

Siam Senses

Nowhere to run

Despite the third COVID wave worsening the market outlook for next year with *Siam Senses* cutting its SET targets further, we believe Thailand remains a nowhere-to-run market of trapped liquidity that is keeping valuations elevated. After the 105-point fall from its peak this year, we see some value re-emerging.



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Worsening outlook

Damage from the third COVID wave is changing the market outlook for next year. *First*, the government's conservative mindset means it is unlikely to plug the growing output gap. This would reduce the extent of the economic turnaround when it comes. *Second*, an election looks set to come earlier than our previous expectation next year and the government may not have time to revise policy direction to shore up the economy. *Third*, the Delta COVID variant has changed the reopening outlook to be gradual, implying a weak recovery year for tourism.

Deeper output hole and policy neutrality

Simply put, two years of forgone tourism have knocked off a combined 20% of the country's GDP vs. 9% from bailout decrees. Now that 1H22F is likely to still lack meaningful tourism, we expect an additional 5% hit to the output hole during an election year when we foresee policy neutrality from the government's low-debt mentality and its fear of losing further popularity. We expect anti-government protests to resume after COVID subsides, and this is likely to result in an early election (vs. the end of the administration's term in March 2023).

But the SET remains a nowhere-to-run market

Thailand is the most liquid market in ASEAN and by far vs. most peers. Its weak economic and earnings growth is not news and we believe this is reflected in the SET being 16% below its 2018 peak and having underperformed MSCI Asia ex-Japan by 28% since January 2020. The earnings-yield gap at 4.1% is also starting to give a Buy signal in our view. The SET offers no potential upside to our target this year given the negative COVID sentiment. However, as it has already fallen 105 points from this year's peak, next year's PE of 17x looks set to offer potential upside from the gap to the pre-COVID PE of 18x and 12% earnings growth. Looking toward a more normalized 2023F, the SET offers substantial upside in our view at only 14x PE. And with ample liquidity, rock bottom interest rates should remain in place for years to come, making a PE de-rating unlikely.

Value re-emerging between valuation lines

Due to the worsening economic outlook, we cut our SET target to 1,540 (from 1,580) this year and 1,700 (from 1,750) in 2022F. Although the SET looks fully valued to us this year, our valuation line analysis sees some value re-emerging in 2022F (Exhibit 18-19). We maintain our stock-selection strategy but start to give some room for 2022F value. We add KBANK as a bargain stock and remove CBG on earnings risk from lockdowns in its export markets in 2H21F. Market sentiment is bad due to the severe COVID situation and lockdown impact. However, we expect a turn in sentiment once the prolonged 20,000+ daily COVID cases start to peak.

Top Picks

	-EPS growth-		— PE —		Yield
	21F (%)	22F (%)	21F (x)	22F (x)	22F (%)
BEC	na	33.1	28.3	21.3	4.2
COM7	40.8	34.5	37.2	27.6	3.0
EA	15.3	32.6	37.1	28.0	1.1
GLOBAL	57.3	20.2	31.0	25.8	1.6
KBANK *	3.2	(0.1)	8.3	8.3	3.6
KCE	124.6	57.4	42.3	26.9	1.7
M	(41.7)	238.1	86.6	25.6	3.9
MEGA	18.9	10.8	20.9	18.8	2.9
STARK	52.9	40.8	41.0	29.1	1.7
TU	5.9	16.1	15.3	13.1	4.5

Stock taken out

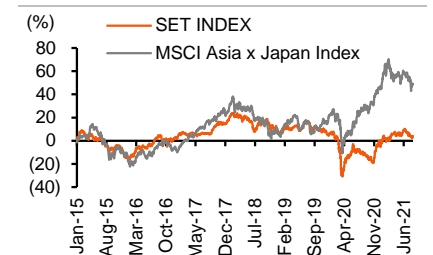
CBG	16.9	33.1	33.6	25.2	2.7
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Source: Thanachart estimates

Note: *New addition.

Based on 11 August 2021 closing prices

Already Reflects Weak Outlook



Source: Bloomberg

Some Value Emerging Names

KBANK	RS
SCB	CBG
PTT	M
BANPU	TU
IRPC	GLOBAL
SAT	HMPRO
STEC	DTAC
WHA	BCH
BEC	CHG

Source: Thanachart estimates

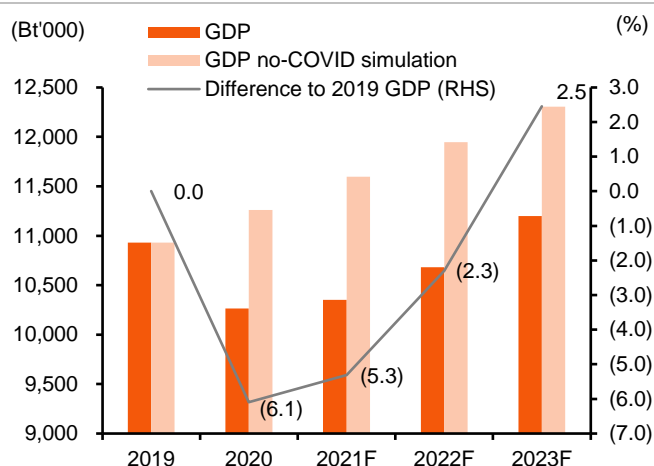
Worsening outlook

Siam Senses foresees Thailand's severe third COVID wave changing the prospects for the market next year via the following factors:

Larger output gap, slower turnaround

First, the output hole is getting deeper from the COVID damage and the government is unlikely to increase the stimulus budget to plug that hole. Since last year, the government has announced two special COVID-fighting borrowing decrees, i.e. one for Bt1tr (6% 2019 GDP) and the other for Bt500bn (3%). That is versus the combined tourism income loss of 20% of GDP. Due to slow spending, both loans have not been used up. Therefore, the government is likely to let the output gap get larger from the current lockdown measures and just speed up spending from the old decrees rather than announcing another special decree to plug the output hole. The small special budget means nearly no GDP growth this year and a weaker economic turnaround next year due to the lack of a booster during the recovery period.

