

GULF ENERGY DEVELOPMENT  
THAILAND / UTILITIES

## GULF TB

BUY

UNCHANGED

## กำไรดีแม้ว่าค่าธรรมเนียมนิยมเชื่อเพลิง (Ft) ลดลง

- เราปรับลดประมาณการกำไรต่อหุ้น (EPS) ปี 2024-25 ลง 5.3%/4.8% ในขณะที่ประมาณการ EPS ปี 2023 เกือบไม่เปลี่ยนแปลงหลังปรับสมมติฐานใหม่
- GULF มีกำไรที่แข็งแกร่งที่สุดในกลุ่มฯ ที่เราทำการศึกษา
- ราคาเป้าหมายปี 2024 ใหม่อยู่ที่ 54 บาท คงแนะนำซื้อ GULF

## ปรับลดประมาณการ EPS ปี 2024-25 ลง 5.3%/4.8% ในขณะที่ประมาณการปี 2023 เกือบไม่เปลี่ยนแปลง

จากประชุมคณะกรรมการ (ครม.) เมื่อวันที่ 18 ก.ย. 2023 ที่ประชุมฯ ได้อนุมัติการปรับลดราคาไฟฟ้าในช่วงเดือน ก.ย. - ธ.ค. 2023 ลดลงเป็น 3.99 บาท/kWh ซึ่งหมายถึงค่า Ft ที่ประมาณ 0.21 บาท/kWh ลดลงจากค่า Ft ที่ประกาศอย่างเป็นทางการครั้งล่าสุดของสำนักงานคณะกรรมการกำกับกิจการพลังงาน (ERC) ที่ 0.6686 บาท/kWh ในเดือน ก.ค. 2023 ด้วยเหตุดังกล่าวเราปรับลดประมาณการ EPS ปี 2024-25 ของเราลง 5.3%/4.8% ในขณะที่ประมาณการปี 2023 เกือบไม่เปลี่ยนแปลง คาดการณ์ดังกล่าวมีสมมติฐานจากราคาค่าก๊าซและ Ft ใหม่โดยเราคาดว่าราคาค่า Ft ปี 2023-25 จะอยู่ที่ 405/370/330 บาท/mmbtu (เทียบกับ 439/390/370 บาท/mmbtu ก่อนหน้า) และคาดว่าค่า Ft ปี 2023-25 จะอยู่ที่ 0.89/0.21/0.10 บาท/kWh (เทียบกับ 0.89/0.79/0.69 บาท/kWh ก่อนหน้า) อย่างไรก็ตามเราปรับลดประมาณการ EPS ปี 2023 ของเราลงเพียง 0.2% เนื่องจากสมมติฐานค่า Ft ปี 2023 ของเราได้สะท้อนตัวเลขจริงของปี 2023 ในปัจจุบันไปเกือบหมดแล้ว เราเชื่อว่าค่า Ft ในเดือน ก.ย. - ธ.ค. 2023 จะไม่เปลี่ยนแปลงอีกและน่าจะทรงตัวในระดับนี้ตลอดปี 2024

## คาดแนวโน้มที่ดีในช่วง 2H23

แม้ว่าค่า Ft ในเดือน ก.ย. - ธ.ค. 2023 จะลดลง เราคาดว่ากำไรในช่วง 2H23 จะยังอยู่ในเกณฑ์ดีและโต 43.4% h-h โดยได้ปัจจัยหนุนจาก 1.) การเริ่มดำเนินการเชิงพาณิชย์ (COD) ของ GPD ระยะที่ 2 (โรงไฟฟ้าขนาดใหญ่ (IPP), 662MW) ในเดือน ต.ค. 2023; 2.) ส่วนแบ่งกำไรที่เพิ่มขึ้นจากฤดูกาลที่ดีในธุรกิจโรงไฟฟ้าพลังลมและส่วนแบ่งที่สูงขึ้นจาก PTT NGD จากต้นทุนก๊าซที่ลดลง

