

GULF ENERGY DEVELOPMENT

THAILAND / UTILITIES

GULF TB

BUY

UNCHANGED

TARGET PRICE	THB52.30
CLOSE	THB50.00
UP/DOWNSIDE	+4.6%
PRIOR TP	THB52.30
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-12.4%

Expect slight improvement in 2Q23

- 2Q23E core profit should rise 2.7% q-q to THB3.8b despite net profit sliding 19% q-q from FX losses.
- We expect 2H23 earnings to further improve from the 662.5MW of new IPP capacity and higher IU margins.
- Maintain BUY; TP at THB52.3/share.

2Q23E core profit should hit THB3.8b, up slightly q-q

We estimate 2Q23 revenue would increase by 25.6% q-q to THB33.2b, mainly due to the full quarter revenue recognition of GPD phase 1 (IPP 662.5MW) and an expected higher dispatch rate from its IPPs, offset by marginally weaker IU volume from seasonality and scheduled maintenance. While we forecast total electricity sales in 2Q23 to grow significantly by 71% q-q, we anticipate 2Q23 core profit to be just slightly better q-q at THB3.8b (+2.7% q-q and +22.3% y-y) due to weaker IPP margins from running on gas instead of diesel in early 1Q23. Meanwhile, we also see a mix of other positive and negative factors in the quarter that should offset one another. Given our expectation of a 2Q23 FX loss (THB0.62b), we estimate a weaker (q-q) 2Q23 net profit of THB3.1b (-19.0% q-q but +103.9% y-y). 1H23E core profit accounts for 46% of our 2023 estimate.

Range of business variables seen in the quarter

Other key positive factors in this quarter are the potentially higher share of profit contributions from INTUCH and PTTNGD. We think PTTNGD should recover from the losses seen in the previous quarter due to the lower gas price. Nevertheless, this should be partly offset by weaker wind performance from seasonality and a lower contribution from its gas-fired power plant in the US due to the drop in gas price.

Key drivers in 2H23 are new IPP capacity and a higher IU margin

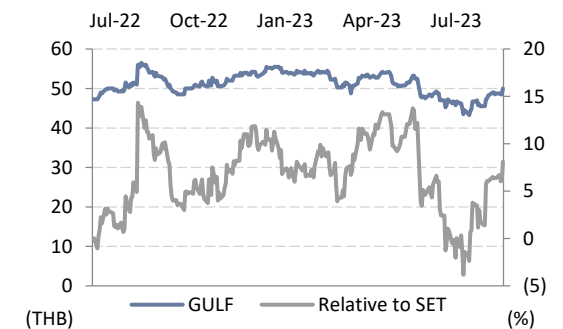
We maintain our 2023-2025 estimates for EPS growth of 29.9%/21.1%/25.2%. We believe GULF has a promising capacity growth plan and will benefit from the improving Thai political situation. In 2H23, we believe GULF's earnings will improve due to 1) GPD phase 2's (IPP 662.5MW) COD in Oct23; and 2) higher SPP margins now that the Energy Regulatory Commission (ERC) has announced that the Sep23-Dec23 Ft will be THB0.6689/kWh, down by THB0.2430/kWh. At this level, we think SPP margins will further improve from the lower gas cost.

Maintain BUY rating with TP of THB52.30/share

We maintain BUY and our SoTP-based TP at THB52.3/shr. We valued most of its projects using the DCF method with a 5.9% WACC. Our TP implies 37.4x 2023E P/E, roughly -1SD below its long-term average.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	94,151	116,330	133,272	143,316
Net profit	11,418	16,409	19,874	24,883
EPS (THB)	0.97	1.40	1.69	2.12
vs Consensus (%)	-	7.5	0.1	5.1
EBITDA	22,767	24,792	27,912	34,130
Recurring net profit	12,637	16,409	19,874	24,883
Core EPS (THB)	1.08	1.40	1.69	2.12
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	43.4	29.9	21.1	25.2
Core P/E (x)	46.4	35.8	29.5	23.6
Dividend yield (%)	1.2	1.4	1.7	2.1
EV/EBITDA (x)	31.5	28.9	25.8	21.3
Price/book (x)	5.3	4.9	4.5	4.0
Net debt/Equity (%)	77.2	67.8	60.5	54.0
ROE (%)	12.2	14.2	15.8	17.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	15.6	(1.0)	5.8
Relative to country (%)	10.7	(1.8)	8.1
Mkt cap (USD m)			17,215
3m avg. daily turnover (USD m)			32.8
Free float (%)			27
Major shareholder	Mr. Sarath Ratanavadi (36%)		
12m high/low (THB)	57.25/43.00		
Issued shares (m)	11,733.15		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

