

Thailand Morning Cuppa

Top Story

PTT Exploration & Production (PTTEP TB, BUY, TP: THB108.00)

2Q20F Net Profit Set To Plunge 31% QoQ

Results Preview

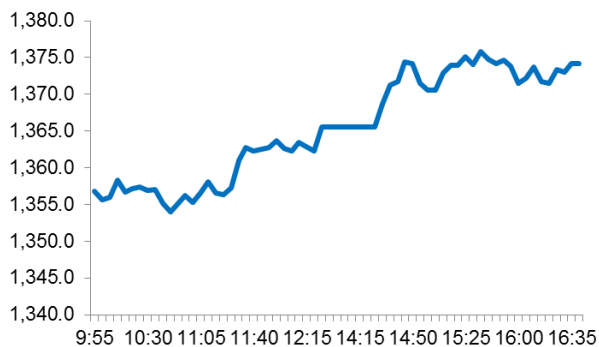
Maintain BUY and THB108.00 TP, 13% upside and c.3% yield. 2Q20 net profit is expected to plunge 31% QoQ to THB5.9bn, on lower sales volumes and softer selling prices. However, we do expect a pick-up in PTT Exploration & Production's 2H20 sales volumes from 2Q20's lows, while 4Q20 should see the Sabah-H natural gas project enter (+20kboepd to 4Q20F volume). We expect crude oil prices to average at USD45.00/bbl (Brent) in 2H20, as OPEC+ continues to monitor and balance the oil market

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Today's Report: [PTT Exploration & Production : 2Q20F Net Profit Set To Plunge 31% QoQ \(2 Jul 2020\)](#)

Previous Report: [PTT Exploration & Production : Resilient Through Tough Times \(8 May 2020\)](#)

Chart 1: SET intra-day graph



	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1374.13	24.69	1.83%	-13.0%
Thailand (SET50)	912.22	19.92	2.23%	-14.6%
Thailand (SET100)	2018.61	42.32	2.14%	-13.8%
USA (Dow Jones)	25827.36	92.39	0.36%	-9.5%
USA (S&P500)	3130.01	14.15	0.45%	-3.1%
USA (Nasdaq)	10207.63	53.00	0.52%	13.8%
UK (FTSE)	6240.36	82.40	1.34%	-17.3%
Singapore (FSSTI)	2636.69	26.52	1.02%	-18.2%
Hong Kong (Hang Seng)	25124.19	697.00	2.85%	-10.9%
Japan (Nikkei)	22145.96	24.23	0.11%	-6.4%
Malaysia (KLCI)	1536.28	21.85	1.44%	-3.3%
China (SHANGHAI SE)	3090.57	64.59	2.13%	1.3%
Indonesia (JCI)	4966.78	52.39	1.07%	-21.2%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.11	0.03	-0.10
Yen	107.50	0.00	0.00
Euro	1.12	0.00	-0.02
Oil Price (USD/barrel)			
Brent	42.39	0.80	1.92
Nymex-Crude Light	40.32	-0.33	-0.81

Note: *As at 2 Jul 2020 closing

Table 1: Key market indices (3 Jul 2020)

SET	2018	2019	2020F	2021F				
PE (x)	16.25	18.02	21.30	16.72				
P/BV (x)	1.74	1.71	1.55	1.48				
Yield (%)	3.35	3.26	2.68	2.96				
SET Value by investor Type: Daily				Sell	Net			
				(THBm)	(THBm)			
Institution	11,881.30	5,063.57	6,817.72					
Proprietary	8,000.20	6,798.82	1,201.38					
Foreign	26,475.72	27,089.22	-613.50					
Retail	38,128.64	45,534.24	-7,405.60					
SET Value by investor Type				MTD	YTD			
				(THBm)	(THBm)			
Institution			9,049.81	83,211.87				
Proprietary			1,631.47	2,158.93				
Foreign			-2,919.90	-219,565.74				
Retail			-7,761.39	134,194.94				
SET50 Index Future				Long	Short	Net	MTD	YTD
Institution	28,251	37,636	-9,385	-8,947	-8,569			
Foreign	67,480	61,868	5,612	3,654	108,811			
Local	87,311	83,538	3,773	5,293	-100,242			
Foreign Fund Flows (USDm)				MTD	YTD	YoY		
Thailand			-19.8	-152.9	-94.1	-6893.9	-8584.0	

Note: *As at 2 Jul 2020 closing

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	220.00	16.09	<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 fixed broadband units that expect to turn a profit on EBITDA level this year
Berli Jucker (BJC TB)	49.00	22.50	<ul style="list-style-type: none"> A fully integrated consumer supply chain that may strongly benefit the purchase of necessities during the COVID-19 pandemic 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 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 Long-term synergy with its parent TCC Group's aggressive business expansion in Cambodia, Lao, Vietnam, and Myanmar
Charoen Pokphand Foods (CPF TB)	35.00	9.38	<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 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 Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross-selling between retail trading formats
Chularat Hospital (CHG TB)	2.80	15.70	<ul style="list-style-type: none"> Pure local play for a healthcare provider in Thailand that has limited exposure to the international segment (< 3%) Upward price adjustments from the Social Security Scheme (30% of revenue) will start to fully kick in this year The volume ramp-up of two new projects and expansion in its pipeline should bolster mid-term growth
PTT Exploration & Production (PTTEP TB)	108.00	12.79	<ul style="list-style-type: none"> PTT Exploration & Production is a good proxy for crude oil price. We expect crude oil price to average USD45.00 in 4Q20 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 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 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
Thai Union Group (TU TB)	16.00	21.21	<ul style="list-style-type: none"> THB depreciation and low inventory cost on hand should become its key catalyst this year 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

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