

Siam Senses

Against the odds

Despite threats of inflation, an unstable government, Omicron and Fed funds rate hikes, *Siam Senses* lifts its 2022F SET target to 1,900. The Thai economy is growing faster than we had expected with the service-heavy SET more resilient than the economy itself. We expect earnings upgrade momentum and consumption stocks to start performing.



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Boosting our SET target to 1,900

We lift our 2022F SET target to 1,900 (from 1,850), implying 17.9x 2023F PE. **First**, Thailand's economy is recovering stronger than we had expected and we foresee upward earnings momentum. **Second**, despite threats from inflation, a weaker coalition, Omicron and potential Fed funds rate hikes, we expect Thailand's cyclical economic turnaround story to continue with 2022F driven by economic activity resuming, extra stimulus and election spending, and 2023F by a tourist turnaround. **Third**, while fundamentals remain similar to the past five years, the SET's valuations are below average and we expect a re-rating. **Lastly**, we see the SET as resilient to the Russia/Ukraine crisis as it is more service- and commodities- than manufacturing-based.

SET resiliency against Russia/Ukraine crisis

The Thai economy had a very strong start to its cyclical turnaround cycle with a big 2021 GDP beat at 1.6% vs. our forecast of 1.0%. Factoring in the Russia/Ukraine war, which we don't expect to last long, we lift GDP growth from a higher base to 3.8/4.5% in 2022-23F (from 3.6/4.4%). The SET's composition is geared more toward services and energy sectors, so it is more resilient than the economy itself to impacts from higher oil and raw material prices. We still expect Thailand's policy rate to stay at 0.50% this year and rise to 1.00% in 2023F to reflect the Fed funds rate increases and a firmer economic recovery.

Off-track valuations

Amid the threats of inflation, a weaker coalition government, Omicron and potential Fed funds rate hikes, we do not see significant changes to Thailand's underlying fundamentals. The growth outlook is improving, liquidity remains ample, foreign debt holding is low, and the baht and balance sheets relatively strong. As such, we see its valuations, ie, PE, P/BV and dividend yield, offering upside to historical figures. Exhibits 19-24 show the SET in 2023F at 15.8x PE, 1.5x P/BV and 3.6% dividend yield, inexpensive vs. its historical trading ranges.

Earnings upgrade momentum

We expect earnings upgrade momentum in the energy, bank, retail and healthcare sectors to outweigh downgrades to utilities. We keep our portfolio mix weighting of large consumption plays and banks. Tactically, we expect the consumption sector to start performing after the banking sector's strong run-up earlier in the year. We make two changes in our top picks list. One is replacing SCB with **BBL** on decent loan growth from higher mix of overseas loans and more attractive valuation. We replace GPSC due to a worse-than-expected high gas cost impact and surprise loss from its India investment. **STARK** is back on our list on its stronger-than-expected operation and Vietnam story which brings in both growth and higher margin via a new product mix.

Top Picks

| | -EPS growth- | | — PE — | | Yield |
|---------|--------------|---------|---------|---------|-------|
| | 22F (%) | 23F (%) | 22F (x) | 23F (x) | |
| BBL * | 14.1 | 10.5 | 8.6 | 7.8 | 3.5 |
| CBG | 38.9 | 27.7 | 27.5 | 21.5 | 2.4 |
| COM7 | 28.1 | 22.2 | 30.0 | 24.5 | 2.7 |
| CPN | 105.3 | 43.7 | 36.6 | 25.4 | 1.4 |
| EA | 57.5 | 16.6 | 37.5 | 32.1 | 0.8 |
| GLOBAL | 13.5 | 20.6 | 24.2 | 20.1 | 1.7 |
| HMPRO | 21.1 | 20.0 | 31.5 | 26.3 | 2.5 |
| KBANK | 13.9 | 13.0 | 9.0 | 8.0 | 2.2 |
| M | na | 71.9 | 31.4 | 18.2 | 3.2 |
| STARK * | 14.7 | 26.1 | 24.4 | 19.3 | 2.1 |

Stocks taken out

| | | | | | |
|------|-------|------|------|------|-----|
| GPSC | 57.7 | 20.7 | 19.6 | 16.2 | 3.1 |
| SCB | (3.4) | 7.8 | 12.4 | 11.5 | 2.4 |

Source: Thanachart estimates

Note: *New addition.

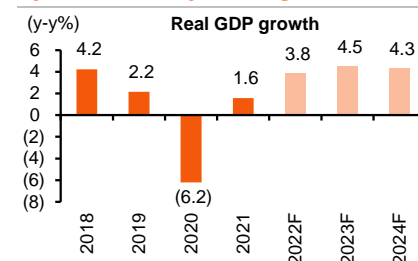
Based on 1 March 2022 closing prices

Off-track Valuations

| | 10-yr avg | 2022F | 2023F |
|--------------------|-----------|-------|-------|
| PE (x) | 18.8 | 17.7 | 15.8 |
| P/BV (x) | 1.9 | 1.6 | 1.5 |
| Dividend yield (%) | 3.1 | 3.0 | 3.6 |

Sources: Bloomberg, Thanachart estimates

Cyclical Recovery Has Begun



Sources: NESDC, Thanachart estimates

Against the odds

Raising our SET target to 1,900

Siam Senses goes against the fear factors of inflation, an unstable government, Omicron and expected Fed funds rate hikes and upgrades our 2022F SET target to 1,900 (from 1,850). We remain bullish on the SET for the following reasons:

Faster-than-expected economic recovery

First, the recovery momentum of the Thai economy has been stronger than we had expected earlier. On the back of the higher-than-expected base of 2021 GDP growth of 1.6% (vs. our forecast of 1.0%) and GDP growth upgrades to 3.8/4.4% growth (from 3.6/4.2%) in 2022-23F, we expect earnings upgrade momentum.

Three years of cyclical recovery

Second, despite threats from inflation, a weaker coalition government, Omicron and potential Fed funds rate hikes, we expect Thailand's cyclical economic turnaround to continue. Key drivers for 2022F are pent-up demand from being in the first year of recovery, extra stimulus budget and election spending while for 2023-24F the engine is a tourism recovery.

Off-base valuation offers a re-rating in our view

Third, while we do not see any structural changes to Thailand's underlying fundamentals in terms of growth drivers, balance sheet and cash-flow situation post- vs. pre-COVID period, the SET's valuations are off the average of the past 10 years and we expect a re-rating. Our 1,900 year-end SET target implies a PE of 17.9x 2023F, which we see as a more normalized year for the Thai economy when we expect tourism to start making a comeback.

Resilient against Russia/Ukraine crisis

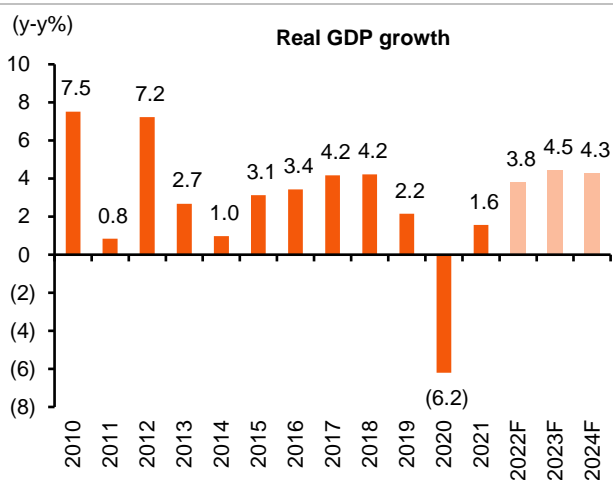
Lastly, we see the SET as being resilient against the Ukraine/Russia crisis. While we refer to Chak Reungsinpinya's *Siam Senses –Weathering the storm*, dated 27 January 2022, regarding Thailand's small direct exposure to Russia, the SET's composition is geared more toward services and commodities sectors than the manufacturing sector. Service sectors have seen a limited impact from high energy and raw material prices while commodities are more beneficiaries. Manufacturers experience a net negative.