Ex 1: The Lost Output



Sources: NESDB, Thanachart estimates

Ex 2: What Different Policies Can Do (GDP Growth)

	2020A	2021F	2022F
Taiwan	3.1	5.7	3.0
China	2.3	8.5	5.6
Korea	(0.9)	4.1	3.0
Indonesia	(2.0)	4.0	5.2
USA	(3.4)	6.5	4.2
Japan	(4.7)	2.5	2.6
Malaysia	(5.6)	5.0	5.5
Thailand	(6.1)	0.8	3.2
Europe	(6.4)	4.6	4.3
Philippines	(9.6)	5.0	6.8

Sources: Bloomberg, Thanachart estimates

We expect an early general election

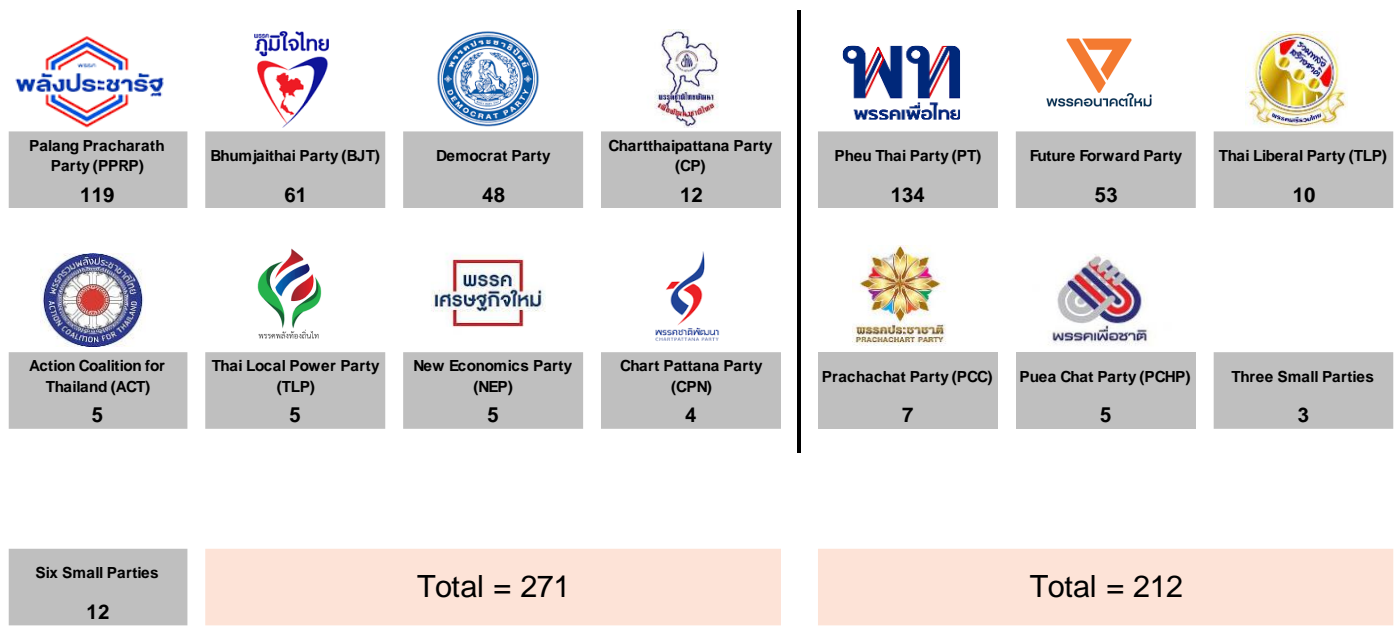
Second, while the government's term in office is due to end in March 2023, we now foresee an earlier election than our previous expectation in the later part of next year. The government is unlikely to carry out major policy direction revisions during the election year. There would also be a period of a caretaker government, i.e. some months after the dissolution of the House and before a new government is formed after the election. Caretaker governments normally refrain from approving new policies and investment projects. One positive factor is that there could be more money in circulation ahead of the election, and it could benefit consumption. But we believe this time around due to the very weak economy in the past few years, this money is likely to be less than in the past.

Why do we expect an early election? The government is under significant pressure from public disappointment over its handling of the COVID crisis while there's also a risk that anti-government protests could gather more steam once COVID infections subside.

And we foresee it being net negative for the economy

What impacts do we expect from an early election? We think it will be net negative for the economy. For one thing, we do not expect a change in regime and we think the current political parties, including the core, military backed Palang Pracharath Party (PPRP), will just regroup to form a new coalition after the election. Secondly, we expect the country to suffer a vacuum period of neutral policymaking during the caretaker period of at least a few months.

Ex 3: We Expect The Current Coalition To Regroup For A New Term

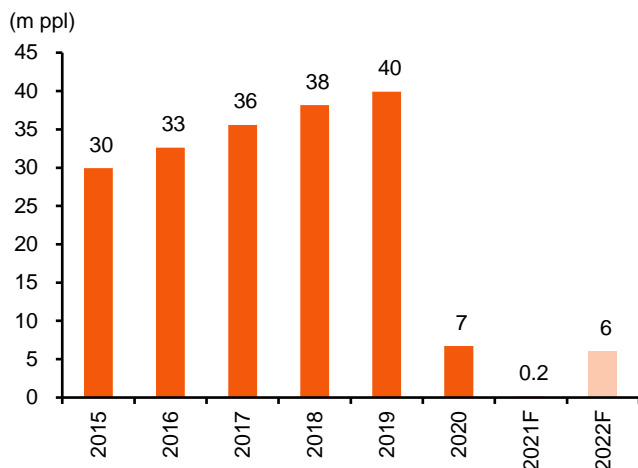


Source: Thai Parliament

Weak tourism recovery in 2022F

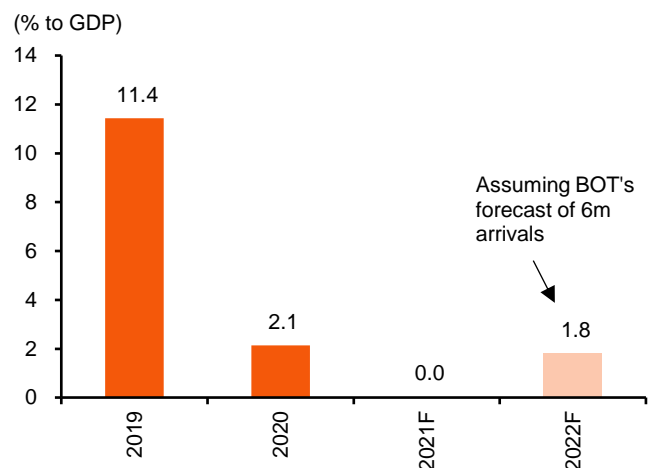
Third, the COVID Delta variant has changed the country’s reopening outlook next year to be very gradual when it happens. This is not only Thailand’s problem but a global one where the available vaccines are struggling against the Delta variant. We now expect 1H22F to draw very few tourists and the recovery to start in 2H22F at a gradual pace. This implies that 2022F will be another year of huge tourism income losses. The Bank of Thailand’s latest downward GDP growth revisions already offer a very bearish outlook for a tourism turnaround with a forecast of only 0.7% GDP growth in 2021F (similar to our projection of 0.8%) and an assumption of only 6m tourist arrivals (vs. nearly 40m in 2019) in 2022F.

