Thailand Market Strategy

ย่อตัวในระยะสั้น ยังมองบวกในระยะยาว

- ตลาดกำลังจับตาดูการเลือกตั้งในสหรัฐฯ ซึ่งจะส่งสัญญาณทิศทางของตลาดโดยเฉพาะตลาดเกิดใหม่ (EM) จากนโยบายของประธานาธิบดีคนใหม่
- คาดเฟดจะปรับลดดอกเบี้ยในอัตราที่ช้าลง; ธปท. ไม่น่าจะปรับลดดอกเบี้ยต่อเนื่องในระยะสั้น; กำไร 3Q24 จะเป็นปัจจัยสำคัญที่จะบอกถึงการเติบโตของ SET
- SET น่าจะย่อตัวในระยะสั้นหลังพุ่งแรงถึงประมาณ 15% คงแนวโน้มเชิงบวกในระยะกลางถึงยาวและปรับเป้า SET ไปเป็น 1,600 ในปี 2025

การเลือกตั้งในสหรัฐฯ จะบอกถึงทิศทางของตลาด EM

การเลือกตั้งประธานาธิบดีระหว่างทรัมพ์และแฮร์ริสยังสูสีหลังโดนัลด์ ทรัมพ์เริ่มนำกมลา แฮร์ริสไปแบบเฉียดฉิว แม้ว่านักลงทุนจะมองว่านโยบายของทรัมพ์เอื้อต่อธุรกิจมากกว่า ตลาดยังมีความกังวลเกี่ยวกับความเป็นไปได้ที่การขาดดุลของงบประมาณจะเพิ่มขึ้นและความตึงเครียดในด้านการค้าที่จะสูงขึ้นซึ่งน่าจะให้บรรยากาศเชิงลบต่อ EM ในทางตรงกันข้ามเราคิดว่า EM น่าจะสบายใจมากกว่าถ้าแฮร์ริสชนะการเลือกตั้ง เนื่องจากนโยบายของแฮร์ริสน่าจะคาดเดาได้มากกว่าและเป็นกลยุทธ์ที่ดีกว่า ดังนั้น EM จึงน่าจะได้ประโยชน์จากการไหลเข้าของกระแสเงินต่างประเทศและค่าเงินภูมิภาคที่แข็งตัวขึ้นถ้ากมลา แฮร์ริสชนะการเลือกตั้ง

คาด ธปท. จะปรับลดอัตราดอกเบี้ยในอัตราที่ช้าลงในขณะที่ ธปท. น่าจะหยุดชั่วคราว

จากข้อมูลเศรษฐกิจสหรัฐฯ ที่ดีในช่วงไม่กี่เดือนที่ผ่านมาและ CPI ที่สูงกว่าคาดเล็กน้อย ตลาดได้ปรับลดคาดการณ์เชิงบวกเกี่ยวกับการปรับลดอัตราดอกเบี้ยของเฟดเพิ่มอีก 75 bps ในปีนี้เหลือราว 40-50 bps ในปัจจุบัน ผลตอบแทนพันธบัตรสหรัฐฯ อายุ 2Y และ 10Y ที่สูงขึ้นเป็นประมาณ 4.1% และ 4.2% ตามลำดับได้ก่อให้เกิดแรงกดดันต่อสินทรัพย์เสี่ยง ในขณะที่ ธปท. ส่งสัญญาณว่าอาจไม่ปรับลดอัตราดอกเบี้ยต่อเนื่องในระยะสั้นเนื่องจากเศรษฐกิจยังฟื้นตัวต่อเนื่องใกล้เคียงคาดและการปรับลดครั้งล่าสุดเกิดขึ้นเพื่อปรับนโยบายและบรรเทาภาระการชำระหนี้ของผู้กู้

ประเมินการเติบโตผ่านกำไร 3Q24

เราคาดว่ากำไรสุทธิ 3Q24 รวมจะลดลง 12% q-q และ 19% y-y โดยมีปัจจัยกดดันสำคัญอยู่ที่กลุ่ม Global related ถ้าหักกลุ่มพลังงานและปิโตรเคมี กำไรสุทธิรวมน่าเติบโต 1% q-q และ 20% y-y โดยกำไรที่โตต่ำ q-q เกิดจากปัจจัยด้านฤดูกาลแต่ยังเพิ่มขึ้น y-y สอดคล้องกับการฟื้นตัวทางเศรษฐกิจ ปัจจัยหนุนสำคัญในไตรมาสนี้น่าจะมาจากกลุ่มอาหาร พาณิชย์ ICT ขนส่ง บริการด้านสุขภาพและก่อสร้าง เราคาดว่ากำไร 4Q24 จะโตดี q-q และ y-y เนื่องจากเป็นฤดูในการจับจ่ายใช้สอยและฤดูการท่องเที่ยว

ปรับเป้า SET เป็น 1,600 ในปี 2025

เราคิดว่าตลาดจะยังแกว่งตัวในกรอบจำกัดในระหว่างที่จับตาดูการเลือกตั้งในสหรัฐฯ และผลประกอบการ 3Q24 ถ้ากำไร 3Q24 ไม่ได้ก่อให้เกิด Downside อย่างมีนัยสำคัญต่อประมาณการทั้งปี เราคิดว่าตลาดจะมั่นใจเกี่ยวกับทิศทางการฟื้นตัวของกำไรต่อหุ้นมากยิ่งขึ้น ปัจจุบันเราคาดกำไรต่อหุ้นในปี 2024-25 อยู่ที่ 90 บาท (+15% y-y) และ 101 บาท (+12% y-y) ตามลำดับ เราปรับเป้า SET เป็น 1,600 ในปี 2025 โดยอิง PER ที่ราว 16x นอกจากนี้ SET ยังมี Valuation อยู่ในระดับที่น่าสนใจพร้อม Earnings yield gap ที่ 4.3% (SD+1 จากค่าเฉลี่ยในอดีต) ในขณะที่ Downside น่าจะมีจำกัดโดยได้ปัจจัยหนุนจาก VAYU1 หุ้นเด่นของเราประกอบด้วย AOT CHG CPALL CPN KCG KTB MTC NSL SFLEX SHR และ 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

