Siam Senses

Optimism of the laggard

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***Siam Senses* sees three names of the game for a brighter SET in 2022F, i.e. an election, reopening and liquidity. These should lead to rural spending, pent-up urban demand, business activities resuming and higher liquidity to elevate valuations. We think it's time to reposition.**

Names of the game

We see the names of the game for SET optimism in 2022F from an election, reopening and liquidity. These factors should drive the following. *First*, a widely anticipated poll in mid-2022 should spur rural spending with post-election infrastructure promises. *Second*, we expect strong pent-up demand for urban consumption and domestic travel after two full years of the COVID crisis. *Third*, business activities resuming should improve loan demand and asset quality. *Fourth*, replenishing the country's already large liquidity pool from tourism resuming late in the year should keep valuations elevated. *Lastly*, having underperformed the MSCI ex-Japan by 18% since the COVID-19 pandemic began in early 2020, the SET is starting from a low base for 2022F optimism.

Politics – the dog with two tails

We expect the political atmosphere to improve from now. The censure debate has ended and Budget Bill voting is due this month. Then the government can start planning new stimulus schemes. We also expect a larger supply of higher-quality vaccines in 4Q21F. With better sentiment, we foresee an early poll in mid-2022F vs. the March 2023 due date. We expect two election result scenarios with the same ending of an even stronger government under the same regime. The scenarios are 1) more opposition MPs joining the coalition; or 2) Pheu Thai (the main opposition party) joining Palang Pracharath (the ruling coalition party) to form the next government. We expect the market to welcome both scenarios of a strong government and stable politics.

No end to excess liquidity

The Thai market has been trading on high valuations for years despite its bumpy earnings. The name of the game is excess liquidity that has caused a market bias toward good news. The current size at 18% of GDP is already large enough to keep interest rates at rock bottom for years to come while we expect a refill as soon as tourism returns via a larger current account surplus. Although our SET target remains at 1,700 in 2022F, an overshoot looks possible in 2H22F when the market looks forward to a more normalized earnings year in 2023F with only 15.0x PE. Assigning the 18x pre-COVID average PE to 2023F numbers, our SET target in 2023F would be 1,940. We also show SET level scenarios in the historical PE range of 16-21x (Exhibit 25) to gauge the degree of potential overshoots next year.

Adjusting our portfolio

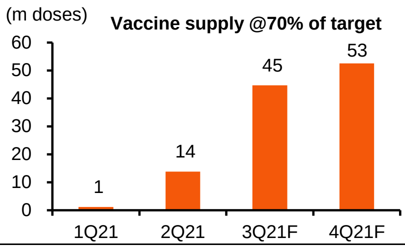
From some valuation calls in *Siam Senses – Nowhere to run,* dated 12 August 2021, we now believe it's time to gear our portfolio more toward domestic big cap. We replace MEGA and TU with **CPALL** and **HMPRO**. This fits well with our themes above along with **GLOBAL, COM7, M, BEC** and **KBANK**. Bottom-up choices are **KCE, EA** and **STARK**.

Top Picks

	-EPS growth-		— PE —		Yield
	21F (%)	22F (%)	21F (x)	22F (x)	22F (%)
BEC	na	28.4	32.7	25.5	3.5
COM7	40.8	37.1	43.2	31.5	2.6
CPALL *	(34.9)	70.9	57.8	33.8	1.5
EA	15.3	32.6	41.2	31.0	1.0
GLOBAL	62.8	20.1	30.7	25.5	1.6
HMPRO *	(1.0)	19.8	36.3	30.3	2.6
KBANK	3.2	(0.1)	9.6	9.6	3.1
KCE	133.3	59.1	39.6	24.9	2.8
M	(73.2)	602.1	199.8	28.5	3.5
STARK	57.5	39.3	39.7	28.5	1.8
Stocks taken out					
MEGA	25.2	13.0	24.2	21.4	2.8
TU	5.9	16.1	15.0	12.9	4.6

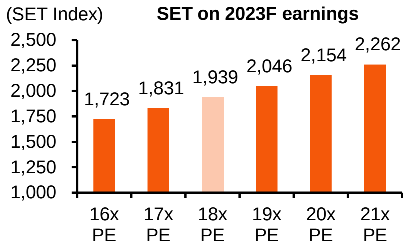
Source: Thanachart estimates
Note: *New addition.
Based on 14 September 2021 closing prices

More Of Quality Vaccine Supply



Source: Public Health Ministry

SET Overshooting Scenarios



Source: Thanachart estimates

Optimism of the laggard

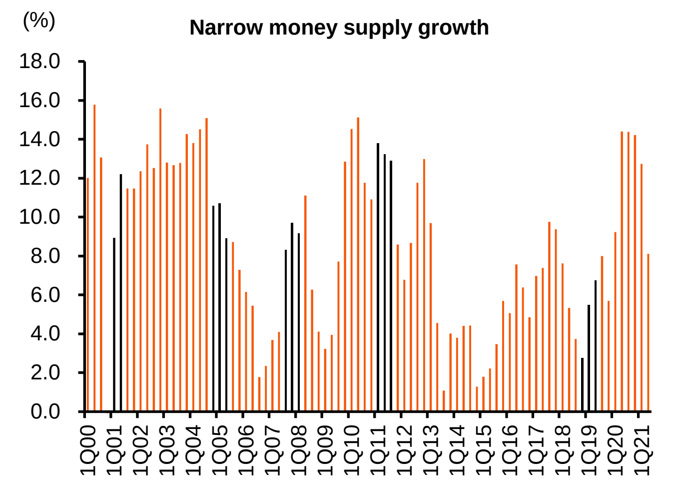
Siam Senses in this report lays out three key names of the game for a brighter outlook for the Thai market in 2022F. Also, given the fact that the SET has underperformed the MSCI ex-Japan by 18.4% since the start of COVID-19 in early 2020, we are bullish on the Thai market.

We believe the three key names of the game are an election, the country's reopening and liquidity. We expect them to be the key drivers of the following factors:

An early poll would result in rural spending and infrastructure promises

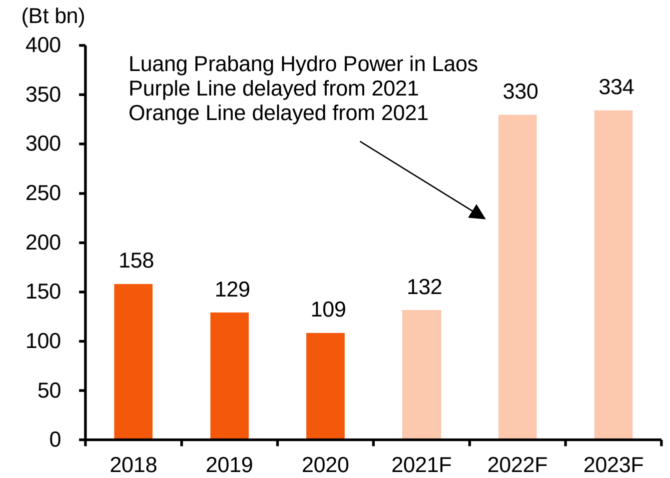
First, we expect the government to call an early election, say, in mid-2022F and this should spur rural spending with post-election infrastructure promises. It is typical in Thailand for more money supply to flow ahead of an election, especially in rural areas where the majority of voters live. Exhibit 1 shows past money supply in circulation during election years. And it is also typical that political parties make infrastructure spending promises in their campaigns in an attempt to gain votes of urban people. Although the promises may or may not turn into reality after the election, they can create decent sentiment for the sectors involved. It is also the case that politicians can promise more infrastructure spending without a large push to public debt by means of the Public Private Partnership (PPP) model. Regardless of the promises, we expect bidding for the pending Bt125bn (Bt80bn construction value) South Purple Line and Bt129bn (Bt96bn) West Orange Line projects soon after the election while we already foresee a construction sector earnings rebound based on existing backlog.

