

Thailand Market Strategy

Being selective is key to outperforming market

- We predict the Pheu Thai party will form the new government. The market should respond positively due to higher confidence, reducing the risk of 'Sell in May'.
- We think 1Q23 earnings should show signs of recovery in line with Thailand's GDP growth, especially in the consumption and tourism segments.
- Maintain SET index target at 1,700. Earnings-based selectivity is our key strategy. Top picks for May 2023 are: BA, BDMS, CPALL, ICHI and TOA.

Pheu Thai likely to form the new government but with whom?

Based on the latest polls, the Pheu Thai party is likely to gain the highest number of House seats and form the new government. But which party Pheu Thai teams up with will depend on the electoral performance of the other parties. We think the market is likely to react positively, but the magnitude of the reaction will depend on the perceived stability of the new administration and its ability to stimulate the Thai economy in 2H23-2024 onward.

'Sell in May' might not happen this year

Based on historical statistics, the SET rises by an average of 2.7% during the two weeks before an election, and 3.1% in the two weeks afterwards. Furthermore, if the SET ends up showing negative returns in April, there is more of a chance it will turn positive in May. Moreover, we think Thailand's 1Q23 GDP should show signs of improvement. Hence, we expect foreign outflows to slow or return to positive, lowering the odds of a May sell-off this year. Any potential retreat would then be postponed to June or July when the new government begins to coalesce. We think the market should then shift its focus to external factors as the global economy starts showing signs of a slowdown or recession in 2H23.

1Q23 earnings announcements in focus

We expect 1Q23 aggregate net profit to rise by 37% q-q and 9% y-y. Energy earnings should jump q-q mainly from lower stock losses. The transportation and tourism sectors are likely to show strong growth thanks to the return of international tourists, while commerce is likely to offer a mixed bag. We anticipate continued revenue growth in line with rising consumption, but the margin recovery should see some pressure from the higher electricity cost. Meanwhile, the key sectors we expect to have poor earnings growth are food, agriculture, petrochemicals, and automotive, mainly due to sluggish exports.

Be selective on domestic and earnings plays

We maintain our 2023 SET target of 1,700 (based on EPS of THB101 and a target PER of 16.9x, the 10-year average). Currently, the SET index is trading at a 2023 PER of 15.2x, implying a c10% upside, which is attractive for long-term investment. We expect stocks reporting strong 1Q23 net profits and bright outlooks in 2Q23-2H23 to continue to outperform. Our focus remains on domestic plays rather than global. As a result, our top picks for May 2023 are BA, BDMS, CPALL, ICHI, and TOA.



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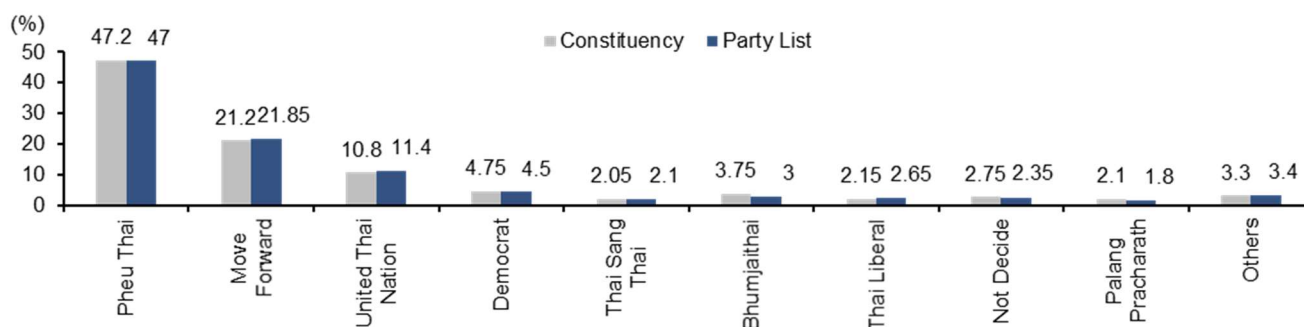
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Polls indicate that Pheu Thai is likely to lead, but with whom?

