

Thailand Morning Cuppa

Top Story

Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB37)

Earnings To Hit Another Record High In 2024; BUY

Company Update

Keep BUY and THB37 FY24F TP (DCF), 36% upside with c.2% yield. We expect Bangkok Dusit Medical Services to book favourable 4Q23 core profit on higher international patient revenue. Its record earnings are expected to continue growing at a resilient 9% in 2024, driven by higher revenue intensity and still-high EBITDA margins. Valuation is undemanding at 28x 2024F P/E (-1.5SD), below the sector's c.30x P/E.

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Top BUYs			
	TP (THB)	Upside (%)	Catalysts
Advanced Info Service (ADVANC TB)	252	17.21	<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	41.77	<ul style="list-style-type: none"> Earnings growth to improve, as its quarterly profit may expand YoY and QoQ during the peak travel period in 1QFY24F-2QFY24F (Sep). A permanent visa-free policy between Thailand and China starting from 1 Mar 2024 could be a major boost for Chinese aircraft movement and air passengers. Apart from China, increases of passengers from Thailand (19% of FY23 international traffic), India (6%), South Korea (5%), Russia (4%), the Middle East, and EU could be another air traffic drivers. Extension of assistance measures for commercial area concessionaires has no effect on revenue recognition, but impacts operating cash flow – which may be supported by AOT's improving leverage. The measures may be discontinued once the operators' performances improve. Planned major passenger service charge (PSC) increases may act as a long-term upside – our sensitivity analysis: Every THB10 change in PSCs may affect core profit by c.1.7%.
Bangkok Bank (BBL TB)	192	32.41	<ul style="list-style-type: none"> We like Bangkok Bank, as we see it as the sector's most defensive stock with the ability to manage impending headwinds – this is given Thailand's anticipated modest economic recovery in 2024 – with lingering challenges in asset quality. We see four key catalysts to drive share price vs peers: i) Top defensive play, ii) the bank's outstanding international presence, iii) resilient earnings outlook, and iv) appealing valuation. We expect BBL's superior international presence vs peers to continue to boost its earnings. We believed BBL is well-positioned to be the main gainer from Thailand's modest economic recovery. BBL's ample reserve vs peers gives it more room to lower credit costs to manage bottomline growth while its inexpensive valuations – P/BV below -1SD – provides investors with a good buying opportunity.
Bangkok Chain Hospital (BCH TB)	24	5.73	<ul style="list-style-type: none"> Target to enhance foreign patient revenue to 20% via networking and marketing activities in Myanmar, Cambodia, and the Middle East, while Chinese patients may increase from anti-aging and fertility treatments. The opening of a heart centre at Kasemrad Hospital Chachoengsao in Jan 2024 and Kasemrad Ari Radiation Oncology Clinic by 3Q24, and completion of renovation projects at its key hospitals, would act as another revenue supports. Seek a 4% growth in registered social security (SSO) members at BCH hospitals and a potential hike in SSO reimbursement for dental care from THB900/member pa to THB1,200 as upside. Its three hospitals opened in 2020-2021 may deliver improving performance. We expect 4Q23 earnings growth of 73% YoY (+6% QoQ) to THB467m, making it the best quarter of the year. BCH's 2024 earnings may strongly expand by 33% to THB1.93bn.
Central Plaza Hotel (CENTEL TB)	48.50	16.87	<ul style="list-style-type: none"> The ongoing recovery for its hotel operations should help 2024 core profit grow 42% to THB2.03bn (18% above pre-pandemic levels). Key beneficiary among the Thai hotel and quick-service restaurant players, with regards to the Government's Easy E-Receipt programme that allows a tax rebate of up to THB50,000 for purchases of goods and services from 1 Jan to 15 Feb. 4Q23F earnings may expand QoQ on seasonality, but decline YoY due to the hotel segment's higher leases and depreciation – despite favourable results from the food segment this quarter (c.+3% YoY SSSG and lower food opex).
CP All (CPALL TB)	75.50	45.89	<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. 2024 convenience store (CVS) SSSG to expand in tandem with economic growth (c.+3%). Support factors: i) Being a beneficiary of a potential minimum wage hike (which will boost CVS sales), ii) the increase in the number of foreign tourists, and iii) consumption stimulus measures. To open 700 new CVS in 2024 focusing on larger-sized stores, to enlarge the average ticket size and number of items per basket. Seeks wider profit margins from product mix management (ie adding more fresh food items), and lowering finance costs regarding the completion of its CPAXT converting foreign currency loans to THB, as well as the maturity of CPALL's older-tranche long-term debentures. 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.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Central Pattana (CPN TB)	85	31.78	<ul style="list-style-type: none"> Malls' occupancy rates may gradually increase via a plan to ramp-up activities in common areas. CPN is also seeking more global brands' flagship store tenants at key properties. Back-to-normal performance at its local demand-oriented malls, while that of tourist malls may improve further. Opening of three new malls – Central WestVille (Nov 2023), Nakhon Sawan (1Q24), and Nakhon Pathom (2Q24) – and 5-7 new hotels and residential projects each may help secure its 2024F earnings growth. 45% of a total THB6.5bn backlog for residential rental business (9% sales mix) will be transferred in 2024. Easing concerns over CPN Retail Growth Leasehold REIT – CPN may raise its stake in CPNREIT to 40%, and will have no full consolidation of CPNREIT's financials. 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	57.66	<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 in 2024, to be driven by an increasing number of Chinese arrivals. A better outlook for the hardline unit on the aggressive opening of Thai Watsadu stores, healthier sales momentum of Ngyuen Kim appliance stores in Vietnam (post its business restructuring) and its food business units in Vietnam (based on an improving economic outlook). 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 CRC to deliver its highest quarterly earnings this year in 4Q23 with a material QoQ rebound and continuing YoY growth.
PTT (PTT TB)	44	29.41	<ul style="list-style-type: none"> PTT's movement into the EV venture is not to emphasise merely growth, but also aims to be a strategic move to diversify and position itself within the industry's green energy megatrend to grow out of its traditional energy business. Inflation in Thailand fell to 0.30% in Sep 2023 from 0.88% in Aug 2023, mainly due to lower energy (backed by government subsidies) and food prices. After price subsidies expired (without further extension periods), inflation can return and may be spike in 1Q24. It is suitable to have a defensive stock against such inflation pressure and PTT is expected to continuously pay an attractive dividend yield of 5% in 2023. PTT is continuing on with several new high-margin businesses such as pharmaceutical and life science products.
Supalai (SPALI TB)	24.70	31.38	<ul style="list-style-type: none"> FY23 earnings growth will rely heavily on 4Q23 earnings performance as majority of 4Q23 revenue from the condominium segment will come from the Supalai Premier Si Phraya-Samyang project, with THB1.27bn orderbooks to be recognised in 4Q23. We also expect solid FY24 growth from the condominium segment, as there will be five new condominium projects to be transferred in FY24 vs only two in FY23. SPALI will start another round of aggressive investment in Australia from 2Q24 onwards, and we expect it to begin recognising the 12 projects' performances from 3Q24 via profit-sharing from the JV. The full-year impact will occur in FY25, and we expect its FY25 profit-sharing from the JV to expand to >THB1bn from the THB300m expected for FY23.

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