Ex 4: Slow Comeback Of Tourists Next Year



Sources: Tourism Authority Of Thailand, Bank of Thailand

Ex 5: Thus Still A Weak GDP Growth Contributor in 2022F



Sources: Tourism Authority Of Thailand, Bank of Thailand

An unplugged, deeper output hole

Big output gap reduces turnaround potential

The Thai government has been conservative in its mindset with its small stimulus packages that have been far below the lost output during the COVID period. This resulted in a deep recession in 2020 (-6.1%), relatively flat growth in 2021F (our GDP growth forecast is 0.8%) from the low base, and a likely slow turnaround in 2022F (3.2% growth from the low base). Thailand has suffered from both the stimulus amounts being too small in our view and the slow spending of these stimulus funds.

We estimate a combined gap of 9% of GDP in 2020-21F

A simple calculation to see the output gap, excluding the multiplier effect, is as follows. Foreign tourism income stood at 11% of GDP in 2019. Let's simply assume a combined income loss of 20% of GDP in 2020-21F. Now what are the special COVID-fighting budgets? The government announced two special spending decrees worth a combined Bt1.5tr, or 9% of 2019 GDP. That implies an output gap of 11%. Simply put, Thailand lost 6.1% of 2019 GDP in 2020 and, at 0.8% growth in 2021F, this implies the loss of another 5.2% from 2019 GDP in 2021F.

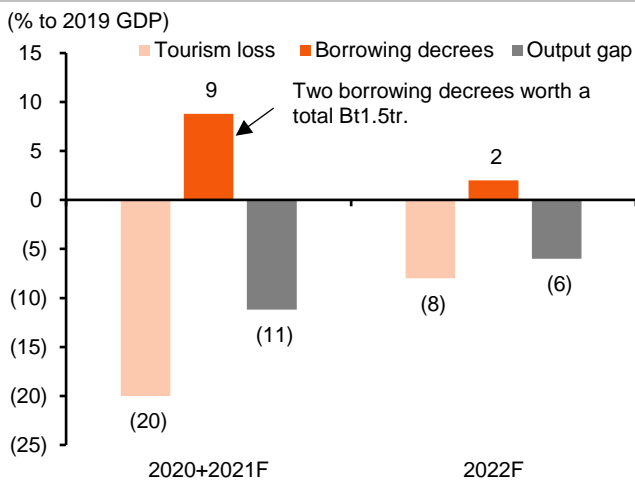
Without a new spending decree, another output gap of 4% in 2022F

Looking to 2022F, when we expect a tourism recovery at only 15-20% of the 2019 level, the lost income could therefore be more than 8% of 2019 GDP. However, in reality we expect a stronger turnaround of domestic tourism that could add, say, 4% of 2019 GDP. Therefore, the net output loss could be around 4%. We doubt the government will issue another special spending decree to plug the new output hole.

Government is reluctant to opt for a sizeable new borrowing decree

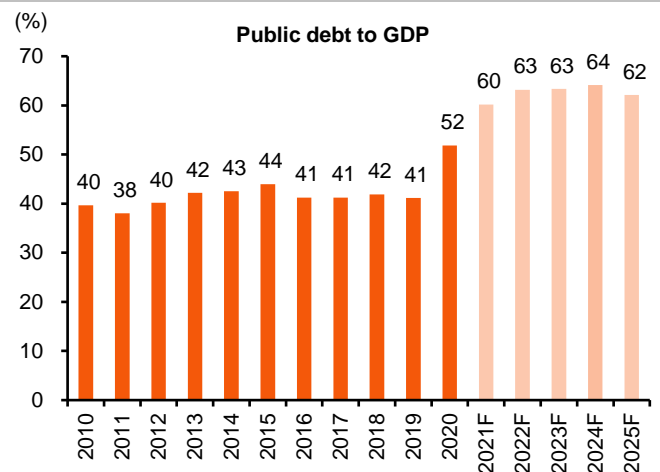
We estimate public debt to GDP to reach its 60% ceiling by the end of this year and rise to 63% in 2022F (assuming only normal budget spending and not a special one). That would automatically force the government to raise the ceiling. However, it looks likely that the government will not push up the ceiling very far in the election year fearing repercussions on its popularity given Thai people's negative perceptions of high debt levels. Assuming the debt ceiling is lifted to 65%, the government would have room for a special spending/borrowing decree of only 2% (the new ceiling of 65% minus the forecast debt ratio without a special decree of 63%).

Ex 6: A Rough Estimate Of The Output Gap



Source: Thanachart estimates

Ex 7: Public Debt To GDP



Sources: Public Debt Management Office, Thanachart estimates

Nowhere-to-run market

Our SET targets are 1,540 in 2021F and 1,700 in 2022F

Due to the worsening outlook mentioned earlier in this report, we cut our SET target to 1,540 (from 1,580) this year and 1,700 (from 1,750) in 2022F. We foresee no upside this year as the severe third COVID wave and the lockdown measures have disrupted the economic turnaround, leaving Thailand with only 0.8% GDP growth this year, based on our forecast.

However, next year we still see potential upside to our target of 1,700.

SET has already underperformed

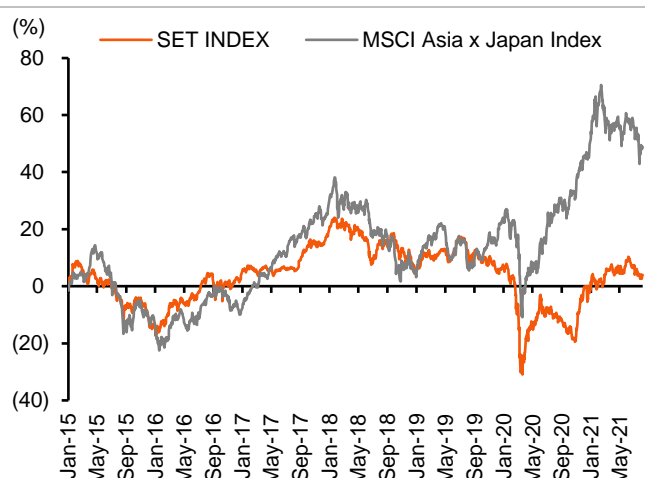
First, Thailand's weak economic and earnings growth is not news and we believe it already reflects the SET being 16% below its 2018 peak and its pre-Asian crisis peak 24 years ago. Putting it in a regional context, the SET has underperformed Asia ex-Japan by 28% since the start of 2020.

