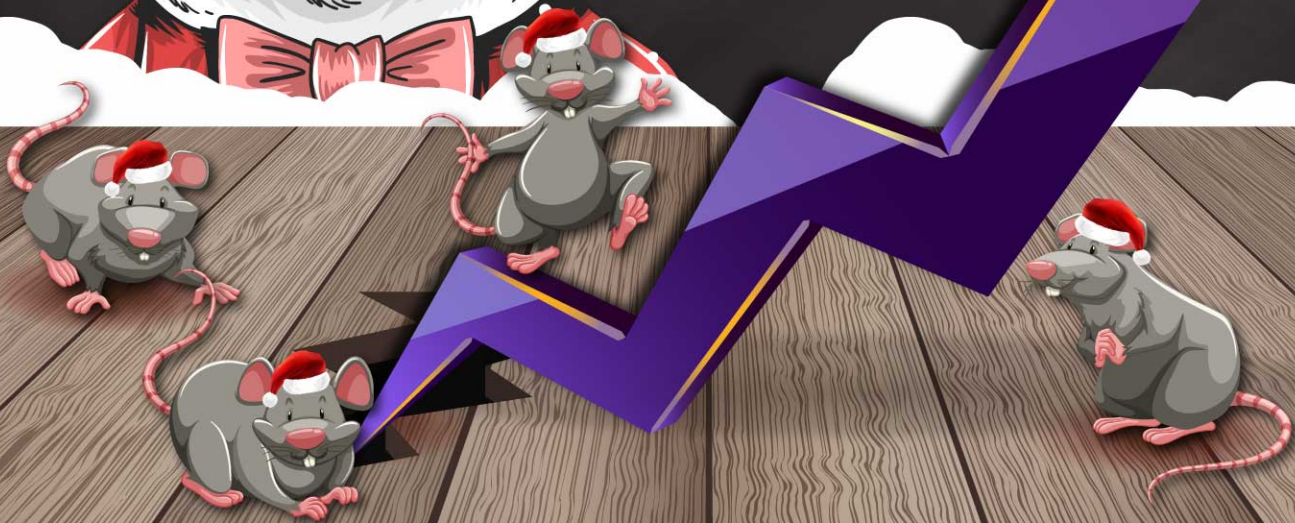


**WHEN THE CAT IS AWAY,
THE MICE WILL PLAY.**

SEE YOU IN
SECOND HALF
2020



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See the end of this report for important disclaimer

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SCBS strategy

SET index	Close: 29/11/2019	1,590.59	-7.09 / -0.44%	Bt51,843mn
SET50 index	Close: 29/11/2019	1,070.23	-7.07 / -0.66%	Bt36,235mn



When the cat's away, the mice will play

The year 2020 could turn out to be a year of two halves for the Thai equity market. We take a bullish stance for 1H20 on the basis of fading short-term concerns and greater stabilization. Earnings downgrades are over and done with and the year will start with low expectations. We do have three concerns that could pressure the Thai equity market: the US presidential election, tight monetary policy and bond default rate in China in 2H20. In our 1Q20 strategy, we suggest raising exposure to cyclical stocks and favor those with earnings growth and attractive valuations: BBL, BCH, IVL, TCAP and TOP.

Sweet spot in 2020. Three factors back a sweet spot in 2020: 1) economic stabilization, 2) liquidity injection and 3) easing global risks, limiting recession risk. However, the current upturn is vulnerable and faces medium-term downside hazards that may grow in 2021-2022. Although we maintain our downbeat view on Thailand's economy, upside may emerge from an inventory build-up, with a mini-revival of the economy to GDP growth of 2.8% in 2020 from 2.5% in 2019.

Long-term growth not a blue-sky scenario. The sweetness and light in equity markets is partly driven by easing trade tension, accommodative monetary policy, economic growth stabilization and a restocking cycle. The current economic sweet spot is unlikely to become the new normal, while uncertainty from technology disruption, aging population and household debt persists. We believe the Thai economy is in a low-rate and low-growth cycle.

Cyclical rotation in 4Q19 to continue in 1H20. Cyclical sectors electronics, petrochemical and banks gave excess returns during the late contraction. Abundant liquidity and increased risk appetite along with economic recovery usually act as tailwinds for cyclical sectors. We believe cyclical stocks are still under-owned. Although cyclical rotation was seen in 4Q19, this is not yet complete in the Thai market. Consequently, we expect continued outperformance given signs of stabilization in the downgrade cycle. We see opportunities where the market has over-discounted bad news and prices could recover in cyclical stocks with attractive valuation.

Back to fundamental and reasonable valuation. As share prices are recovering and valuation is expanding, returns will need to be driven by underlying earnings growth rates rather than broad-based valuation expansion and sentiment-driven stories. Fundamental signals have turned slightly positive with tentative signs of stabilization in global economic activities. We see value in cyclical sectors with large valuation discount relative to defensive sectors.

Moderate cyclical earnings rebound led by energy and petrochemical. Earnings growth looks set to recover to 13% in 2020 on 5% revenue growth. Energy and petrochemicals are likely to lead with 32% and 90% EPS growth after dropping 13% and 62% in 2019. Electronics is expected to recover 16% in 2020 after falling 34% in 2019. Banks and ICT should see low single-digit contraction. Continuous growth EPS growth of 10% in 2021 will support the 2020 rally.

Be brave, take risks in 1Q20. Market risk is receding. Short-term fundamentals are improving. We take a targeted procyclical stance and favor an earnings-related theme. We have high conviction for a moderate cyclical recovery with attractive valuation and potential re-rating. We like Energy and Petrochemical sectors on impressive earnings recovery. Banks will ride a cyclical tide with cushioning and low expectations. The market has over-reacted to bad news in these sectors, giving potential upside and a large margin of safety in Energy, Petrochemicals and Banking and justifies our overweight stance in 1Q20, while we avoid Residential Property, Automotive, Telecommunication, Utilities and Property Funds & REITs.

1Q20 Top picks

	Rating	Price (Bt)	TP (Bt)	ETR (%)
BBL	Buy	176.50	205.0	20.1
BCH	Buy	17.40	20.5	19.2
IVL	Buy	34.75	50.0	47.9
TCAP	Buy	55.75	63.0	25.2
TOP	Buy	69.00	79.0	16.2

	PE (x)		EPS growth (%)	
	19F	20F	19F	20F
BBL	9.2	8.9	4	4
BCH	36.5	31.9	7	14
IVL	20.2	9.8	(60)	107
TCAP	7.9	7.9	5	0
TOP	32.5	9.1	(58)	256
Average	21.3	13.5	(20)	76

	PBV (x)		ROE (%)	
	19F	20F	19F	20F
BBL	0.8	0.7	9	8
BCH	6.9	6.2	18	19
IVL	1.3	1.2	7	13
TCAP	0.9	0.9	12	11
TOP	1.1	1.0	3	11
Average	2.2	2.0	10	13

	Div. Yield (%)		EV/EBITDA (x)	
	19F	20F	19F	20F
BBL	4.0	4.2	-	-
BCH	1.3	1.6	19.4	16.8
IVL	4.0	4.0	9.1	6.2
TCAP	12.2	6.4	-	-
TOP	1.7	4.5	11.4	7.1
Average	4.7	4.1	8.0	6.0

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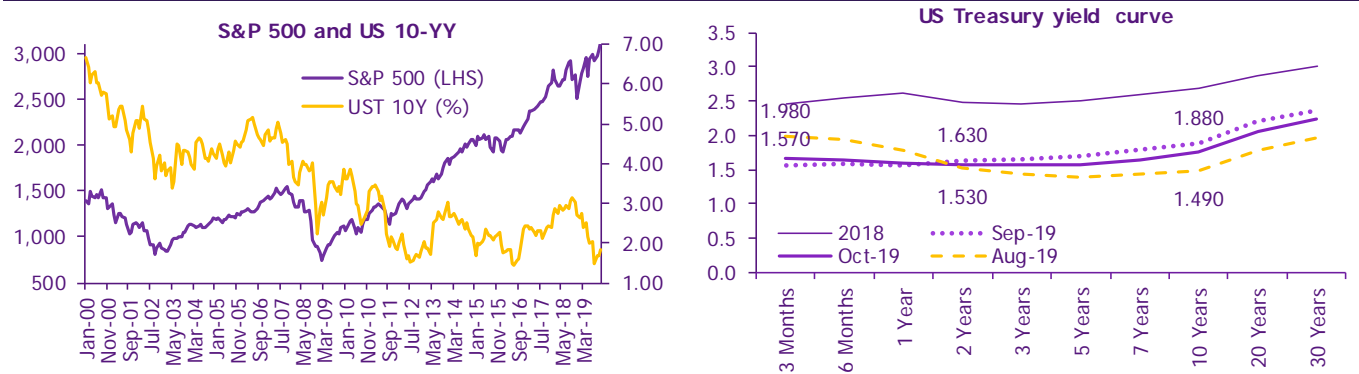
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Market Strategy: 1Q20

“Sweet Spot”

For global investors, the sun has been shining for the last few months. Stock indices have gained up to 8%, with developed markets gaining the most, and many equity markets are closing in on all-time highs. Most prominent are US stock indices, where every day the S&P, Dow Jones and Nasdaq touch another historic high basis. Sovereign bond yield has also added 10 to 40 basis points, highest for long-dated bonds, indicating a risk-on mode. But most importantly is that the yield of 3-month US Treasury bill has fallen below that of the 10-year US Treasury. In other words, the “inverted yield curve” - a warning sign of an upcoming recession - has returned to “Normal”.

Figure 1: S&P 500 reaches all time high, while US treasury yield curve has become “un-inverted”



Source: CEIC, SCBS Investment Research

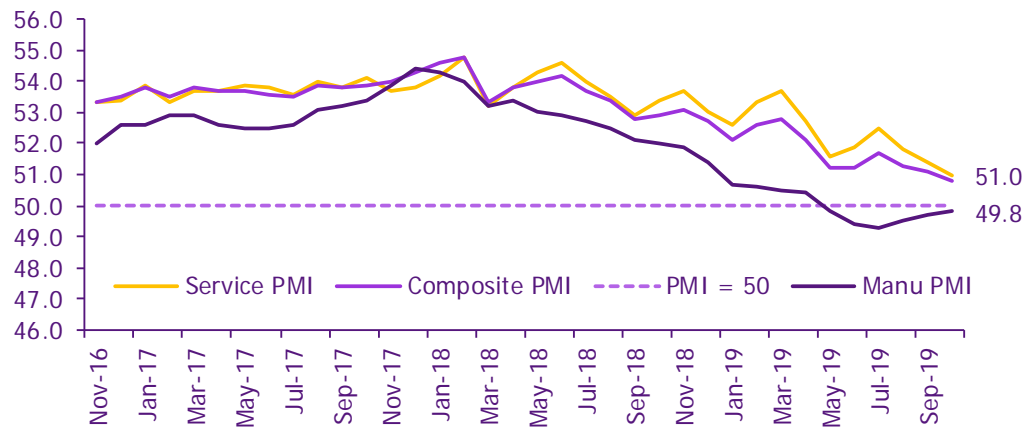
Backing the recent risk-on sentiment are three factors: 1) economic data, which, although relatively weak, is beginning to show signs of stabilization; 2) liquidity injections into the world economy and 3) signs of abating in global risk events, at least for now. If these three conditions can stay around, we expect this will be a “sweet spot” for the global investor going into next year.

Global manufacturing stabilized following inventory decline

As for economic data at the aggregate level, the global manufacturing sector (as measured by the global purchasing manager index, or PMI, in the manufacturing sector), although in contraction territory, shows signs of stabilization after two years of contraction. The global manufacturing index reached bottom at 49.3 in June, then began a steady move up to 49.8 in October (admittedly still in contraction territory). Individual country manufacturing PMIs show some signs of stabilization as well, in both developed and developing economies such as the US, Germany, France, Malaysia, South Korea and China.

In contrast, the service sector counterpart, although in expansion territory, has been deteriorating a bit. The global service PMI has declined since peaking in early 2018. As a result, the global composite PMI is echoing the same trend.

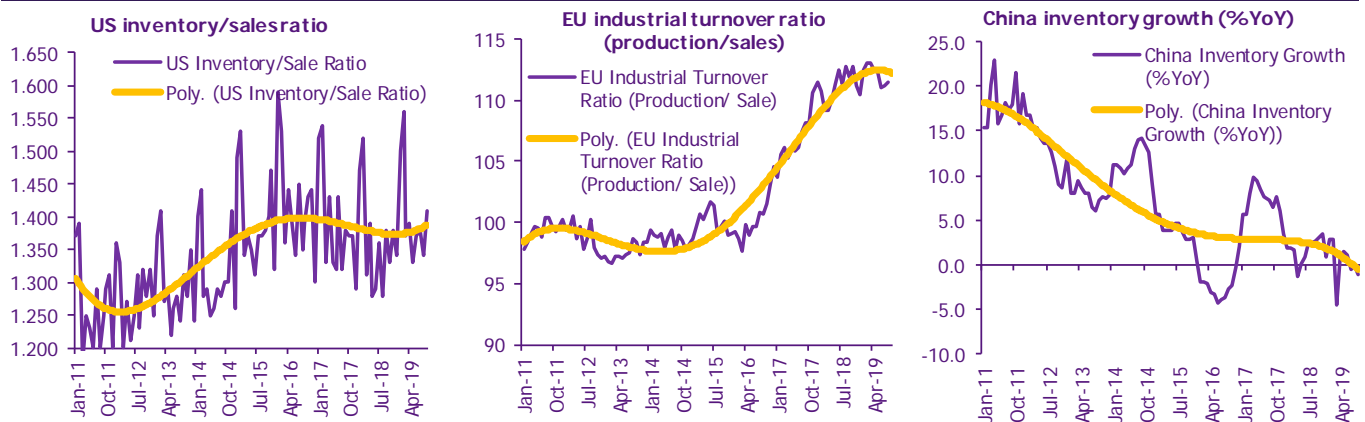
Figure 2: Global Manufacturing, Service and Composite Purchasing Manager Index



Source: CEIC, SCBS Investment Research

The rebound of global manufacturing PMI, in our view, is due to the depletion of global inventory. On the aggregate level, the ratio of new order PMI per shipment has been jumping in the past few months, implying that producers have halted production while running down inventory to match the slipping demand. On the individual-country level, inventory level in major economies, i.e. the US, EU and China, indicates that the level of either inventory to sales (for the US and EU) or inventory growth (for China) has peaked and is leveling off. If the condition persists, it is possible we will see a rebound in global PMI as we did in 2017 (though probably not in magnitude). This implies that a “mini” synchronized rebound in the global manufacturing sector in the next few months is possible.

Figure 3: Inventory indicators in major economies are leveling off



Source: CEIC, SCBS Investment Research

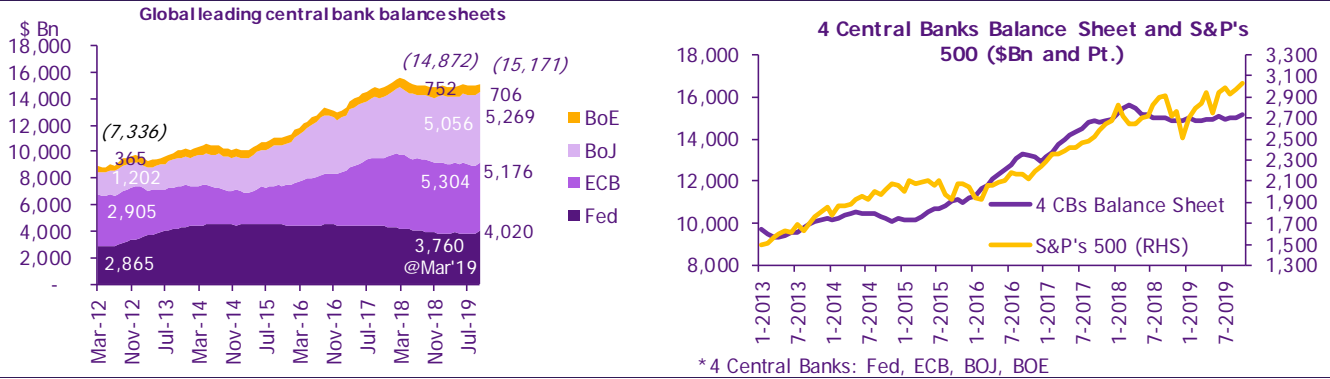
Global monetary policy is becoming accommodative again

The 2019 global economic slowdown has led to a change in monetary policy for major economies. Central banks around the globe have cut interest rates and expanded money supply, while major central banks have restarted a bond-buying program. In the US, the interest rate cut and lowering of long-dated bond yield have reduced mortgage rates, which helps lower the financial cost of home ownership and boost activity in the real estate sector.

But most of all, it is liquidity injection, tagged as “Quantitative Easing” or QE that matters to the financial market. In our view, the global market’s rally is due mainly to liquidity pumped in by global central banks. Since 2012, balance sheets of leading global central banks (i.e., the US, Europe, Japan and the UK) has more than doubled, from US\$7.4trn at the beginning of 2012 to US\$15.2trn now. Most notably, the growth in central bank balance sheets due to synchronized liquidity injection by all four banks lead to a peak in balance sheets of US\$15.6trn in March 2018, a 67.8% increase since March 2013. Coincidentally, during that period, price of risk assets, esp. stocks, have been rising at more or less the same magnitude: the S&P 500 index surged 68.3%, rising from 1,569 to 2,641 in that period.

Since March 2018, the balance sheets of the four central banks have been contracting due to monetary policy "normalization", namely "Quantitative Tightening" in the US and the phasing out of QE in Europe. Coincidentally, the global risk asset performance soured, especially in the fourth quarter of 2018, where balance sheets of the four banks reached a trough of US\$14.8trn. Since then, the relaxation of monetary policy and the subsequent restart of QE in Europe and in US (in the name of short-term liquidity injection of US\$60bn for six months starting October 2019) has led to rising asset value in central bank balance sheets again, to US\$15.3trn, an increase of 2.9% from a year ago. In the same period, S&P 500 rose 12.1%.

Figure 4: Global leading central bank balance sheet increasing accordingly with the rise in S&P 500 index

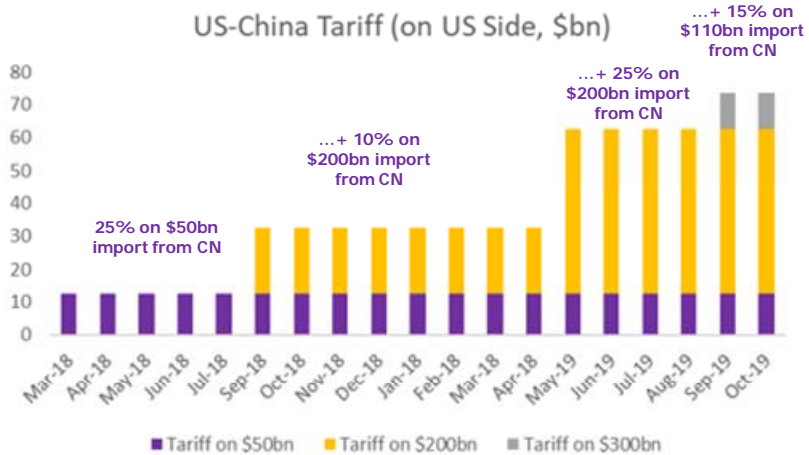


Source: CEIC, SCBS Investment Research

Events risk stabilizing

Much of the fears regarding the global economy in September stemmed from the real possibility that the global trade war would intensify. In the past months, the risk has seemed to be abating somewhat, with a limited phase one trade deal between the US and China apparently in the final stages of negotiation. The positive development on the trade front began in October, with the US refraining from adding import duties to goods from China on October 15; in exchange, the Chinese agreed to buy more US agricultural products. Subsequently, the positive news flow coming out of the talks between Liu He, the Chinese trade representative, and Robert Lightizer, US Trade representative and Steven Mnuchin, the Treasury Secretary, also hinted at the possibility of a limited trade deal between the two sides. Looking forward, the market is expecting there to be a hold put on trade war escalation for three reasons: 1) the US is in mid-term election mode (giving Trump incentive not to escalate the trade war, which will dampen the economy further); 2) China's economy is in "mild stagflation" mode (or higher inflation due to rising pork price while the economy is deteriorating further) which will limit its central bank's ability to stimulate the economy; and 3) the US economy is losing steam. In our view, if a phase one trade deal is achieved, there should be some reduction in import tariffs on both side, most importantly the US' possible roll-back of the 15% tariff imposed in September 2019.

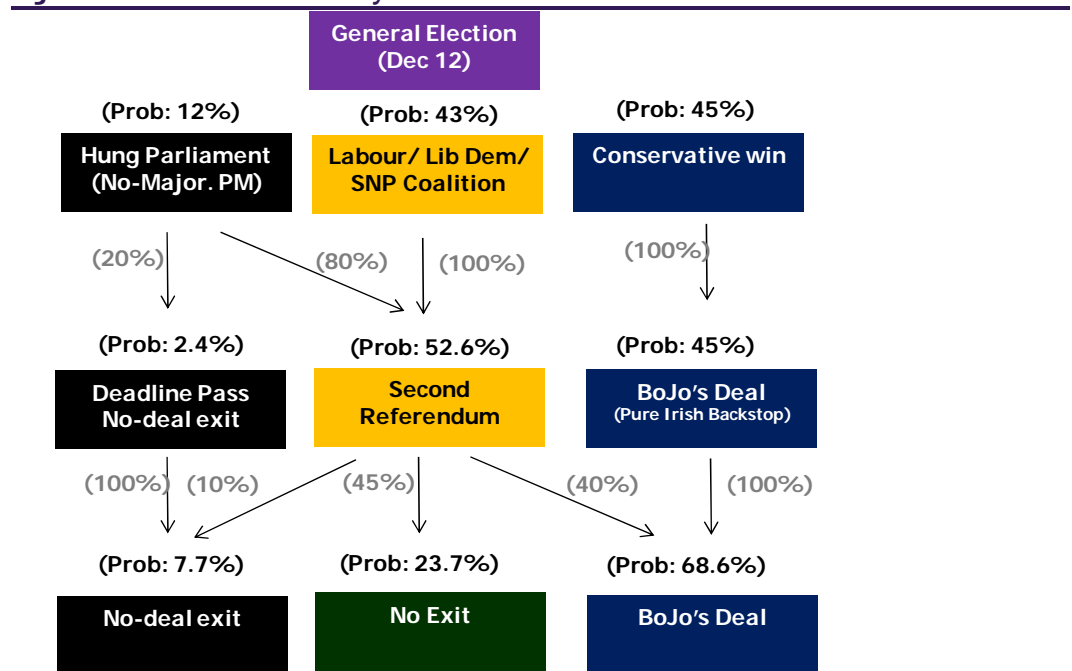
Figure 5: The US-China tariffs (on US side)



Source: SCBS Investment Research

Another elephant in the room, which is more or less disappearing, is the Brexit endgame. It is becoming clearer that the chance of a disruptive “no-deal” Brexit when the UK leaves the EU at the end of January 2020 dropped sharply after the UK prime minister reached an agreement with his Northern Ireland counterpart, replacing the Irish “backstop” with a more flexible arrangement. While the chance of a “no-deal” Brexit is greatly reduced, the chance of “no Brexit” is increasingly possible, with a general election scheduled to be held in early December. If prime minister Boris Johnson’s Conservatives party, now leading in the polls, fails to win a majority while the coalition of the Labour and Liberal Democrat parties wins more seats, it is possible we will see a second referendum, or even a revoking of Article 50 of the Lisbon treaty, suggesting that a “no Brexit” is increasingly possible (although in our scenario analysis, a chance of Brexit with the PM’s proposal is higher than a “no Brexit” or “no-deal” exit).

Figure 6: Brexit scenario analysis



Source: SCBS Investment Research

Global economy in 2020: Downside risk still dominates, but recession unlikely

Despite our relatively upbeat sentiment regarding global investment in the near future, we still have a pessimistic view regarding the global economic backdrop in 2020. Our view is dimmer than the IMF’s 2020 economic projection published in its October 2019 World Economic Outlook. We project slower growth in the global economy and in major economies than the IMF. Only China’s economic growth will meet the IMF projection, in our view.

Figure 7: IMF WEO (October 2019) economic projection compared to SCBS

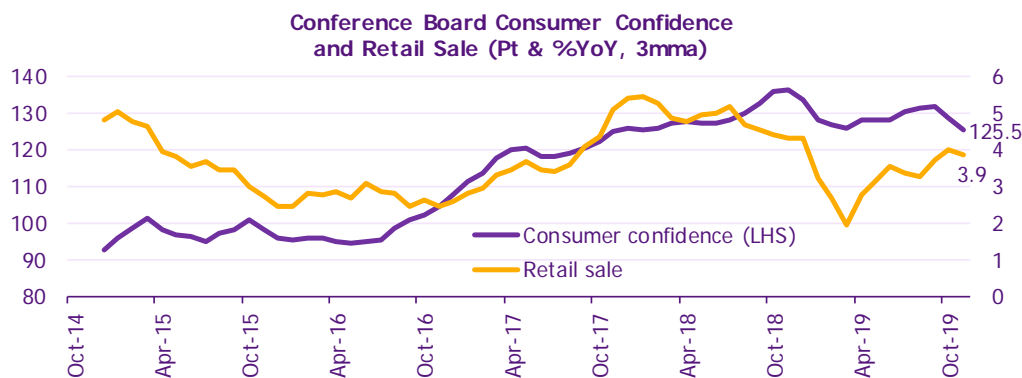
GDP Growth	2020 (WEO Oct'19)	2020 (SCBS)
World	3.4	3.2
US	2.1	1.8
Euro Zone	1.4	1.0
Germany	1.2	0.7
China	5.8	5.8
Thailand	3.0	2.8

Source: IMF, SCBS Investment Research

In the US, economic indicators show positive signs on two fronts: the real estate sector and financial condition. This is due to the fact that the recent rate cut helped reduce financial costs for homeowners, which spurred higher real estate activity. Signs in other economic fronts such as consumption, investment and industrial production, are not as encouraging as the negative effect of the recent slowdown has been most heavy on international trade and manufacturing. Looking forward, we expect the US economy, having peaked in the first quarter of 2018, will deteriorate gradually due to increasing production cost as a result of the trade war, the slowdown in the global economy and the remaining uncertainty due to several

factors, e.g. the new administration's policies. This will erode consumer confidence and subsequently retail sales. As a consequence, the Federal Reserve will have to cut its benchmark interest rate twice more in 2020, to 1.00-1.25% from the current level of 1.50-1.75%. We also believe there is a high possibility that the Fed will need to continue its liquidity injection by buying short-dated bonds after the current program expires in March 2020 in order to keep ample liquidity in the system to avoid the liquidity shortage problem seen in September-October.

Figure 8: US Conference Board Consumer Confidence Index and Retail Sales



Source: Bloomberg, SCBS Investment Research

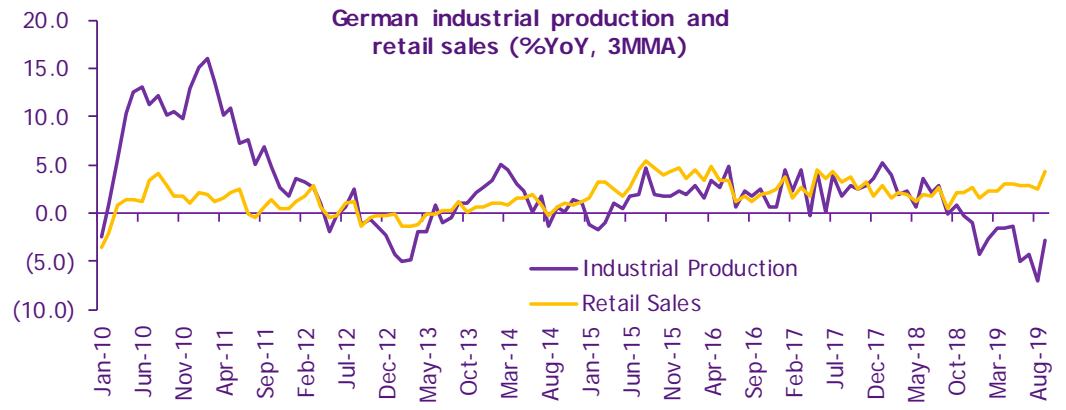
In Europe, recent economic data such as third quarter GDP growth suggests that a recession has been averted, both at the aggregate level and the country-specific level. The eurozone as a whole, as well as its major members Germany, Spain, France, Italy and the Netherlands, have reported economic growth in positive territory, albeit at a stall speed. Looking forward, the single currency economy still faces several challenges, both structural - an aging society and the north-south divide – and cyclical - the recent downswing in the manufacturing sector and conservative politicians who are unwilling to use fiscal firepower to boost their economies.

Looking into 2020, we believe that the key indicator to monitor in the euro area economy is the health of Germany's economy, since it is the largest economy and has the weight to drag the economy of the whole area downward, despite a relatively stronger performance from smaller economies such as France and Spain.

In Germany, we are watching the tug-of-war between industrial production and retail sales. Industrial production has been in negative territory for more than a year, due to the carbon-emission scandal that halted of German auto production, which has a strong impact on the overall German manufacturing sector since the auto value chain constitutes about three-quarters of the whole German manufacturing value chain. However, despite the contraction in the manufacturing sector, Germany's private consumption is holding up quite well due to a relatively strong performance in the job market.

If the manufacturing condition in Germany starts to stabilize and has a mild rebound in the near future as we expect, retail sales will continue to expand steadily and will shore up the German and European economies, avoiding recession.

Figure 9: German Industrial Production and Retail Sales

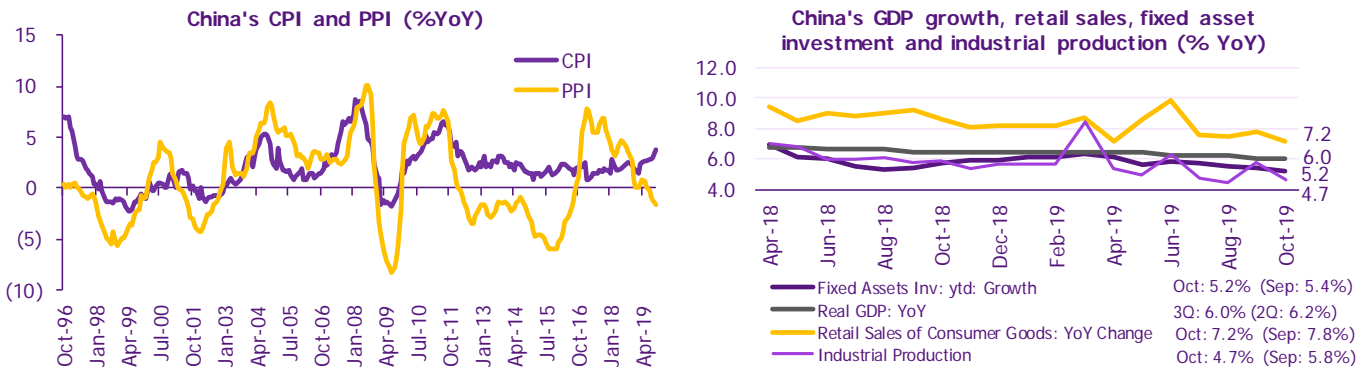


Source: Bloomberg, SCBS Investment Research

In China, the recent economic data is admittedly not very encouraging. Industrial production and the export-import sector are deteriorating sharply, with a relatively milder slowdown in domestic consumption and the service sector. The recent move by the Chinese central bank to relax its monetary policy by cutting financial cost via the reverse repo and a new benchmark policy interest rate (i.e. the Loan Prime Rate) indicates that the government is trying to avert a sharp slowdown, despite the fact that the economy is facing a mild “stagflation” (an economic slowdown which leads to contraction in the producer price index but higher inflation due to higher pork price because of the African Swine Flu). This puts limits on how much the People’s Bank of China (PBOC, the central bank) can do to stimulate. However, if a phase one trade deal between US and China is achieved, China is likely to increase imports of US meat along with other agriculture products, which will help lessen the impact of rising food price and consequently lead to lower inflation afterward, which will give more room for the PBOC to stimulate the economy.

Apart from monitoring the difference between consumer price inflation and produce price deflation, another set of indices worth monitoring are developments in investment indicators in comparison to other indicators such as industrial production and retail sales. It is highly likely that, given the slowdown in the Chinese economy while monetary stimulus is somewhat constrained, the only firepower left for the government is its reliance on fiscal policy. It is hence possible there will be a revival in the fixed asset investment indicator.

Figure 10: China economic indicators



Source: CEIC, SCBS Investment Research

Thailand's Economy in 2020: Maintain our downbeat view, but upside may emerge from inventory draw-down

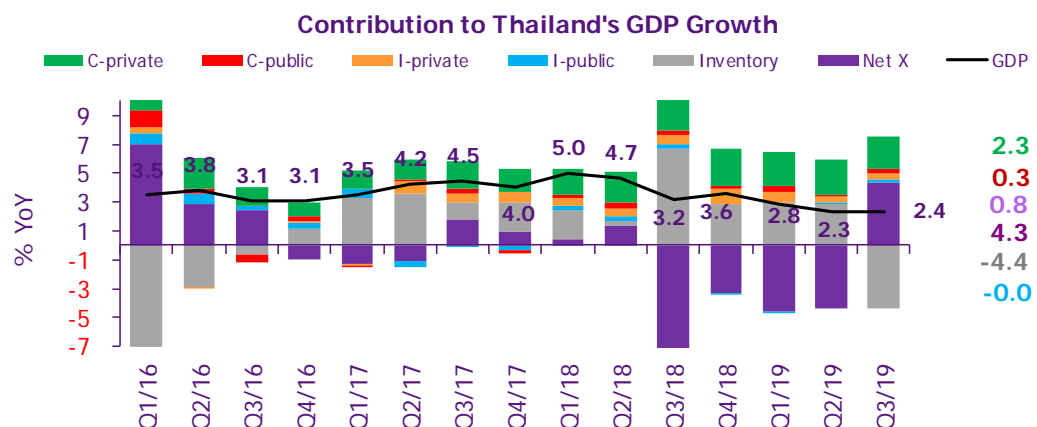
It is conventional wisdom that Thailand's economy is in a downward spiral. After achieving spectacular growth of 5.0% in 1Q18, Thailand's economic growth has been moving down since then. The latest 3Q19 GDP growth at 2.4% YoY and 0.1% QoQ SA also missed expectations of 2.8% YoY. However, despite the disappointing headline number, we see a faint glimpse of hope in the Thai economy in the near future. To elaborate our view, we need to look into the components of Thailand's recent GDP growth.

The lower-than-expected 3Q19 GDP growth is due to three factors: First, a deceleration in consumption to 4.2% from 4.6% YoY in 2Q19 due to a slowing in consumption of durable goods (auto: -6.5% YoY) and a slowdown in services used in everyday life such as electricity and fuel consumption, implying a reduction in overall economic activity due to the economic slowdown.

Second, stable exports, as seen in an unchanged export value (0.0% YoY). While headline growth did not contract, components show a different picture. Both agricultural and industrial products contracted strongly, e.g. tapioca (-27%), rice (-35%), auto (-4.4%), while gold exports increased strongly (+348%). Taking out gold, export value contracted -4.8% YoY in 3Q19. On the other hand, import values have seen a large contraction of -7.7% YoY. Both raw materials and fuel imports, essential for production, shrank markedly in third quarter. The large contraction in imports against stable exports, led to strong growth in net exports and became a heavier component in Thailand's GDP growth (4.3% out of the 2.4% GDP growth).

The final and most surprising component of Thailand's GDP growth was a large shrinkage in inventory of about -113% YoY, or about THB13bn. This is due largely to the combination of the contraction in gold and in agricultural and industrial inventories, e.g. tapioca, rice, sugar, computers and watches. The large contraction in inventory gave a strong negative contribution to GDP growth (-4.4%), the largest drop since 3Q16.

Figure 11: Thailand's GDP growth and contributors



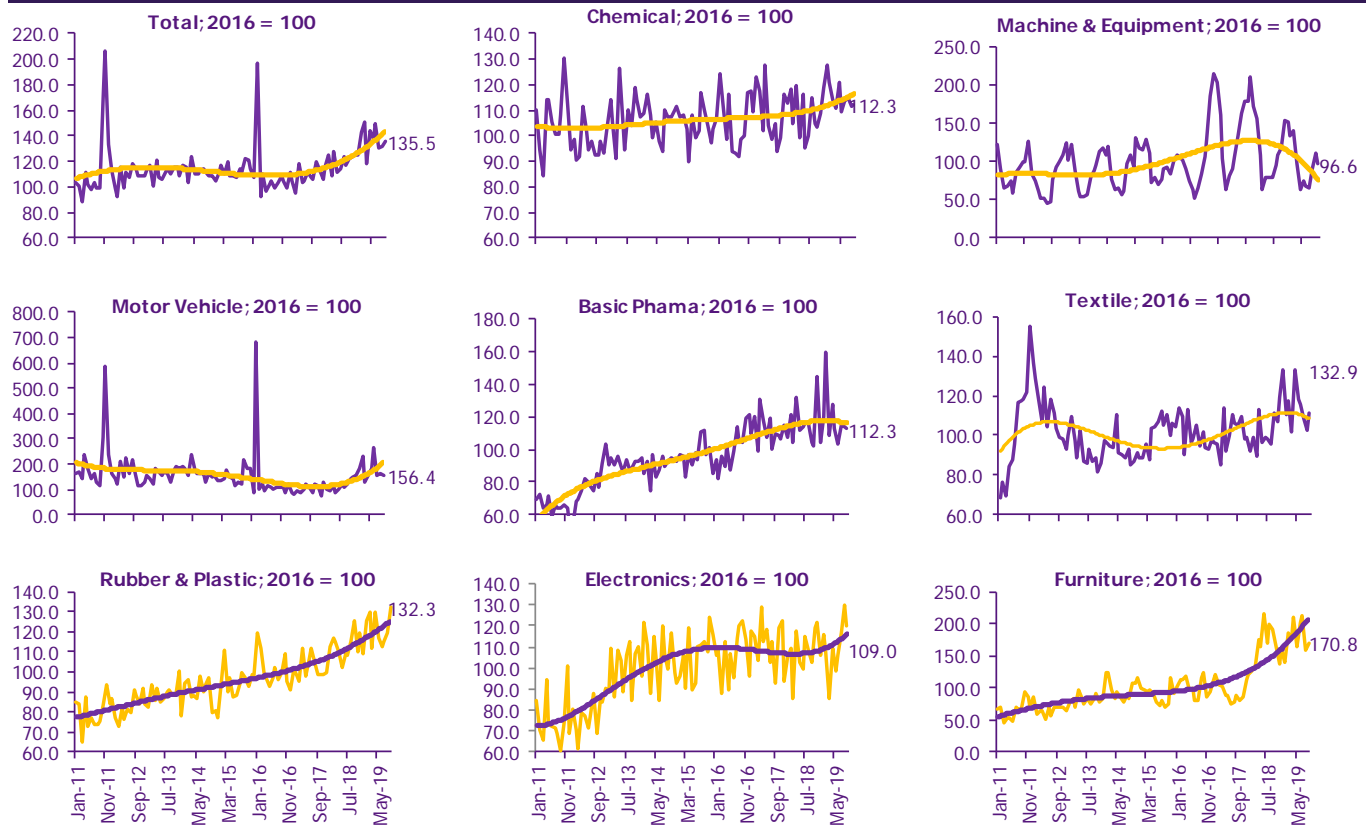
Source: NESDB, SCBS Investment Research

To understand the significance of inventory contraction, we would like to take the reader back to elementary macroeconomics. To measure the growth of an economy, both sides of the coin need to be in balance. These are: 1) "production" side, consisting of agricultural, industrial and service sector; and 2) "expenditure" side, consisting of private consumption and investment, public consumption and investment and net exports. Whenever the two sides are not balanced, "inventory" will be the adjustable component. For example, if the economy faces an "excess supply" problem (i.e., production side of the economy produced more than the economy can consume), inventory will build up. This has been the case for the last 11 quarters, where excess supply followed "global synchronized growth" in 2017-18. Arguably, the large contraction in inventory in 3Q19, in our view, is the first sign that the Thai economy is readjusting itself, by halting production while running down inventory. If this picture persists, inventory will run out soon, implying that producers will need to build inventory soon. Admittedly, a big proportion of the inventory decline comes from the destocking of gold following the recent gold price spike in 3Q19. But according to the National Economic

and Social Development Board (NESDB), the contraction also comes from agricultural and industrial stock as well.

To study the details of inventory depletion, we looked into the inventory shipment ratio of Thai industrial products. We found that although the inventory ratio is quite high in several industries compared to historical data, there are some signs that the ratio may decline soon. Importantly, in some sectors like machinery and equipment, motor vehicles, textiles and basic pharmaceutical products, the ratio shows a “peaking” pattern and is expected to come down sometime soon.

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



Source: CEIC, SCBS Investment Research

Despite our hope for a mini-revival of the Thai economy in the near future, we are still conservative in predicting 2020 the Thai economic growth. We believe the Thai economy will grow at a rate of 2.5-3.0% (average: 2.8%), minimally revived from 2018's lackluster growth rate of 2.5%. The economic engine of growth will hinge on the return of public investment (with growth of 6.3-7.2%, up from 1.1% in 2019). This is because capital expenditure, which could not be disbursed in 4Q19 due to a delay in approving the FY2020 budget, can be disbursed in 1Q20. Apart from that, the continuation of large infrastructure projects such as the high-speed train linking three airports, the Pattaya-Map Ta Phut Motorway, Lop Buri-Pak Nam Pho double-track railway and the Yellow, Orange, Red and Pink mass rapid transit lines, will be crucial for a revival in public investment growth.

We expect the rebound in public investment will result in “crowding-in” of private investment. The mini-rebound in manufacturing will help revive private investment as well, especially sectors that already have a high capital utilization rate such as basic pharmaceuticals and chemicals. Hence, private investment is projected to grow at 3.5-4.5% (average: 4.0%) from 2.7% YoY in 2019.

Apart from the two sectors, we believe other sectors will continue to decelerate. Private consumption will grow at around 3.3% from 4.4% in 2019 due to high household debt and lower income. Exports may not grow next year, while imports may start to grow minimally at around 1.7% due to an increase in private investment. This will lead to a lower current account surprise, which may help weaken the baht minimally (around 31 baht per US dollar).

The baht has been appreciating due to global liquidity (which weakens the US dollar) and there is a risk that public and private investment will not materialize as projected. Headline inflation will increase marginally due to a slightly weaker baht, to 1.0% from 0.8% this year. With this economic backdrop, we expect the Bank of Thailand to cut its benchmark interest rate one more time, 25 basis points, to 1.00% in 2020.

Too many moving parts: a 2020 scenario analysis

Although careful analysis has been done in order to accurately project the global and Thailand economic backdrop, there are numerous factors that can impact the bottom line. For example, the state of the economy, whether or not the contraction of global manufacturing will persist and pass through to the service sector, resulting in a decline or contraction in retail sales in major economies. In China, whether the current "mild stagflation" will persist or not, which will make it more difficult for the PBOC to stimulate the economy (if the condition persists). As for other events, the tie between the US presidential election and the severity of trade war is at play. If, for example, the US Democrat party chooses a hardliner like Elizabeth Warren as its candidate to compete with Trump, the trade war may heat up again since he will not want to look weak before the presidential election in November. This will negatively impact the economy, the policy interest rate and the bond yield.

