

Thailand Market Strategy

Resilience among fragility

- The latest banking turmoil added more risks to the global economic slowdown, while inflation in Western regions remains high. We do not anticipate a rate cut in the near term. Equity remains under pressure. Flows should move to bonds.
- The Thai economy is still resilient, supported by strong internal factors such as a consumption and tourism recovery plus the upcoming election.
- Cut SET index target to 1,700. Maintain accumulating on dip call. Top picks for 2Q23 are: AOT, BA, BDMS, BGRIM, CPN, M, MAKRO and NSL.

The FED's policy is more hawkish than the market anticipated

The latest Federal Open Market Committee (FOMC) meeting indicates that the US Federal Reserve (FED)'s rate hikes could end soon, with another 25 bps hike to 5-5.25% likely in 2Q23. However, March 2023's dot plot implies that the committee does not expect a rate cut this year, which is more hawkish than the market's anticipated 75-100 bps rate cut in 2H23. In our view, the key factor that could force the FED to cut its rate is when inflation significantly drops in the medium term, meaning the US economy might face a notable economic slowdown or even a recession. As a result, we expect global equities to remain pressured as flows are likely to move into low-risk assets and safe havens.

More resilient Thai economy and banking sector

The recent US and EU banking turmoil has added more risk to the financial system. This could impact business and consumer confidence in the short to medium term. However, we think the Thai economy will remain resilient. Only the export sector might be affected, while domestic demand and tourism remain on the rise. Thai banks' capital remains strong, with notably higher Tier 1 and CAR ratios than the minimum requirement. Plus, most banks' investments are in domestic bonds which are not majorly impacted by interest rate hikes.

Thailand is entering election mode

Thailand will have a general election on 14 May 2023. Based on our study, the SET index has often increased by an average of 1.7% during the two months before election day. We anticipate that history could repeat itself this year, thanks to the very high election campaign spending expected. In addition, if the results determine a clear winner that can form a highly stable new government, we think the market should react positively. This could bolster confidence in the economy in the long term, and 'Sell in May' might not occur this year.

Cut SET index target to 1,700; stick to domestic plays

We cut our 2023 SET index target from 1,750 to 1,700, based on a target PER of 16.9x. We revise down our 2023 EPS forecast from THB111 to THB101, representing 20% growth y-y. We continue to see a drop in the SET index to a range of 1,500-1,550 as an opportunity to accumulate, assuming no financial crisis. Domestic and reopening plays remain our preference. Our 2Q23 top picks are: AOT, BA, BDMS, BGRIM, CPN, MAKRO, M and NSL.



Veeravat Virochpoka

veeravat.vir@fssia.com
+66 2646 9821

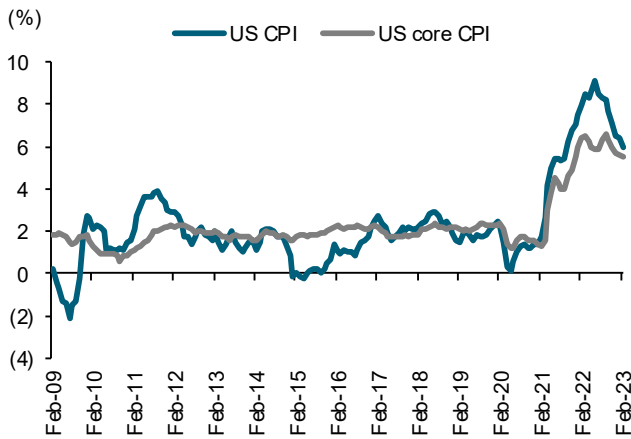
Songklod Wongchai

songklod.won@fssia.com
+66 2611 3553

FED's dot plot indicates peak rate at 5-5.25%; no rate cut this year

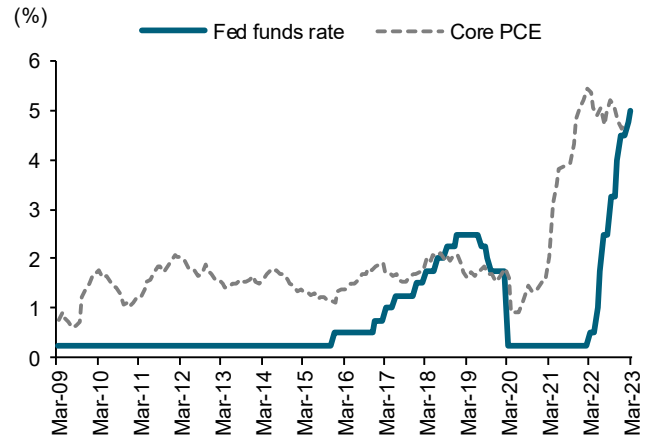
The FED recently decided to hike its policy rate by another 0.25% to 4.75-5% in order to fight stubborn inflation, even though there are new negative factors from the financial sector. In particular, US headline CPI remains at a high level, growing by 0.4% m-m and 6% y-y in February, while core CPI grew by 0.5% m-m and 5.5% y-y, which is far above the FED's long-term target of 2%. The FED's primary goal is still price stability. March 2023's dot plot indicates that another rate hike is coming, likely in May 2023, which should see the policy rate peaking at 5-5.25%. This would be in line with our view which anticipates the FED funds rate to peak in 2Q23. However, the FED insists that no rate cuts are in their baseline consideration this year, which is more hawkish than the market's view, which anticipated a rate cut in 2H23. Moreover, the FED cut its GDP growth forecasts for 2023-24 to +0.4% y-y and +1.2% y-y, respectively. This could imply that the FED is considering an economic slowdown or even a small technical recession in 2H23 likely from the very high interest rate environment and financial sector risk. The US treasury market reversed from early last month once again, as 2Y and 10Y bond yields dropped by c120 bps and c40 bps to c4% and c3.6%, respectively. This should reflect that the peak rate is coming soon and heighten concerns about the economy in the medium to long term. We maintain our view that this situation should continue to limit equity upside in the short term, with a greater emphasis on economic concerns than liquidity factors. Fund flows are likely to move into bonds and gold.

Exhibit 1: US headline and core CPI



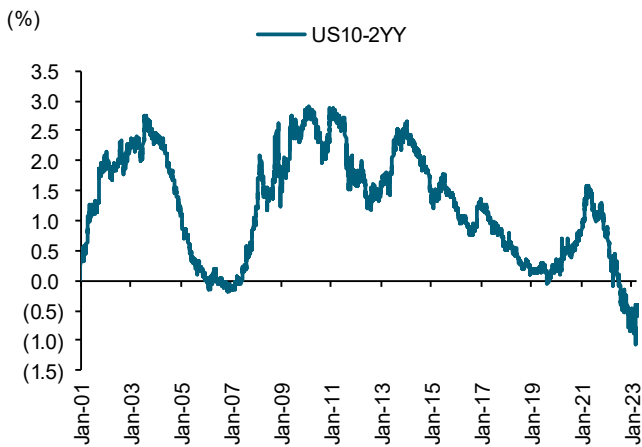
Sources: Bloomberg; FSSIA's compilation

Exhibit 2: US core PCE vs Fed funds rate



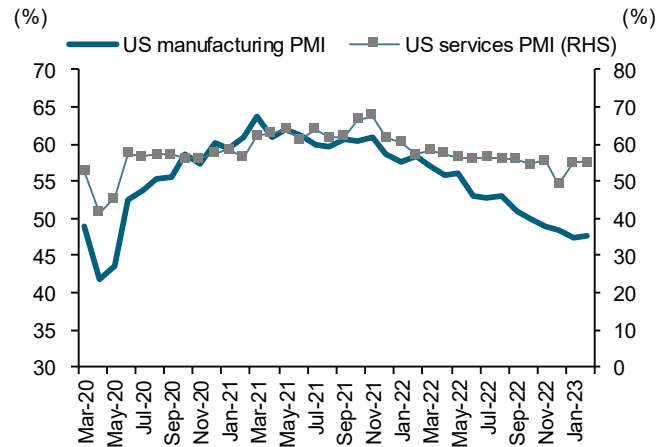
Sources: Bloomberg; FSSIA's compilation

Exhibit 3: US 10Y vs 2Y yield spread is narrowing



Sources: Bloomberg; FSSIA's compilation

Exhibit 4: US manufacturing and services PMI



Sources: Bloomberg; FSSIA's compilation

Banking turmoil should be monitored, but Thai banks remain strong

The collapse of Silicon Valley Bank (SVB), Silvergate Bank, and Signature, plus Credit Suisse's (CS) takeover by UBS reflect the huge selloff in risky assets in March 2023. The US government is considering measures to boost consumer confidence on deposits, while Swiss National Bank initially provided liquidity to CS before shifting to UBS on the takeover deal. These actions could calm investor fears over contagion risks which could spread to other banks and become a financial crisis. However, the current turmoil needs to be monitored in 2Q23 to see if more negative cases occur while central banks keep raising interest rates. In terms of the economy, we anticipate that the current situation could affect consumer confidence in spending, which increases the chance for US and EU economic slowdowns in the coming quarters, while CPI could drop faster than the market previously anticipated.

