

# Thailand Market Strategy

## Market correction is a long-term buying opportunity

- Risky assets pressured by stubborn US inflation and FED's higher peak rate, leading to foreign outflow in the short term.
- Disappointing 4Q22 earnings pose some downside risk to our 2023E EPS and SET target of 1,750.
- Recommend accumulating on dip. Top picks for Mar-23 to 2Q23 are ASW, BA, BDMS, BEYOND, CPN, ITC, M and NSL.

### Stubborn US CPI limits upside for risky assets

A strong US jobs report and a tight labour market continued to push CPI to a high level, inching down slower than the market anticipated in Jan-23. Inflation numbers are still way above the US Federal Reserve (FED)'s target of 2%. This led the market to revise up their FED funds rate forecasts from peaking at 4.75%-5% in Mar-23 to 5.25%-5.5% in 2Q23, and it might stay high for longer than previously anticipated. Even if the US economy can avoid a recession, growth could be low for some time. As a result, we expect the upside for global equities to be limited in the short term as flows move out from risky assets and hold USD.

### Foreign outflow to continue in the short term, but at a more limited pace

Foreign investors have trimmed positions worth THB42b since 20 Jan-23 to date, with the THB depreciating by 9% from its lowest level of c32 THB/USD to c35 THB/USD. Moreover, foreign investors had a net sell position worth THB27b on average in the two months before the last two Thai elections. However, our calculation has found that the average cost since late 2021 is c1,650, while the SET's current level is below that. Hence, we expect foreign selling to slow. Local institutions might be key buyers during the Thai election campaign, as historical data indicates, and after the high selloff during the pandemic in the last two years.

### Overall 4Q22 earnings disappointed, mainly from global plays

Overall 4Q22 earnings results were below the Bloomberg consensus by 27%, dragged down by major sectors including energy, petrochemicals, banks, ICT, construction material, packaging, and export sectors. Meanwhile, reopening sectors like commerce, tourism, transportation, and property posted strong earnings, in line with Thailand's 4Q22 GDP and market expectations thanks to the country's reopening. We think this trend should continue in 1H23 as the global economy is likely to slow while Thailand's should gradually improve.

### Our SET target of 1,750 has some downside; our strategy is accumulate on dip

We maintain our SET target of 1,750 in 2023, but see some downside on EPS revisions after lower-than-expected 4Q22 earnings which have increased concerns about the 2023 recovery outlook. However, we see a drop in the SET index as an opportunity to accumulate for long-term investment at a level of c1,600 or below. A short-term catalyst would be the upcoming general election, which should stimulate consumption. Our Mar-23 to 2Q23 top picks are: ASW, BA, BDMS, BEYOND, CPN, ITC, M and NSL.



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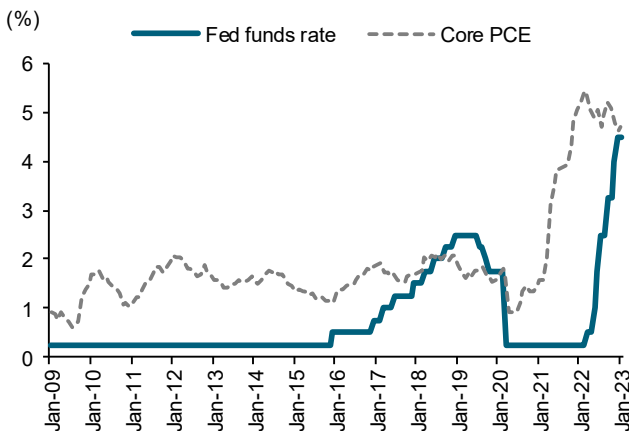
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### Stubborn inflation to shift FED's peak rate from 1Q23 to 2Q23

The US Bureau of Statistics reported Jan-23 CPI at +0.5% m-m and +6.4% y-y, higher than the market anticipated and accelerating from -0.1% m-m in Dec-22. While core CPI grew by 0.4% m-m and 5.6% y-y, in-line with expectations but easing slower than in recent months. However, Jan-23 core PCE at +0.6% m-m and +4.7% y-y was higher than expected and accelerated from Dec-22. This stubborn CPI led the market to adjust FED funds rate expectations, which were recently anticipated to peak at 4.75%-5% in Mar-22 to 5.25%-5.50% in Jun-23, 0.5% higher from the street's forecast in the Jan-23 meeting, as the FED needs to bring inflation down to its long-term target of 2%. The US treasury market reversed from the last three months as 2Y and 10Y bond yields jumped by 60-70 bps to c4.8% and c3.9%, respectively. This resulted in a continued inversion of the yield curve by 88 bps, implying that economic growth could significantly slow and that there is still the chance of a mild recession this year.

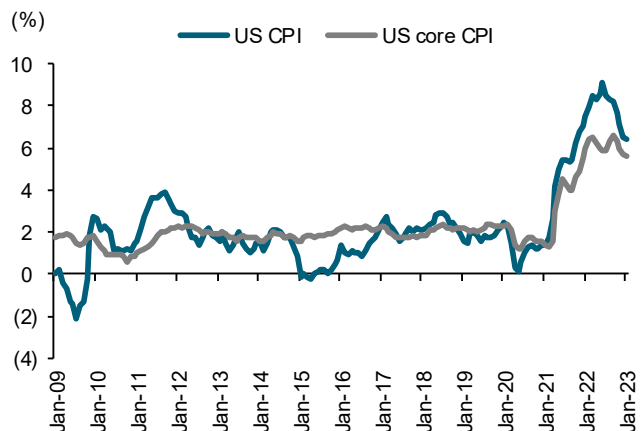
On the growth side, US non-farm payrolls jumped by 520k in Jan-23, the strongest rise since Jul-22 and significantly beating the market's forecast. Meanwhile, retail sales surprisingly grew by 3% m-m and 6.4% y-y. This implies that the US economy is stronger than the market and FED anticipated. However, we expect to see the US economy slowing down in coming quarters as the FED continues to raise its rate to fight inflation. A strong labour market could make the CPI drop more slowly than the FED requires. Even though the market anticipates that the US economy might avoid a mild recession this year, we see think the economic growth rate might be low for a longer period throughout 2023 or 1H24. We think this situation will continue to limit equity upside in the short term.

