

23 December 2021

Market Outlook | Market Strategy

Market Strategy

Rediscover Thailand 2022

- A turning point.** Balancing a slower economic recovery with a possible path out of the COVID-19 pandemic has been the new norm for Thailand since 1 Nov. The Delta variant struck in June, and new infections peaked in August before tapering down towards the year-end. Thailand ramped up public health protocols and movement restrictions, and the percentage of people having received their second vaccination dose rose to exceed 65%. Meanwhile, the Omicron variant may still impact economic growth and investor interest – but only to an extent. Beyond COVID-19, we believe Thai stocks are set to see a recovery in their fundamentals in 1H22, then strengthen further in 2H22.
- Economy bottomed out in 3Q21.** The Street GDP estimate indicates that Thailand's economic growth bottomed out in 3Q21 (-0.3% YoY) as the country underwent a lockdown that lasted for a few months. The Street also expects growth to recover by 0.5% YoY in 4Q21, and pick up speed towards 2H22. It expects GDP growth at 1% YoY for this year, and at 3.9% YoY for 2022 (RHB economists expect 1% and 3.6% growth for 2021 and 2022). The consensus expects economic metrics to be positive in 2022, with export growth rising 10.8% as public spending, investments and private consumption pick up. Inflation should not be a major issue.
- Speeding up the execution of infrastructure projects.** In 2022, three mass rapid transit lines will come on-stream: i) the 41.6km MRT Red Line, owned by the State Railway of Thailand; ii) 30.4km MRT Yellow Line, and iii) 34.5km MRT Pink Line, which will transverse 32 stations, and is run and concession-owned by BTS Group. Meanwhile, projects up for bids will include the THB120bn MRT Orange Line, spanning 22.6km (scheduled to begin operations by late 2023), under an operations and maintenance (O&M) concession. We believe Bangkok Expressway & Metro (BEM) has a high chance of winning this concession, as 75% of the MRT Orange Line will be underground. Besides this, phase 2 of the MRT Purple Line will be open for construction bids by year-end, and the O&M concession value (for 2022) is at around THB100bn. BEM runs phase 1 of the MRT Purple Line.
- End-2022 SET target at 1,880pts.** Despite the pandemic, corporate earnings in 9M21 surged by 142% YoY due to the economic turnaround. As such, we expect the SET's EPS to grow by a solid 106% YoY this year, then decelerate to 11.8% YoY in 2022. Accordingly, we forecast the SET index target at 1,681pts for this year-end, and at 1,880 pts for 2022 by assigning a P/E of 22.5x, based on a 5-year mean.
- Our investment thesis is split into two periods:** i) 1H22 – commodity prices and exports to drive and support growth, amid a continuation of stimulus measures and a pick-up in consumption. Top Picks: Hana Microelectronics (HANA), Thai Union (TU), Global Power Synergy (GPSC), Kasikornbank (KBANK) and PTT Exploration & Production (PTTEP); ii) 2H22 – ramp-up in public infrastructure project bids and budget disbursements, private investments, and robust consumption. Top Picks: Airports of Thailand (AOT), Bangkok Dusit Medical Services (BDMS), BEM, CH Karnchang (CK), Central Pattana (CPN), Minor International (MINT) and WHA.Corp (WHA).

Stocks Covered 62
 Rating (Buy/Neutral/Sell): 39 / 15 / 8
 Last 12m Earnings Revision Trend: Positive

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Rediscover Thailand 2022 – a front view of Wat Benjamaborphit



Source: IG-Bangkok

SET valuation & target

Key Inputs	2018	2019	2020	2021E	2022E	2023E
Return on Equity	10.9%	9.6%	4.2%	8.6%	9.1%	9.6%
EPS (THB)	91.45	81.64	36.33	74.83	83.68	93.41
EPS growth	-3.7%	-10.7%	-55.5%	106.0%	11.8%	11.6%
BV (THB)	828.5	848.3	833.7	826.5	868.3	915.0
Dividend yield	3.1%	2.7%	1.3%	2.3%	2.8%	3.2%
P/E (x)	17.1	19.35	39.90	21.73	19.43	17.41
P/BV (x)	1.89	1.86	1.74	1.97	1.87	1.78
SET index (pts)	1,564	1,580	1,442	1,681	1,880	2,099
SET/Market return	-10.8%	1.0%	-8.7%	16.6%	11.8%	11.6%
Dividend yield	3.1%	2.7%	1.3%	2.3%	2.8%	3.2%
Total return	-7.7%	3.8%	-7.5%	18.9%	14.7%	14.8%

Source: RHB

Company Name	Rating	Target (THB)	% Upside (Downside)	P/E (x) Dec-22F	P/B (x) Dec-22F	ROAE (%) Dec-22F	Yield (%) Dec-22F
Airports of Thailand	Buy	77.00	29.4	2,514.6	6.9	0.3	0.3
Bangkok Dusit Medical Services	Buy	29.00	27.8	43.3	4.2	9.8	1.4
Bangkok Expressway and Metro	Buy	10.10	21.0	43.1	3.2	7.6	1.5
Central Pattana	Buy	65.50	20.2	23.6	3.0	13.4	1.2
CH Karnchang	Buy	23.30	7.4	29.5	1.7	5.9	1.8
Global Power Synergy	Buy	91.00	15.9	20.1	2.0	8.5	2.0
HANA Microelectronics	Buy	120.00	32.6	22.6	3.0	13.6	2.2
Kasikornbank	Buy	165.00	20.9	7.0	0.6	9.5	3.0
Minor International	Trading Buy	40.00	42.9	68.7	3.6	5.3	0.4
PTT Exploration & Production	Buy	138.00	18.5	9.7	1.1	11.8	4.1
WHA Corp	Buy	4.35	26.5	13.5	1.8	13.6	4.1

Source: Company data, RHB

Economic Outlook For 2022

Brighter skies towards year-end and 2022

We maintain our GDP forecast at 1% YoY for 2021. Economic activities should pick up pace in 4Q21 as vaccination rates increase, new positive cases decline, and restrictions lift across the country. In terms of consumption spending, the momentum should improve towards the year-end due to pent-up demand from months of restrictions as well as the holiday season. The Consumer Confidence Index rose to 43.4 in October amid a loosening of restrictions, marking an improvement from the trough in August (ie 39.6). Investment activities should also ramp up in 4Q21, as business activities improve in tandem with economic resumption. In terms of trade, we expect export to rise towards the year-end, as global demand recovers from the mid-cycle slowdown as well as the resumption of domestic production activities.

As for 2022, we maintain our forecast at 3.6% YoY. Domestic demand is expected to improve further as mobility rises, leading to a rise in economic and business activities. Pent-up demand should also continue to spur consumption activities before easing in 2H22. Moreover, fiscal support from the Government should extend into the year to affected sectors, as the economy continues to recover. Resilience in the momentum of exports is anticipated to continue into 1H22 before easing in 2H22, driven by recovering global demand in major markets.

The tourism industry is also anticipated to see an increase in the number of foreign visitors as the country re-opens its borders. Further adjustments to quarantine requirements for air travellers from more countries would benefit the industry in 2022. Nonetheless, the recovery in visitor arrivals for 2022 is still expected to be subdued vs the pre-pandemic average. Although the country has begun to pivot away from strict border controls as to facilitate recovery, the ongoing pandemic, driven by new variants, as well as border control measures from other countries, particularly China, may dampen the effect of the country's re-opening strategy in 2022.

On inflation, the Bank of Thailand (BoT) expects "headline inflation to increase temporarily due to supply-side factors but will decline by early next year". However, the possibility of an upward revision is in view in the next Monetary Policy Committee meeting, given that pressures from global commodity prices remain elevated.

We expect the BoT to maintain its policy rate at 0.5% for 2021 and 2022 as the economy continues to recover, and will primarily be supported by fiscal measures. 3Q21 GDP growth was at -0.3% YoY vs the consensus estimate of -1.3%, our estimate of -1.5% and 7.6% in 2Q21. In terms of a QoQ seasonally adjusted (sa) basis, 3Q21 GDP was at -1.1% from 0.1% in 2Q21.

On the demand side, private consumption expenditure (PCE) fell by -3.2% YoY from 4.8% YoY in the previous quarter. Spending on goods and services due to strict COVID-19 control measures hindered economic activities and employment. The Consumer Confidence Index fell to 40.6 in 3Q21, from 44.6. In terms of QoQ sa, PCE declined by -1.5% in 3Q21 from -2.4% in 2Q21.

Gross fixed capital formation (GFCF) also declined by -0.4% YoY from 7.6% YoY in 2Q21, mainly attributed to a sharp decline in public investment and slower growth in private investments. Public investment registered a sharp decline of 6.0% YoY from 4.1% YoY due to weaker government investments, while private investments grew by 2.6% YoY from 9.2% YoY on account of a broad-based slowdown in economic activities. GFCF printed -2.6% QoQ sa in 3Q21 versus -0.7% QoQ sa in 2Q21.

On trade, exports moderated by 12.3% YoY from 27.7% YoY in 2Q21, driven by agriculture and manufacturing products as exports of services registered a sharper contraction for the quarter. Meanwhile, imports grew by 27.8% YoY in 3Q21 from 30.3% YoY, on the back of the increase in imports of non-durable products, medical and pharmaceutical products as well as capital goods. On a QoQ sa basis, exports of goods and services printed -5.0% in 3Q21 versus 9.7% in 2Q21 while imports of goods and services printed 3.4% in 3Q21 versus 2.4% in 2Q21.

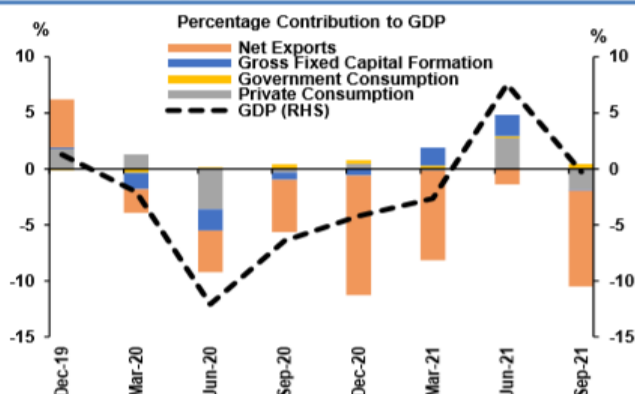
Government consumption rose by 2.5% YoY from 1.0% in the preceding quarter due to higher compensation for employees, social transfers as well as consumption of fixed capital. Of note, the disbursement for the quarter was up by 13.5% YoY on overall greater support measures for the economy and society affected by the pandemic.

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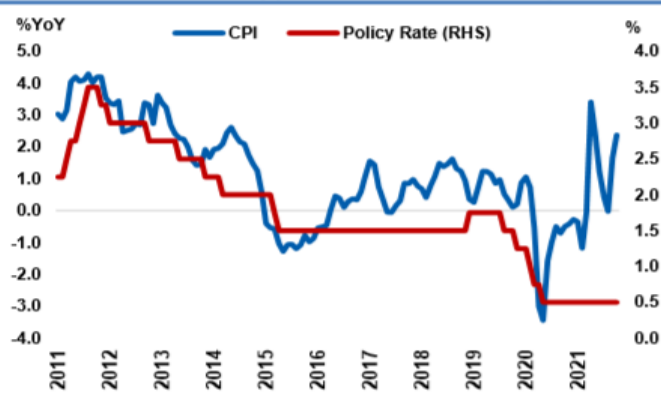
On the supply side, growth was supported by the agriculture sector, with growth up by 4.3% YoY from 1.9% YoY in 2Q21. On the contrary, the non-agriculture sector declined by -0.5% YoY from 8.1% YoY in the previous quarter. Within the sector, the mining and quarrying as well as the manufacturing segment registered sharp declines while growth for the services segment moderated significantly.

