

# GLOBAL POWER SYNERGY

# GPSC TB

THAILAND / UTILITIES

## BUY

UNCHANGED

## Expect overhang to be lifted

- We revised down 2023-2025E EPS by 12.9%/14.9%/11.0%, based on new gas and Ft assumptions.
- Still expect attractive 2023-2025E EPS growth of 38.9%/27.9%/39.0%.
- Cut TP to THB59.0/share and maintain BUY on GPSC.

TARGET PRICE	THB59.00
CLOSE	THB48.25
UP/DOWNSIDE	+22.3%
PRIOR TP	THB60.30
CHANGE IN TP	-2.2%
TP vs CONSENSUS	-14.3%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	123,685	89,040	85,553	79,262
Net profit	891	3,861	4,938	6,866
EPS (THB)	0.32	1.37	1.75	2.43
vs Consensus (%)	-	(18.4)	(23.8)	(6.3)
EBITDA	14,783	15,777	17,416	20,771
Recurring net profit	2,779	3,861	4,938	6,866
Core EPS (THB)	0.99	1.37	1.75	2.43
Chg. In EPS est. (%)	-	(12.9)	(14.9)	(11.0)
EPS growth (%)	(68.8)	38.9	27.9	39.0
Core P/E (x)	48.9	35.2	27.6	19.8
Dividend yield (%)	1.0	2.7	3.1	3.1
EV/EBITDA (x)	16.3	15.6	13.7	11.2
Price/book (x)	1.3	1.3	1.3	1.2
Net debt/Equity (%)	82.7	84.1	76.5	69.2
ROE (%)	2.6	3.6	4.6	6.3

### Revised down 2023-2025E EPS by 12.9%/14.9%/11.0%

According to the cabinet meeting on 18 Sep 2023, the cabinet approved a further Sep-Dec 2023 electricity price cut to THB3.99/kWh, implying an Ft at THB0.21/kWh. This is down from the ERC's latest official Sep-Dec 2023 Ft announcement of THB0.6686/kWh. Thus, we revise down our 2023-2025E EPS by 12.9%/14.9%/11.0%, respectively. The estimates are based on new Ft assumptions while we lower our 2023 and 2025 gas price forecasts to THB430/mmbtu (prev. THB405/mmbtu) and THB360/mmbtu (prev. THB330/mmbtu). We forecast the 2023-2025 Ft to be at THB0.89/0.21/0.10 per kWh, changing from THB1.04/0.60/0.40 per kWh. We expect Ft to remain at the Sep-Dec 2023 level throughout 2024.

### Overhang factor from regulatory risk should be lifted

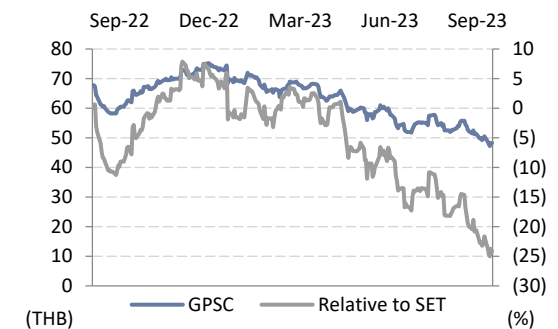
The share price has an overhang recently from regulatory risk. However, we think that this pressure will be lifted once PTT's pool gas price subsidies are finalised in the upcoming month. If the gas price were fixed at THB304.79/mmbtu from the subsidies effective in Sep-Dec 2023, we estimate a 12% upside to our 2023E. Another reason would be no further government intervention in the Ft once the gas price normalises in 2024. This would provide flexibility for ERC to adjust the Ft and return money to EGAT. We have a long-term positive view on GPSC and think its SPP margins could be normalised in 2025.

### Estimate 2023-2025 EPS growth of 38.9%/27.9%/39.0%

Though revising down our 2023-2025E, we still expect attractive EPS growth for GPSC at 38.9%/27.9%/39.0%, respectively. This implies 2H23E EPS growth of 70.5% h-h, despite the lower Ft. Key earnings catalysts for 2024-2025E are 1.) lower energy prices, 2.) a higher profit contribution from AEPL from losses due to high interest costs in 2021-22; 3.) the full SCOD of CFXD, wind in Taiwan, in 1Q24; and 4.) better power plant efficiency from Glow SPP phase 5 and GHECO-One IPP.

