

# Thailand Market Strategy

## Ebbing before rising on fund inflows and GDP growth

- We expect 4Q22 to be a period of SET index consolidation, moving within 1,578 to 1,718, with our target toward the end of the year revised up to 1,718 from 1,629.
- In 2023 onward, China's economic reopening should boost Thailand's growth.
- FSSIA stock coverage suggests solid EPS growth momentum in 4Q22-2023. Top picks for Sep-22/4Q22: PTG, SINGER, ADVANC, KBANK, BDMS, BA, AWC, TOP.

### Market correction underway

In Sep-22 to 1Q23, we expect the SET and global equity market indexes to see corrections after the rally that began in mid-July 2022 as investors re-entered the market, heartened by the US Federal Reserve (Fed)'s milder-than-expected policy rate hike and lower oil prices that tamped down inflation. However, with no relief from inflation in sight, the global policy rate uptrend is likely to continue, and we project the prices of crude oil, gas, and coal to soar to new highs this coming winter thanks to tight supplies due to seasonal demand and the demand for substitute fuels. We expect 4Q22 to be a period of SET index consolidation, ranging from 1,578 (14.8x 2022E P/E, -0.5SD) to 1,718 (16.2x 2022E P/E, -0.25SD), supported by Thailand's improving economic metrics and solid corporate earnings growth.

### China's economic reopening is Thailand's growth booster

We believe that in 2023 onward, China could emerge as Thailand's true white knight for export growth if China reopens after a year-long lockdown under its zero-Covid policy. In 2021, Thailand's exports to China were worth USD37.3b, only USD4.6b lower than its exports to the US at USD41.9b. In 1H22, the export value gap widened to USD6.5b due to China's lockdowns, but we think China's imports from Thailand should accelerate in 2023 when China reopens its export market.

### Tourists return en masse along with fund inflows

Thailand has seen markedly improving tourist arrivals, which jumped from a mere 4,300 per day in January to 37,700 per day in 1-20 Aug-22, or roughly one-third of the pre-Covid-19 level. At this rate, we think the total number of tourist arrivals in 2022 should exceed the government's 8m-9m target and hit 10m, which is one-quarter of the pre-Covid-19 level of 40m in 2019. Thanks to the higher and faster-than-expected GDP growth, resilient consumer spending, and mild inflation, the Thai equity market has seen an influx of foreign fund flows at over USD5b YTD, which should continue into 2023, in our view.

### Buy on weakness ahead of solid EPS growth momentum expected in 4Q22-2023

We revise up our 2022 SET index target to 1,718 from 1,629, based on 16.2x 2022E P/E, -0.25SD, incorporating the higher risks from rising inflation, the Bank of Thailand (BoT)'s rate hike, and our EPS forecast upgrade by 5.2% to THB106.4/share in 2022. Our top picks in Sep to 4Q22 are the companies that would benefit from stronger domestic spending, higher oil prices, tourism and interest rates: PTG, SINGER, ADVANC, KBANK, BDMS, BA, AWC, and TOP.



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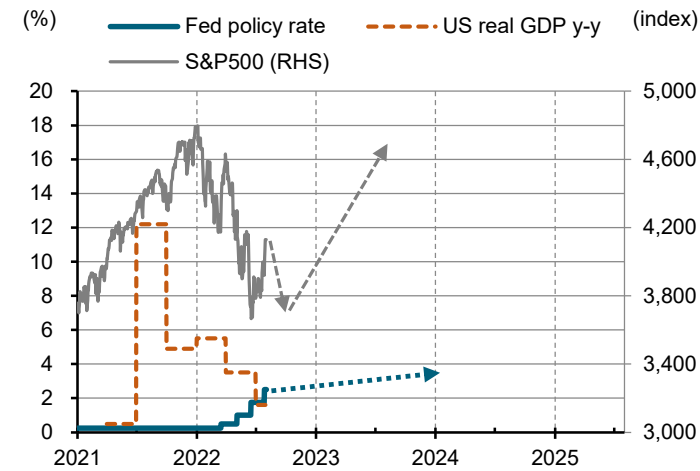
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## Market correction underway: risks from China and fund flows

In our strategy report, [“Thailand Market Strategy - US recession fears no more”](#), dated 4 Aug-22, we stated that within the next 4-6 months the global economy is likely to enter a tumultuous downcycle, with the US economy likely to enter a recession on multiple negative quarterly GDP growth prints caused by the Fed’s fast and furious policy rate hikes aimed at curbing inflation.

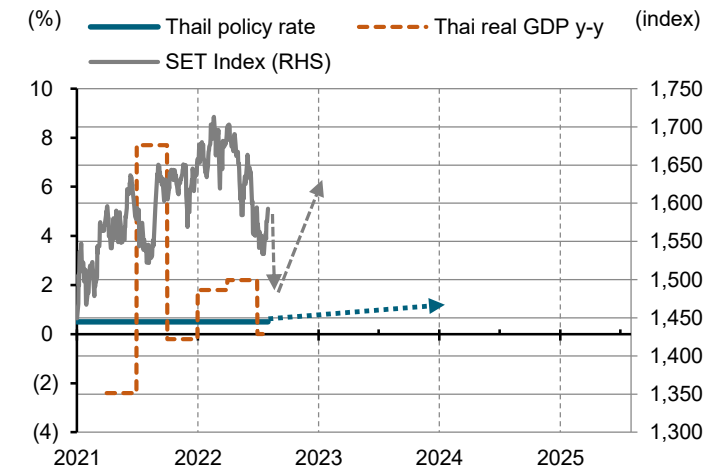
We believe there will be four key phases – moderation (2021-2Q22), correction (2H22), recuperation (2023), and growth (post-2023) – for the global economy as it evolves following the Fed’s rate hikes that will prompt global central banks to raise rates to manage their currencies while fighting inflation.

**Exhibit 1: Expected trend of US Fed rate, GDP growth and S&P index**



Sources: Bloomberg; FSSIA estimates

**Exhibit 2: Expected trend of Thai policy rate, GDP growth and SET index**

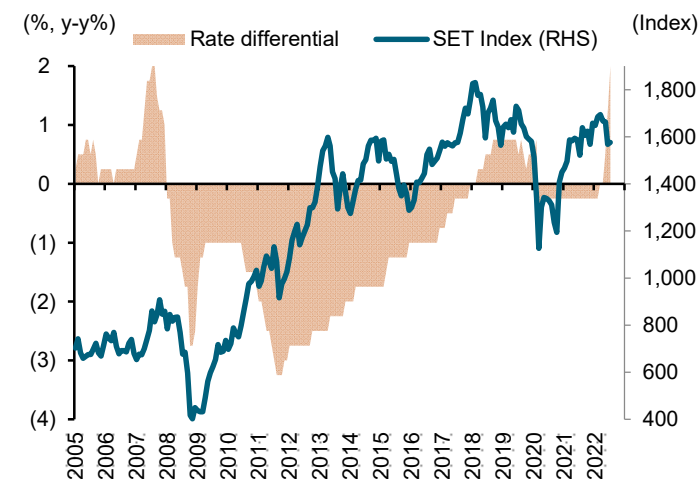


Sources: Bloomberg; FSSIA estimates

In Sep-1Q23, we expect the SET and global equity market indexes to see corrections after the rally that began in mid-July 2022 as investors re-entered the market, emboldened by the Fed’s lower-than-expected policy rate hike on milder inflation supported by lower oil prices.

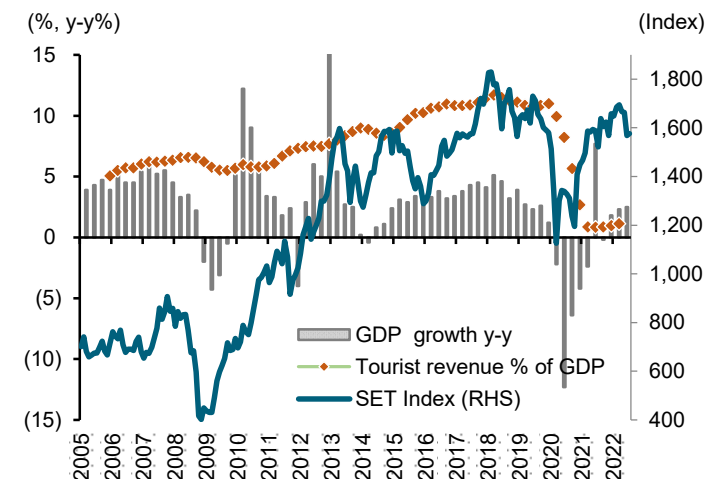
However, with no end to rising inflation in sight, we believe the global policy rate uptrend is likely to continue. Therefore, we project the prices of crude oil, gas, and coal to march to new highs this winter thanks to tight supplies and the likelihood of spikes in demand due to seasonal factors and the need for substitute fuels in the face of skyrocketing gas and coal prices.

**Exhibit 3: Thailand-US interest rate differential vs SET index**



Source: Bloomberg

**Exhibit 4: Thailand’s GDP, tourist revenue vs SET index**



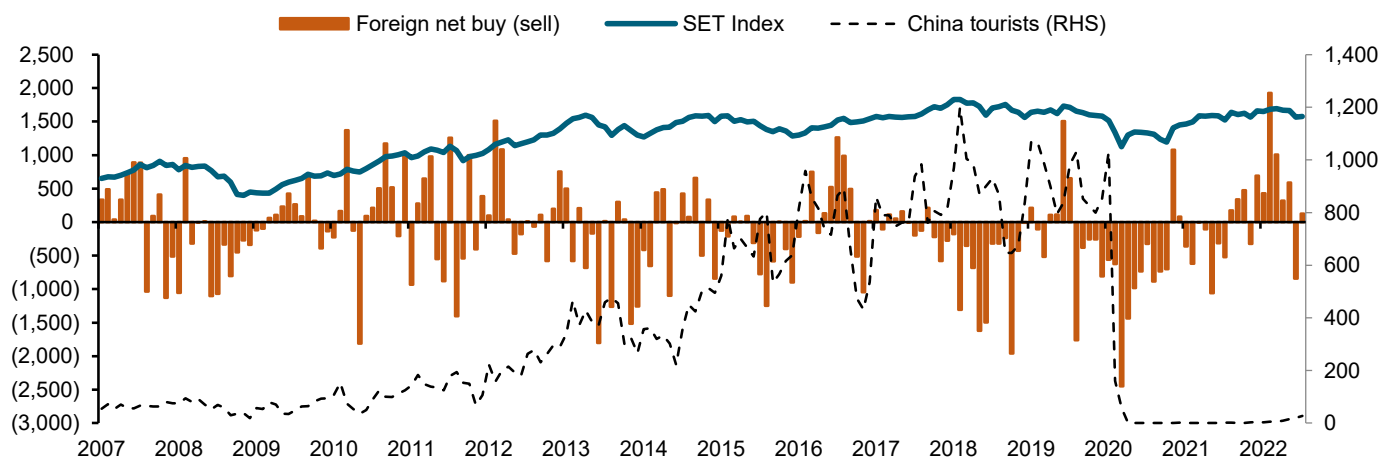
Source: Bloomberg

We expect the US equity market indexes to see 10-20% declines in Sep-Dec 2022 as investors increasingly worry about the impact of lower liquidity due to the Fed tapering off its quantitative easing (QE) measures, potential policy rate hikes, and the risk of an economic slowdown due to China's continued lockdowns that could persist into 2023.

We believe the visible and meaningfully higher revenue from tourism and continued strong exports should support our GDP growth forecast in 2022-23, which in turn should be the key catalyst sending the SET index higher in 2023 after a period of correction in 4Q22.

Manifest evidence supporting our conviction in Thailand's economic strength based on tourism, exports, reserves, and a sound banking system can be seen in the return of large foreign fund inflows into the SET index after many years of outflows during 2017-21. With stronger GDP on the way, rising tourism revenue, a relatively stable THB in the range of THB34-37/USD, and solid corporate earnings growth forecasts, we project foreign fund inflows to continue in Sep-Dec 2022 and likely into 2023.

#### Exhibit 5: SET's foreign net buy (sell) vs SET index and Chinese tourist arrivals



Source: Bloomberg

**SET downside lower than that of US equity indexes.** We believe that the SET index's downside is limited to 5-10% and is likely to bottom at 1,480, supported by the projected recovery in GDP growth from 3% in 2022 to 4% in 2023, a strong current account balance and high reserves, a healthy banking system, and strong domestic consumption due to high farm incomes and tourism revenue.

We expect 4Q22 to be a period of SET index consolidation, moving within the range of 1,580 (14.8x 2022E P/E, -0.5SD) to 1,718 (16.2x 2022E P/E, -0.25SD), supported by Thailand's healthy and improving economic metrics and the solid earnings growth of corporates on the SET.

**Exhibit 6: Key economic forecasts**

US economic forecasts (%)	2022E	2023E	2024E
Fed rate (FSSIA)	4.0	4.5	3.5
Fed rate (BNPP)	3.5	3.8	3.3
Fed rate (FOMC's dot plot)	3.4	3.8	3.5
GDP (BNPP)	2.6	1.9	1.7
CPI (BNPP)	7.5	3.9	2.4
Thailand economic forecasts (%)	2022E	2023E	2024E
Headline inflation (FSSIA)	6.5	2.6	1.7
Headline inflation (BoT)	6.2	2.5	
Headline inflation (BNPP)	6.4	2.4	1.5
Core inflation (FSSIA)	2.2	2.0	
Core inflation (BoT)	2.2	2.0	
GDP (FSSIA)	3.0	4.3	3.8
GDP (BoT)	3.3	4.2	3.9
GDP (BNPP)	3.9	4.9	3.5
BoT's policy rate (FSSIA)	1.0	1.5	
Crude oil price (USD/bbl)	2022E	2023E	2024E
Dubai crude oil price (FSSIA)	120	110	
Dubai crude oil price (BoT)	105	105	
Dubai crude oil price (BNPP)	105	105	
Number of tourists arrivals (m)	2022E	2023E	2024E
No. of international tourists (FSSIA)	8.5	34.1	-
No. of international tourists (BoT)	6.0	19.0	

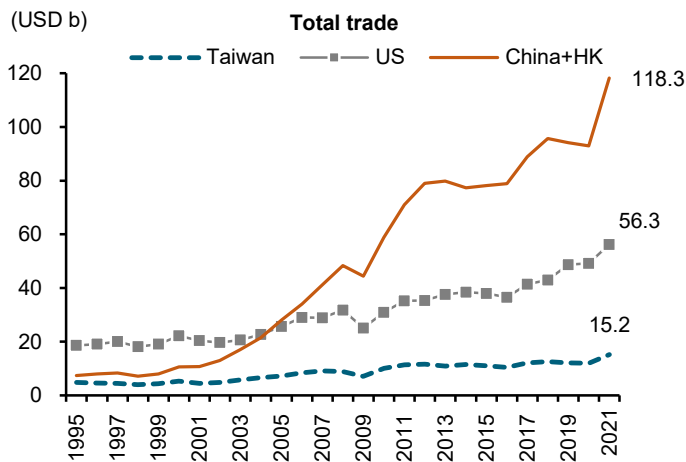
Sources: Bank of Thailand (BoT); Bloomberg; Airports of Thailand (AOT); BNP Paribas (BNPP); FSSIA estimates

## China impact: tourism & export upsides vs lockdown & supply chain downsides

China's zero-Covid policy has led to multiple shutdowns and remains a key risk to global economic growth and the global investment market due to both its scale and scope. As one of Thailand's major trading partners, China's lockdowns impact Thailand's economic growth, imports and exports, and, perhaps most importantly, tourism, as Chinese tourists accounted for 27.9% of Thailand's total tourist arrivals, or roughly 11m visitors, in 2019.

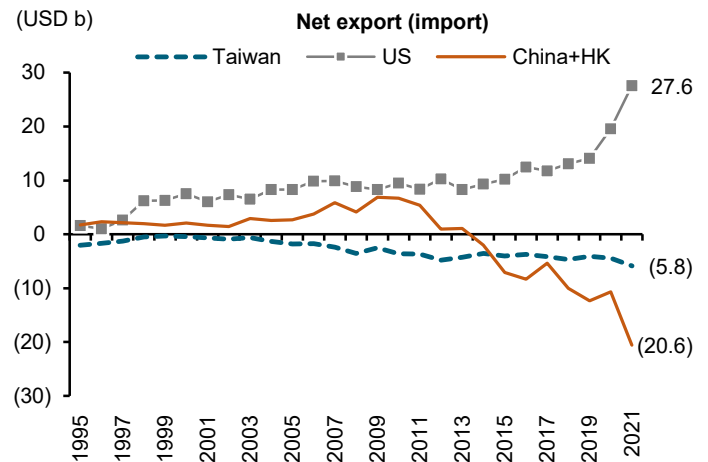
**China vs the US: China for imports and the US for exports.** According to the BoT, the total value of trade between Thailand and China including Hong Kong (+HK), was USD118.3b in 2021, rising from USD80b in 2011. However, the net export value (import-export) between Thailand and China+HK has plunged from USD8b in 2009 down to a deficit of USD20.6b in 2021, as Thailand imported more products from China, both capital goods and finished goods.

**Exhibit 7: Thailand – total trade with China+HK, Taiwan, and US**



Source: Bank of Thailand (Customs Department data)

**Exhibit 8: Thailand – trade position with China+HK, Taiwan, and US**



Source: Bank of Thailand (Customs Department data)

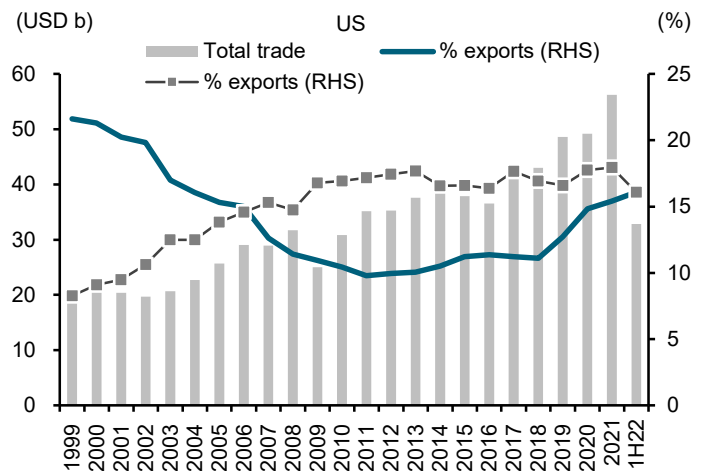
Since 1999, China+HK has increased its share of trade with Thailand from sub-USD10b in 1999 to over USD120b in 2021. In 1H22, trade between Thailand and China+HK was at USD59b, down slightly y-y due to China's lockdowns.

**Exhibit 9: Thailand's total trade with China+HK and imports vs exports**



Source: Bank of Thailand (Customs Department data)

**Exhibit 10: Thailand's total trade with US and imports vs exports**



Source: Bank of Thailand (Customs Department data)

Meanwhile, trade between Thailand and the US rose to USD58b in 2021, up from USD19b in 1999, and its share of Thailand's total trade improved from 10% in 2011 to 16% in 1H22. While the trade value between Thailand and China and the US has seen a diverging trend in 1H22, we think in 2023 onward, China+HK will return to its upward trend in terms of trade value as Thailand's largest trade partner with the highest import value and second largest export value after only the US, which has long been Thailand's largest export market for many decades.

#### Exhibit 11: Thailand's imports by country

	Import value							Change y-y						
	2016 (USD b)	2017 (USD b)	2018 (USD b)	2019 (USD b)	2020 (USD b)	2021 (USD b)	1H22 (USD b)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	1H22 (%)
<b>Total</b>	<b>194.2</b>	<b>221.5</b>	<b>248.2</b>	<b>236.3</b>	<b>206.2</b>	<b>266.9</b>	<b>182.7</b>	<b>(4.2)</b>	<b>14.1</b>	<b>12.0</b>	<b>(4.8)</b>	<b>(12.7)</b>	<b>29.5</b>	<b>42.2</b>
1 China+HK	42.0	44.2	49.9	50.3	49.8	66.6	42.2	2.3	8.1	12.1	0.8	(2.7)	34.0	31.4
2 Japan	30.7	32.1	35.3	33.2	27.7	35.7	20.6	(1.8)	4.5	10.0	(5.8)	(16.6)	28.8	17.3
3 UAE	6.0	7.4	10.4	7.4	5.3	9.2	11.0	(26.7)	23.6	40.8	(29.3)	(28.5)	74.3	190.0
4 US	12.0	14.8	15.0	17.3	14.8	14.3	10.6	(13.1)	22.9	1.2	15.5	(14.3)	(3.1)	49.2
5 Malaysia	10.8	11.6	13.2	12.8	10.1	12.0	9.0	(9.4)	7.3	14.3	(3.6)	(20.5)	18.4	52.8
6 Taiwan	7.1	8.1	8.6	8.1	8.2	10.5	7.2	(5.4)	14.3	6.1	(6.5)	2.1	27.5	43.8
7 S. Korea	7.3	8.0	8.9	8.7	7.7	9.9	6.0	3.5	9.8	11.0	(2.5)	(11.4)	29.3	23.6
8 Indonesia	6.3	7.3	8.0	7.2	5.8	8.1	5.8	(3.6)	15.4	8.9	(9.2)	(19.8)	40.1	42.8
9 Singapore	6.5	7.9	7.7	7.6	7.5	7.3	4.8	(9.1)	21.2	(2.6)	(1.3)	(1.3)	(1.9)	30.9
10 Vietnam	4.4	5.0	5.7	5.4	5.4	7.0	4.6	9.0	12.2	14.9	(4.4)	(0.1)	27.9	32.9
<b>Top 10</b>	<b>133.2</b>	<b>146.4</b>	<b>162.6</b>	<b>157.9</b>	<b>142.3</b>	<b>180.6</b>	<b>121.7</b>	<b>(3.8)</b>	<b>10.8</b>	<b>10.9</b>	<b>(2.9)</b>	<b>(10.3)</b>	<b>27.1</b>	<b>39.0</b>
% of total imports	68.6	66.1	65.5	66.8	69.0	67.7	66.6							
% of US	6.2	6.7	6.0	7.3	7.2	5.4	5.8							
% of China	21.6	20.0	20.1	21.3	24.2	24.9	23.1							
% of Japan	15.8	14.5	14.2	14.1	13.4	13.4	11.3							

Source: Ministry of Commerce

We believe that in 2023 onward, China could emerge as Thailand's true white knight for export growth if China reopens after over a year of lockdowns under its zero-Covid policy. In 2021, the value of exports to China was USD37.3b, only USD4.6b lower than exports to the US at USD41.9b. In 1H22, the export value gap widened to USD6.5b due to China's lockdowns, but we think China's imports from Thailand should accelerate in 2023 when China reopens its export market.

