

Thailand Market Strategy

The worst has passed

- Thailand's new PM and cabinet has been finalised, likely driving investor confidence.
- We expect that foreign fund flows could return after the huge selloff. Meanwhile, economic growth and companies' earnings are likely to bottom out in 2H23.
- Roll over our SET target to mid-2024 at 1,650. Our domestic favourites are AOT, BBL, BDMS, CENTEL, CK, CPALL, CPN, NSL, TACC and TIDLOR.

New PM and cabinet finalised

More than three months after the general election on 14 May 2023, Thailand finally has a new prime minister in Mr. Srettha Thavisin. The new coalition is led by Pheu Thai and ten other parties, including Bhumjaithai, Palang Pracharat and United Thai Nation, which have a majority in the lower house with 314 seats. The new cabinet is expected to be chosen and sworn in within September 2023. This should encourage investor sentiment from the impact of major new stimulus packages and policies, especially a one-time handout of THB10,000 in digital currency, which could provide an upside of c2-3% to 2024E GDP growth.

Still expect foreign fund flows to return

We have seen a recovery for the SET index since last week after posting negative returns during the unclear political situation over the last three months. We expect that foreign investors could return after selling Thai stocks worth over THB60b since 14 May 2023 thanks to higher investor confidence and expectations of an improving Thai economy. However, the magnitude of fund flows might be lower than after the previous election (cTHB65b during one month after the government's formation), as external factors continue to pressure risky assets due to the high inflation and interest rates from key central banks.

Brighter GDP and earnings outlook in 2H23-2024

Thailand's 2Q23 GDP growth was only +1.8% y-y, way below estimates, and 3Q23 might be another unattractive quarter. However, we think the worst has passed, and we anticipate significant growth both q-q and y-y in 4Q23 thanks to the high season for the tourism industry and consumption. For the earnings side, overall 2Q23 results were slightly better than our forecast by 2%, and 1H23 earnings contributed around 46% of our FY23E earnings. We think companies' profits have already bottomed in 2Q23 and we expect to see strong q-q and y-y earnings growth in 3Q23, led by the energy sector on the oil price jump.

Roll over SET target to mid-2024 at 1,650; focus on earnings plays

Following the downward EPS revisions in our coverage and the Bloomberg consensus after the 2Q23 earnings season, we lower our 2023-24E EPS to THB88 (+5% y-y) and THB100 (+14%), respectively. However, we think the worst is behind us. Hence, we roll over our SET target to mid-2024 at 1,650. We recommend investors to hold and let profits run after accumulating at the SET index level of c1,500. Our strategy continues to focus on domestic sectors which have positive outlooks in 2H23 and attractive valuations. Our favourites are AOT, BBL, BDMS, CENTEL, CK, CPALL, CPN, NSL, TACC and TIDLOR.



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New government formed at last

More than three months after Thailand's general election on 14 May 2023, Thailand finally has a new prime minister in Mr. Srettha Thavisin, who received 482 votes from the joint parliament on 22 August 2023. The new coalition is led by Pheu Thai and ten other parties, including Bhumjaithai, Palang Pracharat and United Thai Nation, which have a majority in the House with 314 seats. The new cabinet is expected to be chosen and sworn in to start working within September 2023. Summaries of the coalition MPs and cabinet position allocations for each party are in the tables below.

The new government's formation was finalised within 3Q23 as expected. We expect the market to react positively from higher confidence and the hope for key new stimulus packages and policies, especially a one-time handout of THB10,000 in digital currency 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 THB560b, would be equal to c3% of annual nominal GDP. If this package can be released as the market expects, it could provide a significant upside of c2-3% for 2024E GDP growth from the Bank of Thailand (BoT)'s current expectation of +3.8% y-y.

Exhibit 1: Pheu Thai coalition formally announced

| Party | (MPs) |
|----------------------------|------------|
| Pheu Thai | 141 |
| Bhumjaithai | 71 |
| Palang Pracharath | 40 |
| United Thai Nation | 36 |
| Chartthaipattana | 10 |
| Prachachat | 9 |
| ChartpattanaKLA | 2 |
| Pue Thai Rumphlang | 2 |
| Thai Liberal | 1 |
| The Party of Thai Counties | 1 |
| Plung Sungkom Mai | 1 |
| Total | 314 |

Source: Pheu Thai Party

Exhibit 2: New cabinet positions for each party

| Party | Minister | Deputy | Total |
|----------------------------|-----------|-----------|-----------|
| Pheu Thai | 8 | 9 | 17 |
| Bhumjaithai | 4 | 4 | 8 |
| Palang Pracharath | 2 | 2 | 4 |
| United Thai Nation | 2 | 2 | 4 |
| Chartthaipattana | 1 | - | 1 |
| Prachachat | 1 | - | 1 |
| ChartpattanaKLA | - | - | - |
| Pue Thai Rumphlang | - | - | - |
| Thai Liberal | - | - | - |
| The Party of Thai Counties | - | - | - |
| Plung Sungkom Mai | - | - | - |
| Total | 18 | 17 | 35 |

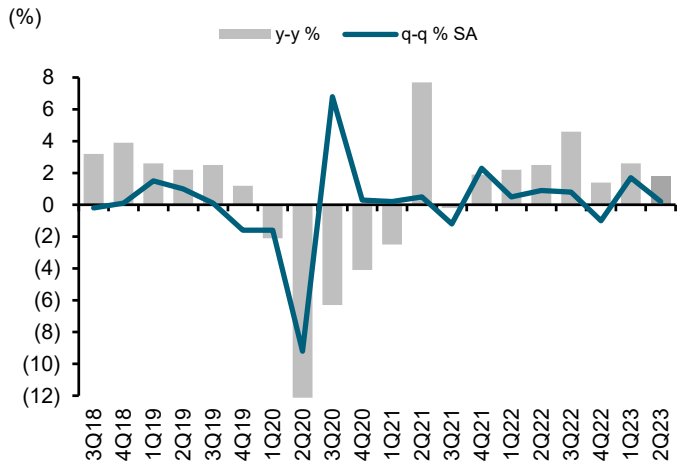
Source: Pheu Thai Party

Look beyond poor 2Q23 GDP growth to an acceleration in 4Q23-2024

On 21 August 2023, The Office of the National Economic and Social Development Council (NESDC) reported that Thai GDP grew by only 0.2% q-q and 1.8% y-y in 2Q23, missing the market's expectation of +1.2% q-q and +3% y-y, and decelerating from the good momentum of +1.7% q-q and +2.6% y-y in 1Q23. The poor numbers could be blamed on the export and public segments, while private consumption and the tourism industry remain key growth drivers. Therefore, the NESDC has lowered its 2023E GDP growth to 2.5-3% y-y from 2.7-3.7% y-y. We think the BoT might revise down its projection for 2023 from the current +3.6% y-y in its upcoming meeting, but we still expect strong and accelerated growth for 2024 from potential stimulus packages as mentioned above.

