

Thailand Market Strategy

Focus on Thai politics and 2Q24 earnings

- Market fully priced in at least two rate cuts from the Fed in 2024 from soft economic data.
- Spotlight is on Thai court case decisions, especially the PM's case. Meanwhile, 2Q24 earnings are expected to grow q-q and y-y.
- Maintain SET target of 1,470 and remain selective on strong earnings stocks.

Market fully priced in at least two rate cuts from the Fed this year

Recently, the market received a positive batch of economic data in June 2024, prompting the street to revise up the probability of the Fed making c2.5 cuts by end-2024. This sent the bond yield lower, while the 10Y-2Y inverted yield gap has narrowed to c0.2%. The US economy remains resilient but has some uncertainty issues, especially from the upcoming US general election, as there is a possibility that Donald Trump might return as the president, which could add concerns over his unpredictable trade and foreign policies that could intensify and affect global trade and economic outlooks.

Thai political court case decisions in focus

In August 2024, Thailand's Constitutional Court is scheduled to make decisions on the Move Forward Party's dissolution and the removal of PM Srettha Thavisin on ethical grounds. Our focus is on the 14 August PM court case. We think the market will react negatively in the short term if the court decides to remove Mr. Srettha from the position. The worst-case scenario is if the government has to dissolve the parliament, which could delay the 2025 fiscal budget approval and hit the economy again. On the other hand, if the decision is favorable for Mr. Srettha, we expect the SET index to rebound and the street should turn to focus on fundamentals and upward economic and earnings growth in 2H24.

Overall 2Q24 earnings to grow q-q and jump y-y

We expect companies' overall aggregate 2Q24 net profit to increase by 6% q-q and jump 33% y-y, in line with Thai GDP, which we expect to grow by 1% q-q and 2.1% y-y. The strong y-y growth should mainly come from the very low base last year in the energy, tourism, transportation and food sectors. We expect to see a slight drop q-q in net profit in some key sectors, i.e. energy, banking, commerce, property, finance and healthcare services, while key drivers in this quarter are from food, tourism, transportation and electronics. If 2Q24 is in line, 1H24 earnings would account for 51% of our 2024E net profit.

Maintain SET target and selective strategy on strong earnings plays

We maintain our 2024 SET target of 1,470, as our 2024E EPS of THB91.50 still has limited downward revisions. However, we will closely watch the upcoming 2Q24 earnings announcements to determine whether they will affect the overall earnings forecasts or not. We continue to see the current valuation as attractive for long-term investment, as the index is trading at a 2024 PER of 14.2x with an earnings yield gap of 4.4%. We reaffirm our selective strategy, focusing on stocks expected to report strong 2Q24 profits and that have attractive valuations compared to the pre-Covid period. Our 2024 favorites are AOT, CHG, CPALL, CPN, GPSC, KCG, SHR, SJWD, TIDLOR, and TU.



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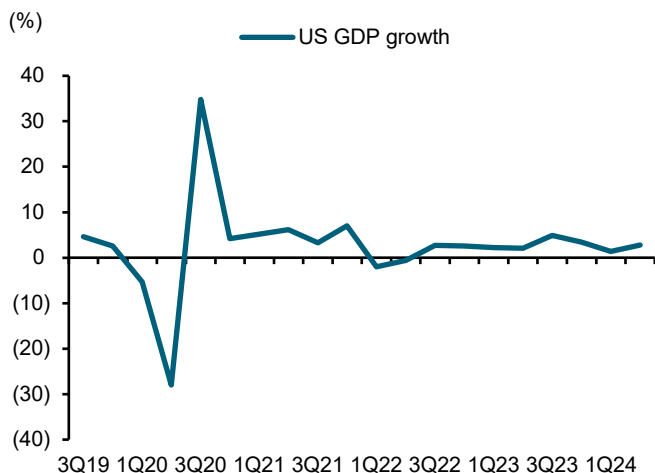
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Market already priced in at least two cuts from the Fed this year

Recently, the market received some positive information after the US reported slow economic data in June 2024. To elaborate, core CPI increased by only 0.1% m-m and 3.4% y-y, while the US ISM manufacturing PMI dropped to 48.5, below expectations, dropping from 48.7 in previous months and continuing to stay below 50. Meanwhile, non-farm payrolls increased by 206k, lower from 272k in May 2024, and the unemployment rate increased to 4.1% from 4% in May 2024. This batch of economic numbers lifted market expectations on the US Federal Reserve (Fed)'s rate cut, as the street revised up the probability of the central bank making 1-1.5 cuts to 2.5 cuts by end-2024, higher than the latest dot plot of one cut. This sent the bond yield lower, as US2Y and US10Y bond yields dropped by c25-45 bps to 4.35% and 4.23%, respectively, and the 10Y-2Y inverted yield gap has narrowed to c0.15% currently from c0.5% in June 2024.