In our base case, we believe the global economic growth will be maintained, inflation will ease and event risk is stable. If, however, the economic deterioration persists and/or the event risk flares up, the worst-case scenario will come to play (we give a 30% possibility of that happening compared to the 60% base case). The last 10% probability is given to the best-case scenario where the economy revives and event risk (the trade war) disappears (meaning the two sides start to cut their current tariffs on each other). In this scenario, the sky will be blue longer while central banks, especially the Fed, will not need to cut rates much further.

Figure 13: 2019-20 projection—scenario analysis

Macro/Market Variables	Now	2019	2020		
			Best	Base	Worst
Probability	N/A	N/A	10%	60%	30%
Global GDP (%YoY)	N/A	3.0	3.4	3.1	2.7
US GDP (%YoY)	1.8	2.2	2.3	1.7	1.1
CN GDP (%YoY)	6.0	6.1	6.4	5.7	4.5
TH GDP (%YoY)	2.4	2.5	3.2	2.8	2.0
US Core PCE	1.7	1.8	1.7	1.6	1.5
FFR	2.38	1.63	1.63	1.13	0.88
US10YY (%) eoy	1.76	1.75	2.5	1.8	1.5
US2YY (%) eoy	1.60	1.65	2.0	1.6	0.8
2-10 (%) eoy	0.16	0.1	0.5	0.2	0.7

Source: SCBS Investment Research

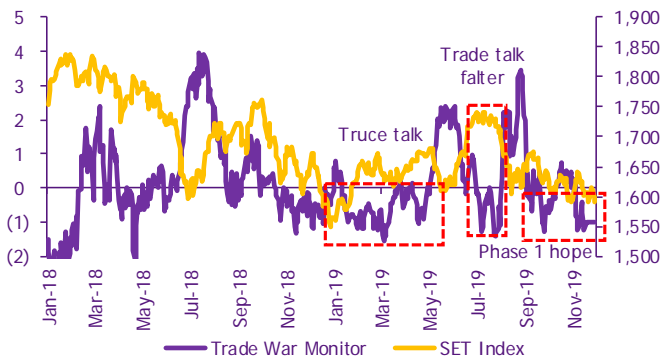
When the cat's away, the mice will play

Shifting from risk-off to risk-on mode

For equities as an asset class, improving political and geopolitical developments as well as signs they are touching bottom have always heralded an increase in risk appetite. Market sentiment has switched from risk-off to risk-on in response to four positive developments: 1) de-escalation of trade tension, 2) easing financial condition from accommodative central bank stances, 3) improving economic and earnings outlook and 4) signs of inventory build-up

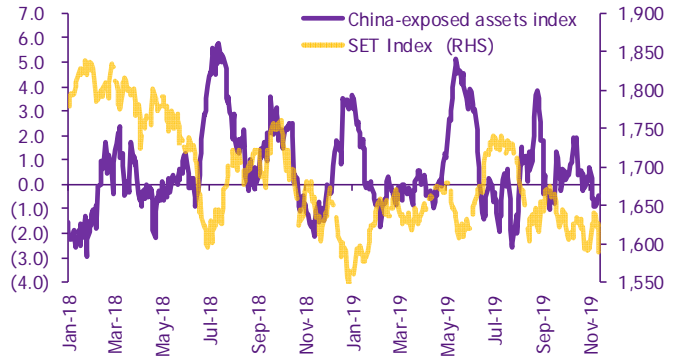
1) Ending of trade war escalation. The greater certainty being found in US-China trade talks is poised to help global trade volumes recover from their drop in 2018-2019. Although no real improvement is visible in hard data, expectations and confidence have been brightening for three months, since September. In addition, the latest purchasing manager indexes point to a recovery in new export orders in Oct 2019. If the good moves in trade talks can be sustained, Thailand's economy will benefit. Although the positive with regards to the trade war is priced in, confirmation of a trade deal would be a catalyst for the equity market. On the other hand, a further escalation of the trade war could easily tip an already slowing global economy into recession.

Figure 14: Market hopes for trade deal



Source: Bloomberg, SCBS Investment Research

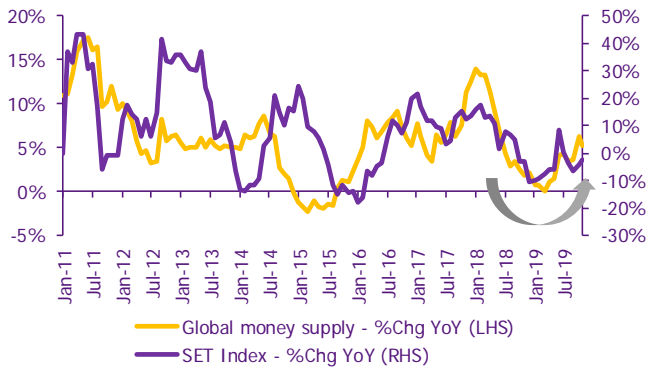
Figure 15: Trade war pricing and SET Index



Source: Bloomberg, SCBS Investment Research

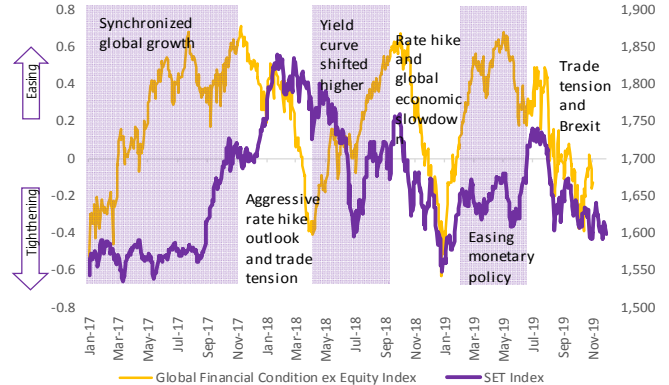
2) Easing financial conditions. Major central banks are standing by their loosened monetary policy and preparing for additional stimulus, if needed. Easing global financial conditions will continued, supporting economic and market rally in 1H20. Many emerging economies are implementing fiscal stimulus measures in order to keep economic growth in shape and gain the upper hand on growth concerns. Liquidity in the broader economy is clearly connected to liquidity in financial markets. We believe a continuous easing in monetary policy by central banks and further fiscal stimulus will support a market rally in 1H20, as will improved leading economic indicators.

Figure 16: Global money supply reflects ample liquidity



Source: Bloomberg, SCBS Investment Research

Figure 17: Global financial condition is improving



Source: Bloomberg, SCBS Investment Research

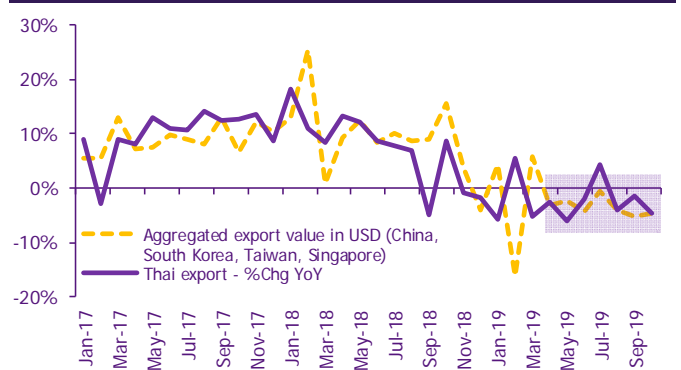
3) Economic growth stabilization. The recovery in growth is likely to be driven by a pick-up in the global cycle. After slowing in 2018-2019, we expect global economic growth to recover in 2020 thanks to easing financial conditions, lagged impacts of recent fiscal stimulus and improving confidence. The phase 1 of a US-China trade deal could lead to a mini-restocking cycle and manufacturing activity recovery within 3-6 months. Based on recent data, some leading indicators, such as business expectation, PMIs, new orders and exports from Asia, are suggesting stabilization and potentially improving growth in 1H20 (off the low base in 1H19). We believe more supportive fiscal policy may help growth recover as well.

Figure 18: Global PMI & new orders are improving



Source: IHS Markit, SCBS Investment Research

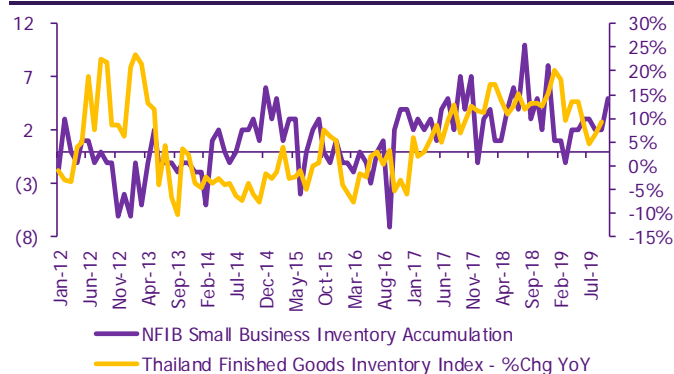
Figure 19: Exports from Asia is more stabilized



Source: CEIC, SCBS Investment Research

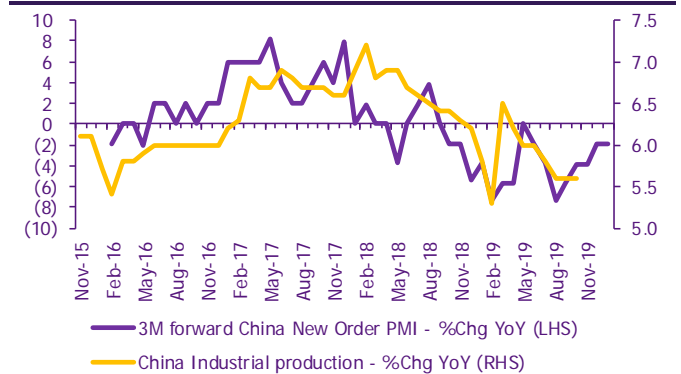
4) Inventory level is low. Manufacturers delivered weaker-than-expected revenue in 1H19 thanks to tariff hikes and trade tension. They decided to reduce risks by accelerating inventory drawdown following a cloudy growth outlook in 3Q19. However, mood is turning more bullish in 4Q19 as the trade tension eases. Many sectors, especially manufacturing, are already in deficit after the escalation of the trade war. If tariffs are removed and trade flows more freely, manufacturing and basic materials sectors such as electronics, machinery, industrial products, petrochemical and automotive, could be the winners.

Figure 20: SMEs' inventory in US is picking up



Source: CEIC, SCBS Investment Research

Figure 21: China new orders is coming

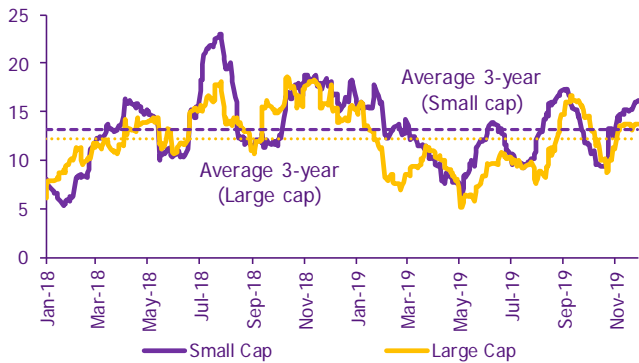


Source: CEIC, SCBS Investment Research

Fear overwhelms greed despite decreasing risks

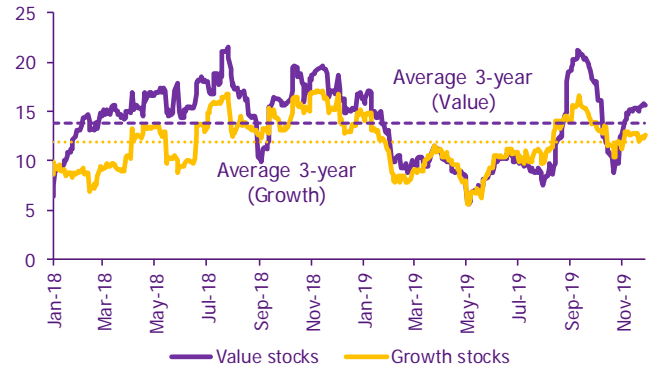
Growing hopes for a solution to the trade tension that has dented global growth support a short-term economic recovery. Unpredictable events such as geopolitical tension in the Middle East, Brexit, and continuing Hong Kong unrest continue to be factors, but not cause for a worst-case scenario. The key driver of the upswing is easing financial conditions as the Fed, the ECB and EM central banks cut policy rates and boost fiscal stimulus measures. SET volatility jumped in Oct 2018 but failed to reach the previous peak as it did in periods of correction in May-Jun 2018 and Oct-Dec 2018. This suggests that most market participants are afraid of weak earnings. In contrast, our Greed and Fear Index shows that investors are fearful despite higher liquidity and widening trading activity, especially in cyclical and value stocks. Volatility is above 3-year average, indicating that investors are staying on the sidelines. In addition, current put/call ratio is at a three-year high. Holding put reflects bearish sentiment. However, we believe the improving economic condition has brightened sentiment. Thus, the appetite for risk is expected to be higher in 1H20.

Figure 22: Volatility – Large vs Small cap



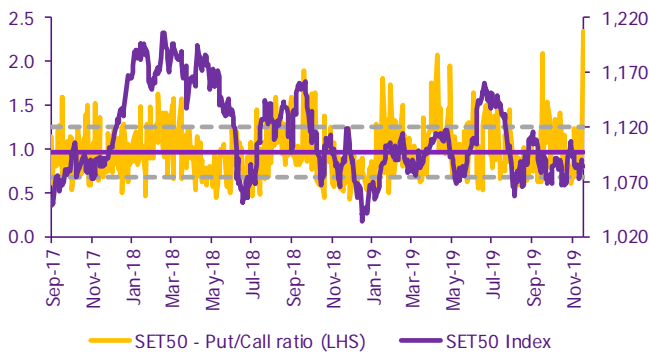
Source: SET, SCBS Investment Research

Figure 23: Volatility – Value vs Growth



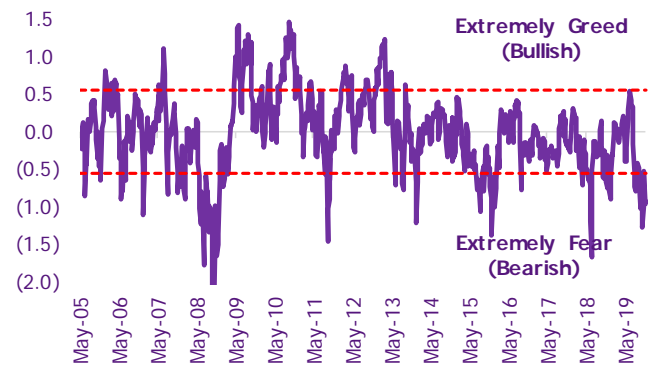
Source: SET, SCBS Investment Research

Figure 24: Put-call ratio



Source: SET, SCBS Investment Research

Figure 25: Fear/Greed Index

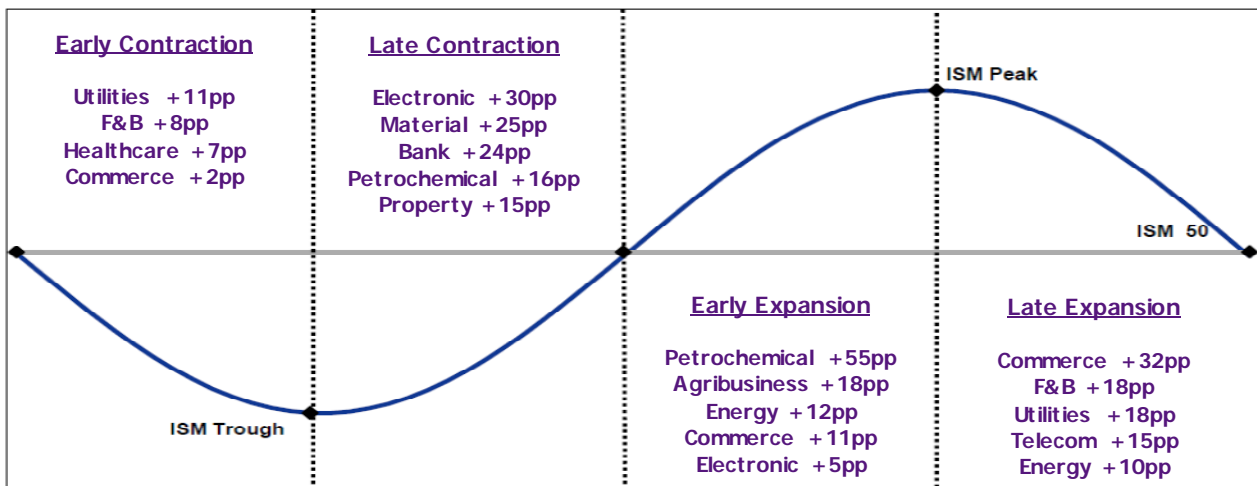


Source: SCBS Investment Research

Cyclical stocks outperform as economy hits bottom

Cyclical sectors underperform as economies decelerate, as we have seen since 4Q18, thanks to tight monetary policy by major central banks and escalation of the China-US trade war that moved global recession risk closer to the tipping point in 1H19 as well as pushing bond yields to historic lows. However, financial market sentiment is improving along with signs of an economic bottoming out as a rising cyclical tide supports a rally in cyclical sectors. According to data over 1990-2018, Electronics (hardware) and Petrochemicals, Materials, Banking, Property and Transportation sectors offered excess returns during the late contraction. On the other hand, defensive sectors such as Commerce, Utilities, Telecommunication and Healthcare underperformed. We expect this to be repeated this time, especially in the Petrochemicals and Electronics sectors, which are facing earnings downgrades and eventually valuation de-rating.

Figure 26: Excess sector returns vs SET Index during phase of ISM cycle since 1990

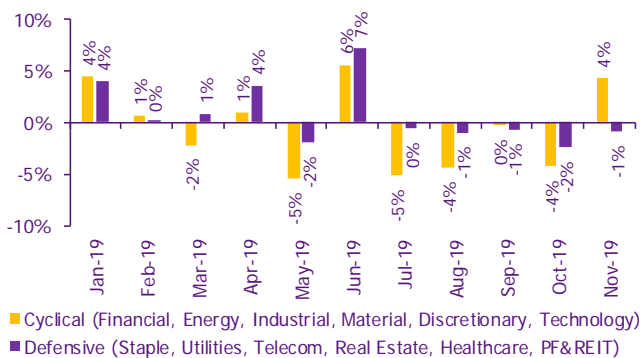


Source: SCBS Investment Research

Cyclical rotation seen in early 4Q19; expected to continue in 1H20

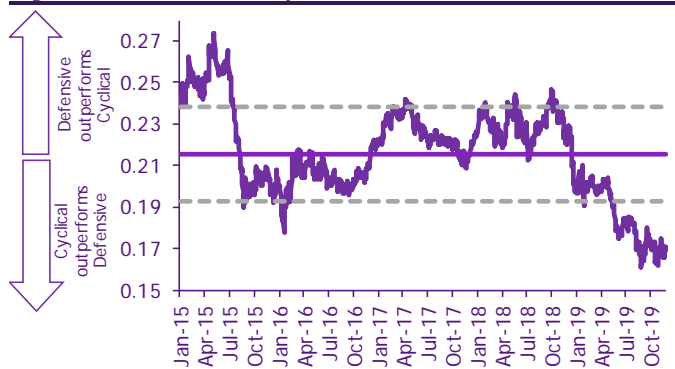
Global financial conditions began to improve in late 3Q19 thanks to a step down in interest rates and fresh stimulus. In general, an easing financial condition and lower borrowing cost could lead to a rise in confidence about future business investment. The recent easing by central banks and improving trade talks between China and the US are the cause of the recent positive development in the economy with a significant inventory accumulation and new order growth. Thus, fund flows move from defensive sectors to cyclical sectors as risky assets gain attention. We believe the stable borrowing cost and narrowing credit spread will provide a tailwind for a risk-on sentiment to continue in 1H20. Thus, we expect outperformance to continue, especially given signs of stabilization in the downgrade cycle. Cyclical reasons for improvement in liquidity and increased risk appetite along with economic recovery usually act as tailwinds for cyclical sectors. But the rotation into cyclical stocks in the Thai market has been incomplete, with consumer discretionary, materials and electronics names lagging the market and peers. We see cyclical rotation in Nov 2019, while other equity markets have seen this since Sep 2019. Our analysis leads us to expect cyclicals to have 20-25% upside from the current level over defensives based on pair-trading strategy.

Figure 27: Thai cyclical stocks lagged



Source: SET, SCBS Investment Research

Figure 28: Thailand - Cyclical/Defensive ratio index

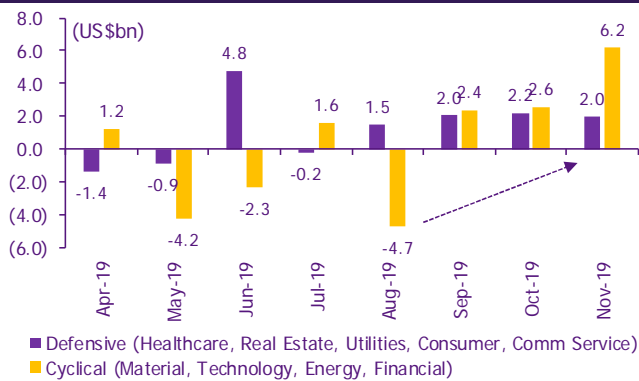


Source: SCBS Investment Research

Cyclical positioning remains light

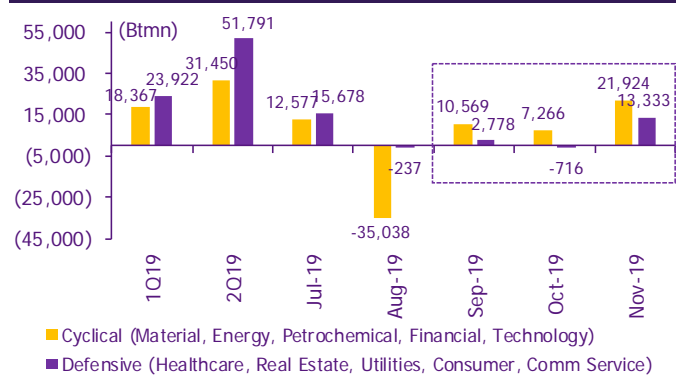
In the first nine months of 2019, defensive stocks outperformed cyclical stocks on growth worries and a vulnerable growth outlook. Investors invested heavily in low-volatility, high growth visibility and attractive yield. Overall investor positioning in cyclical stocks remains light and could support a sector upswing if fundamentals improve as we expect. Based on EPFR, global fund flow is shifting to cyclical sectors such as technology (+US\$5.3bn) and financials (+US\$7.2bn) from consumer (-US\$0.4bn) and healthcare (-US\$2.7bn) in Sep-Nov 2019. Utilities received little inflow at US\$0.6bn per month in Sep-Nov 2019 from US\$1bn in May-Aug 2019. The cyclical index has clearly outperformed defensive since Sep 2019, suggesting that investors are starting to gradually take a position in cyclical stocks. Moreover, cash levels for institutional investors remain high at 3-4% of assets under management, which is above the 10-year average of 2%. The light positioning and high cash on hand anchor the cyclical rotation story. Likewise, NVDR trading activities from Sep-Nov 2019 show foreign investors have a net buy in banks, petrochemicals, construction materials, energy and food. Based on our channel check, institutional investors are cutting positions in telecommunication and utilities while increasing positions in financials and materials. Although we have seen some cyclical rotation, we believe cyclical stocks are still under-owned and this may amplify an upswing if fundamentals turn more positive, in our view. There is still hope that the turn from defensives to cyclicals will occur in 1H20.

Figure 29: Global fund flow position



Source: EPFR, SCBS Investment Research

Figure 30: NVDR trading activity by sector



Source: SET, SCBS Investment Research

Long-term economic outlook is not a clear blue sky; cautiously optimistic

The sweetness and light in global stock markets is partly driven by better trade news and partly by earlier monetary policy easing and fiscal stimulus. We expect the growth news in 1H20 to look more positive than in 2019. Easing is now well priced into markets, while future growth continues to appear uncertain from technology disruption, an aging population and high household debt. Our base case for the Thai economy over the next three to five years is for a continuation of slow economic growth on average. We believe the Thai economy is in the late cycle but see a short-term manufacturing recovery from a re-stocking cycle. Our recommendation for core long-term portfolios is to take positioning in high quality and defensive stocks while adding more cyclical stocks to satellite or short-term trading portfolios in 1H20.

Improving earnings growth in 2020

The low base effect in 2019 from a huge contraction in energy and petrochemical sectors as well as the one-time employee benefits in 2Q19 pave the way to a moderate recovery in Thailand’s corporate earnings growth. After a weak 2019, with earnings set to decline 3% relative to starting consensus expectations of +10%, 2020 earnings have already been trimmed by 7%, reflecting a conservative stance by analysts. The key growth drivers are revenue growth and margin expansion from favorable leverage effects. Improving economic activity will lift revenue growth to 6% in 2020 from 2% in 2019. Energy and materials (42% of earnings) will likely lead to recovery via stabilizing petrochemical spread, refinery margin and oil price and favorable operating leverage with lower cost of funds. We expect 9% EPS growth in 2020 after -14% in 2019. Consumer staples (12% of earnings) should see high single-digit growth driven by continuous retailer same-store sales growth and outlet expansion, while the food business could see downside risk from baht appreciation and off the high base from 1H19. Tech hardware (2% of earnings) will show a strong recovery with EPS growth of 19% on improving global semiconductor sales after -13% YoY in 2019. In addition, healthcare earnings are expected to grow 3% YoY in 2020 after -15% YoY in 2019, fueled by a slow capex cycle and margin stabilization. In contrast, financials (25% of earnings) will see low single-digit growth off low rates and a flat yield curve. EPS growth for communication services is expected to slow to 5% YoY in 2020 from 15% YoY in 2019 off a high base, stiff competition, 5G auction investment and network rollout. In sum, we expect earnings to recover 12.5% in 2020 after falling 5% in 2019. Earnings growth is expected to continue with nearly 10% growth in 2021.

Figure 31: Earnings growth expectation in 2020

	Net Profit (Btm)				Growth (%)		
	18A	19F	20F	21F	19F	20F	21F
Agribusiness	1,038	1,228	1,148	1,299	18.34	(6.56)	13.17
Automotive	4,533	3,574	3,747	4,209	(21.17)	4.84	12.34
Banking	202,767	212,869	207,424	219,039	4.98	(2.56)	5.60
Commerce	41,137	44,101	49,778	55,562	7.21	12.87	11.62
Construction Materials	49,653	37,597	42,445	45,865	(24.28)	12.89	8.06
Energy & Utilities	189,179	164,237	216,490	229,294	(13.18)	31.82	5.91
Finance & Securities	15,128	17,595	20,841	24,728	16.31	18.45	18.65
Securities	825	539	432	452	(34.70)	(19.89)	4.76
Food & Beverage	24,233	28,884	25,691	28,268	19.19	(11.05)	10.03
Health Care Services	15,321	21,629	17,439	19,484	41.17	(19.37)	11.73
Information & Communication Technology	43,839	58,384	57,171	60,851	33.18	(2.08)	6.44
Insurance	4,212	5,223	5,350	5,588	24.01	2.42	4.46
Paper & Printing Materials	777	852	861	888	9.65	1.01	3.18
Petrochemicals & Chemicals	65,374	24,869	47,357	50,919	(61.96)	90.43	7.52
Property Development	38,588	37,875	41,940	46,439	(1.85)	10.73	10.73
Tourism & Leisure	2,714	2,035	2,229	2,440	(25.01)	9.50	9.48
Transportation & Logistics	16,489	17,923	24,031	40,901	8.70	34.08	70.20
SCBS Coverage	715,807	679,415	764,373	836,226	(5.08)	12.50	9.40

Source: SCBS Investment Research

Figure 32: ...relative to other countries

	EPS growth - %Chg YoY					
	TH	CN	JP	US	EU	DE
Financials	0%	4%	0%	5%	4%	13%
Energy	12%	3%	24%	18%	15%	
Consumer Staples	13%	25%	15%	5%	6%	4%
Industrials	7%	9%	7%	14%	8%	7%
Utilities	13%	11%	-22%	4%	7%	5%
Communication Service	6%	14%	-3%	8%	10%	13%
Real Estate	6%	18%	2%	-10%	0%	-1%
Materials	15%	5%	10%	12%	6%	13%
Consumer Discretionary	12%	19%	6%	11%	9%	11%
Healthcare	1%	20%	6%	7%	7%	10%
Information Technology	5%	22%	11%	5%	17%	10%

Source: Bloomberg, SCBS Investment Research

Figure 33: ...cash flow from operation growth

	Cash flow from operation - %Chg YoY					
	TH	CN	JP	US	EU	DE
Financials	-2%	6%		5%	4%	40%
Energy	9%	2%		12%	11%	
Consumer Staples	0%	6%	9%	4%	7%	4%
Industrials	19%	7%	4%	16%	6%	1%
Utilities	23%	6%	1%	4%	8%	29%
Communication Service	-5%	12%	8%	8%	5%	6%
Real Estate	10%	10%	8%	7%	1%	-3%
Materials	4%	3%	4%	16%	4%	2%
Consumer Discretionary	1%	5%	4%	16%	8%	5%
Healthcare	1%	41%	5%	9%	10%	14%
Information Technology	4%	4%	4%	6%	30%	25%

Source: Bloomberg, SCBS Investment Research

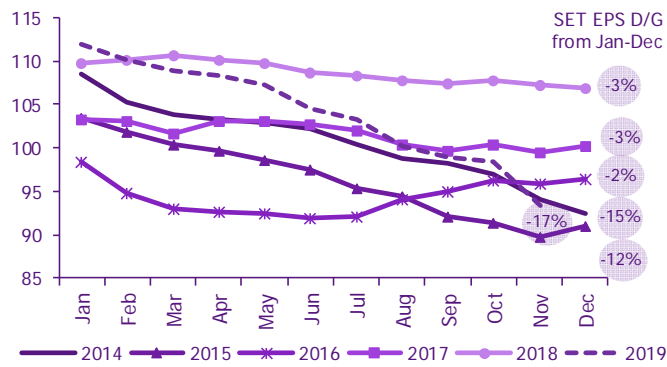
According to our analysis, current earnings predictions for some domestic cyclicals such as consumer discretionary (hotel and quick service restaurants in particular) and airlines are too optimistic due to new supply, more intense competition, the new land and building tax and new lease accounting requirements despite the low base in 2019. On the flip side, earnings forecasts for financials and real estate could see some earnings positive surprise from easing financial condition and capital optimization.

In our view, valuations are extended and positive sentiment appears well priced in. Thus, earnings growth outlook for 2020-2021 will be the key return driver next year apart from valuation mismatch and mispricing in some sectors.

Earnings downgrades hit bottom

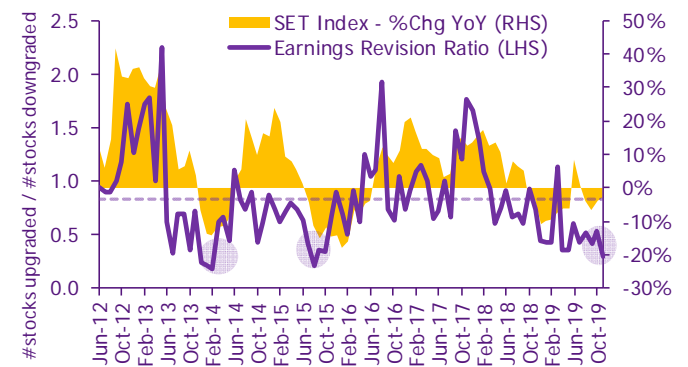
After disappointing performances in 3Q19, more than 40% of the companies in the SET100 Index were downgraded over the past month on the back of weaker-than-expected 3Q19 and low growth visibility ahead. SET earnings have been revised down 6% QTD (as of Nov 28) and nearly 17% since the beginning of the year, the highest downgrade for five years. Our analysis shows the earnings revision ratio (ERR), which shows the trend of earnings expectations, fell from 0.6 in June 2019 to 0.3 in Nov 2019 as analysts revised down EPS estimates at a slightly faster rate than upgrades (11% of SET100). EER for Asia-Pacific (excluding Japan) hit bottom in Sep 2019. This indicates that consensus holds a cautious view on EPS growth, especially in Thai listed companies. The ratio was brought down in most cyclical stocks. In 2020, earnings are starting with low expectations that could lead to earnings surprises as global economic activities look poised to recover moderately. It appears that consensus is not letting the positive developments in the economy influence their earnings predictions and the SET Index EPS forecast continues to edge lower.

Figure 34: SET Index earnings revision



Source: SET, SCBS Investment Research

Figure 35: Earnings Revision Ratio

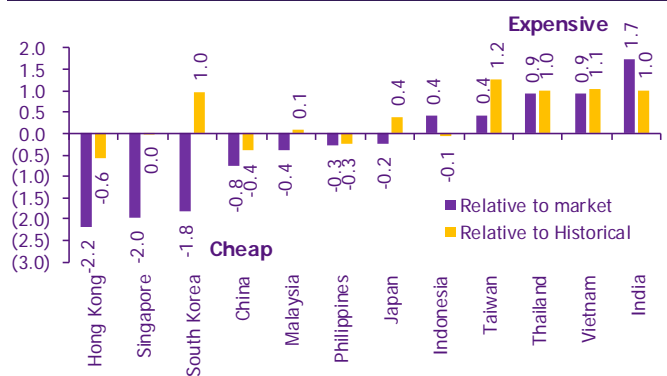


Source: Bloomberg, SCBS Investment Research

Back to short-term fair value, while long-term fundamentals remain unchanged

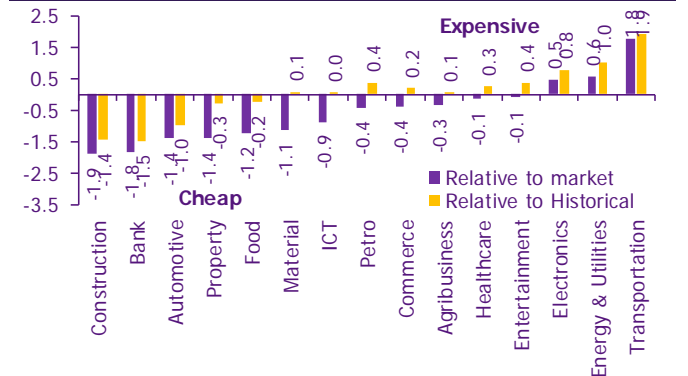
Thailand's relative performance against the region is still 10% away from its late 2017 peak. According to our country valuation scorecard, which is based on relative P/E, P/B and EV/EBITDA to benchmark and long-term average, Thailand appears mildly fairly valued at 15.5x 2020F P/E, 1.7x 2020F P/B and 10.4x 2020F EV/EBITDA on the Asia valuation scorecard relative to other markets, with slightly higher than long-term average. The Thai valuation seems high because of current large earnings downgrades but looks more reasonable after accounting for potential earnings recovery. Sector-wise, utilities, transportation and property funds & REIT sectors look expensive relative to both benchmark and historical average. Based on 3-year z-score, we find that communication services, property funds & REIT received valuation expansions, while valuations for materials, food, healthcare, petrochemicals 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. We expect this picture will reverse with cyclical rotation. The valuation mismatch will not last long. Long-term fundamentals in terms of competitive advantage and growth drivers remain unchanged.

Figure 36: Valuation scorecard by country (2020)



Source: Bloomberg, SET, SCBS Investment Research

Figure 37: Valuation scorecard by sector (2020)



Source: Bloomberg, SET, SCBS Investment Research

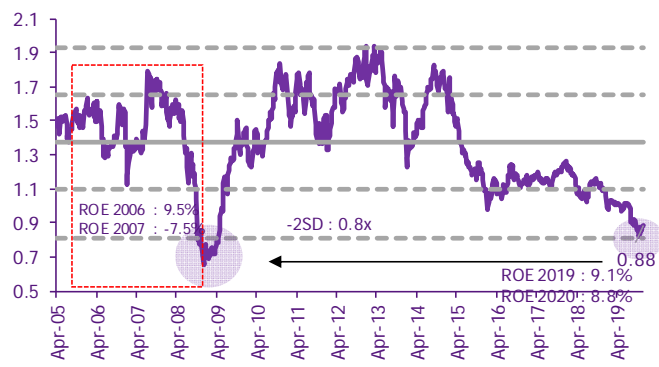
Figure 38: Heatmap valuation by sector and based on z-score

	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	Sep-19	Oct-19	Nov-19
Agribusiness	-0.17	-0.06	0.95	0.81	2.52	1.67	2.01	2.75	3.04	0.87	0.27	-0.27	0.39	0.29	0.50	0.61	0.50	1.01	1.10	0.49	0.25	-0.52	-0.04
Automotive	1.70	1.51	0.87	0.31	0.83	0.13	0.30	0.01	-0.16	-0.86	-1.12	-1.71	-1.39	-1.34	-1.81	-1.57	-1.81	-1.68	-1.84	-1.80	-1.59	-1.97	-1.33
Bank	1.74	1.44	0.42	0.21	0.12	-0.30	0.66	0.74	0.88	0.23	0.15	-0.47	0.29	0.31	-0.15	-0.44	-0.74	-0.34	-0.64	-1.43	-1.59	-1.83	-1.00
Commerce	2.69	2.69	2.48	2.48	1.29	-0.17	0.28	0.25	0.82	0.14	0.20	-0.13	0.76	0.70	0.17	0.39	0.21	1.26	1.33	0.97	0.38	-0.20	-0.50
ICT	1.02	0.70	0.67	0.88	-0.16	-0.68	0.08	0.08	-0.13	-0.47	-0.61	-1.10	-1.19	-0.71	-0.59	-0.34	-0.47	0.85	0.85	0.95	0.28	0.39	-0.26
Material	-0.21	-0.27	-0.38	-0.76	-0.97	-1.66	-0.59	-0.48	-0.42	-0.68	0.01	-0.58	0.38	0.47	0.43	0.20	-0.23	0.40	0.28	0.10	0.03	0.25	1.04
Construction	0.91	-0.03	0.27	0.08	1.30	0.05	0.75	0.91	1.55	0.57	0.26	0.45	0.95	0.54	-0.64	-0.24	-0.78	-0.31	-0.69	-1.40	-1.48	-2.53	-1.95
Energy	2.26	2.30	1.49	1.45	1.05	0.24	0.62	0.81	1.17	0.44	0.01	-0.52	0.67	0.98	0.97	1.37	0.64	1.66	1.70	1.68	1.87	1.56	1.73
Media	1.56	1.33	1.67	1.27	1.19	0.83	1.01	1.24	3.14	2.26	2.27	1.41	1.55	2.10	2.38	0.97	0.43	0.70	0.91	0.50	-0.01	-0.15	-0.15
Electronics	0.22	-0.05	-0.26	-0.03	-0.09	-0.26	0.63	0.02	-0.24	0.51	-0.11	-0.40	-0.37	0.60	0.07	0.47	-0.72	0.16	-0.12	-0.23	-0.10	-0.48	1.56
Finance	1.58	1.29	1.16	-0.08	0.27	0.08	0.20	0.34	1.02	0.66	0.28	-0.22	-0.26	-0.49	-0.03	0.50	0.47	1.01	1.48	0.91	0.74	1.00	0.61
Food	1.97	1.48	1.34	1.38	1.25	0.29	1.35	1.78	1.99	-0.56	0.93	-0.09	1.02	1.27	0.92	1.30	1.22	1.74	1.44	0.66	0.01	-0.19	0.08
Healthcare	0.70	0.83	0.99	0.46	0.93	0.01	0.46	0.59	0.45	0.01	0.48	-0.43	-1.23	-1.42	-1.48	-1.43	-1.83	-1.42	-1.60	-2.04	-1.83	-1.80	-1.33
Hotel & Tourism	0.91	0.87	0.48	0.83	-0.28	-1.14	-0.83	-0.93	-0.48	-0.79	-0.63	-1.09	-0.53	-0.37	-0.59	-0.65	-2.32	-2.08	-1.97	-1.99	-1.58	-2.65	0.23
Petrochemical	1.54	1.41	0.73	0.99	0.15	-1.46	-0.57	-0.80	-1.02	-1.84	-1.90	-2.29	-2.33	-1.43	-1.77	-1.65	-1.68	-0.99	-1.24	-1.23	-0.98	-1.39	-0.09
PF & REIT	-1.82	-1.43	-1.37	-1.17	-0.87	-0.82	-0.72	-0.59	-0.51	-0.54	-0.53	-0.54	-0.48	-0.43	-0.26	-0.18	-0.16	0.20	0.15	0.35	0.44	0.26	0.13
Property	1.29	1.15	0.40	0.80	0.40	-1.00	0.09	0.38	0.69	-0.40	-1.08	-1.77	-1.10	-1.19	-1.25	-0.79	-1.60	-0.78	-0.90	-1.80	-2.25	-2.68	-2.13
Transportation	2.21	2.17	1.64	1.86	1.42	0.70	1.06	1.40	1.09	0.45	0.96	0.76	1.49	1.22	1.41	1.72	1.09	2.24	1.94	2.69	2.66	2.47	2.53

Source: Bloomberg, SCBS Investment Research

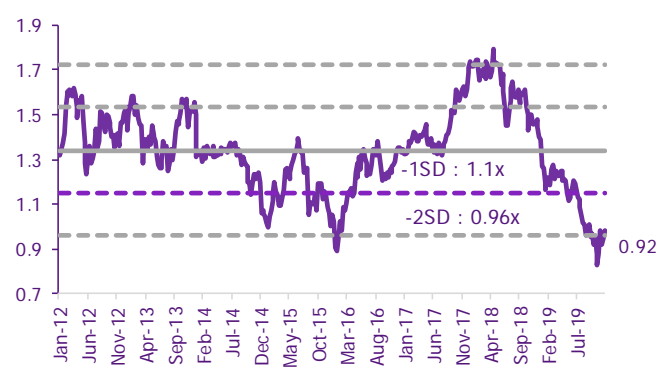
Thus, valuation de-rating and re-rating for some sectors could be short-term. We see value in cyclical sectors with a large valuation discount. We believe Energy and Petrochemicals will get re-rated upon earnings recovery in 2020. Furthermore, Energy and Petrochemicals are still trading at book value or below long-term average (-2S.D.). In addition, the Bank sector is trading at below book value (-2S.D.). This suggests potential for further upside and large margin of safety in energy, petrochemicals and banking and justifies our overweight stance. Meanwhile, Healthcare, Industrial Estate and Commerce can hold at current valuations due to high earnings visibility. We are concerned about de-ratings for Hotel and Telecommunication Services on weak earnings and a capex cycle. Regardless of earnings visibility, we believe Utilities, Beverages and Property Funds & REITs could face valuation de-rating after a strong rally and the fact that earnings growth has passed peak.

