

# Thailand Market Strategy

## Remain selective amid limited short-term upside

- In 2H23, the global economy and policy rates do not favour risky assets. However, Thailand's economy should grow despite looming political issues in the short term.
- Overall, 1Q23 earnings beat market forecasts mainly on the strength of domestic and reopening sectors, but 2023E EPS revisions are being dragged down by global plays.
- Lower SET target to 1,620. Maintain selective strategy. Top picks for June 2023 to 2H23 are BA, BDMS, CENTEL, CPN, MAKRO, NSL, ORI and TOA.

### Slower global economic growth and high interest rates to pressure risky assets

The global economy is likely to show significantly slower GDP growth in 2H23, mainly due to sticky inflation and high interest rates in the US. The Bloomberg consensus expects world real GDP to rise by 2.6% y-y in 2023. Markets have become more hawkish, with the majority expecting the US Federal Reserve (Fed) to raise its interest rate by another 0.25% to 5.25-5.5% at its upcoming June 2023 meeting. This could limit the upside for risky assets as bond yields rise and narrow the earnings yield gap.

### Strong consumption and tourism to drive growth in Thailand despite politics

We expect private consumption and tourism to continue to play the key roles in driving Thailand's GDP growth in 2H23. Exports have clearly been hit by slower global demand and government spending should be lower due to higher public debt to GDP and government budget delays for fiscal year 2024. In addition, markets are still focused on whether a successful new coalition can be formed. Moreover, there are concerns about some of the Move Forward Party (MFP)'s policies which could impact corporate earnings and the capital market, such as minimum wage hikes, energy policy reform, SME support packages, and some new taxes, which we think could weigh on market sentiment in the short term.

### 1Q23 earnings beat expectations; 2023E EPS tweaked lower

Overall, 1Q23 earnings and core profits exceeded the Bloomberg consensus forecast by 4%. Banking, tourism, transportation, construction materials, energy, telecommunications, and property developers posted strong earnings results thanks to rising domestic demand and higher international tourist arrivals. Meanwhile, the food, petrochemical, electronic and media sectors fell short. We see downward earnings revisions ahead mainly for petrochemicals and energy due to the slump in commodity prices. As a result, we lower our 2023E EPS estimate from THB101 to THB95 (+14% y-y).

### SET target cut to 1,620 – be selective

We cut our 2023 SET index target from 1,700 to 1,620, based on a target PER of 17x, to reflect our lower EPS forecast. We think the current SET index level implies a c6% upside, and see a drop in the SET index to a range of c1,500 or below as an opportunity to accumulate for long-term investment. Our strategy is to be selective and focus on stocks that we expect to face limited impacts from global economic uncertainty and new government policies. Domestic and reopening plays remain our preference. Our 2H23 top picks are BA, BDMS, CENTEL, CPN, MAKRO, NSL, ORI and TOA.



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The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also BA's Director.

## Slower global economic growth in 2H23 as interest rates stay high

We expect the global economy to show significantly slower GDP growth in 2H23 due to the high interest rate environment created by central bank rate hikes in early 2022. The Bloomberg consensus forecasts US economic growth of only 0.5% q-q in 2Q23 before slipping to -0.5% q-q in 3Q23-4Q23 with a 65% probability of a recession. Meanwhile, Eurozone growth is expected to be flat at 0.1-0.2% q-q. In contrast, China's GDP growth is likely to outpace both the US and EU thanks to its economic reopening, but some impacts from lower global demand are expected. The Bloomberg consensus expects world real GDP to rise by 2.6% y-y in 2023, down from 3.4% in 2022.

In terms of policy rates, markets give an over 60% probability that the Fed will raise its interest rate by another 0.25% to 5.25-5.5% at its upcoming June 2023 meeting rather than hold steady after US core PCE came in above expectations at +0.4% m-m and +4.7% y-y in April 2023. This implies that US inflation is very sticky, and the Fed still has work to do. The possibility that rates might stay high for the rest of the year has made investors more hawkish than they were previously, when many anticipated a Fed rate cut in late 2023. This is likely to limit the potential upside for risky assets as bond yields rise and narrow the earnings yield gap.

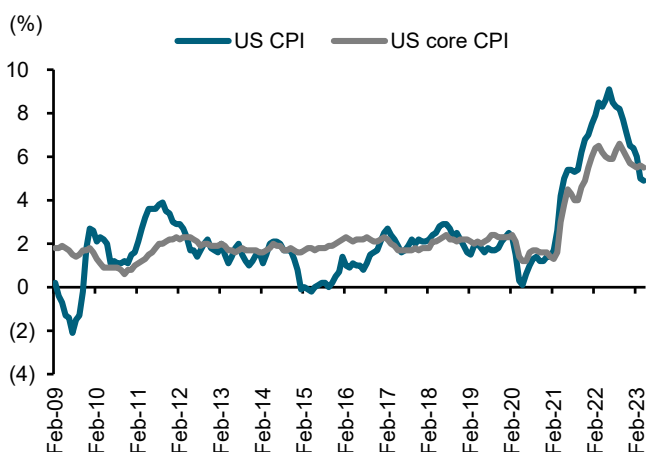
**Exhibit 1: Bloomberg's quarterly GDP growth projections by country (q-q)**

	2Q22	3Q22	4Q22	1Q23	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	Probability of recession
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
US*	(0.6)	3.2	2.6	1.1	0.5	(0.5)	(0.5)	0.8	1.6	1.9	65.0
Eurozone	0.9	0.4	0	0.1	0.1	0.2	0.2	0.2	0.3	0.4	40.0
UK	0.1	(0.1)	0.1	0.1	0	0.1	0.2	0.2	0.3	0.3	57.5
China	(2.3)	3.9	0.6	2.2	1.3	1.2	1.2	1.2	1.2	1.2	10.0
Japan*	4.7	(1.0)	(0.1)	1.6	1.4	1.1	0.9	0.9	1.1	1	30.0
South Korea	0.7	0.3	(0.4)	0.3	0.6	0.6	0.7	0.5	0.4	0.5	27.5
Thailand	0.9	1.1	(1.5)	1.9	1.3	1.2	1.2	1.1	0.9	1	15.0
Indonesia	3.7	1.8	0.4	(0.9)	3.6	1.8	0.4	(0.9)	3.8	1.8	2.0

