Market Strategy 4Q 2019

Make hay while the sun shines

BCH,BTS,CPALL,GLOBAL,WHA

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SCBS Market Strategy Reports

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SCBS strategy

SET index	Close: 16/9/2019	1,662.93	+0.97 / +0.06%	Bt61,475mn
SET50 index	Close: 16/9/2019	1,106.03	+2.36 / +0.21%	Bt42,503mn

Make hay while the sun shines

We are entering a low-interest rate, low-growth world. The weak GDP in 2H19 is likely priced in after the 5% earnings downgrades in 3Q19. In our 4Q19 strategy, we continue to stick with defensive stocks and select BCH, BTS, CPALL, GLOBAL and WHA. Easing US-China trade tension and global bank stances is improving the risk-on mood. We are cautiously optimistic for 2020: though macro risks remain, we expect modest GDP growth and corporate earnings recovery in 1H20 on export recovery, domestic spending and accelerating public and private investment. Cyclical stocks are under-owned and valuations attractive; we make a tactical call to rotate into cyclical stocks after a disappointing earnings season in November, reducing weight in utilities, REIT and high dividend stocks.

Brace for impact. Our analysis on the movement of economic indicators after the inverted yield curve indicates the current economic condition is weaker than it was in 2000 and 2006, but that the Fed is acting more rapidly. We expect it to make a steady round of five cuts through end-2020. The US economy is expected to hold up until 2020 but will deteriorate in 2021 and go into a recession in 2022. We believe the Fed's aggressive steps down in rate and a cooling in the trade war may change the outlook and see a 55% possibility a recession can be averted.

Long-term: Welcome to a low interest rate, low growth world. We see the global economy as entering a low growth phase in the presence of anti-globalization, high household debt and a growing aged population. In addition, global central banks are in a rate-cutting frenzy. Though the slowdown may be less severe, the recovery is likely to be much slower and weaker despite easing monetary policy. Looking at Japanese market performances during 1995-2012 when rates and growth were low, we find that: a) healthcare, consumer staples and consumer discretionary outperformed, b) stocks with high dividend yield and small caps outperformed, c) banks and interest-related stocks lagged.

Risk-on sentiment is back and improving. Central bank stimulus and easing may give a boost to financial condition. Liquidity and risk-on sentiment is improving. We believe a drop in borrowing cost and credit spread are likely to be a tailwind for a risk-on environment. The cooling in US-China trade tension has brightened short-term sentiment and risk appetite is expected to be higher.

Stay large, stay liquid, stay defensive in 4Q19. Although short-term sentiment is improving, our strategy in 4Q19 sticks to large cap, high-liquidity and defensive stocks. We prefer domestic plays with supporting growth momentum and those with growth stories continuing into next year. Our top picks are BCH, BTS, CPALL, GLOBAL and WHA. We recommend avoiding property and automotive stocks due to the baht appreciation and sluggish demand.

Cautiously optimistic for 2020. Although we expect GDP growth in 2H19 to be weak, as the overall trend is weakening, we expect a modest GDP recovery in 1H20 thanks to a low base for export value, improving domestic spending via economic stimulus and accelerating public and private investment. GDP is expected to be better YoY, while inflation will remain subdued.

Looking for a tactical call into cyclical stocks. Currently, defensive stocks have rich valuations and are over-owned, while cyclical stocks have cheap valuations and are under-owned. Based on our analysis, we expect sector rotation in November after the earnings season, which is expected to be disappointing. Our short-term tactical call on cyclical rotation is to overweight cyclical sectors such as Energy, Electronics, Tourism, Industrial, Contractors and Transportation while underweighting Utilities, REITs and high-dividend stocks.

4Q19 Top picks

	Rating	Price (Bt)	TP (Bt)	ETR (%)
BCH	Buy	15.70	20.5	32.1
BTS	Buy	13.40	16.0	23.9
CPALL	Buy	82.00	98.0	21.1
GLOBAL	Buy	16.40	19.0	16.7
WHA	Buy	4.76	6.0	28.0

	PE (x)		EPS growth (%)	
	19F	20F	19F	20F
BCH	33.5	28.8	7	16
BTS	50.9	52.6	22	(3)
CPALL	32.8	28.6	11	15
GLOBAL	36.3	31.9	(5)	14
WHA	21.7	17.2	8	26
Average	**35.1**	**31.8**	**8.7**	**13.6**

	PBV (x)		ROE (%)	
	19F	20F	19F	20F
BCH	6.2	5.6	17	19
BTS	3.3	2.8	6	5
CPALL	6.6	5.8	22	22
GLOBAL	4.3	3.9	12	13
WHA	2.2	2.1	10	11
Average	**4.5**	**4.1**	**14**	**14**

	Div. Yield (%)		EV/EBITDA (x)	
	19F	20F	19F	20F
BCH	1.5	1.7	17.6	15.3
BTS	4.5	4.3	32.3	31.7
CPALL	1.6	1.8	18.2	16.5
GLOBAL	0.8	0.9	23.4	21.0
WHA	1.9	2.4	25.1	22.0
Average	**2.1**	**2.2**	**23.3**	**21.3**

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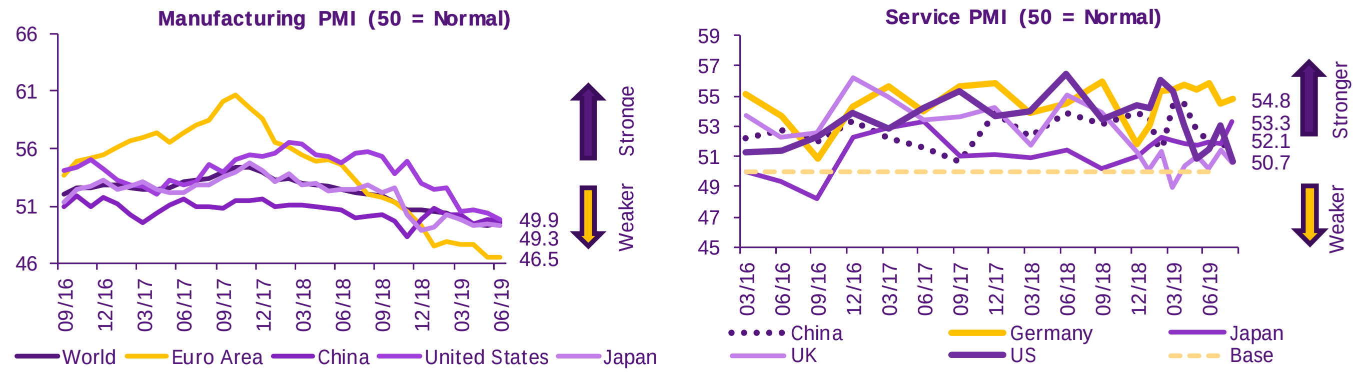
Market Strategy: 4Q19

"Brace for impact"

In 3Q19 we hoped for the best but prepared for the worst – and in the end, the worst was what we got. We have three components – or legs - to our argument. First, we believe that global economic fundamentals are not that bad, just in a "late cycle", meaning that the economic expansion seen over the past decade has entered a period of deceleration where growth is in a decline but not in an outright contraction. We also believe that the service sector is becoming the major force in the global economy.

Figure 1: Global PMI: Manufacturing (left), Service (right)



Source: CEIC, SCBS Investment Research

Second, the trade war between the US and China, which is morphing into an economic "cold war," is a threat to the global economy as a whole. In the short run it is pummeling exports and trade worldwide and in the longer term (along with the persistent flip-flop in US trade policy) it is generating widespread uncertainty that is erecting a barrier to investment and orders. In the end, it will lead to a relocation of the supply chain. We believe that until there is a trade deal between China and US, the uncertainty will hang on and lead to decay in the global economy.

Third, we believe the trade war, the Federal Reserve interest rate cut and the 2020 election are interrelated. The more intensified the trade war, the greater the uncertainty and the greater the need for further rate cuts. If the economy is not suddenly derailed and Trump can manage market expectations, his chance of reelection remains good.

Our three components taken as a whole give us our main scenario: the trade war will not escalate further to the US$300bn tariff level, since this would harm the economy more. At the same time, we do not rule out the possibility of that happening. We believe if the worst-case scenario happens, with further economic deterioration and bond yield inversion, the Fed will need to cut interest rates further. In that case, a further 50bps cut before the end of 2019 is likely, with the global economy as a whole decaying further, and with it, the US, China and Thai economies.

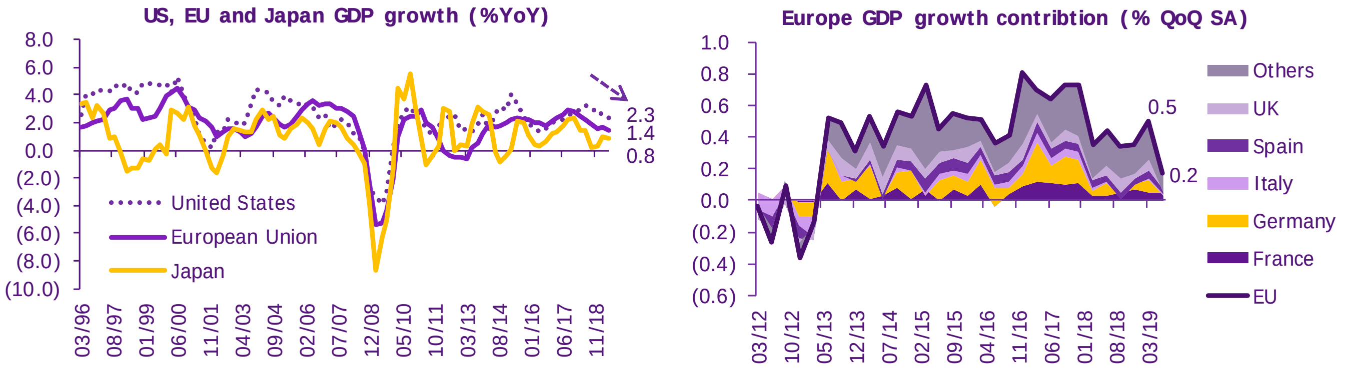
Worst case arrived in 2019

As it turns out, the worst-case scenario we envisaged did arrive.

1. The trade war: in August, President Trump raised tariffs on US$300bn of Chinese imports from 0% to 10%; China retaliated by raising tariffs on US$75bn of US imports and let the yuan depreciate from a psychological level of CNY7 per USD. The US then called China a "currency manipulator," and added another 5% to existing tariffs (25% on US$250bn of Chinese imports was raised to 30%; 10% on US$300bn was raised to 15%).

2. The economy deteriorated: The US Manufacturing Purchasing Manager Index (PMI) and the Institution of Supply Management (ISM) PMI weakened and fell into negative territory. Corporate investment in the US began to show signs of a significant drop. The global economy worsened further, with the European economy on the brink of recession and China's economy reeling. US bond yield then inverted – and this has been the leading indicator for every US recession in the last 50 years.

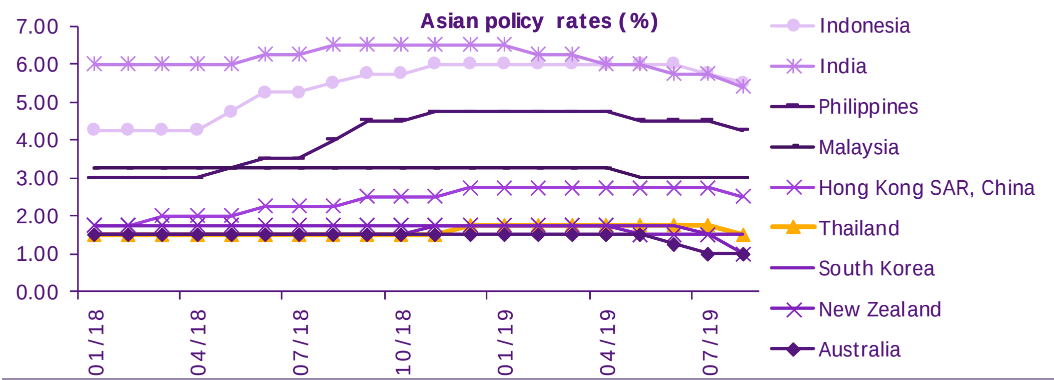
Figure 2: US, EU, Japan GDP; European GDP growth



Source: realclearpolitic.com, SCBS Investment Research

3. The Fed interest rate cut: The Fed made its first rate cut in July and signaled willingness to make further steps down to support the economy if needed. At the beginning of September, the European Central Bank (ECB) signaled a further policy easing. The Chinese central bank (People's Bank of China, PBOC) changed policy rate to signal further policy easing and cut RRR. Other central banks, especially in Asia, also cut rates more than expected.

Figure 3: Asian central bank rate cuts



Source: CEIC, SCBS Investment Research

Strategy 4Q19 and 2020: Brace for the impact

Despite the arrival of the worst-case scenario (and the yield curve inversion), we still believe that there is a decent possibility that there will not be a recession in 2020 or even in the near future, as some believe. Our assessment is based on three factors.

1) The service sector is replacing manufacturing as the global economic engine.

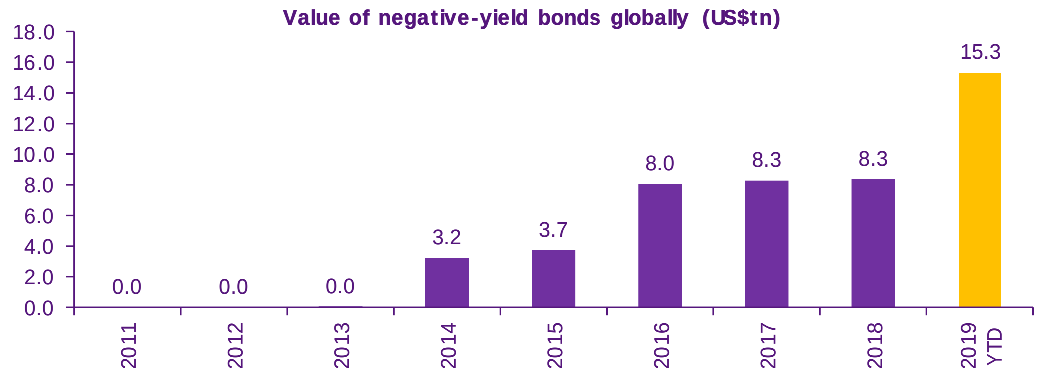
In the US, we believe the economy is shifting from manufacturing-based to service-based. This is because modern management techniques have made it less necessary to keep a large inventory, meaning that manufacturers do not need to produce in such large quantities as in the past. These shifts have given the service sector more resilience than the manufacturing sector, which is being beaten down by the trade war and the redirection of global supply chains.

This switch in dominance from the manufacturing to the service sector has also led to a change in investment. With intellectual property (IP) increasing in significance, it is replacing the traditional capital and machinery investment. In the US, IP now accounts for about one-third of gross private domestic investment. Interestingly, this change is not only taking place in the US, but is being seen in other major economies as well. In Japan, IP accounts for nearly a fourth of investment outlay, up from an eighth in the mid-1990s. In Europe, it has gone from seventh to fifth.

2) This time is different: There is no bubble, except in treasuries.

Compared to previous crises or recessions, this cycle has shown no evidence of financial excess. In the last two recessions in the US, financial excess was clearly seen: in the stock market prior to the 2001 dot-com bubble burst, and in real estate and financial derivatives prior to the 2008-09 sub-prime crisis that led to a global financial crisis. The only visible financial excess evident in this cycle is in the sovereign bond market, where approximately US$15.5tn of sovereign bond yield globally has turned negative. While some might say that this is evidence of speculative investment in bonds in hopes of getting capital gains, we believe the negative yield is due to investors taking refuge in government bonds as the trade war intensifies and central banks failed to pep up inflation.

Figure 4: Value of negative yield bonds globally



Source: CEIC, The Economist, SCBS Investment Research

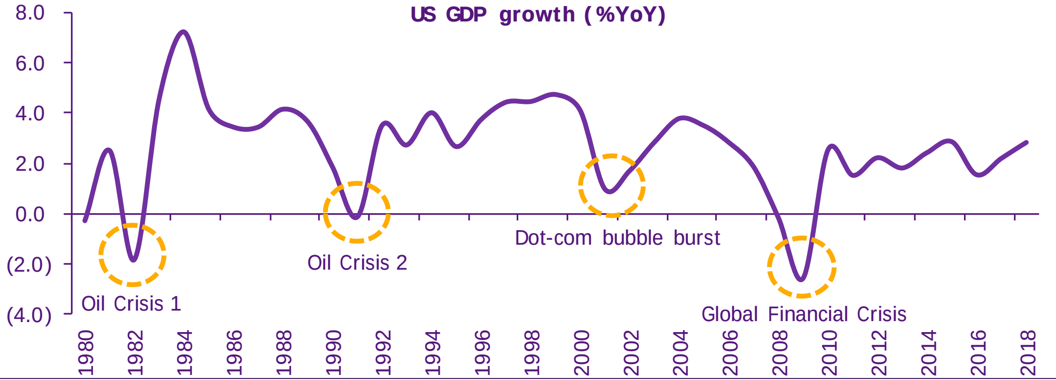
3) Policy has been keeping up.

In the previous recessions, authorities were behind the curve, meaning that they let real economic indicators deteriorate before easing policy. However, even though US economic indicators are as a whole positive, this time the Fed preemptively cut its Fed Funds Rate to 2.00-2.25% in July from 2.25-2.50%, citing the economic risk globally. The Chinese authorities, meanwhile, started fiscal and monetary policy relaxation last year. In Europe, discussion of using both fiscal stimulus and monetary accommodative policy has taken center stage. We believe the proactive stance of economic authorities globally will soften the blow from a recession when and if it takes place.

However, although we believe there is a possibility that the US - and with it the global economy – may avoid a recession, the emergence of an inverted yield curve (IYC) in August, where the US 2-year yield (2YY) was greater than the 10-year yield (10YY) for the first time in 12 years, has led some to believe that a recession is just around the corner. In response to this fear, in this paper we took a detailed study of the movement of economic indicators after the IYC hit, by comparing the last two episodes with the current one. Our findings are discussed below.

1) We use IYC of 4Q06 (prior to global financial crisis or GFC) and 1Q00 (prior to the burst of the dot-com bubble) as indicators. We use these two occurrences because they are recent and thus can more closely approximate the recent economic makeup. The prior recession was the oil crisis of 1970-80 and US economic fundamentals have changed materially in the decades since. Studying the two most recent episodes shows that in both cases, alarm signals were actually being emitted quite a while before the recession hit.

Figure 5: US GDP Growth



Source: CEIC, SCBS Investment Research

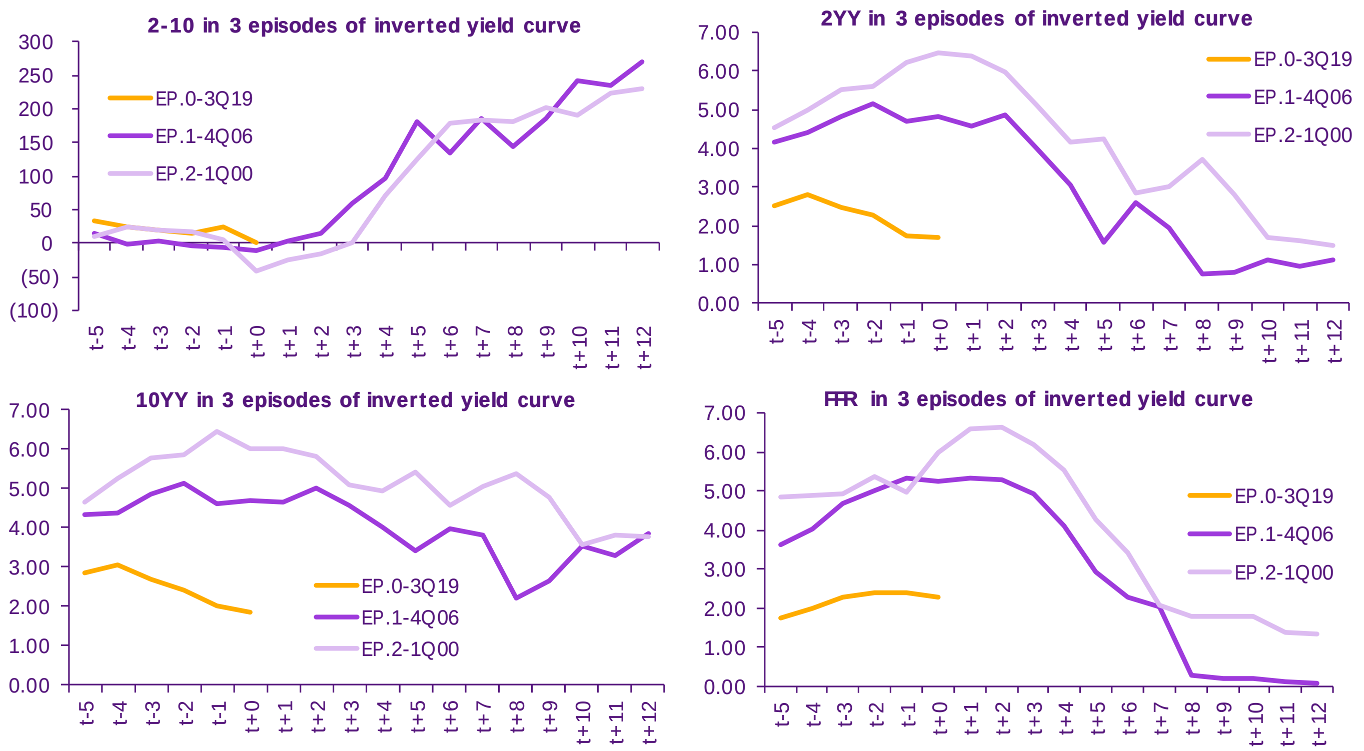
2) To compare these two episodes with the current one, we divided indicators into three groups: a) financial sector (esp. interest rate), b) price and job market and c) growth indicators.

3) We use the quarterly data of 18 quarters as a sample period. Using the quarter that IYC was first seen as the benchmark, we monitored the indicators for five periods prior to the IYC (t-5) to 12 quarters after it occurred in order to capture the movement of the indicators.

Findings:

Rate: Though the IYC took place in the same period, the bond yield of the current episode (3Q19) is much lower than the previous two episodes. We also found that in the previous two episodes, the 2-year yield (2YY) curves rose steadily to reach the 10YY, resulting in the IYC. In the current episode, however, both 2YY and 10YY curves declined, but the 10YY declined much faster (as a result of soured investor confidence), resulting in IYC. The other important finding is that the behavior of Fed Funds Rate is different. In the latest episode, FFR started to decline even before the IYC, while in the two previous episodes the FFR continued rising even after the IYC, indicating that the Fed is moving quite preemptively in this episode.

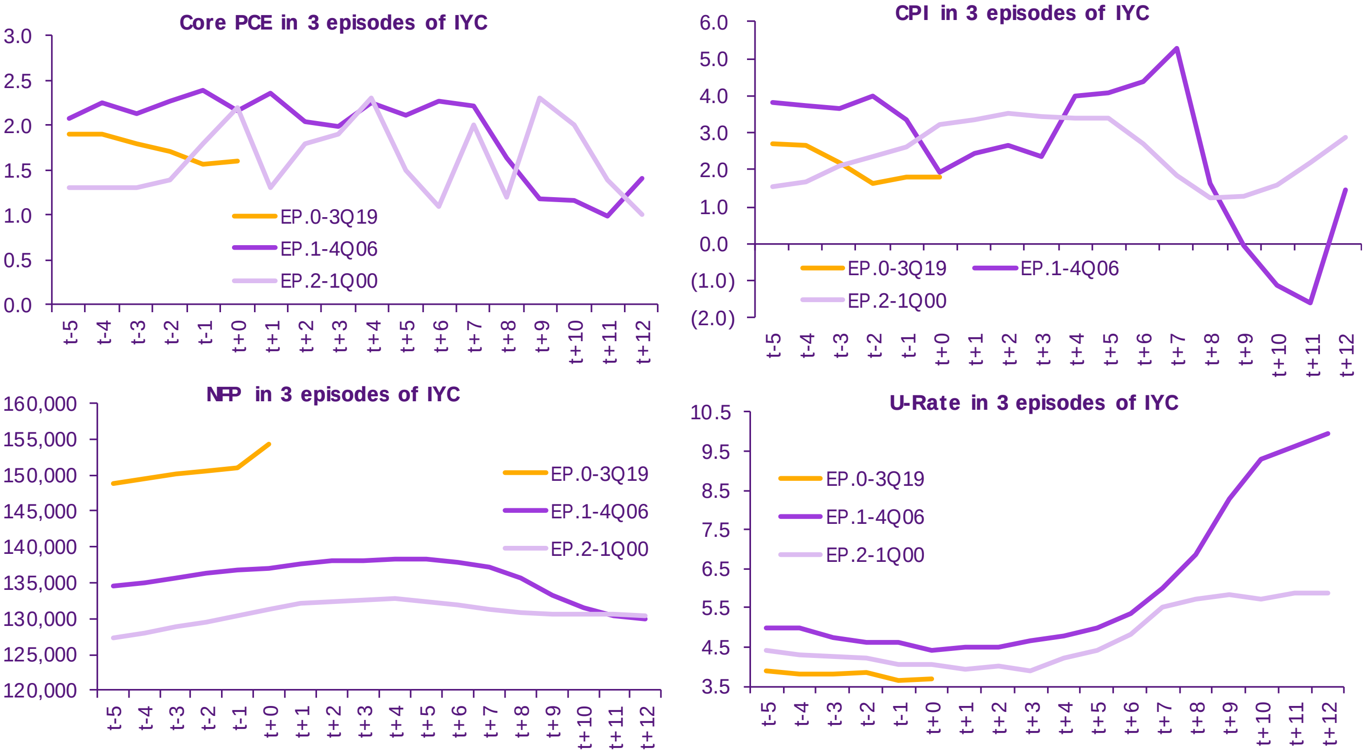
Figure 6: IYC rate analysis



Source: NESDB, SCBS Investment Research

Price and job market condition: While there is no clear pattern in the core PCE (Personal Consumption Expenditure) Index as an indicator of inflation either before or after IYC, a pattern in the Consumer Price Inflation (CPI) Index prior to and after the IYC is clearly visible. After the IYC, the CPI dropped within 6-7 quarters. This finding coincides with FFR movement; i.e., the deterioration of price level was a clear sign for the Fed to cut its FFR, which in hindsight was too late. As for job indicators, these are by nature lagging indicators. Non-farm payroll (NFP) started to drop significantly about 10 quarters after the IYC, while unemployment rate started to rise visibly in 3-6 quarters after the IYC.

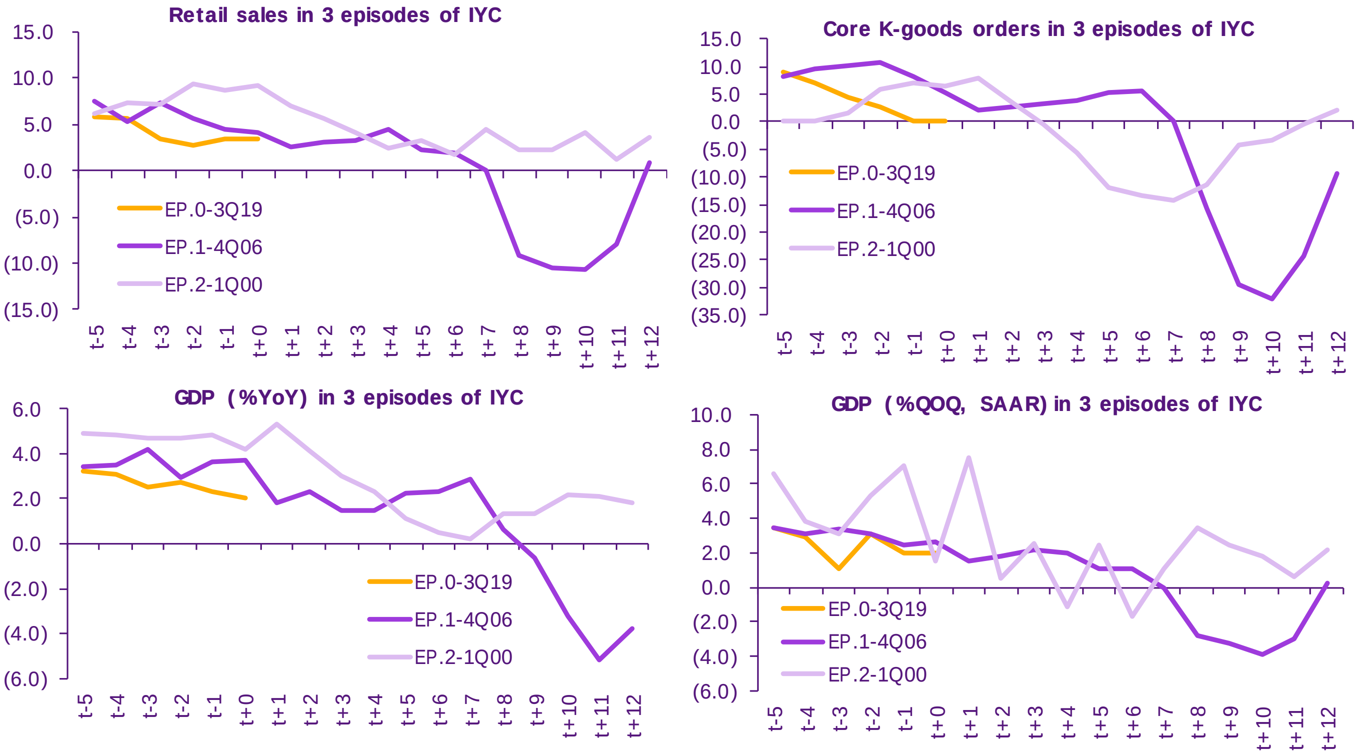
Figure 7: IYC price and job analysis



Source: SCBS Investment Research

<u>Growth indicators</u>: It can be seen that growth indicators, including retail sales (consumption indicator), core capital goods orders (investment indicator), as well as GDP growth, on both a quarterly and yearly basis show signs of deterioration even before the IYC. However, all these indicators began to contract in the seventh quarter after the IYC. But there is a difference. In episode 1 (the global financial crisis), the contraction is deeper and more visible than in episode 2 (the dot-com bubble burst). The trough of episode 1's growth indicators also extended into the eighth to eleventh quarters after the IYC, while the trough of episode 2's indicators are shallower and faster, at approximately the seventh to eighth quarters after the IYC. This implies that the magnitude of a recession is positively correlated to the length of time in which the economy contracted.

Figure 8: IYC price and job analysis



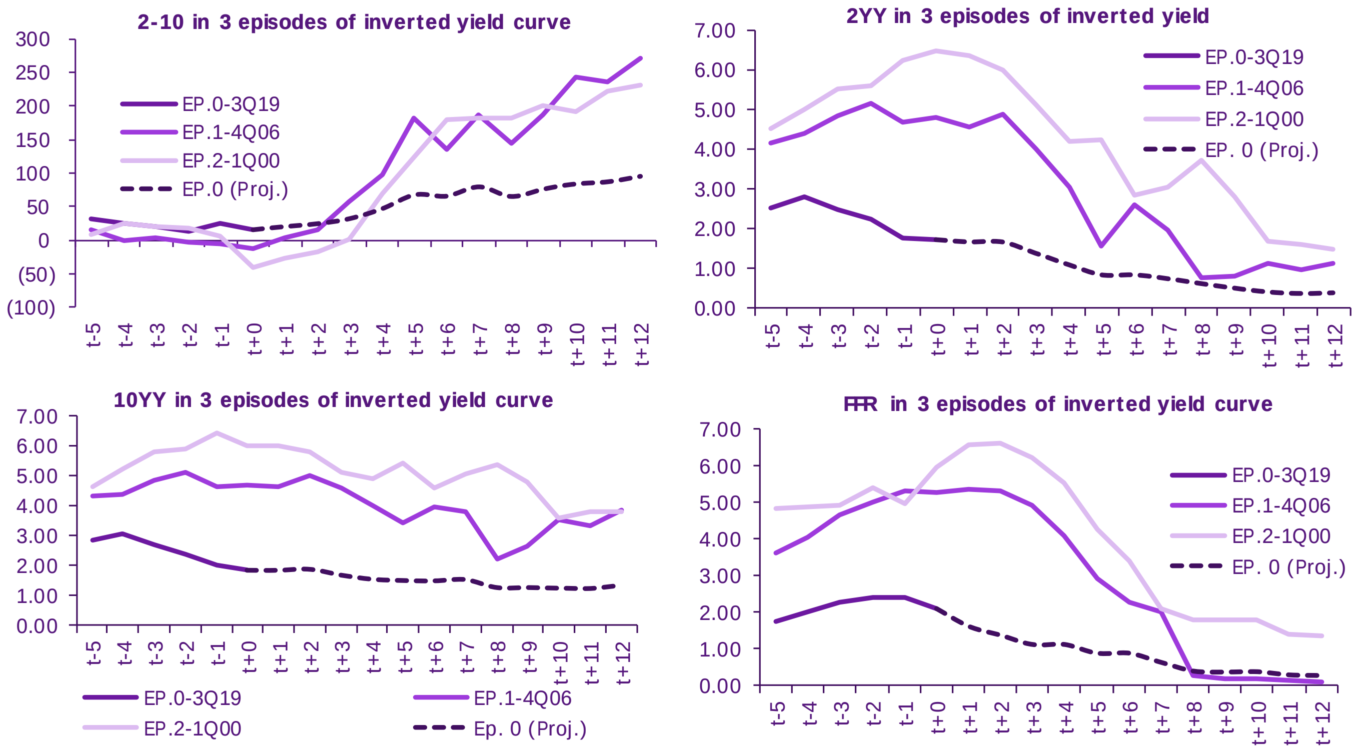
Source: NESDB, SCBS Investment Research

To conclude, the comparison of the financial and economic conditions of the current IYC episode with the last two episodes shows, firstly, that in the current episode, bond yields are much lower than in previous two and IYC happened because the long-end yield (10YY) fell to meet the short end, while in the previous two episodes, the short end rose to meet the long end. Moreover, in the current episode, the Fed also started to cut interest rates more rapidly than it did in the previous two. Secondly, on the price level (inflation), the current episode's price indicators are weaker than in the other two, while the job market indicators are much healthier. And lastly, on growth, this current episode is weaker than the previous two as well. The most worrisome is investment sentiment, as core capital goods orders (investment indicator) is sinking into negative territory as a result of the trade war that is rattling confidence in the business environment. GDP growth this time is also lower than in the previous two.

Using the previous two episodes as a benchmark, we did a momentum projection to the recent benchmark, with the results as described below.

1) Unlike in the last two episodes, this time the difference between 2YY and 10YY (quarterly average) may not reach negative territory, but both 2YY and 10YY will decline further from the current level. The lower 2YY implies a much lower FFR than now (on the assumption that the Fed needs to cut FFR in order to keep yield curve from IYC). As a result, we project two FFR rate cuts from the current rate (from 2.12% to 1.63%) through to the end of this year. In 2020 we assume three more cuts, giving an FFR of 0.88%. In 2021 and 2022, there will be another three cuts, giving a rate at 2022 year-end of 0.13% (in the range of 0.00-0.25%).

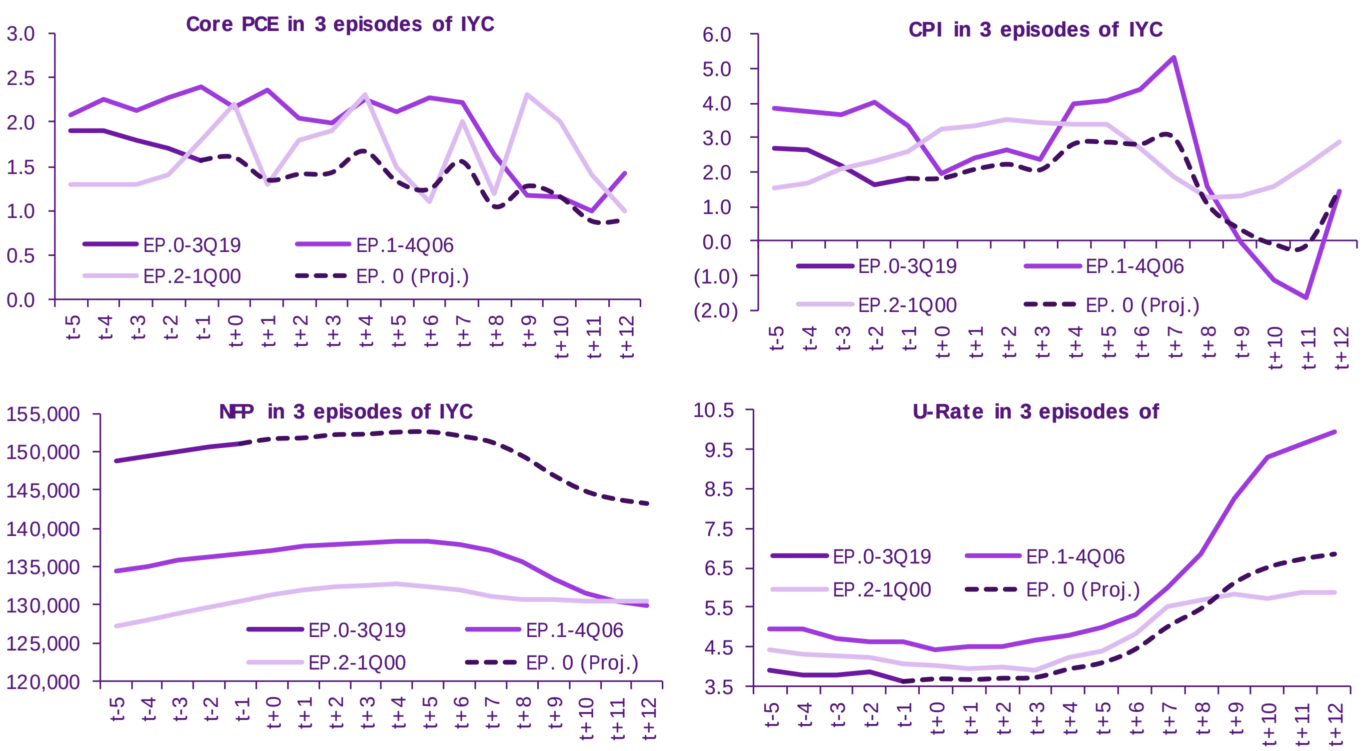
Figure 9: IYC rate projection



Source: NESDB, SCBS Investment Research

2) On price and job projection, price indicators will remain stagnant in 2020. In 2021, price will fall abruptly and then drop significantly in 2022. The job market will continue to be resilient in 2020, but job condition will degenerate substantially in 2021, resulting in a rise in unemployment rate to 5.3%. In short, we see serious impact for price and job indicators in 2021.

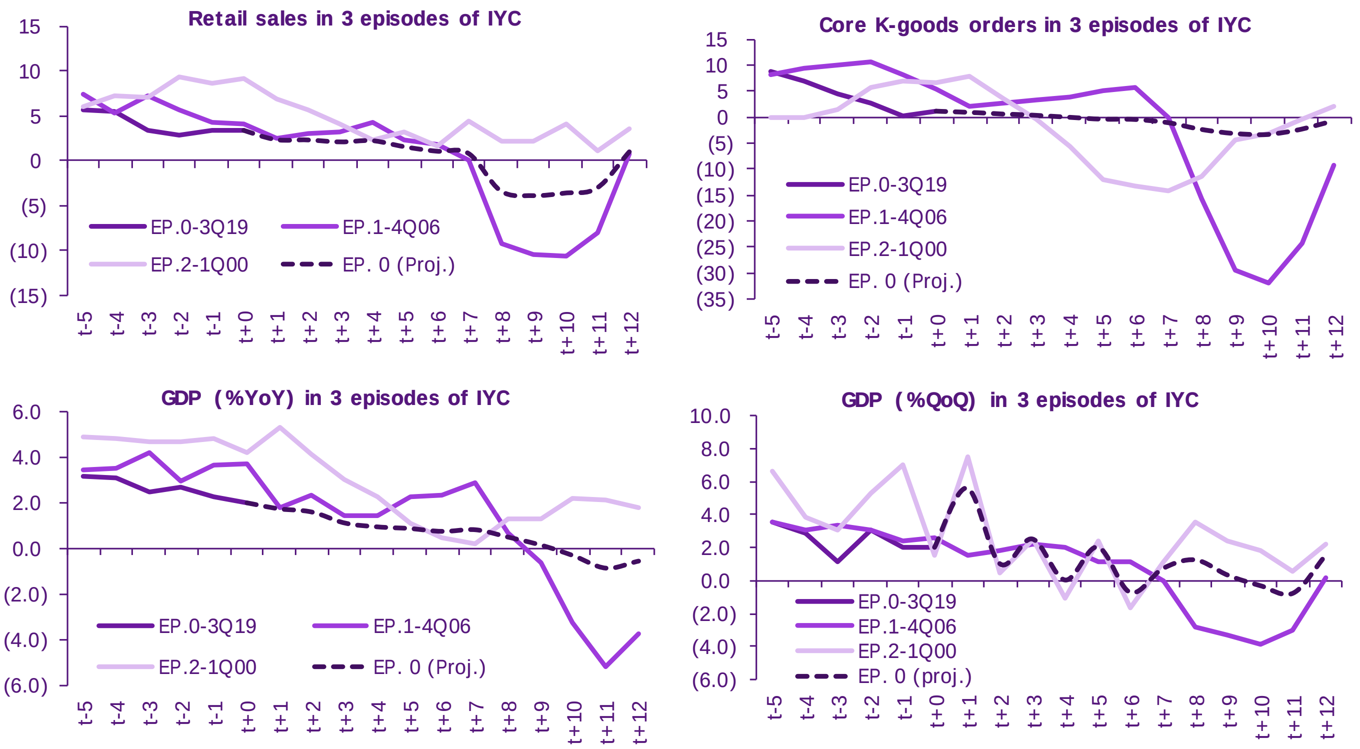
Figure 10: IYC price and job projection



Source: NESDB, SCBS Investment Research

3) On growth indicators: This time is different from the last two times in the sense that this time, economic momentum is weaker. However, if we use the momentum from the previous two episodes, contraction of growth indicators will deepen in 2021, but GDP growth per se will still not fall into contraction territory. The GDP contraction will be severe in 2022-23.

Figure 11: IYC growth projection



Source: NESDB, SCBS Investment Research

The study of IYC and its aftermath allows us to draw three conclusions. First, the economy now is weaker than it was in the previous two episodes, but the Fed is acting more rapidly. Second, assuming the Fed will exert yield curve control (YCC), it will make steady steps down in rates in order to keep the FFR lower than the 2YY. This means there will be five steps down from now until the end of 2020. Yield on the 2-year and 10-year treasury bond will be lower, reaching 0.8% and 1.5% at the end of 2020, respectively. Third, the projection indicates that the US economy will hold its own in 2020, with all the indicators still in positive territory. However, in 2021, price, job and growth indicators will start to contract into negative territory and then GDP growth will contract in 2022.

Figure 12: 2019-22 projection: worst-case scenario based on IYC analysis

Unit	Summary	2018	2019	2020	2021	2022
eoy	FFR (eoy)	2.27	1.63	0.88	0.36	0.26
eoy	2yy	2.49	1.65	0.84	0.51	0.40
eoy	10yy	2.68	1.85	1.51	1.27	1.35
eoy	2yy-10yy	19.23	19.68	66.97	75.59	94.82
Avg.	Core PCE	1.9	1.6	1.5	1.3	1.0
Avg.	CPI	2.5	1.8	2.5	1.8	0.4
Avg.	Non-farm	149403	151354	152491	150022	144007
Avg.	U-Rate	3.8	3.7	3.9	5.3	6.7
Avg.	Retail Sale	4.9	3.0	2.1	-1.4	-1.9
Avg.	C-K goods order	6.8	1.2	0.1	-1.7	-2.1
Avg.	GDP (YoY)	2.9	2.2	1.1	0.5	-0.6

Source: CEIC, SCBS Investment Research

Despite the dire scenario depicted in the study, we believe there is a chance of a different future for three reasons. First, if the Fed sees the same picture as we do (that the economic deterioration will persist), it may react preemptively by stepping down rates more aggressively ("insurance cuts"). This may help keep the economy out of the intensive care unit in 2021-22.

Second, we believe that the current weakening in the global economy is primarily due to the uncertainty created by the trade war. This was created by the Trump administration with the aim to stop China from achieving economic, technologic and military dominance. However, next year is an election year and economic performance is one of the pillars he bases his performance on. Hence, if the economy shows further signs of deteriorating he may cool down his economic cold war he launched with China.

Lastly, it can be argued that in this exercise, we use only two recessions as indicators. Episode 1 predates the 2008 global financial crisis. We believe if there is a recession this time around, it is unlikely to be as bad as the 2008-09 crisis since there is currently no financial excess, except in the sovereign bond market where the negative yield is due to risk-averse sentiment.

We thus believe that in 2020 there is a 40% possibility that the worst-case scenario as projected in this exercise will take place. We assign a 55% possibility to the base-case scenario where global, US, China and Thai economies deteriorate further in 2020, but avoid a recession in the following year. A 5% possibility, however, is still assigned to the best-case scenario where the two sides reach a trade agreement, allowing economic deceleration to make a sudden U-turn.

Figure 13: 2019-20 projection—scenarios analysis

Macro/Market Variables	2018	2019	2020		
			Best	Base	Worst
Probability	N/A	N/A	5%	55%	40%
Global GDP (%YoY)	3.6	3	3.6	3.1	2.7
US GDP (%YoY)	2.9	2	2.3	1.7	1.1
CN GDP (%YoY)	6.6	5.9	6.4	5.7	4.5
TH GDP (%YoY)	4.1	3	3.5	2.6	2
US Core PCE	1.8	1.6	1.7	1.6	1.5
FFR	2.38	1.63	1.63	0.88	0.88
US10YY (%) eoy	2.77	1.75	2.6	1.7	1.5
US2YY (%) eoy	2.63	1.65	2.4	1.6	0.8
2-10 (%) eoy	0.14	0.1	0.2	0.1	0.7

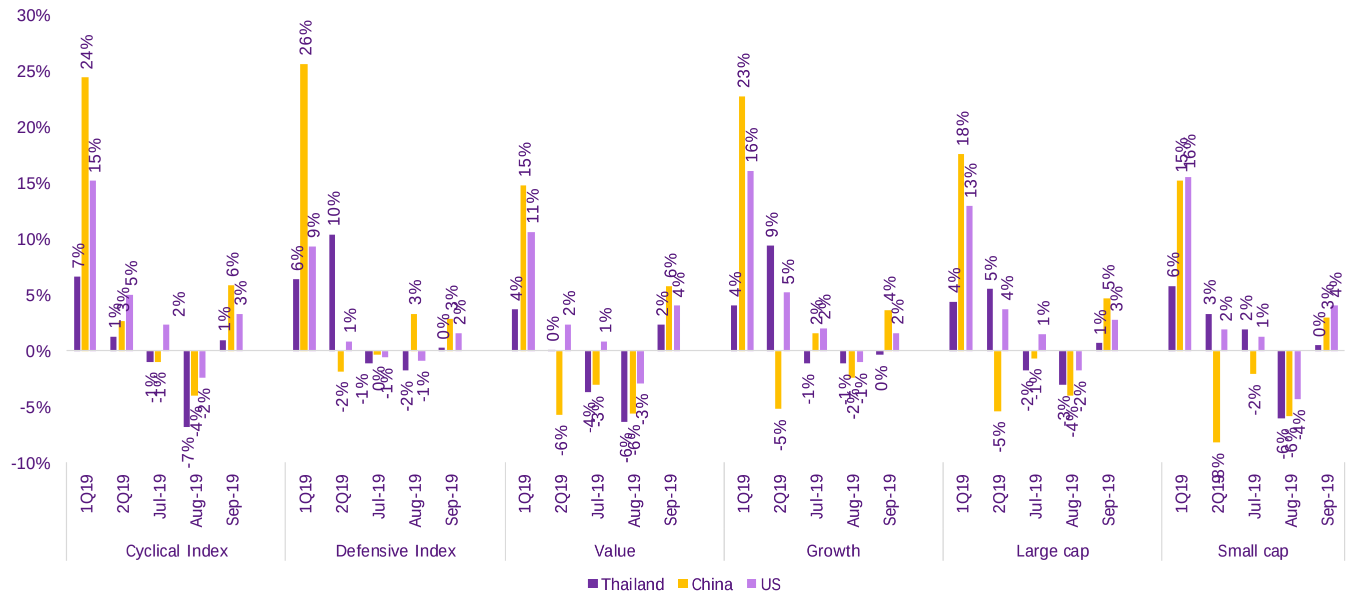
Source: CEIC, SCBS Investment Research

Risk-on sentiment is back and improving

Demand for defensive strategies has been strong in 3Q19

A further escalation of the trade war between the US and China in August 2019 led to raging recession fears. Oil tumbled into bear market territory and petrochemical spread narrowed. Thailand's cyclical index (excluding financials) dropped 7% QTD (as of Sep 13), opposite China (+1%) and US (+3%) stock markets. Petrochemicals & Chemicals (-20%), Electronic Components (-17%), Materials (-8%) and Energy ex Utilities (-8%) have been exceptionally weak QTD. Defensive stocks continue to outperform in 3Q19 as investors see cyclical stocks as more vulnerable to a recession. Domestic economic activities remain strong with a fresh economic stimulus package of Bt300bn designed to boost domestic purchasing power. Again, defensive plays such as Utilities (+9%), ICT (+7%), Property Funds and REIT (+7%), Transportation (+2%) and Commerce (+1%) outperformed the market, which is down 4% QTD. Growth stocks (-3%) outperformed value stocks (-8%) by 5%, aligning with China and US markets. Large-cap stocks (SET50, -4%) outperformed small-cap stocks (SSET, -5%) QTD because small cap companies typically have lower growth visibility and higher volatility than large cap in periods of uncertainty. Perhaps not surprisingly, high dividend payers underperformed the market by 1% as those contributing the most to the index are Energy, Bank, Materials and Property, where returns are negative QTD.

Figure 14: Price performance comparison, cyclical and defensive, value and growth



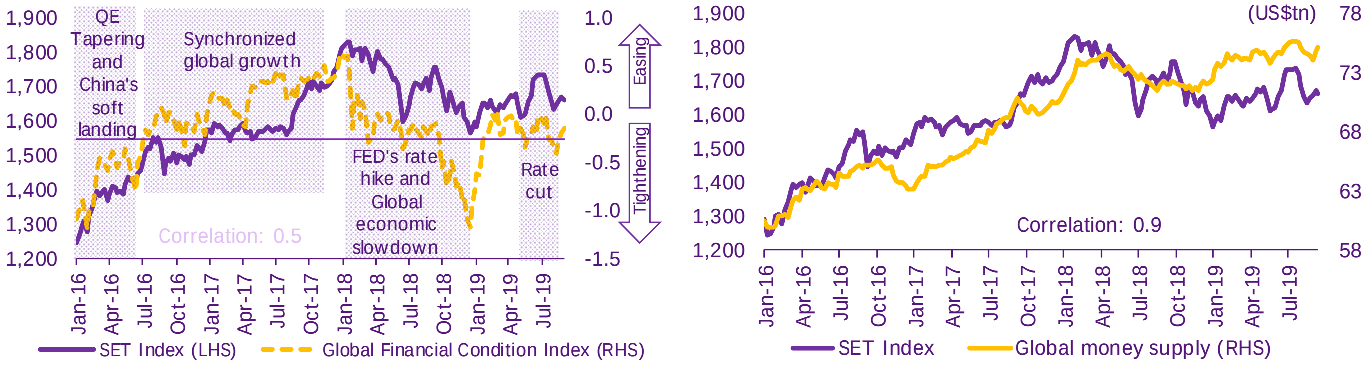
Source: Bloomberg, SCBS Investment Research

Short-term sentiment is likely to improve in 4Q19

Easing financial condition

Inverted yield curve and weakening global economic data has pressured the Thai stock market as Thailand is a key link in the global supply chain. However, the Fed's rate cut, the ECB's upcoming stimulus and China's RRR cuts signal easing in the global financial condition as central banks work to support their economies. Looking at the most recent central bank stances, we feel they are preparing to ease monetary policy and may add stimulus if needed, which is positive to short-term global economic recovery and a Thai stock market rally. During the ECB and BOJ stimulus in 2012-2014, global financial condition moved into easing territory that led to strong gains in the Thai equity market. Liquidity in the broader economy is clearly connected to liquidity in financial markets. We believe continuous easing in monetary policy by central banks and further fiscal stimulus will support a market rally in 4Q19.

Figure 15: Global financial condition index and money supply



Source: NESDB, SCBS Investment Research

Figure 16: Central banks are shifting to more easing stance

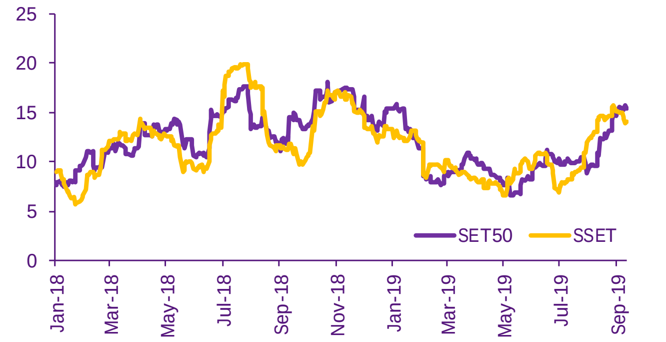
	Stance	Latest action	Expectation
European Central Bank	Need for highly accommodative monetary policy, continues to adjust instruments to boost inflation	Cut deposit rate by 10bps, revamped QE to EUR20bn per month, Introduced tier-two banking reserve remuneration	Expect additional QE to EUR50bn per month and increasing support from fiscal policy
Federal Reserve	Going to act as appropriate to sustain expansion. No clear interest path, while Fed remains vigilant	Cut policy rate by 25bps	Consensus for 25bps cut in Sep 2019 and 25bps in 4Q19
People's Bank of China	Maintain a prudent monetary policy and liquidity. Avoid flood-like stimulus. Focusing on fiscal stimulus	Weak currency guidance, Cut RRR by 50bps, allow local governments to issue special-purpose bonds	Expected to cut RRR further and lower loan prime rate
Bank of Japan	Easing further to avoid the risk of price losing momentum. Deepening negative rates is always an option	BOJ left interest rate unchanged in July, but thinking about additional easing options in more detail	Expected to continue to hold rate steady in October
Reserve Bank of India	Retain accommodative monetary policy	Cut repo rate by 35bps to 5.4% in August (cut the policy rate 75bps before August)	Expected to cut repo rate by 40bps in 4Q2019 and 75bps in 2020
Bank of Thailand	More accommodative stance. Need to preserve policy space and stick with macroprudential policies	Cut policy rate by 25bps to 1.5% and delayed a standardized debt to service ratio	Expected to cut another 25bps in 4Q2019

Source: ECB, Federal Reserve, PBOC, RBI, Bank of Thailand and SCBS Investment Research

Investor sentiment – Expected to be more aggressive

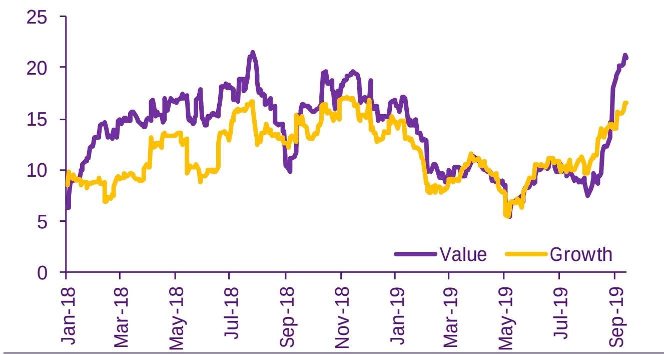
Unpredictable external events such as the US-China trade dispute, Brexit, Hong Kong protests, South Korea-Japan trade curbs and geopolitical tension in the Middle East have brought higher volatility, especially to the Thai market. Market volatility has surged 57% QTD on the worries about Thai and world economic growth. Small-cap stocks have been more volatile than large-caps, while volatility in growth stocks is lower than in value stocks. Value stock volatility has jumped to the same level as in the periods of correction in May-June 2018 and October-December 2018. This suggests that most market participants are afraid of downside risks and prefer to be conservative. Our "Greed and Fear Index" shows that investors are fearful, leading to low liquidity and concentrated trading activity. However, we believe a cooling down in the US-China trade tension has brightened sentiment. Thus, the appetite for risk is expected to be higher in 4Q19-1Q20.

