

THORESEN THAI AGENCIES

THAILAND / TRANSPORT & LOGISTIC

TTA TB

BUY

FROM HOLD

เริ่มได้ไม่ดีใน 1Q23 แต่น่าจะเป็นจุดต่ำสุดไปแล้ว

- คาดรายได้ 1Q23 จะลดลงและระดับต่ำสุดในรอบ 8 ไตรมาส
- คาดค่าระวางเรือเทกองจะฟื้นตัวในช่วง 2H23 จากเศรษฐกิจจีนที่ปรับตัวดีขึ้นและอุปทานที่ตึงตัวมากขึ้นจากการลดคาร์บอนในธุรกิจขนส่งทางเรือ (Shipping Decarbonisation)
- ปรับเพิ่มคำแนะนำเป็นซื้อที่ราคาเป้าหมายเดิมที่ 9 บาท

TARGET PRICE	THB9.00
CLOSE	THB7.00
UP/DOWNSIDE	+28.6%
PRIOR TP	THB9.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.0%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	29,321	22,550	20,763	11,686
Net profit	4,459	2,670	2,696	2,525
EPS (THB)	2.45	1.46	1.48	1.39
vs Consensus (%)	-	(2.0)	129.5	0.0
EBITDA	5,475	4,955	4,966	4,915
Core net profit	3,269	2,670	2,696	2,525
Core EPS (THB)	1.79	1.46	1.48	1.39
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(6.4)	(18.3)	1.0	(6.3)
Core P/E (x)	3.9	4.8	4.7	5.1
Dividend yield (%)	5.1	4.2	4.2	-
EV/EBITDA (x)	3.1	3.0	2.2	1.5
Price/book (x)	0.5	0.5	0.4	0.4
Net debt/Equity (%)	4.3	(4.2)	(16.8)	(26.2)
ROE (%)	14.3	10.5	9.9	8.6

ค่าระวางเรือเทกองใน 1Q23 กลับสู่ระดับต่ำในช่วงก่อนโควิด

ค่าระวางเรือเทกองได้ปรับตัวลดลงต่อเนื่องมาตั้งแต่ต้นปี 2023 โดยมีเหตุผลหลายประการ อาทิ เช่น วันหยุดเทศกาลตรุษจีน ความต้องการเหล็กของจีนที่เผชิญแรงกดดัน ฝนที่ตกหนักในบราซิลซึ่งทำให้ต้องหยุดท่าเรือเป็นการชั่วคราวและการล่มสลายของการส่งออกข้าวบาร์เลย์ของยูเครนโดย The Baltic Dry index (BDI) ได้ปรับตัวลดลง 33% q-q และ 50% y-y มาอยู่ที่ 1,018 จุดในขณะที่ The Baltic Supramax index (BSI) ได้ปรับตัวลดลง 30% q-q และ 59% y-y มาอยู่ที่ 927 จุด กลับสู่ระดับก่อนโควิด

