

# Thailand Morning Cuppa

## Top Story

### Siam Cement (SCC TB, BUY, TP: THB440.00)

On An Uphill Path; Keep BUY

Maintain BUY with higher DCF-based THB440.00 TP from THB400.00, 15% upside and 3.8% yield. As our Top Pick, we believe Siam Cement will improve its quarterly earnings significantly in 2Q20 – driven by the historical low feedstock costs from its petrochemical unit. Its earnings going forward should rely mainly this business' performance normalising to lower levels in 2H20 and growing stronger on a full-year basis in FY21.

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*Today's Report: [Siam Cement : On An Uphill Path; Keep BUY \(10 Jul 2020\)](#)*

*Previous Report: [Siam Cement : Better Prospects In 2H20; Stay BUY \(30 Apr 2020\)](#)*

Chart 1: SET intra-day graph



	Index	Chg	Chg (%)	YTD (%)
<b>Thailand (SET)</b>	1365.81	3.35	0.25%	-13.5%
<b>Thailand (SET50)</b>	899.93	1.48	0.16%	-15.8%
<b>Thailand (SET100)</b>	1996.13	3.77	0.19%	-14.8%
<b>USA (Dow Jones)</b>	25706.09	-361.19	-1.39%	-9.9%
<b>USA (S&amp;P500)</b>	3152.05	-17.89	-0.56%	-2.4%
<b>USA (Nasdaq)</b>	10547.75	55.25	0.53%	17.6%
<b>UK (FTSE)</b>	6049.62	-106.54	-1.73%	-19.8%
<b>Singapore (FSSTI)</b>	2652.65	-16.84	-0.63%	-17.7%
<b>Hong Kong (Hang Seng)</b>	26210.16	80.98	0.31%	-7.0%
<b>Japan (Nikkei)</b>	22529.29	90.64	0.40%	-4.8%
<b>Malaysia (KLCI)</b>	1583.25	-0.25	-0.02%	-0.3%
<b>China (SHANGHAI SE)</b>	3450.59	47.15	1.39%	13.1%
<b>Indonesia (JCI)</b>	5052.79	-23.38	-0.46%	-19.8%

Foreign Exchange Rates / Oil Market			
USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.27	0.02	-0.06
Yen	107.25	0.05	-0.05
Euro	1.13	0.00	-0.04
Oil Price (USD/barrel)			
Brent	42.04	-1.03	-2.39
Nymex-Crude Light	39.61	-0.01	-0.03

Note: \*As at 9 Jul 2020 closing

Table 1: Key market indices (10 Jul 2020)

SET	2018	2019	2020F	2021F
PE (x)	16.25	18.02	21.14	16.64
P/BV (x)	1.74	1.71	1.54	1.47
Yield (%)	3.35	3.26	2.69	2.96

SET Value by investor Type: Daily	Sell		Net
	(THBm)		(THBm)
Institution	3,988.10	5,698.34	-1,710.24
Proprietary	5,773.33	5,626.19	147.14
Foreign	34,670.39	33,428.97	1,241.41
Retail	28,248.25	27,926.56	321.69

SET Value by investor Type	MTD	YTD
	(THBm)	(THBm)
Institution	6,863.59	81,025.64
Proprietary	2,400.80	2,928.26
Foreign	-1,117.92	-217,763.76
Retail	-8,146.47	133,809.86

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	21,995	24,330	-2,335	-14,334	-13,956
Foreign	48,790	42,781	6,009	5,348	110,505
Local	79,529	83,203	-3,674	8,986	-96,549

Foreign Fund Flows (USDm)	MTD	YTD	YoY
Thailand	39.8	45.5	-36.3
			-6836.1
			-9210.6

Note: \*As at 9 Jul 2020 closing

## Top BUYs

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	220.00	15.49	<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 fixed broadband units that expect to turn a profit on EBITDA level this year</li> </ul>
<b>Berli Jucker (BJC TB)</b>	49.00	24.84	<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	9.38	<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	15.70	<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>PTT Exploration &amp; Production (PTTEP TB)</b>	108.00	16.76	<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	17.65	<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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