

# Thailand Morning Cuppa

## Top Story

### Regional Banks

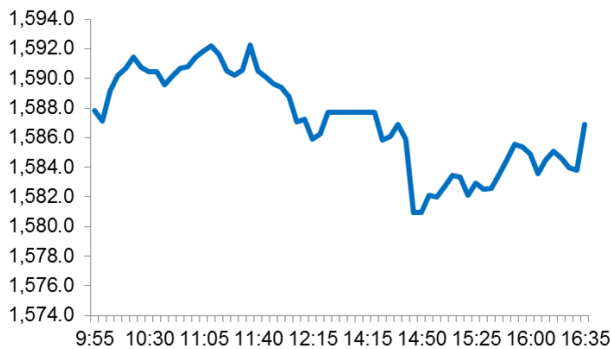
Overcast By Economic Uncertainties  
 Regional Sector Update

2020 prospects subdued. The signing of a first-stage trade accord between the US and China should bring some relief to markets. Still, we believe the constant unpredictability of “what happens next” over the past 18 months of bitter battle is unlikely to go away quickly. For now, we continue to expect the moderation in economic growth to weigh on prospects of ASEAN-4 Banks. Indonesia banks is our only OVERWEIGHT – strongest earnings growth within our regional coverage, and reasonable valuations despite its outperformance in 2019. Analysts: Kasamapon Hamnilrat +66 2088 9739, Regional Banks Team: Malaysia +603 9280 8886/9280 8859, Indonesia +6221 5093 9847, Singapore +65 6232 3890

Today's Report: [Regional Banks : Overcast By Economic Uncertainties \(15 Jan 2020\)](#)

Previous Report: N/A

Chart 1: SET intra-day graph



SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	15.70	14.47
P/BV (x)	2.03	1.74	1.66	1.58
Yield (%)	2.80	3.35	3.19	3.40

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	7,133.58	8,619.75	-1,486.17
Proprietary	7,879.84	7,865.17	14.67
Foreign	22,678.20	23,521.47	-843.27
Retail	22,611.20	20,296.43	2,314.77

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	575.58	575.58
Proprietary	1,364.37	1,364.37
Foreign	1,170.37	1,170.37
Retail	-3,110.32	-3,110.32

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	30,594	29,751	843	-11,673	-11,673
Foreign	49,502	45,814	3,688	545	545
Local	96,825	101,356	-4,531	11,128	11,128

Foreign Fund Flows (USDm)

	Daily	WTD	MTD	YTD	YoY
Thailand	-28.0	-35.5	38.4	38.4	7281.0

Note: \*As at 14 Jan 2020 closing

Table 1: Key market indices (15 Jan 2020)

	Index	Chg	% Chg	% YTD
SET	1586.90	0.74	0.05%	0.4%
SET50	1074.04	-0.21	-0.02%	0.5%
SET100	2349.12	0.14	0.01%	0.3%
Dow Jones	28939.67	32.62	0.11%	1.4%
S&P500	3283.15	-4.98	-0.15%	1.6%
Nasdaq	9251.33	-22.60	-0.24%	3.1%
FTSE	7622.35	4.75	0.06%	1.1%
FSSTI	3270.54	19.47	0.60%	1.5%
Hang Seng	28885.14	-69.80	-0.24%	2.5%
Nikkei	24025.17	174.60	0.73%	1.6%
KLCI	1580.60	-4.13	-0.26%	-0.5%
SHANGHAI SE	3106.82	-8.75	-0.28%	1.9%
JCI	6325.41	28.84	0.46%	0.4%

Key Statistics

Foreign Exchange Rates / Oil Market

	Closed	Chg.	%Chg.
USD			
Baht (Onshore)	30.27	0.01	-0.02
Yen	109.83	-0.16	0.15
Euro	1.11	0.00	0.00
<b>Oil Price (USD/barrel)</b>			
Brent	64.88	0.42	0.65
Nymex-Crude Light	58.19	-0.04	-0.07

