

16 OCTOBER 2023

SPOTLIGHT ON THAILAND

Published Reports

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- ZEN CORPORATION GROUP (ZEN TB) - Solid retail growth amid lower tuna costs; Maintain BUY TP THB15.50
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- TISCO FINANCIAL (TISCO TB) - Key takeaways from analyst meeting; Maintain BUY TP THB111.00

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Indices	Index as of 13-Oct-23	Change -1D (%)	Change YTD (%)	Net Foreign YTD (USD m)
Thailand SET +	1,451	(0.4)	(13.1)	(4,689)
China SHCOMP	3,088	(0.6)	(0.0)	
Hong Kong HSI	17,813	(2.3)	(9.9)	
India SENSEX	66,283	(0.2)	8.9	13,928
Indonesia JCI	6,927	(0.1)	1.1	(293)
Korea KOSPI	2,456	(1.0)	9.8	5,057
MY FBMKLCI	1,444	0.0	(3.4)	
PH PCOMP	6,266	0.1	(4.6)	(833)
SG FSSTI	3,186	(1.0)	(2.0)	
Taiwan TWSE	16,783	(0.3)	18.7	(2,368)
VN VNINDEX	1,155	0.3	14.7	(337)
MSCI Emerging	951	(1.2)	(0.5)	
Nikkei 225	32,316	(0.5)	23.8	
FTSE 100	7,600	(0.6)	2.0	
CAC 40	7,004	(1.4)	8.2	
DAX	15,187	(1.5)	9.1	
Dow Jones	33,670	0.1	1.6	
Nasdaq	13,407	(1.2)	28.1	
S&P 500	4,328	(0.5)	12.7	
Brent	90.89	0.0	5.8	
Dubai	90.17	1.8	14.6	
WTI	87.69	(0.0)	9.2	
GOLD	1,932.82	(0.4)	5.5	
Trade data +	Buy (THB m)	Sell (THB m)	Net (THB m)	Share (%) (THB m)
Foreign	18,390	20,150	(1,760)	52
Retail	11,639	11,973	(334)	32
Prop Trade	2,912	2,713	199	8
Local Institution	3,953	2,059	1,895	8
Total Trade	36,895	36,895	0	100
Rates	Last close 12/10/2023	1M ago 12/9/2023	End last yr 30/12/2022	1yr ago 12/10/2022
THB/USD	36.18	35.64	34.61	38.08
Inflation *	0.30	0.88	5.89	6.41
MLR **	7.12	6.87	5.83	5.59
1Y Fixed *	1.65	1.41	0.99	0.70
Govt bond 10Y	3.25	2.93	2.64	3.16
Commodity	Last close (USD/bbl) 13/10/2023	1M ago 13/9/2023	End last yr 30/12/2022	1yr ago 13/10/2022
Brent	90.89	93.93	85.91	91.63
Dubai	90.17	94.58	78.66	91.03
WTI	87.69	90.77	80.26	85.61
Gold	1,933	1,934	1,824	1,650
Baltic Dry	1,945	1,381	1,515	1,838
(USD/ton)	13-Oct-23	06-Oct-23	25-Dec-20	14-Oct-22
Coal	138.95	137.85	84.45	390.62
% change	0.8	(13.4)	64.5	(64.4)

* chg y-y% last at end of most recent month end; ** Avg of 4 major banks;
Sources: Bloomberg, except coal from BANPU
+ as of 12-Oct-23

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Thailand Equity Sales:

Thailand Equity Trading:

Published Reports

MK RESTAURANT GROUP (M TB) - Cost pressure begins to ease; Maintain BUY TP THB54.00

3Q23 profit should increase slightly y-y and decrease q-q, in line with seasonality

We expect 3Q23 net profit at Bt420mn (-8.4% q-q, +3% y-y). It would decrease q-q due to seasonality. In this regard, SSSG should increase by 2.5% y-y. Revenue would decrease 5.6% q-q and increase 3% y-y, gradually recovering while waiting for tourism recovery, which would help Laem Charoen. Also, raw material prices eased due to lower pork prices (-6% q-q, -38% y-y). Although higher duck prices (+6% q-q) could offset it partially, M has locked in the price until the end of this year. We forecast the gross margin to increase slightly q-q (+30 bps) to 66%. Expenses should ease q-q, in line with lower overtime expenses and electricity bills. However, it would remain high. SG&A to sales should equal 55.3%, dropping 30 bps q-q but increasing 160 bps y-y.

4Q would see support from seasonality, decreased pork prices, and lower electricity bills

4Q23 profit should climb to the highest point of this year due to a high season. Also, M would continue realizing lower pork costs, in line with the declines in pork prices, and lower electricity bills after FT cuts. Our initial 4Q23 profit stands at cTHB500m-520m, the highest in four years and post-covid. However, competition remains intense, particularly from new players. Management has conducted continued studies to evaluate the impacts and remains confident in its strategy to focus mainly on food quality, avoid price competition, and maintain its customer base.

Cut our profit estimate to reflect slow recovery and fierce competition to where it still implies growth

Given the slower-than-expected recovery and higher competition, we have cut our 2023-25E profit by 14.8%/9.6%/9.5%, respectively. However, it still implies growth of 19% y-y in 2023 and continued strength of 16.7% y-y in 2024. Also, the profit should return to its THB2bn level again in 2025. Regarding a minimum wage hike to THB400/day (+13% from the current one), we initially estimate that it would affect our 2024E profit by less than 7%, assuming personnel expenses at 26% of total revenue while other factors remain unchanged.

Share price retreats have reflected slow profit recovery; Maintain BUY rating

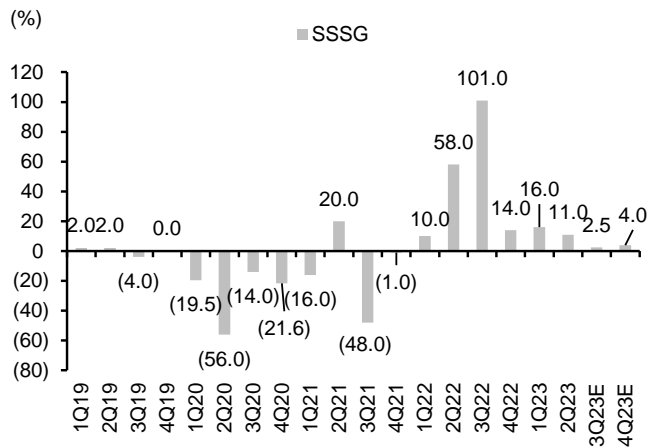
We roll over to our 2024 TP of THB54 (a PE of 25x, -1.0 SD). M has decreased by 24% YTD to reflect the slow profit recovery due to inflation impacts and fierce competition. Also, the gross margin and profit started to recover. We still like the balance sheet. M has very low financial debts, high cash on hand, and an expected 2023 dividend yield of c3.6%. Hence, we retain our BUY rating on M.