Cyclical recovery has begun

We see 3.8/4.5% GDP growth from a higher base in 2021

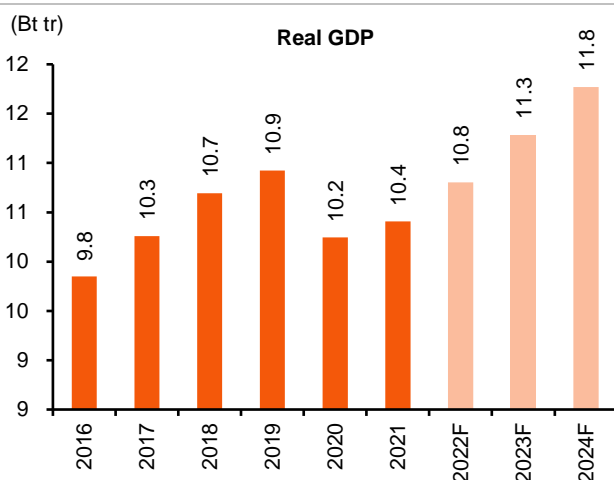
The Thai economy kick-started its first-quarter economic recovery with stronger-than-expected growth momentum in 4Q21 of 1.9% y-y and 1.8% q-q. This boosted COVID-wave 2021 GDP growth to 1.6% vs. our forecast of 1.0%. Although they look like small growth upgrades to 3.8/4.5% in 2022-23F, they are off the higher base in 2021.

Ex 1: Cyclical Recovery Begins



Sources: NESDC; Thanachart estimates

Ex 2: Absolute Real GDP To Surpass Pre-COVID In 2023F



Sources: NESDC; Thanachart estimates

Ex 3: GDP Growth Forecast Revisions

| % growth | 2019 | 2020 | 2021 | — 2022F — | | — 2023F — | | — 2024F — | |
|-----------------------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| | | | | New | Old | New | Old | New | Old |
| | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Real GDP growth | 2.2 | (6.2) | 1.6 | 3.8 | 3.6 | 4.5 | 4.4 | 4.3 | 4.0 |
| Private consumption | 4.0 | (1.0) | 0.3 | 5.0 | 3.7 | 3.1 | 3.0 | 3.1 | 2.8 |
| Private investment | 2.6 | (8.2) | 3.2 | 4.8 | 5.9 | 5.0 | 5.0 | 5.0 | 5.0 |
| Government investment | 0.1 | 5.1 | 3.8 | 2.7 | 3.1 | 4.0 | 4.0 | 3.0 | 5.0 |
| Export (nominal USD growth) | (3.3) | (6.5) | 18.8 | 5.9 | 3.6 | 3.4 | 3.0 | 3.0 | 3.0 |
| Import (nominal USD growth) | (5.6) | (13.8) | 24.8 | 6.7 | 3.3 | 4.5 | 4.5 | 5.0 | 5.0 |
| Export of services | 0.6 | (61.7) | (18.4) | 23.1 | 29.2 | 46.8 | 62.2 | 39.4 | 33.1 |
| Current account (% to GDP) | 7.0 | 4.2 | (2.2) | 0.5 | (0.3) | 3.9 | 3.0 | 6.3 | 6.3 |
| Headline CPI | 0.7 | (0.8) | 1.2 | 2.7 | 2.4 | 1.5 | 1.5 | 1.2 | 1.2 |
| Bt/USD - average | 31.05 | 31.30 | 32.00 | 33.3 | 33.1 | 32.4 | 31.9 | 31.5 | 31.0 |
| Policy rate | 1.25 | 0.50 | 0.50 | 0.50 | 0.50 | 1.00 | 1.00 | 1.25 | 1.25 |

Sources: Bank of Thailand, NESDC, Thanachart estimates

One key reason for our bullishness on the Thai market is that we expect three full years of cyclical economic recovery. And the risks to our expectation should be low because the economy is coming off a low base due to the lack of foreign tourists (11% of 2019 GDP).

Many drivers in 2022F

Key drivers for 2022F are pent-up demand from it being the first year of economic recovery, a turnaround of domestic tourism (6.7% of 2019 GDP), an extra stimulus budget of about Bt250bn and election spending which can come from both politicians and political parties' own pockets, and a higher disbursement rate of the government budget. We expect a small foreign tourism turnaround as the Thai government remains firm regarding its opening policy and we believe it is very unlikely to return to a zero-COVID policy in 2022. We estimate foreign arrivals at 6m people vs. 0.5m in 2021 and 40m in 2019.

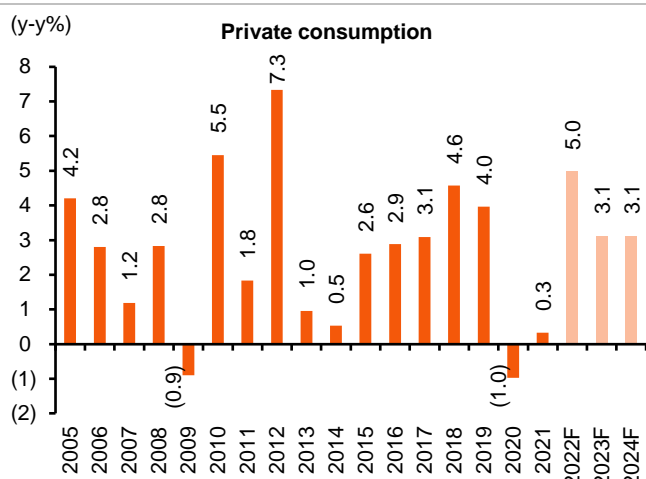
2023F to be the first year of a real tourism recovery

For 2023F, we expect it to be the first full year of a foreign tourism recovery with 25m arrivals forecast. As tourism is a big part of GDP, it is the key driver of our 4.5% GDP growth forecast. Tourism has a significant chain-reaction effect upon many other sectors and therefore a large multiplier effect on the economy. The most direct and biggest chain-reaction beneficiary should be the consumption sector.

2024F to nearly complete tourism recovery

In our view, 2024F will be the second year of a tourism recovery to bring the arrival base back to a nearly normal 38m arrivals and we forecast 4.3% GDP growth.

Ex 4: Key GDP Drivers Are Consumption And...



Sources: NESDC; Thanachart estimates

Ex 5: ...Tourism



Sources: Tourism Authority of Thailand; Thanachart estimates

Interest rate and inflation outlook

Our policy rate view remains 0.5% this year and 1.0% next

We continue to expect Thailand’s policy rate to remain at 0.50% this year despite the Fed funds rate increasing and that the Fed funds rate would be above the Thai rate. The consensus forecasts multiple hikes in the Fed funds rate to 1.25% by year-end and we continue to believe Thailand can afford to have a lower policy rate than the US. In fact, the Thai policy rate was lower than in the US from 2018 to early 2020, when the COVID outbreak started. Again, that was possible because of substantial excess liquidity or sterilized money in Thailand at Bt2.9bn or 19% of GDP. In 2023F we expect 50bp of rate hikes to 1.00% as a reflection of the stronger economic recovery.