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 30 ตุลาคม 2024

"Too close to call" for Trump or Harris in the 2024 US election

The 2024 US general election is scheduled for 5 November 2024. The current landscape is still "too close to call" for Trump or Harris winning the presidential race, as it is highly competitive. During the last month, there has been a major development in the presidential candidates' popularities. Based on Real Clear Politics data, Donald Trump now has higher popularity than Kamala Harris at 48.6% to 48.4%, leading by a very narrow margin of only 0.2%. In terms of the market's reaction, the street has started to price in the higher probability of Trump winning. Even though investors view Trump's policies as more favorable for businesses, thanks to his tax cuts, deregulation, and pro-energy industry stance, which is positive for corporates' earnings, the market is concerned about the likelihood of a rise in the budget deficit, which means more government bonds coming to the market. In addition, Trump's trade policy is another concern, as it would likely be more unpredictable and could disrupt the economy, both on a growth perspective and via rising product prices from higher tariffs that might cause inflation fears to return.

Together with the strong US economic data in recent months, especially non-farm employment, and slightly higher-than-expected CPI numbers, the street has scaled back the bullish expectation of the Fed cutting its rate by an additional c75 bps this year to less than 50 bps at present. As a result, this has been reflected in higher US 2Y and 10Y bond yields of c4.1% and c4.2%, respectively, which are higher than their lowest point in September by c60-70 bps, and have started to affect equity markets with some selling pressure.

On the other hand, we think that if Kamala Harris becomes the new US president, the market, and especially Ems, will feel more comfortable, since many key policies should remain relatively the same as the current Biden administration. Her policies should be more strategic and predictable than Trump. Moreover, the Democrat's trade and tax policies are not likely to enhance the dollar index to appreciate compared to the Republican policies.

Hence, EMs should benefit more from foreign inflows and strengthening regional currencies if Kamala Harris wins the election. On the other hand, EMs would be in a more unfavorable position if Trump returns as the president.

Exhibit 1: 2024 US general election popularity
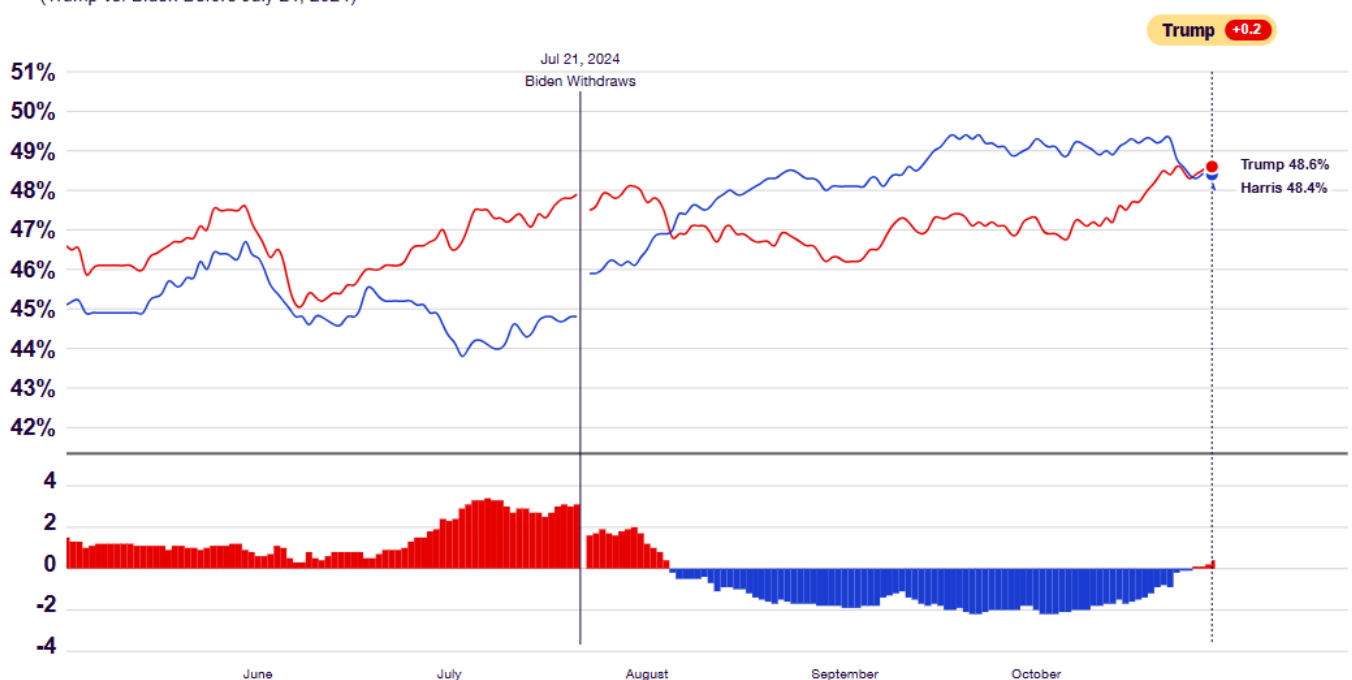
Source: RealClearPolitics