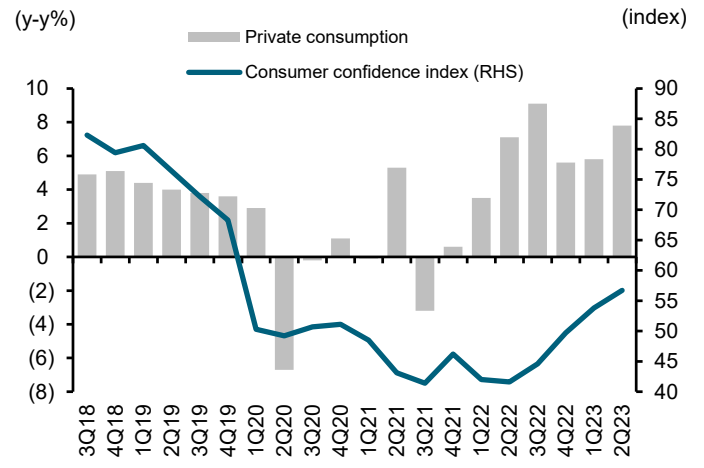
We think 3Q23 might be another unattractive quarter in terms of GDP growth, as domestic consumption is entering the low rainy season, while the government's formation has been delayed to late August 2023. However, if we assume the new cabinet starts working in September 2023, we think the market could look beyond the poor number and focus on a brighter economic outlook in 4Q23-2024 thanks to the potential stimulus packages.

Exhibit 3: Quarterly TH GDP growth



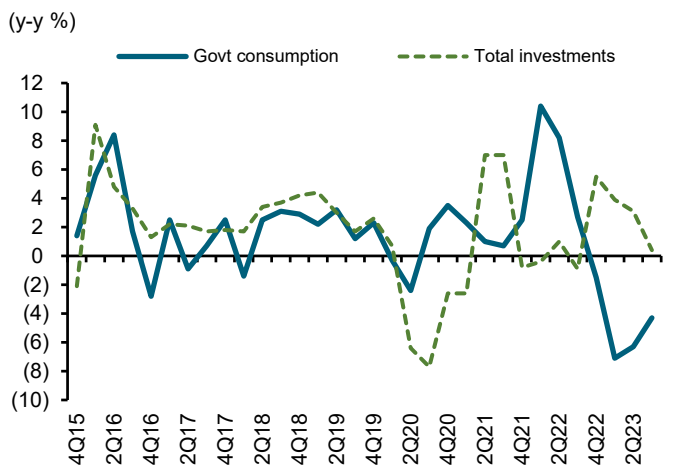
Source: NESDC

Exhibit 4: Private consumption continues to rise



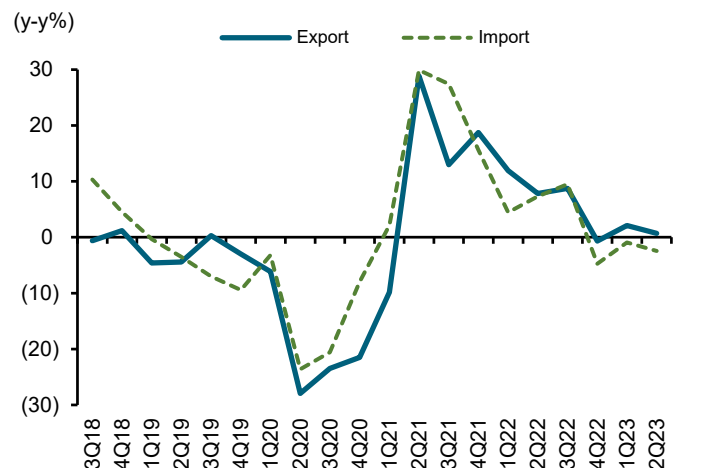
Source: NESDC

Exhibit 5: Government consumption remains negative



Source: NESDC

Exhibit 6: Service exports can offset weak goods exports



Source: NESDC

Exhibit 7: NESDC and BoT economic projections

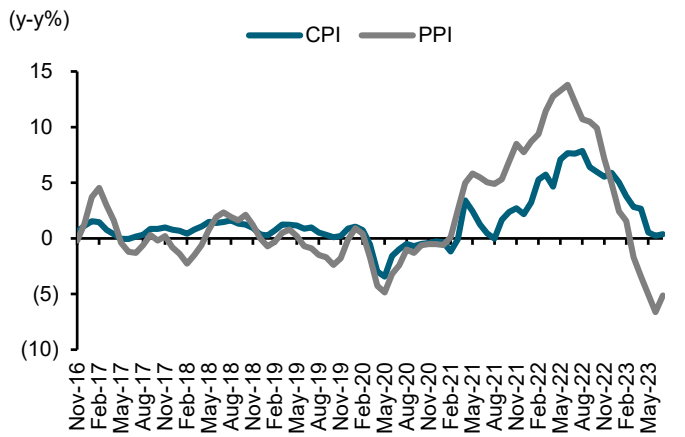
| | 2019 | 2020 | 2021 | 2022 | NESDC 2023E | Bank of Thailand 2023E | 2024E |
|--------------------------------|--------|--------|--------|--------|----------------|---------------------------|--------|
| | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) |
| Real GDP growth | 2.3 | (6.4) | 1.5 | 2.6 | 2.5-3.0 | 3.6 | 3.8 |
| Private consumption | 4.0 | (0.8) | 0.6 | 6.3 | 5.0 | 4.4 | 2.9 |
| Private investment | 2.7 | (8.1) | 3.0 | 5.1 | 1.5 | 1.7 | 4.9 |
| Public consumption | 1.7 | 1.4 | 3.7 | (0.0) | (3.1) | (2.8) | 1.1 |
| Public investment | 0.1 | 5.1 | 3.4 | (4.9) | 2.0 | 2.5 | 6.8 |
| Export value growth (USD b) | (3.3) | (6.5) | 19.2 | 5.5 | (1.8) | (0.1) | 3.6 |
| Headline inflation | 0.7 | (0.8) | 1.2 | 6.1 | 1.7-2.2 | 2.5 | 2.4 |
| Current account to GDP (%) | 7.0 | 4.2 | (2.1) | (3.4) | 1.2 | - | - |
| Number of tourist arrivals (m) | 39.9 | 0.0 | 0.4 | 11.1 | 28 | 29 | 35.5 |

Sources: NESDC and BoT

MPC likely to hold its rate this month after seven consecutive hikes

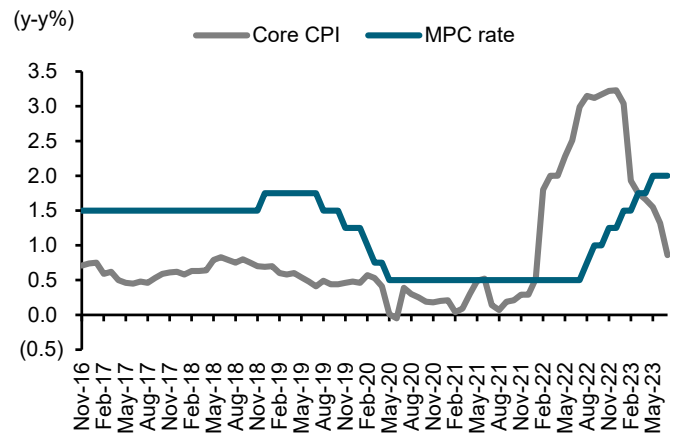
In terms of monetary policy, Thailand’s inflation continues to slow and is now lower than the BoT’s target of 1-3%. The latest headline CPI was reported at +0.38% y-y in July from the high base last year, while core CPI was at +0.86% y-y. The central bank may still see inflation stabilising at a higher level with some upside risks from potential increases in food prices from El Nino and cost pass-throughs in the context of economic expansion. However, from the overall CPI, which is slower than previously anticipated, combined with the lower-than-expected GDP growth rate, we think the Monetary Policy Committee (MPC) is likely to hold its policy rate at 2.25% after seven consecutive hikes since 2H22.