#### Exhibit 12: Thailand's exports by country

	Export value							Change y-y						
	2016 (USD b)	2017 (USD b)	2018 (USD b)	2019 (USD b)	2020 (USD b)	2021 (USD b)	1H22 (USD b)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	1H22 (%)
<b>Total exports</b>	<b>215.4</b>	<b>236.6</b>	<b>253.0</b>	<b>246.3</b>	<b>231.6</b>	<b>272.0</b>	<b>172.8</b>	<b>0.5</b>	<b>9.9</b>	<b>6.9</b>	<b>(2.6)</b>	<b>(5.9)</b>	<b>17.4</b>	<b>30.6</b>
US	24.5	26.6	28.0	31.3	34.4	41.9	27.7	1.8	8.5	5.5	11.8	9.7	21.9	39.2
China	23.8	29.5	30.3	29.2	29.8	37.3	21.2	0.3	24.0	2.7	(3.8)	2.2	25.0	15.8
Japan	20.5	22.1	24.9	24.5	22.8	25.0	14.7	2.1	7.7	13.0	(1.7)	(7.0)	9.6	17.2
Vietnam	9.4	11.6	13.0	12.1	11.2	12.5	7.9	5.8	22.9	11.9	(6.5)	(7.8)	12.3	17.4
Malaysia	9.6	10.3	11.6	10.4	8.7	12.1	7.7	(5.5)	7.4	12.6	(11.0)	(15.7)	38.3	32.1
Singapore	8.2	8.3	9.3	8.9	9.5	9.1	6.4	(6.0)	0.8	12.2	(4.6)	7.2	(4.8)	59.2
Indonesia	8.2	8.8	10.2	9.1	7.6	8.9	6.6	4.5	8.2	15.9	(11.2)	(16.2)	16.9	61.2
India	5.2	6.5	7.6	7.3	5.5	8.6	6.5	(2.6)	25.6	17.8	(3.8)	(25.0)	56.0	69.4
Hong Kong	11.5	12.3	12.5	11.7	11.3	11.6	6.3	(3.0)	7.2	1.8	(6.5)	(3.6)	2.7	10.6
Australia	10.3	10.5	10.8	10.2	9.8	11.0	6.4	5.5	1.9	2.6	(5.1)	(3.9)	11.5	14.5
<b>Top 10</b>	<b>131.2</b>	<b>146.5</b>	<b>158.4</b>	<b>154.8</b>	<b>150.7</b>	<b>177.9</b>	<b>111.4</b>	<b>0.6</b>	<b>11.7</b>	<b>8.1</b>	<b>(2.3)</b>	<b>(2.7)</b>	<b>18.1</b>	<b>28.7</b>
% of total exports	60.9	61.9	62.6	62.8	65.0	65.4	64.5							
% of US	11.4	11.2	11.1	12.7	14.8	15.4	16.1							
% of China	11.0	12.5	12.0	11.8	12.9	13.7	12.3							

Source: Ministry of Commerce

By 2024, we forecast that China will become Thailand's largest export market based on 1) China's strong GDP growth, albeit at a lower rate in the range of 3-4% after its economic reopening; and 2) US GDP is projected to shrink further after two consecutive negative growth prints in 1Q22-2Q22 as the Fed's policy rate hikes start to have a negative impact on US economic growth.

**China's machinery and tools are Thailand's key imports.** Based on BoT data, Thailand imports mostly capital goods from China, including machinery, electronic components, apparatus, assembly line machinery, boilers, iron and steel, plastics, aluminium, tractors, and chemicals. These products are key components for the manufacturing of export-oriented products, such as automobiles, electrical and electronic appliances, petrochemicals, refinery, and agricultural products, all of which are key exports for Thailand.

### Exhibit 13: Thailand's top 15 goods imported from mainland China

		----- Import value -----					----- Change y-y -----				
		2018	2019	2020	2021	1H22	2018	2019	2020	2021	1H22
		(USD b)	(USD b)	(USD b)	(USD b)	(USD b)	(%)	(%)	(%)	(%)	(%)
<b>Total</b>		<b>49.9</b>	<b>50.3</b>	<b>49.8</b>	<b>66.6</b>	<b>42.2</b>	<b>12.8</b>	<b>0.7</b>	<b>(0.9)</b>	<b>33.6</b>	<b>34.0</b>
1	Machinery, electrical appliances and components thereof, television recording and reproducing apparatus and components, and assemblies thereof	15.0	14.0	15.4	20.2	10.8	13.5	(6.9)	10.3	30.6	14.9
2	Boilers, reactors, machinery, mechanical appliances and parts thereof	8.4	9.0	9.4	11.8	5.8	13.5	7.5	3.8	25.8	6.4
3	Iron and steel	2.5	2.5	2.3	3.7	2.1	17.1	(3.2)	(8.1)	64.1	16.3
4	Plastics and plastic goods	2.5	2.5	2.6	3.4	1.9	17.6	(0.7)	3.5	32.9	13.3
5	Iron or steel	2.6	2.4	2.2	2.7	1.6	(6.0)	(9.7)	(7.0)	21.7	31.3
6	Miscellaneous chemical products	1.3	1.1	1.1	1.8	1.3	2.1	(16.5)	5.4	62.6	45.0
7	Aluminium and aluminium products	1.1	1.1	1.0	1.6	1.2	24.8	0.0	(3.5)	56.0	65.7
8	Tractors (other than tractors of heading 87.09).	1.5	1.5	1.3	1.9	1.1	13.9	1.3	(9.8)	41.9	20.2
9	Organic chemicals	1.2	1.1	1.1	1.6	1.0	21.8	(9.0)	(1.9)	44.9	30.2
10	Inorganic chemicals and organic compounds	0.9	0.8	0.7	1.1	0.7	18.2	(11.9)	(14.4)	59.0	51.7
11	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	1.2	1.2	1.1	1.4	0.6	12.5	2.8	(7.9)	31.0	(6.2)
12	Copper and articles thereof	0.7	0.9	0.7	1.3	0.6	47.6	20.7	(22.6)	91.3	(4.7)
13	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	0.7	0.8	0.8	1.1	0.6	17.3	15.5	(3.4)	35.0	8.7
14	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metals, and articles thereof; imitation jewellery; coin	0.5	0.4	0.4	0.6	0.4	(15.5)	(8.2)	(10.5)	45.4	62.2
15	Rubber and articles thereof	0.4	0.4	0.5	0.7	0.3	25.4	6.2	10.7	43.9	3.1
<b>Total top 15 items</b>		<b>40.6</b>	<b>39.7</b>	<b>40.6</b>	<b>54.9</b>	<b>30.1</b>	<b>12.8</b>	<b>(2.2)</b>	<b>2.3</b>	<b>35.3</b>	<b>16.8</b>
<i>Top 15 as % of total imports from China</i>		<i>81.3</i>	<i>79.0</i>	<i>81.5</i>	<i>82.5</i>	<i>71.5</i>					
<i>Top 15 as % of total Thailand imports</i>		<i>16.4</i>	<i>16.8</i>	<i>19.7</i>	<i>20.6</i>	<i>16.5</i>					

Sources: Ministry of Commerce; FSSIA's compilation



**China's trade partners: Taiwan for imports and the US for exports.** Based on 2021 trade data from World's Top Exports, Taiwan is China's top source of imports with a net trade deficit of USD156.4b in 2021, mainly semiconductors, while the US is China's largest export market worth USD357.4b in 2021. These facts conflict with the current narrative of geopolitical tensions between China, Taiwan, and the US, as indicated by the recent one-day visit by US House Speaker Nancy Pelosi to Taiwan.

**Exhibit 14: China – top 10 countries with trade deficit**

Trade deficit in 2021	(USD b)
1. Taiwan	156.4
2. Australia	92.6
3. South Korea	58.7
4. Brazil	55.2
5. Japan	37.1
6. Switzerland	29.6
7. Saudi Arabia	24.2
8. Oman	22.4
9. Malaysia	18.4
10. Angola	16.0

Source: [www.worldstopexports.com](http://www.worldstopexports.com)

**Exhibit 15: China – top 10 countries with trade surplus**

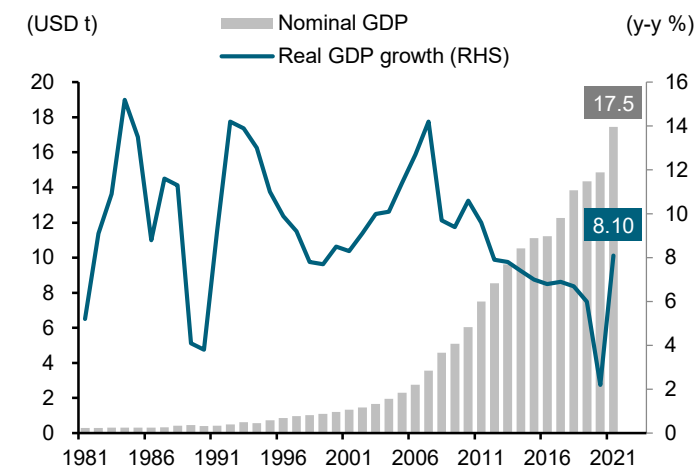
Trade surplus in 2021	(USD b)
1. United States	357.4
2. Hong Kong	304.1
3. Netherlands	79.2
4. India	61.6
5. United Kingdom	55.4
6. Mexico	43.7
7. Vietnam	42.8
8. Philippines	29.3
9. Poland	28.1
10. Spain	21.4

Source: [www.worldstopexports.com](http://www.worldstopexports.com)

**Unravelling China's economic growth number.** We believe China's lockdowns, along with the selective trade sanctions against Taiwan and the US, will have grave consequences not only for Taiwan and the US but also for China as well. China's GDP grew at only 2.5% in 1H22 and 0.4% in 2Q22, down from 4.8% in 1Q22, mainly due to the impact of its lockdowns, particularly in Shanghai, China's financial and shipping hub.

While China's retail sales grew 3.1% y-y in June, mining and manufacturing grew 0.9% y-y in 2Q22, and industrial production rebounded by 3.9% y-y in June, the slump in its property sector, which plunged by 9.4% y-y in June after falling 7.8% y-y in May, was a key drag on China's economic growth in 2Q22. Chinese homebuyers are now refusing to pay mortgages on unfinished apartments out of fear that the projects may be delayed or stalled, following Evergrande's default in 2021.

**Exhibit 16: China – annual GDP growth**



Sources: Bloomberg; FSSIA's compilation

**Exhibit 17: China – quarterly GDP growth**



Sources: Bloomberg; FSSIA's compilation

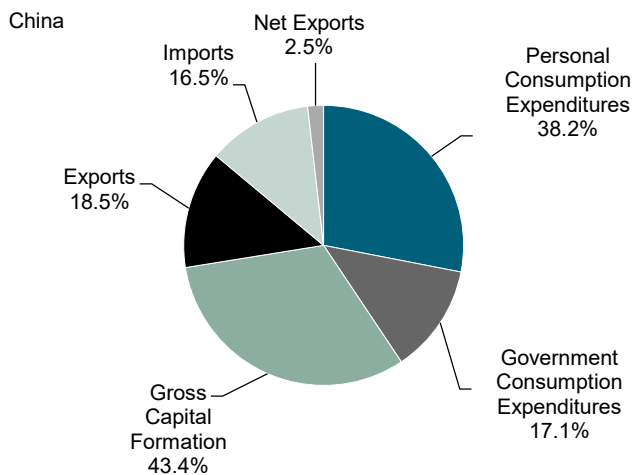


**China's lockdowns are likely to boost domestic consumption.** Unlike most developed countries such as the US, whose GDP component comes mostly from household domestic consumption (68.4% of total GDP in 2021), government spending (17.3%), fixed capital investment (17.2%), exports (12.1%), imports (-15%), and inventory (0.1%), China's GDP still comes mostly from investments (43.4%), mainly in manufacturing, and government spending (17.1%) for infrastructure projects, with household consumption accounting for 38.2% of total GDP.

However, over the past three decades, China has successfully shifted its GDP structure from an export-driven model to more service and domestic consumption. With prolonged lockdowns forcing the Chinese to spend their money within their own country, we believe China is likely to emerge from its year-long lockdown with domestic consumption as a higher percentage of its GDP.

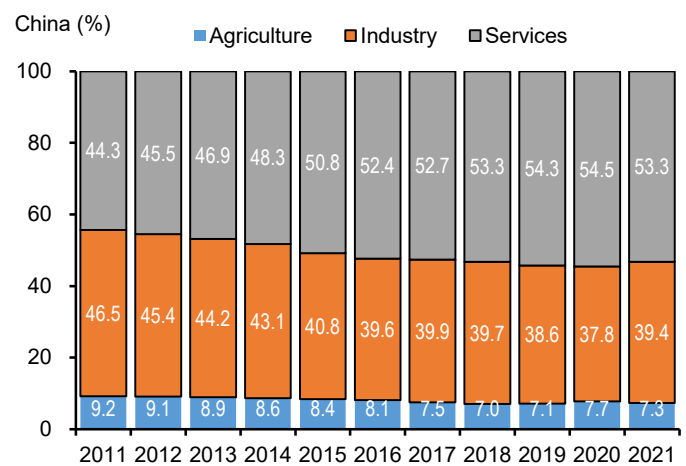
China's service sector has grown from 44.3% of GDP in 2011 to 53.3% in 2021, surpassing the industrial sector portion which has declined from 46.5% in 2011 to 39.4% in 2021. We believe that services as a percent of GDP for China will rise further to 55-56% in 2023, driven mainly by the food & restaurant and tourism industries, based on China's National Bureau of Statistics (NBS).

**Exhibit 18: China – real GDP by expenditure**



Source: [en.acromicro.me](http://en.acromicro.me)

**Exhibit 19: China – real GDP by production**



Source: [statista.com](http://statista.com)

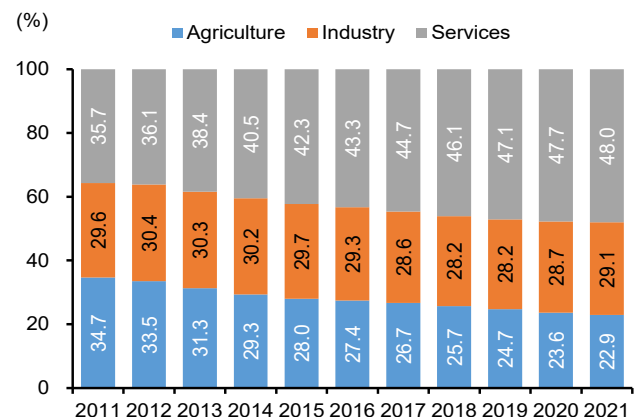
**China's unemployment rate is rising.** The impact of prolonged lockdowns has started to result in a higher unemployment rate, which rose from an average of 4-4.5% in 2004-18 to 5-6% in 2019-1H22. While the 5-6% figure is not alarming, we think China's government will mandate, or at least try to maintain, an unemployment rate below 6% to maintain the country's social and political stability, the most critical factors for China's government, in our view.

**Exhibit 20: China – unemployment rate**



Source: [tradingeconomics.com](http://tradingeconomics.com)

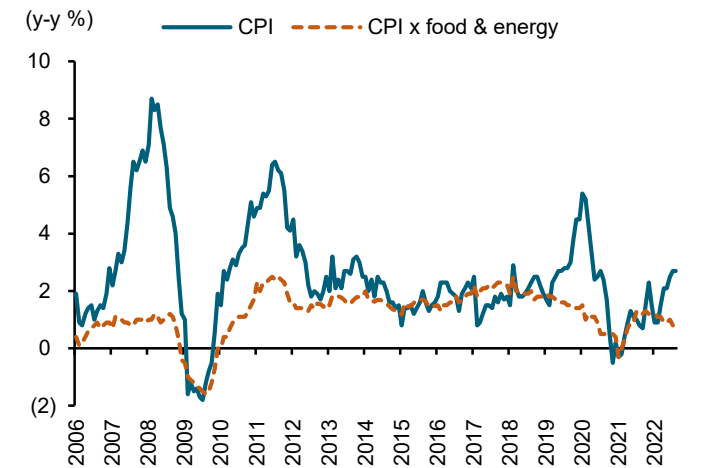
**Exhibit 21: China – employment by sector**



Source: [statista.com](http://statista.com)

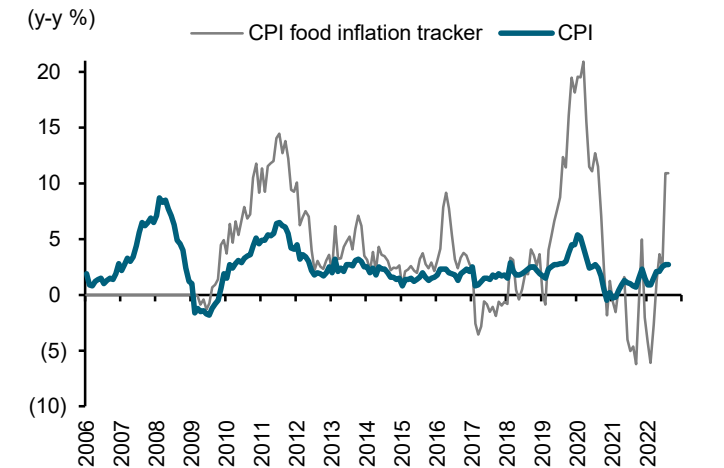
**China's inflation: no problem.** Unlike most countries, China is one of the few countries with low inflation, with a rate below 3% in 1H22. Despite high food inflation that surpassed 10% y-y in 1H22, the overall consumer price index (CPI) or inflation rate has remained below 3% due to China's low costs for manufactured products, state-controlled electricity and energy prices, and increasing levels of self-sufficiency for a number of industries, including chemical, refinery, coal, steel, textile, packaging, automotive, and electrical and electronics.

**Exhibit 22: China – headline and core inflation**



Source: Bloomberg

**Exhibit 23: China – CPI food inflation tracker vs headline CPI**

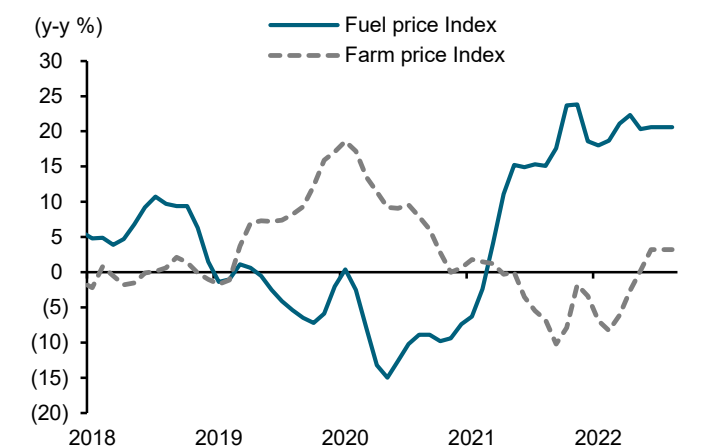


Source: Bloomberg

**Fuel price index rise offset by low farm price index.** The spike in China's fuel price index in 1Q21-2Q22 to above 20% y-y was pushed up by China's high imports of energy, including oil and gas. But the high fuel price index was offset by China's low farm price index, thanks to China's rising self-sufficiency for many agricultural products.

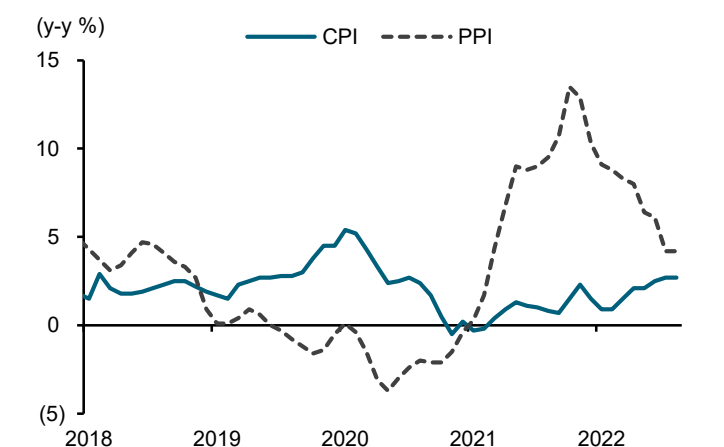
However, in producer price index (PPI) terms, China's PPI jumped markedly in 2021-1H22 from zero in 1Q21 to almost 15% in 4Q21 before dropping to below 5% in 2Q22. We think the spike in the PPI in 4Q21 was due to a power crunch caused by insufficient coal inventories for coal-fired power plants amid a winter cold snap following China's green energy policy of curbing domestic coal production and shutting down coal-fired power capacity to support higher renewable capacity.