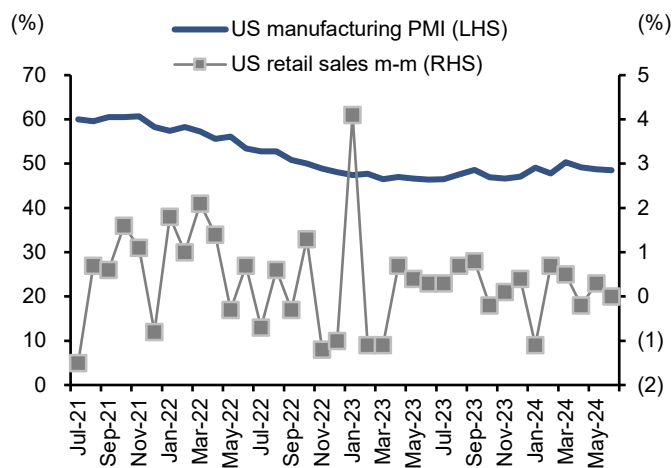
For 2Q24, US GDP grew by 2.8% q-q SAAR, accelerating from +1.4% q-q SAAR in 1Q24 and above expectations, implying that the US economy remains resilient. However, the numbers are likely to slow in 3Q-4Q24 to +1.5% q-q SAAR. Moreover, there are some uncertainty issues, especially from the upcoming US general election, as there is a possibility that Donald Trump might return as the president, which could add concerns over his unpredictable trade and foreign policies that could intensify and affect global trade and economic outlooks.

Exhibit 1: US GDP q-q SAAR



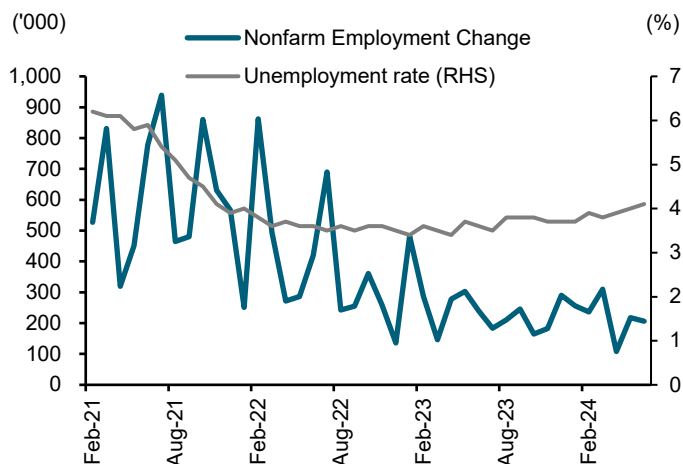
Sources: US Bureau of Economic Analysis and Bloomberg

Exhibit 2: US manufacturing PMI and retail sales



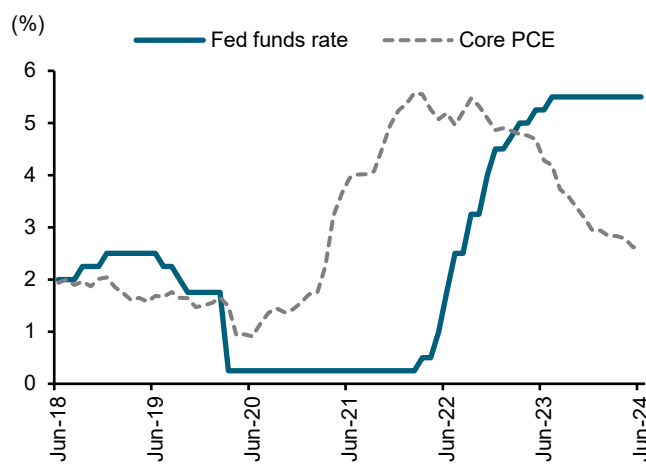
Sources: ISM and US Census Bureau

Exhibit 3: US non-farm employment change and unemployment rate



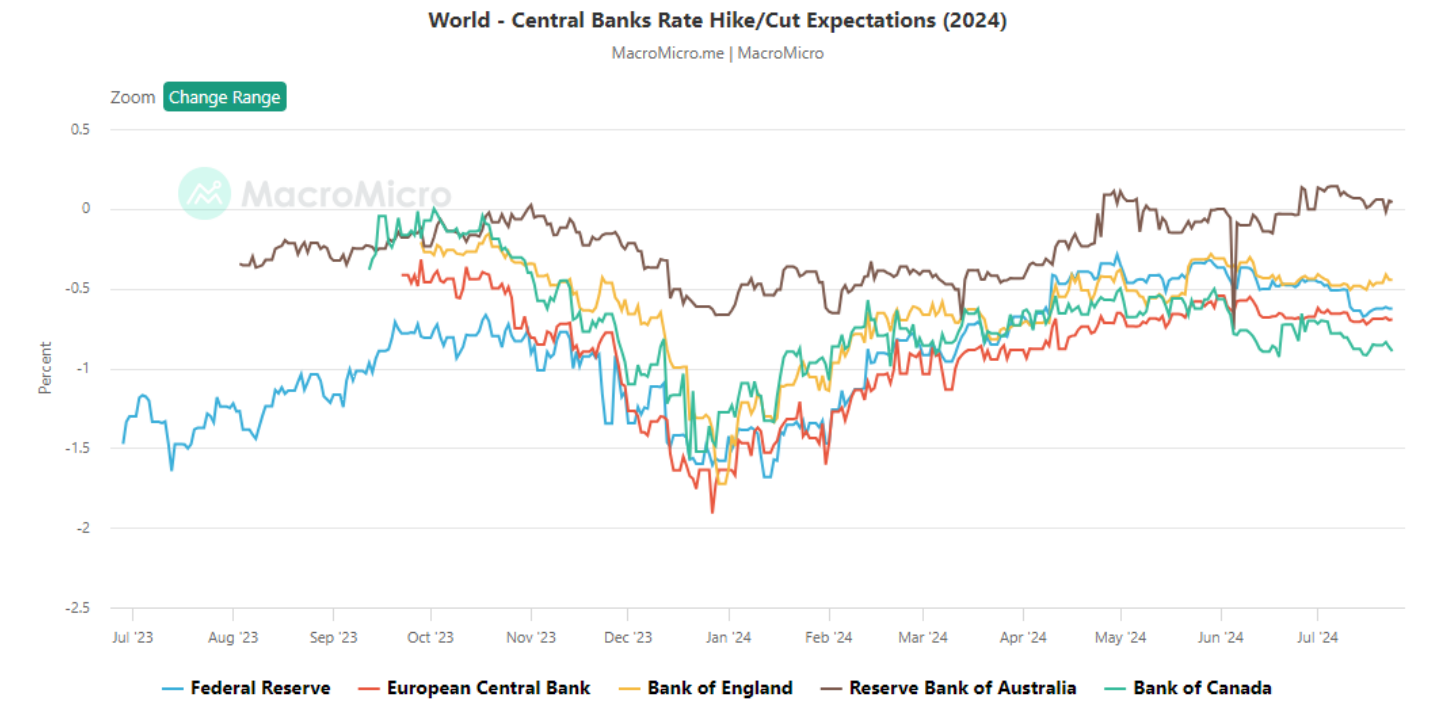
Sources: US Bureau of Labor Statistics and Bloomberg

