

# Market Strategy

2Q 2018



## Next in line

Interest rates poised to rise more quickly but will not derail the market

Fiscal policy boosts will continue to foster growth

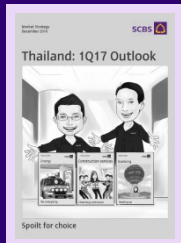
Focus on growth stocks with attractive valuation

## SCBS Market Strategy Reports

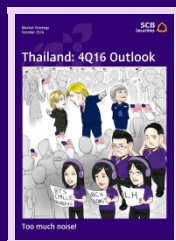
2018



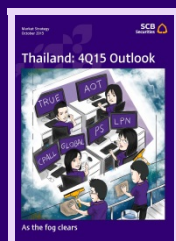
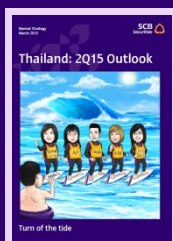
2017



2016



2015



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# SCBS strategy

SET index	Close: 21/3/2018	1,801.43	+1.59 / +0.09%	Bt55,270mn
SET50 index	Close: 21/3/2018	1,183.00	-0.87 / -0.07%	Bt38,150mn

## Next in line

**We maintain our positive stance on the Thai market with a year-end target of 1,900, underpinned by a firmer economic outlook. The possibility of rotation out of Energy suggests the market will move sideways in 2Q18. In our 2Q18 investment strategy, we return to home-grown stories, highlighting recovery of the credit cycle and more domestic spending. Top picks are BBL, KTB, BJC, GLOBAL, ROBINS, BDMS and CHG.**

**Gaining altitude.** The global economy concluded 2017 nicely with estimated growth of 3.7% YoY, and the momentum appears to be continuing into 2018. Two factors could dampen the investment climate: quicker interest rate hikes than expected and the possibility of a global trade war. Thailand's economy continues to improve, growing 3.9% in 2017, though slow government disbursement did weigh on growth. The growth picture is good in 2018, with more promising signs of recovery in private investment while consumer spending remains resilient.

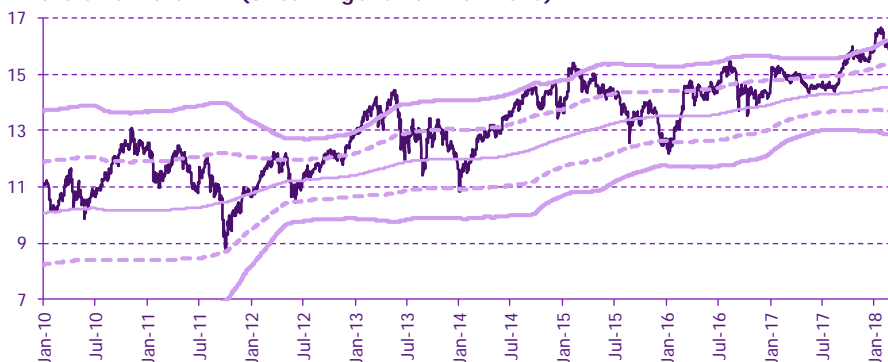
**We maintain our positive outlook for the Thai market with a yearend target of 1,900,** underpinned by a firmer economic outlook. However, the current market valuation is quite stretched with forward PE ratio pushing its multi-year high (+2SD above its 3-year moving average). We expect market to move sideways, implying a high probability of sector rotation.

**Next in line.** The SET rally YTD was led largely by Energy and Petrochemical sectors. We expect to see some rotation out of the energy sector as oil prices face headwinds from excess supply. For our 2Q18 investment strategy, we like Banks on a loan growth and slowdown NPL. We then select Commerce on improving household leverage and fiscal stimulus on grassroots consumption. Healthcare also makes this list based on earnings growth and rising health insurance.

- **BBL:** Best laggard play for banking sector to benefit from new investment cycle and rising fee income
- **KTB:** Laggard valuation with 0.9X PB (-1SD below 15-year mean). Tag along public investment theme.
- **BJC:** Laggard valuation with 1.0X 2018PEG (sector 2.2X). Expect 33% earnings growth in 2018F.
- **GLOBAL:** Sector most laggard. 2018 earnings to grow 22% driven by 4.5% SSS growth (sector best)
- **ROBINS:** Sector cheapest 22X 18PE (sector 32X) with 16% earnings growth on better SSS and margin.
- **BDMS:** Laggard SET since Sep-17 rally, with 17% EPS growth in 2018 and long-term potential in insurance segment.
- **CHG:** Price drops 28%YoY on fear of competition is overdone. Expand to EEC area and nearby, where private hospital supply only 5%-15% of beds.

## Expect sector rotation as the overall market valuation is no longer cheap

12 Months Forward PER (3Year Avg and +/- 2 SD Band)



Source: SCBS Investment Research

See the end of this report for disclaimer



## 2Q18 Top picks

	Rating	Price (Bt)	TP (Bt)	ETR (%)
BBL	Buy	203.00	270.0	36.6
BDMS	Buy	22.70	27.5	22.5
BJC	Buy	58.00	73.0	27.0
CHG	Buy	1.87	2.9	57.6
GLOBAL	Buy	15.60	21.0	35.7
KTB	Buy	19.60	24.0	26.2
ROBINS	Buy	63.25	90.0	44.6

	PE (x)		EPS growth (%)	
	18F	19F	18F	19F
BBL	9.8	8.4	20	16
BDMS	37.3	32.2	17	16
BJC	34.0	28.1	33	21
CHG	28.8	24.8	20	16
GLOBAL	31.9	26.3	22	21
KTB	10.1	8.3	21	21
ROBINS	22.1	19.0	16	16

	PBV (x)		ROE (%)	
	18F	19F	18F	19F
BBL	0.9	0.8	10	10
BDMS	5.2	4.8	14	15
BJC	2.1	2.0	6	7
CHG	5.6	5.0	19	20
GLOBAL	4.3	3.8	14	15
KTB	0.9	0.8	9	10
ROBINS	3.6	3.3	17	18

	Div. Yield (%)		EV/EBITDA (x)	
	18F	19F	18F	19F
BBL	3.6	4.2	-	-
BDMS	1.3	1.6	22.2	19.3
BJC	1.1	1.4	17.5	16.2
CHG	2.5	2.4	17.5	15.0
GLOBAL	1.1	1.1	21.9	18.7
KTB	3.8	4.6	-	-
ROBINS	2.3	2.6	12.6	11.4

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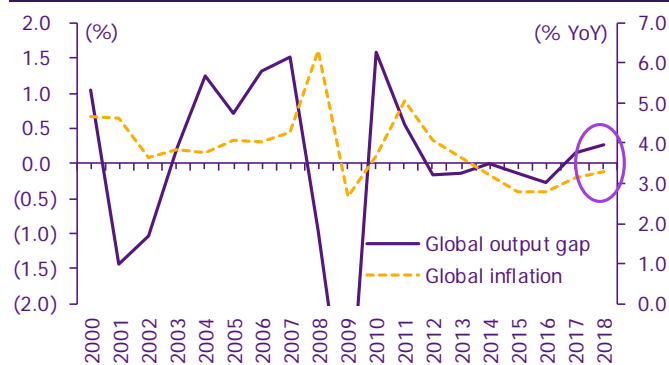
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## Global economic outlook

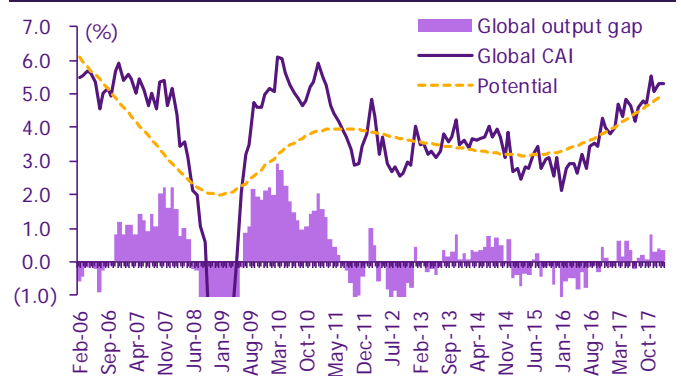
**2017 was a good year for the global economy...** The global economy concluded the year of 2017 nicely with estimated growth of 3.7% YoY compared to only 3.2% marked in 2016. In terms of growth distribution, developed markets made a very sharp recovery with growth accelerating to 2.3% last year from only 1.7% the year prior. Emerging market economies registered rather moderate but stable growth of around 4.7%. This combined growth steam brought about huge improvement in international trade, leading world exports up 4.7% last year from only 2.5% in 2016. A slight disappointment, however, was that global consumer prices grew at a slow pace of 3.1% YoY. We found that the global output gap widened in 2017 (Figure 1), which will be key to building up underlying inflation in coming periods. This is underscored by an acceleration in monthly data of global activity (global CAI) as shown in Figure 2.

**Figure 1: Positive output gap widens...**



Source: International Monetary Fund (IMF), SCBS Investment Research

**Figure 2: ...with accelerated rate**



Source: Bloomberg, SCBS Investment Research

**...and positive momentum is expected to carry on throughout 2018...** Although 2017 already exhibited robust growth with a positive output gap, we do not see it ending yet in 2018. Based on the International Monetary Fund's (IMF) latest economic projection, the global economy will expand by 3.9% YoY in 2018, stronger than the 3.7% estimated for the previous year. It also appears that the main boost for the stronger growth expectation came from upward growth revisions for US (+0.4%), eurozone (+0.3%) and Japan (+0.5%). Growth for emerging markets in Asia was maintained at a decent rate of 6.5% YoY. On the inflation side, the Fund projected world inflation to edge up slightly to 1.9% YoY this year. Given the very healthy trend for global economic activity as seen in Figure 3 above, the risk attached to the inflation forecast is clearly on the upside.

**Figure 3: IMF growth projections**

	Projections		Difference from October 2017 WEO Projections <sup>1/</sup>	
	2018	2019	2018	2019
World Output	3.9	3.9	0.2	0.2
Advanced Economies	2.3	2.2	0.3	0.4
United States	2.7	2.5	0.4	0.6
Euro Area	2.2	2.0	0.3	0.3
Germany	2.3	2.0	0.5	0.5
France	1.9	1.9	0.1	0.0
Italy	1.4	1.1	0.3	0.2
Spain	2.4	2.1	(0.1)	0.1
Japan	1.2	0.9	0.5	0.1
United Kingdom	1.5	1.5	0.0	(0.1)
Canada	2.3	2.0	0.2	0.3
Other Advanced Economies <sup>3/</sup>	2.6	2.6	0.1	0.1
Emerging Market and Developing Economies	4.9	5.0	0.0	0.0
Commonwealth of Independent States	2.2	2.1	0.1	0.0
Russia	1.7	1.5	0.1	0.0
Excluding Russia	3.4	3.5	0.1	0.0
Emerging and Developing Asia	6.5	6.6	0.0	0.1
China	6.6	6.4	0.1	0.1
India <sup>4/</sup>	7.4	7.8	0.0	0.0
ASEAN-5 <sup>5/</sup>	5.3	5.3	0.1	0.0
Emerging and Developing Europe	4.0	3.8	0.5	0.5
Latin America and the Caribbean	1.9	2.6	0.0	0.2
Brazil	1.9	2.1	0.4	0.1
Mexico	2.3	3.0	0.4	0.7
Middle East, North Africa, Afghanistan, and Pakistan	3.6	3.5	0.1	0.0
Saudi Arabia	1.6	2.2	0.5	0.6
Sub-Saharan Africa	3.3	3.5	(0.1)	0.1
Nigeria	2.1	1.9	0.2	0.2
South Africa	0.9	0.9	(0.2)	(0.7)
<b>Memorandum</b>				
Low-Income Developing Countries	5.2	5.3	0.0	0.1
World Growth Based on Market Exchange Rates	3.3	3.2	0.2	0.2
World Trade Volume (goods and services) <sup>6/</sup>	4.6	4.4	0.6	0.5
Advanced Economies	4.3	4.2	0.6	0.7
Emerging Market and Developing Economies	5.1	4.8	0.4	0.2
<b>Commodity Prices (U.S. dollars)</b>				
Oil <sup>7/</sup>	11.7	(4.3)	11.9	(5.0)
Nonfuel (average based on world commodity export weights)	(0.5)	1.0	(1.0)	1.5
<b>Consumer Prices</b>				
Advanced Economies	1.9	2.1	0.2	0.1
Emerging Market and Developing Economies <sup>8/</sup>	4.5	4.3	0.1	0.2
<b>London Interbank Offered Rate (percent)</b>				
On U.S. Dollar Deposits (six month)	2.3	3.4	0.4	0.5
On Euro Deposits (three month)	(0.3)	(0.1)	0.0	(0.1)
On Japanese Yen Deposits (six month)	0.0	0.1	(0.2)	(0.1)

Source: IMF World Economic Outlook Update, January 2018

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during November 13, 2017–December 11, 2017. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted.

1/ Difference based on rounded figures for both the current and October 2017 World Economic Outlook forecasts. Countries whose forecasts have been updated relative to October 2017 World Economic Outlook forecasts account for 94 percent of world GDP measured at purchasing power parity.

2/ For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

3/ Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

4/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.

5/ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

6/ Simple average of growth rates for export and import volumes (goods and services).

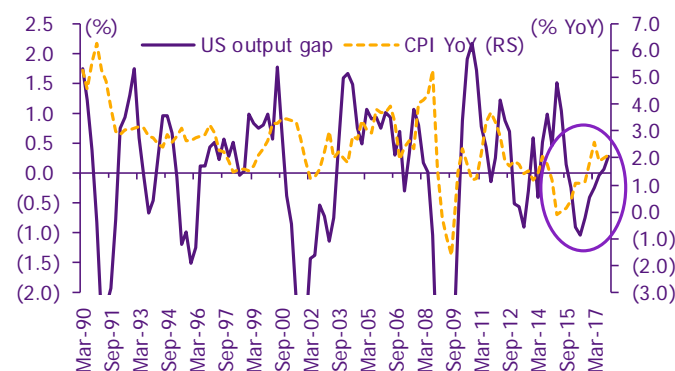
7/ Simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$52.7 in 2017; the assumed price based on futures markets (as of December 11, 2017) is \$59.9 in 2018 and \$56.4 in 2019.

8/ Excludes Argentina and Venezuela.

**...but not without downside risks.** At this time, there are two key risks attached to the world economy and financial markets. Although already absorbed by the market to a certain extent, concern about rising funding cost continues to weigh on investor sentiment. As for the interest rate environment, the major risk lies in the US interest rate outlook, as economic readings since the beginning of the year have started to spook investors about the possibility of abrupt inflation growth. We think rising concerns about inflation are valid: we have in previous reports noted that we see upside risk to US inflation growth. Factors that would foster further momentum in US inflation are a widening of positive output gap (Figure 4) and a tighter job market (Figure 5). Meanwhile, recent data from the National Federation of

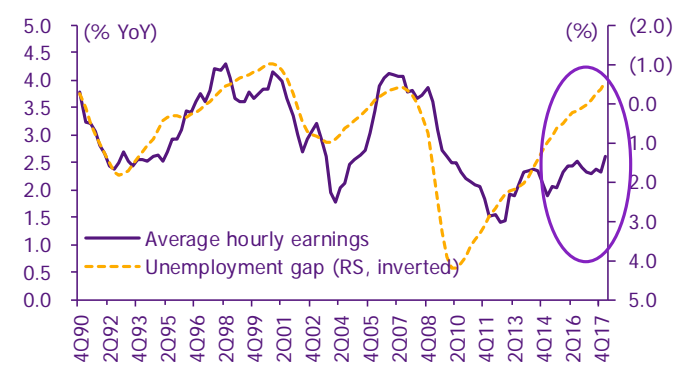
Independent Business (NFIB) reveals that small businesses are about to raise employee compensation and this should soon prop up overall average hourly earnings growth (Figure 6). With a broader based and stronger growth than expected in the US, it appears likely that the Fed will raise its policy rate four times this year (from three times expected earlier). We thus revise up our forecasts for UST10Y as shown in Figure 7.

**Figure 4: Positive output gap widens along with higher inflation reading...**



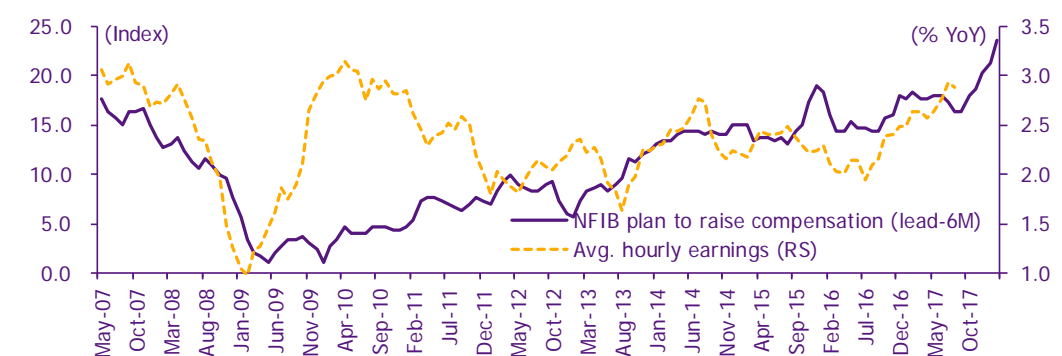
Source: CEIC, SCBS Investment Research

**Figure 5: ...while tightening of labor market would strengthen wage growth**



Source: Federal Reserve Bank at Atlanta, CEIC, SCBS Investment Research

**Figure 6: Another sign of firming wage growth**



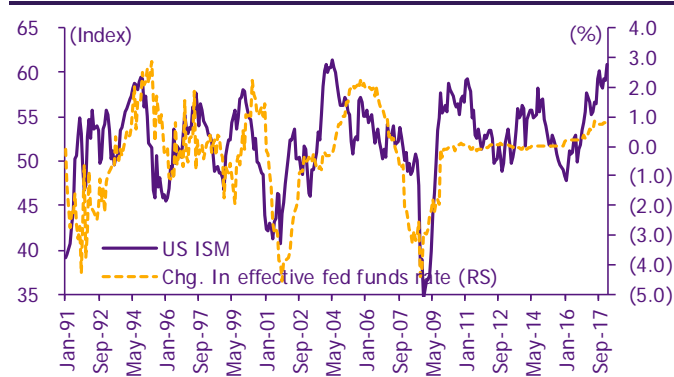
Source: CEIC, SCBS Investment Research

**Figure 7: Estimated year-end UST10Y based on Fed funds rate and balance sheet rundown**

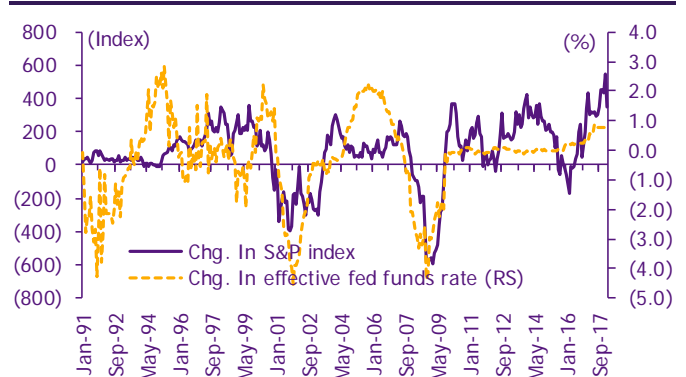
Basis points	Fed funds rate - hikes	Impact on UST10Y (from FFR)	Impact on UST10Y (from balance sheet runoff)	Total impact on UST10Y	Estimated UST10Y
2017	25	7.5	20	27.5	2.78
2018	100	30	15	45	3.23
2019	100	30	10	40	3.83
2020	-	-	10	10	3.93
2021	-	-	10	10	4.03

Source: SCBS Investment Research

**When should we be concerned about US interest rate?** While an initial rate hike and/or a shift in the magnitude of a hike makes equity markets jittery, share prices appear to gain positive momentum in concert with the rise in interest rates in the medium term. This is because investors see that a higher interest rate reflects stronger economic growth (as well as corporate earnings growth) as indicated in Figure 8. At the same time, at a certain point, funding cost could move high enough to weigh down overall economic growth and on many occasions, stock markets will shift into correction mode (or even a downturn). In our view, the toughest job for a central bank is to manage a soft landing for the economy.

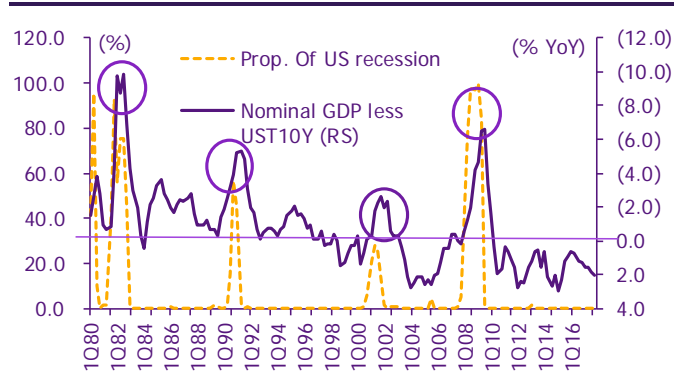
**Figure 8: Fed funds rate moves alongside with business cycles...**

Source: Federal Reserve Bank at Atlanta, CEIC, SCBS Investment Research

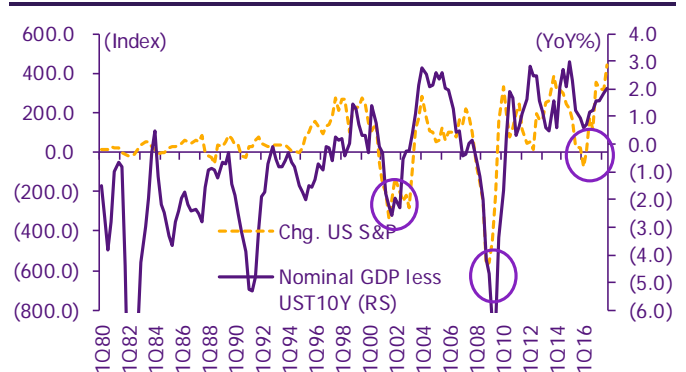
**Figure 9: ...so does the equity market**

Source: Federal Reserve Bank at Atlanta, CEIC, SCBS Investment Research

It is extremely complicated to quantify an interest rate level that will weigh meaningfully on the economy and the equity market. A simple rule of thumb is therefore quite useful here. We can apply the concept of "net economic output", which is the difference between nominal GDP and 10-year treasury yield (proxy for funding cost). We can see in Figure 10 that the probability of recession in the US usually sparks in periods when funding cost eats away net economic output. The same logic applies to the equity market: we will see a meaningful market correction when UST10Y creeps up toward the level of nominal GDP. Now, we will use 2018 US economic growth forecasts from four sources: the US FOMC, Bloomberg, the IMF and *Focuseconomics* as benchmarks for nominal US GDP growth, which is expected to hover around 4.4-4.6% YoY this year. This implies that UST10Y of above 4% (in 2018) will begin to exert some threat on the real economy as well as stock markets. In our view, however, the risk that UST10Y yield will get up to that point is remote, given the mild rate of wage growth in the US as well as stable global crude prices.

**Figure 10: Net economic return vs. probability of recession**

Source: Federal Reserve Bank of St. Louis, CEIC, SCBS Investment Research

**Figure 11: Net economic return vs. US S&P**

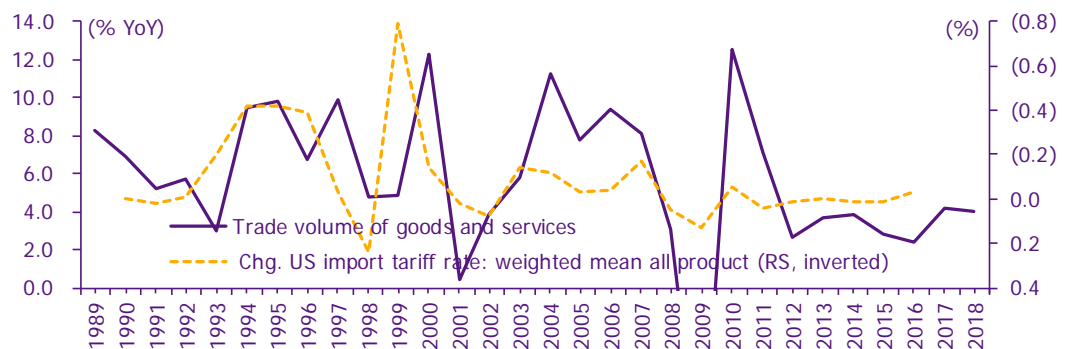
Source: Federal Reserve Bank at Atlanta, CEIC, SCBS Investment Research

**Renewed concern of global trade war.** Concerns of a trade war have waxed and waned since Donald Trump took office in late 2016. The US recently imposed tariff on imports of steel (25%) and aluminum (10%) with exemption granted to selected countries. While Australia got an exemption, Canada and Mexico are temporarily excluded from the tariff due to ongoing NAFTA negotiations. Some trading partners have announced their intention to retaliate (Figure 12), and this heightens the chance of a global trade war. It is difficult to quantify the impact of higher trade restrictions on the global economy with accuracy but we can see from Figure 13 that changes in US tariff rates alone do have an impact on world trade volume and it is very likely that international trade activity would be severely affected should there be a full-blown trade war where all trading partners set up higher restrictions against all countries from which they receive imports.

**Figure 12: Recent reactions from selected US's trading partners**

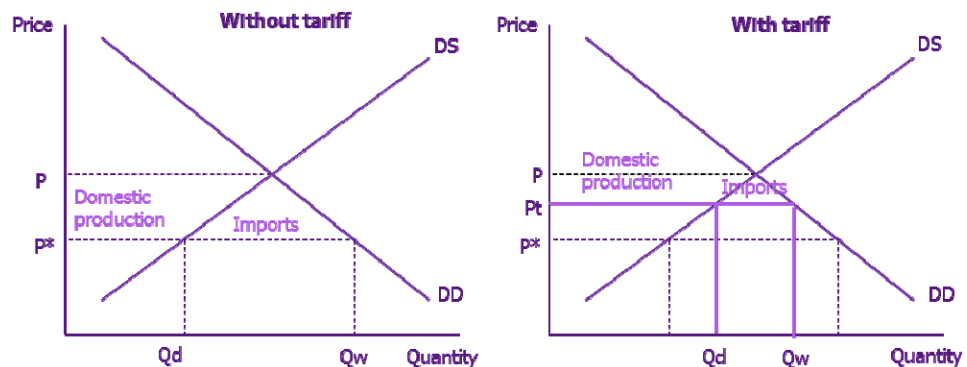
Country	Recent responds
Eurozone	Clear promise of retaliation targeting specific products such as motorcycles, whisky and jeans.
Canada	Got temporary exemption due to NAFTA negotiation. Mild reaction so far.
UK	The government expressed its deep concern for possible implications.
Turkey	Likely to coordinate with the eurozone.
China	Assessing impact. Will defend the country's interests.
Mexico	Got temporary exemption due to NAFTA negotiation. Mild reaction so far.
Japan	Expressed concern but reaction muted so far.
Russia	Assessing impact.
Australia	Got exemption. No reaction.

Source: New sources, SCBS Investment Research

**Figure 13: Change of averaged US tariff rate vs. world trade growth**

Source: IMF, SCBS Investment Research

**More trade restrictions will raise product prices all around...** Without an actual estimate of the net impact of higher trade restrictions, we can still lay out the theoretical impact on an economy. The easiest way is to adopt charts from Economics 101, where the left chart illustrates markets without a tariff. DD represents domestic demand and DS is domestic supply of a product. Price for goods at home is at P. When global price is cheaper at  $P^*$ , then domestic demand will be greater than domestic supply, resulting in imports ( $Q_w - Q_d$ ). In the scenario where a country imposes import tariffs (right chart) then price would move up from non-tariff  $P^*$  to  $P_t$ . At the higher price, domestic producers would be willing to produce more along the domestic supply line (DS). This will also lead to lower demand for imports, as we can see that  $Q_w - Q_d$  on the right chart (with tariffs) is less than  $Q_w - Q_d$  on the left chart (non-tariff). We can thus conclude that levying tariffs raises prices while reducing demand for imports.

**Figure 14: Imposing tariff tends to raise product price while cutting demand for imports**

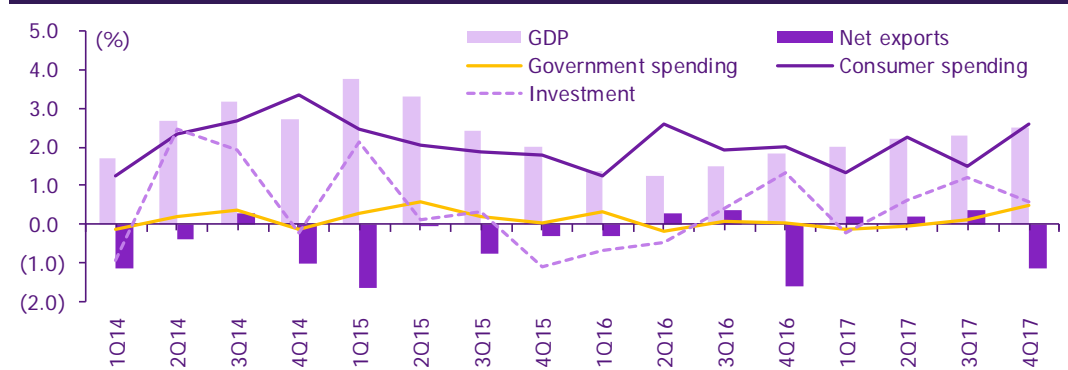
Source: SCBS Investment Research

**...placing more upward pressure on import prices.** Now, we can see more clearly that levying tariffs will result in higher domestic prices via raising import prices. We can therefore assume that rising import prices will ripple out to the country's domestic prices. This will jack up inflation growth, perhaps forcing the central bank to tighten its monetary policy more than in a non-tariff environment. The actual impact will vary according to the degree of trade protection set by each country. In the most severe case, where all countries levy tariffs against each other's imports, global inflation will go up and consumer spending will go down. Central banks would then have to raise interest rates to curb higher inflation growth. The bottom line? Everyone loses. In a milder case, a country will target only imports from a specific country, i.e. the US. The impact on the US will then be in the form of slowing export growth. Retaliation that focuses on the US would reduce the net effect of US tariffs on trading partners – but growth as a whole will still be dragged down by higher inflation.

## United States

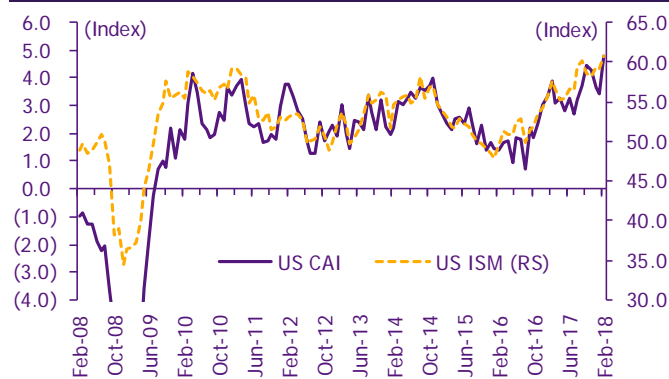
**Well-balanced growth to continue...** Without doubt, the US economy has been gaining steam quickly and in a balanced fashion. In Figure 15, we can see that domestic-led economic growth has worked out well for the US, with most of the growth powered by strong consumer spending. A close look shows that contribution from government spending and investment was very weak in the final quarter of last year. We believe, however, that the weakness will be transitory as robust global demand will prop up private investment while the government will provide another fiscal boost later this year. To gauge the momentum, we monitor the US ISM alongside the current activity indicator (CAI). Both have been moving in tandem, signaling more robust economic growth ahead (Figure 16). Consistent with the high-frequency data, the real time GDP forecast by the Atlanta Fed (Figure 17) indicates that the US economy will grow by 2.5% QoQ (saar) in 1Q18, which is a decent pace for economic expansion.

**Figure 15: Domestic demand driven growth continues**



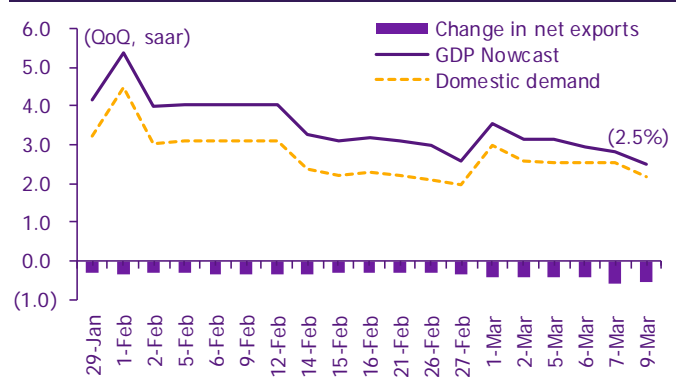
Source: CEIC, SCBS Investment Research

**Figure 16: Timely data points for firmer economic growth**



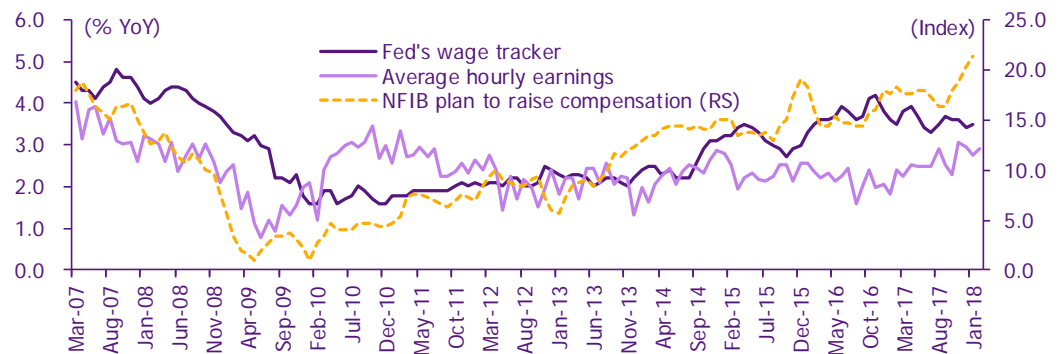
Source: Bloomberg, CEIC, SCBS Investment Research

**Figure 17: GDPNow suggests 2.5% QoQ growth in 1Q18**



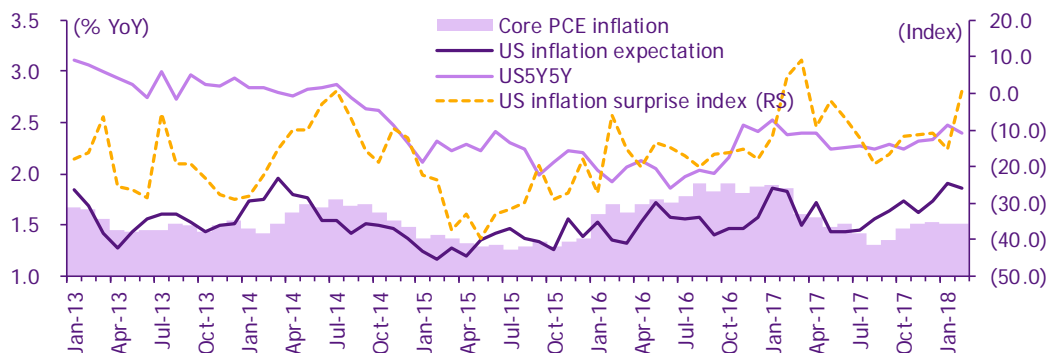
Source: Federal Reserve Bank at Atlanta, SCBS Investment Research

**...with underlying inflation pressure building ...** The strong economic expansion marks achievement of one of the Fed's dual mandates. The US job market has already hit the level of full employment, with unemployment rate at 4.1% in February. At this level of employment, we can expect wage growth to gain momentum soon, becoming the primary catalyst for sustained inflation growth (wage-driven inflation). Our Figure 18 depicts the indicators of the wage environment and all point to rising wage growth. If these indicators continue to gain momentum over coming months, we should expect the FOMC rhetoric to turn more hawkish toward its monetary policy. Our key assumption is that the Fed will raise its key rate four times this year. This would bump up UST10Y to 3.2% by the end of 2018.

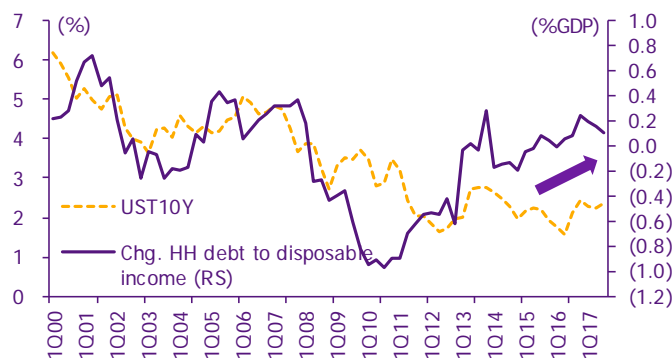
**Figure 18: Stronger wage growth is around the corner**

Source: CEIC, SCBS Investment Research

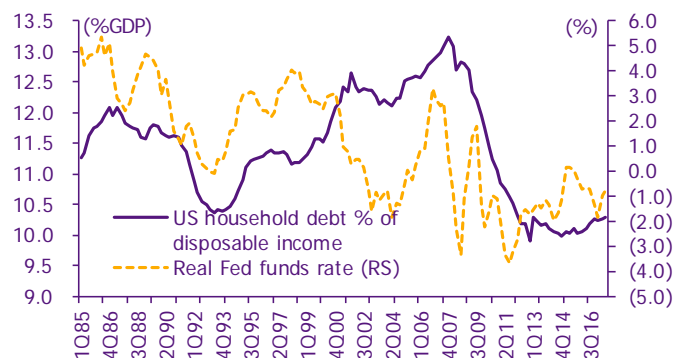
**...but the chance of runaway inflation is virtually nil.** We warned our readers several times last year that inflation risk is on the upside this year and this would put upward pressure on the long-term interest rate. Judging by the recent ramp up of inflation expectation shown in Figure 19, we can see that market is quickly pricing in a more aggressive inflationary environment this year and onward. Nonetheless, we do not expect “runaway inflation” in the US in the foreseeable future. This implies that investor concerns of the risk of extreme bond yield steepening are overdone. Note that one can see that UST10Y has been struggling below 2.95%, which was our prior year-end 2018 forecast. One reason for this is that overall energy cost is expected to remain calm due to the ability to curb any excessive pricing of US shale production. More importantly, domestic demand and household leveraging, the main catalysts for inflation pressure, have not been excessive (Figure 21).

**Figure 19: Inflation expectation indicators**

Source: Bloomberg, SCBS Investment Research

**Figure 20: Rising leveraging environment could put “moderate” pressure on short-term rate...**

Source: Federal Reserve Bank at Atlanta, CEIC, SCBS Investment Research

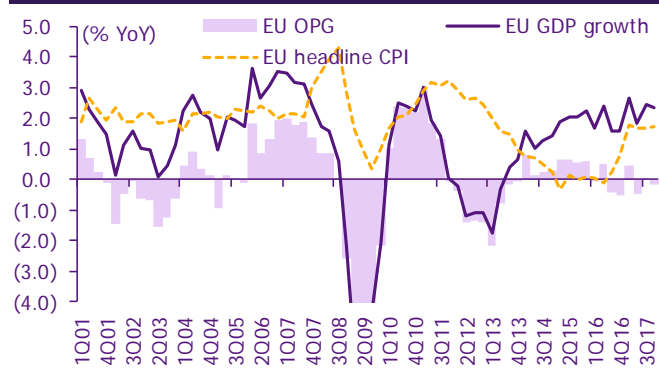
**Figure 21: ...but the outstanding amount remains far below historical standard**

Source: Federal Reserve Bank at Atlanta, CEIC, SCBS Investment Research

## Eurozone

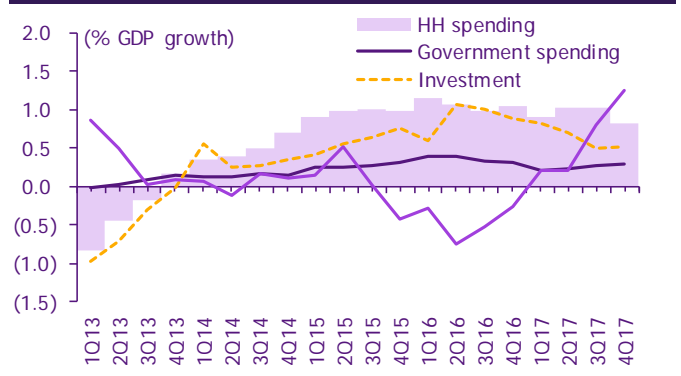
**Growth and inflation keep gaining speed...** Eurozone economic growth has been gaining sustainable momentum over the past few years, and the economy has been hovering around its potential growth since 4Q13 (Figure 22). Nonetheless, it has taken some time for economic growth to build inflation growth, which does finally appear to have gained stable momentum. If inflation keeps rising, the ECB might have to alter its monetary policy accordingly. Judging from the balanced economic foundation (Figure 23), where all components continue to contribute growth, there is a good chance that inflation will continue to get firmer.

**Figure 22: Economy strengthens with firming inflation**



Source: CEIC, SCBS Investment Research

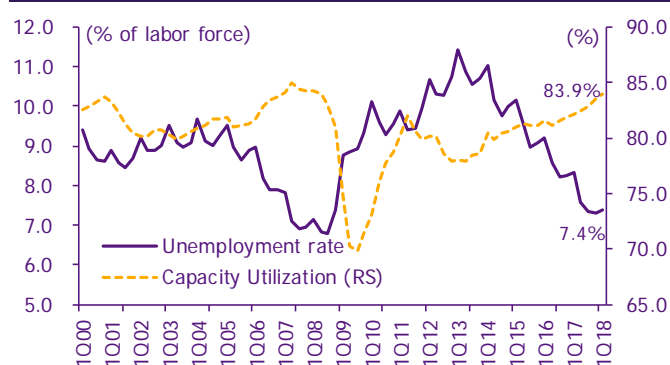
**Figure 23: ...external balance has been the strongest contributor for economic growth**



Source: CEIC, SCBS Investment Research

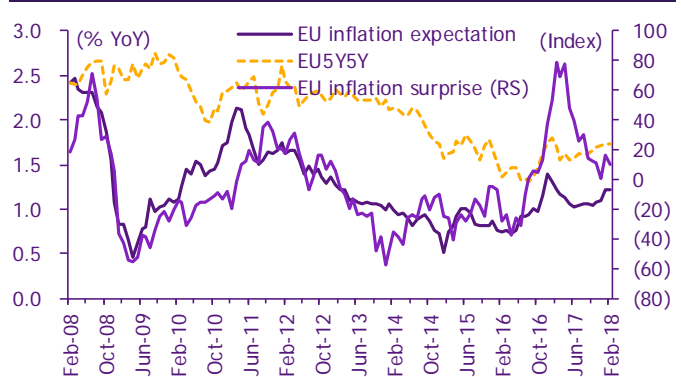
**...urging the ECB to slacken its extreme monetary policy.** Given the meaningful reduction of economic slacks (falling unemployment rate and rising industrial capacity utilization) in the eurozone (Figure 24), investors started to price in a higher inflation environment as indicated in Figure 25. Finally, the ECB made the decision to reduce its asset purchase program from €60bn per month to €30bn. Our Figure 26 reveals that ECB's total assets are starting to come down after it began QE tapering. This process also tightens overall monetary condition moderately. Note that monetary condition would be severely affected if interest rate increases along with currency appreciation and/or falling asset prices. We do not expect meaningful impact on the real economy for the time being as a strong credit cycle remains intact as indicated by the robust lending growth to both consumers and non-financial corporates.

**Figure 24: Economic slacks have reduced substantially...**



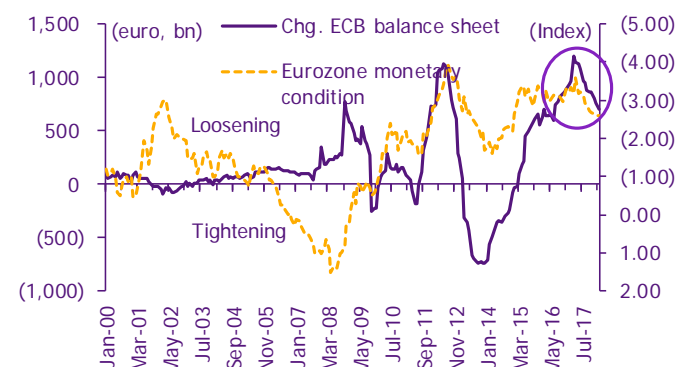
Source: CEIC, SCBS Investment Research

**Figure 25: ...which bring about inflation expectation**



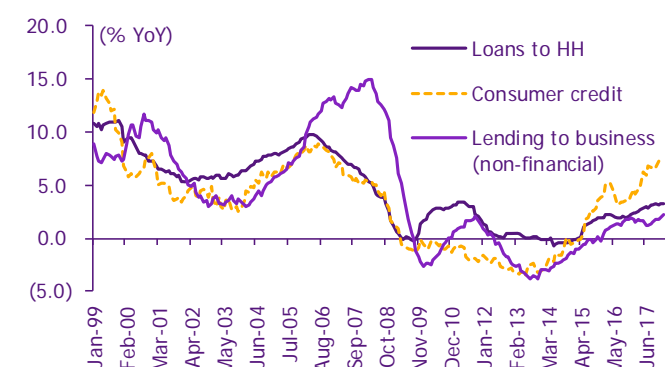
Source: Bloomberg, SCBS Investment Research

**Figure 26: Eurozone monetary condition has started to tighten along with QE tapering...**



Source: CEIC, European Commission, SCBS Investment Research

**Figure 27: ...but overall credit expansion continues to be on solid footing**

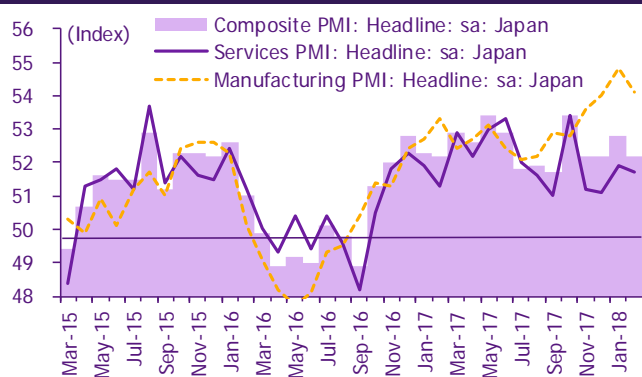


Source: CEIC, SCBS Investment Research

## Japan

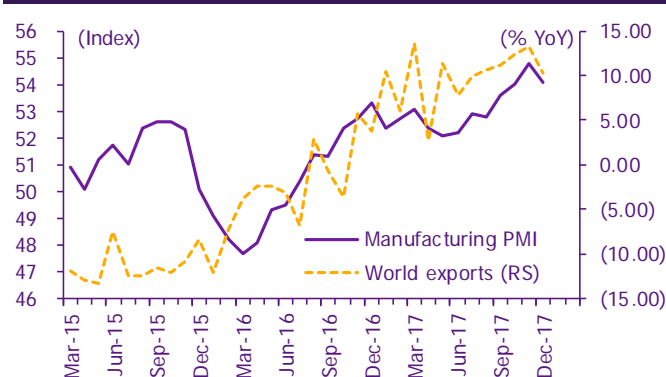
**The economy eased modestly at the beginning of the year...** The economy appeared to start off the year 2018 with a slight slowdown in both manufacturing and services. On the manufacturing side, the slowdown is likely to come from easing world export growth (Figure 29). At the same time, the strengthening trend of other world economic powerhouses (US, eurozone and China) suggests that the slowdown should be short-lived. We believe the Japanese economy will stay on track for consumption-led growth in coming years, underpinned by a solid pace of job market development and stronger wage growth. Our Figure 30 below shows a very healthy job market in Japan where unemployment stood at a multi-decade low of 2.4%. Another positive sign is that more people are coming back to the job market as indicated by a rising job participation rate. Meanwhile, domestic spending has been rising along with firming income among Japanese (Figure 31).

**Figure 28: JP purchasing manager data eased slightly at the beginning of 2018...**



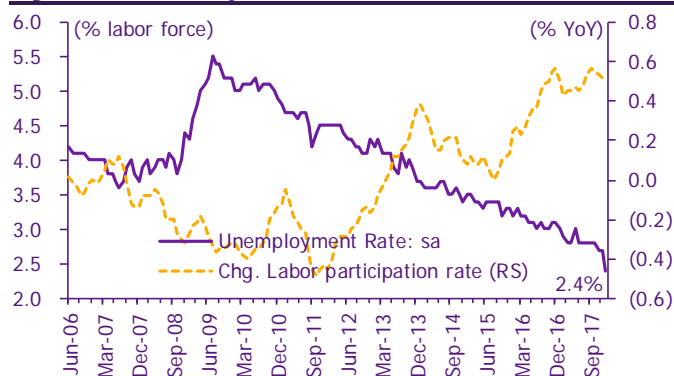
Source: CEIC, SCBS Investment Research

**Figure 29: ...consistent with modest fall of world export growth**



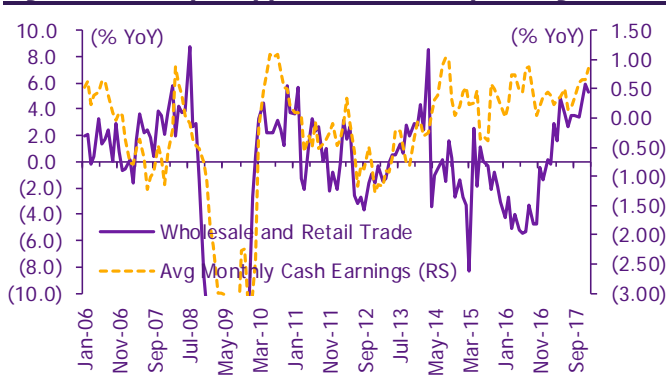
Source: Bloomberg, SCBS Investment Research

**Figure 30: Robust job market...**



Source: CEIC, SCBS Investment Research

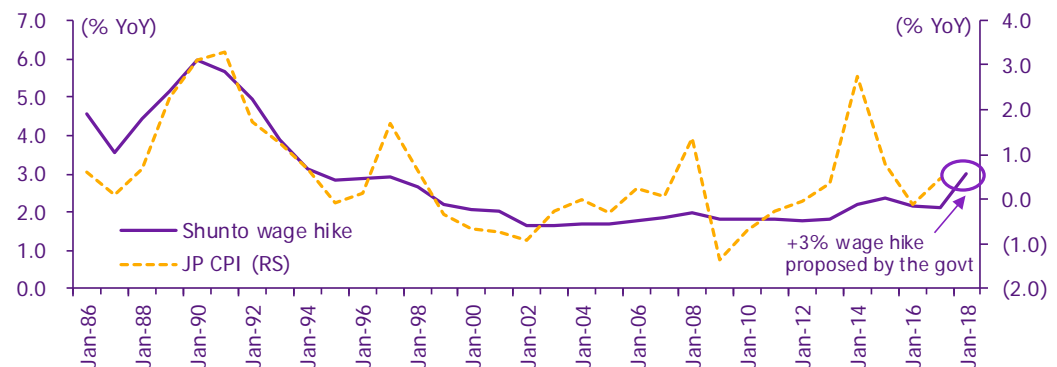
**Figure 31: ...helps support consumer spending**



Source: Bloomberg, SCBS Investment Research

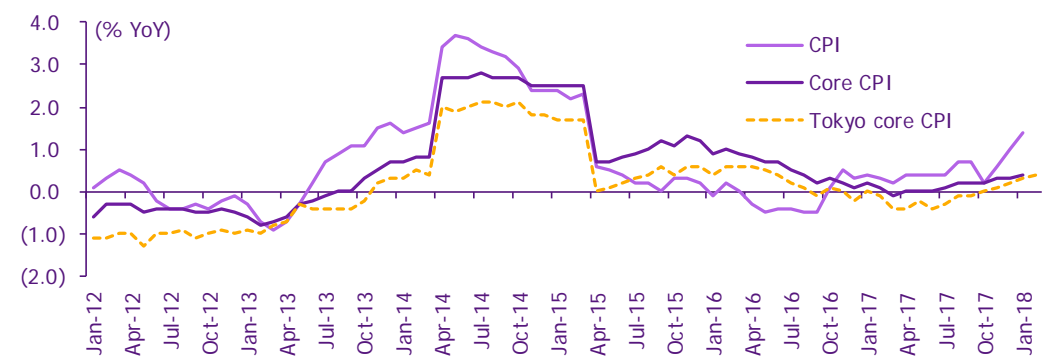
**Spring wage negotiations (Shunto) look more favorable this year.** Shinzo Abe's administration has been focusing on pushing wage growth to around 3% YoY in order to shove the Japanese economy out of a deflationary environment for good. We can see from Figure 32 below that JP headline inflation usually moves along with Shunto wage adjustment. And the timing is about right at this time, where the job market has been very tight while Japanese corporates post strong earnings. This means there is a good chance that these companies will allow wages to rise toward the government's proposal. While the official wage hike will not be concluded until the end of March, some Japanese companies have already responded to the union wage hike demand. One, Toyota, will raise wages by 3.3% while Life Corp and ANA will raise wages by 3.86% and 3.20%, respectively. Therefore, there is a real chance that this year's wage growth will outpace last year's hike of 2.1%. And if we were to include bonuses, then the raise in wages could approach 3%. Another reason why rising wages is vital is that Abe's administration aims to raise VAT one more time in 2019. And without a cushion for consumers in terms of ability to spend then it is very likely that domestic consumption will collapse, which could easily send the Japanese economy back to deflation mode.

**Figure 32: It is crucial for Japan to gain stronger wage growth...**



Source: Japan Ministry of Health, labor and welfare, SCBS Investment Research

**Figure 33: ...to steer clear from deflation risk**

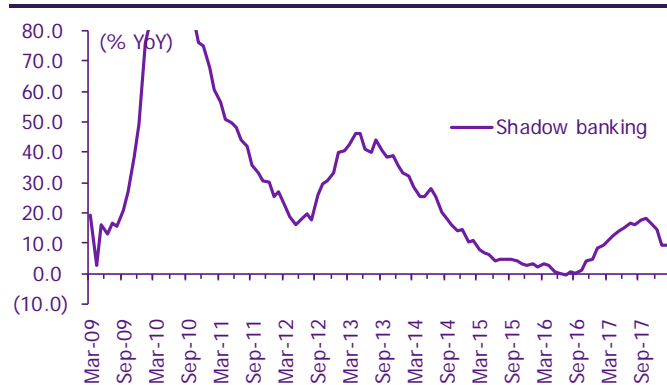


Source: CEIC, SCBS Investment Research

## China

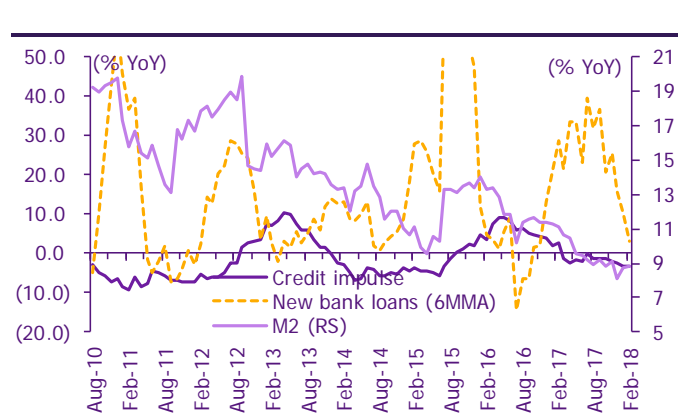
**Journey to long-term stability.** Given the fact that the Chinese economy expanded far stronger (+6.9% YoY) than the government target of 6.5%, the government has room to pursue its goal of long-term economic stability without deep downside risk to the economy. Premier Li Keqiang's remark (March 3) indicates that the government aims to maintain economic growth at around 6.5% YoY in 2018 while putting more focus on reducing financial system risks. At the time of writing, the government has not revealed its target for broad money supply growth (M2) as well as lending in the private sector (total social financing). Last year, targets for both were at 12%. While the TSF growth came in right on target of 12% in 2017, money supply growth fell short of the target, growing 9.6% YoY. It is also very interesting to see that growth of shadow banking has actually fallen since mid-2017 (Figure 34). This might also be reflected in the slowdown of M2 growth in 2017. The chief adjustment at this time is the aim to reduce the government budget deficit to 2.6% (of GDP) from 3% in 2017.

**Figure 34: Shadow banking activity has been cooling down...**



Source: Bloomberg, SCBS Investment Research

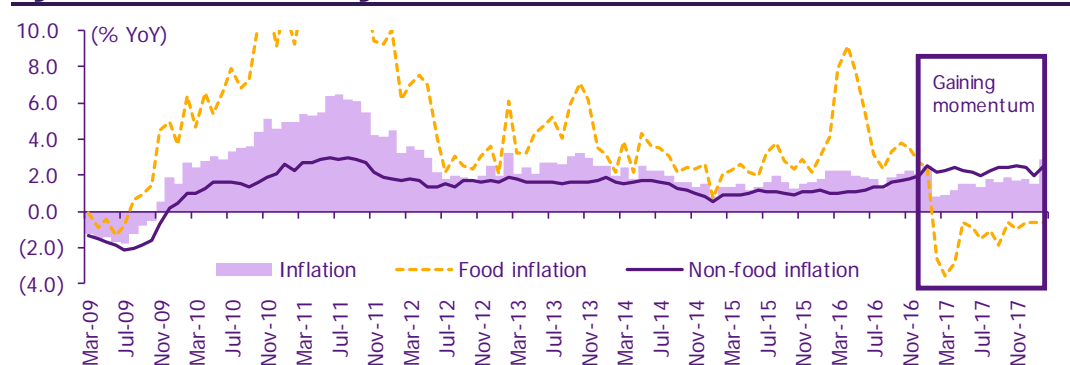
**Figure 35: ...alongside slowing credit growth**



Source: Bloomberg, SCBS Investment Research

On inflation, the government kept last year's target of 3% YoY. The country was unable to meet inflation target, with inflation rising only 1.6% YoY. The main drag appeared to come from a sharp fall in food prices (Figure 36) while non-food inflation grew at a more stable pace. Note that the readings for the first two months of 2018 look much better as headline inflation advanced by 2.2% YoY. Given the moderate pace of inflation growth, we do not expect the PBoC to adjust its monetary stance anytime soon, especially since the RMB has been appreciating against the US greenback.

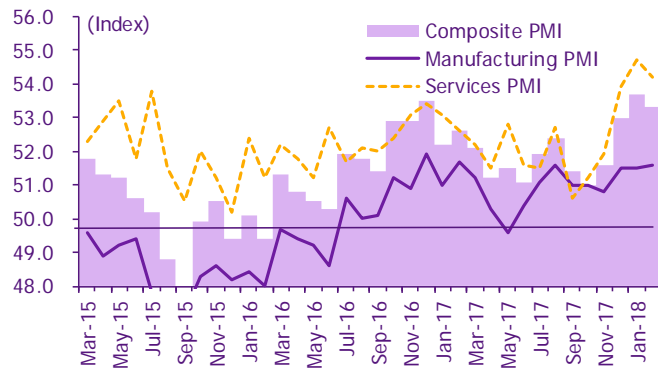
**Figure 36: Inflation is coming back online**



Source: Bloomberg, SCBS Investment Research

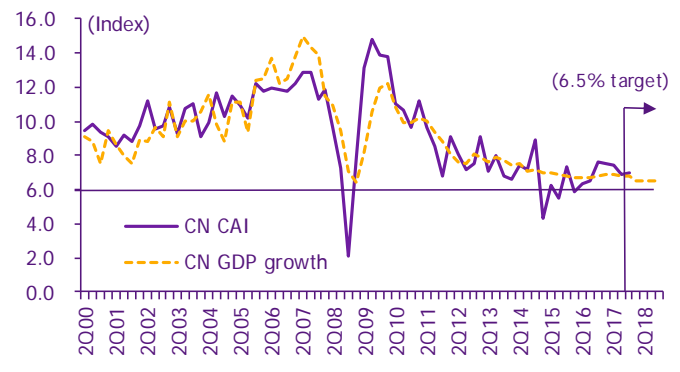
**Chinese economy started that year on a strong note.** Despite a modest fall in China PMI in February, the overall trend remains robust as the composite index stood well above expansion threshold (index > 50). Looking forward, the CAI data for China continues to make positive improvement. In fact, the latest data suggests that overall economic growth should be able to stay above the government target of 6.5% YoY in the medium-term.

**Figure 37: CN supply side activity remains strong, especially on the service side**



Source: CEIC, SCBS Investment Research

**Figure 38: Leading indicator (CAI) suggests near-term growth would be modestly higher than target**

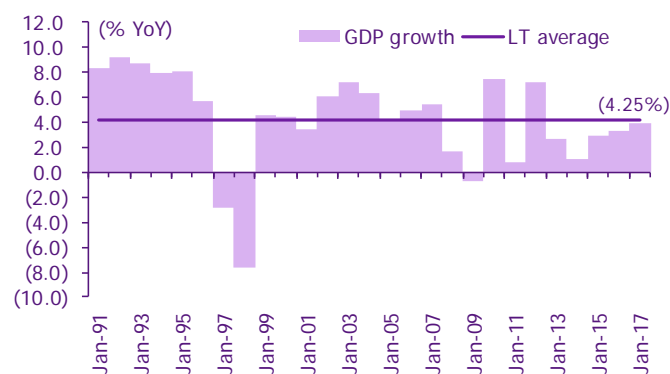


Source: Bloomberg, SCBS Investment Research

## Thailand

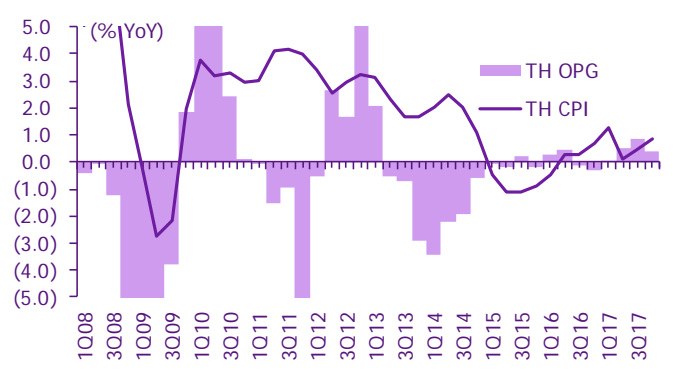
**Growth outlook is improving.** The Thai economy managed to expand by 3.9% YoY in 2017, which was the strongest growth seen since 2012 (Figure 39). While this was slightly lower than the long-term average of 4.25%, it was able to post three consecutive quarters of a positive output gap (Figure 40). If the economy continues to keep this momentum going, then we should see consumer prices build up in coming periods. However, in our view, the current economic growth and inflation momentum is not sufficient to lead the Bank of Thailand (BoT) to raise its policy interest rate this year, especially when the overall growth foundation is not yet well distributed. This is seen in Figure 41, where we can see that contribution to GDP growth by domestic investment (sensitive to interest rate) remains too weak for comfort. This implies that the economy has to rely heavily on income from external trade, which is rather risky given the recent trend of higher trade protection.

**Figure 39: Thailand makes stable improvement in terms of growth...**



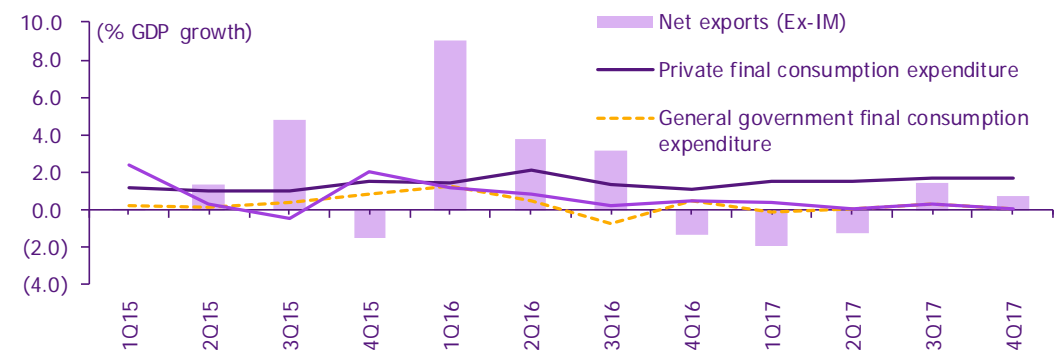
Source: CEIC, SCBS Investment Research

**Figure 40: ...with output gap turns slightly more positive**



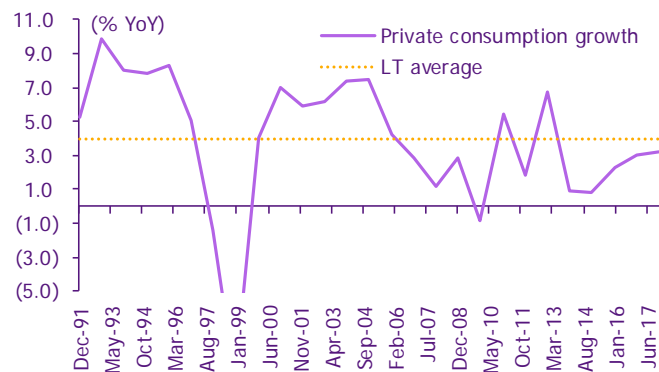
Source: Bloomberg, SCBS Investment Research

**Figure 41: Need more boost from domestic investment**

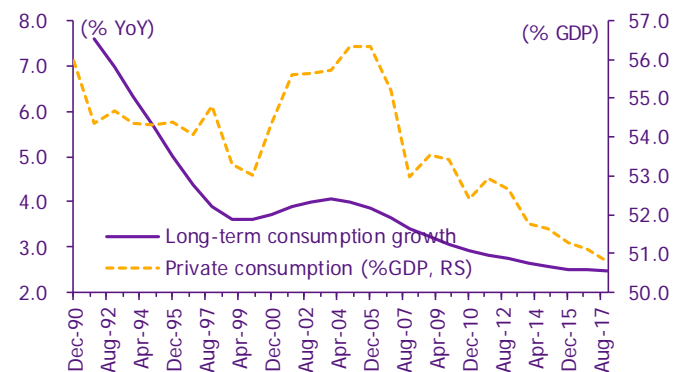


Source: National Economic and Social Development Board (NESDB), SCBS Investment Research

**Private consumption is recovering but stronger momentum is needed.** The component that always takes the front seat is private consumption, which is the largest component of the Thai economy (50% of GDP). The NESDB reports that the country's private consumption rose slightly quicker at 3.2% YoY in 2017 from 3% the previous year. Nonetheless, the growth rate remains below the long-term average of 4% YoY (Figure 42). Interestingly, Figure 43 reveals that private consumption has been losing share in GDP, falling from 56% of GDP to around 50% at present. This is consistent with the long-term trend (calculated by using the Hodrick-Prescott filter) which has slowed from 4% in 2004 to only around 2.5% now. This implies that more policy boosts are required in order to shift Thailand's private consumption growth back its potential. For instance, we think more aggressive packages for grassroots consumers via generating better income while reducing overall indebtedness should be priority.

