

Thailand Market Strategy

Still hope for acceleration of Thai economy in 2024

- Higher-for-longer interest rate continues to pressure global risk assets from both economic expansion and valuation.
- We still expect the Thai economy to outpace the global economy in 2024 thanks to various stimulus packages.
- Maintain our mid-2024 SET target at 1,650. Our top picks are AOT, BBL, BDMS, CENTEL, CPALL, CPN, NSL, and TU.

Higher-for-longer interest rate continues to pressure risk assets

From the latest FOMC meeting, the Fed's dot plot signals that it might enact another rate hike this year to 5.50-5.75%, and is likely to make two cuts in 2024 to 5-5.25% compared to four cuts in the June 2023 meeting. This implies that the interest rate would stay higher for longer for the next 3-4 quarters. This should continue to put pressure on global equities, which still have a limited upside and could see a further retreat due to a very low earnings yield gap from an abnormally high US bond yield in 2023-24E.

Still hope on upcoming stimulus packages for Thai economy

We still expect the Thai economy to accelerate in 4Q23-2024 thanks to various stimulus packages, i.e. cutting the oil and electricity prices, increasing the minimum wage, debt suspension for farmers and some SMEs, and the THB10,000 digital money handout. The BoT revised down 2023E GDP growth to +2.8% y-y but raised 2024E to +4.4% y-y. The MPC decided to hike the policy rate by another 0.25% to its neutral rate of 2.50%, but still eyes an upside risk to inflation from potential increases in food prices from El Nino.

THB likely to strengthen in 2024, triggering fund flows to return

The THB has depreciated by c5% YTD to cTHB36.50/USD due to weak Thai exports and the tourism low season. This turned the current account balance into a deficit for four out of eight months this year vs the strong surplus before Covid. However, we anticipate the THB could strengthen in 2024 from a better current account balance due to 1) the upcoming tourism high season; 2) an export recovery; and 3) a narrowing gap between the Fed funds and MPC rate. This could encourage foreign fund flows to return after posting a net outflow of over THB150b in 2023YTD. Key downsides for the current account balance are higher-than-expected crude and commodities prices and lower-than-anticipated tourist arrivals.

Maintain mid-2024 SET target at 1,650; still prefer domestic plays

We maintain our mid-2024 SET target of 1,650, based on a 12-month forward EPS of THB94.50, with a PER multiple of 17x (10-year average). The SET index is currently trading at a 2024E PER of 15x, which is attractive for long-term investment. We are sticking to our domestic-focused strategy in line with the economic expansion of stocks with bright 2H23-2024 earnings outlooks and attractive valuations. Our top picks are AOT, BBL, BDMS, CENTEL, CPALL, CPN, NSL, and TU.



