

## Thailand Morning Cuppa

### Top Story

#### **Kiatnakin Phatra Financial Group (KKP TB, NEUTRAL, TP: THB56.00)**

Only Time Will Tell

Company Update

Reiterate NEUTRAL and THB56.00 TP, 8% downside. We believe the continuing rise in COVID-19 cases will stoke concerns over Kiatnakin Phatra Financial Group's income growth and asset quality. We are keeping our FY21F-23F earnings for now, given the fluid pandemic situation and downside risks to the economy. Though we like KKP's capital markets business and cost management improvements, the 17% YTD rally in share price has lifted P/BV to 1.1x – which is fair against c.11% FY21F-22F ROE

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*Today's Report: [Kiatnakin Phatra Financial Group : Only Time Will Tell \(26 Apr 2021\)](#)*

*Previous Report: [Kiatnakin Phatra Financial Group : Underlying Operations Softer In 1Q21 \(20 Apr 2021\)](#)*

### Other Story

#### **AP (Thailand) (AP TB, NEUTRAL, TP: THB8.40)**

Another Solid Earnings Growth In 1Q21

Company Update

Maintain NEUTRAL and THB8.40 TP, 0% upside and >5% yield. Although 1Q21 should be another quarter for AP (Thailand) to show strong earnings growth both YoY and QoQ – mainly driven by revenue from the low-rise projects segment – we retain our FY21F earnings forecast. This is because we expect the net profit momentum to soften in the following quarters. Also, the current share price has met our TP; therefore, we stick to our call.

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*Today's Report: [AP \(Thailand\) : Another Solid Earnings Growth In 1Q21 \(26 Apr 2021\)](#)*

*Previous Report: [AP \(Thailand\) : Fair 1Q21 Presales; Downgrade To NEUTRAL \(8 Apr 2021\)](#)*

### Global Economics & Market Strategy

#### **We Expect Recovery In Exports Will Continue For 2Q21**

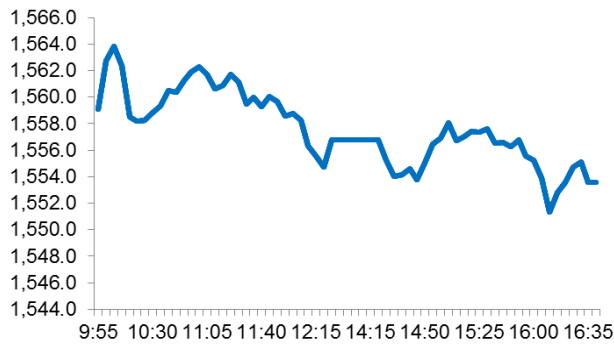
Economics View

- We expect exports recovery seen in March to continue for the rest of 2Q21, mainly due to the low base effect and gradual recovery in global demand.
- March exports printed 8.5% YoY vs Bloomberg consensus estimate of -1.5% and February's -2.6%. The recovery is led by a sharp rebound in exports of automotive and sustained growth in the agriculture sector.
- Imports recorded 14.1% YoY growth in March vs Bloomberg consensus estimate of 3.4% and February's print of 22%.

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*Today's Report: [We Expect Recovery In Exports Will Continue For 2Q21 \(23 Apr 2021\)](#)*

*Previous Report: [CPI Inflation Will Spike In 2Q21 \(5 Apr 2021\)](#)*

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


| SET       | 2019  | 2020  | 2021F | 2022F |
|-----------|-------|-------|-------|-------|
| PE (x)    | 18.02 | 25.96 | 19.26 | 16.41 |
| P/BV (x)  | 1.71  | 1.61  | 1.72  | 1.63  |
| Yield (%) | 3.28  | 3.26  | 2.56  | 2.88  |

| SET Value by investor Type: Daily | Buy       |           | Sell      | Net    |
|-----------------------------------|-----------|-----------|-----------|--------|
|                                   | (THBm)    | (THBm)    | (THBm)    | (THBm) |
| Institution                       | 5,188.51  | 8,039.72  | -2,851.21 |        |
| Proprietary                       | 8,015.86  | 8,364.67  | -348.80   |        |
| Foreign                           | 29,904.53 | 31,737.73 | -1,833.19 |        |
| Retail                            | 43,043.01 | 38,009.80 | 5,033.21  |        |

