

Thailand Market Strategy

Focus on Thai politics and 2Q23 earnings

- We expect the formation of a new governing coalition lead by Pheu Thai to be concluded in August 2023. The return of foreign fund flows is likely to follow.
- Lower probability of a US recession as China's stimulus supports global growth.
- 2Q23 earnings announcements in focus. Our strategy is to buy companies likely to have strong earnings: AOT, BA, BBL, BDMS, CPN, MINT, NSL and TACC.

New governing coalition should be finalised within August 2023

More than two months after the election, Thailand still does not have a new prime minister and government. However, we expect this issue to be resolved in August 2023. Assuming Pheu Thai can successfully form a new coalition, its key economic policy is to give THB10,000 in digital money to every person aged 16 and over for spending within a 4-km radius of their registered address. This policy should be significantly positive for purchasing power, boost domestic consumption, and create potential upside for 2024E GDP growth.

What have foreign investors been doing during the government formation period?

The previous general election in 2019 saw more than two months elapse before the new PM was announced. Foreign investors posted a net sell position of THB13b during that period. However, as soon as clear signs of a successful government formation became apparent, foreign investors returned to buy THB84b worth of Thai stocks, driving the SET Index up by 5.7%. We think history may repeat itself as foreign investors have currently posted a net sell position of cTHB50b since 14 May 2023. Once the new PM and governing coalition is concluded – likely within 3Q23 – we expect foreign fund inflows to resume in the 1-2 months afterwards and support a short-term rally for the SET index thanks to higher investor confidence and the improving Thai economy in 4Q23-2024.

Increased odds of a US soft landing positive for risk assets

After the reported slower-than-expected June 2023 inflation numbers and signs of improving economic growth, the market has lowered the probability of a US recession and expects the latest Federal Open Market Committee (FOMC) interest rate hike of 25bps to 5.25-5.5% to be the last. Meanwhile, China's stimulus packages in 2H23 could help carry the global economy. However, we still expect the upside for risk assets to be limited as market prices in this scenario are already heavily reflected in the S&P500 and the MSCI world index, which have jumped by c20% and c17% YTD, respectively. Asian markets continue to lag this trend and should become more interesting as MSCI Asia ex-Japan is up only c5% YTD.

Maintain SET target of 1,620. Focus on earnings plays

We expect the SET's 2Q23E earnings to be down 12% q-q and 30% y-y. Excluding energy and petrochemicals, we expect profits to fall 6% q-q and increase 1% y-y. However, we think 2Q23 should be the bottom, with a recovery underway in 3Q23-4Q24 thanks to higher commodity prices and consumer spending after the new government is formed. Hence, we reaffirm our selective strategy and focus on companies we expect to report strong 2Q23E core profits and positive outlooks in 2H23. Our favourites are AOT, BA, BBL, BDMS, CPN, MINT, NSL and TACC.



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

Still no new government

More than two months after Thailand's general election on 14 May 2023, Thailand still has no new prime minister and government. Last week, the Office of the Ombudsman filed a petition to the Constitutional Court seeking a judgement on whether blocking the renomination of PM candidate Pita Limjaroenrat was unconstitutional or not. Moreover, the ombudsman suggested that parliament postpone selection of the new PM until the Constitutional Court has issued its decision. Our assessment of the potential solutions for the current political gridlock are as follows:

- Scenario 1 – Pheu Thai leads a coalition that includes Move Forward and other allies with a majority in the House of 312 seats. Additional support from other parties and senators gives it a total of 375 votes. We think this scenario has the lowest probability.
- Scenario 2 – Pheu Thai leads a coalition with Move Forward and other allies but adds Bhumjaithai to reach 383 seats – obviating the need for support from senators. We think this scenario also has a very low probability.
- Scenario 3 – Pheu Thai leads a coalition of Bhumjaithai, Palang Pracharath, and other allies, giving it a majority in the House with 281 seats without Move Forward, United Thai Nation, the Democrats, and some small parties. This coalition should gain some support from senators and reach the necessary 375 votes. We see the highest probability for this scenario.
- Scenario 4 – Bhumjaithai or Palang Pracharath lead a coalition with Pheu Thai and other allies, gaining a majority in the House of 281 seats and enough support from senators (as in scenario 2) to reach 375 votes. We see a low probability for this scenario.