A general election is scheduled to take place on 14 May 2023. The latest NIDA poll results show that the Pheu Thai party is likely to win the most House seats based on its c47% popularity, followed by Move Forward at c21%, and United Thai Nation at c12%. Hence, we expect Pheu Thai to be the ruling party and form the new government. In our assessment, the likeliest outcomes are as follows:

- **Scenario 1** – Pheu Thai wins c250 seats and teams up with Move Forward and other allies to form the government with a huge majority in the House of 300-350 seats. This scenario could happen if Move Forward wins 70-100 seats or more.
- **Scenario 2** – Pheu Thai wins c200 seats and teams up with Bhumjaithai, Palang Pracharath and other allies to form the government with a House majority and enough support from senators to select the next prime minister (PM vote). In this case, Move Forward wins only c50 seats or less.
- **Scenario 3** – Pheu Thai wins c150-200 seats while Move Forward wins c50-100 seats for a combined total of more than 250 seats. Pheu Thai decides not to team up with Palang Pracharath and fails to gain enough support from senators to win the PM vote. In this case, no party is in a strong enough position to form the new government and political deadlock may result.
- **Scenario 4** – Pheu Thai, Move Forward and their allies win less than c250 seats, and United Thai Nation, Bhumjaithai, Democrat, Palang Pracharath and other parties form a governing coalition with a House majority. However, we think this scenario has a very low probability based on the latest polls.

Exhibit 1: Parties most likely to gain votes for MPs in the constituency system and party list (2nd pre-election poll)

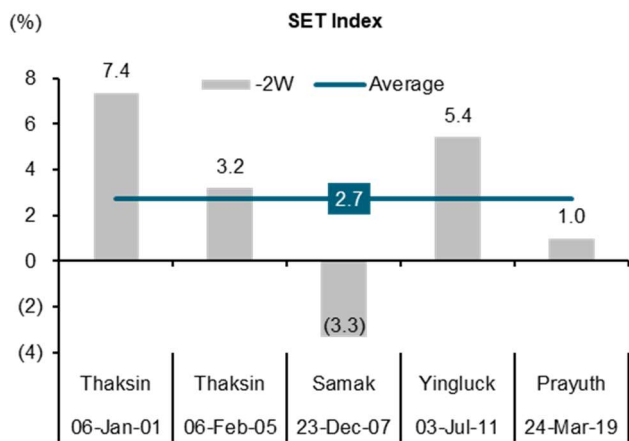


Source: NIDA poll

Lower chance of ‘Sell-in-May’ this year

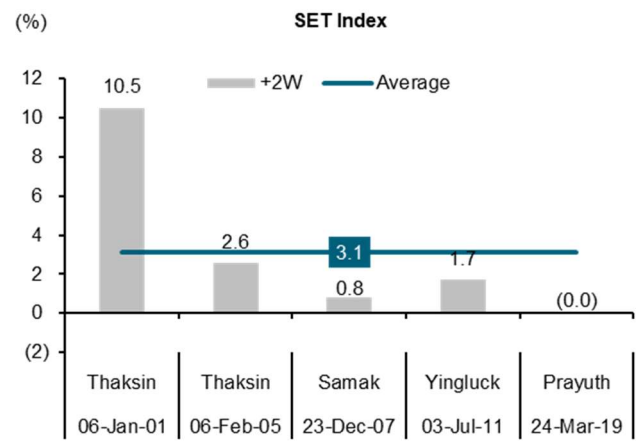
As we mentioned in our previous report, ‘Sell-in-May’ has occurred more often than not for the SET index. In the last 10 years, the SET has dropped an average of 0.57% in May with a probability of 60% (six out of 10 years). If the election result conforms to our scenarios 1 or 2, we think the market could react positively, but the magnitude of the reaction would depend on how many seats Pheu Thai gets, as this would imply stability for the new government and its ability to stimulate the Thai economy, especially in 2024 onward. Moreover, during the past five general elections, the SET went up by an average of 2.7% and 3.1% during the two weeks before and after the election, respectively. Moreover, we think Thailand’s 1Q23 GDP report due in May should show good signs of recovery. Bloomberg’s consensus estimate pegs this number at +1.5% q-q and +2.8% y-y, suggesting a reversal from the negative q-q growth in 4Q22. We expect selling pressure from foreign investors could slow after their net sell position of over THB60b YTD. Moreover, historical data also shows that negative returns on the SET in April increase the odds of positive gains in May. Hence, we expect the ‘Sell-in-May’ phenomenon this year to be muted, with a possible retreat held back to June or July as the process of forming the new government gets fully underway.