Ex 8: Already Far Off Peak



Source: Bloomberg

Ex 9: Significantly Underperforms Peers

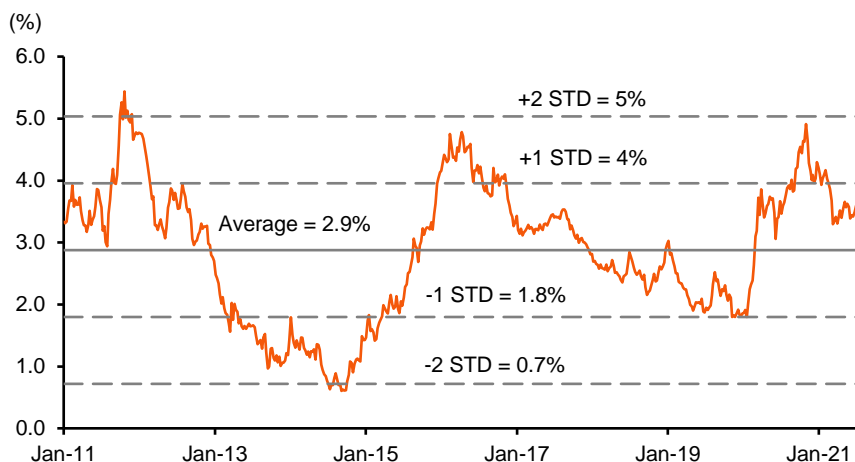


Source: Bloomberg

Earnings-yield gap in Buy territory

Second, the earnings-yield gap in Exhibit 10 looks to be in Buy territory, in our view, at 4.1%. With the 10-Y government bond yield likely to continue to remain low (currently at 1.5%), both due to large excess liquidity and the weak economic outlook, a mean reversion of the earnings-yield gap to a lower level is expected to come from the rising PE.

Ex 10: Earnings-yield Gap Looks To Be In Buy Territory

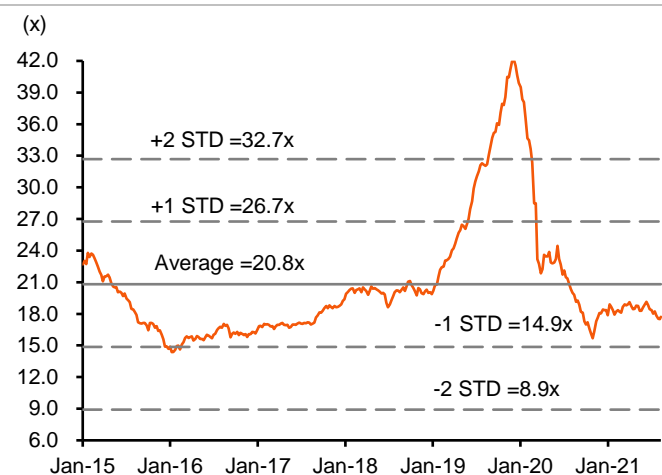


Sources: Bloomberg, SET, Thanachart estimates

2022F upside from PE gap and 12% earnings growth with a big PE gap in 2023F

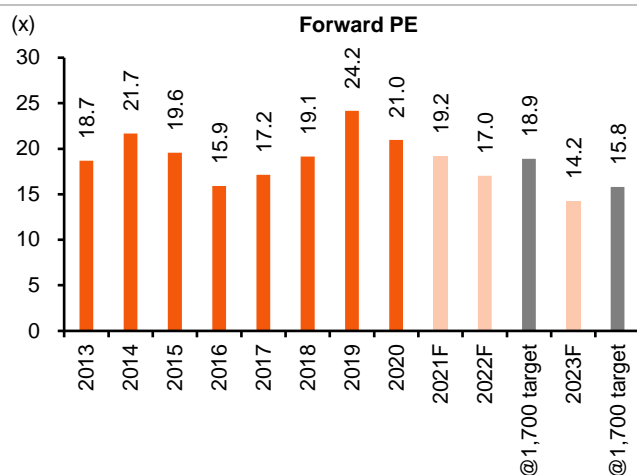
Third, valuation wise, our 1,700 SET target implies 18.9x PE in 2022F and 15.8x in 2023F. The current SET PE is 17x on 2022F numbers. Although it is by no means cheap, it is below the seven-year pre-COVID average of 18x. On top of upside from the PE gap, we also project 12% earnings growth in 2022F. Looking ahead to a more normalized 2023F, the SET offers substantial upside trading at only 14x PE. Along with low PE, we project EPS growth in 2023F to be stronger than in 2022F given our expectation of a more significant return of tourism as opposed to the gradual turnaround in 2022F.

Ex 11: SET PE



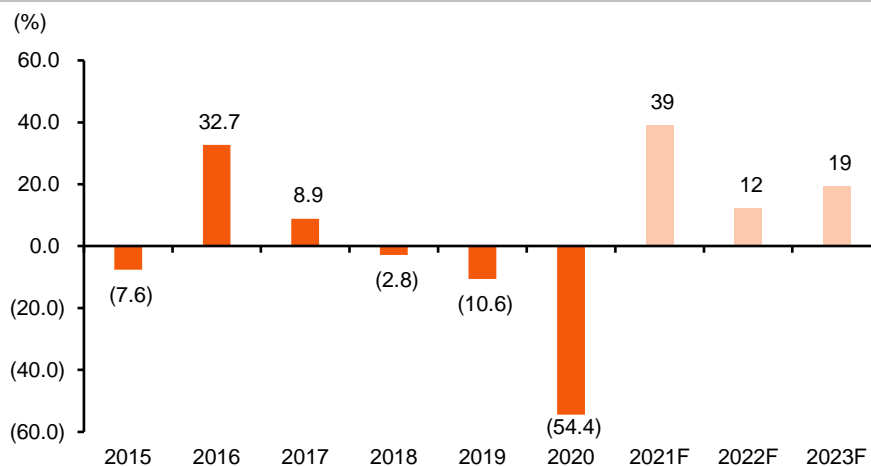
Sources: Bloomberg; Thanachart estimates

Ex 12: SET PE



Sources: Company data; Thanachart estimates

Ex 13: Market Earnings Growth Outlook

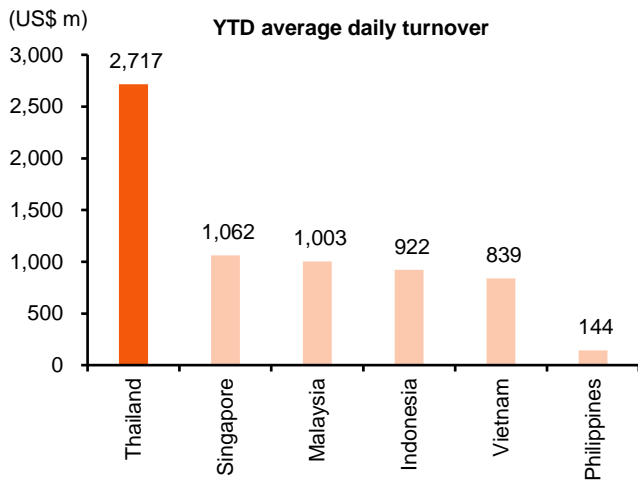


Sources: Bloomberg; Thanachart estimates

Highly liquid market with low rates support valuation

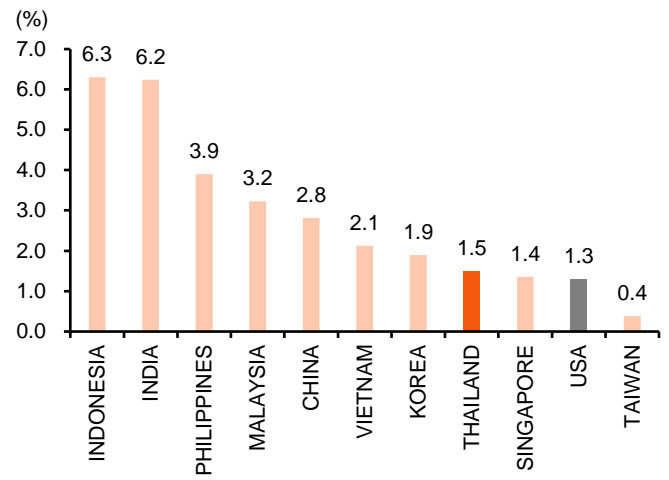
Fourth, domestic liquidity remains ample and we expect Thailand to continue to enjoy rock-bottom interest rates for years to come which should help prevent PE from de-rating. Thailand's 10Y government bond yield is 1.5% vs. ASEAN peers' range of 1.4-6.3%. The SET has also been the most liquid or investable market in ASEAN for many years.