**Exhibit 24: China – farm and fuel price index**



Source: Bloomberg

**Exhibit 25: China – CPI vs PPI**



Source: Bloomberg

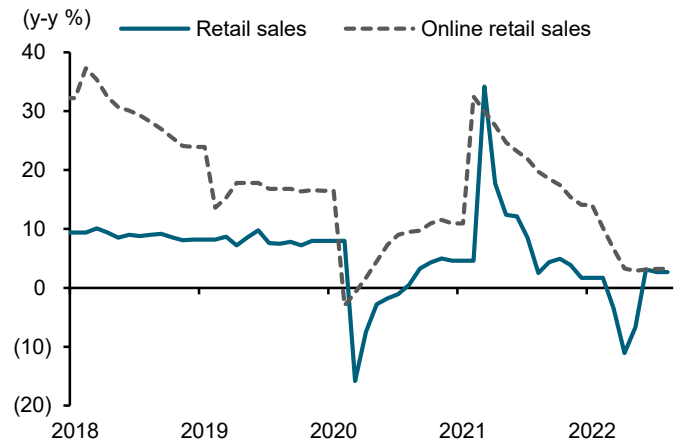
**Consumer and industrial consumption recovered in 2Q22.** Industrial production, retail sales and online retail sales growth in China rebounded meaningfully in 2Q22 after turning negative in 1Q22 due to the harsh lockdown policy.

**Exhibit 26: China – industrial production and PPI**



Source: Bloomberg

**Exhibit 27: China – retail sales and online retail sales**



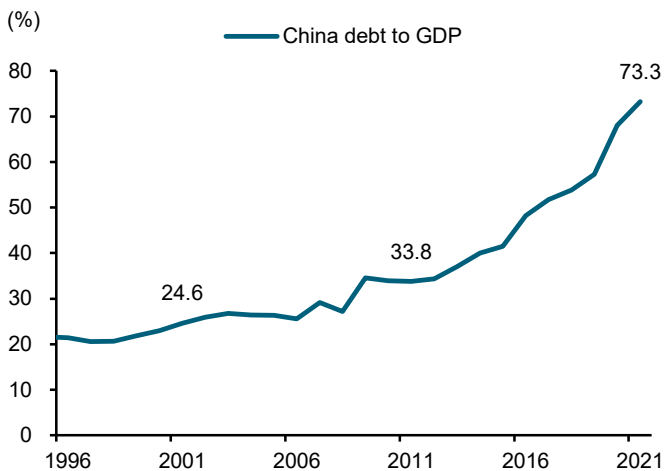
Source: Bloomberg

**China's financial health assessment: safe and sound.** Despite a weak GDP print due to the lockdown policy, trade tensions with the US, and property sector problems, China's debt-to-GDP ratio remained healthy at 73.3% as of 2021, up from 68.1% in 2020 and 57.2% in 2019.

**China's latest stimulus package.** On 26 Aug-22, China's State Council rolled out a RMB1tr (USD146b) economic stimulus package targeting infrastructure, property, the private sector, and other areas that the government believes need support such as state banks which would be given an additional USD44b to finance infrastructure projects, according to the Financial Times.

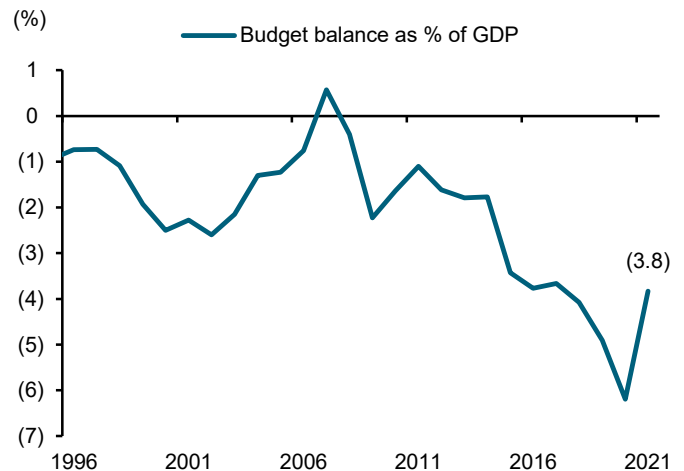
Local governments are allowed to use their USD73b budget to reduce financing costs as electricity firms face challenges sparked by drought and heat waves, and an additional USD29b to ensure sufficient energy supplies. These financial supports come on top of the government's move to lower the policy rate twice to shore up economic growth and offset the impacts of the zero-Covid policy lockdowns and a deep property slump. In July, the Chinese government lowered its 2022 GDP target to 5.5% after registering only 2.5% GDP growth in 1H22.

**Exhibit 28: China – debt to GDP**



Source: Bloomberg

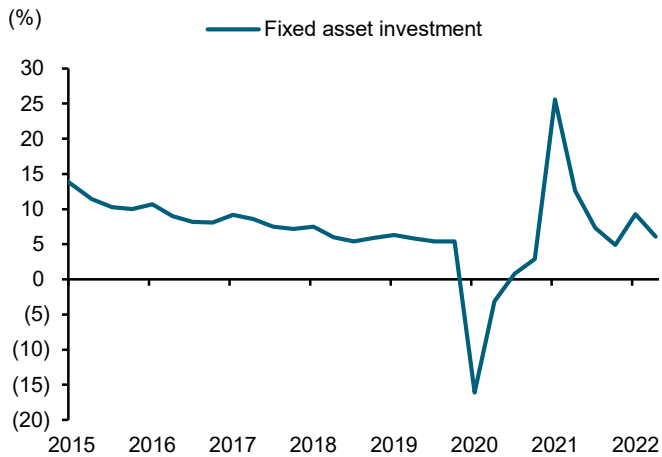
**Exhibit 29: China – budget balance to GDP**



Source: Bloomberg

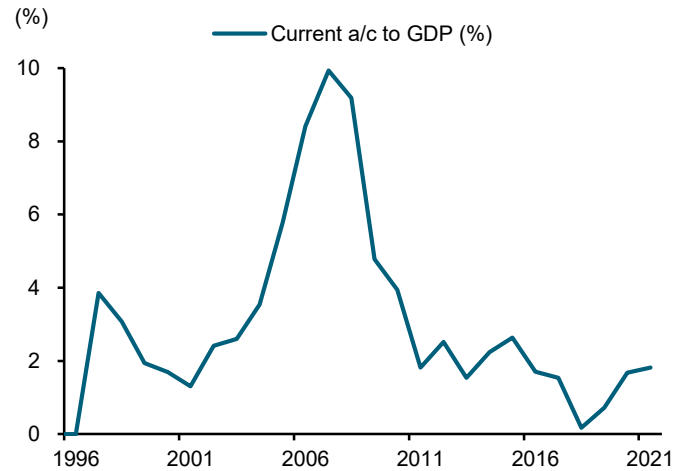
Despite the impact of the lockdowns, China continues to post a strong current account balance, which stands at around 2% of GDP as of 2021-1H22. Fixed asset investments, boosted by the government's recent stimulus packages, should ensure that GDP recovers to within reach of the government's 2022 target of 5.5-6.0%, in our view.

**Exhibit 30: China – fixed asset investment**



Investment in fixed assets (excluding rural households): refers to the total construction workload and purchases of fixed assets during a certain period in the form of currency, as well as related expenses  
Source: Bloomberg

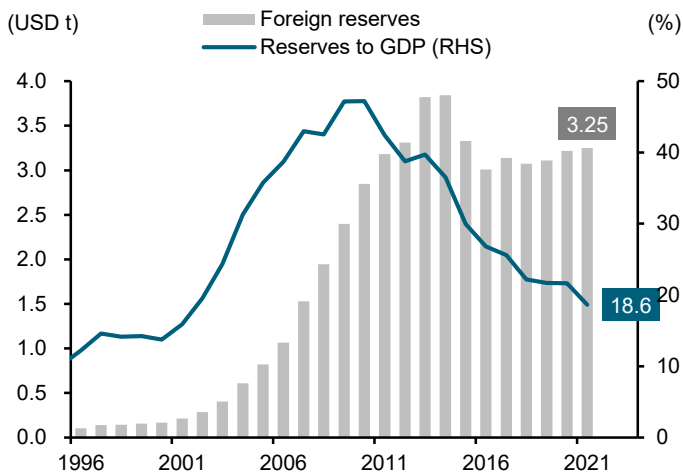
**Exhibit 31: China – current account to GDP**



Source: Bloomberg

Meanwhile, China's reserves remained high at USD3.25t in 2021, representing 18.6% of GDP. Exports to GDP are still solid at 20% and projected to stay high at above 20% in 2022, according to China's State Council.

**Exhibit 32: China – international reserves**



Source: Bloomberg

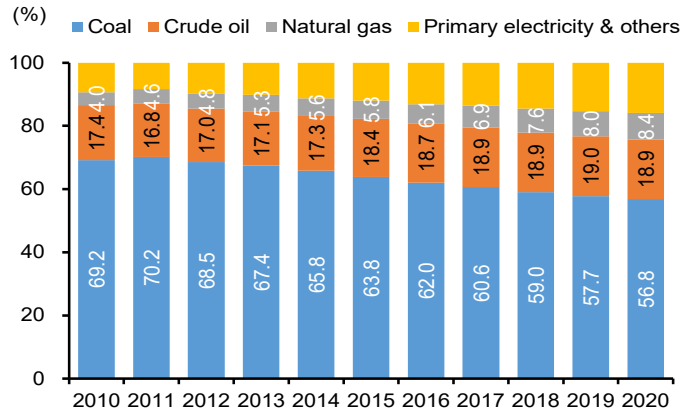
**Exhibit 33: Exports to GDP**



Source: Bloomberg

**China's energy reliance and demand growth.** As the second largest energy consumer after the US, China's impact on global commodity and energy prices is significant. As of 2020, China still relied heavily on coal-fired power plants as the key backbone for its electricity grid.

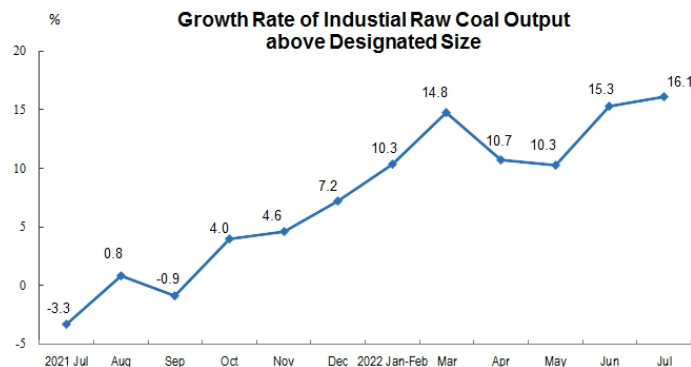
**Exhibit 34: China – energy consumption**



Source: [statista.com](https://www.statista.com)

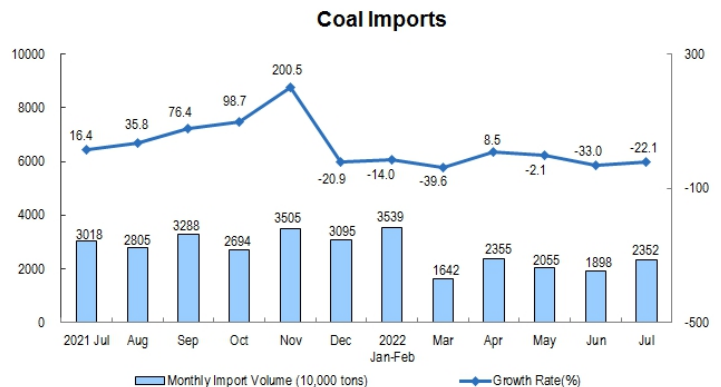
In 4Q21, China faced an unprecedented power crunch due to a combination of its coal reduction policy and an untimely drop in renewable energy production. Hence, in 2022, China has stepped up domestic coal production and lowered coal imports in a bid to increase the country's self-sufficiency in coal and avoid a repeat of the 4Q21 power blackouts.

**Exhibit 35: China – energy production in July 2022**



Source: [National Bureau of Statistics of China](http://www.stats.gov.cn)

**Exhibit 36: China – coal imports**



Source: [National Bureau of Statistics of China](http://www.stats.gov.cn)

As for crude oil, China relies mostly on imports as domestic production of oil and gas was relatively stagnant in 2021-22. Higher imports from Russia followed the EU's sanctions on Russian energy, but overall, China's oil demand in 1H22 declined due to the impact of the lockdowns.

Exhibit 37: China – production of crude oil

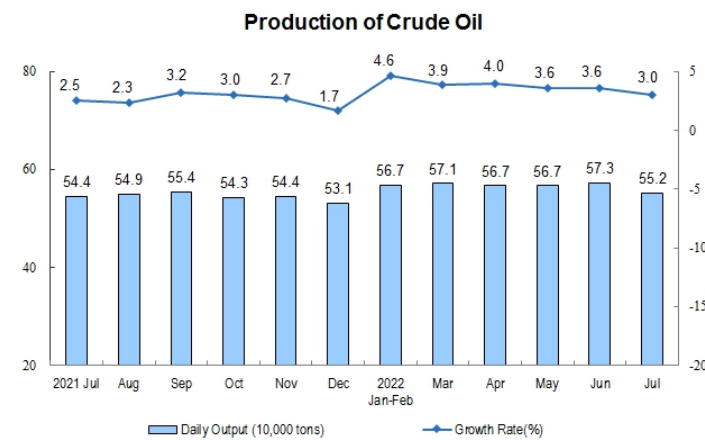
Source: [National Bureau of Statistics of China](#)

Exhibit 38: China – processing capacity of industrial crude oil

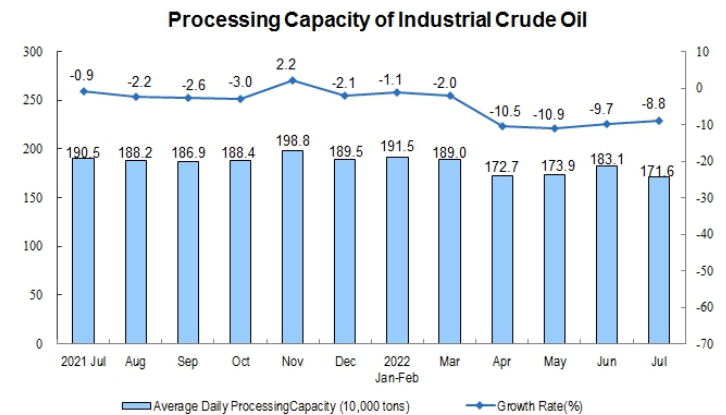
Source: [National Bureau of Statistics of China](#)

Exhibit 39: China – production of natural gas

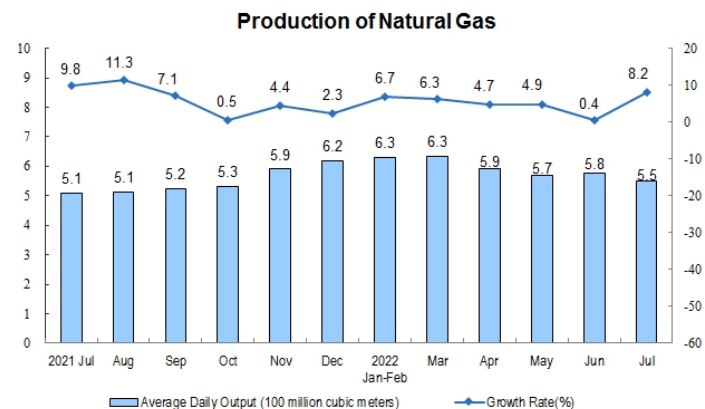
Source: [National Bureau of Statistics of China](#)

Exhibit 40: China – natural gas imports

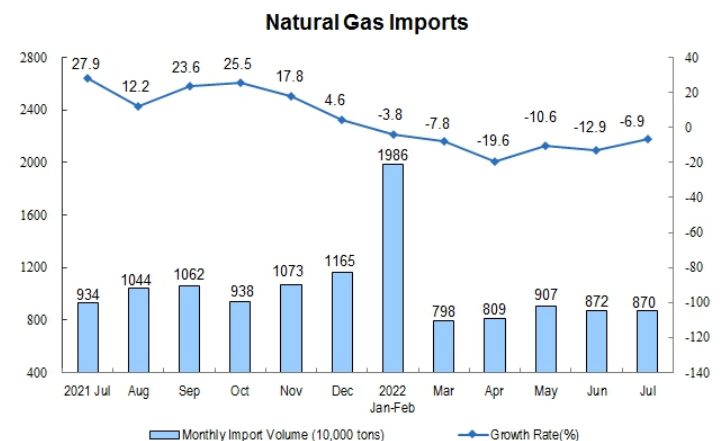
Source: [National Bureau of Statistics of China](#)

Exhibit 41: China – industrial power generation

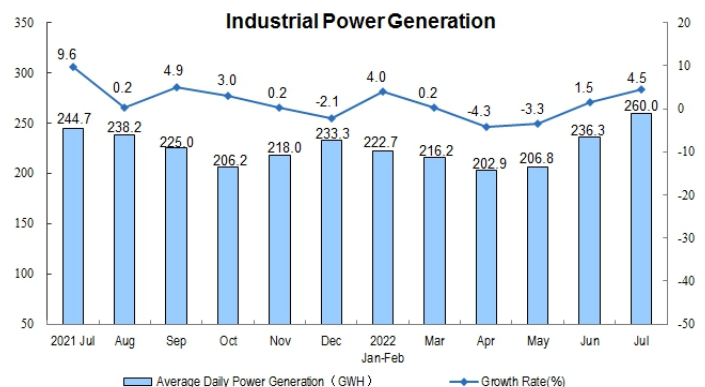
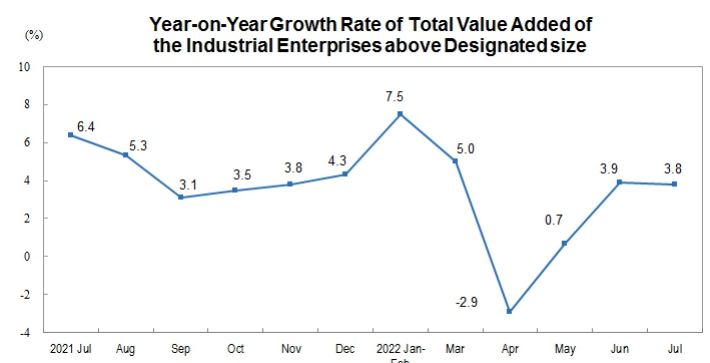
Source: [National Bureau of Statistics of China](#)

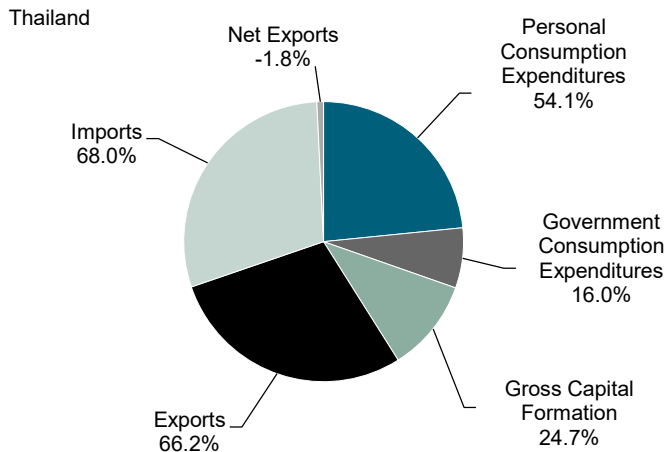
Exhibit 42: China - Industrial production in July 2022

Source: [National Bureau of Statistics of China](#)

## Thailand's high domestic consumption key for strong GDP growth in 2022-23

Thanks to the faster-than-expected recovery in tourist arrivals, rising farm incomes on higher global prices for agricultural products, and continued solid exports, Thailand has seen domestic consumption growth rebound at a faster rate than most of its peers in 1H22.

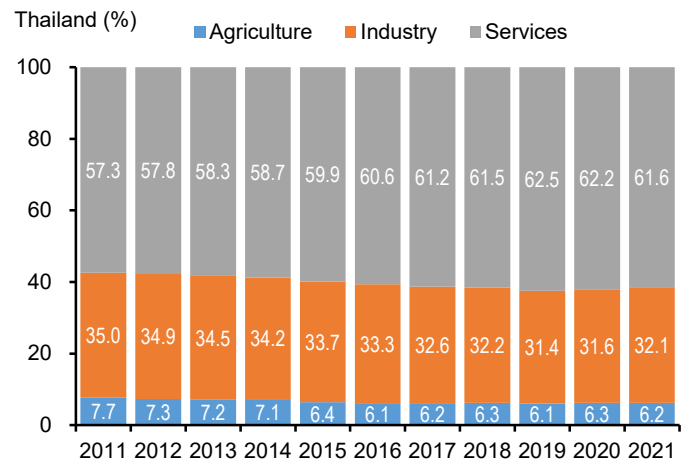
**Exhibit 43: Thailand – real GDP by expenditure**



Note: Chain volume series are not additive. The sum of the components will thus not be equal to 100%.