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Exhibit 2: A comparison of Harris vs Trump key economic policies

Policies	Kamala Harris	Donald Trump
Trades	More strategic approach to targeting tariffs at industry and geopolitical rivals, including Chinese technology products.	Implement a 60% tariff on all goods from China.
Taxes	Aims to raise the corporate tax rate from 21% to 28% and increase individual taxes on people making more than US$400,000 a year.	Extend his 2017 tax cuts and wants to lower the corporate tax rate from 21% to 15%.
Foreign and defense	Support Ukraine and advocate for a two-state solution between the Israelis and Palestinians, and call for an end to the war in Gaza.	Wants the US to disentangle itself from conflicts elsewhere in the world. Negotiate with Russia to end the war in Ukraine.
Jobs and wages	Aims to increase the minimum wage to US$15 per hour and create green jobs.	Deregulation to promote business growth; create jobs through energy and manufacturing.
Climate and environment	Support aggressive climate actions, renewable energy, reduce carbon emissions, and invest in green jobs.	Aims to cancel Biden's climate law. Support fossil fuel industries, expand oil and gas production.

Source: FSSIA's summary

Historically, as mentioned in our previous report, we have not seen significant upward or downward trends for equities during US election campaigns. However, indices have often rallied after elections, as the uncertainty has been resolved and investors have adjusted their expectations to the new administration's policies. The S&P500 index had a positive return of c4% on average during the three-month period (November to January) following election results. In 2016, index rallies were supported by the surprising result, with expectations of Trump's business-friendly policies and tax cuts, while the 2020 rallies were because of easing monetary policy during the Covid-19 pandemic. We think the market will have fewer expectations, with the policies being more priced in before the election, which are likely to be less surprising this time.

However, we believe that there are more factors than US politics that could affect the market's movements, especially economic outlooks. If the economy remains resilient as expected and there is no recession ahead, while inflation continues to slow down to the Fed's 2% long-term target, this should support risky assets.

Exhibit 3:   S&P500 and SET's monthly returns during US elections

| Year	President	Party	--------------------------- S&P500 returns ---------------------------						--------------------------- SET Index returns ---------------------------					
			Nov	Dec	Jan	Feb	Mar	Apr	Nov	Dec	Jan	Feb	Mar	Apr
1980	Reagan	GOP	10.2%	-3.4%	-4.6%	1.3%	3.6%	-2.3%	7.4%	-2.5%	-	-	-	-
1984	Reagan	GOP	-1.5%	2.2%	7.4%	0.9%	-0.3%	-0.5%	5.4%	-0.6%	-	-	-	-
1988	Bush	GOP	-1.9%	1.5%	7.1%	-2.9%	2.1%	5.0%	-6.2%	-1.6%	12.1%	0.5%	1.2%	13.5%
1992	Clinton	DEM	3.0%	1.0%	0.7%	1.0%	1.9%	-2.5%	-8.0%	3.3%	9.1%	-3.8%	-7.7%	-2.3%
1996	Clinton	DEM	7.3%	-2.2%	6.1%	0.6%	-4.3%	5.8%	1.7%	-10.2%	-5.2%	-7.7%	-3.0%	-6.3%
2000	Bush	GOP	-8.0%	0.4%	3.5%	-9.2%	-6.4%	7.7%	2.2%	-3.1%	23.6%	-2.3%	-10.2%	3.0%
2004	Bush	GOP	3.9%	3.2%	-2.5%	1.9%	-1.9%	-2.0%	4.5%	1.7%	5.1%	5.6%	-8.1%	-3.3%
2008	Obama	DEM	-7.5%	0.8%	-8.6%	-11.0%	8.5%	9.4%	-3.5%	12.0%	-2.7%	-1.4%	0.0%	13.9%
2012	Obama	DEM	0.3%	0.7%	5.0%	1.1%	3.6%	1.8%	1.9%	5.1%	5.9%	4.6%	1.3%	2.4%
2016	Trump	GOP	3.4%	1.8%	1.8%	3.7%	0.0%	0.9%	1.0%	2.2%	2.2%	-1.1%	1.0%	-0.6%
2020	Biden	DEM	10.8%	3.7%	-1.1%	2.6%	4.2%	5.2%	17.9%	2.9%	1.2%	2.0%	6.0%	-0.3%
Average Trump-Biden			7.1%	2.8%	0.3%	3.2%	2.1%	3.1%	9.4%	2.5%	1.7%	0.5%	3.5%	-0.4%
Average			1.8%	0.9%	1.4%	-0.9%	1.0%	2.6%	2.2%	0.8%	5.7%	-0.4%	-2.2%	2.2%

Sources: Bloomberg and FSSIA

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Exhibit 4: US 2Y and 10Y bond yields
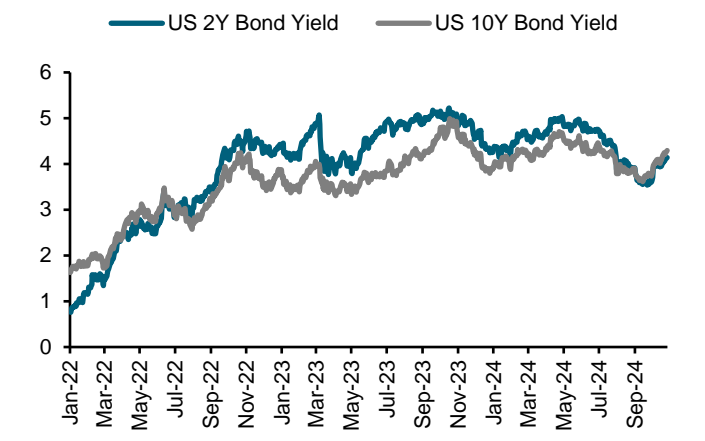
Source: Bloomberg

