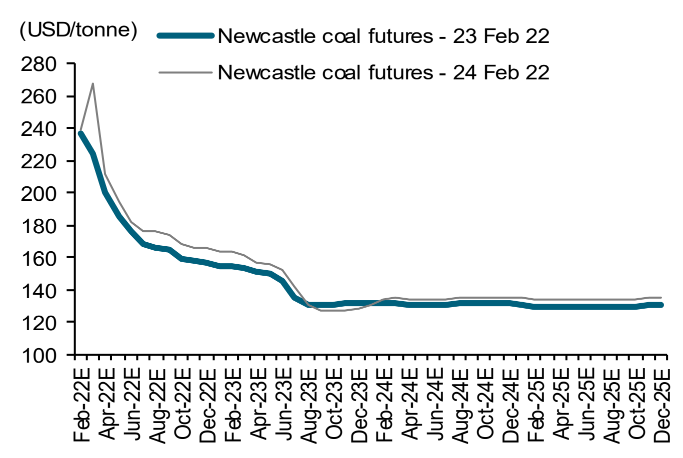
Coal price uptrend, from strength to strength. The Newcastle coal price index similarly moved in tandem with the spot price market, up by over 10% overnight for the near-dated futures (Feb to Apr-22) and then narrowing to 4-6% for the long-dated futures, in response to Russia's invasion of Ukraine. We believe the coal price outlook is now further catalysed by the tighter supplies of oil, gas, and coal, directly benefiting the demand for coal as a near-term substitute for oil & gas.

Exhibit 30: WTI crude futures



Source: Bloomberg

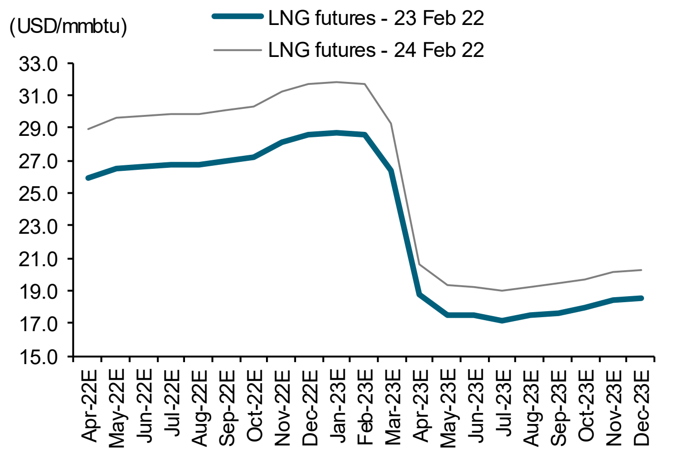
Exhibit 31: Newcastle coal futures



Source: Bloomberg

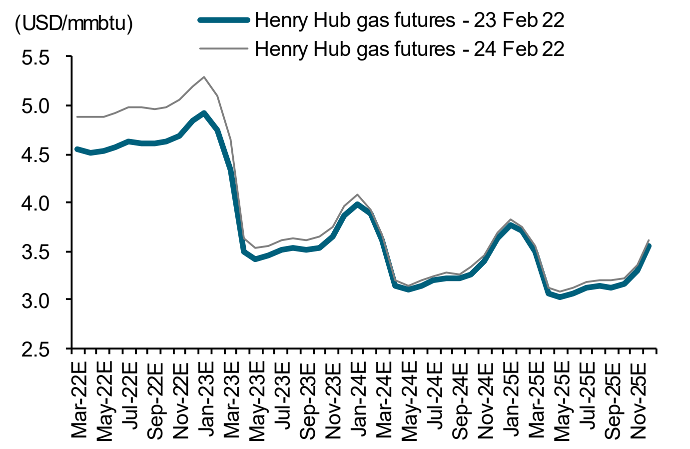
LNG futures reacted the most among all commodities. As the only major source of energy for the EU, LNG futures reacted the most to Russia's invasion of Ukraine, rising by over 10% to USD29-31/mmbtu for the near-dated futures from Mar-22 to Feb-23. Meanwhile, the HH benchmark gas price also jumped by over 10% immediately for the near-dated futures (Mar-22 to Jan-23). These reflect the tighter LNG market than crude oil and coal, in our view.

Exhibit 32: LNG Japan-Korea Market (JKM) futures



Source: Bloomberg

Exhibit 33: Henry Hub futures



Source: Bloomberg

US sanctions. The Biden administration is imposing "full-blocking sanctions" on state-owned VEB and Promsvyazbank, or PSB, along with 42 of their subsidiaries, as well as comprehensive sanctions on Russia's sovereign debt, a move designed to cut Russia off from Western financing.

The measures against VEB and PSB prevent them from doing business in the US and cut off their access to the US financial system. Assets in the US are immediately frozen, according to the US Treasury Department.

Exhibit 34: Sanctions against Russia over Ukraine invasion

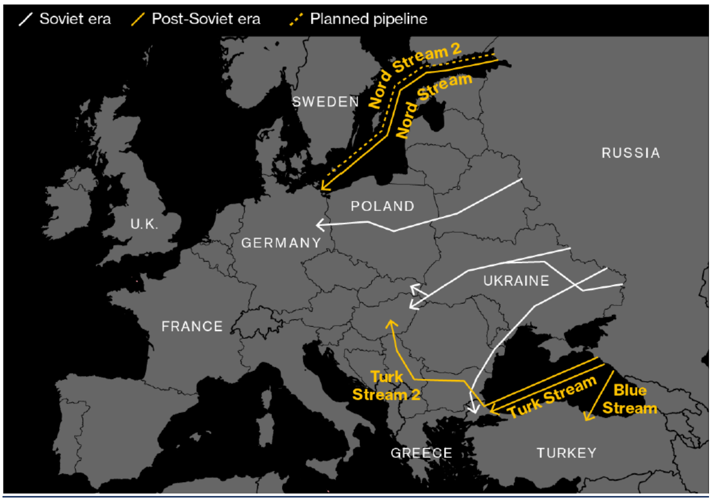
Source: Business Insider

The executive order issued by Mr. Biden on Monday barred new investment in the two breakaway regions by any American, as well as the importation and exportation into or from the US of any goods, services or technology.

Reports suggest that future measures could take aim at Russia's access to the broader international financial system, and cut off Russia's access to technological exports, which essentially could kick Russia out of the SWIFT system, a network used by banks and financial institutions to process transactions around the world.

US and allies' responses. The US and its allies have applied economic sanctions against Russia over its invasion of Ukraine. US President Joe Biden announced new economic sanctions targeting two key Russian financial institutions and five Russian oligarchs on 1 March in response to the Kremlin's "escalating aggression" against Ukraine, penalties that join measures from Western allies that seek to punish Russia for its latest actions.

Exhibit 35: Nord Stream 2 pipeline is now mothballed by Germany



Source: Bloomberg

Exhibit 36: Germany was set to entirely switch off its nuclear power at the end of 2022

Source: Bloomberg

Germany moves to stop certification of Nord Stream 2 pipeline. However, one of the most important sanctions against Russia is the prohibition of the commercial operation date (COD) of Russia's new NS2 pipeline to export gas to the European market from northern Russia via Germany's northern shore.

Germany finally decided to halt the certification of the NS2 pipeline in response to Mr. Putin's latest act of aggression against Ukraine, a significant setback for Russia's aspirations to exert more leverage over European energy markets. Owned by Gazprom, Russia's state-backed energy company, the non-operational pipeline is a project designed to double the amount of gas carried from Russia to Germany.

The US has been opposed to Germany using the pipeline, warning it would boost the country's dependence on Russia for natural gas. Mr. Biden said the US is working with Germany to ensure NS2 "will not move forward".

According to the BNP Paribas report, “Russia-Ukraine conflict: Implications for commodity markets”, dated 31 Jan-22, Russia is currently supplying around 39% and 28% of EU gas and crude imports, respectively, mostly via pipelines. The disruptions to gas and oil flows from Russia to Europe could trigger a domino effect driving up the global LNG price, given that the European gas market is currently tight, with inventories hitting a five-year record low in Jan-Feb 2022. The major causes for the gas price spike in Europe are the lower-than-expected renewable power production levels and, mostly importantly, the sharp drop in the gas supply from Russia over the past 12 months.

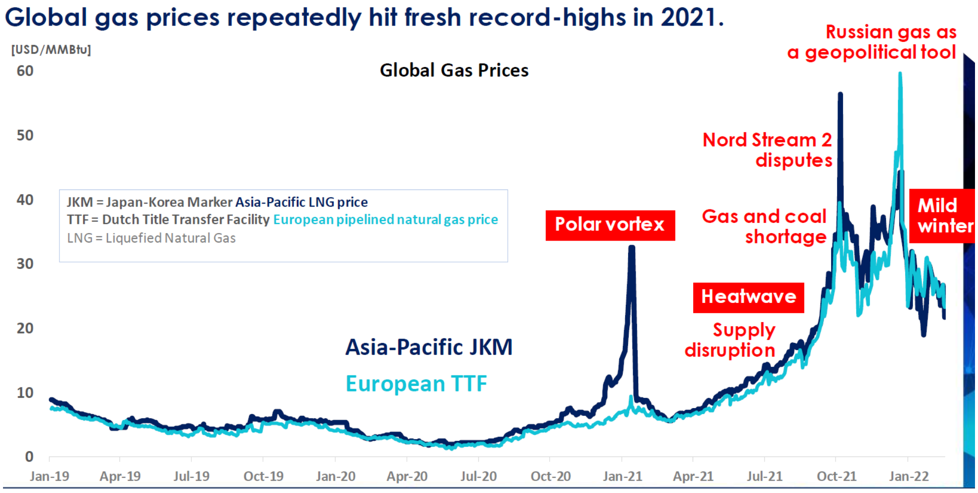
Exhibit 37: Countries that imposed sanctions on Russia (as of 28 Feb 2022)

Source: Business Today

Europe’s gas prices have spiked but are still far below the peak in 4Q21. Sanctions on Russia’s gas supply have large implications for the global LNG price and market. No country buys more natural gas from Russia than Germany, which depends on the fuel to heat homes in the winter and operate factories. The Russia-to-Germany NS2 pipeline is clearly becoming a focus of the conflict. With as much as 40% of Europe’s natural gas imported from Russia, sanctions on Russia’s gas supply have large implications for the global LNG price and markets, according to BNP.

Historically, until the time of Russia’s invasion of Ukraine, Europe has relied significantly on Russia’s gas exports via a number of pipelines. The plan by Germany to completely switch off its nuclear power plants by the end of 2022 and France’s cuts in its nuclear power output as a result of reactor safety concerns have further exacerbated the already tight energy supply in Europe.