## กำไรมีความแข็งแกร่งที่สุดในกลุ่มฯ ที่เราทำการศึกษา

เราคาดว่า GULF จะเป็นหุ้นโรงไฟฟ้าที่มีความแข็งแกร่งที่สุดในกลุ่มฯ จากพอร์ตที่มีการกระจายความเสี่ยง นอกจากนี้บริษัทฯ ยังมีรายได้กว่า 70% จากสัญญาซื้อขายไฟฟ้า (PPA) ที่ยอมให้ส่งผ่านต้นทุนให้แก่ กฟผ. เมื่อวันที่ 13 ก.ย. 2023 GULF พังเซ็น PPA 29 ปีกับโครงการโรงไฟฟ้าพลังน้ำในลาว (Pak Beng, ถือหุ้น 49%, กำลังการผลิตติดตั้ง 912MW และ SCOD ในปี 2033) เพื่อขายไฟฟ้าที่ผลิตได้ทั้งหมดให้แก่ กฟผ. การเซ็น PPA นี้ก็เป็นที่ไปตามแผนและช่วงเวลาที่บริษัทฯ แพลนไว้ กำลังการผลิตตามส่วนการลงทุนของบริษัทฯ น่าจะโต 6.6% CAGR (2022-33) นอกจากนี้บริษัทฯ ยังมีแผนควบรวมและซื้อกิจการในธุรกิจพลังงานหมุนเวียนเพิ่มเติมอีก

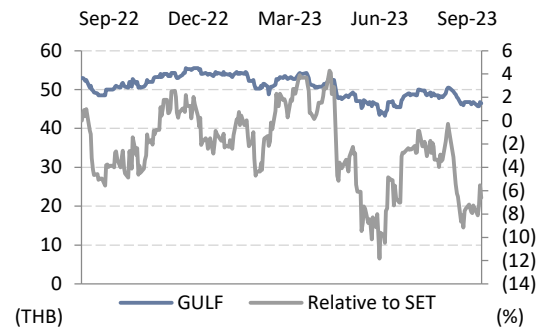
## ราคาเป้าหมายใหม่อยู่ที่ 54.0 บาท คงแนะนำซื้อ

เราคงแนะนำซื้อ GULF หลังปรับราคาเป้าหมายไปในปี 2024 ที่ 54.0 บาท (SoTP) จาก 52.30 บาทก่อนหน้า เราประเมินมูลค่าธุรกิจผลิตไฟฟ้า พลังงานหมุนเวียนและสาธารณูปโภคของ GULF ด้วยวิธี DCF (WACC 5.9%, Cost of equity 12%, Cost of debt 4%) ในขณะที่เราประเมินมูลค่าธุรกิจอื่นโดยใช้วิธี SoTP

TARGET PRICE	THB54.00
CLOSE	THB46.50
UP/DOWNSIDE	+16.1%
PRIOR TP	THB52.30
CHANGE IN TP	+3.3%
TP vs CONSENSUS	-7.0%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	94,151	110,420	127,285	131,630
Net profit	11,418	16,381	18,824	23,694
EPS (THB)	0.97	1.40	1.60	2.02
vs Consensus (%)	-	9.8	(0.9)	3.0
EBITDA	22,767	24,754	26,537	32,703
Recurring net profit	12,637	16,381	18,824	23,694
Core EPS (THB)	1.08	1.40	1.60	2.02
Chg. In EPS est. (%)	-	(0.2)	(5.3)	(4.8)
EPS growth (%)	43.4	29.6	14.9	25.9
Core P/E (x)	43.2	33.3	29.0	23.0
Dividend yield (%)	1.3	1.5	1.7	2.2
EV/EBITDA (x)	29.7	27.3	25.7	21.1
Price/book (x)	4.9	4.5	4.2	3.8
Net debt/Equity (%)	77.2	68.5	62.2	56.7
ROE (%)	12.2	14.2	15.0	17.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.0)	6.9	(13.9)
Relative to country (%)	(5.6)	6.0	(6.9)
Mkt cap (USD m)			15,153
3m avg. daily turnover (USD m)			24.6
Free float (%)			27
Major shareholder		Mr. Sarath Ratanavadi (36%)	
12m high/low (THB)			56.25/43.00
Issued shares (m)			11,733.15