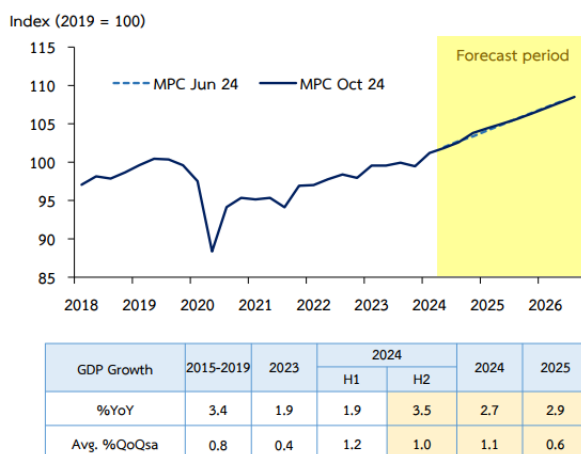**Exhibit 5: US Core PCE and Fed funds rate**
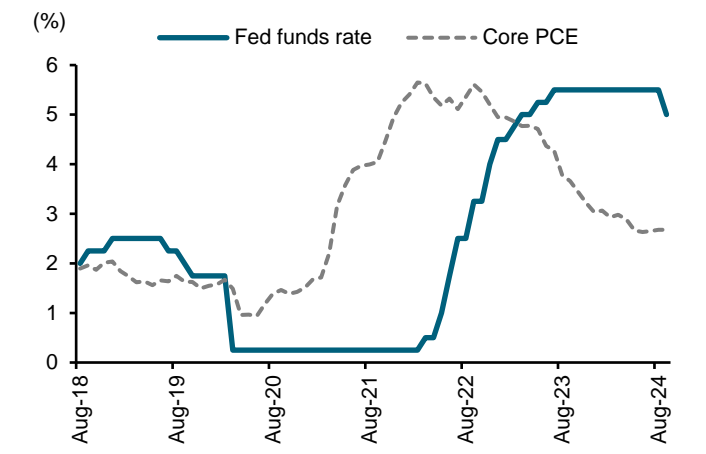
Sources: US Bureau of Economic Analysis, FOMC, and Bloomberg

The BoT's rate cut surprised the market; but is unlikely to continue

In October 2024, the Monetary Policy Committee (MPC) surprised the market by voting 5 to 2 to cut its policy rate by 25 bps from 2.5% to 2.25%. The committee believes that the Thai economy will expand as anticipated, while headline inflation is likely to gradually return to the target range of 1-3% by the end of 2025. The deleveraging process is expected to continue. The MPC deems that a neutral stance on the policy rate remains appropriate with the economic growth and inflation outlook. However, the key reason for cutting the rate was to recalibrate the policy and alleviate the debt-servicing burden for borrowers, and should not impede debt deleveraging given the expected slowdown in loan growth. In addition, the committee thinks the current policy rate remains neutral and consistent with the economic potential. From this, we think the MPC is not likely to continue lowering its interest rate in the near term.

The BoT expects Thai GDP to expand by 2.7% and 2.9% in 2024-25, respectively, close to the previous assessment, while factoring the THB145b cash handout in its projections. The main drivers are tourism, private consumption further supported by government stimulus measures, and an improvement in exports on higher demand for electronics. However, the recovery has been uneven across sectors, with certain merchandise exports, manufacturing production, and SMEs facing pressure from structural impediments. For 2H24, the BoT expects the GDP to grow by 1% q-q per quarter and 3.5% y-y. For the flooding, we think the worst has passed, and think a recovery is ahead. The overall impact on the Thai economy could be c0.1-0.3%, which could be offset by the cash handout and aid packages to restore infrastructure and help flood victims.
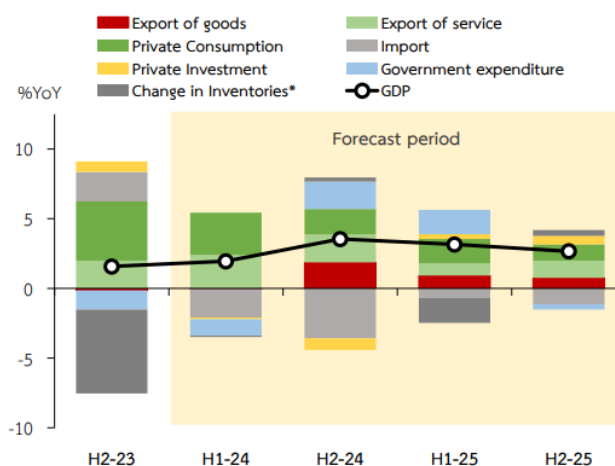
Exhibit 6: TH real GDP

GDP Growth	2015-2019	2023	2024 H1	2024 H2	2024	2025
%YoY	3.4	1.9	1.9	3.5	2.7	2.9
Avg. %QoQsa	0.8	0.4	1.2	1.0	1.1	0.6

