Thailand Morning Cuppa

Top Story

Home Product Center (HMPRO TB, BUY, TP: THB18.20)
Eyeing 2H23 Supports; Keep BUY
Company Update
Still BUY, new THB18.20 TP (DCF) from THB18.50, 33% upside and 3% yield. Post last Friday's analyst meeting, we believe Home Product Center could still deliver YoY core profit growth in 2H23 and reach a peak quarter in 4Q23 – the strongest among the Thai home improvement retailers. Despite currently lacking consumption stimulus measures, its aggressive opening of new stores, sales initiatives, and product mix management should act as key earnings drivers.
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Today's Report: Home Product Center : Eyeing 2H23 Supports; Keep BUY (7 Aug 2023)
Previous Report: Home Product Center : 2Q23 Results In Line; Still BUY (26 Jul 2023)

Thematics / Ground Checks

- Energy : Carbon Trading In The Era Of Decarbonisation (31 Jul 2023)
- Regional Market Strategy : ASEAN On the Mend (26 Jul 2023)
- Construction : Net Zero Construction (25 Jul 2023)
- Airports of Thailand : Ground Checks: BKK Free Zone Site Visit KTA; Keep BUY (15 Jun 2023)
- PTT : Ground Checks: KTAs From East Coast Site Visit; Keep BUY (12 Jun 2023)
- RHB Top 20 Thailand Small Cap Companies Jewels 2023 (2023 Edition)
- Regional Thematic : ESG – Envisioning a Better Future: Change In Methodology (2 May 2023)
- Telecommunications : The Rise Of Data Centres In ASEAN (13 Apr 2023)
- ESG Diamonds In The Rough : Our Best Investment Ideas (14 Feb 2023)
- Logistics : The Future Of ASEAN Logistics (29 Nov 2022)

Other Story

Construction (NEUTRAL)
Challenges Due To Political Vacuum Situation
Sector Update
Still NEUTRAL. As the political deadlock in Thailand continues, it is likely that there will be an absence of new major public infrastructure projects and tenders by government agencies. We believe that all construction players will be impacted by this, and have to rely heavily on their existing orderbooks on hand before the new Government finally comes into power. CH Karnchang remains our Top Pick, as it is armed with sizeable orderbooks on hand and solid contribution from its associate companies.
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Today's Report: Construction : Challenges Due To Political Vaccum Situation (7 Aug 2023)
Previous Report: Construction : A Vital Drop Of Water (24 Mar 2023)

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Siam Cement: Seeing a Brighter Future; Maintain BUY

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Market Strategy : Pheu Thai – a Game Changer

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Supalai : Quarterly Earnings To Ride An Uptrend; Keep BUY

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advanced Info Service (ADVANC TB)	252	12.50	• A further recovery in mobile revenue from higher roaming and prepaid sales (increased tourist flows). The earlier removal of fixed speed unlimited plans should mitigate the pressure on ARPU from weaker economic sentiment • Sustained double-digit growth in the fixed broadband or FBB segment on higher homes passed (strengthened further by the acquisition of TTT Broadband) • The potential monetisation of its tower assets looks to be share price catalyst in the mid to longer-term • Key downside risks are competition, weaker than expected earnings and political/economic headwinds
Airports of Thailand (AOT TB	82	15.90	• Flights between Thailand and China slated to ramp up to 430 per week (one-third of 2019 levels) from Jun onwards (from 100 weekly flights in May) has unlocked the travel bottleneck • Suvarnabhumi Airport's (BKK) new Satellite Terminal opening in Sep 2023 may drive AOT's earnings from FY24 onwards • Long-term upsides; i) Plans to boost non-aeronautical revenues to 50% from c.45% currently, ii) the idea of PSC collections for air transit/transfer passengers, iii) expansions of BKK and Don Mueang, and iv) the planned transfers of three airports to AOT • Earnings turnaround to THB11.5bn in FY23F, with aircraft and passenger numbers at 74% and 67% of 2019's levels vis-à-vis FY22's 44% and 33%
Bangkok Dusit Medical Services (BDMS TB)	35.25	24.78	• 2H23 net profit may improve HoH, on the continued return of Thai and foreign patients to its hospitals. BDMS may see growing numbers from the Middle East and China – the latter should provide additional support for earnings growth, aside from the solid income already coming from hospital billings for China expatriates. 3Q23 earnings may grow YoY and QoQ from the high season for medical 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 treatments) are assumed. Profit margins may jointly benefit from patients and price intensity.
Bangkok Expressway and Metro (BEM TB)	11.22	26.07	• After schools and universities' new academic years began in May, average expressway traffic crawled up while average weekday traffic marked a bit higher number. While January to June numbers were still below their comparable months during FY19's pre-pandemic period, this may imply that there is ample room (>10%) for BEM's expressway traffic to improve. • Similar to expressway traffic numbers' upwards direction, Blue Line MRT ridership also rose at a stronger growth rate. Note: June's ridership grew 10% MoM. Contrary to the expressway traffic levels, ridership numbers from January to June were higher than FY19 numbers – every single month. We expect BEM to post new ridership number highs within the remainder of 2023. • For FY23, we think traffic and ridership numbers should strengthen in 2H23. Expressway traffic should continue to crawl up to pre-pandemic levels (>1.2m trips/day) while Blue Line MRT ridership ought to hit new high records (likely in 4Q23).
Central Pattana (CPN TB)	85	25.93	• Benefits from the normalising rental rate discounts given to mall tenants and rising customer traffic to CPN's malls at tourism destinations • Secured new project openings this year, including two retail malls, seven hotels, and seven residential sites. • The opening of the Central WestVille mall (32,000sq m) in 4Q23 and scheduled transfers of c.THB2.5bn residential units (mainly high-rise projects) in 2H23 to strengthen 2H23F earnings • Positive to a clarity on the renewal of lease terms and contracts of two shopping malls with CPNREIT • 2023F core profit to grow strongly by 18% YoY – beating pre-COVID-19 levels, while 3Q23F earnings may expand both YoY and QoQ
Central Retail Corp (CRC TB)	54	36.71	• Performance of fashion and leasable property segments to bring revenue back to pre-pandemic levels, and improve the profit margin expansions • Sales from international tourists is at >10%, beating 2019's c.5%, and this momentum may improve throughout the rest of 2023, to be driven by an increasing Chinese arrivals • A better outlook for the hardline unit in 2H23F on the aggressive opening of 10 Thai Watsadu stores, healthier sales momentum of Ngyuen Kim appliance stores in Vietnam post its business restructuring, and utility costs optimisation • Expect 19% core profit growth in 2023, while 3Q23F earnings may expand YoY

