

Thailand Morning Cuppa

Top Story

Thai Oil (TOP TB, NEUTRAL, TP: THB48.70)

Refining Spreads Collapse; D/G To NEUTRAL
Results Review

Downgrade to NEUTRAL from Buy, new TP of THB48.70 from THB70.00, 9% downside with c.3% FY20F yield. Thai Oil booked FY19 earnings of THB6.2bn (-37% YoY), pressured by a planned shutdown and weaker commodity spreads. Our previous BUY call was premised on the benefits of the International Maritime Organisation regulation that would have boosted spreads – but never came. Meanwhile, COVID-19 fears have stunted global travel, pressuring refined product spreads. We also slash FY20F earnings, as a result.

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Today's Report: [Thai Oil : Refining Spreads Collapse; D/G To NEUTRAL \(17 Feb 2020\)](#)

Previous Report: [Thai Oil : Share Price Tumbles On Coronavirus Fears \(24 Jan 2020\)](#)

Regional Research

Regional Oil & Gas (OVERWEIGHT)

The Black Swan

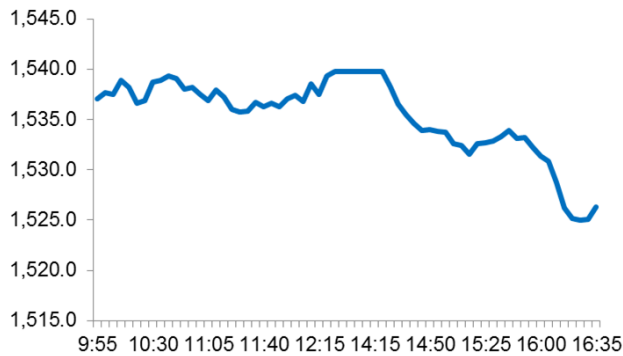
Sector Update

Maintain OVERWEIGHT; Top Picks include Star Petroleum Refining, Keppel and Yinson. COVID-19 has had a negative impact on oil demand, however, the extent of the impact remains uncertain, as the virus outbreak continues to spread. We revise our crude oil price to USD62.30/bbl for 2020F, to reflect this impact with the current available data. We now expect a subdued 1H20F while a rebound in oil demand/price is expected in 2H20F.

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Today's Report: [Regional Oil & Gas : The Black Swan \(17 Feb 2020\)](#)

Previous Report: [Regional Oil & Gas : Fear Of The Unknown; Still OVERWEIGHT \(5 Feb 2020\)](#)

Chart 1: SET intra-day graph


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	15.64	14.33
P/BV (x)	2.03	1.74	1.61	1.53
Yield (%)	2.80	3.35	3.28	3.45

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	8,205.52	7,901.36	304.16
Proprietary	7,766.65	6,928.18	838.46
Foreign	18,067.15	19,645.55	-1,578.40
Retail	27,798.53	27,362.74	435.79

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	9,261.12	-3,079.95
Proprietary	857.67	36.62
Foreign	-9,216.52	-26,518.97
Retail	-902.27	29,562.30

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	30,993	34,490	-3,497	-1,195	10,025
Foreign	35,752	43,908	-8,156	23,337	-20,974
Local	94,847	83,194	11,653	-22,142	10,949

Foreign Fund Flows (USDm)

	Daily	WTD	MTD	YTD	YoY
Thailand	-50.6	-97.1	-296.2	-858.1	5402.9

Note: *As at 14 Feb 2020 closing

Table 1: Key market indices (17 Feb 2020)

	Index	Chg	% Chg	% YTD
SET	1526.30	-6.47	-0.42%	-3.4%
SET50	1022.02	-4.66	-0.45%	-4.4%
SET100	2241.63	-9.47	-0.42%	-4.3%
Dow Jones	29398.08	-25.23	-0.09%	3.0%
S&P500	3380.16	6.22	0.18%	4.6%
Nasdaq	9731.18	19.21	0.20%	8.5%
FTSE	7409.13	-42.90	-0.58%	-1.8%
FSSTI	3220.03	-0.06	0.00%	-0.1%
Hang Seng	27815.60	85.60	0.31%	-1.3%
Nikkei	23687.59	-140.14	-0.59%	0.1%
KLCI	1544.46	5.30	0.34%	-2.8%
SHANGHAI SE	2917.01	10.93	0.38%	-4.4%
JCI	5866.95	-5.01	-0.09%	-6.9%

Key Statistics
Foreign Exchange Rates / Oil Market

	Closed	Chg.	%Chg.
USD			
Baht (Onshore)	31.16	-0.05	0.17
Yen	109.78	0.00	0.00
Euro	1.08	0.00	0.09
Oil Price (USD/barrel)			
Brent	57.22	0.84	1.49
Nymex-Crude Light	52.20	0.15	0.29

Note: *As at 14 Feb 2020 closing

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	250.00	22.55	<ul style="list-style-type: none"> Better profitability due to the TOT litigation settlement (for towers and 2G equipment) that could decrease its network opex by THB3.2bn pa. Strong convergence services portfolio, with a low base of fixed broadband customers who should benefit from the shift in the industry's acquisition trends. Solid balance sheet and cash flow that could be a safeguard against uncertainties during the spectrum auction.
Bangkok Bank (BBL TB)	205.00	38.98	<ul style="list-style-type: none"> Improved sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management. Sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management. Moderate fee income growth is supported by the collaboration with AIA and less impact from the online fee waiver. ROE is trending up to 9-9.2% in 2019-2020 from the low level at 8.5% in 2017. As the top corporate lender, BBL is likely to gain the most benefits from the infrastructure investment cycle to shore up loans growth.
Bangkok Chain Hospital (BCH TB)	21.50	39.61	<ul style="list-style-type: none"> A leading private hospital and the Social Security Office (SSO) scheme's largest service provider. Enhanced its customer base to capture the upper-end and international patient segments. 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.
Central Pattana (CPN TB)	79.00	26.40	<ul style="list-style-type: none"> 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. 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. 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. Potentially, c.THB1.75bn net extra gains from the asset spin-offs to its REIT may be recorded in 1H20.
CP All (CPALL TB)	95.00	36.20	<ul style="list-style-type: none"> 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. 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. Expect stronger earnings growth of 13% in 2020F to be driven by both the 7-Eleven and Siam Makro segments.
CH Karnchang (CK TB)	26.00	20.93	<ul style="list-style-type: none"> 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 & 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 & Construction, and the Xayaburi hydropower project in Laos. 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.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Electricity Generating (EGCO TB)	394.00	32.21	<ul style="list-style-type: none"> 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. 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.
Osotspa (OSP TB)	49.00	9.50	<ul style="list-style-type: none"> Osotspa's organisational streamlining by its new management team has effectively turned the company from a family business to a professionally run entity. 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. 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. Expect stronger earnings growth of 16% in 2020F vs 14% in 2019F.
PTT Exploration & Production (PTTEP TB)	147.00	18.55	<ul style="list-style-type: none"> 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. We expect higher sales volume while costs remain stable. 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.
Siam Cement (SCC TB)	400.00	8.70	<ul style="list-style-type: none"> Among Siam Cement's major businesses, the cement & 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. 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.
Star Petroleum Refining (SPRC TB)	10.30	14.44	<ul style="list-style-type: none"> 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. We see earnings are set for a rebound, from net loss THB1.9bn for 2019F to net profit of THB5.0bn. 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.
WHA Corp (WHA TB)	4.85	40.99	<ul style="list-style-type: none"> 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. 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. 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.

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