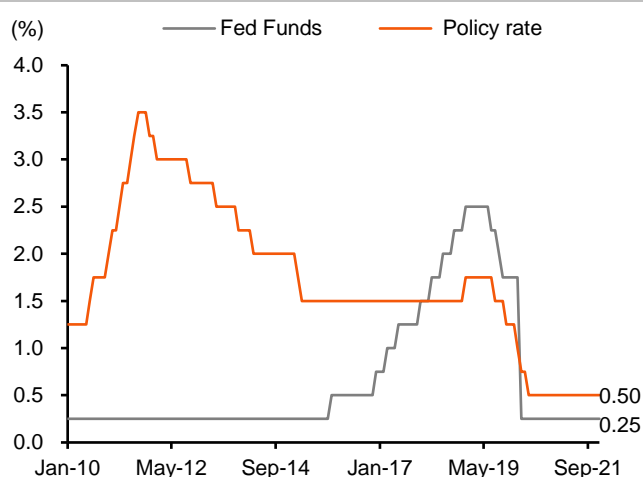
We see this as a gradual normalization

We consider this gradual policy rate rise as a normalization process post-COVID crisis rather than a new policy direction. We do not anticipate large increases in interest rates in Thailand because of the following reasons:

Small hike vs. Fed funds due to substantial excess liquidity

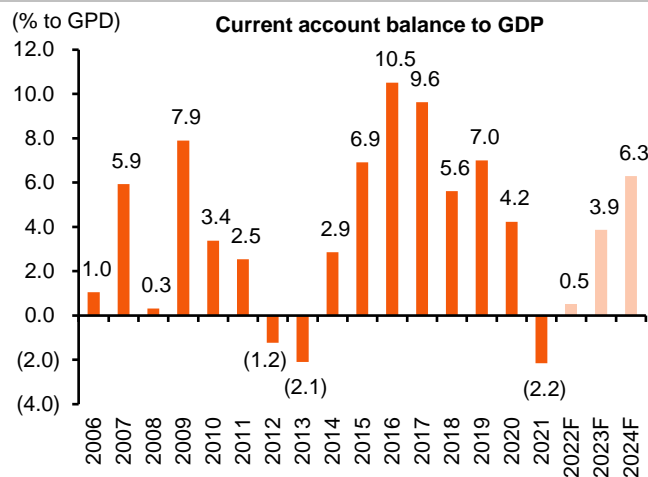
One reason is that aside from the fact that the sterilized or excess liquidity is still very large, it will eventually have a refill factor once foreign tourism returns. We forecast the current account to turn into a surplus mode again as soon as in 2023F at 3.9% and 2024F at 6.3%. Hence, this means more liquidity is on the way.

Ex 6: Thai Policy Rate Can Be Below Fed Funds



Source: Bloomberg

Ex 7: Tourism, When Back, Will Refill Liquidity Pool

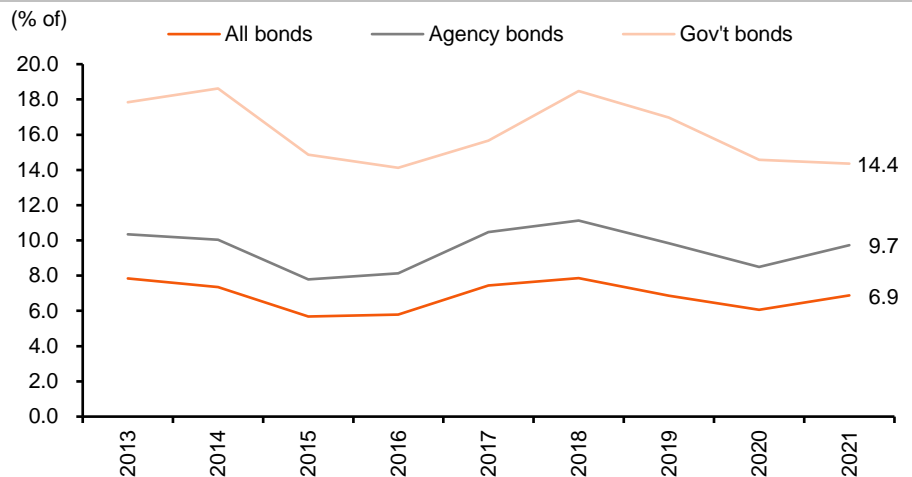


Sources: Bank of Thailand; Thanachart estimates

Low reliance on foreign borrowing

Another reason is that Thailand relies little on foreign money flows as reflected in only foreign bond holdings of below 10%. So rising interest rates in the US shouldn’t put much pressure on local interest rates. Yes, interest rates will likely trend up somewhat and there has to be some gap with the US benchmark rate. But the extent of the increase, in our view, will be much less and that it is unlikely to harm Thailand’s cyclical recovery story. We remain of the view that to play the US rate increase we have to play the long-dated bond yield story of the life insurance sector and we like Bangkok Life Assurance (BLA TB, Bt42.50, BUY). Please see Chak Reungsinpinya’s initiation report on **BLA – A new upcycle**, dated 12 January 2022.

Ex 8: Foreign Bond Holdings Are Low In Thailand

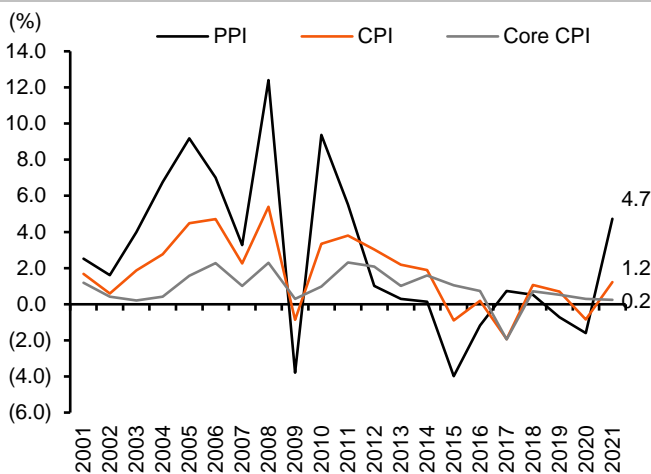


Source: Bank of Thailand

Rising inflation hasn't yet induced a new policy direction

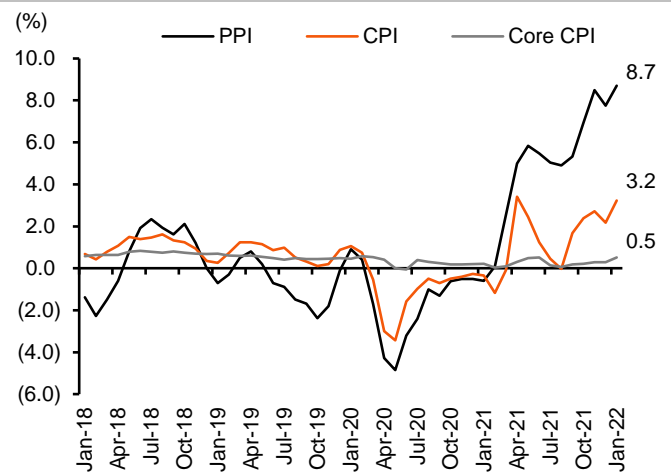
As for rising inflation, we estimate it to rise to 2.7% this year before falling to 1.5% in 2023F. Our forecasts are still within the Bank of Thailand's (BOT) targeted range of 1-3%. As long as inflation stays within this range on the yearly basis, the policy rate shouldn't come under pressure to be hiked. We do expect inflation to veer off the range during some of the months this year amid the Russian/Ukraine conflict-driven high oil price period but we expect it to fall when this conflict eases. Upside risk to our 2023F inflation forecast would be the COVID pandemic continuing that could cause the supply chain disruption to be extended.