Exhibit 2: SET index performance two weeks before election



Source: FSSIA compilation

Exhibit 3: SET index performance two weeks after election



Source: FSSIA compilation

Exhibit 4: Changes in SET index before and after general elections

SET Index	----- Before election -----						Prime Minister	Election Date	----- After election -----						
	-4M	-3M	-2M	-1M	-2W	-1W			+1D	+1W	+2W	+1M	+2M	+3M	+1D
(5.2)	7.1	(1.8)	5.4	7.4	6.5	Thaksin Shinawatra	06-Jan-01	3.2	8.5	10.5	12.7	4.6	(1.7)	3.2	
7.6	13.2	8.3	3.7	3.2	2.5	Thaksin Shinawatra	06-Feb-05	0.9	1.0	2.6	2.5	(5.2)	(4.1)	0.9	
2.8	(2.7)	(5.4)	(1.3)	(3.3)	(2.7)	Samak Sundaravej	23-Dec-07	0.0	4.8	0.8	(9.0)	3.1	(0.8)	0.0	
4.6	(3.4)	(3.0)	(1.5)	5.4	1.8	Yingluck Shinawatra	03-Jul-11	4.7	6.1	1.7	7.9	0.7	(17.9)	4.7	
1.5	3.5	1.6	(0.8)	1.0	1.3	Prayuth Chan-o-cha	24-Mar-19	(1.2)	(0.5)	(0.0)	1.6	(2.0)	4.2	(1.2)	
2.2	3.5	(0.1)	1.1	2.7	1.9	Average		1.5	4.0	3.1	3.2	0.2	(4.0)	1.5	

Sources: Bloomberg; FSSIA’s compilation

Exhibit 5: 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

The key perspective of economic policies: short-term boost

The main parties in the upcoming general election have focused their campaign pledges and policies on economic stimulus and measures to improve purchasing power such as minimum wage hikes, monthly allowances for the elderly, and suspending debt repayment for three years. As we expect Pheu Thai to form the new government, their main campaign promise is a one-time handout of THB10,000 in digital money to everyone 16 years of age and older at a total cost to the public purse of THB500b in total, approximately 3% of annual GDP. We expect the Thai economy – especially the consumption segment – to significantly benefit from this stimulus program which is expected to start in late-2023 or early-2024. However, Thailand's relatively high public debt to GDP of over 60% currently is a key limitation on further government spending in the medium term.

Exhibit 6: The populist campaign pledges of Thai political parties in the 2023 general election

PHEU THAI	MOVE FORWARD	BHUMJAITHAI	PALANG PRACHARAT	DEMOCRAT	United Thai Nation
Ms. Paetongtarn Shinawatra / Mr. Srettha Thavisin / Mr. Chaikasem Nitisiri	Mr. Pita Limjaroenrat	Mr. Anutin Charvirakul	Gen Prawit Wongsuwan	Mr. Jurin Laksanawisit	PM Prayut Chan-o-cha
A minimum daily wage of THB600 by 2027	A minimum daily wage of THB450 and increases every year	Suspend debt repayment for three years	Increasing monthly allowances for state welfare cardholders to THB700	A grant of THB2m for each village and community bank	Building on the success of the state welfare scheme to THB1,000/month
A salary of at least THB25,000 by 2027 for graduates	Monthly allowances for the elderly of THB3,000 each and monthly allowances for school children of THB1,200 each	Giving people the right to buy electric motorcycles for THB6,000, which they can pay for with THB100 monthly instalments	Child support subsidies for newborns until age six	Price guarantees for crops such as rice, palm, maize, and rubber	Building on the success of the "Khon La Khrueng" co-payment scheme phase 2
A one-time handout of THB10,000 in 'digital money' to everyone aged 16 and older	A gift of THB3,000 for new parents THB10,000 for funeral expenses		Increasing monthly allowances for the elderly, disabled and poor people	Subsidies for rice farmers of THB30,000 per household (there are 4.7-4.8 million households) Annual subsidies for fishermen at THB100,000 per group (there are 2,800 groups)	Increasing monthly allowances for elderly, disabled and poor people

