

Thailand Morning Cuppa

Top Story

CH Karnchang (CK TB, BUY, TP: THB20.30)

New Jobs Around The Corner; Keep BUY

Company Update

Keep BUY and SOP-based THB20.30 TP, 7% upside and >1% yield. After its long-running low orderbooks cycle, we expect CH Karnchang's high-tide cycle to come around soon – this is post its recent successful bids for double-track railway construction works. Going forward, we believe there are several infrastructure construction project launch bids in the pipeline that are advantageous to CK.

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Today's Report: [CH Karnchang : New Jobs Around The Corner; Keep BUY \(27 May 2021\)](#)

Previous Report: [CH Karnchang : On a Recovery Trend; Keep BUY \(20 Apr 2021\)](#)

Global Economics & Market Strategy

Exports Recovery Will Remain Robust In 2Q21

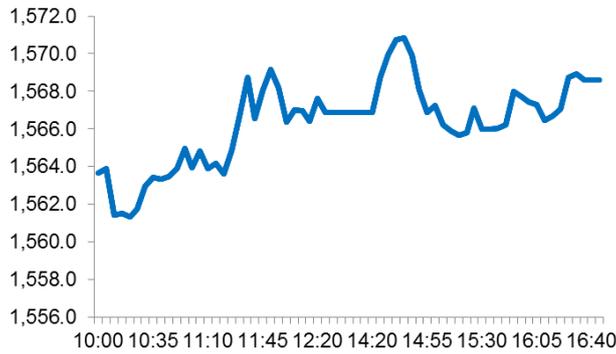
Economics View

- We expect the strong recovery of exports to continue for the rest of 2Q21, mainly due to the low base effect, higher oil prices, and the sustained demand in the electronics and automotive sectors.
- April exports printed 13.1% YoY vs Bloomberg consensus estimate of 10.4% and March's growth of 8.5%. The stronger-than-estimated growth was led by the recovery in the shipments of the electronics and automotive sectors, while agriculture exports were sustained by rubber and tapioca products.
- Imports recorded 29.8% YoY growth in March vs Bloomberg consensus estimate of 22.6% and March's print of 14.1%. The strong imports are led by oil-related products, raw materials, and capital goods.

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Today's Report: [Exports Recovery Will Remain Robust In 2Q21 \(25 May 2021\)](#)

Previous Report: [We Revise Our 2021 GDP Growth Forecast Down To 2% \(17 May 2021\)](#)

Chart 1: SET intra-day graph


SET	2019	2020	2021F	2022F
PE (x)	18.02	25.96	18.98	16.49
P/BV (x)	1.71	1.61	1.74	1.66
Yield (%)	3.28	3.26	2.65	2.91

SET Value by investor Type: Daily	Buy	Sell	Net
	(THBm)	(THBm)	(THBm)
Institution	7,304.56	5,528.41	1,776.15
Proprietary	8,654.82	8,062.60	592.22
Foreign	33,640.76	34,854.11	-1,213.35
Retail	39,351.17	40,506.19	-1,155.02

SET Value by investor Type	MTD	YTD
	(THBm)	(THBm)
Institution	-5,114.58	-42,113.17
Proprietary	-2,673.65	805.42
Foreign	-30,648.54	-63,677.09
Retail	38,436.77	104,984.83

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	29,780	36,449	-6,669	4,246	39,990
Foreign	77,892	58,748	19,144	23,381	1,564
Local	75,426	87,901	-12,475	-27,627	-41,554

Foreign Fund Flows (USDm)	MTD	YTD	YoY
Thailand	-38.7	-103.0	-980.2
			-2074.0
			3086.5

Note: *As at 25 May 2021 closing

Table 1: Key market indices (27 May 2021)

	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1568.58	16.73	1.08%	8.2%
Thailand (SET50)	948.06	13.23	1.42%	4.1%
Thailand (SET100)	2158.33	27.12	1.27%	6.0%
USA (Dow Jones)	34323.05	-70.93	-0.21%	12.1%
USA (S&P500)	4195.99	-1.06	-0.03%	11.7%
USA (Nasdaq)	13738.00	76.83	0.56%	6.6%
UK (FTSE)	7026.93	-24.66	-0.35%	8.8%
Singapore (FSSTI)	3146.09	22.48	0.72%	10.6%
Hong Kong (Hang Seng)	29166.01	753.75	2.65%	7.1%
Japan (Nikkei)	28642.19	277.58	0.98%	4.4%
Malaysia (KLCI)	1577.82	6.00	0.38%	-3.0%
China (SHANGHAI SE)	3593.36	96.07	2.75%	3.5%
Indonesia (JCI)	5815.84	52.21	0.91%	-2.7%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.27	0.02	-0.08
Yen	109.14	-0.01	0.01
Euro	1.22	0.00	0.00

Oil Price (USD/barrel)		Chg	Chg (%)
Brent	68.17	0.21	0.31
Nymex-Crude Light	66.10	-0.11	-0.17