Ex 9: Producers Are Affected Far More Than Consumers



Source: Ministry of Commerce

Ex 10: And Now The Russia/Ukraine Conflict



Source: Ministry of Commerce

Inflation managed via energy price subsidization and product price control

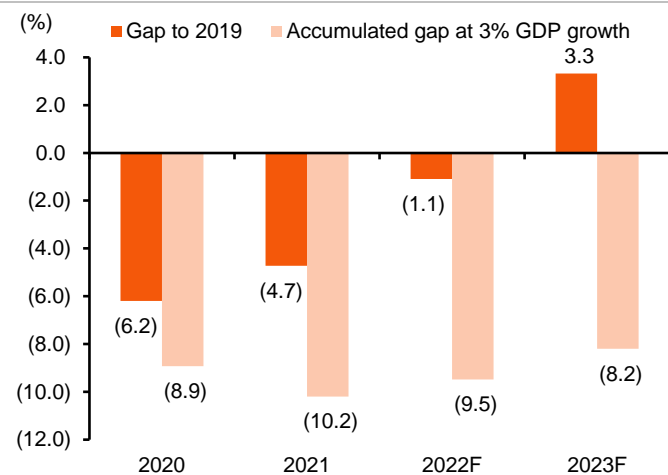
Thailand is a country that has managed inflation well for decades. The large increase in the Producer Price Index (PPI) in Exhibit 9 didn't feed through to the Consumer Price Index (CPI) fully. Therefore, producers are affected by rising production costs far more than consumers. That is because of subsidy policies as a part of the populist culture created by most governments, including the current one. Thailand also has price control policies for certain products. We discuss the subsidization and price controls further in the following section.

Remaining output gap helps absorb demand-pull inflation

Here we update Thailand's output gap which remains intact and this should help absorb demand-pull inflation. The Thai economy just kick-started its recovery in 4Q21 after several COVID waves throughout the year with a lockdown in 3Q21. Despite substantial stimulus

money from the two executive borrowing decrees worth a combined Bt1.5tn, the output gap remains as tourism hasn't yet come back and that accounted for 11% of GDP in 2019. We expect the gap of GDP to be close to getting back to the pre-COVID level in 2023F. The unemployment rate of 1.6% still has a gap vs. the 1.0% pre-COVID level. Note that it is better to look at the trend of the rate rather than the rate itself as the unemployment rate in Thailand is distorted. For example, many people who lose their jobs and go back to their home towns to help their families grow rice or other crops are not recorded as being unemployed.

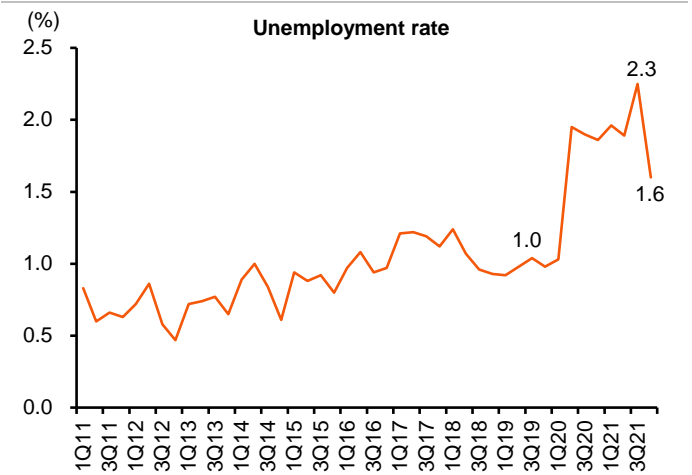
Ex 11: Output Gap Still Remains



Sources: NESDC; Thanachart estimates

Note: Accumulated output gap is based on the assumption that potential GDP would grow at 3% p.a. if COVID hadn't happened. The gap is the difference between forecast GDP and that potential GDP.

Ex 12: Unemployment Still Above Trend



Source: National Statistical Office

SET resiliency against Russia/Ukraine crisis

Concerns about the Russian/Ukraine conflict in Thailand's context are more about the indirect impacts through energy and raw material prices. Our views are set out below and we conclude that the end impact upon the overall economy will not be not substantial and that the SET itself is more resilient to this than the economy.

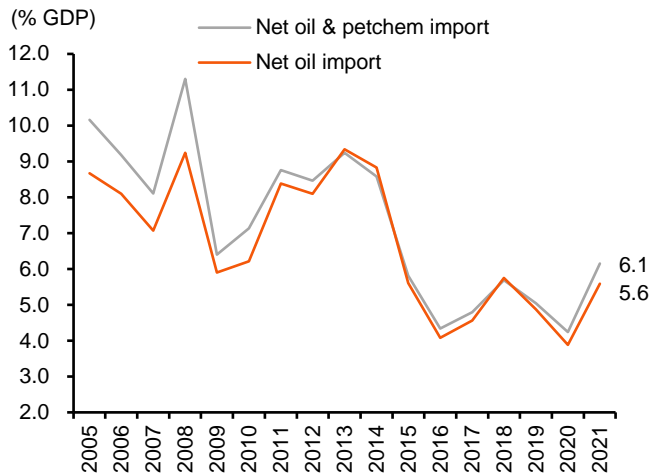
Not a superpower war so it shouldn't escalate or last long

First, this is not a war between global superpower countries. And we do not expect it to escalate into one in which the US and Europe would participate as it isn't a conflict that jeopardizes or threatens the US's position. Given this, the impact will be more from the effect of economic sanctions. We also do not expect the war to be prolonged.

Net oil and hard material imports are low

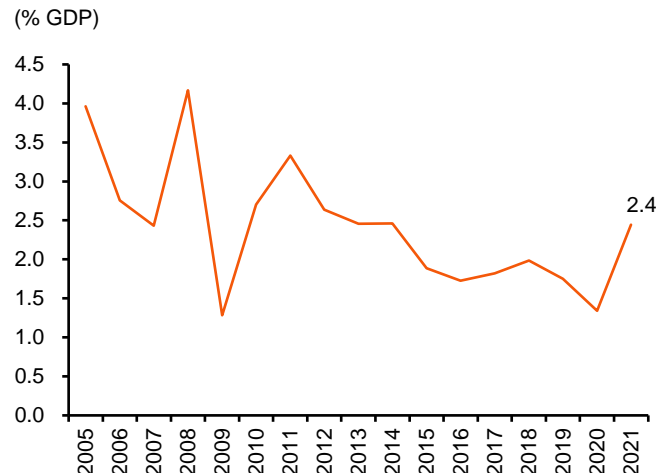
Second, there will likely be an impact on Thailand from higher energy and commodities prices. However, we don't foresee this lasting too long since we don't expect hostilities to be prolonged. It is also the case that the ratio of net energy and petrochemical imports to GDP is no longer high at only 6.1% of GDP while net metal imports are at just 2.4% of GDP. Thailand has reduced these ratios for many years.

