Thailand Morning Cuppa

Top Story

Market Strategy
Pheu Thai – a Game Changer
Thailand Strategy
Pheu Thai (PT) – game changer. At the time of writing, Thailand is still selecting its 30th Premier, as the new administration's entering office delays from August to September. We anticipate PT, the runner-up of 14 May's election, will jump in to form the coalition government with the new allies sans the Move Forward Party (MFP). Still, we believe PT's economic campaign policies needs to be more constructive towards the capital market to boost the investment and economic atmosphere. In 2H23, SET should present a more predictable downside, making it ideal for selective buying.
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Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Moshi Moshi Retail Corporation (MOSHI TB)	Moshi Moshi Retail Corporation's 2Q23 sales may benefit from the continued performance recovery of tourism-related stores, launches of new products in collaboration with three Thai designers, the launch of a new pet product category in June, acquisition of The OK Station – the largest stationary and gift wholesaler in Bangkok's Sampeng area – in April, and the opening of four new stores –bringing the total to 114 – in 2Q23. These factors are able to withstand the seasonality effects expected in the quarter. MOSHI's 2Q23 GPM may be supported by higher sales of high-margin products – plush toys, cosmetics, and IT – but could be hindered by an increasing mix of low-margin stationary and bag products during the back-to-school event, and the consolidation of the low-margin The OK Station. Its opex for the quarter may increase from 1Q23, due to additional employee expenses from The OK Station, as well as the hiring of new staff and executives for future expansions. The company is expected to see lower promotional costs QoQ, as there were sponsorship expenses related to the South Korean band NCT Dream's concert in Bangkok in the previous quarter. *(Company)*	We expect MOSHI to report a 2Q23 net profit of THB81m – a strong 37% YoY increase on sales growth, higher GPM, and lower opex-to-sales ratio. However, the bottomline may moderately drop 6% QoQ, mainly due to a smaller GPM. The company may deliver a robust +20% YoY SSSG and THB584m total sales (+37% YoY, +4% QoQ) for the quarter. The highest sales could be in May – during the back-to-school period – followed by June and April. Its GPM and opex-to-sales ratio are expected to be 51.8% (+0.1ppts YoY, -2.3ppts QOQ) and 33.5% (-0.5ppts YoY, -0.3ppts QoQ). NPM of 13.8% is still favourable, despite a modest 0.1ppts YoY increase and 1.5ppts QoQ drop. MOSHI's 3Q23 earnings should continue growing YoY but decrease QoQ in the low season of 3Q23, before picking up for the festive period in 4Q23. We believe MOSHI will continue to benefit from the full-year recoveries in domestic consumption and tourism numbers. Its key strategies to open new stores and launch new products, and improve the sales mix will be key growth drivers this year. Based on the current consensus, its average 2023 EPS of THB1.17 provides a superior growth of 39%. MOSHI is trading at 46x 2023 P/E and deserves its premium based on its robust growth outlook.	NOT RATED

RS (RS TB)	RS reclassified its business structure in 3Q23 into four key entities – two in the entertainment business (RS Music and RS Multimedia), and two in the commerce space (RS LiveWell and RS PetAll). The company has also set a 3-year target to achieve >30% CAGR in revenue growth, maintain a high GPM of >45%, and achieve high-teen levels of NPM. For the entertainment business, RS plans to: i) Invest in new content (drama, sports, music), aiming to achieve local and international targets and reach the younger generation, ii) focus on the online platform with customised content, iii) form partnership with global music houses and international content creators, and iv) grow its showbiz revenue with special projects and collaborations. For commerce, its strategies include: i) Product diversification to reach untapped markets with high demand, ii) completing its pet-related products and services portfolio and pet retail channels, iii) sales channel expansion focusing on online and social commerce – targeting >20% of commerce sales mix, iv) strengthening its direct sales business with new models and markets (subscription model, exports, and online). (*Company*)	We are positive on RS' group restructuring as it should enhance its capabilities and unlock the hidden value of its businesses to drive earnings growth in the long term. RS Multimedia has spun-off of its operations into four sub-units including Channel 8 for TV broadcasting, online content development, events, and show creations (ie Thai boxing), and creative content production studio (ie drama series and documentaries). RS Music's new 30% JV with Universal Music Group (70%) is to manage RS' back catalogue distribution on all existing and future digital streaming platforms, and to focus on creating new music and content with a target of 100 singles in 2023 and >200 in 2024, and also for RS Music to be listed on the SET in 2024. Based on consensus, RS' 2023 revenue and net profit are estimated at THB4.28bn (+21% YoY) and THB367m (+131% YoY), to be mainly driven by the entertainment wing. We expect its 2H23 earnings to be stronger than 1H23, based on: i) Having more than six major concert events compared to only one held in the first half, ii) more ad spending for its television business, iii) launches of its commerce product exports, and iv) more developments in its pet business (the opening of more pet clinics and pet hospitals, as well as the first-batch opening of five pet retail stores of Pet All My Love in the latter half). In the short term, 2Q23 earnings may still expand YoY but plummet QoQ, as RS booked THB92m gains from sales of Chase Asia (CHASE TB, NR) shares during the IPO in 1Q23. However, RS' 3Q23 bottomline may materially jump YoY and QoQ from a net gain of THB1.3bn from the back catalogue's music asset divestment to the new JV, which may act as a near-term catalyst. We note that RS remains a growth company, and the stock is trading at 41x FY23 P/E or c.+0.5SD from its 5-year mean.	NOT RATED

