

## Thailand Morning Cuppa

### Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Hospitality	<p>The Government has earmarked emergency relief for domestic meetings, incentives, conferences, &amp; exhibitions (MICE) activities after the international segment declined by c.50% because of the coronavirus outbreak. The Thailand Convention &amp; Exhibition Bureau (TCEB) – in partnership with the Thai Chamber of Commerce (TCC) and SET-listed firms – plans to spend THB200m to promote the MICE sector by providing cash incentives for meetings and seminars. This was after the Cabinet approved the extra budget last week. Corporations with incentives or meetings in another province with at least 40 people will also receive an additional THB20,000 per group. Typically, a 40-person group will have a total expenditure of THB140,000 per trip. TCEB President Chiruit Isarangkun Na Ayuthaya said this stimulus package should draw demand from corporate customers.</p> <p>The fiscal package already lets firms deduct their expenses twice for organising meeting activities outside their province. The TCC and SET-listed firms have also pledged to boost the domestic market by encouraging the private sector to arrange more meetings in the kingdom's provinces. At least 100 corporate groups have confirmed that they will be joining this scheme. On 26 Feb, TCC Chairman Kalin Sarasin and 10 chief executives of top Thai companies will take part in a pilot incentive trip to Pattaya to kickstart the <i>Meeting in Thailand</i> stimulus project. The TCEB has prepared various other campaigns for international MICE markets as well, for when the coronavirus threat subsides. The incentive package will be directed at potential short-haul markets, eg Hong Kong and Singapore.</p> <p>Thailand Incentive &amp; Convention Association President Sumate Sudasna said the international meetings and incentives market has been down 50% since the start of the year. Groups travelling in Thailand are here now because it was too late to cancel their trips. Sudasna anticipates new bookings to resume after March at the earliest, as the MICE business takes longer than the general tourism sector to recover. After the crisis, the MICE segment will take 4-6 months to see full recovery, as MICE activities require more planning time, he added. (<i>Bangkok Post</i>)</p>	<p>The campaigns to boost the MICE market among the Thai corporates may potentially support local hotel operators amidst the tough time for the country's tourism industry. However, it may not be sufficient to offset the fall in mainstream source markets, including overseas free-independent travelers and group tours.</p> <p>Also, the international MICE segment in Thailand remains small, accounting for c.3% of total arrivals and c.7% of foreign tourism receipts. Still, we expect a steeper downside of more than 3% to our current 2020 forecasts on international visitors totaling 42m (+6% YoY), while Thai hoteliers may encounter material declines in revenue per available room – this largely stems from average room occupancy rate drops.</p> <p>We maintain our call on this sector.</p>	NEUTRAL

Bangkok  
Expressway &  
Metro  
(BEM TB)

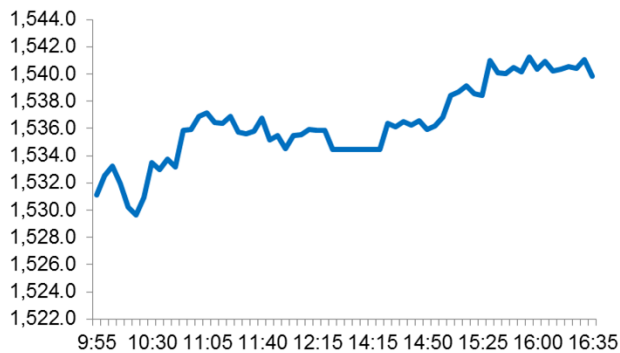
Expressway Authority of Thailand (EXAT) Deputy Governor for Strategy & Planning, Wichan Ekarintrakul – who was also its Acting Governor – has submitted a resignation letter on 12 Feb. Ekarintrakul had been appointed by EXAT’s board to the acting role on 23 Jan following the resignation of previous Governor Suchart Chonsakpipat (effective 6 Feb).

Ekarintrakul’s top priority had been to sign the contract between the authority and Bangkok Expressway & Metro (BEM) to extend an expressway concession for another 15 years and eight months. This was in exchange for resolving all legal disputes between EXAT and BEM. (*Khaosod*)

As the current expressway concession is approaching its expiration on 29 Feb, the immediate resignation of EXAT’s Acting Governor – who was supposed to sign the new concession contract – should pose a major risk for BEM in the near term. Should EXAT’s board be able to appoint a new governor and the new concession terms are signed before the current one expires, our earnings projection will not be disturbed. In this case, we expect BEM’s core profit in its expressway business to consistently grow 5-6% YoY in FY20.

Otherwise, under a scenario where the new concession contract is delayed – and BEM ends up with a temporary operations & maintenance contract – we have to downgrade our earnings forecast. We maintain our call and TP on this counter for now.