Note; \* = q-q SAAR

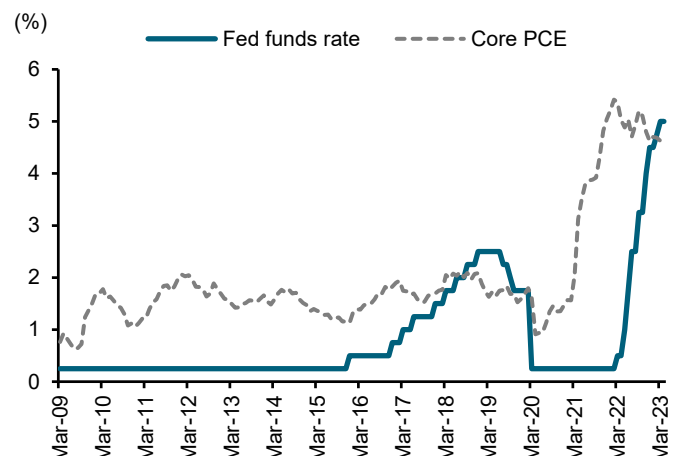
Sources: Bloomberg; FSSIA's compilation

**Exhibit 2: US CPI**



Source: Bloomberg

**Exhibit 3: US core PCE and Fed funds rate**



Source: Bloomberg

## Thailand's general election boosts pro-democracy parties

Thailand's pro-democracy parties emerged as the biggest winners in nationwide elections held on 14 May 2023. MFP, which won the election with 151 seats out of 500 in the lower house, is expected to lead a coalition with the Pheu Thai party and six other allies, for a total of 312 MPs. On 22 May 2023, eight parties signed a 23-point memorandum of understanding (MoU) outlining the working agenda of their proposed coalition government.

### Exhibit 4: Thailand election 2023: official result

	Constituency	Party List	Total
Move Forward Party	112	39	151
Pheu Thai Party	112	29	141
Bhumjaithai Party	68	3	71
Palang Pracharath Party	39	1	40
United Thai Nation Party	23	13	36
Democrat Party	22	3	25
Chartthaipattana Party	9	1	10
Prachachat Party	7	2	9
Thai Sang Thai Party	5	1	6
ChartpattanaKLA Party	1	1	2
Pue Thai Rumphlang	2	0	2
Thai Liberal Party	0	1	1
New Democracy Party	0	1	1
New Party	0	1	1
Fair Party	0	1	1
Plung Sungkom Mai Party	0	1	1
Party of Thai Counties	0	1	1
Thai Teachers For People Party	0	1	1
<b>Total</b>	<b>400</b>	<b>100</b>	<b>500</b>

Source: Thailand Election Commission, as of 27 May 2023

### Exhibit 5: Move Forward coalition formally announced

Eyes on the coalition MoU	(MPs)
Move Forward	151
Pheu Thai	141
Prachachat	9
Thai Sang Thai	6
Peu Thai Ruamphlang	2
Thai Liberal	1
Fair Party	1
Plung Sungkom Mai	1
<b>Total</b>	<b>312</b>

Source: FSSIA's compilation

## New coalition likely underway by July-August 2023

Despite a strong majority with 312 MPs, or 62.4% of the 500-member lower house, the coalition still does not have enough votes to make Mr Pita Limjaroenrat Thailand's 30<sup>th</sup> prime minister. Winning the prime ministership would require at least 376 votes from the 750 members of both the lower and upper house, implying that the coalition needs 64 more votes from senators or other parties' MPs.

If a successful governing coalition is formed, we think the market should react positively in the short term. However, the focus would then move to the new government's economic policies, many of which would support private consumption and investment such as enhancing social welfare, supporting small-to-medium-sized enterprises (SMEs), and promoting EV industry growth. However, there are concerns among market participants that some MFP policies such as minimum wage hikes, energy policy reforms, and a higher corporate tax rate, among others, might negatively impact corporate earnings.

### Exhibit 6: Timeline of new government formation

Countdown to a New Era	
13-Jul-23	Official election result announcement in early July 2023
24-Jul-23	His Majesty the King opens parliament
25-Jul-23	New parliamentary president is appointed
3-Aug-23	New prime minister is elected by parliament
05-Aug-23	Royal assent is granted, installing the new prime minister
10-Aug-23	New cabinet is chosen
11-Aug-23	New cabinet is sworn in

Source: Deputy Prime Minister Wissanu Krea-ngam

**Exhibit 7: Current cabinet members from each party**

	MP	Minister	Ratio
<b>Coalition parties</b>	<b>265</b>	<b>39</b>	<b>6.8</b>
Palang Pracharath	120	18	6.7
11 small parties	11	1	11.0
Bhumjaithai	61	8	7.6
Democrat	52	8	6.5
Charthaipattana	12	2	6.0
Action Coalition for Thailand	5	1	5.0
Chart Pattana	4	1	4.0

Source: FSSIA's compilation

**Exhibit 9: Key economic policies of MFP**

A minimum daily wage starting at THB450 that will increase each year.
Monthly allowances for the elderly of THB3,000 each and monthly allowances for school children of THB1,200 each.
A gift of THB3,000 for new parents to buy items for their new-borns.
THB10,000 for funeral expenses.

Source: FSSIA's compilation

**Exhibit 8: Expected new cabinet positions for each party**

	MP	Minister	Ratio
<b>Coalition parties</b>	<b>312</b>	<b>39</b>	<b>8.0</b>
Move Forward	151	18	8.4
Pheu Thai	141	16	8.8
Prachachart	9	2	4.5
Thai Sang Thai	6	1	6.0
Pheua Thai Ruam Palung	2	1	2.0
Thai Liberal	1	1	1.1
Fair Party	1	-	-
Palung Sungkom Mai	1	-	-

Source: FSSIA estimates

**Exhibit 10: Key economic policies of Pheu Thai Party**

A minimum daily wage of THB600 by 2027.
A salary of at least THB25,000 for graduates within 2027.
A one-time handout of THB10,000 in digital money to everyone aged 16 or older.

Source: FSSIA's compilation

**Exhibit 11: Key potential economic policies and impacts on the SET and individual sectors**

	Impact on SET	Advantaged sectors	Disadvantaged sectors
<b>A minimum daily wage of THB450</b>	-	Human resources, commerce, food & beverage, finance, telecom	Construction, property, restaurant, commerce, industrial
<b>Merchant power market and energy reform</b>	-	Solar roof installers	Energy, utilities, petrochemicals
<b>EV industry promotion</b>	+	Renewable energy, auto, battery, electronic, industrial estate	Fossil energy
<b>Support for SMEs</b>	+	Food & beverage, bank, finance	Retail commerce
<b>Social welfare</b>	+	Commerce, bank, finance, food & beverage	
Monthly allowances for the elderly of THB3,000 each and monthly allowances for school children of THB1,200 each.	+		
A gift of THB3,000 for new parents to buy items for their new-borns.	+		