Exhibit 1: 3Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	---- Change ----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	3,495	4,016	4,067	4,149	4,089	4,435	4,189	(5.6)	3.0	11,578	12,714	9.8
Cost of sales	1,204	1,394	1,413	1,450	1,426	1,521	1,424	(6.4)	0.8	4,011	4,372	9.0
Gross profit	2,291	2,623	2,654	2,699	2,663	2,914	2,765	(5.1)	4.2	7,568	8,342	10.2
SG&A	2,008	2,118	2,182	2,337	2,307	2,468	2,317	(6.1)	6.1	6,309	7,091	12.4
Operating profit	347	555	527	442	424	541	543	0.4	3.2	1,428	1,508	5.6
Interest expense	21	21	21	23	23	26	26	(0.4)	22.3	63	75	18.6
Tax expense	51	89	86	82	65	47	87	87.3	1.6	226	199	(11.8)
Reported net profit	271	439	408	321	325	459	420	(8.4)	3.0	1,118	1,205	7.7
Core profit	271	418	408	321	325	459	420	(8.4)	3.0	1,097	1,205	9.8
Key ratios (%)								(ppt)	(ppt)			
Gross margin	65.6	65.3	65.2	65.0	65.1	65.7	66.0	0.3	0.8	65.4	65.6	0.3
SG&A / Sales	57.5	52.7	53.7	56.3	56.4	55.6	55.3	(0.3)	1.6	54.5	55.8	1.3
Operating margin	9.9	13.8	12.9	10.7	10.4	12.2	13.0	0.8	0.0	12.3	11.9	(0.5)
Net margin	7.7	10.9	10.0	7.7	8.0	10.3	10.0	(0.3)	0.0	9.7	9.5	(0.2)
Norm margin	7.7	10.4	10.0	7.7	8.0	10.3	10.0	(0.3)	0.0	9.5	9.5	(0.0)
Operating statistics												
SSSG (%)	10.0	58.0	101.0	14.0	16.0	11.0	2.5			56.3	9.8	
Total stores (no.)	705	707	710	710	703	699	710			710	710	

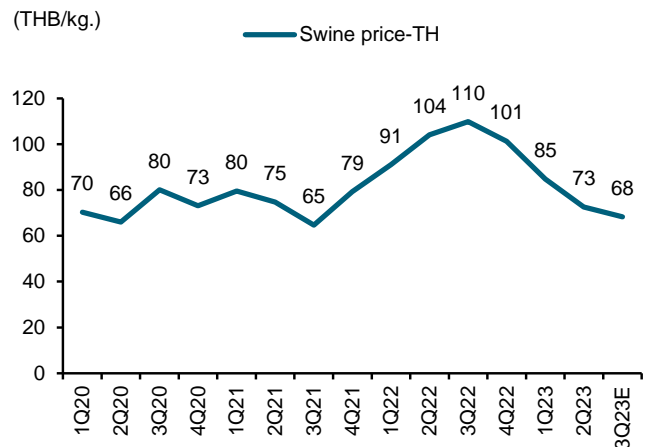
Sources: M, FSSIA estimates

Exhibit 2: Quarterly same-store-sale growth (% y-y)



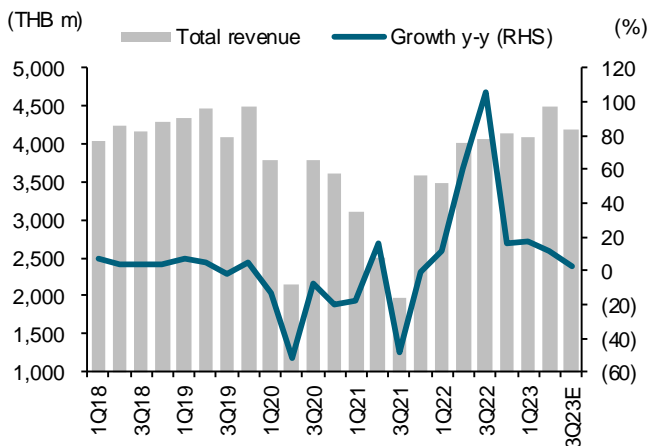
Sources: M, FSSIA estimates

Exhibit 3: Quarterly domestic pig price



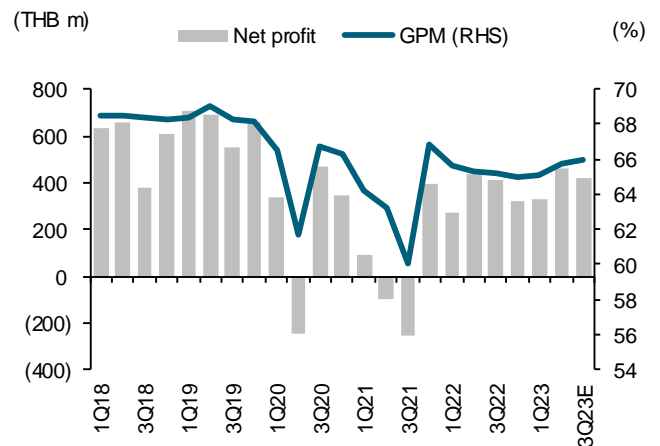
Sources: CPF, FSSIA's compilation

Exhibit 4: Quarterly total revenue and growth



Sources: M, FSSIA estimates

Exhibit 5: Quarterly net profit and gross margin



Sources: M, FSSIA estimates

Exhibit 6: Key assumptions for M

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
SSSG (%)	7.5	5.0	3.0	7.5	3.0	3.0	0.0	2.0	0.0
New stores (no.)	25	25	20	25	25	20	0.0	0.0	0.0
MK	10	10	8	10	10	8	0.0	0.0	0.0
Yayoi	10	10	7	10	10	7	0.0	0.0	0.0
Laem Charoen	5	5	5	5	5	5	0.0	0.0	0.0
Total stores (no.)	735	760	780	735	760	780	0.0	0.0	0.0
Total revenue (THB m)	17,191	19,116	20,397	17,631	18,953	19,977	(2.5)	0.9	2.1
Growth (%)	9.3	11.2	6.7	12.1	7.5	5.4	(2.8)	3.7	1.3
Gross profit (THB m)	11,311	12,617	13,503	11,513	12,433	13,185	(1.8)	1.5	2.4
Gross margin (%)	65.8	66.0	66.2	65.3	65.6	66.0	0.5	0.4	0.2
SG&A expenses (THB m)	9,506	10,476	11,177	9,344	10,045	10,588	1.7	4.3	5.6
SG&A to sales (%)	55.3	54.8	54.8	53.0	53.0	53.0	2.3	1.8	1.8
Report net profit (THB m)	1,712	1,998	2,175	2,008	2,211	2,403	(14.8)	(9.6)	(9.5)
Net margin (%)	10.0	10.5	10.7	11.4	11.7	12.0	(1.4)	(1.2)	(1.4)
Growth (%)	19.0	16.7	8.9	39.6	10.1	8.7	(20.6)	6.7	0.1
Core profit (THB m)	1,712	1,998	2,175	2,008	2,211	2,403	(14.8)	(9.6)	(9.5)
Core margin (%)	10.0	10.5	10.7	11.4	11.7	12.0	(1.4)	(1.2)	(1.4)
Growth (%)	19.0	16.7	8.9	39.6	10.1	8.7	(20.6)	6.7	0.1

Source: FSSIA estimates

ZEN CORPORATION GROUP (ZEN TB) - Solid retail growth amid lower tuna costs; Maintain BUY TP THB15.50

3Q23 profit should grow q-q, breaking seasonal factors, while retail remains strong

We expect 3Q23 net profit at THB49m (+7.4% q-q, -3.4% y-y). Its q-q recovery would break seasonal factors. Although SSSG should turn negative at -2% y-y due to its high base last year when Thailand eased its lockdown, revenue from restaurants would grow q-q and y-y due to new store expansion. Also, retail should report continued revenue growth, particularly from trading (King Marine). It would recover strongly, in line with foot traffic recovery. Hence, we anticipate 3Q23 revenue to grow (+2.5% q-q, +9.5% y-y). Also, the gross margin would increase slightly to 43.7% (from 43.5% in 2Q23) due to lower cost pressure.