Source: NESDC, BOT forecast

Sources: BoT
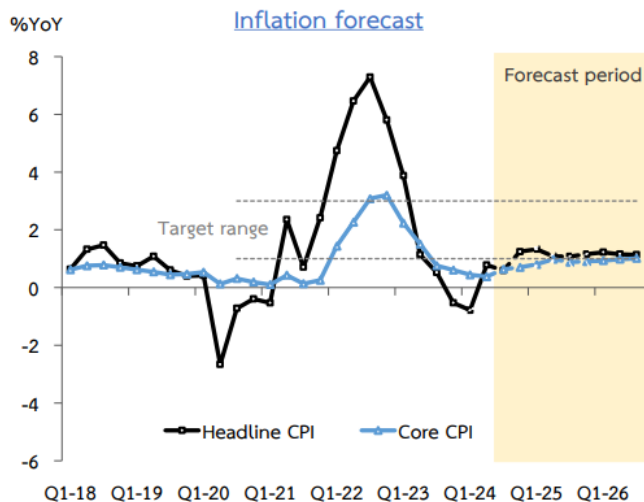
Exhibit 7: Contribution to TH GDP growth

Note: * including statistical discrepancy or CVM additive error
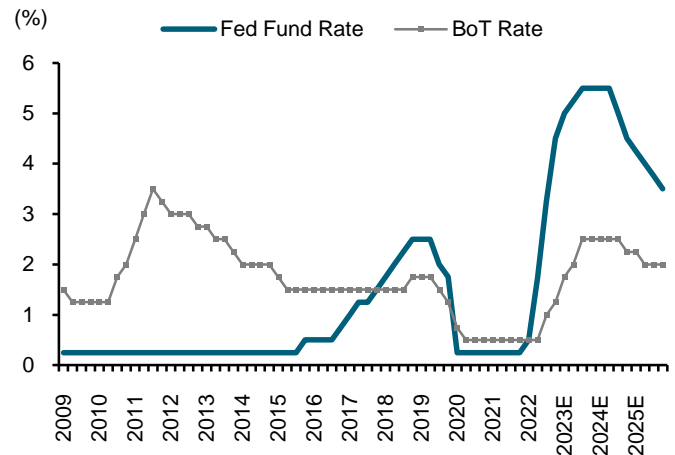Source: NESDC, BOT calculation

Source: BoT

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Exhibit 8: The BoT's TH CPI and core CPI forecasts

Inflation forecast

Source: Ministry of Commerce, calculated by BOT

Source: BoT

Exhibit 9: Fed funds rate vs BoT rate

Source: FOMC and Bloomberg

In-line 3Q24 earnings for banks, health check-up on real sectors ahead

Based on our latest banking sector report, the seven banks under our coverage posted an aggregate 3Q24 net profit of THB54.8b, which was in line with expectations, reflecting an increase of 2.3% q-q and 8.5% y-y. PPOP slightly declined by 1.8% q-q but remained stable y-y at THB113.9b. Non-NII grew more than expected in the quarter, up by 1.9% q-q and 13.6% y-y, mainly driven by stronger-than-anticipated fee income from brokerage commissions and wealth management transactions. Other income also grew, with gains from the MTM of the FVTPL portfolio offsetting the impact of sluggish NII and rising operating expenses. The 9M24 net profit reached THB163.3b, marking 6.9% y-y growth and representing 81% of our 2024 net profit forecast. 4Q24 net profit should decline, which aligns with the typical seasonal trend. Loan growth will likely rise, driven by increased seasonal demand, supporting NII growth. However, higher operating expenses, the highest of the year, should offset these gains. This period typically sees an uptick in employee and marketing expenses to boost retail loans. Additionally, the NIM should contract slightly due to the interest rate cut in early November 2024.

Based on the 123 listed companies in our study for which we have preview numbers, we expect their aggregate 3Q24 net profit to decrease by 11% q-q and 19% y-y. Key pressures are from global-related sectors, i.e. energy, construction materials, packaging, and petrochemicals, which we expect to report a sharp drop in net profits due to lower commodity prices and spreads. However, if we exclude the energy and petrochemical sectors, the aggregate net profit is likely to increase by 2% q-q and 15% y-y. On a q-q basis, the slow growth could be blamed on Thailand's rainy season. However, resilient y-y growth would be in line with an economic recovery, both internal and exports. Key drivers in this quarter are from food, commerce, ICT, transportation, healthcare services, and construction.

If 3Q24 earnings are in line, the 9M24 earnings should account for 71% of our 2024E net profit (75% excluding energy and petrochemicals). Hence, we expect strong growth q-q and y-y for 4Q24 earnings from the high season of spending and tourism.

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Exhibit 10: 3Q24 earnings results of Thai banks under coverage

	3Q23	2Q24	3Q24	---------- Change ----------		Beat/Missed	9M24	2024E	% to 2024E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(%)	(THB m)	(THB m)	(%)
BBL	11,350	11,807	12,476	6	10	9	34,807	42,037	83
KBANK	11,282	12,653	11,965	(5)	6	(3)	38,104	47,020	81
KKP	1,281	769	1,305	70	2	42	3,580	4,281	84
KTB	10,282	11,195	11,107	(1)	8	(1)	33,380	37,621	89
SCB	9,663	10,014	10,941	9	13	(2)	32,236	41,170	78
TISCO	1,874	1,749	1,713	(2)	(9)	1	5,195	6,935	75
TTB	4,735	5,355	5,230	(2)	10	(3)	15,920	21,336	75
Total	**50,467**	**53,542**	**54,737**	**2**	**8**	**1**	**163,222**	**200,400**	**81**