Ex 13: Net Oil & Petrochemical Imports To GDP Ratio



Source: Bank of Thailand

Ex 14: Net Metal Imports To GDP Ratio

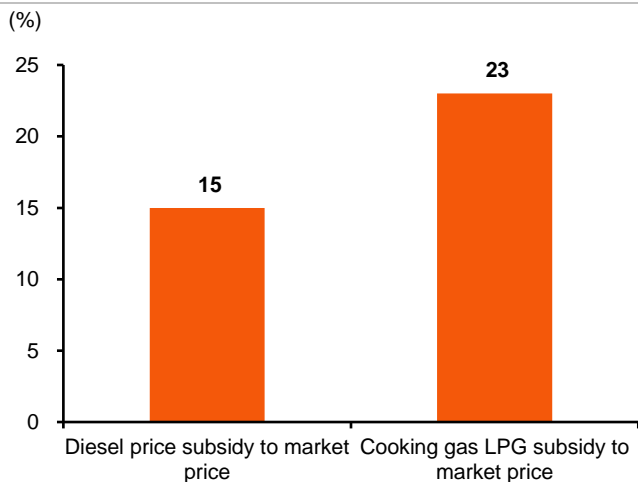


Source: Bank of Thailand

In subsidizing mode

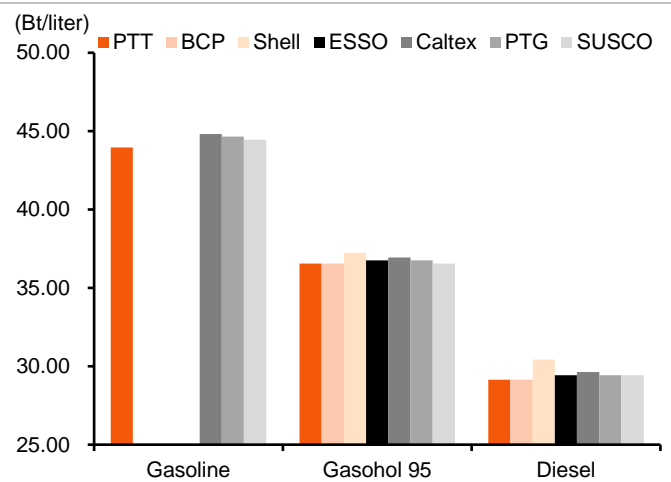
Third, is the Thai government's policy of subsidies, especially for diesel (key transportation cost) and cooking gas LPG (key food cost). The diesel price cap at Bt30/liter implies Thai people pay a 15% discount of the market price. Also, the cooking gas LPG cap at Bt318 per 15kg implies a 23% discount to the market LPG price. Aside from direct subsidization from the government's oil fund and taxation mechanisms, PTT Pcl (PTT TB, Bt39.00 BUY) and Bangchak Petroleum Pcl (BCP TB, Bt31.75, BUY) always lend a helping hand.

Ex 15: Diesel And LPG Price Subsidization



Source: Thanachart estimates

Ex 16: PTT And BCP Sell At Lower Retail Prices



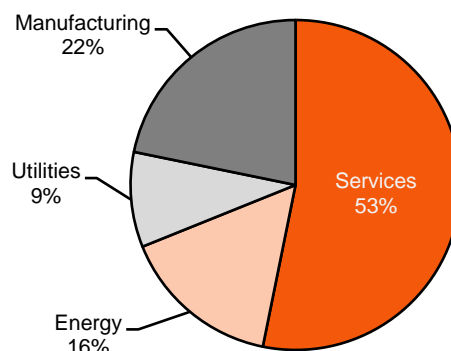
Source: Energy Policy and Planning Office (EPPO)
 Note: Gasohol 95 is gasoline mixed with 5% ethanol.

260+ product items on control and semi-control lists

Fourth, the government also has another tool to control inflation via product price controls managed by the Department of Internal Trade under the Ministry of Commerce. Currently, there are 56 products on the control list and 28 on semi-control lists. Being on the control list means the products cannot be sold above certain prices. Semi-control means increases to prices above the limits need documentary justification.

SET is resilient to high oil and raw material prices

Lastly, we believe the SET is more resilient to the Russian/Ukraine conflict than the economy itself. Exhibit 17 shows that the SET is far more weighted toward the services and energy sectors (69% combined) than manufacturing-based ones (22%). While energy benefits from high energy prices, service sectors are exposed to limited effects from rising raw material prices. Manufacturing-based sectors are being hit by both high energy and raw material prices.

Ex 17: SET Composition (As of 25 Feb 2022)

Sources: SET, Thanachart estimates

Off-track valuation**No change to underlying fundamentals**

We do not expect the threats of inflation, a weaker coalition government and a new election, Omicron and potential Fed funds rate increases to alter Thailand's underlying fundamentals. The country has started its cyclical recovery process with liquidity remaining ample to maintain a low rate environment. We don't expect Fed funds rate hikes to cause too much concern about fund outflows given low foreign debt-holding levels. Some outflows because of more attractive US interest rates could weaken the baht somewhat but that in our view would be favorable to Thailand, which needs a weak baht to make it more attractive from a foreign direct investment perspective while it is also good for exports. And as soon as tourism income recovers in a meaningful way, the baht should get support via a current account surplus.

Valuations still look off track

While fundamentals remain intact, the SET's valuations are not. We see the SET's PE and P/BV still being off track and expect a re-rating. We use 2023F numbers because we consider it to be a more normalized year when tourists should start to come back. Also, we believe that by the middle of this year the market will start looking at the forward looking ratios in 2023F. While the valuations look off track, earnings growth is resuming and ROE is recovering.

- From Exhibit 18-19, we see room for re-rating for the SET at 15.8x 2023F PE. We expect this to rise back toward average historical ratio of over 18.0x.
- Exhibit 18 and 21 also show room for P/BV re-rating, in our view. The SET is now trading on 1.6/1.5 P/BV on 2022-23F numbers. This is below 1.9x 10-year historical average.
- Exhibit 18 and 22 imply to us that dividend yield of 3.0% is already back to historical average level but 2023F yield at 3.6% implies room for SET re-rating to bring the ratio down toward the historical average of 3.1%.

Our 1,900 index target implies a 17.9x 2023F PE

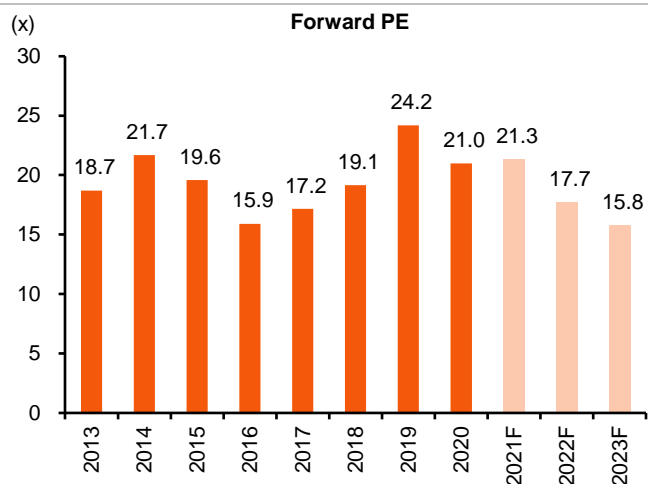
Our target index at 1,900 implies a 17.9x 2023F PE. We derive a SET Index target from a bottom-up valuation of our stock coverage. Exhibit 19 shows that the current 2023F PE of 15.8x is off the 10-year historical average PE. At 17.9x the implied target PE is slightly below the past-10-year average PE of 18.8x.

Ex 18: Off-track Valuation Provides Room For Re-rating

| | 10-yr avg | 2022F | 2023F | @1,900 on 2023F numbers |
|--------------------|-----------|-------|-------|-------------------------|
| PE (x) | 18.8 | 17.7 | 15.8 | 17.9 |
| P/BV (x) | 1.9 | 1.6 | 1.5 | 1.7 |
| Dividend yield (%) | 3.1 | 3.0 | 3.6 | 3.2 |

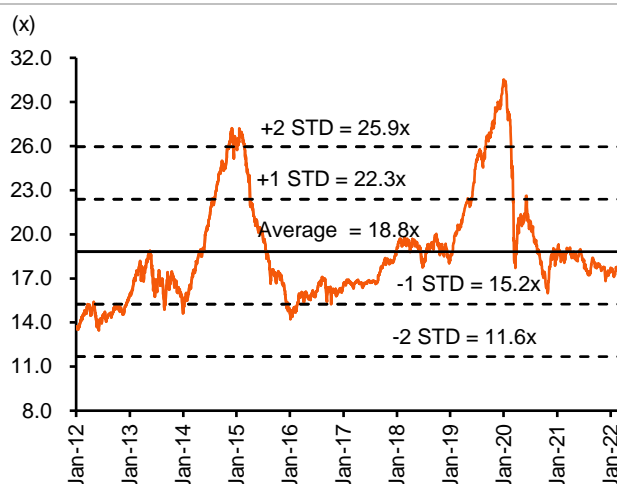
Sources: Bloomberg, SET, Thanachart estimates