คาดการณ์รายได้ 1Q23 จะตกและระดับต่ำสุดในรอบ 8 ไตรมาส

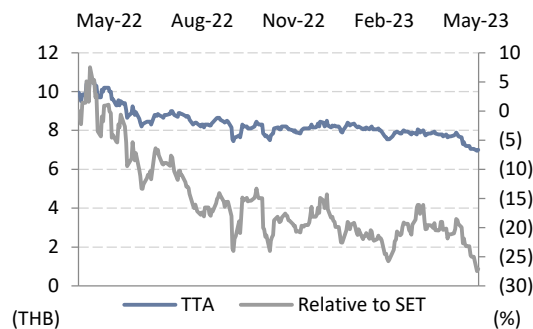
เนื่องจากโดยปกติค่า TCE ของ Thoresen จะดีกว่าตลาด เราคาดว่ารายได้จากธุรกิจขนส่งทางเรือจะลดลง 25% q-q และ 29% y-y มาอยู่ที่ 2.2 พัน ลบ. ต่ำที่สุดในรอบ 8 ไตรมาส นอกจากนี้เรายังคาดว่ารายได้จากกลุ่มเคมีเพื่อการเกษตร (Agrochemical) จะลดลงใน 1Q23 จากความต้องการปุ๋ยที่ลดลงต่อเนื่องในเวียดนามและในตลาดโลก อุปทานและสินค้าคงคลังที่มีอยู่มากซึ่งกดดันราคาและลูกค้าที่รอซื้อในราคาที่ถูกลง เราคิดว่าธุรกิจนอกชายฝั่งของ TTA มีรายได้ที่อ่อนแอจากปัจจัยด้านฤดูกาลใน 1Q แม้ว่าจะมีงานในมือมากถึง USD321 ล้าน ณ สิ้นปี 2022 เราคาดว่ารายได้รวมอาจลดลง 28% q-q และ 16% y-y มาอยู่ที่ 5.1 พัน ลบ. พร้อมอัตรากำไรที่ลดลงซึ่งสะท้อนรายได้และอัตราการใช้เรือที่ลดลง

1Q23 อาจเป็นจุดต่ำสุดของปี

จากรายได้ที่คาดว่าจะอ่อนแอใน 1Q23 เราคาดว่า TTA จะรายงานกำไรปกติที่ 101 ลบ. ลดลง 72% q-q และ 89% y-y เป็นจุดต่ำสุดของปี ก่อนจะฟื้นตัวในช่วง 2H23 แม้ว่าเศรษฐกิจโลกจะเผชิญแรงกดดัน แต่ปัจจัยบวกต่าง ๆ อาทิเช่น อุปทานเรือที่มีจำกัดจากยอดสั่งซื้อเรือที่อยู่ในระดับต่ำ (6% ของกองเรือ) เศรษฐกิจจีนที่กำลังปรับตัวดีขึ้น ความต้องการธัญพืชและถ่านหินที่เพิ่มขึ้นและผลกระทบต่ออุปทานจากการเดินเรือช้า (Slow Steaming) เพื่อส่งเสริมการลดคาร์บอนก็น่าจะมากพอที่จะช่วยสนับสนุนอุตสาหกรรมเรือเทกอง

ปรับคำแนะนำเป็นซื้อที่ราคาเป้าหมายเดิมที่ 9 บาท

เนื่องจากอุตสาหกรรมขนส่งทางเรือน่าจะผ่านจุดต่ำสุดได้ใน 1Q23 ในขณะที่ราคาหุ้นของ TTA ในปัจจุบันทรงตัวอยู่ที่ระดับก่อนโควิด เราปรับเพิ่มคำแนะนำเป็นซื้อที่ราคาเป้าหมายเดิมที่ 9 บาท (6x ของค่า 2023E P/E)



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.1)	(12.5)	(28.9)
Relative to country (%)	(7.4)	(6.9)	(26.3)
Mkt cap (USD m)	379		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	69		
Major shareholder	Mahagitsiri Family (24%)		
12m high/low (THB)	10.80/6.70		
Issued shares (m)	1,822.46		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 10 พฤษภาคม 2023

Investment thesis

Thoresen Thai Agencies (TTA) has a well-balanced and diversified portfolio both locally and internationally. Its shipping business, which is its major source of income, has strong roots with over 100 years of experience. This allows its TCE rate to usually outperform the market TCE rate.

After plunging from the extremely elevated freight rates seen during the Covid-19 crisis to the pre-pandemic level, we believe dry bulk freight rates will recover in 2H23 due to vessel supply limitations and a low orderbook (6% of fleet), the improving Chinese economy, demand growth for grain and coal, and the supply impact of slow steaming to support decarbonisation.

We, therefore, upgrade our recommendation to BUY with the same TP of THB9, based on 6x 2023E P/E.