We think the new government's formation should be finalised within 3Q23, a new PM chosen in August 2023, and a new cabinet beginning work in September 2023. If we assume that Pheu Thai can successfully form the new coalition, their key economic policy is to distribute THB10,000 in digital money to every person aged 16 and over for spending within a 4-km radius of their registered address. This package, planned for release in early 2024 and requiring a budget of about THB560 billion, would be equal to c3% of annual nominal GDP. We think this policy would significantly lift consumer confidence, boost purchasing power, and stimulate domestic consumption. Therefore, 2024E GDP growth should have some upside from the Bank of Thailand (BoT)'s current expectation of +3.8% y-y.

What did investors do during and after the 2019 election?

After the last general election on 24 March 2019, more than two months elapsed before Thailand chose a new PM on 5 June 2019. The key event that signaled a successful government formation was imminent came on 27 May 2019 when Bhumjaithai decided to join Palang Pracharath in a coalition. In the period between the election and this key development, foreign investors posted a net sell position of THB13b. However, in the first month after Bhumjaithai's announcement, foreign investors poured THB65b back into Thai stocks, and THB84b in the month after that. In those two months, the SET Index went up by 6.6% and 5.7%, respectively.

For this current election, we think history may repeat itself. Foreign investors have posted a net sell position of cTHB50b since 14 May 2023. After the new PM is chosen and a governing coalition is formed – likely within 3Q23 – we expect foreign fund inflows to resume for 1-2 months and support a short-term rally for the SET index thanks to higher investor confidence and the improving Thai economy in 4Q23-2024.

Exhibit 1: Net positions by investor type following the 2019 general election

SET Index	Election day to 27 May 2019	+1m	+2m	+3m
	(THB m)	(THB m)	(THB m)	(THB m)
Foreign investors	(12,752)	64,982	84,373	33,045
Local institutions	10,582	(21,891)	(47,466)	(22,678)
Local investors	(2,763)	(52,041)	(49,272)	(12,999)
Proprietary trading	4,933	8,951	12,364	2,632
SET50 index futures	Election day to 27 May 2019	+1m	+2m	+3m
	(Contract)	(Contract)	(Contract)	(Contract)
Foreign investors	83,341	73,807	32,236	(60,686)
Local institutions	(38,846)	(28,936)	726	40,025
Local investors	(44,495)	(44,871)	(32,962)	20,661

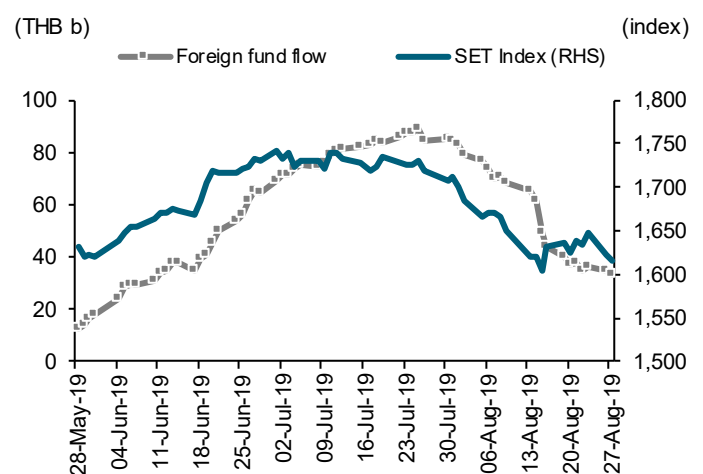
Sources: SETSMART and FSSIA compilation

Exhibit 2: Net positions by investor type after 14 May 2023

SET Index	Since election	YTD
	(THB m)	(THB m)
Foreign investors	(50,122)	(119,966)
Local institutions	23,349	45,704
Local investors	25,357	77,769
Proprietary trading	1,416	(3,507)
SET50 index futures	Since election	YTD
	(Contract)	(Contract)
Foreign investors	131,643	(58,987)
Local institutions	4,854	45,151
Local investors	(136,497)	13,836

Sources: SETSMART and FSSIA compilation
Note: Date as of 27 July 2023

Exhibit 3: Foreign fund flows and SET index performance before and after 2019 coalition's formation