Expect 4Q23 profit to increase to the peak of this year

4Q23 profit should peak due to a high season and the planned new store expansion of 39 in 2H23. Also, ZEN expects foreign tourists to return and would realize lower salmon costs from 4Q23 onwards. ZEN has locked in its salmon price at below THB400/kg., lower than the 1H23 average of THB500/kg.), until January 2024.

Solid retail outlook and lower costs would support 2024 profit

We expect 2023 revenue at THB3.8b (+12.8% y-y), slightly more conservative than management's target of THB4b. Since the overall situation remains in line with our estimate, we maintain our 2023-24E net profit growth of 12% y-y and 16% y-y, respectively. In 2024, growth drivers would come from the lower food cost outlook and potential retail growth from new customers of King Marine. As a result, we anticipate 2024 retail revenue contribution to rise to 13.5% from 11.5% in 2022.

Maintain BUY rating after rolling over to our 2024 TP

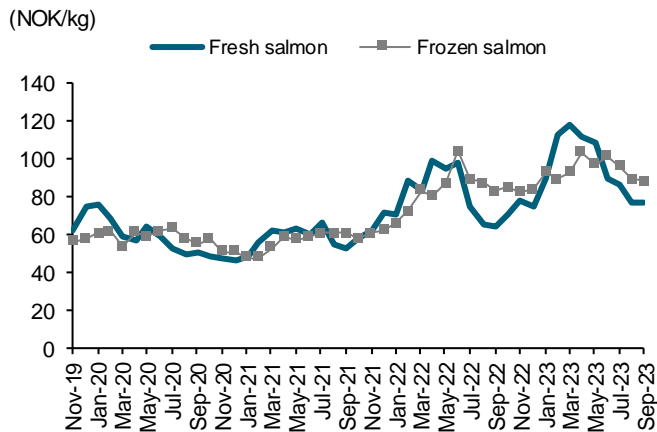
We roll over to our 2024 TP of Bt15.5, based on a lower PE target of 23x, close to its historical average and down from 25x (+0.5 SD), to reflect its normalized growth. Currently, ZEN has a 43.5% upside. Hence, we retain our BUY rating.

Exhibit 7: 3Q23 earnings preview

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	686	859	900	938	907	961	985	2.5	9.5	2,445	2,853	16.7
Cost of sales	378	466	480	513	509	543	555	2.2	15.5	1,324	1,607	21.4
Gross profit	309	393	420	425	397	418	431	3.0	2.6	1,121	1,246	11.2
SG&A	295	329	354	351	347	352	360	2.1	1.6	978	1,059	8.3
Operating profit	19	69	76	81	57	72	76	6.2	(0.6)	165	204	23.6
Interest expense	9	9	8	7	10	10	10	(1.1)	21.8	26	30	15.3
Tax expense	2	11	13	13	8	12	12	1.7	(11.7)	26	32	22.1
Reported net profit	4	44	51	55	34	46	49	7.4	(3.4)	99	129	29.9
Core profit	4	44	51	55	34	46	49	7.4	(3.4)	99	129	29.9
Key ratios (%)								(ppt)	(ppt)			
Gross margin	45.0	45.7	46.6	45.3	43.8	43.5	43.7	0.2	(2.9)	45.8	43.7	(2.2)
SG&A to sales	43.0	38.3	39.3	37.5	38.3	36.6	36.5	(0.1)	(2.8)	40.0	37.1	(2.9)
Operating margin	2.8	8.1	8.5	8.6	6.2	7.4	7.7	0.3	(0.8)	6.7	7.2	0.4
Net margin	0.6	5.1	5.6	5.8	3.8	4.8	5.0	0.2	(0.7)	4.1	4.5	0.5
Core margin	0.6	5.1	5.6	5.8	3.8	4.8	5.0	0.2	(0.7)	4.1	4.5	0.5
Operating statistics												
SSSG (%)	8.5	52.6	75.2	0.4	12.5	3.1	(2.0)			45.4	4.5	
Total stores (no.)	354	356	356	345	339	327	344	5.2	(3.4)	356	344	(3.4)
Restaurant sales (THB m)	502	599	683	728	706	735	744	1.3	9.0	1,784	2,185	22.5
Franchise sales (THB m)	52	61	58	60	52	56	58	3.6	0.0	171	166	(2.9)
Delivery and catering (THB m)	68	67	64	52	47	45	45	0.0	(29.7)	199	137	(31.2)
Retail sales (THB m)	64	131	96	98	101	125	138	10.4	43.8	291	364	25.1

