

Thailand Morning Cuppa

Top Story

Hospitality (NEUTRAL)

First Step Towards Recovery In Foreign Visitors
Sector Update

NEUTRAL. The Phuket Sandbox Model, which kicked off on Thursday, may limit the impact of the island's currently sluggish domestic tourism. We expect the number of foreign visitors to bottom out at 0.5m this year, with a gradual narrowing of negative earnings for hospitality firms in 2H21, before a possible profit turnaround from 2022F. Prefer Airports of Thailand (AOT) as a long-term BUY, and Minor International (MINT) on sentimental trading.

Analyst: Vatcharut Vacharawongsith +66 2088 9736

[Today's Report: Hospitality : First Step Towards Recovery In Foreign Visitors \(2 Jul 2021\)](#)

[Previous Report: Hospitality : Recovery Delays \(14 May 2021\)](#)

Chart 1: SET intra-day graph



SET	2019	2020	2021F	2022F
PE (x)	18.02	25.96	19.04	16.60
P/BV (x)	1.71	1.61	1.77	1.68
Yield (%)	3.28	3.26	2.62	2.87

SET Value by investor Type: Daily	Buy	Sell	Net
	(THBm)	(THBm)	(THBm)
Institution	6,423.40	5,327.99	1,095.41
Proprietary	8,414.24	7,813.04	601.19
Foreign	33,516.92	33,341.42	175.51
Retail	32,968.40	34,840.51	-1,872.11

SET Value by investor Type	MTD	YTD
	(THBm)	(THBm)
Institution	1,095.41	-39,696.34
Proprietary	601.19	7,150.01
Foreign	175.51	-76,086.69
Retail	-1,872.11	108,633.01

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	21,687	26,696	-5,009	-5,009	39,698
Foreign	56,007	56,355	-348	-348	-23,566
Local	77,829	72,472	5,357	5,357	-16,132

Foreign Fund Flows (USDm)	MTD	YTD	YoY
Thailand	5.5	-169.0	5.5
			-2463.3
			6133.6

Note: *As at 1 Jul 2021 closing

Table 1: Key market indices (2 July 2021)

	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1593.75	5.96	0.38%	10.0%
Thailand (SET50)	957.36	3.64	0.38%	5.2%
Thailand (SET100)	2185.11	7.77	0.36%	7.3%
USA (Dow Jones)	34633.53	131.02	0.38%	13.2%
USA (S&P500)	4319.94	22.44	0.52%	15.0%
USA (Nasdaq)	14522.38	18.43	0.13%	12.7%
UK (FTSE)	7125.16	87.69	1.25%	10.3%
Singapore (FSSTI)	3124.19	-6.27	-0.20%	9.9%
Hong Kong (Hang Seng)	28827.95	UNCHG	UNCHG	5.9%
Japan (Nikkei)	28707.04	-84.49	-0.29%	4.6%
Malaysia (KLCI)	1534.23	1.60	0.10%	-5.7%
China (SHANGHAI SE)	3588.78	-2.42	-0.07%	3.3%
Indonesia (JCI)	6005.96	20.47	0.34%	0.4%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	32.09	0.02	-0.06
Yen	111.59	0.06	-0.05
Euro	1.18	0.00	-0.05

Oil Price (USD/barrel)		Chg	Chg (%)
Brent	76.18	1.06	1.41
Nymex-Crude Light	75.01	-0.22	-0.29

Note: *As at 1 Jul 2021 closing

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Airports of Thailand (AOT TB)	73.50	17.60	<ul style="list-style-type: none"> 3QFY21 likely the weakest quarter, as domestic aviation has led AOT's performance and the severe third wave of COVID-19 may dampen local tourism activities. Cost optimisation efforts were implemented effectively since 3QFY20, but variable expenses rose in tandem with a recovery in aeronautical activities post lockdown. Regarding the government's border re-opening scheme from July 2021 onwards, we expect some positive sentiment of the Phuket Sandbox Model towards AOT as Phuket Airport is its third largest property 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.
Home Product Center (HMPRO TB)	17.00	16.44	<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.
Kasikorn Bank (KBANK TB)	160.00	31.15	<ul style="list-style-type: none"> One of opening theme plays, given highest exposure of SMEs portion among TH banks. Investors should look forward to eventual recovery as the recovery in short term is likely to be uneven and take time before reaching pre-COVID level. The bank trends to disrupt itself with new technologies. We expect this strategy would help the bank to improve profitability and quality in the long run. FY21F earnings outlook is forecasted to rebound 8.5% in line with sector earnings. This is due to lower provisions and a rebound in net fees income. Our valuation is conservative and its share price is trading below -1SD from the historical mean, which is compelling.
Mega Lifesciences (MEGA TB)	43.00	13.91	<ul style="list-style-type: none"> Rising health consciousness post-COVID-19 and the aging society may be tailwinds for demand on wellness products. These factors may strongly support MEGA's longer-term outlook based on its key strategies – new product launches in consumer and pharmaceutical healthcare, penetration into new markets, and capturing vast growth opportunities at its existing underpenetrated destinations. Eyeing to launch its hemp-based products (tablets and liquid), with its strength in owned research & development process. It is awaiting for the Government's finalised regulations, likely by 2H21F. Operations in Myanmar (c.40% of revenue) may see modest impact from the political unrest. Its Maxxcare distribution business remains operational. To continue to deliver YoY profit growth in 2Q21 despite being the weakest quarter, driven by its branded business. Possible recovery in Thailand's local activities and a seasonality effect may improve MEGA's 2H21F earnings momentum vs 1H21F.
PTT Exploration & Production (PTTEP TB)	131.00	11.02	<ul style="list-style-type: none"> We like PTTEP as a good proxy to stronger commodities prices. 2QFY21 earnings is expected to register stronger results on the back of stronger sales volume and crude prices..
PTT Global Chemical (PTTGC TB)	76.00	28.27	<ul style="list-style-type: none"> Bumper 1H21 earnings expected from robust petrochemical product spreads to translate into a strong FY21F rebound in YoY performance Current uptrend in oil prices also expected to see PTTGC regain its gas-based crackers' relative cost advantage over industry peers operating naphtha-based crackers
Siam Cement (SCC TB)	500.00	16.82	<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.
Tisco Financial (TISCO TB)	111.00	20.00	<ul style="list-style-type: none"> Superior asset quality to peers and strong capital base – highest among TH banks – made TISCO deserve to trade at premium valuation. Its c.7% dividend yield is compelling and relatively highest among TH banks, with full-year payment basis. We believe TISCO's conservative strategy amidst the outbreak will be proper, leading the bank survive at the end. FY21 earnings is expected to rebound 7%YoY mainly on lower provisions and a rebound in net fees income, despite moderated NII and a slight increase in overheads.

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Kuala Lumpur	Singapore
RHB Investment Bank Bhd Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	RHB Bank Berhad (Singapore branch) 90 Cecil Street #04-00 RHB Bank Building Singapore 069531
Jakarta	Bangkok
PT RHB Sekuritas Indonesia Revenue Tower, 11th Floor, District 8 - SCBD Jl. Jendral Sudirman Kav 52-53 Jakarta 12190 Indonesia Tel : +6221 509 39 888 Fax : +6221 509 39 777	RHB Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel : +(66) 2 088 9999 Fax : +(66) 2 088 9799