Veeravat Virochpoka

Strategist, register no. 047077
veeravat.v@fssia.com, +66 2646 9821

Songklod Wongchai

Strategist, register no. 018086
songklod.won@fssia.com, +66 2611 3553

Stronger US economy comes with higher-for-longer Fed funds rate

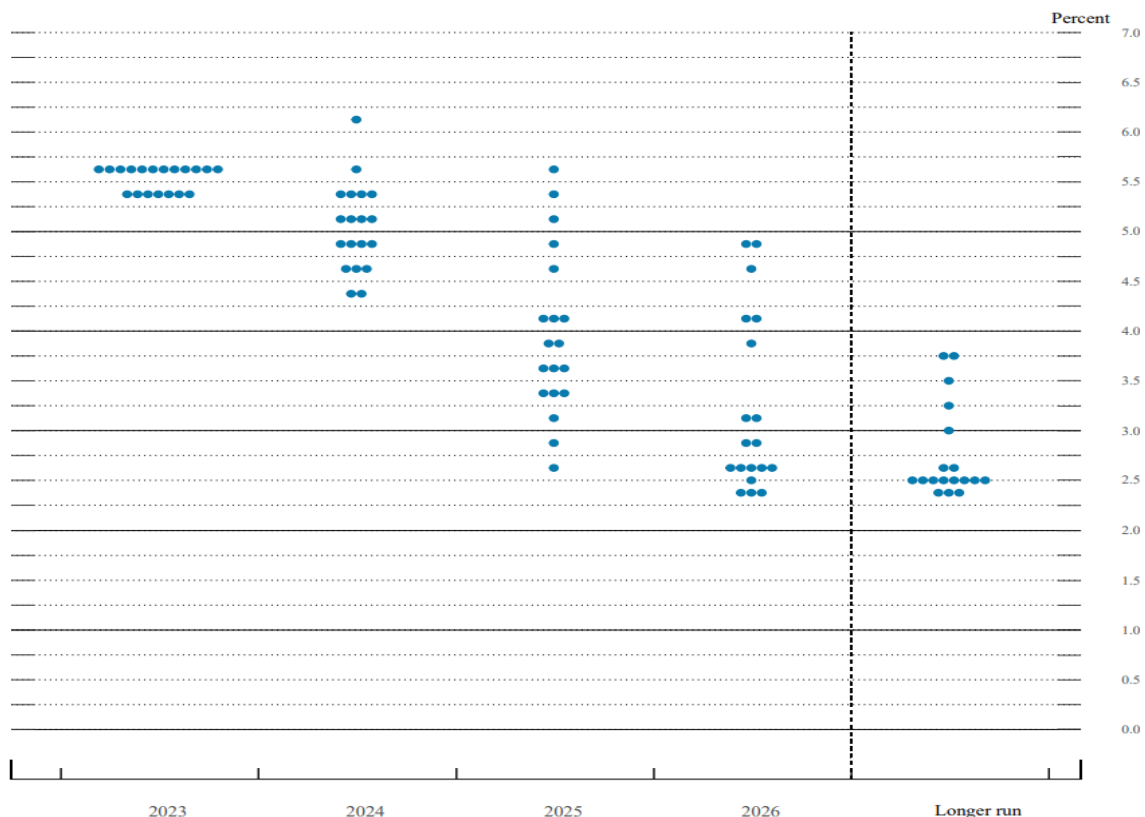
At the latest FOMC meeting, the Fed revised up the US GDP growth rate in 2023-24 to +2.1% y-y and +1.5% y-y, respectively, up from +1% y-y and +1.1% y-y in the June 2023 meeting, to reflect the stronger and more resilient-than-expected US economy, even when faced with a higher interest rate. However, stronger GDP is likely to continue pulling the inflation rate up to stay higher than the Fed's target of 2% for the next 2-3 years. The US central bank expects core PCE to increase by 3.7%/2.6%/2.3% y-y in 2023-25. The September 2023's dot plot signals that the Fed might enact another rate hike this year to 5.50-5.75%, and is likely to make two cuts in 2024 to 5-5.25% compared to four cuts in the June 2023 meeting. This implies that the interest rate would stay higher for longer for the next 3-4 quarters. The first rate cut might happen in late 3Q24 or early 4Q24. We maintain our view that global equity still has a limited upside and could see a further retreat due to very high US bond yields, as the US10Y bond yield increased to c4.5% currently.

Exhibit 1: FOMC latest economic projections, September 2023

| | Median | | | | | |
|---------------------------|------------|------------|------------|------------|------------|-----|
| | 2023 | 2024 | 2025 | 2026 | Longer run | |
| | (%) | (%) | (%) | (%) | (%) | (%) |
| Change in real GDP | 2.1 | 1.5 | 1.8 | 1.8 | 1.8 | |
| vs June projection | 1.0 | 1.1 | 1.8 | - | 1.8 | |
| Unemployment rate | 3.8 | 4.1 | 4.1 | 4.0 | 4.0 | |
| vs June projection | 4.1 | 4.5 | 4.5 | - | 4.0 | |
| PCE inflation | 3.3 | 2.5 | 2.2 | 2.0 | 2.0 | |
| vs June projection | 3.2 | 2.5 | 2.1 | - | 2.0 | |
| Core PCE inflation | 3.7 | 2.6 | 2.3 | 2.0 | | |
| vs June projection | 3.9 | 2.6 | 2.2 | - | | |
| Federal funds rate | 5.6 | 5.1 | 3.9 | 2.9 | 2.5 | |
| vs June projection | 5.6 | 4.6 | 3.4 | - | 2.5 | |

Source: [Federal Open Market Committee \(FOMC\)](#)

Exhibit 2: The Fed's September 2023 dot plot

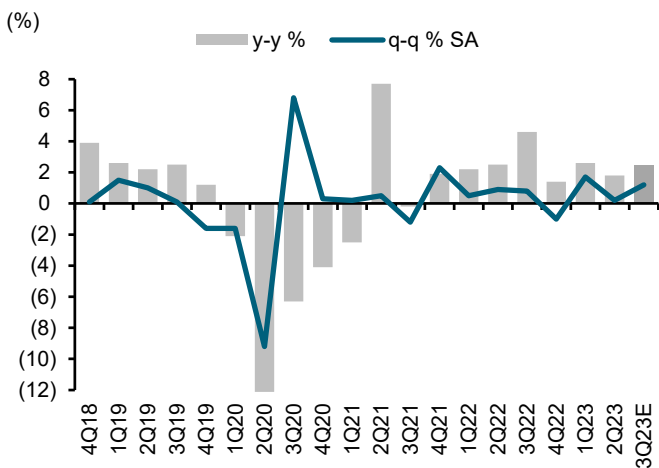


Source: Federal Reserve System (FED)

