

Thailand Market Strategy

Resilience, visibility and growth are key

- Amid the global risk of inflation, dips in economic growth, and supply shortages, the sell-off from the peak on 18 Feb-22 means these risks are now priced in, in our view.
- Eleven selected alpha stocks on the global economic stutters and market turmoil are AOT, AWC, ADVANC, SINGER, BCH, BDMS, IVL, BANPU, ESSO, GUNKUL and CKP.

Endemic drivers abound; external risks at bay

Amid the global risk of inflation, dips in economic growth, and supply shortages, we maintain our OVERWEIGHT view on the Thai equity market for two reasons. First, we believe that the downside risks to growth are now mostly priced in, yet the SET's valuation remains attractive. Second, we think the cumulative total of the US Federal Reserve (Fed)'s rate hikes will be historically low, as we expect the level of inflation to normalise downward, thereby demanding a limit to the policy interest rate hikes. The market is finally internalising and factoring in the reality that the Fed really means what it says (rate hikes to sufficiently curb inflation) and it's not going to back down, in our view.

Thai economy: From resiliency in 2020-21 to a bold recovery in 2022-23

The SET index has only fallen by 3.5% from its last peak at 1,713.20 on 18 Feb-22 to 1,653.61 on 30 May-22 – far less than the plunges in the US equity market indexes, with the S&P 500 and NASDAQ indexes falling into bear market territory from their recent peaks. We think the key supporting factors for the SET index in 2022 will be: 1) Thailand's resilient economic growth on improving revenues and capital inflows from rebounds in tourism and exports; 2) strong earnings visibility from the tourism, healthcare, commerce, and commodity sectors to attract foreign fund inflows; 3) limited downsides on the weakening THB and debt default risks; 4) the ongoing 'decoupling' between the Thai and US economies and equity markets; and 5) the solid Thai corporate earnings outlook in 2022.

Earnings resiliency, visibility, and growth momentum are key in 3Q22

We have identified three key characteristics that we believe most winning companies will embed to recover, grow, and sustain their earnings to ride the global economic recovery in 2022-23. The three winning factors are 'resiliency, visibility and growth' for earnings that should lead to outperforming share prices. Our three investment themes and top picks are 1) 'post Covid-19 beneficiaries', with top picks – AOT, AWC and ADVANC; 2) 'highly visible growth', with top picks – SINGER, BCH and BDMS; and 3) 'stronger growth momentum' with top picks – IVL, BANPU, ESSO, GUNKUL and CKP.

Less volatility, more upside for the SET in 3Q22 vs 2Q22

In 3Q22, we expect the SET index to be less volatile than in 2Q22 with a targeted trading band of 1,620-1,710, backed mainly by a tourism rebound and continued foreign fund inflows. For the long term, we reiterate our Overweight view on Thai equity with a 2022 SET index target of 1,854 by end-2022, based on 17.3x 2022E P/E, the average since 2010, with a limited downside on the resilient economic and corporate earnings growth outlook.



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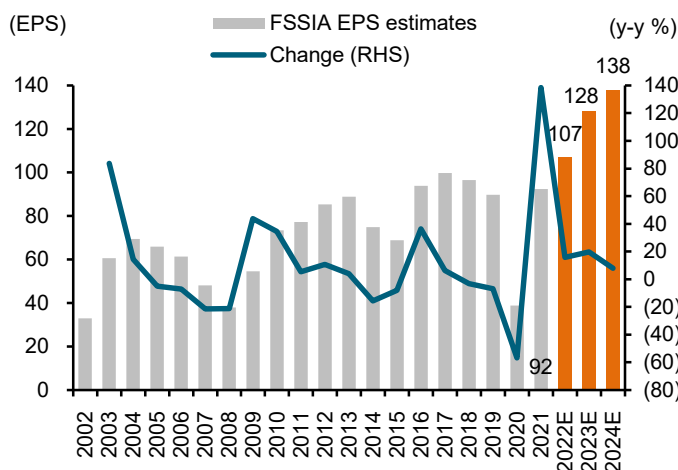
Seeking alpha in the SET

Both stocks and bonds have been sold off in the face of globally rising inflation and potential dips in economic growth amid the rising interest rate outlook. We maintain Overweight on equity for two reasons.

First, we believe that the downside risks to growth are now mostly priced into stock prices, yet the SET's valuation remains attractive, in our view.

Second, we think the cumulative total of the Fed's rate hikes will be historically low, as we expect the level of inflation to normalise downward, thereby demanding a limit to the policy interest rate hikes. The market is finally internalising and factoring in the reality that the Fed really means what it says (rate hikes to sufficiently curb inflation) and it's not going to back down, in our view.

Exhibit 1: SET index – net profit growth projection



Sources: Bloomberg; FSSIA estimates

Exhibit 2: FSSIA's SET index target for 2022

		Earnings per share		
	(THB)	2022E	2023E	2024E
EPS		107.00	128.00	138.24
		Target index based on FSSIA estimates		
	P/E (x)	2022E	2023E	2024E
SD +1.0	22.4	2,392	2,862	3,085
SD +0.5	19.8	2,123	2,540	2,738
SD +0.25	18.6	1,988	2,379	2,565
Avg from 2010	17.3	1,854	2,218	2,391
SD -0.25	16.1	1,719	2,057	2,217
SD -0.5	14.8	1,585	1,896	2,044
SD -1.0	12.3	1,315	1,574	1,697

Source: FSSIA estimates

Three factors for success: resiliency, visibility, and growth. To seek alpha during the global economic stutters and market turmoil, we have identified three key characteristics that we believe most winning companies will embed to recover, grow, and sustain their earnings to ride the global economic recovery in 2022-23. The three winning factors are 'resiliency, visibility and growth' for earnings that should lead to outperforming share prices. These factors should allow companies to survive, succeed and break through the geopolitical risk, rising interest rate, higher inflation, business disruptions and black swan events that are increasingly becoming the norm rather than a rarity.

Solid earnings growth momentum substantiates our Overweight view on Thailand's equity market. This should be supported by a gradual economic recovery in 2022-24 and favourable fiscal and monetary policies as the key backdrops for strong corporate net profit growth to drive the SET index higher to our target of 1,854 at the end of 2022, based on 17.3x 2022E P/E, or its 10-year average, backed by our aggregate net profit growth forecast for the stocks under our coverage of 23.4% y-y in 2022 and EPS of THB107.

Resilient fundamentals, high earnings growth visibility, and stronger growth momentum theme to play for 3Q22. With the three success factors in mind and our economic recovery and corporate earnings growth projections, we recommend three investment themes and top picks as: 1) 'post Covid-19 beneficiaries', with top picks – AOT, AWC and ADVANC; 2) 'highly visible growth', with top picks – SINGER, BCH and BDMS; and 3) 'stronger growth momentum', with top picks – IVL, BANPU, ESSO, GUNKUL and CKP.

Exhibit 3: "Seeking alpha" investment strategy for 3Q22 in the SET

	Strategy	Key factor targets	Actions
Step 1	Identify key factors that are currently influxes to the economy, financial market, and SET	War in Ukraine, high inflation, Fed's tightening policy, China slowdown, endemic Covid and the country's reopening, potential global recession, food shortages, supply disruption	Selective picks that there are the current market concerns and risks on
Step 2	Identify industries that could expand when the economy slows down and upcycle industries benefit from inflation	Commodities, tourism, hospitality, high-growth sectors and utilities	Narrow down the potential industries which are mildly or less impact or beneficiaries
Step 3	Identify the companies that could benefit with the three key natures of: 1) resilience; 2) high earnings growth visibility; and 3) gaining earnings momentum	IVL and BANPU in commodities ADVANC, AWC and AOT in tourism SINGER and ESSO in high-growth sector BCH and BDMS in hospitality CKP and GUNKUL in utilities	Establish a set of potential alphas in their respective industries
Step 4	Buy the "alpha" stocks	Our top picks	Invest in the selected alpha stocks

Source: FSSIA estimates

Exhibit 4: Our top picks for 3Q22 and June 2022 with tactical views

Stocks	BBG	Rationale on resilience in business model and strong fundamentals
Airports of Thailand	AOT TB	The key drivers for a turnaround for AOT would be higher revenue from new concession contracts with King Power. AOT has waived the minimum guarantee for the concession contract until Mar-22. Thus, AOT will receive higher concession revenue from Apr-22 onward. We expect the passenger volume to gradually recover to the pre-Covid level by FY24. However, concession revenue should surpass the pre-Covid level since FY23. Thus, we forecast earnings to exceed the pre-Covid level by FY23. Compared to other tourism stocks, AOT has highest potential to be the first stock whose earnings exceed the pre-Covid level, in our view.
Asset World Corp	AWC TB	AWC's 1Q22 net profit accounts for 221% of our 2022E. AWC trades at an attractive valuation of 34x 2023E P/E (including a fair value gain of THB2.0b-3.0b p.a.), while offering strong expected earnings growth of 29% CAGR over 2019-25. The short-term catalyst would be the recovery of international tourists, especially high-spending tourists.
Advanced Info Service	ADVANC TB	In the longer term, we like ADVANC due to its potential to gain more mobile subs from competitors during the merger process. If the company can continue to acquire more subs in the next six months, we believe this could be its key driver in the future.
Singer Thailand	SINGER TB	We believe SINGER will deliver the highest net profit growth among our covered diversified financial stocks, supported by its strong capital base and unique business model of accelerating its loan portfolio by targeting market niches with lower competition. We think its premium valuation is justified by its sustained and robust growth.
Bangkok Chain Hospital	BCH TB	BCH trades at an undemanding valuation of 10x 2022E P/E (28x non-Covid profit), lower than its peers' average of 29x and its own five-year average of 32x. Its share price performance since Covid began has also been weaker than peers' (+10% for BCH vs +52% for peers). Its valuation and share price performance are unjustified, in our view. BCH deserves to trade at a premium valuation due to its strong organic operations and its ability to adjust its operations to leverage the Covid pandemic. We believe the market will turn to focus on organic operations when Covid subsides.
Bangkok Dusit Med Serv	BDMS TB	With strong revenue growth and a high utilisation rate of 70% in 2022 (vs 67% in 2019) projected, we expect an EBITDA margin of 24% in 2022, improving from 23% in 2021 and 22% in 2019. Overall, we forecast BDMS' 2022 core profit to return to the 2019 level of THB10.1b, implying 31% y-y growth, with the scope of an upside from the prolonged Covid pandemic and a higher-than-expected EBITDA margin.
Indorama Ventures	IVL TB	We think IVL's strong net profit will rise gradually throughout 2022, backed by higher sales volumes and the sustained high margins of its combined PET products (PET and PTA), IOD, and fibres, thanks to IVL's product demand resiliency as essential raw materials for packaging and clothes, personal care consumables, and the industrial and automotive industries.
BANPU	BANPU TB	We think Banpu's share price remains highly attractive, trading at a mere 3-4x 2022-23E P/E, which we think is highly unjustified given the high visibility of its strong net profit growth outlook in 2022-23 on the back of the high global prices for coal and gas. With the upcoming capacity growth from shale gas on the projected higher-for-longer gas price at above USD5/mmBtu, plus a y-y lower hedging loss due to the lower hedging volume and higher hedging price, we believe Banpu's strong net profits, which we estimate at THB10b in 2Q22 and THB28.7b in 2022, should exceed investors' expectations. A higher average selling price and lower hedging loss would drive its net profit significantly q-q and y-y in 2Q22 onward.
Esso Thailand	ESSO TB	ESSO is our top pick given its strong GRM outlook on favourable yields of gasoline (28-30%), diesel and jet (>50%) and rising earnings for oil stations on a higher marketing margin and sales volumes and a refinery utilisation rate of over 80%.
Gunkul Engineering	GUNKUL TB	GUNKUL is poised to see a new earnings growth phase in 2022 onward, driven by the commencement of the staggered operating dates for its hemp and cannabis value chain business units, including farming, extraction, and sales and marketing of both upstream hemp and cannabis leaves, flowers, and seed oil, and the value-added end products of food, beverages, medicines, health food, snacks, and candies.
CK Power	CKP TB	We project CKP's net profit to grow in 2Q22 and 3Q22, based on a higher electricity production level for XPCL on seasonally high water flows. We believe CKP's share price is now poised for rerating ahead of its near-term growth driver – its strong 1Q22 net profit – and the long-term catalyst from the new hydropower plant, Luang Prabang.