Source: Office of the National Economic and Social Development Council (NESDC)

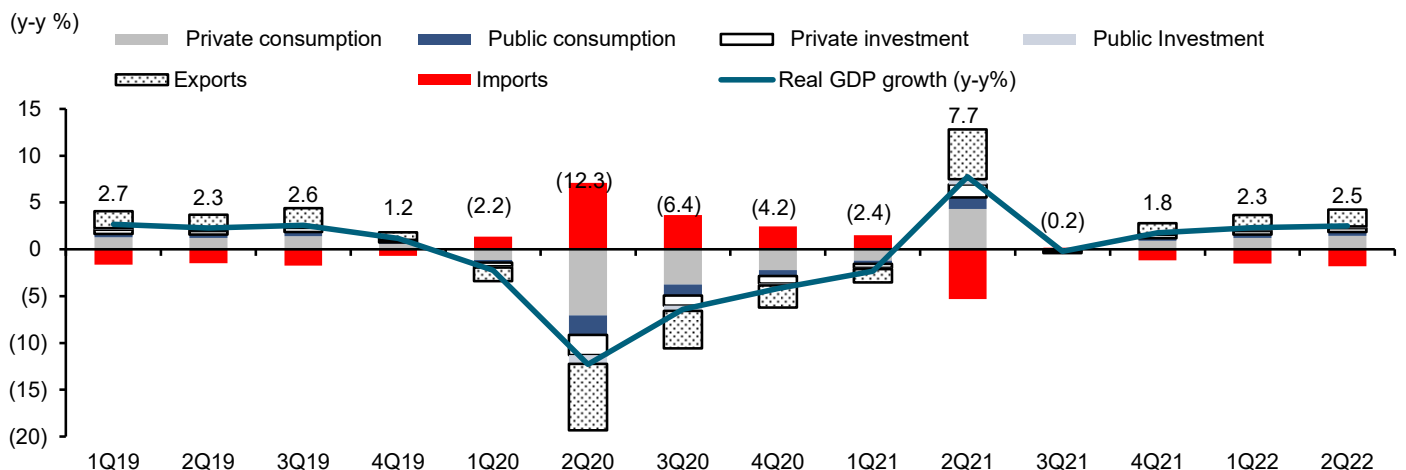
**Exhibit 44: Thailand – real GDP by production**



Source: NESDC

In 2Q22, Thailand's GDP growth was at 2.5% y-y, supported by strong domestic consumption and led by private sector consumption growth of 6.9% y-y, driven mainly by solid consumption growth in the tourism sector, led by the hotel and restaurant segments, which rose by 44.9% y-y. The strong consumption growth reflects a faster and stronger tourism recovery, followed by 3.1% y-y growth from trading (consumer spending), 5.3% from transportation (e-commerce), 4.4% y-y from agriculture (higher farm income), and 1.6% from the financial sector (rising loan growth).

**Exhibit 45: Contribution to GDP growth by expenditure**



Sources: NESDC; FSSIA's compilation

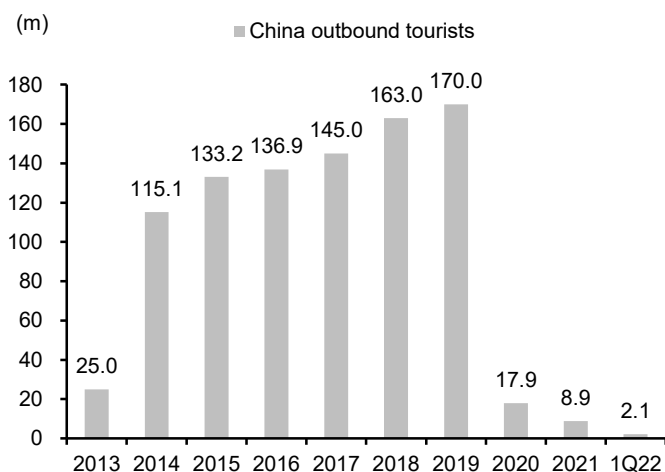


**Tourism recovery is well on track to boost GDP.** According to the Economics, Tourism, and Sports Division, Thailand has seen a markedly improving number of tourist arrivals, which have jumped from a mere 4,300 per day in January to 37,700 per day in 1-20 Aug-22, or roughly one-third of the pre-Covid-19 level. At this recovery rate, we think the total number of tourist arrivals in 2022 should exceed the government's 8m-9m target and is likely to hit 10m, which is a quarter of the pre-Covid-19 level of 40m in 2019.

Chinese tourists, the largest group at over one-quarter of Thailand's total in 2019, have yet to return due to China's zero-Covid policy, which still forbids overseas travel for Chinese citizens. We think that by 1Q23, China is likely to reopen its economy and allow its people to travel overseas again. A rising number of Chinese tourists could provide a major driver for Thailand's tourism revenue as Chinese tourists would not only come in large numbers but also spend heavily in terms of their shopping behaviour and the hotels and restaurants they choose.

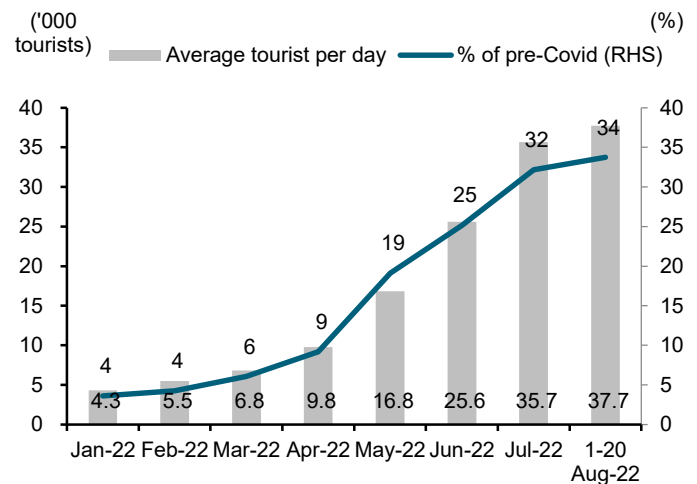
In 7M22, tourists from the Middle East and India accounted for the majority of Thailand's tourist arrivals. If Chinese tourists return by 1Q23, coupled with a favourably weakening THB currency, we think Thailand's service revenue should directly benefit, with higher consumer spending as an indirect benefit, which should be a key catalyst for GDP growth and an improving current account balance.

**Exhibit 46: China's outbound tourists**



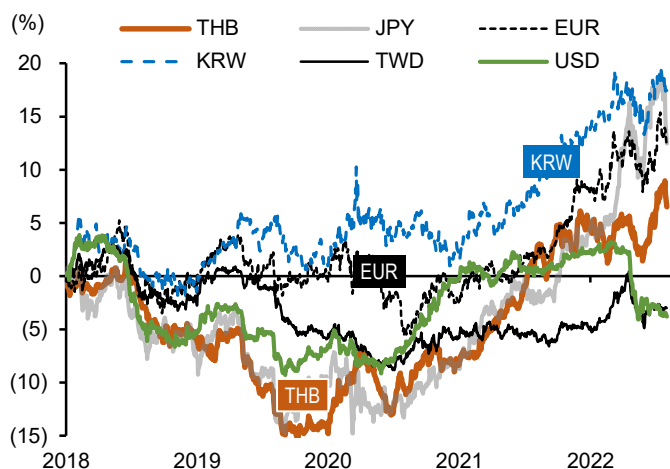
Source: Bloomberg

**Exhibit 47: Thailand's tourist arrivals**



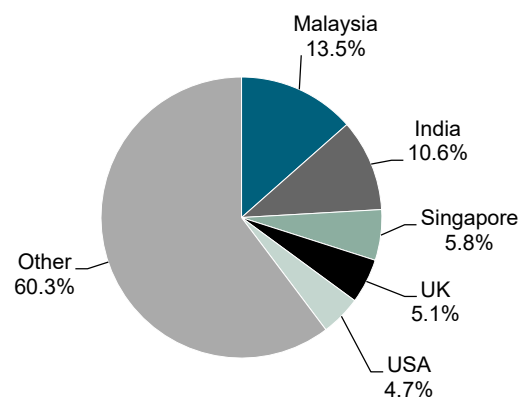
Source: Economics, Tourism, and Sports Division

**Exhibit 48: Exchange rate for 1 CNY**



Source: Bloomberg

**Exhibit 49: Tourist arrival breakdown by country**

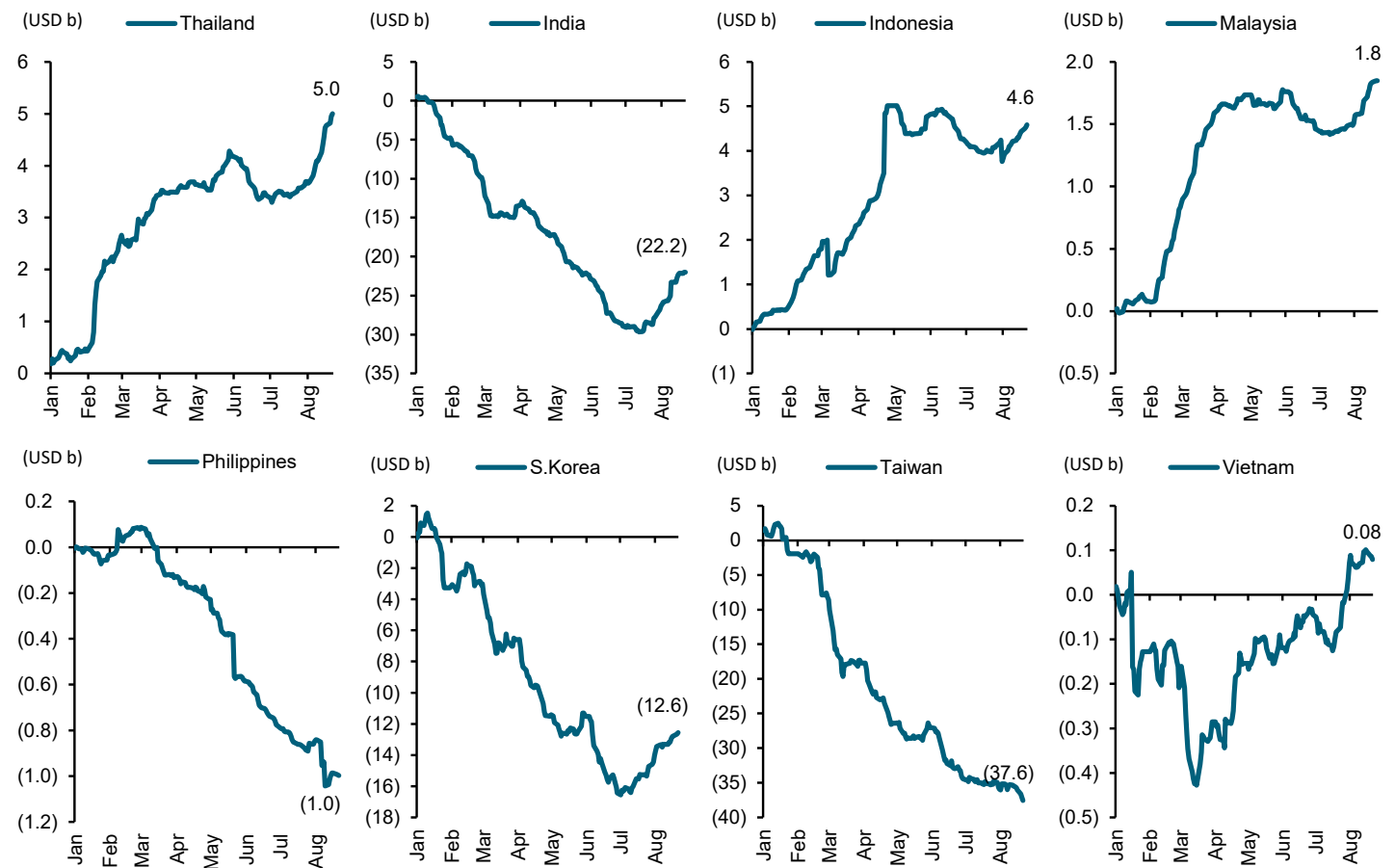


Sources: Economics, Tourism, and Sports Division

## Thailand's fund flows: more on rising GDP, interest rates, consumer spending

Thanks to higher and faster-than-expected GDP growth, resilient consumer spending, and mild inflation, Thailand's equity market has seen an increased influx in foreign fund flows. YTD, foreigners poured over USD5b into the SET index, surpassing USD4.6b for Indonesia and USD0.08b for Vietnam. Other Asian equity markets saw outflows of foreign investors, with Taiwan seeing the largest fund outflow of USD37.6b, followed by India at USD22.2b, South Korea at USD12.6b, and the Philippines at USD1b.

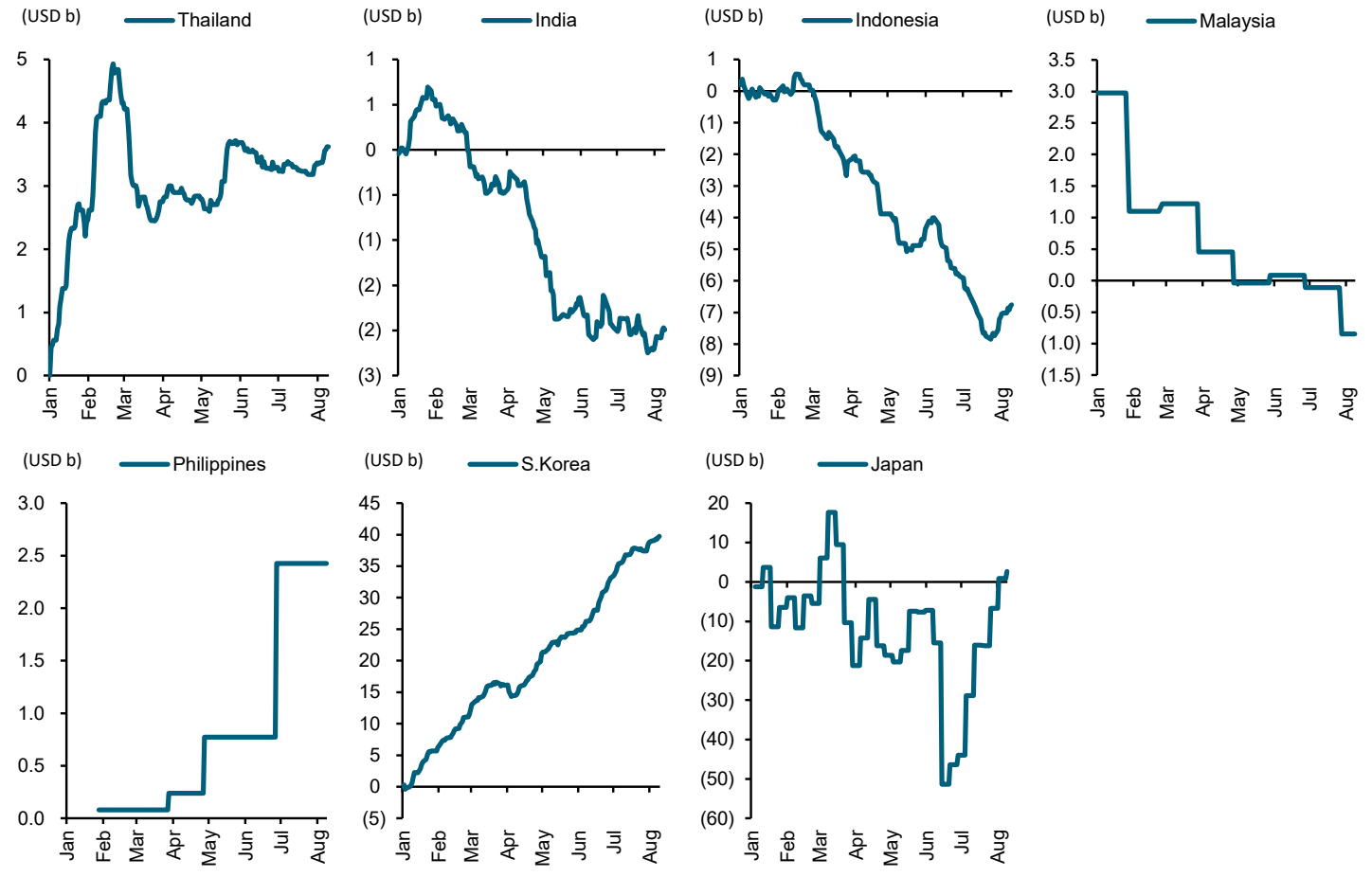
### Exhibit 50: Equity fund flows in key markets in Asia, year-to-24 Aug-22



Sources: Bloomberg; FSSIA's compilation

In terms of fund flows into the fixed income market, Thailand similarly saw a fund inflow of USD3.5b YTD, along with the Philippines at USD2.5b, South Korea at USD40b, and Japan at less than USD1b. While India witnessed fund outflows from its fixed income market along with the equity market, Indonesia had a fund outflow from its fixed income market at USD7b YTD, higher than the USD4.6b that poured into its equity market.

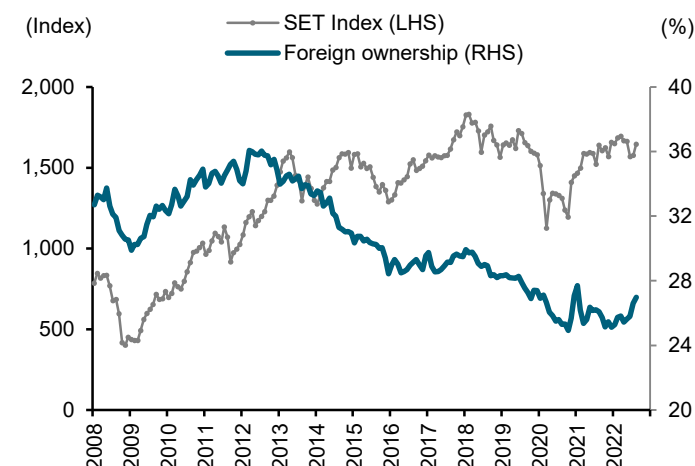
**Exhibit 51: Bond fund flows in key markets in Asia, year-to-24 Aug 2022**



Sources: Bloomberg; FSSIA's compilation

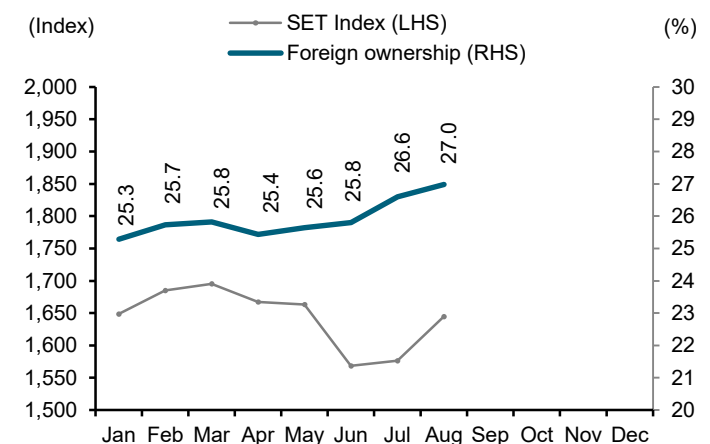
As of 26 Aug-22, Thailand's accumulated foreign fund inflow was at USD25.9b, driving foreign ownership up to 27% from the bottom of 24.9% seen in Oct-20. We expect foreign fund inflows to continue in 4Q22-2023, backed by Thailand's economic growth, resiliency, and solid corporate earnings growth momentum.

**Exhibit 52: SET index vs foreign ownership since 2008**



Sources: SET; FSSIA's compilation

**Exhibit 53: SET index vs foreign ownership since Jan 2022**



Sources: SET; FSSIA's compilation

## Upbeat 2Q22 earnings results: highest in four years

For 2Q22 earnings results, based on the companies under FSSIA's coverage (131 companies which account for c75% of the SET's market cap), the blended earnings growth rate for the SET was at 26% y-y and 39% q-q, backed mainly by the energy & utilities sector.

At the sector level, seventeen sectors reported q-q growth in net profit for the quarter, led by the food & beverage sector, which posted the highest earnings growth among 20 sectors at 783% q-q and 148% y-y.

In terms of absolute earnings growth, the energy & utilities sector saw the largest earnings growth of THB139b (+50% q-q and +125% y-y) as the energy sector was the largest contributor to the earnings growth of the SET in 2Q22. Excluding the energy sector, the SET would have reported a y-y decline in earnings of 2% rather than a y-y increase in earnings of 39%.