MPC hikes rate to 2.50%; TH GDP to accelerate in 2024

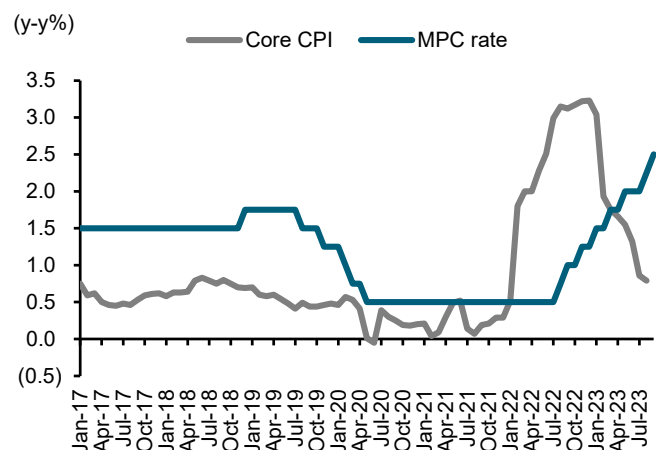
We think 3Q23 should see some improvement but it might be another unattractive quarter in terms of GDP growth, as domestic consumption is entering the low rainy season while the government’s formation has been delayed to late August 2023. The Bloomberg consensus expects 3Q23 TH GDP to grow by 1.2% q-q and 2.5% y-y. However, the new cabinet has started working in September 2023, and we think the market could look beyond the poor numbers and focus on a brighter economic outlook in 4Q23-2024 thanks to the potential stimulus packages. The BoT cut its economic projections and now expects TH GDP to increase by 2.8% y-y in 2023 (from +3.6% y-y), mainly from weaker-than-expected goods exports and lower government spending and investment. However, the central bank expects growth to accelerate to +4.4% y-y (from +3.8% y-y) in 2024. Key drivers would come from stronger domestic consumption and the recovery of exports and tourist arrivals. In terms of monetary policy, the MPC hiked its policy rate by another 0.25% to 2.50%, which it expects to be the neutral level in line with economic expansion. However, the BoT is still eyeing upside risks to inflation from potential increases in food prices from El Nino and cost pass-throughs in case they are higher than currently projected.

Exhibit 3: Quarterly TH GDP growth



Source: NESDC and Bloomberg

Exhibit 4: Thailand’s core CPI and MPC rate



Source: BoT and Bloomberg

Exhibit 5: NESDC and BoT economic projections

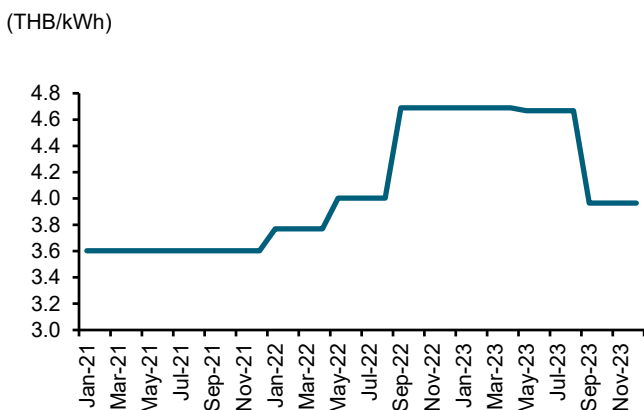
| | 2019 | 2020 | 2021 | 2022 | NESDC | Bank of Thailand | |
|--------------------------------|--------|--------|--------|--------|---------|------------------|--------|
| | (y-y%) | (y-y%) | (y-y%) | (y-y%) | 2023E | 2023E | 2024E |
| | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) |
| Real GDP growth | 2.3 | (6.4) | 1.5 | 2.6 | 2.5-3.0 | 2.8 | 4.4 |
| Private consumption | 4.0 | (0.8) | 0.6 | 6.3 | 5.0 | 6.1 | 4.6 |
| Private investment | 2.7 | (8.1) | 3.0 | 5.1 | 1.5 | 1.0 | 4.9 |
| Public consumption | 1.7 | 1.4 | 3.7 | (0.0) | (3.1) | (3.1) | 1.4 |
| Public investment | 0.1 | 5.1 | 3.4 | (4.9) | 2.0 | 1.3 | 4.8 |
| Export value growth (USD b) | (3.3) | (6.5) | 19.2 | 5.5 | (1.8) | (1.7) | 4.2 |
| Headline inflation | 0.7 | (0.8) | 1.2 | 6.1 | 1.7-2.2 | 1.6 | 2.6 |
| 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 | 28.5 | 35.0 |

