

## Thailand Morning Cuppa

### Top Story & Regional Research

#### ESG Diamonds In The Rough

Our Best Investment Ideas

Regional Thematic Research

In the eighth edition of this report, we have again mined for and unearthed more diamonds in the rough for 2023. The performance of all our “diamonds” has been sterling over the years. We feature the performance of our 2022 diamonds in Figure 1. The investment ideas we offer are a selection of stocks chosen by our analysts, according to this criteria:

- i. ROE of 15% or above;
- ii. 2023 net debt/shareholder funds of <0.7x;
- iii. Increasing margins in 2023 vs that of 2022;
- iv. Trading below their respective industry average multiples;
- v. ESG score being above their country medians.
- vi. The table below is an overview of our 12 “diamonds”.

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*Today's Report:* [ESG Diamonds In The Rough : Our Best Investment Ideas \(14 Feb 2023\)](#)

*Previous Report:* [ESG Diamonds In The Rough : Our Best Investment Ideas \(14 Feb 2022\)](#)

### Other Stories

#### Thai Oil (TOP TB, BUY, TP: THB68)

Moving With The Reopening Economy; Keep BUY

Company Update

Keep BUY and THB68 TP, 18% upside and c.5% yield. We believe Thai Oil is set to benefit on better demand from the transportation and travel sectors as the global economy reopens post the pandemic – this is after posting in-line 4Q22 net profit. TOP will not shut down its refinery in 1Q23 for maintenance as it did in 4Q22, and will likely see positive effects – in our view – from strong GRMs, limited oil supply, and the global economic re-opening, especially from Chinese consumption.

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*Today's Report:* [Thai Oil : Moving With The Reopening Economy; Keep BUY \(14 Feb 2023\)](#)

*Previous Report:* [Thai Oil : Riding On Demand Recovery, Strong GRM; BUY \(27 May 2022\)](#)

#### Siam Global House (GLOBAL TB, BUY, TP: THB24)

Momentum Set To Improve; Maintain BUY

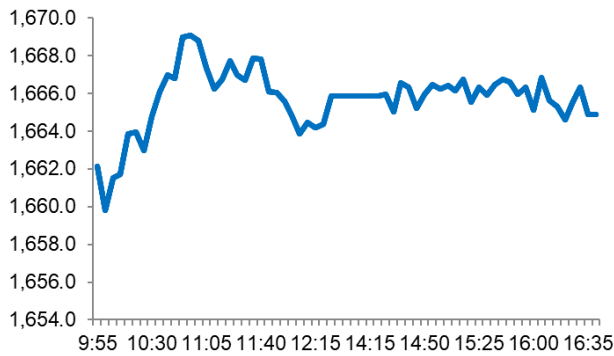
Company Update

Keep BUY, lower FY23F THB24 TP (DCF) from THB26, 23% upside and c.1% yield. Siam Global House reported sluggish 4Q22 results due to weak SSSG and GPM, owing to volatile steel prices and one-off expenses related to inventory counts. 1Q23F earnings may recover QoQ, and the outlook for 2H23 appears to be better than 1H23. With moderate earnings growth seen this year, its current P/E valuation at about -1.5SD looks undemanding.

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*Today's Report:* [Siam Global House : Momentum Set To Improve; Maintain BUY \(14 Feb 2023\)](#)

*Previous Report:* [Siam Global House : Speeding Up New Expansions In FY23; Still BUY \(6 Jan 2023\)](#)

**Chart 1: SET intra-day graph**


SET	2021	2022	2023F	2024F
PE (x)	17.40	14.52	17.21	15.77
P/BV (x)	1.68	1.65	1.83	1.58
Yield (%)	2.65	2.73	2.54	3.09

SET Value by investor Type: Daily	Buy		Sell	Net
	(THBm)		(THBm)	(THBm)
Institution	4,489.87	4,454.98	34.89	
Proprietary	4,538.00	4,046.71	491.29	
Foreign	26,841.65	27,965.31	-1,123.67	
Retail	16,991.01	16,393.52	597.49	