Source: Bangkok Post, FSSIA compilation

Policy rate to peak in mid-2023 and focus on growth in 2H23

We expect most major central banks to reach their peak policy rates by mid-2023. Based on the FedWatch Tool, the market thinks there is a c90% probability that the FED will raise its policy rate by another 0.25% to 5-5.25% at its meeting on 2-3 May 2023. The latest inflation data showed some improvement with US CPI and core CPI growth in March slowing to just +0.1% m-m and +0.4% m-m, respectively. Moreover, the US PPI fell 0.5% m-m in March 2023, the first negative growth rate since the Covid-19 pandemic began. For the European Central Bank, the market expects its deposit facility rate to peak at 3.75% in July 2023 from 3% currently. Eurozone inflation should slow in 2Q23 onward amid lower energy prices, especially for natural gas.

For Thailand, core CPI was up 1.75% y-y in March 2023 after hitting +1.93% y-y in February 2023 and soaring above 3% in 2H22. Meanwhile, the Bank of Thailand (BoT) said that Thailand's inflation rate should gradually fall for the rest of the year as supply constraints have eased, implying that Thailand's core CPI should not exceed 2%. The BoT hinted that it would continue to raise interest rates this year to make sure that inflation does not persist in the long term. Hence, we maintain our view that the BoT intends to increase its interest rate by another 0.25% to 2% at its 31 May 2023 meeting, which is likely to be the peak level.

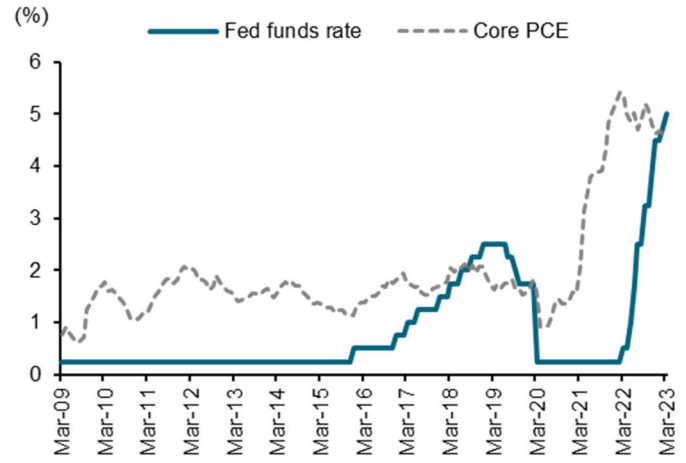
The potential end of interest rate hikes should offer some positive sentiment for risky assets, which we think is reflected in the lower bond yield trend after peaking in early March 2023. We maintain our view that the market's focus will shift from inflation and interest rate risks to fears of a global economic downturn, especially in the US and EU where slower q-q growth in 1Q23 is expected to significantly worsen or even turn negative in 2H23. However, Asian countries are expected to show healthier economic growth than the West in 2023. As a result, we expect Asian equities including Thailand's to outperform those of the US and EU in 2Q23-2H23.