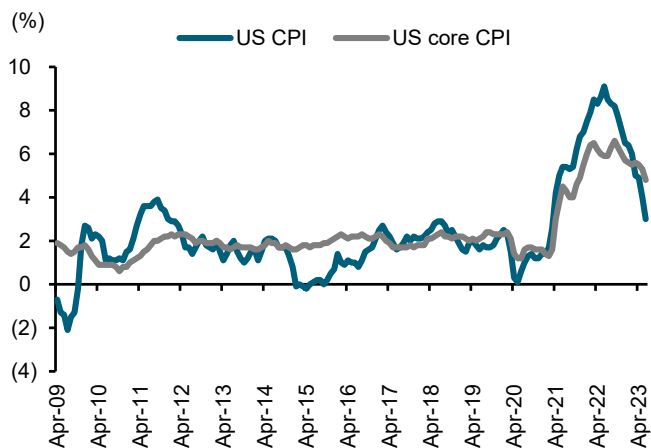


Sources: SETSMART and FSSIA compilation

Higher probability of a US soft landing; China's stimulus to support

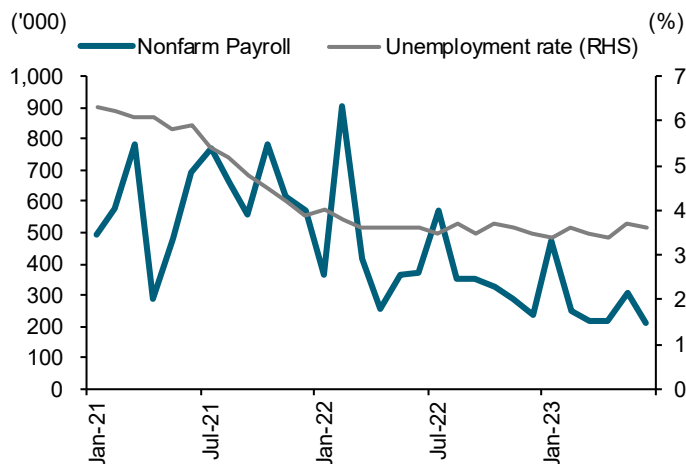
The US Bureau of Labor Statistics reported a June 2023 CPI of +0.2% m-m, +3% y-y and a core CPI of +0.2% m-m, +4.8% y-y – lower than the market had anticipated. Meanwhile, non-farm employment increased by 209k, down from 306k in May 2023. These two economic indicators should ease market concerns about the US economy in 2H23-2024 and lower the probability of a recession. To elaborate, the Bloomberg consensus expects US GDP to increase +0.4% q-q SAAR, better than the previous expectation of -0.5% q-q SAAR, while the 4Q23 numbers are expected to dip -0.5% q-q SAAR. The market anticipates a slightly lower chance of recession at 60% compared to 65% 1-2 months ago. Furthermore, the market expects the FOMC's latest interest rate hike of 25bps to 5.25-5.5% to be the peak, with only 20-30% expecting a further rate hike in 2023. US bond yields have started to retreat from their peak at 4.1% to c3.9% currently. While this is more positive for risk assets, we think the magnitude of a potential economic slowdown is still a key factor to monitor and the market has likely already priced in this soft-landing scenario with the S&P500 jumping by c20% YTD which could mean a more limited upside going forward.