Source: FSSIA estimates

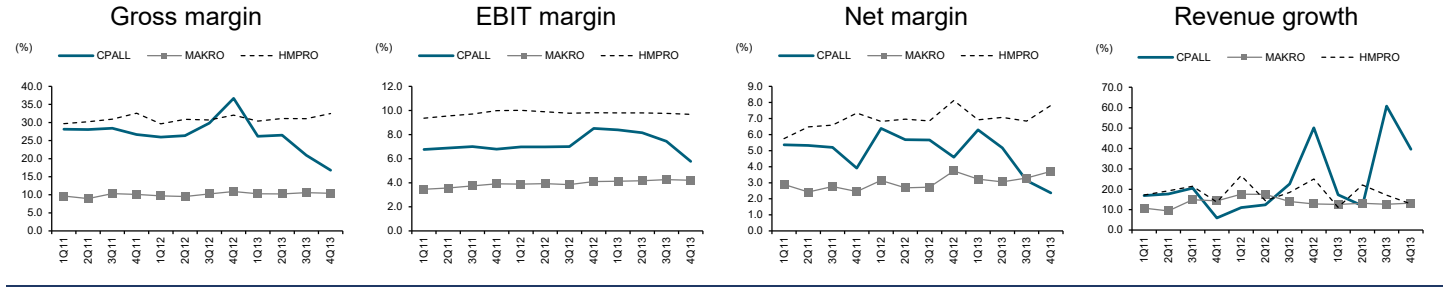
**A minimum wage hike in 2023 could affect earnings more than in 2012-13, but impact might be muted**

In 2023, the MFP plans to raise the minimum wage by 27% from THB353 per day to THB450 per day. Meanwhile, it is still unclear whether the new government would also launch a compensation package for big enterprises or just SMEs. This is a key concern for investors and corporates who fear impacts on competitiveness and profitability, especially for industries that require a high number of workers such as property development, construction, food, and commerce.

In 2012-13, Pheu Thai raised the minimum wage by 40% from THB215 per day to THB300 per day, starting in April 2012 in seven major provinces and by January 2013 for the entire country. However, the party also lowered the corporate tax rate from 30% to 23% and 20% in 2012 and 2013, respectively, to compensate for the higher labour costs. To test our assumptions, we selected some key companies for analysing the impact on operating margins, which should be lower due to the higher labour cost, while net margins should be stabilised by the lower tax expense.

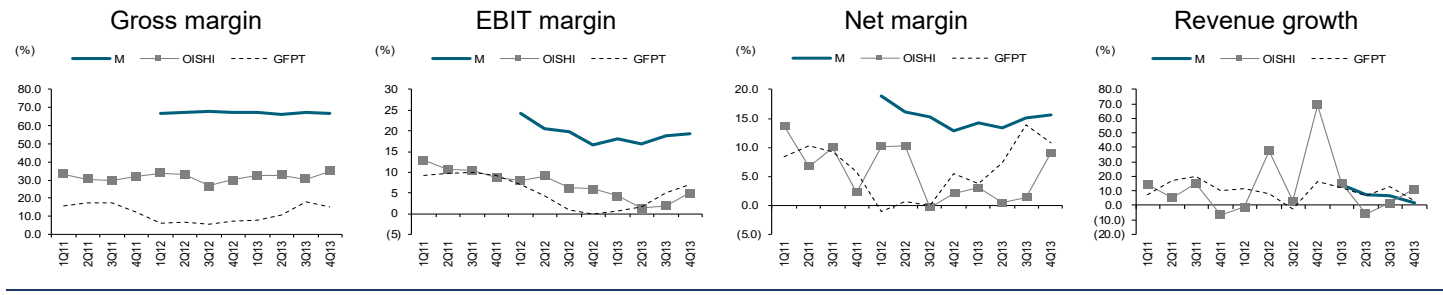
Our study found that gross and EBIT margins in 2012-13 were relatively stable compared to 2011. This implies that companies benefited from both higher consumer incomes that lifted purchasing power and increased selling prices that offset their higher operating costs. Meanwhile, net margins were relatively flat or slightly increased in some sectors. As a result, we did not see negative impacts on 2012-13 profitability, nor did the CPI rise and force the Bank of Thailand (BoT)'s Monetary Policy Committee (MPC) to raise interest rates.

**Exhibit 12: Commerce**



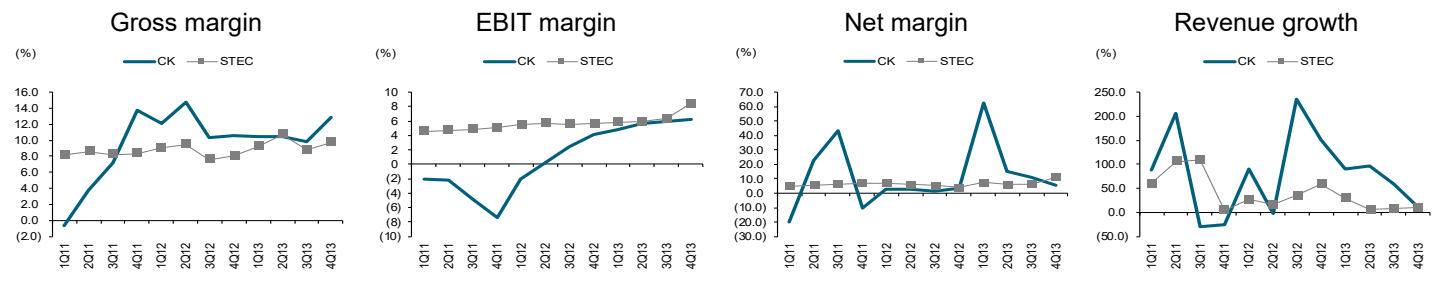
Note: CPALL's margins dropped in 2013 due to acquiring MAKRO  
 Sources: Bloomberg and FSSIA's compilations

**Exhibit 13: Food**



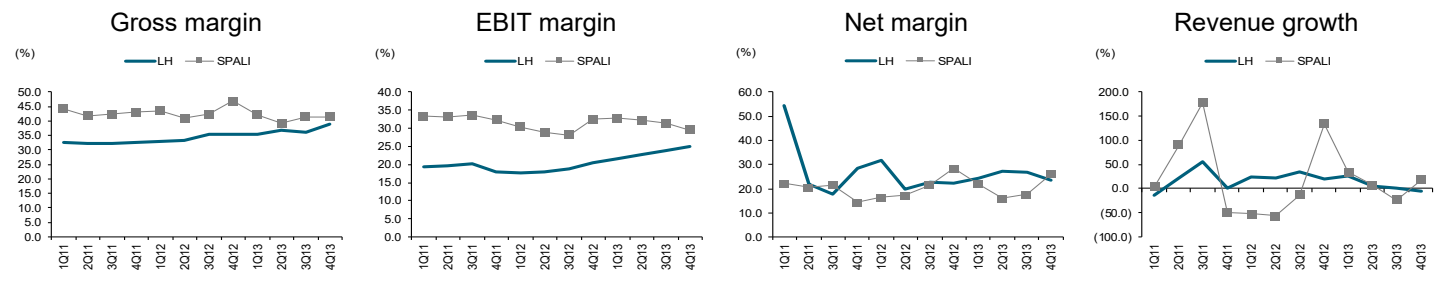
Sources: Bloomberg and FSSIA's compilations

