

Thailand Morning Cuppa

Top Story

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

Expect Strong Performance With High GRM

Company Update

Keep BUY, with new THB68 TP from THB65, 31% upside and c.6% yield. Thai Oil is expected to post robust 3Q23 earnings due to its strong gross refinery margin from tight oil supply and low inventory level. The TP increase comes from adjusting for better-than-expected 3Q23 performance. Although the oil spill incident provides short-term negative sentiment, we expect the effects to be limited and under control. TOP also provides an attractive dividend yield in 2023.

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Top BUYs			
	TP (THB)	Upside (%)	Catalysts
Advanced Info Service (ADVANC TB)	252	12.00	<ul style="list-style-type: none"> 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)	84	22.18	<ul style="list-style-type: none"> The peak air travel period in 1QFY24-2QFY24F (Sep), should strengthen 1H earnings. Suvarnabhumi airport's new Satellite Terminal opening in Sep 2023 should help drive AOT's earnings and limit the erosion from additional opex (c.THB2.4bn pa) on the project from 1QFY24F onwards. The Government's tourism stimulus policies, including a visa-free scheme, may attract visitors. A possible change in Suvarnabhumi Airport's duty-free concession fee mechanism to the more lucrative minimum guarantee basis from the current revenue sharing/head (if its passenger numbers hit 66m pa) should boost revenue from its concession business. Expect 4QFY23F core profit of THB4.21bn – pointing to a turnaround YoY from the loss of THB1.06bn (+29% QoQ) in the period a year before.
AP (Thailand) (AP TB)	14.40	27.43	<ul style="list-style-type: none"> AP should be one of the major residential developers to record a quarterly earnings uptrend for FY23 – from the weakest quarter in 1Q23 to the strongest in 4Q23. So far, its transfers of housing units within its low-rise projects and the condominium segment are progressing smoothly. Based on AP's strong performance in accelerating presales on YTD basis, its 3Q23 presales was quite strong at THB11.7bn – 72% of it from the low-rise project segment, especially in its key strength area of mid- to high-end market. While AP is seeking a recovery of its condominium presales from FY22's low base, we expect the company to achieve its FY23 presales target of THB58bn (+15%YoY) based on its current 9M23 presales of THB35.3bn has accounted for 61% of the full-year target.
Bangkok Dusit Medical Services (BDMS TB)	35.25	28.18	<ul style="list-style-type: none"> 4Q23 earnings may still expand YoY, on the continued return of Thai and foreign patients to its hospitals. On foreign patients, BDMS may see growing numbers from the Middle East and China. Fly-in China patients should benefit the Thai Government's visa-free scheme, aside from the solid income already coming from hospital billings for China expatriates. The growing performance due to Thai patients will be driven by revenue intensity and annualised year-end health check-up programmes. Expect core profit to rise 6% YoY to THB13.31bn in 2023, then by a further 7% in 2024. 2023 profit growth would be based on 6% YoY revenue growth (guidance: +6-8% YoY), its Thai and foreign patient revenue mix of 28:72, stable bed occupancy rates, and a decent EBITDA margin of c.24%.
Central Pattana (CPN TB)	85	32.30	<ul style="list-style-type: none"> Malls' occupancy rates may gradually increase via a plan to ramp-up activities in common areas, while seeking more global brands' flagship store tenants at key properties. New malls were secured in 2H23-2024. Central WestVille may see a c.80% occupancy rate on opening day in late Nov 2023, while three in Nakhon Sawan, Nakhon Pathom, and Krabi will open in 1Q24, 2Q24, and 4Q24. 33% and 45% of a total THB6.5bn backlog for residential rental business (9% sales mix) will be transferred in 2H23 and 2024, while the launches of two high-rise and four low-rise projects in 2H23 may help sustain the housing rental topline over the next two years. 4Q23 – a high season for malls, hotels, and residential businesses could propel 2023F earnings to beat 2019 levels by 11%.
