

# HOPE FOR THE BEST PREPARE FOR THE WORST

AMATA  
ROJNA  
KTB  
CHG  
IVL



## SCBS Market Strategy Reports

2019



2018



2017



2016



See the end of this report for important disclaimer

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## Table of Contents

Hope for the best, prepare for the worst .....	1
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## Stock Picks

Amata Corporation Plc (AMATA) .....	19
Rojana Industrial Park Plc (ROJNA) .....	23
Chularat Hospital Plc (CHG) .....	27
Indorama Ventures Plc (IVL) .....	31
Krung Thai Bank Plc (KTB) .....	35

## Sector updates

Automotive .....	39
Aviation .....	41
Bank .....	43
Commerce .....	45
Construction Material .....	47
Energy – Oil and Gas .....	49
Energy – Oil refinery .....	51
Finance .....	53
Food .....	55
Healthcare Service .....	57
Industrial Estate .....	59
Insurance .....	61
Petrochemical .....	63
Residential Property .....	65
Securities .....	67
Telecommunications .....	69
Tourism .....	71
SCBS Stock Universe .....	73

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# SCBS strategy

SET index Close: 14/6/2019 1,672.33 -1.81 / -0.11% Bt42,432mn  
 SET50 index Close: 14/6/2019 1,107.36 -1.87 / -0.17% Bt26,214mn



## Hope for the best, prepare for the worst

**The unexpected return of trade tension between the US and China in May led the cyclicals index to underperform defensives. Global growth is weakening. In 3Q19 the dominant factors will be developments in the trade war and a Fed interest rate cut. We do not expect the US to increase tariffs on US\$300bn in Chinese imports, nor do we anticipate a Fed funds rate cut. If the trade war escalates, we see downside risk of 7% for the Thai market. Our strategy in 3Q19 focuses on domestic plays with supporting growth stories and earnings momentum; we like petrochem on valuations and earnings growth. Our 3Q19 top picks are AMATA, ROJNA, CHG, IVL and KTB.**

- **Our view on the trade war.** We believe the US is most likely to keep its 25% tariff on the US\$250bn imports from China after the G20 meeting at the end of June. At the same time, as the trade war could cause a global recession, we believe they will reach some agreement, with both sides stepping back on tariffs in the next 3-6 months and the US perhaps giving Huawei a temporary reprieve. If the US adds the US\$300mn in Chinese goods to its list of tariffs, markets in the US and China may contract 17-20%. In this scenario, the Thai market will be more resilient, with downside risk of 7% from current position.
- **On the Fed interest rate decision.** Our base case is for no rate cut in 2H19. If the US does add a 25% tariff on US\$300bn of Chinese imports (our worst-case scenario), we expect significant deterioration in the economy and market, making it necessary for the Fed to cut its Fed funds rate by 50 bps.

**Downside risk to the Thai economy.** We believe the contraction in electronics exports will become deeper and subsequently pull total export growth down, leading to a downgrade of 2019 GDP growth to 3.3% from 3.6% previously (vs consensus expectation of 3.6%).

**What to do in 3Q19.** We believe the negotiations between the US and China will continue in 2H19 and this could drag the sentiment in the short term. As external risk will continue amid late-cycle economic pressures, we recommend focusing on domestic plays with supporting growth stories and steady earnings momentum as well as a safe bet on a tactical bounce on the petrochemical sector.

**Our 3Q19 top picks.** **AMATA** (earnings improvement and EEC), **ROJNA** (recurring income cushion and well-positioned to new investment cycle), **CHG** (strong earnings conviction), **KTB** (extra gain, government spending and loan growth recovery), **IVL** (undemanding valuation and earnings improvement). In addition, we recommend keeping an eye on electronics stocks as bottom is approaching.

### 3Q19 Top picks

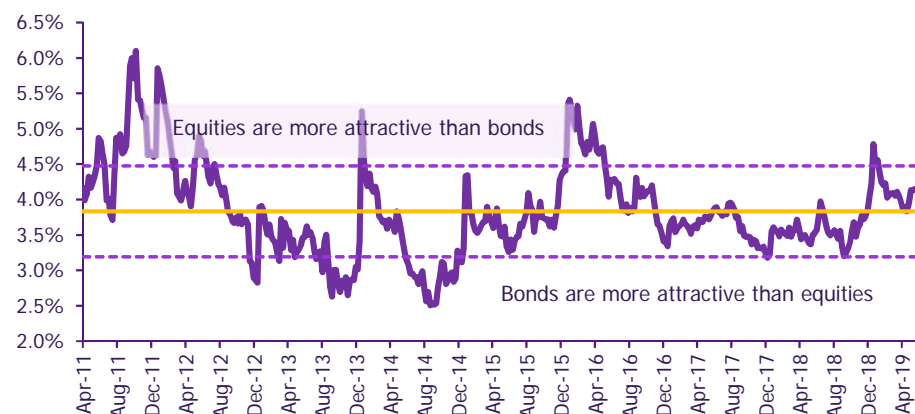
	Rating	Price (Bt)	TP (Bt)	ETR (%)
AMATA	Buy	23.50	32.0	39.1
CHG	Buy	2.28	2.7	20.3
IVL	Buy	47.25	74.0	59.8
KTB	Buy	19.50	22.0	16.7
ROJNA	Buy	5.65	8.5	56.5

	PE (x)		EPS growth (%)	
	19F	20F	19F	20F
AMATA	13.9	11.3	45	23
CHG	38.1	31.7	2	20
IVL	9.9	8.7	12	14
KTB	9.5	9.1	1	4
ROJNA	16.5	11.9	119	39
Average	17.6	14.6	35.8	19.8

	PBV (x)		ROE (%)	
	19F	20F	19F	20F
AMATA	1.7	1.6	11	13
CHG	6.8	6.3	17	20
IVL	1.6	1.4	17	18
KTB	0.8	0.8	9	9
ROJNA	1.0	0.9	4	5
Average	2.4	2.2	12	13

	Div. Yield (%)		EV/EBITDA (x)	
	19F	20F	19F	20F
AMATA	2.9	3.6	21.8	17.8
CHG	1.8	2.2	23.5	19.5
IVL	3.2	3.6	7.0	5.9
KTB	3.9	4.0	-	-
ROJNA	6.1	8.4	9.4	8.2
Average	3.6	4.4	12.3	10.3

### EYG - There is still room for the Thai equity market to move up



Source: SCBS Investment Research

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## Market Strategy: 3Q19

### “Hope for the best, prepare for the worst”

In 2019, the global economy continued deteriorating from 1Q19 after a brief revival in April, led down by China, the world's second largest economy. However, in several economies, economic components, particularly manufacturing sectors, showed a pick-up in April, partially due to a comeback in the Chinese economy thanks to the disbursement of China's CNY6.2tn government stimulus.

May brought with it the return of deteriorating global manufacturing indicators in many countries as the global trade skirmish heated up again. Stock market indices globally have fallen sharply while prices of safe-haven assets such as government bonds and gold rose, reflecting a risk-off attitude. The turbulence in financial markets and the worsening economic outlook has led to some important economic consequences, specifically a possible cut in the Fed funds rate. In early June, Chairman Powell hinted that the central bank may relax monetary policy if the trade war worsens and begins to put the US economy at risk. In Thailand, the downside risk created by the trade battle has led to a deterioration in its economy, prompting government and private economic research houses to cut their 2019 economic projections.

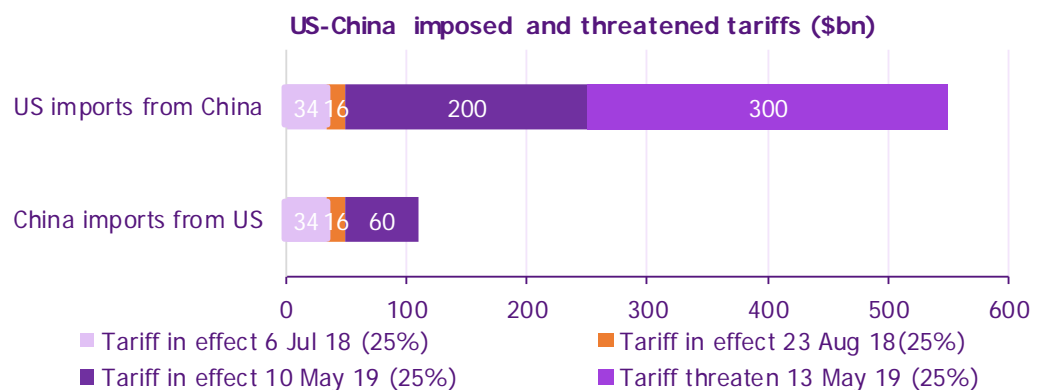
To obtain a correct view of financial market performance in 3Q19, we need to answer three questions: 1) What is the endgame of the current phase of the trade war? 2) Will the Fed cut its rate this year? 3) What is the downside risk for the Thai economy from the trade war and global slowdown?

### Trade war: What is the endgame in the current phase?

To answer this, a thorough analysis of the current status of the trade dispute between the two superpowers is necessary. On May 10 this year, the US raised tariffs on US\$200bn in imports from China to 25% from 10%, accusing it of backtracking on key agreements on intellectual property theft, trade secrets, forced technology transfers, competition policy and access to financial services. The following week, Chinese authorities retaliated by raising tariffs on US\$60bn in US goods to 25% from 10%, starting June 1. At the same time, the US set in motion a plan to raise tariffs on the remaining US\$300bn in Chinese goods.

The trade skirmish moved up a notch when Trump barred US companies from using telecoms equipment made by firms “posing a risk to national security”, while the Commerce Department added Huawei to a list of firms with which American companies cannot do business without permission. This is the second time the US government has banned a Chinese technology firm. In 2018, ZTE, another Chinese tech company, was banned, which forced the firm to the brink of bankruptcy. It survived only because US president Trump intervened after a phone conversation with Chinese president Xi Jinping.

**Figure 1: US-China tariffs, imposed and threatened**



Source: Bloomberg, SCBS Investment Research

By May 20, major US technology companies including Google, Intel, Qualcomm and Micron had stopped supplying components and software to Huawei. The following day, Chinese president Xi sent a possible retaliation signal by visiting a rare earths factory, implying that the government may ban the export of a product that is essential to electronic equipment

production. The following day saw the US Commerce Department relaxing the ban, saying that US technology firms could continue to supply existing products, for example software updates, to Huawei for 90 days. The ban, however, remains in place for the sale of new products and services.

**Figure 2: Timeline of the US-China tech war**

Date	Events	Implication
May 15	- Commerce Department announced that it had added Huawei to a list of firms with which American companies cannot do business without permission.	- In 2018, ZTE was banned for violating American sanctions on Iran, which led it to the brink of bankruptcy. It survived only because Trump intervened.
May 20	- Major US technology companies had stopped supplying components and software to Huawei. - Xi visited a rare earth factory.	- Although Huawei stockpiled sufficient crucial components to last for months, it is still vulnerable to the ban.
May 21	- US Commerce Department relaxed the ban, saying that US technology firms could continue to supply existing products, for example software updates, to Huawei for 90 days.	- Without Google's support, new Huawei phones will lack the latest versions of Android as well as Google's apps such as G-Mail or Maps.

Source: SCBS Investment Research

We believe the Chinese authorities are trying to use the threat of a ban on rare earth exports as well as nationalist propaganda to counter US tactics. This will lead to negative investor sentiment and to the sell-down of US asset classes, particularly equities. Since it is common knowledge that Trump uses stock market performance to measure his popularity, we believe China is hoping that a fall in US stock markets will lead the US president to change his mind and soften his stance.

We see June 28-29, when Trump and Xi are expected to meet on the sidelines of the G20 summit, as a key date to watch. We believe that by moving the trade war into tech while China engages in nationalistic rhetoric, the US is most likely to keep its 25% levies on the US\$250bn imports from China after the meeting since both sides are getting further apart. At the same time, we still believe both sides will step back on tariffs in the next 3-6 months and the US may give a temporary reprieve of its ban on Huawei, as it did last year in the ZTE case.

**Figure 3: Scenario analysis on the US-China trade and tech war**

Scenario	After G-20 (28-29 Jun)	Key Event	Econ Impact & Policy	Prob.
Best Case	25%→10% (US\$200bn) US lifts the Huawei ban	China amends the law (IPR, forced tech transfer, liberalized service sector, etc.)	No impact on GDP: CN: 6.2%; US: 2.3%	20%
Base Case (S1)	25% on US\$200bn 0% on US\$325bn US holds on to the Huawei ban	Status quo	GDP: CN: 6.0%; US: 2.2% Policy: Speed up disbursement	50%
Severe Case (S2)	25% on US\$200bn 25% on US\$325bn	China retaliates on US\$200bn	GDP: CN: 5.9%; US: 2.0% Policy: new stimulus, Fed & PBOC cut rates	30%

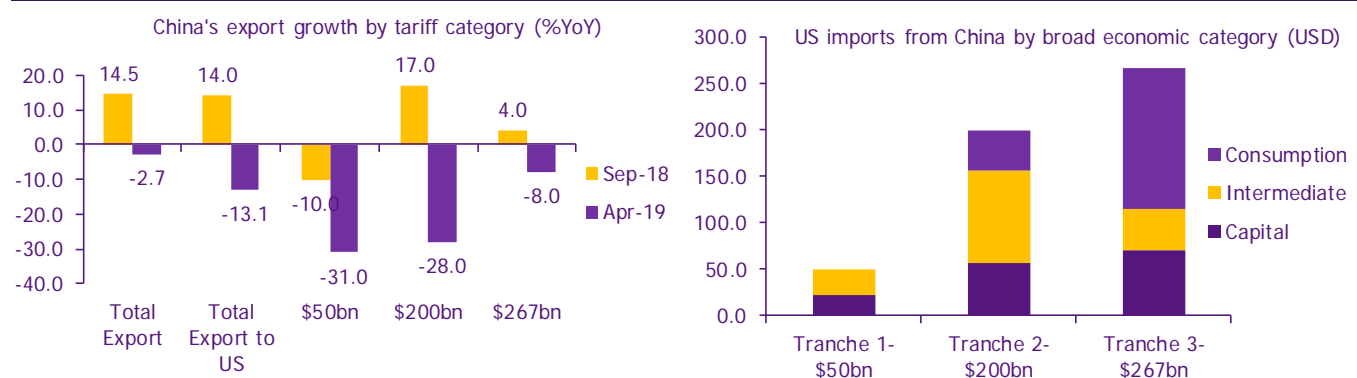
Source: SCBS Investment Research

Our reasoning is that in the end, economic sense will prevail. Our analysis reveals that it is not in the best interest of either country to escalate the trade war further, especially via adding another 25% tariff on the last tranche of US\$300bn of Chinese imports as threatened by Trump, as this will hurt US consumers more than the first two tranches. This is because the first tranche, the US\$50bn in imports subjected to 25% tariffs in August 2018, affected mainly intermediate and capital goods and no consumer goods. The second US\$200bn tranche on which 25% tariffs were levied starting May is about a quarter durable consumption goods such as modems and routers, air conditioners and refrigerators. The rest is roughly 50% consumer

products that will affect routine consumer purchases, such as clothing, mobile phones and toys, with producers likely to pass the higher cost on to the consumer.

On the Chinese side, the recent contraction in China's exports to the US (around 13% YoY) is due mainly to a 31% YoY drop in exports in the first tranche of US\$50bn in Chinese exports to the US (25% tariff). The other two tranches, amounting to 90% of total exports, have fallen far less. The bump up in tariffs will lead to a greater contraction of overall exports and hurt the Chinese economy more than can be made up for in the CNY6.3tn government stimulus.

**Figure 4: China export growth (% YoY) and US imports from China (USD)**



Source: Bloomberg, The Economist, SCBS Investment Research

### Will the Fed cut rates this year?

In our base case, in which US does not increase tariffs on US\$300bn of imports from China to 25% in July, we expect the US economy to extend its current growth and inflation trajectory, which makes a rate cut unnecessary. However, if the US does go on with the increase in tariff, we expect significant deterioration in the economy and markets, making it necessary for the Fed to accommodate by cutting its Fed funds rate by 50 bps. The market, however, sees things differently. According to Bloomberg data on June 12, the market believes that there is a 97.8% probability of at least a 25bps Fed funds rate cut before the end of the year, with a 78.3% chance of a rate cut in July.

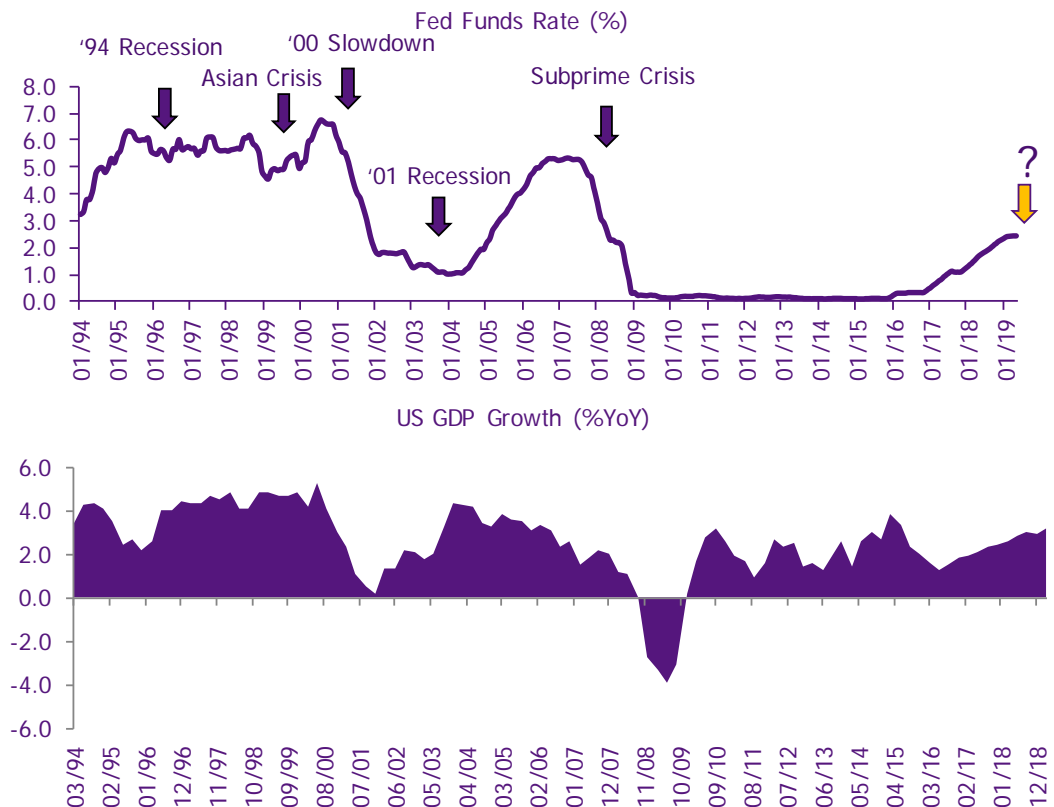
The reason we believe differently from the market is that we believe that the Fed will cut its rate only if the trade war gets worse, while the market is focusing solely on the rate cut. To analyze the rationale for a rate cut in the economic sense, we did some research on 25 years of US key economic indicators prior to the first rate cut in a particular cycle.

**Figure 5: Dashboard for the 1st Fed funds rate (FFR) cut, FFR and US GDP Growth**

Indicators	Dashboard for the first FFR cut					
	3M95	9M98	11M00	11M02	8M07	Current
FFR Peak	6.50	6.00	6.50	1.75	5.25	2.50
FFR Trough	5.00	4.00	1.00	1.00	0.25	N/A
Core PCE	2.7	1.3	1.9	1.7	2.0	1.6
CPI	2.8	1.6	3.4	1.1	2.3	1.9
Non-farm payroll*	211	213	205	-11	-23	75
Unemployment Rate	5.4	4.6	3.9	5.9	6.1	3.6
Retail Sale	4.5	3.6	2.2	-1.7	3.0	3.1
Core K goods	13.4	-0.8	0.1	-4.8	3.9	2.4
GDP	3.6	4.1	3.0	2.2	1.8	3.1

Unit: %YoY (except NFP: ,000)

Note: Green = Strong (No need to cut)



Source: Bloomberg, CEIC, SCBS Investment Research

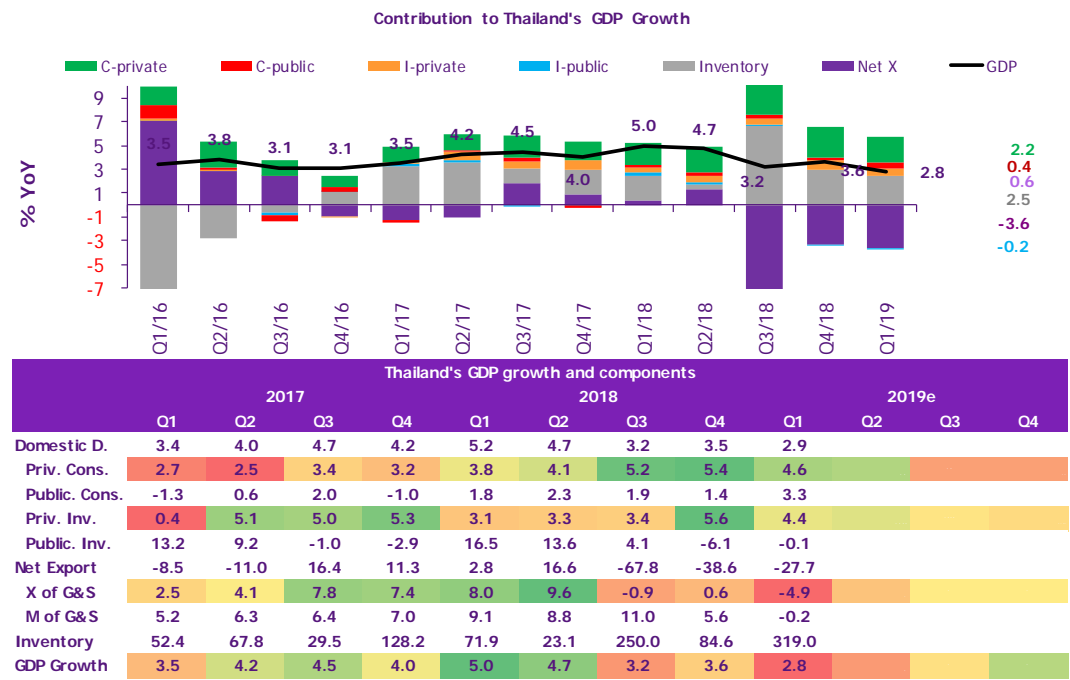
We find that the economic status is fair compared to the last five times the Fed began its step down in rates. Although inflation indicators (Core PCE and Consumer Price Index or CPI) and the job market (Non-farm payroll) are fairly weak right now, economic growth indicators (retail sales, core capital goods orders and GDP growth) are relatively healthy. Moreover, with the unemployment rate at 3.6%, the lowest in half a century, it is difficult to argue for a rate cut.

At the same time, although the current US economic condition does not support a rate cut, there is also a rationale for the Fed to cut rates. For example, in November 2000, the economy was still in good shape but the Fed made a preemptive cut, sensing turbulence in the capital market – which helped the economy avoid a hard landing in 2001. Likewise, although there is no economic reason to cut in the current condition, the Fed may decide to cut rate based on a preemptive assumption. That being said, we do not expect this to be the case this time since the economy is quite healthy now.

### What is the downside risk to the Thai economy?

To assess the downside risk, we first analyze the current economic condition. In the first quarter, an economic slowdown became apparent, especially in external sectors, with real export of goods and services contracting 4.9% YoY, becoming the primary negative contributor (-3.6 percentage points) to the 2.8% GDP growth in 1Q19.

**Figure 6: Components and contribution to Thailand's GDP growth**

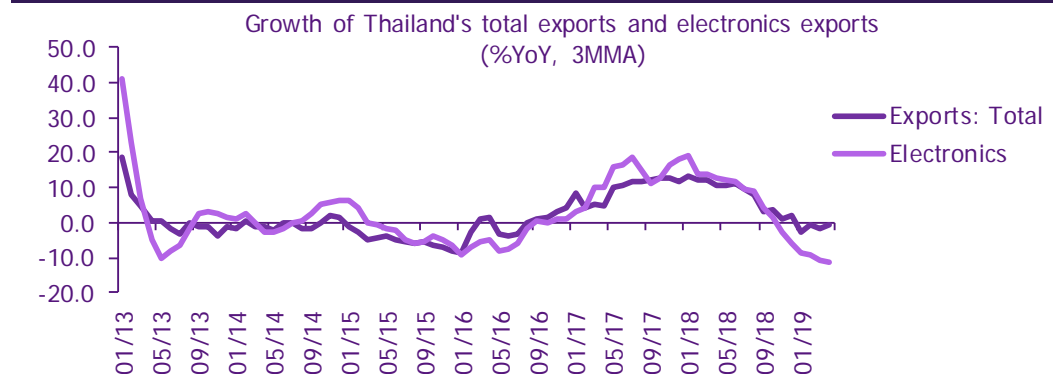


Source: CEIC, NESDB, SCBS Investment Research

The contraction in exports is due chiefly to two factors: the slowdown in the global economy and the trade war. In April, export value contracted 2.6% YoY, with the main contraction clustered in manufactured goods such as computers (-11% YoY), vehicles and parts (-4% YoY), steel (12.7% YoY), as well as agricultural products such as rubber (-32% YoY) and rice (-20% YoY). Some of these, for example computers, steel and auto parts, are on the list of Chinese exports that attracted taxes in the US, which likely led to their contraction and pulled Thai exports to China down 5.0%, shrinking 9.2% YoY in 1Q19.

We believe that as the trade war morphs into a tech war, the contraction in electronics exports will become deeper and subsequently pull total export - and economic - growth down. In the worst-case scenario, where the US imposes tariffs on the final US\$300bn in imports from China, we expect a further negative impact on the economy and a negative feedback loop on domestic consumption and investment, pulling Thailand's economic growth down to 3.0% this year.

**Figure 7: Growth of Thailand's total exports and electronics exports (% YoY, 3mths MA)**



Source: CEIC, NESDB, SCBS Investment Research

The other economic sector posing a threat to the economy is public investment. On May 28 the cabinet announced that the passage of the fiscal year 2020 (FY2020) budget will be delayed from Oct 1, 2019 to Jan 1, 2020, which will derail disbursement of the 2020 capital budget. That could adversely impact some new public investment projects, as the draft budget bill is expected to be debated by the lower house in September in its first reading with the second and third readings in December before it is forwarded to the senate for consideration.

We expect the delay to exert a negative impact on the economy in 4Q19, overwhelming an earlier positive development in which the fiscal and monetary policy committee (chaired by the prime minister) extended the public debt ceiling from 5% of the total budget (Bt150bn) to 8% (Bt240bn), with the main purpose being to expand the budget for the three-airport-high-speed rail link budget, which increased to Bt150bn from Bt100bn. In the worst-case scenario, we forecast a 3.0% growth in Thai GDP in 2019.

**Figure 8: FY2020 budgetary process**

Calendar M/Y	Process	Pass/ Delay
Sep 18	Cabinet approves draft FY2020 budget	Pass
Oct 18	Provincial authorities and local government submit their budgets to the budget bureau	Pass
Nov-Dec 18	Budget bureau prepared FY19 budget and strategy and submitted to cabinet for approval; Cabinet approved	Pass
Dec 18-Jan 19	Ministry of Finance, Bank of Thailand, NESDB and Budget Bureau set economic assumptions and draft budget to the cabinet for approval; Cabinet approved	Pass
Jan 19	Ministries prepare spending needs and submit their initial budget requests	Pass
Jan 19 – Apr 19	Budget bureau set aggregate budget ceilings established for individual ministries. Ministries submit second budget requests, in line with their ceilings.	Pass
May 19	Budget finalized and submitted to cabinet for approval. Cabinet approved.	Delay*
Jun 19	Budget introduced in the House by the Prime Minister. First reading on the budget.	Postpone to Sep 19**
Jul - Aug 19	House Committee on the Budget reviews the government's proposal. Second and third reading on the budget	Postpone to Dec 19**
Sep 19	Senate takes one up-or-down vote on the budget as a whole following a two-day debate. FY20 Budget approved by the parliament, submitted for His Majesty the King's signature	Postpone to Dec 19**
Oct 19	New fiscal year begins	Postpone to Jan 20**

\*Cabinet resolution May 1, 19:

\*\*Cabinet resolution on May 28, 2019 announced that the passage of the FY2020 budget will be delayed from Oct 1, 2019 to Jan 1, 2020; which will affect the disbursement of the FY2020 capital (investment) budget.

\*\*\*2019 Total budget expenditure is set to be Bt3tn, with a deficit of Bt450bn (approx. -3.0% of GDP); 79% is current expenditure (-6.2% YoY), 21% is capital expenditure (19.7% YoY).

Source: [www.cabinet.soc.go.th](http://www.cabinet.soc.go.th), SCBS Investment Research

**Figure 9: Thailand economic projection**

Component (% YoY)	2018	2019 Apr	2019 Jun (EIC*)	2019 Jun (SCBS**)
GDP	4.1	3.6	3.3	3.0
Priv Con	4.6	3.5	3.5	3.3
Priv Inv	3.9	3.8	3.5	3.1
Pub Con	1.8	2.8	2.8	2.8
Pub Inv	3.3	6.4	6.4	5.0
Export Value	7.2	2.7	0.6	-2.0
No. of Tourist	7.5 (39.7mn)	6.3 (40.7mn)	4.5 (40.0mn)	4.0 (39.8mn)
Import Value	14.3	3.2	0.7	-1.9
HL Inflation	1.1	0.9	0.9	0.8
USDTHB (avg.)	32.3	31.5	31.5	31.3

\*SCBS projection, based on EIC forecast

\*\*SCBS projection, based on trade war worst-case scenario

Source: NESDB, SCB EIC, SCBS Investment Research

Finally, we analyze the impact of the trade war on the economy and asset class performance. On the economy, we believe the US economy will be less affected by the trade war than China, since the US is less dependent on trade with China than China is on trade with the US. At the same time, the Thai economy is greatly affected by the trade war, since exports comprise the largest proportion of the economy (65% of GDP). Thus, the contraction in exports due to the trade war has a large effect on GDP.

On global stock markets, we believe there is room for markets to fall more in the base or worst case, but downside risk is limited since current valuations are relatively cheap. Markets in the US and China have room to contract 8-11%, while the Thai market will be more resilient, with downside risk of 4% from the current position.

On the interest rate, we believe the Fed funds rate will be kept at the current 2.25-2.50% through the rest of the year in the base case since the impact on the US economy in the moderate case is minimal. However, in the worst case, impact on the economy is larger due to a negative feedback loop from a global economic slowdown (especially in China), which would require the Fed to cut at least 50 bps to provide meaningful support to the economy.

With these assumptions, the impact on US treasury yield is as follows. In the best case, where a trade agreement between the two countries has been reached, yield for both the short-end (2 year) and long-end (10 year) will rebound to near the level of end-2018 (assuming a minimal decline in growth and inflation is subdued). In the base case, we believe the rate will rebound slightly, since we believe the current level prices in some chance of trade war escalation. In the worst case, the yield of both 2- and 10-year treasuries will plunge, as will the Fed funds rate.

Lastly, for commodity prices, we project a decline in the price of crude oil and gold in the base and worst cases. However, oil will fall more steeply, especially in the worst case, as a trade war reduces economic activity, which leads to lower demand for oil. In the severe case, we believe the price of gold, though down due to the dim prospects for the global economy, will still come up moderately due to its safe-haven status as well as increasing demand from several central banks.

**Figure 10: Equity market performance**

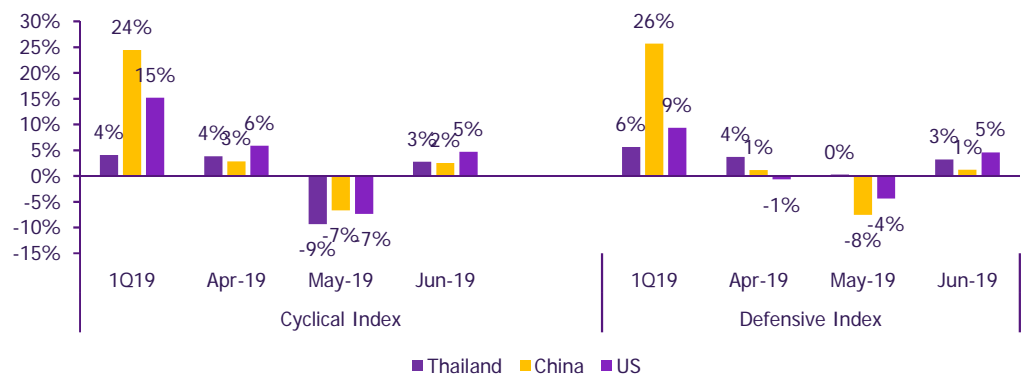
Macro/Market Variables	2018	Current (13 Jun 19)	2019		
			Best	Base	Worst
Probability	N/A	N/A	20%	50%	30%
Global GDP (%YoY)	3.6	N/A	3.3	3.2	3.0
US GDP (%YoY)	2.9	3.2	2.3	2.2	2.0
CN GDP (%YoY)	6.6	6.4	6.3	6.1	5.9
TH GDP (%YoY)	4.1	2.8	3.6	3.3	3.0
S&P's 500 eoy	2,507	2,880	3,000	2,640	2,400
CSI300 eoy	3,010	3,685	3,756	3,300	2,970
SET eoy	1,564	1,674	1,650	1,600	1,550
FFR (%)	2.38	2.38	2.38	2.38	1.88
US10YY (%) eoy	2.77	2.11	2.73	2.4	2.0
US2YY (%) eoy	2.63	1.86	2.53	2.2	1.9
2-10 (%) eoy	0.14	0.25	0.2	0.2	0.1
Brent avg. (US\$/bl.)	71.8	59.91	70	65	55
Gold avg. (US\$/Oz.)	1,268	1,340	1,351	1,298	1,250

Source: SCBS Investment Research

### Cyclicals underperform in 2Q19 due to unexpected trade tension

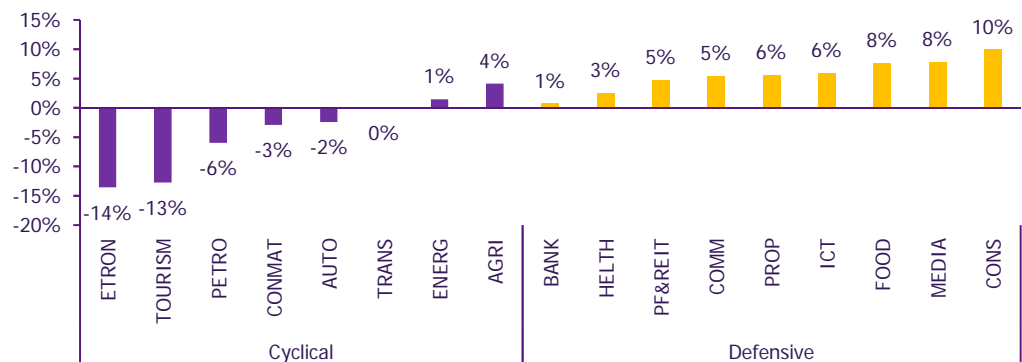
The unexpected disruption of trade negotiations between the US and China in early May 2019 led to an oil price collapse and fears of a technology war. Thailand's cyclical index (excludes Financials) fell 9% in May 2019, aligned with China (-7%) and US (-7%) stock markets. In contrast, defensives are performing well in May-Jun 2019 because domestic economic activity remains strong. Investors are changing their risk appetite toward defensive sectors amidst the ambiguity of trade tension. Thus, Petrochemicals & Chemicals (-6%), Electronic Components (-14%), Tourism (-13%) and Automotive (-2%) were also exceptionally weak thus far in 2Q19 (as of June 12), while the typical domestic and dividend yield plays escaped with gains: Commerce (+5%), Healthcare (+3%), Property (+6%), Construction (+10%), ICT (+6%) and Property Fund and REIT (+5%).

**Figure 11: Defensives outperform cyclicals in 2Q19**



Source: CEIC, Bloomberg, SCBS Investment Research

**Figure 12: Sector price performance (Apr 1 - Jun 12, 2019)**



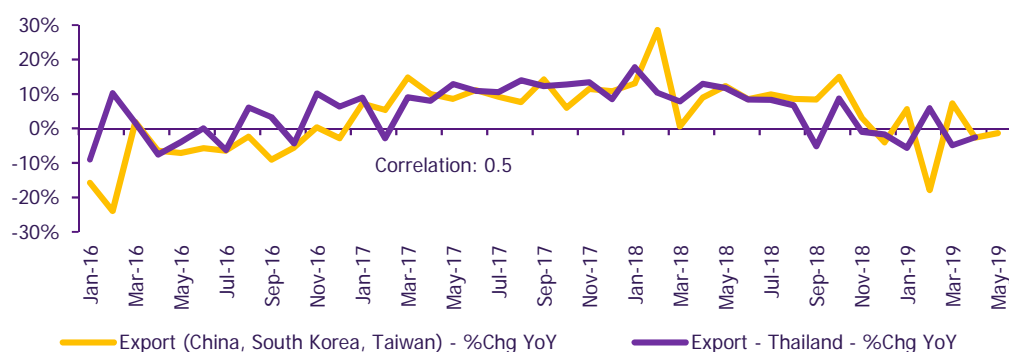
Source: Stock Exchange of Thailand, SCBS Investment Research

### Weak exports and delayed public investment could pressure GDP in 2H19

Korea's exports fell 9.4% YoY in May and Taiwan's declined 4.8%, 3% below expectations on average, while China reported high-than-expected export growth of 1.1% due to the yuan's sharp depreciation and front-loading. Imports for the three countries fell 7% YoY in May 2019, all indicating that global demand remains weak. This makes the outlook for Thai exports more challenging, especially as trade tension mounts. We now feel the export forecasts by the Ministry of Finance (3.4%) and Bank of Thailand (3.1%) are too optimistic off last year's high base that brings downside risk to GDP projections. Based on our calculations, to reach target, export value needs to reach US\$22.4-US\$22.5bn per month, implying US\$22.8bn monthly (a near record) and 7% higher than the 4M19 average for the rest of the year. However, we believe the impact on the SET EPS is limited, as key vulnerable sectors such as electronics and automotive, nearly 25% of export value, contribute less than 2% of total profit. A further bump in the road is the delay in the annual budget for fiscal 2020 of an expected 3-4 months since this requires the budget of Bt3.2trn written by the previous government to be reviewed by the new coalition government. A delay of a few months could lead to a postponement of capital

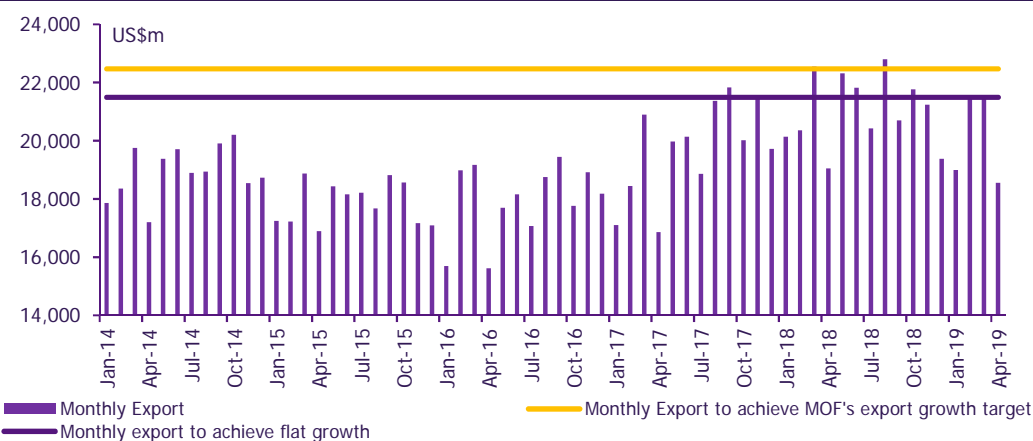
spending and adversely impact some new public investment projects in the short term. However, this means the government will speed up spending in 2020.

**Figure 13: High correlation between North Asia and Thailand's exports**



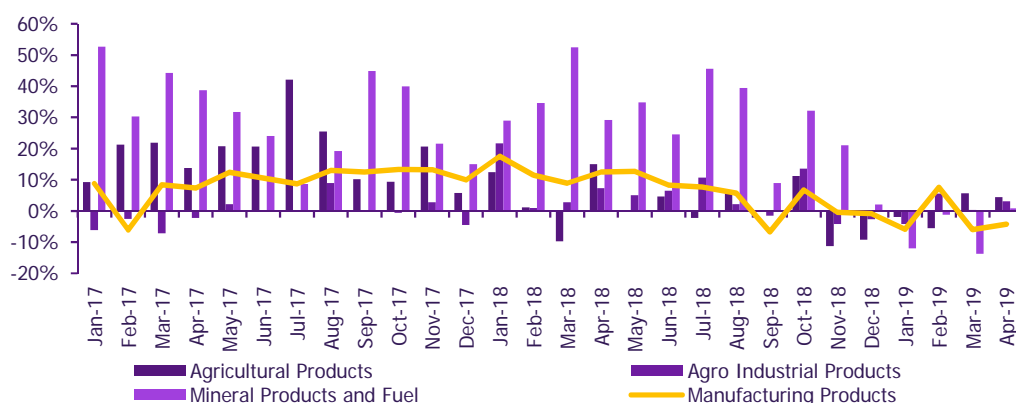
Source: Ministry of Commerce, CEIC

**Figure 14: Export growth to reach target quite challenging**



Source: SCBS Investment Research, Ministry of Commerce, Ministry of Finance

**Figure 15: Exports of manufactured products is weakening**



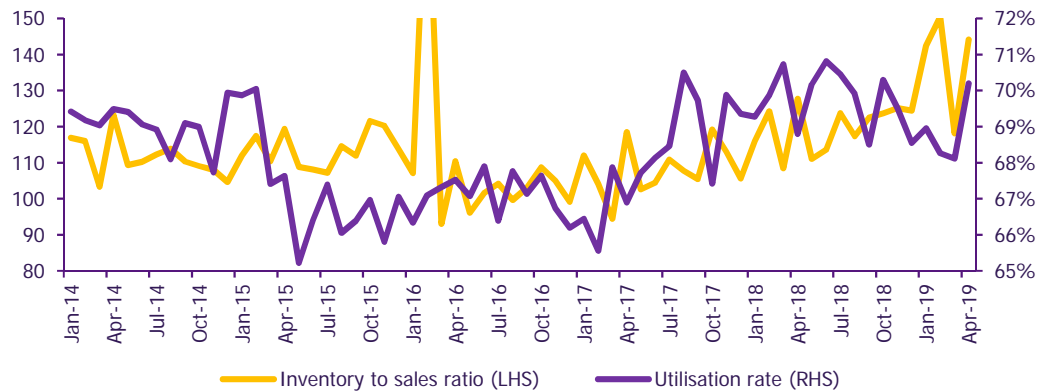
Source: Ministry of Commerce

### Stubbornly high inventories but weak demand

Thailand's inventory to sales ratio increased 13% YoY in Apr 2019. The small gain of 2% YoY in shipments was outpaced by the material rise in finished product inventories (+14% YoY), contributing to the rise in the ratio. Meanwhile, utilization rate rose to 70.2% in Apr 2019, the highest since Oct 2018, and stayed in the upper part of the five-year range. Thai companies are not prepared for the global economic slowdown and trade tension. With the plethora of external inventories, we firmly believe Thai companies need to work hard to achieve effective management of inventories. The overhang of rising inventories and the comparatively weak indicators for new orders suggest the slowdown could extend to late 2019 until inventory stock has been reduced to more comfortable levels. The slowdown in output growth is likely to weigh

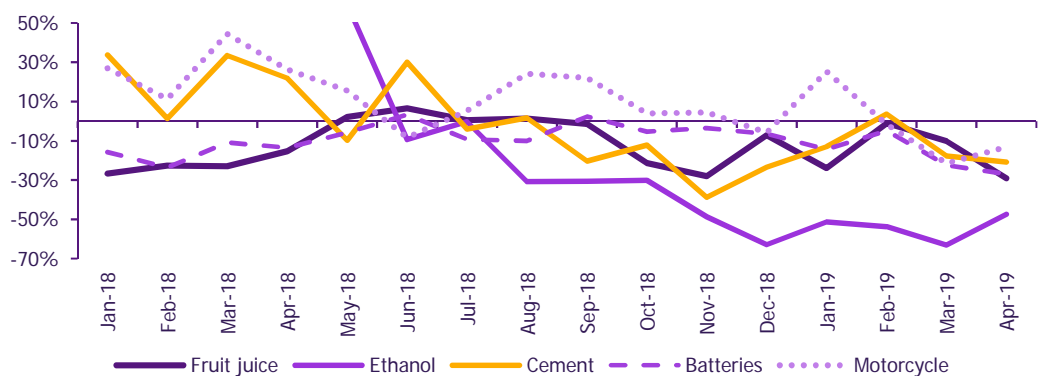
on GDP and EPS growth and bring downside risk to the market in the short-term. Sector-wise, food products (vegetable oil, sugar), beverages (ready to drink coffee, energy drinks), textiles and apparel, computers and electronic products are facing rising inventory to sales. On the other hand, ethanol, fruit juice, cement, batteries, motorcycle are seeing decreasing inventory and increasing sales.

**Figure 16: Inventory to sales ratio keeps expanding, as is utilization rate**



Source: CEIC, SCBS Investment Research

**Figure 17: Bright spot – Inventory decrease and sales increase**

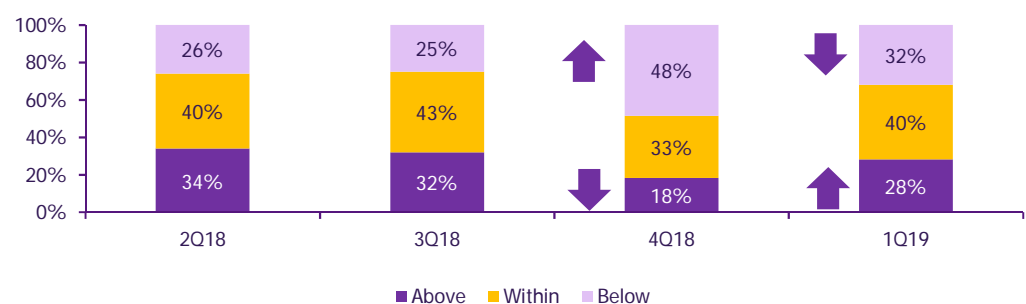


Source: CEIC, SCBS Investment Research

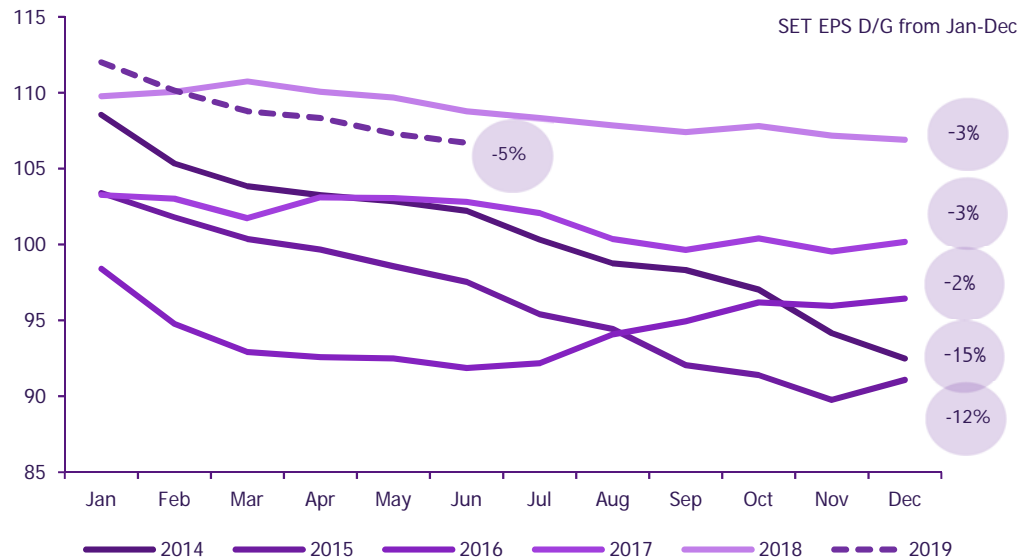
### Earnings revisions appear to have found a floor

As growth slowed, about 32% of companies under our coverage reported lower-than-expected net profit in 4Q18 (vs 48% in 4Q18) while 28% reported earnings beats (vs 18% in 4Q18). This led to earnings downgrades of 2% in 2QTD and 2.8% in 1Q19. We believe analysts are now taking a more cautious view on growth in 2019 in the presence of the weakening economic environment, thus there is low possibility of material earnings downgrades if trade tension eases in 2H19. Based on consensus estimates, we see some mismatch between industry outlook and earnings adjustment. We expect earnings downgrades in automotive and electronics as sector growth outlook is weakening. At the same time, we expect earnings upgrades in commerce, construction and healthcare sectors on an improved outlook and economic stimulus policies from the new government in 2H19.

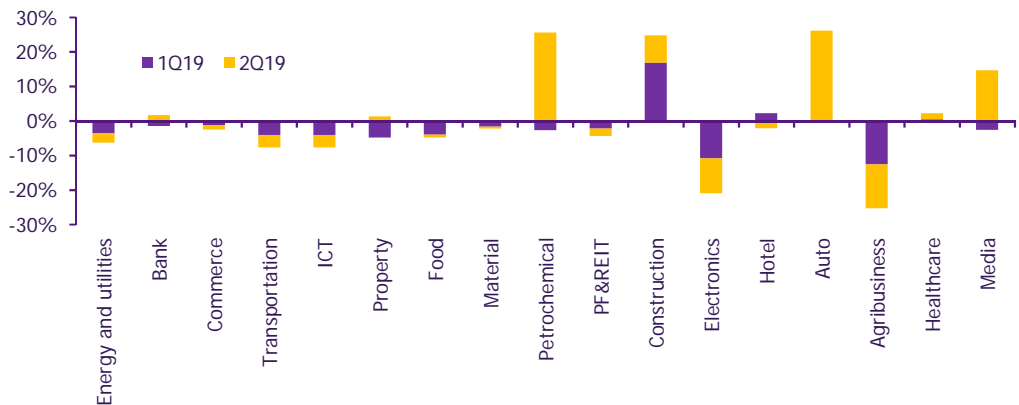
**Figure 18: 1Q19 earnings misses but improving from 4Q18**



Source: Stock Exchange of Thailand, SCBS Investment Research

**Figure 19: SET consensus earnings revision trend**

Source: Stock Exchange of Thailand, SCBS Investment Research

**Figure 20: Earnings revisions by sector**

Source: Bloomberg, Stock Exchange of Thailand, SCBS Investment Research

### Coalition government faces challenges

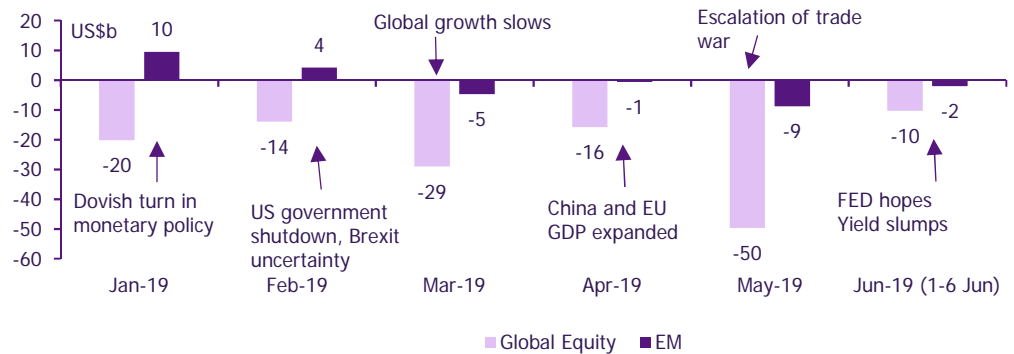
General Prayut Chan-o-cha returned as an elected prime minister after five years as a caretaker PM after the 2014 coup. The smoother the transition, the better for business via putting an end to political uncertainty in the immediate term. The very good chance that the economic policies from the prior government will continue, particularly the mega-projects, including the double-track rail (Bt52bn), port (Bt177bn), airport (Bt354bn), digital infrastructure and the Eastern Economic Corridor (EEC), delighted the stock market. Unfortunately, the coalition government is unstable, made up of 20 parties that each have their own agendas necessitating continuous negotiations and making finding consensus difficult in terms of administration and legislation. Some of the sticky topics included on some party platforms during the campaign include cannabis and a subsidy scheme for agricultural products. We believe the political risk is rising but it is too early to state with certainty that this government will be short-lived.

### Capital drawn in by Thailand's higher weighting in MSCI and elected government

QTD, the SET has outperformed Asia and the emerging market index by 7% and 5% respectively thanks to the improving political environment and steady domestic economic activities. Global equities have been experiencing money outflow for five consecutive months and looking at fund flow movement shows that Thailand faced a net ETF outflow during Dec 2018-May 2019. When politics settled down after Democrats decided to join the coalition being formed by the Palang Pracharat (pro-junta) party along with the re-balancing of the MSCI, foreign investors came back and now have a net buy of US\$1.08bn in Thai equities, US\$58m in Thailand ETF and US\$2.2bn in the bond market since May 28, suggesting their concerns on the political climate

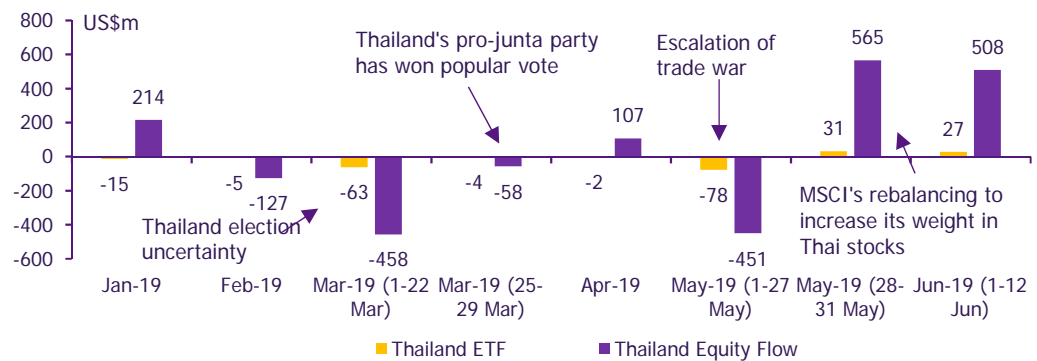
are eased and focus can now shift back to Thailand's relative stability with a large current account surplus and ample reserves and solid fundamentals.

**Figure 21: Global equities have been facing capital outflow**



Source: EPFR Global, SCBS Investment Research

**Figure 22: Thailand is like a fish in new water**

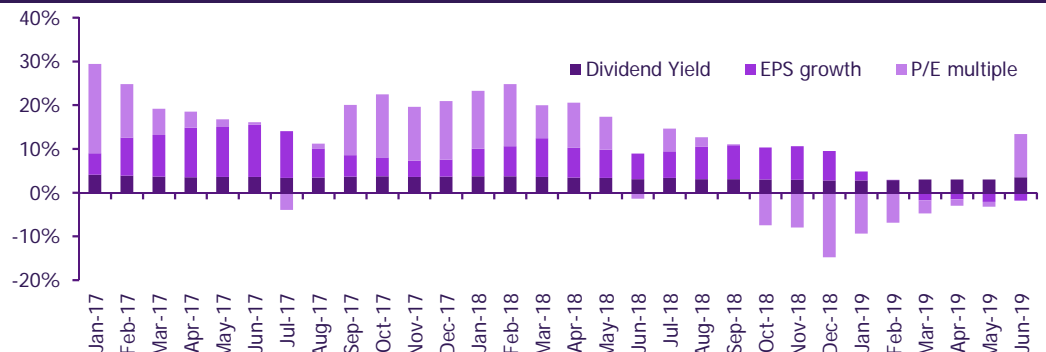


Source: Stock Exchange of Thailand, SCBS Investment Research

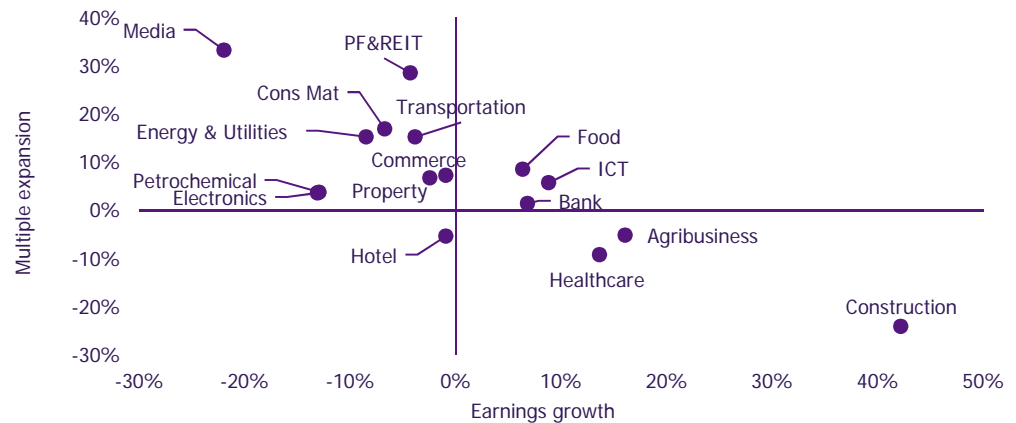
### Returns driven by sentiment rather than fundamentals

QTD, SET total return is up 3% - and is up 3.2% in June alone. The bulk of June's return has been driven by short-term sentiment and capital inflow rather than earnings, as earnings growth outlook remains sluggish. Sector-wise, a large proportion of the return in Media, Property Funds & REITs, Utilities, Materials and Transportation has come from valuation expansion, with Healthcare and Construction sectors facing de-rating. It is earnings growth, however that is supporting re-rating of Food, ICT and Bank sectors.