Exhibit 4: US Core PCE and Fed funds rate based on latest dot plot



Sources: US Bureau of Economic Analysis, FOMC, and Bloomberg

Exhibit 5: World central banks rate hike/cut expectations (2024)



Source: MacroMicro

Thailand's political court cases to be finalized in August 2024

After several months of political uncertainty overhanging and pressuring the stock market, Thailand's Constitutional Court has scheduled dates for decisions to be made on two political court cases in August 2024: the Move Forward Party's dissolution and the removal of Prime Minister Srettha Thavisin on ethical grounds.

7 August 2024 – Move Forward Party's dissolution

We think this court case might not have a significant impact on the Thai stock market, as the Move Forward Party is the opposition, not in the governing coalition. We have a neutral to slightly positive view if the Constitutional Court's decision is favorable for the party. However, if the court decides to dissolve the party, we think the party already has a backup plan to set up a new party the same as Future Forward Party did in 2020. The stock market should not react in a significantly negative manner.

14 August 2024 – Removing Prime Minister Srettha Thavisin on ethical grounds

Thailand's Constitutional Court accepted a petition by a group of senators seeking to remove Prime Minister Srettha Thavisin on ethical grounds in late May 2024, and it will make the final decision on 14 August 2024 – 84 days of consideration. We maintain our view that if the court decides to remove Mr. Srettha from the position, we think the market will react negatively in the short term, and the parliament would elect a new PM, which is likely to be Miss Paetongtarn Shinawatra, a daughter of the former PM Mr. Thaksin Shinawatra. The worst-case scenario would be if the government has to dissolve the parliament, which could delay the 2025 fiscal budget approval and hit the economy again. On the other hand, if the decision is favorable for Mr. Srettha Thavisin, we think the overhang would ease and the street should turn to focus on fundamentals and upward economic and earnings growth in 2H24.

We have provided our scenario analysis based on the three likely outcomes. Our analysis shows our expectations on the SET index's movement and sector and stock picks for each potential result below.

Exhibit 6: Our scenarios on the PM court case

| Scenario | ----- SET Index ----- | | Sectors and stocks |
|-------------------|--|--|--|
| Base case | - Mr. Srettha is still in the PM position | Expect the index to rebound to 1,360-1,400 | Commerce, Finance, Food, Tourism, Healthcare >>> AOT, CPALL, TIDLOR, KTB, CPN, CHG, KCG, TU, ITC, CPF, MINT, SHR |
| Worse case | - Mr. Srettha is out of the PM position and replaced by Ms. Paetongtarn as the new PM | Expect a smaller rebound to 1,330-1,360 | Commerce, Finance, Food, Tourism, Healthcare, Electronics >>> AOT, CPALL, TIDLOR, CPN, CHG, HANA, TU, ITC, CPF, MINT |
| Worst case | - Mr. Srettha is out of the PM position and a new PM cannot be chosen - Dissolution of parliament - 2025 fiscal budget delayed | Expect the index to dip to 1,280-1,250 | Healthcare, ICT, Food, Utilities, Electronics >>> BDMS, CHG, ADVANC, BEM, GPSC, SCB, HANA, TU, ITC, CPF |

Source: FSSIA estimates

Digital wallet scheme relies on 2024-25 fiscal budget approval in Aug-Sept 2024

Recently, the Thai government made an announcement about the digital wallet handout scheme by releasing a clear timeline of registration for both citizens and retailers.

- Registration for people with smartphones: from 1 August to 15 September 2024 via the “Thang Rat” application.
- Registration for people without smartphones: from 16 September to 15 October 2024.
- Registration for retailers: from 1 October 2024.
- Issuance will begin within the fourth quarter of 2024.

Total THB450b funding for this program will come from the 2024-25 fiscal budget at THB165b and THB285b, respectively, which is still under the parliamentary approval process.