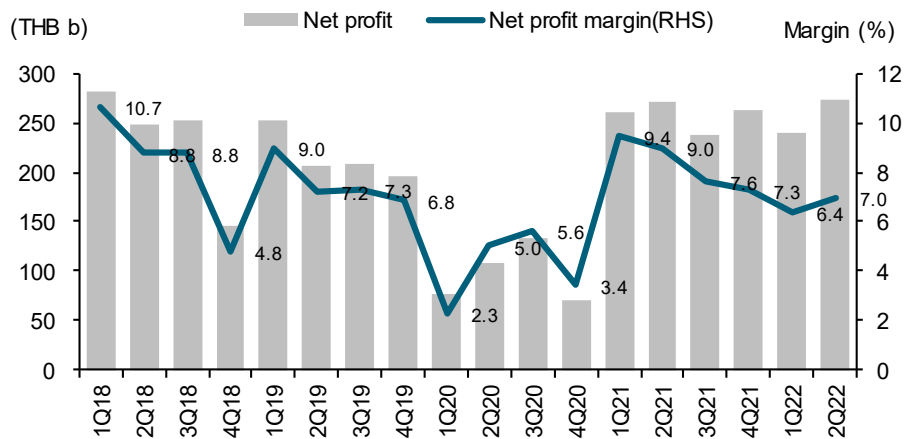
### Exhibit 54: 2Q22 earnings results by sector\* (131 companies under FSSIA's coverage)

Sector*	2Q22	1Q22	2Q21	----- Change -----	
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Banking**	45,255	45,384	36,738	(0.3)	23.2
Commerce	10,127	10,927	6,513	(7.3)	55.5
Construct	10,756	9,396	18,452	14.5	(41.7)
Construction Services	473	353	320	33.9	48.0
Electronic Component	(59)	(63)	(33)	6.0	(79.1)
<b>Energy &amp; Utilities</b>	<b>138,558</b>	<b>92,218</b>	<b>61,459</b>	<b>50.3</b>	<b>125.4</b>
Finance & Securities	8,397	7,744	7,786	8.4	7.8
<b>Food &amp; Beverage</b>	<b>7,576</b>	<b>858</b>	<b>3,056</b>	<b>783.2</b>	<b>147.9</b>
Health Care Services	7,327	9,819	4,108	(25.4)	78.3
Information & Comm Tech	9,653	8,480	10,372	13.8	(6.9)
Media & Publishing	725	540	322	34.4	125.1
Packaging	1,856	1,658	2,263	11.9	(18.0)
Personal Prod & Pharma	616	1,052	7,280	(41.5)	(91.5)
Petrochem & Chemical	22,088	18,769	33,454	17.7	(34.0)
Property Development	11,347	10,350	7,323	9.6	55.0
Tourism & Leisure	(472)	(690)	(2,243)	31.5	79.0
Transport & Logistics	(7,113)	(5,815)	(4,416)	(22.3)	(61.1)
Automotive	620	662	488	(6.3)	27.2
MAI-Technology	101	83	50	21.7	102.0
MAI-Financials	43	19	12	126.3	258.3
MAI-Resources	(57)	(8)	60	(652.6)	(196.0)
<b>Total</b>	<b>267,817</b>	<b>211,736</b>	<b>193,363</b>	<b>26</b>	<b>39</b>
<b>Ex-Energy &amp; Utilities</b>	<b>129,259</b>	<b>119,518</b>	<b>131,904</b>	<b>6</b>	<b>(2)</b>

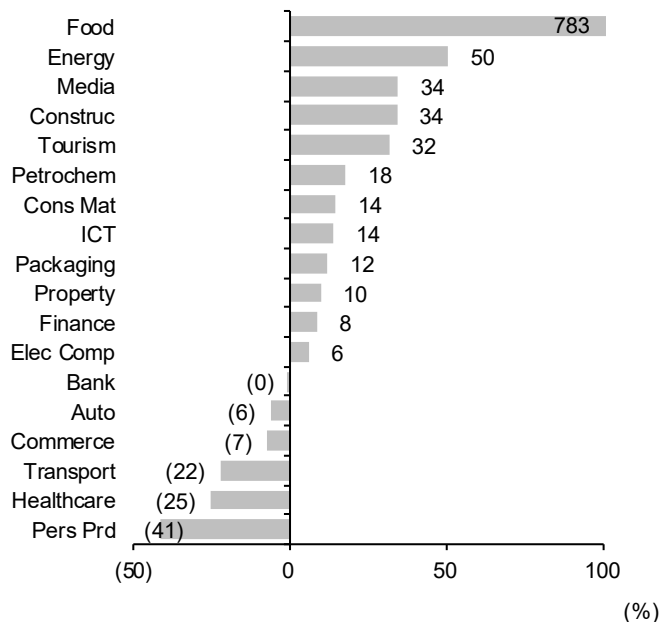
\*Based on SET classification

\*\*Includes TCAP

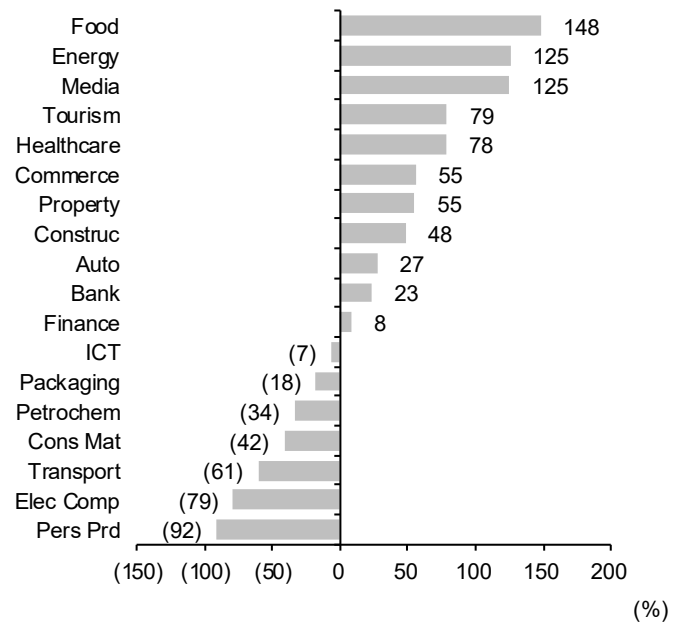
Sources: Bloomberg; FSSIA's coverage of 131 companies

**Exhibit 55: SET's quarterly reported net profit & net margin**

Sources: SET Smart

**Exhibit 56: SET's 2Q22 net profit results (% change q-q) by sector**

Source: FSSIA's coverage of 131 companies

**Exhibit 57: SET's 2Q22 earnings results (% change y-y) by sector**

Source: FSSIA's coverage of 131 companies

## 2Q22 earnings summary and outlook in 2H22 for major sectors

### Energy & utilities: solid 2Q22 to be followed by weaker 3Q22 results

The energy sector reported a strong aggregate 2Q22 net profit of THB139b, up 50% q-q and 125% y-y, led by refinery Thai Oil (TOP TB, BUY, TP THB70) (+253% q-q and +1,093% y-y), PTT Exploration & Production (PTTEP TB, BUY, TP THB180) (+96% q-q and +189% y-y), PTT PCL (PTT TB, BUY, TP THB50) (+52% q-q and +58% y-y) and other refineries & oil stations. Refinery companies saw the strongest earnings improvements both on a y-y and q-q basis due to a sharp spike in their gross refining margins and large inventory gains. Upstream PTTEP gained from higher oil & gas prices and solid volume growth, while PTT benefited from solid core gas earnings and earnings from its subsidiaries and associates in the refinery, petrochemical, and E&P segments. Oil station companies enjoyed improvements in both sales volumes and higher marketing margins thanks to strong domestic demand. Coal and gas play Banpu (BANPU TB, BUY, TP THB18.8) had impressive 2Q22 earnings as higher coal and gas prices more than offset lower-than-expected sales volumes.

We project weaker q-q sector earnings in 3Q22 due to a q-q lower oil price which could reduce the net profits for PTTEP and PTT, the two oil plays with the largest market cap in the sector. Similarly, we expect a q-q lower GRM due to a sharp plunge in the gasoline-crude margin after the end of the driving season in the US and continued hedging losses that could be partly offset by FX gains. Oil station plays should see q-q lower net profits in 3Q22 due to the q-q lower marketing margin. The only company that we expect to see strong earnings both q-q and y-y is BANPU, backed by its higher average selling prices, rising coal sales volumes, and a lower hedging loss.

### Petrochemicals: solid 2Q22 results to be followed by softer 3Q22 net profits

The petrochemical sector saw mixed results in 2Q22, with the naphtha-based olefins producers Siam Cement (SCC TB, BUY, TP THB466), PTT Global Chemical (PTTGC TB, REDUCE, TP THB40) and IRPC PCL (IRPC TB, HOLD, TP THB3.2) posting weak earnings growth in 2Q22 due to the high naphtha cost, poor industry margins on continued oversupply, and weak demand. Strong market GRMs and inventory gains helped offset the weak earnings from chemical units but large hedging losses significantly eroded PTTGC's and IRPC's net profits in 2Q22. Indorama Ventures (IVL TB, BUY, TP THB65) is the only chemical company that saw a strong 2Q22 net profit due to the industry's high margins for PET-PTA, earnings growth from M&As in the integrated oxide and derivative group, and inventory gains.

We expect a reversing trend q-q in 3Q22, with olefins producers reporting higher q-q earnings due to the lower naphtha cost and hedging losses. In contrast, IVL should see q-q lower earnings due to the softer margin for PET-PTA and shrinking inventory gains.

### Commerce: demand strength to continue in 3Q22

Commerce companies recorded strong 2Q22 net profits across the board, with higher SSSG on both a y-y and q-q basis due to solid domestic demand from consumer spending and effective cost controls – a legacy from the Covid-19 era. Gross margins improved for all commerce companies in 2Q22 due to rising retail sales revenue in Thailand and Vietnam.

The 3Q22 net profit outlook remains sanguine for the commerce sector with strong consumer spending expected to continue thanks to solid exports and high farm incomes. We project SSSG to improve further from growth rates in the mid-teens in 2Q22 to over 20% in 3Q22, particularly for CP All (CPALL TB, BUY, TP THB82) and Siam Makro (MAKRO TB, BUY, TP THB52) while Central Pattana (CPN TB, BUY, TP THB85) and Central Retail Corp (CRC TB, BUY, TP THB45) are likely to see higher rental prices and higher sales from the fashion segment given the rising number of tourists and increasing traffic in shopping malls.

## Food & beverage: mixed bag of good & bad in 2Q22 ahead of improving 3Q22

In 2Q22, the winners were clearly differentiated from the losers. Winners like Srinanaporn Marketing (SNNP TB, BUY, TP THB20) saw its quarterly net profit continue to grow with successful new product launches, expansions in Vietnam's market to timely capture strong demand, and effective cost control to maintain its growing margins. Asian Sea Corporation (ASIAN TB, BUY, TP THB24.7) is another true winner, with earnings growth in over 12 consecutive quarters driven mainly by the net profit growth from its pet food unit. Charoen Pokphand Foods (CPF TB, HOLD, TP THB28) similarly saw a good 2Q22 net profit due to the strong earnings for its chicken and pork in Thailand which helped offset the weak earnings from its pork business in China. Beverage companies' earnings dropped in 2Q22, led by Osotspa PCL (OSP TB, BUY, TP THB42)'s poor net profit due to the impact of government policy and weak demand in Myanmar, while Carabao Group (CBG TB, BUY, TP THB128) had soft 2Q22 earnings due to weak demand in both Thailand and overseas.

3Q22 earnings should improve for the sector due to the stronger demand in Thailand and overseas, a q-q lower cost of raw materials, and lower logistics costs due to the q-q lower oil price. We believe earnings from food should show much more growth resilience than beverages due to their export strength and effective product strategies (SNNP and ASIAN).

## Property: a resilient 2Q22 should be followed by stronger 3Q22 results

The property sector posted sound 2Q22 net profits thanks to the resilient demand for low-rise projects, careful growth expansion strategies, and the favourable interest rate environment. Companies continued to maintain a cautious inventory management stance and the pace of new project launches ensured that supply would not overly exceed demand.

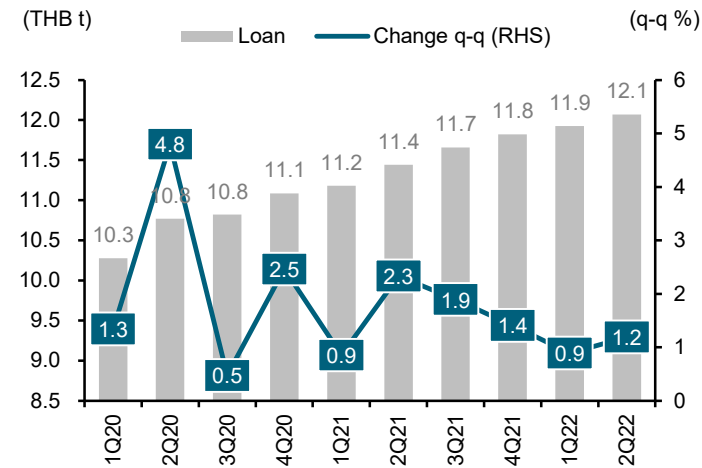
The outlook for 3Q22 earnings remains positive for the sector, led by low-rise developers that should continue to see a demand recovery amid the favourable interest rate backdrop. Despite the BoT's rise its policy rate by 0.25%, lenders have maintained their rates on a wait-and-see strategy.

## Banks: decent 2Q22 results, expect robust 3Q22 on stronger NII & lower ECL

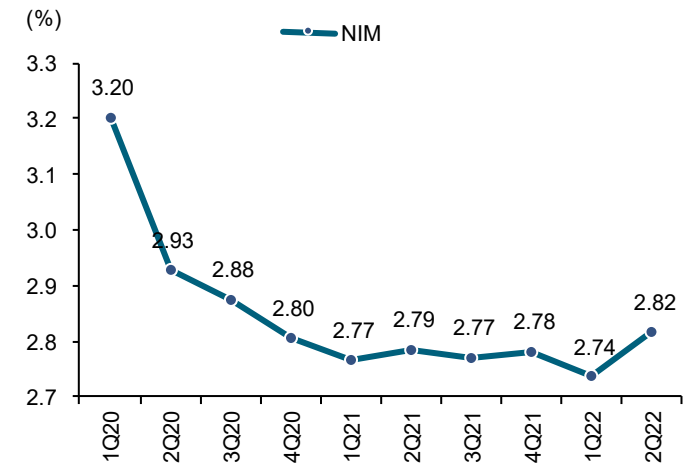
The banks under our coverage (BUC) – excluding Thanachart Capital (TCAP TB, HOLD, TP THB43) – delivered a 2Q22 aggregate net profit of THB43.5b (+22% y-y, -2% q-q), slightly higher than our estimate by 2%. We read the sector's overall operating performance as slightly positive, with the BUC's performance being a mixed bag. We see three positives. First and most importantly, there was a moderate increase in the BUC's NIM by 9 bps to 2.82%. Second, loan volume increased by 5.5% y-y and 1.2% q-q, driven mainly by demand from the corporate and retail segments. Third, the loan repayment ability of clients increased following the lockdown easing along with the comprehensive debt restructuring that was offered to clients. Thus, NPLs were stable q-q and the BUC were able to smooth out their provisioning setups. There was one negative – a drop in non-NII from lower fee income and lower mark-to-market gains from investments due to the unfavourable capital market conditions. We think Krung Thai Bank (KTB TB, BUY, TP THB20) posted the best 2Q22 performance.

We project the BUC's 3Q22 aggregate net profit to rise y-y as we forecast banks' provision stockpiling to decline y-y due to the excess provisions that were set aside in 2020-21. Plus, we believe that loan volumes will increase moderately. We also believe banks' NIMs have passed the bottom in 2Q22. We expect moderately wider NIMs from 3Q22 onward. However, the BUC's 3Q22 aggregate net profit might decline q-q due to higher OPEX. Due to the full resumption of business activity, we think the BUC will increase their marketing campaigns.

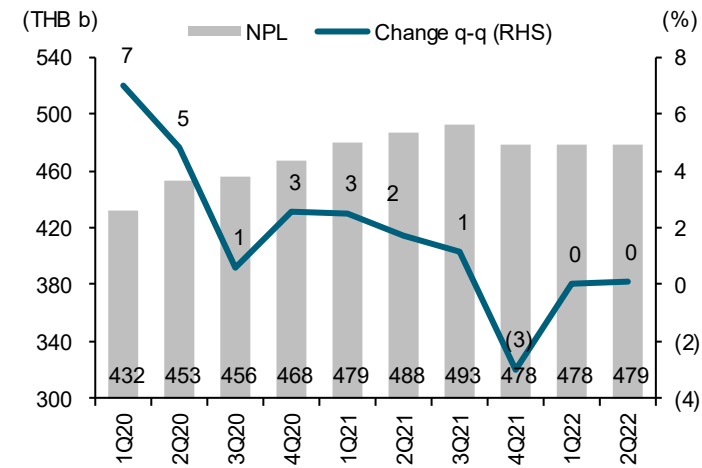


**Exhibit 58: Banking sector's loan growth (q-q basis)**

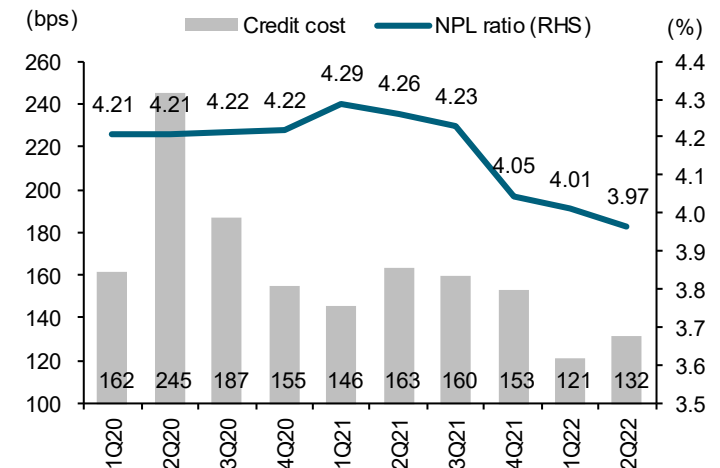
Sources: Company data; FSSIA estimates

**Exhibit 59: Banking sector's quarterly NIM**

Sources: Company data; FSSIA estimates

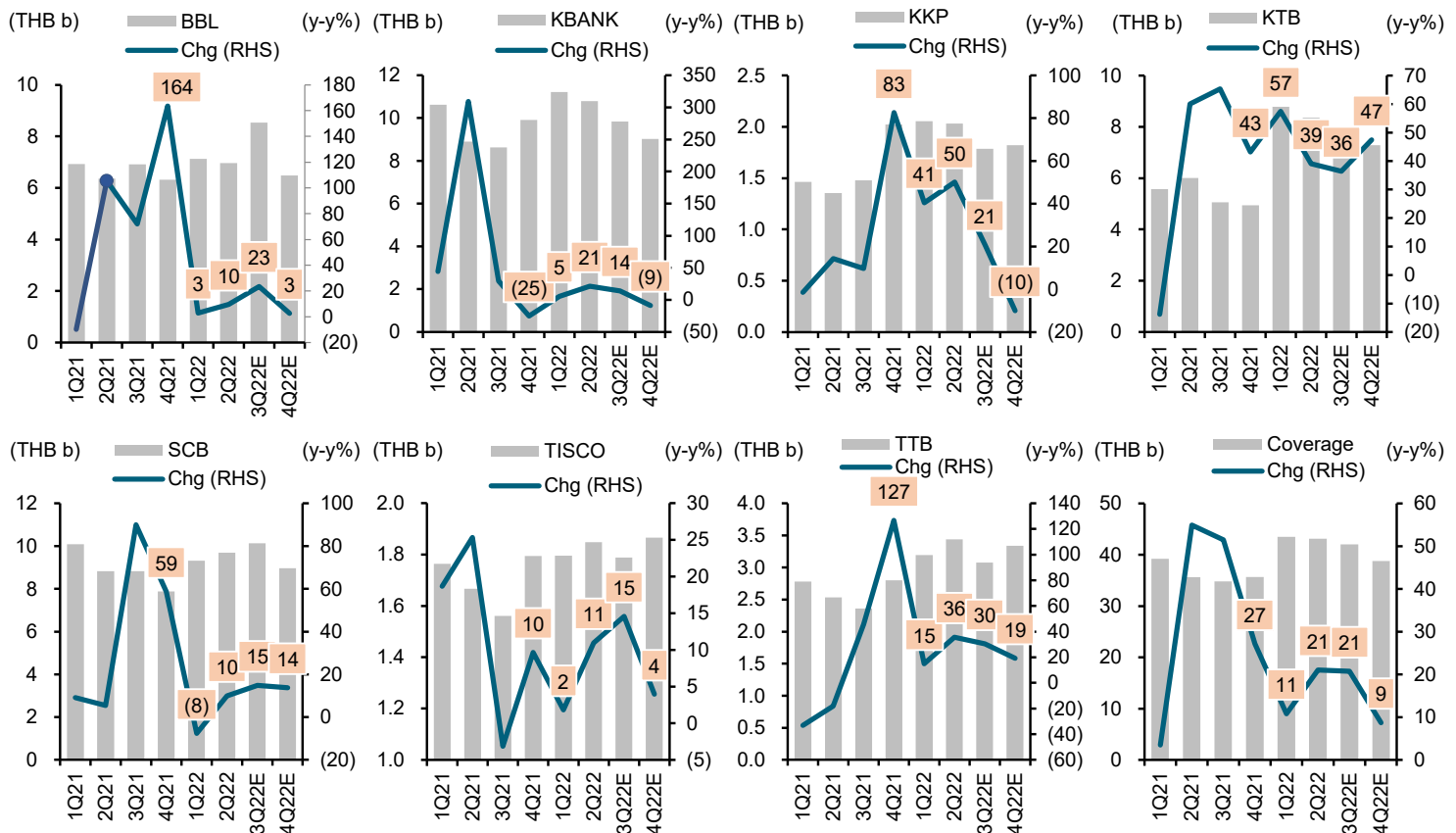
**Exhibit 60: Banking sector's NPL growth (q-q basis)**

Sources: Company data; FSSIA estimates

**Exhibit 61: Banking sector's NPL ratio and credit cost**

Sources: Company data; FSSIA estimates

## Exhibit 62: Earnings momentum 1Q21 to 4Q22E



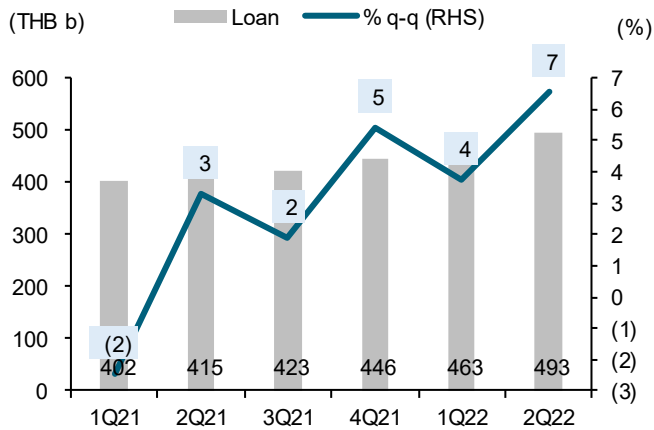
Source: FSSIA estimates

## Consumer finance sector: ample loan demand to drive net profit growth

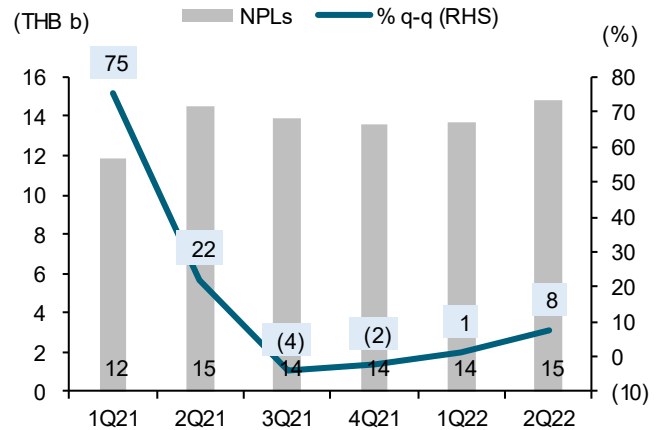
The covered consumer finance companies delivered a 2Q22 aggregate net profit of THB7.4b (+8% y-y, +5% q-q) – in line with our estimate. We read the sector's overall operating performance as neutral. There was a mixed bag in consumer finance performance. On the positive side, there was solid loan growth for all operators, driven by the resumption of business activity and the highly inflationary environment. On the negative side, NPLs rose by 8% q-q due to the end of the forbearance program and high inflation. Only Srisawad Corp (SAWAD TB, BUY, TP THB62) and Ratchthani Leasing (THANI TB, BUY, TP THB5.2) reported a drop in their NPLs from a rise in car seizures.

