17 October 2024

Market Strategy

4Q24 Outlook: Rewards Now Outweigh Risks

Stocks Covered	62
Rating (Buy/Neutral/Sell):	41 / 13 / 8
Last 12m Earnings Revision Trend:	Neutral

Analyst

Kasamapon Hamnilrat
+66 2088 9739
kasamapon.ha@rhbgroup.com

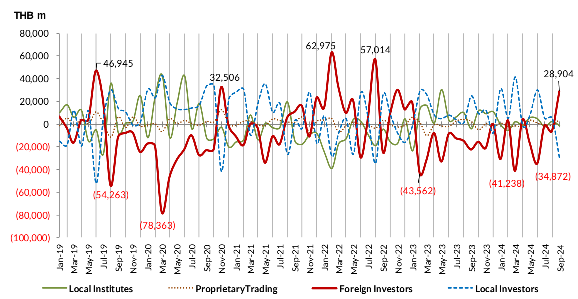
- **End-2024 SET index target is now 1,547pts.** We maintain our net profit growth forecasts for the SET at 7.3% YoY for 2024 and 7.0% YoY for 2025, with corresponding EPS growth estimates of 6.5% and 7.0%. Many market risks that we were concerned over have largely subsided. Consequently, we raise the end-2024F P/E of the Thai equities market to 19x, which is in line with the SET's 15-year average, from 18x. This adjustment sets our year-end 2024 target at 1,547pts (vs 1,463pts previously). We believe the potential rewards now outweigh the risks.
- **Fund flows driven by domestic segment.** The SET bottomed out at 1,281pts in June and rebounded to 1,470pts in September, reflecting a 13% surge over three months. This positive performance can be partly attributed to a smooth transition of power to Thailand's new prime minister Paetongtarn Shinawatra, along with a clearer economic policy direction, which was marked by the official launch of the THB150bn Vayupak Fund on 1 Oct. In 4Q24, the Vayupak Fund, along with Thai ESG funds totalling c.THB30-40bn, is expected to further spur the growth momentum of the market. Additional positive factors such as stimulus measures for consumers, an acceleration in state budget disbursements, and anticipated interest rate cuts both in the US and Thailand, will likely attract fund flows and enhance the SET's liquidity for the remainder of the year.
- **Risk associated with short-selling has watered down.** In early July, regulators implemented tighter controls on short-selling and programme trading to enhance supervision and increase investor confidence. That month, average daily turnover fell by 15% MoM to THB37bn (6M24 average value: THB44bn). However, the amount rebounded to THB45bn in August, and rose even higher to THB61bn in September, reaching the 8-year average. Our analysis revealed that from Nov 2023 to May 2024, the SET lost over THB578bn (USD16bn) – this translated to a loss of 3.1% or 47pts, solely due to short-selling activities. However, as of 1 Oct, the cover short has recovered chiefly, leaving a market capitalisation balance of THB44 bn or 0.24% of the total, translating to 3.6pts to par.
- **The US presidential election presents both an opportunity and a threat.** Assuming that geopolitical risks do not worsen and that interest rate cuts are on an uptrend, the US election on 4 Nov is a key global event that could significantly influence the way the Thai equities market will behave in the near-to-medium term. The choice between a potential return of Donald Trump and the current US Vice President Kamala Harris, may have repercussions for Thailand in areas such as trade agreements, diplomatic relations, and regional stability. For the capital markets, this election could influence global fund flows and asset allocations. That said, we do anticipate that foreign direct investment (FDI) into Thailand will improve further, post US election.

Our end-2024 SET index target is at 1,547 pts

Key Inputs	2021	2022	2023	2024E	2025E
Return on Equity	9.7%	8.4%	8.2%	8.4%	8.6%
EPS (THB)	88.41	79.44	76.30	81.25	86.97
EPS growth	144.2%	-10.1%	-4.0%	6.5%	7.0%
BV (THB)	910.9	939.6	943.9	977.4	1,020.9
Dividend yield	3.4%	3.0%	3.3%	3.3%	3.5%
P/E (x)	18.75	21.00	18.56	18.07	16.88
P/BV (x)	1.82	1.78	1.50	1.50	1.44
SET index closed (pts)	1,658	1,669	1,416	**1,547**	1,656
Market return	14.4%	0.7%	-14.6%	9.3%	17.0%
Dividend yield	3.4%	3.0%	3.3%	3.3%	3.6%
Total return	17.7%	3.7%	-11.3%	12.6%	20.5%

Source: Company data, RHB

Funds returned into the Thai bourse in September



Source: Set Smart, RHB

Company Name	Rating	Target (THB)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
Airports of Thailand	Buy	75.00	17.6	42.5	6.5	16.8	1.4
Bangkok Dusit Medical Services	Buy	37.00	28.7	28.3	5.0	18.5	2.1
Central Pattana	Buy	85.00	25.5	18.2	3.0	17.4	2.2
Central Retail Corporation	Buy	44.00	30.4	23.4	2.1	9.2	1.7
CP ALL	Buy	85.00	30.3	24.3	4.7	21.2	2.1
Kasikornbank	Buy	177.00	14.9	7.9	0.7	8.4	5.0
Minor International	Buy	42.50	47.8	21.1	3.5	17.7	1.9
Osotspa PCL	Buy	30.50	36.8	21.8	3.8	15.9	4.1
PTT	Buy	42.50	24.1	10.1	0.9	9.2	5.8
TMBThanachart Bank	Buy	2.10	11.1	9.0	0.8	8.7	6.7

Source: Company data, RHB

Economic Outlook

Exports and government consumption to support 4Q24 GDP growth

RHB Economics Team
Acting Group Chief Economist &
Head, Market Research
Barnabas Gan
+65 6320 0804
barnabas.gan@rhbgroup.com

Associate Research Analyst
Laalitha Raveenthar
+603 9280 2165
laalitha.raveenthar@rhbgroup.com

Key points:

i. We forecast Thailand's GDP to expand at 2.6% YoY in 2024. We are optimistic about Thailand's external-facing industries, especially manufacturing and exports.

ii. We maintain Thailand's full-year headline and core inflation at 0.6%. Upside risks include a potential cash handout starting in Sep 2024, and increased tourism levels in 4Q24 possibly driving demand-pull inflation.

iii. We revise our base case for the Bank of Thailand (BoT) to cut its policy rate by 25bps to 2.25% from 2.50% in its next meeting on 16 Oct, with the balance of risks tilted towards another rate cut of 25bps in December.

Figure 1: Key economic forecasts

	2023	2024F	2025F	1H24	2H24F	1H25F	2H25F
Real GDP Growth (% YoY)	**1.9**	**2.6**	**3.0**	**2.0**	**3.2**	**3.5**	**2.6**
Contribution to real GDP Growth (%)							
Private Consumption	4.0	2.6	2.8	3.1	2.2	2.9	2.7
Government Consumption	-0.7	0.0	0.2	-0.1	0.3	0.2	0.2
Gross Fixed Capital Formation	0.3	-0.8	0.4	-1.2	-0.4	0.5	0.4
Net Exports	3.0	0.9	1.5	0.7	1.0	1.3	1.7
CPI	**1.3**	**0.6**	**1.2**	**0.0**	**1.2**	**1.2**	**1.2**
Policy Interest Rate	**2.50**	**2.25**	**1.50**	**2.50**	**2.25**	**1.75**	**1.50**
Current Account Balance (% of GDP)	**1.1**	**2.4**	**3.5**	**1.7**	**3.1**	**3.5**	**3.6**
Fiscal balance (% of GDP)	**-3.4**	**-3.7**	**-4.4**	**-2.4**	**-5.0**	**-4.4**	**-4.3**

Source: Macrobond, RHB Economics & Market Strategy

We forecast Thailand's GDP to expand at 2.6% YoY in 2024. Our projection is guided by the auto-regression (AR) model, which is hinting at an acceleration of 3.8% YoY in 4Q24 from 2.5% YoY in 3Q24, which translates to growth of 3.2% YoY into 2H24. Our full-year GDP growth forecast is in line with the BoT's projection of 2.6%. However, the HoH growth figure should be flat, at approximately 1.0% in 2H24. We are optimistic about Thailand's external-facing industries, especially manufacturing and exports. Thailand is well-positioned to take advantage of the recovery in global trade and manufacturing. Key sectors like food, beverages, tobacco, petroleum, chemicals, machinery, and equipment have shown strong YoY growth in 1H24. On the export front, momentum is increasing for agricultural and principal manufacturing shipments, which are vital to Thailand's economy. We expect exports to grow by 7.1% YoY in 4Q24

The Thai economy is expected to perform better in the upcoming quarter, supported by a rebound in exports, tourism and government consumption. Still, domestic factors such as private consumption could threaten overall growth. Notably, private consumption spending in Thailand is on a declining trend. It is expected to slow down for the rest of the year, on the back of higher household debt (Thailand's household debt ratio is above 90%) amid weaker consumer confidence. Note that private consumption accounts for around 60% of the nation's GDP, suggesting that a boost or drag in private consumption would significantly impact overall GDP growth. On the public spending front, government investment is expected to pick up pace in the latter months of 2024, driven by disbursements following the approval of the country's long-delayed fiscal budget. We believe the digital wallet programme could influence private consumption spending, but do not expect a significant impact in 4Q24.

We expect Thailand's tourist arrivals to reach c.35.5m persons for the year ahead. Thailand's tourist arrivals still on track to return to pre-pandemic levels in 4Q24. We maintain our tourist arrival forecast of 41.5m persons in 2025. Thailand's tourism upturn should get a boost from China's launch of measures to boost its economy, with more China travellers expected to arrive in Thailand to drive the Thai economy to grow by at least 2.6% YoY this year. The recovery in China's economy is likely to lead to a rise in the tourism sector across ASEAN including Thailand, thereby bolstering the services sector account of the economy this year. Thailand has recorded higher tourist arrivals simultaneously, with foreign tourists surging 31% to 25.4m persons as of 22 Sep as visa waivers and easier border entry rules attract travellers, with China visitors leading the list of global visitors. On the flip side, the faster-than-expected appreciation of the THB vs the USD could pose a risk to the tourism sector.

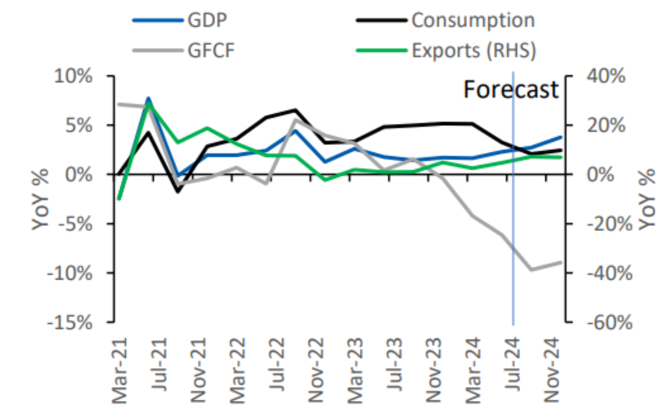
We maintain Thailand's full-year headline and core inflation at 0.6%. Thailand's CPI landscape may reflect contrasting factors. While domestic drivers could support inflation, the drop in energy prices must also be considered. Note that these volatile components primarily influence the recent decrease in Thailand's headline inflation. However, there are upside risks to our inflation forecast. The potential cash handout which started in Sep 2024 and increased tourism levels in 4Q24 could drive demand-pull inflation. Higher food prices may persist post-October, and the relatively poor weather conditions may translate into low harvesting yields, causing the prices to stay elevated. Conversely, the relatively strong THB will likely keep import prices in check. Official statements about Thailand's future price trajectory remain optimistic. For 4Q24, inflation is projected to be between 1% and 1.5%, mainly driven by rising diesel prices compared to last year's low base.

We have revised our base case for the BoT to cut its policy rate by 25bps from 2.50% to 2.25% in its next meeting on 16 Oct, with the balance of risks tilted towards another rate cut of 25bps in December. Three key factors support our view: i) Lukewarm domestic consumption, which paints a picture of weaker consumer confidence; ii) THB-US 3Mbond yield recorded the narrowest trend since Sep 2022; and iii) stronger-than-expected appreciation of THB that could cause potential headwinds for the country's imports and exports. Meanwhile, the BoT emphasised the importance of central bank independence amid government calls for interest rate cuts, warning that such measures could threaten long-term stability by increasing inflation and debt risks.

We maintain our projection of a current account surplus at 2.4% of GDP for 2024. The recovery of China's economy is expected to enhance the tourism sector throughout ASEAN, including Thailand, thereby bolstering the services sector this year. Looking ahead to 2025, we anticipate a more favourable trade environment, which supports our expectation of an increase in the current account surplus to 3.5% of GDP.

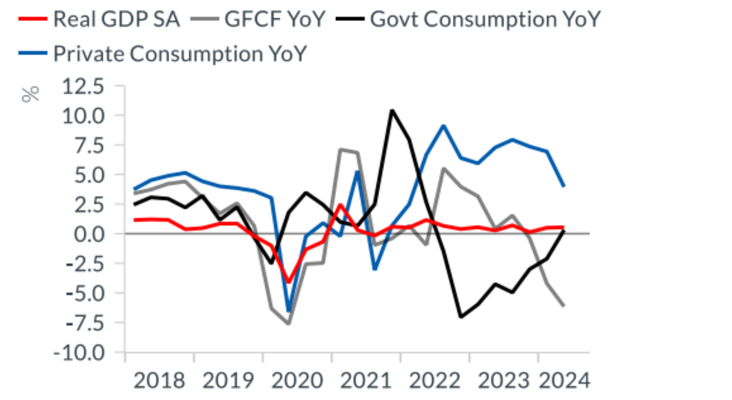
The fiscal balance is projected to face a potentially wider deficit in 2024, estimated at -3.7% of GDP. Thailand has already seen a deficit of 2.4% GDP in 1H24. This increased deficit is likely due to higher government expenditures to control the cost of living. Public spending may stay supported in 2H24, owing to the fiscal disbursement continuation made by the new administration.