Sources: NESDC and BoT

Government policy to reduce household expenses would help consumption

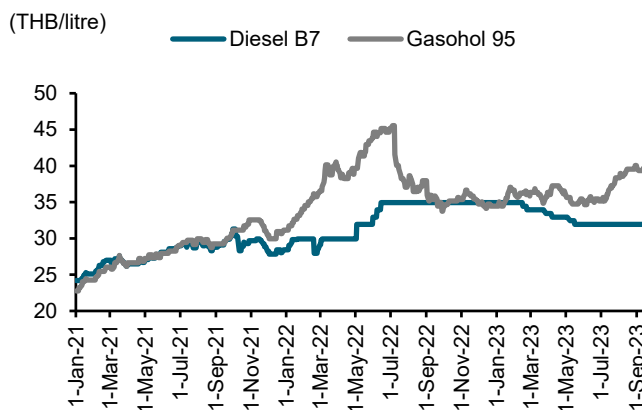
The recent cabinet meetings focused on reducing household expenses. Key measures are a cut in the electricity price by 10% from THB4.45 per unit to THB3.99 per unit and a cut in the diesel price by 6% from THB31.94 per litre to THB29.94 per litre until the end of 2023. Meanwhile, meat prices continue to stay in the low range. Moreover, the government has launched a three-year debt suspension program for farmers and one-year debt suspension for certain SMEs that faced unusual difficulties from the pandemic. These should benefit consumption sectors, i.e. commerce, restaurant, beverage and finance, thanks to higher spending power, and could lead to higher GDP growth in 4Q23 onward.

Exhibit 6: Electricity tariff



Source: Energy Regulatory Commission

Exhibit 7: Retail oil price

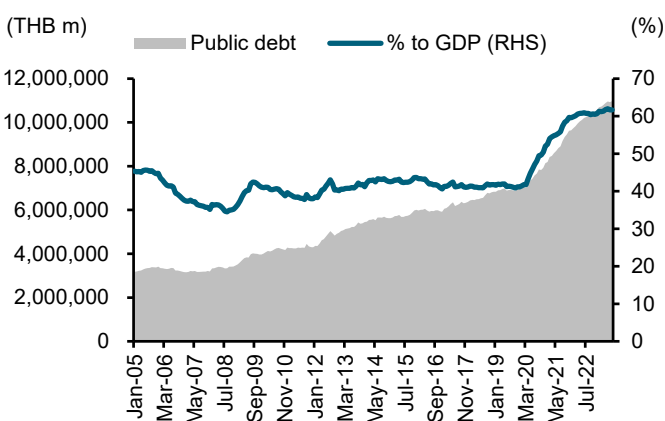


Sources: PTT and Aspen

Key market concern is effectiveness of THB560b Digital Money Stimulus

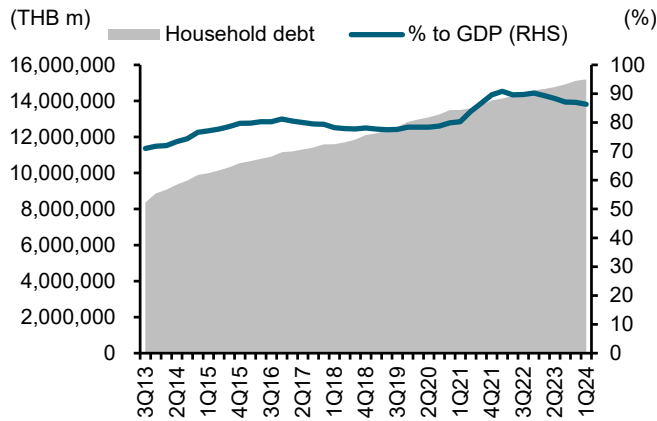
A key issue for investors is the policy of a one-time handout of THB10,000 in digital money to every person aged 16, planned for release in early 2024 and requiring a budget of about THB560b, which would be equal to c3% of annual nominal GDP. Key concerns for the market are the effectiveness of the policy in terms of multiplier effect – the government expects around 2-3x, which could provide an upside for GDP growth to hit c5% y-y in 2024. However, some economists expect the multiplier effect might be only 1x or below, lower than the government anticipates, and might be not worthwhile compared to other optional targeted policies. Moreover, the source of the budget is still unclear. If we assume that the entire budget for the policy has to be funded by debt, it should increase public debt to GDP from c61% currently to c64%, closer to the ceiling of 70%. This might limit the ability of the government to launch stimulus packages and investments over the long term, which could lead to a sovereign credit rating and outlook downgrade, as Thailand is one of the fastest aging countries in the world over the next decade based on a World Health Organization (WHO) study, which could limit long-term potential economic growth.