Exhibit 4: US CPI and core CPI



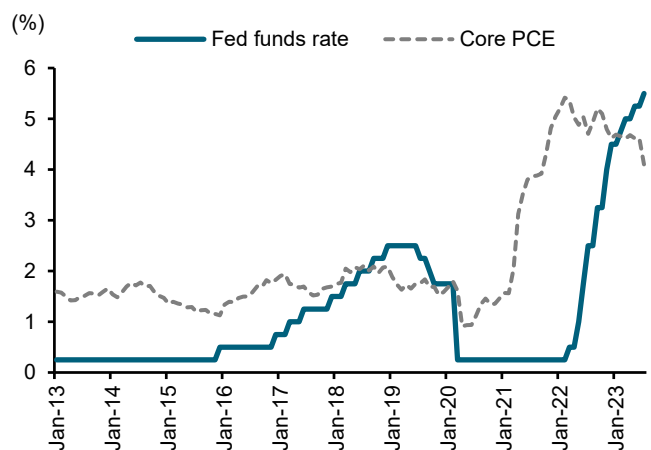
Source: Bloomberg

Exhibit 5: US non-farm payroll and unemployment rate



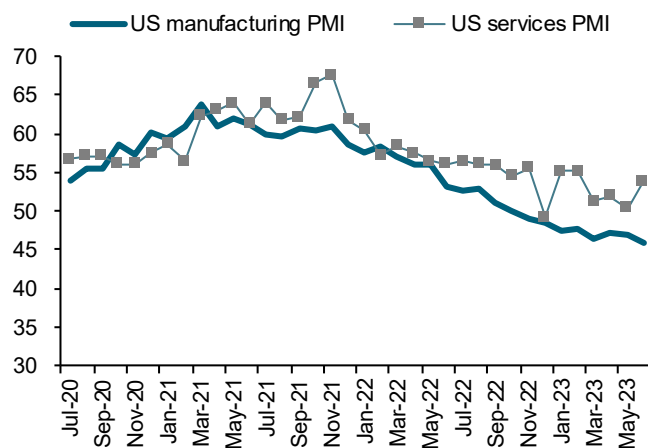
Source: Bloomberg

Exhibit 6: US core PCE and FED funds rate



Source: Bloomberg

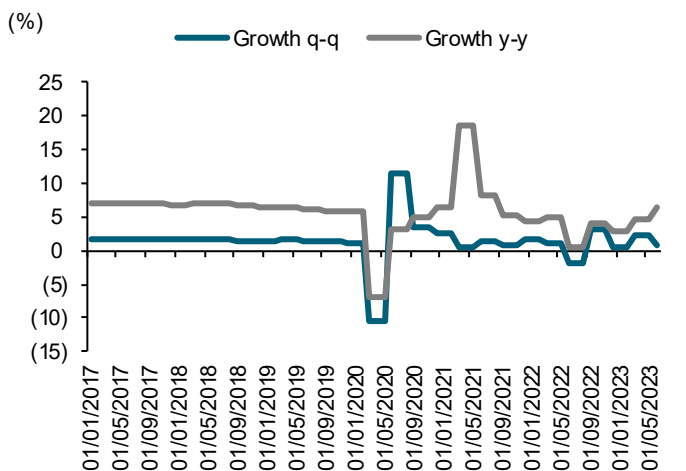
Exhibit 7: US manufacturing and services PMI



Source: Bloomberg

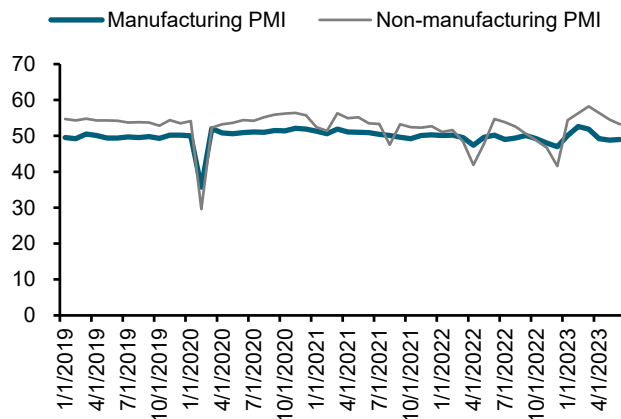
Another factor which could support the global economy in 2H23 comes from China as the politburo plans to release more economic stimulus packages after seeing slower-than-expected growth in 2Q23. However, these measures might not be broad-based due to the limitations from higher government debt to GDP, which was at 76.9% at end of 2022, compared to 57.2% before the Covid-19 pandemic in 2019. The stimulus would likely focus on the property sector, unemployment, and local debt issues. However, we think China's q-q GDP growth acceleration and a stronger-than-expected US economy in 2H23 should benefit Thailand's export growth with a smaller negative growth number compared to the first half, after turning negative y-y in October 2022. We think Asian markets are likely to be more interesting as returns have lagged the rest of the world, with the MSCI Asia ex-Japan rising only c6% YTD compared to MSCI World's c17% YTD growth.