Ex 1: Good Money Supply Growth During Election Period



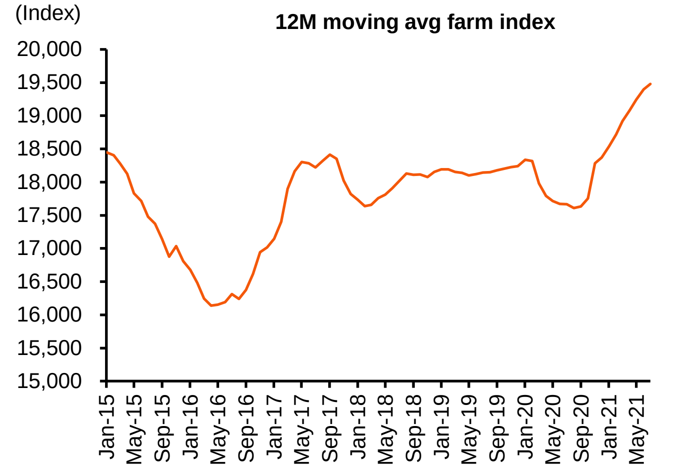
Source: Bank of Thailand

Ex 2: Large Backlog Without A New Infrastructure Cycle



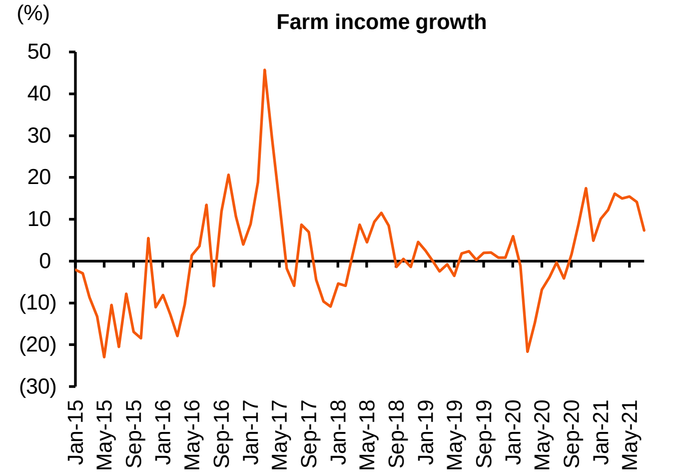
Sources: Company data; Thanachart estimates

Ex 3: Farm Income Already At A Higher Base



Sources: Office of Agricultural Economics

Ex 4: Farm Income Growth

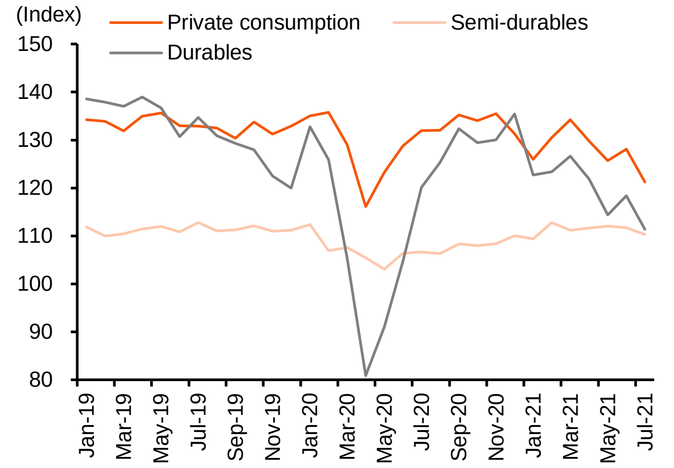


Sources: Office of Agricultural Economics

Pent-up demand for urban consumption and domestic travel

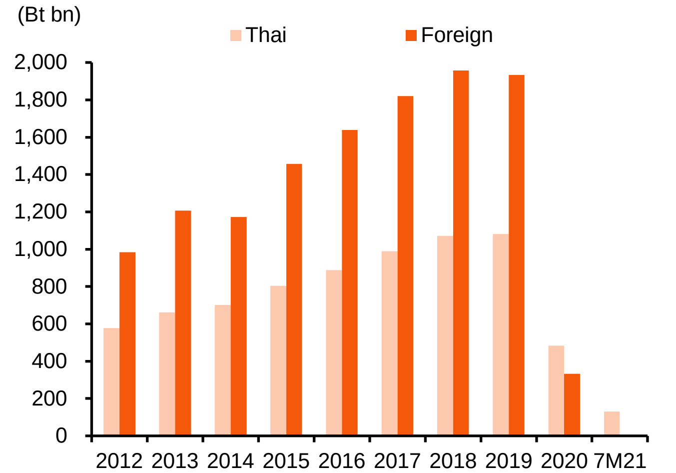
Second, with the vaccination rate speeding up and substantial vaccine supply in 4Q21F, we expect the limited lockdown measures going into 2022F to unleash strong pent-up demand for urban consumption and domestic travel after two full years of the COVID crisis in 2020-21. Our key assumptions for the reopening are domestic business activities resuming in the first three quarters of the year in 2022F and a return of foreign tourism in the high season in 4Q22F.

