

# Thailand Morning Cuppa

## Top Story

### Global Power Synergy (GPSC TB, BUY, TP: THB80.00)

Tender Offer For GLOW Delisting

Company Update

Maintain BUY, FY20F TP of THB80.00, 16% upside. Global Power Synergy has submitted the tender offer for all remaining Glow Energy (GLOW) stock (4.75%), at a price of THB90.8136 per share (totalling THB6.3bn), which is within its guidance and our expectations. The offer period will be from 25 Sep to 28 Nov. Capital for this tender offer will be supported by a remaining credit line with Siam Commercial Bank (SCB TB, BUY, TP: THB141.00).

Analysts: Kannika Siamwalla CFA +66 2088 9744, Thanaphat Sirikul

*Today's Report:* [Global Power Synergy : Tender Offer For GLOW Delisting \(25 Sep 2019\)](#)

*Previous Report:* [Global Power Synergy : Largest SPP Player In Thailand \(17 Sep 2019\)](#)

## Other Story

### Total Access Communication (DTAC TB, SELL, TP: THB51.00)

Key Concerns Remain; Stay SELL

Company Update

Stay SELL with FY20F TP rolled over to THB51.00 from THB46.50, 10% downside. Despite positives on ARPU improvement and favourable incoming spectrum allocation, we stay cautious on Total Access Communication's competitive outlook. This is as the industry turns to pricing strategies with a value-add-services focus for subs acquisition vis-à-vis device subsidies. While we expect 2H19 mobile services revenue to turn positive, we doubt DTAC's defensive strategy will allow it to win back market share in the long term.

Analysts: Kasamapon Hamnilrat +66 2088 9739, Pakorn Khaeian

*Today's Report:* [Total Access Communication : Key Concerns Remain; Stay SELL \(24 Sep 2019\)](#)

*Previous Report:* [Total Access Communication : Key Concerns Remain; Reiterate SELL \(17 Jul 2019\)](#)

## Economic Research

### Global Slowdown Hurts August Factory Output

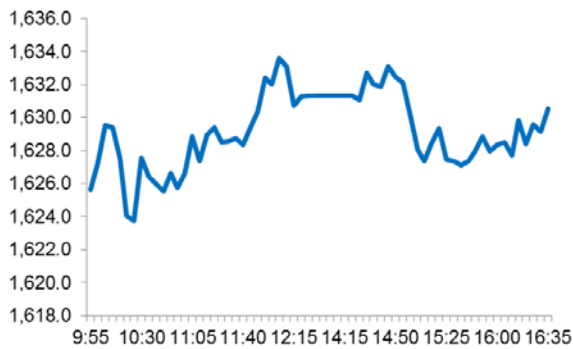
Economics View

- The Manufacturing Production Index fell for the fourth consecutive month, worse than expected, as the slowdown in global trade continued to hurt Thailand's production.
- Capacity utilisation improved to 65.75% in August from July's 65.26%.
- We maintain our view that industrial production growth will slow to 0.5% in 2019 (2018: +3.7%), as the slowdown in global trade amidst the ongoing US-China trade war hurts factory output.

Economists: Peck Boon Soon +603 9280 2163, Billy Toh +603 9280 2184

*Today's Report:* [Global Slowdown Hurts August Factory Output \(25 Sep 2019\)](#)

*Previous Report:* [August Exports Down 4%, Worse Than Expected \(23 Sep 2019\)](#)

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


SET	2016	2017	2018	2019F
PE (x)	16.71	16.90	16.47	14.84
P/BV (x)	1.84	2.09	1.81	1.70
Yield (%)	3.16	2.80	3.07	3.36

**SET Value by investor Type: Daily**

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	6,320.17	6,377.24	-57.07
Proprietary	7,010.67	7,520.41	-509.74
Foreign	20,650.28	21,611.23	-960.94
Retail	16,076.85	14,549.10	1,527.75

**SET Value by investor Type**

	MTD (THBm)	YTD (THBm)
Institution	-6,395.97	26,022.67
Proprietary	2,790.07	10,198.72
Foreign	-8,878.84	-2,449.89
Retail	12,484.73	-33,771.51

**SET50 Index Future**

	Long	Short	Net	MTD	YTD
Institution	44,286	40,243	4,043	-10,322	-1,612
Foreign	128,579	123,991	4,588	79,479	71,978
Local	82,697	91,328	-8,631	-69,157	-70,366