Exhibit 8: Thailand’s CPI and PPI



Source: Bloomberg

Exhibit 9: Thailand’s core CPI and MPC rate



Source: Bloomberg

We continue to expect foreign fund flows to return to Thai stocks

Based on our strategy report published on 31 July 2023, 2019 showed that once the government’s formation was finalised, the SET index was back to having positive returns, increasing by c6% in the month after that. Foreign investors poured THB65b back into Thai stocks after posting a net selling position during the unclear period.

We maintain our view that history might repeat itself. We expect the SET index to recover after staying in negative return territory during the last three months. Foreign investors could return after selling Thai stocks worth over THB60b since 14 May 2023 thanks to higher investor confidence and the improving Thai economy expected in 4Q23-2024. However, the magnitude of index returns and foreign inflows might be lower than after the previous election, as the external environment continues to pressure risky assets due to the high inflation and interest rates from key central banks around the world.

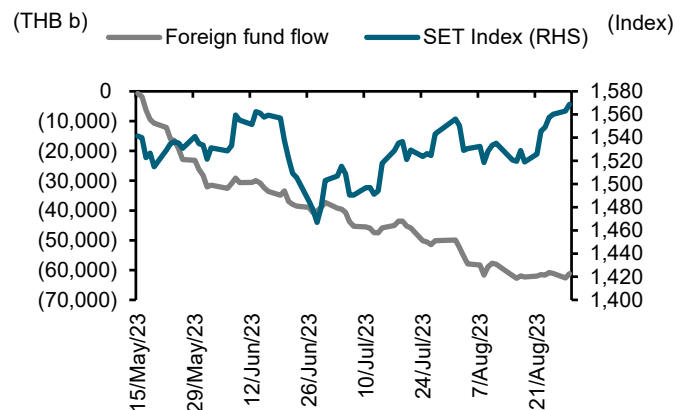
Exhibit 10: Net positions by investor type

| SET Index | Since election to 20 August 2023 (THB m) | Since 20 August 2023 (THB m) |
|---------------------|--|------------------------------|
| Foreign investors | (62,332) | 1,130 |
| Local institutions | 23,605 | 6,144 |
| Local investors | 34,396 | (7,525) |
| Proprietary trading | 4,332 | 251 |

| SET50 index futures | Since election to 20 August 2023 (Contract) | Since 20 August 2023 (Contract) |
|---------------------|---|---------------------------------|
| Foreign investors | 22,969 | 68,357 |
| Local institutions | 6,027 | 4,428 |
| Local investors | (28,996) | (72,785) |

Note: Date as of 29 August 2023
Sources: SETSMART and FSSIA compilation

Exhibit 11: Foreign fund flows and SET index performance after 2023 election and coalition’s formation



Sources: SETSMART and FSSIA compilation

Exhibit 12: 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 |

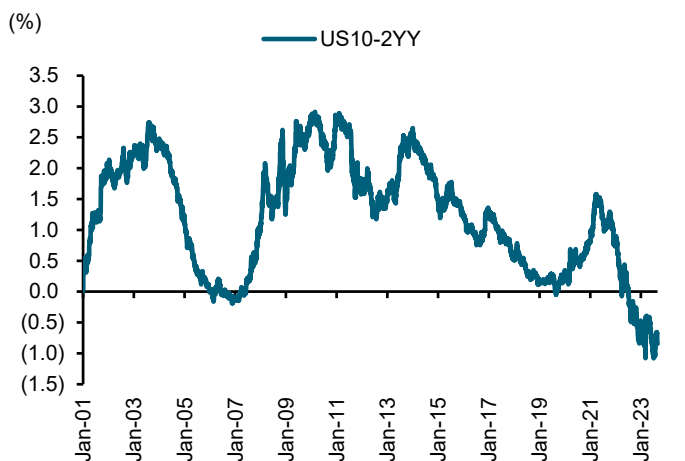
Sources: SETSMART and FSSIA compilation

Limited upside for global risky assets pressured by abnormally high bond yields

After the strong rally of world equity markets in 7M23, we have started to see some corrections in global equity, as the S&P500 and MSCI World index dropped c3% and c4% MTD, respectively. The key pressures are from abnormally high bond yields which continued to increase due to concerns over high inflation and the interest rate persisting. In Jerome Powell’s address to the Jackson Hole Symposium, he stated that the US Federal Reserve may need to raise rates further to cool the still-too-hot inflation. The US 10Y government bond yield jumped and currently stands near October 2022’s peak of 4.2-4.3%. Another negative factor came from China which lately reported a batch of economic data that showed signs of a slowdown in industrial production, retail sales and the unemployment rate. We think the market will have more concerns over the global economy for 2H23-2024, as China and the US are likely to show slow growth numbers and could continue to pressure global trade. We maintain our view that global equity still has a limited upside and could see a further retreat.

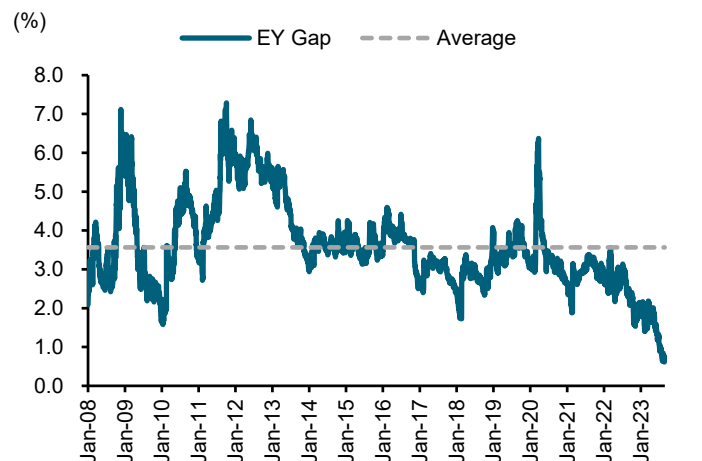
However, we think the SET index should see a limited negative impact as the index has underperformed significantly by dropping 6.3% YTD, while internal factors, especially the political situation, have been resolved. We think upward GDP growth and corporate earnings trends should be the key drivers to boost the index to outperform.