Sources: Company data; FSSIA estimates

Exhibit 11: 3Q24 earnings forecasts by sector

Sector	3Q24E	2Q24	3Q23	----------- Change -----------		9M24E	2024E	% to 2024E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(%)
Bank	55,967	55,472	56,704	1	7	168,143	205,288	82%
Energy	32,862	71,652	67,816	(54)	(64)	172,330	225,222	77%
Food	14,924	14,430	6,827	3	675	36,180	41,481	87%
Commerce	13,826	15,399	15,715	(10)	20	44,941	64,273	70%
ICT	13,490	10,389	11,506	30	33	35,385	50,033	71%
Property	13,064	14,059	12,493	(7)	(3)	39,617	56,916	70%
Transportation	9,102	7,267	9,196	25	69	25,566	34,782	74%
Healthcare	7,516	5,922	6,867	27	11	20,304	27,961	73%
Financial	7,420	6,932	7,590	7	3	21,941	30,520	72%
Electronics	6,976	7,576	5,136	(8)	4	19,689	25,903	76%
Cons. Mat	2,116	4,538	3,390	(53)	(43)	10,044	22,139	45%
Tourism	1,832	3,281	2,430	(44)	(23)	7,543	10,944	69%
Auto	1,100	551	1,010	100	(13)	2,661	4,415	60%
Packaging	1,068	1,519	1,788	(30)	(22)	4,375	6,267	70%
Construction	936	513	133	82	21	1,582	2,207	72%
Media	573	688	367	(17)	3	1,628	2,745	59%
Agri	544	583	466	(7)	71	1,593	1,803	88%
Professional	226	210	212	8	76	647	920	70%
Petro	(5,555)	(21,150)	527	74	(442)	(26,178)	12,155	-215%
Grand Total	**177,987**	**199,830**	**210,173**	**(11)**	**(19)**	**587,990**	**825,974**	**71%**
Excl. Energy & Petro	150,680	149,328	141,830	1	20	441,838	588,598	75%
Excl. Banking	122,020	144,358	153,469	(15)	(27)	419,847	620,686	68%
Excl. Energy & Petro and Banking	94,713	93,856	85,520	1	29	274,089	383,309	72%

Source: Bloomberg, FSSIA estimates, and SETSMART

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Rolling over SET target to 2025 at 1,600

Recently, the SET index had a strong rally and hit our 2024 SET target of 1,470, before retreating by c4% from its high of 1,506.82. We think the market will be in a wait-and-see mode, keeping an eye on the two key factors in November 2024 – the US election and 3Q24 earnings results. In terms of fundamentals, if 3Q24 earnings are in line with expectations and do not provide a significant downside to the full-year forecasts, we think the market will have more confidence in the EPS recovery path. We currently project 2024-25 EPS of THB89.9 (+15% y-y) and THB100.5 (+12% y-y), respectively.

For 2025, we roll over our SET target to 1,600, based on targeted PER of c16x, implying a c10% upside for the next twelve months. We continue to see the SET index as having an attractive valuation, with a 2025 PER of c14.5x, close to SD -1 from its historical average. Also, the latest BoT rate cut reflects a wider earnings yield gap of c4.3%, SD +1 from its historical average of 3.7-3.8%. Meanwhile, the downside is likely to be limited, supported by the Vayupak Fund 1 (VAYU1).

We still prefer domestic-related sectors such as banking, commerce, food, financial services, tourism, and healthcare, which would benefit from Thailand's well-balanced economic growth in 4Q24-2025. We recently updated our portfolio as follows:

FSSIA's portfolio update

We remove GPSC (BUY, TP THB59) from our portfolio, due to:

- We expect a 3Q24 net profit of THB800-850m, dropping y-y from a high base, while q-q profit is likely to fall short of previous expectations for growth.

- Key pressures are from 1) higher-than-expected FX losses; 2) the ongoing coal cost mismatch at Gheco-One; 3) rising gas costs; 4) maintenance shutdowns at Xayaburi, along with FX losses; and 5) a limited recovery in profit contributions from Avaada and CFXD, as it remains the low season and systems are still in the testing phase.

- The 4Q24 recovery outlook might not be very strong. We think the market could have a negative sentiment from this information, which could lead to downward earnings and target price revisions.

We add SFLEX (BUY, TP THB5.10) to our portfolio, thanks to:

- We expect net profit for 3Q24 to reach a record high at THB74m (+14% q-q, +53% y-y), driven by increased orders on the recovery of domestic spending and price adjustments to reflect costs. The gross profit margin remains high due to effective raw material management, forward pricing, and the economies of scale.

- Starprint Vietnam plays a significant role, with the expected profit contribution in 3Q24 jumping 86% q-q, driven by accelerated household consumption. If 3Q24 profit is in line, 9M24 profit would account for 83% of our full-year forecast. This suggests an upside potential for the current 32% y-y profit growth estimated in 2024, as Q4 is typically a strong season for the company.

