FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

Thailand Market Strategy

"Not bad" for 2Q24 earnings

- 2Q24 earnings results excluding major extra items are not bad, slightly beating expectations; 1H24 earnings accounted for 50% of 2024E aggregate net profit.

- Food, energy, ICT, and commerce were the best performers, while manufacturing and global-related sectors had dull results.

- We see some downward 2024E EPS revisions by 2%, which could slightly affect our SET target of 1,470. Maintain selective strategy.

Overall, 2Q24 results excluding IVL are slightly above expectations

Based on 160 companies in our study that have already reported 2Q24 earnings results, the aggregate net profit came in at THB211b (-4% q-q, +23% y-y), slightly below expectations. However, if we exclude energy and petrochemical, which had some extra items, overall net profit was slightly above expectations by 2%. In particular, if we exclude only IVL, which had a big impairment loss, the aggregate net profit would be above expectations by 6%.

Winners are food, energy, ICT, and commerce

The best performer in 2Q24 was the food sector (especially upstream), which had a jump in net profit of 82% q-q and 291% y-y, beating expectations by 16%. Energy, commerce, ICT (excluding extra items from TRUE), property, and electronics are sectors which had better-than-expected net profits. On the other hand, sectors which reported lower-than-expected earnings are petrochemical, transportation, financial services, construction materials, tourism, and automotive. Overall 2Q24 earnings are in line with the macro economy, as domestic consumption remains resilient, particularly in consumer staples, while manufacturing sectors were affected by the global economic slowdown and Thailand's structural change.

We see slightly downward EPS revisions, but downside still limited

During the last 2-3 months, we have seen some minor downward revisions by 2% to our current 2024 EPS forecast of THB91.50 to THB89.30. However, we think the earnings downside is still limited, as 1H24 aggregate net profit accounts for 50% of our full-year forecast. In addition, we think 2H24 could have both h-h and y-y growth, in line with Thai GDP growth, and many service sectors are entering the high season.

Maintain selective strategy

From the factors mentioned above, we see some downside to our 2024 SET target of 1,470. We continue to focus on Thailand's political development. If the lower house can elect the 31st prime minister on 16 August 2024 and the new cabinet can be formed promptly, we think the SET index could rebound to above 1,300. Overall, the valuation for the index is still attractive for medium to long-term investment with a selective strategy, trading at c14x P/E and a c4.4% earnings yield gap. Our top picks are AOT, CHG, CPALL, CPN, GPSC, HANA, KCG, KTB, SHR, SJWD, and TU.

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

Exhibit 1: 2Q24 earnings results by sector (160 companies in our study)

Sector	2Q24	1Q24	2Q23	---------- Change ---------		2Q24E	Beat / Missed	2024E	% to 2024E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(%)	(THB m)	(%)
Energy	78,351	72,629	43,586	8	80	67,897	15	252,710	60
Bank	55,473	56,704	53,918	(2)	3	54,911	1	205,288	55
Commerce	15,704	15,735	10,179	(0)	54	14,793	6	64,273	49
Property	15,407	13,594	16,060	13	(4)	14,169	9	60,821	48
ICT	10,905	11,953	7,918	(9)	38	12,641	(14)	53,116	43
Food	14,463	6,855	3,187	111	354	12,475	16	41,815	51
Transportation	8,404	10,632	4,684	(21)	79	8,743	(4)	39,028	49
Financial	7,568	8,202	7,695	(8)	(2)	7,842	(3)	33,655	47
Healthcare	6,261	7,226	6,027	(13)	4	6,326	(1)	30,190	45
Electronics	7,576	5,136	5,680	48	33	6,089	24	25,903	49
Cons. Mat	4,821	3,648	9,873	32	(51)	5,658	(15)	23,218	36
Tourism	3,078	2,620	3,419	17	(10)	3,592	(14)	11,103	51
Packaging	1,732	1,987	1,712	(13)	1	1,669	4	6,415	58
Auto	551	1,010	948	(45)	(42)	733	(25)	4,415	35
Construction	519	166	652	212	(20)	566	(8)	2,279	30
Media	728	413	563	76	29	554	31	870	131
Agri	583	466	349	25	67	534	9	1,803	58
Professional	267	267	207	(0)	29	262	2	920	58
Petro	(21,150)	527	(5,180)	(4,114)	(308)	(60)	(35,150)	12,155	-170
Grand Total	**211,241**	**219,769**	**171,478**	**(4)**	**23**	**219,394**	**(4)**	**869,976**	**50**
Excl. Energy & Petro	154,040	146,613	133,072	5	16	151,558	2	605,111	50
Excl. Banking	155,767	163,065	117,560	(4)	33	164,483	(5)	664,687	48
Excl. Energy & Petro and Banking	98,566	89,909	79,154	10	25	96,647	2	399,823	47