Ex 5: Post-lockdown Pent-up Consumption



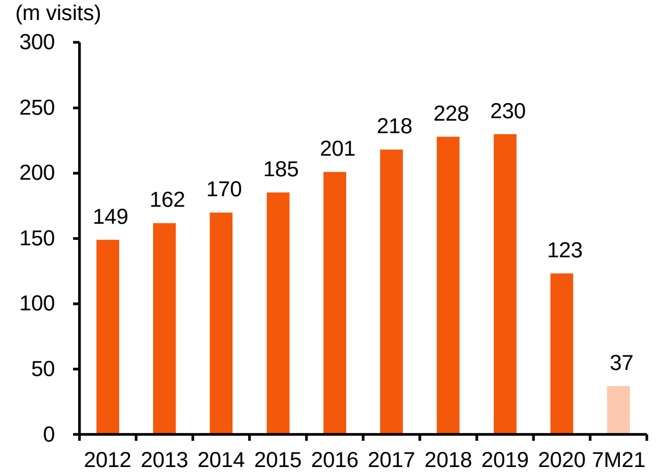
Source: Bank of Thailand

Ex 6: Thai Tourism Income Should Come Back First



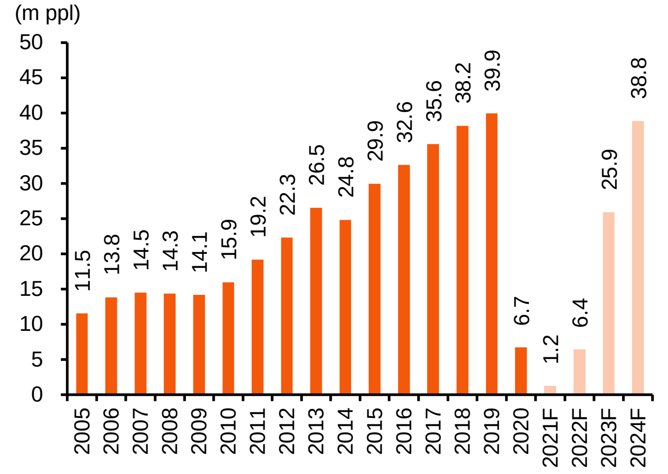
Sources: Tourism Authority of Thailand

Ex 7: Domestic Travel Likely To Come Back First



Sources: Tourism Authority of Thailand

Ex 8: Our Assumptions For A Return of Foreign Tourists

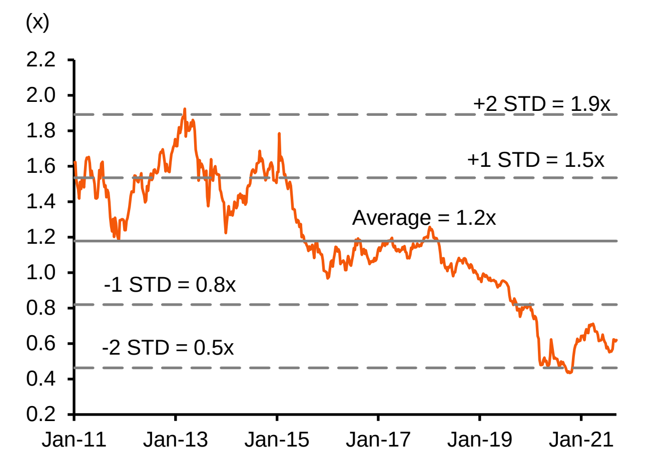


Sources: Tourism Authority of Thailand; Thanachart estimates

Resumption of business activities could re-rate banks

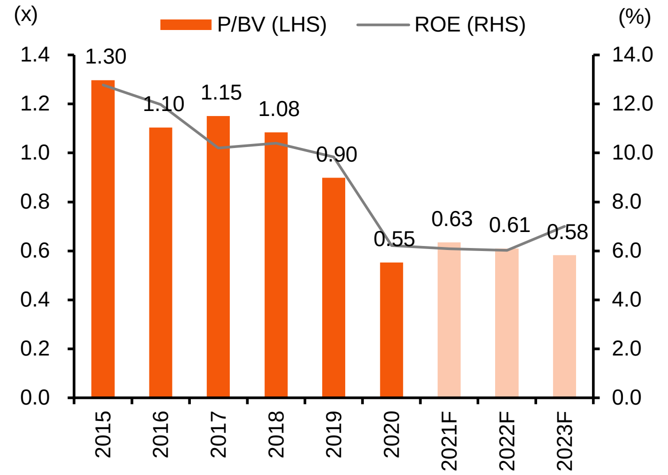
Third, with our expectation of a better COVID situation in 2022F, we anticipate overall business activities to resume and for this to improve the overall economic outlook. This should be positive for the banking and finance sectors, whose combined market cap accounts for 13% of the SET's market cap, via improving loan demand and asset quality. Our earnings growth estimate of 2.7% for the banking sector in 2022F looks to have an upside after the BOT's latest relaxation measure on loan restructuring that reduces provisioning burden. We also expect a valuation re-rating from the current rock-bottom 0.6x P/BV ratio with a catalyst being on a potential earnings upgrade from the BOT's more relaxed restructuring measure and improving economic momentum from post-lockdown.

Ex 9: A Valuation Call



Sources: Bloomberg; Thanachart estimates

Ex 10: Toward The End Of The De-rating Cycle



Sources: Company data; Thanachart estimates

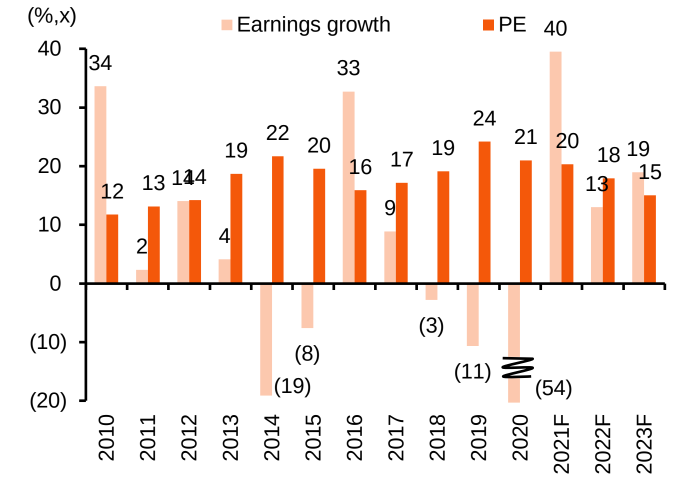
Large excess liquidity with a refill likely to keep valuations elevated

Fourth, Thailand still has an unusually large amount of excess liquidity and this should be replenished again as soon as foreign tourists return in large numbers. Excess liquidity has been a crucial factor supporting elevated valuations in the Thai market, despite bumpy earnings growth for almost the past decade. We expect the large and to-be-refilled liquidity pool to keep interest rates at rock-bottom level in Thailand for years to come and that should imply continuity for elevated valuations. We discuss this in more detail in the liquidity section later in this report but in Exhibits 11-12 we show that 1) rising excess liquidity has proceeded in tandem with falling bond yields; and 2) the SET's PE has been sustainably high despite its bumpy earnings.

Ex 11: Rising BOT Bond And Falling Bond Yields

Sources: The Bank of Thailand; Bloomberg

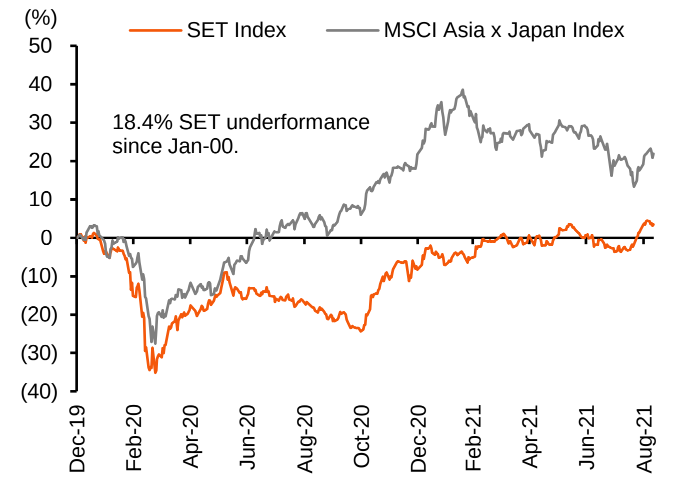
Ex 12: SET PE Vs. Earnings Growth



Sources: SET; Bloomberg; Thanachart estimates

Lastly, we see the SET as a laggard play starting off 2022F from a low base. The SET has underperformed the MSCI ex-Japan by 18.4% from when the COVID-19 outbreak started in early 2020.