Figure 17: Volatility Large cap vs Small cap



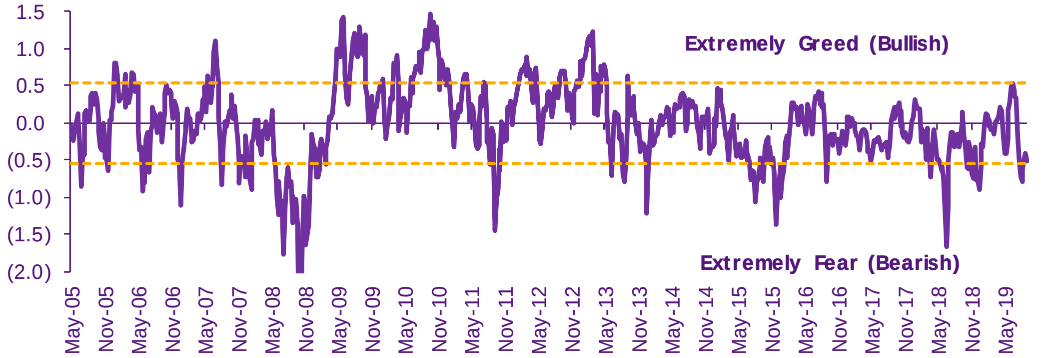
Source: SET and SCBS Investment Research

Figure 18: Volatility Growth vs Value



Source: SET and SCBS Investment Research

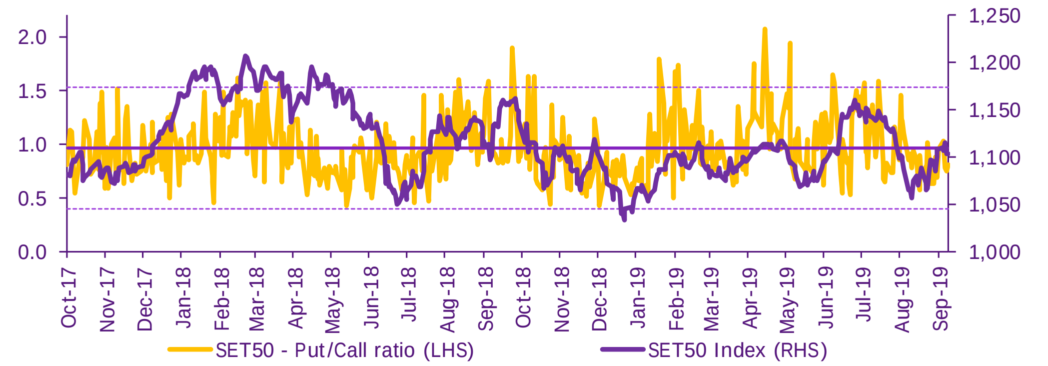
Figure 19: Fear and Greed Index



Source: SCBS Investment Research

The put-call ratio is an indicator demonstrating investor sentiment and market mood. The put-call ratio stood at around 0.8 on Sep 16, rising from 0.58 on Aug 21, as call option sellers covered their shorts at the SET index level of 1,630-1,640. Current ratio is below the normal (the 3-year average) of 1.0. A holding call reflects bullish sentiment, anticipating a short-term uptrend. Our backtest results since 2017 show a sell SET50 index at a put-call ratio above 1.5, a buy SET50 index at a put-call ratio below 0.5, with average three-month returns of 2.3% (annualized 9.2%) and a win rate of 55%.

Figure 20: Put-call ratio



Source: SET, SCBS Investment Research

Early signs of liquidity improvement

The global financial condition began to improve in late 3Q19 thanks to a step down in interest rates and fresh stimulus. In general, lower borrowing costs make funding new investments more attractive for corporations and investors, in turn, hopefully, leading to a rise in confidence about future business investment. The recent easing by central banks is key to the recent increase in overall economic and corporate liquidity. We believe the drop in borrowing cost and credit spread will provide a tailwind for a risk-on environment over the next six months. We see cyclical reasons for improvement in liquidity as lower borrowing costs and increased risk appetite usually act as tailwinds for liquidity.

Economy – Recovery in short-term; weak in long-term

Still sluggish GDP growth in 4Q19

Thailand's 2Q19 GDP grew 2.3%, the lowest in more than 18 quarters, due to export contraction and slowing private investment. Thailand's growth remains subdued on the back of deteriorating external growth. Against this backdrop, exports are expected to continue weak in 3Q19 after falls in July and August. Export growth in August for China, South Korea and Taiwan declined 2.8% YoY, 3% below expectation. Export growth in August for these three countries fell 2.6% MoM, below the long-term average of -0.3% MoM. This indicates that global demand remains weak and signal poor GDP growth in 2H19. Furthermore, manufacturing PMI has shown no growth YoY on average in 3Q19. In addition, we believe the export contraction has begun to start feeding slowly into domestic economic activities in 4Q19. According to our Thailand economic dashboard, the overall trend is weakening, while domestic consumption growth remains strong. There is simply no strong engine for growth in the Thai economy in 2H19. Although GDP growth and corporate earnings for 2H19 continue to disappoint, we believe this is already in the price in view of the recent market correction of 8% (during Jul-Aug19) and earnings downgrades of 5% in 3Q19 and 11% YTD.

Figure 21: GDP heatmap and trend

Thailand's GDP growth and its component

	2017				2018				2019e			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Domestic D.	3.4	4.0	4.7	4.2	5.2	4.7	3.2	3.5	2.9	3.2		
Priv. Cons.	2.7	2.5	3.4	3.2	3.8	4.1	5.2	5.4	4.9	4.4		
Public. Cons.	-1.3	0.6	2.0	-1.0	1.8	2.3	1.9	1.4	3.4	1.1		
Priv. Inv.	-0.5	4.7	3.5	4.0	3.1	3.1	3.8	5.5	4.4	2.2		
Public. Inv.	10.0	-6.9	-1.6	-6.0	4.0	4.9	4.2	-0.1	-0.1	-0.1		
Net Export	-8.5	-11.0	16.4	11.3	2.8	16.6	-67.8	-38.3	-35.3	-32.6		
X of G&S	2.5	4.1	7.8	7.4	8.0	9.6	-0.9	0.7	-6.1	-6.1		
M of G&S	5.2	6.3	6.4	7.0	9.1	8.8	11.0	5.7	-0.1	-2.7		
Inventory	52.4	67.8	29.5	128.2	71.9	23.1	250.0	82.1	381.7	143.3		
GDP Growth	3.5	4.2	4.5	4.0	5.0	4.7	3.2	3.6	2.8	2.3		

Source: SCBS Investment Research

Figure 22: Thai economic dashboard

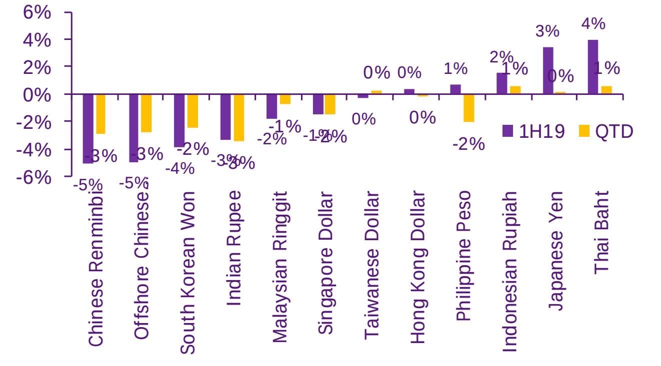
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Core Indicators							
Headline Inflation	0.3%	0.7%	1.2%	1.2%	1.1%	0.9%	1.0%
Core Inflation	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%
Producer Price Index	-1.1%	-0.6%	0.4%	0.7%	0.0%	-1.1%	-1.2%
Private Consumption Index	4.8%	3.9%	4.1%	3.9%	3.5%	2.1%	2.6%
Private Investment Index	1.2%	-2.8%	-1.4%	-1.8%	-1.9%	-6.1%	-0.1%
Purchase Manager Index	50.2	49.9	50.3	51.0	50.7	50.6	50.3
FX Reserve ($bn)	201,137	203,816	203,577	201,941	201,299	206,622	209,181
Unemployment (%)	1.0	0.8	0.9	1.0	1.1	0.9	1.1
Tourist arrivals	5.3%	1.5%	-0.6%	3.2%	-0.4%	1.3%	4.7%
Farm Income	2.5%	4.3%	-0.7%	-6.2%	0.0%	5.9%	2.0%
Export	-5.9%	5.4%	-5.3%	-2.8%	-6.2%	-2.1%	4.3%
Import	14.0%	-10.1%	-7.6%	-0.7%	-0.7%	-9.4%	1.7%
Utilisation rate	-0.4%	-2.4%	-3.8%	1.5%	-4.6%	-7.7%	-4.4%
Inventory level	20.1%	18.0%	9.7%	13.5%	13.5%	8.2%	4.6%
Public Finance Indicators							
Government spending	24.7%	20.6%	2.3%	6.6%	-9.4%	-24.9%	8.4%
Government revenue	4.1%	4.3%	0.5%	2.8%	12.9%	12.6%	-10.1%
Public debt	6.1%	6.8%	7.0%	7.3%	7.4%	5.4%	5.5%
Public debt to GDP	0.6%	1.4%	1.8%	2.2%	2.4%	0.6%	1.0%
Financial Indicators							
TH2YY	1.85	1.82	1.84	1.86	1.86	1.76	1.70
TH10YY	2.56	2.63	2.52	2.60	2.48	2.20	1.88
USDTHB	31.2	31.5	31.7	31.9	31.6	30.7	30.8
M2 Money Supply	4.3%	4.8%	3.8%	4.1%	3.8%	3.3%	3.8%
M1 Money Supply	3.7%	4.1%	5.5%	5.1%	6.7%	6.8%	3.8%

Source: Bloomberg, Bank of Thailand, Ministry of Commerce, SCBS Investment Research

Strong baht could hurt real economy; real rate stays at the top

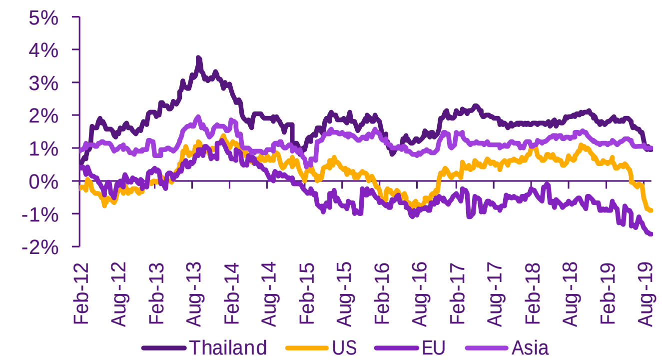
The baht has strengthened more than 6% (2019 to Sep 13) and 1% (QTD to Sep 13) against the dollar to Bt30.427, the steepest among major Asian currencies. The baht has also appreciated 9% YTD and 4% QTD against China's yuan and 5% YTD and 1% QTD against Japan's yen. The baht is seen as a safe haven thanks to the above-average real interest rate and strong current account. We expect the baht to strengthen further because of the Bank of Thailand's tight monetary policy, sound external fundamentals for Thai assets and money inflow from FWD insurance to buy SCB Life (Bt93bn) and from big IPO deals such as Asset World Corporation and Central Retail Corporation. In addition, we see limited currency intervention from the Bank of Thailand given the discrepancy between the current account and foreign reserve. The strong baht hurts tourism, property and export-related sectors and bodes negatively for 4Q19 GDP growth forecasts. We expect the Bank of Thailand to intervene and cut interest rate to shore up the baht in the short-term, otherwise, it would be faced by hits to profit, household purchasing power, debt serviceability and employment in 2020.

Figure 23: Currency returns



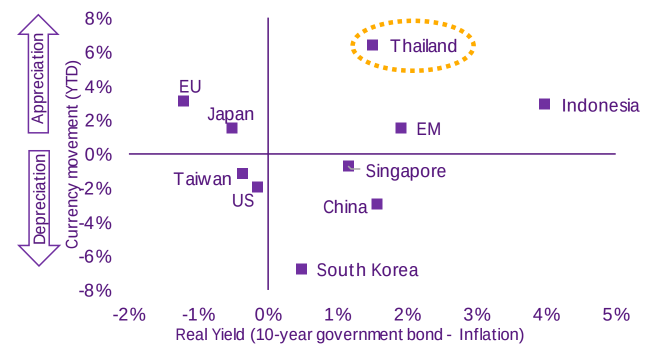
Source: Bloomberg and SCBS Investment Research

Figure 24: Real yield comparison



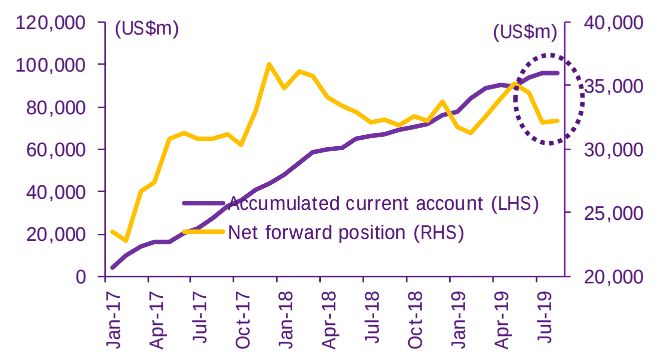
Source: Bank of Thailand, Bloomberg, CEIC, SCBS Investment Research

Figure 25: Real yield and currency movement



Source: Bank of Thailand, Bloomberg, CEIC, SCBS Investment Research

Figure 26: Foreign reserve vs current account



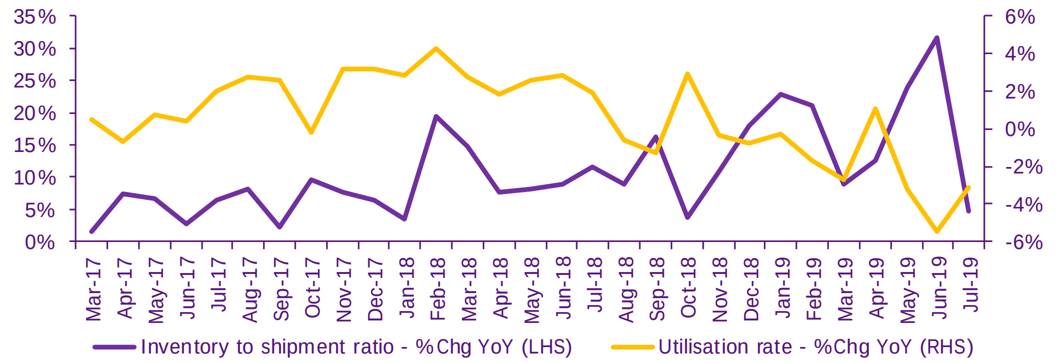
Source: Bank of Thailand, SCBS Investment Research

Domestic inventory growth is decelerating, aligning with neighboring countries

Business is having a hard time, with global economic activities weakening and manufacturing plans unpredictable. Utilization rate fell 3.1% YoY to 67.2% in July 2019 from 70.3% in July 2018. Inventory to shipment ratio grew 4.7% YoY (inventory +4.7% YoY, shipments -1% YoY), the lowest growth in nine months, while falling 13% MoM, reversing the long-term average of -3% MoM. Inventory buildup is decelerating to the lowest growth since March 2017 on worries of a global economic slowdown and trade tension. We are concerned about price growth and profitability in 2H19 for the manufacturing sector: Thai manufacturers are releasing inventory into weaker-than-expected global demand at the same time that manufacturers in China, Taiwan and South Korea are dumping inventories, likely leading to a price war until the situation is resolved.

Sector-wise, chilled and frozen chicken meat, frozen shrimp, fruit juice, tea, biofuel products, cement and printed circuit board assembly (PCBA) are seeing decreasing inventory and increasing sales. On the flip side, canned tuna, soybean oil, palm oil, energy drinks, ready to drink coffee, concrete products used in construction, semiconductors and integrated circuits and motor vehicles are seeing increasing inventory and decreasing sales.

Figure 27: Inventory to shipment vs utilization rate



Source: Bank of Thailand, SCBS Investment Research

Unpredictable external events could lead to higher volatility

We take a look at downside risk from external events to assess the impact, as below.

1) **Brexit** – Fundamental linkage between Thailand and UK and Europe is low. Thailand as a whole has 2% revenue exposure to Europe, lower than Asia's average of 7%. The trade exposure of the Thai economy to the UK and Europe is limited. By sector, technology and automotive have the most revenues coming from Europe. Based on our calculations, Thailand's domestic value added in foreign final demand in the UK and EU accounted for 1% and 3% of GDP.

2) **Hong Kong protests** – Ongoing protests have hurt business and leisure travel and domestic spending, as seen in the slowing in retail sales and tourist arrivals in July-August 2019. PMI for Hong Kong fell to its lowest level since March 2009. The impact from Hong Kong protest on the Thai economy is moderate because exports to Hong Kong comprise only 7% of total exports. Precious stones, jewelry and electronic integrated circuits may see a short-term impact. However, short haul tourist flow from China, Taiwan, Macau, Japan and South Korea could in part divert to Thailand, which would boost Thailand's tourism. Thus, the negative economic impact from this is limited and manageable.

3) **China-US trade tension** – We believe Thai equity and bond market will be materially impacted by negative sentiment and risk aversion in the short term if there is further intensification in US-China trade tension. A 10% probability is assigned to a worst-case scenario, where they engage in a full-blown trade, tech and currency war, which will put the US into a technical recession and lead the Fed to cut its Fed Funds Rate to the zero lower bound in 2020.

4) **Japan-South Korea conflict** – Japan has decided to remove South Korea from a list of favored export partners, expanding controls over exports to South Korea of items ranging from ball bearings to precision machine tools along with tightening controls on exports of chemicals used to make advanced semiconductors and digital flat screens and some semiconductor products. As Thailand is a key link in the electronic supply chain in Asia, this could have negative impact on Thai exports because electronic exports to South Korea and Japan contribute about 0.5% of total exports and 6.5% of total electronics exports. We expect only the Electronics sector to suffer from negative sentiment unless the Japan-South Korea conflict expands to another type of products, specifically automotive.

Although we do not expect a rapid resolution to trade tension, we believe the trade war has reached peak. In addition, the probability of the UK crashing out on a no-deal Brexit is very low after the UK parliament passed a law to block a no-deal Brexit. Given the low chance of a no-deal Brexit, the greater likelihood is that Brexit will be delayed, which has limited negative impact in the short-term. We are concerned about the Japan-South Korea trade dispute and the Hong Kong protest, neither of which has a clear sign of being settled. That being said, we believe the SET has limited downside from external events, especially given the recent positive developments on Brexit and trade tension between US and China.

Figure 28: Latest developments of each event

	Development	Jun-19 to Aug-19	Latest development in Sep-19
US-China trade tension	Improving	China increased tariffs on US$60bn in June US added another five Chinese companies to its entity list US imposed 10% tariff on US$300bn of Chinese goods US declared China is a currency manipulator China suspended new US agricultural product purchases China retaliated US$75bn in tariffs on US goods	China and US agree to more trade talks China unveils tariff exemption list for US imports China exempts US pork and soybeans from tariffs US delays tariff hikes on some Chinese goods US is considering an interim trade deal with China
Brexit	Improving	Boris Johnson became Prime Minister with an aggressive stance EU reiterated that agreement without backstop could not be negotiated PM insisted on preparing for a no-deal Brexit German Chancellor dangles possibility of negotiated Brexit	A law against on no-deal Brexit was passed UK will have to request a Brexit extension on Oct 19 Parliament rejects an early election PM said a deal can be settled with the EU in October
Hong Kong protest	Worsening	Protesters demanded the bill to be withdrawn completely Protesters called for HK leader to resign HK leader said HK is on the verge of a very dangerous situation China warned the protesters not to play with fire Protesters occupied the airport terminal	The extradition bill is withdrawn Protester asks for universal suffrage elections Protester have pledged to continue the fight
Japan-South Korea conflict	Worsening	Japan downgraded South Korea as a preferred trading partner South Korea removed Japan from its list of top-tier trading partner Korea announced termination of an agreement to share military intelligence Japan restricted export of chemical ingredients used in semiconductors Japan curbs high tech material exports to South Korea	South Korea launched a boycott of Japanese products South Korea files WTO complaint over Japan trade restrictions South Korea set to exclude Japan from trade whitelist
North Korea	Worsening	US president and North Korea leaders met at the border in July US president invited North Korea leader to US North Korea says it is ready for breakthrough in denuclearization	US announced new sanctions against cyber groups in North Korea North Korea fires a series of short-range missiles
Middle East	Worsening	Iran seized UK oil tanker in Strait of Hormuz A spate of drone attacks in Syria, Iraq, Yemen, Lebanon and Saudi Arabia US imposes sanctions on Iran petrochemical industry	Major Saudi Arabia oil facilities hit by Houthi drone strike US imposes sanctions on Iran's shipping network Israeli forces attacked Hamas positions in Gaza

Source: ECB, Federal Reserve, PBOC, RBI, Bank of Thailand and SCBS Investment Research

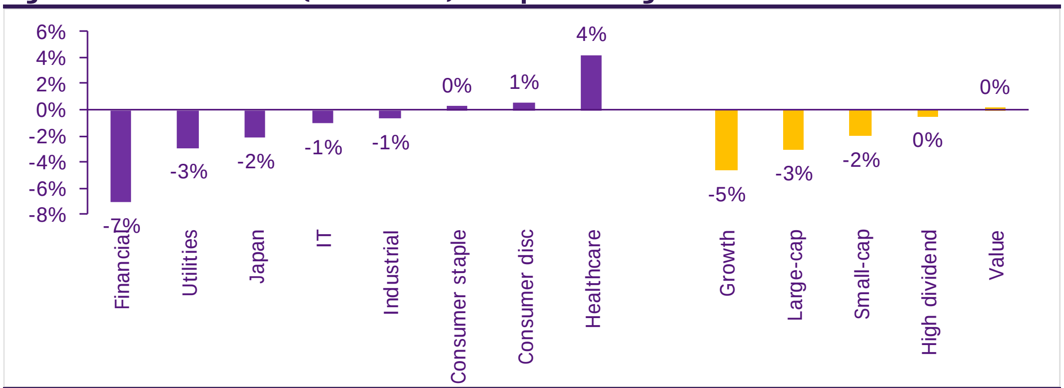
Strategy – Stay defensive; tactical call into cyclical stocks

Long-term picture remains cloudy: Welcome to low-rate, low-growth world

We do not believe the global economy is in crisis, but we do see it as entering a low growth phase in the presence of high geopolitical risks, high household debt and a growing aged population. External risks such as US-China trade tension, Japan-South Korea conflict, Brexit and geopolitical risk in the Middle East are pressuring growth when growth is already slowing globally. Thailand is in the midst of a trend towards slower revenue growth. In 2007, 30% of Thailand's market had sales growth of less than 5% YoY; this portion enlarged to 40% in 2018 and is expected to increase to 45% in 2019. In addition, we are in a late cycle and though central banks are showing increasing willingness and capacity to intervene to curtail meaningful economic downturns, this may limit the capacity for fiscal and monetary stimulus. Some important developed countries are carrying negative policy rates, such as Germany (-0.4%), Japan (-0.1%) and Switzerland (-0.8%). Though the slowdown may be less severe, the recovery may be much slower and weaker despite easing monetary policy.

Our comparison with Japan during 1995-2012 when rates and growth were low shows that: a) consumer discretionary and exporters were the most outstanding outperformers due to currency depreciation and new market growth; b) defensive sectors such as consumer staples and healthcare have outperformed in Japan since 1990, c) high dividend yield in the presence of no yield in either fixed income or equity markets in Japan made high dividend yield stocks attractive, d) small-cap stocks outperformed large-cap due to better growth and e) banks and interest-related stocks underperformed. In our view, Thailand will face the same challenges in the longer term and we believe Thai stock performance will replicate Japan's during 1995-2012.

Figure 29: Total returns (annualized) in Japan during 1995-2012



Source: SCBS Investment Research

Strategy for 4Q19: Stay large, stay liquid, stay defensive – Top picks BTS, WHA, GLOBAL, BCH and CPALL

We underestimated the recent trade tension escalation that dragged the cyclical index down and underperformed the defensive index in 3Q19. We do not expect a rapid resolution to trade tension; rather, we expect an extended period of negotiation between the US and China. As the trade war could lead to a global recession, we believe China and the US will in the end come to an agreement and meet each other halfway. We suggest investors stick with defensive sectors, as in 3Q19, while looking for the right time to rotate from defensive to cyclicals in mid-November. Thus, our investment strategy in 4Q19 focuses on domestic plays with supporting earnings growth momentum in 3Q19-4Q19 and those with growth stories continuing into 2020. Taken together, we expect Industrial Estate (WHA), Healthcare (BCH), Consumer (GLOBAL, CPALL) and Transportation (BTS) to outperform in 4Q19.

We recommend investors avoid property stocks because the housing outlook is bleak with new supply exceeding demand in the condominium segment, raising unsold stock, with banks reluctant to release mortgage loans and foreign demand fading. We also avoid automotive stocks due to sluggish demand here at home as well as abroad, lack of new model launches, high steel price and high competition.

Figure 30: Sector weighting in 4Q2019

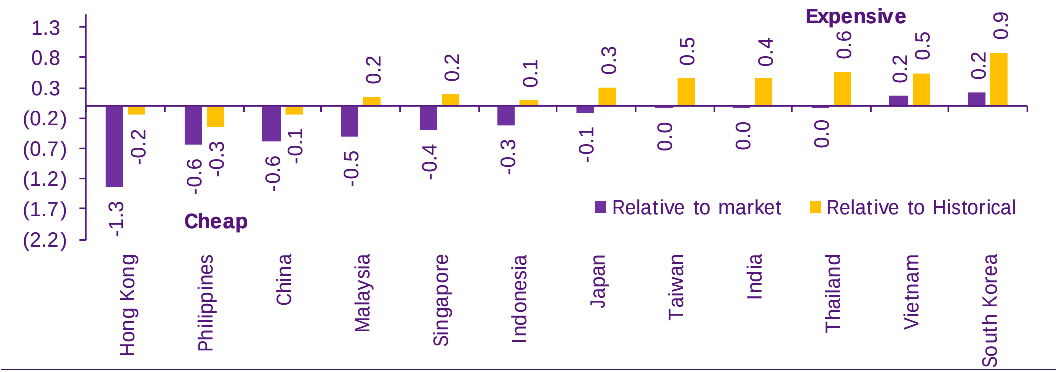
	Rating	Drivers
Commerce	Overweight	Consumption recovery (+), Economic stimulus (+), Tourism recovery (+)
Healthcare	Overweight	Continuous patient traffic growth (+), Influenza and dengue fever outbreak (+), Falling valuation (+)
Industrial Estate	Overweight	Investment cycle (+), EEC (+), Land sales growth (+), Production relocation (+)
Transpiration	Overweight	Ongoing pricing growth (+), Concession extension (+), Entering high season (+)
Bank	Neutral	Loan growth continues (+), Concerning on NPL and fee income (-), Competition (-), Capex (-)
Energy & Utilities	Neutral	Energy - Oil price recovery, Cheap valuations; Utilities - Rich valuations, High visibility
Tourism	Neutral	Chinese tourist recovery (+), Domestic demand growth (+), Supply growth substantially (-), Strong THB (-)
Food & beverage	Neutral	Rising competition (-), Sugar tax (-), Strong export market (+)
Telecoms	Neutral	Easing competition (+), Strong earnings growth (+), Spectrum 5G auction (-), Rich valuation (-)
Material	Neutral	Domestic demand growth momentum (+), THB appreciation (-)
Petrochemical	Neutral	Narrowing spread (-), Economic slowdown (-), Downgrade have done (+), Attractive valuations (+)
Electronics	Neutral	Demand recovery (+), Replacement cycle (+), THB appreciation (-), Profit warnings (-)
Agribusiness	Neutral	El Nino could support price (+), Continuous Export growth (+), Risk of ASF (-)
Construction	Neutral	Slow disbursement from government (-), Recognizing on existing projects (+)
Automotive	Underweight	High base last year (-), Weakening export market (-), High inventory (-), Earning downgrade (-)
Residential	Underweight	Loan to Value regulation (-), High inventory (-), Fewer new launches (-), Weak China demand (-)

Source: SCBS Investment Research

Valuation seems fair

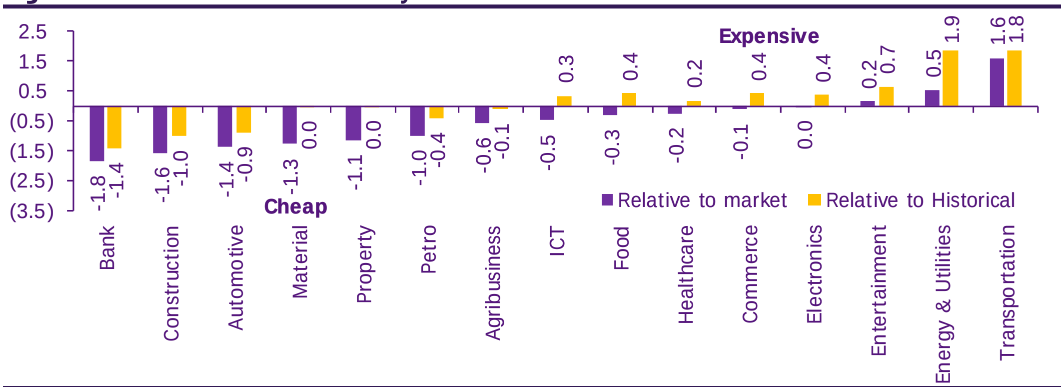
According to our country valuation scorecard, which is based on relative P/E, P/B, and EV/EBITDA to benchmark and long-term average, Thailand appears mildly fairly valued at 15x P/E, 1.8x P/B and 10x EV/EBITDA on the Asia valuation scorecard relative to other markets with slightly higher than long-term historical average. Sector-wise, utilities, entertainment and transportation sectors look expensive relative to both benchmark and historical average. Based on 3-year Z-score, we find that Communication Services, Construction, Property Funds & REIT have rich valuations, while valuations for Materials, Food, Healthcare, Petrochemical and Property are cheap relative to historical level. This indicates investor preference for defensive stocks despite high valuation, and fear of cyclical stocks despite cheap valuation.

Figure 31: Valuation scorecard by country



Source: Bloomberg, SCBS Investment Research

Figure 32: Valuation scorecard by sector



Source: Bloomberg, SCBS Investment Research

Figure 33: Heatmap valuation by sector based on z-score

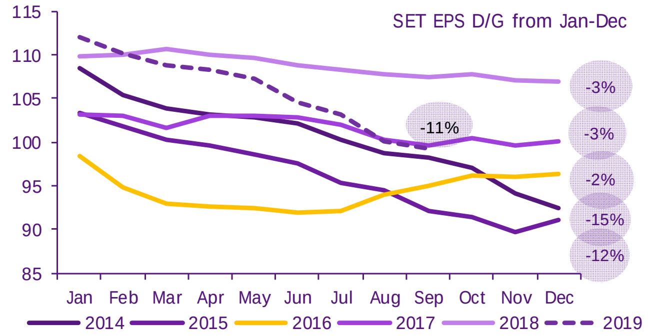
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Agribusiness	-0.2	-0.1	0.9	0.8	2.5	1.7	2.0	2.7	3.0	0.9	0.3	-0.3	0.4	0.3	0.5	0.6	0.7	1.2	1.0	0.2
Automotive	1.7	1.5	0.9	0.3	0.8	0.1	0.3	0.0	-0.2	-0.9	-1.1	-1.7	-1.4	-1.3	-1.6	-1.3	-1.6	-1.5	-1.7	-1.8
Bank	-0.4	-0.5	-0.9	-1.1	-1.2	-1.3	-0.9	-0.8	-0.7	-0.9	-0.9	-1.2	-0.9	-0.9	-1.1	-1.1	-1.2	-1.0	-1.1	-1.6
Commerce	2.7	2.7	2.5	2.5	1.3	-0.2	0.3	0.2	0.8	0.1	0.2	-0.1	0.8	0.7	0.2	0.4	0.2	1.2	1.2	0.8
ICT	1.0	0.7	0.7	0.9	-0.2	-0.7	0.1	0.1	-0.1	-0.5	-0.6	-1.1	-1.2	-0.7	-0.4	-0.2	-0.3	1.1	1.1	1.2
Material	-0.2	-0.3	-0.4	-0.8	-1.0	-1.7	-0.6	-0.5	-0.4	-0.7	0.0	-0.6	0.4	0.5	0.4	0.2	-0.2	0.4	0.2	0.0
Construction	0.9	0.0	0.3	0.1	1.3	0.0	0.8	0.9	1.5	0.6	0.3	0.5	1.0	0.5	-0.6	-0.7	-0.7	-0.4	-0.8	-1.7
Energy	2.3	2.3	1.5	1.5	1.0	0.2	0.6	0.8	1.2	0.4	0.0	-0.5	0.7	1.0	1.0	1.4	0.7	2.0	1.7	1.7
Media	1.6	1.3	1.7	1.3	1.2	0.8	1.0	1.2	3.1	2.3	2.3	1.4	1.5	2.1	2.0	1.2	2.2	2.5	2.6	2.0
Electronics	0.2	0.0	-0.3	0.0	-0.1	-0.3	0.6	0.0	-0.2	0.5	-0.1	-0.4	-0.4	0.6	0.2	0.6	-0.5	0.3	-0.1	-0.2
Finance	1.6	1.3	1.2	-0.1	0.3	0.1	0.2	0.3	1.0	0.7	0.3	-0.2	-0.3	-0.5	0.0	0.5	0.5	1.0	1.5	0.9
Food	2.0	1.5	1.3	1.4	1.2	0.3	1.3	1.8	2.0	-0.6	0.9	-0.1	1.0	1.3	0.9	1.3	1.2	1.7	1.4	0.7
Healthcare	0.7	0.8	1.0	0.5	0.9	0.0	0.5	0.6	0.5	0.0	0.5	-0.4	-1.2	-1.4	-1.5	-1.4	-1.8	-1.4	-1.6	-2.1
Hotel & Tourism	0.9	0.9	0.5	0.8	-0.3	-1.1	-0.8	-0.9	-0.5	-0.8	-0.6	-1.1	-0.5	-0.4	-0.6	-0.7	-1.9	-1.7	-2.1	-2.2
Petrochemical	1.5	1.4	0.7	1.0	0.2	-1.5	-0.6	-0.8	-1.0	-1.8	-1.9	-2.3	-2.3	-1.4	-1.8	-1.6	-1.7	-1.0	-1.3	-1.4
PF & REIT	-1.8	-1.4	-1.4	-1.2	-0.9	-0.8	-0.7	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4	-0.3	-0.2	-0.1	0.2	0.2	0.4
Property	1.3	1.1	0.4	0.8	0.4	-1.0	0.1	0.4	0.7	-0.4	-1.1	-1.8	-0.9	-0.9	-1.0	-0.5	-1.1	-0.3	-0.4	-1.4
Transportation	2.2	2.2	1.6	1.9	1.4	0.7	1.1	1.4	1.1	0.5	1.0	0.8	1.5	1.2	1.4	1.8	1.1	2.3	1.9	2.6

Source: SET, Bloomberg, SCBS Investment Research

Earnings revisions are near bottom

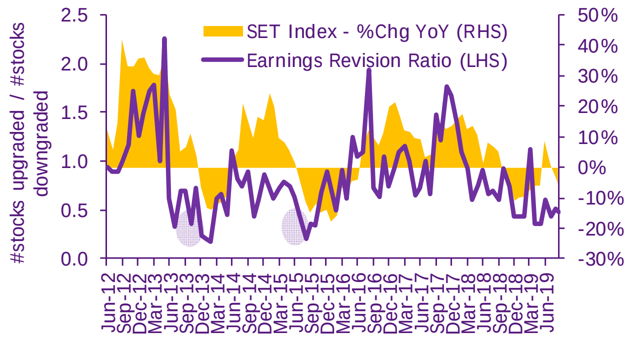
After disappointing performances in 1H19, more than half (52%) of the companies in the SET100 Index were downgraded over the past month; most revisions were in response to the weak 2Q19 and low growth visibility ahead. SET earnings have been revised down 5% QTD (as of Sep 13) and nearly 11% since the beginning of the year. Based on data, the earnings revision ratio, which shows the trend in earnings expectations, fell from 1.1 in 1Q19 to 0.5 in September as analysts revised down EPS estimates at a slightly faster rate. The ratio deteriorated in most cyclical stocks. This indicates that consensus holds a cautious view on EPS growth. Consensus has cut SET EPS by 5% YTD, the largest downgrade in three years, leaving little room for further downward earnings revisions. Another round of downgrades would have a large impact on stock prices as we believe the weak earnings in 2019 are already priced in.

Figure 34: SET Index Earnings revision



Source: Bloomberg and SCBS Investment Research

Figure 35: Earnings Revision Ratio

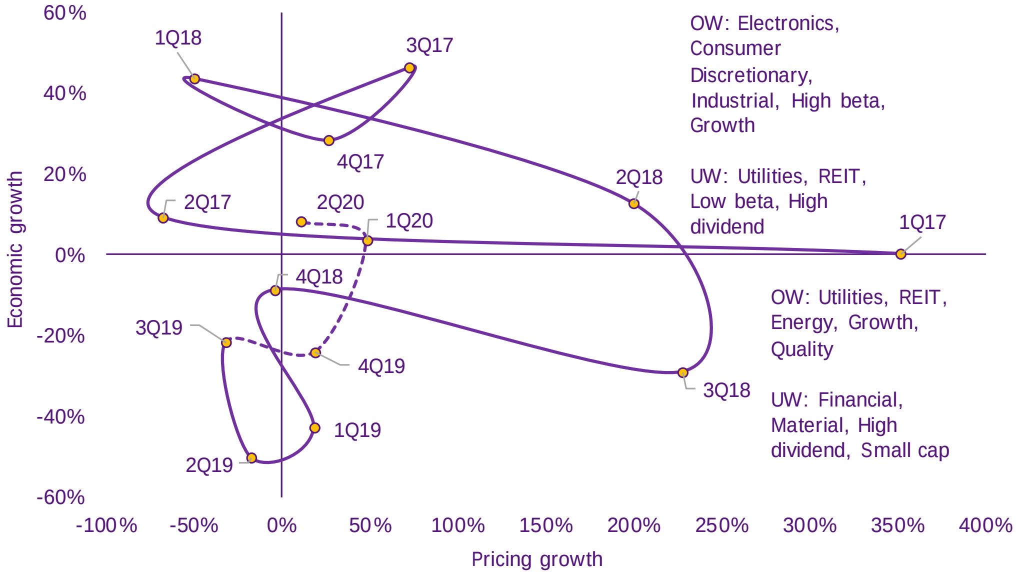


Source: Bloomberg and SCBS Investment Research

More optimistic for Thai equity market in 2020

Though macro risks remain, we expect a modest GDP recovery in 1H20 thanks to: 1) a low base from the fall in export value, 2) improving domestic spending from economic stimulus, 3) accelerating public investment, which normally leads private investment. As for rate of change, we expect GDP to improve YoY in 1Q20 and on, while inflation in 2020 will remain low at 1% on average but is expected to expand slightly from 2019. Our short-term tactical call in 1H20 is to overweight cyclical sectors such as Energy, Electronics, Tourism, Industrial, Contractors and Transportation while underweighting Utilities, REIT, consumer staples and high-dividend stocks.

Figure 36: Economic and pricing growth outlook

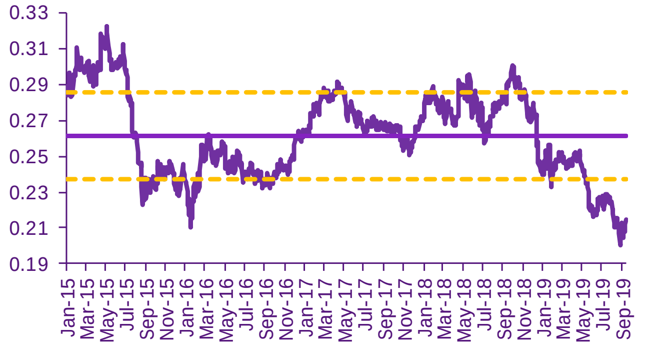


Source: SCBS Investment Research

Sector rotation expected in November 2019

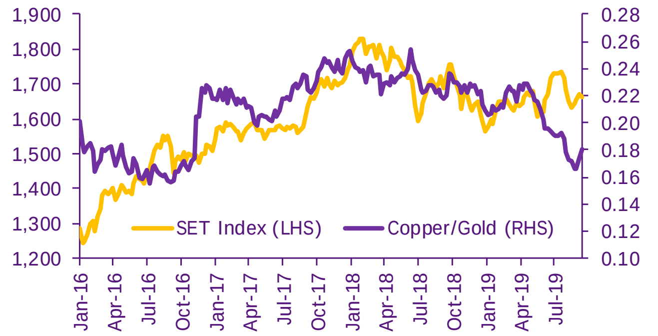
Underappreciated value stock outperformance in September worried investors as a rotation away from growth-oriented and defensive stocks could lead to a broad market decline. While there seems to be a mini-rotation from growth into value, we believe oil price jump and treasury yield recovery are the key drivers. Crude is up more than 2% in September while the Thai and US 10-year Treasury yield have surged nearly 15 and 30 basis points in September. Copper price is up more than 4% MTD, reflecting improving economic activity ahead. We believe November would be a good time for rotation because we expect: 1) weak earnings releases, 2) another round of GDP and earnings downgrades, but 3) improving economic data. Our recommendation for cyclical sectors: Energy, Tourism, Electronics and Construction.

Figure 37: Cyclical/Defensive ratio index



Source: SET and SCBS Investment Research

Figure 38: Copper/gold price

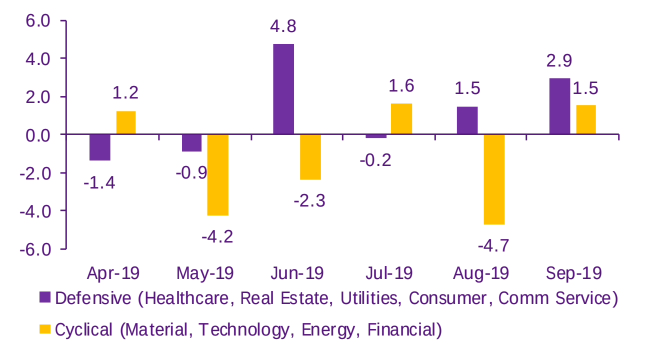


Source: SET and SCBS Investment Research

Pro-cyclical positioning remains light; cyclical stocks are under-owned

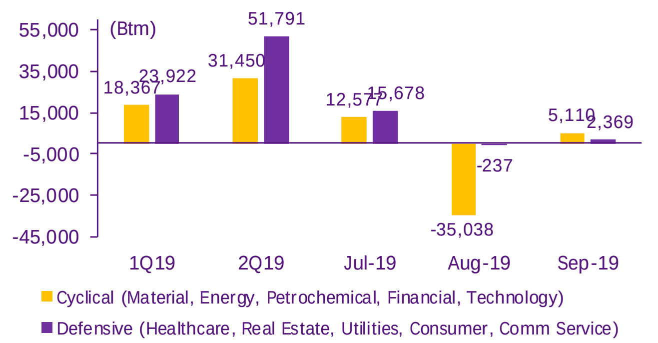
Based on the EPFR, global fund flow is shifting from cyclical sectors such as Materials and Energy and Financials to Utilities, Consumer and Communication Services. Thailand's fund flow shows the same patte4rn. The defensive index has outperformed cyclical for three consecutive quarters, suggesting that investors are taking a position in defensive stocks rather than cyclical stocks. Foreign investors have a net buy in Commerce, Communication Services, Healthcare and Utilities with a net sell in Petrochemical, energy-related and Banks, according to NVDR trading activity. Based on our channel check, institutional investors are cutting positions in Petrochemical and Energy, while increasing positions in Commerce and Communication Services. This means cyclical stocks are under-owned, in our view.

Figure 39: Global fund flow position



Source: SET and SCBS Investment Research

Figure 40: NVDR trading activity by sector



Source: SET and SCBS Investment Research

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Bangkok Chain Hospital BCH

Bangkok Chain Hospital Public Company Limited		Bloomberg	BCH TB
		Reuters	BCH.BK

Lead selection, with attractive risk/reward

BUY

We place BCH as our lead pick in the healthcare service sector (CHG moves into second place after a price increase) based on a solid risk/reward picture. BCH share price has fallen by 6% YTD, lagging the SET's 6% and CHG's 21% increase, dragged down by the weak operations at the World Medical Hospital (WMC). However, we believe BCH's earnings have passed bottom and will improve in 2H19 followed by 16% growth in 2020, boosted by operational growth at the upgraded facility and as WMC gets back on track. BUY with TP at Bt20.5/share.

Ramping up upgraded facility. We expect BCH's earnings to improve in 2H19 (+9% YoY and +28% HoH), followed by 16% growth in 2020. BCH's EBITDA margin (excluding WMC) has fallen since 4Q18, eroded by the initial cost of upgrading facilities and services to offer more specialized services aimed at high-income earners and international patients at *Kasemrad Ramkamheng Hospital*. This hospital is doing well with revenue growth of 84% YoY in 1H19, accounting for 6% of BCH's revenue, as well as lower EBITDA losses as seen in BCH's improved EBITDA margin (excluding WMC) of 28.2% in 2Q19 from 25.9% in 1Q19. We see room for more margin expansion since the hospital's facilities and services are ready and will no longer require material investment. BCH expects this hospital to report positive EBITDA in 3Q19.

WMC's operations bottomed. At 10% of BCH's total EBITDA, WMC's operations were weak in 2Q19 with EBITDA down 28% YoY and 31% QoQ, slashing WMC's EBITDA margin to 18.4% from 24.7% in 1Q19 and 26.7% in 2Q18. Behind this was a short-term hiccup at the Diabetic Foot Center (an important service at WMC) which was relocated to first floor to provide greater patient convenience and a larger service area. We believe WMC's operations have bottomed and will improve in 2H19 after the new Diabetic Foot Center officially opened in August and the opening of a fertility center offering IVF (in vitro fertilization) in October-November.

Upside from higher SC reimbursement. Social security service (SC) accounted for 33% of BCH's revenue in 1H19 and we see earnings upside from a possible increase in reimbursement. Private hospitals providing social security service (SC) have asked the Social Security Office to consider increasing reimbursement, which has been unchanged since July 2017, to reflect the rising healthcare spending brought by a demographic change that is bringing rising numbers of elders that require more medical treatment. We see a possibility reimbursement will be raised as some hospitals have exited the SC scheme because of the cost burden so it needs to keep numbers up. According to the Social Security Office, the number of SC insured persons grew to 16.4mn in August 2019, a 75% increase from 9.4mn in 2009, while the number of hospitals taking SC patients slid 5% over the period.