Ex 14: SET Is The Most Liquid Market In ASEAN



Source: Bloomberg

Ex 15: 10Y Government Bond Yields



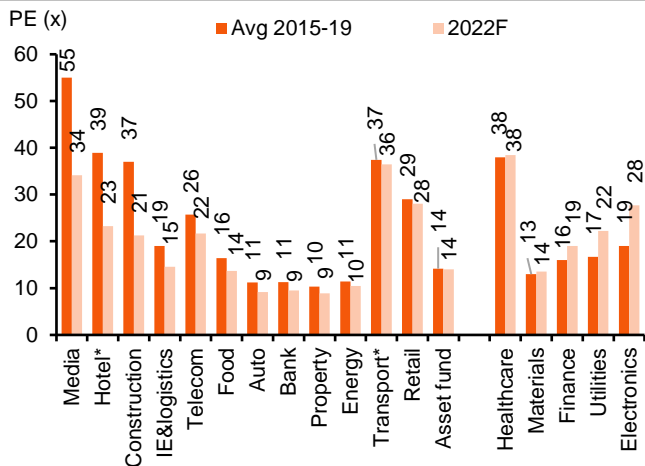
Source: Bloomberg

Value re-emerging between the valuation lines

Poor sentiment starts to generate some value

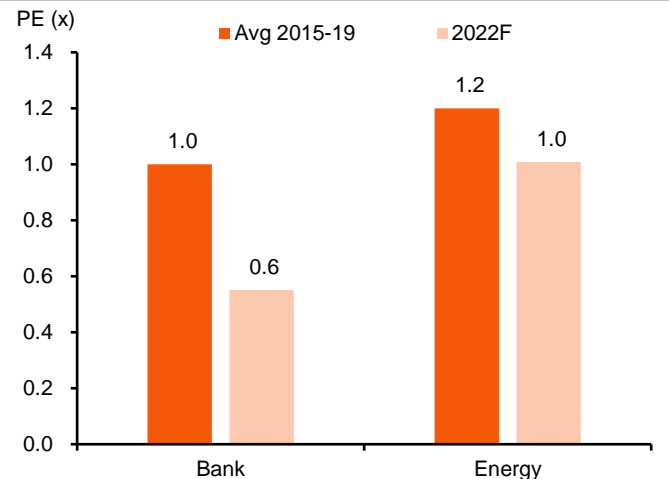
After the 105-point drop in the SET from its peak this year and its 28% underperformance vs. the MSCI Asia ex-Japan since January 2020, we revisit Thailand’s valuations. We show sector valuation data in Exhibit 16-17 comparing the five-year pre-COVID average PE and P/BV to the year 2022F. Despite 2022F not yet expected to be a full post-COVID turnaround year, the PEs in 2022F of many sectors are starting to fall below pre-COVID levels and suggest potential upside for the SET next year.

Ex 16: Emerging PE Gap



Source: Thanachart estimates
 Note: * We use 2023F numbers for the hotel and transport sectors due to no PE in 2022F, when we still forecast losses for the sector.
 IE = Industrial estate

Ex 17: A Wide P/BV Gap In Two Big Sectors



Source: Thanachart estimates

A look at potential sector de-ratings and re-ratings

In addition to what the numbers say in the exhibits above, we add our views in Exhibit 18 on two areas: 1) factors that could cause PE and P/BV in the future to re-rate or de-rate from the pre-COVID levels, and 2) catalysts that could unlock those values. We conclude that the sectors where we will start looking to increase some exposure are **banking, energy, media, food, industrial estate and construction.**

Ex 18: Our View Into Sector Valuation

	PE (x)			Note
	Avg 2015-19	2022F	Gap	
Emerging Value:				
Bank (P/BV)	1.0	0.6	0.4	▪ Past P/BV should be de-rated along with falling ROE. But the ratio falling by half is too much of a de-rating in our view given stabilizing ROE and falling provision trend from next year onwards.
Energy (P/BV)	1.2	1.0	0.2	▪ A small de-rating case from the past cycle on ESG and heavy M&A activities with uncertainty in investment return. But we believe at 1.0x P/BV the sector is de-rated enough.
Media	55.0	34.1	20.9	▪ Past PE was high on out-of-home media sector which should be de-rated as past strong earnings growth from M&As to consolidate the industry has come to an end. We see out-of-home as still expensive but TV segment looks de-rated enough.
Construction	37.0	21.3	15.7	▪ Past PE should be de-rated as the previous government's Bt1tr mega-project scheme ended in 2019. We believe the current PE has been de-rated significantly enough.
IE&logistics	19.0	14.6	4.4	▪ Past PE enjoyed EEC scheme excitement during the previous government's term (2015-19). EEC is now moving slowly and PE has been de-rating. We believe the current PE looks de-rated enough with industry estate companies still having land value on their books and logistics companies are still in early growth cycle.
Telecom	25.7	21.7	4.0	▪ Past PE shouldn't be de-rated as the sector has continued to be in flat growth period with rising volume offsetting lower pricing and investment cost. The sector looks cheaper now but with continued lack of catalysts.
Food	16.4	13.6	2.8	▪ There is no strong case for past PE to be de-rated. Stronger export position and strong brand value should help offset risk from higher level of competition.
Auto	11.2	9.2	2.0	▪ There is no strong case for past PE to be de-rated. Earnings fluctuation is more on cyclical nature of the industry. Near-term, strong export is helping to offset weak domestic demand from COVID.
Similarly Priced To Pre-COVID Period:				
Property	10.3	8.9	1.4	▪ Past PE should be de-rated from falling Chinese demand, perhaps for a few years. Domestic economy is also expected to be weak for the next two years. While the current PE is de-rated enough in our view, this sector lacks catalysts.
Retail	29.0	28.1	0.9	▪ There is no case of past PE to be de-rated as the sector is highly resilient in nature. We keep a close eye on Buying opportunities during negative sentiment of COVID impact to earnings.
Transport*	37.4	36.5	0.9	▪ This sector is subject to a major earnings review as re-opening is expected to be delayed and gradual when it comes. We still see large uncertainty and losses continuing into next year.
Asset fund	14.2	14.0	0.2	▪ Better look at dividend yield which is 7% in 2022F vs. previous cycle of 6%. However, dividend risk is higher than pre-COVID period. Catalysts are also lacking on most asset classes, such as mass transits, shopping malls, warehouses & factories, exhibition centers, etc. Only telecom assets have low risk.