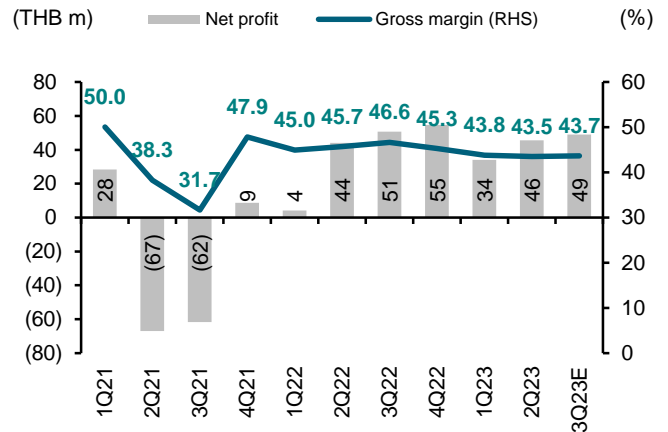
Sources: ZEN, FSSIA estimates

Exhibit 8: Norway salmon prices



Sources: Bloomberg, FSSIA's compilation

Exhibit 9: Quarterly gross margin and net profit



Sources: ZEN, FSSIA estimates

Exhibit 10: Key assumptions for ZEN

	Current			Growth		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total sale value	3,815	4,139	4,420	12.8	8.5	6.8
Costs	2,137	2,309	2,453	16.3	8.1	6.2
Gross profit	1,679	1,829	1,967	8.6	9.0	7.5
SG&A expense	1,431	1,552	1,666	7.6	8.5	7.4
Interest expense	44	40	37	35.5	(8.7)	(9.5)
Reported net profit	172	200	217	11.9	16.0	8.8
Core profit	172	200	217	11.9	16.0	8.8
Key ratios (%)						
Gross margin	44.0	44.2	44.5	(1.7)	0.2	0.3
SG&A to sales	37.5	37.5	37.7	(1.8)	0.0	0.2
Net margin	4.5	4.8	4.9	(0.0)	0.3	0.1
Core margin	4.5	4.8	4.9	(0.0)	0.3	0.1
Operating statistics						
Total stores (no.)	394	424	454	14.2	7.6	7.1
SSSG (%)	5.0	4.0	3.0			
Restaurant sales (THB m)	2,900	3,135	3,350	15.5	8.1	6.8
Franchise sales (THB m)	229	252	266	(0.9)	10.2	5.2
Delivery & catering (THB m)	184	193	203	(27.0)	5.0	5.0
Retail sales (THB m)	503	558	602	28.9	10.9	8.0
Revenue proportion						
Restaurant sales (%)	76.0	75.8	75.8	1.8	(0.2)	0.0
Franchise sales (%)	6.0	6.1	6.0	(0.8)	0.1	(0.1)
Delivery & catering (%)	4.8	4.7	4.6	(2.6)	(0.2)	(0.1)
Retail sales (%)	13.2	13.5	13.6	1.7	0.3	0.2

Source: FSSIA estimates

TISCO FINANCIAL (TISCO TB) - 3Q23 results at first glance; Maintain BUY TP THB111.00

3Q23 results were in line with our estimates

TISCO reported a 3Q23 net profit of THB1.87b, growing by 1.1% q-q and 5.7% y-y due mainly to rising net interest income, a better net interest margin (NIM), and lower-than-expected ECL and credit cost. Overall, asset quality was no cause for concern. Though NPL and credit costs accelerated, it aligned with TISCO's guidance and our forecast. The bank's 9M23 earnings result accounts for 75% of our 2023 estimate. We maintain our forecast.

Highlights

(+) Net interest income increased by 4.0% q-q and 10.4% y-y, slightly better than expected, following a greater loan expansion into corporate and high-yield loans. Additionally, floating interest rates were adjusted in late May 2023, which boded well for TISCO's 3Q23 loan yields, offsetting the rising cost of funds and pushing its NIM up much better than expected to 5.20% (+20bp).

(+) Net loans increased by 0.6% q-q, 8.7% y-y, and 5.8% YTD, lower than expected, primarily boosted by a rise in corporate (+2.6% q-q, mostly from the utilities and service sector) and high-yield loans (auto cash (17 % of total loans) was up +2.8% q-q, along with used car and motorcycle hire purchase). New car hire purchase loans dropped by 1.7% q-q following the cautious underwriting policy amid intense competition.

(+) Fee income increased by 4.0% q-q but decreased by 5.4% y-y, in line with expectations. The q-q increase was mainly from higher banking fees and bancassurance fees. A loss on financial instruments measured at FVTPL amid volatility in Thai and global capital markets also impacted other non-interest income.

(+) Operating expenses decreased by 2.1% q-q but increased by 8.1% y-y, in line with expectations. The cost-to-income ratio (CTI) decreased to 48.4% from 50.1% in 2Q23.

(0) Asset quality: The non-performing loan (NPL) ratio increased in line with our forecast to 2.25% from 2.20% in 2Q23 (mainly from auto cash and new and used car hire purchase loans). The rising NPLs were caused primarily by the growth strategy into high-yield businesses. Credit cost also rose by 14bp to 0.25%, much better than expected but still in line with TISCO's guidance and our forecast. The coverage ratio dropped to 206% from 224% in 2Q23, again in line with TISCO's guidance.

(+) 4Q23 outlook: We are positive about TISCO's 4Q23 net profit, expecting the good momentum to continue from 3Q23, mainly from the loan and NIM expansion, which could offset rising seasonal operating expenses.

We reiterate our BUY call for TISCO. Our 2023-24 GGM-based TP of THB111 and THB113, implies a P/BV of 2.02x.

Exhibit 11: TISCO's 3Q23 results summary

	3Q22	2Q23	3Q23	---- Change ----		9M22	9M23	Change	% of	2023E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(y-y %)
Net interest income	3,221	3,420	3,557	4.0	10.4	9,389	10,463	11.4	77.8	13,451	5.6
Non-interest income	1,257	1,324	1,250	(5.6)	(0.5)	4,072	4,048	(0.6)	71.7	5,643	0.6
Fee income - net	1,267	1,152	1,198	4.0	(5.4)	3,713	3,593	(3.2)	69.9	5,137	1.1
Total operating income	4,478	4,743	4,807	1.3	7.3	13,461	14,511	7.8	76.0	19,094	4.1
Total operating expenses	2,153	2,378	2,329	(2.1)	8.1	6,377	7,144	12.0	78.7	9,083	5.3
PPOP before tax	2,325	2,366	2,478	4.8	6.6	7,084	7,367	4.0	73.6	10,011	3.1
Expected credit loss	119	63	147	132.4	23.6	344	420	22.1	61.4	683	(5.4)
Income tax	433	449	457	1.9	5.6	1,323	1,357	2.6	72.7	1,865	5.6
Non-controlling interest	0.1	0.1	0.1	(4.0)	6.9	0.3	0.4	13.9	n/a	0.0	n/a
Net profit	1,773	1,854	1,874	1.1	5.7	5,417	5,590	3.2	74.9	7,462	3.3
EPS (THB)	2.21	2.32	2.34	1.1	5.7	6.77	6.98	3.2	74.9	9.32	3.3
Key ratios	3Q22	2Q23	3Q23	---- Change ----		9M22	9M23	Change	%of	2023E	Change
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(%)	(y-y %)
Gross NPLs (THB m)	4,442	5,065	5,213	2.9	17.4	4,442	5,213	17.4	103.6	5,034	10.0
Change (% from prior period)	(0.5)	7.9	2.9			(27.1)	17.4			10.0	
NPL ratios (%) - reported	2.08	2.20	2.25			2.08	2.25				
NPL ratio (%)*	2.08	2.20	2.25			2.08	2.25			2.13	
Coverage ratio (%) - reported	248	224	206			248	206			231	
Coverage ratio (%)*	248	224	206			248	206			231	
Credit cost (bp)	22.8	11.2	25.4			22.0	25.2			30.0	
Profitability ratio	(%)	(%)	(%)							(%)	
Cost to income ratio	48.1	50.1	48.4			47.4	49.2			47.6	
Average yield (%)	6.00	6.44	6.82			5.82	6.65			6.18	
Cost of funds (%)	1.08	1.80	2.02			1.04	1.86			1.63	
NIM (%) - reported	5.15	5.02	5.14								
NIM (%)*	5.14	5.01	5.20			5.00	5.27			4.89	
Non-int inc/total income (%)	28.1	27.9	26.0			30.2	27.9			29.6	
Liquidity ratio	(%)	(%)	(%)							(%)	
Loan/deposit	116.8	115.6	115.4			116.8	115.4			116.9	
Loan/deposit & borrowing (LDBR)	107.8	108.0	109.1			107.8	109.1			108.2	
Capital adequacy ratio	(%)	(%)	(%)							(%)	
CAR	21.5	20.2	19.9			21.5	19.9			21.1	
CET 1/ Risk assets	17.6	16.9	16.6			17.6	16.6			17.9	
Tier 2 / Risk assets	3.9	3.3	3.3			3.9	3.3			3.2	
Loan growth	(%)	(%)	(%)							(%)	
q-q	4.8	4.7	0.6								
y-y	4.3	13.4	8.7			4.3	8.7			8.0	
Year-to-date	5.0	5.2	5.8			5.0	5.8				