Forecasts and valuation

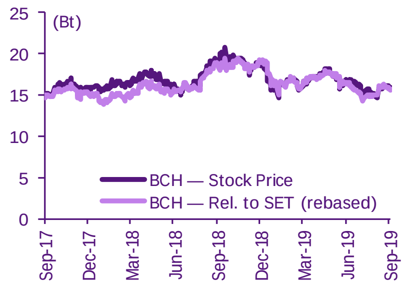
Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	7,255	8,073	8,900	10,029	11,344
EBITDA	(Btmn)	2,063	2,232	2,431	2,791	3,065
Core profit	(Btmn)	917	1,089	1,169	1,361	1,570
Reported profit	(Btmn)	917	1,089	1,169	1,361	1,570
Core EPS	(Bt)	0.37	0.44	0.47	0.55	0.63
DPS	(Bt)	0.20	0.22	0.23	0.27	0.31
P/E, core	(x)	42.7	35.9	33.5	28.8	24.9
EPS growth, core	(%)	21.8	18.8	7.3	16.4	15.4
P/BV, core	(x)	7.5	6.9	6.2	5.6	5.1
ROE	(%)	16.3	17.7	17.4	18.5	19.4
Dividend yield	(%)	1.3	1.4	1.5	1.7	2.0
FCF yield	(%)	(1.7)	4.7	2.2	2.0	2.2
EV/EBIT	(x)	29.0	26.1	23.8	20.6	18.0
EBIT growth, core	(%)	17.1	8.6	9.0	14.8	14.2
EV/CE	(x)	5.2	3.9	3.7	3.5	3.3
ROCE	(%)	13.5	11.2	11.7	12.9	13.9
EV/EBITDA	(x)	21.4	19.3	17.6	15.3	13.9
EBITDA growth	(%)	13.5	8.2	8.9	14.8	9.8

Source: SCBS Investment Research

Stock data

Last close (Sep 16) (Bt)	15.70
12-m target price (Bt)	20.50
Upside (Downside) to TP (%)	30.57
Mkt cap (Btbn)	39.15
Mkt cap (US$mn)	1,282
Risk rating	L
Mkt cap (%) SET	0.23
Sector % SET	4.40
Shares issued (mn)	2,494
Par value (Bt)	1.00
12-m high / low (Bt)	21.1 / 14.2
Avg. daily 6m (US$mn)	6.59
Foreign limit / actual (%)	49 / 10
Free float (%)	44.0
Dividend policy (%)	≤ 40

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	7.5	(6.0)	(16.9)
Relative to SET	3.7	(5.7)	(14.2)

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	20.50
12-month dividend	(Bt)	0.23
Capital gain	(%)	30.57
Dividend yield	(%)	1.49
Total return	(%)	32.07

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)	5,301	5,766	6,511	7,255	8,073	8,900	10,029	11,344
Cost of goods sold	(Btmn)	3,670	3,989	4,472	4,877	5,394	5,985	6,743	7,653
Gross profit	**(Btmn)**	**1,631**	**1,777**	**2,039**	**2,378**	**2,679**	**2,915**	**3,286**	**3,691**
SG&A	(Btmn)	721	855	835	960	1,132	1,226	1,344	1,471
Other income	(Btmn)	80	86	98	107	109	116	131	148
Interest expense	(Btmn)	160	163	162	136	126	125	125	125
Pre-tax profit	**(Btmn)**	**830**	**844**	**1,140**	**1,389**	**1,531**	**1,680**	**1,948**	**2,242**
Corporate tax	(Btmn)	159	174	208	271	285	336	390	448
Equity a/c profits	(Btmn)	0	3	1	1	3	3	3	3
Minority interests	(Btmn)	(149)	(145)	(180)	(202)	(159)	(178)	(201)	(227)
Core profit	**(Btmn)**	**522**	**527**	**753**	**917**	**1,089**	**1,169**	**1,361**	**1,570**
Extra-ordinary items	(Btmn)	-	-	-	-	-	-	-	-
Net Profit	**(Btmn)**	**522**	**527**	**753**	**917**	**1,089**	**1,169**	**1,361**	**1,570**
EBITDA	(Btmn)	1,423	1,468	1,817	2,063	2,232	2,431	2,791	3,065
Core EPS (Bt)	**(Bt)**	**0.21**	**0.21**	**0.30**	**0.37**	**0.44**	**0.47**	**0.55**	**0.63**
Net EPS (Bt)	(Bt)	0.21	0.21	0.30	0.37	0.44	0.47	0.55	0.63
DPS (Bt)	(Bt)	0.07	0.07	0.17	0.20	0.22	0.23	0.27	0.31

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	1,933	2,137	1,937	3,364	2,549	2,834	3,184	3,551
Total fixed assets	(Btmn)	7,557	7,859	8,039	8,718	9,497	9,861	10,282	10,804
Total assets	**(Btmn)**	**9,992**	**10,598**	**10,569**	**12,674**	**12,627**	**13,276**	**14,047**	**14,937**
Total loans	(Btmn)	4,031	4,462	4,078	5,494	4,690	4,692	4,692	4,692
Total current liabilities	(Btmn)	1,803	3,042	2,621	2,276	1,740	1,782	1,851	3,434
Total long-term liabilities	(Btmn)	3,324	2,510	2,498	4,344	4,346	4,348	4,348	2,848
Total liabilities	**(Btmn)**	**5,325**	**5,676**	**5,233**	**6,762**	**6,230**	**6,273**	**6,342**	**6,425**
Paid-up capital	(Btmn)	2,494	2,494	2,494	2,494	2,494	2,494	2,494	2,494
Total equity	**(Btmn)**	**4,667**	**4,922**	**5,337**	**5,912**	**6,398**	**7,003**	**7,705**	**8,512**
BVPS (Bt)	**(Bt)**	**1.66**	**1.75**	**1.91**	**2.08**	**2.29**	**2.52**	**2.79**	**3.11**

Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	522	527	753	917	1,089	1,169	1,361	1,570
Depreciation and amortization	(Btmn)	433	461	514	538	576	626	718	697
Operating cash flow	(Btmn)	827	1,347	1,701	1,814	1,618	1,820	1,840	2,055
Investing cash flow	(Btmn)	(605)	(880)	(729)	(2,483)	241	(951)	(1,050)	(1,182)
Financing cash flow	(Btmn)	(736)	(257)	(1,134)	642	(1,699)	(562)	(659)	(763)
Net cash flow	**(Btmn)**	**(515)**	**209**	**(163)**	**(27)**	**160**	**307**	**131**	**111**

Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	30.8	30.8	31.3	32.8	33.2	32.8	32.8	32.5
Operating margin	(%)	17.2	16.0	18.5	19.5	19.2	19.0	19.4	19.6
EBITDA margin	(%)	26.8	25.5	27.9	28.4	27.7	27.3	27.8	27.0
EBIT margin	(%)	18.4	17.2	19.7	20.7	20.2	20.0	20.4	20.6
Net profit margin	(%)	9.8	9.1	11.6	12.6	13.5	13.1	13.6	13.8
ROE	(%)	11.3	11.0	14.7	16.3	17.7	17.4	18.5	19.4
ROA	(%)	5.2	5.1	7.1	7.9	8.6	9.0	10.0	10.8
Net D/E	(x)	0.8	0.8	0.7	0.8	0.6	0.5	0.5	0.4
Interest coverage	(x)	8.9	9.0	11.2	15.2	17.7	19.5	22.3	24.5
Debt service coverage	(x)	1.6	0.7	1.0	1.6	4.8	5.2	6.0	1.6
Payout Ratio	(x)	33.4	33.1	56.3	54.4	50.0	50.0	50.0	50.0

Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Revenue breakdown									
Cash service	(%)	65.1	64.9	63.6	62.2	66.0	67.0	69.8	72.5
Social security service (SC)	(%)	33.8	34.0	35.4	37.0	33.3	33.0	30.2	27.5
Universal coverage (UC)	(%)	1.1	1.1	1.0	0.8	0.8	0.0	0.0	0.0

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total revenue	(Btmn)	2,004	1,953	1,822	1,918	2,228	2,105	2,078	2,137
Cost of goods sold	(Btmn)	1,299	1,283	1,250	1,277	1,432	1,435	1,444	1,483
Gross profit	**(Btmn)**	**704**	**670**	**573**	**641**	**796**	**670**	**635**	**654**
SG&A	(Btmn)	226	254	255	288	300	289	288	306
Other income	(Btmn)	16	39	22	27	26	34	28	30
Interest expense	(Btmn)	34	35	33	30	31	32	32	34
Pre-tax profit	**(Btmn)**	**460**	**420**	**307**	**350**	**491**	**383**	**342**	**343**
Corporate tax	(Btmn)	95	85	53	62	88	82	59	65
Equity a/c profits	(Btmn)	0	(0)	1	1	1	0	1	1
Minority interests	(Btmn)	(63)	(57)	(39)	(38)	(47)	(34)	(35)	(36)
Core profit	**(Btmn)**	**303**	**278**	**215**	**270**	**357**	**268**	**248**	**264**
Extra-ordinary items	(Btmn)	0	0	0	(20)	0	0	0	(20)
Net Profit	**(Btmn)**	**303**	**278**	**215**	**250**	**357**	**268**	**248**	**244**
EBITDA	(Btmn)	628	595	478	521	665	568	535	539
Core EPS (Bt)	**(Bt)**	**0.12**	**0.11**	**0.09**	**0.11**	**0.14**	**0.11**	**0.10**	**0.11**
Net EPS (Bt)	(Bt)	0.12	0.11	0.09	0.10	0.14	0.11	0.10	0.10

Balance Sheet

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total current assets	(Btmn)	2,089	3,364	2,540	2,225	2,322	2,549	2,827	2,810
Total fixed assets	(Btmn)	8,604	8,718	8,819	9,062	8,282	9,497	9,606	9,795
Total assets	**(Btmn)**	**11,286**	**12,674**	**11,952**	**11,875**	**12,167**	**12,627**	**13,006**	**13,186**
Total loans	(Btmn)	4,505	5,494	4,531	4,505	4,000	4,690	4,873	5,179
Total current liabilities	(Btmn)	2,208	2,276	1,306	1,302	1,560	1,740	1,873	1,704
Total long-term liabilities	(Btmn)	3,345	4,344	4,345	4,345	3,695	4,346	4,346	4,772
Total liabilities	**(Btmn)**	**5,684**	**6,762**	**5,797**	**5,805**	**6,065**	**6,230**	**6,335**	**6,625**
Paid-up capital	(Btmn)	2,494	2,494	2,494	2,494	2,494	2,494	2,494	2,494
Total equity	**(Btmn)**	**5,602**	**5,912**	**6,154**	**6,070**	**6,102**	**6,398**	**6,671**	**6,561**
BVPS (Bt)	**(Bt)**	**1.98**	**2.08**	**2.17**	**2.15**	**2.18**	**2.29**	**2.38**	**2.35**

Cash Flow Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Core Profit	(Btmn)	303	278	215	270	357	268	248	264
Depreciation and amortization	(Btmn)	134	141	138	141	143	153	161	161
Operating cash flow	(Btmn)	670	654	290	340	393	595	127	396
Investing cash flow	(Btmn)	(209)	(1,709)	707	136	(224)	(377)	(293)	(302)
Financing cash flow	(Btmn)	(355)	977	(1,019)	(442)	(249)	11	144	(96)
Net cash flow	**(Btmn)**	**106**	**(78)**	**(22)**	**34**	**(81)**	**229**	**(22)**	**(1)**

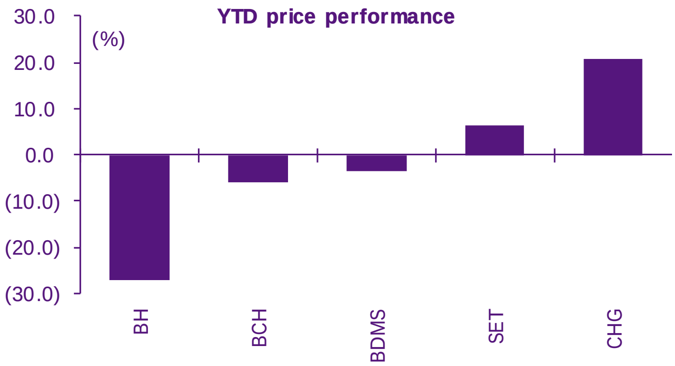
Key Financial Ratios

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Gross margin	(%)	35.2	34.3	31.4	33.4	35.7	31.8	30.5	30.6
Operating margin	(%)	23.9	21.3	17.5	18.4	22.2	18.1	16.7	16.3
EBITDA margin	(%)	31.4	30.5	26.2	27.2	29.9	27.0	25.8	25.2
EBIT margin	(%)	24.5	22.8	18.4	19.5	23.1	19.4	17.8	17.4
Net profit margin	(%)	15.1	14.2	11.8	13.1	16.0	12.7	11.9	11.4
ROE	(%)	15.9	16.3	14.7	16.8	19.2	18.0	15.5	16.2
ROA	(%)	7.8	7.9	7.5	8.4	9.6	8.8	8.0	8.2
Net D/E	(x)	0.7	0.8	0.7	0.7	0.6	0.6	0.6	0.7
Interest coverage	(x)	18.4	17.1	14.4	17.3	21.6	17.9	16.6	15.7
Debt service coverage	(x)	1.9	1.8	6.0	7.4	6.2	4.8	3.3	4.0

Main Assumptions

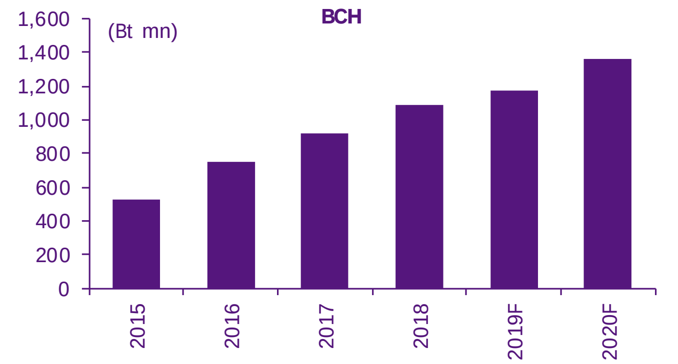
FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Revenue breakdown									
Cash service	(%)	63.5	60.9	66.1	67.0	68.2	65.6	67.2	64.8
Social security service (SC)	(%)	35.6	38.7	33.9	33.0	31.8	34.4	32.8	35.2
Universal coverage (UC)	(%)	0.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0

Figure 1: BCH is attractive on its laggard performance compared to CHG



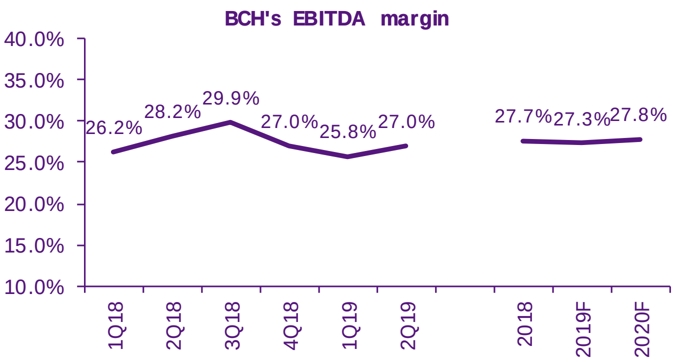
Source: SET and SCBS Investment Research

Figure 2: BCH earnings forecast



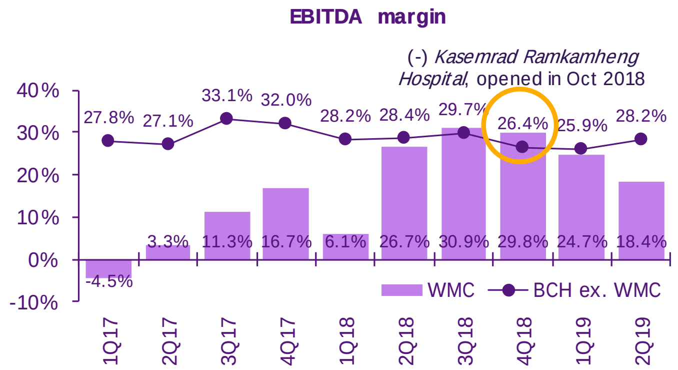
Source: SCBS Investment Research

Figure 3: Wider EBITDA margin in 2020



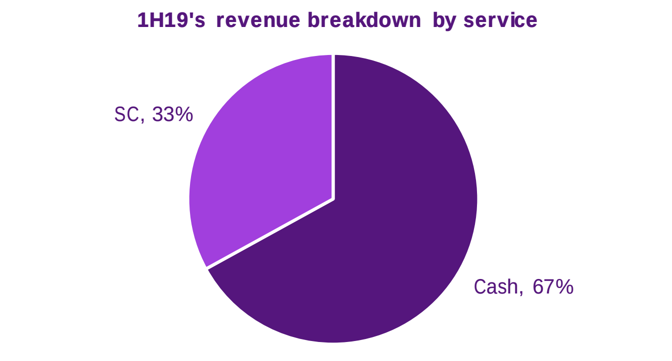
Source: SCBS Investment Research
*Excluding extra items

Figure 4: Ramping up operation at upgraded facility



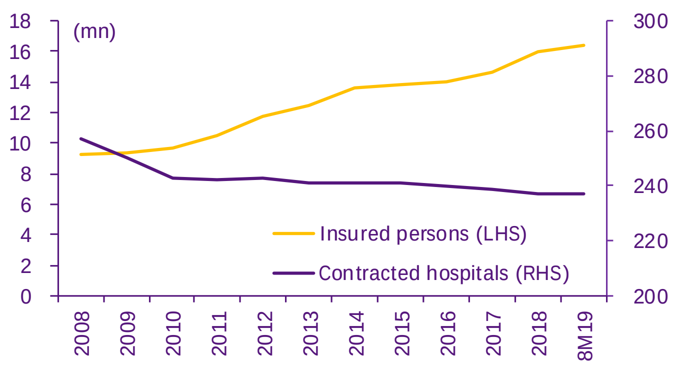
Source: SCBS Investment Research
*Excluding extra items

Figure 5: Revenue breakdown by service



Source: Company data and SCBS Investment Research

Figure 6: Shortage of hospitals serving SC patient



Source: Social Security Office and SCBS Investment Research

BTS Group Holdings — BTS

BTS Group Holdings Public Company Limited

Bloomberg	BTS TB
Reuters	BTS.BK

SCBS

Steady movement forward

Extension of the Green Line concession is progressing well and we expect conclusion in September. This will be a catalyst for BTS. It also has further upside from two motorways and U-Tapao airport. BUY with a TP of Bt16. We expect TP upgrades by consensus after the concession extension.

Near-term catalyst from new Green Line concession. BTS is negotiating with Bangkok Metropolitan Administration (BMA) for a new concession contract for the Green Line. By our estimates, this will add Bt4.0/sh to BTS based on: 1) a 30-year extension; 2) fair price cap at Bt65/trip; 3) absorption of the BMA's interest expense; 4) compensation to BTSGIF for the cut in fare price and BMA for the opportunity loss; 5) 15% revenue share to BMA in 2029-2059; 6) it will not get the Bt17.3bn pre-financing for E&M work for Green Line extension zone 2. We have put an extension in our forecast. The timeline indicates this deal should finish by Sep.

Share price does not fully capture upside. Though BTS share price has risen by 40.3% YTD, outperforming the SET by 34.0%, we do not believe the price yet fully reflects the potential upside for the new Green Line concession contract, as our estimates suggest a TP on the current contract at Bt12.0/sh. We look at consensus TPs - most have not factored in this potential upside – and see a TP range without a new contract of Bt12-13/sh. This means a flow of TP upgrades once the deal is done - another near-term catalyst.

More catalysts to come. BGSR JV (BTS 40% stake, BULF 40%, STEC 10% and RATCH 10%) was the lowest bidder for two motorway projects, for which we roughly estimate an incremental value of Bt0.3/sh. The contract is expected to be signed in 1Q20. There is possible further upside from U-Tapao airport where there is only one competitor, Grand Consortium. The bid winner should be announced in 4Q19. We have not factored these two projects into our forecast.

Strong earnings outlook. We estimate core earnings at Bt3.5bn in FY2020F, up 36.3% YoY, driven by its mass transit and media businesses. We expect it to book an extra gain of Bt3.0bn (net tax) from selling its stake at Bayswater to CPN, giving a net profit of Bt6.5bn, up 125% YoY. We expect core earnings to grow by 6.6% in FY2021F to Bt3.7bn.

Maintain BUY with SOTP-based TP Bt16. We like BTS for its stable cash flow from mass transit and clear earnings growth from upcoming new mass transit lines (Pink and Yellow) plus a near-term catalyst from a new Green Line concession contract. Our TP already factors in potential upside from Green Line concession extension (Bt4/sh). Key risk to our call would be no extension of the Green line concession. This would slash TP to Bt12.0.

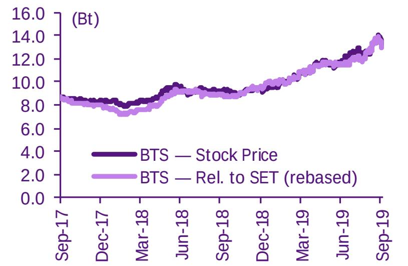
BUY

Stock data

Last close (Sep 16) (Bt)	13.40
12-m target price (Bt)	16.00
Upside (Downside) to TP (%)	19.40
Mkt cap (Btbn)	168.26
Mkt cap (US$mn)	5,511

Risk rating	L
Mkt cap (%) SET	0.98
Sector % SET	9.58
Shares issued (mn)	12,557
Par value (Bt)	4.00
12-m high / low (Bt)	14.2 / 8.8
Avg. daily 6m (US$mn)	17.56
Foreign limit / actual (%)	49 / 19
Free float (%)	58.0
Dividend policy (%)	≥ 50

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	7.2	14.5	44.1
Relative to SET	3.4	14.8	48.9

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	16.00
12-month dividend	(Bt)	0.61
Capital gain	(%)	19.40
Dividend yield	(%)	4.54
Total return	(%)	23.94

Source: SET, SCBS Investment Research

Forecasts and valuation

Year to 31 Mar	Unit	2018	2019	2020F	2021F	2022F
Revenue	(Btmn)	12,171	45,895	42,576	41,385	28,406
EBITDA	(Btmn)	4,270	6,054	6,977	7,012	7,290
Core profit	(Btmn)	1,553	2,545	3,469	3,697	3,770
Reported profit	(Btmn)	4,416	2,873	6,469	3,697	3,770
Core EPS	(Bt)	0.13	0.21	0.26	0.25	0.26
DPS	(Bt)	0.35	0.42	0.61	0.57	0.39
P/E, core	(x)	103.0	62.4	50.9	52.6	51.6
EPS growth, core	(%)	20.4	65.1	22.5	(3.1)	2.0
P/BV, core	(x)	3.9	4.1	3.3	2.8	3.0
ROE	(%)	3.4	5.2	5.8	4.9	4.6
Dividend yield	(%)	2.6	3.1	4.5	4.3	2.9
FCF yield	(x)	(5.7)	(18.8)	(4.1)	4.7	4.2
EV/EBIT	(x)	51.9	39.6	36.7	36.4	34.9
EBIT growth, core	(%)	45.4	49.8	16.8	(0.5)	3.4
EV/CE	(x)	4.9	3.1	2.7	2.9	3.0
ROCE	(%)	3.2	2.8	2.8	3.4	4.3
EV/EBITDA	(x)	42.7	34.4	32.3	31.7	30.3
EBITDA growth	(%)	42.6	41.8	15.3	0.5	4.0

Source: SCBS Investment Research

Analyst

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Financial statement

Profit and Loss Statement

FY March 31	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020F	FY2021F	FY2022F
Total revenue	(Btmn)	6,137	5,265	6,809	12,171	45,895	42,576	41,385	28,406
Cost of goods sold	(Btmn)	(3,048)	(2,553)	(3,818)	(8,085)	(40,178)	(36,275)	(34,539)	(20,826)
Gross profit	(Btmn)	**3,089**	**2,712**	**2,991**	**4,086**	**5,717**	**6,300**	**6,847**	**7,580**
SG&A	(Btmn)	(1,144)	(1,528)	(1,817)	(2,281)	(3,180)	(3,244)	(3,308)	(3,375)
Other income	(Btmn)	1,038	381	1,242	1,707	2,723	3,088	2,573	2,115
Interest expense	(Btmn)	(403)	(290)	(644)	(1,236)	(1,652)	(2,134)	(1,940)	(1,940)
Pre-tax profit	(Btmn)	**2,580**	**1,275**	**1,772**	**2,276**	**3,608**	**4,010**	**4,171**	**4,380**
Corporate tax	(Btmn)	(733)	(1,121)	(646)	(776)	(866)	(1,003)	(1,043)	(1,095)
Equity a/c profits	(Btmn)	852	411	632	180	494	1,160	1,274	1,198
Minority interests	(Btmn)	(448)	(262)	(469)	(126)	(692)	(699)	(706)	(713)
Core profit	(Btmn)	**2,250**	**303**	**1,289**	**1,553**	**2,545**	**3,469**	**3,697**	**3,770**
Extra-ordinary items	(Btmn)	692	3,835	714	2,862	328	3,000	0	0
Net Profit	(Btmn)	**2,942**	**4,138**	**2,003**	**4,416**	**2,873**	**6,469**	**3,697**	**3,770**
EBITDA	(Btmn)	3,445	2,018	2,993	4,270	6,054	6,977	7,012	7,290
Core EPS	**(Bt)**	**0.19**	**0.03**	**0.11**	**0.13**	**0.21**	**0.26**	**0.25**	**0.26**
Net EPS	(Bt)	0.25	0.35	0.17	0.37	0.24	0.49	0.25	0.26
DPS	(Bt)	0.94	0.34	0.34	0.35	0.42	0.61	0.57	0.39

Balance Sheet

FY March 31	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020F	FY2021F	FY2022F
Total current assets	(Btmn)	26,002	10,285	25,722	21,667	21,129	24,038	40,743	39,750
Total fixed assets	(Btmn)	7,254	8,368	8,182	5,939	6,669	6,836	6,985	7,118
Total assets	(Btmn)	**66,810**	**65,169**	**93,631**	**106,258**	**144,315**	**166,236**	**175,356**	**159,627**
Total loans	(Btmn)	5,239	7,012	25,013	31,740	53,418	55,000	50,000	50,000
Total current liabilities	(Btmn)	6,560	12,455	18,616	22,923	41,794	46,420	44,622	30,664
Total long-term liabilities	(Btmn)	8,238	5,796	29,833	36,971	50,370	52,559	47,635	47,711
Total liabilities	(Btmn)	**14,798**	**18,252**	**48,449**	**59,895**	**92,164**	**98,979**	**92,256**	**78,375**
Paid-up capital	(Btmn)	49,485	49,552	49,594	49,635	49,258	63,073	81,547	81,547
Total equity	(Btmn)	**52,012**	**46,917**	**45,182**	**46,364**	**52,150**	**67,257**	**83,099**	**81,252**
BVPS	**(Bt)**	**4.26**	**3.81**	**3.53**	**3.40**	**3.27**	**4.03**	**4.71**	**4.53**

Cash Flow Statement

FY March 31	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020F	FY2021F	FY2022F
Core Profit	(Btmn)	2,250	303	1,289	1,553	2,545	3,469	3,697	3,770
Depreciation and amortization	(Btmn)	460	450	577	758	793	833	901	970
Operating cash flow	(Btmn)	14,815	10,146	10,763	4,577	7,790	7,893	838	(6,730)
Investing cash flow	(Btmn)	4,148	(13,150)	(11,570)	(13,621)	(37,648)	(15,122)	8,226	14,835
Financing cash flow	(Btmn)	(16,714)	(4,743)	13,537	3,407	24,421	9,521	6,440	(6,331)
Net cash flow	**(Btmn)**	**2,249**	**(7,747)**	**12,730**	**(5,637)**	**(5,437)**	**2,291**	**15,503**	**1,775**

Key Financial Ratios

FY March 31	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020F	FY2021F	FY2022F
Gross margin	(%)	50.3	51.5	43.9	33.6	12.5	14.8	16.5	26.7
Operating margin	(%)	31.7	22.6	17.2	14.8	5.5	7.2	8.5	14.8
EBITDA margin	(%)	56.1	38.3	44.0	35.1	13.2	16.4	16.9	25.7
EBIT margin	(%)	48.6	29.8	35.5	28.9	11.5	14.4	14.8	22.2
Net profit margin	(%)	48.0	78.7	29.4	36.3	6.3	15.2	8.9	13.3
ROE	(%)	5.7	8.8	4.4	9.5	5.5	9.6	4.4	4.6
ROA	(%)	3.1	0.5	1.6	1.6	2.0	2.2	2.2	2.3
Net D/E	(x)	(0.1)	0.1	0.2	0.5	0.9	0.7	0.3	0.3
Interest coverage	(x)	8.5	7.0	4.7	3.5	3.7	3.3	3.6	3.8
Debt service coverage	(x)	1.1	0.3	1.7	1.7	0.5	0.6	0.6	0.6
Payout Ratio	(%)	380.6	97.9	202.5	94.6	173.2	111.3	183.7	150.0

Main Assumptions

FY March 31	Unit	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020F	FY2021F	FY2022F
Equity income from BTSGIF	(Btmn)	724.0	847.0	945.0	950.0	898.0	938.3	1,176.6	1,197.9
O&M revenue	(Btmn)	1,549	1,593	1,661	1,865	2,277	3,404	5,207	7,067
Media revenue	(Btmn)	2,926	2,318	3,010	3,902	5,123	6,027	6,522	7,289
Property revenue	(Btmn)	1,355.0	896.5	617.1	639.0	360.0	363.3	366.7	370.0

Financial statement

Profit and Loss Statement

FY March 31	Unit	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Total revenue	(Btmn)	2,185	4,532	2,692	2,629	15,321	18,472	9,474	8,454
Cost of goods sold	(Btmn)	(1,258)	(3,343)	(1,672)	(1,565)	(13,960)	(16,670)	(7,983)	(6,980)
Gross profit	**(Btmn)**	**927**	**1,190**	**1,020**	**1,064**	**1,361**	**1,801**	**1,491**	**1,475**
SG&A	(Btmn)	(585)	(617)	(557)	(841)	(874)	(781)	(684)	(844)
Other income	(Btmn)	497	508	243	587	619	752	766	814
Interest expense	(Btmn)	(318)	(313)	(311)	(315)	(398)	(454)	(486)	(562)
Pre-tax profit	**(Btmn)**	**521**	**768**	**395**	**495**	**708**	**1,319**	**1,087**	**884**
Corporate tax	(Btmn)	(169)	(218)	(218)	(111)	(254)	(247)	(253)	(207)
Equity a/c profits	(Btmn)	84	193	(84)	111	109	241	34	374
Minority interests	(Btmn)	(85)	(85)	97	(108)	(165)	(249)	(170)	(157)
Core profit	**(Btmn)**	**352**	**659**	**190**	**387**	**397**	**1,064**	**697**	**894**
Extra-ordinary items	(Btmn)	301	230	2,281	0	273	125	(70)	0
Net Profit	**(Btmn)**	**653**	**889**	**2,471**	**387**	**670**	**1,189**	**627**	**894**
EBITDA	(Btmn)	1,031	1,273	894	1,003	1,299	1,980	1,773	1,678
Core EPS	**(Bt)**	**0.03**	**0.06**	**0.02**	**0.03**	**0.03**	**0.09**	**0.06**	**0.08**
Net EPS	(Bt)	0.05	0.07	0.21	0.03	0.06	0.10	0.05	0.08

Balance Sheet

FY March 31	Unit	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Total current assets	(Btmn)	22,597	26,643	21,667	23,674	25,143	22,640	21,129	40,764
Total fixed assets	(Btmn)	8,563	8,725	5,939	6,170	6,108	6,363	6,669	6,744
Total assets	(Btmn)	**100,893**	**106,914**	**106,258**	**110,467**	**125,708**	**136,499**	**144,315**	**171,737**
Total loans	(Btmn)	25,793	31,049	31,740	38,274	41,098	47,056	53,418	68,872
Total current liabilities	(Btmn)	24,957	23,555	22,923	24,918	28,517	39,079	41,794	38,713
Total long-term liabilities	(Btmn)	29,936	36,884	36,971	37,038	46,839	43,863	50,370	67,631
Total liabilities	(Btmn)	**54,893**	**60,440**	**59,895**	**61,955**	**75,356**	**82,943**	**92,164**	**106,343**
Paid-up capital	(Btmn)	49,635	49,635	49,635	49,256	49,256	49,257	49,258	49,771
Total equity	(Btmn)	**46,000**	**46,475**	**46,364**	**48,512**	**50,352**	**53,557**	**52,150**	**65,394**
BVPS	**(Bt)**	**3.45**	**3.45**	**3.40**	**3.43**	**3.33**	**3.39**	**3.27**	**4.24**

Cash Flow Statement

FY March 31	Unit	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Core Profit	(Btmn)	352	659	190	387	397	1,064	697	894
Depreciation and amortization	(Btmn)	192	192	190	193	193	207	200	253
Operating cash flow	(Btmn)	798	1,286	2,112	(10,578)	15,287	2,471	(2,604)	(7,365)
Investing cash flow	(Btmn)	(13,187)	5,377	(5,376)	6,633	(12,977)	(5,406)	(22,685)	34,250
Financing cash flow	(Btmn)	88	(2,466)	(501)	(939)	3,196	(250)	22,414	(15,840)
Net cash flow	**(Btmn)**	**(12,301)**	**4,196**	**(3,763)**	**(4,884)**	**5,506**	**(3,184)**	**(2,875)**	**11,046**

Key Financial Ratios

FY March 31	Unit	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Gross margin	(%)	42.4	26.2	37.9	40.5	8.9	9.8	15.7	17.4
Operating margin	(%)	15.7	12.6	17.1	8.5	3.2	5.5	8.5	7.5
EBITDA margin	(%)	47.2	28.1	33.2	38.1	8.5	10.7	18.7	19.8
EBIT margin	(%)	38.4	23.8	26.2	30.8	7.2	9.6	16.6	16.8
Net profit margin	(%)	29.9	19.6	91.7	14.7	4.4	6.4	6.6	10.6
ROE	(%)	3.1	5.7	1.6	3.2	3.3	8.5	5.7	6.3
ROA	(%)	1.4	2.5	0.7	1.5	1.4	3.5	2.2	2.5
Net D/E	(x)	0.4	0.4	0.5	0.7	0.6	0.7	0.9	0.8
Interest coverage	(x)	3.2	4.1	2.9	3.2	3.3	4.4	3.6	3.0
Debt service coverage	(x)	1.3	3.1	1.4	0.4	1.9	0.7	0.6	0.6

Main Assumptions

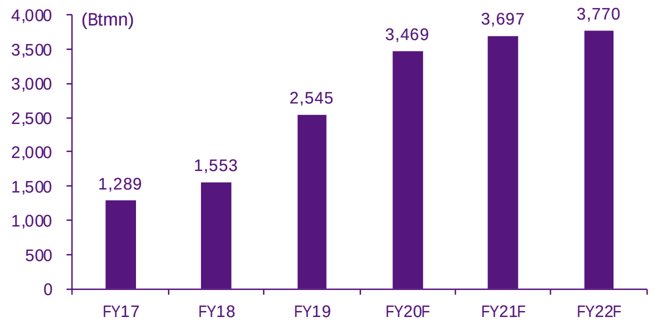
FY March 31	Unit	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Equity income from BTSGIF	(Btmn)	247.0	233.0	252.0	228.0	244.0	239.0	187.0	225.0
O&M revenue	(Btmn)	472	452	468	452	452	565	807	830
Media revenue	(Btmn)	970	976	1,107	1,118	1,205	1,460	1,382	1,363
Property revenue	(Btmn)	159.0	174.0	160.0	80.0	87.0	85.0	107.0	79.0

Figure 1: SOTP valuation

	% stake	Value (Btmn)	Per share (Bt)	Comment
Mass transit				
O&M for Green line core network	100	14,739	1.0	During 2029-2042
O&M for Green line extension Zone 1	100	11,803	0.8	
O&M for Green line extension Zone 2	100	28,402	2.0	
Pink Line	75	23,168	1.6	
Yellow Line	75	14,480	1.0	
O&M for Gold Line Phase 1	100	2,026	0.1	
Total mass transit		**94,619**	**6.5**	
Investment				
BTSGIF	33	21,216	1.5	Based on our TP of Bt11/sh
VGI	65	53,950	3.7	Market price
U	36	3,617	0.2	Market price
Total investment		**78,783**	**5.4**	
Less: net debt		31,388	2.2	
Add: cash from selling Bayswater		7,699	0.5	
Add: cash from selling VGI stake		5,175	0.4	
Add: cash from warrants		18,474	1.3	BTS-W5
Grand total		**173,362**		
No. of shares		**14,506**		Based on fully-diluted shares including BTS W-5
TP per share (Bt)		**12.0**		TP without concession extension for Green Line
Potential upside				
Concession extension for Green Line	100	57,017	4.0	
TP per share (Bt)		**16.0**		TP with concession extension for Green Line

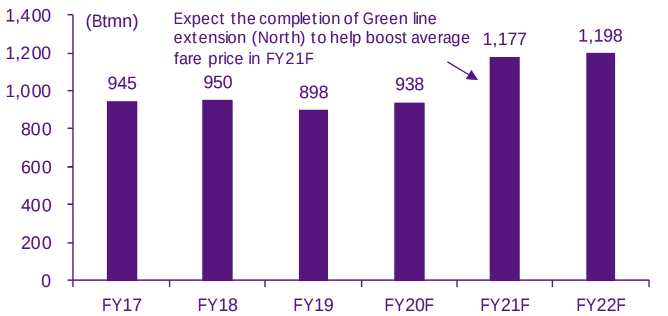
Source: SCBS Investment Research, BTS, VGI, U

Figure 2: Expect core earnings to grow by 36.3%



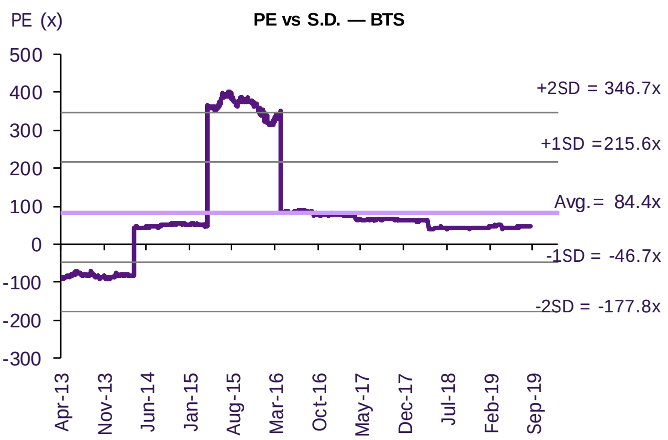
Source: SCBS Investment Research

Figure 3: Contribution from BTSGIF



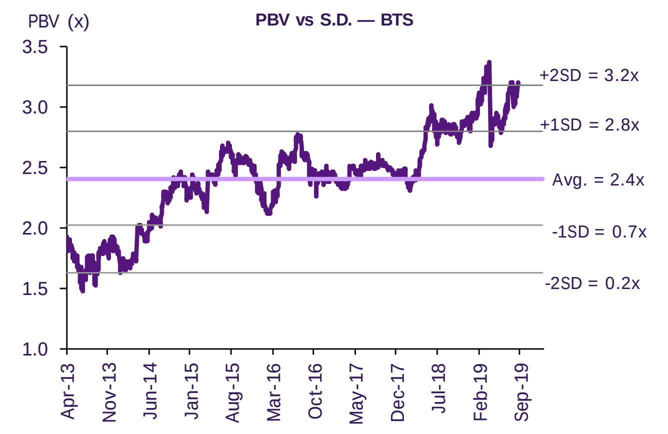
Source: SCBS Investment Research

Figure 4: BTS's PE Band



Source: SCBS Investment Research

Figure 5: BTS's PBV Band



Source: SCBS Investment Research

CP ALL

CPALL

CP ALL
Public Company Limited

Bloomberg	CPALL TB
Reuters	CPALL.BK

Bolstered by solid 2H19F outlook

CPALL's share price outperformance is expected to continue, backed by a strong 2H19F earnings growth fueled by solid convenience store operations (positive SSS growth with wider margin), positive counter service contribution (better bill payment & banking agent service) and cash & carry (local food inflation). Expansion of 7-Eleven stores into Cambodia and Laos will support LT growth. BUY with DCF TP of Bt98.

Better convenience store unit. We estimate its 3Q19TD SSS growth to be close to its 2019F target of 2-3% YoY (vs 3.4% YoY in 1H19), in part due to a satisfactory market response to its stamp campaign this year. The first half of the campaign started on Jul 24 and will run to Sep 23 and features the ever-popular "Doraemon" character on its premium gifts. The stamp campaign this year is designed for easier redemption, offering some premiums for fewer stamps. CPALL targets improving gross margin by 10-20bps p.a. (vs +50bps YoY in 1H19), via adding more high-margin products such as ready-to-eat and health and beauty products. It plans to add a net 700 stores this year (vs 540 net in 1H19), targeting 13,000 stores by 2021 from 11,528 stores at end-2Q19.

Improving counter services. In 2Q19, revenue from counter services turned to small growth YoY (vs low single-digit negatives YoY in 2Q18-1Q19), thanks to better bill payment and banking agent services. Revenue for bill payment service grew slightly in 2Q19 on normalization brought by a full year after customer migration to digital transactions when banks cut fees in March 2018. Transactions for its banking agent services have increased steadily after CPALL beginning with services for GSB in Oct 2018, adding BAY, SCB, KBANK, LHBANK and BAAC thus far. Most of those access this service via 7-Eleven stores in upcountry, where banking hours are shorter and 7-Eleven much easier to access. With a normalized base for bill payment and addition of more financial institutions for banking agent services, revenue from counter services will improve in 2H19F.

Positive contribution from cash & carry unit (93.1% stake in MAKRO). We expect MAKRO's core earnings to grow 3% YoY in 2019F (vs -4% YoY in 2018 and +1% YoY in 1H19). This will be backed by robust local operations with positive SSS growth (mid-single digit growth in 3Q19TD led by food inflation) and store expansion sufficient to offset high SG&A expenses from more expansion overseas.

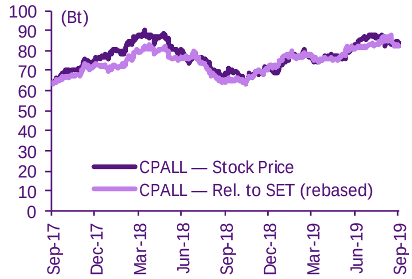
Upside from 7-Eleven investment overseas. On Jan 29, CPALL entered into an Indicative Term Sheet with 7-Eleven, Inc. to enter into negotiations for a Master Franchise agreement to set up 7-Eleven stores in Cambodia and Laos and it continues to negotiate this. If executed, it can use operational leverage from its base in Thailand to support growth in these countries.

BUY

Stock data

Last close (Sep 16) (Bt)	82.00
12-m target price (Bt)	98.00
Upside (Downside) to TP (%)	19.51
Mkt cap (Btbn)	736.61
Mkt cap (US$mn)	24,128
Risk rating	L
Mkt cap (%) SET	4.28
Sector % SET	9.87
Shares issued (mn)	8,983
Par value (Bt)	1.00
12-m high / low (Bt)	88.3 / 61.5
Avg. daily 6m (US$mn)	66.72
Foreign limit / actual (%)	49 / 33
Free float (%)	55.9
Dividend policy (%)	50

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	(0.6)	(0.6)	20.6
Relative to SET	(4.1)	(0.3)	24.6

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	90.00
12-month dividend	(Bt)	1.31
Capital gain	(%)	19.51
Dividend yield	(%)	1.59
Total return	(%)	21.11

Source: SET, SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	471,069	508,552	552,414	595,974	642,685
EBITDA	(Btmn)	41,057	42,952	46,158	49,731	53,637
Core profit	(Btmn)	19,908	21,203	23,470	26,786	30,317
Reported profit	(Btmn)	19,908	20,930	22,880	26,786	30,317
Core EPS	(Bt)	2.14	2.25	2.50	2.87	3.26
DPS	(Bt)	1.10	1.20	1.31	1.49	1.69
P/E, core	(x)	38.3	36.5	32.8	28.6	25.1
EPS growth, core	(%)	16.1	5.1	11.2	14.8	13.7
P/BV, core	(x)	9.2	7.4	6.6	5.8	5.1
ROE	(%)	28.5	23.6	22.2	22.4	22.4
Dividend yield	(%)	1.3	1.5	1.6	1.8	2.1
FCF yield	(x)	3.5	3.5	4.0	3.8	4.4
EV/EBIT	(x)	27.7	26.3	24.0	21.7	19.5
EBIT growth, core	(%)	10.5	3.2	7.6	8.3	8.7
EV/CE	(x)	3.4	3.3	3.3	3.2	3.1
ROCE	(%)	4.4	4.3	4.6	4.8	5.2
EV/EBITDA	(x)	21.3	19.9	18.2	16.5	15.0
EBITDA growth	(%)	11.5	4.6	7.5	7.7	7.9

Source: 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)	357,766	391,817	434,712	471,069	508,552	552,414	595,974	642,685
Cost of goods sold	(Btmn)	(281,443)	(306,519)	(339,688)	(366,002)	(395,317)	(429,078)	(461,986)	(497,315)
Gross profit	**(Btmn)**	**76,323**	**85,299**	**95,024**	**105,067**	**113,235**	**123,335**	**133,988**	**145,371**
SG&A	(Btmn)	(68,750)	(73,901)	(83,666)	(91,902)	(99,995)	(109,442)	(119,111)	(129,144)
Other income	(Btmn)	13,158	14,076	17,150	18,334	19,268	21,089	23,009	24,972
Interest expense	(Btmn)	(8,518)	(8,586)	(8,442)	(7,993)	(7,196)	(6,654)	(5,626)	(4,717)
Pre-tax profit	**(Btmn)**	**12,212**	**16,888**	**20,065**	**23,507**	**25,312**	**28,329**	**32,260**	**36,482**
Corporate tax	(Btmn)	(2,270)	(3,066)	(3,323)	(3,487)	(3,856)	(4,391)	(5,000)	(5,655)
Equity a/c profits	(Btmn)	0	0	0	0	0	0	0	0
Minority interests	(Btmn)	(119)	(135)	(143)	(111)	(253)	(468)	(474)	(510)
Core profit	**(Btmn)**	**9,823**	**13,687**	**16,599**	**19,908**	**21,203**	**23,470**	**26,786**	**30,317**
Extra-ordinary items	(Btmn)	377	(4)	77	(1)	(273)	(590)	0	0
Net Profit	**(Btmn)**	**10,200**	**13,682**	**16,677**	**19,908**	**20,930**	**22,880**	**26,786**	**30,317**
EBITDA	(Btmn)	27,040	32,831	36,822	41,057	42,952	46,158	49,731	53,637
Core EPS (Bt)	**(Btmn)**	**1.09**	**1.52**	**1.84**	**2.14**	**2.25**	**2.50**	**2.87**	**3.26**
Net EPS (Bt)	(Bt)	1.14	1.52	1.85	2.14	2.22	2.43	2.87	3.26
DPS (Bt)	(Bt)	0.80	0.90	1.00	1.10	1.20	1.31	1.49	1.69

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	64,684	56,973	69,899	66,573	74,994	79,087	79,059	79,987
Total fixed assets	(Btmn)	261,726	272,110	282,369	293,725	298,748	303,657	309,690	315,180
Total assets	**(Btmn)**	**326,410**	**329,083**	**352,268**	**360,299**	**373,742**	**382,743**	**388,749**	**395,167**
Total loans	(Btmn)	198,420	189,406	189,005	166,920	154,157	138,269	118,979	97,477
Total current liabilities	(Btmn)	92,015	101,131	113,818	112,107	123,752	123,791	141,323	142,250
Total long-term liabilities	(Btmn)	199,337	186,276	178,847	167,963	150,171	147,033	120,457	109,023
Total liabilities	**(Btmn)**	**291,352**	**287,407**	**292,665**	**280,070**	**273,923**	**270,824**	**261,780**	**251,273**
Paid-up capital	(Btmn)	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983
Total equity	**(Btmn)**	**35,058**	**41,676**	**59,603**	**80,229**	**99,819**	**111,919**	**126,970**	**143,894**
BVPS (Bt)	**(Bt)**	**3.90**	**4.64**	**6.64**	**8.93**	**11.11**	**12.46**	**14.13**	**16.02**

Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	9,823	13,687	16,599	19,908	21,203	23,470	26,786	30,317
Depreciation and amortization	(Btmn)	6,310	7,357	8,314	9,558	10,444	11,175	11,846	12,438
Operating cash flow	(Btmn)	26,371	31,419	37,939	46,156	41,227	44,754	45,592	50,225
Investing cash flow	(Btmn)	(15,958)	(17,409)	(18,794)	(20,380)	(15,354)	(15,553)	(17,879)	(17,928)
Financing cash flow	(Btmn)	(2,830)	(24,780)	(7,233)	(30,120)	(20,714)	(26,667)	(31,025)	(34,895)
Net cash flow	**(Btmn)**	**7,583**	**(10,770)**	**11,912**	**(4,344)**	**5,159**	**2,534**	**(3,312)**	**(2,598)**

Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	21.3	21.8	21.9	22.3	22.3	22.3	22.5	22.6
Operating margin	(%)	2.1	2.9	2.6	2.8	2.6	2.5	2.5	2.5
EBITDA margin	(%)	7.6	8.4	8.5	8.7	8.4	8.4	8.3	8.3
EBIT margin	(%)	5.8	6.5	6.6	6.7	6.4	6.3	6.4	6.4
Net profit margin	(%)	2.9	3.5	3.8	4.2	4.1	4.1	4.5	4.7
ROE	(%)	28.9	35.7	32.8	28.5	23.6	22.2	22.4	22.4
ROA	(%)	3.1	4.2	4.9	5.6	5.8	6.2	6.9	7.7
Net D/E	(x)	4.7	4.0	2.6	1.7	1.2	0.9	0.7	0.5
Interest coverage	(x)	3.2	3.8	4.4	5.1	6.0	6.9	8.8	11.4
Debt service coverage	(x)	1.0	1.0	0.9	1.4	1.3	2.0	1.6	2.5
Payout Ratio	(%)	70.5	59.1	54.0	51.4	54.1	50.0	50.0	50.0

Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
SSS growth - CPALL	(%)	(2.6)	0.9	2.4	1.6	3.2	3.0	3.0	3.0
No. of new stores - CPALL	(stores)	698	705	710	726	720	700	700	700
No. of stores, ending - CPALL	(stores)	8,127	8,832	9,542	10,268	10,988	11,688	12,388	13,088
SSS growth - MAKRO	(%)	4.4	(0.6)	4.2	1.3	(0.1)	4.9	3.0	3.0
No. of new stores - MAKRO	(stores)	13	16	17	9	8	8	10	10
No. of stores, ending - MAKRO	(stores)	82	98	115	124	133	141	151	161

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total revenue	(Btmn)	118,242	123,365	123,652	124,839	125,482	134,579	134,318	138,396
Cost of goods sold	(Btmn)	(91,742)	(95,493)	(96,112)	(97,351)	(97,474)	(104,380)	(104,244)	(107,181)
Gross profit	**(Btmn)**	**26,500**	**27,872**	**27,540**	**27,488**	**28,008**	**30,199**	**30,074**	**31,215**
SG&A	(Btmn)	(23,624)	(24,254)	(23,404)	(24,604)	(24,998)	(26,989)	(25,820)	(28,041)
Other income	(Btmn)	4,969	4,669	4,292	4,709	5,012	5,254	4,578	4,871
Interest expense	(Btmn)	(2,000)	(1,939)	(1,789)	(1,833)	(1,835)	(1,740)	(1,749)	(1,684)
Pre-tax profit	**(Btmn)**	**5,844**	**6,348**	**6,639**	**5,761**	**6,188**	**6,725**	**7,082**	**6,361**
Corporate tax	(Btmn)	(853)	(817)	(1,068)	(928)	(998)	(862)	(1,232)	(924)
Equity a/c profits	(Btmn)	0	0	0	0	0	0	0	0
Minority interests	(Btmn)	(25)	(14)	(34)	(50)	(66)	(104)	(80)	(56)
Core profit	**(Btmn)**	**4,966**	**5,517**	**5,537**	**4,783**	**5,124**	**5,759**	**5,771**	**5,382**
Extra-ordinary items	(Btmn)	5	8	(120)	(4)	58	(207)	(2)	(588)
Net Profit	**(Btmn)**	**4,970**	**5,525**	**5,417**	**4,779**	**5,182**	**5,552**	**5,769**	**4,794**
EBITDA	(Btmn)	10,065	10,559	10,698	9,983	10,431	10,903	11,258	10,530
Core EPS (Bt)	**(Btmn)**	**0.53**	**0.59**	**0.59**	**0.50**	**0.54**	**0.61**	**0.61**	**0.60**
Net EPS (Bt)	(Bt)	0.53	0.59	0.58	0.50	0.55	0.59	0.61	0.53

Balance Sheet

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total current assets	(Btmn)	63,550	66,573	76,746	66,291	73,141	74,994	75,379	68,394
Total fixed assets	(Btmn)	291,277	293,725	294,391	295,560	296,107	298,748	300,414	301,272
Total assets	**(Btmn)**	**354,827**	**360,299**	**371,137**	**361,852**	**369,248**	**373,742**	**375,794**	**369,666**
Total loans	(Btmn)	175,361	166,920	166,295	166,610	158,717	154,157	155,263	158,123
Total current liabilities	(Btmn)	99,968	112,107	116,132	111,953	125,007	123,752	105,563	107,238
Total long-term liabilities	(Btmn)	179,944	167,963	159,737	159,850	2,563	150,171	165,305	164,605
Total liabilities	**(Btmn)**	**279,912**	**280,070**	**275,869**	**271,803**	**127,570**	**273,923**	**270,868**	**271,843**
Paid-up capital	(Btmn)	8,983	8,983	8,983	8,983	8,983	8,983	8,983	8,983
Total equity	**(Btmn)**	**74,915**	**80,229**	**95,268**	**90,049**	**94,312**	**99,819**	**104,926**	**97,824**
BVPS (Bt)	**(Bt)**	**8.34**	**8.93**	**10.61**	**10.02**	**10.50**	**11.11**	**11.68**	**10.89**

Cash Flow Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Core Profit	(Btmn)	4,970	5,525	5,417	4,779	5,182	5,552	5,769	4,794
Depreciation and amortization	(Btmn)	2,428	2,479	2,490	2,611	2,660	2,682	2,671	2,730
Operating cash flow	(Btmn)	17,267	15,574	6,353	6,247	10,986	17,640	8,706	8,059
Investing cash flow	(Btmn)	(4,334)	(5,184)	(3,412)	(2,926)	(4,263)	(4,752)	(5,125)	(2,663)
Financing cash flow	(Btmn)	(2,770)	(10,155)	7,355	(11,704)	(509)	(15,856)	(1,753)	(9,791)
Net cash flow	**(Btmn)**	**10,163**	**235**	**10,296**	**(8,383)**	**6,214**	**(2,968)**	**1,828**	**(4,396)**

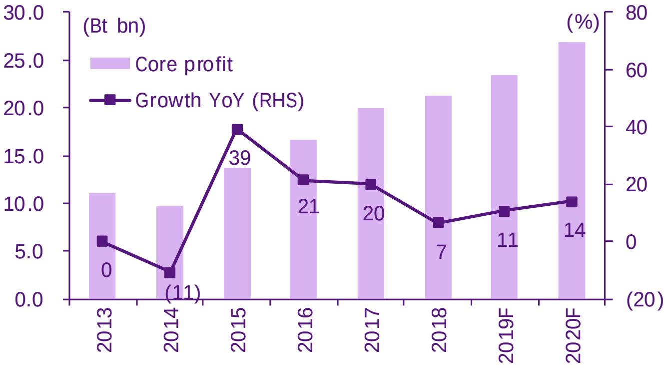
Key Financial Ratios

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Gross margin	(%)	22.4	22.6	22.3	22.0	22.3	22.4	22.4	22.6
Operating margin	(%)	2.4	2.9	3.3	2.3	2.4	2.4	3.2	2.3
EBITDA margin	(%)	8.5	8.6	8.7	8.0	8.3	8.1	8.4	7.6
EBIT margin	(%)	6.6	6.7	6.8	6.1	6.4	6.3	6.6	5.8
Net profit margin	(%)	4.2	4.5	4.4	3.8	4.1	4.1	4.3	3.5
ROE	(%)	29.5	28.4	25.2	20.6	22.2	23.7	22.5	21.2
ROA	(%)	5.7	6.2	6.1	5.2	5.6	6.2	6.2	5.8
Net D/E	(x)	1.9	1.7	1.3	1.5	1.3	1.2	1.1	1.3
Interest coverage	(x)	5.0	5.4	6.0	5.4	5.7	6.3	6.4	6.3
Debt service coverage	(x)	1.2	1.7	1.5	1.1	1.1	0.9	1.3	2.2

Main Assumptions

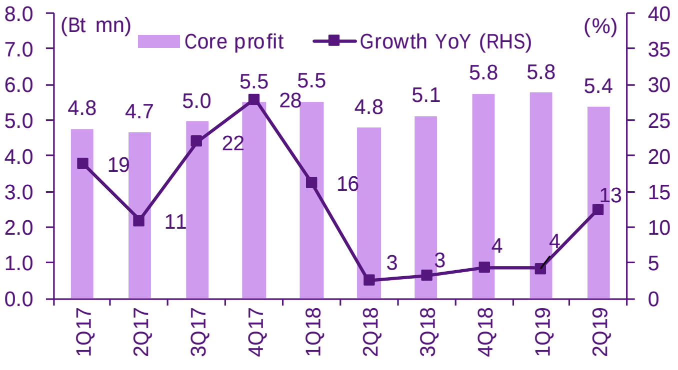
FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
SSS growth - CPALL	(%)	2.4	6.0	5.6	3.9	1.8	4.5	3.1	3.7
No. of new stores - CPALL	(stores)	145	116	265	227	142	86	311	229
No. of stores, ending - CPALL	(stores)	10,152	10,268	10,533	10,760	10,902	10,988	11,299	11,528
SSS growth - MAKRO	(%)	2.2	2.1	0.2	(1.0)	(1.3)	1.7	4.4	9.2
No. of new stores - MAKRO	(stores)	4	4	1	2	1	5	2	0
No. of stores, ending - MAKRO	(stores)	120	124	125	127	128	133	135	135

Figure 1: Earnings in 2019-20F



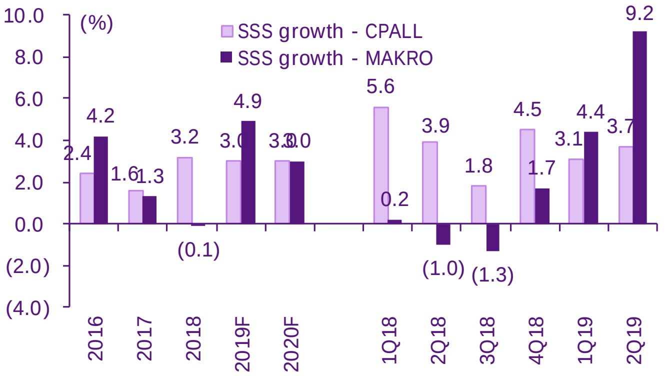
Source: SCBS Investment Research

Figure 2: Quarterly earnings



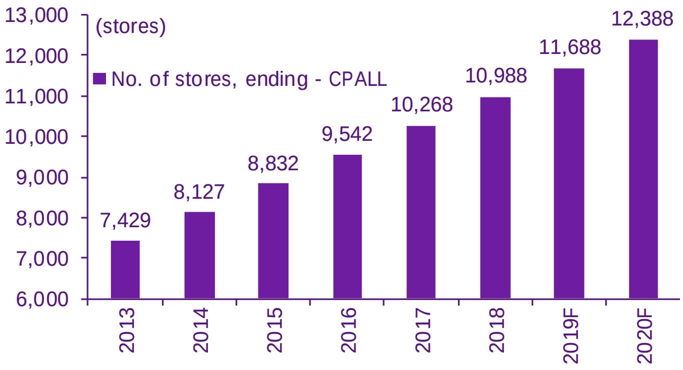
Source: SCBS Investment Research

Figure 3: SSS growth



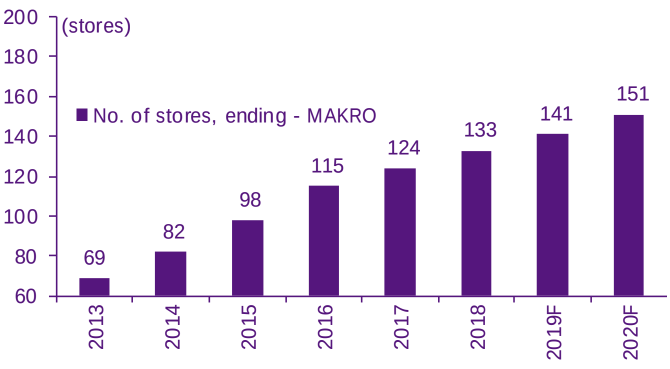
Source: SCBS Investment Research

Figure 4: CPALL's store expansion



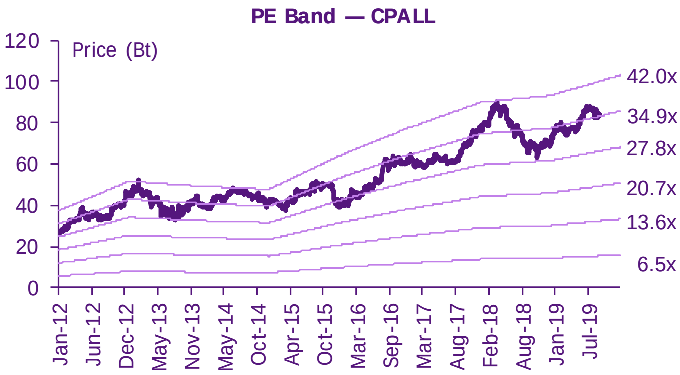
Source: SCBS Investment Research

Figure 5: MAKRO's store expansion



Source: SCBS Investment Research

Figure 6: CPALL's historical core PE band



Source: SCBS Investment Research

Siam Global House

GLOBAL

Siam Global House
Public Company Limited

Bloomberg	GLOBAL TB
Reuters	GLOBAL.BK

SCBS

Sector laggard with revival potential

In 2H19F sales growth is staying solid, with positive SSS growth in 3Q19TD and continued expansion. Margin will drop YoY, but at a slower pace than in 1H19 if completes inventory adjustment in late 3Q19F-early 4Q19F. We expect earnings to bottom in 3Q19F, then improve gradually in 4Q19F and revive in 2020F on a better margin. GLOBAL has been the sector's most laggard for over a year. We see opportunity to accumulate ahead of the earnings revival from 4Q19F onwards. Maintain BUY with DCF PT of Bt19.