Figure 39: Valuation of Thai banks offers high cushion



Source: Bloomberg, SET, SCBS Investment Research

Figure 40: Attractive valuation for Petrochemical

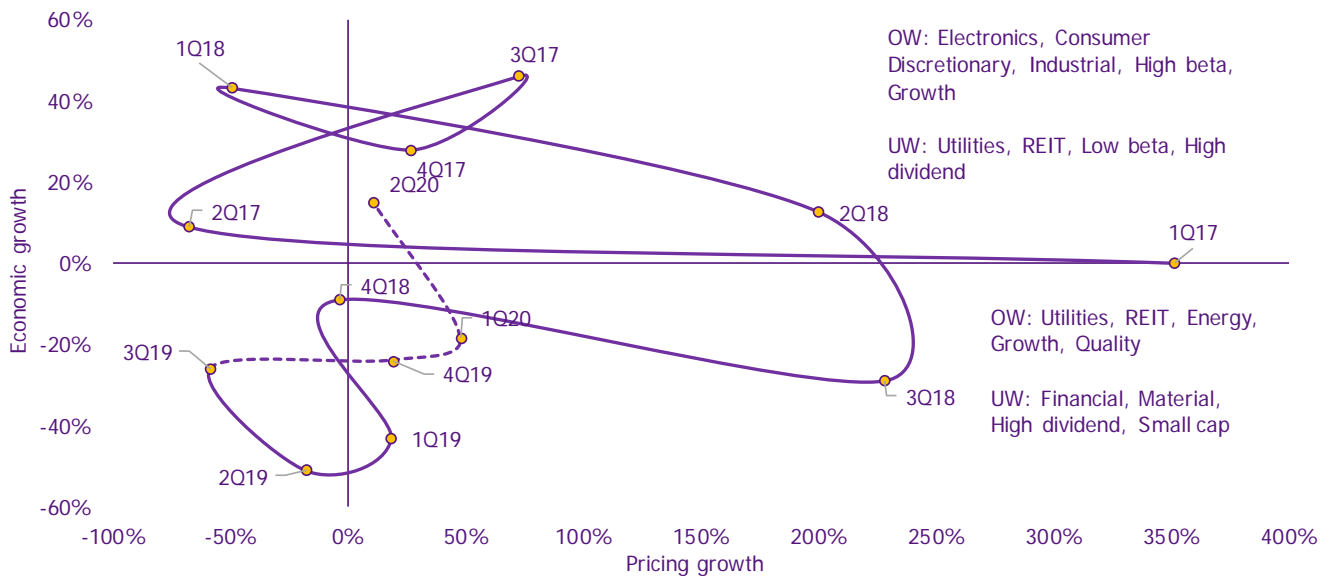


Source: Bloomberg, SET, SCBS Investment Research

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 2Q20 and on, while inflation in 2020 will remain low at 1% on average but is expected to expand slightly from 2019. Based on our economic and pricing model, our short-term tactical call in 1H20 is to overweight cyclical sectors such as Finance, Energy, Electronics, Tourism, Industrial, Contractors and Transportation while underweighting Utilities, REIT, consumer staples and high-dividend stocks.

Figure 41: Thailand - Economic and pricing model



Source: SCBS Investment Research

Large global risks in 2020 are limited; domestic risks are manageable in 1H20

A recent Bloomberg survey shows that consensus sees a 33% probability the US will fall into a recession in the next 12 months, with 20% probability for the eurozone and 20% for China. However, fear of a recession in the eurozone and China are greater than in the US. This indicates that consensus may understate the risks. Based on the 2020 calendar, the major global risks are the Brexit deadline in Jan 2020 and the US presidential elections in Nov 2020 that could lead to higher volatility.

In Thailand, there are four key events taking place in 1Q20: 1) the approval of Thailand's FY2020 budget in Jan 2020, 2) Thailand's 5G auction in Feb 2020, 3) Thailand's credit rating review and 4) local elections in Thailand in Mar 2020. The chance of unexpected events bringing a negative outcome in 2020 is low. The budget is now expected to be presented in late Jan 2020 for the second reading (discuss the bill by section) and the third reading (entire bill) will not be held until January 8-9, 2020. For the 5G auction, we see neither major downside nor positive surprise given a low chance of aggressive new entrants and manageable capex investment. However, the case for business use remains unclear. Thus, some earnings downgrade in the short-term is likely. At the same time, we expect Fitch and Moody's to upgrade Thailand's credit ratings from BBB+ and Baa1 to A- and A3 in recognition of its improving competitiveness and lower political risks, which will be positive to Thailand's borrowing cost and money inflow. On the downside, the political calendar for 2020 is heating up, with local elections that have been frozen since the coup in 2014 due to go ahead. We expect a local election to be held in Mar 2020 at the earliest. The competitive atmosphere might be intense as the Future Forward Party has announced that it will contest local elections.

Figure 42: Event calendar – Domestic events in 1Q2020 and US presidential election in focus

Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Taiwan election	India budget	US presidential primaries	South Korea legislative election	G7 meeting	OPEC meeting
Brexit deadline	Thailand credit rating review	BOJ, BOE, ECB, FOMC meeting	BOJ, FOMC, ECB meeting	BOE meeting	BOJ, BOE, ECB, FOMC meeting
World Economic Forum	Thailand 5G auction	China's annual sessions			EEC phase 1 completed
Thailand budget BOJ, BOE, ECB, FOMC meeting OPEC meeting		Thailand local elections			
Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Summer Olympics - Japan	Summer Olympics - Japan	BOJ, BOE, ECB, FOMC meeting	BOJ, ECB meeting	US Presidential elections	BOJ, BOE, ECB, FOMC meeting
Democratic National Convention BOJ, ECB, FOMC meeting	Republican National Convention BOE meeting	Indonesia local elections		US senate elections	
				New Zealand general elections G20 meeting BOE, FOMC meeting	

Source: SCBS Investment Research

A year of two halves – Goldilocks and three bears

The year 2020 could turn out to be a year of two halves for Thai equity market. In the first half of 2020, we may live in a goldilocks environment where the economy is not too hot, nor is it too cold, with modest returns in a long cycle amid fading short-term concerns and improving macroeconomic stabilization. Global recession risk is still limited. This should be the sweet spot for equity investment in 1H20. We see opportunities where the market has over-discounted bad news and prices could recover in cyclical stocks with attractive valuation.

However, we are concerned about three risks in 2H20 that could pressure equity markets. First, the US presidential election in Nov 2020 could lead to political and policy uncertainties for the region and the world. The concerns regarding the US election could begin to manifest either following the March primaries or the Jul 2020 Democratic convention.

Second, the market will be concerned about the interest rate outlook if the overall economy is strengthening and inflation is rising in 2H20, while implied rate cut probability surpasses 55% in Jul 2020. This indicates that the market has not priced in a tight monetary policy in 2020 given limited room for further easing and slightly better growth numbers. Thus, easing monetary policy would shift to fiscal policy stimulus given that several countries have policy rates at or near historical lows with receding downside risks.

Third, the credit market could turn less favorable in 2020. Credit is expanding rapidly in many countries (Asia in particular) and we are concerned about a rising default rate, notably in China. Chinese companies have failed to make good on repayments on a combined CNY110bn worth of domestic bonds this year. We also see repayment pressure for China local government financial vehicles set to reach CNY1.4tn in 2020 and CNY1.5tn in 2021. We consider this as a key risk in Asia's credit market.

Figure 43: Investment Roadmap and strategy in 2020

	1Q 2020	2Q 2020	3Q 2020	4Q 2020
Economic	Late contraction	Early expansion	Expansion	Normalization
Asset	Fixed Income (-) Equity (+) Alternative (0)	Fixed Income (-) Equity (+) Alternative (0)	Fixed Income (0) Equity (0) Alternative (+)	Fixed Income (+) Equity (-) Alternative (+)
Strategy	Max/Tight exposure Hedge downside risk Growth investing bias	Max/Wide exposure Hedge Downside risk Hedge Inflation	Low/Wide exposure Hedge upside risk	Low/Tight exposure Hedge upside risk Yield chasing Defensive
SET Index	Up	Up	Sideway	Down
Sector	OW Large cap Growth Electronics Petrochemical Bank Healthcare	OW Global play Oil & Commodities Cyclical Industrial Tourism Contractor	OW SMID Healthcare Transportation	OW Consumer staple Utilities PF&REIT High dividend Low beta
	UW Consumer staple Utilities Low beta High dividend F&B ICT	UW Consumer staple Utilities Low beta High dividend	UW	UW Cyclical High beta

Source: SCBS Investment Research

Strategy for 1Q20: Be brave, take risks – Top picks: BBL, TCAP, IVL, TOP and BCH

Despite weaker domestic data and ongoing profit downgrades, the investment situation is improving thanks to dovish central banks and the hope that economic momentum will turn up. As of now, defensive stocks are demanding, trading at elevated valuations, while cyclical stocks are trading at multi-year low valuations. An improving macro picture and a more constructive tone in US-China negotiations have reduced market concerns regarding cyclical stocks where positioning remains light. Cyclical sectors such as Petrochemical, Refinery and Electronics are expected to outperform. We believe Banking will gain more attention given attractive valuations, capital optimization and revision of high loan loss provisions. We expect cyclical rotation to continue in 1Q20-2Q20.

We suggest investors stick with high-quality defensive sectors for long-term investment as we are in a late cycle economy, while looking toward high beta in cyclical sectors for the short-term satellite portfolio. With this in mind, our 1Q20 investment strategy focuses on: 1) global plays with supporting earnings recovery aligned with global economic recovery, 2) attractive valuation and high probability of re-rating after being over-punished in 2019, 3) positive surprises and earnings upgrades with specific growth stories in 2020.

Taken together, we expect petrochemical (IVL), refinery (TOP), banking (TCAP, BBL) and healthcare (BCH) to outperform in 1Q20.

We recommend investors avoid: 1) property stocks, because housing outlook is poor as new condominium supply exceeds demand, raising unsold stock, tight regulation from central banks, mortgage loans are increasingly difficult to obtain and foreign demand is fading; 2) automotive stocks due to sluggish demand from domestic and overseas markets; 3) telecommunication for 5G auction uncertainty and rising aggressive competition; 4) utilities stocks because most are trading at a rich valuation and growth is priced in. Utilities, REITs and Telecommunication services are defensive in nature and offer high yield that may not be a return driver in 2020 as the global economic cycle recovers and monetary policy easing comes to an end.

Figure 44: Sector weighting in 1Q 2020

Sector	Rating	Drivers	Risks / Concerns
Petrochemical	Overweight	Downgrade have done, Economic recovery, Attractive valuation	Weak growth in 4Q19,
Healthcare	Overweight	Stable margin, Rising SSS payment, Falling valuation	Limited capex growth, Drug price regulation
Bank	Overweight	Capital optimization, Attractive valuation, Few downsides from non-NII	Rising NPL, Slow loan growth, BOT regulation
Energy	Overweight	Oil price and refinery margin recovery, IMO2020	Attractive valuation
Electronics	Overweight	Improving global demand, Stable cost, Replacement cycle	Baht appreciation, Low product margin concentration
Industrial Estate	Neutral	Production relocation, EEC project	Slow land sales growth,
Agribusiness	Neutral	Improving yield and output	Margin contraction, Baht appreciation
REITs	Neutral	Risk-off sentiment, Sharp drop in bond yield	Unattractive dividend yield, Rising bond yield, Economic slowdown
Material	Neutral	Domestic demand growth	Baht appreciation, High oil price
Hotel	Neutral	Improving tourist outlook	Strong supply growth, Baht appreciation, Surge of food delivery activities
Transportation	Neutral	Strong domestic traffics, Improving tourist traffic, Concession extension	New investment cycle, Competition for airlines
Commerce	Neutral	New economic stimulus, Tourism recovery	Slow domestic consumption growth, Listing of CRC, Valuation de-rate
Construction	Neutral	Accelerating government disbursement, Revenue recognition	Political risks, Competition from foreign players
Utilities	Underweight	High earnings visibility	Rich valuation, Rising gas and interest costs
Telecoms	Underweight	Improving cash flow	Intense competition, Spectrum auction, Rising valuation
Automotive	Underweight	New model launches	Weak demand, High inventory, High base in 1H19, Aggressive promotion from EU players
Residential	Underweight	Low base effect	High inventory, Slow presale, Fewer new launches, Tight regulation
Food & beverage	Underweight	Strong export markets	Rising competition, Rising valuation

Source: SCBS Investment Research



Inexpensive cyclical play

With the highest LLR coverage, BBL is the best cyclical play in its sector, with lower provisions ahead. We believe a substantial rise in CAR will bring a higher DPS. The hit to loan and NIM outlook by the prolonged economic slowdown is already in the YTD share price underperformance (-13% vs. +2% for the SET) and low P/BV of 0.7x relative to an understated ROE of 8.4% for 2020.

Best cyclical play with easing provisions ahead. BBL had the highest LLR coverage of 183% against NPLs and 247% against current required LLR at 3Q19. This implies excess LLR against the TFRS9 requirement, though this is likely to be kept as management overlay to required LLR. Its 3Q19 excess LLR of Bt94bn covers 89% of special-mention loans (Bt48bn) and performing restructured loans (Bt58bn) combined, which will require higher LLR under TFRS9. BBL is the best cyclical play with the largest cushion for uncertainties and the largest potential release of LLR if the economy recovers. We expect BBL to make lower provisions in 4Q19 and 2020 because the adoption of TFRS9 in 2020 will no longer allow banks to make general provisions. More than 50% of the Bt20bn provision guidance is for general provisions. We forecast a 29% fall in provisions in 2020, assuming a credit cost of 0.70% for 2020 vs 1% for 2019.

Potential hike in dividend. We see a good chance BBL will raise its dividend because of: 1) a substantial rise in capital adequacy ratio and 2) a modest loan growth outlook. Its capital adequacy ratio (CAR) added 243 bps QoQ to 20.7% in 3Q19 as a result of an increase in both tier-1 CAR (87 bps QoQ to 17.66%) and tier-2 CAR (156 bps QoQ to 3.05% without the issue of subordinated debentures). Its tier-1 CAR is close to that of TISCO, which is expected to sustain a high 80% payout ratio in 2019, and SCB, which is considering raising dividend payout. Considering its prudent nature, we expect BBL to raise DPS gradually by Bt0.5 per year from Bt6.5 (35% payout) for 2018 to Bt7 for 2019 (36.5% payout) and Bt7.5 for 2020 (37.7% payout), equivalent to dividend yield of 3.97% for 2019 and 4.25% for 2020.

Understated investment gain on P&L. We forecast a 6.5% decrease in pre-provision profit in 2020, mainly as a result of an expected 50% reduction in investment gain. The adoption of TFRS9 in 2020 means BBL will have to book a realized gain on available-for-sale investment through equities rather than the P&L. This will have a negative impact on the bottom line but have no impact on its book value and thus on fundamentals. This makes PPP and ROE look understated.

Weak outlook priced in. We keep BBL as the sector's top buy with a TP of Bt205 (0.85x BVPS for 2020F). We believe the weak outlook for loan growth (3% in 2020F) - from the lengthy economic doldrums - and NIM (-6 bps for 2020F) - from the policy rate cut - is already priced in, giving a cheap valuation of 0.7x PBV for 2020.

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Pre-provision profit	(Bt mn)	63,315	66,158	66,736	62,392	65,503
Net profit	(Bt mn)	33,009	35,330	36,613	37,935	39,956
PPP/Sh	(Bt)	33.17	34.66	34.96	32.69	34.32
EPS	(Bt)	17.29	18.51	19.18	19.87	20.93
BVPS	(Bt)	210.45	216.26	229.29	242.16	255.59
DPS	(Bt)	6.50	6.50	7.00	7.50	8.00
P/PPP	(x)	5.32	5.09	5.05	5.40	5.14
PPP growth	(%)	14.59	4.49	0.87	(6.51)	4.99
P/E	(x)	10.21	9.54	9.20	8.88	8.43
EPS growth	(%)	3.75	7.03	3.63	3.61	5.33
P/BV	(x)	0.84	0.82	0.77	0.73	0.69
ROE	(%)	8.46	8.67	8.61	8.43	8.41
Dividend yield	(%)	3.68	3.68	3.97	4.25	4.53

Source: SCBS Investment Research

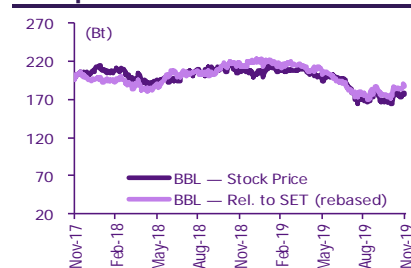
BUY

Stock data

Last close (Nov 29) (Bt)	176.50
12-m target price (Bt)	205.00
Upside (Downside) to TP (%)	16.15
Mkt cap (Btbn)	336.91
Mkt cap (US\$mn)	11,163

Risk rating	L
Mkt cap (%) SET	1.99
Sector % SET	11.32
Shares issued (mn)	1,909
Par value (Bt)	10.00
12-m high / low (Bt)	216 / 161
Avg. daily 6m (US\$mn)	33.30
Foreign limit / actual (%)	25 / 25
Free float (%)	98.6
Dividend policy (%)	NA

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	0.0	3.2	(15.1)
Relative to SET	0.7	7.4	(12.4)

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	205.00
12-month dividend	(Bt)	6.69
Capital gain	(%)	16.15
Dividend yield	(%)	3.79
Total return	(%)	19.93

Source: SET, SCBS Investment Research

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Financial statement

Profit and Loss Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Interest & dividend income	(Btmn)	103,470	103,814	102,443	105,476	110,781	112,956	115,098	126,561
Interest expense	(Btmn)	44,483	46,304	38,445	38,851	39,405	41,322	42,831	50,318
Net interest income	(Btmn)	58,987	57,510	63,998	66,625	71,376	71,634	72,267	76,243
Non-interest income	(Btmn)	37,678	45,026	41,763	45,638	49,947	47,814	48,253	49,747
Non-interest expenses	(Btmn)	43,087	45,045	50,505	48,948	55,165	53,149	54,203	55,430
Pre-provision profit	(Btmn)	53,579	57,492	55,256	63,315	66,158	66,300	66,317	70,560
Provision	(Btmn)	8,687	14,654	15,728	22,370	21,965	20,832	20,087	19,794
Pre-tax profit	(Btmn)	44,892	42,838	39,528	40,946	44,193	45,468	46,230	50,767
Tax	(Btmn)	8,593	8,630	7,556	7,832	8,554	8,753	8,899	9,773
Equities & minority interest	(Btmn)	(23)	28	157	105	309	257	257	257
Core net profit	(Btmn)	36,322	34,181	31,815	33,009	35,330	36,459	37,074	40,737
Extra item	(Btmn)	0	0	0	0	0	0	0	0
Net profit	(Btmn)	36,322	34,181	31,815	33,009	35,330	36,459	37,074	40,737
EPS	(Bt)	19.03	17.91	16.67	17.29	18.51	19.10	19.42	21.34
DPS	(Bt)	6.50	6.50	6.50	6.50	6.50	6.69	6.80	7.47

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Cash	(Btmn)	59,899	61,432	66,338	65,473	62,394	63,052	63,313	63,778
Interbank assets	(Btmn)	532,205	372,007	394,612	437,738	450,700	516,502	554,723	599,101
Investments	(Btmn)	383,210	520,805	547,941	593,180	558,395	586,315	586,315	586,315
Gross loans	(Btmn)	1,782,233	1,868,903	1,941,093	2,003,989	2,083,160	2,083,160	2,145,655	2,252,938
Accrued interest receivable	(Btmn)	4,233	4,279	4,653	5,061	5,624	5,624	5,624	5,624
Loan loss reserve	(Btmn)	91,925	104,187	119,518	140,021	153,003	169,668	185,464	200,752
Net loans	(Btmn)	1,694,541	1,768,995	1,826,227	1,869,029	1,935,781	1,919,115	1,965,815	2,057,810
Total assets	(Btmn)	2,759,890	2,835,852	2,944,230	3,076,310	3,116,750	3,197,202	3,285,256	3,425,111
Deposits	(Btmn)	2,058,779	2,090,965	2,178,141	2,310,743	2,326,470	2,352,061	2,415,802	2,527,895
Interbank liabilities	(Btmn)	140,048	128,681	130,928	133,584	136,862	136,862	136,862	136,862
Borrowings	(Btmn)	140,845	138,403	137,815	107,190	116,348	147,000	147,000	147,000
Total liabilities	(Btmn)	2,436,247	2,473,821	2,564,985	2,674,303	2,703,591	2,759,834	2,823,575	2,935,668
Minority interest	(Btmn)	152	199	229	283	345	345	345	345
Paid-up capital	(Btmn)	19,088	19,088	19,088	19,088	19,088	19,088	19,088	19,088
Total Equities	(Btmn)	323,491	361,832	379,016	401,724	412,814	437,023	461,336	489,098
BVPS	(Bt)	169.47	189.56	198.56	210.45	216.26	228.95	241.68	256.23

Key Assumptions and Financial Ratios

	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Growth									
YoY loan growth	(%)	1.69	4.86	3.86	3.24	3.95	-	3.00	5.00
YoY non-NII growth	(%)	6.39	19.50	(7.25)	9.28	9.44	(4.27)	0.92	3.10
Profitability									
Yield on earn'g assets	(%)	3.95	3.80	3.63	3.56	3.62	3.60	3.56	3.76
Cost on int-bear'g liab	(%)	1.96	1.97	1.60	1.55	1.54	1.58	1.61	1.83
Spread	(%)	1.99	1.83	2.03	2.01	2.08	2.01	1.95	1.94
Net interest margin	(%)	2.25	2.11	2.27	2.25	2.33	2.28	2.23	2.27
ROE	(%)	11.73	9.98	8.59	8.46	8.67	8.58	8.25	8.57
ROA	(%)	1.36	1.22	1.10	1.10	1.14	1.15	1.14	1.21
Asset Quality									
NPLs/Total Loans	(%)	2.53	3.01	3.55	4.36	3.85	4.00	4.07	4.07
LLR/NPLs	(%)	204.07	185.30	173.61	160.17	190.93	203.78	212.13	218.88
Provision expense/Total loans	(%)	0.49	0.78	0.81	1.12	1.05	1.00	0.94	0.88
Liquidity									
Loans/Deposits & borrowings	(%)	81.02	83.83	83.81	82.88	85.28	83.36	83.72	84.23
Efficiency									
Cost to income ratio	(%)	47.56	48.08	50.26	46.78	49.14	47.69	47.75	46.58
Capital Fund									
Capital adequacy ratio	(%)	17.41	17.86	18.32	18.16	17.96	17.72	18.06	18.15
Tier-1	(%)	15.11	15.78	16.40	16.62	16.43	16.19	16.57	16.72
Tier-2	(%)	2.30	2.08	1.92	1.54	1.52	1.53	1.49	1.43

Financial statement

Profit and Loss Statement

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Interest & dividend income	(Btmn)	26,860	26,583	27,468	28,221	28,509	28,365	28,015	28,471
Interest expense	(Btmn)	9,906	9,460	9,895	9,964	10,086	10,066	10,379	10,527
Net interest income	(Btmn)	16,955	17,123	17,573	18,256	18,423	18,299	17,635	17,944
Non-interest income	(Btmn)	11,764	14,380	13,622	11,343	10,602	10,284	13,488	12,298
Non-interest expenses	(Btmn)	13,081	12,594	13,376	12,878	16,317	12,202	14,108	12,679
Earnings before tax & provision	(Btmn)	15,637	18,909	17,819	16,721	12,709	16,382	17,015	17,563
Provision	(Btmn)	4,617	7,322	6,533	5,346	2,765	5,078	5,549	5,381
Pre-tax profit	(Btmn)	11,020	11,587	11,286	11,376	9,944	11,303	11,466	12,181
Tax	(Btmn)	2,457	2,522	2,041	2,224	1,767	2,224	2,065	2,640
Equities & minority interest	(Btmn)	68	60	51	122	76	51	54	103
Core net profit	(Btmn)	8,496	9,005	9,194	9,030	8,101	9,028	9,347	9,438
Extra item	(Btmn)	0	0	0	0	0	0	0	0
Net profit	(Btmn)	8,496	9,005	9,194	9,030	8,101	9,028	9,347	9,438
EPS	(Bt)	4.45	4.72	4.82	4.73	4.24	4.73	4.90	4.94

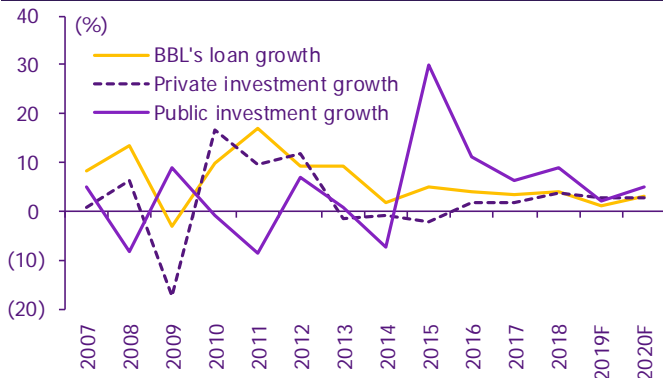
Balance Sheet

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Cash	(Btmn)	65,473	57,980	55,924	56,770	62,394	58,652	55,151	51,825
Interbank assets	(Btmn)	437,738	634,237	494,489	448,478	450,700	520,967	505,175	575,970
Investments	(Btmn)	593,180	524,753	589,197	599,544	558,395	577,257	586,208	616,071
Gross loans	(Btmn)	2,003,989	1,978,511	2,065,487	2,021,246	2,083,160	2,029,810	2,017,314	2,001,445
Accrued interest receivable	(Btmn)	5,061	4,851	5,179	5,436	5,624	5,992	5,266	4,471
Loan loss reserve	(Btmn)	140,021	146,807	147,164	151,515	153,003	158,094	152,623	158,095
Net loans	(Btmn)	1,869,029	1,836,555	1,923,502	1,875,167	1,935,781	1,877,708	1,869,957	1,847,821
Total assets	(Btmn)	3,076,310	3,173,916	3,175,340	3,087,058	3,116,750	3,148,836	3,146,109	3,228,092
Deposits	(Btmn)	2,310,743	2,334,078	2,349,857	2,297,627	2,326,470	2,340,979	2,352,679	2,362,766
Interbank liabilities	(Btmn)	133,584	213,009	204,367	133,253	136,862	146,232	119,903	148,575
Borrowings	(Btmn)	107,190	89,777	95,766	132,543	116,348	114,172	111,103	147,375
Total liabilities	(Btmn)	2,674,303	2,768,225	2,775,166	2,682,235	2,703,591	2,723,141	2,722,609	2,797,654
Minority interest	(Btmn)	283	228	324	248	345	440	339	260
Paid-up capital	(Btmn)	19,088	19,088	19,088	19,088	19,088	19,088	19,088	19,088
Total Equities	(Btmn)	401,724	405,462	399,850	404,574	412,814	425,256	423,161	430,178
BVPS	(Bt)	210.45	212.41	209.47	211.95	216.26	222.78	221.68	225.36

Financial Ratios

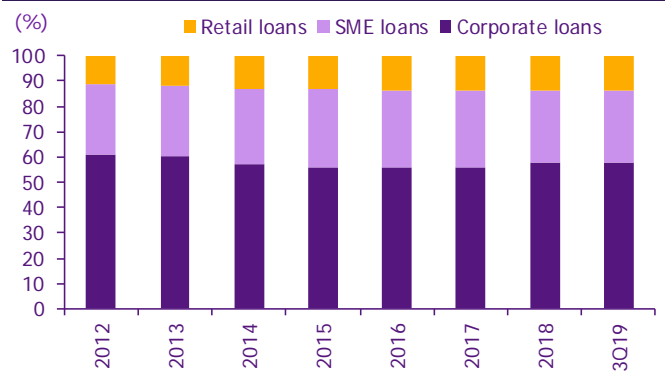
		4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Growth									
YoY loan growth	(%)	3.24	2.84	4.40	4.26	3.95	2.59	(2.33)	(0.98)
YoY non-NII growth	(%)	6.86	32.45	19.29	(2.20)	(9.87)	(28.48)	(0.98)	8.41
Profitability									
Yield on earn'g assets	(%)	3.54	3.45	3.50	3.63	3.70	3.65	3.59	3.61
Cost on int-bear'g liab	(%)	1.55	1.46	1.50	1.53	1.57	1.55	1.60	1.61
Spread	(%)	1.99	1.99	2.00	2.10	2.13	2.09	1.99	2.01
Net interest margin	(%)	2.23	2.22	2.24	2.35	2.39	2.35	2.26	2.28
ROE	(%)	8.55	8.92	9.13	8.98	7.93	8.62	8.81	8.85
ROA	(%)	1.10	1.13	1.16	1.17	1.04	1.15	1.19	1.17
Asset Quality									
NPLs/Total Loans	(%)	4.36	4.66	4.04	4.16	3.85	4.12	4.07	4.31
LLR/NPLs	(%)	160.17	159.29	176.29	180.08	190.93	188.95	185.79	183.36
Provision expense/Total loans	(%)	0.92	1.48	1.27	1.06	0.53	1.00	1.10	1.08
Liquidity									
Loans/Deposits & borrowings	(%)	82.88	81.63	84.46	83.17	85.28	82.68	81.88	79.73
Efficiency									
Cost to income ratio	(%)	47.49	45.59	46.86	46.50	57.46	42.69	45.33	41.92
Capital Fund									
Capital adequacy ratio	(%)	18.16	17.98	17.22	17.86	17.96	18.12	18.28	20.07
Tier-1	(%)	16.62	16.43	15.70	16.34	16.43	16.63	16.79	17.70
Tier-2	(%)	1.54	1.55	1.52	1.52	1.52	1.49	1.49	2.37

Figure 1: Loan growth



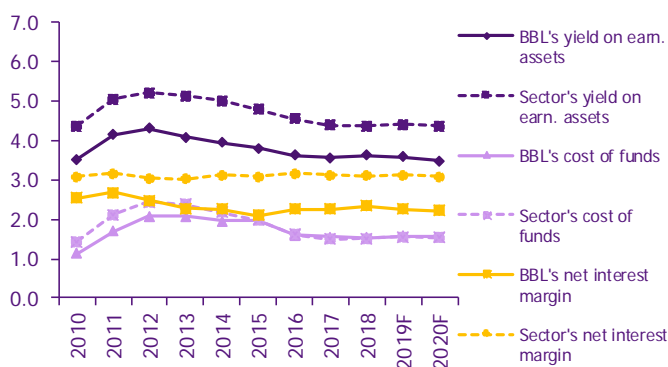
Source: BBL, NESDB and SCBS Investment Research

Figure 2: BBL's loan breakdown



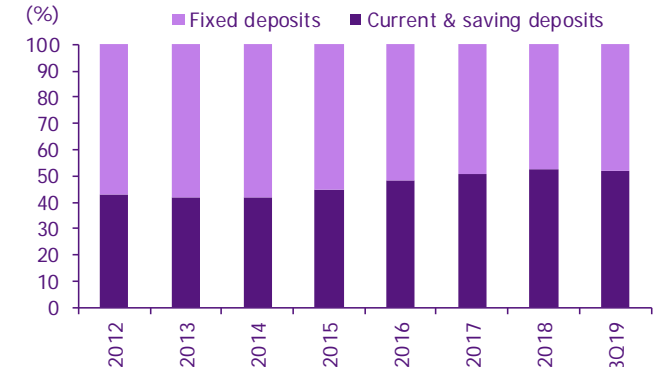
Source: BBL and SCBS Investment Research

Figure 3: NIM, yield on earnings assets, funding cost



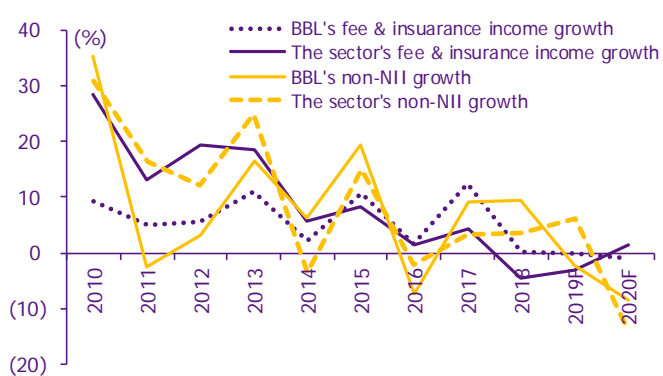
Source: BBL and SCBS Investment Research

Figure 4: BBL's deposit breakdown



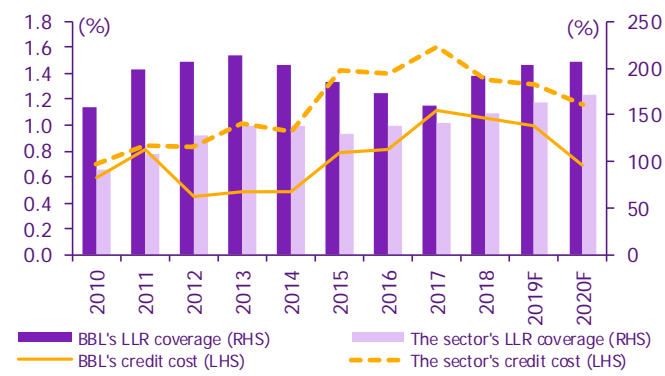
Source: BBL and SCBS Investment Research

Figure 5: Growth in non-NII and fee income



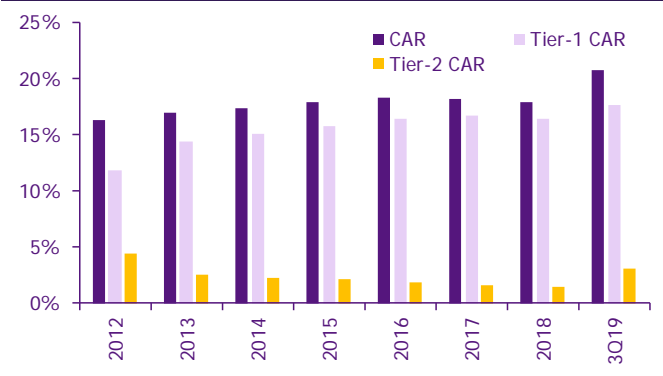
Source: BBL and SCBS Investment Research

Figure 6: BBL's LLR coverage and credit cost



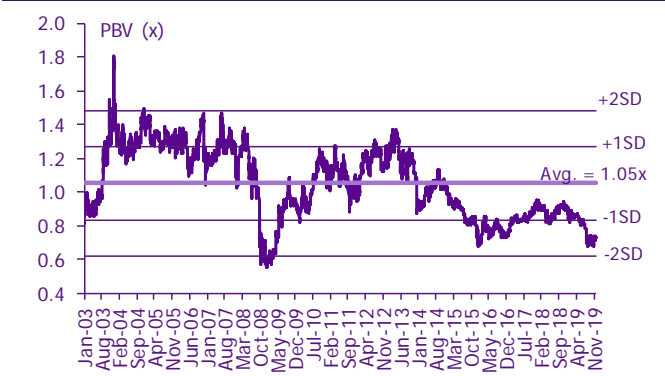
Source: BBL and SCBS Investment Research

Figure 7: BBL's capital adequacy ratio (CAR)



Source: BBL and SCBS Investment Research

Figure 8: BBL's PBV



Source: BBL and SCBS Investment Research



High yield with upside on ROE and valuation

TCAP is our lead sector Buy with a TP of Bt63 (1x 2020F BVPS): it offers an excellent dividend yield of 10% on 2H19 and 6.4% on 2020, valuation is too low and it has upside from potentially more capital management, synergy from the merger between TBANK and TMB and a chance for re-rating.

High dividend yield. TCAP expects the merger of TBANK (TCAP holds 51%) and TMB to add large excess liquidity of not less than Bt10bn. In view of this, its board has set out guidelines to handle the excess liquidity after the group business restructuring: 1) it will repurchase a minimum of 97mn shares, with a budget ceiling of Bt5bn and 2) it will pay a special interim dividend of Bt4/share, which is equivalent to yield of 7.2%. This will give a total dividend of Bt5.6/share (Bt4 extra DPS plus Bt1.6 normal DPS) on 2H19, which is equivalent a dividend yield of 10%.

Potentially more capital management. As TCAP will hold around 20% of the merged bank, it will no longer be regulated by the BoT and thus have no need to maintain high capital. This will allow it to undertake more capital management in terms of a stock repurchase program and a higher dividend payment. We expect a hike in normalized payout ratio from 40% on 2019 to 50% on 2020, working out to 6.35% dividend yield.

Upside from merger synergy. After the group business restructuring, we expect TCAP to maintain its profitability with upside from synergy estimated at Bt30-40bn over the next five years. After the merger, TCAP will hold 20.4% in the merged bank, and it will thus book a proportionate share of profit via equity. It will increase its indirect holding in THANI to 65.2% from 33.25% now by acquiring shares from TBANK and Bank of Nova Scotia and keep holdings in other subsidiaries as is, with the exception of Thanachart Fund Management Co., Ltd. (which will be owned by the merged bank and will be sold to Eastspring Investments later).

Sustainable ROE better than the sector = a chance to re-rate. We expect TCAP to sustain ROE at more than 11% over 2020-2022F, above the sector's average of 9%. However, TCAP is still trading at the sector's P/BV of 0.9x. With a sustainable ROE of >11%, we believe TCAP is destined to be re-rated to trade at a premium valuation to the sector average.

The sector's top Buy. TCAP is our top Buy in its sector with a TP of Bt63 (1x 2020F BVPS), supported by an excellent dividend yield of 10% for 2H19 and 6.4% for 2020 with potentially more capital management, upside from the synergy of the merger between TBANK and TMB and undervalued valuation with a better ROE than the sector average.