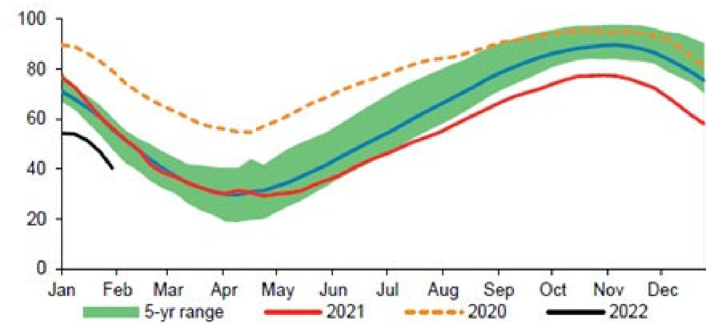
Exhibit 38: Gas price reactions to political movements in Europe



Sources: Bloomberg; PTT

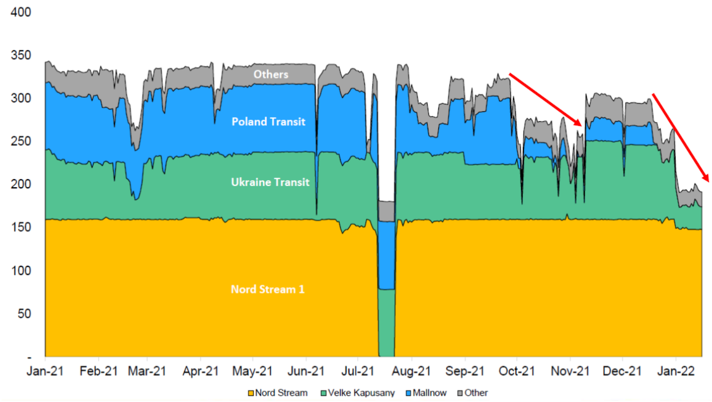
Even after Germany decided to put a halt to NS2, resulting in gas imports from Russia via NS2 being completely blocked, the benchmark TTF gas-electricity price has spiked to only €140-150/MWh, far below the previous forecast of over €200/MWh (USD50/mmbtu for LNG) by BNP, and still lower than the €180/MWh peak seen in Dec-21. The tight LNG supply could sustain the gas price in Europe at €160/MWh over the coming summer, unless the gas supply disruption risk from Russia is removed, according to BNP.

Exhibit 39: European gas storage hit a 5-year record low (%)



Sources: Bloomberg; BNP Paribas

Exhibit 40: Russian pipeline gas flow (mmscfd)



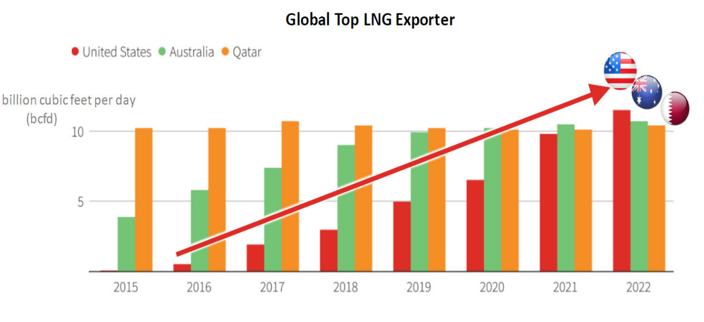
Source: PTT

However, according to Bloomberg, other major gas producers are unlikely to fill up the supply gap for gas and LNG left by Russia under the worst-case scenario where Russia completely cuts off its gas supply to Europe. Qatar has already sold most of its LNG via long-term contracts to Asian markets, while it remains uncertain whether the US would lift its sanctions on Iran's energy exports to alleviate Europe's gas crisis. Why?

The US is a clear winner from Russia's lower gas supply to Europe. The US is gaining the most from the current ongoing Russia-Ukraine crisis, supplying almost two-thirds of European gas imports in Jan-22, clearly at the expense of Russia's lower gas sales volume to Europe. According to the EIA, in 2022, the US is planning to add an additional 2.4bcfd of LNG capacity to raise its LNG exports further, mainly to the European market, making the US the world's largest LNG exporter for the first time in history.

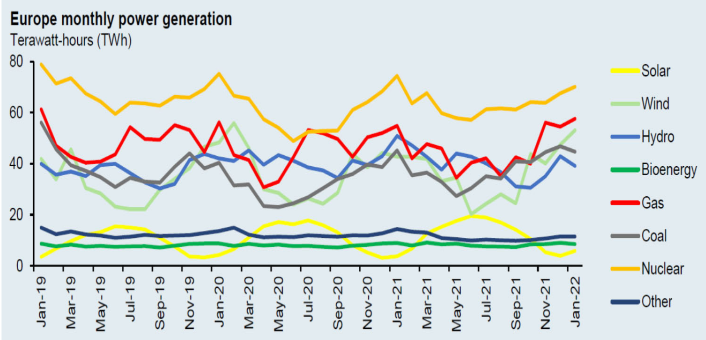
If the power generated by nuclear plants, mostly from France, drops based on France's current plan, we think the demand for gas used to produce power in Europe will likely jump, further tightening the global gas market and potentially jeopardising European industrial sectors due to power shortages.

Exhibit 41: Global top LNG exporters



Sources: PTT; EIA

Exhibit 42: Europe's monthly power generation



Sources: Bloomberg; EIA; PTT

EU and UK sanctions. The EU and UK are targeting five Russian banks − Rossiya, Black Sea Bank, Genbank, IS Bank and Promsvyazbank − and three oligarchs, Gennady Timchenko, Boris Rotenberg and Igor Rotenberg, with economic sanctions.

EU foreign ministers also agreed to a first package of sanctions in response to Moscow's recognition of the two breakaway republics in eastern Ukraine, which target individuals and banks, as well as the ability of the Russian state and government to access the EU's capital and financial markets.

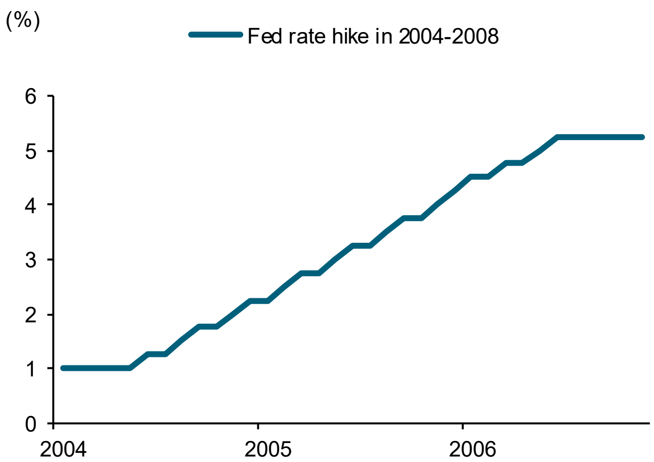
The sanctions specifically hit 27 Russian individuals and entities covering the political, military, business and media sectors, as well as the 351 members of Russia's parliament who voted to recognise the Luhansk and Donetsk regions as independent countries.

Topic #2: A dovish Fed rate hike – a boon for financial markets

We expect the Fed to raise its policy interest rate (policy rate) gradually by 0.25% in its first rate hike in the coming month, not 0.5%, at the Federal Open Market Committee (FOMC) meeting on 15-16 Mar-22. The higher risk of inflation due to spikes in energy and commodity prices caused by Russia's invasion of Ukraine has increased the chances of our more benign and "gradual" policy rate hike prediction coming true, which should be a boon for financial markets. In our view, this is backed by three key reasons:

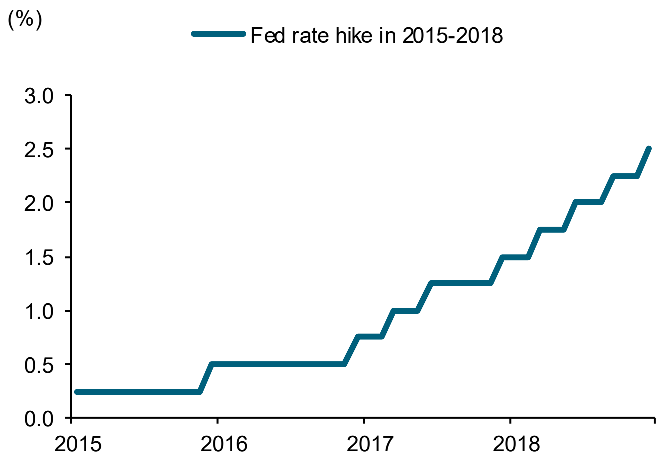
Reason #1: Gradual rate tightening. Based on historical Fed fund rate hikes during 2004-06 and 2015-18, the Fed increased its policy rate by 0.25% each time, and never hiked its policy interest rate by 0.5%. Therefore, we believe that under the current circumstances of higher inflation but riskier factors for an economic slowdown, the odds are greater that the Fed will opt for a dovish pace in raising rates. We think a more benign hike in the Fed policy rate would benefit stock markets, as the risk of bankruptcies from debt defaults and lower earnings growth due to the mismatch between the higher cost of energy and finance against the selling price would be low.

Exhibit 43: The timing and magnitude of Fed rate hikes during 2004-06 by 0.25% a time.



Source: Bloomberg

Exhibit 44: The timing and magnitude of Fed rate hikes during 2015-18 by 0.25% a time.



Source: Bloomberg

Reason #2: Based on the futures market, a third rate hike of 0.5% before the end of 2023 has less than a 50% probability. We think that the FOMC might trim their forecasts for US GDP growth after they see short-term interest rates rising in the year ahead and the higher inflation impact of increased commodity prices due to the Russia-Ukraine conflict.

Meanwhile, we think the Russia-Ukraine war is highly likely to end sooner rather than later given that the US and its allies are staying out of the fight and instead deploying economic sanctions against Russia, while leaving Ukraine alone to fight Russia.

If the Russia-Ukraine war ends sooner, within 1Q22, we expect the current price spikes in crude oil and gas to be short-lived, potentially leading to a slower pace of Fed tightening. The final outcome could be that the Fed raises its policy interest rate by 0.25%, rather than by 0.5% in one hike, which we think could potentially tame inflation, but at the expense of weaker US economic growth.

In BNP Paribas' report, "Markets 360 Strategy & Economics Report", dated 10 Feb-22, BNP Paribas cut its GDP growth forecasts across major economies due to the squeeze on real income, greater tightening and other headwinds to economic activity.

Exhibit 45: BNP Paribas' GDP forecasts

BNP Paribas GDP growth forecasts, 2022–23

Annual (% y/y)	2022		2023	
	Global Outlook*	New forecast	Global Outlook*	New forecast
US**	4.8	**4.1**	2.8	**2.4**
Eurozone	4.2	**3.6**	3.0	**2.5**
UK	5.4	**4.1**	2.1	**2.1**
China	5.3	**4.9**	5.5	**5.5**
Japan	2.6	**2.6**	1.6	**1.8**

** Global Outlook, 22 November; ** For the US, we also computed an 'ex-BBB' GDP forecast on 20 December 2021, which amounted to 4.5% in 2022 and 2.7% in 2023*

Source: BNP Paribas, "Developed markets: Headwinds, but recovery on course", dated 10 Feb-22

Exhibit 46: BNP Paribas' inflation GDP forecasts

BNP Paribas CPI inflation forecasts, 2022–23

Annual average (% y/y)	2022			2023		
	Global Outlook*	Last update**	New forecast	Global Outlook*	Last update**	New forecast
US	4.6	4.7	**5.4**	2.1	2.1	**2.5**
Eurozone	3.1	5.0	**5.0**	2.0	2.2	**2.1**
UK	4.5	5.2	**5.8**	2.1	2.4	**2.6**
China	2.1	–	**2.1**	2.5	–	**2.5**
Japan	0.7	–	**1.0**	0.5	–	**0.8**

**Global Outlook, 22 November; ** Last published forecast, if revised since Global Outlook*

Source: BNP Paribas, "Developed markets: Headwinds, but recovery on course", dated 10 Feb-22

According to BNP Paribas, the Fed rate rise should start in Mar-22, with an additional four rate hikes of 25 bps each in 2022, and four more interest rate hikes in 2023. Quantitative tightening (QT) is expected to be announced in Jun-22 for implementation in Jul-22, and the Fed's balance sheet roll-off is to start at USD10b for both US Treasuries and mortgage-backed securities (USD20b in total), before potentially rising to USD100b per month by Dec-22.

