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KEY HIGHLIGHTS

Strategy

Regional Strategy Conference Feedback: Kuala Lumpur

Upcoming Thailand election will be a key catalyst.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,625.91	2.78	0.17
SET50	981.17	2.16	0.22
Value (Btm) - SET	51,853		
Top 5 Sector			
BANK	379.81	1.12	0.30
PETRO	976.33	(9.03)	(0.92)
PROP	267.21	1.14	0.43
ENERG	24,635.60	18.42	0.07
ICT	160.24	0.65	0.41

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
SGC	5.00	28.21	1,221,168.2
PTTEP	175.00	2.04	15,204.9
PTT	32.00	0.00	65,611.4
CPALL	65.25	1.16	29,768.0
BDMS	28.00	(0.88)	59,211.9

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
NEWS	0.04	33.33	45,978.1
SGC	5.00	28.21	1,221,168.2
TEAM	9.10	22.97	60,360.5
M-PAT	4.38	14.66	4.0
BRI	11.00	8.91	8,799.4

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
UBA	2.16	(10.74)	130,930.6
ABM	1.95	(9.72)	7,088.5
GSC	2.04	(8.11)	858.0
CRANE	1.37	(8.05)	10,611.8
NCAP	3.44	(8.02)	22,706.4

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	80.7	(14.5)	(10.1)	11.4
Dubai crude*	74.6	(18.5)	(21.1)	(2.5)
Baltic Dry Index	1,361.0	2.7	(14.7)	(38.6)
Gold Spot***	1,810.9	2.2	6.7	(1.0)

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(0.9)	(258.9)	5,332.7	8,506.8

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 34.60

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.65

STRAETGY – THAILAND

Regional Strategy Conference Feedback: Kuala Lumpur

Domestic plays will be the key driver of the market this year and next, boosted by both tourism and consumption. The upcoming election in Thailand will be a near-term investment catalyst, as it will cause some market movement, based on historical data. Our SET Index targets for 2022 and 2023 are 1,690 and 1,790 respectively.

WHAT'S NEW

- Feedback from Kuala Lumpur.** Most of the 27 fund managers who attended the Regional Strategy Conference were interested in the upcoming Thailand Election which will be held on 7 May 23. They were also concerned about the current political instability in Thailand, and raised concerns that a change in the political party would result in an uncertain investment environment after the election. The improvement in foreign direct investment (FDI) in the electric vehicle (EV) market and supply chain is a positive to Thai investment, including the stock market.

STOCK IMPACT

- SET Index targets of 1,690 and 1,790 for 2022 and 2023 respectively.** Our 2022 SET target is pegged at 17.50x 2022F PE against estimated 3.7% earnings growth. 2023's SET target is pegged at 17x 2023F PE against an estimated 9.0% earnings growth. Our investment strategy is still focused on a recovery of the tourism and services sectors which will support domestic plays. We highlight four investment themes, which are: a) tourism, b) Thailand election, c) consumption, and d) interest rate hike beneficiaries. In conclusion, our top picks are BBL, CPALL, OR, TIDLOR, TU, EGCO, BCPG, ADVANC, and MAJOR. Our small-cap stock picks are SPA, VRANDA, and NSL.
- Tourism is on track.** Due to the reopening of Thailand in Jul 22, international tourist arrivals in Thailand accelerated by over 1m people per month. As of 10 Dec 22, foreign tourists had already reached this year's target of 10m (25% of pre-pandemic level of 40m). 2023 and 2024 targets will be 20m and 40m tourists; hence, we foresee a normalisation to pre-pandemic levels in 2024.
- Upcoming election in Thailand will be a key catalyst.** During the Regional Strategy Conference in Kuala Lumpur, most fund managers were concerned about Thailand's politics and the upcoming Thailand election that will be held on 7 May 23. They are curious as to whether there will be a material change in Thai political power after the election, and which party would be a key changer to the results. We believe that will be no change in Thailand's political power. We also believe the rumour of the Prime Minister dissolving the parliament around Feb 23 to be true, it would be best for him to attract the prospect of a House of Representative member joining according to a new 30-day party membership requirement. We reckon that Prayut could be the Prime Minister in the next election due to support from 250 senators who were appointed by him. This means that Prayut will be able to utilise the Prime Minister position to attract more support and finally set up a coalition government.