**Figure 23: Composition of returns**



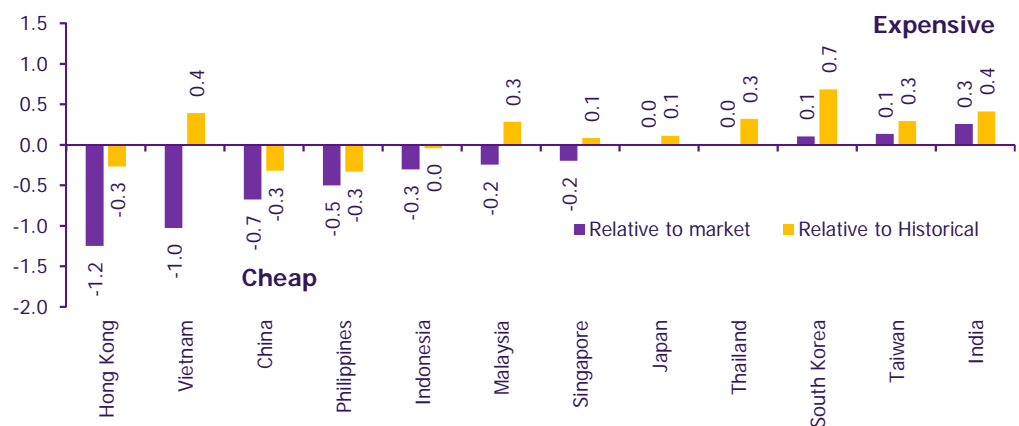
Source: SCBS Investment Research

**Figure 24: Composition of returns by sector**

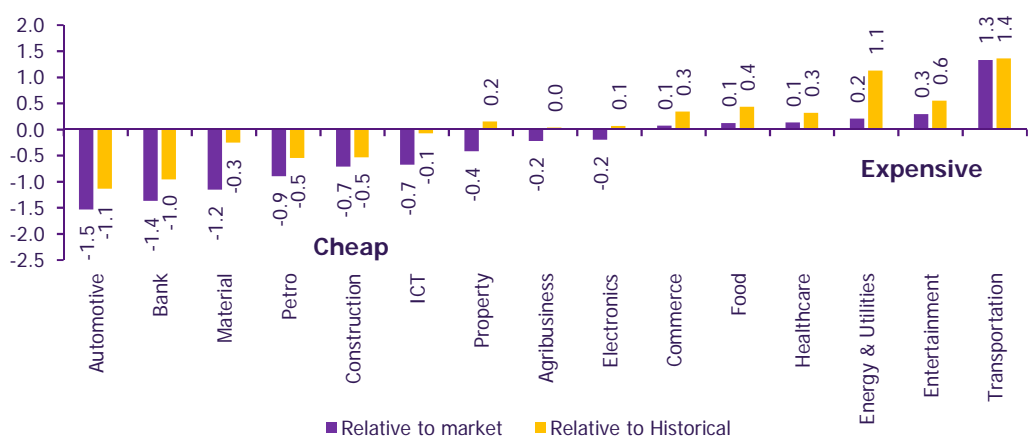
Source: SCBS Investment Research

**Valuation is fair**

According to our country valuation scorecard, which is based on relative PE, PB, dividend yield and EV/EBITDA to benchmark and long-term average, Thailand appears fairly valued at 15x PE, 1.8x PB and 10x EV/EBITDA on the Asia valuation scorecard relative to other markets, with slightly higher than long-term historical average. Sector-wise, Utilities, Entertainment and Transportation sectors look expensive relative to both benchmark and historical average. We expect to see short-term correction at and sector rotation from these sectors. Banking, Petrochemical and Materials appear relatively cheap, leading us to expect a short-term bounce.

**Figure 25: Valuation scorecard relative to benchmark and historical level**

Source: Bloomberg, SCBS Investment Research

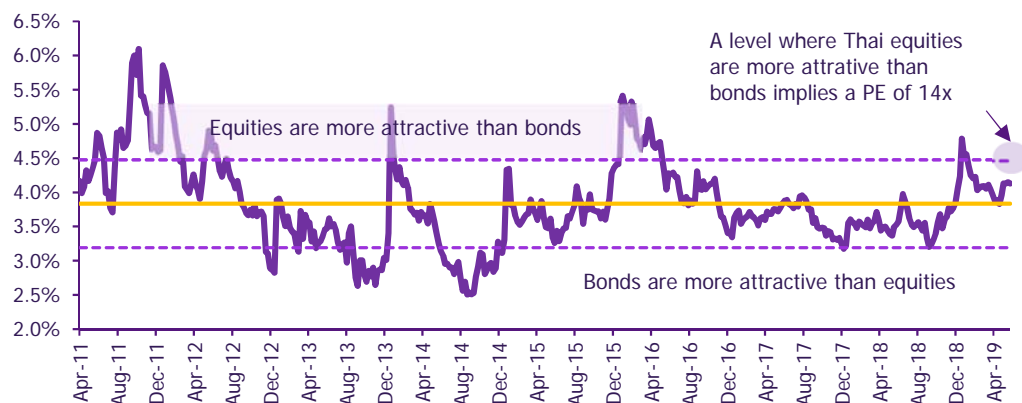
**Figure 26: Sector valuation scorecard relative to benchmark and historical level**

Source: Bloomberg, SCBS Investment Research

### Both downside and upside are limited; SET target range is 1,700-1,750

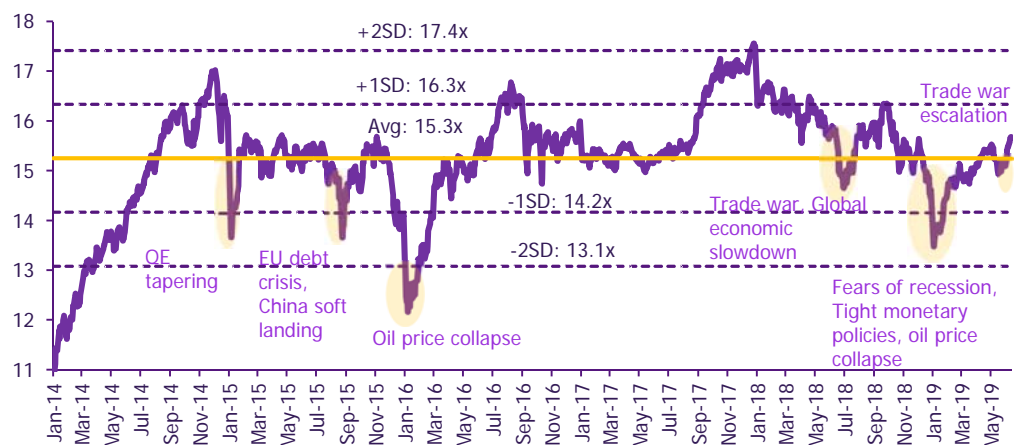
We recommend a wider margin of safety before buying Thai stocks amid the very high uncertainty surrounding the global economic slowdown and the chance of an unexpected heightening in the trade war. We do not expect the market to break down through earlier lows in Jul 2018 at 1,600 and Dec 2018 at 1,550 as the situation now is much better, thanks to expectation of economic stimulus by the new government and dovish turns in monetary policy at major central banks, suggesting limited downside for the SET. As the US-China trade war is not going to just go away, there are serious signs of further economic slowdown that do indicate downside risk for the Thai market. We expect to see a 5-7% correction if the US bumps up tariffs on US\$300bn of imported goods from China in 2H2019. Based on forward PE and the earnings yield gap, an attractive valuation level is at an earnings yield gap of 3.8% or implied PE of 14x. We believe the buying zone is around 1,600, while the selling zone is 1,750 or 5% from the current level.

**Figure 27: Thai equities are more attractive than bonds when earnings yield gap reaches 4.5%**



Source: SCBS Investment Research

**Figure 28: ...Forward PE at 1SD below average or 14x is a key entry point**



Source: SCBS Investment Research

### 3Q19 Thai equity market strategy: Hope for the best, prepare for the worst

We underestimated the recent intensification in the trade tension that dragged the cyclical index down to underperform the defensive index in 2Q19. We expect negotiations between the US and China to continue in 2H19 and this could pull down sentiment in the near term. As a full-out trade war could put the world into a recession, we believe China and US will in the end reach some agreement. It is too early to predict the outcome and we thus feel it is best to hope for the best – but prepare for the worst. With this in mind, our 3Q19 investment strategy focuses on: 1) domestic plays with supporting growth stories and 2) a petrochemical safe bet in the case of no intensification in the trade war. Our assessment leads us to expect Industrial Estate (AMATA, ROJNA), Healthcare (CHG), Bank (KTB) and IVL to outperform in 3Q19.

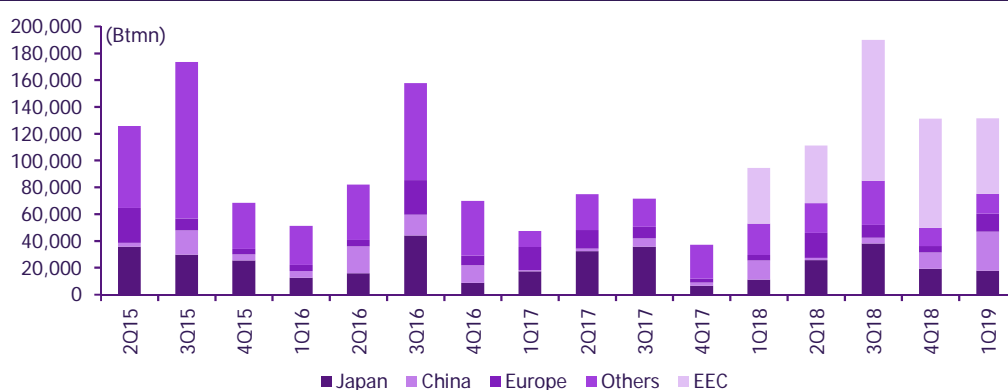
**Figure 29: Sector weighting**

	Rating	Drivers
Petrochemical	Overweight	Stable spread (+), Downgrade have done (+), Attractive valuations (+)
Healthcare	Overweight	Strong patient traffic growth (+), Flu outbreak (+), Falling valuation (+), Drug price regulation (-)
Industrial Estate	Overweight	Investment cycle (+), EEC (+), Land sales growth (+), Production relocation (+)
Agribusiness	Overweight	El Nino could support price (+), Domestic and export demand recovery (+)
Bank	Neutral	Loan growth continues (+), Concerning on NPL and fee income (-)
Energy & Utilities	Neutral	Energy - Oil price recovery, Cheap valuations; Utilities - Rich valuations, High visibility
Tourism	Neutral	Falling Chinese tourist (-), Visa-on-arrival expiry (-), Supply growth substantially (-)
Food & beverage	Neutral	Rising competition (-), Sugar tax (-), Weak export market (-)
Telecoms	Neutral	Cheap valuation (+), Competition (-), Spectrum auction (-)
Material	Neutral	Domestic demand growth momentum (+), THB appreciation (-)
Commerce	Neutral	Consumption recovery (+), Economic stimulus (+) High valuations (-)
Transportation	Neutral	Falling Chinese tourist (-), Visa-on-arrival expiry (-), Competition (-), Stable oil price (+)
Construction	Neutral	Political risk (-), Slow disbursement from government (-), Recognizing on existing projects (+)
Automotive	Underweight	High base last year (-), Weak export market (-), High inventory (-), Earning downgrade (-)
Electronics	Underweight	Weakening global demand (-), Rising copper and gold price (-), THB appreciation (-), Profit warnings (-)
Residential	Underweight	New Loan to Value regulation (-), High inventory (-), Fewer new launches (-), Weak China demand (-)

Source: SCBS Investment Research

**Sector highlights in 3Q19****Riding the investment cycle**

Thailand's FDI growth remained slow at 2% YoY in 2M19, compared with Vietnam that rose 8% in 5M2019. ASEAN was the top source of FDI growth in the period. Growth came from construction (+14% YoY) and accommodation & food service activities (+30% YoY). FDI growth is expected to grow in 2H19 given the 42% YoY growth in BOI applications approved in 1Q19, chiefly from Japan (+60% YoY), China (+104% YoY) and Europe (+218% YoY). Projects in EEC are driving investment growth in 2H19, with application approvals growing 36% YoY in 1Q19. Among EEC projects in 1Q19, the highest investor interest was seen in comprehensive healthcare (production of medical instruments and supplies), which surged 336% YoY, next-gen automotive (electric vehicles, safety components and transmission parts), which grew 130% YoY and food processing (health and fortified foods, low fat, low sugar, low energy foods), which rose 16% YoY. A further boost could come from relocations in 2H19-2020 from the fallout of the trade war. Based on Teikoku Data Bank research, some Japanese manufacturing companies in China such as Panasonic, Toshiba Machinery, Daikin Industry, Sharp and Fujitsu General are making trade war contingency plans to relocate their production facilities to Thailand, making Thailand one of the clear beneficiaries of production relocation from China in response to its superior supply chain and tax benefits, in our view. Among IE stocks, our top picks are ROJNA and AMATA.

**Figure 30: Chinese and Japanese investors dominate in Thailand, EEC is the driver**

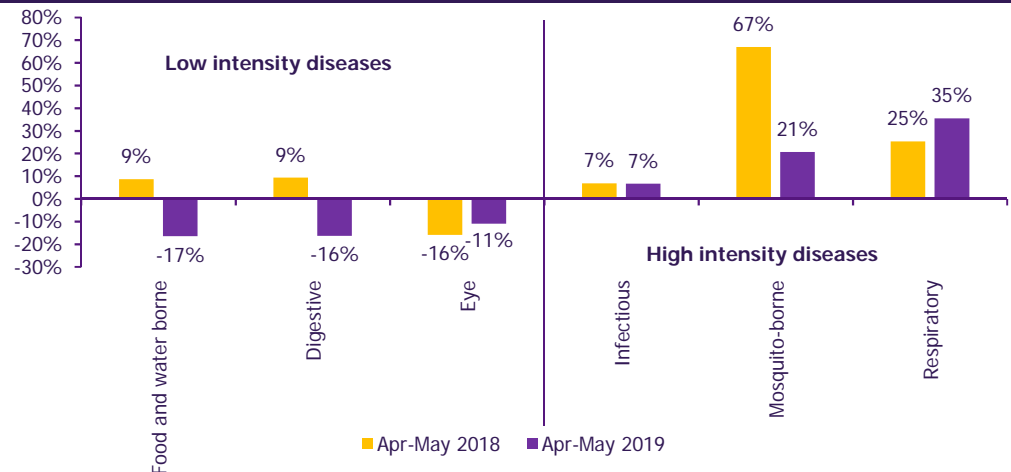
Source: Board of Investment, SCBS Investment Research

**High season for healthcare is approaching with earnings improvement in 2H19**

In Apr-May 2019, the number of high-intensity patients suffering from infectious, mosquito-borne, and respiratory diseases surged 7%, 21% and 35% YoY respectively, while digestive and food and water-borne diseases fell 16% YoY. Dengue fever (+17% YoY), influenza (+170%) and Chikungunya (+2,900%) led to high patient traffic in Apr-May 2019. Revenue growth and margin expansion in 2Q19 are expected to continue from 2Q18 but slip slightly QoQ on seasonality. High season for hospitals is in 3Q19, with heavy rains predicted in August and September, generally causing more illness and thus more patient traffic. However, earnings growth is expected to soften in 2Q19 due to extra staff expense to comply with the revised labor law and

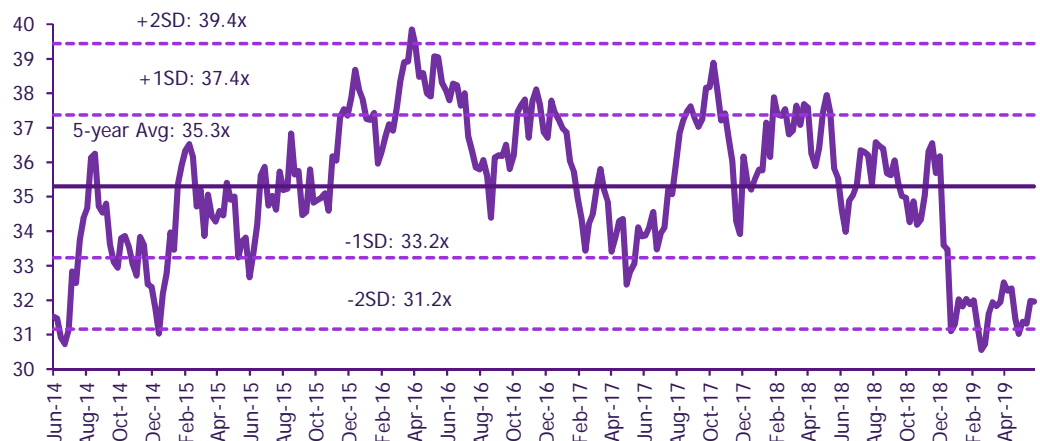
possible provisions for the social security scheme, though operational performances will remain robust. Looking forward, we expect earnings improvement and steady earnings momentum in 2H19. Valuation-wise, the sector is trading at a PE of 32x, below its 5-year average of 35x. Thai Healthcare Services sector is trading at a discount of 8% of 2020 PE to regional peers, making valuation attractive after a strong 1Q19. Our top picks in healthcare are CHG and BCH.

**Figure 31: Rising high-intensity illnesses in Apr-May2019**



Source: Ministry of Public Health, SCBS Investment Research

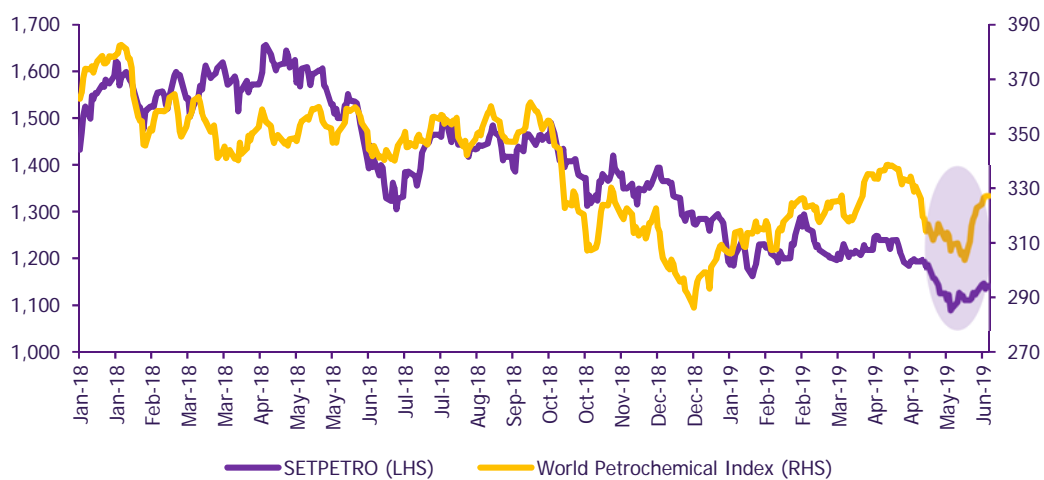
**Figure 32: Valuation looks attractive**



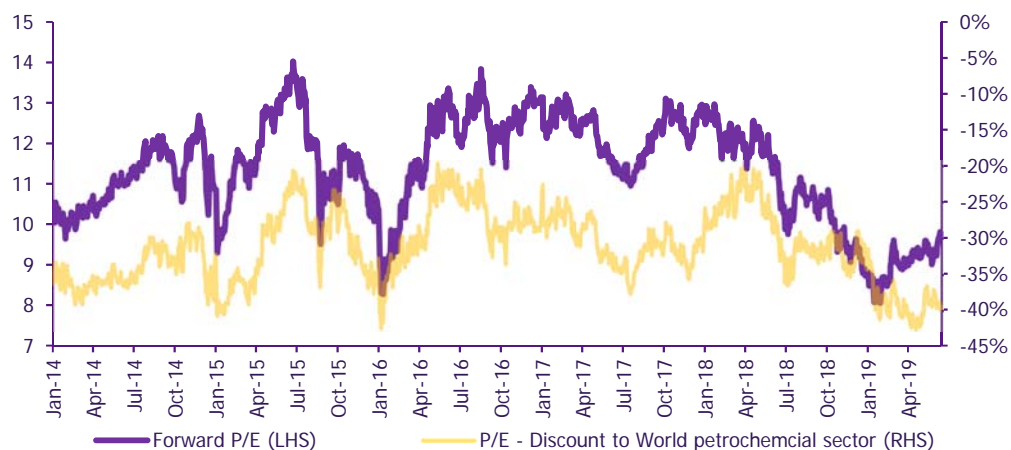
Source: Bloomberg, SET, SCBS Investment Research

### Tactical bounce for Petrochemical, choose IVL as a safe bet

The SET Petrochemical index continued to underperform in 2Q19TD (12 June), down 7% from end-1Q19 due to the ongoing US-China trade dispute and weak outlook from weaker product spread. Soft petrochemical spreads appear partially priced in and valuation of 9.2x 2019 PE and 7.2x EV/EBITDA is undemanding, PE of SETPETRO stands at a high discount to the global petrochemical index at 40% (deepest was 43%). Our top pick is IVL. We believe the weak 1Q19 will be this year's worst and expect to see recovery over the remainder of the year. IVL is a safe bet in the petrochemical sector as IVL will be the least affected by the current trade war.

**Figure 33: SETPETRO and global petrochemical index**

Source: Bloomberg, SCBS Investment Research

**Figure 34: Valuation is undemanding**

Source: CEIC, SET, SCBS Investment Research



## Best industrial estate play

**AMATA is a pure IE player, with the largest land bank of 9,866 rai entirely in EEC. The strong demand is allowing it to raise selling price, lifting sales value of its land bank by 30% to Bt92bn, providing 15% upside to our valuation. Its large backlog of Bt4.3bn nicely cushions our 2019F. Increased activity overall leads us to believe our 17% land sales growth forecast is reachable, which will secure 2020 growth. It plans to raise recurring income to reduce earnings cyclicality from 40% to 50% of EBIT through several partnerships. It is cheap, providing attractive TTR of 39%. BUY.**

**Largest appreciated land bank in EEC.** AMATA is a pure industrial estate player with the largest land bank of all players: 9,866 rai, entirely in EEC versus 7,644 rai for WHA and 6,143 rai for ROJNA. Of this, 6,000 rai in Amata City Chonburi recently got the okay for a zoning change to industrial from agriculture, lifting market concern. We estimate an increase of 30% in sales value of its land bank to Bt92bn, 15% upside to our projection, after it raises list price to Bt11.0mn/rai from Bt8.5mn/rai for Amata City Chonburi and to Bt4.5mn/rai from Bt3.5mn/rai for Amata City Rayong.

**Large backlog cushions 2019F.** AMATA has backlog (including backlog and letters of intent) of Bt4.3bn, comfortably above our 2019 revenue forecast of Bt2.9bn (+57% YoY), cushioning it nicely. We project this year's land sales at 988 rai (+17% YoY), which will secure income next year. It could achieve our forecast despite selling only 127 rai in 1Q19 or 13% of our 2019F, backed by 600-800 rai now under negotiation. AMATA says it is very active in marketing, which has led to visits by a number of potential Chinese and Taiwanese clients.

**Raising recurring income to reduce cyclicality.** AMATA plans to increase recurring income to reduce earnings cyclicality to 80% of EBIT from 40% now. To achieve this, it has entered into partnerships with several leading companies and organizations: Hitachi group for smart factory service and Hitachi Lumada IoT center, City of Yokohama for a second Yokohama city in ASEAN, China's government and private sector for Nanjing smart city, BIG for gas supply for new industries in EEC and Nikko for a 250-room hotel in Amata City Chonburi (opening in 2021). Future JVs will be in solar rooftop, manufacturing, fiberoptic network, aerospace city, community (residential, shopping mall), education, and smart cities for China, Taiwan and Korea, among others. It will handle its equity investment in the JVs by supplying land, which means it will need little cash.

**Better 2Q19.** We look for higher profit QoQ in 2Q19 from: 1) expected higher deed transfers and improved gross margin (no repeat of the land buy-back and resale); 2) improved Vietnam operations on backlog transfer and RBF sales; and 3) recovery in power contribution.

### Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	4,491	4,354	5,466	6,656	7,486
EBITDA	(Btmn)	2,028	1,748	2,335	2,917	3,316
Core profit	(Btmn)	1,549	1,250	1,808	2,223	2,547
Reported profit	(Btmn)	1,409	1,018	1,808	2,223	2,547
Core EPS	(Bt)	1.45	1.17	1.69	2.08	2.39
DPS	(Bt)	0.53	0.40	0.68	0.84	0.96
P/E, core	(x)	16.2	20.1	13.9	11.3	9.8
EPS growth, core	(%)	10.4	(19.3)	44.7	22.9	14.5
P/BV, core	(x)	2.0	1.9	1.7	1.6	1.4
ROE	(%)	10.6	8.2	11.1	12.6	13.2
Dividend yield	(%)	2.3	1.7	2.9	3.6	4.1
FCF yield	(%)	(6.5)	(4.6)	0.6	1.5	4.2
EV/EBIT	(x)	18.4	24.1	25.4	20.4	16.8
EBIT growth, core	(%)	(5.3)	(16.3)	39.8	27.0	15.5
EV/CE	(x)	1.7	1.6	1.2	1.2	1.1
ROCE	(%)	6.7	4.3	3.6	4.5	5.1
EV/EBITDA	(x)	15.6	19.7	21.8	17.8	14.9
EBITDA growth	(%)	(5.0)	(13.8)	33.6	25.0	13.7

Source: SCBS Investment Research

See the end of this report for disclaimer

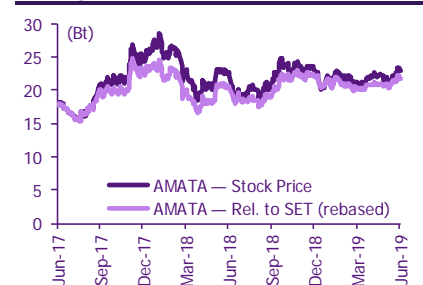
## BUY

### Stock data

Last close (Jun 14) (Bt)	23.50
12-m target price (Bt)	32.00
Upside (Downside) to TP (%)	36.17
Mkt cap (Btbn)	25.07
Mkt cap (US\$mn)	805

Risk rating	H
Mkt cap (%) SET	0.15
Sector % SET	6.52
Shares issued (mn)	1,067
Par value (Bt)	1.00
12-m high / low (Bt)	25.3 / 18.2
Avg. daily 6m (US\$mn)	10.05
Foreign limit / actual (%)	49 / 10
Free float (%)	80.4
Dividend policy (%)	≥ 40

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	7.8	11.9	6.3
Relative to SET	4.5	8.8	8.4

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price	(Bt)	32.00
12-month dividend	(Bt)	0.68
Capital gain	(%)	36.17
Dividend yield	(%)	2.91
Total return	(%)	39.08

Source: SET, SCBS Investment Research

### Analyst

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Fundamental Investment  
Analyst on Securities  
(66-2) 949-1020  
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**Financial statement****Profit and Loss Statement**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Total revenue	(Btmn)	7,406	5,170	4,484	4,491	4,354	5,466	6,656	7,486
Cost of goods sold	(Btmn)	3,567	2,824	2,070	2,078	2,101	2,616	3,200	3,569
<b>Gross profit</b>	<b>(Btmn)</b>	<b>3,838</b>	<b>2,346</b>	<b>2,414</b>	<b>2,413</b>	<b>2,253</b>	<b>2,850</b>	<b>3,456</b>	<b>3,917</b>
SG&A	(Btmn)	1,019	972	820	862	945	972	1,038	1,104
Other income	(Btmn)	224	211	214	161	125	125	125	125
Interest expense	(Btmn)	360	306	266	228	246	272	293	293
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>2,684</b>	<b>1,279</b>	<b>1,541</b>	<b>1,484</b>	<b>1,187</b>	<b>1,731</b>	<b>2,250</b>	<b>2,645</b>
Corporate tax	(Btmn)	350	240	304	283	320	327	425	499
Equity a/c profits	(Btmn)	226	153	325	676	691	756	764	774
Minority interests	(Btmn)	336	327	159	327	308	351	366	373
<b>Core profit</b>	<b>(Btmn)</b>	<b>2,224</b>	<b>865</b>	<b>1,403</b>	<b>1,549</b>	<b>1,250</b>	<b>1,808</b>	<b>2,223</b>	<b>2,547</b>
Extra-ordinary items	(Btmn)	0	351	(205)	(140)	(232)	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>2,224</b>	<b>1,216</b>	<b>1,198</b>	<b>1,409</b>	<b>1,018</b>	<b>1,808</b>	<b>2,223</b>	<b>2,547</b>
EBITDA	(Btmn)	3,395	1,892	2,135	2,028	1,748	2,335	2,917	3,316
<b>Core EPS</b>	<b>(Bt)</b>	<b>2.08</b>	<b>0.81</b>	<b>1.32</b>	<b>1.45</b>	<b>1.17</b>	<b>1.69</b>	<b>2.08</b>	<b>2.39</b>
Net EPS	(Bt)	2.08	1.14	1.12	1.32	0.95	1.69	2.08	2.39
DPS	(Bt)	0.70	0.46	0.45	0.53	0.40	0.68	0.84	0.96

**Balance Sheet**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Total current assets	(Btmn)	10,465	11,345	10,218	10,057	10,291	29,694	30,295	31,369
Total fixed assets	(Btmn)	11,672	14,106	16,378	19,223	22,731	23,719	24,521	25,396
<b>Total assets</b>	<b>(Btmn)</b>	<b>22,138</b>	<b>25,451</b>	<b>26,596</b>	<b>29,280</b>	<b>33,021</b>	<b>53,413</b>	<b>54,816</b>	<b>56,766</b>
Total loans	(Btmn)	7,209	6,743	6,650	8,971	11,456	28,032	28,032	25,732
Total current liabilities	(Btmn)	4,211	5,096	5,863	2,160	3,866	23,942	23,942	26,342
Total long-term liabilities	(Btmn)	5,710	6,855	6,493	12,148	13,586	12,504	12,413	10,314
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>9,922</b>	<b>11,951</b>	<b>12,356</b>	<b>14,308</b>	<b>17,452</b>	<b>36,446</b>	<b>36,356</b>	<b>36,657</b>
Paid-up capital	(Btmn)	1,067	1,067	1,067	1,067	1,067	1,067	1,067	1,067
<b>Total equity</b>	<b>(Btmn)</b>	<b>12,215</b>	<b>13,501</b>	<b>14,240</b>	<b>14,971</b>	<b>15,569</b>	<b>16,967</b>	<b>18,460</b>	<b>20,109</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>11.45</b>	<b>12.65</b>	<b>13.35</b>	<b>14.03</b>	<b>14.59</b>	<b>15.90</b>	<b>17.30</b>	<b>18.85</b>

**Cash Flow Statement**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Core Profit	(Btmn)	2,224	865	1,403	1,549	1,250	1,808	2,223	2,547
Depreciation and amortization	(Btmn)	352	308	327	316	315	332	374	378
Operating cash flow	(Btmn)	2,867	1,159	1,648	1,185	1,871	1,663	1,544	2,315
Investing cash flow	(Btmn)	(1,577)	2,292	(2,027)	(2,826)	(3,017)	(1,515)	(1,176)	(1,254)
Financing cash flow	(Btmn)	(1,378)	(1,460)	(921)	1,466	1,039	(40)	(1,230)	(997)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(88)</b>	<b>1,992</b>	<b>(1,300)</b>	<b>(174)</b>	<b>(106)</b>	<b>108</b>	<b>(862)</b>	<b>63</b>

**Key Financial Ratios**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Gross margin	(%)	51.8	45.4	53.8	53.7	51.7	52.1	51.9	52.3
Operating margin	(%)	38.1	26.6	35.6	34.5	30.0	34.4	36.3	37.6
EBITDA margin	(%)	45.8	36.6	47.6	45.2	40.1	42.7	43.8	44.3
EBIT margin	(%)	41.1	30.6	40.3	38.1	32.9	36.6	38.2	39.2
Net profit margin	(%)	30.0	23.5	26.7	31.4	23.4	33.1	33.4	34.0
ROE	(%)	19.9	6.7	10.1	10.6	8.2	11.1	12.6	13.2
ROA	(%)	10.0	3.6	5.4	5.5	4.0	4.2	4.1	4.6
Net gearing	(x)	0.8	0.9	0.9	1.0	1.1	2.1	2.0	1.8
Interest coverage	(x)	9.4	6.2	8.0	8.9	7.1	8.6	9.9	11.3
Debt service coverage	(x)	1.2	0.5	0.5	2.4	0.9	0.1	0.1	0.2
Payout Ratio	(%)	33.6	40.4	40.4	40.4	41.9	40.4	40.4	40.4

**Main Assumptions**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
IE land sales	(Rai)	378	617	638	430	848	988	1,137	1,279
IE land transfer	(Rai)	1,413	896	450	457	439	658	980	1,202
Revenue from IE	(Btmn)	5,348	3,069	2,187	2,084	1,836	2,879	3,988	4,736
Revenue from utilities	(Btmn)	1,359	1,431	1,707	1,789	1,837	1,892	1,949	2,007
Revenue from rental	(Btmn)	688	615	533	618	681	686	702	717
Gross margin IE	(%)	59.0	50.8	67.8	68.9	63.5	60.2	57.7	57.5
Gross margin utilities	(%)	16.3	20.2	30.4	31.2	33.3	33.3	33.3	33.3
Gross margin rent	(%)	65.3	72.0	66.6	67.7	69.7	69.7	69.7	69.7
Backlog	(Btmn)	1,900	1,300	2,000	1,910	3,610	n.a.	n.a.	n.a.

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

<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Total revenue	(Btmn)	1,021	1,514	1,182	1,127	890	864	1,473	1,044
Cost of goods sold	(Btmn)	553	609	522	486	493	411	710	591
<b>Gross profit</b>	<b>(Btmn)</b>	<b>468</b>	<b>904</b>	<b>660</b>	<b>640</b>	<b>397</b>	<b>453</b>	<b>763</b>	<b>454</b>
SG&A	(Btmn)	226	215	224	206	281	192	265	202
Other income	(Btmn)	68	34	41	64	65	37	-41	39
Interest expense	(Btmn)	53	55	64	54	55	66	70	78
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>256</b>	<b>668</b>	<b>412</b>	<b>444</b>	<b>125</b>	<b>232</b>	<b>386</b>	<b>213</b>
Corporate tax	(Btmn)	39	125	82	91	32	51	146	42
Equity a/c profits	(Btmn)	138	181	163	234	93	219	144	179
Minority interests	(Btmn)	77	100	137	93	90	38	87	38
<b>Core profit</b>	<b>(Btmn)</b>	<b>278</b>	<b>624</b>	<b>357</b>	<b>495</b>	<b>97</b>	<b>361</b>	<b>297</b>	<b>312</b>
Extra-ordinary items	(Btmn)	-22	-37	-41	-81	91	-60	-181	-35
<b>Net Profit</b>	<b>(Btmn)</b>	<b>256</b>	<b>587</b>	<b>316</b>	<b>413</b>	<b>188</b>	<b>301</b>	<b>116</b>	<b>277</b>
EBITDA	(Btmn)	388	805	554	573	260	375	540	371
<b>Core EPS</b>	<b>(Bt)</b>	<b>0.26</b>	<b>0.58</b>	<b>0.33</b>	<b>0.46</b>	<b>0.09</b>	<b>0.34</b>	<b>0.28</b>	<b>0.29</b>
Net EPS	(Bt)	0.24	0.55	0.30	0.39	0.18	0.28	0.11	0.26

**Balance Sheet**

<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Total current assets	(Btmn)	10,828	10,091	10,057	9,811	9,293	9,641	10,291	10,209
Total fixed assets	(Btmn)	15,848	17,829	19,223	19,945	20,955	21,979	22,731	23,013
<b>Total assets</b>	<b>(Btmn)</b>	<b>26,676</b>	<b>27,919</b>	<b>29,280</b>	<b>29,756</b>	<b>30,249</b>	<b>31,621</b>	<b>33,021</b>	<b>33,223</b>
Total Loans	(Btmn)	6,926	7,724	8,971	9,010	9,518	10,615	11,456	11,162
Total current liabilities	(Btmn)	4,189	4,194	2,160	2,586	2,936	3,046	3,866	3,884
Total long-term liabilities	(Btmn)	8,245	9,015	12,148	11,790	11,910	13,233	13,586	13,514
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>12,434</b>	<b>13,209</b>	<b>14,308</b>	<b>14,376</b>	<b>14,846</b>	<b>16,279</b>	<b>17,452</b>	<b>17,398</b>
Paid-up capital	(Btmn)	1,067	1,067	1,067	1,067	1,067	1,067	1,067	1,067
<b>Total equity</b>	<b>(Btmn)</b>	<b>14,242</b>	<b>14,710</b>	<b>14,971</b>	<b>15,380</b>	<b>15,402</b>	<b>15,342</b>	<b>15,569</b>	<b>15,825</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>13.35</b>	<b>13.79</b>	<b>14.03</b>	<b>14.41</b>	<b>14.43</b>	<b>14.38</b>	<b>14.59</b>	<b>14.83</b>

**Cash Flow Statement**

<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Core Profit	(Btmn)	278	624	357	495	97	361	297	312
Depreciation and amortization	(Btmn)	79	82	77	75	79	77	84	80
Operating cash flow	(Btmn)	139	809	191	306	348	365	853	256
Investing cash flow	(Btmn)	(508)	(617)	(1,482)	(529)	(283)	(1,443)	(761)	121
Financing cash flow	(Btmn)	361	472	1,194	(36)	(86)	893	268	(366)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(8)</b>	<b>664</b>	<b>(97)</b>	<b>(259)</b>	<b>(21)</b>	<b>(185)</b>	<b>360</b>	<b>11</b>

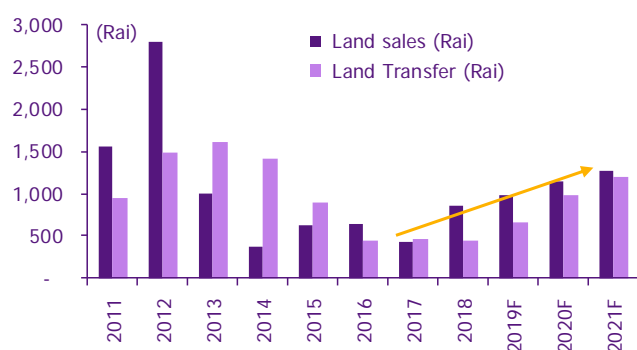
**Key Financial Ratios**

<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Gross margin	(%)	45.8	59.7	55.9	56.8	44.6	52.4	51.8	43.5
Operating margin	(%)	23.6	45.6	36.9	38.5	13.0	30.2	33.8	24.1
EBITDA margin	(%)	38.0	53.2	46.8	50.8	29.2	43.4	36.7	35.6
EBIT margin	(%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit margin	(%)	25.1	38.8	26.7	36.7	21.1	34.8	7.9	26.5
ROE	(%)	7.8	17.2	9.6	13.0	2.5	9.4	7.7	7.9
ROA	(%)	4.2	9.1	5.0	6.7	1.3	4.7	3.7	3.8
Net gearing	(x)	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6
Interest coverage	(x)	7.3	14.5	8.6	10.6	4.7	5.6	7.7	4.8
Debt service coverage	(x)	0.6	1.2	2.5	1.9	0.6	1.1	1.1	0.9

**Main Assumptions**

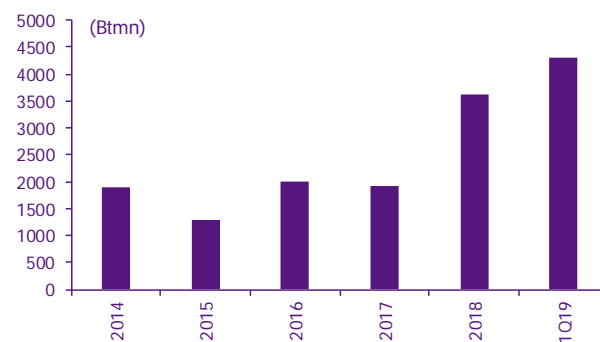
<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
IE land sales	(Rai)	113	154	100	28	131	60	629	127
IE land transfer	(Rai)	112	162	148	107	56	39	237	80
Revenue from IE	(Btmn)	430	897	564	525	277	215	818	392
Revenue from utilities	(Btmn)	440	459	458	436	449	479	474	471
Revenue from rental	(Btmn)	151	158	160	166	164	170	181	182
Gross margin IE	(%)	57.3	70.9	73.7	71.6	50.2	73.5	60.1	39.9
Gross margin utilities	(%)	27.4	35.3	28.9	33.7	32.1	36.9	30.5	33.3
Gross margin rent	(%)	66.7	67.2	70.1	70.7	69.2	69.5	69.7	74.8
Backlog	(Btmn)	2,070	1,960	1,910	1,520	1,850	1,960	3,610	3,700

Figure 1: Land sales versus transfers



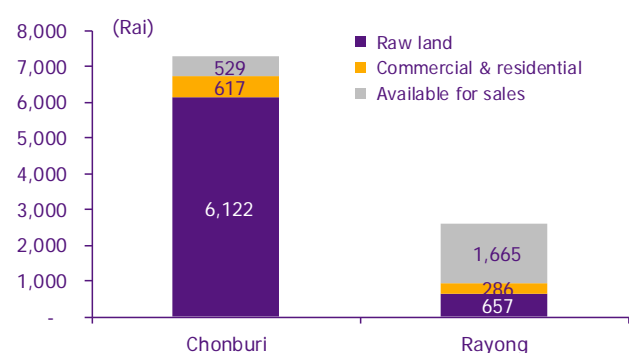
Source: AMATA, SCBS Investment Research

Figure 2: Backlog up



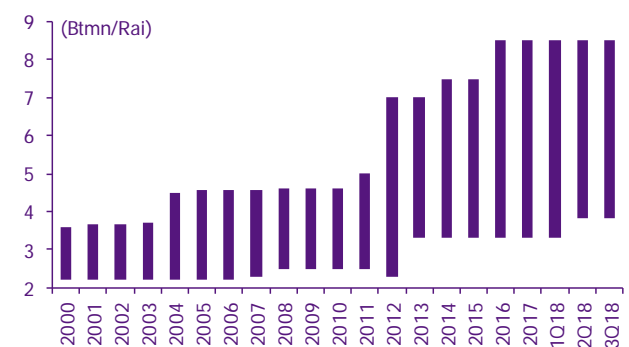
Source: AMATA

Figure 3: Land bank (sellable area)



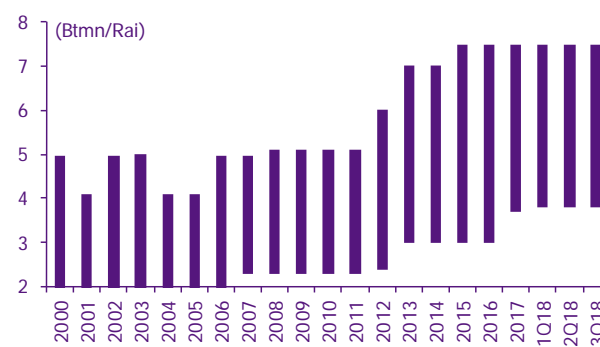
Source: AMATA, SCBS Investment Research

Figure 5: Asking price for industrial land in Chonburi rose 85% during 2011-3Q18



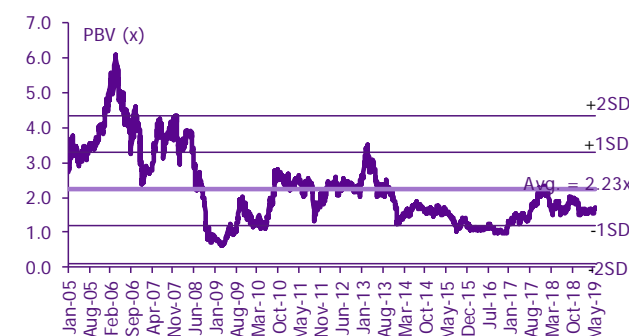
Source: CBRE

Figure 6: Asking price for industrial land in Rayong rose 65% during 2011-3Q18



Source: CBRE

Figure 7: PBV valuation



Source: Bloomberg, SCBS Investment Research

Figure 8: SOTP valuation

	Valuation method	Value (Btmn)	Value (Bt/share)
Thai industrial land	NAV	24,868	23.3
Utilities	12x PER	2,952	2.8
<b>Core EV</b>		<b>27,820</b>	<b>26.1</b>
Less: Net debt (adjusted)		(5,976)	(5.6)
<b>Net core EV</b>		<b>21,844</b>	<b>20.5</b>
Ready Built factories (RBF)	Appraised value	1,767	1.7
Power	DCF	6,096	5.7
AMATAV	DCF	3,959	3.7
AMATAR	Market value	349	0.3
ABPIF	Market value	147	0.1
<b>Net equity value</b>		<b>34,162</b>	<b>32.0</b>

Source: SCBS Investment Research



## Defensive industrial property play

**Among IE developers, ROJNA is a defensive stock with its recurring income contribution the highest at 66% of EBIT, indicating stable income and cashflow streams and underwriting a high dividend yield of 6.1%. It is prepared to capitalize on the solid growth outlook for IEs from the EEC boom, with its EEC portfolio up to 69% from 40%. With large hidden value of >Bt1.6bn (EPS Bt0.81) and good assets booked at cheap cost, the stock is unjustifiably trading at book value. BUY.**

**High recurring income cushion.** Among IE developers, ROJNA can be thought of as a defensive stock with a high 66% of its EBIT coming from recurring income. This is a cushion against earnings risk and provides stable income and cashflow that pave the way for it to pay a high dividend yield of 6.1%. This income comes from 216MWe of power, accounting for 45% of its EBIT, industrial water (10%) and dividends received from Frasers Logistics and Industrial Trust (FLT) and GULF (11%).

**Well-positioned to capitalize on a new investment cycle.** ROJNA has been actively accelerating land purchases in EEC (Nong Yai and Khao Mai Kaew in Rayong) raising its overall portfolio to 8,955 rai, with the EEC portion rising to 69% (from 40%). Of this, 757 rai in Nong Yai and 535 rai in Ayudhya are undergoing the EIA process and will be available for sale and generate income in a few years.

**Valuation upside from SPP.** Our sensitivity analysis suggests valuation upside of 10% to Bt9.5/share for the 109MWe SPP1. The 90MW PPA will expire in 2024 and ROJNA is unlikely to renew it. It will sell 30MW to industrial users who are currently not ROJNA clients, sell 20MW to the Tobacco Authority of Thailand, sited in ROJNA's IE, and keep 40MW for growing demand by existing customers.

**Large hidden value.** By our estimates, market value of some assets has risen >Bt1.6bn (EPS Bt0.81), 27% upside gain. This includes Bt1.2bn (EPS Bt0.61) for GULF, Bt223mn (EPS Bt0.11) for FLT, Bt175mn (EPS Bt0.09) for its 50% stake in Rachakarn Holding Co., Ltd. and the appreciation of the value of 2,446 rai, on which the lawsuit was dismissed, on Bangna-Trad km 19 under JV TRA (ROJNA holds 25%).

**Unjustifiably low valuation.** ROJNA is unjustifiably trading at 2019 book value, where landbank is booked at a cheap cost. There are signs that Ayudhya land price has appreciated and it is still in demand, especially for food and beverage industries. The average appraised value by the Treasury Department has been stable at Bt30,000/sqw for the past decade and, according to CBRE, IE land selling price has risen from Bt2-4mn/rai in 2013-2014 to Bt3-4mn/rai now. ROJNA's backlog in Ayudhya has increased to Bt507mn at end-2018 from Bt289mn at end-2017 and gross margin was a high 65% in 2018 and 62% in 1Q19. BUY.

### Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	10,866	11,706	13,158	13,961	14,878
EBITDA	(Btmn)	3,070	3,096	3,487	3,853	4,233
Core Profit	(Btmn)	276	315	691	958	1,255
Reported Profit	(Btmn)	1,313	671	691	958	1,255
Core EPS	(Bt)	0.14	0.16	0.34	0.47	0.62
DPS	(Bt)	0.30	0.60	0.34	0.47	0.62
P/E, core	(x)	41.4	36.2	16.5	11.9	9.1
EPS growth, core	(%)	(51.9)	14.3	119.3	38.6	31.0
P/BV, core	(x)	0.9	0.9	1.0	0.9	0.9
ROE	(%)	1.3	1.8	3.9	5.4	6.8
Dividend yield	(%)	5.3	10.6	6.1	8.4	11.0
FCF yield	(%)	2.4	22.1	12.8	17.8	23.7
EV/EBIT	(x)	18.5	18.6	15.4	12.8	10.6
EBIT growth, core	(%)	22.7	(4.8)	20.0	15.5	14.0
EV/CE	(x)	1.0	0.8	0.7	0.7	0.6
ROCE	(%)	4.2	3.9	4.0	4.8	5.6
EV/EBITDA	(x)	11.2	10.7	9.4	8.2	7.0
EBITDA growth	(%)	0.1	0.9	12.6	10.5	9.9

Source: SCBS Investment Research

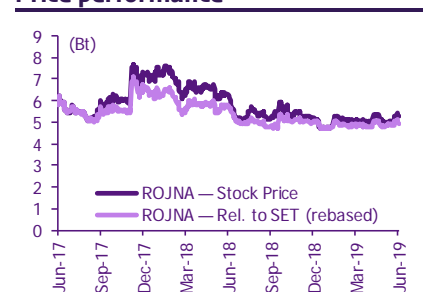
## BUY

### Stock data

Last close (Jun 14) (Bt)	5.65
12-m target price (Bt)	8.50
Upside (Downside) to TP (%)	50.44
Mkt cap (Btbn)	11.42
Mkt cap (US\$mn)	366

Risk rating	H
Mkt cap (%) SET	0.07
Sector % SET	6.52
Shares issued (mn)	2,020
Par value (Bt)	1.00
12-m high / low (Bt)	6.3 / 4.6
Avg. daily 6m (US\$mn)	0.24
Foreign limit / actual (%)	49 / 29
Free float (%)	35.3
Dividend policy (%)	≥ 50

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	14.4	11.9	(8.1)
Relative to SET	10.9	8.8	(6.3)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price (end-2018) (Bt)	8.50
12-month dividend (Bt)	0.34
Capital gain (%)	50.44
Dividend yield (%)	6.06
Total return (%)	56.50

Source: SET, SCBS Investment Research

### Analyst

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## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total revenue	(Btmn)	11,597	11,884	9,757	10,866	11,706	13,158	13,961	14,878
Cost of goods sold	(Btmn)	9,524	9,133	7,773	8,300	9,331	10,388	10,821	11,349
<b>Gross profit</b>	<b>(Btmn)</b>	<b>2,073</b>	<b>2,750</b>	<b>1,984</b>	<b>2,566</b>	<b>2,375</b>	<b>2,770</b>	<b>3,139</b>	<b>3,528</b>
SG&A	(Btmn)	543	602	462	699	598	637	676	720
Other income	(Btmn)	21	7	72	42	98	217	217	217
Interest expense	(Btmn)	932	1,075	1,000	1,074	1,100	1,151	1,213	1,244
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>619</b>	<b>1,080</b>	<b>594</b>	<b>835</b>	<b>776</b>	<b>1,199</b>	<b>1,467</b>	<b>1,781</b>
Corporate tax	(Btmn)	8	56	5	191	77	95	93	102
Equity a/c profits	(Btmn)	130	28	33	11	23	23	23	23
Minority interests	(Btmn)	(150)	(216)	(49)	(379)	(407)	(436)	(439)	(447)
<b>Core profit</b>	<b>(Btmn)</b>	<b>591</b>	<b>836</b>	<b>573</b>	<b>276</b>	<b>315</b>	<b>691</b>	<b>958</b>	<b>1,255</b>
Extra-ordinary items	(Btmn)	1,457	(139)	(291)	1,038	355	-	-	-
<b>Net Profit</b>	<b>(Btmn)</b>	<b>2,048</b>	<b>698</b>	<b>282</b>	<b>1,313</b>	<b>671</b>	<b>691</b>	<b>958</b>	<b>1,255</b>
EBITDA	(Btmn)	2,437	4,467	3,066	3,070	3,096	3,487	3,853	4,233
<b>Core EPS (Bt)</b>	<b>(Bt)</b>	<b>0.34</b>	<b>0.43</b>	<b>0.28</b>	<b>0.14</b>	<b>0.16</b>	<b>0.34</b>	<b>0.47</b>	<b>0.62</b>
Net EPS (Bt)	(Bt)	1.17	0.35	0.14	0.65	0.33	0.34	0.47	0.62
DPS (Bt)	(Bt)	0.02	0.45	0.10	0.30	0.60	0.34	0.47	0.62

### Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	7,325	12,290	52,571	12,235	12,733	13,204	13,854	14,023
Total fixed assets	(Btmn)	62,414	63,715	24,405	33,594	32,026	39,309	38,157	36,980
<b>Total assets</b>	<b>(Btmn)</b>	<b>69,739</b>	<b>76,005</b>	<b>76,976</b>	<b>45,829</b>	<b>44,760</b>	<b>52,512</b>	<b>52,011</b>	<b>51,003</b>
Total loans	(Btmn)	39,803	44,764	25,045	25,168	24,182	23,461	22,192	20,365
Total current liabilities	(Btmn)	13,514	16,173	34,716	7,722	8,869	19,673	21,393	22,491
Total long-term liabilities	(Btmn)	32,222	34,492	17,113	20,269	18,301	15,335	12,408	9,557
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>45,736</b>	<b>50,665</b>	<b>51,829</b>	<b>27,990</b>	<b>27,171</b>	<b>35,008</b>	<b>33,801</b>	<b>32,048</b>
Paid-up capital	(Btmn)	1,755	1,967	2,020	2,020	2,020	2,020	2,020	2,020
<b>Total equity</b>	<b>(Btmn)</b>	<b>24,002</b>	<b>25,340</b>	<b>25,147</b>	<b>17,839</b>	<b>17,589</b>	<b>17,504</b>	<b>18,210</b>	<b>18,954</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>6.09</b>	<b>6.04</b>	<b>5.91</b>	<b>6.46</b>	<b>6.19</b>	<b>5.94</b>	<b>6.07</b>	<b>6.21</b>

### Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	591	836	573	276	315	691	958	1,255
Depreciation and amortization	(Btmn)	907	2,318	1,545	1,203	1,319	1,354	1,390	1,425
Operating cash flow	(Btmn)	1,023	2,733	2,177	2,063	2,039	1,691	2,269	2,958
Investing cash flow	(Btmn)	(8,734)	(7,435)	(3,894)	(1,793)	481	(228)	(238)	(249)
Financing cash flow	(Btmn)	8,263	5,404	981	19	(2,330)	(1,933)	(1,960)	(2,785)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>552</b>	<b>702</b>	<b>(736)</b>	<b>289</b>	<b>190</b>	<b>(470)</b>	<b>70</b>	<b>(76)</b>

### Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	17.9	23.1	20.3	23.6	20.3	21.1	22.5	23.7
Operating margin	(%)	13.2	18.1	15.6	17.2	15.2	16.2	17.6	18.9
EBITDA margin	(%)	21.0	37.6	31.4	28.3	26.5	26.5	27.6	28.5
EBIT margin	(%)	13.4	18.1	16.3	17.6	16.0	17.9	19.2	20.3
Net profit margin	(%)	17.7	5.9	2.9	12.1	5.7	5.3	6.9	8.4
ROE	(%)	3.5	3.4	2.3	1.3	1.8	3.9	5.4	6.8
ROA	(%)	1.2	1.1	0.7	0.4	0.7	1.4	1.8	2.4
Net gearing	(x)	1.6	1.7	1.0	1.3	1.2	1.2	1.1	1.0
Interest coverage	(x)	2.6	4.2	3.1	2.9	2.8	3.0	3.2	3.4
Debt service coverage	(x)	0.2	0.3	0.3	0.5	0.4	0.4	0.3	0.3
Payout Ratio	(x)	1.7	126.9	71.7	46.2	180.8	100.0	100.0	100.0

### Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
IE land sales	(Rai)	723	280	210	390	300	450	560	657
IE transfer	(Rai)	2,397	817	405	66	258	443	656	869
IE backlog	(Rai)	922	336	288	473	n.a.	n.a.	n.a.	n.a.
Revenue from IE	(Btmn)	2,636	2,215	1,266	1,494	850	1,460	2,160	2,863
Revenue from electricity	(Btmn)	8,533	9,177	7,880	8,703	10,171	11,026	11,110	11,310
Revenue from services	(Btmn)	386	457	578	628	641	628	646	660
Gross margin IE	(%)	38.0	60.2	44.3	49.9	56.1	50.0	50.0	50.0
Gross margin electricity	(%)	12.4	15.4	17.2	18.9	17.0	17.0	17.0	17.0

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Total revenue	(Btmn)	2,180	2,631	4,037	2,744	2,770	3,002	3,189	3,251
Cost of goods sold	(Btmn)	1,789	2,112	2,775	2,091	2,244	2,407	2,589	2,562
<b>Gross profit</b>	<b>(Btmn)</b>	<b>391</b>	<b>520</b>	<b>1,262</b>	<b>653</b>	<b>527</b>	<b>595</b>	<b>601</b>	<b>689</b>
SG&A	(Btmn)	144	104	333	143	136	120	200	146
Other income	(Btmn)	10	9	13	23	27	16	32	30
Interest expense	(Btmn)	261	273	300	281	274	273	272	276
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>(4)</b>	<b>152</b>	<b>642</b>	<b>252</b>	<b>144</b>	<b>218</b>	<b>161</b>	<b>298</b>
Corporate tax	(Btmn)	0	-	191	11	(24)	55	35	56
Equity a/c profits	(Btmn)	(27)	(3)	(927)	47	6	3	(32)	(9)
Minority interests	(Btmn)	(64)	(137)	(96)	(156)	(80)	(127)	(43)	(87)
<b>Core profit</b>	<b>(Btmn)</b>	<b>(95)</b>	<b>12</b>	<b>(571)</b>	<b>132</b>	<b>95</b>	<b>39</b>	<b>50</b>	<b>145</b>
Extra-ordinary items	(Btmn)	22	-	1,009	21	(160)	296	199	267
<b>Net Profit</b>	<b>(Btmn)</b>	<b>(73)</b>	<b>12</b>	<b>438</b>	<b>(65)</b>	<b>335</b>	<b>249</b>	<b>412</b>	
EBITDA	(Btmn)	514	729	1,291	833	709	806	748	871
<b>Core EPS (Bt)</b>	<b>(Bt)</b>	<b>(0.05)</b>	<b>0.01</b>	<b>(0.28)</b>	<b>0.07</b>	<b>0.05</b>	<b>0.02</b>	<b>0.02</b>	<b>0.07</b>
Net EPS (Bt)	(Bt)	(0.04)	0.01	0.22	0.08	(0.03)	0.17	0.12	0.20

### Balance Sheet

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Total current assets	(Btmn)	10,639	11,682	12,235	20,463	18,719	16,126	12,733	14,114
Total fixed assets	(Btmn)	33,666	33,560	33,594	25,157	28,023	29,160	32,026	33,018
<b>Total assets</b>	<b>(Btmn)</b>	<b>44,305</b>	<b>45,242</b>	<b>45,829</b>	<b>45,620</b>	<b>46,742</b>	<b>45,287</b>	<b>44,760</b>	<b>47,132</b>
Total loans	(Btmn)	25,101	25,308	25,168	25,173	26,413	24,924	24,182	26,046
Total current liabilities	(Btmn)	8,831	8,550	7,722	8,264	10,160	9,081	8,869	8,101
Total long-term liabilities	(Btmn)	18,112	19,388	20,269	19,235	19,095	18,687	18,301	20,725
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>26,943</b>	<b>27,938</b>	<b>27,990</b>	<b>27,500</b>	<b>29,255</b>	<b>27,767</b>	<b>27,171</b>	<b>28,826</b>
Paid-up capital	(Btmn)	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020
<b>Total equity</b>	<b>(Btmn)</b>	<b>17,362</b>	<b>17,304</b>	<b>17,839</b>	<b>18,120</b>	<b>17,487</b>	<b>17,520</b>	<b>17,589</b>	<b>18,306</b>
<b>BVPS (Bt)</b>	<b>(Bt)</b>	<b>6.33</b>	<b>6.24</b>	<b>6.46</b>	<b>6.53</b>	<b>6.15</b>	<b>6.11</b>	<b>6.19</b>	<b>6.51</b>

### Cash Flow Statement

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Core Profit	(Btmn)	(95)	12	(571)	132	95	39	50	145
Depreciation and amortization	(Btmn)	267	313	361	323	318	330	347	327
Operating cash flow	(Btmn)	(70)	(1,805)	3,385	(197)	1,341	276	619	354
Investing cash flow	(Btmn)	(337)	(856)	(246)	(57)	(1,839)	2,460	(83)	(1,129)
Financing cash flow	(Btmn)	399	132	(264)	(22)	485	(1,899)	(894)	1,815
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>(8)</b>	<b>(2,529)</b>	<b>2,875</b>	<b>(276)</b>	<b>(13)</b>	<b>837</b>	<b>(359)</b>	<b>1,040</b>

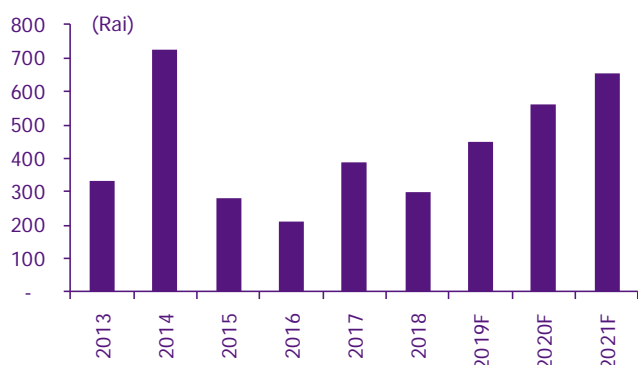
### Key Financial Ratios

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Gross margin	(%)	17.9	19.8	31.3	23.8	19.0	19.8	18.8	21.2
Operating margin	(%)	11.3	15.8	23.0	18.6	14.1	15.8	12.6	16.7
EBITDA margin	(%)	23.6	27.7	32.0	30.4	25.6	26.8	23.4	26.8
EBIT margin	(%)	11.3	15.8	23.0	18.6	14.1	15.8	12.6	16.7
Net profit margin	(%)	(3.4)	0.5	10.8	5.6	(2.4)	11.1	7.8	12.7
ROE	(%)	(2.2)	0.3	(13.0)	2.9	2.1	0.9	1.1	3.2
ROA	(%)	(0.9)	0.1	(5.0)	1.2	0.8	0.3	0.4	1.3
Net D/E	(x)	1.4	1.4	1.3	1.3	1.4	1.3	1.2	1.2
Interest coverage	(x)	2.0	2.7	4.3	3.0	2.6	2.9	2.8	3.2
Debt service coverage	(x)	0.2	0.4	0.8	0.4	0.3	0.4	0.4	0.5

### Main Assumptions

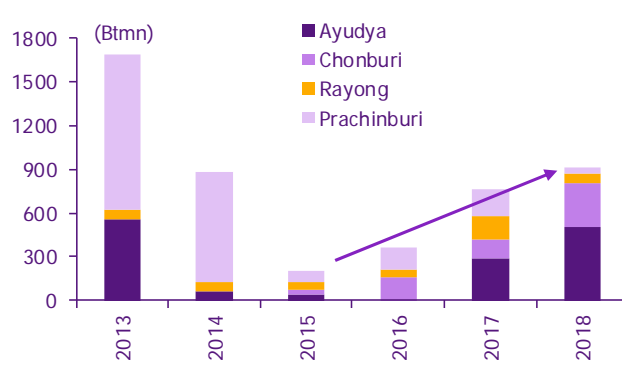
FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Revenue from IE	(Btmn)	-	-	1,481	158	141	151	400	402
Revenue from electricity	(Btmn)	2,012	2,468	2,375	2,418	2,461	2,675	2,615	2,669
Revenue from services	(Btmn)	152	153	177	157	157	164	163	169
Gross margin IE	(%)	n.a.	n.a.	50.1	66.5	44.8	54.6	56.6	61.4
Gross margin electricity	(%)	17.6	19.1	19.6	21.0	17.0	17.2	12.9	14.7
Gross margin services	(%)	23.4	30.0	29.9	24.1	26.4	30.2	20.8	28.4

**Figure 1: Growing land sales**



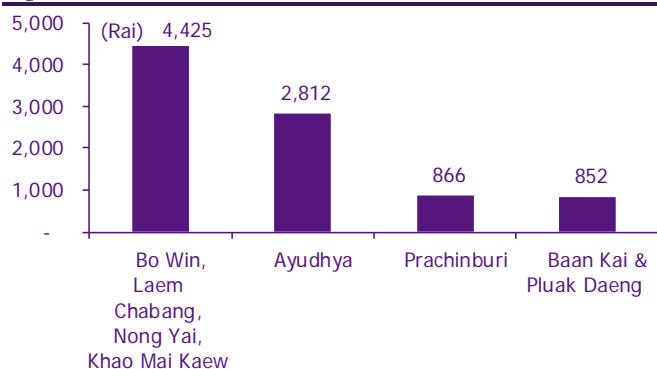
Source: ROJNA, CBRE, SCBS Investment Research

**Figure 2: Accelerating backlog**



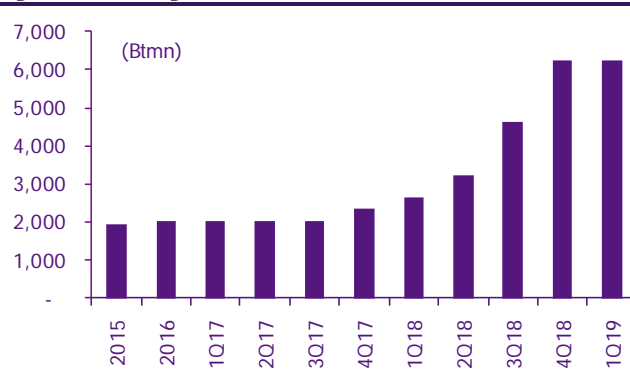
Source: ROJNA As of December 2018

**Figure 3: Land bank (8,955 rai)**



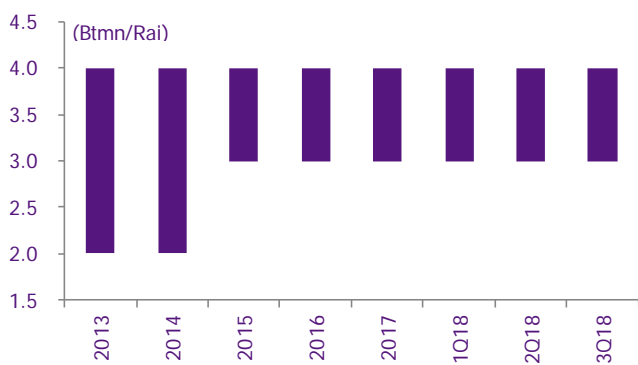
Source: ROJNA As of December 2018

**Figure 4: Rising land bank**



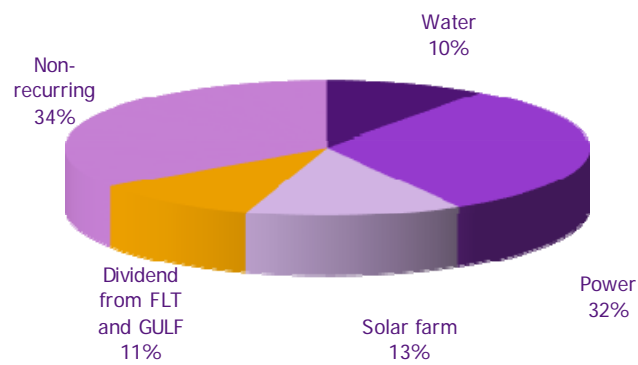
Source: ROJNA

**Figure 5: Asking price for industrial land in Ayudhya increased slightly**



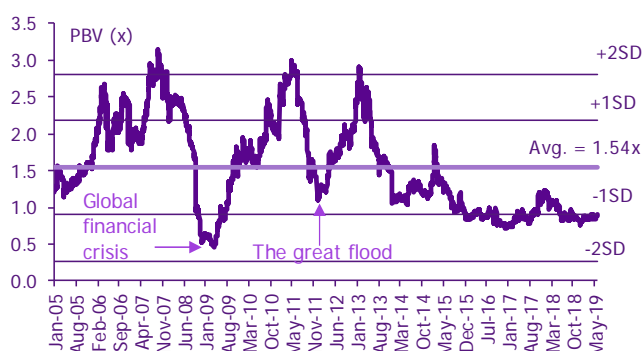
Source: CBRE

**Figure 6: Recurring income contributes 66% of EBIT**



Source: ROJNA, SCBS Investment Research

**Figure 7: Forward PBV**



Source: Bloomberg, SCBS Investment Research

**Figure 8: SOTP valuation**

	Method	Value (Btmn)	Value (Bt/sh)
Industrial land	NAV	13,389	6.6
Utilities	12x PER	1,211	0.6
Power	DCF	6,363	3.1
<b>Core EV</b>		<b>20,963</b>	<b>7.2</b>
Less: Net debt		(8,410)	(4.2)
<b>Net core EV</b>		<b>12,553</b>	<b>6.2</b>
GULF	MV	2,134	1.1
Fraser's Logistics & Industrial Turst	BV	2,412	1.2
Investment in JVs	BV	193	0.1
<b>Net equity value</b>		<b>17,291</b>	<b>8.5</b>

Source: SCBS Investment Research

## Earnings gaining ground

**After a downturn since 3Q18, we expect earnings to resume an uptrend in 2H19, followed by 20% growth in 2020, as losses from newly-opened hospitals diminish in tandem with the ramp-up of operations. CHG share price rose 10% over the past month after the 1Q19 beat, but is still 20% below its 2018 peak. We like CHG's earnings conviction and see the soft 2Q19F as a buying opportunity. CHG is our lead pick. Rate BUY with TP at Bt2.7/share.**

**2Q19F to be soft.** Besides seasonality, 2Q19 earnings are expected to be pulled down by extra expenses including: 1) ~Bt16mn staff expense to comply with the revised Labor Protection Act and 2) ~Bt20mn possible provisions against a lower actual payment from the Social Security Office than earlier booked as revenue for high-cost care (RW>2) in Nov-Dec 2018 due to a shortfall in the pool budget with payments down to ~Bt8,000/RW from the announced rate of Bt12,800/RW. This is similar to 2Q18 when CHG had to write off Bt17mn in revenue when the actual payment in 4Q17 was cut to Bt10,200/RW. We preliminarily forecast 2Q19 core profit at Bt130mn, down 14% YoY and 27% QoQ.

**Ramping up operations at newly-opened hospitals.** CHG's earnings have been falling since 3Q18 because of losses at two newly-opened hospitals: the expansion at *Chularat 304 Inter Hospital* (opened in Jul 2018) and a new hospital, *Ruampat Chachoengsao Hospital* (opened in Nov 2018). Together, these contributed Bt25mn in losses to CHG in 1Q19 (14% of 1Q19's core profit) dragged down by initial operating costs. CHG's management guides that neither hospital will require significant investment and revenue is rising, with more patients from private/corporate insurance. We estimate the losses from both at Bt115mn in 2019, falling to Bt60mn in 2020 after operational ramp up. We maintain our view that healthcare demand in those provinces is rising, gaining from a growing economy in Thailand's eastern region as EEC develops.

**Earnings gaining ground in 2H19-2020.** We expect CHG's earnings to resume YoY growth in 2H19 (at +15% YoY and +10% HoH) and then grow 20% in 2020 off lower losses at newly-opened hospitals. The market is concerned about earnings volatility from the uncertain social security service. In our view, risk will be diluted by rising revenue from cash patients that we expect to increase to 70% of CHG's revenue in 2021 from 66% in 2019.

**Placed as lead pick.** CHG is our lead pick in response to our earnings conviction. CHG's share price rose 10% over the past month after the 1Q19 beat, but is still 20% below its 2018 peak - before it sank into an earnings downturn. The soft earnings in 2Q19F may lead to a share price correction, but we see this as a buying opportunity. We BUY CHG with a TP of Bt2.7/share.

### Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	3,876	4,407	4,966	5,535	6,086
EBITDA	(Btmn)	995	1,052	1,108	1,321	1,521
Core profit	(Btmn)	592	645	658	790	911
Reported profit	(Btmn)	565	634	658	790	911
Core EPS	(Bt)	0.054	0.059	0.060	0.072	0.083
DPS	(Bt)	0.036	0.050	0.042	0.050	0.058
P/E, core	(x)	42.3	38.9	38.1	31.7	27.5
EPS growth, core	(%)	5.0	8.8	2.1	20.1	15.3
P/BV, core	(x)	7.6	7.0	6.8	6.3	5.8
ROE	(%)	17.7	17.9	17.3	19.7	20.9
Dividend yield	(%)	1.6	2.2	1.8	2.2	2.5
FCF yield	(%)	1.3	0.2	1.5	2.9	3.3
EV/EBIT	(x)	35.8	32.7	32.7	26.0	22.0
EBIT growth, core	(%)	2.4	10.7	0.7	24.4	17.0
EV/CE	(x)	6.4	5.7	5.4	5.2	5.1
ROCE	(%)	14.2	13.6	12.7	15.6	18.0
EV/EBITDA	(x)	25.7	24.5	23.5	19.5	16.7
EBITDA growth	(%)	9.5	5.7	5.3	19.3	15.1

Source: SCBS Investment Research

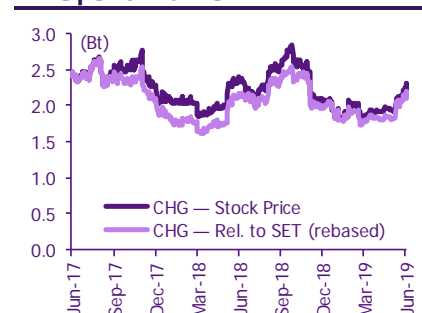
## BUY

### Stock data

Last close (Jun 14) (Bt)	2.28
12-m target price (Bt)	2.70
Upside (Downside) to TP (%)	18.42
Mkt cap (Btbn)	25.08
Mkt cap (US\$mn)	805

Risk rating	L
Mkt cap (%) SET	0.15
Sector % SET	4.76
Shares issued (mn)	11,000
Par value (Bt)	0.10
12-m high / low (Bt)	2.9 / 1.8
Avg. daily 6m (US\$mn)	2.82
Foreign limit / actual (%)	49 / 10
Free float (%)	40.1
Dividend policy (%)	≥ 50

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	9.6	20.6	(2.6)
Relative to SET	6.3	17.3	(0.7)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price	(Bt)	2.70
12-month dividend	(Bt)	0.04
Capital gain	(%)	18.42
Dividend yield	(%)	1.84
Total return	(%)	20.26

Source: SET, SCBS Investment Research

### Analyst

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

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Total revenue	Btmn	2,672	3,155	3,637	3,876	4,407	4,966	5,535	6,086
Cost of goods sold	Btmn	1,756	2,082	2,469	2,633	3,072	3,548	3,876	4,243
<b>Gross profit</b>	<b>Btmn</b>	<b>916</b>	<b>1,073</b>	<b>1,168</b>	<b>1,243</b>	<b>1,335</b>	<b>1,419</b>	<b>1,659</b>	<b>1,844</b>
SG&A	Btmn	359	426	494	551	570	649	697	718
Other income	Btmn	43	24	21	21	24	25	25	30
Interest expense	Btmn	1	1	10	16	24	33	34	34
<b>Pre-tax profit</b>	<b>Btmn</b>	<b>598</b>	<b>670</b>	<b>686</b>	<b>697</b>	<b>765</b>	<b>761</b>	<b>954</b>	<b>1,122</b>
Corporate tax	Btmn	105	118	132	121	131	150	152	191
Equity a/c profits	Btmn	0	0	0	0	0	0	0	0
Minority interests	Btmn	(0)	0	(1)	(0)	19	49	27	14
<b>Core profit</b>	<b>Btmn</b>	<b>481</b>	<b>538</b>	<b>564</b>	<b>592</b>	<b>645</b>	<b>658</b>	<b>790</b>	<b>911</b>
Extra-ordinary items	Btmn	-	-	-	(27)	(11)	-	-	-
<b>Net Profit</b>	<b>Btmn</b>	<b>481</b>	<b>538</b>	<b>564</b>	<b>565</b>	<b>634</b>	<b>658</b>	<b>790</b>	<b>911</b>
EBITDA	Btmn	735	835	909	995	1,052	1,108	1,321	1,521
<b>Core EPS</b>	<b>Bt</b>	<b>0.04</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.06</b>	<b>0.06</b>	<b>0.07</b>	<b>0.08</b>
Net EPS	Bt	0.04	0.05	0.05	0.05	0.06	0.06	0.07	0.08
DPS	Bt	0.03	0.04	0.04	0.04	0.05	0.04	0.05	0.06

**Balance Sheet**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Total current assets	Btmn	1,522	1,353	1,335	1,332	1,592	1,437	1,766	2,123
Total fixed assets	Btmn	1,557	1,987	2,936	3,385	3,831	4,118	4,172	4,234
<b>Total assets</b>	<b>Btmn</b>	<b>3,266</b>	<b>3,560</b>	<b>4,518</b>	<b>4,951</b>	<b>5,708</b>	<b>5,851</b>	<b>6,246</b>	<b>6,677</b>
Total loans	Btmn	30	78	801	852	1,212	1,220	1,220	1,220
Total current liabilities	Btmn	434	540	1,096	1,024	1,295	1,334	1,394	1,461
Total long-term liabilities	Btmn	0	26	157	403	583	583	583	583
<b>Total liabilities</b>	<b>Btmn</b>	<b>461</b>	<b>591</b>	<b>1,294</b>	<b>1,478</b>	<b>1,965</b>	<b>2,003</b>	<b>2,064</b>	<b>2,130</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>2,804</b>	<b>2,969</b>	<b>3,224</b>	<b>3,473</b>	<b>3,743</b>	<b>3,848</b>	<b>4,183</b>	<b>4,546</b>
<b>BVPS</b>	<b>Bt</b>	<b>0.25</b>	<b>0.27</b>	<b>0.28</b>	<b>0.30</b>	<b>0.32</b>	<b>0.33</b>	<b>0.36</b>	<b>0.40</b>

**Cash Flow Statement**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Core Profit	Btmn	481	538	564	592	645	658	790	911
Depreciation and amortization	Btmn	136	164	213	255	276	313	333	365
Operating cash flow	Btmn	447	698	705	916	743	969	1,108	1,266
Investing cash flow	Btmn	26	(608)	(1,028)	(594)	(689)	(600)	(387)	(427)
Financing cash flow	Btmn	(290)	(328)	324	(349)	3	(546)	(455)	(547)
<b>Net cash flow</b>	<b>Btmn</b>	<b>183</b>	<b>(239)</b>	<b>2</b>	<b>(27)</b>	<b>57</b>	<b>(177)</b>	<b>265</b>	<b>292</b>

**Key Financial Ratios**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Gross margin	%	34.3	34.0	32.1	32.1	30.3	28.6	30.0	30.3
Operating margin	%	20.8	20.5	18.5	17.9	17.4	15.5	17.4	18.5
EBITDA margin	%	27.1	26.3	24.8	25.5	23.7	22.2	23.8	24.9
EBIT margin	%	22.4	21.3	19.1	18.4	17.9	16.0	17.9	19.0
Net profit margin	%	18.0	17.1	15.5	14.6	14.4	13.3	14.3	15.0
ROE	%	17.7	18.7	18.2	17.7	17.9	17.3	19.7	20.9
ROA	%	15.4	15.8	14.0	12.5	12.1	11.4	13.1	14.1
Net D/E	x	Net cash	Net cash	0.1	0.1	0.2	0.2	0.2	0.1
Interest coverage	x	628.6	1,031.2	95.4	62.7	44.3	33.1	38.4	44.2
Debt service coverage	x	23.6	15.8	1.4	2.1	1.6	1.7	2.0	2.3
Payout Ratio	%	68.7	73.6	70.2	70.0	86.8	70.0	70.0	70.0

**Main Assumptions**

<b>FY December 31</b>	<b>Unit</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
<b>Revenue breakdown</b>									
Cash service	(%)	51.0	51.6	54.9	57.6	62.5	65.7	68.3	70.3
Social security service (SC)	(%)	41.0	36.0	36.2	37.5	32.0	29.2	27.0	25.3
Universal coverage (UC)	(%)	8.0	13.0	9.0	5.0	5.5	5.0	4.7	4.4

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Total revenue	Btmn	890	1,032	1,016	1,080	1,039	1,149	1,139	1,228
Cost of goods sold	Btmn	624	699	686	712	715	826	819	853
<b>Gross profit</b>	<b>Btmn</b>	<b>266</b>	<b>334</b>	<b>330</b>	<b>368</b>	<b>325</b>	<b>323</b>	<b>320</b>	<b>375</b>
SG&A	Btmn	124	129	173	129	116	141	184	154
Other income	Btmn	7	5	4	5	7	7	5	4
Interest expense	Btmn	3	4	5	5	5	7	8	9
<b>Pre-tax profit</b>	<b>Btmn</b>	<b>146</b>	<b>206</b>	<b>157</b>	<b>238</b>	<b>212</b>	<b>182</b>	<b>133</b>	<b>216</b>
Corporate tax	Btmn	27	37	32	45	35	37	33	49
Equity a/c profits	Btmn	0	0	0	0	0	0	0	0
Minority interests	Btmn	(0)	(0)	(0)	0	1	5	12	12
<b>Core profit</b>	<b>Btmn</b>	<b>119</b>	<b>168</b>	<b>153</b>	<b>193</b>	<b>151</b>	<b>175</b>	<b>126</b>	<b>179</b>
Extra-ordinary items	Btmn	0	0	(27)	0	27	(24)	(14)	0
<b>Net Profit</b>	<b>Btmn</b>	<b>119</b>	<b>168</b>	<b>126</b>	<b>193</b>	<b>178</b>	<b>151</b>	<b>112</b>	<b>179</b>
EBITDA	Btmn	211	276	228	308	282	260	216	303
<b>Core EPS</b>	<b>Bt</b>	<b>0.01</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>
Net EPS	Bt	0.01	0.02	0.01	0.02	0.02	0.01	0.01	0.02

### Balance Sheet

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Total current assets	Btmn	1,416	1,460	1,332	1,564	1,597	1,633	1,592	1,797
Total fixed assets	Btmn	3,127	3,247	3,385	3,479	3,596	3,705	3,831	3,889
<b>Total assets</b>	<b>Btmn</b>	<b>4,786</b>	<b>4,937</b>	<b>4,951</b>	<b>5,284</b>	<b>5,434</b>	<b>5,613</b>	<b>5,708</b>	<b>5,983</b>
Total loans	Btmn	795	805	852	905	1,021	1,207	1,212	1,281
Total current liabilities	Btmn	1,085	1,163	1,024	1,091	1,138	1,329	1,295	1,343
Total long-term liabilities	Btmn	239	245	403	444	502	561	583	643
<b>Total liabilities</b>	<b>Btmn</b>	<b>1,370</b>	<b>1,458</b>	<b>1,478</b>	<b>1,592</b>	<b>1,697</b>	<b>1,951</b>	<b>1,965</b>	<b>2,072</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>3,416</b>	<b>3,479</b>	<b>3,473</b>	<b>3,692</b>	<b>3,737</b>	<b>3,662</b>	<b>3,743</b>	<b>3,910</b>
<b>BVPS</b>	<b>Bt</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.32</b>	<b>0.32</b>	<b>0.32</b>	<b>0.32</b>	<b>0.34</b>

### Cash Flow Statement

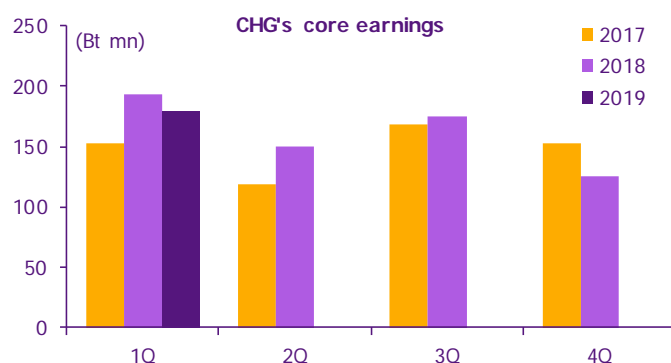
FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Core Profit	Btmn	119	168	153	193	151	175	126	179
Depreciation and amortization	Btmn	62	66	66	65	65	71	75	78
Operating cash flow	Btmn	168	333	264	166	191	242	143	154
Investing cash flow	Btmn	(126)	(176)	(190)	(128)	(176)	(171)	(214)	(173)
Financing cash flow	Btmn	(20)	(123)	(85)	50	(17)	(31)	2	68
<b>Net cash flow</b>	<b>Bt</b>	<b>22</b>	<b>33</b>	<b>(11)</b>	<b>88</b>	<b>(2)</b>	<b>40</b>	<b>(70)</b>	<b>49</b>

### Key Financial Ratios

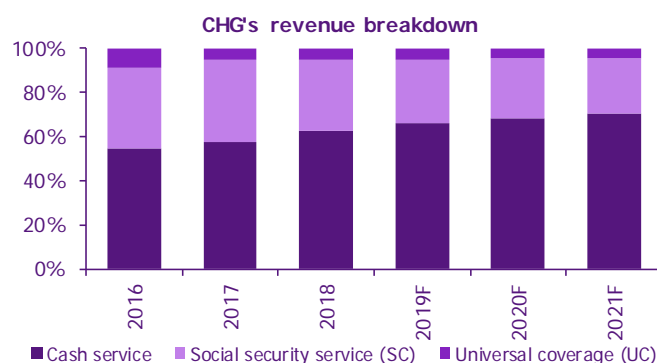
FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Gross margin	%	29.9	32.3	32.5	34.1	31.2	28.1	28.1	30.5
Operating margin	%	16.0	19.8	15.5	22.1	20.1	15.8	11.9	18.0
EBITDA margin	%	23.5	26.6	25.0	28.4	24.3	22.5	20.1	24.6
EBIT margin	%	16.8	20.3	15.9	22.5	20.8	16.5	12.3	18.3
Net profit margin	%	13.3	16.3	12.4	17.9	17.1	13.1	9.8	14.6
ROE	%	16.6	17.5	17.7	21.8	19.2	19.4	17.9	18.9
ROA	%	12.2	12.5	12.5	15.6	13.5	13.1	12.1	12.7
Net D/E	x	0.1	0.1	0.1	0.1	0.1	0.5	0.5	0.5
Interest coverage	x	64.6	62.1	49.7	66.7	61.3	38.3	27.9	33.5
Debt service coverage	x	1.5	1.9	1.9	2.6	2.1	1.5	1.3	1.8

### Key statistics

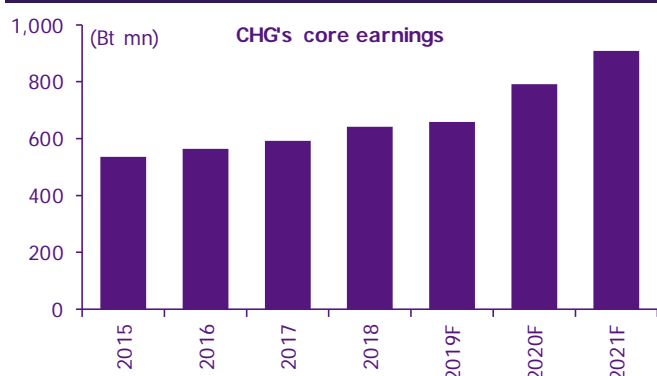
FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
<b>Revenue breakdown</b>									
Cash service	(%)	56.1	61.2	59.2	60.6	62.9	65.4	61.0	62.1
Social security service (SC)	(%)	38.8	34.1	36.6	33.7	31.5	29.8	33.1	31.7
Universal coverage (UC)	(%)	5.2	4.7	4.2	5.7	5.6	4.9	5.9	6.2

**Figure 1: CHG's earnings downtrend since 3Q18**

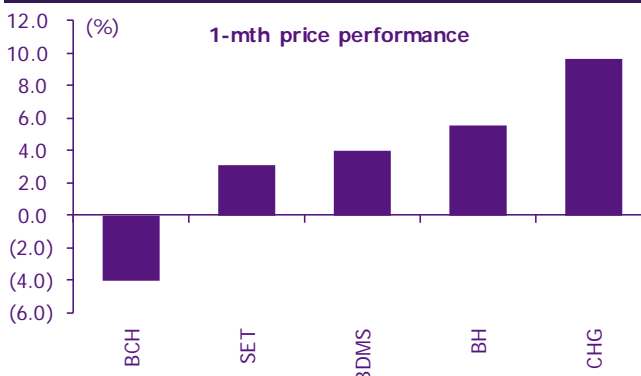
Source: Company data and SCBS Investment Research

**Figure 2: Revenue breakdown by service**

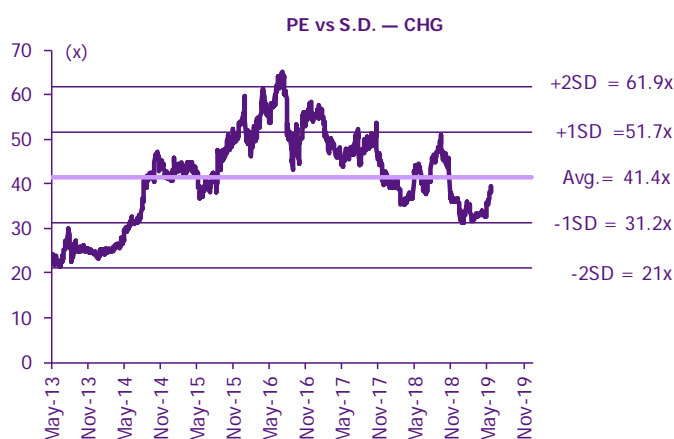
Source: Company data and SCBS Investment Research

**Figure 3: CHG's earnings forecast**

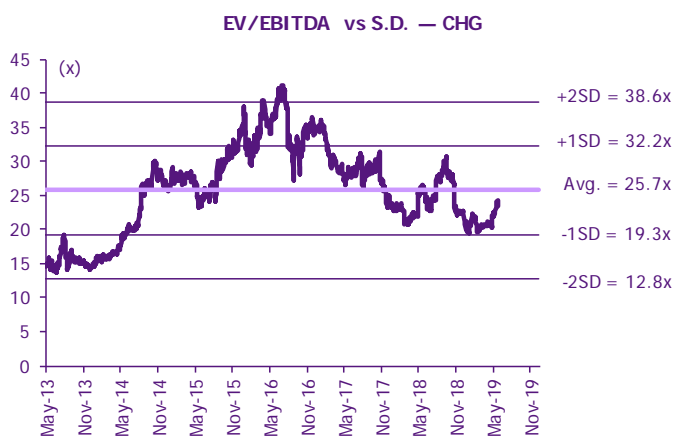
Source: SCBS Investment Research

**Figure 4: Price performance**

Source: SET and SCBS Investment Research

**Figure 5: CHG's PE band**

Source: SET and SCBS Investment Research

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

Source: SET and SCBS Investment Research



## Safe haven in trade war uncertainties

**Despite falling 3.6% over the last three months, IVL still outdid local peers (-6%), likely on greater optimism about IVL than peers in the trade war-led uncertainties. In the ongoing US-China trade conflict, we prefer IVL, with a LT strategy to diversify to make it a local player, minimizing trade barrier risks. We believe its weak 1Q19 will be this year's worst and expect to see recovery over the remainder of the year. We expect 2Q19 to be better as its EO/EG plant has resumed normal operations. We rate the stock as a BUY with TP of Bt74 (10x EV/EBITDA), offering ETR of 60%.**

**Diversification reduces risk.** IVL is shielded during this trade war that has roiled the petrochemical industry since 2018 by diversifying producing assets around the globe. It has production base in three key markets: Asia, Europe/Middle East/Africa (EMEA) and America (see Figure 6), sheltering it from trade protectionism, likely to intensify in coming years, especially among the economic superpowers. IVL's strategy is to become a local player in key markets by setting up plants to meet the needs of clients, mostly international consumer products suppliers.

**Earnings bottom in 1Q19.** We expect IVL's earnings to improve QoQ in 2Q19 as the EO/EG plant has resumed operations. We are less optimistic on MEG and IPA (purified isophthalic acid, or PIA) product spread for its feedstock segment in the West as management guides to a supply glut, though IPA is claimed to be a world-class product that can be produced by only seven companies in six countries in the world. Higher EO/EG sales volume in 2Q19 will partly offset this impact. Also, the new IPA production line in the US, doubling the total capacity to 440ktpa, will ramp up operations to take advantage of cheaper feedstock, metaxylene. The key threat is the startup of new capacity in 2H19 by rival Lotte Chemical, which also expanded capacity by 83% to 840ktpa. Note that IVL's IPA production is mostly for captive use for its operation in Europe and America.

**Integrated PET/PTA spread looking up.** IVL is enjoying a lower PX price in 2Q19 with global integrated PET/PTA up by 14% QoQ in 2QTD to US\$435/t, driven mainly by Asian markets (+24% QoQ). Integrated PET/PTA supplied 59% of IVL's core EBITDA in the 12 months to 1Q19 and will continue to be the key profit contributor over the next 12 months, in our view.

**EBITDA to double in five years.** Despite the latest revision of EBITDA guidance to reflect lower than expected product spread of MEG and IPA, IVL maintains its target to double core EBITDA growth in the next five years from US\$1.4bn in 2018, aided by a new product portfolio, strict financial discipline and leveraging success with a global presence and integration.

**Key risks** to our forecast and valuation are: 1) global trade war eroding demand, 2) lower efficiency improvement at new assets and 3) regulatory changes.

### Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	286,332	347,171	375,676	387,419	395,220
EBITDA	(Btmn)	35,020	45,652	50,775	55,043	57,692
Core profit	(Btmn)	20,150	24,053	26,874	30,581	32,834
Reported profit	(Btmn)	20,883	26,465	26,874	30,581	32,834
Core EPS	(Bt)	3.84	4.28	4.79	5.45	5.85
DPS	(Bt)	1.00	1.40	1.50	1.70	1.80
P/E, core	(x)	12.3	11.0	9.9	8.7	8.1
EPS growth, core	(%)	93.4	11.5	11.7	13.8	7.4
P/BV, core	(x)	2.1	1.8	1.6	1.4	1.3
ROE	(%)	19.6	18.4	17.4	17.5	16.7
Dividend yield	(%)	2.1	3.0	3.2	3.6	3.8
FCF yield	(x)	0.0	(9.0)	17.0	15.2	25.9
EV/EBIT	(x)	14.8	12.6	9.8	8.0	6.2
EBIT growth, core	(%)	40.8	37.7	15.8	11.4	6.2
EV/CE	(x)	1.7	1.5	1.4	1.3	1.3
ROCE	(%)	11.7	9.3	11.3	13.0	16.1
EV/EBITDA	(x)	9.6	8.7	7.0	5.9	4.6
EBITDA growth	(%)	28.5	30.4	11.2	8.4	4.8

Source: SCBS Investment Research

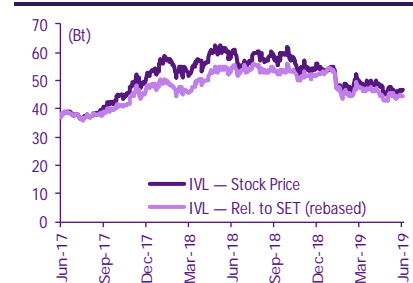
## BUY

### Stock data

Last close (Jun 14) (Bt)	47.25
12-m target price (Bt)	74.00
Upside (Downside) to TP (%)	56.61
Mkt cap (Btbn)	265.29
Mkt cap (US\$mn)	8,516

Risk rating	H
Mkt cap (%) SET	1.55
Sector % SET	3.68
Shares issued (mn)	5,615
Par value (Bt)	1.00
12-m high / low (Bt)	63 / 43.5
Avg. daily 6m (US\$mn)	30.66
Foreign limit / actual (%)	100 / 75
Free float (%)	35.2
Dividend policy (%)	≥ 30

### Price Performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	1.1	(2.1)	(19.2)
Relative to SET	(2.0)	(4.8)	(17.7)

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price	(Bt)	74.00
12-month dividend	(Bt)	1.50
Capital gain	(%)	56.61
Dividend yield	(%)	3.17
Total return	(%)	59.79

Source: SET, SCBS Investment Research

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

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total revenue	(Btmn)	243,907	234,698	254,620	286,332	347,171	375,676	387,419	395,220
Cost of goods sold	(Btmn)	221,869	208,177	218,198	240,889	289,232	311,637	318,769	323,572
<b>Gross profit</b>	<b>(Btmn)</b>	<b>22,038</b>	<b>26,521</b>	<b>36,422</b>	<b>45,444</b>	<b>57,939</b>	<b>64,039</b>	<b>68,650</b>	<b>71,648</b>
SG&A	(Btmn)	16,627	19,293	21,823	23,925	28,760	29,801	30,726	31,618
Other income	(Btmn)	1,644	1,761	1,584	1,263	2,200	2,104	2,557	2,972
Interest expense	(Btmn)	3,555	3,652	4,222	3,864	4,227	4,839	4,607	4,446
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>3,501</b>	<b>5,337</b>	<b>11,961</b>	<b>18,917</b>	<b>27,151</b>	<b>31,503</b>	<b>35,874</b>	<b>38,557</b>
Corporate tax	(Btmn)	1,625	1,881	2,062	(1,400)	3,812	4,950	5,576	5,983
Equity a/c profits	(Btmn)	(1,356)	(242)	(173)	28	586	586	586	586
Minority interests	(Btmn)	(285)	(279)	(162)	(195)	128	(266)	(303)	(326)
<b>Core profit</b>	<b>(Btmn)</b>	<b>234</b>	<b>2,935</b>	<b>9,563</b>	<b>20,150</b>	<b>24,053</b>	<b>26,874</b>	<b>30,581</b>	<b>32,834</b>
Extra-ordinary items	(Btmn)	1,441	3,674	6,634	733	2,413	0	0	0
<b>Net Profit</b>	<b>(Btmn)</b>	<b>1,675</b>	<b>6,609</b>	<b>16,197</b>	<b>20,883</b>	<b>26,465</b>	<b>26,874</b>	<b>30,581</b>	<b>32,834</b>
EBITDA	(Btmn)	14,164	18,315	27,248	35,020	45,652	50,775	55,043	57,692
<b>Core EPS</b>	<b>(Btmn)</b>	<b>0.05</b>	<b>0.61</b>	<b>1.99</b>	<b>3.84</b>	<b>4.28</b>	<b>4.79</b>	<b>5.45</b>	<b>5.85</b>
Net EPS	(Bt)	0.35	1.37	3.36	3.98	4.71	4.79	5.45	5.85
DPS	(Bt)	0.38	0.48	0.66	1.00	1.40	1.50	1.70	1.80

**Balance Sheet**

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	72,180	70,548	84,495	92,953	124,284	134,075	163,520	194,844
Total fixed assets	(Btmn)	122,354	151,092	173,885	189,405	254,911	238,472	227,200	215,800
<b>Total assets</b>	<b>(Btmn)</b>	<b>194,534</b>	<b>221,641</b>	<b>258,380</b>	<b>282,358</b>	<b>379,195</b>	<b>372,547</b>	<b>390,720</b>	<b>410,644</b>
Total loans	(Btmn)	73,272	83,590	102,074	95,506	136,266	125,491	120,860	116,833
Total current liabilities	(Btmn)	48,066	57,383	65,862	65,622	113,700	91,800	92,079	92,149
Total long-term liabilities	(Btmn)	71,858	81,305	100,704	97,750	113,639	109,894	105,887	102,406
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>119,924</b>	<b>138,688</b>	<b>166,566</b>	<b>163,372</b>	<b>227,339</b>	<b>201,694</b>	<b>197,966</b>	<b>194,555</b>
Paid-up capital	(Btmn)	4,814	4,814	4,814	5,245	5,615	5,615	5,615	5,615
<b>Total equity</b>	<b>(Btmn)</b>	<b>72,553</b>	<b>79,825</b>	<b>89,055</b>	<b>117,062</b>	<b>144,838</b>	<b>163,570</b>	<b>185,168</b>	<b>208,177</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>15.07</b>	<b>16.58</b>	<b>18.50</b>	<b>22.32</b>	<b>25.80</b>	<b>29.13</b>	<b>32.98</b>	<b>37.08</b>

**Cash Flow Statement**

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	234	2,935	9,563	20,150	24,053	26,874	30,581	32,834
Depreciation and amortization	(Btmn)	7,108	9,326	11,065	12,239	14,273	14,433	14,561	14,689
Operating cash flow	(Btmn)	22,293	24,800	24,953	28,907	32,362	43,068	43,561	71,836
Investing cash flow	(Btmn)	(18,503)	(21,300)	(36,382)	(28,786)	(56,227)	2,094	(3,200)	(3,200)
Financing cash flow	(Btmn)	(2,565)	(5,607)	12,223	2,730	22,567	(15,637)	(13,311)	(13,527)
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>1,225</b>	<b>(2,107)</b>	<b>793</b>	<b>2,851</b>	<b>(1,299)</b>	<b>29,524</b>	<b>27,049</b>	<b>55,109</b>

**Key Financial Ratios**

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	9.0	11.3	14.3	15.9	16.7	17.0	17.7	18.1
Operating margin	(%)	2.2	3.1	5.7	7.5	8.4	9.1	9.8	10.1
EBITDA margin	(%)	5.8	7.8	10.7	12.2	13.1	13.5	14.2	14.6
EBIT margin	(%)	2.9	3.8	6.4	8.0	9.0	9.7	10.4	10.9
Net profit margin	(%)	0.7	2.8	6.4	7.3	7.6	7.2	7.9	8.3
ROE	(%)	0.4	3.9	11.3	19.6	18.4	17.4	17.5	16.7
ROA	(%)	0.1	1.4	4.0	7.5	7.3	7.1	8.0	8.2
Net D/E	(x)	0.9	1.0	1.1	0.8	0.9	0.6	0.3	(0.0)
Interest coverage	(x)	4.0	5.0	6.5	9.1	10.8	10.5	11.9	13.0
Debt service coverage	(x)	0.6	1.1	1.3	1.5	2.4	1.1	1.4	1.4
Payout Ratio	(%)	109.2	35.0	19.6	25.1	29.7	31.3	31.2	30.8

**Main Assumptions**

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total capacity (period-end)	(ktpa)	7,510	8,776	10,470	10,665	13,029	14,131	14,362	14,398
Total sales volume	(kt)	6,249	7,024	8,729	9,103	10,420	12,300	12,600	12,800
Core EBITDA/t	(US\$/t)	96	91	89	110	138	128	134	138
Reported EBITDA/t	(US\$/t)	79	80	88	112	140	128	134	138
Average selling price	(US\$/t)	1,202	975	827	927	1,031	954	961	965
FX	(Bt/US\$)	32.48	34.35	35.29	33.93	32.32	32.00	32.00	32.00

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

<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Total revenue	(Btmn)	71,661	72,605	70,417	76,143	83,591	96,001	91,436	95,810
Cost of goods sold	(Btmn)	61,538	60,004	59,445	63,416	68,010	77,055	80,751	83,550
<b>Gross profit</b>	<b>(Btmn)</b>	<b>10,123</b>	<b>12,601</b>	<b>10,972</b>	<b>12,727</b>	<b>15,581</b>	<b>18,946</b>	<b>10,685</b>	<b>12,260</b>
SG&A	(Btmn)	5,863	6,062	6,255	6,262	7,132	7,487	7,879	8,510
Other income	(Btmn)	239	239	593	976	395	365	463	555
Interest expense	(Btmn)	991	963	905	891	887	1,122	1,327	1,384
<b>Pre-tax profit</b>	<b>(Btmn)</b>	<b>3,508</b>	<b>5,814</b>	<b>4,405</b>	<b>6,550</b>	<b>7,957</b>	<b>10,703</b>	<b>1,941</b>	<b>2,922</b>
Corporate tax	(Btmn)	329	569	(3,149)	881	1,145	1,018	768	103
Equity a/c profits	(Btmn)	(120)	47	(45)	(42)	206	479	(57)	(0)
Minority interests	(Btmn)	(68)	(30)	(26)	(27)	(26)	64	117	(25)
<b>Core profit</b>	<b>(Btmn)</b>	<b>2,990</b>	<b>5,262</b>	<b>7,483</b>	<b>5,600</b>	<b>6,993</b>	<b>10,227</b>	<b>1,233</b>	<b>2,793</b>
Extra-ordinary items	(Btmn)	(53)	(1,745)	2,520	214	1,250	(173)	1,122	915
<b>Net Profit</b>	<b>(Btmn)</b>	<b>2,937</b>	<b>3,516</b>	<b>10,003</b>	<b>5,814</b>	<b>8,243</b>	<b>10,054</b>	<b>2,355</b>	<b>3,708</b>
EBITDA	(Btmn)	7,374	9,911	8,730	10,493	12,064	15,657	7,438	8,292
<b>Core EPS</b>	<b>(Btmn)</b>	<b>0.62</b>	<b>1.00</b>	<b>1.43</b>	<b>1.03</b>	<b>1.26</b>	<b>1.82</b>	<b>0.22</b>	<b>0.50</b>
Net EPS	(Bt)	0.61	0.67	1.91	1.07	1.49	1.79	0.42	0.66

**Balance Sheet**

<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Total current assets	(Btmn)	89,032	86,145	92,953	101,644	123,981	127,413	124,284	130,584
Total fixed assets	(Btmn)	181,745	183,387	189,405	185,224	209,820	229,300	254,911	264,881
<b>Total assets</b>	<b>(Btmn)</b>	<b>270,777</b>	<b>269,532</b>	<b>282,358</b>	<b>286,868</b>	<b>333,801</b>	<b>356,713</b>	<b>379,195</b>	<b>395,465</b>
Total loans	(Btmn)	106,423	92,506	95,506	90,462	113,269	117,404	136,266	145,911
Total current liabilities	(Btmn)	66,559	57,758	65,622	67,146	86,331	101,943	113,700	116,935
Total long-term liabilities	(Btmn)	109,422	101,138	97,750	91,809	104,689	104,738	113,639	125,723
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>175,981</b>	<b>158,896</b>	<b>163,372</b>	<b>158,955</b>	<b>191,020</b>	<b>206,681</b>	<b>227,339</b>	<b>242,658</b>
Paid-up capital	(Btmn)	4,814	5,245	5,245	5,412	5,548	5,615	5,615	5,615
<b>Total equity</b>	<b>(Btmn)</b>	<b>92,788</b>	<b>108,629</b>	<b>117,062</b>	<b>126,126</b>	<b>139,640</b>	<b>144,178</b>	<b>144,838</b>	<b>144,412</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>19.27</b>	<b>20.71</b>	<b>22.32</b>	<b>23.31</b>	<b>25.17</b>	<b>25.68</b>	<b>25.80</b>	<b>25.72</b>

**Cash Flow Statement**

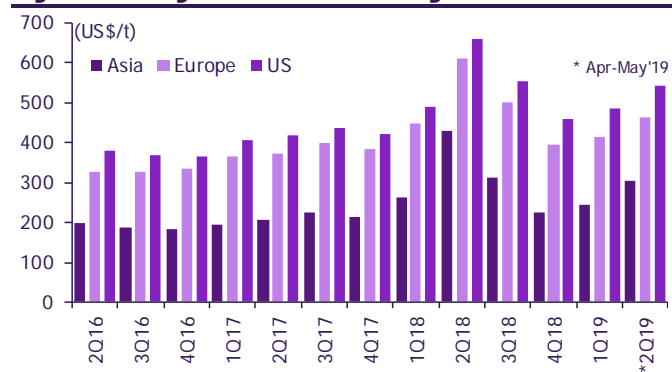
<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Core Profit	(Btmn)	2,990	5,262	7,483	5,600	6,993	10,227	1,233	2,793
Depreciation and amortization	(Btmn)	2,876	3,133	3,420	3,052	3,219	3,832	4,170	3,987
Operating cash flow	(Btmn)	8,238	5,840	7,102	7,626	7,215	9,123	8,398	8,401
Investing cash flow	(Btmn)	(11,814)	(5,428)	(6,611)	(4,493)	(16,275)	(14,196)	(21,263)	(10,363)
Financing cash flow	(Btmn)	3,769	(994)	1,946	3,147	18,678	(6,585)	7,327	3,410
<b>Net cash flow</b>	<b>(Btmn)</b>	<b>193</b>	<b>(581)</b>	<b>2,437</b>	<b>6,280</b>	<b>9,617</b>	<b>(11,658)</b>	<b>(5,538)</b>	<b>1,448</b>

**Key Financial Ratios**

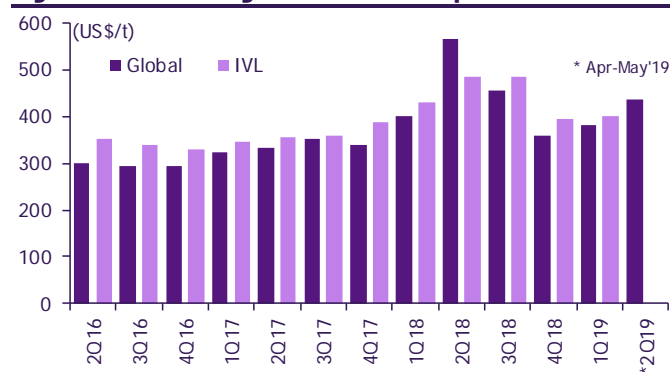
<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Gross margin	(%)	14.1	17.4	15.6	16.7	18.6	19.7	11.7	12.8
Operating margin	(%)	5.9	9.0	6.7	8.5	10.1	11.9	3.1	3.9
EBITDA margin	(%)	10.3	13.7	12.4	13.8	14.4	16.3	8.1	8.7
EBIT margin	(%)	6.3	9.3	7.5	9.8	10.6	12.3	3.6	4.5
Net profit margin	(%)	4.1	4.8	14.2	7.6	9.9	10.5	2.6	3.9
ROE	(%)	13.0	20.9	26.5	18.4	21.0	28.8	3.4	7.7
ROA	(%)	4.5	7.8	10.8	7.9	9.0	11.8	1.3	2.9
Net D/E	(x)	1.1	0.8	0.8	0.6	0.6	0.7	0.9	1.0
Interest coverage	(x)	7.4	10.3	9.6	11.8	13.6	14.0	5.6	6.0
Debt service coverage	(x)	1.5	2.6	1.9	2.2	1.6	1.7	0.6	0.7

**Main Assumptions**

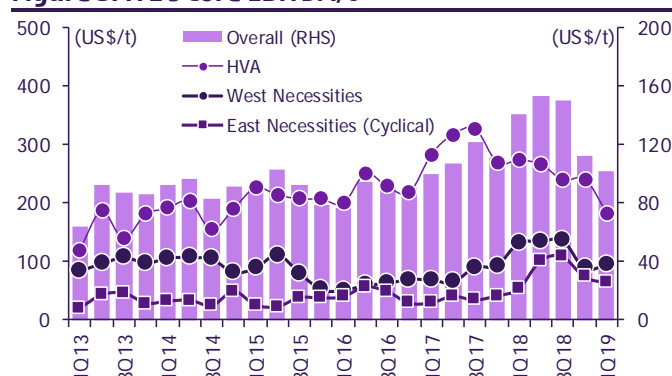
<b>FY December 31</b>	<b>Unit</b>	<b>2Q17</b>	<b>3Q17</b>	<b>4Q17</b>	<b>1Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>4Q18</b>	<b>1Q19</b>
Total capacity (period-end)	(ktpa)	10,270	10,405	10,665	10,638	11,084	12,587	13,029	13,920
Total sales volume	(kt)	2,223	2,387	2,306	2,325	2,546	2,730	2,820	2,970
Core EBITDA/t	(US\$/t)	107	122	111	140	153	150	113	102
Reported EBITDA/t	(US\$/t)	97	125	117	148	156	175	85	89
Average selling price	(US\$/t)	940	911	926	1,038	1,028	1,070	989	1,020
FX	(Bt/US\$)	34.29	33.37	32.95	31.54	31.95	32.98	32.82	31.62

**Figure 1: Integrated PET/PTA margin**

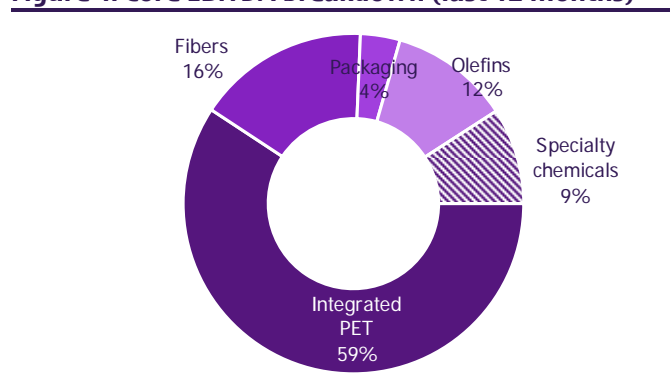
Source: Industry data, SCBS Investment Research

**Figure 2: IVL – integrated PET/PTA spread**

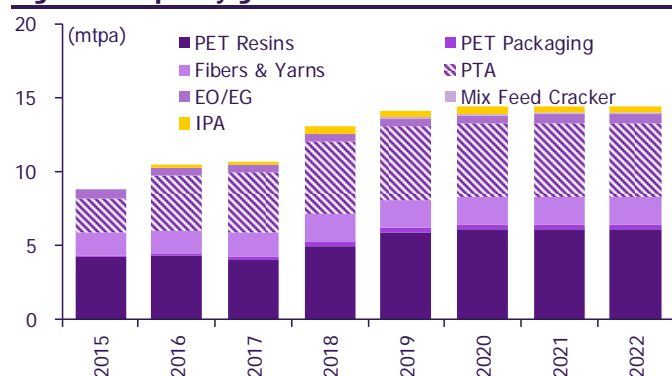
Source: IVL, SCBS Investment Research

**Figure 3: IVL's core EBITDA/t**

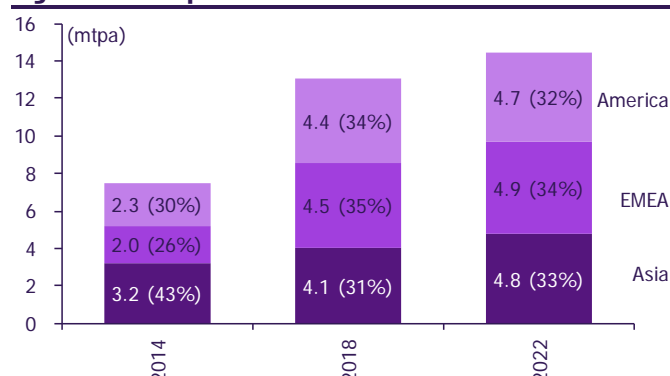
Source: IVL, SCBS Investment Research

**Figure 4: Core EBITDA breakdown (last 12 months)**

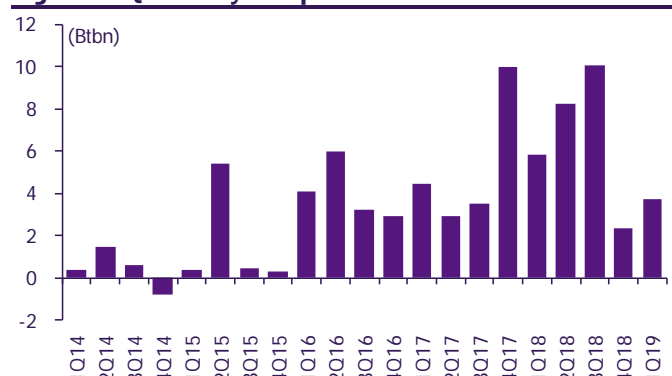
Source: IVL, SCBS Investment Research

**Figure 5: Capacity growth**

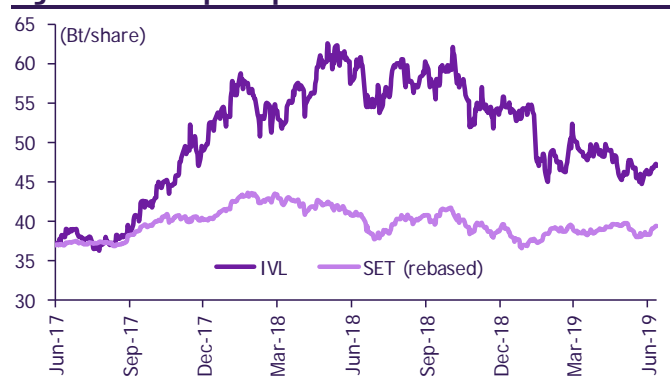
Source: IVL, SCBS Investment Research

**Figure 6: IVL's production base breakdown**

Source: IVL, SCBS Investment Research

**Figure 7: Quarterly net profit**

Source: IVL, SCBS Investment Research

**Figure 8: Share price performance**

Source: Bloomberg Finance LP, SCBS Investment Research



## Best NIM expansion with the lowest valuation

**KTB may surprise the market on the upside with the largest NIM expansion this year, fueled by the windfall from AQ, lower cost of funds, and a shift in loan growth more to the private sector. It is enjoying a recovery in private sector loan growth along with a rise in LLR coverage. With the most undemanding valuation, we keep it as a top Buy.**

**Largest NIM expansion with more windfall from AQ.** We expect KTB to report a 37 bps NIM expansion, the largest among peers, a positive surprise to the market in 2019, comprised of 29 bps from the windfall, 6 bps from an ease in cost of deposits as high-cost deposits mature (5% of total deposits with ~4% interest rate) and 2 bps from an improvement in loan yield from a shift in loan growth to a greater emphasis on the private sector, away from the government sector. From AQ, the cumulative accrued interest is estimated to be as high as the Bt8bn loan principal. The collateral lands were auctioned off for Bt8.91bn in October 2018 and the funds divided into three groups. KTB received the first Bt4.06bn and booked Bt3.9bn of this as windfall in 1Q19. The second group worth Bt1.26bn we expect will be paid to the bank and booked as windfall in 2Q19 after the court dismissed the petition for a nullification of the auction in March. The third group worth Bt3.6bn is pending the resolution of a case filed with the court claiming the land sale was done illegally.