### Cut TP to THB59.0/share, maintain BUY on GPSC

We maintain BUY on GPSC. However, we cut our DCF-based TP from THB60.30/share to THB59.0/share, mainly revising down the earnings and rolling over our TP to 2024E. Our TP calculation uses 5.9% WACC, which was calculation from 12% cost of equity and 4% cost of debt.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.6)	(16.5)	(29.8)
Relative to country (%)	(9.3)	(17.2)	(24.2)
Mkt cap (USD m)	3,779		
3m avg. daily turnover (USD m)	13.7		
Free float (%)	25		
Major shareholder	PTT Plc (47%)		
12m high/low (THB)	75.50/46.50		
Issued shares (m)	2,819.73		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

We have a BUY rating on GPSC and think that it is a good time to accumulate the stock because of its lagging share price despite having a relatively high EPS growth outlook compared to peers. The company’s financial performance in 2023-2025E should be supported by energy price normalisation, the profit turnaround of its flagship solar business in India (AEPL), the full COD of wind in Taiwan (CFXD) and other expansion projects in the pipeline.

GPSC was established as a power investment arm of PTT Group – Thailand’s leading energy company. GPSC has long leveraged its solid ties with the group to expand its electricity generation capacity growth and capture domestic and international opportunities. Currently, GPSC generates electricity mainly from natural gas (52%), and most of its capacity is aimed at supporting PTT Group companies, including PTT (PTT TB, NR), PTT Global Chemical (PTTGC TB, NR), Thai Oil (TOP TB, BUY, TP THB56.80) and IRPC (IRPC TB, NR).

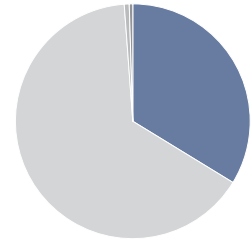
### Company profile

GPSC is a power flagship company of PTT Group and is one of the largest power producer in Thailand. Its business portfolio includes gas-fired power plant, coal-fired power plant, renewables, and battery busienss. The company has footprints in Thailand, Laos, India, Taiwan and China.

[www.gpscgroup.com](http://www.gpscgroup.com)

### Principal activities (revenue, 2022)

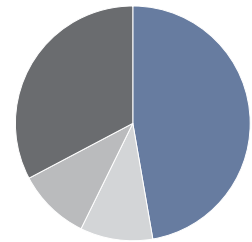
- Independent power producer - 33.7 %
- Small power producer - 65.1 %
- Very small power producer - 0.7 %
- Others - 0.5 %



Source: Global Power Synergy

### Major shareholders

- PTT Plc - 47.3 %
- PTTGC Plc - 10.0 %
- TOP Plc - 10.0 %
- Others - 32.7 %



Source: Global Power Synergy

### Catalysts

Key potential catalysts are 1) falling energy prices (i.e. gas and coal); 2) higher Ft; 3) new M&As; and 4) the start-up of the GHECO-One power plant.

### Risks to our call

The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.

### Event calendar

Date	Event
Early Nov 2023	3Q23 financial results announcement
Mid Nov 2023	3Q23 analyst meeting

### Key assumptions

Key assumptions	2021	2022	2023E	2024E	2025E
IPP gas price (THB/mmbtu)	257	465	396	361	321
SPP gas price (THB/mmbtu)	266	478	405	370	330
Coal price (USD/tonne)	80	192	210	150	100
Ft (THB/kWh)	(0.15)	0.40	0.89	0.21	0.10

Source: FSSIA estimates

### Earnings sensitivity

- We estimate that a THB1/mmbtu decrease in the gas price would increase net profit by THB30m per annum and vice versa, all else being equal.
- We estimate that a THB0.01/kWh decrease in the Ft would decrease net profit by THB60m per annum and vice versa, all else being equal.