We project covered consumer finance's 3Q22 aggregate net profit to rise y-y, driven mainly by a rise in loan volume on ample loan demand and the willingness of operators to lend more following the gradual economic recovery. Nevertheless, we expect the aggregate net profit of consumer finance to be flat q-q. We think most operators will retain their elevated provisions thanks to the increase in their NPLs. Also, OPEX might increase following a rise in marketing campaigns to boost loan volume.

We lower our consumer finance 2022-24 net profit forecasts by 0.6%/0.4%/0.4% based on the drop in Next Capital (NCAP TB, HOLD, TP THB5)'s earnings due to its higher credit cost following a surge in its NPLs. We maintain our OVERWEIGHT call; Muangthai Capital (MTC TB, BUY, TP THB60), Singer Thailand (SINGER TB, BUY, TP THB59) and THANI are the top Buys.

**Exhibit 63: Consumer finance sector's loan growth (q-q basis)**

Sources: Company data; FSSIA's compilation

**Exhibit 64: Consumer finance sector's NPL growth (q-q basis)**

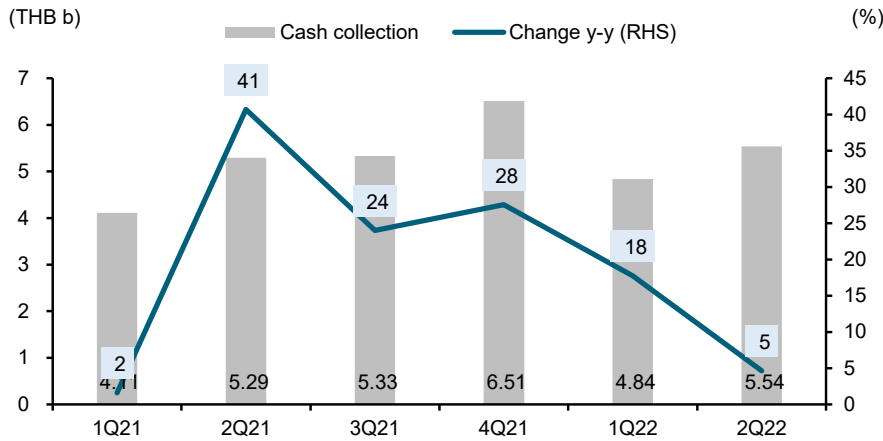
Sources: Company data; FSSIA's compilation

**AMCs: expect outstanding net profit growth in 2022-24**

The covered asset management companies (AMCs) delivered a 2Q22 aggregate net profit of THB1.4b (+21% y-y, +77% q-q) – in line with our estimate. We read the sector's overall operating performance as slightly positive due to its strong cash collection (CC). The aggregate CC rose by 5% y-y and 14% q-q to THB5.5b, in line with the economic recovery and AMCs' efforts to offer debt restructuring to their clients. The solid CC came from both secured and unsecured NPLs. Regarding NPL acquisitions, we see stronger momentum for smaller players such as Chayo Group (CHAYO TB, BUY, TP THB14.2) and Knight Club Capital Asset Mngt. (KCC TB, BUY, TP THB7.1). However, for major players like Bangkok Commercial Asset Mngt. (BAM TB, BUY, TP THB22) and JMT Network Services (JMT TB, BUY, TP THB92), their 2Q22 NPL purchases were still behind their full-year targets as most banks still preferred to manage NPLs themselves, which resulted in a low NPL supply in 1H22.

We project the covered AMC's 3Q22 aggregate net profit to rise y-y, driven mainly by a rise in CC from their efficient CC processes and NPL portfolio expansions. We, however, forecast the aggregate net profit of AMCs to be stable q-q in 3Q22, based on the performance of BAM and JMT. We expect BAM's 3Q22 net profit to be flat q-q as we do not expect a big NPL plot settlement. Also, we expect JMT's 3Q22 net profit to be relatively stable q-q as the company plans to increase its investment budget for sustainable long-term growth.

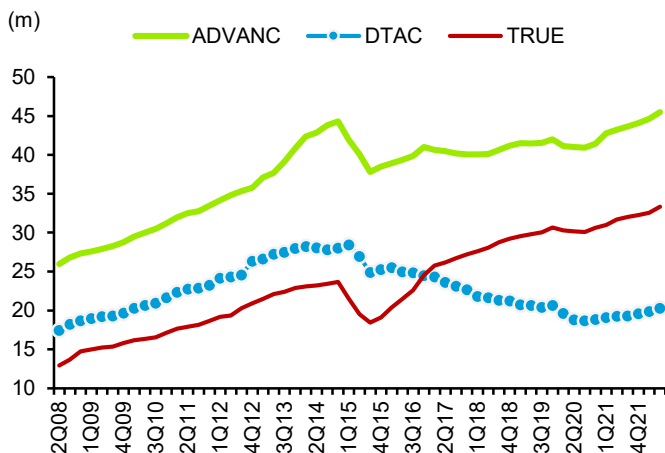
We increase our AMC 2022-24 net profit forecasts by 0.5%/0.5%/0.5% from the rise in KCC's earnings due to its higher CC. We maintain our OVERWEIGHT call on AMCs backed by our expectation of outstanding net profit growth in 2022-24. JMT remains our most preferred stock as we think it could be the inflation and rate hike winner.

**Exhibit 65: Cash collection**

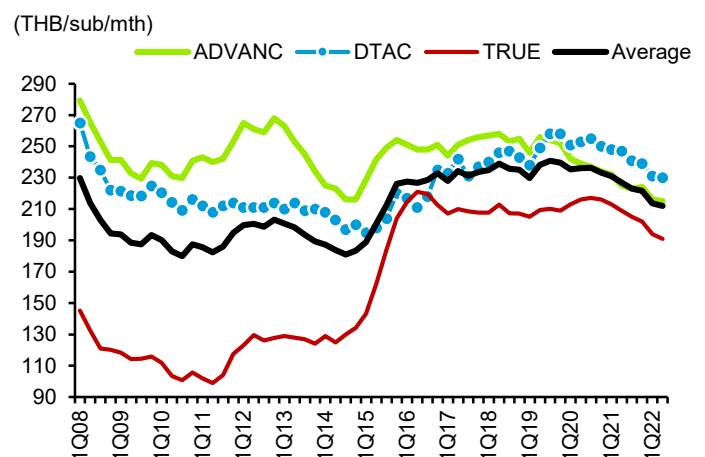
Sources: Company data; FSSIA's compilation

**ICT: earnings outlook not attractive**

2Q22 core earnings for the ICT sector were not attractive, falling by 7% y-y (+14% q-q) mainly due to the weak performance of mobile network operators (MNOs). The weak economic outlook, high inflation, weak consumer purchasing power, and intense competition among MNOs pressured sector earnings in 2Q22. Despite the growth in mobile subscribers, average revenue per user (ARPU) continued to slow down.

**Exhibit 66: Mobile subscribers**

Sources: ADVANC, DTAC, TRUE

**Exhibit 67: Blended ARPU**

Sources: ADVANC, DTAC, TRUE

The 2H22 outlook for MNOs remains unclear. We believe there should be a significant decline in MNOs' earnings in 3Q22 given their higher network operating costs. Heightened competition and pressure from the economic slowdown may hurt their ARPU continuously, although we expect the number of subscribers to grow thanks to the recovery in tourist arrivals.

We think the proposed amalgamation between Total Access Communication (DTAC TB, BUY, TP THB55.50) and True Corporation (TRUE, BUY, TP THB5.40) is the key driver that investors should focus on for the next two weeks as the Office of The National Broadcasting and Telecommunications Commission (NBTC) should finalise this merger during that time. We believe there is an 80% possibility that the NBTC will approve the amalgamation. If so, we prefer DTAC over TRUE given that the company has a higher upside. Advanced Info Service (ADVANC TB, BUY, TP THB250) is our top pick given that the company should also benefit from the amalgamation, whether the NBTC approves it or not. BlueBik Group (BBIK TB, BUY, TP THB100) is our small-cap ICT pick given that we expect the company to post strong earnings growth of over 50% a year for the next three years on average.

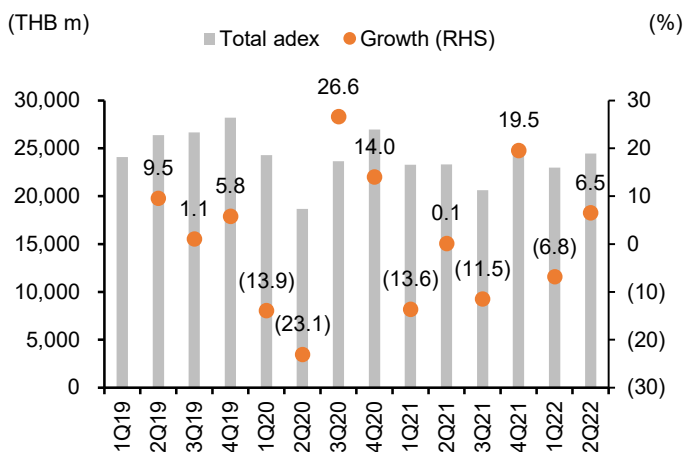
## Media: selective preference

Core earnings for media companies under our coverage in 2Q22 showed a small improvement to THB483m (+5% q-q, +10% y-y). Note that reported net profit may look better at THB725m (+34% q-q, +125% y-y), but this was due to an extra gain from VGI (VGI TB, HOLD, TP THB4.70). Both TV and out-of-home (OOH) companies showed continuous improvement since 1Q22 despite the low season for advertising expenditure (adex) thanks to 1) the relaxation of Covid lockdowns; 2) the economic recovery during 2Q22; and 3) growth in total adex of 7% q-q and 5% y-y. In summary, the media sector's earnings during 2Q22 were supported by the industry's recovery. Declining earnings during this quarter were mainly due to individual factors.

The outlook for 2H22 remains unclear, in our view, with both positive and negative factors that could directly impact adex. The positive factors include 1) the softening THB which should deliver growth in exports; 2) inbound and domestic tourism; and 3) the rapid growth in digital services. The negative factors include 1) high inflation; 2) high household debt; 3) weak consumer purchasing power; and 4) the rising cost of production. As a result, we expect total adex to grow by 5% in 2022, down from our previous expectation of 7%. Our expectation is in line with the worst-case scenario projected by the Media Agency Association of Thailand. With 5% growth projected for total adex this year, we expect 2H22 adex growth should be similar to 1H22, which implies no significant improvement. However, the media companies under our coverage should post a continuous improvement in their earnings. TV companies should be able to sell more content, while OOH companies should enjoy the benefits of the public resuming OOH activities.

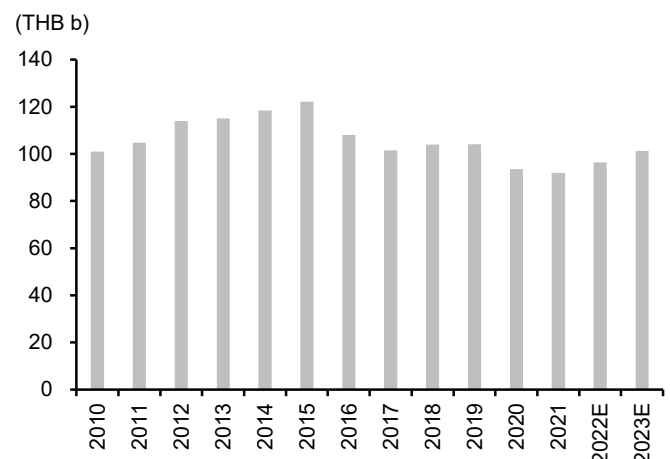
We have a NEUTRAL view on the media sector. Investors should be more selective about which companies have clear visibility in their earnings growth momentum. Plan B Media (PLANB TB, BUY, TP THB7.60) and The One Enterprise (ONEE TB, BUY, TP THB12) are our top picks. PLANB should post continuous growth in its earnings for both 3Q22 and 4Q22 after the company creates more synergy value from its acquisition of Aqua (AQUA TB, NR)'s media, and its earnings should bounce back significantly. We think ONEE should be able to sell more content on its over-the-top platform in 2H22. We expect the company to have the highest earnings growth compared to other TV operators, and at the same time, it has the cheapest valuation.

**Exhibit 68: Total adex and growth**



Source: Nielsen

**Exhibit 69: Advertising expenditure forecast**

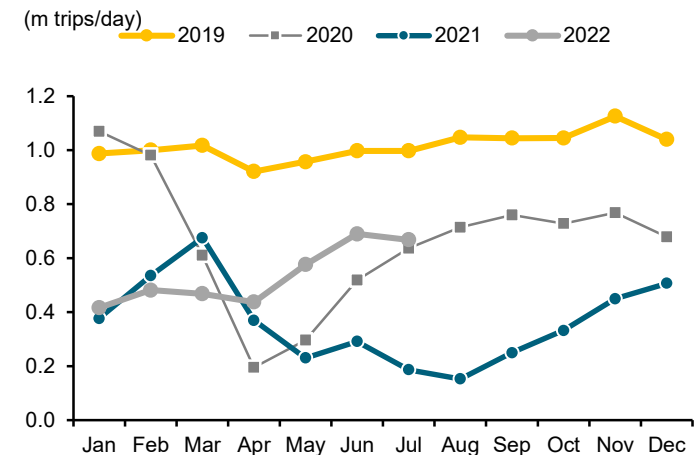


Sources: Nielsen; FSSIA estimates

## Transportation and logistics: recovering on the way

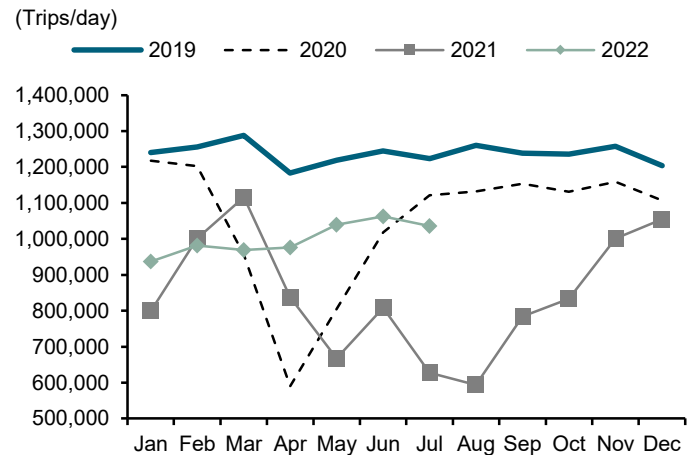
2Q22 was the recovery quarter for the land transportation sector. Expressway traffic and mass transit ridership improved continuously from the previous quarter by 7% and 26%, respectively. However, logistics companies under our coverage slowed down due to weak exports and higher costs. As a result, core earnings for the transportation and logistics companies under our coverage grew by 85% q-q to THB749m in 2Q22. However, earnings were slightly lower than our expectation mainly due to the logistics side.

### Exhibit 70: BTS and BEM's mass transit ridership



Sources: BTS; BEM

### Exhibit 71: BEM's expressway traffic



Source: BEM

In 2H22, the earnings recovery momentum for the sector should continue on a quarterly basis, in line with OOH activity that has resumed since early 2Q22. We believe the traffic and ridership numbers should gradually improve every month up to the end of the year. However, the 2H22 outlook for logistics companies remains unexciting due to the expectation of weak car exports and high competition in the parcel delivery market.

We like Bangkok Expressway and Metro (BEM TB, BUY, TP THB9.90) as we think the company should benefit from the recovery of its mass transit ridership. The company also has an upside risk from the Orange Line bidding.

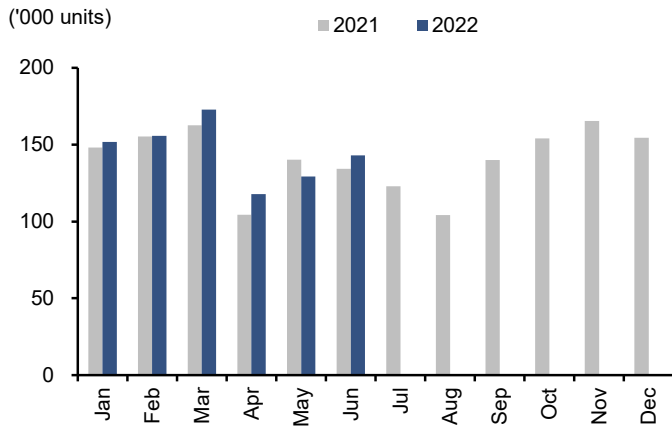
## Auto sector: solid earnings growth but factored in already

The 2Q22 results for the auto sector under our coverage were slightly better than our expectation, mainly due to the strong performance of Aapico Hitech (AH TB, BUY, TP THB29.50). The sector's core earnings were at THB489 (-26% q-q, +10% y-y). Reported net profit jumped y-y to THB620m (-6.3% q-q, +27% y-y) thanks to an exchange gain over THB130m. The q-q decrease in earnings is because 2Q is typically a low season vs the high season in 1Q. However, the performance of the auto sector remains solid as car production in Thailand during 2Q22 was at 390,033 units (-19% q-q, +3% y-y), with AH's revenue surging by 27% y-y.

For the 2H22 outlook, we believe the number of total cars produced in Thailand should be similar to 1H22 with small downside risks, including 1) high inflation; 2) semiconductor shortage; and 3) the global, as well as Thailand's, economic outlook remains weak. However, 3Q22 earnings for the auto sector should improve from 2Q22, the low season, and total car production should be better than the previous quarter.

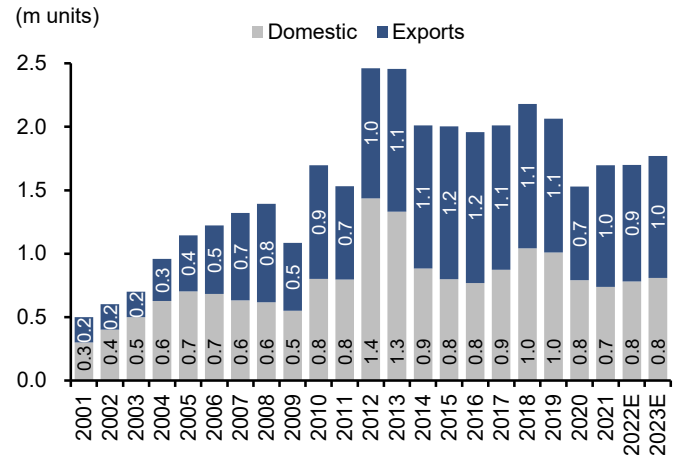
We are confident that the auto companies under our coverage should post solid earnings growth in 2022 at 19% y-y, mainly driven by AH's earnings which we expect to surge by 40%. Somboon Advance Technology (SAT TB, HOLD, TP THB19.50)'s earnings, on the other hand, could grow slightly by 1% y-y due to the pressure from high raw material prices. Therefore, we still prefer AH over SAT as its earnings growth outlook is more promising. We have a NEUTRAL recommendation on the sector.

Exhibit 72: Monthly car production



Source: Thai Automotive Industry Association

Exhibit 73: Thailand's car production forecast



Sources: Thai Automotive Industry Association; FSSIA estimates

### Healthcare: 2Q22 core profit fell 24% q-q; promising outlook, limited inflation impact

Healthcare sector companies under our coverage reported a 2Q22 aggregate core profit of THB7.4b (+83% y-y, -24% q-q). The q-q drop in 2Q22 core profit was mainly due to declining Covid-related revenue following the lower reimbursement rate from the government and the seasonal effect, as 2Q is normally the low season for Thai patients. However, non-Covid revenue in 2Q22 was impressive as most hospitals reported non-Covid Thai patient revenue exceeding the pre-Covid level, including Bangkok Dusit Medical Services (BDMS TB, BUY, TP THB31) (+3%),

Bumrungrad Hospital (BH TB, BUY, TP THB235) (+7%), Bangkok Chain Hospital (BCH TB, BUY, TP THB28.5) (+20%), Chularat Hospital (CHG TB, BUY, TP THB4.7) (+41%), and Praram 9 Hospital (PR9 TB, BUY, TP THB18) (+27%). Meanwhile, revenue growth from international patients exceeded the pre-Covid level for BH (+10%), BCH (+25%), and PR9 (+19%), while BDMS was still lower by 10%.

