

Thailand Morning Cuppa

Top Story

Banks

The Worst Is Over But Risks Persist; NEUTRAL

Sector Update

Maintain NEUTRAL, Top Pick: TISCO Financial Group. Thai banks' underlying operations remained weak in 3Q20, reflecting the uneven economic recovery post lifting of COVID-19 lockdown measures. While the pick-up in business activities led to fee income recovery and lower NPLs, lingering NIM pressure, lower investment gains and higher opex negated the positives. With the recovery to full potential still distant, asset quality poses the biggest hurdle to a sector re-rating. We prefer TISCO for its solid asset quality and robust capital that underpins its dividend prospects.

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[Today's Report: *Banks : The Worst Is Over But Risks Persist; NEUTRAL \(29 Oct 2020\)*](#)

[Previous Report: *Banks : Freeze On Interim Dividend, Share Buybacks \(22 Jun 2020\)*](#)

Other Story

Bangkok Bank (BBL TB,BUY,TP:THB119.00)

Solid Asset Quality Shining Through; Keep BUY

Company Update

Keep BUY with new THB119.00 TP from THB132.00, 27% upside. Bangkok Bank remains our preferred pick among large-cap banks. Loans under relief programmes are <5% of total loans – which is significantly lower than peers – while its corporate customers are holding up well thanks to their healthy balance sheets. At 0.38x FY21F P/BV, potential asset quality risks – including that of Bank Permata (BNLI IJ, SELL, TP: IDR640) – appear priced in.

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Economic Research

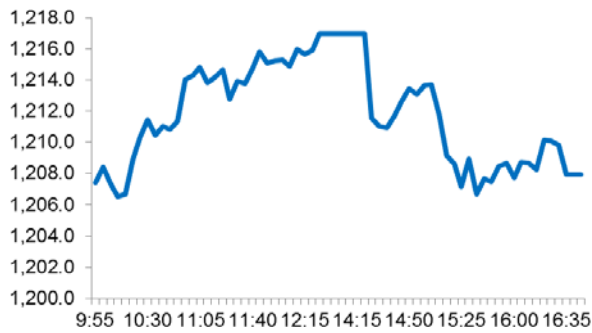
September MPI Down, Beats Consensus Estimates

- Thailand's Manufacturing Production Index (MPI) was down 2.8% YoY in September, better than the consensus estimate of -4.7% in a Reuters poll, and the -9.1% recorded in August amidst lower production of auto & parts, petroleum and sugar.
- Capacity utilisation in September was at 63.1%, better than August's revised 60.9%, and at its highest level since March – prior to the declaration of the state of emergency to contain the spread of COVID-19.
- We maintain our view that factory output will see a 9.5% YoY contraction this year as recovery is likely to remain patchy, given the risk of resurgence in infections, before a recovery to +6.5% YoY in 2021 on a low base effect and gradual pickup in global demand.

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[Today's Report: *September MPI Down, Beats Consensus Estimates \(28 Oct 2020\)*](#)

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Chart 1: SET intra-day graph


	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1207.94	-1.01	-0.08%	-23.5%
Thailand (SET50)	756.02	-2.70	-0.36%	-29.2%
Thailand (SET100)	1704.23	-3.73	-0.22%	-27.2%
USA (Dow Jones)	26519.95	-943.24	-3.43%	-7.1%
USA (S&P500)	3271.03	-119.65	-3.53%	1.2%
USA (Nasdaq)	11004.87	-426.48	-3.73%	22.6%
UK (FTSE)	5582.80	-146.19	-2.55%	-26.0%
Singapore (FSSTI)	2483.48	-29.39	-1.17%	-22.9%
Hong Kong (Hang Seng)	24708.80	-78.39	-0.32%	-12.3%
Japan (Nikkei)	23225.30	-173.18	-0.74%	-1.8%
Malaysia (KLCI)	1495.20	-5.15	-0.34%	-5.9%
China (SHANGHAI SE)	3269.24	14.92	0.46%	7.2%
Indonesia (JCI)	5128.23	UNCHG	UNCHG	-18.6%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.26	0.00	0.01
Yen	104.31	-0.01	0.01
Euro	1.18	0.00	0.07
Oil Price (USD/barrel)			
Brent	38.76	0.32	0.83
Nymex-Crude Light	37.56	0.17	0.45