Central Retail Corp (CRC TB)	54	39.35	<ul style="list-style-type: none"> 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. CRC's penetration into the wholesale store format may capture growth in food-related businesses and help drive earnings in the longer term, while its synergies with parent Central Group may secure the platform's expansion and optimise profit margin. Expect a better 2H23 performance than 1H23; 3Q23F earnings may expand YoY, before improving both YoY and QoQ in 4Q – a high season for retailers.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
CP All (CPALL TB)	75.50	31.88	<ul style="list-style-type: none"> An indirect beneficiary of planned stimulus measures, as traditional retailers may visit CPAXT's wholesale stores more frequently to replenish their stocks as their sales increase due to the scheme. Resumption of 7-Eleven annual stamp campaign may improve its CVS traffic and maintain the average momentum of sales in 4Q23F. 4Q23F core profit may expand YoY and QoQ to record the highest quarterly earnings this year, driven by the CVS, Makro, and Lotus's businesses, as it is the high season for retailers. It should also benefit from electricity price cuts and declining interest expenses. Its subsidiary CPAXT should see better SSSG, although opex may increase from Lotus's promotional campaigns, new stores' pre-opening costs, and online wholesale facility expansions.
The Erawan Group (ERW TB)	6.10	18.45	<ul style="list-style-type: none"> Success in diversifying its top source market portfolio with an improving outlook, including China (16% revenue contribution), Thailand (13% revenue contribution), the US (10%), Singapore (7%) and India (5%). The strong demand and higher room rates would support ERW's hotels in the mid-scale and economy segments (c.37% of group revenue in total) to deliver RevPAR growth of 62% and 88% YoY in 2023, which may be higher than that of luxury (+44%) and budget hotels (+11%) in Thailand. Amid negative sentiment over recent incidents and the Thai Government's attempt to boost tourism, ERW may continue gaining strong earnings momentum during a typical high tourism season in 4Q23. Expect a 2023 core profit turnaround to THB778m, exceeding the 2019 levels, and printing a record high. Long-term expansion of the network of Hop Inn budget hotels and as well as the hotels abroad (ie in the Philippines and Japan).
PTT (PTT TB)	44	29.41	<ul style="list-style-type: none"> PTT's movement into the EV venture is not emphasize merely growth, but it also aims on strategic move to diversify and position itself on the industry megatrend of green energy to grow out of its traditional energy. Inflation in Thailand fell to 0.30% in September from 0.88% in August, due mainly to lower prices of energy (backed by government subsidies) and food. After the price subsidies come to expire and without further extension periods. Inflation can come back again and may be spike in 1Q24. It is suitable to have defensive stock against inflation. PTT is expected to continuously pay an attractive dividend yield of 5% in 2023. Continue on several new businesses with high margin such as pharmaceutical and life science products.
PTT Exploration & Production (PTTEP TB)	191	9.14	<ul style="list-style-type: none"> Hamas' attack on Israel has raised geopolitical tensions. Both are not a major oil producers. However, there is a concern that the conflict can be elaborated to be higher regional tension. Saudi Arabia and Russia are largely in control. The recent rally is largely led by Saudi Arabia's and Russia's extension of their voluntary oil output cuts until the end of this year. This is should enhance oil prices in 2023. Gas sales volumes in 2023 are likely to improve. 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 200mmcf/d in 2022 to 800mmcf/d in April 2024.
Thai Union Group (TU TB)	17.50	28.68	<ul style="list-style-type: none"> TU Management expects tuna price in 2H23 to dwindle from the USD1,900/tonne level in 1H23. Tuna price in Jul and Aug 2023 were USD1,900/tonne and USD1,800/tonnes, respectively, The September tuna price is continuously lower at USD1,700/tonne. lower than expensive point of USD2,000/tonne – and is likely to decrease to move around c.USD1,700/ tonne in 4Q23, due to end of the FAD fishing ban. Thai Union Group is expected to manifest a better 2H23 after see recovery momentum of Thai export after soft 1Q-2Q23 due to lower volume on higher inventory and raw material costs earlier. TU is expected to continuously pay an attractive dividend yield of 4% in 2023.

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