Exhibit 47: BNP Paribas' view on the US policy rate

US Federal Reserve	What we expect
Current policy settings	▪ Six 25bp hikes in 2022, starting in March
Policy rate: 0–0.25% **Asset purchases:** pace cut from mid-Nov 2021 by USD10bn/month for UST and USD5bn/m for MBS **Other measures:** standing repo facility	▪ End net asset purchases in March ▪ QT announced in June for implementation in July ▪ QT to run 'in the background' rather than be used as a flexible policy tool ▪ Faster pace of roll-off than in 2017 ▪ Three 25bp hikes in 2023 ▪ **End-2023 policy rate forecast:** 2.25–2.50%

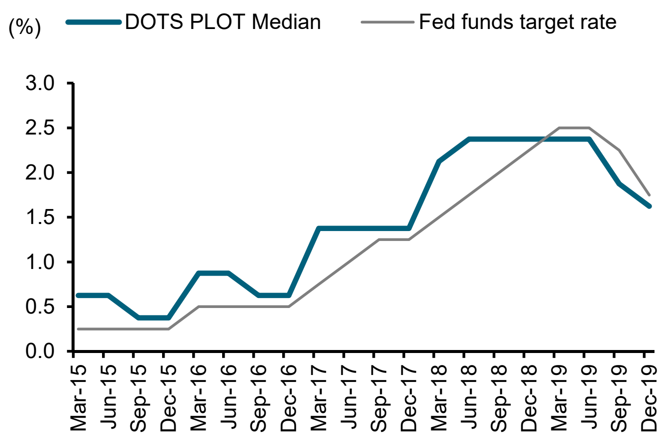
Sources: BNP Paribas, "Developed markets: Headwinds, but recovery on course", dated 10 Feb-22

Reason #3: The higher the Fed's rate hike, the more likely the Fed is behind the curve. We think that most investors expect the Fed to raise its policy rate more than three time as the Fed's Dot Plot − due to US inflation − reached another four-decade high last month, accelerating to a 7.5% annual rate as strong consumer demand collided with pandemic-related supply disruptions. Meanwhile, many believe that the Fed is now behind the curve as current US inflation is higher than Fed's inflation target of 2%.

Based on our study of historical data from the Fed's last return-to-tightening policy in late 2015, the Fed lifted its policy rate gradually and at a rate lower than the forecasts in the Dot Plot. Although US inflation was low initially, it accelerated toward the Fed's inflation target of 2%, driven by the stronger-than-expected US economic growth at the time and the low US unemployment rate.

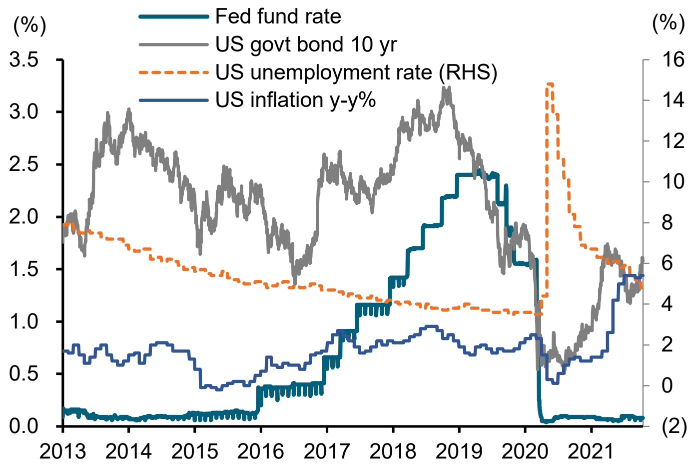
For 2022, with the US inflation rate at an abnormally high level and the Fed indicating that inflation will continue temporarily at a high level before peaking in 1H22 and then easing in 2H22 due to declining energy prices, we expect the Fed to raise its policy rate cautiously to ensure a balance between taming inflation and hindering economic growth.

Exhibit 48: Dot Plot vs Fed funds rate



Source: Bloomberg

Exhibit 49: Fed rate, inflation, bond yields and unemployment



Source: Bloomberg

Fed rate hike: limited impact on Thailand's economy and SET

Both fiscal and monetary policies remain a boon for the Thai economy

We believe that the Thai economic recovery remains on course despite the higher risks posed by rising energy prices and a rising interest rate outlook, backed by the following factors:

Low interest rate environment. We believe the Bank of Thailand (BoT) will continue to hold its policy rate at 0.5%, the lowest level in history, even if the Fed raises its policy rate three times in 2022. Given the limited rate of inflation in Thailand, strong exports, and a recovery in revenue from the return of tourism, the BoT's benign monetary policy should support Thai GDP growth, in our view.

No lockdowns in 2022. While new confirmed Covid-19 infections have risen in Thailand to above 30,000 cases a day, the Thai government is unlikely to implement a lockdown in 2022, in our view, given that the hospitalisation and death rates remain low. We believe that new Covid-19 infections are likely to reach a peak in early Mar-22, and the resulting full reopening of economic activity should be a boon for corporate earnings growth and recovery.

Loose fiscal measures to continue in 2022. The Thai government continues to inject more money into the economy via relief and stimulus packages, including the recently granted electric vehicle (EV) promotion program aimed at stimulating domestic demand for EVs as part of the government's plan to achieve its zero-emissions target and transform the country into an EV industry hub. In addition, a number of infrastructure project bidding processes remain on track in 2022.

Exhibit 50: EV promotion plan for passenger battery EVs and motorbike battery EVs with retail selling prices under THB2m

	Policy	Beneficiary	Amount	Effective promotion duration
1	Subsidy from energy fund	Consumers/EV buyers	THB70,000 per EV under 30kWh THB150,000 per EV over 30kWh	1-3 years
2	Excise tax reduction	Producers/EV buyers	From 8% to 2%	2-3 years
3	Import duty tax reduction	Producers/EV buyers	From 20-80% to 0-40%	2-3 years

	Conditions for eligibility
1	Must be domestic manufacturers
2	Must produce EVs at 1.0x to 1.5x the number of imported and subsidised EVs during the promotion's duration
3	Must produce and use a domestically produced batteries (from cell level) for EVs produced domestically
4	Must produce the same models as the imported models

Source: FSSIA's compilation

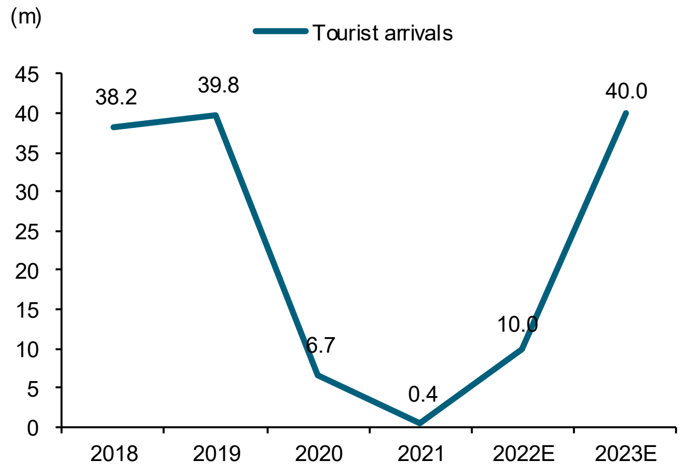
In our view, the most important measure taken by the Thai government in terms of stimulating economic growth is the Test & Go program, which is a quick and easy means of reopening Thailand to foreign tourists. Thailand's tourism sector accounted for 17% of GDP in 2019 before the Covid-19 pandemic hit the global economy.

Hence, we believe the tourism-friendly move by the Thai government should boost GDP growth further. In addition, since the Phuket Sandbox program debuted on 1 Jul-21, Thailand has already welcomed nearly 333,800 visitors, generating over THB18b in revenue for the island province of Phuket and THB43b in cash flow for the Thai economy, according to government spokesperson Thanakorn Wangboonkongchana on 24 Feb-22. We believe this is a strong positive sign that the Kingdom's tourism sector is gradually recovering from the Covid-19 pandemic.

Exhibit 51: Phuket Sandbox since 1 July 2021

Source: Thaiembassy.com

Exhibit 52: Thailand's international tourist arrivals, estimated by AOT



Source: AOT

Fundamentals up but SET index down

We believe investors' focus is now on the upcoming announcement of the Mar-22 Personal Consumption Expenditure (PCE) price index, which is the Fed's inflation target, for possible clues on the timing and magnitude of the Fed's incoming rate hikes. Meanwhile, the SET index dropped recently as the Russia-Ukraine conflict is heightening the risks of energy prices and could jeopardise the global economic growth recovery in 2022. We however believe that Moscow will eventually open up to negotiations with Ukraine to seek out an agreed-upon goal between the two parties within the next one or two months.

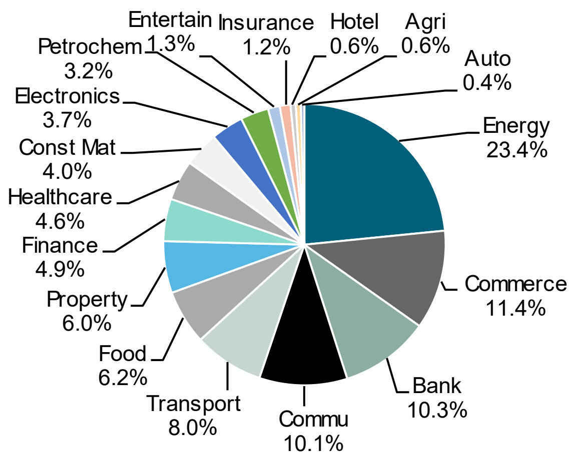
We expect the SET index to be highly volatile, likely moving range-bound between 1,700-1,780 in 2Q22 given the uncertainties surrounding the impact of the Covid-19 transition period and the risks from Russia's invasion of Ukraine.

Foreign funds remain positive: We expect the impact of the Fed's rate hike and the unwinding of its balance sheet to be marginal and gradual rather than sudden and harsh for financial markets as per our last Thailand strategy report on 1 Feb-22. We expect the Fed to stay ahead of the curve and hence could start the normalisation of its balance sheet earlier rather than later, based on the Fed's recent acknowledgement that it was slow to recognise the strong US economic recovery.

Strong economic recovery and high vaccination rate. We think that the projected strong economic recovery and the higher vaccination rate in Thailand could lift the prices of value stocks higher relative to the price increases of growth stocks, as consumers should gradually boost their spending amid the economic recovery.

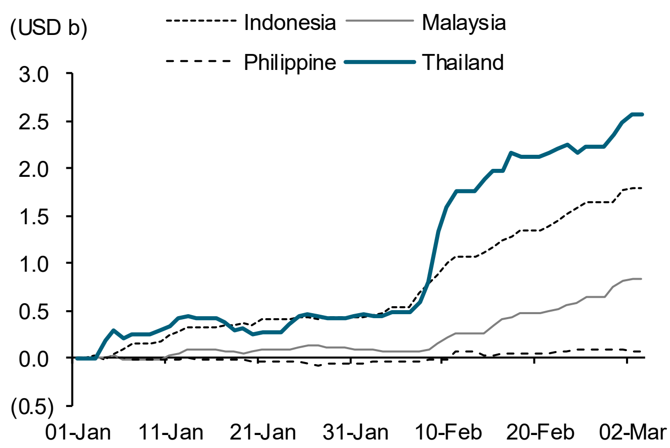
While the SET's multiple valuation looks more expensive vs its regional peers, Thailand's equity market is dominated by large-cap energy companies, particularly oil & gas, coal, refinery, petrochemical, and other growth stocks that are naturally inflation-protected investments. Hence, the share prices of these energy-related companies are likely to move higher in tandem with the rising prices, in our view.

