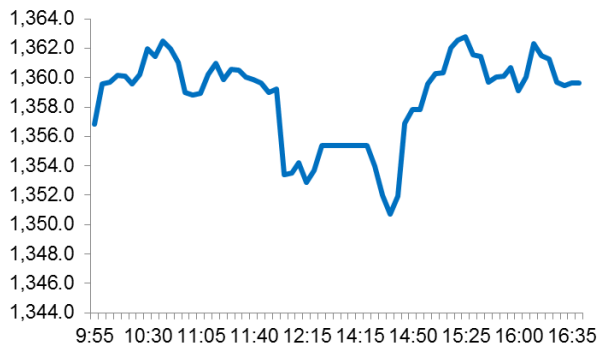


## Thailand Morning Cuppa

### Bulletin

STOCKS/SECTOR	NEWS	COMMENT	RATING
Hospitality Airports Of Thailand (AOT TB) Central Plaza Hotel (CENTEL TB) The Erawan Group (ERW TB) Minor International (MINT TB)	<p>The Civil Aviation Authority of Thailand (CAAT) expects the aviation business to recover during the high tourist season of 4Q20 if there is no second outbreak of COVID-19 – especially when international flights allow the return of Chinese tourists, and as domestic flights are on a positive trend. Overall, the impact of COVID-19 has caused airlines to lose c.70% of passengers due to reduced travel demand.</p> <p>If the COVID-19 situation improves and Thailand is able to open the country to travellers, Chinese tourists would potentially be the first group returning to Thailand – with high purchasing power as China's economy has been less affected by COVID-19.</p> <p>For the week of 12-18 Jul, the number of international passengers was 13,422, a 5.7% decrease from the previous week. There were 845 international flights, an increase of 6%. Domestic passenger volume during the same period was 510,505, down 5.7%, as it was a normal working week after a long break. However, the number of domestic passengers during the third week of July is likely to increase from the week before the long holiday. This is in line with the increasing number of domestic flights at 5,680, an increase of 2.6%, from the previous week's 5,535 flights, as more airlines are operating on domestic routes. (<i>The Nation</i>)</p>	<p>We have seen short-term positive sentiment on foreign arrivals, following the Cabinet's recent approval of the sixth phase easing of COVID-19 measures. The easing of measures, which may be applied from August onwards, will allow four groups of international visitors to enter the kingdom subject to a 14-day quarantine. The groups include exhibitors, film production teams, medical and wellness tourists, and 200 members of the Thailand Elite Card. We believe it is possible that permission for general leisure travellers with quarantine may be selectively given on a by-country basis in 4Q20.</p> <p>On the domestic side, Airports of Thailand's number of flights and passengers for 1H of July fell at a smaller magnitude of 44% YoY and 61% YoY, vs the full month of June of -69% YoY and -79% YoY respectively. We expect the public redemption of the Government's 3.5-month local tourism promotion campaign "<i>Rao Tiew Duay Kun</i>" which started on 23 Jul would help improve domestic air travel further.</p> <p>Nonetheless, we are still bearish on the tourism sector outlook throughout the rest of this year, as obstacles and limitations for foreign arrivals are likely to remain. A focus on the local market may not be sufficient to turn hotel operations into a profit, given that it typically generates around a third of the country's total tourism receipts. Despite being in the beginning stage of recovery, 3Q-4Q20F earnings are likely to be in the red and weaker than 1Q20. For 2021F, we believe the industry would remain in a recovery phase – numbers may remain at half of pre-pandemic levels of 21.8m arrivals (2020: 10.3m, or -74% YoY). It may also result in Thai hospitality firms' earnings coming in at half of their 2019 performance. We think normal levels will be seen by mid-2022F.</p>	<p>Sector: UNDERWEIGHT</p> <p>AOT: SELL, TP: THB41.00</p> <p>CENTEL: SELL, TP: THB16.00</p> <p>ERW: SELL, TP: THB2.10</p> <p>MINT: SELL, TP: THB16.00</p>

**Chart 1: SET intra-day graph**


	Index	Chg	Chg (%)	YTD (%)
<b>Thailand (SET)</b>	1359.65	2.61	0.19%	-13.9%
<b>Thailand (SET50)</b>	890.70	1.22	0.14%	-16.6%
<b>Thailand (SET100)</b>	1978.87	3.13	0.16%	-15.5%
<b>USA (Dow Jones)</b>	26652.33	-353.51	-1.31%	-6.6%
<b>USA (S&amp;P500)</b>	3235.66	-40.36	-1.23%	0.2%
<b>USA (Nasdaq)</b>	10461.42	-244.71	-2.29%	16.6%
<b>UK (FTSE)</b>	6211.44	4.34	0.07%	-17.6%
<b>Singapore (FSSTI)</b>	2612.35	17.82	0.69%	-18.9%
<b>Hong Kong (Hang Seng)</b>	25263.00	205.06	0.82%	-10.4%
<b>Japan (Nikkei)</b>	22751.61	UNCHG	UNCHG	-3.8%
<b>Malaysia (KLCI)</b>	1606.42	19.44	1.22%	1.1%
<b>China (SHANGHAI SE)</b>	3325.11	-8.05	-0.24%	9.0%
<b>Indonesia (JCI)</b>	5145.01	34.82	0.68%	-18.3%

Foreign Exchange Rates / Oil Market			
USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.71	-0.01	0.03
Yen	106.56	-0.30	0.28
Euro	1.16	0.00	0.05
Oil Price (USD/barrel)			
Brent	42.80	-0.01	-0.02
Nymex-Crude Light	41.10	0.03	0.07

Note: \*As at 23 Jul 2020 closing

**Table 1: Key market indices (24 Jul 2020)**

SET	2018	2019	2020F	2021F
PE (x)	16.25	18.02	21.71	16.81
P/BV (x)	1.74	1.71	1.53	1.47
Yield (%)	3.35	3.26	2.64	2.92

