

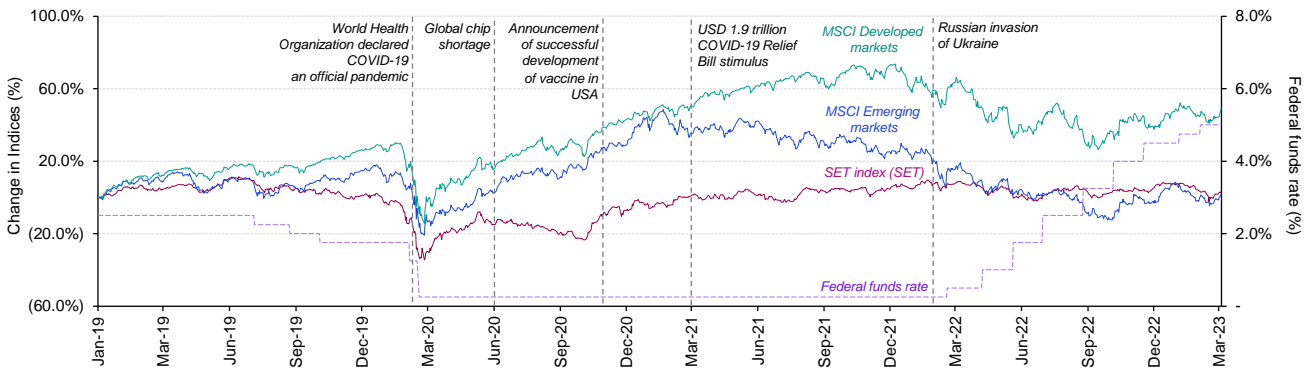
Capital market and business valuation insights

June 2023 | Financial data as of Q1/2023

Deal Advisory, KPMG in Thailand

Thai capital market outlook

- The Thai capital market (SET index) lagged the post-COVID recovery of the broader developed market indices due to its heavy reliance on the tourism and automotive parts manufacturing sectors. While tourism is on the path to recovery, vehicle manufacturing continues to be impeded by global semiconductor shortages.
- The Thai economy is expected to grow by 3.6% in 2023 based on the Bank of Thailand (BOT)'s forecast as of March 2023, with key tailwinds from the return of foreign tourists, post-COVID recovery in private consumption and improving asset quality in the banking sector.
- The key concerns for the Thai economy into 2023 will remain global economic headwinds in advanced economies and inflation, particularly in real sectors relying on international trade and exports.
- The Thai Baht depreciated against the US dollar over the course of 2022 as a result of inflationary pressures, inducing adjustments in the federal fund rates policy. With the slowdown of inflation and the return of foreign tourists, the Thai Baht has recovered from the trough of 38.3 USD/THB to 34.1 USD/THB as at 31 March 2023.



Source: Capital IQ and Federal Reserve

Thai stock exchange financial highlights (31 March 2023)



Market Capitalization of THB 19.7 trillion



Total 888 listed companies with 680 in SET, 205 in mai, 3 in LiVex



Market Capitalization to GDP of 113.2%



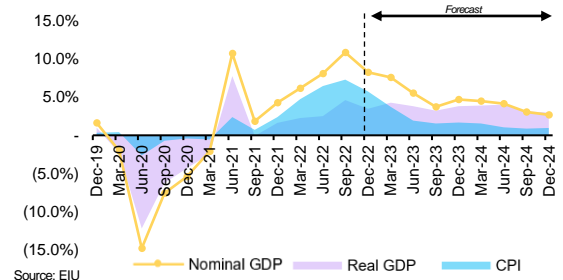
13 newly listed & 3 delisted companies during 1Q2023

Source: SET, Capital IQ and BOT

- **US federal funds rate:** After two consecutive rate hikes in early 2023, the Federal Open Market Committee (FOMC) has given guidance on a further rate hike after May 2023 to the peak rate of 5.0% to 5.25% with no further reductions expected in 2023. The guidance is towards a gradual decline to 4.0% in 2024 and 3.0% in 2025.
- **Inflation:** Thai headline inflation is expected to return to the target range of 1.0% to 3.0% with the BOT projecting declines to 2.9% and 2.4% in 2023 and 2024, respectively, from easing of electricity and oil prices.
- **Thai policy interest rate:** The Thai Monetary Policy Committee voted unanimously to raise the policy interest rate by 25 basis points to 1.8% in light of the growth and inflation outlook on 29 March 2023.
- **Corporate credit risk spread:** Credit risk spread widened during the beginning of the pandemic and has since normalized for higher-grade securities. There has been an expansion of the spread for BBB+/BBB grade bonds, demonstrating a flight to quality.