Ex 13: Underperforms MSCI ex-Japan By 18%



Source: Bloomberg

Ex 14: Not Off From A High Base

Source: Bloomberg

Politics – Two happy scenarios

Political atmosphere should improve from now

We expect the political atmosphere to improve from now despite fierce public disappointment over the government's management of the COVID crisis. The government survived the recent censure debate with parliament showing unity again after a strong voting majority to pass a constitutional clause change to switch the election system back to two-ballot voting as opposed to one ballot. After this, parliament is due to vote on the 2022 Budget Bill this month and we expect it to sail through.

Govt to resume stimulus plans after parliamentary works has been done

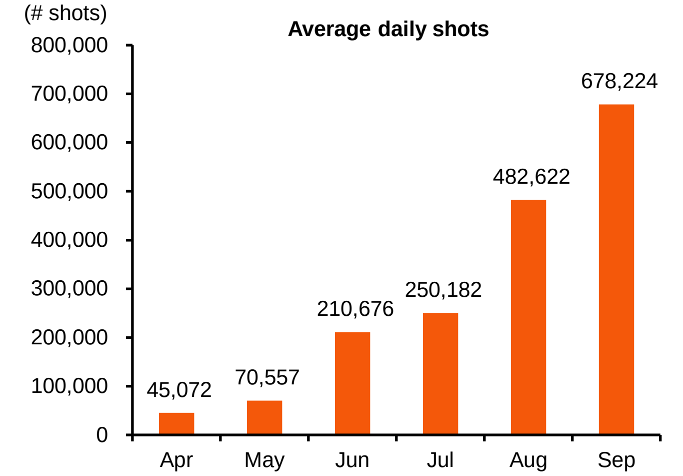
After the heavy parliamentary work (censure debate, charter amendment and budget bill) has been completed this month, we expect the government to start planning stimulus packages for the new fiscal year starting in October 2021. The packages will not require adjustments to the

2022 Budget Bill as the financing will come from the Bt500bn special borrowing decree for the battle against COVID.

A lot more vaccine supply in 4Q21F

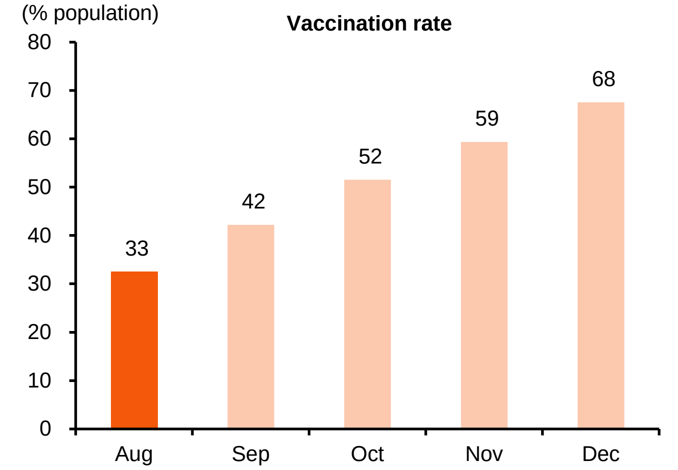
On top of more stimulus programs in 4Q21F, market sentiment will likely improve on the back of more supplies of higher-quality vaccines (AstraZenaca and mRNA) in the quarter (Exhibit 17). The government seems to have opted for a policy of a relaxed lockdown but a speeding-up of vaccinations. In a way, it is prioritizing economic wellbeing over COVID infections and it hopes that speeding up vaccinations with better-quality vaccines will help contain the damage.

Ex 15: Speeding Up Vaccinations



Source: Center for COVID-19 Situation Administration (CCSA)

Ex 16: Herd Immunity Expected In 1Q22F



Source: Center for COVID-19 Situation Administration (CCSA); Thanachart estimates

Note: We conservatively assume vaccine supply coming in at 70% of the target. Thailand's population is estimated at 72m, including migrants.

Ex 17: Large And Higher Quality Vaccine Supply Expected In 4Q21F (m Shots)

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sinovac	0.2	0.8	1.5	4.0	1.5	5.0	6.5	6.0	6.0		
Sinopharm					1.0	3.0	5.0	2.0			
AstraZeneca	0.1				5.8	5.8	5.8	7.3	10.0	13.0	13.0
Pfizer							1.5	2.0	8.0	10.0	10.0
Moderna											5.0
Total	**0.3**	**0.8**	**1.5**	**4.0**	**8.3**	**13.8**	**18.8**	**17.3**	**24.0**	**23.0**	**28.0**

Source: Public Health Ministry

An early election before new 'accidents'

Together with our expectation of more and more businesses reopening into early 2022F, we also foresee the political situation improving. Having said that, we still expect the government to call an early election, say, in mid-2022F as opposed to the end of its term in March 2023. This is because we see a likelihood that street protests will continue and perhaps with more demonstrators at them as soon as COVID subsides. The two main opposition parties, Pheu Thai (PT) and Move Forward (MFP), look to be in disarray and we expect the ruling coalition Palang Pracharath (PPRP) Party to seize the opportunity to secure another term in office.

Current protests are still going nowhere

The current protests, however, have remained largely fruitless in putting pressure on the government. Protests have continued week in, week out with only small gatherings likely due to the COVID situation, violence breaking out at times and the lack of a unified strategy. Protesters have set fires, used so-called "ping pong" bombs, firecrackers, sticks, pipes, etc. Clashes have taken place with police who have responded with tear gas, rubber bullets, water cannon, etc. We think a lack of real leadership and effective strategies have been blamed for the protest movement failing to pick up steam. Over the past several months, most of the younger leaders have been put in jail or arrested. When let out on bail they have rejoined the protests, thereby breaking the conditions of their bail, and police have been quick to detain them again. Therefore, the protests have started to become directionless. The key demands remain the same, i.e., the resignation of PM Prayut Chan-o-cha and changes to provisions regarding the monarchy.

Protest veterans trying to steer youngsters toward improving the message

A more recent development is that veteran red-shirt protest leader Nattawut Saikuar has been organizing some of the rallies. We believe he has been trying to manage and steer the protests in a more productive direction but so far he has found it difficult to control the young demonstrators. We believe there are worries among the older, more experienced red-shirt leaders regarding negative developments, i.e., that the protests seem to lack strategy, planning, and the right messages and speeches. We believe the veterans want to see more legitimate protests with clear and convincing messages to gather more supporters for the longer term, hoping for bigger crowds as soon as COVID subsides.