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 25 กันยายน 2023

### Investment thesis

As of August 2023, the company had a total gross installed capacity of 11,736 MW, which translates into an equity capacity of 6,241 MW. Independent power producers (IPPs) represent 70% of its capacity, followed by small power producers (SPPs) at 21%, and renewables at 9%, which altogether make GULF one of the largest power companies and IPP operators in Thailand.

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

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

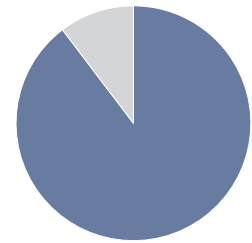
### Company profile

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

[www.gulf.co.th](http://www.gulf.co.th)

### Principal activities (revenue, 2022)

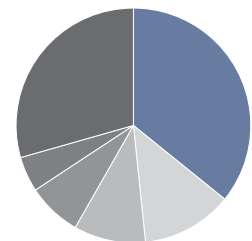
- Power business - 89.7 %
- Consulting business - 10.3 %



Source: Gulf Energy Development

### Major shareholders

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



Source: Gulf Energy Development

### Catalysts

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

### Risks to our call

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

### Event calendar

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

### Key assumptions

(THB/kWh)	2022	2023E	2024E	2025E
GMP's ASP sold to IU	3.87	4.33	3.69	3.59
GMP's ASP sold to EGAT	5.04	4.86	4.78	4.67
IPD's ASP (IPP)	4.70	3.69	3.46	3.04
Ft	0.40	0.89	0.21	0.10
Gas cost (THB/mmbtu)	495	405	370	330

Source: FSSIA estimates

### Earnings sensitivity

- We estimate that a THB1/mmbtu decrease in the gas price would increase net profit by THB12m 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 THB20m per annum and vice versa, all else being equal.

Source: FSSIA estimates



## Key charts

### Exhibit 1: Key earnings assumptions

	Unit	2022	2023E		2024E		2025E	
			New	Old	New	Old	New	Old
GMP's ASP sold to IU	(THB/kWh)	3.87	4.33	4.33	3.69	4.23	3.59	4.14
GMP's ASP sold to EGAT	(THB/kWh)	5.04	4.86	4.93	4.78	4.82	4.67	4.77
IPD's ASP (IPP)	(THB/kWh)	4.70	3.69	3.93	3.46	3.62	3.04	3.32
Ft	(THB/kWh)	0.40	0.89	0.89	0.21	0.79	0.10	0.69
Gas cost	(THB/mmbtu)	495	405	439	370	390	330	370

Sources: GULF, FSSIA's estimates

### Exhibit 2: Sales volume assumptions

Sales volume	Unit	2022	2023E	2024E	2025E
GMP (12 SPPs - 1.6 GW)	(GWh)	9,646	9,886	10,005	10,014
IPD (2 IPPs - 5.3 GW)	(GWh)	7,327	16,151	23,058	28,470
Stream (GMP)	(kt)	682	760	723	740

Sources: GULF, FSSIA's estimates

### Exhibit 3: Target price valuation

SOTP valuation	(THB)	(THB/share)	Comment
Power generation	406,014	34.6	DCF - WACC 5.9%
Renewables	143,298	12.2	DCF - WACC 5.9%
Gas business	2,981	0.3	1x Book value
Infrastructure	41,181	3.5	SoTP
Digital	142,271	12.1	SoTP
Net debt	(102,037)	(8.7)	2024E
<b>Total</b>	<b>633,708</b>	<b>54.0</b>	