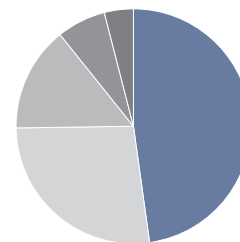
Company profile

Thoresen Thai Agencies (TTA) is a strategic investment holding company with an investment policy of achieving growth through a balanced portfolio that is diversified both locally and internationally. Its current business portfolio includes shipping, offshore service, agrochemical, food & beverage, and investment group segments.

www.thoresen.com

Principal activities (revenue, 2022)

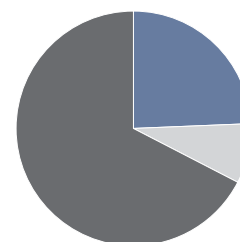
- Shipping revenue - 47.8 %
- Offshore service - 27.0 %
- Agrochemical - 14.5 %
- Food & Beverage - 6.8 %
- Investment & others - 4.0 %



Source: Thoresen Thai Agencies

Major shareholders

- Mahagitsiri Family - 24.4 %
- Credit Suisse AG, Singapore Branch - 8.2 %
- Others - 67.4 %



Source: Thoresen Thai Agencies

Catalysts

Key catalysts include 1) fewer ships being built which could reduce global fleet capacity; 2) China's stimulus package to boost the economy; and 3) higher CAPEX by the global energy sector which creates opportunities for TTA's offshore service segment.

Risks to our call

Downside risks to our P/E-based TP include 1) a fall in freight rates (TCE); 2) exchange rate volatility; 3) slow economic growth in China; and 4) regulatory risks, including new EEXI and CII requirements, effective 1 Jan-23.

Event calendar

Date	Event
15 May 2023	1Q23 results announcement

Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
TCE rate (USD/day)	24,724	18,543	19,007
TCE rate growth	2.7	(25.0)	2.5
Gross margin by BU			
Shipping revenue	40	38	37
Offshore revenue	8	9	8
Agrochemical revenue	13	12	13
Food & Beverage	38	38	38

Source: FSSIA estimates

Earnings sensitivity

- For every 1% change in its TCE rate, we project TTA's 2023 net profit to change by 0.8%, all else being equal.
- For every 1% change in shipping gross margin, we project TTA's 2023 net profit to change by 3.8%, all else being equal.