As a result, our portfolio favorites are **AOT, CHG, CPALL, CPN, KCG, KTB, MTC, NSL, SFLEX, SHR, and TU.**

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Exhibit 12: SET EPS
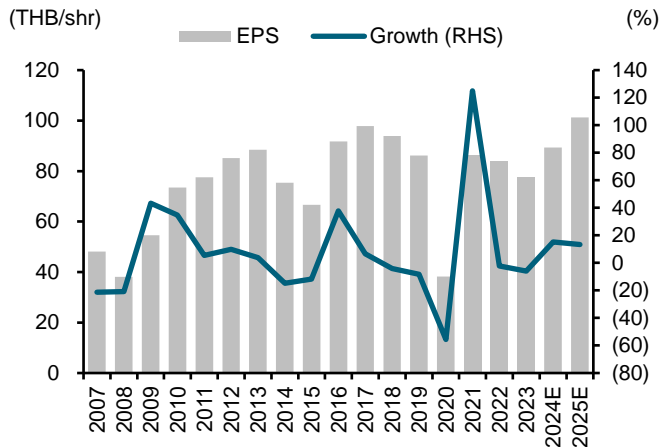
Sources: Bloomberg; FSSIA estimates

Exhibit 13: SET target sensitivity

| | -------------- Earnings per share ---------------- | |
	2024E	2025E
EPS	89.9	100.5

| | | - Target index based on FSSIA estimates - | |
	P/E (x)	2024E	2025E
SD+0.5	18.3	1,771	1,979
SD+0.25	17.7	1,648	1,842
10-year average	17.0	1,587	1,774
SD-0.25	16.3	1,526	1,706
SD-0.5	15.6	1,465	1,638
SD-1.0	14.3	1,404	1,569
SD-1.5	12.9	1,282	1,433

Sources: Bloomberg; FSSIA estimates

Exhibit 14: SET earnings yield gap
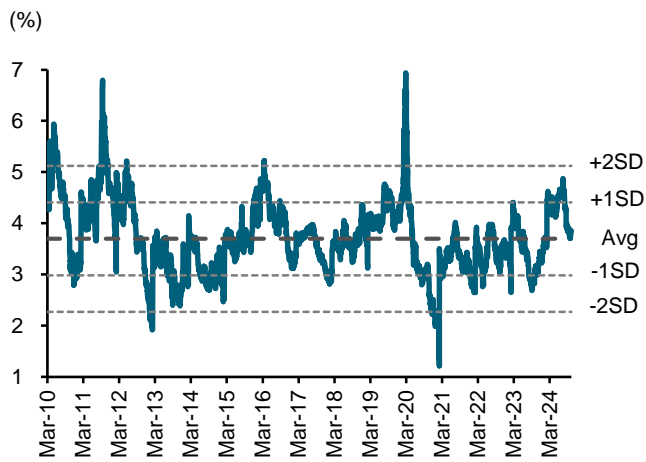
Sources: Bloomberg and FSSIA

Exhibit 15: Monthly return of FSSIA's portfolio vs SET index
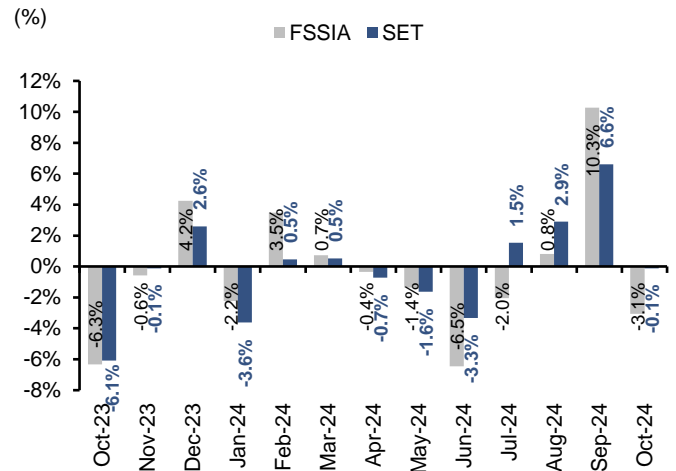
Sources: SETSMART and FSSIA

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Exhibit 16: FSSIA's top picks