For the Thai banking sector, we do not see a negative impact from the recent financial turmoil. This is because Thai banks' investment exposures are largely in the local bond market, which is more stable and resilient than those in the US and EU markets. The Bank of Thailand (BoT) has not aggressively raised the interest rates when compared with the FED and European Central Bank due to lower CPI pressure. In addition, Thai banks' fundamentals remain strong with an average Tier 1 ratio and CAR of 15.8% and 19.4%, respectively, as of 2022 – well above the minimum requirement of 8.5% and 12%. Deposits and loan portfolios are well diversified. For 1Q23 earnings, we think Thai banks' aggregate earnings will increase q-q but remain flat y-y, largely due to their higher net interest income, underpinned by the interest rate upcycle. The key market focus remains asset quality.

Exhibit 5: Breakdown of Thai banks' investments (excludes investments in subsidiaries and associated companies)

Dec 2022	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Total	% of total investments
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)
Securities measured at FVTPL & trading securities	75,036	47,264	18,703	33,568	62,327	2,172	1,533	240,603	8
Debt securities measured at amortised cost	88,212	640,879	8,762	950	211,019	0	49,106	998,928	85
Debt securities measured at FVOCI	672,065	247,983	21,392	258,350	178,016	3,990	159,470	1,541,266	
Equity securities measured at FVOCI	89,874	84,496	1,694	17,755	1,636		2,856	198,311	7
Total investments	925,187	1,020,622	50,551	310,623	452,998	6,162	212,965	2,979,108	100
% banks' investments / total aggregate investments (%)	31	34	2	10	15	0.2	7		
Total assets	4,421,752	4,246,369	507,637	3,592,410	3,454,452	265,414	1,826,279	18,314,313	
% investment portfolio / total assets (%)	21	24	10	9	13	2	12	16	

Sources: Company Data

Exhibit 6: Thai banks' capital remains solid

	Tier 1	% Tier 1	Tier 2	% Tier 2	CAR	% CAR
	(THB m)	(%)	(THB m)	(%)	(THB m)	(%)
BBL	471,366	15.7	104,108	3.4	575,474	19.1
KBANK	414,539	16.0	53,760	2.1	468,299	18.0
KKP	43,115	11.7	12,410	3.4	55,525	15.1
KTB	338,543	16.5	65,317	3.2	403,860	19.7
SCB	409,359	17.7	25,548	1.2	434,907	18.9
TISCO	33,504	17.1	8,491	3.5	41,995	20.6
TTB	193,220	16.3	43,302	3.7	236,522	20.0

Tier 1 Capital Ratio = Tier 1 Capital / Total Risk Weighted Assets

Minimum tier 1 capital = 8.5% for KKP TISCO

Minimum tier 1 capital = 9.5% for BBL, KBANK, KTB, SCB, TTB (+1% for D-SIBs)

Minimum CAR = 11% for KKP TISCO

Minimum CAR = 12% for BBL, KBANK, KTB, SCB, TTB (+1% for D-SIBs)

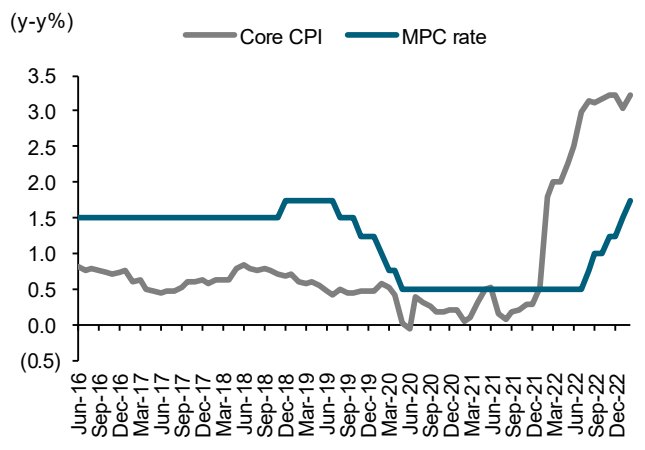
* D-SIBs (Domestic Systemically Important Banks)

Source: Company Data

Less pressure from Thai CPI for BoT; maintain peak rate at 2% in June 2023

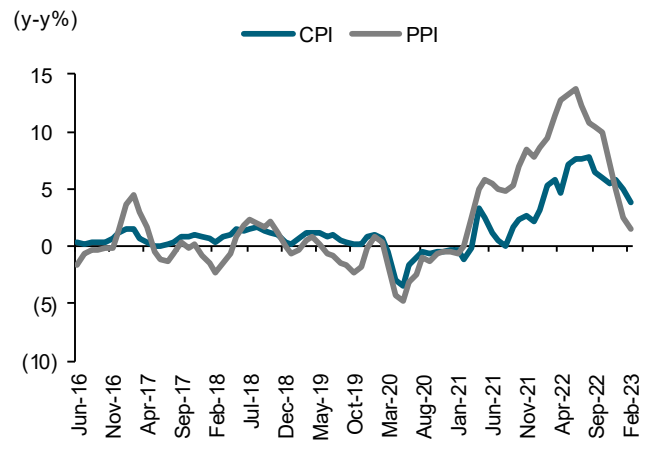
Thailand’s headline inflation rate significantly dropped from +5% y-y in January 2023 to +3.8% y-y in February 2023, while core CPI continued to come down from +3% in January 2023 to +1.9% y-y in February 2023. We expect CPI numbers in the coming months to further decline on a y-y basis from the base effect, as inflation started to rise in 1Q22 at the onset of the Russia-Ukraine war. We anticipate that headline CPI could drop to range of +c3% y-y, while core CPI should continue to stay below +2% y-y and move closer to the BoT’s long-term inflation target of 1-3%. This scenario implies that there would not be any significant pressure on the BoT to aggressively tighten its monetary policy, and that economic growth could be supported by the rising domestic consumption and tourism recovery. The BoT recently noted that some demand-pull inflation this year could be another factor to monitor. The BoT raised its policy rate by 25 bps to 1.75% in the March 2023 meeting. We maintain our forecast which sees the BoT raise its policy rate by another 25 bps to 2%, likely hitting the peak level in June 2023.

Exhibit 7: Thai core CPI vs MPC rate



Source: Bloomberg

Exhibit 8: Thai CPI and PPI



Source: Bloomberg

Thailand is entering election mode

Recently, the prime minister dissolved parliament on 20 March 2023, with a general election scheduled to take place on 14 May 2023, one week later than the Election Commission of Thailand had originally scheduled. The University of the Thai Chamber of Commerce anticipates that the election campaign could generate roughly THB50b. With an economic multiplier, it could benefit the economy by USD1-1.2tn, or equal to 0.5-0.7% of GDP.