Source: FSSIA estimates

Exhibit 5: Summary of key valuations of FSSIA's top picks for Jun 2022

Company	BBG	--- Share price ---		Up side	----- Recur profit -----			Rec profit grth		P/E 22E	DivYld 22E	ROE 22E	PBV 22E
		Current (THB)	Target (THB)		21A (THB m)	22E (THB m)	23E (THB m)	22E (%)	23E (%)				
Post-Covid-19 beneficiaries													
Airports of Thailand	AOT TB	69.75	79.00	13	(15,319)	(4,411)	19,980	nm	nm	(225.9)	0.0	(4.0)	9.2
Asset World Corp	AWC TB	5.10	6.00	18	(2,248)	292	2,086	nm	614.3	558.9	0.1	0.4	2.0
Advanced Info Service	ADVANC TB	217.00	260.00	20	26,467	28,295	30,813	6.9	8.9	22.8	3.7	33.9	7.6
High visible growth													
Singer Thailand	SINGER TB	52.75	74.00	40	701	1,244	1,708	77.5	37.3	35.0	1.7	8.1	2.8
Bangkok Chain Hospital	BCH TB	20.30	28.50	40	6,846	4,656	1,977	(32.0)	(57.5)	10.9	5.9	33.7	3.5
Bangkok Dusit Medical Services	BDMS TB	25.75	31.00	20	7,736	10,096	12,541	30.5	24.2	40.5	1.7	11.8	4.7
Stronger growth momentum													
Indorama Ventures	IVL TB	49.25	70.00	42	21,886	23,553	25,905	7.6	10.0	11.7	5.3	13.7	1.5
Banpu	BANPU TB	12.40	18.80	52	23,793	28,728	29,682	20.7	3.3	3.1	18.0	30.4	0.8
Esso Thailand	ESSO TB	10.30	12.90	25	920	5,782	6,289	528.3	8.8	6.2	4.9	27.7	1.6
Gunkul Engineering	GUNKUL TB	5.80	8.10	40	1,909	3,860	4,067	102.1	5.4	13.3	4.1	27.1	3.3
CK Power	CKP TB	5.45	6.60	21	2,213	3,103	3,121	40.2	0.6	14.3	1.8	11.8	1.6

Share prices as of 31 May 2022

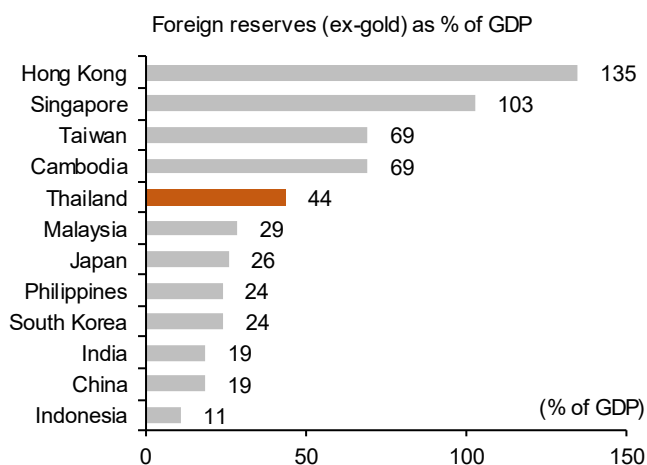
Source: FSSIA estimates

Highly resilient Thai economy with a strong recovery ahead

We believe Thailand’s economy, despite growing at smaller rate than its peers in ASEAN, is a much more resilient economy, based on:

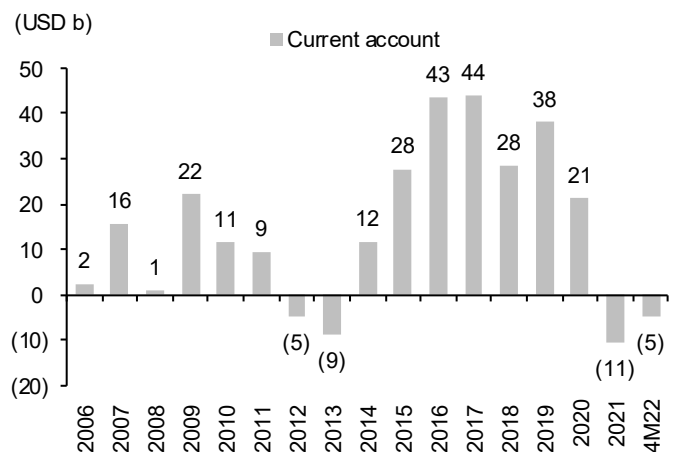
- 1) Revenue: resilient exports of food, automobiles, refinery and petrochemical products, and electronics and electrical products, together accounted for over 70% of Thailand’s total exports in 2020-21.
- 2) Cash flow: solid cash flows with visible capital inflows from the rebounds in tourism and exports, with a healthy current account balance despite the rising cash outflows from the country’s oil imports due to the globally higher crude oil price. We think the improving revenue from tourism in 2022 onward should support Thailand’s current account balance, thus providing a buffer against rising US interest rates.
- 3) Expense: limited downsides from the country’s 20% net energy import exposure.
- 4) Balance sheet: healthy balance sheet with high foreign reserves and a low debt-to-GDP ratio, which all together are likely to ensure not only survival, but also decent economic growth following the global economic reopening, in our view.

Exhibit 6: Regional foreign reserves to GDP (2021)



Source: Bloomberg

Exhibit 7: Thailand’s current account deficit narrowing



Source: Bloomberg

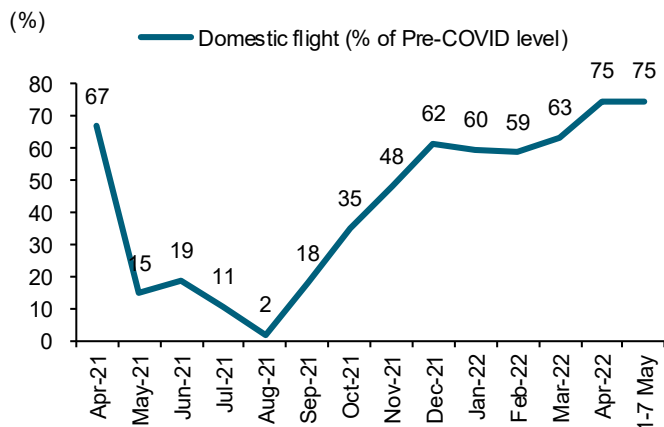
Tourism rebound is key in 2022-23. However, according to Bloomberg’s consensus, Thai GDP growth is projected to range between 2.5-3.5%; still below the pre-Covid pandemic level due mainly to the limited recovery of tourism which accounted for 12% of GDP in 2019.

This indicates that the Thai economy still has room to grow, supported by continued improvements in the tourism and export sectors as well as domestic spending on the back of rising revenue in services to offset the expected weaker spending on goods. The shift back to spending on services is a key indicator of a continuing recovery, thanks to the country reopening and welcoming more international tourists.

Tourism is key to Thailand’s economic recovery and resiliency. Unlike most countries in Asia and elsewhere, Thailand has long been one of the world’s top three most preferred destinations for travel and retirement. Based on the recent rankings by numerous organisations, we think Thailand’s tourism recovery will be much more resilient than its peers and is likely to rebound markedly starting in 2Q22.

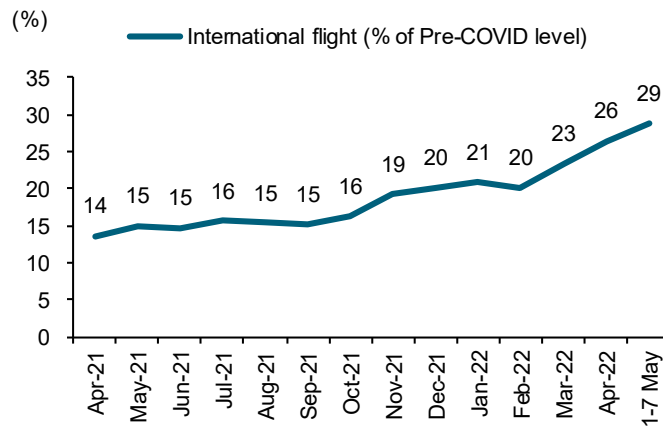
Since the country abandoned its Covid-19 “Test & Go” program for inbound foreign tourists, the number of tourist arrivals has jumped markedly, reflected in the sharp rise in the number of domestic (for connections to other tourism provinces) and international inbound flights.

Exhibit 8: Thailand domestic flights soaring



Source: AOT

Exhibit 9: Improving international flights to Thailand

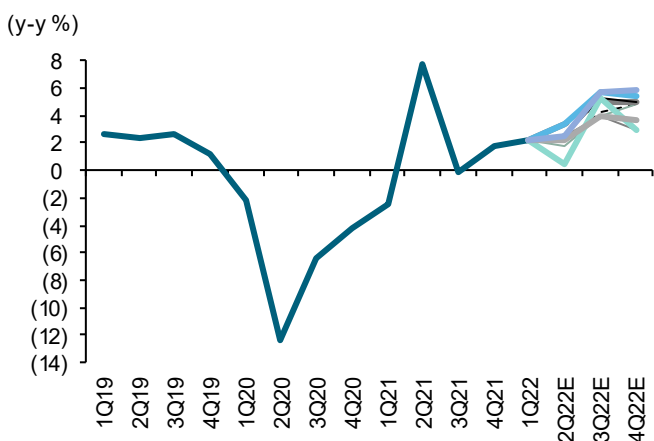


Source: AOT

Thailand’s GDP growth remains lacklustre in 2022. Based on Bloomberg’s consensus, Thailand’s GDP is projected to average in the range of 2-4%, with quarterly GDP ranging between the lowest level of 0.5-2.5% in 1Q22, then rising to 3-5% in 4Q22.

BNP Paribas forecasts 2.9% Thai GDP growth in 2022, jumping to 4.5% in 2023, driven by strong exports and a tourism recovery, with rising energy costs and the inflation impact already factored in.

Exhibit 10: Thailand GDP growth consensus trend, quarterly



Sources: Bloomberg consensus as of 31 May 2022; FSSIA’s compilation

Exhibit 11: Thailand policy rate outlook in 2022-23

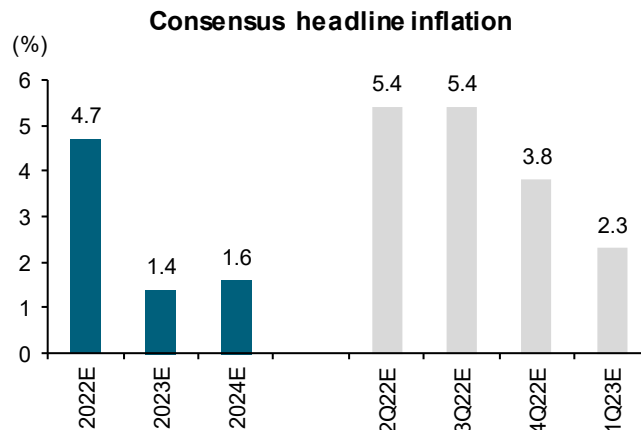
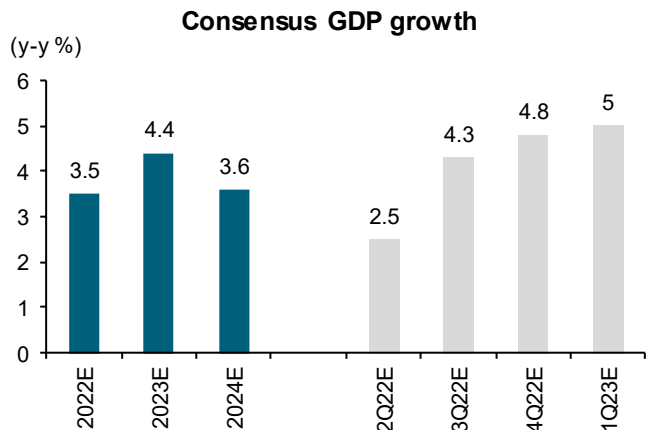


Source: Bloomberg consensus as of 31 May 2022; FSSIA’s compilation

Stronger quarterly GDP momentum ahead. In terms of quarterly GDP forecasts, based on Bloomberg’s consensus estimates, Thailand’s GDP is projected to stay positive and gradually rise throughout 2022, rising from 0.6% y-y in 4Q21 to 4.3% in 3Q22 before slowing down to 4.8% in 4Q22, amounting to average annual GDP growth of 3.5% in 2022, driven by continued strong net exports (export-import), higher public and private investments and consumer spending.