Sources: FSSIA's estimates

## Financial Statements

### Gulf Energy Development

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	47,467	94,151	110,420	127,285	131,630
Cost of goods sold	(34,388)	(74,711)	(87,204)	(102,836)	(101,675)
<b>Gross profit</b>	<b>13,079</b>	<b>19,440</b>	<b>23,216</b>	<b>24,449</b>	<b>29,955</b>
Other operating income	-	-	-	-	-
Operating costs	(1,155)	(1,736)	(3,044)	(3,135)	(3,292)
<b>Operating EBITDA</b>	<b>16,913</b>	<b>22,767</b>	<b>24,754</b>	<b>26,537</b>	<b>32,703</b>
Depreciation	(4,989)	(5,063)	(4,582)	(5,222)	(6,039)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>11,924</b>	<b>17,704</b>	<b>20,172</b>	<b>21,314</b>	<b>26,664</b>
Net financing costs	(6,587)	(8,036)	(8,225)	(8,224)	(8,548)
Associates	2,886	6,321	9,160	11,126	12,518
Recurring non-operating income	5,319	7,004	9,259	11,226	12,620
Non-recurring items	(1,142)	(1,219)	0	0	0
<b>Profit before tax</b>	<b>9,514</b>	<b>15,453</b>	<b>21,206</b>	<b>24,317</b>	<b>30,736</b>
Tax	(347)	(1,344)	(964)	(1,055)	(1,457)
<b>Profit after tax</b>	<b>9,167</b>	<b>14,109</b>	<b>20,242</b>	<b>23,261</b>	<b>29,278</b>
Minority interests	(1,497)	(2,691)	(3,861)	(4,437)	(5,585)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,670</b>	<b>11,418</b>	<b>16,381</b>	<b>18,824</b>	<b>23,694</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,142</b>	<b>1,219</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,812</b>	<b>12,637</b>	<b>16,381</b>	<b>18,824</b>	<b>23,694</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.75	1.08	1.40	1.60	2.02
Reported EPS	0.65	0.97	1.40	1.60	2.02
DPS	0.44	0.60	0.70	0.80	1.01
Diluted shares (used to calculate per share data)	11,733	11,733	11,733	11,733	11,733
<b>Growth</b>					
Revenue (%)	44.6	98.3	17.3	15.3	3.4
Operating EBITDA (%)	58.5	34.6	8.7	7.2	23.2
Operating EBIT (%)	64.7	48.5	13.9	5.7	25.1
Recurring EPS (%)	96.8	43.4	29.6	14.9	25.9
Reported EPS (%)	79.1	48.9	43.5	14.9	25.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	27.6	20.6	21.0	19.2	22.8
Gross margin exc. depreciation (%)	38.1	26.0	25.2	23.3	27.3
Operating EBITDA margin (%)	35.6	24.2	22.4	20.8	24.8
Operating EBIT margin (%)	25.1	18.8	18.3	16.7	20.3
Net margin (%)	18.6	13.4	14.8	14.8	18.0
Effective tax rate (%)	5.2	14.7	8.0	8.0	8.0
Dividend payout on recurring profit (%)	58.6	55.7	50.0	50.0	50.0
Interest cover (X)	2.6	3.1	3.6	4.0	4.6
Inventory days	-	-	-	-	-
Debtor days	58.6	55.4	66.5	64.5	69.5
Creditor days	27.5	27.7	36.1	36.2	39.6
Operating ROIC (%)	(1.9)	(3.1)	(3.7)	(3.5)	(22.8)
ROIC (%)	(1.3)	(1.5)	(1.6)	(1.8)	(12.1)
ROE (%)	11.0	12.2	14.2	15.0	17.2
ROA (%)	3.0	3.5	4.5	5.1	4.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Power business	45,373	84,424	105,159	122,732	130,210
Consulting business	2,094	9,727	5,261	4,553	1,420
Others	-	-	-	-	-