Ex 19: 2023F PE Implies Room For A Re-rating



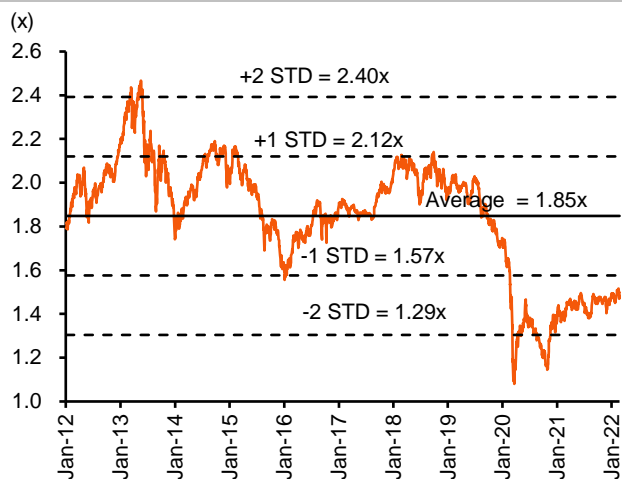
Sources: Bloomberg; Thanachart estimates

Ex 20: 10-year STD SET PE



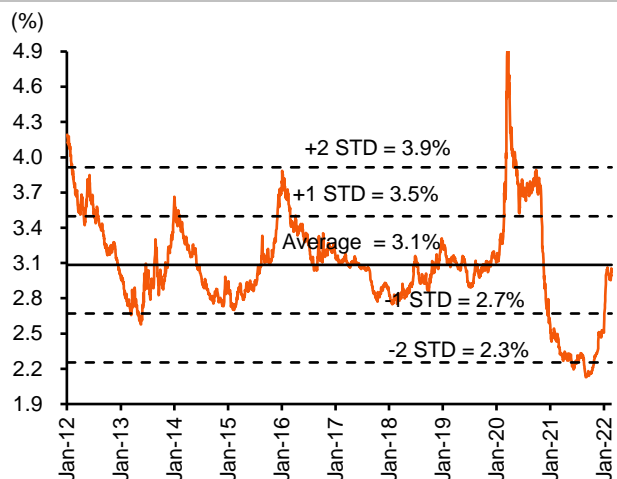
Sources: Bloomberg; Thanachart estimates

Ex 21: 10-year STD SET P/BV



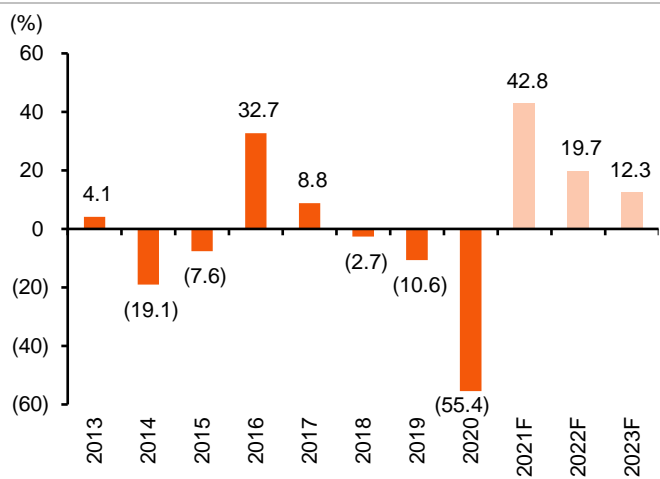
Sources: Bloomberg; Thanachart estimates

Ex 22: 10-year STD SET Dividend Yield



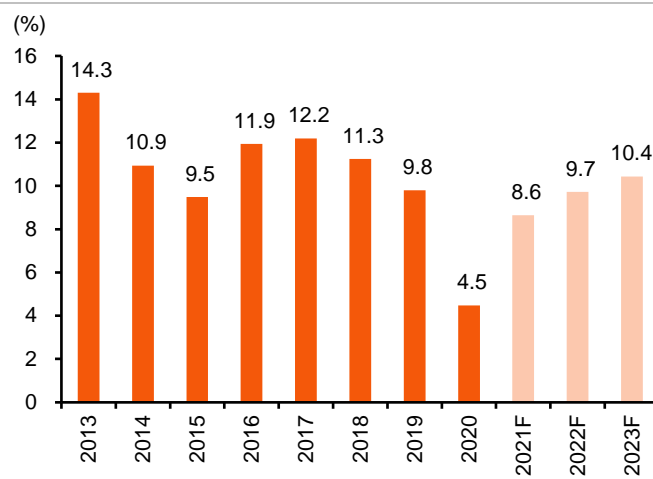
Sources: Bloomberg; Thanachart estimates

Ex 23: Market Earnings Growth



Sources: SET, Thanachart estimates

Ex 24: SET's ROE



Sources: SET; Thanachart estimates

Earnings upgrade momentum

Upgrade momentum – retail, energy, banks and healthcare

Based on 4Q21 results so far, we expect earnings upgrade momentum in the retail, energy, and media sectors and a bit more for the banks. And this should outweigh downgrade momentum from utilities and a bit more to finance.

Ex 25: Upgrade Sectors To Outweigh Downgrade Sectors



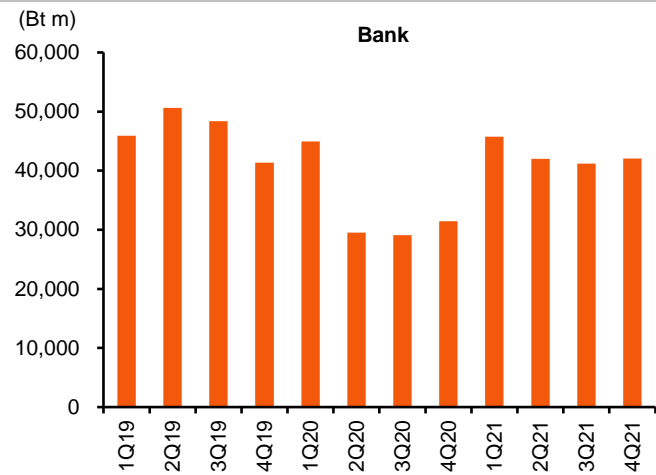
Source: Thanachart estimates

Note: Green = upgrade momentum, Red = downgrade momentum, Yellow = no change.

The banking and retail sectors have shown strong recovery momentum but banks have been announcing results since early February and many upgrades have already been made. As for the retail sector, 4Q21 earnings were a real surprise reflecting strong pent-up demand and a decent consumption recovery. Despite the Omicron coronavirus variant wave, business momentum so far this year has continued to be robust. We expect the retail and overall consumption-related sectors to start performing better.

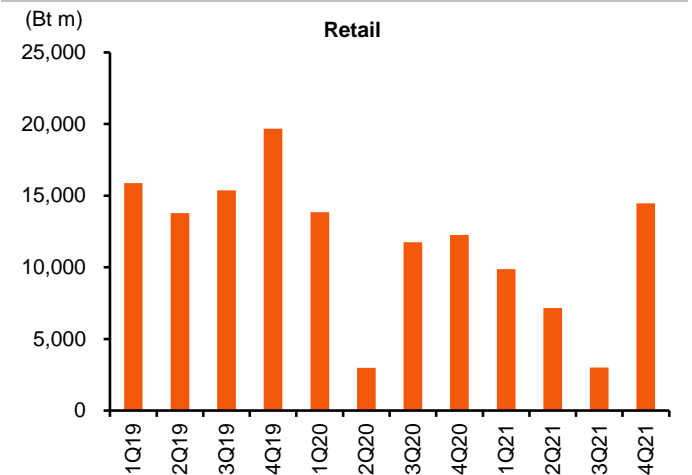
As for the energy sector, areas of upgrades are higher oil prices vs. our current Brent assumption of USD89/bbl this year and a higher-than-expected refining margin of USD6.9/bbl YTD vs. our 2022F assumption of USD5.6.

