

## Thailand Morning Cuppa

### Top Story

#### **Total Access Communication (DTAC TB, TRADING BUY, TP: THB53.50)**

Healthy Dividend; Upgrade To TRADING BUY

Company Update

Upgrade to TRADING BUY from Sell with TP lowered to THB53.50 from THB54.00, 21% upside. Despite the negative sentiment over the change of management and participation of the upcoming spectrum auction, we think the fall in share price by 15% YTD is overdone. While there is no change in its core operations outlook, we think its laggard valuation with healthy dividend yield should make the stock look more attractive for short term dividend play.

Analyst: Pakorn Khaeian +66 2088 9745

*Today's Report: [Total Access Communication: Healthy Dividend; Upgrade To TRADING BUY \(30 Jan 2020\)](#)*

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

### Other Story

#### **IRPC (IRPC TB, SELL, TP: THB2.40)**

A Cautious Outlook Remains

Results Preview

Maintain SELL with a new THB2.40 TP from THB2.90, 16% downside, based on 0.55x 2020F P/BV. For 4Q19F we expect a net loss of THB1bn, with a recurring net loss of THB2bn. We remain cautious on IRPC's outlook. Unit costs remain high while margins are still weak. It is highly likely that the company could post another net loss in 1Q20F under current market spreads.

Analyst: Kannika Siamwalla, CFA +66 2088 9744

*Today's Report: [IRPC : A Cautious Outlook Remains \(29 Jan 2020\)](#)*

*Previous Report: [IRPC : Improvement Hinges On Easing of Trade War \(13 Nov 2019\)](#)*

### Economic Research

#### **Dec MPI Down 4.4%, Better Than Estimated**

Thailand Economics

- Thailand's MPI fell 4.4% YoY in Dec 2019, marking an improvement from November's 8.3% YoY decline and even surpassed expectations of a 7.2% drop in a Reuters poll. However, this also points to eight consecutive declines, ie the longest period of factory output contraction since the 17 months of decline recorded over 2013-2014.
- The slower pace of decline in production of cars, petroleum and steel – while electronics production turned around – helped to soften the decline in factory output for the month. Capacity utilisation increased to 64% in December from 63.2% in the previous month.
- We expect factory output to reverse from the contraction of 3.7% in 2019 to a slight growth of 2% YoY this year, amidst a low base effect and a more pronounced trade diversion impact. The recent US-China phase one trade deal also helped to improve sentiment.

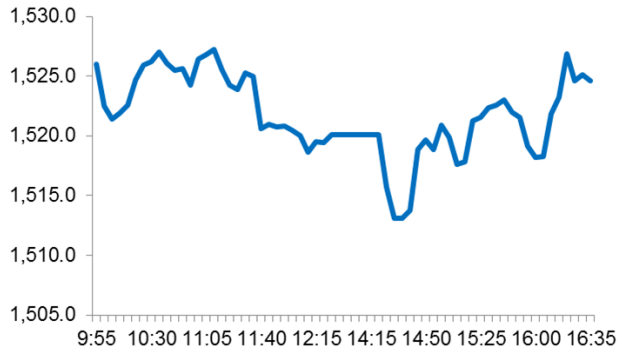
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*Today's Report: [Dec MPI Down 4.4%, Better Than Estimated \(30 Jan 2020\)](#)*

*Previous Report: [Dec Exports Better Than Expected But Remain In a Decline \(23 Jan 2020\)](#)*

## Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Supalai (SPALI TB)	Supalai held its Board of Directors meeting on 29 Jan with a resolution to approve the share repurchase programme for financial purposes in the maximum amount not exceeding THB2bn. The number of shares to be repurchased is approximately 5.6% of total issued shares. The repurchase period covers a duration of six months from 12 Feb to 11 Aug. (SET)	<p>We believe that this share repurchase programme is based on management's view that the current share price is too undervalued. Although management set the likely repurchase price in the range of THB16-17 per share, which is the current share price level, we expect that this programme will help cap the further downside of the share price.</p> <p>Regardless of this programme, Supalai is our Top Pick based on:</p> <ul style="list-style-type: none"> <li>i. its earnings visibility which is better than its peers based on the current orderbooks that can be recognised as revenue until FY23;</li> <li>ii. its key strength in low-rise projects as we believe that this project type should be the major battlefield for the industry this year; and</li> <li>iii. our expectation that Supalai will be one of three large residential stocks that can generate earnings growth for this year.</li> </ul>	SPALI TB, BUY, TP: THB20.00

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


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	15.24	14.07
P/BV (x)	2.03	1.74	1.60	1.52
Yield (%)	2.80	3.35	3.31	3.53

**SET Value by investor Type: Daily**

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	9,384.36	7,022.90	2,361.46
Proprietary	8,404.79	9,178.09	-773.30
Foreign	24,815.66	27,573.94	-2,758.29
Retail	21,606.58	20,436.46	1,170.12

**SET Value by investor Type**

	MTD (THBm)	YTD (THBm)
Institution	-12,615.83	-12,615.83
Proprietary	-2,232.16	-2,232.16
Foreign	-12,014.68	-12,014.68
Retail	26,862.67	26,862.67

**SET50 Index Future**

	Long	Short	Net	MTD	YTD
Institution	50,540	54,687	-4,147	7,243	7,243
Foreign	93,926	70,897	23,029	-33,038	-33,038
Local	136,701	155,583	-18,882	25,795	25,795

**Foreign Fund Flows (USDm)**

	Daily	WTD	MTD	YTD	YoY
Thailand	-89.5	-199.6	-392.9	-392.9	6335.4

Note: \*As at 29 Jan 2020 closing

**Table 1: Key market indices (30 Jan 2020)**

	Index	Chg	% Chg	% YTD
SET	1524.59	11.33	0.75%	-3.5%
SET50	1026.58	9.68	0.95%	-3.9%
SET100	2243.29	20.66	0.93%	-4.2%
Dow Jones	28734.45	11.60	0.04%	0.7%
S&P500	3273.40	-2.84	-0.09%	1.3%
Nasdaq	9275.16	5.48	0.06%	3.4%
FTSE	7483.57	2.88	0.04%	-0.8%
FSSTI	3182.57	1.32	0.04%	-1.2%
Hang Seng	27160.63	-789.01	-2.82%	-3.7%
Nikkei	23379.40	163.69	0.71%	-1.2%
KLCI	1550.47	-1.17	-0.08%	-2.4%
SHANGHAI SE	2976.53	UNCHG	UNCHG	-2.4%
JCI	6113.05	1.86	0.03%	-3.0%

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

USD	Closed	Chg.	%Chg.
Baht (Onshore)	30.98	0.01	-0.04
Yen	108.99	-0.03	0.03
Euro	1.10	0.00	0.04
<b>Oil Price (USD/barrel)</b>			
Brent	58.79	-0.54	-0.91
Nymex-Crude Light	53.10	-0.23	-0.43

Note: \*As at 29 Jan 2020 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Advance Info Service (ADVANC TB)</b>	250.00	16.82	<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	45.39	<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	37.82	<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	41.53	<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	31.94	<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	39.78	<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	23.13	<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	7.69	<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>	147.00	16.21	<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	29.58	<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	24.10	<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	50.62	<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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