**Recovery of private sector loan growth.** In 4M19, its loans grew 1% YTD and 5.4% YoY, the highest among the four big banks. More importantly, the loan growth was mainly driven by retail loans and corporate loans rather than government related loans, the key loan growth driver for 2017-2018. This is in line with its plan to shift loan growth toward the private sector this year to bring up loan yield. KTB keeps its 2019 loan growth target at 5-6% (5% SCBS forecast), up from 4% in 2018 (merely 2% for private sector).

**Easing NPL formation with rising LLR coverage.** KTB saw an easing in NPL formation ratio over the past four quarters from 1.99% in 1Q18 to 1.22% in 1Q19. In addition, its LLR coverage ratio has been rising, reaching 127% at 1Q19 from 120% at 1Q18. The complete repayment of AQ loans will cut NPLs by Bt4bn (the original loan of Bt8bn, net write-off of Bt4bn), which our calculations indicate will lift LLR coverage to 132%. We conservatively forecast a rise in its credit cost of 13 bps to 1.45% in 2019 because we expect the bank to use the AQ windfall case to prudently build up its LLR coverage further.

**Top Buy with the most undemanding valuation.** We keep KTB as a top Buy with a TP of Bt22 (0.9 x 2019F BVPs) because it: 1) has the sector's most undemanding valuation at 0.83x PBV and 9.5x PER for 2019; 2) benefits most from a recovery in both public and private investment; 3) has potentially the largest NIM expansion in 2019.

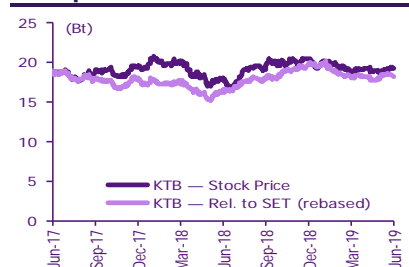
## BUY

### Stock data

Last close (Jun 14) (Bt)	19.50
12-m target price (Bt)	22.00
Upside (Downside) to TP (%)	12.82
Mkt cap (Btbn)	272.53
Mkt cap (US\$mn)	8,749

Risk rating	L
Mkt cap (%) SET	1.59
Sector % SET	12.77
Shares issued (mn)	13,976
Par value (Bt)	5.15
12-m high / low (Bt)	20.6 / 16.7
Avg. daily 6m (US\$mn)	15.30
Foreign limit / actual (%)	25 / 12
Free float (%)	44.9
Dividend policy (%)	≤ 40

### Price performance



Source: SET, SCBS Investment Research

### Share performance

(%)	1M	3M	12M
Absolute	3.7	3.7	10.8
Relative to SET	0.6	0.8	12.9

Source: SET, SCBS Investment Research

### Expected total return (ETR)

Target price	(Bt)	22.00
12-month dividend	(Bt)	0.76
Capital gain	(%)	12.82
Dividend yield	(%)	3.91
Total return	(%)	16.73

Source: SET, SCBS Investment Research

### Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Pre-provision profit	(Bt mn)	67,274	54,683	58,873	58,266	62,457
Net profit	(Bt mn)	22,440	28,491	28,789	29,807	33,310
PPP/Sh	(Bt)	4.81	3.91	4.21	4.17	4.47
EPS	(Bt)	1.60	2.04	2.06	2.13	2.38
BVPS	(Bt)	20.59	21.88	23.36	24.73	26.32
DPS	(Bt)	0.61	0.72	0.76	0.79	0.88
P/PPP	(x)	4.05	4.99	4.63	4.68	4.37
PPP growth	(%)	2.34	(18.72)	7.66	(1.03)	7.19
P/E	(x)	12.15	9.57	9.47	9.15	8.18
EPS growth	(%)	(30.53)	26.97	1.04	3.54	11.75
P/BV	(x)	0.95	0.89	0.83	0.79	0.74
ROE	(%)	7.99	9.60	9.10	8.87	9.33
Dividend yield	(%)	3.13	3.68	3.91	4.05	4.52

Source: SCBS Investment Research

### Analyst

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Fundamental Investment

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## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2014	2015	2016	2017	2018F	2019F	2020F	2021F
Interest & dividend income	(Btmn)	128,230	132,525	129,230	122,507	119,770	130,842	130,692	139,979
Interest expense	(Btmn)	51,072	51,657	42,264	36,729	36,081	37,349	40,140	43,787
<b>Net interest income</b>	(Btmn)	<b>77,158</b>	<b>80,868</b>	<b>86,966</b>	<b>85,778</b>	<b>83,689</b>	<b>93,493</b>	<b>90,552</b>	<b>96,192</b>
Non-interest income	(Btmn)	27,960	32,701	34,619	35,095	32,403	32,883	34,029	35,218
Non-interest expenses	(Btmn)	48,145	50,920	50,631	49,396	53,088	57,778	55,878	57,140
Pre-provision profit	(Btmn)	56,973	62,650	70,953	71,477	63,004	68,598	68,703	74,270
Provision	(Btmn)	18,643	30,542	33,429	44,833	26,192	30,085	28,459	29,147
Pre-tax profit	(Btmn)	38,330	32,108	37,524	26,643	36,812	38,513	40,244	45,122
Tax	(Btmn)	7,184	5,605	7,063	4,797	6,852	7,703	8,049	9,024
Equities & minority interest	(Btmn)	(2,045)	(1,990)	(1,843)	(594)	1,468	2,022	2,389	2,788
<b>Core net profit</b>	(Btmn)	<b>33,191</b>	<b>28,494</b>	<b>32,304</b>	<b>22,440</b>	<b>28,491</b>	<b>28,789</b>	<b>29,807</b>	<b>33,310</b>
Extra item	(Btmn)	0	0	0	0	0	0	0	0
<b>Net profit</b>	(Btmn)	<b>33,191</b>	<b>28,494</b>	<b>32,304</b>	<b>22,440</b>	<b>28,491</b>	<b>28,789</b>	<b>29,807</b>	<b>33,310</b>
<b>EPS</b>	(Bt)	<b>2.37</b>	<b>2.04</b>	<b>2.31</b>	<b>1.60</b>	<b>2.04</b>	<b>2.06</b>	<b>2.13</b>	<b>2.38</b>
<b>DPS</b>	(Bt)	<b>0.90</b>	<b>0.76</b>	<b>0.86</b>	<b>0.61</b>	<b>0.72</b>	<b>0.76</b>	<b>0.79</b>	<b>0.88</b>

### Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018F	2019F	2020F	2021F
Cash	(Btmn)	74,770	71,470	72,106	73,573	68,878	69,500	70,700	71,715
Interbank assets	(Btmn)	456,721	397,358	431,638	559,827	372,514	372,514	372,514	372,514
Investments	(Btmn)	258,495	261,732	242,265	228,246	240,167	240,167	240,167	240,167
<b>Gross loans</b>	(Btmn)	<b>1,952,996</b>	<b>2,027,440</b>	<b>1,904,089</b>	<b>1,938,082</b>	<b>2,024,205</b>	<b>2,125,415</b>	<b>2,252,940</b>	<b>2,410,646</b>
Accrued interest receivable	(Btmn)	5,601	5,901	5,271	5,212	5,424	5,424	5,424	5,424
Loan loss reserve	(Btmn)	76,021	85,957	110,781	125,381	133,754	148,839	162,298	176,446
<b>Net loans</b>	(Btmn)	<b>1,882,576</b>	<b>1,947,385</b>	<b>1,798,578</b>	<b>1,817,912</b>	<b>1,895,874</b>	<b>1,982,000</b>	<b>2,096,065</b>	<b>2,239,624</b>
<b>Total assets</b>	(Btmn)	<b>2,789,143</b>	<b>2,815,330</b>	<b>2,689,446</b>	<b>2,864,373</b>	<b>2,739,203</b>	<b>2,828,250</b>	<b>2,945,873</b>	<b>3,092,862</b>
Deposits	(Btmn)	2,151,268	2,135,499	1,972,404	2,070,875	2,039,602	2,103,849	2,197,891	2,317,677
Interbank liabilities	(Btmn)	162,015	194,243	203,166	228,691	157,396	157,396	157,396	157,396
Borrowings	(Btmn)	146,171	116,240	120,691	110,626	95,206	95,206	95,206	95,206
<b>Total liabilities</b>	(Btmn)	<b>2,553,276</b>	<b>2,565,032</b>	<b>2,410,299</b>	<b>2,570,149</b>	<b>2,425,062</b>	<b>2,489,310</b>	<b>2,583,352</b>	<b>2,703,137</b>
Minority interest	(Btmn)	3,724	4,415	5,218	6,358	8,266	12,389	16,816	21,738
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>232,142</b>	<b>245,883</b>	<b>273,929</b>	<b>287,867</b>	<b>305,875</b>	<b>326,551</b>	<b>345,706</b>	<b>367,987</b>
<b>BVPS</b>	(Bt)	<b>16.60</b>	<b>17.59</b>	<b>19.59</b>	<b>20.59</b>	<b>21.88</b>	<b>23.36</b>	<b>24.73</b>	<b>26.32</b>

### Key Assumptions and Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018F	2019F	2020F	2021F
<b>Growth</b>									
YoY loan growth	(%)	14.14	3.81	(6.08)	1.79	4.44	5.00	6.00	7.00
YoY non-NII growth	(%)	5.07	16.96	5.86	1.37	(7.67)	1.48	3.48	3.49
<b>Profitability</b>									
Yield on earn'g assets	(%)	5.05	4.93	4.88	4.55	4.39	4.81	4.61	4.70
Cost on int-bear'g liab	(%)	2.18	2.11	1.78	1.56	1.53	1.61	1.67	1.74
Spread	(%)	2.86	2.82	3.09	2.99	2.86	3.20	2.94	2.96
Net interest margin	(%)	3.04	3.01	3.28	3.19	3.07	3.44	3.19	3.23
ROE	(%)	15.15	11.92	12.43	7.99	9.60	9.10	8.87	9.33
ROA	(%)	1.25	1.02	1.17	0.81	1.02	1.03	1.03	1.10
<b>Asset Quality</b>									
NPLs/Total Loans	(%)	2.94	3.76	4.77	5.30	5.24	5.24	5.18	5.08
LLR/NPLs	(%)	132.24	112.55	121.57	121.71	125.74	133.53	138.98	144.14
Provision expense/Total loans	(%)	0.95	1.51	1.76	2.31	1.29	1.42	1.26	1.21
<b>Liquidity</b>									
Loans/Deposits & borrowings	(%)	85.01	90.04	90.97	88.84	94.82	96.65	98.25	99.91
<b>Efficiency</b>									
Cost to income ratio	(%)	45.80	44.84	41.64	40.87	45.73	45.72	44.85	43.48
<b>Capital Fund</b>									
Capital adequacy ratio	(%)	14.47	14.84	16.61	17.20	18.22	18.51	18.45	18.24
Tier-1	(%)	10.64	11.17	12.81	13.48	14.47	15.02	15.13	15.12
Tier-2	(%)	3.83	3.68	3.80	3.72	3.74	3.49	3.32	3.12

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Interest & dividend income	(Btmn)	30,698	30,370	30,283	29,505	29,878	29,993	30,394	33,377
Interest expense	(Btmn)	9,093	9,112	9,187	8,965	9,079	9,104	8,934	8,736
<b>Net interest income</b>	<b>(Btmn)</b>	<b>21,604</b>	<b>21,259</b>	<b>21,095</b>	<b>20,540</b>	<b>20,799</b>	<b>20,890</b>	<b>21,460</b>	<b>24,641</b>
Non-interest income	(Btmn)	7,718	8,424	10,514	8,396	8,356	7,856	7,795	8,634
Non-interest expenses	(Btmn)	11,687	12,475	12,634	13,525	12,259	12,738	14,566	16,217
Earnings before tax & provision	(Btmn)	17,636	17,208	18,975	15,411	16,896	16,008	14,689	17,058
Provision	(Btmn)	13,878	9,918	13,577	6,908	6,770	6,084	6,430	7,330
Pre-tax profit	(Btmn)	3,758	7,290	5,397	8,503	10,126	9,924	8,259	9,728
Tax	(Btmn)	713	1,440	603	1,689	2,082	1,521	1,560	1,941
Equities & minority interest	(Btmn)	(177)	(22)	(21)	28	336	564	540	486
<b>Core net profit</b>	<b>(Btmn)</b>	<b>3,222</b>	<b>5,872</b>	<b>4,815</b>	<b>6,787</b>	<b>7,708</b>	<b>7,838</b>	<b>6,159</b>	<b>7,301</b>
Extra item	(Btmn)	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>(Btmn)</b>	<b>3,222</b>	<b>5,872</b>	<b>4,815</b>	<b>6,787</b>	<b>7,708</b>	<b>7,838</b>	<b>6,159</b>	<b>7,301</b>
<b>EPS</b>	<b>(Bt)</b>	<b>0.23</b>	<b>0.42</b>	<b>0.34</b>	<b>0.49</b>	<b>0.55</b>	<b>0.56</b>	<b>0.44</b>	<b>0.52</b>

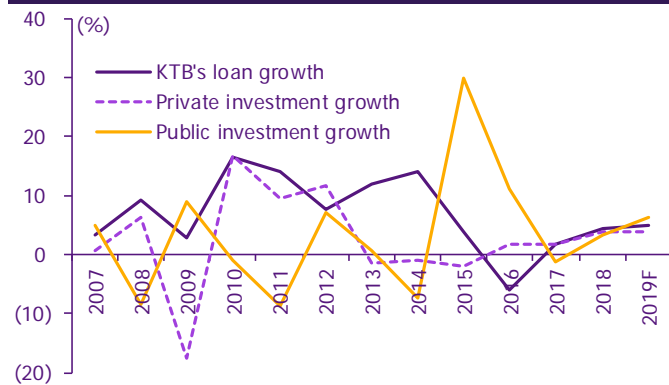
### Balance Sheet

FY December 31	Unit	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Cash	(Btmn)	67,239	64,167	73,573	70,401	66,501	59,983	68,878	62,119
Interbank assets	(Btmn)	426,469	466,503	559,827	585,221	521,214	441,906	372,514	424,454
Investments	(Btmn)	221,676	225,550	228,246	203,649	191,816	208,883	240,167	286,868
<b>Gross loans</b>	<b>(Btmn)</b>	<b>1,918,010</b>	<b>1,875,807</b>	<b>1,938,082</b>	<b>1,928,205</b>	<b>1,959,549</b>	<b>1,980,974</b>	<b>2,024,205</b>	<b>2,032,879</b>
Accrued interest receivable	(Btmn)	3,159	5,020	5,212	5,462	4,988	5,209	5,424	5,753
Loan loss reserve	(Btmn)	111,466	119,649	125,381	129,598	136,586	129,542	133,754	139,044
<b>Net loans</b>	<b>(Btmn)</b>	<b>1,809,703</b>	<b>1,761,178</b>	<b>1,817,912</b>	<b>1,804,069</b>	<b>1,827,950</b>	<b>1,856,640</b>	<b>1,895,874</b>	<b>1,899,589</b>
<b>Total assets</b>	<b>(Btmn)</b>	<b>2,672,038</b>	<b>2,668,061</b>	<b>2,864,373</b>	<b>2,887,501</b>	<b>2,804,772</b>	<b>2,735,948</b>	<b>2,739,203</b>	<b>2,884,114</b>
Deposits	(Btmn)	1,962,422	1,950,086	2,070,875	2,033,068	2,040,349	2,007,392	2,039,602	2,077,071
Interbank liabilities	(Btmn)	186,650	184,108	228,691	250,239	193,603	178,429	157,396	201,439
Borrowings	(Btmn)	116,807	116,261	110,626	110,375	112,163	95,744	95,206	96,854
<b>Total liabilities</b>	<b>(Btmn)</b>	<b>2,392,324</b>	<b>2,378,397</b>	<b>2,570,149</b>	<b>2,587,650</b>	<b>2,509,090</b>	<b>2,430,626</b>	<b>2,425,062</b>	<b>2,560,143</b>
Minority interest	(Btmn)	5,464	5,892	6,358	6,969	6,938	7,644	8,266	9,069
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>274,250</b>	<b>283,773</b>	<b>287,867</b>	<b>292,882</b>	<b>288,744</b>	<b>297,678</b>	<b>305,875</b>	<b>314,902</b>
<b>BVPS</b>	<b>(Bt)</b>	<b>19.62</b>	<b>20.30</b>	<b>20.59</b>	<b>20.95</b>	<b>20.65</b>	<b>21.29</b>	<b>21.88</b>	<b>22.52</b>

### Financial Ratios

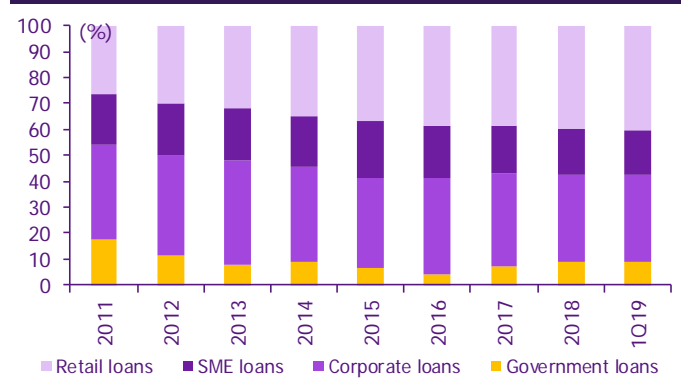
FY December 31		2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
<b>Growth</b>									
YoY loan growth	(%)	(2.81)	(1.59)	1.79	0.78	2.17	5.61	4.44	5.43
YoY non-NII growth	(%)	(3.35)	(8.42)	22.08	(0.52)	8.26	(6.74)	(25.86)	2.84
<b>Profitability</b>									
Yield on earn'g assets	(%)	4.72	4.69	4.50	4.23	4.32	4.44	4.55	4.87
Cost on int-bear'g liab	(%)	1.59	1.61	1.58	1.49	1.53	1.57	1.56	1.50
Spread	(%)	3.12	3.07	2.93	2.73	2.79	2.87	2.99	3.37
Net interest margin	(%)	3.32	3.28	3.14	2.94	3.01	3.09	3.21	3.59
ROE	(%)	4.63	8.42	6.74	9.35	10.60	10.69	8.16	-
ROA	(%)	0.48	0.88	0.67	0.94	1.10	1.15	0.90	0.00
<b>Asset Quality</b>									
NPLs/Total Loans	(%)	5.17	5.53	5.32	5.59	5.64	5.33	5.25	5.39
LLR/NPLs	(%)	112.50	115.37	121.71	120.25	123.54	122.59	125.74	131.66
Provision expense/Total loans	(%)	2.89	2.11	2.80	1.43	1.38	1.23	1.27	1.44
<b>Liquidity</b>									
Loans/Deposits & borrowings	(%)	92.25	90.78	88.84	89.96	91.04	94.19	94.82	93.51
<b>Efficiency</b>									
Cost to income ratio	(%)	39.86	42.03	39.97	46.74	42.05	44.31	49.79	48.74
<b>Capital Fund</b>									
Capital adequacy ratio	(%)	16.26	16.60	17.20	17.49	17.57	17.78	18.22	18.41
Tier-1	(%)	12.77	13.10	13.48	13.73	13.79	13.98	14.47	14.66
Tier-2	(%)	3.49	3.50	3.72	3.76	3.78	3.80	3.74	3.75

**Figure 1: Loan growth**



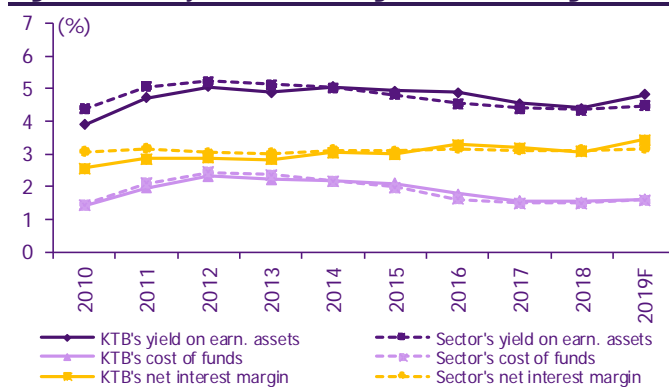
Source: KTB, NESDB and SCBS Investment Research

**Figure 2: KTB's loans broken down by segment**



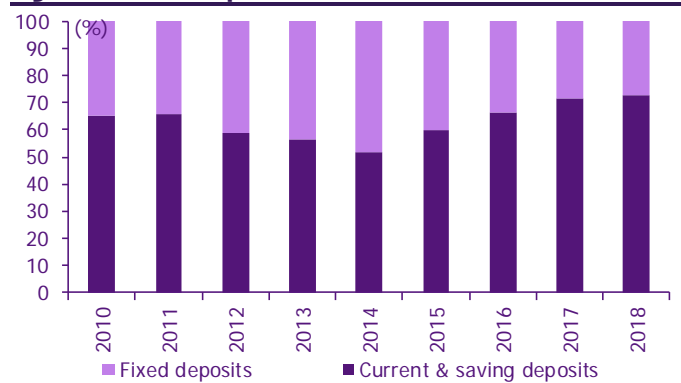
Source: KTB and SCBS Investment Research

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



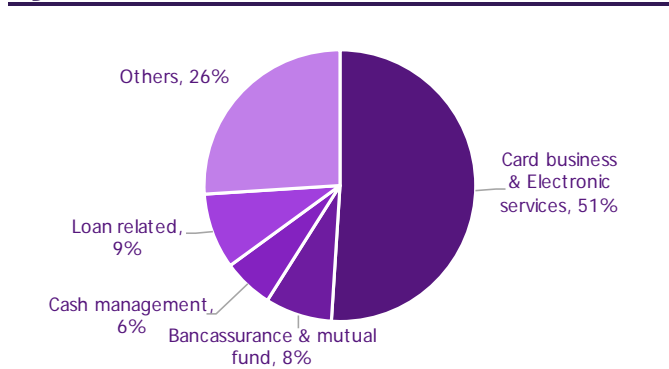
Source: KTB and SCBS Investment Research

**Figure 4: KTB's deposit breakdown**



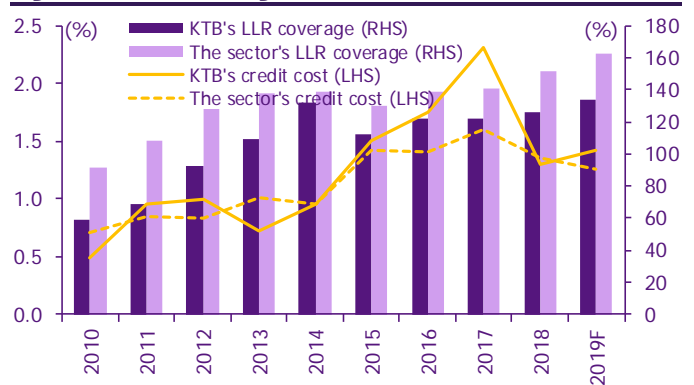
Source: KTB and SCBS Investment Research

**Figure 5: KTB's 1Q19 fee & service income breakdown**



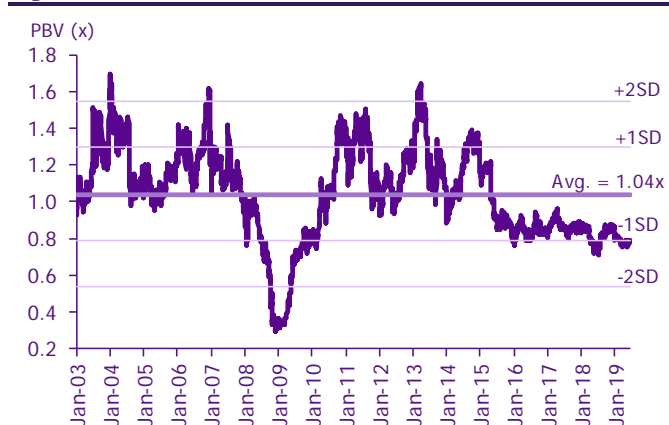
Source: KTB and SCBS Investment Research

**Figure 6: LLR coverage and credit cost**



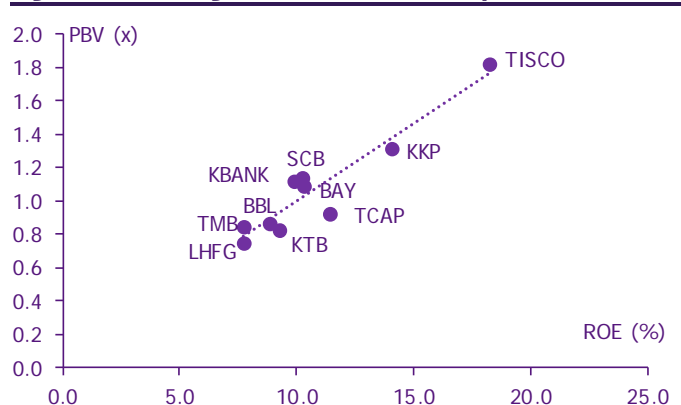
Source: KTB and SCBS Investment Research

**Figure 7: KTB's PBV**



Source: SCBS Investment Research

**Figure 8: Banking sector valuation map**



Source: SCBS Investment Research

# Automotive

SET AUTO index Close: 14/6/2019 470.94 -1.88 / -0.40% Bt17mn  
Bloomberg ticker: SETAUTO

## Pressured by trade war concerns

**Market worries on what the US-China trade war will do to demand for discretionary goods such as automobiles will continue to pressure the automotive sector. While the trade war is admittedly a risk, we believe the tough valuation and dividend yield will support price downside. Our top picks are SAT and STANLY.**

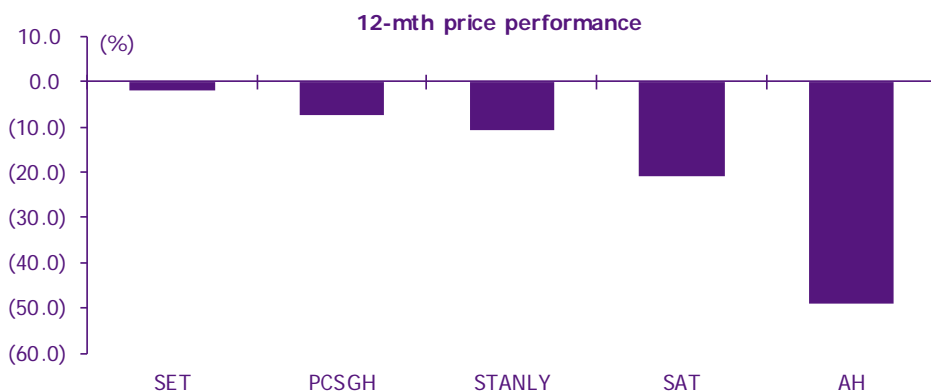
**Weak auto exports.** In 4M19, Thailand exported 366.9K autos (51% of auto production), flat YoY but the figure in April was the lowest since 2013's 67K units, down 8% YoY. Exports dropped in several key export destinations: Asia (-20% YoY), Europe (-46% YoY) and North America (-55% YoY), while strong growth was seen in Australia (+23% YoY) and the Middle East (+35% YoY). The weakness of auto exports is a worry for the market as it can be seen as a benchmark for the impact of the US-China trade war on international trade as a whole and demand for discretionary goods in particular.

**Domestic market is stronger. Watch for a loan measure.** Domestic auto demand is stronger than auto exports, with domestic auto sales at 349.6K units in 4M19, up 11% YoY, reflecting consumer confidence in the economy. We expect the momentum to continue after Thailand has a new, elected government in place. We are watching for a measure to help the industry with an auto loan measure (no timeline yet) as the BoT is concerned about rising NPLs for auto loans that may have a short-term impact on domestic auto sales.

**2% auto production growth in 2019.** Auto production in 4M19 was at 711.7K units, up 6% YoY. After robust auto production of 9% YoY in 2018, we expect auto production growth to normalize at 2% YoY to 2.21mn units in 2019, with 1.08mn domestic auto sales (+4% YoY) and 1.14mn auto exports (flat YoY).

**Top picks are SAT and STANLY.** In our view, market concern about what the trade war between the US and China will do to the demand for discretionary goods such as automobiles will continue to pressure the automotive sector. This can be seen in the poor price performance for auto stocks over the past year: AH at -49%, SAT at -21%, STANLY at -10% and PCSGH at -7% vs. SET at -2%. While we agree that the trade war is a key risk, we also view the tough valuation and dividend yield as sufficient to support price downside. Our top picks are SAT and STANLY. SAT is trading at 8.1x 2019PE, below its crisis level in 2016 (-1SD) when Thai domestic auto demand fell to its lowest since 2010 and SAT's earnings fell to a five-year low. STANLY is trading at 8.1x FY2020PE, -2SD below its historical average. SAT and STANLY offer high dividend yield, SAT at 6% and STANLY at 4%.

## Sluggish performance of auto sector, dragged by trade war concerns



Source: SET and SCBS Investment Research



## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
AH	Buy	19.2	29.0	56.8	8.8	5.6	0.7	0.6
PCSGH	Neutral	7.0	7.2	7.5	15.2	12.1	2.0	1.9
SAT	Buy	18.3	28.0	58.6	8.1	7.4	1.1	1.0
STANLY	Buy	229.0	320.0	43.5	7.9	7.2	1.0	0.9
Average					12.0	8.8	1.4	1.3

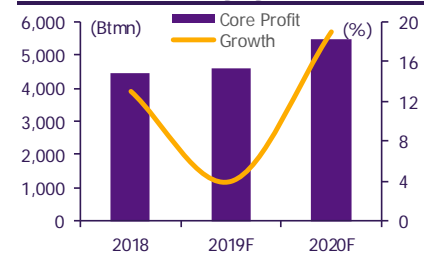
Source: SCBS Investment Research

## Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
AH	2.7	(4.5)	(49.1)	(0.5)	(7.1)	(48.2)
PCSGH	0.7	2.9	(7.3)	(2.4)	0.1	(5.5)
SAT	(2.7)	(0.0)	(21.1)	(5.6)	(2.8)	(19.6)
STANLY	0.4	1.3	(10.5)	(2.6)	(1.5)	(8.8)

Source: SET, SCBS Investment Research

## Sector core earnings growth



Source: SET, SCBS Investment Research

## Analyst

**Raweenuch Piyakriengkai**

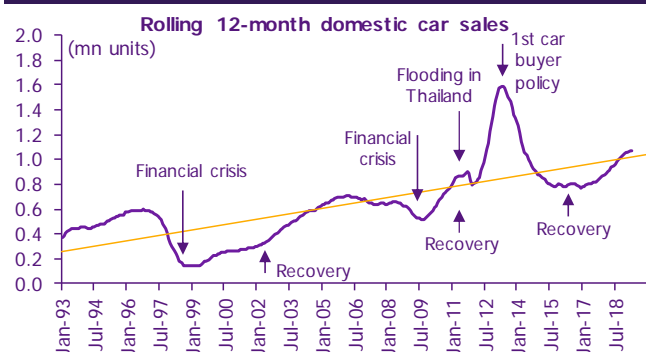
Fundamental Investment

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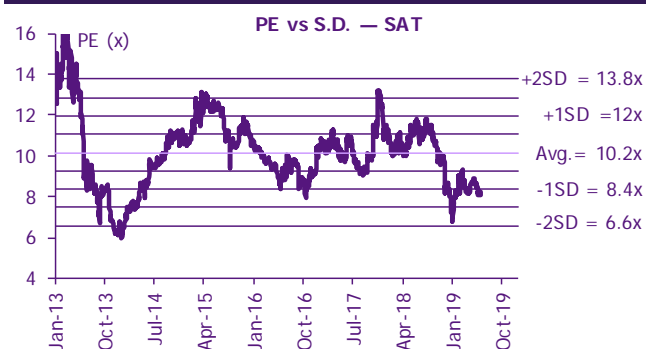
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Figure 1: Rolling 12-mth domestic auto sales



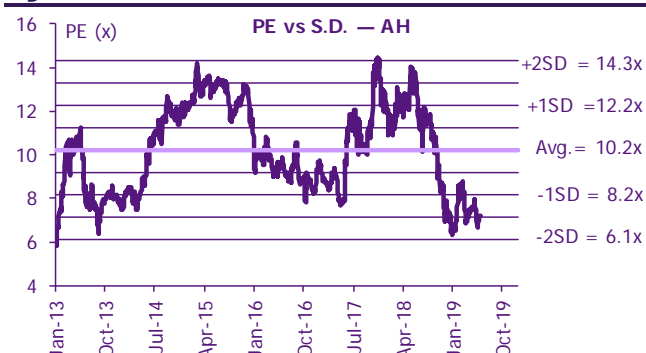
Source: Federation of Thai Industries and SCBS Investment Research

Figure 3: SAT: PE band



Source: SET and SCBS Investment Research

Figure 5: AH: PE band



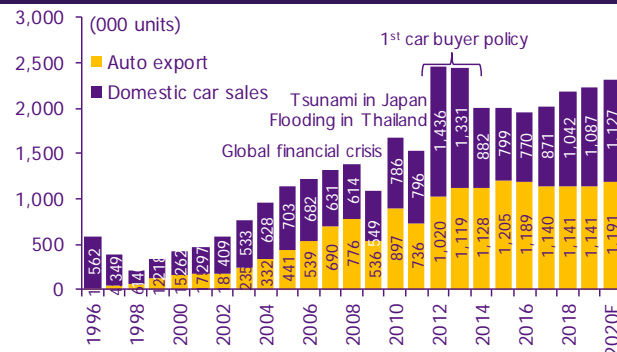
Source: SET and SCBS Investment Research

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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AH	Buy	19.20	29.0	56.8	6.7	8.8	5.6	3	(24)	56	0.8	0.7	0.6	12	8	11	6.8	5.8	6.3	7.5	6.8	5.8
PCSGH	Neutral	7.00	7.2	7.5	17.2	15.2	12.1	(2)	13	26	2.1	2.0	1.9	12	14	16	3.9	4.6	5.8	9.0	7.8	6.4
SAT	Buy	18.30	28.0	58.6	8.5	8.1	7.4	27	6	9	1.1	1.1	1.0	14	13	14	7.4	5.6	6.1	4.1	2.7	2.2
STANLY	Buy	229.00	320.0	43.5	9.0	7.9	7.2	18	14	9	1.1	1.0	0.9	13	13	13	3.6	3.8	4.1	3.9	3.0	2.3
Average					10.3	10.0	8.1	12	2	25	1.3	1.2	1.1	13	12	14	5.4	4.9	5.6	6.1	5.1	4.2

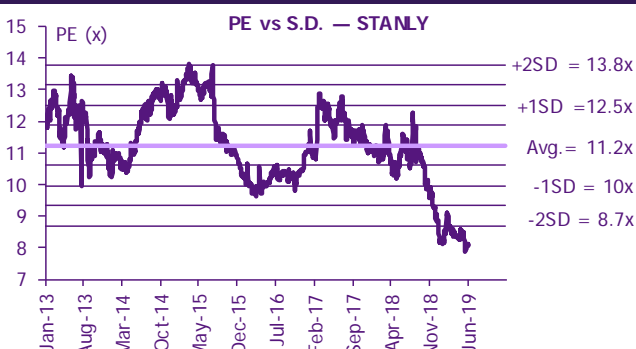
Source: SCBS Investment Research

Figure 2: Thai auto production to grow 2% in 2019



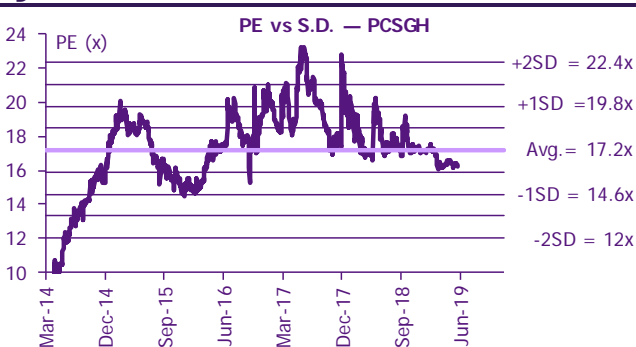
Source: Federation of Thai Industries and SCBS Investment Research

Figure 4: STANLY: PE band



Source: SET and SCBS Investment Research

Figure 6: PCSGH: PE band



Source: SET and SCBS Investment Research

# Aviation

SET TRANS index Close: 14/6/2019 387.19 +2.51 / +0.65% Bt3,294mn  
Bloomberg ticker: SETTRANS

## Good ST news in falling jet fuel price

The recovery of Thai tourism is slow but we see a good ST catalyst for airline operators, the price of jet fuel is falling, helping make up for the slow recovery in tourism. Still, this year the airline sector is facing a challenging outlook. At the same time, we believe the negatives are largely priced in and tough valuations should limit downside. AAV (our top pick) is trading at 0.9x 2019PB, where it was during the 2013-14 political turmoil.

**Fare pressure to continue.** In 1Q19 airline stock earnings improved QoQ from the poor 4Q18 but dropped YoY on poor revenue as average fare was low. AAV's average fare dropped 7% YoY (but rose 10% QoQ) in 1Q19 due to slow recovery in the China market (~30% of AAV's revenue), with Thailand's inbound tourists from China slipping 2% YoY in 1Q19 off the high base in 1Q18. Through April, Thai tourism recovery was slow with growth of just 3% YoY for international tourist arrivals to 3.2mn and tourists from China dropped 9% YoY. Although, this negative backdrop will continue to pressure fares in the near term, we believe 2H19 will be better, boosted by the government's recent six-month extension of the waiver of visa-on-arrival fee through October 31, 2019.

**Fall in jet fuel price.** Although Thai tourism is coming back only slowly, we see airlines will have some support from a subsiding jet fuel price. Average jet fuel price 2Q19TD is US\$78.8/bbl, down 7% YoY (but up 6% QoQ) and spot price is even lower at US\$71.9/bbl. AAV is hedging ~50% of jet fuel usage in 2Q-4Q19 while THAI is at ~60% in 2Q19 and ~40% in 2H19, giving both airline operators room to benefit from the lower jet fuel spot price.

**AAV is our top pick.** AAV's earnings are likely to fall QoQ in 2Q19 from seasonality and the extra item of Bt111mn in staff expense to comply with changes in the Labor Protection Act. However, we maintain our view that it will turn around in 2019. AAV is trading at a tough valuation of 0.9x 2019PB - where it was during the political turmoil in 2013-14 - and this limits price downside.

**AOT: Chief interest is the minimum guarantee.** Current concessionaire King Power won the bids to operate both the duty-free and retail area at Suvarnabhumi airport and duty-free at three regional airports (Phuket, Chiang Mai and Hat Yai) from Sep 28, 2020 to Mar 30, 2031. What is of chief interest is the minimum guarantee, since a high minimum guarantee would boost the blended revenue sharing throughout the contract. This will be revealed after AOT's board meeting on June 19, 2019. Our sensitivity analysis suggests that a 5% increase in blended revenue sharing (e.g. 25% for duty free (from 20% currently) and 20% for retail area (from 15%) at Suvarnabhumi airport) will add 6% to our earnings forecast from FY2021 onward and will increase our TP by Bt4/share. The mystery over the minimum guarantee will keep AOT share price under pressure until unveiled. However, we see price downside as sheltered as AOT is trading at 33x FY2019PE, down to the level before the rally spurred by news of new concession bids in mid-2017, suggesting the negatives are priced in.

### Airline: Short-term catalyst from falling jet fuel price



Source: Bloomberg and SCBS Investment Research



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
AAV	Buy	4.0	5.8	46.8	20.1	16.2	0.9	0.9
AOT	Neutral	66.8	70.0	6.4	38.1	33.4	6.6	6.1
THAI	Sell	10.2	10.0	(2.0)	n.m.	n.m.	1.1	1.2
Average					29.1	24.8	2.9	2.7

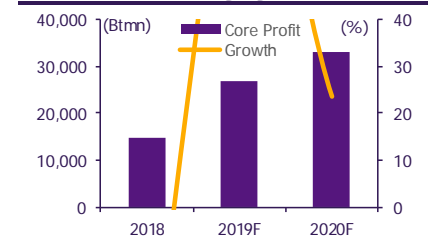
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
AAV	0.5	(2.9)	(26.2)	(2.6)	(5.6)	(24.8)
AOT	(1.1)	(1.8)	(0.7)	(4.1)	(4.6)	1.2
THAI	(12.8)	(17.1)	(33.8)	(15.5)	(19.4)	(32.5)

Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### Analyst

**Raweenuch Piyakriengkai**

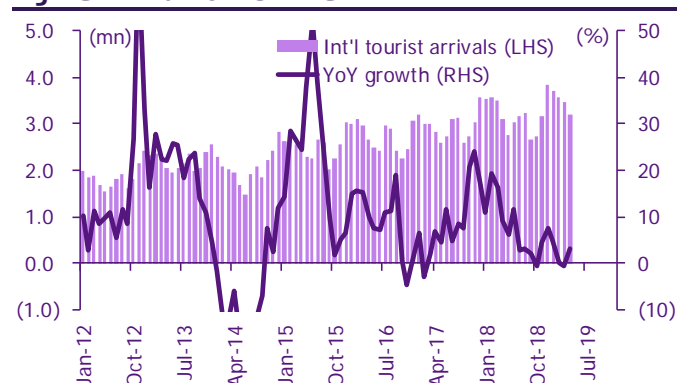
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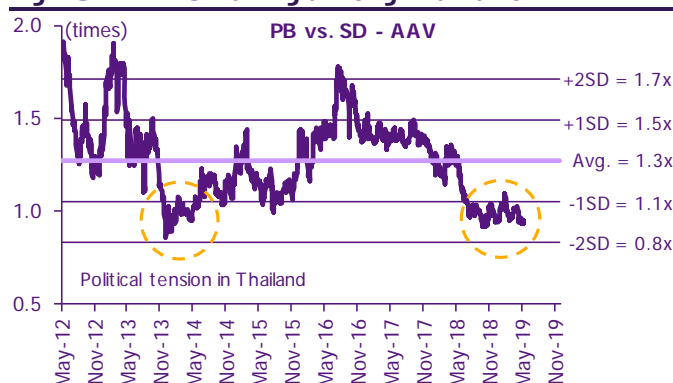
raweenuch.piyakriengkai@scb.co.th

Figure 1: Thai tourism trend



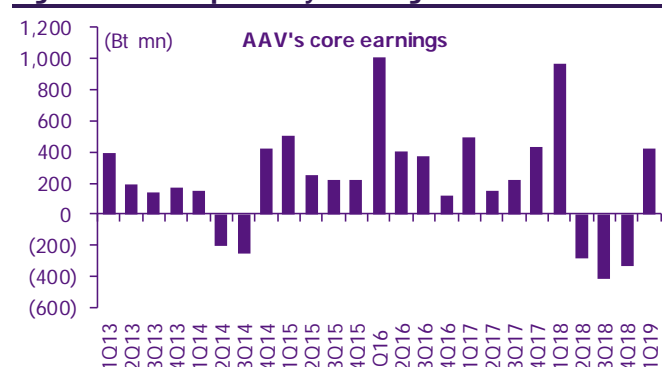
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 2: AAV is trading at tough valuation



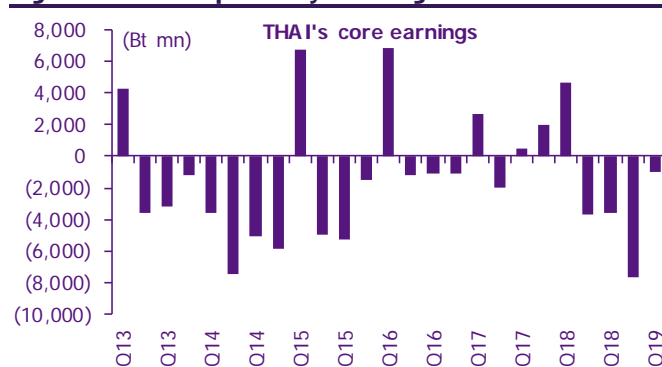
Source: SET and SCBS Investment Research

Figure 3: AAV's quarterly earnings



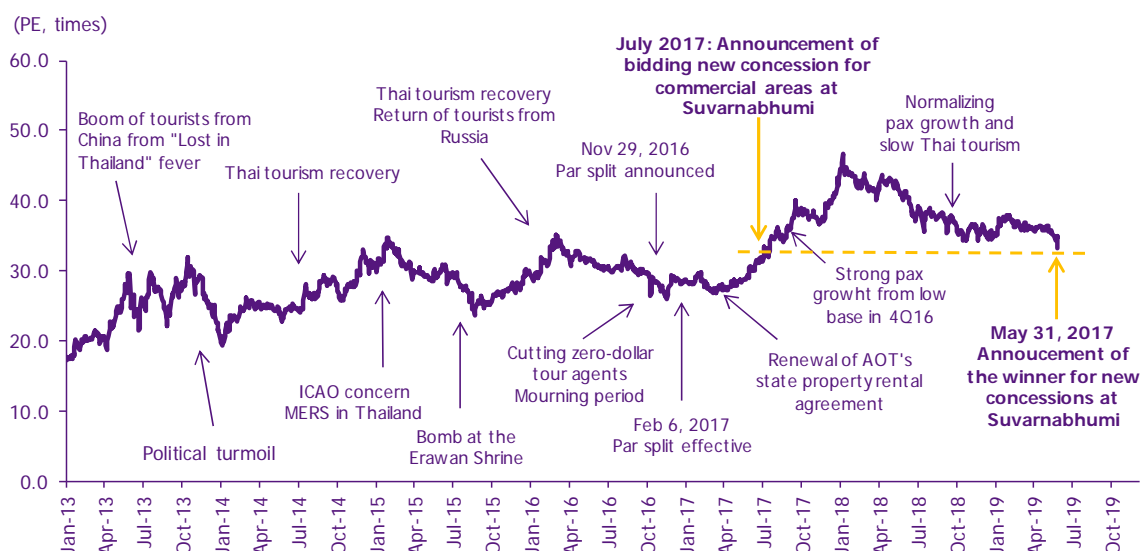
Source: Company data and SCBS Investment Research

Figure 4: THAI's quarterly earnings



Source: Company data and SCBS Investment Research

Figure 5: AOT's valuation is down to the level before the rally on the news of bidding new concessions



Source: SCBS Investment Research

Figure 6: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AAV	Buy	4.02	5.8	46.8	n.m.	20.1	16.2	n.m.	n.m.	24	1.0	0.9	0.9	(0)	5	6	8.3	2.5	3.1	21.8	10.8	9.5
AOT	Neutral	66.75	70.0	6.4	43.7	38.1	33.4	14	15	14	7.2	6.6	6.1	17	18	19	1.3	1.6	1.5	26.6	23.9	21.4
THAI	Sell	10.20	10.0	(2.0)	7.2	n.m.	n.m.	(9)	n.m.	74	0.7	1.1	1.2	9	(40)	(13)	0.0	0.0	0.0	6.9	11.6	8.0
Average					25.4	29.1	24.8	3	15	38	3.0	2.9	2.7	9	(6)	4	3.2	1.4	1.5	18.4	15.4	13.0

Source: SCBS Investment Research

# Bank

SET BANK index Close: 14/6/2019 518.67 -2.25 / -0.43% Bt3,753mn  
Bloomberg ticker: SETBANK

## So-so year

**We expect 2019 to be a flattish year for the banking sector, underpinned by stable loan growth, flat NIM and a minimal easing in credit cost and continued dull non-NII. We expect 2Q19F to remain weak, reflecting sluggish loan growth, a small QoQ slip in NIM, weak fee income and stable asset quality. We keep BBL and KTB as the sector's top picks.**

**Looking at 2Q19: Still weak.** Overall, we expect continued weakness in 2Q19 from 1Q19, with sluggish loan growth, a small QoQ squeeze in NIM, weak fee income and stable asset quality. We expect bank 2Q19 earnings to slip YoY (excluding BAY's extra gain on sale of a 50% stake plus revaluation of investment in Ngern Tid Lor), largely from lower fee income arising out of the waiver of fees on digital transactions. On a QoQ basis, we look for a small rise in 2Q19 earnings, as opex will come down since they have already booked the extra employee benefit.

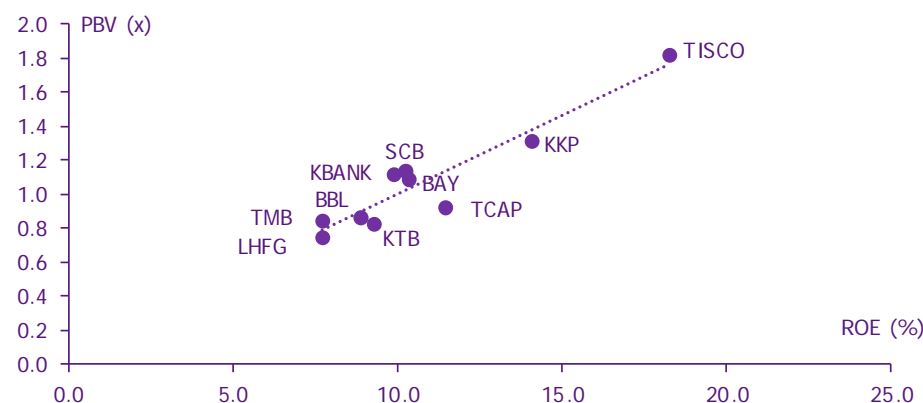
**Flattish NIM.** We expect loan yield to improve over the rest of the year as most banks are moving into high-yield loan segments, i.e. unsecured personal loans, car refinancing loans and small SME loans. A 25 bps hike in time deposit rates had minimal impact on 1Q19 cost of funds, and though there will be a bigger impact on 2Q19 cost of funds, it will not be large due to a timing lag. All told, we now expect sector NIM to be flat for the rest of the year and for the year as a whole.

**Stable loan growth.** We cut the sector's 2019F loan growth from 6.3% to 5.4%, essentially unchanged from 5.5% in 2018, in response to the slower GDP growth than expected, poorer 4M19 loan growth and political uncertainty. The sector's loans inched up just 0.2% MoM and 4.6% YoY in April and YTD loan growth in 4M19 is merely 0.1%, slower than 0.9% for the same period last year. SCB EIC has revised down its forecast for Thailand's GDP growth in 2019 to 3.3% from 3.6%, prompted by the larger-than-expected impact on Thai exports of the trade war and the global economic slowdown. SCB EIC has slashed its projection for Thai export growth in 2019 to 0.6% from the previous 2.7%. The country's private investment in industries related to exports is also expected to decelerate.

**Flattish earnings outlook for 2019F.** We maintain our view of flat overall earnings growth for the sector in 2019F as we now expect stagnant loan growth, stagnant NIM, a slight easing in credit cost, a fall in non-NII and higher opex from IT upgrades and employee benefits.

**Reiterate BBL and KTB as sector top picks.** SETBANK has increased 1% YTD, underperforming the SET's +7% YTD by 6%. This pretty much prices in the so-so outlook for 2019F. BBL and KTB remain our sector picks as plays on investment recovery (the only hope for the sector right now) and their attractive valuations.