Sources: TISCO; FSSIA estimates

TISCO FINANCIAL (TISCO TB) - Key takeaways from analyst meeting; Maintain BUY TP THB111.00

The overall message from management today confirms our view on high-yield loan growth - but with a lower magnitude than before, rising floating-rate corporate loans along with rising interest rates, the impact of the rising cost of funds on its 2024E NIM, and increasing NPLs under manageable credit cost. Also, we received new information, including:

(-) 4Q23 loans could grow less than expected due to tighter credit quality control, especially in the hire-purchase and title loan segments, under the fragile economy and the high level of household debts. TISCO mentioned its title loans to reach 30% y-y growth in 2023E, but so far, it was only c10% y-y, which could bring down 2023E loan growth to be lower than the high side of 5-10% y-y (we expect 8% y-y). For 2024E, TISCO expects the corporate and high-yield retail segments to continue to be the growth drivers. However, the hire-purchase loans still need to be closely monitored due mainly to intense competition in the industry.

(+/-) 4Q23-2024 NIM's outlook: TISCO disclosed that the better-than-expected 3Q23 NIM was partly from the ample liquidity the bank prepared for 1) its interim dividend payment and 2) corporate lending, which had a drawdown schedule. Although TISCO expects continuously rising cost of funds in 4Q23, higher yields due to the latest lending interest rate increase by 25bp in early Oct 2023 would help offset it and push TISCO's NIM higher than expected. However, we maintain our NIM forecast in 2024 at 4.90%. It should decrease from 9M23 at 5.17% (27bp drop) due to the continuously rising cost of funds, which will last for 2-3 quarters.

(+) 4Q23-2024 credit cost should rise but still at a low level compared to pre-COVID's. TISCO expects the credit cost to reach 30bp in 4Q23E and gradually increase to 50bp in 2024E. The bank intends to reduce its coverage ratio to 150-160% from 206% in 3Q23 to reflect its present asset quality.

(+) 4Q23-2024 earnings outlook – We are still positive about the 4Q23 business outlook. Net interest income growth and NIM expansion are key drivers to push the bank's bottom line, which could offset the slowdown of non-interest income since the beginning of 2023, especially banking fees, a major part of total fees, aligned with the slowdown of new car hire-purchase loans. The 2024 earnings outlook has several headwinds from 1) loan growth slowdown, 2) rising cost of funds with narrower NIM, and 3) rising credit cost. We believe the bank could manage to show a limited bottom-line growth in 2024. Meanwhile, the bank guides that there is a potential upside from a higher dividend payout ratio in case of slower loan growth (we predict 84%).

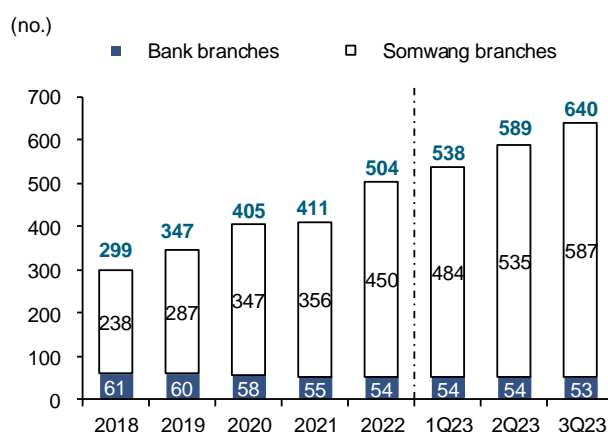
We maintain our BUY call and GGM-based TP of THB111, which implies a P/BV of 2.02x. We like TISCO for 1) its effective management of the impacts on its NIM by growing the high-yield loan segment; 2) its strategy of front-loading ECL during the Covid-19 pandemic; and 3) its attractive projected annual dividend yields of c8-9% during 2023-25.

Exhibit 12: Key financial guidance

	2022	TISCO 2023E	FSSIA 2023E
Loan growth	7.9%	5-10%	8%
NPL ratio (gross)	2.1%	< 2.5%	2%
Net interest margin	5.1%	~ 4.6%	5%
Net fee income growth	-9.5%	Stable	1%
Cost to income	47.1%	~ 50%	48%
Credit cost (bp)	34	34	30