Exhibit 13: US10-2YY



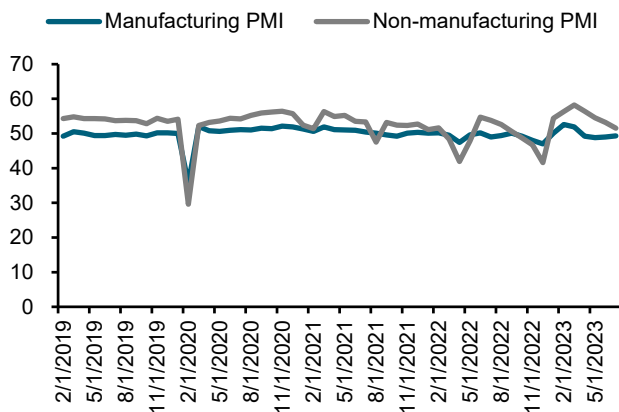
Source: Bloomberg

Exhibit 14: US earnings yield gap



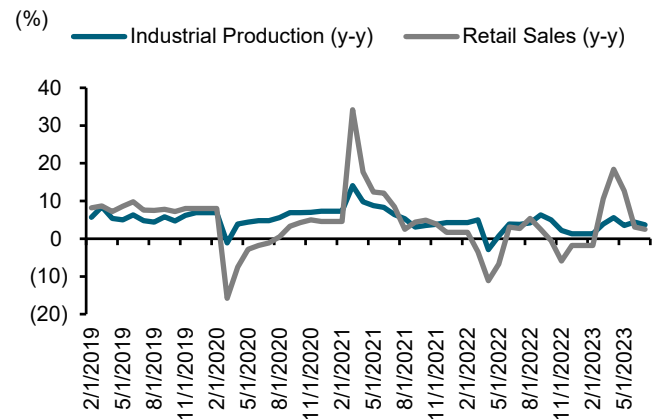
Source: Bloomberg

Exhibit 15: China's PMI



Sources: Bloomberg

Exhibit 16: China's industrial production and retail sales



Source: Bloomberg

Slightly better-than-expected 2Q23 earnings results

Based on the 2Q23 results of 152 listed companies in our study, the aggregate net profit dropped by 17% q-q and 39% y-y, slightly better than our expectation by 2%. Key pressures came from commodities sectors, i.e. energy and petrochemicals, which had a plunge in profit from lower oil prices and poor refinery margins, while upstream foods were pressured by lower meat prices. On the bright side, banking, tourism, transportation, and property development continued to post strong y-y growth thanks to rising domestic consumption and higher international tourist arrivals. However, commerce had disappointing numbers which dragged some stocks down for specific reasons. The electronic sector's earnings jumped on strong EV parts demand.

The 1H23 earnings results contributed around 46% of our FY23E earnings. We think companies' earnings have already bottomed in 2Q23, and we expect to see strong q-q and y-y earnings growth in 3Q23 on the back of the energy sector, as crude prices jumped since late June 2023, while refinery margins skyrocketed. The export sector is entering its high season, while tourism is resuming from the lowest season in Q2. Domestic sectors are entering the low rainy season, but the negative impact might be less than normal due to less rainfall from the El Nino effect.

Exhibit 17: 2Q23 earnings results by sector

| Sector | 2Q23 | 1Q23 | 2Q22 | Change | | 2Q23E | Beat / Missed | 2023E | 1H23 as % of 2023E |
|----------------------------------|----------------|----------------|----------------|-------------|-------------|----------------|---------------|----------------|--------------------|
| | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (THB m) | (%) |
| Bank | 52,699 | 51,683 | 45,256 | 2% | 16% | 51,835 | 2% | 197,325 | 53% |
| Energy | 45,744 | 73,266 | 132,623 | -38% | -66% | 46,281 | -1% | 260,038 | 46% |
| Property | 16,172 | 14,584 | 14,638 | 11% | 10% | 14,090 | 15% | 65,504 | 47% |
| Commerce | 10,275 | 13,330 | 11,874 | -23% | -13% | 11,939 | -14% | 55,717 | 42% |
| Cons. Mat | 9,873 | 18,536 | 11,123 | -47% | -11% | 6,895 | 43% | 35,262 | 81% |
| ICT | 9,525 | 9,154 | 12,637 | 4% | -25% | 9,146 | 4% | 39,873 | 47% |
| Financial | 6,741 | 6,549 | 7,295 | 3% | -8% | 6,780 | -1% | 28,882 | 46% |
| Healthcare | 6,207 | 6,284 | 7,192 | -1% | -14% | 5,901 | 5% | 27,731 | 45% |
| Electronics | 5,680 | 4,226 | 5,080 | 34% | 12% | 4,786 | 19% | 21,410 | 46% |
| Transportation | 4,735 | 4,984 | (3,078) | -5% | nm | 6,103 | -22% | 26,142 | 37% |
| Food | 3,834 | 2,673 | 14,524 | 43% | -74% | 2,495 | 54% | 37,219 | 17% |
| Tourism | 3,419 | 42 | 907 | 7,987% | 277% | 3,055 | 12% | 9,300 | 37% |
| Insurance | 2,512 | 3,129 | 2,018 | -20% | 24% | 2,750 | -9% | 9,462 | 60% |
| Packaging | 1,712 | 1,348 | 2,112 | 27% | -19% | 1,649 | 4% | 7,385 | 41% |
| Auto | 978 | 1,462 | 924 | -33% | 6% | 864 | 13% | 4,570 | 53% |
| Construction | 664 | 508 | 470 | 31% | 41% | 794 | -16% | 2,477 | 47% |
| Media | 638 | 27 | 720 | 2,229% | -11% | 613 | 4% | 2,382 | 28% |
| Agri | 349 | 298 | 454 | 17% | -23% | 344 | 1% | 1,358 | 48% |
| Professional | 207 | 208 | 128 | 0% | 61% | 208 | 0% | 950 | 44% |
| Petro | (5,180) | 1,106 | 21,666 | -568% | -124% | (3,112) | nm | 20,466 | -20% |
| Grand Total | 176,783 | 213,399 | 288,563 | -17% | -39% | 173,416 | 2% | 853,452 | 46% |
| Excl. Energy & Petro | 136,219 | 139,027 | 134,274 | -2% | 1% | 130,247 | 5% | 572,948 | 48% |
| Excl. Banking | 124,083 | 161,716 | 243,308 | -23% | -49% | 121,581 | 2% | 656,127 | 44% |
| Excl. Energy & Petro and Banking | 83,519 | 87,344 | 89,018 | -4% | -6% | 78,412 | 7% | 375,623 | 45% |