Source: Thanachart estimates

Ex 18: Our View Into Sector Valuation (Con't)

	PE (x)			Note
	Avg 2015-19	2022F	Gap	
Priced Higher Than Pre-COVID Period:				
Healthcare	38.0	38.4	(0.4)	▪ There is no case of past PE to be de-rated as this is a highly resilient sector with mega trend of ageing society and increasing health consciousness. The current high PE of the sector is dominated by PE of BH and BDMS. Some mid cap names have lower PE than in the past.
Materials	13.0	13.5	(0.5)	▪ There is no case of past PE to be de-rated as it remains a cyclical sector with no major case of structural change.
Finance	16.0	19.0	(3.0)	▪ Past PE should be re-rated as demand cycle remains very strong for the industry. However, the PE has already been re-rated above the past while regulatory risk remains high.
Utilities	16.7	22.2	(5.5)	▪ There is no case of past PE to be re-rated as the sector continues to struggle to look for M&As to maintain growth. The current PE has been re-rated and looks expensive to us.
Electronics	19.0	27.7	(8.7)	▪ Past PE should be re-rated as the sector is far stronger than the past with longer upcycles being sustained by new level of mega-trend demand. However, the PE is re-rated enough in our view.
Special Mentioned:				
Hotel*	38.9	23.3	15.6	▪ Past PE should be de-rated from pre-COVID due to heavier balance sheet burden and full tourism turnaround to take a few years. Our 2022F PE is still subject to significant earnings downgrades, so the 2022F PE of 23.3x is likely to be much higher after the revisions.

Source: Thanachart estimates

Between the valuation lines we see some value emerging

Looking between those valuation lines we see stocks with re-emerging value highlighted in grey in Exhibit 19. Note that we leave our official recommendations aside and focus on the valuation angle to keep an eye on emerging value. We only include the sectors where 2022F PE has already de-rated from the pre-COVID levels. An exception is the healthcare sector, whose 2022F PE isn't lower than its pre-COVID PE, but we include it in the table below because the high sector PE is dominated by two big-cap stocks, Bangkok Dusit Medical Services Pcl (BDMS, BUY, Bt22.50) and Bumrungrad Hospital Pcl (BH, HOLD, Bt112.50). The PE multiples of some of the mid-cap and small-cap names still offer potential upside in our view.

Ex 19: In Search Of Re-emerging Value

	PE (x)		Note	
	2015-19	2022F		Gap
Bank (P/BV)				
BAY	1.2	0.6	0.6	
BBL	0.9	0.4	0.4	
KBANK	1.3	0.5	0.8	The sector has deserved a de-rating due to structural fall in ROE. However, despite weak catalysts for the sector, we no longer see downside for a strong bank like KBANK at its rock bottom level of 0.5x P/BV.
KKP	1.4	0.8	0.5	
KTB	0.9	0.4	0.5	
SCB	1.3	0.7	0.6	This is a bargain too in our view but KBANK is of a larger bargain.
TISCO	1.5	1.6	(0.1)	
TTB	1.1	0.4	0.6	
Energy (P/BV)				
BANPU	1.2	1.0	0.2	Better to look at PE but there's no good track record on historical PEs. Absolute PE, however, looks low now at 7.7x with sharp rise in coal and gas prices.
ESSO	1.5	1.8	(0.3)	
IRPC	1.3	0.9	0.4	A large discount too but PTT is a much higher quality value play.
IVL	1.7	1.5	0.2	
PTG	5.4	2.6	2.8	Looks like a lot of discount but historical P/BV was distorted by abnormal PE period in 2016-17. Using mean of near 3x, it isn't excitingly cheap compared to the past.
PTT	1.4	1.0	0.4	Due to ESG and increasing blurred line of project investments by it and its affiliates, PTT has been subject to de-rating of more holding entity discount. However, at 1x P/BV we believe the de-rating has ended and upside is from earnings growth.
PTTEP	1.1	1.1	0.0	
PTTGC	1.1	0.9	0.2	
SPRC	1.5	1.1	0.4	
SUSCO	1.0	0.8	0.2	
TOP	1.3	0.8	0.5	At a large discount to historical P/BV but the weak outlook makes the de-rating justified with huge burden on capex and M&A cycle that results in planned capital increase.
Auto				
SAT	10.5	8.6	1.9	Still cheap, strong export outlook for the sector with improving margin from factory rationalization and operating leverage benefits.
STANLY	10.3	9.7	0.5	
Construction				
CK	40.4	29.9	10.5	
PYLON		17.5	(17.5)	
SEAFCO	18.8	16.7	2.1	
STEC	29.9	15.1	14.8	Large PE gap provides large cushion for earnings downgrade. Assuming project delays from next year's election, even a higher PE of 18x is still considered cheap based on its historical standard.
Industrial estate				
AMATA	14.5	14.3	0.2	
NYT	20.5	17.4	3.0	
WHA	19.7	12.4	7.4	Already de-rated enough from the bullish sentiment during the previous government's push on EEC scheme. At 12.5x for an asset based company with a link to logistics industry, WHA to us is awaiting catalysts.

Sources: Company data, Thanachart estimates

Ex 19: In Search Of Re-emerging Value (Con't)