We expect the regime to get even stronger if it wins another term

Back to the election and as mentioned earlier, we expect it to be held in mid-2022F. What would a new election bring? As strange as it may sound, we think it will bring back the same military-back regime, only stronger this time, in Thailand's unusual political landscape. We use Exhibit 18 from *Siam Senses – Nowhere to run,* dated 12 August 2021 to show the current parliamentary structure. We see two scenarios for the government in its next term. Both scenarios in our view would yield an even stronger regime with more seats in the House.

Ex 18: Current Parliamentary Seats

Party	Seats
Palang Pracharath Party (PPRP)	119
Bhumjaithai Party (BJT)	61
Democrat Party	48
Chartthaipattana Party (CP)	12
Action Coalition for Thailand (ACT)	5
Thai Local Power Party (TLP)	5
New Economics Party (NEP)	5
Chart Pattana Party (CPN)	4
Six Small Parties	12
Total = 271	

Party	Seats
Pheu Thai Party (PT)	134
Move Forward Party	53
Thai Liberal Party (TLP)	10
Prachachat Party (PCC)	7
Puea Chat Party (PCHP)	5
Three Small Parties	3
Total = 212	

Source: Thai Parliament

Scenario 1 = current coalition + some PT switching camp

The first scenario we envisage is the current coalition government regrouping for its next term with more members from the Pheu Thai Party (PT) and other opposition parties switching to the government camp. Note that in the recent censure vote, at least 13 opposition MPs from both key opposition parties, PT and the Move Forward Party (MFP), either supported the government or abstained from voting to censure. Although not being too obvious in the front scenes yet, we expect many more opposition MPs to switch side.

We also foresee a chance that some newly set-up political parties by ex-PT key politicians may join the next government. Many key veteran politicians from PT having resigned to set up their own political parties and groups, the key ones being the Care Group, the Thai Srang Thai

Party led by the ex-PT heavyweight Khunying Sudarat Keyuraphan, and another one yet to be named led by another ex-PT heavyweight Chaturon Chaisang. The Care Group was set up by a few of ex-PM Thaksin Shinawattra's key aides, including Phumthan Wechayachai, Pongsak Ruktapongpisal and Prommin Lertsuridej.

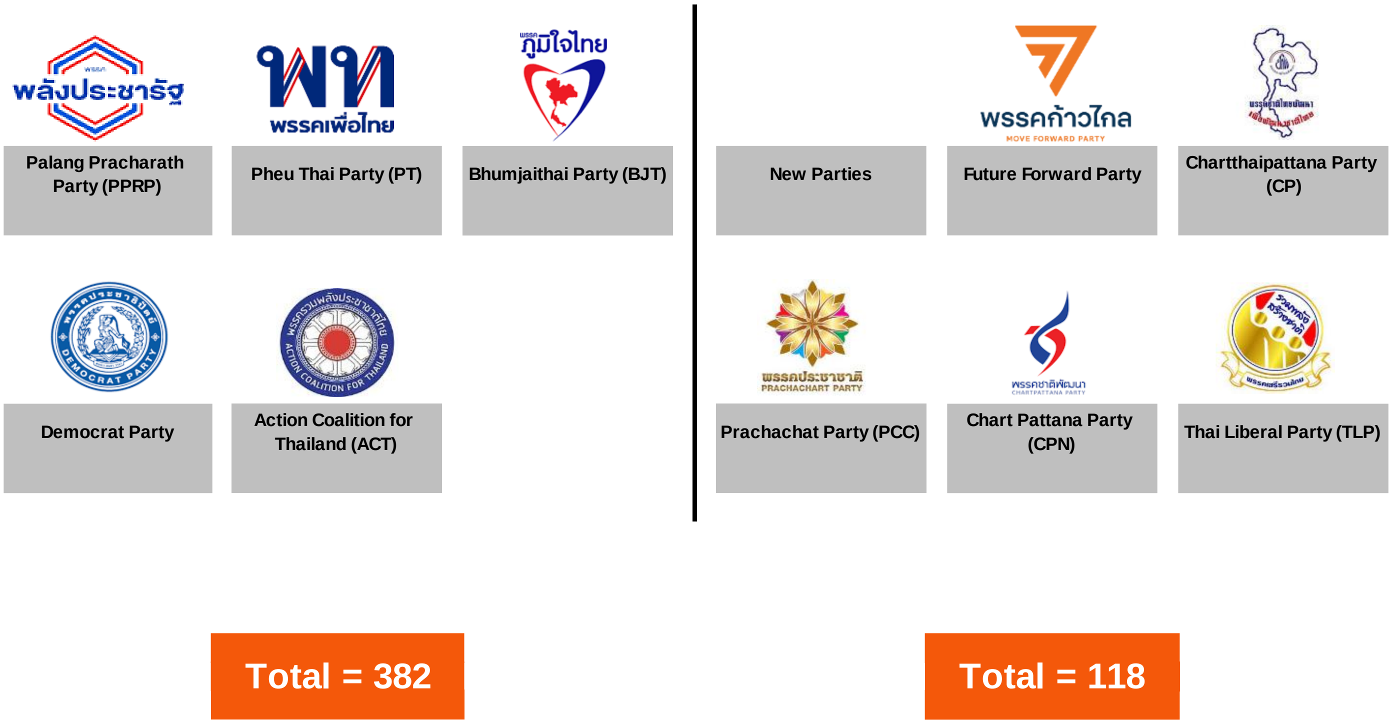
Ex 19: Future Parliament Scenario 1

Source: Thanachart estimates

Scenario 2 = big and mid-size coalition parties + PT

The second scenario is that PT itself joins the coalition government led by the PPRP. This at first glance sounds peculiar given that both parties are at the opposite ends of the political spectrum. However, again it is feasible because anything is possible in politics, especially in Thailand. And there are signs of a cozier relationship between the main military-backed PPRP and PT. The latest example was that PT didn't propose that the PPRP's leader and Deputy PM Gen Prawit Wongsuwon or the party's secretary-general Captain Thamanat Prompow be grilled in the censure debate. Before that, PPRP also voted since round 1 to support a constitutional change from using the one-ballot system to two ballots, which would clearly benefit PT.

Ex 20: Future Parliament Scenario 2



Source: Thanachart estimates

Recent saga involving Thamanat looks likely to be manageable

What about the latest saga regarding PM Prayut's order to dismiss Captain Thamanat from his position in the cabinet that is likely to result in him leaving the PPRP? We expect Captain Thamanat to set up his own political party. Some political experts estimate that of a total of 25-30 PPRP MPs in his camp, eventually around 10-15 could jump ship with him. Although this would weaken the PPRP, we wouldn't see it as a serious blow that would jeopardize the chances of the party winning the next election given that many MPs in the opposition camp and smaller parties within the coalition ranks would likely want to join the PPRP.