**Exhibit 1: US core PCE vs Fed funds rate**



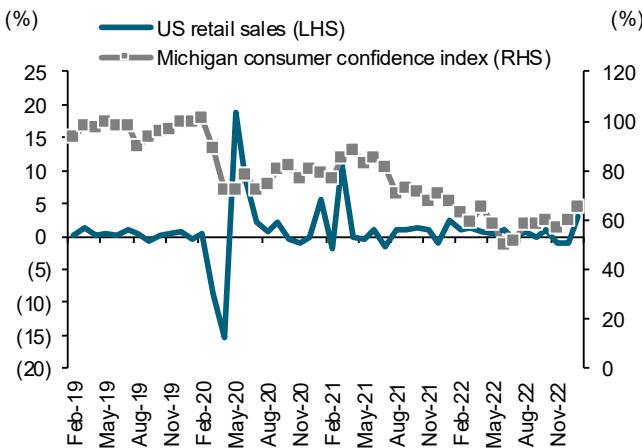
Sources: Bloomberg; FSSIA's compilation

**Exhibit 2: US headline and core CPI**



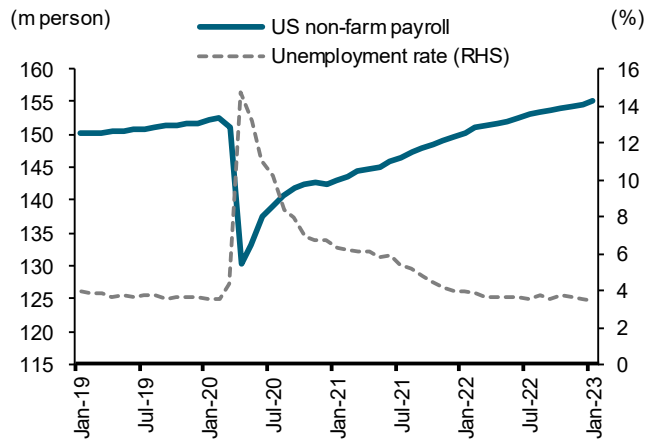
Sources: Bloomberg; FSSIA's compilation

**Exhibit 3: US retail sales and consumer confidence**



Sources: Bloomberg; FSSIA's compilation

**Exhibit 4: US non-farm payrolls and unemployment rate**



Sources: Bloomberg; FSSIA's compilation

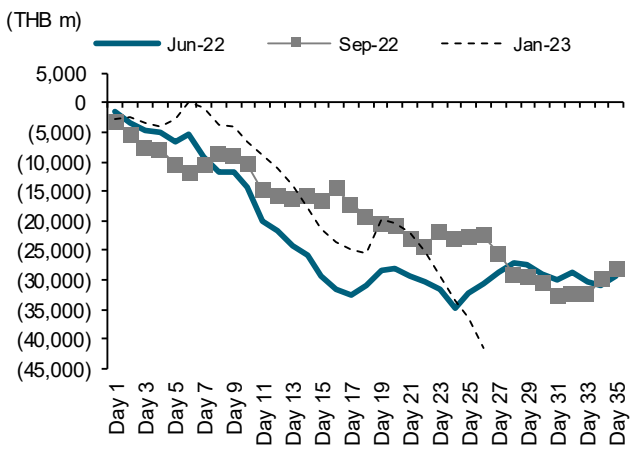
### Expect foreign outflow to continue in short term but slow at c1,600

After strong foreign inflows since mid-Oct-22 to Jan-23, foreign investors started selling Thai stocks in Feb-22, resulting in the SET index retreating by c4% from its high at 1,695. During the latest rally from 18 Oct-22 to 19 Jan-23, foreign investors had a net buy position of THB83b. After that, foreign investors started selling Thai stocks worth over THB42b from 20 Jan-23 to date, while the THB depreciated by 9% from its lowest level of c32 THB/USD to c35 THB/USD.

In 2022, foreign investors sold Thai stocks in Jun-22 and Sep-22, lasting around 30 days each. Net sell positions amounted to THB30b and THB33b, respectively. The THB depreciated by 4.4% from 34 THB/USD to 35.50 THB/USD in Jun-22 and 4.4% from 36.50 THB/USD to 38.25 THB/USD in Sep-22, to reflect the FED's sharp rate hike. However, our calculation has found that the foreign accumulated cost since late 2021, with foreign investors buying cTHB250b in total, is around c1,650. So, we expect to see selling pressure slow and become more limited near c1,600.

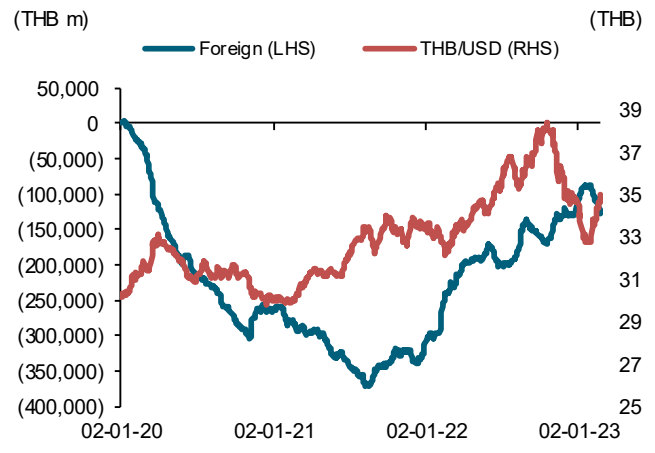
We anticipate that foreign investors might continue to reduce positions in Thai stocks in the short term. However, we expect to see a slowdown in foreign selling after adjusting portfolios to reflect the disappointing 4Q22 Thai GDP and earnings results. Also, the current SET index level is now below the 2022 average cost, and we do not expect foreign holdings to return close to the lowest level of c25% during the pandemic from c29% currently, as liquidity from ultra-dovish monetary policies around the world did not flow into Thailand but to the US, EU and China.