Source: FSSIA estimates

## Key charts

### Exhibit 1: Key earnings assumptions

Key assumptions	Unit	2021	2022	2023E		2024E		2025E	
				New	Old	New	Old	New	Old
IPP gas price	(THB/mmbtu)	257	465	396	460	361	No chg.	321	351
SPP gas price	(THB/mmbtu)	266	478	405	405	370	No chg.	330	360
Coal price	(USD/tonne)	80	192	210	No chg.	150	No chg.	100	No chg.
Ft	(THB/kWh)	(0.15)	0.40	0.89	1.04	0.21	0.60	0.10	0.40

Sources: GPSC, FSSIA estimates

### Exhibit 2: IPP and SPP performance assumptions

IPP	Unit	2021	2022	2023E	2024E	2025E
<b>Availability</b>						
Sriracha Power Plant	(%)	91%	75%	95%	95%	95%
GIPP	(%)	92%	97%	97%	97%	97%
GHECO-One	(%)	75%	83%	83%	83%	83%
<b>SPP</b>						
SPP sales volume	(GWh)	13,313	13,148	13,276	13,557	12,270
Steam sales volume	(kt)	15,090	14,509	14,792	14,833	13,377

Sources: GPSC, FSSIA estimates

### Exhibit 3: WACC calculations

Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk free rate	2.7	Pretax cost of debt	4.0
Market risk premium	8.0	Marginal tax rate	20
Stock beta	1.18		
Cost of equity, Ke	12	Net cost of debt, Kd	3
Weight applied	30	Weight applied	70
WACC (%)	5.9		

Source: FSSIA's estimates

### Exhibit 4: DCF-based target price valuation

DCF valuation	(THB)	(THB/share)
Operating assets	192,403	68.2
ERU	2,445	0.9
Investment in associates and JVs	62,716	22.2
Net debt	(91,092)	(32.3)
<b>Total</b>	<b>166,471</b>	<b>59.0</b>

Source: FSSIA's estimates

## Financial Statements

### Global Power Synergy

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	74,874	123,685	89,040	85,553	79,262
Cost of goods sold	(63,736)	(120,324)	(81,359)	(77,287)	(68,032)
<b>Gross profit</b>	<b>11,138</b>	<b>3,361</b>	<b>7,681</b>	<b>8,267</b>	<b>11,231</b>
Other operating income	3,236	2,731	1,301	1,497	1,796
Operating costs	(1,374)	(422)	(2,137)	(2,180)	(2,223)
<b>Operating EBITDA</b>	<b>22,231</b>	<b>14,783</b>	<b>15,777</b>	<b>17,416</b>	<b>20,771</b>
Depreciation	(9,232)	(9,113)	(8,932)	(9,832)	(9,968)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>13,000</b>	<b>5,670</b>	<b>6,845</b>	<b>7,584</b>	<b>10,803</b>
Net financing costs	(3,915)	(4,240)	(4,475)	(4,575)	(5,719)
Associates	1,536	1,539	2,311	2,978	3,335
Recurring non-operating income	1,536	1,539	2,311	2,978	3,335
Non-recurring items	(1,588)	(1,888)	0	0	0
<b>Profit before tax</b>	<b>9,032</b>	<b>1,081</b>	<b>4,681</b>	<b>5,986</b>	<b>8,419</b>
Tax	(1,192)	376	(316)	(402)	(655)
<b>Profit after tax</b>	<b>7,840</b>	<b>1,457</b>	<b>4,366</b>	<b>5,584</b>	<b>7,764</b>
Minority interests	(522)	(566)	(505)	(646)	(898)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,319</b>	<b>891</b>	<b>3,861</b>	<b>4,938</b>	<b>6,866</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,588</b>	<b>1,888</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,907</b>	<b>2,779</b>	<b>3,861</b>	<b>4,938</b>	<b>6,866</b>
<b>Per share (THB)</b>					
Recurring EPS *	3.16	0.99	1.37	1.75	2.43
Reported EPS	2.60	0.32	1.37	1.75	2.43
DPS	1.50	0.50	1.30	1.50	1.50
Diluted shares (used to calculate per share data)	2,820	2,820	2,820	2,820	2,820
<b>Growth</b>					
Revenue (%)	7.6	65.2	(28.0)	(3.9)	(7.4)
Operating EBITDA (%)	(2.2)	(33.5)	6.7	10.4	19.3
Operating EBIT (%)	(7.4)	(56.4)	20.7	10.8	42.5
Recurring EPS (%)	(0.6)	(68.8)	38.9	27.9	39.0
Reported EPS (%)	(2.5)	(87.8)	333.1	27.9	39.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.9	2.7	8.6	9.7	14.2
Gross margin exc. depreciation (%)	27.2	10.1	18.7	21.2	26.7
Operating EBITDA margin (%)	29.7	12.0	17.7	20.4	26.2
Operating EBIT margin (%)	17.4	4.6	7.7	8.9	13.6
Net margin (%)	11.9	2.2	4.3	5.8	8.7
Effective tax rate (%)	15.9	82.2	13.3	13.4	12.9
Dividend payout on recurring profit (%)	47.5	50.7	94.9	85.7	61.6
Interest cover (X)	3.7	1.7	2.0	2.3	2.5
Inventory days	44.2	30.9	49.6	44.2	52.6
Debtor days	54.9	49.6	92.7	98.1	87.7
Creditor days	34.7	28.4	45.3	48.6	68.4
Operating ROIC (%)	(2.3)	(1.0)	(7.1)	(7.7)	(20.8)
ROIC (%)	(1.2)	(0.6)	(4.3)	(4.9)	(12.3)
ROE (%)	8.4	2.6	3.6	4.6	6.3
ROA (%)	3.3	0.9	(0.3)	0.0	(1.6)
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Independent power producer	17,558	41,724	13,863	20,507	17,713
Small power producer	55,889	80,519	74,012	63,913	56,678
Very small power producer	689	843	563	561	4,328
Others	738	599	602	572	543

