Thailand Morning Cuppa

Top Story

Siam Cement (SCC TB, BUY, TP: THB265)
Cloudy Outlook Persists For Petrochemicals; BUY
Company Update
Maintain BUY and THB265 TP (DCF), 10% upside, 3% yield. Based on the two recent conferences by Siam Cement and its subsidiary SCG Packaging (SCGP TB, NR) to highlight future business outlook, major concerns remain over sluggish demands continuing, especially for petrochemicals. Up until now, packaging is still the most resilient among its core businesses while petrochemicals' improvement is not expected until end-2024. SCC and its subsidiaries still maintain a keen interest towards achieving net-zero. Based on current valuations, we recommend investing on SCC's long-term outlook.
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Today's Report: Siam Cement : Cloudy Outlook Persists For Petrochemicals; BUY (20 Sep 2024)
Previous Report: Siam Cement : 2Q24 Earnings In Line; Still BUY (25 Jul 2024)

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Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advanced Info Service (ADVANC TB)	272	3.82	• Market price repair with the removal of fixed speed unlimited plans allowing for better monetisation of data • ARPU upside from the upselling/cross-selling of fiber broadband (FBB) packages • Synergies from the acquisition of 3BB (EBITDA accretive from the onset), which provides a larger addressable market • Valuation is supported by double digit core earnings growth for FY24/25F and decent dividend yields in excess of 4%
Airports of Thailand (AOT TB	75	17.19	• Earnings should continue to expand YoY in 4QFY24F (Sep), benefiting from: i) Gradual recovery of passengers from China, ii) rising utilisation at BKK's new Satellite Terminal (SAT-1), and iii) opening of BKK's third runway in 4QFY24. • Minor impact of 1% and 3% to FY24F-25F core profit on AOT's reclamation of a total 1,588 sqm of commercial and office areas at BKK and Phuket airports from 1 Jul 2024. • The Cabinet's approval to scrap duty-free shops in airports' arrival areas (to boost domestic businesses) will affect five AOT properties. As duty-free on arrival accounts for c.10% of the total duty-free space, we see a 5% downside to our current FY25F-26F core profit. • The share price has reflected recent negative issues, while AOT has a positive earnings outlook from its business expansions and the ongoing air traffic recovery.
Bangkok Dusit Medical Services (BDMS TB)	37	37.00	• Strong targets; i) 3-year revenue growth of c.10% CAGR, ii) c.9,300 structured beds (2023: c.8,600), iii) occupancy rate hikes to 75% (2023: 69%) by increasing patient volumes, and iv) keeping its EBITDA margin at c.25% through better revenue intensity and case mix. • To raise its revenue mix from third-party payors – private medical insurance patients – to 40% in three years (2023: 36%), which would benefit BDMS' profit margin management. • More upbeat on 3Q24F earnings growth momentum, as it is the peak quarter for healthcare services. • Stabilised 12% core profit growth in 2024F should be supported by: i) Increasing Centre of Excellence services for Thai and foreign patients, ii) expansions (opening two new hospitals), and iii) rising Chinese patients, with limited impacts from less Kuwaiti patients.
Bangkok Expressway and Metro (BEM TB)	12	48.15	• BEM's current concessions for expressway networks and the MRT Blue Line can maintain their importance in major contributors to its performance. Expressway is currently providing the consistency of solid earnings base while Blue-Line MRT network should offer the organic growth from rising ridership in the long run. • Concession for the MRT Orange Line that has been recently awarded to BEM should enhance its long-term growth prospects. • BEM's near-term growth is inevitably intact as we expect the stronger earnings momentum to continue until at least FY28 before BEM starts to commence the operation of 1st -phase Orange-Line MRT network. Note that the first phase of the mass rapid transit (MRT) line – from Thailand Cultural Centre to Minburi – will begin running in FY28, while the second phase (Thailand Cultural Centre to Bang Khun Non) will be operational in FY30.
