

## Thailand Morning Cuppa

### Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Property  Supalai PCL (SPALI TB)  AP (Thailand) (AP TB)	<p>SET-listed property developer Supalai, expecting an economic recovery in 2021, is aiming to grow sales and plans to expand its low-rise housing projects to additional provinces, to diversify risks. Chairman and CEO Prateep Tangmatitham said the company plans to launch at least 30 new residential projects next year, with only 10-20% being condominium projects. The rest of the projects the company will launch next year will be low-rise houses – which include single detached houses, semi-detached houses and townhouses. The target market for the properties are younger buyers – especially those who are building a family – as demand in this segment remains strong.</p> <p>In 2021, the company will expand into new provinces including Chachoengsao, Phetchaburi, Prachuap Khiri Khan and Lamphun. Supalai already has projects in 12 other provinces. It also expects one-third of total revenue and pre-sales to come from these 12 provinces this year. Supalai has also been expanding overseas. Australia represents its largest portfolio overseas, with GDV of THB10bn from 12 projects. The company also has interests in the Philippines, Malaysia and Vietnam – where it owns stakes in property firms. Indonesia is also currently under consideration, according to Tangmatitham.</p> <p>He added that Supalai will be setting up a REIT, through which it may sell Supalai Grand Tower on Rama III Road. With a full occupancy rate and an average monthly rental rate of THB500 per sq m, the office tower is expected to fetch a value of at least THB3bn. (<i>Bangkok Post</i>)</p>	<p>These plans point to a trend shared by Thailand's large developers in forming their business plan for 2021. This is especially so for Supalai and AP (Thailand). We believe most of the large developers will aim to launch more new projects in provincial areas, especially single-detached homes and townhouses. This is because the demand in Bangkok and vicinities was fulfilled extensively since 2Q20, when the COVID-19 public health crisis escalated.</p> <p>Like other large developers, Supalai is planning to launch more new projects in provincial areas and expanding into new provinces in FY21. This year, it launched 11 new low-rise projects in the provinces. It remains cautious on launching new condominium projects. Even though management has said that it will launch 3-5 high-rise residential projects next year, this may not be a positive until we see positive presales growth and a significant drop in ready inventory.</p> <p>What holds more promise is Supalai's planned injection of the Supalai Grand Tower office building into a new REIT – which would lead to a gain of over THB1bn for the company next year. As such, FY21F earnings growth look promising. We expect recurring profit to increase by 5% YoY next year (without any asset sales) or by 25% YoY (with a successful asset injection into a REIT).</p>	<p>SPALI: BUY, TP:THB19.40</p> <p>AP: BUY, TP: THB8.40</p>

Consumer  
Hospitality

On the Finance Ministry’s Wednesday briefing, officials said that another THB43.5bn will be allocated to boost domestic consumption and local travel, as the Government tries to revive a flagging, pandemic-hit economy. Some THB22.5bn will be offered to 5m new consumers, or THB3,500 each, under the current co-payment scheme. The 10m consumers who had already signed up would get a further THB500. The new package would be given in small amounts from January to March, while THB1,500 would be offered to some 14m low-income earners as “New Year gifts”.

Meanwhile, the Government will increase benefits in an earlier programme “Let’s Travel Together” to boost domestic tourism in the absence of foreign visitors. This includes an extension of the scheme for another three months to end-April 2021, and an extension of privileges from 10 to 15 room nights each registered person. The stimulus, agreed to by the Government’s coronavirus economic task force on Wednesday, will still need cabinet approval. It will be financed by the Government’s planned THB1trn borrowing aimed at mitigating the impact of the pandemic on an economy that the Government predicts will contract by 6% this year, as tourism is far from recovering.

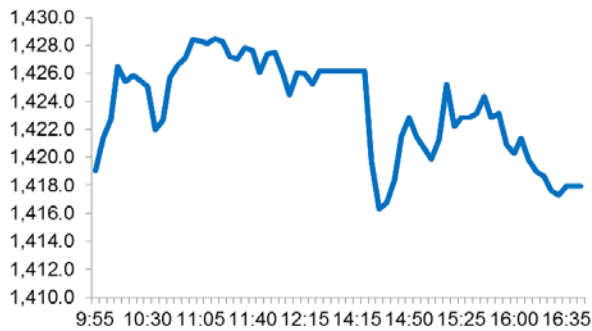
The Finance Minister said earlier on Wednesday that Thailand may not see foreign tourist numbers return to the pre-pandemic level of 40m arrivals until 2024, while this year and the next may achieve 6.7m and 8m visitors respectively. (*Bangkok Post*)

The Government’s subsidies may help spur the Thai economy in the short term. We found that the ongoing co-payment scheme “Let’s Go Halves” has strongly supported small individual vendors’ income, and may benefit consumer product manufacturers with traditional trade distribution channels

The increased success of the “Let’s Travel Together” tourism stimulus programme helped revive the average hotel occupancy rate to 34% in Oct 2020, with domestic travellers’ 15.6m trips for the month close to the average monthly trips achieved in FY19. Nonetheless, the limited number of international tourists may continue in 1H21 before starting to recover gradually throughout the latter half of the year, and this may cause FY21F foreign visitor numbers to stay flattish at 6.5m, below the state’s guidance.