**Exhibit 14: Construction services**



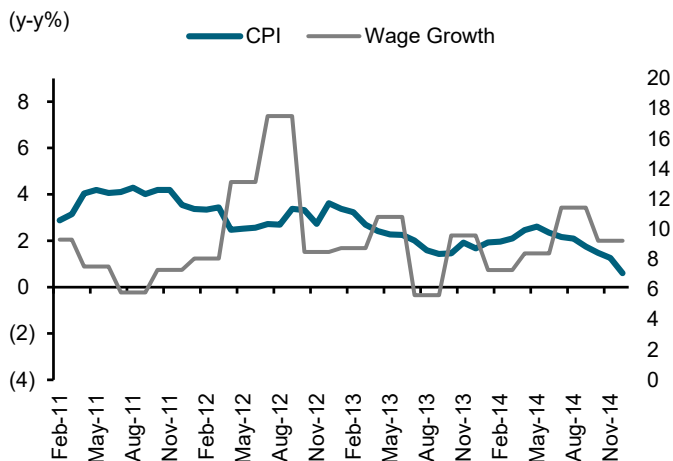
Sources: Bloomberg and FSSIA's compilations

**Exhibit 15: Property development**



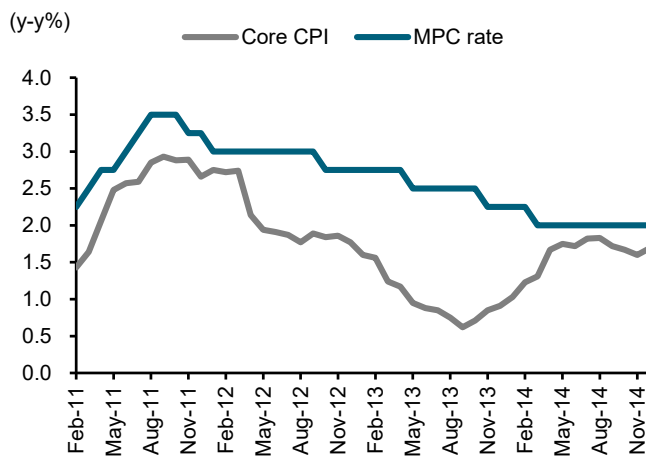
Sources: Bloomberg and FSSIA's compilations

**Exhibit 16: Inflation did not jump due to 2012-13 wage hike**



Source: Bloomberg

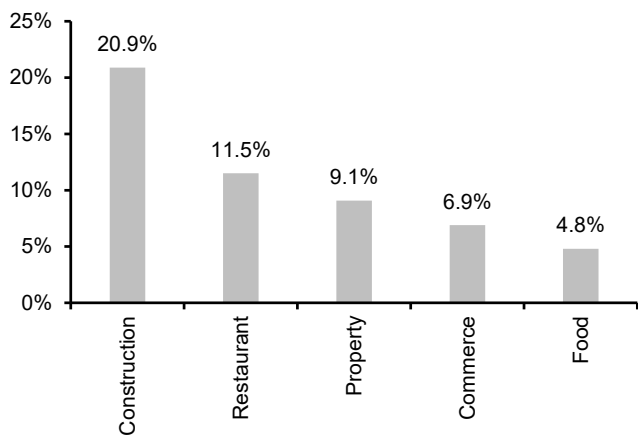
**Exhibit 17: MPC rate gradually dropped in 2012-14**



Source: Bloomberg

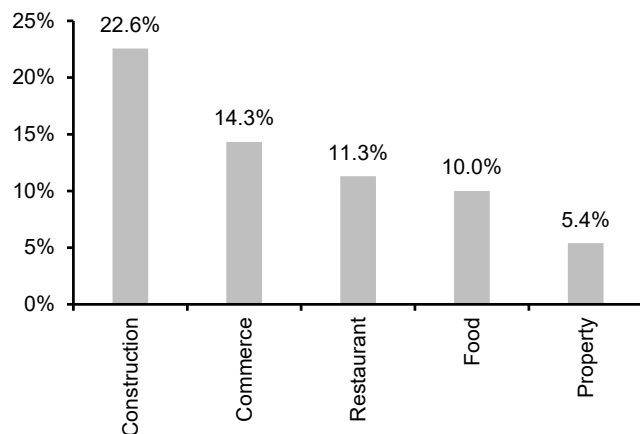
However, we anticipate the upcoming 2023 minimum wage hike could hit companies' operations and earnings harder than in 2012-13, as a 10% increase in labour cost could affect net profits by 5-23%, assuming all other factors are equal. The range of impact is quite wide, based on the level of labour's contribution to revenue, and the net margin for each company. However, we think the impact from this policy might be lower than the market fears as corporates could improve operational efficiency and increase their selling prices to offset their higher costs in the short term. Moreover, this could encourage companies to invest more in machinery and technology to improve their long-term competitiveness and cost efficiency. In addition, the 25% lower electricity price, which is set to fall from THB5.33 per unit in 1Q23 to cTHB4 in 4Q23 could be another factor minimising the impact.