Sources: Gulf Energy Development; FSSIA estimates

## Financial Statements

### Gulf Energy Development

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,812	12,637	16,381	18,824	23,694
Depreciation	4,989	5,063	4,582	5,222	6,039
Associates & minorities	2,886	6,321	9,160	11,126	12,518
Other non-cash items	-	-	-	-	-
Change in working capital	1,823	(7,112)	486	413	(2,498)
<b>Cash flow from operations</b>	<b>18,510</b>	<b>16,909</b>	<b>30,609</b>	<b>35,585</b>	<b>39,752</b>
Capex - maintenance	(4,285)	(4,320)	(3,997)	(4,580)	(5,330)
Capex - new investment	(1,114)	(169)	(11,589)	(16,062)	(20,379)
Net acquisitions & disposals	(113,494)	(55,360)	0	0	0
Other investments (net)	55,878	6,937	9,239	11,207	12,600
<b>Cash flow from investing</b>	<b>(63,015)</b>	<b>(52,913)</b>	<b>(6,346)</b>	<b>(9,435)</b>	<b>(13,109)</b>
Dividends paid	(2,933)	(5,163)	(7,040)	(8,191)	(9,412)
Equity finance	0	0	0	0	0
Debt finance	54,256	(7,713)	(22,803)	0	0
Other financing cash flows	(2,874)	68,226	(14,537)	(17,895)	(19,533)
<b>Cash flow from financing</b>	<b>48,449</b>	<b>55,351</b>	<b>(44,380)</b>	<b>(26,086)</b>	<b>(28,945)</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>3,944</b>	<b>19,347</b>	<b>(20,118)</b>	<b>64</b>	<b>(2,301)</b>
Free cash flow to firm (FCFF)	(38,909.14)	(28,352.65)	32,722.78	34,488.28	35,306.09
Free cash flow to equity (FCFE)	6,877.73	24,509.10	(13,077.99)	8,254.38	7,110.87

#### Per share (THB)

FCFF per share	(3.32)	(2.42)	2.79	2.94	3.01
FCFE per share	0.59	2.09	(1.11)	0.70	0.61
Recurring cash flow per share	1.42	2.05	2.57	3.00	3.60

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	144,790	121,811	136,811	156,811	181,811
Less: Accumulated depreciation	(14,662)	(22,256)	(26,253)	(30,833)	(36,164)
<b>Tangible fixed assets (net)</b>	<b>130,128</b>	<b>99,555</b>	<b>110,558</b>	<b>125,978</b>	<b>145,647</b>
<b>Intangible fixed assets (net)</b>	<b>18,964</b>	<b>3,873</b>	<b>3,873</b>	<b>3,873</b>	<b>3,873</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	135,573	160,934	160,934	160,934	160,934
Cash & equivalents	19,847	39,194	19,075	19,139	16,838
A/C receivable	9,569	18,999	21,207	23,753	26,386
Inventories	0	0	0	0	0
Other current assets	9,395	12,057	14,140	16,300	16,856
<b>Current assets</b>	<b>38,811</b>	<b>70,249</b>	<b>54,423</b>	<b>59,192</b>	<b>60,080</b>
Other assets	39,197	83,561	83,561	83,561	83,561
<b>Total assets</b>	<b>362,674</b>	<b>418,172</b>	<b>413,349</b>	<b>433,538</b>	<b>454,095</b>
Common equity	96,596	110,787	120,128	130,762	145,043
Minorities etc.	10,913	25,015	28,876	33,313	38,898
<b>Total shareholders' equity</b>	<b>107,509</b>	<b>135,802</b>	<b>149,004</b>	<b>164,075</b>	<b>183,941</b>
Long term debt	138,761	119,176	119,176	119,176	119,176
Other long-term liabilities	81,387	111,326	111,326	111,326	111,326
<b>Long-term liabilities</b>	<b>220,148</b>	<b>230,502</b>	<b>230,502</b>	<b>230,502</b>	<b>230,502</b>
A/C payable	3,080	7,484	8,878	10,489	10,277
Short term debt	12,931	24,803	2,000	2,000	2,000
Other current liabilities	19,005	19,581	22,964	26,472	27,375
<b>Current liabilities</b>	<b>35,016</b>	<b>51,868</b>	<b>33,843</b>	<b>38,961</b>	<b>39,652</b>
<b>Total liabilities and shareholders' equity</b>	<b>362,674</b>	<b>418,172</b>	<b>413,349</b>	<b>433,538</b>	<b>454,095</b>
Net working capital	(3,121)	3,991	3,505	3,092	5,590
Invested capital	320,742	351,914	362,431	377,438	399,605