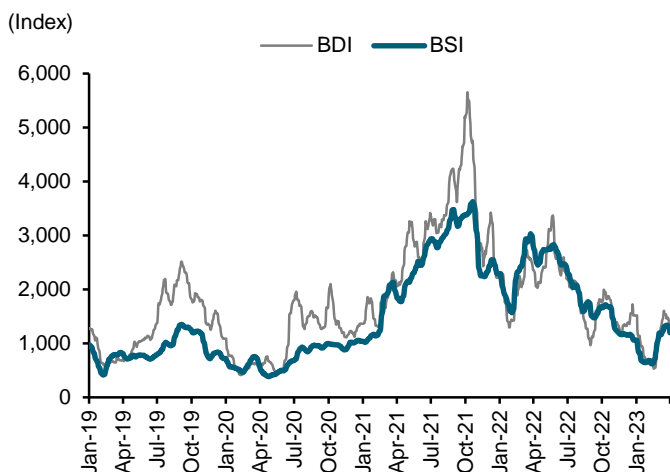
Source: FSSIA estimates

Exhibit 1: 1Q23 results preview

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23E	-----Change-----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	6,034	8,092	8,073	7,122	5,092	(28)	(16)	29,321	22,550	(23)
Cost of sales	4,585	0	6,072	5,466	4,079	(25)	(11)	21,887	16,988	(22)
Gross profit	1,449	0	2,000	1,655	1,013	(39)	(30)	7,433	5,562	(25)
Operating costs	627	1,330	797	1,322	815	(38)	30	4,076	3,157	(23)
Operating profit	822	(1,330)	1,203	334	199	(40)	(76)	3,358	2,405	(28)
Operating EBITDA	1,242	1,521	2,223	474	745	57	(40)	5,475	4,955	(10)
Other income	38	126	484	(380)	36	(109)	(5)	268	317	19
Interest expense	105	109	144	152	150	(2)	43	511	373	(27)
Profit before tax	755	1,016	1,543	(199)	85	(143)	(89)	3,115	2,349	(25)
Associates	49	47	41	31	25	(20)	(49)	168	193	15
Reported net profit	980	1,035	1,449	(194)	101	nm	(90)	3,269	2,670	(18)
Core profit	924	1,673	1,449	358	101	(72)	(89)	4,459	2,670	(40)
Reported EPS (THB)	0.54	0.57	0.79	(0.11)	0.06	nm	(90)	1.79	1.46	(18)
Core EPS (THB)	0.51	0.92	0.79	0.20	0.06	(72)	(89)	2.45	1.46	(40)
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	24.0	28.8	24.8	23.2	19.9	(3.3)	(4.1)	25.4	24.7	(0.7)
Operating margin	14.3	13.9	20.9	(0.7)	4.6	5.3	(9.6)	11.5	10.7	(0.8)
EBITDA margin	20.6	18.8	27.5	6.7	14.6	8.0	(6.0)	18.7	22.0	3.3
Recurring net margin	16.2	20.7	17.9	5.0	2.0	(3.0)	(14.3)	15.2	11.8	(3.4)
SG&A / Sales	10.4	16.4	9.9	18.6	16.0	(2.6)	5.6	13.9	14.0	0.1
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Shipping	3,165	4,377	3,481	2,995	2,246	(25)	(29)	14,017	10,173	(27)
Offshore business	1,336	1,889	2,396	2,285	1,300	(43)	(3)	7,906	5,100	(35)
Agrochemical	725	1,013	1,420	1,088	771	(29)	6	4,246	3,951	(7)
Food and beverage	516	522	460	482	500	4	(3)	1,980	2,118	7
Investment	292	292	316	272	276	1	(6)	1,172	1,207	3
Gross margin by business	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Shipping	45.0	43.8	42.3	39.0	34.7	(4.3)	(10.3)	42.7	38.3	(4.4)
Offshore business	(5.8)	15.3	19.9	20.7	(3.0)	(23.7)	2.8	14.7	8.5	(6.2)
Agrochemical	12.1	13.7	14.0	14.5	9.0	(5.5)	(3.1)	13.7	10.0	(3.7)
Food and beverage	39.6	38.2	37.6	38.6	38.0	(0.6)	(1.6)	38.5	38.0	(0.5)
Investment	27.7	23.8	22.2	21.8	5.0	(16.9)	(22.8)	23.9	20.1	(3.8)