Exhibit 8: China's GDP growth



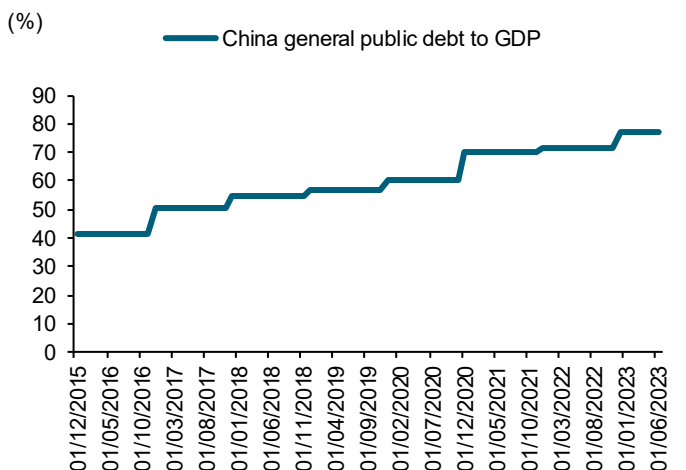
Source: Bloomberg

Exhibit 9: China's PMI



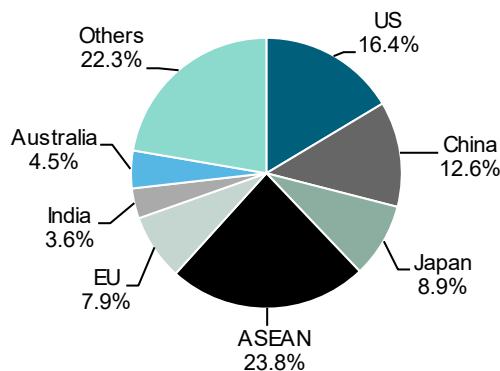
Source: Bloomberg

Exhibit 10: China's government debt to GDP



Sources: Bloomberg and IMF

Exhibit 11: 1H23 Thailand's exports by country



Source: Ministry of Commerce

2Q23 earnings results another key factor for SET index performance

Based on our report published 24 July 2023, the 2Q23 earnings results of seven Thai banks under our coverage (BBL, KBANK, KKP, KTB, SCB, TISCO, and TTB) showed an aggregate net profit of THB52b (+4% q-q, +20% y-y), beating our estimate by 4%. BBL, SCB, and TTB were the best performers, while KKP was the worst. We continue to see strong improvements in interest income for the banks, mainly from higher interest rates which have offset lower non-interest income due to the unfavorable capital market environment and higher provisions. Asset quality remains a key factor to watch, with the overall NPL ratio down slightly to 3.62% from 3.69% in 1Q23, and a stable coverage ratio at 183%. KKP and KBANK showed the poorest asset quality.

Based on 139 listed companies (both reported results and Bloomberg estimates), overall 2Q23 aggregate net profit is expected to decrease by 12% q-q and 30% y-y, which could potentially result in an unattractive quarter. Global sectors such as energy, petrochemicals, and construction materials are likely to report significant q-q and y-y drops thanks to lower commodity prices and spreads. Meanwhile, the domestic sector is expected to report more stable earnings thanks to rising domestic demand. However, growth numbers look unattractive due to political uncertainty which has slowed consumption, especially in June 2023, while electricity costs are still high from the very hot weather. In addition, some sectors such as health care and tourism are mired in seasonal lows. If we exclude energy and petrochemicals, the SET's 2Q23E earnings are expected to drop 6% q-q but increase 1% y-y. More details can be found in the table below.

We think 2Q23E earnings should be the lowest point of the year with a return to growth q-q coming in 3Q23E led by the energy and petrochemicals sectors, which should benefit from a higher crude price and improvements in refinery margins and petrochemical spreads. Meanwhile, export sectors are entering their high season. We think 4Q23E is likely to be a strong quarter thanks to higher consumer confidence sparked by the formation of a new government and the tourism high season.

Exhibit 12: 2Q23 earnings results summary for Thailand's seven major banks

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
BBL	7,118	6,961	7,657	7,570	10,129	11,294	11.5	62.2
KBANK	11,211	10,794	10,574	3,191	10,741	10,994	2.4	1.9
KKP	2,055	2,033	2,083	1,430	2,085	1,408	(32.5)	(30.7)
KTB	8,780	8,358	8,450	8,109	10,067	10,156	0.9	21.5
SCB	10,193	10,051	10,309	7,143	10,995	11,868	7.9	18.1
TISCO	1,795	1,848	1,771	1,804	1,793	1,854	3.4	0.3
TTB	3,195	3,438	3,715	3,847	4,295	4,566	6.3	32.8
Total	44,348	43,484	44,559	33,094	50,104	51,841	3.5	19.2