We expect 3Q22 aggregate core profit to drop y-y mainly due to the high base in 3Q21, driven by the Delta variant wave of Covid revenue, with a further drop q-q due to lower Covid revenue as most "green" Covid patients (non-severe symptoms) have shifted from IPD treatments to OPD treatments, resulting in lower billing rates. However, we expect strong organic growth to continue, driven by pent-up demand. Normally, 3Q is the healthcare high season for Thai and Middle Eastern patients.

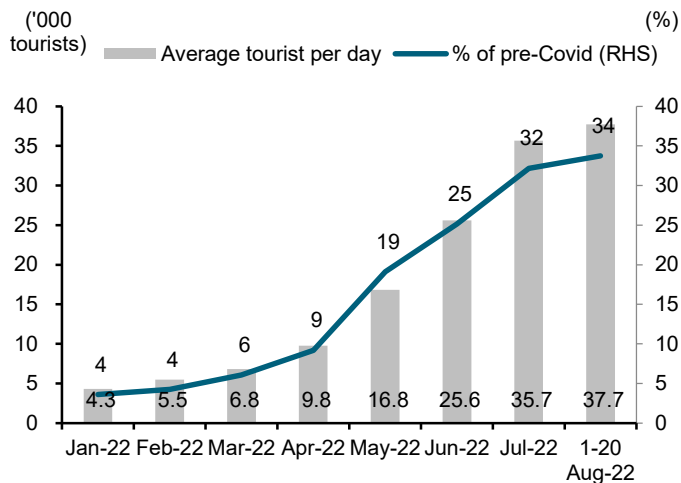
Thai healthcare stocks are trading at an average of 35x 2023E P/E, relatively in line with the five-year average of 34x. We like BDMS, BH and PR9 as we expect them to deliver strong earnings momentum in 3Q22, led by non-Covid patients. In addition, we suggest long-term investors accumulate CHG and BCH due to their deeply discounted valuations at 27x and 24x 2023E P/E, respectively. We think the market de-rated CHG and BCH due to their projected downward core profit trend over next few quarters amid the slowdown in Covid revenue, while overlooking their strong organic potential. We expect BCH and CHG to each deliver a 2023 core profit (with a small amount of Covid revenue) that exceeds the pre-Covid level by 72% and 103%, respectively (vs peers' average of 58%).



## Tourism: 3Q22 outlook brightening

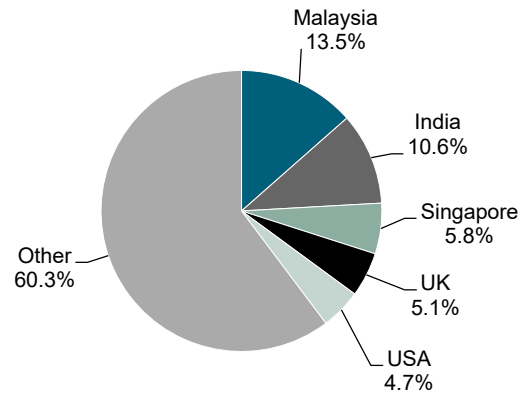
The hotel sector's aggregate core profit significantly improved by 110% q-q in 2Q22. Most stocks reported smaller core losses q-q thanks to the recovery of global tourist numbers. Minor International (MINT TB, BUY, TP THB43) and Central Plaza Hotel (CENTEL TB, BUY, TP THB49) reported core profit turnarounds on the strong performance of European hotels and the Thai food business. Airports of Thailand (AOT TB, BUY, TP THB85) also reported a smaller loss by 29% q-q thanks to a passenger volume recovery. The airline sector likewise reported a smaller loss by 22% q-q. The magnitude is lower than for hotels as the sector was pressured by higher jet fuel costs.

Exhibit 74: Thailand's tourist arrivals



Source: Economics, Tourism and Sports Division

Exhibit 75: Tourist arrival breakdown by country



Source: Economics, Tourism and Sports Division

**Hotel sector 3Q22 outlook: expect RevPAR to improve.** The operations of tourism stocks should improve q-q thanks to the increasing tourist arrivals to Thailand, which have recovered to c32-34% of the pre-Covid level QTD in 3Q22 (vs 11% in 2Q22). The RevPAR of hotels in Thailand and Maldives should improve q-q. The RevPAR of European hotels should be relatively flat q-q in 3Q22. MINT and

S Hotels and Resorts (SHR TB, BUY, TP THB5.2)'s RevPAR already exceeded the pre-Covid level by 5-7% in 2Q22, driven by the high season of European and UK hotels. We expect MINT and SHR's RevPAR to gradually increase, led by Thai hotels. We expect that the RevPAR of CENTEL, Asset World Corp (AWC TB, BUY, TP THB6), The Erawan Group (ERW TB, BUY, TP THB4.5) and Dusit Thani (DUSIT TB, BUY, TP THB18), whose major revenue contributions are from Thai hotels, to significantly improve in 2H22. Overall, we expect MINT, CENTEL and SHR to post core profits in 3Q22, while AWC, ERW and DUSIT should turn around in 4Q22, the high tourism season in Thailand.

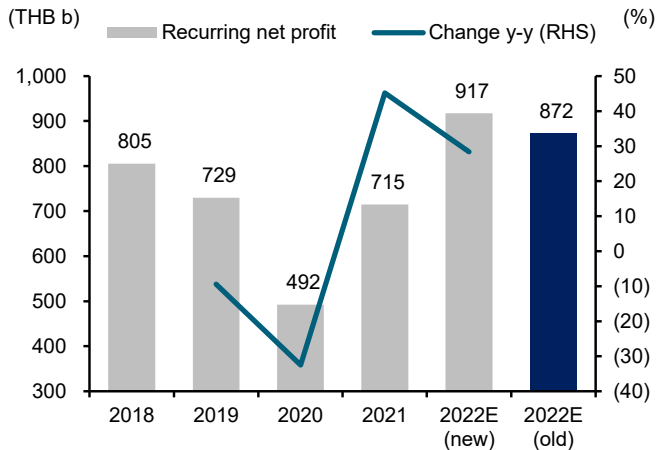
**Aviation sector 3Q22 outlook: expect higher ticket fares to offset rising fuel cost.** Passenger volume should grow q-q in 3Q22, led by international passengers. Asia Aviation (AAV TB, BUY, TP THB3.4) and Bangkok Airways (BA TB, BUY, TP THB16)'s ticket fares were at c93-95% of pre-Covid in 2Q22, and have the potential to exceed the pre-Covid level in 3Q22. This would partially offset the higher fuel expenses. On another positive note, the jet fuel spot price has slid from USD142/bbl in 2Q22 to USD132/bbl QTD.

We like MINT, AWC, SHR and BA. MINT has shown the market that the strong ADR for European hotels (+18% vs pre-Covid level in 2Q22) could offset the rising costs from inflation, and we expect that to be replicated in its Thai portfolio. AWC is a Thai tourism pure play that should capture the strong recovery expected in 2H22. For SHR, we expect it to turn around in 3Q22, while it trades at a cheap price lower than its book value. We also like BA given the company's plan to reduce its fleet and focus on its Samui route, which has a higher yield than other routes, while BA has a well-diversified portfolio with other businesses (airport, cargo and dividend from BDMS).

### 3Q22 earnings outlook: moderate but remains strong

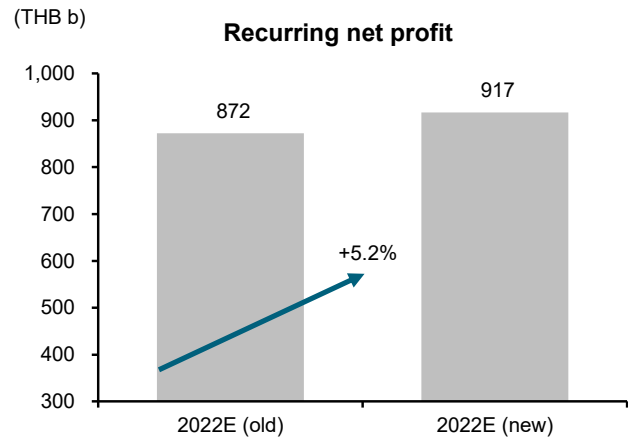
Looking into 3Q22, we project Thai economic growth to rebound meaningfully, mainly on export strength and a tourism recovery. The NESDC reported Thailand's 2Q22 GDP print at 2.5% y-y, below the market's expectation of 3.1% y-y, mainly due to weaker-than-expected public investment. Growth in exports slowed down while imports continued rising. Tourist arrivals hit 1.07m in Jul-22. We believe the tighter monetary policy should be less necessary, opening room for the economy to grow amid the global economic weakness.

**Exhibit 76: SET's reported net profit and FSSIA's forecasts**



Source: FSSIA's coverage of 131 companies

**Exhibit 77: SET – FSSIA's net profit forecast revised up by 5.2%**



Source: FSSIA's coverage of 131 companies

**FSSIA's earnings revisions.** Among FSSIA's 131 covered companies, we have revised up our earnings forecasts for 23 companies while cutting our earnings forecasts for 24 companies. Most companies with earnings forecast upgrades are in refinery and petrochemicals, healthcare, and banking, while the sectors with earnings forecast cuts are in finance & securities and media. Of the 23 companies whose earnings forecasts we revised upward, we upgraded IRPC's rating to HOLD from Reduce and Bangkok Bank (BBL TB, BUY, TP THB170) was upgraded to BUY from Hold. Meanwhile, Tisco Financial (TISCO TB, HOLD TP THB94)'s rating was downgraded to Hold. Of the 24 companies whose earnings forecasts we revised downward, we downgraded the ratings of SAT, Micro Leasing (MICRO TB, HOLD, TP THB5.5), and Nam Yong Terminal (NYT TB, HOLD, TP THB3.9) to HOLD from Buy, and RS (RS TB, REDUCE, TP THB13.3) to REDUCE from Hold.

**Exhibit 78: Earnings upgrades and ratings of FSSIA's coverage since end-Jun 2022**

Company	Sector	-- Recurring net profit --		Increase (%)	----- Rating -----	
		24/08/2022 (THB m)	30/06/2022 (THB m)		Current	Previous
ESSO	Energy & Utilities	20,866	5,782	260.9	BUY	BUY
SPRC	Energy & Utilities	15,451	7,375	109.5	BUY	BUY
BCP	Energy & Utilities	13,119	6,830	92.1	BUY	BUY
IRPC	Energy & Utilities	7,301	4,676	56.1	HOLD	REDUCE
IVL	Petrochem & Chemical	36,355	23,553	54.4	BUY	BUY
KCC	Financials	97	65	48.5	BUY	BUY
PR9	Health Care Services	485	410	18.2	BUY	BUY
CRC	Commerce	5,568	4,729	17.7	BUY	BUY
BH	Health Care Services	3,045	2,731	11.5	BUY	BUY
MTC	Finance & Securities	5,654	5,404	4.6	BUY	BUY
BBL	Banking	30,538	29,229	4.5	BUY	HOLD
TISCO	Banking	7,317	7,052	3.7	HOLD	BUY
SCB	Banking	39,139	38,181	2.5	BUY	BUY
KTB	Banking	27,322	26,889	1.6	BUY	BUY
KBANK	Banking	42,072	41,542	1.3	BUY	BUY

Source: FSSIA estimates

## Exhibit 79: Earnings downgraded and rating of FSSIA's coverage since end of Jun-22

Company	Sector	-- Recurring net profit --		Decrease	----- Rating -----	
		24/08/2022	30/06/2022		Current	Previous
		(THB m)	(THB m)	(%)		
KKP	Banking	7,572	7,616	(0.6)	BUY	BUY
TIDLOR	Finance & Securities	3,785	3,878	(2.4)	BUY	BUY
THANI	Finance & Securities	1,856	1,906	(2.6)	BUY	BUY
TTB	Banking	12,563	13,217	(4.9)	BUY	BUY
SAT	Automotive	967	1,019	(5.1)	HOLD	BUY
BAM	Finance & Securities	2,973	3,204	(7.2)	BUY	BUY
SAWAD	Finance & Securities	4,580	5,000	(8.4)	BUY	BUY
JMT	Finance & Securities	2,132	2,350	(9.2)	BUY	BUY
SINGER	Commerce	1,107	1,244	(11.0)	BUY	BUY
SAK	Finance & Securities	748	842	(11.1)	BUY	BUY
JMART	Information&Comm Tech	1,758	1,983	(11.3)	BUY	BUY
ONEE	Media & Publishing	895	1,012	(11.5)	BUY	BUY
PLANB	Media & Publishing	568	681	(16.5)	BUY	BUY
BEM	Transport & Logistic	2,546	3,154	(19.3)	BUY	BUY
SCGP	Packaging	8,161	10,442	(21.8)	BUY	BUY
BEC	Media & Publishing	816	1,067	(23.6)	BUY	BUY
MICRO	Finance & Securities	188	272	(30.8)	HOLD	BUY
NYT	Transport & Logistic	206	359	(42.5)	HOLD	BUY
RS	Commerce	308	537	(42.7)	REDUCE	HOLD
CHAYO	Finance & Securities	294	533	(44.8)	BUY	BUY
NCAP	Finance & Securities	183	366	(50.0)	HOLD	HOLD
MINT	Food & Beverage	1,063	2,883	(63.1)	BUY	BUY
BGRIM	Energy & Utilities	913	3,663	(75.1)	BUY	BUY
KEX	Transport & Logistic	(1,626)	(656)	(147.9)	REDUCE	REDUCE

Source: FSSIA estimates

## Exhibit 80: SET – FSSIA's earnings estimate revisions by sector

Sectors	24/08/2022	30/06/2022	Change	Value (chg.)	% of total
	(THB m)	(THB m)	(%)	(THB m)	(%)
Financials (only KCC)	97	65	48.5	32	0
Petrochem & Chemical	65,957	53,156	24.1	12,802	28
Energy & Utilities	375,227	342,376	9.6	32,851	73
Health Care Services	28,071	26,552	5.7	1,520	3
Banking	175,596	169,128	3.8	6,468	14
Commerce	52,023	51,634	0.8	389	1
Technology (DITTO, BBIK)	368	368	0.0	0	0
Construct	39,408	39,408	-	0	0
Electronic (only NEX)	655	655	-	0	0
Personal Prod (only STGT)	4,222	4,222	-	0	0
Property Development	42,661	42,661	-	0	0
Resources (PSTC, TPCH)	831	831	-	0	0
Tourism & Leisure	(618)	(618)	-	0	0
Insurance (only TLI)	30,538	30,538	(0.0)	0	0
ICT	40,050	40,274	(0.6)	(224)	0
Automotive	2,076	2,127	(2.4)	(52)	0
Finance & Securities	33,573	34,933	(3.9)	(1,360)	(3)
Food & Beverage	26,334	28,154	(6.5)	(1,820)	(4)
Transport & Logistic	(12,429)	(10,699)	(16.2)	(1,730)	(4)
Packaging	8,161	10,442	(21.8)	(2,281)	(5)
Construction Services	1,744	2,370	(26.4)	(626)	(1)
Media & Publishing	2,566	3,535	(27.4)	(969)	(2)
<b>Total</b>	<b>917,110</b>	<b>872,112</b>	<b>5.2</b>	<b>44,998</b>	<b>100</b>

Source: FSSIA estimates

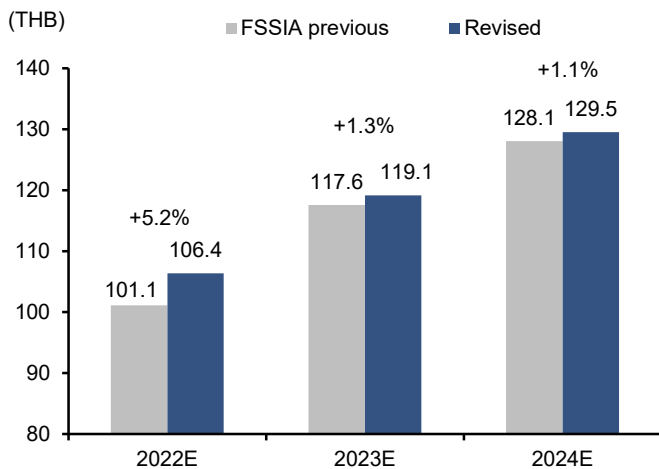
## Maintain Overweight with our new 2022 SET index target of 1,718

We revise up our 2022 SET index target to 1,718 from 1,629, based on 16.2x 2022E P/E, -0.25SD, incorporating 1) the higher risks from rising inflation and the potential rate hike by the BoT that could jeopardise the earnings growth of corporates on the SET; and 2) our EPS forecast upgrade.

**FSSIA's 2022 EPS forecast upgrade.** FSSIA has upgraded its EPS forecasts for the companies under coverage (131 companies accounting for c75% of the SET's market cap) by 5.2% to THB106.4/share in 2022, 1.3% to THB119.1/share in 2023 and 1.1% to THB129.5 in 2024.

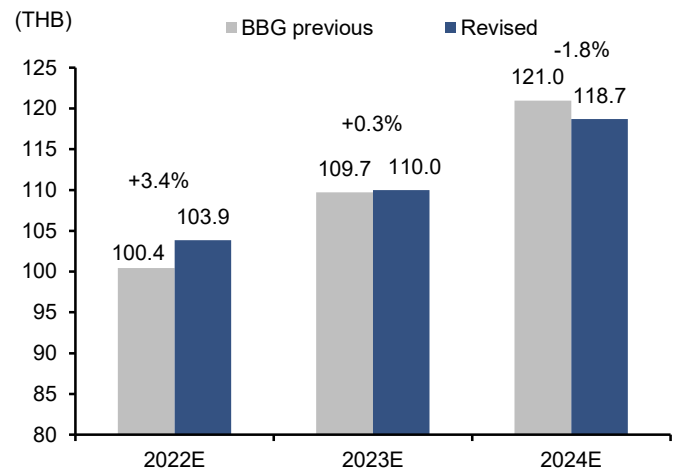
The major increase in EPS forecasts comes from the energy and utilities sector. Our 2022 EPS forecast for the SET is now 2.4% above Bloomberg's current 2022 EPS consensus forecast of THB103.9/share, which was revised up by 3.4% from THB100.4/share as of 1 Jun-22.

**Exhibit 81: FSSIA's 2022-24E EPS revisions**



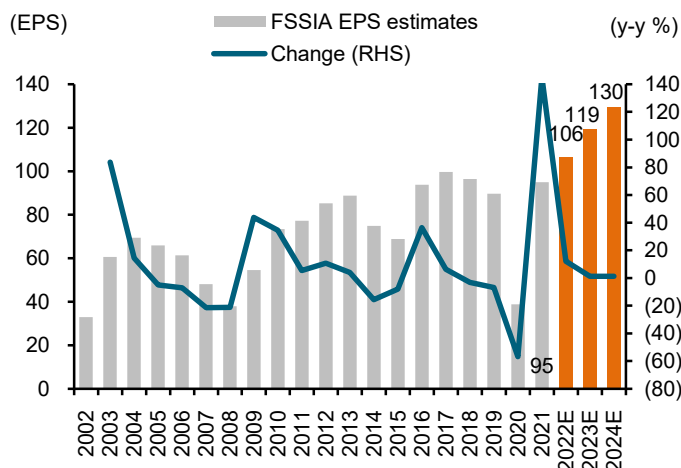
Source: FSSIA estimates

**Exhibit 82: Bloomberg consensus' EPS estimate revisions**



Source: Bloomberg consensus as of 29 Aug 2022

**Exhibit 83: SET index net profit growth projections**

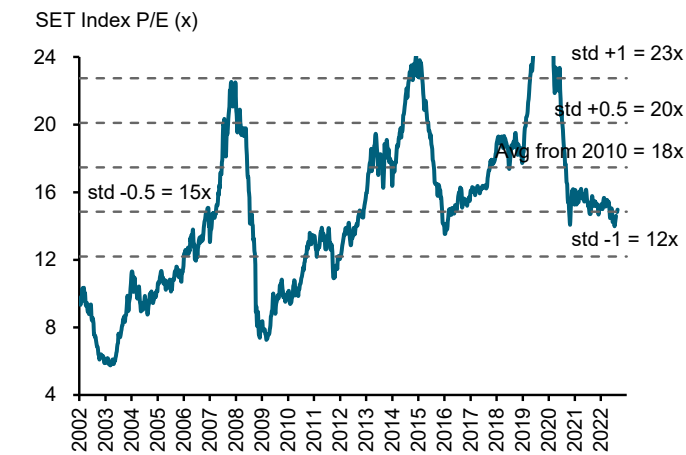


Sources: Bloomberg; FSSIA estimates

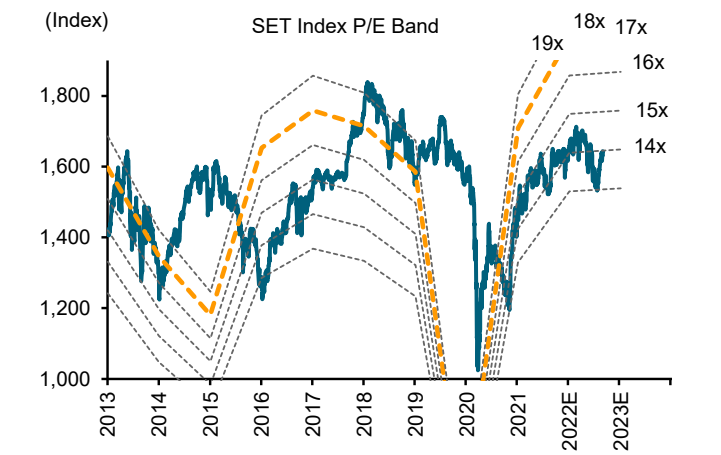
**Exhibit 84: FSSIA's SET index target for 2022**

----- Earnings per share -----				
		2022E	2023E	2024E
EPS		106.4	119.1	129.5
--- Target index based on FSSIA estimates ---				
	P/E (x)	2022E	2023E	2024E
SD+1.0	22.7	2,419	2,709	2,946
SD+0.5	20.1	2,139	2,395	2,604
SD+0.25	18.8	1,999	2,238	2,434
Avg. from 2010	17.5	1,859	2,081	2,263
SD-0.25	16.2	1,718	1,924	2,092
SD-0.5	14.8	1,578	1,767	1,922
SD-1.0	12.2	1,298	1,454	1,580

Source: FSSIA estimates

**Exhibit 85: SET rolling one-year forward P/E band**

Source: FSSIA estimates

**Exhibit 86: SET rolling one-year forward P/E band**

Source: FSSIA estimates

**Exhibit 87: FSSIA's forecast of key economic indicators**

	2022E	2023E	2024E
	(%)	(%)	(%)
Fed rate	4.0	4.5	3.5
Dubai crude oil price (USD/bbl)	120	110	
Thailand real GDP growth	3.0	4.3	3.8
Thailand headline inflation	6.5	2.6	1.7
Thailand core inflation	2.2	2.0	
Thailand policy rate	1.0	1.5	
Tourist arrivals (m)	8.5	34.1	

Source: FSSIA estimates

## Our preferred stocks for 4Q22 and Sep 2022

In Sep-22 and 4Q22, we favour stocks with positive event drivers, favourable global commodity price uptrends, and a high exposure to the domestic consumer spending recovery, including PTG (oil demand), SINGER (home appliance and micro financing), ADVANC (more benign competition landscape after the potential merger between TRUE and DTAC), and KBANK (corporate and SME lending and rising interest rate).