Note: *As at 28 Oct 2020 closing

Table 1: Key market indices (29 Oct 2020)

SET	2018	2019	2020F	2021F	
PE (x)	16.25	18.02	20.91	14.88	
P/BV (x)	1.74	1.71	1.35	1.29	
Yield (%)	3.35	3.26	2.79	3.27	
SET Value by investor Type: Daily				Sell (THBm) Net (THBm)	
Institution	4,991.45	5,961.33		-969.88	
Proprietary	5,892.59	6,628.36		-735.77	
Foreign	17,621.12	17,760.53		-139.41	
Retail	17,226.84	15,381.79		1,845.05	
SET Value by investor Type				MTD (THBm) YTD (THBm)	
Institution			-13,135.99	55,036.35	
Proprietary			1,601.67	3,912.85	
Foreign			-13,887.91	-291,561.90	
Retail			25,422.23	232,612.69	
SET50 Index Future				Long Short Net MTD YTD	
Institution	46,387	47,914	-1,527	-19,575	-35,061
Foreign	70,071	70,659	-588	15,694	140,735
Local	120,324	118,209	2,115	3,881	-105,674
Foreign Fund Flows (USDm)				MTD YTD YoY	
Thailand	-107.2	-99.0	-552.4	-9300.6	-9758.5

Note: *As at 28 Oct 2020 closing

Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
SCG Packaging (SCGP TB)	<p>SCG Packaging (SCGP TB, NR)</p> <p>In 9M20, SCGP reported total sales revenue of THB69.2bn. This marked an increase of 5% YoY, mainly due to continuous growth in consumer and essential product sales, along with its business expansion in Thailand and ASEAN. It acquired a packaging paper company in Indonesia, and a flexible packaging company in Thailand. EBITDA was at THB13.1bn, which increased 16% YoY and pointed to a 19% EBITDA margin. This was the result of the company's strategy of diversifying products and services provided to customers, on top of effective cost management. Net profit climbed 22% YoY to THB4.97m, while NPM was at 7%.</p> <p>In 3Q20, sales revenue amounted to THB23.3bn (+8% QoQ), due to a slight recovery in demand for durable goods such as electronics and electrical products for the automotive industry, continuous growth in demand for essential products, and a recovery in export volume. In the meantime, revenue dropped by 5% YoY as a result of the COVID-19 pandemic. EBITDA was at THB4.1bn, up 4% QoQ but down 1% YoY while it achieved an EBITDA margin of 18%, similar to 3Q19. 3Q20 net profit was at THB1.3bn, which decreased 30% QoQ and 9% YoY, mainly due to an unrealised FX loss of the IDR and non-controlling interest that totalled THB111m. (Source: SET)</p>	<p>SCGP's 3Q20 performance does not seem to be impressive, as 3Q20 core revenue declined slightly both YoY and QoQ and there was a loss weighed down by the FX factor. However, the integrated packaging chain chalked up a much stronger performance than the fibrous chain. While the integrated packaging chain recorded a 10% QoQ increase in sales revenue, fibrous chain sales decreased YoY and QoQ. In addition, the EBITDA margin of 19% for the integrated packaging chain dominated the overall business's EBITDA margin while fibrous chain remained in the red. Inorganic growth in performance & polymer packaging products, and organic growth in fibre-based packaging and packaging paper impacted overall 3Q20 sales positively, but this was offset by lower demand for printing & writing paper.</p> <p>Based on SCGP's 3Q20 earnings results, Siam Cement's 3Q20 earnings (SCC TB, BUY, TP: THB440.00) – which will be released this afternoon – should be dominated by its petrochemical business, benefitting from wider product spreads, stronger polyolefins sale volume, and inventory gain; and the cement and building materials business seeing the positive impact of cost optimisation. We maintain our 3Q20 earnings estimate for Siam Cement at THB10.8bn (+75% YoY, +16% QoQ).</p>	NR