SET Value by investor Type	MTD		YTD
	(THBm)		(THBm)
Institution	4,617.56	-19,653.45	
Proprietary	2,004.82	7,665.52	
Foreign	-20,950.98	-2,607.42	
Retail	14,328.60	14,595.34	

SET50 Index Future	Long	Short	Net	MTD	YTD
	Institution	32,890	35,171	-2,281	398
Foreign	84,713	62,540	22,173	-58,075	-157,854
Local	79,840	99,732	-19,892	57,677	154,224

Foreign Fund Flows (USDm)	MTD		YTD	YoY
	Thailand	-33.2	-33.2	-625.4

Note: \*As at 13 Feb 2023 closing

**Table 1: Key market indices (14 Feb 2023)**

	Index	Chg	Chg (%)	YTD (%)
<b>Thailand (SET)</b>	1664.89	0.32	0.02%	-0.2%
<b>Thailand (SET50)</b>	990.97	1.87	0.19%	-1.4%
<b>Thailand (SET100)</b>	2233.06	2.51	0.11%	-1.1%
<b>USA (Dow Jones)</b>	34245.93	376.66	1.11%	3.3%
<b>USA (S&amp;P500)</b>	4137.29	46.83	1.14%	7.8%
<b>USA (Nasdaq)</b>	11891.79	173.67	1.48%	13.6%
<b>UK (FTSE)</b>	7947.60	65.15	0.83%	6.7%
<b>Singapore (FSSTI)</b>	3324.70	-35.99	-1.07%	2.3%
<b>Hong Kong (Hang Seng)</b>	21164.42	-26.00	-0.12%	7.0%
<b>Japan (Nikkei)</b>	27663.48	189.62	0.69%	6.0%
<b>Malaysia (KLCI)</b>	1475.17	0.58	0.04%	-1.4%
<b>China (SHANGHAI SE)</b>	3284.16	23.49	0.72%	6.3%
<b>Indonesia (JCI)</b>	6900.14	19.81	0.29%	0.7%

**Foreign Exchange Rates / Oil Market**

USD	Closed	Chg	Chg (%)
Baht (Onshore)	33.79	-0.02	0.05
Yen	132.25	-0.17	0.13
Euro	1.07	0.00	0.08

Oil Price (USD/barrel)			
Brent	85.22	-0.65	-0.76
Nymex-Crude Light	79.25	-0.89	-1.11
Baltic Dry Index	602.00	10.00	1.69