**Exhibit 18: Labour cost as percentage of revenue**



Source: FSSIA estimates

**Exhibit 19: Impact of a 10% wage increase on 2024E net profit, all else being equal**

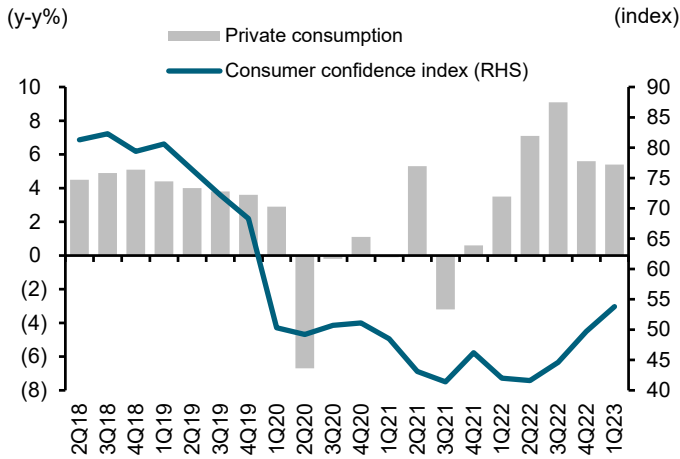


Source: FSSIA estimates

### Key drivers for the Thai economy are private consumption and tourism

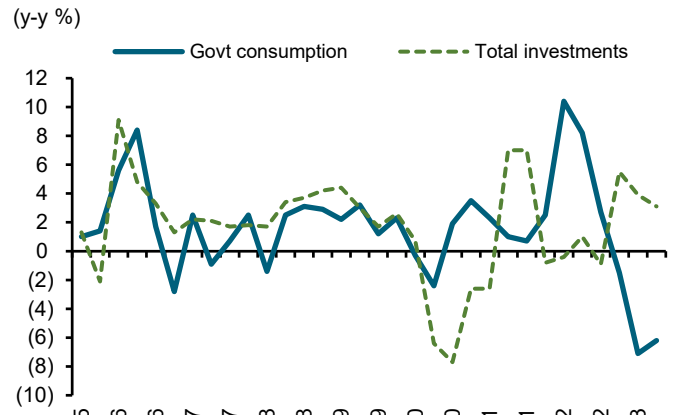
With the process of forming the new government likely to take 2-3 months after the general election, the next legislative session is likely to begin in July-August 2023. This could mean Thailand's THB3.35tn budget for the 2024 fiscal year that starts in October could be delayed depending on the ease through which it passes three readings and approval. Moreover, the current high level of public debt to GDP at over 60% could limit government spending on more stimulus packages, which were the main engine supporting the economy during the Covid pandemic. Meanwhile, exports may slump due to lower demand from a possible global economic slowdown. As a result, we anticipate private consumption and tourism to continue to play the key roles in driving GDP in 2H23. The BoT has maintained its 2023 GDP forecast at +3.6% y-y.

**Exhibit 20: Private consumption remains strong**



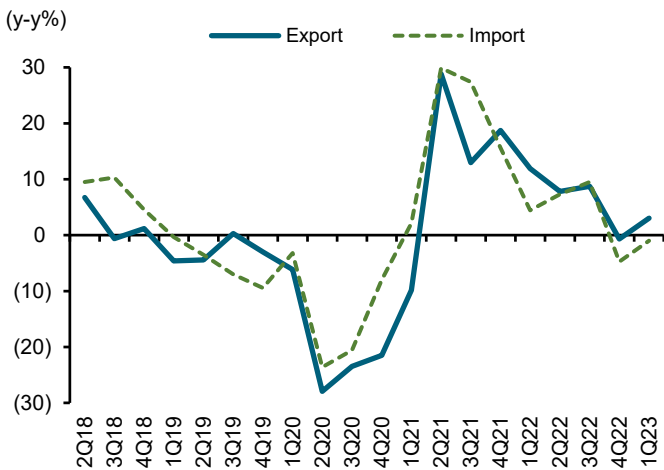
Sources: National Economic and Social Development Council (NESDC) and University of the Thai Chamber of Commerce

**Exhibit 21: Government consumption plunged after Covid-19**



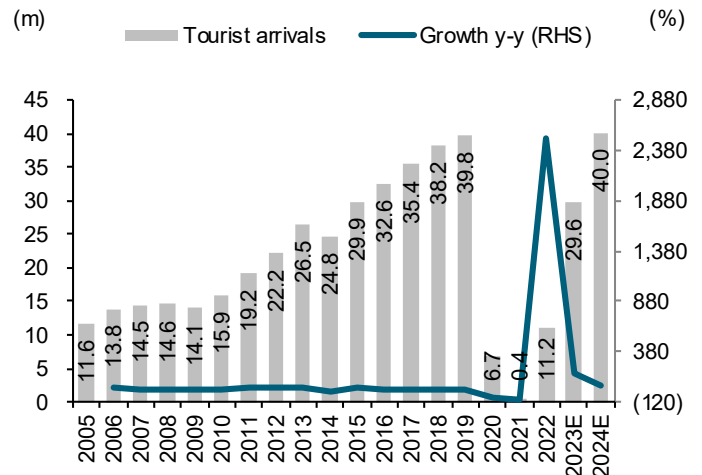
Source: NESDC

**Exhibit 22: Exports hit by fading global demand**



Source: NESDC

**Exhibit 23: Thailand's International tourist arrivals**

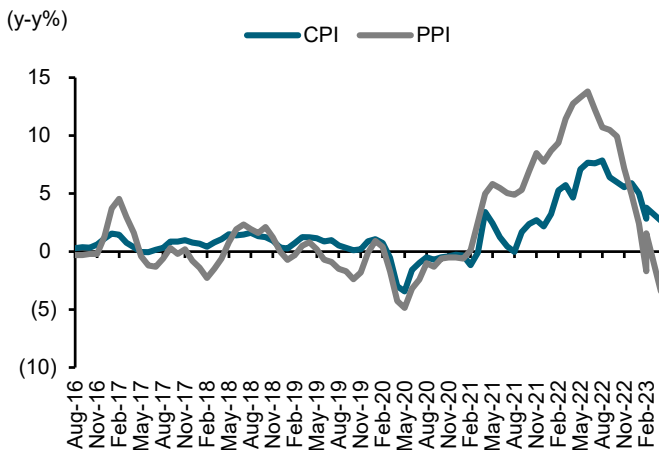


Sources: Ministry of Tourism and Sports and FSSIA estimates

### Thailand’s policy rate faces little pressure from inflation, apart from the proposed minimum wage hike

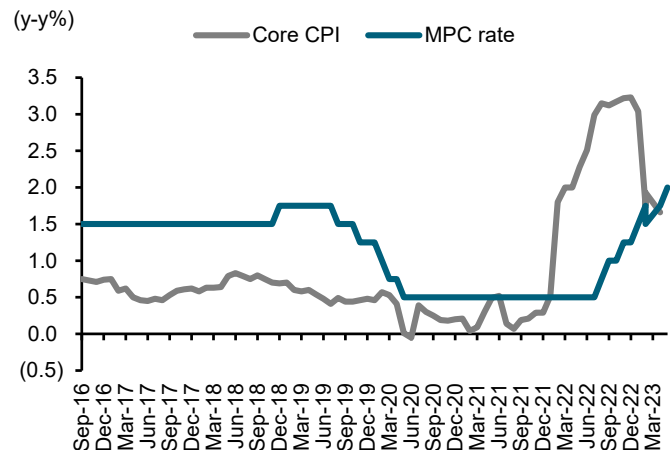
In terms of monetary policy, Thailand’s inflation is now on a downward trend after peaking in late 2022 at +3.23% y-y. The latest core CPI figure, at +1.66% y-y in April 2023, is expected to gradually fall in the coming months in line with global commodity prices. As a result, we maintain our view that the latest increase of the BoT’s policy rate by 0.25% to 2% should be the peak level to support the economy. In our view, the only factor that might push inflation in 2H23-2024 is the minimum wage hike, which could result in companies passing their additional costs through to consumers.

Exhibit 24: Thailand’s CPI and PPI



Source: Bloomberg

Exhibit 25: Thailand’s core CPI and MPC rate



Source: Bloomberg

### 1Q23 earnings results beat forecasts

Based on the 1Q23 results of 563 listed companies, aggregate net profit grew by 69% q-q and 12% y-y, beating market expectations by 11%. Excluding non-recurring items mainly from Siam Cement (SCC TB) and True Corporation (TRUE TB), core profits beat expectations by 4%.