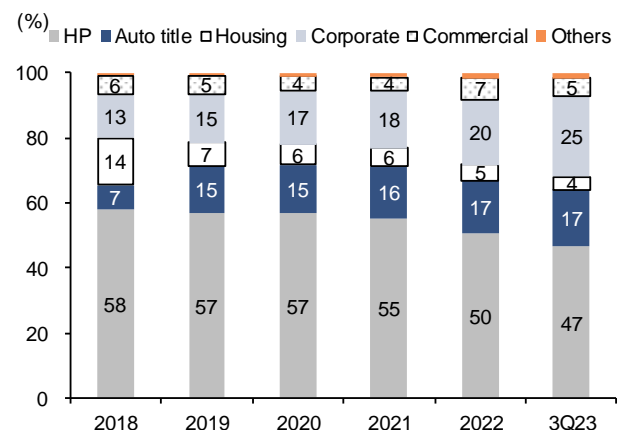
Sources: TISCO; FSSIA estimates

Exhibit 14: TISCO's branch network



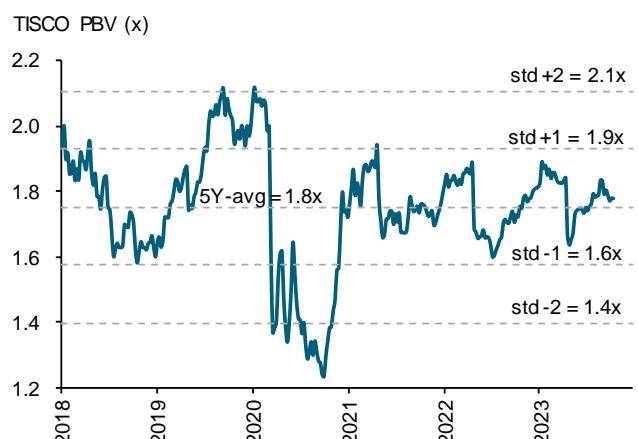
Sources: TISCO; FSSIA's compilation

Exhibit 13: Loan breakdown



Sources: TISCO; FSSIA's compilation

Exhibit 15: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

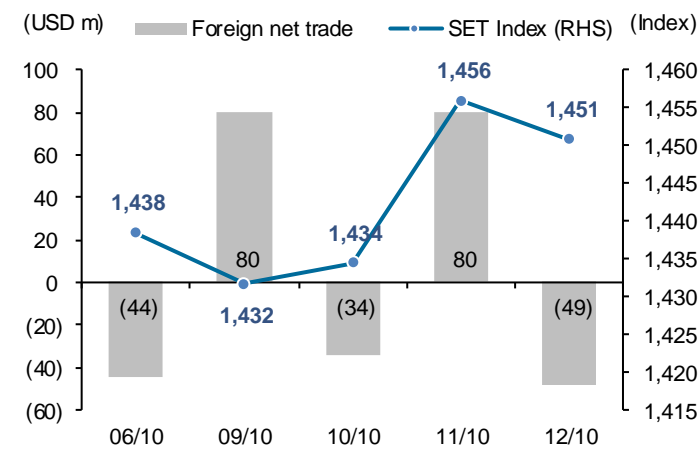
Economic news

- [Evaluating the impact of war](#) BANGKOK POST: Geopolitical conflicts have tested the Thai economy the past few years, with Russia's invasion of Ukraine continuing as Israel and Hamas renew hostilities in the Middle East. The expected war in Gaza is likely to have a ripple effect on energy prices and affect other trade partners in the region.
- [Rough start to October](#) BANGKOK POST: The Stock Exchange of Thailand has found no solace so far from the formation of the new government, having fallen heavily over the month of September. During the month, the government enacted several policies to help ease the cost of living, one of the biggest being the reduction of electricity bills to 3.99 baht per unit (kilowatt/hour) from 4.45 baht, effective until the end of the year. The move to bring the tariff below 4 baht was a big surprise.
- [Thailand slips in crypto adoption](#) BANGKOK POST: Thailand has slipped two places to 10th in the fourth annual Chainalysis Global Crypto Adoption Index, which combines on-chain and real-world data to measure which countries lead the world in grassroots crypto adoption. Grassroots crypto adoption is not about which countries have the highest raw transaction volumes -- the biggest, wealthiest countries are far ahead there.
- [Australia to invest in Eastern corridor to boost ties](#) BANGKOK POST: Australia plans to invest in Thailand's Eastern Economic Corridor (EEC) to elevate bilateral trade ties, Thai trade representative Nalinee Thavisin said on Friday. Speaking after discussing the matter with Angela Macdonald, the Australian ambassador to Thailand, Ms Nalinee said Australia has an interest in EEC investment, especially in water and infrastructure development.
- [Forum to brief foreigners](#) BANGKOK POST: Following a delay of several months, up to 300 foreign investors from large companies will finally obtain first-hand information regarding the economic policies of the Srettha Thavisin government to clarify issues related to their future investments, says the Federation of Thai Industries (FTI). The investors are invited to join a forum in Bangkok hosted by the FTI on Nov 1 to directly ask government representatives about investment promotion as well as hindrances caused by the Thai economy.
- [Ministry allots B600m for tourism](#) BANGKOK POST: The Tourism and Sports Ministry plans to use 600 million baht from its central budget to promote the tourism industry during the high season as fiscal 2024 budget disbursement is expected to be delayed until April next year.
- [Oil disruption risk 'limited', says energy watchdog](#) BANGKOK POST: PARIS - The International Energy Agency said on Thursday the risk of oil supply disruptions due to the conflict between Israel and Hamas is limited but that it stands ready to intervene in markets if necessary. The Paris-based agency, in addition to its analysis and advisory roles, coordinates the release of emergency stocks held by its 31 mostly advanced-economy member nations.

Corporate news

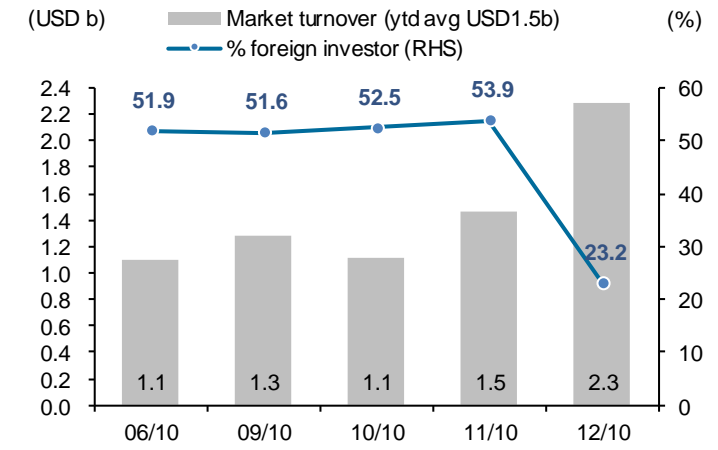
- [SCG Décor's IPO plan accepted](#) BANGKOK POST: Siam Cement Plc (SCC) plans to float shares of its floor tile and sanitaryware company on the Stock Exchange of Thailand (SET) this year after the company's initial public offering (IPO) plan was endorsed by the regulator. SCC president and chief executive Roongrote Rangsiyopash said SCG Décor (SCGD), which manufactures floor tiles, wall tiles and sanitaryware for sale both domestically and abroad, is seeking an appropriate time to issue the new ordinary shares through an IPO and list on the Thai bourse.
- [TrueMove, dtac customers in Israel given 2 weeks of free calls home](#) BANGKOK POST: True Corporation has said it will allow both TrueMove H and dtac customers in Israel to make domestic and international calls back to their families in Thailand for free from Sunday until Oct 31. The statement said those customers have been able to connect with the Thai Royal Embassy in Tel Aviv and True and dtac Call Centers for free of charge since Oct 7.
- [Hotels face staff shortages](#) BANGKOK POST: Hospitality businesses in popular destinations are dealing with staff shortages, according to Amora Hotels & Resorts, which operates hotels in Thailand and Australia. Chaowaphat Siriphattrawan, owner and director of Amora Hotels & Resorts, said hotels in Phuket are highly competitive in attracting staff during this high season, especially at the casual level, by providing benefits and a high rate of service charges.
- [New board likely to review National Telecom's 700MHz plan](#) BANGKOK POST: The portion of the 700-megahertz spectrum operated by National Telecom (NT) is likely to face a review when its new board is appointed in the near future as the project could be deemed an unworthy investment causing a long-term financial burden for the state enterprise. An official at the Digital Economy and Society (DES) Ministry who requested anonymity told the Bangkok Post the ministry already sent a signal to the majority of NT board members, led by chairman Gen Suchart Pongput, to step down, which is the usual practice when a new government is formed to pave the way for a new round of appointments.
- [Sentiment index slips in third quarter](#) BANGKOK POST: The sentiment of housing developers for the next six months declined in the third quarter, with the most significant drop relating to employment concerns after the government announced a minimum daily wage of 400 baht next year. Vichai Viratkapan, acting-director general of the Real Estate Information Center (REIC), said the sentiment index for the next six months dropped to 60.1 in the third quarter this year from 62.1 in the previous quarter.
- [Goldman sues Malaysia as 1MDB settlement dispute escalates](#) BANGKOK POST: NEW YORK - Goldman Sachs Group Incorporated took the unusual step of suing Malaysia in a UK court amid festering disagreement over a settlement tied to its role in the 1MDB investment-fund scandal.