## 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) 19F	P/BV (x) 20F
BAY	Buy	38.3	43.0	15.2	10.8	9.7
BBL	Buy	199.0	240.0	24.1	10.1	9.0
KBANK	Neutral	193.5	190.0	0.3	11.9	10.8
KKP	Neutral	68.3	70.0	8.9	9.5	9.1
KTB	Buy	19.5	22.0	16.8	9.3	10.0
LHFG	Sell	1.5	1.5	4.4	10.0	9.4
TCAP	Buy	56.0	64.0	18.6	8.3	7.8
TISCO	Buy	89.8	97.0	14.9	10.2	9.8
TMB	Buy	2.0	2.4	20.8	11.2	9.8
<b>Average</b>					<b>10.3</b>	<b>9.6</b>

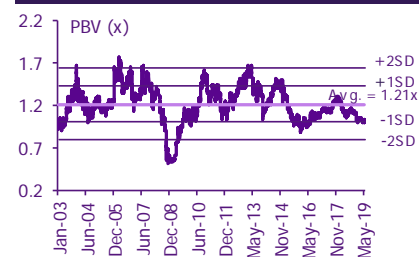
Source: SCBS Investment Research

## Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
BAY	2.7	3.4	(7.8)	(0.5)	0.5	(6.0)
BBL	(0.3)	(4.3)	(0.3)	(3.3)	(7.0)	1.7
KBANK	3.2	2.4	(3.0)	0.0	(0.5)	(1.1)
KKP	4.2	(1.8)	1.1	1.0	(4.5)	3.1
KTB	3.7	3.7	10.8	0.6	0.8	12.9
LHFG	0.7	0.7	0.7	(2.4)	(2.1)	2.6
TCAP	7.2	2.8	11.4	3.9	(0.1)	13.6
TISCO	5.0	(0.3)	1.7	1.8	(3.1)	3.7
TMB	2.6	(7.0)	(19.8)	(0.6)	(9.6)	(18.2)

Source: SET, SCBS Investment Research

## Banking sector's PBV



Source: SET, SCBS Investment Research

## Analyst

**Kittima Sattayapan, CFA**

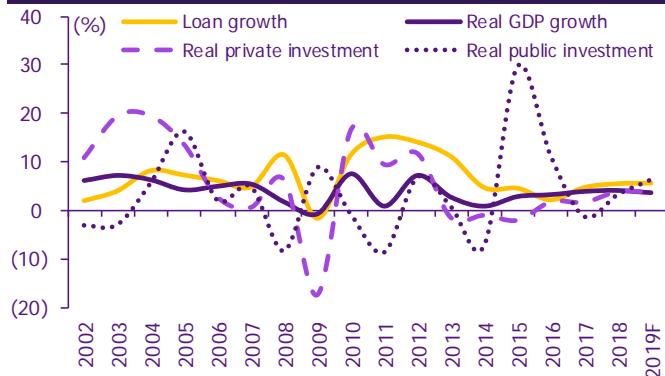
Fundamental Investment

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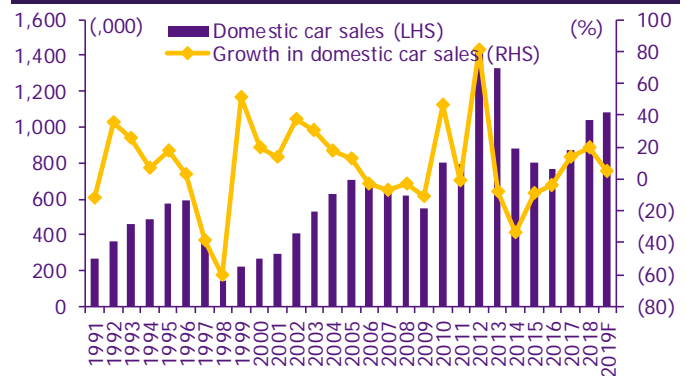
kittima.sattayapan@scb.co.th

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



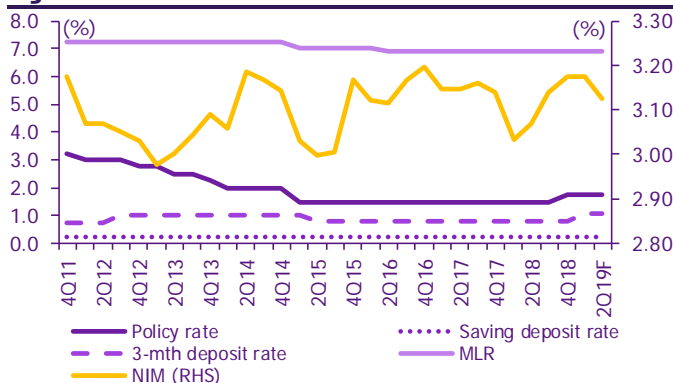
Source: NESDB, SCB EIC and SCBS Investment Research

Figure 2: Domestic car sales



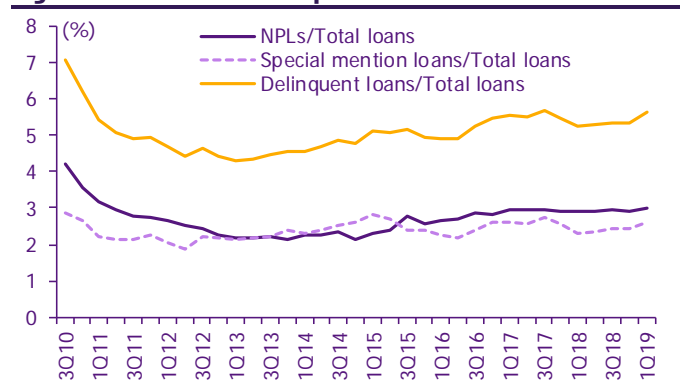
Source: Toyota (Thailand) and SCBS Investment Research

Figure 3: NIM and interest rates



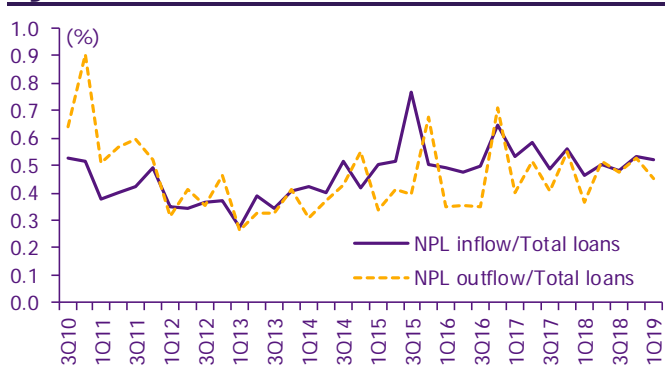
Source: SCBS Investment Research

Figure 4: NPL ratio and special-mention loans



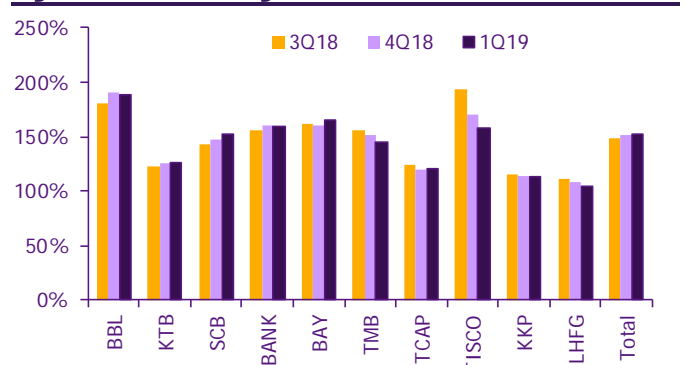
Source: BoT and SCBS Investment Research

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 (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BAY	Buy	38.25	43.0	15.2	11.3	10.8	9.7	7	5	11	1.2	1.1	1.0	11	10	11	2.6	2.8	3.1
BBL	Buy	199.00	240.0	24.1	10.8	10.1	9.0	7	7	11	0.9	0.9	0.8	9	9	9	3.3	3.5	3.9
KBANK	Neutral	193.50	190.0	0.3	12.0	11.9	10.8	12	1	10	1.2	1.1	1.0	11	10	10	2.1	2.1	2.3
KKP	Neutral	68.25	70.0	8.9	9.6	9.5	9.1	5	0	5	1.4	1.3	1.2	14	14	14	7.3	6.3	6.6
KTB	Buy	19.50	22.0	16.8	9.6	9.3	10.0	27	3	(7)	0.9	0.8	0.8	10	9	8	3.7	4.0	3.7
LHFG	Sell	1.48	1.50	4.4	10.1	10.0	9.4	19	1	6	0.8	0.7	0.7	8	8	8	3.0	3.0	3.2
TCAP	Buy	56.00	64.0	18.6	8.3	8.3	7.8	16	(0)	7	1.0	0.9	0.9	12	11	11	4.1	4.3	4.9
TISCO	Buy	89.75	97.0	14.9	10.2	10.2	9.8	15	0	4	1.9	1.8	1.7	19	18	18	7.8	6.8	6.6
TMB	Buy	1.99	2.35	20.8	7.5	11.2	9.8	34	(33)	15	0.9	0.8	0.8	12	8	8	3.5	2.7	3.1
<b>Average</b>					<b>10.1</b>	<b>10.3</b>	<b>9.6</b>	<b>7</b>	<b>2</b>	<b>8</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>4.2</b>	<b>4.0</b>	<b>4.1</b>

Source: SCBS Investment Research

# Commerce

SET COMM index Close: 14/6/2019 43,174.33 +44.64 / +0.10% Bt3,619mn  
Bloomberg ticker: SETCOMM

## Aided by stimulus and hotter weather

**We expect sector same-store sales (SSS) to grow 3.2% YoY in 2Q19TD (vs 3% YoY in 1Q19) and 2.8% YoY in 2019 (vs 2.7% YoY in 2018). With fading sentiment and farm income, growth will be boosted by new government stimulus in mid-2019F and hotter weather than average this year that has lifted sales in food and beverages and cooling-related electrical appliances. Top picks are CPALL and HMPRO.**

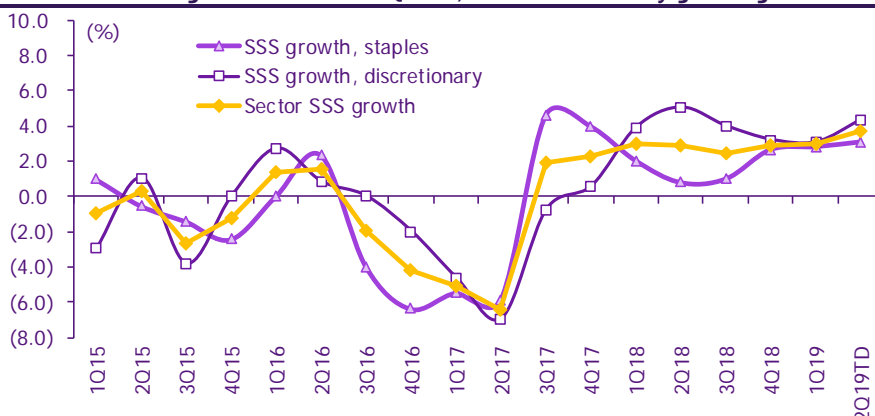
**Weaker sentiment and farm income.** The Consumer Confidence Index (CCI), an indicator of consumer sentiment, dropped for the third straight month in May to a 19-month low of 77.7 points on concerns over the new government's stability and the trade war. Farm income dropped 3% YoY in April and it is set to slip 3% in May according to OAE, from a drop in agricultural prices.

**New government stimulus in mid-2019F.** On April 30, the Cabinet approved a fiscal package worth Bt22bn (Figure 3), which the FPO believes will add 0.1% to GDP growth in 2019. It is allocating Bt13bn to low-income earners via the state welfare card: increase the purchase limit for cardholders by Bt500/person/month for consumer products in Pracha Rat blue flag shops for two months, a one-time subsidy of Bt1,000/person for low-income farmers to purchase fertilizer and insecticide and Bt500/child for parents for the purchase of student uniforms and learning tools and an increase of Bt200/person/month for those registered as disabled for five months. Another group of measures is aimed at individual taxpayers with deductions of up to Bt8.6bn: individual tax deduction of up to Bt15,000 and Bt20,000 for travel expenses in major cities and secondary provinces and up to Bt15,000 for purchases of sports and educational products, OTOP products and books. These measures will be mostly effective in May-June, boosting consumption spending in 2Q19. After the setup of a new government, the market hopes for new stimulus measures to lift private consumption. If any, this would add a positive in 2H19F.

**Hotter weather this year.** Based on Thai Meteorological Department (TMD), a weak El Nino, associated with warmer than average sea surface temperatures in the central and eastern Pacific, began in September 2018, and will continue until at least August 2019. TMD forecasts a 5-10% lower-than-average rainfall and hotter-than-average temperature in Thailand in June-August this year. This implies a short-term catalyst for sector SSS growth for food and beverages and cooling-related electrical appliances.

**Top picks: CPALL and HMPRO.** Our top picks are gainers on hot weather and new government stimulus: CPALL, with higher beverage sales; better local tourists, and HMPRO with better sales on cooling-related electrical appliances, leading to robust 2Q19F results. We also like GLOBAL and ROBINS for investment in the next 6-12 months, as their weak short-term operations are in the price.

**Sector SSS is set to grow 3.2% YoY in 2Q19TD, with discretionary growing more**



Source: SCBS Investment Research

## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
BJC	Neutral	49.3	53.0	9.0	29.0	26.5	1.7	1.7
CPALL	Buy	83.0	90.0	9.9	36.9	32.6	7.5	6.7
GLOBAL	Buy	17.8	20.0	13.5	37.3	34.2	5.0	4.6
HMPRO	Buy	17.6	18.0	4.5	35.4	31.3	10.6	9.6
MAKRO	Neutral	34.3	40.0	19.6	27.7	26.8	8.5	7.9
ROBINS	Buy	56.0	70.0	27.6	19.1	17.0	3.0	2.8
Average					30.9	28.1	6.1	5.5

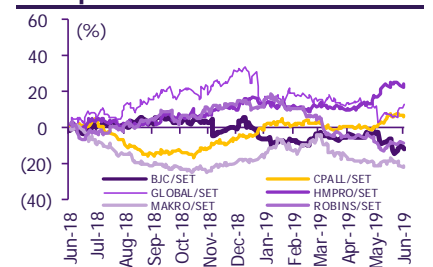
Source: SCBS Investment Research

## Price performance

Rating	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BJC	1.0	(1.5)	(10.9)	(2.1)	(4.3)	(9.1)
CPALL	8.5	9.9	4.4	5.2	6.9	6.4
GLOBAL	14.8	4.7	7.4	11.3	1.8	9.5
HMPRO	10.7	15.8	20.5	7.3	12.6	22.9
MAKRO	6.2	(7.4)	(18.9)	3.0	(10.0)	(17.4)
ROBINS	6.2	(5.9)	(11.5)	2.9	(8.5)	(9.7)

Source: SET, SCBS Investment Research

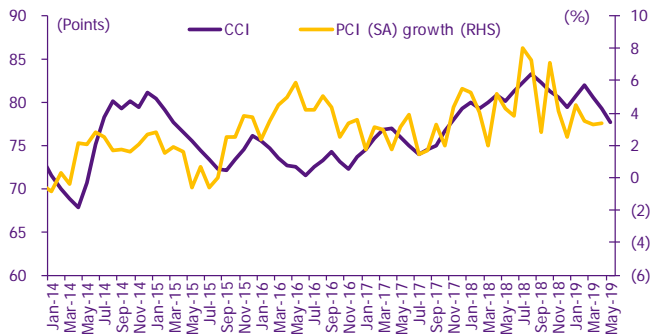
## Price performance relative to SET



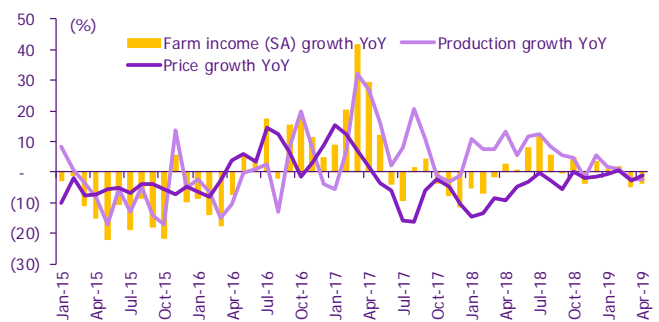
Source: SET, SCBS Investment Research

## Analyst

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**Figure 1: CCI dropped three months in a row to hit 19-month low in May**

Source: UTCC, BOT and SCBS Investment Research

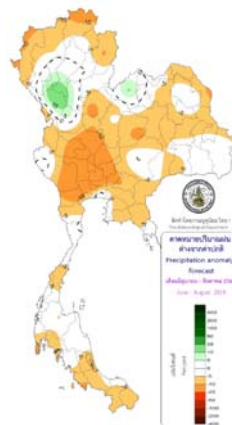
**Figure 2: Farm income dropped 3% YoY in April from the drop in agricultural price**

Source: OAE and SCBS Investment Research

**Figure 3: Mid-year government stimulus worth Bt22bn, mainly boosting private consumption in 2Q19F**

Mid-year government stimulus	Period	Gov't budget (Bt mn)
<b>1 Measures for low-income earners via state welfare card</b>		<b>13,210</b>
1) Increase of Bt500/person/month in state welfare cardholders' purchase limit for necessary consumer products in Pracha Rat blue flag shops for two months	May-Jun	6,600
2) One-time subsidy of Bt1000/person for low-income farmers to purchase fertilizer, insecticide, and others of production	May	4,100
3) One-time subsidy of Bt500/child for parents who hold state welfare cards, for the purchase of student uniforms and learning tools	May	1,350
4) Increase of Bt200/person/month for each state welfare cardholder who registered as disabled for five months	May-Sep	1,160
<b>2 Tax incentive measures</b>		<b>8,576</b>
Individual tax deduction up to Bt15,000 and Bt20,000 for travel expenses in major cities and secondary provinces	30 Apr - 30 Jun	1,000
Individual tax deduction up to Bt15,000 for purchase in sports and education products	1 May - 30 Jun	1,500
Individual tax deduction up to Bt15,000 for purchase in OTOP products	30 Apr - 30 Jun	150
Individual tax deduction up to Bt15,000 for purchase in book and e-book expenses	1 Jan - 31 Dec	2,256
Individual tax deduction up to Bt200,000 for the first-time purchase of house and condominium with value below Bt5mn	1 Jan - 31 Dec	1,300
Double deduction for the value of investment expenses of the companies for an electronic tax system.	30 Apr - 31 Dec	2,370
<b>Total budget</b>		<b>21,786</b>

Source: Local newspaper, FPO and SCBS Investment Research

**Figure 4: In Jun-Aug, rainfall in Thailand will be 5-10% below average with higher temperature than average**

Source: TMD 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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BJC	Neutral	49.25	53.0	9.0	30.6	29.0	26.5	26	6	9	1.7	1.7	1.7	6	6	6	1.5	1.4	1.5	16.7	16.0	15.2
CPALL	Buy	83.00	90.0	9.9	38.8	36.9	32.6	16	5	13	9.3	7.5	6.7	28	24	23	1.3	1.4	1.6	21.5	20.1	18.2
GLOBAL	Buy	17.80	20.0	13.5	46.5	37.3	34.2	(4)	25	9	5.6	5.0	4.6	13	14	14	0.9	1.2	0.9	29.7	24.7	22.8
HMPRO	Buy	17.60	18.0	4.5	40.9	35.4	31.3	16	16	13	11.6	10.6	9.6	29	31	32	2.0	2.3	2.6	23.2	20.8	18.9
MAKRO	Neutral	34.25	40.0	19.6	26.6	27.7	26.8	14	(4)	3	9.1	8.5	7.9	37	32	31	2.8	2.8	2.8	16.2	16.5	16.0
ROBINS	Buy	56.00	70.0	27.6	20.8	19.1	17.0	7	11	9	3.3	3.0	2.8	16	17	17	2.5	2.6	2.9	11.5	10.9	9.8
<b>Average</b>					<b>34.0</b>	<b>30.9</b>	<b>28.1</b>	<b>13</b>	<b>10</b>	<b>9</b>	<b>6.8</b>	<b>6.1</b>	<b>5.5</b>	<b>22</b>	<b>21</b>	<b>20</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>19.8</b>	<b>18.2</b>	<b>16.8</b>

Source: SCBS Investment Research

# Construction Materials

SET CONMAT index Close: 14/6/2019 11,241.81 -78.23 / -0.69% Bt2,258mn  
Bloomberg ticker: SETCONMT



## Demand on the rise, cost pressure easing

**In 2019TD, local cement and ceramic tile demand has continued to pick up and healthier public and private investment will keep it moving up. With demand reviving, product prices have inched up YTD and the recent drop in fuel costs YTD will help alleviate cost pressures this year. Top picks are SCC and SCCC.**

**Demand reviving.** Based on OAE data, after contracting for the past 4-5 years, cement and ceramic tile demand turned around with a rise of 2% YoY and 5% YoY in 2018, and 2% YoY and 4% YoY in 4M19. We expect cement and ceramic tile demand to continue to grow by 3% YoY in 2019F, backed by stronger public and private investment. SCB EIC expects public investment to grow 6.4% and private investment to grow 3.8% in 2019F.

**Private projects: More positive signs.** In 1Q19, the value of projects approved increased to Bt135bn (+76.7% YoY) and promotional certificates issued by the BOI grew to Bt89bn (+3.8% YoY) – the fourth consecutive quarter of YoY improvement. Investment in some of these new projects may start as early as 2019. Meanwhile, construction area permits (9-month moving average), a leading indicator for local building material demand, began to move up in August 2018. These are positive signs for cement and ceramic tile demand this year.

**Public projects: More disbursement.** After adjusting to accommodate the new Public Procurement and Supplies Management Act, B.E. 2560 (2017), government investment disbursement rate began to improve in mid-2018. The FY2019 (Oct 2018-Sep 2019) government investment budget was bumped up 20% YoY to Bt648bn. A larger government investment budget and higher disbursement rate implies better private investment this year. Disbursement for mega projects is expected to accelerate in 2019-20; approval and start of construction of these projects will help lift sentiment and spur more private investment.

**Recent drop in fuel costs alleviates cost pressure.** In contrast to the upward trend in 2018, spot coal price and oil price have fallen 10% YoY and 5% YoY, respectively, in 2019TD. In 4M19, the cement price index picked up 1% YoY while the ceramic tile price index grew 2% YoY. Normally, cement producers lock in coal price 6-12 months in advance and gas price lags oil price by around six months. The recent drop in fuel costs should help alleviate the cost pressure for building material players this year.

**Top picks SCC, SCCC.** We expect sector 2Q19F net profit to be weakened by the recording of one-time provisions for employee benefits of Bt2bn by SCC, Bt249mn by SCCC, and Bt44mn by DCC. We like SCC for the potential revival in its chemical unit in 3Q19F from high season and less impact from the trade war QoQ. We also like SCCC for its cost savings after the completion of business restructuring in 2018.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/BV (x) 20F	P/BV (x) 19F	P/BV (x) 20F
DCC	Neutral	2.0	2.5	30.5	13.2	12.5	3.0	2.9
SCC	Buy	458.0	525.0	18.6	12.3	12.5	1.7	1.6
SCCC	Buy	233.0	270.0	19.3	22.5	19.0	2.0	1.9
Average					16.0	14.7	2.3	2.1

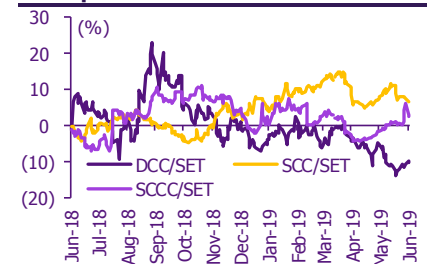
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
DCC	1.5	(2.9)	(18.7)	(1.6)	(5.6)	(17.1)
SCC	(0.4)	(4.2)	5.5	(3.5)	(6.9)	7.6
SCCC	8.4	2.6	5.0	5.1	(0.2)	7.0

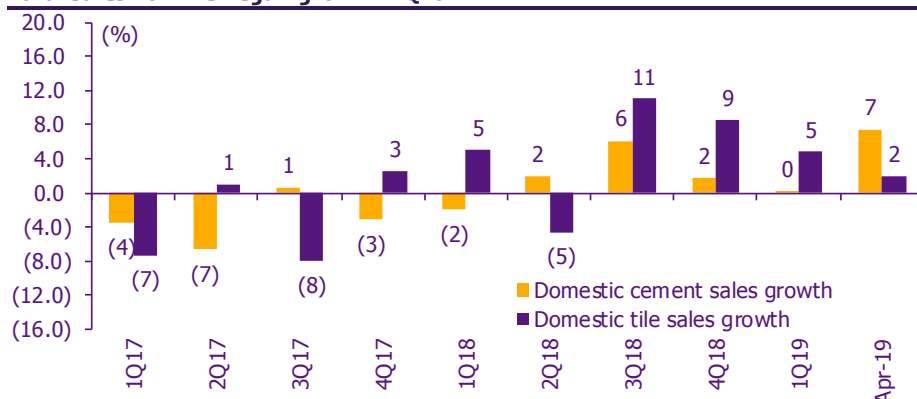
Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Local sales volume began grow in 3Q18

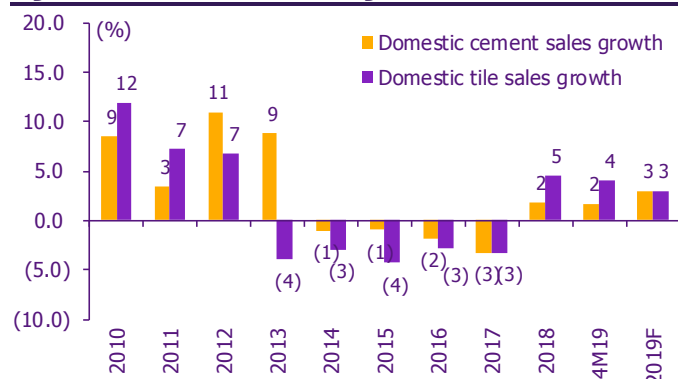


Source: OIE and SCBS Investment Research

### Analyst

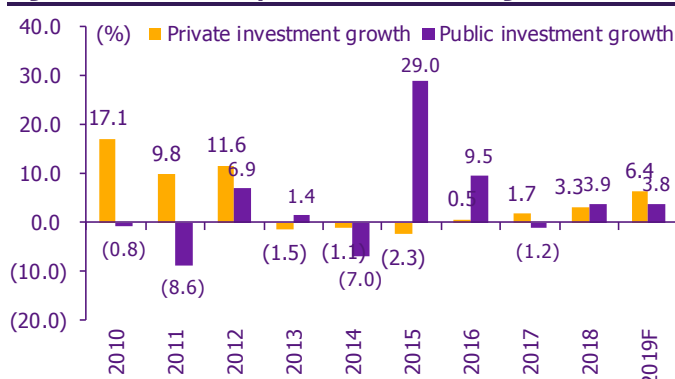
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Figure 1: Local sales volume growth in 2019F



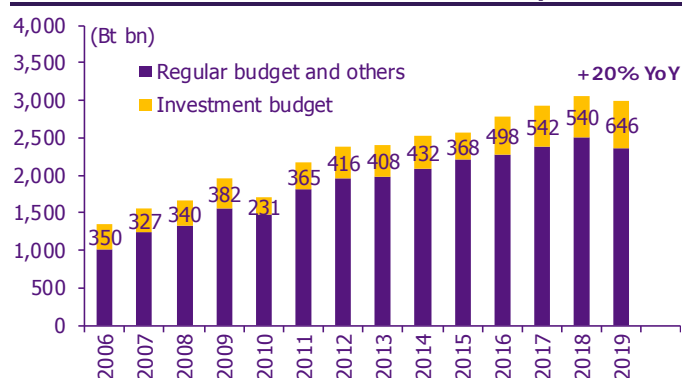
Source: OIE and SCBS Investment Research

Figure 2: Public and private investment growth



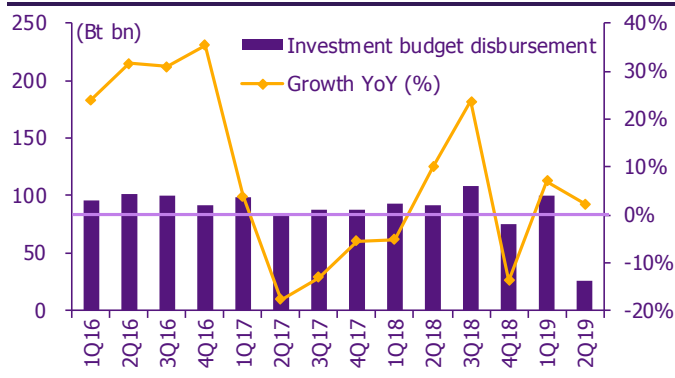
Source: SCB EIC and SCBS Investment Research

Figure 3: Government investment budget raised to Bt646bn (+20% YoY) in FY2019 (Oct 2018-Sep 2019)



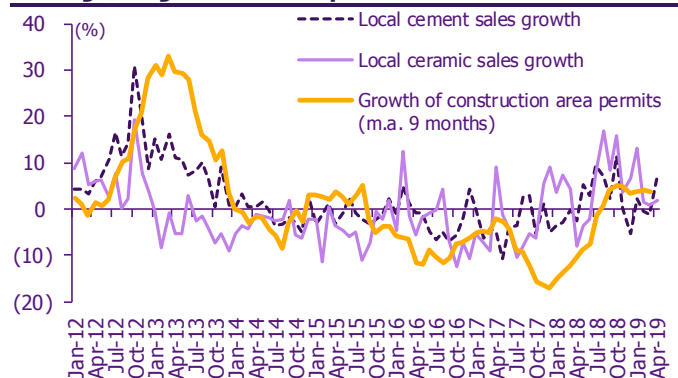
Source: FPO, NESDB and SCBS Investment Research

Figure 4: Government investment budget disbursement on the rise in 2019TD



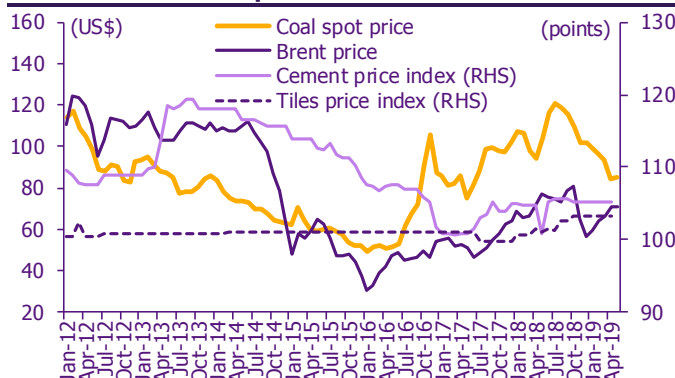
Source: FPO and SCBS Investment Research

Figure 5: Construction area permits (9-month moving average) began to head up



Source: BOT, OIE and SCBS Investment Research

Figure 6: In 2019TD, product prices picked up slightly, amid the recent drop in fuel costs



Source: REIC, NEX, Bloomberg 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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
DCC	Neutral	2.00	2.5	30.5	13.3	13.2	12.5	(12)	1	5	3.0	3.0	2.9	24	24	24	5.8	5.5	6.0	8.1	8.0	7.6
SCC	Buy	458.00	525.0	18.6	10.6	12.3	12.5	(4)	(14)	(2)	1.8	1.7	1.6	18	14	13	4.1	3.9	3.8	8.5	9.3	8.8
SCCC	Buy	233.00	270.0	19.3	24.5	22.5	19.0	(39)	9	18	1.8	2.0	1.9	9	9	10	4.3	3.4	3.4	11.8	11.7	10.8
Average					16.1	16.0	14.7	(19)	(1)	7	2.2	2.3	2.1	17	16	16	4.7	4.3	4.4	9.4	9.7	9.1

Source: SCBS Investment Research

# Energy – Oil and Gas

SET ENER index Close: 14/6/2019 24,707.42 -45.26 / -0.18% Bt8,831mn  
Bloomberg ticker: SETENERG

## Haunted by trade tension

**Despite the supply disruption and production curb by OPEC+, the market remains cautious on oil price outlook, seen in a 16-20% fall in benchmark oil prices in the past month. Behind this is US-China trade tension that is damaging global economies and demand for oil while the US continues to push shale oil onto the market in 2H19, making it difficult for OPEC to stabilize the oil market and price at US\$70± for Brent. The weaker oil price YTD forces greater vigilance on oil price movement. We now assume 2019 Brent at US\$68/bbl from US\$75 and for the LT, a more conservative US\$65.**

**Weaker oil price YTD than expected.** Benchmark oil prices have been volatile this year, initially up 39-46% from end-2018 to peak in late April on supply concerns before retreating 16-20% recently on rising tension in the US-China trade dispute. This is damaging global economic growth as seen in the IMF's latest downward revision of global 2019 GDP growth to 3.3% from 3.5%, the weakest since the 2008-09 financial crisis. The outlook is bleaker in most major economies, with higher tariffs weighing on international trade. The IMF is also looking to further cut major oil consumer China's GDP growth as the trade conflict inflicts quantifiable damage. Average Brent price YTD is US\$66.2/bbl vs. US\$70.1/bbl in the same period of 2018.

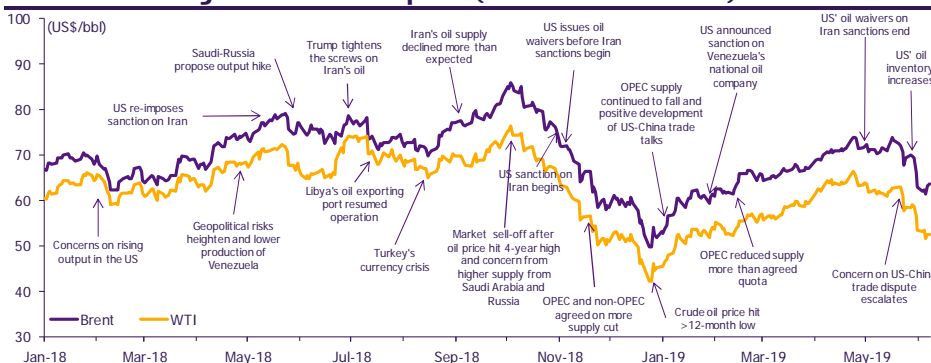
**Demand to pick up in 2H19.** We expect oil demand to be boosted by seasonality and preparation for the IMO 2020 sulfur cap rule, which will heighten demand for light sweet crude (e.g. Brent) in 2H19-2021 or during the transition period. We expect this to be offset partly by more supply from US shale oil.

**OPEC+ to make up for supply disruption.** We expect OPEC and allies (OPEC+) to continue to work to balance demand-supply over the remainder of the year with the target production curb of 1.2mb/d possibly extended from end-June 2019. We expect OPEC+ to respond to higher demand as needed without causing an oil price crash. The key supply risk is geopolitical tension that could disrupt occasionally.

**SCBS' oil price assumptions for 2019 and LT** are now more cautious in recognition of demand and supply uncertainties. The key threat to oil price is the harm done to global economic growth by the US trade war and sanctions on several countries. Our 2019 assumptions are US\$68 (vs. US\$75 previously) for Brent and US\$65 (vs. US\$72) for Dubai, key price benchmarks for Thai companies. We are also more cautious on long-term oil price outlook with Brent to fall to US\$65 from 2020 onwards from OPEC's inability to keep the oil market balanced amidst more supply from the US. Note that our current oil price assumption is now in line with Bloomberg's consensus for 2019 but more cautious for the next four years.

**Lower oil price to hit upstream earnings.** PTTEP is a direct loser from the lower oil price, as liquid product selling price (30% of sales volume) is linked to crude oil price. The impact could be deferred to some extent because of the lag before adjustment of the selling price for its natural gas products (70% of sales volume). Further, the impact of lower oil price will be offset by new assets in Malaysia, which will add 8% to sales volume in 2019.

## Factors affecting benchmark oil price (Jul 2017 – Mar 2019)



Source: Bloomberg Finance LP and SCBS Investment Research



## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F 20F	P/BV (x) 19F 20F
BCP	Buy	29.5	40.0	40.3	9.2 9.0	0.9 0.9
ESSO	Buy	10.0	12.0	27.0	6.8 5.9	1.1 1.0
IRPC	Buy	4.7	7.0	53.8	8.2 7.0	1.0 1.0
PTT	Buy	46.5	55.0	22.8	10.2 9.5	1.4 1.3
PTTEP	Buy	126.5	150.0	22.1	14.0 12.2	1.2 1.2
SPRC	Buy	9.4	13.0	43.3	14.0 6.5	1.0 0.9
TOP	Buy	60.3	80.0	37.6	8.6 7.1	0.9 0.8
Average				35.3	10.1 8.2	1.1 1.0

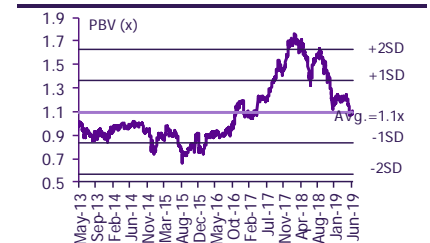
Source: SCBS Investment Research

## Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BCP	(0.8)	(7.1)	(16.9)	(3.9)	(9.7)	(15.3)
ESSO	(2.9)	(5.7)	(26.5)	(5.9)	(8.3)	(25.0)
IRPC	(4.0)	(16.8)	(25.9)	(7.0)	(19.2)	(24.5)
PTT	(1.6)	(3.6)	(7.0)	(4.6)	(6.3)	(5.2)
PTTEP	(1.6)	6.3	(5.6)	(4.6)	3.3	(3.8)
SPRC	(4.1)	(11.8)	(33.2)	(7.0)	(14.3)	(31.9)
TOP	(6.2)	(12.7)	(26.5)	(9.1)	(15.1)	(25.1)

Source: SET, SCBS Investment Research

## PBV band – SETENERG

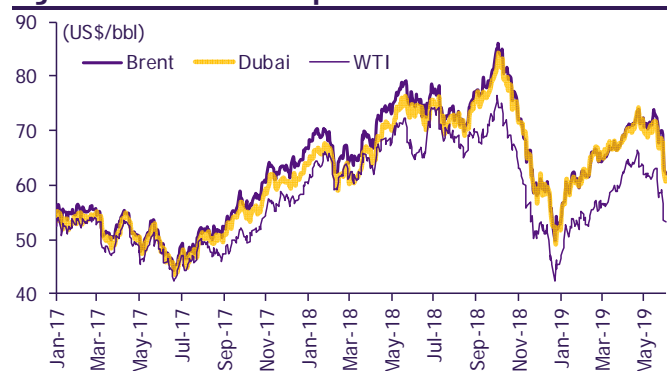


Source: SET, SCBS Investment Research

## Analyst

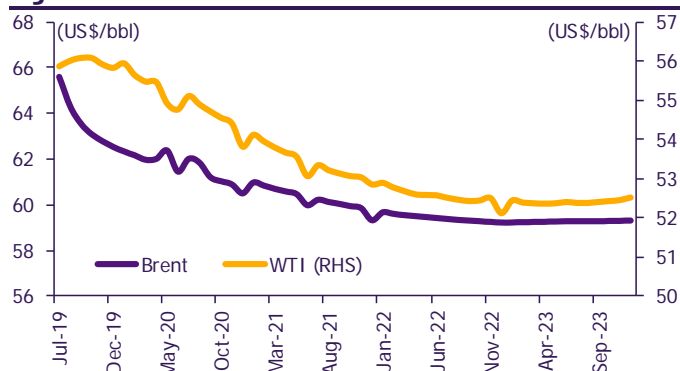
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Figure 1: Benchmark oil prices



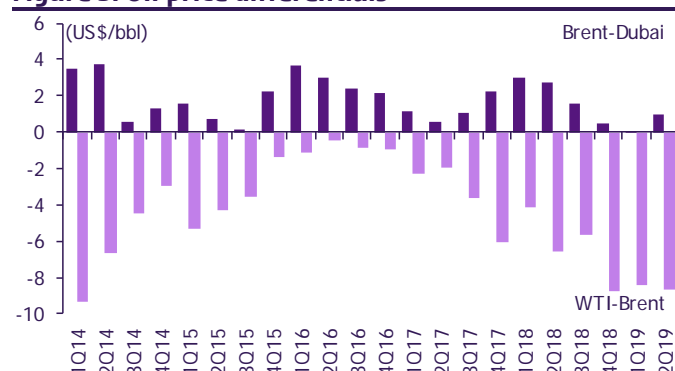
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 2: Oil forward curve



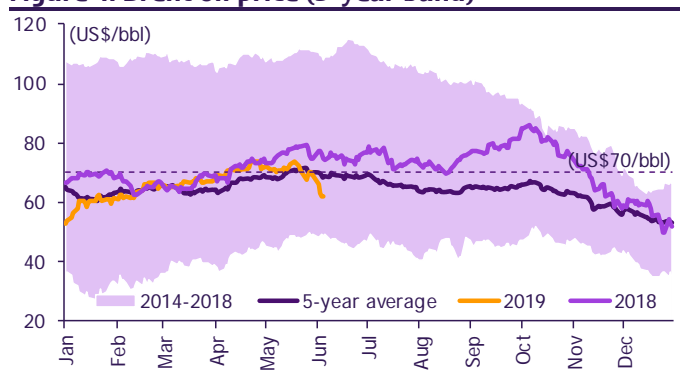
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 3: Oil price differentials



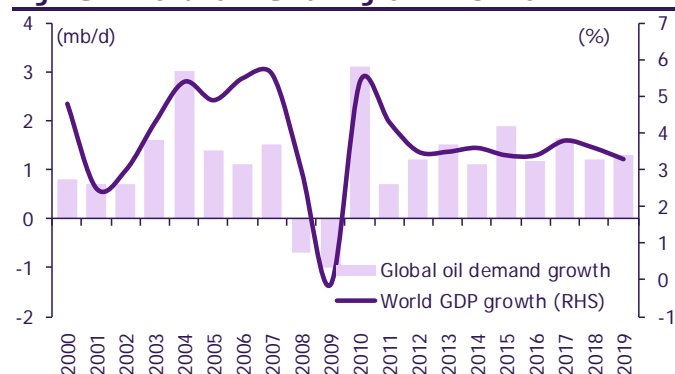
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 4: Brent oil price (5-year band)



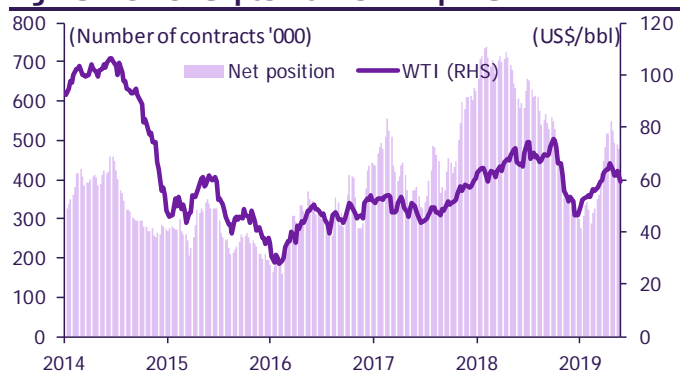
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 5: Global oil demand growth vs. world GDP



Source: IEA, IMF, Bloomberg Finance LP, SCBS Investment Research

Figure 6: CFTC net position vs. WTI price



Source: CFTC, 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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BCP	Buy	29.50	40.0	40.3	14.7	9.2	9.0	(55)	59	2	1.0	0.9	0.9	6	10	10	4.6	4.7	5.4	7.8	7.4	7.0
ESSO	Buy	10.00	12.0	27.0	15.6	6.8	5.9	(69)	129	14	1.3	1.1	1.0	8	18	18	2.0	7.0	8.0	13.0	6.3	5.1
IRPC	Buy	4.74	7.0	53.8	14.0	8.2	7.0	(36)	71	16	1.1	1.0	1.0	8	13	14	4.0	6.1	7.2	8.6	6.1	5.5
PTT	Buy	46.50	55.0	22.8	11.7	10.2	9.5	(23)	15	7	1.5	1.4	1.3	9	9	9	4.3	4.5	4.9	4.0	3.4	2.9
PTTEP	Buy	126.50	150.0	22.1	13.8	14.0	12.2	(5)	(1)	15	1.3	1.2	1.2	9	9	10	4.0	3.6	4.0	3.3	3.7	3.4
SPRC	Buy	9.35	13.0	43.3	27.6	14.0	6.5	(80)	97	115	1.1	1.0	0.9	4	7	15	6.3	4.3	7.7	8.4	5.3	2.8
TOP	Buy	60.25	80.0	37.6	11.9	8.6	7.1	(53)	39	20	1.0	0.9	0.8	8	11	12	4.4	4.8	5.6	5.4	5.6	6.1
<b>Average</b>					<b>15.6</b>	<b>10.1</b>	<b>8.2</b>	<b>(37)</b>	<b>23</b>	<b>16</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>8</b>	<b>11</b>	<b>13</b>	<b>4.2</b>	<b>5.0</b>	<b>6.1</b>	<b>7.2</b>	<b>5.4</b>	<b>4.7</b>

Source: SCBS Investment Research

# Energy – Oil refinery

SET ENER index Close: 14/6/2019 24,707.42 -45.26 / -0.18% Bt8,831mn  
Bloomberg ticker: SETENERG



## At rock bottom

**Market pessimism on the outlook for GRM and earnings for Thai refiners has pulled share prices down 12% in three months vs. -1% for the SET and SET Energy. We see this as overdone against weakening in Singapore GRM of just 6%. Further, the industry should benefit from improving gasoline crack spread during the driving season in the US and higher demand for marine gasoil (diesel) to replace high-sulfur fuel oil as shippers prepare to comply with the IMO2020 sulfur cap rule. The recent share price retreat offers an opportunity for bottom-fishing, in our view, with some stocks trading below -2SD of PBV (2019F), sufficient to offset downside risk. In addition to the sector's top pick, IRPC, we like TOP, BCP and ESSO on solid valuations and dividend yield.**

**1Q19 results recap.** Thai oil refiners performed disappointingly in 1Q19, down 43% YoY (though inventory gains pulled them up from a net loss in 4Q18). YoY performance was damaged by lower crack spread for key products gasoline (-73% YoY) and diesel (-13% YoY). This pulled overall GRM down 46% YoY to only US\$3.8/bbl, the weakest since 3Q10. BCP and IRPC were the main drags on net profit from unplanned and planned shutdowns that hurt crude run and base GRM as the upgrading units were halted.

**Weak GRM continuing in 2Q19.** Despite the 5-year high global refinery outages, oil refining margin has continued to weaken in 2Q19 to far below the 5-year range because of higher supply in the region from new refineries that started up in 2018. This was aggravated by the US-China trade dispute that soured market sentiment as global GDP forecasts head down. This in turn hurt demand for middle distillates and crack spread, which turned back down in 1H19 after a strong recovery in 2018. We do believe this is largely priced in. Demand for middle distillates is expected to improve in 2H19, supported by firm seasonal demand and demand for marine gasoil as an alternative bunker fuel ahead of IMO 2020 rules.

**Valuation undemanding for Thai oil refiners.** As the trade war is clouding the industry's demand outlook and new supply aggravates the situation, we believe a PBV multiple is more conservative and thus more appropriate to gauge a proper entry level. We find that most of these stocks are trading at close to or below 5-year average PBV. Note that this period also covers the last oil price and GRM crash in 2014-15. We see an opportunity to add positions in TOP, PTTGC and BCP.

**Top pick remains IRPC.** We like IRPC for its 5-year low PBV multiple and expected earnings improvement in 2Q19. 1Q19 profit should be this year's worst and operations should continue to improve in the remaining quarters as crude run returns to normal. The key risk for IRPC is its petrochemical business, which has been hurt by the US-China trade war since last year. Upside to ESSO's share price has widened after a drop of 14% in the past month despite the earnings beat in 1Q19. Its marketing business will give strong support as it expands service stations.

## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F 20F	P/BV (x) 19F 20F
BCP	Buy	29.5	40.0	40.3	9.2 9.0	0.9 0.9
ESSO	Buy	10.0	12.0	27.0	6.8 5.9	1.1 1.0
IRPC	Buy	4.7	7.0	53.8	8.2 7.0	1.0 1.0
PTT	Buy	46.5	55.0	22.8	10.2 9.5	1.4 1.3
PTTEP	Buy	126.5	150.0	22.1	14.0 12.2	1.2 1.2
SPRC	Buy	9.4	13.0	43.3	14.0 6.5	1.0 0.9
TOP	Buy	60.3	80.0	37.6	8.6 7.1	0.9 0.8
Average				35.3	10.1 8.2	1.1 1.0

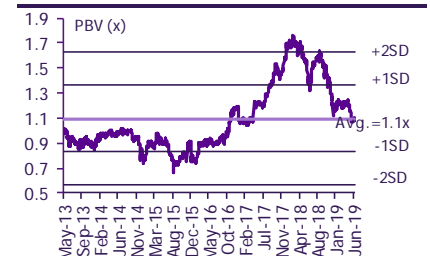
Source: SCBS Investment Research

## Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BCP	(0.8)	(7.1)	(16.9)	(3.9)	(9.7)	(15.3)
ESSO	(2.9)	(5.7)	(26.5)	(5.9)	(8.3)	(25.0)
IRPC	(4.0)	(16.8)	(25.9)	(7.0)	(19.2)	(24.5)
PTT	(1.6)	(3.6)	(7.0)	(4.6)	(6.3)	(5.2)
PTTEP	(1.6)	6.3	(5.6)	(4.6)	3.3	(3.8)
SPRC	(4.1)	(11.8)	(33.2)	(7.0)	(14.3)	(31.9)
TOP	(6.2)	(12.7)	(26.5)	(9.1)	(15.1)	(25.1)

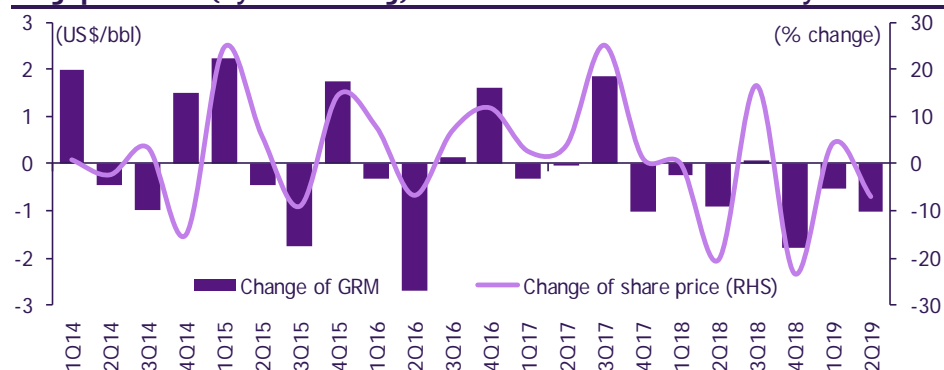
Source: SET, SCBS Investment Research

## PBV band – SETENERG



Source: SET, SCBS Investment Research

## Singapore GRM (hydrocracking) vs. market return on oil refinery stocks

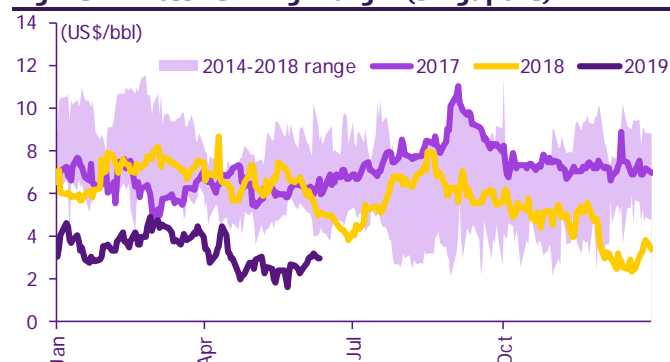


Source: Bloomberg Finance LP and SCBS Investment Research

## Analyst

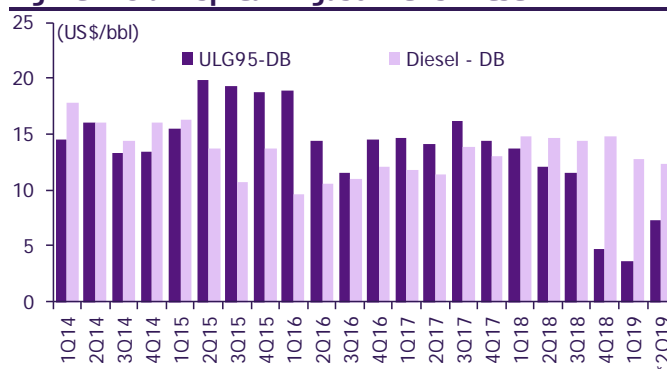
**Chaipat Thanawattano**  
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chaipat.thanawattano@scb.co.th

Figure 1: Gross refining margin (Singapore)



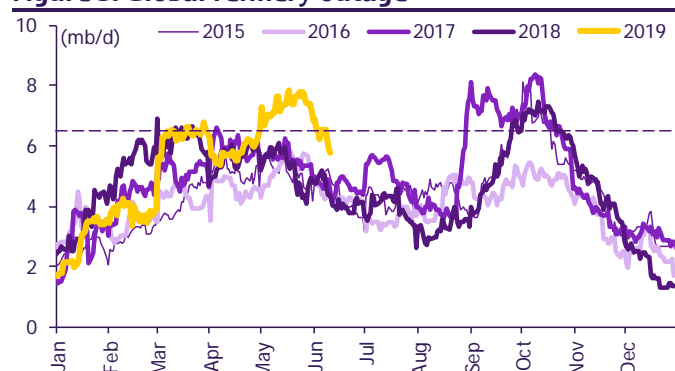
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 2: Crack spread – gasoline vs. diesel



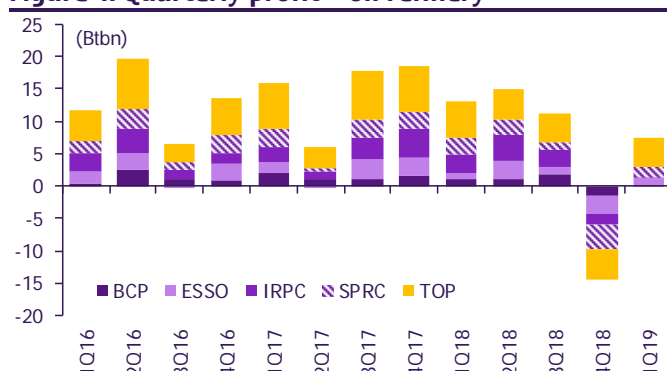
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 3: Global refinery outage



Source: Bloomberg Finance LP, SCBS Investment Research

Figure 4: Quarterly profit – oil refinery



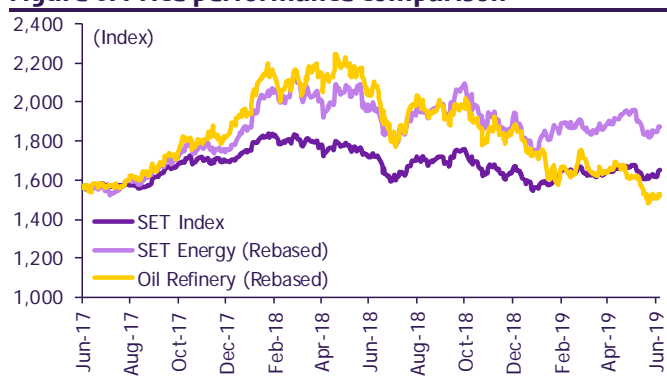
Source: Company data, SCBS Investment Research

Figure 5: Maintenance shutdowns

	1Q19	2Q19	3Q19	4Q19
BCP			14-21 days (Jul-Aug) HCU shutdown for catalyst changing	
ESSO			60 days (Sep-Oct) Major T/A of CDU and aromatics plant	
IRPC	28 days (Feb) Maintenance shutdown of RDCC and hyvahl unit			
PTTGC			54 days (Oct-Nov) Major T/A of refinery	
SPRC			45-60 days (Nov-Dec) Major T/A of refinery and capacity expansion	
TOP		30-45 days (Jun-Jul) Major T/A of CDU#3 and aromatics plant		

Source: Company data, SCBS Investment Research

Figure 6: Price performance comparison



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)
					18A 19F 20F	18A 19F 20F	18A 19F 20F	18A 19F 20F	18A 19F 20F	18A 19F 20F
BCP	Buy	29.50	40.0	40.3	14.7 9.2 9.0	(55) 59 2	1.0 0.9 0.9	6 10 10	4.6 4.7 5.4	7.8 7.4 7.0
ESSO	Buy	10.00	12.0	27.0	15.6 6.8 5.9	(69) 129 14	1.3 1.1 1.0	8 18 18	2.0 7.0 8.0	13.0 6.3 5.1
IRPC	Buy	4.74	7.0	53.8	14.0 8.2 7.0	(36) 71 16	1.1 1.0 1.0	8 13 14	4.0 6.1 7.2	8.6 6.1 5.5
SPRC	Buy	9.35	13.0	43.3	27.6 14.0 6.5	(80) 97 115	1.1 1.0 0.9	4 7 15	6.3 4.3 7.7	8.4 5.3 2.8
TOP	Buy	60.25	80.0	37.6	11.9 8.6 7.1	(53) 39 20	1.0 0.9 0.8	8 11 12	4.4 4.8 5.6	5.4 5.6 6.1
Average					16.7 9.3 7.1	(57) 54 20	1.1 1.0 0.9	7 12 14	4.3 5.4 6.8	8.7 6.2 5.3

Source: SCBS Investment Research

# Finance

SET FIN index Close: 14/6/2019 4,132.85 -19.33 / -0.47% Bt882mn  
Bloomberg ticker: SETFIN

## Decent fundamentals but tight valuation

**We expect expansion into new business will boost loan growth for both KTC and AEONTS in 2019 – but at the same time, both will see provisioning move up. We expect both to report a decent set of results for the upcoming quarter due to high season. We rate both stocks as Neutral as we view that they are essentially fully valued.**

**Rising loan growth from new business.** We expect loan growth for both KTC and AEONTS to rise in 2019 as they expand into new business. KTC set up a 75%-owned subsidiary (another 25% owned by KTB) to offer unsecured loans under the Nano & Pico finance scheme (36% interest rate cap vs. 18% for credit card and 28% for personal loans) in 2Q19. AEONTS began offering used car hire-purchase loans last year and plans to expand the proportion of these loans to 5% of total loans in FY2019 from less than 1% in FY2018. Effective in February this year, the BoT revised personal loan regulations, enlarging the scope of business to include vehicle title loans in addition to unsecured loans, with interest rate capped at 28%. We expect KTC and AEONTS to expand into vehicle title loans within a year or two.