Based on our study, during the two-month period before the last five general elections, the SET index has increased by an average of 1.7% with an 80% probability (i.e. four out of five times). The sectors that performed the best were commerce +2.9%, foods +2.4%, media +4.1% and ICT +5.8%, all of which are domestic sectors and benefit from campaign spending. Conversely, the energy and petrochemical sectors were at -0.5% and -3.6%, respectively. We expect global sectors to be impacted by global commodity prices rather than internal factors. We expect that local institutional investors will be key to driving the SET, and could have a net buy position during the election campaign, as has been seen historically. The SET could rebound in the short term after the huge sell-off in March 2023, dragged down by US and European financial turmoil. However, the upside is still limited as we anticipate that the market will wait to see the election outcome. We assess three possible scenarios as follows:

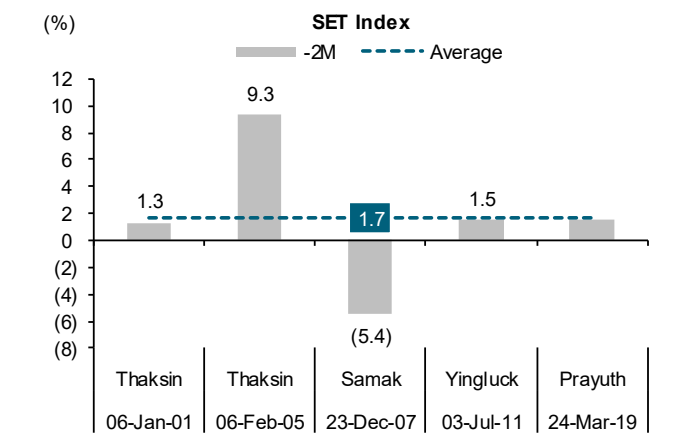
- **Scenario 1** - Pheu Thai wins the election in a landslide and cooperates with Palang Pracharath to be the ruling parties to form the government. In that case, we think the market could react very positively, as the incoming government would likely be very stable with a huge majority in the House. We would expect foreign fund flows to be strong as in the 2005 and 2011 elections.

- **Scenario 2** - United Thai Nation, Palang Pracharath, Bhumjaithai, Democrat, and allies continue to form the government as they did previously, with a marginal majority in the House. In this case, we expect that the market could react neutrally to slightly negatively as the government and its policies would look like the same as in the past four years.
- **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. We think that in this case, 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. The market should react negatively while foreign fund flows would not likely return in the short term.

‘Sell-in-May’ or not is up to election results

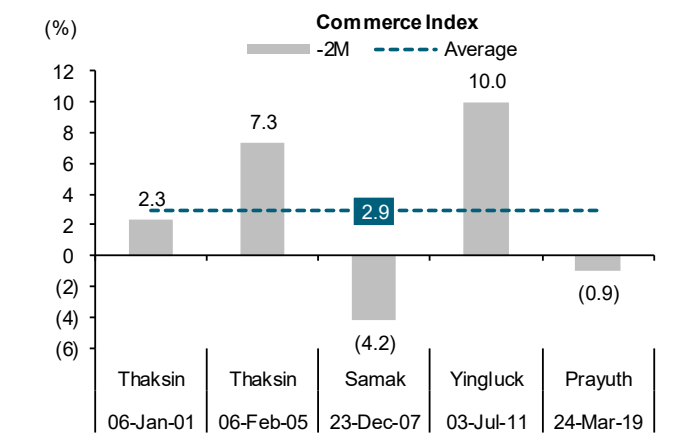
Historically, ‘Sell-in-May’ has occurred more often than not for the SET index. In the last ten years, the SET dropped an average of 0.57% in May with a probability of 60% (i.e. 6 out of 10 years). Note that in May 2021, the index fell sharply in the first half of the month but strongly rebounded in the second half. Foreign investors have posted a net sell position on average of THB12b during the month. We think the likelihood of Sell-in-May manifesting this year will depend on the election results. If scenario 1 occurs, foreign inflows should return, reducing the chance of Sell-in-May. Conversely, if scenario 2 or 3 occurs, we expect that history might repeat itself as foreign investors could have less confidence in the new government and the economic outlook.

