

# Thailand Market Strategy

## Limited impact from GMT on SET's EPS

- We expect a limited impact on SET's EPS from the GMT implementation this year.
- We anticipate only a c1% downside to 2025E earnings. Government assistance measures to mitigate the impact could be an upside to 2026E earnings.
- Key downside risks to EPS and SET targets are from the upcoming 4Q24 earnings season and companies' cloudy 2025 guidance.

### GMT already effective since 1 Jan 2025 for Thailand

Thailand has officially implemented a 15% global minimum corporate tax (GMT), targeting large multinational enterprises (MNEs) with consolidated annual revenues of at least EUR750m. This measure, effective from 1 January 2025, was formalized through the Emergency Decree on Top-Up Tax B.E. 2567 (2024), published in the Royal Gazette on 26 December 2024.

### We expect the downside risk for EPS from the GMT to be limited

Based on our assessment, we expect that only a few Thai listed companies are likely to be affected. Most of these are in sectors such as electronics, power plants, food, and shipping, which have overseas businesses and receive investment promotion privileges from the Board of Investment (BOI). If we adjust the effective tax rate to 15%, the total additional tax expenses would increase by approximately THB11.5b in 2025. This accounts for only c1% of the projected total market earnings in 2025, estimated at cTHB1.15-1.2t, calculated from a 2025E forward PER of 14-14.5 times at the current market capitalization of cTHB17t. Based on this, the negative impact on the SET's EPS is very limited.

### The negative impact might be even less than anticipated

We anticipate that the negative impact on the profits of MNEs is likely to be lower than our initial assumptions. We believe that the government may introduce assistance measures to mitigate the effects for companies that benefit from BOI investment promotions, such as refundable tax credits. We expect these measures to be concluded within this year, and they may take effect in the following year, potentially creating an upside to 2026E EPS.

### Key downside for 2025E EPS is from upcoming 4Q24 earnings season

We think the key downside risk to our 2025E EPS of THB98 is from the upcoming 4Q24 earnings season. We expect aggregate earnings to grow both q-q and y-y thanks to seasonality and the low base in 3Q24. However, if the magnitude of the recovery falls short of the market's expectations, coupled with less optimistic 2025 guidance from companies' management due to global economic uncertainties influenced by President Trump's return, we believe there might be downward revisions to EPS estimates over the next 1-2 months. This could result in a downside to our current SET target of 1,600.



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## Our assumptions

- Listed companies with revenues totaling at least THB25b (slightly more conservative than the threshold of EUR750m or equivalent to cTHB26.6b).
- We assume a minimum effective tax rate of 15% for all companies.
- However, certain companies may not meet the criteria due to a significant portion of profit sharing from joint ventures or those with tax losses carried forward, such as CK, LH, and TTB. On the other hand, some companies might be affected due to their parent companies, e.g. ITC.