Exhibit 7: US GDP growth



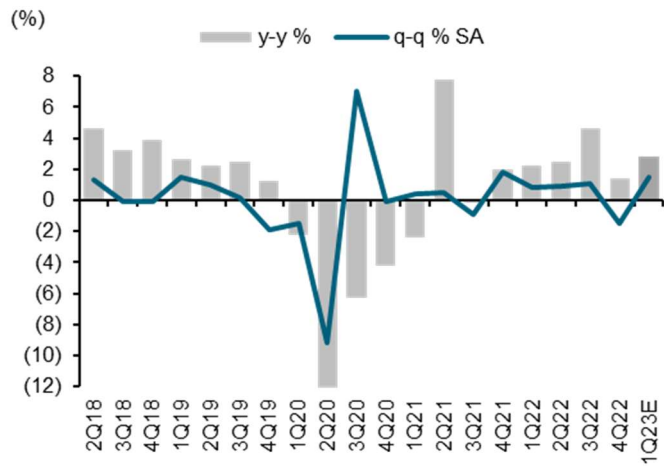
Sources: Bloomberg; FSSIA's compilation

Exhibit 8: US core PCE vs Fed funds rate



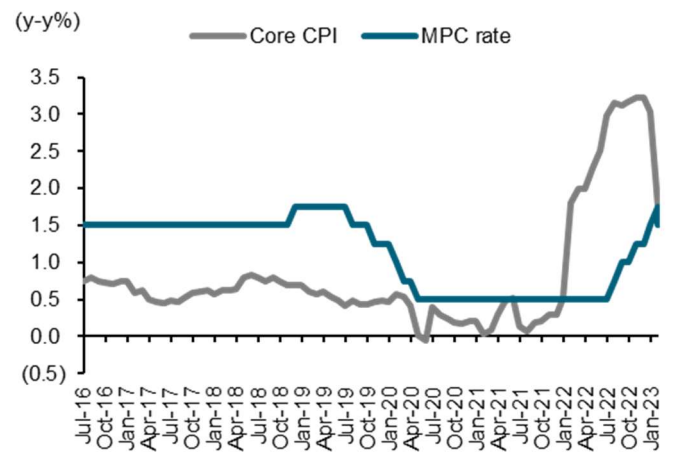
Sources: Bloomberg; FSSIA's compilation

Exhibit 9: Thai GDP growth



Sources: National Economic and Social Development Council; FSSIA's compilation

Exhibit 10: Thai core CPI vs MPC rate



Sources: Bloomberg; FSSIA's compilation

Exhibit 11: Bloomberg's quarterly GDP growth projections by country (q-q)

	2Q22	3Q22	4Q22	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	Probability of Recession
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
US*	(0.6)	3.2	2.6	1.8	0.3	(0.6)	(0.3)	1	1.5	1.8	65.0
Eurozone	0.9	0.4	0	0	0.1	0.2	0.2	0.3	0.3	0.4	45.0
UK	0.1	(0.1)	0.1	(0.1)	(0.1)	0.1	0.2	0.2	0.3	0.3	65.0
China	(2.3)	3.9	0.6	2.2	1.5	1.4	1.2	1.2	1.1	1.2	12.5
Japan*	4.7	(1.1)	0.1	1.3	1.4	1.1	1	0.9	1.1	1	30.0
South Korea	0.7	0.3	(0.4)	0.2	0.5	0.6	0.7	0.5	0.4	0.5	27.5
Thailand	0.9	1.1	(1.5)	1.5	1.3	1.2	1.2	1.1	0.9	1	15.0
Indonesia	3.7	1.8	0.4	(1)	3.7	1.9	0.3	(0.9)	3.9	2	2.0

Note; * = q-q SAAR

Sources: Bloomberg; FSSIA's compilation

1Q23 earnings in focus

In their 1Q23 earnings results, seven Thai banks (BBL, KBANK, KKP, KTB, SCB, TISCO, and TTB) reported an aggregate net profit of THB50b (+51% q-q, +13% y-y), beating market expectations by 7%. KTB, BBL, TTB, and KKP posted higher-than-expected 1Q23 earnings while KBANK, SCB, and TISCO were in line with market expectations. We saw strong interest income across every bank thanks to slightly higher y-y loan growth and higher interest rates after the BoT started hiking rates in 2H22. However, non-interest income was flat to lower y-y due to lower trading volumes in capital markets. Provisions were higher at some banks for specific cases while the overall non-performing loan ratio was flat. We think 1Q23 bank earnings marked a good start for the year that was in line with a gradually recovery of the Thai economy.

Based on 116 listed companies (both reported results and Bloomberg estimates), we expect 1Q23 aggregate net profit to rise 37% q-q and 9% y-y. Energy earnings should jump q-q mainly from lower stock losses. Transportation and tourism are likely to show strong growth thanks to the return of international tourists, while commerce is likely to offer a mixed bag. We expect revenue to continue to grow in line with rising consumption, but the margin recovery should see some pressure from higher electricity costs. Meanwhile, the key sectors we expect to have poor earnings growth are food, agriculture, petrochemicals, and automotive, all of which are mostly related to the export sector.

Excluding energy and petrochemicals, the SET's 1Q23 earnings should be up 10% q-q and 6% y-y. More details can be found in the table below.