Note: \*As at 13 Feb 2023 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Airports of Thailand (AOT TB)</b>	82	12.71	<ul style="list-style-type: none"> <li>1HFY23F will be the first lively peak travel season for AOT in two years. Medium- to long-haul flights from East Asia, the Middle East, and Europe are likely ramping up, and acting as key performance drivers.</li> <li>China's border reopening from 8 Jan onwards will strongly benefit AOT's both aeronautical and commercialised activities. Unlocking air traffics, we expect the scheduled flights between Thailand and China to increase six-fold to c.180/week by end 2023 (1QFY24).</li> <li>AOT may implement measures to help concessionaires until 31 Mar, and apply the minimum guarantee sharing per head for its duty-free and commercial area concessions from 1 Apr. This should bring FY23 concession revenue up 226% to THB13.13bn (29% of revenue).</li> <li>Expect FY23F core profit of THB11.5bn with total aircrafts and passengers at 74% and 67% of 2019 levels. Stronger operations may improve profit margins. We believe AOT will turn to profit by 2QFY23F</li> </ul>
<b>Bangkok Dusit Medical Services (BDMS TB)</b>	36.50	26.96	<ul style="list-style-type: none"> <li>Stabilised earnings growth to be driven by ongoing recovery of general treatments from both local, expats and fly-in demands – medical tourism (ie Chinese patients) and growing new markets (ie Saudi Arabia). Expect back-to-normal foreign patient revenue mix of 30%, with well-balanced contribution from COVID-19 treatments.</li> <li>Targets 3-year organic revenue of 6-8% CAGR (2022-2025) and superior 23-24% EBITDA margin, to be driven by more revenue intensity and case mix (ie fly-in patients and Center of Excellence).</li> <li>To increase market shares in Social Security and to enhance health insurance revenue for Thai and expat patients.</li> <li>Expect strong 47% net profit growth in 2022, with resilient 10% growth in 2023. 2022 bottomline and profit margins should exceed 2019 levels.</li> </ul>
<b>Bangkok Express and Metro (BEM TB)</b>	11	14.58	<ul style="list-style-type: none"> <li>The key highlight for BEM is the recovery speed of both expressway and MRT. Expressway traffic improved very quickly immediately after the pandemic situation started to tame down. However, it has not reached the saturation level of 1.2m trips/day normally seen during the pre-COVID-19 period. In contrast, the Blue Line MRT's ridership improved moderately and has improved faster since May when the Government began to partially unlock restrictions.</li> <li>Expressway traffic and MRT ridership on some weekdays in Nov-22 have already reached per day trip numbers of 1.2m and &gt;400k. This may imply that both numbers may hit new highs within FY23 when commuting activities look set to normalise on a full-year basis. Based on management's guidance, expressway traffic will return to the saturation level of c.1.2m trips/day within 2Q23. Meanwhile, BEM believes MRT ridership will reach a new high at c.500k trips/day within 2023.</li> <li>Despite the ongoing legal tussle, the Orange Line MRT concession will be awarded to BEM as soon as possible and the signing of the contract signing can be concluded during the current government's administration and before the general elections.</li> </ul>
<b>Central Pattana (CPN TB)</b>	83.50	13.99	<ul style="list-style-type: none"> <li>Expect 4Q22F earnings of THB2.89bn (+59% YoY, +1% QoQ), its strongest quarter this year, likely driven by the rebound in revenue, GPM and equity profits from all of its businesses. This is based on a major boost in out-of-home activities during the high season for retail and tourism.</li> <li>CPN should deliver further 17% core profit growth in 2023F, on: i) A better outlook for local consumption and tourism including the return of Chinese visitors, ii) the low base of 1H22, and iii) new mall openings – a Central WestVille mall in 4Q23, and we expect at least four hotels and three low-rise residential projects to be opened.</li> <li>Operations of its local demand-driven retail malls may be mostly back to normal, ie those in Bangkok suburbs and non-tourist areas in the Southern region. Any cut in the average rental rate discounts to a mid-to-high single digit may be an upside to our current conservative 10% assumption</li> </ul>
<b>Central Retail Corp (CRC TB)</b>	53	15.85	<ul style="list-style-type: none"> <li>Expect its highest quarterly earnings this year in 4Q22, with a material QoQ rebound and continuing YoY growth. Key supports include the: i) Opening of 24 new stores, ii) high season for retail, iii) ongoing strong rebound of international tourists to Thailand, iv) beneficiary of the World Cup 2022 towards all key retailing pillars, and v) higher rental income. A wider GPM may partially offset the opex hikes.</li> <li>Expect THB8.26bn core profit for 2023, expanding 28% to pre-pandemic levels. Key drivers: i) Aggressive new store openings (mainly hardline stores, retail malls, and various small-format outlets), ii) back-to-normal fashion and leasable property segments, and iii) potential return of Chinese visitors to Thailand.</li> <li>Enhancing food segment performance post-rebranding, with potential development of its wholesale business unit in early 2023.</li> <li>Ramp up cost optimisations for all its business segments – mainly fashion – to attain profit margin increases.</li> </ul>
<b>CP All (CPALL TB)</b>	79	17.91	<ul style="list-style-type: none"> <li>Convenience store or CVS traffic strongly benefits from rebound in out-of-home activities and foreign tourist arrivals, supporting a better product mix on high-GPM food and personal care sales.</li> <li>Tourism recovery positively supports Makro's higher sales from HoReCa customers (c.30% of Makro sales).</li> <li>Visible Lotus's earnings recovery, from store enhancements, phasing out rebranding costs, and back-to-normal leasable retail mall operations.</li> <li>To drive its topline, targeted 700 new CVS will focus to larger-sized stores, while planned opening of 18 new Makro stores (2022: 12) looks aggressive.</li> <li>Expect 4Q22F core profit of THB4.09bn (+46% YoY, +7% QoQ), and 2023F earnings of THB19.66bn (+36% YoY) or 85% of pre-pandemic levels.</li> </ul>