**Exhibit 5: Recent foreign net sell positions (THB m)**



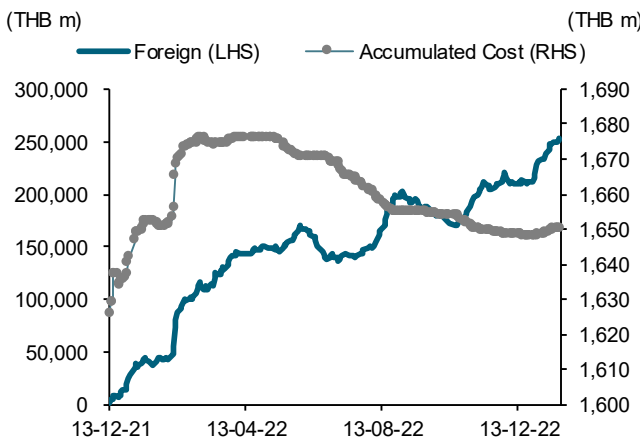
Sources: SET; FSSIA's compilation

**Exhibit 6: Foreign net position vs THB/USD (THB m)**



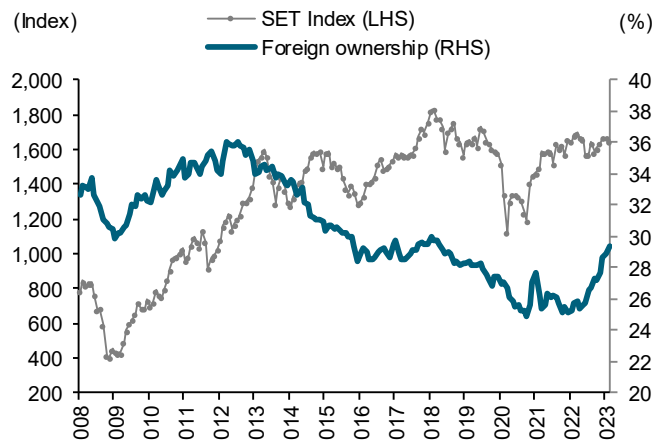
Sources: SET; Bloomberg

**Exhibit 7: Foreign accumulated cost since late 2021 (THB m)**



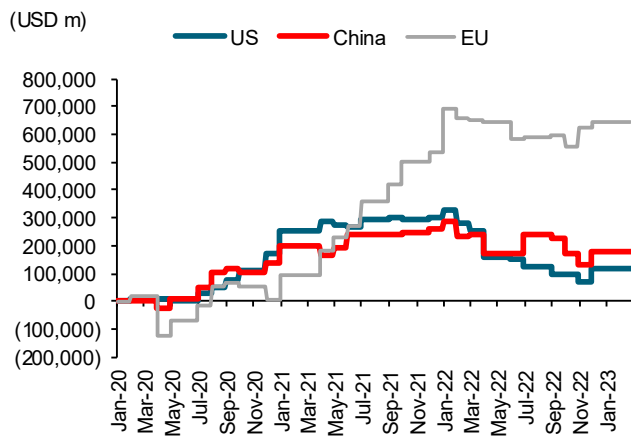
Sources: SET; FSSIA estimates

**Exhibit 8: Market foreign holding**



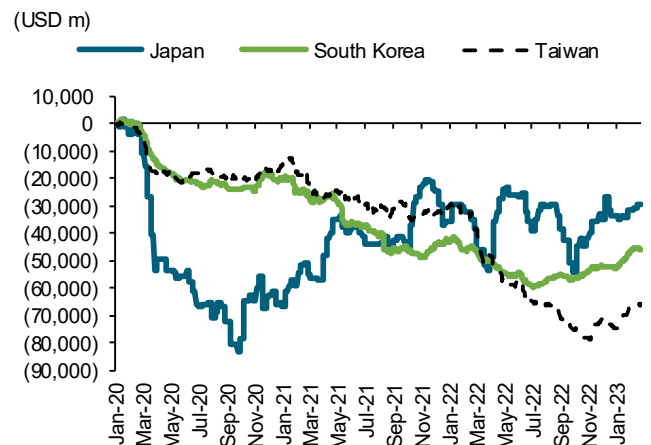
Source: SET

**Exhibit 9: Net inflow in US, EU and China since pandemic**



Sources: Bloomberg; FSSIA's compilation

**Exhibit 10: Net outflow in East Asia since pandemic**



Sources: Bloomberg; FSSIA's compilation

**What have foreign and local institutions done during election campaigns?**

Recently, the prime minister announced a plan to dissolve parliament in early Mar-23 with a general election likely to take place on 7 May-23, in accordance with the Election Commission of Thailand's schedule. Our previous report noted that during the last two general elections in 2011 and 2019, the SET index rose by 2.2% during the three-month period before the elections. In terms of foreign fund flow, foreign investors had a net sell position on average of THB27b during the two-month period before the elections, while local institutions had a net buy position of THB21b.

To elaborate, local institutions bought Thai stocks in 2013-20 totalling THB134b, but sold Thai stocks in 2021-22 worth THB231b. The reason was that the LTF tax deduction expired in 2019 and was replaced by the SSF, which requires a smaller portion be invested in the Thai market and has a longer holding period from seven calendar years to 10 complete years. However, after a huge selloff for two consecutive years and a low position in the SET index, history could repeat itself, as we expect local funds to buy Thai stocks during the election campaign this year, though the amount might be lower than before. Conversely, we expect the foreign outflow to continue during the election campaign as before, but the amount should slow after the strong selloff recently.

**Exhibit 11: Positions of foreign investors and local institutions during elections**

Foreign (THB b)	-3M	-2M	-1M	Prime Minister	Election Date	+1M	+2M	+3M
	(225)	(1,226)	(434)	Thaksin Shinawatra	06-Jan-01	6,521	3,361	(2,075)
	96,699	70,488	42,729	Thaksin Shinawatra	06-Feb-05	26,493	17,151	11,247
	(39,195)	(50,074)	(18,298)	Samak Sundaravej	23-Dec-07	(34,455)	(5,005)	(15,087)
	(22,382)	(43,605)	(25,667)	Yingluck Shinawatra	03-Jul-11	45,805	(1,285)	(20,279)
	(13,236)	(11,585)	(19,998)	Prayuth Chan-o-cha	24-Mar-19	1,750	(12,430)	41,088
<b>5Y Average</b>	<b>4,332</b>	<b>(7,200)</b>	<b>(4,334)</b>			<b>9,223</b>	<b>358</b>	<b>2,979</b>
<b>2Y Average</b>	<b>(17,809)</b>	<b>(27,595)</b>	<b>(22,832)</b>			<b>23,778</b>	<b>(6,858)</b>	<b>10,405</b>

Local Institution (THB b)	-3M	-2M	-1M	Prime Minister	Election Date	+1M	+2M	+3M
	(1,942)	(156)	62	Thaksin Shinawatra	06-Jan-01	539	198	(539)
	(37,949)	(29,853)	(15,807)	Thaksin Shinawatra	06-Feb-05	(14,230)	(13,996)	(11,563)
	13,029	15,711	7,818	Samak Sundaravej	23-Dec-07	1,226	4,521	13,990
	(5,876)	13,807	10,129	Yingluck Shinawatra	03-Jul-11	(25,136)	(18,746)	(21,268)
	42,522	28,478	10,793	Prayuth Chan-o-cha	24-Mar-19	(4,261)	8,740	9,365
<b>5Y Average</b>	<b>1,957</b>	<b>5,597</b>	<b>2,599</b>			<b>(8,372)</b>	<b>(3,856)</b>	<b>(2,003)</b>
<b>2Y Average</b>	<b>18,323</b>	<b>21,143</b>	<b>10,461</b>			<b>(14,698)</b>	<b>(5,003)</b>	<b>(5,952)</b>

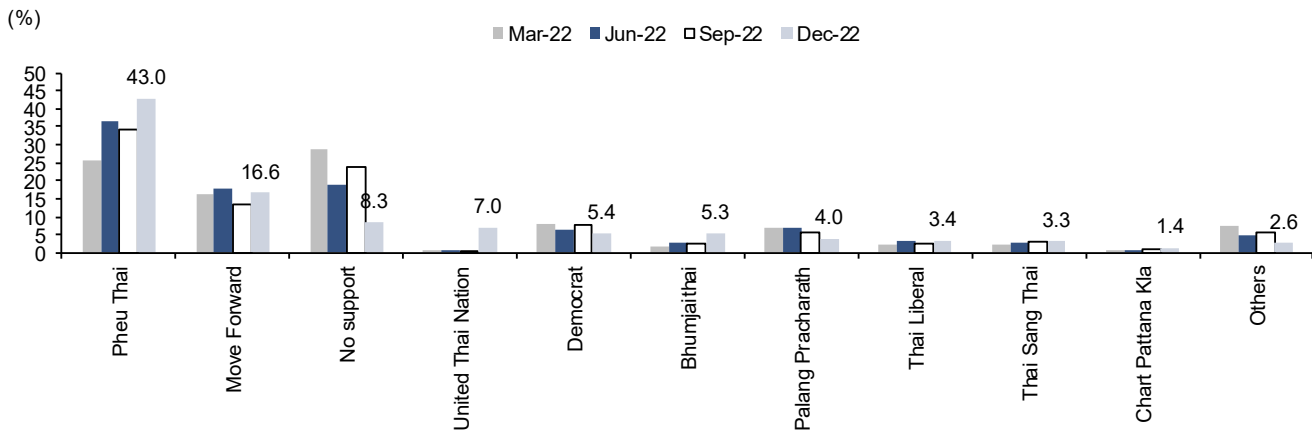
Sources: SETSMART and FSSIA's compilation

### 3 scenarios for the election outcome

Based on Thai political parties' popularity from a NIDA poll, Pheu Thai now has a 43% popularity rating, which roughly translates to c215 out of 500 seats in the House. We think it will be very hard or nearly impossible for Pheu Thai to collaborate with aligned parties and secure more than 375 seats out of 500 in the House without Palang Pracharath and its allies, especially since the Senate supports voting for the prime minister. We assess three potential outcomes for the upcoming election as follows:

- Scenario #1 - Pheu Thai cooperates with Palang Pracharath to be the ruling parties to form the government. We think this is the **best-case** scenario for the election and expect that the market could react very positively, as the incoming government would be very stable with a huge majority in the House.
- Scenario #2 - Palang Pracharath, United Thai Nation, Bhumjaithai, Democrat, and allies continue to form the government as they do currently, with a marginal majority in the House. We think this is the **base-case** scenario and the market could react neutrally.
- Scenario #3 - Palang Pracharath, United Thai Nation, Bhumjaithai, Democrat, and allies continue to form the government with no majority in the House, but the Senate supports voting for the prime minister. This would be the **worst-case** scenario, in our view, as the government would not be very stable and the House might not be able to pass major or very important bills, which would negatively affect the country's administration and economy.