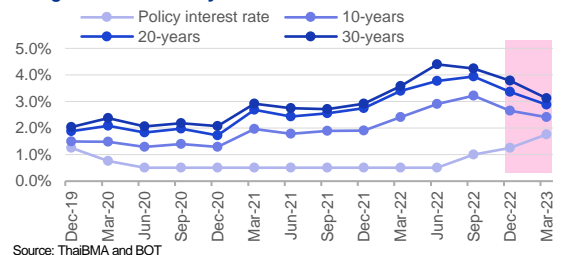
Source: BOT and Federal Reserve

Macroeconomic overview (Y-o-Y change)



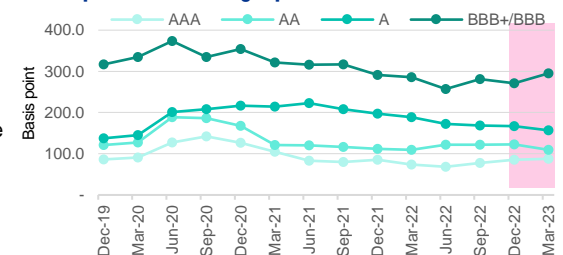
Source: EIU

Thai government bond yield



Source: ThaiBMA and BOT

Thai corporate bond average spread



Source: ThaiBMA

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SET valuation metrics by sector (last five quarters)

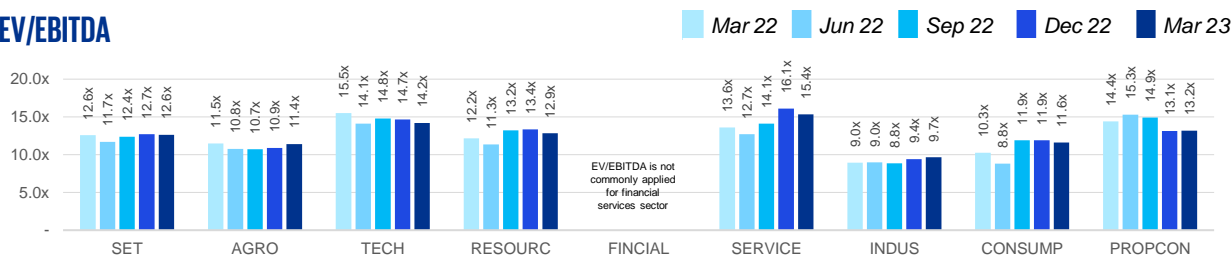
The SET has eight key sector categories for listed entities. The three most common valuation multiples across five quarters in these sectors illustrate movement due to both economic fundamentals and the impact of global events on market sentiment.

AGRO	Agribusiness, F&B	RESOURC	Energy, Utilities, Mining	SERVICE	Commerce, Healthcare, Media	CONSUMP	Fashion, Home, Personal, Pharmaceuticals
TECH	Electronic parts, ICT	FINCIAL	Banking, Finance	INDUS	Automotive, Industrial materials and machinery, Packaging, Chemicals	PROPCON	Property and Construction

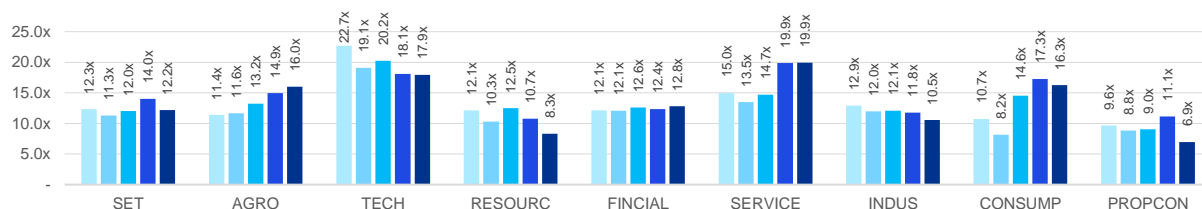
Index	SET	AGRO	TECH	RESOURC	FINCIAL	SERVICE	INDUS	CONSUMP	PROPCON
No. of securities	885	77	62	80	81	185	134	59	207
Market capitalisation (THB tn)	19.7	1.3	3.0	4.0	2.8	5.1	1.0	0.2	2.3