Figure 1: Private consumption down and slowdown in trade amid tight restrictions in 3Q21



Source: CEIC, RHB Economics & Market Strategy

Figure 2: BoT maintains policy rate at 0.5% for the rest of 2021 and 2022 to support economic recovery



Source: CEIC, RHB Economics & Market Strategy

Figure 3: Consensus estimates

Indicator	2014	2015	2016	2017	2018	2019	2020	2021F	2022F	2023F
Economic Activity										
Real GDP (YoY%)	1.0	3.1	3.4	4.2	4.2	2.3	-6.1	1.0	3.9	4.0
CPI (YoY%)	1.9	-0.9	0.2	0.7	1.1	0.7	-0.8	1.1	1.5	1.1
Unemployment (%)	0.8	0.9	1.0	1.2	1.1	1.0	1.7	1.9	1.5	1.3
External Balance										
Curr. Acct. (% of GDP)	2.9	6.9	10.5	9.6	5.6	7.0	3.7	-1.9	1.0	3.9
Fiscal Balance										
Budget (% of GDP)	-3.0	-2.6	-3.5	-3.5	-2.5	-1.9	-5.2	-5.1	-4.6	-3.6
Interest Rates										
Central Bank Rate (%)	2.0	1.5	1.5	1.5	1.8	1.3	0.5	0.5	0.6	0.9
3-Month Rate (%)	2.2	1.6	1.6	1.6	1.9	1.4	0.6	0.6	0.6	0.9
2-Year Note (%)	2.1	1.5	1.6	1.5	1.8	1.2	0.4	0.6	0.9	1.3
10-Year Note (%)	2.7	2.5	2.7	2.3	2.5	1.5	1.3	1.9	2.2	2.2
Exchange Rates										
USDTHB	32.91	36.03	35.84	32.57	32.33	29.71	29.96	33.15	32.5	31.85

Source: Bloomberg

Key Investment Highlights For 2022

Positives

- i. We expect public and private spending, as well as the export sectors, to spearhead GDP growth;
- ii. Public infrastructure projects will be open for bids: phase 2 of the high-speed rail, MRT Purple Line, MRT Orange Line, development of surrounding land for retail projects at Bang Sue Grand Station (the largest railway train station in South-East Asia) including the extension of the MRT Red Line, amounting to more than USD10bn;
- iii. Acceleration of public budget disbursements before the Government's term ends in 2023;
- iv. Increase in foreign direct investments (FDI) in the Eastern Economic Corridor (EEC, raking in USD12bn for 9M21 (+220% YoY)) and private-public-partnership (PPP) projects to become more meaningful;
- v. Thailand's balance sheet is in good shape, with a low public debt-to-GDP ratio (60% in 2022), 1.7% foreign debt, and 14% of debts held in the short term – the country has been in a current account surplus for over eight consecutive years. If an economic downturn happens in 2022, there would be room for fiscal stimulus measures to be implemented;
- vi. Volatility of the THB remains relatively low. Its weakening would have a net positive impact on GDP, as the export sector accounts for more than 45% of GDP;
- vii. Thailand is AstraZeneca's production base in ASEAN for COVID-19 vaccines (as well as for other locally-branded jabs);
- viii. An easing monetary policy – maintaining Thailand's lowest interest rate in history, at 0.50%. Inflation has yet become a major issue – this has been forecasted by the Government at <2.0% for next year.

Risks

- i. Emergence and/or resurgence of new COVID-19 variants;
- ii. A K-shaped economic recovery, which would trigger uncertainties in the export sectors (which contribute 18% of GDP);
- iii. Rising household debt levels (89.3% in 2Q21) will hamper domestic consumption, possibly rising non-performing loans (3.65% in 3Q21), and a high unemployment rate;
- iv. External factors triggering capital outflows in the equity market;
- v. The 2024 general elections, where a change of government and prime minister may create political instability and lead to inconsistent long-term economic policies.

Investment Themes In 2022

Theme 1: Tech and fintech start-ups are a game-changer

New capex cycle. Over the past 3-5 years, Thai banks have spent capex heavily on their conventional banking business (primarily on lean management), with a minimal digital transformation (focus on mobile banking applications). In 2022, we believe the new capex cycle will focus on reshaping and technological disruptions beyond banking, by embracing and investing in new technologies. Given the ongoing changes in the digital arena, there are many areas of new banking-related businesses such as digital lending, artificial intelligence (AI) chatbots, peer-to-peer lending, information technology (IT) consulting, and other technology platforms. Some also anticipate its application to be a super app (several services from one single app), eg Siam Commercial Bank's (SCB) Robinhood.

Impact of venture capital. Besides the growth in wealth management and partly from incumbent banks, investments in potential start-ups via banks' venture capital arms, as well as impactful partnerships should boost competitiveness and ROE through synergies generated. SCB has a JV with Advanced Info Services (ADVANC), while Krung Thai Bank (KTB) has a JV with Accenture. These banks may be able to unlock the value of start-ups via exit strategies. Previously, most Thai banks have owned venture capital businesses, but these have not been very visible, nor were there noteworthy transactions in the capital market

Re-rating in valuations. On top of profitability, banking stocks are likely poised for a re-rating – although most new investments contribute marginal numbers or take years to turn around. This is due to the fact that they tend to invest in seed and pre-series company rounds. Looking ahead, we may not only use the conventional Gordon Growth Model valuation to derive our TPs – the SOP valuation would also be a suitable approach to ascertain the fair value of tech platform companies. For example, it may be possible to value profitable firms by conventional methods. However, the value of loss-making companies could be calculated via price/sales (P/S), enterprise value/sales (EV/S) or other comparable methods (eg comparing a company's market share to TAM or total available market).

Non-banks will soon be thoroughly disrupted. We see less innovation here, with capex spent on expanding branches – since non-banks continue to focus on existing businesses that have growth opportunities. With keener competition and stricter regulations, this would lead to lower profits and a de-rating. However, we expect these firms to find new growth opportunities in areas like “buy now, pay later” (BNPL), digital lending, and comprehensive mobile apps – which may also lead to a positive re-rating.

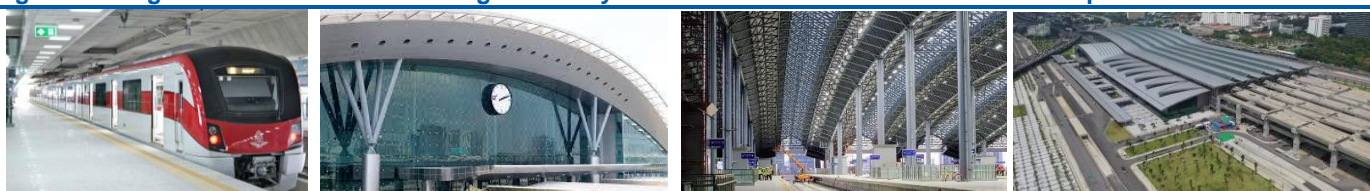
Theme 2: Future connectivity – road, rail and ports

Figure 4: After 105 years, the Hua Lum Phong railway station will be turned into a museum and a mixed-use project



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

Figure 5: Bang Sue Grand Station – the largest railway station in South-East Asia commenced operations in Nov 2021



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

The station is operated and owned by the State Railway of Thailand (SRT). Further details of the facility are as below:

- i. Underground floor: Bang Sue mass rapid transit (MRT) station, on the MRT Blue Line (operated by BEM), with parking space for 1,624 vehicles.
- ii. Ground floor: Station concourse with ticketing and waiting areas. This will be the only air-conditioned area in the station.
- iii. Second floor: Train platforms with 12 tracks. Eight tracks will serve long-distance diesel trains. Four tracks will serve SRT Red Dark and Light Red Line commuter trains.
- iv. Third floor: High-speed railway platforms with 10 tracks. Four tracks will serve the AERA1 (Airport Rail Link) City, and the Don Mueang–Suvarnabhumi–U-Tapao, high-speed railway linking Don Mueang International Airport, Suvarnabhumi Airport and U-Tapao International Airport. Six tracks are reserved for future high-speed rail (HSR) connections to Nong Khai, Padang Besar and Chiang Mai.
- v. Land area: 2,475 *rai* (978.26 acres)
- vi. Platforms: 26
- vii. Passenger capacity: 136,000 per day (within 2022), 359,000 per day (within 2027), and 624,000 per day (within 2032).

Figure 6: MRT lines comprise those badged under Yellow, Pink, Orange and Purple. In the future, there will be the Grey and Brown Lines as well



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

More MRT projects. In 2022, there will be three mass transit lines commencing operations:

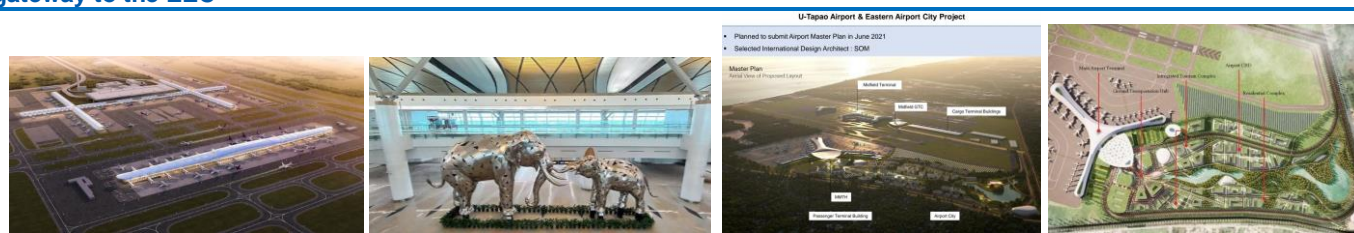
- i. The 41.6km MRT Red Line, operated by SRT;
- ii. The 30.4km MRT Yellow Line;
- iii. The 34.5km MRT Pink Line, with a network of 32 stations.

MRT Yellow Line and MRT Pink Line are currently under construction, with >80% progress. These two routes will be managed by BTS Group, and operations are expected to begin in mid-2022.

Meanwhile, projects up for bids in 2022 will be:

- i. **MRT Orange Line (22.6 km).** Phase 1 is anticipated to kick off operations anytime from late 2023 to end-2024. BEM has a high chance of winning this concession, based on its extensive experience in running services on the MRT Blue Line. The value of this project should be around THB120bn, including the construction of the extension route from the end of phase 1 to the west side of Bangkok (THB90bn) and the O&M concession (THB30bn);
- ii. **MRT Purple Line.** Companies participating in the bidding process are vying for the contract to build the second phase. These companies will submit their proposals on 27 Dec, while the O&M concession will be up for bids next year. Note that the contract value for construction and O&M is estimated at around THB100bn. BEM will have an edge in bidding for the O&M concession, as it is currently operating phase 1 of this network.

Figure 7: International airports – Suvarnabhumi phase 2, and U-Tapao, the third primary airport in Thailand and the gateway to the EEC



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

Figure 8: Salient details of the Suvarnabhumi and U-Tapao international airports

Airport	Description	Investment cost (THBbn)	Completion	Additional capacity
Suvarnabhumi	Satellite Terminal	62.5	2022	15m pax pa (total 60m pax pa)
	Third Runway	21.8	2023	26 aircrafts/hour (total 94 aircrafts/hour)
	North Expansion	41.3	2024	30m pax pa (total 90m pax pa)
U-Tapao	Phase 1:	31.3	2025	16m pax pa
	- Terminal 3 construction			
	- Taxiway			
	- High-speed Rail Link project connectivity			
	Phase 2:	23.9	2030	14m pax pa (total 30m pax pa)
	- Terminal 3 expansion			
	- Automated People Mover (APM) system			
	Phase 3:	31.4	2042	15m pax pa (total 45m pax pa)
	- Terminal 3 expansion			
	Phase 4:	38.2	2055	15m pax pa (total 60m pax pa)
	- Terminal 4 construction			

Source: Airport Authority of Thailand

Domestic travel is rebounding, and this may be a tailwind. Meanwhile, there has also been a gradual recovery in international upscale foreign tourist arrivals and business travellers. International visitor arrivals may ramp up gradually in 1H22, and an expected influx of tourists from China may trigger a boost for Thailand's tourism industry by 2H22. Our assumptions indicate that the number of domestic and international air passengers travelling through AOT's airports may improve to 62% and 31% of 2019 levels (ie pre-COVID-19).

We remain optimistic on the Thai aviation sector over the next 12 months. Post-COVID-19, we believe the aviation sector in Asia will have strong growth potential. Thailand, being a top tourism destination and leading aviation hub, is progressively developing infrastructure to meet the upcoming surge in demand. This includes expansion works for Suvarnabhumi International Airport as well as U-Tapao International Airport, the country's third primary project which provides connectivity to the EEC.

Maintain BUY on AOT. AOT's search for private operators for the Suvarnabhumi Airport City project may kick off in Dec 2021, while its certification hub for agricultural product exports may commence in Apr 2022. These projects could help to balance its commercial revenue over aeronautical operations. Still, we see these projects as a long-term earnings upside, as it may take years to secure revenue. The planned operational transfer of the state's three airports – Udon Thani, Buriram, and Krabi – to AOT may be submitted to the Cabinet for consideration in Jan 2022, although details of the airports' operational formats have not yet concluded.

Figure 9: High-speed rail (HSR) projects in the first and second phases



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

HSR details:

- i. Phase 1: Bangkok-Nakhon Ratchasima
- ii. Phase 2: Nakhon Rachasima-Khon Kaen-Nong Khai
- Total distance: 873 km, total investment cost: THB500bn (USD15 bn).
- Key benefits: Passenger and cargo transport, Thai exports can reach Europe in 12 days, boosting tourism in northeast Thailand.

Winners of construction contracts in HSR phase 1

- i. Italian-Thai Development (ITD TB, NR);
- ii. Nawarat Patanakarn (NWR TB, NR); and
- iii. Unique Engineering and Construction (UNIQ TB, NR) while other bid winners were non-listed companies with a strong reputation in civil engineering works and construction.

Operations are set to kick off in 2026, and construction is still far from being completed. One out of 14 contracts has been completed, while six are under construction, and seven are still in the pre-construction stage.

The recent successful connectivity of the HSR project between China and Laos has pressured the Thai Government to speed up the second phase linking the endpoint of phase 1 to the Thailand-Laos border. Phase 2 is under the design process. We think that the existing bid winners, ie the three listed companies (ITD, NWR and UNIQ), will have a competitive advantage in bidding for phase 2. Construction works of the first phase are scheduled to be completed in 2025. CH Karnchang (CK) and Sino-Thai Engineering & Construction (STEC) have shown no interest in this project.