Exhibit 12: Political popularity vote survey



Source: NIDA poll

### 4Q22 Thai GDP missed but main engines remain strong

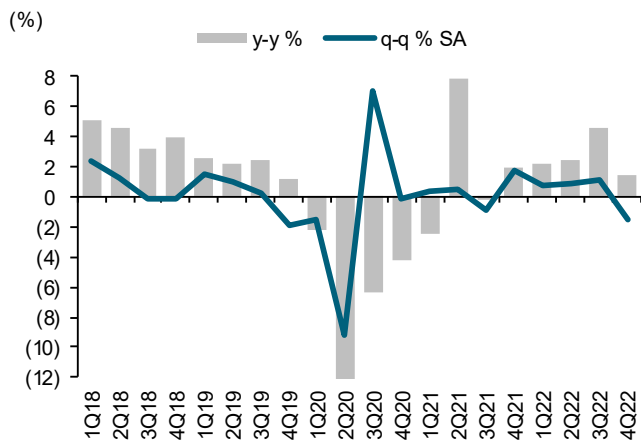
The Office of the National Economic and Social Development Council (NESDC) reported that Thai GDP dropped by 1.5% q-q and expanded by only 1.4% y-y in 4Q22. In 2022, the Thai economy grew by 2.6% y-y, below the street's forecast of +3.2% y-y. However, the growth rate accelerated from +1.5% y-y in 2021 as the country started to fully reopen in 2H22.

Key pressures in 4Q22 were a sharp drop in government consumption of 8% y-y. This was due to the easing Covid-19 situation, leading to lower Covid-19 treatment expenditures, and the government gradually reduced and ended its stimulus programs with high public debt to GDP limiting spending capabilities. In addition, exports of goods posted a sharp drop of 10.5% y-y across every region on the global economic slowdown, China's lockdowns from its zero-Covid policy and the sharp THB appreciation.

However, private consumption and the tourism industry remained strong. In 4Q22, private consumption continued to rise by 5.7% y-y. Spending mainly increased in non-durable items, especially foods, transportation, restaurants and hotels. All of which were in-line with the country's full reopening. However, the recovery was not across the board. The mid- to high-income segment continued to outperform while the purchasing power of mid- to low-income earners continued to be impacted by high household debt to GDP since the pandemic's onset. Moreover, service exports drastically increased by 94.6% y-y as there were no quarantine requirements since Jul-22, which resulted in a jump in international tourist arrivals in 4Q22.

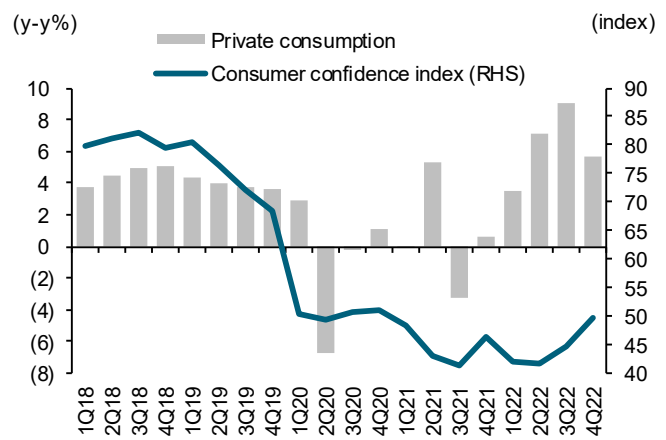
We expect this economic trend to continue in 2023 as higher inflation in the US and EU should pull the economy down in coming quarters, which would impact Thai export demand in 2023 and impact THB appreciation comparably to last year. We anticipate government spending to post negative growth for two consecutive years as higher public debt from borrowing during the pandemic should limit spending capabilities. The private and tourism sectors should be the key economic drivers in 2023. We expect 1Q23 GDP growth to turn positive q-q and escape a technical recession, supported by the "Shop Dee Mee Kuen" stimulus program, the absence of flooding in Northeast Thailand, and China's reopening.

Exhibit 13: Quarterly Thai GDP growth



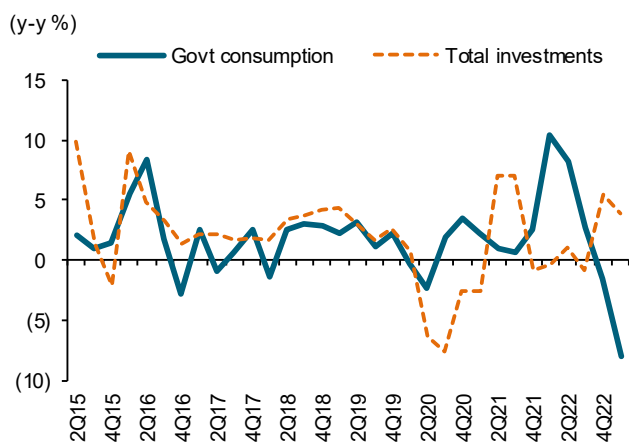
Source: NESDC

Exhibit 14: Private consumption



Source: NESDC

**Exhibit 15: Government consumption dragged 4Q22**



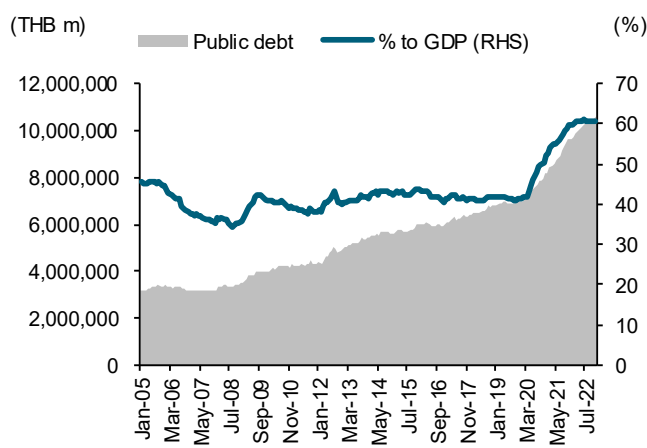
Source: NESDC

**Exhibit 16: Weak export of goods offset by services**



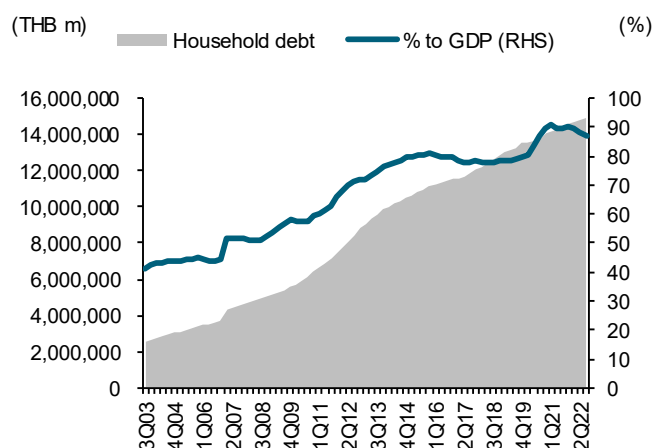
Source: NESDC

**Exhibit 17: Thai public debt to GDP**



Sources: Public Debt Management Office (PDMO)