Exhibit 9: SET index returns from the last five general elections



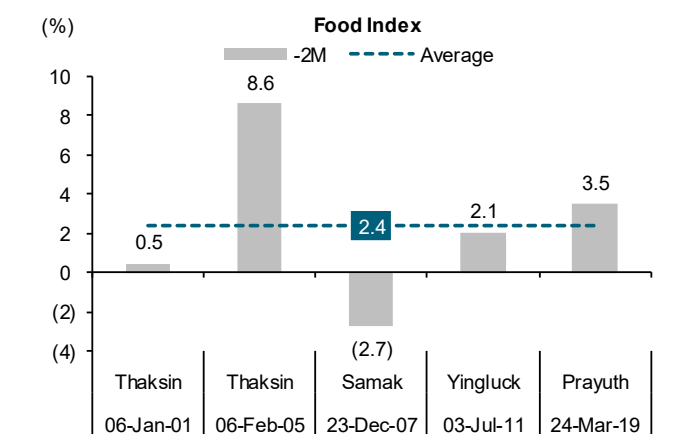
Sources: Bloomberg; FSSIA estimates

Exhibit 10: Commerce index returns from the last five general elections



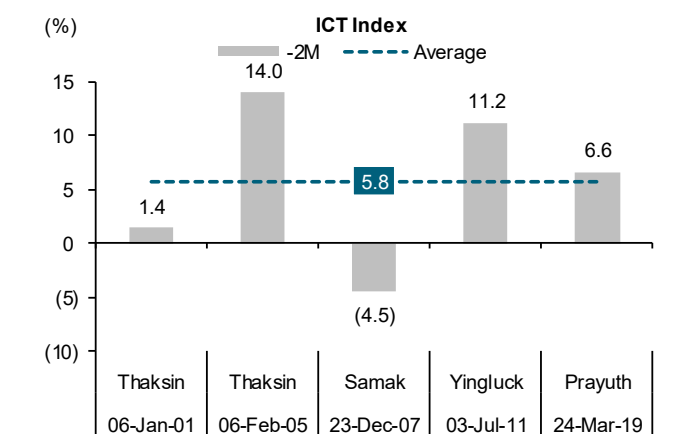
Sources: Bloomberg; FSSIA estimates

Exhibit 11: Food index returns from the last five general elections



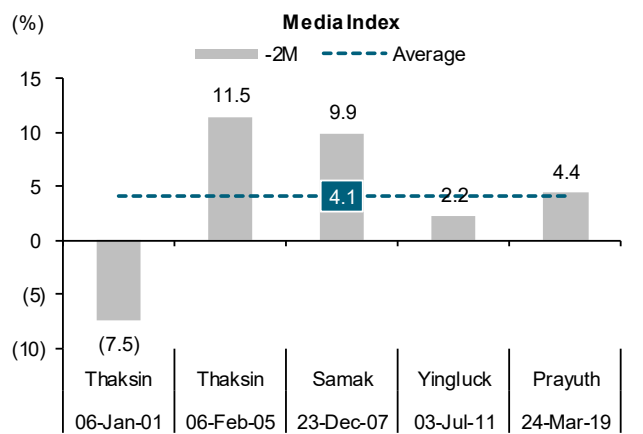
Sources: Bloomberg; FSSIA estimates

Exhibit 12: ICT index returns from the last five general elections



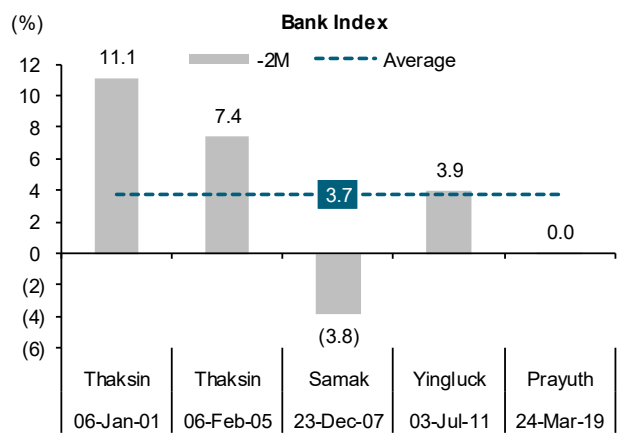
Sources: Bloomberg; FSSIA estimates

Exhibit 13: Media index returns from the last five general elections



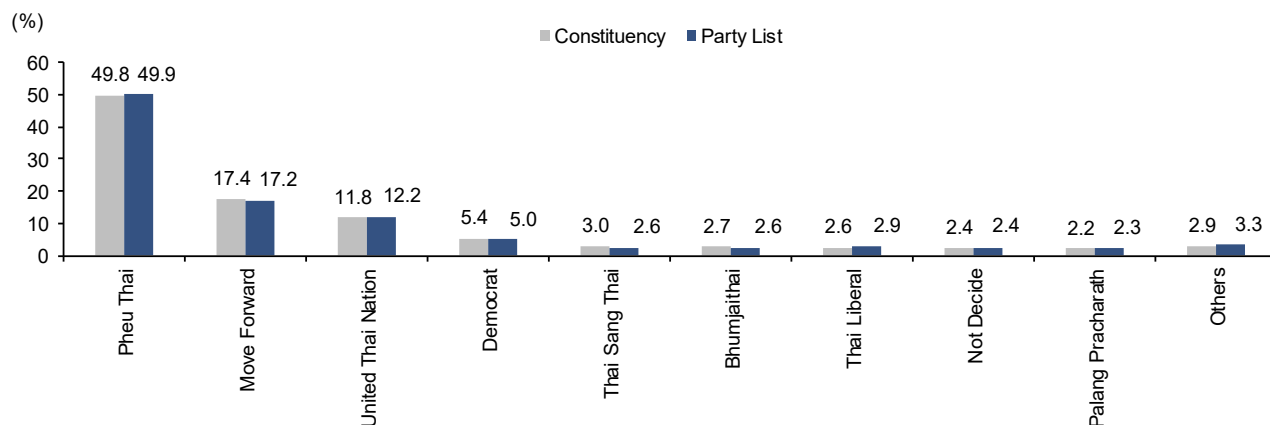
Sources: Bloomberg; FSSIA estimates

Exhibit 14: Bank index returns from the last five general elections



Sources: Bloomberg; FSSIA estimates

Exhibit 15: Parties most likely to gain votes for MPs in the constituency system and party list (poll)



Source: NIDA poll

Exhibit 16: SET index monthly historical performance

	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)
10-year average	1.9	0.4	(0.7)	2.2	(0.6)	(0.6)	0.2	0.3	(0.4)	0.3	0.7	(0.6)
2023	0.2	(2.9)	(1.0)									
2022	(0.5)	2.2	0.6	(1.6)	(0.2)	(5.7)	0.5	4.0	(3.0)	1.2	1.7	2.0
2021	1.2	2.0	6.0	(0.3)	0.7	(0.4)	(4.2)	7.7	(2.0)	1.1	(3.4)	5.7
2020	(4.2)	(11.5)	(16.0)	15.6	3.2	(0.3)	(0.8)	(1.4)	(5.6)	(3.4)	17.9	2.9
2019	5.0	0.7	(0.9)	2.1	(3.2)	6.8	(1.1)	(3.3)	(1.1)	(2.2)	(0.7)	(0.7)
2018	4.2	0.2	(2.9)	0.2	(3.0)	(7.6)	6.7	1.2	2.0	(5.0)	(1.6)	(4.8)
2017	2.2	(1.1)	1.0	(0.6)	(0.3)	0.8	0.1	2.5	3.5	2.9	(1.4)	3.3
2016	1.0	2.4	5.7	(0.2)	1.4	1.5	5.5	1.6	(4.2)	0.8	1.0	2.2
2015	5.6	0.4	(5.1)	1.4	(2.0)	0.6	(4.3)	(4.0)	(2.4)	3.4	(2.5)	(5.3)
2014	(1.9)	4.0	3.8	2.8	0.1	5.0	1.1	3.9	1.5	(0.1)	0.6	(6.0)
2013	5.9	4.6	1.2	2.4	(2.2)	(7.1)	(2.0)	(9.1)	6.9	4.3	(5.0)	(5.3)

Source: Bloomberg

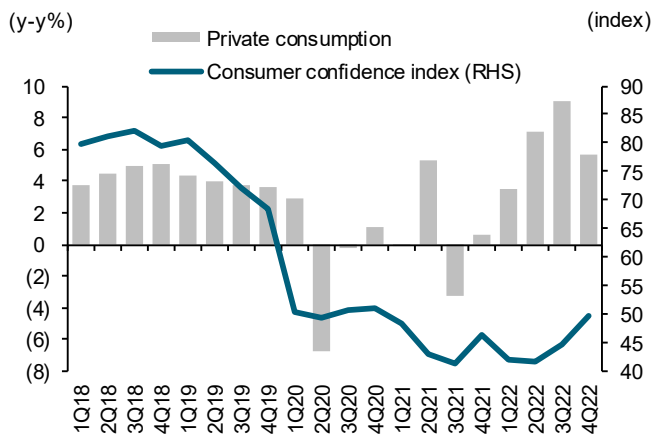
Domestic consumption, tourism recovery key to offset negative export growth

We continue to see private consumption and the tourism industry as key driving engines for the Thai economy 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. In addition, we anticipate 2Q23 private consumption to continue to grow thanks to the election campaign, while the tourism sector should benefit from the return of Chinese tourists, despite entering the low season in 2Q23. All of these factors should help offset negative export growth due to the global economic slowdown and the high base last year. In particular, the monthly export value in 1H22 was around USD24.8b, while the January 2023 number was at USD20.2b. As a result, we expect to see a significant drop by c10-20% y-y in monthly exports in 1H23. The Bloomberg consensus currently expects 1Q23-2Q23 GDP to grow by 2.9% y-y and 3.3% y-y, respectively, accelerating from +1.4% y-y in 4Q22.

The Office of the National Economic and Social Development Council (NESDC) trimmed its 2023E GDP growth to 2.7-3.7% y-y from 3-4% y-y previously, while the BoT also trimmed its 2023 forecast to +3.6% from +3.7% y-y in the November 2022 report, mainly on the back of weak exports.

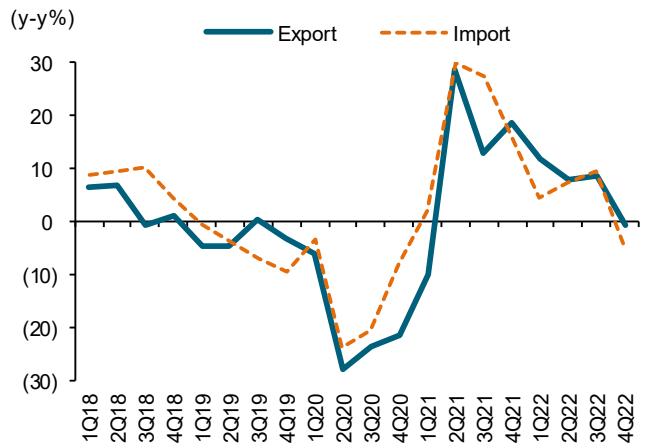
We see strong growth momentum for both domestic consumption and the tourism recovery. For the commerce sector, we have seen positive same-store sales growth (SSSG) for six consecutive quarters on average, with 6.9% SSSG estimated for 1Q23. For the tourism sector, we expect international tourist arrivals to be stable or even rise, despite the low season in 2Q23. Tourism should still benefit from the return of Chinese tourists and higher flight numbers, as Thai airlines entered The International Air Transport Association (IATA) summer schedule in late March 2023.