Exhibit 53: SET's market capitalisation by sector



Source: Bloomberg

Exhibit 54: Asia equity fund inflows since Jan 2022



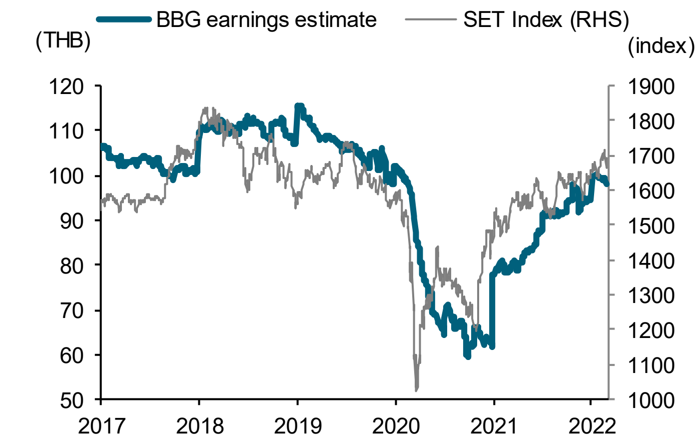
Source: Bloomberg

Upward EPS revisions. For our market outlook in 2022, we highlight three sectors that we expect to have positive earnings momentum throughout 2022: banking, commerce and tourism. Despite the rapid spread of the Omicron variant of Covid-19, Thailand has successfully contained the fatality rate and hence is likely to continue to open up the economy, especially for the tourism opportunity of the post Covid-19 era. We reaffirm our view that the continuity of the economic reopening should support domestic consumption in Thailand and the stock market via the resilient earnings growth and recovery of the listed corporations.

While we expect a short-term decline and high volatility in the SET index, largely due to concerns about the pace and extent of monetary policy tightening in an inflationary environment and the earnings downsides from higher energy prices, we remain confident that our projected significant upward revision of the Bloomberg consensus' EPS estimates across all sectors should ensue once the full economic reopening and the return of tourism to Thailand starts in 2Q22.

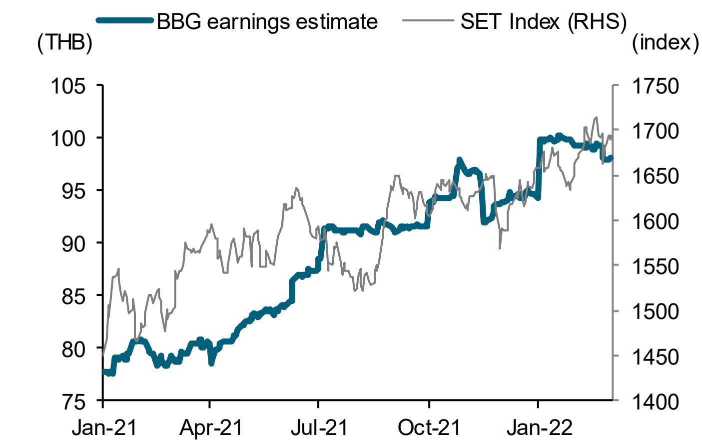
Quantitatively, we believe that the improving corporate fundamentals and the recent Bloomberg consensus upgrades to its 2022 EPS estimates for the SET to THB98.9 in Feb-22, up from the THB78 EPS forecast in Jan-22, should strongly support and eventually drive the SET index higher, resulting in much more attractive valuations and higher growth potential for foreign investors, who became net buyers in the SET in Jan-Feb 2022.

Exhibit 55: Revision of BBG consensus' earnings estimates since 2017



As of 2 Mar 2022
Source: Bloomberg

Exhibit 56: Upward revision of BBG consensus' earnings estimates, YTD



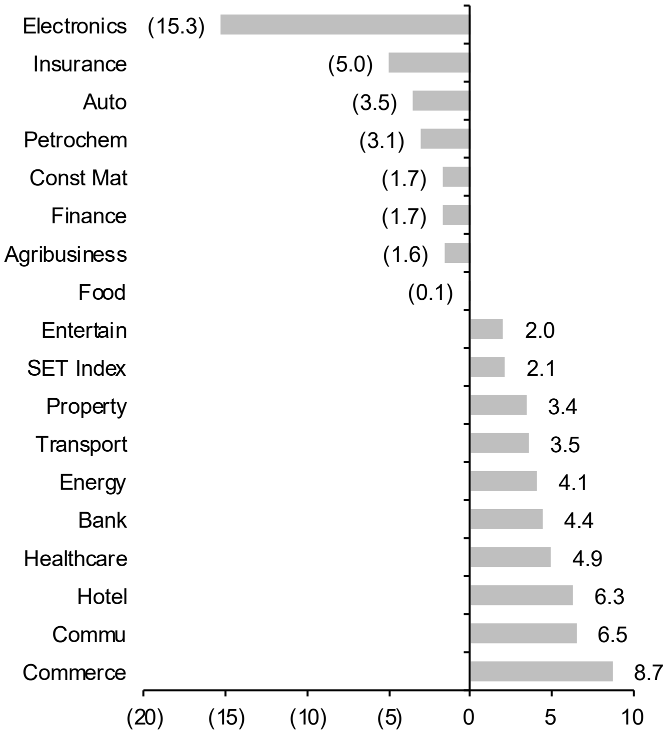
As of 2 Mar 2022
Source: Bloomberg

Our preferred sectors and stocks for March 2022

Under our expectation of a highly volatile SET index amid the uncertainties of energy prices and the Fed's rate hike, we project a move to 1,742 by the end of Mar-22. We prefer "value stocks" over "growth stocks" in Mar-22, based on: 1) continued foreign fund inflows into Thailand's stock market on the back of Thailand's promising economic growth and the corporate earnings growth outlook in 2022, with additional drivers from the tourism arrival recovery.

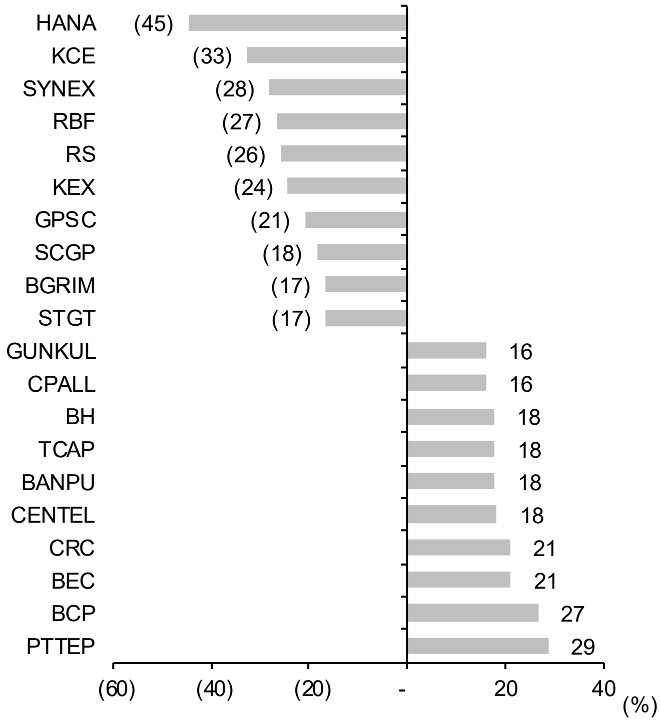
In Mar-22, our main investment theme is the "Transition to the true new normal". Thanks to Thailand's reopening, we expect more international tourist arrivals to grow the country's tourism revenues and GDP. Our top sectors in Mar-22 are tourism, banks and commerce, and our top company picks are AOT, MINT, TTB, CHAYO, GLOBAL, MAKRO, ADVANC and NEX.

Exhibit 57: The SET's performance by sector, YTD



As of 2 Mar 2022
Source: Bloomberg

Exhibit 58: Top 10 best and worst performers, YTD



As of 2 Mar 2022
Source: Bloomberg

Exhibit 59: Our one-month tactical portfolio of select stock picks for March 2022

Company	BBG code	Key rationale
Airports of Thailand	AOT TB, TP THB79.00	AOT is trading at 28x FY24E P/E, lower than its 5-yr average of 38x. Note that we use FY24E to compare P/E multiples as this should be the first year that operations return to normal. A short-term catalyst would be an international passenger recovery from the resumption of Test & Go.
Minor International	MINT TB, TP THB42.00	MINT is trading at an attractive valuation of 25x 2023E P/E, lower than its5-year average of 31x. MINT's share price is 14% below the pre-Covid level and is underperforming global hotel operators whose share prices have exceeded the pre-Covid level by 5%. This suggests a share priceupside when MINT's operations turn around, in our view.
TMBThanachart Bank	TTB TB, TP THB1.80	We believe TTB will deliver the highest net profit growth among banks in 2022 at 27% y-y, supported by two factors. First, we believe that revenue synergies will be realised in 2022, when TTB could begin utilising the increase in its customer base to generate cross-selling and up-selling opportunities to enlarge its loan volume and fee income. Second, we are convinced that TTB could fully enjoy the benefits from its overlapping branch network and workforce rationalisation.
Chayo Group	CHAYO TB, TP THB16.60	According to management, CHAYO is in the process to discuss setting up asset management JVs with two banks to manage the potential influx of NPLs; one is a commercial bank and the other is a government bank. CHAYO expects the commercial bank JV to be completed in 1H22, depending on the policy and approval from the BoT. We think if the JV deal is a success, it could be a catalyst to drive CHAYO's share price and provide an upside risk to our current net profit forecasts.
Siam Global House	GLOBAL TB, TP THB27.50	SSSG in Jan-22 remained positive at 10%, driven by solid demand for construction materials. GLOBAL's GPM should soften q-q and y-y following a lower steel GPM. Overall, we expect that 1H22 earnings could be flat y-y with growth resuming in 2H22, supported by a new storeexpansion of six to seven stores. Moreover, its overseas operations could post solid growth in 2022. We expect equity income to grow by 30% y-y to THB105m in 2022, driven by solid demand in Myanmar and Laos and its aggressive expansion in the Indonesia market.
Siam Makro	MAKRO TB, TP THB52.00	We cut our 2022-23E earnings by 0.2-0.9% after incorporating the lower than- expected public offering (PO) size and price. We maintain our DCF based TP at THB52 and upgrade our recommendation to BUY following its share price dropping by 24% from its peak at THB57.25. We see a positive development from Lotus' performance and expect Lotus to post a net profit of THB6.1b in 2022. A near-term catalyst would be stronger than- expected 1Q22 earnings from Lotus, which could exceed THB1.0b.
ADVANC Info service	ADVANC TB, TP THB260.00	We maintain BUY on ADVANC with the same TP of THB260, albeit with some minor changes to our estimates. We maintain our suggestion to invest in ADVANC before 1Q22 until the end of the quarter as, according to our research, ADVANC has had some of the highest positive returns on its share price in 1Q among mobile operator companies.
Nex Point	NEX TB, TP THB26.00	Upside potential from the 3,000 order of e-buses and up to 1,000 e-trucks in 2022 to turn NEX into a profitable company by 2Q22.