**Exhibit 18: Thai household debt to GDP**



Sources: Bank of Thailand (BoT)

**Exhibit 19: Thailand economic forecasts**

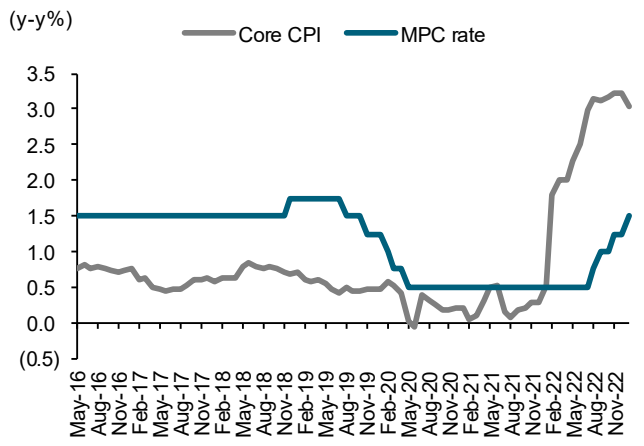
	2018	2019	2020	2021	2022	NESDC	Bank of Thailand
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	2023E	2023E
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	2.7-3.7	3.7
Private consumption	4.6	4.0	(0.8)	0.6	6.3	3.2	2.4
Private investment	4.1	2.7	(8.1)	3.0	5.1	2.1	3.4
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(1.5)	(1.4)
Public investment	2.8	0.1	5.1	3.4	(4.9)	2.7	1.8
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.6)	2.1
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	2.5-3.5	3.0
Current account to GDP (%)	5.6	7.0	4.2	(2.1)	(3.4)	1.5	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.1	28	25.5

Sources: NESDC; BoT

### Expect Bank of Thailand to hike rate to 2% in June 2023

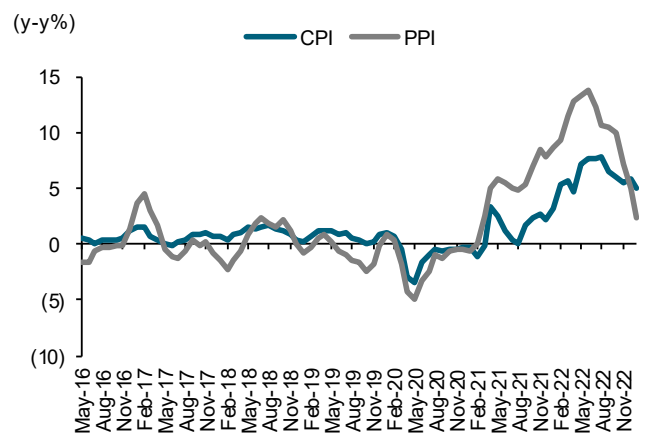
Thailand’s headline inflation rate gradually dropped from its peak in Aug-22 at +7.9% to +5% in Jan-23, while core CPI inched down from +3.23% in Dec-22 to 3.04% in Jan-23. The number was still higher than the Bank of Thailand (BoT)’s target range of 1%-3%, mainly from the cost side. Meanwhile, the domestic consumption recovery and return of international tourists could add some demand-pull inflation this year. However, we expect to see core CPI lower to the level of c2.5% y-y in 2Q23, and could drop below 2% in 2H23 from the high base effect started in 2Q22. Conversely, CPI could rise as a result of manufacturers increasing the prices of products to reflect higher material and electricity costs. As a result, we maintain our forecast which sees the BoT raise its policy rate from 1.5% currently to 2% in Jun-23, in line with the CPI and economic outlook.

Exhibit 20: Thai core CPI vs MPC rate



Source: Bloomberg

Exhibit 21: Thai CPI and PPI



Source: Bloomberg

### 4Q22 results dragged by global plays; reopening plays remain healthy

With 331 listed companies on the SET having reported results for 4Q22 as of 27 Feb-23, aggregate net profit dropped 16% q-q and 31.3% y-y, below the Bloomberg consensus forecast by 27%. Earnings were dragged down by major sectors which posted poor results on a q-q basis, including energy, petrochemicals (due to FX gains from Baht appreciation and without inventory loss, but lower on a y-y basis from the lower crude oil price), banks (different factors for each bank), ICT (extra item from write-off of True Corporation (TRUE TB)’s assets), food and beverage, construction, construction material, packaging, and the export sector, due the low season, higher energy costs, and weak demand from China’s zero-Covid policy in 2022.

Meanwhile, commerce, tourism, transportation and property development posted strong earnings results, in line with market expectations, and some were above the market consensus thanks to the country’s reopening which resulted in a domestic consumption and tourism recovery.

Excluding the bank sector’s earnings, the SET’s 4Q22 earnings declined by 12% q-q and 37% y-y. If we exclude energy and petrochemicals, the SET’s 4Q22 earnings would have dropped 13% q-q and 22% y-y. Thus, overall, the SET’s poor 4Q22 earnings results were dragged down by global plays, while domestic plays including tourism-related plays remained strong with continuous earnings growth.



## Exhibit 22: 4Q22 earnings results (331 companies)

Sector	4Q22	4Q21	3Q22	Value change		Change	
	(THB m)	(THB m)	(THB m)	(THB m in q-q)	(THB m in y-y)	(q-q %)	(y-y %)
Transport & Logistic	17,321	10,368	(38)	17,359	6,952	45,139	67
Tourism & Leisure	593	(958)	(168)	761	1,551	453	162
Ind Material & Machine	299	(45)	174	125	344	72	766
Professional Service	181	68	118	63	113	54	166
Property Development	15,341	12,935	11,723	3,618	2,405	31	19
Commerce	8,428	15,514	6,779	1,649	(7,086)	24	(46)
Electronic Component	5,106	2,825	4,856	250	2,281	5	81
Finance & Securities	7,848	7,616	7,742	107	232	1	3
Energy & Utilities	51,874	66,557	54,691	(2,817)	(14,683)	(5)	(22)
Steel	(1,411)	2,270	(1,313)	(98)	(3,681)	(7)	(162)
Health Care Services	5,511	7,338	6,216	(704)	(1,826)	(11)	(25)
Insurance	1,682	(388)	1,962	(280)	2,070	(14)	534
Banking	41,365	44,173	55,141	(13,776)	(2,808)	(25)	(6)
Automotive	801	713	1,092	(290)	88	(27)	12
Agribusiness	1,521	2,293	2,224	(703)	(772)	(32)	(34)
Food & Beverage	10,647	12,011	17,347	(6,700)	(1,365)	(39)	(11)
Media & Publishing	430	809	701	(272)	(380)	(39)	(47)
Construct	2,304	12,631	6,804	(4,500)	(10,327)	(66)	(82)
Packaging	1,066	3,855	3,401	(2,335)	(2,789)	(69)	(72)
Home & Office Products	19	113	88	(69)	(93)	(78)	(83)
Paper & Print Material	(9)	178	198	(207)	(186)	(105)	(105)
Information & Comm Tech	(420)	11,970	6,839	(7,259)	(12,390)	(106)	(104)
Petrochem & Chemical	(13,834)	8,766	(5,104)	(8,729)	(22,599)	(171)	(258)
Fashion	(1,370)	589	1,541	(2,911)	(1,959)	(189)	(333)
Construction Services	(436)	(89)	205	(641)	(347)	(313)	(390)
Personal Prod & Pharma	(724)	2,098	258	(982)	(2,822)	(381)	(134)
<b>Total</b>	<b>154,134</b>	<b>224,212</b>	<b>183,475</b>	<b>(29,342)</b>	<b>(70,078)</b>	<b>(16.0)</b>	<b>(31.3)</b>