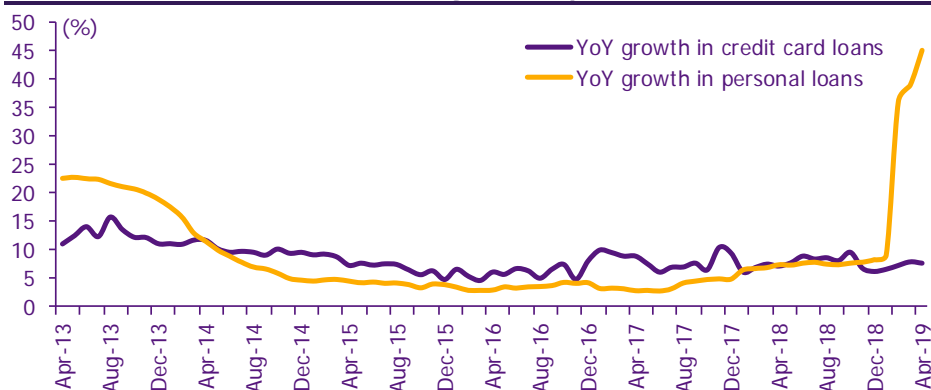
**Rising provision.** KTC expects provisions to rise this year to support its expansion into Nano & Pico finance, which offer a higher return but have a higher risk than credit card and personal loans. KTC's high LLR coverage of 604% should help ease the provisioning pressure from its expansion into a higher risk segment. We expect higher provisions for KTC in 2H19 and 2020. For AEONTS, we expect a slight increase in credit cost in from 6.6% in FY2018F to 6.8% in FY2019F and 6.8% in FY2020F as a result of the implementation of the IFRS9 in January 2020.

**AEONTS' 1QFY19 preview.** We expect AEONTS to make a new high net profit of Bt935mn (+1% YoY, +16% QoQ) in 1QFY19 (March-May). On a QoQ basis, we expect loan growth to accelerate (high season for personal loans and a strong expansion in used car hire-purchase), a stable NIM, continued good bad debt recovery, eased opex (no repeat of extra expenses for employee benefit reserve and asset impairment) and higher provisions to support loan expansion. On a YoY basis, we expect a higher top line to be offset by higher provisions.

**KTC's 2Q19 preview.** We expect KTC's earnings to rise 22% YoY but be flat QoQ. On QoQ basis, we expect a QoQ acceleration in loan growth (high season for personal loans) with a stable outlook for NIM, bad debt recovery and provisions. On a YoY basis, we expect good top line growth to drive a 22% earnings growth.

**Neutral on both KTC and AEONTS.** Valuation of KTC and AEONTS are tight relative to their growth potential. We thus rate both KTC and AEONTS as Neutral. Although we like their fundamentals, we prefer to buy the stocks at lower prices.

### Inclusion of vehicle title loans distorted growth in personal loans since Feb 2019



Source: BoT and SCBS Investment Research



### Valuation summary

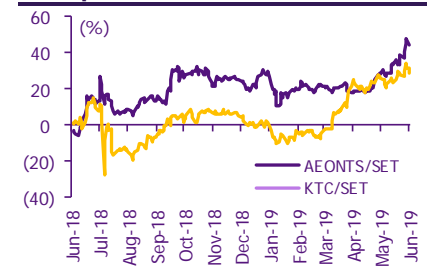
	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
AEONTS	Neutral	218.0	230.0	8.1	13.3	11.5
KTC	Neutral	41.3	40.0	(0.7)	17.3	15.5
Average					15.3	13.5

Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
AEONTS	14.7	22.1	46.3	11.2	18.7	49.2
KTC	6.5	33.1	21.3	3.2	29.3	23.7

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Analyst

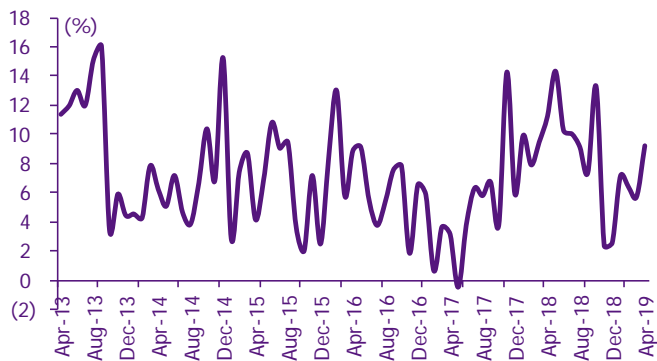
**Kittima Sattayapan, CFA**

Fundamental Investment

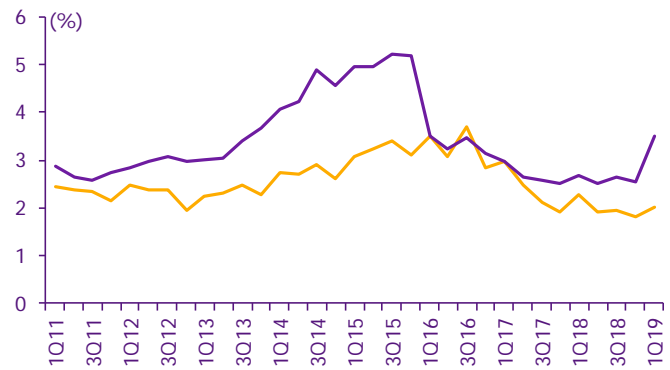
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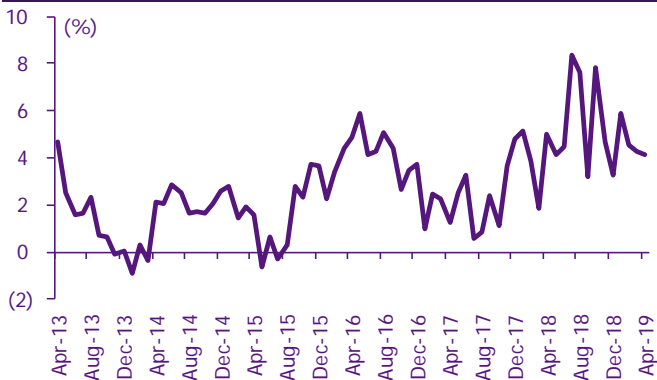
kittima.sattayapan@scb.co.th

**Figure 1: YoY growth in credit card spending**

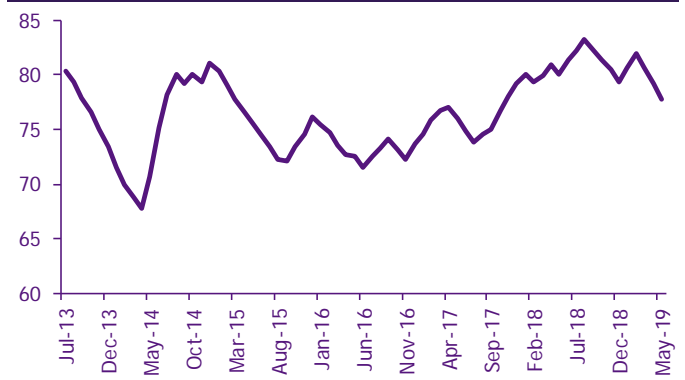
Source: BoT and SCBS Investment Research

**Figure 2: Credit card and personal loan NPLs**

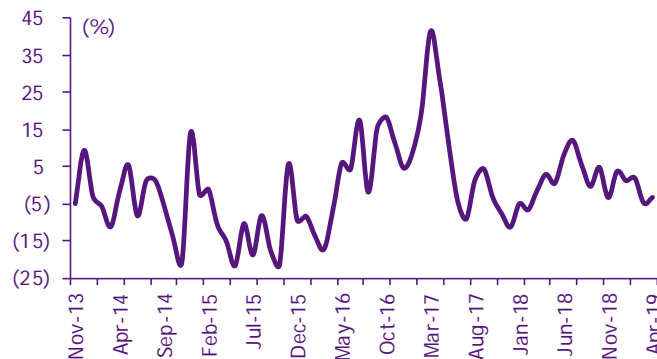
Source: BoT and SCBS Investment Research

**Figure 3: YoY change in Private Consumption Index**

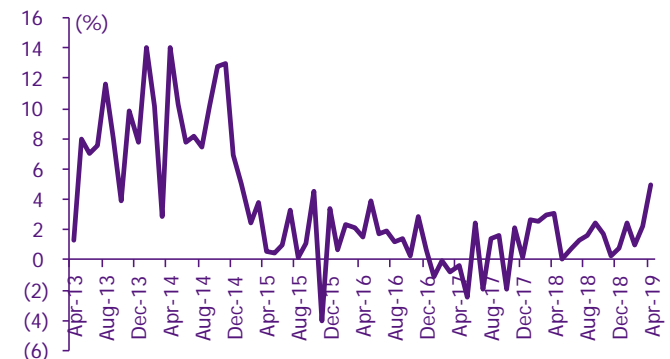
Source: BoT and SCBS Investment Research

**Figure 4: Consumer Confidence Index**

Source: UTCC, BOT and SCBS Investment Research

**Figure 5: Farm income growth**

Source: OAE and SCBS Investment Research

**Figure 6: YoY growth in average wage**

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 (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AEONTS	Neutral	218.00	230.0	8.1	15.5	13.3	11.5	18	17	16	3.0	2.6	2.2	21	21	21	2.2	2.6	3.1
KTC	Neutral	41.25	40.0	(0.7)	20.7	17.3	15.5	56	20	12	6.5	5.2	4.3	36	33	30	1.9	2.3	2.6
<b>Average</b>					<b>18.1</b>	<b>15.3</b>	<b>13.5</b>	<b>37</b>	<b>18</b>	<b>14</b>	<b>4.8</b>	<b>3.9</b>	<b>3.3</b>	<b>28</b>	<b>27</b>	<b>26</b>	<b>2.0</b>	<b>2.5</b>	<b>2.8</b>

Source: SCBS Investment Research

# Food

SET FOOD index Close: 14/6/2019 12,702.05 +13.30 / +0.10% Bt1,685mn  
Bloomberg ticker: SETFOOD

## Backed by low livestock feed costs & tuna price

In 2Q19TD, developments in local livestock units have been positive, with a continued drop in feed costs and robust product prices, bulking up GFPT and CPF's margin. A dip in spot tuna price to a 3-year low is also good for TU's margin. On the down side, swine price in Vietnam declined YoY for the first time from the ASF outbreak, have some impact on CPF's operations in 2Q19F. Our top picks are GFPT and TU.

**Local livestock unit: Lower feed costs amid high product prices.** Swine unit. Swine price stayed at a three-year high for the fourth straight month at Bt74/kg (+23% YoY but flat MoM) in May and Bt74/kg (+23% YoY and +1% QoQ) in 2Q19TD, above breakeven of Bt58/kg, reflecting lower supply. In 2Q19TD, feed costs came down further, with corn price down Bt8.9/kg (-15% YoY and -7% QoQ) and soybean meal price also down to Bt14.5/kg (-11% YoY but flat QoQ). With better prices and lower costs, swine spread (price minus feed costs) jumped 72% YoY in 2Q19TD. Broiler unit. Broiler price stayed at a two-year high for the third month at Bt35/kg (+9% YoY but flat MoM) in May and Bt35/kg (+9% YoY and +3% QoQ) in 2Q19TD, above breakeven of Bt32-33/kg, aided by lower supply. With better prices and lower costs, broiler spread jumped 62% YoY in 2Q19TD.

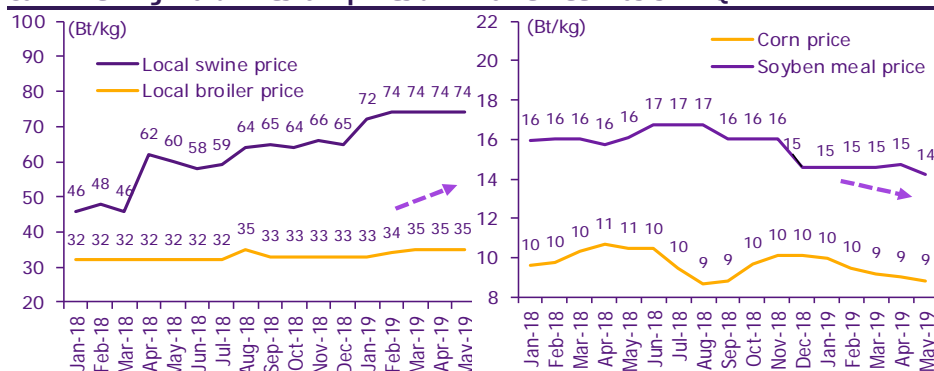
**Swine unit in Vietnam: Lower product prices.** FAO reported the spread of African Swine Fever (ASF) into China in August 2018, Vietnam in February and Cambodia in April. News reports say 100-150mn pigs were culled in China (20-30% of live pigs), about 1.7mn in Vietnam (5% of live pigs) and about 2,000 in Cambodia. Because of the ASF outbreak, swine price in Vietnam dropped YoY for the first time to VND35,000/kg (-21% YoY and -16% MoM) in May, equivalent to operator breakeven, and VND38,236/kg (-10% YoY and -18% QoQ) in 2Q19TD.

CPF: so far, the impact on its feed sales volume in China is limited, as it sells feed products chiefly to large pig farms. In Vietnam, CPF's farm business has been affected by lower market swine price, which arose out of panic selling by small farmers on fears the disease would spread to their pigs. CPF expects Vietnam swine price to hit bottom in 2Q19F, then come back up in 2H19F after the huge cut in supply and more market consolidation as small pig farms go belly-up.

**Aquatic unit: Manageable raw material costs.** Tuna. Skipjack tuna price hit a three-year low of US\$1,200/ton (-25% YoY and -17% MoM) in May and US\$1,325/ton (-21% YoY and -9% QoQ) in 2Q19TD. TU expects raw material tuna price to stay low through July, with a slight rise in August-September before falling again late in the year on seasonality. As spot tuna price has come down and TU keeps inventory of up to 3-6 months, we expect its actual raw material cost to stay low until at least 3Q19. Salmon. Salmon price dropped to NOK65/kg (-6% YoY but +4% QoQ) in 2Q19TD. Shrimp. Local shrimp price stayed low at Bt133/kg (+5% YoY but -13% MoM) in 2Q19TD.

**Top picks: GFPT and TU.** Our top picks are GFPT and TU, which will enjoy a revival in earnings in 2019F thanks to better broiler operations and wider tuna margin.

### Continued high local livestock prices amid lower feed costs in 2Q19TD



Source: Industry sources and SCBS Investment Research



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/BV (x) 19F	P/E (x) 20F	P/BV (x) 20F
CPF	Buy	28.75	32.0	13.6	23.6	20.1	1.1	1.0
GFPT	Buy	16.20	19.0	19.1	14.2	12.4	1.5	1.3
TU	Buy	18.70	23.5	28.7	16.6	14.8	1.8	1.7
Average					18.1	15.8	1.4	1.4

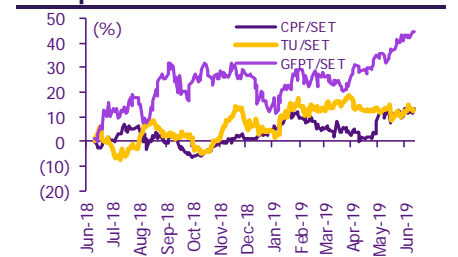
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
CPF	9.5	8.5	15.0	6.2	5.5	17.2
GFPT	7.3	17.4	35.0	4.0	14.1	37.6
TU	1.1	0.0	6.3	(2.0)	(2.8)	8.3

Source: SET, SCBS Investment Research

### Price performance relative to SET

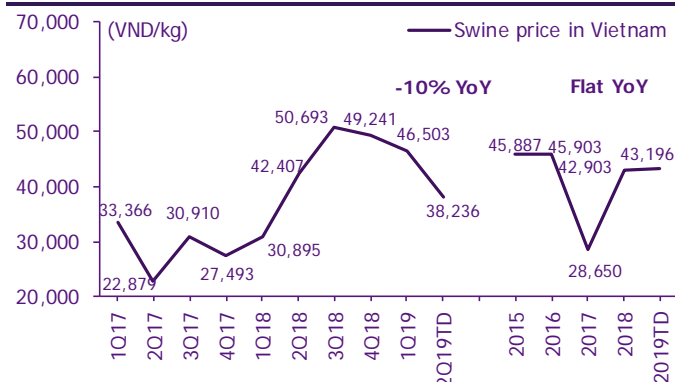


Source: SET, SCBS Investment Research

### Analyst

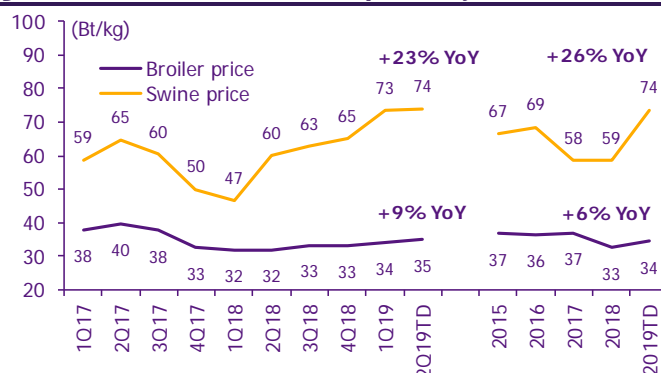
**Sirima Dissara, CFA**  
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**Figure 1: In 2Q19TD, swine price in Vietnam dropped YoY for the first time from the ASF outbreak**



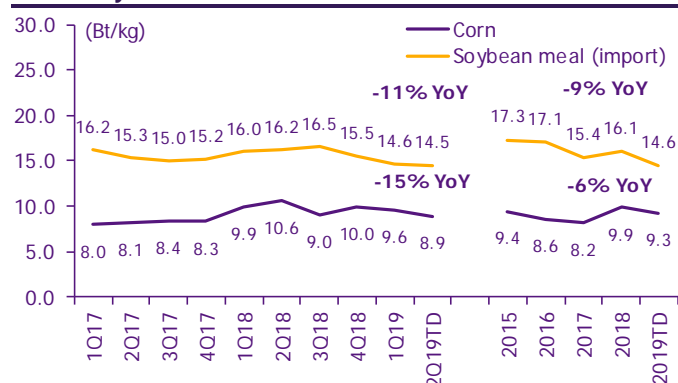
Source: Industry sources and SCBS Investment Research

**Figure 2: In 2Q19TD, local swine and broiler price grew 23% YoY and 9% YoY, respectively**



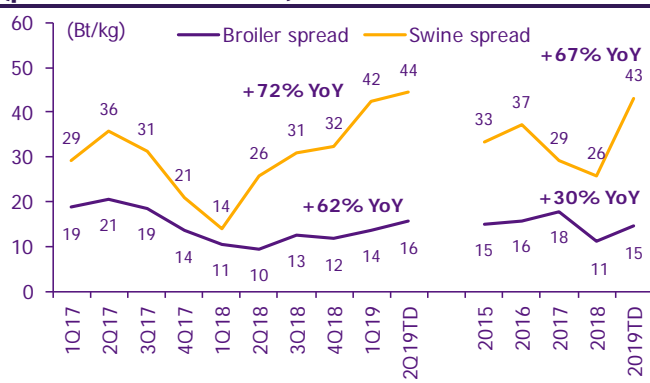
Source: Industry sources and SCBS Investment Research

**Figure 3: In 2Q19TD, corn costs dropped 15% YoY, while soybean meal cost declined 11% YoY**



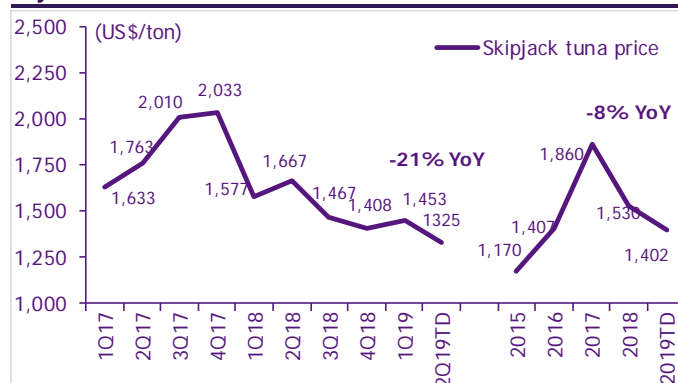
Source: Industry sources and SCBS Investment Research

**Figure 4: In 2Q19TD, local swine and broiler spreads (price minus feed costs) widened YoY**



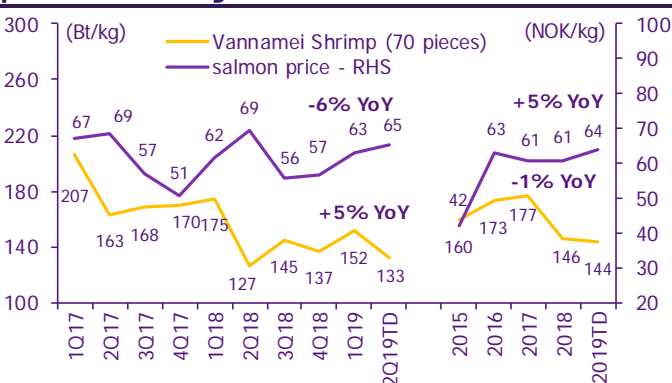
Source: Industry sources and SCBS Investment Research

**Figure 5: In 2Q19TD, skipjack tuna price dropped to a 3-year low**



Source: Industry sources and SCBS Investment Research

**Figure 6: In 2Q19TD, local shrimp price and salmon price were manageable**



Source: Industry sources, Fishpool 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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
CPF	Buy	28.75	32.0	13.6	35.0	23.6	20.1	4	49	17	1.1	1.1	1.0	3	5	5	2.3	2.3	2.3	14.8	12.5	11.8
GFPT	Buy	16.20	19.0	19.1	17.8	14.2	12.4	(35)	25	15	1.6	1.5	1.3	9	11	11	1.5	1.8	1.8	8.4	7.7	7.1
TU	Buy	18.70	23.5	28.7	22.0	16.6	14.8	(15)	33	12	1.9	1.8	1.7	9	11	12	2.1	3.0	3.4	16.2	13.7	12.5
Average					24.9	18.1	15.8	(15)	35	15	1.5	1.4	1.4	7	9	10	2.0	2.4	2.5	13.1	11.3	10.5

Source: SCBS Investment Research

# Healthcare

SET HEALTH index Close: 14/6/2019 5,768.89 +1.94 / +0.03% Bt1,824mn  
Bloomberg ticker: SETHLTH

## Strong earnings conviction

**Amid near-term market volatility, our earnings conviction suggests CHG (lead pick) and BCH (second pick) as safe plays in the healthcare service sector. A slow 2Q19F is not a trend and we see it rather as a buying opportunity ahead of better earnings in 2H19F.**

**Earnings hiccup in 2Q19F, but 2H19 will be better.** The second quarter is normally a softer season and amid this, in 2Q19 healthcare service providers – except BDMS which already did this in 1Q19 - will have to book extra staff expense to comply with the revised Labor Protection Act. There is also a negative for hospitals serving social security service (SC) patients (BCH and CHG) from possible provisions to accommodate a lower actual payment than earlier booked as revenue for high-cost care (RW>2) of ~Bt60mn for BCH (~5% of 2019F) and ~Bt20mn for CHG (~3%). However, after passing the high base in 1H19, we expect earnings improvement in 2H19 thanks to rising revenue and margin from the addition of specialty services that expands patient volume and revenue intensity.

**Keep eyes on regulatory issue, but so far impact is limited.** On May 30, the Central Committee on Prices of Goods and Services approved a regulation requiring private hospitals to clearly display medical-related fees (drug, medical supplies and service charges) to allow patients to make better-informed decisions prior to receiving treatment. Private hospitals must also give patients the option to buy medications outside the hospital by providing them with prescriptions. In our view, the price disclosure will have a limited impact on private hospitals, since most already do this. We note that the new regulation was announced by the Ministry of Commerce – representing consumers - not by the Ministry of Public Health, the direct regulator of private hospitals. The market is concerned on the determination of fair medical prices and we expect the Ministry of Public Health to arrive at a fair solution for all parties, both consumers and private hospitals.

**Prefer CHG and BCH on earnings conviction.** We choose CHG as our lead pick followed by BCH based on our earnings conviction. Since 3Q18, CHG's earnings have been trending down because of losses at newly-opened hospitals, but this is reversing as operations ramp up, cutting losses, and we expect its earnings uptrend to resume in 2H19. CHG's share price rose 10% over the past month after the 1Q19 beat. However, we view this as a simple rebound, since share price is still 20% below its 2018 peak (before the sharp drop from weak earnings in 2H18). BCH's share price has fallen by 4% over the past month after the 1Q19 miss. We maintain our positive view on BCH, with operations growing at World Medical Hospital (WMC) and see room for margin expansion from the operational ramp-up at its upgraded hospital. We remove BDMS from our top pick list (but still rate it as BUY) as share price has risen 5% in 2QTD, giving it less upside gain to TP than CHG and BCH.

### CHG has been an outperformer after its 1Q19 beat



Source: SCBS Investment Research



### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
BCH	Buy	16.7	23.0	39.3	32.3	28.8	6.6	5.9
BDMS	Buy	26.0	30.0	17.7	37.0	31.6	5.2	4.8
BH	Neutral	173.0	185.0	8.7	28.8	27.0	6.2	5.5
CHG	Buy	2.3	2.7	20.3	38.1	31.7	6.8	6.3
<b>Average</b>					<b>34.1</b>	<b>29.8</b>	<b>6.2</b>	<b>5.6</b>

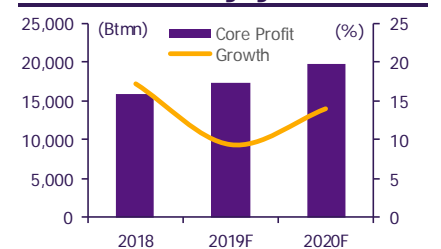
Source: SCBS Investment Research

### Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BCH	(3.5)	1.2	2.5	(6.4)	(1.6)	4.4
BDMS	4.0	10.6	4.4	0.8	7.5	6.4
BH	6.1	(3.1)	(9.4)	2.9	(5.8)	(7.7)
CHG	9.6	20.6	(2.6)	6.3	17.3	(0.7)

Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### Analyst

**Raweenuch Piyakriengkai**

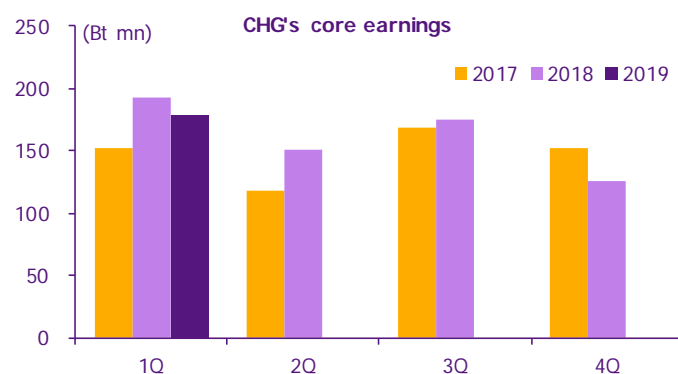
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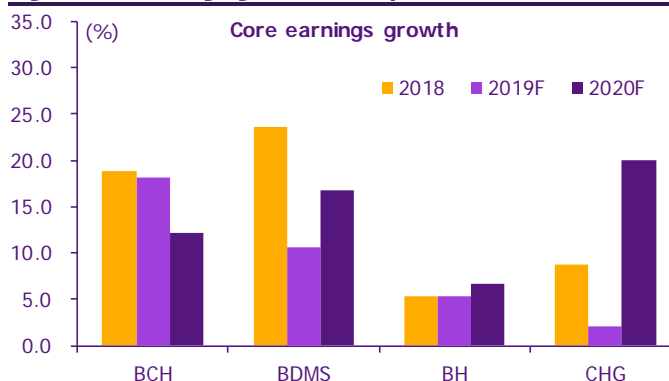
raweenuch.piyakriengkai@scb.co.th

Figure 1: CHG's earnings trending down since 3Q18



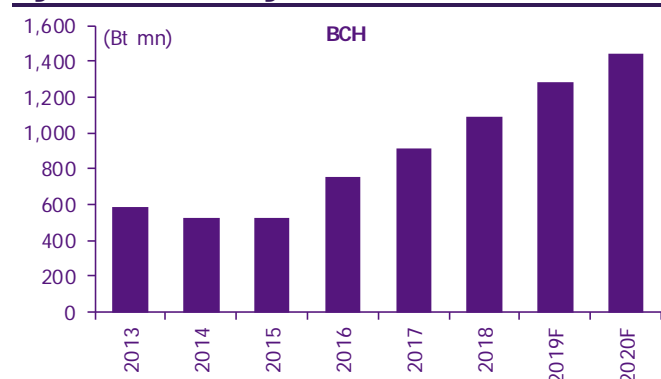
Source: Company data and SCBS Investment Research

Figure 2: Earnings growth comparison



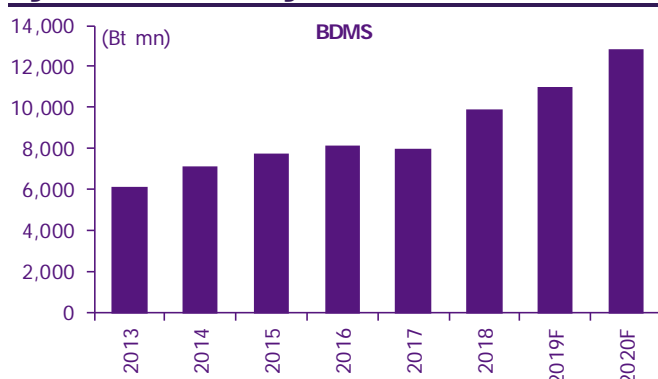
Source: Company data and SCBS Investment Research

Figure 3: BCH earnings forecast



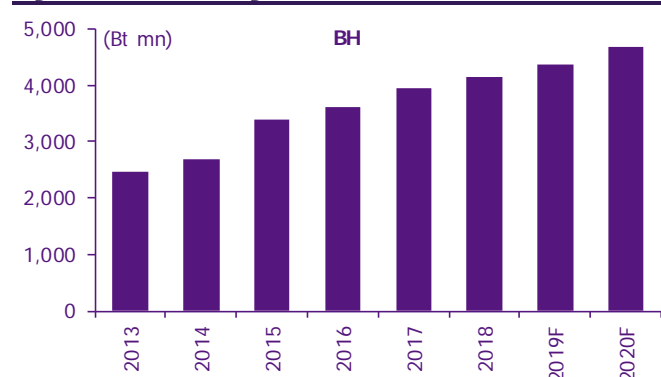
Source: SET and SCBS Investment Research

Figure 4: BDMS earnings forecast



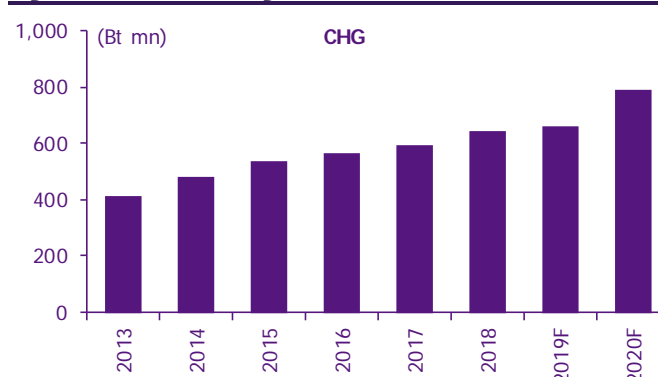
Source: SET and SCBS Investment Research

Figure 5: BH earnings forecast



Source: SET and SCBS Investment Research

Figure 6: CHG earnings forecast



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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BCH	Buy	16.70	23.0	39.3	38.2	32.3	28.8	18.8	18.2	12.2	7.3	6.6	5.9	18	19	19	1.3	1.5	1.7	20.5	17.0	15.3
BDMS	Buy	26.00	30.0	17.7	40.9	37.0	31.6	22.7	10.7	16.8	5.8	5.2	4.8	14	14	15	1.2	2.3	1.7	25.5	22.1	19.3
BH	Neutral	173.00	185.0	8.7	30.4	28.8	27.0	5.3	5.3	6.7	6.8	6.2	5.5	23	22	21	1.7	1.7	1.9	23.2	17.9	16.4
CHG	Buy	2.28	2.7	20.3	38.9	38.1	31.7	8.8	2.1	20.1	7.0	6.8	6.3	18	17	20	2.2	1.8	2.2	24.5	23.5	19.5
Average					37.1	34.1	29.8	13.9	9.1	13.9	6.7	6.2	5.6	18	18	19	1.6	1.9	1.9	23.4	20.1	17.6

Source: SCBS Investment Research

# Industrial Estates

SET PROP index Close: 14/6/2019 301.12 +0.99 / +0.33% Bt4,659mn  
Bloomberg ticker: SETPROP



## Looking goooooood!

The outlook for industrial property in Thailand is excellent, with land sales this year expected to grow 34% YoY and earnings 32% YoY. The US-China trade war has pulled China's ranking in the FDI confidence index down to #7 this year from #1 in 2004-2012 and Thailand is ideally positioned to gain the FDI diverted from China. Our sector top pick is ROJNA for its cheap valuation plus upside from hidden assets; #2 is AMATA, as a pure industrial estate play with biggest land price appreciation in EEC.

**Sluggish land sales in 1Q19, but a lot on the way.** Industrial land sales at companies in our universe were slow at 387 rai in 1Q19, only 14% of our 2019F. This is not a worry, however, as there are deals being negotiated for >2,800 rai, sufficient to bring sales up to forecast. Conversations with industrial estate developers reveals greater marketing that will lead to higher sales. We believe the new government will focus on promoting EEC, which will attract FDI and with it, demand. Our sales forecasts are unchanged at 1,400 rai (+43%) for WHA, 988 rai (+17%) for AMATA and 450 rai (+50%) for ROJNA.

**US-China trade war hurts China's FDI.** The escalating US-China trade tension has led A.T. Kearney's FDI confidence index, which ranks the countries likely attract the most investment in the next three years, to cut China's ranking from 1<sup>st</sup> in 2004-2012 to 5<sup>th</sup> in 2018 and 7<sup>th</sup> in 2019. DSG Asia survey suggests that the trade war is leading 35.4% of the US respondents who have businesses in China to think about moving their manufacturing plants from China to other countries and 18.5% of the respondents plan to relocate to ASEAN countries. The industries involved include consumer products, technology and telecoms hardware, automotive and chemicals. A Teikoku Data Bank survey reports a reduction in the number of Japanese companies in China of 2% to 13,685 in May 2019 from 2016. A Eurasia Group survey shows some American technology companies have halted investment in China and are relocating to ASEAN.

**Thailand poised to gain.** The trade war has disrupted manufacturing supply chains and positions Thailand to get in on the investment diverted from China and the US. Data notes five Japanese companies recently moving to Thailand: Panasonic, Toshiba Machinery, Daikin Industry, Fujitsu General and Sharp. US companies moving out from China include Google (to Taiwan), Nintendo (to ASEAN), Wistron Corporation (software supplier for FB and MS), and a JV between Apple and Foxconn Technology Group (iPhone producer).

**Top picks: ROJNA and AMATA.** We like the very healthy outlook for industrial property in Thailand with strong support for IE developer land sales and earnings growth. We select ROJNA for its cheap valuation, trading at its BV plus upside from hidden assets and AMATA as a pure play that will benefit from land price appreciation.

## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
AMATA	Buy	23.5	32.0	39.1	13.9	11.3	1.7	1.6
AMATAV	Neutral	5.0	5.8	16.8	13.8	11.9	1.5	1.4
ROJNA	Buy	5.7	8.5	56.5	16.5	11.9	1.0	0.9
WHA	Buy	4.6	6.0	33.6	20.8	16.5	2.1	2.0
Average					16.3	12.9	1.6	1.5

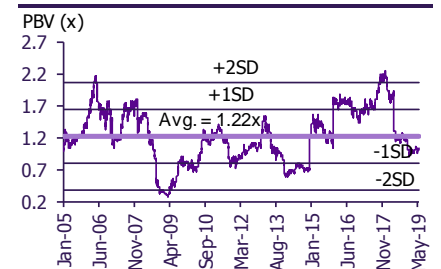
Source: SCBS Investment Research

## Price performance

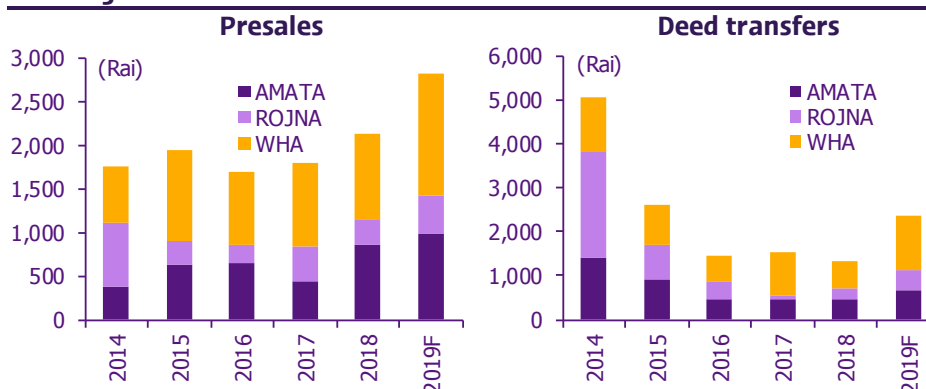
	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
AMATA	7.8	11.9	6.3	4.5	8.8	8.4
AMATAV	3.7	1.2	(27.0)	0.6	(1.6)	(25.6)
ROJNA	14.4	11.9	(8.1)	10.9	8.8	(6.3)
WHA	8.6	9.6	8.1	5.3	6.6	10.2

Source: SET, SCBS Investment Research

## IE sector's PBV

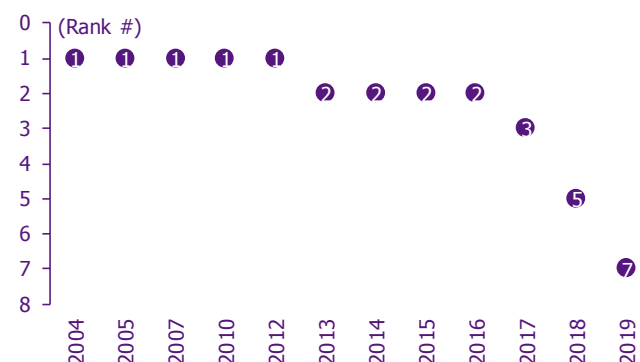


## Growing land sales and deed transfers

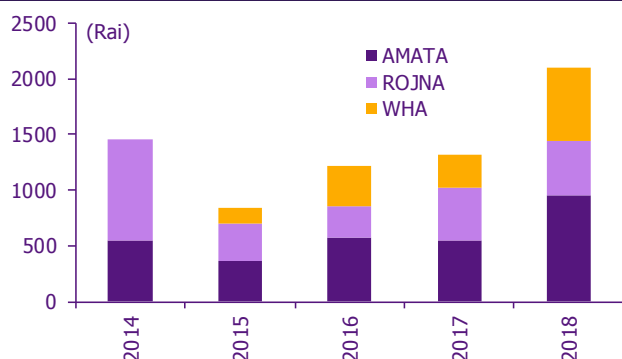


## Analyst

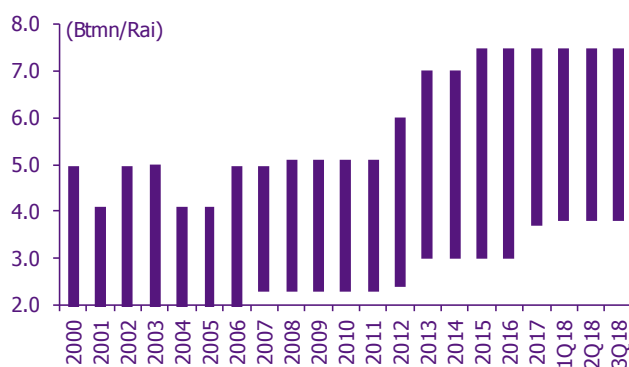
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**Figure 1: China's FDI confidence index ranking fell from #1 in 2004-2012 to #5 in 2018 and #7 in 2019**

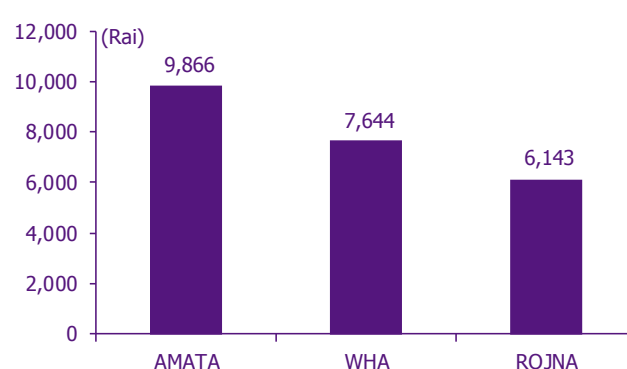
Source: A.T. Kearney

**Figure 3: Backlog jumped in 2018, providing income for 2019-2020**

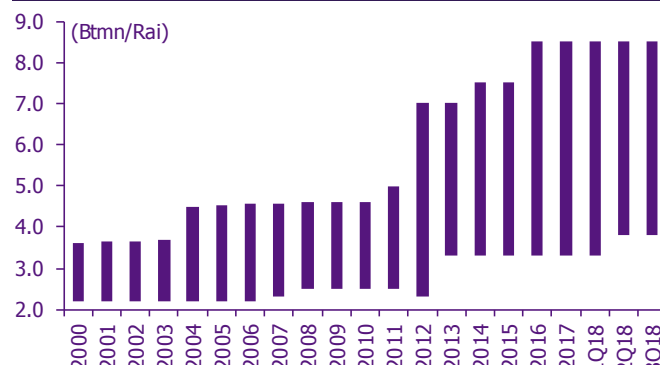
Source: Company

**Figure 5: List price for IE in Rayong**

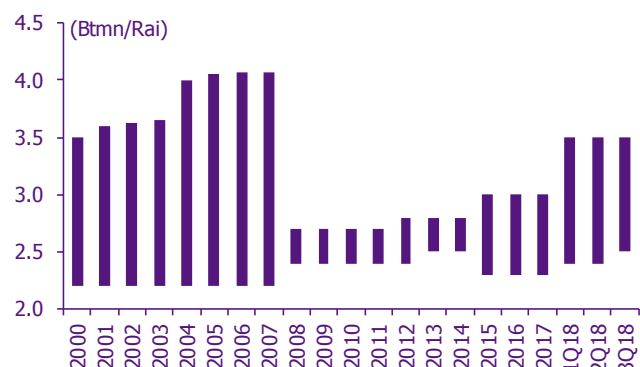
Source: CBRE

**Figure 2: Land bank in EEC for our universe**

Source: Company, SCBS Investment Research

**Figure 4: List price for IE in Chonburi**

Source: CBRE

**Figure 6: List price for IE in Chachoengsao**

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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AMATA	Buy	23.50	32.0	39.1	20.1	13.9	11.3	(19)	45	23	1.9	1.7	1.6	8	11	13	1.7	2.9	3.6	19.7	21.8	17.8
AMATAV	Neutral	5.00	5.8	16.8	11.8	13.8	11.9	(21)	(15)	16	1.7	1.5	1.4	13	11	11	0.8	0.8	0.8	10.2	13.0	11.6
ROJNA	Buy	5.65	8.5	56.5	36.2	16.5	11.9	14	119	39	0.9	1.0	0.9	2	4	5	10.6	6.1	8.4	10.7	9.4	8.2
WHA	Buy	4.56	6.0	33.6	22.5	20.8	16.5	5	8	26	2.4	2.1	2.0	10	10	11	1.8	2.0	2.5	29.3	24.4	21.4
Average					22.6	16.3	12.9	(5)	39	26	1.7	1.6	1.5	8	9	10	3.7	3.0	3.8	17.5	17.2	14.7

Source: SCBS Investment Research

# Insurance

SET INSUR index Close: 14/6/2019 11,662.28 +56.34 / +0.49% Bt62mn  
Bloomberg ticker: SETINS



## 2019 looking to be another difficult year

**2019 is shaping up to be another tough year for insurance companies under coverage. BLA is facing the risk of unsustainable new business premiums, THREL is seeing a worsening combined ratio and slowing premium growth and though THRE is expected to turn around without the extra expenses, profitability will remain weak. We prefer BLA, whose valuation is attractive.**

**BLA: Falling premiums, but already priced in.** In 4M19, BLA's total premiums fell 20% YoY with a 47% YoY plunge in new business premiums. We expect a 7% fall in total premiums with a 15% drop in new business premiums in 2019 (vs. -8% YoY in 2018), as a result of: 1) the full materialization of BBL's bancassurance partnership with AIA and 2) a rising amount of matured premiums. BLA is looking for a new bancassurance partnership to add to BBL but in the meantime, we believe the market has over-penalized the share for the partnership between BBL and AIA to where BLA is far undervalued, trading at a 23% discount to its 2018 EV.

**THREL: Worsening combined ratio and slowing premium growth.** THREL's combined ratio is expected to be temporarily higher than usual in 2018-2020 (90% in 2018 and 2019F and 89% in 2020), as life policy reserve for L-T products (individual life and credit life) is increasing via extra reserve of Bt80mn in 2018 and 2019 and Bt30mn in 2020 due to a recapture to shorten some L-T contracts (which will raise the cash value of reserves) in order to reduce L-T reserve liability, increase capital capacity for new opportunities and reduce impact from IFRS17. We expect its premium growth to ease to 8% in 2019F (2% YoY in 1Q19) from 12% in 2018 as it aims to adjust product mix by reducing the proportion of S-T products (health and group insurance) to no higher than 50% (48% in 1Q19) from 52% in 2018 in order to maintain its combined ratio. The S-T products typically have a high combined ratio of around 90% vs. 70-80% for L-T products.

**THRE: Turning around but profitability still weak.** We expect THRE's bottom line to turn around in 2019 as it will not have to book the extra expenses from the comparative period (chiefly an investment loss from marking THREL to market and an impairment of deferred tax assets). In 1Q19, the company reclassified most of its investment from "trading" into "available for sale", particularly in THREL. We expect a pick-up in premium growth to 8% in 2019 and in 2020 from 2% in 2018 and an improved combined ratio from 113% in 2018 to 103% in 2019F and 98% in 2020F from the depletion of the teacher project premium, which has an unusually high loss ratio. We expect ROE to turn around but remain weak at 4% in 2019F and 7% in 2020F.

**BLA is our sector pick.** We prefer BLA as it offers the most attractive valuation of the three insurance stocks, trading at a big discount to embedded value.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
BLA	Buy	28.5	41.0	46.5	9.3	8.5	1.1	1.0
THRE	Sell	0.8	0.8	5.8	20.8	9.5	0.9	0.8
THREL	Neutral	5.4	5.8	13.7	11.1	9.5	2.1	2.0
Average					13.7	9.2	1.4	1.3

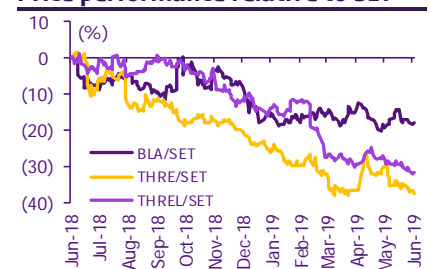
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
BLA	5.6	1.8	(18.0)	2.3	(1.1)	(16.4)
THRE	(3.8)	1.3	(38.9)	(6.7)	(1.5)	(37.7)
THREL	(2.7)	(4.4)	(32.9)	(5.7)	(7.1)	(31.6)

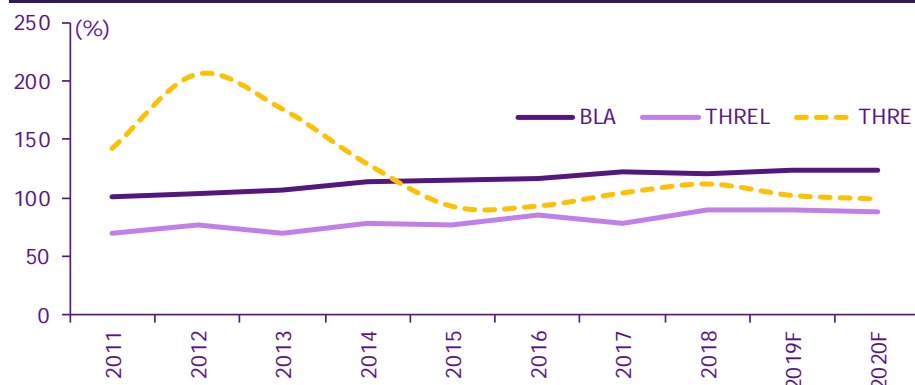
Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Combined ratio

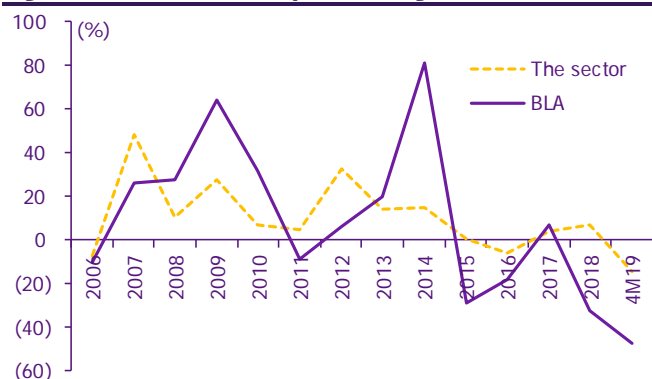


Source: The companies and SCBS Investment Research

### Analyst

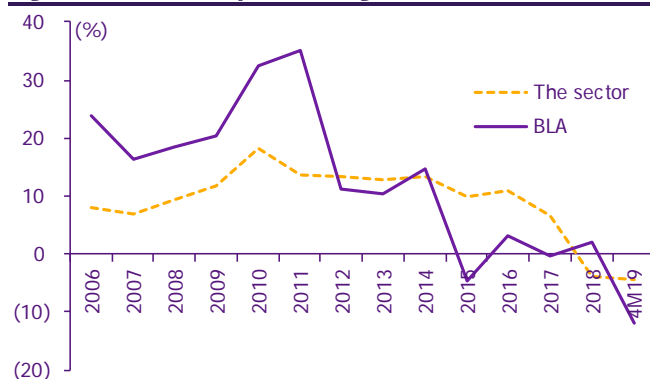
**Kittima Sattayapan, CFA**  
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Figure 1: New business premium growth



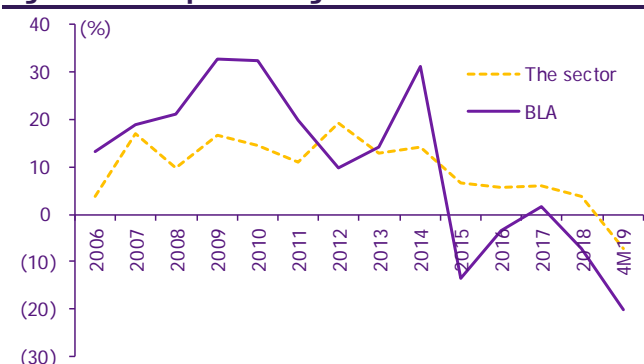
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 2: Renewal premium growth



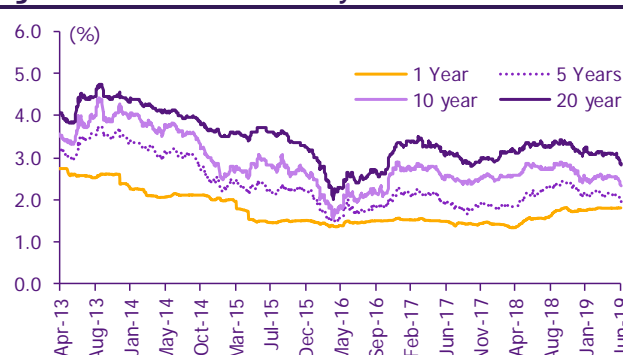
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 3: Total premium growth



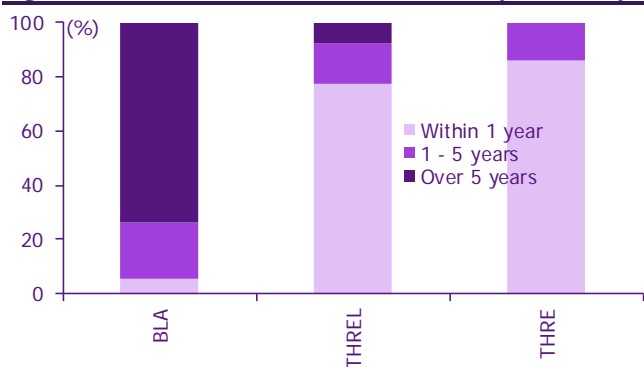
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 4: Government bond yield



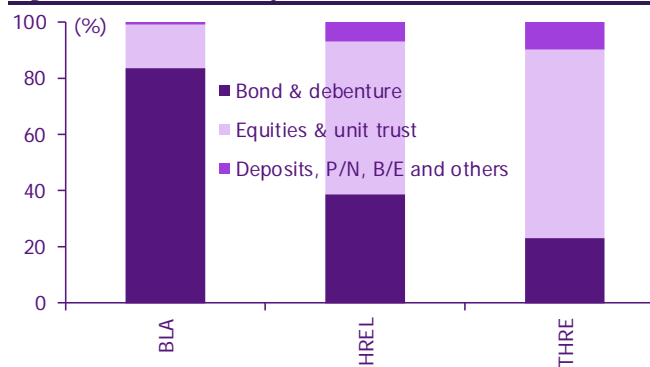
Source: Thai BMA and SCBS Investment Research

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 (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BLA	Buy	28.50	41.0	46.5	9.8	9.3	8.5	37	5	10	1.3	1.1	1.0	13	13	13	2.6	2.7	2.9
THRE	Sell	0.77	0.8	5.8	n.m.	20.8	9.5	(810)	n.m.	120	0.9	0.9	0.8	(24)	4	9	0.0	1.9	4.2
THREL	Neutral	5.40	5.8	13.7	12.8	11.1	9.5	(42)	15	17	2.3	2.1	2.0	17	20	21	6.5	6.3	7.4
Average					11.3	13.7	9.2	(272)	10	49	1.5	1.4	1.3	2	12	14	3.0	3.6	4.8

Source: SCBS Investment Research

# Petrochemicals

SET PETRO index Close: 14/6/2019 1,141.07 -2.99 / -0.26% Bt1,283mn  
Bloomberg ticker: SETPETRO



## Stick with IVL amidst uncertainty on trade war

The SET Petrochemical index continued to underperform in 2Q19TD, down 7% from end-1Q19 vs. the SET's +1%. The key culprit is the ongoing US-China trade dispute, which is affecting market sentiment. Product spread is also hurt by capacity additions, both new and delayed from last year, mainly in the olefins and aromatics chains. We have a cautious view on the sector until there is progress in US-China trade negotiations. We still like IVL (TP at Bt74) as a safe haven amidst the current trade dispute. Valuation at 9.8x P/E (2019) remains undemanding vs. historical average of 12x (2015-2018), on its continuous growth and acquisitions.

**1Q19 net profit up 48% QoQ but weaker YoY.** The sector's profit turned around sharply QoQ in 1Q19 after booking huge inventory losses in 4Q18, mostly at PTTGC and IVL due to a sharp fall in oil price. Product spread continued to weaken YoY, chiefly for HDPE, whose spread fell 28% YoY and 10% QoQ. PX spread was strong in 1Q19 though down by 9% QoQ. Earnings performances in 2Q19 will be mixed but most will continue to be affected by weaker product spread; PX will be the worst performer, with spread weakened >20% QoQ, vs. -1% to -3% for PE.

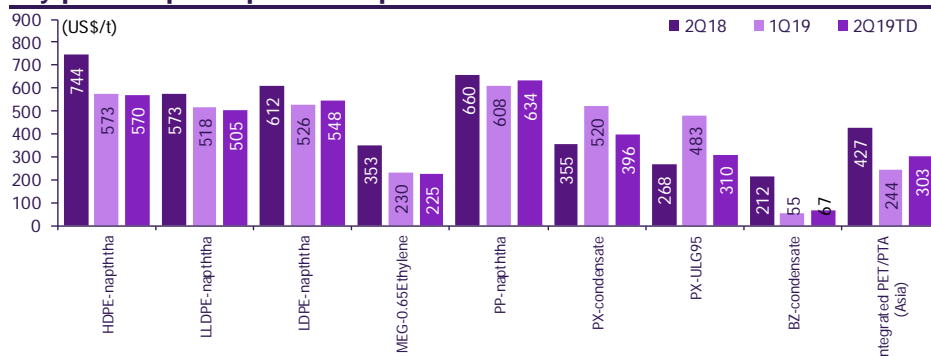
**PE spread weak but stable QoQ.** HDPE product spread is weak in 2Q19, down 23% YoY but quite stable QoQ with a fall of only 1% to <US\$600/t. The gap between HDPE and PP spread has continued to widen QoQ. We expect PP spread to outdo PE in 2019 on tighter supply and healthy demand. Propylene supply will tighten when regional oil refineries reduce operating rates of fluid catalytic crackers (FCC) as they divert feedstock (vacuum gasoil) to maximize supply of gasoil to accommodate demand ahead of the IMO2020 imposition.