- For an additional THB122b in the 2024 fiscal budget, it would need to pass second and third readings in the lower house on 31 July to 1 August 2024 before being sent to the senate on 6 August and announced in the Royal Gazette.
- For THB3.6t in the 2025 fiscal budget, it would need to pass second and third readings in the lower house on 4-5 September 2024 before being sent to the senate on 9-10 September and announced in the Royal Gazette.

We think the key event to watch for is the decision of the PM’s court case on 14 August 2024. If the result is unfavorable for the PM, we think this would add concerns over a delay or the probability of success to launch this policy. On the other hand, if the decision is favorable for the PM, we think the market is likely to have more confidence that the funding could be approved on time and the scheme could be launched in late 2024 or early 2025. The government expects that the THB450b handout will provide a 1.2-1.8% boost to GDP, while the Bank of Thailand (BoT) expects that it should add growth of only c0.6%, based on November 2023’s projection. Hence, we think that Thai GDP growth would have an upside to hit c4% y-y in 2025 from this policy.

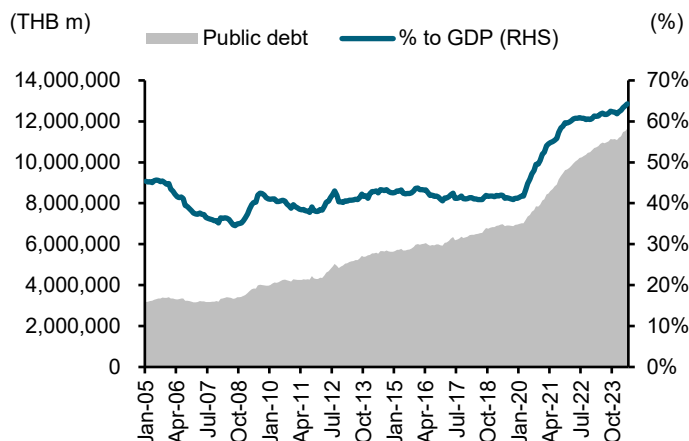
Exhibit 7: NESDC and BoT economic projections

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | --- NESDC --- 2024E | --- Bank of Thailand --- 2024E | 2025E |
|--------------------------------|--------|--------|--------|--------|--------|--------|------------------------|-----------------------------------|--------|
| | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) | (y-y%) |
| Real GDP growth | 4.2 | 2.3 | (6.4) | 1.5 | 2.6 | 1.9 | 2.0-3.0 | 2.6 | 3.0 |
| Private consumption | 4.6 | 4.0 | (0.8) | 0.6 | 6.3 | 7.1 | 4.5 | 4.2 | 2.5 |
| Private investment | 4.1 | 2.7 | (8.1) | 3.0 | 5.1 | 3.2 | 3.2 | 3.3 | 3.2 |
| Public consumption | 2.6 | 1.7 | 1.4 | 3.7 | (0.0) | (4.6) | 1.7 | 1.8 | 3.3 |
| Public investment | 2.8 | 0.1 | 5.1 | 3.4 | (4.9) | (4.6) | (1.8) | 3.6 | 2.6 |
| Export value growth (USD b) | 7.5 | (3.3) | (6.5) | 19.2 | 5.5 | (1.7) | 2.0 | 1.8 | 2.6 |
| Headline inflation | 1.1 | 0.7 | (0.8) | 1.2 | 6.1 | 1.2 | 0.1-1.1 | 0.6 | 1.3 |
| Current account to GDP (%) | 5.6 | 7.0 | 4.2 | (2.0) | (3.2) | 1.3 | 1.2 | - | - |
| Number of tourist arrivals (m) | 38.2 | 39.9 | 0.0 | 0.4 | 11.2 | 28.1 | 36.5 | 35.5 | 39.5 |

Note: 2024 NESDC and BoT projections do not include the digital wallet scheme

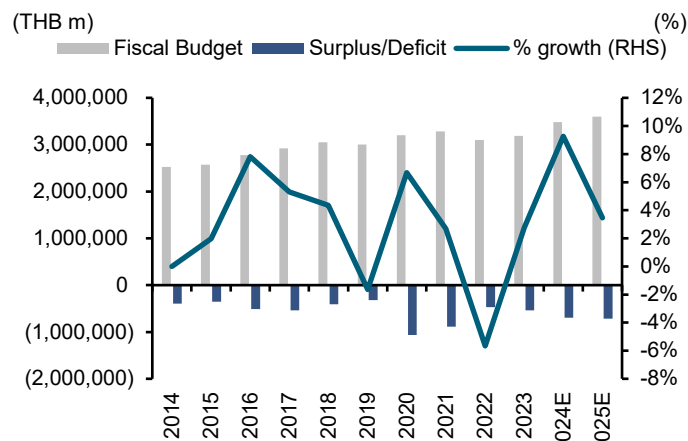
Sources: NESDC and BoT

Exhibit 8: Thailand's public debt to GDP



Source: Public Debt Management Office

Exhibit 9: Thailand's fiscal budget



Source: Budget Bureau

Mute kick-off from banks' 2Q24 earnings with some concerns on asset quality

We saw a mute start for 2Q24 earnings announcements with the banking sector. The seven banks under our coverage delivered an in-line aggregate 2Q24 net profit, dropping by 2.5% q-q but increasing by 2.7% y-y, amounting to THB53.5b. The best performers were KBANK and KTB, while KKP performed the worst.