VALUATION

Company	Ticker	Rec.	Last Price 30 Nov 22 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			EPS Growth 2022F (%)	PEG 2022F (x)	P/B 2022F (x)	Yield 2022F (%)	ROE 2022F (%)
							2021 (x)	2022F (x)	2023F (x)					
Bangkok Bank	BBL TB	BUY	142.50	168.00	17.89	7,772	10.3	8.8	7.6	16.2	0.5	0.5	3.0	6.1
CP All	CPALL TB*	BUY	64.50	73.00*	13.20	16,555	44.8	41.0	29.4	9.4	0.8	4.5	2.1	14.1
PTT Oil And Retail Business	OR TB	BUY	24.30	33.00	35.80	8,331	25.4	21.7	19.9	16.9	1.3	2.7	2.1	12.9
Ngern Tid Lor	TIDLOR TB	BUY	29.50	37.00	25.42	1,955	20.9	19.2	15.2	8.7	2.2	2.9	0.9	15.2
Thai Union Group	TU TB	BUY	16.80	23.00	36.90	2,290	10.0	10.5	11.0	(4.3)	(2.4)	1.3	4.8	12.0
Electricity Generating	EGCO TB	BUY	170.00	220.00	29.41	2,557	21.8	11.2	6.9	94.2	0.1	0.8	4.0	6.9
BCPG	BCPG TB	BUY	10.10	17.00	68.32	835	14.2	8.0	14.1	77.5	0.1	1.0	4.0	12.9
Advanced Info Service	ADVANC TB	BUY	187.00	244.00	30.48	15,889	20.6	19.1	17.4	7.6	2.5	6.3	4.1	34.2
Major Cineplex Group	MAJOR TB	BUY	19.60	24.00	22.45	501	11.1	40.4	18.9	(72.6)	(0.6)	2.9	2.5	6.5
Siam Wellness Group**	SPA TB	BUY	11.60	13.10	12.93	283	n.a.	n.a.	68.0	74.2	na	18.2	n.a.	(12.7)
Veranda Resort**	VRANDA TB	BUY	7.05	10.20	44.68	64	n.a.	65.1	20.1	132.3	0.5	1.1	n.a.	1.8
NSL Foods**	NSL TB	BUY	21.70	27.20	25.35	186	34.1	22.0	18.0	54.9	0.4	4.7	2.5	22.5

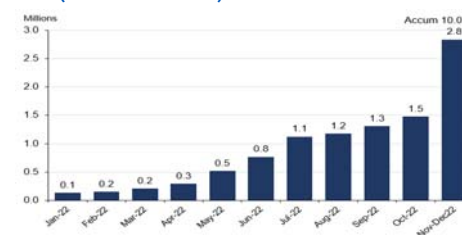
Source: Bloomberg, UOB Kay Hian
*Bloomberg consensus, **Under retail coverage

STOCK RECOMMENDATION

Company	Share Price 30 Nov 22 (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
BBL	142.50	168.00	17.89
CPALL	64.50	73.00*	13.20
OR	24.30	33.00	35.80
TIDLOR	29.50	37.00	25.42
TU	16.80	23.00	36.90
EGCO	170.00	220.00	29.41
BCPG	10.10	17.00	68.32
ADVANC	187.00	244.00	30.48
MAJOR	19.60	24.00	22.45
SPA**	11.60	13.10	12.93
VRANDA**	7.05	10.20	44.68
NSL**	21.70	27.20	25.35

Source: Bloomberg, UOB Kay Hian
*Bloomberg consensus, **Under retail coverage

INTERNATIONAL TOURIST ARRIVALS IN THAILAND YTD (AS OF 10 DEC 22)



Source: MOTS, INFOQUEST, UOB Kay Hian

ANALYST(S)

Kitpon Praipaisarnkit
+662 659 8154
kitpon@uobkayhian.co.th

ASSISTANT ANALYST(S)

