

Thailand Morning Cuppa

Top Story

Osotspa (OSP TB, BUY, TP: THB46.00)

Seeking Margins-Driven Profits In 2H; Keep BUY

Company Update

Keep BUY and DCF-based THB46.00 TP, 28% upside and c.3-4% yields. Osotspa may continue to deliver strong profit margins throughout 2H21 despite challenges to 3Q21F topline – this may help maintain 2021 earnings growth. Its resilient 2022 outlook may be driven by business expansion abroad, an easing pandemic, and more new product launches. Its uptrend ROE and undemanding current valuation also look attractive.

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Today's Report: [Osotspa : Seeking Margins-Driven Profits In 2H: Keep BUY \(16 Aug 2021\)](#)

Previous Report: [Osotspa : Growth Intact Over Remaining Quarters; Still BUY \(28 May 2021\)](#)

Chart 1: SET intra-day graph



SET	2018	2019	2020	2021F
PE (x)	16.23	18.10	26.21	24.71
P/BV (x)	1.74	1.70	1.62	1.67
Yield (%)	3.35	3.26	2.75	2.36

SET Value by investor Type: Daily	Buy (THBm)		Sell (THBm)	Net (THBm)
Institution	4,334.77	6,291.69	-1,956.92	
Proprietary	7,487.56	7,392.61	94.95	
Foreign	33,896.10	31,747.40	2,148.70	
Retail	36,305.80	36,592.52	-286.73	

SET Value by investor Type	MTD (THBm)		YTD (THBm)	
Institution	6,207.33	-38,140.27		
Proprietary	109.78	9,570.69		
Foreign	-11,362.58	-104,644.85		
Retail	5,045.46	133,214.42		

SET50 Index Future	Long		Short		Net	MTD	YTD
Institution	38,460	39,994	-1,534	6,582	40,566		
Foreign	78,565	76,119	2,446	22,343	1,518		
Local	116,145	117,057	-912	-28,925	-42,084		

Note: *As at 13 Aug 2020 closing

Table 1: Key market indices (16 Aug 2020)

	Index	Chg	% Chg
SET	1528.32	-4.39	-0.29
SET50	917.54	+0.30	+0.03
SET100	2091.67	-0.93	-0.04
Dow Jones	35515.38	+15.53	+0.04
Nasdaq	14822.90	+6.64	+0.04
S&P500	4468.00	+7.17	+0.16
FTSE	7218.71	+25.48	+0.35
FSSTI	3165.49	-17.31	-0.54
Hang Seng	26391.62	-126.20	-0.48
Nikkei	27977.15	-37.87	-0.14
KLCI	1505.11	+3.14	+0.21
SHANGHAI SE	3516.30	-8.44	-0.24
JCI	6139.49	-0.16	0.00

Note: *As at 13 Aug 2020 closing

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Airports of Thailand (AOT TB)	73.50	31.25	<ul style="list-style-type: none"> 3QFY21 (Sep) is likely the weakest quarter, as domestic aviation has led AOT's performance and the severe COVID-19 third wave may dampen local tourism activities. Cost optimisation efforts have been 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 Jul 2021 onwards, we expect some positive sentiment on the Phuket Sandbox Model towards AOT, as Phuket International 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)	16.40	29.13	<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
Kasikornbank (KBANK TB)	150.00	44.93	<ul style="list-style-type: none"> One of opening theme plays, given the highest exposure to the small & medium enterprise or SME portion among the banks we cover or TH Banks Investors should look forward to an eventual recovery, as the recovery in the short term is likely to be uneven and take time before reaching pre-COVID-19 levels The bank trends to disrupt itself with new technologies. We believe this strategy will 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	8.18	<ul style="list-style-type: none"> Rising health consciousness post-COVID-19 and an 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 existing underpenetrated destinations Eyeing to launch its hemp-based products (tablets and liquid), with its strength in owned research & development processes. It is waiting for the Government's finalised regulations, likely by 2H21 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)	132.00	28.16	<ul style="list-style-type: none"> We like PTTEP as a good proxy to stronger commodity prices 2Q21 earnings are expected to register stronger results on the back of stronger sales volumes and crude prices
PTT Global Chemical (PTTGC TB)	73.00	21.67	<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	21.95	<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, when construction activities resume to normal
Tisco Financial (TISCO TB)	111.00	25.78	<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 pandemic will be proper, allowing the bank to survive post COVID-19 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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