Exhibit 17: Private consumption



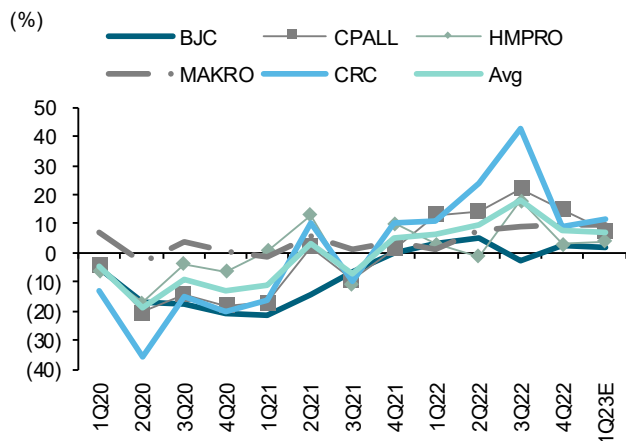
Source: NESDC

Exhibit 18: Strong service exports offsetting goods



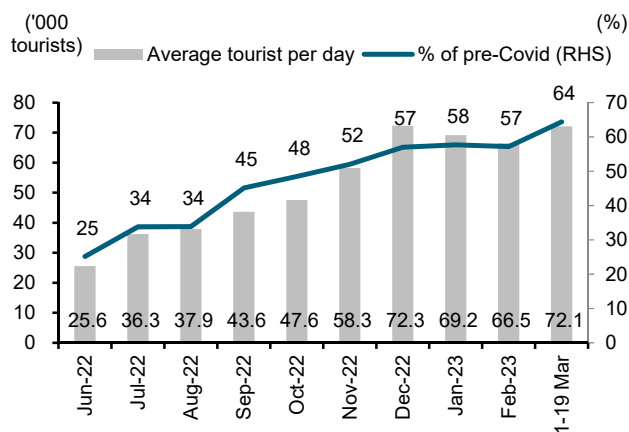
Source: NESDC

Exhibit 19: Commerce sector's quarterly same-store sales growth



Source: Company data

Exhibit 20: Average number of international tourists per day



Source: Center for COVID-19 Situation Administration and Economic Tourism and Sports Division

Exhibit 21: Thailand economic forecasts

	2018	2019	2020	2021	2022	NESDC 2023E	Bank of Thailand 2023E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	2.7-3.7	3.6
Private consumption	4.6	4.0	(0.8)	0.6	6.3	3.2	4.0
Private investment	4.1	2.7	(8.1)	3.0	5.1	2.1	2.1
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(1.5)	(2.2)
Public investment	2.8	0.1	5.1	3.4	(4.9)	2.7	3.7
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.6)	(0.7)
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	2.5-3.5	2.9
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	28

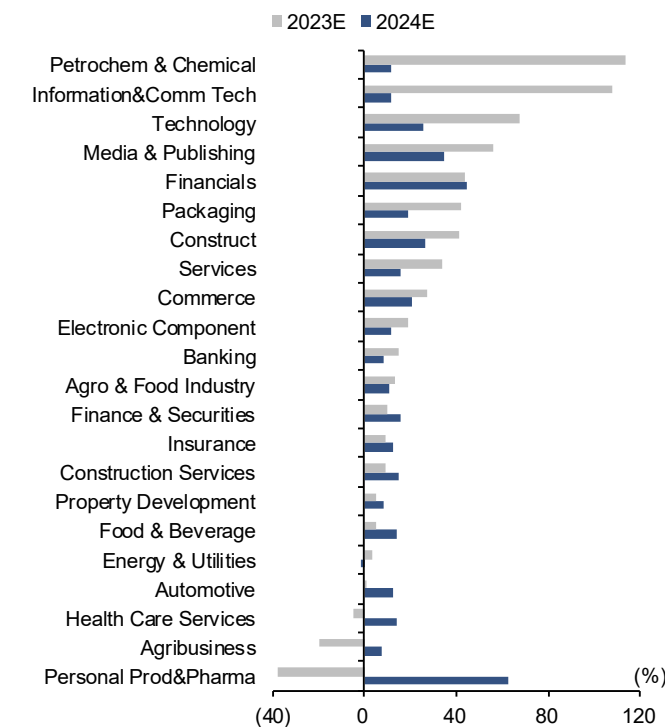
Sources: [NESDC](#); [BoT](#)

Revising down 2023E EPS and SET target

Based on 151 listed companies (comprising 86 under our coverage and the rest under the Bloomberg consensus), we expect 2023 EPS to grow by 20% to THB101, down from our forecast of THB111 in December 2022. This is a result of companies' poor 4Q22 earnings, prompting us to revise our 2023 forecasts downward. Along with the slump in energy prices, the energy sector is likely to post only 3% y-y earnings growth, while we expect the food sector's earnings to grow by only 3% y-y in 2023. However, the tourism, transport, and commerce sectors should continue to show healthy growth in 2023 thanks to the tourism and consumption recovery. Meanwhile, petrochemicals should jump from the very low base in 2022. As a result, we decrease our 2023 SET target from 1,750 to 1,700 by using a target PER of 16.9x, the 10-year historical average. This is higher than our previous assumption of SD-0.25 due to the lower bond yield trend, as we believe global interest rates should peak soon.

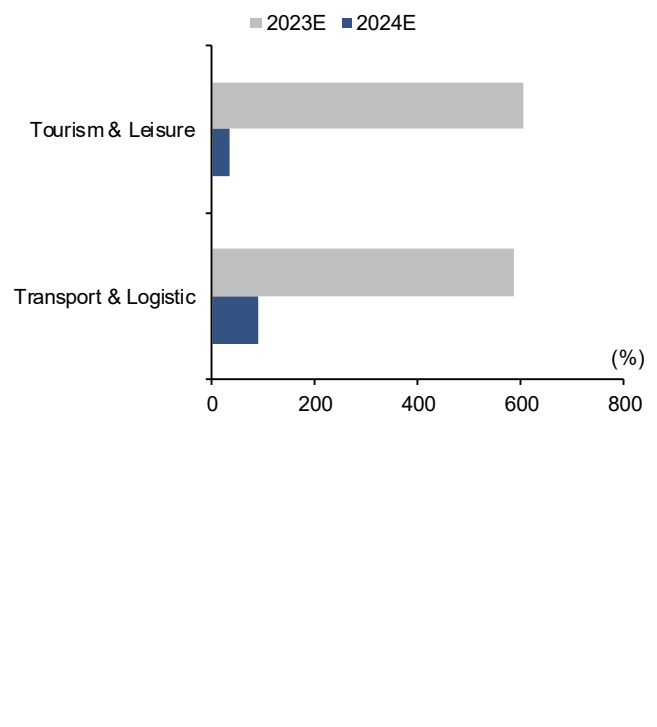
In terms of valuation, the current SET index level of c1,600 implies an earnings yield of 6.3%, while the 10Y Thai government bond yield is now at 2.3%. This implies that the current earnings yield gap is now at 4% – the highest level since the outbreak of the Covid-19 pandemic. We have found that the earnings yield gap can reach 6-7%, but only when financial crises occur. As a result, we anticipate that this level is attractive enough to accumulate stocks, based on the assumption that no crisis will materialise. We adjust our estimated trading range for the SET in 2Q23 to 1,520-1,660.