Figure 10: Deep sea port – Laem Chabang Port Phase 3 terminal F will begin construction in 2023, and open in 2025



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

To become a regional logistics hub. This deep seaport project’s expansion project within 1,600 *rai* (632.41 acres) of land will be vital in expanding the country’s sea freight capacity within the EEC. Yearly container handling capacity will rise from 11m to 18m, and roll on-roll off (Ro/Ro) for auto imports and exports will also surge from 2m units to 3m units per year. There are plans to install an automation system in this new phase, while the logistics activities via the railway route within the deep seaport project will increase to 30%. It will also enable multimodal transportation, which will engender seamless inter-country connections, including transshipment and railway cargo shipment to neighbouring countries like Cambodia, Laos, Myanmar and Vietnam (CLMV) and China.

The Laem Chabang Port Phase 3 project aims to enhance Thailand's competitiveness in maritime trade, as well as to promote the country as a prominent regional gateway, and to upgrade it into a regional logistics centre. Additionally, the implementation and usage of innovation and technology will advance this facility as a modernised deep seaport that prioritises the environment.

Under PPP investment schemes. The project development cost of Laem Chabang Port Phase 3 has been valued at THB110bn (Port Authority of Thailand (PAT) accounting for 45% and the private sector, 55%). The project will be run under a PPP model, with a concession term of 30-50 years. The biggest advancement in this third phase should be Terminal F – the development contract has been awarded to GPC International Terminal (GPC), with a 40:30:30 spread between Gulf Energy Development (GULF), PTT Tank Terminal and China Harbour Engineering. When Terminal F reaches full capacity, PAT will start the development project for Terminal E – which is likely to happen in the next ten years. PAT also expects its total annual revenue to grow to over THB19bn in 2025, from THB15.9bn in FY22, when Terminal F starts operating (by FY25).

FDI attraction. In addition to GPC being the concessionaire for operating Terminal F for 35 years, we expect other sectors to benefit from the port's higher capacity and more efficient transshipment, especially when FDI into Thailand has resumed solid growth during 9M21. Overall investment application value submitted to Thailand's Board of Investment during Jan-Sep 2021 jumped 140% YoY to THB521bn, which exceeded the full-year amount in FY20. The combined FDI for this project tripled to THB372bn in 9M21, from THB116bn in 9M20. Other beneficiaries include:

- i. Industrial estates and warehouses like Amata Corp (AMATA), WHA, and JWD Infologistics (JWD TB, NR)),
- ii. Sea freight companies like Regional Container Lines (RCL TB, NR), Precious Shipping (PSL TB, NR), Wice Logistics (WICE TB, NR), and LEO Global Logistics (LEO TB, NR);
- iii. Auto and auto parts manufacturers like Somboon Advance Technology (SAT TB, NR) Thai Stanley Electronics (STANLY TB, NR), Aapico Hitech (AH TB, NR); as well as
- iv. Utility players like Sahacogen (Chonburi) (SCG TB, NR), and Ratch Group.

Figure 11: Motorways



Source: Google, Logistics & Development Thailand Forum, Daily News and Thailand Infrastructure

Figure 12: Salient details of upcoming major road projects

Project name	Distance (km)	Project value (THBm)	Construction Period	Investment formula
M82 Bang Khun Thien-Ban Phaew	25	32,220	FY21-24	Civil works invested by the Motorway Project Fund and PPP (gross cost) for mechanical & engineering (M&E) and O&M
M9 Outer Ring Road (Bang Khun Thien-Bang Bua Thong)	36	56,035	FY22-25	PPP (net cost)
M5 Rangsit-Bang Pa In	22	27,800	FY23-26	PPP (gross cost).
Linkage between M6 and Highway No 32	4.28	4,700	FY23-25	Entirely invested by the Government.
M7 Srinakarin-Suvarnabhumi	18	29,550	FY24-27	PPP (net cost).
M8 Nakhon Pathom-Pak Tho	63	51,760	FY24-27	Civil works invested by the Government and PPP (gross cost) for M&E and O&M.
Total	168.28	202,065		

Source: Logistics & Development Thailand Forum

Land logistics. New motorway routes are in the Government’s bid pipeline, and there are opportunities to win concessions. These routes will expand the capabilities of inland transportation and logistics to facilitate intra-country and international trade within the region. These types of projects usually transverse several provinces in a row, bypassing areas that are congested with traffic.

Six new motorways. In 2022, the Ministry of Transport plans to launch six new motorway projects worth THB202bn for actual investment within FY27. It should provide opportunities to the construction sector (STEC, CK, ITD and UNIQ) and transportation system operators (BEM, BTS, and Don Muang Tollway (DMT TB, NR)). The M7 extension, M8, and M9 extension seem to be the most attractive to all participants in bidding for O&M contracts, as these routes are mainly strategic transportation projects.

M7 extension (Srinakarin-Suvarnabhumi). The elevated way above the original M7 motorway route facilitates traffic into and out of Suvarnabhumi International Airport. M8 (Nakhon Pathom-Pak Tho) will be the first motorway route to enter the country’s southern region, while the M9 extension will link M82 and M6. Based on these projects to be developed in the next phase, travelling via motorways will be seamless and a timesaver compared to travelling via regular roads across provinces.

Figure 13: The next megaproject – the Southern Land Bridge (USD38.5bn)



Source: The Bangkok Post, Krungthep Thurakij

Could its time have come? Kra Canal was a project conceptualised in 1677 by the Thai monarch King Narai the Great, who embarked on exploring the possibility of excavating a vast waterway through the narrowest part of the Malay Peninsula, known as the Kra Isthmus, with the hope of opening a direct trade route between Siam and Burma. The concept of a sea passage linking the Gulf of Thailand and the Andaman Sea was dismissed by this government in 2020, but the dream of a Kra Canal evolved into the Southern Land Bridge (SLB). The SLB is to utilise road and railway networks to transport goods to and from deep sea ports on each coast. This land-based route would avoid major drawbacks involved in digging a canal, such as environmental waste and cutting off a southern part of the country embroiled in insurgency. Supporters of the idea also estimated it would fit into a combined budget under USD55bn (projected to be required to dig a canal). A Thai Land Bridge would provide an alternative route cutting approximately 1,200 kilometres or 2-3 days from a journey through to the busy Straits of Malacca.

Southern Land Bridge (SLB). SLB could connect Eastern Economic Corridor (EEC) by land and sea, as well as reduce congestion and time delays from the Straits of Malacca. Cargo transport operators could travel directly from the Gulf of Thailand and Andaman Sea via the road that would cut across Chumphon and Ranong provinces. Recently, the Transport Ministry's Office of Transport and Traffic Policy and Planning (OTP) conducted the forum that sought input on the project which is under the umbrella of the Southern Economic Corridor (SEC).

The concepts. This would involve the construction of two deep-water ports – “smart ports” running on automated systems. One port, located in Chumphon, would deliver and receive goods from East Asian countries such as China, Japan and South Korea, and also countries connected to the Pacific Ocean such as Australia and the US. The other port would be located in the Andaman Sea in Ranong, linked to deliver and receive goods from the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Bimstec) countries such as Myanmar, India, Nepal and Bangladesh or other countries located in the West.

To become a regional logistics hub. The Government plans to set up a national shipping company to promote Thailand as a regional logistics hub for maritime trade. A working panel preparing for the setting up of the company, led by the Transport Minister, is now in talks with the PAT, to commission the latter to conduct a feasibility study on the matter.

Undergoing a feasibility study. The OTP will further study the economic, financial, engineering and social suitability of the SEC. The study will also evaluate environmental effects and report on other uses in accordance with the Public-Private Partnership Act 2019. The study will cover a broad range of related matters and is expected to be completed by 2023. Under last year's initiation plan, the total project value could reach THB1.27trn (USD38.5bn), equivalent to 7.5% of last year's GDP. The timeline of this is broken down into: i) Three years (2022-2024) of feasibility studies and environmental impact assessment, bidding (2024-2024); and ii) seven years of construction, with the project set to be completed in 2032.

Theme 3: Electric vehicles (EV) – next-generation automotives

Thailand has become active in promoting the EV industry. Over the past five years, leading parties – car and parts manufacturers and energy & utility companies – have significantly developed their EV infrastructures and offerings.

Thailand's accumulated EV usage may hit 1.05m units in 2025, and surge to 15.58m units in 2035 (a 15-year CAGR of 34%), compared with just 0.19m EVs on the road in 2020. To serve the projected demand surge, Thailand's National Electric Vehicle Policy Committee or EV Board has set up a roadmap to achieve 12,000 fast charger units by 2030 vs 2,224 units in mid-2021. We have seen both Thailand's state enterprises and private companies carrying out major investments to penetrate the EV charging platform business domestically.

The Thailand Board of Investment (BOI) investment promotion approvals include tax incentives for such projects.

However, we believe that the market response remains gradual. Despite the accumulated number of EV registrations in Thailand – both plug-in hybrid EVs and battery EVs saw strong 5-year growth CAGRs of 22% (2015-2020) – electric passenger cars only account for a minimal c.1.7% of total new car registrations over this period.

Related stocks: EV passenger car and boat producers (PTT, Energy Absolute (EA TB, NR), Next Point (NEXT TB, NR), Chai Watana Tannery (CWT TB, NR), battery chargers (GPSC, Rojana Industrial Park (ROJNA TB, NR), EA, Banpu (BANPU TB, NR)), charging stations (PTT Oil & Retail (OR TB), Forth Corp (FORTH TB, NR), Delta Electronics (DELTA TB, NR), battery-wasted management (Better World Green (BWG, NR), and high-tech electronics firms.

Theme 4: Tourism makes a comeback (>12M investment horizon)

Tourism

The Omicron variant. The Public Health Ministry is considering suspending the "Test & Go" convenient entry programme for fully vaccinated air travellers, because of the escalating Omicron variant situation worldwide. This will hamper ease of entry into Thailand, and even decrease the number of foreign tourist arrivals – but we expect this to be for the short term. Under the current "Test & Go" scheme, average room occupancy rates for hoteliers under our coverage could ramp up to a range of 30-40%, ie half of pre-COVID-19 levels. This is on top of limited room rate hikes vs 2021, on a gradual improvement of international visitor arrivals in 1H22. We expect the number of foreign visitors for the year to improve to about 25% of pre-outbreak levels.

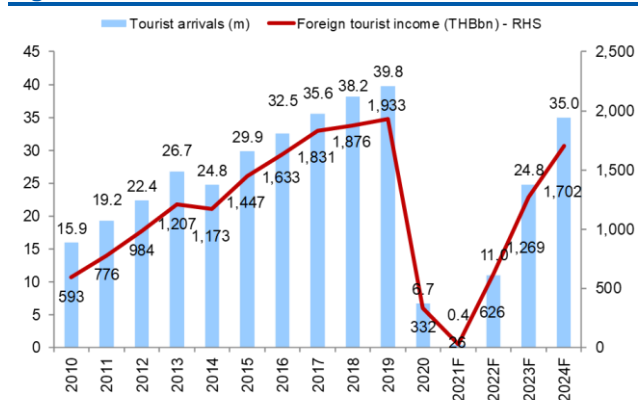
Domestic travellers are a key source market next year. Thai locals are set to remain the key source market – boosted by further tourism stimulus measures given by the Government, the ongoing pent-up demand, and the public's rising confidence over out-of-home activities. Cities that are accessible by just a short drive from the capital, like Pattaya and Hua Hin, may continue to do well, as well as destinations that are popular with international tourists like Phuket and Bangkok. A learning curve in managing opex over the past two years may enable large-scale hoteliers to turn to record positive EBITDA from 2022F onwards. Still, we expect pure hotel operators and those focused on Thailand properties to remain in the red – albeit with smaller losses – in 2022.

Revisiting the investment plan. Hoteliers with healthier financials may resume their plans for new project expansion and existing asset enhancement, along with acquisitions or investments in third-party properties both locally and abroad. Those with high gearing may still see a handful of further asset sales or leases, leading to one-time extra gains and stronger balance sheets.

We are still optimistic about the recovery of Thailand's tourism industry from 2022 onwards. This is in the wake of an improving COVID-19 situation, easing lockdown restrictions in Thailand, strengthening confidence over out-of-home activities among the Thai locals, and allowing international visitors back into the country. Nonetheless, the recent spread of the Omicron strain has led the Thai Government to revise the immigration process, from the 2-day "Test-and-Go" procedure to a quarantine. We expect this to have a short-term effect – likely for a couple of months – on the hospitality industry in 1Q22, given that some foreign visitors may extend or cancel their trips to the kingdom. Meanwhile, we believe the domestic market may remain solid, supported by pent-up travel demand and the Government's tourism stimulus packages.

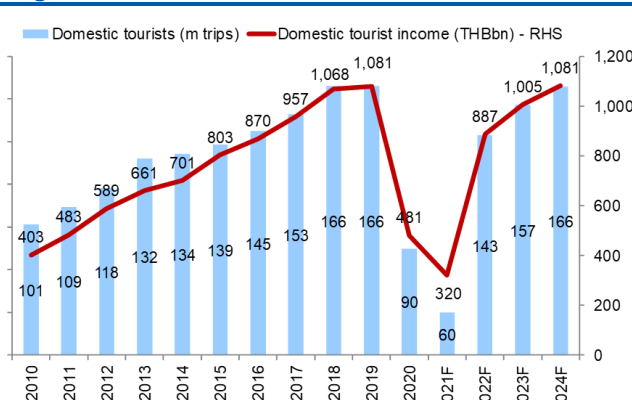
Lower number of foreign visitors expected. As such, we pare down our assumption of international tourist arrivals to 0.4m in 2021F (from 0.5m) and 11m in 2022F (from 15.1m), with total foreign receipts amounting to THB26bn in 2021F (from THB35bn) and THB626bn in 2022F (from THB859bn). We maintain our conservative numbers for domestic travel at 60m trips in 2021F and 143m trips in 2022F, with THB320bn and THB887bn in receipts over the 2-year periods. We believe Thai tourism will be back to the pre-pandemic levels in 2024.