Source: FSSIA estimates

Exhibit 60: Summary of key valuations of FSSIA's top picks for March 2022

Company	BBG	----Share price ---		*Upside*	-- Recur profit ---		Profit growth		P/E	DivYld	ROE	P/BV
	Code	Current	Target		22E	23E	22E	23E	22E	22E	22E	22E
		(THB)	(THB)	*(%)*	(THB m)	(THB m)	(%)	(%)	(x)	(%)	(%)	(x)
Airports of Thailand	AOT TB	62.75	79.00	*26*	3,236	(15,319)	(4,411)	nm	nm	(203.2)	0.0	(4.0)
Minor International	MINT TB	31.25	42.00	*34*	(19,388)	(12,276)	2,402	nm	nm	67.7	0.5	4.3
TMBThanachart Bank	TTB TB	1.36	1.80	*32*	10,112	10,474	13,217	3.6	26.2	9.9	4.5	6.1
Chayo Group	CHAYO TB	12.30	16.60	*35*	155	219	351	41.1	60.5	37.1	0.0	10.6
Siam Global House	GLOBAL TB	19.90	27.50	*38*	1,956	3,344	3,439	70.9	2.8	25.5	1.6	16.7
Siam Makro	MAKRO TB	43.00	52.00	*21*	6,563	6,972	12,640	6.2	81.3	36.0	2.1	4.3
Advanced Info Service	ADVANC TB	236.00	260.00	*10*	27,187	26,467	28,295	(2.6)	6.9	24.8	3.4	33.9
Nex Point	NEX TB	18.50	26.00	*41*	(214)	(107)	1,066	50.0	1,097.4	29.1	1.6	30.6

Source: FSSIA estimates

Exhibit 61: Performance of our tactical portfolio of select stock picks for February 2022

Company	% performance*	Key rationale
Kasikornbank (TP THB 180.00)	*9.4*	We maintain our BUY call on KBANK, backed by: 1) we believe its net profit and ROE will increase continuously; and 2) we also think that it is ready to fully transform itself to unlock its value and increase shareholders' returns.
Indorama Ventures (TP THB 70.00)	*(5.3)*	Maintain BUY call on IVL. IVL's strategic plan to achieve its financial (USD2.8-3.0b EBITDA in 2024), ESG, and organisational (digitalisation and Olympus project) goals is achievable, in our view. With IVL's sound and timely growth strategies, we think the next growth chapter should see it become a "true" global player in the petrochemical industry, with a stronger and more sustainable net profit growth trajectory in 2022-24.
Somboon Advance Tech (TP THB 29.00)	*(8.7)*	Maintain BUY with solid outlook in 2022, buoyed by the continuous recovery in Thailand's car production, the improvement in its GPM, new orders of THB300m, and the new investment in the EV business could be strong key drivers for the company. SAT remains our top pick in the auto sector.
Energy Absolute (TP THB 122.00)	*6.4*	We think EA's next earnings catalysts will come from three drivers in 2022: 1) the government's stimulus package for electric vehicles (EVs) was submitted to the cabinet at the end of Jan-22; 2) EA's sales volumes of e-buses should rise substantially in 2Q22 onward after the signing of sales agreements with a number of customers in 1Q22; and 3) the projected material demand growth from the new Power Development Plan 2022 (PDP2022) by end-2022 should boost EA's earnings upside from its battery production venture, both as captive demand for e-buses and e-trucks, and energy storage for power plants.
Bangkok Chain Hospital (TP THB 28.50)	*2.1*	We believe both our revised 2022E core profit of THB2.2b and BBG consensus' THB2.0b have promising upsides from four drivers. First, international patient revenue hit a record high in 3Q21, jumping to cTHB500m from the pre-Covid average of THB233m per quarter, as a well-known doctor specialising in diabetic foot disease moved to work full time at World Medical Centre (WMC). Second, we assume Social Security Office (SSO) revenue will grow by 15% in 2022, though BCH is targeting registered member growth of 24% to 1.1m members. Third, although we assume non-Covid Thai patient revenue will only recover to the pre-Covid level, pent-up demand and a larger customer base should easily drive revenue to exceed the pre-Covid level.
Nex Point (TP THB 26.00)	*4.5*	One of Thailand's most ready players with a fully integrated battery manufacturing and marketing after-service value chain, NEX-EA is Thailand's only producer and provider of commercial fleet EVs. With a potential annual market size of 8k-10k buses and 100k trucks in Thailand as of 2021, we think NEX stands to benefit the most from timely capturing the strong demand growth of e-buses and e-trucks in 2022.

*Performance as of 28 Feb 2022
Source: FSSIA estimates

Topic #3: Four investment themes for 2Q22

Under the highly uncertain global energy prices, fund flows, and rising inflation and the interest rate environment, we identify four investment themes over the next three quarters, mainly influenced by our Finansia Investment Conference 2022, held on Feb-22.

Of the four, two key themes – "Driving growth through transforming ecosystems" and the "Road to the true new normal" – are relevant for our top short-term picks in Mar-22.

The third and fourth investment themes – "A greener road to sustainable growth" and "Reshaping business amid the digital revolution" – apply to the long-term investment horizon post 2Q22 when we expect the risks of energy prices, the Fed's policy rate hike, and inflation, to subside substantially, allowing corporates to focus on their earnings growth roadmaps while investors focus on the likely outperforming sectors and stocks ahead of the global transition period from conventional industry to the future new industry 4.0.

Theme #1: Driving growth through transforming ecosystems

Understandably, political tensions, rising energy prices and inflation could jeopardise the prices of risk assets worldwide, including equity markets. Investors across the globe are attempting to assess the risk-reward of asset prices in tandem with the ongoing adjustment to a regime shift and the confusion stemming from the unusual economic restart, a supply-driven surge in inflation, and new central bank frameworks.

We think central banks worldwide are likely to dial their monetary policies back to the pre-Covid settings rather than aggressively tightening by raising the policy rate at a faster speed to quickly tame inflation. Why? Because this is no ordinary inflationary scenario. The global supply disruptions and strong demand post the economic reopening are the main drivers for the current high inflation rather than the more typical scenario of high demand in an overheating economy.

Given that developed market economies still have room to grow in 2022, we think any excessive and aggressive interest rate hikes by central banks could potentially stamp out supply-driven inflation but concurrently harm global economic growth that has not yet fully recovered. As a result, we expect central banks globally to instead choose to live with a short-term high inflation macroeconomic environment and only raise their policy rates to reduce existing stimulus in a more piecemeal way.

The "gradual" policy rate hike should keep the real, or inflation-adjusted, yields low and that is why we are looking to lean into tactical opportunities. The market may sometimes itch for a bigger policy response to inflation, but this matters more from a trading rather than a long-term investment perspective.

In our Finansia Investment Conference (FIC) presentation on "Driving Growth Through Transforming Ecosystems", we talked about how business and digital transformations can be the key future growth drivers for all organisations.

According to our keynote speaker, Mr. Taweesook Thammasak, a global economic and investment adviser to the DTGO Group of companies, the metaverse will be the key transformational driver of the fourth industrial revolution, which follows the third revolution sparked by the internet and smartphones that began in the 20th century.

Mr. Taweesuk explained that the metaverse is poised to become the key essential service for consumers and eventually will be embraced as one of the necessary things in our daily lives, similar to smartphones and the internet, by 2030. Corporates that intend to survive, let alone grow, will have to adopt the new technology quickly and adapt themselves into the new industry environment of the decentralised, blockchain-based ecosystem, a key component of the digital transformation.

The digital transformation presents both an opportunity and a threat for companies in the future. Companies with the ability to transform and adapt to the future digital trend have a higher potential for survival in the market than traditional companies that can't.

Exhibit 62: FIC 2022's participants in the theme "Driving growth through transforming ecosystems"

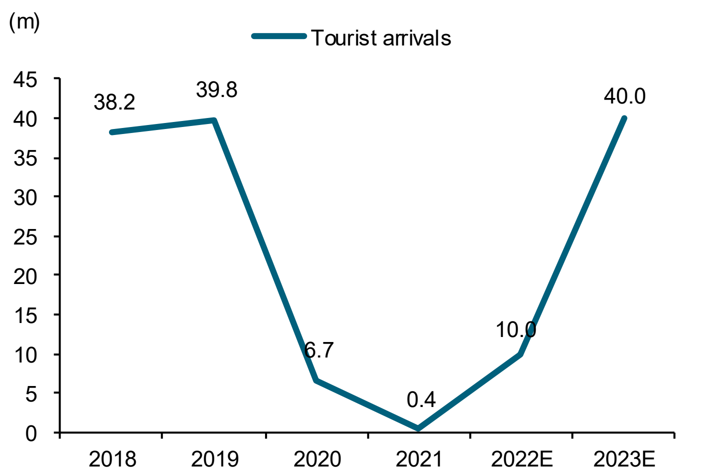
Company	BBG code	Rationale
Jay Mart	JMART TB	▪ JMART believes in the "power of synergy" as it puts the synergy value into the company's vision. JMART is now focusing on two main businesses comprised of retail and consumer finance. ▪ JMART remains our top pick in the ICT sector. It has various positive catalysts ahead, while its fundamental outlook remains strong. We expect over 60% y-y net profit growth in 2022. We recommend BUY on JMART with our SoTP-based TP of THB55.50.
VGI Pcl.	VGI TB	▪ VGI is a company that tried to transform its business from traditional out-of-home (OOH) based media into one with exclusive access to behavioural data from its advertising, payment and logistics platforms. The company's focus is to turn data into meaningful consumer insight and offering Offline-to-Online (O2O) Solutions to provide a better customer experience, since 2017. ▪ The company is still focusing on expanding and diversifying its products and services not only in the advertising business, but also in retail, logistics, and financial services that can synergise with its O2O solutions platform. The latest partnership with JMART will strengthen its core business and gain more useful data from JMART's customers in order to integrate their data with VGI's data and generate more insights for its customers. ▪ We recommend BUY on VGI based on our belief that its performance in 3QFY22 should be the bottom. The future capital raising that could give VGI about THB4b in cash to expand its advertising and distribution-related businesses presents a potential upside for the company. Advertising expenditure should recover back to its normal level thanks to expectations of a recovery in mass transit ridership.
Kerry Express (Thailand)	KEX TB	▪ After the intense price war in parcel delivery since 2019, KEX aims to expand its logistic business into other services by 1) partnering with Betagro, one of the biggest agricultural companies in Thailand, to create the cold-chain logistics service Kerry Cool; 2) set up a JV company with Central Retail Corporation (CRC TB, BUY, TP THB43) to offer less than truck load (LTL) services, named Kerry XL. ▪ KEX should also get some benefit after VGI, one of its major shareholders, invested in JMART. The company should have more opportunity to gain more revenue if JMART starts to use KEX's service more in the future. The company targets 5-10% revenue contribution from its new businesses and services such as Kerry Cool, Kerry XL, Kerry Wallet, fintech & AI. ▪ However, KEX has an uncertain outlook in the face of a persistent and intense price war. We suggest investors wait for signs of a recovery or market consolidation before reinvesting in KEX. We expect KEX to incur a loss of about THB356m in 2022 due to the price war and the higher cost of capacity expansion. If the third-place competitor can continue its operations, KEX's outlook remains unclear. Therefore, we recommend a REDUCE call on KEX with a DCF-based TP of THB19.

Source: FSSIA estimates

Theme #2: Road to the true new normal

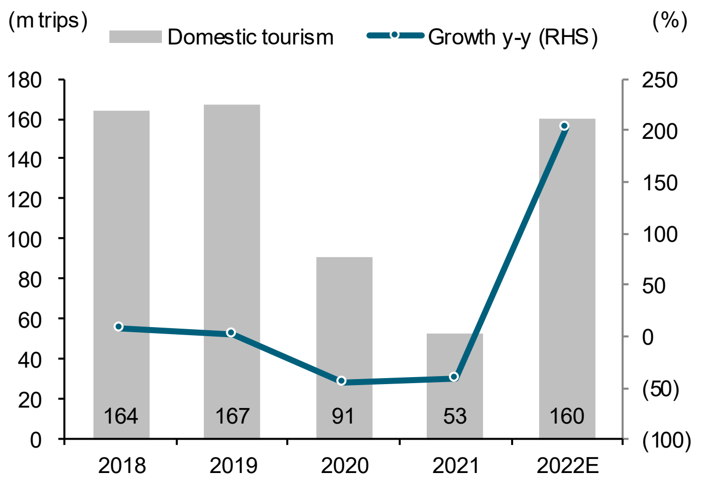
We received positive feedback from the Tourism Authority of Thailand (TAT) and corporations who joined our FIC 2022 event. Both TAT and private sector tourism-related industries expect a material economic and tourism recovery in 2022. TAT projects Thailand's tourist arrivals to hit 10m in 2022, equivalent to 25% of the pre-Covid level as its base case. In Dec-21, tourist arrivals recovered to 6% of the pre-Covid level. We expect the recovery momentum to continue in 1Q22 along with the resumption of the Test & Go scheme.

