

Thailand Morning Cuppa

Top Story

Osotspa (OSP TB, BUY, TP: THB28.75)

Seeking Moderate Earnings Growth In 2024; Still BUY

Company Update

Still BUY, new FY24F DCF-based THB28.75 TP from THB32.50, 34% upside, c.4% yield. Osotspa should see strong 4Q23F core profit growth, although a one-time expense may dampen QoQ net profit. We revise down our forecasts and expect a moderate 7% core earnings growth in 2024, to be driven by improving beverage sales and profit margins. The 24x FY24F P/E (c.-2SD) implies undemanding valuation and limited share price downside.

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Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advanced Info Service (ADVANC TB)	252	15.60	<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	38.27	<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 the Chinese aircraft movement and air passengers. Apart from China, increases of passengers from Thailand (19% of FY23 international traffic), India (6%), Korea (5%), Russia (4%), the Middle East and the 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) increase may act as a long-term upside – our sensitivity analysis: Every THB10 change in PSC may affect its core profit by c.1.7%.
Bangkok Bank (BBL TB)	192	33.80	<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 – 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. BBL’s inexpensive valuations – P/BV below -1SD – provides investors with a good buying opportunity
Bangkok Chain Hospital (BCH TB)	24	8.11	<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 the 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. Expect 4Q23F earnings growth of 73% YoY and 6% QoQ to THB467m, making it the best quarter of the year. Its 2024 earnings may strongly expand by 33%, to THB1.93bn.
Central Plaza Hotel (CENTEL TB)	48.50	11.49	<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, regarding the Government’s Easy E-Receipt programme, which allows a tax rebate of up to THB50,000 for purchases of goods and services from 1 Jan to 15 Feb 2024. 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	43.81	<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 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) Increase in the number of foreign tourists; 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. Seek 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; and ii) 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	29.28	<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. 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	54.29	<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 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	27.54	<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.
SPALI (SPALI TB)	24.70	23.50	<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 Supalai Premier Si Phraya - Samyan 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' performance 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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