Exhibit 12: Thailand consensus GDP forecasts

Exhibit 13: Thailand consensus headline inflation forecasts



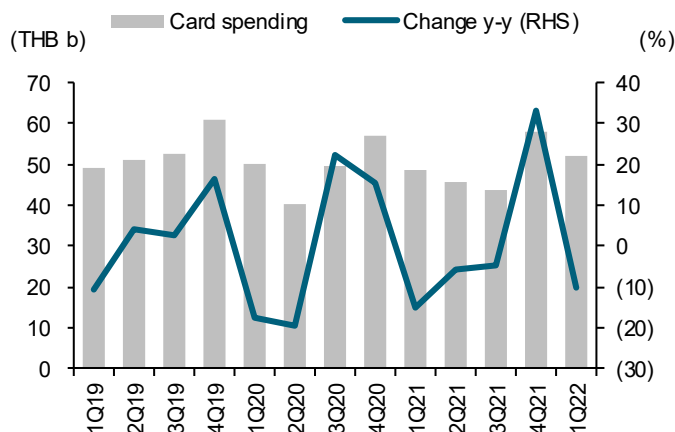
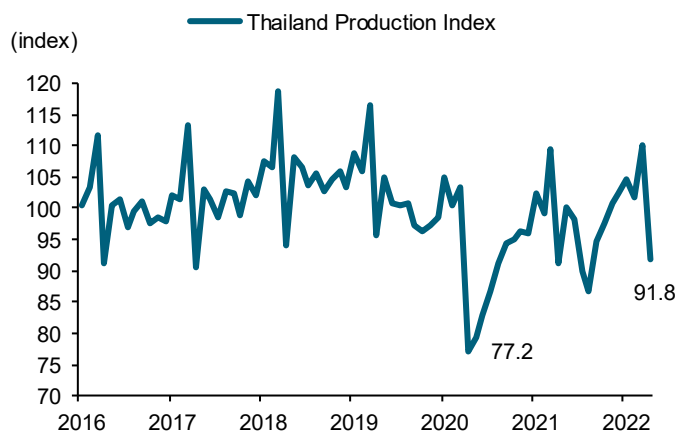
Source: Bloomberg consensus as of 31 May 2022; FSSIA’s compilation

Source: Bloomberg consensus as of 31 May 2022; FSSIA’s compilation

Stronger industrial production and consumer spending. We think Thailand is poised to see stronger industrial production starting in 4Q21 after bottoming in 3Q21 due to the lockdown. We expect the country’s production index to improve, driven by the high export volumes of automobiles, refined oil and petrochemical products, and electronics and electrical shipments. Meanwhile consumer spending has already shown a sign of recovery with 8% y-y growth in 1Q22 for credit card spending.

Exhibit 14: Thailand’s PMI to grow

Exhibit 15: Thailand quarterly credit card spending, KTC



Source: Bloomberg

Source: Krungthai Card (KTC TB, REDUCE, TP THB52)

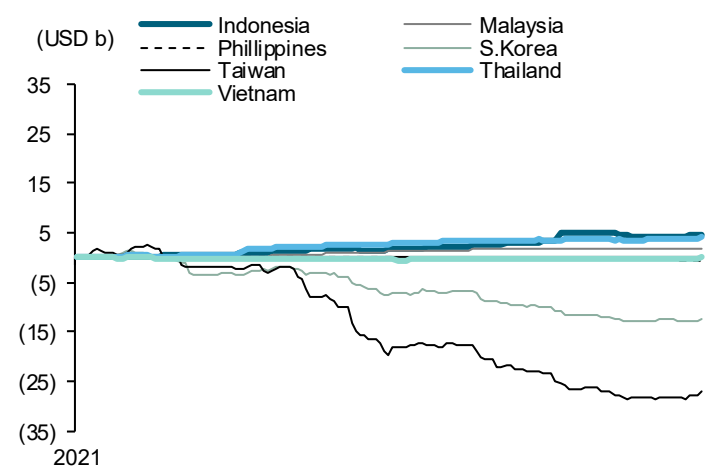
Strong earnings visibility to support foreign fund inflows to SET

We forecast the SET's corporate earnings growth outlook to remain strong in the 2022-24 post-pandemic period, supported by the rebound in the Thai economy thanks to the nationwide reopening, particularly for the tourism sector.

Don't fight the Fed when the Fed is fighting inflation. Many investors are now worried that the Fed's tightening cycle could tip the economy into a recession. However, we think that the likelihood for global, US, or European economic recessions are less likely, defined broadly by two consecutive growth contractions for economies.

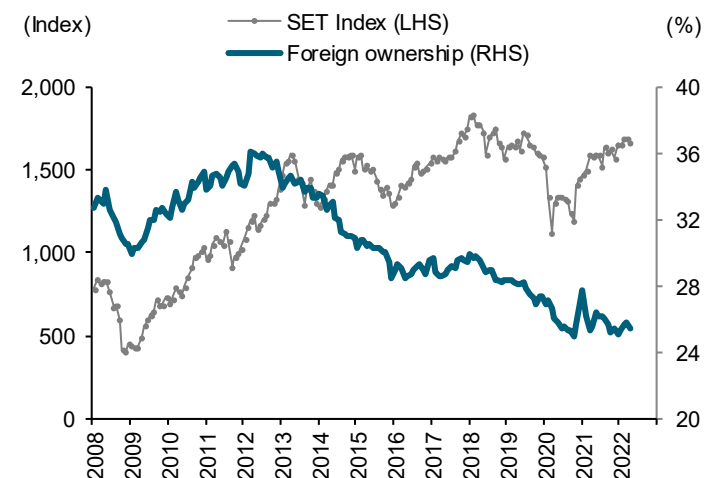
Foreign net buy at USD3.6b from the beginning of the year to 27 May for the SET. Among major Asian equity markets, Thailand's equity market has seen a foreign net buy position in the aggregate amount of USD3.6b YTD, the second time in a decade since 2013. Our analysis indicates that the foreign fund inflows from the net buy position have been poured into sectors and companies that possess strong fundamentals with mostly domestic-driven earnings growth outlooks.

Exhibit 16: Regional fund flows by country



Source: Bloomberg

Exhibit 17: Foreign holding vs SET index



Source: SETSMART

Exhibit 18: Companies on SET100 index whose foreign holdings increased from end-2021 to 24 May 2022

Stocks	24-May-22			30-Dec-21			Change (ppt)
	Foreign holding (%)	NVDR (%)	Total (%)	Foreign holding (%)	NVDR (%)	Total (%)	
EA	48.89	7.67	56.56	36.81	6.47	43.28	13.3
BCP	12.53	10.89	23.42	8.84	6.16	15.00	8.4
BH	22.72	11.95	34.67	18.16	8.67	26.83	7.8
PTTEP	16.22	8.72	24.94	12.39	6.19	18.58	6.4
ESSO	71.94	4.5	76.44	67.55	2.87	70.42	6.0
TOP	15.56	12.85	28.41	13.82	9.41	23.23	5.2
KBANK	42.6	18.46	61.06	38.21	17.7	55.91	5.2
BDMS	21.7	11.5	33.2	20.32	8.67	28.99	4.2
TIDLOR	40.85	2.38	43.23	37.35	2.32	39.67	3.6
CHG	15.43	8.62	24.05	14.54	6.2	20.74	3.3
BANPU	8.71	11.17	19.88	9.43	7.2	16.63	3.3
ADVANC	36.04	8.3	44.34	34.33	7.22	41.55	2.8
HMPRO	13.76	8.39	22.15	13.35	6.05	19.40	2.8
BEC	7.45	6.01	13.46	4.83	5.99	10.82	2.6
CPALL	33.89	9.8	43.69	32.47	8.69	41.16	2.5
LH	16.21	17.87	34.08	14.45	17.25	31.7	2.4
KKP	15.07	12.99	28.06	16.86	8.87	25.73	2.3
SINGER	5.02	2.37	7.39	2.43	2.74	5.17	2.2
SPRC	68.13	8.09	76.22	68.34	5.79	74.13	2.1
BCH	9.18	11.54	20.72	8.7	10.41	19.11	1.6

Source: SETSMART

A good start in 2022 on stronger-than-expected 1Q22 earnings results

Overall, 559 listed companies on the SET have reported actual results for 1Q22 to 20 May-22, with an aggregate 1Q22 net profit of THB276.9b, up 7% y-y and 5% q-q, and above Bloomberg's consensus estimates by 5% and FSSIA's estimates by 3%.

The major sectors with strong earnings growth, on a y-y basis from the highest to the lowest, in 1Q22 were healthcare (+330% y-y, -6% q-q), fashion (+48% y-y, +5% q-q), electronics (+46% y-y, +34% q-q), commerce (+29% y-y, -46% q-q), industrial materials and machinery (+25% y-y, +24% q-q), petrochem & chemicals (+18% y-y, +110% q-q), property development (+16% y-y, -22% q-q), energy & utilities (+16% y-y, +35% q-q), and banks (+14% y-y, +23% q-q), while the sectors with poor earnings growth were transport, (-172% y-y, -91% q-q), home and office products (-143% y-y, -192% q-q) and construction services (-125% y-y, -135% q-q). See more details in the table below.

Exhibit 19: 1Q22 net profit of SET listed companies

Sector	1Q22	4Q21	1Q21	---- Growth ----	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)
Health Care Services	12,647	13,399	2,938	330	(6)
Fashion	643	611	435	48	5
Electronic Component	4,449	3,315	3,040	46	34
Commerce	13,752	25,415	10,684	29	(46)
Ind Material & Machine	911	732	730	25	24
Petrochem & Chemical	18,993	9,057	16,039	18	110
Property Development	14,045	17,974	12,082	16	(22)
Energy & Utilities	96,004	70,912	82,646	16	35
Banking	54,375	44,172	47,709	14	23
Food & Beverage	8,509	12,292	7,652	11	(31)
Property Fund	4,070	4,286	3,998	2	(5)
Paper & Print Material	275	178	289	(5)	55
Professional Service	105	68	111	(5)	55
Packaging	2,687	3,059	2,855	(6)	(12)
Finance & Securities	9,729	9,244	10,356	(6)	5
Automotive	1,394	620	1,494	(7)	125
Information & Comm Tech	14,324	18,947	15,372	(7)	(24)
Media & Publishing	719	674	934	(23)	7
Construct	12,998	12,252	18,745	(31)	6
Steel	2,166	2,582	3,286	(34)	(16)
Tourism & Leisure	(1,341)	(1,292)	(1,942)	nm	nm
Agribusiness	2,533	2,491	6,524	(61)	2
Insurance	797	(1,959)	3,032	(74)	(141)
Personal Prod & Pharma	1,278	1,517	10,518	(88)	(16)
Construction Services	(307)	888	1,245	(125)	(135)
Home & Office Products	37	(41)	(88)	(143)	(192)
Transport & Logistic	1,088	11,532	(1,502)	(172)	(91)
Grand total	276,884	262,925	259,181	7	5

Sources: Bloomberg; FSSIA's compilation

Exhibit 20: 1Q22 net profit was 5% above Bloomberg's consensus

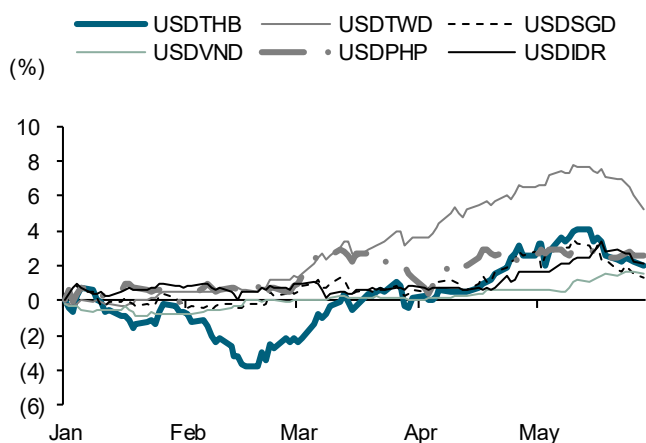
Sector	1Q22E (THB m)	1Q22A (THB m)	Change (%)
Tourism & Leisure	(678)	(711)	nm
Transport & Logistic	1,064	4,067	282
Petrochem & Chemical	12,769	18,282	43
Property Development	9,925	13,011	31
Automotive	539	662	23
Paper & Print Material	234	275	17
Agribusiness	1,748	1,979	13
Personal Prod & Pharma	953	1,072	12
Health Care Services	8,250	8,784	6
Electronic Component	3,806	3,997	5
Banking	50,573	52,803	4
Finance & Securities	7,942	8,290	4
Fashion	98	102	4
Construct	10,167	10,392	2
Packaging	1,928	1,948	1
Media & Publishing	379	378	(0)
Property Fund	1,987	1,941	(2)
Energy & Utilities	87,109	85,031	(2)
Commerce	13,451	13,129	(2)
Information & Comm Tech	12,166	11,175	(8)
Food & Beverage	4,867	4,077	(16)
Construction Services	61	(325)	(633)
Grand Total	229,337	240,356	5