Robust sales growth. GLOBAL had the sector's best sales growth of 16% YoY (vs sector average of 9% YoY) in 1H19, thanks to solid SSS growth and aggressive store expansion and this is set to continue. We expect low single-digit SSS growth YoY in 3Q19TD, with mid-single digit growth in July but flat growth in August as heavy rains and flooding disrupted traffic to stores. Historically, SSS growth returned to normal or rose after floods receded, spurred by demand for repairs. GLOBAL plans to add five stores in 2019F, two in 3Q19F and three in 4Q19F. Its goal is 6-7 new stores p.a., which will give it more than 100 stores in five years from 62 at end-2018. Since it still sees room for new big stores in Thailand, it will not yet add small formats for at least the next few years.

Gross margin to drop YoY but better than 1H19. Gross margin narrowed to 19.1% (-160bps YoY) in 1Q19 and 19.6% (-190bps YoY) in 2Q19 due to a two-month arrangement for price promotions in 1Q19 and lower sales of high-margin imported products as it adjusted inventory in 1H19. GLOBAL shifted its focus to better management of inventory, reducing its inventory days from 267 days in 3Q18 to 238 days in 4Q18, 198 days in 1Q19, and 209 days in 2Q19. In 2Q19, GLOBAL had nearly completed the inventory adjustment for domestic products and is now in the process of adjusting imported products. GLOBAL plans to complete its inventory management for imported products by late 3Q19 to early 4Q19. We thus expect a lower drop in 2H19 gross margin YoY than in 1H19.

Target to control SG&A/sales. It targets to concentrate more on SG&A/sales at existing stores, with SG&A expenses tending to grow in tandem with adding new stores. GLOBAL has installed air conditioners in new stores over the past few years and it will install AC in all existing stores by the end of this year, hoping to boost traffic and bring in more sales of private brand products. It will also install solar rooftops in all stores, implying neutral impact on SG&A from utilities cost savings net additional depreciation expenses.

2H19F earnings. We expect 3Q19F to be this year's bottom, softening QoQ on seasonality and YoY on a weaker margin. We expect gradual improvement in earnings in 4Q19F upon the completion of inventory adjustment and seasonality.

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	20,831	25,402	28,732	31,866	35,670
EBITDA	(Btmn)	2,895	3,510	3,399	3,727	4,150
Core profit	(Btmn)	1,609	2,003	1,898	2,158	2,516
Reported profit	(Btmn)	1,609	2,003	1,887	2,158	2,516
Core EPS	(Bt)	0.38	0.48	0.45	0.51	0.60
DPS	(Bt)	0.17	0.21	0.14	0.15	0.18
P/E, core	(x)	42.8	34.4	36.3	31.9	27.4
EPS growth, core	(%)	(3.5)	24.5	(5.2)	13.7	16.6
P/BV, core	(x)	5.1	4.6	4.3	3.9	3.6
ROE	(%)	12.5	14.2	12.3	12.9	13.6
Dividend yield	(%)	1.0	1.3	0.8	0.9	1.1
FCF yield	(x)	(4.1)	(0.0)	3.0	2.4	3.1
EV/EBIT	(x)	37.4	29.9	31.1	27.5	23.7
EBIT growth, core	(%)	(4.3)	25.9	(5.4)	11.4	13.7
EV/CE	(x)	3.2	2.9	2.9	2.8	2.7
ROCE	(%)	4.7	5.4	5.0	5.5	6.2
EV/EBITDA	(x)	27.7	23.0	23.4	21.0	18.5
EBITDA growth	(%)	2.6	21.2	(3.2)	9.6	11.3

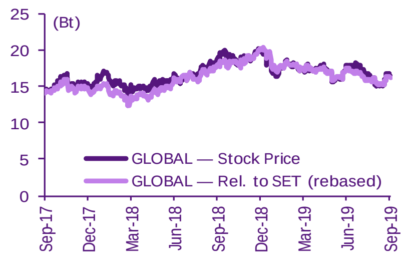
Source: SCBS Investment Research

BUY

Stock data

Last close (Sep 16) (Bt)	16.40
12-m target price (Bt)	19.00
Upside (Downside) to TP (%)	15.85
Mkt cap (Btbn)	68.91
Mkt cap (US$mn)	2,257
Risk rating	L
Mkt cap (%) SET	0.40
Sector % SET	9.87
Shares issued (mn)	4,202
Par value (Bt)	1.00
12-m high / low (Bt)	20.4 / 14.9
Avg. daily 6m (US$mn)	4.47
Foreign limit / actual (%)	49 / 2.49
Free float (%)	32.3
Dividend policy (%)	≥ 30

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	9.3	(7.3)	(11.2)
Relative to SET	5.5	(7.1)	(8.3)

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	19.00
12-month dividend	(Bt)	0.14
Capital gain	(%)	15.85
Dividend yield	(%)	0.83
Total return	(%)	16.68

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)	15,561	16,864	18,857	20,831	25,402	28,732	31,866	35,670
Cost of goods sold	(Btmn)	(13,205)	(14,019)	(14,980)	(16,544)	(20,096)	(23,050)	(25,468)	(28,437)
Gross profit	**(Btmn)**	**2,356**	**2,845**	**3,877**	**4,287**	**5,306**	**5,683**	**6,398**	**7,233**
SG&A	(Btmn)	(1,842)	(2,125)	(2,223)	(2,865)	(3,467)	(4,033)	(4,547)	(5,092)
Other income	(Btmn)	494	509	586	722	860	904	995	1,096
Interest expense	(Btmn)	(133)	(144)	(169)	(184)	(261)	(253)	(230)	(186)
Pre-tax profit	**(Btmn)**	**875**	**1,084**	**2,071**	**1,959**	**2,438**	**2,301**	**2,615**	**3,050**
Corporate tax	(Btmn)	(176)	(219)	(409)	(361)	(462)	(426)	(484)	(564)
Equity a/c profits	(Btmn)	0	3	6	4	14	39	43	47
Minority interests	(Btmn)	0	0	0	6	12	(16)	(16)	(17)
Core profit	**(Btmn)**	**699**	**868**	**1,667**	**1,609**	**2,003**	**1,898**	**2,158**	**2,516**
Extra-ordinary items	(Btmn)	2	12	9	0	0	(12)	0	0
Net Profit	**(Btmn)**	**702**	**881**	**1,676**	**1,609**	**2,003**	**1,887**	**2,158**	**2,516**
EBITDA	(Btmn)	1,691	1,950	2,822	2,895	3,510	3,399	3,727	4,150
Core EPS (Bt)	**(Btmn)**	**0.17**	**0.21**	**0.40**	**0.38**	**0.48**	**0.45**	**0.51**	**0.60**
Net EPS (Bt)	(Bt)	0.17	0.21	0.40	0.38	0.48	0.45	0.51	0.60
DPS (Bt)	(Bt)	0.01	0.04	0.17	0.17	0.21	0.14	0.15	0.18

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	7,918	8,799	11,564	14,326	15,387	14,600	14,720	14,244
Total fixed assets	(Btmn)	13,256	14,238	11,503	13,903	15,630	16,534	17,403	18,239
Total assets	**(Btmn)**	**21,174**	**23,037**	**23,067**	**28,230**	**31,017**	**31,134**	**32,123**	**32,483**
Total loans	(Btmn)	4,219	4,724	7,819	11,633	12,422	11,382	10,382	8,382
Total current liabilities	(Btmn)	2,974	4,037	10,649	13,637	14,435	12,514	11,884	10,337
Total long-term liabilities	(Btmn)	4,117	4,081	73	1,213	1,695	2,669	2,701	2,739
Total liabilities	**(Btmn)**	**7,091**	**8,119**	**10,722**	**14,849**	**16,131**	**15,183**	**14,584**	**13,076**
Paid-up capital	(Btmn)	3,049	3,484	3,658	3,841	4,001	4,001	4,001	4,001
Total equity	**(Btmn)**	**14,083**	**14,918**	**12,346**	**13,380**	**14,886**	**15,950**	**17,539**	**19,408**
BVPS (Bt)	**(Bt)**	**3.35**	**3.55**	**2.94**	**3.18**	**3.54**	**3.80**	**4.17**	**4.62**

Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	699	868	1,667	1,609	2,003	1,898	2,158	2,516
Depreciation and amortization	(Btmn)	683	721	582	752	811	846	881	913
Operating cash flow	(Btmn)	937	1,545	(381)	140	2,253	3,841	3,390	3,870
Investing cash flow	(Btmn)	(1,429)	(1,850)	(2,517)	(2,956)	(2,257)	(1,750)	(1,750)	(1,750)
Financing cash flow	(Btmn)	613	320	2,769	2,996	(318)	(1,863)	(1,569)	(2,647)
Net cash flow	**(Btmn)**	**120**	**15**	**(128)**	**180**	**(322)**	**228**	**71**	**(527)**

Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	15.1	16.9	20.6	20.6	20.9	19.8	20.1	20.3
Operating margin	(%)	3.3	4.3	8.8	6.8	7.2	5.7	5.8	6.0
EBITDA margin	(%)	10.9	11.6	15.0	13.9	13.8	11.8	11.7	11.6
EBIT margin	(%)	6.5	7.3	11.9	10.3	10.6	8.9	8.9	9.1
Net profit margin	(%)	4.5	5.2	8.9	7.7	7.9	6.6	6.8	7.1
ROE	(%)	5.7	6.0	12.2	12.5	14.2	12.3	12.9	13.6
ROA	(%)	3.8	3.9	7.2	6.3	6.8	6.1	6.8	7.8
Net D/E	(x)	0.3	0.3	0.6	0.8	0.8	0.7	0.5	0.4
Interest coverage	(x)	12.7	13.5	16.7	15.7	13.4	13.5	16.2	22.3
Debt service coverage	(x)	1.3	1.0	0.4	0.3	0.3	0.4	0.5	0.7
Payout Ratio	(%)	6.9	18.0	36.1	44.1	41.1	30.0	30.0	30.0

Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
SSS growth	(%)	(6.1)	(0.8)	(0.1)	(5.0)	10.1	4.7	3.0	3.0
No of new stores	(stores)	5	6	8	9	7	5	7	7
No of stores, ending	(stores)	32	38	46	55	62	67	74	81
Portion of private brand/sales	(%)	10.0	12.4	12.9	13.0	14.0	15.0	16.0	17.0

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total revenue	(Btmn)	4,906	5,374	6,455	6,376	6,088	6,484	7,461	7,379
Cost of goods sold	(Btmn)	(3,916)	(4,305)	(5,120)	(5,003)	(4,836)	(5,137)	(6,039)	(5,934)
Gross profit	**(Btmn)**	**989**	**1,069**	**1,335**	**1,372**	**1,252**	**1,347**	**1,422**	**1,445**
SG&A	(Btmn)	(717)	(788)	(835)	(843)	(859)	(930)	(936)	(1,017)
Other income	(Btmn)	176	187	250	245	211	155	240	280
Interest expense	(Btmn)	(45)	(52)	(60)	(65)	(70)	(66)	(62)	(64)
Pre-tax profit	**(Btmn)**	**404**	**417**	**690**	**709**	**534**	**505**	**664**	**645**
Corporate tax	(Btmn)	(64)	(72)	(130)	(134)	(99)	(98)	(126)	(118)
Equity a/c profits	(Btmn)	(1)	2	4	(2)	5	7	9	10
Minority interests	(Btmn)	5	2	2	2	4	5	(4)	(5)
Core profit	**(Btmn)**	**343**	**349**	**566**	**574**	**443**	**419**	**542**	**532**
Extra-ordinary items	(Btmn)	0	0	0	0	0	0	0	(12)
Net Profit	**(Btmn)**	**343**	**349**	**566**	**574**	**443**	**419**	**542**	**520**
EBITDA	(Btmn)	638	681	946	976	805	783	946	931
Core EPS (Bt)	**(Btmn)**	**0.09**	**0.09**	**0.14**	**0.14**	**0.11**	**0.10**	**0.14**	**0.13**
Net EPS (Bt)	(Bt)	0.09	0.09	0.14	0.14	0.11	0.10	0.14	0.13

Balance Sheet

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total current assets	(Btmn)	12,955	14,326	16,250	16,315	15,751	15,387	15,270	15,465
Total fixed assets	(Btmn)	13,086	13,903	14,299	14,717	14,840	15,630	15,679	16,297
Total assets	**(Btmn)**	**26,040**	**28,230**	**30,549**	**31,032**	**30,591**	**31,017**	**30,949**	**31,762**
Total loans	(Btmn)	9,650	11,633	12,754	14,485	13,530	12,422	11,475	12,772
Total current liabilities	(Btmn)	12,056	13,637	15,556	15,968	15,074	14,435	13,616	15,183
Total long-term liabilities	(Btmn)	952	1,213	1,019	1,139	1,160	1,695	1,910	1,470
Total liabilities	**(Btmn)**	**13,008**	**14,849**	**16,575**	**17,107**	**16,234**	**16,131**	**15,526**	**16,653**
Paid-up capital	(Btmn)	3,841	3,841	3,841	4,001	4,001	4,001	4,001	4,202
Total equity	**(Btmn)**	**13,032**	**13,380**	**13,974**	**13,925**	**14,358**	**14,886**	**15,423**	**15,109**
BVPS (Bt)	**(Bt)**	**3.26**	**3.34**	**3.49**	**3.48**	**3.59**	**3.72**	**3.85**	**3.78**

Cash Flow Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Core Profit	(Btmn)	343	349	566	574	443	419	542	520
Depreciation and amortization	(Btmn)	190	212	195	202	202	212	220	222
Operating cash flow	(Btmn)	(33)	(982)	(546)	(104)	1,368	1,536	2,128	66
Investing cash flow	(Btmn)	(795)	(1,047)	(526)	(582)	(583)	(566)	(561)	(683)
Financing cash flow	(Btmn)	832	1,931	1,058	959	(1,027)	(673)	(1,515)	417
Net cash flow	**(Btmn)**	**3**	**(98)**	**(14)**	**273**	**(243)**	**297**	**52**	**(201)**

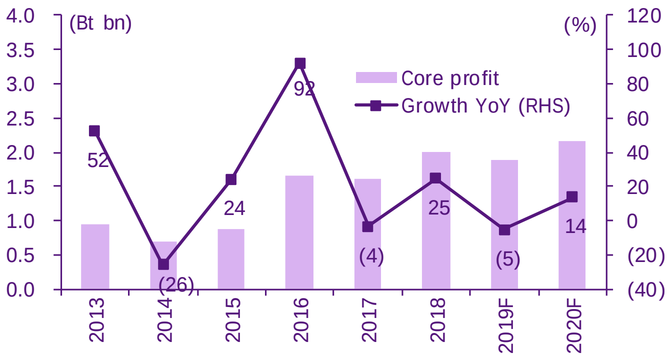
Key Financial Ratios

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Gross margin	(%)	20.2	19.9	20.7	21.5	20.6	20.8	19.1	19.6
Operating margin	(%)	5.6	5.2	7.7	8.3	6.5	6.4	6.5	5.8
EBITDA margin	(%)	13.0	12.7	14.6	15.3	13.2	12.1	12.7	12.6
EBIT margin	(%)	9.1	8.7	11.6	12.1	9.9	8.8	9.7	9.6
Net profit margin	(%)	7.0	6.5	8.8	9.0	7.3	6.5	7.3	7.0
ROE	(%)	10.7	10.6	16.6	16.5	12.5	11.5	14.3	13.9
ROA	(%)	5.5	5.1	7.7	7.5	5.8	5.4	7.0	6.8
Net D/E	(x)	0.7	0.8	0.9	1.0	0.9	0.8	0.7	0.8
Interest coverage	(x)	14.2	13.2	15.8	15.0	11.5	11.8	15.3	14.6
Debt service coverage	(x)	0.3	0.3	0.4	0.3	0.2	0.2	0.3	0.4

Main Assumptions

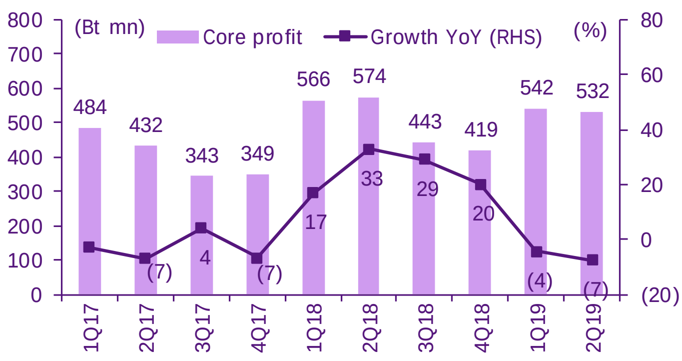
FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
SSS growth	(%)	(5.0)	2.0	6.8	11.6	12.0	10.0	6.0	7.9
No of new stores	(stores)	1	3	0	2	1	4	0	0
No of stores, ending	(stores)	52	55	55	57	58	62	62	62

Figure 1: Earnings in 2019-20F



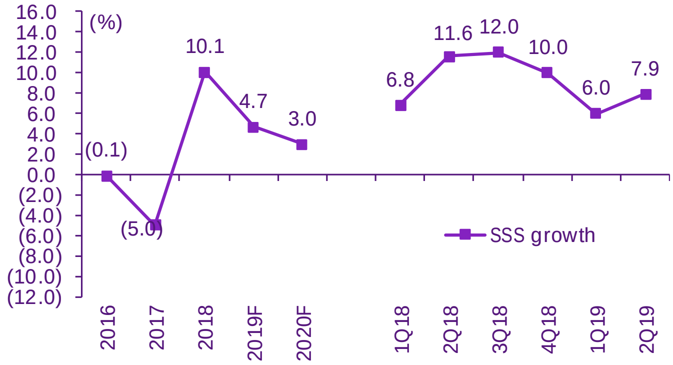
Source: SCBS Investment Research

Figure 2: Quarterly earnings



Source: SCBS Investment Research

Figure 3: SSS growth

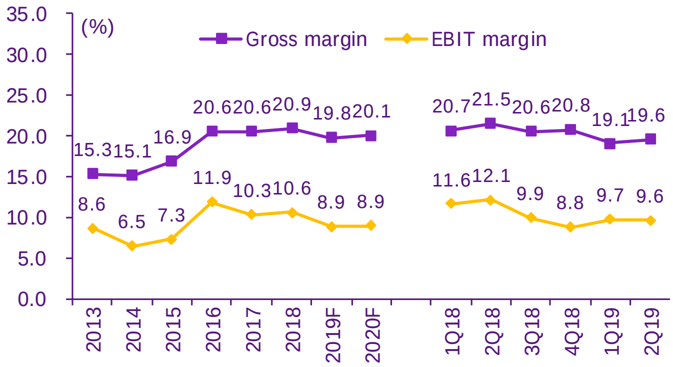


Source: SCBS Investment Research

Figure 4: Store expansion

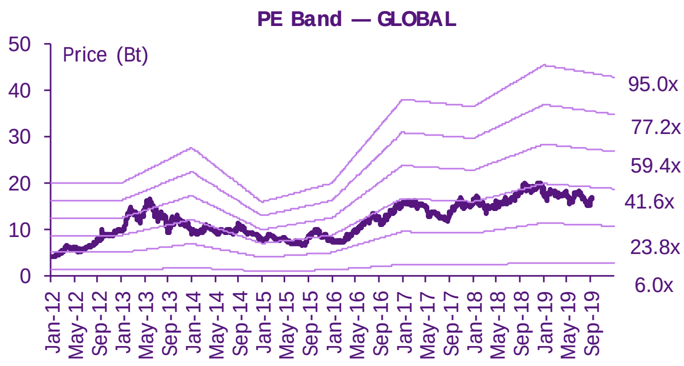
Source: SCBS Investment Research

Figure 5: Margin trend



Source: SCBS Investment Research

Figure 6: GLOBAL's historical core PE band



Source: SCBS Investment Research

WHA Corporation

WHA Corporation
Public Company Limited

WHA

Bloomberg	WHA TB
Reuters	WHA.BK

SCBS

Thailand's premier IE

WHA appears excellently situated to gain from the government's investment stimulus that will enlarge demand for industrial property as well as the rapid growth of e-commerce that is ramping up demand for logistics. We forecast WHA's 3-year CAGR growth at 22% for land sales with 200,000 sqm a year in pre-lease rental property. It has added positives of growth opportunity for its utilities unit and a strong 4Q19, all of which will give impetus to share price in the near term. We are BUYers.

Greatest advantage from greater demand for industrial property. The government's investment incentive package will enlarge demand for industrial property in Thailand. WHA, as one of Thailand's leading IE developers, is ideally situated to benefit. This supports our land sales growth forecast of a 3-year CAGR of 22% to 1,787 rai in 2021, with potential upside. For 2019, we forecast a 43% YoY jump in land sales to 1,400 rai, of which 34% (470 rai) is already secured YTD. We believe our forecast is achievable backed by several big customers in the wings, mainly from China and in the automotive and high technology industries.

Riding growing e-commerce trend. Thailand's e-commerce is projected to grow a strong 23.3% p.a. to Bt416bn over 2018-2025, according to JLL, thanks to its strategic location in the center of CLMVT. This implies strong demand for logistics and puts WHA, a leader in build-to-suit logistics facilities in the driver's seat. It expects to receive pre-lease contracts for 460,000 sqm from global e-commerce players including Alibaba, JD.Com and Shoppee.Com, partly secure our pre-lease forecast of 200,000 sqm each year for 2019-2021.

Utilities expanding all around. The utilities unit has been expanding at home and abroad. In Thailand, it continues to invest in solar rooftop, renewable energy, de-mineralization of water supply and industrial water supply for non-WHA users. Abroad, in Vietnam it is investing in Duong River Surface Water Plant Joint Stocks Company, a tap water supplier for Hanoi. It plans to take a 34% stake after getting the go-ahead from its board. Relatively small compared to existing business, earnings contribution will be low initially, but will increase. Current income stream is from power and industrial water sales in Thailand, for which we forecast small growth of 6% per annum during 2019-2021.

Strong 4Q19. We expect 4Q19 to be the year's best, underwritten by large gain from asset monetization (157,000 sqm of build-to-suit logistics for Bt4.9bn) to WHART in December and selling E-Commerce Park phase 1 (130,000 sqm for more than Bt3bn) by November. These will spur share price in the near term.

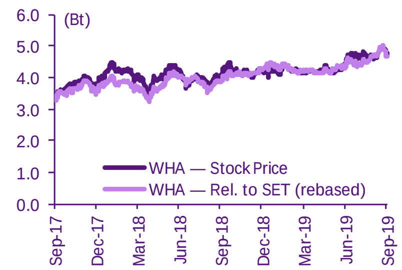
BUY

Stock data

Last close (Sep 16) (Bt)	4.76
12-m target price (Bt)	6.00
Upside (Downside) to TP (%)	26.05
Mkt cap (Btbn)	70.02
Mkt cap (US$mn)	2,293

Risk rating	H
Mkt cap (%) SET	0.41
Sector % SET	6.12
Shares issued (mn)	14,709
Par value (Bt)	0.10
12-m high / low (Bt)	5.1 / 4
Avg. daily 6m (US$mn)	0.00
Foreign limit / actual (%)	49 / 14
Free float (%)	47.7
Dividend policy (%)	≥ 40

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	3.5	1.7	17.2
Relative to SET	(0.2)	2.0	21.2

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	6.00
12-month dividend	(Bt)	0.09
Capital gain	(%)	26.05
Dividend yield	(%)	1.94
Total return	(%)	27.99

Source: SET, SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	9,514	8,322	9,697	11,183	12,311
EBITDA	(Btmn)	4,215	3,337	4,273	4,946	5,455
Core profit	(Btmn)	2,778	2,907	3,390	4,275	4,813
Reported profit	(Btmn)	3,266	2,907	3,490	4,275	4,813
Core EPS	(Bt)	0.19	0.20	0.22	0.28	0.31
DPS	(Bt)	0.14	0.08	0.09	0.11	0.13
P/E, core	(x)	24.5	23.5	21.7	17.2	15.3
EPS growth, core	(%)	(4.1)	4.6	7.9	26.1	12.6
P/BV, core	(x)	2.7	2.5	2.2	2.1	1.9
ROE	(%)	12.9	9.8	10.3	11.2	11.8
Dividend yield	(%)	2.9	1.8	1.9	2.4	2.7
FCF yield	(%)	(4.2)	1.3	4.2	2.6	2.0
EV/EBIT	(x)	26.7	35.4	28.9	25.0	22.8
EBIT growth, core	(%)	(30.8)	(24.1)	30.9	17.0	11.1
EV/CE	(x)	1.8	1.8	1.7	1.6	1.6
ROCE	(%)	4.6	3.1	4.3	4.8	5.1
EV/EBITDA	(x)	23.7	30.1	25.1	22.0	20.2
EBITDA growth	(%)	(29.8)	(20.8)	28.1	15.7	10.3

Source: 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)	4,888	11,437	17,821	9,514	8,322	9,697	11,183	12,311
Cost of goods sold	(Btmn)	3,269	7,431	11,415	5,002	4,632	5,029	5,819	6,418
Gross profit	**(Btmn)**	**1,619**	**4,006**	**6,406**	**4,512**	**3,690**	**4,668**	**5,365**	**5,893**
SG&A	(Btmn)	283	1,133	1,495	1,702	1,608	1,722	1,831	1,934
Other income	(Btmn)	170	510	498	933	758	773	817	873
Interest expense	(Btmn)	295	2,284	2,432	1,617	1,179	1,252	1,240	1,184
Pre-tax profit	**(Btmn)**	**1,210**	**1,099**	**2,977**	**2,126**	**1,661**	**2,466**	**3,110**	**3,648**
Corporate tax	(Btmn)	224	87	813	254	325	247	311	365
Equity a/c profits	(Btmn)	(8)	1,038	1,006	1,245	2,543	2,096	2,320	2,425
Minority interests	(Btmn)	0	(213)	(272)	(339)	(971)	(926)	(844)	(894)
Core profit	**(Btmn)**	**979**	**1,837**	**2,898**	**2,778**	**2,907**	**3,390**	**4,275**	**4,813**
Extra-ordinary items	(Btmn)	0	117	0	488	0	100	0	0
Net Profit	**(Btmn)**	**979**	**1,954**	**2,898**	**3,266**	**2,907**	**3,490**	**4,275**	**4,813**
EBITDA	(Btmn)	1,519	3,898	6,006	4,215	3,337	4,273	4,946	5,455
Core EPS	**(Bt)**	**0.10**	**0.13**	**0.20**	**0.19**	**0.20**	**0.22**	**0.28**	**0.31**
Net EPS	(Bt)	0.10	0.14	0.20	0.23	0.20	0.23	0.28	0.31
DPS	(Bt)	0.00	0.00	0.15	0.14	0.08	0.09	0.11	0.13

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	5,682	26,233	22,059	19,367	19,016	19,651	20,436	20,821
Total fixed assets	(Btmn)	10,270	52,834	52,724	54,252	59,329	64,346	67,582	70,936
Total assets	**(Btmn)**	**15,952**	**79,066**	**74,783**	**73,619**	**78,345**	**83,997**	**88,018**	**91,757**
Total loans	(Btmn)	9,010	47,688	41,995	34,398	36,380	36,070	37,570	38,470
Total current liabilities	(Btmn)	2,931	20,902	15,414	8,007	9,245	10,624	15,724	18,054
Total long-term liabilities	(Btmn)	8,541	36,505	37,408	37,078	38,086	36,396	32,796	31,366
Total liabilities	**(Btmn)**	**11,472**	**57,407**	**52,821**	**45,086**	**47,331**	**47,021**	**48,521**	**49,420**
Paid-up capital	(Btmn)	964	1,432	1,432	1,432	1,433	1,548	1,548	1,548
Total equity	**(Btmn)**	**4,480**	**21,659**	**21,962**	**28,533**	**31,014**	**36,977**	**39,498**	**42,337**
BVPS	**(Bt)**	**0.5**	**1.3**	**1.5**	**1.8**	**1.9**	**2.1**	**2.3**	**2.5**

Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	979	1,837	2,898	2,778	2,907	3,390	4,275	4,813
Depreciation and amortization	(Btmn)	14	515	597	473	497	554	595	624
Operating cash flow	(Btmn)	(0)	4,510	(1,581)	1,761	423	731	2,043	2,467
Investing cash flow	(Btmn)	(4,599)	(33,584)	10,168	2,144	354	(4,513)	(1,873)	(1,625)
Financing cash flow	(Btmn)	4,651	31,266	(8,491)	(4,597)	478	2,163	(253)	(1,075)
Net cash flow	**(Btmn)**	**51**	**2,191**	**95**	**(692)**	**1,255**	**(1,620)**	**(84)**	**(233)**

Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	33.1	35.0	35.9	47.4	44.3	48.1	48.0	47.9
Operating margin	(%)	27.3	25.1	27.6	29.5	25.0	30.4	31.6	32.2
EBITDA margin	(%)	31.1	34.1	33.7	44.3	40.1	44.1	44.2	44.3
EBIT margin	(%)	30.8	29.6	30.4	39.3	34.1	38.3	38.9	39.2
Net profit margin	(%)	20.0	17.1	16.3	34.3	34.9	36.0	38.2	39.1
ROE	(%)	22.7	14.9	13.3	12.9	9.8	10.3	11.2	11.8
ROA	(%)	7.2	3.9	3.8	3.7	3.8	4.2	5.0	5.4
Net D/E	(x)	1.5	2.0	1.7	1.1	1.0	0.9	0.9	0.9
Interest coverage	(x)	1.6	0.2	0.4	0.7	0.5	0.5	0.4	0.3
Payout Ratio	(x)	0.5	0.0	75.9	61.4	41.0	41.0	41.0	41.0

Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Land sales	(Rai)	665	1,043	835	973	976	1,400	1,580	1,787
Land transfer	(Rai)	1,250	911	614	1,023	628	1,253	1,290	1,484
Backlog	(Rai)	n.a.	132	356	306	654	n.a.	n.a.	n.a.
RWH & RBF new contract	(Sqm)	16,978	1,356	35,595	52,023	46,196	50,000	50,000	50,000
Logistic WH new contract	(Sqm)	164,585	191,661	141,581	109,565	213,657	150,500	150,500	150,500
Revenue from rent and services	(Btmn)	551	2,971	2,261	1,775	1,622	1,694	1,963	2,188
Revenue from property sales	(Btmn)	4,337	8,466	14,163	6,290	5,130	6,277	7,273	8,054
Revenue from water	(Btmn)	n.a.	n.a.	1,397	1,448	1,570	1,726	1,948	2,069
Gross margin for rent and services	(%)	60.3	54.3	54.3	54.3	45.0	45.0	45.0	45.0
Gross margin for property sales	(%)	n.a.	n.a.	31.7	46.9	44.7	51.3	50.9	51.2
Gross margin for water	(%)	n.a.	n.a.	46.5	40.5	42.6	40.5	40.2	37.6

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total revenue	(Btmn)	1,250	4,730	2,648	1,597	978	3,099	1,364	2,022
Cost of goods sold	(Btmn)	692	2,542	1,528	860	493	1,751	774	881
Gross profit	**(Btmn)**	**558**	**2,188**	**1,119**	**737**	**485**	**1,348**	**589**	**1,141**
SG&A	(Btmn)	312	597	315	383	348	562	337	494
Other income	(Btmn)	336	302	127	182	212	236	115	309
Interest expense	(Btmn)	406	339	313	338	293	235	278	278
Pre-tax profit	**(Btmn)**	**177**	**1,554**	**618**	**198**	**57**	**788**	**89**	**678**
Corporate tax	(Btmn)	39	173	116	31	40	138	37	35
Equity a/c profits	(Btmn)	443	351	399	559	621	963	321	562
Minority interests	(Btmn)	(157)	(96)	(306)	(209)	(238)	(217)	(97)	(334)
Core profit	**(Btmn)**	**424**	**1,636**	**594**	**517**	**400**	**1,396**	**276**	**871**
Extra-ordinary items	(Btmn)	82	71	186	(214)	(37)	65	131	181
Net Profit	**(Btmn)**	**506**	**1,708**	**780**	**303**	**363**	**1,461**	**407**	**1,052**
EBITDA	(Btmn)	701	1,988	1,058	656	474	1,136	491	1,056
Core EPS	**(Bt)**	**0.03**	**0.11**	**0.04**	**0.04**	**0.03**	**0.10**	**0.02**	**0.06**
Net EPS	(Bt)	0.04	0.12	0.05	0.02	0.03	0.10	0.03	0.07

Balance Sheet

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Total current assets	(Btmn)	20,546	19,367	19,555	21,081	17,783	19,016	18,984	21,136
Total fixed assets	(Btmn)	53,601	54,252	54,766	55,624	56,999	59,329	56,132	58,867
Total assets	**(Btmn)**	**74,147**	**73,619**	**74,320**	**76,705**	**74,783**	**78,345**	**75,115**	**80,002**
Total loans	(Btmn)	36,163	34,398	33,784	38,039	35,463	36,380	35,565	38,606
Total current liabilities	(Btmn)	9,507	8,007	7,250	9,563	10,370	9,245	8,724	16,417
Total long-term liabilities	(Btmn)	37,217	37,078	37,391	38,756	35,248	38,086	36,072	32,323
Total liabilities	**(Btmn)**	**46,724**	**45,086**	**44,640**	**48,319**	**45,618**	**47,331**	**44,795**	**48,740**
Paid-up capital	(Btmn)	1,432	1,432	1,433	1,433	1,433	1,433	1,439	1,439
Total equity	**(Btmn)**	**27,423**	**28,533**	**29,680**	**28,386**	**29,164**	**31,014**	**30,320**	**31,262**
BVPS	**(Bt)**	**1.47**	**1.76**	**1.82**	**1.75**	**1.79**	**1.90**	**1.87**	**1.93**

Cash Flow Statement

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Core Profit	(Btmn)	424	1,636	594	517	400	1,396	276	871
Depreciation and amortization	(Btmn)	119	95	126	119	125	113	124	100
Operating cash flow	(Btmn)	213	1,277	(333)	664	(483)	575	(23)	916
Investing cash flow	(Btmn)	(810)	1,380	2,056	(2,146)	398	47	109	(2,036)
Financing cash flow	(Btmn)	(1,285)	(2,464)	(701)	(131)	138	1,171	(807)	2,516
Net cash flow	**(Btmn)**	**(1,883)**	**193**	**1,022**	**(1,613)**	**52**	**1,794**	**(721)**	**1,397**

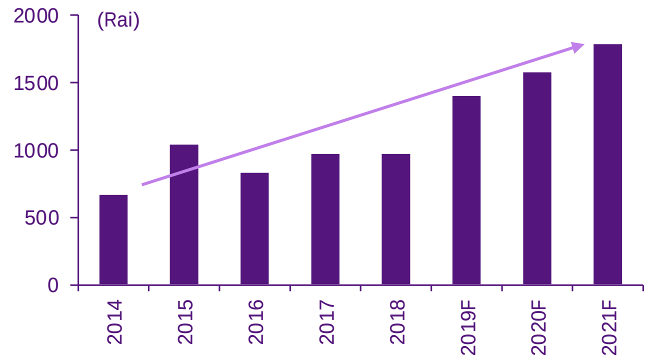
Key Financial Ratios

FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Gross margin	(%)	44.7	46.3	42.3	46.2	49.6	43.5	43.2	56.4
Operating margin	(%)	19.7	33.6	30.4	22.2	14.0	25.4	18.5	32.0
EBITDA margin	(%)	56.1	42.0	39.9	41.1	48.5	36.7	36.0	52.2
EBIT margin	(%)	46.6	40.0	35.2	33.6	35.7	33.0	26.9	47.3
Net profit margin	(%)	40.5	36.1	29.5	19.0	37.1	47.1	29.9	52.0
ROE	(%)	6.3	23.4	8.2	7.1	5.6	18.6	3.6	11.3
ROA	(x)	2.3	8.9	3.2	2.7	2.1	7.3	1.4	4.5
Net gearing	(x)	1.2	1.1	1.0	1.2	1.1	1.0	1.1	1.1
Interest coverage	(x)	1.7	5.9	3.4	1.9	1.6	4.8	1.8	3.8
Debt service cover	(x)	0.4	1.3	0.8	0.3	0.2	0.6	0.3	0.3

Main Assumptions

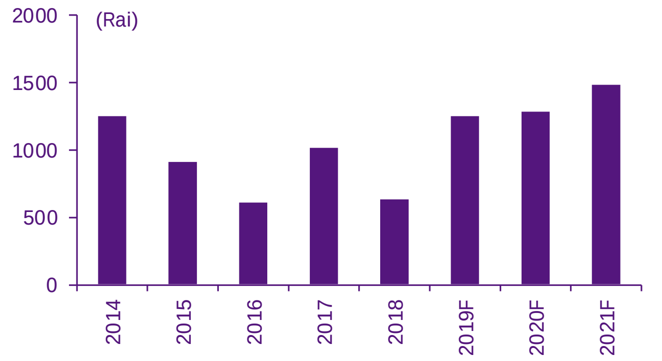
FY December 31	Unit	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Land sales	(Rai)	138	251	110	63	57	746	110	260
Land transfer	(Rai)	55	297	130	250	45	203	92	480
Backlog	(Rai)	349	306	283	91	145	654	667	440
RWH & RBF new contract	(Sqm)	31,488	8,796	20,977	24,549	n.a.	670	4,972	17,239
Logistic WH new contract	(Sqm)	4,785	48,934	14,475	0	157,084	42,098	27,284	1,917
Revenue from rent and services	(Btmn)	437	427	384	387	433	417	436	391
Revenue from property sales	(Btmn)	445	3,923	1,865	817	158	2,290	520	1,211
Revenue from water	(Btmn)	368	380	399	393	386	392	407	421
Gross margin for rent and services	(%)	52.8	53.1	44.1	46.5	43.0	46.5	44.1	53.2
Gross margin for property sales	(%)	38.3	46.2	42.5	46.6	79.5	43.3	55.0	61.4
Gross margin for water	(%)	42.7	39.6	39.5	44.9	44.8	41.3	42.7	45.2

Figure 1: WHA's land sales heading north...



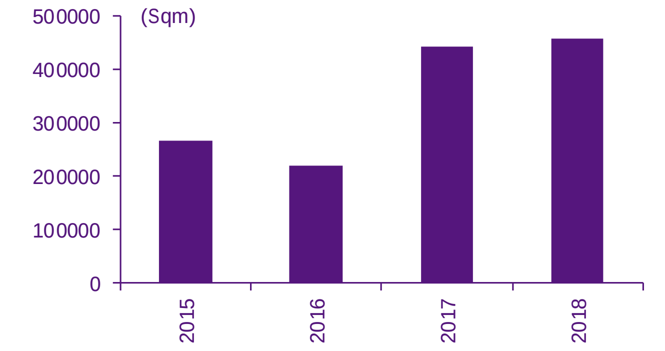
Source: WHA, SCBS Investment Research

Figure 2: Deed transfers to jump in 2019



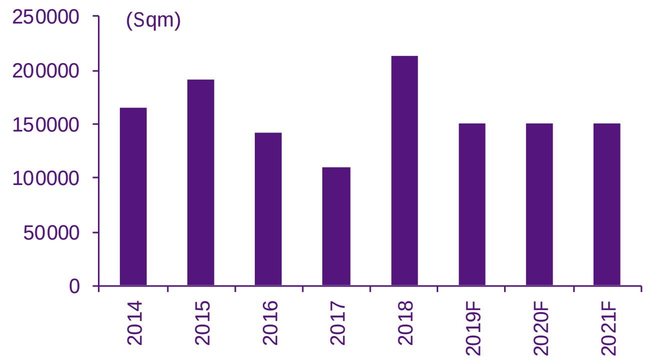
Source: WHA, SCBS Investment Research

Figure 3: Logistics warehouse portfolio



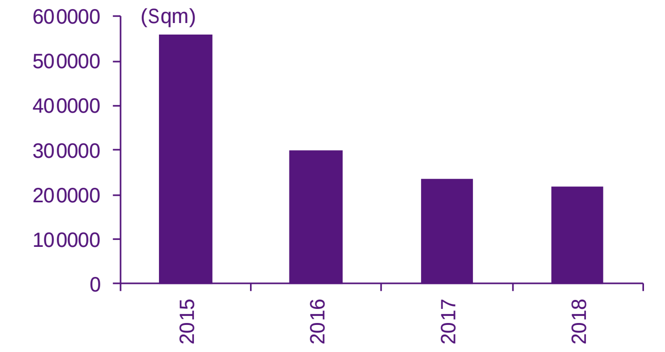
Source: WHA

Figure 4: New contracts for logistics warehouses will sustainable at 200,000 sqm



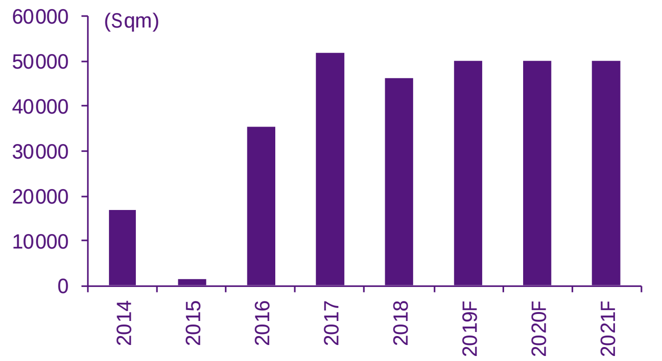
Source: WHA, SCBS Investment Research

Figure 5: Industrial property (RWH, RBF) portfolio



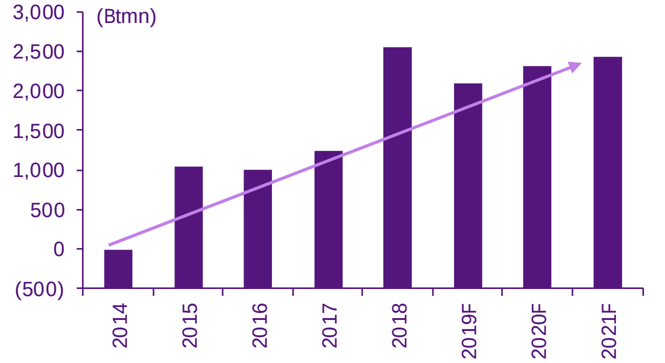
Source: WHA

Figure 6: New contracts for industrial property stable



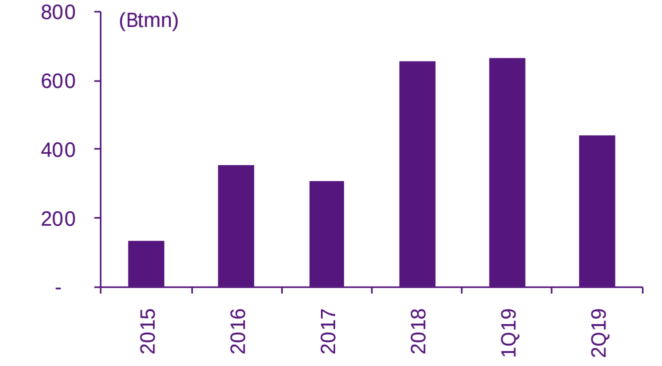
Source: WHA, SCBS Investment Research

Figure 7: Utilities contribution



Source: WHA, SCBS Investment Research

Figure 8: Backlog



Source: Bloomberg, SCBS Investment Research

Automotive

SET AUTO index	Close: 16/9/2019	434.89	+0.68 / +0.16%	Bt32mn
Bloomberg ticker:	SETAUTO			

Trade war pressure to continue

The industry remains clouded by trade war concerns – what will it do to demand for discretionary goods such as automobiles? – and this will continue to pressure the automotive sector. Though admittedly prospects are not bright, we feel share prices have been over-punished and believe dividend yield will support against price downside. Top picks are SAT and STANLY.

Weak auto exports, hit by trade war worries. Taking 51% of auto production, in 7M19, Thailand exported 642K autos, down 2% YoY, dragged down by weakness in export destinations such as Australia, New Zealand and Oceania (-9% YoY, 31% of auto exports) and Central and South America (-23% YoY, 7%). Interestingly, growth was stronger in the Middle East (+20% YoY, 11%) and Europe (+14% YoY, 12%). In our view, the US-China trade war is behind the weakness in auto exports as it is impacting the global economy and consequently, demand for discretionary goods such as automobiles.

Domestic market contracted YoY in June. 7M19's domestic auto sales were 604.8K units, up 6% YoY. However, the YoY comparison shows a downtrend since June (-2% YoY in June and -1% YoY in July) which we believe reflects the slower demand in tandem with economic concerns and, at the same time, tighter auto loans on concerns about deteriorating credit quality. The annual motor show to be held November 29 – December 10 should help provide the usual 4Q impetus.

No short-term catalyst but share prices over-punished and dividend yield satisfactory. Auto production in 7M19 was at 1.24mn units, flat YoY. After robust auto production growth of 9% YoY in 2018, we expect growth to normalize at 2% YoY to 2.21mn units in 2019. The automotive sector will continue to be pressured by the clouds generated from the US-China trade war and worries what that will do to demand for discretionary goods such as automobiles. Amid the cloudy skies, our preferred stocks are SAT and STANLY, whose valuations we see as over-punished. SAT is trading at 7.5x 2019PE, -0.5SD of historical average against high dividend yield of 7% p.a. in 2019-20. STANLY is trading at 7.0x FY2020PE, -1SD of its historical average, and it offers 4-5% dividend yield in FY2020-21.

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	18.1	29.0	66.3	8.3	5.3	0.7	0.6
PCSGH	Neutral	6.4	7.2	18.5	13.8	10.9	1.8	1.7
SAT	Buy	17.1	25.0	52.8	7.5	6.9	1.0	0.9
STANLY	Buy	191.0	295.0	58.7	7.0	6.3	0.9	0.8
Average					**11.0**	**8.1**	**1.3**	**1.2**

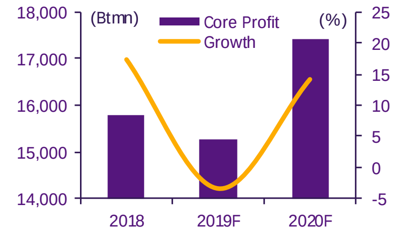
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
AH	4.0	(5.2)	(42.1)	0.3	(5.0)	(40.1)
PCSGH	1.6	(8.6)	(8.0)	(2.0)	(8.4)	(4.9)
SAT	(2.3)	(6.0)	(26.3)	(5.7)	(5.8)	(23.8)
STANLY	(3.3)	(16.6)	(26.8)	(6.7)	(16.4)	(24.4)

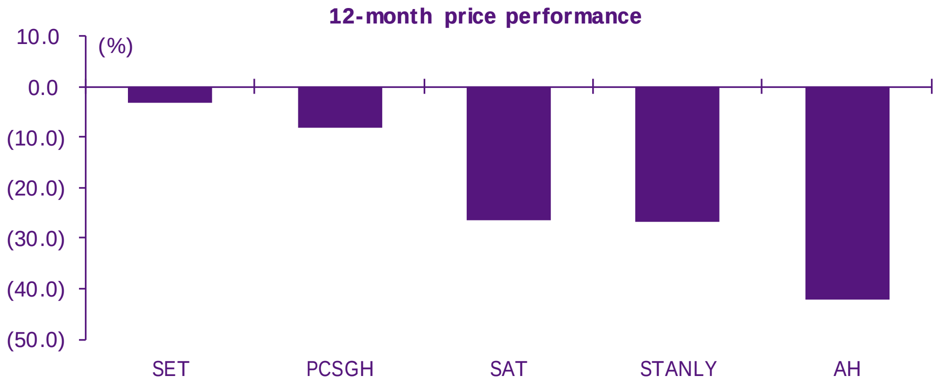
Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

Sluggish performance for auto sector, dragged by trade war concerns



Source: SET and SCBS Investment Research

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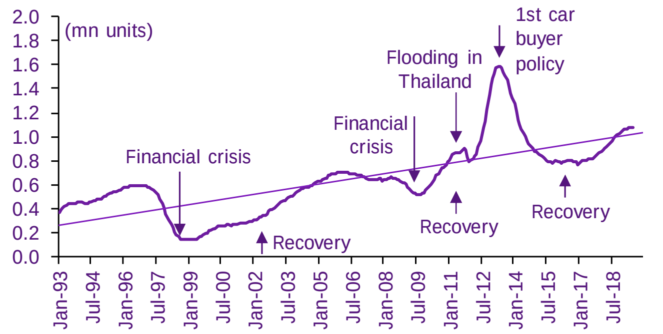
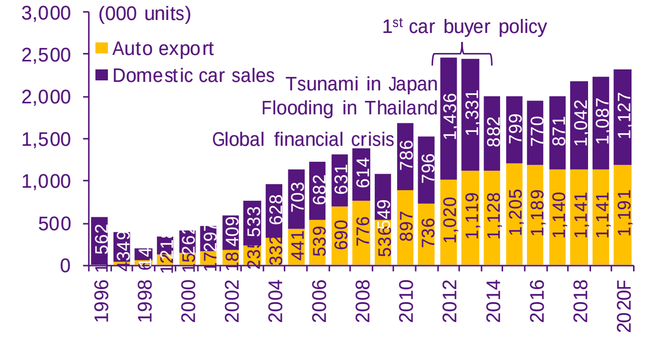
Figure 1: Rolling 12-mth domestic auto sales



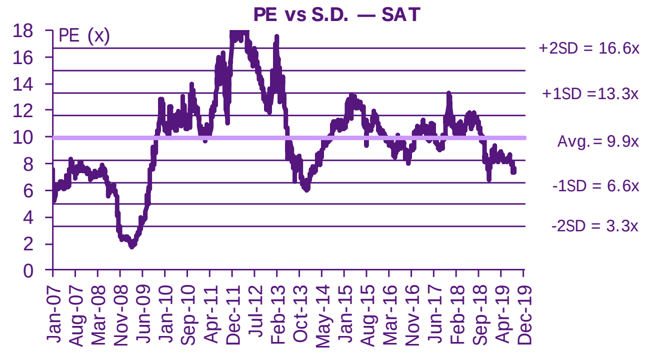
Source: Federation of Thai Industries and SCBS Investment Research

Figure 2: Thai auto production forecast



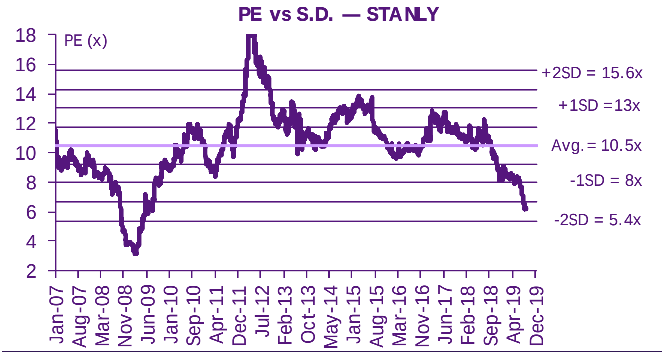
Source: Federation of Thai Industries and SCBS Investment Research

Figure 3: SAT: PE band



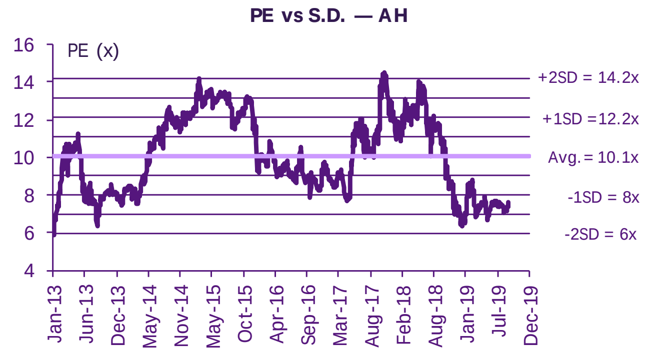
Source: SET and SCBS Investment Research

Figure 4: STANLY: PE band



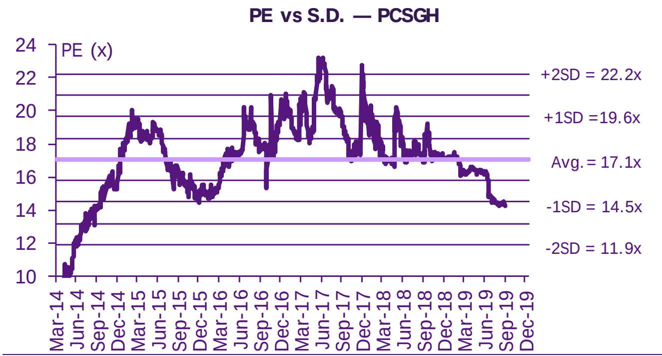
Source: SET and SCBS Investment Research

Figure 5: AH: PE band



Source: SET and SCBS Investment Research

Figure 6: PCSGH: PE band



Source: SET and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AH	Buy	18.10	29.0	66.3	6.3	8.3	5.3	3	(24)	56	0.8	0.7	0.6	12	8	11	7.2	6.1	6.7	7.3	6.6	5.6
PCSGH	Neutral	6.35	7.2	18.5	15.6	13.8	10.9	(2)	13	26	1.9	1.8	1.7	12	14	16	4.3	5.1	6.4	8.1	7.0	5.7
SAT	Buy	17.10	25.0	52.8	8.0	7.5	6.9	27	6	10	1.1	1.0	0.9	14	14	14	7.9	6.6	7.3	3.4	2.9	2.5
STANLY	Buy	191.00	295.0	58.7	7.5	7.0	6.3	18	7	10	0.9	0.9	0.8	13	13	13	4.3	4.3	4.8	3.0	2.8	2.4
Average					**9.3**	**9.1**	**7.4**	**12**	**0**	**26**	**1.2**	**1.1**	**1.0**	**13**	**12**	**14**	**5.9**	**5.5**	**6.3**	**5.5**	**4.8**	**4.1**

Source: SCBS Investment Research

Aviation

SET TRANS index	Close: 16/9/2019	415.23	+4.76 / +1.16%	Bt2,616mn
Bloomberg ticker:	SETTRANS			

ST positive on improving Thai tourism

Though the airline sector faces challenges, it is at least seeing better Thai tourism in 2H19 with growing passengers (off last year's low base and the government's extension of the waiver of visa-on-arrival fees to April 2020 from October 2019) helping to ease fare pressure. We prefer AAV to THAI. Although we rate Neutral on AOT, we do feel the stock will get a short-term boost from the gains in passenger traffic.