Note: \*As at 14 Jan 2020 closing

**Bulletins**

STOCK/SECTOR	NEWS	COMMENT	RATING
Industrial Estates Amata Corp (AMATA TB) WHA Corp (WHA TB)	<p>The Board of Investment (BoI) said Chinese investment applications in Thailand in 2019 surpassed those made by Japanese firms for the first time, worth almost 4x as much at THB262bn. Japanese investment applications tallied at THB73.1bn, while Hong Kong investors were in third place with a value of THB36.3bn.</p> <p>BOI Secretary-General Duangjai Asawachintachit said Chinese investors applied for government investment incentives to avoid the continuing US-China trade war. Of the total investment applications from China, roughly THB160bn were for projects in 12 targeted industries and general sectors, while THB101bn was for the high-speed railway linking three airports.</p> <p>The board reported that total investment applications in 2019 stood at THB756bn from 1,624 projects. This value was 16.2% lower than 2018 applications, which were worth THB902bn. <i>(Bangkok Post)</i></p>	<p>FY19 was the first time ever that China's foreign direct investments (FDIs) into Thailand came in first place, outpacing Japan – a long-time FDI investor for several decades. This implies that China – plus Hong Kong – should be the major permanent FDI investor in Thailand from now on.</p> <p>Based on our talks with the major industrial players, they confirmed that the most frequent visitors to their industrial estates in FY19 were Chinese investors. They were largely in the auto &amp; auto parts, electronics, and food processing industries. Although the overall value of investment applications in FY19 was 16% lower YoY, we understand that this was due to the high base in FY18 from two mega-sized projects in the energy and petrochemical industries. Excluding these, we believe the application value should have increased and be diversified in several industries.</p> <p>There are two large industrial estate players that can meet demand from Chinese investors, especially in Rayong, which has been a popular destination among Chinese FDI investors. Between Amata Corp and WHA Corp, our Top Pick is WHA. This is because the company has benefited from the China investment trend in the industrial land sale segment and warehouses for the rental business.</p>	<p>Sector: OVERWEIGHT</p> <p>Stock: AMATA: BUY, TP: THB26.00</p> <p>WHA: BUY, TP: THB4.85</p>
Hospitality	<p>Tourism Council of Thailand (TCT) forecasts 11.02m international arrivals in 1Q20, up 2.1% YoY. TCT President Chairat Trirattanajarasporn said the tourism sector will benefit from the high season, the Government's visa-on-arrival fee waivers through 31 Apr, and several holidays and celebrations – these include New Year, Chinese New Year, Valentine's Day, and Makha Bucha Day.</p> <p>In 4Q19, Thailand welcomed 10.3m international tourists (+6.1% YoY), according to TCT. The number of foreign tourists last year totalled 39.62m (+3.8%), generating revenue of THB1.93tn (+2.9%).</p> <p>Local operators are concerned about slower economic growth due to the US-China trade war, as well as the US decision to remove the Generalised System of Preferences for Thailand. The most important factor is the strengthening THB, which affects tourism directly – this is as travellers seek to limit their spending in Thailand. <i>(Bangkok Post)</i></p>	<p>2019 has been challenging for Thai hospitality companies. This was due to the intense competition among hoteliers to grow occupancy rates while revenue per available room growth was negative – which may continue in the short term. As such, the sector's outlook should improve in 2020, with tourist arrivals and income expected to grow by 6% YoY (2019: +4%).</p> <p>We believe TCT's 1Q20 arrivals forecasts are likely conservative, given that Chinese tourist numbers may strongly improve from a low base the same period last year. Valuation remains undemanding, but lacks strong catalysts.</p>	<p>NEUTRAL</p>

## Top BUYs

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	250.00	17.37	<ul style="list-style-type: none"> <li>Better profitability due to the TOT litigation settlement (for towers and 2G equipment) that could decrease its network opex by THB3.2bn pa.</li> <li>Strong convergence services portfolio, with a low base of fixed broadband customers who should benefit from the shift in the industry's acquisition trends.</li> <li>Solid balance sheet and cash flow that could be a safeguard against uncertainties during the spectrum auction.</li> </ul>
<b>Bangkok Bank (BBL TB)</b>	205.00	34.43	<ul style="list-style-type: none"> <li>Improved sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management.</li> <li>Sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management.</li> <li>Moderate fee income growth is supported by the collaboration with AIA and less impact from the online fee waiver.</li> <li>ROE is trending up to 9-9.2% in 2019-2020 from the low level at 8.5% in 2017.</li> <li>As the top corporate lender, BBL is likely to gain the most benefits from the infrastructure investment cycle to shore up loans growth.</li> </ul>
<b>Bangkok Chain Hospital (BCH TB)</b>	21.50	34.38	<ul style="list-style-type: none"> <li>A leading private hospital and the Social Security Office (SSO) scheme's largest service provider.</li> <li>Enhanced its customer base to capture the upper-end and international patient segments.</li> <li>Key growth drivers are upcoming price adjustment and clearer payment policy from the SSO, higher revenue intensity from larger portion of cash patients who come for complicated cases, as well as better volume growth from upcoming new facilities and higher utilisation of World Medical Centre.</li> </ul>
<b>Central Pattana (CPN TB)</b>	83.50	34.14	<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>Expect better YoY earnings growth in 4Q19F compared to the previous quarter, to be driven by the major transfer of its three sold-out, high-rise residential projects.</li> <li>Loans refinancing may lower Grand Canal Land's cost of debts by c.0.5ppts by the final quarter this year, benefitting Central Pattana's interest expenses.</li> <li>Potentially, c.THB1.75bn net extra gains from the asset spin-offs to its REIT may be recorded in 1H20.</li> </ul>
<b>CP All (CPALL TB)</b>	95.00	30.14	<ul style="list-style-type: none"> <li>Its 7-Eleven convenience store outlook is likely on track – CP All continues to open new stores at the same 700 outlets pa rate it has undertaken so far, to enjoy sales from ongoing launches of new merchandise and the attractive stamp campaign, along with a recovery of service income thanks to rising transactions of its banking agent service.</li> <li>Siam Makro's product and customer developments play vital roles for the improvement of its operations, which have boosted sales and operating leverage. The factors help limit the impact of rising opex due to its overseas expansion.</li> <li>Expect stronger earnings growth of 13% in 2020F to be driven by both the 7-Eleven and Siam Makro segments.</li> </ul>
<b>CH Karnchang (CK TB)</b>	26.00	25.00	<ul style="list-style-type: none"> <li>With a small orderbook worth about THB37bn, the company has three construction projects. Remaining orders that can generate significant revenue in the near term include the mechanical &amp; engineering system procurement contract for the Blue-Line Mass Rapid Transit (MRT) extension, Orange-Line MRT construction works under a JV with Sino-Thai Engineering &amp; Construction, and the Xayaburi hydropower project in Laos.</li> <li>CK has signed new orderbooks worth about THB6bn from the Rama III-Dao Khanong Expressway. The company's opportunity to grow its orderbook will arise when high-speed railway network linking three international airports is scheduled for an upcoming contract signing.</li> </ul>