Figure 14: International tourist arrivals and income trend



Source: RHB

Figure 15: Domestic tourists and income trend



Source: RHB

Healthcare services

Ramping up non-COVID-19 patient loads post-lockdown, from Sep 2021 onwards, may offset the decline in occupancy rates for COVID-19 wards and eventually improve hospitals' overall occupancy rates and the number of outpatient visits, thanks to the pent-up demand. We also expect improved insurance patient numbers following the public's rising attention to medical insurance post-pandemic, and hospitals' partnerships with insurance companies to design and launch exclusive policies together.

Optimistic view. We are optimistic about the Government's plan to reopen the country to international visitors without quarantine, from early 2022 onwards. As a result, there are improving trends for fly-in foreign patients and a revival in the revenue mix from international patients. However, these measures may still be limited at this time, and the situation is unlikely to normalise within 2022, in our view. As such, major healthcare operators may also carry out more marketing activities to attract expatriate patients from the UK, the US, and Japan. These factors may bring 2022 revenue closer to pre-pandemic levels, and sustain earnings growth for companies like BDMS.

Digital health platform as long-term growth support. Large-scale hospital networks are gearing towards developing a digital health ecosystem to facilitate customers and provide sustainable growth, led by tele-consultation and tele-pharmacy activities. BDMS has set long-term targets for this platform to attain 20m participating customers and contribute 10-15% of total revenue in the next five years, from 1% now. In addition, as an earnings upside, it may be the gateway to bring more external customers into its hospital network and add more inpatient and preventive care activities.

2022 SET Index Target At 1,880pts

Based on our forecasted 2021 earnings and EPS growth of 118% and 106% (due to the dilution effect from new listings), this performance would be mainly driven by the factors seen this year:

- i. The energy and petrochemical sectors;
- ii. The turnaround (back into the black) for the transportation, media, and steel industries;
- iii. Earnings recovery and growth from the agribusiness, banks, automotive, healthcare, construction materials, and electronics sectors.

For 2022, we expect the combined net profit of the SET to continue improving to THB983bn, indicating a slower growth of 11.8% YoY due to a base of lower oil prices. Earnings growth will mainly improve across the board except for tourism, which may remain in the red. The consumer sector will likely outperform the SET's benchmark index next year after the full reopening of the economy – followed by banking, food, construction, automotive and electronics.

Figure 16: The SET's earnings and valuation trend

Year	Net Profit (THB m)	+/-	EPS (THB)	+/-	BPS (THB)	ROE	P/BV (x)	P/E (x)	Div. Yield
2006	454,351	-9.0%	60.8	-12.8%	413.3	14.7%	1.65	11.18	4.9%
2007	484,464	6.6%	62.6	3.0%	430.9	14.5%	1.99	13.70	3.4%
2008	364,006	-24.9%	45.9	-26.7%	438.9	10.5%	1.03	9.80	7.5%
2009	457,863	25.8%	57.3	24.8%	472.0	12.1%	1.56	12.83	3.6%
2010	567,772	24.0%	70.4	22.9%	511.9	13.7%	2.02	14.68	3.1%
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	13.5%	2.03	15.22	3.5%
2014	648,800	-14.1%	70.1	-17.8%	669.0	10.6%	2.24	21.36	2.5%
2015	622,277	-4.1%	65.3	-22.4%	707.3	9.2%	1.82	19.74	2.7%
2016	860,236	38.2%	88.0	34.9%	756.3	11.6%	2.04	17.53	3.0%
2017	952,818	10.8%	95.0	7.9%	800.3	11.8%	2.19	18.46	2.9%
2018	934,323	-1.9%	91.4	-3.7%	828.5	10.9%	1.89	17.10	3.1%
2019	865,395	-7.4%	81.6	-10.7%	848.3	9.6%	1.86	19.35	2.7%
2020	403,734	-53.3%	36.3	-55.5%	833.7	4.2%	1.74	39.90	1.3%
2021E	878,641	117.6%	74.8	106.0%	826.4	9.1%	1.97	21.79	2.3%
2022E	982,549	11.8%	83.7	11.8%	868.2	9.6%	1.88	19.49	2.8%

Source: RHB

We maintain our SET index target for this year-end at 1,681pts. Our 2022F SET target of 1,880pts is premised on an average 5-year P/E of 22.47x.

Figure 17: SET valuation matrix (below and above the mean P/E)

P/E (x)	EPS (THB)		P/BV (x)	BV (THB)	
	2021E	2022E		2021E	2022E
	74.82	83.67		826.39	868.22
growth	106%	12%	growth	-0.9%	5.1%
19.94	1,492	1,668	1.83	1,512	1,588
21.92	1,640	1,834	1.94	1,606	1,688
22.47	1,681	1,880	1.97	1,627	1,709
25.45	1,904	2,129	2.00	1,654	1,738
15.00	1,122	1,255	1.80	1,487	1,563
16.00	1,197	1,339	1.85	1,529	1,606
17.00	1,272	1,422	1.90	1,570	1,650
18.00	1,347	1,506	1.95	1,611	1,693
SET Target	1,681	1,880	Mean	P/E	P/BV
Market return	16.0%	11.8%	3-year	25.45	1.83
Dividend Yield	2.3%	2.8%	5-year	22.47	1.94
Total return	18.3%	14.6%	7-year	21.92	1.97
ROE	8.6%	9.1%	10-year	19.94	2.00

Source: RHB

Figure 18: Street and RHB valuations

Country	Indices	EPS				P/E (X)				P/B (X)				Yield (%)			
		2019	2020	2021F	2022F	2019	2020	2021F	2022F	2019	2020	2021F	2022F	2019	2020	2021F	2022F
THAI	SET Index	89.3	38.9	86.3	96.3	18.0	37.3	18.9	17.0	1.7	1.6	1.8	1.7	3.3	2.8	2.5	2.7
SINGAPORE	STI index	258.7	75.4	217.5	248.9	12.5	37.7	14.4	12.6	1.1	1.0	1.1	1.0	4.0	3.8	3.9	4.3
MALAYSIA	FBM KLCI index	89.0	71.1	97.4	101.8	17.8	22.9	15.3	14.6	1.6	1.7	1.4	1.4	3.5	2.9	4.0	4.1
INDONESIA	JCI index	325.2	124.3	356.4	431.5	19.4	48.1	18.5	15.3	2.1	2.1	2.3	2.1	2.4	2.3	1.8	2.1
PHILIPPINE	PCOMP index	462.6	218.3	336.4	431.5	17.2	32.7	21.3	16.8	1.8	1.8	1.7	1.6	1.6	1.6	1.5	1.7
RHB Thailand	RHB-SET	81.6	36.3	75.1	84.0	19.4	39.9	21.7	19.4	1.9	1.7	2.0	1.9	2.7	1.3	2.3	2.8
Average Thailand, Malaysia, Philippines, Indonesia (excluding RHB)		18.3	36.2	19.1	16.6	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7	2.7	2.2	2.4	2.7

Source: Bloomberg, RHB

Key reasons for the SET's higher risk premium vs peers

- A structural change in focus from less demanding valuations in the energy, banks, ICT and property sectors (average P/E of 10-15x) to more demanding valuations found in sectors such as consumer, hospitality, foods, utilities, and transportation (average P/E of >25x);
- IPOs of large-cap stocks in the utility, services, and foods sectors have skewed valuations upwards – which also triggered a re-rating for the SET Index since 2013. The number of listed stocks has grown to 590 to date, from 489;
- The SET's market cap has expanded by 67% (currently) from 2013. Daily turnover has surged by 86% from USD1.6bn in 2013 to USD2.7bn presently.

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Figure 19: SET and sectorial net profit

Net Profit (THBm)	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Agribusiness	4,902	4,343	2,934	2,076	1,360	3,990	70	12,091	20,612	22,421
Growth	37.9%	-11.4%	-32.4%	-29.3%	-34.5%	193.5%	-98.2%	17102%	70.5%	8.8%
Food & Beverage	28,519	42,403	43,090	45,811	47,205	44,848	54,206	35,554	37,266	43,299
Growth	-37.5%	48.7%	1.6%	6.3%	3.0%	-5.0%	20.9%	-34.4%	4.8%	16.2%
Household Goods	1,882	1,890	1,746	2,041	808	1,135	201	1,102	1,260	1,632
Growth	-12.3%	0.4%	-7.6%	16.8%	-60.4%	40.5%	-82.3%	449.3%	14.3%	29.5%
Bank	199,278	206,916	193,005	200,142	186,651	202,805	213,016	144,972	153,463	168,696
Growth	22.2%	3.8%	-6.7%	3.7%	-6.7%	8.7%	5.0%	-31.9%	5.9%	9.9%
Finance & Securities	12,388	13,178	13,758	15,242	17,627	23,104	31,841	30,610	34,461	38,144
Growth	49.6%	6.4%	4.4%	10.8%	15.7%	31.1%	37.8%	-3.9%	12.6%	10.7%
Petrochemical	40,360	21,009	33,876	52,049	73,482	72,923	23,484	8,940	88,758	96,124
Growth	-13.1%	-47.9%	61.2%	53.6%	41.2%	-0.8%	-67.8%	-61.9%	892.8%	8.3%
Automotive	6,544	5,291	5,353	5,225	5,523	6,489	4,404	2,503	4,758	5,370
Growth	13.3%	-19.2%	1.2%	-2.4%	5.7%	17.5%	-32.1%	-43.2%	90.1%	12.9%
Construction Materials	46,039	45,200	60,191	71,355	64,281	53,447	43,814	48,542	69,691	75,777
Growth	42.1%	-1.8%	33.2%	18.5%	-9.9%	-16.9%	-18.0%	10.8%	43.6%	8.7%
Property & Development	66,816	57,498	59,224	57,382	69,856	68,069	77,032	37,375	33,684	35,407
Growth	35.8%	-13.9%	3.0%	-3.1%	21.7%	-2.6%	13.2%	-51.5%	-9.9%	5.1%
Contractor		9,165	7,574	8,726	2,327	2,108	6,739	449	2,216	3,584
Growth		n.a.	-17.4%	15.2%	-73.3%	-9.4%	219.7%	-93.3%	393.5%	61.7%
Energy	200,563	88,735	53,634	210,947	288,446	261,630	210,553	94,584	233,251	246,426
Growth	-8.6%	-55.8%	-39.6%	293.3%	36.7%	-9.3%	-19.5%	-55.1%	146.6%	5.6%
Commerce	35,486	34,832	41,861	49,023	51,150	54,687	53,814	43,483	42,320	55,552
Growth	10.5%	-1.8%	20.2%	17.1%	4.3%	6.9%	-1.6%	-19.2%	-2.7%	31.3%
Medias	10,745	5,313	4,151	338	1,228	4,299	4,213	-2,372	2,231	3,329
Growth	1.2%	-50.6%	-21.9%	-91.9%	263.8%	250.1%	-2.0%	n.m.	n.m.	49.2%
Healthcare	13,707	15,846	16,944	18,973	21,967	22,185	27,995	14,605	17,062	20,700
Growth	-11.4%	15.6%	6.9%	12.0%	15.8%	1.0%	26.2%	-47.8%	16.8%	21.3%
Tourism	5,196	2,748	3,452	3,621	4,681	4,546	2,628	-11,628	-15,585	-8,561
Growth	177.8%	-47.1%	25.6%	4.9%	29.2%	-2.9%	-42.2%	n.m.	n.m.	n.m.
Transportation	7,158	3,682	1,795	22,308	28,579	23,370	24,587	-154,756	17,325	23,412
Growth	-72.9%	-48.6%	-51.2%	1143%	28.1%	-18.2%	5.2%	n.m.	n.m.	35.1%
ICT	62,118	64,647	87,495	53,783	46,007	49,131	62,881	44,719	41,088	44,632
Growth	20.5%	4.1%	35.3%	-38.5%	-14.5%	6.8%	28.0%	-28.9%	-8.1%	8.6%
Electronics	10,354	12,549	14,773	13,574	11,335	10,781	6,123	11,101	13,234	15,597
Growth	7.5%	21.2%	17.7%	-8.1%	-16.5%	-4.9%	-43.2%	81.3%	19.2%	17.9%
Total SET	755,587	648,800	622,277	860,236	952,818	934,323	865,395	403,734	878,639	982,546
Growth	5.7%	-14.1%	-4.1%	38.2%	10.8%	-1.9%	-7.4%	-53.3%	117.6%	11.8%
Ex. Energy & petrochemical	514,664	539,056	534,768	597,240	590,890	599,771	631,358	300,210	556,630	639,995
Growth	14.7%	4.7%	-0.8%	11.7%	-1.1%	1.5%	5.3%	-52.5%	85.4%	15.0%
Ex. Banks	556,309	441,884	429,272	660,094	766,167	731,519	652,379	258,762	725,176	813,850
Growth	0.9%	-20.6%	-2.9%	53.8%	16.1%	-4.5%	-10.8%	-60.3%	180.2%	12.2%
Ex. Energy, petrochemical, banks	315,386	332,141	341,763	397,098	404,238	396,966	418,342	155,238	403,167	471,299
Growth	10.4%	5.3%	2.9%	16.2%	1.8%	-1.8%	5.4%	-62.9%	159.7%	16.9%