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Pre-provision profit	(Bt mn)	14,396	15,229	16,707	17,675	18,644
Net profit	(Bt mn)	7,001	7,839	8,226	8,254	8,793
PPP/Sh	(Bt)	11.93	13.07	14.34	15.17	16.00
EPS	(Bt)	5.80	6.73	7.06	7.08	7.55
BVPS	(Bt)	51.41	56.42	62.52	62.81	66.81
DPS	(Bt)	2.20	2.60	6.80	3.54	3.77
P/PPP	(x)	4.67	4.27	3.89	3.67	3.48
PPP growth	(%)	10.10	5.78	9.71	5.79	5.48
P/E	(x)	9.61	8.29	7.90	7.87	7.39
EPS growth	(%)	16.44	15.95	4.93	0.34	6.53
P/BV	(x)	1.08	0.99	0.89	0.89	0.83
ROE	(%)	11.78	12.27	11.87	11.30	11.64
Dividend yield	(%)	3.95	4.66	12.20	6.35	6.77

Source: SCBS Investment Research

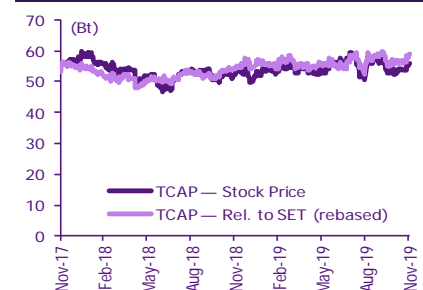
BUY

Stock data

Last close (Nov 29) (Bt)	55.75
12-m target price (Bt)	63.00
Upside (Downside) to TP (%)	13.00
Mkt cap (Btbn)	64.96
Mkt cap (US\$mn)	2,152

Risk rating	L
Mkt cap (%) SET	0.38
Sector % SET	11.32
Shares issued (mn)	1,165
Par value (Bt)	10.00
12-m high / low (Bt)	59.5 / 49.5
Avg. daily 6m (US\$mn)	7.08
Foreign limit / actual (%)	49 / 28
Free float (%)	75.4
Dividend policy (%)	NA

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	4.2	(1.3)	4.7
Relative to SET	4.9	2.7	8.1

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	63.00
12-month dividend	(Bt)	6.80
Capital gain	(%)	13.00
Dividend yield	(%)	12.20
Total return	(%)	25.20

Source: SET, SCBS Investment Research

Analyst

Kittima Sattayapan, CFA

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Financial statement

Profit and Loss Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Interest & dividend income	(Btmn)	52,940	48,640	45,208	44,681	46,559	48,825	50,374	51,778
Interest expense	(Btmn)	25,475	20,910	16,740	15,511	15,792	16,701	17,055	17,265
Net interest income	(Btmn)	27,465	27,730	28,468	29,170	30,767	32,123	33,319	34,513
Non-interest income	(Btmn)	12,179	12,202	11,884	13,065	12,865	13,564	12,886	13,328
Non-interest expenses	(Btmn)	19,830	20,319	21,073	20,836	20,979	21,665	21,188	21,338
Pre-provision profit	(Btmn)	19,814	19,613	19,279	21,399	22,653	24,023	25,017	26,503
Provision	(Btmn)	7,084	8,600	6,210	6,236	4,785	4,596	5,522	5,688
Pre-tax profit	(Btmn)	12,730	11,013	13,069	15,163	17,868	19,427	19,495	20,815
Tax	(Btmn)	2,558	225	852	1,159	2,604	3,885	3,899	4,163
Equities & minority interest	(Btmn)	5,052	5,352	6,204	7,003	7,425	7,315	7,342	7,860
Core net profit	(Btmn)	5,120	5,437	6,013	7,001	7,839	8,226	8,254	8,793
Extra item	(Btmn)	0	0	0	0	0	0	0	0
Net profit	(Btmn)	5,120	5,437	6,013	7,001	7,839	8,226	8,254	8,793
EPS	(Bt)	4.01	4.25	4.98	5.80	6.73	7.06	7.08	7.55
DPS	(Bt)	1.60	1.80	2.00	2.20	2.60	6.80	3.54	3.77

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Cash	(Btmn)	16,605	13,337	12,077	11,453	11,022	12,324	13,011	14,097
Interbank assets	(Btmn)	66,038	58,138	48,734	95,918	99,117	99,117	99,117	99,117
Investments	(Btmn)	164,735	186,915	189,818	181,530	173,464	175,199	175,199	175,199
Gross loans	(Btmn)	755,656	714,628	692,046	712,761	754,613	777,253	800,568	824,585
Accrued interest receivable	(Btmn)	788	667	631	601	657	657	657	657
Loan loss reserve	(Btmn)	28,450	26,244	25,155	24,518	24,145	25,243	27,563	29,953
Net loans	(Btmn)	727,994	689,051	667,521	688,844	731,125	752,665	773,662	795,290
Total assets	(Btmn)	1,025,684	997,581	966,867	1,025,525	1,060,929	1,085,506	1,107,191	1,129,904
Deposits	(Btmn)	696,949	669,454	676,456	716,091	751,917	761,767	775,479	785,366
Interbank liabilities	(Btmn)	80,139	85,600	65,701	82,343	71,923	71,923	71,923	71,923
Borrowings	(Btmn)	98,418	84,929	61,704	51,596	55,013	55,013	55,013	55,013
Total liabilities	(Btmn)	921,408	886,258	847,016	895,455	923,011	932,861	946,573	956,460
Minority interest	(Btmn)	52,923	58,649	62,960	68,050	72,183	79,798	87,440	95,600
Paid-up capital	(Btmn)	12,778	12,778	12,065	12,065	11,651	11,651	11,651	11,651
Total Equities	(Btmn)	51,353	52,674	56,891	62,020	65,735	72,847	73,178	77,844
BVPS	(Bt)	40.19	41.22	47.15	51.41	56.42	62.52	62.81	66.81

Key Assumptions and Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Growth									
YoY loan growth	(%)	(4.49)	(5.43)	(3.16)	2.99	5.87	3.00	3.00	3.00
YoY non-NII growth	(%)	(54.16)	0.19	(2.60)	9.93	(1.53)	5.43	(5.00)	3.44
Profitability									
Yield on earn'g assets	(%)	5.30	5.00	4.78	4.65	4.62	4.70	4.74	4.76
Cost on int-bear'g liab	(%)	2.86	2.44	2.04	1.88	1.83	1.89	1.90	1.90
Spread	(%)	2.44	2.56	2.75	2.78	2.79	2.81	2.83	2.86
Net interest margin	(%)	2.75	2.85	3.01	3.04	3.05	3.09	3.13	3.18
ROE	(%)	10.37	10.45	10.98	11.78	12.27	11.87	11.30	11.64
ROA	(%)	0.49	0.54	0.61	0.70	0.75	0.77	0.75	0.79
Asset Quality									
NPLs/Total Loans	(%)	4.47	3.16	2.50	2.65	2.67	2.42	2.42	2.42
LLR/NPLs	(%)	84.17	116.22	145.50	129.77	119.70	134.46	142.54	150.39
Provision expense/Total loans	(%)	0.94	1.20	0.90	0.87	0.63	0.59	0.69	0.69
Liquidity									
Loans/Deposits & borrowings	(%)	95.01	94.73	93.75	92.85	93.52	95.16	96.40	98.12
Efficiency									
Cost to income ratio	(%)	50.02	50.88	52.22	49.33	48.08	47.42	45.86	44.60
Capital Fund									
Capital adequacy ratio	(%)	13.59	14.71	15.61	15.18	15.58	15.63	15.31	15.45
Tier-1	(%)	9.37	10.29	11.30	12.50	12.97	13.09	12.83	13.03
Tier-2	(%)	4.22	4.42	4.30	2.68	2.61	2.54	2.48	2.42

Financial statement

Profit and Loss Statement

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Interest & dividend income	(Btmn)	11,255	11,330	11,542	11,742	11,944	12,064	12,322	12,350
Interest expense	(Btmn)	3,915	3,874	3,918	3,974	4,026	4,142	4,249	4,357
Net interest income	(Btmn)	7,340	7,456	7,624	7,768	7,919	7,922	8,072	7,993
Non-interest income	(Btmn)	3,806	3,443	3,630	2,477	3,316	3,174	3,328	3,838
Non-interest expenses	(Btmn)	4,617	5,445	5,145	4,478	5,911	5,057	5,794	5,142
Earnings before tax & provision	(Btmn)	6,529	5,454	6,109	5,767	5,323	6,039	5,606	6,690
Provision	(Btmn)	2,319	1,431	1,448	1,233	672	991	952	1,091
Pre-tax profit	(Btmn)	4,210	4,023	4,661	4,534	4,651	5,048	4,654	5,599
Tax	(Btmn)	305	188	621	918	878	1,047	928	1,055
Equities & minority interest	(Btmn)	1,969	1,937	1,989	1,745	1,753	1,985	1,827	2,071
Core net profit	(Btmn)	1,935	1,899	2,051	1,870	2,020	2,016	1,899	2,472
Extra item	(Btmn)	0	0	0	0	0	0	0	0
Net profit	(Btmn)	1,935	1,899	2,051	1,870	2,020	2,016	1,899	2,472
EPS	(Bt)	1.60	1.57	1.70	1.60	1.73	1.73	1.63	2.12

Balance Sheet

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Cash	(Btmn)	11,453	9,272	8,642	8,951	11,022	9,373	8,760	9,374
Interbank assets	(Btmn)	95,918	112,746	121,477	71,916	99,117	107,217	89,535	139,094
Investments	(Btmn)	181,530	162,082	163,037	175,341	173,464	155,232	179,142	133,567
Gross loans	(Btmn)	712,761	713,693	725,080	737,109	754,613	763,776	769,747	771,039
Accrued interest receivable	(Btmn)	601	579	588	599	657	686	635	622
Loan loss reserve	(Btmn)	24,518	25,231	24,980	24,756	24,145	23,508	23,121	23,141
Net loans	(Btmn)	688,844	689,040	700,688	712,952	731,125	740,954	747,262	748,520
Total assets	(Btmn)	1,025,525	1,026,120	1,047,562	1,018,329	1,060,929	1,061,701	1,078,525	1,081,854
Deposits	(Btmn)	716,091	701,028	733,965	697,096	751,917	743,559	724,523	745,693
Interbank liabilities	(Btmn)	82,343	81,184	79,384	82,260	71,923	75,550	80,597	58,858
Borrowings	(Btmn)	51,596	53,629	54,917	58,236	55,013	56,775	79,128	80,406
Total liabilities	(Btmn)	895,455	892,225	913,846	883,536	923,011	919,445	933,093	934,943
Minority interest	(Btmn)	68,050	70,001	69,937	70,269	72,183	74,447	75,841	76,199
Paid-up capital	(Btmn)	12,065	12,065	12,065	11,651	11,651	11,651	11,651	11,651
Total Equities	(Btmn)	62,020	63,893	63,779	64,523	65,735	67,808	69,592	70,713
BVPS	(Bt)	51.41	52.96	52.86	55.38	56.42	58.20	59.73	60.69

Financial Ratios

FY December 31		4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Growth									
YoY loan growth	(%)	2.99	4.46	4.13	5.34	5.87	7.02	6.16	4.60
YoY non-NII growth	(%)	12.35	23.37	15.11	(25.29)	(12.87)	(7.80)	(8.32)	54.98
Profitability									
Yield on earn'g assets	(%)	4.62	4.58	4.62	4.71	4.75	4.70	4.77	4.75
Cost on int-bear'g liab	(%)	1.87	1.84	1.84	1.86	1.88	1.89	1.93	1.97
Spread	(%)	2.75	2.74	2.78	2.85	2.87	2.81	2.84	2.78
Net interest margin	(%)	3.01	3.01	3.05	3.12	3.15	3.09	3.13	3.07
ROE	(%)	12.68	12.06	12.85	11.66	12.40	-	-	-
ROA	(%)	0.75	0.74	0.78	0.73	0.76	0.00	0.00	0.00
Asset Quality									
NPLs/Total Loans	(%)	2.65	2.80	2.69	2.71	2.67	2.57	2.64	2.89
LLR/NPLs	(%)	129.77	126.42	128.03	123.99	119.70	119.99	113.90	103.72
Provision expense/Total loans	(%)	1.30	0.80	0.80	0.67	0.36	0.52	0.49	0.57
Liquidity									
Loans/Deposits & borrowings	(%)	92.85	94.57	91.91	97.59	93.52	95.43	95.78	93.33
Efficiency									
Cost to income ratio	(%)	44.40	52.19	48.66	41.84	54.35	46.95	52.29	47.81
Capital Fund									
Capital adequacy ratio	(%)	15.18	15.24	14.92	14.88	15.58	15.54	15.16	-
Tier-1	(%)	12.50	12.61	12.29	12.26	12.97	12.94	13.58	0.00
Tier-2	(%)	2.68	2.63	2.63	2.63	2.61	2.60	1.58	-

Figure 1: TCAP's pro forma financial forecast post the TMB and TBANK merger

Unit	TMB		TBANK		TCAP		TMB post merger		TCAP post merger	
	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F
Net profit (Bt mn)	7,471	7,628	10,611	11,752	8,226	8,254	18,082	19,380	8,246	8,430
Equities (Bt mn)	103,180	108,194	135,135	142,112	72,847	73,178	212,840	226,795	72,867	73,354
No. of shares (mn)	43,852	43,852	6,065	6,065	1,165	1,165	105,099	105,099	1,165	1,165
EPS (Bt)	0.17	0.17	1.75	1.94	7.06	7.08	0.17	0.18	7.08	7.23
BVPS (Bt)	2.35	2.47	22.28	23.43	62.52	62.81	2.03	2.16	62.54	62.96
ROE (%)	7.40%	7.22%	7.97%	8.48%	11.87%	11.30%	8.50%	8.82%	11.32%	11.49%

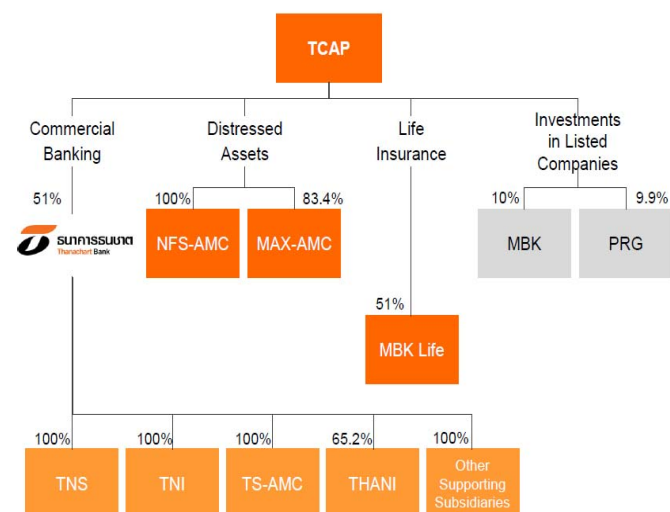
Source: SCBS Investment Research

Figure 2: TCAP's pro form earnings composition

	% holding	2019F	2020F
TCAP unconsolidated (ex. dividend from TBANK)		853	853
Merged bank	20%	3,689	3,953
THANI	65%	1,276	1,305
TNS	51%	1,167	1,109
TNI	51%	904	904
TS AMC	51%	357	306
TCAP consolidated		8,246	8,430

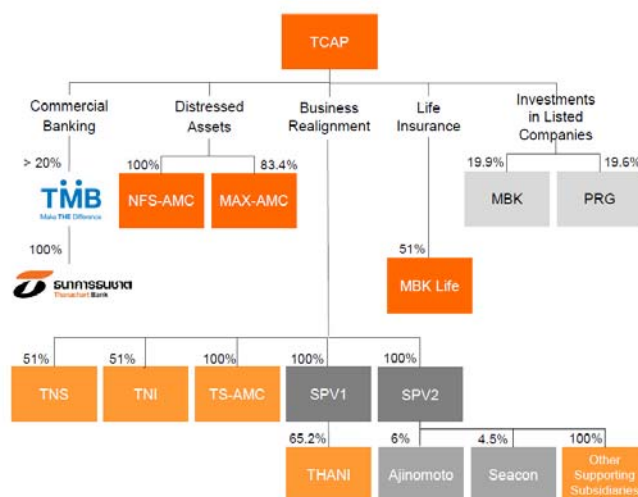
Source: SCBS Investment Research

Figure 3: TCAP's structure before the merger



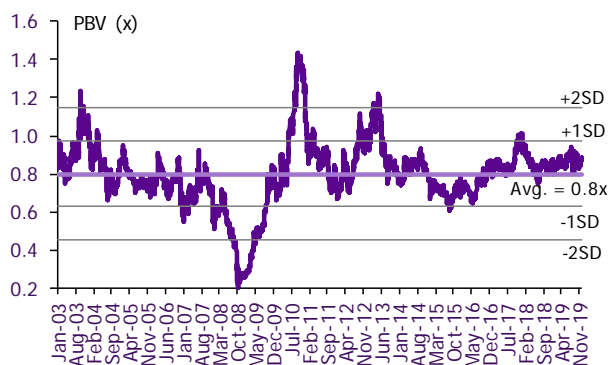
Source: TCAP and SCBS Investment Research

Figure 4: TCAP's structure after the merger



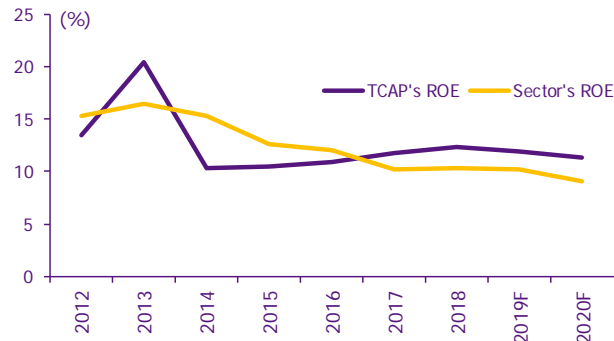
Source: TCAP and SCBS Investment Research

Figure 5: TCAP's PBV



Source: SCBS Investment Research

Figure 6: TCAP's ROE vs Banking sector ROE



Source: TCAP and SCBS Investment Research



Best play in the circular economy

IVL share price has been over-punished, sinking 36% YTD to a 3-year low on poor earnings, negative sentiment towards petrochemicals, concerns on bans of single-use plastics and a new acquisition of a surfactant business in the US. We view this as overdone, as operating cash profit is growing from a lineup of acquisitions and high utilization rates. We expect market appetite for IVL to improve in 2020, backed by good PET demand growth. We expect earnings to improve YoY on better core EBITDA/t and no huge stock loss. Our TP of Bt50 is based on 9x EV/EBITDA, implying tempting TTR of >40%, including dividend yield of >4% over 2019-21F.

Weak PET margin to lead to run cuts. Integrated PET margin in Asia fell 20% QoQ in 4Q19 to a 3-year low of US\$201/t on bearish market sentiment and seasonally weak demand. We believe a rise in cash cost above US\$200/t will lead high-cost producers to cut operating rates. We estimate IVL's integrated PET processing cost at <US\$160/t for the twelve months ending 3Q19. Benefit from lower PX will be more apparent in 2020 on a full year of the new PX capacity that started up in 2019. The key drag for IVL's overall core EBITDA/t will remain the IPA segment, facing a severe oversupply; it contributes only 3% of current capacity.

Focus on recycling to serve demand. IVL plans to allocate US\$1bn over the next four years to build up its recycling portfolio, growing capacity by 700ktpa from the current 465ktpa, mainly in developed markets (Europe and the US) to meet stronger commitments and demand, especially big brands and retailers that have to comply with recycled content legislation. Opposition to single-use plastic should have little impact on PET, which is the most widely recycled plastic in the world. IVL plans to lift its recycled PET to 12% of total PET capacity over the next five years

Concerns on acquisition of Huntsman overblown. IVL's share price fell sharply after it announced investment in Huntsman in an effort to diversify its product portfolio and for synergy with its EO/EG business. The market is concerned about the outlook of this acquisition as well as the high acquisition cost (which is debatable given accounting differences). We see upside from Huntsman, which makes a new specialty surfactant project that will enhance return via a premium to current products, especially ethylene glycol. IVL expects US\$100mn in synergy benefit from Huntsman to be fully realized in 2023. Although some of Huntsman's operations will undergo maintenance shutdown in 2020, weakening profit YoY, this could be fuel IVL's growth in 2020 (if the deal is completed as planned).

IVL is still top pick in the sector with TP of Bt50. Our TP of Bt50/share is based on 3-year average EV/EBITDA of 9x. The current valuation at 1.2x PBV (2020) or -1.6SD is undemanding given its steady growth, both organic and inorganic. Key risks to our earnings forecast and valuation are: 1) global trade war eroding demand for its products, 2) lower efficiency improvement at new assets than expected and 3) changes in regulations on plastic products.

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	286,332	347,171	357,539	378,870	386,049
EBITDA	(Btmn)	35,020	45,652	32,901	44,603	46,680
Core profit	(Btmn)	20,150	24,053	9,663	19,986	21,753
Reported profit	(Btmn)	20,883	26,465	9,263	19,986	21,753
Core EPS	(Bt)	3.84	4.28	1.72	3.56	3.87
DPS	(Bt)	1.00	1.40	1.40	1.40	1.50
P/E, core	(x)	9.0	8.1	20.2	9.8	9.0
EPS growth, core	(%)	93.4	11.5	(59.8)	106.8	8.8
P/BV, core	(x)	1.6	1.3	1.3	1.2	1.1
ROE	(%)	19.6	18.4	6.6	13.1	13.2
Dividend yield	(%)	2.9	4.0	4.0	4.0	4.3
FCF yield	(x)	0.1	(12.2)	15.8	15.2	30.3
EV/EBIT	(x)	11.9	10.4	17.3	9.6	7.3
EBIT growth, core	(%)	40.8	37.7	(44.8)	66.8	6.7
EV/CE	(x)	1.4	1.2	1.2	1.1	1.1
ROCE	(%)	11.7	9.3	4.9	9.2	11.6
EV/EBITDA	(x)	7.7	7.1	9.1	6.2	4.8
EBITDA growth	(%)	28.5	30.4	(27.9)	35.6	4.7

Source: SCBS Investment Research

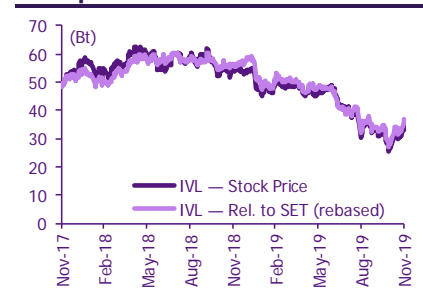
BUY

Stock data

Last close (Nov 29) (Bt)	34.75
12-m target price (Bt)	50.00
Upside (Downside) to TP (%)	43.88
Mkt cap (Btbn)	195.11
Mkt cap (US\$mn)	6,465

Risk rating	H
Mkt cap (%) SET	1.15
Sector % SET	3.05
Shares issued (mn)	5,615
Par value (Bt)	1.00
12-m high / low (Bt)	56.3 / 25.3
Avg. daily 6m (US\$mn)	29.61
Foreign limit / actual (%)	100 / 73
Free float (%)	35.2
Dividend policy (%)	≥ 30

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	23.0	(1.4)	(35.6)
Relative to SET	23.9	2.6	(33.6)

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	50.00
12-month dividend	(Bt)	1.40
Capital gain	(%)	43.88
Dividend yield	(%)	4.03
Total return	(%)	47.91

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)	243,907	234,698	254,620	286,332	347,171	357,539	378,870	386,049
Cost of goods sold	(Btmn)	221,869	208,177	218,198	240,889	289,232	307,787	321,919	326,635
Gross profit	(Btmn)	22,038	26,521	36,422	45,444	57,939	49,753	56,951	59,414
SG&A	(Btmn)	16,627	19,293	21,823	23,925	28,760	34,538	30,409	31,200
Other income	(Btmn)	1,644	1,761	1,584	1,263	2,200	2,104	2,344	2,616
Interest expense	(Btmn)	3,555	3,652	4,222	3,864	4,227	5,434	4,927	4,754
Pre-tax profit	(Btmn)	3,501	5,337	11,961	18,917	27,151	11,885	23,960	26,076
Corporate tax	(Btmn)	1,625	1,881	2,062	(1,400)	3,812	2,114	3,762	4,094
Equity a/c profits	(Btmn)	(1,356)	(242)	(173)	28	586	(10)	(10)	(10)
Minority interests	(Btmn)	(285)	(279)	(162)	(195)	128	(98)	(202)	(220)
Core profit	(Btmn)	234	2,935	9,563	20,150	24,053	9,663	19,986	21,753
Extra-ordinary items	(Btmn)	1,441	3,674	6,634	733	2,413	(400)	0	0
Net Profit	(Btmn)	1,675	6,609	16,197	20,883	26,465	9,263	19,986	21,753
EBITDA	(Btmn)	14,164	18,315	27,248	35,020	45,652	32,901	44,603	46,680
Core EPS	(Btmn)	0.05	0.61	1.99	3.84	4.28	1.72	3.56	3.87
Net EPS	(Bt)	0.35	1.37	3.36	3.98	4.71	1.65	3.56	3.87
DPS	(Bt)	0.38	0.48	0.66	1.00	1.40	1.40	1.40	1.50

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	72,180	70,548	84,495	92,953	124,284	117,210	139,199	162,269
Total fixed assets	(Btmn)	122,354	151,092	173,885	189,405	254,911	237,223	224,696	212,034
Total assets	(Btmn)	194,534	221,641	258,380	282,358	379,195	354,433	363,894	374,303
Total loans	(Btmn)	73,272	83,590	102,074	95,506	136,266	125,491	120,860	116,833
Total current liabilities	(Btmn)	48,066	57,383	65,862	65,622	113,700	91,184	92,325	92,384
Total long-term liabilities	(Btmn)	71,858	81,305	100,704	97,750	113,639	109,894	105,887	102,406
Total liabilities	(Btmn)	119,924	138,688	166,566	163,372	227,339	201,077	198,212	194,789
Paid-up capital	(Btmn)	4,814	4,814	4,814	5,245	5,615	5,615	5,615	5,615
Total equity	(Btmn)	72,553	79,825	89,055	117,062	144,838	146,240	158,365	171,977
BVPS	(Bt)	15.07	16.58	18.50	22.32	25.80	26.05	28.21	30.63

Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	234	2,935	9,563	20,150	24,053	9,663	19,986	21,753
Depreciation and amortization	(Btmn)	7,108	9,326	11,065	12,239	14,273	15,583	15,716	15,850
Operating cash flow	(Btmn)	22,293	24,800	24,953	28,907	32,362	28,700	32,835	62,140
Investing cash flow	(Btmn)	(18,503)	(21,300)	(36,382)	(28,786)	(56,227)	2,194	(3,100)	(3,100)
Financing cash flow	(Btmn)	(2,565)	(5,607)	12,223	2,730	22,567	(15,525)	(12,289)	(11,948)
Net cash flow	(Btmn)	1,225	(2,107)	793	2,851	(1,299)	15,369	17,445	47,091

Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	9.0	11.3	14.3	15.9	16.7	13.9	15.0	15.4
Operating margin	(%)	2.2	3.1	5.7	7.5	8.4	4.3	7.0	7.3
EBITDA margin	(%)	5.8	7.8	10.7	12.2	13.1	9.2	11.8	12.1
EBIT margin	(%)	2.9	3.8	6.4	8.0	9.0	4.8	7.6	8.0
Net profit margin	(%)	0.7	2.8	6.4	7.3	7.6	2.6	5.3	5.6
ROE	(%)	0.4	3.9	11.3	19.6	18.4	6.6	13.1	13.2
ROA	(%)	0.1	1.4	4.0	7.5	7.3	2.6	5.6	5.9
Net D/E	(x)	0.9	1.0	1.1	0.8	0.9	0.7	0.5	0.2
Interest coverage	(x)	4.0	5.0	6.5	9.1	10.8	6.1	9.1	9.8
Debt service coverage	(x)	0.6	1.1	1.3	1.5	2.4	0.7	1.1	1.2
Payout Ratio	(%)	109.2	35.0	19.6	25.1	29.7	84.9	39.3	38.7

Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total capacity (period-end)	(ktpa)	7,510	8,776	10,470	10,692	13,056	15,105	15,453	15,490
Total sales volume	(kt)	6,249	7,024	8,729	9,103	11,091	12,400	13,000	13,200
Core EBITDA/t	(US\$/t)	96	91	89	110	138	100	110	113
Reported EBITDA/t	(US\$/t)	79	80	88	112	141	90	110	113
Average selling price	(US\$/t)	1,202	975	827	927	968	930	940	943
FX	(Bt/US\$)	32.48	34.35	35.29	33.93	32.32	31.00	31.00	31.00

Financial statement**Profit and Loss Statement**

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total revenue	(Btmn)	70,417	76,143	83,591	96,001	91,436	95,810	94,895	84,478
Cost of goods sold	(Btmn)	59,445	63,416	68,010	77,055	80,751	83,550	82,282	74,221
Gross profit	(Btmn)	10,972	12,727	15,581	18,946	10,685	12,260	12,613	10,258
SG&A	(Btmn)	6,255	6,262	7,132	7,487	7,879	8,510	9,153	8,344
Other income	(Btmn)	593	976	395	365	463	555	514	356
Interest expense	(Btmn)	905	891	887	1,122	1,327	1,384	1,544	1,357
Pre-tax profit	(Btmn)	4,405	6,550	7,957	10,703	1,941	2,922	2,430	913
Corporate tax	(Btmn)	(3,149)	881	1,145	1,018	768	103	74	27
Equity a/c profits	(Btmn)	(45)	(42)	206	479	(57)	(0)	(5)	(5)
Minority interests	(Btmn)	(26)	(27)	(26)	64	117	(25)	95	202
Core profit	(Btmn)	7,483	5,600	6,993	10,227	1,233	2,793	2,446	1,083
Extra-ordinary items	(Btmn)	2,520	214	1,250	(173)	1,122	915	(179)	(290)
Net Profit	(Btmn)	10,003	5,814	8,243	10,054	2,355	3,708	2,267	793
EBITDA	(Btmn)	8,730	10,493	12,064	15,657	7,438	8,292	8,335	6,571
Core EPS	(Btmn)	1.43	1.03	1.26	1.82	0.22	0.50	0.44	0.19
Net EPS	(Bt)	1.91	1.07	1.49	1.79	0.42	0.66	0.40	0.14

Balance Sheet

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total current assets	(Btmn)	92,953	101,644	123,981	127,413	124,284	130,584	130,836	122,693
Total fixed assets	(Btmn)	189,405	185,224	209,820	229,300	254,911	264,881	264,466	262,060
Total assets	(Btmn)	282,358	286,868	333,801	356,713	379,195	395,465	395,302	384,753
Total loans	(Btmn)	95,506	90,462	113,269	117,404	136,266	145,911	146,383	142,536
Total current liabilities	(Btmn)	65,622	67,146	86,331	101,943	113,700	116,935	121,593	110,358
Total long-term liabilities	(Btmn)	97,750	91,809	104,689	104,738	113,639	125,723	125,703	129,882
Total liabilities	(Btmn)	163,372	158,955	191,020	206,681	227,339	242,658	247,296	240,240
Paid-up capital	(Btmn)	5,245	5,412	5,548	5,615	5,615	5,615	5,615	5,615
Total equity	(Btmn)	117,062	126,126	139,640	144,178	144,838	144,412	138,045	135,127
BVPS	(Bt)	22.32	23.31	25.17	25.68	25.80	25.72	24.59	24.07

Cash Flow Statement

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Core Profit	(Btmn)	7,483	5,600	6,993	10,227	1,233	2,793	2,446	1,083
Depreciation and amortization	(Btmn)	3,420	3,052	3,219	3,832	4,170	3,987	4,361	4,301
Operating cash flow	(Btmn)	7,102	7,626	7,215	9,123	8,398	8,401	11,803	18,101
Investing cash flow	(Btmn)	(6,611)	(4,493)	(16,275)	(14,196)	(21,263)	(10,363)	(4,342)	(3,884)
Financing cash flow	(Btmn)	1,946	3,147	18,678	(6,585)	7,327	3,410	(5,991)	(6,507)
Net cash flow	(Btmn)	2,437	6,280	9,617	(11,658)	(5,538)	1,448	1,470	7,711

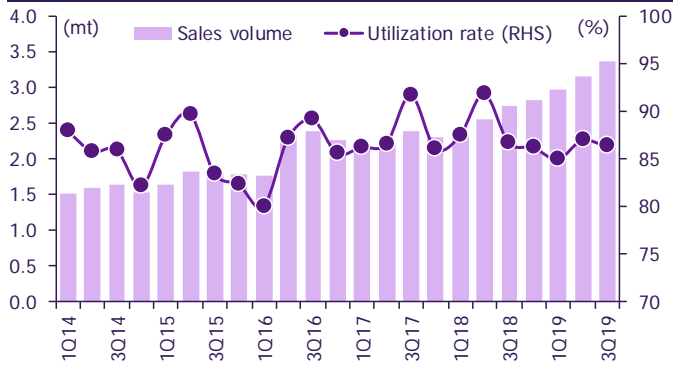
Key Financial Ratios

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Gross margin	(%)	15.6	16.7	18.6	19.7	11.7	12.8	13.3	12.1
Operating margin	(%)	6.7	8.5	10.1	11.9	3.1	3.9	3.6	2.3
EBITDA margin	(%)	12.4	13.8	14.4	16.3	8.1	8.7	8.8	7.8
EBIT margin	(%)	7.5	9.8	10.6	12.3	3.6	4.5	4.2	2.7
Net profit margin	(%)	14.2	7.6	9.9	10.5	2.6	3.9	2.4	0.9
ROE	(%)	26.5	18.4	21.0	28.8	3.4	7.7	6.9	3.2
ROA	(%)	10.8	7.9	9.0	11.8	1.3	2.9	2.5	1.1
Net D/E	(x)	0.8	0.6	0.6	0.7	0.9	1.0	1.0	1.0
Interest coverage	(x)	9.6	11.8	13.6	14.0	5.6	6.0	5.4	4.8
Debt service coverage	(x)	1.9	2.2	1.6	1.7	0.6	0.7	0.7	0.6

Main Assumptions

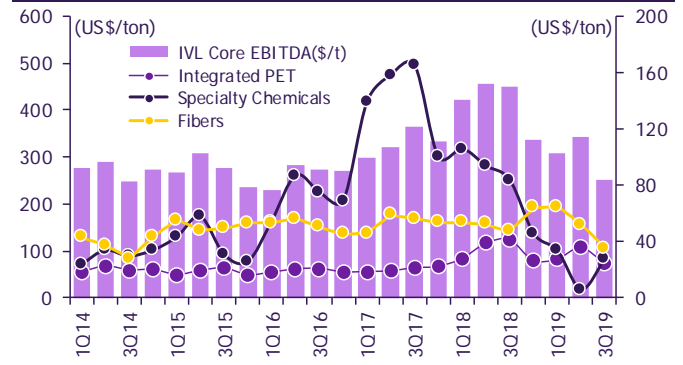
FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total capacity (period-end)	(ktpa)	10,665	10,638	11,084	12,587	13,029	13,920	14,520	15,520
Total sales volume	(kt)	2,306	2,325	2,546	2,730	2,820	2,970	3,150	3,350
Core EBITDA/t	(US\$/t)	111	140	153	150	113	102	115	84
Reported EBITDA/t	(US\$/t)	117	148	156	175	85	89	87	63
Average selling price	(US\$/t)	926	1,038	1,028	1,070	989	1,020	930	845
FX	(Bt/US\$)	32.95	31.54	31.95	32.98	32.82	31.62	31.59	30.71

Figure 1: Sales volume



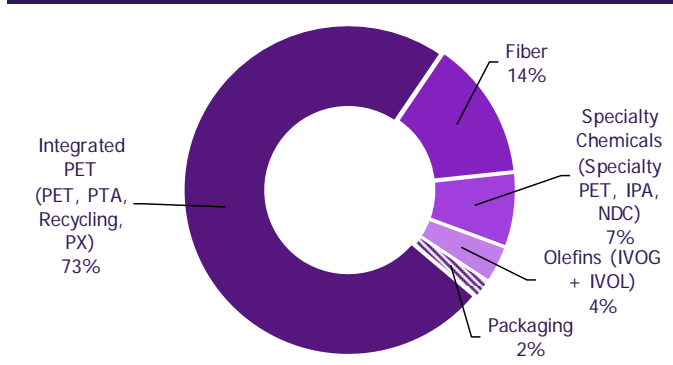
Source: IVL, SCBS Investment Research

Figure 2: Core EBITDA/t



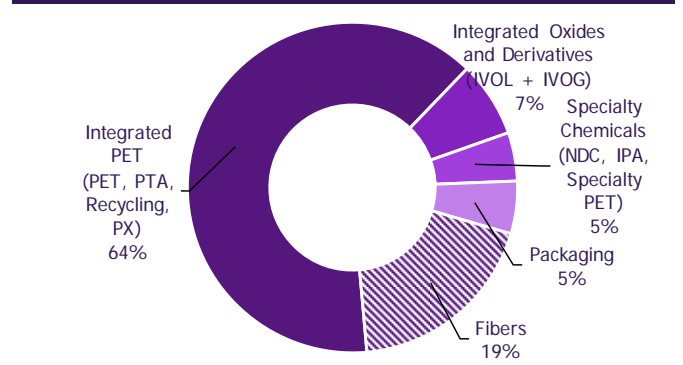
Source: IVL, SCBS Investment Research

Figure 3: Capacity breakdown (end-2019)



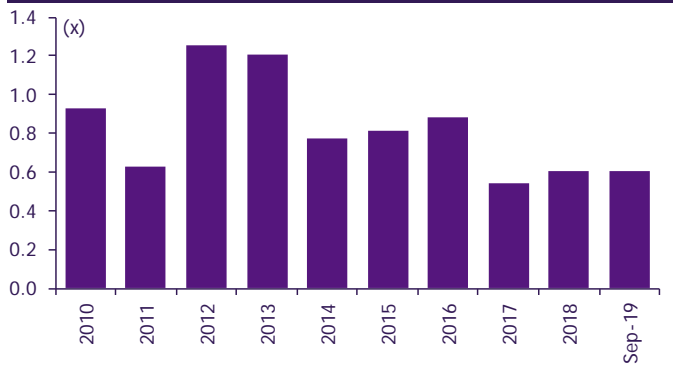
Source: IVL, SCBS Investment Research

Figure 4: Core EBITDA breakdown (LTM-3Q19)



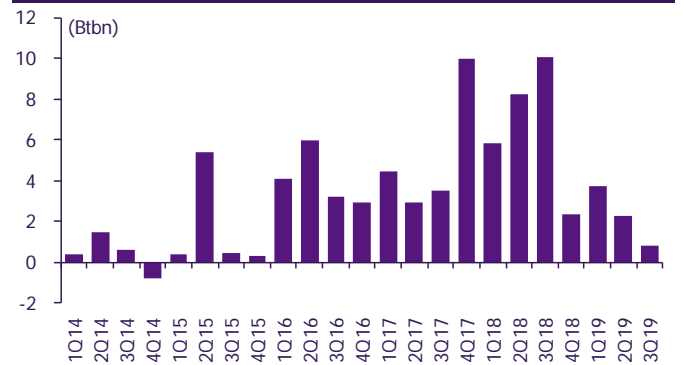
Source: IVL, SCBS Investment Research

Figure 5: Net operating debt to equity (period-end)



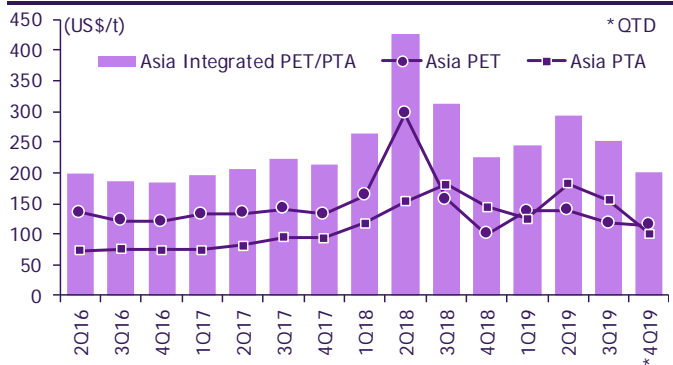
Source: IVL, SCBS Investment Research

Figure 6: Quarterly net profit



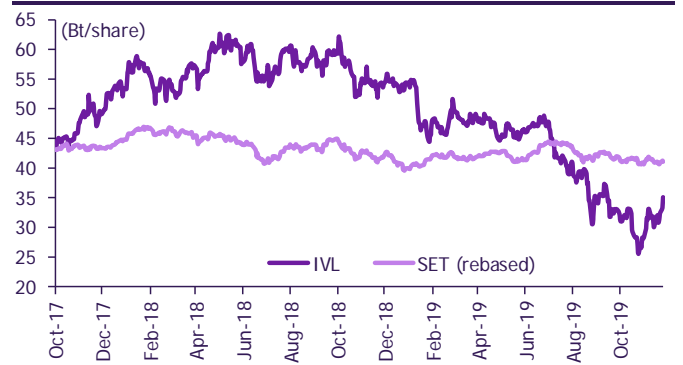
Source: IVL, SCBS Investment Research

Figure 7: Integrated PET spread (Asia)



Source: IVL, Industry data, SCBS Investment Research

Figure 8: Share price performance



Source: Bloomberg Finance LP, SCBS Investment Research



Still TOP of the BUY list

TOP shares have outperformed local peers over the past six months, up 7% vs. -1% to -32% for other oil refiners. We view this as a confirmation of high confidence in its cost competitiveness and resilient financial position. Despite the uncertain oil refining margin and aromatics product spread caused by the trade war and resultant global economic slowdown, TOP's earnings will be largely shielded by its competitive operating cost and stable cash flow from the power business. A positive is higher crack spread for middle distillate products, mainly gasoil, as a result of higher demand from the shipping industry for an alternative fuel to comply with the IMO's sulfur cap regulation. TOP tops our BUY list with TP of Bt79.

Refinery: higher intake and better GRM to drive earnings in 2020. After the production hiccup in 2019F due to the major turnaround of the oil refinery and aromatics complex, utilization rates should be back to normal in 2020 with crude intake of >300kbd, bolstering its already good operating cost of US\$1.5-2/bbl, making it possible to withstand the volatile oil market with uncertain demand and new supply. We expect TOP's gross integrated margin to increase to US\$6.2/bbl in 2020 from US\$5.5/bbl in 2019 on a better outlook for gasoil demand after the IMO sulfur cap takes effect on Jan 2020. TOP's oil refining plan is dynamic, adjusting crude selection to meet the stronger demand for low-sulfur fuel oil for shipping. Note that high-sulfur fuel oil accounts for 4% of total product yield. If this portion is converted to LSFO, GRM could rise by ~US\$2/bbl, depending on crude premium.

Aromatics still a risk, but not hugely. Aromatics spread fell sharply YTD in 2019 from an abnormal high in 2018. We view this fall in spread as pricing in the large capacity additions that are coming on line as planned, not delayed as earlier expected. This will be gradually absorbed by new downstream demand, in our view, as more PTA plants in the region (China) will start up. Also, lower PX spread has led high-cost producers to cut utilization, hastening demand/supply balancing.

More capex in 2020F but dividend stable. TOP will increase capex in 2020, mostly for its new refinery under the Clean Fuel Project (CFP). It plans to spend nearly US\$2bn in 2020 vs. US\$935mn in 2019 out of a total of US\$4.4bn for the project (spread over 2019-22). We expect it to still pay a dividend as cash flow is strong and it has ample cash on hand. By our estimates, TOP will generate operating cash flow of >US\$800mn p.a. in 2020-22 after a hiccup in 2019 from the major turnaround, implying it can pay a dividend despite high investment.

TP of Bt79 based on 7x EV/EBITDA. We maintain our BUY with TP of Bt79/share based on historical average EV/EBITDA of 7x. We expect TOP to maintain a high dividend, backed by a healthy cash position despite its high capex. Key risks to our forecast are volatile oil price and GRM, a weaker oil price that could cause inventory loss and the trade dispute, hurting oil and petrochemical markets.