Source: SET, S&P Capital IQ, and KPMG analysis

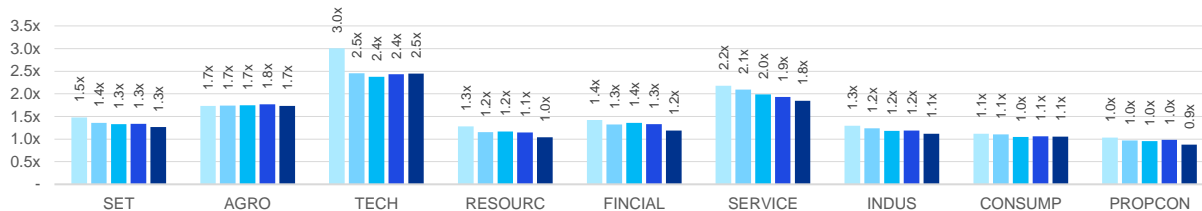
EV/EBITDA



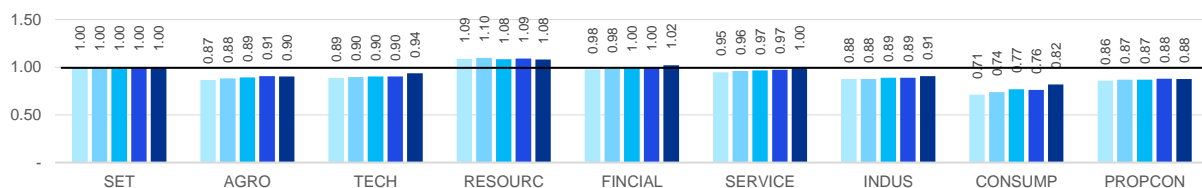
P/E



P/BV



Adjusted 5-year monthly beta



Source: SET, S&P Capital IQ, and KPMG analysis

By March 2023, the SET index had seen a return of earnings multiples to March 2022 levels with AGRO, SERVICE and CONSUMP sub-segments driving increases in earnings multiples. This appears to have been driven by earnings pressure as P/BV multiples have experienced a general decline across all sub-segments of the SET, indicating continued valuation pressures in the market.

Sector beta represents the undiversified risk of a sector. The higher the beta, the riskier it is for that specific sector. The beta in the past five quarters has shown a trend of convergence towards the market beta of 1.0.

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Returns and volatilities of international indices and domestic indices by sector

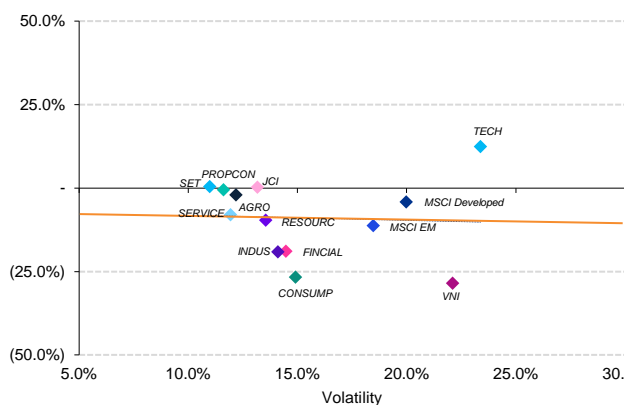
Index	MSCI Developed	MSCI EM	VNI	JCI	SET	AGRO	TECH	RESOURC	FINCIAL	SERVICE	INDUS	CONSUMP	PROPCON
Country	Developed countries	Emerging countries	Vietnam	Indonesia	Thailand	Thailand							
Annualised daily returns	Total returns ¹					Price returns ¹							
1-year	(4.2%)	(11.3%)	(28.5%)	0.3%	0.4%	(8.1%)	12.4%	(9.6%)	(19.0%)	(0.5%)	(19.1%)	(26.7%)	(2.1%)
5-year	9.0%	1.0%	(0.3%)	4.4%	2.6%	4.3%	20.5%	1.4%	14.5%	2.7%	1.0%	(6.3%)	0.6%
Volatility of daily returns													
1-year	20.0%	18.5%	22.1%	13.2%	11.0%	11.9%	23.4%	13.6%	14.5%	11.6%	14.1%	14.9%	12.2%
5-year	19.7%	18.7%	21.1%	17.3%	17.7%	18.0%	25.1%	23.1%	21.5%	18.1%	20.5%	17.8%	17.5%