Figure 2: We expect a recovery in Thailand's key pillars, expected for gross fixed capital formation and private consumption



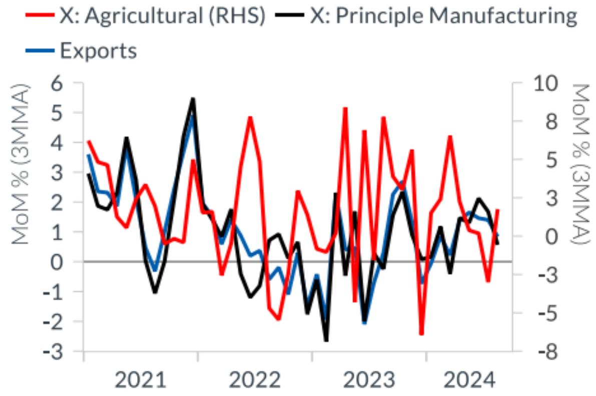
Source: Macrobond, RHB Economics & Market Strategy

Figure 3: Private consumption is expected to show weaker YoY growth in 4Q24



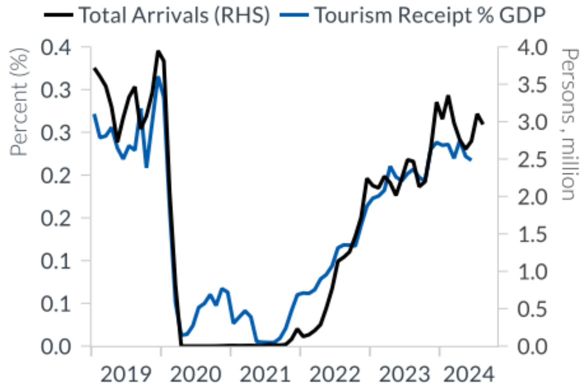
Source: Macrobond, RHB Economics & Market Strategy

Figure 4: ... while exports led by agriculture and principal manufacturing will likely bolster the economy



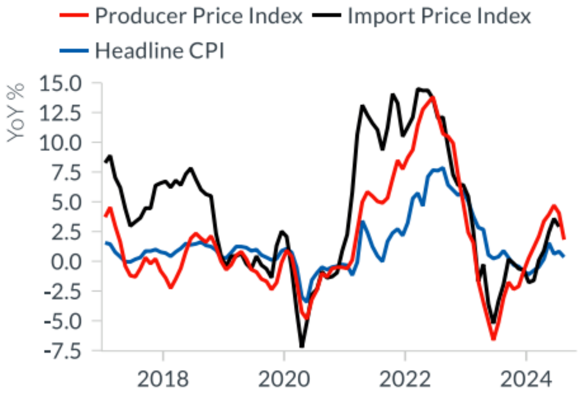
Source: Macrobond, RHB Economics & Market Strategy

Figure 5: Tourism led GDP to support the nation's economy in 4Q24



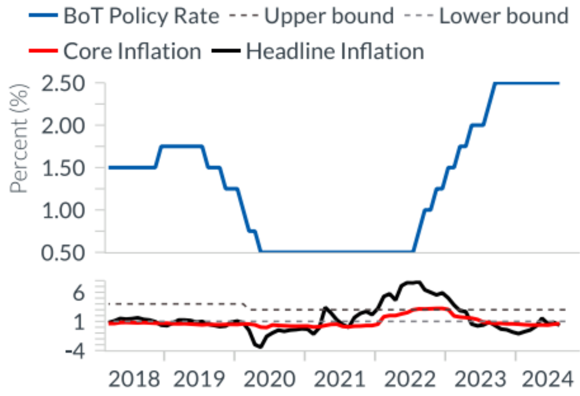
Source: Macrobond, RHB Economics & Market Strategy

Figure 6: Headline inflation is expected to remain tame throughout this year, ie lower than the official target range



Source: Macrobond, RHB Economics & Market Strategy

Figure 7: The BoT will likely cut its rate to temper the rapid appreciation of THB



Source: Macrobond, RHB Economics & Market Strategy

Domestic risks have receded

Fiscal spending is gaining upward momentum. The new Cabinet under Prime Minister Paetongtarn Shinawatra is still a Pheu Thai-led government. It will seamlessly continue ongoing programmes started by former prime minister Srettha Thavisin, including the THB450bn handout initiative, which includes the THB10K handout under the digital wallet scheme that would kick off in September, prioritising 14.5m (c.total spending: THB145bn (USD4.14bn)) people in vulnerable segments of society. The FY25 budget will be tapped for the handouts from October. As Budget 2024 has been de-bottlenecked, and Budget 2025 is to kick off in October, we anticipate that from 4Q24 onwards, the economic growth momentum will appear to be meaningful in both YoY and QoQ terms, in 2025.

Short-selling risk: Market liquidity bounced back to par levels. Over the past year and up to 1H24, short-selling events have dramatically influenced the SET index and market capitalisation, with high volatility leading to a significant decrease in trading activity. In early July, the SET and the Securities Exchange Commissions (SEC) regulated short-selling and program trading to enhance supervision and increase confidence for all types of investors. The key measures included;

i. Non-SET 100 stocks will be eligible for short-selling if they meet the market capitalisation and turnover rules;

ii. Revising the trading rules of the SET to limit the volatility of securities prices;

iii. Impose the uptick rule when the closing price of any security has dropped by 10% or more from its closing price the previous day;

iv. Impose a daily short-selling limit on each eligible security;

v. Disclose the daily short selling outstanding.

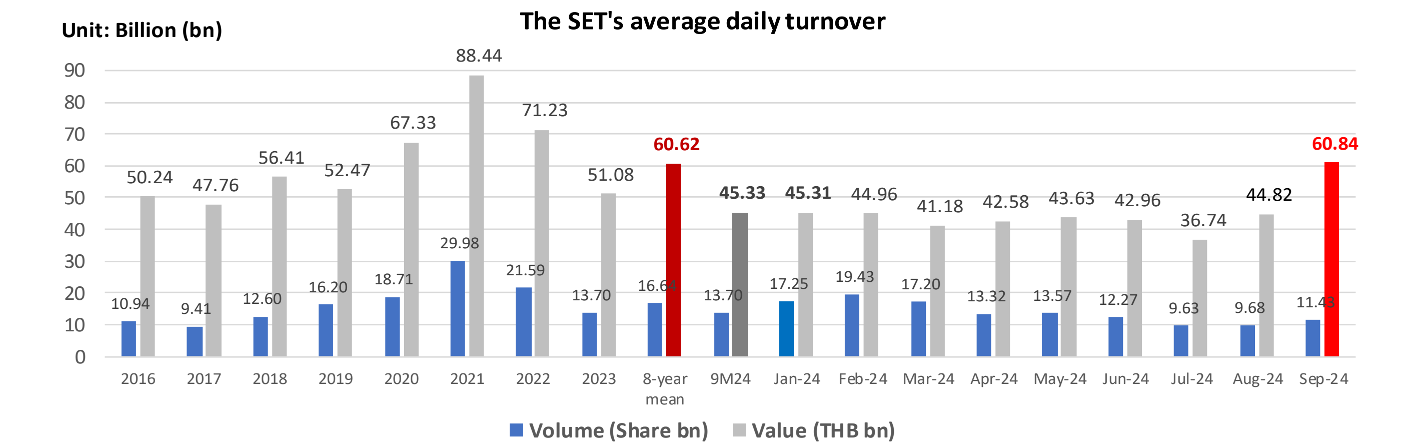
In the month of implementation, the average daily turnover in July dropped significantly by 15% MoM to THB37bn compared to the 6M24 average of THB44bn. However, the amount recovered strongly in August (THB45bn) and became even more robust in September (THB61bn), reaching the 8-year average. Our study reveals that from Nov 2023 to May 2024, the SET lost over THB578bn (USD16bn), translating to a loss of 3.1% or 47pts solely due to short-selling events. However, as of 1 Oct, the cover short has recovered chiefly, leaving a market capitalisation balance of THB44 bn or 0.24% of the total, translating to 3.6pts to par.

Figure 8: The risk associated with short-selling has receded

Short-selling in the studied period	7M Nov 23 to May 24	1Q24 Jan-Mar	2Q24 Apr-Jun	1H24 Jan-Jun	3Q24 Jul-Sep	Remaining balance as of 1 Oct 2024
Short-selling stocks (incl. NVDR)	501	483	467	490	220	209
Market Cap (THBm)	578,161	313,327	319,147	632,473	129,578	44,451
Market Cap (USDm)	16,060	8,704	8,865	18,071	3,927	1,347
Impacted to SET index (pts)	46.66	25.28	25.75	51.04	10.46	3.59
Impacted to SET index	3.08%	1.69%	1.72%	3.36%	0.71%	0.24%

Source: SET Smart, RHB

Figure 9: Average daily turnover bounced back to the 8-year mean level in September



Source: SET Smart, RHB

Corporate bond rollover risk should subside

Based on the Thai Bond Market Association (TBMA), the value of bonds with defaulted and deferred problems was at THB19.9bn (USD569m) in 1H24.

i. The defaulted bonds, worth THB1.1bn or 5.5% of the total value, involved three issuers (non-listed): Tourism company PP Holiday (PPH), a small real estate firm Cissa Group (CISSA), and property developer IRIS Group.

ii. The deferred bonds stood at THB18.8bn in 1H24, which was higher than last year's THB12.4 bn.

Corporate bonds worth over THB25bn (USD714m) have postponed payments this year. TBMA believes that fewer defaults are expected for the remainder of 2024 as economic conditions improve, with interest rates on a downward trend. In September, two listed companies — Nawarat Patanakarn (NWR TB, NR) and Eastern Power Group (EP TB, NR) — postponed bond repayments worth about THB100m each. Earlier this year, Italian-Thai Development (ITD TB, NR) postponed payments on its bonds worth THB15bn. In July, Energy Absolute (EA TB, NR) announced a similar action involving THB6.2bn (THB177m) worth of bond principal and interest. With more minor defaults, more than THB25bn worth of bond principal and interest payments have been postponed this year.

The SEC has updated the qualification criteria for bond representatives. Bond representatives must now have a registered capital of at least THB25m. Crowdfunding firms and other financial institutions can now act as bond representatives. Only securities firms licensed to conduct business in securities brokerage, trading, and distribution and provide services related to debt instruments and *sukuk* (*shariah*-compliant) bonds are eligible to act as bondholder representatives.

Figure 10: Monthly bonds redemption in 2024 – 6% bonds are not investment grade

Summary	Outstanding Value (THBm)	Credit rating	Non-rating	Rated	Non-rated
June	77,387	70,755	6,632	91%	9%
July	65,735	57,371	8,364	87%	13%
August	94,925	88,925	5,999	94%	6%
September	69,317	66,723	2,594	96%	4%
October	86,815	82,967	3,849	96%	4%
November	95,027	89,917	5,110	95%	5%
December	**29,347**	**25,045**	**4,302**	**85%**	**15%**
2024	**770,990**	**720,921**	**50,070**	94%	6%
2Q24	251,633	234,181	17,452	93%	7%
3Q24	229,977	213,019	16,958	93%	7%
4Q24	**211,189**	**197,929**	**13,261**	**94%**	**6%**

Source: ThaiBMA, RHB

External risks to monitor

i. The US presidential election could lead to significant changes in its trade policy and relationships with its trade partners.

ii. Geopolitical instability and conflicts, specifically in the Middle East, could escalate.

iii. The prevailing interest rate trend suggests a shift in asset allocation from fixed-income instruments to floating-income or capital market assets. Furthermore, a larger influx of capital is anticipated to be directed towards the stock market, particularly in light of diminishing interest rates.

Investment Themes

Theme 1: Stronger acceleration in economic growth from 4Q24 onwards

Fiscal policies are back on track. The new Cabinet under Prime Minister Paetongtarn Shinawatra is still a Pheu Thai-led government. It will seamlessly continue ongoing programmes started by former premier Srettha Thavisin, including the THB450bn handout initiative, which includes the THB10K handout under the digital wallet scheme that would kick off in September, prioritising 14.5m people (c.total spending THB145bn (USD4.14bn)) in vulnerable sections of society. The FY25 budget will be tapped for handouts from October. As Budget 2024 has been de-bottlenecked, and the THB3.75trn (USD108bn or c.18% of GDP) Budget bill for 2025 has finally sailed through its second and third readings and kick-off from October 2024.

From 4Q24 onwards, the economic growth momentum should be meaningful. We hope there will be more economic stimulus schemes, as the THB10k cash handout takes effect in late 4Q24. This would lead to a spike in consumption (stable and discretionary), domestic travel (hotel and leisure, domestic airlines), and personal income taxes (retail or shopping).

Top Picks under this theme:

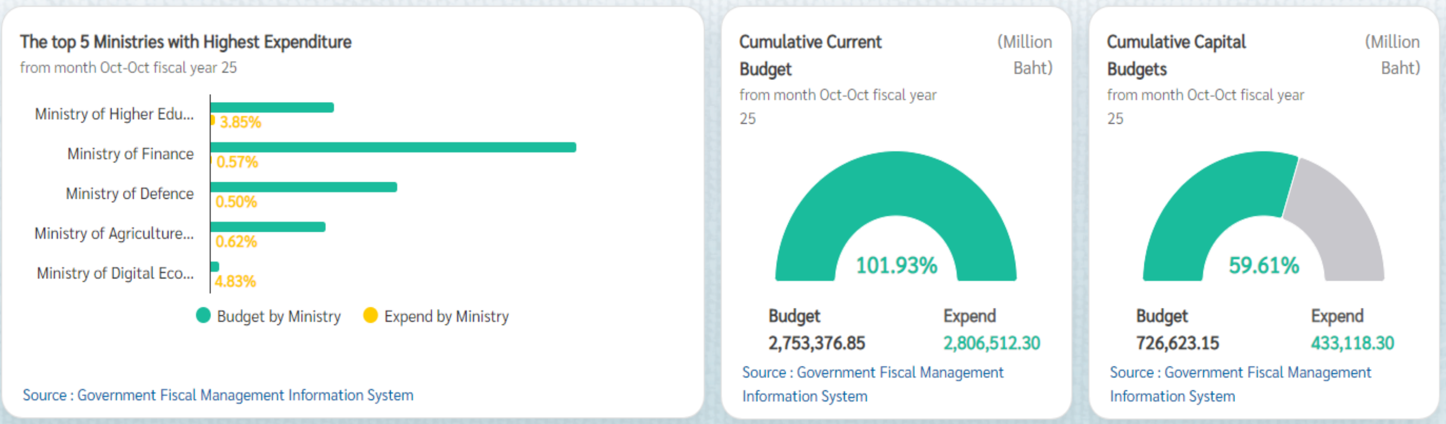
i. Central Retail Corporation (CRC TB, BUY, TP: THB44.00);

ii. Central Pattana (CPN TB, BUY, TP: THB85.00);

iii. CP All (CPALL TB, BUY, TP: THB85.00);

iv. Minor International (MINOR TB, BUY, TP: THB42.50).

