

Thailand Market Strategy

Missed but not that bad

- 3Q24 earnings results came way below our expectations. Excluding energy and petrochemicals, the overall net profit was not that bad and aligned with our estimates.
- The worst performers were mainly from global-related sectors, while domestic and consumption-related sectors remained resilient.
- 9M24 earnings accounted for only 68% of our 2024E aggregate net profit, resulting in roughly 2% downward EPS revision. We maintain our 2025 SET target of 1,600.

Aggregate 3Q24 net profit missed expectations by 11%

Based on the 153 companies under our coverage that have reported 3Q24 earnings results, their aggregate net profit came in at THB149b (-27% q-q, -33% y-y), missing our expectation by 11%. Excluding energy and petrochemicals, which posted poor results and some extra items, the overall net profit aligned with our expectations and was not too bad.

Losers were energy, petrochemicals, and packaging; Domestic remained resilient

The worst performers in 3Q24 were energy, petrochemicals, packaging, transportation, and automotive. Their net profit was lower than expected by 12-139%. Most of these sectors were global economy-related and saw pressure from lower commodity prices and spreads. However, domestic and consumption-related sectors, such as banking, commerce, food, healthcare, finance, and ICT, aligned with our expectations. The overall 3Q24 earnings are in tandem with the macroeconomy, as domestic consumption remained resilient. Despite a q-q slowdown due to the low rainy season, it still grew y-y.

Some downward EPS revisions to reflect missed 3Q24 earnings

9M24 aggregate net profit accounted for only 68% of our full-year forecast (74% excluding energy and petrochemicals). Hence, we saw some downward revisions in the last couple of months, leading to a cut of roughly 2% in our EPS forecast from THB90 to THB88 for 2024 and THB101 to THB99.7 for 2025 to reflect companies' lower-than-expected 3Q24 earnings results. However, the downward revisions were mainly from construction materials, agriculture, petrochemicals, packaging, and automotive. By contrast, domestic and consumption-related sectors had limited downward revision and remained resilient. We think 4Q24 earnings should grow both q-q and y-y, in line with the Thai economy and the high season of tourism and spending.

Maintain our 2025 SET target of 1,600

We maintain our 2025 SET target of 1,600. Even with a slight downward revision, our 2025E EPS stands at cTHB100. We think the market would retreat in the short term from both EPS and the strong dollar index and bond yield. However, we still have a long-term positive view of the index, thanks to its attractive valuations of c14.5x 2025PER and almost 4.5% earnings yield gap. Our top picks remain AOT, CHG, CPALL, CPN, ITC, KCG, KTB, MTC, NSL, SFLEX, and SHR.



Veeravat Virochpoka

Fundamental Investment Analyst on Securities; License no. 047077
veeravat.v@fssia.com, +66 2646 9965

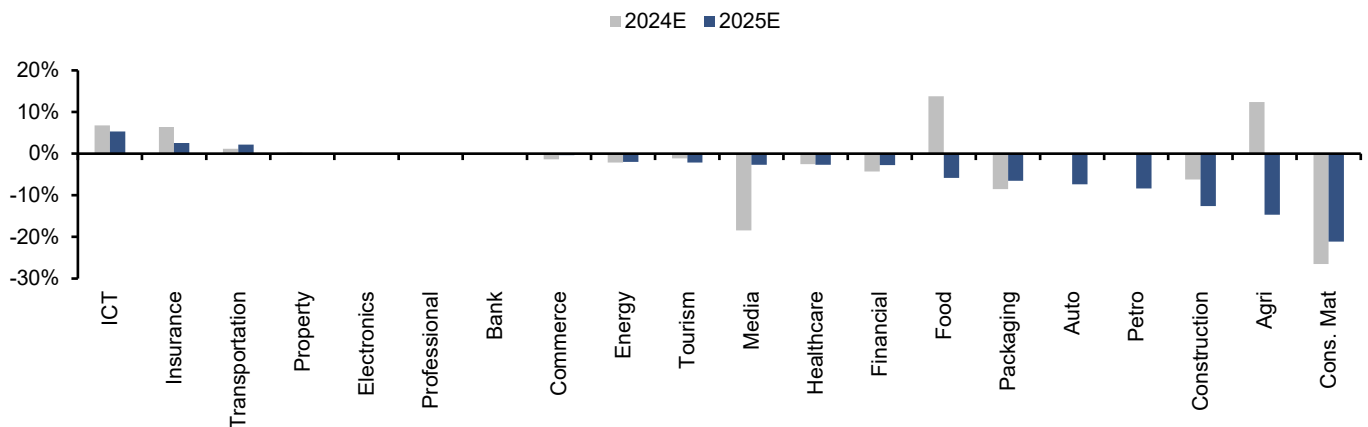
The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also AOT's Chairman of Board of Directors

Exhibit 1: 3Q24 earnings results by sector (153 companies in our study)