NEUTRAL,  
TP: THB10.80

**Chart 1: SET intra-day graph**


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	15.71	14.43
P/BV (x)	2.03	1.74	1.62	1.54
Yield (%)	2.80	3.35	3.26	3.44

**SET Value by investor Type: Daily**

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	7,088.81	5,917.03	1,171.78
Proprietary	7,959.14	6,703.82	1,255.32
Foreign	22,714.37	23,385.30	-670.93
Retail	17,051.87	18,808.04	-1,756.17

**SET Value by investor Type**

	MTD (THBm)	YTD (THBm)
Institution	9,048.52	-3,292.55
Proprietary	343.75	-477.30
Foreign	-6,315.01	-23,617.46
Retail	-3,077.27	27,387.30

**SET50 Index Future**

	Long	Short	Net	MTD	YTD
Institution	37,252	45,210	-7,958	-1,208	10,012
Foreign	72,734	55,066	17,668	32,744	-11,567
Local	98,926	108,636	-9,710	-31,536	1,555

**Foreign Fund Flows (USDm)**

	Daily	WTD	MTD	YTD	YoY
Thailand	-21.5	-3.9	-203.0	-765.0	5185.9

Note: \*As at 12 Feb 2020 closing

**Table 1: Key market indices (13 Feb 2020)**

	Index	Chg	% Chg	% YTD
SET	1539.84	15.91	1.04%	-2.5%
SET50	1034.01	12.06	1.18%	-3.2%
SET100	2265.29	27.18	1.21%	-3.3%
Dow Jones	29551.42	275.08	0.94%	3.5%
S&P500	3379.45	21.70	0.65%	4.6%
Nasdaq	9725.96	87.02	0.90%	8.4%
FTSE	7534.37	34.93	0.47%	-0.1%
FSSTI	3223.37	47.80	1.51%	0.0%
Hang Seng	27823.66	239.78	0.87%	-1.3%
Nikkei	23861.21	175.23	0.74%	0.9%
KLCI	1542.94	-8.54	-0.55%	-2.9%
SHANGHAI SE	2926.90	25.22	0.87%	-4.0%
JCI	5913.08	-41.32	-0.69%	-6.1%

**Key Statistics**
**Foreign Exchange Rates / Oil Market**

USD	Closed	Chg.	%Chg.
Baht (Onshore)	31.13	0.02	-0.08
Yen	110.07	-0.02	0.02
Euro	1.09	0.00	-0.03
<b>Oil Price (USD/barrel)</b>			
Brent	56.20	2.17	4.02
Nymex-Crude Light	51.75	0.58	1.13

Note: \*As at 12 Feb 2020 closing

## Top BUYs

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	250.00	25.00	<ul style="list-style-type: none"> <li>Better profitability due to the TOT litigation settlement (for towers and 2G equipment) that could decrease its network opex by THB3.2bn pa.</li> <li>Strong convergence services portfolio, with a low base of fixed broadband customers who should benefit from the shift in the industry's acquisition trends.</li> <li>Solid balance sheet and cash flow that could be a safeguard against uncertainties during the spectrum auction.</li> </ul>
<b>Bangkok Bank (BBL TB)</b>	205.00	38.51	<ul style="list-style-type: none"> <li>Improved sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management.</li> <li>Sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management.</li> <li>Moderate fee income growth is supported by the collaboration with AIA and less impact from the online fee waiver.</li> <li>ROE is trending up to 9-9.2% in 2019-2020 from the low level at 8.5% in 2017.</li> <li>As the top corporate lender, BBL is likely to gain the most benefits from the infrastructure investment cycle to shore up loans growth.</li> </ul>
<b>Bangkok Chain Hospital (BCH TB)</b>	21.50	37.82	<ul style="list-style-type: none"> <li>A leading private hospital and the Social Security Office (SSO) scheme's largest service provider.</li> <li>Enhanced its customer base to capture the upper-end and international patient segments.</li> <li>Key growth drivers are upcoming price adjustment and clearer payment policy from the SSO, higher revenue intensity from larger portion of cash patients who come for complicated cases, as well as better volume growth from upcoming new facilities and higher utilisation of World Medical Centre.</li> </ul>
<b>Central Pattana (CPN TB)</b>	79.00	25.90	<ul style="list-style-type: none"> <li>Following the online retail trend, the malls of Central Pattana – Thailand's No.1 shopping mall developer – are likely to become the centre of consumer lifestyle and activities.</li> <li>Expect better YoY earnings growth in 4Q19F compared to the previous quarter, to be driven by the major transfer of its three sold-out, high-rise residential projects.</li> <li>Loans refinancing may lower Grand Canal Land's cost of debts by c.0.5ppts by the final quarter this year, benefitting Central Pattana's interest expenses.</li> <li>Potentially, c.THB1.75bn net extra gains from the asset spin-offs to its REIT may be recorded in 1H20.</li> </ul>
<b>CP All (CPALL TB)</b>	95.00	31.94	<ul style="list-style-type: none"> <li>Its 7-Eleven convenience store outlook is likely on track – CP All continues to open new stores at the same 700 outlets pa rate it has undertaken so far, to enjoy sales from ongoing launches of new merchandise and the attractive stamp campaign, along with a recovery of service income thanks to rising transactions of its banking agent service.</li> <li>Siam Makro's product and customer developments play vital roles for the improvement of its operations, which have boosted sales and operating leverage. The factors help limit the impact of rising opex due to its overseas expansion.</li> <li>Expect stronger earnings growth of 13% in 2020F to be driven by both the 7-Eleven and Siam Makro segments.</li> </ul>
<b>CH Karnchang (CK TB)</b>	26.00	21.50	<ul style="list-style-type: none"> <li>With a small orderbook worth about THB37bn, the company has three construction projects. Remaining orders that can generate significant revenue in the near term include the mechanical &amp; engineering system procurement contract for the Blue-Line Mass Rapid Transit (MRT) extension, Orange-Line MRT construction works under a JV with Sino-Thai Engineering &amp; Construction, and the Xayaburi hydropower project in Laos.</li> <li>CK has signed new orderbooks worth about THB6bn from the Rama III-Dao Khanong Expressway. The company's opportunity to grow its orderbook will arise when high-speed railway network linking three international airports is scheduled for an upcoming contract signing.</li> </ul>