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Airports of Thailand (AOT TB)	82	14.29	• 1HFY23F (Sep) 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. • China's border re-opening from 8 Jan onwards will strongly benefit both AOT's aeronautical and commercialised activities. With air traffic being unlocked, we expect the scheduled flights between Thailand and China to increase six-fold to c.180 per week by end 2023 (1QFY24). • AOT implemented measures to help concessionaires until 31 Mar and is applying 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). • 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.
Bangkok Dusit Medical Services (BDMS TB)	35.25	23.68	• Stabilised earnings growth to be driven by ongoing recovery of general treatments from locals, expatriates, and fly-in demand – ie medical tourism (eg Chinese patients) – and growing new markets (eg Saudi Arabia). We expect normalising foreign patient revenue mix of 30%, with well-balanced contributions from COVID-19 treatments. • BDMS targets a 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 Centres of Excellence). • BDMS is looking to increase market share in Social Security and enhance health insurance revenues for Thai and expatriate patients. • Expect healthy core profit expansion by 6% in 2023. Stable bed occupancy rates vs 2022's 73% (including COVID-19 treatment) are assumed. Profit margins may jointly benefit from patients and price intensity.
Bangkok Express and Metro (BEM TB)	11.22	26.78	• The key highlight for BEM is the recovery speed of both expressway and mass rapid transit (MRT). Expressway traffic improved immediately after the pandemic situation started taming down, but it has not reached the saturation level of 1.2m trips per day seen during the pre-COVID-19 period. The Blue Line MRT's ridership improved moderately and has been growing faster since May 2022 when the Government began partially unlocking restrictions. • Expressway traffic crawled up 2% MoM in February to 1.13m trips per day (+15% YoY) and should stay sideways up throughout 2023, while MRT ridership's sharp improvement stays intact. February's Blue Line MRT ridership's average grew an impressive 98% YoY to 395k trips per day on the remarkable notion that the average number of working days hit 441k trips per day – surpassing Nov 2019's previous high of 412.75k. • Despite the ongoing legal tussle, the Orange Line MRT concession is likely to be awarded to BEM soon.
Central Pattana (CPN TB)	85	30.27	• CPN should deliver further 18% core profit growth in 2023 on: i) A better outlook for local consumption and tourism (including the return of Chinese visitors), ii) low base of 1H22, and iii) new malls (including a Central WestVille mall in 4Q23), as well as at least four hotels and three low-rise residential projects to be opened. • Operations of local demand-driven retail malls may be mostly back to normal, ie those in Bangkok suburbs and non-tourist areas in the kingdom's southern region. Any cut in the average rental rate discounts to a mid-to-high single digits may be an upside to our current conservative 10% assumption. • The opening of new retail projects in Thailand is likely secured at c.2 malls pa in 2023-2025, with possible updates on international expansions in Vietnam in mid-2023. Its strategy to develop non-retail projects (ie hotels, leasable office buildings, and residential projects) should help drive earnings growth via retail-led mixed-use projects. According to CPN's 5-year plan, the sales mix of non-retail properties may ramp up to 20-25% in 2027 (2022: c.15%).
Central Retail Corp (CRC TB)	54	31.71	• We expect THB8.26bn core profit for 2023, expanding 19% 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, iii) high-spending customers via omni-channel platforms, and iv) full-year tourism recovery with the potential return of Chinese visitors to the kingdom. • Enhancing food segment performance post rebranding, with potential development of its wholesale business unit in early 2023. • Ramping up cost optimisations for all its business segments – mainly fashion – to attain profit margin increases.