Figure 11: Public spending will accelerate from 2Q24 onwards



Note: Data as at 15 Oct 2024
Source: Ministry of Finance

Theme 2: Driven by domestic fund flows

Vayupak Fund 1. The state-run Vayupak Fund (VAYU1 TB, NR) made its debut on the SET on 7 Oct, with the index at 1,441pts. This entry point may provide a cushion against potential market downturns. The initial purchases ahead of the fund's expansion appear modest when compared to the anticipated scale of investment. In September, net foreign buys totalled only THB25bn vs local institutions' net buys of THB785m. The fund, in the meantime, is expected to acquire up to THB150bn in equities.

VAYU1 premiered its Type A investment units on the SET at an opening price of THB10.10, reflecting a THB0.10 increase from the initial offering price. The fund is projected to deliver its first dividend payment in Feb 2025, with a guaranteed return of at least 3.0% pa and a cap of 9.0% pa.

Since its inception, VAYU1 has generated robust interest from the investment community, mobilising THB130bn from institutional investors and THB 20bn from retail participants. The fund strategically focuses on equities characterised by solid fundamentals, strong corporate governance, and a long-term value proposition.

As 100% of the fund's portfolio is focused on SET50 stocks, we expect its stock purchases to increase the value of the SET index by 4.7% from the current level.

The Thailand ESG (TESG) funds. The Thailand ESG (TESG) funds could provide tax incentives of a maximum of THB300,000 and shorten the holding period to five years from eight years. These are aimed at making these funds more attractive to investors. This adjustment is expected to entice more savers to invest in TESG funds, leading to an inflow of around THB40bn (USD1.11bn) into the capital market.

Drawing on the success and similarities with the Long Term Equity Fund (LTF), it is estimated that TESG alone could attract around THB40bn in new investments and potentially boost the SET index by a minimum of 2.2%. This suggests that the revisions to the TESG funds could not only incentivise sustainable and responsible investment practices but also have a ripple effect on the broader capital market, contributing to its growth and stability.

Top Picks under this theme:

i. Advanced Info Service (ADVANC TB, BUY, TP: THB272.00);

ii. Airports of Thailand (AOT TB, BUY, TP: THB75.00);

iii. Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB37.00);

iv. CP ALL (CPALL TB, BUY, TP: THB75.50);

v. Osotspa (OSP TB, BUY, TP: THB30.50);

vi. Minor International (MINT TB, BUY, TP: THB42.50);

vii. Kasikornbank (KBANK TB, BUY, TP: THB177.00);

viii. TMBThanachart Bank (TTB TB, BUY, TP: THB2.10).

Possibility of stocks being sold off by the state. The Finance Ministry is preparing to overhaul its stock portfolio, which is currently valued at c.THB400bn (USD11.76bn). The plan includes potential sell-offs, possibly through the State Securities Management and Development Committee as a member of the State Enterprise Policy Office (SEPO). The main goal is to increase the portfolio's value and maximise its benefit to the country. Management of SEPOs portfolio, which includes more than 100 stocks, is expected to result in significant growth.

In managing the portfolio, some stocks may be sold entirely or the state's holdings reduced. Excluding state enterprises, the ministry's holdings consist of 33 securities listed on the SET, 41 unlisted securities, and another 41 acquired through legal action (such as asset seizures under anti-money laundering laws). The total value of these holdings is nearly THB400bn (USD11.76bn), with over THB340bn (USD10 bn) belonging to the Vayupak Fund and the remainder in other securities. As declared on 30 May, there are 13 listed stocks held by the ministry, such as:

- Airports of Thailand (AOT);
- MCOT (MCOT TB, NR);
- PTT (PTT TB, BUY, TP: THB42.50);
- Thai Airways International (THAI TB, NR);
- Don Muang Tollway (DMT TB, NR);
- MFC Asset Management (MFC TB, NR);
- NEP Realty & Industry (NEP TB, NR);
- TMBThanachart Bank (TTB);
- Bound and Beyond (BEYOND TB, NR);
- Thailand Future Fund (TFFIF TB, NR);
- Bangchak Corporation (BCP);
- Ratchaphreuk Hospital (RPH TB, NR);
- PTT Oil and Retail Business (OR).

The stocks with no recent dividends are THAI, MCOT, BEYOND and NEP – these could be what SEPO may divest of ahead.

Theme 3: FDI upcycle continues – so far, so good

Thailand aims to be a financial hub. The Government will provide a range of financial and non-financial incentives to attract new investments in eight target industries: Tourism, medical and health, food, aviation, transportation, future automotive, digital, and finance. As part of its vision to become a financial hub, Thailand will focus on attracting FDI by offering incentives such as tax benefits (income and corporate tax) as well as non-tax benefits like streamlined entry processes, visa options, benefits for incoming labour, and advantages for operating in different areas. Both aspects will be coordinated to develop the country's financial ecosystem and attract foreign investment.

Industrial land sales continue to grow and reach record highs. The Industrial Estate Authority of Thailand (IEAT) has reported a new high in industrial land sales, exceeding 6,000 *rai* (2,375 acres) for the second consecutive year. This growth is partly attributed to the government's policy to promote investment, particularly in the electric vehicle (EV) sector. In 9M24, the authority sold 6,174 *rai* (2,440 acres), setting a new record compared to 6,096 rai (2409 acres) in 2023. This marks a 202% increase over the previous year's figure. The continuous growth can be attributed to various factors, including the Government's efforts to attract foreign investors to expand their businesses in Thailand and the promotion of targeted S-curve industries.

Industrial land prices in the Eastern Economic Corridor (EEC) surge. Chinese investors' demand for industrial land has propelled Rayong's vacant land price index to the highest growth rate among the EEC provinces in 2Q24. Major China manufacturers such as BYD and Changan have invested in Rayong's industrial estates, particularly in the Nikhom Pattana and Pluak Daeng areas, causing land prices to surge 2.3 times compared with the base year of 2015. In 2Q24, the price index of vacant land in Rayong reached 230.8pts, marking a 22.9% YoY increase and a 31.6% QoQ uptick. Rayong dominated the top five districts in the EEC with the most significant YoY land price increases. Ban Chang led with a 52.5% growth, followed by Klang at 34.5% and Nikhom Pattana at 17.3%, ranking first, second and fifth.

Data centres and cloud services are the next S-Curve. According to the Board of Investment (BoI), 46 projects concerning data centres and cloud services worth nearly THB168bn (USD5bn) have applied for investment privileges. Other companies seeking BoI investment privileges include Amazon Web Services (AWS), a unit of the US multinational tech firm, Australia's NextDC for a THB13.7bn project, India's CtrlS for an investment valued at THB5bn, as well as Singapore's STT GDC and Evolution Data, with outlays of THB4.5bn and THB4bn. AWS projects capital expenditure of THB200bn (USD5. bn) through 2037 and has already invested THB25bn in the first phase to construct three data centres in Thailand.

Google announced plans to set up a regional data centre and develop ethical artificial intelligence (AI), Cloud and other digital infrastructure in Thailand. The plan also covers training to enhance the digital skills of Thailand's workforce. The plan is expected to generate over USD4.1bn (THB150bn) for the Thai economy by 2030 and create 50,300 jobs. A positive development for industrial developers is also related to businesses such as green energy sources (renewable energy (RE) includes water and power), construction of data centres, office and accommodation services.

Infrastructure investment: High-speed train project is back on track. The Eastern Economic Corridor Policy Committee (EECP) has approved a series of principles to amend the contract for the high-speed rail project connecting the Don Mueang, Suvarnabhumi, and U-Tapao airports for a total project value worth THB225bn (USD6.6 bn). The EECP will present these principles to the Cabinet for consideration and approval. Previously, the high-speed rail project, signed in 2019 between the State Railway of Thailand (SRT) and Asiaera One Co, (under JV group – CP Holding, CH Karnchang, Bangkok Expressway & Metro, Italian-Thai Development, and China Railways Construction) has faced challenges due to the COVID-19 pandemic. The amendment to the contract aims to address these challenges and ensure the project's successful completion.

Top Picks according to this theme:

i. WHA Corp (WHA TB, BUY, TP: THB6.00);

ii. Bangkok Expressway & Metro (BEM TB, BUY, TP: THB12.00);

iii. CH Karnchang (CK TB, BUY, TP: THB25.00).

Theme 4: Hedge against possible headwinds of the US election

The US presidential election presents both an opportunity and a threat. Assuming that geopolitical risks do not worsen and that interest rate cuts are on an uptrend, the election on 5 Nov is a key global event that could significantly impact Thailand. The choice between the potential return of former president Donald Trump and the current US Vice President Kamala Harris, may have repercussions for Thailand in areas such as trade agreements, diplomatic relations, and regional stability. In the capital markets, this election could influence global fund flows and asset allocations. We anticipate that FDI flows will benefit Thailand, post US polls.

Thai exports to the US surge strongly and FDIs reach a new high. Thailand has seen significant growth in its exports to the US. Despite the US-China trade tensions during both the Donald Trump- and Joe Biden-led administrations, Thailand's exports to the US increased by over 100%. Key sectors such as cars and car parts, electronics, car tires, and steel experienced substantial growth. Thailand's ability to replace China-made goods in the US market contributed to this export growth, making the US Thailand's primary export market, accounting for 18% of exports in 5M24.

However, challenges lie ahead, particularly with the US-China trade war expected to escalate further. The EV sector in Thailand faces uncertainties as the US has raised tariffs on EVs produced in China. This could affect Thai-made EVs destined for the US market, leading to potential repercussions on other Thai goods and industries.

The US trade war is primarily with China, but Thailand could be indirectly affected as China has relocated its production bases to the kingdom to export goods to the US. However, low-priced exports from Thailand could face stricter scrutiny, impacting domestic industries and posing a risk of US trade retaliation.

The SET index plummeted but recovered in 3 months later. After reaching a historic high of 1,852pts in Feb 2018, the SET index faced a correction due to the US-China trade war. It dropped to 1,595pts in Jun 2018, representing a decrease of 257pts or 16%. However, the index recovered over the next three months, reaching 1,765pts in Sep 2018, reflecting an increase of 170pts or 10.7%. This implied a net impact to the SET of c.87pts (1x P/E in 2018), with the most foreign fund outflows from the SET valued at THB288bn (USD8.0bn), and the SET earnings contracting by 1.2% in 2018. The index then remained relatively stable until the onset of the COVID-19 pandemic.

Outperforming sectors and stocks. Post-recovery, sectors that did well during the trade war have continued to outperform, including ICT, electronics, transportation, logistics, automotive, utility, healthcare, and industrial estate sectors and stocks. These sectors and stocks have shown resilience and competitiveness, outperforming the SET benchmark and reflecting the market's response to external economic conditions and trade dynamics. These include:

i. ICT stocks like ADVANC, Intouch Holdings (INTUCH TB, NR), and True Corp (TRUE TB, NR);

ii. Healthcare stocks like Bangkok Dusit Medical Services, Bangkok Chain Hospital (BCH TB, BUY, TP: THB25.00);

iii. Oil & gas stock like PTT over PTTEP at this juncture;

iv. Charoen Pokphand Foods (CPF TB, UNDER REVIEW);

v. Indorama Ventures (IVL TB, NR);

vi. Electronics stocks like Delta Electronics (DELTA TB, NR) and Hana Microelectronics (HANA TB, NR);

vii. Transportation stocks like BTS Group Holdings (BTS TB, NR), BEM, and AOT;

viii. Logistics stocks like Regional Container Lines (RCL TB, NR), and Precious Shipping (PSL TB, NR);

ix. Utility stocks like Gulf Energy Development (GULF TB, NR), B.Grimm Power (BGRIM TB, NR), Electricity Generating (EGCO TB, NR), and Ratch Group (RATCH TB, NR);

x. Industrial estate stocks like WHA.

We take the view that if Trump's idea of keeping US interest rates low is carried out, it should favour the Thai bourse as investments would return to risky assets through stocks like Muangthai Capital (MTC TB, NR), and Srisawad Corporation (SAWAD TB, NR) as well as property developers such as Supalai (SPALI TB, BUY, TP: THB24.70, dividend yield 8-9%)

Top Picks according to this theme:

i. Advance Info Services;

ii. PTT (PTT TB, BUY, TP: THB42.50; dividend yield: 6%);

iii. Bangkok Dusit Medical Services;

iv. Bangkok Chain Hospital;

v. WHA.

End-2024 and 2025 SET index targets are at 1,547pts and 1,656pts

The SET reached a YTD low of 1,300pts in June but saw a slight recovery in July and August, culminating in a strong surge of 6.6% MoM in September. Additionally, the average daily turnover reached a 9-month high of THB60.84bn (USD1.79bn), reflecting a 36% MoM increase. Foreign capital inflows returned to the Thai bourse, evidenced by a net purchase of THB29bn (USD850m) during the month. Positive sentiment propelled the SET index upward, driven by anticipated cuts in US Federal Reserve interest rates, a downward trend in local interest rates, accelerated fiscal budget disbursements for FY24, and the passage of the FY25 budget bill.

Furthermore, the transition of government leadership from former prime minister Srettha Thavisin to Prime Minister Paetongtarn Shinawatra's new Cabinet has proceeded smoothly in August. This change is accompanied by clearer economic measures and investment initiatives, such as the THB10,000 cash handouts. Notably, the capital markets received good news with the implementation and listing of the Vayupak Fund, which amounts to THB150bn (USD4.54bn) and aims to engage local funds in high ESG-rated and dividend stocks. Lastly, the SET has instituted stricter rules regarding short-selling, thereby improving market liquidity significantly.