Exhibit 63: Tourist arrivals forecast



Sources: TAT; FSSIA estimates

Exhibit 64: Domestic tourism forecast

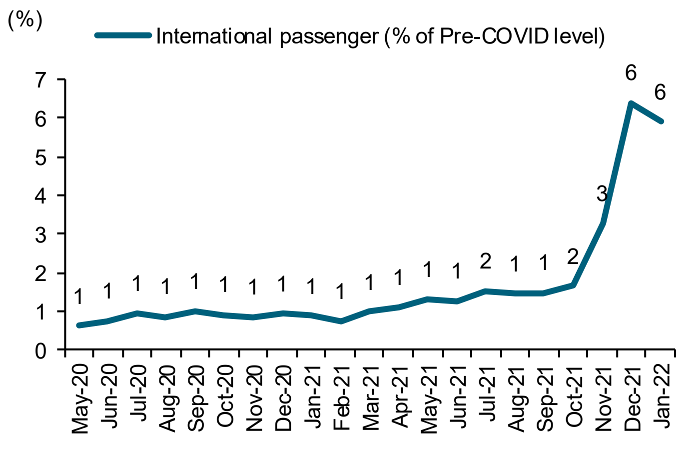


Sources: TAT; FSSIA estimates

TAT believes higher spending tourists will come first, thereby benefiting hotel operators by boosting the average daily rate (ADR) higher. We expect the hotel and tourism sectors to see a significant ADR recovery in 2022, as witnessed in the Maldives and European countries which saw their hotel ADRs already exceed the pre-Covid level since 4Q21. Domestic tourism should also strongly recover in 2Q22 led by Songkran festival. AAV expects its domestic capacity to recover to the pre-Covid level by 2Q22.

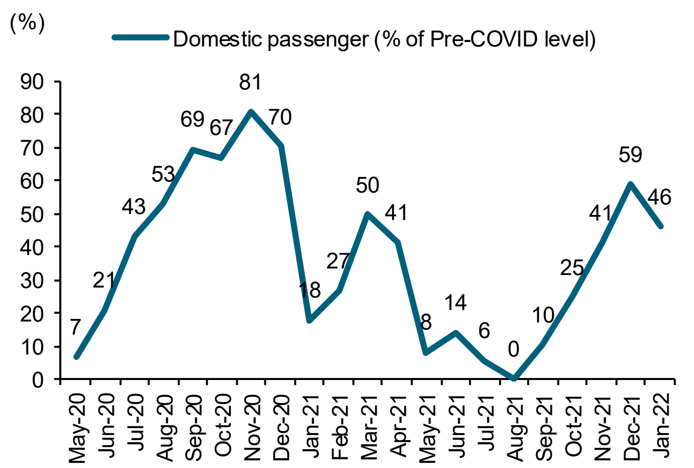
The hotel operators with overseas footprints should continue to enjoy a recovery and turnaround rate at a faster pace compared to Thai hotels. Similar to the food business, MINT and CENTEL should capture pent up demand for dine-in sales, while delivery sales should remain strong. This would lead to margin expansion going forward. Overall, we expect to see the major earnings of tourism stocks start to break even in 2022 and return to the pre-Covid level by 2023, coupled with the upside from margin expansion.

Exhibit 65: AOT's international passenger volume trend



Source: AOT

Exhibit 66: AOT's domestic passenger volume trend



Source: AOT

Exhibit 67: FIC 2022's participants in the theme "The road to the true new normal"

Company	BBG code	Rationale
Airports of Thailand	AOT TB	▪ Feedback was slightly positive on the recovery outlook. AOT said it was too early to tell whether its FY22 international passenger assumption of 26.3m (31% of pre-Covid level) has a downside or not, but the resumption of Test & Go from Feb-22 would be a key driver. On a positive note, AOT sees an upside from its FY22 domestic passenger assumption of 35.9m (62% of pre-Covid level), as the domestic passenger volume ramped up to c50-60% from Dec-21 to Jan-22.
Minor International	MINT TB	▪ The overall feedback on the recovery outlook in 2022 was positive. The Omicron variant should have a limited impact on the hotel business as most countries' policies are leaning toward "living with Covid". European hotel operations should slow down in 1Q22 on the low tourism season but should bounce back in 2Q-3Q22 when MINT expects RevPAR to potentially exceed the pre-Covid level. Thai hotels should recover after resuming the Test & Go scheme in Feb. Note that the OCC rate of Thai hotels improved to 36% in Dec-21 (from 25-26% in Oct to Nov) when Test &Go was first implemented in Thailand. ▪ MINT expects higher raw material costs to impact its food business from 2Q22 onward, given that MINT has stocked raw materials until 1Q22. However, MINT expects to maintain its food business' EBITDA margin as other cost savings should offset inflation.
Central Plaza Hotel	CENTEL TB	▪ The overall feedback was positive. Management saw some positive trends in 4Q21, and momentum should continue into 1Q21. Maldives hotels, the Dubai hotel and its food business portfolio should contribute profits to CENTEL in 4Q21, leaving only Thai hotels to drag performance. However, the resumption of Test & Go should support the recovery and drive CENTEL to turn profitable this year. ▪ The food business should become a key growth driver during 2022-23. Despite the Covid pandemic, CENTEL's outlets have expanded from 1,064 outlets in 2019 to almost 1,300 in 2021. Delivery sales also jumped almost 5x from THB0.6b in 2019 to THB2.8 in 2021E, and accounted for c30% of total food revenue. We expect dine-in revenue to recover this year, while food delivery sales should maintain their growth momentum.
Asia Aviation	AAV TB	▪ AAV expects competition in the domestic market to lessen and believes that it could command higher fares when demand recovers, given that AAV has the largest capacity in the domestic market. In addition, AAV expects to maintain its 35% market share with a high potential to gain more market share from weaker competitors. The resumption of Test & Go could see AAV resume international flights. ▪ AAV's recently completed capital raising added total proceeds of THB14.0b. AAV plans to utilise THB7.8b to restructure its shareholdings. The remaining THB6.2b will serve as cash flow liquidity. This should alleviate concerns about AAV's cash flow liquidity.

Source: FSSIA estimates

Theme #3: A greener road to sustainable growth

Thai companies in the energy and resource sectors, including the companies in the oil & gas and coal value chains, have started to adopt much more aggressive targets for carbon reduction in the short term by 2025 and carbon neutrality over a longer-term period by 2030.

Most companies have already set their targets for cutting carbon emissions by 20% by 2025 and to achieve zero carbon emissions or carbon neutrality by 2030.

In the short term in 2022, we remain bullish on Thai energy utilities companies given the current spikes in the prices of oil, gas, and coal, due to the supply risks caused by Russia's invasion of Ukraine and high inflation. The clear winners under this environment would include:

Producers: The higher margins from the rise in selling prices should directly benefit the earnings of PTTEP (oil & gas) and BANPU (coal, shale gas).

Beneficiaries of the high oil and gas prices: The companies using gas as a key feedstock for producing chemical products would greatly benefit under the currently high oil & gas prices. IVL stands as the best play in this context, thanks to its expanded capacity for shale gas-based PET and PTA, and its integrated oxide and derivatives (IOD) product group. In addition, as the only Thai company with a production presence on every major continent worldwide including North America, South America, Europe, and Asia, IVL is clearly a supplier of choice for its global clients, mostly companies in the consumer, retail, and automotive industries.

EVs are key to future growth both in Thailand and globally. EA and NEX are two clear winners from the EV boom. As a first mover and the only producer and supplier of commercial EV fleets (e-buses and e-trucks) in Thailand, we expect the earnings growth of both EA and NEX to accelerate in 2022 onward. EA should be a key beneficiary from its 1GWh battery production plant, with captive demand for the production of 3,000 e-buses and e-trucks in Thailand. The 3,000-unit/year plant to produce e-buses and e-trucks, owned 65% by EA and 45% by NEX, should benefit greatly from a large order of commercial EVs in Thailand in 2022.

Exhibit 68: FIC 2022's participants on the theme "A greener road to sustainable growth"

Company	BBG code	Rationale
Energy Absolute	EA TB	▪ Up to 3,000 e-buses to be delivered and 1,000 potential orders of e-trucks to be secured within 2022 and delivered in 2023. ▪ Earnings growth for its 1GWh battery plant with captive demand for e-buses and e-trucks. ▪ Potential earnings growth from wind farms and solar farms in the upcoming bidding process in 2022 under the new power development plan 2022.
Nex Point	NEX TB	▪ Strong order potential of over 3,000 e-buses in 2022, mostly from the government's license for fixed route e-buses for private companies, thanks to NEX's superior distribution network and its first mover benefit. ▪ Up to 1,000 potential orders of e-trucks to be secured within 2022 and delivered in 2023. ▪ A net profit turnaround from a multi-year net loss position by 2Q22 after the expected 1,000 e-bus delivery in 2Q22.
Indorama Ventures	IVL TB	▪ Expect over 20% y-y earnings growth in 2022 driven by the higher margins and sales volumes from both organic expansion and M&As. ▪ The sharp rises in the contract selling prices of PET and PTA by over €110/t in 2022 should more than offset the estimated €35/t higher energy cost, mostly from the sharp rise in the gas price in Europe. ▪ The rising margins of its IOD product group with 4.2mtpa capacity should continue from 2H22 given that high oil and gas prices should well support the high margins of shale gas-based IOD products in the US. ▪ The improving demands for fibres and the capacity growth from M&As of the recycling PET and IOD in Brazil (Oxiteno).
Banpu	BANPU TB	▪ After a larger hedging loss in 2021, Banpu's net profit growth should significantly improve in 2022, backed 1) a margin expansion for the coal and shale gas productions driven by the y-y significantly higher average selling prices; 2) the improving sales volumes of coal and shale gas; and 3) the much lower hedging losses from the sales volumes of coal and shale gas y-y given Banpu currently has a much lower hedging volumes remain in 2022 compared to 2021. ▪ The higher earnings from the green ventures, including renewable energy, EVs, and battery, should enhance Banpu's valuation gradually as investors perceive Banpu in a much more positive view, away from the "coal play" over time.

Source: FSSIA estimates

Theme #4: Reshaping business amid the digital revolution

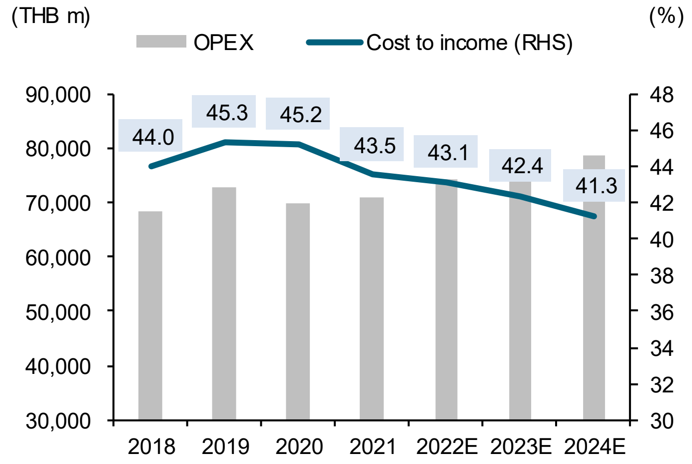
All of the invited companies to our "Reshaping Business Amid the Digital Revolution" FIC theme are embracing the digital age in terms of investing in technology for more efficient work management and new revenue generation supported by digital platforms.

Banks, especially KBANK and SCB, are ahead of the pack regarding reshaping their business to work in the digital era. They have invested in digital technologies to improve their operations for many years to come.

Although they will continue to invest in digital areas, they have started to benefit from what they've already invested in in the past, reflecting in a more efficient cost income management. Regarding the revenue generation side, banks gradually shifted their source of revenue toward digital revenue, e.g. SCB aims to increase its digital revenue to 5% from c3% in 2021.