Sources: Bloomberg and FSSIA's compilation

## Exhibit 23: 4Q22 actual results vs 4Q22 results forecasts (123 companies)

Sector	4Q22	4Q22E	Value change	Change
	(THB m)	(THB m)	(THB m in q-q)	(%)
Media & Publishing	329	139	190	137
Transport & Logistic	7,464	4,069	3,395	83
Agribusiness	1,168	711	457	64
Tourism & Leisure	467	302	165	55
Property Development	12,344	10,763	1,581	15
Health Care Services	5,368	5,173	194	4
Electronic Component	4,690	4,527	164	4
Finance & Securities	7,764	7,623	141	2
Commerce	8,264	8,129	135	2
Professional Service	128	128	1	1
Fashion	106	106	1	1
Automotive	607	641	(34)	(5)
Food & Beverage	8,485	10,742	(2,257)	(21)
Banking	39,756	51,884	(12,128)	(23)
Energy & Utilities	49,588	64,783	(15,194)	(23)
Con-Mat	2,035	2,811	(776)	(28)
Packaging	860	1,282	(422)	(33)
Construction Services	25	44	(19)	(44)
Paper & Print Material	(9)	192	(201)	(105)
Information & Comm Tech	(712)	9,226	(9,938)	(108)
Personal Prod & Pharma	(811)	(39)	(772)	(1,980)
Petrochem & Chemical	(13,866)	483	(14,348)	(2,973)
<b>Grand Total</b>	<b>134,050</b>	<b>183,717</b>	<b>(49,666)</b>	<b>(27.0)</b>

Sources: Bloomberg and FSSIA's compilation

## Some downside to our SET target of 1,750; accumulate on dip

We maintain our 2023 SET target of 1,750, based on an EPS assumption of 111 and a target PER of 15.7x, within -0.25SD of the 10-year average. However, the downside to our SET target is lower 2023 EPS revisions from lower-than-expected 4Q22 earnings results, which has increased market concerns about 2023 growth. Hence, we provide a sensitivity analysis to our SET target below. Note that currently Bloomberg's 2023 EPS consensus has dropped to cTHB104 from THB110 in Dec-22.

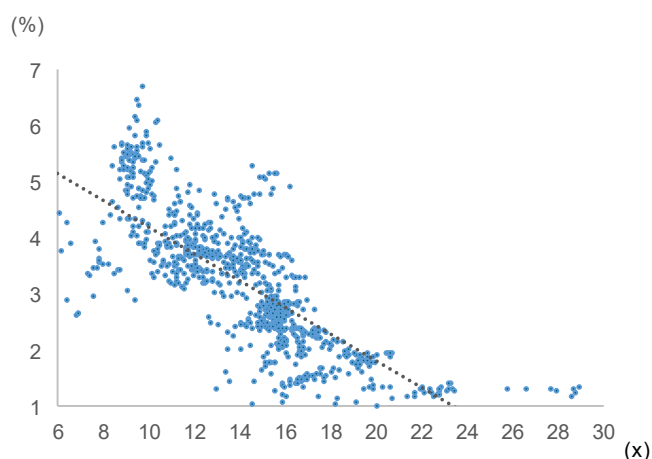
The SET index has fallen by c4% from its recent high this year of c1,695. This was due to both the FED's higher rate hike than anticipated and the especially poor 4Q22 corporate earnings. However, we see the drop in the SET index as an opportunity to buy fundamental stocks as the Thai economy should gradually accelerate, especially in 2H23, while the global economy is likely to slow in 2Q23 onward. In addition, we think the market should mostly price in the FED's higher peak rate in 2Q23 within the next 1-2 months. Hence, if the SET index slips to the level of c1,600 or below, we think it would be an attractive level at which to accumulate. We expect the SET to trade in the range of 1,580-1,680 in 2Q23.

Exhibit 24: SET target sensitivity

----- Earnings per share -----						
2023E						
	EPS	99	102	105	108	111
----- Target index based on FSSIA estimates -----						
P/E (x)						
SD+1.0	18.9	1,871	1,928	1,985	2,041	2,106
SD+0.5	17.6	1,742	1,795	1,848	1,901	1,964
SD+0.25	17	1,683	1,734	1,785	1,836	1,893
10Y average	16.4	1,624	1,673	1,722	1,771	1,822
<b>SD-0.25</b>	15.7	1,554	1,601	1,649	1,696	<b>1,750</b>
SD-0.5	15.1	1,495	1,540	1,586	1,631	1,680
SD-1.0	13.8	1,366	1,408	1,449	1,490	1,538

Source: FSSIA estimates

Exhibit 25: SET historical forward PER



Source: Bloomberg

## Domestic and reopening plays still key

Considering all of the factors mentioned above, we are sticking to our 2023 view and prefer domestic sectors over global plays. Key investment themes are as follows:

- **Rise in domestic consumption** – We maintain our positive view on the domestic consumption recovery. We place our focus on companies that target medium to high-income customers, which should continue to see healthy growth. While the low-income segment is still slowly recovering, it should benefit in the short term from the upcoming general election, as mentioned above.
- **Tourism recovery** – Sectors' 4Q22 earnings showed impressive results and some already exceeded pre-Covid levels. With a sharp rise in the number of international tourists returning to Thailand expected in 2023, we forecast strong growth momentum to continue. We project 34m international tourist arrivals in 2023.
- **Anti-commodity plays** – Oil prices dropped from abnormally high levels in 2022 thanks to global economic concerns while the energy crisis in Europe eased, which is a positive to the cost side. We expect industrial sectors such as packaging to see healthy earnings recoveries from margin recoveries. The power sector should enjoy q-q growth momentum on earnings from a higher fuel tariff and a drop in fuel prices.

Based on our investment themes, our top picks for Mar-23 to 2Q23 are **ASW, BA, BDMS, BEYOND, CPN, ITC, M and NSL**.