Exhibit 16: Foreign fund flow and SET Index



Source: Bloomberg

Exhibit 17: Foreign participation



Source: Bloomberg

Exhibit 18: Index performance

	SET Index		Index performance (% change)									
	Index	(%chg)	Energy	Bank	Comu	Commerce	Food	Property	Construct	Transport	Petrochem	
% of SET Index			20%	11%	9%	10%	5%	6%	3%	8%	2%	
Current	1,450.75	(0.4)	(0.5)	0.2	0.2	(0.5)	(0.2)	(0.2)	(0.5)	(0.4)	(0.6)	
-5D	1,452.55	(0.1)	1.9	1.0	(0.1)	(2.5)	(2.0)	1.8	(0.8)	(0.7)	1.7	
-1M	1,535.31	(5.5)	(4.6)	(2.0)	0.1	(8.2)	(6.2)	(4.5)	(3.2)	(4.4)	(4.3)	
-3M	1,494.02	(2.9)	(4.0)	1.0	2.5	(3.4)	0.4	(1.8)	(7.1)	(2.1)	(18.4)	
-6M	1,592.67	(8.9)	(10.5)	3.7	(3.4)	(11.1)	(6.4)	(12.1)	(8.9)	(8.0)	(22.4)	
-1Y	1,560.78	(7.0)	(14.1)	6.3	(2.5)	(3.4)	(9.7)	(4.5)	(8.7)	(7.0)	(23.3)	
WTD	1,450.75	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
MTD	1,471.43	(1.4)	(1.8)	1.0	(1.4)	(2.4)	(3.3)	(0.2)	(0.4)	(2.2)	(1.5)	
QTD	1,471.43	(1.4)	(1.8)	1.0	(1.4)	(2.4)	(3.3)	(0.2)	(0.4)	(2.2)	(1.5)	
End of 2022	1,668.66	(13.1)	(17.7)	1.3	(3.9)	(16.6)	(14.4)	(14.8)	(16.1)	(12.2)	(30.0)	

Source: Bloomberg

Exhibit 19: Trade by investor types

	SET Index		Exchange rate (USD:THB)	SET Index		Equity trading / Net position				Bond Net foreign (USD m)
	Index	Change (y-y%)		Average daily turnover (THB m)	Average daily turnover (USD m)	Foreign (USD m)	Retail (USD m)	PropTrade (USD m)	Local Inst (USD m)	
2019	1,579.84	1.0	31.06	52,468	1,689	(1,496)	(662)	477	1,681	(502)
2020	1,449.35	(8.3)	31.29	67,335	2,152	(8,287)	6,873	459	953	(1,005)
2021	1,657.62	14.4	32.00	88,443	2,764	(1,632)	3,630	435	(2,330)	6,550
2022	1,668.66	15.1	34.78	53,589	1,541	5,362	(656)	56	(4,758)	4,111
2023YTD	1,450.75	(13.1)	34.64	53,402	1,542	(4,689)	3,058	11	1,619	113
4Q22	1,668.66	0.7	36.37	57,767	1,588	1,443	(533)	(115)	(792)	2,928
1Q23	1,609.17	(5.1)	33.92	63,300	1,866	(1,646)	1,594	(83)	136	612
2Q23	1,503.10	(4.2)	34.48	47,432	1,376	(1,461)	593	(120)	987	(178)
3Q23	1,471.43	(7.4)	35.17	49,809	1,416	(1,420)	825	261	333	(716)
Jan-23	1,671.46	1.4	33.22	68,181	2,052	545	16	172	(732)	822
Feb-23	1,622.35	(3.7)	34.05	63,203	1,856	(1,273)	836	34	404	(1,115)
Mar-23	1,609.17	(5.1)	34.49	58,517	1,697	(917)	742	(290)	464	905
Apr-23	1,529.12	(8.3)	34.27	44,594	1,301	(231)	222	(16)	24	(608)
May-23	1,533.54	(7.8)	34.26	52,780	1,541	(967)	137	(49)	880	699
Jun-23	1,503.10	(4.2)	34.92	44,923	1,286	(263)	234	(55)	83	(269)
Jul-23	1,556.06	(1.3)	34.61	44,682	1,291	(361)	100	81	181	958
Aug-23	1,565.94	(4.5)	35.04	56,846	1,622	(443)	48	114	280	(1,057)
Sep-23	1,471.43	(7.4)	35.85	47,900	1,336	(616)	677	66	(128)	(618)
Oct-23	1,450.75	(9.8)	36.83	46,612	1,266	(162)	46	(47)	163	396
2023YTD	1,450.75	(12.5)	34.64	53,402	1,542	(4,689)	3,058	11	1,619	113
06/10/2023	1,438.45		37.02	40,922	1,105	(44)	33	(7)	18	45
09/10/2023	1,431.72		37.11	47,468	1,279	80	(43)	5	(42)	(54)
10/10/2023	1,434.45		36.74	40,833	1,111	(34)	26	(12)	21	8
11/10/2023	1,455.99		36.42	53,305	1,464	80	(118)	0	38	470
12/10/2023	1,450.75		36.18	36,895	1,020	(49)	(9)	6	52	52

Source: Bloomberg

Exhibit 20: Upcoming events

Date Time	Event	Survey	Actual	Prior	Revised	
10/17/2023 10/24	Car Sales	Sep	--	--	60234	--
10/20/2023 03:30	Foreign Reserves	Oct-13	--	--	\$210.5b	--
10/20/2023 03:30	Forward Contracts	Oct-13	--	--	\$29.8b	--
10/22/2023 10/28	Customs Exports YoY	Sep	--	--	2.60%	2.57%
10/22/2023 10/28	Customs Imports YoY	Sep	--	--	-12.80%	-12.76%
10/22/2023 10/28	Customs Trade Balance	Sep	--	--	\$360m	--
10/25/2023 10/30	Mfg Production Index ISIC NSA YoY	Sep	--	--	-7.53%	--
10/25/2023 10/30	Capacity Utilization ISIC	Sep	--	--	58.18	--
10/31/2023 03:00	BoP Current Account Balance	Sep	--	--	\$401m	--
10/31/2023 03:30	Exports YoY	Sep	--	--	-1.80%	--
10/31/2023 03:30	Exports	Sep	--	--	\$23195m	--
10/31/2023 03:30	Imports YoY	Sep	--	--	-11.90%	--
10/31/2023 03:30	Imports	Sep	--	--	\$21971m	--
10/31/2023 03:30	Trade Balance	Sep	--	--	\$1225m	--
10/31/2023 03:30	BoP Overall Balance	Sep	--	--	\$325m	--
10/31/2023 20:30	S&P Global Thailand PMI Mfg	Oct	--	--	47.8	--
11/01/2023 03:30	Business Sentiment Index	Oct	--	--	50.4	--
11/05/2023 22:30	CPI Core YoY	Oct	--	--	0.63%	--
11/05/2023 22:30	CPI NSA MoM	Oct	--	--	-0.36%	--
11/05/2023 22:30	CPI YoY	Oct	--	--	0.30%	--
11/06/2023 11/13	Consumer Confidence	Oct	--	--	58.7	--
11/06/2023 11/13	Consumer Confidence Economic	Oct	--	--	53.2	--

