

Thailand Morning Cuppa

Top Story

Thai Oil (TOP TB, BUY, TP: THB70.00)

Still Expecting Spreads To Improve
Results Preview

Maintain BUY, new THB70.00 TP from THB84.00, 13% upside plus c.3% FY20F yield, based on 1.1x FY20F P/BV. We expect Thai Oil's 4Q19 earnings to rebound to THB1.4bn (3Q19: THB683m net loss). This is a disappointment, as recurring net income should total THB15m. 2020F earnings should rebound to THB9bn, as its refinery will be running at full capacity with no planned shutdowns. We expect refining spreads to increase, as the International Maritime Organisation (IMO) regulation took effect on 1 Jan.

Analyst: Kannika Siamwalla, CFA +66 2088 9744

Today's Report: [Thai Oil : Still Expecting Spreads To Improve \(16 Jan 2020\)](#)

Previous Report: [Thai Oil : IMO Is Coming \(11 Nov 2019\)](#)

Other Story

TOA Paint (TOA TB, SELL, TP: THB30.00)

From Rosy To Bumpy; Maintain SELL

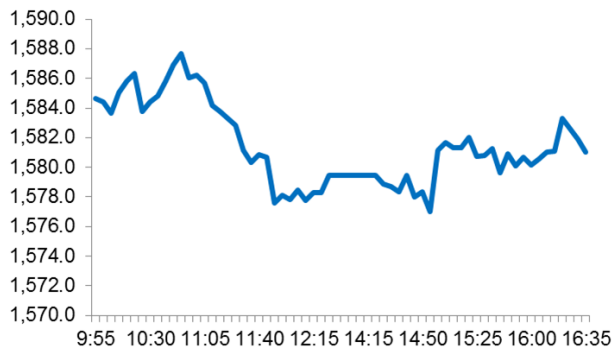
Company Update

Maintain SELL with DCF-based THB30 TP from THB27, 21% downside and 1% dividend yield. Although TOA Paint enjoyed cost-side benefits during FY19, we expect that these benefits will not last for long and, in the worst case, could turn into negative factors due to different circumstances between FY19 and FY20. Limited earnings growth in FY20F coupled with highly demanding share price supports the major rationale behind our SELL rating.

Analyst: Chatree Srismacharoen +66 2088 9743

Today's Report: [TOA Paint : From Rosy To Bumpy; Maintain SELL \(16 Jan 2020\)](#)

Previous Report: [TOA Paint : High Wire Walking With No Net Yet \(23 Aug 2019\)](#)

Chart 1: SET intra-day graph


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	15.66	14.41
P/BV (x)	2.03	1.74	1.66	1.57
Yield (%)	2.80	3.35	3.19	3.41

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	4,442.44	6,078.70	-1,636.27
Proprietary	9,521.86	7,944.45	1,577.41
Foreign	25,750.46	28,078.59	-2,328.13
Retail	25,689.31	23,302.32	2,386.99

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	-1,060.69	-1,060.69
Proprietary	2,941.78	2,941.78
Foreign	-1,157.76	-1,157.76
Retail	-723.33	-723.33

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	28,511	28,779	-268	-11,941	-11,941
Foreign	35,987	49,659	-13,672	-13,127	-13,127
Local	101,490	87,550	13,940	25,068	25,068

Foreign Fund Flows (USDm)

	Daily	WTD	MTD	YTD	YoY
Thailand	-76.9	-112.4	-38.5	-38.5	7157.3

Note: *As at 15 Jan 2020 closing

Table 1: Key market indices (16 Jan 2020)

	Index	Chg	% Chg	% YTD
SET	1581.05	-5.85	-0.37%	0.1%
SET50	1067.66	-6.38	-0.59%	-0.1%
SET100	2336.78	-12.34	-0.53%	-0.2%
Dow Jones	29030.22	90.55	0.31%	1.7%
S&P500	3289.29	6.14	0.19%	1.8%
Nasdaq	9258.70	7.37	0.08%	3.2%
FTSE	7642.80	20.45	0.27%	1.3%
FSSTI	3256.98	-13.56	-0.41%	1.1%
Hang Seng	28773.59	-111.55	-0.39%	2.1%
Nikkei	23916.58	-108.59	-0.45%	1.1%
KLCI	1585.14	4.54	0.29%	-0.2%
SHANGHAI SE	3090.04	-16.78	-0.54%	1.3%
JCI	6283.37	-42.04	-0.66%	-0.3%