### Exhibit 26: FSSIA stock picks for Mar-23 and 2Q23

Company	BBG code	Key rationale
Assetwise	ASW TB, BUY, TP THB9.60	ASW is a new key player in the property development sector. The key catalysts for ASW are its strong earnings recovery in 4Q22 and a stellar 2023 profit outlook, well above the property sector's overall average. In addition, we expect the stock to deliver an attractive dividend of THB0.55 per share for its performance in 2022, implying an annual dividend yield of 6.7%. Meanwhile, ASW's valuation looks cheap at only 7x 2023E P/E, below the sector's average of 8.4x.
Bangkok Airways	BA TB, BUY, TP THB18.00	We think BA is the best tourism-related play on the SET, with a cheap valuation for a near-monopoly business. We think BA is an alternative pick among Thai tourism stocks as it trades at 18x 2024E P/E, lower than AAV (32x), AOT (32x) and the hotel sector average (33x). Upsides include the return of Chinese tourists who account for c10% of revenue and gains from Samui Airport improvements (flight capacity expansion and terminal renovation).
Bangkok Dusit Medical Services	BDMS TB, BUY, TP THB34.50	BDMS is trading at 34x 2023E P/E, in line with its five-year average. In our view, the key catalyst is the potential to capture more Chinese medical tourists. Thus, international patient revenue should remain its growth driver in 1Q23. We forecast revenue to grow by 23% in 2022 (vs 22% according to management's guidance) and a further 6% in 2023 (vs management's projected 6%-8% growth over 2023-25). In addition, we estimate the EBITDA margin to remain strong in 2023.
Bound and Beyond	BEYOND TB, BUY, TP THB24	BEYOND is the cheapest option for a Thai tourism play, and it is well-positioned to benefit from high-spending tourists with its riverside luxury hotels: Four Seasons Hotel Bangkok and Capella Bangkok. With a total of 400 rooms alongside the Chao Phraya River, the hotels also have 11 award-winning restaurants and bars, which help to balance BEYOND's revenue stream (50% room revenue and 45% F&B revenue). BEYOND is trading at an unjustified valuation of only 20x 2024E P/E, lower than the average of its peers at 31x. In addition, it trades below the NAV under replacement cost of THB24.5/shr. The stock is under-covered, but we believe its operational turnaround should attract market attention.
Central Pattana	CPN TB, BUY, TP THB82	We believe CPN is attractive as a domestic play benefiting from Thailand's reopening, tourism recovery and its solid position as a scalable mixed-use developer. CPN posted a net profit of THB10.8b in 2022, +51% y-y and only 8% lower than the pre-pandemic level. We maintain our positive view on its 2023 net profit, projecting THB13b, +17.8% y-y.
i-tail Corporation	ITC TB, BUY, TP THB40	ITC is a manufacturer and distributor of pet food and treats, mainly for cats and dogs. We have a positive outlook for ITC's operating performance in 1H23 on the back of interesting prospects such as new US customers and an expansion into the Chinese market. Currently, ITC's share price is trading below peers at 20x 2023E P/E, and processed food companies which trade at 20-25x 2023E P/E.
MK Restaurant Group	M TB, BUY, TP THB66	MK restaurant is Thailand's suki king. M has continuously expanded its business since 1986. It currently operates 710 restaurants nationwide. We think 2023-24 profit should surge by 59% y-y and 10% y-y, respectively, as profitability returns to near the pre-Covid level in 2024. China's reopening should serve as a catalyst for Laem Charoen, in our view. We recommend BUY with a TP of THB66, based on 25x 2023E P/E, in line with local peers. We expect the company to pay a 2H22 DPS of THB1.0, implying a dividend yield of 1.7%. We like M's profit potential and strong financial position.
NSL Foods	NSL TB, BUY, TP THB26	NSL earns its revenue mainly from domestic sales, with CPALL as its key account. Management targets 17% y-y revenue growth in 2023 at THB4.7b (vs THB3.9b in 2022) driven by a traffic recovery, 7-Eleven branch expansions, and plans for new product launches, such as its new Rice Bar product which will be sold at 10,000 7-Eleven branches within 1Q23. Furthermore, we expect its food service revenue to recover to near the pre-Covid level in 2023. In 1H23, NSL's earnings should return to THB80m-85m per quarter, based on our assumptions, which exclude Rice Bar sales.

Source: FSSIA estimates

## Exhibit 27: Summary of key valuations for FSSIA's top picks for Mar-23

Company	BBG code	--- Share price ---		Up side	----- Recurring profit -----			- EPS growth -		----- P/E -----			DivYld	ROE	PBV
		Current	Target		21A	22E	23E	22E	23E	22E	23E	24E			
		(THB)	(THB)	(%)	(THB m)	(THB m)	(THB m)	(y-y%)	(y-y%)	(x)	(x)	(x)	(%)	(%)	(x)
Assetwise	ASW TB	8.30	9.60	16	885	649	1,020	(26.7)	57.3	11.0	7.0	6.6	6.6	17.7	1.2
Bangkok Airways	BA TB	13.40	18.00	34	(3,899)	(1,813)	918	(53.5)	(150.6)	(15.5)	30.7	17.9	2.0	7.8	2.3
Bangkok Dusit Medical Services	BDMS TB	28.50	34.50	21	7,736	12,471	13,462	61.2	8.0	36.3	33.6	29.6	1.7	14.6	4.8
Bound and Beyond	BEYOND TB	16.50	24.00	45	(264)	(501)	78	89.5	(115.6)	(10.2)	65.6	20.0	0.0	1.3	0.8
Central Pattana	CPN TB	71.00	82.00	15	5,100	10,945	12,898	114.6	17.8	29.1	24.7	22.7	1.5	15.1	3.6
i-Tail Corporation	ITC TB	31.50	40.00	27	2,435	4,226	4,745	73.5	12.3	12.8	19.9	17.6	3.0	18.4	3.6
MK Restaurant Group	M TB	54.50	66.00	21	131	1,439	2,424	998.5	68.5	34.9	20.7	19.0	4.1	17.8	3.6
NSL Foods	NSL TB	23.60	26.00	10	191	298	343	55.7	15.1	23.8	20.7	18.0	4.4	23.8	4.8

Share prices as of 27 Feb 2023

Source: FSSIA estimates

## Corporate Governance report of Thai listed companies 2022

EXCELLENT LEVEL – Score range 90-100											
AAV	BAM	CIMBT	ECL	HENG	LALIN	NEP	PRG	SCC	SPRC	THRE	TTW
ADVANC	BANPU	CK	EE	HMPRO	LANNA	NER	PRM	SCCC	SPVI	THREL	TU
AF	BAY	CKP	EGCO	ICC	LHFG	NKI	PSH	SCG	SSC	TIPCO	TVDH
AH	BBIK	CM	EPG	ICHI	LIT	NOBLE	PSL	SCGP	SSSC	TISCO	TVI
AIRA	BBL	CNT	ETC	III	LOXLEY	NSI	PTG	SCM	SST	TK	TVO
AJ	BCP	COLOR	ETE	ILINK	LPN	NVD	PTA	SCN	STA	TKN	TPWC
AKP	BCPG	COM7	FN	ILM	LRH	NYT	PTTEP	SDC	STEC	TKS	UAC
AKR	BDMS	COMAN	FNS	IND	LST	OISHI	PTTGC	SEAFCO	STGT	TKT	UBIS
ALLA	BEM	COTTO	FPI	INTUCH	MACO	OR	PYLON	SEAOIL	STI	TMILL	UPOIC
ALT	BEYOND	CPALL	FPT	IP	MAJOR	ORI	Q-CON	SE-ED	SUN	TMT	UV
AMA	BGC	CPF	FSMART	IRC	MAKRO	OSP	QH	SELIC	SUSCO	TNDT	VCOM
AMARIN	BGRIM	CPI	FVC	IRPC	MALEE	OTO	QTC	SENA	SUTHA	TNITY	VGI
AMATA	BIZ	CPN	GC	ITEL	MBK	PAP	RABBIT	SENAJ	SVI	TOA	VIH
AMATAV	BKI	CRC	GEL	IVL	MC	PCSGH	RATCH	SGF	SYMC	TOP	WACOAL
ANAN	BOL	CSS	GFPT	JTS	MCOT	PDG	RBF	SHR	SYNTEC	TPBI	WAVE
AOT	BPP	DDD	GFC	JWD	METCO	PDJ	RS	SICT	TACC	TQM	WHA
AP	BRR	DELTA	GLAND	K	MFEC	PG	S	SIRI	TASCO	TRC	WHAUP
APURE	BTS	DEMCO	GLOBAL	KBANK	MINT	PHOL	S&J	SIS	TCAP	TRUE	WICE
ARIP	BTW	DOHOME	GPI	KCE	MONO	PLANB	SAAM	SITHAI	TEAMG	TSC	WINNER
ASP	BWG	DRT	GPSC	KEX	MOONG	PLANET	SABINA	SMPC	TFMAMA	TSR	XPG
ASW	CENTEL	DTAC	GRAMMY	KGI	MSC	PLAT	SAMART	SNC	THANA	TSTE	ZEN
AUCT	CFRESH	DUSIT	GULF	KKP	MST	PORT	SAMTEL	SONIC	THANI	TSTH	
AWC	CGH	EA	GUNKUL	KSL	MTC	PPS	SAT	SORKON	THCOM	TTA	
AYUD	CHEWA	EASTW	HANA	KTB	MVP	PR9	SC	SPALI	THG	TTB	
BAFS	CHO	ECF	HARN	KTC	NCL	PREB	SCB	SPI	THIP	TTCL	