Sources: SETSMART, Bloomberg and FSSIA

Exhibit 18: 2Q23 earnings results summary and 3Q23E outlook

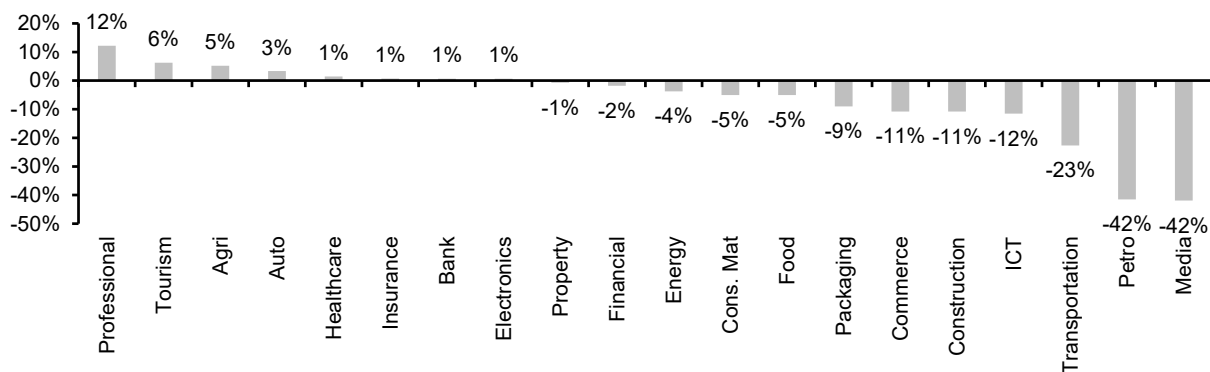
| 2Q23 earnings results summary | | 3Q23E earnings outlook q-q | 3Q23E earnings outlook y-y |
|-------------------------------|--|----------------------------|----------------------------|
| Agribusiness | Agribusiness's 2Q23 net profit plunged by 54% y-y (flat q-q), due to lower export volumes and declining average selling prices. In particular, the rubber and soybean businesses had the poorest operations in 2Q23, mainly from 1) a slowdown in China's economy; 2) lower domestic demand; and 3) declining crude oil prices. However, sugar companies posted strong results in 2Q23, thanks to seasonality and a spike in the sugar price. | + | - |
| Food & Beverage | The meat business was the poorest segment in the food and beverage sector, due to a sharp drop in meat prices, both domestic and overseas. In particular, Charoen Pokphand Foods (CPF TB, HOLD) and Betagro (BTG TB, HOLD)'s operations turned lossmaking in 2Q23. In addition, food exporters (Thai Union (TU TB, BUY) and i-Tail Corporation (ITC TB, BUY)) still reported poor results in 2Q23, mainly from the destocking of US and EU customers. However, we were impressed with the beverage sector's results, especially small companies. Sappe (SAPPE TB, BUY) and Ichitan Group (ICHI TB, HOLD) showed solid revenue growth to reach record highs. Meanwhile, energy drink companies' (Osotspa (OSP TB, BUY) and Carabao Group (CBG TB, NR)) revenue and gross margins recovered. | + | - |
| Banking | Seven banks under our coverage reported slightly better net profits than our estimates, pushed by strong net interest income under the backdrop of the rate hike cycle. The high level of household debt and the proactive management of banks to tackle rising NPLs led to higher credit costs in 2Q23. | + | + |
| Finance & Securities | Based on the Bloomberg consensus, earnings of the overall non-bank sector fell short of estimates by 5%. The pressure mainly came from the low seasonal in 2Q23, spread compression, and asset quality deterioration. | 0 | 0 |
| Automotive | The automotive sector posted a poor core profit in 2Q23 as expected, largely due to seasonality. The 2Q23 core profit slid 42% q-q but climbed 9% y-y. The y-y growth was a result of the easing supply constraints and the oil-related raw material costs. The easing of the chip and parts shortages this year led the auto sector's core profit to rise 17% y-y in 1H23. However, headwinds from weak consumer demand and tighter lending standards from financial institutions lie ahead. | + | - |
| Petrochemical & Chemicals | 2Q23 results for petrochemical companies (PTT Global Chemical (PTTGC TB, NR)) were weaker q-q due to both lower petroleum and petrochemical product spreads, coupled with stock losses from the lower oil price q-q. Nevertheless, Indorama Ventures (IVL TB, NR) reported a slightly improved core profit from higher sales volumes, while the PET spreads were flat q-q, and other businesses were weaker q-q. | + | + |
| Packaging | 2Q23 packaging core profit continued its recovery with growth of 76% q-q and more than five times y-y, mainly due to the declining oil-related raw material costs. Revenue, however, gradually recovered because of the improved economic conditions. The gross margin expansion was the main reason for the big improvement in earnings in 2Q23. | + | + |
| Construction Materials | Overall 2Q23 performances were down q-q from seasonality and long holidays. However, the y-y improvement was due to higher domestic demand from the recovery of the tourism industry and house renovations, as well as a decline in raw material costs following lower oil prices. | - | + |
| Construction Services | In 2Q23, CH. Karnchang (CK TB, BUY)'s performance outperformed peers with strong growth q-q and y-y, supported by a construction revenue recovery and higher contributions from its associates. However, Sino-Thai Engineering and Construction (STEC TB, NR) and Pylon (PYLON TB, HOLD) reported poor performance, dipping q-q and y-y. To elaborate, STEC posted a plunge in GPM and PYLON had a lower backlog. Meanwhile, Seafco (SEAFKO TB, BUY)'s earnings turned profitable from a loss in 2Q22, but dropped q-q due to a narrower gross margin. | + | + |
| Property Development | 12 property developers' aggregate net profit came in at THB10.2b (+14.5% q-q, +0.2% y-y) in 2Q23. Excluding extra items, their 2Q23 core profit would be THB8.7b (+8% q-q, -3% y-y). Overall 2Q23 results were unexciting, in line with estimates. The q-q improvement in 2Q23 earnings follows more new launches, especially low-rise projects. However, the slight decrease y-y was due to fewer low-rise transfers thanks to sluggish presales from the impact of political uncertainty and the high base in 2022. Meanwhile, we see a gradual recovery in condo transfers, supported by more newly built condos. | + | 0 |
| Energy | For refineries, 2Q23 results were weaker q-q from lower petroleum product spreads, coupled with stock losses from the drop in the oil price q-q. However, 2Q23 results for the utilities sector were stronger q-q, especially SPP players, due to higher margins from lower gas costs despite the lower Ft q-q. | + | + |
| Commerce | The 2Q23 commerce sector's net profit of THB12b dropped by 11.5% q-q mainly from seasonal effect and increased utility costs, rising by 9.5% y-y due to a consumption and tourism recovery from the Omicron outbreak last year, which led SSSG to be positive in 2Q23. However, home improvement companies focusing on building materials saw a continued earnings decline both q-q and y-y due to the impact of the decreased steel prices and political uncertainty. | - | + |
| Health Care Services | Organic revenue improved q-q despite the low season, led by strong Thai patient volumes and the recovery of international patient numbers, especially those from the Middle East. Social Security Office revenue also improved due to a higher payment rate effective May-23 | + | + |
| Media & Entertainment | The core profit of media names continued to recover in 2Q23 due to the high season. Most earnings were from Major Cineplex (MAJOR TB, NR) (+660% q-q, 305% y-y) and out-of-home media, Plan B Media (PLANB TB, NR) (+72% q-q, +32 % y-y), while BEC World (BEC TB, NR) fell 57% y-y but improved q-q from an abnormally low base in 1Q23. | + | + |
| Tourism & Leisure | Overall performance dropped q-q due to the low season. However, it improved y-y due to the low base. In addition, RevPAR of Thai hotels exceeded the pre-Covid level, led by strong average daily rates. European hotels also reported strong performances due to the peak season. | + | + |
| Transportation | [Aviation] Overall performance dropped q-q due to the low season, but grew y-y due to the low base. For AOT, earnings grew q-q and y-y due to higher passenger volumes and the end of assistance measures for retail operators. | + | + |
| | [Shipping] Dry bulk carriers' 2Q23 profit further plunged by 70-80% y-y, primarily due to a 52% y-y reduction in TC rates. Bulk carriers' 1H23 shipping revenue fell more than 30% y-y and profit dove 80% y-y because of a sharp decline in freight rates. This was due to the slower-than-expected demand from China and the reduced grain shipments. | + | - |
| Electronic Components | The electronic sector's 2Q23 net profit grew by 29% q-q and 2% y-y, beating our estimate by 14%. The main reason was a purchase order recovery for Delta Electronics (DELTA TB, REDUCE) and Hana Microelectronics (HANA TB, BUY), which came from EV parts. There was not only a higher utilisation rate, but the THB also weakened in 2Q23. Hence, the sector's 2Q23 gross margin slightly improved, better than our expectation. KCE Electronics (KCE TB, BUY) had the poorest performance in 2Q23, but it should be the bottom. | + | + |
| Information & Communications | Advanced Info Service (ADVANC TB, NR) reported a slightly better core profit than the Bloomberg consensus estimate, both q-q and y-y, due to lower competition, while the tech consulting businesses posted good results, mostly from inorganic growth. | + | + |