However, we view the aggregate asset quality as concerning in 2Q24, particularly in the SME and retail segments, with more alarms in the corporate segment, namely EA. New NPL formations and stage 2 loans increased from 1Q24 following the slow economic recovery and high level of household debt, but were still manageable. Most banks proactively managed and sustained a high credit cost level in 2Q24.

After the 1H24 results, we have made downward revisions to KKP's, SCB's, and TTB's 2024-26E net profit due mainly to rising ECLs and lower loan growth (KKP and TTB), but an upward revision for KBANK following its better-than-expected NIM, net fee income, and non-NII. Consequently, the estimated 2024 aggregate net profit increased slightly to THB198.2b, rising by 1.5% y-y. For 2025-26, we expect a more remarkable net profit growth rate of 5.4-6.5% y-y, based on our conservative assumptions for loan growth, fees, and a gradual reduction in credit costs.

Exhibit 10: 2Q24 earnings summary of Thai banks under coverage

| | 2Q24 (THB m) | 1Q24 (THB m) | Change (q-q%) | 2Q23 (THB m) | Change (y-y%) | 2023 (THB m) | 2024E (THB m) |
|-----------------|-----------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| BBL | 11,807 | 10,524 | 12.2 | 11,293 | 4.6 | 41,635 | 42,037 |
| KBANK | 12,653 | 13,486 | (6.2) | 10,994 | 15.1 | 42,405 | 47,020 |
| KTB | 11,195 | 11,078 | 1.1 | 10,156 | 10.2 | 36,616 | 37,621 |
| SCB | 10,014 | 11,281 | (11.2) | 11,868 | (15.6) | 43,521 | 41,170 |
| TTB | 5,356 | 5,335 | 0.4 | 4,566 | 17.3 | 18,463 | 19,192 |
| KKP | 769 | 1,506 | (49.0) | 1,408 | (45.4) | 5,418 | 4,271 |
| TISCO | 1,749 | 1,733 | 0.9 | 1,854 | (5.7) | 7,301 | 6,935 |
| Coverage | 53,543 | 54,943 | (2.5) | 52,140 | 2.7 | 195,359 | 198,247 |

Sources: Company data; FSSIA estimates

Exhibit 11: NPL ratio, 3Q22-2Q24

| | 3Q22 (%) | 4Q22 (%) | 1Q23 (%) | 2Q23 (%) | 3Q23 (%) | 4Q23 (%) | 1Q24 (%) | 2Q24 (%) | 2024E (%) | Banks' target 2024E |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|------------------------|
| BBL | 3.83 | 3.62 | 3.73 | 3.46 | 3.48 | 3.22 | 3.43 | 3.64 | 3.45 | ±3.0 |
| KBANK | 3.59 | 3.74 | 3.60 | 3.83 | 3.58 | 3.70 | 3.72 | 3.64 | 3.76 | < 3.25 |
| KTB | 4.01 | 3.90 | 3.97 | 3.83 | 3.74 | 3.86 | 3.77 | 3.85 | 3.80 | < 3.25 |
| SCB | 3.92 | 4.01 | 3.97 | 3.84 | 3.89 | 3.99 | 3.89 | 3.90 | 4.06 | n/a |
| TTB | 3.01 | 3.03 | 3.09 | 2.99 | 2.96 | 3.09 | 3.02 | 3.09 | 3.15 | ≤ 2.9 |
| KKP | 3.29 | 3.45 | 3.56 | 3.74 | 3.69 | 3.31 | 3.94 | 4.11 | 4.10 | 3.90 – 4.10 |
| TISCO | 2.08 | 2.09 | 2.13 | 2.20 | 2.25 | 2.22 | 2.27 | 2.44 | 2.63 | 2.50 – 2.75 |
| Coverage | 3.70 | 3.68 | 3.69 | 3.62 | 3.56 | 3.58 | 3.61 | 3.67 | 3.68 | |

Sources: Company data; FSSIA estimates

Overall 2Q24 earnings to grow q-q and y-y, driven by specific sectors

Despite an unattractive kick-off from the banking sector, based on the 135 listed companies in our study for which we have preview numbers, we expect their aggregate 2Q24 net profit to increase by 6% q-q and jump by 33% y-y, in line with Thai GDP, which we expect to grow by 1% q-q and 2.1% y-y.

The strong y-y growth should mainly come from the very low base last year in the energy, tourism, transportation and food sectors due to low commodities prices. On a q-q basis, we expect to see a slight drop in net profit in some key sectors, i.e. energy, banking, commerce, property, finance and healthcare services, from both seasonal factors and the slow recovery of the economy. However, key drivers in this quarter are from food, especially upstream, which benefits from higher meat prices. Tourism, transportation and electronics are likely to report strong q-q growth, led by specific stocks and sub-sectors, i.e. MINT and shipping. If 2Q24 is in line, the 1H24 earnings should account for 51% of our 2024E net profit, which would limit the downside risk from earnings revisions.