Sources: Company data; FSSIA's compilation

Exhibit 13: 2Q23 earnings forecasts and results by sector

Sector	2Q23E	1Q23	2Q22	Dif q-q	Dif y-y	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Media	489	(2)	683	491	(193)	30,180	(28)
Tourism	3,069	34	1,164	3,035	1,905	9,019	164
Personal products	31	(5)	(23)	36	54	714	232
Construction services	942	508	470	434	472	86	100
Electronics	5,793	4,374	5,502	1,419	291	32	5
Packaging	1,485	1,220	1,856	264	(371)	22	(20)
Food	1,939	1,824	9,527	114	(7,589)	6	(80)
Financial services	7,455	7,073	7,650	382	(195)	5	(3)
Professional services	165	159	78	6	87	4	111
Agribusiness	605	586	1,596	19	(991)	3	(62)
Paper	216	210	275	6	(59)	3	(21)
Bank	61,141	59,611	52,372	1,530	8,769	3	17
Transportation	3,715	3,871	(5,209)	(156)	8,924	(4)	171
Property	12,534	13,237	12,212	(703)	321	(5)	3
Commerce	12,162	13,103	11,681	(941)	481	(7)	4
Healthcare services	5,108	5,841	6,447	(734)	(1,340)	(13)	(21)
ICT	8,030	9,308	8,757	(1,277)	(727)	(14)	(8)
Fashion	305	385	109	(80)	196	(21)	179
Energy	29,078	40,347	74,576	(11,269)	(45,498)	(28)	(61)
Auto	530	836	620	(307)	(90)	(37)	(15)
Construction materials	10,927	19,894	13,077	(8,967)	(2,150)	(45)	(16)
Petrochemicals	(1,905)	1,146	22,088	(3,050)	(23,993)	(266)	(109)
Grand Total	160,500	183,185	229,183	(22,686)	(68,683)	(12)	(30)
Excl. Energy & Petrochemicals	133,326	141,693	132,519	(8,367)	808	(6)	1
Excl. Banking	99,359	123,575	176,811	(24,216)	(77,452)	(20)	(44)
Excl. Energy & Petrochemicals and Banking	72,186	82,082	80,147	(9,897)	(7,961)	(12)	(10)

Sources: Bloomberg and SETSMART

Earnings plays dominate August 2023 picks

We maintain our 2023 SET target of 1,620, based on 2023E EPS of THB95 (+14% y-y and 4% higher than consensus) and a target PER of 17x, the 10-year historical average. We maintain our view that a drop in the SET index to a level of c1,500 or below would still represent an opportunity to accumulate for long-term investment. Currently, the SET index is trading at -0.25SD below its 10-year average. If we exclude Delta Electronics (Thailand) (DELTA TB, REDUCE), the SET index would be trading at c15x, slightly lower than -0.5SD below its 10-year average.

Beyond the political issues which still overhang the overall market, we think 2Q23 earnings announcements will be another key factor for individual stock performance. As we anticipate that the SET index is likely to move sideways within a range of 1,480-1,560, our strategy to outperform the market is to be selective and focus on companies that are expected to report strong 2Q23 core profit growth with bright outlooks in 2H23. Our favourites are **AOT, BA, BBL, BDMS, CPN, MINT, NSL and TACC**.