SET Value by investor Type: Daily	Sell		Net
	(THBm)	(THBm)	(THBm)
Institution	4,413.87	6,503.93	-2,090.06
Proprietary	6,257.13	6,529.19	-272.05
Foreign	30,524.13	32,578.30	-2,054.17
Retail	29,037.96	24,621.68	4,416.28

SET Value by investor Type	MTD		YTD
	(THBm)	(THBm)	(THBm)
Institution		680.23	74,842.28
Proprietary		3,386.28	3,913.73
Foreign		-7,196.59	-223,842.43
Retail		3,130.08	145,086.41

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	25,242	25,467	-225	-13,797	-13,419
Foreign	56,955	62,102	-5,147	-11,610	93,547
Local	96,228	90,856	5,372	25,407	-80,128

Foreign Fund Flows (USDm)	MTD		YTD	YoY	
Thailand	-65.0	-118.2	-228.7	-7028.5	-9831.3

Note: \*As at 23 Jul 2020 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	220.00	17.65	<ul style="list-style-type: none"> <li>Its superior spectrum portfolio, highest cumulative investment in its mobile network and largest market share should allow AIS to continue to sustain its cost advantage during this economic crisis.</li> <li>Company also has the highest room (vs peers) to leverage on its mobile subs base to boost organic growth through pre-to-post migration or FBB business expansion, which should allow it to sustain profitability during this unusual low churn rate environment.</li> </ul>
<b>AP (Thailand) (AP TB)</b>	7.60	22.58	<ul style="list-style-type: none"> <li>Its impressive presales of low-rise projects even amidst market concerns over the pandemic crisis can be attributed to its solid brand recognition, and this should lead to its escape from the earnings valley in 2Q20 and also in FY20.</li> <li>In spite of currently low presales of condominium project, the role of condominium is still significant in terms of revenue given AP's abundant orderbook, especially from JV projects which can be recognised as revenue in FY20-22.</li> </ul>
<b>Bangkok Chain Hospital (BCH TB)</b>	16.00	8.11	<ul style="list-style-type: none"> <li>Hospital's negatives from international travel restrictions and lockdowns should be limited on improved Social Security Office (SSO) payment scheme revenue and proactive COVID-19 strategy.</li> <li>We remains optimistic on double-digit growth prospects, driven by SSO's upward price adjustment – which should outweigh the temporary shortfall in the international patient segment. BCH has also seen positive results from its COVID-19 services launch, which could be an alternative revenue source this year. However, we view its main earnings driver as the utilisation rate ramp up at WMC and KH RAM.</li> </ul>
<b>Bangkok Expressway &amp; Metro (BEM TB)</b>	11.50	26.37	<ul style="list-style-type: none"> <li>The company has approached the growth stage – especially after traffic resumption in both expressways and the Blue-Line Mass Rapid Transit (MRT) networks.</li> <li>The strong catalyst ahead is the success in winning the Orange-Line MRT concession as we believe the BEM-led consortium will be the likely bid winner.</li> </ul>
<b>Chularat Hospital (CHG TB)</b>	2.80	16.67	<ul style="list-style-type: none"> <li>Chularat Hospital's lowest exposure to the medical tourism segment vs other hospital groups under our coverage and the strong revenue exposure to government healthcare schemes (Social Security Scheme (SSS), National Health Security Office) should see its core operations outlook remain intact during the economic slowdown.</li> <li>The positive impact from the upward payment scheme adjustment by the Social Security Office should outweigh the negative impact from the non-Thai segment due to its higher revenue contribution. We maintain our high single-digit growth forecast on its topline, driven by services expansion in its existing projects and higher utilisation rate of two new hospitals</li> </ul>
<b>CP ALL (CPALL TB)</b>	79.00	17.04	<ul style="list-style-type: none"> <li>Still the best-in-class retailer, even though weak 2Q20F results are inevitable – due to a high base in the same period last year</li> <li>But, we expect a gradual recovery of CVS and Siam Makro sales in 2H20, as a V-shaped recovery, thanks to the re-opening of workplaces and schools, as well as increasing road traffic from the domestic tourism boost.</li> <li>As it has the most extensive store network, CP All may strongly benefit the new normal in terms of facilitating delivery of products and services through its developing omni-channel platform.</li> </ul>
<b>Global Power Synergy (GPSC TB)</b>	80.00	9.97	<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>Osotspa (OSP TB)</b>	49.00	17.37	<ul style="list-style-type: none"> <li>Robust sales for functional beverage products during COVID-19 pandemic in 2Q20F, mainly C-Vitt Vitamin C drinks, as the market leader with 31% share and it contributes c.9% of the group's revenue.</li> <li>Expect its 2Q20F earnings may slightly weak, before strengthening over 2H20F. The economic impact of COVID-19 may be challenging, but we are optimistic on its product leadership and cost control.</li> <li>Apart from the uptrend profit margins, further earnings drivers in the latter half include the launch numbers of new personal care hygiene products, which prove the firm's success in managing brands to be relevant to current trends and situations, and the planned opening of a new beverage filling facility in Myanmar – to boost production and sales coverage there.</li> </ul>
<b>Siam Cement (SCC TB)</b>	440.00	13.40	<ul style="list-style-type: none"> <li>There are three growth drivers including i) an upcycle of petrochemical spreads, ii) a series of new infrastructure projects to start the construction process, and iii) the growth expansion in packaging business especially after SCG Packaging raising funds from IPO.</li> <li>The company's earnings going forward should rely mainly on petrochemical unit's performance normalising to lower levels in 2H20 and growing stronger on a full-year basis in FY21.</li> </ul>

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