VERY GOOD LEVEL – Score range 80-89											
2S	ASIMAR	CHOTI	ESSO	INSURE	LH	NRF	PROEN	SCI	SR	TMC	UMI
7UP	ASK	CHOW	ESTAR	IRCP	LHK	NTV	PROS	SCP	SRICHA	TMD	UOBKH
ABM	ASN	CI	FE	IT	M	NUSA	PROUD	SE	SSF	TMI	UP
ACE	ATP30	CIG	FLOYD	ITD	MATCH	NWR	PSG	SECURE	SSP	TNL	UPF
ACG	B	CITY	FORTH	J	MBAX	OCC	PSTC	SFLEX	STANLY	TNP	UTP
ADB	BA	CIVIL	FSS	JAS	MEGA	OGC	PT	SFP	STC	TNR	VIBHA
ADD	BC	CMC	FTE	JCK	META	ONEE	PTC	SFT	STPI	TOG	VL
AEONTS	BCH	CPL	GBX	JCKH	MFC	PACO	QLT	SGP	SUC	TPA	VPO
AGE	BE8	CPW	GCAP	JMT	MGT	PATO	RCL	SIAM	SVOA	TPAC	VRANDA
AHC	BEC	CRANE	GENCO	JR	MICRO	PB	RICHY	SINGER	SVT	TPCS	WGE
AIE	BH	CRD	GJS	KBS	MILL	PICO	RJH	SKE	SWC	TIPLI	WIHK
AIT	BIG	CSC	GTB	KCAR	MTSIB	PIMO	ROJNA	SKN	SYNEX	TIPIP	WIN
ALUCON	BJC	CSP	GYT	KGEN	MK	PIN	RPC	SKR	TAE	TPLAS	WINMED
AMANAH	BJCHI	CV	HEMP	KIAT	MODERN	PJW	RT	SKY	TAKUNI	TPS	WORK
AMR	BLA	CWT	HPT	KISS	MTI	PL	RWI	SLP	TCC	TQR	WP
APCO	BR	DCC	HTC	KK	NATION	PLE	S11	SMART	TCMC	TRITN	XO
APCS	BRI	DHOUSE	HUMAN	KOOL	NCAP	PM	SA	SMD	TFG	TRT	YUASA
AQUA	BROOK	DITTO	HYDRO	KTIS	NCH	PMTA	SABUY	SMIT	TFI	TRU	ZIGA
ARIN	BSM	DMT	ICN	KUMWEL	NDR	PPP	SAK	SMT	TFM	TRV	
ARROW	BYD	DOD	IFS	KUN	NETBAY	PPPM	SALEE	SNNP	TGH	TSE	
AS	CBG	DPAINT	IIG	KWC	NEX	PRAPAT	SAMCO	SNP	TIDLOR	TVT	
ASAP	CEN	DV8	IMH	KWM	NINE	PRECHA	SANKO	SO	TIGER	TWP	
ASEFA	CHARAN	EASON	INET	L&E	NNCL	PRIME	SAPPE	SPA	TIPH	UBE	
ASIA	CHAYO	EFORL	INGRS	LDC	NOVA	PRIN	SAWAD	SPC	TITLE	UEC	
ASIAN	CHG	ERW	INSET	LEO	NPK	PRINC	SCAP	SPCG	TM	UKEM	

GOOD LEVEL – Score range 70-79											
A	BEAUTY	CMAN	EMC	HL	KWI	MORE	PF	RSP	SUPER	TOPP	VARO
A5	BGT	CMO	EP	HTECH	KYE	MPIC	PK	SIMAT	TC	TPCH	W
AI	BLAND	CMR	EVER	IHL	LEE	MUD	PPM	SISB	TCCC	TPOLY	WFX
ALL	BM	CPANEL	F&D	INOX	LPH	NC	PRAKIT	SK	TCJ	TRUBB	WPH
ALPHAX	BROCK	CPT	FMT	JAK	MATI	NEWS	PTECH	SOLAR	TEAM	TTI	YGG
AMC	BSBM	CSR	GIFT	JMART	M-CHAI	NFC	PTL	SPACK	THE	TYCN	
APP	BTNC	CTW	GLOCON	JSP	MCS	NSL	RAM	SPG	THMUI	UMS	
AQ	CAZ	D	GLORY	JUBILE	MDX	NV	ROCK	SQ	TKC	UNIQ	
AU	CCP	DCON	GREEN	KASET	MENA	PAF	RP	STARK	TNH	UPA	
B52	CGD	EKH	GSC	KCM	MJD	PEACE	RPH	STECH	TNPC	UREKA	

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

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

## Anti-corruption Progress Indicator

### CERTIFIED

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

### DECLARED

AH	CHG	DHOUSE	EVER	J	KUMWEL	NRF	RS	SUPER	TQM	VIBHA
ALT	CI	DOHOME	FLOYD	JMART	LDC	NUSA	SAK	SVT	TRT	W
APCO	CPR	ECF	GLOBAL	JMT	MEGA	OR	SIS	TKN	TSI	WIN
ASW	CPW	EKH	ILM	JTS	NCAP	PIMO	SSS	TMD	VARO	
B52	DDD	ETC	INOX	KEX	NOVA	PLE	STECH	TMI	VCOM	

### Level

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

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 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

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#### Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Assetwise	ASW TB	THB 8.30	BUY	Downside risks to our P/E-based TP include 1) weaker than expected consumer purchasing power; 2) cancellation of presales; 3) customer loan rejections; 4) delays in construction; 5) intense competition; and 6) rising construction costs.
Bangkok Airways	BA TB	THB 13.40	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.
Bangkok Dusit Medical Services	BDMS TB	THB 28.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Bound and Beyond	BEYOND TB	THB 16.50	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, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Pattana	CPN TB	THB 71.00	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.
i-Tail Corporation	ITC TB	THB 31.50	BUY	Downside risks to our PE-based TP include 1) a stronger-than-expected THB against USD; 2) the high volatility of raw material prices; 3) labour shortages; and 4) changing consumer demand and lifestyles.
MK Restaurant Group	M TB	THB 54.50	BUY	Downside risks to our P/E-based TP include potential rises in raw material costs (~32% of total revenue), labour costs, given its labour-intensive nature, the renewal of the 3-year Yayoi franchise, and risk from animal diseases.
NSL Foods	NSL TB	THB 23.60	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.

Source: FSSIA estimates

#### Additional Disclosures

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

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

All share prices are as at market close on 27-Feb-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

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

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

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

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

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