

## Thailand Morning Cuppa

### Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Construction CH Karnchang (CK TB)  Sino-Thai Engineering & Construction (STEC TB)	<p>Thailand has the potential to become a key logistics hub in the Greater Mekong Subregion (GMS) through its Eastern Economic Corridor (EEC), a forum was told. Mekong Institute Steering Committee Chairman Narongchai Akrasanee, at the opening of the GMS Logistics Forum held in Pattaya on Thursday, said connectivity in the logistics and transport sectors, especially in the EEC, was an important step for Thailand to take to boost its competitive advantage in the global market. Development projects such as the Don Mueang–Suvarnabhumi Airport–U-Tapao high-speed railway and expansion of the sea port at Laem Chabang and Map Ta Phut in the EEC could transform the kingdom into a logistics hub in the GMS.</p> <p>Hosted by the Thailand Convention &amp; Exhibition Bureau (TCEB), Mekong Institute, E-Commerce and Logistics ASEAN Association, the Bangkok Post, the Economic Eastern Corridor, GMS-FRETA, and the Joint Foreign Chambers of Commerce in Thailand, the forum presented opportunities for improving logistics and transport processes.</p> <p>TCEB President Chiruit Isarangkun Na Ayuthaya said broader public-private collaboration can unlock economic potential in the EEC. He added that tapping existing channels such as Meetings, Incentives, Conventions, and Exhibitions or MICE can showcase the value of the EEC to a wider audience to increase international investments. Meanwhile, Mekong Institute Executive Director Suriyan Vichitlekarn encouraged government, business, and private sector representatives to take advantage of the policy discussions, targeted solutions, and practical approaches highlighted across the forum's activities. <i>(Bangkok Post)</i></p>	<p>Thailand as the region's logistics hub has been emphasised by the Government for many years now, and there are several transportation infrastructure projects under the development process for the EEC in the meantime. These include the: i) High-speed railway linking three international airports, ii) U-Tapao International Airport expansion, and iii) two major seaports in Laem Chabang and Map Ta Phut. For smaller projects like the Motorway No. 7 expansion and double-track railway linking Laem Chabang deep seaport have already been completed over the past two years.</p> <p>In addition, there are several new infrastructure projects to facilitate the linkage between Thailand's western and eastern borders, and these should help the logistics connectivity between the GMS and other regions. The most recent project under study – as mentioned by the Transport Ministry – is MR Map, which comprises 10 new motorway routes running parallel with double-track railways and dispersing throughout all regions of the country. These project types have been accelerated by the Transport Ministry and the timeline for public hearings are set for May. Although the Government is currently looking at ways to resolve the economic hardships of those hit by the pandemic, these project developments must go on, in our view, for Thailand to stay competitive within the region and facilitate international logistics activities. Therefore, Thailand's construction sector in should be busier in terms of participating in the bidding process within this year – starting from projects unrelated to international logistics activities, such as mass rapid transit lines and new double-track railway routes. The MR Map projects will then be the next pipeline projects up for bidding starting from FY22 onwards.</p> <p>This also bodes well for the construction sector from now on, as new infrastructure project bids have been rare in FY20. The two leading construction players – CH Karnchang (CK) and Sino-Thai Engineering and Construction (STEC) – are still prominent for all bids in the pipeline. Between these two, CK remains our Top Pick in terms of the turnaround prospects of its orderbooks, the track-record experience relevant to all upcoming bids, and share price upside. We retain our calls and TPs for the two stocks.</p>	<p>Sector: OVERWEIGHT</p> <p>Stocks: CK (Top Pick): BUY, TP: THB22.50</p> <p>STEC: BUY, TP: THB16.00</p>