Key Statistics
Foreign Exchange Rates / Oil Market

	Closed	Chg.	%Chg.
USD			
Baht (Onshore)	30.29	-0.01	0.04
Yen	109.88	-0.02	0.02
Euro	1.12	0.00	0.01
Oil Price (USD/barrel)			
Brent	64.40	-0.48	-0.74
Nymex-Crude Light	58.15	0.34	0.59

Note: *As at 15 Jan 2020 closing

Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Telecommunications	<p>On Tuesday (14 Jan), the Government approved the merger of two state-run telecommunication firms – CAT Telecom and TOT – into a single entity: National Telecom (NT). NT will compete with private operators in the upcoming spectrum auctions, a senior official in the administration said.</p> <p>Speaking to reporters, spokeswoman Narumon Pinyosinwat said this new entity will help promote the Government's digital infrastructure and provide services to the public. Pinyosinwat said the merger should be completed in six months, adding that the Digital Economy & Society Ministry will oversee the newly formed company.</p> <p>Pinyosinwat also said the merged entity will participate in the upcoming 5G spectrum auctions on the 700MHz, 800MHz, 2600MHz, and 26GHz frequency bands on 16 Feb. This auction was being held by the National Broadcasting Telecommunication Commission, she added. <i>(Reuters)</i></p>	<p>We do not believe the participation of CAT Telecom and TOT in the upcoming auction will create a significant impact on competition for the bids. This is thanks to the differences in terms of bandwidth demand and limitations of this new state-owned enterprise's operating structure. We think the uncertainties over the merger – ie labour unions and litigation overhangs with private operators – could delay this long-standing merger process, which is slated for completion in 2Q20.</p> <p>While we do not expect NT to create a significant impact to the market landscape – due to its weak competitive position – we see downside risks to the telco operators. This is because CAT Telecom and TOT will try to hasten the settlement of outstanding litigations, in our view. This, in turn, could result in extra expenses for the private operators.</p>	N/A

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	250.00	17.37	<ul style="list-style-type: none"> Better profitability due to the TOT litigation settlement (for towers and 2G equipment) that could decrease its network opex by THB3.2bn pa. Strong convergence services portfolio, with a low base of fixed broadband customers who should benefit from the shift in the industry's acquisition trends. Solid balance sheet and cash flow that could be a safeguard against uncertainties during the spectrum auction.
Bangkok Bank (BBL TB)	205.00	34.87	<ul style="list-style-type: none"> Improved sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management. Sustainable earnings growth prospects, underpinned by continued loan growth, lower provisions, and efficient cost management. Moderate fee income growth is supported by the collaboration with AIA and less impact from the online fee waiver. ROE is trending up to 9-9.2% in 2019-2020 from the low level at 8.5% in 2017. As the top corporate lender, BBL is likely to gain the most benefits from the infrastructure investment cycle to shore up loans growth.
Bangkok Chain Hospital (BCH TB)	21.50	34.38	<ul style="list-style-type: none"> A leading private hospital and the Social Security Office (SSO) scheme's largest service provider. Enhanced its customer base to capture the upper-end and international patient segments. 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.
Central Pattana (CPN TB)	83.50	35.77	<ul style="list-style-type: none"> 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. 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. 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. Potentially, c. THB1.75bn net extra gains from the asset spin-offs to its REIT may be recorded in 1H20.
CP All (CPALL TB)	95.00	32.40	<ul style="list-style-type: none"> 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. 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. Expect stronger earnings growth of 13% in 2020F to be driven by both the 7-Eleven and Siam Makro segments.
CH Karnchang (CK TB)	26.00	24.40	<ul style="list-style-type: none"> 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 & 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 & Construction, and the Xayaburi hydropower project in Laos. 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.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Electricity Generating (EGCO TB)	394.00	15.20	<ul style="list-style-type: none"> 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. 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.
Osotspa (OSP TB)	49.00	9.50	<ul style="list-style-type: none"> Osotspa's organisational streamlining by its new management team has effectively turned the company from a family business to a professionally run entity. 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. 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. Expect stronger earnings growth of 16% in 2020F vs 14% in 2019F.
PTT Explore & Production (PTTEP TB)	144.00	9.92	<ul style="list-style-type: none"> 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. We expect higher sales volume while costs remain stable. 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.
Siam Cement (SCC TB)	460.00	25.68	<ul style="list-style-type: none"> Among Siam Cement's major businesses, the cement & 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. 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.
Star Petroleum Refining (SPRC TB)	12.70	32.98	<ul style="list-style-type: none"> 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. We see earnings are set for a rebound, from net loss THB1.9bn for 2019F to net profit of THB5.0bn. 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.
WHA Corp (WHA TB)	4.85	33.98	<ul style="list-style-type: none"> 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. 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. 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.

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