Exhibit 8: Public debt to GDP



Source: Public Debt Management Office (PDMO)

Exhibit 9: Household debt to GDP



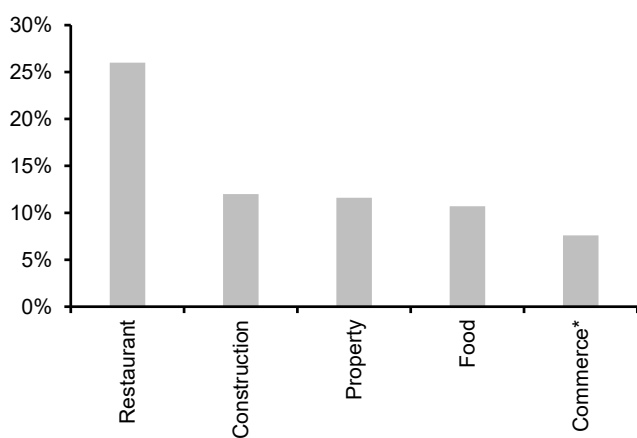
Source: BoT

Minimum wage hike may impact short-term; offset by higher spending power

We conducted an analysis about the potential minimum wage hike in our strategy report published on 31 May 2023 following the general election in which the Move Forward Party planned to raise the minimum wage by 27% from THB353 per day to THB450 per day. However, the number has changed to THB400 per day after Pheu Thai became leader of the coalition.

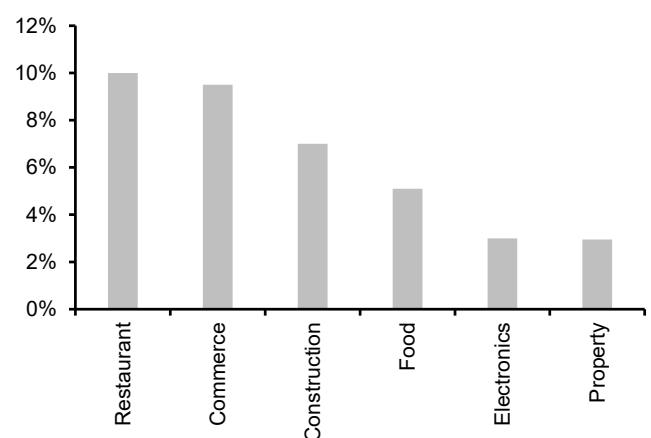
If we calculate by assuming a 13% increase in the minimum wage with the proportion of minimum wage labour at c30-50% of total labour cost, it could affect net profits by 2-10%, assuming all other factors are equal. The range of impact is based on the level of the labour contribution to revenue, and the net margin for each company. Restaurant and commerce sectors are likely to have the greatest negative impact. However, we think it could be offset by higher purchasing power. Moreover, corporates could improve operational efficiency, benefit from lower utilities costs, and increase their selling prices to offset their higher costs.

Exhibit 10: Labour cost as percentage of cost of goods sold



Note: * Commerce is based on % of revenue as most labour cost is in SG&A item
Source: FSSIA estimates

Exhibit 11: Impact of a 13% wage increase on 2024E net profit, all else being equal



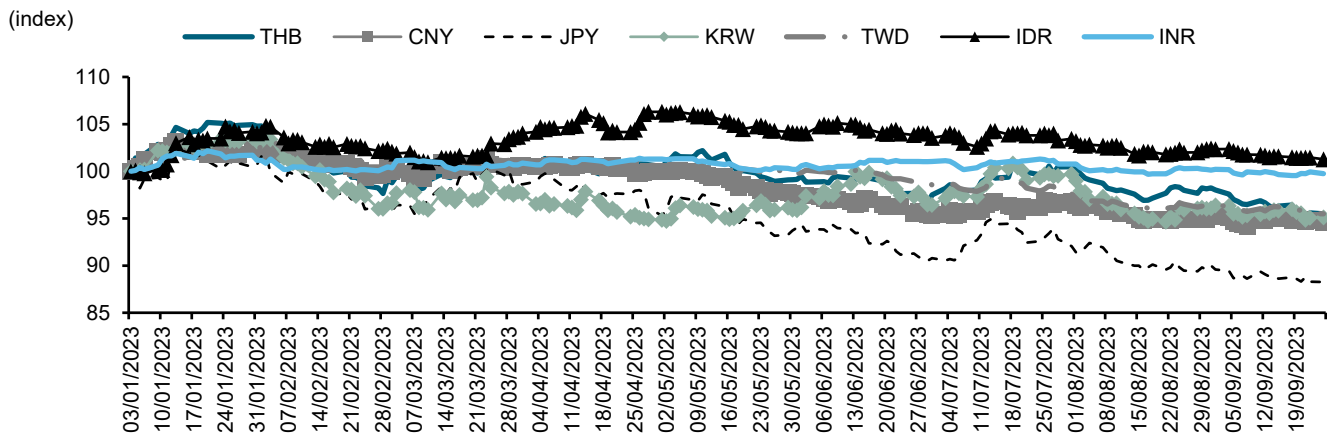
Source: FSSIA estimates

Weak THB short-term; could strengthen on tourism season & export recovery

Most Asian currencies have depreciated by an average of 4.3% YTD vs the USD due to the Fed's hawkish interest rate hike from 4.25-4.5% in 2022 to 5.25-5.5% currently. The JYP currency is the most underperforming as the Bank of Japan continues to keep interest rates negative. For THB, the currency has depreciated by c5% YTD to cTHB36.50/USD, relatively in line with the regional trend. Moreover, the weak Thai exports in 2023 and tourism low season in 2Q23-3Q23 reflect that the current account balance turned into a deficit for four out of eight months this year. In 2015-20, Thailand's current account balance was positive by an average of cUSD2.8b per month vs a deficit of USD0.7b per month in 2021-23YTD.