Note: *As at 25 May 2021 closing

Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Bangkok Expressway and Metro (BEM TB)	<p>The Bangkok Mass Transit System (BTSC) and Krungthep Thanakom (KT) are looking for ways to solve the THB30bn debt problem related to the extension of the BTS Green Line and expects to come to an agreement within two weeks. BTSC CEO Surapong Laoha-Unya said the two sides had not reached any agreements during negotiations on Monday.</p> <p>“During the discussion, we proposed ways of cutting down operating expenses and boosting KT’s revenue, such as reducing the number of trips outside rush hour and collecting fares from commuters using the BTS Green Line extension,” he said. Laoha-Unya added that the Bangkok Metropolitan Administration (BMA) had proposed three options for solving the debt problem: i) Seeking funds from the Government, ii) setting up a joint investment under the 2019 Public-Private Partnership Act, or iii) shifting the debt back to the Mass Rapid Transit Authority.</p> <p>Note: BTSC is planning to sue both KT and BMA over the THB30bn it is owed for the extension of the BTS Green Line if there was no conclusion on this issue. Of this figure, THB10bn is owed for the operation of the BTS network with the remainder for the installation of the train line’s electrical & mechanical systems. (<i>The Nation</i>)</p>	<p>This controversial issue has become more complicated and may affect BTS passenger numbers in case of trip-frequency reductions. This should help BTS save on operating costs while the company shoulders the debt burden and pays the finance costs. Whatever the options proposed by BMA – which is the debtor in this case – we do not expect BTS to desire any of them. We believe BTS most desires the concession extension for another 30-year period after the expiration of its existing concession, with the option that it will absorb all this debt.</p> <p>Although this debt problem has become a long-running issue, we believe it will not be solved in the foreseeable future, as the Ministry of Transport seems to disagree with the concession extension for now. Therefore, we are of the view that this will be a series of episodes for all parties involved in this case. We believe BTS will become more disadvantaged the longer this overhang is prolonged.</p> <p>Compared between BTS Group Holdings (BTS TB, NR) and Bangkok Expressway & Metro (BEM), the latter is in a much less risky situation in terms of conducting its business. This is because BEM’s expressway business under the concession model was renewed in Feb 2020 while its Blue Line Mass Rapid Transit (MRT) network has been operating its full loop since late FY19. Post COVID-19 vaccinations, we expect Blue Line MRT ridership to recover strongly – this will be a major catalyst for BEM. We maintain our call and TP on this stock.</p>	BUY, TP: THB10.40

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Airports of Thailand (AOT TB)	74.00	21.31	<ul style="list-style-type: none"> • 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. • Local aviation sees favourable recovery: its domestic recovery may approach pre-pandemic levels by FY23, a year ahead of the international side. • 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. • 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.
Bangkok Bank (BBL TB)	153.00	33.62	<ul style="list-style-type: none"> • One of Thailand's large banks which operates its business conservatively but surely. • 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. • 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. • 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. • Undemanding valuation with current P/BV at 0.5x.
Central Pattana (CPN TB)	61.00	25.77	<ul style="list-style-type: none"> • Improving sentiment for its retail mall operations, based on indirect benefits from the year-end tax rebate for shopping campaigns • Rental rate discounts may marginally improve, with no material impact from temporary political rallies, on store traffic • 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 • 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
Charoen Pokphand Foods (CPF TB)	38.00	39.45	<ul style="list-style-type: none"> • 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 • 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 supermarket network, we think CPF could also ramp up its food services in Tesco's retail space, going forward • Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross-selling between retail trading formats
CP All (CPALL TB)	75.00	29.31	<ul style="list-style-type: none"> • V-shaped earnings recovery, with continued opening of new stores, while Siam Makro's operations remain solid • 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 • Still the best-in-class retailer with intact new store opening plan. Expect full-year earnings returning to pre-pandemic levels in 2021 • To finance the acquisition of Tesco Lotus with a combination of debt and perpetual debentures to balance its leverage
Home Product Center (HMPRO TB)	17.00	25.93	<ul style="list-style-type: none"> • 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 • HMPRO's investment in Vietnam may strongly benefit growing urbanisation and a potential rise in the construction sector • Quarterly earnings momentum will continue its upward trajectory in 1Q21 • Rapid improvement in sustainability development may allow the stock to continue trading at a premium

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Krung Thai Bank (KTB TB)	14.30	33.64	<ul style="list-style-type: none"> The laggard of the sector with undemanding valuation plus an earnings recovery. Outstanding loan proportion from corporate and Gov.&SoEs customers (43% of total loans). Public investment via Gov.'s disbursement scheme should help to drawdown loans from KTB. 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. The valuation is compelling with current P/BV at 0.4x.
Muangthai Capital (MTC TB)	73.00	17.74	<ul style="list-style-type: none"> One of the leaders in microfinance market which provides a variety of loan products. 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. FY21-23 earnings is expected to grow CAGR of 20%, driven by a growth in loan, lower CIR, sustained NIM, and controlled asset quality. The continued economic recovery should gradually help to improve loan demand, credit cost, and asset quality. TIDLOR's IPO plan in early-May 21 would be the short-term catalyst to drive MTC's share price.
PTT (PTT TB)	51.50	32.90	<ul style="list-style-type: none"> We expect strong earnings rebound in 2021 in tandem with economic recovery, on the back of gradual global vaccination rollout. E&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. 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.
Siam Cement (SCC TB)	500.00	14.68	<ul style="list-style-type: none"> 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. The improvement in cement & 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. 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 & building materials business especially in ASEAN countries, when construction activities resume to normal.

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