Source: SET, Bloomberg, S&P Capital IQ, MSCI, and KPMG analysis

Note 1) MSCI Developed markets, MSCI Emerging markets and SET index returns and volatilities are based on total returns, while sector returns and volatilities are based on price returns.

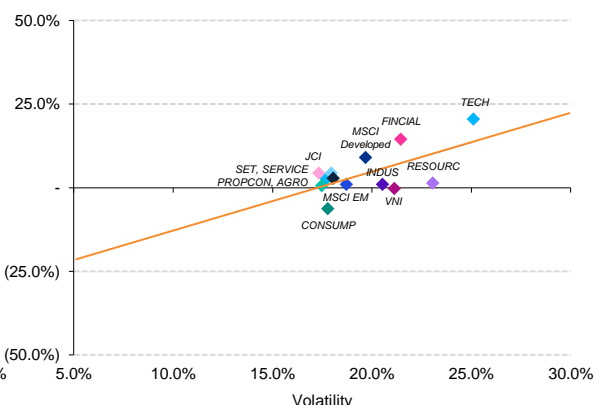
Market returns vs. volatilities

1-year correlation



Source: SET, Bloomberg, S&P Capital IQ, and KPMG analysis

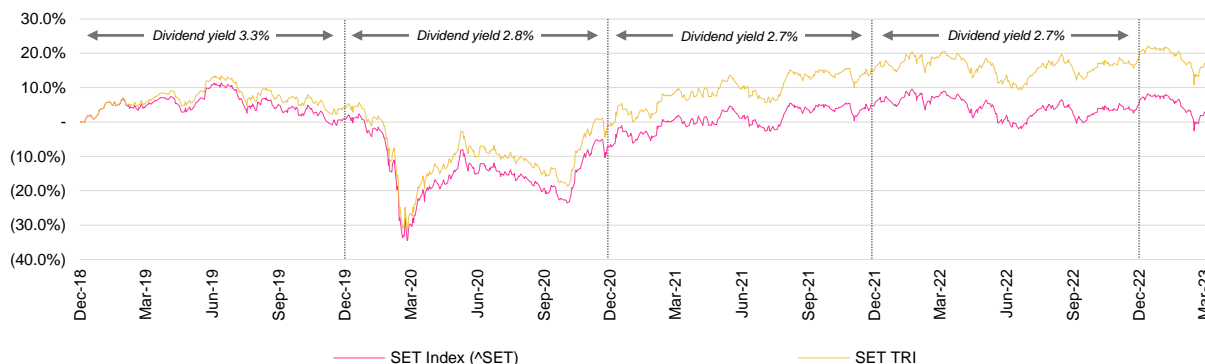
5-year correlation



Source: SET, Bloomberg, S&P Capital IQ, and KPMG analysis

- The SET has outperformed the MSCI EM and VNI indices over the 1- and 5-year observation periods. However, the market has underperformed the similarly sized Indonesian stock market. Returns appear to have been weighed down by the price performance of constituents in the traditional economy while technology players have outperformed. The SET had lower volatility for the year ended March 2023 than other compared markets.

SET vs. SET TRI



Source: SET and Bloomberg

- **Total return index (TRI)** is an index that measures the total return from investing in securities. It comprises (1) a return arising from the change in value of the securities or "Capital gain/loss", and (2) dividends paid, assuming they are reinvested in the securities.
- Dividend yields have shown a slight declining trend owing to the expansion of value share of non-dividend-paying sectors and recent earnings trends across the traditional economy.



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Data criteria

Thailand valuation multiples by sector

- The SET sector classification serves as the principal criterion for the illustrated sectors.
- The calculation of the sector valuation multiples excludes company multiples outside of the first- to third-quartile range.
- 12-month trailing multiples are derived from Q1/2022 to Q1/2023.