Sources: Bloomberg consensus; FSSIA's compilation

Weakening THB likely temporary, low risk on Thailand's debt

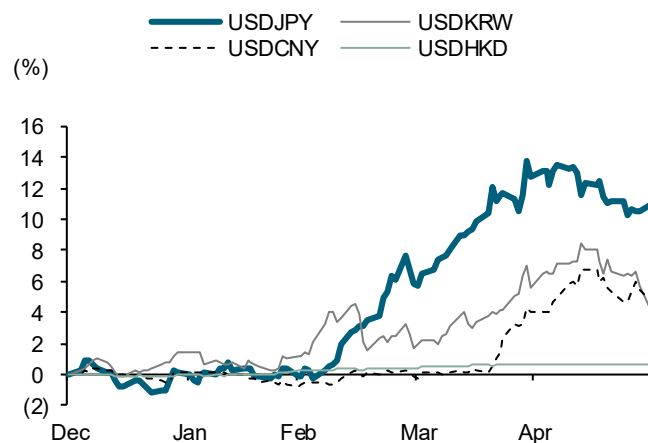
We think that the weakening Thai Baht will likely last for a short term due to the USD strengthening against a basket of currencies after the Fed rate hike. However, given the stronger exports to boost the trade balance and tourism rebound to boost the country's service revenue, we think the THB is likely to stay rangebound between THB31-36/USD.

Exhibit 21: FOREX performance, YTD



Source: Bloomberg

Exhibit 22: FOREX performance, YTD

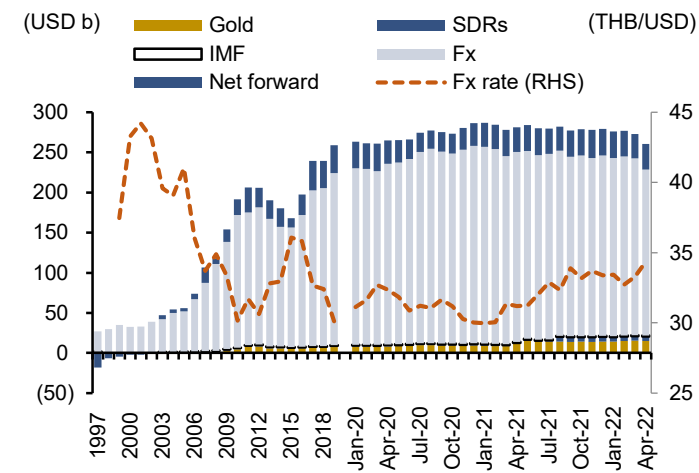


Source: Bloomberg

Healthy financial system could support economic recovery

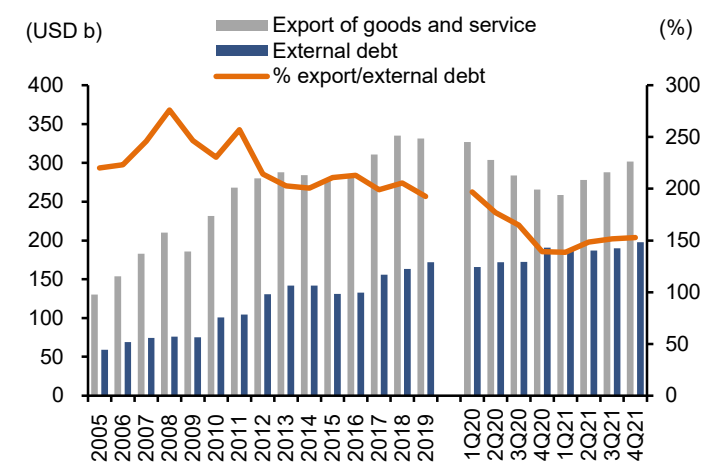
The Fed’s tightening monetary policy has already led to USD strengthening and prompted investors’ concerns over the weakening THB and debt management. We believe Thailand’s economic resilience is based on improving revenue and capital inflows from rebounds in tourism and exports, the limited downside from the country’s 20% net energy import exposure, and the country’s healthy balance sheet with high foreign reserves and a low debt-to-GDP ratio. Together, these should potentially result in not only survival, but also decent economic growth following the global economic reopening.

Exhibit 23: International reserves and exchange rate



Source: Bank of Thailand

Exhibit 24: Thailand exports vs external debt



Source: Bank of Thailand

While the rising household debt remains a grave concern, we think the risk for defaults and insolvency that may lead to a financial crisis is low, thanks to the proactive moves by the Bank of Thailand (BoT) and the government, which have placed great emphasis on the country’s high household debt, currently standing at 90.1% of GDP, a relatively high level compared to the average of only 40% among emerging market countries. We think the key factors to ease concerns are:

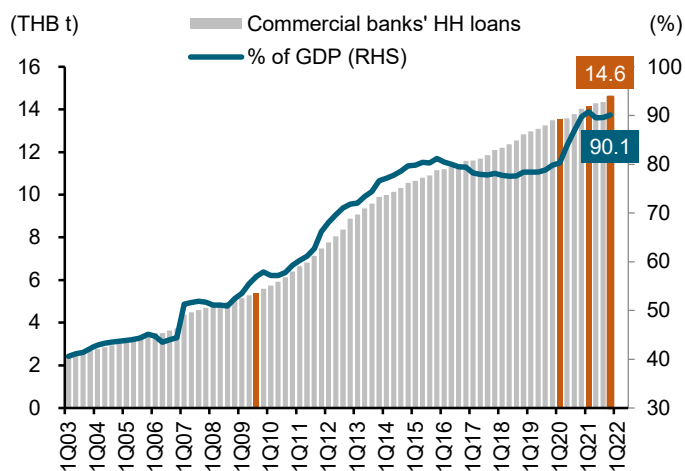
Fiscal policy. The Thai government recently announced 2022 as the year for solving the household debt crisis. The government and the BoT have asked state-owned banks and other lenders to help retailers and SMEs to restructure their debts, for example by reducing interest rate charges and rescheduling debt payments.

Economy recovery. As the Thai economy continues to recover, we think that money will be spent wisely, and household borrowers should have the ability to pay off their debts, thereby gradually reducing the country’s household debt.

In particular, Thai individuals largely still have good financial discipline, and hence financial stability should be strengthened, which would ultimately support stable economic growth going forward.

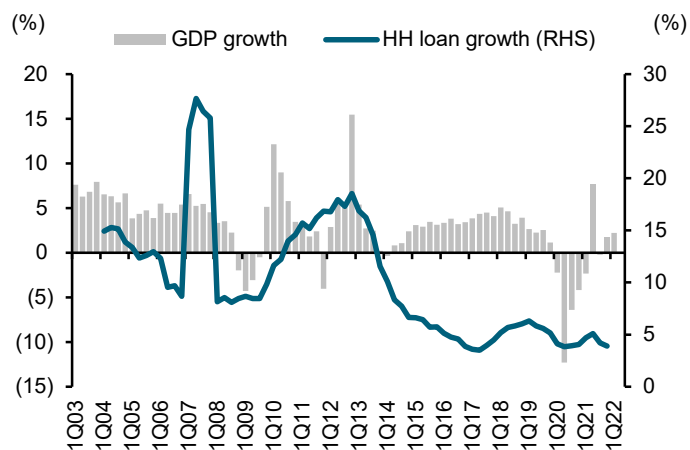
A higher GDP base in 2022 from the return of tourism and strong exports should effectively reduce household debt. We believe the key drivers for Thailand’s economic recovery will come from the rebound in tourism and continued solid exports.

Exhibit 25: Household loans at commercial banks



Source: Bank of Thailand

Exhibit 26: Household loan growth vs GDP growth

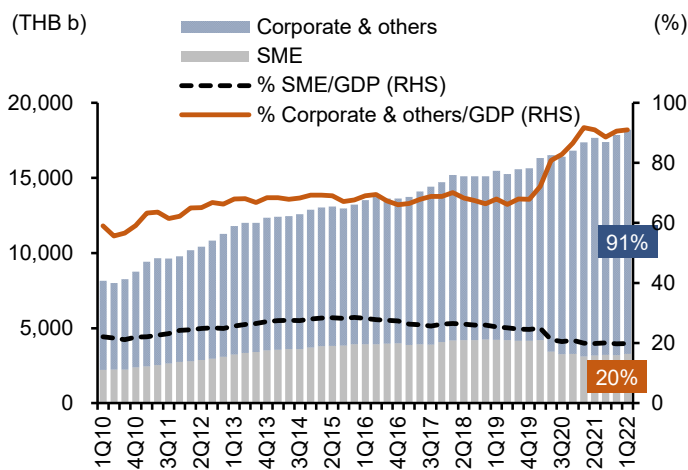


Source: Bank of Thailand

Marginal rise in NPLs could lead to lower provisions for the banking sector

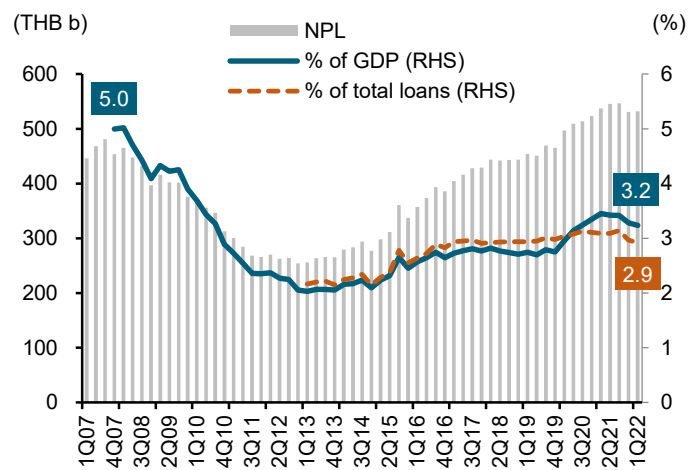
Since Aug-21, the BoT has encouraged Thai banks to provide comprehensive debt restructuring (CDR) to their clients to replace the short-term debt forbearance program which has gradually expired. In 1Q22, most banks progressively offered CDR to clients who were impacted by Covid and are currently under the debt forbearance program, or even clients who might have been impacted by the current economic situation. As a result, in the coming quarters banks might report the CDR program instead of the debt forbearance program.

Exhibit 27: Commercial bank loans by borrower



Source: Bank of Thailand

Exhibit 28: Commercial bank NPLs as % of total loans and as % of GDP

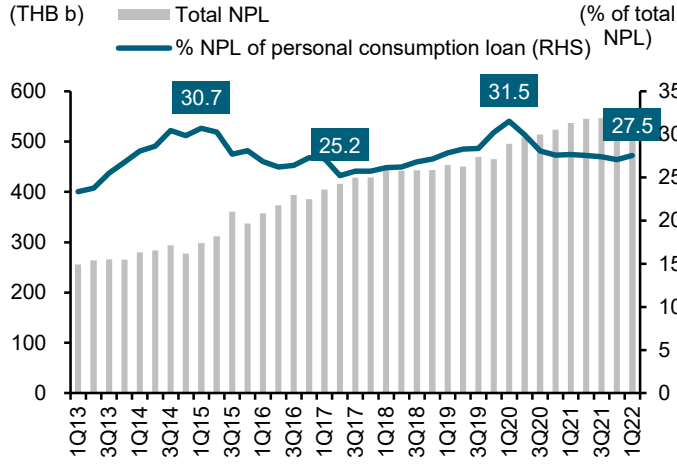


Source: Bank of Thailand

For the private sector, we see strong corporate balance sheets with debt-to-equity ratios significantly lower than in 2008 or the 1997 financial crisis. After being stung by the 1997 economic crisis, Thai corporates have managed their financing requirements against their earnings growth using much more effective and conservative approaches than they did prior to 1997.