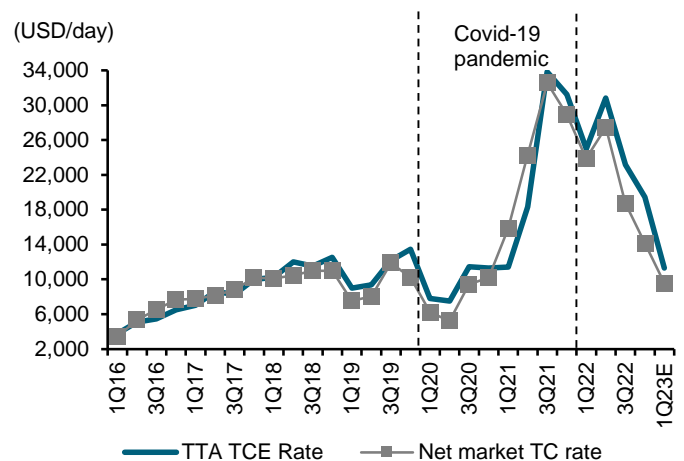
Sources: TTA, FSSIA estimates

Exhibit 2: BDI and BSI indices

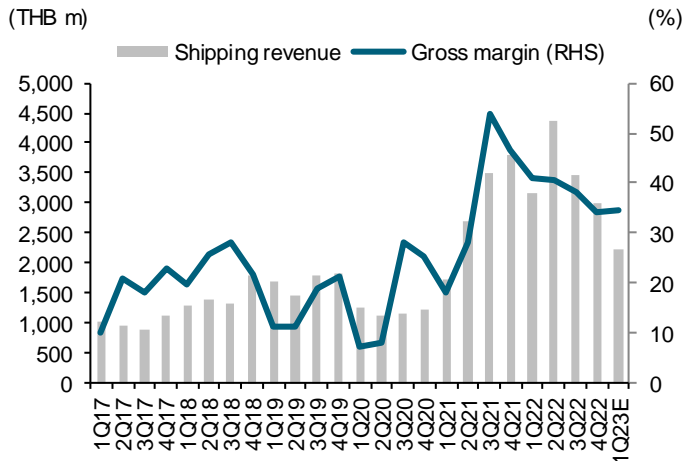


Sources: Bloomberg

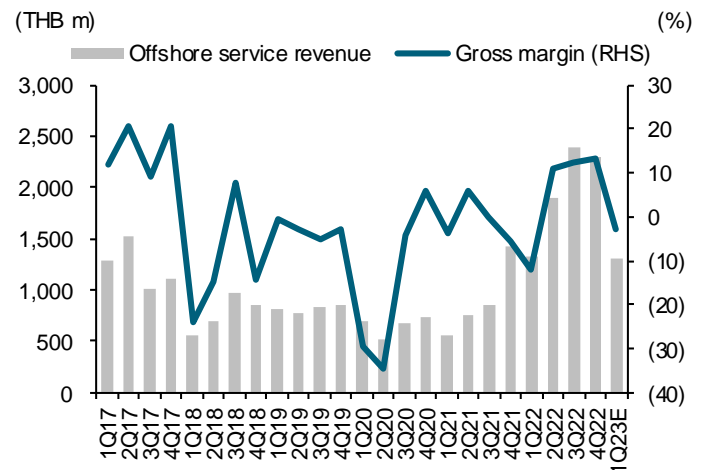
Exhibit 3: Market TCE rate vs Thoresen's TCE rate