Exhibit 12: 2Q24 earnings forecasts by sector

| Sector | 2Q24E | 1Q24 | 2Q23 | ----- Change ----- | | 1H24E | 2024E | % to 2024E |
|----------------------------------|----------------|----------------|----------------|--------------------|-----------|----------------|----------------|------------|
| | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (%) |
| Energy | 65,204 | 71,077 | 44,031 | (8) | 48 | 136,281 | 260,087 | 52% |
| Bank | 54,911 | 56,704 | 53,918 | (3) | 2 | 111,615 | 204,659 | 55% |
| Commerce | 14,506 | 15,237 | 12,044 | (5) | 20 | 29,744 | 63,387 | 47% |
| Tourism | 13,908 | 2,552 | 3,215 | 445 | 333 | 16,460 | 11,129 | 148% |
| Property | 13,213 | 12,833 | 14,839 | 3 | (11) | 26,046 | 64,498 | 40% |
| Food | 12,480 | 6,855 | 3,187 | 82 | 292 | 19,335 | 37,879 | 51% |
| ICT | 12,314 | 11,506 | 8,351 | 7 | 47 | 23,820 | 46,008 | 52% |
| Transportation | 10,676 | 10,312 | 4,328 | 4 | 147 | 20,988 | 35,654 | 59% |
| Financial | 7,531 | 7,971 | 7,358 | (6) | 2 | 15,502 | 33,438 | 46% |
| Healthcare | 5,890 | 6,877 | 5,422 | (14) | 9 | 12,767 | 30,091 | 42% |
| Electronics | 5,748 | 5,136 | 5,680 | 12 | 1 | 10,884 | 23,383 | 47% |
| Cons. Mat | 5,674 | 3,648 | 9,873 | 56 | (43) | 9,321 | 27,122 | 34% |
| Packaging | 1,669 | 1,987 | 1,712 | (16) | (3) | 3,656 | 6,456 | 57% |
| Petro | 1,230 | (606) | (5,591) | 303 | 122 | 624 | 16,651 | 4% |
| Auto | 886 | 1,010 | 948 | (12) | (7) | 1,896 | 4,897 | 39% |
| Construction | 815 | 133 | 640 | 513 | 27 | 948 | 2,671 | 35% |
| Agri | 534 | 466 | 349 | 15 | 53 | 1,000 | 1,478 | 68% |
| Media | 424 | 373 | 393 | 14 | 8 | 796 | 1,283 | 62% |
| Professional | 262 | 267 | 207 | (2) | 26 | 529 | 891 | 59% |
| Grand Total | 227,874 | 214,338 | 170,904 | 6 | 33 | 442,211 | 871,662 | 51% |
| Excl. Energy & Petro | 161,440 | 143,866 | 132,464 | 12 | 22 | 305,306 | 594,925 | 51% |
| Excl. Banking | 172,963 | 157,634 | 116,986 | 10 | 48 | 330,596 | 667,003 | 50% |
| Excl. Energy & Petro and Banking | 106,529 | 87,163 | 78,546 | 22 | 36 | 193,691 | 390,266 | 50% |

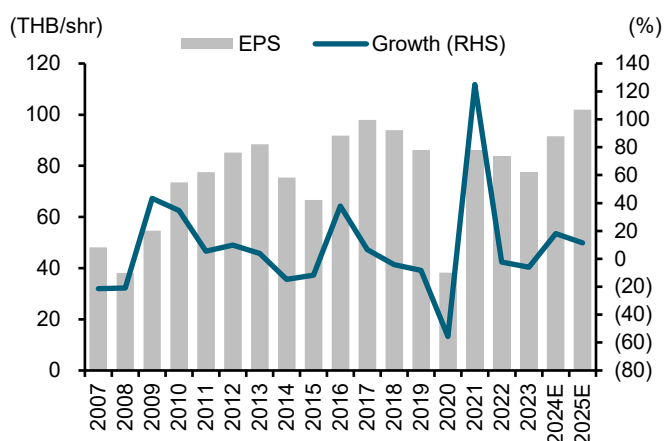
Source: Bloomberg, FSSIA estimates, and SETSMART

Our SET target remains at 1,470 with selective buy strategy

Our current earnings projections still have an insignificant downside to our EPS forecast of THB91.50, +18% y-y. Hence, we maintain our 2024 SET target of 1,470, based on a PER of 16x, SD -0.35 of its ten-year average. However, we will closely watch the upcoming 2Q24 earnings announcements to determine whether they will affect the overall earnings forecasts or not. We continue to see the current valuation as attractive for long-term investment, as the index is trading at a 2024 PER of 14.2x with an earnings yield gap of 4.4% – both cheaper than the historical average. We think that if 2Q24 earnings and GDP do not miss the market's anticipation and the court decision is favorable for the current PM, together with latest approval of the Thai ESG fund (TESG) upgrade from the cabinet, we expect the SET index to rebound to a level of c1350-1,380, and it could hit our target by year-end.