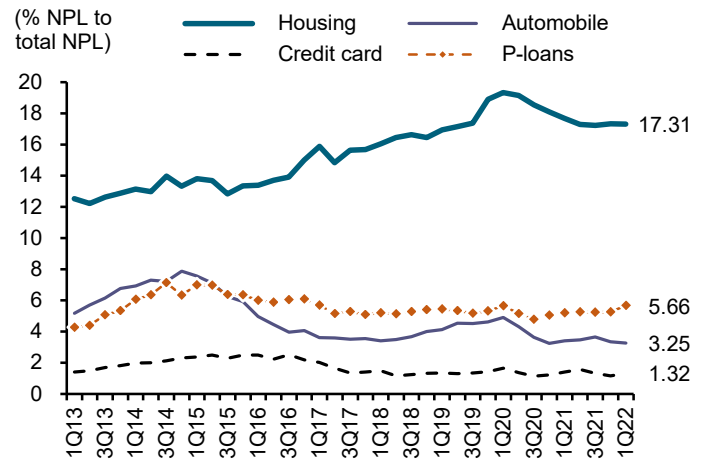
We think that Thai corporates have optimised their capital structures and managed to lock in interest rates at low levels ahead of the interest rate upturn, which many thought would come sooner or later. Hence, we think the risks from rising global interest rates that lie ahead, whether for liquidity, insolvency, or earnings risks from higher financial burdens, have already been effectively managed well ahead of the Fed's move to hike its policy rate in 1Q22.

Exhibit 29: NPLs of personal consumption loans and as % of personal consumption loans



Source: Bank of Thailand

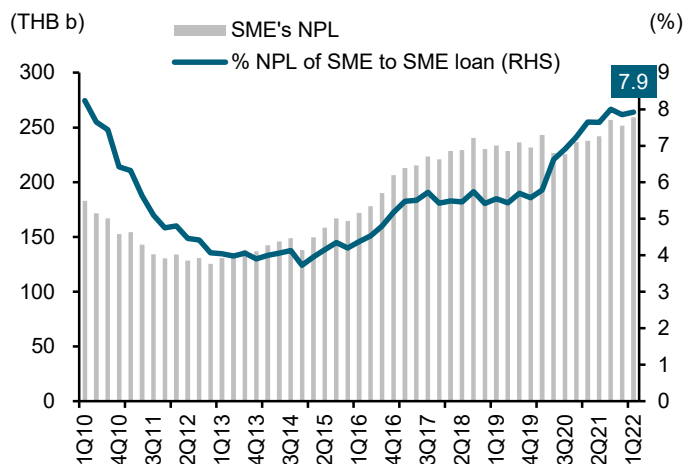
Exhibit 30: Breakdown of personal consumption loan NPLs



Source: Bank of Thailand

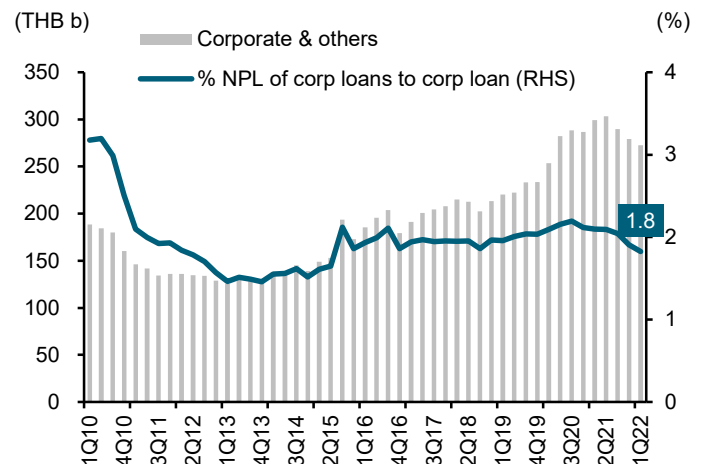
The debt servicing ability of banks' clients increased following a gradual recovery in the economy. The banks under our coverage also provided more CDR to their clients. Under CDR, the BoT has permitted relaxed loan classification measures. As a result, non-performing loans (NPLs) were relatively stable q-q in 1Q22. This accounted for an NPL ratio (calculated by FSSIA) of 4.01% in 1Q22 vs 4.05% in 4Q21. Eventually, we expect NPLs to increase insignificantly after the end of BoT's measures as NPLs which came from SMEs (mostly tourist companies) should decline. SMEs will restart their businesses again after there are more tourist arrivals to Thailand. They have the knowhow to do run their businesses to make a profit, and thus should be able to resume debt servicing again.

Exhibit 31: NPLs of SMEs and as % of SME loans



Source: Bank of Thailand

Exhibit 32: NPLs of corporate loans and as % of corporate loans

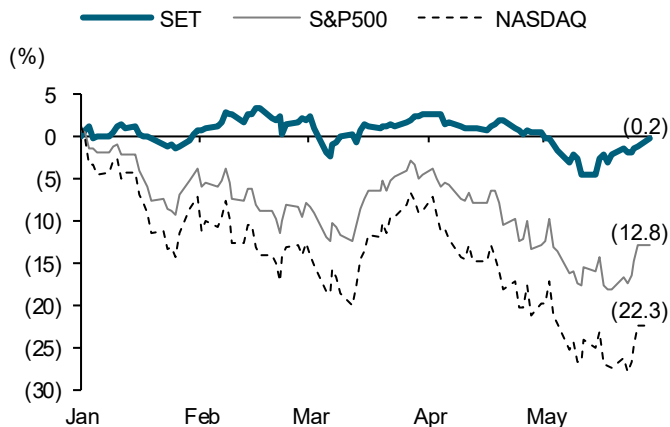


Source: Bank of Thailand

'Decoupling' between Thai and US economy and equity market

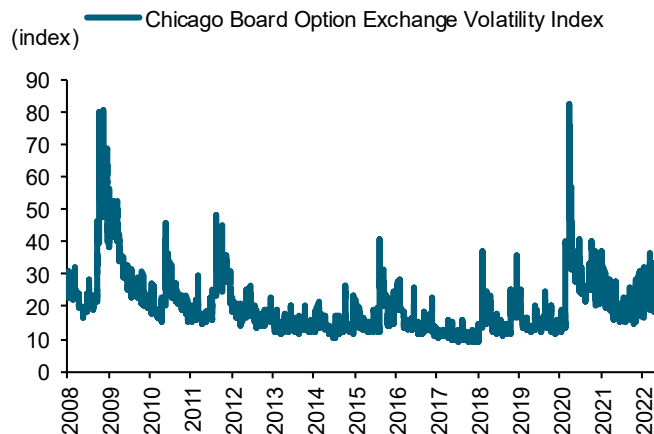
Real resilience remains on track: The SET index has only fallen by 3.5% from its last peak at 1,713.20 on 18 Feb-22 to 1,653.61 on 30 May-22 – far less than the plunges in the US equity market indexes, with the S&P 500 and NASDAQ indexes falling into bear market territory, i.e. a drop of more than 20% from a recent peak.

Exhibit 33: SET, S&P 500 and NASDAQ performance YTD



Source: Bloomberg

Exhibit 34: VIX index

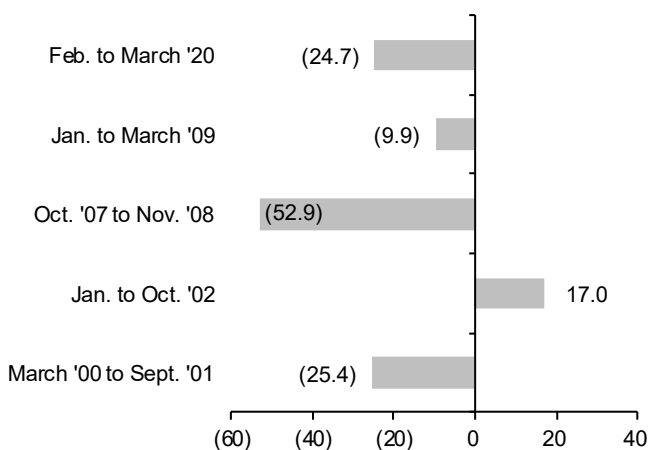


Source: Bloomberg

We believe downside risk is limited for the SET index as the possibility of the Thai economy entering into a recession remains remote, while corporate earnings growth and the economic recovery are highly visible and sanguine.

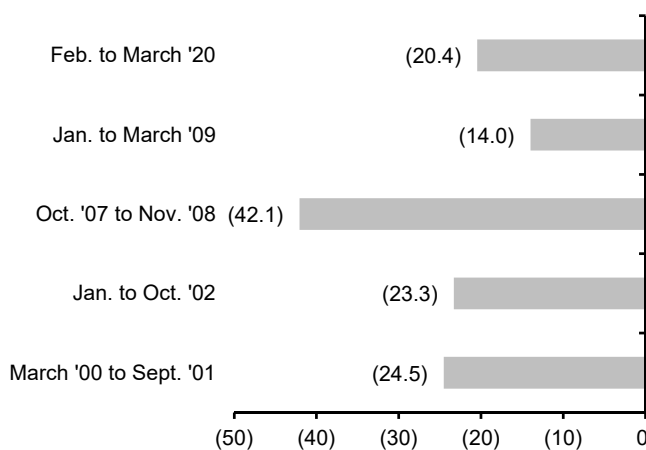
Investors are returning to the capital market, implying that the risk appetite for intelligent risk-taking is returning, based on the key divergence factors between the Thai and US equity markets, including economic growth, inflation, and tourism, that should lead Thailand's post-Covid economic recovery to be much more resilient than the US'.

Exhibit 35: The SET index's drops during past bear markets



Source: Bloomberg

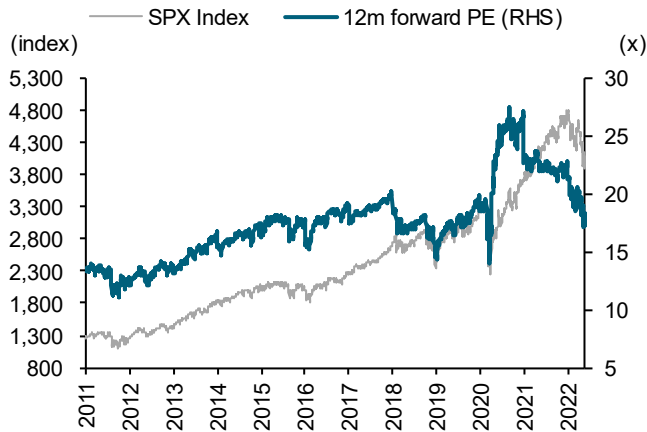
Exhibit 36: The S&P 500's drops during past bear markets



Source: Bloomberg

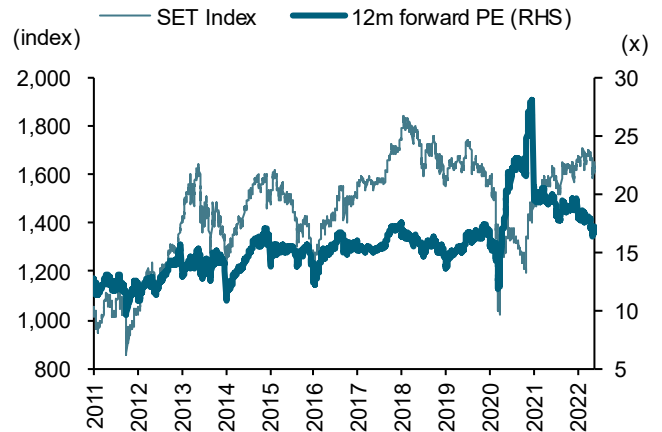
Thai economic growth recovery is highly visible in 2H22 onward. Armed with an easing monetary policy and projected strong rebounds in tourism and exports, we think the Thai economic growth trajectory should be brisker than the US economic recovery, which is forecast to be a “soft landing”, backed by the Fed’s tightening monetary policy.