Regression on returns and volatilities

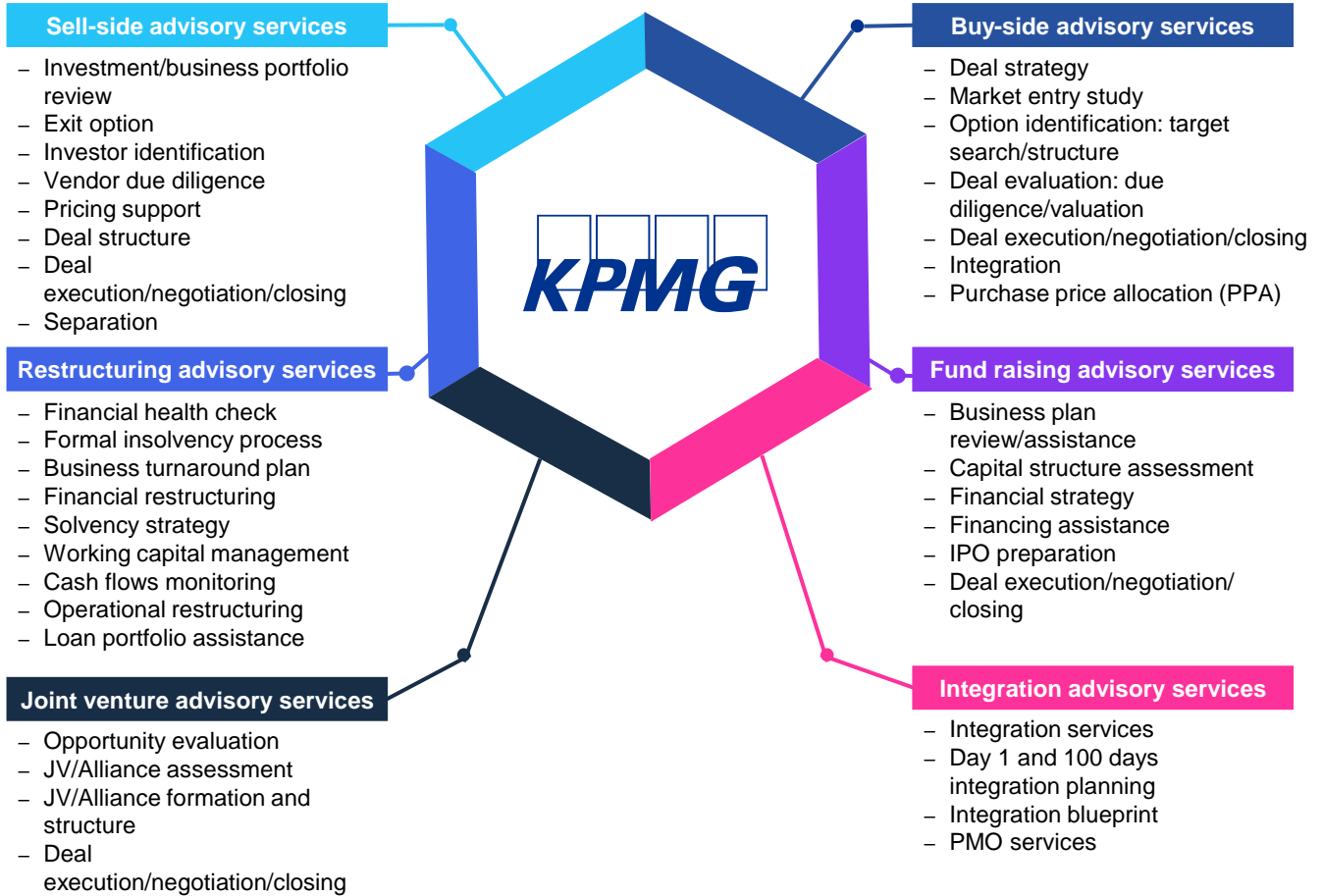
- Market index returns and volatilities are determined by total returns while Thai sectors' returns and volatilities are determined by price returns.
- The total number of trading days per year is assumed to be 252 days.
- The period in the study is 1 April 2019 – 31 March 2023.

SET and SET TRI

- Annual dividend yields are based on dividend yields from Bloomberg.

KPMG Deal Advisory

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