Sources: SETSMART, Bloomberg and FSSIA estimates

Exhibit 2: SET EPS
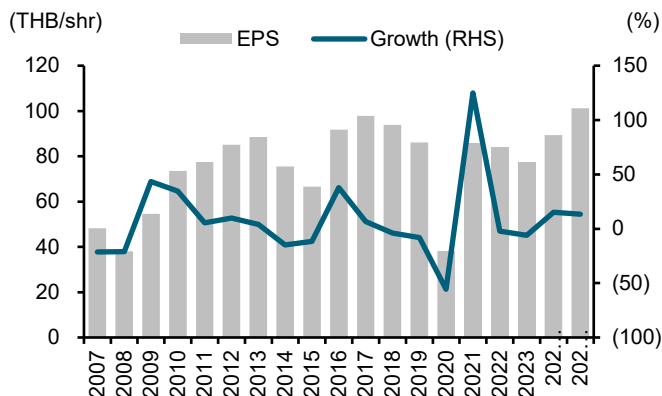
Sources: Bloomberg; FSSIA estimates

Exhibit 3: SET target sensitivity

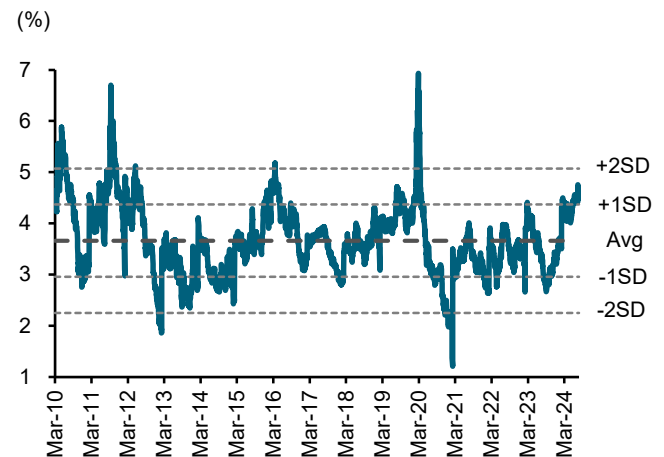|		------------- Earnings per share ----------------	
		2024E	2025E
EPS		89.3	101.2
		- Target index based on FSSIA estimates -	
	P/E (x)	2024E	2025E
SD+0.5	18.3	1,632	1,849
SD+0.25	17.6	1,572	1,781
10-year average	16.9	1,512	1,713
SD-0.25	16.3	1,452	1,646
SD-0.5	15.6	1,392	1,578
SD-1.0	14.3	1,273	1,442
SD-1.5	12.9	1,153	1,306

Sources: Bloomberg; FSSIA estimates

Exhibit 4: SET historical forward PER
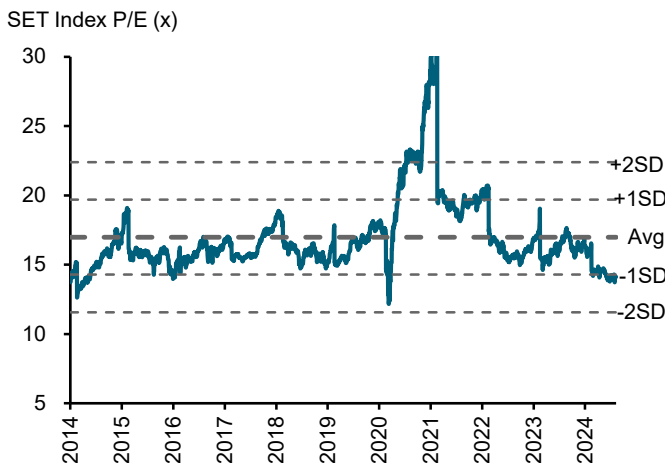
Sources: Bloomberg and FSSIA

Exhibit 5: SET earnings yield gap

Sources: Bloomberg and FSSIA

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%). *(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.)*	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. *(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.)*	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 Sustainalytics	The Sustainalytics' 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. *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.*	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.

NEGL	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

ESG score	Methodology	Rating
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.	

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

ESG score	Methodology	
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. *(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)*	
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

ANALYST(S) CERTIFICATION

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 55.75	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 2.40	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 55.25	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 52.75	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 37.50	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.
Hana Microelectronics	HANA TB	THB 41.00	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in the global economy and purchasing power, 2) higher-than-expected raw material costs, 3) Baht strength, and 4) higher minimum wage and labor shortages.
KCG Corporation	KCG TB	THB 9.65	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
Krung Thai Bank	KTB TB	THB 18.10	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.
S Hotels and Resorts	SHR TB	THB 1.71	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 10.80	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.
Thai Union Group	TU TB	THB 15.30	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 14-Aug-2024 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.