On a positive note, certain sectors are projected to see substantial earnings growth. The F&B sector is expected to shift from a net loss to profitability, driven by companies such as CPF and Thai Union. Specifically, the ICT sector is anticipated to see positive transformations, with companies like TRUE moving from losses to profits and organic growth expected for ADVANC. The merger between GULF and INTUCH has been finalised, which will result in the formation of a new company (sometime in 1Q25F) with a significant market capitalisation exceeding THB1trn (USD32bn), thereby elevating its position from fifth to second among the highest market capitalisations on the SET. Additionally, the share prices of both GULF and INTUCH continue to reach new highs.

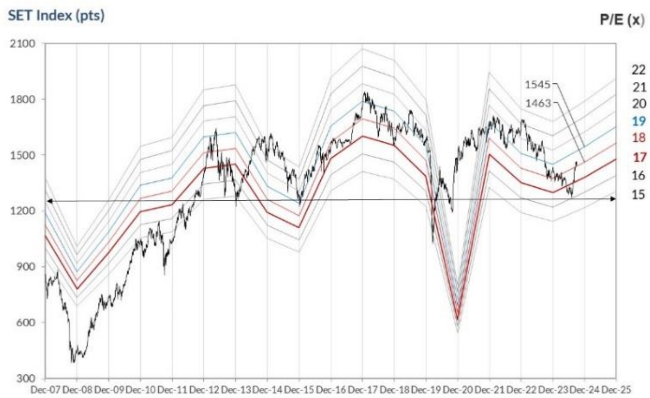
We have maintained the SET's YoY net profit growth forecasts at 7.3% for 2024 and 7.0% for 2025, alongside YoY EPS growth estimates of 6.5% and 7.0%. With improvements in fundamentals, many of the previously concerning risks have decreased. Consequently, we have decided to raise the market price premium by adjusting the P/E from 18x, which translates to 1,463pts, to 19x — in line with the 15-year average of the SET. This leads to an end-2024 target of 1,547pts, and end-2025 target of 1,656pts. The potential rewards now outweigh the risks.

Figure 12: SET earnings and valuations (2011-2025E)

Year	Net Profit (THB m)	+/-	EPS (THB)	+/-	BPS (THB)	ROE	P/BV (x)	P/E (x)	Div. Yield
2011	594,419	4.7%	72.5	3.0%	541.8	13.4%	1.89	14.14	3.6%
2012	714,534	20.2%	84.1	16.0%	602.8	13.9%	2.31	16.56	3.2%
2013	755,587	5.7%	85.4	1.5%	638.4	13.6%	2.03	15.22	3.5%
2014	648,800	-14.1%	70.1	-17.8%	669.0	10.6%	2.24	21.36	3.1%
2015	622,277	-4.1%	65.3	-22.4%	707.3	9.3%	1.82	19.74	2.6%
2016	852,004	36.9%	87.2	33.6%	756.3	11.6%	2.04	17.70	2.9%
2017	944,064	10.8%	94.1	8.0%	800.3	11.7%	2.19	18.63	3.0%
2018	933,176	-1.2%	91.3	-3.0%	831.0	11.0%	1.88	17.12	2.9%
2019	865,415	-7.3%	81.6	-10.6%	853.4	9.6%	1.85	19.35	6.3%
2020	402,283	-53.5%	36.2	-55.7%	833.7	4.3%	1.74	40.04	1.3%
2021	1,044,444	159.6%	88.4	144.2%	910.9	9.7%	1.82	18.75	3.4%
2022	973,162	-6.8%	79.4	-10.1%	939.6	8.5%	1.78	21.00	3.0%
2023	939,361	-3.5%	76.3	-4.0%	943.9	8.1%	1.50	18.56	3.3%
2024E	1,007,939	7.3%	81.3	6.5%	977.4	8.3%	1.48	17.78	3.4%
2025E	1,078,921	7.0%	87.0	7.0%	1,020.9	8.5%	1.41	16.61	3.6%

Source: RHB

Figure 13: Worse-case scenario of the SET index's downside is at 1,220pts



Source: RHB

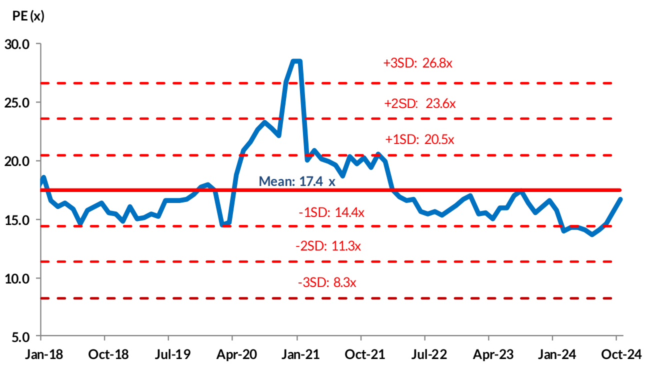
Figure 14: Upside of SET index target is at 1,465 pts (18x P/E)

	EPS (THB)				BV (THB)		
P/E (x)	2023	2024E	2025E	P/BV	2023	2024E	2025E
	76.30	81.25	86.97	(x)	943.9	939.6	1,020.9
growth	-4.0%	6.5%	7.0%	growth	0.5%	-0.5%	8.7%
14.00	1,068	1,138	1,218	1.40	1,321	1,315	1,429
15.00	1,145	1,219	1,305	1.45	1,369	1,362	1,480
16.00	1,221	1,300	1,392	1.50	1,416	1,409	1,531
18.00	1,373	1,463	1,566	1.55	1,463	1,456	1,582
18.56	**1,416**	1,508	1,614	**1.60**	1,510	1,503	1,633
19.04	1,453	**1,547**	**1,656**	**1.65**	1,557	**1,550**	**1,684**
20.00	1,526	1,625	1,739	1.70	1,605	1,597	1,735
21.00	1,602	1,706	1,826	1.75	1,652	1,644	1,786

SET Target	1,416	1,547	1,656	Historical mean	P/E	P/BV
Market return	-4.0%	9.3%	17.0%	5-year	23.54	1.74
Dividend Yield	3.3%	3.4%	3.6%	7-year	21.92	1.82
Total return	-0.7%	12.6%	20.6%	10-year	21.22	1.89
ROE	8.2%	8.4%	8.6%	15-year	19.04	1.91

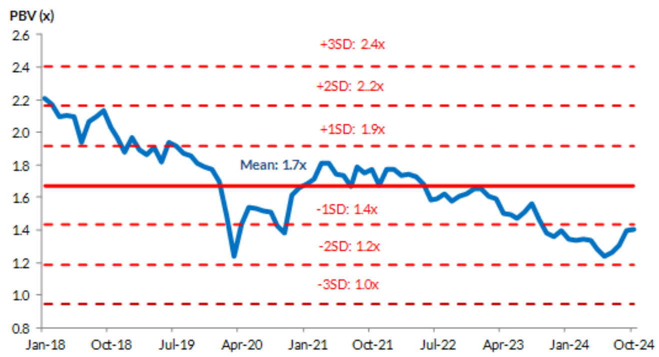
Source: RHB

Figure 15: SET's P/E is below its 7-year mean of 17x, ie at -1SD



Source: Bloomberg, RHB

Figure 16: SET's P/BV trades at a deep discount to 1.7x mean, ie at -2SD



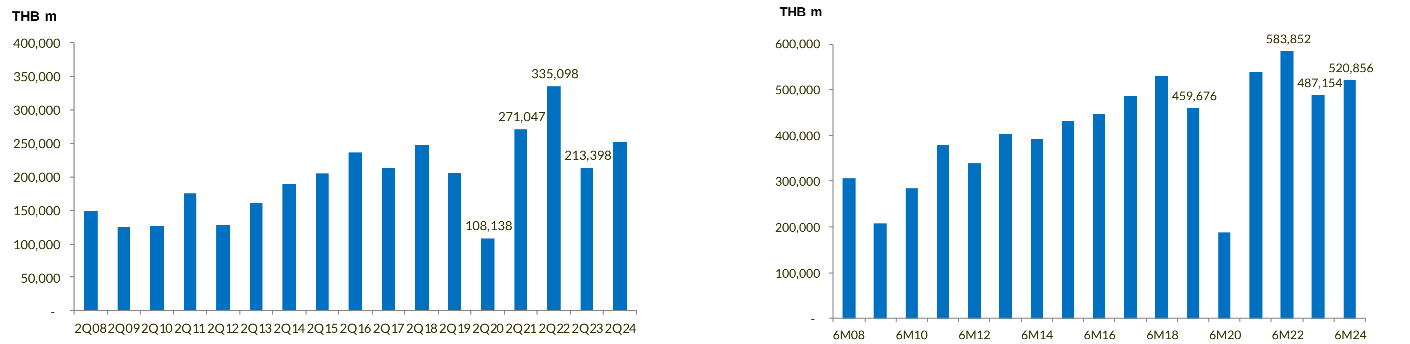
Source: Bloomberg, RHB

Figure 16: The SET's net profit by sector and common size

Industry/Sector	Net Profit (THB m)			+/-		Net Profit (THB m)		+/-	Common size			
	1Q24	2Q24	2Q23	YoY	QoQ	1H24	1H23		2Q24	2Q23	1H24	1H23
Agro & Food Industry	**13,362**	**21,817**	**7,692**	**184%**	**63%**	**35,157**	**16,772**	**110%**	**9%**	**4%**	**6.7%**	**3.4%**
Agribusiness	833	2,537	955	166%	204%	3,370	2,194	54%	1%	0%	1%	0%
Food and Beverage	12,529	19,280	6,737	186%	54%	31,787	14,578	118%	8%	3%	6%	3%
Consumer Products	**(1,868)**	**3,193**	**1,932**	**65%**	**n.m.**	**1,594**	**3,230**	**-51%**	**1%**	**1%**	**0%**	**1%**
Fashion	(2,269)	2,190	1,251	75%	n.m.	(78)	1,923	n.m.	1%	1%	0%	0%
Home & Office Products	(225)	(388)	134	n.m.	73%	(613)	219	n.m.	0%	0%	0%	0%
Personal Products & Pharmaceuticals	626	1,391	548	154%	122%	2,285	1,088	110%	1%	0%	0%	0%
Financials	**81,031**	**79,102**	**75,643**	**5%**	**-2%**	**160,223**	**151,994**	**5%**	**31%**	**35%**	**31%**	**31%**
Banking	65,721	65,661	63,414	4%	0%	131,383	125,274	5%	26%	30%	25%	26%
Finance and Securities	9,116	7,755	6,485	20%	-15%	16,968	15,067	13%	3%	3%	3%	3%
Insurance	6,194	5,686	5,744	n.m.	-8%	11,872	11,654	2%	2%	3%	2%	2%
Industrials	**7,596**	**(17,482)**	**(408)**	**n.m.**	**n.m.**	**(9,754)**	**7,052**	n.m.	-7%	**0%**	**-2%**	**1%**
Automotive	2,049	1,176	2,065	-43%	-43%	3,225	4,334	-26%	0%	1%	1%	1%
Industrial Materials & Machinery	(4)	(7)	(330)	n.m.	69%	114	(319)	n.m.	0%	0%	0%	0%
Paper & Printing Materials	179	199	216	-8%	11%	378	426	-11%	0%	0%	0%	0%
Petrochemicals & Chemicals	2,783	(19,859)	(3,423)	n.m.	n.m.	(17,076)	(971)	n.m.	-8%	-2%	-3%	0%
Packaging	3,161	2,801	2,095	34%	-11%	5,961	3,826	56%	1%	1%	1%	1%
Steel	(572)	(1,792)	(1,031)	n.m.	n.m.	(2,358)	(244)	n.m.	-1%	0%	0%	0%
Property & Construction	**23,656**	**22,029**	**28,522**	**-23%**	**-7%**	**45,685**	**66,585**	**-31%**	**9%**	**13%**	**9%**	**14%**
Construction Materials	6,667	7,205	12,771	-44%	8%	13,872	33,551	-59%	3%	6%	3%	7%
Property Development	15,862	17,190	15,254	13%	8%	33,052	31,265	6%	7%	7%	6%	6%
Property Fund	0	0	0	n.m.	n.m.	0	0	n.m.	0%	0%	0%	0%
Construction	1,127	(2,366)	497	n.m.	n.m.	(1,239)	1,769	n.m.	-1%	0%	0%	0%
Resources	**82,322**	**86,325**	**54,983**	**57%**	**5%**	**168,708**	**139,880**	**21%**	**34%**	**26%**	**32%**	**29%**
Energy & Utilities	82,322	86,325	55,010	57%	5%	168,708	139,916	21%	34%	26%	32%	29%
Mining	0	0	(28)	n.m.	n.m.	0	(37)	n.m.	0%	0%	0%	0%
Services	**41,526**	**36,409**	**30,284**	**20%**	**-12%**	**78,241**	**72,138**	**8%**	**14%**	**14%**	**15%**	**15%**
Commerce	15,641	16,313	12,390	32%	4%	31,932	28,627	12%	6%	6%	6%	6%
Health Care Services	8,463	6,966	6,520	7%	-18%	15,428	13,456	15%	3%	3%	3%	3%
Media & Publishing	755	266	879	-70%	-65%	981	1,547	-37%	0%	0%	0%	0%
Professional Services	268	270	153	77%	1%	537	346	55%	0%	0%	0%	0%
Tourism & Leisure	3,214	2,933	3,352	n.m.	-9%	6,148	3,530	74%	1%	2%	1%	1%
Transportation & Logistics	13,186	9,662	6,990	38%	-27%	23,214	24,631	-6%	4%	3%	4%	5%
Technology	**19,527**	**21,418**	**14,748**	**45%**	**10%**	**41,004**	**29,504**	**39%**	**8%**	**7%**	**8%**	**6%**
Electronic Components	6,150	9,066	6,533	39%	47%	15,216	11,286	35%	4%	3%	3%	2%
Information & Communication Technology	13,376	12,352	8,216	50%	-8%	25,787	18,218	42%	5%	4%	5%	4%
Medium-Sized Enterprise (MAI)	**4,679**	**1,733**	**(502)**	**n.m.**	**-63%**	**1,604**	**1,604**	**0%**	**1%**	**0%**	**0%**	**0%**
SET+MAI	271,831	254,544	212,895	20%	-6%	522,460	488,758	7%	101%	100%	100%	100%
SET	**267,152**	**252,812**	**213,398**	**18%**	**-5%**	**520,856**	**487,154**	**7%**	**100%**	**100%**	**100%**	**100%**
Ex. Banking	201,431	187,150	149,984	25%	-7%	389,473	361,881	8%	74%	70%	75%	74%
Ex. Energy & Petrochemicals	182,047	186,345	161,810	15%	2%	369,224	348,208	6%	74%	76%	71%	71%
Ex. Banking, Energy, Petrochemicals	116,326	120,684	98,396	23%	4%	237,841	222,935	7%	48%	46%	46%	46%