## Exhibit 1: Anticipated GMT impacts

Stock	Revenue 2025E (THB m)	Pre-tax profit 2025E (THB m)	Net profit 2025E (THB m)	Tax expenses 2025E (THB m)	Effective tax rate (%)	Tax expenses at 15% (THB m)	Additional tax expenses (THB m)	Impact on NPAT (%)
PTT	3,709,267	225,463	88,894	70,492	31%			
CPALL	1,009,392	39,869	27,722	7,083	18%			
OR	838,580	13,666	11,288	2,585	19%			
PTTGC	716,948	14,074	10,547	1,744	12%	2,111	367	3%
CPF	612,685	19,869	14,057	3,974	20%			
SCC	595,871	22,126	1,348	3,071	14%	3,319	248	18%
IVL	563,430	19,271	14,574	3,771	20%			
CPAXT	529,349	16,169	12,683	3,527	22%			
BCP	518,518	20,684	9,853	8,515	41%			
TOP	379,015	16,180	12,367	3,214	20%			
PTTEP	309,340	109,350	64,609	50,953	47%			
IRPC	291,795	1,766	1,450	225	13%	265	40	3%
CRC	280,688	12,166	9,365	2,242	18%			
SPRC	242,074	5,094	4,000	950	19%			
PTG	227,051	1,595	1,759	375	24%			
ADVANC	222,279	49,066	40,229	8,966	18%			
BBL	210,424	55,298	43,779	11,060	20%			
TRUE	210,095	12,768	9,276	2,096	16%			
KBANK	199,225	66,656	51,555	12,331	18%			
DELTA	198,318	27,840	27,282	557	2%	4,176	3,619	13%
BJC	179,087	7,588	5,109	1,562	21%			
SCB	177,787	55,099	42,995	11,846	21%			
BANPU	166,144	12,225	5,740	3,092	25%			
KTB	165,340	53,003	38,760	10,389	20%			
MINT	164,734	14,530	9,262	4,206	29%			
SCGP	145,405	6,747	5,544	1,322	20%			
TU	142,388	6,664	5,593	359	5%	1,000	640	11%
GULF	129,123	29,397	25,881	1,214	4%	4,410	3,196	12%
BDMS	120,675	22,856	17,640	4,550	20%			
STA	119,879	3,147	2,544	363	12%	472	835	33%
BTG	117,846	3,077	2,449	615	20%			
TLI	114,677	13,902	11,652	2,930	21%			
GPSC	85,938	7,727	5,386	715	9%	1,159	444	8%
TTB	84,258	20,632	23,132	(2,500)	-12%			
COM7	83,304	4,189	3,436	749	18%			
HMPRO	77,094	8,369	6,779	1,590	19%			
AOT	74,332	30,200	23,956	5,738	19%			
TFG	65,855	3,506	3,167	351	10%	526	175	6%
BGRIM	60,836	6,049	2,944	586	10%	907	321	11%
AAV	53,416	3,501	2,800	700	20%			
CPN	52,923	21,702	17,997	3,883	18%			
SYNEX	45,594	971	708	183	19%			
CK	41,306	2,205	2,022	93	4%			
SIRI	40,481	6,216	5,160	1,315	21%			
STGT	40,379	1,744	1,521	186	11%	262	76	5%
AP	40,301	6,848	5,639	1,209	18%			
EGCO	37,898	7,879	8,980	865	11%	1,182	317	4%
GLOBAL	35,319	3,648	2,958	683	19%			
RATCH	34,455	9,098	7,919	860	9%	1,365	505	6%
DOHOME	33,365	1,149	929	219	19%			
STECON	32,000	414	310	89	22%			
AH	31,206	1,842	1,705	166	9%	276	111	6%
MTC	31,137	9,653	7,723	1,931	20%			
TASCO	31,037	3,341	2,669	627	19%			
KKP	30,922	5,950	4,739	1,190	20%			
OSP	30,378	3,923	3,204	628	16%			
SPALI	30,267	7,132	5,586	1,454	20%			
TTA	29,475	1,391	1,350	102	7%	209	106	8%
LH	29,334	5,795	6,095	511	9%			
SJWD	27,853	1,407	1,128	213	15%			
SCGD	27,044	1,432	1,078	328	23%			
BH	26,659	9,817	7,946	1,816	19%			
CENTEL	25,948	2,245	1,736	437	19%			
BA	25,566	4,602	3,820	784	17%			
SVI	25,498	1,414	1,383	94	7%			
BPP	24,897	4,617	3,600	410	9%			
HANA	24,631	1,802	1,675	126	7%			
SC	22,353	2,768	2,216	533	19%			
CBG	22,328	3,843	3,175	689	18%			
TOA	22,183	3,283	2,534	689	21%			
TISCO	20,796	8,558	6,846	1,712	20%			
TIDLOR	20,659	6,170	4,936	1,234	20%			
ITC	20,327	4,305	4,180	121	3%	646	525	13%
<b>Total</b>						<b>646</b>	<b>525</b>	<b>13%</b>

Note: This preliminary assessment is based on the aforementioned assumptions and the currently limited information. The actual impact may differ or be lower than estimated.

Sources: FSSIA estimates and Bloomberg

## 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.																			
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 <b>SETESG inclusion</b> , 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. <b>SETESG Index</b> is extended from the SET ESG Ratings 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&amp;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 &amp; 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-top: 10px;"> <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+									
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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-top: 10px;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></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><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

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#### Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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All share prices are as at market close on, 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.