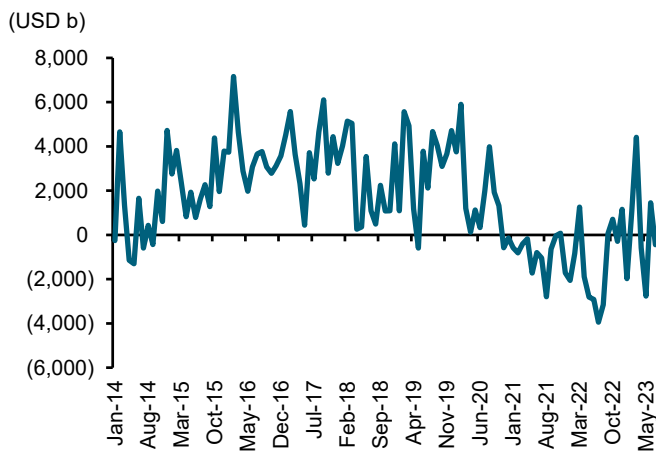
However, we anticipate that the THB could strengthen in 2024 from a better current account balance thanks to 1) the tourism industry is entering the high season; 2) an export recovery; and 3) a narrowing gap between the Fed funds rate and MPC rate. This could encourage foreign fund flows to return after posting a net outflow of over THB150b in 2023YTD. Key downsides for the current account balance are higher-than-expected crude and commodities prices and a lower-than-anticipated number of tourist arrivals.

Exhibit 12: YTD performance of Asian currencies vs USD



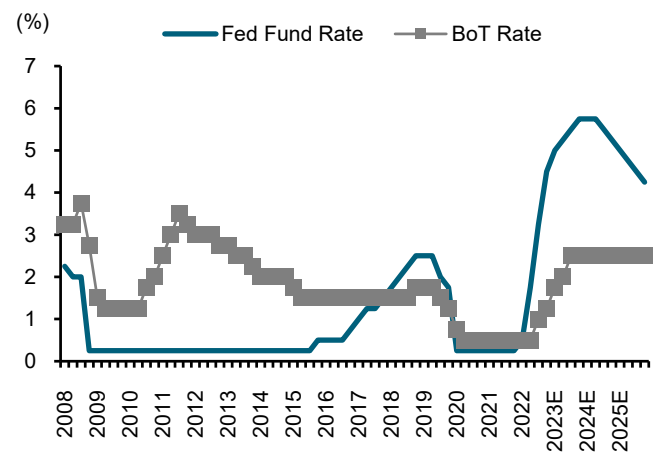
Sources: Bloomberg and FSSIA

Exhibit 13: TH current account balance



Source: BoT and Bloomberg

Exhibit 14: Fed funds rate vs MPC rate



Source: FED, BoT and FSSIA estimates

Banks' 3Q23E earnings in focus

Based on the latest Thailand banks report, we reaffirm our positive view on the 3Q23 performance outlook of the banking sector by expecting seven major Thai banks to have an aggregate 3Q23 net profit of THB53b (+1.1% q-q, +18.3% y-y). We expect the solid pre-provision operating profit (PPOP) growth to continue in 3Q23, pushed by the rising NIM momentum. Just as the RP rate's rise on 23 May 2023 benefits banks' NIMs in 3Q23, the upcoming increase should continue to boost NIMs in 4Q23, especially with the loan-demand high season approaching. We expect BBL to post a robust PPOP in 3Q23 from NIM expansion due to its savings rate cut of 20bp at the end of 2Q23.

Exhibit 15: 3Q23E earnings preview for Thailand's seven major banks

| | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23E | Change | |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|-------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) |
| BBL | 7,118 | 6,961 | 7,657 | 7,570 | 11,294 | 10,830 | (4.1) | 41.4 |
| KBANK | 11,211 | 10,794 | 10,574 | 3,191 | 10,994 | 11,092 | 0.9 | 4.9 |
| KKP | 2,055 | 2,033 | 2,083 | 1,430 | 1,408 | 1,508 | 7.1 | (27.6) |
| KTB | 8,780 | 8,358 | 8,450 | 8,109 | 10,156 | 10,502 | 3.4 | 24.3 |
| SCB | 10,193 | 10,051 | 10,309 | 7,143 | 11,868 | 12,254 | 3.3 | 18.9 |
| TISCO | 1,795 | 1,848 | 1,771 | 1,804 | 1,854 | 1,862 | 0.4 | 5.1 |
| TTB | 3,195 | 3,438 | 3,715 | 3,847 | 4,566 | 4,687 | 2.7 | 26.2 |
| Total | 44,348 | 43,484 | 44,559 | 33,094 | 52,140 | 52,735 | 1.1 | 18.3 |