Airline: Volume picking up, fare pressure still there but easing. In 3QTD, stock prices have come down 22% for AAV and 10% for THAI, underperforming the SET's 4% drop. Key drags are slow earnings and losses in 2Q19 from sluggish Thai tourism that led to fare pressure. AAV's passenger traffic grew 5% YoY against capacity growth of 12% YoY and average fare dropped by 1% YoY. However, the clouds are clearing in 2H19 with growing passenger numbers that will help ease fare pressure. Amid earnings volatility, we expect the losses at AAV and THAI to continue in 3Q19 but be lower than 2Q19, turning to profit in 4Q19 from red ink in 4Q18, which was buffeted by a weak high season after the boat accident in Phuket and rising jet fuel cost.

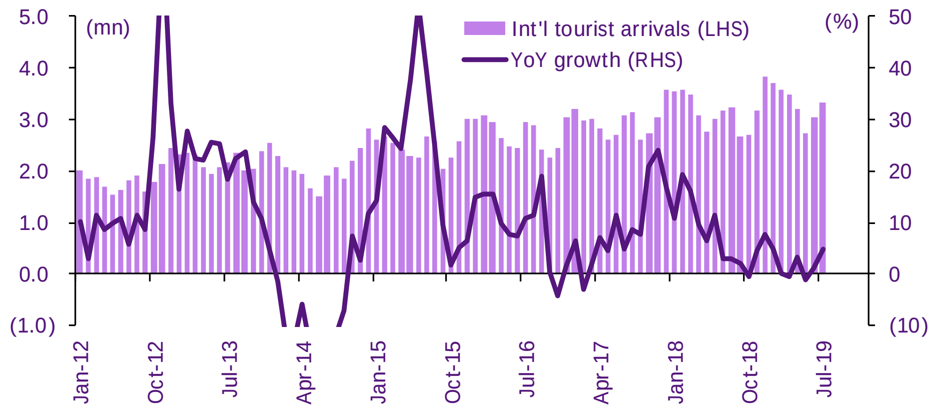
Improving Thai tourism. After inching up just 1% YoY in 1H19, we expect international tourist arrivals to accelerate for the rest of the year off the low base in 2H18 after the boat accident in Phuket and the government's extension of the waiver of visa-on-arrival (VOA) fees to April 2020 from October 2019. In August, international tourist arrivals grew 6% YoY (26.5mn), up from July's 5% YoY growth. Our channel check indicates strengthening momentum: AOT's international pass-through grew 7% YoY in September 1-7 and AAV's forward bookings for China routes in October's Golden Week are higher than in the same period last year.

Cost cut by lower fuel price. Fuel cost accounts for 35% of AAV's total operating cost and 30% of THAI's. Average jet fuel price 3Q19TD is US$74.7/bbl, down 13% YoY and 4% QoQ. AAV is hedging 70-86% of jet fuel usage in 3Q-4Q19 and 73% in 2020 at an average effective cost of US$76-78/bbl, in line with the average price 3QTD. THAI has hedged 58-60% of jet fuel usage in 3Q-4Q19 and 17-35% in 2020.

Prefer AAV to THAI: In the cloudy climate for the airline sector, we prefer AAV to THAI because of its stronger fundamentals on solid growth in short-haul markets (ASEAN, India and China) and better cost control. AAV is trading at a tough valuation of 0.7x 2019PB - where it was during the political turmoil in 2013-14 - and we see this as limiting price downside.

AOT: Benefits from more arrivals. Although we rate Neutral on AOT, we expect the stock to get a short-term boost from the gain in passenger traffic as Thai tourism prospects brighten. Upcoming positive news includes bids for commercial area contracts at Don Mueang Airport (expected in 4Q19) and the pick-up counter contract at Suvarnabhumi Airport (expected in 1H20).

Short-term positive from improving Thai tourism



Source: Ministry of Tourism and Sport 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	3.2	5.8	86.7	15.8	12.7	0.7	0.7
AOT	Neutral	73.5	80.0	10.1	38.3	37.2	6.7	6.2
THAI	Sell	9.6	10.0	4.7	n.m.	8.1	1.1	1.0
Average					**27.1**	**19.4**	**2.9**	**2.6**

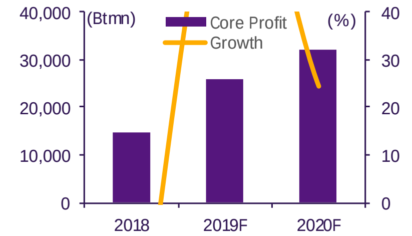
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
AAV	0.0	(21.4)	(27.9)	(3.5)	(21.2)	(25.4)
AOT	5.8	10.5	14.0	2.0	10.8	17.8
THAI	5.5	(6.4)	(28.2)	1.8	(6.1)	(25.8)

Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

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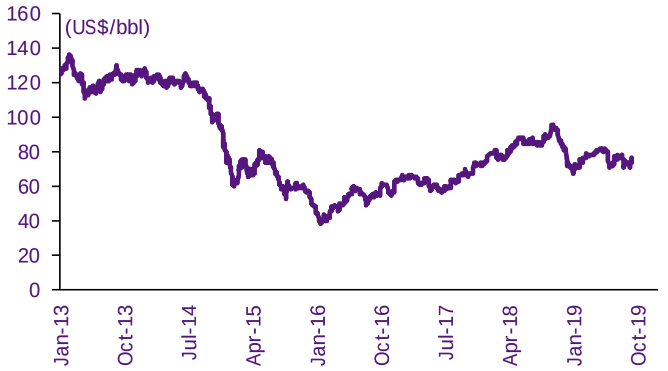
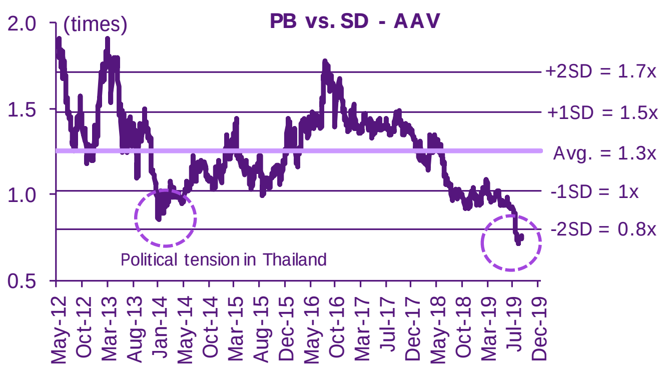
Figure 1: Jet fuel price trend



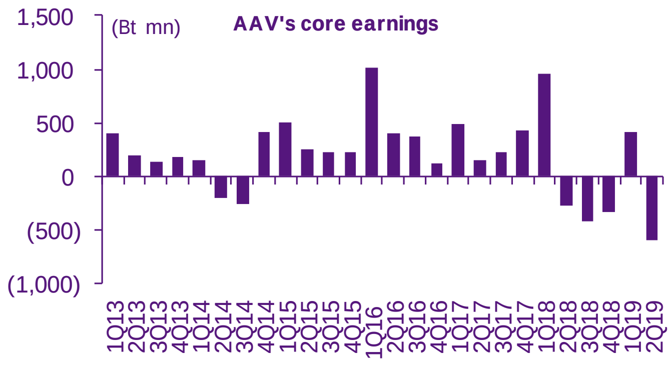
Source: Bloomberg and SCBS Investment Research

Figure 2: AAV is trading at tough valuation



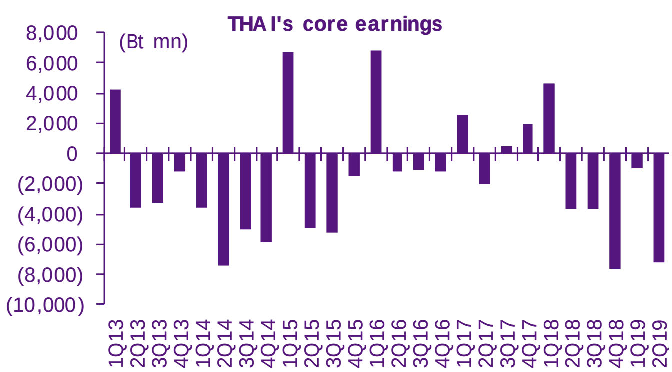
Source: SET and SCBS Investment Research

Figure 3: AAV's quarterly earnings



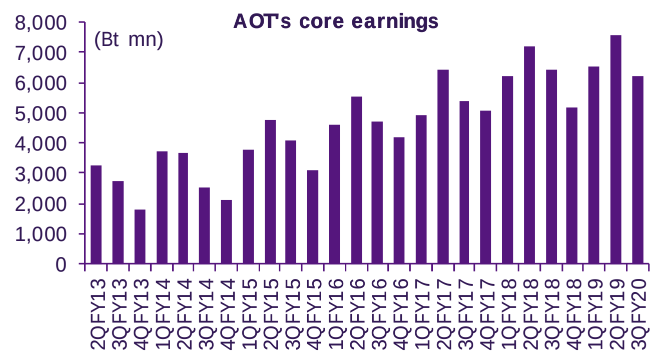
Source: Company data and SCBS Investment Research

Figure 4: THAI's quarterly earnings



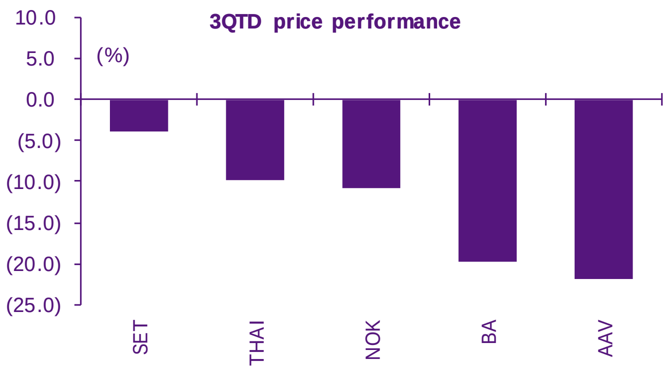
Source: Company data and SCBS Investment Research

Figure 5: AOT's quarterly earnings



Source: Company data and SCBS Investment Research

Figure 6: Price performance



Source: SET and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 18A	P/E (x) 19F	P/E (x) 20F	EPS growth (%) 18A	EPS growth (%) 19F	EPS growth (%) 20F	P/BV (x) 18A	P/BV (x) 19F	P/BV (x) 20F	ROE (%) 18A	ROE (%) 19F	ROE (%) 20F	Div. Yield (%) 18A	Div. Yield (%) 19F	Div. Yield (%) 20F	EV/EBITDA (x) 18A	EV/EBITDA (x) 19F	EV/EBITDA (x) 20F
AAV	Buy	3.16	5.8	86.7	n.m.	15.8	12.7	n.m.	n.m.	24	0.7	0.7	0.7	(0)	5	6	10.6	3.2	3.9	20.2	10.0	8.8
AOT	Neutral	73.50	80.0	10.1	41.9	38.3	37.2	15	9	3	7.3	6.7	6.2	18	18	17	1.4	1.3	1.3	29.4	26.4	24.6
THAI	Sell	9.55	10.0	4.7	n.m.	n.m.	8.1	n.m.	74	n.m.	1.0	1.1	1.0	(40)	(13)	13	0.0	0.0	0.0	6.8	11.5	8.0
Average					**41.9**	**27.1**	**19.4**	**15**	**42**	**14**	**3.0**	**2.9**	**2.6**	**(7)**	**3**	**12**	**4.0**	**1.5**	**1.8**	**18.8**	**16.0**	**13.8**

Source: SCBS Investment Research

Bank

SET BANK index	Close: 16/9/2019	465.37	-7.30 / -1.54%	Bt5,856mn
Bloomberg ticker:	SETBANK			

No bright spot except for cheap valuation

The banking sector is still in the doldrums, with weak loan growth, NIM under pressure, weak non-NII, and untamed asset quality amidst an economic slowdown and business disruption. However, most banks, particularly large banks, have been sharply underperforming to the point where valuation is attractive. We keep KTB and BBL as the sector's picks, mainly due to their attractive valuation.

3Q19 preview: still weak. Overall, we expect continued weakness in 3Q19 both YoY and QoQ from the economic slowdown and the cut in MOR and MRR. On a QoQ basis, we look for modest loan growth, a QoQ fall in NIM after the cut in MOR and MRR, weak fee income and a manageable deterioration in asset quality. We expect bank earnings to slip slightly YoY in 3Q19, largely from weaker fee income arising out of the waiver of fees on digital transactions; opex will come down since banks have already booked the extra employee benefit.

NIM under pressure. As a result of a 25 bps hike in time deposit rates in 1Q19 followed by a 25 bps cut in MOR and MRR, we expect all but hire-purchase banks to see a slight narrowing in NIM this year. However, most banks are moving into high-yield loan segments, i.e. unsecured personal loans, car refinancing loans and small SME loans, which should mitigate the negative of the lower interest rates. We expect banks to cut deposit rates by the end of this year to ease the impact from lending interest rate cuts. We expect another 25-50 bps cut in the policy rate, which will further put downward pressure on NIM.

Downside risk to loan growth. We see downside risk to our 2019 loan growth forecast of 5% due to weaker than expected private investment and downside risk to GDP. As of July, loan growth for the sector was merely 0.9% YTD and 3.8% YoY. The US-China trade war, a fall in exports and a delay in public investment have worked to dampen private investment.

Step up in new NPLs. New NPLs rose 7.5% YoY and 11.6% QoQ in 2Q19, reigniting concerns about asset quality. However, total NPL inflow was stable QoQ as a rise in new NPLs was offset by a drop in reentry NPLs. Overall NPLs were stable due to a rise in write offs.

Sharply underperforming and undervalued. SETBANK has fallen 9 % YTD, underperforming the SET's +6% YTD by 15%. This puts most banks, particularly large banks, in a sharply undervalued position, trading at 2SD below historical mean. We believe that the sector's doldrums are already priced in. That being said, we are finding it difficult to see any catalyst for the immediate future. We keep KTB and BBL as our sector picks on the basis of the most attractive valuations.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
BAY	Buy	34.8	44.0	30.6	9.5	8.5	0.9	0.9
BBL	Buy	173.0	225.0	33.8	9.3	8.4	0.8	0.7
KBANK	Neutral	163.0	188.0	17.7	10.4	9.6	0.9	0.9
KKP	Neutral	67.0	72.0	14.4	9.4	9.2	1.3	1.2
KTB	Buy	17.5	22.0	30.0	8.5	8.5	0.7	0.7
LHFG	Sell	1.4	1.4	6.2	9.2	8.4	0.7	0.6
TCAP	Buy	57.0	65.0	23.7	8.4	8.0	1.0	0.9
TISCO	Neutral	102.5	101.0	5.9	10.9	11.3	2.1	2.0
TMB	Buy	1.7	2.2	34.1	9.6	8.6	0.7	0.7
Average					**9.5**	**9.0**	**1.0**	**1.0**

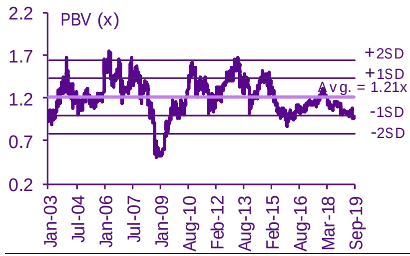
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BAY	2.2	(7.9)	(12.6)	(1.4)	(7.7)	(9.7)
BBL	3.6	(13.3)	(17.2)	(0.1)	(13.1)	(14.5)
KBANK	5.2	(14.9)	(23.1)	1.4	(14.7)	(20.5)
KKP	(3.9)	(1.5)	(10.7)	(7.3)	(1.2)	(7.7)
KTB	1.2	(9.8)	(11.6)	(2.4)	(9.6)	(8.7)
LHFG	(0.7)	(8.1)	(8.1)	(4.2)	(7.9)	(5.0)
TCAP	10.7	1.8	7.5	6.8	2.0	11.1
TISCO	4.6	13.9	24.6	0.9	14.2	28.8
TMB	10.5	(15.2)	(25.0)	6.6	(14.9)	(22.5)

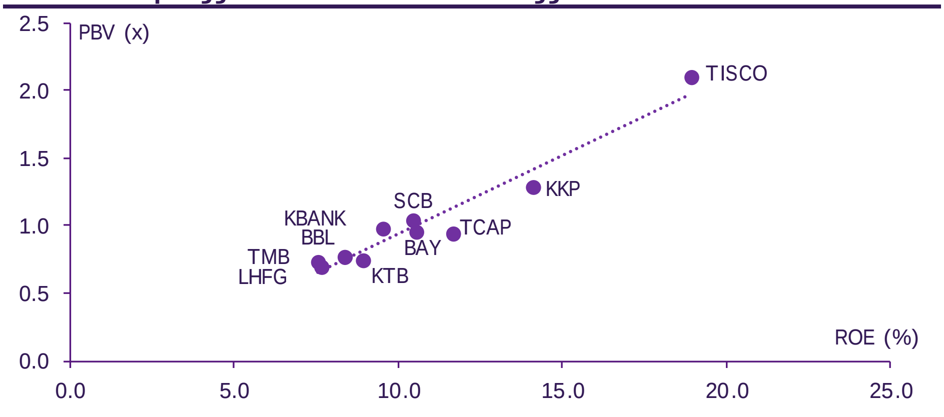
Source: SET, SCBS Investment Research

Banking sector's PBV



Source: SET, SCBS Investment Research

Valuation map suggests BBL and KTB are the laggards



Source: Banks and SCBS Investment Research

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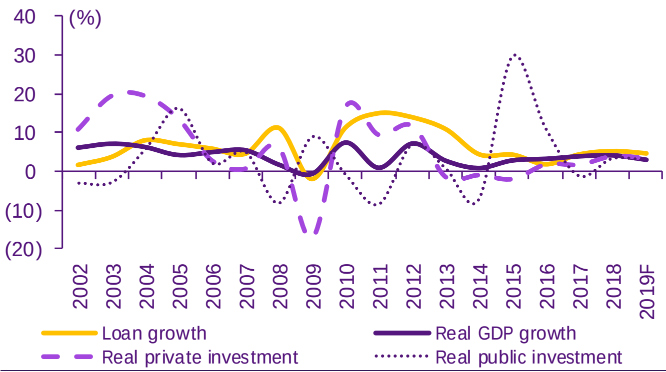
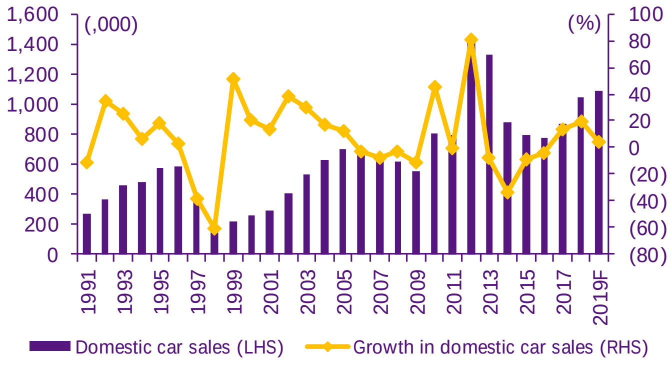
Figure 1: Loans vs. GDP & investment growth



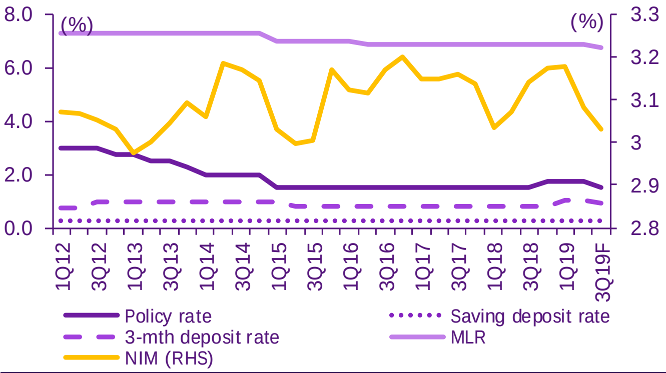
Source: NESDB, SCB EIC and SCBS Investment Research

Figure 2: Domestic car sales



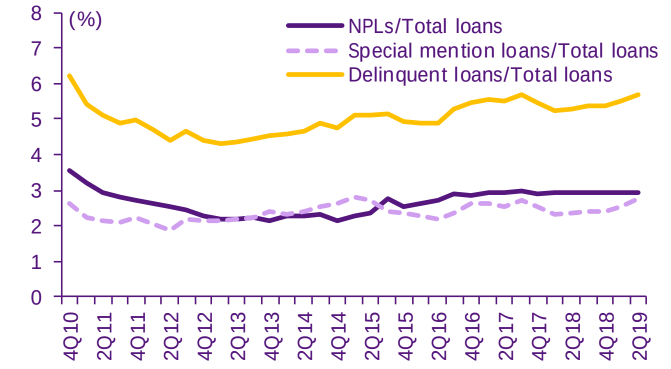
Source: Toyota (Thailand) and SCBS Investment Research

Figure 3: NIM and interest rates



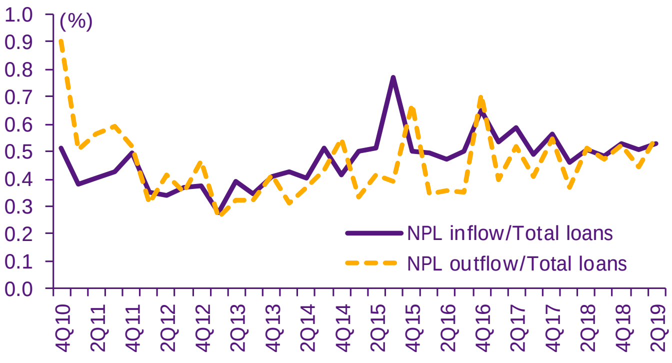
Source: SCBS Investment Research

Figure 4: NPL ratio and special-mention loans



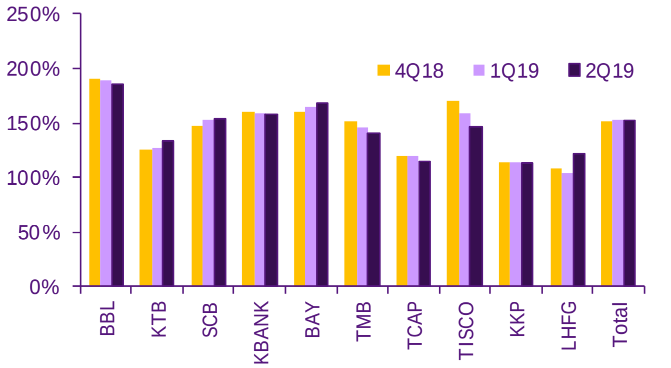
Source: BoT and SCBS Investment Research

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	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BAY	Buy	34.75	44.0	30.6	10.3	9.5	8.5	7	9	12	1.1	0.9	0.9	11	11	11	2.9	4.0	3.5
BBL	Buy	173.00	225.0	33.8	9.3	9.3	8.4	7	1	10	0.8	0.8	0.7	9	8	9	3.8	3.8	4.2
KBANK	Neutral	163.00	188.0	17.7	10.1	10.4	9.6	12	(2)	8	1.0	0.9	0.9	11	10	9	2.5	2.4	2.6
KKP	Neutral	67.00	72.0	14.4	9.4	9.4	9.2	5	0	2	1.3	1.3	1.2	14	14	14	7.5	6.9	6.5
KTB	Buy	17.50	22.0	30.0	8.6	8.5	8.5	27	1	0	0.8	0.7	0.7	10	9	8	4.1	4.3	4.4
LHFG	Sell	1.36	1.40	6.2	9.3	9.2	8.4	19	1	9	0.7	0.7	0.6	8	8	8	3.2	3.3	3.6
TCAP	Buy	57.00	65.0	23.7	8.5	8.4	8.0	16	0	5	1.0	1.0	0.9	12	12	12	4.0	9.6	4.7
TISCO	Neutral	102.50	101.0	5.9	11.7	10.9	11.3	15	7	(3)	2.2	2.1	2.0	19	19	18	6.8	7.3	7.1
TMB	Buy	1.68	2.20	34.1	6.4	9.6	8.6	34	(34)	13	0.7	0.7	0.7	12	8	8	4.2	3.1	3.5
Average					**9.4**	**9.5**	**9.0**	**7**	**1**	**6**	**1.1**	**1.0**	**1.0**	**12**	**11**	**11**	**4.3**	**4.9**	**4.5**

Source: SCBS Investment Research

Commerce

SET COMM index	Close: 16/9/2019	43,268.69	-81.51 / -0.19%	Bt7,515mn
Bloomberg ticker:	SETCOMM			

Backed by stimulus & post-flood demand

Sector SSS growth has softened in 3Q19TD (vs 4.2% YoY in 2Q19), as heavy rains and flooding in August to early September disrupted traffic to stores. However, we expect growth to improve once flood waters recede, with a subsequent jump in demand for repairs. Another driver lies in new stimulus in August-November, with more stimulus possible next year. Top picks are CPALL and GLOBAL.

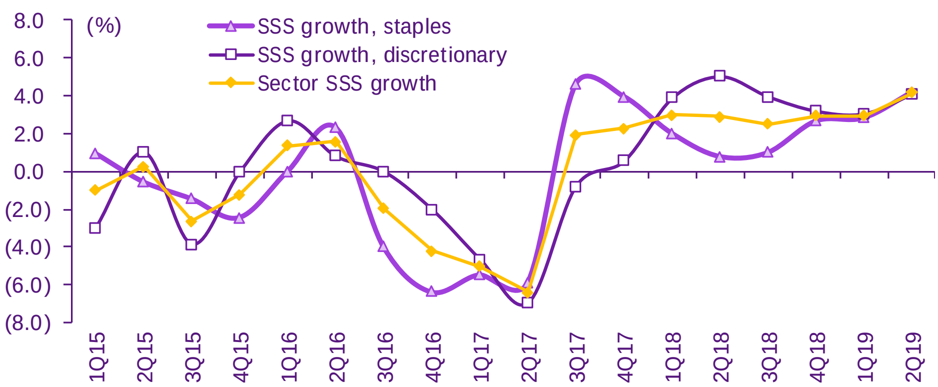
New government stimulus. On August 20, the Cabinet approved a new Bt322bn stimulus package. This consists of: 1) Bt20bn in allowances to low-income earners holding state welfare cards with a two-month subsidy of Bt500/person/month for all cardholders, Bt500/person for elderly and Bt300/child for parents in Aug-Sep; 2) Bt30bn in subsidies for farmers for agricultural costs in Sep; 3) Bt55bn for measures to support tourism via extending the exemption for visa-on-arrival fees until April 2020 and offering Thai travellers Bt1,000 in spending money and a 15% cash rebate for up to Bt30,000 on tourism spending in Sep-Nov; 4) Bt217bn in low-interest loans through state-owned banks. SCB EIC estimates these measures will help boost GDP growth by 0.3%. The one-time allowances for low income earners and farmers and measures related to tourism will add more to spending than will soft loans. Based on the FY2020 government budget and the deficit debt ceiling, SCB EIC estimates the government can stimulate Thai economy by up to 1.5% of GDP (Bt240bn) in 2020.

Heavy rains and flooding. After a sharp reduction of 30-40% YoY in 7M19, rainfall jumped 56% YoY in August, mainly in the north, northeast and the upper central regions. As of Sep 13, floods covered 32 provinces; the heavy rains and floods will no doubt disrupt traffic to stores until the flood waters recede, but then traffic should surge as homeowners and business owners will need to repair their buildings. The rains have alleviated concern on the earlier drought. As of Sep 13, the water level in reservoirs was 45.8mcm, above the 7-year average of 43.8mcm and 2015's 35.6mcm – a year of severe drought. Based on Thai Meteorological Department (TMD), a weak El Nino beginning in Oct 2018 and running to early Aug 2019 resulted in below-average rainfall, but this will be neutral until May 2020, implying average rainfall in the period.

Weak sentiment; moderate farm income. The Consumer Confidence Index (CCI), an indicator of consumer sentiment, dropped for the sixth straight month to a 33-month low in August on concerns over political stability and slow economic growth. Farm income grew 2% in July and it is set to grow 2% YoY in August, based on OAE.

Top picks. We like CPALL for its solid 2H19F operations and as a key beneficiary of government stimulus. We also like GLOBAL as the sector's most laggard, pricing in weak 3Q19F earnings, but looking at a revival in 4Q19F-2020F earnings from better margin, plus it will gain much from repair demand after the floods subside.

Sector SSS in 3Q19TD to soften from 2Q19 from heavy rains and flooding



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	51.8	56.0	9.6	29.2	27.3	1.8	1.8
CPALL	Buy	82.0	98.0	21.1	32.8	28.6	6.6	5.8
GLOBAL	Buy	16.4	19.0	16.7	36.3	31.9	4.3	3.9
HMPRO	Buy	17.8	19.5	11.8	35.9	31.9	10.7	9.8
MAKRO	Neutral	34.3	40.0	19.6	26.9	25.9	7.9	7.3
ROBINS	Buy	64.5	70.0	10.8	22.0	19.6	3.5	3.2
Average					**30.5**	**27.5**	**5.8**	**5.3**

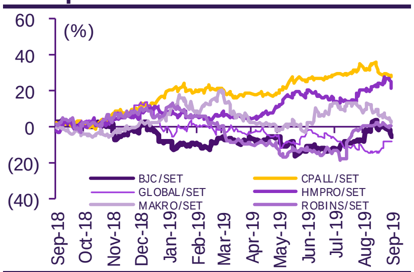
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BJC	(0.5)	5.6	(11.5)	(4.0)	5.9	(8.6)
CPALL	(0.6)	(0.6)	20.6	(4.1)	(0.3)	24.6
GLOBAL	9.3	(7.3)	(11.2)	5.5	(7.1)	(8.3)
HMPRO	6.0	1.7	21.9	2.2	2.0	26.0
MAKRO	(2.8)	0.0	0.0	(6.3)	0.3	3.3
ROBINS	3.6	15.7	(4.4)	(0.1)	16.0	(1.3)

Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

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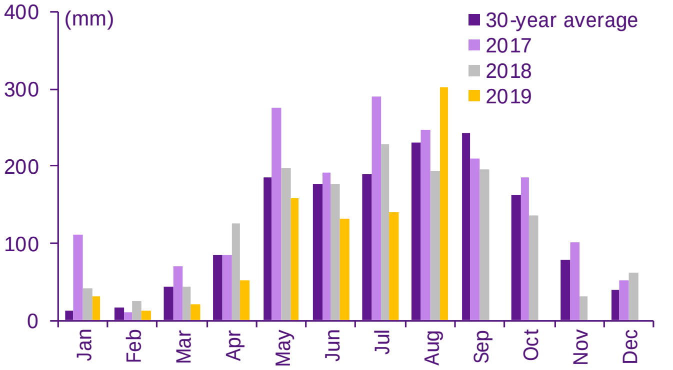
Figure 1: On August 20, government approved new stimulus, mainly taking place during August-November

	Measures	Period	Gov't budget (Bt mn)
1	**Measures for low-income earners (state welfare card holders)**	**Aug-Sep**	**20,000**
	1) Bt500/person/month for all cardholders for two months		
	2) Bt500/person/month for elderly for two months		
	3) Bt300/child for parents who take care of children for two months		
2	**Subsidies for farmers' paddy production cost of Bt500/rai and below 20 rai/person**	**Sep**	**30,000**
3	**Measures to support tourism**		**55,000**
	1) Extend waiver of visa on arrival fees for another six months	Until April 2020	
	2) offer 10mn Thai travelers Bt1,000 in spending money and a 15% cash rebate for up to Bt30,000 on tourism spending	Sep-Nov	
4	**Low-interest loan through state banks for farmers, SMEs and housing loans**	**Sep**	**217,000**
	Total		**322,000**

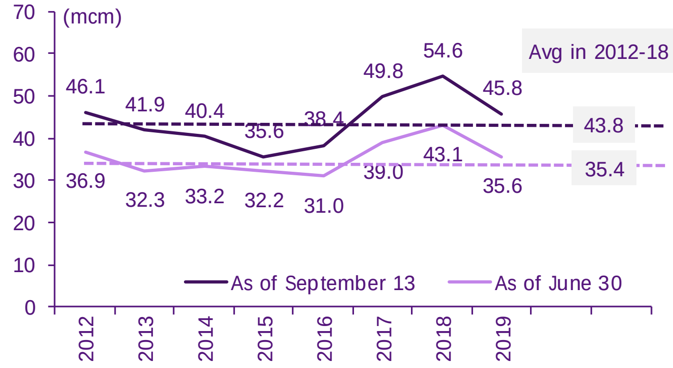
Source: SCB EIC, local newspaper and SCBS Investment Research

Figure 2: Monthly rainfall in Thailand turned up YoY in August, disrupting traffic to stores



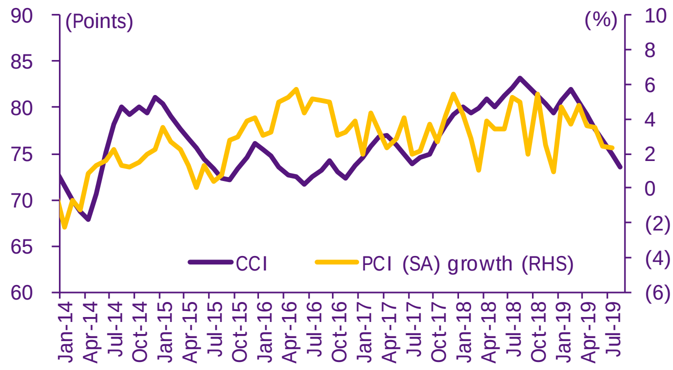
Source: HII and SCBS Investment Research

Figure 3: With heavy rains, the level of water in reservoirs in Thailand improved as of Sep 13



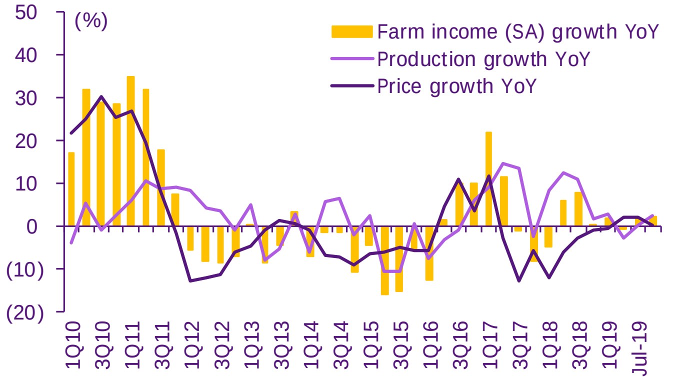
Source: HII and SCBS Investment Research

Figure 4: CCI dropped six months in a row to hit a 33-month low in August



Source: UTCC, BOT and SCBS Investment Research

Figure 5: Farm income grew 2% YoY in July and is set to grow 2% in August



Source: OAE and SCBS Investment Research

Figure 6: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 18A	P/E (x) 19F	P/E (x) 20F	EPS growth (%) 18A	EPS growth (%) 19F	EPS growth (%) 20F	P/BV (x) 18A	P/BV (x) 19F	P/BV (x) 20F	ROE (%) 18A	ROE (%) 19F	ROE (%) 20F	Div. Yield (%) 18A	Div. Yield (%) 19F	Div. Yield (%) 20F	EV/EBITDA (x) 18A	EV/EBITDA (x) 19F	EV/EBITDA (x) 20F
BJC	Neutral	51.75	56.0	9.6	32.1	29.2	27.3	26	10	7	1.8	1.8	1.8	6	6	7	1.4	1.4	1.5	17.2	16.6	15.9
CPALL	Buy	82.00	98.0	21.1	36.5	32.8	28.6	5	11	15	7.4	6.6	5.8	24	22	22	1.5	1.6	1.8	19.9	18.2	16.5
GLOBAL	Buy	16.40	19.0	16.7	34.4	36.3	31.9	25	(5)	14	4.6	4.3	3.9	14	12	13	1.3	0.8	0.9	23.0	23.4	21.0
HMPRO	Buy	17.80	19.5	11.8	41.3	35.9	31.9	16	15	13	11.8	10.7	9.8	29	31	32	2.0	2.2	2.5	23.5	21.1	19.2
MAKRO	Neutral	34.25	40.0	19.6	27.7	26.9	25.9	(4)	3	4	8.5	7.9	7.3	32	31	29	2.8	2.8	2.8	16.5	16.1	15.8
ROBINS	Buy	64.50	70.0	10.8	24.0	22.0	19.6	11	9	12	3.8	3.5	3.2	16	17	17	2.1	2.3	2.6	13.3	12.6	11.4
Average					**32.7**	**30.5**	**27.5**	**13**	**7**	**11**	**6.3**	**5.8**	**5.3**	**20**	**20**	**20**	**1.8**	**1.8**	**2.0**	**18.9**	**18.0**	**16.6**

Source: SCBS Investment Research

Construction Materials

SET CONMAT index	Close: 16/9/2019	10,775.36	-216.06 / -1.97%	Bt2,093mn
Bloomberg ticker:	SETCONMT			

Demand uncertain but cost pressure easing

We expect local demand to continue to be pushed up by more FDI in EEC, investment relocation from China and more mega projects. However, demand is less certain as private investment is being put off in view of the hit exports are taking from the global economic uncertainty plus there will be some delay in public investment from a delay in the passage of the FY2020 budget. On the plus side, the drop in coal and oil prices YTD will lower fuel costs in 2H19F. Top picks are SCC and SCCC.

Demand growth. 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 1% YoY and 5% YoY in 7M19. We expect cement and ceramic tile demand to continue to grow by 3% YoY in 2019F, backed by public and private investment growth of 3% in 2019F (*SCB EIC*).

Private projects. Despite some postponement caused by the export slowdown that has shaken confidence, private investment will be fueled by infrastructure development in the EEC and more production base relocations to Thailand in response to the US-China trade war. In 2Q19, net value of BOI applications rose 33% YoY to Bt104bn on a 74% YoY jump in project value in EEC and 14% YoY growth in non-EEC projects. Construction area permits (9-month moving average), a leading indicator for local building material demand, has been rising in 2019TD.

Public projects. Greater investment in mega projects and a 19% YoY increase in government investment budget allocation to Bt643bn in FY2019 (Oct 2018 – Sep 2019) led to 8% YoY growth in government investment budget disbursement in 1Q19, 2% YoY in 2Q19 and 17% YoY in July 2019. However, this is likely to slow in 4Q19F because of a three-month delay in passage of the FY2020 budget from Oct 2019F after a lengthy wait for the new government to be formed. During the delay, investment already approved can be disbursed, but new investment not already on the list cannot be disbursed. The impact on public investment in 4Q19F will depend on how much the government can speed up debt-binding investment.

Drop in fuel costs is a positive. In 2019TD, spot price for coal has fallen 23% YoY and spot price for oil has come down 9% YoY. In 7M19, the cement price index picked up 1% YoY and 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. Thus, lower actual fuel costs will start to be seen from 2H19F.

Top picks. We like SCC, which is looking at a better second half without the one-off employee benefit expense in 2Q19 as well as a boost to earnings from the packaging unit after acquiring Fajar. We also like SCCC, who will benefit from growing demand and lower fuel and maintenance costs in 2H19F.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
DCC	Neutral	2.0	2.5	29.2	13.3	12.7	3.0	2.9
SCC	Buy	426.0	510.0	23.5	12.6	11.5	1.5	1.4
SCCC	Buy	221.0	270.0	25.8	19.4	18.0	1.9	1.8
Average					**15.1**	**14.0**	**2.1**	**2.0**

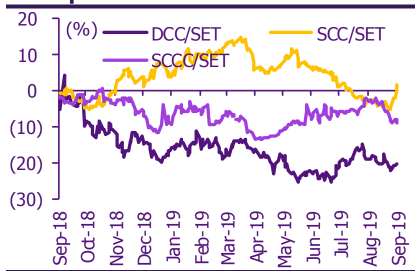
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
DCC	1.0	1.0	(24.6)	(2.6)	1.3	(22.1)
SCC	4.9	(7.4)	(3.6)	1.2	(7.2)	(0.4)
SCCC	(4.7)	(5.6)	(11.6)	(8.1)	(5.3)	(8.7)

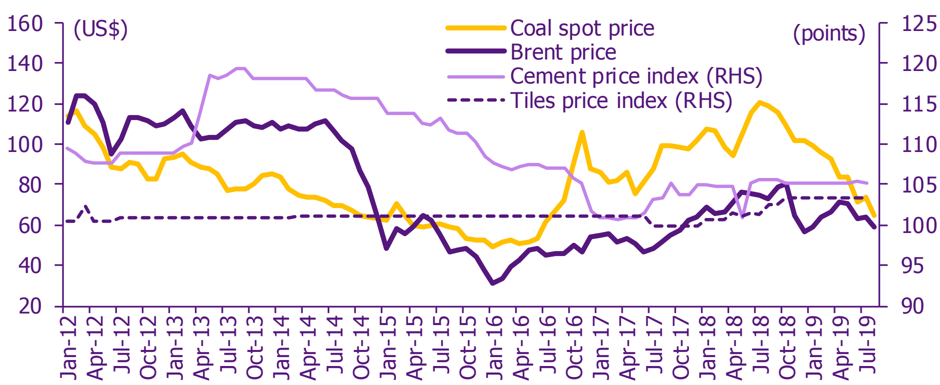
Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

The drop in coal and oil prices YTD implies lower fuel costs in 2H19F



Source: REIC, NEX, Bloomberg and SCBS Investment Research

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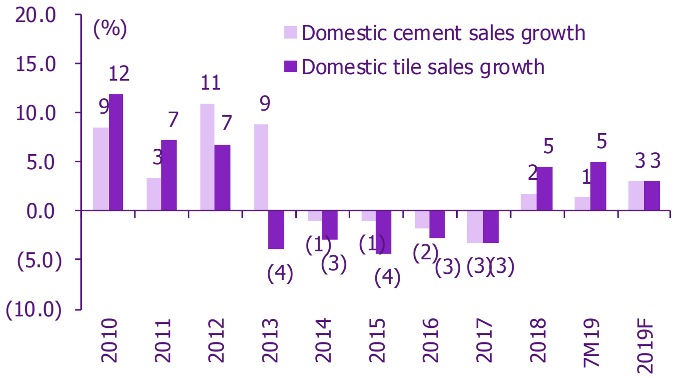
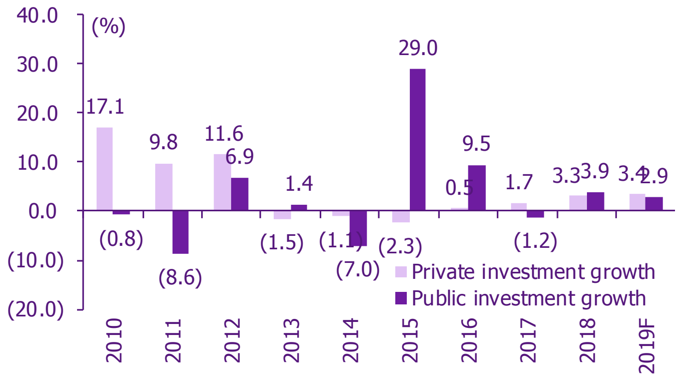
Figure 1: Local sales volume growth in 2019F



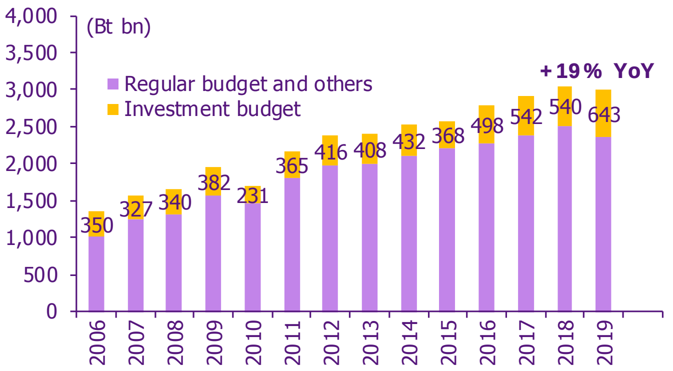
Source: OIE and SCBS Investment Research

Figure 2: Public and private investment growth



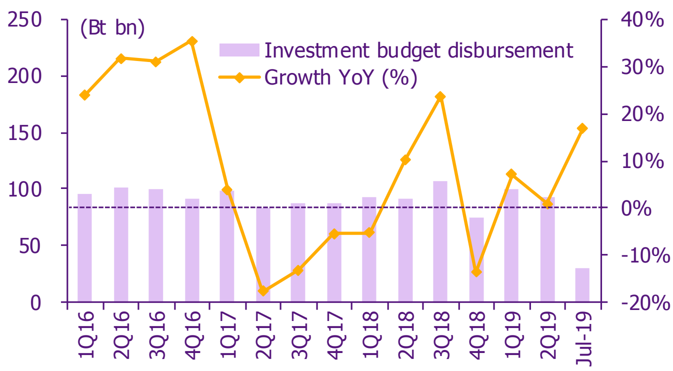
Source: SCB EIC and SCBS Investment Research

Figure 3: Government investment budget raised to Bt643bn (+19% YoY) in FY2019 (Oct 2018-Sep 2019)



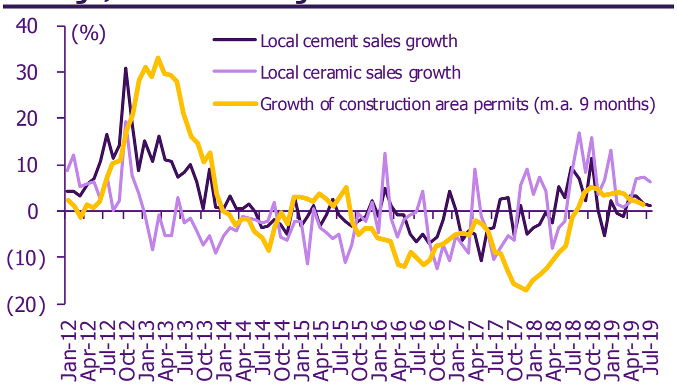
Source: FPO, NESDB and SCBS Investment Research

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



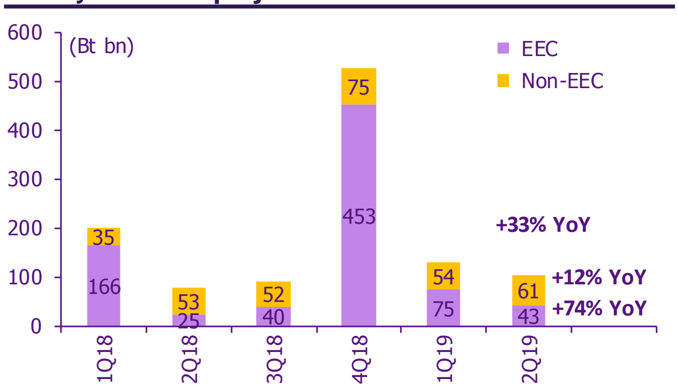
Source: FPO and SCBS Investment Research

Figure 5: Construction area permits (9-month moving average) has been rising in 2019TD



Source: BOT, OIE and SCBS Investment Research

Figure 6: Net value of BOI applications rose in 2Q19, mainly for more projects in EEC



Source: BOI and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 18A	P/E (x) 19F	P/E (x) 20F	EPS growth (%) 18A	EPS growth (%) 19F	EPS growth (%) 20F	P/BV (x) 18A	P/BV (x) 19F	P/BV (x) 20F	ROE (%) 18A	ROE (%) 19F	ROE (%) 20F	Div. Yield (%) 18A	Div. Yield (%) 19F	Div. Yield (%) 20F	EV/EBITDA (x) 18A	EV/EBITDA (x) 19F	EV/EBITDA (x) 20F
DCC	Neutral	2.02	2.5	29.2	13.5	13.3	12.7	(12)	1	5	3.1	3.0	2.9	24	24	24	5.7	5.4	5.9	8.1	8.0	7.6
SCC	Buy	426.00	510.0	23.5	11.4	12.6	11.5	(14)	(10)	9	1.6	1.5	1.4	14	12	13	4.2	3.8	3.8	8.8	9.5	9.0
SCCC	Buy	221.00	270.0	25.8	21.4	19.4	18.0	9	10	8	1.9	1.9	1.8	9	10	10	3.6	3.6	3.6	11.3	10.8	10.3
Average					**15.4**	**15.1**	**14.0**	**(6)**	**1**	**7**	**2.2**	**2.1**	**2.0**	**16**	**15**	**16**	**4.5**	**4.3**	**4.4**	**9.4**	**9.5**	**9.0**

Source: SCBS Investment Research

Energy – Oil and Gas

SET ENERG index	Close: 16/9/2019	25,852.94	+432.71 / +1.70%	Bt18,904mn
Bloomberg ticker:	SETENERG			

SCBS

Switch to more diversified companies

The prospects for oil demand are being rattled by the prolonged trade dispute between China and the US, which we feel will hold back oil price and refining margin. We expect caution toward oil and gas stocks in the near term until a sigh of relief from the trade talks is heard. In the meantime, we suggest investors focus on companies whose businesses are diverse and operating costs are competitive amidst oil price fluctuation. Hence, we switch our top picks for the sector to PTT and TOP from IRPC. The 2020F valuation for both is back to undemanding and more attractive than the last financial crisis in 2008-09.

Oil price hurt by economic slowdown worries. Average price of benchmark crude oil prices continues to fall in 3Q19TD, losing 18-19% YoY and 6-10% QoQ in response to market anxiety about higher supply from the US and a global economic slowdown caused by the trade war between China and the US. The IMF cut its global economic growth forecast again in July after its first cut in April to the lowest since the financial crisis in 2008-09, blaming the situation on trade and Brexit policy missteps that are derailing the projected rebound. The IEA followed suit, reducing oil demand growth for 2019 and 2020 by 0.1mbpd each to 1.1mbpd and 1.3mbpd, respectively. Despite the short-term supply tightening by OPEC+, oil price outlook remains bleak, in our view, hovering at US$60± for Brent. Downside risk lies in supply growth from non-OPEC producers. If there is a driver for oil price, we expect it to be breakthrough in the October trade talks – but chances are slim.

GRM recovered in 3Q19 but still way below 5-year average. Although average Singapore GRM moved up a strong 42% QoQ, it remained low at only US$4/bbl far below the 5-year average of US$6.5/bbl. To date Singapore GRM has fallen 32% YoY to US$3.96/bbl. GRM has improved recently in the wake of higher crack spread for gasoline and diesel ahead of planned refinery shutdowns in Asia, as well as higher demand for gasoil to replace high-sulfur fuel oil to comply with the new IMO regulation in effect from Jan 2020. On the downside, the looming risk of the trade war leading to a global economic slowdown may disrupt oil demand in 2020. This could hold back the recovery of GRM in the coming months.

