

# Thailand Morning Cuppa

## Top Story

### Land & Houses (LH TB, BUY, TP: THB9.50)

Another Earnest Period In 2H20; Reiterate BUY

Company Update

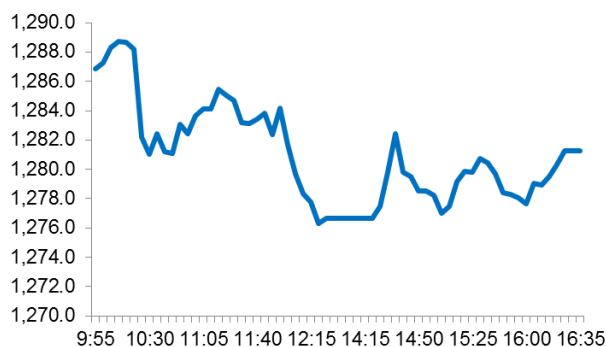
Reiterate BUY with new SOP-based THB9.50 TP from THB11.00, 31% upside and >7% FY20F yield. Land & Houses is our second sector Top Pick. Although LH has been affected by COVID-19 – as are the other large players – its key strength is in the low-rise project segment. This should help differentiate the company from others. It also helps mitigate the business risks from the condominium segment. We expect LH's recurring income businesses to gradually normalise going forward.

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*Today's Report: [Land & Houses : Another Earnest Period In 2H20; Reiterate BUY \(28 May 2020\)](#)*

*Previous Report: [Land & Houses : Robust On All Fronts; Reiterate BUY \(5 Mar 2020\)](#)*

Chart 1: SET intra-day graph



SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	11.82	18.98
P/BV (x)	2.03	1.74	1.79	1.49
Yield (%)	2.80	3.35	4.46	3.82

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	8,756.57	7,086.92	1,669.65
Proprietary	6,774.40	7,176.75	-402.35
Foreign	25,229.49	27,052.57	-1,823.08
Retail	37,912.78	37,357.00	555.78

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	17,134.35	66,882.43
Proprietary	1,066.91	-1,770.73
Foreign	-36,339.50	-198,670.28
Retail	18,138.24	133,558.57

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	27,443	25,173	2,270	15,610	-8,117
Foreign	51,472	50,194	1,278	-11,042	106,214
Local	72,407	75,955	-3,548	-4,568	-98,097

Note: \*As at 27 May 2020 closing

Table 1: Key market indices (28 May 2020)

	Index	Chg	% Chg
SET	1345.11	+9.02	+0.68
SET50	895.13	+6.60	+0.74
SET100	1974.78	+14.51	+0.74
Dow Jones	25548.27	+553.16	+2.21
Nasdaq	9412.36	+72.14	+0.77
S&P500	3036.13	+44.36	+1.48
FTSE	6144.25	+76.49	+1.26
FSSTI	2519.48	-10.82	-0.43
Hang Seng	23301.36	-83.30	-0.36
Nikkei	21419.23	+148.06	+0.70
KLCI	1451.73	+14.97	+1.04
SHANGHAI SE	2836.80	-9.75	-0.34
JCI	4641.56	+14.76	+0.32

Note: \*As at 27 May 2020 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	220.00	15.18	<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>The scaling up of FBB units that expect to turn profit on EBITDA level this year</li> </ul>
<b>Berli Jucker (BJC TB)</b>	49.00	18.07	<ul style="list-style-type: none"> <li>A fully integrated consumer supply chain that may strongly benefit the purchase of necessities during the COVID-19 pandemic</li> <li>Expect favourable 1H20F results, to be driven by both total sales and efficient cost management of its Big C Supercenter and consumer products manufacturing, which have contributed as much as 75% to earnings</li> <li>Better packaging sales (18% of earnings) to be driven by massive runs of aluminium cans production for new local customers and exports to Vietnam post the customer transition period throughout 2019</li> <li>Long-term synergy with its parent TCC Group's aggressive business expansion in Cambodia, Lao, Vietnam, and Myanmar</li> </ul>
<b>Charoen Pokphand Foods (CPF TB)</b>	35.00	12.00	<ul style="list-style-type: none"> <li>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</li> <li>Upside from the acquisition of Tesco Thailand and Tesco Malaysia. While we expect the 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, going forward</li> <li>Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross-selling between retail trading formats</li> </ul>
<b>Chularat Hospital (CHG TB)</b>	2.80	8.53	<ul style="list-style-type: none"> <li>Pure local play for a healthcare provider in Thailand that has limited exposure to the international segment (&lt; 3%)</li> <li>Upward price adjustments from the Social Security Scheme (30% of revenue) will start to fully kick in this year</li> <li>The volume ramp-up of two new projects and expansion in its pipeline should bolster mid-term growth</li> </ul>
<b>Global Power Synergy (GPSC TB)</b>	80.00	2.89	<ul style="list-style-type: none"> <li>We expect two deals to be announced this year in 2H20. One is a 40MW portfolio worth THB3bn. The other is a gas-to-power project. Phase 1 of the c.60-1,200MW project is expected to be in the investment range of c.USD360-960m, depending on size and costs</li> <li>We also like GPSC's shift towards being greener. It will also start to produce semi-solid state batteries by November/December – we believe there is strong growth potential in this business segment</li> </ul>
<b>PTT Exploration &amp; Production (PTTEP TB)</b>	108.00	24.86	<ul style="list-style-type: none"> <li>PTT Exploration &amp; Production is a good proxy for crude oil price. We expect crude oil price to average USD45.00 in 4Q20</li> <li>We expect OPEC+'s 7.7mbpd production restraint in 2H20 to have a positive impact on the global oil market. We expect delivery to recover, higher-cost producers to shut-in uneconomical wells, and the global inventory to drawdown</li> <li>70% of PTTEP's earnings are from natural gas, which is sold to PTT via long-term take or pay contracts. The natural gas price is indirectly linked with crude oil with time lag of 1-6 months. The remaining portion of its products are liquids, which are sold at the market price of crude oil</li> <li>We expect PTTEP's sales volume to be boosted YOY as a result of its recent acquisitions (Murphy and Partex). We are also positive on its SK410B natural gas find in Malaysia, which may be fast-tracked into development</li> </ul>
<b>Thai Union Group (TU TB)</b>	16.00	25.00	<ul style="list-style-type: none"> <li>THB depreciation and low inventory cost on hand should become its key catalyst this year</li> <li>Private labels should see a turnaround post sluggish original equipment manufacturers' orders in 2H19. This was due to customer speculation on low tuna price levels</li> </ul>

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