**Foreign Fund Flows (USDm)**

	Daily	WTD	MTD	YTD	YoY
Thailand	-31.5	-82.9	-290.6	-82.0	5181.2

Note: \*As at 24 Sep 2019 closing

**Table 1: Key market indices (25 Sep 2019)**

	Index	Chg	% Chg	% YTD
SET	1630.50	7.71	0.48%	4.3%
SET50	1084.56	5.91	0.55%	3.8%
SET100	2387.58	13.30	0.56%	4.1%
Dow Jones	26807.77	-142.22	-0.53%	14.9%
S&P500	2966.60	-25.18	-0.84%	18.3%
Nasdaq	7993.63	-118.83	-1.46%	20.5%
FTSE	7291.43	-34.65	-0.47%	8.4%
FSSTI	3155.46	12.22	0.39%	2.8%
Hang Seng	26281.00	58.60	0.22%	1.7%
Nikkei	22098.84	19.75	0.09%	10.4%
KLCI	1592.33	-0.60	-0.04%	-5.8%
SHANGHAI SE	2985.34	8.26	0.28%	19.7%
JCI	6137.61	-68.59	-1.11%	-0.9%

**Key Statistics**
**Foreign Exchange Rates / Oil Market**

USD	Closed	Chg.	%Chg.
Baht (Onshore)	30.55	0.00	0.00
Yen	107.17	0.10	-0.09
Euro	1.10	0.00	-0.05
<b>Oil Price (USD/barrel)</b>			
Brent	61.99	-1.96	-3.06
Nymex-Crude Light	56.74	-0.55	-0.96

Note: \*As at 24 Sep 2019 closing

**Bulletin**

STOCK/SECTOR	NEWS	COMMENT	RATING
TMB Bank (TMB TB)	<p>At TMB Bank's recent EGM, the bank announced plans to issue transferrable subscription rights (TSR) of 30.36m units with an exercise price of THB1.4 per share. The bank will allocate the TSRs with a ratio of 1.444533 existing TMB shares to one TSR – a fractional number of TSRs (if any) will be rounded down. Ex-rights: 26 Sep.</p> <p>The TSRs' trading symbol is TMB-T1, and terms will not exceed two months from the issuance date. (Company)</p>	<p>We stay with our call and GGM-based TP on this stock. Despite some dilution effect from the issuing of new ordinary shares for existing and new shareholders, the bank will consolidate Thanachart Bank's operational profits into TMB once the deal is complete.</p> <p>We believe the dilution effect for the bank will be limited. We are waiting for detailed information of the merger plan, which should boost up future growth potentials for TMB. For the time being, we expect its earnings to decline 35% YoY in 2019, but rebound 15% YoY in 2020.</p>	NEUTRAL, TP: THB1.96

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Central Pattana (CPN TB)</b>	93	43.6	<ul style="list-style-type: none"> <li>Following the online retail trend, the malls of Central Pattana – Thailand's No.1 shopping mall developer – are likely to become the centre of consumer lifestyle and activities</li> <li>Strong rental rate hikes at its flagship CentralWorld mall after the completion of a major asset enhancement at end 2018</li> <li>Transfer of three residential projects (c.THB2.2bn), mainly in 2H19, should strongly support earnings growth in the latter half</li> <li>Loan refinancing may lower its Grand Canal Land's cost of debt by c.0.5ppts by the final quarter this year, benefitting Central Pattana's interest expenses</li> </ul>
<b>Charoen Pokphand Food (CPF TB)</b>	31	15.8	<ul style="list-style-type: none"> <li>Charoen Pokphand Food's swine business should enjoy its high margins from the tightened supply conditions throughout the year from an ongoing African Swine Fever outbreak</li> <li>Rising opportunity for the broiler business, which might indirectly see demand growth for chicken as cheaper protein substitute for pork from China, as well as an increase in import volumes from Japan</li> <li>Upside: Biological assets that should turn positive in 2H19</li> </ul>
<b>CP All (CPALL TB)</b>	95	19.1	<ul style="list-style-type: none"> <li>CP All's earnings outlook this year will mainly be driven by its businesses in Thailand – both 7-Eleven convenience and Siam Makro cash &amp; carry stores. 7-Eleven may perform well in its growth strategy as usual, while Makro sales may improve from a low base in 2018 when it was affected by a deflation in food prices. We expect SSSG of 3% and 2% for 7-Eleven (2018: +3.2%) and Makro (2018: -0.2%)</li> <li>Makro's plan to open six cash &amp; carry stores abroad in 2019 vs only two in 2018 may enhance its opex and undermine CP All's bottomline growth. Makro's overseas operations may not achieve its breakeven levels this year. Its plan to run 7-Eleven stores in Cambodia and Laos may conclude in 2Q19 and act as catalysts, as well as another S-curve in the long run – this is given that its investment costs may be smaller vis-à-vis Makro</li> <li>Expect core profit growth of 11-13% in 2019F-2020F vs 7% in 2018. CP All remains attractive as a long-term investment</li> </ul>
<b>Global Power Synergy (GPSC TB)</b>	80	16.4	<ul style="list-style-type: none"> <li>Strong earnings growth. 2019F-2020F earnings are expected to be boosted to THB4.2bn (+26% YoY) and THB9.2bn (117% YoY) as a result of the Glow Energy (GLOW) acquisition, and the Xayaburi and CUP4 projects</li> <li>Major beneficiary of the Government's small power producer (SPP) replacement programme, since Global Power Synergy will be the largest SPP player in Thailand after buying GLOW</li> <li>Long-term growth with PTT. As GPSC's major shareholders are PTT, PTT Global Chemical, and Thai Oil, its growth should be in line with that of the group</li> <li>24M Technologies – the future of renewables: GPSC is keen to start the development of high-voltage batteries and energy storage in the US. It expects to complete the pilot plant by 2020, and commercial production is expected within two years thereafter</li> </ul>
<b>Minor International (MINT TB)</b>	50	34.2	<ul style="list-style-type: none"> <li>The location diversification strategy allows it to enjoy solid growth from overseas expansion – mainly in Europe – and lower risk from slower demand for hotels and quick-service restaurant businesses</li> <li>Expect it to post the strongest 3Q earnings among our covered Thai hoteliers, thanks to a continued peak travel season in Europe, while those with heavy contributions from local Thai properties may remain in a green season with slow revenue per available room recovery YoY</li> </ul>