Forecasts and valuation

Year to 31 Dec	Unit	2017	2018	2019F	2020F	2021F
Revenue	(Btmn)	337,388	389,344	354,857	337,210	333,658
EBITDA	(Btmn)	37,531	22,574	16,183	30,205	31,617
Core profit	(Btmn)	21,808	10,343	4,336	15,420	16,411
Reported profit	(Btmn)	24,856	10,149	5,956	15,420	16,411
Core EPS	(Bt)	10.69	5.07	2.13	7.56	8.04
DPS	(Bt)	5.25	2.65	1.20	3.10	3.30
P/E, core	(x)	6.5	13.6	32.5	9.1	8.6
EPS growth, core	(%)	3.8	(52.6)	(58.1)	255.6	6.4
P/BV, core	(x)	1.2	1.2	1.1	1.0	1.0
ROE	(%)	18.3	8.2	3.4	11.4	11.2
Dividend yield	(%)	7.6	3.8	1.7	4.5	4.8
FCF yield	(x)	2.6	(5.1)	(2.8)	0.4	2.8
EV/EBIT	(x)	4.7	9.2	20.7	9.4	9.4
EBIT growth, core	(%)	14.0	(48.8)	(42.1)	157.6	5.9
EV/CE	(x)	1.2	1.3	1.2	1.1	1.0
ROCE	(%)	19.7	10.0	3.1	8.7	8.4
EV/EBITDA	(x)	3.7	6.2	11.4	7.1	7.2
EBITDA growth	(%)	10.5	(39.9)	(28.3)	86.6	4.7

Source: SCBS Investment Research

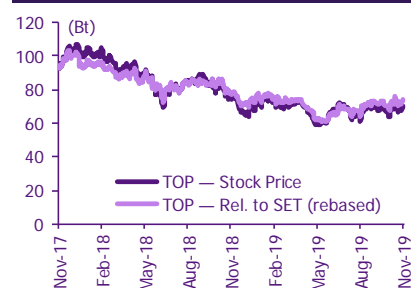
BUY

Stock data

Last close (Nov 29) (Bt)	69.00
12-m target price (Bt)	79.00
Upside (Downside) to TP (%)	14.49
Mkt cap (Btbn)	140.76
Mkt cap (US\$mn)	4,664

Risk rating	H
Mkt cap (%) SET	0.83
Sector % SET	23.16
Shares issued (mn)	2,040
Par value (Bt)	10.00
12-m high / low (Bt)	78.5 / 58.5
Avg. daily 6m (US\$mn)	23.92
Foreign limit / actual (%)	40 / 20
Free float (%)	46.5
Dividend policy (%)	≥ 25

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	2.2	1.8	(9.2)
Relative to SET	2.9	6.0	(6.3)

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	79.00
12-month dividend	(Bt)	1.20
Capital gain	(%)	14.49
Dividend yield	(%)	1.74
Total return	(%)	16.23

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)	390,090	293,569	274,739	337,388	389,344	354,857	337,210	333,658
Cost of goods sold	(Btmn)	394,170	273,819	247,261	305,386	373,128	346,484	314,018	308,982
Gross profit	(Btmn)	(4,080)	19,750	27,478	32,002	16,216	8,373	23,193	24,675
SG&A	(Btmn)	2,641	3,207	2,633	3,461	2,782	2,224	2,409	2,384
Other income	(Btmn)	2,085	1,546	1,366	1,348	1,876	2,708	2,034	1,876
Interest expense	(Btmn)	3,966	3,435	3,461	3,285	3,942	4,761	5,188	5,382
Pre-tax profit	(Btmn)	(8,603)	14,654	22,750	26,604	11,368	4,097	17,629	18,785
Corporate tax	(Btmn)	(920)	1,597	2,295	5,529	1,983	915	3,173	3,381
Equity a/c profits	(Btmn)	630	712	930	1,197	1,193	1,253	1,315	1,381
Minority interests	(Btmn)	(301)	(323)	(365)	(463)	(235)	(99)	(351)	(374)
Core profit	(Btmn)	(7,354)	13,446	21,019	21,808	10,343	4,336	15,420	16,411
Extra-ordinary items	(Btmn)	3,214	(1,264)	203	3,048	(194)	1,620	0	0
Net Profit	(Btmn)	(4,140)	12,181	21,222	24,856	10,149	5,956	15,420	16,411
EBITDA	(Btmn)	1,896	24,855	33,972	37,531	22,574	16,183	30,205	31,617
Core EPS	(Btmn)	(3.60)	6.59	10.30	10.69	5.07	2.13	7.56	8.04
Net EPS	(Bt)	(2.03)	5.97	10.40	12.18	4.97	2.92	7.56	8.04
DPS	(Bt)	1.16	2.70	4.50	5.25	2.65	1.20	3.10	3.30

Balance Sheet

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Total current assets	(Btmn)	95,464	90,490	115,731	126,211	164,743	120,248	82,683	71,217
Total fixed assets	(Btmn)	98,143	101,676	102,001	101,897	103,869	142,720	200,993	225,536
Total assets	(Btmn)	193,607	192,166	217,731	228,108	268,613	262,968	283,676	296,753
Total loans	(Btmn)	80,101	75,506	76,301	66,468	107,060	102,511	109,055	112,506
Total current liabilities	(Btmn)	35,635	18,192	34,146	33,348	38,020	32,364	35,887	31,868
Total long-term liabilities	(Btmn)	70,128	76,965	71,988	67,612	104,121	102,463	106,121	112,960
Total liabilities	(Btmn)	105,763	95,157	106,134	100,960	142,141	134,827	142,008	144,828
Paid-up capital	(Btmn)	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
Total equity	(Btmn)	87,844	97,009	111,597	127,148	126,472	128,141	141,668	151,925
BVPS	(Bt)	40.88	45.28	52.38	59.91	59.66	60.43	66.89	71.73

Cash Flow Statement

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Core Profit	(Btmn)	(7,354)	13,446	21,019	21,808	10,343	4,336	15,420	16,411
Depreciation and amortization	(Btmn)	6,533	6,766	7,762	7,642	7,264	7,326	7,388	7,450
Operating cash flow	(Btmn)	24,356	31,738	23,105	33,821	18,699	8,175	32,916	24,534
Investing cash flow	(Btmn)	(20,346)	2,530	(18,352)	(30,092)	(25,846)	(12,098)	(32,363)	(20,603)
Financing cash flow	(Btmn)	(3,075)	(14,740)	(9,397)	(19,226)	25,566	(8,836)	4,650	(2,703)
Net cash flow	(Btmn)	934	19,527	(4,644)	(15,497)	18,418	(12,759)	5,204	1,228

Key Financial Ratios

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Gross margin	(%)	(1.0)	6.7	10.0	9.5	4.2	2.4	6.9	7.4
Operating margin	(%)	(1.7)	5.6	9.0	8.5	3.5	1.7	6.2	6.7
EBITDA margin	(%)	0.5	8.5	12.4	11.1	5.8	4.6	9.0	9.5
EBIT margin	(%)	(1.2)	6.2	9.5	8.9	3.9	2.5	6.8	7.2
Net profit margin	(%)	(1.1)	4.1	7.7	7.4	2.6	1.7	4.6	4.9
ROE	(%)	(8.0)	14.5	20.2	18.3	8.2	3.4	11.4	11.2
ROA	(%)	(3.7)	7.0	10.3	9.8	4.2	1.6	5.6	5.7
Net D/E	(x)	0.4	0.2	0.1	(0.0)	(0.0)	0.3	0.5	0.6
Interest coverage	(x)	0.5	7.2	9.8	11.4	5.7	3.4	5.8	5.9
Debt service coverage	(x)	0.1	4.8	3.0	6.4	2.1	1.5	2.1	2.8
Payout Ratio	(%)	(57.2)	45.2	43.3	43.1	53.3	41.1	41.0	41.0

Main Assumptions

FY December 31	Unit	2014	2015	2016	2017	2018	2019F	2020F	2021F
Dubai crude oil	(US\$/bbl)	96.6	51.2	41.3	53.2	69.4	65.0	62.0	62.0
Avg. market GIM	(US\$/bbl)	6.2	9.1	7.5	9.1	6.9	5.5	6.2	6.5
PX spread vs. ULG95	(US\$/t)	279.0	256.0	317.2	276.1	387.6	300.0	250.0	250.0
Utilization rate - refinery	(%)	98.0	108.0	108.0	112.0	113.0	105.0	113.0	113.0
Utilization rate - petchem	(%)	82.0	81.0	81.0	83.0	88.0	75.0	85.0	85.0
FX	(Bt/US\$)	32.62	34.35	35.29	33.93	32.32	31.00	31.00	31.00

Financial statement

Profit and Loss Statement

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total revenue	(Btmn)	89,443	92,229	97,200	101,783	98,132	91,789	92,564	83,034
Cost of goods sold	(Btmn)	79,724	86,239	89,270	95,800	101,818	86,073	91,700	83,585
Gross profit	(Btmn)	9,719	5,990	7,929	5,983	(3,687)	5,717	864	(551)
SG&A	(Btmn)	1,390	589	695	643	855	546	801	526
Other income	(Btmn)	281	381	485	424	586	679	825	527
Interest expense	(Btmn)	797	750	1,077	844	1,271	1,215	1,196	1,041
Pre-tax profit	(Btmn)	7,812	5,032	6,642	4,921	(5,226)	4,635	(307)	(1,592)
Corporate tax	(Btmn)	1,711	1,209	1,081	1,008	(1,315)	1,000	116	(222)
Equity a/c profits	(Btmn)	301	333	339	320	201	351	351	297
Minority interests	(Btmn)	(88)	(120)	(16)	(82)	(17)	(63)	(45)	(60)
Core profit	(Btmn)	6,314	4,036	5,884	4,150	(3,727)	3,923	(117)	(1,133)
Extra-ordinary items	(Btmn)	613	1,572	(1,089)	408	(1,085)	486	684	451
Net Profit	(Btmn)	6,927	5,608	4,795	4,558	(4,812)	4,408	567	(683)
EBITDA	(Btmn)	10,578	7,520	9,554	7,593	(2,094)	7,652	2,661	1,230
Core EPS	(Btmn)	3.09	1.98	2.88	2.03	(1.83)	1.92	(0.06)	(0.56)
Net EPS	(Bt)	3.40	2.75	2.35	2.23	(2.36)	2.16	0.28	(0.33)

Balance Sheet

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total current assets	(Btmn)	126,211	138,893	141,537	139,639	164,743	166,386	146,947	138,546
Total fixed assets	(Btmn)	101,897	102,147	99,937	101,260	103,869	105,845	109,506	117,316
Total assets	(Btmn)	228,108	241,040	241,473	240,899	268,613	272,231	256,453	255,863
Total loans	(Btmn)	66,468	70,565	72,413	72,325	104,060	102,026	99,597	99,000
Total current liabilities	(Btmn)	33,348	37,183	38,642	37,652	38,020	38,127	29,885	32,255
Total long-term liabilities	(Btmn)	67,612	71,149	73,041	71,932	104,121	103,165	101,414	101,120
Total liabilities	(Btmn)	100,960	108,332	111,683	109,583	142,141	141,292	131,299	133,375
Paid-up capital	(Btmn)	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
Total equity	(Btmn)	127,148	132,708	129,791	131,316	126,472	130,939	125,154	122,488
BVPS	(Btmn)	59.91	62.65	61.32	62.04	59.66	61.82	59.39	58.08

Cash Flow Statement

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Core Profit	(Btmn)	6,314	4,036	5,884	4,150	(3,727)	3,923	(117)	(1,133)
Depreciation and amortization	(Btmn)	1,969	1,738	1,835	1,828	1,862	1,803	1,772	1,781
Operating cash flow	(Btmn)	16,198	8,057	4,007	(4,395)	11,030	3,466	2,962	(1,670)
Investing cash flow	(Btmn)	(25,348)	2,915	6,689	(5,789)	(29,662)	7,878	18,388	9,630
Financing cash flow	(Btmn)	(4,259)	7,283	(10,023)	(3,610)	31,915	(5,186)	(3,911)	(3,468)
Net cash flow	(Btmn)	(13,410)	18,256	674	(13,794)	13,282	6,158	17,439	4,491

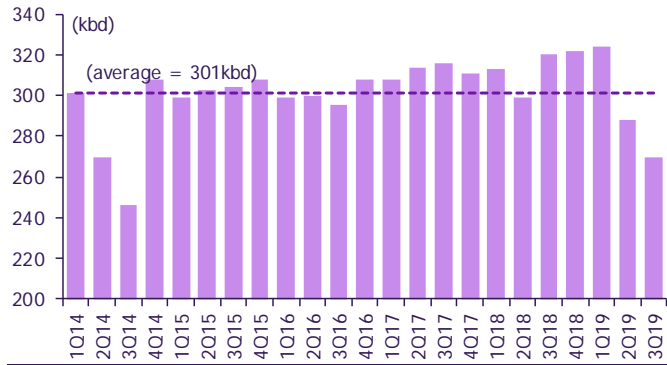
Key Financial Ratios

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Gross margin	(%)	10.9	6.5	8.2	5.9	(3.8)	6.2	0.9	(0.7)
Operating margin	(%)	9.3	5.9	7.4	5.2	(4.6)	5.6	0.1	(1.3)
EBITDA margin	(%)	11.8	8.2	9.8	7.5	(2.1)	8.3	2.9	1.5
EBIT margin	(%)	9.6	6.3	7.9	5.7	(4.0)	6.4	1.0	(0.7)
Net profit margin	(%)	7.7	6.1	4.9	4.5	(4.9)	4.8	0.6	(0.8)
ROE	(%)	20.4	12.4	17.9	12.7	(11.6)	12.2	(0.4)	(3.7)
ROA	(%)	11.4	6.9	9.8	6.9	(5.9)	5.8	(0.2)	(1.8)
Net D/E	(x)	(0.0)	(0.1)	(0.0)	0.0	(0.0)	0.0	0.0	0.2
Interest coverage	(x)	13.3	10.0	8.9	9.0	(1.6)	6.3	2.2	1.2
Debt service coverage	(x)	7.4	4.9	5.1	4.0	(0.9)	3.9	1.3	0.7

Main Assumptions

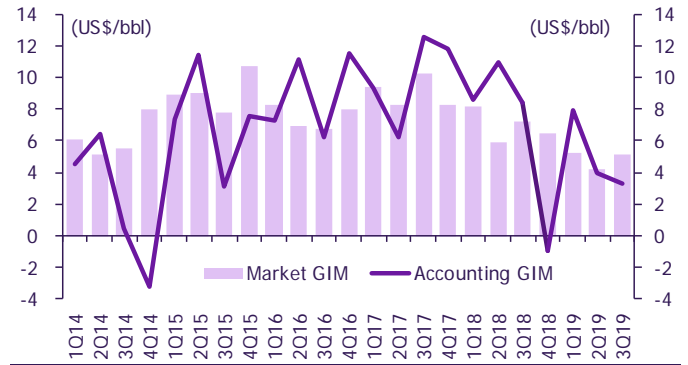
FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Dubai crude oil	(US\$/bbl)	59.30	63.90	72.10	74.30	67.40	63.50	67.40	61.10
Avg. market GIM	(US\$/bbl)	8.3	8.2	5.9	7.2	6.5	5.2	4.2	5.1
PX spread vs. ULG95	(US\$/t)	260	304	268	451	528	508	273	194
Utilization rate - refinery	(%)	112	113	108	115	115	116	103	97
Utilization rate - petchem	(%)	82	90	84	89	94	92	64	54
FX	(Bt/US\$)	32.93	31.57	32.12	32.97	32.82	31.79	31.76	30.72

Figure 1: Integrated intake



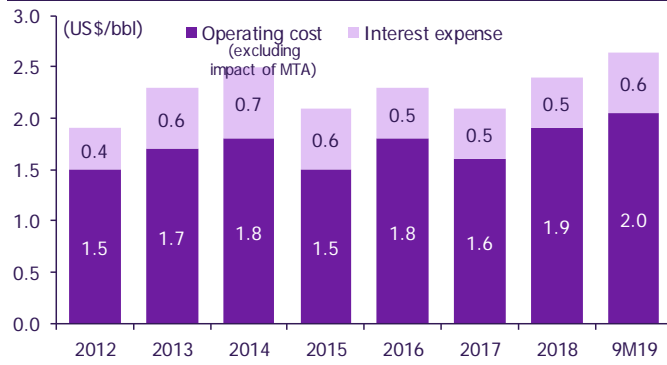
Source: TOP, SCBS Investment Research

Figure 2: Gross integrated margin



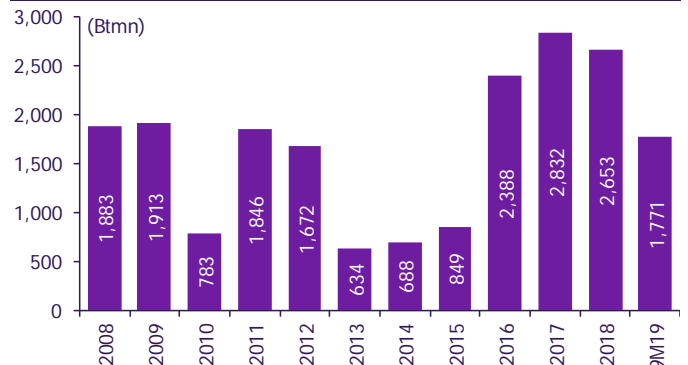
Source: TOP, SCBS Investment Research

Figure 3: TOP – group cash cost



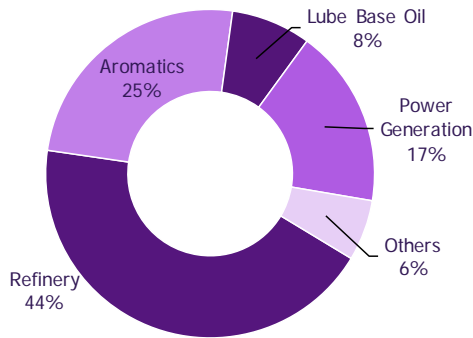
Source: TOP, SCBS Investment Research

Figure 4: EBITDA from power business



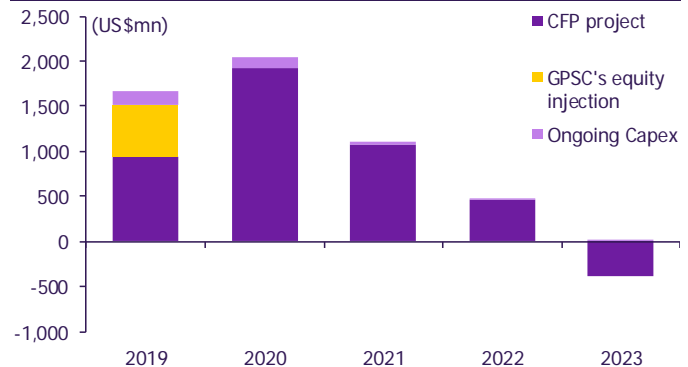
Source: TOP, SCBS Investment Research

Figure 5: TOP – EBITDA breakdown (9M19)



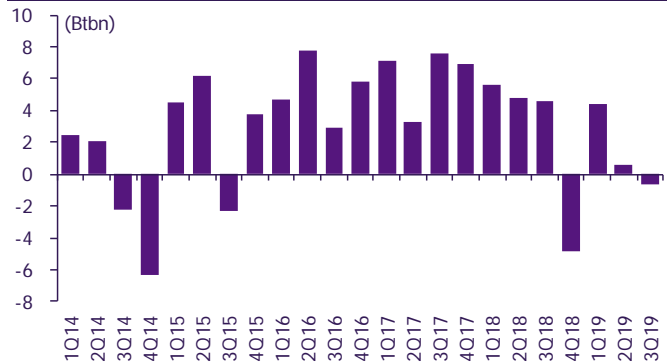
Source: TOP, SCBS Investment Research

Figure 6: TOP – capex plan



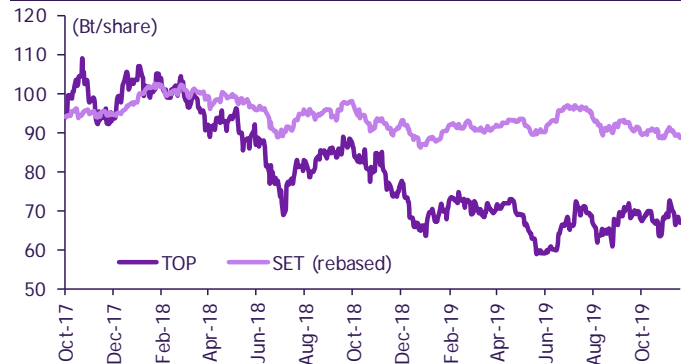
Source: TOP, SCBS Investment Research

Figure 7: Quarterly net profit



Source: TOP, SCBS Investment Research

Figure 8: Share price performance



Source: Bloomberg Finance LP, SCBS Investment Research



Laggard play with earnings gearing up

We maintain our positive view on BCH who is seeing earnings gearing up to 15% growth in 2020, driven by better operations at WMC and ramping of the upgraded hospital plus upside from higher SC reimbursement. We believe positives are not in the price since BCH's share price is up only 4% YTD, well behind the 38% rally in CHG, its direct peer. We rate BUY on BCH and it is our lead pick in the Healthcare Service sector.

WMC getting back on track. In 3Q19, the *World Medical Hospital* (WMC) delivered better operations with revenue of Bt337mn (+28% QoQ but -5% YoY, accounting for 14% of BCH's revenue) and EBITDA margin at 25.5% (up from 18.4% in 2Q19 but down from 30.9% in 3Q18) after the reopening of the Diabetic Foot Center in August. We believe WMC's operations will continue to improve, backed by a new specialty center, World ART Center, an infertility center offering IVF (in vitro fertilization), blastocyst cultures and fertility preservation. BCH says the team of physicians and client base are secured; it targets revenue from this center at ~Bt190mn on a full-year basis (based on 420 cases/year and Bt400,000-500,000/case). Official opening of this center is planned for December.

Kasemrad Ramkhamheng Hospital ramping up. After the facilities upgrade in October last year, *Kasemrad Ramkhamheng Hospital* delivered stronger revenue at Bt385mn in 9M19, doubling YoY and accounting for 6% of BCH's revenue, with its first positive EBITDA in 3Q19 boosting BCH's EBITDA margin excluding WMC to 31.7% (up from 29.7% in 3Q18 and 28.2% in 2Q19). BCH guides that this hospital contributed a net loss of ~Bt50mn in 9M19 and it expects it to break even in 2020. Underwriting this is growing revenue from cash patients after it began offering more specialized services to serve high-income earners and international patients and growing insured persons under social security service (SC). This hospital has 68,000 registered SC persons against its quota at 100,000 persons, giving it room to add more registered SC persons in the future.

Growing SC insured persons with upside on rate hike. BCH is one of the major hospital networks serving SC patients in Thailand, with 873K registered. BCH targets 1mn in the next two years, which would give it a 6% share of the 16.5mn total SC insured persons. Private hospitals providing SC service have asked the Social Security Office to consider increasing reimbursement, which has been unchanged since July 2017, to reflect the rising healthcare spending and costs. We see a chance of this happening simply to keep hospitals in the scheme, as some hospitals have exited the SC scheme (down 5% over the past 10 years) because of the cost burden while the number of insured persons is growing (76% increase). The next meeting of the Social Security Office will be held on December 11, 2019. We see this as upside for BCH, since SC contributes 33% of total revenue.

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	1,109	1,189	1,361	1,570
Reported profit	(Btmn)	917	1,089	1,169	1,361	1,570
Core EPS	(Bt)	0.37	0.44	0.48	0.55	0.63
DPS	(Bt)	0.20	0.22	0.23	0.27	0.31
P/E, core	(x)	47.3	39.1	36.5	31.9	27.6
EPS growth, core	(%)	21.8	21.0	7.1	14.5	15.4
P/BV, core	(x)	8.4	7.6	6.9	6.2	5.6
ROE	(%)	16.3	18.0	17.7	18.5	19.4
Dividend yield	(%)	1.1	1.3	1.3	1.6	1.8
FCF yield	(%)	(1.5)	4.3	2.0	1.8	2.0
EV/EBIT	(x)	31.7	28.6	26.1	22.7	19.8
EBIT growth, core	(%)	17.1	8.6	9.0	14.8	14.2
EV/CE	(x)	5.7	4.2	4.1	3.9	3.7
ROCE	(%)	13.5	11.2	11.7	12.9	13.9
EV/EBITDA	(x)	23.5	21.2	19.4	16.8	15.3
EBITDA growth	(%)	13.5	8.2	8.9	14.8	9.8

Source: SCBS Investment Research

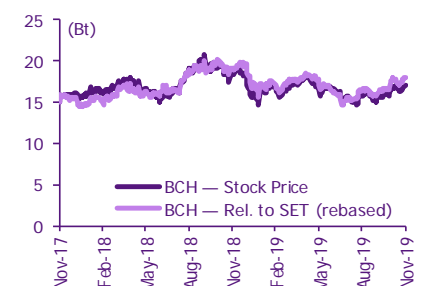
BUY

Stock data

Last close (Nov 29) (Bt)	17.40
12-m target price (Bt)	20.50
Upside (Downside) to TP (%)	17.82
Mkt cap (Btbn)	43.39
Mkt cap (US\$mn)	1,438

Risk rating	L
Mkt cap (%) SET	0.26
Sector % SET	4.58
Shares issued (mn)	2,494
Par value (Bt)	1.00
12-m high / low (Bt)	19.3 / 14.2
Avg. daily 6m (US\$mn)	6.19
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	4.2	8.8	(4.9)
Relative to SET	4.9	13.1	(1.9)

Source: SET, SCBS Investment Research

Expected total return (ETR)

Target price	(Bt)	20.50
12-month dividend	(Bt)	0.23
Capital gain	(%)	17.82
Dividend yield	(%)	1.35
Total return	(%)	19.16

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	1,109	1,189	1,361	1,570
Extra-ordinary items	(Btmn)	-	-	-	-	(20)	(20)	-	-
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	0.48	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	1,109	1,189	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	18.0	17.7	18.5	19.4
ROA	(%)	5.2	5.1	7.1	7.9	8.8	9.2	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	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total revenue	(Btmn)	1,953	1,822	1,918	2,228	2,105	2,078	2,137	2,469
Cost of goods sold	(Btmn)	1,283	1,250	1,277	1,432	1,435	1,444	1,483	1,590
Gross profit	(Btmn)	670	573	641	796	670	635	654	879
SG&A	(Btmn)	254	255	288	300	289	288	306	317
Other income	(Btmn)	39	22	27	26	34	28	30	31
Interest expense	(Btmn)	35	33	30	31	32	32	34	35
Pre-tax profit	(Btmn)	420	307	350	491	383	342	343	559
Corporate tax	(Btmn)	85	53	62	88	82	59	65	101
Equity a/c profits	(Btmn)	(0)	1	1	1	0	1	1	1
Minority interests	(Btmn)	(57)	(39)	(38)	(47)	(34)	(35)	(36)	(56)
Core profit	(Btmn)	278	215	270	357	268	248	264	402
Extra-ordinary items	(Btmn)	0	0	(20)	0	0	0	(20)	0
Net Profit	(Btmn)	278	215	250	357	268	248	244	402
EBITDA	(Btmn)	595	478	521	665	568	535	539	763
Core EPS (Bt)	(Bt)	0.11	0.09	0.11	0.14	0.11	0.10	0.11	0.16
Net EPS (Bt)	(Bt)	0.11	0.09	0.10	0.14	0.11	0.10	0.10	0.16

Balance Sheet

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Total current assets	(Btmn)	3,364	2,540	2,225	2,322	2,549	2,827	2,810	2,987
Total fixed assets	(Btmn)	8,718	8,819	9,062	8,282	9,497	9,606	9,795	10,113
Total assets	(Btmn)	12,674	11,952	11,875	12,167	12,627	13,006	13,186	13,687
Total loans	(Btmn)	5,494	4,531	4,505	4,000	4,690	4,873	5,179	5,370
Total current liabilities	(Btmn)	2,276	1,306	1,302	1,560	1,740	1,873	1,704	2,054
Total long-term liabilities	(Btmn)	4,344	4,345	4,345	3,695	4,346	4,346	4,772	4,757
Total liabilities	(Btmn)	6,762	5,797	5,805	6,065	6,230	6,335	6,625	6,975
Paid-up capital	(Btmn)	2,494	2,494	2,494	2,494	2,494	2,494	2,494	2,494
Total equity	(Btmn)	5,912	6,154	6,070	6,102	6,398	6,671	6,561	6,712
BVPS (Bt)	(Bt)	2.08	2.17	2.15	2.18	2.29	2.38	2.35	2.41

Cash Flow Statement

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Core Profit	(Btmn)	278	215	270	357	268	248	264	402
Depreciation and amortization	(Btmn)	141	138	141	143	153	161	161	169
Operating cash flow	(Btmn)	654	290	340	393	595	127	396	646
Investing cash flow	(Btmn)	(1,709)	707	136	(224)	(377)	(293)	(302)	(411)
Financing cash flow	(Btmn)	977	(1,019)	(442)	(249)	11	144	(96)	(137)
Net cash flow	(Btmn)	(78)	(22)	34	(81)	229	(22)	(1)	99

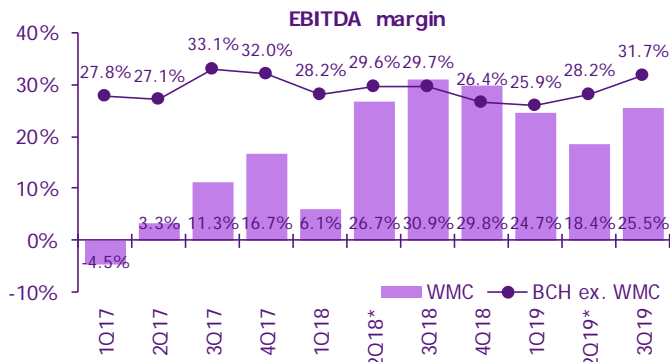
Key Financial Ratios

FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Gross margin	(%)	34.3	31.4	33.4	35.7	31.8	30.5	30.6	35.6
Operating margin	(%)	21.3	17.5	18.4	22.2	18.1	16.7	16.3	22.8
EBITDA margin	(%)	30.5	26.2	27.2	29.9	27.0	25.8	25.2	30.9
EBIT margin	(%)	22.8	18.4	19.5	23.1	19.4	17.8	17.4	23.7
Net profit margin	(%)	14.2	11.8	13.1	16.0	12.7	11.9	11.4	16.3
ROE	(%)	16.3	14.7	16.8	19.2	18.0	15.5	16.2	19.0
ROA	(%)	7.9	7.5	8.4	9.6	8.8	8.0	8.2	9.4
Net D/E	(x)	0.8	0.7	0.7	0.6	0.6	0.6	0.7	0.7
Interest coverage	(x)	17.1	14.4	17.3	21.6	17.9	16.6	15.7	22.0
Debt service coverage	(x)	1.8	6.0	7.4	6.2	4.8	3.3	4.0	4.1

Main Assumptions

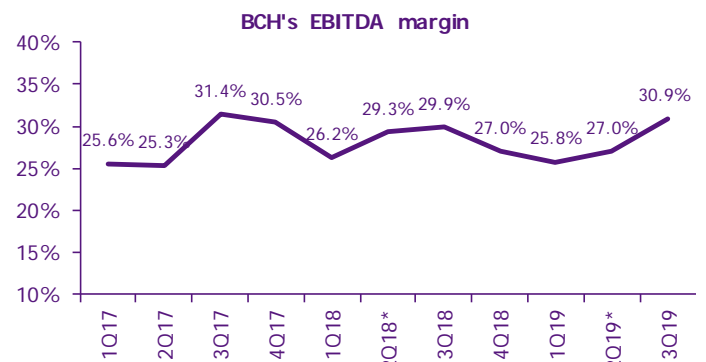
FY December 31	Unit	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Revenue breakdown									
Cash service	(%)	60.9	66.1	67.0	68.2	65.6	67.2	66.0	68.2
Social security service (SC)	(%)	38.7	33.9	33.0	31.8	34.4	32.8	34.0	31.8
Universal coverage (UC)	(%)	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Figure 1: Better operations at WMC and other hospitals in 3Q19



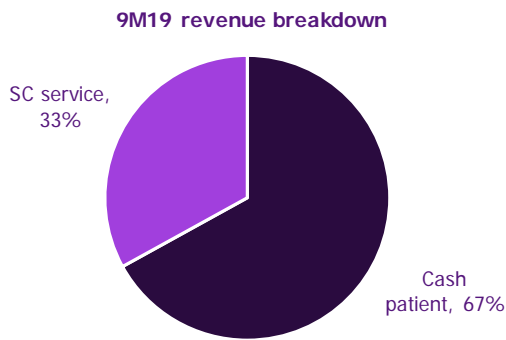
Source: SCBS Investment Research
*Excluding extra items

Figure 2: Stronger blended EBITDA margin trend



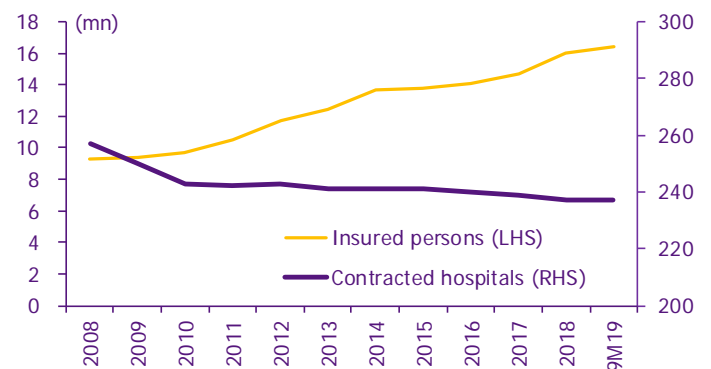
Source: SCBS Investment Research
*Excluding extra items

Figure 3: Revenue breakdown by service



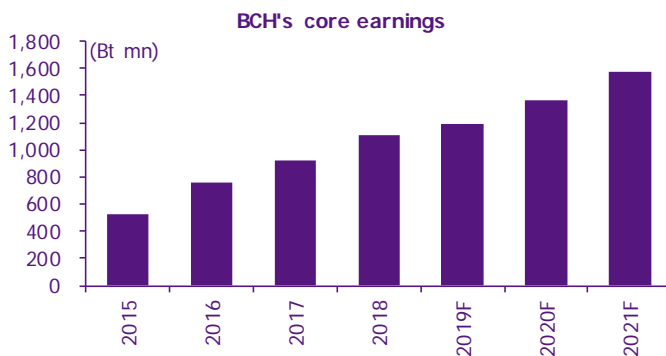
Source: Company data and SCBS Investment Research

Figure 4: Shortage of hospitals serving SC patient



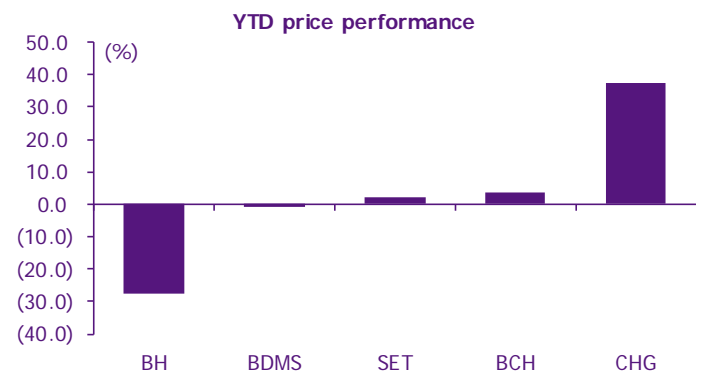
Source: Social Security Office and SCBS Investment Research

Figure 5: BCH earnings forecast



Source: SET and SCBS Investment Research

Figure 6: Price performance



Source: SCBS Investment Research

Automotive

SET AUTO index Close: 29/11/2019 392.07 +1.27 / +0.32% Bt7mn
 Bloomberg ticker: SETAUTO



Dragged down by demand slowdown

We see no short-term catalyst for the automotive sector since the trade war and its impact on the global economy will continue to pressure auto demand. We are now forecasting a 2% p.a. fall in Thailand's auto production to 2.11mn units in 2019 and 2.07mn units in 2020. Amid the clouded outlook, strong financial health and free cash flow are the key to survival for auto parts suppliers.

Plummeting auto exports... Demand for discretionary goods such as automobiles has been dragged down by the global economic slowdown, led down by the trade war. Taking 52% of auto production, in 9M19, Thailand exported 821K autos, down 4% YoY, with a huge YoY drop in 3Q19 of 12% YoY. In 3Q19, all export destinations were weak: Asia (-3% YoY, 33% of auto exports), Australia, New Zealand and Oceania (-18% YoY, 28%) and Europe (-19% YoY, 9%) with the Middle East (+36% YoY, 15%) as the sole exception.

...and sinking domestic auto market. The domestic auto market in Thailand has entered into a downturn with a YoY drop in sales since June 2019. In 9M19, domestic auto sales were 762K units, up 2% YoY, but 3Q19 looked poor with an 8% YoY drop, indicating slower demand in tandem with a slower economy and, at the same time, tighter auto loans on concerns about deteriorating credit quality for consumers.

No short-term catalyst. Players with strong financial health and free cash flow will survive. Auto production was 1.57mn units, down 2% YoY, in 9M19. We believe the trade war and its impact on the global economy will continue to pressure auto demand. We are now forecasting Thailand auto production to drop 2% p.a. to 2.11mn units in 2019 and 2.07mn units in 2020. Amid the clouded environment, what will keep auto parts suppliers alive is strong financial health (net cash position) and higher profitability from the healthy cash flow as seen in SAT (TP at Bt20/share) and STANTLY (TP at Bt195/share) that offer dividend yield at 7% and 4%, respectively.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)
					19F	20F
AH	Sell	13.5	11.0	(13.8)	7.8	9.7
PCSGH	Sell	5.9	5.3	(8.5)	19.0	16.7
SAT	Buy	15.8	20.0	33.1	7.7	7.6
STANLY	Buy	180.0	195.0	12.4	7.3	7.4
Average					13.4	13.2

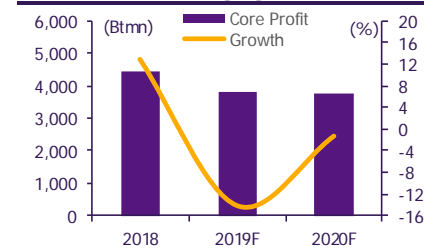
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
AH	(10.6)	(24.2)	(38.1)	(10.0)	(21.1)	(36.1)
PCSGH	(1.7)	(6.3)	(16.3)	(1.0)	(2.6)	(13.6)
SAT	0.6	(4.8)	(10.2)	1.3	(1.0)	(7.3)
STANLY	13.6	(2.2)	(23.7)	14.4	1.8	(21.3)

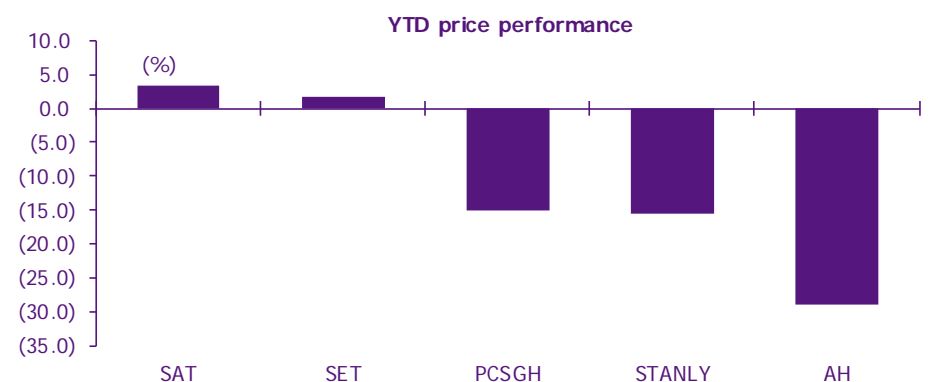
Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

Sluggish performance for the auto sector, dragged down by the trade war



Source: SET and SCBS Investment Research

Analyst

Raweenuch Piyakriengkai

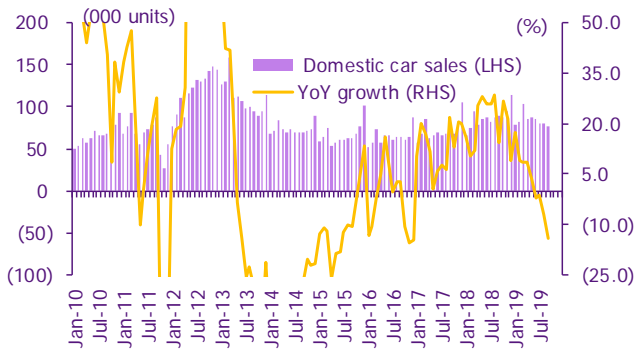
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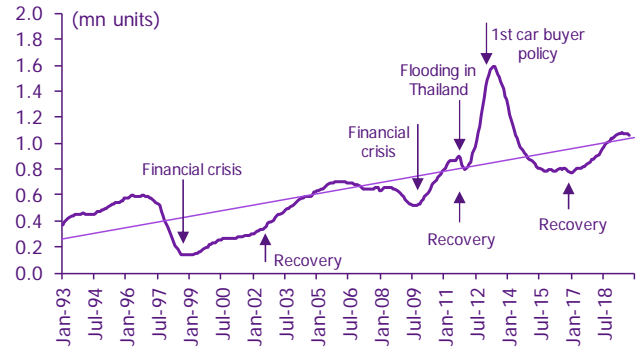
raweenuch.piyakriengkai@scb.co.th

Figure 1: Domestic auto sales



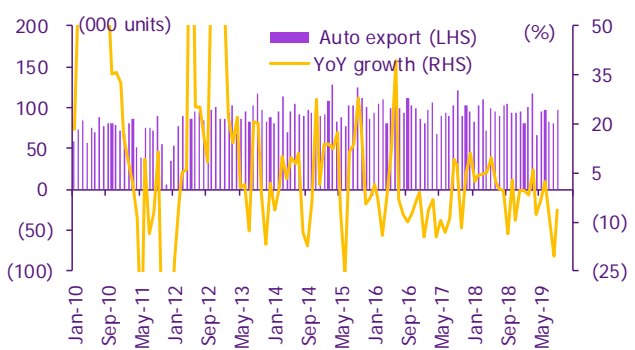
Source: Federation of Thai Industries and SCBS Investment Research

Figure 2: Rolling 12-mth domestic auto sales



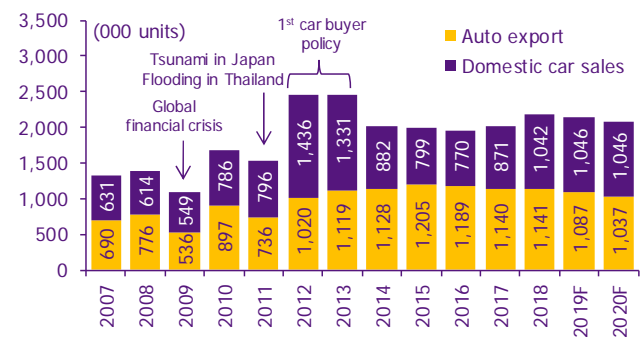
Source: Federation of Thai Industries and SCBS Investment Research

Figure 3: Auto export trend



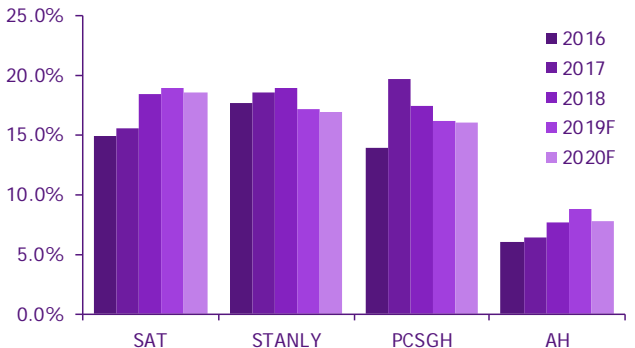
Source: Federation of Thai Industries and SCBS Investment Research

Figure 4: Thai auto production forecast



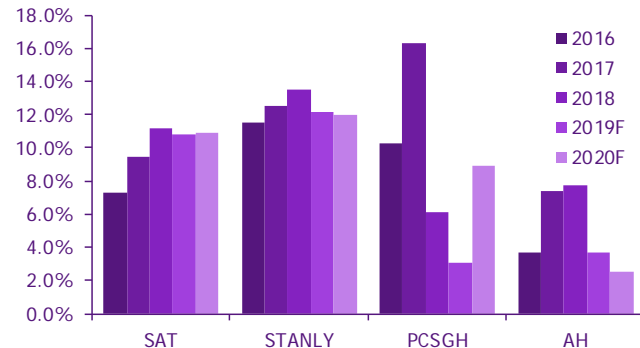
Source: Federation of Thai Industries and SCBS Investment Research

Figure 5: Gross margin comparison



Source: SCBS Investment Research

Figure 6: Net margin comparison



Source: SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AH	Sell	13.50	11.0	(13.8)	4.7	7.8	9.7	3	(40)	(20)	0.6	0.5	0.5	12	7	5	9.6	4.7	3.3	6.4	6.5	6.6
PCSGH	Sell	5.90	5.3	(8.5)	14.5	19.0	16.7	(2)	(24)	14	1.8	1.8	1.7	12	9	10	4.6	1.7	4.2	7.5	8.0	7.0
SAT	Buy	15.80	20.0	33.1	7.4	7.7	7.6	27	(4)	1	1.0	0.9	0.9	14	12	12	8.5	6.5	6.6	3.1	2.6	2.4
STANLY	Buy	180.00	195.0	12.4	7.0	7.3	7.4	18	(4)	(1)	0.9	0.8	0.8	13	11	11	4.6	4.1	4.1	2.7	2.8	2.7
Average					8.4	10.4	10.3	12	(18)	(2)	1.0	1.0	1.0	13	10	9	6.8	4.3	4.5	4.9	5.0	4.7

Source: SCBS Investment Research

Aviation

SET TRANS index Close: 29/11/2019 414.04 +0.93 / +0.23% Bt4,727mn
 Bloomberg ticker: SETTRANS



Overcast skies

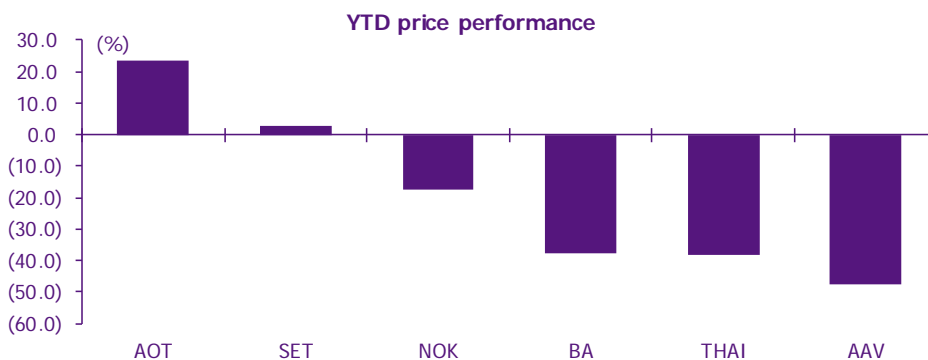
We maintain our cautious view on airlines, which are being challenged by intense competition, the effect of the trade war on tourism and a strong baht that may deter travel. The difficult environment has led airline operators to focus on capacity management. AOT will enjoy a short-term positive from growing passenger traffic and upcoming bids for commercial area contracts.