Thanawat Thangchadakorn
+662 659 8439
thanawat@uobkayhian.co.th

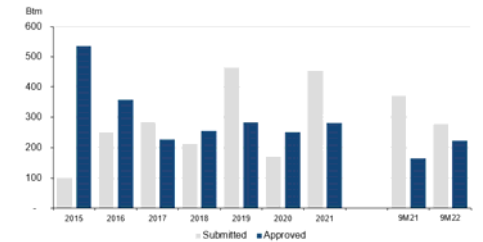
- Strong domestic consumption could boost the economy.** Increases in both production and prices have resulted in higher farm income and are expected to peak in 4Q22 due to seasonality. These data could support consumption and spending power and boost Thailand's economy in late-22 and 2023.
- Interest rate hike beneficiaries.** The banking sector will benefit from policy rate hikes. Based on regression analyses dating back to 2004, every 100bp rate hike would translate to a 16bp uptick for the sector's NIM and a 9.2% earnings upside for the following year. BBL is the prime beneficiary of rate hikes as its loan mix comprises a high proportion of corporate loans, which have floating rates of over 80% and low credit default risks.
- FDI coming in.** Despite a slump in FDI value during the pandemic in 2020, we saw a good recovery of FDI in 2021. If we compare 9M22 with 9M21, the approval of FDI grew 34.95%, which reflects an improvement in investment confidence. Given qualitative information, BYD, a large EV producer from China, has already purchased a 600-rai land from WHA Corporation (WHA TB). This will be used to build an EV production hub, which will commence operations in 2024 and sell to the domestic market and export to the ASEAN market. Additionally, WHA's management has revealed that the company is negotiating with one of the top 10 EV companies from China. Moreover, with the support from the Thai government pushing Thailand as an EV hub in the ASEAN region, we believe the industrial estate business would attract more customers; meanwhile small industrial estates will also benefit from supply chain relocation.
- Renewable energy could be an election beneficiary.** Renewable energy (RE) might be an election play as the new round of RE bidding process will be completed in Mar 23, before the election in the same month. In the past, we saw construction projects awarded during pre-election periods. Nowadays, the award of a Feed-in Tariff (FIT) Power Purchase Agreement (PPA) is better as a PPA: a) provides a more certain return with a lower risk (FIT has lower risk than bidding), and b) allows candidates to raise funds via the capital market. Thus, we view RE as a current election beneficiary.
- A gradual recovery in current account.** Thailand's current account plunged due to the COVID-19 pandemic. The recovery in foreign tourist arrivals has helped to improve service account and consumption. Current account has also improved due to rising tourist numbers and falling oil prices. NESDB forecasted 2022 current account deficit of US\$18.2b (previous forecast in Aug 22: US\$8b deficit), worse than 2021's deficit of US\$11b. Based on our calculations, the deficit from the production gap of Erawan field in 2022 is US\$4b-5b, which means Thailand's current account might not be as bad as expected. Production at Erawan field is expected to increase from the low of about 200MMSCFD to 800MMSCFD by Apr 24, which should improve Thailand's current account in 2023-24.
- Exports to soften going forward.** After reporting a contraction of 4.4% in Oct 22 which was the first contraction in 20 months, we believe that exports in Nov and Dec 22 may contract by 10-20% as it historically peaks in August and September. The pent-up demand seen in 2021 will subside and finally normalise. In addition, we are cautious about electronic stocks due to: a) the Thai baht appreciation may affect earnings, and b) the weak export momentum due to supply shortage. Hence, there should be a potential normalisation in late-22 and early-23, which should cause exports to contract by 10-20% and pressure electronic stocks.
- Merger to create a better competitive landscape for Thai telcos.** Despite being delayed, the merger between TRUE and DTAC is expected to be completed in 1Q23, which will be a positive for an operator like ADVANC due to less competition as only two operators will remain after the deal is completed. The regulation states that operators only have a duty to report deals to the regulator, and do not have to ask for permission. The authority has no right to reject deals, and can only request operators to provide some measures to alleviate the impact of higher prices resulting from less competition.
- Investment strategy.** We prefer domestic plays to external plays due to the recovery of tourism and domestic consumption. Moreover, we believe the upcoming election would be a positive for the stock market both before and after the election. Overall, we reckon that our four investment themes could outperform the market. Our picks are BBL, CPALL, OR, TIDLOR, TU, EGCO, BCPG, ADVANC, and MAJOR. For small-cap stocks, we pick SPA, VRANDA, and NSL.

THAILAND ELECTION TIMELINE



Source: Thansettakij, Bangkokbiznews, UOB Kay Hian

FOREIGN DIRECT INVESTMENT (FDI)



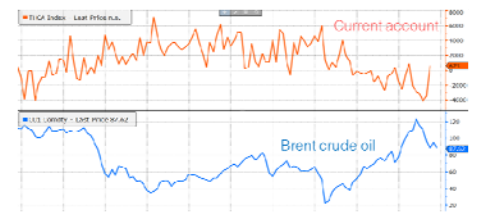
Source: BOI, UOB Kay Hian

RENEWABLE ENERGY BIDDING TIMELINE

Key dates	
3 Oct 22	EGAT announced candidates to verify grid connectivity
14 Oct 22	EGAT announced schedule and conditions of PPA
25 Nov 23	Candidates submitted proposals not later than 12PM
2 Dec 22	Announcement of qualified candidates
18 Jan 23	Announcement of candidates passing technical criteria
15 Mar 23	Announcement of selected candidates
29 Mar 23	Signing acknowledgment of PPA conditions

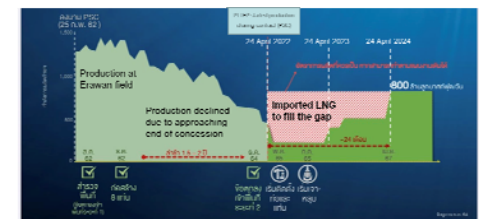
Source: UOB Kay Hian

CURRENT ACCOUNT VS CRUDE OIL



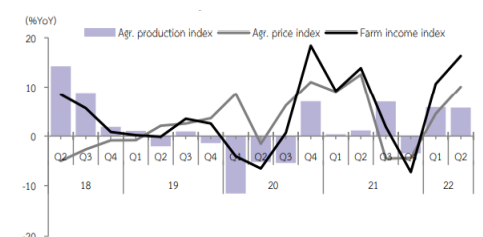
Source: Bloomberg, UOB Kay Hian

PRODUCTION AT ERAWAN FIELD



Source: PTTEP, Prachachart and UOB Kay Hian

FARM INCOME



Source: Office of Agricultural Economics

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