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Electricity Generating (EGCO TB)</b>	394.00	27.10	<ul style="list-style-type: none"> <li>We like this company for its relatively low gearing of 1x D/E and cash on hand of THB20.6bn, which we believe will support further growth in the overseas market.</li> <li>We expect 2020F earnings to be boosted by 10% to THB12.8bn, as two large scale projects have already commenced in 4Q19: The 500MW San Buenaventura Power in the Philippines and 1,285MW Xayaburi hydro-electric power plant in Laos.</li> </ul>
<b>Osotspa (OSP TB)</b>	49.00	10.73	<ul style="list-style-type: none"> <li>Osotspa's organisational streamlining by its new management team has effectively turned the company from a family business to a professionally run entity.</li> <li>Local and overseas activities to help driving topline sales, the launch of new products to capture consumer demands, expansion of production facilities, and distribution coverage abroad – mainly in Myanmar – to strengthen its leading position there.</li> <li>Its key business strategy – premiumisation of new products and corporate cost-savings programme – should be the key factors that help boost GPM and keep opex under control.</li> <li>Expect stronger earnings growth of 16% in 2020F vs 14% in 2019F.</li> </ul>
<b>PTT Explore &amp; Production (PTTEP TB)</b>	147.00	15.29	<ul style="list-style-type: none"> <li>The company's products are both directly and indirectly linked to crude oil prices, so it remains South-East Asia's best proxy to crude oil prices.</li> <li>We expect higher sales volume while costs remain stable.</li> <li>Its Leng Lebah (SK410B) field currently has estimated total resources at 2tcf. PTTEP expects to drill another nearby well in 2Q20. It is possible that another 2-3tcf can be found. This project could potentially be commercialised by 1Q25, as it could use shared existing facilities within the area. Assuming 30%-100% of 2tcf is proved reserves, this project could add c.TH3.50-11.50 per share to PTTEP's current valuation.</li> </ul>
<b>Siam Cement (SCC TB)</b>	400.00	8.70	<ul style="list-style-type: none"> <li>Among Siam Cement's major businesses, the cement &amp; building materials division – along with the packaging wing – will somehow mitigate the heavy impact on the petrochemical business. This is based on management's guideline of proactive long-term measures to cope with macroeconomic uncertainties, eg the US-China trade war.</li> <li>While demand for cement has picked up since 3Q18, the company should leverage on this situation by introducing new high-value-added products in building materials and expanding its retail outlet network via partnerships made in major provincial cities.</li> </ul>
<b>Star Petroleum Refining (SPRC TB)</b>	10.30	12.57	<ul style="list-style-type: none"> <li>We like this company as share price has been depressed for most of 2019F due to its 45-day planned maintenance shutdown in 4Q19. After planned maintenance, we will see its refining capacity increase from 165kbpd to 175kbpd.</li> <li>We see earnings are set for a rebound, from net loss THB1.9bn for 2019F to net profit of THB5.0bn.</li> <li>The company has minimal debt, currently at USD51.8m temporary short-term debt. With its strong financial position, we believe the company is well placed for further expansion or diversification. We believe SPRC will make an announcement of its plans to expand into new business in 2Q20F. This new business, we believe, will be within its core competence and possibly downstream petrochemicals business.</li> </ul>
<b>WHA Corp (WHA TB)</b>	4.85	41.81	<ul style="list-style-type: none"> <li>WHA is the proxy in industrial estates to benefit from e-commerce in Thailand. After the company's successful deal with Alibaba, its key strength in premium warehouses should make it an attractive option for e-commerce players, especially from China.</li> <li>The stronger inflow of foreign direct investments (FDIs) into Thailand should bear fruit in 2019, when investors make decisions on the Eastern Economic Corridor's 10 target industries.</li> <li>Good signals from Chinese FDI investors, as they are requesting visits to WHA's project sites, especially for smart electronics, auto parts for electric vehicles, robotics, and food for the future.</li> </ul>

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