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	220.00	27.17	<ul style="list-style-type: none"> Outlook should continue to recover with cost management on focus. While we expect the normalisation of prepaid segment demand, subs acquisition activities and easing competition to gradually drive topline to recovery in 2H20, we think a value-to-money strategy through a bundling package should continue to yield additional revenue to the group The toning down of capex guidance should ease investor concern over the imminent margins pressure. We expect the impact from the roll-out of 5G network to be limited, as it should be partially absorbed by network cost saving initiative, staggered payment profile, and tax incentive scheme
Bangkok Chain Hospital (BCH TB)	17.50	25.00	<ul style="list-style-type: none"> We still expect to see robust COVID-19 screening services demand throughout 2H20 on the continuous return of students studying abroad, migrant workers, and business travellers after border restrictions are relaxed. The doubling of its capacity under the alternative state quarantine should boost upside from this new revenue stream and bolster FY20 earnings We expect to see strong 2H20 recovery in SSO revenue, driven by the resumption of pent-up demand from high-cost care, trauma, and dental services. We also think global budget disbursements could bring further upsides this year, thanks to relatively lower insured patients traffic during COVID-19
CP All (CPALL TB)	77.00	39.37	<ul style="list-style-type: none"> In 2H20, we expect a gradual recovery of convenience stores sales in 2H20, as a V-shaped recovery, while Siam Makro's operations remain solid 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 Still the best-in-class retailer with intact new store opening plan. Expect full-year earnings returning to pre-pandemic levels in 2021
Global Power Synergy (GPSC TB)	72.00	35.85	<ul style="list-style-type: none"> We expect GPSC's earnings continue to grow steadily at least 2-3 years ahead, mainly on pipeline projects and efficiency improvements. Being power flagship of PTT Group, we believe GPSC would receive more long-term support from the group, e.g. Gas to Power 600 MW in Myanmar, electricity supply for New Yangon City. The current price doesn't reflect acquisition of GLOW and the current 20x P/E is trading below average P/E regional peers, making long-term investment risk/reward attractive.
Siam Cement (SCC TB)	440.00	27.54	<ul style="list-style-type: none"> There are three growth drivers, including an upcycle of petrochemical spreads, a series of new infrastructure projects to start the construction process, and growth expansion in the packaging business especially after SCG Packaging raises funds from its IPO Its earnings going forward should rely mainly on petrochemical unit's performance starting to improve in 2H20 and growing stronger on a full-year basis in FY21
Supalai (SPALI TB)	19.40	20.50	<ul style="list-style-type: none"> Earnings should improve significantly in 2H20, with four condominium projects starting to be transferred during this period. The revenue from these projects should enhance revenue growth and GPM in 2H20. Revenue upside could emerge if Supalai is able to transfer its mega-size Supalai Oriental Sukhumvit 39 condominium project, which is valued at THB10bn, within 4Q20. Consistent earnings growth in FY21F-22F is supported by orderbook of THB12-14bn per year to be recognised in the next two years. In addition, we expect the company to enjoy the advantages of being a well-known developer in the low-rise project segment.
Thai Union Group (TU TB)	16.00	2.56	<ul style="list-style-type: none"> While we expect demand of canned food products to normalise after global lockdowns are lifted, revenue from chilled and frozen seafood and related business segment is likely to recover in 2H20 largely due to HORECA businesses gradually resuming operations. Margin should remain firm, supported by favourable raw materials prices and growth from its pet care business that has relatively high margin.
TISCO Financial (TISCO TB)	81.70	15.48	<ul style="list-style-type: none"> We believe high pre-emptive provisions and robust CAR would lead TISCO to survive amidst uncertainties and get ready to pay outstanding full-year dividends TISCO's asset quality is resilient among peers. Loans under debt relief measures only stand at 24% of total loans in 3Q20, which is one of the lowest among Thai banks. Although management does prudent and cautious policy under uncertainties, they still proactive to find ways to improve NIM as best as they can.

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