Banking, tourism, transportation, construction materials, energy, telecommunications, and property development posted strong earnings results that were better than expected thanks to positive internal factors such as rising domestic demand and higher international tourist arrivals. On the other hand, the sectors that reported poor results and missed 1Q23 earnings estimates were food & beverage, petrochemicals, electronics, and media. These sectors were affected by the global economic slowdown, especially in the US and EU, which has started to impact global demand.

For 2Q23, we anticipate Thailand’s domestic sectors will continue to show strong earnings growth thanks to higher domestic consumption from both the summer season and election campaigns. Moreover, the drop in the electricity price for businesses from THB5.33/unit to THB4.70 during May-August 2023 should help offset the seasonally higher electricity usage. Global plays such as energy should see their earnings drop both q-q and y-y from the high base last year when energy prices jumped due to the Russia-Ukraine war. Earnings for the electronics sector could also drop from lower demand visibility.



## Exhibit 26: 1Q23 earnings results (563 companies)

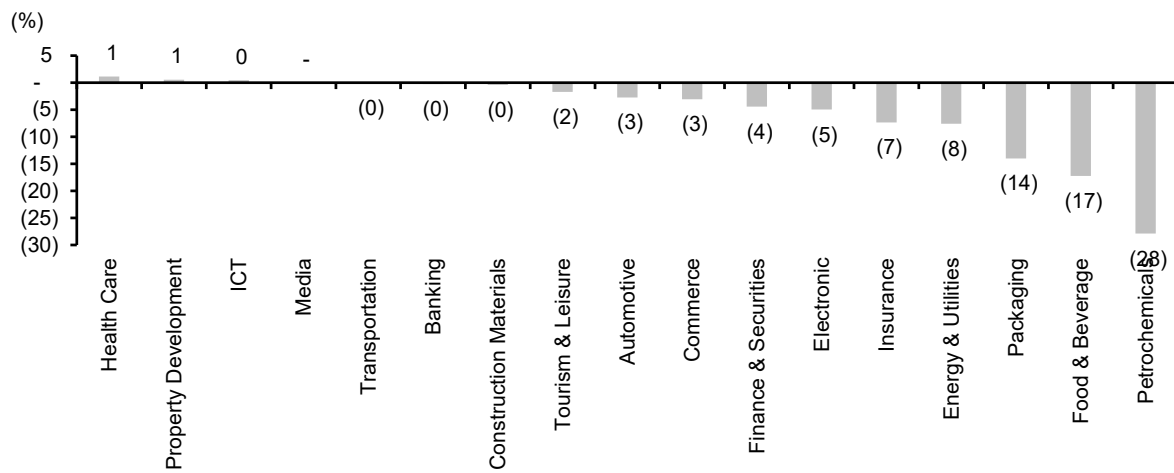
Sector	1Q23	4Q22	1Q22	----- Value change -----		----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m in q-q)	(THB m in y-y)	(q-q %)	(y-y %)
Paper & Printing Materials	210	(9)	275	219	(65)	2,452	(24)
Construction Materials	20,358	977	13,570	19,381	6,788	1,984	50
Information & Communication	11,980	(4,266)	9,231	16,246	2,749	381	30
Construction Services	1,142	(1,964)	(279)	3,106	1,422	158	509
Energy & Utilities	85,046	34,035	96,918	51,011	(11,872)	150	(12)
Industrial Materials & Machinery	7	(20)	270	27	(263)	136	(97)
Personal Products & Pharmaceuticals	385	173	1,333	213	(947)	123	(71)
Professional Services	197	88	72	108	125	123	174
Petrochemicals & Chemicals	1,423	(12,370)	18,996	13,792	(17,573)	112	(93)
Steel	556	(4,905)	2,168	5,461	(1,612)	111	(74)
Packaging	1,582	761	2,848	821	(1,266)	108	(44)
Insurance	6,002	3,357	(24,813)	2,645	30,815	79	124
Banking	61,861	42,018	54,376	19,843	7,485	47	14
Automotive	1,442	1,050	1,458	392	(16)	37	(1)
Health Care Services	6,728	6,462	11,370	266	(4,642)	4	(41)
Transportation & Logistics	18,228	18,837	1,432	(609)	16,797	(3)	1,173
Commerce	16,257	17,458	14,130	(1,201)	2,127	(7)	15
Tourism & Leisure	1,154	1,241	(1,390)	(87)	2,544	(7)	183
Home & Office Products	87	96	(42)	(9)	129	(9)	309
Fashion	703	793	686	(90)	16	(11)	2
Finance & Securities	8,580	9,880	9,581	(1,299)	(1,001)	(13)	(10)
Media & Publishing	888	1,165	781	(277)	106	(24)	14
Electronic Components	4,905	7,026	4,449	(2,120)	456	(30)	10
Property Development	15,476	25,011	13,808	(9,534)	1,669	(38)	12
Agribusiness	1,326	2,309	3,122	(983)	(1,797)	(43)	(58)
Food & Beverage	6,311	12,560	9,342	(6,249)	(3,031)	(50)	(32)
<b>Grand Total</b>	<b>272,835</b>	<b>161,761</b>	<b>243,691</b>	<b>111,074</b>	<b>29,144</b>	<b>69</b>	<b>12</b>

Sources: Bloomberg and FSSIA's compilation

### Expect lower EPS in 2023 from energy and petrochemicals as oil price subsides

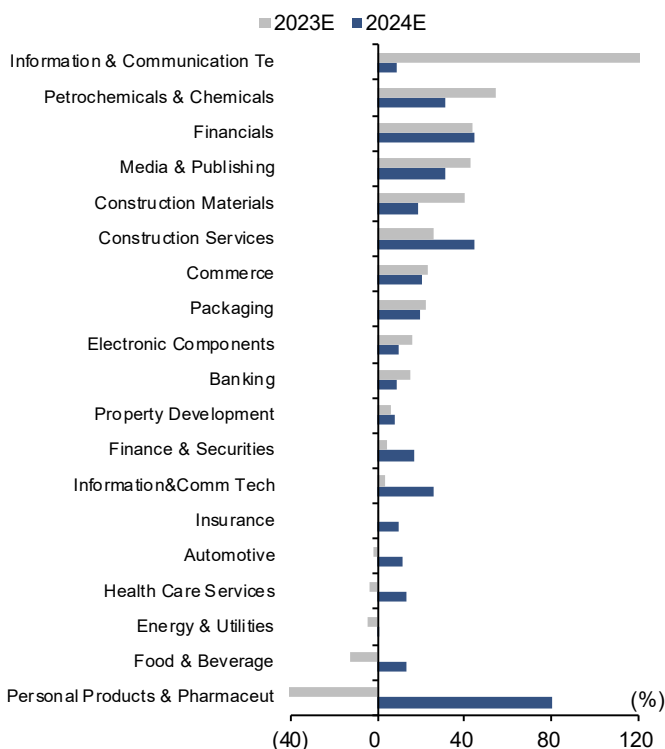
Based on the results of the 151 listed companies under our coverage and Bloomberg consensus estimates, we expect overall earnings to be revised downwards by 5% from March to May 2023, with the deepest cuts going to the global and export sectors. Petrochemicals and energy were slashed by 28% and 8%, respectively, due to the lower oil price and weaker refinery margins as well as the slow recovery of petrochemical spreads amid a global economic slowdown. The upstream segments of food & beverage were cut by 17% due to lower meat prices. However, we see only stronger earnings forecasts in domestic and reopening sectors such as commerce, banking and financial services, tourism, transportation, and telecommunications, which stayed at the same level from the previous quarter. Meanwhile, health care services and property development saw some small increases in earnings. This is consistent with our expectation that the key drivers for the Thai economy will continue to be private consumption and the recovering tourism industry.