No end to excess liquidity

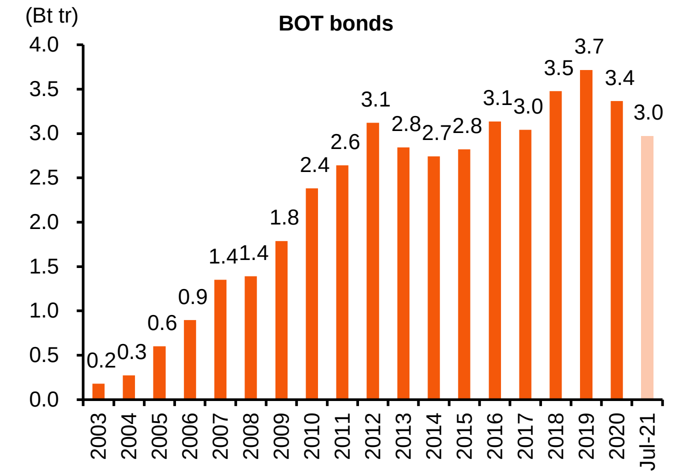
Excess liquidity is key to high valuation

Liquidity is the name of the game in elevating the market's valuation as it keeps interest rates, or the discount rate, low. This is especially true when sustained earnings growth factors are lacking. The SET traded at high PE levels, in the range of 16-21x, for several years during pre-the COVID period even with a bumpy earnings pattern.

And it looks set to remain large for the foreseeable future

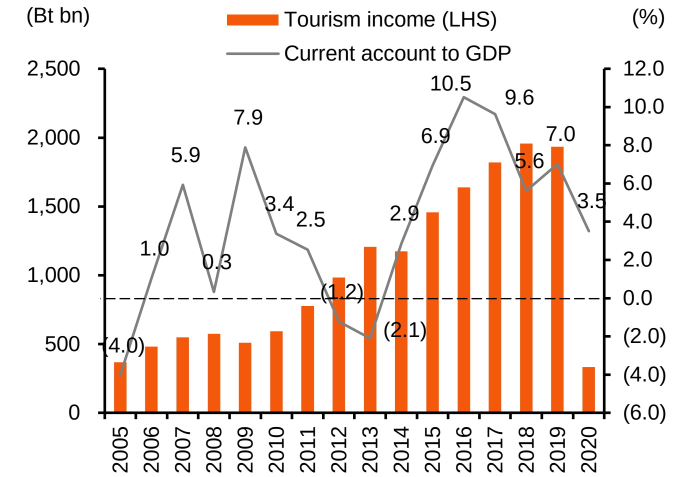
Exhibit 21 shows the level of excess liquidity in the form of Bank of Thailand (BOT) bonds or sterilized money. At 19% of GDP or Bt3.0tr, the size is so large it could create and finance a new mega-project cycle for the country for 15 years, though not that the government will opt to do it. We therefore believe that interest rates in Thailand will remain low for many years to come. And this excess liquidity pool is likely to be replenished as soon as the country's reopening results in a resumption of tourism income. Note that Thailand's current account stood at a large surplus of 7-10% p.a. in the pre-COVID period with the biggest contribution coming from tourism.

Ex 21: BOT Bonds Or Sterilized Money



Source: Bank of Thailand

Ex 22: A Refill As Soon As Tourism Is Back



Sources: Bank of Thailand; Tourism Authority of Thailand

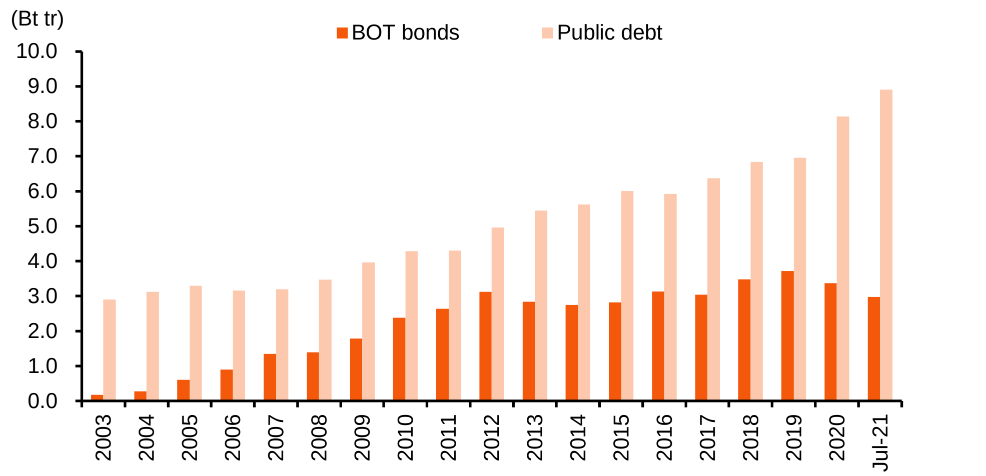
Liquidity trap of slow growth but large liquidity

Why is Thailand distinctive in having such substantial excess liquidity? Because it hasn't reinvested the money it has earned from exports and tourism. Thai governments for nearly two decades have failed to utilize the money the country has earned to create a sustainable capex, including infrastructure and private investment, cycle. Without investments, growth has been slow. So, in a way, Thailand has placed itself in a liquidity -trap situation where growth is slow and liquidity is in excess. When the money hasn't been spent, the BOT has pulled out liquidity from the system by sterilizing it via BOT bond issues.

Special borrowing decrees are too small to eat up the excess liquidity

What about the financing of the government's two special borrowing decrees of a combined Bt1.5tr Will this be able to eat up excess liquidity? Yes, to a certain extent and this is why the BOT bond amount fell from its peak of Bt3.7tr in 2019 to Bt3.0tr in July this year. The amount of excess liquidity is so large that even the government's special spending has not changed liquidity's power to keep interest rates low.

Ex 23: Drop In BOT Bonds Goes To Finance Public Debt



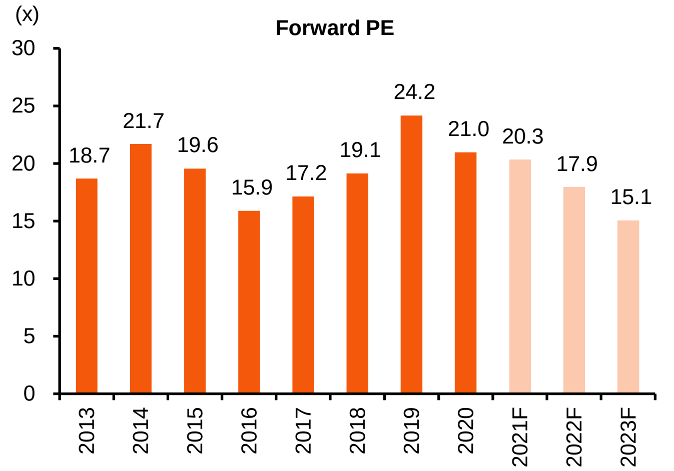
Sources: Bank of Thailand, Public Debt Management Office

SET overshoot scenario workouts

We work out some numbers here based on the assumption that excess liquidity will keep the SET's PE multiple at high levels. Although our SET target for 2022F remains at 1,700 which implies 18.8x 2022F PE, an overshoot looks possible in 2H22F when we expect the market to start looking forward to a more normal post-COVID year in 2023F, when PE is at only 15.0x. If we were to assign an 18.0x average pre-COVID PE to 2023F numbers, our SET target in 2023F would be 1,940.