CP All (CPALL TB)	76	19.69	• Convenience store or CVS traffic is strongly benefiting from the rebound in out-of-home activities and foreign tourist arrivals, supporting a better product mix on high GPM food and personal care sales. • Tourism recovery positively supports Makro's higher sales from HoReCa customers (c.30% of Makro sales). • Visible Lotus's earnings recovery from store enhancements, phasing-out rebranding costs, and back-to-normal leasable retail mall operations. • To drive topline, c.700 new CVS outlets will be larger-sized stores, while the planned opening of 18 new Makro stores (2022: 12) looks aggressive. • Expect 2023 earnings of THB19.66bn (+46% YoY) or 85% of pre-pandemic levels. CPALL's subsidiary Siam Makro is refinancing its USD-denominated loans (70% of portfolio) – therefore, finance costs may decline in 2H23.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
PTT Exploration & Production (PTTEP TB)	179	13.29	• OPEC+ recently announced huge production cuts of 1.15mbpd, starting from May 2023 till year's end. This is a positive surprise and should strongly enhance oil prices in 2023. • Gas sales volumes in 2023 are likely to improve and should be in the range of 470-510kboed vs 468kboed in 2022. The Erawan G1/61 site, which previously had issues with site access, is now seeing more developments, as the company has sited eight production rigs there. Production should therefore increase from 200mmcfd in 2022 to 600mmcfd by the end of the year. • China and India are the largest growth demand factors in 2023 on the back of a recovery in transportation and industrial fuel demand. It will take some time before the impact of China's re-opening of borders is fully recognised – this may gather momentum in 2Q23-3Q23, and we expect an oil supply deficit in 2023.
Siam Cement (SCC TB)	400	24.61	• In 1Q23, all of SCC's major businesses simultaneously improved from 4Q22 trough levels. The petrochemicals business in 1Q23 was supported by more stable levels of product spreads while the cement & building materials business improved on increased construction and renovation activities in Thailand, in spite of a mix of business trends in other ASEAN member states. The packaging business has shown signs of improvement in sales volumes and enhancements in production costs management. • After the plunge in FY22 earnings, especially in 4Q22 – due to lower sales volumes and weak cost management in all three major businesses – we keep our view that SCC's earnings will improve in FY23, particularly in 2H23. This is due to China's full re-opening – which should bode well for both the petrochemicals and packaging businesses – and also new government policies post the general election that support higher local demand for cement and building materials.
Supalai (SPALI TB)	26.40	25.71	• Based on FY23's new project launches that focus on the low-rise projects segment (80% of total value), there are prospects for FY23F core revenue to rise should the company be able to increase presales of its low-rise projects throughout the year. Note: Management guided for higher targets for FY23 – presales and total revenue targets of THB36bn (+11%YoY) and THB36bn (+4%YoY) based on new project launches of THB41bn (+8.5% YoY). • Based on the THB14.8bn orderbook to be recognised in FY23, there will only be two best-selling condominium projects to be transferred from 2Q23 – the majority of earnings should be concentrated in 2Q23-3Q23. Conservatively, we expect FY23F earnings to be softer, with a 17% YoY decline.
TISCO Financial (TISCO TB)	114	16.62	• Due to its solid asset quality and healthy capital position, as well as its above-average dividend yields of 7%.
WHA Corp (WHA TB)	4.89	n.a.	• WHA has set its industrial land sales aim at 1,750*rai* as local and Vietnam industrial land sale targets are set at 1,200*rai* and 550*rai*. We think its FY23 target for Vietnam is achievable, given that WHA plans to soon convert 300*rai* land plots from a high-profile electronics manufacturer. In Thailand, it is negotiating with EV manufacturers requiring >1,000*rai* in industrial land plots. If successful, the FY23 targets are highly achievable. • We see WHA attempting to retain its high-base earnings for FY23 and expect a full-year earnings growth of 5% YoY after a 56% surge in FY22. Based on our assumption for FY23 industrial land sales of 1,400*rai*, industrial land transfers should stay the same. Meanwhile, the water utility services and warehouse space rental businesses should grow consistently, while the power generation arm is set to recover in FY23 after coming under heavy pressure due to rising fuel costs in FY22.

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