	PE (x)		Gap	Note
	2015-19	2022F		
Media				
BEC	30.2	21.3	8.9	We believe BEC is done with de-rating post 2014 TV liberalization. Earnings are in the first year of a strong turnaround from loss making during the past three years.
PLANB	43.8	48.2	(4.4)	
RS	35.0	19.8	15.2	Share price got hit hard as the 3rd COVID wave disrupted new product launches. Assuming major earnings cut in 2022F, we still expect significant PE gap from the past.
VGI	52.4	110.2	(57.8)	
Food				
CBG	37.0	25.2	11.7	Strong earnings performance and lower PE than in the past. However, lockdowns in key export markets are disrupting growth in 2H21F. A long-term play into next year.
CPF	13.0	8.5	4.5	
M	25.3	25.6	(0.3)	This is in our top picks list. Though PE doesn't look a bargain now it is on a full-turnaround 2023F PE at only 16.8x.
OSP	29.1	26.0	3.1	
TU	18.7	13.1	5.6	This is in our top picks list. Strong earnings performance and lower PE than in the past but weaker near-term earnings momentum in 2H21F. A long-term play into next year.
Hotel				
CENTEL	28.3	22.9	5.4	This sector is still subject to downward earnings revisions from delaying country reopening.
ERW	50.4	33.3	17.1	This sector is still subject to downward earnings revisions from delaying country reopening.
MINT	28.5	31.4	(2.9)	This sector is still subject to downward earnings revisions from delaying country reopening.
Retail				
BJC	36.7	26.7	10.0	Deserves a de-rating given its weak hypermarket performance, and we believe it needs to adjust business model.
COM7	20.2	27.6	(7.5)	COM7 is in our top picks list despite higher valuation. This is because the stock deserves a major re-rating due to its structural improvement in fundamentals.
CPALL	30.6	31.0	(0.4)	Despite 2022F PE not lower than pre-COVID level, CPALL now has potential for very strong EPS turnaround in the two years from Lotus turnaround and deleveraging. Its 2H21F outlook is also more resilient than most of its peers.
CPN	29.7	31.9	(2.2)	
CRC	n.a.	33.0	n.a.	No reference to historical PE as it was listed just before COVID-19 outbreak and the company made a loss.
GLOBAL	32.1	25.8	6.3	In our top picks list. Still in strong growth cycle from provincial penetration and rising margin trend, while PE is lower than the past.
HMPRO	29.5	24.8	4.7	Share price has come off from its peak significantly and despite suffering from the lockdown which is hitting its 3Q21F performance very hard, we believe value is starting to re-emerge.
MAKRO	29.3	23.8	5.5	Very low free float of 7% and unexciting earnings growth can keep valuation low.
MC	18.9	12.3	6.6	

Sources: Company data, Thanachart estimates

Ex 19: In Search Of Re-emerging Value (Con't)

	PE (x)			Note
	2015-19	2022F	Gap	
Telecom				
ADVANC	18.7	20.0	(1.3)	
DTAC	35.7	21.4	14.3	De-rated over the years on losing market share and falling behind in 5G and network investment. We believe the de-rating is over as the performance is stabilizing, while it still lacks long-term catalysts.
INTUCH	15.5	20.0	(4.5)	
Healthcare				
BCH	34.6	29.4	5.2	Still in a resilient sector and likely the biggest COVID beneficiary. There is no case of PE derating from the past, so the lower PE in 2022F gives an upside.
BDMS	35.3	39.5	(4.2)	
BH	40.4	51.1	(10.8)	
CHG	41.4	31.3	10.0	PE should derate from the past as growth outlook is less strong. However, as the growth is still decent and the group's brand value is much stronger than before, we see an upside from the current PE.
LPH	33.9	25.4	8.5	Not a stable fundamental performance.
PR9	n.a.	27.3	n.a.	Listed in late 2018, not long enough track record.
RJH	24.0	21.0	3.1	
RPH	40.2	26.4	13.8	Past PE was too high for a very small hospital.

Sources: Company data, Thanachart estimates

Maintain stock selection strategy with KBANK added as a bargain stock

Our investment strategy has been focused on select stocks due to the severe third COVID wave and its impacts to the economy and corporate earnings in 2H21F. Although in the middle of COVID crisis, we still maintain our stock-selection strategy, we start to give a small room for 2022F value. We add **KASIKORNBANK (KBANK, BUY, Bt105.00)** to *Siam Senses* portfolio and take out Carabao Group (CBG, BUY, Bt138.50). KBANK is a valuation call from our valuation line analysis in this report. Note that CBG remains a very solid fundamental company with decent long-term growth. However, we remove it on potentially weak short-term earnings momentum in 2H21F that can stall share price performance. CBG is facing a short-term negative catalyst from lockdowns in its major export markets that are impacting its 2H21F growth.

There are already some value-emerging names in our portfolio

Note that in our top-pick list with stock-selection strategy, as we focus on companies with their own unique strategies and resilient export exposure in the weak domestic economic outlook, some of them happen to pop up in the value-emerging list in our valuation line analysis. They include **BEC World (BEC, BUY, Bt12.70)**, **Thai Union Group (TU, BUY, Bt22.00)** and **Siam Global (GLOBAL, BUY, Bt20.80)**.

Ex 20: Thanachart's Top Picks

Ticker	Rating	Current price	Target price	Upside	Market cap	Norm EPS growth		— Norm PE —		EV/EBITDA or P/BV of Bank		— Yield —	
		(Bt/shr)	(Bt/shr)	(%)		(US\$ m)	2021F	2022F	2021F	2022F	2021F	2022F	2021F
BEC TB	BUY	12.70	17.00	33.9	762	na	33.1	28.3	21.3	7.7	7.0	3.2	4.2
COM7 TB	BUY	63.25	77.00	21.7	2,276	40.8	34.5	37.2	27.6	24.6	19.0	2.2	3.0
EA TB	BUY	58.75	95.00	61.7	6,571	15.3	32.6	37.1	28.0	22.2	17.1	0.8	1.1
GLOBAL TB	BUY	20.80	30.00	44.2	2,870	57.3	20.2	31.0	25.8	23.3	19.6	1.3	1.6
KBANK TB *	BUY	105.00	150.00	42.9	7,460	3.2	(0.1)	8.3	8.3	0.5	0.5	3.6	3.6
KCE TB	BUY	82.00	83.00	1.2	2,904	124.6	57.4	42.3	26.9	27.3	18.8	1.0	1.7
M TB	BUY	49.75	64.00	28.6	1,374	(41.7)	238.1	86.6	25.6	15.8	9.8	1.2	3.9
MEGA TB	BUY	40.25	52.00	29.2	1,052	18.9	10.8	20.9	18.8	15.1	13.5	2.7	2.9
STARK TB	BUY	4.32	5.00	15.7	1,542	52.9	40.8	41.0	29.1	23.1	17.8	1.2	1.7
TU TB	BUY	22.00	24.00	9.1	3,148	5.9	16.1	15.3	13.1	13.7	12.5	3.9	4.5
Stock taken out													
CBG TB	BUY	138.50	167.00	20.6	4,153	16.9	33.1	33.6	25.2	24.8	19.0	2.0	2.7

Sources: Company data, Thanachart estimates

Note: * New additions Based on 11 August 2021 closing prices

APPENDIX 1: Top picks' financials

Ex 1: BEC World Pcl (BEC TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	5,861	6,022	6,891	7,344
Net profit	(214)	898	1,195	1,515
Norm profit	(146)	898	1,195	1,515
Norm EPS (Bt)	(0.1)	0.4	0.6	0.8
Norm EPS grw (%)	na	na	33.1	26.8
Norm PE (x)	na	28.3	21.3	16.8
EV/EBITDA (x)	12.6	7.7	7.0	6.3
P/BV (x)	4.7	4.3	4.1	3.9
Div yield (%)	0.0	3.2	4.2	5.4
ROE (%)	na	15.9	19.8	24.0
Net D/E (%)	7.4	(0.6)	2.0	0.7