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>PTT Exploration &amp; Production (PTTEP TB)</b>	191	15.76	<ul style="list-style-type: none"> <li>Gas volumes in 4Q22 should increase to c.490kboed (+18% YoY, +4% QoQ) due to increased production from Arthit, Bongkot, Block-H (Malaysia), Block-61 (Oman), and Hassi Bir Rekaiz (Algeria).</li> <li>4Q22 is expected to remain strong on the northern hemisphere's cold season as well as many snow storms. The cold weather will require more heating energy.</li> <li>China and India are the largest growth demand factors in 2023, on the back of a recovery in transportation fuel and firm industrial fuel demand. It will take some time before the impact of China's reopening of borders is fully recognized – this may gather momentum in 2Q23-3Q23. Concerns over soft demand remain, but OPEC+ should still render a major price support. That said, we expect a more balanced oil market in the medium term and we expect an oil supply deficit of 0.2mbpd in 2023.</li> </ul>
<b>Siam Cement (SCC TB)</b>	400	19.40	<ul style="list-style-type: none"> <li>After FY22 earnings will be inevitable at the lowest level of the past 10 years due to the effect of the petrochemicals sector's low cycle, we expect FY23 earnings to improve from FY22's low base.</li> <li>Despite the petrochemicals cycle still staying at bottom, we expect this wing's low cycle to ease out as China's near-future lockdown terminations should finally happen and this will bode well for end-product prices and sale volumes within the petrochemicals and also packaging segments.</li> <li>Its building materials business may get a cyclical boost as the post-flooding renovation market in several major Thai cities will be busier than in previous years.</li> </ul>
<b>Supalai (SPALI TB)</b>	26.40	8.20	<ul style="list-style-type: none"> <li>Based on SPALI's strong FY22 performance, including: i) FY22 presales likely to exceed the full-year target of THB28bn after 9M22 numbers hit THB25bn, ii) FY22 core revenue likely to see a new record high supported by &gt;THB7bn orderbooks to be recognised as revenue in 4Q22, and iii) another record high of new projects worth c.TH37.4bn launched this year, we anticipate that the FY22 performance will be a strong factor for FY23 prospects.</li> <li>The company's current orderbook of c.TH23bn on hand can be recognised as revenue until FY24, and 51% of this amount should be recognised in FY23.</li> <li>The company's major strategies including: i) Aggressive expansion into provincial major cities, resulting in solid presales momentum since the beginning of FY22, and ii) new tropical design launches for its SDH projects having been well accepted by the mid-end market, will be supporting factors for FY23 prospects.</li> </ul>
<b>TISCO Financial (TISCO TB)</b>	114	11.76	<ul style="list-style-type: none"> <li>Due to its solid asset quality and healthy capital position, as well as its above-average dividend yields of 7%.</li> </ul>
<b>WHA Corp (WHA TB)</b>	4.35	12.69	<ul style="list-style-type: none"> <li>FY22 core revenue may hit a new high of THB12.7bn (+22% YoY) due to: i) Solid YTD industrial land sales, especially in 2Q22 and 3Q22, ii) its warehouse business having already beaten the full-year target for new leased space, iii) the consistent growth of utility services under its subsidiary company's operations, and iv) plans to divest its warehouse and factory space into two REITs within 4Q22.</li> <li>Being well-known as the auto hub in Thailand, WHA's industrial estates in Rayong have been a major target destination for EV manufacturers to have their plants - especially those from China. We expect WHA to benefit further from the EV parts cycle in the following years.</li> <li>WHA can become the first digitalised player among the industrial estate companies within FY26, as its 5-year (FY22-26) capex plan of THB50bn has covered the expansion plans for its four core businesses. It aims to be the first player to launch the metaverse for industrialised operations to facilitate clients within all industrial estate projects, and differentiate itself from other players.</li> </ul>

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