Sources: Bloomberg; FSSIA analysis and estimates

Another downward earnings revision from May to August 2023

After the 2Q23 earnings season, the 2023 earnings forecasts for 152 companies under both our coverage and the Bloomberg consensus were revised down, leading to lower overall sector aggregate earnings by c5% from May to August 2023. For global-related sectors, the deepest cuts were in petrochemicals -42%, packaging -9% and energy -4% on weaker-than-expected crude prices and spread margins. Meanwhile, most domestic sector cuts occurred in media -42%, transportation -23%, ICT -12%, and construction and commerce at -11% each. However, we continue to see strong earnings forecasts in financial sectors, for both banks and non-banks, property development, and health care services. Moreover, we see an upward earnings revision in tourism and professional services. 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 19: Earnings revisions by sector from May to August 2023



Sources: Bloomberg and FSSIA estimates

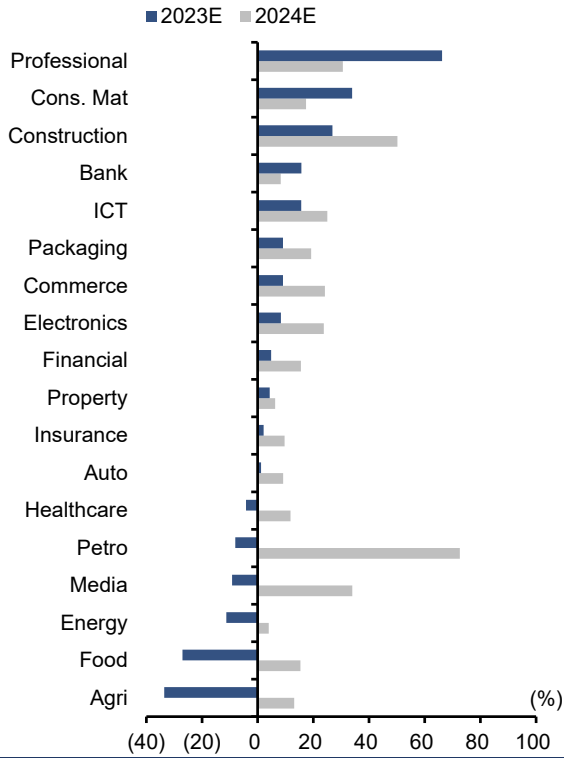
Rollover SET target to mid-2024 of 1,650 – the worst has passed

We cut our 2023 EPS forecast from THB95 to THB88 (+5% y-y). Reopening sectors such as transportation and tourism should show abnormally high growth thanks to the low base effect from last year. Key domestic sectors such as construction services, banking, ICT and commerce are likely to have healthy growth thanks to strong domestic consumption. Health care services and property sectors should show mute growth on overall numbers after the high base in 2023. On the other hand, global plays, i.e. energy, petrochemical, upstream foods and agribusiness are likely to show negative growth this year due to lower commodity and selling prices.

Despite the lower 2023E EPS, we believe the worst is already behind us in 1H23 in terms of company earnings and GDP growth. Moreover, we think the market should focus on positive momentum after Thailand's 30th prime minister and new cabinet have been declared and are likely to start working within September 2023. The government will likely release stimulus packages going forward which should drive GDP and EPS growth to accelerate next year. For the rest to the year, we anticipate the trading range for the SET to stay within 1,530-1,620.

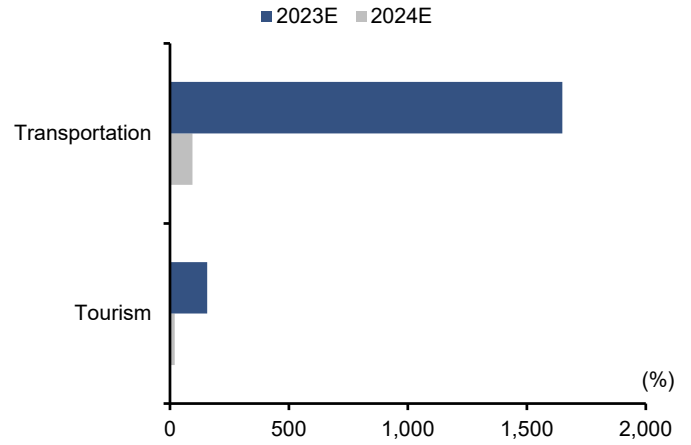
Based on our current 2023-24E SET index EPS of THB88 (+5% y-y) and THB100 (+14% y-y), respectively, we forecast the 12-month forward EPS at THB97 (54% of THB88 for 2H23E and 50% of THB100THB for 1H24E), with a PER multiple of 17x (10-year average). We roll over our SET index target to mid-2024 at 1,650.

Exhibit 20: Earnings growth by sector



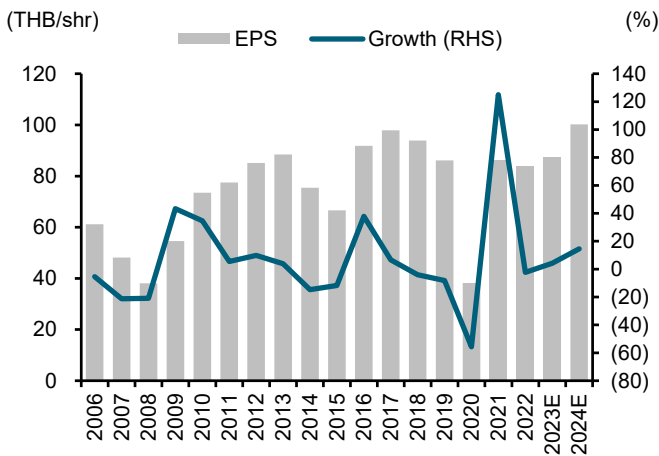
Sources: Bloomberg and FSSIA estimates

Exhibit 21: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

Exhibit 22: SET EPS



Source: FSSIA estimates

Exhibit 23: SET target sensitivity

| ----- Earnings per share ----- | | | |
|---|---------|-------|-------|
| | | 2023E | 2024E |
| EPS | | 88 | 100 |
| - Target index based on FSSIA estimates - | | | |
| | P/E (x) | 2023E | 2024E |
| SD+1.0 | 19.8 | 1,742 | 1,980 |
| SD+0.5 | 18.3 | 1,610 | 1,830 |
| SD+0.25 | 17.6 | 1,549 | 1,760 |
| 10-year average | 17.0 | 1,496 | 1,700 |
| SD-0.25 | 16.2 | 1,426 | 1,620 |
| SD-0.5 | 15.4 | 1,355 | 1,540 |
| SD-1.0 | 14.1 | 1,241 | 1,410 |