Source: SET Smart (excluding REIT's & infra funds), and RHB (as of 21 Sep = total companies reported 2Q24 results = 687/700 or 98%)

Figure 17: The SET's quarterly net profit in 2Q (LHS), and 1H (RHS)



Source: SET Smart, RHB

Figure 18: Net profit and growth by sector

Net Profit (THB m)		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Agribusiness		2,934	2,076	1,360	3,990	70	11,695	20,331	11,172	2,636	3,559	4,092
	Growth	-32.4%	-29.3%	-34.5%	193.5%	-98.2%	16538%	73.8%	-45.0%	-76.4%	35.0%	15.0%
Food & Beverage		43,090	45,811	47,156	44,685	55,147	35,554	29,773	66,374	8,319	36,832	42,610
	Growth	1.6%	6.3%	2.9%	-5.2%	23.4%	-35.5%	-16.3%	122.9%	-87.5%	342.7%	15.7%
Household Goods		1,746	2,041	808	1,135	201	1,102	318	107	792	969	1,039
	Growth	-7.6%	16.8%	-60.4%	40.5%	-82.3%	449.3%	-71.1%	-66.4%	640.2%	22.4%	7.2%
Bank		193,005	200,142	186,651	202,805	213,016	144,972	188,229	205,763	238,619	246,696	254,899
	Growth	-6.7%	3.7%	-6.7%	8.7%	5.0%	-31.9%	29.8%	9.3%	16.0%	3.4%	3.3%
Finance & Securities		13,758	15,242	17,627	23,104	31,841	30,610	39,405	39,833	32,733	31,643	35,326
	Growth	4.4%	10.8%	15.7%	31.1%	37.8%	-3.9%	28.7%	1.1%	-17.8%	-3.3%	11.6%
Petrochemical		33,876	52,049	73,482	72,923	23,484	8,962	85,638	28,998	(5,182)	5,832	7,290
	Growth	61.2%	53.6%	41.2%	-0.8%	-67.8%	-61.8%	855.6%	-66.1%	n.m.	n.m.	25.0%
Automotive		5,353	5,225	5,523	6,414	4,328	2,503	6,054	7,058	7,657	5,453	6,265
	Growth	1.2%	-2.4%	5.7%	16.1%	-32.5%	-42.2%	141.9%	16.6%	8.5%	-28.8%	14.9%
Construction Materials		60,191	71,355	64,281	53,447	43,814	48,542	68,219	39,226	41,456	43,686	47,552
	Growth	33.2%	18.5%	-9.9%	-16.9%	-18.0%	10.8%	40.5%	-42.5%	5.7%	5.4%	8.9%
Property & Development		59,224	57,382	69,856	68,069	77,032	37,375	49,774	73,195	67,520	61,831	65,619
	Growth	3.0%	-3.1%	21.7%	-2.6%	13.2%	-51.5%	33.2%	47.1%	-7.8%	-8.4%	6.1%
Contractor		7,574	8,726	2,327	2,108	6,739	449	2,153	(2,767)	1,673	3,423	4,008
	Growth	-17.4%	15.2%	-73.3%	-9.4%	219.7%	-93.3%	379.4%	-228.5%	n.m.	104.6%	17.1%
Energy		53,634	202,724	281,898	260,812	209,687	93,624	284,084	332,293	282,982	289,643	299,780
	Growth	-39.6%	278.0%	39.1%	-7.5%	-19.6%	-55.4%	203.4%	17.0%	-14.8%	2.4%	3.5%
Commerce		41,861	49,023	51,150	54,380	53,814	43,483	53,715	59,227	62,329	67,516	76,064
	Growth	20.2%	17.1%	4.3%	6.3%	-1.0%	-19.2%	23.5%	10.3%	5.2%	8.3%	12.7%
Medias		4,151	328	(929)	4,514	4,234	(2,493)	5,454	5,713	181	1,348	2,521
	Growth	-21.9%	-92.1%	-383.2%	n.m.	-6.2%	n.m.	n.m.	4.7%	-96.8%	644.8%	87.0%
Healthcare		16,944	18,973	21,967	22,185	27,995	14,605	35,607	34,818	30,353	31,902	34,613
	Growth	6.9%	12.0%	15.8%	1.0%	26.2%	-47.8%	143.8%	-2.2%	-12.8%	5.1%	8.5%
Tourism		3,452	3,621	4,681	4,546	2,628	(11,628)	(9,512)	(1,822)	6,947	8,435	10,871
	Growth	25.6%	4.9%	29.2%	-2.9%	-42.2%	n.m.	n.m.	n.m.	n.m.	21.4%	28.9%
Transportation		1,795	22,308	28,579	23,370	24,587	(154,756)	58,963	23,889	49,406	53,562	61,730
	Growth	-51.2%	1142.6%	28.1%	-18.2%	5.2%	n.m.	n.m.	-59.5%	106.8%	8.4%	15.3%
ICT		87,495	53,783	46,007	49,131	62,881	44,719	45,024	24,376	51,687	60,935	63,965
	Growth	35.3%	-38.5%	-14.5%	6.8%	28.0%	-28.9%	0.7%	-45.9%	112.0%	17.9%	5.0%
Electronics		14,773	13,574	11,335	10,781	6,123	11,104	13,277	23,771	24,813	22,706	26,622
	Growth	17.7%	-8.1%	-16.5%	-4.9%	-43.2%	81.3%	19.6%	79.0%	4.4%	-8.5%	17.3%
Total SET		**622,277**	**852,004**	**944,064**	**933,176**	**865,415**	**402,283**	**1,044,444**	**973,162**	**939,361**	**1,007,940**	**1,078,922**
	Growth	*-4.1%*	*36.9%*	*10.8%*	*-1.2%*	*-7.3%*	*-53.5%*	*159.6%*	*-6.8%*	*-3.5%*	*7.3%*	*7.0%*
Ex. Energy & petrochemical		534,768	597,230	588,684	599,442	632,244	299,697	674,722	611,871	661,561	712,465	771,852
	Growth	*-0.8%*	*11.7%*	*-1.4%*	*1.8%*	*5.5%*	*-52.6%*	*125.1%*	*-9.3%*	*8.1%*	*7.7%*	*8.3%*
Ex. Banks		429,272	651,862	757,413	730,372	652,399	257,311	856,215	767,400	700,742	761,244	824,023
	Growth	*-2.9%*	*51.9%*	*16.2%*	*-3.6%*	*-10.7%*	*-60.6%*	*232.8%*	*-10.4%*	*-8.7%*	*8.6%*	*8.2%*
Ex. Energy, petrochemical, banks		341,763	397,088	402,033	396,637	419,228	154,725	486,493	406,109	422,942	465,769	516,953
	Growth	*2.9%*	*16.2%*	*1.2%*	*-1.3%*	*5.7%*	*-63.1%*	*214.4%*	*-16.5%*	*4.1%*	*10.1%*	*11.0%*

Source: RHB

Figure 19: EPS by sector

EPS (THB)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Agribusiness	9.44	6.68	4.23	11.80	0.19	34.24	55.73	28.55	7.00	8.67	9.97
Food & Beverage	592.19	629.15	624.13	541.35	658.34	416.36	341.31	645.30	95.80	418.31	483.93
Household Goods	2.83	3.22	1.24	1.73	0.00	1.76	0.49	0.15	1.12	1.37	1.47
Bank	46.11	47.87	44.26	48.05	48.53	33.08	42.95	43.24	50.25	50.94	52.63
Finance & Securities	124.90	137.15	156.82	204.09	248.41	222.71	240.06	220.95	178.32	166.75	186.16
Petrochemical	63.23	96.92	139.02	132.03	42.52	16.23	155.14	56.43	(10.46)	11.73	14.66
Automotive	34.68	33.55	34.33	39.72	26.70	17.16	41.49	46.13	34.88	24.84	28.53
Construction Materials	918.66	1,085.79	885.35	723.40	593.30	654.53	917.87	527.75	546.50	575.89	626.86
Property	16.55	16.13	18.88	18.09	17.28	8.45	10.98	16.26	14.89	13.55	14.38
Contractor	4.58	5.16	1.37	1.24	3.81	0.24	1.13	(1.38)	0.84	1.60	1.87
Energy	420.10	1,506.11	1,865.26	1,727.49	1,373.67	603.29	1,655.97	1,895.86	1,607.03	1,650.78	1,708.56
Commerce	1,069.49	1,166.82	1,346.45	1,426.27	1,370.40	950.37	1,002.45	1,088.89	1,139.83	1,234.04	1,390.27
Media	1.12	0.09	(0.24)	1.09	1.12	(0.64)	1.27	1.25	0.04	0.32	0.59
Healthcare	132.98	146.36	161.10	159.92	196.32	101.00	245.54	250.41	215.89	227.33	246.66
Tourism	18.46	19.50	25.44	24.59	4.26	(53.26)	(41.45)	(7.90)	13.25	15.40	19.84
Transportation	0.48	6.01	7.49	5.93	6.16	(36.31)	13.61	5.48	11.05	11.96	13.79
ICT	11.00	6.47	5.48	5.60	6.98	4.93	4.82	2.58	5.42	4.82	5.06
Electronics	130.68	119.48	100.10	95.20	53.87	94.87	113.78	203.72	213.59	195.45	229.16
SET	**65.25**	**87.18**	**94.14**	**91.34**	**81.64**	**36.20**	**88.41**	**79.44**	**76.30**	**81.25**	**86.97**
Growth	*-22.4%*	*33.6%*	*8.0%*	*-3.0%*	*-10.6%*	*-55.7%*	*144.2%*	*-10.1%*	*-4.0%*	*6.5%*	*7.0%*
MAI	**6.79**	**11.29**	**4.74**	**6.92**	**14.64**	**4.94**	**11.15**	**7.13**	**8.48**	**9.98**	**12.62**
Growth	*-29.1%*	*66.2%*	*-58.0%*	*45.8%*	*111.7%*	*-66.3%*	*125.9%*	*-36.1%*	*18.9%*	*17.7%*	*26.5%*

Source: RHB

Figure 20: ROE by sector

ROE	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Agribusiness	6.0%	4.2%	2.5%	6.8%	0.1%	16.1%	23.2%	11.2%	2.8%	3.7%	4.2%
Food & Beverage	12.5%	12.2%	11.0%	9.4%	11.1%	6.8%	5.2%	9.3%	1.4%	6.1%	6.8%
Household Goods	9.9%	10.7%	4.2%	6.3%	1.1%	6.0%	1.7%	0.5%	3.8%	4.5%	4.6%
Bank	11.8%	11.3%	9.7%	9.9%	9.4%	6.1%	7.4%	7.7%	8.5%	8.5%	8.4%
Finance & Securities	12.9%	13.0%	13.9%	16.1%	15.5%	13.8%	13.3%	11.6%	9.7%	8.9%	9.9%
Petrochemical	9.2%	13.7%	16.2%	14.3%	4.8%	1.9%	15.3%	5.4%	-1.0%	1.1%	1.4%
Automotive	10.0%	9.8%	9.4%	10.4%	6.5%	3.7%	8.5%	9.3%	9.2%	6.3%	6.9%
Construction Materials	18.0%	19.1%	15.7%	12.5%	10.2%	10.2%	12.7%	7.2%	7.5%	7.6%	7.9%
Property	10.8%	10.0%	10.9%	9.8%	9.7%	4.8%	5.9%	8.3%	7.9%	7.0%	7.1%
Contractor	8.4%	9.0%	2.4%	2.2%	6.3%	0.4%	2.0%	-2.5%	2.9%	5.6%	6.2%
Energy	3.0%	10.4%	13.3%	11.8%	9.4%	4.2%	10.5%	11.2%	9.3%	9.0%	9.3%
Commerce	18.6%	14.2%	15.6%	15.4%	15.8%	9.9%	7.2%	7.4%	7.5%	7.8%	8.3%
Media	6.9%	0.6%	-1.6%	6.3%	5.8%	-3.5%	6.1%	5.5%	0.2%	1.5%	2.8%
Healthcare	16.1%	16.0%	15.5%	14.1%	15.1%	7.7%	16.9%	15.9%	14.0%	13.6%	13.5%
Tourism	6.9%	6.9%	8.5%	7.9%	3.4%	-17.8%	-11.2%	-2.1%	7.7%	8.8%	10.5%
Transportation	0.5%	6.5%	8.1%	6.6%	6.5%	-81.0%	21.8%	8.3%	29.4%	25.4%	23.7%
ICT	34.7%	17.9%	14.6%	15.5%	19.2%	15.9%	14.6%	8.4%	16.3%	17.6%	16.9%
Electronics	16.0%	13.7%	11.4%	10.7%	6.5%	10.8%	11.8%	18.3%	19.5%	16.1%	17.0%
SET	**9.3%**	**11.6%**	**11.7%**	**11.0%**	**9.6%**	**4.3%**	**9.7%**	**8.4%**	**8.2%**	**8.4%**	**8.6%**
MAI	**4.3%**	**6.7%**	**2.3%**	**3.4%**	**7.1%**	**2.4%**	**6.2%**	**3.7%**	**5.0%**	**5.5%**	**6.6%**