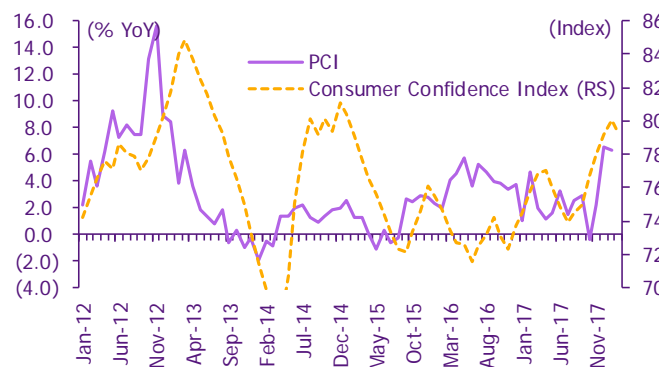
**Figure 42: TH private consumption remains firmly on recovery path by still below LT average...**

Source: CEIC, SCBS Investment Research

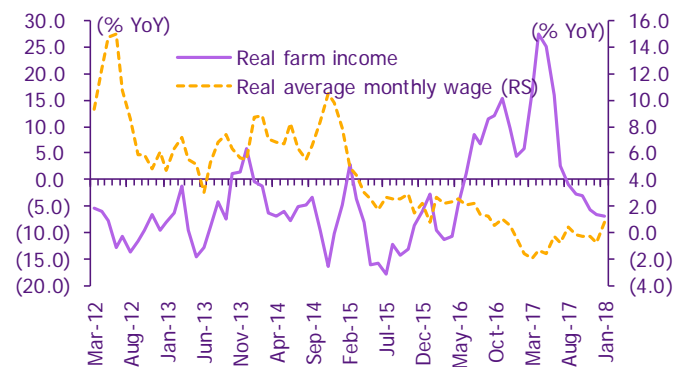
**Figure 43: ...more boost is needed in order to prop up long-term trend for private consumption**

Source: CEIC, SCBS Investment Research

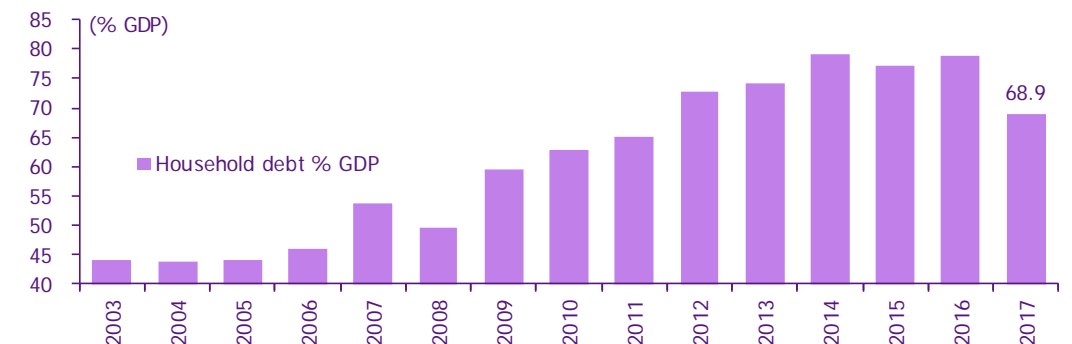
**Private consumption is recovering but stronger momentum is needed.** Despite the long-term issue noted above, we have to admit that overall consumption is very resilient given that both real farm income and real wage growth were on the weak side. On a positive note, the central bank's composite data for private consumption (PCI) did show signs of stronger growth at the beginning of this year. This was in line with a steep recovery in consumer confidence (Figure 44). Furthermore, the easing of household debt in 2017 should give back a certain level of spending power to consumers (Figure 46).

**Figure 44: TH private consumption has been very resilient, supported by firming confidence...**

Source: CEIC, SCBS Investment Research

**Figure 45: ...despite considerably weak income side readings**

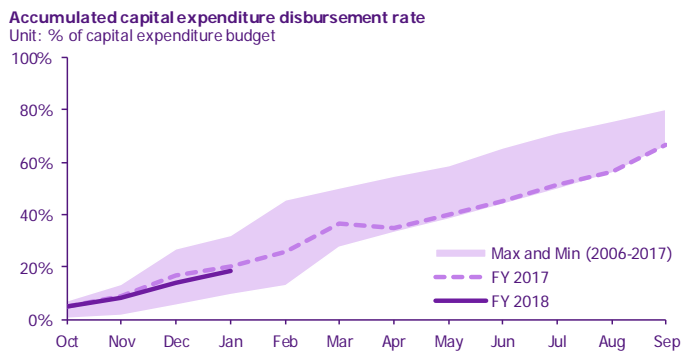
Source: CEIC, SCBS Investment Research

**Figure 46: HH leveraging is improving, meaning more room for borrowing**

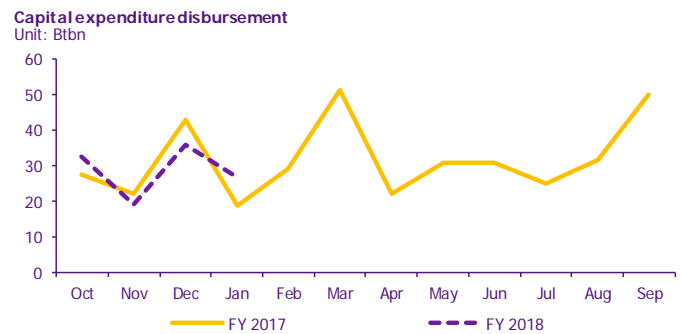
Source: CEIC, SCBS Investment Research

**Government spending was the weak link in past quarters.** Disregarding topline economic momentum, one finds that government investment has been on the weak side in past quarters. This was due mainly to the recent adoption of the procurement act, aimed at eliminating corruption, which required time to adjust to. However, recent government disbursement data (Figures 47-48) suggests that the worst is behind us and we should see stronger disbursement in coming quarters.

**Figure 47: Capital budget disbursement rate getting closer to normal**

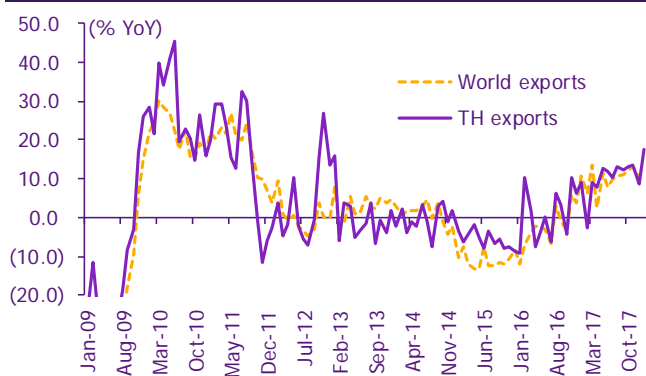


**Figure 48: Signs of improvement in public spending growth**

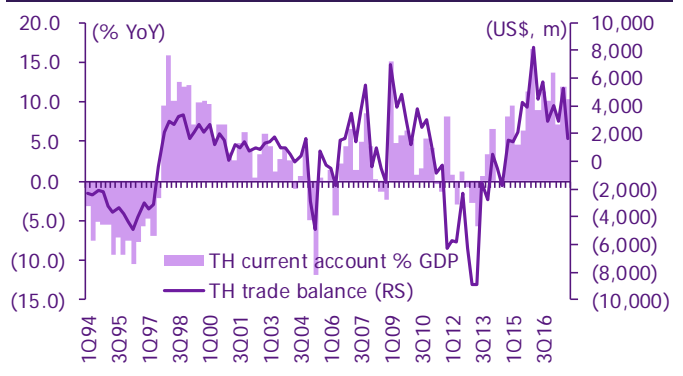


**Export growth to continue elevated...** As discussed in the previous quarterly strategy, Thai exports should be able to gain further strength in 2018 as global demand continues to be on the solid side. Note that data from Ministry of Commerce (MoC) shows that Thai export growth stood at 10.3% YoY in February. In our view, the downside risk attached to the Thai export outlook is the possibility of higher world trade protectionism triggered by Trump & Co.'s international trade policy. At the same time, we do not see the risk as imminent as each country (US included) will take some time to assess the benefits and risks of shifting trade policies. The bottom line is that Thailand's external account remains very strong with current account surplus elevated at 10.4% of GDP in the final quarter of last year. However, rising domestic demand has pushed import bills up markedly in recent months and this is starting to eat up the country's external surplus (Figure 50).

**Figure 49: Thai exports remain on the robust path...**

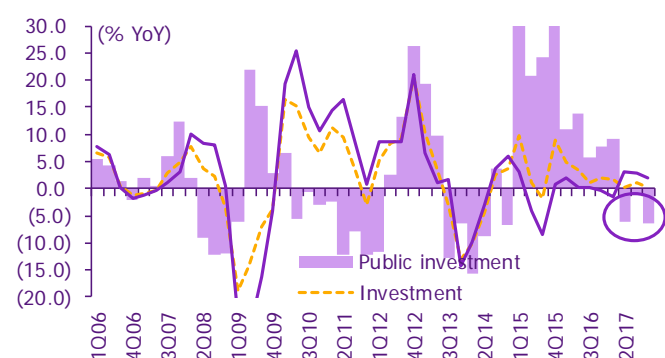


**Figure 50: ...but quicker import bills have started to reduce the current account from all time high level**



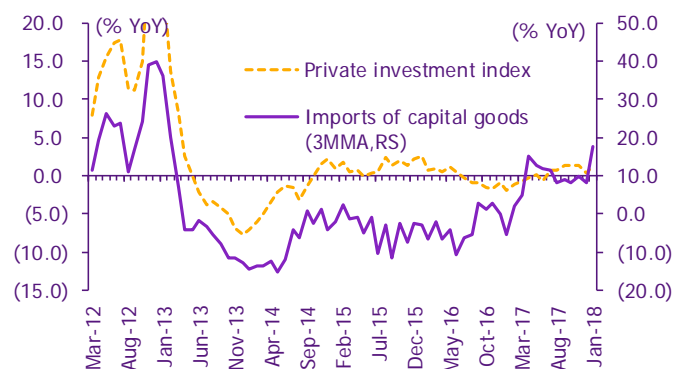
**...with investment edging up.** As a whole, Thailand's positive investment growth moved at a snail's pace last year (+0.9% YoY). While investment spending by private sector appeared to gain momentum (+1.7%), government spending proved to be the main drag, contracting by 1.2%. In fact, public investment has contracted for three consecutive quarters. We think the contraction was caused mainly by the adoption of the procurement act as noted earlier. This implies that disbursement should improve in upcoming quarters. Looking forward, strong export growth in 2017 was the supporting factor for domestic manufacturing, helping push the country's capacity utilization rate to 70% in February, the strongest reading since March 2017. Combined with a strong uptick in capital goods imports, there is a good chance that private investment will gain further momentum in coming periods.

**Figure 51: Private investment picks up but topline investment was dragged by public investment**



Source: CEIC, SCBS Investment Research

**Figure 52: Wait for more robust private investment**



Source: CEIC, SCBS Investment Research

**Figure 53: Key economic forecasts – EIC**

Key indicators	2016	Unit	Actual				EIC forecast			Consensus	
	Share (%)		2016	17Q1	17Q2	17Q3*	17Q4	2017	2018	2017	2018
Real GDP growth		% YOY	3.2%	3.3%	3.7%	4.3%	4.8%	4.0%	4.0%	3.8%	3.7%
<b>Demand-side</b>											
Private consumption	51%	% YOY	3.1%	3.2%	3.0%	3.1%	3.3%	3.2%	3.0%	3.2%	3.2%
Public consumption	16%	% YOY	1.7%	0.3%	2.7%	2.8%	1.6%	1.9%	2.5%		
Private investment	18%	% YOY	0.4%	-1.1%	3.2%	2.9%	1.9%	1.7%	3.0%		
Public investment	7%	% YOY	9.9%	9.7%	-7.0%	-2.6%	7.0%	1.5%	8.7%		
<b>Supply-side</b>											
Agriculture	7%	% YOY	0.6%	5.7%	15.8%	9.9%	2.5%	7.5%	2.7%		
Manufacturing and Services	93%	% YOY	3.5%	3.1%	2.7%	3.8%	5.0%	3.7%	4.1%		
Of which Manufacturing	28%	% YOY	1.4%					3.4%	3.7%		
Of which Services	65%	% YOY	4.4%					3.8%	4.1%		
<b>External sector</b>											
Export of Goods (USD)		% YOY	0.1%	6.8%	7.9%	8.1%	12.9%	10.0%	5.0%	8.3%	4.9%
Import of Goods (USD)		% YOY	-5.1%	15.9%	14.1%	8.3%	13.2%	14.0%	7.5%	13.5%	7.6%
Current account		USD bn	47.7					44.7	42.0	45.4	41.4
<b>Key rates</b>											
Headline inflation		% YOY	0.2%	1.2%	0.1%	0.4%	1.1%	0.7%	1.1%	0.7%	1.3%
Core inflation		% YOY	0.8%	0.7%	0.5%	0.5%	0.6%	0.6%	0.6%		
Policy rate (RP-1D) (end period)		% p.a.	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%		
THB/USD (end period)		THB/USD	35.8	35.2	33.9	33.3	32.6	32.6	32.0-33.0		
Oil prices -Brent (period avg.)		USD/bbl	44.1	54	50	52	61	54.0	58.0		

Note: The actual 17Q3 informations are from SCBS Investment Research

Source: EIC forecasts, Asia Pacific Consensus Forecasts (15 June 2017)

## 2Q18 Strategy: Next in line

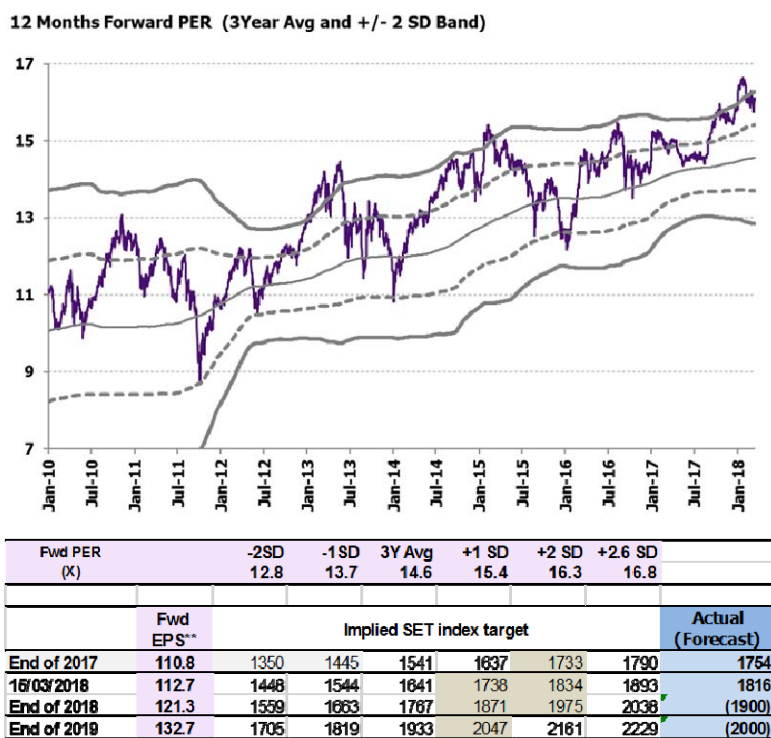
The SET moved up around 4% by mid-March YTD, mainly driven by Energy and Petrochemical sectors. We expect to see market rotation out of energy as oil prices are likely to face headwinds from excess supply. With that, we expect the SET to move sideways in 2Q18 and maintain our year-end index target of 1900, based on market forward PE multiple of 15.7X (1.5 SD above 3-year historical average) and EPS growth of 9-10% in 2018 and 2019.

For our 2Q18 investment strategy, we like Banks (BBL, KTB) on recovery of a credit cycle, and improving asset quality. We also select Commerce (BJC, GLOBAL, ROBINS) in response to the mid-year budget focus on grassroots stimulus. We choose Healthcare (BDMS, CHG) as laggard plays with strong growth in 2018, and a new growth trend that could boost the country's health care spending in the longer-term

**Recent market rally has been quite concentrated.** The recent market rally has been driven primarily by Energy (+11% mid-March YTD), and Petrochemicals (+11%), followed by only four other sectors that outperformed the SET: Finance, Commerce, Healthcare and ICT. The other sectors all underperformed the benchmark index.

**However, we expect to see rotation out of Energy.** Based on recent reports from the U.S. Energy Information Administration (EIA), the U.S. crude oil production average is expected to increase from 9.3M bpd in 2017 to 10.7M bpd in 2018, the highest annual average U.S. crude oil production level ever, surpassing the previous record of 9.6M bpd set in 1970. EIA expects global liquid fuel production to exceed global demand from 2Q18 onward, after more than a year of undersupply. This is in line with our energy sector analyst's view that oil price might not move much higher from here, with 2018 average WTI price at around US\$60/bbl (compared to the current level of US\$61/bbl).

**Figure 54: Maintain SET index target of 1900 for 2018**



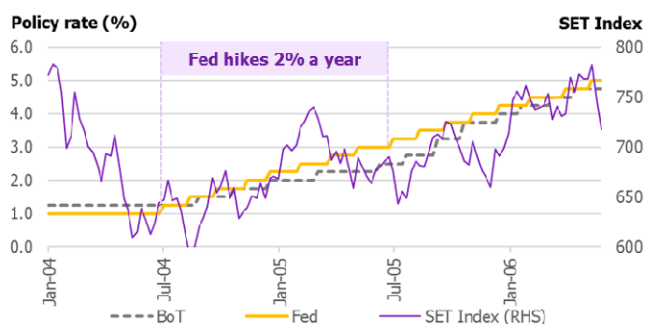
Source: Bloomberg, SCBS Investment Research

**Expect SET to move sideways in 2Q18.** While we do not dislike the energy sector as a whole, as lower oil price could benefit refineries, we expect oil price headwinds to weaken the case for a continued market rally in 2Q18. We maintain our year-end SET index target of 1900, leaving only 3-5% upside from the current level, hence our view for a sideways market. Our SET target of 1900 is based on our EPS growth assumption of 9-10% over the next two years (1.5-2.0X nominal GDP growth) and strong private sector confidence boosted by government investment disbursement (to justify an above-average PE multiple). We assume forward PER of 15.8 (1.5 SD above 3-year moving average). Our base case for global economic risk is for no outright trade war (yet), and for global central banks (i.e. Fed and ECB) to tighten their monetary policy only gradually.

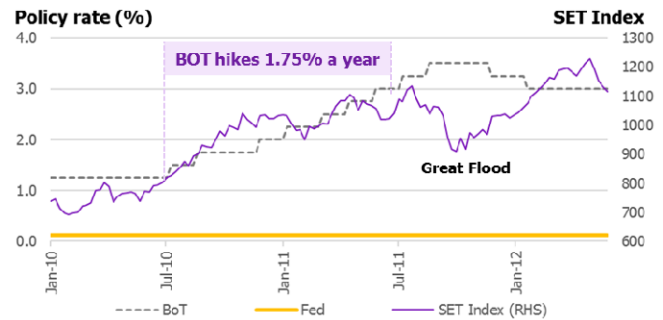
**We are not worried that rising interest rate will hurt the equity market.** Based on recent signals from the U.S. Fed, if they raise their interest rate by 3 or 4 times this year (for a total of 75-100 bps), it is still a mild tightening compared to around 200 bps per year during previous rate hike episodes. After all, the strong global economic recovery has almost always been wind pushing the market upward against higher interest rate (assuming no war, either geopolitical or trade). In most cases, each global equity market rally ended not because of rising interest rate, but rather because of events that hurt earnings outlook.

**Figure 55: Not worried about rising interest rate**

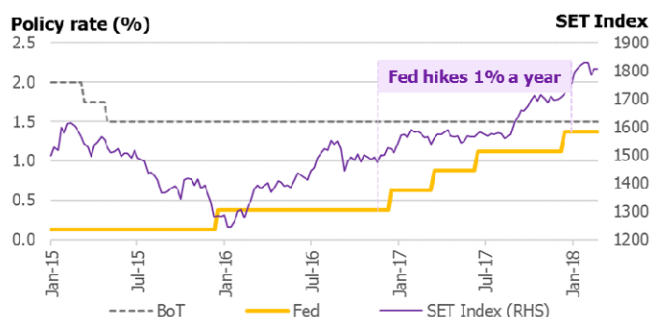
**2004-2006: Global recovery after dot-com crisis**



**2010-2012: TH recovered after global financial crisis**



**2016-2018: US rate hikes in recent years**



**What brought an end to previous rounds of rally?**

**In most cases, the culprits were events that hit earnings outlook, not the interest rate.**

- **2006:** Thailand political unrest/coup
- **2011:** Thailand great flood
- **2013:** Bernanke first signal of QE tapering (market actually went up once the actual taper began)
- **2015:** Oil price rout hit energy sector earnings, pull down agriculture product price and farm income

Source: Bloomberg, SCBS Investment Research

**We are quite concerned over weak fiscal disbursement, but things are improving.**

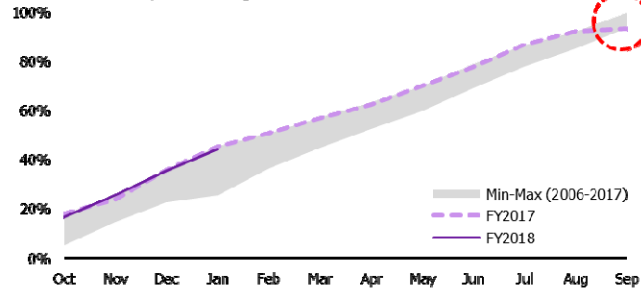
One of our key assumptions for our SET target is an above-average valuation (forward PE ratio remains high at 1-2 SD above average). This requires positive market sentiment, driven by a strong case for Thailand's growth story, namely government investment projects that will lead to a renewed cycle of domestic investment by the private sector. However, government disbursement was very weak in 4Q17 (or 1QFY18). The main reason is the new Procurement Act 2017 (effective August 2018) that led to a hiccup in disbursement due to fear, as the new Act set harsh punishment (up to 10 years in prison) for officials who do not strictly follow the law. Recent developments show good signs that they are moving up the learning curve. The investment disbursement rate up through January 2018, is still slightly behind that of 2017, but the disbursement value has been higher. The Ministry of Finance acknowledged the problem and has begun dialogues with around 30 state-owned enterprises and local government bodies to come up with guidelines to facilitate disbursement.

Figure 56: Signs of improvement in fiscal disbursement

## Current expenditure disbursement recovering

Accumulated current expenditure disbursement rate

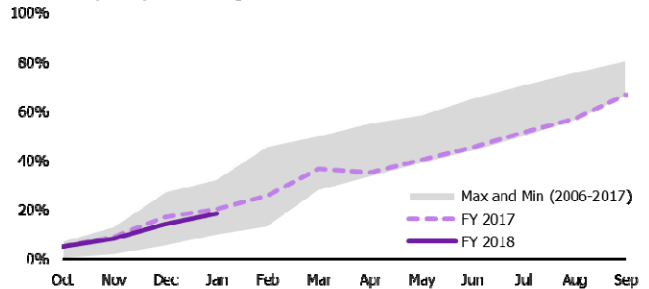
Unit: % of current expenditure budget



## Capital budget disbursement getting closer to normal

Accumulated capital expenditure disbursement rate

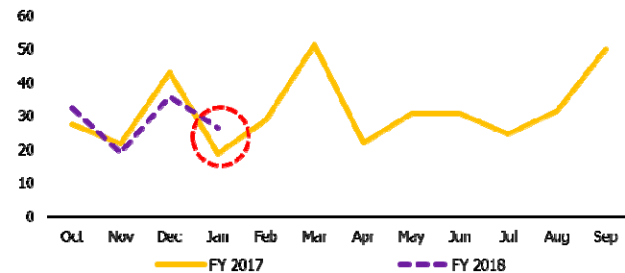
Unit: % of capital expenditure budget



## Signs of improvement in public spending growth

Capital expenditure disbursement

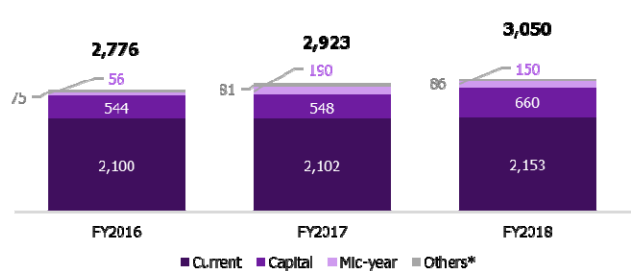
Unit: Btbn



## FY2018 capital budget at its highest ever

Fiscal expenditure budget by year

Unit: Btbn

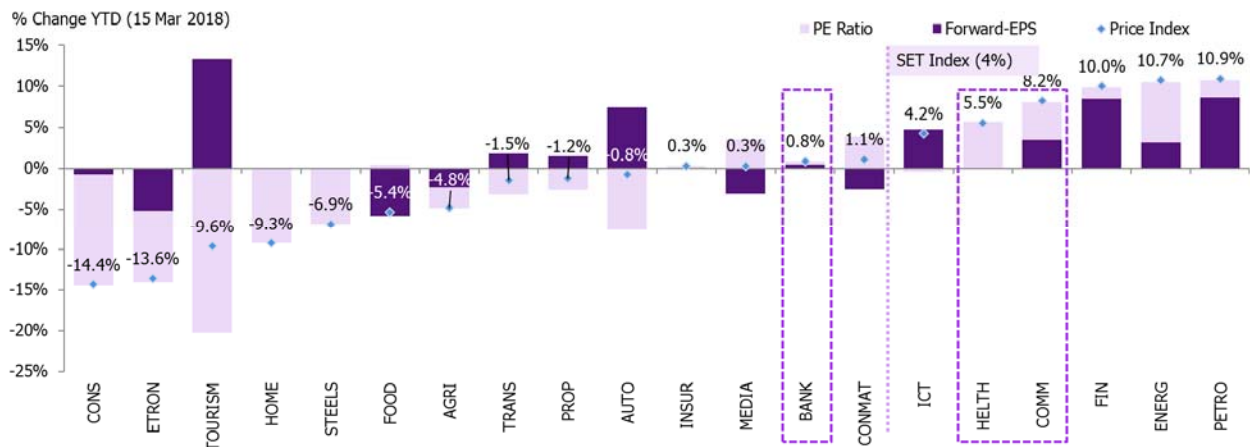


Source: Bloomberg, Fiscal Policy Office, SCBS Investment Research

Note: (\*) Others include principle repayments and expenditures for replenishment of treasury account balance

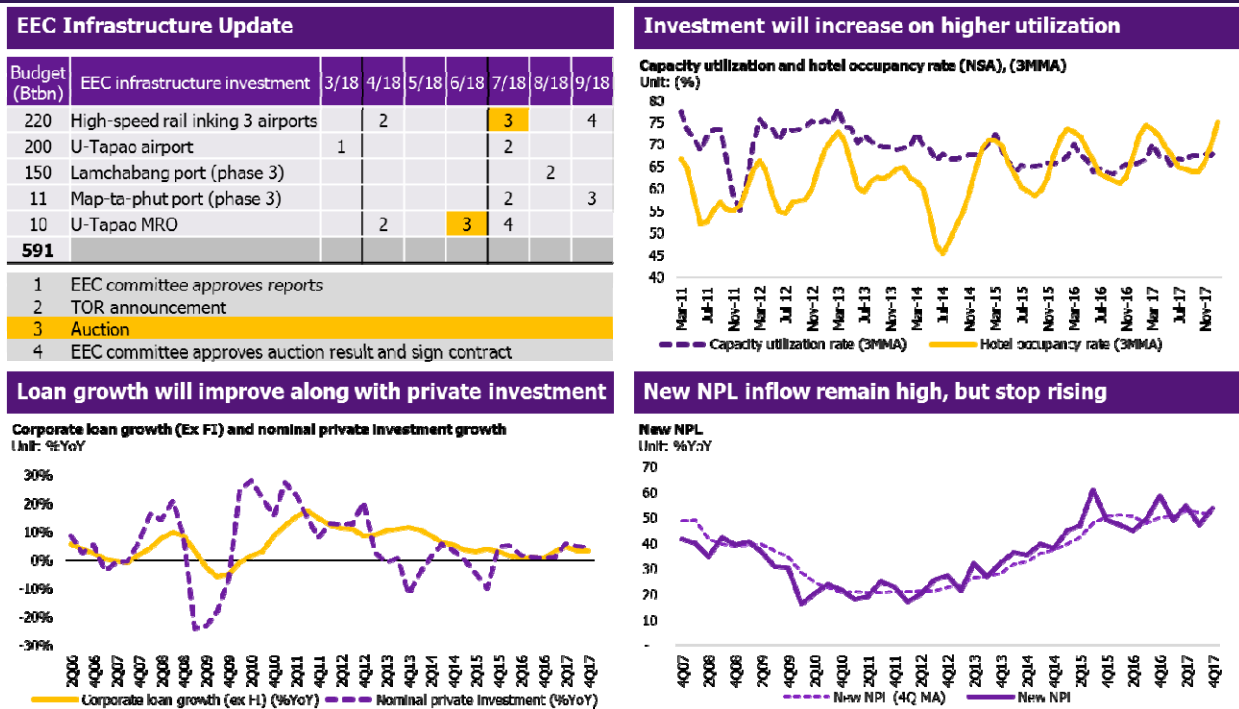
**Next in line: BANK, COMMERCE and HEALTHCARE.** We expect sector rotation out of Energy and movement to the 'Next in line' sectors, sectors that have strong growth stories but that not have been fully appreciated. Among the top five major sectors (Energy, Bank, Commerce, ICT, and Transport), the banking sector has been quite laggard. We maintain our view that banks (**BBL and KTB**) will benefit handily from the renewal of the investment cycle (private and public), and the rising interest rate trend. We note that Commerce as a sector is not laggard (due to HMPRO and CPALL outperformance, both +40% since September). However, our top picks (**BJC, GLOBAL, and ROBINS**) have been lately left off the radar with BJC -8%YTD, GLOBAL -5%, and ROBINS -13%YTD, while HMPRO and CPALL up more than 10%. We think grassroot consumption growth stories of remain intact despite lower farm prices, as they are positioned to benefit from sizable mid-year budget stimulus. The Healthcare sector has been performing quite well YTD; however most of the gain is just a recovery from the sharp drop in 4Q17. We expect our top picks (**BDMS and CHG**) to deliver strong core earnings growth in 2018, after some disappointment in 2017. We also notice a rising trend in healthcare insurance that could drive healthcare spending over the long-term.

Figure 57: Sector performance comparison (mid-March YTD)



Source: Bloomberg, SCBS Investment Research

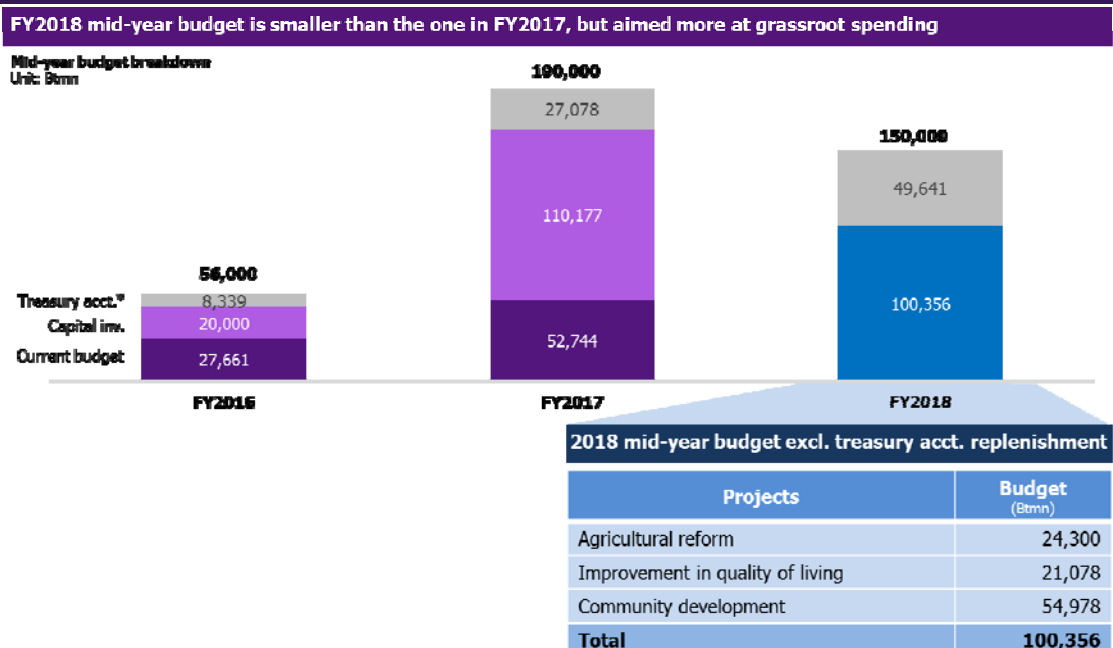
Figure 58: Bank sector will benefit from renewed investment cycle



Source: Bloomberg, BOT, Eastern Economic Corridor Office (EECO), Matichon, and SCBS Investment Research

**We continue to like banks on loan growth outlook and improving NPLs.** The Bank sector was a top pick last quarter and would have done better (relative to the SET) if not for a sharp rally in Energy, which pulled the SET up. The investment thesis based on a renewed investment cycle for the country remains intact. The EEC Act has been approved by the National Legislative Assembly and we are just waiting for the promulgation in the Royal Gazette, after which it will become law. A recent rise in industrial capacity utilization and hotel occupancy rate points to a soon-coming pickup in private investment. In 1Q18, there are signs of improvement in government disbursement, which was our main concern in 4Q17. We again select **BBL and KTB** as our picks in 2Q18.

Figure 59: Commerce sector (especially upcountry market) will benefit from upcoming stimulus



Source: Bloomberg, FPO, Thairath, OAE, and SCBS Investment Research

Note: (\*) The treasury means expenditures for replenishment of treasury account balance

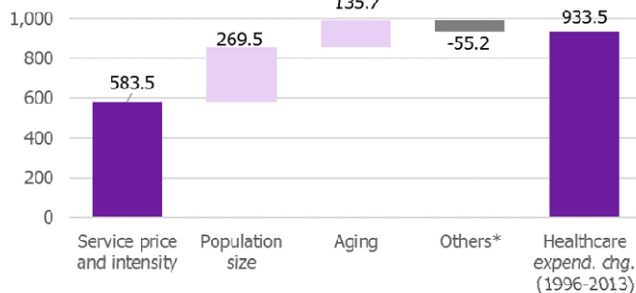
**We like the Commerce sector, especially those with exposure to upcountry private consumption.** At the sector level, the SETCOMM index has outperformed the SET for the past 3 and 6 months, with an index return of 8% and 32%, respectively. However, the strong performance is concentrated on CPALL and HMPRO. We believe an upcountry spending theme is just around the corner, with the government recently announcing its plans for a Bt150bn mid-year budget. Around Bt100bn (0.7% of GDP) will be directed toward grassroots consumption stimulus such as village funds, community development and agricultural reform. Our 2Q18 top picks for this sector are **BJC, GLOBAL and ROBINS**.

**Figure 60: Health insurance will be a long-term growth driver for healthcare spending**

#### What drives healthcare spending in the USA?

Contribution to change in health care expenditure (1996-2013)

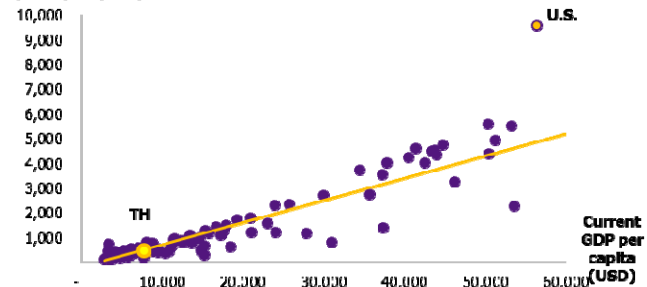
Unit: US\$ Bn



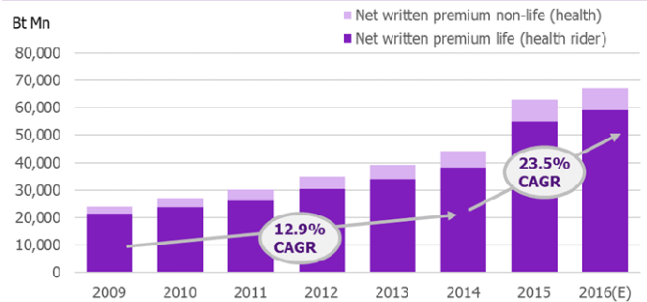
**Service intensity:** "Intensity of care" refers to service variety and complexity. "It's the difference between a relatively simple X-ray as a compared to more complex MRIs and other forms of diagnostic services,"

#### Higher income → higher healthcare spending

Current health spending per capita (USD)



#### Private healthcare insurance is gaining popularity



\* Others: such as lower disease incidence

Source: Bloomberg, The Journal of the American Medical Association (JAMA), Office of Insurance Commission (OIC), WHO (2015), and SCBS Investment Research

**Healthcare sector has been overly punished while long-term growth prospects remain strong.** The Healthcare sector has underperformed the market over the past six months, up only slightly (1.2%) since September 2017 against a 12% rise in the SET over the same period. The chief culprit was the weak earnings growth in 2017 (+3%). We expect Healthcare core earnings to grow 17% in 2018, bringing it back to investor attention once again. Our 2Q18 top picks for this sector are **BDMS and CHG**.

**A new trend that could drive up healthcare spending going forward.** The healthcare insurance business in Thailand has been growing at an accelerating pace. Health insurance premiums (life and non-life policies) jumped from around Bt44bn in 2014 to Bt63bn in 2015, and increased further to Bt67bn in 2016, bringing its 7-year CAGR to 15.8%. This is one of the chief factors that has led to high healthcare costs in the U.S. According to the Journal of the American Medical Association (JAMA), which recently reported on its studies on healthcare spending between 1996 and 2013, more than half of the increase in healthcare spending can be attributed to rising service intensity, which refers to service variety and complexity. As most patients are covered by insurance, there is a tendency for physicians to order more sophisticated diagnostic tests (i.e. using MRI rather than simple X-ray). In Thailand, patients with high insurance coverage tend to choose high-end hospitals over lower-tier ones. They also tend to request sophisticated diagnostic tests.

## Best laggard and macro tailwind play

**We view BBL as the best laggard play and the biggest beneficiary from the increasing strength of macro tailwinds plus potential outperforming fee income growth from the new bancassurance partnership with AIA. We confirm it as a sector top Buy with 29% upside to our TP of Bt270.**

**The best laggard play.** We view BBL as the sector's best laggard play for two reasons. Firstly, BBL is trading at PBV of 1SD below the 2003-2017 mean, behind the sector, which has resumed trading at historical mean. Secondly, we expect BBL to be the only one of the four large banks that will be able to bring ROE back up to levels prior to this NPL cycle (i.e. 2006-2013) within 4-5 years as it has a narrower gap of 3.5% (vs. 5-6% for the other three banks) between the 12% average ROE in 2006-2013 and the 8.5% bottom in 2017. This proves that its high LLR cushion gave it the strongest shield against this NPL cycle and gives it the best chance of getting profitability back to the 'decent old days'.

**Accelerating loan growth as the best ride on macro tailwinds.** We expect BBL's loan growth to accelerate from 3% in 2017 to 8% in 2018F, 9% in 2019F and 10% in 2020F as private investment resumes, sparked by rising capacity utilization and greater public investment with the Eastern Economic Corridor (EEC) as a big catalyst. Its loan portfolio has the largest proportion of business loans at 86%, positioning it to benefit the most from export recovery and resumption of the country's investment cycle.

**Outperforming fee income growth.** BBL's bancassurance partnership with AIA Company Limited (AIA) in addition to BLA will lead fee income growth to outperform the sector's average for the next three years. BBL expects the contribution from AIA to start in 2Q18 and we forecast fee income growth of 8% in 2018 and 10% in 2019 vs. a sector average of 5-6%.

**Lower provisions plus release of reserves for Thai TV guarantee.** The recovery in exports has led to lower NPL formation in 2018. BBL expects provision expense to decrease 10% to Bt20bn in 2018. We also expect BBL to reverse Bt1.5bn in provisions for Thai TV guarantees in 2Q18 as the Central Administrative Court has ruled that the National Broadcasting and Telecommunications Commission (NBTC) must return bank guarantees to Thai TV Co Ltd.

**Reiterate as sector top Buy.** We confirm BBL as the sector's top Buy with a TP of Bt270 (1.2x 2018F BVPS) as the best laggard play and the biggest gainer from strengthening macro tailwinds plus potential outperforming fee income growth from the addition of the bancassurance partnership with AIA.

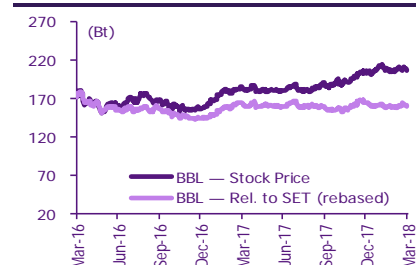
## BUY

### Stock data

Last close (Mar 21) (Bt)	203.00
12-m target price (Bt)	270.00
Upside (Downside) to TP (%)	33.00
Mkt cap (Btbn)	387.50
Mkt cap (US\$mn)	12,412

Risk rating	L
Mkt cap (%) SET	2.15
Sector % SET	13.27
Shares issued (mn)	1,909
Par value (Bt)	10.00
12-m high / low (Bt)	217 / 176.5
Avg. daily 6m (US\$mn)	22.45
Foreign limit / actual (%)	25 / 25
Free float (%)	97.8
Dividend policy (%)	NA

### Price Performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	(1.5)	(1.0)	11.2
Relative to SET	(2.2)	(4.2)	(3.3)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	270
12-month dividend (Bt)	7.27
Capital gain (%)	33.00
Dividend yield (%)	3.58
Total return (%)	36.59

Source: SET, SCBS Investment Research

### Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Pre-provision profit	(Bt mn)	47,543	55,379	60,504	67,549	77,724
Net profit	(Bt mn)	31,815	33,009	39,663	46,062	55,430
PPP/Sh	(Bt)	24.91	29.01	31.70	35.39	40.72
EPS	(Bt)	16.67	17.29	20.78	24.13	29.04
BVPS	(Bt)	198.56	210.45	224.73	241.59	262.18
DPS	(Bt)	6.50	6.50	7.27	8.45	10.16
P/PPP	(x)	8.15	7.00	6.40	5.74	4.99
PPP growth	(%)	(2.64)	16.48	9.26	11.64	15.06
P/E	(x)	12.18	11.74	9.77	8.41	6.99
EPS growth	(%)	(6.92)	3.75	20.16	16.13	20.34
P/BV	(x)	1.02	0.96	0.90	0.84	0.77
ROE	(%)	8.59	8.46	9.55	10.35	11.53
Dividend yield	(%)	3.20	3.20	3.58	4.16	5.01

Source: SCBS Investment Research

### Analyst

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Fundamental Investment

Analyst on Securities

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## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Interest & dividend income	(Btmn)	100,405	103,470	103,814	102,443	105,476	111,433	129,304	150,162
Interest expense	(Btmn)	44,526	44,483	46,304	38,445	38,851	39,750	49,249	59,571
<b>Net interest income</b>	(Btmn)	<b>55,879</b>	<b>58,987</b>	<b>57,510</b>	<b>63,998</b>	<b>66,625</b>	<b>71,683</b>	<b>80,054</b>	<b>90,591</b>
Non-interest income	(Btmn)	35,417	37,678	45,026	41,763	45,638	47,763	51,311	55,189
Non-interest expenses	(Btmn)	37,947	43,087	45,045	50,505	48,948	49,357	52,707	54,713
Pre-provision profit	(Btmn)	53,349	53,579	57,492	55,256	63,315	70,089	78,659	91,067
Provision	(Btmn)	8,593	8,687	14,654	15,728	22,370	20,841	21,486	22,293
Pre-tax profit	(Btmn)	44,755	44,892	42,838	39,528	40,946	49,248	57,173	68,774
Tax	(Btmn)	8,882	8,593	8,630	7,556	7,832	9,480	11,006	13,239
Equities & minority interest	(Btmn)	(32)	(23)	28	157	105	105	105	105
<b>Core net profit</b>	(Btmn)	<b>35,906</b>	<b>36,322</b>	<b>34,181</b>	<b>31,815</b>	<b>33,009</b>	<b>39,663</b>	<b>46,062</b>	<b>55,430</b>
Extra item	(Btmn)	0	0	0	0	0	0	0	0
<b>Net profit</b>	(Btmn)	<b>35,906</b>	<b>36,322</b>	<b>34,181</b>	<b>31,815</b>	<b>33,009</b>	<b>39,663</b>	<b>46,062</b>	<b>55,430</b>
<b>EPS</b>	(Bt)	<b>18.81</b>	<b>19.03</b>	<b>17.91</b>	<b>16.67</b>	<b>17.29</b>	<b>20.78</b>	<b>24.13</b>	<b>29.04</b>
<b>DPS</b>	(Bt)	<b>6.50</b>	<b>6.50</b>	<b>6.50</b>	<b>6.50</b>	<b>6.50</b>	<b>7.27</b>	<b>8.45</b>	<b>10.16</b>

### Balance Sheet

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Cash	(Btmn)	53,550	59,899	61,432	66,338	65,473	66,353	67,240	68,151
Interbank assets	(Btmn)	407,632	532,205	372,007	394,612	437,738	473,217	513,535	551,537
Investments	(Btmn)	378,323	383,210	520,805	547,941	593,180	593,180	593,180	593,180
<b>Gross loans</b>	(Btmn)	<b>1,752,667</b>	<b>1,782,233</b>	<b>1,868,903</b>	<b>1,941,093</b>	<b>2,003,989</b>	<b>2,164,308</b>	<b>2,359,096</b>	<b>2,595,005</b>
Accrued interest receivable	(Btmn)	4,571	4,233	4,279	4,653	5,061	5,061	5,061	5,061
Loan loss reserve	(Btmn)	92,583	91,925	104,187	119,518	140,021	156,534	173,302	190,405
<b>Net loans</b>	(Btmn)	<b>1,664,656</b>	<b>1,694,541</b>	<b>1,768,995</b>	<b>1,826,227</b>	<b>1,869,029</b>	<b>2,012,835</b>	<b>2,190,855</b>	<b>2,409,661</b>
<b>Total assets</b>	(Btmn)	<b>2,596,507</b>	<b>2,759,890</b>	<b>2,835,852</b>	<b>2,944,230</b>	<b>3,076,310</b>	<b>3,260,275</b>	<b>3,483,469</b>	<b>3,745,326</b>
Deposits	(Btmn)	1,935,272	2,058,779	2,090,965	2,178,141	2,310,743	2,467,874	2,658,887	2,881,436
Interbank liabilities	(Btmn)	124,296	140,048	128,681	130,928	133,584	133,584	133,584	133,584
Borrowings	(Btmn)	140,147	140,845	138,403	137,815	107,190	107,190	107,190	107,190
<b>Total liabilities</b>	(Btmn)	<b>2,300,456</b>	<b>2,436,247</b>	<b>2,473,821</b>	<b>2,564,985</b>	<b>2,674,303</b>	<b>2,831,012</b>	<b>3,022,026</b>	<b>3,244,575</b>
Minority interest	(Btmn)	116	152	199	229	283	283	283	283
Paid-up capital	(Btmn)	19,088	19,088	19,088	19,088	19,088	19,088	19,088	19,088
<b>Total Equities</b>	(Btmn)	<b>295,936</b>	<b>323,491</b>	<b>361,832</b>	<b>379,016</b>	<b>401,724</b>	<b>428,979</b>	<b>461,159</b>	<b>500,468</b>
<b>BVPS</b>	(Bt)	<b>155.03</b>	<b>169.47</b>	<b>189.56</b>	<b>198.56</b>	<b>210.45</b>	<b>224.73</b>	<b>241.59</b>	<b>262.18</b>

### Key Assumptions and Financial Ratios

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
<b>Growth</b>									
YoY loan growth	(%)	9.24	1.69	4.86	3.86	3.24	8.00	9.00	10.00
YoY non-NII growth	(%)	16.60	6.39	19.50	(7.25)	9.28	4.65	7.43	7.56
<b>Profitability</b>									
Yield on earn'g assets	(%)	4.09	3.95	3.80	3.63	3.56	3.56	3.86	4.17
Cost on int-bear'g liab	(%)	2.09	1.96	1.97	1.60	1.55	1.51	1.76	1.98
Spread	(%)	2.00	1.99	1.83	2.03	2.01	2.05	2.11	2.19
Net interest margin	(%)	2.28	2.25	2.11	2.27	2.25	2.29	2.39	2.51
ROE	(%)	12.61	11.73	9.98	8.59	8.46	9.55	10.35	11.53
ROA	(%)	1.43	1.36	1.22	1.10	1.10	1.25	1.37	1.53
<b>Asset Quality</b>									
NPLs/Total Loans	(%)	2.47	2.53	3.01	3.55	4.36	3.96	3.82	3.65
LLR/NPLs	(%)	214.17	204.07	185.30	173.61	160.17	182.64	192.49	200.95
Provision expense/Total loans	(%)	0.49	0.49	0.78	0.81	1.12	0.96	0.91	0.86
<b>Liquidity</b>									
Loans/Deposits & borrowings	(%)	84.45	81.02	83.83	83.81	82.88	84.05	85.29	86.83
<b>Efficiency</b>									
Cost to income ratio	(%)	43.90	47.56	48.08	50.26	46.78	43.89	42.38	39.42
<b>Capital Fund</b>									
Capital adequacy ratio	(%)	16.92	17.41	17.86	18.32	18.16	17.04	16.74	16.44
Tier-1	(%)	14.40	15.11	15.78	16.40	16.62	15.59	15.39	15.20
Tier-2	(%)	2.52	2.30	2.08	1.92	1.54	1.45	1.35	1.24

## Financial statement

### Profit and Loss Statement

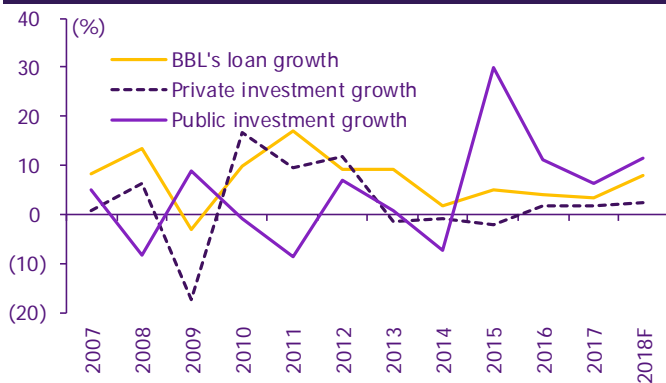
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Interest & dividend income	(Btmn)	25,843	25,578	25,501	25,521	25,649	26,214	26,753	26,860
Interest expense	(Btmn)	9,810	9,982	9,436	9,218	9,372	9,646	9,928	9,906
<b>Net interest income</b>	<b>(Btmn)</b>	<b>16,033</b>	<b>15,596</b>	<b>16,066</b>	<b>16,303</b>	<b>16,277</b>	<b>16,568</b>	<b>16,825</b>	<b>16,955</b>
Non-interest income	(Btmn)	10,612	9,306	10,837	11,009	10,856	11,419	11,599	11,764
Non-interest expenses	(Btmn)	12,856	12,599	12,095	12,955	11,082	12,846	11,938	13,081
Earnings before tax & provision	(Btmn)	13,789	12,302	14,808	14,357	16,052	15,141	16,485	15,637
Provision	(Btmn)	3,644	3,542	4,946	3,596	5,806	5,688	6,259	4,617
Pre-tax profit	(Btmn)	10,145	8,761	9,862	10,760	10,246	9,453	10,226	11,020
Tax	(Btmn)	1,828	1,473	1,785	2,469	1,951	1,388	2,036	2,457
Equities & minority interest	(Btmn)	(1)	118	16	24	(10)	18	29	68
<b>Core net profit</b>	<b>(Btmn)</b>	<b>8,317</b>	<b>7,169</b>	<b>8,061</b>	<b>8,267</b>	<b>8,305</b>	<b>8,047</b>	<b>8,161</b>	<b>8,496</b>
Extra item	(Btmn)	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>(Btmn)</b>	<b>8,317</b>	<b>7,169</b>	<b>8,061</b>	<b>8,267</b>	<b>8,305</b>	<b>8,047</b>	<b>8,161</b>	<b>8,496</b>
<b>EPS</b>	<b>(Bt)</b>	<b>4.36</b>	<b>3.76</b>	<b>4.22</b>	<b>4.33</b>	<b>4.35</b>	<b>4.22</b>	<b>4.28</b>	<b>4.45</b>

### Balance Sheet

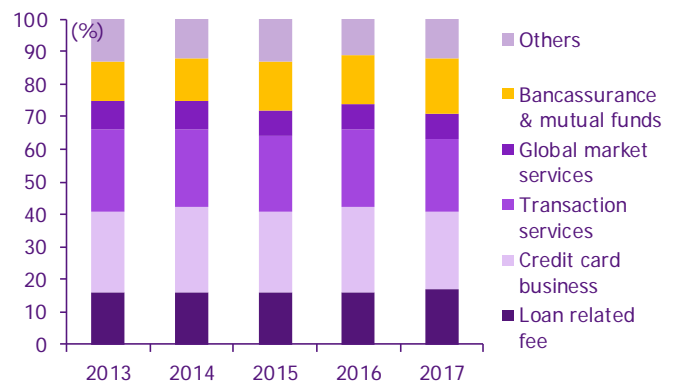
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Cash	(Btmn)	53,785	54,871	49,933	66,338	55,536	51,782	54,985	65,473
Interbank assets	(Btmn)	455,144	475,968	421,451	394,612	504,369	514,488	607,775	437,738
Investments	(Btmn)	542,391	480,471	498,931	547,941	527,049	516,188	495,351	593,180
<b>Gross loans</b>	<b>(Btmn)</b>	<b>1,874,924</b>	<b>1,906,936</b>	<b>1,901,900</b>	<b>1,941,093</b>	<b>1,923,953</b>	<b>1,978,391</b>	<b>1,938,619</b>	<b>2,003,989</b>
Accrued interest receivable	(Btmn)	3,630	3,483	3,711	4,653	3,856	3,888	4,761	5,061
Loan loss reserve	(Btmn)	107,861	111,863	116,757	119,518	124,446	129,918	135,840	140,021
<b>Net loans</b>	<b>(Btmn)</b>	<b>1,770,693</b>	<b>1,798,556</b>	<b>1,788,854</b>	<b>1,826,227</b>	<b>1,803,363</b>	<b>1,852,361</b>	<b>1,807,540</b>	<b>1,869,029</b>
<b>Total assets</b>	<b>(Btmn)</b>	<b>2,940,726</b>	<b>2,932,207</b>	<b>2,875,539</b>	<b>2,944,230</b>	<b>2,995,623</b>	<b>3,041,132</b>	<b>3,073,691</b>	<b>3,076,310</b>
Deposits	(Btmn)	2,149,333	2,154,256	2,106,870	2,178,141	2,244,032	2,297,918	2,300,958	2,310,743
Interbank liabilities	(Btmn)	162,867	150,394	144,797	130,928	117,580	114,538	133,365	133,584
Borrowings	(Btmn)	135,513	135,372	133,678	137,815	133,236	131,595	129,518	107,190
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>2,570,054</b>	<b>2,562,894</b>	<b>2,504,482</b>	<b>2,564,985</b>	<b>2,609,526</b>	<b>2,656,343</b>	<b>2,680,473</b>	<b>2,674,303</b>
Minority interest	(Btmn)	154	217	170	229	187	257	199	283
Paid-up capital	(Btmn)	19,088	19,088	19,088	19,088	19,088	19,088	19,088	19,088
<b>Total Equities</b>	<b>(Btmn)</b>	<b>370,518</b>	<b>369,097</b>	<b>370,887</b>	<b>379,016</b>	<b>385,910</b>	<b>384,532</b>	<b>393,019</b>	<b>401,724</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>194.11</b>	<b>193.36</b>	<b>194.30</b>	<b>198.56</b>	<b>202.17</b>	<b>201.45</b>	<b>205.89</b>	<b>210.45</b>

### Financial Ratios

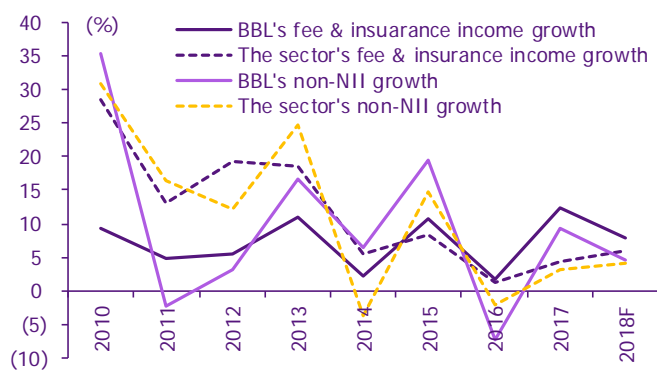
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Growth</b>									
YoY loan growth	(%)	5.67	6.56	5.08	3.86	2.61	3.75	1.93	3.24
YoY non-NII growth	(%)	(1.31)	(17.48)	(11.58)	2.50	2.31	22.71	7.03	6.86
<b>Profitability</b>									
Yield on earn'g assets	(%)	3.67	3.57	3.59	3.58	3.51	3.52	3.54	3.54
Cost on int-bear'g liab	(%)	1.63	1.63	1.56	1.53	1.52	1.53	1.55	1.55
Spread	(%)	2.04	1.93	2.02	2.05	2.00	1.98	1.98	1.99
Net interest margin	(%)	2.28	2.18	2.26	2.29	2.23	2.22	2.22	2.23
ROE	(%)	9.09	7.75	8.71	8.82	8.69	8.36	8.40	8.55
ROA	(%)	1.13	0.98	1.12	1.12	1.11	1.06	1.06	1.10
<b>Asset Quality</b>									
NPLs/Total Loans	(%)	3.30	3.57	3.85	3.55	4.04	4.34	4.55	4.36
LLR/NPLs	(%)	174.42	164.52	159.53	173.61	160.01	151.16	153.96	160.17
Provision expense/Total loans	(%)	0.78	0.74	1.04	0.74	1.21	1.15	1.29	0.92
<b>Liquidity</b>									
Loans/Deposits & borrowings	(%)	82.06	83.29	84.89	83.81	80.93	81.43	79.76	82.88
<b>Efficiency</b>									
Cost to income ratio	(%)	51.40	51.15	47.81	50.71	43.29	49.85	46.41	47.49
<b>Capital Fund</b>									
Capital adequacy ratio	(%)	17.69	18.04	18.83	18.32	18.25	18.15	18.73	18.10
Tier-1	(%)	15.74	16.10	16.87	16.40	16.45	16.36	16.96	16.35
Tier-2	(%)	1.94	1.94	1.96	1.92	1.80	1.78	1.77	1.76

**Figure 1: BBL's loans growth**

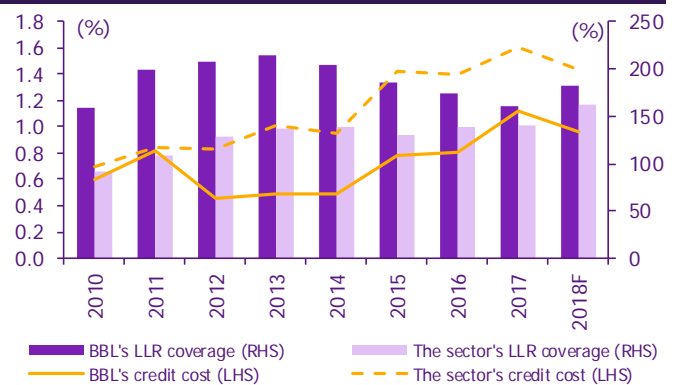
Source: BBL, NESDB and SCBS Investment Research

**Figure 2: BBL's fee income breakdown**

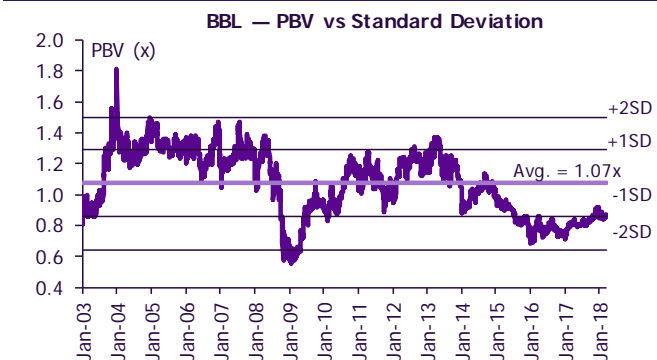
Source: BBL and SCBS Investment Research

**Figure 3: Fee income and non-NII growth**

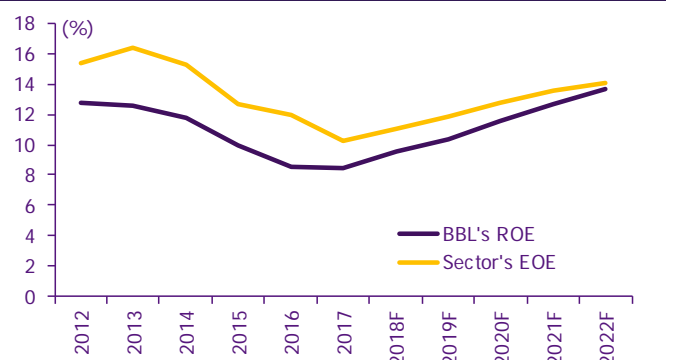
Source: BBL and SCBS Investment Research

**Figure 4: BBL's LLR coverage and credit cost**

Source: BBL and SCBS Investment Research

**Figure 5: BBL's PBV**

Source: BBL and SCBS Investment Research

**Figure 6: BBL's ROE vs Banking sector's ROE**

Source: BBL and SCBS Investment Research



## A value play

**Of the 20 lead big-cap plays, BDMS is a laggard in the SET rally that began in Sep last year, pulled down by its poor 2017, but it is now entering a turn up. We expect 2018 to be a better year for BDMS with earnings growth of 17% boosted by rising revenue and wider margin. BDMS has long-term growth potential in the insurance segment and in the improvement of ROA. BDMS is our lead pick in the sector with TP at Bt27.5/share.**

**Earnings turnaround in 2018.** This year is going to be a better year for BDMS with 17% core earnings growth, turning from -2% YoY in 2017, backed by rising revenue and wider EBITDA margin. We forecast 2018 revenue growth at 10% YoY, accelerating from +6% YoY in 2017, on an improving economy, a normalization of epidemic cases in Thailand off the low base in 1Q17 and a recovery of international patient service off the low base in 4Q16-1Q17. We expect EBITDA margin at 21.6% in 2018, up from 21.3% in 2017, amplified by higher bed utilization of 69% (from 65% in 2017), continuing cost control and ramped up operations at newly-opened hospitals. In 2017, six of its hospitals contributed EBITDA losses and BDMS expects one or two of these to turn up to a positive EBITDA this year.

**Growth potential in the insurance segment.** Self-pay forms the major source of revenue for BDMS at 58% in 2017 – but this came down from 63% in 2015. Behind this was greater revenue from the insurance segment, whose contribution increased to 26% in 2017 from 22% in 2015. BDMS sees long-term growth potential in the insurance segment: as Thailand's society ages, there will be more demand for health insurance to meet their greater healthcare expenditures. With a large network of 46 hospitals, BDMS is working with insurance companies to launch exclusive healthcare insurance for accessing healthcare within BDMS' network.

**ROA improvement with potential upside.** BDMS' return on assets (ROA) has been on a downtrend since 2013 due to its aggressive expansions in the past but we expect the ratio to pick up in 2018 on the earnings turnaround. As the hospital network is now large, we believe BDMS will focus on improving asset utilization and narrowing the huge ROA gap compared to BH (7.0% for BDMS vs. 17.6% for BH in 2017) suggests a long-term potential earnings upside. Using BH as a benchmark since its operations are at an optimal level as a standalone hospital with a long track record, our workout suggests ~57% earnings upside for BDMS over the next five years if its asset utilization improves to bring ROA to the same level as BH's.

**Laggard play.** In the rally of the SET begun in September 2017, BDMS has been a laggard play, with share rising 9% vs. the SET's 12% and the 30% for other big-caps. We believe the 2018 earnings turnaround, front-loaded in 1Q18 off the low base, will support the share. BDMS is our lead pick with TP at Bt27.5/share.

## Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Revenue	(Btmn)	65,237	69,123	76,099	84,321	92,932
EBITDA	(Btmn)	14,800	15,544	17,233	19,562	22,461
Core profit	(Btmn)	8,178	8,021	9,420	10,906	13,038
Reported profit	(Btmn)	8,386	10,216	9,420	10,906	13,038
Core EPS	(Bt)	0.53	0.52	0.61	0.70	0.84
DPS	(Bt)	0.29	0.36	0.30	0.35	0.42
P/E, core	(x)	43.0	43.8	37.3	32.2	27.0
EPS growth, core	(%)	5.5	(1.9)	17.4	15.8	19.6
P/BV, core	(x)	6.3	5.6	5.2	4.8	4.4
ROE	(%)	14.4	12.9	13.8	14.8	16.3
Dividend yield	(%)	1.3	1.6	1.3	1.6	1.9
FCF yield	(x)	0.8	(1.1)	2.1	2.6	3.1
EV/EBIT	(x)	37.1	34.8	32.1	27.4	22.8
EBIT growth, core	(%)	1.0	8.4	7.8	16.0	18.3
EV/CE	(x)	6.1	4.9	4.8	4.7	4.5
ROCE	(%)	8.0	6.2	8.1	9.4	11.1
EV/EBITDA	(x)	25.6	24.8	22.2	19.3	16.6
EBITDA growth	(%)	3.6	5.0	10.9	13.5	14.8

Source: SCBS Investment Research

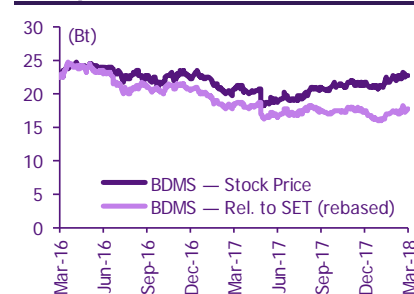
## BUY

### Stock data

Last close (Mar 21) (Bt)	22.70
12-m target price (Bt)	27.50
Upside (Downside) to TP (%)	21.15
Mkt cap (Btmn)	351.64
Mkt cap (US\$mn)	11,263

Risk rating	L
Mkt cap (%) SET	1.95
Sector % SET	4.23
Shares issued (mn)	15,491
Par value (Bt)	0.10
12-m high / low (Bt)	23.2 / 18.1
Avg. daily 6m (US\$mn)	18.84
Foreign limit / actual (%)	25 / 15
Free float (%)	52.1
Dividend policy (%)	≥ 50

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	3.7	6.1	9.7
Relative to SET	2.9	2.6	(4.6)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	27.50
12-month dividend (Bt)	0.30
Capital gain (%)	21.15
Dividend yield (%)	1.34
Total return (%)	22.48

Source: SET, SCBS Investment Research

## Analyst

### Raweenuch Piyakriengkai

Fundamental Investment

Analyst on Securities

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## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total revenue	(Btmn)	49,170	54,341	60,240	65,237	69,123	76,099	84,321	92,932
Cost of goods sold	(Btmn)	32,977	36,473	41,151	45,277	47,975	52,313	57,954	63,148
<b>Gross profit</b>	<b>(Btmn)</b>	<b>16,193</b>	<b>17,868</b>	<b>19,088</b>	<b>19,960</b>	<b>21,148</b>	<b>23,786</b>	<b>26,366</b>	<b>29,784</b>
SG&A	(Btmn)	10,549	11,268	12,649	13,644	14,488	15,664	16,749	18,070
Other income	(Btmn)	2,237	2,368	3,401	3,681	4,402	3,805	4,216	4,647
Interest expense	(Btmn)	957	976	1,136	881	1,535	1,387	1,509	1,442
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>6,924</b>	<b>7,991</b>	<b>8,705</b>	<b>9,116</b>	<b>9,526</b>	<b>10,540</b>	<b>12,324</b>	<b>14,919</b>
Corporate tax	(Btmn)	1,392	1,671	1,895	1,922	2,564	2,213	2,588	3,133
Equity a/c profits	(Btmn)	988	1,066	1,259	1,370	1,417	1,488	1,592	1,704
Minority interests	(Btmn)	(259)	(278)	(314)	(385)	(359)	(395)	(422)	(452)
<b>Core profit</b>	<b>(Btmn)</b>	<b>6,113</b>	<b>7,109</b>	<b>7,755</b>	<b>8,178</b>	<b>8,021</b>	<b>9,420</b>	<b>10,906</b>	<b>13,038</b>
Extra-ordinary items	(Btmn)	148	285	266	209	2,195	-	-	-
<b>Net Profit</b>	<b>(Btmn)</b>	<b>6,261</b>	<b>7,394</b>	<b>8,021</b>	<b>8,386</b>	<b>10,216</b>	<b>9,420</b>	<b>10,906</b>	<b>13,038</b>
EBITDA	(Btmn)	10,977	12,668	14,285	14,800	15,544	17,233	19,562	22,461
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.40</b>	<b>0.46</b>	<b>0.50</b>	<b>0.53</b>	<b>0.52</b>	<b>0.61</b>	<b>0.70</b>	<b>0.84</b>
Net EPS (Bt)	(Bt)	0.40	0.48	0.52	0.54	0.66	0.61	0.70	0.84
DPS (Bt)	(Bt)	0.20	0.23	0.26	0.29	0.36	0.30	0.35	0.42

### Balance Sheet

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total current assets	(Btmn)	10,229	12,698	13,582	12,595	14,359	17,484	20,946	16,399
Total fixed assets	(Btmn)	38,875	46,935	52,950	56,461	71,559	72,507	73,713	75,198
<b>Total assets</b>	<b>(Btmn)</b>	<b>76,399</b>	<b>93,370</b>	<b>102,335</b>	<b>106,939</b>	<b>122,627</b>	<b>126,699</b>	<b>131,367</b>	<b>128,305</b>
Total loans	(Btmn)	22,642	22,167	20,211	21,873	30,456	30,575	29,075	27,575
Total current liabilities	(Btmn)	11,373	12,894	15,295	17,877	13,417	12,505	13,010	18,479
Total long-term liabilities	(Btmn)	18,653	27,309	27,013	25,916	37,694	37,773	36,273	20,999
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>33,755</b>	<b>44,372</b>	<b>47,338</b>	<b>48,635</b>	<b>56,756</b>	<b>55,922</b>	<b>54,927</b>	<b>45,122</b>
Paid-up capital	(Btmn)	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
<b>Total equity</b>	<b>(Btmn)</b>	<b>42,644</b>	<b>48,998</b>	<b>54,997</b>	<b>58,305</b>	<b>65,871</b>	<b>70,777</b>	<b>76,440</b>	<b>83,183</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>2.63</b>	<b>3.02</b>	<b>3.39</b>	<b>3.60</b>	<b>4.07</b>	<b>4.38</b>	<b>4.73</b>	<b>5.15</b>

### Cash Flow Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Core Profit	(Btmn)	6,113	7,109	7,755	8,178	8,021	9,420	10,906	13,038
Depreciation and amortization	(Btmn)	3,244	3,701	4,387	4,803	5,168	5,306	5,729	6,100
Operating cash flow	(Btmn)	8,527	10,376	12,866	12,447	15,071	13,781	16,171	18,612
Investing cash flow	(Btmn)	(7,619)	(16,156)	(5,183)	(9,492)	(19,016)	(6,253)	(6,936)	(7,585)
Financing cash flow	(Btmn)	(436)	5,313	(5,763)	(4,266)	1,998	(4,640)	(6,743)	(16,569)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>472</b>	<b>(467)</b>	<b>1,920</b>	<b>(1,312)</b>	<b>(1,947)</b>	<b>2,888</b>	<b>2,492</b>	<b>(5,541)</b>

### Key Financial Ratios

FY December 31		2013	2014	2015	2016	2017	2018F	2019F	2020F
Gross margin	(%)	32.9	32.9	31.7	30.6	30.6	31.3	31.3	32.0
Operating margin	(%)	11.5	12.1	10.7	9.7	9.6	10.7	11.4	12.6
EBITDA margin	(%)	21.4	22.2	22.4	21.5	21.3	21.6	22.1	23.0
EBIT margin	(%)	15.7	17.0	16.8	15.6	19.2	15.7	16.4	17.6
Net profit margin	(%)	12.7	13.6	13.3	12.9	14.8	12.4	12.9	14.0
ROE	(%)	15.1	15.5	14.9	14.4	12.9	13.8	14.8	16.3
ROA	(%)	8.4	8.4	7.9	7.8	7.0	7.6	8.5	10.0
Net D/E	(x)	0.4	0.5	0.4	0.5	0.5	0.4	0.4	0.3
Interest coverage	(x)	11.6	13.0	12.5	16.8	10.6	12.4	13.0	15.6
Debt service coverage	(x)	2.2	2.4	3.5	2.2	5.3	5.8	6.3	2.8
Payout Ratio	(%)	49.4	48.2	50.2	53.6	54.6	50.0	50.0	50.0

### Main Assumptions

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Volume growth									
OPD	(%)	5.9	9.5	5.8	6.6	2.0	4.3	2.8	2.7
IPD	(%)	5.1	14.4	7.7	3.5	(2.0)	6.4	3.6	3.4
Billing per visit									
OPD	(%)	4.8	0.9	4.8	3.9	6.1	3.7	6.6	6.6
IPD	(%)	5.6	(3.4)	2.9	2.7	6.1	4.4	6.3	6.3

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total revenue	(Btmn)	16,406	14,863	17,299	16,669	16,535	16,216	18,577	17,795
Cost of goods sold	(Btmn)	11,061	10,558	11,926	11,732	11,431	11,503	12,584	12,457
<b>Gross profit</b>	<b>(Btmn)</b>	<b>5,346</b>	<b>4,305</b>	<b>5,372</b>	<b>4,937</b>	<b>5,104</b>	<b>4,713</b>	<b>5,992</b>	<b>5,338</b>
SG&A	(Btmn)	3,311	3,216	3,592	3,525	3,426	3,559	3,800	3,702
Other income	(Btmn)	900	861	921	998	866	963	933	954
Interest expense	(Btmn)	213	180	241	246	363	409	433	330
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>2,722</b>	<b>1,770</b>	<b>2,460</b>	<b>2,165</b>	<b>2,182</b>	<b>1,708</b>	<b>2,692</b>	<b>2,259</b>
Corporate tax	(Btmn)	563	393	563	403	462	406	564	447
Equity a/c profits	(Btmn)	337	331	396	307	324	368	416	309
Minority interests	(Btmn)	(89)	(87)	(107)	(102)	(70)	(75)	(128)	(86)
<b>Core profit</b>	<b>(Btmn)</b>	<b>2,406</b>	<b>1,619</b>	<b>2,187</b>	<b>1,965</b>	<b>1,974</b>	<b>1,596</b>	<b>2,417</b>	<b>2,035</b>
Extra-ordinary items	(Btmn)	0	50	147	12	0	2,195	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>2,406</b>	<b>1,669</b>	<b>2,334</b>	<b>1,977</b>	<b>1,974</b>	<b>3,791</b>	<b>2,417</b>	<b>2,035</b>
EBITDA	(Btmn)	4,087	3,103	3,943	3,666	3,797	3,401	4,434	3,913
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.16</b>	<b>0.10</b>	<b>0.14</b>	<b>0.13</b>	<b>0.13</b>	<b>0.10</b>	<b>0.16</b>	<b>0.13</b>
Net EPS (Bt)	(Bt)	0.16	0.11	0.15	0.13	0.13	0.24	0.16	0.13

### Balance Sheet

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total current assets	(Btmn)	13,326	11,819	12,759	12,595	14,222	13,713	13,880	14,359
Total fixed assets	(Btmn)	53,645	53,841	54,504	56,461	67,960	67,989	68,465	71,559
<b>Total assets</b>	<b>(Btmn)</b>	<b>103,498</b>	<b>102,142</b>	<b>105,111</b>	<b>107,015</b>	<b>120,263</b>	<b>118,088</b>	<b>118,716</b>	<b>122,627</b>
Total loans	(Btmn)	19,835	21,331	22,748	21,873	26,965	30,997	31,855	30,456
Total current liabilities	(Btmn)	12,980	11,357	16,251	17,877	22,287	18,616	16,082	13,417
Total long-term liabilities	(Btmn)	26,663	29,208	26,349	25,916	32,663	33,401	36,015	37,694
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>44,797</b>	<b>45,746</b>	<b>47,807</b>	<b>48,710</b>	<b>60,017</b>	<b>57,045</b>	<b>57,153</b>	<b>56,756</b>
Paid-up capital	(Btmn)	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
<b>Total equity</b>	<b>(Btmn)</b>	<b>58,701</b>	<b>56,396</b>	<b>57,304</b>	<b>58,305</b>	<b>60,246</b>	<b>61,043</b>	<b>61,563</b>	<b>65,871</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>3.63</b>	<b>3.48</b>	<b>3.53</b>	<b>3.60</b>	<b>3.72</b>	<b>3.77</b>	<b>3.80</b>	<b>4.07</b>

### Cash Flow Statement

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Core Profit	(Btmn)	2,406	1,619	2,187	1,965	1,974	1,596	2,417	2,035
Depreciation and amortization	(Btmn)	1,152	1,154	1,242	1,255	1,252	1,284	1,308	1,324
Operating cash flow	(Btmn)	2,639	3,741	2,332	3,734	1,234	4,335	2,103	3,262
Investing cash flow	(Btmn)	(2,443)	(1,095)	(2,983)	(2,971)	(4,650)	(4,288)	(1,192)	(1,740)
Financing cash flow	(Btmn)	(490)	(2,737)	(51)	(988)	5,089	(11,123)	9,243	(1,398)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(294)</b>	<b>(91)</b>	<b>(702)</b>	<b>(225)</b>	<b>1,674</b>	<b>(11,076)</b>	<b>10,153</b>	<b>124</b>

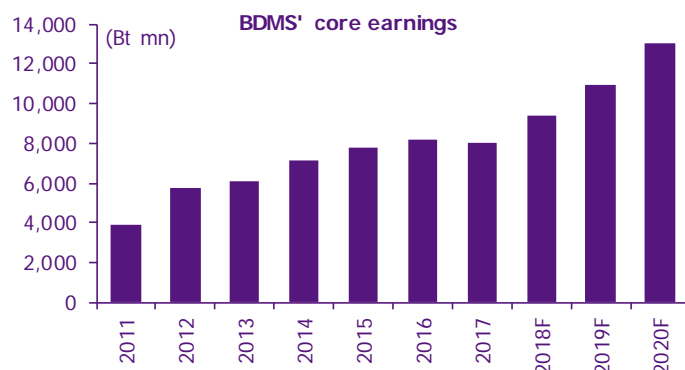
### Key Financial Ratios

FY December 31		1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Gross margin	(%)	32.6	29.0	31.1	29.6	30.9	29.1	32.3	30.0
Operating margin	(%)	12.4	7.3	10.3	8.5	10.2	7.1	11.8	9.2
EBITDA margin	(%)	23.6	19.7	21.5	20.7	21.8	19.8	22.7	20.9
EBIT margin	(%)	17.9	13.5	16.5	14.5	15.4	30.8	16.8	14.6
Net profit margin	(%)	14.7	11.2	13.5	11.9	11.9	23.4	13.0	11.4
ROE	(%)	17.5	15.2	15.2	14.4	13.3	12.2	13.4	12.9
ROA	(%)	9.8	8.2	8.2	7.8	7.1	6.5	7.1	7.0
Net D/E	(x)	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Interest coverage	(x)	19.1	17.3	16.3	14.9	10.5	8.3	10.2	11.8
Debt service coverage	(x)	4.4	4.7	2.2	2.2	2.6	1.4	2.8	5.5

### Main Assumptions

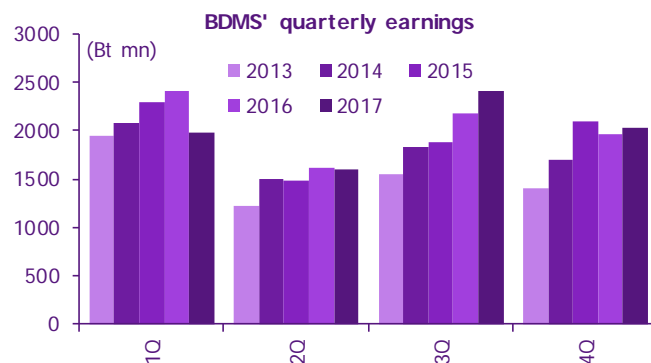
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Volume growth									
OPD	(%)	9.6	4.2	8.0	4.5	(1.5)	1.9	3.8	1.7
IPD	(%)	11.0	0.6	21.5	0.3	(11.0)	0.6	3.8	(2.3)
Billing per visit									
OPD	(%)	0.9	3.3	13.7	9.0	9.3	9.4	(0.8)	0.7
IPD	(%)	(0.4)	2.8	(14.0)	(3.3)	7.1	6.5	7.5	13.6

**Figure 1: BDMS earnings turning around in 2018**



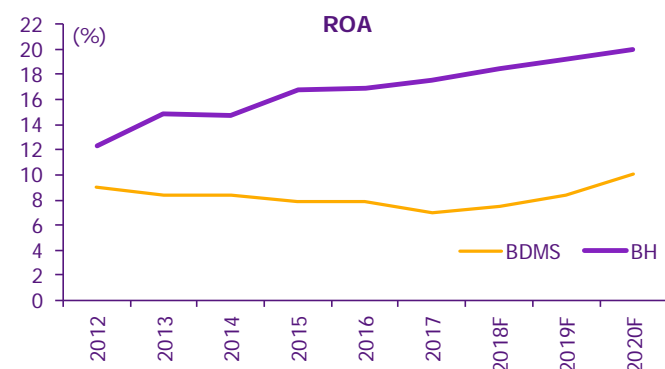
Source: Company data and SCBS Investment Research

**Figure 2: Low earnings base in 1Q17**



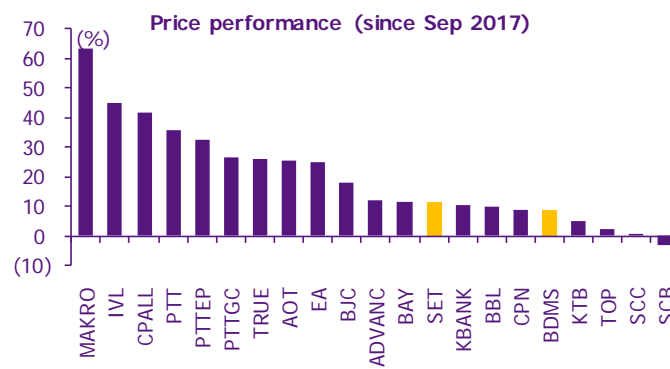
Source: Company data and SCBS Investment Research

**Figure 3: Huge ROA gap between BDMS and BH**



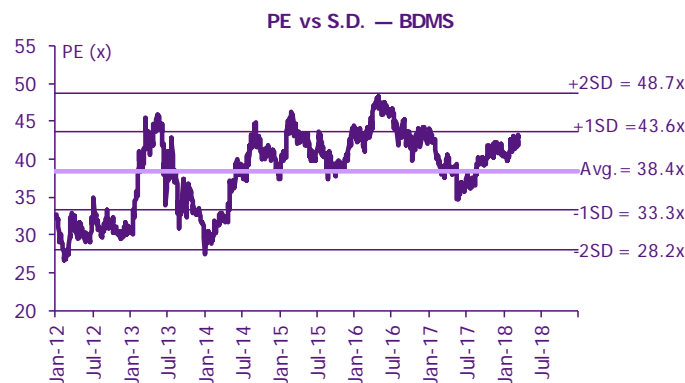
Source: Company data and SCBS Investment Research

**Figure 4: Price performance**



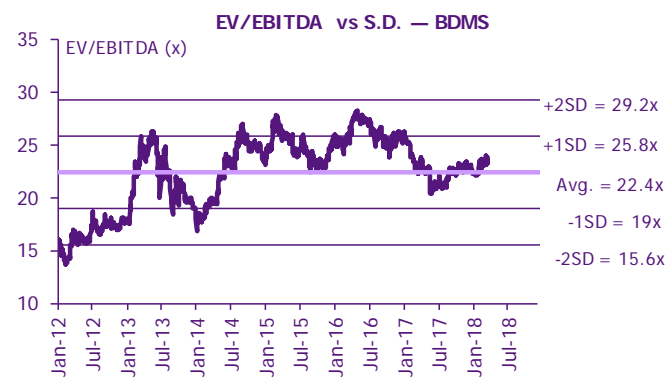
Source: SET and SCBS Investment Research

**Figure 5: BDMS PE band**



Source: SET and SCBS Investment Research

**Figure 6: BDMS EV/EBITDA band**



Source: SET and SCBS Investment Research

## The sector's growth leader, but price laggard

**After a recent price correction, BJC is trading at 34x 18PE (+0.25 S.D. over its 7-year PE) and is now trading at 1.0x 2018PEG, well below the sector's 2.2x. We expect BJC to report the sector's best growth of 33% in 2018F, backed by better sales and margin in all units and lower tax from completion of the group tax restructuring, which we believe will contribute 9% to its growth this year. BUY with end-2018 DCF TP of Bt73.**

**Higher sales in all units.** MSC unit. We expect sales at its modern supply chain (MSC, 99.85% in BIGC, 70% of BJC's sales) unit to grow 6% YoY, backed by positive SSS growth and continued expansion. We expect low single digit growth in 1Q18F (vs -20% YoY in 1Q17 and +3.8% in 4Q17) from better sentiment outpacing the effect of food deflation YTD. Undergirded by continued improvement in sentiment and the normalizing of food prices for the rest of the year, we expect SSS growth of 3.0% YoY in 2018 (vs -5.6% YoY in 2017). Its 2018 expansion will be similar to that in 2017, with new 8 hypermarket stores and 200 mini Big C stores. Other units. We expect sales in other units to grow 6% YoY from two new glass furnaces (+25% to capacity) starting up in 4Q17 and 3Q18, better sentiment and advance orders.

**Better gross margin.** We expect overall gross margin to widen 10bps YoY to 19.2% in 2018. MSC unit. We expect this unit's gross margin to widen by 10bps YoY to 16.8%, backed by continuation of 2017's positives (greater efficiency via reduced shrinkage, better management of logistics and distribution centers) plus its new Mini Big C distribution center opening in March 2018. Other units. We expect gross margin in other units to improve by 30bps YoY to 24.8% from gains on a strong THB for its imported raw material costs - aluminum sheets for packaging supply chain (PSC) and machines for healthcare and technical supply chain (H&STC), with lower palm oil and coconut oil costs offsetting the higher pulp costs for the consumer supply chain (CSC).

**Stronger EBIT margin.** We expect 2018F EBIT margin to widen 40bps YoY to 8.9%, from: 1) better gross margin, 2) business synergy with BIGC - it targets EBITDA synergy of Bt600mn in 2018F (vs Bt699mn in 2017), 3) higher other income (+7% YoY) from more rental space, a raise in rental rates, more brochure advertising income and in-store media concessions at the MSC unit.

**Lower tax rate.** In 2H18F BJC expects to complete the group's restructuring on tax items after the acquisition of BIGC which will lower its tax rate to about 18%. Thus, we have cut our expected effective tax rate from 28% in 2017 to 23% in 2018F and 18% in 2019F. By our estimates, the lower tax will contribute 9% to growth in 2018F and 8% in 2019F.

### Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Revenue	(Btmn)	125,330	149,158	157,878	165,066	172,332
EBITDA	(Btmn)	15,570	20,040	21,890	23,449	25,056
Core profit	(Btmn)	2,455	5,122	6,816	8,252	9,617
Reported profit	(Btmn)	3,307	5,211	6,816	8,252	9,617
Core EPS	(Bt)	0.95	1.28	1.71	2.07	2.41
DPS	(Bt)	0.50	0.57	0.65	0.79	0.92
P/E, core	(x)	61.2	45.2	34.0	28.1	24.1
EPS growth, core	(%)	(43.6)	35.5	33.1	21.1	16.5
P/BV, core	(x)	1.4	2.1	2.1	2.0	2.0
ROE	(%)	3.7	4.6	6.1	7.3	8.3
Dividend yield	(%)	0.9	1.0	1.1	1.4	1.6
FCF yield	(x)	(126.7)	1.1	3.2	3.9	4.6
EV/EBIT	(x)	31.6	30.4	27.3	25.0	22.8
EBIT growth, core	(%)	128.7	33.5	10.6	8.4	8.9
EV/CE	(x)	1.1	1.4	1.4	1.4	1.4
ROCE	(%)	(0.5)	(0.6)	(0.6)	(0.5)	(0.3)
EV/EBITDA	(x)	19.2	19.2	17.5	16.2	15.0
EBITDA growth	(%)	148.6	28.7	9.2	7.1	6.9

Source: SCBS Investment Research

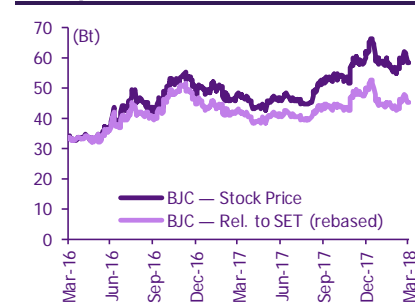
## BUY

### Stock data

Last close (Mar 21) (Bt)	58.00
12-m target price (Bt)	73.00
Upside (Downside) to TP (%)	25.86
Mkt cap (Btbn)	231.85
Mkt cap (US\$mn)	7,426

Risk rating	L
Mkt cap (%) SET	1.28
Sector % SET	10.26
Shares issued (mn)	3,997
Par value (Bt)	1.00
12-m high / low (Bt)	66 / 41.8
Avg. daily 6m (US\$mn)	16.59
Foreign limit / actual (%)	49 / 13
Free float (%)	25.1
Dividend policy (%)	≥ 50

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	6.4	(5.3)	22.8
Relative to SET	5.7	(8.4)	6.8

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	73.00
12-month dividend (Bt)	0.65
Capital gain (%)	25.86
Dividend yield (%)	1.12
Total return (%)	26.98

Source: SET, SCBS Investment Research

### Analyst

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## Financial statement

## Profit and Loss Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total revenue	(Btmn)	42,226	41,695	42,893	125,330	149,158	157,878	165,066	172,332
Cost of goods sold	(Btmn)	(32,131)	(32,363)	(33,071)	(102,735)	(120,706)	(127,545)	(133,121)	(138,909)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>10,095</b>	<b>9,333</b>	<b>9,822</b>	<b>22,595</b>	<b>28,452</b>	<b>30,333</b>	<b>31,945</b>	<b>33,423</b>
SG&A	(Btmn)	(7,017)	(7,011)	(7,179)	(24,324)	(30,686)	(32,291)	(33,552)	(34,501)
Other income	(Btmn)	511	693	1,500	11,204	14,885	15,948	16,767	17,595
Interest expense	(Btmn)	(575)	(556)	(493)	(5,203)	(4,528)	(4,535)	(4,502)	(4,176)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>3,015</b>	<b>2,459</b>	<b>3,650</b>	<b>4,272</b>	<b>8,122</b>	<b>9,455</b>	<b>10,658</b>	<b>12,340</b>
Corporate tax	(Btmn)	(567)	(398)	(400)	(983)	(2,260)	(2,165)	(1,918)	(2,221)
Equity a/c profits	(Btmn)	65	(26)	87	181	24	32	33	34
Minority interests	(Btmn)	(189)	(367)	(661)	(1,015)	(764)	(505)	(520)	(537)
<b>Core profit</b>	<b>(Btmn)</b>	<b>2,324</b>	<b>1,668</b>	<b>2,676</b>	<b>2,455</b>	<b>5,122</b>	<b>6,816</b>	<b>8,252</b>	<b>9,617</b>
Extra-ordinary items	(Btmn)	102	12	116	851	88	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>2,426</b>	<b>1,679</b>	<b>2,792</b>	<b>3,307</b>	<b>5,211</b>	<b>6,816</b>	<b>8,252</b>	<b>9,617</b>
EBITDA	(Btmn)	5,612	4,996	6,263	15,570	20,040	21,890	23,449	25,056
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>1.46</b>	<b>1.05</b>	<b>1.68</b>	<b>0.95</b>	<b>1.28</b>	<b>1.71</b>	<b>2.07</b>	<b>2.41</b>
Net EPS (Bt)	(Bt)	1.53	1.05	1.75	1.28	1.31	1.71	2.07	2.41
DPS (Bt)	(Bt)	0.84	0.60	0.84	0.50	0.57	0.65	0.79	0.92

## Balance Sheet

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total current assets	(Btmn)	19,315	17,763	18,380	35,993	38,542	40,482	42,061	44,055
Total fixed assets	(Btmn)	25,188	25,665	26,320	272,708	276,517	277,699	277,490	277,030
<b>Total assets</b>	<b>(Btmn)</b>	<b>44,503</b>	<b>43,428</b>	<b>44,701</b>	<b>308,701</b>	<b>315,059</b>	<b>318,181</b>	<b>319,551</b>	<b>321,085</b>
Total loans	(Btmn)	15,078	14,332	14,975	152,476	157,180	155,009	152,309	148,889
Total current liabilities	(Btmn)	14,835	18,204	15,313	51,851	50,254	88,835	82,131	66,195
Total long-term liabilities	(Btmn)	11,969	7,208	8,637	145,701	153,631	116,632	122,871	137,688
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>26,804</b>	<b>25,411</b>	<b>23,950</b>	<b>197,553</b>	<b>203,886</b>	<b>205,467</b>	<b>205,002</b>	<b>203,882</b>
Paid-up capital	(Btmn)	1,590	1,592	1,592	3,990	3,996	4,570	4,570	4,570
<b>Total equity</b>	<b>(Btmn)</b>	<b>17,699</b>	<b>18,017</b>	<b>20,750</b>	<b>111,148</b>	<b>111,173</b>	<b>112,714</b>	<b>114,549</b>	<b>117,203</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>11.14</b>	<b>11.31</b>	<b>13.03</b>	<b>42.87</b>	<b>27.85</b>	<b>28.24</b>	<b>28.70</b>	<b>29.36</b>

## Cash Flow Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Core Profit	(Btmn)	2,324	1,668	2,676	2,455	5,122	6,816	8,252	9,617
Depreciation and amortization	(Btmn)	2,022	1,982	2,121	6,095	7,389	7,900	8,289	8,540
Operating cash flow	(Btmn)	3,908	4,396	4,693	17,938	17,380	16,441	17,168	18,807
Investing cash flow	(Btmn)	(4,867)	(3,284)	(1,611)	(208,512)	(14,846)	(9,082)	(8,079)	(8,080)
Financing cash flow	(Btmn)	651	(1,352)	(3,151)	192,912	(1,390)	(7,382)	(9,117)	(10,383)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(307)</b>	<b>(240)</b>	<b>(69)</b>	<b>2,338</b>	<b>1,145</b>	<b>(23)</b>	<b>(29)</b>	<b>343</b>

## Key Financial Ratios

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Gross margin	(%)	23.9	22.4	22.9	18.0	19.1	19.2	19.4	19.4
Operating margin	(%)	7.3	5.6	6.2	(1.4)	(1.5)	(1.2)	(1.0)	(0.6)
EBITDA margin	(%)	13.3	12.0	14.6	12.4	13.4	13.9	14.2	14.5
EBIT margin	(%)	8.5	7.2	9.7	7.6	8.5	8.9	9.2	9.6
Net profit margin	(%)	5.7	4.0	6.5	2.6	3.5	4.3	5.0	5.6
ROE	(%)	13.7	9.3	13.8	3.7	4.6	6.1	7.3	8.3
ROA	(%)	5.6	3.8	6.1	1.4	1.6	2.2	2.6	3.0
Net D/E	(x)	0.8	0.7	0.7	1.3	1.4	1.3	1.3	1.2
Interest coverage	(x)	9.8	9.0	12.7	3.0	4.4	4.8	5.2	6.0
Debt service coverage	(x)	1.1	0.6	0.8	0.6	0.9	0.4	0.5	0.8
Payout Ratio	(%)	55.0	56.9	47.9	39.2	43.7	38.0	38.0	38.0

## Main Assumptions

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
SSS growth (MSC)	(%)	0.0	(1.5)	(3.0)	(12.8)	(5.6)	3.0	2.0	2.0
New stores, all formats (MSC)	(Stores)	211	77	98	63	180	208	158	158
Ending stores, all formats (MSC)	(Stores)	559	636	734	797	977	1,185	1,343	1,501
New stores, hypermarket (MSC)	(Stores)	6	4	2	6	9	8	6	6
Ending stores, hypermarket (MSC)	(Stores)	119	123	125	131	140	148	154	160
Gross profit margin (MSC)	(%)	15.0	15.0	13.7	14.7	16.7	16.8	16.9	17.0

## Financial statement

## Profit and Loss Statement

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total revenue	(Btmn)	14,717	40,487	33,481	36,645	35,677	37,107	37,067	39,307
Cost of goods sold	(Btmn)	(11,631)	(33,825)	(26,857)	(30,423)	(29,075)	(30,328)	(29,799)	(31,505)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>3,086</b>	<b>6,662</b>	<b>6,624</b>	<b>6,222</b>	<b>6,602</b>	<b>6,779</b>	<b>7,268</b>	<b>7,802</b>
SG&A	(Btmn)	(2,497)	(7,084)	(7,232)	(7,510)	(7,358)	(7,497)	(7,662)	(8,169)
Other income	(Btmn)	525	3,746	3,300	3,633	3,555	3,651	3,661	4,018
Interest expense	(Btmn)	(273)	(2,003)	(1,750)	(1,176)	(1,125)	(1,113)	(1,116)	(1,174)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>840</b>	<b>1,321</b>	<b>942</b>	<b>1,169</b>	<b>1,674</b>	<b>1,820</b>	<b>2,151</b>	<b>2,477</b>
Corporate tax	(Btmn)	(197)	(479)	(306)	(0)	(531)	(595)	(576)	(558)
Equity a/c profits	(Btmn)	59	58	36	27	24	(7)	7	0
Minority interests	(Btmn)	(178)	(500)	(149)	(188)	(151)	(222)	(203)	(188)
<b>Core profit</b>	<b>(Btmn)</b>	<b>524</b>	<b>400</b>	<b>523</b>	<b>1,008</b>	<b>1,016</b>	<b>997</b>	<b>1,378</b>	<b>1,731</b>
Extra-ordinary items	(Btmn)	(22)	(240)	1,083	29	(51)	(1)	9	132
<b>Net Profit</b>	<b>(Btmn)</b>	<b>502</b>	<b>161</b>	<b>1,606</b>	<b>1,037</b>	<b>965</b>	<b>996</b>	<b>1,387</b>	<b>1,863</b>
EBITDA	(Btmn)	1,814	5,092	4,499	4,166	4,580	4,733	5,156	5,571
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.33</b>	<b>0.25</b>	<b>0.16</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.35</b>	<b>0.43</b>
Net EPS (Bt)	(Bt)	0.32	0.10	0.51	0.26	0.24	0.25	0.35	0.47

## Balance Sheet

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total current assets	(Btmn)	42,518	36,679	34,918	35,993	35,614	33,949	35,789	38,542
Total fixed assets	(Btmn)	198,358	265,136	264,998	272,708	273,095	273,817	276,767	276,517
<b>Total assets</b>	<b>(Btmn)</b>	<b>240,876</b>	<b>301,815</b>	<b>299,917</b>	<b>308,701</b>	<b>308,708</b>	<b>307,766</b>	<b>312,556</b>	<b>315,059</b>
Total loans	(Btmn)	162,229	237,788	155,203	152,476	153,293	152,197	158,278	157,180
Total current liabilities	(Btmn)	180,872	255,041	50,898	51,851	50,397	47,881	53,030	50,254
Total long-term liabilities	(Btmn)	19,731	19,407	138,810	145,701	146,343	148,169	150,483	153,631
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>200,603</b>	<b>274,448</b>	<b>189,708</b>	<b>197,553</b>	<b>196,740</b>	<b>196,050</b>	<b>203,513</b>	<b>203,886</b>
Paid-up capital	(Btmn)	1,592	1,592	3,985	3,990	3,991	3,992	3,993	3,996
<b>Total equity</b>	<b>(Btmn)</b>	<b>40,273</b>	<b>27,366</b>	<b>110,209</b>	<b>111,148</b>	<b>111,968</b>	<b>111,716</b>	<b>109,043</b>	<b>111,173</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>25.29</b>	<b>17.19</b>	<b>34.68</b>	<b>27.86</b>	<b>28.06</b>	<b>27.99</b>	<b>27.31</b>	<b>27.84</b>
Total current assets	(Btmn)	42,518	36,679	34,918	35,993	35,614	33,949	35,789	38,542

## Cash Flow Statement

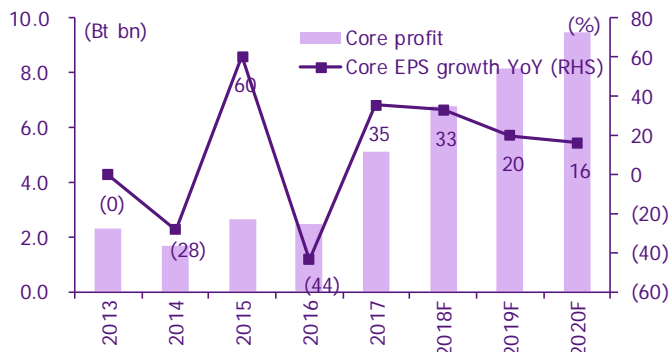
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Core Profit	(Btmn)	502	161	1,606	1,037	965	996	1,387	1,863
Depreciation and amortization	(Btmn)	701	1,768	1,807	1,820	1,781	1,800	1,889	1,920
Operating cash flow	(Btmn)	1,277	5,888	3,634	7,139	1,166	4,685	4,738	6,792
Investing cash flow	(Btmn)	(124,305)	(80,636)	(1,635)	(1,936)	(1,676)	(2,067)	(7,650)	(3,453)
Financing cash flow	(Btmn)	124,990	75,617	(3,925)	(3,769)	(698)	(2,514)	3,490	(1,668)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>1,962</b>	<b>869</b>	<b>(1,927)</b>	<b>1,433</b>	<b>(1,209)</b>	<b>105</b>	<b>577</b>	<b>1,671</b>

## Key Financial Ratios

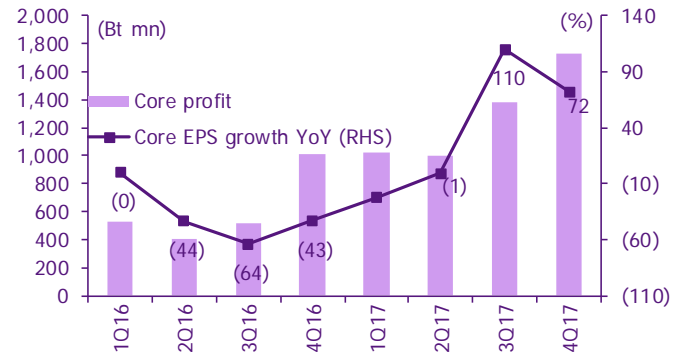
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Gross margin	(%)	21.0	16.5	19.8	17.0	18.5	18.3	19.6	19.8
Operating margin	(%)	4.0	(1.0)	(1.8)	(3.5)	(2.1)	(1.9)	(1.1)	(0.9)
EBITDA margin	(%)	12.3	12.6	13.4	11.4	12.8	12.8	13.9	14.2
EBIT margin	(%)	7.6	8.2	8.0	6.4	7.8	7.9	8.8	9.3
Net profit margin	(%)	3.4	0.4	4.8	2.8	2.7	2.7	3.7	4.7
ROE	(%)	6.9	4.7	3.0	3.6	3.6	3.6	5.0	6.3
ROA	(%)	1.5	0.6	0.7	1.3	1.3	1.3	1.8	2.2
Net D/E	(x)	3.9	8.6	1.4	1.3	1.3	1.3	1.4	1.4
Interest coverage	(x)	6.6	2.5	2.6	3.5	4.1	4.3	4.6	4.7
Debt service coverage	(x)	0.0	0.1	0.6	0.7	0.7	0.8	0.8	1.0

## Main Assumptions

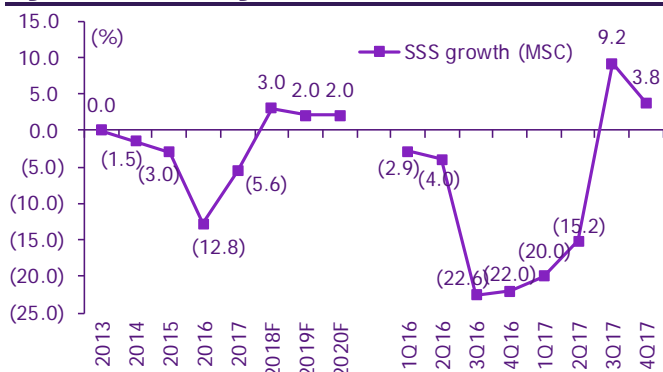
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
SSS growth (MSC)	(%)	(2.9)	(4.0)	(22.6)	(22.0)	(20.0)	(15.2)	9.2	3.8
New stores, all formats (MSC)	(Stores)	(10)	16	20	37	10	38	59	73
Ending stores, all formats (MSC)	(Stores)	724	740	760	797	807	845	904	977
New stores, hypermarket (MSC)	(Stores)	0	1	2	3	0	1	3	5
Ending stores, hypermarket (MSC)	(Stores)	125	126	128	131	131	132	135	140
Gross profit margin (MSC)	(%)	13.2	14.4	17.8	14.1	16.1	15.6	17.7	17.3

**Figure 1: BJC's yearly core earnings growth**

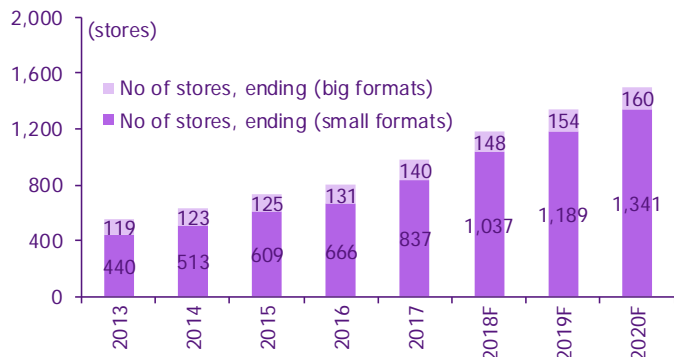
Source: SCBS Investment Research

**Figure 2: BJC's quarterly core earnings growth**

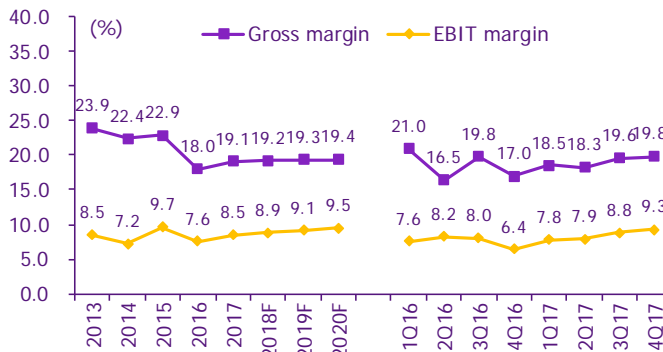
Source: SCBS Investment Research

**Figure 3: BJC's SSS growth in MSC unit**

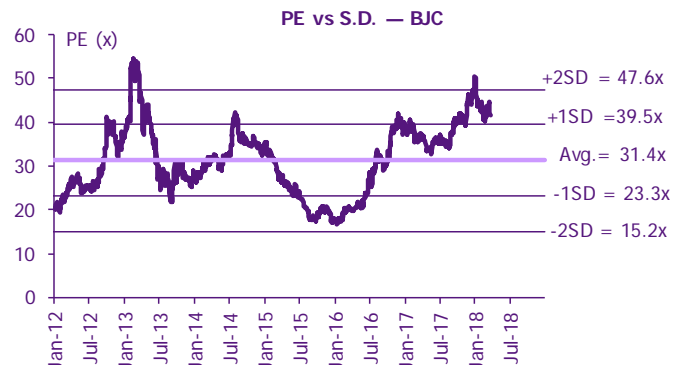
Source: SCBS Investment Research

**Figure 4: BJC's store expansion in MSC unit**

Source: SCBS Investment Research

**Figure 5: BJC's consolidated margin outlook**

Source: SCBS Investment Research

**Figure 6: BJC's 7-year PE band**

Source: SCBS Investment Research

## Deep discount but earnings improving

**Of all stocks we cover in the healthcare service sector, CHG's share price has plunged the sharpest at 28% over the past 12 months, pressured by the 2017 weakness and concerns about the new government hospital near its flagship hospitals. We see the price drop as overdone, as impact from new supply is limited and we expect operational improvement with 20% core earnings growth in 2018. CHG is trading at 1.4x 2018 PEG, a 32% discount to regional average. BUY with TP at Bt2.9/share, 55% upside.**

**Share price is over-penalized.** CHG's share price has plunged by 28% over the past 12 months to a two-year low, pulled down by the earnings disappointment in 2017 that arose chiefly from weaker operations of social security service (SC). CHG's share is trading at 1.4x 2018PE-to-earnings growth (PEG), a large 32% discount to the regional average of 1.9x, indicating the market has over-penalized CHG. The improvement in operations will be a key catalyst, with 20% core earnings growth expected in 2018 (accelerating from 5% in 2017), primarily from stronger cash patient service (62% of 2018 revenue) brought by a stronger economy that will offset the slow growth in its SC service.

**Market is over-concerned on new supply.** The market is concerned about the opening of Chakri Naruebodindra Medical Institute (CNMI) by Ramathibodi Hospital in Dec 2017 and the impact it may have on CHG's cash patient service. CNMI has 550 beds, making it the largest hospital in Samut Prakarn, and is close to CHG's flagships Chularat 3 Hospital and Chularat 9 Hospital. We looked into the situation and it appears that CNMI is not yet fully operating. A certain number of patients from CHG may shift to CNMI since it is a leading teaching hospital. However, we do not expect a large patient migration from CHG given the industry backdrop of tight supply. Of the five provinces surrounding Bangkok, Samut Prakarn has the largest economy but the number of hospital beds (public and private hospitals) per 1,000 populations is 2.7, just slightly above the country's average of 2.5 but just half Bangkok's 5.6 and lower than other adjacent areas (4.7 in Nonthaburi and 3.6 in Samut Sakhon). We believe most patients going to CNMI will be overflow from overcrowded public hospitals since there are few public hospitals in Samut Prakarn at ~40% of total beds vs. ~60% in Bangkok and ~80% in Thailand.

**Expansions are no burden.** CHG has two investments: 1) an upgrade of Chularat 304 International Hospital in Prachinburi (mid-2018) and 2) a greenfield project, Ruampat Chacheangsao Hospital in Chacheongsao (2019). We are positive on these areas: private hospitals supply only 5% of all beds in Prachinburi and 15% in Chacheongsao and two provinces in which we expect healthcare demand to rise, gaining from a growing economy and business activity in Thailand's eastern region as the government's plan for the Eastern Economic Corridor (EEC) comes to life.

### Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Revenue	(Btmn)	3,637	3,876	4,491	5,295	6,103
EBITDA	(Btmn)	909	968	1,192	1,390	1,534
Core profit	(Btmn)	564	592	713	830	981
Reported profit	(Btmn)	564	565	713	830	981
Core EPS	(Bt)	0.051	0.054	0.065	0.075	0.089
DPS	(Bt)	0.036	0.036	0.047	0.045	0.053
P/E, core	(x)	36.5	34.7	28.8	24.8	21.0
EPS growth, core	(%)	4.8	5.0	20.4	16.4	18.1
P/BV, core	(x)	6.6	6.2	5.6	5.0	4.5
ROE	(%)	18.2	17.7	19.5	20.5	21.8
Dividend yield	(%)	1.9	1.9	2.5	2.4	2.9
FCF yield	(%)	(1.6)	1.6	2.0	2.8	4.1
EV/EBIT	(x)	30.1	29.4	23.2	19.7	16.4
EBIT growth, core	(%)	3.7	2.4	26.4	17.3	17.8
EV/CE	(x)	5.8	5.3	4.9	4.6	4.3
ROCE	(%)	15.5	14.2	16.7	18.1	20.6
EV/EBITDA	(x)	23.0	21.6	17.5	15.0	13.3
EBITDA growth	(%)	8.8	6.5	23.2	16.6	10.3

Source: SCBS Investment Research

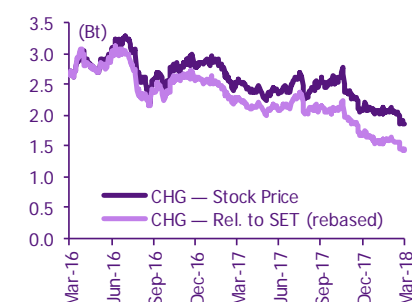
## BUY

### Stock data

Last close (Mar 21) (Bt)	1.87
12-m target price (Bt)	2.90
Upside (Downside) to TP (%)	55.08
Mkt cap (Btmn)	20.57
Mkt cap (US\$mn)	659

Risk rating	L
Mkt cap (%) SET	0.11
Sector % SET	4.23
Shares issued (mn)	11,000
Par value (Bt)	0.10
12-m high / low (Bt)	2.8 / 1.8
Avg. daily 6m (US\$mn)	3.48
Foreign limit / actual (%)	49 / 5
Free float (%)	40.5
Dividend policy (%)	≥ 50

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	(8.3)	(15.0)	(27.5)
Relative to SET	(9.0)	(17.8)	(37.0)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	2.90
12-month dividend (Bt)	0.05
Capital gain (%)	55.08
Dividend yield (%)	2.51
Total return (%)	57.59

Source: SET, SCBS Investment Research

### Analyst

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Fundamental Investment

Analyst on Securities

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## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total revenue	Btmn	2,221	2,672	3,155	3,637	3,876	4,491	5,295	6,103
Cost of goods sold	Btmn	1,446	1,756	2,082	2,469	2,633	3,075	3,679	4,227
<b>Gross profit</b>	<b>Btmn</b>	<b>775</b>	<b>916</b>	<b>1,073</b>	<b>1,168</b>	<b>1,243</b>	<b>1,416</b>	<b>1,616</b>	<b>1,877</b>
SG&A	Btmn	287	359	426	494	551	538	585	663
Other income	Btmn	33	43	24	21	21	22	26	31
Interest expense	Btmn	2	1	1	10	16	19	18	18
<b>Pre-tax profit</b>	<b>Btmn</b>	<b>519</b>	<b>598</b>	<b>670</b>	<b>686</b>	<b>697</b>	<b>881</b>	<b>1,039</b>	<b>1,227</b>
Corporate tax	Btmn	102	105	118	132	121	131	167	208
Equity a/c profits	Btmn	0	0	0	0	0	0	0	0
Minority interests	Btmn	-	(0)	0	(1)	(0)	(1)	(1)	(1)
<b>Core profit</b>	<b>Btmn</b>	<b>414</b>	<b>481</b>	<b>538</b>	<b>564</b>	<b>592</b>	<b>713</b>	<b>830</b>	<b>981</b>
Extra-ordinary items	Btmn	-	-	-	-	(27)	-	-	-
<b>Net Profit</b>	<b>Btmn</b>	<b>414</b>	<b>481</b>	<b>538</b>	<b>564</b>	<b>565</b>	<b>713</b>	<b>830</b>	<b>981</b>
EBITDA	Btmn	632	735	835	909	968	1,192	1,390	1,534
<b>Core EPS</b>	<b>Bt</b>	<b>0.04</b>	<b>0.04</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.06</b>	<b>0.08</b>	<b>0.09</b>
Net EPS	Bt	0.04	0.04	0.05	0.05	0.05	0.06	0.08	0.09
DPS	Bt	0.01	0.03	0.04	0.04	0.04	0.05	0.05	0.05

### Balance Sheet

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total current assets	Btmn	1,767	1,522	1,353	1,335	1,332	1,346	1,537	1,976
Total fixed assets	Btmn	1,082	1,557	1,987	2,936	3,385	3,694	3,960	4,099
<b>Total assets</b>	<b>Btmn</b>	<b>2,994</b>	<b>3,266</b>	<b>3,560</b>	<b>4,518</b>	<b>4,951</b>	<b>5,281</b>	<b>5,748</b>	<b>6,336</b>
Total loans	Btmn	0	30	78	794	783	694	694	694
Total current liabilities	Btmn	341	434	540	1,096	1,024	1,317	1,376	1,476
Total long-term liabilities	Btmn	0	0	26	157	403	57	57	57
<b>Total liabilities</b>	<b>Btmn</b>	<b>356</b>	<b>461</b>	<b>591</b>	<b>1,294</b>	<b>1,478</b>	<b>1,425</b>	<b>1,484</b>	<b>1,584</b>
Paid-up capital	Btmn	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
<b>Total equity</b>	<b>Btmn</b>	<b>2,639</b>	<b>2,804</b>	<b>2,969</b>	<b>3,224</b>	<b>3,473</b>	<b>3,856</b>	<b>4,264</b>	<b>4,752</b>
<b>BVPS</b>	<b>Bt</b>	<b>0.26</b>	<b>0.25</b>	<b>0.27</b>	<b>0.28</b>	<b>0.30</b>	<b>0.33</b>	<b>0.37</b>	<b>0.41</b>

### Cash Flow Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Core Profit	Btmn	414	481	538	564	592	713	830	981
Depreciation and amortization	Btmn	111	136	164	213	255	291	334	289
Operating cash flow	Btmn	309	447	698	705	916	1,016	1,168	1,265
Investing cash flow	Btmn	(1,041)	26	(608)	(1,028)	(594)	(600)	(600)	(427)
Financing cash flow	Btmn	994	(290)	(328)	324	(349)	(439)	(473)	(493)
<b>Net cash flow</b>	<b>Btmn</b>	<b>262</b>	<b>183</b>	<b>(239)</b>	<b>2</b>	<b>(27)</b>	<b>(22)</b>	<b>95</b>	<b>345</b>

### Key Financial Ratios

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Gross margin	%	34.9	34.3	34.0	32.1	32.1	31.5	30.5	30.7
Operating margin	%	22.0	20.8	20.5	18.5	17.9	19.6	19.5	19.9
EBITDA margin	%	28.0	27.1	26.3	24.8	24.8	26.4	26.1	25.0
EBIT margin	%	23.5	22.4	21.3	19.1	18.4	20.1	20.0	20.4
Net profit margin	%	18.7	18.0	17.1	15.5	14.6	15.9	15.7	16.1
ROE	%	22.0	17.7	18.7	18.2	17.7	19.5	20.5	21.8
ROA	%	18.2	15.4	15.8	14.0	12.5	13.9	15.1	16.2
Net D/E	x	Net cash	Net cash	Net cash	0.1	0.1	0.1	0.1	Net cash
Interest coverage	x	332.2	628.6	1,031.2	95.4	61.0	62.3	78.9	87.0
Debt service coverage	x	332.2	23.6	15.8	1.4	2.4	1.8	2.1	2.3
Payout Ratio	%	n.a.	68.7	73.6	70.2	56.5	60.0	60.0	60.0

### Main Assumptions

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
<b>Revenue breakdown</b>									
Cash service	(%)	51.0	51.0	51.6	54.9	57.6	61.9	66.3	69.6
Social security service (SC)	(%)	42.0	41.0	36.0	36.2	37.5	33.7	29.8	27.0
Universal coverage (UC)	(%)	7.0	8.0	13.0	9.0	5.0	4.4	3.8	3.4

**Financial statement****Profit and Loss Statement**

<b>FY December 31</b>	<b>Unit</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>
Total revenue	Btmn	886	876	963	912	937	890	1,032	1,016
Cost of goods sold	Btmn	582	620	643	624	625	624	699	686
<b>Gross profit</b>	<b>Btmn</b>	<b>304</b>	<b>256</b>	<b>320</b>	<b>288</b>	<b>312</b>	<b>266</b>	<b>334</b>	<b>330</b>
SG&A	Btmn	114	118	122	140	125	124	129	173
Other income	Btmn	4	6	6	4	4	7	5	4
Interest expense	Btmn	1	1	3	4	4	3	4	5
<b>Pre-tax profit</b>	<b>Btmn</b>	<b>193</b>	<b>143</b>	<b>201</b>	<b>149</b>	<b>187</b>	<b>146</b>	<b>206</b>	<b>157</b>
Corporate tax	Btmn	37	27	40	17	35	27	37	32
Equity a/c profits	Btmn	0	0	0	0	0	0	0	0
Minority interests	Btmn	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Core profit</b>	<b>Btmn</b>	<b>157</b>	<b>116</b>	<b>160</b>	<b>131</b>	<b>153</b>	<b>119</b>	<b>168</b>	<b>153</b>
Extra-ordinary items	Btmn	0	0	0	0	0	0	0	(27)
<b>Net Profit</b>	<b>Btmn</b>	<b>157</b>	<b>116</b>	<b>160</b>	<b>131</b>	<b>153</b>	<b>119</b>	<b>168</b>	<b>126</b>
EBITDA	Btmn	241	196	259	213	252	211	276	228
<b>Core EPS</b>	<b>Bt</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.01</b>
Net EPS	Bt	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01

**Balance Sheet**

<b>FY December 31</b>	<b>Unit</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>
Total current assets	Btmn	1,418	1,389	1,421	1,335	1,369	1,416	1,460	1,332
Total fixed assets	Btmn	2,173	2,412	2,778	114	3,028	114	114	114
<b>Total assets</b>	<b>Btmn</b>	<b>3,877</b>	<b>4,095</b>	<b>4,478</b>	<b>4,518</b>	<b>4,641</b>	<b>4,786</b>	<b>4,937</b>	<b>4,951</b>
Total loans	Btmn	123	369	661	801	681	795	805	852
Total current liabilities	Btmn	645	852	1,133	1,096	983	1,085	1,163	1,024
Total long-term liabilities	Btmn	42	69	91	157	214	239	245	403
<b>Total liabilities</b>	<b>Btmn</b>	<b>716</b>	<b>949</b>	<b>1,251</b>	<b>1,294</b>	<b>1,239</b>	<b>1,370</b>	<b>1,458</b>	<b>1,478</b>
Paid-up capital	Btmn	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
<b>Total equity</b>	<b>Btmn</b>	<b>3,161</b>	<b>3,145</b>	<b>3,227</b>	<b>3,224</b>	<b>3,403</b>	<b>3,416</b>	<b>3,479</b>	<b>3,473</b>
<b>BVPS</b>	<b>Bt</b>	<b>0.28</b>	<b>0.28</b>	<b>0.28</b>	<b>0.28</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>

**Cash Flow Statement**

<b>FY December 31</b>	<b>Unit</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>
Core Profit	Btmn	157	116	160	131	153	119	168	153
Depreciation and amortization	Btmn	46	52	55	60	61	62	66	66
Operating cash flow	Btmn	196	20	287	201	152	168	333	264
Investing cash flow	Btmn	(242)	(273)	(357)	(156)	(102)	(126)	(176)	(190)
Financing cash flow	Btmn	44	114	159	8	(121)	(20)	(123)	(85)
<b>Net cash flow</b>	<b>Bt</b>	<b>(2)</b>	<b>(139)</b>	<b>89</b>	<b>53</b>	<b>(72)</b>	<b>22</b>	<b>33</b>	<b>(11)</b>

**Key Financial Ratios**

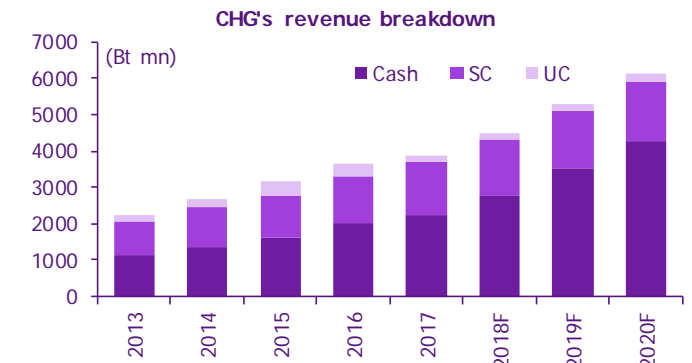
<b>FY December 31</b>	<b>Unit</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>
Gross margin	%	34.3	29.2	33.2	31.6	33.3	29.9	32.3	32.5
Operating margin	%	21.4	15.8	20.6	16.3	20.0	16.0	19.8	15.5
EBITDA margin	%	27.0	22.3	26.7	23.2	26.8	23.5	26.6	21.3
EBIT margin	%	21.9	16.5	21.2	16.8	20.4	16.8	20.3	15.9
Net profit margin	%	17.7	13.2	16.6	14.4	16.3	13.3	16.3	12.4
ROE	%	20.6	17.8	18.7	18.2	18.6	16.6	17.5	17.7
ROA	%	17.2	14.4	14.5	14.0	14.4	12.2	12.5	12.5
Net D/E	x	Net cash	0.1	0.3	0.4	0.3	0.4	0.4	0.4
Interest coverage	x	412.6	131.7	75.4	53.0	70.7	64.6	62.1	49.7
Debt service coverage	x	11.6	2.6	1.8	1.3	2.1	1.5	1.9	1.9

**Key statistics**

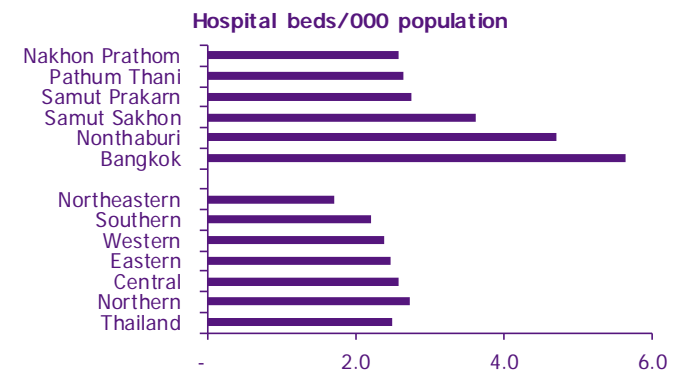
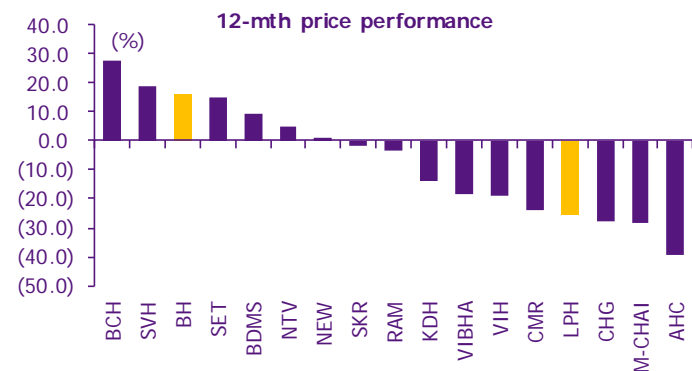
<b>FY December 31</b>	<b>Unit</b>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>	<b>4Q16</b>	<b>1Q17</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>
<b>Revenue breakdown</b>									
Cash service	(%)	48.3	53.1	51.6	53.0	51.8	57.1	57.2	53.3
Social security service (SC)	(%)	37.6	32.2	35.8	34.9	37.9	34.8	37.0	40.9
Universal coverage (UC)	(%)	14.0	14.7	12.7	12.1	10.3	8.1	5.8	5.9

**Figure 1: CHG's earnings forecast**

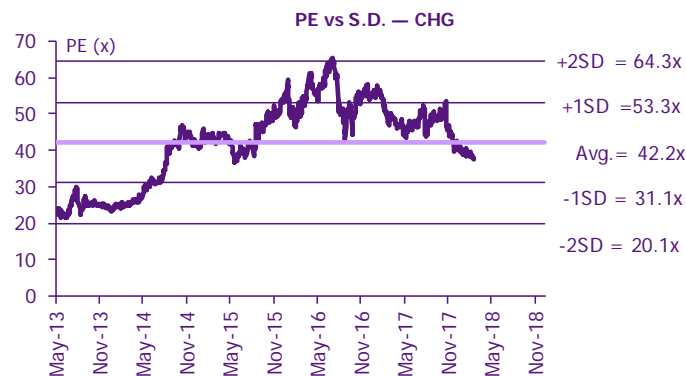
Source: Company data and SCBS Investment Research

**Figure 2: CHG revenue breakdown**

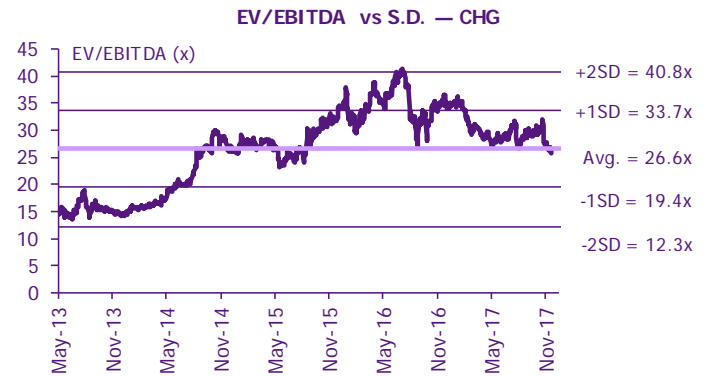
Source: Company data and SCBS Investment Research

**Figure 3: Hospital supply is low in Samut Prakarn**Source: Ministry of Public Health and SCBS Investment Research  
Data as of 2014**Figure 4: Over-penalized share price**

Source: SET and SCBS Investment Research

**Figure 5: CHG PE band**

Source: SET and SCBS Investment Research

**Figure 6: CHG EV/EBITDA band**

Source: SET and SCBS Investment Research

## Earnings reviving - but still a sector laggard

**After a recent price correction, GLOBAL is the sector's most laggard, underperforming the SET by 15% over the past year. It is now trading at 32x 18PE (-1 S.D. over its 7-year PE), and its 2018PEG of 1.5x is below the sector's 2.2x. We expect growth in 1Q18F earnings: YoY from potentially the sector's best SSS growth from better sentiment and a good rice harvest and QoQ from seasonality. Earnings look good in 2018F with growth of 22% YoY off a low base for both SSS growth (9M17) and margin (2H17) and continued expansion. BUY with end-2018 DCF TP of Bt21.**

**Sector's best SSS growth in 2018F.** After weak same-store sales (SSS) at -7% YoY in 9M17, GLOBAL reported positive growth of 2% YoY in 4Q17. With better sentiment and purchasing power from a good harvest of in-season rice and off 1Q17's low base (-7% YoY), we expect 1Q18 SSS growth to be in the mid-single digits. Of its stores, 60% are in Thailand's rice belt in the central and northeast regions, the most extensive representation in the sector. With improving sentiment and off a low base (-5% YoY in 2017), we expect its SSS growth to be the sector's best at 4.5% YoY in 2018F (vs sector average of 3.2% YoY).

**Aggressive expansion continues.** We expect GLOBAL to open nine new stores in 2018F (the same as in 2017), implying growth of 16% YoY, the sector's highest in terms of store space. We expect it to open eight new stores in Thailand and its first new store in Cambodia. Assuming operations in Cambodia are similar to Thailand, it should be profitable within the first year of operation.

**Better gross margin in 2018F.** In 2017, its gross margin was stable YoY at 20.6%; margin improvement (+100bps YoY) in 1H17 from a greater portion of high-margin private-brand products was offset by margin contraction (-100bps YoY) in 2H17 from price promotions in 3Q17 and a change in sales mix with more sales of low-margin construction material products in 4Q17.

In 2018, we expect gross margin to widen 10bps YoY to 20.7%. While we expect some margin impact from more sales of low-margin construction material products in early 2018F, margin will improve in 2H18F off 2H17's low base and a rise in the portion of high-margin private brands to sales (13% of sales now) from more direct salespersons, more new products, and better support from its new distribution center, in operation since 2Q17 as well as better economies of scale that give it greater bargaining power with suppliers.

**Wider EBIT margin in 2018F.** We expect EBIT margin to expand 30bps YoY to 10.6% in 2018F. This will be backed by: 1) a wider gross margin; 2) better control on SG&A expenses/sales; 3) more other income from higher supplier support from more utilization of its new distribution center.

### Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Revenue	(Btmn)	18,857	20,831	24,552	27,930	31,230
EBITDA	(Btmn)	2,822	2,895	3,374	3,925	4,490
Core profit	(Btmn)	1,667	1,609	1,955	2,371	2,820
Reported profit	(Btmn)	1,676	1,609	1,955	2,371	2,820
Core EPS	(Bt)	0.42	0.40	0.49	0.59	0.70
DPS	(Bt)	0.17	0.18	0.17	0.18	0.21
P/E, core	(x)	37.4	38.8	31.9	26.3	22.1
EPS growth, core	(%)	91.9	(3.5)	21.6	21.2	18.9
P/BV, core	(x)	5.1	4.7	4.3	3.8	3.4
ROE	(%)	12.2	12.5	14.0	15.3	16.2
Dividend yield	(%)	1.1	1.1	1.1	1.1	1.4
FCF yield	(x)	(4.6)	(4.5)	0.7	1.9	3.2
EV/EBIT	(x)	31.3	34.4	28.6	23.8	19.9
EBIT growth, core	(%)	82.3	(4.3)	20.9	19.4	17.1
EV/CE	(x)	3.5	3.0	2.8	2.7	2.5
ROCE	(%)	6.6	4.7	5.4	6.3	7.3
EV/EBITDA	(x)	24.8	25.5	21.9	18.7	16.1
EBITDA growth	(%)	44.7	2.6	16.5	16.4	14.4

Source: SCBS Investment Research

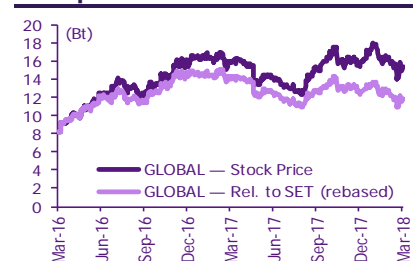
## BUY

### Stock data

Last close (Mar 21) (Bt)	15.60
12-m target price (Bt)	21.00
Upside (Downside) to TP (%)	34.62
Mkt cap (Btbn)	59.93
Mkt cap (US\$mn)	1,919

Risk rating	L
Mkt cap (%) SET	0.33
Sector % SET	10.26
Shares issued (mn)	3,841
Par value (Bt)	1.00
12-m high / low (Bt)	18.2 / 12.3
Avg. daily 6m (US\$mn)	3.47
Foreign limit / actual (%)	49 / 1.81
Free float (%)	32.0
Dividend policy (%)	≥ 30

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	(1.5)	(0.9)	(1.5)
Relative to SET	(2.2)	(4.2)	(14.4)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	21.00
12-month dividend (Bt)	0.17
Capital gain (%)	34.62
Dividend yield (%)	1.10
Total return (%)	35.71

Source: SET, SCBS Investment Research

### Analyst

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**Financial statement****Profit and Loss Statement**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total revenue	(Btmn)	14,302	15,561	16,864	18,857	20,831	24,552	27,930	31,230
Cost of goods sold	(Btmn)	(12,113)	(13,205)	(14,019)	(14,980)	(16,544)	(19,475)	(22,098)	(24,646)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>2,189</b>	<b>2,356</b>	<b>2,845</b>	<b>3,877</b>	<b>4,287</b>	<b>5,077</b>	<b>5,832</b>	<b>6,583</b>
SG&A	(Btmn)	(1,388)	(1,842)	(2,125)	(2,223)	(2,865)	(3,319)	(3,684)	(4,035)
Other income	(Btmn)	434	494	509	586	722	832	947	1,074
Interest expense	(Btmn)	(71)	(133)	(144)	(169)	(184)	(204)	(197)	(176)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>1,164</b>	<b>875</b>	<b>1,084</b>	<b>2,071</b>	<b>1,959</b>	<b>2,387</b>	<b>2,897</b>	<b>3,447</b>
Corporate tax	(Btmn)	(222)	(176)	(219)	(409)	(361)	(439)	(533)	(634)
Equity a/c profits	(Btmn)	0	0	3	6	4	6	7	7
Minority interests	(Btmn)	0	0	0	0	6	2	0	0
<b>Core profit</b>	<b>(Btmn)</b>	<b>942</b>	<b>699</b>	<b>868</b>	<b>1,667</b>	<b>1,609</b>	<b>1,955</b>	<b>2,371</b>	<b>2,820</b>
Extra-ordinary items	(Btmn)	(57)	2	12	9	0	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>885</b>	<b>702</b>	<b>881</b>	<b>1,676</b>	<b>1,609</b>	<b>1,955</b>	<b>2,371</b>	<b>2,820</b>
EBITDA	(Btmn)	1,619	1,691	1,950	2,822	2,895	3,374	3,925	4,490
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.24</b>	<b>0.17</b>	<b>0.22</b>	<b>0.42</b>	<b>0.40</b>	<b>0.49</b>	<b>0.59</b>	<b>0.70</b>
Net EPS (Bt)	(Bt)	0.22	0.18	0.22	0.42	0.40	0.49	0.59	0.70
DPS (Bt)	(Bt)	0.01	0.01	0.04	0.17	0.18	0.17	0.18	0.21

**Balance Sheet**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total current assets	(Btmn)	7,420	7,918	8,799	11,564	14,326	15,016	15,804	16,326
Total fixed assets	(Btmn)	8,627	13,256	14,238	11,503	13,903	15,121	16,039	16,921
<b>Total assets</b>	<b>(Btmn)</b>	<b>16,046</b>	<b>21,174</b>	<b>23,037</b>	<b>23,067</b>	<b>28,230</b>	<b>30,137</b>	<b>31,843</b>	<b>33,248</b>
Total loans	(Btmn)	3,466	4,219	4,724	7,819	11,633	11,728	11,237	10,037
Total current liabilities	(Btmn)	5,370	2,974	4,037	10,649	13,637	12,151	12,154	11,434
Total long-term liabilities	(Btmn)	376	4,117	4,081	73	1,213	3,359	3,376	3,393
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>5,746</b>	<b>7,091</b>	<b>8,119</b>	<b>10,722</b>	<b>14,849</b>	<b>15,511</b>	<b>15,530</b>	<b>14,826</b>
Paid-up capital	(Btmn)	2,613	3,049	3,484	3,658	3,841	3,841	3,841	3,841
<b>Total equity</b>	<b>(Btmn)</b>	<b>10,301</b>	<b>14,083</b>	<b>14,918</b>	<b>12,346</b>	<b>13,380</b>	<b>14,626</b>	<b>16,313</b>	<b>18,421</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>2.58</b>	<b>3.52</b>	<b>3.73</b>	<b>3.09</b>	<b>3.34</b>	<b>3.66</b>	<b>4.08</b>	<b>4.60</b>

**Cash Flow Statement**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Core Profit	(Btmn)	942	699	868	1,667	1,609	1,955	2,371	2,820
Depreciation and amortization	(Btmn)	384	683	721	582	752	783	831	868
Operating cash flow	(Btmn)	(1,025)	937	1,545	(381)	140	2,426	2,918	3,724
Investing cash flow	(Btmn)	(2,488)	(1,429)	(1,850)	(2,517)	(2,956)	(2,000)	(1,750)	(1,750)
Financing cash flow	(Btmn)	3,558	613	320	2,769	2,996	(614)	(1,175)	(1,911)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>45</b>	<b>120</b>	<b>15</b>	<b>(128)</b>	<b>180</b>	<b>(188)</b>	<b>(8)</b>	<b>63</b>

**Key Financial Ratios**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Gross margin	(%)	15.3	15.1	16.9	20.6	20.6	20.7	20.9	21.1
Operating margin	(%)	5.6	3.3	4.3	8.8	6.8	7.2	7.7	8.2
EBITDA margin	(%)	11.3	10.9	11.6	15.0	13.9	13.7	14.1	14.4
EBIT margin	(%)	8.6	6.5	7.3	11.9	10.3	10.6	11.1	11.6
Net profit margin	(%)	6.2	4.5	5.2	8.9	7.7	8.0	8.5	9.0
ROE	(%)	9.8	5.7	6.0	12.2	12.5	14.0	15.3	16.2
ROA	(%)	6.7	3.8	3.9	7.2	6.3	6.7	7.7	8.7
Net D/E	(x)	0.3	0.3	0.3	0.6	0.8	0.8	0.7	0.5
Interest coverage	(x)	22.8	12.7	13.5	16.7	15.7	16.5	20.0	25.6
Debt service coverage	(x)	0.5	1.3	1.0	0.4	0.3	0.4	0.5	0.6
Payout Ratio	(%)	5.4	6.9	18.0	36.1	44.1	35.0	30.0	30.0

**Main Assumptions**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
SSS growth	(%)	1.5	(6.1)	(0.8)	(0.1)	(5.0)	4.5	3.0	3.0
No of new stores	(stores)	7	5	6	8	9	9	7	7
No of stores, ending	(stores)	27	32	38	46	55	64	71	78
Portion of private brand/sales	(%)	9.3	10.0	12.4	12.9	13.0	14.0	15.0	16.0

## Financial statement

## Profit and Loss Statement

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total revenue	(Btmn)	5,155	4,787	4,362	4,554	5,377	5,174	4,906	5,374
Cost of goods sold	(Btmn)	(4,147)	(3,794)	(3,461)	(3,579)	(4,245)	(4,077)	(3,916)	(4,305)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>1,008</b>	<b>993</b>	<b>901</b>	<b>975</b>	<b>1,132</b>	<b>1,096</b>	<b>989</b>	<b>1,069</b>
SG&A	(Btmn)	(525)	(536)	(573)	(590)	(657)	(704)	(717)	(788)
Other income	(Btmn)	173	151	131	130	176	183	176	187
Interest expense	(Btmn)	(37)	(39)	(44)	(49)	(48)	(39)	(45)	(52)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>619</b>	<b>570</b>	<b>416</b>	<b>466</b>	<b>602</b>	<b>537</b>	<b>404</b>	<b>417</b>
Corporate tax	(Btmn)	(124)	(111)	(81)	(93)	(119)	(106)	(64)	(72)
Equity a/c profits	(Btmn)	3	7	(5)	1	1	2	(1)	2
Minority interests	(Btmn)	0	0	0	0	0	0	5	2
<b>Core profit</b>	<b>(Btmn)</b>	<b>498</b>	<b>465</b>	<b>330</b>	<b>374</b>	<b>484</b>	<b>432</b>	<b>343</b>	<b>349</b>
Extra-ordinary items	(Btmn)	0	(3)	0	12	0	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>498</b>	<b>462</b>	<b>330</b>	<b>386</b>	<b>484</b>	<b>432</b>	<b>343</b>	<b>349</b>
EBITDA	(Btmn)	789	743	613	678	818	759	638	681
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.12</b>	<b>0.12</b>	<b>0.08</b>	<b>0.09</b>	<b>0.12</b>	<b>0.11</b>	<b>0.09</b>	<b>0.09</b>
Net EPS (Bt)	(Bt)	0.12	0.12	0.08	0.10	0.12	0.11	0.09	0.09

## Balance Sheet

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total current assets	(Btmn)	9,096	9,912	10,338	11,564	12,235	11,941	12,955	14,326
Total fixed assets	(Btmn)	14,678	15,108	15,712	11,503	11,762	12,149	13,086	13,903
<b>Total assets</b>	<b>(Btmn)</b>	<b>23,775</b>	<b>25,020</b>	<b>26,051</b>	<b>23,067</b>	<b>23,997</b>	<b>24,090</b>	<b>26,040</b>	<b>28,230</b>
Total loans	(Btmn)	4,775	5,524	3,333	7,819	7,782	8,772	9,650	11,633
Total current liabilities	(Btmn)	4,332	8,325	9,083	10,649	11,084	10,042	12,056	13,637
Total long-term liabilities	(Btmn)	4,074	1,068	1,056	73	84	1,377	952	1,213
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>8,405</b>	<b>9,393</b>	<b>10,139</b>	<b>10,722</b>	<b>11,168</b>	<b>11,419</b>	<b>13,008</b>	<b>14,849</b>
Paid-up capital	(Btmn)	3,484	3,658	3,658	3,658	3,658	3,841	3,841	3,841
<b>Total equity</b>	<b>(Btmn)</b>	<b>15,369</b>	<b>15,627</b>	<b>15,911</b>	<b>12,346</b>	<b>12,830</b>	<b>12,671</b>	<b>13,032</b>	<b>13,380</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>3.84</b>	<b>3.91</b>	<b>3.98</b>	<b>3.09</b>	<b>3.21</b>	<b>3.17</b>	<b>3.26</b>	<b>3.34</b>

## Cash Flow Statement

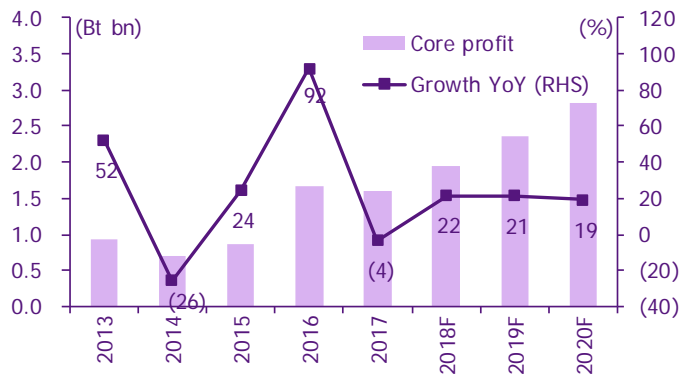
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Core Profit	(Btmn)	498	462	330	386	484	432	343	349
Depreciation and amortization	(Btmn)	133	134	153	162	167	183	190	212
Operating cash flow	(Btmn)	640	(140)	(238)	(643)	779	377	(33)	(982)
Investing cash flow	(Btmn)	(470)	(577)	(669)	(801)	(521)	(592)	(795)	(1,047)
Financing cash flow	(Btmn)	(14)	585	731	1,468	(120)	353	832	1,931
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>156</b>	<b>(132)</b>	<b>(176)</b>	<b>23</b>	<b>138</b>	<b>137</b>	<b>3</b>	<b>(98)</b>

## Key Financial Ratios

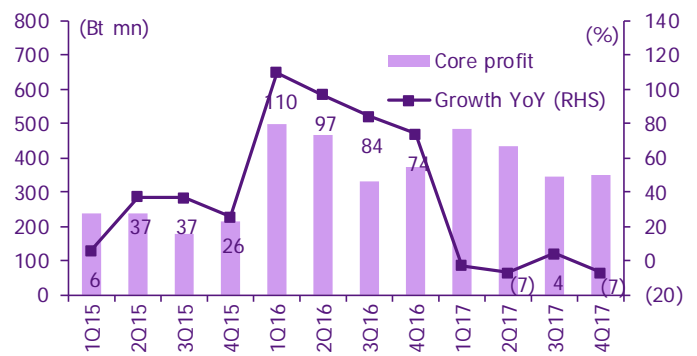
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Gross margin	(%)	19.5	20.7	20.7	21.4	21.0	21.2	20.2	19.9
Operating margin	(%)	9.4	9.5	7.5	8.5	8.8	7.6	5.6	5.2
EBITDA margin	(%)	15.3	15.5	14.0	14.9	15.2	14.7	13.0	12.7
EBIT margin	(%)	12.7	12.7	10.5	11.3	12.1	11.1	9.1	8.7
Net profit margin	(%)	9.7	9.6	7.6	8.5	9.0	8.4	7.0	6.5
ROE	(%)	13.2	12.0	8.4	10.6	15.4	13.6	10.7	10.6
ROA	(%)	8.5	7.6	5.2	6.1	8.2	7.2	5.5	5.1
Net D/E	(x)	0.3	0.3	0.2	0.6	0.6	0.7	0.7	0.8
Interest coverage	(x)	21.3	19.1	14.0	13.7	16.9	19.3	14.2	13.2
Debt service coverage	(x)	1.7	1.5	0.4	0.8	0.4	0.4	0.3	0.3

## Main Assumptions

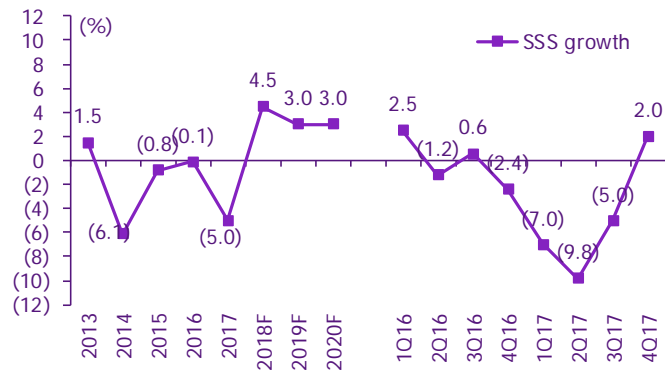
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
SSS growth	(%)	2.5	(1.2)	0.6	(2.4)	(7.0)	(9.8)	(5.0)	2.0
No of new stores	(stores)	0	2	3	3	4	1	1	3
No of stores, ending	(stores)	38	40	43	46	50	51	52	55

**Figure 1: GLOBAL's yearly core earnings growth**

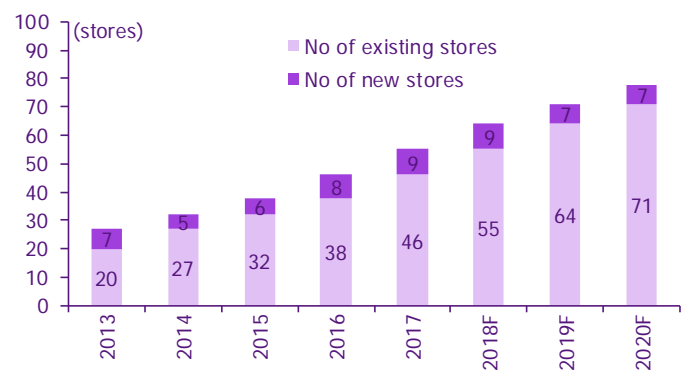
Source: SCBS Investment Research

**Figure 2: GLOBAL's quarterly core earnings growth**

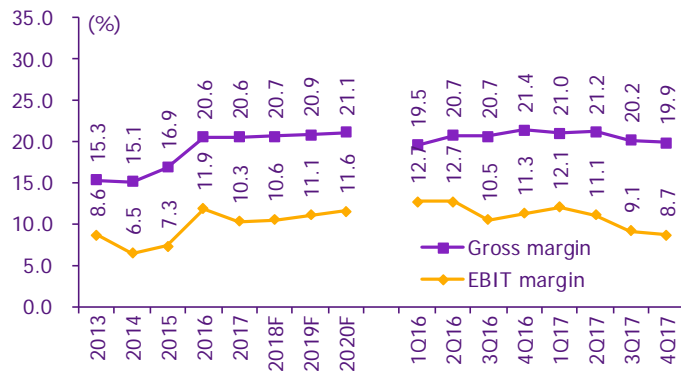
Source: SCBS Investment Research

**Figure 3: GLOBAL's SSS growth**

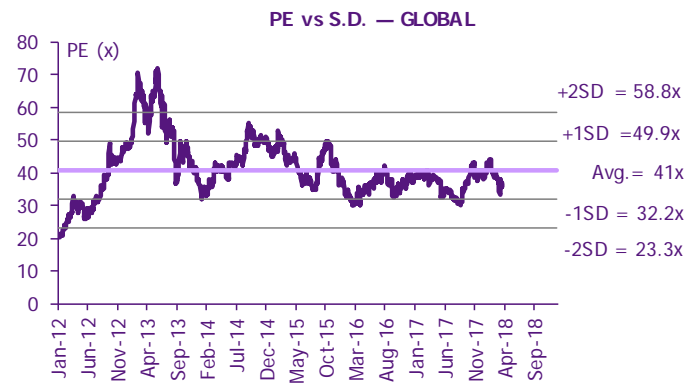
Source: SCBS Investment Research

**Figure 4: GLOBAL's store expansion**

Source: SCBS Investment Research

**Figure 5: GLOBAL's margin outlook**

Source: SCBS Investment Research

**Figure 6: GLOBAL's 7-year PE band**

Source: SCBS Investment Research



## Appetite for growth back on the table

**After a revamp of its loan underwriting policy, KTB is ready to boost its private sector loan growth to add to a robust expansion in government-related loans as the greatest beneficiary from building public investment. We expect KTB to have the largest NIM improvement this year and upside from the release of provisions against AQ. Trading at 1SD below historical mean and the sector's average, KTB is a laggard play.**

**Tagging public investment plus higher risk appetite.** We project loan growth to accelerate from 2% in 2017 to 8% in 2018, broken down into growth of 20% (+59% in 2017) in government related loans, 9% (-6% in 2017) in SME loans, 7% (-1% in 2017) in corporate loans and 6% (+1% in 2017) in retail loans. Positioned to benefit the most from greater public investment (SCB EIC forecasts 8.7% growth in 2018F), government-related loan growth will remain robust in 2018. After taking a break last year from growing loans to the private sector in order to review its loan portfolio to reduce exposure to high-risk sectors (such as rice mills) and enhance its risk-capture model, KTB is now ready to raise its risk appetite for SME and retail loans.

**Largest NIM expansion.** We expect KTB to have the largest NIM expansion of +5 bps in 2018F, supported by: 1) a 3 bps rise in yield from greater activity in loans to the private segment, 2) an increase in loan to deposit & borrowing ratio to 92% at YE2018 from 89% at YE2017 and 3) a 3 bps fall in cost of funds. We expect a further fall in cost of funds in 2018 as a result of an increase in retirement of high-cost fixed deposits. Although KTB lifted its CASA from 66% at YE2016 to 69% at YE2017, which is higher than that of SCB (65%) and BBL (51%), its 4Q17 cost of deposits is 11 bps and 3 bps higher than SCB and BBL, respectively. This suggests that KTB has the most room of big banks to further ease its cost of funds.

**Easing NPL inflow with upside from AQ.** NPL formation ratio declined to 1.3% in 4Q17 from 1.5% in 3Q17, mainly from the rice and tapioca sector. It has already classified the majority of loans to rice mills as "possible impaired loans" and has reduced its exposure to the rice mill sector. We see upside in 2018 from a sale of 4,300 rai of land on Bangna-Trad Road, which is collateral for Bt8bn in NPLs owed by AQ. KTB has made full provisions against the loans to AQ and wrote off Bt4bn of the loan. We have not factored the release of provisions against AQ into our forecast of stable provision expense for 2018 in preparation for the IFRS9.

**Top Buy as the laggard play.** We maintain Buy with an unchanged TP of Bt24 (1.1x 2018F BVPS) as it has the most attractive valuation at 0.9x PBV for 2018F, which is 1SD below the 2003-2017 mean, behind the sector, which has resumed trading at historical mean. We expect good earnings growth of 21% in 2018 after a 31% fall in 2017, as it gets into higher gear for loan growth and widens NIM.

### Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Pre-provision profit	(Bt mn)	65,733	67,274	72,105	76,445	81,034
Net profit	(Bt mn)	32,304	22,440	27,258	32,908	37,541
PPP/Sh	(Bt)	4.70	4.81	5.16	5.47	5.80
EPS	(Bt)	2.31	1.60	1.95	2.35	2.69
BVPS	(Bt)	19.59	20.59	21.93	23.54	25.33
DPS	(Bt)	0.86	0.61	0.74	0.89	1.02
P/PPP	(x)	4.17	4.07	3.80	3.58	3.38
PPP growth	(%)	11.35	2.34	7.18	6.02	6.00
P/E	(x)	8.48	12.21	10.05	8.33	7.30
EPS growth	(%)	13.37	(30.53)	21.47	20.73	14.08
P/BV	(x)	1.00	0.95	0.89	0.83	0.77
ROE	(%)	12.43	7.99	9.17	10.35	10.99
Dividend yield	(%)	4.39	3.11	3.78	4.56	5.21

Source: SCBS Investment Research

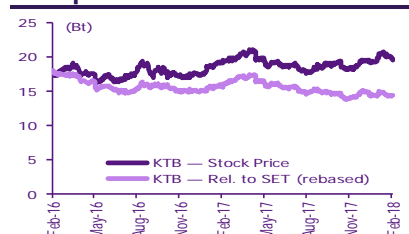
## BUY

### Stock data

Last close (Feb 9) (Bt)	19.60
12-m target price (Bt)	24.00
Upside (Downside) to TP (%)	22.45
Mkt cap (Btbn)	273.93
Mkt cap (US\$mn)	8,593

Risk rating	L
Mkt cap (%) SET	1.53
Sector % SET	13.64
Shares issued (mn)	13,976
Par value (Bt)	5.15
12-m high / low (Bt)	21.1 / 17.5
Avg. daily 6m (US\$mn)	22.51
Foreign limit / actual (%)	25 / 14
Free float (%)	44.9
Dividend policy (%)	≤ 40

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	0.0	3.2	(3.9)
Relative to SET	(0.7)	(0.2)	(16.4)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018)	(Bt)	24.00
12-month dividend	(Bt)	0.74
Capital gain	(%)	22.45
Dividend yield	(%)	3.78
Total return	(%)	26.23

Source: SET, SCBS Investment Research

### Analyst

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Analyst on Securities

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## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Interest & dividend income	(Btmn)	111,403	128,230	132,525	129,230	122,507	129,833	139,688	150,125
Interest expense	(Btmn)	46,921	51,072	51,657	42,264	36,729	37,691	41,231	45,282
<b>Net interest income</b>	(Btmn)	<b>64,481</b>	<b>77,158</b>	<b>80,868</b>	<b>86,966</b>	<b>85,778</b>	<b>92,142</b>	<b>98,457</b>	<b>104,843</b>
Non-interest income	(Btmn)	26,611	27,960	32,701	34,619	35,095	36,803	38,597	40,480
Non-interest expenses	(Btmn)	40,313	48,145	50,920	50,631	49,396	50,727	52,854	55,125
Pre-provision profit	(Btmn)	50,779	56,973	62,650	70,953	71,477	78,218	84,200	90,198
Provision	(Btmn)	12,311	18,643	30,542	33,429	44,833	44,847	43,537	43,494
Pre-tax profit	(Btmn)	38,468	38,330	32,108	37,524	26,643	33,371	40,663	46,704
Tax	(Btmn)	7,778	7,184	5,605	7,063	4,797	6,507	7,929	9,107
Equities & minority interest	(Btmn)	(3,238)	(2,045)	(1,990)	(1,843)	(594)	(394)	(175)	56
<b>Core net profit</b>	(Btmn)	<b>33,929</b>	<b>33,191</b>	<b>28,494</b>	<b>32,304</b>	<b>22,440</b>	<b>27,258</b>	<b>32,908</b>	<b>37,541</b>
Extra item	(Btmn)	0	0	0	0	0	0	0	0
<b>Net profit</b>	(Btmn)	<b>33,929</b>	<b>33,191</b>	<b>28,494</b>	<b>32,304</b>	<b>22,440</b>	<b>27,258</b>	<b>32,908</b>	<b>37,541</b>
<b>EPS</b>	(Bt)	<b>2.43</b>	<b>2.37</b>	<b>2.04</b>	<b>2.31</b>	<b>1.60</b>	<b>1.95</b>	<b>2.35</b>	<b>2.69</b>
<b>DPS</b>	(Bt)	<b>0.88</b>	<b>0.90</b>	<b>0.76</b>	<b>0.86</b>	<b>0.61</b>	<b>0.74</b>	<b>0.89</b>	<b>1.02</b>

### Balance Sheet

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Cash	(Btmn)	50,690	74,770	71,470	72,106	73,573	74,399	74,786	76,597
Interbank assets	(Btmn)	448,572	456,721	397,358	431,638	559,827	531,836	531,836	531,836
Investments	(Btmn)	241,783	258,495	261,732	242,265	228,246	228,246	228,246	228,246
<b>Gross loans</b>	(Btmn)	<b>1,711,090</b>	<b>1,952,996</b>	<b>2,027,440</b>	<b>1,904,089</b>	<b>1,938,082</b>	<b>2,093,128</b>	<b>2,260,578</b>	<b>2,441,425</b>
Accrued interest receivable	(Btmn)	4,647	5,601	5,901	5,271	5,212	5,212	5,212	5,212
Loan loss reserve	(Btmn)	61,807	76,021	85,957	110,781	125,381	140,228	158,765	182,259
<b>Net loans</b>	(Btmn)	<b>1,653,931</b>	<b>1,882,576</b>	<b>1,947,385</b>	<b>1,798,578</b>	<b>1,817,912</b>	<b>1,958,112</b>	<b>2,107,025</b>	<b>2,264,377</b>
<b>Total assets</b>	(Btmn)	<b>2,514,771</b>	<b>2,789,143</b>	<b>2,815,330</b>	<b>2,689,446</b>	<b>2,864,373</b>	<b>2,979,673</b>	<b>3,131,296</b>	<b>3,292,840</b>
Deposits	(Btmn)	1,883,781	2,151,268	2,135,499	1,972,404	2,070,875	2,165,099	2,291,541	2,425,138
Interbank liabilities	(Btmn)	200,989	162,015	194,243	203,166	228,691	228,691	228,691	228,691
Borrowings	(Btmn)	133,001	146,171	116,240	120,691	110,626	110,626	110,626	110,626
<b>Total liabilities</b>	(Btmn)	<b>2,308,680</b>	<b>2,553,276</b>	<b>2,565,032</b>	<b>2,410,299</b>	<b>2,570,149</b>	<b>2,664,374</b>	<b>2,790,816</b>	<b>2,924,412</b>
Minority interest	(Btmn)	0	3,724	4,415	5,218	6,358	8,702	11,332	14,244
Paid-up capital	(Btmn)	72,005	72,005	72,005	72,005	72,005	72,005	72,005	72,005
<b>Total Equities</b>	(Btmn)	<b>206,090</b>	<b>232,142</b>	<b>245,883</b>	<b>273,929</b>	<b>287,867</b>	<b>306,597</b>	<b>329,148</b>	<b>354,184</b>
<b>BVPS</b>	(Bt)	<b>14.74</b>	<b>16.60</b>	<b>17.59</b>	<b>19.59</b>	<b>20.59</b>	<b>21.93</b>	<b>23.54</b>	<b>25.33</b>

### Key Assumptions and Financial Ratios

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
<b>Growth</b>									
YoY loan growth	(%)	11.83	14.14	3.81	(6.08)	1.79	8.00	8.00	8.00
YoY non-NII growth	(%)	20.98	5.07	16.96	5.86	1.37	4.87	4.87	4.88
<b>Profitability</b>									
Yield on earn'g assets	(%)	4.88	5.05	4.93	4.88	4.55	4.56	4.66	4.74
Cost on int-bear'g liab	(%)	2.22	2.18	2.11	1.78	1.56	1.53	1.61	1.68
Spread	(%)	2.66	2.86	2.82	3.09	2.99	3.02	3.06	3.06
Net interest margin	(%)	2.83	3.04	3.01	3.28	3.19	3.24	3.29	3.31
ROE	(%)	17.45	15.15	11.92	12.43	7.99	9.17	10.35	10.99
ROA	(%)	1.42	1.25	1.02	1.17	0.81	0.93	1.08	1.17
<b>Asset Quality</b>									
NPLs/Total Loans	(%)	3.29	2.94	3.76	4.77	5.30	5.16	5.01	4.87
LLR/NPLs	(%)	109.47	132.24	112.55	121.57	121.71	129.89	140.26	153.36
Provision expense/Total loans	(%)	0.72	0.95	1.51	1.76	2.31	2.14	1.93	1.78
<b>Liquidity</b>									
Loans/Deposits & borrowings	(%)	84.84	85.01	90.04	90.97	88.84	91.98	94.11	96.28
<b>Efficiency</b>									
Cost to income ratio	(%)	44.26	45.80	44.84	41.64	40.87	39.34	38.56	37.93
<b>Capital Fund</b>									
Capital adequacy ratio	(%)	14.78	14.47	14.84	16.61	17.20	17.50	17.30	17.20
Tier-1	(%)	10.17	10.64	11.17	12.81	13.48	14.00	14.03	14.14
Tier-2	(%)	4.61	3.83	3.68	3.80	3.72	3.49	3.27	3.07

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Interest & dividend income	(Btmn)	32,666	32,920	31,996	31,648	31,157	30,698	30,370	30,283
Interest expense	(Btmn)	11,325	10,743	10,401	9,795	9,337	9,093	9,112	9,187
<b>Net interest income</b>	<b>(Btmn)</b>	<b>21,341</b>	<b>22,177</b>	<b>21,595</b>	<b>21,853</b>	<b>21,820</b>	<b>21,604</b>	<b>21,259</b>	<b>21,095</b>
Non-interest income	(Btmn)	8,823	7,985	9,198	8,612	8,439	7,718	8,424	10,514
Non-interest expenses	(Btmn)	12,464	11,998	13,137	13,033	12,601	11,687	12,475	12,634
Earnings before tax & provision	(Btmn)	17,700	18,165	17,656	17,432	17,658	17,636	17,208	18,975
Provision	(Btmn)	8,623	7,741	7,636	9,429	7,460	13,878	9,918	13,577
Pre-tax profit	(Btmn)	9,077	10,424	10,020	8,003	10,198	3,758	7,290	5,397
Tax	(Btmn)	1,775	1,995	1,818	1,475	2,041	713	1,440	603
Equities & minority interest	(Btmn)	(238)	(250)	(421)	(934)	(375)	(177)	(22)	(21)
<b>Core net profit</b>	<b>(Btmn)</b>	<b>7,540</b>	<b>8,679</b>	<b>8,622</b>	<b>7,463</b>	<b>8,532</b>	<b>3,222</b>	<b>5,872</b>	<b>4,815</b>
Extra item	(Btmn)	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>(Btmn)</b>	<b>7,540</b>	<b>8,679</b>	<b>8,622</b>	<b>7,463</b>	<b>8,532</b>	<b>3,222</b>	<b>5,872</b>	<b>4,815</b>
<b>EPS</b>	<b>(Bt)</b>	<b>0.54</b>	<b>0.62</b>	<b>0.62</b>	<b>0.53</b>	<b>0.61</b>	<b>0.23</b>	<b>0.42</b>	<b>0.34</b>

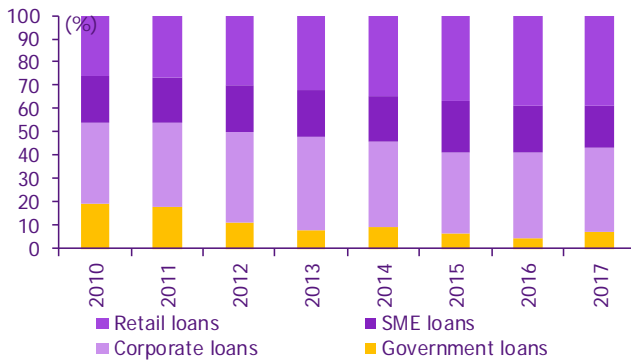
### Balance Sheet

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Cash	(Btmn)	59,966	69,629	63,839	72,106	69,570	67,239	64,167	73,573
Interbank assets	(Btmn)	496,110	494,821	446,999	431,638	426,887	426,469	466,503	559,827
Investments	(Btmn)	245,571	243,048	239,967	242,265	259,809	221,676	225,550	228,246
<b>Gross loans</b>	<b>(Btmn)</b>	<b>1,990,409</b>	<b>1,973,367</b>	<b>1,906,053</b>	<b>1,904,089</b>	<b>1,913,287</b>	<b>1,918,010</b>	<b>1,875,807</b>	<b>1,938,082</b>
Accrued interest receivable	(Btmn)	4,220	3,185	3,378	5,271	3,554	3,159	5,020	5,212
Loan loss reserve	(Btmn)	93,118	98,672	103,908	110,781	112,541	111,466	119,649	125,381
<b>Net loans</b>	<b>(Btmn)</b>	<b>1,901,512</b>	<b>1,877,879</b>	<b>1,805,523</b>	<b>1,798,578</b>	<b>1,804,299</b>	<b>1,809,703</b>	<b>1,761,178</b>	<b>1,817,912</b>
<b>Total assets</b>	<b>(Btmn)</b>	<b>2,850,285</b>	<b>2,830,848</b>	<b>2,689,178</b>	<b>2,689,446</b>	<b>2,696,367</b>	<b>2,672,038</b>	<b>2,668,061</b>	<b>2,864,373</b>
Deposits	(Btmn)	2,092,754	2,081,903	1,973,357	1,972,404	1,991,444	1,962,422	1,950,086	2,070,875
Interbank liabilities	(Btmn)	224,671	228,472	209,716	203,166	190,367	186,650	184,108	228,691
Borrowings	(Btmn)	117,843	120,049	118,926	120,691	113,746	116,807	116,261	110,626
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>2,582,711</b>	<b>2,564,957</b>	<b>2,413,012</b>	<b>2,410,299</b>	<b>2,408,139</b>	<b>2,392,324</b>	<b>2,378,397</b>	<b>2,570,149</b>
Minority interest	(Btmn)	4,312	4,605	4,928	5,218	5,588	5,464	5,892	6,358
Paid-up capital	(Btmn)	72,005	72,005	72,005	72,005	72,005	72,005	72,005	72,005
<b>Total Equities</b>	<b>(Btmn)</b>	<b>263,262</b>	<b>261,286</b>	<b>271,238</b>	<b>273,929</b>	<b>282,640</b>	<b>274,250</b>	<b>283,773</b>	<b>287,867</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>18.83</b>	<b>18.69</b>	<b>19.40</b>	<b>19.59</b>	<b>20.22</b>	<b>19.62</b>	<b>20.30</b>	<b>20.59</b>

### Financial Ratios

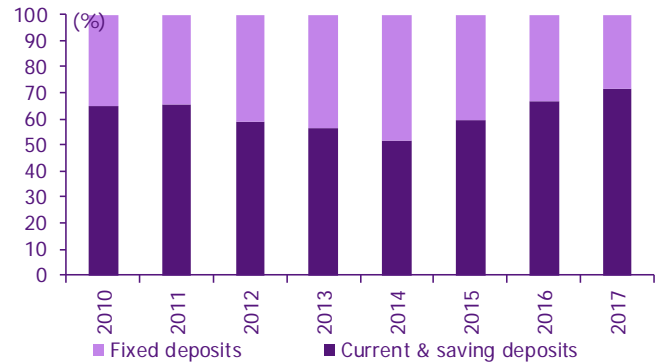
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
<b>Growth</b>									
YoY loan growth	(%)	1.86	(0.35)	(3.93)	(6.08)	(3.87)	(2.81)	(1.59)	1.79
YoY non-NII growth	(%)	29.08	2.61	(3.49)	0.69	(4.35)	(3.35)	(8.42)	22.08
<b>Profitability</b>									
Yield on earn'g assets	(%)	4.78	4.77	4.77	4.85	4.78	4.72	4.69	4.50
Cost on int-bear'g liab	(%)	1.86	1.77	1.76	1.70	1.63	1.59	1.61	1.58
Spread	(%)	2.92	3.01	3.01	3.15	3.15	3.12	3.07	2.93
Net interest margin	(%)	3.12	3.22	3.22	3.35	3.35	3.32	3.28	3.14
ROE	(%)	11.85	13.24	12.95	10.95	12.26	4.63	8.42	6.74
ROA	(%)	1.06	1.23	1.28	1.11	1.27	0.48	0.88	0.67
<b>Asset Quality</b>									
NPLs/Total Loans	(%)	4.52	4.77	5.16	4.79	5.25	5.17	5.53	5.30
LLR/NPLs	(%)	103.43	104.73	105.58	121.57	112.11	112.50	115.37	121.71
Provision expense/Total loans	(%)	1.73	1.57	1.60	1.98	1.56	2.89	2.11	2.80
<b>Liquidity</b>									
Loans/Deposits & borrowings	(%)	90.04	89.62	91.10	90.97	90.88	92.25	90.78	88.84
<b>Efficiency</b>									
Cost to income ratio	(%)	41.32	39.78	42.66	42.78	41.64	39.86	42.03	39.97
<b>Capital Fund</b>									
Capital adequacy ratio	(%)	15.29	15.72	16.66	16.61	16.04	16.26	16.60	17.20
Tier-1	(%)	11.56	11.99	12.85	12.81	12.54	12.77	13.10	13.48
Tier-2	(%)	3.73	3.73	3.80	3.80	3.50	3.49	3.50	3.72

**Figure 1: KTB's loans broken down by segment**



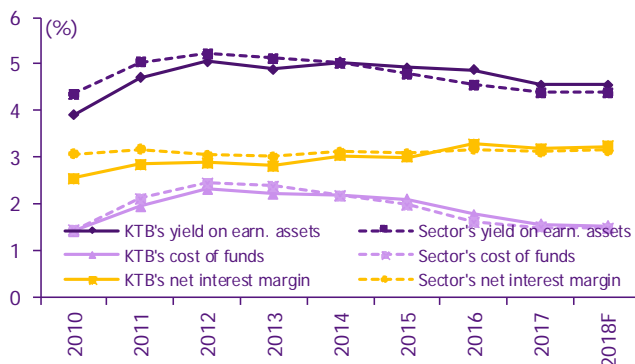
Source: KTB, NESDB and SCBS Investment Research

**Figure 2: KTB's deposit mix**



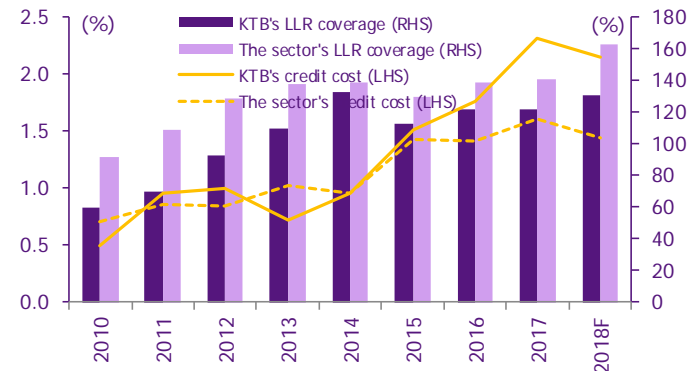
Source: KTB and SCBS Investment Research

**Figure 3: Yield on earning assets, funding cost, NIM**



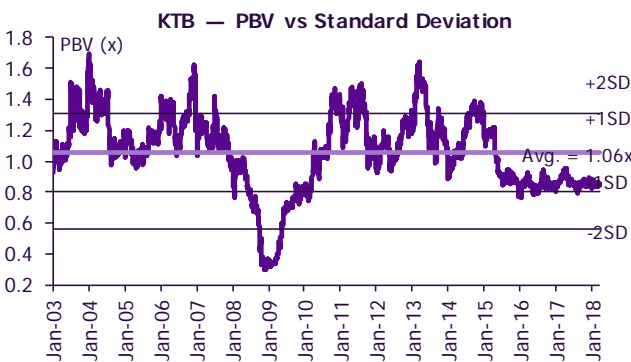
Source: KTB, NESDB and SCBS Investment Research

**Figure 4: LLR coverage and credit cost**



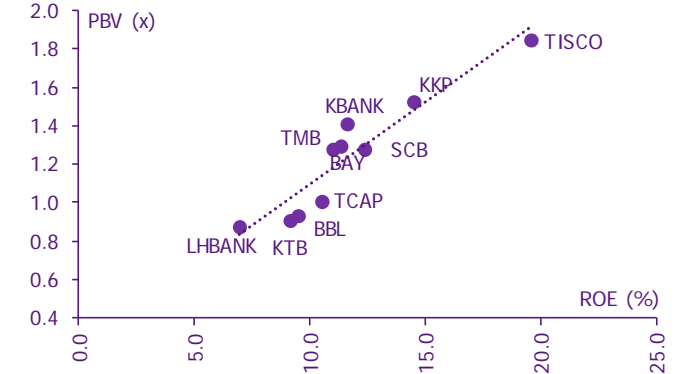
Source: KTB and SCBS Investment Research

**Figure 5: KTB's PBV**



Source: KTB, NESDB and SCBS Investment Research

**Figure 6: Banking sector's valuation map**



Source: KTB and SCBS Investment Research

## A laggard but improving steadily

**After a recent price correction, ROBINS has underperformed the SET by 14% over a year. It is now the sector's cheapest at 22x 18PE (-1 S.D. over its 7-year PE), and is now trading at 1.4x 2018PEG, below the sector's 2.2x. We expect growth in 1Q18, up YoY from better SSS and wider margin and up QoQ from seasonality. We forecast earnings growth of 16% YoY in 2018F off a low base for both SSS growth (1H17) and gross margin (2Q17-3Q17), with better rental and equity income. BUY with end-2018 DCF TP of Bt90.**

**SSS reviving.** Same-store sales (SSS) contracted 3.4% YoY in 4Q17 (vs -1.8% YoY in 4Q16 and -0.1% YoY in 3Q17) off the high base from the sale of black apparel for the mourning in Oct 2016. Excluding this one-off factor, SSS growth is estimated at 0% in 4Q17. With better consumption sentiment, more purchasing power from a better in-season rice harvest, and off 1Q17's low base from mourning (-4% YoY), we believe SSS is slightly positive to date in 1Q18. Of its stores, 30% are located in the rice-growing areas of the central and northeast regions. With better sentiment and off 2017's low base (-3.0% YoY), we estimate SSS growth of 2.0% YoY in 2018F.

**Moderate expansion in 2018F.** ROBINS plans to open two new lifestyle centers in 2018F: Chonburi in July and Chaiyaphum in December. It also aims to finish major renovations at five stores in 2018F: Rama 9, Chiang Mai, Trang, Mega Bangna, and Seacon Square. The revamp will raise rental area and thus sales per store to high single-digit growth.

**Better gross margin.** We expect its gross margin to widen to 25.2% in 2018F (+30bps YoY) from 24.9% in 2017 (flat YoY). Backing this is first, improvement off the low base from price promotions and the clearance of some discontinued products in 2Q17-3Q17. Second, we expect more contribution from new high-margin private brands. ROBINS plans to raise the portion of its high-margin private brands to sales from 11.3% in 2017 to 13% at end-2018F and 20% at end-2020F. We estimate gross margin from private brands at 35-40% on average vs. 25% on products from other brands.

**Wider EBIT margin.** We expect EBIT margin to improve to 12.8% in 2018F (+130bps YoY) from 11.5% in 2017 (+80bps YoY). This will be backed by: 1) a wider gross margin; 2) better control on SG&A/sales; 3) higher rental and other income (+8% YoY) from more rental space on the opening new lifestyle centers (38% of total stores in 2018F vs 35% in 2017), together with better occupancy rate and a higher rental rate at existing stores after renovation.

**Slightly better equity income.** We expect equity income (PowerBuy and SuperSport) to grow 5% YoY to Bt533mn in 2018, thanks to improving sentiment.

### Forecasts and valuation

Year to 31 Dec	Unit	2016	2017	2018F	2019F	2020F
Revenue	(Btmn)	26,078	25,989	27,172	28,854	30,812
EBITDA	(Btmn)	4,873	5,069	5,499	5,978	6,774
Core profit	(Btmn)	2,499	2,742	3,182	3,698	4,308
Reported profit	(Btmn)	2,815	2,742	3,182	3,698	4,308
Core EPS	(Bt)	2.25	2.47	2.86	3.33	3.88
DPS	(Bt)	1.11	1.25	1.43	1.66	1.94
P/E, core	(x)	28.1	25.6	22.1	19.0	16.3
EPS growth, core	(%)	16.1	9.7	16.1	16.2	16.5
P/BV, core	(x)	4.3	4.0	3.6	3.3	2.9
ROE	(%)	16.3	16.3	17.3	18.2	19.0
Dividend yield	(%)	1.8	2.0	2.3	2.6	3.1
FCF yield	(x)	2.5	3.8	3.3	3.7	4.7
EV/EBIT	(x)	25.4	23.4	19.9	16.8	14.0
EBIT growth, core	(%)	12.0	6.6	16.1	17.1	17.3
EV/CE	(x)	5.7	5.9	5.6	5.2	4.9
ROCE	(%)	(6.7)	(9.5)	(8.2)	(6.6)	(5.0)
EV/EBITDA	(x)	14.6	13.9	12.6	11.4	9.9
EBITDA growth	(%)	8.3	4.0	8.5	8.7	13.3

Source: SCBS Investment Research

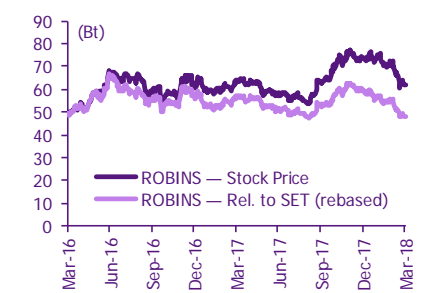
## BUY

### Stock data

Last close (Mar 21) (Bt)	63.25
12-m target price (Bt)	90.00
Upside (Downside) to TP (%)	42.29
Mkt cap (Btbn)	70.25
Mkt cap (US\$mn)	2,250

Risk rating	L
Mkt cap (%) SET	0.39
Sector % SET	10.26
Shares issued (mn)	1,111
Par value (Bt)	3.55
12-m high / low (Bt)	78 / 53.3
Avg. daily 6m (US\$mn)	6.24
Foreign limit / actual (%)	49 / 12
Free float (%)	40.6
Dividend policy (%)	40

### Price Performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	(9.3)	(13.4)	(1.2)
Relative to SET	(10.0)	(16.2)	(14.1)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	90.00
12-month dividend (Bt)	1.43
Capital gain (%)	42.29
Dividend yield (%)	2.26
Total return (%)	44.56

Source: SET, SCBS Investment Research

### Analyst

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**Financial statement****Profit and Loss Statement**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total revenue	(Btmn)	24,300	23,896	25,185	26,078	25,989	27,172	28,854	30,812
Cost of goods sold	(Btmn)	(18,386)	(18,053)	(19,022)	(19,574)	(19,530)	(20,338)	(21,539)	(22,939)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>5,914</b>	<b>5,843</b>	<b>6,163</b>	<b>6,504</b>	<b>6,459</b>	<b>6,834</b>	<b>7,315</b>	<b>7,873</b>
SG&A	(Btmn)	(5,686)	(6,328)	(7,231)	(7,557)	(7,828)	(8,072)	(8,378)	(8,702)
Other income	(Btmn)	2,061	2,718	3,577	3,863	4,364	4,714	5,136	5,608
Interest expense	(Btmn)	0	(40)	(79)	(84)	(71)	(56)	(43)	(25)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>2,289</b>	<b>2,193</b>	<b>2,431</b>	<b>2,726</b>	<b>2,924</b>	<b>3,421</b>	<b>4,030</b>	<b>4,753</b>
Corporate tax	(Btmn)	(456)	(448)	(534)	(556)	(534)	(616)	(725)	(856)
Equity a/c profits	(Btmn)	358	404	451	510	507	533	559	587
Minority interests	(Btmn)	(241)	(222)	(195)	(181)	(155)	(156)	(166)	(177)
<b>Core profit</b>	<b>(Btmn)</b>	<b>1,951</b>	<b>1,927</b>	<b>2,153</b>	<b>2,499</b>	<b>2,742</b>	<b>3,182</b>	<b>3,698</b>	<b>4,308</b>
Extra-ordinary items	(Btmn)	35	0	0	316	0	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>1,986</b>	<b>1,927</b>	<b>2,153</b>	<b>2,815</b>	<b>2,742</b>	<b>3,182</b>	<b>3,698</b>	<b>4,308</b>
EBITDA	(Btmn)	3,707	3,939	4,499	4,873	5,069	5,499	5,978	6,774
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>1.76</b>	<b>1.74</b>	<b>1.94</b>	<b>2.25</b>	<b>2.47</b>	<b>2.86</b>	<b>3.33</b>	<b>3.88</b>
Net EPS (Bt)	(Bt)	1.79	1.74	1.94	2.53	2.47	2.86	3.33	3.88
DPS (Bt)	(Bt)	0.90	0.90	1.00	1.11	1.25	1.43	1.66	1.94

**Balance Sheet**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Total current assets	(Btmn)	4,810	4,620	5,317	5,724	5,383	6,809	7,653	8,823
Total fixed assets	(Btmn)	14,020	18,482	20,743	21,277	22,171	23,209	24,606	25,960
<b>Total assets</b>	<b>(Btmn)</b>	<b>18,830</b>	<b>23,102</b>	<b>26,059</b>	<b>27,001</b>	<b>27,554</b>	<b>30,018</b>	<b>32,260</b>	<b>34,783</b>
Total loans	(Btmn)	0	2,654	3,582	3,267	1,768	2,096	1,721	1,192
Total current liabilities	(Btmn)	6,629	9,757	9,864	7,400	8,130	8,918	9,415	9,966
Total long-term liabilities	(Btmn)	188	306	1,744	3,404	1,902	1,785	1,422	936
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>6,818</b>	<b>10,062</b>	<b>11,608</b>	<b>10,804</b>	<b>10,032</b>	<b>10,703</b>	<b>10,837</b>	<b>10,902</b>
Paid-up capital	(Btmn)	3,943	3,943	3,943	3,943	3,943	3,943	3,943	3,943
<b>Total equity</b>	<b>(Btmn)</b>	<b>12,013</b>	<b>13,040</b>	<b>14,451</b>	<b>16,197</b>	<b>17,522</b>	<b>19,315</b>	<b>21,422</b>	<b>23,881</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>10.82</b>	<b>11.74</b>	<b>13.01</b>	<b>14.58</b>	<b>15.78</b>	<b>17.39</b>	<b>19.29</b>	<b>21.50</b>

**Cash Flow Statement**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Core Profit	(Btmn)	1,951	1,927	2,153	2,499	2,742	3,182	3,698	4,308
Depreciation and amortization	(Btmn)	1,418	1,705	1,989	2,063	2,074	2,023	1,905	1,996
Operating cash flow	(Btmn)	3,190	3,476	3,653	3,419	4,996	5,393	5,888	6,635
Investing cash flow	(Btmn)	(3,241)	(5,021)	(3,267)	(1,641)	(2,305)	(3,061)	(3,303)	(3,350)
Financing cash flow	(Btmn)	(1,090)	1,496	(138)	(1,641)	(3,089)	(1,060)	(1,966)	(2,378)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(1,141)</b>	<b>(49)</b>	<b>248</b>	<b>137</b>	<b>(399)</b>	<b>1,272</b>	<b>619</b>	<b>908</b>

**Key Financial Ratios**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
Gross margin	(%)	24.3	24.5	24.5	24.9	24.9	25.2	25.4	25.6
Operating margin	(%)	0.9	(2.0)	(4.2)	(4.0)	(5.3)	(4.6)	(3.7)	(2.7)
EBITDA margin	(%)	15.3	16.5	17.9	18.7	19.5	20.2	20.7	22.0
EBIT margin	(%)	9.4	9.3	10.0	10.8	11.5	12.8	14.1	15.5
Net profit margin	(%)	8.2	8.1	8.5	10.8	10.5	11.7	12.8	14.0
ROE	(%)	17.1	15.4	15.7	16.3	16.3	17.3	18.2	19.0
ROA	(%)	10.8	9.2	8.8	9.4	10.1	11.1	11.9	12.9
Net D/E	(x)	(0.2)	0.1	0.1	0.1	(0.0)	(0.1)	(0.1)	(0.1)
Interest coverage	(x)	n.a.	97.8	56.9	58.0	71.2	98.4	139.9	268.4
Debt service coverage	(x)	n.a.	1.5	2.2	41.6	42.9	9.9	11.0	13.6
Payout Ratio	(%)	50.3	51.9	51.6	49.3	50.6	50.0	50.0	50.0

**Main Assumptions**

FY December 31	Unit	2013	2014	2015	2016	2017	2018F	2019F	2020F
SSS growth	(%)	2.9	(5.8)	(2.1)	0.1	(3.0)	2.0	3.0	3.0
No. of new stores, net	(stores)	4	7	3	2	2	2	3	3
No. of ending stores, net	(stores)	34	41	44	46	48	50	53	56
- Thai - Department stores	(stores)	28	28	28	29	29	30	31	32
- Thai - Lifestyle centers	(stores)	6	11	14	15	17	19	21	23
- Vietnam	(stores)	0	2	2	2	2	2	2	2

## Financial statement

## Profit and Loss Statement

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total revenue	(Btmn)	6,395	6,092	6,237	7,353	6,271	6,021	6,394	7,303
Cost of goods sold	(Btmn)	(4,787)	(4,560)	(4,720)	(5,506)	(4,687)	(4,532)	(4,848)	(5,464)
<b>Gross profit</b>	<b>(Btmn)</b>	<b>1,608</b>	<b>1,532</b>	<b>1,517</b>	<b>1,847</b>	<b>1,584</b>	<b>1,489</b>	<b>1,546</b>	<b>1,839</b>
SG&A	(Btmn)	(1,764)	(1,834)	(1,902)	(2,057)	(1,822)	(1,919)	(1,968)	(2,119)
Other income	(Btmn)	951	956	960	996	1,013	1,056	1,108	1,188
Interest expense	(Btmn)	(17)	(23)	(23)	(21)	(20)	(16)	(19)	(15)
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>778</b>	<b>631</b>	<b>553</b>	<b>764</b>	<b>755</b>	<b>610</b>	<b>667</b>	<b>892</b>
Corporate tax	(Btmn)	(158)	(125)	(111)	(162)	(147)	(109)	(121)	(158)
Equity a/c profits	(Btmn)	122	147	103	138	147	129	97	133
Minority interests	(Btmn)	(56)	(44)	(35)	(47)	(46)	(30)	(32)	(48)
<b>Core profit</b>	<b>(Btmn)</b>	<b>686</b>	<b>609</b>	<b>510</b>	<b>694</b>	<b>710</b>	<b>601</b>	<b>611</b>	<b>820</b>
Extra-ordinary items	(Btmn)	0	0	0	316	0	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>686</b>	<b>609</b>	<b>510</b>	<b>1,010</b>	<b>710</b>	<b>601</b>	<b>611</b>	<b>820</b>
EBITDA	(Btmn)	1,225	1,092	1,040	1,268	1,190	1,067	1,161	1,398
<b>Core EPS (Bt)</b>	<b>(Btmn)</b>	<b>0.62</b>	<b>0.55</b>	<b>0.46</b>	<b>0.62</b>	<b>0.64</b>	<b>0.54</b>	<b>0.55</b>	<b>0.74</b>
Net EPS (Bt)	(Bt)	0.62	0.55	0.46	0.91	0.64	0.54	0.55	0.74

## Balance Sheet

FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Total current assets	(Btmn)	4,975	4,473	4,489	5,724	4,886	4,212	4,885	5,383
Total fixed assets	(Btmn)	20,527	20,483	20,602	21,277	21,402	21,577	21,624	22,171
<b>Total assets</b>	<b>(Btmn)</b>	<b>25,502</b>	<b>24,956</b>	<b>25,091</b>	<b>27,001</b>	<b>26,289</b>	<b>25,790</b>	<b>26,509</b>	<b>27,554</b>
Total loans	(Btmn)	3,582	3,882	3,308	3,267	2,745	3,229	2,867	1,768
Total current liabilities	(Btmn)	8,572	7,115	6,578	7,400	6,430	7,831	7,892	8,130
Total long-term liabilities	(Btmn)	1,742	3,244	3,372	3,404	2,911	1,910	1,940	1,902
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>10,314</b>	<b>10,359</b>	<b>9,951</b>	<b>10,804</b>	<b>9,341</b>	<b>9,741</b>	<b>9,832</b>	<b>10,032</b>
Paid-up capital	(Btmn)	3,943	3,943	3,943	3,943	3,943	3,943	3,943	3,943
<b>Total equity</b>	<b>(Btmn)</b>	<b>15,188</b>	<b>14,597</b>	<b>15,140</b>	<b>16,197</b>	<b>16,948</b>	<b>16,049</b>	<b>16,677</b>	<b>17,522</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>13.68</b>	<b>13.14</b>	<b>13.63</b>	<b>14.58</b>	<b>15.26</b>	<b>14.45</b>	<b>15.02</b>	<b>15.78</b>

## Cash Flow Statement

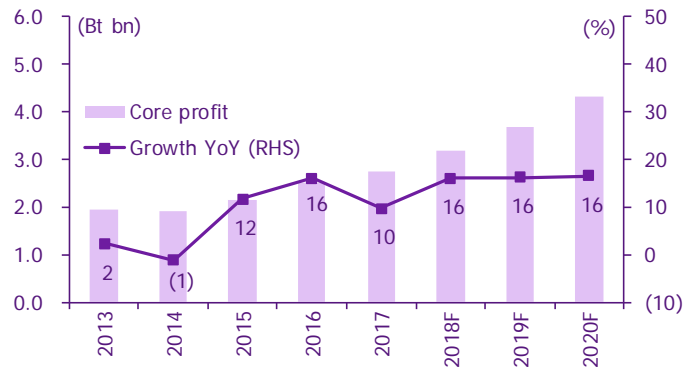
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Core Profit	(Btmn)	686	609	510	1,010	710	601	611	820
Depreciation and amortization	(Btmn)	492	499	527	545	477	503	540	553
Operating cash flow	(Btmn)	(116)	951	750	1,834	417	895	1,467	2,217
Investing cash flow	(Btmn)	(98)	(375)	(525)	(643)	(367)	(554)	(558)	(825)
Financing cash flow	(Btmn)	(17)	(966)	(594)	(65)	(537)	(1,061)	(382)	(1,110)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(231)</b>	<b>(389)</b>	<b>(369)</b>	<b>1,126</b>	<b>(488)</b>	<b>(720)</b>	<b>527</b>	<b>282</b>

## Key Financial Ratios

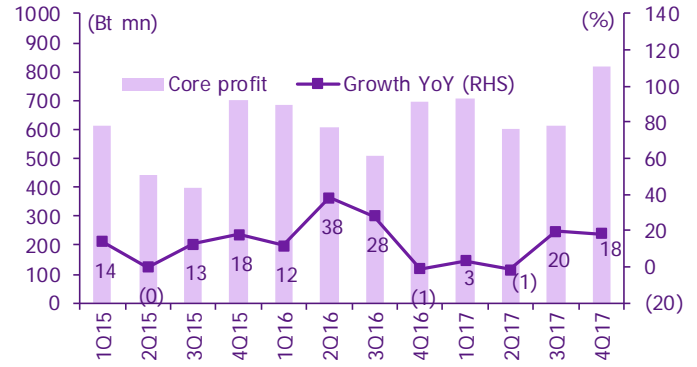
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Gross margin	(%)	25.1	25.1	24.3	25.1	25.3	24.7	24.2	25.2
Operating margin	(%)	(2.4)	(5.0)	(6.2)	(2.9)	(3.8)	(7.1)	(6.6)	(3.8)
EBITDA margin	(%)	19.2	17.9	16.7	17.2	19.0	17.7	18.2	19.1
EBIT margin	(%)	12.4	10.7	9.2	10.7	12.4	10.4	10.7	12.4
Net profit margin	(%)	10.7	10.0	8.2	13.7	11.3	10.0	9.6	11.2
ROE	(%)	18.5	16.4	13.7	17.7	17.1	14.6	14.9	19.2
ROA	(%)	10.6	9.7	8.1	10.7	10.7	9.2	9.3	12.1
Net D/E	(x)	0.1	0.2	0.1	0.1	0.1	0.1	0.1	(0.0)
Interest coverage	(x)	73.8	46.8	45.8	59.3	59.8	65.1	59.6	90.4
Debt service coverage	(x)	2.4	4.9	21.8	42.8	56.3	2.7	3.9	51.4

## Main Assumptions

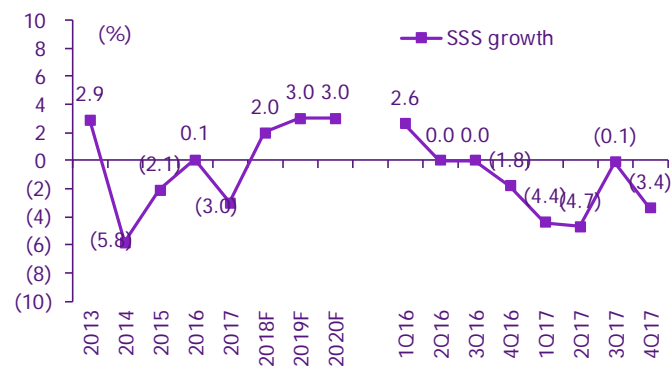
FY December 31	Unit	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
SSS growth	(%)	2.6	0.0	0.0	(1.8)	(4.4)	(4.7)	(0.1)	(3.4)
No. of new stores, net	(stores)	0	0	1	1	(1)	1	0	2
No. of ending stores, net	(stores)	44	44	45	46	45	46	46	48
- Thai - Department stores	(stores)	28	28	29	29	28	28	28	29
- Thai - Lifestyle centers	(stores)	14	14	14	15	15	16	16	17
- Vietnam	(stores)	2	2	2	2	2	2	2	2

**Figure 1: ROBINS's yearly core earnings growth**

Source: SCBS Investment Research

**Figure 2: ROBINS's quarterly core earnings growth**

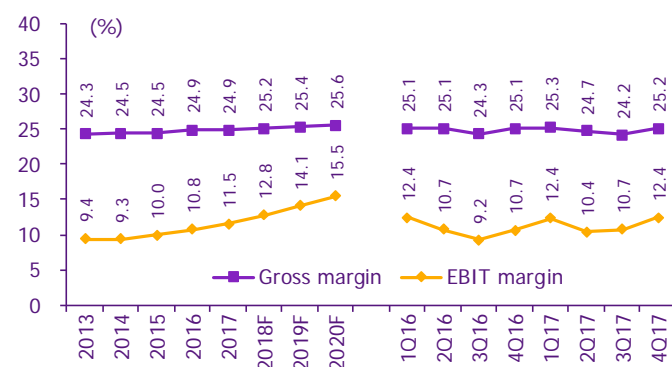
Source: SCBS Investment Research

**Figure 3: ROBINS's SSS growth**

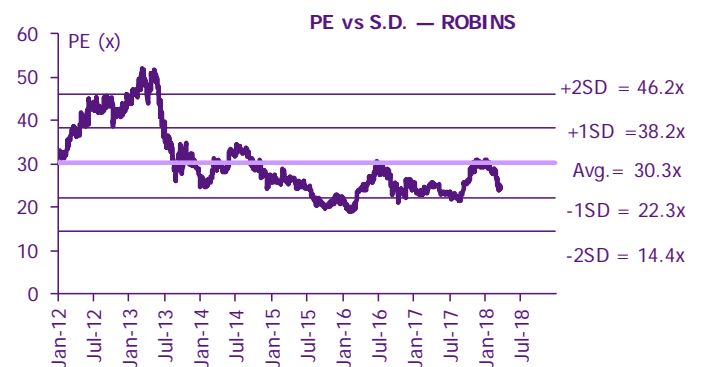
Source: SCBS Investment Research

**Figure 4: ROBINS's store expansion**

Source: SCBS Investment Research

**Figure 5: ROBINS's margin outlook**

Source: SCBS Investment Research

**Figure 6: ROBINS's 7-year PE band**

Source: SCBS Investment Research

# Automotive

SET AUTO index Close: 21/3/2018 575.81 -1.44 / -0.25% Bt109mn  
Bloomberg ticker: SETAUTO

## Selective buy on attractive risk/reward plays

**2017 was a good year for auto parts suppliers, backed by improving auto production that fueled rising sales and higher margins. We forecast Thai auto production growth at 4% YoY in 2018, building on last year's return to demand growth after a lengthy downturn since 2013 plus improving auto exports. This positive industry backdrop will fuel improving operations of auto parts suppliers. We like SAT (TP at Bt26/share) and STANLY (TP at Bt300/share) with new highs for earnings and attractive risk/reward.**

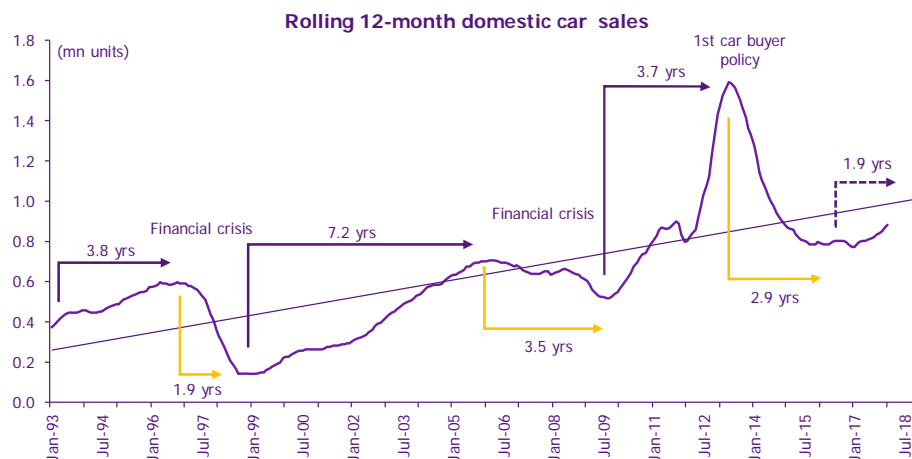
**Good backdrop with growing auto production.** February's auto production numbered 178.2K vehicles, up 15% YoY and 7% MoM. By market, the strongest growth was in the domestic auto market at 75.5K units, up 10% YoY and 13% MoM. Auto exports numbered 102.2K units, up 4% YoY and 25% MoM. We now forecast Thai auto production growth at 4% YoY to 2.06mn units in 2018, chiefly from growing domestic demand (+6% YoY, turning up in 2017 after falling since 2013) with moderate export growth (+2% YoY from -4% YoY in 2017).

**Recovery only just beginning.** Domestic auto demand began to get back on its feet in 2017 with growth of 13% YoY after a downturn since 2013 when the government's first-car buyer program ended. As demand for automobiles is cyclical, we believe the recovery will continue on the growth path, supported by better economic prospects. We use rolling 12-month auto sales (chart below) to track auto demand and find that the trend is picking up. Historical data for 1992 to present shows that a demand downtrend lasted 1.9-3.5 years while an uptrend lasted a longer 3.7-7.2 years. We are 1.9 years into recovery, suggesting that we have not yet reached the top.

**STANLY and SAT to new highs.** We forecast 2018 sector core earnings growth of 16% YoY (from 37% YoY in 2017 which was a turnaround year with rising sales and wider margin). In 2018, we expect STANLY (FY2019 at end-March 2019) to deliver the strongest core earnings growth of 18% YoY, followed by PCSGH at 17% YoY, SAT at 16% YoY and AH at 13% YoY. AH's core earnings reached a new high in 2017 and STANLY and SAT are marching to new highs this year after moving down in 2012-13. By season, 1Q is typically a high earnings season from motor events, softening in 2Q-3Q due to long holidays and rainy season.

**Top picks are SAT and STANLY.** Over the past year, AH's share price has surged 94%, followed by SAT at 35%, PCSGH at 24% and STANLY at 12% vs. a rise in the SET of 15%. We place SAT (TP Bt26, 19% upside) and STANLY (TP Bt300, 28% upside) as our top picks as their earnings will reach new highs this year and risk/reward is attractive because of their laggard price performance.