Sources: Company data; FSSIA estimates

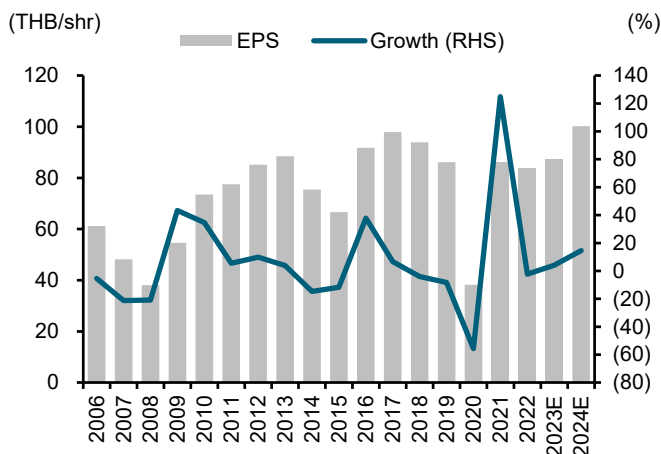
Maintain mid-2024 SET target of 1,650; top picks remain domestic plays

We maintain our 2023-24 EPS forecast of THB88 (+5% y-y) and THB100 (+14% y-y), respectively. For 2023E, key earnings drivers would come from domestic and reopening sectors such as transportation and tourism, which should show abnormally high growth thanks to the low base effect from last year. Banking, ICT, commerce and construction services are likely to have healthy growth from strong domestic consumption. We think this picture could continue into 2024 thanks to the new government’s stimulus packages. We think export and global-related sectors such as food, construction materials, and petrochemicals could turn to grow from China’s recovery and the low base in 2022-23.

We maintain our mid-2024 SET target of 1,650, based on 54% of THB88 for 2H23E and 50% of THB100THB for 1H24E, with a PER multiple of 17x (10-year average). The SET index is currently trading at a 2024E PER of 15x, SD-0.7, which is attractive for long-term investment. For 4Q23, we anticipate the trading range of the SET to stay within 1,460-1,560.

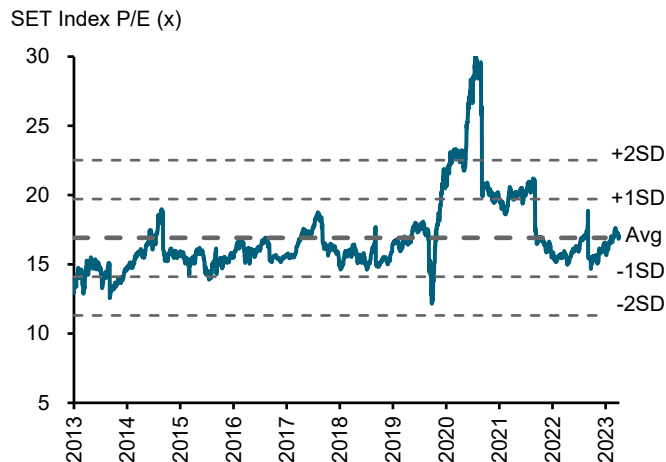
We think external factors still present some risks, especially from the tighter-for-longer monetary policy which could put pressure on economic growth in 2024. However, we expect to see an acceleration of the Thai economy from 4Q23-2024 as mentioned above. Hence, we recommend investors to hold after accumulating at the SET index level of c1,500 during the last 3-4 months. A further retreat of the SET index is still an opportunity to buy, with the next key support at 1,460. We are sticking to our domestic-focused strategy of stocks with bright 2H23-2024 earnings outlooks and attractive valuations. Our top picks are **AOT, BBL, BDMS, CENTEL, CPALL, CPN, NSL, and TU**.