As of May 2023, the company had a total gross installed capacity of 11,581 MW, which translates into an equity capacity of 6,088 MW. Independent power producers (IPPs) represent 73% of its capacity, followed by small power producers (SPPs) at 21%, and renewables (6%), which altogether make GULF one of the largest power companies and IPP operators in Thailand.

Consequently, its revenue is highly reliant on EGAT (74% of 2022 total revenue). We view this as GULF's key strength because these earnings are based on energy costs and FX via pass-through PPAs.

Therefore, we believe GULF is the most resilient power plant player among its peers and that it faces limited potential impacts from the new government's policies. We think the recent share price plunge creates an opportunity for investors to accumulate its shares.

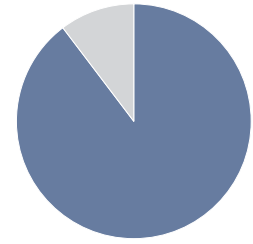
Company profile

GULF is one of the largest power producers in Thailand with expected capacity of over 7.6GW by 2027. It has the largest SPP and IPP portfolio and the strongest earnings growth outlook among the Thai power companies we cover.

www.gulf.co.th

Principal activities (revenue, 2022)

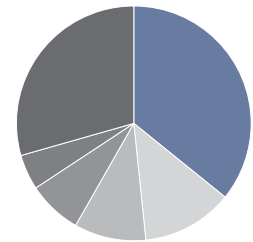
- Power business - 89.7 %
- Consulting business - 10.3 %



Source: Gulf Energy Development

Major shareholders

- Mr. Sarath Ratanavadi - 35.8 %
- UBS AG/Singapore - 12.6 %
- Gulf Capital Holdings Limited - 9.9 %
- Gulf Investment and Trading - 7.5 %
- Gulf Holding - 4.9 %



Source: Gulf Energy Development

Catalysts

Key potential catalysts are 1) the upcoming second round of bidding on 3.6GW in renewable projects; 2) lower energy costs; and 3) new expansion projects and M&As.

Risks to our call

The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.

Event calendar

Date	Event
10 Aug 2023	2Q23 financial results announcement
16 Aug 2023	2Q23 analyst meeting
Early Nov 2023	3Q23 financial results announcement
Early Nov 2023	3Q23 analyst meeting

Key assumptions

	2022	2023E	2024E	2025E
	(THB/kWh)	(THB/kWh)	(THB/kWh)	(THB/kWh)
GMP's ASP sold to EGAT	3.87	4.33	4.23	4.14
GMP's ASP sold to IU	5.04	4.93	4.82	4.77
IPD's ASP (IPP)	4.70	3.93	3.62	3.32
Ft	0.40	0.89	0.79	0.69
Gas cost (THB/mmbtu)	439	390	370	350

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in gas price, we estimate that 2023 earnings would decline 0.5%, and vice versa, all else being equal.
- For every 1% increase in USD/THB FX rate, we estimate that 2023 earnings would decline 2.8%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate that 2023 earnings would decline 5.9%, and vice versa, all else being equal