Exhibit 27: Earnings revisions by sector from March to May 2023



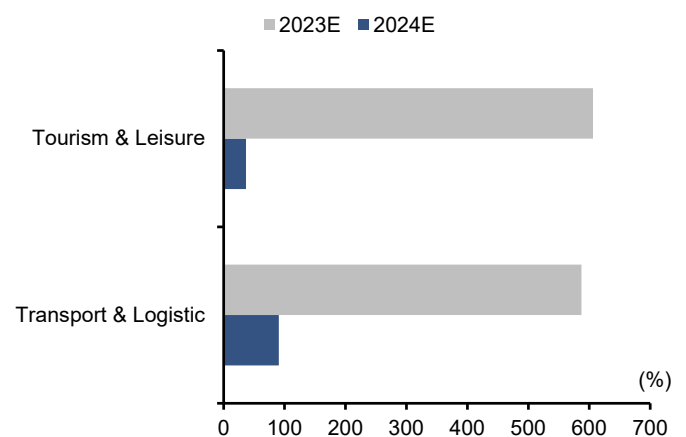
Sources: Bloomberg and FSSIA estimates

Exhibit 28: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

Exhibit 29: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

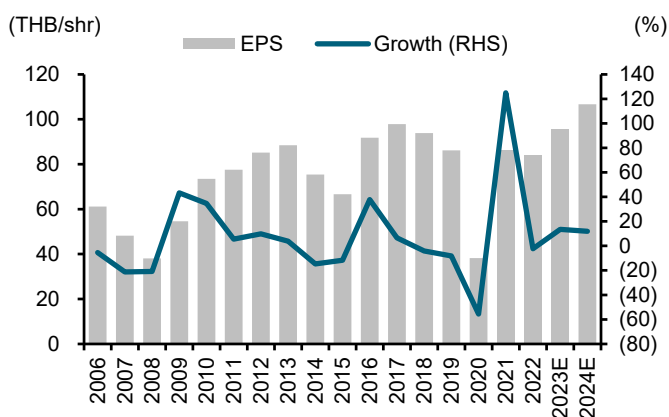
### Lower 2023 SET target to 1,620

Based on post-1Q23 earnings results, we expect 2023 EPS to grow by 14% to THB95, down from THB101 (+20% y-y) in March 2023. Telecommunications and petrochemicals are likely to post abnormally high y-y growth in 2023 due to the low base effect from last year. Key domestic sectors such as tourism, transportation, commerce, banking & financial services, and property development should show strong growth momentum with a more limited downside as reflected by their lower earnings revisions as mentioned above.

The MFP has pledged to increase the corporate income tax rate from 20% to 23%. If this happens, it will result in a 3.8% per annum downside to our EPS forecasts.

We cut our 2023 SET target from 1,700 to 1,620 to reflect the lower EPS forecast and maintain a target PER of 17x, the 10-year historical average. Currently, the SET index at c1,530 is trading at 16x, close to -0.25SD. We anticipate the trading range for the SET in 3Q23 to stay within 1,450-1,600.

Exhibit 30: SET EPS



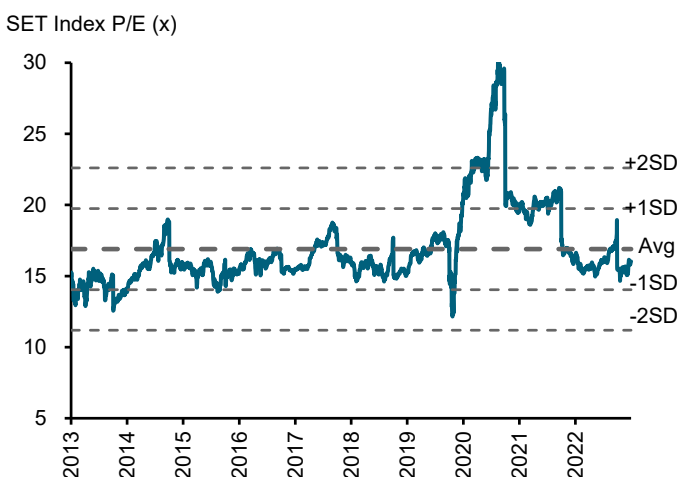
Source: FSSIA estimates

Exhibit 31: SET target sensitivity

----- Earnings per share -----			
		2023E	2024E
EPS		95	107
- Target index based on FSSIA estimates -			
	P/E (x)	2023E	2024E
SD+1.0	19.8	1,883	2,107
SD+0.5	18.3	1,752	1,960
SD+0.25	17.6	1,687	1,887
<b>10-year average</b>	<b>17.0</b>	<b>1,620</b>	<b>1,814</b>
SD-0.25	16.2	1,556	1,740
SD-0.5	15.4	1,490	1,667
SD-1.0	14.1	1,339	1,498

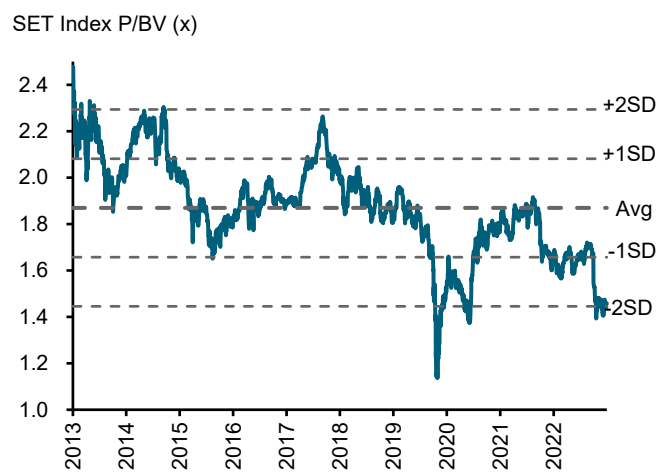
Source: FSSIA estimates

Exhibit 32: SET historical PER



Sources: Bloomberg and FSSIA estimates

Exhibit 33: SET historical P/BV



Sources: Bloomberg and FSSIA estimates

## Domestic/reopening plays remain our top picks for 2H23

Considering all the factors mentioned above, and our view that the upside to our SET target is more limited in the short term, we see a SET level of c1,500 or below as an opportunity to accumulate for long-term investment. We continue to stick to our 2023 view and prefer domestic sectors over global plays. The key supporting factors for our top picks are:

- 1) Strong earnings growth with high visibility in 2H23;
- 2) Limited risk and impact from new government policies;
- 3) Rising domestic consumption and the recovery in tourism;
- 4) Benefits from lower energy and commodities prices.