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Electricity Generating (EGCO TB)</b>	394.00	12.89	<ul style="list-style-type: none"> <li>We like this company for its relatively low gearing of 1x D/E and cash on hand of THB20.6bn, which we believe will support further growth in the overseas market.</li> <li>We expect 2020F earnings to be boosted by 10% to THB12.8bn, as two large scale projects have already commenced in 4Q19: The 500MW San Buenaventura Power in the Philippines and 1,285MW Xayaburi hydro-electric power plant in Laos.</li> </ul>
<b>Osotspa (OSP TB)</b>	49.00	10.11	<ul style="list-style-type: none"> <li>Osotspa's organisational streamlining by its new management team has effectively turned the company from a family business to a professionally run entity.</li> <li>Local and overseas activities to help driving topline sales, the launch of new products to capture consumer demands, expansion of production facilities, and distribution coverage abroad – mainly in Myanmar – to strengthen its leading position there.</li> <li>Its key business strategy – premiumisation of new products and corporate cost-savings programme – should be the key factors that help boost GPM and keep opex under control.</li> <li>Expect stronger earnings growth of 16% in 2020F vs 14% in 2019F.</li> </ul>
<b>PTT Explore &amp; Production (PTTEP TB)</b>	144.00	9.09	<ul style="list-style-type: none"> <li>The company's products are both directly and indirectly linked to crude oil prices, so it remains South-East Asia's best proxy to crude oil prices.</li> <li>We expect higher sales volume while costs remain stable.</li> <li>Its Leng Lebah (SK410B) field currently has estimated total resources at 2tcf. PTTEP expects to drill another nearby well in 2Q20. It is possible that another 2-3tcf can be found. This project could potentially be commercialised by 1Q25, as it could use shared existing facilities within the area. Assuming 30%-100% of 2tcf is proved reserves, this project could add c.TH3.50-11.50 per share to PTTEP's current valuation.</li> </ul>
<b>Siam Cement (SCC TB)</b>	460.00	25.34	<ul style="list-style-type: none"> <li>Among Siam Cement's major businesses, the cement &amp; building materials division – along with the packaging wing – will somehow mitigate the heavy impact on the petrochemical business. This is 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>Star Petroleum Refining (SPRC TB)</b>	12.70	32.29	<ul style="list-style-type: none"> <li>We like this company as share price has been depressed for most of 2019F due to its 45-day planned maintenance shutdown in 4Q19. After planned maintenance, we will see its refining capacity increase from 165kbpd to 175kbpd.</li> <li>We see earnings are set for a rebound, from net loss THB1.9bn for 2019F to net profit of THB5.0bn.</li> <li>The company has minimal debt, currently at USD51.8m temporary short-term debt. With its strong financial position, we believe the company is well placed for further expansion or diversification. We believe SPRC will make an announcement of its plans to expand into new business in 2Q20F. This new business, we believe, will be within its core competence and possibly downstream petrochemicals business.</li> </ul>
<b>WHA Corp (WHA TB)</b>	4.85	32.51	<ul style="list-style-type: none"> <li>WHA 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 2019, 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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