

## Thailand Morning Cuppa

### Top Story

**Sino-Thai Engineering & Construction (STEC TB, BUY, TP: THB20.00)**

Good Opportunity From U-Tapao Airport; BUY  
Company Update

Keep BUY and THB20.00 TP, 23% upside with 2.3% FY20F yield. With the bidding process for the U-Tapao Airport's expansion completed on Friday – after opening all proposals submitted by the Charoen Pokphand Group-led consortium – the BBS consortium still remains the potential winner, as its proposal was the best amongst all. As one of the three major partners in BBS, Sino-Thai Engineering & Construction should be able to guarantee more new orderbooks from this project's construction works.

Analyst: Chatree Srismaicharoen +66 2088 9743

*Today's Report: [Sino-Thai Engineering & Construction : Good Opportunity From U-Tapao Airport; BUY \(20 Jan 2020\)](#)*

*Previous Report: [Sino-Thai Engineering & Construction : The Show Will Go On; Keep BUY \(15 Nov 2019\)](#)*

### Other Story

**Siam Commercial Bank (SCB TB, BUY, TP: THB140.0)**

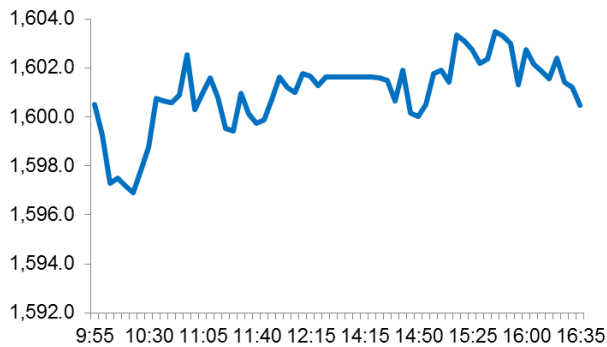
Feeling Effects Of Slowing Economic Growth  
Results Review

Maintain BUY with THB140.00 TP, 20% upside plus 5% yield. FY19 results missed expectations mainly due to higher-than-expected impairment charges. Operations have softened in 4Q19, but successful execution of government stimulus plans should revive the bank's prospects. A special interim dividend of THB0.75/share, which has been approved and is to be paid on 14 Feb, will provide support to share price.

Analyst: Kasamapon Hamnilrat +66 2088 9739

*Today's Report: [Siam Commercial Bank : Feeling Effects Of Slowing Economic Growth \(20 Jan 2020\)](#)*

*Previous Report: [Siam Commercial Bank : Moderate Growth, Undemanding valuation \(24 Oct 2019\)](#)*

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


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	15.91	14.65
P/BV (x)	2.03	1.74	1.68	1.60
Yield (%)	2.80	3.35	3.15	3.37

**SET Value by investor Type: Daily**

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	9,688.92	7,092.13	2,596.79
Proprietary	8,091.68	8,772.29	-680.60
Foreign	20,333.14	21,823.49	-1,490.35
Retail	22,950.97	23,376.81	-425.84

**SET Value by investor Type**

	MTD (THBm)	YTD (THBm)
Institution	2,758.84	2,758.84
Proprietary	1,893.94	1,893.94
Foreign	-4,600.90	-4,600.90
Retail	-51.88	-51.88

**SET50 Index Future**

	Long	Short	Net	MTD	YTD
Institution	25,096	20,268	4,828	-10,095	-10,095
Foreign	41,069	30,985	10,084	15,011	15,011
Local	65,315	80,227	-14,912	-4,916	-4,916

**Foreign Fund Flows (USDm)**

	Daily	WTD	MTD	YTD	YoY
Thailand	-49.1	-225.6	-151.7	-151.7	6897.4

Note: \*As at 17 Jan 2020 closing

**Table 1: Key market indices (20 Jan 2020)**

	Index	Chg	% Chg	% YTD
SET	1600.48	4.61	0.29%	1.3%
SET50	1081.22	2.35	0.22%	1.2%
SET100	2366.43	6.34	0.27%	1.0%
Dow Jones	29348.10	50.46	0.17%	2.8%
S&P500	3329.62	12.81	0.39%	3.1%
Nasdaq	9388.94	31.81	0.34%	4.6%
FTSE	7674.56	64.75	0.85%	1.8%
FSSTI	3281.03	3.03	0.09%	1.8%
Hang Seng	29056.42	173.38	0.60%	3.1%
Nikkei	24041.26	108.13	0.45%	1.6%
KLCI	1595.81	7.93	0.50%	0.4%
SHANGHAI SE	3075.50	1.41	0.05%	0.8%
JCI	6291.66	5.61	0.09%	-0.1%