How to play the sector. 1H19 earnings performances for oil and gas companies was disappointing with weak product spread and planned shutdowns. We expect some improvement HoH in 2H19, though still weaker YoY. Behind this is more stable oil price and product spread after a sharp decline in 1H19. Our top picks for the sector are PTT, upheld by business diversification amidst volatile oil price and support from higher E&P sales volume, and TOP for its competitive operating cost amidst a 5-year low for GRM and benefit from an anticipated rise in gasoil crack spread driven by IMO2020. The exposure of both companies to the power business is a key support for cashflow in the longer term and will underwrite a sustained dividend yield of 4-5% for the next three years.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
BCP	Buy	28.3	34.0	25.1	9.2	9.0	0.9	0.9
ESSO	Buy	8.9	11.0	24.7	52.0	6.6	1.2	1.0
IRPC	Buy	4.0	5.5	39.3	32.7	10.3	0.9	0.9
PTT	Buy	47.0	53.0	17.0	12.7	10.6	1.4	1.3
PTTEP	Buy	125.0	164.0	35.6	11.7	11.0	1.2	1.1
SPRC	Buy	9.9	11.0	13.7	67.6	11.2	1.1	1.1
TOP	Buy	71.0	72.0	4.2	16.1	9.7	1.1	1.0
Average				**22.8**	**28.9**	**9.8**	**1.1**	**1.0**

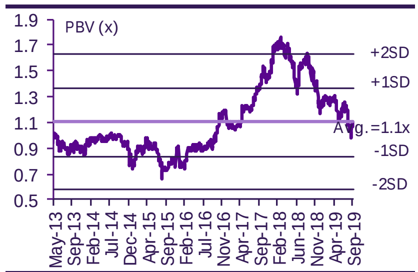
Source: SCBS Investment Research

Price performance

(%)	Absolute 1M	Absolute 3M	Absolute 12M	Relative to SET 1M	Relative to SET 3M	Relative to SET 12M
BCP	5.6	(4.2)	(21.0)	1.9	(4.0)	(18.3)
ESSO	1.1	(11.0)	(46.4)	(2.4)	(10.8)	(44.6)
IRPC	3.1	(15.2)	(41.3)	(0.6)	(15.0)	(39.4)
PTT	11.2	1.1	(7.8)	7.3	1.3	(4.8)
PTTEP	1.6	(1.6)	(17.8)	(2.0)	(1.3)	(15.0)
SPRC	17.3	6.5	(33.4)	13.1	6.8	(31.2)
TOP	10.9	18.3	(16.2)	7.0	18.6	(13.4)

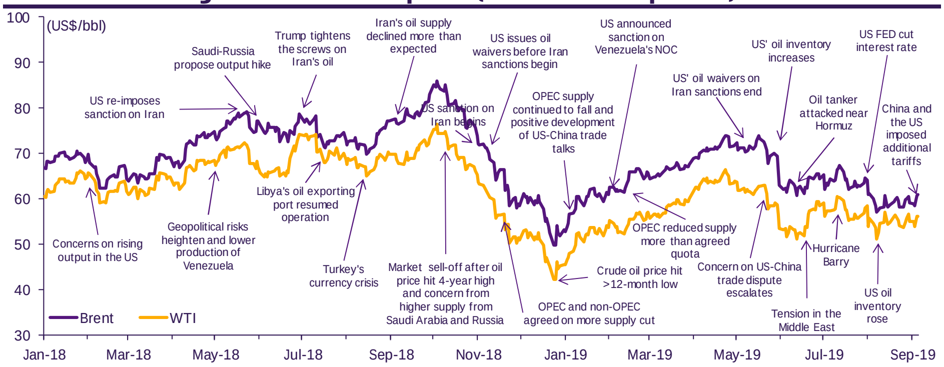
Source: SET, SCBS Investment Research

PBV band – SETENERG



Source: SET, SCBS Investment Research

Factors affecting benchmark oil price (Jan 2018 – Sep 2019)



Source: Bloomberg Finance LP and SCBS Investment Research

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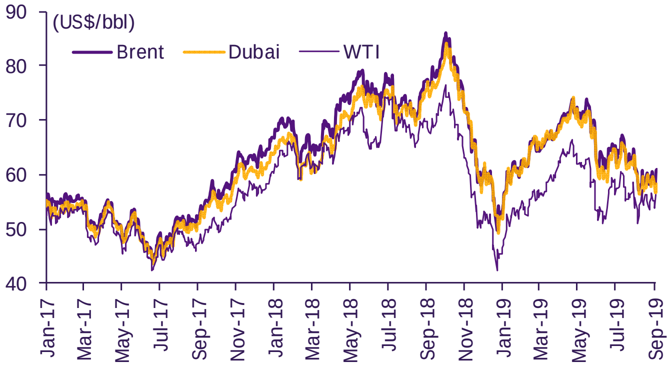
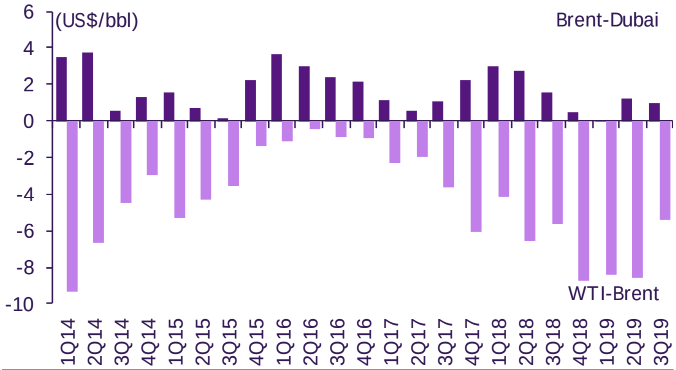
Figure 1: Benchmark oil prices



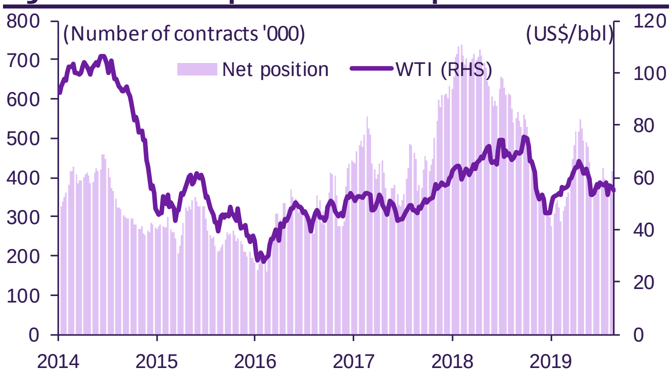
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 2: Oil price differential



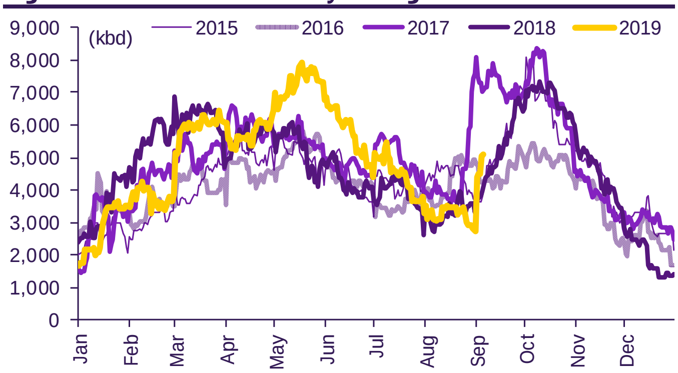
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 3: CFTC net position vs. WTI price



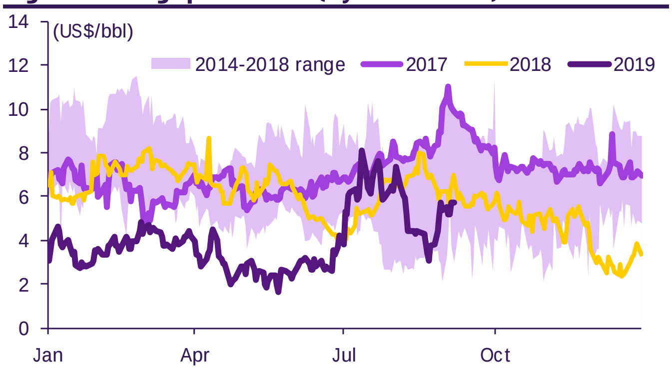
Source: CFTC, Bloomberg Finance LP, SCBS Investment Research

Figure 4: Global oil refinery outage



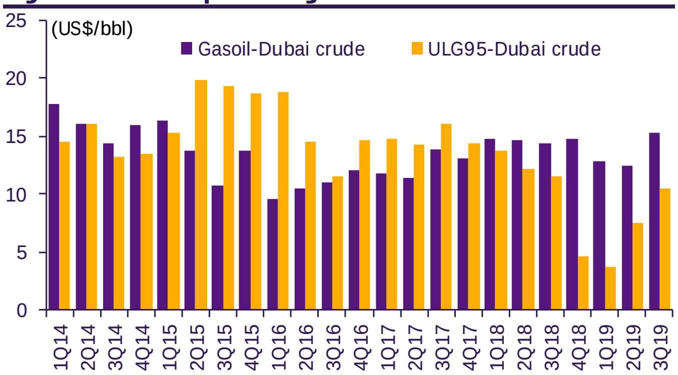
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 5: Singapore GRM (hydrocracker)



Source: Bloomberg Finance LP, SCBS Investment Research

Figure 6: Crack spread – gasoline vs. diesel



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

Figure 7: Valuation summary

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BCP	Buy	28.25	34.0	25.1	14.0	9.2	9.0	(55)	59	2	0.9	0.9	0.9	6	10	10	4.6	4.7	5.4	7.6	7.4	7.0
ESSO	Buy	8.90	11.0	24.7	13.8	52.0	6.6	(69)	(73)	692	1.2	1.2	1.0	8	2	17	2.2	1.1	7.9	12.2	20.2	6.0
IRPC	Buy	4.02	5.5	39.3	11.8	32.7	10.3	(36)	(64)	216	0.9	0.9	0.9	8	3	9	4.7	2.5	4.7	7.8	11.0	6.9
PTT	Buy	47.00	53.0	17.0	11.8	12.7	10.6	(23)	(7)	19	1.5	1.4	1.3	9	8	9	4.3	4.3	4.3	4.1	3.9	3.2
PTTEP	Buy	125.00	164.0	35.6	13.7	11.7	11.0	(5)	17	6	1.3	1.2	1.1	9	11	11	4.0	4.4	4.6	3.3	3.4	3.3
SPRC	Buy	9.85	11.0	13.7	29.1	67.6	11.2	(80)	(57)	503	1.1	1.1	1.1	4	2	10	6.0	2.0	4.5	8.9	10.0	4.5
TOP	Buy	71.00	72.0	4.2	14.0	16.1	9.7	(53)	(13)	67	1.1	1.1	1.0	8	7	11	3.7	2.8	4.2	6.4	8.3	7.4
Average					**15.5**	**28.9**	**9.8**	**(37)**	**(1)**	**35**	**1.2**	**1.1**	**1.0**	**8**	**6**	**11**	**4.2**	**3.1**	**5.1**	**7.2**	**9.2**	**5.5**

Source: SCBS Investment Research

Finance

SET FIN index	Close: 16/9/2019	4,198.50	-25.49 / -0.60%	Bt734mn
Bloomberg ticker:	SETFIN			

SCBS

Decent fundamentals

We expect both KTC and AEONTS to have a better loan growth as they expand into new business. They will also be advantaged by the downtrend in interest rates, which will ease their funding cost. However, we expect 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 prefer AEONTS to KTC on a more attractive valuation.

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%-held subsidiary (another 25% held 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 both to expand into vehicle title loans within a year or two.

Benefiting from lower interest rate. AEONTS and KTC will gain advantage from the downtrend in interest rates, as this will lower their cost of funds. We expect further cuts in the policy rate of 25-50 bps. For AEONTS, around 30% of its interest-bearing debt at 1QFY19 falls due within one year. For KTC, at 2Q19 around 30% of its interest-bearing debt is due within one year.

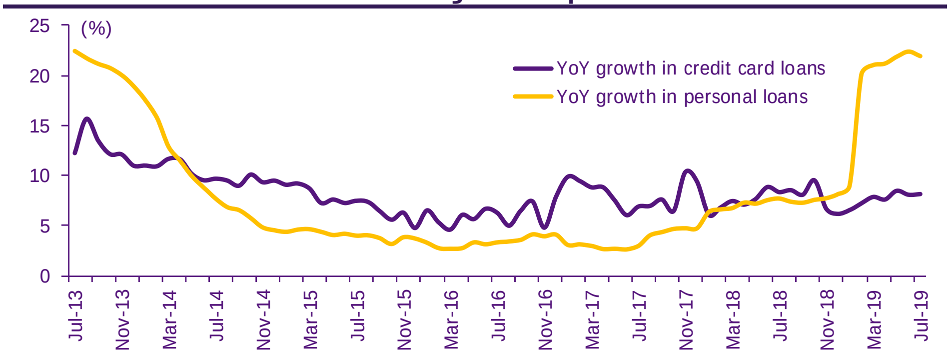
Rising provisions. KTC expects provisions to rise this year to support its expansion into Nano & Pico finance, which offer a higher return but have a higher risk than credit card and personal loans. KTC's high LLR coverage of 604% should help ease the provisioning pressure from its expansion into a higher risk segment. We expect higher provisions for KTC in 2H19 and 2020. For AEONTS, we expect a slight increase in credit cost 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 2QFY19 preview. We forecast a rise in 2QFY19 (June-August) earnings of 15% YoY and 1% QoQ to Bt995mn. On a QoQ basis, we expect loan growth to accelerate, backed by a strong expansion in used car hire-purchase, a stable NIM (lower cost of funds to be offset by a fall in loan yield off a greater shift to used car hire-purchase) and continued good bad debt recovery, but higher provisions as a result of the economic slowdown.

KTC 3Q19 preview. We expect KTC's earnings to rise 3% YoY and 9% QoQ in 3Q19. On a QoQ basis, we expect provisions to ease off from better debt collection due to fewer holidays than in 2Q19, with a QoQ acceleration in loan growth and a stable outlook for NIM.

Prefer AEONTS to KTC. We prefer AEONTS to KTC as we see its valuation as more attractive. AEONTS is trading at 13x PE and KTC is trading at 20x PE.

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



Source: BoT and SCBS Investment Research

Valuation summary

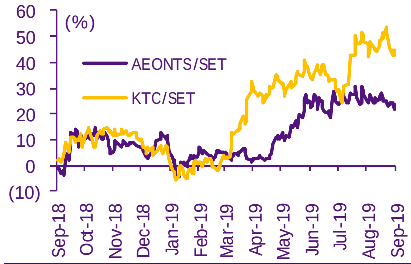
	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
AEONTS	Buy	214.0	250.0	19.5	13.1	11.3	2.5	2.2
KTC	Neutral	44.3	44.0	1.5	19.4	17.5	5.7	4.7
Average					**16.3**	**14.4**	**4.1**	**3.4**

Source: SCBS Investment Research

Price performance

(%)	Absolute 1M	Absolute 3M	Absolute 12M	Relative to SET 1M	Relative to SET 3M	Relative to SET 12M
AEONTS	(0.5)	(5.3)	21.2	(4.0)	(5.1)	25.3
KTC	2.9	5.4	37.2	(0.7)	5.6	41.8

Price performance relative to SET



Source: SET, SCBS Investment Research

Analyst

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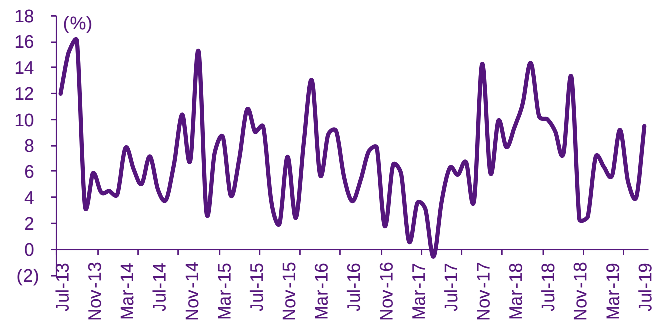
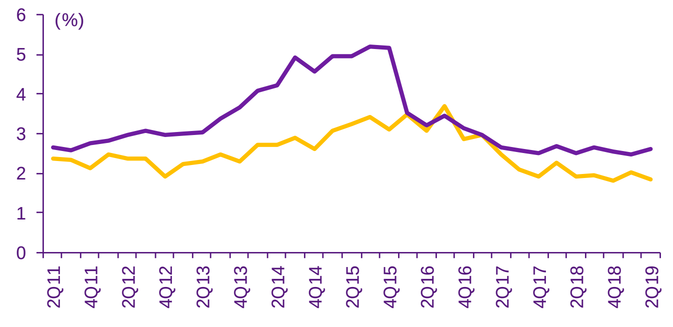
Figure 1: YoY growth in credit card spending



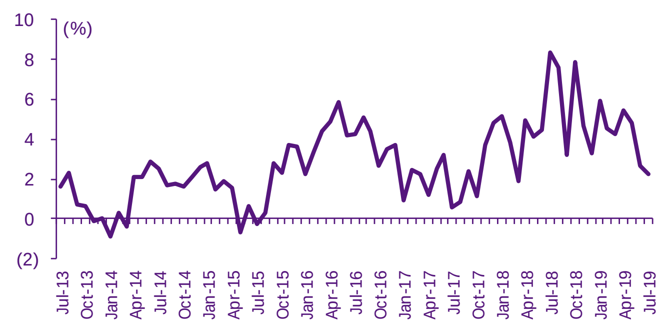
Source: BoT and SCBS Investment Research

Figure 2: Credit card and personal loan NPLs



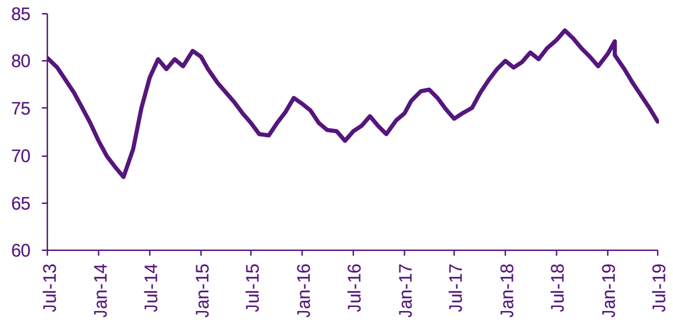
Source: BoT and SCBS Investment Research

Figure 3: YoY change in Private Consumption Index



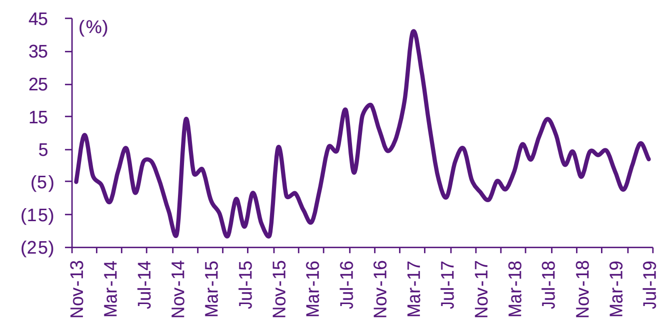
Source: BoT and SCBS Investment Research

Figure 4: Consumer Confidence Index



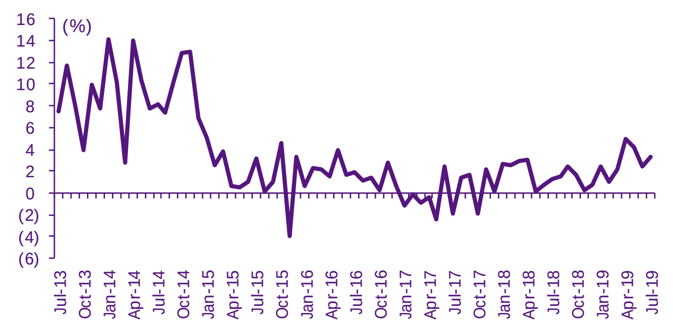
Source: UTCC, BOT and SCBS Investment Research

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	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AEONTS	Buy	214.00	250.0	19.5	15.3	13.1	11.3	18	17	16	3.0	2.5	2.2	21	21	21	2.2	2.7	3.1
KTC	Neutral	44.25	44.0	1.5	22.2	19.4	17.5	56	14	11	7.0	5.7	4.7	36	32	29	1.8	2.1	2.3
Average					**18.7**	**16.3**	**14.4**	**37**	**16**	**13**	**5.0**	**4.1**	**3.4**	**28**	**27**	**25**	**2.0**	**2.4**	**2.7**

Source: SCBS Investment Research

Food

SET FOOD index	Close: 16/9/2019	12,654.54	-103.65 / -0.81%	Bt1,864mn
Bloomberg ticker:	SETFOOD			

Local broilers looking better thus far in 3Q19

To date in 3Q19, local broilers are looking good, with prices up YoY and QoQ and feed costs low. Swine price trend is mixed in Thailand, where it is up YoY but down QoQ, and in Vietnam, which is down YoY but up QoQ. Tuna raw material cost rose slightly QoQ. The strong THB needs to be monitored as it may affect sector earnings, particularly TU's. GFPT is our top BUY, backed by a solid 3Q19F with a strong broiler unit and indirect benefit from the spread of ASF in East and Southeast Asia.

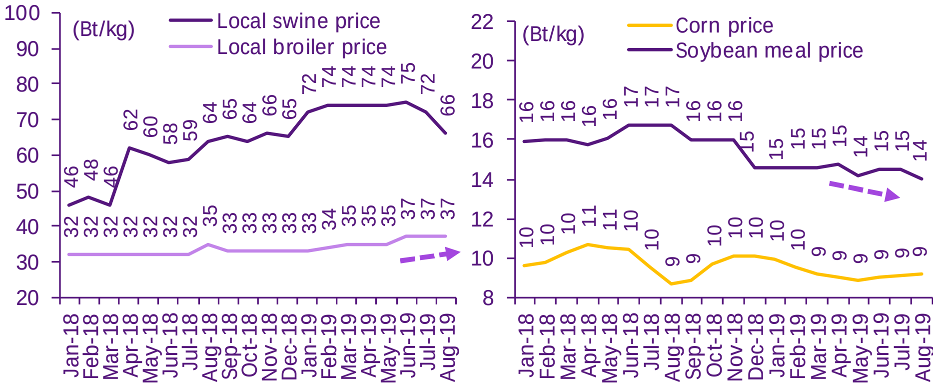
Livestock unit. Local broiler unit. Broiler price stayed at a two-year high of Bt37/kg in August (+6% YoY but flat MoM) and 3Q19TD (+11% YoY and +2% QoQ), above breakeven of Bt32-33/kg, aided by lower supply. In 3Q19TD, feed costs fell YoY with soybean meal price at Bt14.3/kg (-14% YoY and -1% QoQ) and stable corn price at Bt9.2/kg (flat YoY and QoQ). The better prices and low costs shoved broiler spread (price minus feed costs) up 38% YoY in 3Q19TD. Local swine unit. Swine price dropped MoM from seasonally weak demand but lower supply continued to push price up YoY to Bt66/kg in August (+3% YoY but -8% MoM) and Bt69/kg in 3Q19TD (+10% YoY but -4% QoQ), above breakeven of Bt58/kg. Better price and low costs have widened swine spread by 26% YoY in 3Q19TD. Swine unit in Vietnam revived MoM but the ASF outbreak pulled it down YoY to VND40,000/kg in August (-22% YoY but +18% MoM) and VND35,500/kg in 3Q19TD (-30% YoY but flat QoQ), close to operator breakeven.

ASF outbreak: Implications. The FAO first reported African Swine Fever (ASF) in China in August 2018; ASF then spread to Vietnam in February, Cambodia in April, Korea in May, Laos in June and Myanmar in August, leading to widespread culling to prevent the spread of the disease. Based on FAO data, we see several possible implications. First, China is the world's largest pig meat producer and largest importer of soybean meal (half used as feed for domestic pig herds). Lower pig supply will reduce soybean imports, positive to feed price for livestock producers in other countries, including Thailand. Second, pig producers from the world's largest exporters - Europe and the US – will gain from more exports to China. In turn, exports from Thailand will remain small (5% of local pig production), as some countries have limited imports from Thailand because of occasional flareups of some diseases i.e. foot and mouth disease. Third, the shortage of pork and high pork prices once ASF stabilizes, will turn consumers to alternative meats, such as poultry. This will benefit global poultry exporters, including Thailand.

Aquatic unit. Skipjack tuna price rose slightly MoM on seasonality to US$1,350/ton in August (-7% YoY but +13% MoM) and US$1,275/ton in 3Q19TD (-13% YoY but +5% QoQ), but still close to a 4-year low. As TU keeps inventory of up to 3-6 months, we expect its actual raw material cost to stay low until 4Q19F. The strong THB against the USD and EUR in 3Q19TD needs to be monitored, as it may adversely affect TU's earnings.

Top pick. We like GFPT, who is looking at a solid 3Q19F on better livestock units and an indirect benefit from greater spread of ASF in East and Southeast Asia.

Local broiler players to gain on high broiler price amid low feed costs in 3Q19TD



Source: Industry sources 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
CPF	Buy	27.50	35.0	29.6	17.4	16.0	1.0	1.0
GFPT	Buy	16.80	21.0	26.8	14.5	12.7	1.5	1.4
TU	Buy	17.00	23.0	38.9	14.0	12.8	1.7	1.5
Average					**15.3**	**13.8**	**1.4**	**1.3**

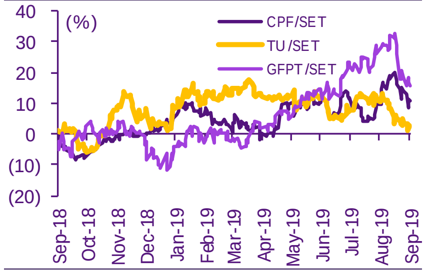
Source: SCBS Investment Research

Price performance

(%)	Absolute 1M	Absolute 3M	Absolute 12M	Relative to SET 1M	Relative to SET 3M	Relative to SET 12M
CPF	(4.3)	(2.7)	8.9	(7.7)	(2.4)	12.5
GFPT	(6.1)	2.4	12.8	(9.5)	2.7	16.5
TU	(6.1)	(7.6)	(1.7)	(9.4)	(7.4)	1.5

Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

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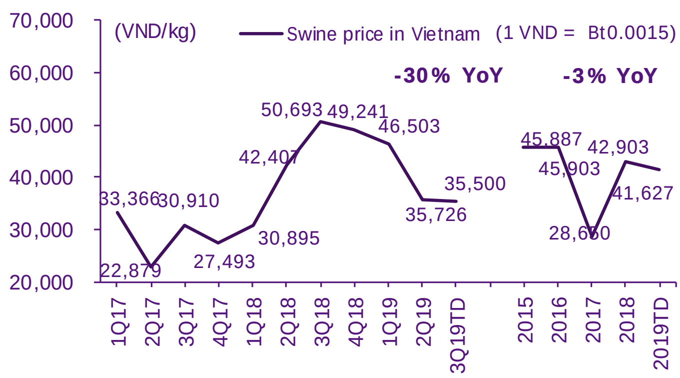
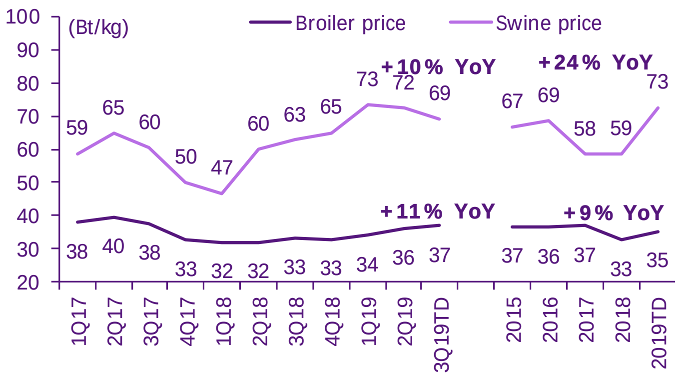
Figure 1: In 3Q19TD, swine price in Vietnam dropped 30% YoY because of an ASF outbreak



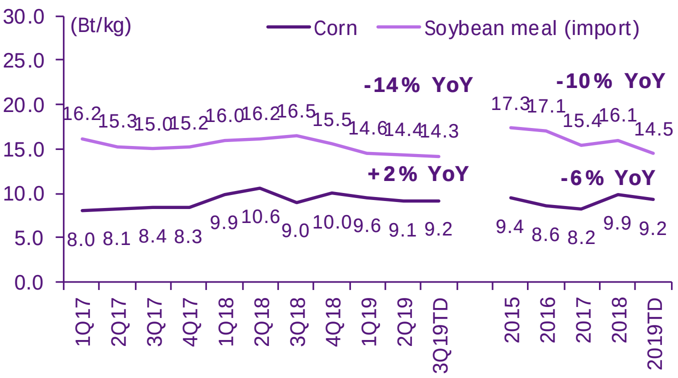
Source: Industry sources and SCBS Investment Research

Figure 2: In 3Q19TD, local swine and broiler price grew 10% YoY and 11% YoY, respectively



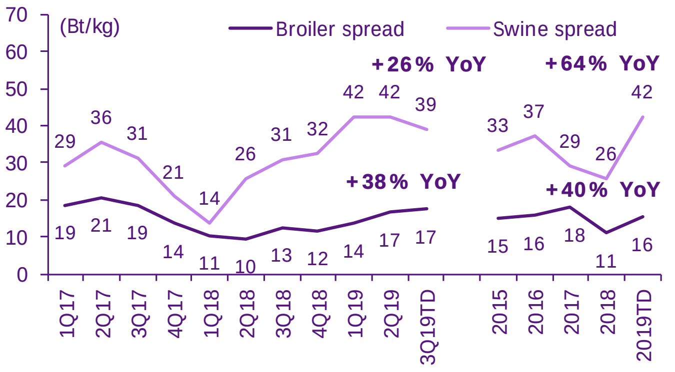
Source: Industry sources and SCBS Investment Research

Figure 3: In 3Q19TD, blended feed cost declined, mainly on lower soybean meal cost of 14% YoY



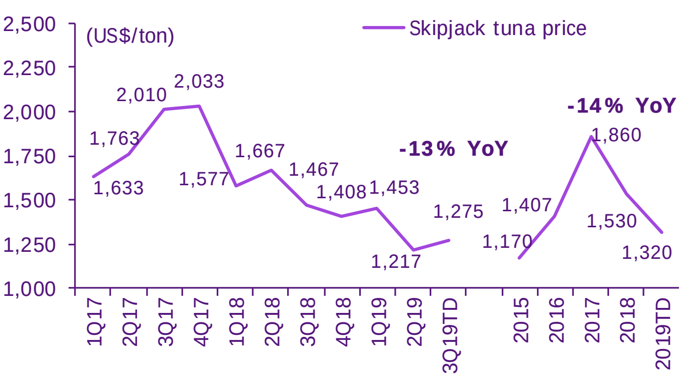
Source: Industry sources and SCBS Investment Research

Figure 4: In 3Q19TD, local swine and broiler spreads (price minus feed costs) widened YoY



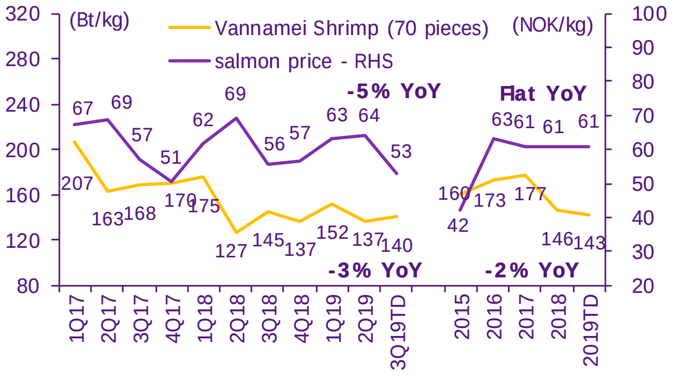
Source: Industry sources and SCBS Investment Research

Figure 5: In 3Q19TD, skipjack tuna price dropped 13% YoY but rose slightly 5% QoQ



Source: Industry sources and SCBS Investment Research

Figure 6: In 3Q19TD, 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	27.50	35.0	29.6	33.5	17.4	16.0	4	93	9	1.0	1.0	1.0	3	6	6	2.4	2.4	2.4	14.5	11.1	10.4
GFPT	Buy	16.80	21.0	26.8	18.4	14.5	12.7	(35)	27	14	1.7	1.5	1.4	9	11	11	1.5	1.8	1.8	8.6	8.0	7.4
TU	Buy	17.00	23.0	38.9	20.0	14.0	12.8	(15)	44	9	1.7	1.7	1.5	9	12	12	2.4	3.6	3.9	15.3	12.3	11.4
Average					**24.0**	**15.3**	**13.8**	**(15)**	**54**	**11**	**1.5**	**1.4**	**1.3**	**7**	**10**	**10**	**2.1**	**2.6**	**2.7**	**12.8**	**10.4**	**9.8**

Source: SCBS Investment Research

Healthcare

SET HELTH index	Close: 16/9/2019	5,312.85	-48.99 / -0.91%	Bt1,147mn
Bloomberg ticker:	SETHELTH			

Better earnings ahead. Prefer BCH and CHG.

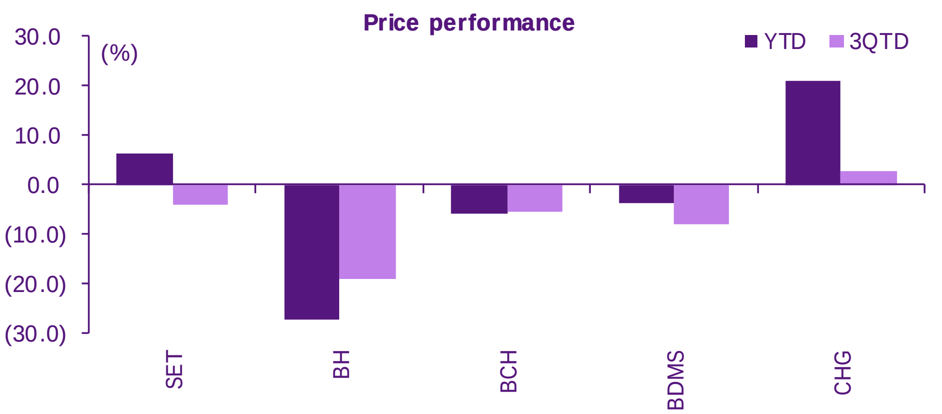
We continue to expect earnings to go up in the healthcare service sector. Investors may become concerned about the possibility of oversupply brought by opening of new hospitals in Bangkok CBD, but we see the risk to existing players as diluted by strengthening the physician network and provision of specialty services. BCH is our lead pick: its laggard price performance gives it an attractive risk/reward picture and it is looking at 16% earnings growth in 2020. CHG is our second pick: we like its earnings turnaround after a downturn since 3Q18.

Better earnings in 2H19. 3QTD, CHG has been an outperformer with a 3% share price increase vs. drops for peers: 19% for BH, 8% for BDMS and 5% for BCH, pulled down by weaker earnings that led to earnings downgrades. Looking into 2H19, we expect better earnings for all healthcare service providers on the usual higher season in the third quarter with more patients and more epidemics. According to the Department of Disease Control, in July-August, dengue and influenza cases in Thailand grew 57% YoY and 8% YoY, respectively.

Supply check. The market is concerned about the addition of supply in Bangkok CBD from new operators such as *TPP Healthcare International*, *Vimut Hospital* and *KPN Healthcare.* They fear these may take patients away from BH and BDMS, especially BH, which has but a single hospital in Bangkok; for BDMS, revenue from hospitals in Bangkok and vicinity is ~60% of the total, for BCH it is ~40%. (CHG has no hospitals in Bangkok proper.) Data from the Ministry of Public Health shows private hospitals have 14,220 beds in Bangkok with ~5,300 beds (37%) in the CBD. Project schedules show an estimated increase in new beds in the CBD of 4% in 2020 and 6% in 2021. BDMS says it is monitoring the supply growth but believes the risk of patient migration is diluted by its stronger physician network –key to drawing patient traffic – and its specialty services. This includes its new *Samitivej Japanese Hospital* with a focus on Japanese expats and *Bangkok International Hospital*, whose target is international patients.

BCH is our lead pick, followed by CHG. BCH is our lead pick and CHG moves into second place after a price increase. BCH has an attractive risk/reward picture: its share price lags CHG's by 22% YTD and it is trading at 29x 2020PE, lower than CHG's 32x. We expect BCH to deliver better operations in 2H19 and 16% growth in 2020 on greater ramping of the upgraded hospital, *Kasemrad Ramkamheng Hospital*, and as *the World Medical Hospital* (WMC) gets back on track. We like CHG's earnings turnaround in 2H19 after a downturn since 3Q18, which will be followed by 20% growth in 2020 - the sector's strongest – boosted by growing revenue and margin expansion as operations ramp up at newer hospitals, bringing losses down.

BCH is attractive on its laggard performance compared to CHG



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	15.7	20.5	32.1	33.5	28.8	6.2	5.6
BDMS	Buy	23.9	28.0	18.5	39.8	34.1	4.6	4.4
BH	Neutral	136.5	175.0	30.2	24.5	23.0	4.9	4.5
CHG	Buy	2.3	2.7	18.2	38.8	32.3	7.0	6.4
Average					**34.1**	**29.5**	**5.7**	**5.2**

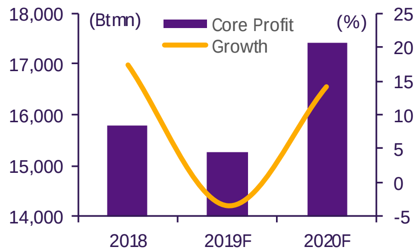
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BCH	7.5	(6.0)	(16.9)	3.7	(5.7)	(14.2)
BDMS	2.6	(7.2)	(7.2)	(1.1)	(6.9)	(4.1)
BH	(4.2)	(20.2)	(23.7)	(7.6)	(20.0)	(21.2)
CHG	0.9	1.8	(13.4)	(2.7)	2.0	(10.5)

Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

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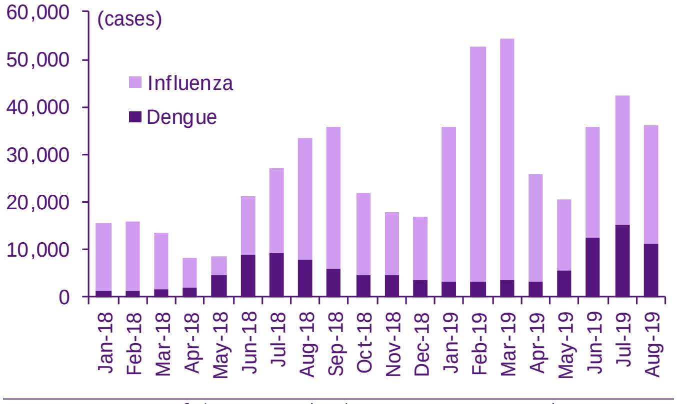
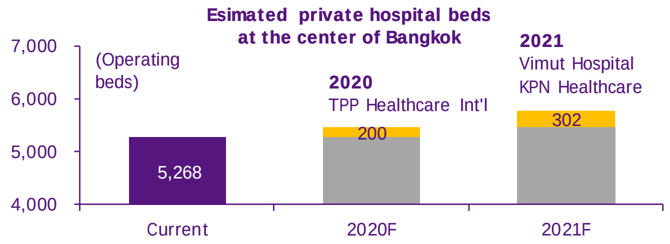
Figure 1: Higher epidemic cases in Thailand



Source: Department of Disease Control and SCBS Investment Research

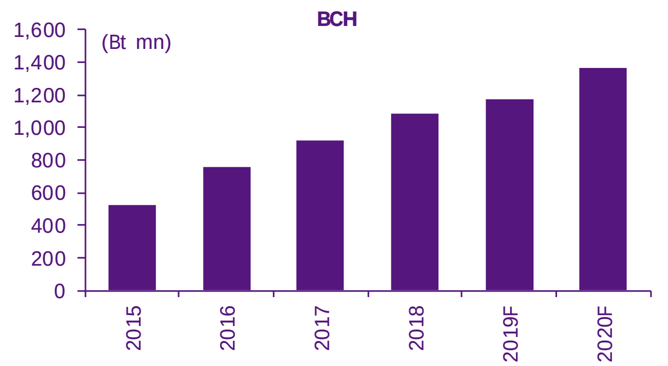
Figure 2: Estimated new bed supply in Bangkok



New facilities	No. of beds 1st phase	Full capacity	SOP
TPP Healthcare International	200	550	2020
Vimut Hospital	N.A.	250	4Q20
KPN Healthcare	152	350	2021
RSU International Hospital	N.A.	300	N.A.
Bumrungrad Petchburi Road Campus	N.A.	200	N.A.

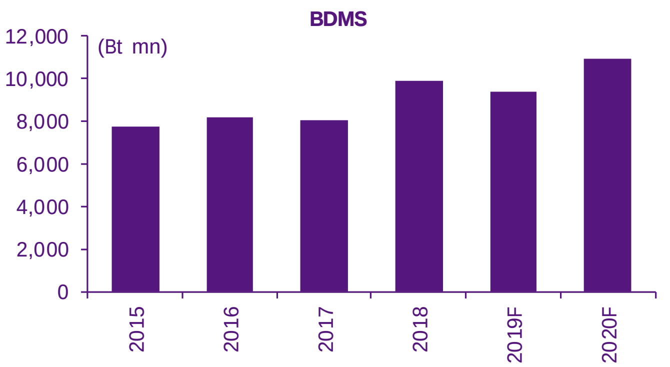
Source: Ministry of Public Health and SCBS Investment Research

Figure 3: BCH earnings forecast



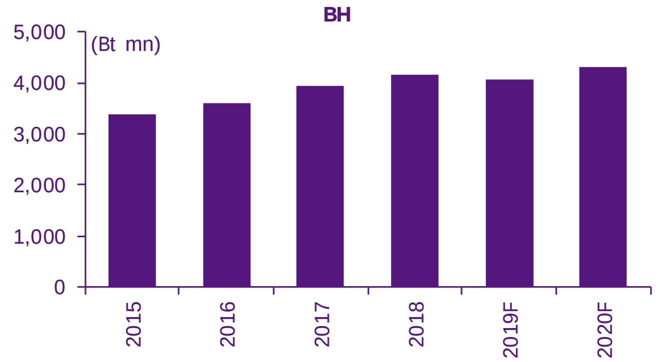
Source: SET and SCBS Investment Research

Figure 4: BDMS earnings forecast



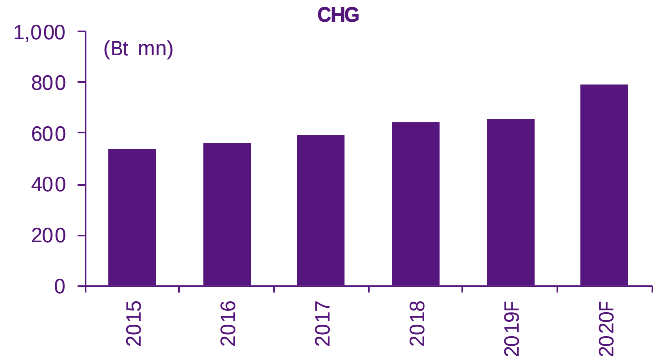
Source: SET and SCBS Investment Research

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	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BCH	Buy	15.70	20.5	32.1	35.9	33.5	28.8	18.8	7.3	16.4	6.9	6.2	5.6	18	17	19	1.4	1.5	1.7	19.3	17.6	15.3
BDMS	Buy	23.90	28.0	18.5	37.6	39.8	34.1	22.7	(5.5)	16.9	5.3	4.6	4.4	14	12	13	1.3	1.4	1.6	23.9	21.5	19.6
BH	Neutral	136.50	175.0	30.2	24.0	24.5	23.0	5.3	(2.1)	6.1	5.4	4.9	4.5	23	21	20	2.1	2.0	2.2	14.7	14.7	13.7
CHG	Buy	2.32	2.7	18.2	39.6	38.8	32.3	8.8	2.1	20.1	7.2	7.0	6.4	18	17	20	2.2	1.8	2.2	25.0	23.9	19.8
Average					**34.3**	**34.1**	**29.5**	**13.9**	**0.5**	**14.9**	**6.2**	**5.7**	**5.2**	**18**	**17**	**18**	**1.8**	**1.7**	**1.9**	**20.7**	**19.4**	**17.1**

Source: SCBS Investment Research

Industrial Estates

SET PROP index	Close: 16/9/2019	281.90	-1.84 / -0.65%	Bt1,554mn
Bloomberg ticker:	SETPROP			

SCBS

"Thailand Plus" is a genuine plus

As expected, the new government is trying to boost FDI – a direct benefit for IEs – and to this end has greenlighted an investment stimulus scheme that offers more tax breaks to both BoI promoted and non-promoted industries for investment in any location through 2021. With no end in sight to the US-China trade war that is sending investors scurrying to move production to other countries, Thailand is set to gain from an influx of FDI. We maintain our forecast land sales growth of 33% to 2,838 rai for our universe. We like all domestic players – AMATA, ROJNA and WHA.

Investment incentive to spur industrial demand. On September 10, the cabinet approved a stimulus package to encourage FDI from investors relocating away from China. The package offers tax privileges, a special investment zone for specific countries and promises amendments to the Foreign Business Act to smooth foreign investment. The BoI expects 5,000 companies to apply for the incentive. The coverage is broad, including non-promoted projects in all locations (not just EEC), which should enlarge demand for industrial property in 2019-2021 (BoI application submitted by end-2020 and investment by end-2021).

No end in sight for the US-China trade war. The on-again, off-again talks between China and the US have not produced any hints of a trade deal. On Sep 1, the US imposed 15% tariffs on some Chinese goods and China hit back with 5-25% tariffs on US goods. On Sep 11, China eased back and listed some US goods that will be exempt from tariffs for a year. Further bumps up are expected in mid-October and December. With no signs the war will end, production relocations are increasingly necessary. Figure 1 shows manufacturers that are considering moving out of China; the government hopes to lure them to Thailand.

Land sales forecast achievable. Industrial land sales at companies in our universe were slow at 906 rai in 1H19, only 32% of our 2019F. However, including deals being negotiated and the investment stimulus package, we expect forecasts to be met and leave our sales forecasts unchanged at 2,838 rai (+33% YoY): 1,400 rai (+43%) for WHA, 988 rai (+17%) for AMATA and 450 rai (+50%) for ROJNA.

Like all domestic players - AMATA, ROJNA and WHA. Local IE developers (AMATA, ROJNA and WHA) are ideally situated to reap the benefit from trade war-forced relocations and we BUY all. We like AMATA as a direct play with large land bank of 9,775 rai, all in EEC, for which price appreciation is expected. We like ROJNA for its cheap valuation plus hidden value of investments and good business diversification. WHA has the largest market share of IE land sales and build-to-suit logistics. AMATAV is, through no fault of its own, facing prolonged regulatory risk that is blocking the issuing of construction licenses for new industrial parks, keeping it from capitalizing on Vietnam's strong FDI; we keep it as a Neutral.

Qui

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	25.8	32.0	26.9	15.2	12.4	1.9	1.7
AMATAV	Neutral	4.9	5.2	7.8	43.9	24.9	1.6	1.6
ROJNA	Buy	6.8	8.5	31.0	19.7	14.2	1.1	1.1
WHA	Buy	4.8	6.0	28.0	21.7	17.2	2.2	2.1
Average					**25.1**	**17.2**	**1.7**	**1.6**

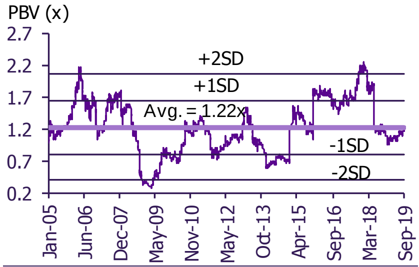
Source: SCBS Investment Research

Price performance

(%)	Absolute 1M	Absolute 3M	Absolute 12M	Relative to SET 1M	Relative to SET 3M	Relative to SET 12M
AMATA	7.7	8.2	19.2	3.9	8.5	23.2
AMATAV	9.0	(2.8)	(18.3)	5.1	(2.5)	(15.6)
ROJNA	4.7	11.6	29.8	0.9	11.9	34.1
WHA	3.5	1.7	17.2	(0.2)	2.0	21.2

Source: SET, SCBS Investment Research

IE sector's PBV



Source: SET, SCBS Investment Research

Thailand Plus incentive package

1. Additional BoI privileges:
   - A reduction of corporate income tax by 50% for five years for investment project worth >Bt1bn by 2021.
   - Applications must be submitted by the end of 2020.
2. Establishment of an investment steering and cooperation committee chaired by the prime minister to tackle problems and obstacles to investment
   - The BoI is empowered to approve waivers of corporate income tax on all sizes of investment to non-BoI-promoted businesses for investors seeking swift relocation.
3. Operators that employ high skilled personnel in science, technology and advanced engineering are allowed to claim their payment as an expense to deduct from taxable income during 2019-2020 at 150%.
   - Additional deduction from business investment or training expenses in advanced technology from corporate income tax during 2019-2020 of 250% (up from 200%).
4. Amendment of the Foreign Business Act and accelerated information linkage between the BoI and related state units to facilitate visa and work permit procedures for investors.
5. Development of specific industrial areas to accommodate foreign expatriates, such as from South Korea, China and Taiwan.
6. Revival of Thai-EU Free Trade Agreement talks and talks on joining the Comprehensive and Progressive Agreement for Trans-Pacific-Partnership (CPTPP). More funds to be allocated to help Thai businesses hit by trade liberalization.
7. Additional deduction for business investment in automation systems from corporate income tax during 2019-2020 of 200% (up from 150%).

Source: Bangkok Post Newspaper, SCBS Investment Research

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Figure 1: Companies considering moving production bases

Company	Nationality	Business	Location
Kyocera	Japan	Office equipment	Thailand/Vietnam
Dell	American	Personal computer	Vietnam/Philippines
Brooks Running Company	American	Sport fashion and shoes	Vietnam
Jason	American	Socks (Nike, Adidas and Fila)	Vietnam
Haier	China	Electrical appliances	Vietnam
Foxconn	Taiwan	Electronic equipment	Vietnam/ India/Mexico
Samsung	Korea	Electronic equipment	Vietnam
I.M.Healthcare	Korea	Medical equipment	Vietnam/Korea
Nintendo	Japan	Games and software	Vietnam
Echo	American	Fashion	Vietnam
Sharp	Japan	Electrical appliances	Vietnam
Kenda Rubber Industrial	Taiwan	Rubber products	Vietnam
Sierra Wireless Inc	Canada	Wireless communication equipment	Vietnam
HP	American	Electronic equipment	Thailand/Taiwan
Quanta Computer	Taiwan	Computer	Taiwan
Home Fashions Co., Ltd	Taiwan	Home decoration products	Taiwan
Accton Technology Corp	Taiwan	Computer network	Taiwan
Inventec	Taiwan	AirPods and HomePod producer	Taiwan/Mexico
Compal Electronics	Taiwan	Apple watches and iPads producer	Taiwan
Casio	Japan	Watch	Thailand/Japan
Mitsubishi Electrics	Japan	Electrical appliances	Japan
Seiko watch	Japan	Watch	Japan
Microsoft	American	Software developer	Thailand/Indonesia
Pegatron	Taiwan	Electronic equipment	Indonesia
SK Hynix Inc.	Korea	Memory chip producer	Korea
Micron Technology	American	Memory chip producer	Asia
Panasonic	Japan	Electrical appliances	n.a.
Apple	American	Computer	n.a.
Google	American	Online network	n.a.
Amazon	American	Online website	n.a.
Acer	Taiwan	Computer hardware	n.a.
Asustek	Taiwan	Computer hardware	n.a.
Samsonite International SA	American	Baggage	n.a.
Macy's Inc	American	Department store	n.a.
Fossil Group Inc.	American	Watch	n.a.
Jason Furniture (Hangzhou)	China	Furniture	n.a.
Cisco Systems	American	Telecommunication network	n.a.
Li & Fung Ltd.	Hong Kong	Fashion, garment, kitchen ware, furniture, toys, healthcare	n.a.

Source: NESDB

Figure 2: 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	25.75	32.0	26.9	22.0	15.2	12.4	(19)	45	23	2.1	1.9	1.7	8	11	13	1.6	2.7	3.3	21.1	22.8	18.6
AMATAV	Neutral	4.86	5.2	7.8	11.5	43.9	24.9	(21)	(74)	76	1.6	1.6	1.6	13	3	6	0.8	0.8	0.8	10.0	28.8	20.3
ROJNA	Buy	6.75	8.5	31.0	43.3	19.7	14.2	14	119	39	1.1	1.1	1.1	2	4	5	8.9	5.1	7.0	11.4	10.1	8.8
WHA	Buy	4.76	6.0	28.0	23.5	21.7	17.2	5	8	26	2.5	2.2	2.1	10	10	11	1.8	1.9	2.4	30.1	25.1	22.0
Average					**25.0**	**25.1**	**17.2**	**(5)**	**25**	**41**	**1.8**	**1.7**	**1.6**	**8**	**7**	**9**	**3.3**	**2.6**	**3.4**	**18.2**	**21.7**	**17.4**

Source: SCBS Investment Research

Insurance

SET INSUR index	Close: 16/9/2019	10,957.48	+1.96 / +0.02%	Bt76mn
Bloomberg ticker:	SETINS			

No wind in the sails

Insurance companies are expected to remain rudderless in 2019. BLA is being hit by a sharp fall in bond yield and unsustainable new business premiums. THREL is taking a break from growing premiums to fix its combined ratio, which is expected to be at its worst this year. THRE is expected to see recovery in both premium growth and combined ratio without the big extra expenses, but its profitability will remain weak. We prefer BLA, whose valuation is attractive.

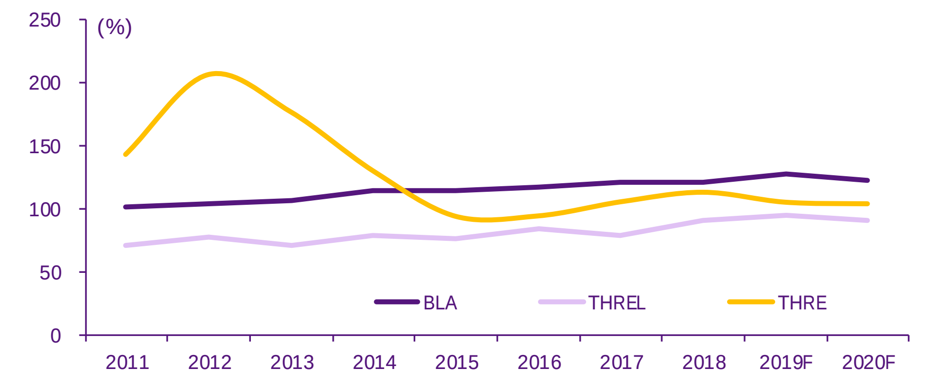
BLA: Hit by falling bond yield but still undervalued. As a result of falling bond yield, we expect BLA to set aside the liability adequacy test (LAT) reserve in 3Q19. BLA estimates that a 10 bps fall in discount rate means LAT reserve of around Bt1bn. Using 10-year government bond yield as a proxy for the discount rate, we calculate a fall of around 30 bps QTD in the 8-quarter weighted average bond yield and estimate that BLA will have to book LAT reserve of around Bt3bn in 3Q19. The sharp fall in bond yield will have less impact on its embedded value (EV), as the negative impact on liabilities will be largely offset by the positive impact on its investment portfolio. There is a positive development in 3Q19 in terms of premium growth from its new bancassurance partnership with TISCO. Trading at a 45% discount to its 2018 EV, BLA is well undervalued.

THREL: Slowing premium growth to fix combined ratio. THREL cut its premium growth target for 2019 to 3-5% and 2020 from 7% (SCBS forecasts 0% in 2019 and 3% in 2020) because it has put the brakes on growing health insurance products in order to fix its profit margin. We expect its combined ratio to rise to peak of 94% in 2019F (93.4% in 1H19) from 90% in 2018 before easing to 91% in 2020F and 89% in 2021F on two factors: 1) the time lag before the proactive claim management and commission review takes effect and 2) a lower impact from the recapture of L-T products, which will be finished in 2020.

THRE: Recovering but profitability still weak. We expect THRE's bottom line to turn around in 2019 on: 1) a recovery in premium growth, 2) an improvement in combined ratio and 3) the absence of large extra expenses (chiefly an investment loss from marking THREL to market and an impairment of deferred tax assets). We expect premium growth to pick up from 2% in 2018 to 10% in 2019F, driven by business expansion abroad (Cambodia, Laos and Vietnam) and the introduction of new non-conventional products. We expect combined ratio to ease from 113% in 2018 to 105% in 2019 and 103% in 2020 as the "insurance for teachers" project runs out, as this has an unusually high loss ratio. This teacher insurance will fall from Bt1.3bn (29% of total premiums) in 2018 to around Bt1bn (21% of total premiums) in 2019 and Bt200mn (4% of total premiums) in 2020. If the teacher loan protection insurance is excluded, combined ratio for 1H19 would be 98.6% instead of 107%.

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.