Source: RHB

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Figure 20: Per share data

EPS (THB)	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Agribusiness	14.75	12.64	9.44	6.68	4.23	11.80	0.20	354.05	56.96	61.96
Food & Beverage	476.33	610.98	592.19	629.15	624.78	543.32	647.10	410.35	427.28	496.45
Household Goods	2.33	1.63	2.83	3.22	1.24	1.73	0.00	1.76	1.96	2.54
Bank	48.82	50.67	46.11	47.87	44.26	48.05	48.53	33.08	35.01	38.49
Finance & Securities	155.03	130.25	124.90	137.15	156.82	204.09	248.41	222.70	213.39	236.20
Petrochemical	76.01	39.42	63.23	96.92	139.02	132.03	42.52	16.19	160.80	174.14
Automotive	52.12	34.21	34.68	33.55	34.33	40.19	27.17	17.16	32.61	36.81
Construction Materials	700.27	663.17	918.66	1,085.8	885.35	723.40	593.30	654.53	937.67	1,019.55
Property	18.22	17.55	16.55	16.13	18.88	18.09	17.28	8.45	7.51	7.89
Contractor		5.67	4.58	5.16	1.37	1.24	3.81	0.24	1.16	1.88
Energy	1,735.8	759.08	420.10	1,567.2	1,908.6	1,732.9	1,379.3	609.48	1,503.02	1,587.92
Commerce	919.75	901.79	1,069.5	1,166.8	1,346.5	1,434.3	1,370.4	950.37	809.86	1,063.09
Media	3.40	1.61	1.12	0.09	0.31	1.03	1.11	-0.61	0.52	0.77
Healthcare	108.57	125.45	132.98	146.36	161.10	159.92	196.32	101.00	117.66	142.74
Tourism	27.94	14.77	18.46	19.50	25.44	24.59	11.80	-53.27	-69.98	-38.44
Transportation	2.13	1.02	0.48	6.01	7.49	5.93	6.16	-36.31	4.03	5.45
ICT	8.56	8.42	11.00	6.47	5.48	5.60	6.98	4.93	4.45	4.83
Electronics	93.93	111.65	130.68	119.48	100.10	95.20	53.87	94.84	113.41	133.67
SET	85.35	70.13	65.25	88.02	95.01	91.45	81.64	36.33	74.82	83.67
<i>Growth</i>	1.5%	-17.8%	-22.4%	34.9%	7.9%	-3.7%	-10.7%	-55.5%	106.0%	11.8%
MAI	10.04	9.59	6.79	10.96	4.74	7.72	14.87	4.94	12.05	15.90
<i>Growth</i>	-42.7%	-4.5%	-29.1%	61.3%	-56.7%	62.7%	92.6%	-66.8%	144.1%	31.9%
Book Value (THB)	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Agribusiness	152.5	164.2	157.0	160.9	168.9	172.6	163.0	2,128.2	232.2	266.3
Food & Beverage	3,958.1	4,467.9	4,740.9	5,161.4	5,688.7	5,509.5	5,713.7	6,060.3	6,276.7	6,574.6
Household Goods	23.2	21.9	28.5	30.2	29.7	27.5	28.5	29.5	29.9	31.5
Bank	316.1	355.3	389.8	424.9	456.7	483.0	516.4	539.7	558.9	580.1
Finance & Securities	912.6	848.1	967.0	1,057.2	1,125.4	1,270.9	1,604.1	1,619.5	1,506.4	1,648.1
Petrochemical	688.3	689.9	690.9	709.2	858.0	920.1	878.9	868.8	965.6	1,070.1
Automotive	354.7	326.0	346.1	365.0	363.9	394.1	399.0	458.8	478.2	500.3
Construction Materials	4,258.7	4,429.0	5,115.5	5,678.4	5,637.1	5,802.0	5,824.9	6,434.6	6,983.3	7,595.0
Property	107.6	140.2	153.3	160.5	173.7	184.5	178.2	174.7	176.8	181.5
Contractor		51.4	54.6	57.2	56.3	56.8	60.3	56.7	57.2	58.3
Energy	13,596.7	14,039.3	13,894.8	14,479.8	14,064.9	14,650.4	14,639.7	14,567.1	15,468.9	16,421.6
Commerce	4,492.4	5,220.1	5,753.4	8,215.6	8,651.7	9,275.2	8,651.4	9,616.2	8,905.7	9,543.6
Media	14.7	16.8	16.2	15.1	15.1	17.2	19.2	18.4	17.2	17.9
Healthcare	629.7	729.6	825.2	916.4	1,040.9	1,135.5	1,300.0	1,304.3	1,371.2	1,456.9
Tourism	258.0	266.9	267.4	283.5	299.5	313.1	346.9	299.8	251.9	228.8
Transportation	92.3	92.1	91.0	92.3	92.7	89.6	94.4	44.8	46.9	50.2
ICT	21.0	28.0	31.7	36.1	37.5	36.1	36.4	31.1	32.8	35.2
Electronics	685.6	737.6	816.0	855.4	875.9	893.5	927.9	879.2	961.4	1,054.9
SET	638.39	669.04	707.31	756.32	800.30	828.52	848.31	833.70	826.39	868.22
MAI	83.70	152.19	157.91	166.98	206.44	206.20	201.23	202.17	182.07	191.61

Source: RHB

Figure 21: Valuations of sectors (2013-2022E)

P/E (x)	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Agribusiness	13.67	18.1	17.4	38.9	51.7	15.3	719.0	0.7	5.1	4.7
Food & Beverage	22.94	19.3	17.6	22.3	22.3	19.8	19.1	29.2	30.6	26.3
Household Goods	12.77	32.0	15.5	14.7	30.9	16.2	n.m.	14.1	15.8	12.2
Bank	9.36	11.7	9.2	10.4	13.0	10.7	9.1	10.2	11.5	10.5
Finance & Securities	9.19	14.3	18.7	23.0	21.4	17.0	17.6	21.5	25.5	23.1
Petrochemical	12.94	18.9	11.7	10.4	10.3	9.7	22.7	62.8	6.9	6.4
Automotive	8.69	14.1	12.3	13.5	17.1	11.7	14.6	25.6	16.3	14.4
Construction Materials	14.41	17.9	14.0	12.0	14.2	14.8	16.7	14.4	10.6	9.8
Property	12.84	16.4	15.5	16.7	17.5	15.4	14.6	24.4	31.5	30.0
Contractor		23.8	29.6	26.4	84.7	68.9	17.5	239.1	63.4	39.2
Energy	11.03	24.6	35.3	13.1	12.9	13.3	18.2	37.4	15.2	14.4
Commerce	28.65	31.7	24.5	31.7	33.4	27.3	28.1	35.4	47.0	35.8
Media	21.64	50.2	56.2	641.3	214.0	45.8	48.2	n.m.	n.m.	71.2
Healthcare	25.27	32.4	39.8	39.4	33.1	35.2	28.6	46.5	48.1	39.7
Tourism	15.52	35.5	33.7	30.8	31.5	25.4	40.4	n.m.	n.m.	n.m.
Transportation	76.16	218.9	501.4	46.6	51.3	61.4	66.1	n.m.	n.m.	61.8
ICT	22.28	27.5	12.7	22.8	30.1	25.3	23.1	27.7	41.6	38.3
Electronics	12.50	13.6	13.8	17.9	18.3	15.8	24.0	65.2	61.3	52.0
SET	15.22	21.4	19.7	17.5	18.5	17.1	19.4	39.9	21.8	19.5
MAI	35.55	73.0	76.9	56.2	113.9	46.2	20.8	68.1	47.2	35.8
P/BV (x)	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Agribusiness	1.32	1.4	1.0	1.6	1.3	1.0	0.9	0.1	1.2	1.1
Food & Beverage	2.76	2.6	2.2	2.7	2.4	2.0	2.2	2.0	2.1	2.0
Household Goods	1.28	2.4	1.5	1.6	1.3	1.0	0.7	0.8	1.0	1.0
Bank	1.45	1.7	1.1	1.2	1.3	1.1	0.9	0.6	0.7	0.7
Finance & Securities	1.56	2.2	2.4	3.0	3.0	2.7	2.7	3.0	3.6	3.3
Petrochemical	1.43	1.1	1.1	1.4	1.7	1.4	1.1	1.2	1.1	1.0
Automotive	1.28	1.5	1.2	1.2	1.6	1.2	1.0	1.0	1.1	1.1
Construction Materials	2.37	2.7	2.5	2.3	2.2	1.8	1.7	1.5	1.4	1.3
Property	2.17	2.1	1.7	1.7	1.9	1.5	1.4	1.2	1.3	1.3
Contractor		2.6	2.5	2.4	2.1	1.5	1.1	1.0	1.3	1.3
Energy	1.41	1.3	1.1	1.4	1.7	1.6	1.7	1.6	1.5	1.4
Commerce	5.87	5.5	4.6	4.5	5.2	4.2	4.4	3.5	4.3	4.0
Media	5.00	4.8	3.9	3.8	4.4	2.8	2.8	2.4	3.2	3.1
Healthcare	4.36	5.6	6.4	6.3	5.1	5.0	4.3	3.6	4.1	3.9
Tourism	1.68	2.0	2.3	2.1	2.7	2.0	1.4	1.3	1.9	2.1
Transportation	1.75	2.4	2.7	3.0	4.1	4.1	4.3	7.4	7.2	6.7
ICT	9.06	8.3	4.4	4.1	4.4	3.9	4.4	4.4	5.7	5.3
Electronics	1.71	2.1	2.2	2.5	2.1	1.7	1.4	7.0	7.2	6.6
SET	2.03	2.2	1.82	2.04	2.19	1.89	1.86	1.74	1.97	1.88
MAI	4.26	4.6	3.31	3.69	2.62	1.73	1.54	1.66	3.13	2.97

Source: RHB

23 December 2021

Market Outlook | Market Strategy

3Q21 and 9M21 earnings round-up

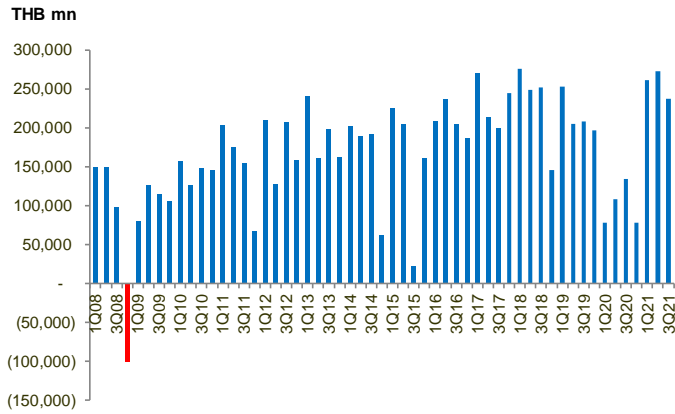
Figure 22: SET net profit in 3Q21 (+78% YoY, -13% QoQ) and 9M21 (+142% YoY)