Exhibit 37: S&P 500 change in forward P/E vs change in price



Source: Bloomberg

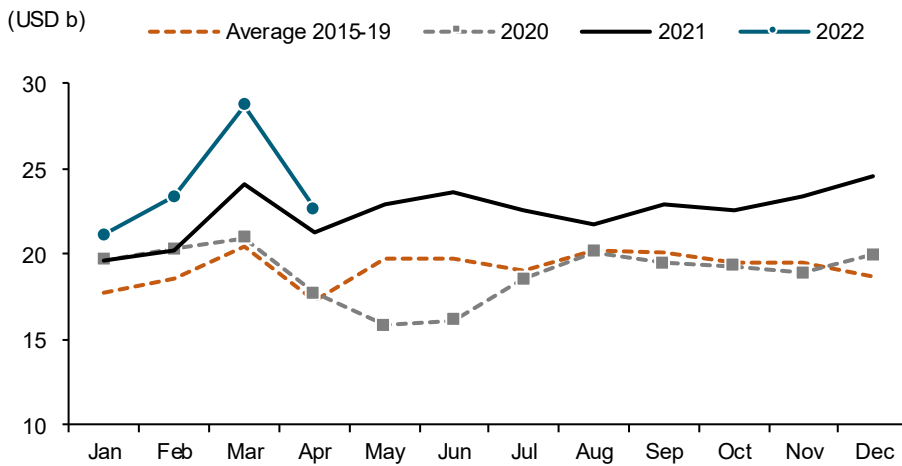
Exhibit 38: SET change in forward P/E vs change in price



Source: Bloomberg

Fundamentally, while the US imports most of its products, Thailand is one of the world’s leading exporters of food and soft commodities, which makes Thailand more inflation-proof amid the globally higher inflationary pressures caused by rising prices for food and energy.

Exhibit 39: Thailand’s March exports reached a 30-year record high

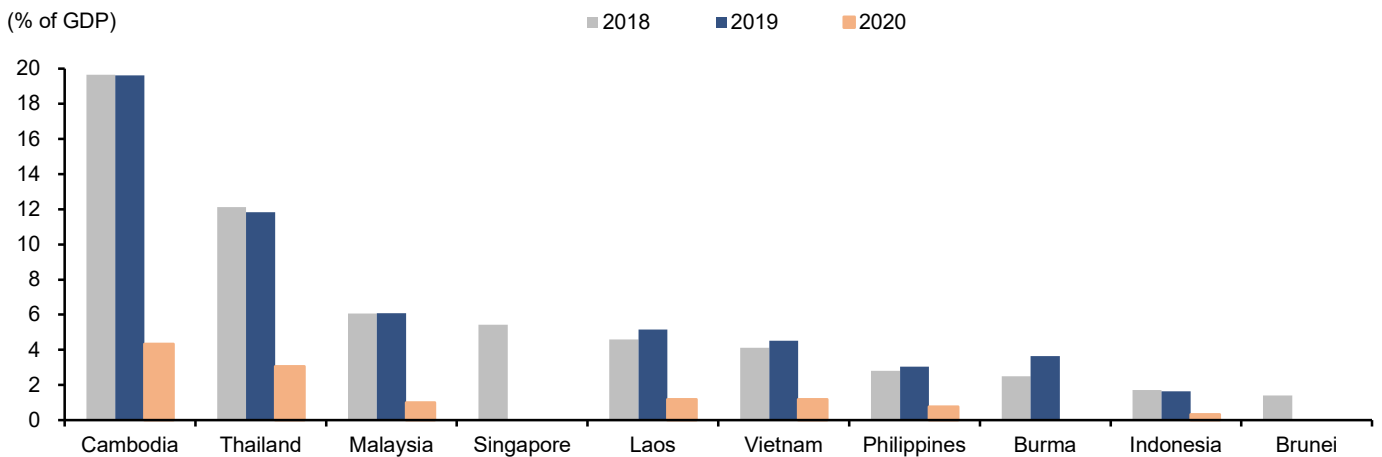


Source: Bank of Thailand

Tourism is a boon to Thailand but just a nudge for the US. While tourism revenue has a limited impact on US GDP, as the sector and its value-added contributions amount to less than 3% of US GDP, according to the US Bureau of Economic Analysis, Thailand’s tourism revenue accounted for 12% of its GDP during 2018-19 before plunging to only 3.5% in 2020 during the first Covid-19 outbreak, according to Global Economy.

Hence, we believe the highly visible return of tourism to Thailand, which we project to start in 2H22, should have a much stronger economic impact on Thai corporate earnings and Thailand’s GDP growth than US corporate earnings and US GDP growth in 2022-23.

Exhibit 40: Tourism revenue in ASEAN countries



Sources: [The Global Economy](#); FSSIA’s compilation

Solid 2022 earnings outlook

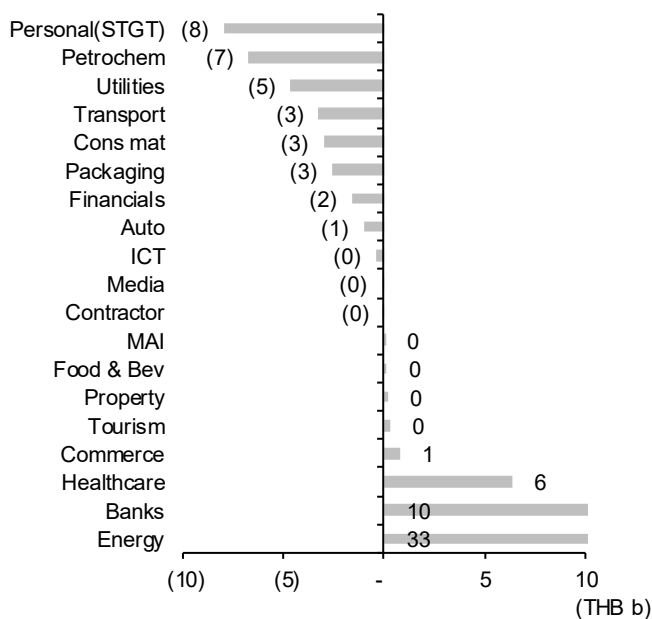
We retain our 2022 SET index target of 1,854, based on 17.3x 2022E P/E, the average since 2010, with FSSIA’s 2022E SET EPS remaining at THB107 per share for the companies under FSSIA’s coverage (127 companies accounting for c74% of the SET’s market cap). Our EPS forecast is above Bloomberg’s forward EPS consensus forecast of THB103.7 in 2022.

FSSIA’s analysts have revised up the earnings forecasts for their stocks under coverage by around 3%, factoring in the key concerns like inflation, a higher cost of living, energy costs, and raw material costs, after the announcement of the 1Q22 results.

With the three aforementioned success factors in mind, coupled with our strong economic recovery and corporate earnings growth projections, we have identified the winning sectors for 2022 as tourism, healthcare, asset management companies, utilities, and energy. Our 11 winning companies under our three investment themes are:

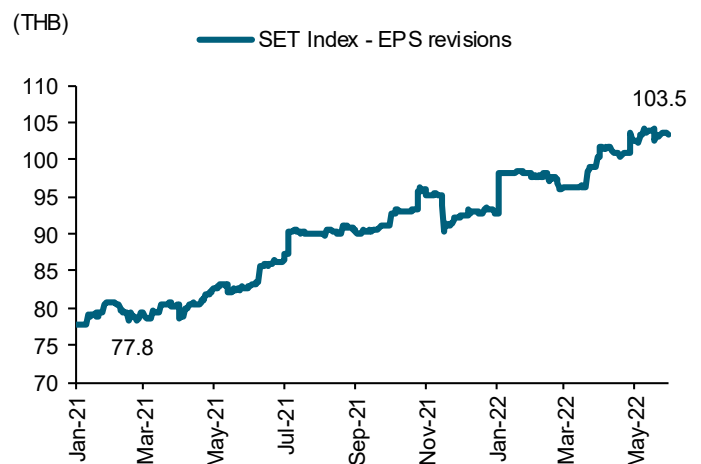
- 1) ‘Post-Covid beneficiaries’, with top picks – AOT, AWC and ADVANC;
- 2) ‘Highly visible growth’, with top picks – SINGER, BCH and BDMS;
- 3) ‘Stronger growth momentum’, with top picks – IVL, BANPU, ESSO, GUNKUL and CKP.

Exhibit 41: FSSIA’s earnings coverage revisions



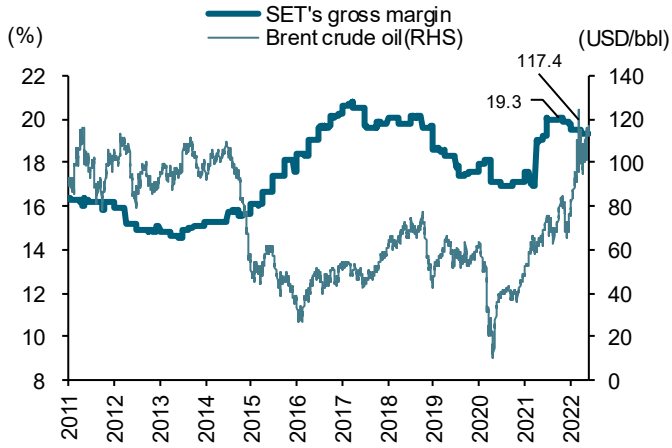
Source: FSSIA estimate, as of 30 May 2022

Exhibit 42: Bloomberg consensus, SET EPS forecast revisions



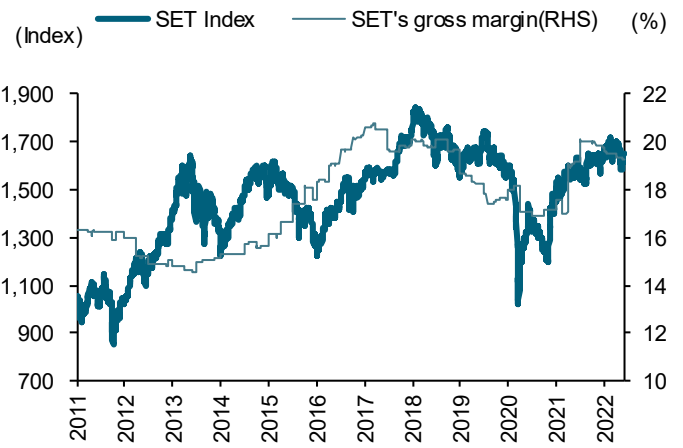
Source: Bloomberg, as of 30 May 2022

Exhibit 43: Brent crude oil – inflation adjusted vs SET’s gross margin



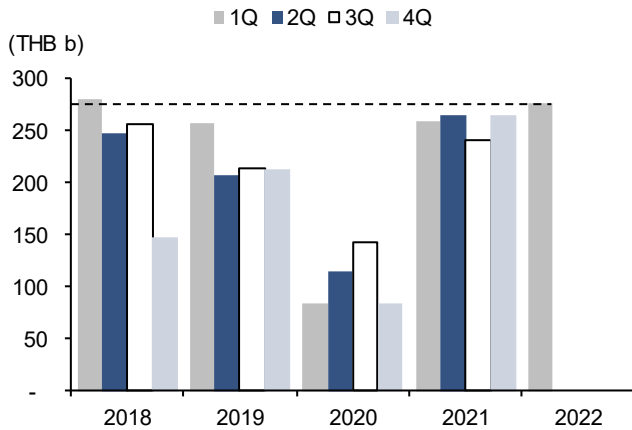
Source: Bloomberg

Exhibit 44: Downside risk to SET index if rising crude oil cost pressures gross margin