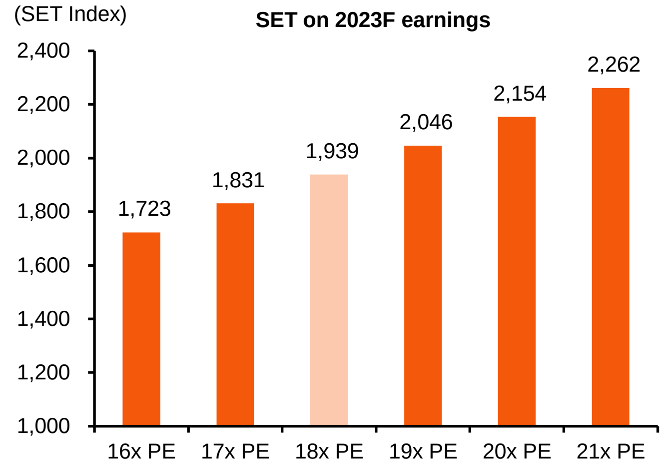
We also show SET scenarios where we assign the pre-COVID historical range of 16-21x to 2023F earnings in Exhibit 25 to see the potential SET overshoot levels when we are in the second half of 2022F.

Ex 24: PE Is Off Lower Range Boundary In 2023F



Sources: Bloomberg; Thanachart estimates

Ex 25: Overshooting SET Scenarios



Source: Thanachart estimates

Another step in repositioning

CPALL and HMPRO replace MEGA and TU

Siam Senses has gradually adjusted its portfolio from extreme stock-selection to a mix of exporters and then valuation calls in *Siam Senses – Nowhere to run,* dated 12 August 2021, when KBANK was added. At this stage, we believe it's time to position the portfolio more toward top-down, bigger-cap names. We add **CP All (CPALL)** and **Home Product Center (HMPRO)** at the expense of Mega Lifesciences (MEGA) and Thai Union Group (TU), with both companies having enjoyed strong export growth and their share prices have already performed very well. On the contrary, CPALL and HMPRO are laggard plays and they fit our domestic themes in this report.

How we position our portfolio

Our portfolio positioning is as follows:

- We believe our portfolio should have exposure to the top-down, macro-driven factors of improving consumption, reopening and business activity resumption. Here we have **GLOBAL, HMPRO, CPALL, COM7** and **BEC**. This is despite some of these names also having strong bottom-up driven stories of their own, including GLOBAL, COM7 and BEC.
- We feel the need to have exposure to the banking sector in the first year of the economic turnaround after two full years of the COVID crisis that caused asset quality concerns and hefty provisioning expenses. Here, we have **KBANK**.
- We maintain our interest in the bottom-up stock-selection names in our portfolio including **KCE, EA** and **STARK**.

Ex 26: 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 —	
						2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
		(Bt/shr)	(Bt/shr)	*(%)*	(US$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BEC TB	BUY	12.90	15.00	16.3	783	na	28.4	32.7	25.5	8.1	7.5	2.8	3.5
COM7 TB	BUY	73.50	80.00	8.8	2,678	40.8	37.1	43.2	31.5	28.6	21.7	1.9	2.6
CPALL TB *	BUY	62.25	73.00	17.3	16,980	(34.9)	70.9	57.8	33.8	16.3	14.0	0.9	1.5
EA TB	BUY	65.25	95.00	45.6	7,390	15.3	32.6	41.2	31.0	24.2	18.7	0.7	1.0
GLOBAL TB	BUY	21.30	30.00	40.8	2,976	62.8	20.1	30.7	25.5	23.2	19.5	1.3	1.6
HMPRO TB *	BUY	14.10	17.50	24.1	5,631	(1.0)	19.8	36.3	30.3	19.1	16.8	2.2	2.6
KBANK TB	BUY	122.50	150.00	22.4	8,813	3.2	(0.1)	9.6	9.6	0.6	0.6	3.1	3.1
KCE TB	BUY	79.75	95.00	19.1	2,860	133.3	59.1	39.6	24.9	25.9	17.8	1.8	2.8
M TB	BUY	52.75	63.00	19.4	1,475	(73.2)	602.1	199.8	28.5	20.9	10.8	0.5	3.5
STARK TB	BUY	4.32	5.00	15.7	1,562	57.5	39.3	39.7	28.5	22.6	17.6	1.3	1.8
Stocks taken out													
MEGA TB	BUY	49.25	56.00	13.7	1,304	25.2	13.0	24.2	21.4	17.8	15.6	2.3	2.8
TU TB	BUY	21.60	24.00	11.1	3,130	5.9	16.1	15.0	12.9	13.5	12.3	4.0	4.6

Sources: Company data, Thanachart estimates
Note: * New additions Based on 14 September 2021 closing prices

The Lotus saga – will to believe

What about our view on CPALL's saga regarding shareholding restructuring of Lotus? This is actually to us a power of CP Group and the Thai market's large liquidity creating "will to believe" in this Lotus matter. To recap, Lotus is currently owned by a special purpose vehicle (SPV), that is in turn owned 40% by CPALL, 40% CP Group and 20% CP Foods (CPF TB, BUY, Bt26.50). Under the restructuring plan, Siam Makro (MAKRO TB, BUY, Bt53.00) will buy Lotus from the SPV and pay for the deal by share swaps. Note that before the restructure, CPALL already owns MAKRO at 93%. After the share swaps, CPALL's stake in the bigger MAKRO will be 66%, CPF's 10% and CP Group's 20%.

Then the next step is for MAKRO to increase capital further in a public offering (PO), where 1) MAKRO will issue new shares and use money to repay debt and 2) CPALL, CPF and CP Group will sell some of their holdings in MAKRO. CPALL will use that proceed to repay debt. The targeted stakes in MAKRO will be diluted post PO to 52% for CPALL and 8% for CPF while we don't know CP Group's stake.

MAKRO is most worse off from the deal, in our view

This restructuring plan in our retail analyst Phannarai Tiyapittayarut's view hurts MAKRO the most via capital increase dilution and implied expensive price it pays (via share swaps) for Lotus. CPALL is also expected to be hit in a small degree from its diluted stake in MAKRO. CPF is very slightly impacted via its 34% stake in CPALL while CP Group has the best deal out of it in our view.

Why we still add CPALL in portfolio?

So why we add CPALL in our portfolio? *First*, our recommendation on CPALL has been a BUY before the restructuring announcement on its strong earnings turnaround story from 2022F onward. *Second*, CPALL's share price has already underperformed for the past three years due to what we see as expensive Lotus takeover and later on COVID crisis that has hit Lotus's business very hard. *Third*, we believe CPALL's share price, falling from recent peak of Bt67, has reflected the restructuring news. *Lastly*, we expect an announcement from CP Group of its grand plan for synergy creation from MAKRO and Lotus businesses. This should help support MAKRO's price and also its potential PO price at high level. The higher MAKRO's PO price the better for CPALL as it will get more proceeds to pay down debt.