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Muangthai Capital (MTC TB)</b>	65	20.9	<ul style="list-style-type: none"> <li>Proactive branch network strategy would enable Muangthai Capital to reach untapped customers nationwide. Loan growth is expected to be strong at 30-20% in 2019-2021</li> <li>Earnings growth is expected to increase from higher NII from loans and elevated margins from a lower interest rate environment and credit ratings upgrade</li> <li>Balance sheet stays solid with low NPLs and a high LLC ratio. The NPL ratio remained low at 1.1%, while the LLC ratio was high at 275.8% in 2Q. These should enable MTC to set aside low provision levels and help sustain high profitability</li> </ul>
<b>PTT Exploration &amp; Production (PTTEP TB)</b>	156	24.8	<ul style="list-style-type: none"> <li>The company's products are both directly and indirectly linked to crude oil prices, therefore it remains South-East Asia's best proxy to crude oil price movement</li> <li>We expect higher sales volume while costs remain stable. We expect higher oil prices from current levels, which should be positive for share price movement</li> <li>The company also has USD4bn cash on hand available for value-accretive projects that may arise</li> </ul>
<b>Siam Cement (SCC TB)</b>	500	20.7	<ul style="list-style-type: none"> <li>Among Siam Cement's major businesses, cement and building materials can be major channels to improve its overall earnings, based on management's guideline of proactive long-term measures to cope with macroeconomic uncertainties, eg the US-China trade war</li> <li>While demand for cement has picked up since 3Q18, the company should leverage on this situation by introducing new high-value-added products in building materials and expanding its retail outlet network via partnerships made in major provincial cities</li> </ul>
<b>Supalai (SPALI TB)</b>	23.5	31.3	<ul style="list-style-type: none"> <li>As &gt;50% of its business is landed property for local demand, it looks defensive vis-à-vis pure condominium developers. New more effective property stimuli may also provide upside surprises</li> <li>Huge backlog of THB43bn, one of the industry's largest, will help to cushion the downturn</li> <li>Trading only at 7x P/E (-1SD level) against handsome yields of around 6% pa</li> </ul>
<b>WHA Corp (WHA TB)</b>	5.4	14.8	<ul style="list-style-type: none"> <li>WHA Corp is the proxy in industrial estates to benefit from e-commerce in Thailand. After the company's successful deal with Alibaba, its key strength in premium warehouses should make it an attractive option for e-commerce players, especially from China</li> <li>The stronger inflow of foreign direct investments (FDIs) into Thailand should bear fruit in 2,019 when investors make decisions on the Eastern Economic Corridor's 10 target industries.</li> <li>Good signals from Chinese FDI investors, as they are requesting visits to WHA's project sites, especially for smart electronics, auto parts for electric vehicles, robotics, and food for the future</li> </ul>

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