Source: RHB

Figure 21: P/E by sector

P/E (x)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Agribusiness	17.4	38.9	51.7	15.3	791.5	7.0	5.3	8.2	26.3	24.3	21.2
Food & Beverage	17.6	22.3	22.3	19.9	18.8	28.7	39.1	19.7	115.8	26.9	23.2
Household Goods	15.5	14.7	30.9	16.2	n.m.	14.1	61.8	167.2	17.7	13.6	12.7
Bank	9.2	10.4	13.0	10.7	9.1	10.2	9.7	9.0	7.6	7.8	7.5
Finance & Securities	18.7	23.0	21.4	17.0	17.6	21.5	23.2	21.1	18.4	18.2	16.3
Petrochemical	11.7	10.4	10.3	9.7	22.7	62.6	7.2	17.7	(71.5)	53.0	42.4
Automotive	12.3	13.5	17.1	11.8	14.8	25.6	13.1	11.6	12.8	13.7	11.9
Construction Materials	14.0	12.0	14.2	14.8	16.7	14.4	11.0	17.5	14.3	11.5	10.5
Property	15.5	16.7	17.5	15.4	14.6	24.4	21.8	16.7	15.6	16.0	15.0
Contractor	29.6	26.4	84.7	68.9	17.5	239.1	67.5	(50.4)	59.3	29.3	25.0
Energy	35.3	13.6	13.2	13.3	18.3	37.8	14.9	13.2	12.9	12.0	11.6
Commerce	24.5	31.7	33.4	27.4	28.1	35.4	37.0	35.9	27.2	25.3	22.5
Media	56.2	659.9	n.m.	43.7	48.0	n.m.	n.m.	36.7	766.3	99.0	52.9
Healthcare	39.8	39.4	33.1	35.2	28.6	46.5	23.4	28.8	31.0	29.4	27.1
Tourism	33.7	30.8	31.5	25.4	111.9	n.m.	n.m.	n.m.	42.5	34.9	27.0
Transportation	501.4	46.6	51.3	61.4	66.1	n.m	24.7	68.5	27.1	25.9	22.5
ICT	12.7	22.8	30.1	25.3	23.1	27.7	40.0	64.1	27.5	30.9	29.5
Electronics	13.8	17.9	18.3	15.8	24.0	65.2	57.9	50.9	50.7	66.1	56.4
SET	**19.7**	**17.7**	**18.6**	**17.1**	**19.4**	**40.0**	**18.7**	**21.0**	**18.6**	**17.8**	**16.6**
MAI	**76.9**	**54.6**	**113.9**	**51.5**	**21.1**	**68.1**	**52.2**	**82.0**	**48.6**	**34.4**	**27.2**

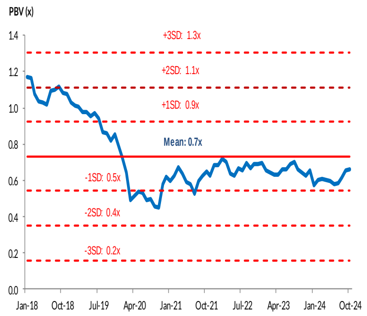
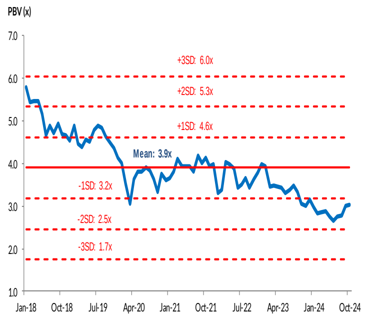
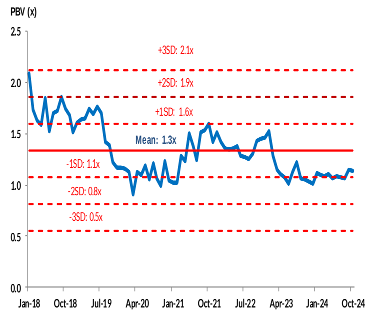
Source: RHB

Figure 22: P/BV by sector

P/BV (x)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Agribusiness	1.0	1.6	1.3	1.0	1.0	1.1	1.2	0.9	0.7	0.9	0.9
Food & Beverage	2.2	2.7	2.4	1.9	2.1	1.9	2.0	1.8	1.7	1.6	1.6
Household Goods	1.5	1.6	1.3	1.0	0.7	0.8	1.1	0.8	0.7	0.6	0.6
Bank	1.1	1.2	1.3	1.1	0.9	0.6	0.7	0.7	0.7	0.7	0.6
Finance & Securities	2.4	3.0	3.0	2.7	2.7	3.0	3.1	2.4	1.8	1.6	1.6
Petrochemical	1.1	1.4	1.7	1.4	1.1	1.2	1.1	1.0	0.7	0.6	0.6
Automotive	1.2	1.3	1.6	1.2	1.0	1.0	1.1	1.1	1.2	0.9	0.8
Construction Materials	2.5	2.3	2.2	1.8	1.7	1.5	1.4	1.3	1.1	0.9	0.8
Property	1.7	1.7	1.9	1.5	1.4	1.2	1.3	1.4	1.2	1.1	1.1
Contractor	2.5	2.4	2.1	1.5	1.1	1.0	1.4	1.3	1.7	1.6	1.6
Energy	1.1	1.4	1.7	1.6	1.7	1.6	1.6	1.5	1.2	1.1	1.1
Commerce	4.6	4.5	5.2	4.2	4.4	3.5	2.7	2.6	2.1	2.0	1.9
Media	3.9	3.8	4.4	2.8	2.8	2.4	2.7	2.0	1.6	1.5	1.5
Healthcare	6.4	6.3	5.1	5.0	4.3	3.6	4.0	4.6	4.3	4.0	3.7
Tourism	2.3	2.1	2.7	2.0	3.8	1.3	1.3	1.7	3.3	3.1	2.8
Transportation	2.7	3.0	4.1	4.1	4.3	7.4	5.4	5.7	8.0	6.6	5.3
ICT	4.4	4.1	4.4	3.9	4.4	4.4	5.8	5.4	4.5	5.4	5.0
Electronics	2.2	2.5	2.1	1.7	1.6	7.0	6.8	9.3	9.9	10.7	9.6
SET	**1.82**	**2.04**	**2.19**	**1.88**	**1.85**	**1.74**	**1.82**	**1.78**	**1.50**	**1.48**	**1.41**
MAI	**3.31**	**3.68**	**2.62**	**1.73**	**1.54**	**1.66**	**3.26**	**3.05**	**2.42**	**1.88**	**1.80**

Source: RHB

Sector Outlook

<table>
<tr><th></th><th>Banks</th><th>Commerce</th><th>Construction</th></tr>
<tr><td>SD chart</td><td>
</td><td>
</td><td>
</td></tr>
<tr><td>Market cap (USDm)</td><td>56,120.87</td><td>50,353.24</td><td>2,858.33</td></tr>
<tr><td>Current index (pts)</td><td>401.54</td><td>31,838.93</td><td>46.40</td></tr>
<tr><td>Rating</td><td>NEUTRAL</td><td>NEUTRAL</td><td>OVERWEIGHT</td></tr>
<tr><td>Investment highlights</td><td>
• We have a more positive view on the sector after getting updates from several banks recently. The key positive catalyst should stem from an improving macroeconomic outlook for 2025 – despite lingering asset quality challenges, and subdued and uneven economic growth in 2024F. RHB Economics expects GDP growth at 3% YoY in 2025 vs 2.6% YoY in 2024.
• We also see some new investments from the Vayupak Fund (fund size: c.THB150bn) and TH Banks' (represented by the bank stocks under our coverage) cheaper valuations vs regional peers (P/BV at the low band of c.-1SD vs >+1SD for Indonesia and Singapore banks, and c.-0.5SD for Malaysia banks) as the main price catalysts for TH Banks.
• While the main challenge for TH Banks remains the lingering asset quality pressure, we think this should gradually ease in 2025 on improving economic outlook and potential interest rates cuts. We also believe the sector will be able to manage these headwinds well, thanks to solid reserve buffers and prudent risk management.
• We expect 7% YoY earnings growth for TH Banks in 2025 vs c.2% YoY in 2024F and 18% YoY in 2023F.
• Top Pick: Kasikornbank (KBANK), for its: i) Better capital management and ROE via higher dividend payouts, ii) resilient earnings growth outlook and revival of non-II growth momentum via the KBANK 3+1 Strategy, iii) better asset quality control, and iv) inexpensive valuation – P/E and P/BV remain below -1SD from the historical mean.
• We also like TMB Thanachart Bank as an outstanding dividend and earnings play, and Bangkok Bank as a value and high reserve cushion play.
</td><td>
• Expect an improving sector outlook based on: i) The high season for shopping and tourism, ii) implementation of government stimulus campaigns, iii) back-to-normal fiscal budget spending, and iv) acceleration in the retailers' opening of new stores,
• Staple retailers would be the key beneficiaries of the Government's THB10,000 cash handout scheme in 4Q. Big-box store formats may enjoy success in investing and developing high-margin fresh food products, while the convenience store business should be supported by higher customer traffic and average ticket sizes.
• Home improvement retailers would be supported by a recovery in demand for home repairs post-floods, while normalised fiscal budget spending may boost construction. Their SSSGs may turn positive from a low base last year. A higher private-label product mix and manageable steel costs may be positive for GPMs.
• 4Q24 earnings are expected to expand both YoY and QoQ, making this quarter the one with the highest earnings for key retailers.
• We still prefer retailers of staple products. Our sector Top Pick is CP ALL.
</td><td>
• The Ministry of Transport has fine-tuned its priority on new infrastructure projects that will be proposed to the new Cabinet for consideration and launched for bidding in the near term. All 14 infrastructure projects listed by the ministry can be regarded as high-priority, with the majority involving rail transport. The rest are related to road networks. Among these 14 projects (worth THB798bn), there is a high-speed rail route extension to the Laos border with a construction value of THB341bn that may require a longer processing time than scheduled.
• A series of double-track railway projects should be the next to be launched for bidding, following the completion of the Khon Kaen-Nong Khai route bidding process. The Phuket expressway (Krathu-Patong) should be another project that may enter the bidding process soon, especially after this project's funding was revised from a public-private partnership to the government being the sole investor. For other project types, the bidding for motorway and mass rapid transit (MRT) projects may begin within FY25.
• We expect to see different stances among large developers towards the upcoming bidding cycle. Based on our view, we believe that both CH Karnchang and Sino-Thai Engineering & Construction (STEC) will be more conservative than before, in bidding for new projects. CH Karnchang's orderbook has already grown, while STEC is aiming to get the U-Tapao airport expansion job within the year-end. Therefore, Italian-Thai Development and Unique Engineering & Construction may be more aggressive in this bidding round.
</td></tr>
<tr><td>Risks</td><td>
• Asset quality pressure from slow economic growth and high household debt pressures.
• The possibility of policy rate cuts could hurt banks' NIM.
</td><td>
• A slower-than-expected recovery in the overall Thai economy and international tourist arrivals.
• Rising household debt and possible La Nina effects.
• Intense competition among retailers may undermine profit margins.
• Finance cost hikes.
</td><td>
• An increase in major construction material prices.
• Shortage of unskilled workers.
• Delays in the bidding for new projects.
</td></tr>
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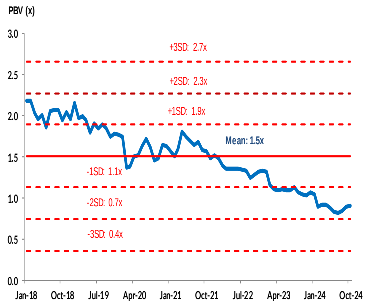
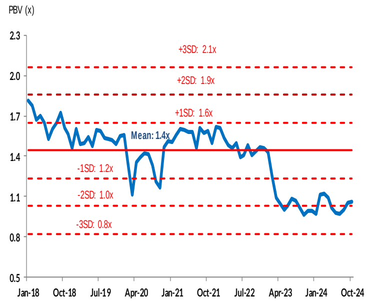
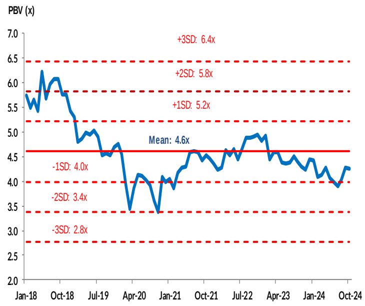
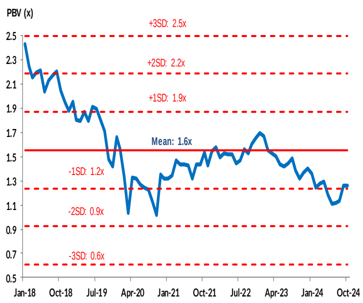
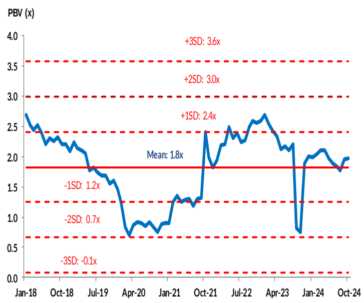
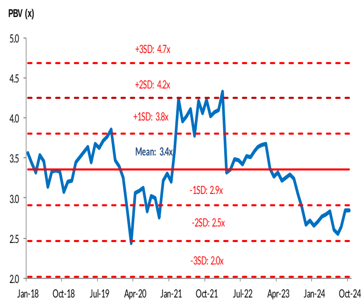
	Construction Materials	Energy & Utilities	Healthcare
SD chart			
Market cap (USDm)	13,908.90	101,604.71	27,002.40
Current index (pts)	6,257.31	19,977.77	6,661.79
Rating	NEUTRAL	NEUTRAL	OVERWEIGHT
Investment highlights	• Domestic demand for cement and building materials will decline further, at >10% YoY in 3Q24 while it should also decline QoQ on seasonality. Major factors behind this slowdown include: i) The delay in government budget disbursements, ii) residential project developers adopting a conservative stance, in response to slower demand in the low-rise project segment and the gradual improvement in demand for condominiums, and iii) a halt in construction activities in provinces affected by floods. • However, there were two positive factors that can mitigate the decline in sales volumes: i) Cement prices stabilised at a high >THB2,000/tonne, and ii) the higher sales volume proportion of low-carbon cement, with wider profit margins enjoyed by almost all of major cement producers. • In 4Q24, domestic demand should improve gradually as budget disbursements will be more concentrated before the year-end. There should be higher demand for renovation works in the country's flood-affected areas.	**Oil & Gas: NEUTRAL** • **Upstream:** Oil prices should rise amid escalating tensions between Israel and Iran, with potential disruptions to supply if the latter's oil production is impacted. Iran's average production of 3.2mbpd YTD could be offset by OPEC's 6.4mbpd spare capacity (primarily from Saudi Arabia and the United Arab Emirates) but we still expect upward pressure on prices. We maintain our 2024-2025F Brent crude prices at USD82-80/bbl. • **Refinery:** The Singapore benchmark GRM averaged USD3.60/bbl in 3Q24, in line with 2Q, but well below the historical average of USD5.50/bbl. Margins dropped further to USD2.60/bbl QTD. A recovery is expected from 4Q24 onwards, supported by rising regional demand, lower China exports, and potential US Fed rate cuts. • **Petrochemicals:** Rising oil prices may increase feedstock costs for the petrochemical sector, potentially delaying the recovery of product spreads. In 3Q24, olefins and aromatics spreads fell 10–15% QoQ on weak demand. If oil prices stabilise and global economic conditions improve, aided by potential US Fed rate cuts, a recovery is expected. **Utilities: OVERWEIGHT** • Utilities serve a prime beneficiary from the decline in bond yields. The segment should benefit from declining interest rate, strengthening THB, and improving margins (especially SPP) from declining gas costs and stable variable tariff (Ft) rates. Companies involved in EVs, battery production, and digital infrastructure are also poised for significant growth, driven by the global shift towards sustainability and innovation. Key stocks: B Grimm Power, Electricity Generating, Global Power Synergy, Gulf Energy Development and Ratch Group.	• 4Q24 earnings may still expand YoY on the continued growth in demand for medical treatments among both Thai and fly-in foreign patients, but seasonally decline QoQ as cases among Thai locals (ie influenza, dengue fever, and respiratory syncytial virus or RSV) may decrease. • Revenue intensity – rising demand for treatments of complex diseases and centre of excellence services – to sustain high EBITDA margins among large-scale hospitals. • Key international source markets may still deliver favourable growth, eg China, Europe, and the Middle East countries excluding Kuwait. • The Kuwaiti Government may finalise the list of approved hospitals by end-2024, upon which their citizens can obtain guarantee of payment for medical treatments. • The Social Security Office's (SSO) scheme on a high-cost payment rate may be finalised in 4Q. The private hospitals want the SSO to reallocate the payment budget from other funds under Social Security schemes to stabilise the monthly payments. If successful, it may remove an overhang issue of the listed hospitals with a high proportion of revenue from Social Security patients; ie Rajthanee Hospital (44%), Bangkok Chain Hospital (33%), and Chularat Hospital (32%). • The sector is trading at a cheap c.-1SD from its 5-year historical trading mean. Our Top Pick is Bangkok Dusit Medical Services.
Risks	• Slow recovery in demand and the oversupply situation in housing industries in other ASEAN countries especially in Cambodia, Laos, Myanmar and Vietnam. • The current situation of high-base energy prices, especially that of natural gas, diesel and coal.	• Slower-than-expected demand recovery. • Government intervention on price controls. • Raw material price fluctuations.	• Changes in the revenue mix, with lower-GPM transactions. • Lower-than-expected number of fly-in foreign patients, or patient loads dropping, due to a weak economy. • Stronger-than-expected competition among hospitals and from other countries or regions.