Sources: Global Power Synergy; FSSIA estimates

## Financial Statements

### Global Power Synergy

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,907	2,779	3,861	4,938	6,866
Depreciation	9,232	9,113	8,932	9,832	9,968
Associates & minorities	1,536	1,539	2,311	2,978	3,335
Other non-cash items	1,318	1,318	1,319	1,319	1,320
Change in working capital	(4,686)	(68)	(5,431)	8,725	4,695
<b>Cash flow from operations</b>	<b>16,307</b>	<b>14,681</b>	<b>10,993</b>	<b>27,792</b>	<b>26,184</b>
Capex - maintenance	(6,208)	(6,237)	(8,932)	(9,832)	(9,968)
Capex - new investment	(11,042)	(12,414)	(23,931)	(21,831)	(21,966)
Net acquisitions & disposals	(28,951)	(29,145)	(17,864)	(19,664)	(19,935)
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(46,201)</b>	<b>(47,797)</b>	<b>(50,727)</b>	<b>(51,327)</b>	<b>(51,869)</b>
Dividends paid	0	0	(1,692)	(4,230)	(4,230)
Equity finance	0	0	0	0	0
Debt finance	(2,683)	7,782	5,000	0	0
Other financing cash flows	26,081	25,777	37,601	35,675	36,111
<b>Cash flow from financing</b>	<b>23,398</b>	<b>33,559</b>	<b>40,909</b>	<b>31,445</b>	<b>31,881</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(6,496)</b>	<b>444</b>	<b>1,175</b>	<b>7,911</b>	<b>6,196</b>
Free cash flow to firm (FCFF)	(26,034.15)	(28,816.56)	(35,259.03)	(18,959.66)	(19,965.55)
Free cash flow to equity (FCFE)	(6,496.03)	443.57	2,866.90	12,140.27	10,426.06

#### Per share (THB)

FCFF per share	(9.23)	(10.22)	(12.50)	(6.72)	(7.08)
FCFE per share	(2.30)	0.16	1.02	4.31	3.70
Recurring cash flow per share	7.45	5.23	5.82	6.76	7.62

