

Business diversification provides Thai listed companies buffer against earnings blow

Geographic diversification has helped cushioning revenue blow for companies when domestic economy is slowing down. Despite the COVID-19 pandemic, Thai listed companies in 2020 brought home USD 98.63 billion (THB 2.96 trillion) in overseas revenue.

In recent decades, Thai companies have actively explored business opportunities abroad and invested hugely to balance revenue streams. After the Tom Yam Kung crisis, most companies learned that the domestic market alone could not keep the companies afloat, let alone support their business expansion plans.

Thailand's outward foreign direct investment has played an important role in the economy. Particularly, ASEAN markets and Asia in general have become major investment destinations for Thai enterprises, driven mainly by slower domestic market growth, rising labor costs, and export market access.

The momentum continues, involving mainly the companies listed on The Stock Exchange of Thailand (SET) and its secondary trading board Market for Alternative Investment (mai). In 2020, the outward investment of 50 SET listed companies with the most market capitalization value totaled USD 3.76 billion (THB 112.7 billion), against USD 8.86 billion (THB 267 billion) in 2019, USD 5.29 billion (THB 171.6 billion) in 2018, and USD 1.91 billion (THB 62.25 billion) in 2017. According to the data compiled by SET, about 60 percent of the 200 largest listed companies have maintained their investment presence during the years.

By region, ASEAN markets remained the most attractive in 2020, with a number of 223 Thai listed companies (80.22 percent of 278 listed companies with presence oversea) active in the markets. Their foreign direct investments flowing to the region in 2020 reached USD 4.41 billion (THB 132.36 billion), SET-listed and mai-listed companies' outward foreign direct investment in 2020 report stated.

Though the amount declined from USD 6.65 billion (THB 200.27 billion) in 2019, it was the highest compared to the outflows to other regions. Notably, Indonesia, Malaysia, the Philippines, Singapore, and Vietnam were the top five ASEAN markets that showed an increase in the number of investing companies from Thailand, while Cambodia, Laos, and Myanmar experienced a decrease. Compared to 2019, Vietnam was the most attractive, welcoming 10 more listed companies from Thailand. On the opposite, the number of Thai listed companies investing in Myanmar dropped by 4 on year.

However, in terms of investment value, Indonesia was the most active with combined investment of US\$ 3.47 billion (THB 104 billion), largely due to a banking group's acquisition of PT Bank Permata.

In 2020, the outward direct investment of SET-listed and MAI-listed companies reached USD 4.63 billion (THB 139 billion), or 9 percent of their total investments. More than 90 percent belonged to the companies listed on the main bourse.



Given the continued momentum, at the end of the year, 278 or 37 percent of 743 listed companies have made presence felt overseas. Of these, 251 were listed on the SET, an increase of 19 from the previous year. Twenty-seven companies were listed on mai, a decrease by 19 from the previous year.

The services, the property & construction and the resources industry groups proved the most attractive to Thai listed companies. In 2020, the services and the property & construction industry groups retained as the top two recipients by numbers of Thai listed companies' outward direct investment at 68 and 46, rising from 65 and 44 in the prior year, respectively. But in recent years, the resources industry group has gained increasing attention, with the number of investing companies increasing from 28 in 2018 to 35 in 2020.

Thanks to the diversification, revenue from overseas businesses cushioned the negative impacts felt at home, when the GDP shanked by more than 6 percent last year.

Thai listed companies' overseas revenue hit USD 98.63 billion (THB 2.96 trillion) in 2020, or 26 percent of total revenue in the year. The portion slightly increased from the previous year as domestic revenue was stagnant due to the economic shock from the COVID-19 pandemic. Of total revenue, the top 50 listed companies shared USD 69.98 billion (THB 2.1 trillion) or 67 percent.

Compared to the previous year when combined outward investments dropped by 53 percent, the overseas revenue declined by a mere 1.7 percent.

The countries of origin of USD 61.65 billion (THB 1.85 trillion) revenue or 60 percent of total were not identified, though. Out of the remaining revenue from identified countries of origin, USD 16.19 billion (THB 486 billion) was generated in ASEAN, or a 3 percent increase from the previous year. Most of it was generated in Vietnam, Indonesia and Singapore, respectively.

In 2020, the outward investment of SET and mai-listed companies reached USD 4.63 billion (THB 139 billion), or 9 percent of their total investments. Of total, SET-listed companies invested USD 4.57 billion (THB 137 billion) overseas.

The momentum is expected to continue as listed companies have learned business diversification is a must amid global economic uncertainties. Though Thailand's GDP is expected to inch up by 1.5-2.5 percent in 2021, uncertainties are high due to on-going COVID situation. Just when some major economies expect a recovery, Thai companies do need Plan B or Plan C to keep business going. Gone are the days when they can rely only on domestically-generated revenue.

Information contained in this article comes from a research paper entitled "Outward Foreign Direct Investment of SET and mai-Listed Companies in 2020" conducted by SET's Research Department.