**PX spread continuing to soften.** PX spread over condensate and ULG95 sank 24% and 36% QoQ in 2Q19 to below the 5-year average of US\$409/t and US\$305/t, respectively, with capacity additions in the region both new and delayed from last year narrowing product spread. Note that new PX capacity of 10.7mtpa in Asia, mainly China, will affect spread through the remainder of the year.

**Global integrated PET spread up slightly QoQ.** Integrated PET spread in the global market improved 14% QoQ to US\$435/t, mainly driven by the Asian market, chiefly from lower feedstock cost (PX), while new capacity of PTA plants in the region was limited. We expect PET/PTA producers will continue to benefit from the declining PX cost throughout the year as new PX supply enters the market.

**Stick with IVL after a 6% decline in 2Q19TD.** We continue to prefer IVL amidst the uncertainties of the ongoing trade war. We believe its weak 1Q19 will be this year's worst and expect to see recovery over the remainder of the year. We expect 2Q19 to be better as its EO/EG plant has resumed normal operations. Also, we are comfortable with its strategy to diversify businesses and plants into key markets to make it a local player to minimize the risk of trade barriers. We believe it will be least affected by the current trade war while demand will continue to improve.

### Key product price spread comparison



Source: Industry data, Bloomberg Finance LP and SCBS Investment Research

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F 20F	P/BV (x) 19F 20F
GGC	Neutral	11.0	11.0	3.7	9.5 8.9	1.0 1.0
IVL	Buy	47.3	74.0	59.8	9.9 8.7	1.6 1.4
PTTGC	Buy	62.3	100.0	67.4	7.5 7.0	0.9 0.8
Average					8.9 8.2	1.2 1.1

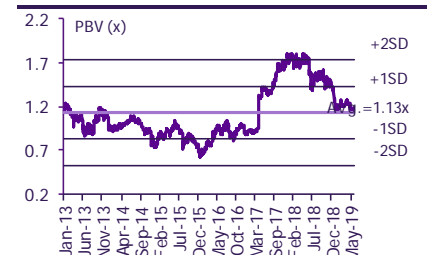
Source: SCBS Investment Research

### Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
GGC	3.8	4.8	(19.1)	0.6	1.8	(17.5)
IVL	1.1	(2.1)	(19.2)	(2.0)	(4.8)	(17.7)
PTTGC	(3.5)	(7.4)	(25.4)	(6.4)	(10.0)	(24.0)

Source: SET, SCBS Investment Research

### PBV band – SETPETRO

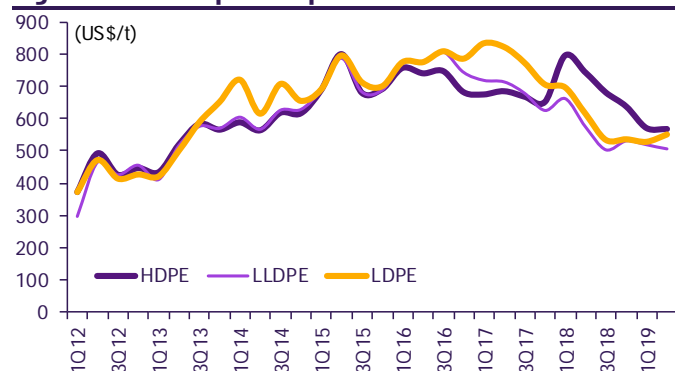


Source: SET, SCBS Investment Research

### Analyst

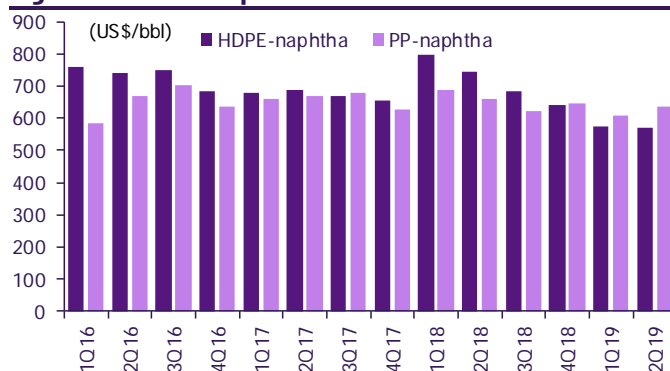
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Figure 1: PE - Naphtha spread



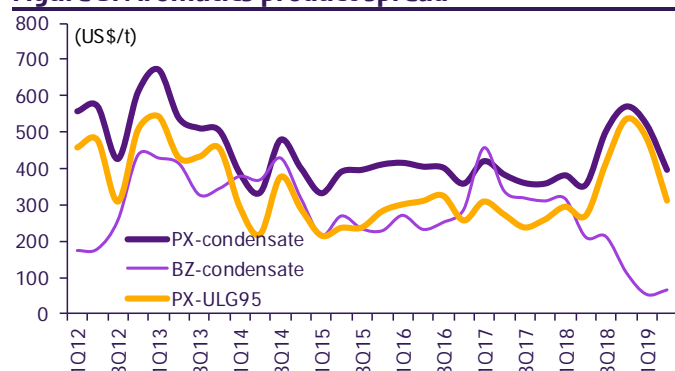
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 2: Product spread – HDPE vs. PP



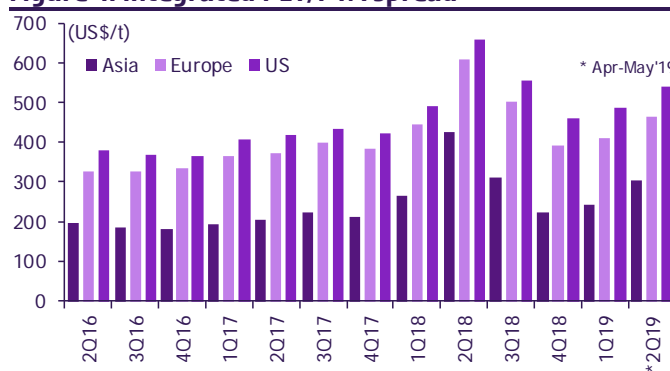
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 3: Aromatics product spread



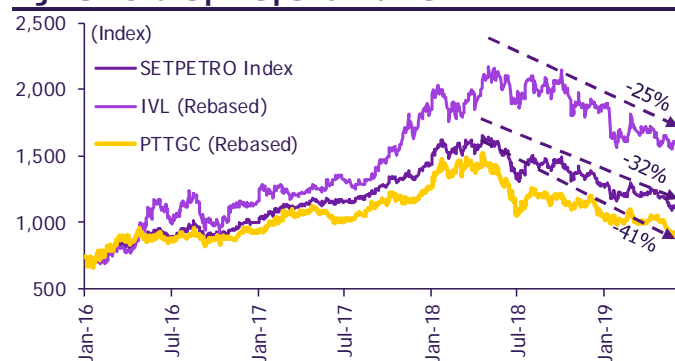
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 4: Integrated PET/PTA spread



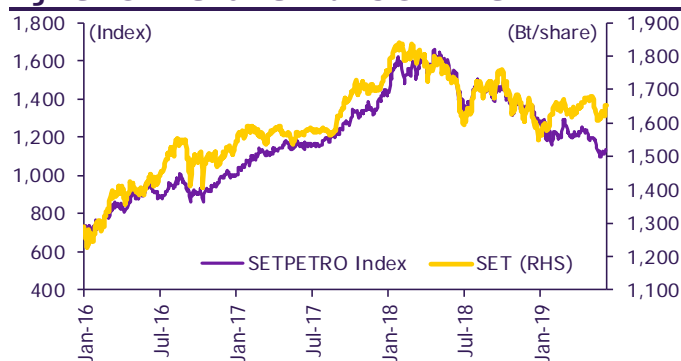
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 5: Share price performance



Source: Bloomberg Finance LP, SCBS Investment Research

Figure 6: SET Petrochemical vs. SET Index



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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
GGC	Neutral	11.00	11.0	3.7	19.9	9.5	8.9	(6)	110	7	1.2	1.0	1.0	5	11	11	0.0	3.7	3.9	9.9	6.2	5.4
IVL	Buy	47.25	74.0	59.8	11.0	9.9	8.7	12	12	14	1.8	1.6	1.4	18	17	18	3.0	3.2	3.6	8.7	7.0	5.9
PTTGC	Buy	62.25	100.0	67.4	6.9	7.5	7.0	(0)	(7)	7	0.9	0.9	0.8	14	12	12	6.8	6.7	7.2	5.4	5.3	4.8
Average					12.6	8.9	8.2	2	38	9	1.3	1.2	1.1	13	14	14	3.3	4.5	4.9	8.0	6.2	5.4

Source: SCBS Investment Research

# Residential property

SET PROP index Close: 14/6/2019 301.12 +0.99 / +0.33% Bt4,659mn  
Bloomberg ticker: SETPROP



## Weak sentiment in 2Q19

**Housing marketing activity was slow in 1Q19 with few new launches (-4% YoY) and low presales (-10% YoY), but active transfers led to earnings growth of 19% YoY. We expect a switch in 2Q19, with an 112% QoQ jump in new launches will lead to presales growth, but slimmer revenue. Backlog rose to Bt166.8bn in 1Q19, securing income through 2023. Top picks are AP and SPALI on good growth outlook and good dividend yield.**

**Slow presales and new launches in 1Q19.** New launches by our universe dropped 4% YoY to Bt37.5bn (low-rise -7% but condo +3%) and presales shrank by 10% YoY to Bt45.4bn, pulled down by both low-rise (-4%) and condo (-18%). This accounts for 20% of their targets. AP was the leader with presales growth of 26% YoY on record low-rise and strong response to three condo launches and SPALI took the tail (-29%) as it launched only two small projects.

**But active transfers.** Aggregate revenue and core profit for our universe rose 19% YoY each to Bt45.5bn and Bt7.7bn respectively due to price promotions and more rapid transfers ahead of the new LTV, which came into effect on April 1, 2019. Leaders are PSH, SIRI, SPALI and AP with LH at the tail end as it had only a few condos open for transfer. 1Q19F earnings accounted for 23% of our 2019F. Backlog (including JV) inched up 1% to Bt166.8bn (condo 84% and low-rise 16%), sufficient to secure income through 2023 and an average 61% of 2019F.

**Disappointing response to new condos.** In May-June, data suggests a slow take-up rate of 14-30% for mid- to high-end new condos (30% for *The Address Ratchathewi*, 20% for *Supalai ICON Sathorn*, 14% for *Ideo Q Pahol-Saphankwai*) and 15% for low-end *Lumpini Ville Sukhumvit 101/1-Punnawithi*. With a small sales value of only Bt1.3bn, take-up rate for *Chapter Chula-Samyarn* was not a surprise at 70%. Take-up rate plays an important role for new condos and suggests developers may cut new supply and thus lower presales.

**Climate change in 2Q19F.** 2Q19 will be the opposite of 1Q19, when new launches jumped 112% QoQ to Bt79.3bn and we now anticipate higher presales in 2Q19 despite a slow take-up rate. The growth in launches was led by SPALI (+695% QoQ) followed by SIRI (+388%), PSH (+262%) and AP (+31%). However, revenue will fall QoQ on fewer condo transfers. We believe revenue will bottom in 2Q19 and step up the rest of the year.

**Weak demand.** The stringent LTV reduces the ability of homebuyers to obtain loans and this has led rejection/cancellation rate to rise to 20-40%, weakening demand (we believe by 5-10%) and diminishing backlog quality, especially for low-end.

**Top picks are AP and SPALI.** We like AP and SPALI for large backlog that secures income through 2022-2023 and smooths earnings for the next few years plus dividend yield of 4.4-4.8%. AP has in upside low-rise presales and revenue.

## Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)	19F	20F	19F	20F
AP	Buy	7.8	10.0	33.0	6.8	6.0	0.9	0.8		
LH	Buy	11.3	13.0	21.4	15.0	14.2	2.7	2.7		
LPN	Neutral	7.3	7.0	5.6	6.7	6.1	0.8	0.8		
PSH	Neutral	21.3	20.5	3.7	7.6	7.4	1.1	1.0		
QH	Buy	3.1	3.8	31.1	7.9	7.2	1.2	1.1		
SIRI	Neutral	1.4	1.4	8.9	9.9	8.4	0.7	0.7		
SPALI	Buy	23.0	27.0	22.2	7.7	7.0	1.3	1.2		
Average					8.8	8.0	1.2	1.2		

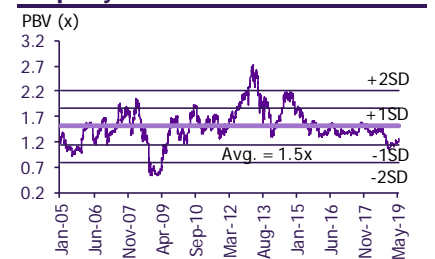
Source: SCBS Investment Research

## Price performance

		Absolute			Relative to SET			
(%)		1M	3M	12M	1M	3M	12M	12M
AP	4.0	14.7	(12.4)		0.8	11.5	(10.7)	
LH	7.6	8.7	(0.9)		4.3	5.6	1.0	
LPN	6.6	8.1	(28.4)		3.3	5.1	(27.0)	
PSH	10.4	18.3	(1.8)		7.0	15.0	0.1	
QH	4.1	4.8	(1.9)		0.9	1.8	(0.0)	
SIRI	(0.7)	5.3	(16.7)		(3.7)	2.3	(15.0)	
SPALI	5.0	25.0	(7.3)		1.8	21.5	(5.5)	

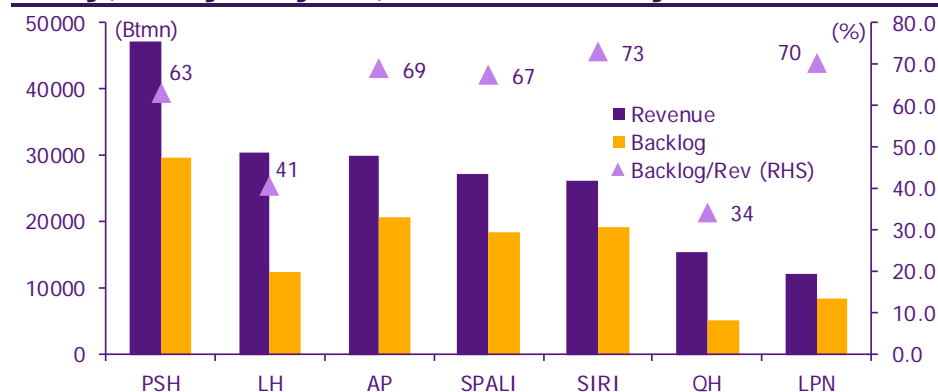
Source: SET, SCBS Investment Research

## Property sector's PBV



Source: SET, SCBS Investment Research

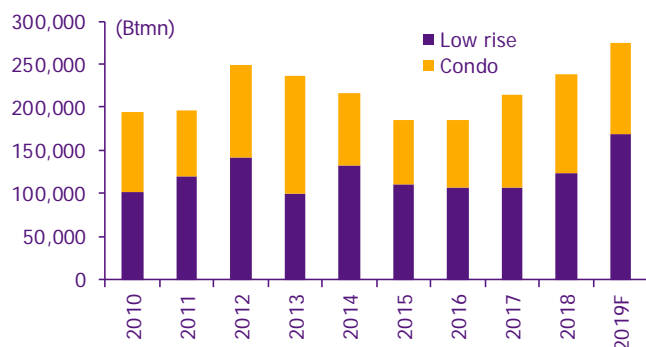
## Backlog (including holding in JVs) secures 61% of 2019 target



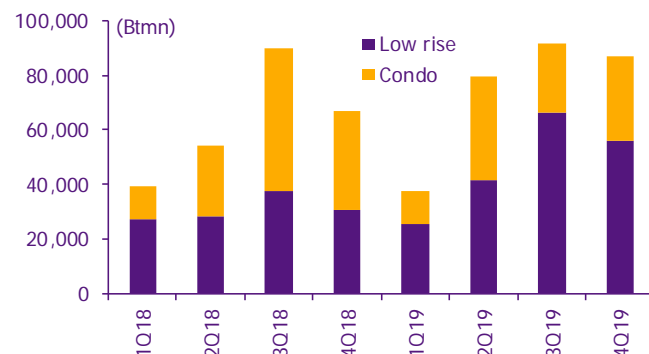
Source: Company, SCBS Investment Research

## Analyst

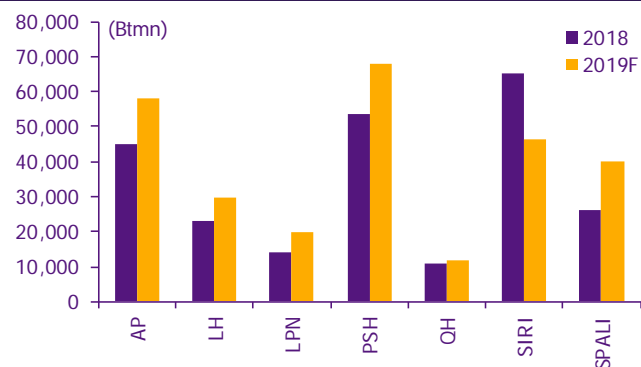
**Sirikarn Krisnipat**  
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(66-2) 949-1020  
sirikarn.krisnipat@scb.co.th

**Figure 1: New launches will rise 15% in 2019 (low-rise +37%, condo -8%)**

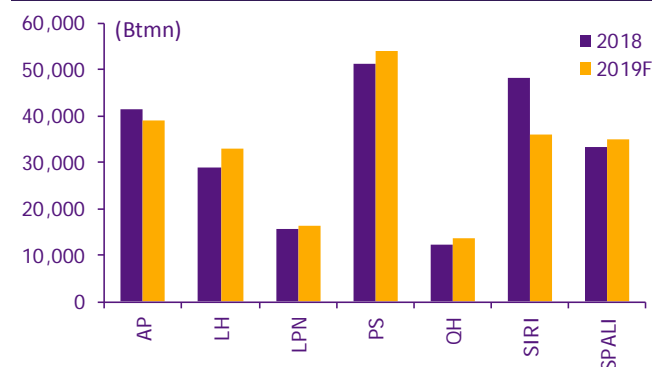
Source: AP, LH, LPN, PSH, QH, SIRI, SPALI

**Figure 2: Planned quarterly new launches to peak in 3Q19**

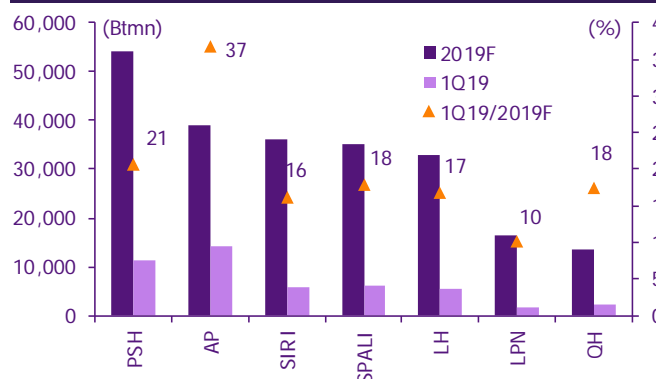
Source: AP, LH, LPN, PSH, QH, SIRI, SPALI, SCBS Investment Research

**Figure 3: Total new launches by developer**

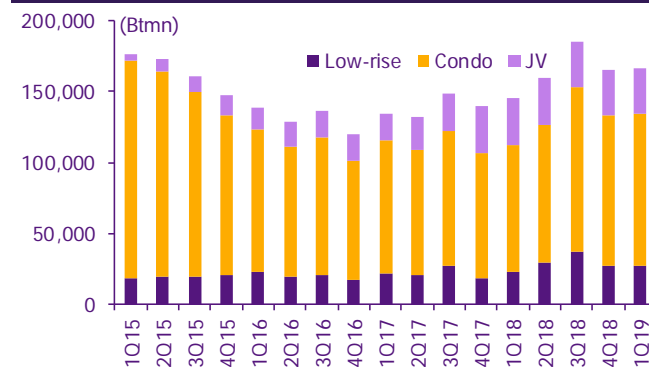
Source: AP, LH, LPN, PSH, QH, SIRI, SPALI

**Figure 4: Presales target by developer**

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

**Figure 5: 1Q19 total presales reached 20% of 2019F**

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

**Figure 6: Backlog up marginally 1% QoQ in 1Q19**

Source: AP, LH, LPN, PSH, QH, SIRI, SPALI, 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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AP	Buy	7.80	10.0	33.0	6.4	6.8	6.0	25	(6)	13	1.0	0.9	0.8	17	14	15	5.1	4.8	5.5	9.1	10.1	9.3
LH	Buy	11.30	13.0	21.4	14.4	15.0	14.2	5	(4)	6	2.7	2.7	2.7	19	18	19	6.6	6.3	6.7	13.4	15.2	14.5
LPN	Neutral	7.30	7.0	5.6	7.9	6.7	6.1	28	18	9	0.8	0.8	0.8	11	12	13	8.2	9.7	10.6	8.6	8.3	8.3
PSH	Neutral	21.30	20.5	3.7	7.7	7.6	7.4	10	2	2	1.2	1.1	1.0	15	14	14	7.3	7.5	7.6	8.7	7.9	7.8
QH	Buy	3.08	3.8	31.1	8.5	7.9	7.2	17	8	10	1.3	1.2	1.1	15	15	16	7.1	7.7	8.4	10.6	10.1	9.5
SIRI	Neutral	1.40	1.4	8.9	9.9	9.9	8.4	(29)	1	18	0.7	0.7	0.7	7	7	8	5.7	8.9	10.4	17.8	18.7	16.8
SPALI	Buy	23.00	27.0	22.2	8.5	7.7	7.0	(15)	11	10	1.5	1.3	1.2	19	18	18	4.3	4.8	5.3	8.2	7.3	6.7
Average					9.1	8.8	8.0	6	4	10	1.3	1.2	1.2	15	14	14	6.4	7.1	7.8	10.9	11.1	10.4

Source: SCBS Investment Research

# Securities

SET FIN index Close: 14/6/2019 4,132.85 -19.33 / -0.47% Bt882mn  
Bloomberg ticker: SETFIN



## Decent dividend yield but weak outlook

**We cut 2019F daily market turnover and market share of MBKET and ASP to fine tune with the worse-than-expected YTD figures. We expect a QoQ recovery in 2Q19 earnings for both companies with a moderate interim dividend yield. We maintain Neutral on both stocks but trim MBKET TP.**

**Cut 2019 daily market turnover assumption.** Average daily market turnover (excluding proprietary trading) has fallen to Bt44.5bn in 2Q19 (as of June 12), down 15% YoY but up 12% QoQ driven by foreign fund flows. YTD daily market turnover is Bt41.8bn. To fine tune with this, we cut our 2019F average daily market turnover assumption to Bt43bn from Bt45bn vs. Bt50.6bn for 2018. We expect to see daily market turnover sink to Bt40bn in 2020 as investment in LTF will no longer be tax deductible on personal income tax.

**Cut 2019F market share to fine tune with a 2Q19 fall.** MBKET's market share went down to 5.82% in 2Q19 (as of June 12) from 6.18% in 1Q19 to below the 6.14% in 2018. ASP's market share fell to 1.7% in 2Q19 (as of June 12) from 1.92% in 1Q19, well below 2.29% in 2018. We cut MBKET's 2019F market share to 6% from 6.1% and ASP's 2019F market share to 1.85% from 2% to fine tune with 2Q19 figures.

**MBKET 2Q19F preview: Down YoY, up QoQ.** We forecast 2Q19 earnings of Bt65mn (-42% YoY, +103% QoQ). On a YoY basis, our forecast of a 42% fall in 2Q19F net profit is attributable to a 26% YoY drop brokerage and other fee income. On a QoQ basis, our forecast of a 103% rise in 2Q19F earnings reflects a seasonal rise in interest & dividend income, larger investment gain and lower opex with a 2% decrease in brokerage income.

**ASP 2Q19F preview: Up YoY and QoQ.** We forecast an increase in 2Q19 earnings of 12% YoY and 5% QoQ to Bt125mn. On a YoY basis, we expect a 12% rise from larger investment gain that will offset an expected 34% plunge in brokerage income. On a QoQ basis, we expect a 5% increase in 2Q19F earnings off higher investment banking fees from the IPO of ALL (IPO size of Bt2.74bn) and a seasonal rise in interest & dividend income that will make up for the expected 9% decrease in brokerage fee and a 47% dive in investment gain.

**Interim dividend.** For MBKET, we forecast a small dividend of Bt0.23/share for 1H19 at a 100% dividend payout, translating to a 2.8% dividend yield. For ASP, we expect a dividend of Bt10/share for 1H19, on par with 1H18 dividend at an 82% dividend payout ratio, translating to 3.7% dividend yield.

**Maintain Neutral on a decent dividend yield.** We keep our Neutral on ASP and MBKET because they do offer decent 2019F dividend yield of 5.9% for MBKET and 6.6% for ASP. We cut TP of MBKET to Bt8.2 from Bt9.8 to reflect the downward revision of brokerage income. We maintain TP of ASP at Bt3 as our cut in brokerage income is offset by an upward revision of gain on investment.

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
ASP	Neutral	2.7	3.0	17.7	13.6	12.9	1.2	1.2
MBKET	Neutral	8.4	8.2	3.5	17.0	21.3	1.1	1.1
<b>Average</b>					<b>15.3</b>	<b>17.1</b>	<b>1.2</b>	<b>1.2</b>

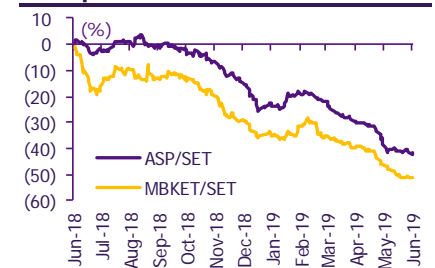
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
ASP	3.1	(13.5)	(30.1)	(0.1)	(15.9)	(28.7)
MBKET	(4.5)	(17.6)	(40.0)	(7.5)	(19.9)	(38.8)

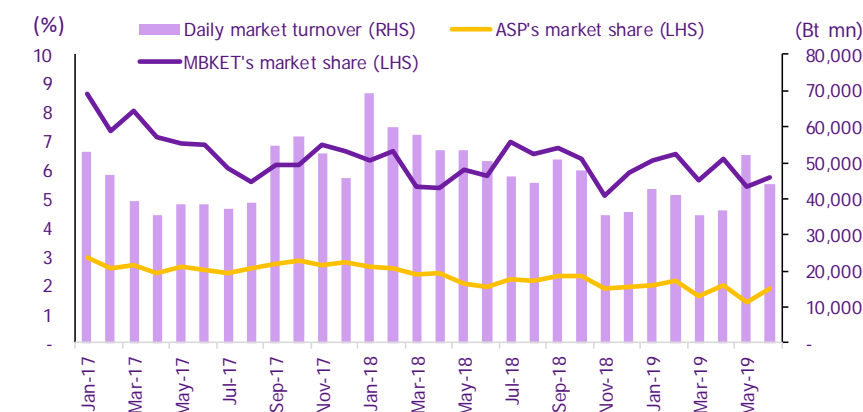
Source: SET, SCBS Investment Research

### Price performance relative to SET



Source: SET, SCBS Investment Research

### Market turnover lower than expected



Source: SET and SCBS Investment Research

### Analyst

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Fundamental Investment

Analyst on Securities

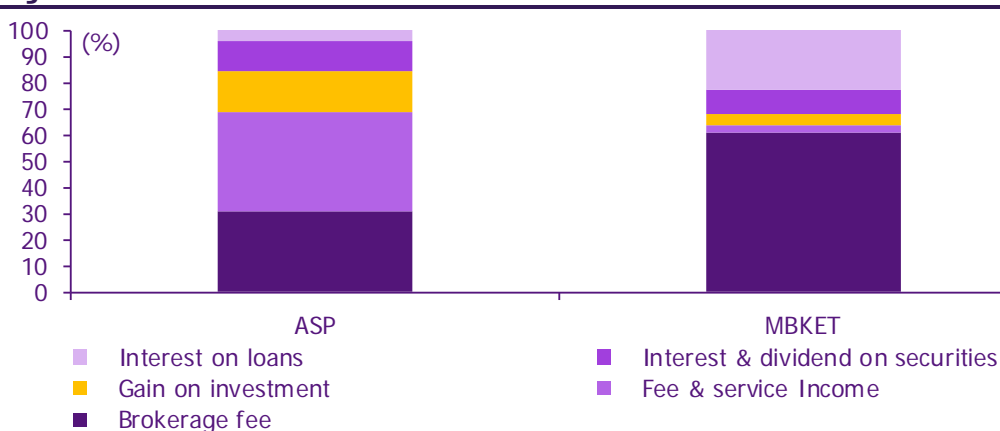
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kittima.sattayapan@scb.co.th

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

	ASP	MBKET
<b>Target price at 2019F various daily mkt. turnover</b>		
Bt40bn	2.8	6.1
Bt43bn — base case	3.0	8.2
Bt46bn	3.1	10.4
<b>2019F EPS (Bt) at various daily mkt. turnover</b>		
Bt40bn	0.19	0.36
Bt43bn — base case	0.20	0.49
Bt46bn	0.21	0.63
<b>2019F DPS (Bt) at various daily mkt. turnover</b>		
Bt40bn	0.17	0.36
Bt43bn — base case	0.18	0.49
Bt46bn	0.19	0.63
<b>Dividend payout</b>	90%	100%
<b>Target PE (x)</b>	<b>15.0</b>	<b>16.7</b>

Source: SCBS Investment Research

**Figure 2: 2019F 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 (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
ASP	Neutral	2.70	3.0	17.7	13.1	13.6	12.9	(41)	(4)	6	1.2	1.2	1.2	9	9	9	7.4	6.6	7.0
MBKET	Neutral	8.40	8.2	3.5	12.3	17.0	21.3	(39)	(28)	(20)	1.1	1.1	1.1	8	6	5	8.2	5.9	4.7
<b>Average</b>					<b>12.7</b>	<b>15.3</b>	<b>17.1</b>	<b>(40)</b>	<b>(16)</b>	<b>(7)</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>7.8</b>	<b>6.2</b>	<b>5.8</b>

Source: SCBS Investment Research

## A milestone around investor necks

**We do not have a bullish view on the sector, which we see as facing multiple challenges in 2H19. We believe data monetization is unlikely – curtailing ARPU upside. The potential 5G license auction in 4Q19 is another risk as we do not expect operators will benefit in the near term. Another hurdle lies in the heightened competition after the 2G shutdown in Oct 2019. ADVANC (BUY TP Bt215) is our top pick in the sector.**

**Data monetization remains a challenge.** Data is virtually the only vehicle for growth left for mobile operators as mobile penetration rate has reached 139%. However, the intense competition has kept operators from data monetization despite increasing numbers of postpaid (where ARPU is 200-300% higher than prepaid) and data subscribers, a trend seen also in Singapore and Australia. As long as this continues, we see long-term sector earnings outlook as unexciting.

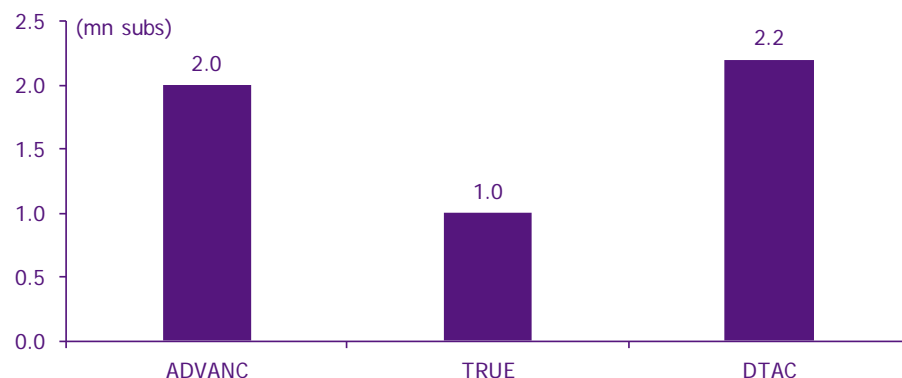
**Downside risk from upcoming 5G auction.** In addition to 700MHz, NBTC plans to hold an auction for 2600MHz, 26GHz and 28GHz licenses in 4Q19. This is downside risk for all operators, as we do not see any near-term benefit from introducing 5G. The recent request by Singtel to Singapore's telecoms regulator asking for a free 5G license and the study by GSMA Intelligence of 5G in China support our view that scope for pricing 5G at a premium to 4G in the retail segment is limited – and mobile revenue in the retail segment accounts for 40-80% of total revenue for Thai mobile operators.

**2G shutdown to heighten competition in 4Q19.** Investors need to be aware of this potential threat. The 2G shutdown gives rise to two concerns. First, it could erode handset margin as all operators may have to subsidize 2G users since the NBTC says that the transition should come at no cost for 2G subscribers. Secondly, we believe some operators may use this opportunity to grab subscribers from their competitors by offering aggressive promotions.

**Cost reduction key to 2019F sector core earnings growth.** By our estimates, the three mobile operators will report 2019F core earnings of Bt38.4bn, surging 18.9% YoY. Importantly, this will come from cost reduction rather than growing mobile revenue, which we expect to expand just 0.7%. Note that DTAC booked a Bt6bn expense related to dispute settlement with CAT in 4Q18 and it will also have a material reduction of approximately Bt12bn in amortization expense for its concession network (which ended in 3Q18) in 2019.

**ADVANC is our top pick.** ADVANC has always been the safest bet of the three mobile operators, backed by a strong cash flow and decent dividend yield. We like TRUE (NEUTRAL, TP Bt5.3) on its earnings turnaround, but upside to our TP is limited. Although DTAC (NEUTRAL TP Bt51.5) also has good earnings momentum in 2019F, this will be driven by cost reduction, with its service revenue ex. IC expected to drop YoY. Note that we expect all operators to secure 700MHz.

### Around 5.2mn subscribers are using 2G network



Source: SCBS Investment Research, NBTC

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/BV (x) 20F	P/BV (x) 19F	P/BV (x) 20F
ADVANC	Buy	198.5	215.0	12.0	19.0	17.8	8.8	7.6
DTAC	Neutral	51.5	51.5	2.1	23.3	23.2	4.7	4.3
TRUE	Neutral	5.3	5.3	1.6	84.2	99.3	1.3	1.3
Average					42.2	46.8	4.9	4.4

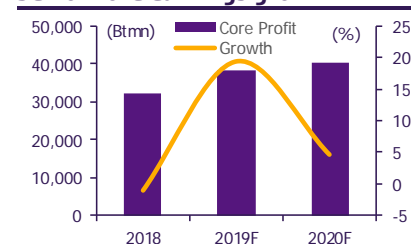
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
ADVANC	6.4	10.0	4.2	3.2	6.9	6.2
DTAC	(1.4)	(2.4)	12.0	(4.4)	(5.1)	14.1
TRUE	7.3	10.4	(20.9)	4.0	7.3	(19.4)

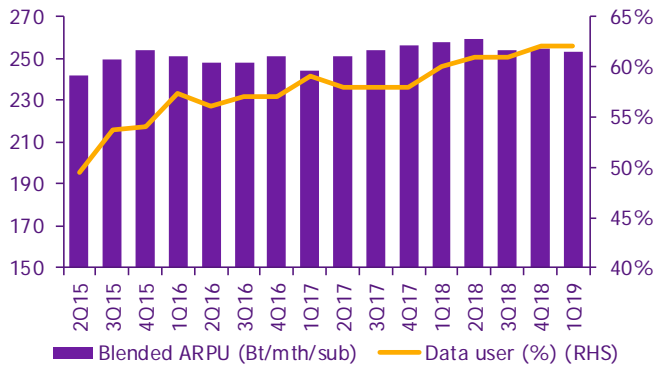
Source: SET, SCBS Investment Research

### Sector core earnings growth

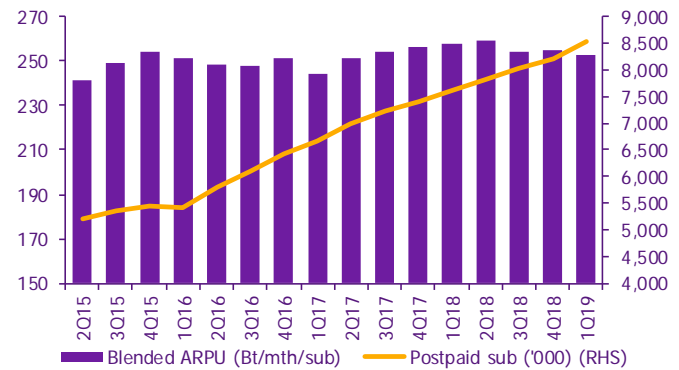


### Analyst

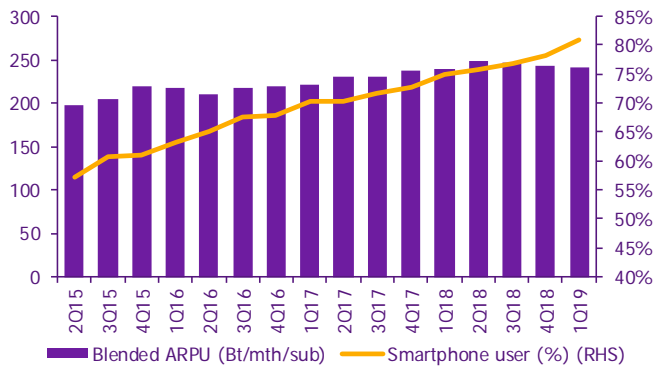
**Kittisorin Pruitipat, CFA, FRM**  
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kittisorin.pruitipat@scb.co.th

**Figure 1: Rising data users are not translating into higher ARPU for ADVANC**

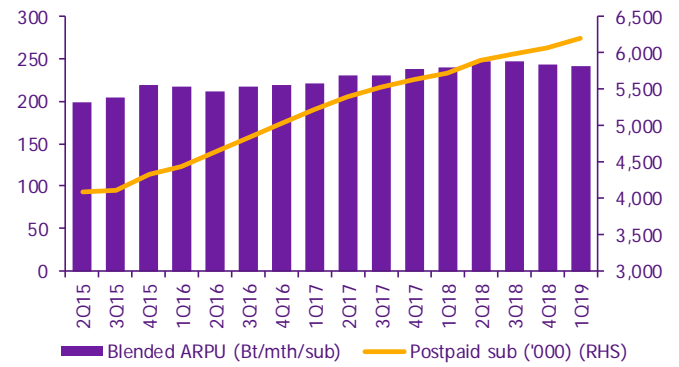
Source: Company data and SCBS Investment Research

**Figure 2: ... nor is more postpaid subscribers, whose ARPU is normally higher**

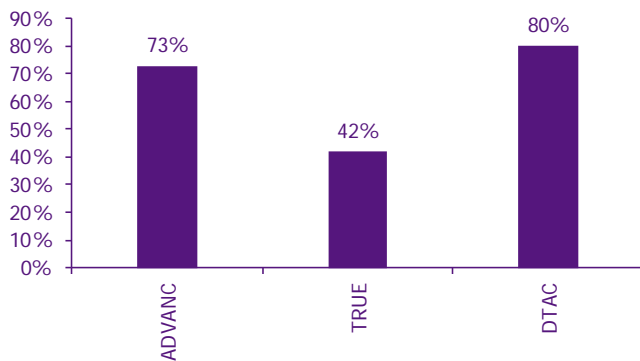
Source: Company data and SCBS Investment Research

**Figure 3: Rising smartphone users not translating into higher ARPU for DTAC**

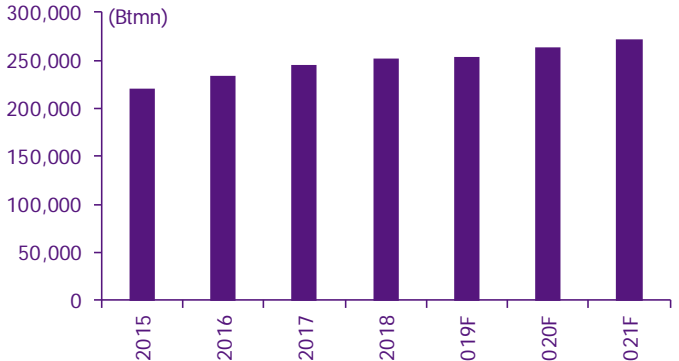
Source: SET and SCBS Investment Research

**Figure 4: ... nor is rising postpaid subscribers, whose ARPU is normally higher**

Source: SET and SCBS Investment Research

**Figure 5: Mobile retail segment accounts for 40-80% of ADVANC, DTAC and TRUE revenue**

Source: SET and SCBS Investment Research

**Figure 6: Sector mobile revenue is expected to grow at 0.7% in 2019F**

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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
ADVANC	Buy	198.50	215.0	12.0	20.0	19.0	17.8	(1)	5	7	10.2	8.8	7.6	55	50	46	3.6	3.7	3.9	9.3	8.7	8.6
DTAC	Neutral	51.50	51.5	2.1	n.m.	23.3	23.2	n.m.	n.m.	1	5.6	4.7	4.3	(17)	22	19	2.0	2.1	2.2	7.9	6.8	7.1
TRUE	Neutral	5.30	5.3	1.6	25.1	84.2	99.3	n.m.	(70)	(15)	1.3	1.3	1.3	5	2	1	1.7	1.6	0.5	5.8	9.0	8.7
Average					22.6	42.2	46.8	(1)	(32)	(3)	5.7	4.9	4.4	14	24	22	2.4	2.5	2.2	7.7	8.2	8.1

Source: SCBS Investment Research

# Tourism

SET TOURISM index Close: 14/6/2019 602.64 -1.96 / -0.32% Bt217mn  
Bloomberg ticker: SETHOT



## Slow recovery but climate is better

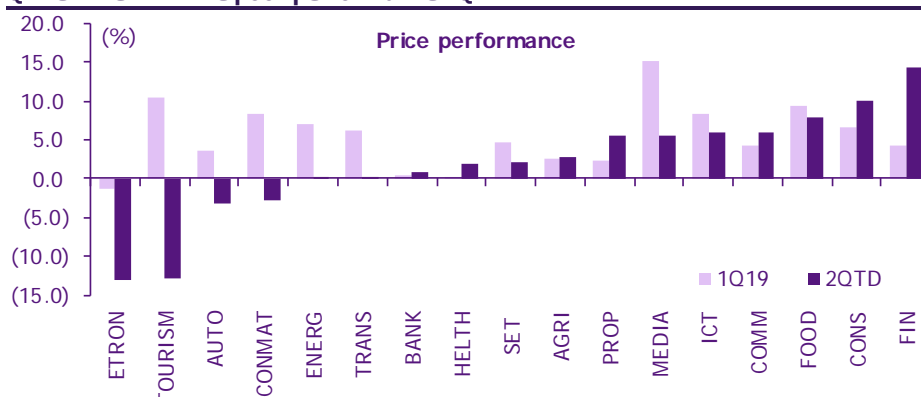
**As expected, 2Q19 has been a quiet time for hoteliers with SETTOURISM down 13% 2Q19TD (vs. a 2% increase in the SET) after a strong price rally in 1Q19. Thus far, Thai tourism has recovered only slowly with a weak China market, but growth should normalize in 2H19 after the extension of the waiver of the visa-on-arrival fee through October 2019. We maintain our long-term positive view on Thai tourism. ERW and MINT are our top picks.**

**Quiet time with poor performance 2Q19TD.** As expected, 2Q19 is turning out to be a lackluster quarter for hoteliers with SETTOURISM down by 13% 2Q19TD vs. the SET's increase of 2%. CENTEL is doing worst at -17%, followed by ERW at -8% while MINT has been an outperformer at +1%. This is a reaction to the strong price rally in 1Q19 and weak 1Q19 operations. The high tourism base in 1Q18 resulted in low growth in international tourist arrivals in 1Q19 at only 1.5% YoY (but up 11% QoQ) to 10.7mn on a drop of 2% YoY in tourists from China, a key feeder of tourists to Thailand at 28% of international arrivals. The weak high season slimmed RevPar for hotels in Thailand by 9% YoY for ERW, 6% YoY for CENTEL and 6% YoY for MINT.

**Recovery is slow, but looking better.** The number of international tourist arrivals in April grew only 3% YoY to 3.2mn and tourists from China dropped by 9% YoY. Preliminary data from AOT suggests Thai tourism continued slow in May but that things are looking up in June. AOT's international passenger growth was flat in May (vs. +3% YoY in April) but grew 6% YoY in June 1-8. In our view, the last-minute decision to extend the visa-on-arrival fee waiver may be behind May's weak Thai tourism: the government did not extend it until April 24, just six days before the April 30 expiration (to October 31, 2019), leaving little lead time for travel planning. However, we believe the extension will help support Thai tourism in 2H19 and expect 7% growth in international tourist arrivals in 2019 to 40.8mn. Note that Thai tourism had a low base in 2H18 when tourists from China plummeted after the boat accident in July 2018.

**ERW and MINT are top picks.** ERW is our lead pick. As a pure hotel play, ERW is situated to benefit directly from improvement in Thai tourism. ERW is trading at 12x 2019EV/EBITDA, nearly -1SD of its historical average, dragged down by a slow 1Q19 that was followed by the company's cut in its revenue growth target. In our view, the low valuation cushions against price downside. MINT's earnings – generally seasonally soft in 2Q – will blaze a new path this year thanks to the consolidation of NH Hotel Group (NHH, 70% of owned hotel revenue), as 2Q is its high season when operations are strongest. With this, MINT's earnings will be the strongest in the sector in 2Q19 with strong growth both YoY and QoQ (vs. peers' drop QoQ on seasonality).

### Quite time with the poor performance 2QTD



Source: SET and SCBS Investment Research

### Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
CENTEL	Neutral	36.3	46.0	28.7	21.8	19.1	3.3	3.0
ERW	Buy	6.5	9.0	39.9	24.9	22.4	2.6	2.4
MINT	Buy	39.5	47.0	20.4	25.3	21.9	2.1	2.0
Average					24.0	21.1	2.7	2.5

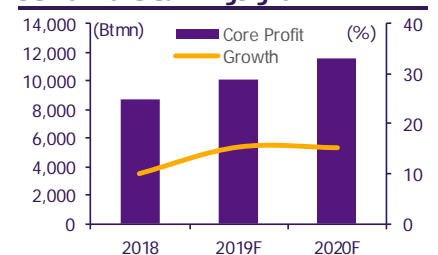
Source: SCBS Investment Research

### Price performance

	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
CENTEL	(0.7)	(15.7)	(19.9)	(3.7)	(18.1)	(18.3)
ERW	(1.5)	(9.1)	(19.3)	(4.5)	(11.6)	(17.7)
MINT	6.8	3.3	15.3	3.5	0.4	17.6

Source: SET, SCBS Investment Research

### Sector core earnings growth



Source: SET, SCBS Investment Research

### Analyst

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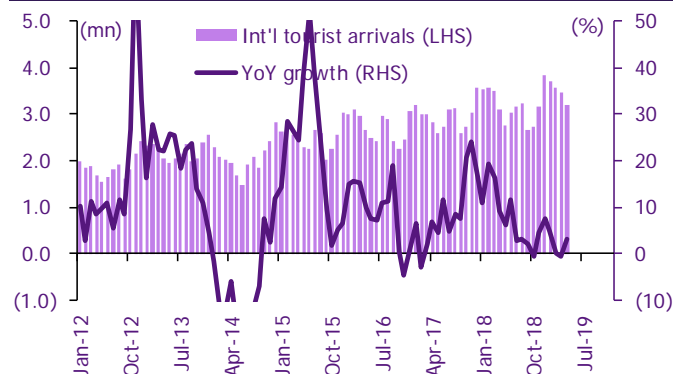
raweenuch.piyakriengkai@scb.co.th

Figure 1: High base for Thai tourism in 1Q18



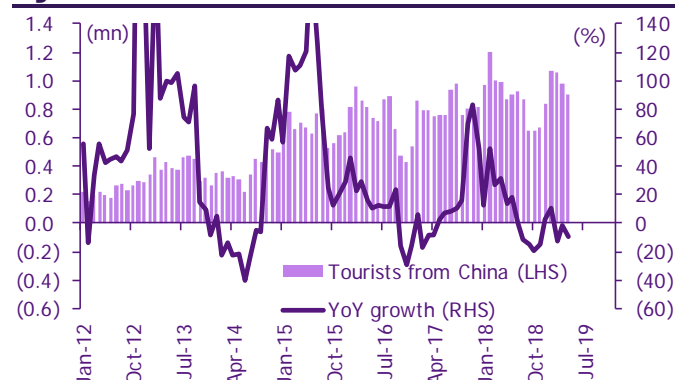
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 2: Thai tourism was slow in April



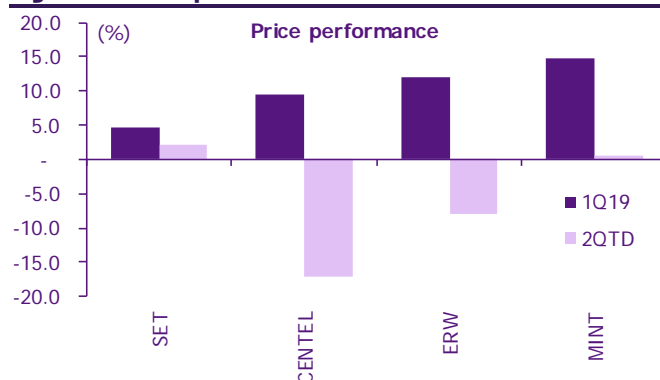
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 3: Slow China market



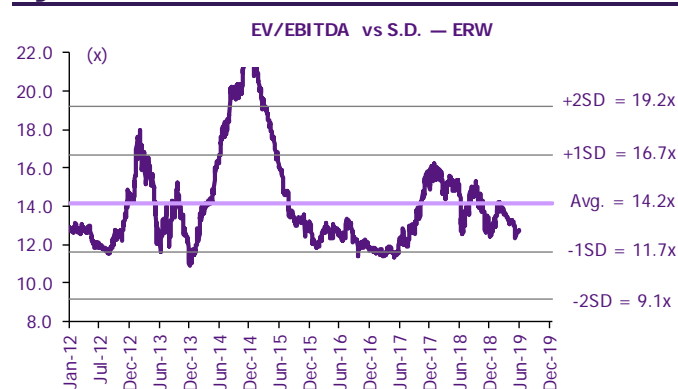
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 4: Price performance



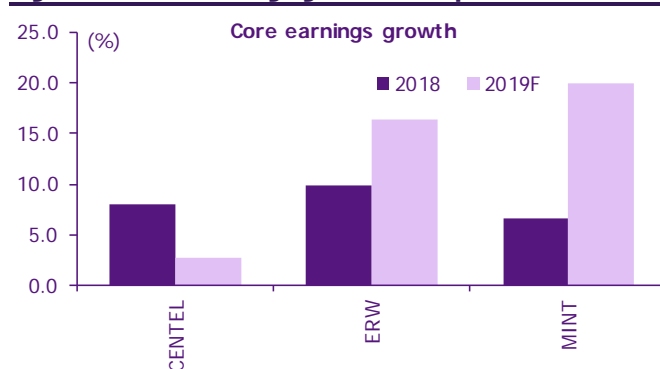
Source: SET and SCBS Investment Research

Figure 5: ERW EV/EBITDA band



Source: SET and SCBS Investment Research

Figure 6: Core earnings growth comparison



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)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
CENTEL	Neutral	36.25	46.0	28.7	22.4	21.8	20.1	8.0	2.7	14.4	3.6	3.3	3.0	17.1	15.9	16.5	1.8	1.8	2.1	10.9	11.0	10.3
ERW	Buy	6.50	9.0	39.9	29.0	24.9	22.4	9.8	16.4	11.2	2.8	2.6	2.4	10.0	10.9	11.3	1.4	1.4	1.6	12.9	12.2	11.1
MINT	Buy	39.50	47.0	20.4	30.4	25.3	21.9	6.6	19.9	15.8	2.2	2.1	2.0	9.0	8.4	9.2	1.0	1.4	1.6	18.8	13.0	11.7
Average					27.3	24.0	21.1	8.1	13.0	13.8	2.9	2.7	2.5	12.0	11.8	12.4	1.4	1.5	1.8	14.2	12.1	11.0

