

Thailand Morning Cuppa

Top Story

Regional Oil & Gas

Very, Very Close To a Deal

Regional Sector News Flash

Top picks: PTT Exploration & Production (PTTEP), Dialog (DLG), and Keppel (KEP). We believe crude oil and oil & gas stocks' share prices may have already priced in the c.10mbpd production cut – anything lower than this/no deal will be market negative. OPEC+ now seems close to a deal, with the meeting set for 9-10 Apr. The US Energy Information Administration (EIA) forecasts US crude oil production to decline, with crude oil prices at USD33.00-45.00/bbl. We maintain our 2020F price at USD40.00/bbl.

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Today's Report: [Regional Oil & Gas : Very, Very Close To a Deal \(8 Apr 2020\)](#)

Previous Report: [Regional Oil & Gas : Volatile Week Ahead For The Oil Market \(6 Apr 2020\)](#)

Other Story

The Erawan Group (ERW TB, SELL, TP: THB2.10)

Losses Await; D/G To SELL

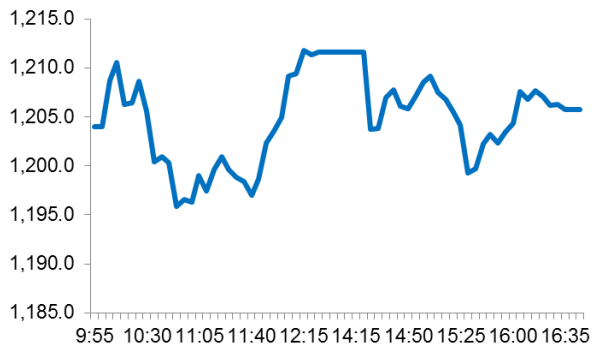
Company Update

Downgrade to SELL from Buy, with new DCF-based FY20F THB2.10 TP from THB7.30, 22% downside and no dividends. COVID-19 has severely impacted Erawan as a pure hotel operator. We expect FY20F loss of THB579m, and the aftermath of the virus may last up to a year before tourism returns, likely in 2H21F. Without near-term catalysts, Erawan may see losses of THB35m in 1Q20 before heading to the worst quarter in 2Q20.

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Previous Report: [The Erawan Group: 2020F Earnings To Turn To Growth; Keep BUY \(14 Jan 2020\)](#)

Chart 1: SET intra-day graph


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	11.82	13.21
P/BV (x)	2.03	1.74	1.79	1.25
Yield (%)	2.80	3.35	4.46	4.36

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	8,809.36	7,976.07	833.29
Proprietary	7,020.80	6,407.07	613.73
Foreign	32,311.79	40,219.12	-7,907.34
Retail	44,674.39	38,214.08	6,460.32

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	6,478.51	32,551.91
Proprietary	1,974.99	-5,375.03
Foreign	-13,976.24	-129,331.16
Retail	5,522.74	102,154.26

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	41,555	36,975	4,580	37,194	-36,794
Foreign	75,457	87,003	-11,546	-37,416	103,482
Local	134,506	127,540	6,966	222	-66,688

Note: *As at 8 Apr 2020 closing

Table 1: Key market indices (9 Apr 2020)

	Index	Chg	% Chg
SET	1205.77	-9.18	-0.76
SET50	815.05	-10.37	-1.26
SET100	1780.50	-18.42	-1.02
Dow Jones	23433.57	+779.71	+3.44
Nasdaq	8090.90	+203.64	+2.58
S&P500	2749.98	+90.57	+3.41
FTSE	5677.73	-26.72	-0.47
FSSTI	2539.44	-32.45	-1.26
Hang Seng	23970.37	-282.92	-1.17
Nikkei	19353.24	+403.06	+2.13
KLCI	1361.39	-8.53	-0.62
SHANGHAI SE	2815.37	-5.39	-0.19
JCI	4626.70	-151.94	-151.94

Note: *As at 8 Apr 2020 closing

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	250.00	33.33	<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 The scaling up of FBB units that expect to turn profit on EBITDA level this year
Charoen Pokphand Foods (CPF TB)	35.00	35.92	<ul style="list-style-type: none"> The uptrend of its core business should be prolonged, given the tighter supply conditions due to the African Swine Fever outbreak in Asia, with relatively low feed costs that remain in place. Although Charoen Pokphand Foods should benefit from lower policy rates and a weakening THB Upside from the acquisition of Tesco Thailand and Tesco Malaysia. While we expect company to enhance its fresh products distribution channel by tapping into the hypermarket network, we think CPF could also ramp up its food services in Tesco's retail space in future. Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross selling between retail trading formats
CP ALL (CPALL TB)	84.00	34.94	<ul style="list-style-type: none"> Weak consumption should affect staple retailers less than discretionary ones, and CP ALL is the best-in-class among the former. We expect a moderate 6% earnings growth this year 1Q20F-2Q20F outlook may be challenging on uncertain factors, but we still like its aggressive store network expansion, and outstanding product strategies which engender a resilient longer-term outlook CP ALL is acquiring 40% shares in the biggest hypermarket chain: Tesco Thailand and Tesco Malaysia in 2H20F, and be able to offer a complete range of grocery retailing formats. It has lower valuations vs past deals. We expect that it may deliver limited downside to earnings, but could strengthen its business model in the long run
Global Power Synergy (GPSC TB)	80.00	23.55	<ul style="list-style-type: none"> We expect 2 deals to be announced this year in 2H20. One is a 40MW portfolio worth THB3bn. The other is the gas-to-power project. Phase 1 of the project is expected to be c.60-1,200MW, investment range is c.USD360-960m, depending on size and costs We also like GPSCs shift towards being greener. It will also start to produce semi-solid state batteries by Nov/Dec, and we believe there is strong growth potential in this business segment
Osotspa (OSP TB)	49.00	29.80	<ul style="list-style-type: none"> Optimistic 2020F outlook with expected resilient 15% core profit growth and ROE hike by 2% may be driven by strong functional drinks sales, launching of more personal care products, new facility in Myanmar, and efficient cost management to keep GPM rising Successful reformulation of energy drinks has lowered its sugar content excise tax rate materially, playing a vital role in boosting profit margins The inauguration of its new beverage filling facility in Myanmar by end-1Q20F may also provide upside to the topline, and we expect the plant's performance contribution to be more visible from 3Q20F onwards Its market leadership for energy drinks, which is likely to be maintained, deserves premium valuation. This is along with attractive overseas growth story, while its business expansion may also solidify local operations
Supalai (SPALI TB)	20.00	25.00	<ul style="list-style-type: none"> Six of nine condominiums scheduled to be transferred within FY21F-22F have good presales record over 70% of the respective project value. This ensures its earnings visibility longer than other large developers The company is still aggressively acquiring landbank with this year's budget of THB8bn – a high level in the past 10 years. This implies that it is well prepared for launching new projects as soon as the industry recovers Based on the solid orderbook on hand, we expect net profit growth of 3-5%YoY for FY20F-22F. Supalai is one of few developers with the ability to generate growth in the near term

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