Challenging environment. 2019 has not been a good year for airline stocks: AAV's share price has plunged by 48% YTD and THAI's share price has fallen by 43% YTD, pulled down by heated competition that has weakened revenue and damaged earnings. While we see short-term positives from a higher season for Thai tourism in 4Q19, we stay cautious on airlines in 2020: the effect of the trade war on tourism and a strong baht may deter travel and heat up competition even more. A talk with AAV gives the impression that it is concerned that the stronger baht has been hurting demand: the baht has strengthened 9% YTD against the yuan (~30% of AAV's revenues are from China routes) and 7% YTD against the US\$. This is leading it to focus on capacity management in 2020.

Requesting government to lower excise tax on jet fuel. On November 21, Thailand's airline operators - mainly low-cost carriers - asked the Excise Tax Department to reduce the excise tax on jet fuel used for domestic routes. In January 2017 it had been brought up to Bt4.7/liter from years of Bt0.2/liter in an effort to level the playing field with transporters using diesel or benzene. Note that jet fuel accounts for 34% of AAV's operating costs and 28% of THAI's against a domestic revenue exposure of ~40% for AAV and ~15% for THAI. The Excise Tax Department has told the airline operators that they must submit a detailed plan as to how a reduction of this tax would boost Thai tourism. The next meeting will be held in the first week of December.

AOT: Benefits from more arrivals. Although we rate Neutral on AOT, it will enjoy a short-term positive from growing passenger traffic and upcoming bids for commercial area contracts. Upcoming bids include new concession contracts to operate duty-free at Don Mueang Airport, with the winner to be announced on December 16. Two other bids are for the duty-free pick-up counters at Suvarnabhumi and Don Mueang airports, with winners to be announced on January 27, 2020. We expect the incremental value from the new duty-free concessions at Don Mueang to be less than the recent bids for Suvarnabhumi since the area is smaller and there were fewer bidders (two vs. five for Suvarnabhumi). Suvarnabhumi Airport contributed 60% of AOT's concession revenue, followed by Don Mueang Airport at 24%.

Worse price performance of airline stocks



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
AAV	Buy	2.2	4.6	109.8	n.m.	15.9	0.5	0.5
AOT	Neutral	75.5	80.0	7.1	42.3	39.6	7.0	6.4
THAI	Sell	6.9	6.5	(5.8)	n.m.	n.m.	1.4	5.3
Average					42.3	27.7	3.0	4.1

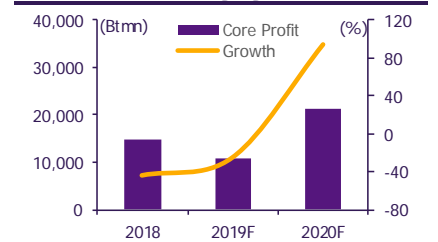
Source: SCBS Investment Research

Price performance

Company	Absolute (%)			Relative to SET (%)		
	1M	3M	12M	1M	3M	12M
AAV	(12.7)	(31.3)	(49.3)	(12.1)	(28.5)	(47.7)
AOT	(4.1)	4.9	18.4	(3.4)	9.1	22.2
THAI	(5.5)	(30.7)	(52.1)	(4.8)	(27.8)	(50.5)

Source: SET, SCBS Investment Research

Sector core earnings growth

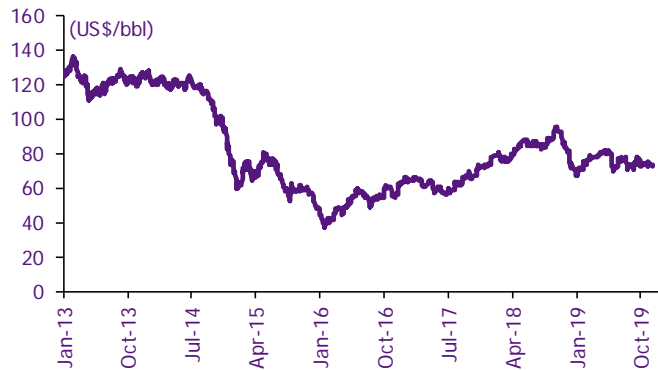


Source: SET, SCBS Investment Research

Analyst

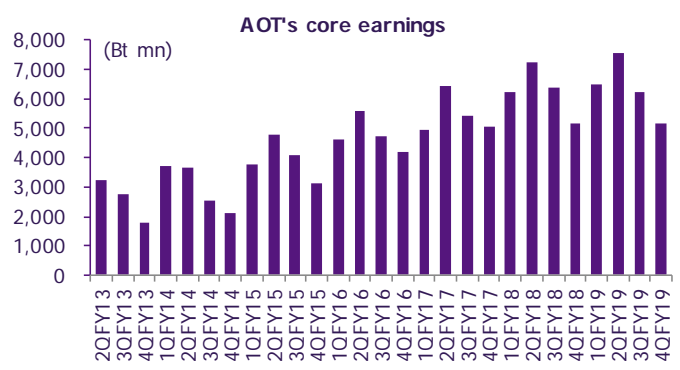
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 raweenuch.piyakriengkai@scb.co.th

Figure 1: Jet fuel price trend



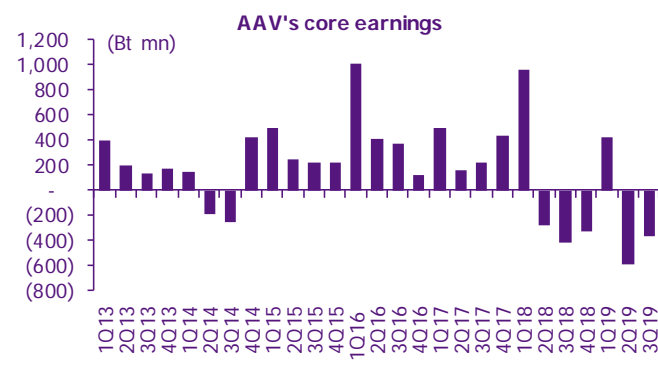
Source: Bloomberg and SCBS Investment Research

Figure 2: AOT's quarterly earnings



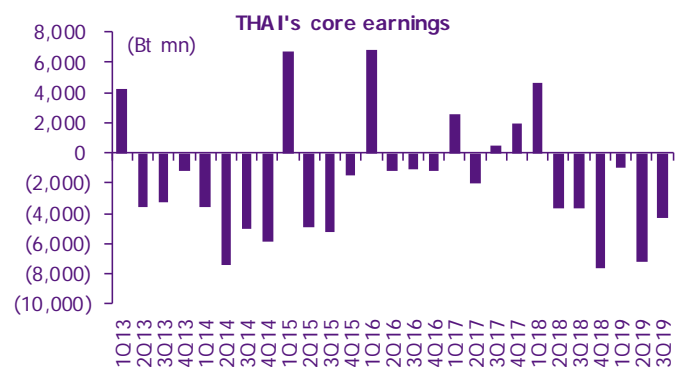
Source: SET and SCBS Investment Research

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 concession detail

	Suvarnabhumi			Don Mueang		Regional airports (Phuket, Chiang Mai, Hat Yai)
	Duty-free	Retail Space	Duty-free Pick-up Counter	Duty-free	Duty-free Pick-up Counter	Duty-free
Concession period	Sep 28, 2020 to Mar 31, 2031 (10.5 years)	Sep 28, 2020 to Mar 31, 2031 (10.5 years)	Sep 28, 2020 to Dec 31, 2030 (10.3 years)	Oct 1, 2022 to Mar 31, 2033 (10.5 years)	Oct 1, 2022 to Dec 31, 2032 (10.3 years)	Sep 28, 2020 to Mar 31, 2031 (10.5 years)
Winner	King Power Duty Free	King Power Suvarnabhumi	TBA	TBA	TBA	King Power Duty Free
AOT sells the bidding documents			Nov 28, 2019 to Dec 13, 2019	Oct 24, 2019 to Nov 8, 2019	Nov 28, 2019 to Dec 13, 2019	
Announcement of qualified bidders			Jan 17, 2020	Dec 11, 2019	Jan 20, 2020	
Bidders presentation			Jan 21-22, 2020	Dec 12-13, 2019	Jan 23-24, 2020	
Announcement of the winner			Jan 27, 2020	Dec 16, 2019	Jan 27, 2020	

Source: Company data and SCBS Investment Research

Figure 6: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AAV	Buy	2.20	4.6	109.8	n.m.	n.m.	15.9	n.m.	53	n.m.	0.5	0.5	0.5	(0)	(0)	3	15.2	0.8	3.2	19.1	17.2	10.9
AOT	Neutral	75.50	80.0	7.1	43.1	42.3	39.6	15	2	7	7.5	7.0	6.4	18	17	17	1.4	1.2	1.3	30.3	27.2	26.3
THAI	Sell	6.90	6.5	(5.8)	n.m.	n.m.	n.m.	n.m.	(46)	50	0.7	1.4	5.3	(40)	(98)	(115)	0.0	0.0	0.0	6.6	11.1	22.7
Average					43.1	42.3	27.7	15	3	28	2.9	3.0	4.1	(7)	(27)	(31)	5.5	0.6	1.5	18.6	18.5	20.0

Source: SCBS Investment Research

Bank

SET BANK index Close: 29/11/2019 452.67 -3.37 / -0.74% Bt4,983mn
 Bloomberg ticker: SETBANK

Doldrums priced in

The banking sector is still in the doldrums in 4Q19 and 2020, with weak loan growth, NIM under pressure, weak non-NII and easing credit cost. We keep BBL and TCAP as the sector's picks, mainly based on valuation.

NIM under pressure. As a result of a 25 bps cut in policy rate in November, we expect all but hire-purchase banks to see a slight narrowing in NIM in 4Q19 and 1Q20. 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.

Disappointing loan growth. In October, the sector's loans contracted 0.7% MoM, pulling YoY loan growth down to 2.4% from 3.8% in September. This reflects large repayment of corporate and government-related loans with stagnant SME loans and slowing growth in retail loans. We expect our loan growth to soften from 5.5% in 2018 to 3.3% in 2019 (0.5% YTD for 10M19) and 3.65% in 2020.

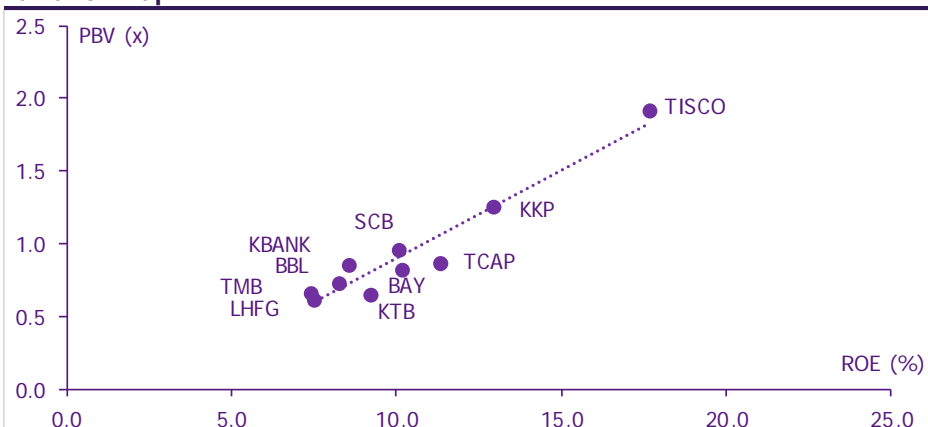
Uptick in 3Q19 NPL inflow. In 3Q19, the sector's NPLs rose 30% QoQ, comprising a 24% QoQ rise in new NPLs, a 16% QoQ rise in re-retry NPLs and 109% in others. The 24% QoQ rise in new NPLs in 3Q19 was contributed by real estate (PACE), wholesale & retail trade and personal consumption. The 16% QoQ rise in re-entry NPLs in 3Q19 arose out of the manufacturing and personal consumption sector.

4Q19 preview: still weak. We preliminarily forecast a 15% QoQ fall in the sector's earnings in 4Q19 (but rise 13% YoY), reflecting: 1) a continued deterioration in asset quality but lower provisions, 2) weaker NIM on another 25 bps cut in the policy rate, 3) a seasonal pick-up in loan growth, 4) higher non-NII from slightly better fee income and larger investment gain from booking gain on investment in the classification of available for sale and held to maturity prior to the adoption of TFRS9 in January next year which will no longer allow a recognition of gain on these two classification through P&L and 5) a seasonal rise in opex.

2020 outlook. We forecast a 6% fall in the sector's earnings in 2020 as we expect loan growth to remain modest at 3.65%, NIM to continue under pressure from the policy rate cut, non-NII to fall from smaller gain on investment, provisions to come down as no extra provisions are allowed under the TFRS9 and a slight improvement in cost to income ratio.

Sharply underperforming and undervalued. SETBANK has fallen 12% YTD, underperforming the SET's +2% YTD by 14%. This puts most banks in an undervalued position. We believe that the sector's difficulties are already priced in. That being said, we are finding it difficult to see any catalyst in the immediate future. We keep BBL and TCAP as our sector picks on the basis of valuations.

Valuation map



Source: Banks and SCBS Investment Research

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/BV (x) 20F	P/E (x) 19F	P/BV (x) 20F
BAY	Buy	32.3	39.0	25.0	9.3	8.4	0.9	0.8
BBL	Buy	176.5	205.0	19.9	9.2	9.1	0.8	0.7
KBANK	Buy	155.0	155.0	2.4	10.2	10.3	0.9	0.8
KKP	Neutral	68.5	70.0	9.0	9.6	10.0	1.3	1.3
KTB	Buy	16.4	20.0	26.7	7.8	7.3	0.7	0.7
LHFG	Sell	1.3	1.4	11.0	8.9	8.5	0.7	0.6
TCAP	Buy	55.8	63.0	24.8	7.9	7.9	0.9	0.9
TISCO	Neutral	97.5	102.0	12.1	10.6	11.0	2.0	1.9
TMB	Buy	1.6	1.9	22.5	9.3	8.9	0.7	0.6
Average					9.2	9.1	1.0	0.9

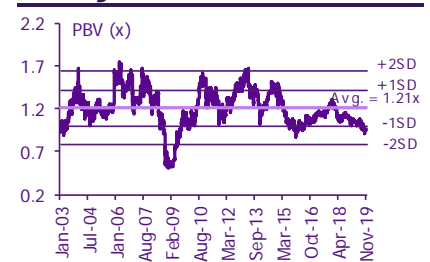
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BAY	3.2	(7.9)	(20.9)	3.9	(4.1)	(18.3)
BBL	0.0	3.2	(15.1)	0.7	7.4	(12.4)
KBANK	14.0	(3.1)	(19.9)	14.8	0.8	(17.3)
KKP	3.8	(5.5)	(5.2)	4.5	(1.7)	(2.1)
KTB	(0.6)	(4.7)	(18.8)	0.1	(0.8)	(16.2)
LHFG	3.2	(6.5)	(6.5)	3.9	(2.7)	(3.5)
TCAP	4.2	(1.3)	4.7	4.9	2.7	8.1
TISCO	(0.8)	(4.4)	21.9	(0.1)	(0.5)	25.8
TMB	12.7	2.6	(31.0)	13.5	6.7	(28.8)

Source: SET, SCBS Investment Research

Banking sector's PBV



Source: SET, SCBS Investment Research

Analyst

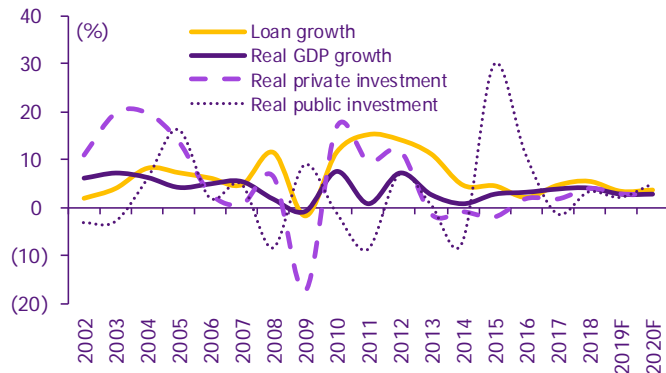
Kittima Sattayapan, CFA

Fundamental Investment

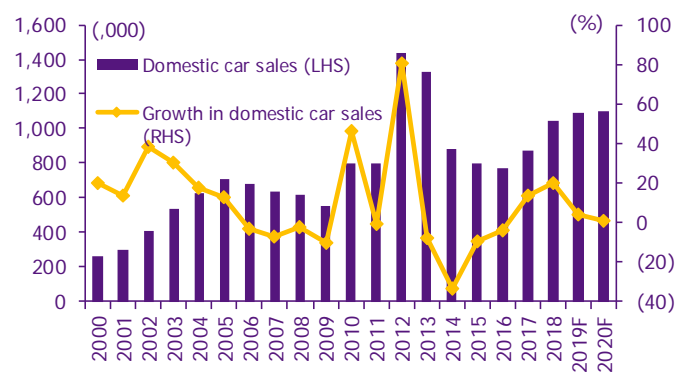
Analyst on Securities

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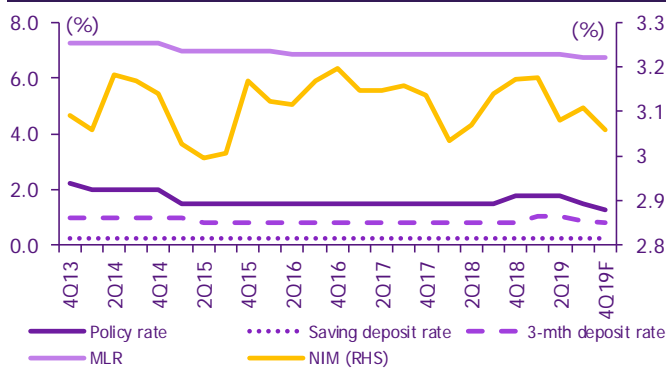
kittima.sattayapan@scb.co.th

Figure 1: Loans vs. GDP & investment growth


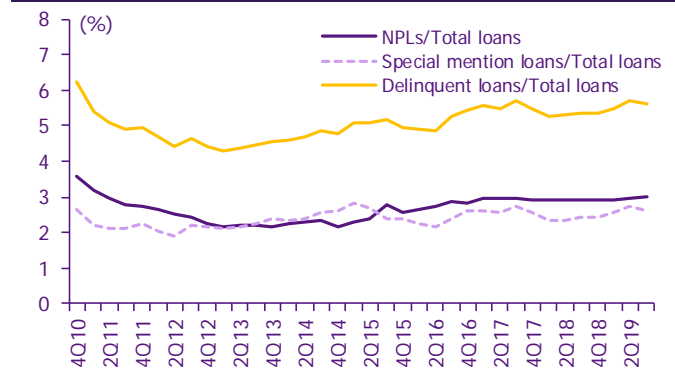
Source: NESDB, SCB EIC and SCBS Investment Research

Figure 2: Domestic car sales


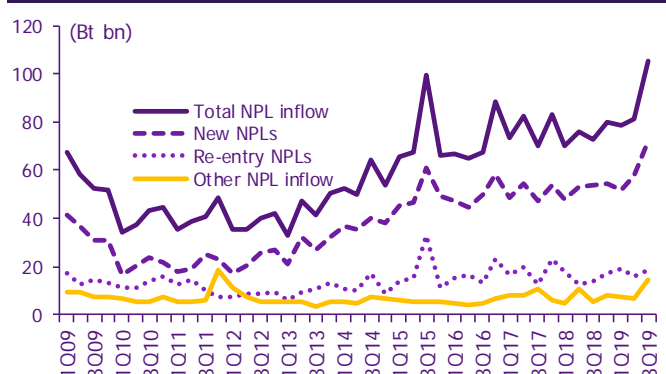
Source: Toyota (Thailand) and SCBS Investment Research

Figure 3: NIM and interest rates


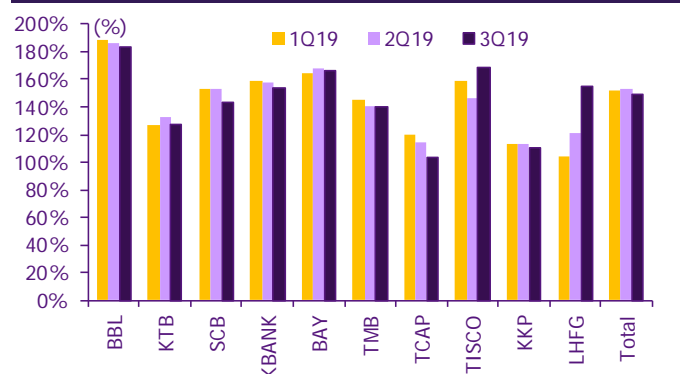
Source: SCBS Investment Research

Figure 4: NPL ratio and special-mention loans


Source: BoT and SCBS Investment Research

Figure 5: NPL inflow


Source: BoT and SCBS Investment Research

Figure 6: LLR coverage


Source: BoT and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BAY	Buy	32.25	39.0	25.0	9.6	9.3	8.4	7	3	10	1.0	0.9	0.8	11	10	10	3.1	4.1	3.6
BBL	Buy	176.50	205.0	19.9	9.5	9.2	9.1	7	3	2	0.8	0.8	0.7	9	9	8	3.7	3.8	3.9
KBANK	Buy	155.00	155.0	2.4	9.6	10.2	10.3	12	(6)	(0)	1.0	0.9	0.8	11	9	9	2.6	2.4	2.4
KKP	Neutral	68.50	70.0	9.0	9.6	9.6	10.0	5	0	(4)	1.4	1.3	1.3	14	14	13	7.3	6.8	6.0
KTB	Buy	16.40	20.0	26.7	8.0	7.8	7.3	27	3	7	0.7	0.7	0.7	10	9	9	4.4	4.8	5.1
LHFG	Sell	1.30	1.40	11.0	8.9	8.9	8.5	19	(1)	5	0.7	0.7	0.6	8	8	8	3.4	3.4	3.5
TCAP	Buy	55.75	63.0	24.8	8.3	7.9	7.9	16	5	0	1.0	0.9	0.9	12	12	11	4.1	11.8	4.8
TISCO	Neutral	97.50	102.0	12.1	11.1	10.6	11.0	15	5	(3)	2.1	2.0	1.9	19	19	18	7.2	7.5	7.3
TMB	Buy	1.60	1.90	22.5	6.0	9.3	8.9	34	(35)	4	0.7	0.7	0.6	12	7	7	4.4	3.7	3.9
Average					9.1	9.2	9.1	7	3	(1)	1.0	1.0	0.9	12	11	10	4.5	5.5	4.7

Source: SCBS Investment Research

Commerce

SET COMM index Close: 29/11/2019 40,471.60 +92.04 / +0.23% Bt3,216mn
 Bloomberg ticker: SETCOMM

Weak 4Q19TD; 2020F aided by new stimulus

Sector SSS growth is estimated to stay low at below 1% YoY in October (slightly better than 0.4% YoY in 3Q19 but weaker than 4.3% YoY in 1H19), damaged by weak sentiment, slow return of demand after the flooding, moderate farm income and limited impact from stimulus. We expect sector SSS growth to be better in 2020F, partly backed by the potential for more government stimulus next year. Top picks are CPALL and GLOBAL.

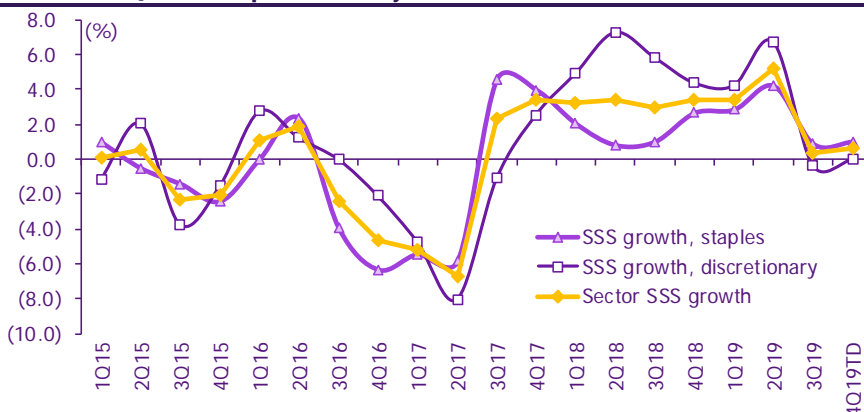
Short term weakness in 4Q19TD... Weak sentiment. The Consumer Confidence Index (CCI), an indicator of consumer sentiment, dropped for the eighth straight month to a 65-month low in October on concerns over the economic slowdown and global uncertainty caused by the US-China trade war. Slow return of demand after flooding. In late August to mid-October, tropical storms Podul and Kajiki flooded 32 provinces, mainly in the northeast, disrupting traffic to stores throughout the period. After the flood waters receded, traffic gradually returned but as of October had not yet normalized. Moderate farm income. Farm income grew 3% in September and it is set to grow 1% YoY in October, based on OAE.

.. with limited impact from recent stimulus. Government stimulus to support domestic tourism, the Chim-Shop-Chai program, includes: 1) offering 13mn Thai travelers Bt1,000 in spending money and a 15-20% cash rebate for up to Bt50,000 spent at participating shops from September 27 to November 30 (first phase) and until end-December (second phase), with the deadline extended until end-January; 2) offering 2mn Thai travelers a 15-20% cash rebate for up to Bt50,000 spent at participating shops until end-January (third phase). From September 27 to November 27, participants have utilized Bt14.8bn of the budget: Bt11.6bn for the government one-time allowance of Bt1,000/person and Bt3.2bn for additional spending. All retailers under coverage participated in this scheme, led by HMPRO (18% of stores), MAKRO (3%), GLOBAL (2%), and BJC and CPALL (1%). However, they reported insignificant sales in October, as most of the participants in the program did their buying at Thong Fah (Blue Flag) and OTOP shops.

Potential for new stimulus in 2020F. More government stimulus packages are possible in 2020F, aiding private consumption and sector SSS growth. Based on the FY2020 government budget and the deficit debt ceiling, SCB EIC estimates the government can spend up to Bt240bn (1.5% of GDP) to stimulate the Thai economy in 2020F. Potential categories for stimulus packages are: 1) assist low-income earners via a state welfare card; 2) boost local spending via tax deductions or cash support to lift local tourism and spending; 3) assist farmers and SMEs and boost public spending.

Top picks. We like CPALL and GLOBAL, as they will exhibit the sector's best core earnings growth of 14% YoY in 2020F (vs 10% YoY sector average) on better sales and margin.

Sector SSS in 4Q19TD is expected to stay weak at below 1% YoY



Source: SCBS Investment Research (Note SSS growth based on BJC, CPALL, MAKRO, HMPRO, and GLOBAL)



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	45.5	53.0	18.0	26.7	25.0	1.6	1.6
CPALL	Buy	76.0	98.0	30.7	30.4	26.5	6.1	5.4
GLOBAL	Buy	17.0	19.5	15.5	36.6	32.2	4.5	4.1
HMPRO	Buy	16.5	19.0	17.5	34.4	30.3	10.0	9.1
MAKRO	Neutral	33.5	40.0	22.3	26.3	25.3	7.8	7.2
Average					30.9	27.9	6.0	5.5

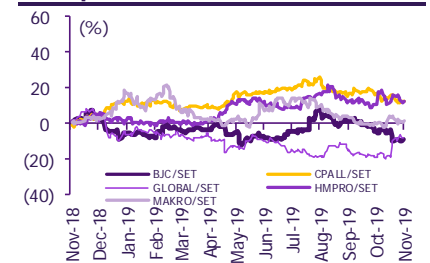
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BJC	(5.2)	(16.1)	(13.7)	(4.5)	(12.7)	(11.0)
CPALL	(3.2)	(9.5)	11.4	(2.5)	(5.9)	14.9
GLOBAL	11.8	11.1	(10.3)	12.6	15.6	(7.4)
HMPRO	(4.6)	(8.3)	8.6	(4.0)	(4.6)	12.0
MAKRO	4.7	(5.0)	3.1	5.4	(1.1)	6.4

Source: SET, SCBS Investment Research

Price performance relative to SET

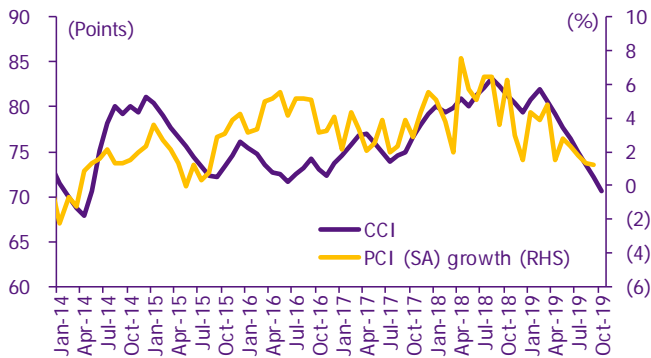


Source: SET, SCBS Investment Research

Analyst

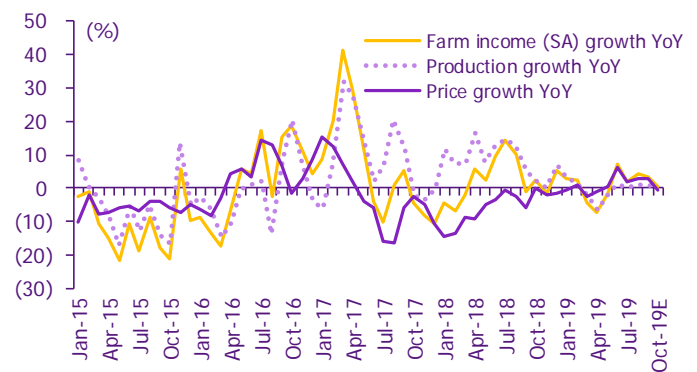
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Figure 1: CCI dropped eight months in a row to hit a 65-month low in October



Source: UTCC, BOT and SCBS Investment Research

Figure 2: Farm income grew 3% YoY in September and is set to grow 1% in October



Source: OAE and SCBS Investment Research

Figure 3: All retailers under coverage participated in Chim-Shop-Chai program in 4Q19

Companies	No. of participating stores	% to total stores	Provinces
CPALL	Below 100	1%	Bangkok (corporate stores) and other provinces (sub area stores)
MAKRO	4	3%	Chonburi (cash&carry and food service stores)
BJC	9	1% (or 6% to hypermarket stores)	Samutprakarn (7 stores), Khonkhan, Phitsanulok
HMPRO	20	18%	Bangkok
GLOBAL	1	2%	Roi Et

Source: SCBS Investment Research

Figure 4: Potential economic stimulus measures in 2020F

Economic stimulus measures	Detail	Potential Implementation		
		High	Mid	Low
1 Policy to assist low-income earners				
1.1) State welfare card	Monthly money transfers to low-income individuals to support travel and consumption expenses	/		
2 Policy to assist farmers				
2.1) Income guarantee	Income support equivalent to the spread between an agricultural product's market price and the government's median price to aid farmers in a low agricultural price environment	/		
2.2) Pledged price	The government buys products from farmers at a pledged price that is higher than market price			/
2.3) Farmer debt relief	Farmer debt suspension for a limited period	/		
2.4) Drought alleviation support	Support for farmers via cash injection or low-interest loans	/		
3 Policy to assist SMEs				
3.1) Low-interest loans	Low-interest loans to SMEs (soft loans)	/		
3.2) Credit guarantee (PGS)	TCG will help guarantee SME loans, enabling SMEs to receive higher credit limits from banks	/		
4 Policy to boost domestic spending				
4.1) Domestic traveling	Tax deductions or money support to boost domestic tourism	/		
4.2) Shop Chuay Chart	Tax deductions to support spending during a given period (historically at the end of the year)			/
4.3) Tourist Visa on Arrival exemption	Short-term visa exemption for tourists of selected nationalities to stimulate domestic tourism	/		
5 Public spending policy				
5.1) Accelerated disbursement	Accelerated local and state-owned enterprise budget disbursement to expedite capital injection into the economy	/		
5.2) Village fund	Budget allocation for villages to support small investments such as repairing roads and constructing dams.	/		
5.3) Money injection into local economies	Budget allocation via the Ministry of Interior, whereby locals must propose a project for community development to receive funds.			/

Source: SCB EIC and SCBS Investment Research

Figure 5: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BJC	Neutral	45.50	53.0	18.0	28.2	26.7	25.0	26	6	7	1.6	1.6	1.6	6	6	6	1.6	1.5	1.6	16.0	15.6	15.0
CPALL	Buy	76.00	98.0	30.7	33.8	30.4	26.5	5	11	15	6.8	6.1	5.4	24	22	22	1.6	1.7	2.0	18.7	17.0	15.5
GLOBAL	Buy	17.00	19.5	15.5	35.7	36.6	32.2	25	(3)	14	4.8	4.5	4.1	14	13	13	1.2	0.8	0.9	23.7	23.6	21.2
HMPRO	Buy	16.50	19.0	17.5	38.3	34.4	30.3	16	11	13	10.9	10.0	9.1	29	30	32	2.1	2.3	2.6	21.8	20.1	18.2
MAKRO	Neutral	33.50	40.0	22.3	27.1	26.3	25.3	(4)	3	4	8.4	7.8	7.2	32	31	29	2.9	2.9	2.9	16.1	15.7	15.4
Average					32.6	30.9	27.9	13	6	10	6.5	6.0	5.5	21	20	21	1.9	1.8	2.0	19.3	18.4	17.1

Source: SCBS Investment Research

Construction Materials

SET CONMAT index Close: 29/11/2019 10,006.56 -144.07 / -1.42% Bt1,824mn
 Bloomberg ticker: SETCONMT



Modest demand growth, easing costs in 2020F

We expect local cement and ceramic demand to grow a moderate 3% YoY in 2020F (vs 1.5% YoY and 1.0% YoY in 2019F), backed by accelerating public investment growth and stable private investment growth. The drop in coal and oil prices in 2019TD means lower fuel costs will be seen in 1H20F. Our top pick is SCC.

Better demand growth in 2020F. In 2019F, we expect cement and ceramic tile demand to inch up 1.5% YoY and 1.0% YoY respectively, off the flooding-led contraction in demand (particularly in the Northeast) in 3Q19 and slow public investment in 4Q19F on a delay in the passage of the FY2020 budget from October 2019 to early 2020F. In 2020F, we expect cement and ceramic tile demand to grow a moderate 3.0% YoY, backed by accelerating public investment growth of 4.9% YoY (vs 2.2% in 2019F) and stable private investment growth of 2.7% YoY (vs 2.8% YoY in 2019F), based on SCB EIC forecasts.

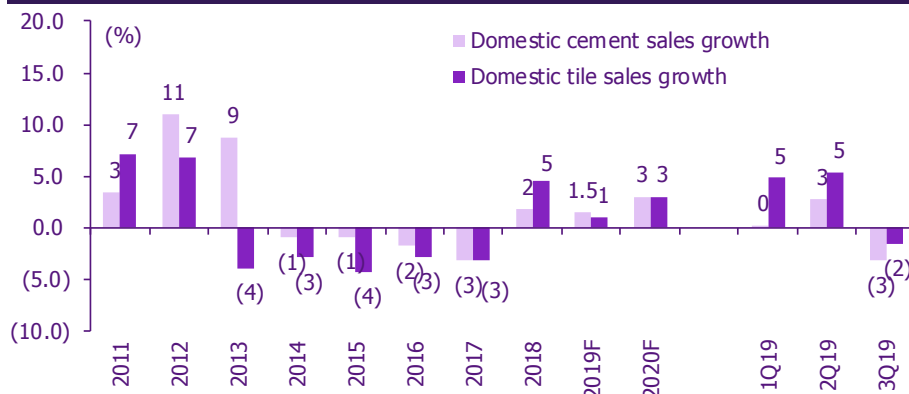
More public projects. Higher government investment budget allocation and greater investment in mega projects will lift public investment in 2020F. The government has increased its investment budget by 19% YoY to Bt655bn in FY2020 (Oct 2019–Sep 2020). Concurrent with this, investment in infrastructure projects will accelerate, with 17 projects worth Bt681bn already approved by Cabinet (to be completed in 2016–23F). These include a motorway, double-track railway projects and mass transit line projects.

Moderate growth in private projects. On the down side, there will be some postponement of investment projects caused by the export slowdown and fewer residential property projects. Presales for the seven listed residential developers under coverage (AP, LH, LPN, PSH, QH, SIRI and SPALI) dropped by 30% YoY to Bt129bn in 9M19, and the construction area permits (9-month moving average), a leading indicator for local building material demand, shrank in September. On the up side, 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 3Q19, net value of BOI applications for the EEC area leapt 75% YoY to Bt50bn.

Drop in fuel costs is a positive. In 2019TD, spot price for coal has fallen 27% YoY and spot price for oil has come down 10% YoY. In 2019TD, the cement price index is flat YoY and the ceramic tile price index has risen 2% YoY. Normally, cement producers lock in coal price 6-12 months in advance and gas price lags oil price by around six months. This means we will actually see the lower fuel costs in 1H20F.

SCC is top pick. We like SCC, as the recent price drop has factored in the dip in chemical spreads from demand uncertainty created by the trade war. Its plan to list SCG Packaging, unlocking value and enhancing growth, will be a short-term catalyst.

Local sales volume growth in 2019-20F



Source: OIE 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
DCC	Neutral	1.9	2.3	29.2	12.9	12.3	2.8	2.7
SCC	Buy	381.0	440.0	19.0	12.6	12.5	1.4	1.3
SCCC	Buy	205.0	260.0	30.7	19.1	17.6	1.7	1.7
Average					14.9	14.1	2.0	1.9

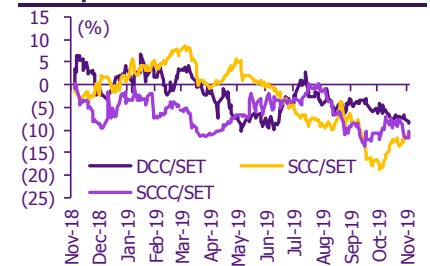
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
DCC	(4.1)	(9.7)	(17.0)	(3.4)	(6.1)	(14.3)
SCC	4.4	(8.4)	(13.8)	5.1	(4.7)	(11.0)
SCCC	(1.9)	(11.3)	(13.1)	(1.2)	(7.7)	(10.3)

Source: SET, SCBS Investment Research

Price performance relative to SET

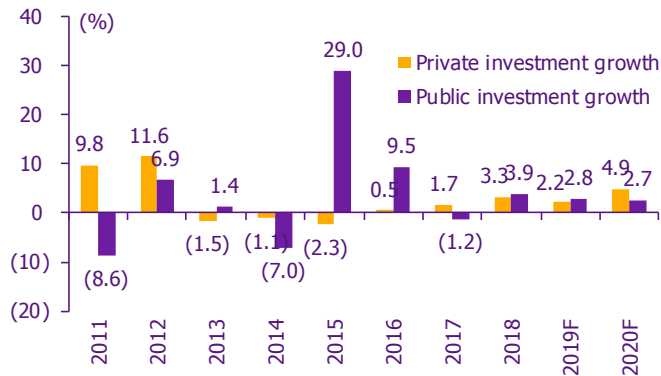


Source: SET, SCBS Investment Research

Analyst

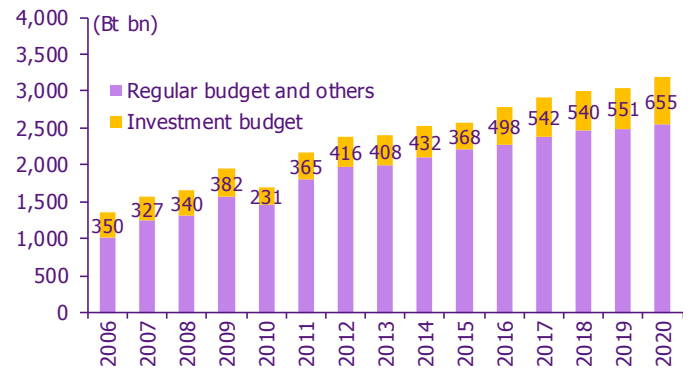
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Figure 1: Public and private investment growth in 2019-20F



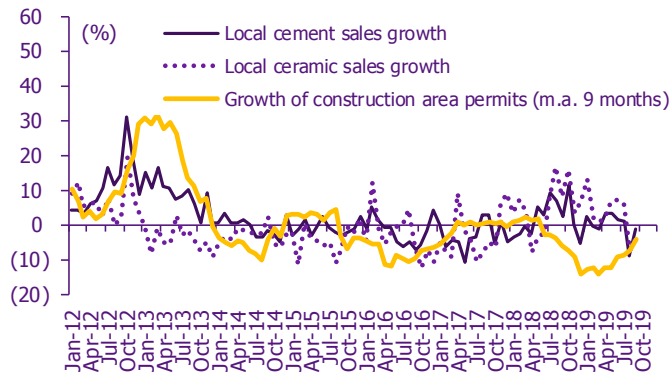
Source: SCB EIC and SCBS Investment Research

Figure 2: Government investment budget upped 19% YoY in FY2020 (Oct 2019-Sep 2020)



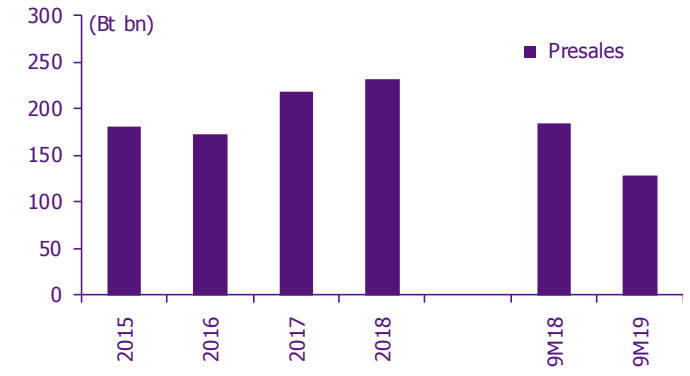
Source: FPO and SCBS Investment Research

Figure 3: Construction area permits (9-month moving average) contracted in September



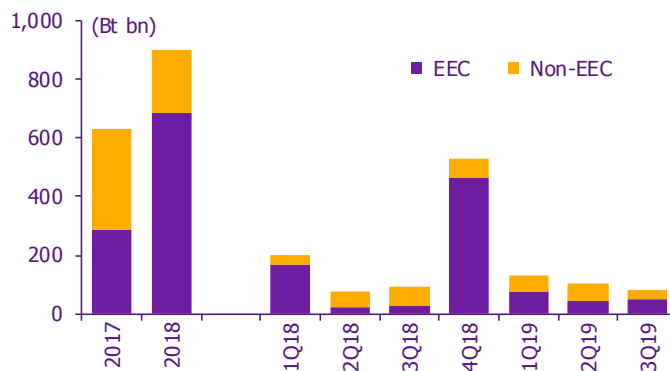
Source: OIE, BOT and SCBS Investment Research

Figure 4: Presales for the seven listed residential developers covered dropped 30% YoY in 9M19



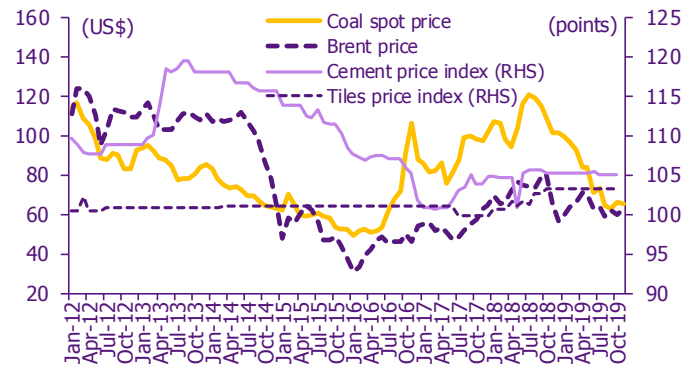
Source: SCBS Investment Research

Figure 5: Net value of BOI applications in EEC rose 75% YoY in 3Q19



Source: BOI, NESDB and SCBS Investment Research

Figure 6: The drop in coal and oil prices in 2019TD implies lower fuel costs in 1H20F



Source: REIC, NEX, Bloomberg and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
DCC	Neutral	1.86	2.3	29.2	12.4	12.9	12.3	(12)	(4)	5	2.8	2.8	2.7	24	22	23	6.2	5.6	6.1	7.6	7.7	7.3
SCC	Buy	381.00	440.0	19.0	10.2	12.6	12.5	(14)	(19)	1	1.4	1.4	1.3	14	11	11	4.7	3.5	3.5	8.1	9.7	9.4
SCCC	Buy	205.00	260.0	30.7	19.8	19.1	17.6	9	4	9	1.8	1.7	1.7	9	9	10	3.9	3.9	3.9	10.7	10.6	10.1
Average					14.1	14.9	14.1	(6)	(6)	5	2.0	2.0	1.9	16	14	14	5.0	4.3	4.5	8.8	9.3	8.9

Source: SCBS Investment Research

Energy – Oil and Gas

SET ENER index Close: 29/11/2019 24,781.47 -171.85 / -0.69% Bt9,533mn
 Bloomberg ticker: SETENERG



Stick with diversified companies

Oil price outlook does not look good in the presence of a supply glut from non-OPEC producers and weaker global demand growth. We are cautious on oil price, estimating a benchmark oil price at perhaps US\$2-3/bbl below 2019. Resolution – or at least progress – in the US-China trade deal could be upside. Oil price weakness and volatile oil refining margin suggests that holding on to integrated and diversified oil stocks with competitive operating cost is the safest bet going into 2020. We maintain our top picks for the sector, i.e. PTT and TOP. 2020F valuations for both are still undemanding, with attractive yield.