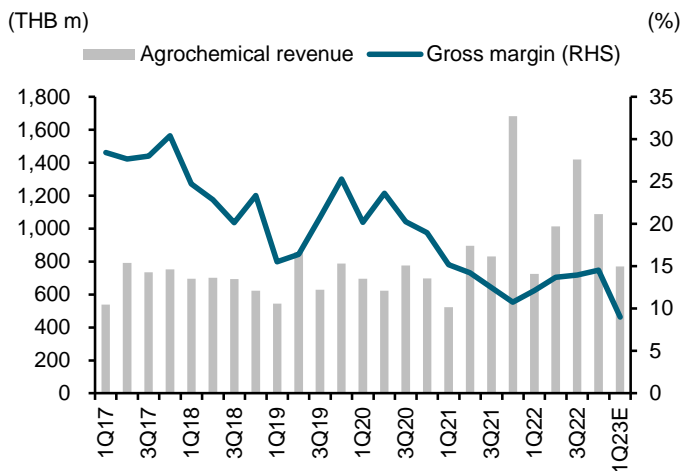
Sources: TTA, FSSIA estimates

Exhibit 4: Shipping revenue and gross margin

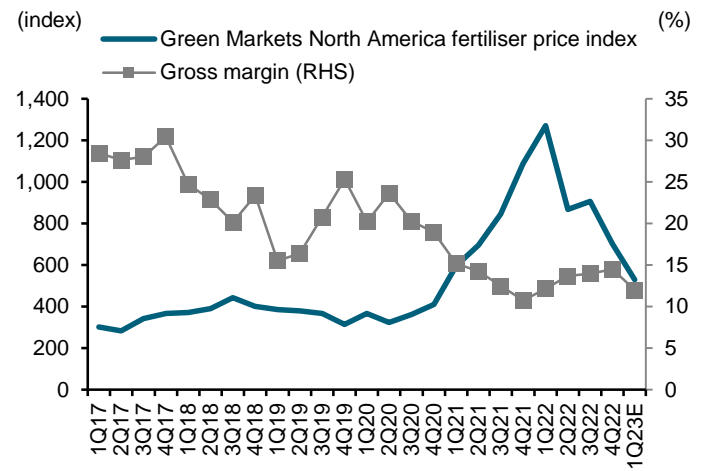
Sources: TTA, FSSIA estimates

Exhibit 5: Offshore service revenue and gross margin

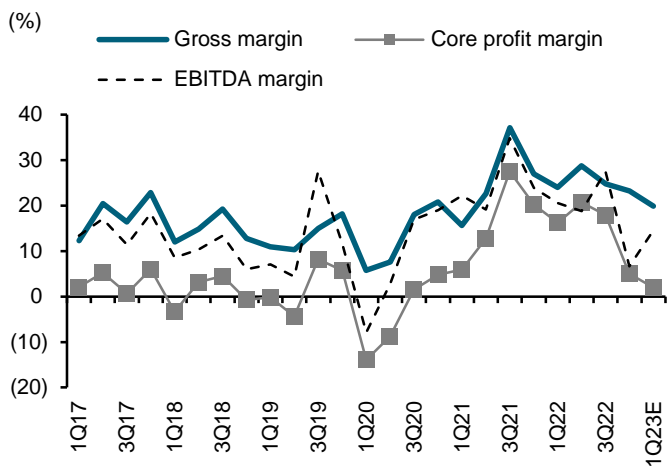
Sources: TTA, FSSIA estimates

Exhibit 6: Agrochemical revenue and gross margin

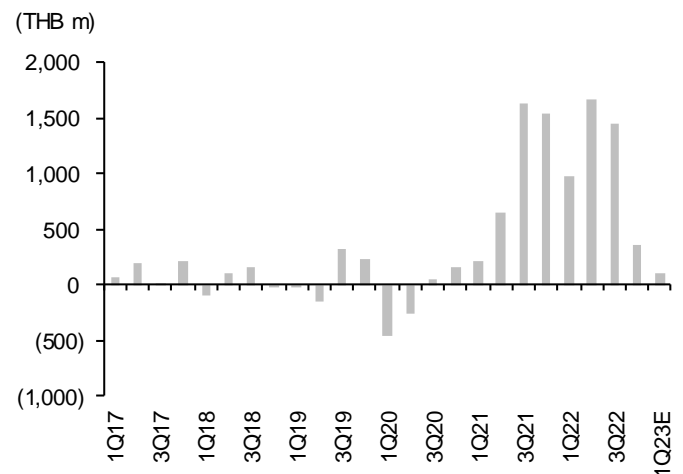
Sources: TTA, FSSIA estimates

Exhibit 7: Green Markets North America fertiliser price index and TTA's agrochemical gross margin