Combined ratio



Source: Companies 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
BLA	Buy	21.0	34.0	64.8	8.5	5.3	0.8	0.7
THRE	Sell	0.7	0.7	9.6	21.2	15.8	0.7	0.7
THREL	Neutral	3.8	4.4	22.5	11.9	9.0	1.5	1.4
Average					**13.9**	**10.1**	**1.0**	**0.9**

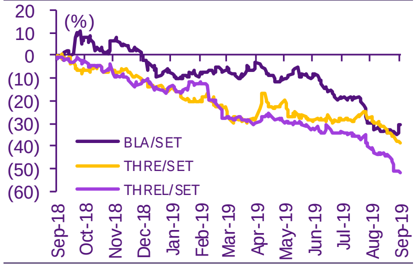
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
BLA	1.4	(25.7)	(33.9)	(2.1)	(25.5)	(31.7)
THRE	(11.0)	(16.7)	(40.9)	(14.1)	(16.5)	(38.9)
THREL	(14.8)	(30.9)	(53.7)	(17.8)	(30.7)	(52.1)

Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

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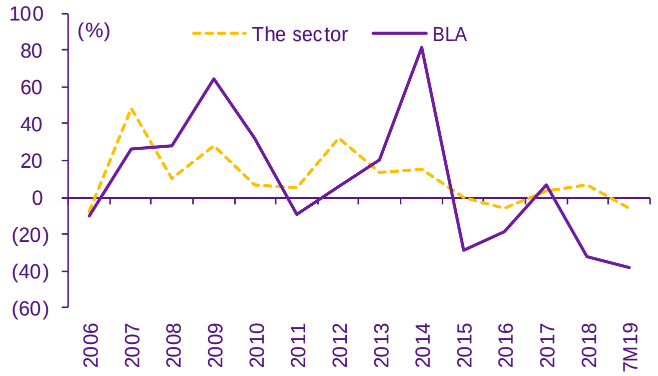
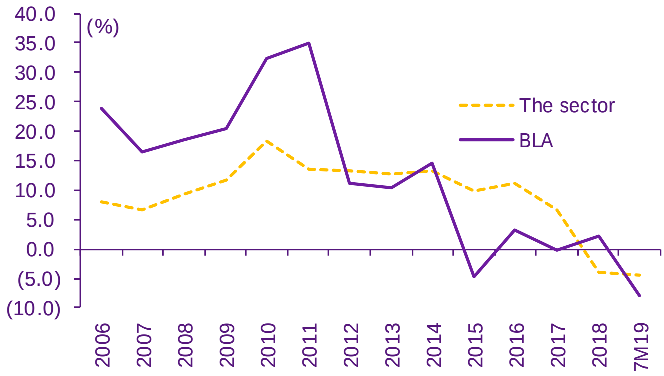
Figure 1: New business premium growth



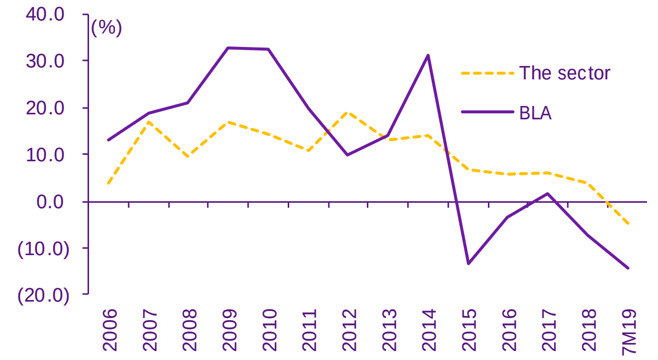
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 2: Renewal premium growth



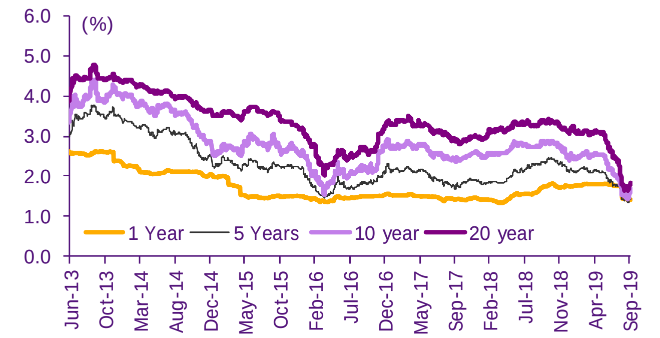
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 3: Total premium growth



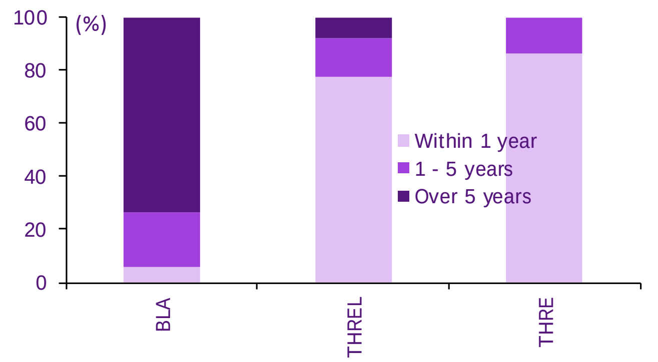
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 4: Government bond yield



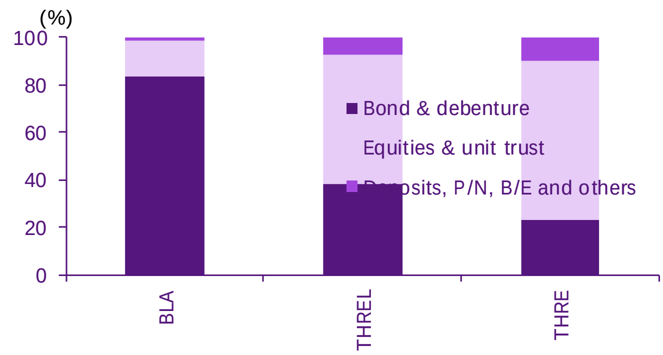
Source: Thai BMA and SCBS Investment Research

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) 18A	P/E (x) 19F	P/E (x) 20F	EPS growth (%) 18A	EPS growth (%) 19F	EPS growth (%) 20F	P/BV (x) 18A	P/BV (x) 19F	P/BV (x) 20F	ROE (%) 18A	ROE (%) 19F	ROE (%) 20F	Div. Yield (%) 18A	Div. Yield (%) 19F	Div. Yield (%) 20F
BLA	Buy	21.00	34.0	64.8	7.2	8.5	5.3	37	(15)	61	0.9	0.8	0.7	13	10	14	3.5	2.9	4.7
THRE	Sell	0.65	0.7	9.6	n.m.	21.2	15.8	(810)	n.m.	34	0.8	0.7	0.7	(24)	4	5	0.0	1.9	2.5
THREL	Neutral	3.80	4.4	22.5	9.0	11.9	9.0	(42)	(24)	31	1.6	1.5	1.4	17	13	16	9.2	6.7	8.3
Average					**8.1**	**13.9**	**10.1**	**(272)**	**(20)**	**42**	**1.1**	**1.0**	**0.9**	**2**	**9**	**12**	**4.2**	**3.9**	**5.2**

Source: SCBS Investment Research

Petrochemicals

SET PETRO index	Close: 16/9/2019	963.88	-9.57 / -0.98%	Bt4,441mn
Bloomberg ticker:	SETPETRO			

Bitten by the trade war

The lengthy trade dispute between China and the US continued to shadow the SET Petrochemical Index in 3Q19, pulling it down 19% QTD vs. the SET's -3%. This has slowed demand while capacity is rising, weakening spreads. We stay cautious until there are signs of progress in US-China trade talks. We like IVL (TP at Bt68) after a sharp 35% YTD fall in share price, as earnings are shielded from trade barriers caused by ongoing tension. We view its current valuation at 7x P/E (2020) as tempting vs. historical average of 12x (2015-2018), plus dividend yield of 3.7-4.8% for 2019-21.

Disappointing 2Q19. The sector's profit plunged 71% YoY and 50% QoQ in 2Q19 on weak product spread and inventory loss, pulled down by two big-caps: IVL and PTTGC saw profit plummet 73-80% YoY, yet they contributed 78% of 2Q19 sector profit. IVL is shoring up the sector in 3Q19 with stable spread and lower inventory loss. PTTGC continues to see a narrower margin in its olefins and aromatics segments.

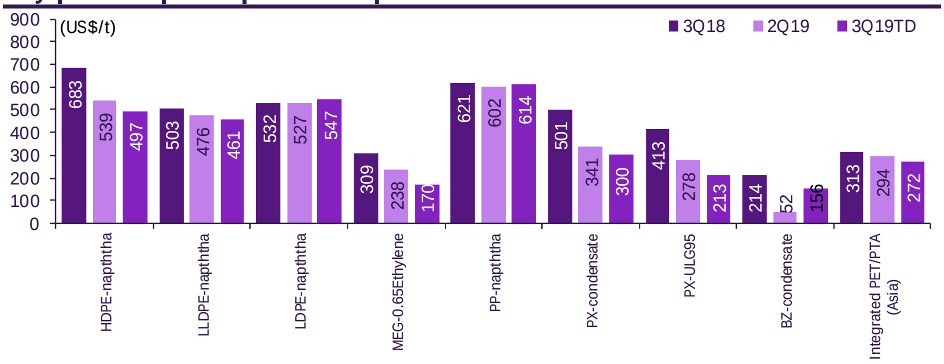
The bear still haunting PE in 4Q19. HPDE product spread has slipped another 8% QoQ to a 7-year low of <US$500/t in 3Q19TD, down 27% YoY, hit by rising supply and demand weakened by the uncertain economic outlook. These factors are likely to hang on in 4Q19 as the trade tension between China and the US shows no signs of abating. The expected change in trade flow of PE products has played a part in rebalancing the market but this is insufficient to offset the weaker sentiment. We expect PP-naphtha spread to continue to outpace PE spread in 4Q19 on a better demand-supply balance. PP-naphtha spread vs. HDPE-naphtha spread widened to US$117/t in 3Q19TD from US$63/t in 2Q19.

More capacity to depress PX spread. PX spread over condensate and ULG95 sank 12% and 23% QoQ in 3Q19TD to only US$300/t, a 7 plus-year low. Spread has headed down steadily from peak in 4Q18 on new capacity in China, mainly Hengli Petrochemical. The weak spread has led some high-cost producers in Asia and Europe to cut utilization by 20-30% since May and this is likely to continue in 2H19 as more supply enters the market. Even shifting into lower gear will not be sufficient to offset the rise in added capacity in 2H19, especially since production will also be ramping up at newly opened plants.

Global integrated PET spread softened. Integrated PET spread in the global market weakened slightly QoQ to US$400/t, on lower spread in both Asia and western market. PTA remained the key beneficiary of lower feedstock cost (PX) but the magnitude was lower QoQ. We expect integrated PET/PTA producers to continue to enjoy lower PX cost throughout the year thanks to the new PX supply.

Like IVL after 35% fall YTD. IVL heads our list amidst the uncertainties in the ongoing trade war. We expect 2H19 profit to improve on better on core EBITDA/t with solid spread for integrated PET and normal operation of EO/EG plant as well as lower inventory loss. We believe its strategy to diversify into key markets to make it a local player will pay off amidst the heightening risk of trade barriers.

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	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
GGC	Sell	12.0	11.0	(5.0)	10.4	9.7	1.1	1.0
IVL	Buy	34.3	68.0	102.3	8.2	6.8	1.2	1.1
PTTGC	Buy	57.0	76.0	37.7	11.9	8.4	0.8	0.8
Average					**10.2**	**8.3**	**1.1**	**1.0**

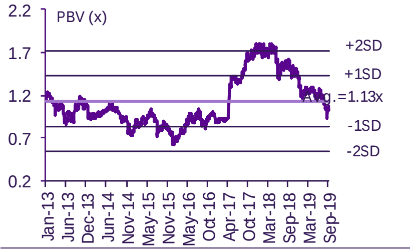
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
GGC	13.2	9.1	3.4	9.2	9.4	6.9
IVL	(12.2)	(27.1)	(40.2)	(15.3)	(26.9)	(38.2)
PTTGC	9.1	(8.4)	(29.0)	5.2	(8.2)	(26.6)

Source: SET, SCBS Investment Research

PBV band – SETPETRO



Source: SET, SCBS Investment Research

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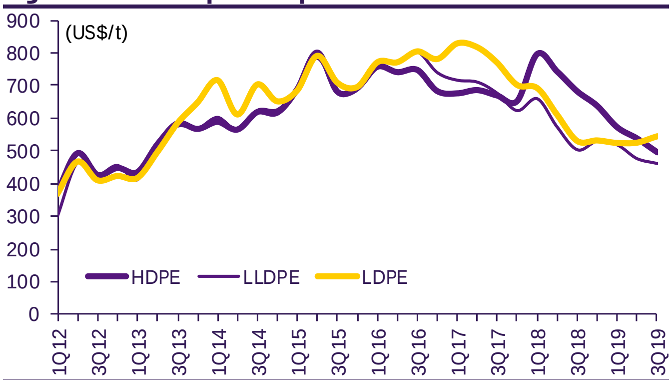
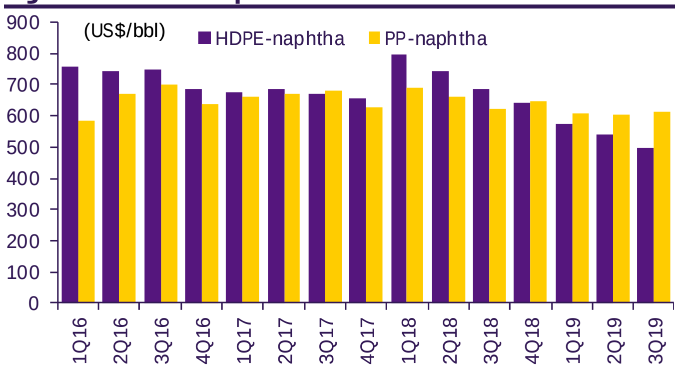
Figure 1: PE - Naphtha spread



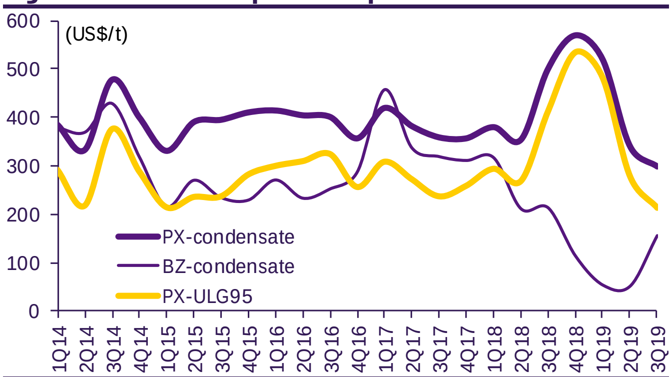
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 2: Product spread – HDPE vs. PP



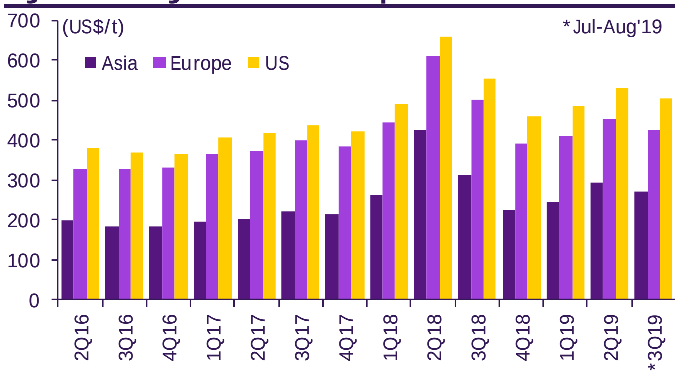
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 3: Aromatics product spread



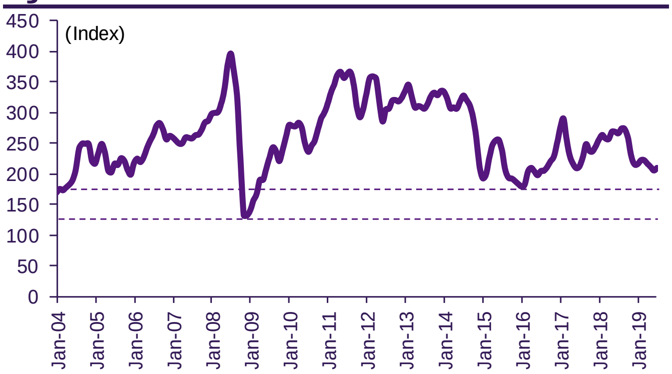
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 4: Integrated PET/PTA spread



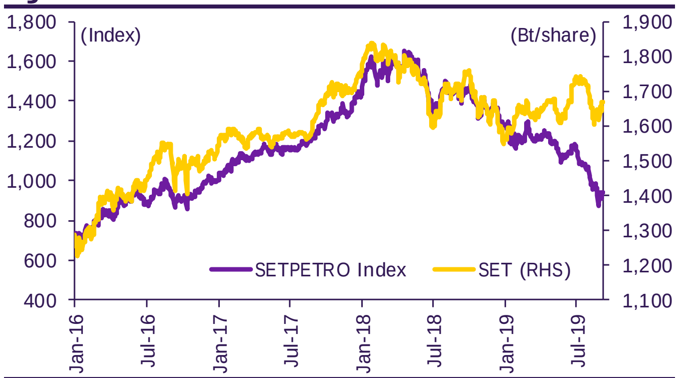
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 5: Petrochemical Index



Source: ICIS, 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) 18A	19F	20F	EPS growth (%) 18A	19F	20F	P/BV (x) 18A	19F	20F	ROE (%) 18A	19F	20F	Div. Yield (%) 18A	19F	20F	EV/EBITDA (x) 18A	19F	20F
GGC	Sell	12.00	11.0	(5.0)	21.7	10.4	9.7	(6)	110	7	1.3	1.1	1.0	5	11	11	0.0	3.4	3.5	10.9	6.9	6.0
IVL	Buy	34.25	68.0	102.3	8.0	8.2	6.8	12	(3)	21	1.3	1.2	1.1	18	15	17	4.1	3.8	4.7	7.1	6.1	4.9
PTTGC	Buy	57.00	76.0	37.7	6.3	11.9	8.4	(0)	(47)	42	0.9	0.8	0.8	14	7	10	7.5	4.4	6.0	5.0	7.2	5.7
Average					**12.0**	**10.2**	**8.3**	**2**	**20**	**23**	**1.2**	**1.1**	**1.0**	**13**	**11**	**12**	**3.8**	**3.8**	**4.7**	**7.7**	**6.7**	**5.5**

Source: SCBS Investment Research

Residential property

SET PROP index	Close: 16/9/2019	281.90	-1.84 / -0.65%	Bt1,554mn
Bloomberg ticker:	SETPROP			

In a tough spot

Housing outlook is poor: new supply exceeds demand, raising unsold stock in 1H19, chiefly condo. Condo prices continue to move up, encouraging speculation, both domestic and foreign. Banks are tightening up on mortgage loans and foreign demand is fading, dulling the housing industry's outlook. We suggest only developers who are widely diversified and have low exposure to foreign sales. LH and SPALI meet these criteria.

Poor demand/supply dynamics in 1H19. A survey by AREA suggests a 10% YoY slowing in housing demand (50,050 units) with a 21% jump in new supply (55,008 units), raising unsold stock by 14% (to 199,669 units) in 1H19, with the added unsold stock entirely condo. Demand for SDH and TH outdid new supply, reducing unsold stock and suggesting lower competition.

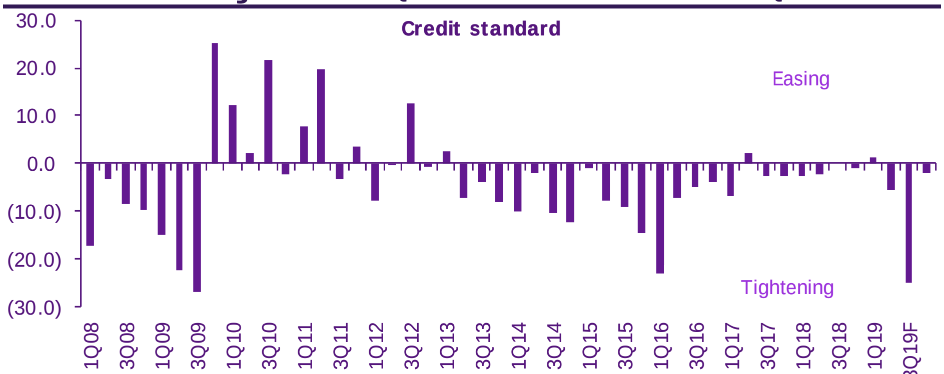
Oversupply? Condos yes, low-rise no. There appears to be a condo oversupply: take-up rate is low and unsold stock is at a record 88,788 units. There has been a more rapid increase in condo price than income (GDP) for many years (2013-2018) due to: a) domestic speculation from yield/capital gain hunters getting in on the lengthy run of low interest rates in Thailand; and b) foreign speculation led by the comparatively low property prices in Thailand. Foreign buyers comprised a high 21%-27% of total condo transfers over 2015-2018, with China taking the largest portion at 30-64% of foreign transfers. Demand from these sources is both unpredictable and unsustainable. A small price inflation is good to spur growth, but too much and too long is detrimental. Prices for low-rise, for which demand is real, rose less than GDP in 2016-2017 (reversing the 2013-2015 trend), indicating little speculation, more sustainable demand and thus lower risk.

Banks will continue to be wary. A BoT survey suggests banks are tightening credit standards, pushing up rejection rates (negative approval ratio index), weakening presales and transfers in 2Q19. The survey suggests banks will continue tightening in 3Q19 on rising concerns of borrowers' ability to pay. This implies low loan availability, eroding housing demand. Thailand's high household debt to GDP of 78.7% in 1Q19 has made the BoT – and by implication, banks - cautious.

Dull 3Q19 outlook. We expect housing demand to remain slow in 3Q19, but revenue recognition will inch up as backlog is transferred. Condo and land price indices slowed in 1H19, the first deceleration for a decade, a short-term negative as it indicates that condo demand is weakening without investment/speculation and foreign demand; however, the longer term implication is positive.

Top picks are LH and SPALI. We like LH as a low-risk play with a focus on low-rise housing and broad diversification into retail and hospitality in Thailand and the US. The sale of *Grande CentrePoint Sukhumvit 55* will bulk up earnings in 4Q19 and the final dividend. We like SPALI for its high backlog that will provide an income stream through 2023; we also like its low exposure to foreign sales. Its revenue structure has a good balance between low-rise and condo.

Credit standards tightened in 2Q19 and this will continue in 3Q19F



Source: BoT, 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
AP	Buy	7.0	10.0	49.3	6.0	5.3	0.8	0.7
LH	Buy	10.3	13.0	33.1	13.7	13.0	2.5	2.5
LPN	Neutral	6.1	6.9	24.6	6.2	5.9	0.7	0.6
PSH	Neutral	19.3	20.5	14.4	6.9	6.7	1.0	0.9
QH	Buy	2.8	3.7	39.2	8.6	7.9	1.1	1.0
SIRI	Neutral	1.3	1.5	23.1	9.3	7.9	0.6	0.6
SPALI	Buy	18.6	27.0	51.2	6.2	5.7	1.1	1.0
Average					**8.1**	**7.5**	**1.1**	**1.1**

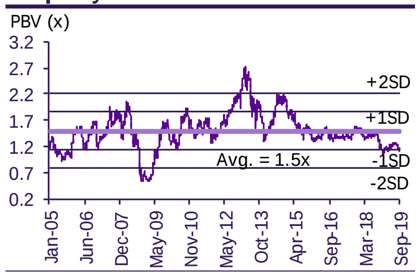
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
AP	(2.1)	(11.5)	(27.2)	(5.6)	(11.2)	(24.8)
LH	(2.8)	(5.5)	(10.4)	(6.3)	(5.3)	(7.4)
LPN	(6.2)	(17.1)	(42.4)	(9.5)	(16.9)	(40.5)
PSH	(0.0)	(5.9)	(7.2)	(3.5)	(5.6)	(4.1)
QH	(4.8)	(9.1)	(19.5)	(8.1)	(8.9)	(16.9)
SIRI	(4.3)	(5.0)	(18.0)	(7.7)	(4.8)	(15.3)
SPALI	(8.4)	(18.1)	(25.6)	(11.6)	(17.8)	(23.1)

Source: SET, SCBS Investment Research

Property sector's PBV



Source: SET, SCBS Investment Research

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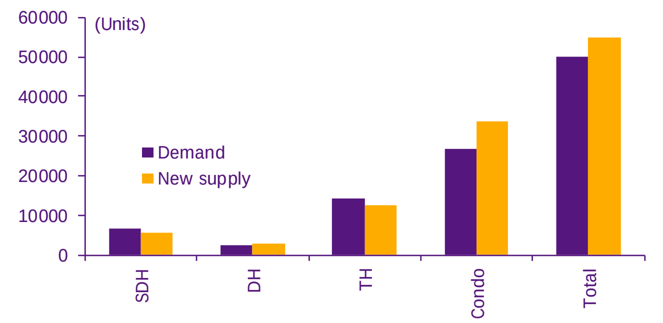
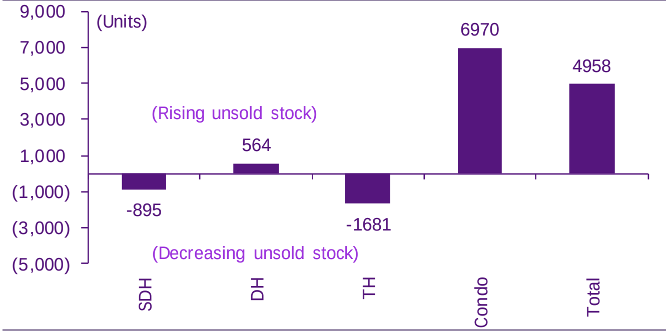
Figure 1: Demand/supply in 1H19



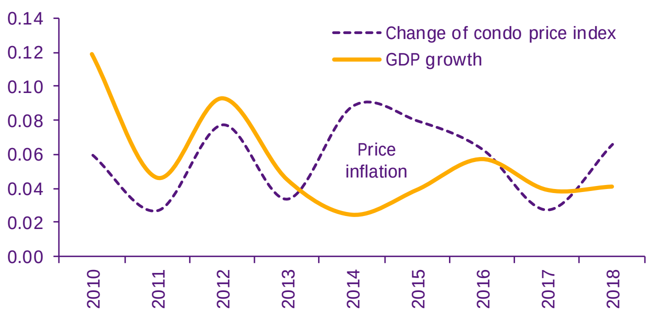
Source: AREA

Figure 2: Net supply in 1H19



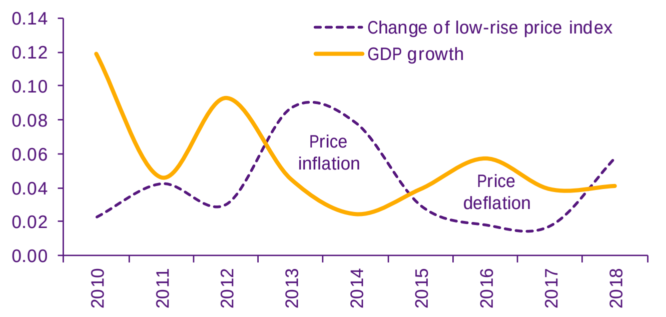
Source: AREA

Figure 3: Condo price index versus GDP growth



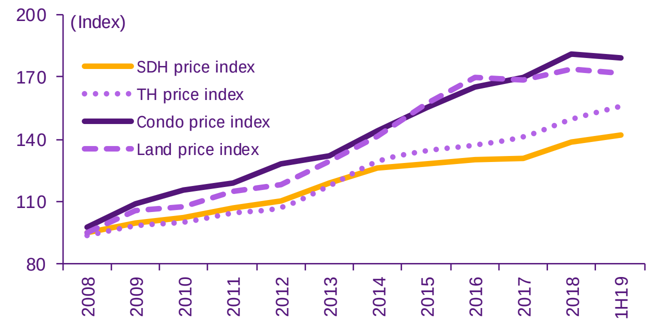
Source: BoT, SCBS Investment Research

Figure 4: Low-rise (average between SDH and TH) price index versus GDP growth



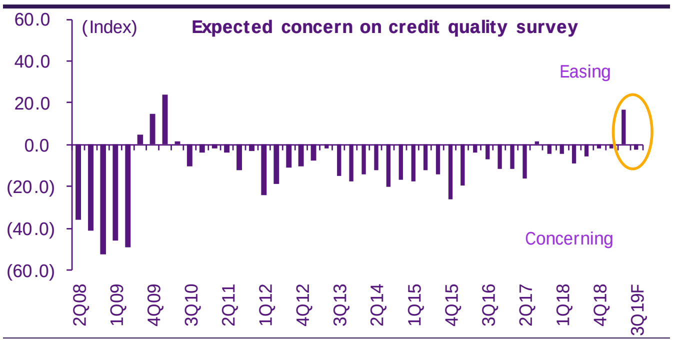
Source: BoT, SCBS Investment Research

Figure 5: Property price indices for both condo and land are falling



Source: BoT, SCBS Investment Research

Figure 6: Credit quality is a concern



Source: BoT, SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AP	Buy	6.95	10.0	49.3	5.7	6.0	5.3	25	(6)	13	0.9	0.8	0.7	17	14	15	5.8	5.4	6.1	8.5	9.5	8.8
LH	Buy	10.30	13.0	33.1	13.1	13.7	13.0	5	(4)	6	2.5	2.5	2.5	19	18	19	7.3	6.9	7.3	12.5	14.2	13.6
LPN	Neutral	6.05	6.9	24.6	6.6	6.2	5.9	28	6	6	0.7	0.7	0.6	11	11	11	9.9	10.5	11.1	7.6	7.5	7.6
PSH	Neutral	19.30	20.5	14.4	7.0	6.9	6.7	10	2	2	1.0	1.0	0.9	15	14	14	8.0	8.2	8.4	8.2	8.0	7.9
QH	Buy	2.80	3.7	39.2	7.8	8.6	7.9	17	(10)	10	1.1	1.1	1.0	15	13	13	7.9	7.0	7.7	10.0	11.8	11.4
SIRI	Neutral	1.32	1.5	23.1	9.4	9.3	7.9	(29)	1	18	0.6	0.6	0.6	7	7	8	6.1	9.5	11.0	17.5	18.3	16.5
SPALI	Buy	18.60	27.0	51.2	6.9	6.2	5.7	(15)	11	10	1.2	1.1	1.0	19	18	18	5.4	6.0	6.6	7.0	6.2	5.7
Average					**8.1**	**8.1**	**7.5**	**6**	**(0)**	**9**	**1.2**	**1.1**	**1.1**	**15**	**14**	**14**	**7.2**	**7.6**	**8.3**	**10.2**	**10.8**	**10.2**

Source: SCBS Investment Research

Securities

SET FIN index	Close: 16/9/2019	4,198.50	-25.49 / -0.60%	Bt734mn
Bloomberg ticker:	SETFIN			

Prefer ASP to MBKET

We raise 2019F daily market turnover and market share of MBKET and ASP to fine-tune with a QoQ rise in 3Q19TD figures. We expect a YoY and QoQ recovery in 3Q19 earnings for both companies. We maintain Neutral on ASP on an expected decent dividend yield but Sell MBKET due to unsustainable dividend after an exceptionally high 1H19 dividend.

Raise 2019 daily market turnover assumption. Average daily market turnover (excluding proprietary trading) has risen to Bt55bn in 3Q19 (as of September 12), up 17% YoY and QoQ. YTD daily market turnover is Bt45bn. To fine-tune with this, we raise our 2019F average daily market turnover assumption to Bt45bn from Bt43bn vs. Bt50.6bn in 2018. We expect to see daily market turnover sink to Bt42bn in 2020 as investment in LTF will no longer be tax deductible from personal income tax.

QoQ better market share in 3Q19 QTD. MBKET's market share has gone up to 6.43% in 3Q19 (as of September 12) from 5.93% in 2Q19 with a YTD market share of 6.26% vs. 6.14% in 2018. ASP's market share has inched up to 1.79% in 3Q19 (as of September 12) from 1.74% in 2Q19 with a YTD market share of 1.84% vs. 2.29% in 2018. We maintain MBKET's 2019F market share at 6.1% and ASP's 2019F market share at 1.85%.

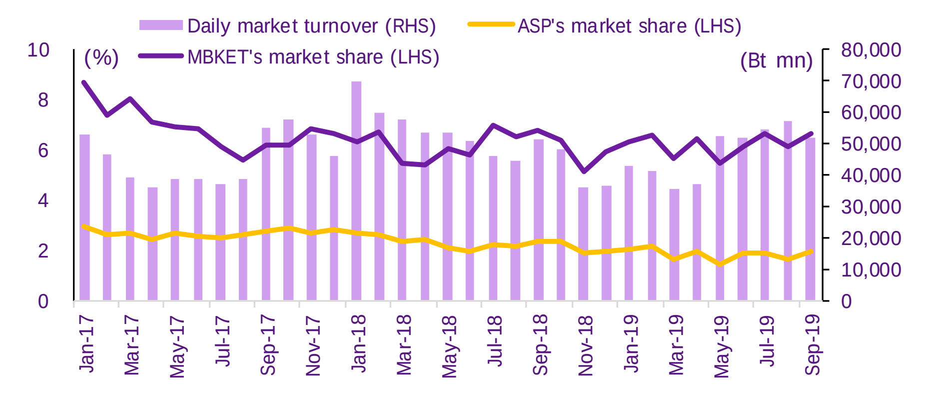
MBKET's 3Q19F preview: Up YoY and QoQ. We forecast an 11% YoY and 764% QoQ increase in 3Q19 earnings to Bt60m. The surge QoQ arises out of the absence of last quarter's Bt39mn extra employee benefit, a 33% rise in brokerage fees and a turnaround in gain on investment. The expected 11% YoY rise comes from a 12% rise in brokerage income.

ASP's 3Q19F preview: Up YoY and QoQ. We forecast an increase in 3Q19 earnings of 47% YoY and 50% QoQ to Bt100mn. On a QoQ basis, we expect a 50% increase in 3Q19F earnings, underpinned by no repeat of last quarter's Bt33mn extra employee benefit, a 30% rise in brokerage fees, a 26% increase in gain on investment but a 13% decrease in non-brokerage fees without any IPO deal. On a YoY basis, we expect a 47% rise in 3Q19F earnings due to larger investment gain (Bt65mn vs. zero in 3Q18), despite a 5% slip in brokerage income.

2H19F dividend. We expect MBKET's 2H19 dividend to return to normal at Bt0.21/share (100% payout, 2.5% yield), after a larger-than-expected 1H19 dividend of Bt0.68, which was 9.9 times 1H19 EPS. We expect ASP's dividend at Bt0.10/share for 2H19 (vs. Bt0.06/share for 1H19), a 90% dividend payout ratio, translating to 4.8% dividend yield.

Maintain Neutral on decent dividend yield. We keep our Neutral on ASP on expectation of a decent dividend. We rate Sell on MBKET as we believe MBKET's exceptionally high dividend for 1H19 will not be repeated.

Market turnover lower than expected



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
ASP	Neutral	2.0	2.7	42.8	11.6	11.1	0.9	0.9
MBKET	Sell	8.6	4.0	(42.7)	30.1	30.7	1.1	1.2
Average					**20.9**	**20.9**	**1.0**	**1.1**

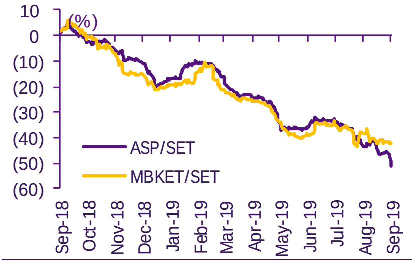
Source: SCBS Investment Research

Price performance

	Absolute			Relative to SET		
(%)	1M	3M	12M	1M	3M	12M
ASP	(20.0)	(26.5)	(47.9)	(22.8)	(26.3)	(46.2)
MBKET	(6.6)	1.2	(33.7)	(9.9)	1.4	(31.5)

Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

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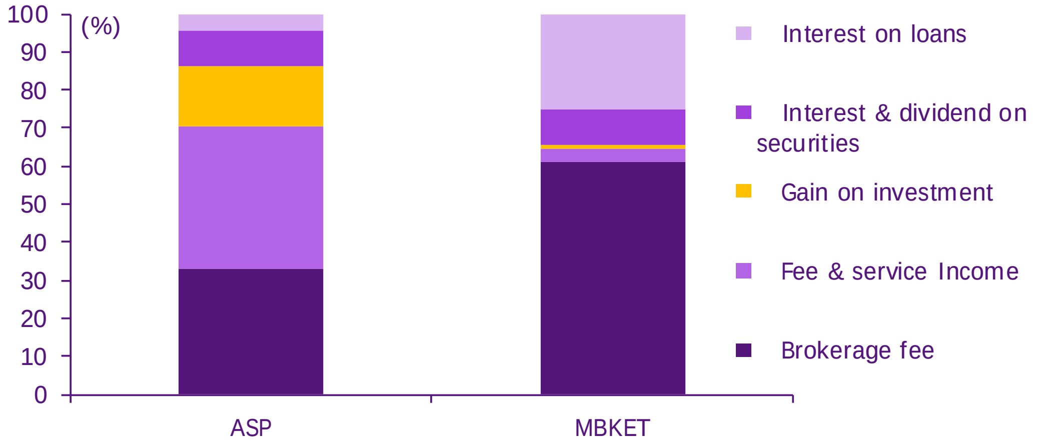
Figure 1: Target price sensitivity to turnover

	ASP	MBKET
Target price at various daily mkt. turnover for 2H19 and 1H20		
Bt42bn	2.8	6.1
Bt45bn — base case	2.6	4.7
Bt48bn	2.4	3.4
EPS (Bt) at various daily mkt. turnover for 2H19 and 1H20		
Bt42bn	0.19	0.36
Bt45bn — base case	0.17	0.28
Bt48bn	0.16	0.20
DPS (Bt) at various daily mkt. turnover for 2H19 and 1H20		
Bt42bn	0.17	0.36
Bt45bn — base case	0.16	0.28
Bt48bn	0.14	0.20
Dividend payout	90%	100%
Target PE (x)	**15.0**	**16.7**

Source: SCBS Investment Research

Figure 2: 2019F revenue breakdown



Source: ASP, MBKET and SCBS Investment Research

Figure 3: Valuation summary

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
		(Bt/Sh)	(Bt/Sh)	(%)	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
ASP	Neutral	2.00	2.7	42.8	9.7	11.6	11.1	(41)	(16)	5	0.9	0.9	0.9	9	8	8	10.0	7.8	8.1
MBKET	Sell	8.55	4.0	(42.7)	12.5	30.1	30.7	(39)	(59)	(2)	1.1	1.1	1.2	8	4	4	8.0	10.5	3.3
Average					**11.1**	**20.9**	**20.9**	**(40)**	**(38)**	**1**	**1.0**	**1.0**	**1.1**	**9**	**6**	**6**	**9.0**	**9.1**	**5.7**

Source: SCBS Investment Research

Telecom

SET ICT index	Close: 16/9/2019	177.72	+0.23 / +0.13%	Bt3,686mn
Bloomberg ticker:	SETCOMUN			

Clear skies ahead

We believe mobile sector earnings are headed back up with growth both HoH and YoY expected in 2H19 thanks to easing competition and off the low base in 2H18. So far in 3Q19, competition is stable. Telecom operators' earnings are to some extent shielded from the economic troubles both at home and globally. Sector valuation also benefits from low bond yield since it is a business with solid cash flow. ADVANC is our top pick with a DCF-based TP Bt255. We are NEUTRAL on TRUE (TP Bt6.2) and DTAC (TP Bt60)

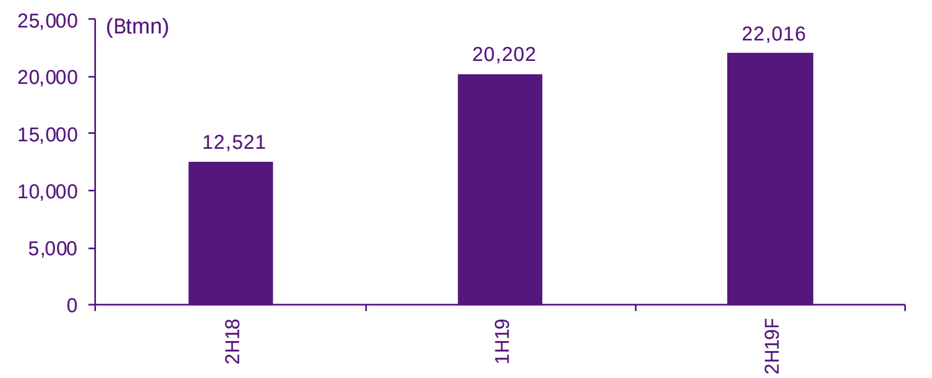
Clear growth path in 2H19. We believe mobile operators' earnings passed bottom in 2Q19 and expect to see positive earnings growth HoH and YoY in 2H19F. Backing this is improving mobile revenue as low-tier fixed speed unlimited data packages start expiring and competition eases. As of 2Q19, ~30% of ADVANC and TRUE's subs have the low-tier fixed speed unlimited data package. DTAC did not specify its percentage, but we believe it is similar.

Competitive landscape remains stable in 3Q19. After all operators removed unlimited data packages in 2Q19, the competitive pressure eased. Based on our channel check, competition is now stable. This will be a bonus for ARPU, which grew an average of 3.4-4.4% QoQ in 2Q19. The less intense competition will also help reduce pressure to engage in marketing activities.

ADVANC starting to regain market share. In 2Q19, TRUE was the only operator reporting positive net adds of 229k. ADVANC and DTAC saw a contraction in net adds of 26k and 94k respectively. At the same time, ADVANC was the only operator gaining revenue market share: to 50.5% in 2Q19 from 49.9% in 1Q19, thanks to improving ARPU.

ADVANC is our top pick. We continue to choose ADVANC as our top pick. With the largest share of the market, we believe it will benefit the most from easing competition. This is also reflected in 2Q19 numbers: ADVANC saw the biggest improvement in its service revenue ex. IC on a QoQ basis at 4%. Its dividend yield is also the highest in the sector at 3.6% in 2020F based on 70% dividend payout. We do not expect ADVANC to raise its dividend payout until it has settled its 5G investment needs, which would be upside risk to our ADVANC assumptions. We assign a NEUTRAL rating to DTAC and TRUE. For DTAC, we believe all the optimism is already reflected in its share price. Currently valuation is at 23.5x PE and 7.5x EV/EBITDA in 2019F, above its historical average. Looking back at the past two years, DTAC's EV/EBITDA was unable to pass 8.0x. However, its good earnings momentum in 2H19 off last year's low base will help cushion downside. For TRUE, we believe the current valuation in terms of PE looks stretched (the highest in the sector).

Expect 2H19F sector core earnings to grow 9% HoH and 75% YoY



Source: The companies 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
ADVANC	Buy	223.0	255.0	17.8	20.5	19.2	9.7	8.4
DTAC	Neutral	58.8	60.0	5.3	23.5	23.1	5.6	5.0
TRUE	Neutral	5.7	6.2	10.5	63.8	96.9	1.4	1.4
Average					**35.9**	**46.4**	**5.6**	**4.9**

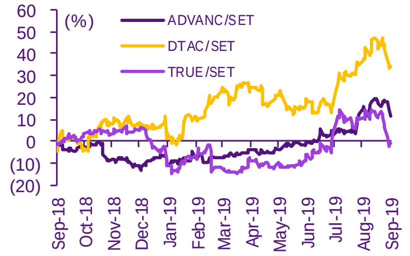
Source: SCBS Investment Research

Price performance

(%)	Absolute 1M	Absolute 3M	Absolute 12M	Relative to SET 1M	Relative to SET 3M	Relative to SET 12M
ADVANC	3.2	13.5	10.9	(0.4)	13.8	14.6
DTAC	1.7	14.1	25.7	(1.9)	14.4	29.9
TRUE	(5.0)	9.6	(1.7)	(8.4)	9.9	1.6

Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

Analyst

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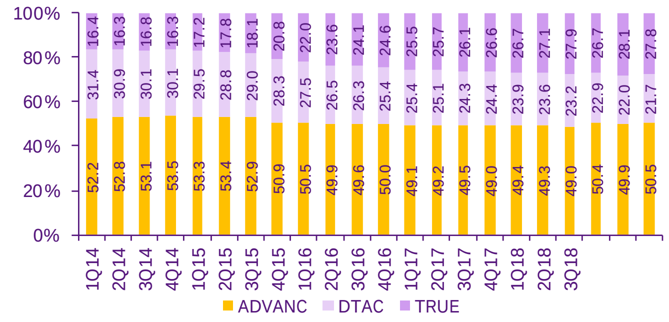
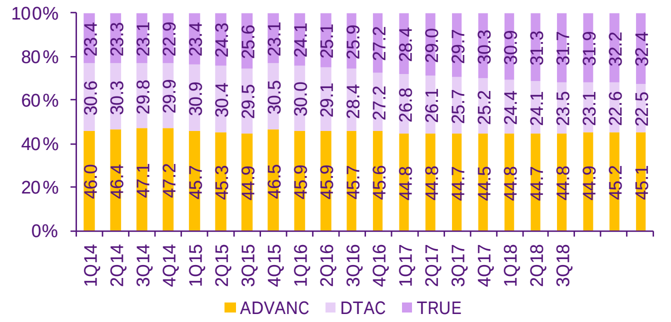
SCBS

Figure 1: ADVANC gaining revenue market share in 2Q19



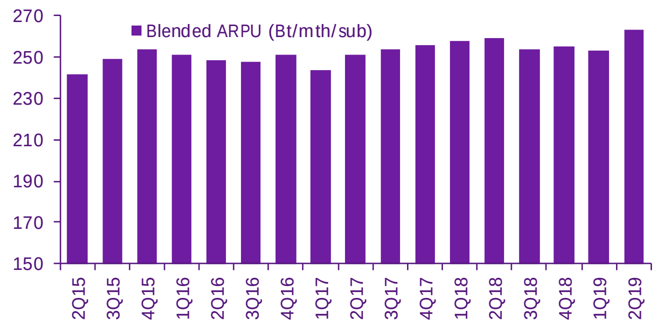
Source: Company data and SCBS Investment Research

Figure 2: ...despite lower subs market share



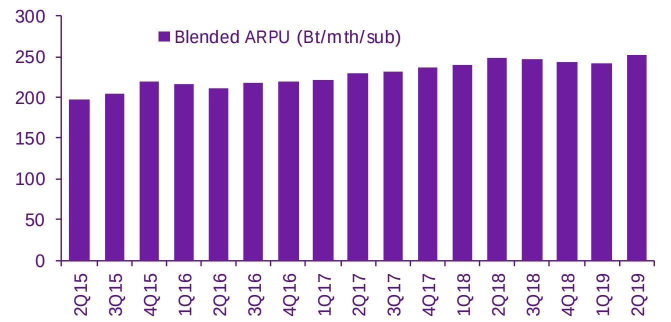
Source: Company data and SCBS Investment Research

Figure 3: Blended ARPU started to improve in 2Q19 for ADVANC



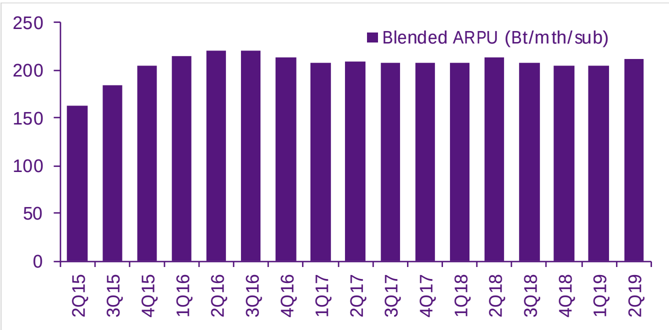
Source: SET and SCBS Investment Research

Figure 4: ...and DTAC



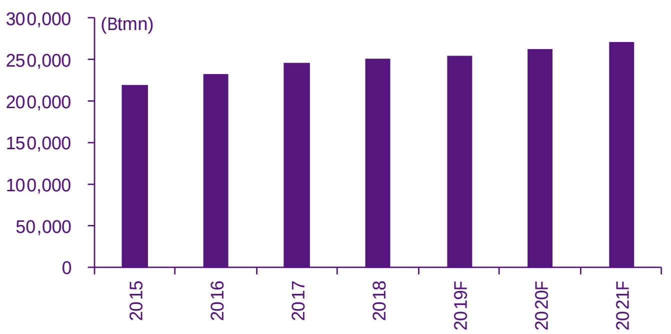
Source: SET and SCBS Investment Research

Figure 5: ...as well as TRUE



Source: SET and SCBS Investment Research

Figure 6: Expect sector mobile revenue to grow by 1% in 2019F and 3% in 2020F



Source: SET and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 18A	19F	20F	EPS growth (%) 18A	19F	20F	P/BV (x) 18A	19F	20F	ROE (%) 18A	19F	20F	Div. Yield (%) 18A	19F	20F	EV/EBITDA (x) 18A	19F	20F
ADVANC	Buy	223.00	255.0	17.8	22.4	20.5	19.2	(1)	9	7	11.5	9.7	8.4	55	51	47	3.2	3.5	3.6	10.2	9.5	9.3
DTAC	Neutral	58.75	60.0	5.3	n.m.	23.5	23.1	n.m.	n.m.	2	6.3	5.6	5.0	(17)	25	23	1.7	3.2	2.2	8.8	7.5	7.6
TRUE	Neutral	5.70	6.2	10.5	27.0	63.8	96.9	n.m.	(58)	(34)	1.4	1.4	1.4	5	2	1	1.6	1.7	0.5	6.1	9.1	8.9
Average					**24.7**	**35.9**	**46.4**	**(1)**	**(24)**	**(9)**	**6.4**	**5.6**	**4.9**	**14**	**26**	**24**	**2.2**	**2.8**	**2.1**	**8.4**	**8.7**	**8.6**

Source: SCBS Investment Research

Tourism

SET TOURISM index	Close: 16/9/2019	556.36	-5.28 / -0.94%	Bt189mn
Bloomberg ticker:	SETHOT			

Short-term sign of relief

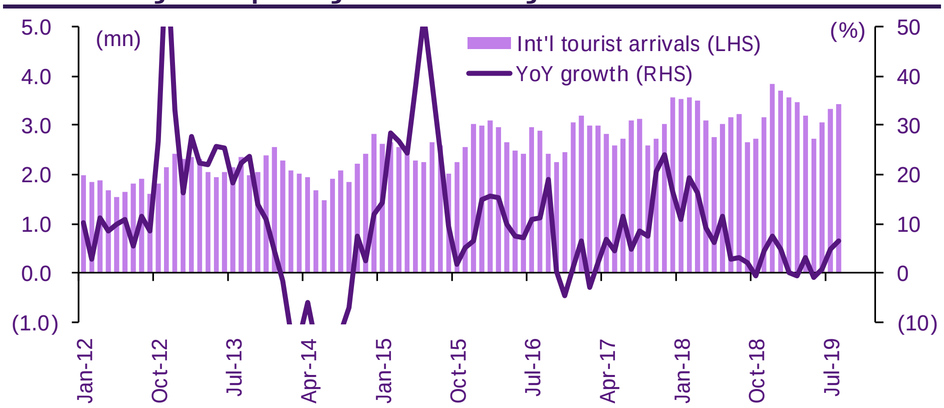
Amid the challenging tourism environment caused by concerns about the economy and worries the strong baht may deter travel, we do see a short-term sign of relief with accelerating arrivals growth off the low base in 2H18 and the government's extension of the waiver of visa-on-arrival (VOA) fees. Our top picks are ERW (improving operations and valuation support) and MINT (strong earnings prospects).

Slow 1H19 but better 2H19. The Tourism Authority of Thailand (TAT) has revised down its 2019 target to 40mn international tourist arrivals, growth of 4% YoY (from 41.1mn or 7% YoY growth) after a slow 1H19 with only 1% YoY growth. This suggests accelerating growth for the rest of the year off the low base in 2H18 after the boat accident in Phuket and the government's extension of the waiver of visa-on-arrival (VOA) fees to April 2020 from October 2019. In 8M19, the number of international tourist arrivals grew 2.6% YoY (26.5mn), implying August growth of 6% YoY, accelerating from July's 5% YoY growth. Our channel check indicates strengthening momentum: AOT's international pass-through grew 7% YoY in September 1-7 and AAV's forward bookings for China routes during October's Golden Week are higher than in the same period last year.

Challenges ahead. In our view, Thai tourism faces challenges: not only are there concerns about the impact of the trade war on the economy, but the strong baht may deter travel. YTD, the Thai baht has appreciated against the yuan by 9%, the US$ by 6% and the euro by 14%, making it more expensive to visit Thailand. In view of tourism's importance to the Thai economy, TAT is working to attract more visitors from short-haul markets (~70% of international tourist arrivals) such as ASEAN, China and India, by coordinating with shopping malls and airline operators to offer special promotions for tourists from those countries. In 2020, TAT targets international tourist arrivals at 42mn or 4% growth.

Top picks: ERW and MINT. As a pure hotel play, we expect the improvement in tourism to bring better earnings for ERW in 2H19. It also is trading an undemanding valuation of 11x 2020EV/EBITDA, close to the level seen in 2008-09 and 2013-14 when Thai tourism was damaged by political tension. We like MINT for its strong earnings from the consolidation of NH Hotel Group and note that it will book ~Bt2.1bn extra gain from the sale of three hotels in Portugal in 3Q19 that will also strengthen its financial position. We rate Neutral on CENTEL as we see its earnings prospects as weaker than peers, pulled down by the higher rental cost of its hotel at Hua Hin and a major hotel renovation at Samui. However, we believe price downside is limited since CENTEL's share price has fallen by 18% YTD, near its four-year low, to where it is trading at 22x 2020PE, below price during the political crisis in 2013-14 (-1SD of its historical average).