Exhibit 22: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

Exhibit 23: Earnings growth by sector



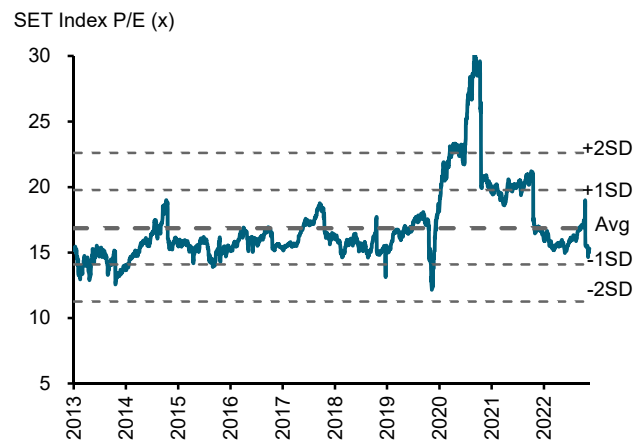
Sources: Bloomberg and FSSIA estimates

Exhibit 24: SET target sensitivity

		----- Earnings per share -----	
		2023E	2024E
	EPS	101.0	111.4
		- Target index based on FSSIA estimates -	
		2023E	2024E
	P/E (x)		
SD+1.0	19.8	1,995	2,201
SD+0.5	18.3	1,846	2,036
SD+0.25	17.6	1,774	1,957
10-year average	16.9	1,702	1,878
SD-0.25	16.2	1,631	1,799
SD-0.5	15.4	1,559	1,720
SD-1.0	14.1	1,422	1,568

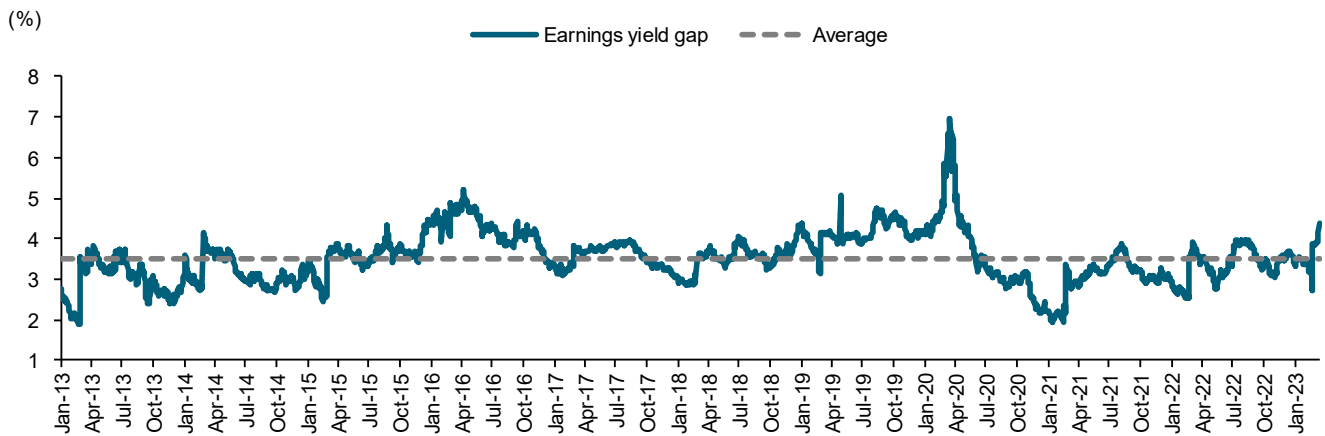
Source: FSSIA estimates

Exhibit 25: SET index historical forward PER



Source: Bloomberg

Exhibit 26: Earnings yield gap is wide enough in case no crisis (%)



Sources: Bloomberg

Domestic and defensive plays to outperform market

From all of the factors mentioned above, we maintain our call to stick to domestic sectors over global plays. We expect that those stocks that will benefit from a rise in domestic consumption and a tourism recovery, as well as companies that benefit from lower commodity prices, especially oil and gas, should continue to outperform the market. Based on our investment themes, our top picks for 2Q23 are AOT, BA, BDMS, BGRIM, CPN, M, MAKRO and NSL.

Exhibit 27: FSSIA's stock picks for 2Q23

Company	BBG code	Key rationale
Airports of Thailand	AOT TB, BUY, TP THB85	AOT trades at an attractive valuation of 31x FY24E (first nominalised year) P/E, lower than its historical average of 46x. There is a potential upside from the three new airports (Udon Thani, Buriram and Krabi) which should be transferred from the Department of Airports to AOT by 1H23, subject to cabinet approval. Earnings momentum should continue in 2QFY23, and there is the potential for AOT to revise up its passenger volume forecast.
Bangkok Airways	BA TB, BUY, TP THB18.00	We believe that 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's average (33x). Potential upsides include the return of Chinese tourists who typically account for c10% of revenue and gains from Samui Airport improvements (flight capacity expansion and terminal renovation). Its earnings momentum over the next three quarters is promising on China's reopening and the upcoming Samui high season (1Q23 and 3Q23), coupled with dividend income from BDMS in 2Q23.
Bangkok Dusit Medical Services	BDMS TB, BUY, TP THB34.50	We forecast BDMS' earnings to grow by 7% in 2023, driven by 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 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.
B.Grimm Power	BGRIM TB, BUY, TP THB47	BGRIM is the turnaround stock for a Thai utilities play. We expect BGRIM to see a meaningful improvement in earnings growth momentum in 2023, driven by 1) wider gross margins at its small power producers (SPPs) due to the fuel tariff (Ft) hike that should outpace the gas cost rise; 2) gas cost savings by 6-10% from the seven new SPPs that are scheduled to sequentially come on stream in 2H22-2023; 3) higher volumes of electricity and steam sold to industrial users, mainly from higher demand and seven new SPPs; and 4) a y-y lower gas cost in 2023 as more gas from Erawan replaces US LNG at the lower prices.
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's overall operations in 2022 fully recovered to 2019 levels. We expect a 2023 net profit of THB13b, +17.8% y-y. in our view, CPN is more than a reopening play, with its committed 5-year plan to develop projects under its retail-led mixed-use development theme.
MK Restaurant Group	M TB, BUY, TP THB59	MK restaurant is Thailand's sukiyaki 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 THB59, based on 22x 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.
Siam Makro	MAKRO TB, BUY, TP THB46	We believe MAKRO is attractive for its strong presence in business-to-business (B2B) grocery wholesaling coupled with Lotus's business-to-consumer (B2C) grocery retailing and consumer-centric brand in Southeast Asia. We forecast MAKRO's core profit in 2023-25 to rise at a 27.8% CAGR, which reflects the robust growth expected from MAKRO and Lotus's, including well-managed costs. Its share price is currently trading at 39x 2023E P/E, which is below its 5-year average of 39.8x P/E.
NSL Foods	NSL TB, BUY, TP THB26	NSL earns its revenue mainly from domestic sales, with CP All (CPALL TB, NR) 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 28: Summary of key valuations for FSSIA's top picks for 2Q23

Company	BBG code	--- Share price ---		Up side (%)	----- Recurring profit -----			- EPS growth -		----- P/E -----			DivYld (%)	ROE (%)	PBV (x)
		Current (THB)	Target (THB)		22A (THB m)	23E (THB m)	24E (THB m)	23E (y-y%)	24E (y-y%)	23E (x)	24E (x)	25E (x)			
Airports of Thailand	AOT TB	71.75	85.00	18	(10,173)	13,188	33,252	(229.6)	152.1	77.7	30.8	25.9	0.6	12.2	9.0
Bangkok Airways	BA TB	13.50	18.00	33	(1,974)	918	1,573	(146.5)	71.4	30.9	18.0	16.6	1.9	5.3	1.6
Bangkok Dusit Medical Services	BDMS TB	29.50	34.50	17	12,606	13,469	15,295	6.8	13.6	34.8	30.7	27.8	1.7	14.5	4.9
B.Grimm Power	BGRIM TB	41.00	47.00	15	375	2,719	3,286	624.5	20.8	39.3	32.5	33.4	0.9	8.8	3.3
Central Pattana	CPN TB	69.50	82.00	18	10,945	12,898	14,064	17.8	9.0	24.2	22.2	20.9	1.6	15.1	3.5
MK Restaurant Group	M TB	51.75	59.00	14	1,439	2,170	2,334	50.8	7.6	22.0	20.4	19.0	3.9	15.9	3.5
Siam Makro	MAKRO TB	40.75	46.00	13	7,697	11,187	13,670	45.3	22.2	38.5	31.5	26.9	1.8	3.8	1.5
NSL Foods	NSL TB	22.60	26.00	15	298	343	394	15.1	14.9	19.8	17.2	15.7	4.6	23.8	4.6