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	165,325	168,236	183,236	195,236	207,236
Less: Accumulated depreciation	(69,744)	(75,589)	(84,521)	(94,353)	(104,321)
<b>Tangible fixed assets (net)</b>	<b>95,581</b>	<b>92,647</b>	<b>98,715</b>	<b>100,883</b>	<b>102,915</b>
<b>Intangible fixed assets (net)</b>	<b>5,116</b>	<b>3,817</b>	<b>3,817</b>	<b>3,818</b>	<b>3,819</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	27,700	44,372	44,372	44,372	44,372
Cash & equivalents	13,793	14,236	15,411	23,322	29,518
A/C receivable	13,441	20,178	25,027	20,944	17,161
Inventories	6,938	11,915	7,760	8,587	8,136
Other current assets	11,318	6,494	4,675	4,492	4,161
<b>Current assets</b>	<b>45,490</b>	<b>52,822</b>	<b>52,873</b>	<b>57,345</b>	<b>58,977</b>
Other assets	96,492	95,152	90,152	90,152	90,152
<b>Total assets</b>	<b>270,379</b>	<b>288,810</b>	<b>289,929</b>	<b>296,569</b>	<b>300,235</b>
Common equity	108,334	104,730	106,899	107,608	110,244
Minorities etc.	9,413	10,370	10,875	11,521	12,420
<b>Total shareholders' equity</b>	<b>117,748</b>	<b>115,100</b>	<b>117,774</b>	<b>119,129</b>	<b>122,663</b>
Long term debt	92,511	97,957	102,957	102,957	102,957
Other long-term liabilities	37,084	43,560	43,560	43,560	43,560
<b>Long-term liabilities</b>	<b>129,595</b>	<b>141,516</b>	<b>146,516</b>	<b>146,516</b>	<b>146,516</b>
A/C payable	6,407	10,887	7,090	10,887	10,887
Short term debt	9,121	11,457	11,457	11,457	11,457
Other current liabilities	7,508	9,849	7,090	8,579	8,711
<b>Current liabilities</b>	<b>23,036</b>	<b>32,193</b>	<b>25,638</b>	<b>30,924</b>	<b>31,055</b>
<b>Total liabilities and shareholders' equity</b>	<b>270,379</b>	<b>288,810</b>	<b>289,929</b>	<b>296,569</b>	<b>300,235</b>
Net working capital	17,782	17,850	23,281	14,556	9,861
Invested capital	242,671	253,838	260,337	253,781	251,119

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

#### Per share (THB)

Book value per share	38.42	37.14	37.91	38.16	39.10
Tangible book value per share	36.61	35.79	36.56	36.81	37.74

#### Financial strength

Net debt/equity (%)	74.6	82.7	84.1	76.5	69.2
Net debt/total assets (%)	32.5	33.0	34.1	30.7	28.3
Current ratio (x)	2.0	1.6	2.1	1.9	1.9
CF interest cover (x)	2.2	4.0	7.0	8.4	6.7

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>15.3</b>	<b>48.9</b>	<b>35.2</b>	<b>27.6</b>	<b>19.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>18.7</b>	<b>59.9</b>	<b>43.1</b>	<b>33.7</b>	<b>24.2</b>
Reported P/E (x)	18.6	152.6	35.2	27.6	19.8
Dividend yield (%)	3.1	1.0	2.7	3.1	3.1
Price/book (x)	1.3	1.3	1.3	1.3	1.2
Price/tangible book (x)	1.3	1.3	1.3	1.3	1.3
EV/EBITDA (x) **	10.5	16.3	15.6	13.7	11.2
EV/EBITDA @ target price (x) **	11.9	18.4	17.5	15.4	12.7
EV/invested capital (x)	1.0	1.0	0.9	0.9	0.9

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

Sources: Global Power Synergy; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

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

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

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

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

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

### 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)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **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 Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

