

Thai Stock Market: Growth Path for Family Business

Embedding different values, all family businesses across the globe pursue a common goal – growth and for that, many have turned to stock exchanges in search for new funds.

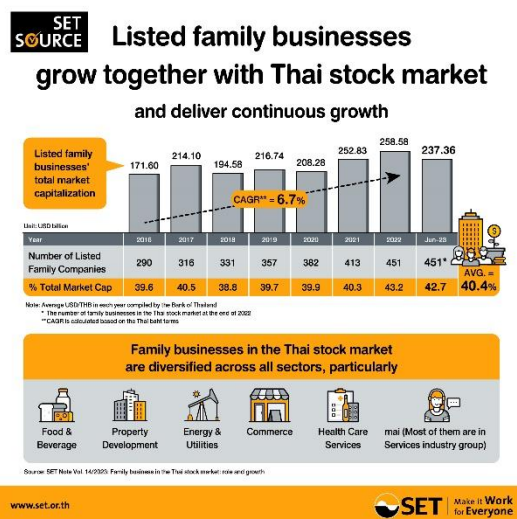
That is also the case in Thailand as out of surveyed 791 listed companies on the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (mai) at the end of 2022, 451 companies or 57 percent are identified as family businesses. They have been in existence for average 34 years and a business is as old as 146 years.

Based on SET Note Vol. 14/2023, a listed family business is defined as a company by which a family holds more than 20 percent of listed shares and management control or that by which a family-controlled company owns more than one-fourth of listed shares.

From 331 family businesses listed on the main board, most of them are in Food & Beverage, Commerce, Health Care Services, Construction Materials, and Personal Products & Pharmaceuticals sectors, operating the original businesses set out by the first generation. About three fourths of companies in the sectors are family businesses. Most of the rest listed on mai (second board) are in the Services, Property & Construction, and Industrial industry groups.

They have somewhat achieved what they expected to obtain from the listing. At end-2022, they constituted 43.2 percent or USD 258.58 billion (THB 9.07 trillion) of total market capitalization. Their market cap had grown 6.7 percent on yearly average during 2016-2022, driven mainly by an increase in share prices, new initial public offerings (IPO) and their profit profiles.

Notably, their combined market caps dropped 11.1 percent from that level to USD 237.36 billion (THB 8.06 trillion) at the end of June 2023, when the SET Index fell 11.0 percent. The market cap had not been taken into account newly listed family companies in the first half of 2023, however.



During 2017- 2022, the listed family businesses saw an average annual growth rate of 14 percent in total assets which hit USD 699.17 billion (THB 22.8 trillion). Their total assets accounted for 47.3 percent of the listed companies' total assets at the end of 2022. The listed family business performed reasonably well with the average annual revenue growth of 9.2 percent between 2017-2022 inclusive of combined revenue of USD 209.44 billion (THB 6.83 trillion) or 36.8 percent of all listed companies' in 2022. The net profit growth was 5.1 percent per year on average. Notably, their six-year net profits accounted for 46.1 percent of all listed companies'. In 2022 alone, listed family businesses' net profits were tuned at USD 12.31 billion (THB 431.59 billion) or 44.3 percent of total.

To achieve growth and endure prosperity, 149 family businesses entered the bourses from 2016 through 2022 and their IPOs were valued at USD 9.32 billion (THB 308.3 billion) or 58 percent of the total amounts raised by 212 newly-listed companies during the period. On their first trading days, their combined market cap was as high as USD 45.34 billion (THB 1.5 trillion) or 60 percent of all IPOs. During the years, 45 family business companies raised another USD 305.02 million (THB 10.09 billion) in fresh fund through secondary offerings.

In an age where sustainability has become an important issue to society and consumer behaviors, many of the listed family businesses also pursue sustainable growth.

Eighty-six businesses are included in Thailand Sustainability Investment Index (THSI) which encompasses altogether 170 companies that continuously create long-term returns through responsibility to society (Social) and the environment (Environmental), and transparency in line with corporate governance principles (Governance).

Aside, these 451 listed family businesses have been an important pillar of the Thai economy and made significant contributions to society. In 2022, their combined revenue was as high as 39.3 percent of Thailand's gross domestic product (GDP). They paid USD 2.9 billion (THB 101.59 billion) in taxes, constituting 27.1 percent of the overall listed companies' corporate income tax payment or 13.6 percent of all collected corporate taxes. The 2021 figures showed they employed 925,256 people.

Apart from the access to capital to accelerate growth, going public makes family businesses more attractive to talents and consequently put solid management mechanisms in place to pave the path towards a resilient and sustainable future while keeping family legacy alive.

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