Source: FSSIA estimates

Exhibit 1: 2Q23 results preview

	2Q22	1Q23	2Q23E		2023E	% of 1H23E	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(%)
Revenue	23,004	26,413	33,162	25.6	44.2	116,033	51
Operating costs	(17,964)	(20,889)	(27,210)	30.3	51.5	(91,529)	
EBITDA	5,040	5,523	5,952	7.8	18.1	24,504	47
<i>EBITDA margin (%)</i>	21.9	20.9	17.9	(14.2)	(18.1)	21.1	
Depn & amort.	(1,242)	(954)	(1,104)	15.7	(11.1)	(4,582)	
EBIT	3,798	4,570	4,848	6.1	27.7	19,922	
Interest expense	(1,864)	(2,124)	(2,442)	15.0	31.0	(8,460)	
Interest & invt inc	38	424	406	(4.4)	961.1	235	
Other income	8	143	5	(96.5)	(36.1)	99	
Associates' contrib	1,451	2,089	2,229	6.7	53.6	9,160	
Exceptionals	(1,575)	276	(617)	(323.9)	(60.8)	-	
Pretax profit	1,856	5,378	4,429	(17.6)	138.6	20,956	47
Tax	(146)	(186)	(221)	18.8	51.6	(944)	
<i>Tax rate (%)</i>	7.9	3.5	5.0	44.2	(36.5)	4.5	
Minority interests	(179)	(1,342)	(1,087)	(19.0)	506.6	(3,817)	
Net profit	1,531	3,850	3,120	(19.0)	103.9	16,195	43
Non-recurring	(1,550)	182	(648)	(456.0)	(58.2)	-	
Core net profit	3,081	3,668	3,768	2.7	22.3	16,195	46
EPS (THB)	0.13	0.33	0.27	(19.0)	103.9	1.38	
Core EPS (THB)	0.26	0.31	0.32	2.7	22.3	1.38	51

Sources: GULF, FSSIA estimates

Exhibit 2: Key quarterly assumptions

	Units	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	q-q	y-y
GMP's ASP sold to EGAT	(THB/kWh)	3.47	3.67	3.93	4.45	5.12	4.62	-10%	26%
GMP's ASP sold to IU	(THB/kWh)	4.61	4.41	5.81	5.28	4.93	4.22	-14%	-4%
IPD's ASP (IPP)	(THB/kWh)	4.19	3.79	7.13	5.38	4.68	3.00	-36%	-21%
Ft	(THB/kWh)	0.01	0.17	0.48	0.93	1.55	1.12	-27%	562%
Gas cost	(THB/mmbtu)	441.56	422.71	579.13	509.29	496.39	420.00	-15%	-1%
Sales volume									
GMP (12 SPPs - 1.6 GW)	(GWh)	2,419	2,442	2,455	2,328	2,387	2,435	2%	0%
IPD (2 IPPs - 5.3 GW)	(GWh)	1,747	2,788	887	1,905	2,576	6,143	138%	120%
Stream (GMP)	(kt)	195	183	160	144	170	204	20%	12%

Sources: GULF, FSSIA estimates

Financial Statements

Gulf Energy Development

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	47,467	94,151	116,330	133,272	143,316
Cost of goods sold	(34,388)	(74,711)	(93,076)	(107,448)	(111,934)
Gross profit	13,079	19,440	23,254	25,824	31,382
Other operating income	-	-	-	-	-
Operating costs	(1,155)	(1,736)	(3,044)	(3,135)	(3,292)
Operating EBITDA	16,913	22,767	24,792	27,912	34,130
Depreciation	(4,989)	(5,063)	(4,582)	(5,222)	(6,039)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	11,924	17,704	20,210	22,689	28,090
Net financing costs	(6,587)	(8,036)	(8,225)	(8,218)	(8,535)
Associates	2,886	6,321	9,160	11,152	12,663
Recurring non-operating income	5,319	7,004	9,259	11,253	12,766
Non-recurring items	(1,142)	(1,219)	0	0	0
Profit before tax	9,514	15,453	21,244	25,725	32,321
Tax	(347)	(1,344)	(967)	(1,166)	(1,573)
Profit after tax	9,167	14,109	20,277	24,559	30,748
Minority interests	(1,497)	(2,691)	(3,868)	(4,685)	(5,865)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	7,670	11,418	16,409	19,874	24,883
Non-recurring items & goodwill (net)	1,142	1,219	0	0	0
Recurring net profit	8,812	12,637	16,409	19,874	24,883
Per share (THB)					
Recurring EPS *	0.75	1.08	1.40	1.69	2.12
Reported EPS	0.65	0.97	1.40	1.69	2.12
DPS	0.44	0.60	0.70	0.85	1.06
Diluted shares (used to calculate per share data)	11,733	11,733	11,733	11,733	11,733
Growth					
Revenue (%)	44.6	98.3	23.6	14.6	7.5
Operating EBITDA (%)	58.5	34.6	8.9	12.6	22.3
Operating EBIT (%)	64.7	48.5	14.2	12.3	23.8
Recurring EPS (%)	96.8	43.4	29.9	21.1	25.2
Reported EPS (%)	79.1	48.9	43.7	21.1	25.2
Operating performance					
Gross margin inc. depreciation (%)	27.6	20.6	20.0	19.4	21.9
Gross margin exc. depreciation (%)	38.1	26.0	23.9	23.3	26.1
Operating EBITDA margin (%)	35.6	24.2	21.3	20.9	23.8
Operating EBIT margin (%)	25.1	18.8	17.4	17.0	19.6
Net margin (%)	18.6	13.4	14.1	14.9	17.4
Effective tax rate (%)	5.2	14.7	8.0	8.0	8.0
Dividend payout on recurring profit (%)	58.6	55.7	50.0	50.0	50.0
Interest cover (X)	2.6	3.1	3.6	4.1	4.8
Inventory days	-	-	-	-	-
Debtor days	58.6	55.4	63.3	62.1	64.8
Creditor days	27.5	27.7	35.0	36.6	38.5
Operating ROIC (%)	(1.9)	(3.1)	(3.7)	(3.8)	(24.3)
ROIC (%)	(1.3)	(1.5)	(1.7)	(1.8)	(12.7)
ROE (%)	11.0	12.2	14.2	15.8	17.9
ROA (%)	3.0	3.5	4.5	5.4	4.6
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Power business	45,373	84,424	111,069	128,719	141,896
Consulting business	2,094	9,727	5,261	4,553	1,420
Others	-	-	-	-	-