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

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

#### Disclaimer:

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

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

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

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

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



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

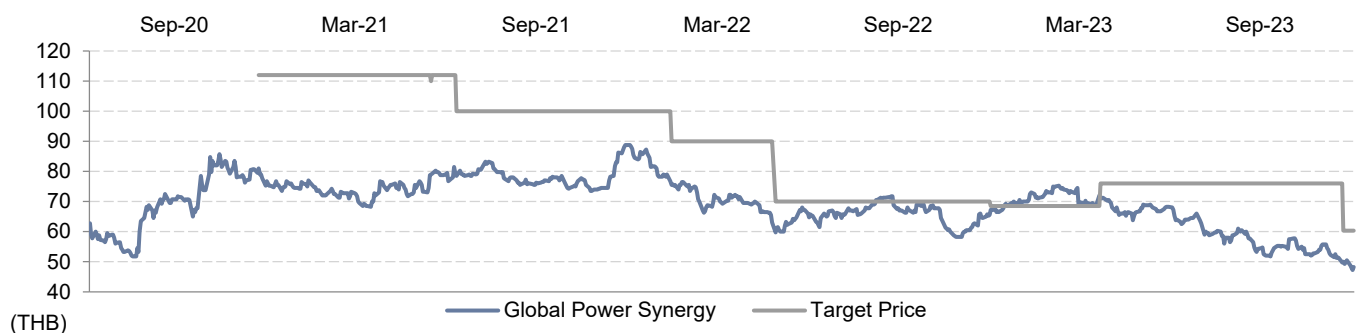
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### History of change in investment rating and/or target price

#### Global Power Synergy (GPSC TB)



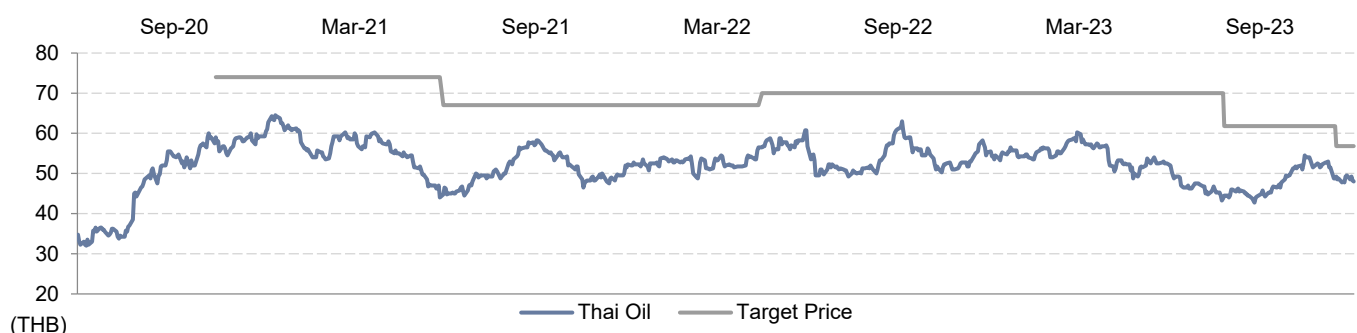
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Feb-2021	BUY	112.00	05-Aug-2021	BUY	100.00	10-Nov-2022	HOLD	68.50
14-Jul-2021	BUY	110.00	07-Feb-2022	BUY	90.00	13-Feb-2023	BUY	76.00
15-Jul-2021	BUY	112.00	06-May-2022	HOLD	70.00	11-Sep-2023	BUY	60.30

Kwanwaree Apichartsatoporn started covering this stock from 11-Sep-2023

Price and TP are in local currency

Source: FSSIA estimates

#### Thai Oil (TOP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2021	BUY	74.00	29-Apr-2022	BUY	70.00	05-Sep-2023	BUY	56.80
30-Jul-2021	BUY	67.00	01-Jun-2023	BUY	61.80			

Kwanwaree Apichartsatoporn started covering this stock from 01-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Global Power Synergy	GPSC TB	THB 48.25	BUY	The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.
Thai Oil	TOP TB	THB 49.50	BUY	Downside risks to our P/BV-based TP are 1) a sharp fall in oil prices; 2) weaker demand for refined oil products; 3) GRM volatility; 4) unplanned refinery shutdowns; and 5) longer-than-expected maintenance of SBM-2.

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 22-Sep-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.