Exhibit 14: FSSIA's favourites for August 2023

Company	BBG code	Key rationale
Airports of Thailand	AOT TB, BUY, TP THB85	Expect 3QFY23 core profit to jump by 85% q-q to THB3.5b, driven by higher concession revenue (THB4.8b in 3QFY23 vs THB2.8b in 2QFY23) following the end of assistance measures for retail operators. The earnings momentum should continue given that international passenger volume recovered to 73% of pre-Covid in May and should accelerate in 2H23 from Chinese tourists. We forecast core profit to reach THB10.1b in FY23 and jump to THB32b in FY24.
Bangkok Airways	BA TB, BUY, TP THB20	Expect a 2Q23 core profit of THB265m (vs a THB0.7b loss in 2Q19) – the first 2Q profit since 2Q15 due to the rainy season in Samui and the low season for Thai tourism, a strong load factor of 75% in 2Q23 (vs 65% in 2019), and average ticket fares of cTH3,500 (12% above 2Q19). Despite the excise tax hike, we expect strong earnings in 3Q23 thanks to Samui's high tourism season during July-Aug. In addition, BA recently opened a Samui-Hong Kong route and has had positive feedback.
Bangkok Bank	BBL TB, BUY, TP THB197	BBL posted a strong 2Q23 net profit of THB11.3b, up 11% q-q and 62% y-y due to higher-than-expected growth in all revenue segments. We expect 3Q23 performance to remain solid especially for NIM, which should see a significant increase due to the reduction in savings rates at the end of 2Q23. We reaffirm our positive outlook on BBL due to its long-term business growth prospects from both its domestic and foreign operations.
Bangkok Dusit Medical Services	BDMS TB, BUY, TP THB34.50	Expect 2Q23 core profit to grow by 10% y-y to THB2.9b but drop 15% q-q due to the healthcare low season. We expect strong earnings momentum in 3Q23 due to a high number of Middle Eastern tourist arrivals post Ramadan, which implies potentially strong medical tourism momentum in 3Q23.
Central Pattana	CPN TB, BUY, TP THB82	Expect a strong 2Q23 core profit of THB3.5b, +9% q-q, +28% y-y, thanks to improvements in its rental discount rate and a strong residential property business. The issue over rental fees for two assets under CPNREIT has been finalised and we expect the impact to be negligible. Maintain our 2023E core profit of THB1.3b, +18% y-y. A retreat in its share price recently is an opportunity to buy.
Minor International	MINT TB, BUY, TP THB43	Potential record-high 2Q23 core profit, as we expect NH Hotel's core profit to hit a new record high of EUR79m and boost MINT's core profit up to THB2.9b in 2Q23. We also expect the strong European hotel performance to continue in 3Q23 and Thai and Maldives hotels to improve q-q, given that 2Q normally is their tourism low season.
NSL Foods	NSL TB, BUY, TP THB26	Expect 2Q23 net profit to grow 9.2% q-q and 2% y-y to THB82m – potentially a record high – backed by 7-Eleven's SSSG which should continue to see high single-digit growth and new product launches. Its 2H23 operations should continue to grow from 1H23, backed by seasonality and a higher revenue recognition from Bake A Wish.
T.A.C. Consumer	TACC TB, BUY, TP THB6.6	Expect 2Q23 net profit to grow by 26% q-q due to the high season for the beverage industry, increased selling prices for instant drink powder for 7-Eleven's dispensers, and declining raw material costs. We expect to see its gross margin recover in 2Q23-2H23. The share price, which has fallen by 28% in 2023 YTD, already reflects the bad news, in our view.

Source :FSSIA estimates

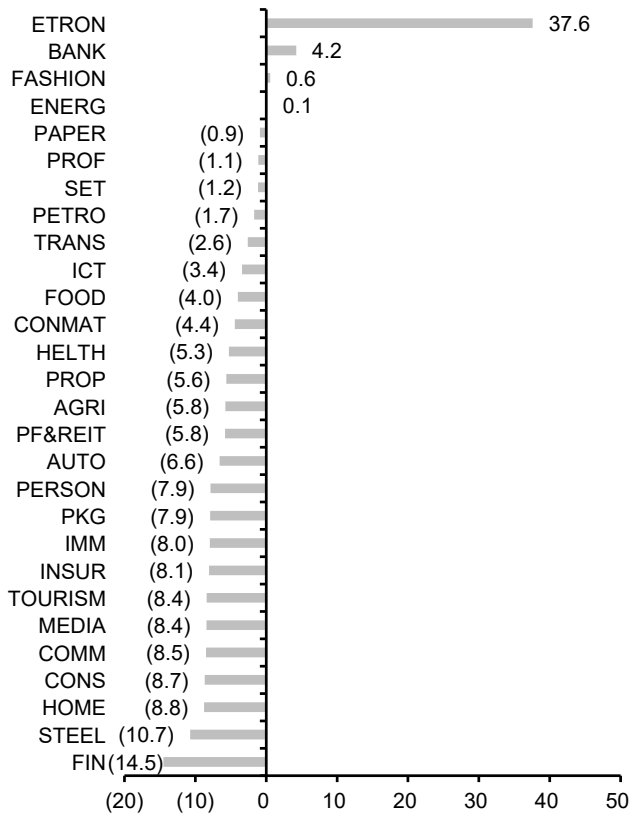
Exhibit 15: Summary of key valuations for FSSIA's top picks for 2H23