### Rolling 12-month auto sales suggest auto demand is picking up



Source: SET and SCBS Investment Research



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)		P/BV (x)	
					18F	19F	18F	19F
AH	Neutral	33.8	36.0	10.9	10.7	9.4	1.3	1.1
PCSGH	Neutral	7.1	7.7	13.3	14.5	12.9	2.1	2.0
SAT	Buy	21.8	26.0	23.3	11.1	9.6	1.3	1.3
STANLY	Buy	235.0	300.0	30.7	10.0	9.0	1.2	1.1
Average					12.6	11.1	1.7	1.5

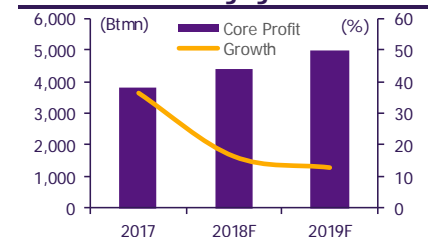
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
AH	3.8	(4.9)	94.0	3.1	(8.1)	68.7
PCSGH	(6.6)	(18.4)	23.5	(7.2)	(21.1)	7.4
SAT	7.4	3.3	34.6	6.6	(0.1)	17.0
STANLY	1.3	4.9	11.9	0.6	1.5	(2.7)

Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### Analyst

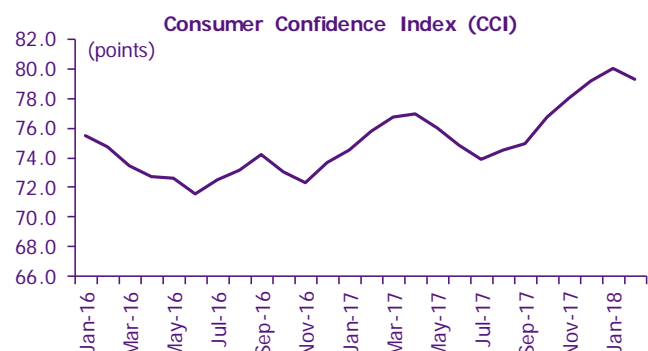
**Raweenuch Piyakriengkai**

Fundamental Investment

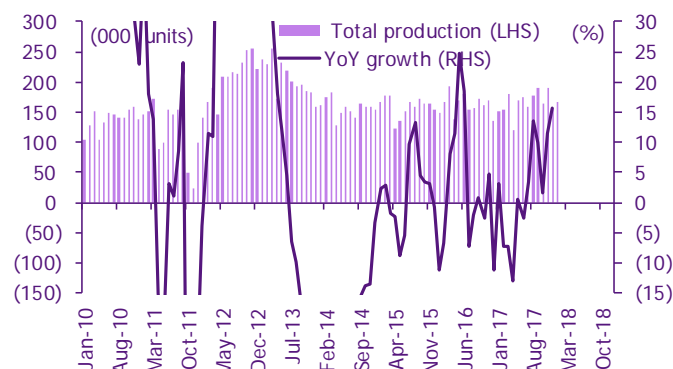
Analyst on Securities

(66-2) 949-1002

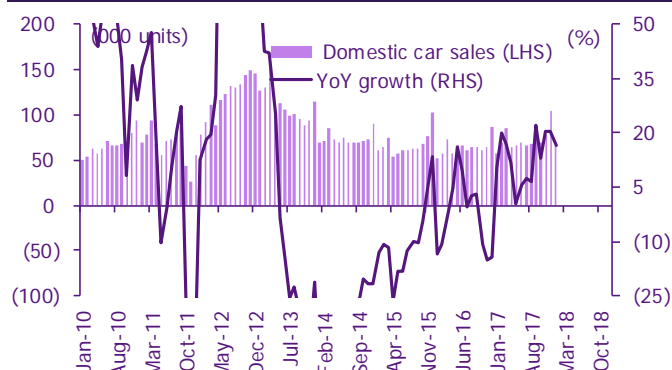
raweenuch.piyakriengkai@scb.co.th

**Figure 1: CCI improving trend**

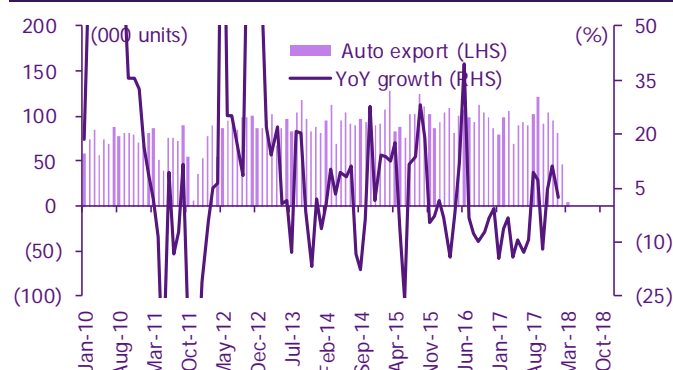
Source: Center for Economic and Business Forecasting

**Figure 2: Thai auto production**

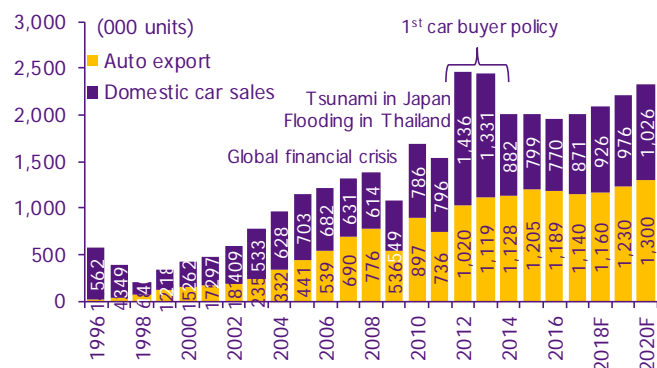
Source: Federation of Thai Industries and SCBS Investment Research

**Figure 3: Domestic auto sales**

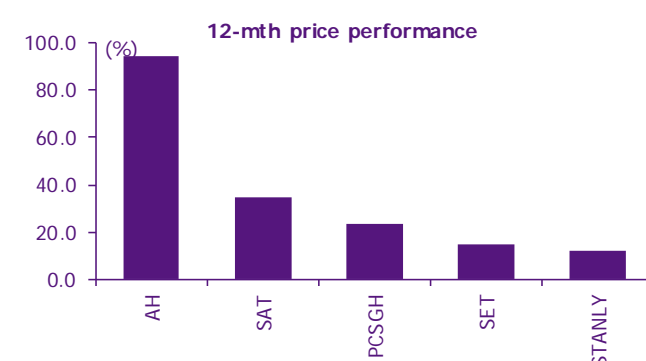
Source: Federation of Thai Industries and SCBS Investment Research

**Figure 4: Auto exports**

Source: Federation of Thai Industries and SCBS Investment Research

**Figure 5: Thai auto production to grow 4% in 2018**

Source: Federation of Thai Industries and SCBS Investment Research

**Figure 6: Price performance**

Source: Federation of Thai Industries and SCBS Investment Research

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
AH	Neutral	33.75	36.0	10.9	12.1	10.7	9.4	66	13	14	1.6	1.3	1.1	13	13	13	3.6	4.2	4.7	11.5	9.6	8.2
PCSGH	Neutral	7.10	7.7	13.3	17.1	14.5	12.9	68	17	13	2.2	2.1	2.0	13	14	16	3.9	4.8	5.4	8.2	7.8	6.8
SAT	Buy	21.80	26.0	23.3	12.9	11.1	9.6	19	16	15	1.5	1.3	1.3	12	13	13	4.1	4.1	4.7	5.2	4.3	3.7
STANLY	Buy	235.00	300.0	30.7	11.7	10.0	9.0	23	18	10	1.3	1.2	1.1	11	12	12	2.6	3.0	3.3	4.6	3.8	3.1
<b>Average</b>					<b>13.4</b>	<b>11.6</b>	<b>10.2</b>	<b>44</b>	<b>16</b>	<b>13</b>	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>3.5</b>	<b>4.0</b>	<b>4.5</b>	<b>7.4</b>	<b>6.4</b>	<b>5.5</b>

Source: SCBS Investment Research

# Aviation

SET TRANS index Close: 21/3/2018 381.63 +4.24 / +1.12% Bt3,123mn  
Bloomberg ticker: SETTRANS

## AAV best of the lot

**2017 was a tough year for airline operators burdened by a reversal in oil price to an uptrend – and there is no end in sight. In this environment, AAV is the best play with an earnings turnaround in 2018, boosted by growing Thai tourism and rising average fare that will be able to offset the rise in jet fuel price, plus attractive upside gain.**

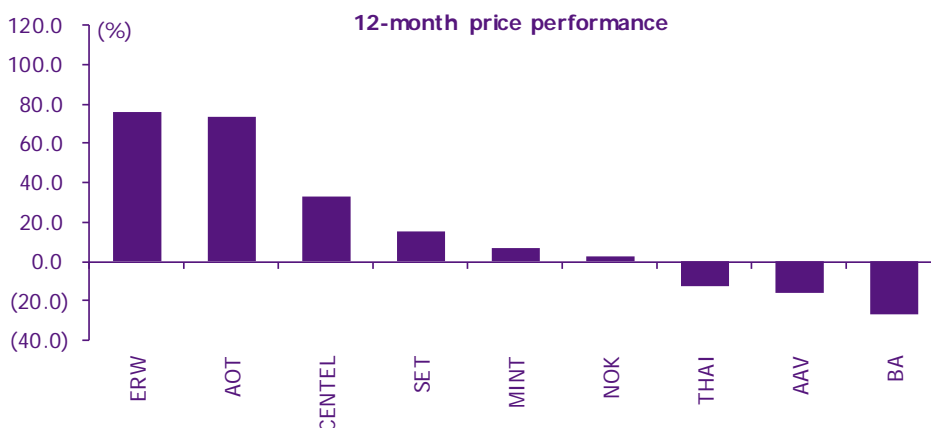
**Seat capacity shifting to international market.** According to AAV, domestic competition is subsiding, with a slip in seat capacity of 2% YoY in 2018 vs. +15% CAGR in 2013-17. Seat capacity is shifting to international markets to capture growing Thai tourism. AAV (Thai AirAsia) sees India as a potential market where the economy is growing and population is large. It plans to boost revenue from India to 10% of total revenue (from 3% currently) to balance China (~30% of revenue). NOK is focusing on China to lift revenue and targets revenue from international markets of 40% (from 20% now). After the International Civil Aviation Organization (ICAO) lifted its red flag on Thailand in October 2017, Thai AirAsia, NokScoot and Thai Lion Air are expanding their routes to Japan and South Korea after having to stay on hold since 2015 when the red flag was placed. In our view, expansions of low-cost carriers overseas, particularly to Japan, will make it even more difficult for full-service carriers like THAI.

**Rising jet fuel price is a challenge.** Oil prices reversed to move back up and this became a major burden in 2017. Average jet fuel price spot price YTD is US\$77.8/bbl, up 21% from 2017's average, lining up with our assumption of US\$77/bbl in 2018. A workup finds that a rise in jet fuel price of US\$1/bbl above our assumption will erode AAV's earnings by ~Bt60mn (or ~4% of 2018 forecast) and THAI's earnings by ~Bt500mn (or ~22% of our 2018 projection).

**Prefer AAV.** After a sluggish 2017, we expect AAV's operations to turn around with 13% core earnings growth in 2018, fostered primarily by a 3% YoY rise in average fare from a recovery in the China market (hit hard in 4Q16-1Q17 due to a plunge in China visitors when zero-dollar tours were removed) and lighter competition in the domestic market.

**AOT: Downside to TP.** AOT's share price has rallied a strong 73% vs. the SET's +15% over the past 12 months; we feel this is likely off expected strong passenger growth, though in truth this is coming off an unsustainable low base effect. We expect passenger growth to normalize in March and forecast total passenger growth of 9% YoY in FY2018. We like AOT's earnings growth prospects, but believe positives are priced in: there is now 12% downside from our DCF TP of Bt60/share.

## AAV is a laggard play though earnings are set to improve



Source: SET and SCBS Investment Research



## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/E (x) 19F	P/BV (x) 18F	P/BV (x) 19F
AAV	Buy	5.4	7.0	31.6	17.7	15.5	1.2	1.1
AOT	Sell	68.5	60.0	(11.1)	38.7	33.8	6.8	6.1
THAI	Sell	16.0	15.5	(3.1)	15.6	13.2	1.0	0.9
Average					24.0	20.8	3.0	2.7

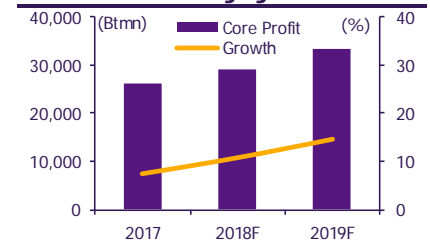
Source: SCBS Investment Research

## Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
AAV	(1.8)	(13.6)	(16.3)	(2.5)	(16.4)	(27.2)
AOT	1.1	5.8	73.4	0.4	2.3	50.8
THAI	11.1	(9.6)	(12.6)	10.3	(12.6)	(24.0)

Source: SET, SCBS Investment Research

## Sector core earnings growth



Source: SET, SCBS Investment Research

## Analyst

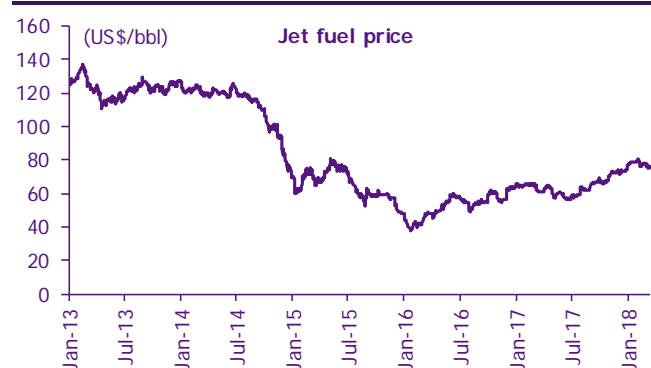
**Raweenuch Piyakriengkai**

Fundamental Investment

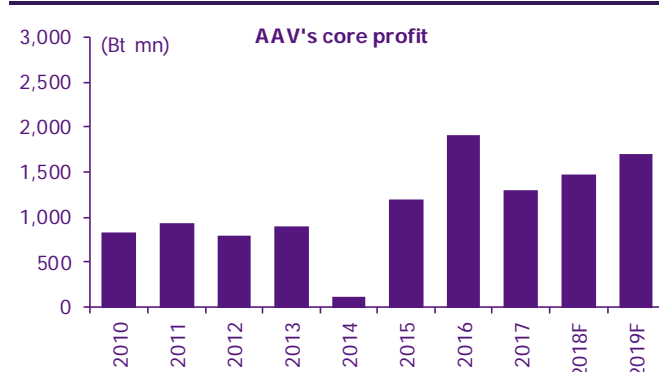
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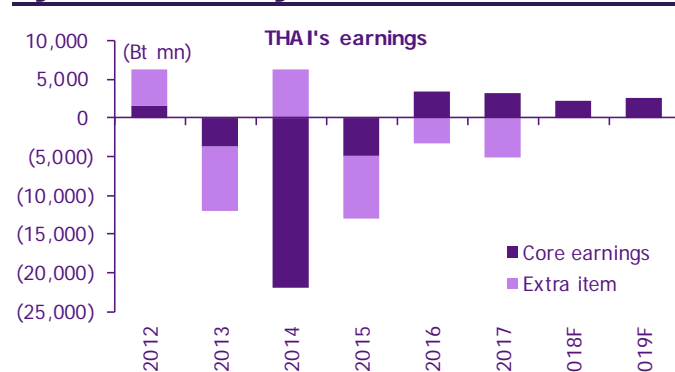
raweenuch.piyakriengkai@scb.co.th

**Figure 1: Jet fuel price trend**

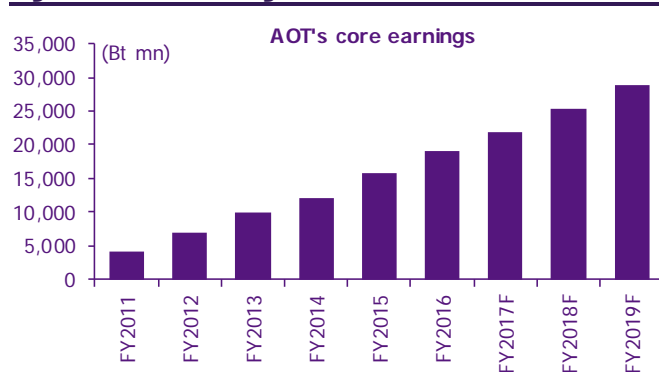
Source: Bloomberg and SCBS Investment Research

**Figure 2: AAV earnings forecast**

Source: Company data and SCBS Investment Research

**Figure 3: THAI earnings forecast**

Source: Company data and SCBS Investment Research

**Figure 4: AOT earnings forecast**

Source: Company data and SCBS Investment Research

**Figure 5: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
AAV	Buy	5.40	7.0	31.6	20.1	17.7	15.5	(32)	13	15	1.2	1.2	1.1	6	7	7	2.8	2.0	2.3	10.9	9.1	8.2
AOT	Sell	68.50	60.0	(11.1)	44.8	38.7	33.8	14	16	14	7.4	6.8	6.1	17	18	19	1.3	1.3	1.5	27.4	24.9	22.3
THAI	Sell	16.00	15.5	(3.1)	11.3	15.6	13.2	(9)	(28)	18	1.1	1.0	0.9	9	7	7	0.0	0.0	0.0	7.4	7.4	6.6
<b>Average</b>					<b>25.4</b>	<b>24.0</b>	<b>20.8</b>	<b>(9)</b>	<b>1</b>	<b>16</b>	<b>3.2</b>	<b>3.0</b>	<b>2.7</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>1.3</b>	<b>1.1</b>	<b>1.2</b>	<b>15.2</b>	<b>13.8</b>	<b>12.3</b>

Source: SCBS Investment Research

# Bank

SET BANK index Close: 21/3/2018 569.03 -4.12 / -0.72% Bt8,295mn  
Bloomberg ticker: SETBANK

## Better days ahead

**We believe banks hit nadir in 4Q17 and expect to see a modest recovery beginning in 1Q18. We estimate sector 2018F earnings growth of 15%, mainly from easing provisions and a pick-up in loan growth supported by decent economic recovery. We keep BBL and KTB as the sector's top picks.**

**1Q18 preview: Modest recovery from bottom in 4Q17.** We look for a QoQ earnings recovery in 1Q18, mainly from a QoQ seasonal decrease in opex and a QoQ reduction in provisions. We expect a QoQ fall in NPL inflow and provisions after making advance provisions for IFRS9 in 4Q17. We expect small loan growth in 1Q18 as this is traditionally the time for high loan repayments.

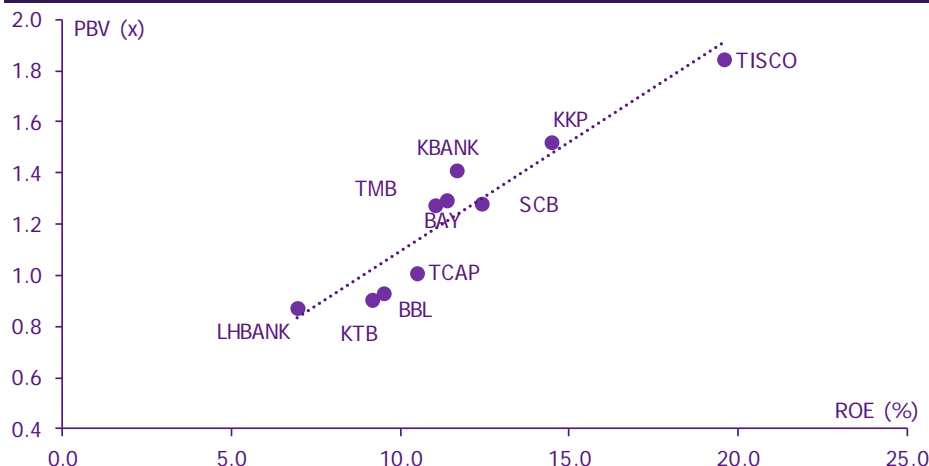
**NPL cycle ends with anticipatory IFRS provisions.** A slowdown in NPLs in 4Q17 reconfirmed the end of the NPL cycle. A 4% QoQ decrease in the banking system's special-mention loans (SMLs) in 4Q17 is a leading indicator suggesting a reduction in NPL inflow in 1Q18. The drop in SMLs brought the system's delinquent loans (NPLs plus SMLs) down 2% QoQ. We saw a positive signal in a rise in sector LLR coverage to 141% at 4Q17 from 137% at 3Q17 as large banks made anticipatory provisioning ahead of the 2019 implementation of IFRS9, which should ease provision needs in 2018-2019. We expect stabilizing asset quality in 2018, supported by a continued recovery in exports. We expect the sector's credit cost to step down by 18 bps in 2018.

**Start of loan growth recovery.** All banks target stronger loan growth in 2018 after three years of very conservative loan growth targets. A BoT survey suggested that banks expect a rise in credit demand in 1Q18. We believe the start of the long-awaited new investment cycle in 2018 will be a game changer for loan growth. The government is undertaking a massive upgrade of the country's infrastructure, on which spending is expected to double this year. The Eastern Economic Corridor (EEC) will be a significant catalyst for the investment cycle and a solid recovery in exports has lifted capacity utilization. We expect loan growth to accelerate to 8% in 2018 and 9% in 2019 after four years of weak growth of 3-5%.

**Moderate 2018F earnings growth.** We forecast sector's earnings growth at 15% in 2018 after a 2% contraction in 2017, fueled primarily by easing credit cost and accelerating loan growth, with essentially flat NIM and non-NII in 2018.

**Reiterate BBL and KTB as sector top picks.** We keep BBL and KTB as our sector picks as they are positioned to benefit the most from the return of an investment cycle and have the most attractive valuation.

### Valuation map suggests BBL and KTB are the laggards



Source: Banks and SCBS Investment Research

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
					18F 19F	18F 19F
BAY	Neutral	43.0	45.0	7.2	11.9 10.4	1.3 1.2
BBL	Buy	203.0	270.0	36.6	9.8 8.4	0.9 0.8
KBANK	Buy	222.0	265.0	21.4	12.4 10.2	1.4 1.3
KKP	Neutral	76.0	80.0	11.9	10.6 10.4	1.5 1.4
KTB	Buy	19.6	24.0	26.2	10.1 8.3	0.9 0.8
LHBANK	Neutral	1.7	1.7	3.8	12.5 10.9	0.9 0.8
TCAP	Neutral	54.8	55.0	4.6	9.7 9.2	1.0 0.9
TISCO	Buy	90.5	100.0	16.6	9.9 9.0	1.9 1.7
TMB	Buy	2.8	3.5	26.6	11.9 9.6	1.3 1.2
Average					10.9 9.6	1.2 1.1

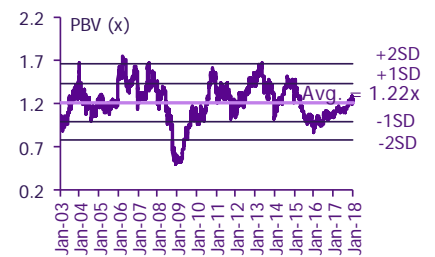
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BAY	1.8	7.5	10.3	1.1	4.0	(4.1)
BBL	(1.5)	(1.0)	11.2	(2.2)	(4.2)	(3.3)
KBANK	(1.3)	(4.7)	16.5	(2.0)	(7.9)	1.3
KKP	(4.4)	(3.8)	9.0	(5.1)	(7.0)	(5.2)
KTB	0.0	3.2	(3.9)	(0.7)	(0.2)	(16.4)
LHBANK	0.0	(1.2)	(1.2)	(0.7)	(4.4)	(14.0)
TCAP	(2.2)	(3.1)	14.1	(2.9)	(6.3)	(0.8)
TISCO	5.2	2.8	30.7	4.5	(0.5)	13.7
TMB	(1.4)	(5.4)	18.5	(2.1)	(8.5)	3.0

Source: SET, SCBS Investment Research

### Banking sector's PBV



Source: SET, SCBS Investment Research

### Analyst

**Kittima Sattayapan, CFA**

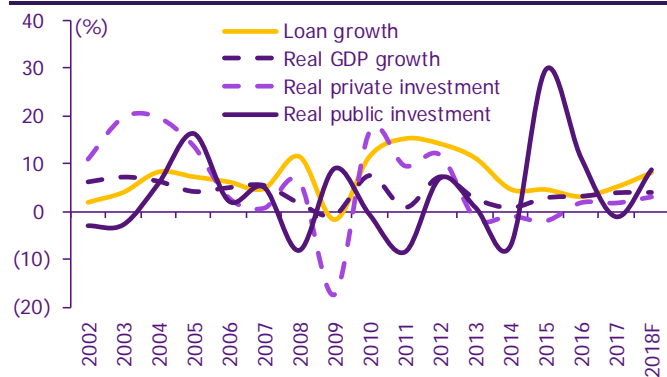
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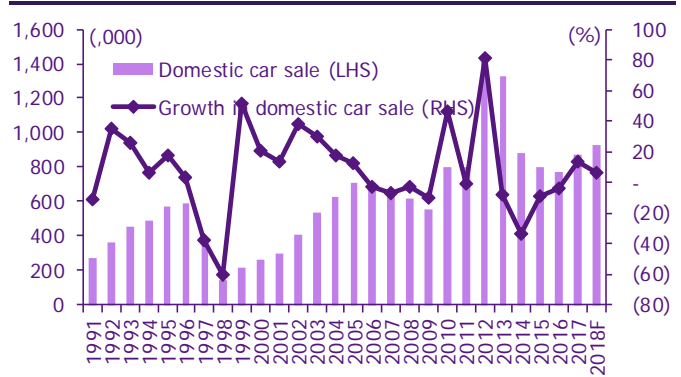
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Figure 1: Loans vs. GDP &amp; investment growth



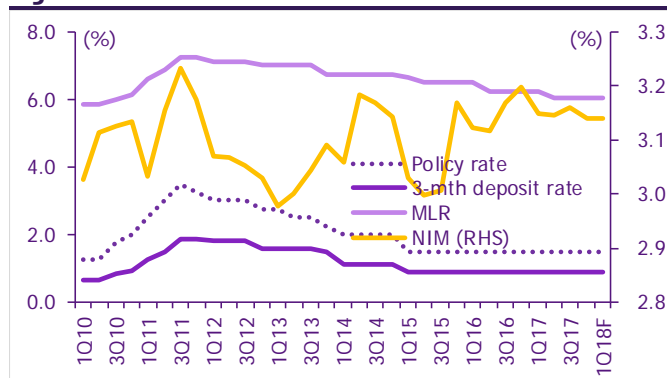
Source: NESDB, SCB EIC and SCBS Investment Research

Figure 2: Domestic car sales



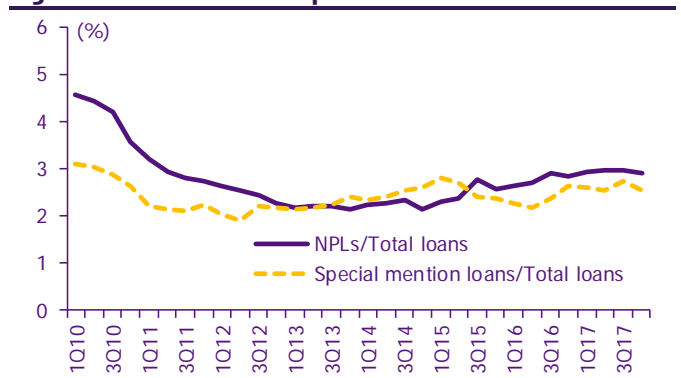
Source: Toyota (Thailand) and SCBS Investment Research

Figure 3: NIM and interest rates



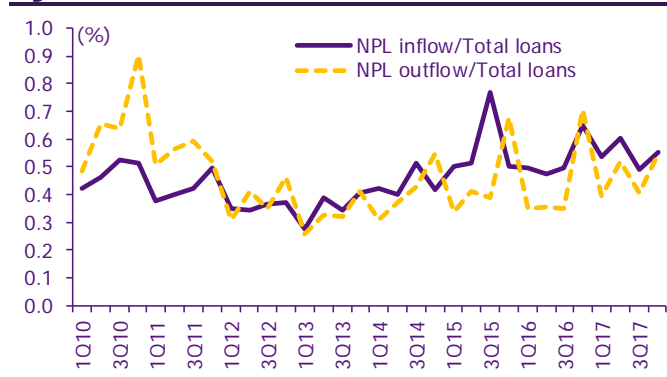
Source: SCBS Investment Research

Figure 4: NPL ratio and special-mention loans



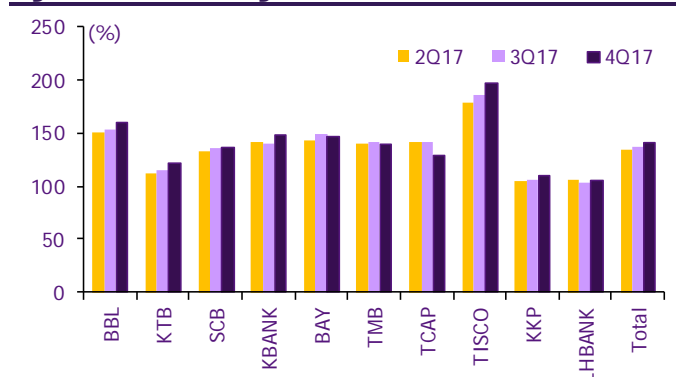
Source: BoT and SCBS Investment Research

Figure 5: NPL inflow and outflow



Source: BoT and SCBS Investment Research

Figure 6: LLR coverage



Source: BoT and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BAY	Neutral	43.00	45.0	7.2	13.6	11.9	10.4	8	14	15	1.4	1.3	1.2	11	11	12	2.0	2.5	2.9
BBL	Buy	203.00	270.0	36.6	11.7	9.8	8.4	4	20	16	1.0	0.9	0.8	8	10	10	3.2	3.6	4.2
KBANK	Buy	222.00	265.0	21.4	15.5	12.4	10.2	(15)	24	22	1.5	1.4	1.3	10	12	13	1.8	2.0	2.3
KKP	Neutral	76.00	80.0	11.9	11.2	10.6	10.4	3	6	2	1.6	1.5	1.4	14	14	14	6.6	6.6	6.7
KTB	Buy	19.60	24.0	26.2	12.2	10.1	8.3	(31)	21	21	1.0	0.9	0.8	8	9	10	3.1	3.8	4.6
LHBANK	Neutral	1.69	1.7	3.8	13.8	12.5	10.9	(38)	10	15	0.9	0.9	0.8	9	7	8	3.4	3.2	3.7
TCAP	Neutral	54.75	55.0	4.6	9.4	9.7	9.2	16	(3)	6	1.1	1.0	0.9	12	11	11	4.0	4.1	4.4
TISCO	Buy	90.50	100.0	16.6	11.9	9.9	9.0	22	20	10	2.1	1.9	1.7	19	20	20	5.5	6.1	6.7
TMB	Buy	2.82	3.5	26.6	14.2	11.9	9.6	6	20	24	1.4	1.3	1.2	10	11	13	2.1	2.5	3.1
<b>Average</b>					<b>12.5</b>	<b>10.9</b>	<b>9.6</b>	<b>(2)</b>	<b>16</b>	<b>15</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>3.6</b>	<b>3.8</b>	<b>4.3</b>

Source: SCBS Investment Research

# Commerce

SET COMM index Close: 21/3/2018 48,876.49 +554.77 / +1.15% Bt3,443mn  
Bloomberg ticker: SETCOMM

## Earnings moving well in 1H18

**After beginning a revival in 2H17, SSS growth is set to accelerate strongly in 1H18, off last year's record low (-5.7% YoY), from better sentiment, better farm income in the paddy segment and more tourist arrivals, particularly from China, giving further support to sector performance. Top picks are BJC, GLOBAL, and ROBINS, all with attractive valuations.**

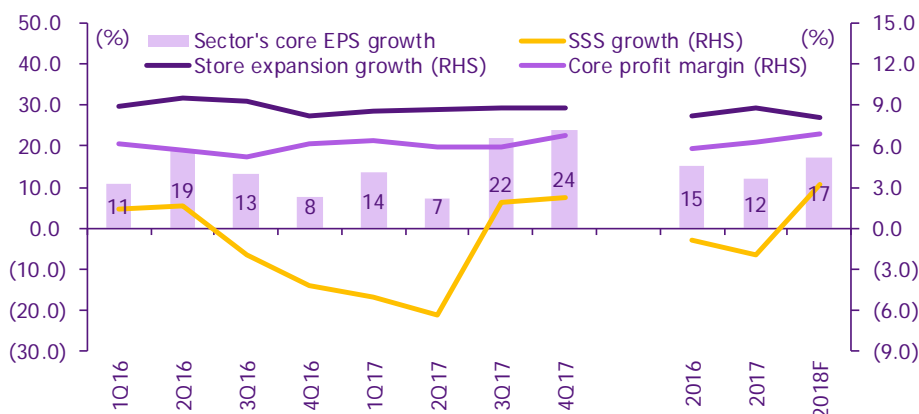
**SSS growth to accelerate in 1H18F.** After reviving by 1.9% YoY in 3Q17 and 2.3% YoY in 4Q17, sector SSS growth is set to accelerate further, especially in 1H18F off last year's record low (-5.7% YoY) and better sentiment. We expect sector SSS growth to speed up to 3.0% YoY in 1Q18 and 4.5% YoY in 2Q18 before normalizing at 2.5% YoY in 2H18. By segment, in 1Q18F we estimate better SSS growth in discretionary items than in staples from lower local food prices YTD.

**Consumption indicators.** The Consumer Confidence Index (CCI), a proxy of consumption sentiment, slipped to 79.3 points in February from 80.0 points in January - but this is still a three-year high. Farm income slid 4% in January as a 14% drop in agricultural prices outpaced the 12% rise in production. By segment, the Farm Income Index improved remarkably, led by paddy (+106% YoY), followed by other grains (sugarcane, cassava, and maize, +24% YoY) and fishery (+4% YoY). On the tourism side, tourists from China plunged after zero-dollar tour agents were eliminated in 4Q16. Adjustment was rapid and Chinese tourists began growing again in May 2017. In 4Q17, off the low base, tourists from China surged 70% YoY, raising international tourist arrivals growth to 20% YoY. In 2M18, Chinese tourists jumped 32% YoY, raising international tourist arrivals growth to 15% YoY. As the low base remains in play, we expect tourist arrivals to speed up in 1H18, enhancing private consumption in the domestic market.

**Earnings outlook.** We expect sector earnings to grow strongly, notably in 1H18F, led by the revival in SSS growth. Store expansion will continue. Margin expansion will be seen further, with more high-margin products, better control of SG&A via more initiatives and stronger other and rental income. In 2018F, we expect sector core EPS to grow 17% YoY (vs 10% YoY in 2017), backed by SSS growth of 3.2% YoY (vs -1.9% YoY in 2017), store expansion of 8% YoY (vs 9% YoY in 2017), and a widening in core margin of 60bps YoY (vs 50bps YoY in 2017).

**Top picks: BJC, GLOBAL and ROBINS.** The sector's revival sparked a 24% pickup in sector price performance, outperforming the SET by 14% over the past six months. With stronger earnings ahead, we expect this outperformance to continue. BJC, GLOBAL and ROBINS are our lead picks, as a recent price correction has made their valuations more attractive than peers.

### Revived SSS growth, wider margin and store expansion, to support 2018F growth



Source: SCBS Investment Research

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/E (x) 19F	P/BV (x) 18F	P/BV (x) 19F
BJC	Buy	58.0	73.0	27.0	34.0	28.1	2.1	2.0
CPALL	Buy	87.8	98.0	13.2	34.3	29.0	8.4	7.1
GLOBAL	Buy	15.6	21.0	35.7	31.9	26.3	4.3	3.8
HMPRO	Buy	14.1	16.5	19.5	32.5	28.0	9.2	8.3
MAKRO	Neutral	56.0	42.0	(23.3)	40.6	36.7	13.4	11.8
ROBINS	Buy	63.3	90.0	44.6	22.1	19.0	3.6	3.3
<b>Average</b>					<b>32.6</b>	<b>27.9</b>	<b>6.8</b>	<b>6.1</b>

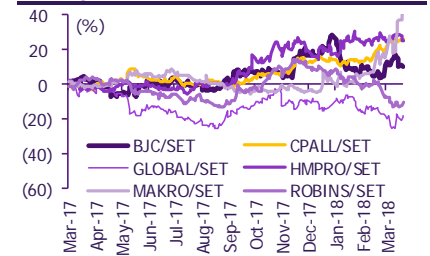
Source: SCBS Investment Research

### Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BJC	6.4	(5.3)	22.8	5.7	(8.4)	6.8
CPALL	4.2	15.1	48.7	3.4	11.3	29.3
GLOBAL	(1.5)	(0.9)	(1.5)	(2.2)	(4.2)	(14.4)
HMPRO	(2.1)	8.5	46.9	(2.8)	4.9	27.7
MAKRO	30.2	43.6	67.2	29.3	38.9	45.4
ROBINS	(9.3)	(13.4)	(1.2)	(10.0)	(16.2)	(14.1)

Source: SET, SCBS Investment Research

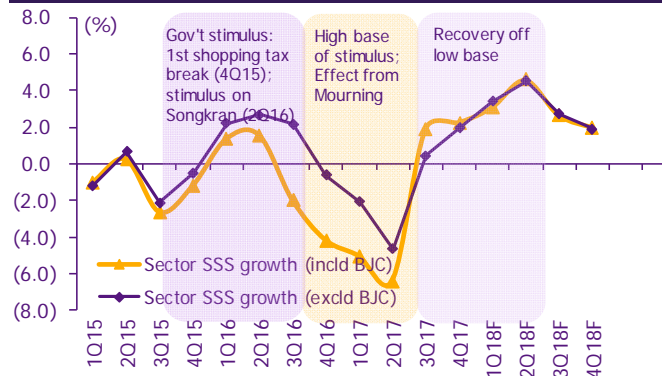
### Price performance relative to SET



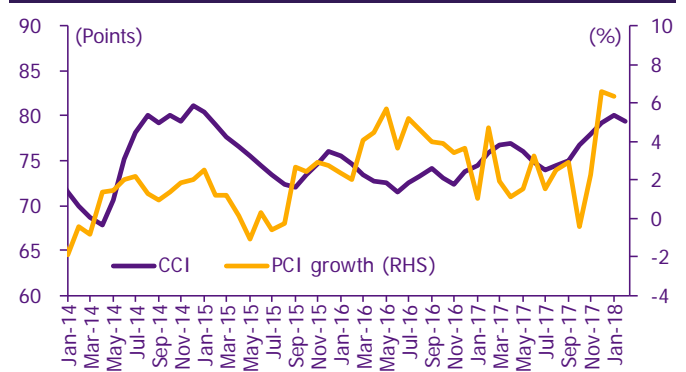
Source: SET, SCBS Investment Research

### Analyst

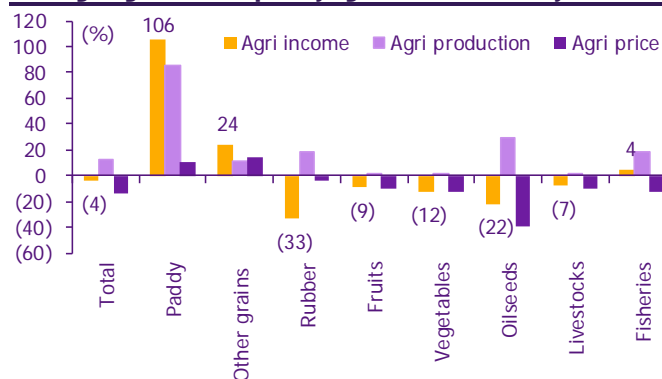
**Sirima Dissara, CFA**  
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**Figure 1: Sector SSS growth revived in 2H17, with stronger growth in 2018**

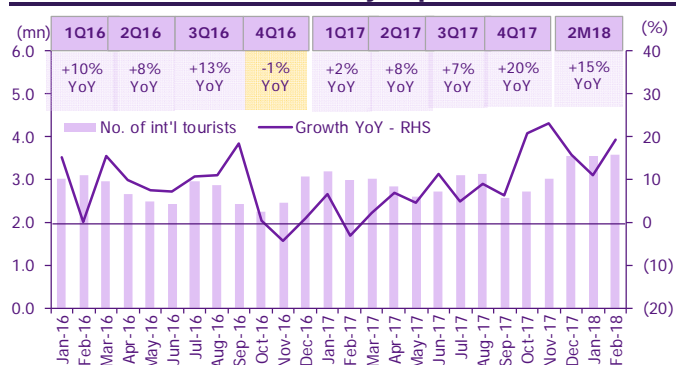
Source: SCBS Investment Research

**Figure 2: CCI dropped in Feb, but still at a three-year high, positive indicator for private consumption**

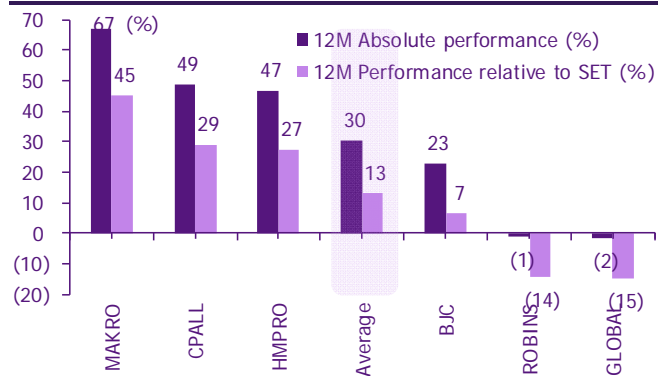
Source: UTCC, BOT and SCBS Investment Research

**Figure 3: Farm income by segment in Jan, showing stronger growth in paddy, grains and fishery**

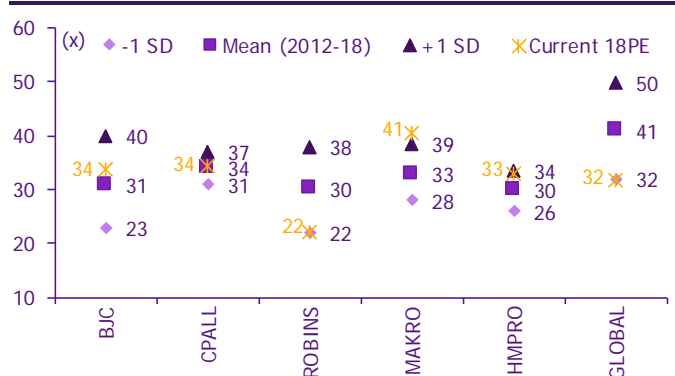
Source: OAE and SCBS Investment Research

**Figure 4: International tourists grew 20% YoY in 4Q17 and 15% YoY in 2M18, from a jump in Chinese tourists**

Source: Immigration Bureau and SCBS Investment Research

**Figure 5: Price performance over the past year**

Source: Immigration Bureau and SCBS Investment Research

**Figure 6: Current 2018PE vs. 7-year historical PE**

Source: SCBS Investment Research

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BJC	Buy	58.00	73.0	27.0	45.2	34.0	28.1	35	33	21	2.1	2.1	2.0	5	6	7	1.0	1.1	1.4	19.2	17.5	16.2
CPALL	Buy	87.75	98.0	13.2	41.0	34.3	29.0	16	19	18	9.8	8.4	7.1	28	27	28	1.3	1.5	1.8	22.5	19.9	17.6
GLOBAL	Buy	15.60	21.0	35.7	38.8	31.9	26.3	(4)	22	21	4.7	4.3	3.8	13	14	15	1.1	1.1	1.1	25.5	21.9	18.7
HMPRO	Buy	14.10	16.5	19.5	37.9	32.5	28.0	18	17	16	10.0	9.2	8.3	27	29	31	2.2	2.5	2.9	20.8	18.6	16.6
MAKRO	Neutral	56.00	42.0	(23.3)	43.5	40.6	36.7	14	7	11	14.9	13.4	11.8	37	35	34	1.7	1.7	1.7	26.2	24.7	22.5
ROBINS	Buy	63.25	90.0	44.6	25.6	22.1	19.0	10	16	16	4.0	3.6	3.3	16	17	18	2.0	2.3	2.6	13.9	12.6	11.4
<b>Average</b>					<b>38.7</b>	<b>32.6</b>	<b>27.9</b>	<b>15</b>	<b>19</b>	<b>17</b>	<b>7.6</b>	<b>6.8</b>	<b>6.1</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>1.5</b>	<b>1.7</b>	<b>1.9</b>	<b>21.3</b>	<b>19.2</b>	<b>17.2</b>

Source: SCBS Investment Research

# Construction Materials

SET CONMAT index Close: 21/3/2018 12,499.72 -43.15 / -0.34% Bt1,874mn  
Bloomberg ticker: SETCONMT



## Better days coming – but slowly

**Local demand is expected to show slow improvement in 2018F, led by public investment and gradually better private investment. Product prices have inched up YTD, but we see more rises to come to cover the continued rise in fuel costs. Our top pick is SCC.**

**Slow demand revival.** Based on BoT data, in January local cement sales volume dropped 4% YoY but ceramic tile sales volume grew 13% YoY. We expect gradual demand improvement in the near term from better public investment and a slow return of private projects. In 2018F, we expect cement and ceramic tile demand to rise 3% YoY (vs -3% YoY for cement and -8% YoY for ceramic tiles in 2017), backed by public investment growth of 8.7% YoY (vs. -1.2% in 2017) and 3.0% YoY (1.7% in 2017) private investment growth, based on SCB EIC estimates.

**Private projects: Weak leading indicator in near term.** Construction area permits, a leading indicator for local cement and building material demand, have dropped since late 2015 and continued to show weakness at -8% YoY in December. Of this, 64% came from permits for non-municipal zones (-13% YoY) and the rest from municipal zones (+1% YoY), with growing residential (+2% YoY) and commercial (+9% YoY) but a worsening industrial segment (-7% YoY).

**Public projects: Better signs of disbursement.** The government has raised its FY2018 investment budget to Bt622bn (+15% YoY). This, together with adjusting to the new Public Procurement and Supplies Management Act, B.E. 2560 (in effect since mid-2017, one of the factors of slowing disbursement rate last year), will improve investment budget disbursement. In 4MFY18 (Oct 2017-Jan 2018), the government disbursed a moderate Bt114bn (+2% YoY), but, in January alone, disbursement surged to Bt26bn (+42% YoY). For mega projects under the Ministry of Transport, SCB EIC estimates disbursement will accelerate in 2018-20F. Approval and construction of these projects will help lift sentiment and spur more private investment.

**Prices to pick up further to cover high fuel costs.** In 2017, spot coal price surged 35% YoY and oil price rose 24% YoY. In 2018TD, spot coal price grew 18% YoY and oil price rose 22% YoY. Normally, cement producers lock in coal price 6-12 months in advance and gas price lags oil price by around six months. This suggests fuel costs will continue to rise through this year. In 2M18, the cement price index picked up (+1% QoQ and +4% YoY), and the ceramic tile price index rose slightly (+1% QoQ but flat YoY). We expect cost-push to move product prices up further, but fragile demand recovery may limit price raises to cover costs.

**Top pick is SCC.** Our top pick is SCC, with the sector's most attractive valuation and compelling dividend yield.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)	
DCC	Neutral	3.0	3.7	27.1	16.2	15.5	4.7
SCC	Buy	502.0	600.0	23.3	11.3	10.6	1.8
SCCC	Neutral	261.0	270.0	7.3	24.4	23.1	2.2
Average					17.3	16.4	2.9

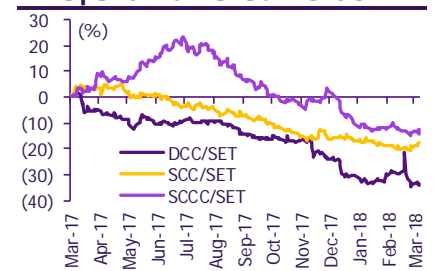
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
DCC	(15.6)	(11.2)	(28.8)	(16.2)	(14.1)	(38.1)
SCC	5.0	2.9	(5.6)	4.3	(0.5)	(17.9)
SCCC	0.4	(3.7)	(3.1)	(0.3)	(6.9)	(15.7)

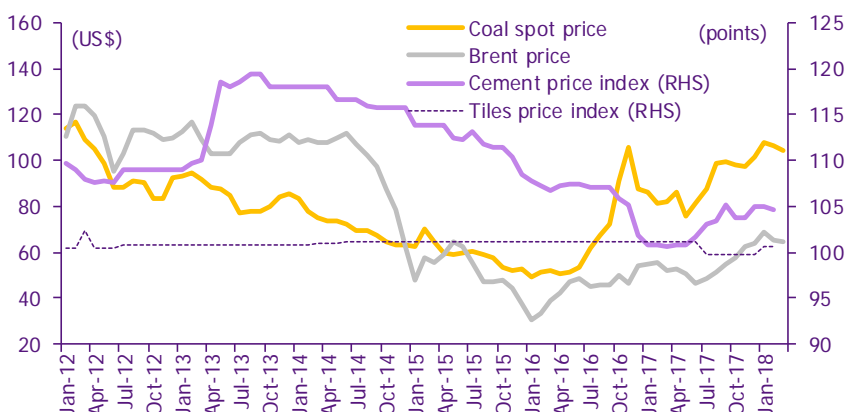
Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Product prices started to picked up and more to come to cover costs

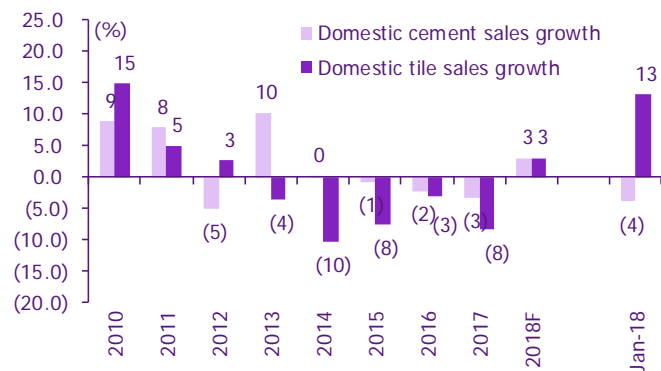


Source: REIC, NEX, Bloomberg and SCBS Investment Research

### Analyst

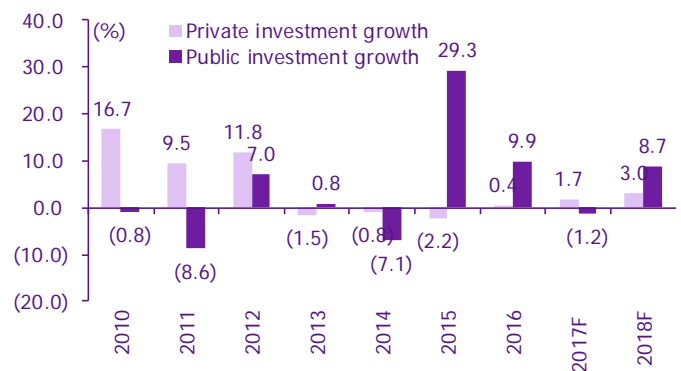
**Sirima Dissara, CFA**  
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Analyst on Securities  
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Figure 1: Local sales volume growth in 2018F



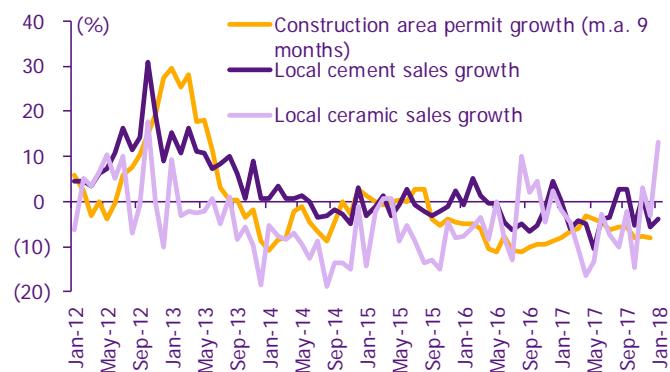
Source: BOT and SCBS Investment Research

Figure 2: Public and private investment growth



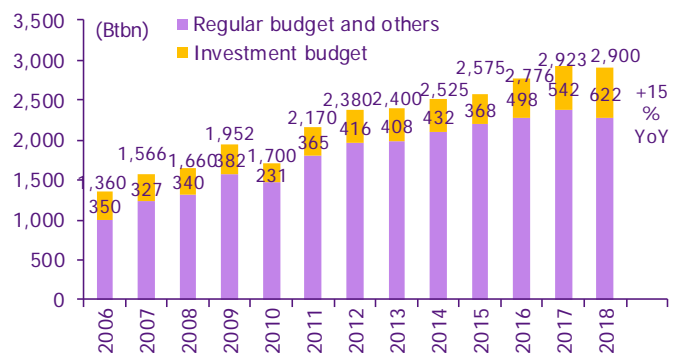
Source: SCB EIC and SCBS Investment Research

Figure 3: Construction area permits (9-month moving average) remained inactive



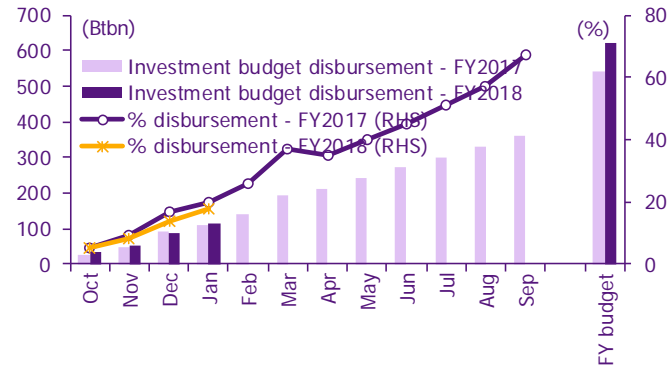
Source: SCB EIC and SCBS Investment Research

Figure 4: Government investment budget raised to Bt622bn (+15% YoY) in FY2018



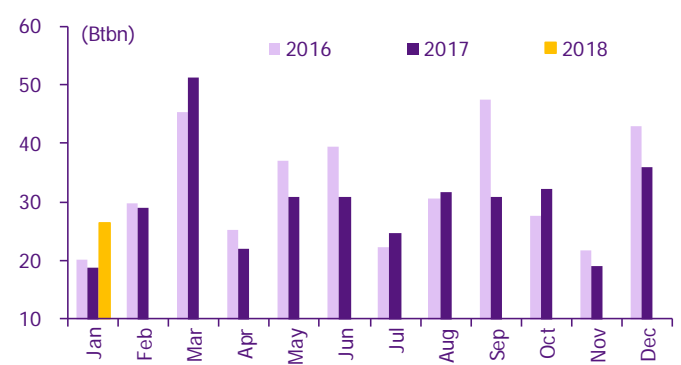
Source: FPO and SCBS Investment Research

Figure 5: The government disbursed Bt114bn (18% of budget in 4MFY18 vs 20% in 4MFY17) ...



Source: FPO and SCBS Investment Research

Figure 6: ... but the disbursement in Jan alone was Bt26bn, +42% YoY



Source: SCB EIC based on MOT and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)	EPS growth (%)	P/BV (x)	ROE (%)	Div. Yield (%)	EV/EBITDA (x)
					17A	18F	19F	17A	18F	19F
DCC	Neutral	3.02	3.7	27.1	17.7	16.2	15.5	(21)	9	5
SCC	Buy	502.00	600.0	23.3	11.6	11.3	10.6	(4)	2	7
SCCC	Neutral	261.00	270.0	7.3	27.5	24.4	23.1	(39)	13	6
Average					18.9	17.3	16.4	(22)	8	6

Source: SCBS Investment Research

# Electronics

SET ETRON index Close: 21/3/2018 1,601.97 +14.29 / +0.90% Bt243mn  
Bloomberg ticker: SETETRON

## Moderate growth in 2018

**We expect demand to continue to grow in 2018, driven by smartphones, automotive, industrial and IoT segments, with WTST forecasting solid 9.5% growth in worldwide semiconductor sales this year. Unfortunately, cost pressures – a strong baht and material shortages – are also continuing. This dims the 1Q18 earnings outlook – which is also the low season for this industry. Our top picks are: 1) DELTA, with steady growth in automotive and data-center segments and expected best YoY performance in 1Q18, and 2) KCE, with recovery from 2Q18 when production bottleneck is relieved.**

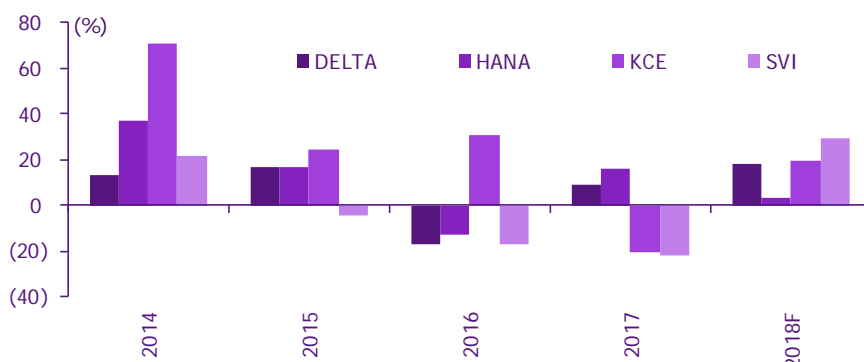
**2017 recap: Mixed performance.** Despite the strong uptrend throughout the year, core earnings of the four electronics stocks under coverage inched up just 1% to Bt11.0bn in 2017, hit by a 3.9% baht appreciation and rising cost from material shortages. The growth leaders were HANA (16%, driven by robust growth in the telecom segment) and DELTA (9%, on growth in the automotive segment). On the flip side, core earnings for SVI shrank 22% on a 70bps cut in gross margin and KCE fell 20% with gross margin plunging 490 bps from a sharp rise in material cost and FX.

**2018 outlook: Strong demand to continue...** 2017 was a good year for the electronics industry, backed by strong demand growth that led worldwide semiconductor shipments to a jump of 21.6% to US\$412bn – the highest since 2010, based on World Semiconductor Trade Statistics (WSTS) figures. 2018 is likely to remain strong with WSTS forecasting 9.5% growth to US\$451bn, calming from 2017 but still very healthy and nicely above the 10-year average of 5.5%. WSTS raised its 2018 forecast on Feb 28, 2018 from 7% in Nov 2017, and January looks good with worldwide semiconductor shipments of US\$37.6bn, up a robust 22.7% YoY despite a seasonal slip of 1.1% MoM (vs the 10-year MoM average decline of 2.3%), based on Semiconductor Industry Association (SIA) figures.

**...But so will cost pressure.** The strong surge in demand - from the Internet of Things, industrial, mobile and automotive markets – led to some supply disruption and a slower rate of capacity expansion resulted in component shortages especially passive components. Based on industry sources, this shortage may last into 2019. With supply tight and a longer order lead time, we believe larger companies with years of experience in procurement management and cash flow flexibility will feel less pain than smaller companies. As seen in 2017 results, DELTA and HANA, relatively larger, were less affected.

**Top picks are DELTA and KCE.** We like DELTA the most. It is expected to turn in the best YoY performance of all covered electronics companies. We also like KCE, for which earnings are expected to recover from 2Q18 once new drilling machines are installed to relieve the production bottleneck for special products. SVI did not make the list even though we expect it to turn in the highest earnings growth in 2018, as this is off a low base and we are still uncertain how long the material shortages will last and it is suffering the most.

### Annual earnings growths



Source: Companies and SCBS Investment Research



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 17F	P/E (x) 18F	P/BV (x) 17F	P/BV (x) 18F
DELTA	Buy	66.5	90.0	39.8	12.1	10.6	2.3	2.0
HANA	Buy	35.3	45.0	33.3	11.8	10.7	1.3	1.3
KCE	Buy	69.5	86.0	26.9	14.6	12.2	3.2	2.8
SVI	Neutral	4.6	4.4	(3.4)	18.1	15.3	1.4	1.3
Average					14.1	12.2	2.0	1.8

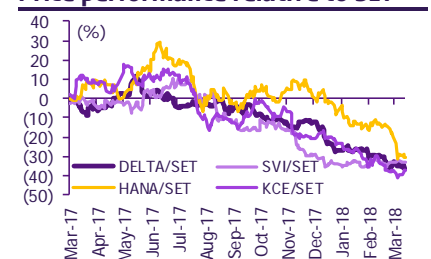
Source: SCBS Investment Research

### Price performance

Absolute	Relative to SET		
	1M	3M	12M
DELTA	(2.9)	(12.5)	(18.4)
HANA	(15.6)	(24.2)	(25.0)
KCE	0.7	(19.0)	(34.7)
SVI	11.0	10.0	(14.9)

Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Analyst

**Solaya Na Songkhla**

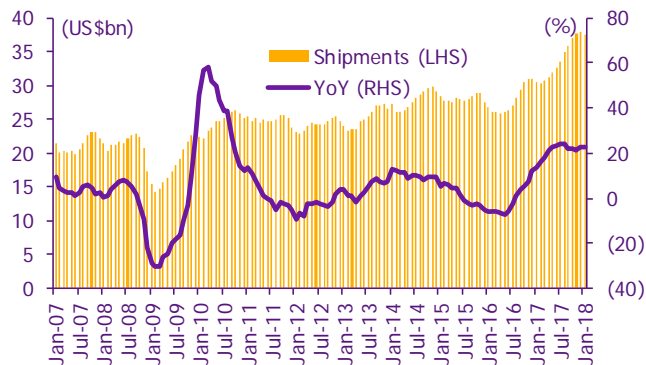
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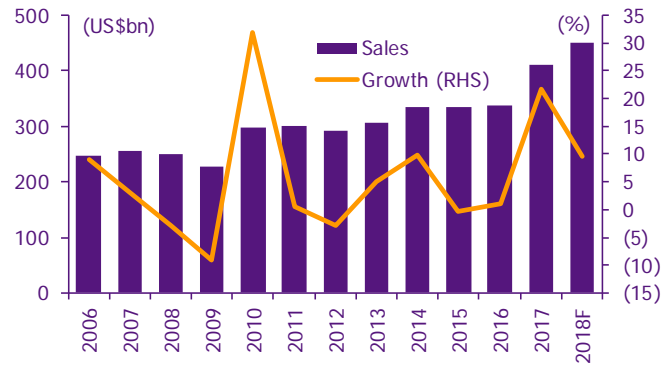
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Figure 1: Worldwide semiconductor sales (monthly)



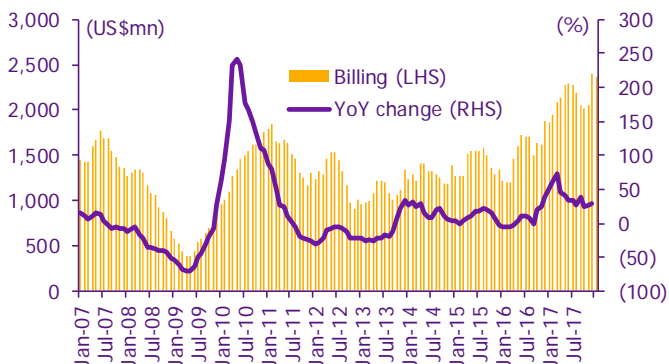
Source: SIA and SCBS Investment Research

Figure 2: Worldwide semiconductor sales forecast



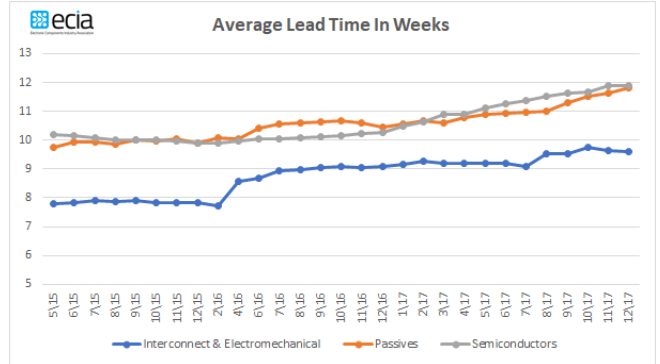
Source: SIA and SCBS Investment Research

Figure 3: N. American semi. equipment billing



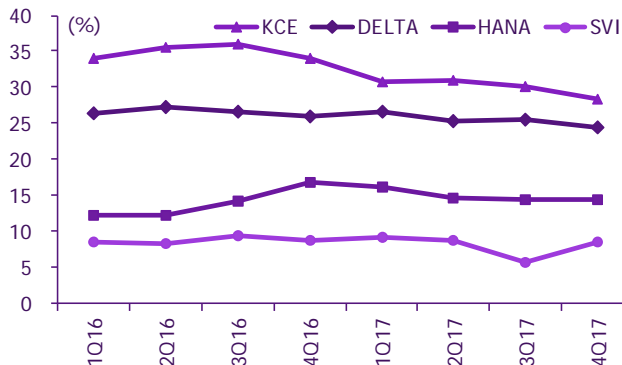
Source: SEMI.org, Note: 3 months average

Figure 4: Extended lead time for some components



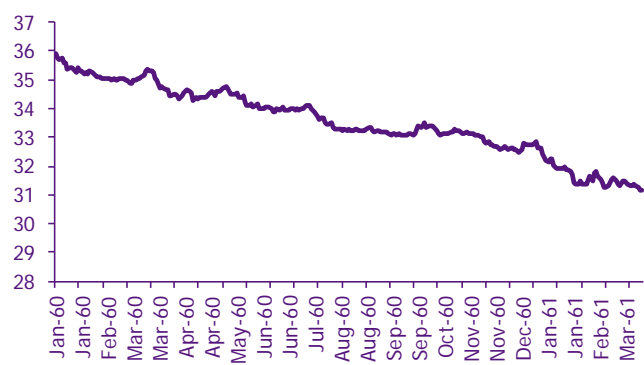
Source: Electronics Component Industry Association (ECIA)

Figure 5: Gross margin



Source: Company reports and SCBS Investment Research

Figure 6: Exchange rate baht/US dollar



Source: BOT

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
DELTA	Buy	66.50	90.0	39.8	14.3	12.1	10.6	9	18	13	2.6	2.3	2.0	18	20	20	3.3	4.5	4.7	9.3	7.3	6.3
HANA	Buy	35.25	45.0	33.3	12.0	11.8	10.7	16	2	10	1.4	1.3	1.3	12	11	12	5.7	5.7	5.7	5.2	4.8	4.4
KCE	Buy	69.50	86.0	26.9	17.4	14.6	12.2	(20)	19	20	3.6	3.2	2.8	22	23	24	3.2	3.2	3.5	12.6	11.0	9.0
SVI	Neutral	4.64	4.4	(3.4)	23.4	18.1	15.3	(22)	30	18	1.5	1.4	1.3	6	8	9	1.8	1.8	1.8	10.3	7.7	6.5
<b>Average</b>					<b>16.8</b>	<b>14.1</b>	<b>12.2</b>	<b>(4)</b>	<b>17</b>	<b>15</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>	<b>14</b>	<b>16</b>	<b>16</b>	<b>3.5</b>	<b>3.8</b>	<b>3.9</b>	<b>9.3</b>	<b>7.7</b>	<b>6.6</b>

Source: SCBS Investment Research

# Energy – Oil and Gas

SET ENER index Close: 21/3/2018 26,677.38 +53.25 / +0.20% Bt12,619mn  
Bloomberg ticker: SETENERG



## Stick to PTT and IRPC

**Shares of Thai oil and gas companies did well in 1Q18, up 5% QTD, vs. +3% for the SET, led by PTT (+23%) and PTTEP (+16%), thanks to stronger oil prices. IRPC (+7%) outperformed other oil refiners. We maintain our optimism on the sector given the positive trend of oil price and oil refining margin in 2018. Our top picks for the sector remain PTT and IRPC.**

**2017 earnings performance.** Stronger oil price in 2017 boosted net profit for oil and gas companies under SCBS coverage (65% of the sector's market cap) by 35% YoY. This was led by two big caps, PTT and PTTEP, whose profit jumped 43% and 60% YoY, respectively. PTT's profit hit a new record although average oil price was still at less than half its peak. Oil refiners' profit rose 14% YoY in 2017, underwritten by a higher refining margin and inventory gain. We expect 10% YoY earnings growth in 2018, supported by improving oil price and refining margin.

**Crude oil price continued to improve in 1Q18,** with average Brent up 22% YoY to US\$67/bbl after rising 23% YoY in 2017. Higher oil price led to more production by non-OPEC suppliers, especially the US, which has continued to add more rigs to its production fields. The latest rig count shows an increase of 49 rigs in the 10 weeks from end-2017, building on the 222 rigs added in 2017. There are now 796 oil rigs in the US vs. 617 a year ago, leading to record oil production of 10.37mb/d. US output is critical in determining oil price for the rest of the year. We keep our 2018 Brent oil price assumption at US\$65/bbl, up 20% YoY from US\$54.3/bbl. Although oil price will slip when winter demand ends, it should rise YoY to reflect higher demand in emerging economies and limited supply from OPEC.

**Healthy oil refineries.** Average Singapore GRM slid 4% QoQ to US\$6.9/bbl but rose 6% YoY, weakened early in the year by a rapid rise in crude oil price, although strong demand for middle distillate products helped shore up prices for refined oil products. We expect GRM to continue to improve in 2Q18 on higher demand for refined oil, especially diesel, to fuel the improving global economy, annual refinery maintenance shutdowns and lower crude price, mainly for shale oil production in the US. We assume 2018 GRM of US\$7.22/bbl vs. US\$7.09/bbl in 2017.

**PTT is top pick for energy and IRPC for refinery.** Our top picks last quarter, PTT and IRPC, outperformed the sector, particularly PTT. Investor appetite for PTT has strengthened after its excellent performance in 2017, attractive dividend and par split. We expect this to continue in 2018 amidst a better oil price environment. We also like IRPC, whose operations will continue to improve on greater plant efficiency, especially a smoother run at UHV after hiccups in 2017, after resolving major problems plus some upgrading, gasoline maximization, to capture a good market. We believe this will allow it to ramp up crude intake to a new high in 2018. A full year of the new PP capacity plus a better GIM from more efficient operations and wider diesel crack spread will also contribute.

## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F 19F	P/BV (x) 18F 19F
BCP	Buy	38.5	53.0	43.4	9.5 7.8	1.1 1.0
ESSO	Sell	17.8	16.0	(4.5)	8.9 8.7	1.9 1.8
IRPC	Buy	7.6	9.2	26.6	10.4 9.2	1.6 1.5
PTT	Buy	542.0	620.0	18.3	10.7 10.4	1.7 1.6
PTTEP	Buy	116.0	150.0	33.2	13.4 13.0	1.2 1.1
SPRC	Buy	16.8	20.0	26.2	7.9 9.0	1.6 1.5
TOP	Buy	96.3	125.0	35.1	9.6 9.6	1.4 1.3
Average				25.5	10.1 9.7	1.5 1.4

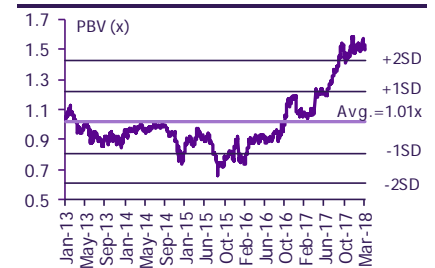
Source: SCBS Investment Research

## Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BCP	(3.1)	(4.3)	14.9	(3.8)	(7.5)	(0.1)
ESSO	1.1	0.6	63.3	0.4	(2.7)	42.0
IRPC	(3.8)	8.6	46.6	(4.5)	5.1	27.5
PTT	0.4	21.5	33.5	(0.3)	17.5	16.1
PTTEP	0.9	16.3	27.1	0.2	12.5	10.6
SPRC	(1.8)	(2.9)	30.2	(2.5)	(6.1)	13.3
TOP	(3.3)	(4.7)	25.8	(4.0)	(7.8)	9.4

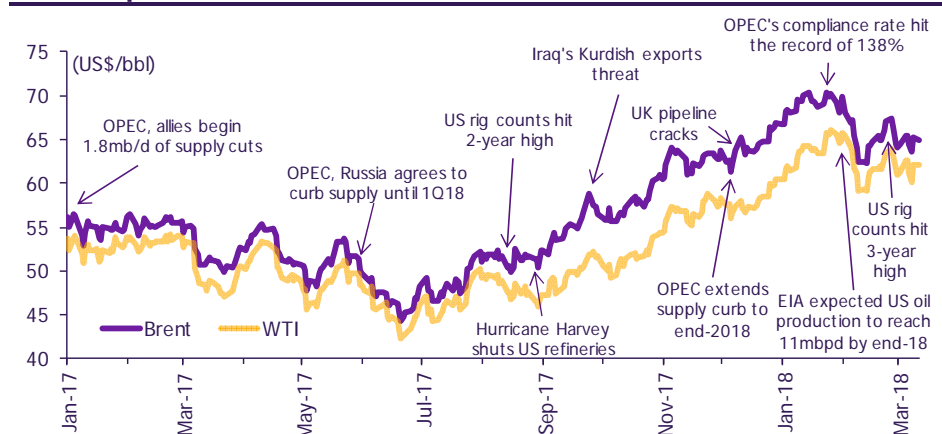
Source: SET, SCBS Investment Research

## PBV band – SETENERG



Source: SET, SCBS Investment Research

## Crude oil price – Brent vs. WTI



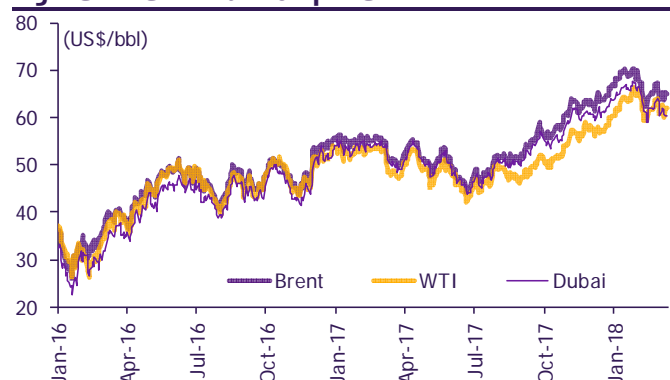
Source: Bloomberg Finance LP and SCBS Investment Research

## Analyst

### Chaipat Thanawattano

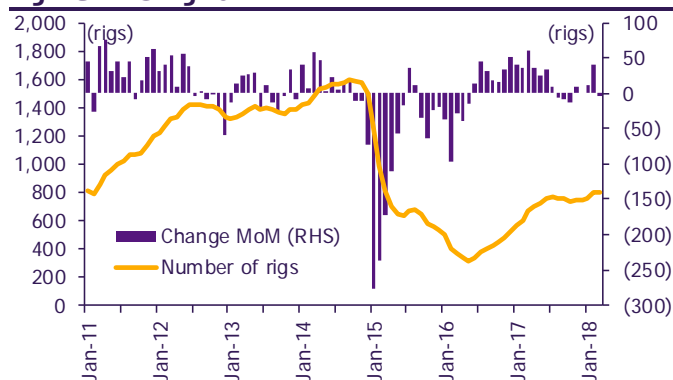
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Figure 1: Benchmark oil price



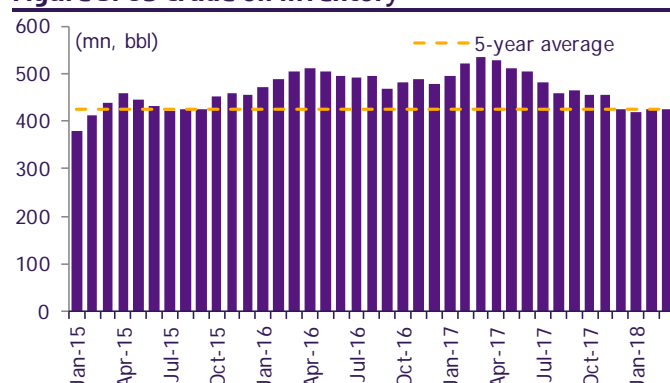
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 2: US rig count



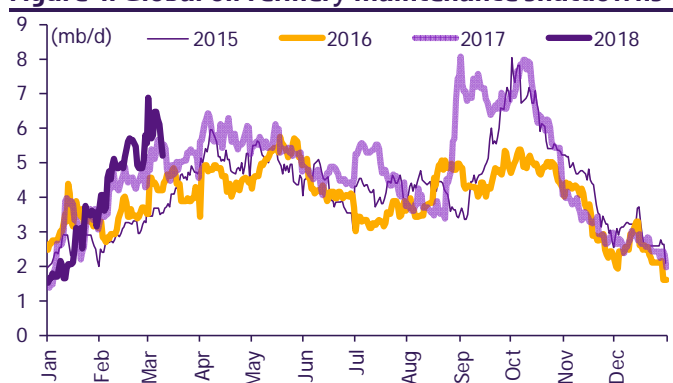
Source: Baker Hughes, SCBS Investment Research

Figure 3: US crude oil inventory



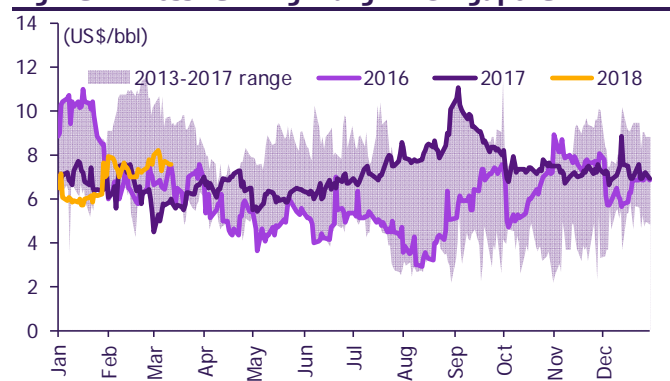
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 4: Global oil refinery maintenance shutdowns



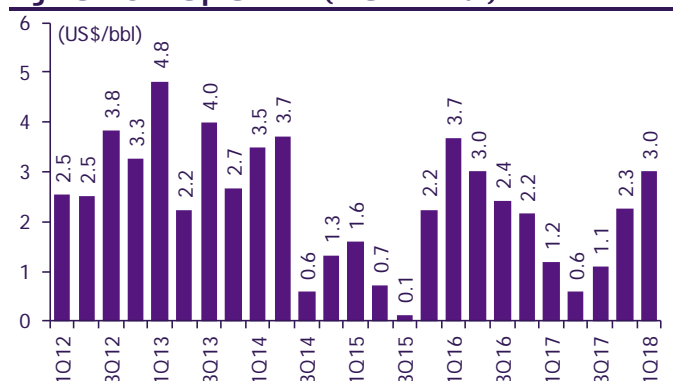
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 5: Gross refining margin – Singapore



Source: Bisnews, SCBS Investment Research

Figure 6: Crude premium (Brent-Dubai)



Source: Bloomberg Finance LP, SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BCP	Buy	38.50	53.0	43.4	8.5	9.5	7.8	52	(11)	21	1.2	1.1	1.0	15	12	14	5.6	5.7	6.0	6.6	6.7	5.7
ESSO	Sell	17.80	16.0	(4.5)	8.5	8.9	8.7	10	(5)	2	2.2	1.9	1.8	30	23	21	5.6	5.6	5.6	7.2	7.2	6.5
IRPC	Buy	7.55	9.2	26.6	14.1	10.4	9.2	(14)	35	13	1.8	1.6	1.5	13	16	17	3.8	4.8	5.4	9.6	6.4	5.8
PTT	Buy	542.00	620.0	18.3	10.8	10.7	10.4	37	1	2	1.9	1.7	1.6	12	11	10	3.7	3.9	4.1	4.7	3.9	3.4
PTTEP	Buy	116.00	150.0	33.2	12.0	13.4	13.0	115	(11)	3	1.2	1.2	1.1	10	9	9	3.7	3.9	3.9	3.7	3.2	3.0
SPRC	Buy	16.80	20.0	26.2	9.9	7.9	9.0	(9)	24	(12)	1.7	1.6	1.5	18	21	17	6.8	7.1	7.1	5.9	4.9	4.9
TOP	Buy	96.25	125.0	35.1	9.0	9.6	9.6	4	(7)	0	1.5	1.4	1.3	18	15	14	5.5	5.2	5.2	5.2	5.5	5.2
<b>Average</b>					<b>10.4</b>	<b>10.1</b>	<b>9.7</b>	<b>35</b>	<b>(1)</b>	<b>3</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>5.0</b>	<b>5.2</b>	<b>5.3</b>	<b>6.1</b>	<b>5.4</b>	<b>4.9</b>

Source: SCBS Investment Research

# Finance

SET FIN index Close: 21/3/2018 3,625.15 +11.43 / +0.32% Bt1,445mn  
Bloomberg ticker: SETFIN

# SCBS



## Expensive valuation with slowing growth

**Both KTC and AEONTS are trading at an expensive valuation with share prices overshooting target. We expect earnings growth to ease in 2018 on unsustainable S-T mitigation to cope with tighter regulations, risk of rising cost of funds and return of fiercer competition from commercial banks. We maintain Sell on both stocks.**

**Unsustainable S-T moves to cope with tighter regulations.** Both KTC and AEONTS successfully executed some measures that were more than enough to offset the negative impact from a cut in credit card interest rate from 20% to 18% and a cut in the maximum credit line on credit card and personal loans (effective September 1, 2017), and delivered higher profit than expected in 4Q17. Both shifted funding to short-term borrowing in 4Q17 to ease cost of funds as a way to mitigate the cut in credit card interest rate. We see this as unsustainable in 2018 due to a recovery in bond yield. KTC cut marketing expenses to offset the negative impact, but it will not be able to repeat this in 2018 as banks reenter the arena and competition heats up. To mitigate the impact from the tighter regulations, AEONTS built loan volume via a rush to raise lines of credit for good clients before the ruling came into effect, which implies that loan growth will not be sustainable at this level.

**Risk of rising cost of funds.** A sharp rise in US bond yield to a four-year high will force KTC and AEONTS to lengthen the duration of their liabilities to lock in cost of funds, which will place upward pressure on cost of funds. We expect their cost of funds to be stable in 2018 and rise in 2019-2020 due to an increase in the proportion of L-T borrowing and an up-trending bond yield. The cut in credit card interest rate to 18% from 20% as of September 2017 will have a full-year effect in 2018. We forecast a narrowing in NIM in 2018-2020.

**1Q18 preview.** For AEONTS, we forecast 4QFY17 (November – February) earnings growth of 7% QoQ with a slip of 4% YoY to Bt800mn, on expectation of 1); still-good loan growth of 5% QoQ and 20% YoY, 2) QoQ stable NIM and 3) a slight rise in credit cost as it prepares for IFRS9. For KTC, we forecast a surge of 29% YoY in 1Q17 on a fall in credit cost and a rise of 1% QoQ on an offset of seasonal easing in fee income and marketing expenses.

**Sell both AEONTS and KTC.** Partly due to earnings beats, share prices for both AEONTS and KTC overshoot target, AEONTS by 71% and KTC by 40% YTD. This puts both into overvalued territory especially in view of our expectation of slower earnings growth from the tighter regulations, risk of rising cost of funds and rising competition from commercial banks.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
					18F	19F
AEONTS	Sell	179.5	130.0	(25.2)	14.9	13.1
KTC	Sell	261.0	150.0	(40.2)	17.6	16.0
Average					16.3	14.6

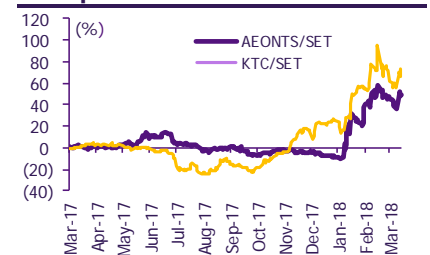
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
AEONTS	6.8	74.3	76.8	6.1	68.5	53.8
KTC	4.4	43.4	90.5	3.7	38.7	65.7

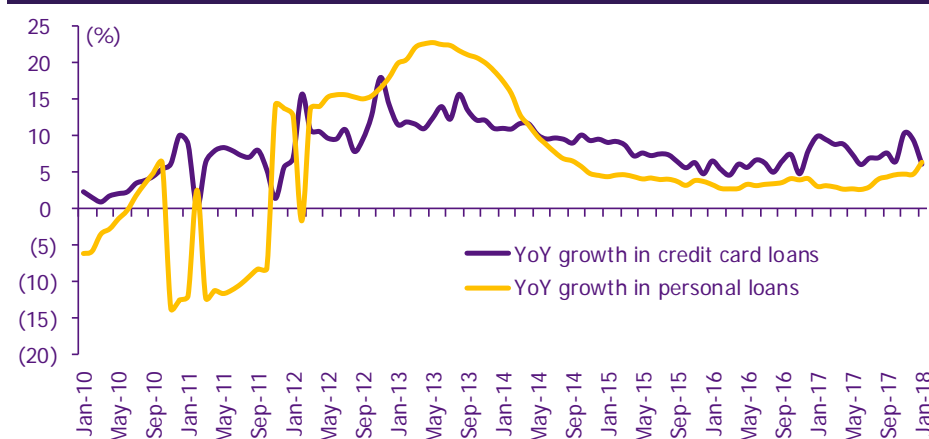
Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Building loan volume in 4Q17 to offset lower credit card interest rate but unsustainable



Source: BoT and SCBS Investment Research

### Analyst

**Kittima Sattayapan, CFA**

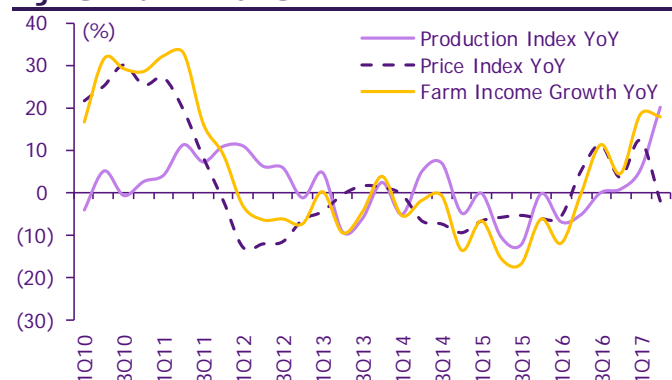
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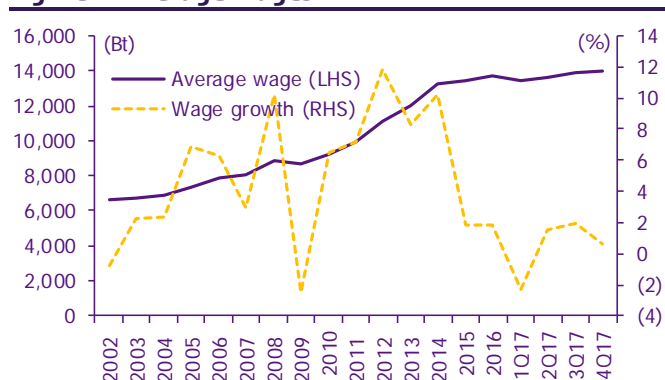
kittima.sattayapan@scb.co.th

Figure 1: Farm income



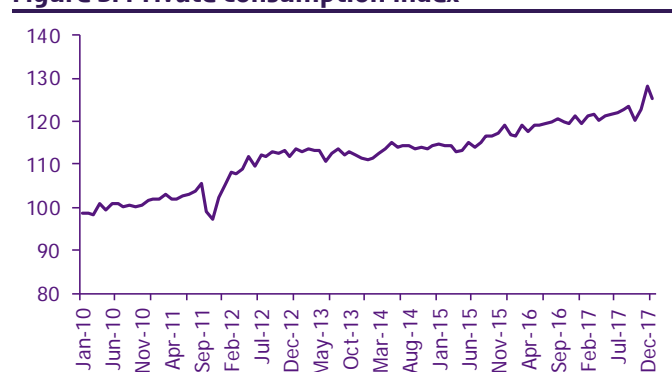
Source: NESDB, BoT and SCBS Investment Research

Figure 2: Average wages



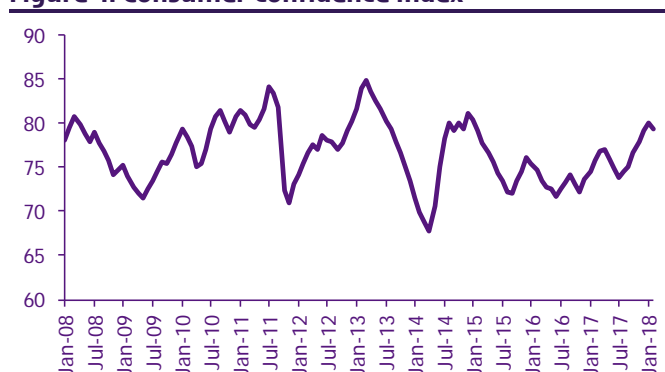
Source: BoT and SCBS Investment Research

Figure 3: Private consumption index



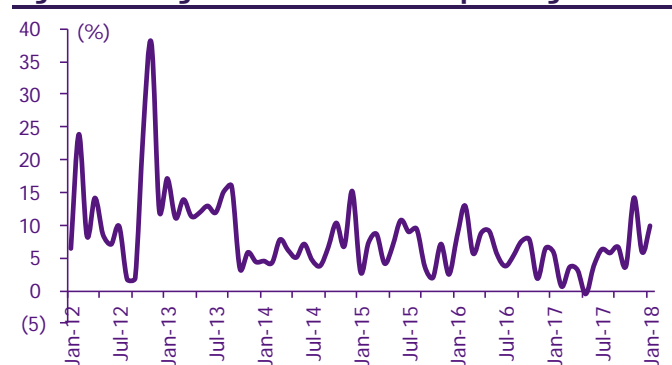
Source: BoT and SCBS Investment Research

Figure 4: Consumer confidence index



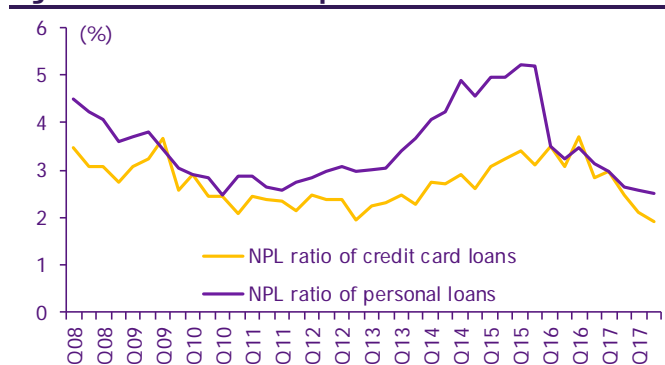
Source: BoT and SCBS Investment Research

Figure 5: YoY growth in credit card spending



Source: BoT and SCBS Investment Research

Figure 6: Credit card and personal loan NPLs



Source: Banks and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
AEONTS	Sell	179.50	130.0	(25.2)	15.8	14.9	13.1	18	7	13	2.9	2.5	2.2	19	18	18	2.0	2.4	2.7
KTC	Sell	261.00	150.0	(40.2)	20.4	17.6	16.0	32	15	10	5.4	4.5	3.8	29	28	26	2.0	2.3	2.6
<b>Average</b>					<b>18.1</b>	<b>16.3</b>	<b>14.6</b>	<b>25</b>	<b>11</b>	<b>12</b>	<b>4.1</b>	<b>3.5</b>	<b>3.0</b>	<b>24</b>	<b>23</b>	<b>22</b>	<b>2.0</b>	<b>2.3</b>	<b>2.6</b>

Source: SCBS Investment Research

# Food

SET FOOD index Close: 21/3/2018 13,021.77 -124.14 / -0.94% Bt2,121mn  
Bloomberg ticker: SETFOOD

## Aquatic unit looking better in 1H18F

**The recent fall in tuna and salmon raw material costs has brightened the outlook for the aquatic segments and thus for 1H18F earnings. In turn, lower broiler and swine product prices from oversupply amid higher feed costs will pressure livestock earnings. Our picks are TU and CPF.**

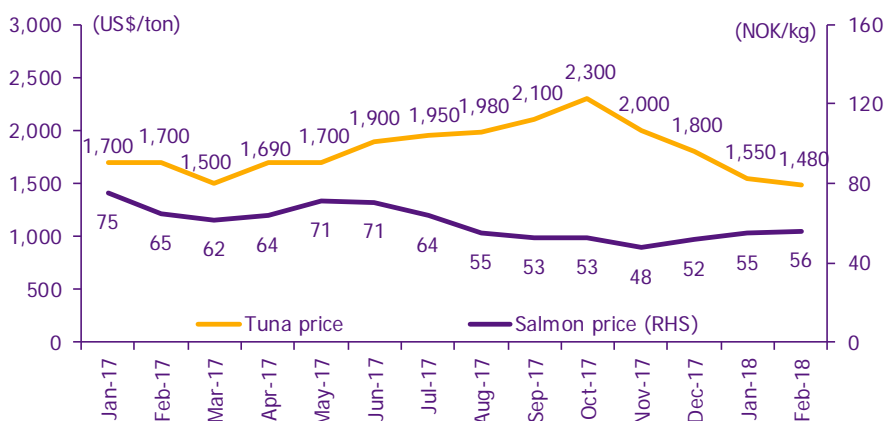
**Aquatic: Lower raw material costs YTD.** Tuna. Skipjack tuna price finally turned around, falling to US\$1,550/ton (-9% YoY) in Jan and US\$1,480/ton (-13% YoY) in Feb from better catches; reports suggest price will stay low at US\$1,500/ton (flat YoY) in March. With spot tuna price coming down since Nov 2017, TU's actual tuna raw material costs will come down from late 1Q18F. Salmon. In 2M18, salmon price fell to NOK56/kg (-17% YoY) as global supply adjusted. The low 1-year forward price indicates price will fall further through 2018. The lower raw material costs should turn TU's salmon unit around to breakeven or a profit in 2018F. Shrimp. In 2M18, local shrimp price was Bt175/kg (-15% YoY), from last year's high after flooding in the south. Thai shrimp volume will grow 10-15% YoY in 2018F on better farming technology and disease control.

**Broiler: ST weak with positive news in MT.** In 2M18, local broiler price declined to Bt32/kg (-16% YoY, close to big player breakeven) on more supply and low swine price. Blended feed costs edged up 10% YoY, with a rise in corn price to Bt9.7/kg (+21% YoY) amid unchanged soybean meal costs YoY, slashing broiler spread (price minus feed costs) by 42% YoY. On March 6, China certified seven Thai broiler plants - GFPT, CPF (2 plants), TFG, Saha Farm (2 plants), and F&F Food - for chicken imports. China became a net broiler importer two years ago, with net imports of 50K tons (450K ton imports minus 400K tons exports) and 90% of 2017 imports came from Brazil. The Department of Livestock estimates exports from these seven plants to China will boost Thai broiler exports by Bt7bn (7% of Thai broiler exports in 2017). With 4-6 months needed to process new client orders, any impact on local broiler prices will not come until 2H18F.

**Swine: narrower loss.** In 2M18, local swine price sank to Bt47/kg (-20% YoY), from oversupply - below CPF's breakeven level of Bt53/kg. This slashed swine spread by 50% YoY. In 2M18, swine price in Vietnam inched up to VND31,600/kg (+15% QoQ but -5% YoY, still below CPF's breakeven at VND35,000/kg), as local supply began to adjust. Given the losses from low swine price for five months in Thailand and about a year in Vietnam against a rearing cycle of 6-9 months, CPF expects more supply cuts to help lift swine prices from late 2Q18.

**Top picks: TU and CPF.** TU is our top pick, as the recent drop in raw material costs should be a plus to operations from late 1Q18F onwards. We also like CPF as it is now trading at 23% below market value of Bt32 from its 34% stake in CPALL (Bt87.75/share), with a potential swine unit turnaround in late 2Q18F.

### Lower tuna and salmon raw material costs, positive to aquatic players



Source: Industry sources, Fishpool and SCBS Investment Research



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/BV (x) 18F	P/BV (x) 19F
CPF	Buy	25.3	32.0	29.5	28.0	23.2	0.9
GFPT	Neutral	14.1	14.5	4.8	10.5	9.9	1.3
TU	Buy	19.6	24.0	25.8	17.6	15.3	1.9
Average					18.7	16.1	1.4

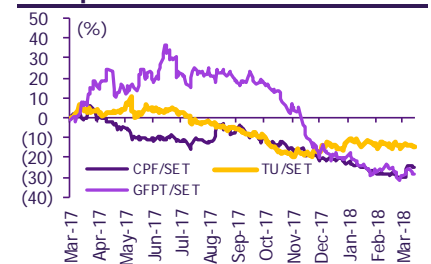
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
CPF	11.2	1.8	(13.7)	10.4	(1.5)	(24.9)
GFPT	7.6	0.7	(19.9)	6.9	(2.6)	(30.3)
TU	(3.0)	2.1	(8.0)	(3.7)	(1.3)	(20.0)

Source: SET, SCBS Investment Research

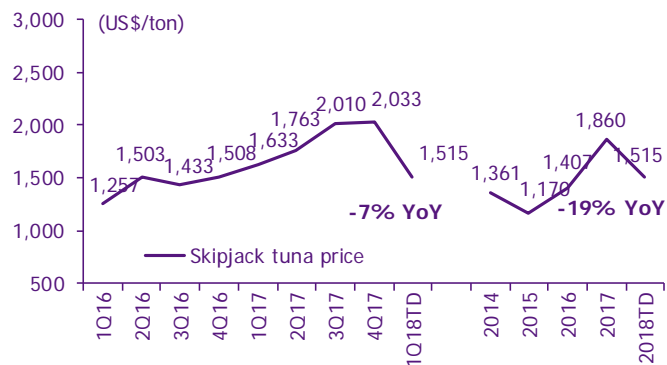
### Price performance relative to SET



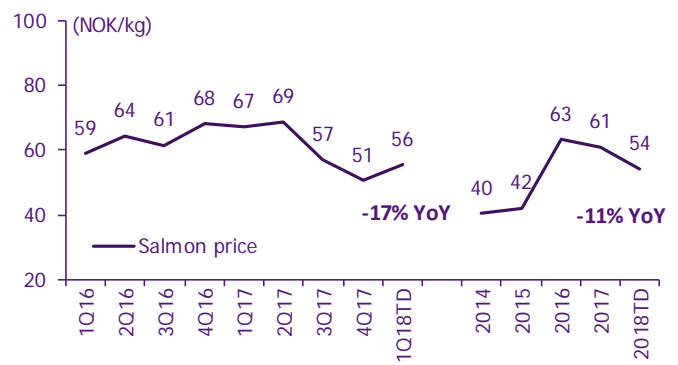
Source: SET, SCBS Investment Research

### Analyst

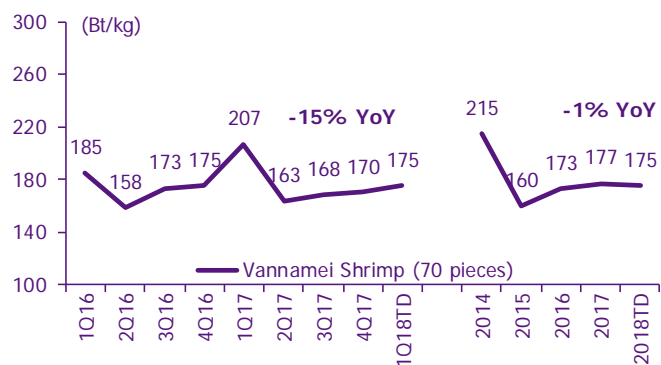
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**Figure 1: After hitting a 4-year high in 2017, skipjack tuna price turned down in 2M18**

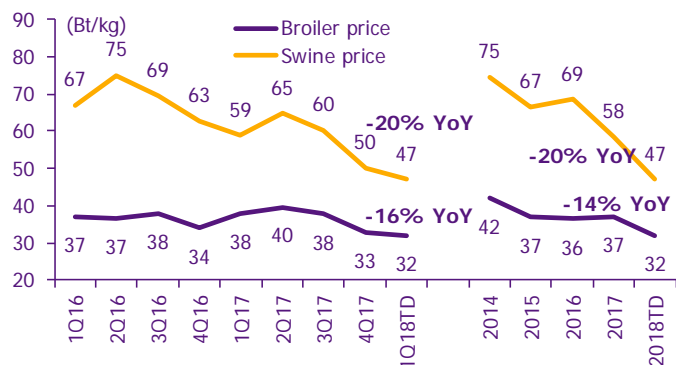
Source: Industry sources and SCBS Investment Research

**Figure 2: In 2M18, salmon price was still falling YoY as global supply adjusted**

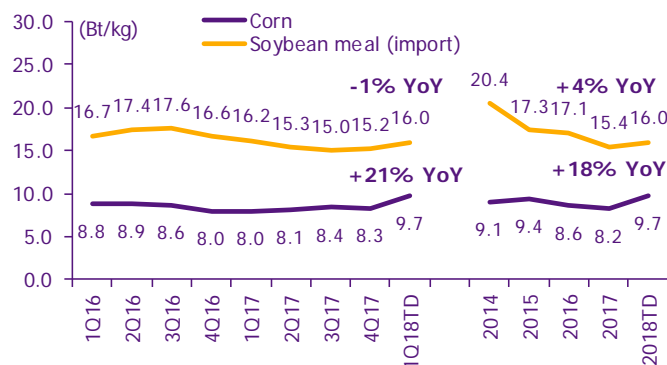
Source: Fishpool and SCBS Investment Research

**Figure 3: In 2M18, local shrimp price weakened YoY, from last year's high price from flooding in South**

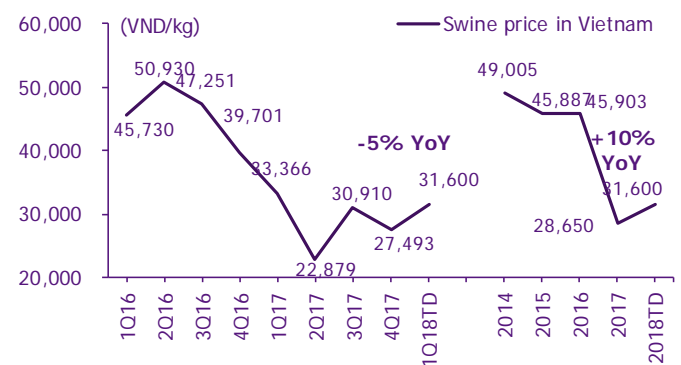
Source: Industry sources and SCBS Investment Research

**Figure 4: In 2M18, local broiler and swine prices fell YoY, from oversupply**

Source: Industry sources and SCBS Investment Research

**Figure 5: In 2M18, blended feed costs turned up YoY, led by higher corn cost**

Source: Industry sources and SCBS Investment Research

**Figure 6: Swine price in Vietnam inched up slowly in 2M18, but remains below breakeven**

Source: Industry sources and SCBS Investment Research

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
CPF	Buy	25.25	32.0	29.5	32.7	28.0	23.2	(61)	17	21	0.9	0.9	0.9	3	4	4	3.0	2.8	2.8	15.3	14.4	13.9
GFPT	Neutral	14.10	14.5	4.8	10.1	10.5	9.9	10	(4)	7	1.5	1.3	1.2	15	13	13	2.1	2.0	2.0	6.8	6.8	6.4
TU	Buy	19.60	24.0	25.8	20.5	17.6	15.3	(12)	16	15	1.9	1.9	1.8	10	11	12	3.4	3.4	3.4	16.4	14.7	13.1
<b>Average</b>					<b>21.1</b>	<b>18.7</b>	<b>16.1</b>	<b>(21)</b>	<b>10</b>	<b>14</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>	<b>12.8</b>	<b>12.0</b>	<b>11.1</b>

Source: SCBS Investment Research

# Healthcare

SET HEALTH index Close: 21/3/2018 5,613.28 -15.50 / -0.28% Bt550mn  
Bloomberg ticker: SETHLTH



## Growth improving but performance lagging

**SETHLTH has underperformed the market by 17% since Jan 2017, implying the healthcare service sector is out of favor, dragged down by the poor earnings growth in 2017. We believe investors will regain interest in the sector given the 17% growth in core earnings in 2018 (from just 3% in 2017) as rising revenue and wider margin are underwriting healthy operations. Our top picks are BDMS and CHG from earnings turnarounds, resuming ROA uptrend and laggard performance.**

**Positives to boost operations.** We expect sector revenue to grow 10% YoY, accelerating from the quiet 2017 of 6% YoY, backed by positive industry indicators, including an improving economy, a normalization of epidemic cases in Thailand off the low base in 1Q17 when the country had fewer epidemics than usual, a recovery of international patient service off a low base in 4Q16-1Q17 due to slow Thai tourism (positive: BH and BDMS) and reimbursement hike of social security service effective in July 2017 (positive: BCH and CHG).

**Sector to deliver 17% core earnings growth in 2018.** Rising patient traffic will improve asset utilization and expand margin for hospital operators. We expect sector average bed utilization to increase to 67% in 2018 from 64% in 2017, lifting the sector's average EBITDA margin to 27.7% in 2018 from 26.8% in 2017. We forecast core earnings growth of 17% YoY in 2018, far better than 3% YoY in 2017.

**Top picks are BDMS and CHG.** Since 2017, SETHLTH has underperformed the market by 17% and this suggests the sector is out of favor, dragged down by the poor earnings growth in 2017. We believe investor preference will return to the healthcare service sector in recognition of the healthier earnings prospects. We place BDMS and CHG as our picks in the sector based on earnings turnarounds, ROA enhancement and valuation. We expect BDMS to turn around in 2018 with 17% core earnings growth (after -2% YoY in 2017) and CHG to deliver stronger core earnings growth of 20% YoY in 2018 (from +5% YoY in 2017). This will lead return on assets (ROA) for BDMS and CHG to resume an uptrend in 2018 after an expansion phase over the past few years. In the rally of the SET begun in September 2017, BDMS has been a laggard, with share price rising 9% vs. the SET's rise of 12% and a 30% surge in other outperforming big-caps. CHG's share price has fallen sharply by 28% over the past year dragged down by its disappointing earnings in 2017. In the presence of better earnings prospects, we see it as over-penalized and it is trading at 1.4x 2018 PEG, a 32% discount to regional average.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
					18F	19F
BCH	Buy	16.9	21.0	25.6	37.9	32.2
BDMS	Buy	22.7	27.5	22.5	37.3	32.2
BH	Neutral	207.0	216.0	5.8	34.1	30.9
CHG	Buy	1.9	2.9	57.6	28.8	24.8
Average					34.5	30.0

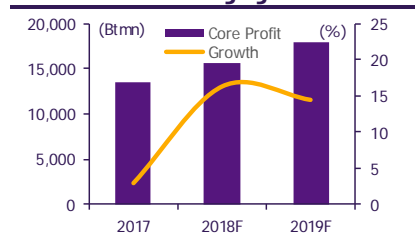
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
BCH	5.0	5.6	28.0	4.2	2.1	11.3
BDMS	3.7	6.1	9.7	2.9	2.6	(4.6)
BH	3.0	6.4	16.3	2.3	2.9	1.1
CHG	(8.3)	(15.0)	(27.5)	(9.0)	(17.8)	(37.0)

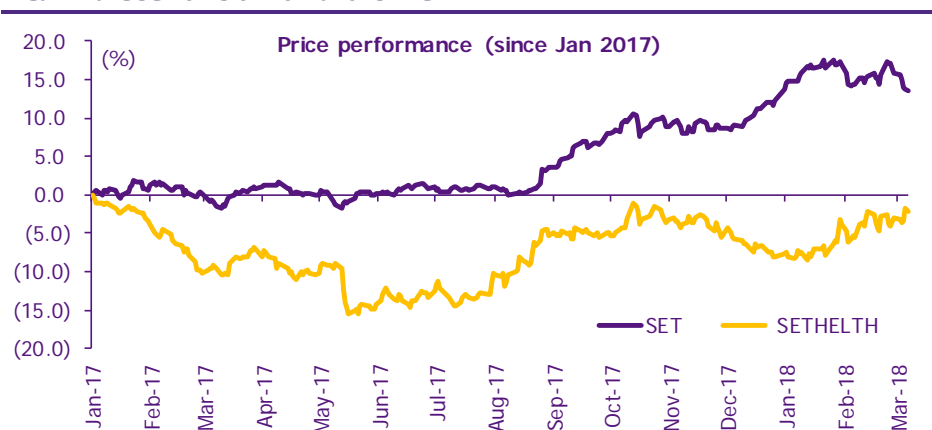
Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### Healthcare sector is out of favor since 2017



Source: SET and SCBS Investment Research

### Analyst

**Raweenuch Piyakriengkai**

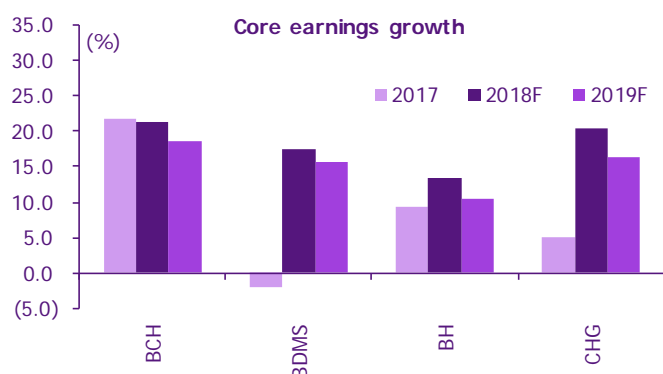
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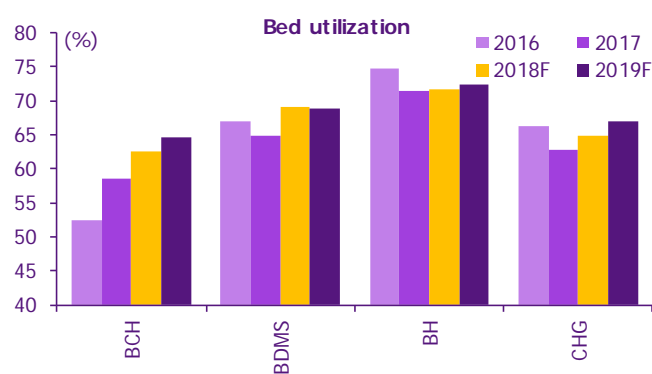
raweenuch.piyakriengkai@scb.co.th

Figure 1: Earnings growth outlook



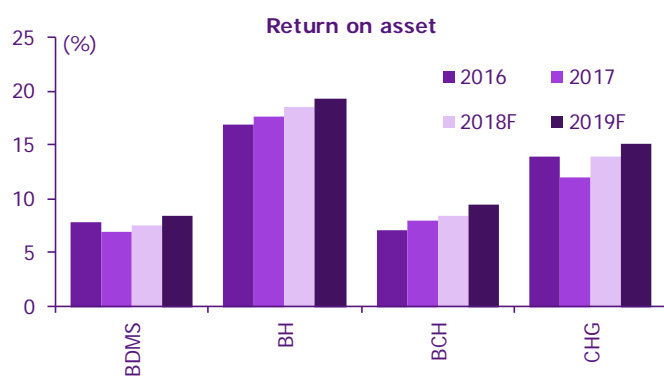
Source: Company data and SCBS Investment Research

Figure 2: Improving bed utilization



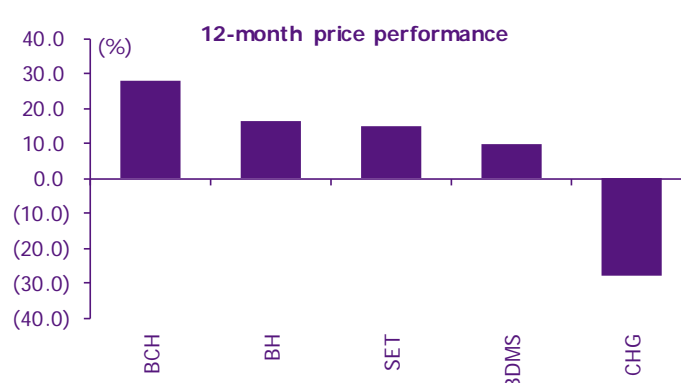
Source: Company data and SCBS Investment Research

Figure 3: ROA improvement



Source: SCBS Investment Research

Figure 4: 12-month price performance



Source: Bloomberg and SCBS Investment Research

Figure 5: Regional valuation comparison

Company name	Country	Mkt Cap US\$ mn.	PE (x)			EPS Growth (%)			PBV (x)			Div. Yield (%)			ROE (%)			EV/EBITDA (x)		
			18F	19F	20F	18F	19F	20F	18F	19F	20F	18F	19F	20F	18F	19F	20F	18F	19F	20F
Bangkok Chain Hospital *	Thailand	1,349	37.9	32.2	29.4	21.3	17.6	9.6	7.3	6.6	5.9	1.3	1.6	1.7	18.4	20.0	19.8	19.9	17.5	16.0
Bangkok Dusit Medical*	Thailand	11,260	37.3	32.2	27.0	17.4	15.8	19.6	5.2	4.8	4.4	1.3	1.6	1.9	13.8	14.8	16.3	22.2	19.3	16.6
Bumrungrad Hospital*	Thailand	4,830	33.8	30.6	27.1	13.3	10.4	12.7	8.1	7.2	6.3	1.5	1.6	1.8	25.1	24.5	24.3	21.1	19.0	16.7
Chularat Hospital*	Thailand	659	28.8	24.8	21.0	20.4	16.4	18.1	5.6	5.0	4.5	2.5	2.4	2.9	19.5	20.5	21.8	17.5	15.0	13.3
Ladprao General Hospital	Thailand	167	28.0	27.0	n.m.	-4.6	3.6	n.m.	3.0	2.9	n.a	2.6	2.7	n.a	11.1	11.1	n.a.	17.0	14.7	13.7
Vibhavadi Medical Center	Thailand	1,023	30.3	26.9	n.m.	21.2	12.5	n.m.	4.1	3.8	n.a	0.8	1.0	n.a	12.8	13.1	n.a.	23.1	20.9	n.a.
KPJ Healthcare Bhd	Malaysia	972	22.6	20.6	20.6	8.1	10.0	0.0	2.1	2.0	1.9	2.1	2.2	2.5	10.1	10.5	10.7	11.6	10.4	10.1
IHH Healthcare Bhd	Malaysia	12,784	51.6	41.4	31.9	4.3	24.6	29.9	2.1	2.1	2.0	0.5	0.7	0.8	4.3	5.3	6.5	19.4	16.7	14.3
Raffles Medical Group	Singapore	1,559	31.4	34.1	29.7	-8.0	-8.1	14.7	2.7	2.6	2.4	1.9	1.9	2.0	8.7	7.9	8.3	21.2	20.7	18.2
Apollo Hospitals Enterpris	India	2,208	44.5	30.0	24.3	57.0	48.4	23.4	3.5	3.2	n.a	0.6	0.8	n.a	8.3	11.4	n.a.	17.6	14.3	n.a.
Ramsay Health Care	Australia	9,807	20.7	19.0	17.3	12.0	9.0	9.7	4.8	4.3	4.0	2.5	2.7	3.0	23.8	23.2	n.a.	11.1	10.4	10.1
Ryman Healthcare	New Zealand	3,978	21.4	18.7	15.0	-6.2	14.4	24.7	2.8	2.6	n.a	2.0	2.3	2.7	11.2	11.5	7.0	24.2	21.7	22.6
Average			32.4	28.1	24.3	13.0	14.6	16.2	4.3	3.9	3.9	1.6	1.8	2.1	13.9	14.5	14.3	18.8	16.7	15.2

Source: Bloomberg and SCBS Investment Research

\*SCBS estimates

# Industrial Estates

SET PROP index Close: 21/3/2018 322.71 +0.68 / +0.21% Bt3,058mn  
Bloomberg ticker: SETPROP

## Brighter prospects ahead

**We are positive toward land sales, expecting a jump of 50% to 3,000 rai this year backed by the EEC Act. New supply will rise in line with demand. The EEC promotional zone for targeted industries contains only 28,666 rai of IE land or sufficient for only 2.5 years of IEAT's estimated demand of 70,000 rai over the next five years. Thus severe price competition is unlikely in the near term. AMATA and WHA are favorites.**

**2017 wrap-up.** In 2017, IE land sales disappointed at 2,000 rai, though growing 36% YoY based on CBRE and our estimates, blamed on the delay in the Eastern Economic Corridor (EEC) Act. Asking prices were up for IE land in Chonburi and Rayong provinces, under EEC; prices for other land were stable. Aggregate core earnings of AMATA, AMATAV, ROJNA and WHA grew an impressive 28% thanks to improved gross margin from a rise in selling price and a near doubling of equity income from the COD of new SPPs for AMATA, ROJNA and WHA.

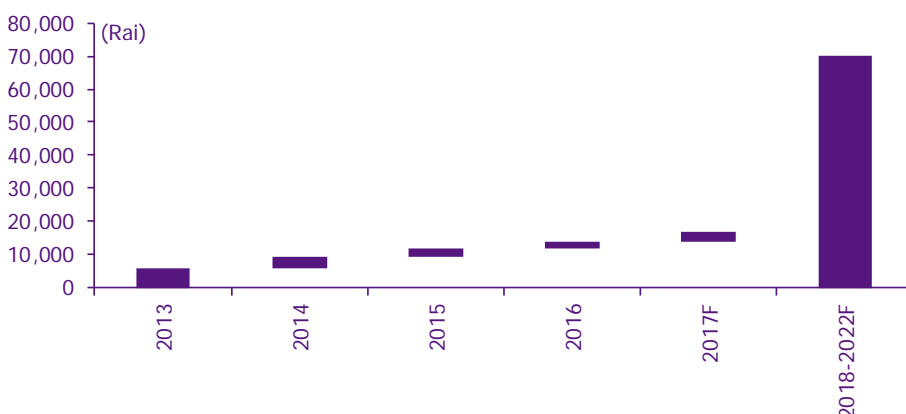
**Positive outlook.** The NLA has passed the EEC Act and we expect it to be promulgated in the Royal Gazette soon, after which it will be law. This means land sales will be more active from 2H18. We maintain our view that world FDI will grow 3% over the next few years in tandem with global GDP and trade volume growth and Thailand's share of FDI will rise to 0.4% from 0.1%. We estimate demand of 20,000 rai p.a. for AMATA, NNCL, ROJNA and WHA over the next five years. In 2018, we expect land sales to jump 50% to 3,000 rai.

**Growing new supply in tandem with demand.** IEAT estimates demand will soar to 70,000 rai in EEC over the next five years, far higher than accumulated demand of 17,000 rai for the past five years nationwide, meaning plenty of demand to go around. According to IEAT, at present only 28,666 rai of sellable area (86,775 gross area) in 21 IEs out of the total of 31 (with total gross area of 113,000 rai) is in the EEC promotional zone for targeted industries, still far below the expected demand. This includes the JV of C.P. Land Co., Ltd. and Guangxi Construction Engineering Group who recently announced a focus on Chinese investors. In our view, competition will rise, but we do not anticipate severe price competition given the strengthening demand.

**Looking for solid FDI inflow from China.** According to the BoT, average China's FDI into Thailand was US\$8.2bn for the past five years. With EEC as a magnet, we expect stronger FDI inflow from China. In March 2018, up to 1,000 potential Chinese investors will visit Thailand, which could bring high demand. IEAT data shows fewer than 200 buy IE land nationwide annually.

**Short-term profit taking, good medium-term outlook.** Not surprisingly, there was some profit-taking on IE stocks in past two months after being run up by 50-60%. In the medium term, we expect share prices to move up, spurred by strong demand and property price appreciation. Our sector top picks are unchanged: AMATA and WHA.

### Industrial land demand in EEC to jump during 2018-2022F



Source: IEAT

Note: Nationwide industrial land demand during 2013-2017; 2018-2022F industrial land demand forecast is for EEC only



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/E (x) 19F	P/BV (x) 18F	P/BV (x) 19F
AMATA	Buy	21.4	31.0	48.3	11.7	9.8	1.6	1.5
AMATAV	Buy	7.5	11.5	53.9	12.2	11.8	2.2	1.9
ROJNA	Neutral	6.9	7.0	4.8	20.9	18.4	1.1	1.0
WHA	Buy	4.0	5.2	34.0	15.5	13.7	2.2	2.0
Average					15.1	13.4	1.8	1.6

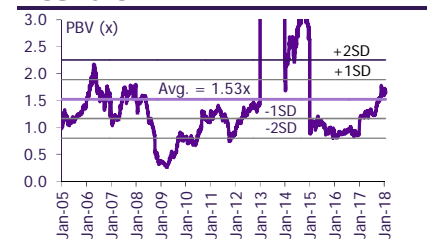
Source: SCBS Investment Research

### Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
AMATA	(16.1)	(17.7)	32.1	(16.7)	(20.4)	14.9
AMATAV	(5.1)	(16.2)	(3.8)	(5.7)	(19.0)	(16.4)
ROJNA	0.7	(6.2)	31.7	0.0	(9.3)	14.6
WHA	(4.3)	1.5	33.3	(5.0)	(1.8)	16.0

Source: SET, SCBS Investment Research

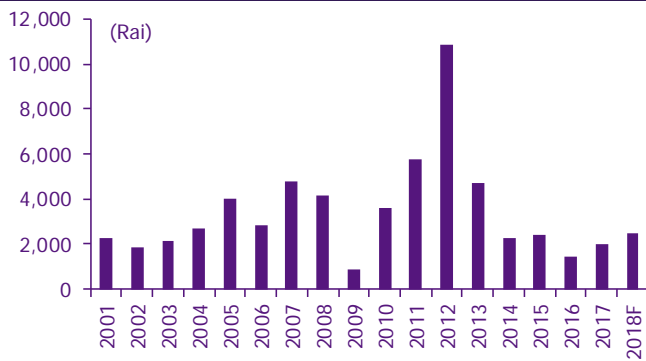
### IE sector's PBV



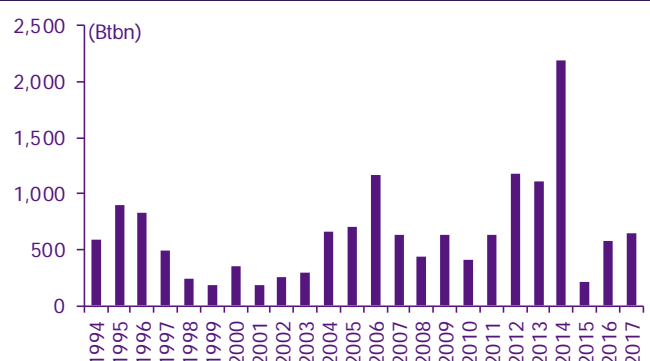
Source: SET, SCBS Investment Research

### Analyst

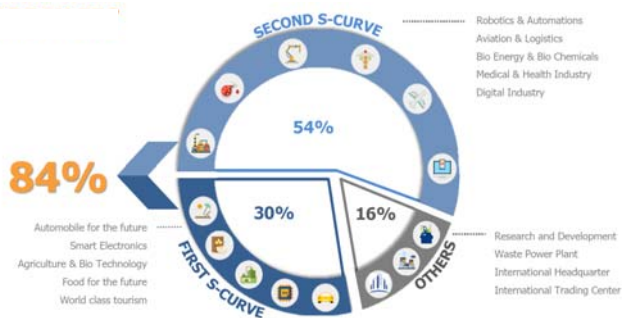
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**Figure 1: IE land sales grew 36% to 2,000 rai in 2017 and are expected to grow 50% to 3,000 rai in 2018**

Source: CBRE, SCBS Investment Research

**Figure 2: Bol applications grew 10% YoY to Bt642bn in 2017**

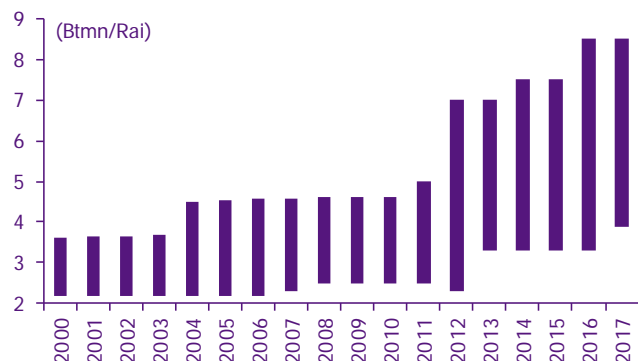
Source: Bol

**Figure 3: Most investments were in targeted industries in EEC in 2017**

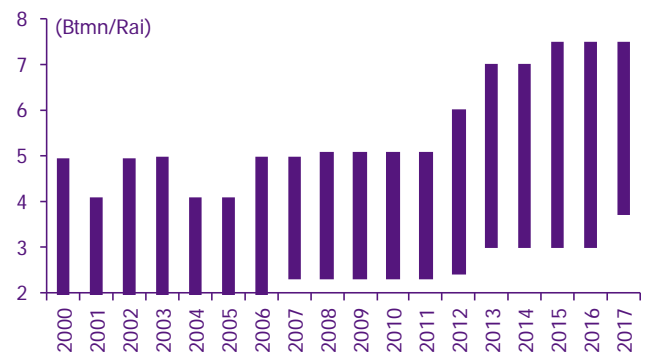
Source: Bol, EEC Office

**Figure 4: 21 EEC industrial promotional zones**

Source: EEC Office

**Figure 5: Asking prices increased in Chonburi...**

Source: CBRE

**Figure 6: ... and Rayong**

Source: CBRE

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17F	18F	19F	17F	18F	19F	17F	18F	19F	17F	18F	19F	17F	18F	19F	17F	18F	19F
AMATA	Buy	21.40	31.0	48.3	14.7	11.7	9.8	10	26	20	1.8	1.6	1.5	11	12	14	2.5	3.4	4.1	14.4	11.9	10.5
AMATAV	Buy	7.50	11.5	53.9	14.0	12.2	11.8	73	14	3	2.6	2.2	1.9	17	18	16	0.4	0.5	0.6	11.4	10.1	9.7
ROJNA	Neutral	6.85	7.0	4.8	21.1	20.9	18.4	5	1	14	1.1	1.1	1.0	3	4	4	4.4	2.6	3.0	12.0	11.5	10.5
WHA	Buy	4.00	5.2	34.0	17.5	15.5	13.7	13	13	13	2.3	2.2	2.0	13	13	14	3.5	4.0	5.5	21.2	21.3	18.9
<b>Average</b>					<b>16.8</b>	<b>15.1</b>	<b>13.4</b>	<b>25</b>	<b>14</b>	<b>12</b>	<b>1.9</b>	<b>1.8</b>	<b>1.6</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>2.7</b>	<b>2.6</b>	<b>3.3</b>	<b>14.8</b>	<b>13.7</b>	<b>12.4</b>

Source: SCBS Investment Research

# Insurance

SET INSUR index Close: 21/3/2018 13,499.88 +115.12 / +0.86% Bt93mn  
Bloomberg ticker: SETINS

## BLA is the best play on bond yield

**We like BLA as the best play on recovering bond yield. In addition, BLA offers the most attractive valuation of the three insurance stocks as its share price has overreacted to BBL's tie-up with AIA. We expect THREL to see a slowdown in earnings growth due to a rising combined ratio and falling ROI. We expect THRE to see earnings turnaround in 2018 but profitability will remain weak and valuation is still expensive.**

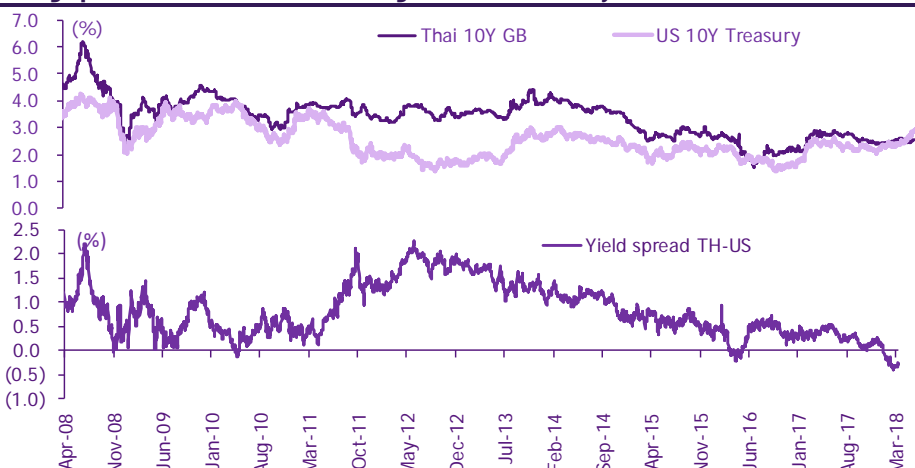
**BLA: Best ride with bond yield.** US 10-year treasury yield has already risen to a four-year high of 2.9%, driven by expectations of accelerating inflation spurred by economic growth. Thai and US bond yield normally move in tandem but spread recently turned negative, suggesting a stronger upward pull on Thai bond yield as it follows US bond yield up. This will lead to further earnings recovery for BLA in 2018. We expect BLA to reverse the remaining Bt660mn LAT reserve and yield on investment to bottom in 2018. We forecast a 10% fall in new business premiums in 2018F and a 3% slip in total business premiums from BBL's bancassurance partnership with AIA. BLA expects this will be seen from 2Q18 onward.

**THREL: Earnings growth stepping down.** We believe the good 2017 earnings growth will not be sustainable in 2018, pressured by a rise in combined ratio and no repeat of the one-off investment gain from the sale of its stake in EMCS. We expect an increase in combined ratio from 78% in 2017 to 79% in 2018 from: 1) rising proportion of health insurance, which has a high combined ratio of 90% and 2) the time lag for booking claims on group life, for which premiums grew strongly in 2017. We expect THREL's ROI to continue falling in 2018 without last year's one-off Bt19mn gain from the sale of its stake in EMCS and continued low yield on S-T bonds. THREL targets an 8% premium growth in 2018 vs. 7% in 2017.

**THRE: Turning around but still expensive.** We expect THRE's earnings to return to profit without last year's huge one-off expenses, plus resumption of premium growth and improving combined ratio. THRE expects premium growth of 10-15% in 2018 after three years of contraction. We expect an improvement in combined ratio from 105% in 2017 to 99% in 2018, 96% in 2019 and 95% in 2020, mainly due to a depletion of the existing loan protection insurance for teachers, which has an unusually high loss ratio. We expect an earnings turnaround in 2018 but continued weak ROE. It is trading at an expensive PBV of 1.6x on 2018 relative to 9% ROE.

**BLA is our sector pick.** We like BLA as the best play on recovering bond yield. In addition, BLA offers the most attractive valuation of the three insurance stocks as its share price has overreacted to BBL's tie-up with AIA.

### Falling spread between Thai and US government bond yields



Source: Bloomberg and SCBS Investment Research

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/BV (x) 18F	P/BV (x) 19F
BLA	Buy	33.0	50.0	53.7	11.2	10.9	38.4
THRE	Sell	1.7	1.6	(1.7)	17.0	13.8	n.m.
THREL	Neutral	10.5	11.0	9.8	13.9	12.7	4.3
Average					14.0	12.5	21.4

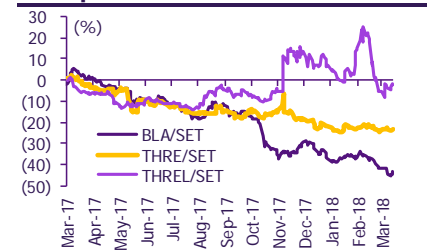
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
BLA	(5.7)	(12.0)	(35.9)	(6.4)	(14.9)	(44.3)
THRE	(3.4)	(3.9)	(13.5)	(4.0)	(7.1)	(24.8)
THREL	0.0	(7.9)	20.7	(0.7)	(10.9)	5.0

Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Analyst

**Kittima Sattayapan, CFA**

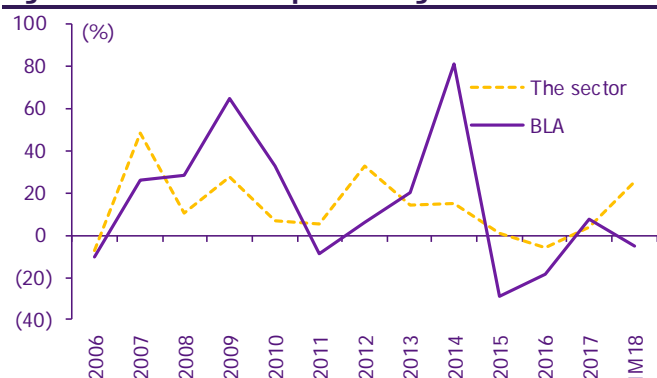
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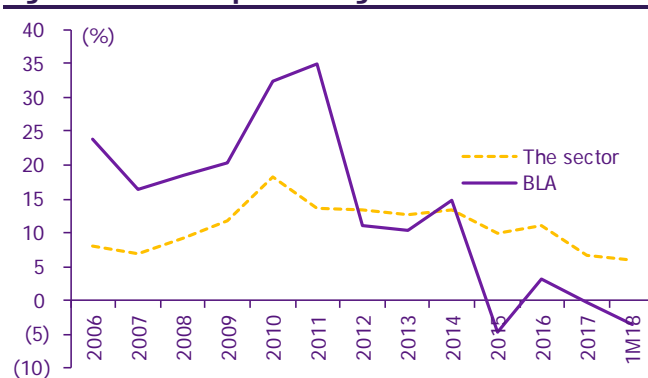
kittima.sattayapan@scb.co.th

Figure 1: New business premium growth



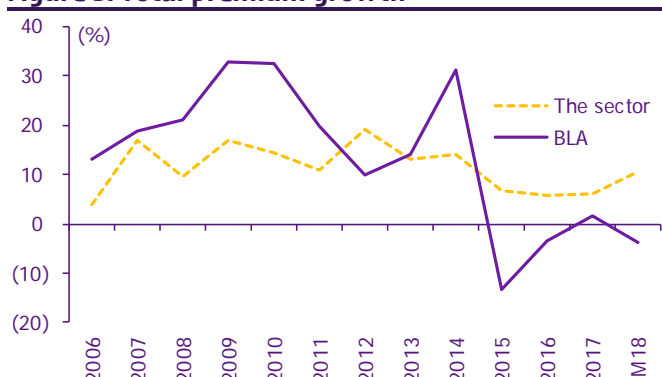
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 2: Renewal premium growth



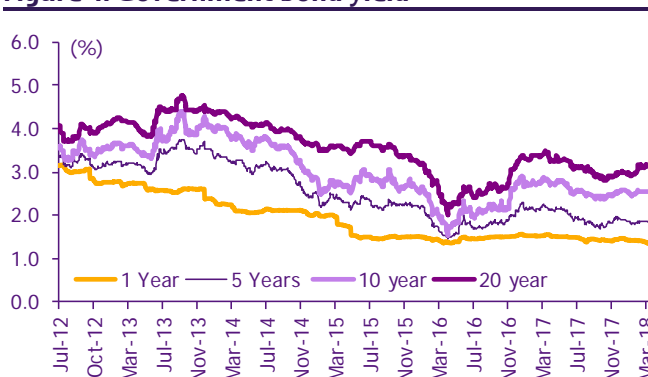
Source: Thai BMA and SCBS Investment Research

Figure 3: Total premium growth



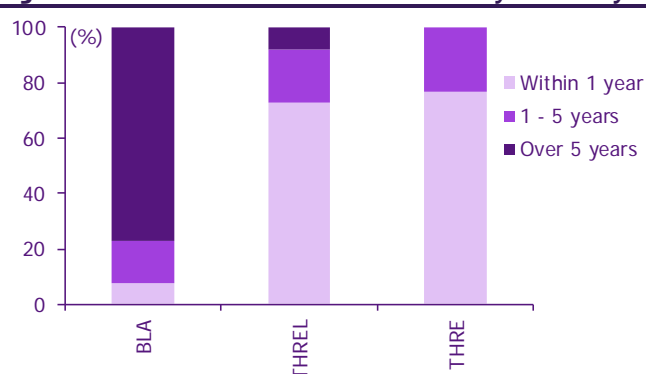
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 4: Government bond yield



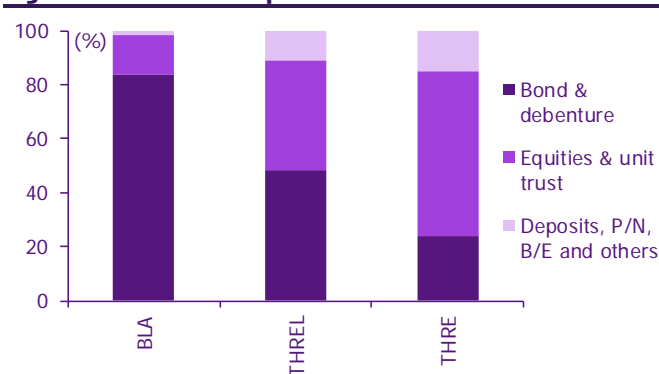
Source: Thai BMA and SCBS Investment Research

Figure 5: Investment in debt securities by maturity



Source: BLA, THRE, THREL and SCBS Investment Research

Figure 6: Investment portfolio



Source: BLA, THRE, THREL and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BLA	Buy	32.25	50.0	57.3	15.1	10.9	10.7	(29)	38	3	1.4	1.3	1.2	10	12	12	1.7	2.3	2.3
THRE	Sell	1.75	1.6	(2.9)	n.m.	17.1	13.9	n.m.	n.m.	23	1.5	1.5	1.5	(2)	9	11	5.7	5.7	5.7
THREL	Neutral	10.20	11.0	13.0	14.0	13.5	12.4	35	4	9	4.0	3.6	3.3	31	28	28	4.9	5.2	5.7
Average					14.6	13.9	12.3	3	21	12	2.3	2.1	2.0	13	16	17	4.1	4.4	4.6

Source: SCBS Investment Research

# Media

SET MEDIA index Close: 21/3/2018 66.07 +0.08 / +0.12% Bt1,767mn  
Bloomberg ticker: SETENTER

## Star shining on OOH

**Ad spending in February 2018 continued to dip, especially in traditional media and analog TV. Ad spending for OOH and digital TV, however, began to swing up in January 2018. We continue bullish on OOH media as we believe it will grow for many more years. We like only WORK for TV as it remains laggard on CPRP and has room to step up its ad rates. We also like VGI and PLANB in the OOH arena.**

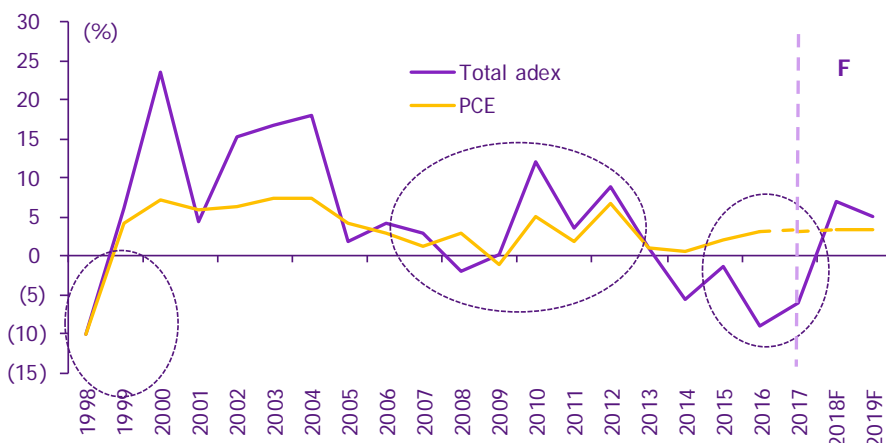
**Analog TV dragged industry down.** According to Nielsen data, while ad spending in February 2018 picked up MoM (4%) from January 2018, it still fell 5% YoY to Bt7.74bn, pulled down by dimming media: analog TV (-19% YoY), cable/satellite TV (-27% YoY), newspapers (-25% YoY) and magazines (-37% YoY). Disregarding these reveals ad spending on other media has been rising since November 2017. Cinema has been the outperformer in terms of ad spending growth, up 22% YoY in February, followed by digital TV (18% YoY) and Out-Of-Home (5% YoY). In the first two months of 2018, ad spending overall fell 7% YoY, led by analog TV, newspapers and magazines. Growth was seen in cinema, digital and OOH.

**OOH leading the pack.** We continue to like OOH media, with a clear structural shift toward OOH from traditional media giving it a greater piece of the pie when ad spending turns up. Over the past ten years (2007-2017), growth in OOH media exceeded the industry overall (7.7% for OOH vs 1.4% for the industry), with a market share rising to 12% in 2017 from 6% in 2007. There is still ample room to grow: in countries where people spend less time at home such as Hong Kong and Singapore, OOH media accounts for 25% of total ad spend. Thailand is shifting towards spending less time at home and with the industry swinging back up, we expect OOH media to do best and outperform the sector overall.