Sources: Gulf Energy Development; FSSIA estimates

Financial Statements

Gulf Energy Development

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,812	12,637	16,409	19,874	24,883
Depreciation	4,989	5,063	4,582	5,222	6,039
Associates & minorities	2,886	6,321	9,160	11,152	12,663
Other non-cash items	-	-	-	-	-
Change in working capital	1,823	(7,112)	1,471	164	(1,669)
Cash flow from operations	18,510	16,909	31,622	36,413	41,916
Capex - maintenance	(4,285)	(4,320)	(3,997)	(4,580)	(5,330)
Capex - new investment	(1,114)	(169)	(11,589)	(16,062)	(20,379)
Net acquisitions & disposals	(113,494)	(55,360)	0	0	0
Other investments (net)	55,878	6,937	9,239	11,233	12,746
Cash flow from investing	(63,015)	(52,913)	(6,346)	(9,409)	(12,963)
Dividends paid	(2,933)	(5,163)	(7,040)	(8,205)	(9,937)
Equity finance	0	0	0	0	0
Debt finance	54,256	(7,713)	(22,803)	0	0
Other financing cash flows	(2,874)	68,226	(14,531)	(17,701)	(19,544)
Cash flow from financing	48,449	55,351	(44,374)	(25,906)	(29,481)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	3,944	19,347	(19,099)	1,098	(528)
Free cash flow to firm (FCFF)	(38,909.14)	(28,352.65)	33,735.91	35,342.68	37,615.51
Free cash flow to equity (FCFE)	6,877.73	24,509.10	(12,058.86)	9,302.86	9,409.45

Per share (THB)

FCFF per share	(3.32)	(2.42)	2.88	3.01	3.21
FCFE per share	0.59	2.09	(1.03)	0.79	0.80
Recurring cash flow per share	1.42	2.05	2.57	3.09	3.71