Source: Bloomberg

Exhibit 21: Management trading

Company	Management	Securities	Transaction	Shares	Price (THB)	Action	Value (THBm)
Thonburi Healthcare (THG)	Aurchat Kanjanapitak	Common Shares	10/12/2023	51,400	65.00	Buy	3.34
Bangkok Lab and Cosmetic (BLC)	Suvit Ngampoopun	Common Shares	10/9/2023	248,400	5.01	Buy	1.24
Bangkok Lab and Cosmetic (BLC)	Suvit Ngampoopun	Common Shares	10/10/2023	30,000	4.97	Buy	0.15
Patrangsit Healthcare Group (PHG)	Krishrat Trakulchang	Common Shares	10/12/2023	500,000	12.91	Buy	6.46
Prime Road Power (PRIME)	Somprasong Panjalak	Common Shares	10/10/2023	60,000,000*	-	Receive	n/a
Prime Road Power (PRIME)	Somprasong Panjalak	Common Shares	10/10/2023	2,100,000	0.46	Buy	0.97
Supalai (SPALI)	Ajchara Tangmatitham	Common Shares	10/11/2023	200,000	19.80	Buy	3.96
Supalai (SPALI)	Ajchara Tangmatitham	Common Shares	10/12/2023	300,000	19.83	Buy	5.95
Supalai (SPALI)	Prateep Tangmatitham	Common Shares	10/11/2023	200,000	19.80	Buy	3.96
Supalai (SPALI)	Prateep Tangmatitham	Common Shares	10/12/2023	300,000	19.83	Buy	5.95
AAPICO Hitech (AH)	Sattha Petch-In	Common Shares	10/11/2023	50,000	33.75	Buy	1.69

Source: *Revoked by Reporter; SEC

Exhibit 22: Upcoming XR

Symbol	X-Date	Announce Date	Rights for	Subscription Price	Unit	Subscription Ratio (Holding:New)	Subscription Period	Allotted Shares (Shares)
JCK	17/10/2023	02/08/2023	Common	0.3	Baht	1 : 1	14/11/2023 - 20/11/2023	3465833184
POLAR	19/10/2023	05/10/2023	Common	0.01	Baht	2 : 1	29/11/2023 - 06/12/2023	2212902959
CV	20/10/2023	16/08/2023	Common	1	Baht	1 : 2	06/11/2023 - 10/11/2023	2560000000
CV	20/10/2023	16/08/2023	Warrants	-	Baht	2 : 1	-	1280000000
ALPHAX	30/10/2023	15/05/2023	Common	0.25	Baht	1 : 1	-	4646406094
B	30/10/2023	23/08/2023	Warrants	-	Baht	3 : 1	-	2691335951
TVDH	07/11/2023	29/09/2023	Warrants	0.1	Baht	3 : 1	18/12/2023 - 22/12/2023	584122864
CHAYO	09/11/2023	10/08/2023	Warrants	-	Baht	10 : 1	-	113719653
APEX	30/11/2023	05/10/2023	Common	0.05	Baht	1 : 2	22/12/2023 - 28/12/2023	8068998702
TRC	04/12/2023	26/09/2023	Common	0.2	Baht	4 : 1	-	2396786710
GIFT	20/12/2023	21/09/2023	Warrants	-	Baht	3 : 1	-	440541149
RS	28/12/2023	14/09/2023	Warrants	-	Baht	10 : 1	-	106974550

Source: SET

Exhibit 23: Upcoming XM

Symbol	X-Date	Meeting Date	Agenda	Venue
MK	16/10/2023	20/11/2023	Acquisition and disposition of assets	Crowne Plaza Bangkok Lumpini Park Hotel, Crowne Ballroom, Floor 21, No. 952, Rama IV Road, Khwang Suriyawong, Khet Bangrak, Bangkok
PRECHA	16/10/2023	09/11/2023	Connected transaction	at Seminar Room, 9 th Floor PREECHA GROUP Building, 1919 Patanakarn Road, Suanluang, Bangkok
ESSO	17/10/2023	14/11/2023	Connected transaction, To consider and approve the amendment of the Company's name, the Company's seal, and the Company's stock symbol, and the amendments to the Memorandum of Association and the Company's Articles of Association	By electronic means
NUSA	17/10/2023	17/11/2023	Changing the director(s)	Broadcast live from the company's office located at 2922/209 Cham-Issara Tower 2, 12A Floor, New Petchburi Road, Bang Kapi Sub-district, Huai Khwang District, Bangkok
APEX	18/10/2023	16/11/2023	Changing the director(s),Capital increase	Main Hall Pacific City Club 28th Floor, Two Pacific Place Building 142 Sukhumvit Rd.Khlong Toei Subdistrict, Khlong Toei District, Bangkok 10110
POLAR	19/10/2023	14/11/2023	Capital increase	which will be a meeting via electronic media

Source: SET

Exhibit 24: Upcoming XD

Symbol	X-Date	Dividend (per Share)	Unit	Operation Period	Source of Dividend	Payment Date	Price	Div Yield	Par
SAV	16/10/2023	0.75	Baht	01/01/2023 - 30/06/2023	Both	31/10/2023	17.40	4.3%	0.5
AEONTS	19/10/2023	2.55	Baht	01/03/2023 - 31/08/2023	Both	2/11/2023	156.00	1.6%	1
MC	2/11/2023	0.36	Baht	01/07/2022 - 30/06/2023	Both	24/11/2023	14.00	2.6%	0.5
MSFT80X	15/11/2023	-	Baht	-	NP	15/1/2024	-	-	-
TNH	1/12/2023	0.6	Baht	01/08/2022 - 31/07/2023	NP	20/12/2023	36.75	1.6%	1

Source: SET

Exhibit 25: New securities

Derivative Warrants	Trade Date	Underlying	Issuer	DW Type	Market	Maturity Date	Exercise Price (Baht)
BABA41C2406A	16/10/2023	BABA	JPM	Call	SET	03/07/2024	70
CENTEL13C2403A	16/10/2023	CENTEL	KGI	Call	SET	07/03/2024	58
CENTEL19C2403A	16/10/2023	CENTEL	YUANTA	Call	SET	07/03/2024	55
ESSO13C2403A	16/10/2023	ESSO	KGI	Call	SET	07/03/2024	15
ESSO19C2403A	16/10/2023	ESSO	YUANTA	Call	SET	07/03/2024	12.1
HANA13P2403A	16/10/2023	HANA	KGI	Put	SET	07/03/2024	35.5
MTC19C2403B	16/10/2023	MTC	YUANTA	Call	SET	07/03/2024	51.25
PTTEP41C2403A	16/10/2023	PTTEP	JPM	Call	SET	13/03/2024	214
PTTEP41P2403A	16/10/2023	PTTEP	JPM	Put	SET	13/03/2024	153.5
SET5041P2403A	16/10/2023	SET50	JPM	Put	SET	03/04/2024	800
SNNP13C2403A	16/10/2023	SNNP	KGI	Call	SET	14/03/2024	28
TIDLOR41C2403A	16/10/2023	TIDLOR	JPM	Call	SET	13/03/2024	25
TLI13C2403A	16/10/2023	TLI	KGI	Call	SET	14/03/2024	15

Source: SET