Company	BBG code	Key rationale
Airports of Thailand	AOT TB, BUY, TP THB65.00	AOT is now in a recovery mode. The domestic passenger volume was at 80% of the pre-Covid level and the international passenger volume was at 89% of the pre-Covid level. The momentum should continue in FY2025. Key catalysts are PSC collection for transit/transfer passengers and more concession contracts such as third operators of ground handling cargo at Suvarnabhumi Airport.
Chularat Hospital	CHG TB, BUY, TP THB3.80	We expect 3Q24 core profit to jump 23% y-y to THB402m, due to a lower loss from CHG Mae Sot and an additional SSO gain. In addition, The SSO may lift the reimburse rate of high-cost care within this year, which could lift the upside for 2025E earnings by 3-8%; expect CHG Mae Sot's loss to narrow in 2025 and turn profitable in 2026.
CP All	CPALL TB, BUY, TP THB83.00	We anticipate a 3Q24 core profit of THB5.9b (-4.1% q-q, +38% y-y), driven by sales and GPM growth across three segments. We have increased our 2024-26E core profit by 3.6%/1%/1.5% on a better-than-expected GPM and factoring in the synergy value. We anticipate support from government economic stimulus measures and the synergy value from CPAXT. Additionally, we expect the core profit momentum to accelerate in 4Q24, both q-q and y-y.
Central Pattana	CPN TB, BUY, TP THB83.00	Reinforcing the leadership with a concrete five-year plan. The THB121b five-year investment plan is well-managed, with no need for a capital call. CPN trades at c16x 2025E P/E, lower than the industry average by 30%, the second cheapest in the retail sector.
KCG Corporation	KCG TB, BUY, TP THB13.00	We expect a 3Q24 net profit of THB75m, +36% y-y, driven by a rise in revenue due to new product launches and a continued increase in production capacity utilization. However, quarterly net profit should decline due to higher-than-expected raw material costs. Specifically, butter and oil, while other cost reductions are insufficient to offset this. However, we expect the net profit to jump in 4Q24 to thanks to the business' peak season. We maintain our net profit growth forecast of +16% CAGR in 2024-26.
Krung Thai Bank	KTB TB, BUY, TP THB23.50	We expect KTB to benefit from the new investment cycle next year from both public and private segments. Meanwhile, the asset quality is less concerning than other big banks, with an expected downtrend in the NPL ratio and credit costs. We retain our 2024-26 forecast and maintain our top BUY call with a 2025 GGM-based TP of THB 23.50, implying 0.72x P/BV.
Muangthai Capital	MTC TB, BUY, TP THB62.00	We expect a 3Q24 net profit of THB1.5b; growing by 5% q-q and 18% y-y following continued loan growth and a wider q-q spread. Asset quality remains manageable and aligns with its 2024 guidance. We maintain our 2024-26 net profit forecast, expecting a robust 24.9% CAGR, the highest among the diversified finance companies under our coverage.
NSL Foods	NSL TB, BUY, TP THB43.00	We expect 3Q24 net profit to grow by 3% q-q and 84% y-y to THB135m, and potentially peaking in 4Q24. New businesses are coming, including cheese product and coconut water exports. We forecast the 2024-25 net profit at THB523m (+57% y-y) and THB591m (+13% y-y), respectively, with upside potential from the coconut water deal – not yet included in our estimates. We are optimistic about the upward profit momentum, from the strong core business (7-Eleven) and NSL's efforts to increase non-7-Eleven revenue both domestically and internationally to find new growth stories.
Starflex	SFLEX TB, BUY, TP THB5.10	We expect net profit for 3Q24 to reach a record high at THB74m (+14% q-q, +53% y-y), driven by increased orders on the recovery of domestic spending and price adjustments to reflect costs. The gross profit margin remains high due to effective raw material management, forward pricing, and the economies of scale. If 3Q24 profit is in line, 9M24 profit would account for 83% of the full-year forecast. This suggests an upside potential, as Q4 is typically a strong season for the company.
S Hotels and Resorts	SHR TB, BUY, TP THB3.80	We believe 3Q24 earnings should to continue to improve both q-q and y-y. Outrigger hotel operations should improve q-q from the peak season for Fiji hotels, while the OCC rate of Mauritius hotels should normalize at 70-80% in 2H24 (vs 50% in 2Q24). UK hotels' performance should also improve due to seasonality. SHR trades at cheap and undemanding valuations of 0.5x 2025E P/BV. We see a positive momentum for earnings improvement in the next three consecutive quarters.
Thai Union Group	TU TB, BUY, TP THB19.40	We expect 3Q24 net and core profits to slightly grow q-q and y-y to THB1.29b, which is good, given the strong Thai baht and ongoing logistics issues. Management has guided for a positive outlook in 4Q24 after seeing stronger advance orders, and the selling price trend remains stable after tuna prices began to rise again in September. TU has also implemented forward contracts to mitigate risks from the strong Thai baht, which would be an upside to our full-year estimate.

Source: FSSIA estimates

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	24E	24E	24E		
		(THB)	(THB)	(%)	(THB m)	(THB m)	(y-y%)	(y-y%)	(x)	(x)	(x)	(%)	(%)	(x)		
Airports of Thailand	AOT TB	62.25	65.00	4	19,192	25,172	107.5	31.2	46.3	35.3	28.9	6.9	1.0	16.0	A	★★★★
Chularat Hospital	CHG TB	2.80	3.80	36	1,203	1,388	15.0	15.4	25.6	22.2	20.2	3.9	2.3	15.5	-	★★
CP All	CPALL TB	63.75	83.00	30	24,480	27,722	35.0	13.2	23.4	20.7	18.3	5.1	2.1	20.9	AAA	★★★★
Central Pattana	CPN TB	64.75	83.00	28	16,807	17,997	12.1	7.1	17.3	16.1	15.4	2.9	2.9	17.4	AA	★★★★★
KCG Corporation	KCG TB	9.75	13.00	33	369	428	25.8	16.1	14.4	12.4	10.7	1.8	3.6	13.2	-	-
Krung Thai Bank	KTB TB	20.90	23.50	12	37,621	38,760	2.7	3.0	7.8	7.5	6.1	0.7	4.3	9.1	AAA	★★★★
Muangthai Capital	MTC TB	51.75	62.00	20	6,292	8,142	28.2	29.4	17.4	13.5	11.5	2.9	0.5	18.1	A	★★★★
NSL Foods	NSL TB	32.75	43.00	31	523	591	56.9	13.1	18.8	16.6	14.6	5.5	3.1	31.3	-	-
Starflex	SFLEX TB	3.16	5.10	61	243	261	33.9	7.6	10.7	9.9	9.7	2.5	3.7	23.9	-	-
S Hotels and Resorts	SHR TB	2.20	3.80	73	271	457	239.6	68.5	29.2	17.3	14.0	0.5	1.4	1.7	A	★★
Thai Union Group	TU TB	15.20	19.40	28	5,043	5,593	nm	10.9	14.0	12.7	11.5	1.2	3.9	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 29 Oct 2024
Source: FSSIA estimates

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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 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	

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

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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 62.25	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 2.80	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 63.75	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 64.75	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.
KCG Corporation	KCG TB	THB 9.75	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 20.90	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.
Muangthai Capital	MTC TB	THB 51.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
NSL Foods	NSL TB	THB 32.75	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.
Starflex	SFLEX TB	THB 3.16	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.
S Hotels and Resorts	SHR TB	THB 2.20	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.
Thai Union Group	TU TB	THB 15.20	BUY	Downside risks to our SoTP-based 2025 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 29-Oct-2024 unless otherwise stated.

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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.

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