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	144,790	121,811	136,811	156,811	181,811
Less: Accumulated depreciation	(14,662)	(22,256)	(26,253)	(30,833)	(36,164)
Tangible fixed assets (net)	130,128	99,555	110,558	125,978	145,647
Intangible fixed assets (net)	18,964	3,873	3,873	3,873	3,873
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	135,573	160,934	160,934	160,934	160,934
Cash & equivalents	19,847	39,194	20,095	21,194	20,666
A/C receivable	9,569	18,999	21,325	23,991	26,857
Inventories	0	0	0	0	0
Other current assets	9,395	12,057	14,897	17,067	18,353
Current assets	38,811	70,249	56,318	62,251	65,876
Other assets	39,197	83,561	83,561	83,561	83,561
Total assets	362,674	418,172	415,244	436,597	459,891
Common equity	96,596	110,787	120,156	131,826	146,772
Minorities etc.	10,913	25,015	28,882	33,567	39,432
Total shareholders' equity	107,509	135,802	149,039	165,393	186,204
Long term debt	138,761	119,176	119,176	119,176	119,176
Other long-term liabilities	81,387	111,326	111,326	111,326	111,326
Long-term liabilities	220,148	230,502	230,502	230,502	230,502
A/C payable	3,080	7,484	9,509	10,985	11,379
Short term debt	12,931	24,803	2,000	2,000	2,000
Other current liabilities	19,005	19,581	24,193	27,717	29,806
Current liabilities	35,016	51,868	35,703	40,702	43,185
Total liabilities and shareholders' equity	362,674	418,172	415,244	436,597	459,891
Net working capital	(3,121)	3,991	2,520	2,356	4,025
Invested capital	320,742	351,914	361,446	376,701	398,041

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	8.23	9.44	10.24	11.24	12.51
Tangible book value per share	6.62	9.11	9.91	10.91	12.18

Financial strength

Net debt/equity (%)	122.6	77.2	67.8	60.5	54.0
Net debt/total assets (%)	36.4	25.1	24.3	22.9	21.9
Current ratio (x)	1.1	1.4	1.6	1.5	1.5
CF interest cover (x)	2.2	4.1	0.9	4.1	4.5

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	66.6	46.4	35.8	29.5	23.6
Recurring P/E @ target price (x) *	69.6	48.6	37.4	30.9	24.7
Reported P/E (x)	76.5	51.4	35.8	29.5	23.6
Dividend yield (%)	0.9	1.2	1.4	1.7	2.1
Price/book (x)	6.1	5.3	4.9	4.5	4.0
Price/tangible book (x)	7.6	5.5	5.0	4.6	4.1
EV/EBITDA (x) **	43.1	31.5	28.9	25.8	21.3
EV/EBITDA @ target price (x) **	44.7	32.7	30.0	26.8	22.1
EV/invested capital (x)	2.3	2.0	2.0	1.9	1.8

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Gulf Energy Development; 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).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

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

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

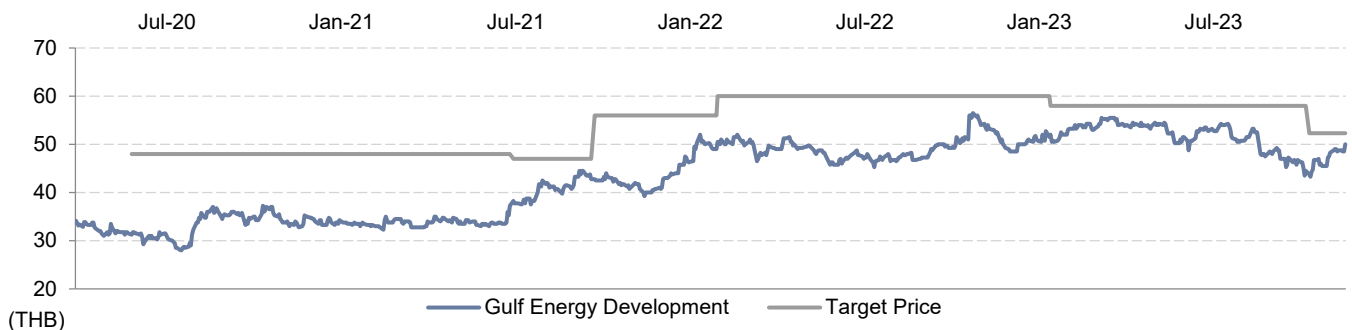
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History of change in investment rating and/or target price

Gulf Energy Development (GULF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
11-Sep-2020	BUY	48.00	15-Oct-2021	BUY	56.00	14-Nov-2022	BUY	58.00
06-Aug-2021	BUY	47.00	31-Jan-2022	BUY	60.00	23-Jun-2023	BUY	52.30

Kwanwaree Apichartsatoporn started covering this stock from 23-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Gulf Energy Development	GULF TB	THB 50.00	BUY	The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.

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 27-Jul-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.