Based on our investment themes, our top picks for June 2023 to 2H23 are **BA, BDMS, CENTEL, CPN, MAKRO, NSL, ORI and TOA**.

### Exhibit 34: FSSIA's top stock picks for 2H23

Company	BBG code	Key rationale
Bangkok Airways	BA TB, BUY, TP THB20.00	We continue to see BA as the best tourism-related play in the SET. Load factors and average ticket fares are now above the pre-Covid levels and supported by strong domestic and international demand. We expect that in 2Q23 BA could reach the breakeven point despite the low season thanks to support in the form of dividend income from BDMS. Meanwhile, 3Q23 earnings are expected to jump thanks to Samui's high season.
Bangkok Dusit Medical Services	BDMS TB, BUY, TP THB34.50	We expect a strong financial performance and share price in 2H23. We see BDMS as both a growth and defensive play with high earnings visibility. International patients continue to grow in line with tourist arrivals. We expect 2023 core profit to grow by 7% with no impact from the upcoming minimum wage hike.
Central Plaza Hotel	CENTEL TB, BUY, TP THB58	We see CENTEL continuing to benefit from Thailand's tourism industry recovery. It should enjoy strong pent-up demand from Chinese tourists, especially in 2H23. Its weak share price during the recent bout of market volatility presents an opportunity to accumulate the stock.
Central Pattana	CPN TB, BUY, TP THB82	We believe CPN is attractive as a domestic play benefiting from Thailand's reopening, the tourism recovery, and its solid position as a scalable mixed-use developer. We maintain our positive view on its 2023 net profit, projecting THB13b, +17.8% y-y. Long-term growth is supported by THB135b investment plans for the next five years.
Siam Makro	MAKRO TB, BUY, TP THB46	Key earnings drivers for MAKRO are 1) lower electricity costs in May-August; and 2) the restructuring of its floating rate USD loans to fixed THB loans, to be completed in 2Q23, which would reduce interest expenses in 2H23. We expect 2023 core profit to jump by 45% y-y.
NSL Foods	NSL TB, BUY, TP THB26	We have a positive outlook for NSL's 2Q23 operations. Its profit should continue to grow in line with the high season and a full-quarter's recognition of higher ASPs. In addition, the company has launched its "Rice Bar" product in Tops Supermarkets, and revenue is starting to be recognised from cake sales to Bake A Wish since March 2023.
Origin Property	ORI TB, BUY, TP THB13.90	In the short term, the successful listing of the RealX token should be a catalyst for its share price. Long-term, we maintain our 2023 core profit forecast of THB3.3b (+27% y-y), backed by its solid residential performance, and positive developments in other businesses should drive growth in the mid-to-long term. Currently, its shares trade at an 8x 2023E P/E with a dividend yield of 7% per annum.
TOA Paint (Thailand)	TOA TB, BUY, TP THB40	TOA is trading at 29.6x 2023E P/E, below its historical average of 36x, and it looks attractive with its strong recovery potential both in terms of revenue and margin. Improved profitability might provide an upside risk to our 2023E earnings estimate, and the 1Q23 profit beat should be a positive catalyst for its share price in the short term. We expect a 2023 core profit of THB2.2b (+33% y-y).

Source: FSSIA estimates

### Exhibit 35: Summary of key valuations for FSSIA's top picks for 2H23

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	13.70	20.00	46	(1,974)	1,367	1,690	(169.2)	23.6	21.0	17.0	15.4	2.9	7.8	1.6
Bangkok Dusit Medical Servs.	BDMS TB	28.50	34.50	21	12,606	13,469	15,295	6.8	13.6	33.6	29.6	26.9	1.8	14.5	4.7
Central Plaza Hotel	CENTEL TB	49.75	58.00	17	398	2,138	2,624	437.2	22.7	31.4	25.6	23.9	1.3	10.9	3.3
Central Pattana	CPN TB	68.50	82.00	20	10,945	12,898	14,064	17.8	9.0	23.8	21.9	20.6	1.6	15.1	3.4
Siam Makro	MAKRO TB	40.25	46.00	14	7,697	11,187	13,670	45.3	22.2	38.1	31.2	26.5	1.8	3.8	1.4
NSL Foods	NSL TB	19.90	26.00	31	298	343	394	15.3	14.9	17.4	15.2	13.8	5.3	23.8	4.0
Origin Property	ORI TB	10.90	13.90	28	2,613	3,309	3,704	26.6	11.9	8.1	7.2	7.0	6.8	17.5	1.4
TOA Paint (Thailand)	TOA TB	32.50	40.00	23	1,672	2,229	2,419	33.3	8.6	29.6	27.3	26.4	1.7	16.7	4.7

Share prices as of 30 May 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) <sup>1</sup>

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) <sup>2</sup>

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) <sup>3</sup>

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) <sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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 Indices <sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Airways	BA TB	THB 13.70	BUY	Downside risks to our SoTP-based TP include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Bangkok Dusit Medical Services	BDMS TB	THB 28.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
Central Plaza Hotel	CENTEL TB	THB 49.75	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Pattana	CPN TB	THB 68.50	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.
Siam Makro	MAKRO TB	THB 40.25	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 19.90	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.
Origin Property	ORI TB	THB 10.90	BUY	Downside risks to our SoTP-based TP include 1) a slower-than-expected economic recovery; 2) weaker-than-expected presales; 3) a high cancellation rate of presales and rejections from banks; 4) delays in construction and/or a labour shortage; 5) intense competition and an increase in raw material costs; and 6) lower-than-expected performance for its subsidiaries.
TOA Paint (Thailand)	TOA TB	THB 32.50	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 TiO <sub>2</sub> ; 3) currency exchange fluctuation, as c13% of its raw materials are imported; and 4) the challenging situation in Vietnam.
True Corporation	TRUE TB	THB 6.75	BUY	The key downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are worse than our expectation, if the company can reduce its costs worse than we expect, and if there is a slower-than-expected adoption of 5G use cases.

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 30-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.