Sector	Net Profit (THBm)			+/-		Net Profit (THBm)			Common size			
	2Q21	3Q21	3Q20	YoY	QoQ	9M21	9M20	+/-	3Q21	3Q20	9M21	9M20
Agro & Food Industry	15,724	3,883	14,094	-72%	-75%	34,859	33,327	5%	1.6%	10.5%	4.5%	10.3%
-- Agribusiness	6,654	4,019	2,476	62%	-40%	17,398	5,654	208%	1.7%	1.8%	2.2%	1.8%
-- Food and Beverage	9,069	-136	11,618	n.m.	n.m.	17,461	27,673	-37%	-0.1%	8.7%	2.2%	8.6%
Consumer Products	9,102	6,068	5,035	21%	-33%	27,210	7,232	276%	2.6%	3.8%	3.5%	2.2%
-- Fashion	1,541	1,340	-32	n.m.	-13%	4,006	98	3972%	0.6%	0.0%	0.5%	0.0%
-- Home & Office Products	68	25	442	-94%	-64%	220	727	-70%	0.0%	0.3%	0.0%	0.2%
-- Personal Products & Pharmaceuticals	7,493	4,703	4,624	2%	-37%	22,983	6,407	259%	2.0%	3.5%	2.9%	2.0%
Financials	65,492	49,816	40,984	22%	-24%	177,383	142,525	24%	20.9%	30.6%	22.7%	44.2%
-- Banking	52,372	43,976	30,330	45%	-16%	144,057	112,821	28%	18.5%	22.6%	18.5%	35.0%
-- Finance and Securities	9,903	9,170	7,771	18%	-7%	29,567	21,295	39%	3.9%	5.8%	3.8%	6.6%
-- Insurance	3,217	-3,331	2,883	-216%	n.m.	3,759	8,409	-55%	-1.4%	2.2%	0.5%	2.6%
Industrials	48,768	28,590	6,658	329%	-41%	106,957	6,546	1534%	12.0%	5.0%	13.7%	2.0%
-- Automotive	1,499	1,127	1,024	10%	-25%	4,550	1,128	303%	0.5%	0.8%	0.6%	0.4%
-- Industrial Materials & Machinery	717	948	541	75%	32%	2,392	1,265	89%	0.4%	0.4%	0.3%	0.4%
-- Paper & Printing Materials	234	217	240	-10%	-8%	740	774	-4%	0.1%	0.2%	0.1%	0.2%
-- Petrochemicals & Chemicals	37,144	17,924	3,318	440%	-52%	73,925	-162	n.m.	7.5%	2.5%	9.5%	-0.1%
-- Packaging	3,825	3,366	1,262	167%	-12%	10,979	4,152	164%	1.4%	0.9%	1.4%	1.3%
-- Steel	5,348	5,008	273	1736%	-6%	14,371	-612	n.m.	2.1%	0.2%	1.8%	-0.2%
Property & Construction	33,785	18,222	26,719	-32%	-46%	85,950	67,458	27%	7.7%	20.0%	11.0%	20.9%
-- Construction Materials	23,682	11,170	14,669	-24%	-53%	54,778	37,555	46%	4.7%	11.0%	7.0%	11.7%
-- Property Development	9,791	7,561	11,991	-37%	-23%	30,026	29,031	3%	3.2%	9.0%	3.9%	9.0%
-- Property Fund	0	0	0	n.m.	n.m.	0	0	n.m.	0.0%	0.0%	0.0%	0.0%
-- Construction	312	-509	59	n.m.	n.m.	1,146	872	31%	-0.2%	0.0%	0.1%	0.3%
Resources	65,594	63,289	42,394	49%	-4%	212,812	50,885	318%	26.6%	31.7%	27.3%	15.8%
-- Energy & Utilities	65,541	63,207	42,386	49%	-4%	212,674	50,825	318%	26.6%	31.6%	27.3%	15.8%
-- Mining	53	82	8	980%	53%	138	59	132%	0.0%	0.0%	0.0%	0.0%
Services	19,488	54,126	-16,751	n.m.	178%	92,679	-29,196	n.m.	22.7%	-12.5%	11.9%	-9.1%
-- Commerce	10,200	6,303	11,472	-45%	-38%	27,550	30,546	-10%	2.6%	8.6%	3.5%	9.5%
-- Health Care Services	5,324	14,004	3,781	270%	163%	22,268	9,938	124%	5.9%	2.8%	2.9%	3.1%
-- Media & Publishing	641	2,491	414	501%	288%	3,935	-2,629	n.m.	1.0%	0.3%	0.5%	-0.8%
-- Professional Services	99	80	-132	-160%	-19%	288	-71	n.m.	0.0%	-0.1%	0.0%	0.0%
-- Tourism & Leisure	-3,312	-3,064	-3,272	-6%	-7%	-8,463	-7,097	19%	-1.3%	-2.4%	-1.1%	-2.2%
-- Transportation & Logistics	6,536	34,312	-29,014	-218%	n.m.	47,102	-59,882	n.m.	14.4%	-21.7%	6.0%	-18.6%
Technology	14,641	13,953	14,796	-6%	-5%	41,917	43,431	-3%	5.9%	11.0%	5.4%	13.5%
-- Electronic Components	3,375	3,485	3,767	-7%	3%	9,560	8,359	14%	1.5%	2.8%	1.2%	2.6%
-- Information & Communication Technology	11,266	10,467	11,028	-5%	-7%	32,357	35,071	-8%	4.4%	8.2%	4.1%	10.9%
Medium-Sized Enterprise	176	3,047	1,855	64%	1628%	6,151	2,435	153%	1.3%	1.4%	0.8%	0.8%
SET+MAI	272,769	240,992	135,784	77%	-12%	7,114	324,642	-98%	101.3%	101.4%	0.9%	100.8%
SET	272,593	237,946	133,928	78%	-13%	779,767	322,207	142%	100%	100%	100%	100%
Ex. Banking	220,221	193,969	103,599	87%	-12%	635,710	209,386	204%	82%	77%	82%	65%
Ex. Energy & Petrochemicals	169,907	156,814	88,224	78%	-8%	493,168	271,544	82%	66%	66%	63%	84%
Ex. Banking, Energy, Petrochemicals	117,536	112,838	57,894	95%	-4%	349,111	158,722	120%	47%	43%	45%	49%

Note: As of 25 Nov 2021, total companies reported = 86%, and Excluding property funds (REIT)

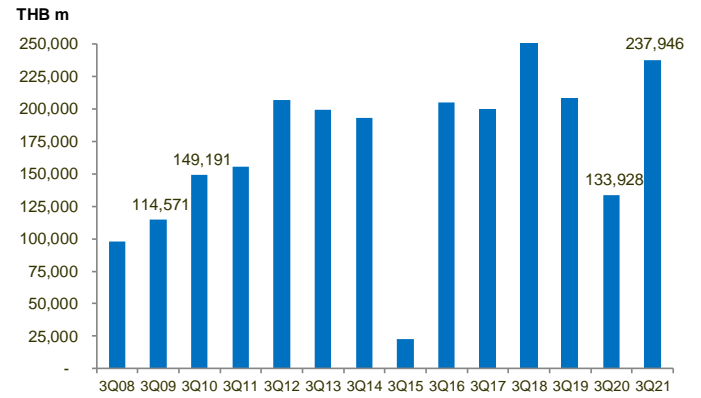
Source: SET Smart, RHB

Figure 23: The SET's quarterly net profit



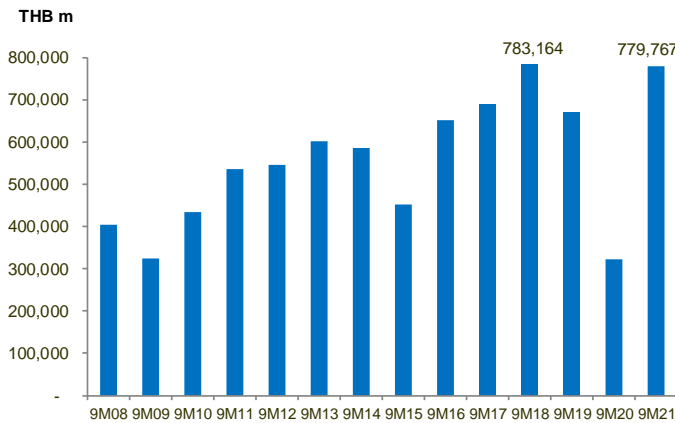
Source: SET Smart, RHB

Figure 24: Comparison of 3Q net profit (3Q08-3Q21)



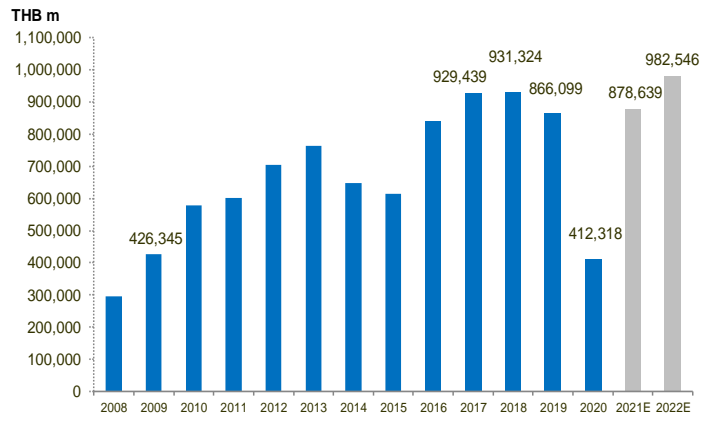
Source: SET Smart, RHB

Figure 25: The SET's 9M21 earnings contracted by 142%



Source: SET Smart, RHB

Figure 26: The SET's net profit & forecasts for 2021 (+118%)



Source: SET Smart, RHB

Sector Outlook 2022

	Banking	Construction Materials	Commerce																																																																																																																																							
SD chart																																																																																																																																										
Market cap (USDm)	54,316.96	22,469.62	60,805.23																																																																																																																																							
Current index (pts)	408.97	9,976.64	38,397.55																																																																																																																																							
Rating	Overweight	Neutral	Neutral																																																																																																																																							
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Investment highlights	<ul style="list-style-type: none"> Favourable environment for TH banks in FY22 – the economic recovery, interest rate upcycle, and steeper bond yields Receding concerns over banks' asset quality, given sustained debt relief programmes, government stimulus packages, and gradual economic recovery FY22 sector earnings will improve, led by lower provisioning, stronger non-II, and a pick-up in loan growth TH banks are ready for new investments with comfortable capital ratios, especially fintech platforms Higher dividends. We expect banks to pay higher dividends in FY22, based on an assumption of unwinding FY22 dividend policies and more substantial earnings Compelling valuations and earnings recovery are vital catalysts for bank stocks 	<ul style="list-style-type: none"> Damage from major floods during the past monsoon season in North and North-East regions, which are normally the largest markets for building materials within Thailand, may boost the demand for overall materials from 1Q22 onwards Domestic demand will be stimulated along new MRT route extensions especially the MRT Purple Line and MRT Orange Line, led by the private sector's new residential and commercial projects Demand for basic construction materials in ASEAN will recover strongly in FY22 after several ASEAN countries have locked down the construction activities during the intensified pandemic situation within the region 	<ul style="list-style-type: none"> A strong rebound in consumption and consumer confidence, with a handful of government stimulus measures Retailers' SSSG to turn positive from a low base, on full-year store operations and continued business expansion plans Resilient online and omni-channel activities to capture more segments with new products and platforms, and more potential usages of digital tokens Return of international visitors may start improving outlet performance in tourism destinations 																																																																																																																																							
Risks	<ul style="list-style-type: none"> Economic slowdown Virus mutation and new containment measures Regulatory changes made by the authorities The deterioration in asset quality 	<ul style="list-style-type: none"> Possible downcycle in domestic demand in the private-sector construction market after abundant activities of construction and renovation during the pandemic Slow recovery of demand in other ASEAN countries especially CLMV where Thai-listed companies have major exposure The current surge in energy prices, especially that of diesel and coal Weakened THB/USD puts a greater burden on the cost of importing major raw materials 	<ul style="list-style-type: none"> A slower-than-expected recovery in the overall Thai economy, and international tourist arrivals Resurgence of COVID-19 infections Intense competition among retailers may undermine profit margins 																																																																																																																																							

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Investment highlights	<ul style="list-style-type: none"> A stronger economic recovery could spur loan demand and credit card spending. This would mitigate the expected slippage in NIM We expect asset quality to improve and be manageable, given an improved economic environment Considerable growth opportunities through an extensive variety of loan types With economies of scale and a digital transformation, players could leverage and optimise their assets effectively Potential growth in new business and synergies with platform partners such as Buy Now Pay Later (BNPL), digital lending Keener competition and tightening of regulations 	<ul style="list-style-type: none"> Demand from hotel, restaurant and café (HoReCa) consumption rebounding due to less severe symptoms of Omicron infections Recovery in swine and chicken product prices due to higher demand from restaurants and dining out activities after easing COVID-19 measures High potential for M&As in the restaurant services industry, driven by huge conglomerates as part of their integration to enhance profitability More high-value product development to capture more varieties of demand such as healthy food and plant-based products 	<ul style="list-style-type: none"> An increase in non-COVID-19 patients visits Recovery play on the resumption of medical tourism, ie volume and price intensity Alternative source of revenue, ie. COVID-19-related services, and growing insurance patients The ramping up of utilisation rates of new hospital projects and resumption of cross-border expansions 																																																																																																																																							
Risks	<ul style="list-style-type: none"> Intense competition from existing players and new fintech players Stricter regulations from authorities Economic slowdown Interest rate upcycle 	<ul style="list-style-type: none"> Weaker-than-expected demand recovery Government intervention on price controls or subsidy programmes to restore the supply chain A spike in COVID-19 infections again, or the emergence of new strains 	<ul style="list-style-type: none"> Sluggish earnings from a high performance base in 2021 Changes in revenue mix with lower GPM transactions Lower-than-expected fly-in international patients post-outbreak or due to outbreak resurgence 																																																																																																																																							