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

	Closed	Chg.	%Chg.
<b>USD</b>			
Baht (Onshore)	30.39	-0.01	0.02
Yen	110.19	0.05	-0.05
Euro	1.11	0.00	0.02
<b>Oil Price (USD/barrel)</b>			
Brent	65.18	0.36	0.56
Nymex-Crude Light	59.26	0.72	1.23

Note: \*As at 17 Jan 2020 closing

**Bulletin**

STOCK/SECTOR	NEWS	COMMENT	RATING
Central Retail Corp (CRC TB)	<p>Central Retail Corp – Thailand's largest retailer and Central Group's retail arm – has set its IPO price range at THB40.00-43.00 per share, ie possibly the kingdom's biggest-ever fundraising deal: Up to THB72.7bn. The IPO period has been set for 29-31 Jan and 3 Feb, with the tentative first trading day slated for 20 Feb. CRC will offer 1.69bn shares and an over-allotment option of 169m shares. The retailer is also de-listing its Robinson subsidiary and offering a share swap to shareholders. CRC's IPO shares will be allocated to 11 cornerstone investors at 550.6m shares, domestic investors at 371-401m shares, foreign investors at 467-496.9m shares, and Robinson shareholders that accept the tender offer at 793.1-852.6m shares.</p> <p>CRC CEO Yol Phokasub said the deal is considered the largest retail IPO launch globally since 2007 and the company's shares will be fast-tracked for listing on the SET50 Index on its huge market capitalisation. CRC reported total sales of THB207bn and net profit of THB10bn in 2018, with an average annual growth rate of 8.3% (2016-2018). Of the total sales, THB15.6bn came from Europe, THB25.4bn from Vietnam, and the rest from Thailand. In 9M19, its revenue stood at THB159.5bn (+4.1% YoY), with a net profit of THB5.86bn. As of 2018, CRC had 3,856 points of sale in three countries. Of that total, nine retail stores are in Europe, 133 are in Vietnam, and the rest is in Thailand.</p> <p>Normally, CRC spends THB14-15bn a year on expansion. This year, it plans to open 180 new stores through a multi-platform approach across Thailand, Vietnam, and Europe. The company will press on with investments this year – with an emphasis on the booming Vietnam market – regardless of what happens with Tesco. Phokasub said CRC's growth plan has had an organic focus rather than M&amp;A. He declined to comment on whether Central Group would bid for Tesco's 1,976 and 74 stores in Thailand and Malaysia. Phokasub said the company planned to allocate THB24bn raised through the IPO to expand its business, renovate existing stores, and repay debt. (<i>Bangkok Post</i>)</p>	<p>We are optimistic on CRC's key business strategy of having well-diversified operations. This includes markets, product categories, and store formats. There are still growing business opportunities in Thailand – including the omni-channel development – but there are much more in Vietnam, given the modern retail industry's 5% penetration there. Business may also be boosted by the opening of new stores and retail formats. CRC's focus on the food segment (ie supermarkets in Thailand and hypermarkets in Vietnam), private label products, and recurring income should act as expansion drivers for earnings and profit margins.</p> <p>Such a sizable IPO and market leading position should also support CRC presence in the Thai retailing sector. We think the IPO price of THB40.00-43.00 may be a justified valuation of 28-30x P/E, close to the industry's 5-year historical trades. For the potential Tesco Lotus acquisition, we believe that other non-listed entities under the Central Group are more likely to be assigned to join the bid.</p> <p>We maintain our recommendation to swap Robinson's shares to CRC's. The former may eventually contribute c.10% to the latter's topline sales. We expect the roadshow session last Friday (17 Jan) to possibly boost investor demand for CRC, which may result in short-term speculation in Robinson shares above the exercise price of THB66.50.</p>	<p>ROBINS: BUY, TP: THB73.50</p> <p>CRC: NR</p>

## Top BUYs

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	250.00	15.21	<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	33.12	<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	35.22	<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	30.47	<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	27.95	<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	20.37	<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	17.26	<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	23.99	<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	34.39	<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	33.98	<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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