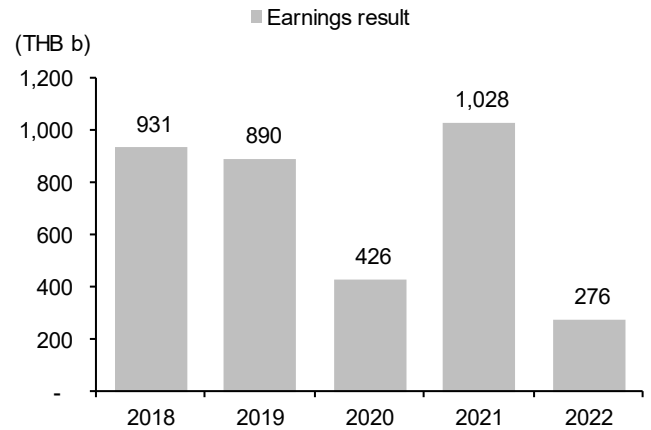
Source: Bloomberg

Exhibit 45: Comparison of SET’s quarterly net profits



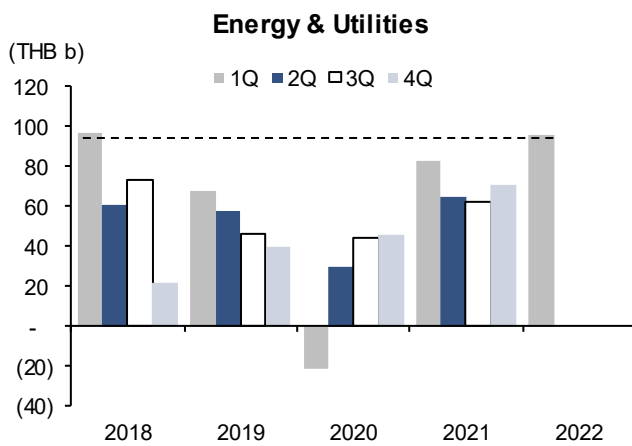
Source: Bloomberg

Exhibit 46: SET’s yearly reported net profit as of 1Q22



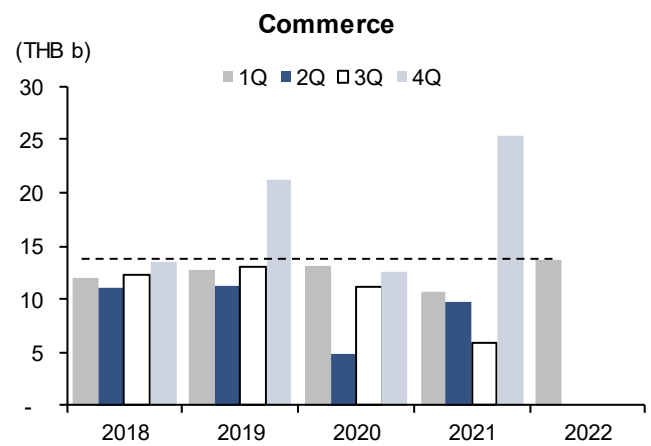
Source: Bloomberg

Exhibit 47: Quarterly net profits of energy & utility sectors



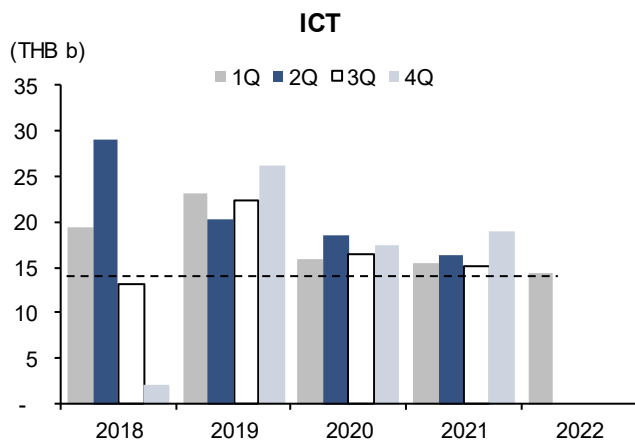
Source: Bloomberg

Exhibit 48: Quarterly net profits of commerce sector



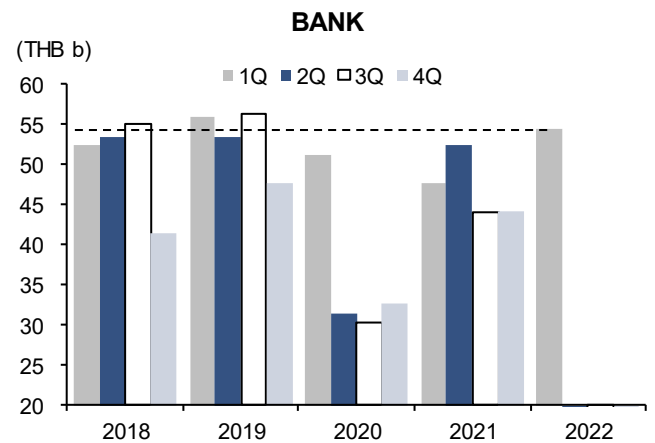
Source: Bloomberg

Exhibit 49: Quarterly net profits of ICT sector



Source: Bloomberg

Exhibit 50: Quarterly net profits of Thai banking sector



Source: Bloomberg

Exhibit 51: High earnings momentum for the rest of this year

Stocks	2022E net profit (THB m)	1Q22 net profit (THB m)	1Q22 net profit (% of 2022E)
AWC TB	292	645	221
ESSO TB	5,782	5,900	102
GGC TB	576	487	85
SPRC TB	7,375	5,284	72
BCP TB	6,830	4,356	64
IVL TB	23,553	14,070	60
TOP TB	13,238	7,183	54
BPP TB	5,438	2,918	54
BCPG TB	2,597	1,363	52
CHG TB	3,019	1,356	45
BCH TB	4,656	2,028	44
SUSCO TB	303	131	43
VIBHA TB	1,125	455	40
PR9 TB	410	157	38
THG TB	1,430	527	37
AMATA TB	1,520	553	36
AH TB	1,108	402	36
BANPU TB	28,728	10,264	36
AP TB	4,853	1,730	36

Source: FSSIA estimates

Exhibit 52: Industrial outlook in 2Q22 amid potential GDP slowdown and higher inflation

Sector	Net profit (q-q chg)	Net profit (y-y chg)	2Q22 outlook
Energy (oil & gas)	+	+	<ul style="list-style-type: none"> We see three key implications from the sanctions against Russia for the oil market – higher oil prices for longer at above USD140/bbl, averaging USD100/bbl in 2022, and the rising power of the Russia-China faction against the Anglo-Saxon group led by the US to shift the balance of the global energy markets. We project the demand growth to outpace the supply growth for both oil and oil products.
Petrochemical	-	+	<ul style="list-style-type: none"> We believe that in 2022, post economic reopening after the Covid-19 pandemic, the margin trends of petrochemical products will now shift to the supply side impact following a period of supply disruptions and delays and strong demand growth in 2020-21. Among all major petrochemical chains, we are most bullish on the polyester chain (PET, polyester fibre)'s margin outlook thanks to its superior recyclability, favourable market structure, import barriers, and high contract prices and margins that have sustained the integrated PET-PTA margin at high levels. We are neutral on olefins chain products for both upstream and downstream as the supply growth of ethylene and propylene and their downstream PE and PP are projected to outpace demand growth in 2022-23. While we have a bearish view on the upstream margins for the aromatics chains of paraxylene (PX) and benzene (BZ) due to the high supply growth, we expect the margins of downstream products for PX (mostly polyester) and BZ (mostly the styrene monomer (SM) chain) to remain strong in 2022-23, backed by the strong demand for automobile parts and home appliances.
Utilities	+	+	<ul style="list-style-type: none"> In 2022, Thailand needs to import a higher volume of spot LNG of 4.5mt, up from 1.2mt in 2021, and most of the prices of the LNG imported by PTT (60-70% in 2021 of total spot LNG import of 1.2mt) will be included in Thailand's gas pool price. As a result, we think the impact of the gas price hike in 2022 will most severely affect the gross margins of small power producers, but should begin to subside by 2Q22, before dropping from USD11.6/mmbtu in 1Q22 to USD8.4/mmbtu in 4Q22.
Refinery	+	+	<ul style="list-style-type: none"> The global refinery supply is projected to remain tight throughout 2022 and into 2023-24 due to the permanent shutdown of over 3mbpd of refinery capacity during 2020-21, refinery capacity losses in Europe due to the sudden shortage of Russian crude, limited supply growth from OPEC+, a paltry 0.8mbpd in net supply addition in Asia Pacific expected in 2022, the strong global demand growth outlook, and a continuing slide in China's exports in 2H22. Meanwhile, the global demand for gasoline, diesel, and jet fuel is projected to rise by 3-5mbpd in 2022, led by higher seasonal demand from Asia and the US. We think this is driving the currently high GRM of over USD15/bbl compared to just USD2-5/bbl during 2020-21. As a result, all six Thai refiners have enjoyed much higher GRMs in terms of both market GRM (operations) and accounting GRM (operations plus inventory gains/losses).
Banking	-	+	<ul style="list-style-type: none"> We project the 2Q22 aggregate net profit for the banks under our coverage to rise y-y following a decline in provisions due to the excess provisions that were set aside in 2020-21, plus the benefits of comprehensive debt restructuring (CDR). Moreover, we believe that loan volumes will increase moderately from the retail and corporate segments. We also believe that banks will efficiently control their operating costs, leading to a minor OPEX increase y-y. However, 2Q22 aggregate net profit might decline q-q as we expect a drop in fee income, and NIMs could decline q-q due to CDR. KKP should deliver the strongest net profit growth y-y on the back of strong loan growth and healthy asset quality, in our view.
Diversified financial	+	+	<p>Lending operators</p> <ul style="list-style-type: none"> On the positive side, we still see solid loan demand in both auto-related loans and unsecured loans. We also believe lending operators have been able to manage their cost of funds effectively. As for negatives, we expect NPLs of lending operators to slightly to moderately rise due to the higher cost of living and the gradual end of debt forbearance. Thus, provisions might slightly increase. However, we think the positives should completely offset the rise in provisions. Accordingly, we expect lending operators' 2Q22 net profit to increase y-y and q-q. SINGER should deliver the highest net profit growth y-y. <p>Asset management companies</p> <ul style="list-style-type: none"> We expect a rise y-y and q-q in AMC's 2Q22 net profit on the back of 1) stronger cash collection; and 2) efficient operating cost and cost of funds control. Also, we expect AMCs to increase their distressed asset acquisitions in 2Q22 following a rise in NPL sales from the banking sector. CHAYO should deliver the strongest net profit growth in 2Q22.
Commerce	+	+	<ul style="list-style-type: none"> 2Q22 outlook: stronger net profit growth driven by higher demand post reopening and seasonality.
Food and beverage	-	-	<ul style="list-style-type: none"> 2Q22 outlook: weaker net profit outlook due to the rising raw material cost of sugar and lower consumer purchasing power caused by high inflation.
Contractor	+	+	<ul style="list-style-type: none"> Based on the contractors under our coverage, CK and STEC, we expect the 2Q22 earnings outlook to be stronger both y-y and q-q, driven by 1) a higher number of construction projects than last year as the construction sites should not have any further lockdowns; and 2) solid associate contributions and dividend income from investments, despite the rising raw material and energy costs.
Healthcare	+	+	<ul style="list-style-type: none"> We expect the overall revenue and earnings of the healthcare sector to slow q-q in 2Q22 mainly due to low season of healthcare and a slowdown in Covid-related revenue following a lower number of Covid infection cases since April. However, we still expect revenue and earnings to grow y-y due to higher Covid-related revenue y-y. On a positive note, we expect non-Covid cash patients, international patients and Social Security Office operations to continue to improve. We like BDMS and BH due to the strong recovery of international patient revenue which recovered to c70% of the pre-Covid level in 1Q22. We expect revenue to reach the pre-Covid level by the end of this year, led by Middle Eastern and CLMV patients.
Tourism	+	+	<ul style="list-style-type: none"> We expect a strong recovery momentum in Thai tourism based on a higher number of tourist arrivals from 5,000-7,000 tourists/day to 8,000-10,000 tourists/day in April and May, equivalent to c10% of the pre-Covid level. The overall occupancy rate improved from an average of 25-30% in 1Q22 to c50% in April and May. In addition, hotels that have exposure to Europe (MINT and SHR) should benefit from high tourism season in Europe, with RevPAR likely to exceed the pre-Covid level. We like AOT and AWC which are Thai pure-play operators. Although both stocks still contribute core losses, those losses should continue to narrow throughout this year and have the potential to turn around in 4Q22 if tourist arrivals recover to c40-50% of the pre-Covid level.

Source: FSSIA estimates

Exhibit 52: Industrial outlook in 2Q22 amid potential GDP slowdown and higher inflation (cont.)