More supply continuing to rattle oil price. Despite moving into high season for oil, the average price of benchmark crude has fallen 2% QoQ and 11% YoY in 4Q19TD on persistent concerns about supply growth from non-OPEC producers and the global economic slowdown. The IEA recently raised its 2020 estimate of non-OPEC oil output growth to 2.3mbpd from 2.2mbpd vs. 1.8mbpd in 2019 – outpacing estimated global oil demand growth of 1.2mbpd in 2020 (and it may cut forecasts again). We believe non-fundamental factors such as heightened geopolitical tension and market expectation of Saudi Arabia's move to support oil price for the IPO of Saudi Aramco may lift oil price in the near term. Average oil price YTD for Brent (US\$63.8) and Dubai (US\$63/bbl) is below our estimates. The supply/demand imbalance will keep price on the low side in 2020 at US\$62 (Brent) and US\$60 (Dubai). Progress in US-China trade war is upside.

GRM crash in 4Q19 is misleading; better outlook for light products. Average Singapore GRM sank 60% QoQ in 4Q19TD and remains in the red after the negative crack spread of high sulfur fuel oil (HSFO) over Dubai crude oil price widened. This could be misleading: in fact, some Thai oil refiners already switched refining mode to maximize the output of LSFO to accommodate higher bunker fuel demand to comply with IMO2020 sulfur-cap rule. LSFO crack spread is now close to US\$10/bbl above Dubai vs. a negative spread for HSFO. We estimate the conversion of HSFO to LSFO could improve GRM by ~US\$2/bbl, assuming fuel oil yield at 4-5% of total refined oil output. There remains downside from the unresolved trade dispute that is slowing the global economy and may disrupt oil demand in 2020.

PTT and TOP are sector picks. 9M19 earnings performances for oil and gas companies continued to disappoint on weak product spread, planned shutdowns and huge stock losses. 4Q19 performance is expected to improve on a more stable oil price, with a slight chance of stock gain on expectations that Saudi Arabia will move to support oil price ahead of the IPO of its national oil company. 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. Their earnings could also be supported by the power business in the longer term to ensure sustained dividend yield of 4-5%.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x)	P/BV (x)	20F	20F
BCP	Buy	25.0	33.0	33.6	20.7	8.7	0.8	0.7
ESSO	Buy	7.4	9.6	29.7	n.m.	5.9	1.1	0.9
IRPC	Buy	3.5	4.3	23.1	n.m.	10.4	0.8	0.8
PTT	Buy	43.3	53.0	27.2	13.0	10.0	1.3	1.3
PTTEP	Buy	120.0	164.0	41.3	11.2	10.6	1.2	1.1
SPRC	Buy	10.0	11.0	12.6	n.m.	11.3	1.2	1.1
TOP	Buy	69.0	79.0	16.2	32.5	9.1	1.1	1.0
Average				26.2	19.3	9.4	1.1	1.0

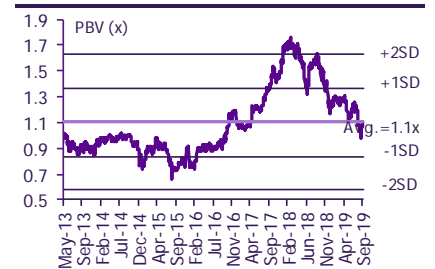
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BCP	4.6	(8.3)	(25.9)	5.3	(4.5)	(23.5)
ESSO	5.0	(14.0)	(39.8)	5.7	(10.5)	(37.9)
IRPC	4.8	(11.6)	(42.6)	5.5	(8.0)	(40.8)
PTT	(4.9)	(2.3)	(12.2)	(4.3)	1.7	(9.4)
PTTEP	(2.0)	(3.6)	(9.1)	(1.3)	0.3	(6.2)
SPRC	16.4	13.1	(17.1)	17.2	17.6	(14.4)
TOP	2.2	1.8	(9.2)	2.9	6.0	(6.3)

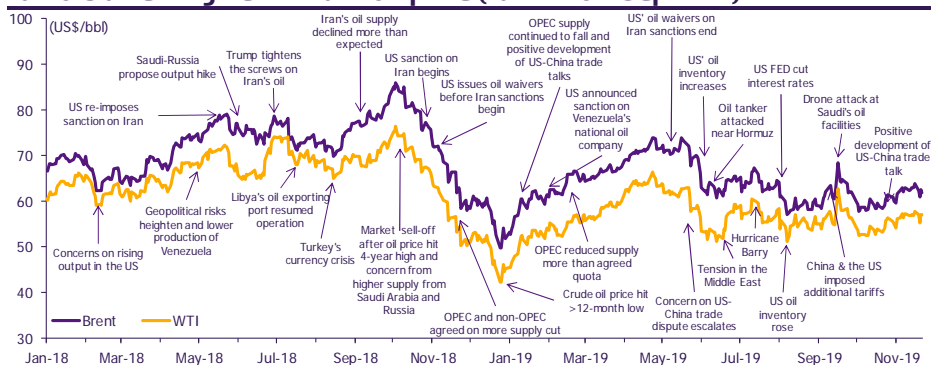
Source: SET, SCBS Investment Research

PBV band – SETENERG



Source: SET, SCBS Investment Research

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

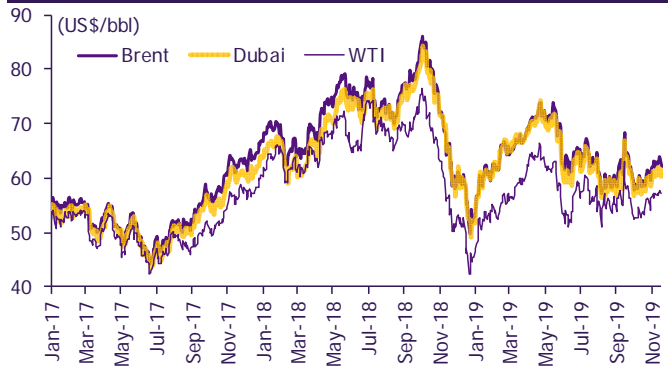


Source: Bloomberg Finance LP and SCBS Investment Research

Analyst

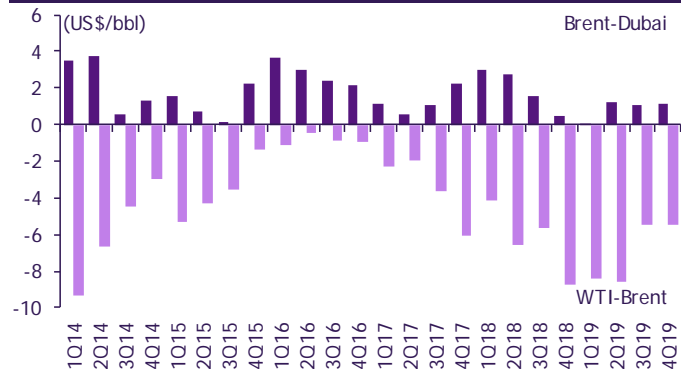
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Figure 1: Benchmark oil prices



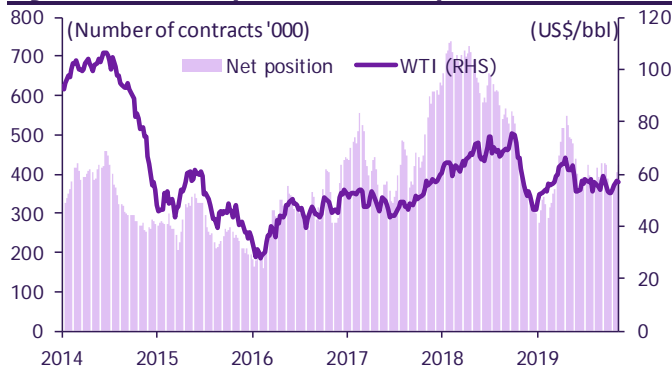
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 2: Oil price differential



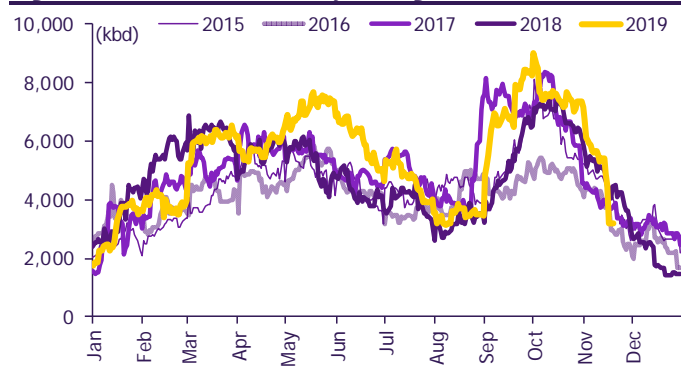
Source: Bloomberg Finance LP, SCBS Investment Research

Figure 3: CFTC net position vs. WTI price



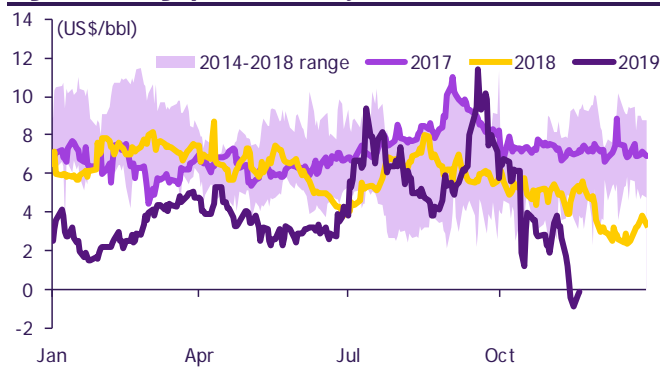
Source: CFTC, Bloomberg Finance LP, SCBS Investment Research

Figure 4: Global oil refinery outage



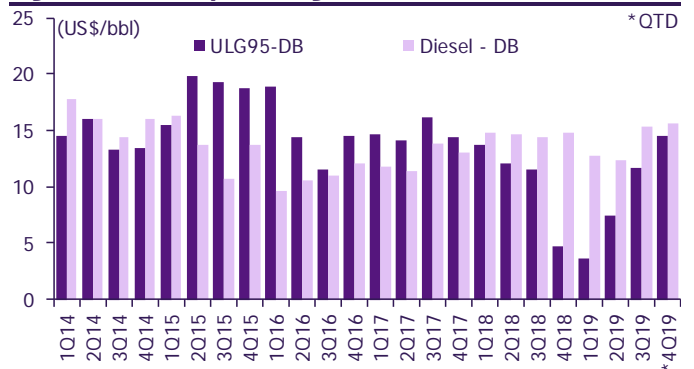
Source: Bloomberg Finance LP, SCBS Investment Research

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 (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BCP	Buy	25.00	33.0	33.6	12.4	20.7	8.7	(55)	(40)	138	0.8	0.8	0.7	6	4	9	5.4	1.6	5.6	7.1	10.1	7.1
ESSO	Buy	7.40	9.6	29.7	11.5	n.m.	5.9	(69)	n.m.	n.m.	1.0	1.1	0.9	8	(3)	16	4.1	0.0	8.1	11.1	46.5	5.8
IRPC	Buy	3.50	4.3	23.1	10.3	n.m.	10.4	(36)	n.m.	n.m.	0.8	0.8	0.8	8	(1)	8	5.4	0.3	4.9	7.2	15.0	6.8
PTT	Buy	43.25	53.0	27.2	10.9	13.0	10.0	(23)	(16)	29	1.4	1.3	1.3	9	7	9	4.6	4.6	4.6	3.8	3.7	3.0
PTTEP	Buy	120.00	164.0	41.3	13.1	11.2	10.6	(5)	17	6	1.2	1.2	1.1	9	11	11	4.2	4.6	4.8	3.1	3.2	3.2
SPRC	Buy	9.95	11.0	12.6	29.3	n.m.	11.3	(80)	n.m.	n.m.	1.1	1.2	1.1	4	(1)	10	6.0	2.0	4.4	9.0	13.1	4.7
TOP	Buy	69.00	79.0	16.2	13.6	32.5	9.1	(53)	(58)	256	1.1	1.1	1.0	8	3	11	3.8	1.7	4.5	6.2	11.4	7.1
Average					14.5	19.3	9.4	(37)	(21)	68	1.1	1.1	1.0	8	3	11	4.8	2.1	5.3	6.8	14.7	5.4

Source: SCBS Investment Research

Finance

SET FIN index Close: 29/11/2019 4,285.77 +23.32 / +0.55% Bt1,049mn
 Bloomberg ticker: SETFIN



Decent outlook but unattractive valuation

We expect consumer finance companies under our coverage to continue to have decent earnings in 4Q19 and 2020, supported by good loan growth and NIM expansion, despite an expected rise in credit cost. We prefer AEONTS as its valuation is less demanding than peers.

AEONTS: Sustainable and decent earnings growth. We expect AEONTS to sustain decent earnings growth of around 15% with strong profitability at 21% ROE in FY2019 and FY2020, supported by solid loan growth, better NIM and good bad debt recovery. We maintain our loan growth forecast of 12% (6% YTD in 1HFY19) for FY2019 and FY2020, underpinned by its aggressive expansion into used car hire-purchase, which it only recently began to offer. It expects to boost its exposure to this business to 5% of total loans in FY2019 from less than 1% in FY2018. In FY2020, it may expand into vehicle title loans. We expect a minimal improvement in NIM in FY2019 and FY2020, mainly due to lower cost of funds brought by lower interest rate. We have factored in an increase in credit cost in FY2019 and FY2020 due to the economic slowdown and the adoption of TFRS9.

KTC: Cautious expansion with better NIM outlook. We expect an improvement in loan growth and NIM but have greater concern on asset quality of unsecured loans amidst a slowing economy. We expect loan growth to accelerate to 8% in 2019F and 10% in 2020F from 6% in 2018, supported by expansion into new business – Nano & Pico finance. We have a better outlook on NIM for KTC, driven by a potential drop in cost of funds from the lower interest rates and higher loan yield as a result of expansion into higher-yield Nano & Pico finance (36% interest rate cap vs. 18% for credit card and 28% for personal loans).

MTC: Back to higher earnings growth than loan growth in 2020. We expect MTC to resume higher earnings growth than loan growth in 2020 after moving past the disruption in loan yield and fee income from the new regulation in 2019. We expect loan growth to ease but stay robust at 24% (vs. 27% in 2019), NIM to recover, but credit cost to go up in 2020. We forecast its earnings growth to accelerate to 26% in each of 2020F and 2021F from 16% in 2019F.

SAWAD: Resuming normal good growth in 2020 after dilution in 2019. We expect earnings growth to ease to 23% in 2020F from 28% in 2019F from an expected rise in credit cost as a result of TFRS9 and the economic slowdown. However, we expect SAWAD's EPS growth to surge to 23% in each of 2020F and 2021F from 11% in 2019F as it recovers from the dilution created by the capital injection by its partner. We expect loan growth to ease but stay robust at 24% (vs. 27% in 2019), with NIM recovering but higher credit cost in 2020.

Prefer AEONTS. AEONTS is our top pick in the sector as we see its valuation as less demanding than peers. Finance companies under our coverage have decent earnings outlook but, with the exception of AEONTS, unattractive valuations.

Valuation summary

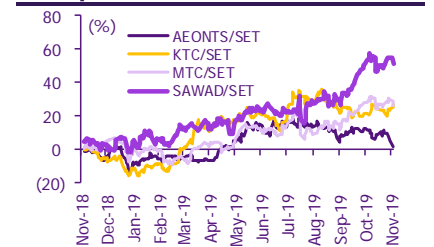
	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F	P/E (x) 20F	P/BV (x) 19F	P/BV (x) 20F
AEONTS	Buy	192.5	250.0	32.8	11.9	10.3	2.3	2.0
KTC	Neutral	41.0	42.0	4.5	19.0	16.9	5.3	4.4
MTC	Neutral	60.3	64.0	6.7	29.6	23.6	7.9	6.1
SAWAD	Neutral	62.8	72.0	14.8	22.7	18.5	4.6	3.7
Average					20.8	17.3	5.0	4.1

Source: SCBS Investment Research

Price performance

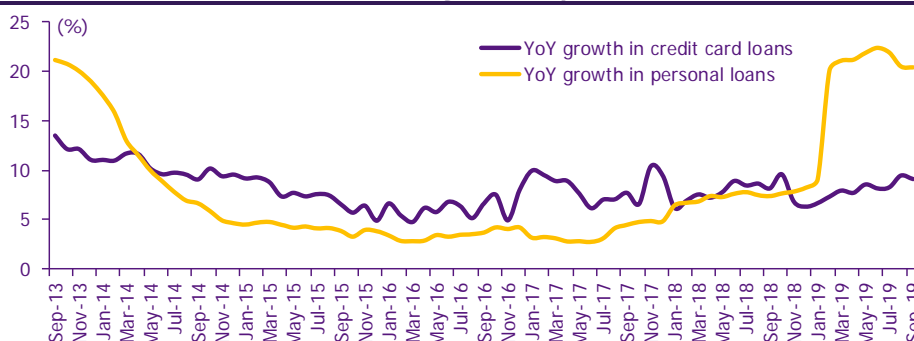
(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
AEONTS	(6.1)	(12.1)	1.9	(5.4)	(8.5)	5.1
KTC	1.2	(10.4)	20.6	1.9	(6.8)	24.5
MTC	(1.2)	9.5	22.3	(0.5)	14.0	26.3
SAWAD	(2.0)	12.6	38.0	(1.3)	17.1	42.5

Price performance relative to SET



Source: SET, SCBS Investment Research

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



Source: BoT and SCBS Investment Research

Analyst

Kittima Sattayapan, CFA

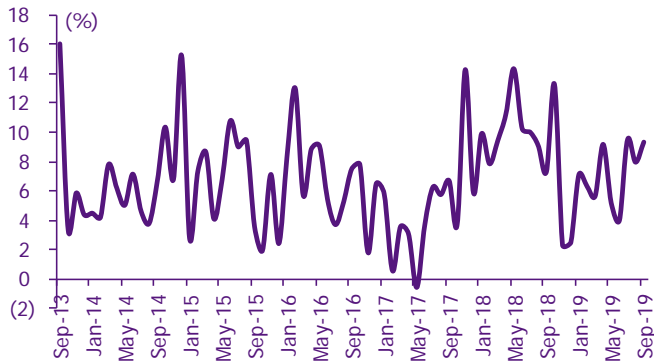
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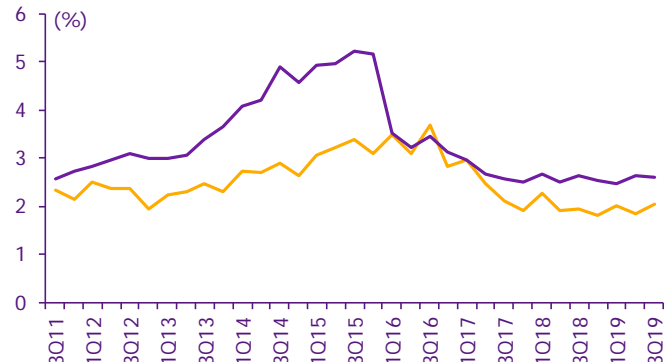
kittima.sattayapan@scb.co.th

Figure 1: YoY growth in credit card spending



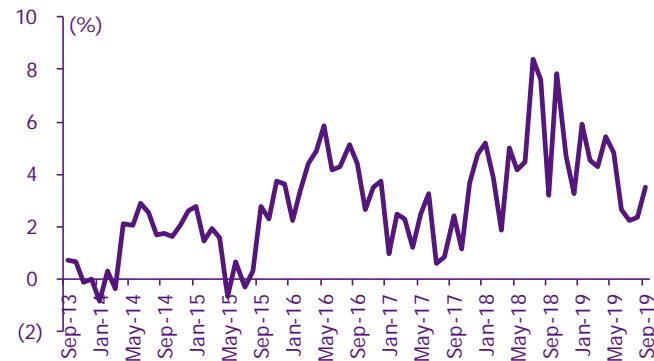
Source: BoT and SCBS Investment Research

Figure 2: Credit card and personal loan NPLs



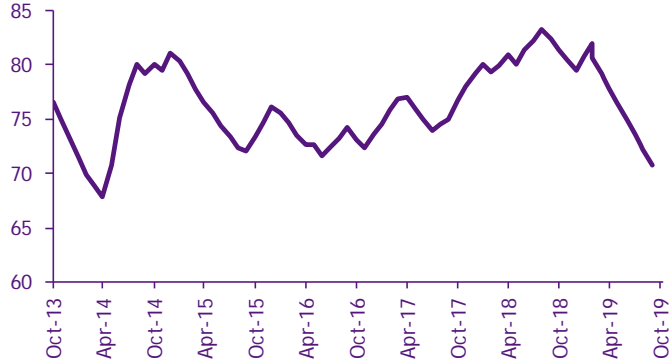
Source: BoT and SCBS Investment Research

Figure 3: YoY change in Private Consumption Index



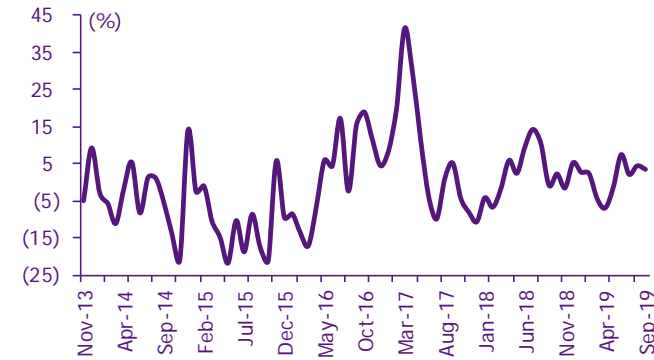
Source: BoT and SCBS Investment Research

Figure 4: Consumer Confidence Index



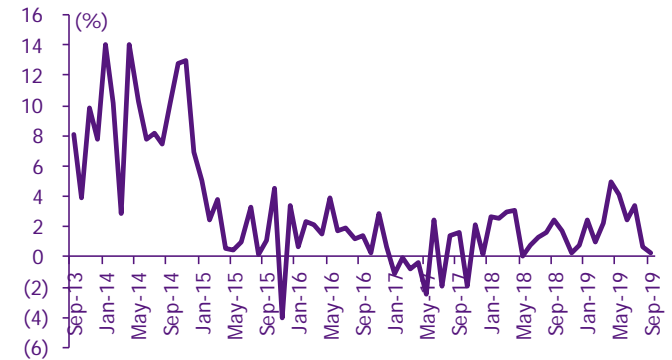
Source: UTCC, BOT and SCBS Investment Research

Figure 5: Farm income growth



Source: OAE and SCBS Investment Research

Figure 6: YoY growth in average wage



Source: BoT and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AEONTS	Buy	192.50	250.0	32.8	13.7	11.9	10.3	18	15	16	2.7	2.3	2.0	21	21	21	2.4	2.9	3.4
KTC	Neutral	41.00	42.0	4.5	20.6	19.0	16.9	56	8	12	6.5	5.3	4.4	36	31	29	1.9	2.1	2.4
MTC	Neutral	60.25	64.0	6.7	34.4	29.6	23.6	48	16	26	10.4	7.9	6.1	35	30	29	0.4	0.5	0.6
SAWAD	Neutral	62.75	72.0	14.8	26.0	22.7	18.5	(2)	15	23	6.1	4.6	3.7	26	24	22	0.0	0.0	0.0
Average					23.7	20.8	17.3	30	14	19	6.4	5.0	4.1	29	27	25	1.2	1.4	1.6

Source: SCBS Investment Research

Food

SET FOOD index Close: 29/11/2019 12,569.99 +65.52 / +0.52% Bt3,146mn
 Bloomberg ticker: SETFOOD



More Thai broiler plants certified by China

The General Administration of Customs of the People's Republic of China (GACC) certified nine more Thai broiler plants for broiler exports to China from Oct 22, 2019. Thailand's Department of Livestock Development estimates this will help triple Thai broiler export value to China to Bt12bn in 2020F from Bt4bn in 2019TD. Our top pick is CPF, which will have the sector's best growth off a rise in swine price YoY in Vietnam, more earnings from the acquisition of Hylife in late 4Q19F and better local broiler price, all balancing out the lower local swine price YoY in 4Q19F.

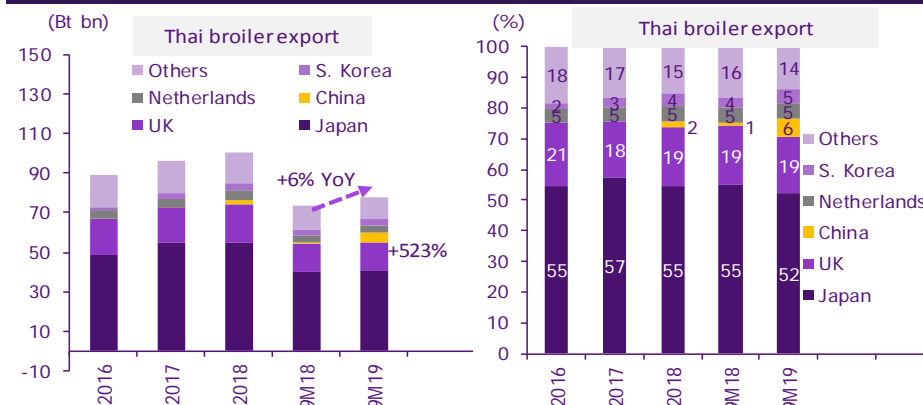
Potential for more Thai broiler exports to China... Local daily *Thai Rath* reports that after visiting Thai broiler plants in September, the General Administration of Customs of People's Republic of China (GACC) certified another nine Thai broiler factories (adding to the seven certified in 2018) allowed to export broilers to China, beginning from October 22, 2019. Thailand's Department of Livestock Development estimates that this could triple Thai broiler export value to China to Bt12bn in 2020F from Bt4bn in 2019TD. We note that GACC is considering certifying another 12 Thai broiler factories.

... is great news. This is good news for the Thai broiler industry in terms of both export volume and prices. On March 6, 2018, China certified seven Thai broiler plants - GFPT, CPF (2 plants), TFG, Saha Farm, Golden Line and F&F Food – for chicken imports. This led Thai broiler exports to China to rise from zero in 2017 to Bt2bn in 2018 and Bt4.6bn (+523% YoY) in 9M19. Even though just seven plants were exporting, China was Thailand's third biggest broiler export destination (6% of total Thai broiler exports), after Japan (52%) and the UK (19%). The African Swine Fever (ASF) outbreak in China in August 2018 has led to a shortage of pork, resulting in a surge in pork prices and in sales and prices of alternative meats such as poultry. This implies opportunity for more Thai broiler exports into China.

Food prices in 4Q19TD. In October, local broiler price was Bt35/kg (+6% YoY but flat MoM), above breakeven of Bt32-33/kg, but local swine price fell to Bt56/kg (-13% YoY and -5% MoM), close to operator breakeven; this was partly from the vegetarian festival and partly from concern on the ASF outbreak in neighboring countries. Swine price in Vietnam rose MoM from the ASF-led cut in supply to VND50,000/kg in October (flat YoY but +13% MoM), above operator breakeven of VND35,000/kg, and rose further to VND50,000-60,000/kg in November (+13% YoY and +10% MoM). Skipjack tuna price fell to the year's low of US\$900/ton (-41% YoY and -18% MoM) in October.

BUY on CPF. CPF is our top pick, as we see positives from a slight rise in swine price YoY in Vietnam from a huge supply cut in response to ASF, more earnings in late 4Q19F from the acquisition of Hylife and better local broiler price, all of which will balance out the negative from lower local swine price YoY in 4Q19F. We are NEUTRAL on GFPT from the negative of the shutdown of production lines after a fire in October and on TU from the damage done by a strong THB.

Thai broiler exports to China (6% of Thai broiler exports) leapt 523% YoY in 9M19



Source: MOC 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	32.0	18.7	19.5	17.7	1.0	1.0
GFPT	Neutral	12.40	14.0	15.0	12.7	13.5	1.1	1.1
TU	Neutral	13.80	16.5	23.4	13.0	12.6	1.4	1.3
Average					15.1	14.6	1.2	1.1

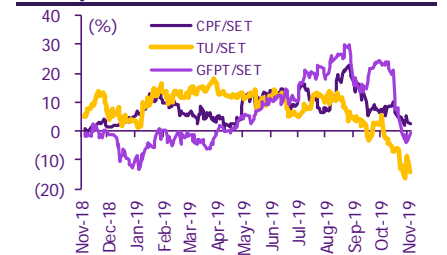
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
CPF	10.4	(6.8)	10.0	11.2	(3.0)	13.5
GFPT	(8.1)	(31.1)	(13.9)	(7.5)	(28.3)	(11.1)
TU	1.5	(20.7)	(21.6)	2.2	(17.5)	(19.1)

Source: SET, SCBS Investment Research

Price performance relative to SET

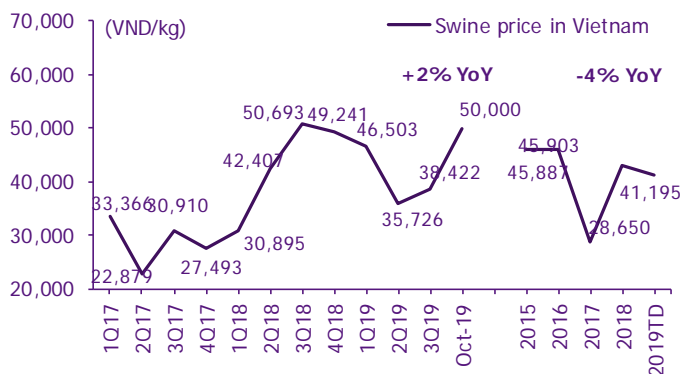


Source: SET, SCBS Investment Research

Analyst

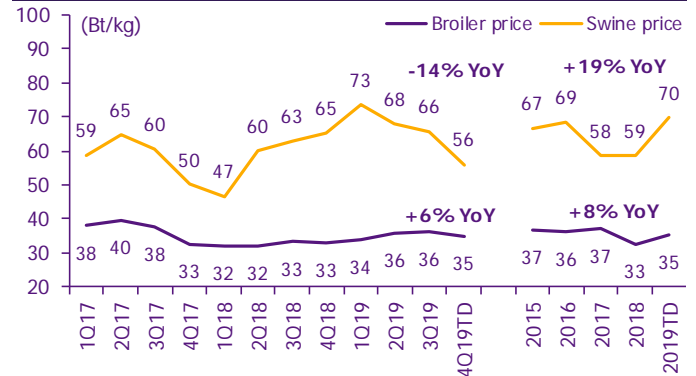
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Figure 1: Swine price in Vietnam was stable YoY in October and better YoY in November



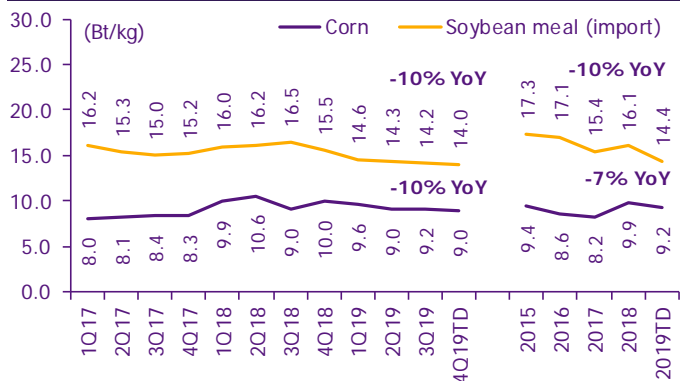
Source: Industry sources and SCBS Investment Research

Figure 2: In 4Q19TD, local swine price fell 14% YoY while broiler price grew 6% YoY



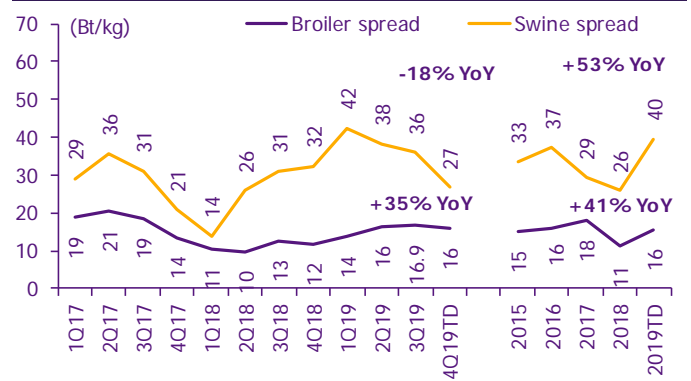
Source: Industry sources and SCBS Investment Research

Figure 3: In 4Q19TD, corn and soybean meal costs dropped 10% YoY



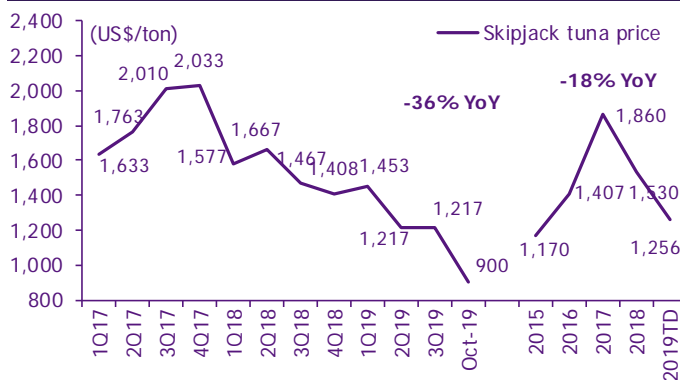
Source: Industry sources and SCBS Investment Research

Figure 4: In 4Q19TD, YoY spread (price minus feed costs) slimmed for local swine, widened for broilers



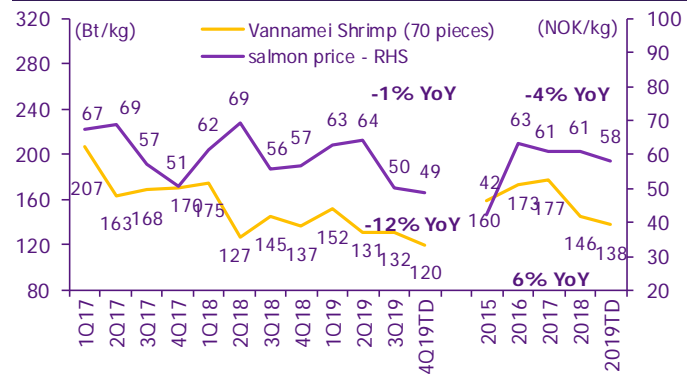
Source: Industry sources and SCBS Investment Research

Figure 5: In 4Q19TD, skipjack tuna price fell to the year's low of US\$900/ton



Source: Industry sources and SCBS Investment Research

Figure 6: In 4Q19TD, local shrimp and salmon prices stayed low



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	32.0	18.7	33.5	19.5	17.7	4	72	10	1.0	1.0	1.0	3	5	6	2.4	2.4	2.4	14.5	12.0	11.5
GFPT	Neutral	12.40	14.0	15.0	13.6	12.7	13.5	(35)	7	(6)	1.2	1.1	1.1	9	9	8	2.0	2.0	2.0	6.6	6.4	6.8
TU	Neutral	13.80	16.5	23.4	16.3	13.0	12.6	(15)	25	3	1.4	1.4	1.3	9	11	11	2.9	3.8	4.0	13.7	11.7	11.1
Average					21.1	15.1	14.6	(15)	34	2	1.2	1.2	1.1	7	8	8	2.4	2.7	2.8	11.6	10.0	9.8

Source: SCBS Investment Research

Healthcare

SET HEALTH index Close: 29/11/2019 5,406.42 +0.43 / +0.01% Bt2,020mn
 Bloomberg ticker: SETHLTH



Keep an eye on supply growth

The opening of new hospitals in Bangkok CBD in 2020 is giving rise to concern of oversupply in the city; this is not a threat in the provinces where the bed/population ratio is lower, in our view. A stronger physician network is crucial to dilute the risks of physician and patient migration as hospitals combat the increase in new supply. Top picks are BCH and CHG on the strong earnings outlook and upside from higher SC reimbursement.

Growing new supply, mainly in CBD. The opening of new private hospitals such as *TPP Healthcare International*, *Vimut Hospital* and *KPN Healthcare* has given rise to concern about an oversupply of beds in Bangkok CBD that will rock existing players such as BH (a single hospital in Bangkok) and BDMS (~60% of revenue is from Bangkok and vicinity). According to the Ministry of Public Health, private hospitals have 14,220 beds in Bangkok with ~37% in the CBD. Data gathered from 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 and physician migration is diluted by is strengthening its physician network, key to drawing in patient traffic, by an engagement program between the hospital and its physicians. We are less concerned about supply in the provinces, important areas for BCH and CHG, with a lower bed/1,000 population ratio at 1.8-2.6 vs. Bangkok's 5.6.

Upside from higher SC 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. We see a chance of this happening simply to keep hospitals in the scheme, as some hospitals have exited the SC scheme because of the cost burden while the number of insured persons is growing. According to the Social Security Office, the number of SC insured persons grew to 16.5mn in September 2019, a 76% increase from 9.4mn in 2009, against a 5% reduction in the number of hospitals taking SC patients over the period. We see this as upside for BCH and CHG, with SC contributing 33% of total revenue for BCH and 32% for CHG.

Top picks are BCH and CHG. Amid a SET slip of 3% 4QTD, healthcare service stocks have performed well: BCH share price has risen 10%, CHG is up 7%, BH is up 6% and BDMS is up 2%, which we see as investors cheering earnings convictions on rising healthcare demand. BCH has an attractive risk/reward: its share price is 4% increase YTD, well behind the 38% rally in CHG's share price, and it is trading at 32x 2020PE, lower than CHG's 34x. We expect BCH to report core earnings growth of 14% YoY in 2020 on operational growth at its upgraded hospital, *Kasemrad Ramkamheng Hospital*, and as *the World Medical Hospital (WMC)* gets back on track. Despite the share price rally, we like CHG's earnings visibility on a turnaround in 2H19 and 9% growth in 2020, mainly from lower losses at two new facilities: the expansion at *Chularat 304 Inter* and a new greenfield hospital, *Ruampat Chachoengsao*.