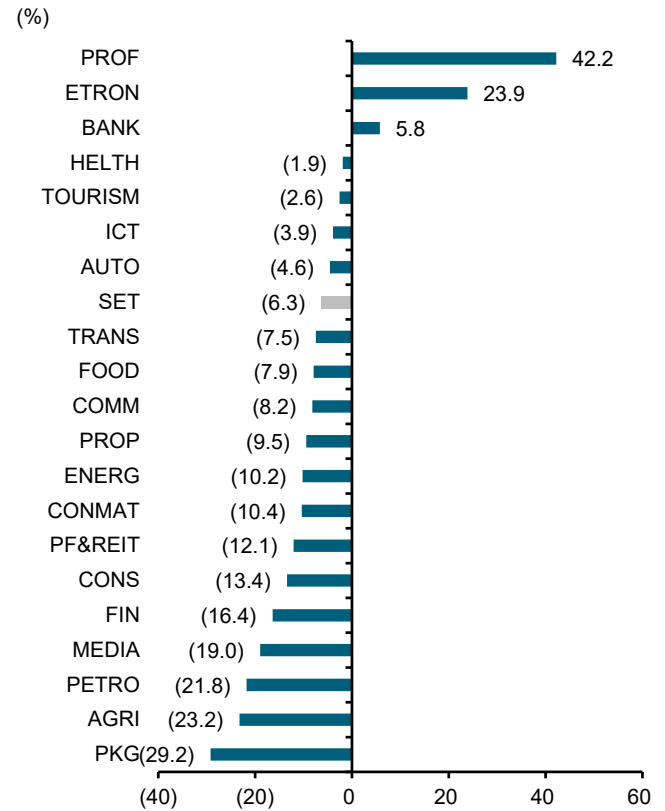
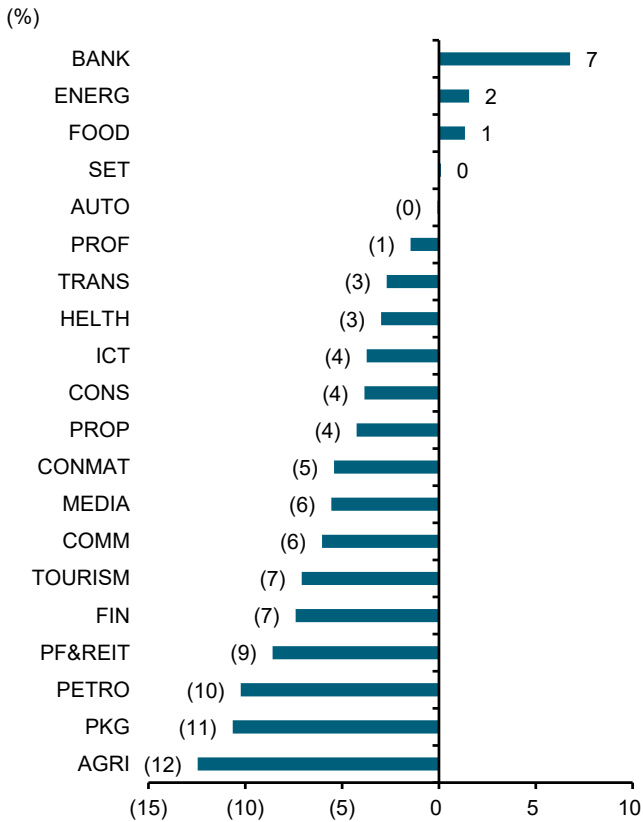
Source: FSSIA estimates

Our top picks remain domestic plays

We see more positive internal factors, especially political developments, while external factors have many risks, e.g. slow economic growth and tight monetary policy. Hence, we recommend investors to hold and let profits run after accumulating at the SET index level of c1,500 during the last 2-3 months. We stick to our domestic-focused strategy. Some of these sectors are still lagging the SET index since the election and YTD. Our favourites that have bright 2H23 earnings outlooks, are likely to benefit from rising consumption and investment, and still have attractive valuations are **AOT, BBL, BDMS, CENTEL, CK, CPALL, CPN, NSL, TACC and TIDLOR.**

Exhibit 24: Sector performance since 14 May 2023 election

Exhibit 25: YTD sector performance



As of 28 Aug 2023
Source: SETSMART

As of 28 Aug 2023
Source: SETSMART

Exhibit 26: FSSIA's top domestic play favourites

| Company | BBG code | Key rationale |
|--------------------------------|----------------------------|--|
| Airports of Thailand | AOT TB, BUY, TP THB85.0 | AOT trades at an attractive valuation of 32.7x FY24E P/E. Upsides include higher passenger service charges and revenue from the cargo business. We expect 4QFY23 operations to improve as international passenger traffic recovered to 77% of the pre-Covid level in July, and the momentum should accelerate in the high tourism season (Oct-Dec). We forecast core profit to reach THB10.1b in FY23 and jump to THB32b in FY24. |
| Bangkok Bank | BBL TB, BUY, TP THB197.0 | BBL is our top pick in the banking sector. We expect 3Q23 performance to remain solid, especially for its 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 THB34.5 | BDMS is trading at 33x 2023E P/E, relatively in line with its five-year average of 34x. Its share price has declined by 8% and has underperformed the SET by 5% over the past three months. We see the weak share price as a buying opportunity to capture the strong 3Q23E earnings, which have the potential to hit a new record high. |
| Central Plaza Hotel | CENTEL TB, BUY, TP THB55.0 | The weak share price is an opportunity to buy the stock, in our view, as operations should improve q-q during 3Q-4Q23 and one-off expenses in 2Q23 should be dismissed in 2H23. CENTEL trades at an attractive valuation of 30.1x 2024E P/E (vs its five-year average of 27x). In our view, CENTEL is the hospitality provider with the lowest risk profile under our sector coverage. |
| CH. Karnchang | CK TB, BUY, TP THB26.0 | The successful formation of the new government should be a positive catalyst for CK's share price, in our view. We expect 3Q23 core profit to rise q-q, supported by higher profit contributions from Bangkok Expressway and Metro (BEM TB, NR) and CK Power (CKP TB, NR) in the peak season, plus dividend income from TTW (TTW TB, NR). Moreover, we see a y-y construction revenue improvement on the high backlog. We maintain our 2023E core profit of THB1.4b (+62% y-y). |
| CP All | CPALL TB, BUY, TP THB77.0 | CPALL should benefit from lower expenses such as 1) lower electricity costs; and 2) lower financial costs from CP Axta (CPAXT, BUY) following the completion of its debt restructuring in Apr-23. We expect revenue to peak in 4Q23. In addition, CPALL should benefit from the potential new stimulus packages from the new cabinet to boost internal consumption. |
| Central Pattana | CPN TB, BUY, TP THB82.0 | CPN's valuation is very attractive as its share price is still 20% below its peak in 2017, although we expect its EBITDA margin and profit to reach their highest levels in 2023. CPN's operations have showed continued growth across all business units and already exceeded the pre-pandemic level in 2019 since 1Q23. The company's share price is also currently trading at 23.9x 2023E P/E, lower than the modern trade industry's average of 30x. |
| NSL Foods | NSL TB, BUY, TP THB26.0 | We have a positive view of NSL's 2H23 outlook and expect 3Q23 net profit to be stronger than the seasonal headwinds. Moreover, we expect its 4Q23 net profit to continue to grow q-q and y-y, in line with the high season of its business. It is trading at 20.4x and 17.7x 2023-24E P/E, respectively, while our target price has an upside of 12%. |
| T.A.C. Consumer | TACC TB, BUY, TP THB6.6 | We like TACC due to the expectation that net profit will continue to recover in 2H23 along with seasonality, with a gross margin recovery after raw material costs decline. In addition, TACC's board approved the treasury stock program with an amount not exceeding THB50m and the number of repurchased shares not exceeding 11 million shares, or 1.81% of total paid-up capital. The repurchase period is from 17 August 2023 to 16 February 2024. This should support its share price higher further. |
| Ngern Tid Lor | TIDLOR TB, BUY, TP THB28.0 | We are optimistic that TIDLOR's leadership and professionalism in the title loan business should distinguish the company from its peers. TIDLOR's insurance brokerage business is another source of income that supports growth and diversifies against risks to long-term profits. Thus, we expect solid 2H23 PPOP as its asset quality bottoms out in 3Q23. |