Exhibit 16: SET EPS



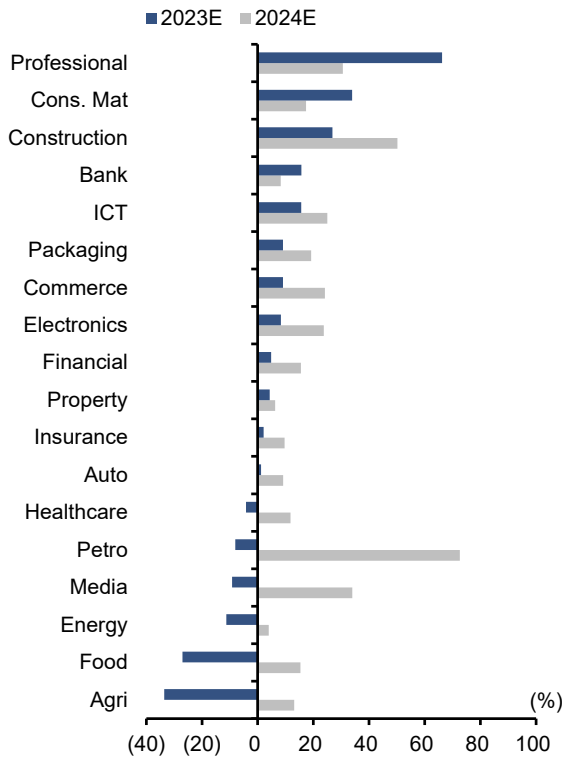
Source: FSSIA estimates

Exhibit 17: SET historical PER band



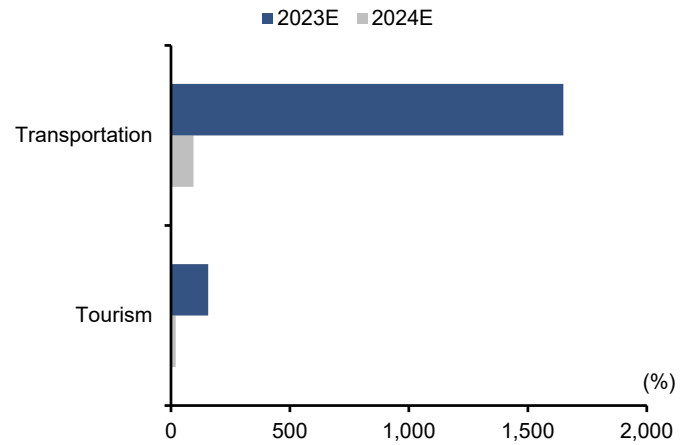
Source: Bloomberg and FSSIA

Exhibit 18: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

Exhibit 19: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

Exhibit 20: 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 | 69.50 | 85.00 | 22 | (10,173) | 10,077 | 31,972 | (199.1) | 217.3 | 98.5 | 31.1 | 26.5 | 0.4 | 9.5 | 8.9 |
| Bangkok Bank | BBL TB | 164.00 | 197.00 | 20 | 29,306 | 37,924 | 41,031 | 29.4 | 8.2 | 8.3 | 7.6 | 7.3 | 3.5 | 7.2 | 0.6 |
| Bangkok Dusit Medical Services | BDMS TB | 27.00 | 34.50 | 28 | 12,606 | 13,469 | 15,295 | 6.8 | 13.6 | 31.9 | 28.1 | 25.5 | 1.9 | 14.5 | 4.5 |
| Central Plaza Hotel | CENTEL TB | 48.00 | 55.00 | 15 | 398 | 1,703 | 2,119 | 327.8 | 24.4 | 38.1 | 30.6 | 27.4 | 1.1 | 8.8 | 3.2 |
| CP All | CPALL TB | 60.75 | 77.00 | 27 | 13,281 | 16,396 | 19,434 | 23.5 | 18.5 | 33.3 | 28.1 | 23.1 | 1.5 | 15.6 | 5.5 |
| Central Pattana | CPN TB | 65.00 | 82.00 | 26 | 10,945 | 12,898 | 14,064 | 17.8 | 9.0 | 22.6 | 20.7 | 19.5 | 1.7 | 15.1 | 3.3 |
| NSL Foods | NSL TB | 22.80 | 26.00 | 14 | 298 | 343 | 394 | 15.3 | 14.9 | 19.9 | 17.4 | 15.8 | 4.6 | 23.8 | 4.6 |
| Thai Union Group | TU TB | 14.30 | 18.00 | 26 | 6,571 | 4,097 | 5,224 | (37.6) | 27.5 | 16.7 | 13.1 | 11.6 | 3.4 | 5.2 | 0.9 |

Share prices as of 27 Sep 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.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------------------|-----------|------------|--------|---|
| Airports of Thailand | AOT TB | THB 69.50 | 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 164.00 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |
| Bangkok Dusit Medical Services | BDMS TB | THB 27.00 | 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 48.00 | BUY | Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| CP All | CPALL TB | THB 60.75 | 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 65.00 | BUY | Key downside risks to our DCF-derived TP are deviations to our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates. |
| NSL Foods | NSL TB | THB 22.80 | 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. |
| 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. |
| Kasikornbank | KBANK TB | THB 124.50 | 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. |
| Kiatnakin Bank | KKP TB | THB 55.25 | HOLD | Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality. |
| Krung Thai Bank | KTB TB | THB 18.80 | 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. |
| SCB X | SCB TB | THB 103.00 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. |
| Tisco Financial | TISCO TB | THB 98.25 | 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. |
| TMBThanachart Bank | TTB TB | THB 1.72 | 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. |

Source: FSSIA estimates

Additional Disclosures

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

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

All share prices are as at market close on 27-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.