Exhibit 12: 1Q23 earnings results summary for Thailand's seven major banks

	1Q22	2Q22	3Q22	4Q22	1Q23	Change		1Q23E	Beat/missed
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)
BBL	7,118	6,961	7,657	7,570	10,129	34	42	9,119	11
KBANK	11,211	10,794	10,574	3,191	10,741	237	(4)	10,808	(1)
KKP	2,055	2,033	2,083	1,430	2,085	46	1	1,897	10
KTB	8,780	8,358	8,450	8,109	10,067	24	15	8,717	15
SCB	10,193	10,051	10,309	7,143	10,995	54	8	10,621	4
TISCO	1,795	1,848	1,771	1,804	1,793	(1)	0	1,823	(2)
TTB	3,195	3,438	3,715	3,847	4,295	12	34	3,853	11
Total	44,348	43,484	44,559	33,094	50,104	51	13	46,838	7

Sources: Company data; FSSIA's compilation

Exhibit 13: 1Q23 earnings forecasts by sector

Sector	1Q23E	4Q22	1Q22	Dif q-q	Dif y-y	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Energy & Utilities	67,900	31,907	58,587	35,993	9,313	113	16
Banking	58,196	39,502	51,190	18,694	7,005	47	14
Commerce	11,759	12,592	10,689	(833)	1,070	(7)	10
Property Development	10,085	15,265	9,961	(5,181)	123	(34)	1
Information & Comm Tech	9,618	10,506	9,120	(888)	498	(8)	5
Construct	7,273	1,310	10,552	5,962	(3,279)	455	(31)
Finance & Securities	6,123	5,728	5,817	395	306	7	5
Health Care Services	5,956	5,672	8,889	284	(2,933)	5	(33)
Electronic Component	5,235	6,257	3,997	(1,022)	1,238	(16)	31
Petrochem & Chemical	3,875	(968)	4,212	4,843	(337)	nm	(8)
Transport & Logistic	2,843	1,612	(1,325)	1,231	4,168	76	nm
Food & Beverage	2,401	9,004	4,309	(6,604)	(1,909)	(73)	(44)
Agribusiness	986	1,440	1,965	(454)	(979)	(32)	(50)
Tourism & Leisure	870	953	(685)	(83)	1,555	(9)	nm
Construction Services	389	327	210	62	179	19	85
Media & Publishing	371	565	333	(194)	38	(34)	11
Automotive	266	227	324	38	(58)	17	(18)
Professional Service	150	128	63	22	87	17	137
Fashion	116	106	102	10	14	9	14
Personal Prod & Pharma	32	62	51	(30)	(19)	(48)	(37)
Grand Total	194,442	142,195	178,361	52,247	16,081	37	9
Excl. Energy & Petrochemical	122,667	111,256	115,562	11,411	7,105	10	6
Excl. Banking	136,246	102,693	127,171	33,553	9,075	33	7
Excl. Energy & Petrochemical and Banking	64,471	71,754	64,372	(7,283)	100	(10)	0

Source: Bloomberg

Maintain SET target of 1,700 – be selective and stick to domestic and earnings plays

We maintain our 2023 SET target of 1,700 (based on EPS of THB101 and a target PER of 16.9x, the 10-year average). After a pullback in April 2023, the SET index is currently trading at a 2023 PER of 15.2x, implying a 10% upside, which is attractive for long-term investment. Furthermore, we think it has become cheap enough, based on our assumption that there is no risk of a crisis or a hard landing in store for the global economy. As May 2023 is first-quarter earnings announcement season, we expect stocks reporting strong 1Q23 net profits and bright outlooks for 2Q23-2H23 to outperform. Our focus remains on domestic rather than global plays. As a result, our top picks for May 2023 are BA, BDMS, CPALL, ICHI, and TOA.

Exhibit 14: SET target sensitivity

----- Earnings per share -----			
		2023E	2024E
EPS		101.0	111.4
- Target index based on FSSIA estimates -			
P/E (x)		2023E	2024E
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 15: SET index historical forward PER