Top BUYs

	TP (THB)	Upside (%)	Catalysts
CP All (CPALL TB)	76	25.10	• 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 • CPALL's 2H23F outlook is still attractive, and the CVS business may remain its key growth driver. Support factors: i) The ongoing Chinese tourism recovery, ii) decreasing electricity costs, iii) on-track openings of new 7-Eleven CVS stores (and acceleration in Makro and Lotus's new stores vs 1H23) • CPAXT's completion of debt restructuring in April may lower CPALL's average interest rates and interest expenses, and limit currency risks after paying off USD loans • Expect robust earnings growth of 34% (78% of pre-pandemic levels) and 22% YoY in 2023 and 2024
Land and Houses (LH TB)	10.85	29.17	• Due to limited activities of launcing new projects and none of these new projects commanding strong presales since their respective launches, the company showed a weak performance in 1H23, especially in terms of presales and transfers based on 22% of its overall new project value being launched within 1H23 under its FY23 plan (THB35bn) • As new project launches for F23 will be heavily loaded in 4Q23, we expect the company's presales to follow suit in tandem with these new launches. Likewise, there should be a likely trend of presales hitting FY23's highest quarter in 4Q23 when LH launches 78% of its full-year plan to unveil new projects within 2H23 • Its presales speed can step up when a new condominium project will be launched in 4Q23. We also expect the Vive brand in the SDH segment to be launched in 3Q23 to attract solid demand from the high-end market • Up to now, LH remains committed to its plan to sell two Grand Centre Point hotels in Pattaya to a REIT within 4Q23. As these two hotels have performed superbly in terms of average room and occupancy rates (>90% on average), we think the company will secure this opportunity to record extra gains from the spinning-off of these two hotels by 4Q23
PTT Exploration & Production (PTTEP TB)	186	14.81	• 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 Commercial Bank (SCB TB)	150	111.27	• We fine-tune our FY22F-23F earnings to in line with FY22's financial targets. Net-net, earnings will rise 3.4% for FY22F and fall by 3.2% for FY23F post assumptions of lower loan growth and higher opex despite elevated non-II and credit costs. Our TP stays at THB150. We maintain our 2% ESG premium based on RHB's proprietary methodology
Sino-Thai Engineering & Construction (STEC TB)	16.20	51.40	• Based on the current political situation, we expect almost all prioritised infrastructure projects listed by the Transport Ministry to be delayed until we get a new post-election government. The bulk of these involve rail transits, which should be an advantage for the large construction players including STEC • The Red Line MRT extension and three new double-track railway lines can be actually executed in terms of the bidding process within this year, in our view • Without any new infrastructure bids, we expect limited impacts on STEC which have moderate amounts of orderbooks on hand cushioning the vacuum in public sector bidding activities and an uptrend of GPM. For STEC, it is monopolising the mega-sized c.THB27bn U-Tapao International Airport's expansion, which is likely to be awarded soon

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