Sources: TTA, Bloomberg, FSSIA estimates

Exhibit 8: Margins

Sources: TTA, FSSIA estimates

Exhibit 9: Core profit

Sources: TTA, FSSIA estimates

Financial Statements

Thoresen Thai Agencies

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	22,128	29,321	22,550	20,763	11,686
Cost of goods sold	(14,636)	(20,037)	(14,756)	(13,121)	(5,101)
Gross profit	7,492	9,283	7,794	7,641	6,585
Other operating income	186	268	317	293	1
Operating costs	(2,365)	(4,076)	(3,157)	(2,969)	(1,671)
Operating EBITDA	5,313	5,475	4,955	4,966	4,915
Depreciation	(1,532)	(1,850)	(2,232)	(2,370)	(2,465)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,781	3,626	2,722	2,595	2,450
Net financing costs	(416)	(511)	(373)	(276)	(166)
Associates	80	168	193	189	195
Recurring non-operating income	80	168	193	189	195
Non-recurring items	171	1,190	0	0	0
Profit before tax	3,617	4,473	2,542	2,509	2,479
Tax	(126)	(22)	(35)	8	16
Profit after tax	3,490	4,451	2,507	2,516	2,495
Minority interests	173	8	162	180	30
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,663	4,459	2,670	2,696	2,525
Non-recurring items & goodwill (net)	(171)	(1,190)	0	0	0
Recurring net profit	3,492	3,269	2,670	2,696	2,525
Per share (THB)					
Recurring EPS *	1.92	1.79	1.46	1.48	1.39
Reported EPS	2.01	2.45	1.46	1.48	1.39
DPS	0.22	0.36	0.29	0.30	0.00
Diluted shares (used to calculate per share data)	1,822	1,822	1,822	1,822	1,822
Growth					
Revenue (%)	72.5	32.5	(23.1)	(7.9)	(43.7)
Operating EBITDA (%)	681.0	3.1	(9.5)	0.2	(1.0)
Operating EBIT (%)	nm	(4.1)	(24.9)	(4.7)	(5.6)
Recurring EPS (%)	nm	(6.4)	(18.3)	1.0	(6.3)
Reported EPS (%)	nm	21.7	(40.1)	1.0	(6.3)
Operating performance					
Gross margin inc. depreciation (%)	26.9	25.4	24.7	25.4	35.3
Gross margin of key business (%)	26.9	25.4	24.7	25.4	35.3
Operating EBITDA margin (%)	24.0	18.7	22.0	23.9	42.1
Operating EBIT margin (%)	17.1	12.4	12.1	12.5	21.0
Net margin (%)	15.8	11.1	11.8	13.0	21.6
Effective tax rate (%)	3.5	0.5	1.4	(0.3)	(0.7)
Dividend payout on recurring profit (%)	11.5	20.0	20.0	20.0	-
Interest cover (X)	9.3	7.4	7.8	10.1	15.9
Inventory days	29.9	29.5	45.0	49.1	117.4
Debtor days	53.6	53.7	69.7	71.5	107.0
Creditor days	33.0	34.3	47.8	47.0	86.6
Operating ROIC (%)	16.9	15.1	10.9	10.5	10.5
ROIC (%)	12.0	10.8	8.0	8.0	8.2
ROE (%)	18.7	14.3	10.5	9.9	8.6
ROA (%)	10.4	9.1	6.7	6.6	6.6

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Shipping revenue	11,719	14,017	10,173	10,214	10,374
Offshore service	3,605	7,906	5,100	3,040	0
Agrochemical	3,933	4,246	3,984	4,167	4,358
Food & Beverage	1,935	1,980	2,376	2,589	2,797