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

#### Per share (THB)

Book value per share	8.23	9.44	10.24	11.14	12.36
Tangible book value per share	6.62	9.11	9.91	10.81	12.03

#### Financial strength

Net debt/equity (%)	122.6	77.2	68.5	62.2	56.7
Net debt/total assets (%)	36.4	25.1	24.7	23.5	23.0
Current ratio (x)	1.1	1.4	1.6	1.5	1.5
CF interest cover (x)	2.2	4.1	0.8	4.0	4.2

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>61.9</b>	<b>43.2</b>	<b>33.3</b>	<b>29.0</b>	<b>23.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>71.9</b>	<b>50.1</b>	<b>38.7</b>	<b>33.7</b>	<b>26.7</b>
Reported P/E (x)	71.1	47.8	33.3	29.0	23.0
Dividend yield (%)	0.9	1.3	1.5	1.7	2.2
Price/book (x)	5.6	4.9	4.5	4.2	3.8
Price/tangible book (x)	7.0	5.1	4.7	4.3	3.9
EV/EBITDA (x) **	40.7	29.7	27.3	25.7	21.1
EV/EBITDA @ target price (x) **	45.9	33.5	30.9	29.0	23.8
EV/invested capital (x)	2.1	1.9	1.9	1.8	1.7

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

Sources: Gulf Energy Development; FSSIA estimates

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

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

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

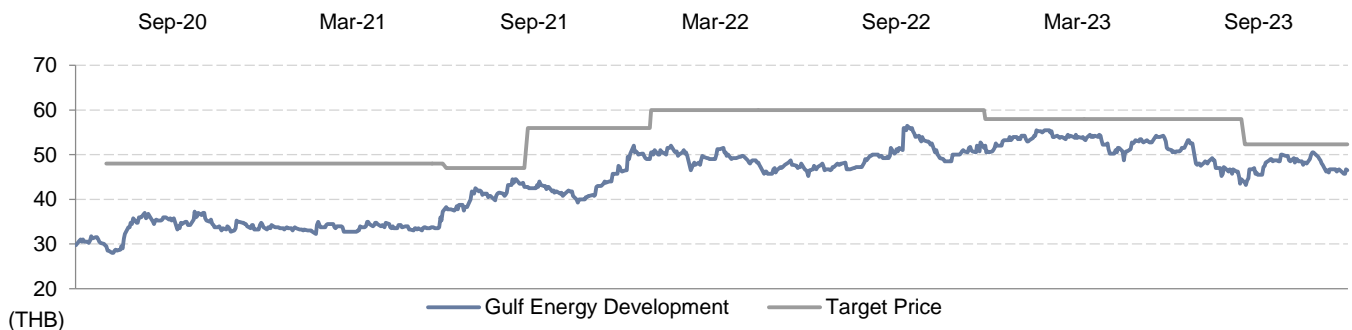
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### History of change in investment rating and/or target price

#### Gulf Energy Development (GULF TB)



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

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Gulf Energy Development	GULF TB	THB 46.50	BUY	The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.

Source: FSSIA estimates

### Additional Disclosures

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

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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 (target price\* - current price) / 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.