We reaffirm our selective strategy, focusing on stocks expected to report strong 2Q24 profits and that have attractive valuations compared to the pre-Covid period. In mid-July 2024, we removed BDMS from our portfolio and replaced it with CHG. Hence, our 2024 favorites are **AOT, CHG, CPALL, CPN, GPSC, KCG, SHR, SJWD, TIDLOR, and TU.**

Exhibit 13: SET EPS



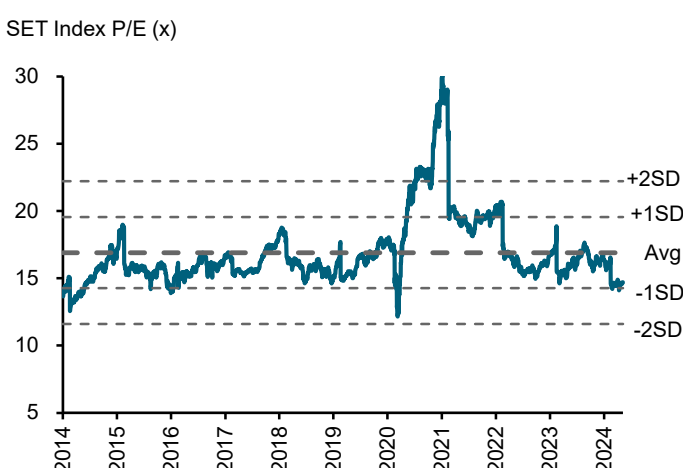
Sources: Bloomberg and FSSIA estimates

Exhibit 14: SET target sensitivity

| ----- Earnings per share ----- | | | |
|---|---------|-------|-------|
| | | 2024E | 2025E |
| EPS | | 91.5 | 102 |
| - Target index based on FSSIA estimates - | | | |
| | P/E (x) | 2024E | 2025E |
| SD+1.0 | 19.6 | 1,794 | 2,000 |
| SD+0.5 | 18.3 | 1,672 | 1,864 |
| SD+0.25 | 17.6 | 1,610 | 1,795 |
| 10-year average | 16.9 | 1,549 | 1,727 |
| SD-0.25 | 16.3 | 1,488 | 1,659 |
| SD-0.5 | 15.6 | 1,426 | 1,590 |
| SD-1.0 | 14.3 | 1,304 | 1,454 |
| SD-1.5 | 12.9 | 1,181 | 1,317 |

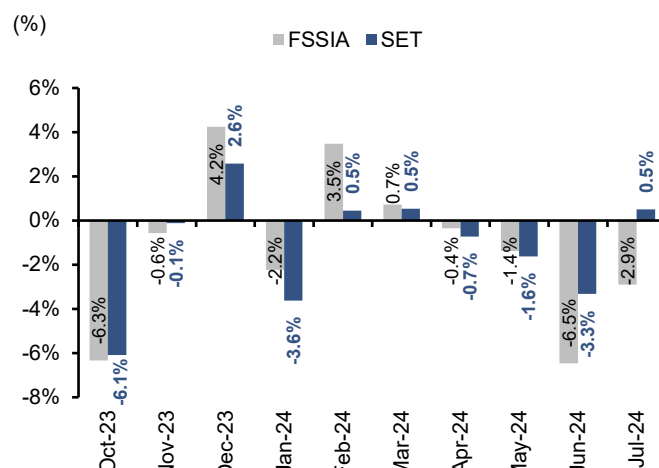
Source: Bloomberg and FSSIA estimates

Exhibit 15: SET historical forward PER



Sources: Bloomberg and FSSIA

Exhibit 16: Monthly return of FSSIA's portfolio vs SET index



Sources: SETSMART and FSSIA

Exhibit 17: Summary of key valuations for FSSIA's top picks

| Company | BBG code | -- Share price -- | | Up side | Recurring net profit | | -- NP growth -- | | ----- P/E ----- | | | PBV | DivYld | ROE | SET ESG Rating | FSSIA ESG Rating |
|----------------------|-------------|-------------------|--------|------------|----------------------|---------|-----------------|--------|-----------------|------|------|-----|--------|------|-------------------|---------------------|
| | | Current | Target | | 24E | 25E | 24E | 25E | 24E | 25E | 26E | | | | | |
| | | (THB) | (THB) | | (THB m) | (THB m) | (y-y%) | (y-y%) | (x) | (x) | (x) | | (%) | (%) | (x) | |
| Airports of Thailand | AOT TB | 57.00 | 70.00 | 23 | 19,259 | 26,837 | 108.3 | 39.4 | 42.3 | 30.3 | 24.6 | 6.3 | 1.1 | 16.0 | A | ★★★★ |
| Chularat Hospital | CHG TB | 2.42 | 3.60 | 49 | 1,203 | 1,388 | 15.0 | 15.4 | 22.1 | 19.2 | 17.4 | 3.3 | 2.7 | 15.5 | - | ★★ |
| CP All | CPALL TB | 56.25 | 79.00 | 40 | 23,640 | 27,447 | 30.3 | 16.1 | 21.4 | 18.4 | 16.4 | 4.5 | 2.3 | 20.2 | AAA | ★★★★ |
| Central Pattana | CPN TB | 54.25 | 83.00 | 53 | 15,858 | 17,107 | 5.8 | 7.9 | 15.4 | 14.2 | 13.4 | 2.4 | 3.3 | 16.5 | AA | ★★★★★ |
| Global Power Synergy | GPSC TB | 38.50 | 59.00 | 53 | 4,938 | 6,866 | 27.9 | 39.0 | 22.0 | 15.8 | 0.0 | 1.0 | 3.9 | 4.6 | AA | ★★★★ |
| KCG Corporation | KCG TB | 9.80 | 12.80 | 31 | 346 | 402 | 18.2 | 16.1 | 15.4 | 13.3 | 11.5 | 1.8 | 3.4 | 12.4 | - | - |
| S Hotels and Resorts | SHR TB | 1.97 | 3.80 | 93 | 271 | 457 | 239.6 | 68.5 | 26.1 | 15.5 | 12.5 | 0.4 | 1.5 | 1.7 | A | ★★ |
| SCGJWD Logistics | SJWD TB | 12.20 | 23.00 | 89 | 1,179 | 1,373 | 51.4 | 16.5 | 18.7 | 16.1 | 14.4 | 1.0 | 2.1 | 5.2 | AA | ★★★ |
| Ngern Tid Lor | TIDLOR TB | 15.60 | 21.00 | 35 | 4,671 | 5,551 | 23.2 | 18.8 | 9.7 | 8.2 | 7.0 | 1.4 | 3.1 | 15.4 | - | ★★ |
| Thai Union Group | TU TB | 14.40 | 17.30 | 20 | 5,043 | 5,593 | nm | 10.9 | 13.3 | 12.0 | 10.9 | 1.2 | 4.1 | 8.7 | - | ★★★★ |