Sources: Thoresen Thai Agencies; FSSIA estimates

Financial Statements

Thoresen Thai Agencies

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	3,492	3,269	2,670	2,696	2,525
Depreciation	1,532	1,850	2,232	2,370	2,465
Associates & minorities	(173)	(8)	(162)	(180)	(30)
Other non-cash items	555	3,093	843	409	(203)
Change in working capital	(480)	(682)	874	530	(144)
Cash flow from operations	4,926	7,522	6,457	5,826	4,613
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,825)	(1,320)	(2,859)	(1,300)	(1,000)
Net acquisitions & disposals	33	5	85	122	0
Other investments (net)	169	(1,947)	(1,017)	(17)	403
Cash flow from investing	(1,623)	(3,263)	(3,791)	(1,195)	(597)
Dividends paid	(59)	(401)	(534)	(539)	(505)
Equity finance	0	0	0	0	0
Debt finance	601	(2,593)	(1,070)	(3,067)	(1,369)
Other financing cash flows	(388)	(487)	0	1	2
Cash flow from financing	154	(3,481)	(1,604)	(3,606)	(1,872)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	339	0	0	0	0
Net other adjustments	339	(621)	0	0	0
Movement in cash	3,796	157	1,063	1,026	2,144
Free cash flow to firm (FCFF)	3,719.19	4,769.80	3,039.60	4,907.42	4,181.37
Free cash flow to equity (FCFE)	3,855.15	557.67	1,596.63	1,565.24	2,648.57
Per share (THB)					
FCFF per share	2.04	2.62	1.67	2.69	2.29
FCFE per share	2.12	0.31	0.88	0.86	1.45
Recurring cash flow per share	2.97	4.50	3.06	2.91	2.61
Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	38,612	40,518	43,377	44,677	45,677
Less: Accumulated depreciation	(23,317)	(25,167)	(27,399)	(29,770)	(32,234)
Tangible fixed assets (net)	15,295	15,351	15,978	14,907	13,443
Intangible fixed assets (net)	1,036	4,309	2,826	2,480	1,591
Long-term financial assets	3,209	1,630	1,545	1,422	1,422
Invest. in associates & subsidiaries	3,376	2,888	2,888	2,888	2,888
Cash & equivalents	8,274	8,430	9,493	10,519	12,662
A/C receivable	4,340	4,288	4,325	3,811	3,042
Inventories	1,431	1,805	1,833	1,697	1,585
Other current assets	1,508	1,870	1,904	1,913	1,849
Current assets	15,553	16,393	17,555	17,941	19,138
Other assets	478	1,022	1,016	1,011	1,007
Total assets	38,947	41,593	41,807	40,649	39,488
Common equity	21,266	24,534	26,320	28,427	30,397
Minorities etc.	3,135	3,192	3,256	3,321	3,387
Total shareholders' equity	24,400	27,726	29,576	31,748	33,785
Long term debt	7,634	5,090	4,376	3,437	2,395
Other long-term liabilities	294	324	406	374	199
Long-term liabilities	7,928	5,413	4,782	3,811	2,594
A/C payable	1,889	2,311	2,094	1,952	995
Short term debt	3,071	4,523	3,865	1,737	1,410
Other current liabilities	1,658	1,618	1,489	1,401	705
Current liabilities	6,619	8,453	7,449	5,090	3,110
Total liabilities and shareholders' equity	38,947	41,593	41,807	40,649	39,488
Net working capital	3,731	4,033	4,478	4,069	4,776
Invested capital	27,126	29,233	28,730	26,777	25,126
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	11.67	13.46	14.44	15.60	16.68
Tangible book value per share	11.10	11.10	12.89	14.24	15.81
Financial strength					
Net debt/equity (%)	10.0	4.3	(4.2)	(16.8)	(26.2)
Net debt/total assets (%)	6.2	2.8	(3.0)	(13.1)	(22.4)
Current ratio (x)	2.3	1.9	2.4	3.5	6.2
CF interest cover (x)	14.7	4.7	12.9	11.4	23.0
Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	3.7	3.9	4.8	4.7	5.1
Recurring P/E @ target price (x) *	4.7	5.0	6.1	6.1	6.5
Reported P/E (x)	3.5	2.9	4.8	4.7	5.1
Dividend yield (%)	3.1	5.1	4.2	4.2	-
Price/book (x)	0.6	0.5	0.5	0.4	0.4
Price/tangible book (x)	0.6	0.6	0.5	0.5	0.4
EV/EBITDA (x) **	3.4	3.1	3.0	2.2	1.5
EV/EBITDA @ target price (x) **	4.1	3.8	3.7	2.9	2.2
EV/invested capital (x)	0.7	0.6	0.5	0.4	0.3
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Thoresen Thai Agencies; 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Thoresen Thai Agencies (TTA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Jan-2023	HOLD	9.00	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 10-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thoresen Thai Agencies	TTA TB	THB 7.00	BUY	Downside risks to our P/E-based TP include 1) a fall in freight rates (TCE); 2) exchange rate volatility; 3) slow economic growth in China; and 4) regulatory risks, including new EEXI and CII requirements, effective 1 Jan-23.

Source: FSSIA estimates

Additional Disclosures

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

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All share prices are as at market close on 09-May-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.