| SET Value by investor Type | MTD        |            | YTD    |
|----------------------------|------------|------------|--------|
|                            | (THBm)     | (THBm)     | (THBm) |
| Institution                | -13,366.17 | -36,132.12 |        |
| Proprietary                | -1,763.98  | 2,111.17   |        |
| Foreign                    | -6,691.68  | -36,361.08 |        |
| Retail                     | 21,821.83  | 70,382.02  |        |

| SET50 Index Future | Long   | Short  | Net     | MTD     | YTD     |
|--------------------|--------|--------|---------|---------|---------|
| Institution        | 26,724 | 31,701 | -4,977  | -1,652  | 27,961  |
| Foreign            | 48,230 | 60,111 | -11,881 | -19,568 | -35,203 |
| Local              | 85,659 | 68,801 | 16,858  | 21,220  | 7,242   |

| Foreign Fund Flows (USDm) | MTD   |        | YTD    | YoY     |        |
|---------------------------|-------|--------|--------|---------|--------|
| Thailand                  | -58.4 | -278.3 | -213.4 | -1199.9 | 1664.2 |

Note: \*As at 23 Apr 2021 closing

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

|                              | Index    | Chg     | Chg (%) | YTD (%) |
|------------------------------|----------|---------|---------|---------|
| <b>Thailand (SET)</b>        | 1553.59  | -14.62  | -0.93%  | 7.2%    |
| <b>Thailand (SET50)</b>      | 942.63   | -9.95   | -1.04%  | 3.5%    |
| <b>Thailand (SET100)</b>     | 2143.07  | -21.37  | -0.99%  | 5.2%    |
| <b>USA (Dow Jones)</b>       | 34043.49 | 227.59  | 0.67%   | 11.2%   |
| <b>USA (S&amp;P500)</b>      | 4180.17  | 45.19   | 1.09%   | 11.3%   |
| <b>USA (Nasdaq)</b>          | 14016.81 | 198.40  | 1.44%   | 8.8%    |
| <b>UK (FTSE)</b>             | 6938.56  | 0.32    | 0.00%   | 7.4%    |
| <b>Singapore (FSSTI)</b>     | 3194.04  | 6.26    | 0.20%   | 12.3%   |
| <b>Hong Kong (Hang Seng)</b> | 29078.75 | 323.41  | 1.12%   | 6.8%    |
| <b>Japan (Nikkei)</b>        | 29020.63 | -167.54 | -0.57%  | 5.7%    |
| <b>Malaysia (KLCI)</b>       | 1608.43  | 0.70    | 0.04%   | -1.2%   |
| <b>China (SHANGHAI SE)</b>   | 3474.17  | 9.05    | 0.26%   | 0.0%    |
| <b>Indonesia (JCI)</b>       | 6016.86  | 22.68   | 0.38%   | 0.6%    |

**Foreign Exchange Rates / Oil Market**

| USD                           | Closed | Chg   | Chg (%) |
|-------------------------------|--------|-------|---------|
| Baht (Onshore)                | 31.37  | -0.02 | 0.07    |
| Yen                           | 107.92 | 0.04  | -0.04   |
| Euro                          | 1.21   | 0.00  | -0.02   |
| <b>Oil Price (USD/barrel)</b> |        |       |         |
| Brent                         | 65.32  | -0.10 | -0.15   |
| Nymex-Crude Light             | 61.98  | -0.16 | -0.26   |