APPENDIX 1: Top picks' financials

Ex 1: BEC World Pcl (BEC TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	5,861	5,674	6,462	7,131
Net profit	(214)	789	1,013	1,353
Norm profit	(146)	789	1,013	1,353
Norm EPS (Bt)	(0.1)	0.4	0.5	0.7
Norm EPS grw (%)	na	na	28.4	33.5
Norm PE (x)	na	32.7	25.5	19.1
EV/EBITDA (x)	12.8	8.1	7.5	6.7
P/BV (x)	4.8	4.4	4.3	4.1
Div yield (%)	0.0	2.8	3.5	4.7
ROE (%)	na	14.0	17.0	21.9
Net D/E (%)	7.4	(4.0)	(1.4)	0.2

Sources: Company data; Thanachart estimates

Ex 2: COM7 Pcl (COM7 TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	37,306	45,188	54,190	61,004
Net profit	1,491	2,040	2,798	3,457
Norm profit	1,449	2,040	2,798	3,457
Norm EPS (Bt)	1.2	1.7	2.3	2.9
Norm EPS grw (%)	19.1	40.8	37.1	23.6
Norm PE (x)	60.9	43.2	31.5	25.5
EV/EBITDA (x)	37.8	28.6	21.7	17.9
P/BV (x)	22.9	19.7	16.6	14.4
Div yield (%)	1.4	1.9	2.6	3.4
ROE (%)	40.1	49.0	57.3	60.6
Net D/E (%)	22.4	4.8	(0.8)	(6.8)

Sources: Company data; Thanachart estimates

Ex 3: CP All Pcl (CPALL TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	546,207	557,846	613,546	679,744
Net profit	16,102	10,682	17,548	23,557
Norm profit	15,876	10,682	17,548	23,557
Norm EPS (Bt)	1.7	1.1	1.8	2.5
Norm EPS grw (%)	(30.0)	(34.9)	70.9	36.3
Norm PE (x)	37.6	57.8	33.8	24.8
EV/EBITDA (x)	16.1	16.3	14.0	12.0
P/BV (x)	5.8	5.6	5.0	4.5
Div yield (%)	1.4	0.9	1.5	2.0
ROE (%)	16.7	10.8	16.6	20.0
Net D/E (%)	180.8	168.9	144.9	118.5

Sources: Company data; Thanachart estimates

Ex 4: 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)	47.5	41.2	31.0	22.2
EV/EBITDA (x)	30.2	24.2	18.7	14.7
P/BV (x)	8.8	7.5	6.4	5.3
Div yield (%)	0.5	0.7	1.0	1.8
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 5: Siam Global House Pcl (GLOBAL TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	26,803	32,875	36,145	39,870
Net profit	1,956	3,193	3,839	4,617
Norm profit	1,956	3,193	3,839	4,617
Norm EPS (Bt)	0.4	0.7	0.8	1.0
Norm EPS grw (%)	(6.9)	62.8	20.1	20.3
Norm PE (x)	49.9	30.7	25.5	21.2
EV/EBITDA (x)	34.0	23.2	19.5	16.3
P/BV (x)	5.8	5.1	4.5	4.0
Div yield (%)	1.0	1.3	1.6	1.9
ROE (%)	11.9	17.6	18.8	20.0
Net D/E (%)	76.4	63.7	50.2	37.9

Sources: Company data; Thanachart estimates

Ex 6: Home Product Center Pcl (HMPRO TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	59,874	60,117	64,353	69,324
Net profit	5,155	5,103	6,114	7,287
Norm profit	5,155	5,103	6,114	7,287
Norm EPS (Bt)	0.4	0.4	0.5	0.6
Norm EPS grw (%)	(16.5)	(1.0)	19.8	19.2
Norm PE (x)	36.0	36.3	30.3	25.4
EV/EBITDA (x)	19.9	19.1	16.8	14.6
P/BV (x)	8.6	8.5	7.9	7.3
Div yield (%)	2.1	2.2	2.6	3.1
ROE (%)	24.1	23.5	27.0	29.8
Net D/E (%)	46.8	39.3	35.6	24.1

Sources: Company data; Thanachart estimates

Ex 7: 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)	9.9	9.6	9.6	7.5
P/BV (x)	0.7	0.6	0.6	0.6
Div yield (%)	2.0	3.1	3.1	5.3
ROE (%)	7.0	6.7	6.4	7.8
ROA (%)	0.8	0.8	0.8	0.9

Sources: Company data; Thanachart estimates

Ex 8: KCE Electronics Pcl (KCE TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	11,527	14,921	17,798	20,775
Net profit	1,127	2,376	3,781	5,879
Norm profit	1,018	2,376	3,781	5,879
Norm EPS (Bt)	0.9	2.0	3.2	5.0
Norm EPS grw (%)	15.6	133.3	59.1	55.5
Norm PE (x)	92.4	39.6	24.9	16.0
EV/EBITDA (x)	44.6	25.9	17.8	12.1
P/BV (x)	7.8	7.1	6.3	5.4
Div yield (%)	0.5	1.8	2.8	4.4
ROE (%)	8.6	18.8	26.8	36.3
Net D/E (%)	(0.0)	5.3	1.9	(5.2)

Sources: Company data; Thanachart estimates

Ex 9: MK Restaurant Group Pcl (M TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	13,361	11,659	15,337	18,010
Net profit	907	243	1,707	2,689
Norm profit	907	243	1,707	2,689
Norm EPS (Bt)	1.0	0.3	1.9	2.9
Norm EPS grw (%)	(65.1)	(73.2)	602.1	57.5
Norm PE (x)	53.5	199.8	28.5	18.1
EV/EBITDA (x)	13.8	20.9	10.8	8.3
P/BV (x)	3.6	3.7	3.5	3.4
Div yield (%)	1.9	0.5	3.5	5.5
ROE (%)	6.5	1.8	12.6	19.0
Net D/E (%)	(55.2)	(61.6)	(60.5)	(61.6)

Sources: Company data; Thanachart estimates

Ex 10: Stark Corporation Pcl (STARK TB)

Y/E Dec (Bt m)	2020	2021F	2022F	2023F
Sales	16,858	20,194	23,281	26,584
Net profit	1,609	1,726	2,404	3,079
Norm profit	1,095	1,726	2,404	3,079
Norm EPS (Bt)	0.1	0.1	0.2	0.2
Norm EPS grw (%)	629.2	57.5	39.3	28.1
Norm PE (x)	62.6	39.7	28.5	22.3
EV/EBITDA (x)	32.1	22.6	17.6	14.5
P/BV (x)	18.5	13.7	10.8	8.5
Div yield (%)	0.0	1.3	1.8	2.2
ROE (%)	36.7	39.6	42.3	42.6
Net D/E (%)	291.5	183.8	129.4	98.4

Sources: Company data; Thanachart estimates

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