Ex 26: Banks' Strong Quarterly Earnings Recovery



Source: Company data

Ex 27: Retail's Strong Quarterly Earnings Recovery



Source: Company data

BBL in, SCB out

We maintain our portfolio position with heavy weightings of retail and banks with exposure to the EV story. We continue to believe that this year big-cap stocks will outperform small-cap ones. We make two changes in our top picks list. For banks, we keep **KASIKORNBANK** (KBANK TB, Bt163.00, BUY) in our list but replace Siam Commercial Bank (SCB TB, Bt126.00, BUY) with **Bangkok Bank** (BBL TB, Bt137.00, BUY), which was recently upgraded. As the overall economic outlook is improving both in Thailand and regional countries, BBL is a more direct play to the regional economic turnaround with its 25% overseas loan mix. Its valuation is also cheaper than SCB with similar stories of stable NIM and falling provision.

STARK back in, GPSC out

Another change is we remove Global Power Synergy (GPSC TB, Bt74.75 BUY) and bring back **Stark Corporation** (STARK TB, Bt4.60, BUY). GPSC has been hit harder than we had expected previously by rising gas costs and the surprise loss from its renewable investment in India. We still like the EV story in Thailand this year and continue to play it via **Energy Absolute** (EA TB, Bt92.25, BUY).

We removed STARK from our top picks list late last year just to give space to the bigger-cap GPSC as another play, aside from EA, on the government's new EV incentives. We see nothing wrong with STARK, which also reported stronger-than-expected 4Q21 results. Against the market's concerns over rising costs of copper and aluminum, key raw materials in electrical wire production, STARK reported increasing gross margins from improving sales and a higher-margin product mix. STARK's product prices are based on a cost-plus formula. We like STARK for growing electrical wire demand in Thailand and Vietnam, where demand is stronger with a rising mix of higher-end products.

Ex 28: 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) | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F |
| BBL TB * | BUY | 137.00 | 165.00 | 20.4 | 8,019 | 14.1 | 10.5 | 8.6 | 7.8 | 0.5 | 0.5 | 3.5 | 3.8 |
| CBG TB | BUY | 107.50 | 133.00 | 23.7 | 3,296 | 38.9 | 27.7 | 27.5 | 21.5 | 20.8 | 16.4 | 2.4 | 3.1 |
| COM7 TB | BUY | 83.50 | 95.00 | 13.8 | 3,073 | 28.1 | 22.2 | 30.0 | 24.5 | 21.2 | 17.6 | 2.7 | 3.5 |
| CPN TB | BUY | 56.50 | 64.00 | 13.3 | 7,776 | 105.3 | 43.7 | 36.6 | 25.4 | 16.4 | 13.7 | 1.4 | 1.8 |
| EA TB | BUY | 95.25 | 120.00 | 26.0 | 10,895 | 57.5 | 16.6 | 37.5 | 32.1 | 23.9 | 21.0 | 0.8 | 1.2 |
| GLOBAL TB | BUY | 20.00 | 30.00 | 50.0 | 2,822 | 13.5 | 20.6 | 24.2 | 20.1 | 19.1 | 15.9 | 1.7 | 2.0 |
| HMPRO TB | BUY | 15.80 | 19.00 | 20.3 | 6,372 | 21.1 | 20.0 | 31.5 | 26.3 | 17.8 | 15.4 | 2.5 | 3.0 |
| KBANK TB | BUY | 163.00 | 190.00 | 16.6 | 11,843 | 13.9 | 13.0 | 9.0 | 8.0 | 0.8 | 0.7 | 2.2 | 2.5 |
| M TB | BUY | 54.50 | 67.00 | 22.9 | 1,539 | na | 71.9 | 31.4 | 18.2 | 11.7 | 8.5 | 3.2 | 5.5 |
| STARK TB * | BUY | 4.60 | 6.00 | 30.4 | 1,679 | 14.7 | 26.1 | 24.4 | 19.3 | 15.2 | 12.5 | 2.1 | 2.6 |
| Stocks taken out | | | | | | | | | | | | | |
| GPSC TB | BUY | 74.75 | 92.00 | 23.1 | 6,463 | 57.7 | 20.7 | 19.7 | 16.4 | 13.9 | 13.5 | 3.0 | 3.7 |
| SCB TB | BUY | 126.50 | 150.00 | 18.6 | 13,172 | (3.4) | 7.8 | 12.5 | 11.6 | 0.9 | 0.9 | 2.4 | 4.3 |

Sources: Company data, Thanachart estimates

Note: * New additions Based on 1 March 2022 closing prices

APPENDIX 1: Top picks' financials

Ex 1: Bangkok Bank Pcl (BBL TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|----------------------|--------|--------|--------|--------|
| Pre Provision Profit | 67,066 | 63,704 | 66,208 | 71,234 |
| Net profit | 26,507 | 30,245 | 33,421 | 37,392 |
| Norm profit | 26,507 | 30,245 | 33,421 | 37,392 |
| Norm EPS (Bt) | 13.9 | 15.8 | 17.5 | 19.6 |
| Norm EPS grw (%) | 54.3 | 14.1 | 10.5 | 11.9 |
| Norm PE (x) | 9.9 | 8.6 | 7.8 | 7.0 |
| P/BV (x) | 0.5 | 0.5 | 0.5 | 0.5 |
| Div yield (%) | 2.6 | 3.5 | 3.8 | 4.3 |
| ROE (%) | 5.6 | 6.0 | 6.3 | 6.8 |
| ROA (%) | 0.6 | 0.7 | 0.7 | 0.8 |

Sources: Company data; Thanachart estimates

Ex 2: Carabao Group Pcl (CBG TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 17,364 | 23,101 | 26,603 | 28,418 |
| Net profit | 2,881 | 3,910 | 4,993 | 5,603 |
| Norm profit | 2,816 | 3,910 | 4,993 | 5,603 |
| Norm EPS (Bt) | 2.8 | 3.9 | 5.0 | 5.6 |
| Norm EPS grw (%) | (19.8) | 38.9 | 27.7 | 12.2 |
| Norm PE (x) | 38.2 | 27.5 | 21.5 | 19.2 |
| EV/EBITDA (x) | 28.3 | 20.8 | 16.4 | 14.5 |
| P/BV (x) | 10.5 | 9.0 | 7.7 | 6.8 |
| Div yield (%) | 1.8 | 2.4 | 3.1 | 3.9 |
| ROE (%) | 27.9 | 35.4 | 38.7 | 37.7 |
| Net D/E (%) | 53.1 | 35.3 | 16.6 | 0.8 |

Sources: Company data; Thanachart estimates

Ex 3: COM7 Pcl (COM7 TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 51,126 | 59,017 | 66,271 | 74,724 |
| Net profit | 2,630 | 3,341 | 4,083 | 4,917 |
| Norm profit | 2,608 | 3,341 | 4,083 | 4,917 |
| Norm EPS (Bt) | 2.2 | 2.8 | 3.4 | 4.1 |
| Norm EPS grw (%) | 80.0 | 28.1 | 22.2 | 20.4 |
| Norm PE (x) | 38.4 | 30.0 | 24.5 | 20.4 |
| EV/EBITDA (x) | 26.6 | 21.2 | 17.6 | 15.6 |
| P/BV (x) | 19.0 | 17.6 | 15.1 | 13.3 |
| Div yield (%) | 1.2 | 2.7 | 3.5 | 4.4 |
| ROE (%) | 57.1 | 60.8 | 66.2 | 69.3 |
| Net D/E (%) | 49.6 | 0.6 | (5.7) | (9.6) |