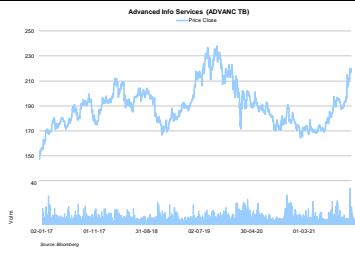
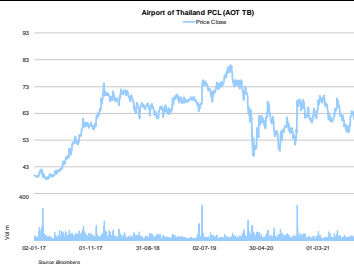
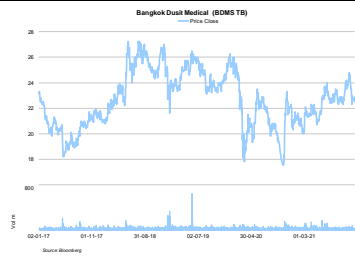
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Investment highlights	<ul style="list-style-type: none"> FY22 will be the starting year for a new bid cycle, especially for major transportation projects. The Ministry of Transport recently announced an investment plan totalling THB1.42trn, which will commence in FY2, ie Road (THB260bn) and rail (THB1.1trn) projects Near-term catalysts will rely on new MRT projects including the MRT Purple Line extension. Bid proposals are to be submitted within the final week of December, and proposals for the MRT Orange Line extension have to be submitted within 2Q22 Medium-term catalysts should be the Motorway-Rail Map (MR Map) that will be implemented throughout the country, and cuts across from north to south, and west to east. This project type will be up for bids from FY22 onwards 	<p>Housing</p> <ul style="list-style-type: none"> Since FY20, the low-rise housing segment continued to play a significant role in determining industry winners. We expect this trend to continue in FY22, and developers with strong brands to have an edge in commanding low-rise presales in FY22 The condominium market will be slightly better in FY22, as supply has declined over the past two years <p>Industrial estates</p> <ul style="list-style-type: none"> During 3Q21 and even 9M21, leading developers have been struggling to boost their industrial land presales and transfers, due to the Government's consistent measure to restrict international travel activities. However, the overall value of investment applications submitted to the BOI over Jan-Sep 2021 jumped 140% YoY to THB521bn, exceeding the full-year amount in FY20 and combined FDI project value more than tripled to THB372bn in 9M21, from THB116bn in 9M20 We believe this demand will be translated to industrial land presales from 1Q22 onwards 	<p>Air Transportation</p> <ul style="list-style-type: none"> Domestic flights and passenger volumes should be back on track, while international flights and visitor arrivals are recovering gradually (from upscale foreign tourists and business travellers) New projects include the extension of Suvarnabhumi International Airport's terminals, the planned operational transfer of the state's three airports, and commercial projects like BKK Airport City and certification hub for agri-products <p>Rail Transportation</p> <ul style="list-style-type: none"> After low levels in August, ridership on major MRT routes in Bangkok and the vicinity – especially on the MRT Blue Line and MRT Green Line – have rebounded since Sep 2021. MRT Blue Line's ridership improved to 187k per day during this time from August's critical low of 62.4k/day. Meanwhile, ridership on BTS' core network of the MRT Green Line also rose from 90K per day in Aug 2021 to 263K per day in Nov 2021. However, current ridership levels are still far below those recorded prior to the pandemic – and it should be >12 months before ridership on each MRT route catches up to pre-pandemic levels 																																																																																																																																							
Risks	<ul style="list-style-type: none"> A prolonged surge in major construction material and diesel prices Intensive pricing competition within the bidding process especially for infrastructure projects in field of transportation Delay in launching new public project bids from the Government 	<ul style="list-style-type: none"> In spite of the Bank of Thailand relaxing the loan-to-value measure to 100%, the overall industry remains under pressure, given the high rate of loan application rejections in the low-end market Profit margins are also under pressure, as long as price discounts remain the major promotional tool widely used by large developers – especially within the condominium segment 	<p>Air transportation</p> <ul style="list-style-type: none"> Fragile financials and a low level of operational readiness among air carriers may become a bottleneck for travel logistics <p>Rail transportation</p> <ul style="list-style-type: none"> Pricing strategies being used in future bids may pressure the bid winner's long-term profitability 																																																																																																																																							

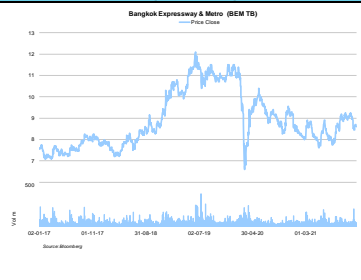
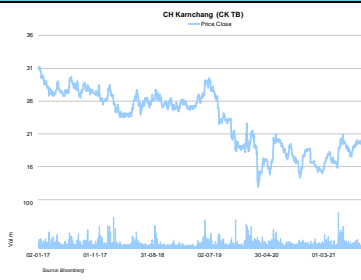
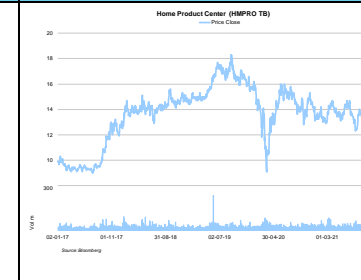
		<ul style="list-style-type: none"> Possible delays in the launching of new bids due to the slow processes undertaken by the Government Any new disruption trends, especially partial WFH practices, may prolong the period of passenger ridership recovery to pre-pandemic levels
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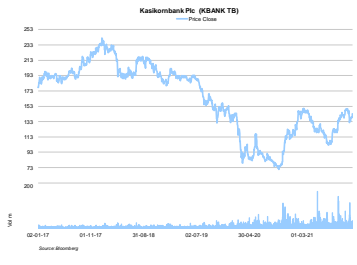
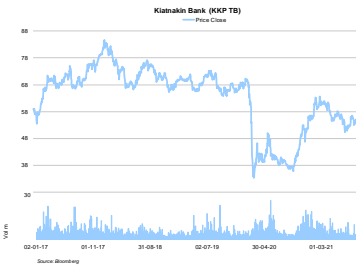
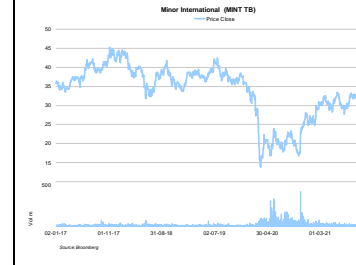
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Investment highlights	<ul style="list-style-type: none"> Recovery play on the resumption of international tourism (both outbound and inbound) Proposed merger between True and Total Access Communication would reduce competitive risks and contribute towards more rational pricing in the market Strong growth in the fixed broadband (FBB) market, with good bundling opportunities for operators 	<ul style="list-style-type: none"> Gradual recovery in demand after easing concerns regarding the impact of COVID-19 High potential for M&A in the petrochemical industry, driven by big conglomerates as part of their integrations to boost synergy and profitability 	<ul style="list-style-type: none"> Domestic travel and consumption could be tailwinds Foreign visitor numbers may improve to c.1/4 of pre-outbreak levels in 2022, led by high-spending tourists, before returning to normal levels in 2024 Property acquisition/consolidation by healthy investors Improving quarterly momentum on hotels' performances, but losses may continue for most of the year 																																																																																																																								
Risks	<ul style="list-style-type: none"> Slower than expected reopening of the economy on concerns over the emergence of Omicron Weak consumption propensity and the impact on consumers' wallet share Tight price competition and falling data yields 	<ul style="list-style-type: none"> Delays or a slower-than-expected consumption, travelling and transportation recovery More petrochemical supply to come in especially from China and Asia 	<ul style="list-style-type: none"> Delays or slower-than-expected arrivals of key source markets New normal practices may limit room occupancy and lower traffic Lower competitiveness among mid-scale and budget properties Hoteliers' high financial leverage limits room for business expansion 																																																																																																																								

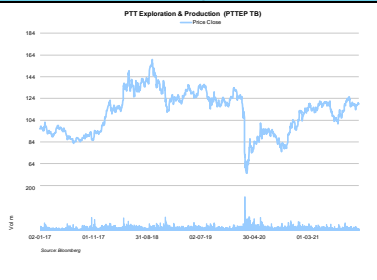
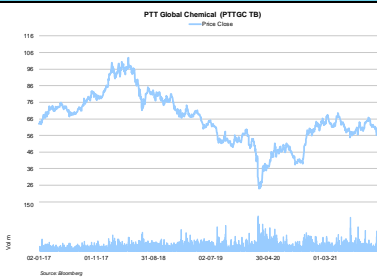
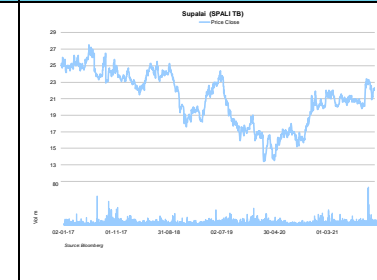
Energy & Utilities																																														
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Market cap (USDm)	125,769.29																																													
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Investment highlights	<p>Oil & Gas</p> <ul style="list-style-type: none"> Strong oil price and gross refinery margin due to the recovery in demand, especially for middle distillate products like gasoline and diesel oil due to better travelling and transportation activities on the grounds of less concerns over Omicron Higher gas production volume, as the gas separation plant has finished a major maintenance exercise, and efficient production will resume thereafter <p>Utilities</p> <ul style="list-style-type: none"> Headwinds until at least 1H22 – lofty fuel and material costs, the lack of mega projects, keener competition, the interest rate upcycle, and steeper bond yields – could cap earnings growth and share price momentum. We remain upbeat in our longer-term outlook, in view of the greener transition providing growth opportunities Growth stocks with specific catalysts are favourable – including EVs, battery, and digital infrastructure 																																													
Risks	<p>Oil & Gas</p> <ul style="list-style-type: none"> A resurgence of infections, or a worsening pandemic situation Delays or a slower-than-expected tourism industry recovery <p>Utilities: Neutral</p> <ul style="list-style-type: none"> Virus mutations may result in weaker demand and new containment measures being implemented Cost overruns and unplanned maintenance Impact of any changes in FX rates having a negative effect on the sector 																																													

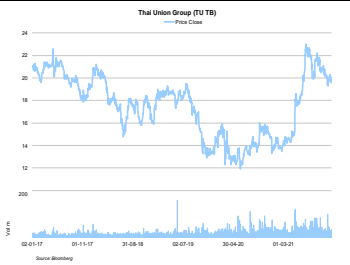
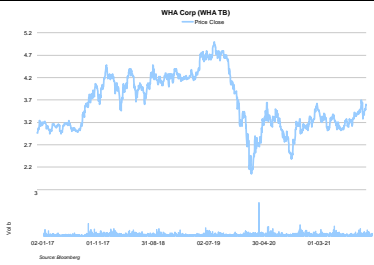
Stock Picks For 2022

	Advanced Info Service (ADVANC TB)	Airports Of Thailand (AOT TB)	Bangkok Dusit Medical Services (BDMS TB)
Share price performance			
Market cap (USDm)	19,648.15	25,629.17	10,974.81
Current price*	THB218.00	THB59.50	THB23.00
Rating	BUY, TP: THB210.00	BUY, TP: THB77.00	BUY, TP: THB29.00
Sector	ICT	Transport	Healthcare
Company description	ADVANC is the largest integrated telecommunication services provider in Thailand with core businesses in the provision of mobile, fixed broadband (FBB) and digital services	AOT manages airports in the kingdom, with core tasks being airport management and the development of 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 operates a group of leading private hospitals with a nationwide network. The group currently runs 49 hospitals with c.8,700 beds in Thailand and Cambodia, and provides services to both local and foreign patients. Growth drivers come from local and regional expansions via greenfield projects and M&A
Business strengths	<ul style="list-style-type: none"> • Largest mobile operator in terms of subs and service revenue share • Leading 4G/5G network with extensive urban, semi-urban and upcountry coverage • Converged offerings with good enterprise and digital solutions • Rapid fibre deployment of over 8m homes passed and 77 cities 	<ul style="list-style-type: none"> • A natural monopoly business • Solid stream of recurring income from services • Favourable concession agreements • Thailand as a major air transport and tourism hubs in South-East Asia 	<ul style="list-style-type: none"> • Thailand's largest private hospital operator • Well-positioned to benefit from a favourable Thai and regional healthcare industry backdrop • Hub-and-spoke model with an established patient referral system • Providing complete range of healthcare services, including non-hospital strategic investments
Investment highlights	<ul style="list-style-type: none"> • The reopening of borders should drive a stronger rebound in core mobile revenue • Expanding FBB market share underpinned by rapid fibre deployment • Strong beneficiary of pandemic-induced digitalisation initiatives by enterprises • Good opex optimisation with on-going digitalisation of both front/back-end network and operations • Partnership with SCB on digital banking should fuel the expansion of its digital business in the longer term 	<ul style="list-style-type: none"> • Pent-up demand for travel among the Thai locals may improve earnings growth throughout FY22, with limited downside from fears over Omicron • Country re-opening may ramp up air traffic to 50% of capacity and lead AOT's bottomline back into positive territory in 4QFY22 • New airport and commercial projects as a long-term upside • The market has priced the extension of assistance measures for aeronautical and non-aeronautical operators until end-Mar 2023 	<ul style="list-style-type: none"> • Full-year return of non-COVID-19 patients post-lockdown may boost the number of visits • Developing its own digital health platform as a long-term growth support, targeting 10-15% of total revenue in the next five years, vs 1% now • Resumption of fly-in international patients and an improving revenue mix may support 16% core earnings growth in 2022 • The first healthcare DJSI member in Thailand
Valuations	<ul style="list-style-type: none"> • DCF 	<ul style="list-style-type: none"> • DCF 	<ul style="list-style-type: none"> • DCF
Risks	<ul style="list-style-type: none"> • Tight competition • Merger between rivals could potentially see the benefits of scale and synergies diluting its brand and position in the market in the longer term 	<ul style="list-style-type: none"> • Slower-than-expected air travel recovery • Fee discounts to be offered to both aeronautical and commercial activities • Delays in project investment plans • Uncertainties, ie changes in government policies, political gatherings, natural disasters including disease outbreaks 	<ul style="list-style-type: none"> • Weaker-than-expected economic conditions • Tough competition • Sluggish flow of medical tourists • Changes in revenue mix with lower profit margins