Note: \*As at 23 Apr 2021 closing

**Top BUYs**

|  | TP<br>(THB) | Upside<br>(%) | Catalysts   |
|--|-------------|---------------|---|
| <b>Airports of Thailand (AOT TB)</b>   | 74.00       | 17.46         | <ul style="list-style-type: none"> <li>2QFY21F's performance may be the weakest of the year, before gradually improving with smaller losses throughout 2HFY21, while an earnings turnaround in FY22 may also support AOT's long-term outlook.</li> <li>Local aviation sees favourable recovery: its domestic recovery may approach pre-pandemic levels by FY23, a year ahead of the international side.</li> <li>The Government's latest approval for Phase 3 of the "We Travel Together" local tourism stimulus campaign, from May to August, may be a catalyst and boost flight numbers.</li> <li>As the first-tier tourism player, AOT may strongly underpin the revival of the tourism industry, while the weakening short-term sentiment and earnings present investors with an opportunity to BUY.</li> </ul>   |
| <b>Bangkok Bank (BBL TB)</b>           | 153.00      | 25.93         | <ul style="list-style-type: none"> <li>One of Thailand's large banks which operates its business conservatively but surely.</li> <li>BBL has less NPL risks than peers due to its high exposure to corporate customers (c.40% of total loans) which are robust than other groups. This is also the reason why the bank has lowest proportion of customers under debt relief measures among peers.</li> <li>BBL's strong capital ratio and manageable NPL level are enable it to ready to pay normal dividend without any concerns except the BoT's regulations.</li> <li>FY21 earnings is expected to recover strongly YoY, underpinned by a decrease in provisions, improved cost structure, continued loan growth (mainly from corporate and international loans), and a rebound in fee incomes.</li> <li>Undemanding valuation with current P/BV at 0.5x.</li> </ul> |
| <b>Central Pattana (CPN TB)</b>        | 66.00       | 66.00         | <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>Charoen Pokphand Foods (CPF TB)</b> | 38.00       | 31.03         | <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>CP All (CPALL TB)</b>               | 77.00       | 23.69         | <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       | 23.19         | <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<br>(THB) | Upside<br>(%) | Catalysts  |
|---------------------------------------|-------------|---------------|--|
| <b>Krung Thai Bank<br/>(KTB TB)</b>   | 14.30       | 26.55         | <ul style="list-style-type: none"> <li>The laggard of the sector with undemanding valuation plus an earnings recovery.</li> <li>Outstanding loan proportion from corporate and Gov.&amp;SoEs customers (43% of total loans).</li> <li>Public investment via Gov.'s disbursement scheme should help to drawdown loans from KTB.</li> <li>FY21F earnings is set to rebound like other banks, mainly on lower set of provisions, improved fee incomes, while its NII is likely to maintain following a gradual rise in loan offsetting lower NIM.</li> <li>The valuation is compelling with current P/BV at 0.4x.</li> </ul>  |
| <b>Muangthai Capital<br/>(MTC TB)</b> | 82.00       | 22.85         | <ul style="list-style-type: none"> <li>One of the leaders in microfinance market which provides a variety of loan products.</li> <li>Ample opportunities to grow through the ocean of untapped customers who cannot reach credits from traditional banks. Management's extensive experiences, aggressive new branch expansion, well-known brand will be the keys to drive robust earnings over other players.</li> <li>FY21-23 earnings is expected to grow CAGR of 20%, driven by a growth in loan, lower CIR, sustained NIM, and controlled asset quality.</li> <li>The continued economic recovery should gradually help to improve loan demand, credit cost, and asset quality.</li> <li>TIDLOR's IPO plan in early-May 21 would be the short-term catalyst to drive MTC's share price.</li> </ul>   |
| <b>PTT<br/>(PTT TB)</b>               | 51.00       | 31.61         | <ul style="list-style-type: none"> <li>We expect strong earnings rebound in 2021 in tandem with economic recovery, on the back of gradual global vaccination rollout.</li> <li>E&amp;P arm will benefit from higher oil prices while the refineries and petrochemical arms will see pick-up in refined product spreads and wider petrochemical spreads.</li> <li>PTT is targeting to increase its renewable energy capacity to 3GW by 2025, with the primary focus on solar and wind in countries such as China, Vietnam, Taiwan and India.</li> </ul>   |
| <b>Siam Cement<br/>(SCC TB)</b>       | 440.00      | 2.80          | <ul style="list-style-type: none"> <li>Petrochemicals is currently in an upcycle. HDPE-naphtha spread in 1Q21 should remain as high as levels recorded in 4Q20, while the polypropylene-naphtha spread reached another high in 1Q21. SCC's polyolefin sales volumes returned to normal levels after the turnaround of the Map Ta Phut olefin cracker was completed in 4Q20.</li> <li>The improvement in cement &amp; building materials business should be noticeable in 1Q21, with cement demand growing 1-2% in Thailand. This would be due to stronger demand from the residential property sector in provincial areas, and continuously solid demand stemming from government infrastructure projects.</li> <li>FY21 will start out with strong earnings growth in 1Q21, while the petrochemical division may be driven by higher production volume after de-bottlenecking the Map Ta Phut olefin cracker finishing 2Q21. For 2H21, we expect a brighter outlook for the cement &amp; building materials business especially in ASEAN countries, when construction activities resume to normal.</li> </ul> |

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