Source: FSSIA estimates

Exhibit 27: 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 | 73.25 | 85.00 | 16 | (10,173) | 10,077 | 31,972 | (199.1) | 217.3 | 103.8 | 32.7 | 27.9 | 0.4 | 9.5 | 9.4 |
| Bangkok Bank | BBL TB | 170.50 | 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 Medical Services | BDMS TB | 28.00 | 34.50 | 23 | 12,606 | 13,469 | 15,295 | 6.8 | 13.6 | 33.0 | 29.1 | 26.4 | 1.8 | 14.5 | 4.7 |
| Central Plaza Hotel | CENTEL TB | 47.25 | 55.00 | 16 | 398 | 1,703 | 2,119 | 327.8 | 24.4 | 37.5 | 30.1 | 26.9 | 1.1 | 8.8 | 3.2 |
| CH.Karnchang | CK TB | 23.30 | 26.00 | 12 | 882 | 1,427 | 2,394 | 61.8 | 67.7 | 27.7 | 16.5 | 14.3 | 1.4 | 5.8 | 1.6 |
| CP All | CPALL TB | 65.75 | 77.00 | 17 | 13,281 | 16,396 | 19,434 | 23.5 | 18.5 | 36.0 | 30.4 | 25.0 | 1.3 | 15.6 | 6.0 |
| Central Pattana | CPN TB | 68.75 | 82.00 | 19 | 10,945 | 12,898 | 14,064 | 17.8 | 9.0 | 23.9 | 21.9 | 20.7 | 1.6 | 15.1 | 3.4 |
| NSL Foods | NSL TB | 23.30 | 26.00 | 12 | 298 | 343 | 394 | 15.3 | 14.9 | 20.4 | 17.7 | 16.2 | 4.5 | 23.8 | 4.7 |
| T.A.C. Consumer | TACC TB | 4.98 | 6.60 | 33 | 231 | 201 | 247 | (13.0) | 22.6 | 13.1 | 15.0 | 12.3 | 6.0 | 26.0 | 3.9 |
| Ngern Tid Lor | TIDLOR TB | 23.60 | 28.00 | 19 | 3,640 | 3,817 | 4,614 | 4.9 | 20.9 | 17.4 | 14.4 | 11.4 | 1.2 | 14.2 | 2.3 |

Share prices as of 29 Aug 2023

Source: FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

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. **FSSIA** 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.

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Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------------------|-----------|------------|--------|--|
| Airports of Thailand | AOT TB | THB 73.25 | 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 Bank | BBL TB | THB 170.50 | 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 28.00 | 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 47.25 | 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. |
| CH.Karnchang | CK TB | THB 23.30 | BUY | Key downside risks to our SoTP-based TP include 1) delays in the signing of the Luang Prabang hydropower plant and Orange Line projects; 2) fewer new projects than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition. |
| CP All | CPALL TB | THB 65.75 | BUY | The key downside risks to our DCF-derived TP are: 1) a lower-than-expected impact from SSSG at its convenience store business; 2) lower-than-expected performance from CPAXT; and 3) a slower recovery in tourist arrival numbers and private consumption. |
| Central Pattana | CPN TB | THB 68.75 | 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. |
| NSL Foods | NSL TB | THB 23.30 | 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 4.98 | 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. |
| Ngern Tid Lor | TIDLOR TB | THB 23.60 | BUY | Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators. |
| CP Aextra | CPAXT TB | THB 35.50 | 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. |
| Charoen Pokphand Foods | CPF TB | THB 21.10 | HOLD | Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected consumption recovery; 2) high or low volatility in meat and raw material prices; 3) a stronger or weaker THB than expected; and 4) a minimum wage increase or decrease and labour shortage or oversupply. |
| Betagro | BTG TB | THB 25.50 | HOLD | Downside and upside risks to our PE-based TP include 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; and 3) a stronger or weaker-than-expected THB against USD. |
| i-Tail Corporation | ITC TB | THB 20.80 | BUY | Downside risks to our P/E-based TP include 1) a stronger-than-expected THB against USD; 2) the high volatility of raw material prices; 3) labor shortages; and 4) changing consumer demand and lifestyles. |

| | | | | |
|-----------------------|-----------|------------|--------|--|
| Sappe | SAPPE TB | THB 97.00 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks. |
| Ichitan Group | ICHI TB | THB 16.50 | BUY | Downside and upside risks to our P/E-based TP would be 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in packaging costs; and 3) competition and government policy changes such as excise taxes for sugary drinks. |
| Osotspa | OSP TB | THB 30.50 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) higher-than-expected competition; 3) high volatility in energy costs; and 4) changing legal policies both in Thailand and Myanmar. |
| CH.Karnchang | CK TB | THB 23.30 | BUY | Key downside risks to our SoTP-based TP include 1) delays in the signing of the Luang Prabang hydropower plant and Orange Line projects; 2) fewer new projects than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition. |
| Pylon | PYLON TB | THB 3.10 | HOLD | Downside risks to our P/E-based TP include 1) fewer new projects than expected; 2) bidding delays for new projects; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition. Upside risks would be 1) a higher-than-expected additional backlog and new auctions; and 2) the sooner-than-expected commencement of the high-speed train project linking three airports. |
| Seafco | SEAFKO TB | THB 3.18 | BUY | Downside risks to our P/BV-based TP include 1) fewer new projects than expected; 2) fewer projects up for bidding than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition. |
| Delta Electronics | DELTA TB | THB 109.00 | 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. |
| Hana Microelectronics | HANA TB | THB 62.50 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) a potential rise in raw material costs; and 3) a stronger-than-expected THB against USD. |
| KCE Electronics | KCE TB | THB 49.75 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected automotive recovery; 2) a potential rise in raw material costs; and 3) a stronger-than-expected THB against USD. |
| Thai Union Group | TU TB | THB 14.30 | BUY | Downside risks to our SoTP-based TP include 1) a stronger-than-expected THB against the USD; 2) the high volatility of raw material prices; 3) labour shortages; and 4) tariff and non-tariff barriers in international trade. |

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 29-Aug-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.