Sources: Company data; Thanachart estimates

Ex 2: COM7 Pcl (COM7 TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	37,306	44,825	52,686	59,357
Net profit	1,491	2,041	2,746	3,392
Norm profit	1,449	2,041	2,746	3,392
Norm EPS (Bt)	1.2	1.7	2.3	2.8
Norm EPS grw (%)	19.1	40.8	34.5	23.5
Norm PE (x)	52.4	37.2	27.6	22.4
EV/EBITDA (x)	32.6	24.6	19.0	15.7
P/BV (x)	19.7	17.0	14.4	12.5
Div yield (%)	1.6	2.2	3.0	3.9
ROE (%)	40.1	49.0	56.4	59.9
Net D/E (%)	22.4	4.3	(2.2)	(7.8)

Sources: Company data; Thanachart estimates

Ex 3: Energy Absolute Pcl (EA TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	17,080	25,342	41,384	51,815
Net profit	5,205	5,911	7,839	10,941
Norm profit	5,127	5,911	7,839	10,941
Norm EPS (Bt)	1.4	1.6	2.1	2.9
Norm EPS grw (%)	(13.4)	15.3	32.6	39.6
Norm PE (x)	42.7	37.1	28.0	20.0
EV/EBITDA (x)	27.7	22.2	17.1	13.4
P/BV (x)	7.9	6.8	5.8	4.8
Div yield (%)	0.5	0.8	1.1	2.0
ROE (%)	20.0	19.7	22.3	26.1
Net D/E (%)	135.5	117.7	87.2	57.7

Sources: Company data; Thanachart estimates

Ex 4: Siam Global House Pcl (GLOBAL TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	26,803	31,935	35,111	38,730
Net profit	1,956	3,085	3,713	4,468
Norm profit	1,956	3,085	3,713	4,468
Norm EPS (Bt)	0.4	0.7	0.8	1.0
Norm EPS grw (%)	(6.9)	57.3	20.2	20.3
Norm PE (x)	48.8	31.0	25.8	21.4
EV/EBITDA (x)	33.2	23.3	19.6	16.4
P/BV (x)	5.6	5.0	4.5	3.9
Div yield (%)	1.1	1.3	1.6	1.9
ROE (%)	11.9	17.1	18.3	19.5
Net D/E (%)	76.4	62.6	49.6	37.8

Sources: Company data; Thanachart estimates

Ex 5: Kasikornbank Pcl (KBANK TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Pre Provision Profit	85,088	83,898	84,013	92,499
Net profit	29,487	30,430	30,388	38,989
Norm profit	29,487	30,430	30,388	38,989
Norm EPS (Bt)	12.3	12.7	12.7	16.3
Norm EPS grw (%)	(23.9)	3.2	(0.1)	28.3
Norm PE (x)	8.5	8.3	8.3	6.4
P/BV (x)	0.6	0.5	0.5	0.5
Div yield (%)	2.4	3.6	3.6	6.2
ROE (%)	7.0	6.7	6.4	7.8
ROA (%)	0.8	0.8	0.8	0.9

Sources: Company data; Thanachart estimates

Ex 6: KCE Electronics Pcl (KCE TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	11,527	15,310	17,533	20,347
Net profit	1,127	2,287	3,600	5,474
Norm profit	1,018	2,287	3,600	5,474
Norm EPS (Bt)	0.9	1.9	3.1	4.6
Norm EPS grw (%)	15.6	124.6	57.4	52.1
Norm PE (x)	95.0	42.3	26.9	17.7
EV/EBITDA (x)	45.8	27.3	18.8	13.0
P/BV (x)	8.1	7.1	6.1	5.0
Div yield (%)	0.5	1.0	1.7	2.8
ROE (%)	8.6	17.9	24.4	31.2
Net D/E (%)	(0.0)	4.2	(4.7)	(14.5)

Sources: Company data; Thanachart estimates

Ex 7: MK Restaurant Group Pcl (M TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	13,361	12,860	15,694	18,385
Net profit	907	529	1,788	2,687
Norm profit	907	529	1,788	2,687
Norm EPS (Bt)	1.0	0.6	1.9	2.9
Norm EPS grw (%)	(65.1)	(41.7)	238.1	50.3
Norm PE (x)	50.5	86.6	25.6	17.0
EV/EBITDA (x)	12.8	15.8	9.8	7.7
P/BV (x)	3.4	3.4	3.3	3.2
Div yield (%)	2.0	1.2	3.9	5.5
ROE (%)	6.5	3.9	13.1	18.9
Net D/E (%)	(55.2)	(60.5)	(59.6)	(58.2)

Sources: Company data; Thanachart estimates

Ex 8: Mega Lifesciences Pcl (MEGA TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	12,589	14,301	15,542	16,698
Net profit	1,393	1,683	1,864	2,049
Norm profit	1,416	1,683	1,864	2,049
Norm EPS (Bt)	1.6	1.9	2.1	2.4
Norm EPS grw (%)	16.3	18.9	10.8	9.9
Norm PE (x)	24.8	20.9	18.8	17.1
EV/EBITDA (x)	17.7	15.1	13.5	12.1
P/BV (x)	5.0	4.5	4.1	3.7
Div yield (%)	2.2	2.7	2.9	3.8
ROE (%)	21.6	22.8	22.7	22.6
Net D/E (%)	(10.3)	(11.6)	(16.5)	(23.2)

Sources: Company data; Thanachart estimates

Ex 9: Stark Corporation Pcl (STARK TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	16,858	19,255	22,149	25,265
Net profit	1,609	1,675	2,358	3,097
Norm profit	1,095	1,675	2,358	3,097
Norm EPS (Bt)	0.1	0.1	0.1	0.2
Norm EPS grw (%)	629.2	52.9	40.8	31.3
Norm PE (x)	62.6	41.0	29.1	22.1
EV/EBITDA (x)	32.1	23.1	17.8	14.4
P/BV (x)	18.5	13.8	10.9	8.5
Div yield (%)	0.0	1.2	1.7	2.3
ROE (%)	36.7	38.6	41.8	43.1
Net D/E (%)	291.5	181.9	127.6	95.7

Sources: Company data; Thanachart estimates

Ex 10: Thai Union Group Pcl (TU TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	132,402	133,729	140,626	147,549
Net profit	6,246	6,882	7,993	8,832
Norm profit	6,501	6,882	7,993	8,832
Norm EPS (Bt)	1.4	1.4	1.7	1.9
Norm EPS grw (%)	39.1	5.9	16.1	10.5
Norm PE (x)	16.1	15.3	13.1	11.9
EV/EBITDA (x)	13.0	13.7	12.5	11.8
P/BV (x)	2.3	2.1	2.0	1.8
Div yield (%)	3.3	3.9	4.5	5.0
ROE (%)	12.9	12.8	14.0	14.5
Net D/E (%)	91.4	87.1	77.8	68.7

Sources: Company data; Thanachart estimates

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