## Global Economics & Market Strategy

### We Expect Strong Export Recovery From 2Q21 Onwards

#### Thailand Economics View

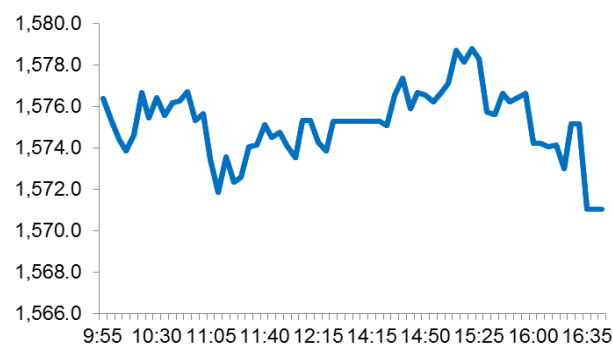
- Despite the weaker February export data, we believe export growth will rebound sharply from 2Q21 onwards. This is mainly due to the low base effect and recovery in global trade.
- February exports printed -2.59% YoY vs Bloomberg consensus estimate of -1.5% and January's growth of 0.35%. The decline was mainly due to the lower shipments of gold.
- Meanwhile, imports printed 21.99% YoY in February vs Bloomberg consensus estimate of 11.15% and January's print of -5.24%.

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*Today's Report: [We Expect Strong Export Recovery From 2Q21 Onwards \(25 Mar 2021\)](#)*

*Previous Report: [Airports of Thailand : Air Traffic Guidance Revised; Keep BUY \(18 Feb 2021\)](#)*

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



SET	2019	2020	2021F	2022F
PE (x)	18.02	25.96	20.19	17.04
P/BV (x)	1.71	1.61	1.74	1.66
Yield (%)	3.28	3.26	2.48	2.80

SET Value by investor Type: Daily	Buy		Sell	Net
	(THBm)		(THBm)	(THBm)
Institution	6,231.27		6,129.77	101.50
Proprietary	10,583.22		9,938.01	645.21
Foreign	32,175.27		32,863.73	-688.46
Retail	44,982.34		45,040.59	-58.25

SET Value by investor Type	MTD		YTD
	(THBm)		(THBm)
Institution	3,133.86		-26,935.34
Proprietary	2,819.91		4,321.18
Foreign	-2,801.72		-32,402.75
Retail	-3,152.04		55,016.90

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	33,531	36,054	-2,523	-11,034	33,774
Foreign	153,414	152,682	732	14,906	-30,874
Local	82,965	81,174	1,791	-3,872	-2,900

Foreign Fund Flows (USDm)			MTD	YTD	YoY
Thailand	-22.2	37.4	-88.4	-1073.9	-1184.2

Note: \*As at 25 Mar 2021 closing

**Table 1: Key market indices (26 Mar 2021)**

	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1571.04	0.21	0.01%	8.4%
Thailand (SET50)	961.75	0.16	0.02%	5.6%
Thailand (SET100)	2182.62	0.27	0.01%	7.1%
USA (Dow Jones)	32619.48	199.42	0.62%	6.6%
USA (S&P500)	3909.52	20.38	0.52%	4.1%
USA (Nasdaq)	12977.68	15.79	0.12%	0.7%
UK (FTSE)	6674.83	-38.06	-0.57%	3.3%
Singapore (FSSTI)	3141.71	8.40	0.27%	10.5%
Hong Kong (Hang Seng)	27899.61	-18.53	-0.07%	2.5%
Japan (Nikkei)	28729.88	324.36	1.14%	4.7%
Malaysia (KLCI)	1597.73	-4.67	-0.29%	-1.8%
China (SHANGHAI SE)	3363.59	-3.47	-0.10%	-3.2%
Indonesia (JCI)	6122.88	-33.26	-0.54%	2.4%

#### Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.16	0.00	0.00
Yen	109.21	0.02	-0.02
Euro	1.18	0.00	0.09
<b>Oil Price (USD/barrel)</b>			
Brent	61.00	-2.46	-3.88
Nymex-Crude Light	58.81	0.25	0.43