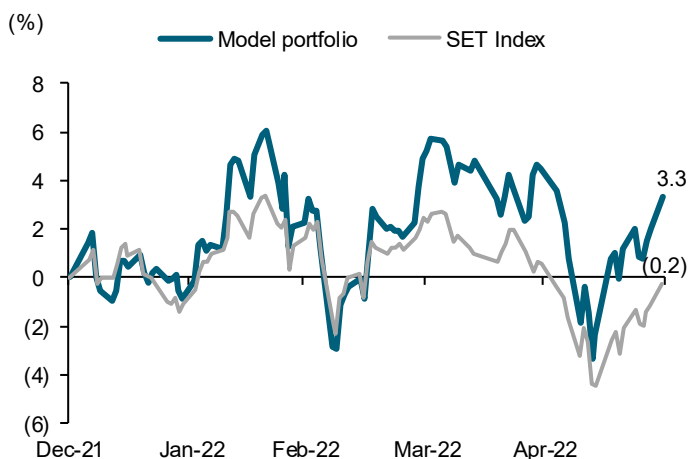
Sector	Net profit (q-q chg)	Net profit (y-y chg)	2Q22 outlook
Media	-	+	<ul style="list-style-type: none"> We expect advertising expenditure (adex) to be flat or experience low single-digit growth from the low season in 1Q22. With this outlook, we believe this would pressure the media sector's earnings to be flat q-q. This idea has been supported by the management from every media company. They admit that the 2Q22 outlook remains uncertain due to the weak economy, high inflation, rising consumer products, and weak purchasing power. Most expect slow earnings growth in 2Q22. However, they also believe that the recovery of adex should start from 3Q22 onward. All the negative factors that pressured adex in 2Q22 should see an improvement thanks to the recovery in the tourism sector and the Covid situation that should improve. As a result, we expect that media companies' share prices should stay in a sideways trend in 2Q22 as the current situation of the recovery is unclear. ONEE and PLANB are our top picks in the sector. These two companies have individual growth catalysts. ONEE has potential growth from the content business. PLANB has a synergy catalyst with Aqua (AQUA TB, NR)'s media that could give PLANB a monopoly on out-of-home media.
ICT	+	+	<ul style="list-style-type: none"> We believe the mobile service industry could face intense competition throughout the year. Unlimited fixed speed, with a high internet speed of 15Mbps at the price of THB200 per month would be the key pressure point on average revenue per user (ARPU). Although there are expectations of a recovery on the Thai economy and tourist arrivals that could boost industry revenue, the high competition may offset these benefits, making mobile revenue weak. The consideration about the amalgamation of DTAC and TRUE by the National Broadcasting and Telecommunications Commission (NBTC) is still underway. Now, the NBTC has already held focus groups twice. The final focus group is expected to be held in early Jun-22. We expect the final decision from the NBTC to come out around Jul-22, a delay from previous timeline of about one month. As a result, with the expectation that the amalgamation of DTAC and TRUE should remain unclear until 3Q22, we expect that these two company's share prices should remain unattractive. JMART is our top pick as it has a lower exposure to the weak economic outlook. The company still has strong potential growth from its synergy and the growth of its subsidiaries.
Auto	-	+	<ul style="list-style-type: none"> 2Q22 is always a low season for the auto sector. Total car production in this quarter is typically always the lowest quarter of the year. However, we expect that total car production in 2Q22 should post a slight recovery y-y thanks to the recovery from the export side. However, in 2Q22, the sector is still facing challenges from the increase in the steel price, which is the key raw material for auto parts production. This could continue to pressure auto companies' costs. As a result, we expect the earnings for the auto sector to see a small improvement in 2Q22, but the outlook for 2H22 onward remains strong on the expectation that the steel price should be more stable during that period. AH is our top pick as the company has had a lower impact from the higher steel price. The company should be able to pass through its costs to its customers faster than its peers.
Transportation	+	+	<ul style="list-style-type: none"> The mass transit ridership saw a sign of recovery in Apr-22. It grew by about 4-8% on weekdays. We believe the recovery momentum should continue in the following month thanks to 1) the resumption of the school semester; 2) the recovery of tourist arrivals; and 3) the Covid situation in Thailand that is now under control. Moreover, the terms of reference (TOR) for the mass transit Orange Line have already been announced. The Mass Transit Authority of Thailand plans to issue the TOR from 27 May to 10 Jun-22 and is expected to determine a winner within Aug-22. This mass transit line should drive the mass transit operator to grow significantly as the project value for this line is about THB140b. We believe this is a good time to invest in mass transit operators as the positive catalyst that has been pending for almost two years has been finalised. BEM is our top pick.

Source: FSSIA estimates

FSSIA's basket and asset allocation for 2022

Our stock selection is based on a mixed bottom-up and top-down approach, favouring stocks with solid fundamentals that we think should carry through 2022-23. We have changed our top picks from HMPRO and AMATA to CKP and GUNKUL, and retain AOT, MINT, BA, JMT, BGRIM, IVL, BTS, SCB, KBANK, GULF, and EA as conviction BUYS for 2022.

Exhibit 53: FSSIA's 2022 model portfolio performance



As of 30 May-22
Sources: FSSIA; Bloomberg

Exhibit 54: Changes to FSSIA's 2022 model portfolio (1 Jan-22 to 30 May-22)

Top BUY	Performance (% change from 1 Jan-22 to 30 May-22)
MINT	20.9
JMT	16.8
AOT	13.9
IVL	13.9
BA	10.8
GULF	5.5
KBANK	4.2
BTS	(5.9)
EA	(6.8)
SCB	(11.4)
BGRIM	(14.8)
CKP	-
GUNKUL	-

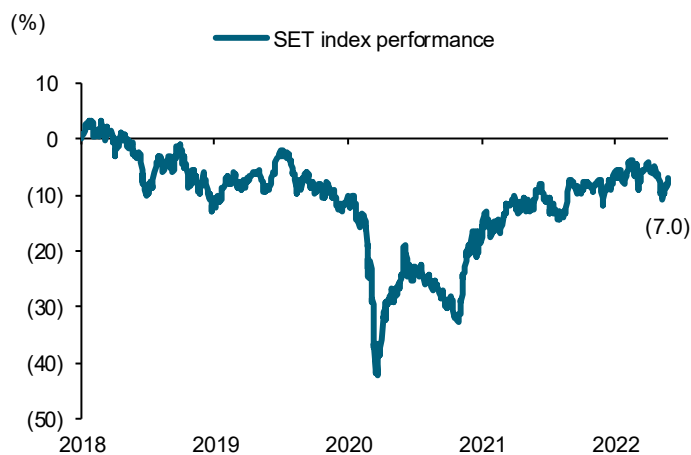
Source: FSSIA

Exhibit 55: Model portfolio sector tilts in 3Q22

Overweight	Key rationale
Refinery	Beneficiary of higher oil demand as the travel sector continues to recover
Healthcare	Expect solid 2Q22E organic earnings and share prices to remain undervalued
Tourism	Short-term catalyst would be the recovery of European tourism over 2Q-3Q22 and Thailand's reopening
Banking	Bank's share prices are trading at nearly their lowest P/BV or around an average of 0.6x 2022E P/BV, while their loan demand remains on track with the Thai economic recovery
Neutral	
Oil & Gas	Sell into strength, despite the potential for the crude oil price to rise as supply tightens from the EU on the partial ban on Russian oil imports and China's lockdown easing to resume the oil demand.
Commerce	Although SSSG is recovering, growth is still slower than expected
ICT	Lower impact from higher inflation while cash flow remains strong
Diversified Financials	Among our coverage, 2Q22 earnings outlook would likely still be strong, especially the asset management sector and commercial care high purchase.
Construction Services	There are new projects for bidding (MRT Orange Line) as the government attempts to stimulate the economy
Underweight	
Rubber Gloves	Covid-19, globally and in Thailand, is on a downtrend
Construction Materials	Margin narrowed on energy and transportation cost hikes
Auto	Higher cost pressure from soaring steel prices

Source: FSSIA

Exhibit 56: SET index performance from Jan-18 to 26 May-22, trading at nearly pre-Covid-19 level



Source: Bloomberg

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	ICI	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	SEOIL	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	TRC	TSC	TSR	TSTE	TSTH
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	AMANAHA	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	WIJK	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	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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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	WIJK	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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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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 69.75	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.
Asset World Corp	AWC TB	THB 5.10	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, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Advanced Info Service	ADVANC TB	THB 217.00	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.
Singer Thailand	SINGER TB	THB 52.75	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Bangkok Chain Hospital	BCH TB	THB 20.30	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.
Bangkok Dusit Medical Services	BDMS TB	THB 25.75	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 price and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Indorama Ventures	IVL TB	THB 49.25	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.
Banpu	BANPU TB	THB 12.40	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.
Esso Thailand	ESSO TB	THB 10.30	BUY	The downside risks to our SoTP-based TP on ESSO include 1) lower-than-expected demand for petroleum products; 2) a higher crude premium; and 3) unplanned shutdowns of its refinery and petrochemical plants.
CK Power	CKP TB	THB 5.45	BUY	The downside risks to our SoTP-based TP include lower-than-expected demand for electricity in Thailand and lower-than-expected water supply for hydro projects.
Krungthai Card	KTC TB	THB 61.25	REDUCE	Upside risks to our GGM-derived TP include: 1) stronger-than-expected growth for KTB Leasing; and 2) better-than-expected bad debt recovery.
Energy Absolute	EA TB	THB 89.75	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.
Home Product Center	HMPRO TB	THB 14.90	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.
Kiatnakin Bank	KKP TB	THB 72.00	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Amata Corporation	AMATA TB	THB 20.10	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.
Chayo Group	CHAYO TB	THB 12.70	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
CH. Karnchang	CK TB	THB 20.90	BUY	Key downside risks to our SoTP-based TP are delays in new bids, political instability, fluctuations in construction material prices, cost overruns, and the prolonged Covid-19 pandemic.
Sino-Thai E&C	STEC TB	THB 13.10	BUY	Downside risks to our P/BV multiple valuation-based TP are 1) prolonged Covid-19; and 2) delays in both the bidding for and construction of projects; and 3) the construction margin contracting more than expected.

Bumrungrad Hospital	BH TB	THB 174.50	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) higher medical fee discount promotions, leading to a weaker EBITDA margin.
S Hotels and Resorts	SHR TB	THB 4.58	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, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Minor International	MINT TB	THB 35.00	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.
Plan B Media	PLANB TB	THB 7.80	BUY	The key downside risks to our P/E multiple-based TP are 1) a slower-than-expected adex recovery; 2) further waves of Covid-19; and 3) the future billboard tax.
The One Enterprise	ONEE TB	THB 11.30	BUY	The key downside risks to our P/E-based TP are a lower-than-expected adex recovery and the company's worse-than-expected cost reduction.
Total Access Communication	DTAC TB	THB 43.00	BUY	The key downside risks to our DCF-based TP are if the amalgamation between DTAC and TRUE is unable to proceed, if there is stronger-than-expected competition in the mobile market, and if there is a faster or slower-than-expected adoption of 5G use cases.
True Corporation	TRUE TB	THB 4.40	HOLD	The key upside and downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are better or worse than our expectation, if the company can reduce its costs better or worse than we expect, and if there is a faster or slower-than-expected adoption of 5G use cases.
Jay Mart	JMART TB	THB 60.75	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.
AAPICO Hitech	AH TB	THB 24.00	BUY	Key downside risks to our P/E-derived TP include lower-than-expected car production volumes and lower car sales in both Thailand and Malaysia, higher steel prices, semiconductor shortages, and exchange rate risk.
Bangkok Expressway and Metro	BEM TB	THB 9.15	BUY	The key downside risks to our SoTP-based TP are 1) traffic and ridership recovering more slowly than our expectation; and 2) the company being unable to win the new mass transit project bids.
Gunkul Engineering	GUNKUL TB	THB 5.80	BUY	The downside risks to our SoTP-based TP on GUNKUL include 1) lower-than-expected demand for electricity in Thailand, 2) declining EPC backlogs, and 3) lower-than-expected utilisation rates for solar and wind farms
Bangkok Airways	BA TB	THB 10.70	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.
JMT Network Services	JMT TB	THB 77.50	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
B.Grimm Power	BGRIM TB	THB 34.50	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.
BTS Group Holdings	BTS TB	THB 8.90	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.
SCB X	SCB TB	THB 113.00	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 147.00	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 48.50	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.

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 31-May-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.