<table>
<tr><th></th><th>Property Development & Industrial Estates</th><th>Tourism</th><th>Transportation</th></tr>
<tr><td>SD chart</td><td>
</td><td>
</td><td>
</td></tr>
<tr><td>Market cap (USDm)</td><td>28,708.77</td><td>8,441.69</td><td>40,044.61</td></tr>
<tr><td>Current index (pts)</td><td>217.43</td><td>531.28</td><td>309.09</td></tr>
<tr><td>Rating</td><td>NEUTRAL</td><td>OVERWEIGHT</td><td>NEUTRAL</td></tr>
<tr><td>Investment highlights</td><td><u>Housing</u>
• For the residential market in Bangkok and the vicinities, both low-rise projects and condominiums expanded in terms of existing supply for 2Q24, to 229,528 units (+11% YoY) – worth THB1.35trn (+30% YoY). However, new supply declined in 2Q24, with only 17,197 new units (-24% YoY) worth THB128.44bn (-0.4% YoY). The number of new condominium projects fell 30% YoY to 7,967 unit while new low-rise projects also declined 18% YoY to 9,230 units.
• For the residential market in Bangkok and vicinities, both low-rise projects and condominiums expanded in terms of existing supply for 2Q24 to 229,528 units (+11% YoY) – worth THB1.35trn in total (+30% YoY) although there was a decline in new supply being launched in 2Q24 with 17,197 new supply units (-24% YoY) worth THB128.44bn (-0.4% YoY). New condominium projects declined 30% YoY to 7,967 units while new low-rise projects also declined 18% YoY to 9,230 units.
• On demand, there were fewer sale transactions, with 14,938 units sold (-8% YoY, worth THB84bn (-2%YoY)). This number comprised of 6,029 condominium units (-3.4% YoY) worth THB24bn (-7.5%YoY) and 8,909 low-rise project units (-11.5%YoY) worth THB60bn (flat YoY).
• After Government Housing Bank launched a low-interest loan package ie "Happy Home", it has already reached the limit of total loans given (THB20bn). There may be another property stimulus package on the horizon, as the economic stimulus committee is scheduled to meet this month.

<u>Industrial Estates</u>
• New application for BoI promotions grew strongly with 1,412 projects (+64%YoY) worth THB458bn (+35%YoY) in 1H24. This should reflect investors' confidence in government support measures and the relocation of production bases to ASEAN countries. The BOI applications were concentrated on the high-technology industries including semiconductors and circuit boards, EV and parts, RE and data centres – these totalled 723 projects (51% of the total number of</td><td>• Monthly tourist numbers bottomed out in September, and will ramp up MoM during the high travel season in 4Q. We expect Thailand to record a total of 2.72m foreign visitor arrivals in Oct 2024 (+24% YoY, +5% MoM), 9.4m in 4Q24 (+17% YoY, +8% QoQ), and 35m in 2024 (88% of 2019's levels).
• Hotel operators may see favourable RevPar growth in 4Q23, driven by higher average occupancy rates and steeper average daily rates.
• Despite sluggish economic conditions and the THB's appreciation against the CNY, the post-pandemic rise in outbound travel and Thailand's visa exemption for China tourists should support tourist arrivals. Top beneficiaries would be pure hotel plays like The Erawan Group, due to having material c.16% contribution from China customers.
• Minor International's hotels in Europe and the Oceania region may also partially benefit from the rising trend of China travellers heading to long-haul destinations.
• The 50% co-payment local tourism stimulus measures totalling THB5bn is scheduled to be implemented from 4Q24F onwards. The scheme's first phase will provide subsidies to Thai travellers going to the flood-hit northern provinces in Nov-Dec 2024, which we think may generate limited earnings upside for the listed hotel operators.
• We prefer Minor International and The Erawan Group as sector Top Picks during the high season for tourism.</td><td><u>Air Transportation</u>
• Entering a peak air travel period from Oct 2024 until Mar 2025, with benefits from stimulus measures as the Thai Government focuses on boosting tourism.
• Improving operations of national carrier Thai Airways may strongly benefit airport traffic and facility utilisation rates, including that of the new Satellite Terminal at Suvarnabhumi Airport.
• Seek improving momentum of flights operating between Thailand and key source markets, mainly China and India.
• Sector Top Pick: Airports of Thailand.

<u>Rail Transportation</u>
• MRT Blue Line ridership numbers in 3Q24 delivered YoY growth throughout the quarter. After average daily ridership increased by 6% MoM to mark a new high of 450k in Aug 2024, it slightly declined 3% MoM to 438k in Sep 2024. 3Q24 average ridership was 438k per day (+7% YoY, +11% QoQ).
• For 9M24, average ridership rose to 421k per day (+10% YoY) as every month saw a growth range of 4-14% YoY.
• In addition to the MRT Blue Line's ongoing organic growth in its route, there were other positive factors including: i) the MRT Yellow Line's consistently growing ridership reaching an average of 41k per day in Sep 2024, and it is set to cross the 100k per day threshold, ii) passenger traffic within the MRT Blue Line's Queen Sirikit National Convention Centre station should be supported by busier meetings, incentives, conferencing and exhibition or MICE activities, and iii) new mixed-use complex projects along MRT Blue Line route commencing operations.</td></tr>
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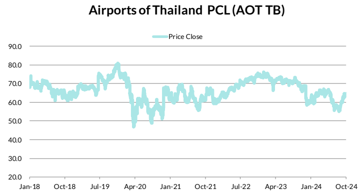
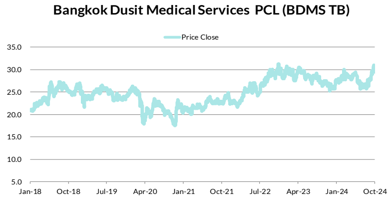
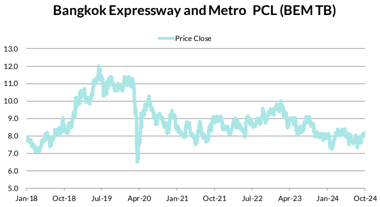
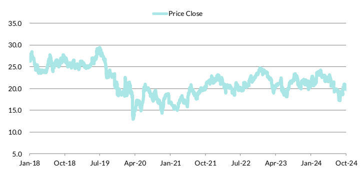
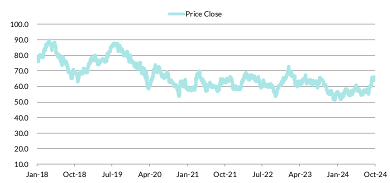
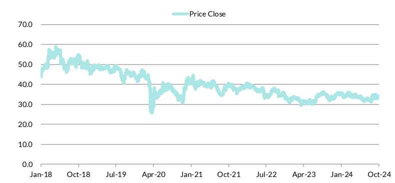
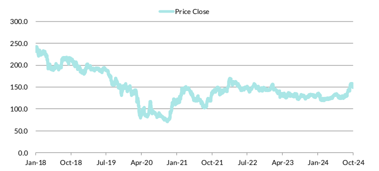
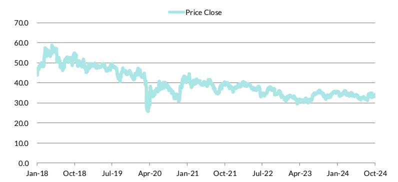
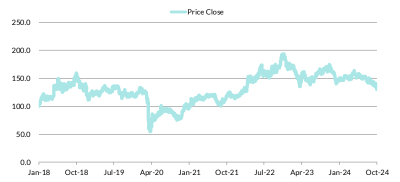
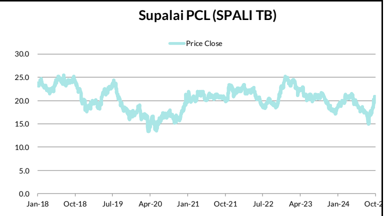
	projects applied for promotion) with a combined value of THB290bn (63% of total application value for promotion). • FDI continued to expand as there were 889 projects (+83% YoY) that applied for promotions with a total investment value of THB326bn (+16% YoY), accounting for 71% of total application value. The top 5 countries with the highest investment value applications were Singapore (THB91bn), China (THB73bn), Hong Kong (THB40bn), Japan (THB30bn) and Taiwan (THB29bn).		
Risks	• Slower-than-expected demand growth of the condominium segment and faster-than-expected decline in the low-rise project segment. • The political climate may be the key factor to watch out for in FY24. The unfavourable climate will be negative for FDI flowing into Thailand.	• Delays or slower-than-expected arrivals of visitors from key source markets. • Geopolitical tensions. • Rising competition. • Effects of hotels' major renovations and higher lease costs post-contract renewals. • Hoteliers' high financial leverage limits room for business expansion. • THB appreciation vs foreign currencies.	**Air Transportation** • Slower-than-expected air traffic recovery in terms of the number of flights and passengers. • Changes in government policies. • Negative incidents ie disease outbreaks, unrests, and natural disasters **Rail Transportation** • The Government's policy to flatten the MRT fare to THB20 would be a major risk for concession operators.

Stock Picks

	Airports of Thailand (AOT TB)	Bangkok Dusit Medical Services (BDMS TB)	Bangkok Expressway and Metro (BEM TB)
Share price performance			
Market cap (USD)	27,270.13	13,680.72	3,632.90
Current price	THB63.75	THB29.00	THB8.10
Rating/TP	BUY, THB75.00	BUY, TP: THB37.00	BUY, TP: THB12.00
Sector	Transport	Healthcare	Transport
Company description	AOT's core tasks are airport management and the development of the country's six international airports – Suvarnabhumi, Don Mueang, Chiang Mai, Mae Fah Luang-Chiang Rai, Phuket, and Hat Yai. All six serve both domestic and international flights, with Suvarnabhumi designated as Thailand's main airport.	BDMS runs an extensive private hospital business with networks in Thailand and Cambodia. It runs six hospital groups – Bangkok Hospital Group, Samitivej Hospital Group, BNH Hospital, Phyathai Hospital Group, Paolo Hospital Group and Royal Hospital Group. Its network also covers businesses that support medical care such as medical laboratories, medicine production and saline production.	BEM manages expressway construction projects and operations, MRT systems and other related businesses.
Business strengths	• A natural monopoly business. • Solid stream of recurring income from services. • Favourable concession agreements. • Thailand is one of the major air transport and tourism hubs in South-East Asia.	• Thailand's largest private hospital operator. • Well-positioned to benefit from a backdrop of a growing Thai and regional healthcare industry. • Operates by a hub-and-spoke model with an established patient referral system. • Provides a complete spectrum of healthcare services, including non-hospital strategic investments.	• Long-term concession secures business performance for longer than a decade. • Utility-like business ensures the consistent growth. • Rail and expressway services' key strength: Low-price elasticity of demand. • The organic growth of expressway traffic and MRT ridership having already been proven.
Investment highlights	• FY25F (Sep) core profit to grow by a further 28% YoY, reaching FY19 levels. AOT is entering the peak travel period, where earnings may rise YoY and QoQ throughout 1Q-2Q in FY25. • Key growth factors: i) Recovery in tourist arrivals from major source markets (China, Malaysia, India, and South Korea), ii) rising utilisation of Suvarnabhumi Airport's (BKK) new Satellite Terminal, iii) the opening of BKK's third runway in Nov 2024, and iv) Thai Airways' improving operations. • Limited earnings impact from the reclamation of a small commercial area at the Suvarnabhumi and Phuket Airports, and the closure of duty-free shops in visitor arrival areas. • Expansion projects will support longer-term growth, eg BKK's revised 10-year masterplan (2025-2035) comprising the South, East and West Terminals, and the fourth runway, worth THB159bn, will boost its capacity to handle 150m passengers pa (vs 60m pa currently).	• Solid targets; i) 3-year revenue growth of c.10% CAGR, ii) c.9,300 structured beds (2023: c.8,600), iii) occupancy rate hikes to 75% (2023: 69%) by increasing patient volumes, and iv) keeping its EBITDA margin at c.25% through better revenue intensity and an improved case mix. • To raise its revenue mix from third-party payers – private medical insurance patients – to 40% in three years (2023: 36%), which would benefit BDMS' profit margin management. • 4Q24F earnings may continue to increase YoY on higher patient volume and revenue intensity from both Thais and foreigners, but slightly drop QoQ post-3Q's peak period. • Stabilised 9-10% core profit growth in 2024-2025F should be supported by: i) Increasing its Centre of Excellence services for Thai and foreign patients, ii) opening new hospitals, and iii) rising China patient numbers, with potential rebounds in Kuwait and Saudi Arabia patient numbers.	• On a YTD basis, BEM looks set to continue its earnings growth without any short-term hindrances in sight. Although earnings growth will be slimmer than in previous years, the consistent improvement – mainly from Blue Line MRT ridership prospects – should continue. • We expect 3Q24F core profit to grow to THB1.04bn (+7% YoY, +3% QoQ), which should represent a new high for its quarterly earnings. • As its businesses are likely to continue setting higher key indicators for FY24, especially in November, we expect 4Q24 core profit (excluding dividends from related companies) to grow 8% YoY. • We expect BEM to mitigate the risk from the Government implementing a THB20 per trip flat fare for all MRT routes via a common ticketing system policy – which may come into effect two years from Sep 2025 at the earliest – by redeeming the deficit of the fare rate from Mass Rapid Transit Authority.
Valuations	DCF	DCF	SOP, by appraising its: i) Core businesses with a DCF calculation; and ii) its affiliates – including CK Power and TTW – with consensus forecasts.
Risks	• Slower-than-expected air travel recovery. • Delays in project investment plans. • Changes in government policies, political gatherings, natural disasters, disease outbreaks.	• Weaker-than-expected economic conditions. • Tough competition. • Sluggish flow of medical tourists. • Changes in the revenue mix with lower profit margins.	• Weaker-than-expected future traffic and ridership growth.