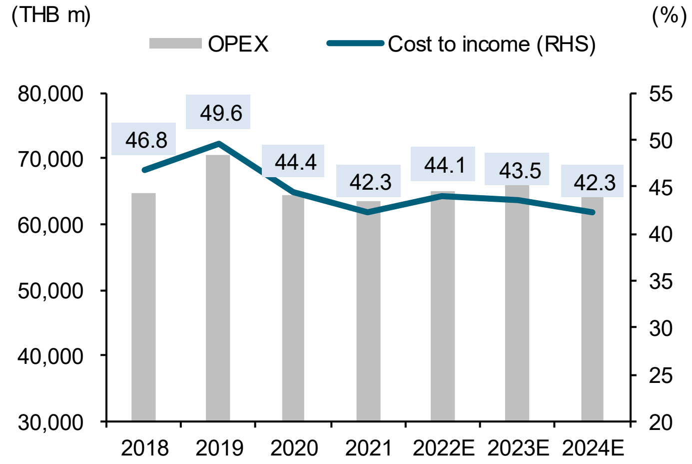
On top of that, many banks will ride the digital asset trend. They plan to initiate platforms where their customers can invest in digital assets or do fundraising via digital assets.

Exhibit 69: KBANK's cost to income ratio should gear toward the low 40% range in the next three years from the mid-40% range in 2018-20



Sources: KBANK; FSSIA estimates

Exhibit 70: SCB's cost to income ratio is in a downward trend



Sources: SCB; FSSIA estimates

Regarding non-banks, they have fewer digital investments than banks. However, Covid forced their clients to shift to more digital channels. Thus, we see the same trend with banks in that 1) non-banks' cost management was more effective in 2020-21; and 2) they also gradually shifted their sources of revenue to digital, e.g. AEONTS launched digital lending in Oct-21. Going forward, non-banks also want to increase their digital revenue proportions.

As for the potential new means of payment, the BoT is currently working on the Central Bank Digital Currency (CBDC). The pilot retail CBDC will be launched in 2H22. There is still no specific timeline to officially launch this project to the public. The BoT expects that the launch of CBDC will not negatively impact both banks' and non-banks' operations. Instead, this should support businesses in terms of increasing their client bases.

Exhibit 71: FIC 2022's participants on the theme "Reshaping business amid the digital revolution"

Company	BBG code	Rationale
Ditto (Thailand)	DITTO TB	▪ Management believes that DITTO could maintain its gross margin at a high level (c30-33% for its document and data management business or DDM and c30-35% for technology and engineering service or TES) thanks to the economies of scale and its strong expertise. ▪ DITTO's outstanding backlog is cTHB1.8b (cTHB0.6b for DDM and cTHB1.2b for TES). cTHB0.9m will be realised as revenue in 2022. The rest will be realised in 2023. On top of that, there are more DDM and TES jobs waiting to be auctioned this year. ▪ Regarding its document service and other solutions business, management expects flat growth in its revenue. Although this business might not offer strong growth, it still provides cTHB0.3b yearly recurring income to the company.
Aeon Thana Sinsap (Thailand)	AEONTS TB	▪ Management has few concerns over the more aggressive expansion into retail lending by banks. Instead, the key factor to focus on is companies (i.e. Shopee) with large customer bases which are increasingly starting to get into lending. ▪ For maintaining market share and for sustainable growth, AEONTS is still 1) looking for strong partners to initiate new businesses; and 2) looking at the organisational restructuring in a digital way. AEONTS might have organisational restructuring within Jun-22, according to management. ▪ AEONTS is interested in doing an asset management (AMC) business. Currently, the company is studying whether to do it itself or to be a partner. The establishment of an AMC should be done by 2022, according to management. ▪ In 2022, AEONTS might release its provisions from 1) ECL model adjustment (the maximum of cTHB1.2b); and 2) some of its management overly. Currently, AEONTS has management overlay of THB1.3b. However, to reverse ECL, AEONTS need to see an economic recovery and an increase in the debt repayment ability of its clients. ▪ Management targets 2022 loan growth of 5-8% y-y.
Kasikornbank	KBANK TB	▪ Amid the fierce competition in small ticket size retail lending, management is confident that retail loan growth can be achieved through comprehensive lending channels including; 1) KPlus; 2) ecosystem from its partner i.e. Line; and 3) its branches. ▪ KBANK will partner with the SET to set up a digital asset exchange. Regarding setting up its own or other partners to establish other exchanges, management has not provided any clues. ▪ The potential upcoming virtual banking license might lead to tighter competition in the banking sector. However, management believes that KBANK could maintain its market leader status thanks to its strong competitive advantages in terms of services, products and channel coverage.
Siam Commercial Bank	SCB TB	▪ SCB will not pay any special dividend once the SCBX's deal is complete as its 2022 dividend payment already includes a special dividend from SCBX. ▪ SCB is interested in partnering with AMCs to solve its asset quality problem. However, management has still provided no clues about this. ▪ The Bitkub deal is still in the process of due diligence. Management expects this deal to be officially announced within 1Q22. Whether regulators start to take more control or there is more intense competition has already been factored into the bank's expectations. Therefore, the bank maintains a positive outlook on crypto exchange/digital assets. These are still the key growth areas for SCB in the medium term. ▪ Once the reduction of the FIDF fee ends in 2022, SCB believes that it can pass the extra costs through to its clients. Thus, the bank expects this should not have a significant impact on its cost of funds in 2023.
TMBThanachart Bank	TTB TB	▪ TTB will launch its new mobile banking application within 1Q22. Management believes this app can offer some services to clients that other banks cannot. This app might accelerate a fee increase from 2023 onward. ▪ TTB's 2022 loan growth target of 2% y-y is below other banks (c4-6% y-y) thanks to the high loan repayment of auto loans. Its new lending should increase significantly y-y as TTB is now more comfortable to lend new loans. ▪ "TTB Consumer" will focus on its existing clients (c10 million people from both TMB and Thanachart Bank). Management believes this will not be a loss-making business. ▪ Management expects that virtual banking (potential new licenses from BoT) may intensify competition in the banking industry. However, management believes that Thai banks have developed products and services that can compete with new competitors.

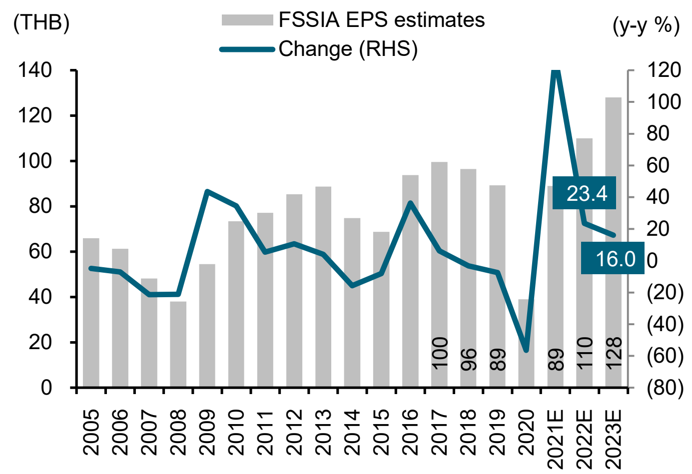
Source: FSSIA estimates

Reaffirming 1,892 as our SET index target by the end of this year

We remain Overweight on the Thai equity market with our SET index target of 1,892 by the end of 2022, based on 17.2x 2022E P/E, or its 10-year average, based on our 23.4% y-y EPS growth estimate at THB110.

Key drivers are: 1) solid corporate earnings in 2022; and 2) benign fiscal and monetary policies to accommodate the economic reopening. We maintain our top picks in 2022 with a "Transition" investment theme, including AOT, MINT, HMPRO, AMATA, BA, BGRIM, IVL, BTS, SCB, KBANK, GULF and EA.

Exhibit 72: EPS estimates for FSSIA's SET index target



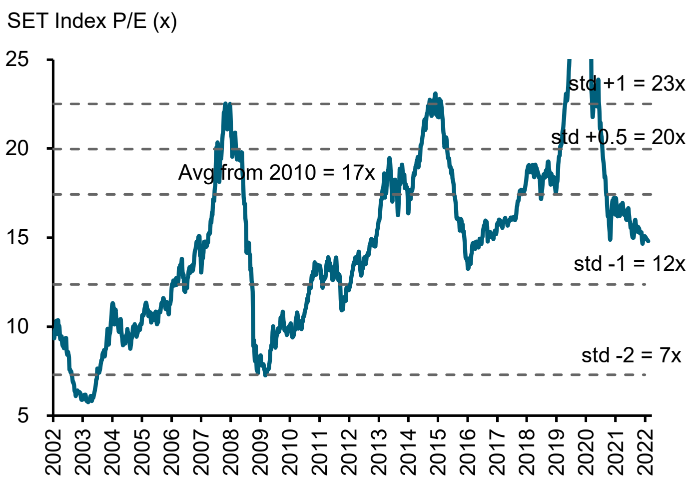
Sources: Bloomberg; FSSIA estimates

Exhibit 73: FSSIA's 2022 SET index target

(THB)		------------------- Earnings per share -------------------		
		2021P	2022E	2023E
EPS integer		89.00	110.00	128.00
EPS growth	*(y-y%)*	*+84.6%*	*+23.4%*	*+16.0%*
		- Target index based on FSSIA's EPS estimates -		
	P/E (x)	2021E	2022E	2023E
SD+2	27.2	2,421	2,992	3,482
SD+1	22.2	1,976	2,442	2,842
SD+0.5	19.7	1,753	2,167	2,522
Avg from 2010	**17.2**	1,531	**1,892**	2,202
SD-0.5	14.7	1,308	1,617	1,882
SD-1	12.2	1,086	1,342	1,562
SD-1.5	9.7	863	1,067	1,242

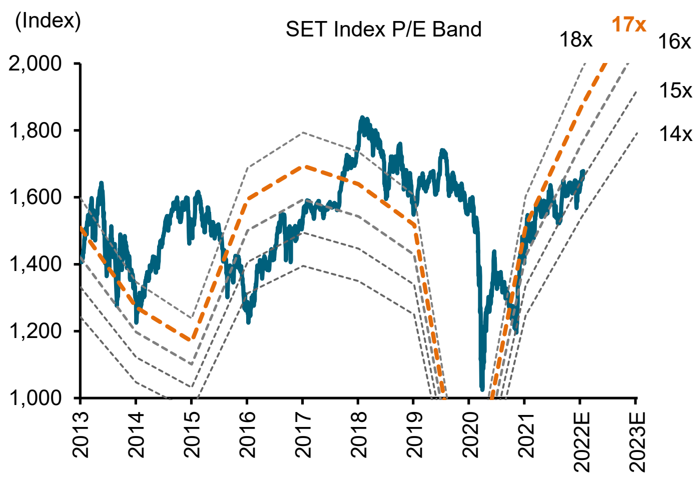
Source: FSSIA estimates

Exhibit 74: Rolling one-year forward P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 75: SET index and P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 76: Our top picks for 2022 with tactical views