For the companies which are expected to benefit from both domestic spending and external drivers, we like BDMS (domestic and international patient recoveries), BA (rising demand for flights for both domestic and international routes), AWC (hotel demand and room rate rebounds), and TOP (domestic oil demand growth and global gross refining margin uptrend).

### Exhibit 88: Our tactical portfolio of select stock picks for 4Q22 and Sep 2022

Company	BBG code	Key rationale
Singer Thailand	SINGER TB, TP THB59	We expect SINGER's 3Q22 net profit to hit a record high again, supported by 1) robust loan growth from both auto title loans and electric and home appliance (EAH) hire purchase; 2) higher EAH sales y-y from the franchisee expansion (drop q-q due to seasonality); and 3) a lower interest expense as SINGER repaid its THB1.5b debenture at a 6.0% cost of funds in Jul-22.
Bangkok Airways	BA TB, TP THB16	We like BA given the company's plan to reduce its fleet and focus on its Samui route, which has a higher yield than other routes, while BA has a well-diversified portfolio with other businesses (airport, cargo and dividend from BDMS). BA also plans to transfer the leasehold rights of Samui Airport to BA Airport Leasehold Real Estate Investment Trust (BAREIT). This would strengthen its balance sheet and ready it for the U-Tapao project.
Asset World Corp	AWC TB, TP THB6	We like AWC as it is a Thai tourism pure play that should capture the strong recovery expected in 2H22. In addition, most of AWC's hotels are in the luxury and upscale segment which should be the segment that recovers earlier and should have a limited impact from inflation. We expect its RevPAR to exceed the pre-Covid level by 4Q22-1Q23, driven by a higher ADR.
Bangkok Dusit Medical Services	BDMS TB, TP THB31	BDMS should benefit from the pricing power of higher service charges to drive its EBITDA margin to exceed the pre-Covid level, led by a high utilisation rate despite the Baht strengthening. 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. Foreign fund flows would focus on Thailand healthcare like BDMS, which is a big-cap company in this sector, in our view.
Kasikornbank	KBANK TB, TP THB192	KBANK has expanded its corporate banking to Indonesia and is setting up a JV to enhance long-term growth with high loan demand. We think KBANK is very attractive for the foreign fund inflow.
Thai Oil	TOP TB, TP THB70	Even with potentially large hedging losses, we think the stronger earnings from oil, the sharp rise in GRM, and the significant room for its refinery utilisation rate to increase to serve the rising demand for both domestic and export markets should help sustain TOP's earnings in 3Q22 onward, based on our projections for the industry market GRM to remain high at above USD15/bbl in 2022.
PTG Energy	PTG TB, TP THB18.30	We expect PTG's net profit to continue to recover in 2H22, driven by 1) a 10-20% y-y stronger retail oil sales volume on rising domestic demand; 2) a higher average marketing margin in the range of THB1.8-1.9/litre in 2H22; and 3) PTG's strategic move into the non-oil business by opening more stores, as it targets 60% EBITDA from non-oil in the next 3-4 years vs 20% currently.
Advanced Info Service	ADVANC TB, TP THB250	With the amalgamation not yet finalised, there is still a chance that the deal may be rejected by the National Broadcasting and Telecommunications Commission. We believe that ADVANC remains a strong company that has less downside risk than its peers. We still like ADVANC as having more subscribers supports the company's long-term growth.

Source: FSSIA estimates

### Exhibit 89: Summary of key valuations of FSSIA's top picks in 4Q22 and Sep 2022

Company	BBG code	--- Share price ---		Up side	----- Recurring profit -----			----- Growth -----		----- P/E -----		DivYld	ROE	PBV
		Current	Target		21A	22E	23E	22E	23E	22E	23E			
		(THB)	(THB)		(THB m)	(THB m)	(THB m)	(y-y%)	(y-y%)	(x)	(x)			
Singer Thailand	SINGER TB	46.25	59.00	28	701	1,107	1,522	58.1	37.5	34.5	25.5	1.7	7.2	2.4
Bangkok Airways	BA TB	10.60	16.00	51	(3,899)	(471)	1,631	87.9	446.5	(47.3)	13.6	0.0	(3.6)	1.7
Asset World Corp	AWC TB	5.45	6.00	10	(2,248)	292	2,086	113.0	614.3	597.3	83.6	0.1	0.4	2.2
Bangkok Dusit Med	BDMS TB	27.75	31.00	12	7,736	10,097	12,544	30.5	24.2	43.7	35.2	1.6	11.8	5.1
Kasikornbank	KBANK TB	155.00	192.00	24	38,053	42,072	47,488	10.6	12.9	8.7	7.7	2.9	8.5	0.7
Thai Oil	TOP TB	61.50	70.00	14	12,578	16,765	13,654	33.3	(18.6)	7.5	9.2	16.3	12.0	0.8
PTG Energy	PTG TB	14.90	18.30	23	1,006	1,784	2,263	77.3	26.8	13.9	11.0	1.3	20.3	2.6
Advanced Info Service	ADVANC TB	191.50	250.00	31	27,068	27,504	29,636	1.6	7.8	20.7	19.2	4.1	33.0	6.7

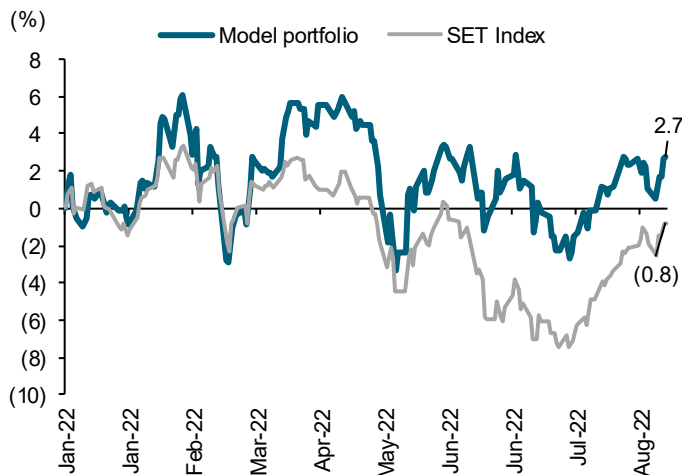
Share prices as of 29 August 2022

Source: FSSIA estimates

## Adjustment to FSSIA's basket and asset allocations for 2022 (annual portfolio)

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 into 2022-23. We have changed one of our top picks from CKP to SINGER as SINGER is a high visibility growth stock, while CKP's share price has underperformed and the strong expected 3Q22 results have likely been factored in. We retain our other long-term top picks: CPN, AOT, MINT, BA, JMT, BGRIM, IVL, KBANK, SCB, GULF, GUNKUL and EA.

### Exhibit 90: FSSIA's 2022 model portfolio performance



### Exhibit 91: FSSIA's 2022 model portfolio

Top BUY	Performance (% change from 1 Jan-22 to 26 Aug-22)
MINT	14.8
AOT	18.4
JMT	12.0
CPN	8.6
GULF	12.6
IVL	5.2
KBANK	10.6
BA	9.7
CKP	(5.5)
BGRIM	(10.5)
GUNKUL	(14.1)
EA	(13.5)
SCB	(13.0)

Source: FSSIA

### Exhibit 92: Model portfolio sector tilts in 4Q22 and Sept-22

Overweight	Key rationale
Tourism	We still expect a strong recovery momentum for Thai tourism based on the higher number of tourist arrivals from c15,000 tourists/day in 2Q22 to 37,000 tourists/day in Aug-22, equivalent to c32-34% of the pre-Covid level QTD in 3Q22. Overall, the occupancy rate improved from an average of 25-30% in 1Q22 to c50% in June, and we expect stronger momentum in 3Q22.
Banking	We project the banking sector's 3Q22 aggregate net profit to rise y-y as we forecast banks' provision stockpiling to decline y-y due to the excess provisions that were set aside in 2020-21. In addition, we believe that loan volumes will increase moderately. We also believe banks' NIMs have passed the bottom in 2Q22. We expect moderately wider NIMs from 3Q22 onward. SETBANK is trading at an undemanding valuation at 0.6x 2022E P/BV.
Healthcare	We expect strong organic growth and 3Q22 earnings should still exceed the pre-Covid level by more than 10%. 3Q is normally the high healthcare season for both Thai and international patients, especially Middle East patients following the Ramadan period. Hospitals that participate in the Social Security Office (SSO) scheme would also benefit from the larger SSO registered member base.
Oil & Gas and Refinery	While we project the prices of oil, gas, and coal to remain high in Aug-22, we think the upsides will be limited given the already high levels of commodity prices, the demand risk from recession, the higher interest rate, and the lower pricing power compared to other sectors.
AMC	We project the covered AMCs' 3Q22 aggregate net profit to rise y-y, driven mainly by a rise in CC from the efficient CC process and the NPL portfolio expansion. We, however, forecast a stable q-q in the aggregate net profit of AMCs in 3Q22, following the performance of BAM and JMT.

Source: FSSIA

Neutral	Key rationale
Commerce	Within the commerce sector, we like shopping malls and department stores over convenience stores, modern trade and the home improvement segment, given their high pricing power on strong traffic, lower cost structure following the post-Covid cost restructuring, and growth from new project expansions.
ICT	A higher interest rate would affect the ICT sector given that the companies in the sector, especially mobile network operators, fund their businesses via debt.
Diversified Financials	We believe the recent plummet in the sector's share prices have mostly priced in the potential downside risks over rate hikes. As for lending operators, we prefer secured lenders whose main clients are in the agricultural sector, as farm incomes should slightly increase in line with the increase in product costs. Thus, the ability to repay debt in this segment should be relatively the same as before the high inflation.
Underweight	Key rationale
Rubber Gloves	We believe that the glove price will continue to decline on lower demand and oversupply from the new additional capacity globally.
Construction Materials	We retain our Underweight call due to the lacklustre new investment projects from the government and private sector, which is reflected in lower demand.
Auto	With the expectation that car production should remain weak in 3Q22, possibly continuing into 4Q22, we believe auto companies under our coverage will likely be pressured by the high raw material prices and chip shortage.
Construction Services	Expect weak 3Q22 results, as long-term outlook remains unclear since there are no new projects for bidding. Meanwhile, higher material costs and the wage hike should squeeze the net margins.



## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

**Disclaimer:**

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* 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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Suwat Sinsadok, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
PTG Energy	PTG TB	THB 14.90	BUY	The downside risks to our SoTP-based TP include 1) a government cap on oil prices; and 2) weaker demand for diesel and gasoline.
Singer Thailand	SINGER TB	THB 46.25	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.
Advanced Info Service	ADVANC TB	THB 191.50	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.
Kasikornbank	KBANK TB	THB 155.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Bangkok Dusit Medical Services	BDMS TB	THB 27.75	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.
Bangkok Airways	BA TB	THB 10.60	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.
Asset World Corp	AWC TB	THB 5.45	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.
Thai Oil	TOP TB	THB 61.50	BUY	Downside risks to our EV/EBITDA-based TP are 1) a sharp fall in oil price; 2) weak demand for refined oil products; 3) customer concentrations; 4) currency risk; 5) interest rate risk; and 6) a raw material shortage.
Airports of Thailand	AOT TB	THB 71.25	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.
PTT Explor & Prod	PTTEP TB	THB 172.00	BUY	Risks our TP, which is based on EV/EBITDA, are a sharp decline in oil price and a potential earnings downside from government intervention.
PTT PCL	PTT TB	THB 37.50	BUY	Risks to our SoTP-based valuation are the oil price and potential earnings downsides from government intervention.
Banpu	BANPU TB	THB 14.80	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.
Siam Cement	SCC TB	THB 358.00	BUY	Downside risks to our SOTP based TP include 1) a lower-than-expected demand for chemicals, CBM, and packaging; 2) rising coal costs for its cement and packaging units; and 3) weaker demand from the automobile industry that could erode the demand for SCC's chemical unit and its dividend contributions.
PTT Global Chemical	PTTGC TB	THB 47.00	REDUCE	The key upside risks to our EV/EBITDA-based TP are a stronger-than-expected HDPE price and HDPE-naphtha margin.
IRPC PCL	IRPC TB	THB 3.48	HOLD	Key upside risks to our neutral view and EV/EBITDA-based target price are rising margins of PP-naphtha, SM and ABS-benzene, and a higher market GRM, while downside risks are weak demand for refinery and petrochemical products and a higher naphtha price.
Indorama Ventures	IVL TB	THB 44.50	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.
CP All	CPALL TB	THB 60.25	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Siam Makro	MAKRO TB	THB 34.50	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.

Central Pattana	CPN TB	THB 66.75	BUY	Key downside risks to our DCF-derived TP are deviations to our estimates on rental rate, occupancy rate, returns on its new investments, capex and interest rate.
Central Retail Corp	CRC TB	THB 39.50	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.
Srinanaporn Marketing	SNNP TB	THB 16.30	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected demand growth and market penetration overseas, especially in Cambodia and Vietnam; 2) a lower-than-expected profit margin due to high raw material and transportation costs; and 3) higher-than-expected SG&A expenses from overseas operations.
Asian Sea Corporation	ASIAN TB	THB 17.60	BUY	Downside risks to our P/E-based TP would be 1) a stronger-than-expected THB against USD; and 2) the high volatility of raw material prices, such as tuna and squid prices, which could hurt its GPM.
Charoen Pokphand Foods	CPF TB	THB 25.75	HOLD	The key downside risks to our SoTP-based target price are the volatile pork prices in both Thailand and Vietnam which could hurt revenues and the company's gross margin. Key upside risk is faster-than-expected recovery of livestock price in region and lower feed stock cost.
Osotspa PCL	OSP TB	THB 31.00	BUY	The key downside risks to our DCF-based TP are 1) a decline in energy drink market share in Myanmar due to strong competition; 2) a slow recovery in the economy; and 3) lower-than-expected SG&A savings from the Fast Forward 10X program.
Carabao Group	CBG TB	THB 101.00	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected sales growth in Myanmar, Cambodia, and the vitamin C drink market; 2) a decrease in domestic energy drink market share; and 3) higher-than-expected SG&A expenses from overseas operations, such as in China and the UK.
Krung Thai Bank	KTB TB	THB 16.60	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Srisawad Corp	SAWAD TB	THB 49.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Ratchthani Leasing	THANI TB	THB 4.50	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Next Capital	NCAP TB	THB 4.26	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) tighter competition from new players. Upside risks to our TP include 1) strong demand for motorcycles; and 2) a higher rate cap than our base-case assumption of 28% p.a.
Muangthai Capital	MTC TB	THB 43.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Chayo Group	CHAYO TB	THB 10.80	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
Knight Club Capital Asset Mngt.	KCC TB	THB 6.95	BUY	Downside risks to our GGM-based TP include 1) lower cash collection due to the slow economic recovery; and 2) lower-than-expected bad debt acquisition.
Bangkok Commercial Asset Mngt.	BAM TB	THB 18.10	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
JMT Network Services	JMT TB	THB 76.50	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.
Total Access Communication	DTAC TB	THB 42.75	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 4.52	BUY	The key downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are worse than our expectation, if the company can reduce its costs worse than we expect, and if there is a slower-than-expected adoption of 5G use cases.
Bluebik Group	BBIK TB	THB 92.75	BUY	The key downside risks to our TP are 1) if the company is unable to secure new projects from customers; 2) a lack of human resources; and 3) higher competition.
VGI Pcl.	VGI TB	THB 4.34	HOLD	The key upside and downside risks to our SoTP-based TP are if the advertising expenditure recovery is slower or faster than our expectation, and whether Rabbit Line Pay is successful or not.
Plan B Media	PLANB TB	THB 6.60	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 9.85	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.
Bangkok Expressway and Metro	BEM TB	THB 8.70	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.
AAPICO Hitech	AH TB	THB 23.90	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, semi-conductor shortages, and exchange rate risk.
Somboon Advance Technology	SAT TB	THB 18.80	HOLD	The key downside and upside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower or faster than expected, a faster-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.

Bumrungrad Hospital	BH TB	THB 215.00	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.
Bangkok Chain Hospital	BCH TB	THB 18.60	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.
Chularat Hospital	CHG TB	THB 3.60	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
Praram 9 Hospital	PR9 TB	THB 17.50	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) higher-than-expected expenses from its new building.
Minor International	MINT TB	THB 32.00	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.
Central Plaza Hotel	CENTEL TB	THB 42.50	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.
S Hotels and Resorts	SHR TB	THB 4.10	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.
Bangkok Bank	BBL TB	THB 137.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Esso Thailand	ESSO TB	THB 13.40	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.
Star Petroleum Refining	SPRC TB	THB 12.80	BUY	TP is based on EV/EBITDA. Downside risks are a sharp rise in oil price and weak demand for refined oil products.
Bangchak Corp	BCP TB	THB 36.25	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) higher crude premiums; and 3) unplanned shutdowns of the company's refinery plants.
Tisco Financial	TISCO TB	THB 92.50	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. An upside risk to our GGM-based TP would be lower-than-expected policy rate hikes.
SCB X	SCB TB	THB 108.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 71.50	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Ngern Tid Lor	TIDLOR TB	THB 28.75	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
TMBThanachart Bank	TTB TB	THB 1.27	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Saksiam Leasing	SAK TB	THB 7.20	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Jay Mart	JMART TB	THB 51.00	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.
SCG Packaging	SCGP TB	THB 56.00	BUY	Downside risks to our EV/EBITDA-based TP include a lower-than-expected demand for packaging, rising raw material costs of recycled paper and higher energy costs.
BEC World	BEC TB	THB 13.80	BUY	The key downside risks to our P/E based TP are a lower-than-expected adex recovery and a worse-than-expected cost reduction.
Micro Leasing	MICRO TB	THB 4.94	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) higher-than-expected policy rate hikes. Upside risks include 1) efficient asset quality control; and 2) the faster ramping up of its new businesses, including new motorcycle hire purchase loans, truck title loans, and insurance brokerage
Nam Yong Terminal	NYT TB	THB 3.74	HOLD	The key downside and upside risks to our P/E-multiple TP include 1) weaker or stronger-than-expected Thai car exports; 2) Seahorse ferries can turn into profit faster or slower than our expectation; and 3) NYT's inability to secure an A5 contract extension.
RS	RS TB	THB 15.50	REDUCE	The key upside risks to our SoTP-based TP are 1) if its new commerce products succeed in attracting consumer interest; and 2) the recovery in the Thai economy is faster than our expectation.



B.Grimm Power	BGRIM TB	THB 35.50	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.
Kerry Express (Thailand)	KEX TB	THB 21.20	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.
Ditto (Thailand)	DITTO TB	THB 58.25	REDUCE	Upside risks to our P/E-based TP include 1) winning more projects than expected; and 2) faster-than-expected changes to the digital environment in Thailand.
Nex Point	NEX TB	THB 17.80	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.
Sri Trang Gloves (Thailand)	STGT TB	THB 14.10	REDUCE	The upside risks to our P/E-based TP for STGT include 1) a higher-than-expected demand for rubber gloves; 2) lower prices of concentrated natural and synthetic latex and crude; and 3) exchange rate volatility
Power Solution Technologies	PSTC TB	THB 1.86	BUY	The downside risks to our SoTP-based TP on PSTC include 1) lower-than-expected demand for electricity in Thailand and delays of power plant project start-ups.
TPC Power Holding	TPCH TB	THB 7.80	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) higher costs of biomass feedstock.
Thai Life Insurance	TLI TB	THB 15.90	BUY	Downside risks to our AV-based equity value range are 1) slow economic growth, leading to a prolonged low interest rate environment and low purchasing power; and 2) regulatory and accounting changes in the insurance industry from the Office of Insurance Commission (OIC) and Bank of Thailand (BoT).
Thanachart Capital	TCAP TB	THB 40.50	HOLD	An upside risk to our GGM-based target price is a faster-than-expected net profit contribution from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.

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

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All share prices are as at market close on 29-Aug-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.