Source: Bloomberg

Exhibit 16: FSSIA's stock picks for May 2023

Company	BBG code	Key rationale
Bangkok Airways	BA TB, BUY, TP THB18	Expect BA to post a strong 1Q23 core profit of THB0.5b, its first since the Covid pandemic began in 2020. 2023 core profit could exceed THB1.0b led by strong passenger yields from a higher load factor and ticket fares.
Bangkok Dusit Medical Services	BDMS TB, BUY, TP THB34.50	Expect 1Q23 core profit to grow by 7% q-q to THB3.3b driven by international patient revenue, which should grow 40-50% y-y. Revenue intensity has already exceeded pre-Covid by c10% and should be a key growth factor in 2023.
CP All	CPALL TB, BUY, TP THB72	We expect 2023 core profit to hit THB17.2b (+30% y-y) and rise at a 21.4% CAGR in 2023-25 on a spending and tourism recovery. Short-term catalysts include lower electricity costs, El Niño-driven hot weather, election campaigning, and Lotus's debt restructuring.
Ichitan Group	ICHI TB, BUY, TP THB14	We forecast a 1Q23 net profit of THB205m (+15% q-q, +97% y-y) – a record high. Tansansu and OEM should support 2023 revenue growth and a higher utilisation rate. We project a 2023 net profit of THB732m (+14% y-y) – an eight-year high.
TOA Paint (Thailand)	TOA TB, BUY, TP THB40	TOA targets 2023 sales growth of at least 15%. It also expects its gross margin to reach 31% in 1H23. Despite the 9% y-y dip in 2022 core profit, 2023 normalised earnings should jump 33% y-y from higher sales and an improved gross margin.

Source: FSSIA estimates

Exhibit 17: Summary of key valuations for FSSIA's top picks for May 2023

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)			
Bangkok Airways	BA TB	12.80	18.00	41	(1,974)	918	1,573	(146.5)	71.4	29.3	17.1	15.8	2.0	5.3	1.5
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
CP All	CPALL TB	64.00	72.00	13	13,281	17,238	20,257	29.8	17.5	33.4	28.4	24.2	1.5	16.4	5.8
Ichitan Group	ICHI TB	12.70	14.00	10	651	732	802	12.5	9.6	25.4	22.6	20.6	4.4	11.9	2.7
TOA Paint (Thailand)	TOA TB	29.50	40.00	36	1,672	2,229	2,419	33.3	8.6	26.9	24.7	24.0	1.9	16.7	4.3

Share prices as of 26 Apr 2023

Source: FSSIA estimates

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 > THB5b (~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.

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History of change in investment rating and/or target price

Bangkok Airways (BA TB)



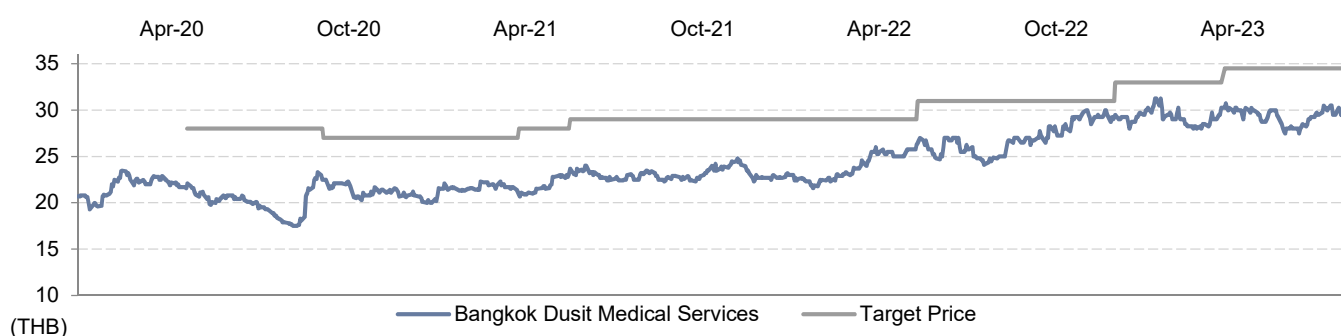
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Jun-2021	BUY	10.00	01-Sep-2022	BUY	15.00	25-Jan-2023	BUY	18.00
25-Jun-2021	BUY	16.00	20-Oct-2022	BUY	15.60			

Teerapol Udomvej, CFA started covering this stock from 04-Jun-2021

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Dusit Medical Services (BDMS TB)