Share prices as of 28 Mar 2023

Source: FSSIA estimates

Appendix

Exhibit 29: Changes in indices before and after general elections

SET Index		Before election						After election								
-6M	-5M	-4M	-3M	-2M	-1M	Prime Minister	Election Date	+1D	+1M	+2M	+3M	+4M	+5M	+6M		
(7.1)	(3.5)	(2.2)	10.5	1.3	8.8	Thaksin Shinawatra	06-Jan-01	3.2	9.2	1.3	(4.7)	3.6	4.9	9.8		
18.8	15.0	8.6	14.3	9.3	4.6	Thaksin Shinawatra	06-Feb-05	0.9	1.6	(6.1)	(5.0)	(6.0)	(9.1)	(5.4)		
5.4	(5.7)	2.8	(2.7)	(5.4)	(1.3)	Samak Sundaravej	23-Dec-07	2.8	(9.0)	3.1	(0.8)	3.0	7.6	(5.5)		
4.6	11.2	9.5	1.1	1.5	3.1	Yingluck Shinawatra	03-Jul-11	4.7	3.1	(3.8)	(21.5)	(12.2)	(5.6)	(5.0)		
(5.9)	1.4	1.5	3.5	1.6	(0.8)	Prayuth Chan-o-cha	24-Mar-19	(1.2)	1.6	(2.0)	4.2	4.8	0.0	(1.0)		
3.2	3.7	4.0	5.3	1.7	2.9	Average		2.1	1.3	(1.5)	(5.6)	(1.4)	(0.4)	(1.4)		

Banks		Before election						After election								
-6M	-5M	-4M	-3M	-2M	-1M	Prime Minister	Election Date	+1D	+1M	+2M	+3M	+4M	+5M	+6M		
1.9	5.1	11.1	21.4	11.1	19.8	Thaksin Shinawatra	06-Jan-01	7.5	13.3	0.1	(6.4)	9.8	(2.9)	(1.7)		
23.0	18.7	19.2	19.2	7.4	2.2	Thaksin Shinawatra	06-Feb-05	1.4	(1.1)	(9.1)	(6.3)	(5.3)	(10.8)	(7.1)		
(3.2)	(13.5)	(2.8)	(5.6)	(3.8)	(1.7)	Samak Sundaravej	23-Dec-07	1.9	(10.6)	5.8	5.2	8.9	10.0	(8.0)		
7.7	15.2	9.9	0.3	3.9	7.2	Yingluck Shinawatra	03-Jul-11	7.0	(0.9)	(7.3)	(25.8)	(15.8)	(12.9)	(12.9)		
(6.3)	(2.2)	(0.7)	0.5	0.0	(1.0)	Prayuth Chan-o-cha	24-Mar-19	(1.2)	(1.2)	(3.4)	(0.7)	(1.7)	(11.8)	(11.8)		
4.6	4.7	7.4	7.2	3.7	5.3	Average		3.3	(0.1)	(2.8)	(6.8)	(0.8)	(5.7)	(8.3)		

Energy		Before election						After election								
-6M	-5M	-4M	-3M	-2M	-1M	Prime Minister	Election Date	+1D	+1M	+2M	+3M	+4M	+5M	+6M		
3.3	(0.8)	(8.9)	5.1	(7.0)	(0.1)	Thaksin Shinawatra	06-Jan-01	0.4	0.1	3.6	0.8	4.6	21.5	27.4		
21.7	17.5	4.0	9.9	10.4	5.0	Thaksin Shinawatra	06-Feb-05	0.4	11.2	4.7	8.8	8.3	11.8	19.8		
24.5	8.3	16.9	2.6	(5.8)	(2.3)	Samak Sundaravej	23-Dec-07	4.8	(12.1)	0.1	(6.7)	0.7	8.3	(6.2)		
3.2	4.8	4.6	(4.6)	(1.1)	1.1	Yingluck Shinawatra	03-Jul-11	4.2	(1.0)	(9.4)	(28.5)	(18.4)	(11.4)	(9.2)		
(8.4)	1.7	1.8	5.1	1.1	(0.6)	Prayuth Chan-o-cha	24-Mar-19	(1.6)	3.3	(3.7)	4.8	5.1	(2.2)	2.4		
8.8	6.3	3.7	3.6	(0.5)	0.6	Average		1.6	0.3	(0.9)	(4.2)	0.1	5.6	6.8		

Petro		Before election						After election								
-6M	-5M	-4M	-3M	-2M	-1M	Prime Minister	Election Date	+1D	+1M	+2M	+3M	+4M	+5M	+6M		
(25.6)	(22.3)	(17.7)	(16.4)	(11.8)	(2.8)	Thaksin Shinawatra	06-Jan-01	2.7	1.4	0.5	(5.3)	(7.9)	(4.2)	4.4		
17.7	13.8	(1.4)	6.0	2.1	2.8	Thaksin Shinawatra	06-Feb-05	0.0	8.4	(4.1)	(1.2)	(9.9)	(15.1)	(19.2)		
21.1	(0.6)	7.3	(7.8)	(6.5)	2.6	Samak Sundaravej	23-Dec-07	2.7	(14.8)	(4.0)	(8.2)	(1.7)	1.7	(6.6)		
(5.0)	10.5	9.9	(4.9)	(3.5)	7.0	Yingluck Shinawatra	03-Jul-11	5.4	(1.1)	(19.7)	(43.7)	(25.4)	(23.3)	(27.4)		
(14.7)	(6.3)	(8.8)	(5.2)	1.6	(1.6)	Prayuth Chan-o-cha	24-Mar-19	(2.2)	(1.5)	(10.9)	(5.0)	(13.2)	(24.5)	(24.9)		
(1.3)	(1.0)	(2.1)	(5.7)	(3.6)	1.6	Average		1.7	(1.5)	(7.6)	(12.7)	(11.6)	(13.1)	(14.7)		

Media		Before election						After election								
-6M	-5M	-4M	-3M	-2M	-1M	Prime Minister	Election Date	+1D	+1M	+2M	+3M	+4M	+5M	+6M		
(14.2)	(9.2)	(12.3)	5.0	(7.5)	2.2	Thaksin Shinawatra	06-Jan-01	1.2	7.0	0.8	(4.1)	(3.0)	(5.3)	7.9		
8.9	4.9	4.6	12.0	11.5	8.2	Thaksin Shinawatra	06-Feb-05	1.6	(5.9)	(13.3)	(17.9)	(21.1)	(25.1)	(22.1)		
4.9	3.4	11.6	11.3	9.9	3.6	Samak Sundaravej	23-Dec-07	2.9	(0.9)	10.0	10.0	11.2	14.1	2.4		
12.0	17.5	8.1	8.9	2.2	2.4	Yingluck Shinawatra	03-Jul-11	5.4	8.6	4.7	(13.8)	(8.6)	(2.4)	5.5		
(8.3)	4.0	7.6	9.4	4.4	2.9	Prayuth Chan-o-cha	24-Mar-19	(0.3)	11.9	5.2	11.2	21.1	16.2	11.3		
0.7	4.1	3.9	9.3	4.1	3.9	Average		2.2	4.1	1.5	(2.9)	(0.1)	(0.5)	1.0		

Commerce		Before election						After election								
-6M	-5M	-4M	-3M	-2M	-1M	Prime Minister	Election Date	+1D	+1M	+2M	+3M	+4M	+5M	+6M		
1.2	5.1	(6.1)	13.2	2.3	3.3	Thaksin Shinawatra	06-Jan-01	0.7	(1.8)	1.1	2.8	1.2	1.3	4.4		
1.2	4.3	4.7	9.4	7.3	3.5	Thaksin Shinawatra	06-Feb-05	0.4	5.9	5.4	3.1	6.5	4.9	5.5		
(1.9)	(9.6)	(2.8)	(5.1)	(4.2)	(1.8)	Samak Sundaravej	23-Dec-07	1.8	0.8	6.8	8.5	9.1	12.1	7.6		
14.6	23.9	21.7	16.8	10.0	4.3	Yingluck Shinawatra	03-Jul-11	4.6	14.0	16.7	(2.3)	3.4	18.2	22.7		
(1.7)	7.2	4.5	3.4	(0.9)	(2.8)	Prayuth Chan-o-cha	24-Mar-19	(1.9)	1.6	(0.3)	6.9	9.0	8.4	2.6		
2.7	6.2	4.4	7.6	2.9	1.3	Average		1.1	4.1	5.9	3.8	5.8	9.0	8.6		

Sources: Bloomberg; FSSIA's compilation

Exhibit 30: Changes in indices before and after general elections (cont.)