**Be selective on TV.** TV will also gain from an upturn in ad spending, but will grow just 3% in 2018, below the industry average. We expect TV to continue to dominate as the best way to reach the mass market, but as people increasingly go online and as they spend less time at home, TV will gradually take less of total adspend. This implies growth rate will be lower than the industry overall. We prefer small TV operators like WORK and RS to big players such as BEC since their ratings are still rising while their ad rates are low and do not reflect their rising ratings, as seen in a lower Cost Per Rating Point (CPRP) than for larger players.

**Top picks are VGI, PLANB and WORK.** We like PLANB and VGI, both OOH operators, as they are best positioned to benefit from the industry upswing. We reiterate our Buy calls on PLANB with a TP of Bt9.00 and VGI with a TP of Bt7.5. In the field of television, we prefer WORK, which is stepping up its ad rates. Buy with a TP of Bt115.

### Expect ad spending to be on the upward trend starting in 2018



Source: Nielsen and SCBS Investment Research

### Valuation summary

		Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/BV (x) 19F	18F	19F
BEC	Sell	13.7	8.0	(41.1)	186.5	167.0	4.6	4.6	
GRAMMY	Sell	9.5	6.5	(31.6)	n.m.	n.m.	9.1	7.8	
MAJOR	Neutral	28.3	30.0	9.8	27.4	23.7	3.8	3.7	
MCOT	Sell	10.4	6.0	(42.3)	n.m.	n.m.	1.2	1.2	
PLANB	Buy	6.0	9.0	51.6	31.6	23.3	5.6	5.0	
RS	Neutral	29.0	14.0	(50.4)	46.4	34.0	14.2	18.9	
VGI	Buy	7.6	7.5	0.5	47.4	33.8	26.3	24.8	
WORK	Buy	64.0	115.0	82.4	18.7	16.0	4.7	3.8	
Average					59.7	49.6	8.7	8.7	

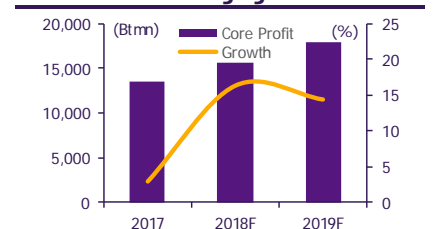
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BEC	28.0	4.6	(13.3)	27.1	1.1	(24.6)
GRAMMY	(3.6)	(14.4)	(4.5)	(4.2)	(17.2)	(17.0)
MAJOR	7.6	(4.2)	(16.3)	6.9	(7.4)	(27.2)
MCOT	1.0	(12.6)	(21.8)	0.3	(15.5)	(32.0)
PLANB	(3.2)	(7.0)	(0.8)	(3.9)	(10.0)	(13.8)
RS	(4.1)	9.4	213.5	(4.8)	5.8	172.7
VGI	13.4	22.6	52.6	12.6	18.5	32.7
WORK	(16.9)	(24.3)	12.8	(17.5)	(26.8)	(1.9)

Source: SET, SCBS Investment Research

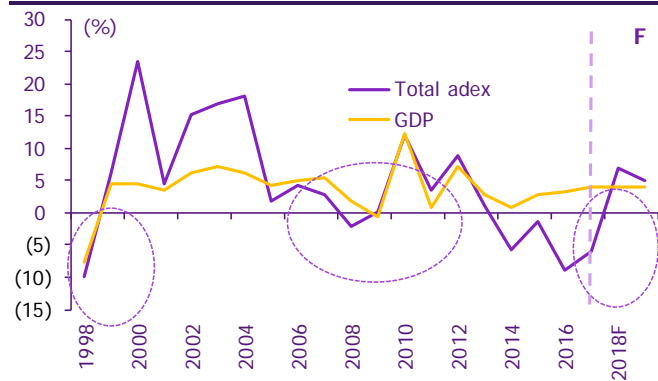
### Sector core earnings growth



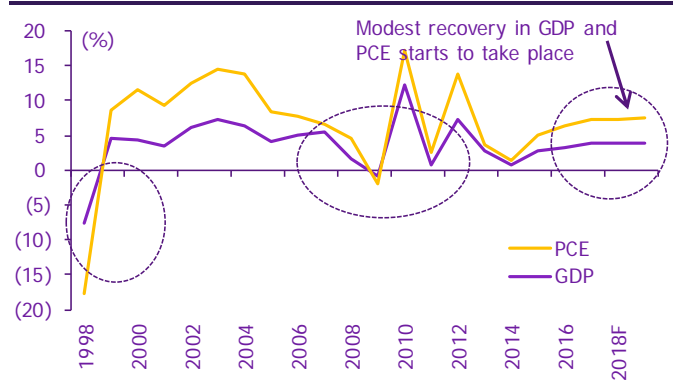
Source: SET, SCBS Investment Research

### Analyst

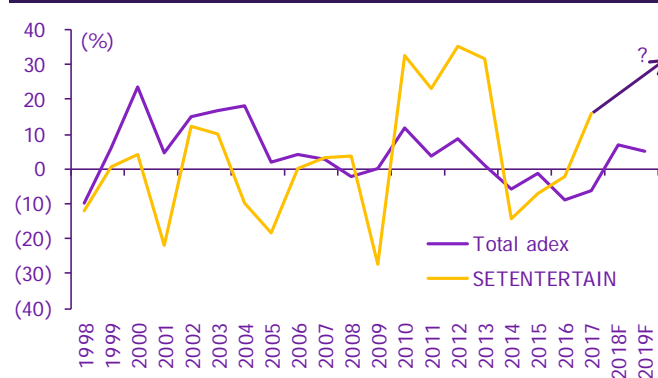
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**Figure 1: GDP will drive the growth in ad spending**

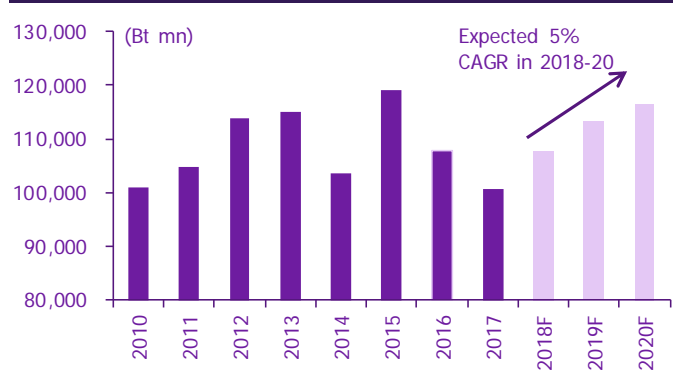
Source: Nielsen and SCBS Investment Research

**Figure 2: GDP and PCE will be on the growth phase**

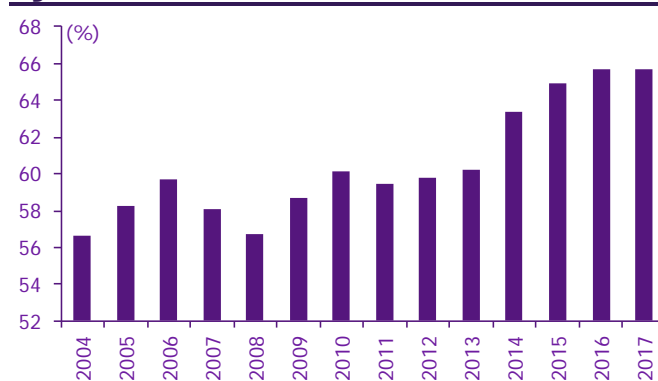
Source: Nielsen and SCBS Investment Research

**Figure 3: Ad spending growth will be a help for media sector performance**

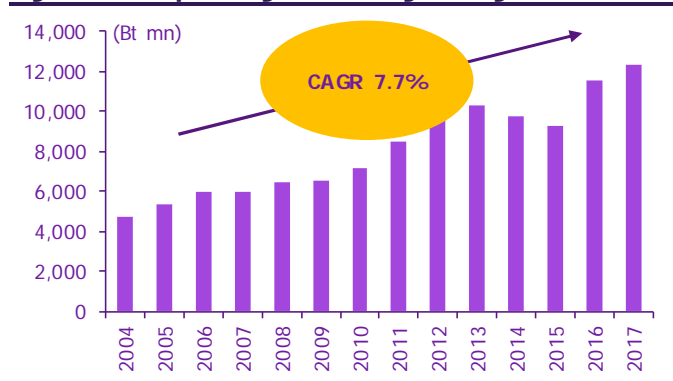
Source: SET, Nielsen and SCBS Investment Research

**Figure 4: Expect 5% CAGR in 2018-2020 for ad spending**

Source: Nielsen and SCBS Investment Research

**Figure 5: TV continues to be the main media**

Source: Nielsen and SCBS Investment Research

**Figure 6: Ad spending in OOH is growing**

Source: Nielsen and SCBS Investment Research

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BEC	Sell	13.70	8.0	(41.1)	n.m.	186.5	167.0	(100)	5,191	12	4.2	4.6	4.6	0	2	3	0.7	0.5	0.5	7.3	5.1	4.2
GRAMMY	Sell	9.50	6.5	(31.6)	n.m.	n.m.	n.m.	(114)	52	n.a.	7.1	9.1	7.8	(87)	(55)	n.a.	0.0	0.0	n.a.	27.3	17.0	15.6
MAJOR	Neutral	28.25	30.0	9.8	31.5	27.4	23.7	(8)	15	15	3.9	3.8	3.7	12	14	16	4.4	3.6	3.8	13.7	12.6	11.5
MCOT	Sell	10.40	6.0	(42.3)	n.m.	n.m.	n.m.	(246)	1	(12)	1.1	1.2	1.2	(39)	(40)	(47)	0.0	0.0	9.6	(6.5)	(4.5)	(3.9)
PLANB	Buy	6.00	9.0	51.6	46.1	31.6	23.3	31	46	36	5.9	5.6	5.0	14	18	23	0.8	1.6	2.1	22.1	15.6	12.0
RS	Neutral	29.00	14.0	(50.4)	88.0	46.4	34.0	n.m.	90	36	16.2	14.2	18.9	19	33	48	0.0	1.3	4.8	18.7	17.9	15.2
VGI	Buy	7.60	7.5	0.5	64.3	47.4	33.8	24	36	41	27.8	26.3	24.8	43	57	76	1.3	1.8	2.5	30.5	24.9	22.7
WORK	Buy	64.00	115.0	82.4	31.2	18.7	16.0	355	66	17	6.3	4.7	3.8	24	29	26	2.2	2.7	3.2	15.2	11.6	10.3
<b>Average</b>					<b>52.2</b>	<b>59.7</b>	<b>49.6</b>	<b>(8)</b>	<b>687</b>	<b>21</b>	<b>9.1</b>	<b>8.7</b>	<b>8.7</b>	<b>(2)</b>	<b>7</b>	<b>20</b>	<b>1.2</b>	<b>1.4</b>	<b>3.8</b>	<b>16.0</b>	<b>12.5</b>	<b>10.9</b>

Source: SCBS Investment Research

# Petrochemicals

SET PETRO index Close: 21/3/2018 1,592.80 +3.05 / +0.19% Bt6,970mn  
Bloomberg ticker: SETPETRO

## IVL looks good with solid PET spread

**We like the sector after a 2% retreat in share price from 1Q18 peak. PET/polyester product spread looks good on tight supply and more asset acquisitions could lift market sentiment. Propylene and PP also look inviting as China gets tough on environment impact, cutting out polluting plants. Our pick for the sector is IVL as the market is overly anxious about dilution. Key drivers are favorable PET spread and new acquisitions.**

**2017 earnings** for petrochemical companies under coverage (90% of sector's market cap) were much better, with core profit up 66% and net profit up 42% YoY, driven by strong product spread for both IVL and PTTGC plus higher olefins utilization at PTTGC. GGC was the drag due to a weaker biodiesel margin and a huge stock loss that narrowed EBITDA margin by 2.5ppt.

**Propylene chain promising.** Product spread for polyethylene (except LDPE) and polypropylene rose 2-13% QoQ in 1Q18 thanks to higher demand for restocking spurred by the oil price rally. Tight supply is likely to keep ethylene price strong in 2018, with oversupply of downstream polyethylene hurting PE-naphtha spread. We are more positive on PP after China levied stringent environmental regulations that will cut supply from unconventional capacity.

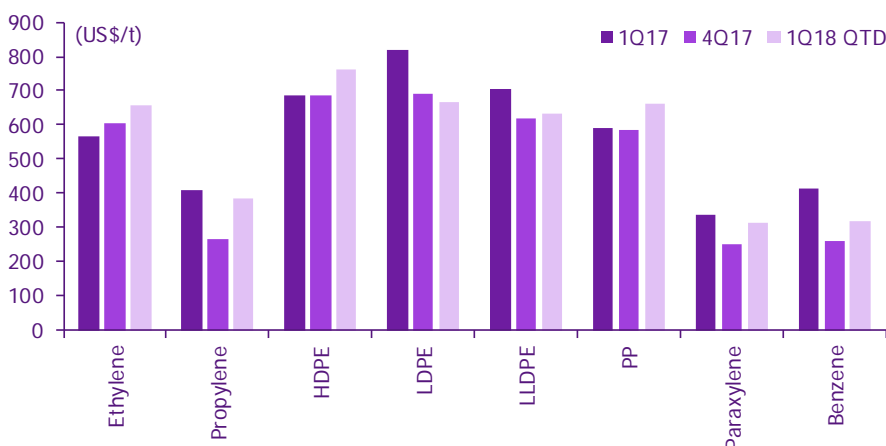
**New capacity to slice aromatics spread.** PX-naphtha spread grew 26% QoQ in 1Q18 on tighter supply from several planned shutdowns and delayed startup of new capacity of >2mtpa (~4% of global capacity) in Vietnam and the Middle East. We expect a PX supply glut in 2018 as key buyer, China, becomes increasingly self-sufficient from startup of domestic PX plants and more supply in the region.

**Tighter supply, wider PET/polyester spread.** PET product spread rose 21%QoQ in 1Q18 on tighter supply as some key players continue to run slow or halt production. Keep an eye on these, as they may be put up for sale – and open investment opportunity for low-cost and more efficient producers like IVL.

**In bio-based products, FA looks good.** Price outlook for domestic methyl ester (ME) or biodiesel is muted this year, with a high crude palm oil stock of >400kt vs. the two-year average of 328kt and continued low price for biodiesel as per the cost-plus formula. The government will keep its biodiesel content in high-speed diesel at 7% (B7), keeping biodiesel demand growth dull. The outlook for fatty alcohol (FA) is better, with tight supply in Asia, mainly China, and South America. China's environmental moves shuttered several FA plants – but demand remains.

**IVL is sector's top pick.** It may have a chance to acquire commodity products like PET/PTA and HVA products and it is on a solid earnings path in 2018-19F with higher sales volume from a full year contribution from newly acquired assets and stronger core EBITDA/t from HVA products and good PET margin outlook.

## Petrochemical product spread performance



Source: Bloomberg Finance LP and SCBS Investment Research



## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/E (x) 19F	P/BV (x) 18F	P/BV (x) 19F
GGC	Neutral	14.5	17.0	20.1	14.2	10.9	1.3	1.2
IVL	Buy	56.5	70.0	26.5	14.6	12.7	2.1	1.9
PTTGC	Buy	96.8	120.0	28.9	10.2	10.1	1.5	1.4
Average					13.0	11.2	1.6	1.5

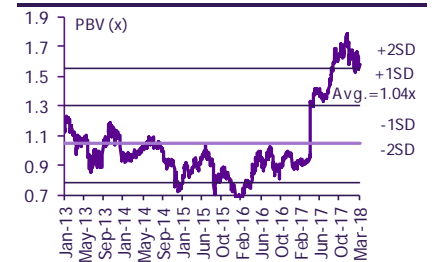
Source: SCBS Investment Research

## Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
GGC	(9.4)	(13.7)	n.m.	(10.0)	(16.5)	n.a.
IVL	10.2	4.6	62.6	9.5	1.2	41.4
PTTGC	3.2	13.5	34.8	2.5	9.8	17.3

Source: SET, SCBS Investment Research

## PBV band – SETPETRO

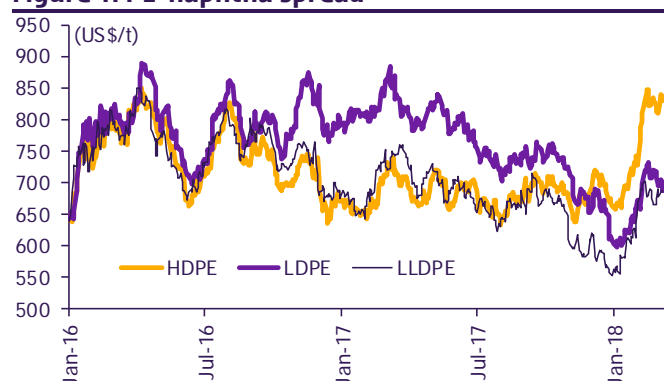


Source: SET, SCBS Investment Research

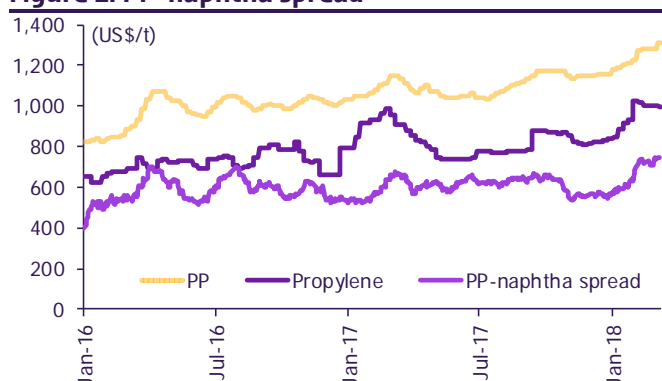
## Analyst

### Chaipat Thanawattano

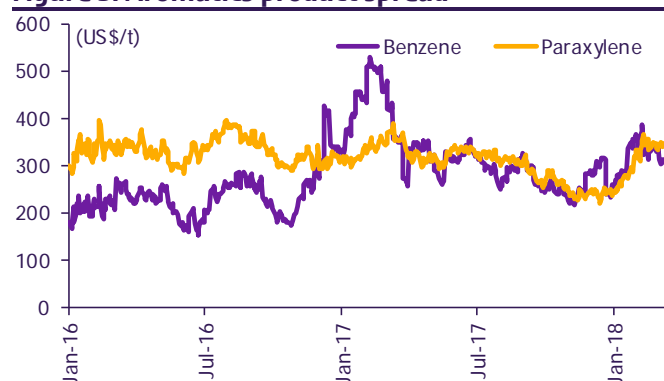
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chaipat.thanawattano@scb.co.th

**Figure 1: PE-naphtha spread**

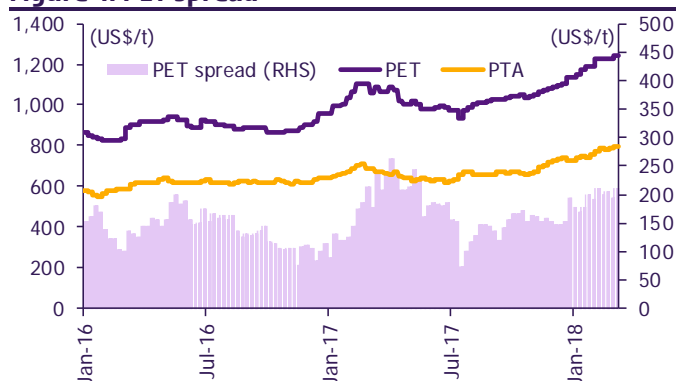
Source: Bloomberg Finance LP, SCBS Investment Research

**Figure 2: PP-naphtha spread**

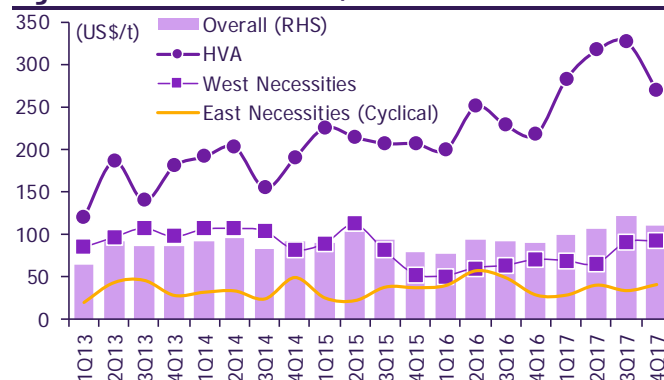
Source: Bloomberg Finance LP, SCBS Investment Research

**Figure 3: Aromatics product spread**

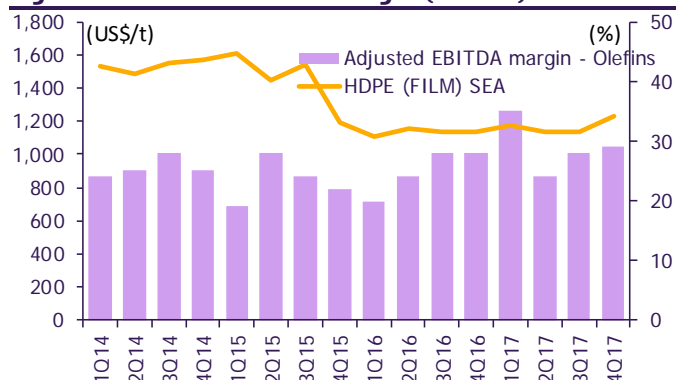
Source: Bloomberg Finance LP, SCBS Investment Research

**Figure 4: PET spread**

Source: Bloomberg Finance LP, SCBS Investment Research

**Figure 5: IVL – core EBITDA/t**

Source: IVL, SCBS Investment Research

**Figure 6: PTTGC – EBITDA margin (olefins)**

Source: PTTGC, SCBS Investment Research

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
GGC	Neutral	14.50	17.0	20.1	24.7	14.2	10.9	(52)	74	30	1.3	1.3	1.2	6	9	11	2.4	2.8	3.7	11.2	9.0	6.8
IVL	Buy	56.50	70.0	26.5	14.7	14.6	12.7	93	1	15	2.5	2.1	1.9	20	16	16	1.8	2.7	2.8	11.0	8.4	7.3
PTTGC	Buy	96.75	120.0	28.9	10.7	10.2	10.1	54	5	1	1.6	1.5	1.4	15	15	14	4.4	4.9	5.0	7.3	6.8	6.5
<b>Average</b>					<b>16.7</b>	<b>13.0</b>	<b>11.2</b>	<b>32</b>	<b>27</b>	<b>15</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>14</b>	<b>13</b>	<b>14</b>	<b>2.9</b>	<b>3.4</b>	<b>3.8</b>	<b>9.8</b>	<b>8.1</b>	<b>6.8</b>

Source: SCBS Investment Research

# Residential property

SET PROP index Close: 21/3/2018 322.71 +0.68 / +0.21% Bt3,058mn  
Bloomberg ticker: SETPROP



## 2017 presales beat; 2018 shift to low-rise

Thanks to strong recovery in condo, aggregate presales of our seven developers was a record Bt218bn, beating market expectations. With revenue growth flat, backlog moved up after three years of declining. 2018 growth target is a moderate 6% for presales and 11% for revenue, with LPN showing the most growth in both. We note developers are shifting to the low-rise market where there is real demand. LH and QH have a strong presence in this market. Our top picks are LPN and QH.

**2017 industry wrap-up.** According to AREA, housing demand in greater Bangkok grew 20% YoY to Bt410bn, driven by the mid- to high-end segment, with big developers dominating at 80%. Low-end continued shrinking on weak homebuyer affordability and little supply due to cost push (especially land cost). The SDH market is looking good: with new supply lower than demand, unsold stock dropped slightly, cutting selling time (unsold stock divided by demand).

**2017 performance wrap-up of top seven.** Beating estimates, strong condo recovery (+74% YoY) boosted presales growth for our seven developers (AP, LH, LPN, PSH, QH, SIRI, SPALI) to 28% YoY to Bt218bn (50% condo, 50% low-rise), up from a slip of 6% in 2016, supported by a 16% rise in new launches with strong take-up at condos by AP, PSH and SPALI. JV presales took 14% of the total, up from 8% in 2016. Revenue (including 100% JV) and core profit were flat YoY as a wider gross margin was offset by rising SG&A. Net profit grew 5% on asset sales by LH and SPALI.

**Backlog heading up.** As expected, backlog rose to Bt174bn after diminishing for three years. This implies better visibility and growth and comes as a result of greater presales last year than amount of revenue booked.

**2018 guidance for marginal growth: 6% presales and 11% revenue.** The top seven developers target aggregate presales growth of 6% YoY to Bt230bn, though they plan 34% growth in new launches to a record Bt286bn, aided by JVs that foster rapid expansion. Revenue (including JV) growth guidance is moderate at 11% (condo +12% and low-rise +10%). LPN's turnaround story is seen in the highest growth in both presales and revenue.

**Market shift to low-rise.** The top seven developers have shifted to focus more on the low-rise market where demand is real and healthy. New launches are set to grow 66% to a record Bt178bn for low-rise with a presales target growth of 19% to Bt130bn. New condo launches will be flat at Bt109bn and presales drop 8% to Bt100bn. Since much experience is needed to succeed in low-rise product development and locations are widespread, competition is unlikely to be severe. LH and QH are strongly established in this market.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/E (x) 19F	P/BV (x) 18F	P/BV (x) 19F
AP	Buy	8.5	11.0	34.1	7.5	7.4	1.1	1.0
LH	Buy	10.8	15.0	46.2	13.6	13.4	2.5	2.5
LPN	Buy	10.8	16.0	55.4	9.5	8.1	1.2	1.1
PSH	Neutral	21.7	24.0	17.2	7.7	6.8	1.2	1.1
QH	Buy	3.0	4.1	45.0	8.1	7.4	1.2	1.1
SIRI	Buy	1.8	2.7	66.4	4.1	3.7	0.8	0.7
SPALI	Buy	22.3	33.0	52.5	8.1	6.9	1.5	1.3
<b>Average</b>					<b>8.4</b>	<b>7.7</b>	<b>1.3</b>	<b>1.3</b>

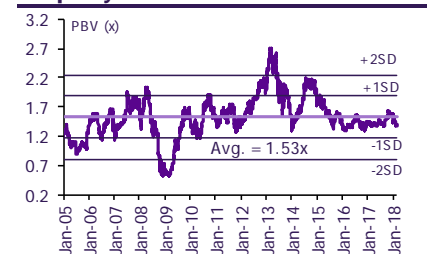
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
AP	2.4	(7.6)	18.9	1.7	(10.7)	3.4
LH	(0.9)	4.9	11.9	(1.6)	1.4	(2.7)
LPN	0.9	(17.6)	(12.2)	0.2	(20.3)	(23.6)
PSH	(8.1)	(10.0)	(4.0)	(8.7)	(12.9)	(16.5)
QH	1.4	(3.2)	15.5	0.6	(6.4)	0.5
SIRI	(6.8)	(17.1)	(7.7)	(7.4)	(19.9)	(19.8)
SPALI	(2.2)	(5.5)	(11.7)	(2.9)	(8.6)	(23.2)

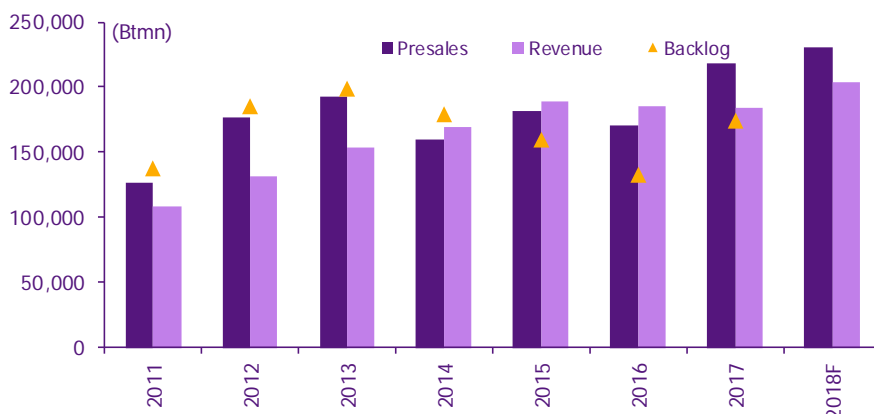
Source: SET, SCBS Investment Research

### Property sector's PBV



Source: SET, SCBS Investment Research

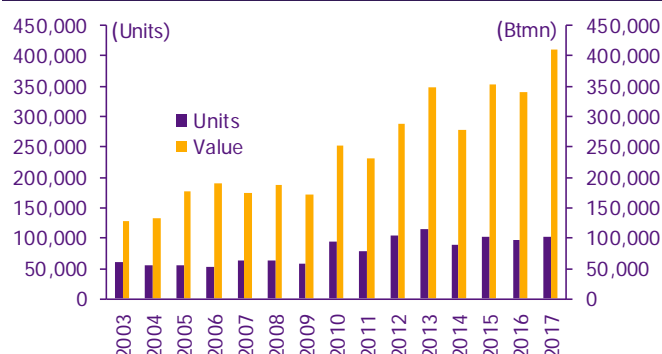
### Backlog is turning the corner after dropping for three years



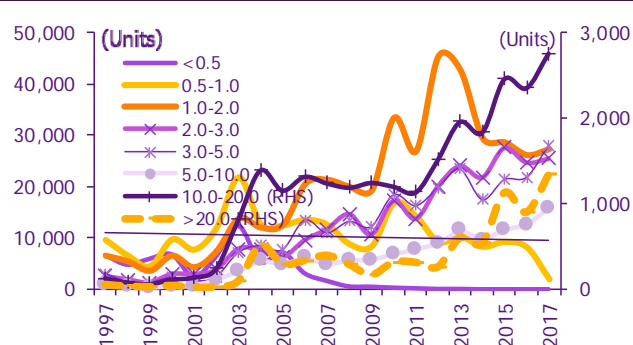
Source: AP, LH, LPN, PSH, QH, SIRI, SPALI

### Analyst

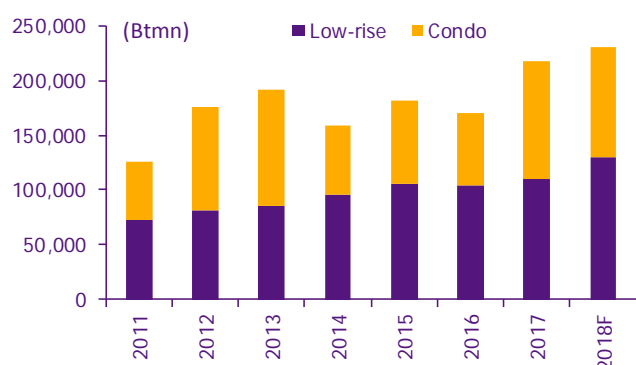
**Sirikarn Krisnipat**  
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sirikarn.krisnipat@scb.co.th

**Figure 1: Demand growth driven by mid- to high-end segments (value increasing faster than units)**

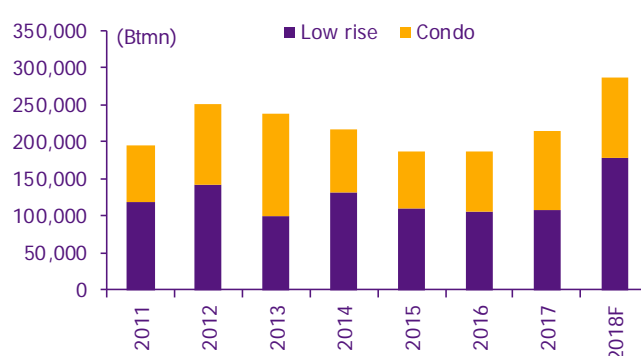
Source: AREA

**Figure 2: Shrinking low-end demand, but mid- to high-end are growing**

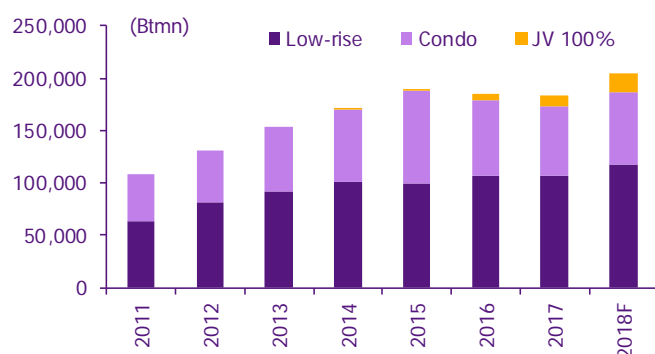
Source: AREA

**Figure 3: Strong 2017 presales growth driven by condo, but 2018 growth to be driven by low-rise**

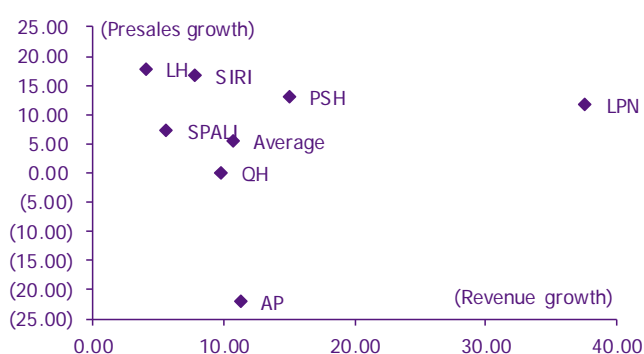
Source: AP, LH, LPN, PSH, QH, SIRI, SPALI

**Figure 4: New launches to increase 34% in 2018 (low-rise +66%, but condo flat)**

Source: AP, LH, LPN, PSH, QH, SIRI, SPALI

**Figure 5: Revenue to grow 11% (condo +12%, low-rise +10%)**

Source: AP, LH, LPN, PSH, QH, SIRI, SPALI

**Figure 6: 2018: Presales growth versus revenue growth targets**

Source: Company

**Figure 7: Valuation summary**

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
AP	Buy	8.50	11.0	34.1	8.7	7.5	7.4	18	16	1	1.2	1.1	1.0	15	16	14	4.1	4.7	4.7	11.0	10.2	10.4
LH	Buy	10.80	15.0	46.2	13.9	13.6	13.4	13	2	2	2.6	2.5	2.5	19	19	18	6.9	7.3	7.1	12.9	12.6	14.3
LPN	Buy	10.80	16.0	55.4	15.0	9.5	8.1	(51)	58	17	1.3	1.2	1.1	9	13	14	4.6	7.3	8.6	15.1	9.6	8.5
PSH	Neutral	21.70	24.0	17.2	8.7	7.7	6.8	(8)	13	14	1.3	1.2	1.1	15	16	16	5.9	6.6	7.5	9.0	8.2	7.4
QH	Buy	2.98	4.1	45.0	9.3	8.1	7.4	4	15	9	1.3	1.2	1.1	14	15	16	6.7	7.5	8.1	12.0	10.5	9.6
SIRI	Buy	1.79	2.7	66.4	9.0	4.1	3.7	(14)	121	10	0.9	0.8	0.7	10	20	20	6.7	15.5	17.0	13.2	6.5	5.8
SPALI	Buy	22.30	33.0	52.5	7.0	8.1	6.9	12	(14)	18	1.4	1.5	1.3	22	19	20	0.0	4.6	5.4	7.8	6.8	5.5
<b>Average</b>					<b>10.2</b>	<b>8.4</b>	<b>7.7</b>	<b>(4)</b>	<b>30</b>	<b>10</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>15</b>	<b>17</b>	<b>17</b>	<b>5.0</b>	<b>7.6</b>	<b>8.4</b>	<b>11.6</b>	<b>9.2</b>	<b>8.8</b>

Source: SCBS Investment Research

# Securities

SET FIN index Close: 21/3/2018 3,625.15 +11.43 / +0.32% Bt1,445mn  
Bloomberg ticker: SETFIN



## Clear sailing with hefty market turnover

**Securities companies have enjoyed the hefty Bt64.1bn average daily market turnover (excluding proprietary trading) in 1Q18, which holds promise of upside to our full-year forecast of Bt47bn. We thus expect both ASP and MBKET to report a QoQ rise in earnings. We like ASP more than MBKET because of a more attractive dividend yield.**

**Sailing along with hefty daily market turnover.** Average daily market turnover (excluding proprietary trading) rose 40% YoY and 23% QoQ to Bt64.1bn in 1Q18 (as March 19). This gives upside risk to our 2018F average daily market turnover now pegged at Bt47bn (vs. Bt45bn for 2017).

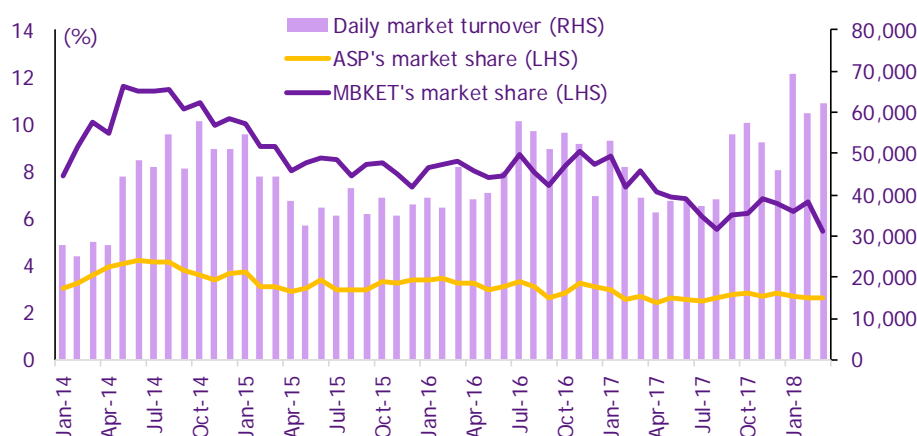
**MBKET's 1Q18F: Up QoQ but down YoY.** We forecast MBKET's 1Q18 earnings at Bt182mn, representing a 15% QoQ increase (mainly from brokerage fees) but a 29% fall YoY (due to lower investment banking fees). We expect brokerage fees to rise 21% QoQ as a result of a 23% QoQ increase in average daily market turnover despite a slip in brokerage market share from 6.56% in 4Q17 to 6.25% in 1Q18 (as of March 19). The 4% rise in the SET to the 1Q18 peak should bring with it larger investment gain as it had Bt2bn investment in equities at YE2017.

**ASP's 1Q18F: Up both QoQ and YoY.** We expect ASP's earnings to grow 10% QoQ and 12% YoY to Bt215mn in 1Q18. We anticipate a rise of 20% QoQ in brokerage fees as a result of a 23% QoQ increase in average daily market turnover, overwhelming the slip in brokerage market share from 2.78% in 4Q17 to 2.63% in 1Q18 (as of March 19). The 4% rise in the SET to its 1Q18 peak should bring in larger investment gain given the investment in local listed securities of Bt2.1bn at YE2017.

**Continued good non-brokerage fees in 2018.** MBKET disclosed that it has more than 25 investment banking (IB) deals in its pipeline, including 3-4 M&As, 1-2 REITS, 1-2 infrastructure funds, 13-14 IPOs, 1-2 private placement and 1-2 financial advisory deals. ASP has 55 IB deals in its pipeline, 27 of which are IPOs and 28 are advisory assignments.

**Maintain Buy ASP and Sell MBKET.** ASP has a more attractive valuation and earnings sustainability provided by its greater diversification of revenue sources. We expect ASP to offer a more attractive 2018 dividend yield of 7.7% against 5.6% for MBKET, although ASP's payout ratio at 85% is below MBKET's 100%.

## Riding with hefty market turnover in 1Q18, despite a slip in market share



Source: Banks and SCBS Investment Research

## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)	
ASP	Buy	3.8	4.7	30.8	10.1	10.3	1.6
MBKET	Sell	18.9	18.0	1.0	17.2	17.8	2.3
Average					13.7	14.0	2.0

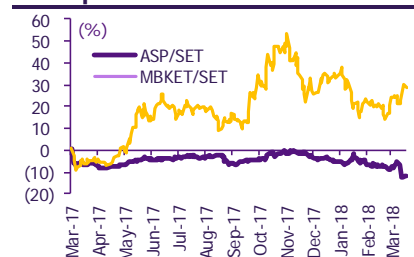
Source: SCBS Investment Research

## Price Performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
ASP	(3.0)	(4.0)	8.5	(3.7)	(7.2)	(5.7)
MBKET	(12.1)	(12.5)	(14.1)	(12.7)	(15.4)	(25.3)

Source: SET, SCBS Investment Research

## Price performance relative to SET



Source: SET, SCBS Investment Research

## Analyst

**Kittima Sattayapan, CFA**

Fundamental Investment

Analyst on Securities

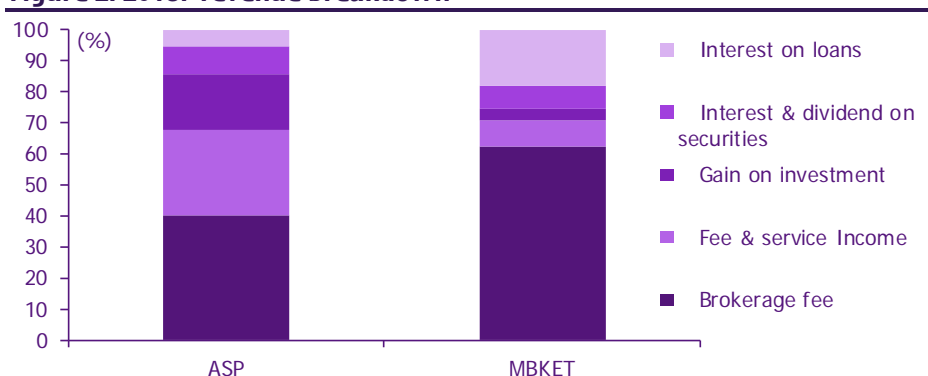
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kittima.sattayapan@scb.co.th

**Figure 1: Target price sensitivity to turnover**

	ASP	MBKET
<b>Target price at 2018F various daily mkt. turnover</b>		
Bt40bn	4.1	15
Bt45bn — base case	4.9	18
Bt50bn	5.8	21
<b>2018F EPS (Bt) at 2018F various daily mkt. turnover</b>		
Bt40bn	0.31	0.92
Bt45bn — base case	0.38	1.10
Bt50bn	0.44	1.28
<b>2018F DPS (Bt) at 2018F various daily mkt. turnover</b>		
Bt40bn	0.26	0.92
Bt45bn — base case	0.32	1.10
Bt50bn	0.37	1.28
<b>Dividend payout</b>	85%	100%
<b>Target PE (x)</b>	<b>13.1</b>	<b>16.7</b>

Source: SCBS Investment Research

**Figure 2: 2018F revenue breakdown**

Source: ASP, MBKET and SCBS Investment Research

**Figure 3: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
ASP	Buy	3.84	4.7	30.8	10.9	10.1	10.3	(2)	8	(1)	1.7	1.6	1.6	15	16	16	7.8	8.4	8.3
MBKET	Sell	18.90	18.0	1.0	16.9	17.2	17.8	(34)	(2)	(3)	2.3	2.3	2.3	13	13	13	5.8	5.8	5.6
<b>Average</b>					<b>13.9</b>	<b>13.7</b>	<b>14.0</b>	<b>(18)</b>	<b>3</b>	<b>(2)</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>6.8</b>	<b>7.1</b>	<b>7.0</b>

Source: SCBS Investment Research

## A gift from the NBTC

**The NBTC is asking the NCPO to allow ADVANC and TRUE to make the final 900MHz payment (due in 2020) in installments over five years (2020-2024). While this does not change valuation much, it does give greater flexibility to manage cash flow. Concerns about the 1800MHz auction have calmed after the Council of State asked for a delay. It looks like the new NBTC will handle the auction, which is unlikely to place before year's end. ADVANC remains our Top pick with a TP of Bt215.**

**NBTC turning nice.** On March 15, the NBTC board agreed to help the 900MHz license holders, ADVANC and TRUE, by allowing them to pay the hefty last payment of Bt60bn, now due in 2020, in installments over five years (2020-2024). It is still up to the government whether or not it will do this via exercising Article 44. The NBTC will submit its request for approval on March 27.

**1800MHz license auction put off from May 2018.** It is now almost certain that the auction for 1800MHz will be delayed from the original target set by the interim NBTC following the recent opinion by the Council of State. As expected, this auction will be handled by the new NBTC, for which selection is underway. According to the law, the new commissioners need to be seated by April or May 2018 and if they are, the earliest the auction could take place is end-2018. There seems to be no further progress on the JV deal between DTAC and TOT on 2300MHz since getting the okay from the NBTC in December 2017. We believe this may be because of the auction delay. Postponement of the contract signing between DTAC and TOT puts mounting pressure on DTAC: it is left in limbo without spectrum from TOT and without new spectrum from the auction, now postponed.

**1Q18 earnings to improve YoY.** We expect 1Q18 earnings to grow YoY as the cost of amortization of 900MHz and 1800MHz licenses for ADVANC and TRUE is now normalized (since 3Q17). This means no huge comparative difference from license amortization in 1Q18 compared with 1Q17. Revenue, however, continues to be on the rise, driven by growing data revenue.

**ADVANC remains our top pick.** We reiterate our Buy call on ADVANC with a TP of Bt215 as its earnings are again on the rise. There is also potential that it can raise its dividend payout ratio above the current 70% if it can make the final payment for its 900MHz license over five years from 2020. We maintain our Neutral rating on TRUE but raise TP to Bt8 from Bt6.6 as we remove the cost of winning the 1800MHz license from our valuation. We view that TRUE already has sufficient bandwidth to compete and service its subs and does not need more. But the share price has run up over the past month, giving limited upside to our new TP.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
					17F	18F
ADVANC	Buy	210.0	215.0	6.1	18.8	17.0
DTAC	Neutral	44.0	52.0	18.8	47.6	30.1
INTUCH	Buy	59.3	70.0	25.1	14.5	13.3
THCOM	Sell	12.0	9.0	(25.0)	n.m.	n.m.
TRUE	Neutral	7.1	8.0	15.3	143.7	33.1
<b>Average</b>					<b>56.1</b>	<b>23.4</b>

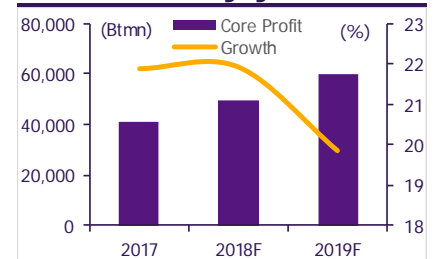
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
ADVANC	9.1	12.9	19.0	8.3	9.2	3.5
DTAC	(1.1)	0.0	2.9	(1.8)	(3.3)	(10.5)
INTUCH	4.4	6.8	8.2	3.7	3.2	(5.9)
THCOM	14.3	(4.8)	(37.8)	13.5	(7.9)	(45.9)
TRUE	15.6	14.6	10.2	14.8	10.9	(4.2)

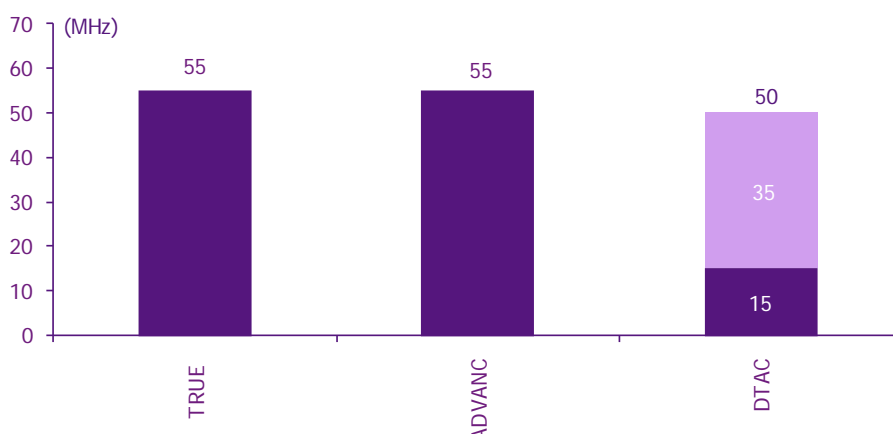
Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### ADVANC and TRUE have comparable spectra with all under license scheme



Source: The companies and SCBS Investment Research

### Analyst

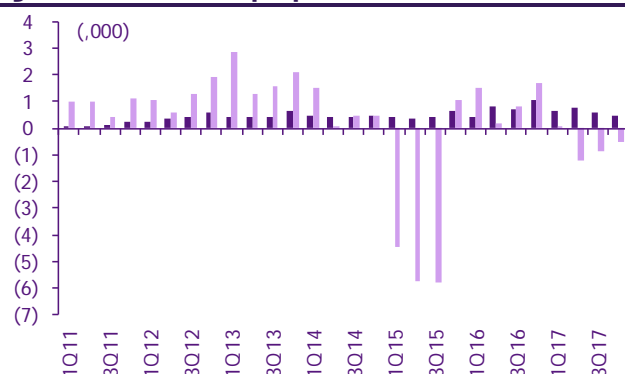
**Phatipak Navawatana**  
Fundamental Investment  
Analyst on Securities  
(66-2) 949-1002  
phatipak.navawatana@scb.co.th

Figure 1: ADVANC and TRUE have comparable spectra

	Spectrum (MHz)	Bandwidth (MHz)	operating under
ADVANC	900	10.0	License
	1,800	15.0	License
	2,100	15.0	License
	2,100	15.0	JV contract
<b>Total</b>		<b>55.0</b>	
DTAC	850	10.0	Concession
	1,800	25.0	Concession
	2,100	15.0	License
<b>Total</b>		<b>50.0</b>	
True move H	850	15.0	Resale-Wholesale
	900	10.0	License
	1,800	15.0	License
	2,100	15.0	License
<b>Total</b>		<b>55.0</b>	

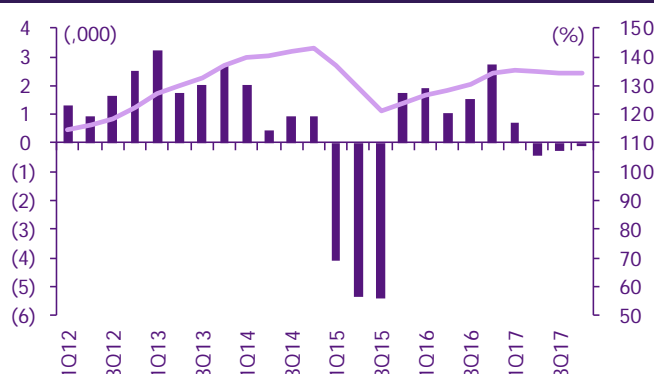
Source: The companies and SCBS Investment Research

Figure 2: Net add for prepaid continues to fall



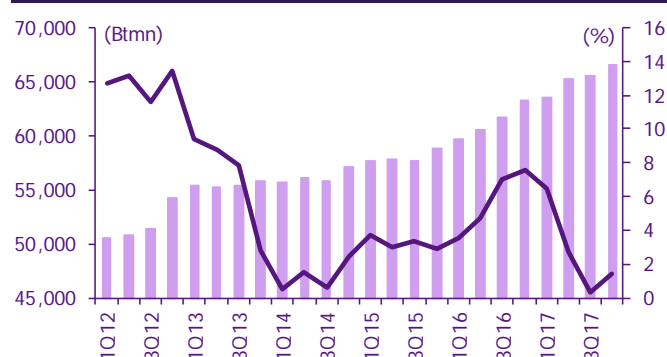
Source: The companies and SCBS Investment Research

Figure 3: Penetration rate is still above 100%



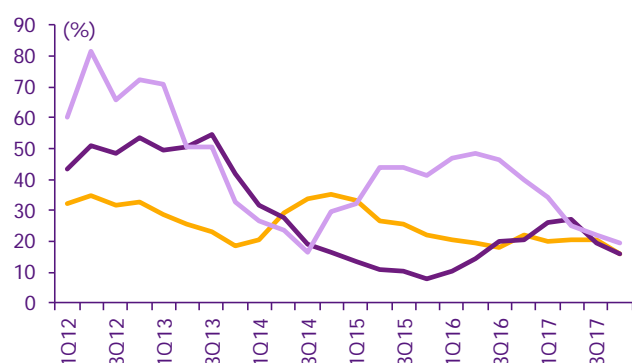
Source: The companies and SCBS Investment Research

Figure 4: Service revenue is on the rise



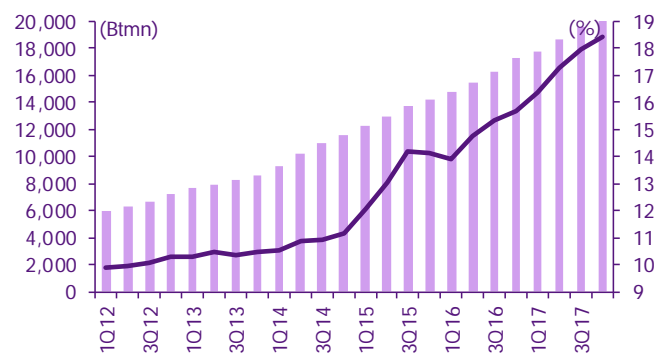
Source: The companies and SCBS Investment Research

Figure 5: Growth in non-voice is pusher for service revenue growth



Source: The companies and SCBS Investment Research

Figure 6: Growing post-paid portion is cause of rising non-voice revenue



Source: The companies and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
ADVANC	Buy	210.00	215.0	6.1	20.9	18.8	17.0	37	11	10	12.4	11.9	10.3	64	65	65	3.4	3.7	4.1	10.1	9.4	8.8
DTAC	Neutral	44.00	52.0	18.8	52.5	47.6	30.1	1,027	10	58	3.8	3.8	3.8	7	8	13	0.5	0.6	3.3	6.4	5.9	5.3
INTUCH	Buy	59.25	70.0	25.1	15.4	14.5	13.3	(1)	7	9	5.1	4.7	4.5	33	34	35	7.0	6.9	7.5	16.1	14.8	13.5
THCOM	Sell	12.00	9.0	(25.0)	76.4	n.m.	n.m.	(85)	n.m.	(425)	0.9	0.9	0.9	1	(0)	(1)	0.0	0.0	0.0	6.0	6.1	9.3
TRUE	Neutral	7.05	8.0	15.3	n.m.	143.7	33.1	(64)	n.m.	n.m.	1.3	1.6	1.5	(3)	1	5	0.4	1.8	0.0	7.7	8.3	9.0
<b>Average</b>					<b>41.3</b>	<b>56.1</b>	<b>23.4</b>	<b>183</b>	<b>9</b>	<b>(87)</b>	<b>4.7</b>	<b>4.6</b>	<b>4.2</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>2.3</b>	<b>2.6</b>	<b>3.0</b>	<b>9.3</b>	<b>8.9</b>	<b>9.2</b>

Source: SCBS Investment Research

# Tourism

SET TOURISM index Close: 21/3/2018 717.20 +3.32 / +0.46% Bt113mn  
Bloomberg ticker: SETHOT



## Base effect is normalizing

**The poor performance YTD after a strong 2017 suggests hoteliers are out of favor as upside bias from the low base of international arrival growth normalizes. We see this as an opportunity to accumulate as hoteliers' core earnings are expected to hit a new high in 2018, building on growing Thai tourism which underwrites a high occupancy rate and thus a continued rise in average room rate. Our top picks are ERW and CENTEL.**

**Base effect is normalizing.** As of 2Q18 we are moving past the low base for international tourist arrivals caused by the hit from fewer Chinese tourists after zero-dollar tour agents were eliminated and the country's mourning. In January, international tourist arrivals grew 11% YoY, decelerating from 19% YoY in 4Q17. We forecast international tourist arrivals to climb to a record of 38mn in 2018, 9% YoY growth. China is still a key market, contributing an expected 11mn arrivals, up 12% YoY and accounting for 28% of total international tourist arrivals.

**Rising ARR, core earnings at a new high in 2018.** 2Q-3Q are traditionally seasonally softer for hoteliers, but we expect earnings to move up with YoY core earnings growth throughout 2018 since the growth in Thai tourism will continue to underwrite a high occupancy rate and thus a continued rise in average room rate (ARR). We forecast ARR growth at 3-8% in 2018, up from 1-7% in 2017. On the price-driven theme, we view ERW as best positioned due to its high operating leverage. 2018 will be an excellent year for all three hoteliers with record high core earnings - but we expect ERW to top peers with the strongest core earnings growth at 22%, followed by CENTEL at 15% and MINT at 13%.

**Share price correction is an opportunity. Prefer ERW and CENTEL.** After the strong rally in 2017, hotelier stocks have done poorly YTD: 19% for CENTEL, -13% for MINT and -9% for ERW, suggesting hotelier stocks are out of favor with investors. Behind this, we believe, is the fact that the upside bias from the low base of international arrivals is normalizing. In our view, however, this is an opportunity to accumulate for 2018's strong earnings growth backed by the secular trend of Thai tourism. Our top picks are ERW (TP at Bt10.5/share) and CENTEL (TP at Bt60/share), both with strong earnings growth and attractive valuation. ERW is trading at 14x 2018EV/EBITDA which is a 13% discount to regional average. CENTEL's valuation is at 27x 2018 PE, -1SD of its historical average.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 17F	P/E (x) 18F	P/BV (x) 17F	P/BV (x) 18F
CENTEL	Buy	47.0	60.0	29.1	27.3	23.1	4.7	4.2
ERW	Buy	7.9	10.5	34.1	38.7	31.9	3.6	3.4
MINT	Buy	38.0	50.0	32.6	31.2	27.1	3.8	3.6
<b>Average</b>					<b>32.4</b>	<b>27.4</b>	<b>4.0</b>	<b>3.7</b>

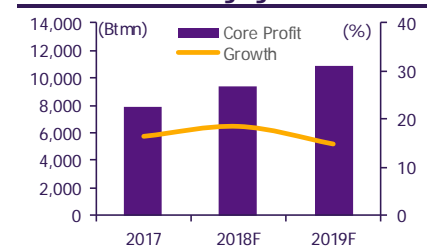
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
CENTEL	(3.6)	(12.6)	33.3	(4.3)	(15.4)	16.0
ERW	(4.8)	(3.1)	75.6	(5.5)	(6.3)	52.7
MINT	(3.8)	(11.6)	7.0	(4.5)	(14.5)	(6.9)

Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

## Base effect is normalizing



Source: Ministry of Tourism and Sport and SCBS Investment Research

### Analyst

**Raweenuch Piyakriengkai**

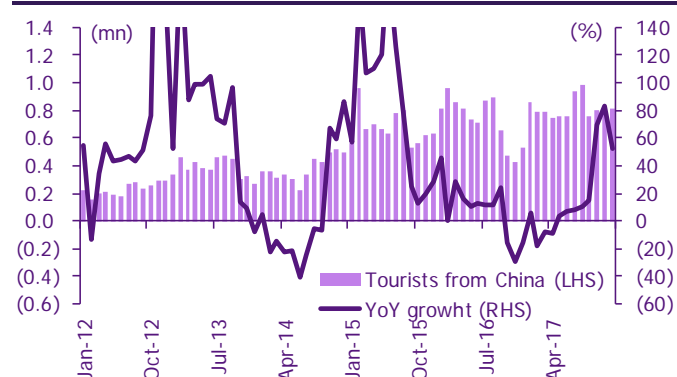
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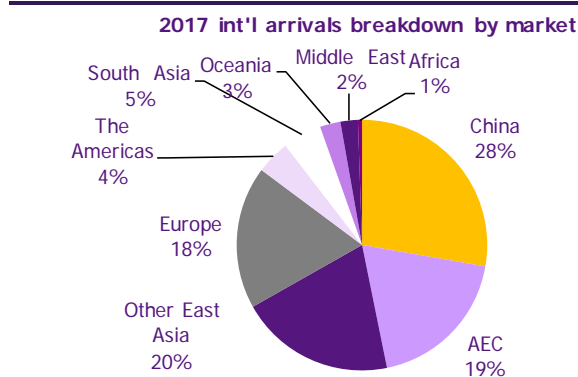
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Figure 1: Strong recovery of China market



Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 2: Thai tourism breakdown



Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 3: Thai tourism to achieve a new high in 2018



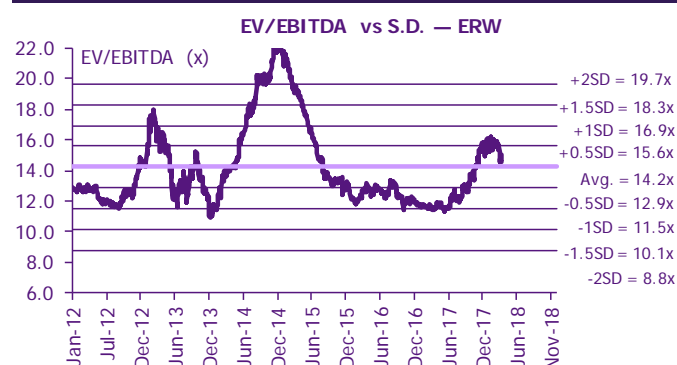
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 4: Price performance



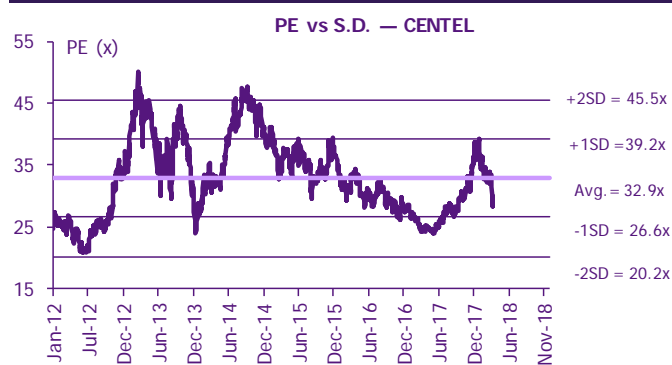
Source: SET and SCBS Investment Research

Figure 5: ERW EV/EBITDA band



Source: SET and SCBS Investment Research

Figure 6: CENTEL PE band



Source: SET and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
CENTEL	Buy	47.00	60.0	29.1	31.4	27.3	23.1	7	15	18	5.3	4.7	4.2	17	18	19	1.3	1.5	1.7	14.9	13.1	11.7
ERW	Buy	7.90	10.5	34.1	56.6	38.7	31.9	77	46	22	3.9	3.6	3.4	7	10	11	0.8	1.1	1.1	17.1	14.9	14.2
MINT	Buy	38.00	50.0	32.6	36.4	31.2	27.1	(1)	17	15	4.1	3.8	3.6	12	13	14	0.9	1.1	1.3	19.9	18.8	16.0
Average					41.5	32.4	27.4	28	26	18	4.4	4.0	3.7	12	14	15	1.0	1.2	1.4	17.3	15.6	14.0

Source: SCBS Investment Research

# Transportation

SET TRANS index Close: 21/3/2018 381.63 +4.24 / +1.12% Bt3,123mn  
Bloomberg ticker: SETTRANS



## Sky is blue for rail mass transit

**Land transportation in Thailand is undergoing a major structural shift as the government makes rail mass transit its top priority. Despite no progress on new auctions so far this year, we still expect track length to multiple five-fold to 515km by 2029 from 110km now. BTS is our top pick for the sector as it has more exposure to rail mass transit than BEM.**

**Not much progress on new lines.** We maintain our view that over the next five years, rail will become one of the major modes of public transport, along with buses and ferries. Track length, the key to spurring demand, is expanding massively. According to the recent Mass Transit Master Plan, "M-Map", mass transit track length will surge 500% to 515km from 110km by 2029. This will bring the number of commuters living in areas with easy access to mass transit up by five times to 11.7mn in 2029 from 2.4mn in 2016. Passengers using mass transit are expected to leap from 1mn/day now to 4.3mn in 2019 and 7.8mn in 2029. This implies growth in ridership on the entire system of 18% CAGR during 2017-29 from 12% CAGR in 1999-2016. At the same time, though no new lines have come up for auction so far this year, according to the government's timeline, the Orange Line should be up for auction late this year.

**Toll roads reaching maturity.** We still shy away from the toll roads for several reasons. First, the government does not want to promote the use of private vehicles, particularly in Bangkok where traffic congestion is a huge problem. This means fewer projects on the boards. Second, any new toll roads are tending to be financed by state enterprises as the government has established a new financing vehicle, the "Thailand Future Fund". Finally, we see limits to new car ownership, especially in Bangkok, where car ownership is about 527 per 1000 population, close to developed countries like Hong Kong. This implies fewer toll roads will be needed.