Central Pattana (CPN TB)	85	24.54	• 2024F earnings expansion of 10% YoY may be mainly driven by the retail mall unit through the opening of two new retail projects in the upcountry in 1Q24, higher traffic, a possible 3% increase in rental rate revisions, and more casual leasing. • CPN's hotel wing may benefit from the rising performance of new properties opened in the past couple of years. There will be a new hotel opening in 2024. Having registered for the e-tax receipt system, its two hotels in Udon Thani and Ubon Ratchathani should benefit from the tax rebate for second-tier cities' tourism businesses, from 1 May to 30 Nov. We expect its hotel revenue to grow by 27% YoY this year. • Its residential division is launching eight residential projects totalling THB7-8bn this year, with two-thirds being high-rise units. CPN may book THB2.93bn backlog as revenue in 2024 – mainly from unit ownership transfers of its high-rise projects. To deliver total residential revenue growth, it would still have to focus on the ownership transfers of its upscale and luxury low-rise housing units.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Minor International (MINT TB)	42.50	46.55	• Expect 2024 core earnings growth of 16% to another record of THB8.29bn, to be driven by: i) 7% sales growth based on a conservative 8% hotel RevPar growth and +1% food SSSG, and ii) a higher GPM by 1.9ppts on continued improving operating leverage. • Hotel wing; i) Improved demand for leisure and business travels in Thailand and Europe, ii) upgrading over 30 hotels to higher-tier brands in 2024-2025, iii) average daily rate (ADR) increases for hotels in Europe to offset some cost increases. • Food business to be driven by its brand value enhancement (ie offering premium products), increasing profitable dine-in and takeaway contributions, the opening of new outlets in Thailand, and a demand recovery in China. • Robust 3Q24F earnings are likely on a high season for hotels in Europe, plus the company being a beneficiary of major sporting events – UEFA Euro 2024 in Germany and the Olympic Games in Paris – and scheduled high-profile concerts during the period.
PTT Exploration & Production (PTTEP TB)	171	23.91	• Solid 2Q24 - 2H24 earnings outlook backed by sales growth as G1/61 (Erawan) project ramped up production to full capacity of 800 mmscfd in late 1Q24. Project 10% YoY sales growth for 2024. • Higher Average Selling Price (ASP) for 2H24 from favorable oil price environment. We expect Brent crude to rally up to USD90/bbl, driven by economic recovery in key markets like the US, China, and ASEAN economies. • OPEC+ compliance is high at 105% in June 2024, with production 5% below target. A supply deficit of 0.9 mbpd is projected for 2024 and 0.3 mbpd for 2025. The market can absorb additional OPEC+ barrels, supported by strong global oil demand. We believe OPEC+ will continue to support the oil market as needed. • The long-term (2024-2028) outlook remains strong as sales volume is projected to grow at a 5% CAGR, driven by the launch of major projects such as SK410B (Lang Lebah), and lower unit costs from the ramp-up of G1/61 production. • The stock is trading at discounted valuations of 1.2x P/BV and 7.8x P/E for 2024F, which are below the historical averages, and offers an attractive dividend yield of over 5%.
Supalai (SPALI TB)	24.70	22.28	• In spite of 1H24 actual presale accounting for only 37% of Supalai's full-year target, we expect the company to accelerate the presales momentum in 2H24 as its plan to launch new project will be more aggressive with THB13-15bn project value for each in 3Q24 and 4Q24. • 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.
TMB Thanachart Bank (TTB TB)	2.10	9.95	• We see key catalysts to drive TTB's share price vs peers: i) Outstanding dividend yield (7-8% vs c.5% for the sector), ii) stronger earnings growth (8-12% in 2024-2026 vs the sector's c.5%), and iii) sturdier risk absorption capabilities and reserve cushion; and iv) better ROE and capital management partly through maintaining high dividend payout ratio. • Given Thailand's uneven and slow economic growth, we expect TTB to be in a better position vs peers in terms of handling any headwinds and asset quality challenges, as well as to better manage its bottomline growth. • This should be thanks primarily to the huge tax benefit advantage (remaining tax benefit of THB12.7bn as of 2Q24) that will act as an earnings cushion for the bank over the long term. • TTB's valuation remains inexpensive – P/BV is still below -0.5SD from the historical mean.
WHA Corp (WHA TB)	6	7.14	• There should a large-lot industrial land sales transaction (c.300 rai) happening in 3Q24. WHA's full-year targets (2,275 *rai* (364ha) comprising 1,650 *rai* in Thailand and 625 *rai* in Vietnam) should be therefore met, given the current FDI inflow especially from smart electronics and EV parts makers. • WHA's logistics warehouse space business should maintain its new leased space target of 200k sq m and this will help topple its overall leased space portfolio under WHA and its REITs to 3.15m sq m in total. • We regard WHA as the biggest beneficiary of the current surge in automakers' investments that has spurred the demand for new industrial land plots especially within WHA's industrial estates in Rayong, and this trend is set to continue for the next five years.

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