Property	Before election						Prime Minister	Election Date	After election					
	-6M	-5M	-4M	-3M	-2M	-1M			+1D	+1M	+2M	+3M	+4M	+5M
(8.5)	(4.0)	(0.4)	8.6	8.1	6.0	Thaksin Shinawatra	06-Jan-01	2.3	27.1	11.4	10.9	14.1	16.7	37.9
23.5	17.0	12.9	22.2	13.4	7.2	Thaksin Shinawatra	06-Feb-05	2.0	(7.2)	(15.2)	(19.3)	(18.8)	(26.5)	(24.4)
0.0	(11.2)	(1.2)	(1.4)	(1.9)	1.1	Samak Sundaravej	23-Dec-07	2.7	(8.3)	7.4	9.1	10.9	9.5	(8.8)
3.5	12.1	6.9	(1.0)	(1.8)	2.8	Yingluck Shinawatra	03-Jul-11	6.2	5.7	4.2	(17.4)	(14.2)	(4.2)	(3.1)
(14.6)	(6.4)	(3.0)	0.4	(1.5)	(3.7)	Prayuth Chan-o-cha	24-Mar-19	(0.8)	3.2	0.6	5.8	6.6	0.2	(5.1)
0.8	1.5	3.1	5.8	3.3	2.7	Average		2.5	4.1	1.7	(2.2)	(0.3)	(0.9)	(0.7)

ConMat	Before election						Prime Minister	Election Date	After election					
	-6M	-5M	-4M	-3M	-2M	-1M			+1D	+1M	+2M	+3M	+4M	+5M
(19.7)	(7.6)	(2.7)	15.8	2.9	7.1	Thaksin Shinawatra	06-Jan-01	1.8	1.8	(2.8)	(8.6)	2.4	17.5	25.1
14.9	14.1	7.7	15.5	10.9	0.9	Thaksin Shinawatra	06-Feb-05	1.5	0.2	(8.8)	(10.6)	(12.5)	(19.2)	(19.9)
(11.1)	(19.2)	(10.3)	(13.1)	(13.2)	(2.6)	Samak Sundaravej	23-Dec-07	0.6	(6.0)	(0.5)	(3.4)	(5.0)	(3.4)	(10.3)
2.1	13.5	13.6	2.4	(0.1)	2.9	Yingluck Shinawatra	03-Jul-11	4.1	1.4	(9.1)	(28.6)	(10.2)	(6.2)	(7.2)
(0.1)	10.2	4.6	9.3	4.4	(1.0)	Prayuth Chan-o-cha	24-Mar-19	(0.6)	(4.2)	(3.8)	(0.3)	(1.6)	(8.6)	(9.5)
(2.8)	2.2	2.6	6.0	1.0	1.5	Average		1.5	(1.4)	(5.0)	(10.3)	(5.4)	(4.0)	(4.4)

ICT	Before election						Prime Minister	Election Date	After election					
	-6M	-5M	-4M	-3M	-2M	-1M			+1D	+1M	+2M	+3M	+4M	+5M
(12.1)	(3.1)	(2.6)	16.0	1.4	15.2	Thaksin Shinawatra	06-Jan-01	3.9	14.6	(1.8)	(7.1)	(3.3)	(1.3)	0.6
34.6	26.5	16.5	22.3	14.0	8.4	Thaksin Shinawatra	06-Feb-05	2.1	(4.6)	(16.6)	(14.7)	(18.5)	(20.0)	(14.3)
(8.0)	(18.6)	(11.5)	(3.7)	(4.5)	(0.7)	Samak Sundaravej	23-Dec-07	1.2	(0.5)	16.6	11.3	7.1	15.7	7.6
22.9	31.9	29.4	18.3	11.2	6.8	Yingluck Shinawatra	03-Jul-11	6.4	10.2	5.2	4.3	10.6	20.2	17.5
(4.7)	(0.1)	4.0	7.9	6.6	1.5	Prayuth Chan-o-cha	24-Mar-19	(1.6)	3.1	0.3	8.2	16.0	20.4	12.2
6.5	7.3	7.1	12.2	5.8	6.2	Average		2.4	4.6	0.7	0.4	2.4	7.0	4.7

Food	Before election						Prime Minister	Election Date	After election					
	-6M	-5M	-4M	-3M	-2M	-1M			+1D	+1M	+2M	+3M	+4M	+5M
0.2	(2.2)	0.2	2.3	0.5	2.4	Thaksin Shinawatra	06-Jan-01	0.4	5.2	5.2	4.4	10.0	22.3	34.7
6.6	3.4	4.2	5.5	8.6	6.3	Thaksin Shinawatra	06-Feb-05	0.8	3.8	1.8	4.9	2.2	1.8	6.5
12.5	9.3	10.3	3.8	(2.7)	0.8	Samak Sundaravej	23-Dec-07	2.6	(4.2)	0.5	(0.2)	3.7	8.0	(1.3)
9.9	20.0	16.6	8.1	2.1	1.8	Yingluck Shinawatra	03-Jul-11	1.3	10.1	4.5	(13.3)	(3.8)	5.2	6.7
(2.5)	6.4	5.1	9.2	3.5	0.8	Prayuth Chan-o-cha	24-Mar-19	(1.1)	(0.1)	1.9	6.5	10.5	9.9	4.3
5.4	7.4	7.3	5.8	2.4	2.4	Average		0.8	3.0	2.8	0.5	4.5	9.5	10.2

Auto	Before election						Prime Minister	Election Date	After election					
	-6M	-5M	-4M	-3M	-2M	-1M			+1D	+1M	+2M	+3M	+4M	+5M
(19.1)	(19.6)	(6.4)	(4.9)	(2.5)	1.5	Thaksin Shinawatra	06-Jan-01	0.7	(6.9)	1.9	7.8	11.1	32.7	38.8
3.4	6.9	7.2	16.6	14.2	11.6	Thaksin Shinawatra	06-Feb-05	0.1	0.0	(9.9)	(12.3)	(17.1)	(20.7)	(20.9)
1.7	(1.1)	3.4	0.6	2.0	(0.4)	Samak Sundaravej	23-Dec-07	1.0	(4.0)	3.2	1.8	2.0	7.4	(2.0)
(13.3)	(1.9)	0.0	1.7	6.3	0.5	Yingluck Shinawatra	03-Jul-11	1.2	7.8	4.7	(13.1)	(14.9)	(8.2)	(4.7)
(12.2)	(6.0)	(1.8)	1.3	(0.4)	(4.3)	Prayuth Chan-o-cha	24-Mar-19	(0.6)	1.8	(3.6)	(2.0)	(4.1)	(9.3)	(12.3)
(7.9)	(4.3)	0.5	3.1	3.9	1.8	Average		0.5	(0.2)	(0.7)	(3.6)	(4.6)	0.4	(0.2)

Sources: Bloomberg; FSSIA's compilation

Exhibit 59: 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
5Y Average	4,332	(7,200)	(4,334)			9,223	358	2,979
2Y Average	(17,809)	(27,595)	(22,832)			23,778	(6,858)	10,405

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
5Y Average	1,957	5,597	2,599			(8,372)	(3,856)	(2,003)
2Y Average	18,323	21,143	10,461			(14,698)	(5,003)	(5,952)

Sources: SETSMART and FSSIA's compilation

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB50 (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Veeravat Virochpoka 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.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Airports of Thailand	AOT TB	THB 71.75	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Bangkok Airways	BA TB	THB 13.50	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 29.50	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.
B.Grimm Power	BGRIM TB	THB 41.00	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.
Central Pattana	CPN TB	THB 69.50	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.
MK Restaurant Group	M TB	THB 51.75	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and labour shortages.
Siam Makro	MAKRO TB	THB 40.75	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.
NSL Foods	NSL TB	THB 22.60	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 28-Mar-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.