Thai tourism geared up in August with 6% YoY growth in international arrivals



Source: Ministry of Tourism and Sport 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	32.8	41.0	26.9	24.1	21.9	3.0	2.8
ERW	Buy	5.9	8.5	45.1	30.5	22.9	2.4	2.3
MINT	Buy	37.8	47.0	25.9	24.2	20.9	2.0	1.9
Average					**26.3**	**21.9**	**2.5**	**2.3**

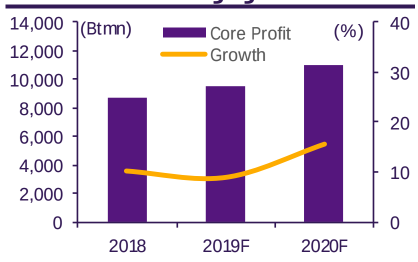
Source: SCBS Investment Research

Price performance

(%)	Absolute 1M	Absolute 3M	Absolute 12M	Relative to SET 1M	Relative to SET 3M	Relative to SET 12M
CENTEL	7.4	(9.0)	(15.5)	3.6	(8.8)	(12.7)
ERW	8.3	(9.2)	(25.3)	4.4	(9.0)	(22.8)
MINT	1.3	(2.6)	(4.4)	(2.2)	(2.3)	(1.2)

Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

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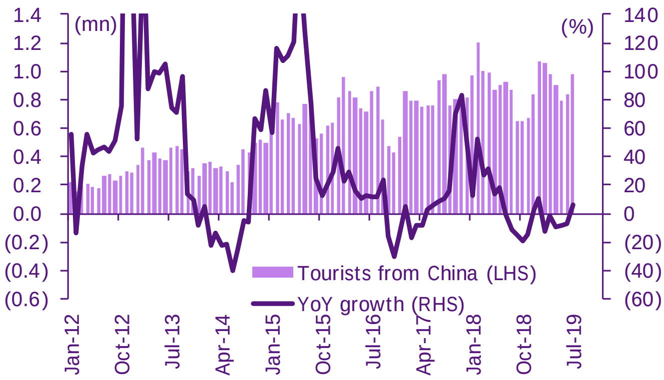
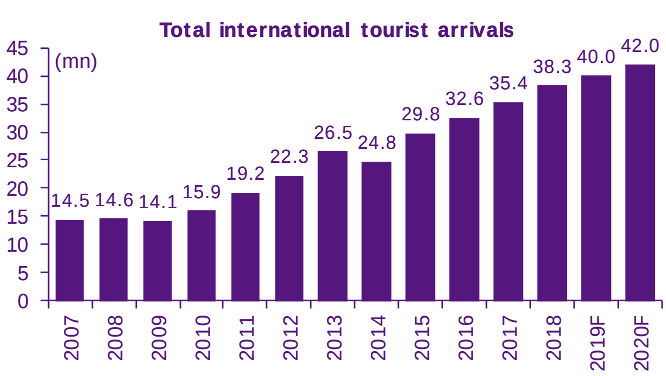
Figure 1: Recovery of China market (as of July 2019)



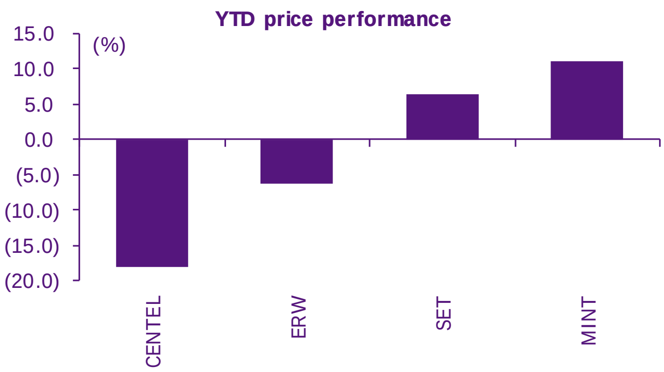
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 2: Thai tourism forecast



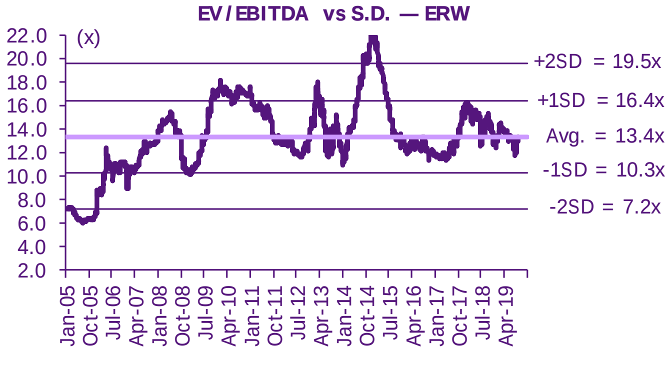
Source: The Tourism Authority of Thailand and SCBS Investment Research

Figure 3: Price performance



Source: SET and SCBS Investment Research

Figure 4: ERW EV/EBITDA band



Source: SET 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
CENTEL	Neutral	32.75	41.0	26.9	20.3	24.1	21.9	8.0	(16.1)	10.0	3.3	3.0	2.8	17.1	13.1	13.3	2.0	1.7	1.8	10.0	11.0	10.9
ERW	Buy	5.90	8.5	45.1	26.3	30.5	22.9	9.8	(13.6)	33.1	2.6	2.4	2.3	10.0	8.2	10.3	1.5	1.1	1.5	12.1	13.0	10.9
MINT	Buy	37.75	47.0	25.9	29.0	24.2	20.9	6.6	19.9	15.8	2.1	2.0	1.9	9.0	8.4	9.2	1.1	1.4	1.7	18.3	12.6	11.4
Average					**25.2**	**26.3**	**21.9**	**8.1**	**(3.3)**	**19.6**	**2.7**	**2.5**	**2.3**	**12.0**	**9.9**	**10.9**	**1.5**	**1.4**	**1.7**	**13.4**	**12.2**	**11.1**

Source: SCBS Investment Research

SCBS Investment Recommendations

Price as of : 16-Sep-19

Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	Core Profit (Btm) 18A	19F	20F	Core EPS (Bt) 18A	19F	20F	Core EPS growth (%) 18A	19F	20F	Core PER (x) 18A	19F	20F	BVPS(Bt) 18A	19F	20F	P/BV (x) 18A	19F	20F	ROE (%) 18A	19F	20F
Agribusiness				**25.0**		**1,144**	**1,449**	**1,654**							**18.4**	**14.5**	**12.7**				**1.66**	**1.52**	**1.39**	**9**	**11**	**11**
GFPT	Buy	16.80	21.00	25.0	19.8	1,144	1,449	1,654	0.91	1.16	1.32	(35)	27	14	18.4	14.5	12.7	10.1	11.1	12.1	1.66	1.52	1.39	9	11	11
Automotive				**43.1**		**4,428**	**4,472**	**5,362**							**9.3**	**9.1**	**7.4**				**1.16**	**1.08**	**1.01**	**13**	**12**	**14**
AH	Buy	18.10	29.00	60.2	16.9	931	706	1,105	2.89	2.19	3.42	3	(24)	56	6.3	8.3	5.3	23.8	27.3	31.1	0.76	0.66	0.58	12	8	11
PCSGH	Neutral	6.35	7.20	13.4	6.9	629	701	886	0.41	0.46	0.58	(2)	13	26	15.6	13.8	10.9	3.3	3.5	3.6	1.91	1.84	1.75	12	14	16
SAT	Buy	17.10	25.00	46.2	23.8	912	964	1,057	2.15	2.27	2.49	27	6	10	8.0	7.5	6.9	16.2	17.3	18.6	1.06	0.99	0.92	14	14	14
STANLY	Buy	191.00	295.00	54.5	270.0	1,957	2,101	2,315	25.53	27.42	30.21	18	7	10	7.5	7.0	6.3	208.4	224.1	245.3	0.92	0.85	0.78	13	13	13
Banking				**28.4**		**202,767**	**201,997**	**215,327**							**9.4**	**9.5**	**9.0**				**1.08**	**1.01**	**0.96**	**11**	**10**	**10**
Large Banks																										
BBL	Buy	173.00	225.00	30.1	220.7	35,330	35,673	39,233	18.51	18.69	20.55	7	1	10	9.3	9.3	8.4	216.3	230.1	244.1	0.80	0.75	0.71	9	8	9
KBANK	Neutral	163.00	188.00	15.3	204.7	38,459	37,617	40,455	16.07	15.72	16.90	12	(2)	8	10.1	10.4	9.6	157.2	172.2	185.2	1.04	0.95	0.88	11	10	9
KTB	Buy	17.50	22.00	25.7	20.1	28,491	28,665	28,807	2.04	2.05	2.06	27	1	0	8.6	8.5	8.5	21.9	23.7	25.0	0.80	0.74	0.70	10	9	8
Mid/small banks																										
BAY	Buy	34.75	44.00	26.6	43.2	24,813	26,989	30,095	3.37	3.67	4.09	7	9	12	10.3	9.5	8.5	33.0	36.6	39.6	1.05	0.95	0.88	11	11	11
KKP	Neutral	67.00	72.00	7.5	77.3	6,042	6,043	6,143	7.14	7.14	7.25	5	0	2	9.4	9.4	9.2	49.8	51.6	54.2	1.34	1.30	1.24	14	14	14
LHFG	Sell	1.36	1.40	2.9	1.6	3,108	3,126	3,422	0.15	0.15	0.16	19	1	9	9.3	9.2	8.4	1.9	2.0	2.1	0.73	0.69	0.65	8	8	8
TCAP	Buy	57.00	65.00	14.0	59.7	7,839	7,864	8,275	6.73	6.75	7.10	16	0	5	8.5	8.4	8.0	56.4	59.2	63.9	1.01	0.96	0.89	12	12	12
TISCO	Neutral	102.50	101.00	(1.5)	98.0	7,016	7,524	7,277	8.76	9.40	9.09	15	7	(3)	11.7	10.9	11.3	47.1	49.5	51.1	2.18	2.07	2.01	19	19	18
TMB	Buy	1.68	2.20	31.0	1.9	11,601	7,648	8,610	0.26	0.17	0.20	34	(34)	13	6.4	9.6	8.6	2.3	2.4	2.5	0.75	0.71	0.67	12	8	8
Commerce				**15.4**		**44,244**	**48,343**	**53,896**							**32.7**	**30.5**	**27.5**				**6.32**	**5.81**	**5.30**	**20**	**20**	**20**
BJC	Neutral	51.75	56.00	8.2	55.9	6,444	7,091	7,589	1.61	1.77	1.90	26	10	7	32.1	29.2	27.3	28.8	29.0	29.3	1.80	1.78	1.77	6	6	7
CPALL	Buy	82.00	98.00	19.5	90.9	21,203	23,470	26,786	2.25	2.50	2.87	5	11	15	36.5	32.8	28.6	11.1	12.5	14.1	7.38	6.58	5.80	24	22	22
GLOBAL	Buy	16.40	19.00	15.9	18.0	2,003	1,898	2,158	0.48	0.45	0.51	25	(5)	14	34.4	36.3	31.9	3.5	3.8	4.2	4.63	4.32	3.93	14	12	13
HMPRO	Buy	17.80	19.50	9.6	18.4	5,663	6,525	7,348	0.43	0.50	0.56	16	15	13	41.3	35.9	31.9	1.5	1.7	1.8	11.76	10.72	9.77	29	31	32
MAKRO	Neutral	34.25	40.00	16.8	39.7	5,942	6,103	6,353	1.24	1.27	1.32	(4)	3	4	27.7	26.9	25.9	4.0	4.3	4.7	8.54	7.93	7.31	32	31	29
ROBINS	Buy	64.50	70.00	8.5	62.9	2,989	3,256	3,662	2.69	2.93	3.30	11	9	12	24.0	22.0	19.6	16.9	18.3	20.1	3.81	3.53	3.21	16	17	17
Construction Materials				**20.1**		**49,829**	**46,053**	**50,444**							**17.1**	**16.2**	**14.7**				**2.13**	**2.07**	**1.97**	**14**	**14**	**14**
Cement																										
SCC	Buy	426.00	510.00	19.7	468.1	44,858	40,558	44,434	37.38	33.80	37.00	(14)	(10)	9	11.4	12.6	11.5	264.9	280.0	300.7	1.61	1.52	1.42	14	12	13
SCCC	Buy	221.00	270.00	22.2	259.1	3,083	3,403	3,667	10.35	11.42	12.30	9	10	8	21.4	19.4	18.0	115.9	119.0	123.3	1.91	1.86	1.79	9	10	10
Others																										
DCC	Neutral	2.02	2.50	23.8	2.4	979	1,062	1,153	0.15	0.15	0.16	(12)	1	5	13.5	13.3	12.7	0.7	0.7	0.7	3.05	3.04	2.88	24	24	24
EPG	Buy	7.15	8.50	18.9	8.3	908	1,029	1,190	0.32	0.37	0.42	(15)	13	16	22.0	19.4	16.8	3.7	3.8	4.0	1.94	1.87	1.77	9	10	11
Energy & Utilities				**16.7**		**181,853**	**172,591**	**220,497**							**17.1**	**27.0**	**12.1**				**1.70**	**1.49**	**1.44**	**10**	**8**	**12**
Oil & Gas and Coal																										
PTT	Buy	47.00	53.00	12.8	51.2	113,330	105,647	126,087	3.97	3.70	4.41	(23)	(7)	19	11.8	12.7	10.6	30.6	32.6	35.0	1.53	1.44	1.34	9	8	9
PTTEP	Buy	125.00	164.00	31.2	150.9	36,291	42,402	45,028	9.14	10.68	11.34	(5)	17	6	13.7	11.7	11.0	98.1	103.3	108.9	1.27	1.21	1.15	9	11	11
Refineries																										
BCP	Buy	28.25	34.00	20.4	31.9	2,769	2,766	4,060	2.01	2.01	2.95	(55)	(0)	47	14.0	14.1	9.6	31.0	31.9	33.8	0.91	0.89	0.84	6	6	9
ESSO	Buy	8.90	11.00	23.6	11.0	2,225	592	4,693	0.64	0.17	1.36	(69)	(73)	692	13.8	52.0	6.6	7.5	7.4	8.7	1.19	1.20	1.02	8	2	17
IRPC	Buy	4.02	5.50	36.8	4.9	6,940	2,514	7,944	0.34	0.12	0.39	(36)	(64)	216	11.8	32.7	10.3	4.3	4.3	4.6	0.94	0.93	0.88	8	3	9
SPRC	Buy	9.85	11.00	11.7	11.1	1,470	632	3,806	0.34	0.15	0.88	(80)	(57)	503	29.1	67.6	11.2	8.9	8.8	9.4	1.11	1.12	1.05	4	2	10
TOP	Buy	71.00	72.00	1.4	74.6	10,343	8,977	14,988	5.07	4.40	7.35	(53)	(13)	67	14.0	16.1	9.7	62.0	65.3	70.5	1.15	1.09	1.01	8	7	11
Utilities																										
GPSC	Buy	71.00	76.00	7.0	67.7	3,374	3,997	8,327	2.25	2.19	2.95	6	(3)	35	31.5	32.5	24.0	26.7	63.5	43.1	2.66	1.12	1.65	9	5	7
TTW	Neutral	13.50	14.00	3.7	14.6	2,867	3,018	3,322	0.72	0.76	0.83	8	5	10	18.8	17.8	16.2	3.1	3.3	3.5	4.36	4.15	3.87	24	24	25
WHAUP	Buy	7.00	8.75	25.0	8.0	2,244	2,047	2,243	0.59	0.54	0.59	78	(9)	10	11.9	13.1	11.9	3.7	4.0	4.4	1.91	1.75	1.59	17	14	14
Finance & Securities				**4.1**		**9,472**	**10,490**	**11,795**							**14.9**	**18.6**	**17.6**				**2.98**	**2.56**	**2.25**	**18**	**16**	**16**
Credit card																										
AEONTS	Buy	214.00	250.00	16.8	238.4	3,506	4,099	4,739	14.03	16.40	18.96	18	17	16	15.3	13.1	11.3	72.2	84.4	97.6	2.96	2.54	2.19	21	21	21
KTC	Neutral	44.25	44.00	(0.6)	43.1	5,140	5,866	6,517	1.99	2.28	2.53	56	14	11	22.2	19.4	17.5	6.3	7.8	9.4	6.98	5.66	4.69	36	32	29
Securities																										
ASP	Neutral	2.00	2.70	35.0	2.9	434	363	380	0.21	0.17	0.18	(41)	(16)	5	9.7	11.6	11.1	2.2	2.2	2.2	0.91	0.92	0.91	9	8	8
MBKET	Sell	8.55	4.00	(53.2)	4.0	391	162	159	0.69	0.28	0.28	(39)	(59)	(2)	12.5	30.1	30.7	8.0	7.6	7.0	1.07	1.13	1.23	8	4	4
Food & Beverage				**27.6**		**17,377**	**26,692**	**29,486**							**27.5**	**18.5**	**16.6**				**1.62**	**1.54**	**1.46**	**7**	**9**	**9**
CPF	Buy	27.50	35.00	27.3	34.1	7,321	13,678	14,820	0.82	1.58	1.72	4	93	9	33.5	17.4	16.0	26.7	27.7	28.8	1.03	0.99	0.95	3	6	6
MINT	Buy	37.75	47.00	24.5	45.3	6,005	7,200	8,340	1.30	1.56	1.81	7	20	16	29.0	24.2	20.9	18.0	19.0	20.2	2.10	1.99	1.87	9	8	9
TU	Buy	17.00	23.00	35.3	21.3	4,051	5,814	6,327	0.85	1.22	1.33	(15)	44	9	20.0	14.0	12.8	9.7	10.3	11.0	1.74	1.65	1.54	9	12	12

SCBS Investment Recommendations

Price as of : 16-Sep-19

Company	Rec.	Price	Target Price	%	12-mth	Core Profit (Btm)			Core EPS (Bt)			Core EPS growth (%)			Core PER (x)			BVPS(Bt)			P/BV (x)			ROE (%)		
		(Bt)		Up/(Down)	BB-CON	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
Health Care Services				**20.0**		**16,059**	**15,580**	**17,775**							**33.7**	**32.4**	**28.1**				**6.16**	**5.65**	**5.21**	**18**	**18**	**19**
BCH	Buy	15.70	20.50	30.6	18.9	1,089	1,169	1,361	0.44	0.47	0.55	19	7	16	35.9	33.5	28.8	2.3	2.5	2.8	6.87	6.23	5.62	18	17	19
BDMS	Buy	23.90	28.00	17.2	27.0	9,918	9,373	10,954	0.64	0.60	0.70	23	(6)	17	37.6	39.8	34.1	4.5	5.2	5.5	5.31	4.63	4.36	14	12	13
BH	Neutral	136.50	175.00	28.2	160.5	4,152	4,067	4,316	5.70	5.58	5.92	5	(2)	6	24.0	24.5	23.0	25.3	27.7	30.7	5.39	4.93	4.45	23	21	20
CHG	Buy	2.32	2.70	16.4	2.7	645	658	790	0.06	0.06	0.07	9	2	20	39.6	38.8	32.3	0.3	0.3	0.4	7.16	6.97	6.39	18	17	20
RJH	Buy	26.50	30.50	15.1	31.4	255	314	354	0.85	1.05	1.18	10	23	13	31.2	25.3	22.5	4.4	4.8	5.1	6.07	5.48	5.22	17	23	24
Information & Communication Technology				**10.8**		**43,707**	**54,406**	**56,046**							**22.6**	**30.9**	**38.7**				**6.08**	**5.40**	**4.84**	**18**	**28**	**25**
Mobile																										
ADVANC	Buy	223.00	255.00	14.3	236.9	29,564	32,341	34,476	9.94	10.88	11.60	(1)	9	7	22.4	20.5	19.2	19.4	23.0	26.7	11.50	9.70	8.36	55	51	47
DTAC	Neutral	58.75	60.00	2.1	56.3	-4,382	5,918	6,027	-1.85	2.50	2.55	n.m.	n.m.	2	n.m.	23.5	23.1	9.3	10.5	11.8	6.34	5.62	5.00	(17)	25	23
TRUE	Neutral	5.70	6.20	8.8	6.0	7,035	2,982	1,963	0.21	0.09	0.06	n.m.	(58)	(34)	27.0	63.8	96.9	4.0	4.1	4.1	1.42	1.38	1.39	5	2	1
Other																										
INTUCH	Buy	65.25	70.00	7.3	73.8	11,491	13,166	13,580	3.58	4.11	4.24	(7)	15	3	18.2	15.9	15.4	12.9	13.3	14.1	5.05	4.92	4.61	29	31	31
Insurance				**55.7**		**4,212**	**4,523**	**7,199**							**8.1**	**13.9**	**10.1**				**1.09**	**1.02**	**0.95**	**2**	**9**	**12**
BLA	Buy	21.00	34.00	61.9	30.1	4,970	4,202	6,774	2.91	2.46	3.97	37	(15)	61	7.2	8.5	5.3	22.5	25.8	29.1	0.93	0.81	0.72	13	10	14
THRE	Sell	0.65	0.70	7.7	0.7	-1,011	129	173	-0.24	0.03	0.04	(810)	n.m.	34	n.m.	21.2	15.8	0.9	0.9	0.9	0.76	0.73	0.71	(24)	4	5
THREL	Neutral	3.80	4.40	15.8	5.0	253	192	252	0.42	0.32	0.42	(42)	(24)	31	9.0	11.9	9.0	2.4	2.5	2.7	1.58	1.50	1.41	17	13	16
Petrochemicals & Chemicals				**59.4**		**65,201**	**46,224**	**60,275**							**12.0**	**10.2**	**8.3**				**1.15**	**1.06**	**0.97**	**0**	**0**	**0**
GGC	Sell	12.00	11.00	(8.3)	13.1	565	1,184	1,263	0.55	1.16	1.23	(6)	110	7	21.7	10.4	9.7	9.5	10.6	11.5	1.27	1.13	1.05	5%	11%	11%
IVL	Buy	34.25	68.00	98.5	50.8	24,053	23,437	28,389	4.28	4.17	5.06	12	(3)	21	8.0	8.2	6.8	25.8	28.6	32.2	1.33	1.20	1.06	18%	15%	17%
PTTGC	Buy	57.00	76.00	33.3	63.0	40,583	21,603	30,622	9.00	4.79	6.79	(0)	(47)	42	6.3	11.9	8.4	65.7	67.2	71.1	0.87	0.85	0.80	14%	7%	10%
Property Development				**26.1**		**37,230**	**38,222**	**42,426**							**14.2**	**14.3**	**11.0**				**1.41**	**1.33**	**1.26**	**12**	**11**	**12**
Industrial Estate																										
AMATA	Buy	25.75	32.00	24.3	27.9	1,250	1,808	2,223	1.17	1.69	2.08	(19)	45	23	22.0	15.2	12.4	12.2	13.5	14.9	2.12	1.91	1.73	8	11	13
AMATAV	Neutral	4.86	5.20	7.0	6.9	396	103	182	0.42	0.11	0.20	(21)	(74)	76	11.5	43.9	24.9	3.0	2.9	3.1	1.63	1.65	1.57	13	3	6
ROJNA	Buy	6.75	8.50	25.9	8.4	315	691	958	0.16	0.34	0.47	14	119	39	43.3	19.7	14.2	6.2	5.9	6.1	1.09	1.14	1.11	2	4	5
WHA	Buy	4.76	6.00	26.1	5.2	2,907	3,390	4,275	0.20	0.22	0.28	5	8	26	23.5	21.7	17.2	1.9	2.1	2.3	2.50	2.22	2.06	10	10	11
Residential																										
AP	Buy	6.95	10.00	43.9	9.0	3,860	3,635	4,117	1.23	1.16	1.31	25	(6)	13	5.7	6.0	5.3	7.8	8.5	9.4	0.90	0.82	0.74	17	14	15
LH	Buy	10.30	13.00	26.2	12.0	9,389	8,980	9,499	0.79	0.75	0.79	5	(4)	6	13.1	13.7	13.0	4.1	4.1	4.2	2.50	2.50	2.45	19	18	19
LPN	Neutral	6.05	6.90	14.0	6.9	1,358	1,433	1,526	0.92	0.97	1.03	28	6	6	6.6	6.2	5.9	8.7	9.1	9.5	0.69	0.67	0.64	11	11	11
PSH	Neutral	19.30	20.50	6.2	21.2	6,022	6,165	6,308	2.75	2.82	2.88	10	2	2	7.0	6.9	6.7	18.5	19.7	21.0	1.04	0.98	0.92	15	14	14
QH	Buy	2.80	3.70	32.1	3.3	3,865	3,474	3,809	0.36	0.32	0.36	17	(10)	10	7.8	8.6	7.9	2.5	2.6	2.7	1.14	1.10	1.03	15	13	13
SIRI	Neutral	1.32	1.50	13.6	1.3	2,098	2,110	2,480	0.14	0.14	0.17	(29)	1	18	9.4	9.3	7.9	2.1	2.1	2.1	0.64	0.63	0.62	7	7	8
SPALI	Buy	18.60	27.00	45.2	24.1	5,770	6,432	7,050	2.69	3.00	3.29	(15)	11	10	6.9	6.2	5.7	15.5	17.4	19.5	1.20	1.07	0.96	19	18	18
Tourism & Leisure				**29.9**		**2,737**	**2,311**	**2,653**							**23.3**	**27.3**	**22.4**				**2.93**	**2.74**	**2.54**	**14**	**11**	**12**
CENTEL	Neutral	32.75	41.00	25.2	37.7	2,182	1,831	2,014	1.62	1.36	1.49	8	(16)	10	20.3	24.1	21.9	9.9	10.8	11.7	3.29	3.04	2.80	17	13	13
ERW	Buy	5.90	8.50	44.1	7.3	555	480	638	0.22	0.19	0.26	10	(14)	33	26.3	30.5	22.9	2.3	2.4	2.6	2.56	2.44	2.29	10	8	10
Transportation & Logistics				**11.1**		**17,149**	**29,176**	**35,666**							**52.2**	**35.0**	**27.7**				**3.29**	**2.97**	**2.67**	**(4)**	**4**	**10**
Aviation																										
AAV	Buy	3.16	5.80	83.5	4.1	-68	968	1,205	-0.01	0.20	0.25	n.m.	n.m.	24	n.m.	15.8	12.7	4.2	4.3	4.4	0.75	0.73	0.71	(0)	5	6
AOT	Neutral	73.50	80.00	8.8	79.0	25,036	27,409	28,199	1.75	1.92	1.97	15	9	3	41.9	38.3	37.2	10.1	10.9	11.9	7.28	6.74	6.16	18	18	17
THAI	Sell	9.55	10.00	4.7	8.4	-10,364	-2,670	2,566	-4.75	-1.22	1.17	n.m.	74	n.m.	n.m.	n.m.	8.1	9.4	8.8	10.0	1.02	1.09	0.96	(40)	(13)	13
Mass Transit																										
BTS	Buy	13.40	16.00	19.4	14.0	2,545	3,469	3,697	0.21	0.26	0.25	65	22	(3)	62.4	50.9	52.6	3.3	4.0	4.7	4.10	3.32	2.85	5	6	5
Infrastructure Fund						**18,448**	**20,488**	**25,921**							**15.0**	**13.8**	**12.3**				**1.08**	**1.07**	**1.07**	**8**	**8**	**10**
BTSGIF	Neutral	11.00	11.00	-	10.8	4,525	4,691	5,883	0.78	0.81	1.02	(2)	4	25	14.1	13.6	10.8	10.4	10.3	10.2	1.06	1.07	1.08	7	8	10
DIF	Buy	17.20	19.50	13.4	18.2	8,467	10,394	11,391	0.88	1.05	1.07	(10)	20	2	19.6	16.4	16.1	15.2	15.7	15.7	1.13	1.10	1.10	7	7	7
JASIF	Buy	11.30	13.00	15.0	12.3	5,455	5,402	8,648	0.99	0.98	1.13	0	(1)	15	11.4	11.5	10.0	10.7	10.9	11.0	1.06	1.04	1.03	9	9	12
mai						**533**	**601**	**697**							**17.8**	**15.7**	**13.5**				**3.22**	**3.08**	**2.49**			
DOD	Buy	12.60	14.90	18.3	14.9	305	320	355	0.74	0.78	0.86	115	5	11	16.9	16.1	14.6	2.9	3.0	3.2	4.36	4.26	3.93	0	0	0
JKN	Buy	7.90	12.00	51.9	11.8	228	280	342	0.42	0.52	0.63	21	23	22	18.7	15.2	12.5	3.8	4.2	7.6	2.08	1.90	1.04	0	0	0
SCBS Coverage		**1662.93**		**20.4**		**697,408**	**702,530**	**810,500**	**94.59**	**95.29**	**109.93**	**(7)**	**1**	**15**	**17.6**	**17.5**	**15.1**				**1.68**	**1.56**	**1.45**	**11**	**10**	**11**

SCBS Investment Recommendations

Price as of : 16-Sep-19

Company	Rec.	Price	Target Price	%	12-mth	DPS (Bt)			Dividend Yield (%)			EV/EBITDA (x)			EBITDA Growth (%)			Net Debt (Btm)			Shares	Mkt. Cap.	%Mkt.Cap /
		(Bt)		Up/(Down)	BB-CON	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	(m Shrs.)	(Btm)	SET
Agribusiness				**25.0**					**1.47**	**1.79**	**1.79**	**8.64**	**7.97**	**7.42**	**-10**	**4**	**4**	**2,200**	**1,284**	**505**		**21,064**	**0.12**
GFPT	Buy	16.80	21.00	25.0	19.8	0.25	0.30	0.30	1.47	1.79	1.79	8.64	7.97	7.42	-10	4	4	2,200	1,284	505	1,254	21,064	0.12
Automotive				**43.1**					**5.91**	**5.53**	**6.28**	**5.46**	**4.82**	**4.07**	**12**	**4**	**6**	**-1,746**	**-4,219**	**-7,361**		**37,429**	**0.22**
AH	Buy	18.10	29.00	60.2	16.9	1.30	1.11	1.21	7.18	6.12	6.67	7.29	6.61	5.61	32	2	1	5,807	4,886	3,355	323	5,839	0.03
PCSGH	Neutral	6.35	7.20	13.4	6.9	0.27	0.32	0.41	4.25	5.07	6.40	8.09	7.04	5.75	3	8	16	(498)	(957)	(1,417)	1,525	9,684	0.06
SAT	Buy	17.10	25.00	46.2	23.8	1.35	1.13	1.24	7.89	6.63	7.27	3.44	2.87	2.48	3	2	0	(1,759)	(2,583)	(3,228)	425	7,271	0.04
STANLY	Buy	191.00	295.00	54.5	270.0	8.25	8.20	9.10	4.32	4.29	4.76	3.00	2.77	2.44	12	5	7	(5,296)	(5,564)	(6,071)	77	14,635	0.09
Banking				**28.4**					**4.35**	**4.93**	**4.46**											**1,940,775**	**11.29**
Large Banks																							
BBL	Buy	173.00	225.00	30.1	220.7	6.50	6.54	7.19	3.76	3.78	4.16							-	-	-	1,909	330,230	1.92
KBANK	Neutral	163.00	188.00	15.3	204.7	4.00	3.93	4.23	2.45	2.41	2.59							-	-	-	2,393	390,101	2.27
KTB	Buy	17.50	22.00	25.7	20.1	0.72	0.76	0.76	4.10	4.33	4.36							-	-	-	13,976	244,581	1.42
Mid/small banks																							
BAY	Buy	34.75	44.00	26.6	43.2	1.01	1.38	1.23	2.91	3.98	3.53							-	-	-	7,356	255,613	1.49
KKP	Neutral	67.00	72.00	7.5	77.3	5.00	4.64	4.35	7.46	6.92	6.50							-	-	-	847	56,732	0.33
LHFG	Sell	1.36	1.40	2.9	1.6	0.04	0.04	0.05	3.24	3.26	3.56										21,184	28,810	0.17
TCAP	Buy	57.00	65.00	14.0	59.7	2.30	5.50	2.70	4.04	9.65	4.73							-	-	-	1,165	66,412	0.39
TISCO	Neutral	102.50	101.00	(1.5)	98.0	7.00	7.52	7.27	6.83	7.33	7.09							-	-	-	801	82,066	0.48
TMB	Buy	1.68	2.20	31.0	1.9	0.07	0.05	0.06	4.17	3.11	3.51							-	-	-	43,852	73,671	0.43
Commerce				**15.4**					**1.84**	**1.85**	**2.02**	**18.89**	**17.99**	**16.63**	**8**	**4**	**7**	**301,514**	**276,925**	**255,689**		**1,482,950**	**8.63**
BJC	Neutral	51.75	56.00	8.2	55.9	0.73	0.71	0.76	1.41	1.37	1.47	17.22	16.63	15.89	5	3	4	155,208	152,549	150,610	4,006	207,301	1.21
CPALL	Buy	82.00	98.00	19.5	90.9	1.20	1.31	1.49	1.46	1.59	1.82	19.91	18.16	16.54	5	7	8	118,667	101,713	85,735	8,983	736,614	4.28
GLOBAL	Buy	16.40	19.00	15.9	18.0	0.21	0.14	0.15	1.25	0.83	0.94	22.98	23.36	21.02	21	-3	10	11,761	10,492	9,421	4,202	68,905	0.40
HMPRO	Buy	17.80	19.50	9.6	18.4	0.35	0.40	0.45	1.97	2.23	2.51	23.49	21.05	19.21	10	11	9	11,020	9,583	7,580	13,151	234,091	1.36
MAKRO	Neutral	34.25	40.00	16.8	39.7	0.96	0.96	0.96	2.80	2.80	2.80	16.45	16.07	15.78	0	1	2	6,081	4,002	4,739	4,800	164,400	0.96
ROBINS	Buy	64.50	70.00	8.5	62.9	1.37	1.47	1.65	2.13	2.27	2.56	13.27	12.65	11.38	5	5	10	-1,223	-1,415	-2,397	1,111	71,638	0.42
Construction Materials				**20.1**					**4.17**	**3.97**	**4.22**	**10.56**	**10.31**	**9.54**	**0**	**3**	**7**	**186,123**	**195,025**	**199,011**		**611,685**	**3.56**
Cement																							
SCC	Buy	426.00	510.00	19.7	468.1	18.00	16.02	16.02	4.23	3.76	3.76	8.81	9.53	8.96	-9	-6	7	154,615	165,113	171,403	1,200	511,200	2.97
SCCC	Buy	221.00	270.00	22.2	259.1	8.00	8.00	8.00	3.62	3.62	3.62	11.29	10.85	10.34	4	3	3	28,277	27,149	25,674	298	65,858	0.38
Others																							
DCC	Neutral	2.02	2.50	23.8	2.4	0.12	0.11	0.12	5.74	5.42	5.92	8.14	8.05	7.62	7	8	8	2,280	2,350	2,274	7,231	14,607	0.08
EPG	Buy	7.15	8.50	18.9	8.3	0.22	0.22	0.25	3.08	3.08	3.57	14.02	12.84	11.26	-2	6	10	952	413	-341	2,800	20,020	0.12
Energy & Utilities				**16.7**					**3.90**	**2.89**	**4.45**	**9.59**	**10.40**	**7.55**	**-11**	**8**	**43**	**178,559**	**247,854**	**95,499**		**2,365,125**	**13.76**
Oil & Gas and Coal																							
PTT	Buy	47.00	53.00	12.8	51.2	2.00	2.00	2.00	4.26	4.26	4.26	4.08	3.86	3.20	-2	-2	8	109,030	4,110	-139,194	28,563	1,342,461	7.81
PTTEP	Buy	125.00	164.00	31.2	150.9	5.00	5.50	5.75	4.00	4.40	4.60	3.27	3.37	3.34	18	11	1	-79,887	-18,678	-20,157	3,970	496,248	2.89
Refineries																							
BCP	Buy	28.25	34.00	20.4	31.9	1.35	0.80	1.40	4.78	2.83	4.96	7.58	9.15	7.41	-20	-9	17	38,652	46,177	41,492	1,377	38,898	0.23
ESSO	Buy	8.90	11.00	23.6	11.0	0.20	0.10	0.70	2.25	1.12	7.87	12.20	20.24	5.96	-59	-43	203	24,458	21,671	15,981	3,461	30,802	0.18
IRPC	Buy	4.02	5.50	36.8	4.9	0.19	0.10	0.19	4.73	2.49	4.73	7.78	10.96	6.90	-19	-32	47	55,028	49,982	40,191	20,434	82,146	0.48
SPRC	Buy	9.85	11.00	11.7	11.1	0.59	0.20	0.44	6.02	2.03	4.47	8.89	10.02	4.53	-61	-18	97	-74	-3,251	-7,625	4,336	42,709	0.25
TOP	Buy	71.00	72.00	1.4	74.6	2.65	2.00	3.00	3.73	2.82	4.23	6.41	8.27	7.43	-40	-3	35	-202	36,048	73,982	2,040	144,842	0.84
Utilities																							
GPSC	Buy	71.00	76.00	7.0	67.7	1.25	1.25	1.40	1.76	1.76	1.97	21.00	14.07	14.85	22	181	16	16,829	101,737	84,250	1,498	106,379	0.62
TTW	Neutral	13.50	14.00	3.7	14.6	0.60	0.60	0.60	4.44	4.44	4.44	12.62	11.92	10.91	3	3	5	6,592	4,893	2,767	3,990	53,865	0.31
WHAUP	Buy	7.00	8.75	25.0	8.0	0.21	0.19	0.21	3.02	2.75	3.01	12.09	12.12	11.00	50	-9	6	8,135	5,165	3,812	3,825	26,775	0.16
Finance & Securities				**4.1**					**5.49**	**5.74**	**4.19**											**176,683**	**1.03**
Credit card																							
AEONTS	Buy	214.00	250.00	16.8	238.4	4.70	5.74	6.63	2.20	2.68	3.10										250	53,500	0.31
KTC	Neutral	44.25	44.00	(0.6)	43.1	0.80	0.91	1.01	1.80	2.06	2.28										2,578	114,091	0.66
Securities																							
ASP	Neutral	2.00	2.70	35.0	2.9	0.20	0.16	0.16	10.00	7.76	8.11										2,106	4,211	0.02
MBKET	Sell	8.55	4.00	(53.2)	4.0	0.68	0.89	0.28	7.95	10.47	3.26										571	4,880	0.03
Food & Beverage				**27.6**					**1.93**	**2.46**	**2.65**	**16.04**	**11.98**	**11.09**	**17**	**31**	**7**	**474,119**	**454,260**	**445,433**		**492,296**	**2.86**
CPF	Buy	27.50	35.00	27.3	34.1	0.65	0.65	0.65	2.36	2.36	2.36	14.48	11.09	10.45	16	28	6	297,260	283,438	281,073	8,611	236,809	1.38
MINT	Buy	37.75	47.00	24.5	45.3	0.40	0.55	0.63	1.06	1.45	1.67	18.31	12.60	11.39	40	44	9	114,098	110,990	107,004	4,619	174,366	1.01
TU	Buy	17.00	23.00	35.3	21.3	0.40	0.61	0.66	2.35	3.58	3.90	15.34	12.25	11.42	-6	23	5	62,760	59,833	57,355	4,772	81,121	0.47

SCBS Investment Recommendations

Price as of : 16-Sep-19

Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	DPS (Bt) 18A	DPS (Bt) 19F	DPS (Bt) 20F	Dividend Yield (%) 18A	Dividend Yield (%) 19F	Dividend Yield (%) 20F	EV/EBITDA (x) 18A	EV/EBITDA (x) 19F	EV/EBITDA (x) 20F	EBITDA Growth (%) 18A	EBITDA Growth (%) 19F	EBITDA Growth (%) 20F	Net Debt (Btm) 18A	Net Debt (Btm) 19F	Net Debt (Btm) 20F	Shares (m Shrs.)	Mkt. Cap. (Btm)	%Mkt.Cap / SET
Health Care Services				**20.0**					**1.93**	**1.98**	**2.25**	**20.43**	**18.68**	**16.53**	**8**	**8**	**12**	**38,208**	**17,569**	**12,214**		**551,928**	**3.21**
BCH	Buy	15.70	20.50	30.6	18.9	0.22	0.23	0.27	1.39	1.49	1.74	19.35	17.65	15.32	8	9	15	4,044	3,739	3,608	2,494	39,152	0.23
BDMS	Buy	23.90	28.00	17.2	27.0	0.32	0.33	0.39	1.34	1.38	1.61	23.89	21.54	19.61	11	6	9	39,055	20,066	16,466	15,892	379,819	2.21
BH	Neutral	136.50	175.00	28.2	160.5	2.90	2.79	2.96	2.12	2.04	2.17	14.74	14.70	13.68	4	-1	6	(5,414)	(6,834)	(8,350)	729	99,487	0.58
CHG	Buy	2.32	2.70	16.4	2.7	0.05	0.04	0.05	2.16	1.81	2.17	24.95	23.87	19.81	6	5	19	718	914	661	11,000	25,520	0.15
RJH	Buy	26.50	30.50	15.1	31.4	0.70	0.84	0.94	2.64	3.16	3.56	19.23	15.64	14.22	12	21	12	(194)	(316)	(171)	300	7,950	0.05
Information & Communication Technology				**10.8**					**2.66**	**3.66**	**3.19**	**10.52**	**10.55**	**10.33**	**0**	**-1**	**6**	**272,031**	**263,797**	**316,137**		**1,201,545**	**6.99**
Mobile																							
ADVANC	Buy	223.00	255.00	14.3	236.9	7.08	7.69	8.12	3.17	3.45	3.64	10.24	9.49	9.30	5	6	3	100,066	85,174	90,355	2,973	663,019	3.86
DTAC	Neutral	58.75	60.00	2.1	56.3	1.01	1.87	1.27	1.72	3.19	2.17	8.82	7.47	7.62	-33	17	3	32,910	31,039	39,041	2,368	139,109	0.81
TRUE	Neutral	5.70	6.20	8.8	6.0	0.09	0.10	0.03	1.58	1.71	0.46	6.09	9.14	8.93	23	-32	14	134,606	143,236	182,492	33,368	190,199	1.11
Other																							
INTUCH	Buy	65.25	70.00	7.3	73.8	2.71	4.11	4.24	4.15	6.29	6.49	16.92	16.11	15.48	4	5	4	4,449	4,349	4,249	3,206	209,219	1.22
Insurance				**55.7**					**4.23**	**3.85**	**5.18**											**40,879**	**0.24**
BLA	Buy	21.00	34.00	61.9	30.1	0.73	0.62	0.99	3.46	2.93	4.72										1,708	35,859	0.21
THRE	Sell	0.65	0.70	7.7	0.7	0.00	0.01	0.02	0.00	1.89	2.53										4,215	2,740	0.02
THREL	Neutral	3.80	4.40	15.8	5.0	0.35	0.26	0.32	9.21	6.73	8.29										600	2,280	0.01
Petrochemicals & Chemicals				**59.4**					**3.85**	**3.85**	**4.72**	**7.67**	**6.72**	**5.52**	**2**	**12**	**12**	**170,966**	**134,859**	**86,746**		**461,587**	**2.68**
GGC	Sell	12.00	11.00	(8.3)	13.1	0.00	0.40	0.42	0.00	3.35	3.53	10.92	6.87	5.99	-17	63	6	-1,681	-1,439	-2,282	1,024	12,284	0.07
IVL	Buy	34.25	68.00	98.5	50.8	1.40	1.30	1.60	4.09	3.80	4.67	7.07	6.12	4.86	30	2	12	130,554	93,334	62,596	5,615	192,298	1.12
PTTGC	Buy	57.00	76.00	33.3	63.0	4.25	2.50	3.40	7.46	4.39	5.96	5.02	7.17	5.71	-9	-30	19	42,093	42,963	26,433	4,509	257,004	1.49
Property Development				**26.1**					**5.75**	**5.82**	**6.53**	**13.08**	**14.76**	**12.83**	**0**	**0**	**14**	**233,392**	**261,728**	**274,502**		**401,265**	**2.33**
Industrial Estate																							
AMATA	Buy	25.75	32.00	24.3	27.9	0.40	0.68	0.84	1.55	2.66	3.27	21.10	22.85	18.58	-14	34	25	9,397	25,866	26,728	1,067	27,475	0.16
AMATAV	Neutral	4.86	5.20	7.0	6.9	0.04	0.04	0.04	0.81	0.82	0.83	9.98	28.82	20.29	-13	-61	42	2,065	2,942	2,962	935	4,544	0.03
ROJNA	Buy	6.75	8.50	25.9	8.4	0.60	0.34	0.47	8.89	5.07	7.03	11.41	10.06	8.76	1	13	11	21,701	21,451	20,111	2,020	13,638	0.08
WHA	Buy	4.76	6.00	26.1	5.2	0.08	0.09	0.11	1.75	1.94	2.38	30.15	25.13	22.03	-21	28	16	32,402	33,711	35,295	14,709	70,015	0.41
Residential																							
AP	Buy	6.95	10.00	43.9	9.0	0.40	0.38	0.43	5.76	5.41	6.13	8.54	9.52	8.77	20	-5	12	19,323	21,717	23,287	3,146	21,864	0.13
LH	Buy	10.30	13.00	26.2	12.0	0.75	0.71	0.76	7.28	6.93	7.33	12.47	14.17	13.59	-2	-10	5	42,832	46,347	47,630	11,950	123,082	0.72
LPN	Neutral	6.05	6.90	14.0	6.9	0.60	0.64	0.67	9.92	10.52	11.14	7.61	7.48	7.64	27	4	7	4,813	5,116	6,352	1,476	8,928	0.05
PSH	Neutral	19.30	20.50	6.2	21.2	1.55	1.59	1.62	8.03	8.22	8.41	8.16	8.05	7.95	6	3	3	25,655	26,760	28,015	2,189	42,238	0.25
QH	Buy	2.80	3.70	32.1	3.3	0.22	0.20	0.22	7.86	7.02	7.74	10.00	11.84	11.39	15	-11	9	19,613	22,497	25,129	10,714	30,000	0.17
SIRI	Neutral	1.32	1.50	13.6	1.3	0.08	0.12	0.15	6.06	9.45	11.02	17.47	18.30	16.49	-19	-3	17	41,878	42,765	45,898	14,863	19,619	0.11
SPALI	Buy	18.60	27.00	45.2	24.1	1.00	1.11	1.22	5.38	5.99	6.57	6.98	6.17	5.66	4	11	10	13,712	12,557	13,094	2,143	39,861	0.23
Tourism & Leisure				**29.9**					**1.76**	**1.39**	**1.68**	**11.02**	**12.01**	**10.92**	**5**	**-4**	**12**	**13,395**	**16,688**	**18,652**		**59,052**	**0.34**
CENTEL	Neutral	32.75	41.00	25.2	37.7	0.65	0.57	0.60	1.98	1.73	1.82	9.96	11.01	10.91	5	-6	5	4,843	6,968	9,023	1,350	44,213	0.26
ERW	Buy	5.90	8.50	44.1	7.3	0.09	0.06	0.09	1.53	1.06	1.53	12.08	13.01	10.94	4	-2	18	8,551	9,720	9,629	2,515	14,839	0.09
Transportation & Logistics				**11.1**					**3.79**	**2.25**	**2.39**	**21.94**	**18.12**	**16.82**	**-11**	**41**	**12**	**148,763**	**141,686**	**108,289**		**1,254,430**	**7.30**
Aviation																							
AAV	Buy	3.16	5.80	83.5	4.1	0.34	0.10	0.12	10.60	3.16	3.93	15.41	7.63	6.75	-53	104	14	16,680	16,987	17,315	4,850	15,326	0.09
AOT	Neutral	73.50	80.00	8.8	79.0	1.05	0.96	0.99	1.43	1.31	1.34	26.43	24.57	22.99	10	8	7	-54,899	-54,039	-56,591	14,286	1,049,999	6.11
THAI	Sell	9.55	10.00	4.7	8.4	0.00	0.00	0.00	0.00	0.00	0.00	11.54	7.97	5.81	-43	38	27	137,585	130,050	119,381	2,183	20,845	0.12
Mass Transit																							
BTS	Buy	13.40	16.00	19.4	14.0	0.42	0.61	0.57	3.13	4.54	4.28	34.38	32.30	31.74	42	15	0	49,398	48,688	28,185	12,557	168,259	0.98
Infrastructure Fund									**6.99**	**7.14**	**8.09**	**16.02**						**25,740**	**25,105**	**38,036**		**308,682**	**1.80**
BTSGIF	Neutral	11.00	11.00	-	10.8	0.78	0.80	1.01	7.09	7.29	9.15	14.08	13.57	10.81	-2	4	26	-67	-50	-62	5,788	63,668	0.37
DIF	Buy	17.20	19.50	13.4	18.2	1.02	1.04	1.05	5.90	6.04	6.10	19.41	17.77	16.36	52	19	8	25,844	26,135	25,946	10,632	182,864	1.06
JASIF	Buy	11.30	13.00	15.0	12.3	0.90	0.91	1.02	7.96	8.08	9.01	11.45	11.32	10.47	0	0	74	-37	-980	12,152	5,500	62,150	0.36
mai									**3.90**	**3.80**	**4.09**	**9.37**	**8.91**	**7.27**				**427**	**875**	**-654**		**9,432**	**0.05**
DOD	Buy	12.60	14.90	18.3	14.9	0.71	0.63	0.69	5.64	4.96	5.49	14.25	13.98	12.20	15	123	11	-425	150	158	410	5,166	0.03
JKN	Buy	7.90	12.00	51.9	11.8	0.17	0.21	0.21	2.15	2.65	2.70	4.49	3.85	2.35	39	20	15	852	725	-812	540	4,266	0.02
SCBS Coverage		**1662.93**		**20.4**					**3.21**	**3.24**	**3.41**	**10.71**	**10.60**	**9.64**	**-1**	**1**	**9**	**2,017,524**	**2,007,455**	**1,805,316**		**11,098,693**	**64.55**

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CG Rating 2018 Companies with CG Rating

ADVANC, AKP, AMATA, AMATAV, ANAN, AOT, AP, BAFS, BANPU, BAY, BCP, BCPG, BRR, BTS, BWG, CFRESH, CHO, CK, CKP, CM, CNT, COL, CPF, CPI, CPN, CSL, CSS, DELTA, DEMCO, DRT, DTAC, DTC, EA, EASTW, EGCO, GC, GEL, GFPT, GGC*, GOLD, GPSC, GRAMMY, GUNKUL, HANA, HMPRO, ICC, ICHI, INTUCH, IRPC, IVL, JSP, KBANK, KCE, KKP, KSL, KTB, KTC, LHFG, LIT, LPN, MAKRO, MBK, MCOT, MINT, MONO, MTC, NCL, NKI, NVD, NYT, OISHI, OTO, PCSGH, PDJ, PG, PHOL, PLANB, PLANET, PPS, PRG, PSH, PSL, PTG, PTT, PTTEP, PTTGC, PYLON, Q-CON, QH, QTC, RATCH, ROBINS, S & J, SABINA, SAMART, SAMTEL, SAT, SC, SCB, SCC, SCCC, SDC, SE-ED, SIS, SITHAI, SNC, SPALI, SPRC, SSSC, STEC, SVI, SYNTEC, TASCO, TCAP, THAI, THANA, THANI, THCOM, THIP, THREL, TIP, TISCO, TKT, TMB, TNDT, TOP, TRC, TRU, TRUE, TSC, TSTH, TTCL, TU, TVD, UAC, UV, VGI, VIH, WACOAL, WAVE, WHA, WINNER

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, DCORP, 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, MFEC, 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, SCI, SCN, SE, SEAFCO, SEAOIL, SELIC, SENA, SFP, SIAM, SINGER, SIRI, SKE, SMK, SMPC, 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, WIIK, 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, ITEL, J, JCK, JMART, JMT, JTS, JUBILE, KASET, KCM, KIAT, KWC, 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

* บริษัทหรือกรรมการหรือผู้บริหารของบริษัทที่มีข่าวด้านการกำกับดูแลกิจการ เช่น การกระทำผิดเกี่ยวกับหลักทรัพย์ การทุจริต คอร์รัปชัน เป็นต้น ซึ่งการใช้ข้อมูล CGR ควรตระหนักถึงข่าวดังกล่าวประกอบด้วย

Anti-corruption Progress Indicator

Certified (ได้รับการรับรอง)

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

Declared (ประกาศเจตนารมณ์)

2S, ABICO, AF, AI, AIRA, ALT, AMA, AMARIN, AMATA, ANAN, B, BM, BPP, BUI, CHG, CHO, CHOTI, CHOW, CI, CMC, COL, DDD, DELTA, EFORL, EPCO, ESTAR, ETE, FPI, FTE, ICHI, INOX, IRC, ITEL, JAS, JSP, JTS, KWG, LDC, LIT, META, MFEC, MPG, NEP, NOK, NWR, ORI, PRM, PSL, ROJNA, RWI, SAAM, SAPPE, SCI, SEAOIL, SHANG, SKR, SPALI, STANLY, SYNEX, TAE, TAKUNI, TMC, TOPP, TPP, TRITN, TVO, UV, UWC, WHAUP, XO, YUASA, ZEN

N/A

7UP, A, A5, AAV, ABM, ACAP, ACC, ACG, ADB, AEC, AEONTS, AFC, AGE, AH, AHC, AIT, AJ, AJA, AKR, ALL, ALLA, ALUCON, AMATAV, AMC, AOT, APCO, APEX, APURE, AQ, ARIN, ARIP, AS, ASAP, ASEFA, ASIA, ASIAN, ASIMAR, ASN, ATP30, AU, AUCT, B52, BA, BAT-3K, BCT, BDMS, BEAUTY, BEC, BEM, BFIT, BGC, BGT, BH, BIG, BIZ, BJC, BKD, BLAND, BLISS, BOL, BR, BROCK, BSM, BTNC, BTW, CAZ, CBG, CCET, CCP, CGD, CHARAN, CHAYO, CHUO, CITY, CK, CKP, CMAN, CMO, CMR, CNT, COLOR, COMAN, COTTO, CPH, CPL, CPR, CPT, CRANE, CRD, CSP, CSR, CSS, CTW, CWT, D, DCON, DCORP, DOD, DOHOME, DTCI, EA, EASON, ECF, EE, EIC, EKH, EMC, EPG, ERW, ESSO, EVER, F&D, FANCY, FLOYD, FMT, FN, FORTH, FPT, FSMART, FVC, GENCO, GIFT, GL, GLAND, GLOBAL, GPI, GRAMMY, GRAND, GREEN, GSC, GTB, GULF, GYT, HFT, HPT, HTECH, HUMAN, HYDRO, ICN, IFEC, IHL, III, ILINK, ILM, INGRS, IRCP, IT, ITD, J, JCK, JCKH, JCT, JKN, JMART, JMT, JUBILE, JUTHA, JWD, KAMART, KC, KCM, KDH, KIAT, KKC, KOOL, KTECH, KTIS, KUMWEL, KWM, KYE, LALIN, LEE, LH, LHFG, LOXLEY, LPH, LST, MACO, MAJOR, MANRIN, MATCH, MATI, MAX, M-CHAI, MCS, MDX, MEGA, METCO, MGT, MIDA, MILL, MITSIB, MJD, MK, ML, MM, MODERN, MORE, MPIC, MTC, MVP, NC, NCH, NCL, NDR, NER, NETBAY, NEW, NEWS, NEX, NFC, NOBLE, NPK, NPPG, NTV, NUSA, NVD, NYT, OHTL, OISHI, OSP, OTO, PACE, PAE, PAF, PERM, PF, PICO, PIMO, PJW, PK, PLE, PMTA, POLAR, POMPUI, PORT, POST, PPM, PPPM, PR9, PRAKIT, PRECHA, PRIME, PRIN, PRO, PROUD, PTL, RAM, RCI, RCL, RICH, RICHY, RJH, ROCK, ROH, RP, RPC, RPH, RS, RSP, S, S11, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SANKO, SAUCE, SAWAD, SAWANG, SCP, SDC, SE, SEAFCO, SEG, SF, SFP, SGF, SIAM, SIMAT, SINGER, SISB, SKE, SKN, SKY, SLP, SMART, SMT, SOLAR, SONIC, SPA, SPCG, SPG, SPORT, SPVI, SQ, SR, SSC, SSP, STAR, STARK, STEC, STHAI, STI, STPI, SUC, SUN, SUPER, SUTHA, SVH, SVOA, SWC, SYMC, T, TACC, TAPAC, TBSP, TC, TCC, TCCC, TCJ, TCMC, TCOAT, TEAM, TEAMG, TGPRO, TH, THAI, THANA, THE, THG, THL, THMUI, TIGER, TITLE, TIW, TK, TKN, 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, TTI, TTT, TTW, TVT, TWP, TWZ, TYCN, UAC, UMI, UMS, UNIQ, UP, UPA, UPF, UPOIC, UREKA, UT, UTP, UVAN, VARO, VCOM, VI, VIBHA, VL, VNG, VPO, VRANDA, WAVE, WG, WIN, WINNER, WORK, WORLD, WP, WPH, WR, YCI, 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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