	CH Karnchang (CK TB)	CP ALL (CPALL TB)	Minor International (MINT TB)
Share price performance	Ch. Karnchang PCL (CK TB) 	CP ALL PCL (CPALL TB) 	Minor International PCL (MINT TB) 
Market cap (USD)	1,035.00	17,485.75	4,885.42
Current price	THB20.40	THB65.25	THB28.75
Rating/TP	BUY, TP: THB24.50	BUY, THB85.00	BUY, TP: THB42.50
Sector	Construction	Commerce	Tourism
Company description	CK is a Thailand-based construction company with capabilities in state-of-the-art construction technologies and project management. It also has unique capabilities in comprehensive development, financing, and the management of large-scale infrastructure concessions domestically and regionally.	CPALL has a 53% market share of the CVS segment in Thailand. The company has 14,545 convenience stores (CVS) nationwide as at 2023. In 2013, it acquired the country's biggest cash-and-carry store operator, Siam Makro, and recently named it CP Axtra (CPAXT, NR). As of 2023, CPAXT operates 160 Makro wholesale stores throughout Thailand and eight stores overseas, as well as operates Lotus's retail stores totaling 2,454 in Thailand and 68 in Malaysia.	MINT is a global company focused on three primary businesses: Restaurants, hotels, and a distribution unit that features lifestyle brands. It is the owner of Thailand's leading hotel and food franchises, including Anantara Hotels, Resorts & Spas, Avani Hotels & Resorts, NH Hotel Group, and The Pizza Company. MINT currently has a global presence with 532 hotel properties, 2,645 restaurants, and 286 retail points of sale in 63 countries.
Business strengths	• One of the three largest construction companies in Thailand. • Strongest recurring income from investments in the utility business. • Key expertise in construction projects, eg mass transit routes and expressways. • Proven track record in maintaining a high GPM under varied circumstances.	• Dominant market share in the staple retail formats in Thailand – CVS, cash-and-carry stores, and hypermarkets. • Has a strong product range, being part of the Charoen Pokphand Group, which has an extensive food business. • Excellent distribution network across Thailand. • Potential growth via overseas business expansions.	• Well-diversified businesses and asset locations. • Solid earnings growth from businesses that have both asset-heavy and asset-light models. • Strong expertise in hotel management around the world. • Highly efficient restaurant business.
Investment highlights	• On a YTD basis, CK has secured new orderbooks worth c.THB111bn. Among these are two contracts worth a total of THB109bn related to the MRT Orange Line. As of June, its orderbook reached a new high of THB222.7bn. CK's orderbook has surged to over THB200bn, extending its revenue visibility to over three years. • With its orders in hand hitting a new high, CK's key strength going forward will be its solid revenue momentum over the next five years. Although the construction of its double-track railway project is scheduled to be completed in FY27, construction of the MRT Orange Line route (to begin in FY25) should contribute more significant revenue from FY26 onwards, while the Luang Prabang hydropower project (c.10-year construction period, ending in FY30) should help cushion any revenue shortfalls.	• Expected to book strong YoY and QoQ earnings growth in 4Q24. • CPALL's key growth drivers; i) Ongoing tourism recovery, ii) opening 700 new stores this year, iii) higher customer traffic and ticket size in the festive period, iv) CVS business expansion overseas. • CPAXT's key drivers; i) Makro's improving sales and better cost management for omni-channel operations (c.23% of Makro Thailand sales), ii) opening 8-10 wholesale stores, one hypermarket, 6-8 supermarkets, and >100 Lotus's mini outlets, iii) Lotus's strategy to enhance fresh food sales mix (from c.25%). • Lotus's is a beneficiary of the THB10,000 cash aid, with higher sales seen in early Oct 2024, mainly in electrical appliances and at larger store formats. • Synergistic upside post-CPAXT's corporate restructuring by end-2024 and planned opening of Makro's new composite distribution centre in Jan 2025 could be earnings drivers in 2025.	• Expect 2024 core earnings growth of 12% to another record of THB8.0bn, driven by: i) 7% sales growth based on a conservative 8% hotel RevPar growth and +1% food SSSG, and ii) a higher GPM by 1.9ppts on continued improving operating leverage. • Hotel wing: i) Seek better demand for leisure and business travel both in Thailand and Europe, ii) upgrading over 30 hotels to higher-tier brands in 2024-2025F, iii) average daily rate hikes for hotels in Europe offset some cost increases. • Its food wing may also benefit from business rationalisation in Thailand and effective cost control in China. • MINT targets to reduce its net interest bearing D/E ratio to 0.8x at the year-end (2Q24: 0.96x), by lowering debt levels through repayments in 2H24F. • 4Q24F core profit may expand YoY and QoQ, based on: i) A positive outlook for demand at Europe hotels in Oct 2024, ii) high season for hotels and restaurants in Thailand, and iii) reducing finance costs.
Valuations	SOP, by appraising the construction business with P/E, BEM with our TP, and TPs for investments in other affiliated companies with Bloomberg consensus estimates.	DCF	DCF
Risks	• Delays in launching new infrastructure projects. • Major construction materials' price volatilities.	• Slowdown in domestic consumption. • Intense competition in hypermarkets that may squeeze profit margins of its Makro cash-and-carry and Lotus's retail stores. • Higher-than-expected opex. • Increasing leverage.	• Weaker-than-expected tourism environment and consumption. • Rising competition among hotel and restaurant operators • Weaker-than-expected cost controls which may lower profit margins.

	Kasikornbank (KBANK TB)	PTT (PTT TB)	PTT Exploration & Production (PTTEP TB)
Share price performance	Kasikorn Bank PCL (KBANK TB) 	PTT PCL (PTT TB) 	PTT Exploration and Production PCL (PTTEP TB) 
Market cap (USD)	10,888.98	28,848.49	15,683.19
Current price	THB153.50	THB33.75	THB132.00
Rating/TP	BUY, TP: THB177.00	BUY, TP: THB42.50	BUY, THB171.00
Sector	Banks	Energy	Energy
Company description	KBANK is Thailand's third-largest commercial bank by asset size. It has a balanced loan mix of corporate (c.39%), SME (27%), and retail customers (27%). The bank's international network now includes 16 establishments in eight countries.	PTT and its subsidiaries operate across the petroleum and energy sectors, in Thailand and abroad. It is directly involved in natural gas procurement, pipeline transmission, and LNG-related services. Listed subsidiaries are: PTT Exploration & Production which focuses on petroleum E&P; Thai Oil, IRPC, and PTT Global Chemical operate in the refining and petrochemical sectors; PTT Oil & Retail Business handles retail operations, while Global Power Synergy specialises in utilities.	PTTEP focuses on petroleum E&P both domestically and internationally. The company has a strong presence in South-East Asia and the Middle East, and is committed to sustainable development and technological innovation in the energy sector.
Business strengths	• Strong presence in SME lending. • Better management of capital and ROE. • KBANK's vision and K-Strategy (3+1 Strategy) will strengthen earnings growth and competitiveness in the long term. • The K-Strategy prioritises quality and secured lending, with emphasis on its existing client base and mid- to higher-income segments, as well as improving its fee income businesses (wealth and payment channels).	• Government arm operating across the full spectrum of the energy sector, from upstream exploration to downstream refining and petrochemicals, • With robust cash flow, liquidity, and market dominance in Thailand's energy sector, PTT maintains a solid financial foundation and leading position. • Actively investing in RE, EVs and clean technologies, aligning its future growth with global sustainability trends.	• Under the integration chain and with support from PTT Group, the largest and integrated energy player in Thailand with nationwide branches in Thailand and neighbouring countries. PTT Group has a strong market position in oil & gas production, as well as oil retail. • Long-term experience in oil & gas exploration with several diversified sites throughout the world.
Investment highlights	• Four catalysts driving its share price: i) Better capital management and ROE via higher dividend payouts; ii) resilient earnings growth outlook and revival of non-II growth momentum via KBANK 3+1 Strategy; iii) better asset quality control, and iv) inexpensive valuation – its P/E and P/BV remain below -1SD from the historical mean. • KBANK also has the best ESG score among the Thai banks at 3.3 vs the 3.2 country median. • Management has a clear intention to improve shareholder returns, capital management, and ROE with a double-digit ROE by 2026 target. A rapid tool to achieve these targets is to raise its dividend payout ratio which we project at c.40%. This represents sound dividend yields of c.5% for FY24-25F. • Outstanding earnings growth (9% in FY24F and 7% in FY25F vs peers: c.2% and 6.7%) backed by its 3+1 Strategy.	• Earnings should improve from 2025 onwards, driven by Brent crude oil stabilising at USD80/bbl and a declining pool gas price. This should support solid growth in its E&P business, improve mid-stream refinery and petrochemical margins by reducing feedstock costs, and ease pressure on the Government to subsidise energy prices, benefiting PTT's gas and oil retail operations. • The easing of the Federal Funds Rate is expected to drive global economic growth, boosting oil and petrochemical demand. Depressed petrochemical spreads should gradually recover. • We expect a temporary decline in earnings in 3Q24 on weak contributions from the E&P, refinery, and petrochemical businesses. Earnings should rebound in 4Q, with improvements across all units. • The stock is trading at a discount, with a 0.8x P/BV and 8.9x P/E for 2025F, both below historical averages. It also offers an attractive dividend yield of 6%.	• PTTEP is expected to achieve a CAGR of 5% in volume from 2024 to 2028, driven by the launch of major projects such as SK410B (Lang Lebah). • The company is expected to experience a temporary decline in earnings for 3Q24. However, the outlook for 4Q24 remains positive, driven by a projected 12% QoQ increase in sales volume and higher ASPs, supported by an anticipated rise in oil prices. • As a prime beneficiary of rising oil prices, the company stands to gain further upside if Brent crude surpasses our forecast of USD 80/bbl in 4Q24. This could be driven by potential supply disruptions if tensions between Israel and Iran escalate, affecting Iran's oil production. • The stock is currently trading at a discounted 1.0x P/BV and 7.5x 2025F P/E, which is below its historical averages. Additionally, it offers an attractive dividend yield of over 6%.
Valuations	Gordon growth model (GGM)	SOP, P/BV	DCF, P/BV
Risks	• Lingering challenges in asset quality • NIM compression from potential benchmark interest rate cuts. • Slower-than-expected economic growth which may impact asset quality and growth prospects.	• Slower-than-expected global economic recovery. • Government intervention on price controls. • Oil price fluctuations.	• Slower-than-expected economic recovery. • Regulations changing for international businesses across countries. • Oil price fluctuations.

	Supalai PCL (SPALI TB)
Share price performance	
Market cap (USD)	1,146.93
Current price	THB19.60
Rating/TP	BUY, TP: THB24.70
Sector	Property
Company description	Supalai is a residential property developer focusing on the mid- to low-end segments in Bangkok and the upcountry. It also has office buildings for rent and a small hotel business.
Business strengths	• Its housing project portfolio being diversified better than that of other large developers. • Strength in commanding presales in the condominium and low-rise project segments to capture the mid-end demand
Investment highlights	• Based on the current circumstances of the residential property market in Thailand, we believe that developers with diversification plans could have a bigger advantage over peers, as this will help mitigate the risk of project concentration (usually in Bangkok and the vicinities). • For the past 10 years, Supalai has developed housing projects via JV collaborations in Australia. It is currently working on 12 projects (11 JVs and one 100%-owned) valued at >THB50bn in four cities, focusing on affordable homes including townhouses and apartments, in addition to land subdivision projects. Supalai can stabilise contributions from such overseas businesses via profit-sharing at THB200-500m pa for its eight JV projects. • In the near term, the company's cumulative orderbooks to be recognised as revenue from 3Q24 to 4Q24 have remained healthy. There is also a strong likelihood of its completed condominium inventory seeing a better performance when Supalai implements more aggressive promotional campaigns in the remainder of this year.
Valuations	P/E
Risks	• High household debt levels. • Banks imposing stricter lending measures, especially on the low-to-mid-end market. • High revenue exposure to low-rise projects and provincial markets.

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470