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)			
Airports of Thailand	AOT TB	71.25	85.00	19	(10,173)	10,077	31,972	(199.1)	217.3	101.0	31.8	27.2	0.4	9.5	9.1
Bangkok Airways	BA TB	14.70	20.00	36	(1,974)	1,367	1,690	(169.2)	23.6	22.6	18.3	16.6	2.7	7.8	1.7
Bangkok Bank	BBL TB	170.00	197.00	16	29,306	37,924	41,031	29.4	8.2	8.6	7.9	7.5	3.4	7.2	0.6
Bangkok Dusit Med Serv.	BDMS TB	28.75	34.50	20	12,606	13,469	15,295	6.8	13.6	33.9	29.9	27.1	1.7	14.5	4.8
Central Pattana	CPN TB	67.00	82.00	22	10,945	12,898	14,064	17.8	9.0	23.3	21.4	20.1	1.6	15.1	3.4
Minor International	MINT TB	33.00	43.00	30	2,017	6,479	7,357	221.2	13.6	29.3	25.8	23.2	1.2	8.2	2.1
NSL Foods	NSL TB	23.10	26.00	13	298	343	394	15.3	14.9	20.2	17.6	16.0	4.5	23.8	4.7
T.A.C. Consumer	TACC TB	4.58	6.60	44	231	201	247	(13.0)	22.6	12.0	13.8	11.3	6.5	26.0	3.6

Share prices as of 27 July 2023;

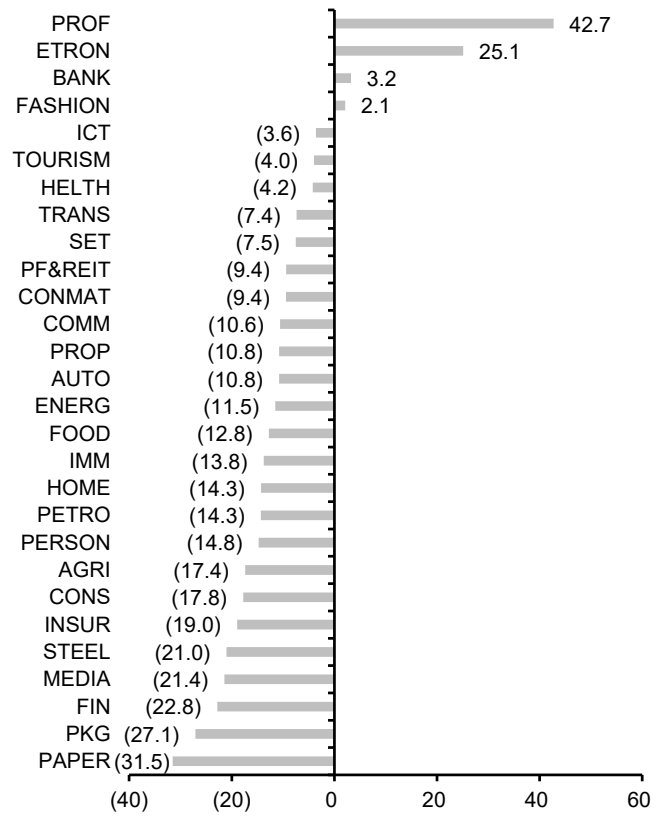
Source: FSSIA estimates

Exhibit 16: Sector performances since 14 May 2023



As of 27 July 2023
Source: SETSMART

Exhibit 17: YTD sector performances



As of 27 July 2023
Source: SETSMART

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 **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 Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

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

Disclaimer:

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

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

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

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

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Delta Electronics	DELTA TB	THB 109.50	REDUCE	Upside risks to our P/E-based TP include 1) higher-than-expected global EV car sales; 2) lower-than-expected raw material costs; and 3) a weaker-than-expected THB against USD.
Airports of Thailand	AOT TB	THB 71.25	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Bangkok Airways	BA TB	THB 14.70	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 Bank	BBL TB	THB 170.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Bangkok Dusit Medical Services	BDMS TB	THB 28.75	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 Pattana	CPN TB	THB 67.00	BUY	Key downside risks to our DCF-derived TP are deviations to our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates.
Minor International	MINT TB	THB 33.00	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.
NSL Foods	NSL TB	THB 23.10	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.
T.A.C. Consumer	TACC TB	THB 4.58	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.

Source: FSSIA estimates

Additional Disclosures

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 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.