Sources: Company data; Thanachart estimates

Ex 4: Central Pattana Pcl (CPN TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 24,515 | 32,303 | 38,927 | 44,540 |
| Net profit | 7,148 | 8,569 | 11,603 | 13,878 |
| Norm profit | 3,379 | 6,938 | 9,971 | 12,518 |
| Norm EPS (Bt) | 0.8 | 1.5 | 2.2 | 2.8 |
| Norm EPS grw (%) | (35.7) | 105.3 | 43.7 | 25.5 |
| Norm PE (x) | 75.0 | 36.6 | 25.4 | 20.3 |
| EV/EBITDA (x) | 26.6 | 16.4 | 13.7 | 12.1 |
| P/BV (x) | 3.5 | 3.2 | 2.9 | 2.7 |
| Div yield (%) | 1.1 | 1.4 | 1.8 | 2.2 |
| ROE (%) | 4.8 | 9.1 | 12.0 | 13.7 |
| Net D/E (%) | 92.2 | 45.6 | 54.9 | 61.4 |

Sources: Company data; Thanachart estimates

Ex 5: Energy Absolute Pcl (EA TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 20,174 | 45,729 | 53,303 | 62,322 |
| Net profit | 6,100 | 9,483 | 11,060 | 12,492 |
| Norm profit | 6,021 | 9,483 | 11,060 | 12,492 |
| Norm EPS (Bt) | 1.6 | 2.5 | 3.0 | 3.3 |
| Norm EPS grw (%) | 17.4 | 57.5 | 16.6 | 12.9 |
| Norm PE (x) | 59.0 | 37.5 | 32.1 | 28.4 |
| EV/EBITDA (x) | 40.6 | 23.9 | 21.0 | 18.2 |
| P/BV (x) | 10.9 | 9.1 | 7.6 | 6.6 |
| Div yield (%) | 0.3 | 0.8 | 1.2 | 1.8 |
| ROE (%) | 20.0 | 26.5 | 25.8 | 24.9 |
| Net D/E (%) | 114.8 | 79.4 | 55.3 | 39.7 |

Sources: Company data; Thanachart estimates

Ex 6: Siam Global House Pcl (GLOBAL TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 33,498 | 36,772 | 40,763 | 45,015 |
| Net profit | 3,344 | 3,799 | 4,580 | 5,503 |
| Norm profit | 3,344 | 3,799 | 4,580 | 5,503 |
| Norm EPS (Bt) | 0.7 | 0.8 | 1.0 | 1.2 |
| Norm EPS grw (%) | 70.5 | 13.5 | 20.6 | 20.2 |
| Norm PE (x) | 27.5 | 24.2 | 20.1 | 16.7 |
| EV/EBITDA (x) | 21.6 | 19.1 | 15.9 | 13.0 |
| P/BV (x) | 4.7 | 4.3 | 3.7 | 3.3 |
| Div yield (%) | 1.3 | 1.7 | 2.0 | 2.4 |
| ROE (%) | 18.3 | 18.4 | 19.8 | 20.9 |
| Net D/E (%) | 67.9 | 53.2 | 44.9 | 28.9 |

Sources: Company data; Thanachart estimates

Ex 7: Home Product Center Pcl (HMPRO TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 61,791 | 68,059 | 73,472 | 80,421 |
| Net profit | 5,441 | 6,586 | 7,902 | 9,315 |
| Norm profit | 5,441 | 6,586 | 7,902 | 9,315 |
| Norm EPS (Bt) | 0.4 | 0.5 | 0.6 | 0.7 |
| Norm EPS grw (%) | 5.5 | 21.1 | 20.0 | 17.9 |
| Norm PE (x) | 38.2 | 31.5 | 26.3 | 22.3 |
| EV/EBITDA (x) | 21.1 | 17.8 | 15.4 | 13.4 |
| P/BV (x) | 9.1 | 8.7 | 8.0 | 7.3 |
| Div yield (%) | 2.0 | 2.5 | 3.0 | 3.6 |
| ROE (%) | 24.5 | 28.2 | 31.8 | 34.4 |
| Net D/E (%) | 38.5 | 32.6 | 26.3 | 17.1 |

Sources: Company data; Thanachart estimates

Ex 8: Kasikornbank Pcl (KBANK TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|----------------------|--------|--------|---------|---------|
| Pre Provision Profit | 92,999 | 99,196 | 105,175 | 112,049 |
| Net profit | 38,053 | 43,348 | 48,979 | 55,461 |
| Norm profit | 38,053 | 43,348 | 48,979 | 55,461 |
| Norm EPS (Bt) | 15.9 | 18.1 | 20.5 | 23.2 |
| Norm EPS grw (%) | 29.0 | 13.9 | 13.0 | 13.2 |
| Norm PE (x) | 10.3 | 9.0 | 8.0 | 7.0 |
| P/BV (x) | 0.8 | 0.8 | 0.7 | 0.7 |
| Div yield (%) | 2.0 | 2.2 | 2.5 | 5.7 |
| ROE (%) | 8.3 | 8.8 | 9.2 | 9.6 |
| ROA (%) | 1.0 | 1.0 | 1.1 | 1.2 |

Sources: Company data; Thanachart estimates

Ex 9: MK Restaurant Group Pcl (M TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 11,182 | 15,987 | 19,046 | 20,481 |
| Net profit | 131 | 1,601 | 2,751 | 3,083 |
| Norm profit | 131 | 1,601 | 2,751 | 3,083 |
| Norm EPS (Bt) | 0.1 | 1.7 | 3.0 | 3.3 |
| Norm EPS grw (%) | (85.6) | na | 71.9 | 12.0 |
| Norm PE (x) | 383.2 | 31.4 | 18.2 | 16.3 |
| EV/EBITDA (x) | 21.2 | 11.7 | 8.5 | 8.1 |
| P/BV (x) | 3.8 | 3.6 | 3.5 | 3.4 |
| Div yield (%) | 1.5 | 3.2 | 5.5 | 6.1 |
| ROE (%) | 1.0 | 11.8 | 19.4 | 21.2 |
| Net D/E (%) | (56.9) | (59.7) | (60.6) | (59.4) |

Sources: Company data; Thanachart estimates

Ex 10: Stark Corporation Pcl (STARK TB)

| Y/E Dec (Bt m) | 2021 | 2022F | 2023F | 2024F |
|------------------|--------|--------|--------|--------|
| Sales | 27,094 | 27,560 | 31,203 | 34,282 |
| Net profit | 2,783 | 2,996 | 3,777 | 4,640 |
| Norm profit | 2,611 | 2,996 | 3,777 | 4,640 |
| Norm EPS (Bt) | 0.2 | 0.2 | 0.2 | 0.3 |
| Norm EPS grw (%) | 138.4 | 14.7 | 26.1 | 22.8 |
| Norm PE (x) | 28.0 | 24.4 | 19.3 | 15.7 |
| EV/EBITDA (x) | 18.3 | 15.2 | 12.5 | 10.2 |
| P/BV (x) | 11.2 | 10.3 | 8.0 | 4.8 |
| Div yield (%) | 0.0 | 2.1 | 2.6 | 4.4 |
| ROE (%) | 51.6 | 44.2 | 46.6 | 38.1 |
| Net D/E (%) | 198.1 | 135.4 | 103.2 | 28.4 |

Sources: Company data; Thanachart estimates

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