Sector	3Q24	2Q24	3Q23	Change		Beat / Missed (%)	9M24	2024E	% to 2024E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)		(THB m)	(THB m)	(%)
Bank	56,358	55,472	52,279	2	8	2	168,535	205,288	82%
Energy	25,740	77,746	95,299	(67)	(73)	(19)	175,033	245,300	71%
Property	14,344	15,407	15,165	(7)	(5)	(4)	43,345	60,821	71%
Food	14,402	14,534	2,065	(1)	598	(2)	35,826	41,815	86%
Commerce	13,667	15,399	11,506	(11)	19	2	44,781	64,273	70%
ICT	11,271	10,565	10,360	7	9	7	33,553	50,793	66%
Healthcare	7,470	6,337	7,621	18	(2)	(4)	21,114	30,190	70%
Financial	7,544	7,568	7,706	(0)	(2)	(1)	23,315	33,066	71%
Electronics	6,533	7,576	6,682	(14)	(2)	(6)	19,246	25,903	74%
Transportation	4,769	3,732	2,608	28	83	(19)	13,231	19,251	69%
Cons. Mat	1,963	4,821	3,725	(59)	(47)	1	10,432	23,218	45%
Packaging	680	1,535	1,413	(56)	(52)	(38)	4,047	6,415	63%
Construction	1,003	512	838	96	20	8	1,682	2,376	71%
Auto	691	551	1,259	25	(45)	(12)	2,252	4,415	51%
Media	620	750	721	(17)	(14)	1	1,789	1,142	157%
Agri	542	583	319	(7)	70	(0)	1,591	1,803	88%
Professional	218	210	129	4	70	(0)	640	920	70%
Tourism	(222)	3,078	2,073	(107)	(111)	(276)	5,476	11,103	49%
Petro	(17,807)	(21,150)	1,622	16	(1,198)	(139)	(38,430)	12,155	-316%
Grand Total	149,787	205,228	223,390	(27)	(33)	(11)	567,456	840,245	68%
Excl. Energy & Petro	141,854	148,632	126,469	(5)	12	(1)	430,853	582,790	74%
Excl. Banking	93,428	149,756	171,111	(38)	(45)	(17)	398,921	634,957	63%
Excl. Energy & Petro and Banking	85,496	93,160	74,190	(8)	15	(3)	262,428	377,502	70%

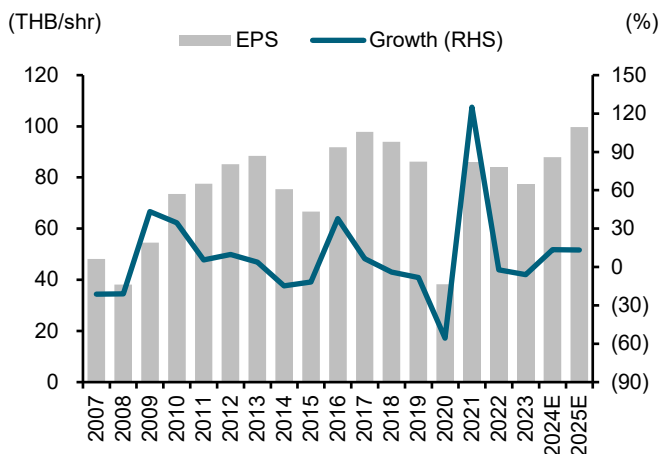
Sources: SETSMART, Bloomberg and FSSIA estimates

Exhibit 2: Earnings revision by sector from end of Sep-24 to Nov-24



Sources: Bloomberg and FSSIA estimates

Exhibit 3: SET EPS



Sources: Bloomberg; FSSIA estimates

Exhibit 4: SET target sensitivity

	Earnings per share	
	2024E	2025E
EPS	88.0	99.7
- Target index based on FSSIA estimates -		
P/E (x)	2024E	2025E
SD+0.5	18.3	1,614
SD+0.25	17.6	1,554
10-year average	16.9	1,495
SD-0.25	16.3	1,435
SD-0.5	15.6	1,375
SD-1.0	14.3	1,255
SD-1.5	12.9	1,135

Sources: Bloomberg; 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 (50-59), 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 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. <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 border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </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 border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <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> </tbody> </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

ANALYST(S) CERTIFICATION

Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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

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

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

Company	Ticker	Price	Rating	Valuation & Risks
Airports of Thailand	AOT TB	THB 58.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Chularat Hospital	CHG TB	THB 2.76	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 60.25	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.
i-Tail Corporation	ITC TB	THB 21.30	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in purchasing power, 2) more fluctuating raw material prices than expected, 3) a stronger-than-expected THB, and 4) labour shortages.
KCG Corporation	KCG TB	THB 9.15	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 20.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Muangthai Capital	MTC TB	THB 47.00	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 33.00	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 3.14	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 2.06	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.

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 15-Nov-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.