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

Share prices as of 30 Jul 2024

Source: FSSIA estimates

Disclaimer for ESG scoring

| ESG score | Methodology | Rating | | | | | | | | | | | | | | | | | | | | |
|---|--|---|---|--------------|---------|---|--------|-------------|-------|-------------|-------|-------------|----------|---|----|-------------|---|-------------|-----|-------------|----------|---|
| The Dow Jones Sustainability Indices (DJSI) By S&P Global | The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion. | Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe. | | | | | | | | | | | | | | | | | | | | |
| Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET) | THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years. | To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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. | | | | | | | | | | | | | | | | | | | | |
| CG Score by Thai Institute of Directors Association (Thai IOD) | An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations. | Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%). | | | | | | | | | | | | | | | | | | | | |
| AGM level By Thai Investors Association (TIA) with support from the SEC | It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i> | The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79. | | | | | | | | | | | | | | | | | | | | |
| Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC) | The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i> | The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements. | | | | | | | | | | | | | | | | | | | | |
| Morningstar Sustainability | The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i> | A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table> | NEGL | Low | Medium | High | Severe | 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | | |
| NEGL | Low | Medium | High | Severe | | | | | | | | | | | | | | | | | | |
| 0-10 | 10-20 | 20-30 | 30-40 | 40+ | | | | | | | | | | | | | | | | | | |
| ESG Book | The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis. | The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance. | | | | | | | | | | | | | | | | | | | | |
| MSCI | MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table> | | AAA | 8.571-10.000 | Leader: | leading its industry in managing the most significant ESG risks and opportunities | AA | 7.143-8.570 | A | 5.714-7.142 | BBB | 4.286-5.713 | Average: | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers | BB | 2.857-4.285 | B | 1.429-2.856 | CCC | 0.000-1.428 | Laggard: | lagging its industry based on its high exposure and failure to manage significant ESG risks |
| AAA | 8.571-10.000 | Leader: | leading its industry in managing the most significant ESG risks and opportunities | | | | | | | | | | | | | | | | | | | |
| AA | 7.143-8.570 | | | | | | | | | | | | | | | | | | | | | |
| A | 5.714-7.142 | | | | | | | | | | | | | | | | | | | | | |
| BBB | 4.286-5.713 | Average: | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers | | | | | | | | | | | | | | | | | | | |
| BB | 2.857-4.285 | | | | | | | | | | | | | | | | | | | | | |
| B | 1.429-2.856 | | | | | | | | | | | | | | | | | | | | | |
| CCC | 0.000-1.428 | Laggard: | lagging its industry based on its high exposure and failure to manage significant ESG risks | | | | | | | | | | | | | | | | | | | |
| Moody's ESG solutions | Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term. | | | | | | | | | | | | | | | | | | | | | |
| Refinitiv ESG rating | Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i> | | | | | | | | | | | | | | | | | | | | | |
| S&P Global | The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100. | | | | | | | | | | | | | | | | | | | | | |
| Bloomberg | ESG Score | Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best. | | | | | | | | | | | | | | | | | | | | |
| Bloomberg | ESG Disclosure Score | Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point. | | | | | | | | | | | | | | | | | | | | |

[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"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

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Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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| Company | Ticker | Price | Rating | Valuation & Risks |
|----------------------|-----------|-----------|--------|--|
| Airports of Thailand | AOT TB | THB 57.00 | 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. |
| Chularat Hospital | CHG TB | THB 2.42 | BUY | Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO. |
| CP All | CPALL TB | THB 56.25 | BUY | The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio. |
| Central Pattana | CPN TB | THB 54.25 | BUY | Key downside risks to our DCF-derived TP are deviations from our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates. |
| Global Power Synergy | GPSC TB | THB 38.50 | 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. |
| KCG Corporation | KCG TB | THB 9.80 | BUY | Key downside risks to our target PER-based TP include 1) higher-than-expected raw material prices; 2) THB depreciation; and 3) capacity expansion not going as planned. |
| S Hotels and Resorts | SHR TB | THB 1.97 | 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, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers. |
| SCGJWD Logistics | SJWD TB | THB 12.20 | BUY | Downside risks to our DCF-based TP include 1) slower-than-expected regional economic growth; 2) high volatility in energy costs; 3) delayed synergies; and 4) higher cost of funds. |
| Ngern Tid Lor | TIDLOR TB | THB 15.60 | BUY | Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators. |
| Thai Union Group | TU TB | THB 14.40 | BUY | Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected. |

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.

All share prices are as at market close on 30-Jul-2024 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.