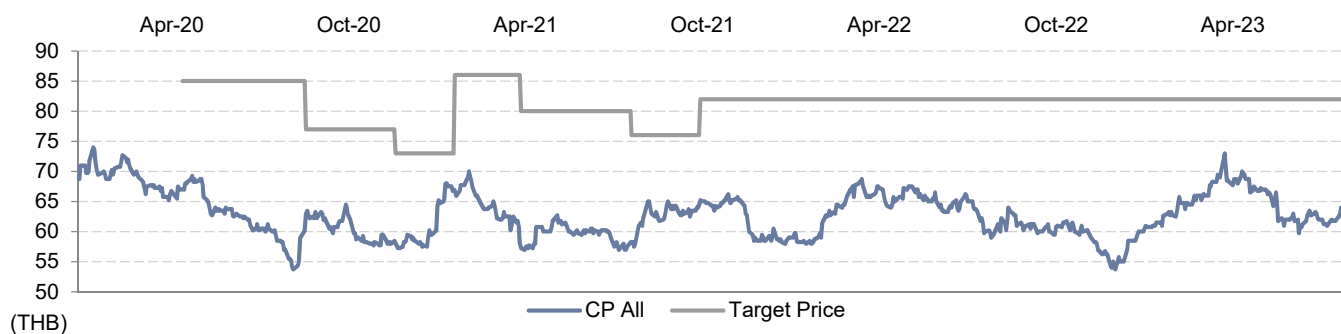
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Jul-2020	BUY	28.00	24-Jun-2021	BUY	29.00	08-Jan-2023	BUY	34.50
24-Nov-2020	BUY	27.00	19-Apr-2022	BUY	31.00			
11-May-2021	BUY	28.00	06-Oct-2022	BUY	33.00			

Teerapol Udomvej, CFA started covering this stock from 30-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

CP All (CPALL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Jul-2020	BUY	85.00	17-Mar-2021	BUY	86.00	14-Oct-2021	BUY	82.00
09-Nov-2020	BUY	77.00	13-May-2021	BUY	80.00	26-Apr-2023	BUY	72.00
25-Jan-2021	BUY	73.00	16-Aug-2021	BUY	76.00			

Jitra Amornthum started covering this stock from 26-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Ichitan Group (ICHI TB)



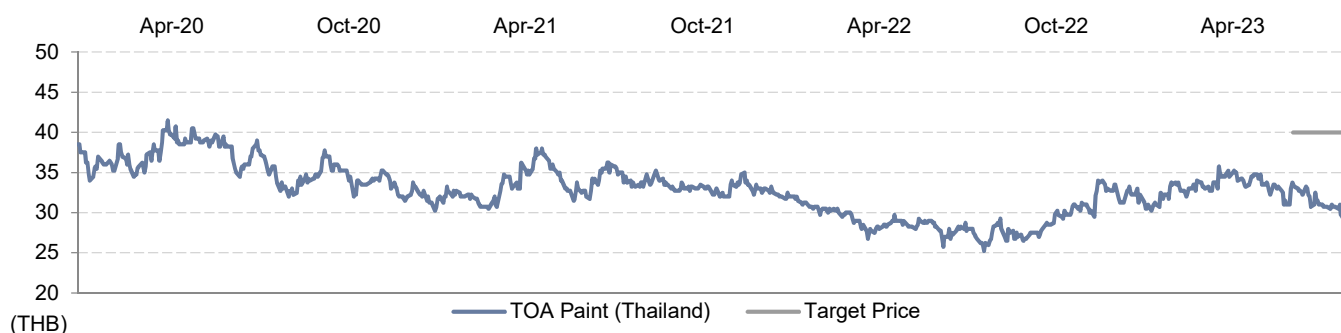
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Mar-2023	BUY	14.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

TOA Paint (Thailand) (TOA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Mar-2023	BUY	40.00	-	-	-	-	-	-

Thanyatom Songwutti started covering this stock from 08-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Airways	BA TB	THB 12.80	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.
CP All	CPALL TB	THB 64.00	BUY	The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from MAKRO; and 3) a slower recovery in tourist arrival numbers and private consumption.
Ichitan Group	ICHI TB	THB 12.70	BUY	Downside risks to our P/E-based TP would be 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks.
TOA Paint (Thailand)	TOA TB	THB 29.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected economic recovery and weak purchasing power; 2) an increase in raw material costs, especially in relation to oil price movement and TiO2; 3) currency exchange fluctuation, as c13% of its raw materials are imported; and 4) the challenging situation in Vietnam.

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 26-Apr-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.