Stocks	BBG	% performance	Key rationale on business model resilience and strong fundamentals
Airports of Thailand	AOT	*5.0*	We think AOT has hit the bottom and is now in a recovery mode. Domestic passenger volumes were at 59% of pre-Covid-19 levels in Dec-21. Meanwhile, we expect international passengers to gradually recover after Thailand's border reopens again in Feb-22. Despite waiving the minimum guarantee (MG) until Mar-23, and changing its calculation scheme to a sharing per head basis for concession contracts, we forecast AOT to collect an MG amount equivalent to the amount that King Power proposed by 2025, under our baseline case. AOT has a healthy balance sheet with an IBD/E ratio of only 0.1x and cash on hand of THB8.5b as of 4QFY21, implying that it can pass this crisis.
Minor International	MINT	*14.7*	We expect MINT to turn profitable in 2022, led by European hotels as most European countries' policies are leaning toward "living with Covid". We expect RevPAR to reach the pre-Covid level by 2Q-3Q22. Thai hotels should recover after resuming the Test & Go scheme in Feb. Meanwhile, we expect food business to remain strong, led by the recovery of dine-in sales. MINT is trading at an attractive valuation of 26x 2023E P/E, lower than its 5-year average of 31x.
Home Product Center	HMPRO	*18.4*	We believe HMPRO is on the way to recovery in 2022. Management has a more aggressive expansion plan for 2022 with 5-6 new stores from 114 currently with a new long-term target of 150 stores. Even though Covid cases are expected to surge in 1Q22 from the Omicron variant, we expect to see fewer restrictions compared to 2020-21, suggesting that the downside risk to its share price could be limited to THB13.5. Overall, we expect 2022/23 earnings to grow by 22%/15%.
Amata Corp	AMATA	*9.8*	AMATA should be a prime winner on the return of FDI after travel restrictions are eased. We expect AMATA's earnings to grow 44% y-y to THB1.5b in 2022, driven by solid land presales and transfers at 1,200 rai and 1,010 rai, respectively. Its current share price is trading at 16.8x, slightly above its 5-year mean at 16.2x, justified with the new upcycle investment wave to Thailand and Vietnam.
Bangkok Airways	BA	*(1.0)*	BA has consolidated Samui Airport and recognised passenger service charges and landing fees since 3Q21. We expect its airport business to turn around by 2H22. Samui Airport would turn profitable when the passenger volume recovers to c30% of pre-Covid. BA is trading at an attractive 12x 2023E P/E and could rerate to 25-35x P/E – the valuation ranges of the airport business. BA's share price has fallen from its peak of THB12.9/share over the past five months, pressured by the Omicron variant and the resale of its 40m treasury stocks. The resales program should complete soon, leading its share price to gradually bounce back to the previous peak, driven by the resumption of Test & Go in February.
B.Grimm Power	BGRIM	*(13.3)*	We expect BGRIM to post strong 2022-23E net profit growth, driven by 1) five new SPPs under SPP replacement power purchase agreements with over 0.7MW capacity; 2) lower gas costs by up to USD1/mmbtu from the imported LNG of 0.65mt; and 3) multiple new growth projects from its organic and inorganic growth strategies.
Indorama Ventures	IVL	*19.1*	We maintain BUY and our TP of THB70. IVL's strategic plan to achieve its financial (USD2.8-3.0b EBITDA in 2024), ESG, and organisational (digitalisation and Olympus project) goals is achievable, in our view. With IVL's sound and timely growth strategies, we think the next growth chapter should see it become a "true" global player in the petrochemical industry, with a strong and a more sustainable net profit growth trajectory in 2022-24.
BTS Group Holdings	BTS	*4.3*	After the announcement of the partnership with JMART by sending VGI and U City to invest in JMART for a total of 24% of outstanding shares, BTS, as a holding company, should be able to expand its ecosystem to other businesses such as retailer services through J Mobile and SINGER and cryptocurrency and the blockchain via J Ventures. This partnership could create various opportunities between the two groups. This is a win-win situation that could create strong synergies in its ecosystem.
Siam Commercial Bank	SCB	*2.5*	We like SCB's strategy to break out of the traditional way of doing business. We see four potential benefits from this transformation: 1) flexibility and independence; 2) less supervision from the BoT; 3) unlocking subsidiaries' values; and 4) gaining more benefits from leveraging after listing SCBX's subsidiaries. This should enhance its value in terms of long-term growth, its dividend payout ratio, and ROE.
Kasikornbank	KBANK	*21.6*	We believe that KBANK's business is almost running parallel with SCB's. First, KBANK is one of the leading banks in terms of digital platforms and technologies. Accordingly, we believe that it is one of the best positioned banks to benefit from the country's digital age. Second, KBANK's retail lending market share is always ranked among the top three spots. Retail lending in Thailand has a high growth potential, with the most attractive risk-reward vs other segments, in our view. As a result, investors typically give premium valuations to retail lending-oriented stocks.
Gulf Energy	GULF	*28.0*	We maintain BUY and our SoTP-based TP of THB60. We think GULF's "utility-ICT-industry 4.0" (UII) could transform GULF from a big player in Thailand's utilities and infrastructure market into a UII gorilla as the next global transition phase shifts from industry 3.0 to the information-based industry 4.0 world of AI, robotics, the metaverse, 5G and cloud-based technology, to leverage its strength in utilities (a highly visible cash cow) to fund growth in its product portfolio.
Energy Absolute	EA	*15.9*	We think EA's next earnings catalysts will come from three drivers in 2022: 1) the government's stimulus package for EVs was submitted to the cabinet at the end of Jan-22; 2) EA's sales volumes of e-buses should rise substantially in 2Q22 onward after the signing of sales agreements with a number of customers in 1Q22; and 3) the projected material demand growth from the new Power Development Plan 2022 (PDP2022) by end-2022 should boost EA's earnings upside from its battery production venture.

*Performance as of 2 Mar 2022 since first recommend in November 2021

Source: FSSIA estimates

Exhibit 77: Summary of key valuations of FSSIA's top picks for 2022

Company	BBG	----Share price ---		*Upside*	-- Recur profit ---		Profit growth		P/E	DivYld	ROE	P/BV
	Code	Current	Target		22E	23E	22E	23E	22E	22E	22E	22E
		(THB)	(THB)	*(%)*	(THB m)	(THB m)	(%)	(%)	(x)	(%)	(%)	(x)
Airports of Thailand	AOT TB	62.75	79.00	*26*	3,236	(15,319)	(4,411)	nm	nm	(203.2)	0.0	(4.0)
Minor International	MINT TB	31.25	42.00	*34*	(19,388)	(12,276)	2,402	nm	nm	67.7	0.5	4.3
Home Product Center	HMPRO TB	16.10	18.30	*14*	5,155	5,255	6,402	1.9	21.8	33.1	2.3	27.2
Amata Corp	AMATA TB	21.30	27.50	*29*	1,119	1,054	1,520	0.0	0.0	16.1	2.5	9.1
Bangkok Airways	BA TB	9.55	16.00	*68*	(4,316)	(3,634)	61	nm	nm	326.7	0.2	0.4
B.Grimm Power	BGRIM TB	34.25	46.00	*34*	2,617	2,152	4,128	(17.8)	91.9	21.6	1.5	13.2
Indorama Ventures	IVL TB	46.75	70.00	*50*	7,188	21,886	23,553	204.5	7.6	11.1	5.5	13.7
BTS Group Holdings	BTS TB	9.60	11.80	*23*	3,606	1,909	2,718	(47.1)	42.4	46.5	1.7	4.5
Siam Commercial Bank	SCB TB	125.00	160.00	*28*	27,218	35,599	36,313	30.8	2.0	11.7	4.0	8.0
Kasikornbank	KBANK TB	160.50	180.00	*12*	29,487	38,053	41,542	29.0	9.2	9.2	2.8	8.4
Gulf Energy Development	GULF TB	50.25	60.00	*19*	4,478	8,812	13,752	96.8	56.1	42.9	1.4	13.6
Energy Absolute	EA TB	95.00	122.00	*28*	5,155	5,983	10,650	16.1	78.0	33.3	0.7	28.7

*Performance as of 2 Mar 2022
Source: FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL

AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL

2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAH	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL

7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

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* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAH	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIIK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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Songklod Wongchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Airports of Thailand	AOT TB	THB 62.75	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Minor International	MINT TB	THB 31.25	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Home Product Center	HMPRO TB	THB 16.10	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Amata Corp	AMATA TB	THB 21.30	BUY	Downside risks to our SoTP-derived TP include 1) lower-than-expected IE land sales and transfers in Thailand and Vietnam; and 2) a lower-than-expected utilization rate from the utilities business in Vietnam.
Bangkok Airways	BA TB	THB 9.55	BUY	Downside risks to our SoTP-based TP include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
B.Grimm Power	BGRIM TB	THB 34.25	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) unplanned shutdowns of its SPPs.
Indorama Ventures	IVL TB	THB 46.75	BUY	The key downside risks to our EV/EBITDA-based TP are weaker-than-expected margins for PX-PTA and PET-PTA, lower demand for polyester, and delays in IVL?s projects.
BTS Group Holdings	BTS TB	THB 9.60	BUY	The key downside risks to our SOTP-based TP include a slower-than-expected recovery of the Thai economic outlook and the company not being able to win new mass transit projects.
Siam Commercial Bank	SCB TB	THB 125.00	BUY	Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Kasikornbank	KBANK TB	THB 160.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Gulf Energy Development	GULF TB	THB 50.25	BUY	The downside risks to our SoTP-based TP on GULF include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) delays in project commercial operation dates.
Energy Absolute	EA TB	THB 95.00	BUY	Downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude prices; and 3) lower-than-expected demand for batteries.
TMBThanachart Bank	TTB TB	THB 1.36	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Jay Mart	JMART TB	THB 55.50	BUY	Downside risks to our SOTP-based TP include 1) lower-than-expected mobile revenue; 2) lower cash collection from its fully amortised portfolio; and 3) the lower-than-expected acquisition of new bad debt.
Siam Makro	MAKRO TB	THB 43.00	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.
Nex Point	NEX TB	THB 18.50	BUY	Downside risks to our SOTP-based TP include: 1) a lower-than-expected bus sales volume; 2) delays in bus deliveries; and 3) risk from regulatory changes.
Somboon Advance Technology	SAT TB	THB 21.30	BUY	The key downside risks to our P/E-based TP are the domestic car manufacturing industry recovering more slowly than expected, a slower-than-expected adoption rate for electric vehicles in Thailand, and worse global demand for pickup trucks.
Bangkok Chain Hospital	BCH TB	THB 19.60	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) SSO provision expenses following a limited SSO budget.
VGI Pcl.	VGI TB	THB 5.65	BUY	The key downside risks to our SoTP-based TP are if the advertising expenditure recovery is slower than our expectation, and whether Rabbit Line Pay is successful or not.
Kerry Express (Thailand)	KEX TB	THB 22.50	REDUCE	The key upside risks to our DCF-based TP are 1) if the competition is lower than our expectation; and 2) if the Covid-19 situation is under control

Central Retail Corp	CRC TB	THB 38.75	BUY	The key downside risks to our DCF-based TP include 1) new waves of Covid-19; and 2) lower-than-expected sales from the high-margin fashion business.
Central Plaza Hotel	CENTEL TB	THB 36.50	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Asia Aviation	AAV TB	THB 2.52	BUY	Downside risks to our P/BV multiple target price include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Banpu	BANPU TB	THB 12.10	BUY	We see downside risks to our SoTP-based TP from lower coal prices, higher diesel costs and any unplanned shutdowns of its power plants.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 199.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Ditto (Thailand)	DITTO TB	THB 37.00	HOLD	Downside risks to our PEG-based TP include 1) technological changes that will affect competitiveness; and 2) income and gross margin inconsistency due to the nature of the project service business. Upside risks to our P/E-based TP include 1) higher-than-expected wining projects; and 2) faster-than-expected changing to digital environment in Thailand.
Chayo Group	CHAYO TB	THB 12.30	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
Siam Global House	GLOBAL TB	THB 19.90	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces.
Advanced Info Service	ADVANC TB	THB 236.00	BUY	The key downside risks to our DCF-based TP are stronger-than-expected competition in the mobile market and the slower-than-expected adoption of 5G use cases.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 02-Mar-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.
HOLD (H). The upside or downside is less than 10%.
REDUCE (R). The downside is 10% or more.
Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.
Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.
Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.