**We prefer BTS to BEM** due to more exposure to rail. We tag BTS as a Buy with SOTP TP of Bt11 and it is our top pick. We rate BEM as Neutral with SOTP TP of Bt8.3 as its high-margin and cash-cow toll road business will begin to mature. We prefer BTS for several reasons: First, BTS is poised to benefit more from the surge in traffic over the next ten years than BEM as it has almost twice as much track length. In addition, its lines are spread out in more diverse locations and cover more areas in greater and outlying Bangkok. Second, BTS's EBITDA is on the rise, driven by massive expansion in mass transit while EBITDA for BEM is poised to fall as the concession contracts for its toll roads end.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 18F	P/BV (x) 18F	P/BV (x) 19F
BEM	Neutral	7.3	7.4	3.9	27.5	23.3	3.4
BTS	Buy	8.3	11.0	34.6	38.4	26.1	2.2
<b>Average</b>					<b>33.0</b>	<b>24.7</b>	<b>2.7</b>

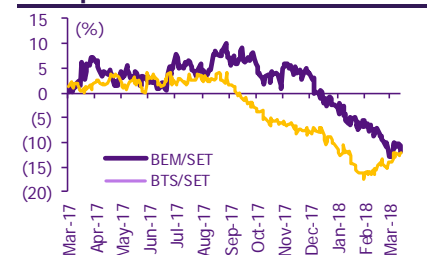
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BEM	0.0	(5.8)	0.7	(0.7)	(8.9)	(12.4)
BTS	1.8	(0.6)	(0.6)	1.1	(3.9)	(13.6)

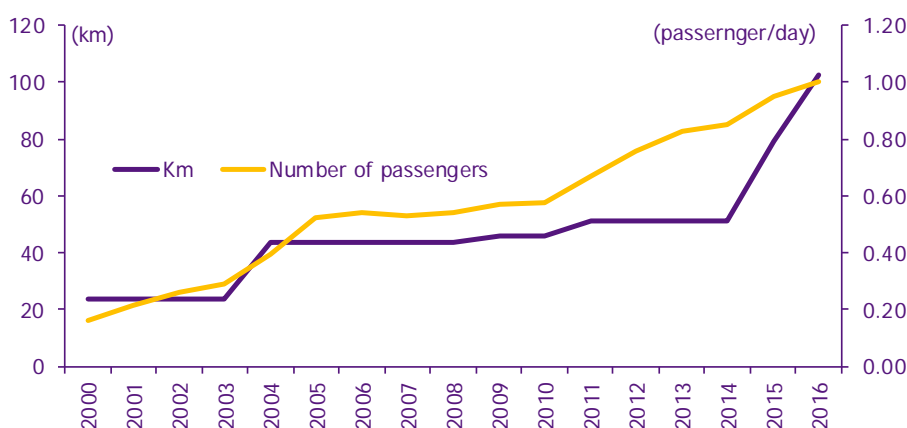
Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

## There is high correlation between track length and traffic volume



Source: SET and SCBS Investment Research

### Analyst

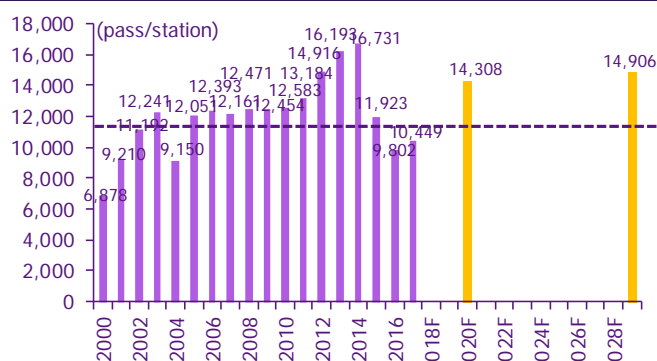
**Phatipak Navawatana**

Fundamental Investment

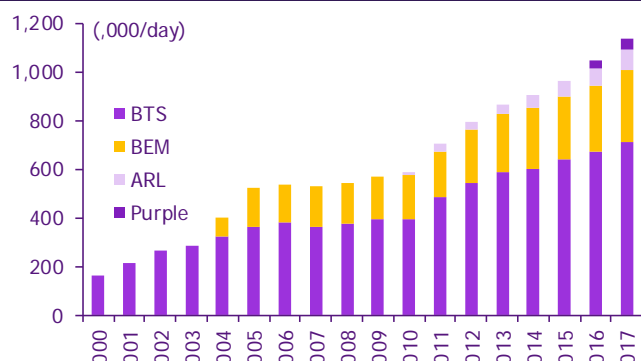
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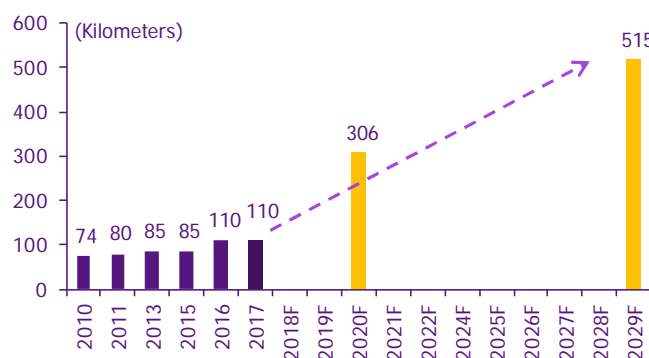
phatipak.navawatana@scb.co.th

**Figure 1: Rising supply in mass transit will trigger an increase in demand**


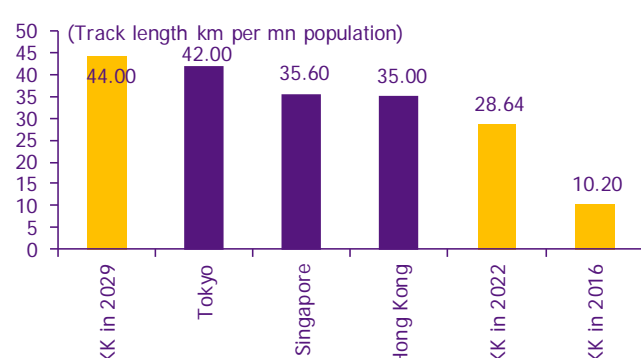
Source: The Office of Transport and Traffic Policy & Planning and SCBS Investment Research

**Figure 2: More lines add more passengers**


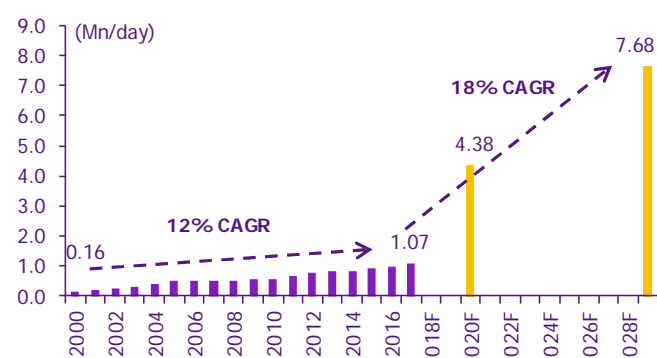
Source: The company and SCBS Investment Research

**Figure 3: Rail mass transit expanding hugely**


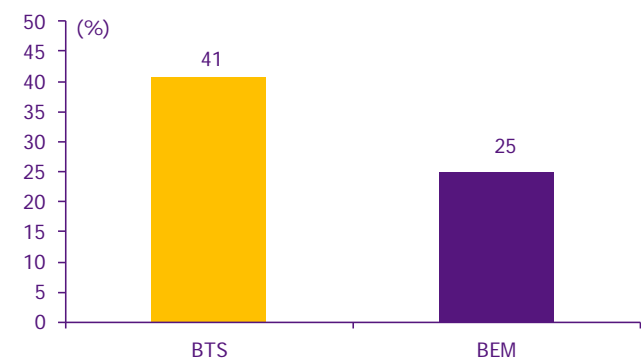
Source: The company and SCBS Investment Research

**Figure 4: Km/population will catch up with peers**


Source: The company and SCBS Investment Research

**Figure 5: The demand for rail mass transit will accelerate over the next ten years**


Source: The company and SCBS Investment Research

**Figure 6: BTS has more exposure to mass transit in terms of revenue**


Source: The company and SCBS Investment Research

**Figure 7: Valuation summary**

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BEM	Neutral	7.30	7.4	3.9	35.7	27.5	23.3	20	30	18	3.6	3.4	3.2	10	13	14	1.8	2.5	3.0	18.8	16.0	13.7
BTS	Buy	8.30	11.0	34.6	53.8	38.4	26.1	42	40	47	2.2	2.2	2.2	4	6	8	4.1	2.1	3.1	32.1	26.2	30.8
<b>Average</b>					<b>44.8</b>	<b>33.0</b>	<b>24.7</b>	<b>31</b>	<b>35</b>	<b>33</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>2.9</b>	<b>2.3</b>	<b>3.0</b>	<b>25.5</b>	<b>21.1</b>	<b>22.2</b>

Source: SCBS Investment Research

# Utilities

SET ENER index Close: 21/3/2018 26,677.38 +53.25 / +0.20% Bt12,619mn  
Bloomberg ticker: SETENERG



## Not many startups in 2018, more in 2019

**Companies under coverage had a great 2017 with earnings growth of 11% and capacity growth of 6.3%. This year will be quieter, with fewer CODs, then capacity will rise 7% in 2019. The limited PPAs available in Thailand is sending more companies abroad and into solar rooftops. WHAUP and BPP are our top picks; we expect outstanding YoY growth in 1Q18.**

**2017 recap: Sector earnings grew 11%.** It was a good year for utilities, with core earnings of the nine companies under coverage growing 11.5% to Bt38.8bn and total attributed electricity capacity expanding by 6.3% to 18.5 GW. The largest earnings growth was at WHAUP (242%), from the: 1) startup of two Small Power Producers (SPP) in May-Nov 2017, which raised attributed capacity by 37%, 2) full-year contribution from one SPP with COD in 4Q16, 3) more water flow and 4) a group restructure. BPP came second (36.1%) driven by Hongsa power plant where operations smoothed with Equivalent Availability Factor (EAF) above 80% from 2Q17. At the other end of the scale were CKP (-27.4%) from declining water flow at Nam-Ngum 2 hydropower plant, its largest project, and GLOW (-10.8%) from the expiration of two power purchase agreements (PPAs) for SPPs with capacity of 281 MW or 10% of total operating capacity and a five-week scheduled maintenance for GHECO-One in 1Q17 that cut power dispatch to EGAT by 4%.

**Few new plants in 2018, more in 2019.** Based on company plans, we expect essentially flat total capacity at 18.6 GW in 2018 due to EGCO's divestment of MPPCL in the Philippines and few new projects this year; the highest capacity growth will be at: 1) BCPG (6.8% additional capacity from Japan solar projects) and 2) WHAUP (6.5% new capacity from one new SPP). Growth will return in 2019 with expected additional capacity of 7.0% to 19.9 GW, mainly from the 1,285 MW Xayaburi hydropower project (CKP 30%, GPSC 25% and EGCO 12.5%).

**Overseas and solar rooftops are this year's focus.** The few PPAs available in Thailand based on the current Power Development Plan (PDP) has sent companies outside Thailand's borders: BCPG recently expanded in Indonesia and the Philippines and RATCH is also in Indonesia. Solar rooftops are another focus point, with WHAUP, BCPG, GLOW and GPSC pairing up with industrial estates or real estate developers, but size and contribution are unlikely to be significant yet.

**Top picks: WHAUP and BPP.** Both are expected to post outstanding YoY earnings growth in 1Q18 with efficiency improvement at major projects (GHECO1 and Hongsa respectively) after a turnaround in 1Q17. 2018 is WHAUP's first full year of earnings contribution and additional water revenue from five new SPPs that started up during May 2017-Jan 2018. BPP has numerous overseas projects in the pipeline to add 34% to capacity over 2018-2023.

### Valuation summary

		Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)	18F	19F	18F	19F
BCPG	Sell	21.7	19.0	(9.5)	22.0	18.1	2.9	2.7			
BPP	Buy	24.7	29.8	22.9	12.5	11.5	1.8	1.6			
CKP	Neutral	3.9	4.0	2.3	47.9	35.3	1.6	1.5			
EGCO	Buy	236.0	255.0	11.0	11.2	10.6	1.3	1.2			
GLOW	Neutral	87.5	85.0	3.7	14.9	15.3	2.6	2.6			
GPSC	Sell	77.5	52.0	(31.0)	28.9	25.1	2.9	2.7			
RATCH	Buy	52.3	62.0	23.3	10.5	9.9	1.1	1.1			
TTW	Buy	12.4	13.5	14.4	16.4	15.9	4.1	4.1			
WHAUP	Buy	6.6	8.8	36.1	11.4	10.2	1.8	1.6			
<b>Average</b>					<b>8.1</b>	<b>19.5</b>	<b>16.9</b>	<b>2.2</b>	<b>2.1</b>		

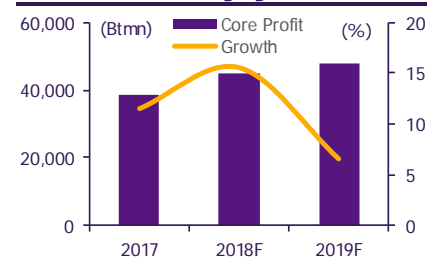
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BCPG	(6.1)	(8.8)	70.9	(6.7)	(11.8)	48.6
BPP	1.6	(5.9)	(0.8)	0.9	(9.0)	(13.7)
CKP	(3.0)	(5.3)	23.1	(3.6)	(8.4)	7.1
EGCO	1.7	5.8	13.5	1.0	2.3	(1.3)
GLOW	6.1	5.1	10.1	5.3	1.6	(4.3)
GPSC	6.5	16.5	133.1	5.8	12.7	102.7
RATCH	(4.1)	(5.9)	4.0	(4.8)	(9.0)	(9.6)
TTW	(6.8)	(0.8)	19.2	(7.4)	(4.1)	3.7
WHAUP	(10.2)	(15.4)	n.m.	(10.8)	(18.2)	n.a.

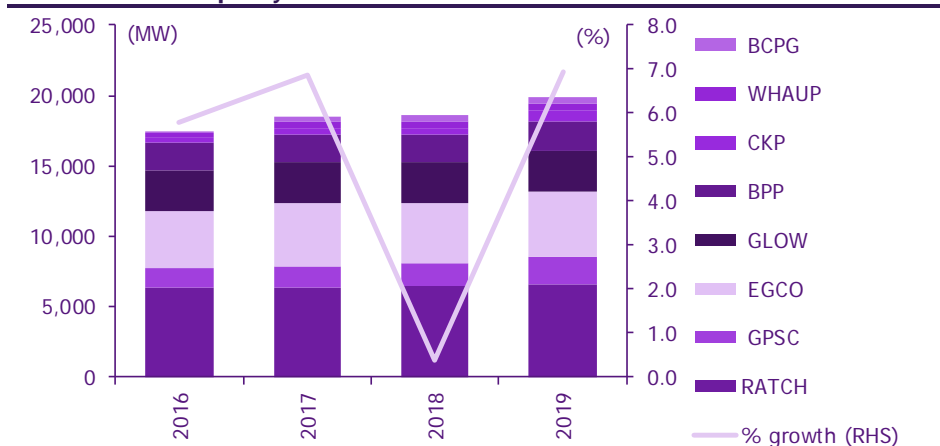
Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### Total attributed capacity

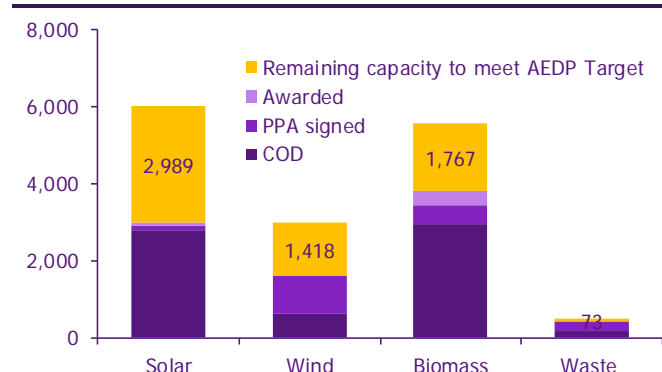


Source: Company reports and SCBS Investment Research

### Analyst

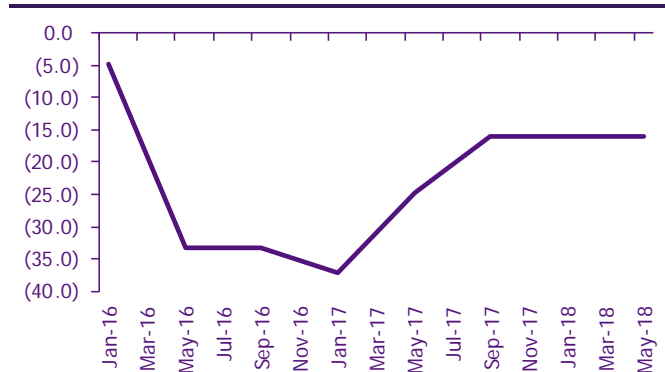
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solaya.na\_songkhla@scb.co.th

Figure 1: AEDP 2015 and progress vs 2036 target



Source: ERC, EPPO

Figure 2: Ft (satang/unit)



Source: ERC

Figure 3: Companies' overseas investment

	Laos	The Philippines	Indonesia	Japan	China	Australia
BCPG		✓	✓	✓		
BPP	✓			✓	✓	
CKP	✓					
EGCO	✓	✓	✓			✓
GPSC	✓			✓		
RATCH	✓		✓		✓	✓
WHAUP	✓					

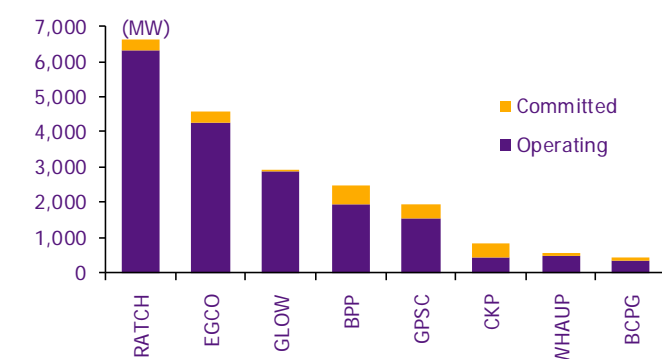
Source: Company reports and SCBS Investment Research

Figure 4: Portfolio in different fuel sources

	Gas	Coal	Hydro	Solar	Wind	Geothermal	Waste	Biomass	Nuclear
BCPG			✓	✓		✓			
BPP		✓		✓					
CKP	✓		✓	✓					
EGCO	✓	✓	✓	✓	✓	✓	✓	✓	
GPSC	✓		✓	✓					
GLOW	✓	✓		✓			✓		
RATCH	✓	✓	✓	✓	✓			✓	✓
WHAUP	✓	✓		✓			✓		

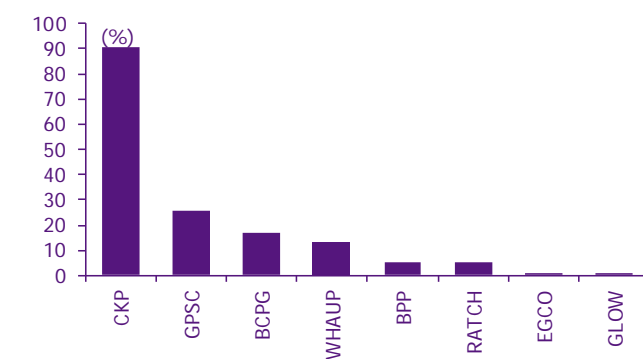
Source: Company reports and SCBS Investment Research

Figure 5: Companies' attributed capacity



Source: Company reports and SCBS Investment Research

Figure 6: % rise in operating capacity over 2017-2019



Source: Company reports and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
BCPG	Sell	21.70	19.0	(9.5)	30.7	22.0	18.1	0	40	22	3.0	2.9	2.7	10	13	15	2.8	2.9	3.1	23.7	19.0	15.8
BPP	Buy	24.70	29.8	22.9	13.5	12.5	11.5	36	8	8	1.9	1.8	1.6	15	15	15	2.4	2.4	2.6	48.8	44.5	37.2
CKP	Neutral	3.94	4.0	2.3	104.4	47.9	35.3	(27)	118	35	1.6	1.6	1.5	2	3	4	0.6	0.8	0.8	16.7	13.7	13.6
EGCO	Buy	236.00	255.0	11.0	12.3	11.2	10.6	16	10	5	1.4	1.3	1.2	12	12	12	3.0	3.0	3.0	18.7	22.4	21.4
GLOW	Neutral	87.50	85.0	3.7	16.4	14.9	15.3	(11)	10	(3)	2.6	2.6	2.6	16	17	17	6.6	6.6	6.6	9.4	9.0	9.1
GPSC	Sell	77.50	52.0	(31.0)	36.6	28.9	25.1	18	26	15	3.0	2.9	2.7	8	10	11	1.6	1.9	2.2	26.9	21.3	20.1
RATCH	Buy	52.25	62.0	23.3	11.6	10.5	9.9	11	11	6	1.2	1.1	1.1	10	11	11	4.6	4.6	4.6	15.4	14.3	14.3
TTW	Buy	12.40	13.5	14.4	18.6	16.4	15.9	8	14	3	4.2	4.1	4.1	23	25	26	4.8	5.5	6.3	12.3	11.5	11.2
WHAUP	Buy	6.60	8.8	36.1	20.0	11.4	10.2	186	76	12	2.0	1.8	1.6	13	17	17	3.1	3.5	3.9	45.9	32.9	28.0
Average					29.3	19.5	16.9	26	35	12	2.3	2.2	2.1	12	14	14	3.3	3.5	3.7	24.2	21.0	19.0

Source: SCBS Investment Research

# SCBS Investment Recommendations

Price as of : 21-Mar-18



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	Core Profit (Btm)			Core EPS (Bt)			Core EPS growth (%)			Core PER (x)			BVPS(Bt)			P/BV (x)			ROE (%)		
						17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F
Agribusiness						2.8	1,748	1,680	1,790						10.1	10.5	9.9				1.45	1.31	1.19	15%	13%	13%
GFPT	Neutral	14.10	14.50	2.8	14.8	1,748	1,680	1,790	1.39	1.34	1.43	10	(4)	7	10.1	10.5	9.9	9.7	10.7	11.9	1.45	1.31	1.19	15%	13%	13%
Automotive						17.1	3,796	4,411	4,968						13.4	11.6	10.2				1.61	1.47	1.35	12%	13%	13%
AH	Neutral	33.75	36.00	6.7	41.4	900	1,017	1,158	2.79	3.15	3.59	66	13	14	12.1	10.7	9.4	21.6	25.7	30.2	1.56	1.31	1.12	13%	13%	13%
PCSGH	Neutral	7.10	7.70	8.5	9.1	643	754	853	0.42	0.49	0.55	68	17	13	17.1	14.5	12.9	3.3	3.4	3.6	2.15	2.06	1.97	13%	14%	16%
SAT	Buy	21.80	26.00	19.3	23.2	720	835	964	1.69	1.96	2.27	19	16	15	12.9	11.1	9.6	15.0	16.2	17.4	1.46	1.35	1.25	12%	13%	13%
STANLY	Buy	235.00	300.00	27.7	285.2	1,533	1,804	1,993	20.00	23.55	26.01	23	18	10	11.7	10.0	9.0	187.9	204.3	222.5	1.25	1.15	1.06	11%	12%	12%
Banking						31.8	186,266	216,908	253,161						12.5	10.9	9.6				1.32	1.23	1.14	11%	12%	12%
Large Banks																										
BBL	Buy	203.00	270.00	33.0	232.7	33,009	39,663	46,062	17.29	20.78	24.13	4	20	16	11.7	9.8	8.4	210.5	224.7	241.6	0.96	0.90	0.84	8%	10%	10%
KBANK	Buy	222.00	265.00	19.4	240.6	34,338	42,750	52,156	14.35	17.86	21.79	(15)	24	22	15.5	12.4	10.2	145.7	159.8	177.1	1.52	1.39	1.25	10%	12%	13%
KTB	Buy	19.60	24.00	22.4	21.2	22,440	27,258	32,908	1.60	1.95	2.35	(31)	21	21	12.2	10.1	8.3	20.6	21.9	23.5	0.95	0.89	0.83	8%	9%	10%
Mid/small banks																										
BAY	Neutral	43.00	45.00	4.7	43.6	23,209	26,564	30,501	3.16	3.61	4.15	8	14	15	13.6	11.9	10.4	30.6	33.3	36.4	1.40	1.29	1.18	11%	11%	12%
KKP	Neutral	76.00	80.00	5.3	80.4	5,737	6,057	6,205	6.78	7.15	7.33	3	6	2	11.2	10.6	10.4	48.8	51.0	53.3	1.56	1.49	1.43	14%	14%	14%
LHBANK	Neutral	1.69	1.70	0.6	1.9	2,603	2,858	3,281	0.12	0.13	0.15	(38)	10	15	13.8	12.5	10.9	1.8	1.9	2.0	0.93	0.88	0.83	9%	7%	8%
TCAP	Neutral	54.75	55.00	0.5	58.8	7,001	6,787	7,217	5.80	5.63	5.98	16	(3)	6	9.4	9.7	9.2	51.4	54.8	58.6	1.07	1.00	0.93	12%	11%	11%
TISCO	Buy	90.50	100.00	10.5	97.0	6,090	7,315	8,044	7.61	9.14	10.05	22	20	10	11.9	9.9	9.0	43.2	47.4	51.9	2.09	1.91	1.74	19%	20%	20%
TMB	Buy	2.82	3.50	24.1	3.2	8,687	10,396	12,849	0.20	0.24	0.29	6	20	24	14.2	11.9	9.6	2.0	2.2	2.4	1.38	1.27	1.15	10%	11%	13%
Commerce						10.4	40,445	48,233	56,425						38.7	32.6	27.9				7.58	6.82	6.07	21%	21%	22%
BJC	Buy	58.00	73.00	25.9	64.1	5,122	6,816	8,252	1.28	1.71	2.07	35	33	21	45.2	34.0	28.1	27.8	28.2	28.7	2.08	2.05	2.02	5%	6%	7%
CPALL	Buy	87.75	98.00	11.7	91.1	19,908	23,960	28,163	2.14	2.56	3.02	16	19	18	41.0	34.3	29.0	8.9	10.5	12.3	9.83	8.36	7.13	28%	27%	28%
GLOBAL	Buy	15.60	21.00	34.6	17.2	1,609	1,955	2,371	0.40	0.49	0.59	(4)	22	21	38.8	31.9	26.3	3.3	3.7	4.1	4.67	4.27	3.83	13%	14%	15%
HMPRO	Buy	14.10	16.50	17.0	14.9	4,886	5,700	6,618	0.37	0.43	0.50	18	17	16	37.9	32.5	28.0	1.4	1.5	1.7	9.95	9.15	8.31	27%	29%	31%
MAKRO	Neutral	56.00	42.00	(25.0)	42.8	6,178	6,620	7,322	1.29	1.38	1.53	14	7	11	43.5	40.6	36.7	3.8	4.2	4.7	14.92	13.42	11.82	37%	35%	34%
ROBINS	Buy	63.25	90.00	42.3	76.3	2,742	3,182	3,698	2.47	2.86	3.33	10	16	16	25.6	22.1	19.0	15.8	17.4	19.3	4.01	3.64	3.28	16%	17%	18%
Construction Materials						18.5	56,815	58,779	62,893						18.9	17.0	15.6				2.78	2.62	2.45	17%	17%	17%
Cement																										
SCC	Buy	502.00	600.00	19.5	563.4	52,051	53,163	56,786	43.38	44.30	47.32	(4)	2	7	11.6	11.3	10.6	251.5	276.8	305.1	2.00	1.81	1.65	18%	17%	16%
SCCC	Neutral	261.00	270.00	3.4	280.6	2,618	3,190	3,372	9.49	10.70	11.32	(39)	13	6	27.5	24.4	23.1	130.3	121.3	122.6	2.00	2.15	2.13	9%	9%	9%
Others																										
DCC	Neutral	3.02	3.70	22.5	3.3	1,117	1,217	1,274	0.17	0.19	0.20	(21)	9	5	17.7	16.2	15.5	0.6	0.6	0.7	5.21	4.74	4.36	31%	31%	29%
EPG	Buy	6.95	10.00	43.9	10.8	1,029	1,209	1,460	0.37	0.43	0.52	(27)	18	21	18.9	16.1	13.3	3.6	3.9	4.2	1.91	1.78	1.65	10%	11%	13%
Electronic Components						28.5	10,953	12,658	14,478						16.8	14.1	12.2				2.25	2.04	1.84	14%	16%	16%
DELTA	Buy	66.50	90.00	35.3	78.4	5,806	6,875	7,803	4.65	5.51	6.26	9	18	13	14.3	12.1	10.6	26.0	29.3	32.6	2.55	2.27	2.04	18%	20%	20%
HANA	Buy	35.25	45.00	27.7	43.3	2,357	2,411	2,648	2.93	3.00	3.29	16	2	10	12.0	11.8	10.7	25.7	26.7	28.0	1.37	1.32	1.26	12%	11%	12%
KCE	Buy	69.50	86.00	23.7	77.3	2,341	2,790	3,339	3.99	4.76	5.69	(20)	19	20	17.4	14.6	12.2	19.1	21.7	25.1	3.63	3.20	2.77	22%	23%	24%
SVI	Neutral	4.64	4.40	(5.2)	4.4	449	582	689	0.20	0.26	0.30	(22)	30	18	23.4	18.1	15.3	3.2	3.4	3.6	1.45	1.38	1.29	6%	8%	9%
Energy & Utilities						15.0	273,930	280,849	290,615						21.0	15.4	13.7				2.03	1.91	1.80	14%	14%	14%
Oil & Gas and Coal																										
PTT	Buy	542.00	620.00	14.4	539.2	143,010	144,890	148,391	50.07	50.73	51.95	37	1	2	10.8	10.7	10.4	286.6	316.9	347.5	1.89	1.71	1.56	12%	11%	10%
PTTEP	Buy	116.00	150.00	29.3	125.5	38,384	34,302	35,401	9.67	8.64	8.92	115	(11)	3	12.0	13.4	13.0	94.8	98.9	103.4	1.22	1.17	1.12	10%	9%	9%
Refineries																										
BCP	Buy	38.50	53.00	37.7	45.0	6,267	5,591	6,776	4.55	4.06	4.92	52	(11)	21	8.5	9.5	7.8	33.2	35.0	37.7	1.16	1.10	1.02	15%	12%	14%
ESSO	Sell	17.80	16.00	(10.1)	16.6	7,288	6,888	7,041	2.11	1.99	2.03	10	(5)	2	8.5	8.9	8.7	8.1	9.1	10.2	2.19	1.95	1.75	30%	23%	21%
IRPC	Buy	7.55	9.20	21.9	8.0	10,978	14,812	16,719	0.54	0.72	0.82	(14)	35	13	14.1	10.4	9.2	4.3	4.7	5.1	1.76	1.61	1.47	13%	16%	17%
SPRC	Buy	16.80	20.00	19.0	19.1	7,386	9,185	8,128	1.70	2.12	1.87	(9)	24	(12)	9.9	7.9	9.0	9.7	10.7	11.3	1.73	1.58	1.48	18%	21%	17%
TOP	Buy	96.25	125.00	29.9	100.7	21,808	20,352	20,404	10.69	9.98	10.00	4	(7)	0	9.0	9.6	9.6									

# SCBS Investment Recommendations

Price as of : 21-Mar-18



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	Core Profit (Btm)			Core EPS (Bt)			Core EPS growth (%)			Core PER (x)			BVPS(Bt)			P/BV (x)			ROE (%)					
						17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F			
Finance & Securities						(30.3)			7,518	8,255	9,022							16.0	15.0	14.3				3.05	2.73	2.49	19%	19%	18%
Credit card																													
AEONTS	Sell	179.50	130.00	(27.6)	160.0	2,833	3,018	3,420	11.33	12.07	13.68	18	7	13	15.8	14.9	13.1	62.6	71.1	80.5	2.87	2.53	2.23	19%	18%	18%			
KTC	Sell	261.00	150.00	(42.5)	239.7	3,304	3,814	4,207	12.82	14.79	16.32	32	15	10	20.4	17.6	16.0	48.8	58.3	68.5	5.35	4.48	3.81	29%	28%	26%			
Securities																													
ASP	Buy	3.84	4.70	22.4	4.3	742	797	787	0.35	0.38	0.37	(2)	8	(1)	10.9	10.1	10.3	2.3	2.4	2.4	1.67	1.62	1.58	15%	16%	16%			
MBKET	Sell	18.90	18.00	(4.8)	19.5	639	627	608	1.12	1.10	1.06	(34)	(2)	(3)	16.9	17.2	17.8	8.2	8.2	8.1	2.32	2.32	2.33	13%	13%	13%			
Food & Beverage						27.7	16,464	19,850	23,095							28.1	24.2	20.8				2.20	2.13	1.98	8%	9%	10%		
CPF	Buy	25.25	32.00	26.7	28.3	6,477	8,050	9,591	0.77	0.90	1.09	(61)	17	21	32.7	28.0	23.2	29.4	27.7	28.1	0.86	0.91	0.90	3%	4%	4%			
MINT	Buy	38.00	50.00	31.6	47.6	5,415	6,479	7,380	1.22	1.40	1.60	17	15	14	31.2	27.1	23.8	10.0	10.5	11.6	3.80	3.61	3.28	13%	14%	14%			
TU	Buy	19.60	24.00	22.4	22.8	4,571	5,320	6,123	0.96	1.11	1.28	(12)	16	15	20.5	17.6	15.3	10.1	10.6	11.2	1.94	1.86	1.75	10%	11%	12%			
Health Care Services						18.1	13,472	15,671	17,925							40.7	34.5	30.0				6.99	6.40	5.76	18%	19%	20%		
BDMS	Buy	22.70	27.50	21.1	24.2	8,021	9,420	10,906	0.52	0.61	0.70	(2)	17	16	43.8	37.3	32.2	4.1	4.4	4.7	5.58	5.19	4.80	13%	14%	15%			
BH	Neutral	207.00	216.00	4.3	214.8	3,941	4,425	4,880	5.41	6.07	6.70	9	12	10	38.3	34.1	30.9	22.9	25.8	29.3	9.03	8.02	7.07	25%	25%	24%			
BCH	Buy	16.90	21.00	24.3	18.8	917	1,112	1,308	0.37	0.45	0.52	22	21	18	46.0	37.9	32.2	2.4	2.5	2.8	7.13	6.79	6.14	16%	18%	20%			
CHG	Buy	1.87	2.90	55.1	2.4	592	713	830	0.05	0.06	0.08	5	20	16	34.7	28.8	24.8	0.3	0.3	0.4	6.23	5.59	5.04	18%	19%	20%			
Information & Communication Technology						8.3	40,843	49,788	59,672							41.3	56.1	23.4				4.70	4.58	4.20	21%	22%	23%		
Mobile																													
ADVANC	Buy	210.00	215.00	2.4	213.0	29,852	33,264	36,750	10.04	11.19	12.36	37	11	10	20.9	18.8	17.0	16.9	17.6	20.3	12.41	11.91	10.32	64%	65%	65%			
DTAC	Neutral	44.00	52.00	18.2	52.3	1,983	2,189	3,459	0.84	0.92	1.46	1,027	10	58	52.5	47.6	30.1	11.5	11.5	11.5	3.84	3.84	3.84	7%	8%	13%			
TRUE	Neutral	7.05	8.00	13.5	7.2	-3,496	1,206	5,228	-0.14	0.05	0.21	(64)	n.m.	n.m.	n.m.	143.7	33.1	5.4	4.5	4.7	1.30	1.56	1.49	-3%	1%	5%			
Internet																													
THCOM	Sell	12.00	9.00	(25.0)	13.4	172	-17	-89	0.16	-0.02	-0.08	(85)	n.m.	(425)	76.4	n.m.	n.m.	13.9	13.9	13.6	0.86	0.86	0.88	1%	0%	-1%			
Other																													
INTUCH	Buy	59.25	70.00	18.1	68.8	12,332	13,145	14,325	3.85	4.10	4.47	(1)	7	9	15.4	14.5	13.3	11.6	12.5	13.3	5.09	4.74	4.46	33%	34%	35%			
Insurance						41.1	3,960	5,917	6,190							15.0	14.0	12.5				2.34	2.17	2.01	13%	16%	17%		
BLA	Buy	33.00	50.00	51.5	42.4	3,635	5,033	5,164	2.13	2.95	3.02	(29)	38	3	15.5	11.2	10.9	22.7	25.1	27.4	1.45	1.31	1.20	10%	12%	12%			
THRE	Sell	1.73	1.60	(7.5)	1.6	-111	430	530	-0.03	0.10	0.13	n.m.	n.m.	23	n.m.	17.0	13.8	1.2	1.2	1.2	1.50	1.49	1.46	-2%	9%	11%			
THREL	Neutral	10.50	11.00	4.8	14.3	436	454	495	0.73	0.76	0.83	35	4	9	14.5	13.9	12.7	2.6	2.8	3.1	4.08	3.71	3.36	31%	28%	28%			
Media & Publishing						0.9	-354	1,901	3,176							52.2	59.7	49.6				9.06	8.67	8.73	-2%	7%	14%		
TV broadcasting																													
BEC	Sell	13.70	8.00	(41.6)	10.5	3	147	164	0.00	0.07	0.08	(100)	5,191	12	n.m.	186.5	167.0	3.3	3.0	3.0	4.19	4.62	4.60	0%	2%	3%			
GRAMMY	Sell	9.50	6.50	(31.6)	8.6	-1,118	-539	-295	-1.36	-0.66	-0.36	(114)	52	45	n.m.	n.m.	n.m.	1.3	1.0	1.2	7.13	9.05	7.80	-87%	-55%	-32%			
MCOT	Sell	10.40	6.00	(42.3)	8.6	-2,542	-2,529	-2,831	-3.70	-3.68	-4.12	(246)	1	(12)	n.m.	n.m.	n.m.	9.3	8.9	8.5	1.12	1.16	1.22	-39%	-40%	-47%			
RS	Neutral	29.00	14.00	(51.7)	35.8	333	632	861	0.33	0.63	0.85	n.m.	90	36	88.0	46.4	34.0	1.8	2.0	1.5	16.19	14.19	18.90	19%	33%	48%			
WORK	Buy	64.00	115.00	79.7	95.5	904	1,504	1,765	2.05	3.42	4.01	355	66	17	31.2	18.7	16.0	10.2	13.7	16.7	6.29	4.67	3.83	24%	29%	26%			
Cinema																													
MAJOR	Neutral	28.25	30.00	6.2	30.7	795	916	1,056	0.90	1.03	1.19	(8)	15	15	31.5	27.4	23.7	7.3	7.5	7.6	3.86	3.77	3.70	12%	14%	16%			
Other																													
PLANB	Buy	6.00	9.00	50.0	7.7	461	670	911	0.13	0.19	0.26	31	46	36	46.1	31.6	23.3	1.0	1.1	1.2	5.94	5.56	4.97	14%	18%	23%			
VGI	Buy	7.60	7.50	(1.3)	7.1	811	1,100	1,545	0.12	0.16	0.23	24	36	41	64.3	47.4	33.8	0.3	0.3	0.3	27.78	26.30	24.84	43%	57%	76%			
Petrochemicals & Chemicals						23.8	61,520	65,614	69,672							16.7	13.0	11.2				1.82	1.62	1.49	14%	13%	14%		
GGC	Neutral	14.50	17.00	17.2	17.9	601	1,047	1,357	0.59	1.02	1.33	(52)	74	30	24.7	14.2	10.9	10.8	11.5	12.4	1.34	1.26	1.17	6%	9%	11%			
IVL	Buy	56.50	70.00	23.9	66.6	20,150	21,755	24,947	3.84	3.87	4.44	93	1	15	14.7	14.6	12.7	22.3	26.3	29.2	2.53	2.15	1.93	20%	16%	16%			
PTTGC	Buy	96.75	120.00	24.0	107.0	40,768	42,812	43,368	9.04	9.50	9.62	54	5	1	10.7	10.2	10.1	61.0	66.0	70.9	1.59	1.47	1.36	15%	15%	14%			
Property Development						35.1	36,601	44,193	48,580							12.6	10.8	9.7				1.62	1.50	1.38	13%	15%	15%		
Industrial Estate																													
AMATA	Buy	21.40	31.00	44.9	27.5	1,549	1,951	2,342	1.45	1.83	2.19	10	26	20	14.7	11.7	9.8	11.8	13.1	14.5	1.82	1.64	1.47	11%	12%	14%			
AMATAV	Buy	7.50	11.50	53.3	10.4	369	574	593	0.54	0.61	0.63	73	14	3	14.0	12.2	11.8	2.8	3.4	4.0	2.64	2.20	1.87	17%	18%	16%			
ROJNA	Neutral	6.85	7.00	2.2	7.8	655	663	754	0.32	0.33	0.37	5	1	14	21.1	20.9	18.4	6.5	6.5	6.7	1.06	1.06	1.03	3%	4%	4%			
WHA	Buy	4.00	5.20	30.0	4.7	3,266	3,699	4,174	0.23	0.26	0.29	13	13	13	17.5	15.5	13.7	1.8	1.9	2.0	2.27	2.15	2.03	13%	13%	14%			
Residential																													
AP	Buy	8.50	11.00	29.4	9.7	3,089	3,587	3,628	0.98	1.14	1.15	18	16	1	8.7	7.5	7.4	6.9	7.7	8.4	1.24	1.11	1.01	15%	16%	14%			
LH	Buy	10.80	15.00	38.9	12.9	9,297	9,479	9,622	0.78	0.79	0.81	13	2	2	13.9	13.6	13.4	4.1	4.3	4.3	2.62	2.51	2.50	19%	19%	18%			
LPN																													

SCBS Investment Recommendations

Price as of : 21-Mar-18



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	Core Profit (Btm)			Core EPS (Bt)			Core EPS growth (%)			Core PER (x)			BVPS(Bt)			P/BV (x)			ROE (%)																				
						17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F																		
Tourism & Leisure						28.9			2,526			2,941			3,435			35.1			29.6			25.7			14.4			4.05			3.67			14%			15%			15%		
CENTEL	Buy	47.00	60.00	27.7	55.2	2,020	2,326	2,745	1.50	1.72	2.03	7	15	18	31.4	27.3	23.1	8.9	10.0	11.2	5.26	4.72	4.20	17%	18%	19%																		
ERW	Buy	7.90	10.50	32.9	9.6	506	614	690	0.20	0.25	0.28	46	22	12	38.7	31.9	28.4	2.2	2.3	2.5	3.62	3.38	3.14	10%	11%	11%																		
Transportation & Logistics						(6.5)			31,163			35,636			41,821			33.2			27.6			22.4			3.09			2.92			2.70			9%			10%			11%		
Aviation																																												
AAV	Buy	5.40	7.00	29.6	6.5	1,300	1,476	1,693	0.27	0.30	0.35	(32)	13	15	20.1	17.7	15.5	4.5	4.7	4.9	1.19	1.15	1.09	6%	7%	7%																		
AOT	Sell	68.50	60.00	(12.4)	70.5	21,821	25,310	28,918	1.53	1.77	2.02	14	16	14	44.8	38.7	33.8	9.2	10.0	11.2	7.43	6.82	6.12	17%	18%	19%																		
THAI	Sell	16.00	15.50	(3.1)	18.1	3,094	2,239	2,652	1.42	1.03	1.21	(9)	(28)	18	11.3	15.6	13.2	14.7	15.7	16.9	1.09	1.02	0.95	9%	7%	7%																		
Mass Transit																																												
BEM	Neutral	7.30	7.40	1.4	8.8	3,123	4,054	4,795	0.20	0.27	0.31	20	30	18	35.7	27.5	23.3	2.0	2.2	2.3	3.58	3.37	3.18	10%	13%	14%																		
BTS	Buy	8.30	11.00	32.5	10.6	1,825	2,556	3,763	0.15	0.22	0.32	42	40	47	53.8	38.4	26.1	3.8	3.7	3.8	2.17	2.25	2.16	4%	6%	8%																		
SCBS Coverage		1801.43	16.5			787,666	873,283	966,917	99.70	110.54	122.39	11	11	11	18.1	16.3	14.7				1.99	1.85	1.71	12%	13%	13%																		

# SCBS Investment Recommendations

Price as of : 21-Mar-18



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	DPS (Bt)			Dividend Yield (%)			EV/EBITDA (x)			EBITDA Growth (%)			Net Debt (Btm)			Shares (m Shrs.)	Mkt. Cap. (Btm)	%Mkt.Cap / SET
						17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F			
Agribusiness				2.8					2.13	2.00	2.02	6.83	6.84	6.37	12	-2	3	2,840	2,400	1,558		17,679	0.10
GFPT	Neutral	14.10	14.50	2.8	14.8	0.30	0.28	0.29	2.13	2.00	2.02	6.83	6.84	6.37	12	-2	3	2,840	2,400	1,558	1,254	17,679	0.10
Automotive				17.1					3.55	4.03	4.53	7.39	6.37	5.46	10	8	5	-5,690	-8,797	-12,992		49,133	0.27
AH	Neutral	33.75	36.00	6.7	41.4	1.20	1.43	1.58	3.56	4.23	4.68	11.53	9.62	8.23	2	13	3	3,083	2,260	736	323	10,887	0.06
PCSGH	Neutral	7.10	7.70	8.5	9.1	0.28	0.34	0.39	3.94	4.81	5.45	8.19	7.84	6.81	21	11	9	(1,798)	(1,190)	(1,744)	1,545	10,970	0.06
SAT	Buy	21.80	26.00	19.3	23.2	0.90	0.88	1.02	4.13	4.06	4.68	5.23	4.25	3.71	6	-2	1	(1,132)	(2,804)	(3,556)	425	9,269	0.05
STANLY	Buy	235.00	300.00	27.7	285.2	6.00	7.10	7.80	2.55	3.02	3.32	4.63	3.77	3.10	13	11	6	(5,843)	(7,063)	(8,427)	77	18,007	0.10
Banking				31.8					3.55	3.82	4.28											2,367,052	13.09
Large Banks																							
BBL	Buy	203.00	270.00	33.0	232.7	6.50	7.27	8.45	3.20	3.58	4.16							-	-	-	1,909	387,495	2.14
KBANK	Buy	222.00	265.00	19.4	240.6	4.00	4.50	5.00	1.80	2.03	2.25							-	-	-	2,393	531,304	2.94
KTB	Buy	19.60	24.00	22.4	21.2	0.61	0.74	0.89	3.11	3.78	4.56							-	-	-	13,976	273,931	1.52
Mid/small banks																							
BAY	Neutral	43.00	45.00	4.7	43.6	0.85	1.08	1.24	1.98	2.52	2.89							-	-	-	7,356	316,298	1.75
KKP	Neutral	76.00	80.00	5.3	80.4	5.00	5.01	5.13	6.58	6.59	6.75							-	-	-	847	64,353	0.36
LHBANK	Neutral	1.69	1.70	0.6	1.9	0.06	0.05	0.06	3.43	3.19	3.67										21,184	35,800	0.20
TCAP	Neutral	54.75	55.00	0.5	58.8	2.20	2.25	2.39	4.02	4.11	4.37							-	-	-	1,206	66,054	0.37
TISCO	Buy	90.50	100.00	10.5	97.0	5.00	5.48	6.03	5.52	6.06	6.66							-	-	-	801	72,458	0.40
TMB	Buy	2.82	3.50	24.1	3.2	0.06	0.07	0.09	2.13	2.52	3.12							-	-	-	43,840	123,628	0.68
Commerce				10.4					1.54	1.70	1.91	21.34	19.21	17.16	12	11	11	317,941	302,795	281,320		1,604,524	8.88
BJC	Buy	58.00	73.00	25.9	64.1	0.57	0.65	0.79	0.98	1.12	1.35	19.18	17.46	16.18	29	9	7	152,812	150,665	147,994	3,997	231,849	1.28
CPALL	Buy	87.75	98.00	11.7	91.1	1.10	1.33	1.57	1.25	1.52	1.79	22.53	19.92	17.60	12	11	11	136,656	123,021	107,001	8,983	788,267	4.36
GLOBAL	Buy	15.60	21.00	34.6	17.2	0.18	0.17	0.18	1.14	1.10	1.14	25.46	21.93	18.73	3	17	16	11,286	11,569	11,086	3,841	59,926	0.33
HMPRO	Buy	14.10	16.50	17.0	14.9	0.31	0.35	0.40	2.20	2.46	2.86	20.84	18.64	16.57	12	11	12	12,553	10,782	9,084	13,151	185,432	1.03
MAKRO	Neutral	56.00	42.00	(25.0)	42.8	0.96	0.96	0.96	1.71	1.71	1.71	26.18	24.74	22.48	14	7	10	4,675	7,742	8,134	4,800	268,800	1.49
ROBINS	Buy	63.25	90.00	42.3	76.3	1.25	1.43	1.66	1.98	2.26	2.63	13.85	12.59	11.42	4	8	9	-41	-985	-1,979	1,111	70,249	0.39
Construction Materials				18.5					3.60	3.84	4.07	11.32	10.28	9.45	-6	9	7	184,910	174,270	159,489		719,353	3.98
Cement																							
SCC	Buy	502.00	600.00	19.5	563.4	19.00	19.00	19.00	3.78	3.78	3.78	7.48	7.07	6.60	-3	5	5	152,058	143,199	129,945	1,200	602,400	3.33
SCCC	Neutral	261.00	270.00	3.4	280.6	10.00	10.00	10.18	3.83	3.83	3.90	12.74	12.02	11.74	11	12	2	30,134	29,855	29,300	298	77,778	0.43
Others																							
DCC	Neutral	3.02	3.70	22.5	3.3	0.13	0.14	0.15	4.24	4.63	4.85	12.21	10.68	9.85	-16	11	6	2,016	1,299	766	6,528	19,715	0.11
EPG	Buy	6.95	10.00	43.9	10.8	0.18	0.22	0.26	2.54	3.11	3.75	12.84	11.36	9.62	-17	9	15	701	-84	-521	2,800	19,460	0.11
Electronic Components				28.5					3.48	3.78	3.89	9.34	7.71	6.55	-2	16	13	-26,992	-31,847	-36,307		162,591	0.90
DELTA	Buy	66.50	90.00	35.3	78.4	2.20	3.00	3.10	3.31	4.51	4.66	9.27	7.32	6.31	12	19	13	-17,307	-21,285	-22,788	1,247	82,951	0.46
HANA	Buy	35.25	45.00	27.7	43.3	2.00	2.00	2.00	5.67	5.67	5.67	5.22	4.84	4.43	7	4	9	-9,740	-10,435	-10,525	805	28,372	0.16
KCE	Buy	69.50	86.00	23.7	77.3	2.20	2.20	2.40	3.17	3.17	3.45	12.58	11.03	9.01	-15	15	15	2,370	2,805	107	586	40,755	0.23
SVI	Neutral	4.64	4.40	(5.2)	4.4	0.08	0.08	0.08	1.79	1.79	1.79	10.29	7.66	6.46	-11	24	16	-2,316	-2,931	-3,102	2,266	10,513	0.06
Energy & Utilities				15.0					4.01	4.21	4.40	16.30	14.15	12.83	2	11	3	369,757	209,981	-17,866		3,213,244	17.77
Oil & Gas and Coal																							
PTT	Buy	542.00	620.00	14.4	539.2	20.00	21.00	22.00	3.69	3.87	4.06	4.69	3.89	3.44	12	13	2	133,640	22,991	-123,621	2,856	1,548,114	8.56
PTTEP	Buy	116.00	150.00	29.3	125.5	4.25	4.50	4.50	3.66	3.88	3.88	3.68	3.21	3.02	-1	12	2	-64,062	-72,116	-87,056	3,970	460,518	2.55
Refineries																							
BCP	Buy	38.50	53.00	37.7	45.0	2.15	2.20	2.30	5.58	5.71	5.97	6.58	6.73	5.73	16	3	9	30,578	34,763	28,542	1,377	53,012	0.29
ESSO	Sell	17.80	16.00	(10.1)	16.6	1.00	1.00	1.00	5.62	5.62	5.62	7.22	7.16	6.53	6	-5	1	17,553	13,296	7,573	3,461	61,603	0.34
IRPC	Buy	7.55	9.20	21.9	8.0	0.29	0.36	0.41	3.84	4.77	5.43	9.63	6.36	5.75	6	36	1	56,625	35,352	18,241	20,434	154,280	0.85
SPRC	Buy	16.80	20.00	19.0	19.1	1.14	1.20	1.20	6.80	7.14	7.14	5.92	4.85	4.87	-8	13	-8	183	-5,075	-10,403	4,336	72,843	0.40
TOP	Buy	96.25	125.00	29.9	100.7	5.25	5.00	5.00	5.45	5.19	5.19	5.19	5.50	5.18	10	-8	0	-1,474	-7,220	-17,558	2,040	196,353	1.09
Utilities																							
BCPG	Sell	21.70	19.00	(12.4)	20.6	0.61	0.64	0.68	2.81	2.95	3.13	23.69	19.04	15.77	5	32	17	15,024	18,399	16,311	1,994	43,278	0.24
BPP	Buy	24.70	29.75	20.4	30.3	0.60	0.60	0.65	2.43	2.43	2.63	48.83	44.46	37.22	-20	13	17	3,912	6,148	4,557	3,051	75,357	0.42
CKP	Neutral	3.94	4.00	1.5	3.9	0.02	0.03	0.03	0.57	0.76	0.76	16.75	13.71	13.58	0	21	2	23,612	22,984	23,383	7,370	29,038	0.16
EGCO																							

# SCBS Investment Recommendations

Price as of : 21-Mar-18



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	DPS (Bt)			Dividend Yield (%)			EV/EBITDA (x)			EBITDA Growth (%)			Net Debt (Btm)			Shares (m Shrs.)	Mkt. Cap. (Btm)	%Mkt.Cap / SET
						17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F			
Finance & Securities			(30.3)						4.42 4.72 4.79													131,044	0.72
Credit card																							
AEONTS	Sell	179.50	130.00	(27.6)	160.0	3.60	4.22	4.79	2.01	2.35	2.67										250	44,875	0.25
KTC	Sell	261.00	150.00	(42.5)	239.7	5.30	6.12	6.75	2.03	2.34	2.59										258	67,295	0.37
Securities																							
ASP	Buy	3.84	4.70	22.4	4.3	0.30	0.32	0.32	7.81	8.38	8.28										2,106	8,086	0.04
MBKET	Sell	18.90	18.00	(4.8)	19.5	1.10	1.10	1.06	5.82	5.81	5.63										571	10,788	0.06
Food & Beverage			27.7						2.46 2.48 2.53			16.81 15.05 13.88			-13 13 8			370,284 367,875 366,944				486,480	2.69
CPF	Buy	25.25	32.00	26.7	28.3	0.75	0.70	0.70	2.97	2.78	2.76	15.27	14.43	13.93	-32	9	4	261,872	262,317	265,256	8,611	217,434	1.20
MINT	Buy	38.00	50.00	31.6	47.6	0.40	0.49	0.56	1.05	1.29	1.47	18.80	16.03	14.65	5	19	8	42,154	38,927	35,744	4,619	175,519	0.97
TU	Buy	19.60	24.00	22.4	22.8	0.66	0.66	0.66	3.37	3.36	3.37	16.37	14.68	13.07	-13	12	12	66,257	66,631	65,943	4,772	93,528	0.52
Health Care Services			18.1						1.50 1.66 1.79			23.29 20.19 17.71			9 15 13			41,061 32,670 26,963				565,211	3.13
BOMS	Buy	22.70	27.50	21.1	24.2	0.36	0.30	0.35	1.59	1.34	1.55	23.74	22.19	19.35	10	6	14	33,567	30,799	26,807	15,491	351,645	1.95
BH	Neutral	207.00	216.00	4.3	214.8	2.70	3.04	3.35	1.30	1.47	1.62	24.93	21.13	19.04	8	13	10	2,118	(4,030)	(5,593)	729	150,852	0.83
BCH	Buy	16.90	21.00	24.3	18.8	0.20	0.22	0.26	1.18	1.32	1.55	22.86	19.91	17.49	14	16	14	5,009	5,594	5,527	2,494	42,144	0.23
CHG	Buy	1.87	2.90	55.1	2.4	0.04	0.05	0.05	1.93	2.51	2.42	21.63	17.51	14.96	7	23	17	367	307	222	11,000	20,570	0.11
Information & Communication Technology			8.3						2.27 2.62 3.00			9.28 8.91 9.18			7 3 5			300,864 341,185 389,803				1,166,913	6.45
Mobile																							
ADVANC	Buy	210.00	215.00	2.4	213.0	7.08	7.83	8.65	3.37	3.73	4.12	10.13	9.39	8.81	16	8	7	89,714	92,742	95,861	2,973	624,350	3.45
DTAC	Neutral	44.00	52.00	18.2	52.3	0.24	0.28	1.46	0.55	0.63	3.32	6.38	5.95	5.25	9	6	10	90,108	88,234	82,753	2,368	104,184	0.58
TRUE	Neutral	7.05	8.00	13.5	7.2	0.03	0.13	0.00	0.44	1.81	0.00	7.73	8.30	9.04	46	7	4	109,792	152,908	197,117	33,368	235,246	1.30
Internet																							
THCOM	Sell	12.00	9.00	(25.0)	13.4	0.00	0.00	0.00	0.00	0.00	0.00	6.01	6.07	9.33	-35	-15	-7	5,486	2,852	9,724	1,096	13,153	0.07
Other																							
INTUCH	Buy	59.25	70.00	18.1	68.8	4.13	4.10	4.47	6.97	6.92	7.54	16.12	14.83	13.47	-3	8	10	5,764	4,449	4,349	3,206	189,980	1.05
Insurance			41.1						4.06 4.35 4.53													69,942	0.39
BLA	Buy	33.00	50.00	51.5	42.4	0.54	0.74	0.76	1.64	2.23	2.29										1,708	56,350	0.31
THRE	Sell	1.73	1.60	(7.5)	1.6	0.10	0.10	0.10	5.78	5.78	5.78										4,215	7,292	0.04
THREL	Neutral	10.50	11.00	4.8	14.3	0.50	0.53	0.58	4.76	5.05	5.51										600	6,300	0.03
Media & Publishing			0.9						1.19 1.44 3.32			16.04 12.53 10.94			25 26 16			14,777 8,511 7,265				201,070	1.11
TV broadcasting																							
BEC	Sell	13.70	8.00	(41.6)	10.5	0.10	0.07	0.07	0.73	0.48	0.54	7.30	5.10	4.22	-25	15	14	2,055	-3,782	-5,230	2,000	27,400	0.15
GRAMMY	Sell	9.50	6.50	(31.6)	8.6	0.00	0.00	0.00	0.00	0.00	0.00	27.33	16.97	15.57	-25	56	21	5,909	5,453	6,853	820	7,790	0.04
MCOT	Sell	10.40	6.00	(42.3)	8.6	0.00	0.00	1.00	0.00	0.00	9.62	-6.53	-4.52	-3.86	n.m.	n.m.	n.m.	5,346	5,309	5,022	687	7,146	0.04
RS	Neutral	29.00	14.00	(51.7)	35.8	0.00	0.38	1.39	0.00	1.32	4.80	18.75	17.95	15.22	77	4	18	-476	-475	-476	1,010	29,294	0.16
WORK	Buy	64.00	115.00	79.7	95.5	1.39	1.72	2.02	2.17	2.69	3.16	15.16	11.64	10.27	108	37	14	-1,254	-412	-412	441	28,235	0.16
Cinema																							
MAJOR	Neutral	28.25	30.00	6.2	30.7	1.25	1.02	1.06	4.42	3.63	3.76	13.72	12.61	11.48	-1	8	9	3,702	3,370	3,160	895	25,274	0.14
Other																							
PLANB	Buy	6.00	9.00	50.0	7.7	0.05	0.09	0.13	0.83	1.58	2.15	22.11	15.56	11.95	21	39	26	-525	-967	-1,605	3,530	21,178	0.12
VGI	Buy	7.60	7.50	(1.3)	7.1	0.10	0.14	0.19	1.32	1.79	2.52	30.52	24.89	22.67	19	23	10	20	15	-48	7,204	54,753	0.30
Petrochemicals & Chemicals			23.8						2.86 3.44 3.82			9.84 8.11 6.83			12 19 10			127,726 63,770 12,305				756,833	4.19
GGC	Neutral	14.50	17.00	17.2	17.9	0.35	0.41	0.53	2.41	2.82	3.66	11.22	9.05	6.78	-20	33	22	-1,737	-736	-1,926	1,024	14,843	0.08
IVL	Buy	56.50	70.00	23.9	66.6	1.00	1.50	1.60	1.77	2.65	2.83	10.99	8.43	7.26	29	20	8	88,491	35,941	12,770	5,412	305,758	1.69
PTTGC	Buy	96.75	120.00	24.0	107.0	4.25	4.70	4.80	4.39	4.86	4.96	7.31	6.85	6.46	27	4	0	40,972	28,565	1,460	4,509	436,231	2.41
Property Development			35.1						4.17 5.82 6.52			12.73 10.96 10.20			0 24 9			223,336 232,410 237,165				420,174	2.32
Industrial Estate																							
AMATA	Buy	21.40	31.00	44.9	27.5	0.53	0.74	0.89	2.49	3.45	4.14	14.45	11.90	10.50	-5	25	17	6,462	7,208	8,187	1,067	22,834	0.13
AMATAV	Buy	7.50	11.50	53.3	10.4	0.03	0.04	0.04	0.40	0.54	0.56	11.43	10.11	9.70	47	18	8	1,729	2,140	2,423	935	7,013	0.04
ROJNA	Neutral	6.85	7.00	2.2	7.8	0.30	0.18	0.21	4.38	2.63	3.00	12.01	11.53	10.53	0	1	5	23,040	22,066	20,617	2,020	13,840	0.08
WHA	Buy	4.00	5.20	30.0	4.7	0.14	0.16	0.22	3.50	3.96	5.52	21.16	21.30	18.92	-30	8	13	31,910	39,261	39,383	14,326	57,305	0.32
Residential																							
AP	Buy	8.50	11.00	29.4	9.7	0.35	0.40	0.40	4.12	4.68	4.73	10.97	10.20	10.42	16	13	2	17,348	19,512	21,538	3,146	26,740	0.15
LH	Buy	10.80	15.00	38.9	12.9	0.75	0.79	0.76	6.94	7.29	7.08	12.86	12.60	14.31	25	2	-10	43,692	43,549	46,987	11,950	129,057	0.71
LPN	Buy	10.80	16.00	48.1	11.9	0.50	0.79	0.93	4.63	7.30	8.57	15.13	9.63	8.52	-49	52	17	5,648	4,976	5,745	1,476	15,938	0.09
PSH	Neutral	21.70	24.00	10.6	24.6	1.29	1.43	1.63	5.94	6.61	7.51	9.00	8.21	7.38	-6	12	14	22,952	24,698	26,571	2,189	47,491	0.26
QH	Buy	2.98	4.10	37.6	3.5	0.20	0.22	0.24	6.71	7.45	8.15	12.04	10.52	9.56	1	16	13	20,212	20,939	22,148	10,714	31,929	0.18
SIRI	Buy	1.79	2.70	50.8	2.2	0.12	0.28	0.31	6.70	15.52	17.04	13.22	6.50	5.81	-15	108	8	30,886	32,312	30,139	14,863	26,604	0.15
SPALI	Buy	22.30	33.00	48.0	27.1	0.00	1.02	1.20	0.00	4.55	5.40	7.80	8.03	6.54	10	7	18	19,457	15,749	13,427	1,858	41,424	0.23

SCBS Investment Recommendations

Price as of : 21-Mar-18



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	DPS (Bt)			Dividend Yield (%)			EV/EBITDA (x)			EBITDA Growth (%)			Net Debt (Btm)			Shares (m Shrs.)	Mkt. Cap. (Btm)	%Mkt.Cap / SET
						17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F	17A	18F	19F			
Tourism & Leisure				28.9					1.21	1.28	1.48	14.91	13.68	12.63	8	11	9	14,094	14,770	14,296		83,239	0.46
CENTEL	Buy	47.00	60.00	27.7	55.2	0.60	0.69	0.81	1.28	1.47	1.73	14.89	13.14	11.73	-1	12	10	6,105	5,220	3,880	1,350	63,450	0.35
ERW	Buy	7.90	10.50	32.9	9.6	0.09	0.09	0.10	1.14	1.10	1.24	14.94	14.22	13.54	16	11	8	7,990	9,550	10,416	2,505	19,789	0.11
Transportation & Logistics				(6.5)					1.98	1.58	1.96	18.89	16.37	15.98	5	12	11	192,734	185,814	213,255		1,250,370	6.92
Aviation																							
AAV	Buy	5.40	7.00	29.6	6.5	0.15	0.11	0.12	2.78	1.97	2.26	8.78	7.41	6.55	-11	19	11	12,634	12,923	12,032	4,850	26,190	0.14
AOT	Sell	68.50	60.00	(12.4)	70.5	0.86	0.89	1.01	1.26	1.29	1.48	27.35	24.86	22.28	8	11	11	-44,161	-35,286	-36,831	14,286	978,570	5.41
THAI	Sell	16.00	15.50	(3.1)	18.1	0.00	0.00	0.00	0.00	0.00	0.00	7.39	7.37	6.60	-6	-3	3	143,977	137,191	124,472	2,183	34,924	0.19
Mass Transit																							
BEM	Neutral	7.30	7.40	1.4	8.8	0.13	0.19	0.22	1.78	2.54	3.01	18.80	16.04	13.70	5	11	8	57,333	47,648	35,046	15,285	111,581	0.62
BTS	Buy	8.30	11.00	32.5	10.6	0.34	0.17	0.25	4.10	2.08	3.07	32.13	26.16	30.78	31	23	24	22,950	23,338	78,536	11,940	99,105	0.55
SCBS Coverage			1801.43	16.5					2.89	3.15	3.40	11.63	10.45	9.81	7	10	5	2,127,641	1,895,807	1,643,200		13,264,849	73.37

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AEC, AEONTS, AF, AJ, AKR, ALLA, ALUCON, AMA, AMARIN, AMC, APURE, AQUA, ARROW, AS, ASEFA, ASIAN, ASN, ATP30, AU, BA, BCH, BEAUTY, BH, BIG, BIZ, BLAND, BPP, BR, BROCK, BTC, BTNC, CBG, CCET, CCP, CGD, CITY, CMR, COLOR, COMAR, CPL, CSR, CTW, CWT, DCAN, DIGI, DNA, EFORL, EKH, EPCO, ESSO, ETE, FE, FER, FOCUS, FSS, GENCO, GIFT, GJS, GLAND, GSTEL, GTB, GYT, HPT, HTC, HTECH, IFS, IHL, INSURE, IRCP, J, JMAT, JMT, JUBILE, KASET, K, KCON, KIAT, KWC, KYE, LDC, LEE, LPH, MATCH, MATI, M-CHAI, MGD, MILL, MJD, MK, MODERN, MPG, NC, NCL, NDR, NEP, NETBAY, NHP, NPN, NUSA, OCEAN, PDG, PF, PICO, PIMO, KPL, PLE, PMTA, PRECHA, PRIN, PSTC, QLT, RCI, RCL, RJH, ROJINA, RPC, S11, SANKO, SAPPE, SCP, SE, SGP, SKR, SKY, SLP, SMIT, SOLAR, SPA, SPG, SPG, SPVI, SQ, SRICHA, SSC, STANLY, SUPER, SVOA, T, TACC, TCCC, TCMF, TFD, TIC, TLUXE, TM, TNP, TNR, TOPP, TPA, TPBI, TPCH, TPIPL, TPOLY, TPP, TRITN, TTI, TVT, TYCN, UOBKH, UPA, UREKA, UT, VIBHA, VPO, VTE, WISK, WIN

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AA, AIE, AJ, AMATAV, AOT, APCO, ARROW, ASIAN, BJC, BJCHI, BLAND, BLISS, BR, BRR, BTC, BUI, CEN, CGH, CHEWA, CHG, CHO, CHOTI, CI, CIG, COM7, CPR, EKH, EPCO, FN, FSMART, FTE, GGC, GJS, GPI, GPSC, GSTEL, HARN, ILINK, INET, ITEL, JAS, JTS, JUBILE, KTECH, KWC, KWG, L&E, LDC, LEE, LIT, LRH, MAKRO, MALEE, MATCH, MATI, MFEK, MILL, MTLS, NCL, NEP, NNCL, NUSA, NWR, PACE, PAP, PATO, PDG, PIMO, PK, PL, PLANB, PLANET, POST, PRINC, PRM, PRO, PSTC, PYLON, QCT, ROJNA, RWI, SAUCE, SC, SCI, SELIC, SIRI, SMK, SPPT, SRICHA, SST, STA, SUPER, SWC, SYMC, TAKUNI, THE, THIP, TKN, TLUME, TMC, TMILL, TNP, TOPP, TRITN, TTI, TU, TVT, TWPC, UBIS, UPA, UWC, VIBHA, VHC, WAVE

AS, AAV, ABICO, ABM, ACAP, ACC, ADAM, ADB, AE, AEONTS, AF, AFC, AGE, AH, AHC, AI, AIRA, AIT, AIA, AKR, ALLA, ALT, ALUCONA, AMA, AMARIN, AMATA, AMC, ANAN, APCs, APEX, APURE, AQ, AQUA, ARIp, AS, ASP, ASEFA, ASIA, ASIMAS, ATP30, AU, AUCT, BA, BAT-3K, BDMS, BEHAVE, BEC, BEM, BFT, BGRIM, BGT, BH, BIG, BIZ, BKD, BM, BOL, BPP, BROCK, BSBM, BSM, BTNC, BTW, CBG, CCET, CCP, CGC, CHARAN, CHOW, CHUO, CITY, CK, CKP, CMO, CMR, CNT, COL, COLOR, COMAN, CPH, CPL, CPT, CRANE, CRD, CSP, CSR, CSS, CTW, CWT, D, DCORP, DCORP, DDD, DELTA, DIGI, DNA, DTCI, EA, EARTH, EASON, ECF, EE, EFORL, EIC, EMC, EPC, ERW, ESSO, ESTAR, ETE, EVER, F&D, FANCY, FC, FER, FLOYD, FMT, FOCUS, FORTH, FPI, FVC, GENCO, GIFT, GL, GLAND, GLOBAL, GRAMMY, GRAND, GREEN, GTB, GULF, GYF, HET, HOTPOT, HPT, HTECH, HUMAN, HYDRO, ICHI, ICH, IEC, IEL, III, INGRS, INOX, INSURE, IRCP, IT, ITD, J, JCT, JCN, JAMART, JMT, JSP, JUTHA, JWB, KAMART, KC, KCAR, KMC, KDH, KJH, KKC, KOL, KTJS, KYE, LALIN, LH, LOXLEY, LPH, LST, LTV, LTX, MACO, MAJOR, MANRIN, MAX, MBAX, M-CHAI, MCS, MDX, MEGA, METCO, MGT, MIDA, MJR, ML, MM, MODERN, MPG, MPIC, NC, NCH, NDR, NETBAY, NEWS, NEWS, NFK, NOBLE, NOK, NPK, NPP, NTV, NVD, NYOT, OHTL, OISHI, ORI, OTO, PAE, PAF, PERM, PF, PICO, PJW, PLE, PMTA, POLAR, POMPOU, PORM, PPTM, PRAKIT, PRECHA, PRIN, PTL, RAN, RCI, RCL, RICH, RICHY, RJH, ROCK, ROH, RP, RPC, RPH, RS, RSP, S, S11, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SANKO, SAPPE, SAWAD, SAWENG, SCP, SDC, SE, SEAFCO, SEAOIL, SFL, SFP, SGF, SHANG, SIAM, SIMAT, SKE, SKN, SKR, SLY, SLP, SMART, SMM, SMT, SOLAR, SPA, SPAL, SPCG, SPG, SPOT, SPVI, SQ, SR, SSC, SSP, STANLY, STAR, STEC, STHAI, STPI, SUN, SUTHA, SVH, SVOA, SYNEX, T, TACC, TAPAC, TBSF, TC, TCB, TCC, TCCC, TCJ, TCOAT, TEAM, TFD, TGPRO, TH, THAI, THANA, THG, THL, THMUI, TIC, TITLE, TIW, TK, TKS, TM, TMI, TWH, TNDT, TNH, TNPC, TOA, TPAC, TPBI, TPCH, TPIPL, TPIPP, TPOLY, TPP, TR, TRC, TRT, TRUBB, TSE, TSI, TSS, TSTA, TTT, TTTM, TTW, TUCC, TVO, TWY, TWZ, TYCN, UAC, UEC, UKEM, UMI, UMS, UNIQ, UP, UPF, UPOE, UREKA, UT, UTP, UV, UVAN, VAWR, VCOM, V, VNG, VPO, VTE, VWG, WHAUP, WISF, WIN, WINNER, WORK, WORLD, WP, WPH, WR, XO, YCI, YNP, YWASA, ZIGA, ZIMCO

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