Note: \*As at 25 Mar 2021 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	220.00	26.80	<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	18.24	<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 Social Security Office or 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 the pandemic</li> </ul>
<b>Bangkok Expressway &amp; Metro (BEM TB)</b>	11.50	32.95	<ul style="list-style-type: none"> <li>Its expressway unit has recovered rapidly in terms of traffic numbers and is currently approaching pre-pandemic levels</li> <li>The Blue-Line Mass Rapid Transit (MRT) is underway towards a recovery towards pre-pandemic levels. Although the recovery seems slow, organic growth in this business will be more aggressive than growth in the expressway unit. This is because the full-loop network of the Blue-Line MRT is currently in operation</li> </ul>
<b>Central Pattana (CPN TB)</b>	66.00	16.30	<ul style="list-style-type: none"> <li>Improving sentiment for its retail mall operations, based on indirect benefits from the year-end tax rebate for shopping campaigns</li> <li>Rental rate discounts may marginally improve, with no material impact from temporary political rallies, on store traffic</li> <li>Efficient cost control measures have lowered its variable and fixed costs, mainly utility and marketing expenses, while profit margins are likely on the uptrend on the back of reviving retail mall operations</li> <li>Residential business sees stronger sales momentum in 4Q20 – the industry's high season – based on more high-rise unit transfers, along with low-rise projects in Bangkok and upcountry</li> </ul>
<b>CH Karnchang (CK TB)</b>	22.50	26.40	<ul style="list-style-type: none"> <li>The company's orderbooks turnaround can be anticipated within the near term</li> <li>For the construction work of the west side route, as well as the operations and maintenance concessions for the entire route, CK partnered with its associate. It will be the frontrunner due to its experience in constructing and operating underground MRT networks</li> <li>The Luang Prabang hydropower project should be next and negotiations will likely be concluded soon. With a construction size of THB80-90bn – comparable to Xayaburi – this project's construction will span a 7-year period and start contributing to revenue in FY22</li> </ul>
<b>CP ALL (CPALL TB)</b>	77.00	13.65	<ul style="list-style-type: none"> <li>V-shaped earnings recovery, with continued opening of new stores, while Siam Makro's operations remain solid</li> <li>As it has the most extensive store network, CPALL 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> <li>To finance the acquisition of Tesco Lotus with a combination of debt and perpetual debentures to balance its leverage</li> </ul>
<b>Home Product Center (HMPRO TB)</b>	17.00	16.44	<ul style="list-style-type: none"> <li>Expecting normalising earnings in FY21 – to be supported by full-year operations of all stores and retail malls vs a temporary closure from late March to mid-May, with profit margins approaching pre-pandemic levels</li> <li>HMPRO's investment in Vietnam may strongly benefit growing urbanisation and a potential rise in the construction sector</li> <li>Quarterly earnings momentum will continue its upward trajectory in 1Q21</li> <li>Rapid improvement in sustainability development may allow the stock to continue trading at a premium</li> </ul>

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Krung Thai Bank (KTB TB)</b>	14.30	19.17	<ul style="list-style-type: none"> <li>We upgrade KTB to BUY from Neutral. The stock has been a laggard due to its weaker asset quality and NIM. But at 0.45 FY21F P/BV against ROE of 5%, we believe much of the negatives have been priced in</li> <li>We expect KTB to be a beneficiary of new investment projects that will be rolled out by the Government next year</li> </ul>
<b>Osotspa PCL (OSP TB)</b>	46.00	34.31	<ul style="list-style-type: none"> <li>C-Vitt Vitamin C drinks' popularity and its production hike to strengthen domestic sales amid a U-shaped recovery for OSP's local energy drinks</li> <li>Full-year operations of its beverage filling facilities in Myanmar to improve market penetration and profit margins in 2021, while the highly efficient "Fit Fast Firm" corporate cost-savings programme should continue strengthening its profit margins</li> <li>Seeking inorganic growth via partnerships, as well as both vertical and horizontal integrations</li> </ul>
<b>Ratch Group (RATCH TB)</b>	68.00	31.40	<ul style="list-style-type: none"> <li>A laggard play of the sector</li> <li>Provides dividend yield c.4% pa, higher than average peer</li> <li>Share price is undemanding at this level, which discount to peer in term of P/E, while 2021 earnings are expected to grow due to recognition of new projects</li> </ul>
<b>Siam Cement (SCC TB)</b>	440.00	11.68	<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>WHA Corp (WHA TB)</b>	3.80	8.57	<ul style="list-style-type: none"> <li>WHA should be the major local industrial estate player that turns around its industrial land sales business, especially after international travel restrictions are lifted in FY21. This is while its recurring-income units – including utility services and rental spaces – provide downside protection for its earnings prospects</li> <li>Top industries that will dominate the next foreign direct investment cycle include: i) Auto &amp; parts, ii) electronics, iii) consumer products, and iv) medical products. The latter, in our view, will bode well for WHA's premium warehouse spaces, while auto &amp; parts, electronics, and consumer products can spur demand for its industrial land and conventional warehouse spaces</li> </ul>

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