	Bangkok Expressway & Metro (BEM TB)	CH Karnchang (CK TB)	Home Product Center (HMPRO TB)
Share price performance			
Market cap (USDm)	3,900.99	1,100.12	5,725.64
Current price*	THB8.55	THB22.30	THB14.70
Rating	BUY, TP: THB10.10	BUY, TP: THB23.30	BUY, TP: THB18.00
Subsector	Transport	Construction	Retail
Company description	BEM conducts expressway construction and operations, operations management of MRT systems, and other related businesses	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	HMPRO was established with the objective of operating a retail business in the home improvement segment by selling goods. The business also provides a complete range of services related to construction. This is in addition to refurbishment, renovation, improvement of buildings, houses and residential units through a one-stop shopping centre format under the HomePro and Mega Home trade names – the company's trademark. HMPRO currently operates HomePro stores in Thailand and Malaysia.
Business strengths	<ul style="list-style-type: none"> Long-term concession secures business performance for longer than a decade Utility-like business ensures the consistent growth of the company's overall performance Rail and expressway services with key strengths in low-price elasticity of demand The resumption of expressway traffic and MRT ridership to be seen in FY22 	<ul style="list-style-type: none"> 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 high GPM under several circumstances 	<ul style="list-style-type: none"> Thailand's largest retailer for home improvement Provides fully integrated services, ie home solutions and home services Has the ability to add house brand products to consistently improve margins and ensure high profitability Highly efficient in operating cost controls
Investment highlights	<ul style="list-style-type: none"> There have been three straight months of improvements. While expressway traffic already reached the threshold level of 1m trips/day in November – and is approaching the pre-pandemic saturation level of 1.2-1.3m trips/day – MRT Blue Line ridership also improved to 187k/day during this time vs Aug 2021's critical low of 62.4k/day The strong recurring earnings growth of <200% YoY will be a key FY22 feature, premised on the resumption of commuting activities via expressways and MRT on a full-year basis BEM will gain opportunities from winning new O&M concessions for motorway projects especially some motorway routes, eg M7, M8, and M9 	<ul style="list-style-type: none"> Opportunities for growth should be found in FY22, however – especially from: <ul style="list-style-type: none"> i) Jobs related to the extension of MRT Purple Line and MRT Orange Line, and ii) the Luang Prabang hydropower project. Based on our estimates, its orderbook has the potential to expand by almost six times, to >THB150bn by end-FY22 FY22 earnings will rebound from the low levels recorded in FY21, due to the commencement of construction works from 3Q22 onwards, on two jobs related to the new double-track railway route (Denchai-Chiangrai-Chiangkhong) under a JV (>50% stake invested by CK). Among its affiliated companies, BEM should be a major growth driver in FY22. We expect it to book <200% YoY net profit growth 	<ul style="list-style-type: none"> Expecting normalising earnings in FY22 – to be supported by full-year operations of all stores and retail malls, and stronger spending among its customers in the middle and upper segments, with profit margins approaching pre-pandemic levels Online sales mix may continue increasing by 1% to 8%, with economies-of-scale operations. Quarterly earnings momentum will continue its upward trajectory in 1Q22 Rapid improvement in sustainability development may allow the stock to continue trading at a premium
Valuations	<ul style="list-style-type: none"> SOP, by appraising the company's core businesses with DCF and its affiliates – including CK Power and TTW – with Bloomberg consensus figures 	<ul style="list-style-type: none"> SOP, by appraising the construction business with P/E, our TP for BEM, and TPs for investments in other affiliated companies via Bloomberg consensus figures 	<ul style="list-style-type: none"> DCF
Risks	<ul style="list-style-type: none"> Weaker-than-expected future traffic and ridership growth 	<ul style="list-style-type: none"> Delays in launching new infrastructure projects Major construction materials price volatilities 	<ul style="list-style-type: none"> Consumption slowdown Rising competition from smaller home improvement retailers Delays in opening new stores High-volume Mega Home business undermining overall gross margins

	Kasikornbank (KBANK TB)	Kiatnakin Phatra (KKP TB)	Minor International (MINT TB)
Share price performance			
Market cap (USDm)	9,994.91	1,557.28	4,539.84
Current price*	THB141.00	THB61.50	THB29.50
Rating	BUY, TP: THB165.00	BUY, TP: THB66.00	TRADING BUY, TP: THB40.00
Subsector	Banks	Banks	Hospitality
Company description	Kasikornbank is Thailand's second-largest commercial bank by asset size. It has a balanced loan mix from the corporate (34%), small and medium enterprise (SME) (34%) and retail (28%) segments. The bank's strength in the SME segment has enabled it to build a strong CASA franchise (CASA ratio of 78%)	Kiatnakin Phatra Bank is a commercial bank that provides a full range of financial services. It is a major player in the auto financing segment, which accounts for 65% of total loans (mostly upcountry). It also provides residential project and corporate loan services. KKP merged with Phatra Financial Group in Sep 2012 under a share-swap deal	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 has a global presence with 526 hotel properties, 2,373 restaurants, and 447 retail points of sale in 62 countries
Business strengths	<ul style="list-style-type: none"> Actively embraces new technologies in a time of rapid change Proactively collaborates with strategic partners to enhance competitiveness Having strong business arms including: i) KBank (banking); ii) Kasikorn Business-Technology Group (KBTG, technology company); iii) Beacon Venture Capital (venture capital firm) 	<ul style="list-style-type: none"> Prominent in hire purchase segment, accounted for 70-75% of total loans Strong relationships with large listed companies Sturdy capital market business (brokerage, investment banking, wealth management, asset management) The leader in brokerage, with a 20-25% market share 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Stronger loan growth should stem from a recovery in SMEs and corporate lending Outstanding ability to leverage its customer base by offering new cross-selling products Expect to see an interesting transformation and new collaborations with technology companies Manageable asset quality with a downtrend in loans under relief measures Compelling valuation with valuable assets – tech subsidiaries – waiting to be unlocked 	<ul style="list-style-type: none"> Its loan growth should outperform that of peers, given a rise in domestic car production and sales, especially of EV cars Favourable capital market sentiment should lead to higher IPOs and M&A deals – positive for its investment banking business Offers above-average growth to investors, resulting in superior ROE Asset quality likely to be manageable and better than what the market expected Above-average dividend yield of c.6% pa 	<ul style="list-style-type: none"> Improving performances of its properties across Thailand, Asia, Australia, and Africa, with lowered hotel EBITDA breakeven threshold, while MINT's Europe portfolio may be getting stronger Hotel side's earnings turnaround is likely in 2H22 Resilient food business and diversified hotel globally should support earnings recovery quicker than those of pure hotel property players in Thailand Manageable balance sheet
Valuations	<ul style="list-style-type: none"> GGM 	<ul style="list-style-type: none"> GGM 	<ul style="list-style-type: none"> DCF
Risks	Slower-than-expected economic recovery, deterioration in asset quality, change in regulations	Slower-than-expected economic recovery, deterioration in asset quality, change in regulations	<ul style="list-style-type: none"> Weaker-than-expected tourism environment and consumption Delays in the opening of new hotel properties and food & retail outlets Rising competition among hotel and restaurant operators Weaker-than-expected cost controls, which may lower profit margins

	PTT Exploration & Production (PTTEP TB)	PTT Global Chemical (PTTGC TB)	Supalai (SPALI TB)
Share price performance			
Market cap (USDm)	14,304.54	7,987.69	1,275.21
Current price*	THB120.00	THB59.00	THB21.70
Rating	BUY, TP: THB138.00	BUY, TP: THB76.00	BUY, TP: THB24.90
Subsector	Energy	Energy & Petrochemical	Property
Company description	PTTEP is the government arm for oil & gas exploration. Major assets are predominantly in Thailand, but it has exposure to Myanmar, Malaysia, Indonesia, the United Arab Emirates, and Oman.	PTTGC has a total petrochemical capacity of c.12mtpa, with 280,000bpd of refining capacity. It was listed on the SET on Oct 2011, as a result of the amalgamation of PTT Chemical and PTT Aromatics and Refining.	SPALI is a residential real estate developer focused 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	<ul style="list-style-type: none"> Long-term reserves on hand with solid expansion plans for both local and international markets in the pipeline Direct proxy to strong oil and commodities prices Under integration chain & support among PTT group, the largest and integrated energy player in Thailand 	<ul style="list-style-type: none"> Under the integration chain & with support from the PTT group, the largest and integrated energy player in Thailand Gas-based producer with less exposure from high oil prices than other petrochemical players 	<ul style="list-style-type: none"> Large developer focusing on mid-to-high end market, which is less affected by loan applications being rejected by commercial banks Robust presales of low-rise projects, launching new condominium projects with successful presale rates
Investment highlights	<ul style="list-style-type: none"> Omicron fears appear to be easing, given the less severe effect, leading to oil consumption recovery Higher sales volume from several projects in the Gulf of Thailand, Malaysia and Oman Continuously develop additional projects in the pipeline 	<ul style="list-style-type: none"> PTTGC should benefit from higher gross refinery margins (GRM) and sales volume, in tandem with stronger oil demand stemming from the economic recovery Develop inorganic growth via partnerships, as well as both vertical and horizontal integrations 	<ul style="list-style-type: none"> High orderbook assures earnings prospects. FY21's highest quarter should be 4Q21, due to the THB9.8bn worth of orders in hand, which will be recognised as revenue within this final quarter. Condominium projects account for 50% of this orderbook amount. In addition, its orderbooks on hand can span the solid momentum of revenue into FY22 as it has been already secured almost 50% of our FY22 revenue estimate Based on Bank of Thailand's recent announcement of the easing of loan-to-value (LTV) measures, with a straightforward 100% LTV ratio that applies to all housing types and price segments, the company will be more comfortable in launching new projects aggressively from 4Q21 onwards. Twelve new projects (four condominiums and eight low-rise projects) are slated to be launched in 4Q21 vs only 16 new low-rise projects during 9M21
Valuations	<ul style="list-style-type: none"> DCF 	<ul style="list-style-type: none"> DCF and prospective P/BV 	<ul style="list-style-type: none"> P/E
Risks	<ul style="list-style-type: none"> Slower-than-expected economic recovery and rebound of the pandemic situation Weakening oil prices Regulations among international business 	<ul style="list-style-type: none"> New petrochemical supply coming in Delays in the expected economic recovery A worsening pandemic situation 	<ul style="list-style-type: none"> High household debt levels Banks' strict lending measures especially on the low -to mid-end market High revenue exposure to upcountry projects

	Thai Union Group (TU TB)	WHA Corporation (WHA TB)
Share price performance		
Market cap (USDm)	2,766.92	1,588.28
Current price*	THB19.70	THB3.56
Rating	BUY, TP: THB27.00	BUY, TP: THB4.35
Subsector	Food & Beverage	Property/Industrial Estate
Company description	TU exports frozen, canned, and value-added seafood products. The group offers a wide range of products, including tuna, sardines, mackerel, herring, and salmon through leading brands like Chicken of the Sea, John West, and King Oscar.	WHA is the leader in one-stop services covering all customer demands related to logistics properties. This is classified into four businesses: Logistics, industrial development, utilities & power, and digital platforms. The company has set a clear policy to sell its assets into REITs – eg WHA Premium Growth Freehold & Leasehold REIT, Hemaraj Leasehold REIT, and WHA Business Complex Freehold & Leasehold REIT – or a property fund, ie Hemaraj Industrial Property & Leasehold Fund.
Business strengths	<ul style="list-style-type: none"> Fully business integration with scale throughout the supply chain Long-run opportunity from expansion into untapped markets with higher value products 	<ul style="list-style-type: none"> Large industrial estate player with full-package services within its estates Large player in premium-quality warehouse business demanded by world-class multinationals Most solid recurring income base among its industry peers
Investment highlights	<ul style="list-style-type: none"> The normalisation of HoReCa-related business demand from the resumption of economic activities The recovery of its restaurant chain in the US after the pandemic Moderate growth with strong gross profit margins, driven by favourable pricing conditions and volume 	<ul style="list-style-type: none"> WHA Corp should be a major beneficiary of a significant spike in FDI after the COVID-19 pandemic comes under better control. Its major businesses have now begun to reflect the brighter industry outlook, which should augur well for the company from FY22 onwards. Growth area from strong opportunities to expand its Vietnam business in the northern region, while enjoying downside protection on 50% of earnings from recurring-income businesses – especially utility services Consistent asset divestments in 4Q has been a key feature. Also, divesting assets worth c.THB5.5bn to the REIT in Dec 2021 will help cement 4Q21 as this year's best quarter for WHA – a trend that we expect to be repeated in 4Q22.
Valuations	<ul style="list-style-type: none"> DCF 	<ul style="list-style-type: none"> SOP: By appraising core businesses – and excluding those operated by WHA Utilities & Power, property funds, and REITs – with P/E and WHA Utilities & Power with our TP
Risks	<ul style="list-style-type: none"> The resurgence of COVID-19 infections at main production facilities Uncertainties over international trade policies and tariffs Appreciation of the THB that could pressure its exports business 	<ul style="list-style-type: none"> Stagnant FDI inflows into Thailand Delays in launching new EEC-related infrastructure projects to curb FDI investor confidence

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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