Source: SCBS Investment Research

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 (%)		
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
Agribusiness						17.3			1,144 1,426 1,640						17.8 14.2 12.4			18.0 14.7 1.34			9 11 11					
GFPT	Buy	16.20	19.00	17.3	16.3	1,144	1,426	1,640	0.91	1.14	1.31	(35)	25	15	17.8	14.2	12.4	10.1	11.0	12.1	1.60	1.47	1.34	9	11	11
Automotive						34.5			4,428 4,606 5,479						10.3 10.0 8.1			1.29 1.20 1.11			13 12 14					
AH	Buy	19.20	29.00	51.0	26.8	931	706	1,105	2.89	2.19	3.42	3	(24)	56	6.7	8.8	5.6	23.8	27.3	31.1	0.81	0.70	0.62	12	8	11
PCSGH	Neutral	7.00	7.20	2.9	8.1	629	701	886	0.41	0.46	0.58	(2)	13	26	17.2	15.2	12.1	3.3	3.5	3.6	2.11	2.03	1.93	12	14	16
SAT	Buy	18.30	28.00	53.0	25.5	912	964	1,053	2.15	2.27	2.48	27	6	9	8.5	8.1	7.4	16.2	17.4	18.8	1.13	1.05	0.97	14	13	14
STANLY	Buy	229.00	320.00	39.7	297.2	1,957	2,235	2,436	25.53	29.16	31.79	18	14	9	9.0	7.9	7.2	208.4	225.4	247.7	1.10	1.02	0.92	13	13	13
Banking						16.8			202,767 203,153 221,056						10.1 10.3 9.5			1.13 1.07 1.00			11 10 10					
Large Banks																										
BBL	Buy	199.00	240.00	20.6	236.3	35,330	37,759	41,975	18.51	19.78	21.99	7	7	11	10.8	10.1	9.0	216.3	231.2	246.3	0.92	0.86	0.81	9	9	9
KBANK	Neutral	193.50	190.00	(1.8)	220.0	38,459	38,926	42,937	16.07	16.27	17.94	12	1	10	12.0	11.9	10.8	157.2	172.0	185.8	1.23	1.13	1.04	11	10	10
KTB	Buy	19.50	22.00	12.8	20.9	28,491	28,789	29,807	2.04	2.06	2.13	27	1	4	9.6	9.5	9.1	21.9	23.4	24.7	0.89	0.83	0.79	10	9	9
Mid/small banks																										
BAY	Buy	38.25	43.00	12.4	43.4	24,813	25,944	28,906	3.37	3.53	3.93	7	5	11	11.3	10.8	9.7	33.0	35.5	38.4	1.16	1.08	1.00	11	10	11
KKP	Neutral	68.25	70.00	2.6	74.8	6,042	6,059	6,337	7.14	7.16	7.48	5	0	5	9.6	9.5	9.1	49.8	52.0	55.2	1.37	1.31	1.24	14	14	14
LHFG	Sell	1.48	1.50	1.4	1.6	3,108	3,141	3,323	0.15	0.15	0.16	19	1	6	10.1	10.0	9.4	1.9	2.0	2.1	0.79	0.75	0.71	8	8	8
TCAP	Buy	56.00	64.00	14.3	58.3	7,839	7,839	8,353	6.73	6.73	7.17	16	(0)	7	8.3	8.3	7.8	56.4	61.1	65.9	0.99	0.92	0.85	12	11	11
TISCO	Buy	89.75	97.00	8.1	93.0	7,016	7,029	7,308	8.76	8.78	9.13	15	0	4	10.2	10.2	9.8	47.1	49.2	52.2	1.91	1.82	1.72	19	18	18
TMB	Buy	1.99	2.35	18.1	2.3	11,601	7,783	8,933	0.26	0.18	0.20	34	(33)	15	7.5	11.2	9.8	2.3	2.4	2.5	0.88	0.84	0.79	12	8	8
Commerce						9.0			44,645 49,312 55,435						34.0 30.3 26.8			6.66 6.09 5.52			20 21 21					
BJC	Neutral	49.25	53.00	7.6	54.8	6,444	6,803	7,431	1.61	1.70	1.86	26	6	9	30.6	29.0	26.5	28.8	28.9	29.2	1.71	1.70	1.69	6	6	6
CPALL	Buy	83.00	90.00	8.4	83.7	21,203	23,878	27,356	2.25	2.55	2.93	5	13	15	36.9	32.6	28.3	11.1	12.5	14.2	7.47	6.65	5.85	24	23	23
GLOBAL	Buy	17.80	20.00	12.4	19.8	2,003	2,185	2,521	0.48	0.52	0.60	25	9	15	37.3	34.2	29.7	3.5	3.9	4.3	5.02	4.60	4.13	14	14	15
HMPRO	Buy	17.60	18.00	2.3	17.2	5,663	6,541	7,384	0.43	0.50	0.56	16	16	13	40.9	35.4	31.3	1.5	1.7	1.8	11.62	10.59	9.64	29	31	32
MAKRO	Neutral	34.25	40.00	16.8	38.1	5,942	6,142	6,474	1.24	1.28	1.35	(4)	3	5	27.7	26.8	25.4	4.0	4.3	4.7	8.54	7.94	7.29	32	31	30
ROBINS	Buy	56.00	70.00	25.0	64.6	2,989	3,256	3,662	2.69	2.93	3.30	11	9	12	20.8	19.1	17.0	16.9	18.5	20.3	3.30	3.03	2.76	16	17	17
RS	Neutral	17.50	16.50	(5.7)	20.7	401	506	606	0.40	0.50	0.60	40	26	20	44.1	34.9	29.1	2.0	2.2	2.4	8.96	8.12	7.30	21	24	26
Construction Materials						15.8			49,829 49,657 54,346						16.5 15.1 13.8			2.08 2.03 1.92			14 14 15					
Cement																										
SCC	Buy	458.00	525.00	14.6	493.9	44,858	43,917	48,088	37.38	36.60	40.04	(14)	(2)	9	12.3	12.5	11.4	264.9	282.1	304.4	1.73	1.62	1.50	14	13	14
SCCC	Buy	233.00	270.00	15.9	260.5	3,083	3,648	3,916	10.35	12.24	13.14	9	18	7	22.5	19.0	17.7	115.9	119.5	124.7	2.01	1.95	1.87	9	10	11
Others																										
DCC	Neutral	2.00	2.50	25.0	2.4	979	1,062	1,153	0.15	0.15	0.16	(12)	1	5	13.3	13.2	12.5	0.7	0.7	0.7	3.02	3.04	2.88	24	24	24
EPG	Buy	5.80	8.50	46.6	7.5	908	1,029	1,190	0.32	0.37	0.42	(15)	13	16	17.9	15.8	13.6	3.7	3.8	4.0	1.57	1.51	1.44	9	10	11
Electronic Components						53.2			10,502 13,037 14,448						12.0 9.4 8.5			1.54 1.39 1.25			14 16 16					
DELTA	Neutral	63.25	73.00	15.4	66.9	5,322	6,178	6,781	4.27	4.95	5.44	(8)	16	10	14.8	12.8	11.6	28.1	30.4	32.8	2.25	2.08	1.93	16	17	17
HANA	Buy	26.00	45.00	73.1	27.8	2,164	2,511	2,724	2.69	3.12	3.38	(8)	16	8	9.7	8.3	7.7	26.4	27.5	28.9	0.99	0.95	0.90	10	12	12
KCE	Buy	18.20	50.00	174.7	17.2	2,320	3,372	3,840	1.98	2.88	3.27	(1)	45	14	9.2	6.3	5.6	11.1	13.4	16.0	1.64	1.36	1.13	19	23	22
SVI	Buy	4.40	6.60	50.0	4.8	696	977	1,103	0.31	0.43	0.49	55	40	13	14.3	10.2	9.0	3.4	3.8	4.2	1.29	1.17	1.05	9	12	12
Energy & Utilities						17.3			207,899 241,966 270,046						22.0 16.5 12.3			1.73 1.63 1.51			10 12 13					
Oil & Gas and Coal																										
PTT	Buy	46.50	55.00	18.3	54.0	113,330	130,312	140,024	3.97	4.56	4.90	(23)	15	7	11.7	10.2	9.5	30.6	33.2	35.9	1.52	1.40	1.30	9	9	9
PTTEP	Buy	126.50	150.00	18.6	147.9	36,291	35,914	41,128	9.14	9.05	10.36	(5)	(1)	15	13.8	14.0	12.2	98.3	102.8	108.2	1.29	1.23	1.17	9	9	10
Refineries																										
BCP	Buy	29.50	40.00	35.6	36.1	2,769	4,409	4,510	2.01	3.20	3.28	(55)	59	2	14.7	9.2	9.0	31.0	32.9	34.7	0.95	0.90	0.85	6	10	10
ESSO	Buy	10.00	12.00	20.0	14.6	2,225	5,102	5,832	0.64	1.47	1.69	(69)	129	14	15.6	6.8	5.9	7.5	8.7	9.7	1.34	1.14	1.03	8	18	18
IRPC	Buy	4.74	7.00	47.7	6.1	6,940	11,855	13,788	0.34	0.58	0.67	(36)	71	16	14.0	8.2	7.0	4.3	4.6	5.0	1.11	1.03	0.95	8	13	14
SPRC	Buy	9.35	13.00	39.0	10.9	1,470	2,894	6,211	0.34	0.67	1.43	(80)	97	115	27.6	14.0	6.5	8.9	9.0	9.9	1.05	1.04	0.94	4	7	15
TOP	Buy	60.25	80.00	32.8	76.9	10,343	14,340	17,207	5.07	7.03	8.43	(53)	39	20	11.9	8.6	7.1	62.0	67.1	72.8	0.97	0.90	0.83	8	11	12
Utilities																										
BCPG	Neutral	18.70	19.00	1.6	18.0	1,754	2,188	2,579	0.88	1.10	1.29	25	25	18	21.2	17.0	14.4	7.8	8.3	8.9	2.39	2.26	2.10	12	14	15
BPP	Buy	20.50	29.00	41.5	25.5	5,802																				

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 (%)														
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F												
Finance & Securities						0.2			9,472			10,950			12,283						2.95			2.52			2.20			18			17			16		
Credit card																																						
AEONTS	Neutral	218.00	230.00	5.5	218.7	3,506	4,105	4,754	14.03	16.42	19.02	18	17	16	15.5	13.3	11.5	72.2	84.4	97.7	3.02	2.58	2.23	21	21	21												
KTC	Neutral	41.25	40.00	(3.0)	40.9	5,140	6,147	6,862	1.99	2.38	2.66	56	20	12	20.7	17.3	15.5	6.3	7.9	9.6	6.50	5.20	4.28	36	33	30												
Securities																																						
ASP	Neutral	2.70	3.00	11.1	3.1	434	417	441	0.21	0.20	0.21	(41)	(4)	6	13.1	13.6	12.9	2.2	2.2	2.2	1.23	1.23	1.21	9	9	9												
MBKET	Neutral	8.40	8.20	(2.4)	9.2	391	282	225	0.69	0.49	0.39	(39)	(28)	(20)	12.3	17.0	21.3	8.0	7.8	7.7	1.05	1.08	1.09	8	6	5												
Food & Beverage						16.5			17,377			23,257			26,755						1.73			1.64			1.56			7			8			9		
CPF	Buy	28.75	32.00	11.3	31.7	7,321	10,676	12,389	0.82	1.22	1.43	4	49	17	35.0	23.6	20.1	26.7	27.0	27.9	1.08	1.06	1.03	3	5	5												
MINT	Buy	39.50	47.00	19.0	44.7	6,005	7,200	8,340	1.30	1.56	1.81	7	20	16	30.4	25.3	21.9	18.0	19.0	20.2	2.20	2.08	1.96	9	8	9												
TU	Buy	18.70	23.50	25.7	20.9	4,051	5,380	6,026	0.85	1.13	1.26	(15)	33	12	22.0	16.6	14.8	9.7	10.4	11.1	1.92	1.79	1.68	9	11	12												
Health Care Services						15.3			16,059			17,595			20,064						6.47			5.94			5.45			18			19			20		
BCH	Buy	16.70	23.00	37.7	20.4	1,089	1,288	1,444	0.44	0.52	0.58	19	18	12	38.2	32.3	28.8	2.3	2.5	2.8	7.30	6.56	5.89	18	19	19												
BDM5	Buy	26.00	30.00	15.4	28.1	9,918	10,980	12,829	0.64	0.70	0.82	23	11	17	40.9	37.0	31.6	4.5	5.0	5.4	5.77	5.20	4.84	14	14	15												
BH	Neutral	173.00	185.00	6.9	186.1	4,152	4,372	4,665	5.70	6.00	6.40	5	5	7	30.4	28.8	27.0	25.3	28.0	31.2	6.83	6.18	5.54	23	22	21												
CHG	Buy	2.28	2.70	18.4	2.4	645	658	790	0.06	0.06	0.07	9	2	20	38.9	38.1	31.7	0.3	0.3	0.4	7.04	6.85	6.28	18	17	20												
RJH	Buy	23.50	27.00	14.9	29.7	255	297	336	0.85	0.99	1.12	10	17	13	27.7	23.7	21.0	4.4	4.8	5.0	5.39	4.89	4.67	17	22	23												
Information & Communication Technology						7.7			43,707			51,612			53,824						5.43			4.81			4.34			18			26			24		
Mobile																																						
ADVANC	Buy	198.50	215.00	8.3	208.9	29,564	31,119	33,202	9.94	10.47	11.17	(1)	5	7	20.0	19.0	17.8	19.4	22.7	26.3	10.23	8.76	7.56	55	50	46												
DTAC	Neutral	51.50	51.50	-	51.8	-4,382	5,229	5,260	-1.85	2.21	2.22	n.m.	n.m.	1	n.m.	23.3	23.2	9.3	10.9	12.0	5.56	4.72	4.28	(17)	22	19												
TRUE	Neutral	5.30	5.30	-	5.5	7,035	2,099	1,781	0.21	0.06	0.05	n.m.	(70)	(15)	25.1	84.2	99.3	4.0	4.1	4.1	1.32	1.29	1.30	5	2	1												
Other																																						
INTUCH	Buy	59.50	70.00	17.6	64.7	11,491	13,166	13,580	3.58	4.11	4.24	(7)	15	3	16.6	14.5	14.0	12.9	13.3	14.1	4.60	4.48	4.21	29	31	31												
Insurance						39.4			4,212			5,659			6,405						1.47			1.38			1.26			2			12			14		
BLA	Buy	28.50	41.00	43.9	35.1	4,970	5,211	5,721	2.91	3.05	3.35	37	5	10	9.8	9.3	8.5	22.5	24.9	27.5	1.26	1.15	1.04	13	13	13												
THRE	Sell	0.77	0.80	3.9	0.9	-1,011	156	343	-0.24	0.04	0.08	(810)	n.m.	120	n.m.	20.8	9.5	0.9	0.9	1.0	0.90	0.86	0.80	(24)	4	9												
THREL	Neutral	5.40	5.80	7.4	5.6	253	292	342	0.42	0.49	0.57	(42)	15	17	12.8	11.1	9.5	2.4	2.5	2.8	2.25	2.13	1.95	17	20	21												
Media & Publishing						3.9			2,954			1,179			2,166						4.53			4.20			3.69			7			(2)			2		
TV broadcasting																																						
BEC	Neutral	9.35	7.70	(17.6)	9.3	-13	37	63	-0.01	0.02	0.03	n.m.	n.m.	1	n.m.	504.1	297.1	2.9	2.9	2.9	3.24	3.22	3.20	(0)	1	1												
GRAMMY	Sell	9.45	6.50	(31.2)	5.8	15	-295	-23	0.02	-0.36	-0.03	n.m.	n.m.	92	502.0	n.m.	n.m.	1.0	1.2	1.8	9.01	7.76	5.14	2	(32)	(2)												
MCOT	Sell	10.30	6.00	(41.7)	10.6	-376	-2,831	-3,164	-0.55	-4.12	-4.60	85	(653)	(12)	n.m.	n.m.	n.m.	8.9	8.5	8.1	1.15	1.21	1.28	(6)	(47)	(56)												
WORK	Buy	24.10	27.00	12.0	23.7	345	407	482	0.78	0.93	1.09	(62)	18	18	30.8	26.0	22.0	11.2	12.4	13.7	2.16	1.95	1.76	7	8	8												
Cinema																																						
MAJOR	Buy	29.25	30.00	2.6	31.2	1,032	1,186	1,283	1.15	1.33	1.44	30	15	8	25.3	22.0	20.4	7.4	7.7	7.9	3.94	3.82	3.72	16	18	18												
Other																																						
PLANB	Buy	6.70	9.00	34.3	7.8	643	911	1,192	0.18	0.26	0.34	40	42	31	36.8	26.0	19.8	1.1	1.2	1.4	6.23	5.56	4.88	17	23	26												
VGI	Buy	9.45	10.00	5.8	9.2	1,307	1,764	2,333	0.15	0.21	0.27	29	35	32	61.8	45.8	34.7	1.6	1.6	1.6	6.00	5.87	5.87	10	13	17												
Petrochemicals & Chemicals						57.5			65,201			65,686			71,974						1.31			1.18			1.08			0			0			0		
GGC	Neutral	11.00	11.00	-	12.6	565	1,184	1,263	0.55	1.16	1.23	(6)	110	7	19.9	9.5	8.9	9.5	10.6	11.5	1.16	1.03	0.96	5%	11%	11%												
IVL	Buy	47.25	74.00	56.6	60.5	24,053	26,874	30,581	4.28	4.79	5.45	12	12	14	11.0	9.9	8.7	25.8	29.1	33.0	1.83	1.62	1.43	18%	17%	18%												
PTTGC	Buy	62.25	100.00	60.6	76.3	40,583	37,629	40,130	9.00	8.35	8.90	(0)	(7)	7	6.9	7.5	7.0	65.7	69.8	74.4	0.95	0.89	0.84	14%	12%	12%												
Property Development						18.2			37,010			39,324			43,620						1.46			1.37			1.28			12			12			13		
Industrial Estate																																						
AMATA	Buy	23.50	32.00	36.2	25.6	1,250	1,808	2,223	1.17	1.69	2.08	(19)	45	23	20.1	13.9	11.3	12.2	13.5	14.9	1.93	1.75	1.58	8	11	13												
AMATAV	Neutral	5.00	5.80	16.0	7.2	176	338	392	0.42	0.36	0.42	(21)	(15)	16	11.8	13.8	11.9	3.0	3.3	3.7	1.68	1.52	1.36	13	11	11												
ROJNA	Buy	5.65	8.50	50.4	7.7	315	691	958	0.16	0.34	0.47	14	119	39	36.2	16.5	11.9	6.2	5.9	6.1	0.91	0.95	0.93	2	4	5												
WHA	Buy	4.56	6.00	31.6	4.8	2,907	3,390	4,275	0.20	0.22	0.28	5	8	26	22.5	20.8	16.5	1.9	2.1	2.3	2.40	2.13	1.98	10	10	11												
Residential																																						
AP	Buy	7.80	10.00	28.2	8.7	3,860	3,635	4,117	1.23	1.16	1.31	25	(6)	13	6.4	6.8	6.0	7.8	8.5	9.4	1.01	0.92	0.83	17	14	15												
LH	Buy	11.30	13.00	15.0	12.1	9,389	8,980	9,499	0.79	0.75	0.79	5	(4)	6	14.4	15.0	14.2	4.1	4.1	4.2	2.74																	

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 (%)		
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
Tourism & Leisure						29.8	2,737	2,887	3,283					25.7	23.4	20.7				3.23	2.97	2.72	14	13	14	
CENTEL	Neutral	36.25	46.00	26.9	43.4	2,182	2,241	2,564	1.62	1.66	1.90	8	3	14	22.4	21.8	19.1	9.9	10.9	12.1	3.65	3.31	3.00	17	16	17
ERW	Buy	6.50	9.00	38.5	8.1	555	646	719	0.22	0.26	0.29	10	16	11	29.0	24.9	22.4	2.3	2.5	2.7	2.82	2.63	2.45	10	11	11
Transportation & Logistics						2.9	22,527	35,375	43,615						41.6	31.9	23.6				3.44	3.25	3.03	0	7	12
Aviation																										
AAV	Buy	4.02	5.80	44.3	4.7	-68	968	1,205	-0.01	0.20	0.25	n.m.	n.m.	24	n.m.	20.1	16.2	4.2	4.3	4.4	0.95	0.93	0.91	(0)	5	6
AOT	Neutral	66.75	70.00	4.9	70.5	25,036	28,540	29,404	1.75	2.00	2.06	15	14	3	38.1	33.4	32.4	10.1	11.0	12.0	6.61	6.07	5.54	18	19	18
THAI	Sell	10.20	10.00	(2.0)	10.4	-10,364	-2,670	2,566	-4.75	-1.22	1.17	n.m.	74	n.m.	n.m.	n.m.	8.7	9.4	8.8	10.0	1.09	1.16	1.02	(40)	(13)	13
Mass Transit																										
BEM	Neutral	11.50	11.00	(4.3)	11.7	5,317	4,774	5,894	0.35	0.31	0.39	70	(10)	23	33.1	36.8	29.8	2.1	2.3	2.5	5.37	5.03	4.69	17	14	16
BTS	Buy	11.80	11.00	(6.8)	12.6	2,606	3,763	4,547	0.22	0.32	0.38	46	44	21	53.6	37.1	30.7	3.7	3.8	4.0	3.19	3.08	2.97	6	8	10
Infrastructure Fund						13,922	15,796	20,838							14.6	13.1	12.9				1.03	1.01	1.02	8	8	9
DIF	Buy	16.40	17.50	6.7	16.5	8,467	10,394	11,389	0.88	1.05	1.07	(10)	20	1	18.7	15.6	15.4	15.2	15.6	15.6	1.08	1.05	1.05	7	7	7
JASIF	Buy	10.40	11.50	10.6	11.4	5,455	5,402	9,449	0.99	0.98	0.99	0	(1)	1	10.5	10.6	10.5	10.7	10.8	10.6	0.97	0.96	0.98	9	9	12
mai						533	660	758							17.0	13.7	11.8				2.88	2.66	2.06			
DOD	Buy	10.10	14.10	39.6	11.1	305	380	416	0.74	0.93	1.01	1	0	0	13.6	10.9	10.0	2.9	3.1	3.4	3.50	3.25	2.99	0	0	0
JKN	Buy	8.60	13.00	51.2	11.6	228	280	342	0.42	0.52	0.63	0	0	0	20.4	16.6	13.6	3.8	4.2	7.6	2.26	2.07	1.14	0	0	0
SCBS Coverage		1672.33		15.6		742,470	816,682	906,439	95.36	104.90	116.42	(6)	10	11	17.5	15.9	14.4				1.75	1.63	1.52	11	11	12

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			
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F						
Agribusiness									1.52	1.83	1.83	8.36	7.66	7.11	-10	5	4	2,200	1,267	493		20,312	0.12			
GFPT	Buy	16.20	19.00	17.3	16.3	0.25	0.30	0.30	1.52	1.83	1.83	8.36	7.66	7.11	-10	5	4	2,200	1,267	493	1,254	20,312	0.12			
Automotive									5.40	4.93	5.58	6.13	5.10	4.21	13	3	6	-1,042	-7,035	-11,459		42,197	0.25			
AH	Buy	19.20	29.00	51.0	26.8	1.30	1.11	1.21	6.77	5.76	6.29	7.51	6.82	5.83	32	2	1	5,807	4,886	3,355	323	6,194	0.04			
PCSGH	Neutral	7.00	7.20	2.9	8.1	0.27	0.32	0.41	3.86	4.60	5.81	8.97	7.84	6.44	3	8	16	(498)	(957)	(1,417)	1,525	10,675	0.06			
SAT	Buy	18.30	28.00	53.0	25.5	1.35	1.02	1.11	7.38	5.58	6.09	4.14	2.74	2.23	4	-5	1	(1,053)	(3,563)	(4,304)	425	7,781	0.05			
STANLY	Buy	229.00	320.00	39.7	297.2	8.25	8.70	9.50	3.60	3.80	4.15	3.90	2.99	2.34	13	8	6	(5,297)	(7,401)	(9,093)	77	17,547	0.10			
Banking									4.15	3.95	4.17													2,163,661	12.62	
Large Banks																										
BBL	Buy	199.00	240.00	20.6	236.3	6.50	6.92	7.70	3.27	3.48	3.87							-	-	-		1,909	379,860	2.22		
KBANK	Neutral	193.50	190.00	(1.8)	220.0	4.00	4.07	4.49	2.07	2.10	2.32							-	-	-		2,393	463,096	2.70		
KTB	Buy	19.50	22.00	12.8	20.9	0.72	0.76	0.79	3.68	3.91	4.05							-	-	-		13,976	272,533	1.59		
Mid/small banks																										
BAY	Buy	38.25	43.00	12.4	43.4	1.01	1.06	1.18	2.65	2.77	3.08							-	-	-		7,356	281,358	1.64		
KKP	Neutral	68.25	70.00	2.6	74.8	5.00	4.29	4.49	7.33	6.29	6.58							-	-	-		847	57,791	0.34		
LHFG	Sell	1.48	1.50	1.4	1.6	0.04	0.04	0.05	2.97	3.01	3.18											21,184	31,352	0.18		
TCAP	Buy	56.00	64.00	14.3	58.3	2.30	2.40	2.72	4.11	4.29	4.86							-	-	-		1,165	65,247	0.38		
TISCO	Buy	89.75	97.00	8.1	93.0	7.00	6.15	5.93	7.80	6.85	6.61							-	-	-		801	71,858	0.42		
TMB	Buy	1.99	2.35	18.1	2.3	0.07	0.05	0.06	3.52	2.68	3.07							-	-	-		43,852	87,265	0.51		
Commerce									1.99	1.89	2.10	17.92	16.67	15.26	5	7	8	301,039	282,463	260,237		1,493,447	8.71			
BJC	Neutral	49.25	53.00	7.6	54.8	0.73	0.68	0.74	1.48	1.38	1.51	16.75	16.04	15.20	5	4	5	155,208	153,703	151,656	4,005	197,228	1.15			
CPALL	Buy	83.00	90.00	8.4	83.7	1.20	1.33	1.52	1.45	1.60	1.83	20.12	18.21	16.52	5	9	8	118,667	103,814	87,306	8,983	745,597	4.35			
GLOBAL	Buy	17.80	20.00	12.4	19.8	0.21	0.16	0.18	1.15	0.88	1.01	24.66	22.83	20.25	21	8	11	11,761	11,414	10,270	4,202	74,787	0.44			
HMPRO	Buy	17.60	18.00	2.3	17.2	0.35	0.40	0.45	1.99	2.26	2.55	23.23	20.79	18.93	10	11	9	11,020	9,561	7,528	13,151	231,461	1.35			
MAKRO	Neutral	34.25	40.00	16.8	38.1	0.96	0.96	0.96	2.80	2.80	2.80	16.45	16.03	15.26	0	3	5	6,081	6,043	6,533	4,800	164,400	0.96			
ROBINS	Buy	56.00	70.00	25.0	64.6	1.37	1.47	1.65	2.45	2.62	2.94	11.49	10.92	9.80	5	5	10	-1,223	-1,596	-2,578	1,111	62,197	0.36			
RS	Neutral	17.50	16.50	(5.7)	20.7	0.45	0.30	0.36	2.57	1.72	2.06	12.72	11.86	10.90	-12	7	9	-475	-476	-476	1,016	17,776	0.10			
Construction Materials									4.24	4.13	4.41	10.15	9.53	8.83	0	7	7	186,123	189,349	190,056		649,737	3.79			
Cement																										
SCC	Buy	458.00	525.00	14.6	493.9	18.00	17.47	17.47	3.93	3.81	3.81	9.32	8.84	8.33	-9	6	7	154,615	159,531	162,793	1,200	549,600	3.21			
SCCC	Buy	233.00	270.00	15.9	260.5	8.00	8.00	8.00	3.43	3.43	3.43	11.72	10.80	10.30	4	7	3	28,277	27,012	25,288	298	69,434	0.41			
Others																										
DCC	Neutral	2.00	2.50	25.0	2.4	0.12	0.11	0.12	5.80	5.47	5.98	8.07	8.00	7.58	7	8	8	2,280	2,393	2,317	7,231	14,463	0.08			
EPG	Buy	5.80	8.50	46.6	7.5	0.22	0.22	0.25	3.79	3.80	4.40	11.49	10.46	9.10	-2	6	10	952	413	-341	2,800	16,240	0.09			
Electronic Components									4.97	5.23	5.50	6.16	4.90	4.12	10	23	12	-31,632	-33,389	-39,806		131,138	0.76			
DELTA	Neutral	63.25	73.00	15.4	66.9	2.30	3.00	3.00	3.64	4.74	4.74	8.71	7.58	6.43	-5	15	10	-20,166	-19,883	-23,864	1,247	78,897	0.46			
HANA	Buy	26.00	45.00	73.1	27.8	2.00	2.00	2.00	7.69	7.69	7.69	2.99	2.83	2.08	-3	13	7	-10,605	-9,878	-12,226	805	20,927	0.12			
KCE	Buy	18.20	50.00	174.7	17.2	1.10	1.20	1.40	6.04	6.59	7.69	6.72	4.52	4.02	1	32	13	1,851	-769	-775	1,173	21,345	0.12			
SVI	Buy	4.40	6.60	50.0	4.8	0.11	0.08	0.08	2.50	1.89	1.89	6.23	4.65	3.95	46	31	16	-2,713	-2,859	-2,942	2,266	9,969	0.06			
Energy & Utilities									3.55	3.94	4.57	15.59	13.25	12.02	-6	18	9	271,588	218,423	30,941		2,738,635	15.98			
Oil & Gas and Coal																										
PTT	Buy	46.50	55.00	18.3	54.0	2.00	2.10	2.30	4.30	4.52	4.95	4.04	3.42	2.89	-2	9	4	109,030	-8,273	-166,402	28,563	1,328,179	7.75			
PTTEP	Buy	126.50	150.00	18.6	147.9	5.00	4.50	5.00	3.95	3.56	3.95	3.32	3.73	3.37	18	2	6	-79,887	-17,842	-36,273	3,970	502,203	2.93			
Refineries																										
BCP	Buy	29.50	40.00	35.6	36.1	1.35	1.40	1.60	4.58	4.75	5.42	7.75	7.44	7.01	-20	14	1	38,652	46,094	41,798	1,377	40,619	0.24			
ESSO	Buy	10.00	12.00	20.0	14.6	0.20	0.70	0.80	2.00	7.00	8.00	13.05	6.29	5.08	-59	85	11	24,458	18,176	12,503	3,461	34,609	0.20			
IRPC	Buy	4.74	7.00	47.7	6.1	0.19	0.29	0.34	4.01	6.12	7.17	8.61	6.07	5.54	-19	33	7	55,028	45,623	41,849	20,434	96,859	0.57			
SPRC	Buy	9.35	13.00	39.0	10.9	0.59	0.40	0.72	6.34	4.28	7.70	8.44	5.34	2.81	-61	45	62	-74	-3,489	-8,965	4,336	40,541	0.24			
TOP	Buy	60.25	80.00	32.8	76.9	2.65	2.90	3.40	4.40	4.81	5.64	5.44	5.64	6.10	-40	25	14	-202	36,469	73,368	2,040	122,912	0.72			
Utilities																										
BCPG	Neutral	18.70	19.00	1.6	18.0	0.64	0.68	0.72	3.42	3.64	3.85	21.91	18.46	16.10	2	15	10	17,734	16,054	13,992	1,999	37,373	0.22			
BPP	Buy	20.50	29.00	41.5	25.5	0.60	0.65	0.70	2.93	3.17	3.41	44.63	35.91	28.86	-5	23	19	6,333	5,439	2,737	3,051	62,546	0.36			
CKP	Neutral	6.70	4.00	(40.3)	5.2	0.03	0.03	0.06	0.42	0.45	0.90	19.15	19.01	18.26	21	2	0	23,286	23,988	21,267	7,370	49,379	0.29			
EGCO	Buy	314.00	273.00	(13.1)	304.3	9.50	7.50	7.75	3.03	2.39	2.47	16.71	15.88	15.24	13	0	0	47,333	37,342	28,842	526	165,310	0.96			
GPSC	Neutral	58.75	72.00	22.6	67.4	1.25	1.70	1.90	2.13	2.89	3.23	14.48	14.38	13.25	41	1	4	9,213	9,076	5,204	1,498	88,025	0.51			
RATCH	Buy	64.00	64.00	-	65.5	2.40	2.40	2.40	3.75	3.75	3.75	17.42	17.43	17.18	1	-6	-4	5,958	-293	-5,557	1,450	92,800	0.54			
TTW	Buy	14.00	13.50	(3.6)	14.4	0.60	0.60	0.60	4.29	4.29	4.29	13.04	12.32	11.29	3	3	5	6,592	4,893	2,767	3,990	55,860	0.33			
WHAUP	Buy	5.60	8.75	56.3	8.3	0.21	0.19	0.21	3.78	3.43	3.76	35.87	27.43	27.39	16	18	-5	8,135	5,165	3,812	3,825	21,420	0.12			

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
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F			
<b>Finance &amp; Securities</b>				<b>0.2</b>					<b>4.91</b>	<b>4.36</b>	<b>4.33</b>											<b>171,336</b>	<b>1.00</b>
<b>Credit card</b>																							
AEONTS	Neutral	218.00	230.00	5.5	218.7	4.70	5.75	6.66	2.16	2.64	3.05										250	54,500	0.32
KTC	Neutral	41.25	40.00	(3.0)	40.9	0.80	0.95	1.06	1.93	2.31	2.58										2,578	106,356	0.62
<b>Securities</b>																							
ASP	Neutral	2.70	3.00	11.1	3.1	0.20	0.18	0.19	7.41	6.59	6.99										2,106	5,685	0.03
MBKET	Neutral	8.40	8.20	(2.4)	9.2	0.69	0.49	0.39	8.16	5.89	4.69										571	4,795	0.03
<b>Food &amp; Beverage</b>				<b>16.5</b>					<b>1.80</b>	<b>2.22</b>	<b>2.41</b>	<b>16.60</b>	<b>13.04</b>	<b>12.02</b>	<b>17</b>	<b>26</b>	<b>7</b>	<b>474,119</b>	<b>459,415</b>	<b>453,100</b>		<b>519,253</b>	<b>3.03</b>
CPF	Buy	28.75	32.00	11.3	31.7	0.65	0.65	0.65	2.26	2.26	2.26	14.77	12.48	11.80	16	17	6	297,260	288,848	288,911	8,611	247,573	1.44
MINT	Buy	39.50	47.00	19.0	44.7	0.40	0.55	0.63	1.01	1.38	1.60	18.82	12.95	11.72	40	44	9	114,098	110,990	107,004	4,619	182,447	1.06
TU	Buy	18.70	23.50	25.7	20.9	0.40	0.56	0.63	2.14	3.01	3.38	16.20	13.68	12.55	-6	16	7	62,760	59,577	57,184	4,772	89,233	0.52
<b>Health Care Services</b>				<b>15.3</b>					<b>1.88</b>	<b>2.16</b>	<b>2.27</b>	<b>22.41</b>	<b>19.13</b>	<b>16.82</b>	<b>4</b>	<b>16</b>	<b>13</b>	<b>33,692</b>	<b>20,869</b>	<b>14,799</b>		<b>607,258</b>	<b>3.54</b>
BCH	Buy	16.70	23.00	37.7	20.4	0.22	0.26	0.29	1.31	1.55	1.73	20.47	16.95	15.30	8	20	10	4,044	3,753	3,611	2,494	41,646	0.24
BDMS	Buy	26.00	30.00	15.4	28.1	0.32	0.60	0.45	1.23	2.31	1.74	25.50	22.14	19.34	11	12	13	33,999	23,050	18,991	15,669	407,393	2.38
BH	Neutral	173.00	185.00	6.9	186.1	2.90	3.00	3.20	1.68	1.73	1.85	23.19	17.86	16.44	-15	28	7	(5,414)	(6,916)	(8,507)	729	126,090	0.74
CHG	Buy	2.28	2.70	18.4	2.4	0.05	0.04	0.05	2.19	1.84	2.21	24.53	23.47	19.48	6	5	19	718	914	661	11,000	25,080	0.15
RJH	Buy	23.50	27.00	14.9	29.7	0.70	0.79	0.90	2.98	3.37	3.81	18.34	15.24	13.52	12	16	12	345	69	44	300	7,050	0.04
<b>Information &amp; Communication Technology</b>				<b>7.7</b>					<b>2.95</b>	<b>3.59</b>	<b>3.42</b>	<b>9.63</b>	<b>9.82</b>	<b>9.62</b>	<b>0</b>	<b>-2</b>	<b>6</b>	<b>272,031</b>	<b>269,640</b>	<b>322,307</b>		<b>1,079,752</b>	<b>6.30</b>
<b>Mobile</b>																							
ADVANC	Buy	198.50	215.00	8.3	208.9	7.08	7.33	7.82	3.57	3.69	3.94	9.26	8.73	8.57	5	4	3	100,066	85,814	91,281	2,973	590,176	3.44
DTAC	Neutral	51.50	51.50	-	51.8	1.01	1.10	1.11	1.96	2.14	2.16	7.94	6.82	7.06	-33	14	2	32,910	29,699	38,116	2,368	121,942	0.71
TRUE	Neutral	5.30	5.30	-	5.5	0.09	0.09	0.02	1.70	1.62	0.45	5.84	9.02	8.71	23	-32	16	134,606	149,778	188,661	33,368	176,851	1.03
<b>Other</b>																							
INTUCH	Buy	59.50	70.00	17.6	64.7	2.71	4.11	4.24	4.55	6.90	7.12	15.46	14.72	14.15	4	5	4	4,449	4,349	4,249	3,206	190,782	1.11
<b>Insurance</b>				<b>39.4</b>					<b>3.01</b>	<b>3.63</b>	<b>4.85</b>											<b>55,151</b>	<b>0.32</b>
BLA	Buy	28.50	41.00	43.9	35.1	0.73	0.76	0.84	2.55	2.68	2.94										1,708	48,666	0.28
THRE	Sell	0.77	0.80	3.9	0.9	0.00	0.01	0.03	0.00	1.92	4.23										4,215	3,246	0.02
THREL	Neutral	5.40	5.80	7.4	5.6	0.35	0.34	0.40	6.48	6.30	7.38										600	3,240	0.02
<b>Media &amp; Publishing</b>				<b>3.9</b>					<b>1.37</b>	<b>2.86</b>	<b>4.54</b>	<b>13.28</b>	<b>11.87</b>	<b>9.65</b>	<b>19</b>	<b>13</b>	<b>13</b>	<b>11,781</b>	<b>10,460</b>	<b>36</b>		<b>177,252</b>	<b>1.03</b>
<b>TV broadcasting</b>																							
BEC	Neutral	9.35	7.70	(17.6)	9.3	0.00	0.02	0.03	0.00	0.18	0.30	4.04	3.37	2.50	10	10	12	-788	-2,236	-4,996	2,000	18,700	0.11
GRAMMY	Sell	9.45	6.50	(31.2)	5.8	0.00	0.00	0.00	16.92	15.53	7.36	56	21	21	5,453	6,853	633	5,453	6,853	633	820	7,749	0.05
MCOT	Sell	10.30	6.00	(41.7)	10.6	0.00	1.00	2.00	0.00	9.71	19.42	-4.50	-3.84	-3.36	n.m.	n.m.	n.m.	5,309	5,022	4,934	687	7,077	0.04
WORK	Buy	24.10	27.00	12.0	23.7	0.45	0.47	0.55	1.87	1.94	2.29	8.95	8.39	7.62	-35	7	10	-520	-520	-520	442	10,642	0.06
<b>Cinema</b>																							
MAJOR	Buy	29.25	30.00	2.6	31.2	1.35	1.29	1.39	4.62	4.40	4.76	11.55	11.06	10.30	21	3	6	3,265	2,978	2,496	895	26,169	0.15
<b>Other</b>																							
PLANB	Buy	6.70	9.00	34.3	7.8	0.09	0.13	0.17	1.36	1.93	2.52	17.45	13.45	10.46	39	26	24	-952	-1,590	-2,376	3,883	26,013	0.15
VGI	Buy	9.45	10.00	5.8	9.2	0.16	0.18	0.23	1.71	1.85	2.45	38.57	35.15	32.66	23	10	8	15	-48	-134	8,561	80,903	0.47
<b>Petrochemicals &amp; Chemicals</b>				<b>57.5</b>					<b>3.26</b>	<b>4.53</b>	<b>4.89</b>	<b>7.99</b>	<b>6.17</b>	<b>5.36</b>	<b>2</b>	<b>25</b>	<b>6</b>	<b>170,966</b>	<b>123,963</b>	<b>71,584</b>		<b>557,224</b>	<b>3.25</b>
GGC	Neutral	11.00	11.00	-	12.6	0.00	0.40	0.42	0.00	3.66	3.85	9.86	6.22	5.37	-17	63	6	-1,681	-1,439	-2,282	1,024	11,260	0.07
IVL	Buy	47.25	74.00	56.6	60.5	1.40	1.50	1.70	2.96	3.17	3.60	8.67	7.00	5.88	30	11	8	130,554	90,254	58,574	5,615	265,288	1.55
PTTGC	Buy	62.25	100.00	60.6	76.3	4.25	4.20	4.50	6.83	6.75	7.23	5.42	5.28	4.81	-9	0	3	42,093	35,147	15,292	4,509	280,676	1.64
<b>Property Development</b>				<b>18.2</b>					<b>5.40</b>	<b>5.60</b>	<b>6.35</b>	<b>13.30</b>	<b>13.35</b>	<b>12.05</b>	<b>0</b>	<b>7</b>	<b>12</b>	<b>233,392</b>	<b>260,978</b>	<b>272,709</b>		<b>426,846</b>	<b>2.49</b>
<b>Industrial Estate</b>																							
AMATA	Buy	23.50	32.00	36.2	25.6	0.40	0.68	0.84	1.70	2.91	3.58	19.72	21.82	17.76	-14	34	25	9,397	25,866	26,728	1,067	25,075	0.15
AMATAV	Neutral	5.00	5.80	16.0	7.2	0.04	0.04	0.04	0.79	0.81	0.84	10.18	12.99	11.59	-13	-18	14	2,065	2,417	2,530	935	4,675	0.03
ROJNA	Buy	5.65	8.50	50.4	7.7	0.60	0.34	0.47	10.62	6.06	8.39	10.70	9.43	8.18	1	13	11	21,701	21,451	20,111	2,020	11,416	0.07
WHA	Buy	4.56	6.00	31.6	4.8	0.08	0.09	0.11	1.83	2.03	2.49	29.29	24.40	21.41	-21	28	16	32,402	33,711	35,295	14,391	65,625	0.38
<b>Residential</b>																							
AP	Buy	7.80	10.00	28.2	8.7	0.40	0.38	0.43	5.13	4.82	5.46	9.10	10.10	9.29	20	-5	12	19,323	21,717	23,287	3,146	24,538	0.14
LH	Buy	11.30	13.00	15.0	12.1	0.75	0.71	0.76	6.64	6.32	6.68	13.37	15.17	14.54	-2	-10	5	42,832	46,347	47,630	11,950	135,032	0.79
LPN	Neutral	7.30	7.00	(4.1)	7.6	0.60	0.71	0.78	8.22	9.74	10.63	8.63	8.29	8.34	27	16	9	4,813	6,605	8,314	1,476	10,773	0.06
PSH	Neutral	21.30	20.50	(3.8)	20.1	1.55	1.59	1.62	7.28	7.45	7.62	8.68	8.56	8.44	6	3	3	25,655	26,760	28,015	2,189	46,615	0.27
QH	Buy	3.08	3.80	23.4	3.5	0.22	0.24	0.26	7.14	7.70	8.43	10.61	10.13	9.48	15	7	9	19,613	20,781	21,807	10,714	33,000	0.19
SIRI	Neutral	1.40	1.40	-	1.3	0.08	0.12	0.15	5.71	8.91	10.39	17.81	18.65	16.79	-19	-3	17	41,878	42,765	45,898	14,863	20,808	0.12
SPALI	Buy	23.00	27.00	17.4	24.2	1.00	1.11	1.22	4.35	4.85	5.31	8.21	7.28	6.67	4	11	10	13,712	12,557	13,094	2,143	49,291	0.29

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
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F			
<b>Tourism &amp; Leisure</b>				<b>29.8</b>					<b>1.59</b>	<b>1.62</b>	<b>1.83</b>	<b>11.89</b>	<b>11.62</b>	<b>10.71</b>	<b>5</b>	<b>6</b>	<b>10</b>	<b>13,396</b>	<b>16,340</b>	<b>17,929</b>		<b>65,274</b>	<b>0.38</b>
CENTEL	Neutral	36.25	46.00	26.9	43.4	0.65	0.66	0.76	1.79	1.83	2.10	10.92	10.99	10.33	5	3	10	4,843	6,786	8,505	1,350	48,938	0.29
ERW	Buy	6.50	9.00	38.5	8.1	0.09	0.09	0.10	1.38	1.41	1.56	12.86	12.25	11.08	4	9	10	8,552	9,554	9,424	2,513	16,336	0.10
<b>Transportation &amp; Logistics</b>				<b>2.9</b>					<b>2.57</b>	<b>1.61</b>	<b>1.92</b>	<b>22.09</b>	<b>19.16</b>	<b>16.80</b>	<b>-10</b>	<b>37</b>	<b>15</b>	<b>170,387</b>	<b>205,027</b>	<b>197,959</b>		<b>1,311,461</b>	<b>7.65</b>
<b>Aviation</b>																							
AAV	Buy	4.02	5.80	44.3	4.7	0.34	0.10	0.12	8.33	2.48	3.09	17.42	8.62	7.62	-53	104	14	16,680	16,987	17,315	4,850	19,497	0.11
AOT	Neutral	66.75	70.00	4.9	70.5	1.05	1.00	1.03	1.57	1.50	1.54	23.87	21.40	20.01	10	11	7	-54,899	-55,592	-58,815	14,286	953,570	5.56
THAI	Sell	10.20	10.00	(2.0)	10.4	0.00	0.00	0.00	0.00	0.00	0.00	11.64	8.05	5.87	-43	38	27	137,585	130,050	119,381	2,183	22,264	0.13
<b>Mass Transit</b>																							
BEM	Neutral	11.50	11.00	(4.3)	11.7	0.17	0.22	0.27	1.46	1.90	2.35	22.89	19.75	19.90	9	9	3	47,683	35,046	43,741	15,285	175,778	1.03
BTS	Buy	11.80	11.00	(6.8)	12.6	0.18	0.25	0.31	1.49	2.16	2.61	34.60	38.00	30.60	27	22	23	23,338	78,536	76,336	11,894	140,352	0.82
<b>Infrastructure Fund</b>									<b>7.42</b>	<b>7.55</b>	<b>7.63</b>	<b>15.76</b>						<b>25,807</b>	<b>25,818</b>	<b>33,199</b>		<b>215,262</b>	<b>1.26</b>
DIF	Buy	16.40	17.50	6.7	16.5	1.02	1.04	1.04	6.19	6.32	6.37	18.63	17.14	15.78	52	19	8	25,844	26,298	26,121	9,638	158,062	0.92
JASIF	Buy	10.40	11.50	10.6	11.4	0.90	0.91	0.92	8.65	8.78	8.89	10.54	10.50	10.65	0	0	84	-37	-480	7,078	5,500	57,200	0.33
<b>mai</b>									<b>4.51</b>	<b>4.89</b>	<b>5.26</b>	<b>8.71</b>	<b>7.21</b>	<b>6.51</b>				<b>1,003</b>	<b>956</b>	<b>911</b>		<b>8,785</b>	<b>0.05</b>
DOD	Buy	10.10	14.10	39.6	11.1	0.71	0.74	0.81	7.04	7.34	8.04	12.49	10.11	9.26	15	123	11	12	12	12	410	4,141	0.02
JKN	Buy	8.60	13.00	51.2	11.6	0.17	0.21	0.21	1.98	2.43	2.48	4.94	4.31	3.77	39	20	15	990	944	899	540	4,644	0.03
<b>SCBS Coverage</b>		<b>1672.33</b>		<b>15.6</b>					<b>3.20</b>	<b>3.37</b>	<b>3.61</b>	<b>11.18</b>	<b>10.31</b>	<b>9.51</b>	<b>-1</b>	<b>8</b>	<b>7</b>	<b>2,108,040</b>	<b>2,017,769</b>	<b>1,780,885</b>		<b>12,209,935</b>	<b>71.22</b>

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CG Rating 2018 Companies with CG Rating



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2S, AAV, ACAP, AGE, AH, AHC, AIRA, AIT, AKR, ALLA, ALT, AMA, AMANAH, APCO, AQUA, ARIP, ARROW, ASIA, ASIMAR, ASK, ASN, ASP, ATP30, AU, AUCT, AYUD, BA, BBL, BDMS, BEC, BEM, BFIT, BGRIM, BIZ, BJC, BJCHI, BLA, BOL, BPP, BROOK, BTW, CBG, CEN, CENTEL, CGH, CHEWA, CHG, CHOW, CI, CIMBT, CNS, COM7, COMAN, CPALL, CSC, CSP, DCC, DCCORP, DDD, EASON, ECF, ECL, EE, EPG, ERW, ETE, FN, FNS, FORTH, FPI, FSMART, FVC, GBX, GCAP, GLOBAL, GLOW, GULF, HARN, HPT, HTC, HYDRO, ICN, ILINK, INET, IRC, ITD\*, JAS, JCKH, JKN, JWD, K, KBS, KCAR, KGI, KKC, KOOL, KTIS, L&E, LANNA, LDC, LH, LHK, LOXLEY, LRH, LST, M, MACO, MAJOR, MALEE, MBKET, MC, MEGA, METCO, MFC, MFEF, MK, MOONG, MSC, MTI, NCH, NEP, NINE, NOBLE, NOK, NSI, NTV, NWR, OCC, OGC, ORI, PAP, PATO, PB, PDI, PJW, PLAT, PM, PORT, PPP, PREB, PRECHA, PRINC, PRM, PT, QLT, RICHY, RML, RS, RWI, S, S11, SALEE, SANKO, SAWAD, SCG, SCT, SCN, SE, SEAFAC, SEAOL, SELIC, SENA, SFP, SIAM, SINGER, SIRI, SKE, SMK, SMP, SMT, SNP, SORKON, SPC, SPI, NEX, SPVI, SR, SSF, SST, STA, SUC, SUSCO, SUTHA, SWC, SYMC, SYNEX, TACC, TAE, TAKUNI, TBSP, TCC, TEAM, TFG, TFMAMA, THRE, TICON, TIPCO, TK, TKN, TKS, TM, TMC, TMI, TMILL, TMT, TNITY, TNL, TNP, TNR, TOA, TOG, TPA, TPAC, TPBI, TPCORP, TRITN, TRT, TSE, TSR, TSTE, TTA, TTW, TVI, TVO, TWP, TWPC, U, UMI, UOBKH, UP, UPF, UPOIC, UT, UWC, VNT, WHAUP, WICE, WIJK, XO, YUASA, ZMICO



7UP, ABICO, ABM, AEC, AEONTS, AF, AJ, ALUCON, AMARIN, AMC, AS, ASAP, ASEFA, ASIAN, BCH, BEAUTY, BGT, BH, BIG, BLAND, BM, BR, BROCK, BSBM, BTNC, CCET, CCP, CGD, CHARAN, CHAYO, CITY, CMO, CMR, COLOR, CPL, CPT, CRD, CSR, CTW, CWT, D, DCON, B52, DIMET, EKH, EMC, EPCO, ESSO, ESTAR, FE, FLOYD, PROUD, FSS, FTE, GENCO, GIFT, GJS, GLAND, GPI, GREEN, GTB, GYT, HTECH, IFS, IHL, III, INOX, INSURE, IRCP, IT, ITTEL, J, JCK, JMART, JMT, JTS, JUBILE, KASET, KCM, KIAT, KWG, KYE, LALIN, LEE, LPH, MATCH, MATI, MBAX, M-CHAI, MDX, META, MILL, MJD, MM, MODERN, MPG, NC, NDR, NETBAY, NNCL, NPK, OCEAN, PAF, PDG, PF, PICO, PIMO, PK, PL, PLE, PMTA, PPPM, PRIN, PSTC, PTL, RCI, RCL, RJH, ROJNA, RPC, RPH, SAMCO, SAPPE, SCP, SF, SGF, SGP, SKN, SKR, SKY, SLP, SMIT, SOLAR, SPA, SPCG, SPG, SQ, SRICHA, SSC, SSP, STANLY, STPI, SUN, SUPER, SVOA, T, TCCC, TCMC, THE, THG, THMUI, TIC, TITLE, TIW, TMD, TOPP, TPCH, TPIPP, TPOLY, TTI, TVT, TYCN, UEC, UMS, UNIQ, VCOM, VIBHA, VPO, WIN, WORK, WP, WPH, ZIGA

Corporate Governance Report

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not base on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. SCB Securities Company Limited does not conform nor certify the accuracy of such survey result.

To recognize well performers, the list of companies attaining "Good", "Very Good" and "Excellent" levels of recognition

(Not including listed companies qualified in the "no announcement of the results" clause from 1 January 2017 to 19 October 2018) is publicized.

CSL was voluntarily delisted from the Stock Exchange of Thailand effectively on July 26, 2018

\* บริษัทหรือกรรมการหรือผู้บริหารของบริษัทที่มีขาดด้านการกำกับดูแลกิจการ เช่น การกระทำความผิดเกี่ยวกับหลักจริยธรรม การทุจริต คอร์รัปชัน เป็นต้น ซึ่งการใช้ข้อมูล CGR ควรตระหนักถึงข้อจำกัดกล่าวประกอบด้วย

Anti-corruption Progress Indicator

Certified (ได้รับการรับรอง)

ADVANC, AKP, AMANAH, AP, APCS, ASK, ASP, AYUD, BAFS, BANPU, BAY, BBL, BCH, BCP, BCPG, BGRIM, BJCHI, BKI, BLA, BROOK, BRR, BSBM, BTS, BWG, CENTEL, CFRESH, CHEWA, CIG, CM, CNS, COM7, CPALL, CPF, CPI, CPN, CSC, DCC, DEMCO, DIMET, DRT, DTAC, DTC, EASTW, ECL, EGCO, EPCO, FE, FNS, FPT, FSS, GBX, GC, GCAP, GEL, GFPT, GGC, GJS, GLOW, GOLD, GPSC, GSTEL, GUNKUL, HANA, HARN, HMPRO, HTC, ICC, IFEC, IFS, INET, INTUCH, IRPC, IVL, K, KASET, KBANK, KBS, KCAR, KCE, KGI, KKP, KSL, KTB, KTC, KWC, L&E, LANNA, LHFG, LHK, LPN, M, MAKRO, MALEE, MBAX, MBK, MBKET, MC, MCOT, MFC, MINT, MONO, MOONG, MSC, MTI, NBC, NINE, NKL, NMG, NNCL, NSI, OCC, OCEAN, OGC, PATO, PB, PCSGH, PDG, PDI, PDJ, PE, PG, PHOL, PL, PLANET, PLAT, PM, PPP, PPPM, PPS, PREB, PRG, PRINC, PSH, PSTC, PT, PTG, PTT, PTTEP, PTTCG, Q-CON, QH, QLT, RATCH, RML, ROBINS, S & J, SABINA, SAT, SC, SCB, SCC, SCCC, SCG, SCN, SE-ED, SELIC, SENA, SGP, SINGER, SIRI, SIS, SITHAI, SMIT, SMK, SMP, SNC, SNP, SORKON, SPACK, SPC, SPI, SPRC, SRICHA, SSF, SSI, SSSC, STA, SUSCO, SVI, SYNTEC, TAE, TASC, TCAP, TCMC, TFG, TFI, TFMAMA, THANI, THCOM, THRE, THREL, TIP, TIPCO, TISCO, TKT, TMB, TMD, TMILL, TMT, TNITY, TNL, TNP, TOG, TOP, TPA, TPCORP, TRU, TRUE, TSC, TSTH, TTCL, TU, TVD, TVI, TWPC, U, UBIS, UOBKH, VGI, VNT, WACOAL, WHA, WICE, WIJK

Declared (ประกาศเจตนารมณ์)

A, ABICO, AIE, AJ, AMATA, AMATAV, ANAN, AOT, APCO, ARROW, ASIAN, B, BJC, BLAND, BLISS, BM, BPP, BR, BUI, CEN, CGH, CHG, CHO, CHOTI, CI, CIMBT, CITY, COL, CPR, DDD, EFORL, EKH, ESTAR, ETE, FLOYD, FN, FPI, FTE, GPI, GYT, ICHI, ILINK, INSURE, IRC, ITTEL, JAS, JTS, KWC, LDC, LEE, LIT, LRH, MATCH, MATI, META, MFEF, MILL, MTC, NCL, NEP, NWR, ORI, PAP, PK, PLANB, POST, PRM, PRO, PSL, PYLON, QTC, ROJNA, RWI, SAPPE, SCI, SHANG, SPALI, SST, STANLY, SUPER, SWC, SYMC, SYNEX, TAKUNI, THE, THIP, TKN, TMC, TNR, TOPP, TPP, TRITN, TTI, TVO, UEC, UKEM, UPA, UREKA, UV, UWC, VIH, XO, YUASA

N/A

2S, 7UP, AAV, ABM, ACAP, ACC, ADAM, ADB, AEC, AEONTS, AF, AFC, AGE, AH, AHC, AI, AIRA, AIT, AJA, AKR, ALL, ALLA, ALT, ALUCON, AMA, AMARIN, AMC, APEX, APURE, AQ, AQUA, ARIP, AS, ASAP, ASEFA, ASIA, ASIMAR, ASN, ATP30, AU, AUCT, BA, BAT-3K, BCT, BDMS, BEAUTY, BEC, BEM, BFIT, BCG, BGT, BH, BIG, BIZ, BKD, BOL, BROCK, BSM, BTNC, BTW, CAZ, CBG, CCET, CCP, CGD, CHARAN, CHAYO, CHOW, CHUO, CK, CKP, COMAN, CMC, CMO, CMR, CNT, COLOR, COMAN, COTTO, CPH, CPL, CPT, CRANE, CRD, CSP, CSR, CSS, CTW, CWT, D, DCON, DCCORP, DELTA, B52, DOD, DTICI, EA, EARTH, EASON, ECF, EE, EIC, EMC, EPG, ERW, ESSO, EVER, F&D, FANCY, FC, FMT, PROUD, FORTH, FSMART, FVC, GENCO, GIFT, GL, GLAND, GLOBAL, GRAMMY, GRAND, GREEN, GSC, GTB, GULF, HFT, HPT, HTECH, HUMAN, HYDRO, ICN, IEC, IHL, III, INGRS, INOX, IRCP, IT, ITD, J, JCK, JCKH, JCT, JKN, JMART, JMT, JSP, JUBILE, JUTHA, JWD, KAMART, KC, KCM, KDH, KIAT, KKC, KOOL, KTECH, KTIS, KWM, KYE, LALIN, LH, LOXLEY, LPH, LST, LTX, LVT, MACO, MAJOR, MANRIN, MAX, M-CHAI, MCS, MDX, MEGA, METCO, MGT, MIDA, MITSIB, MJD, MK, ML, MM, MODERN, MORE, MPG, MPIC, MVP, NC, NCH, NDR, NER, NETBAY, NEW, NEWS, NFC, NOBLE, NOK, NPK, NPPG, NTV, NOCA, NVD, NYT, OHTL, OISHI, OSP, OT, PACE, PAE, PAF, PERM, PF, PICO, PIMO, PJW, PLE, PMTA, POLAR, POMPIU, PORT, PPM, PR9, PRAKIT, PRECHA, PRIN, PTL, RAM, RCI, RCL, RICHY, RJH, ROSE, ROH, RP, RPC, RPH, RS, RSP, S, S11, SAAM, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SANKO, SAUCE, SAWAD, SAWANG, SCP, SDC, SE, SEAFAC, SEAOL, SF, SFP, SGF, SIAM, SIMAT, SISB, SKE, SKN, SKR, SLP, SMART, SMM, SMT, SOLAR, SONIC, SPA, SPCG, SPG, SPP, SPT, NEX, SPVI, SQ, SR, SSC, SSP, STAR, STEC, STHAI, STI, STPI, SUC, SUN, SUTHA, SVH, SVOA, T, TACC, TAPAC, TBSP, TC, TCC, TCCC, TCJ, TCOAT, TEAM, TEAMG, TGPRO, TH, THAI, THANA, THG, THL, THMUI, TIC, TIGER, TITLE, TIW, TK, TKS, TM, TMI, TMW, TNDT, TNH, TNPC, TOA, TPAC, TPBI, TPCH, TPIPL, TPIPP, TPLAS, TPOLY, TQM, TR, TRC, TRT, TRUBB, TSE, TSF, TSI, TSR, TSTE, TTA, TTL, TTTM, TTW, TVT, TWP, TWZ, TYCN, UAC, UMI, UMS, UNIQ, UP, UPF, UPOIC, UT, UTV, UVAN, VARO, VCOM, VI, VIBHA, VL, VNG, VPO, VRANDA, WAVE, WG, WHAUP, WIN, WINNER, WORK, WORLD, WP, WPH, WR, YCI, YNP, ZEN, ZIGA, ZMICO

Explanations

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

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Fax: (662) 194-2896

**Bangkok – Central Plaza Pinklao Branch**

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Fax: (66-53) 235-966

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Fax : (66-53) 818-433

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Songkhla 90110  
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Fax: (66-74) 209-737