We maintain the view that Thai hotelier stocks are rallying on sentiment over the potential vaccine distribution, while their fundamentals may continue to deliver negative earnings over the next 12 months. Hotel operators with diversified global portfolios would benefit the most once the tourism industry firmly rebounds.

Sectors:  
Consumer:  
NEUTRAL  
Hospitality:  
UNDERWEIGHT  
.00

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


	Index	Chg	Chg (%)	YTD (%)
<b>Thailand (SET)</b>	1417.95	-2.92	-0.21%	-10.2%
<b>Thailand (SET50)</b>	917.49	-2.09	-0.23%	-14.1%
<b>Thailand (SET100)</b>	2045.74	-4.89	-0.24%	-12.7%
<b>USA (Dow Jones)</b>	29883.79	59.87	0.20%	4.7%
<b>USA (S&amp;P500)</b>	3669.01	6.56	0.18%	13.6%
<b>USA (Nasdaq)</b>	12349.37	-5.74	-0.05%	37.6%
<b>UK (FTSE)</b>	6463.39	78.66	1.23%	-14.3%
<b>Singapore (FSSTI)</b>	2810.95	-3.17	-0.11%	-12.8%
<b>Hong Kong (Hang Seng)</b>	26532.58	-35.10	-0.13%	-5.9%
<b>Japan (Nikkei)</b>	26792.56	17.11	0.06%	13.3%
<b>Malaysia (KLCI)</b>	1598.72	-3.54	-0.22%	0.6%
<b>China (SHANGHAI SE)</b>	3449.38	-2.56	-0.07%	13.1%
<b>Indonesia (JCI)</b>	5813.99	89.24	1.56%	-7.7%

**Foreign Exchange Rates / Oil Market**

USD	Closed	Chg	Chg (%)
Baht (Onshore)	30.22	0.01	-0.04
Yen	104.46	0.04	-0.04
Euro	1.21	0.00	-0.06
<b>Oil Price (USD/barrel)</b>			
Brent	47.41	0.50	1.07
Nymex-Crude Light	44.96	-0.32	-0.71

Note: \*As at 2 Dec 2020 closing

**Table 1: Key market indices (3 Dec 2020)**

SET	2018	2019	2020F	2021F
PE (x)	16.25	18.02	26.64	17.96
P/BV (x)	1.74	1.71	1.62	1.55
Yield (%)	3.35	3.26	2.26	2.72

**SET Value by investor Type: Daily**

	Sell (THBm)	Net (THBm)
Institution	5,623.67	5,612.87
Proprietary	9,770.17	10,679.97
Foreign	31,808.87	30,805.88
Retail	31,001.10	31,105.08

**SET Value by investor Type**

	MTD (THBm)	YTD (THBm)
Institution	712.22	52,665.25
Proprietary	-1,958.45	14,591.73
Foreign	1,611.12	-265,295.34
Retail	-364.90	198,038.35

**SET50 Index Future**

	Long	Short	Net	MTD	YTD
Institution	48,264	44,768	3,496	3,570	-19,335
Foreign	103,173	93,067	10,106	16,814	93,849
Local	139,619	153,221	-13,602	-20,384	-74,514

**Foreign Fund Flows (USDm)**

	MTD	YTD	YoY
Thailand	33.2	-91.1	53.3
			-8315.0
			-7847.2

Note: \*As at 2 Dec 2020 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	220.00	22.22	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>
<b>Bangkok Chain Hospital (BCH TB)</b>	17.50	26.81	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>
<b>CP ALL (CPALL TB)</b>	77.00	27.80	<ul style="list-style-type: none"> <li>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</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> <li>Still the best-in-class retailer with intact new store opening plan. Expect full-year earnings returning to pre-pandemic levels in 2021</li> </ul>
<b>Global Power Synergy (GPSC TB)</b>	79.00	13.67	<ul style="list-style-type: none"> <li>We expect GPSC's earnings continue to grow steadily at least 2-3 years ahead, mainly on pipeline projects and efficiency improvements.</li> <li>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.</li> <li>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.</li> </ul>
<b>Siam Cement (SCC TB)</b>	420.00	11.70	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>
<b>Supalai (SPALI TB)</b>	19.40	6.59	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
<b>Thai Union Group (TU TB)</b>	17.50	16.67	<ul style="list-style-type: none"> <li>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.</li> <li>Margin should remain firm, supported by favourable raw materials prices and growth from its pet care business that has relatively high margin.</li> </ul>
<b>TISCO Financial (TISCO TB)</b>	84.80	3.73	<ul style="list-style-type: none"> <li>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</li> <li>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.</li> <li>Although management does prudent and cautious policy under uncertainties, they still proactive to find ways to improve NIM as best as they can.</li> </ul>

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