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	17.4	20.5	19.2	36.5	31.9	6.9	6.2
BDMS	Buy	24.6	28.0	15.2	41.0	35.1	4.8	4.5
BH	Neutral	135.5	145.0	9.0	25.7	25.2	4.9	4.5
CHG	Buy	2.6	2.8	7.9	37.4	34.2	7.7	7.1
Average					35.1	31.6	6.1	5.6

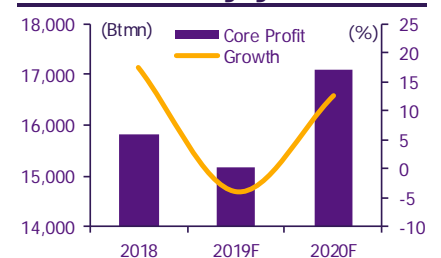
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BCH	4.2	8.8	(4.9)	4.9	13.1	(1.9)
BDMS	3.4	4.2	(8.0)	4.1	8.5	(5.1)
BH	13.4	(2.2)	(28.7)	14.2	1.8	(26.4)
CHG	3.9	10.0	28.2	4.7	14.4	32.3

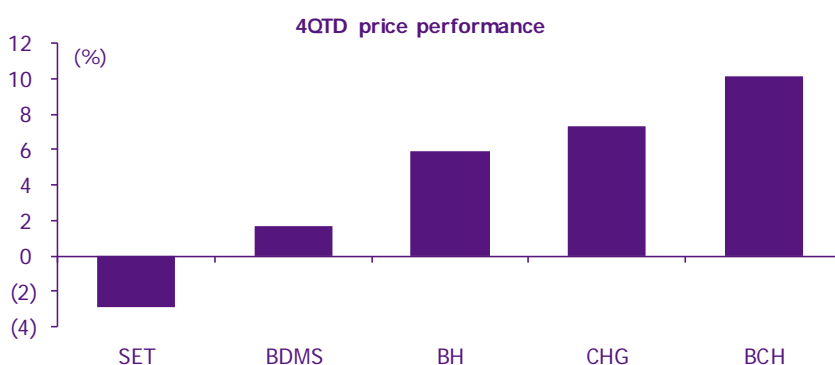
Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

Outperforming share prices show investors cheering earnings convictions



Source: SCBS Investment Research

Analyst

Raweenuch Piyakriengkai

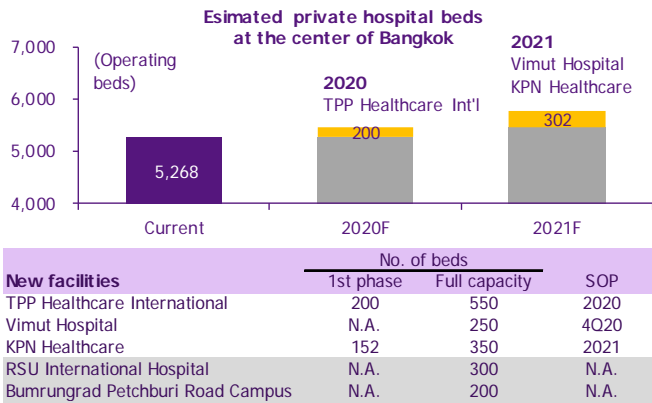
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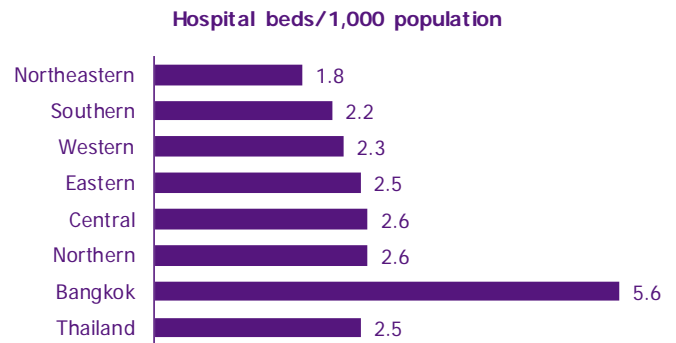
raweenuch.piyakriengkai@scb.co.th

Figure 1: Estimated new bed supply in Bangkok



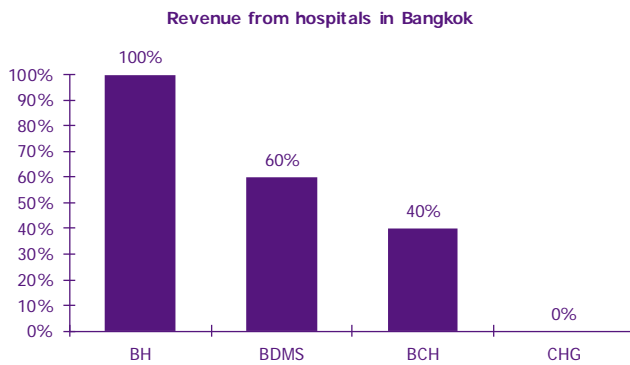
Source: Ministry of Public Health and SCBS Investment Research

Figure 2: Bed/population in Thailand



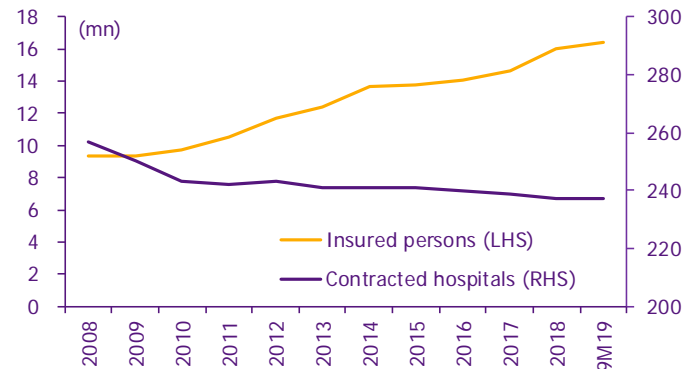
Source: Ministry of Public Health and SCBS Investment Research

Figure 3: Revenue breakdown



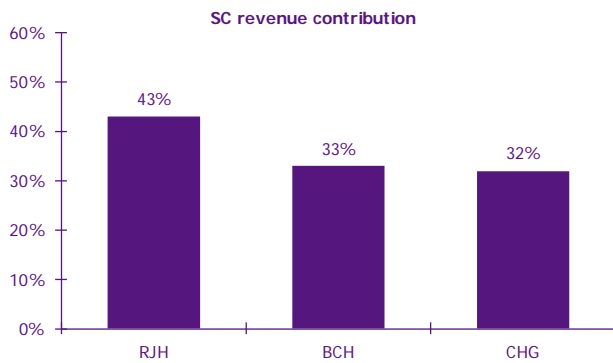
Source: Company data and SCBS Investment Research

Figure 4: Shortage of hospitals serving SC patients



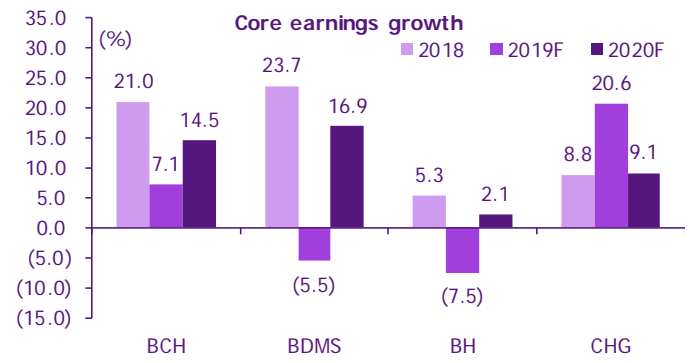
Source: Social Security Office and SCBS Investment Research

Figure 5: SC revenue contribution



Source: Company data and SCBS Investment Research

Figure 6: Earnings growth forecast



Source: SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BCH	Buy	17.40	20.5	19.2	39.1	36.5	31.9	21.0	7.1	14.5	7.6	6.9	6.2	18	18	19	1.3	1.3	1.6	21.2	19.4	16.8
BDMS	Buy	24.60	28.0	15.2	38.7	41.0	35.1	22.7	(5.5)	16.9	5.5	4.8	4.5	14	12	13	1.3	1.3	1.6	24.5	22.1	20.2
BH	Neutral	135.50	145.0	9.0	23.8	25.7	25.2	5.3	(7.5)	2.1	5.4	4.9	4.5	23	20	18	2.1	1.9	2.0	14.6	15.2	14.5
CHG	Buy	2.64	2.8	7.9	45.1	37.4	34.2	8.8	20.6	9.1	8.2	7.7	7.1	18	20	21	1.9	1.8	2.0	28.3	23.8	21.0
Average					36.7	35.1	31.6	14.4	3.7	10.6	6.6	6.1	5.6	18	17	18	1.6	1.6	1.8	22.2	20.1	18.1

Source: SCBS Investment Research

Industrial Estates

SET PROP index Close: 29/11/2019 256.06 -0.79 / -0.31% Bt2,855mn
 Bloomberg ticker: SETPROP



Thailand is the destination of choice

EEC stands out with a jump of 37% YoY in the number of BoI applications, confirming strong demand for industrial property. The US and China trade war has simmered down for now, but remains volatile. Polls suggest investors are moving production and/or supply chain sourcing out of China and the US. Some have even delayed or canceled investments in the two countries. Thailand is one of the favored destinations to serve this demand. We maintain our land sales forecast and hope for a jump QoQ in 4Q19. We select WHA as our top pick.

EEC doing well. In 9M19, the overall number of BoI applications rose 11% YoY (1,165 applications), with a 37% jump in EEC applications (360 applications). This implies continued demand for industrial property. These are smaller-scale manufacturers, with no large-scale investment like refineries, petrochemicals, steel manufacturers or power plants. This has sliced investment value 11% YoY (Bt314bn); the fall in EEC was a sharper 23% YoY (Bt168bn).

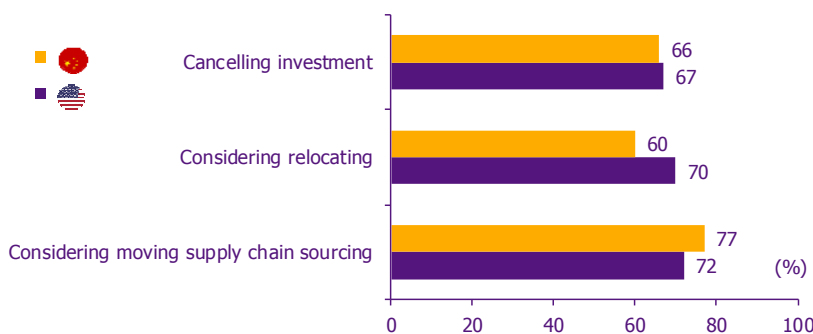
Uncertainties. The trade talks between the US and China are proceeding with some bumps in the road. China hopes to sign phase 1 of a deal before December 15, 2019. But some pundits do not expect anything to be signed until next year as the US is not willing to agree to a further tax cut as requested by China. Phase 2 (relating to intellectual property) could be put off until after the US presidential election in November next year. In our view, this uncertainty coupled with China's less competitive production cost means production base restructuring and supply chain switches are increasingly necessary. New investment is slated to be diverted from China to ASEAN.

Surveys favorable to Thailand. The Federation of Thai Industries (AFTI) sees Thailand as one of the top destinations for electronics production relocation from China. A *South China Morning* newspaper survey shows that the majority of those polled are considering moving supply chain sourcing and/or manufacturing production out of China and the US. Two-thirds said they would delay or cancel investment in both countries. A survey by *Nikkei* suggests one third of those polled (1,000 companies) have decided to reduce investment in China.

Land sales forecast unchanged. Industrial land sales at companies in our universe were slow at 1,492 rai in 9M19, only 53% of our 2019F. We expect history to repeat itself – in 4Q18, land sales were 70% of the year's total. Including deals being negotiated for more than 3,000 rai, a historical high, we forecast land sales at 2,600 rai (+22% YoY): 1,400 rai (+43%) for WHA, 988 rai (+17%) for AMATA and 450 rai (+50%) for ROJNA.

Sector top pick - WHA. We continue to like all local IE developers and we BUY all (AMATA, ROJNA and WHA). In the near term, WHA will have superior earnings growth in 4Q19 and 1Q20 thanks to the sale of warehouses and ready-built-factories. Discussions with a number of large clients (>2,000 rai) will turn to land sales in the next few years. The recent share price correction is a BUY opportunity.

Polls suggest manufacturers are moving out of China and the US



Source: The Association of Industrial, South China Morning newspaper

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	21.2	32.0	54.2	12.5	10.2	1.6	1.4
AMATAV	Neutral	4.9	5.2	7.4	44.1	25.0	1.7	1.6
ROJNA	Buy	6.0	8.5	48.6	17.4	12.5	1.0	1.0
WHA	Buy	4.2	6.5	56.4	19.2	15.0	2.0	1.8
Average					23.3	15.7	1.5	1.4

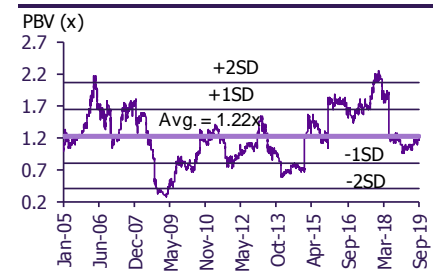
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
AMATA	(16.0)	(20.0)	(9.4)	(15.4)	(16.8)	(6.5)
AMATAV	(0.8)	7.0	(12.9)	(0.1)	11.3	(10.1)
ROJNA	(1.7)	(14.4)	12.3	(1.0)	(10.9)	15.9
WHA	(10.2)	(14.2)	1.4	(9.6)	(10.8)	4.7

Source: SET, SCBS Investment Research

IE sector's PBV

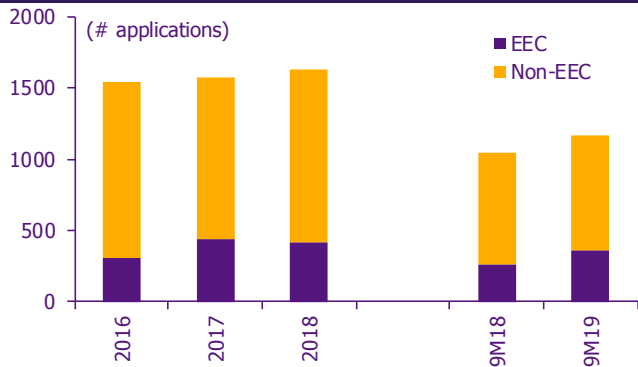


Source: SET, SCBS Investment Research

Analyst

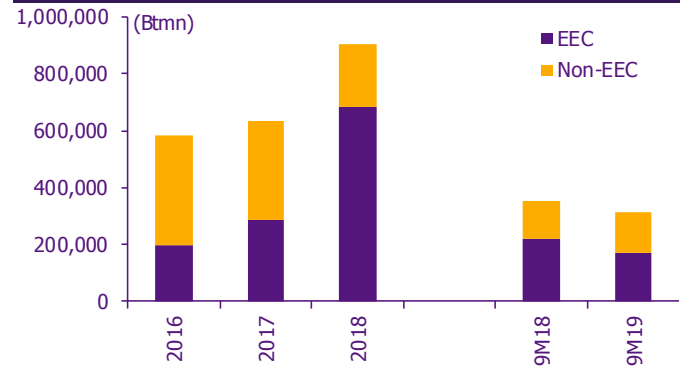
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Figure 1: Bol application numbers rose 11% in 9M19 (EEC +37%)



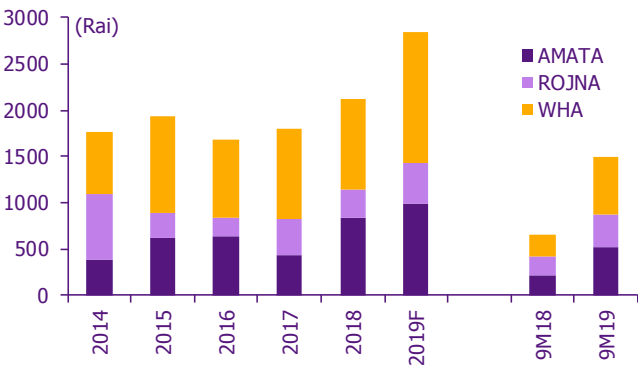
Source: Bol

Figure 2: Bol applications in value terms dropped 11% in 9M19 (EEC -23%)



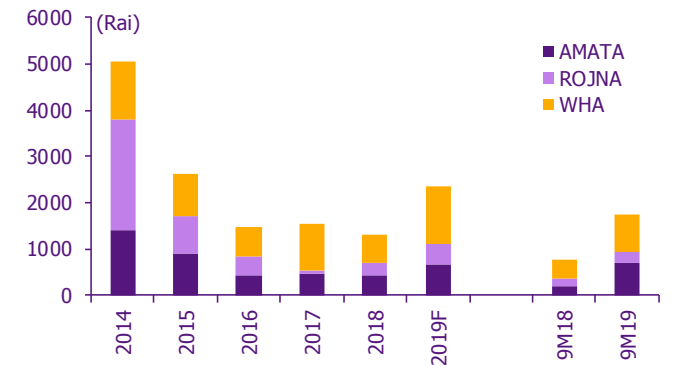
Source: Bol

Figure 3: Land sales



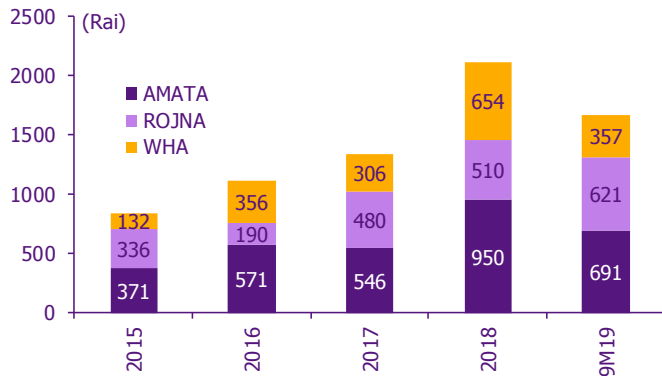
Source: AMATA, ROJNA, WHA

Figure 4: Land transfers



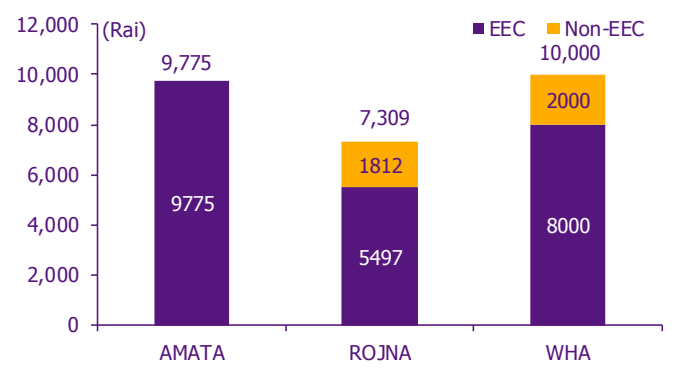
Source: AMATA, ROJNA, WHA

Figure 5: Backlog (as of September 2019)



Source: AMATA, ROJNA, WHA

Figure 6: Land bank



Source: Company

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AMATA	Buy	21.20	32.0	54.2	18.1	12.5	10.2	(19)	45	23	1.7	1.6	1.4	8	11	13	1.9	3.2	4.0	18.3	20.8	16.9
AMATAV	Neutral	4.88	5.2	7.4	11.5	44.1	25.0	(21)	(74)	76	1.6	1.7	1.6	13	3	6	0.8	0.8	0.8	10.0	28.9	20.3
ROJNA	Buy	5.95	8.5	48.6	38.1	17.4	12.5	14	119	39	1.0	1.0	1.0	2	4	5	10.1	5.8	8.0	10.9	9.6	8.3
WHA	Buy	4.22	6.5	56.4	20.8	19.2	15.0	5	8	29	2.2	2.0	1.8	10	11	11	2.0	2.4	2.7	27.8	23.1	20.3
Average					22.1	23.3	15.7	(5)	25	42	1.6	1.5	1.4	8	7	9	3.7	3.0	3.9	16.8	20.6	16.5

Source: SCBS Investment Research

Insurance

SET INSUR index Close: 29/11/2019 10,781.09 -100.47 / -0.92% Bt154mn
 Bloomberg ticker: SETINS



THREL leads with an attractive dividend yield

Insurance companies are poised for some recovery in combined ratio but growing premiums next year will still be tough. We prefer THREL as it offers the most attractive dividend yield of the three insurance stocks.

BLA: Undervalued but still having a tough time. BLA's new business premiums are gaining ground, but total premiums are still in the doldrums. We look for a gradual improvement in underwriting margin but expect this to be offset by lower ROI. In 2020, we anticipate a return to growth for new business premiums to 12% after two years of contraction, backed by: 1) its new bancassurance partnerships with TISCO, Siam Smile Broker and the Government Pension Fund and 2) recovery in new business via BBL after taking the full hit in 2019. At the same time, we forecast a 5% slide in total premiums in 2020 upon a rise in matured premiums to Bt14-15bn in 2020 from Bt13-14bn in 2019 and the impact of a market that is reeling from the prolonged economic slowdown and low bond yield. BLA continues to trade at a big discount to EV, reflecting its undervalued position.

THREL: Good dividend yield with better combined ratio ahead. We expect slow net premium growth at 0% in 2019 (-3% YoY in 9M19) and 3% in 2020 after it put the brakes on growing health insurance products in order to fix its profit margin by revising claim management and commissions on renewals and new contracts to achieve a more optimal profit margin, particularly for health insurance products. We expect its combined ratio to rise to 92% in 2019F (92.3% in 9M19) from 90% in 2018 before easing to 91% in 2020F and 90% in 2021F due to the lag between the proactive claim management and commission review and the reduction of impact from the recapture of L-T products, which will be completed in 2020. Assuming an 80% dividend payout ratio (vs. 83% in 2018), we expect THREL to pay a dividend of Bt0.18 on 2H19 (Bt0.13 on 1H19) and Bt0.35 on 2020, equivalent to 5% yield in 2H19 and 9.7% in 2020.

THRE: Recovering but profitability still weak. We expect premium growth to pick up to 9% in 2019F and 2020F from 2% in 2018, driven by: 1) business expansion abroad (Cambodia, Laos and Vietnam) where it hopes to grow premiums (targeting 5% of total premiums) and 2) launch of new non-conventional products. We expect combined ratio to further improve to 103% in 2020 from 105% in 2019F and 113% in 2018 as the insurance for the teacher project runs out; this has an unusually high loss ratio. ROE is on an uptrend but is still weak at below 6%.

THREL is our sector pick. Of the three stocks, we prefer THREL as it offers the most attractive dividend yield.

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	21.8	34.0	59.2	7.7	7.6	0.8	0.8
THRE	Neutral	0.6	0.6	(4.8)	19.7	14.3	0.7	0.7
THREL	Buy	3.6	4.4	30.8	9.3	8.2	1.4	1.3
Average					12.2	10.0	1.0	0.9

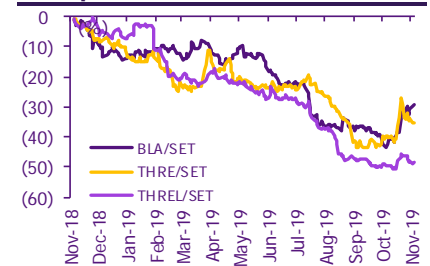
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
BLA	21.8	6.3	(29.7)	22.6	10.6	(27.4)
THRE	8.6	(10.0)	(35.7)	9.4	(6.4)	(33.6)
THREL	2.9	(19.3)	(48.2)	3.6	(16.0)	(46.5)

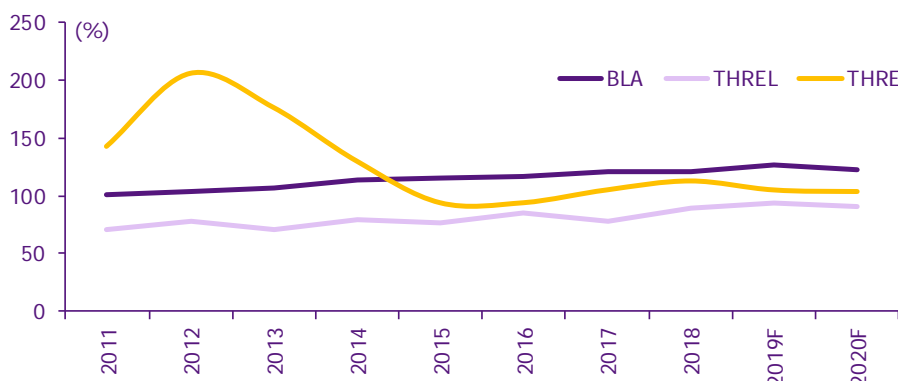
Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

Combined ratio

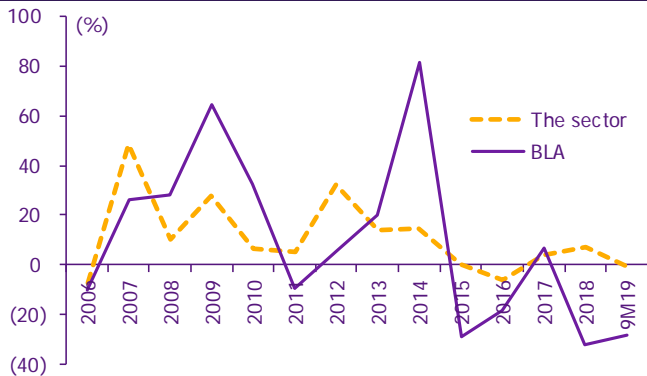


Source: Companies and SCBS Investment Research

Analyst

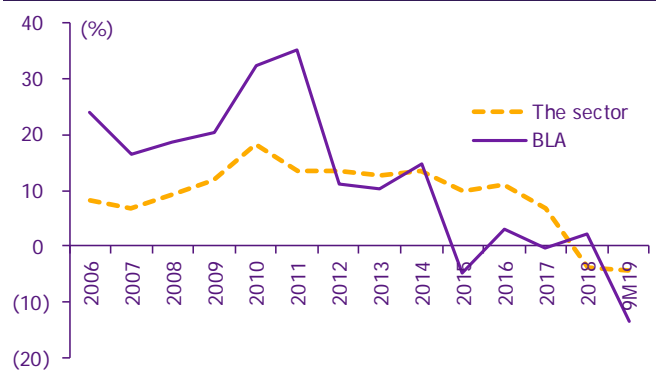
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Figure 1: New business premium growth



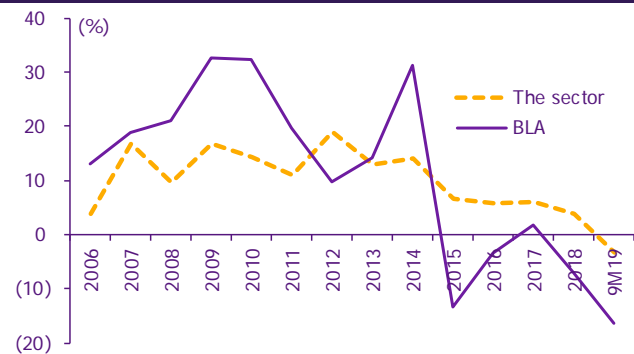
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 2: Renewal premium growth



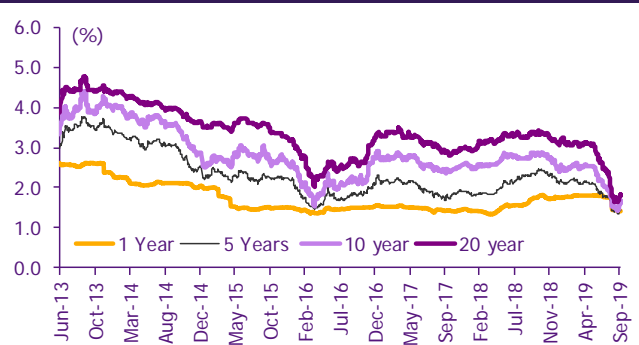
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 3: Total premium growth



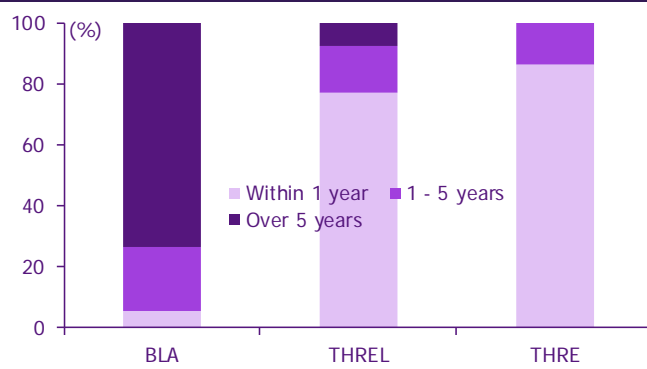
Source: The Thai Life Assurance Association and SCBS Investment Research

Figure 4: Government bond yield



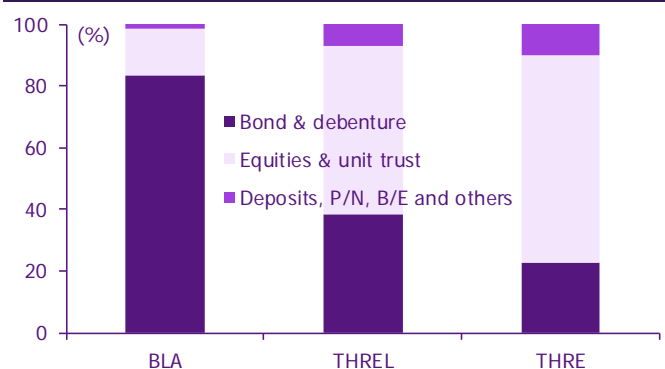
Source: Thai BMA and SCBS Investment Research

Figure 5: Investment in debt securities by maturity



Source: BLA, THRE, THREL and SCBS Investment Research

Figure 6: Investment portfolio



Source: BLA, THRE, THREL and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
BLA	Buy	21.80	34.0	59.2	7.5	7.7	7.6	37	(2)	1	1.0	0.8	0.8	13	12	11	3.3	3.3	3.3
THRE	Neutral	0.63	0.6	(4.8)	n.m.	19.7	14.3	(810)	n.m.	38	0.7	0.7	0.7	(24)	4	5	0.0	0.0	0.0
THREL	Buy	3.60	4.4	30.8	8.5	9.3	8.2	(42)	(8)	14	1.5	1.4	1.3	17	16	17	9.7	8.6	9.8
Average					8.0	12.2	10.0	(272)	(5)	18	1.1	1.0	0.9	2	10	11	4.4	4.0	4.4

Source: SCBS Investment Research

Petrochemicals

SET PETRO index Close: 29/11/2019 929.24 -2.36 / -0.25% Bt1,963mn
 Bloomberg ticker: SETPETRO



Valuation tempting amid weak product spread

SET Petrochemical Index has plunged >50% from its last peak in mid-2018 vs. the SET's -11%, hurt badly by the trade war between the US and China that has soured sentiment. When (or if) they will strike a deal remains uncertain, but we see it as largely priced in. The sector index has now plummeted 850pts, far worse than the last two times prices fell this hard (500 pts during the global financial crisis and 660 pts during the oil price crash). Although we maintain our cautious view until there are signs of real progress in US-China trade talks, we believe current valuations based on PBV at -2SD are tempting. Our top pick is IVL (TP at Bt50) after a 41% YTD fall in share price. Its earnings are shielded from trade barriers and bans on single-use plastics as PET is the most recyclable plastic.

Olefins: new supply needs time to be absorbed. HPDE product spread has fallen another 25% QoQ to <US\$345/t in 4Q19TD, which is close to cash cost of US\$300-350/t (according to Platts), buffeted by rising supply and weak demand caused by the uncertain economic outlook. No resolution of the trade dispute means these factors will hang on in 2020. PP-naphtha spread still looks more favorable than PE given a better demand-supply balance. This will remain the key earnings support for naphtha-based producers SCC and IRPC in 2020. Meanwhile, gas-based producers like PTTGC will continue to struggle from the influx of cheap ethylene redirected from the US as exports to China are curtailed by tariffs.

Aromatics: supply additions on the way. PX spread over condensate and ULG95 is down sharply YoY to <US\$300/t and <US\$120/t respectively on new capacity in China, mainly from Hengli Petrochemical. Price volatility will persist as new PX capacity gradually comes on line as scheduled vs. the earlier expectation of delays. Product price correction has been quicker for aromatics than for the olefins chain on a stronger wave of new supply. This leads us to believe that price is bottoming out and more demand from downstream PTA will continue to support price and spread in 2020. Further, as oil refiners shift production to maximize middle distillates to accommodate higher demand ahead of IMO2020, feedstock for aromatics production is likely to shrink.

Asia's integrated PET spread slipping. Integrated PET spread in the Asian market fell further QoQ to US\$201/t (the lowest since 2Q17), mainly due to a lower PTA spread as new supply from China entered the market when its Dushan Energy started up a part of its 2.2mtpa-PTA plant in late Oct. The second production line with similar capacity will commence operations in 3Q20, according to Platts. Integrated PET/PTA producers will continue to benefit most from lower feedstock cost (PX), which is more sensitive to new capacity. We also view that its recyclability will make PET stand out from other types of plastics amidst the drive to ban single-use plastics. Plastic recycling will continue to expand upon higher demand in the global packaging industry and government policies in developed markets to increase recyclability and recycled content of packaging.

Valuation summary

	Rating	Price (Bt)	TP (Bt)	ETR (%)	P/E (x) 19F 20F	P/BV (x) 19F 20F
GGC	Sell	10.5	11.0	6.2	65.1 10.9	1.1 1.0
IVL	Buy	34.8	50.0	47.9	20.2 9.8	1.3 1.2
PTTGC	Buy	53.8	70.0	33.4	18.0 9.2	0.8 0.8
Average					34.4 9.9	1.1 1.0

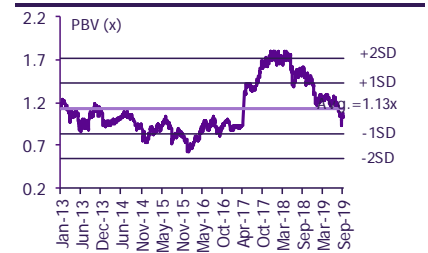
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
GGC	(4.5)	(7.1)	(1.9)	(3.9)	(3.3)	1.3
IVL	23.0	(1.4)	(35.6)	23.9	2.6	(33.6)
PTTGC	6.4	0.9	(31.5)	7.2	5.0	(29.3)

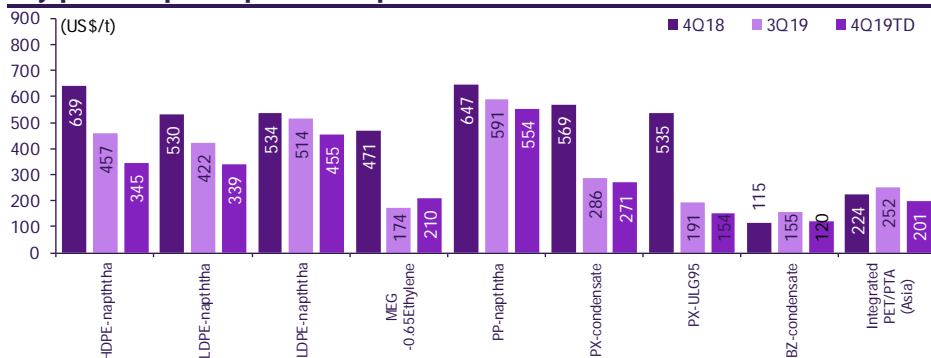
Source: SET, SCBS Investment Research

PBV band – SETPETRO



Source: SET, SCBS Investment Research

Key product price spread comparison

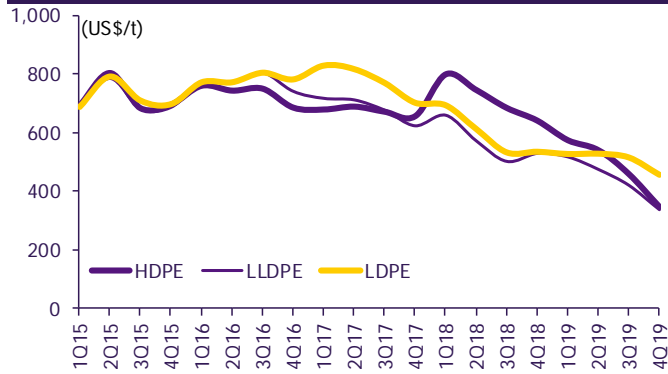


Source: Industry data, Bloomberg Finance LP and SCBS Investment Research

Analyst

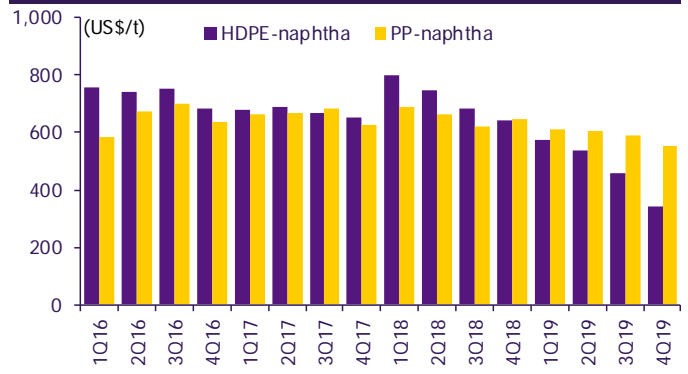
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Figure 1: PE-naphtha spread



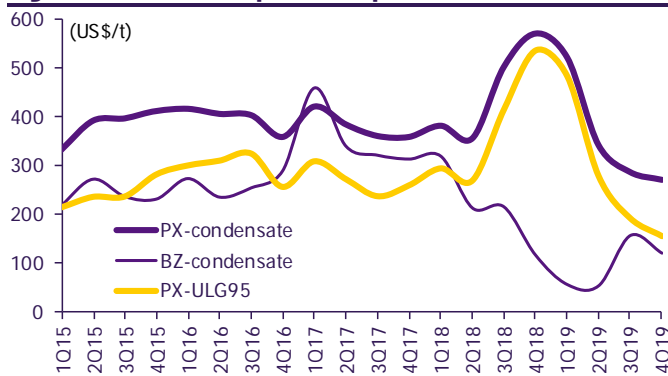
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 2: Product spread – HDPE vs. PP



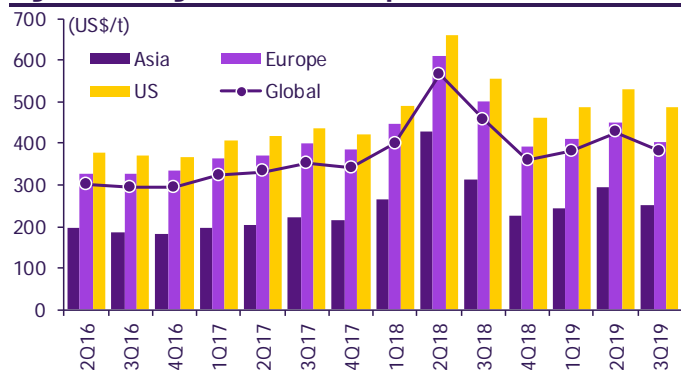
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 3: Aromatics product spread



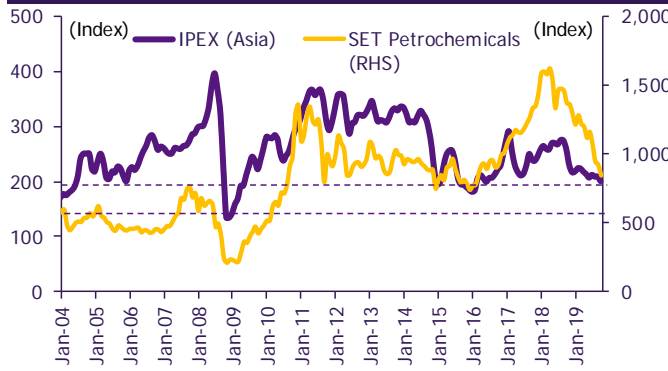
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 4: Integrated PET/PTA spread



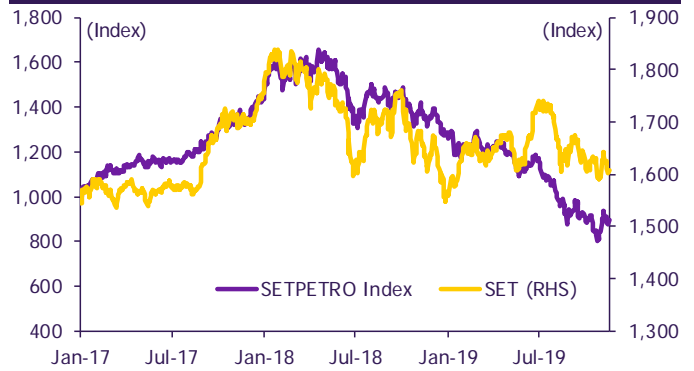
Source: Industry data, Bloomberg Finance LP, SCBS Investment Research

Figure 5: Petrochemical Index (Asia)



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)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
GGC	Sell	10.50	11.0	6.2	19.0	65.1	10.9	(6)	(71)	499	1.1	1.1	1.0	5	2	10	0.0	1.4	3.0	9.3	14.0	5.8
IVL	Buy	34.75	50.0	47.9	8.1	20.2	9.8	12	(60)	107	1.3	1.3	1.2	18	7	13	4.0	4.0	4.0	7.1	9.1	6.2
PTTGC	Buy	53.75	70.0	33.4	6.0	18.0	9.2	(0)	(67)	95	0.8	0.8	0.8	14	4	8	7.9	3.2	5.4	4.8	8.7	6.1
Average					11.0	34.4	9.9	2	(66)	234	1.1	1.1	1.0	13	4	10	4.0	2.9	4.1	7.1	10.6	6.1

Source: SCBS Investment Research

Residential property

SET PROP index Close: 29/11/2019 256.06 -0.79 / -0.31% Bt2,855mn
 Bloomberg ticker: SETPROP



No dawn yet

The lower LTV and poor climate pulled 9M19 presales down 30% YoY for our universe, worst at condos (-58% YoY). Developers are revising business plans to be more conservative, cutting targets, thus higher forecast risk. Government incentives will help transfers in the near term and bring a revenue jump of 60% QoQ in 4Q19. Getting a loan will become increasingly difficult as affordability falls. LH is our top pick for its lower risk.

Lower LTV doing its job. According to the BoT, new mortgage loans have slowed for two quarters (-10% in 2Q19 and -18.6% in 3Q19) after the new Loan-To-Value (LTV) rule took effect on April 1. In 9M19, LTV successfully reduced local speculation as seen in a drop in second and third loans of 14% YoY and 31.4% YoY respectively and a decline in LTV to 81.7% from 88.9% in 4Q18. Additionally, the condo price index is heading south, at 179 in 3Q19 from 186 in 4Q18.

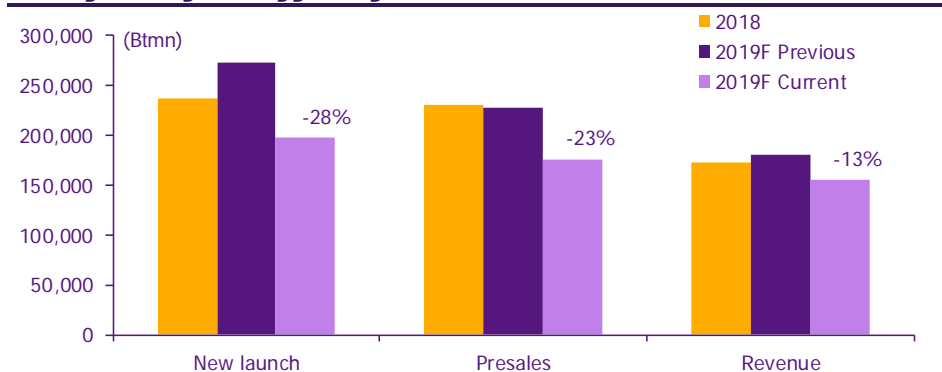
Housing doing poorly. Presales fell 45% YoY and 10% QoQ to Bt39.2bn in 3Q19 for both low-rise (-23% YoY and -8% QoQ to Bt25.7bn) and condo (-65% YoY and -12% QoQ to Bt13.5bn). This partly due to a stricter LTV that brought a higher rejection rate and partly due to poor buyer confidence. Confidence has been shaken by the steady reduction in GDP forecasts, now at 2.8% from the original 4.1%, eight months of a drop in CCI (October was a 65-month low of 70.7). This is seen in the record-low readiness to buy a home index of 41.7. Developers have in response put off new launches. 9M19 presales were Bt128.7bn, -30% YoY (low-rise 65% and condo 35%). In our universe, real estate revenue rose 17% QoQ to Bt33.6bn in 3Q19, missing our estimates, and 9M19 was down 11% YoY to Bt104.1bn, far from target.

Rising forecast risk. There is no end in sight for the poor market climate, leading developers to step back and become more conservative and launching projects with a completed communal area, more attractive for buyers. They have slashed all targets: new launches by 28% from the first of the year to Bt197.5bn, presales by 23% to Bt176.6bn and revenue by 13% to Bt156.0bn, suggesting downside risk.

4Q19 up QoQ, but down YoY. We expect new launches to fall 15% QoQ to Bt43bn but presales to grow 19% to Bt46.5bn at low-rise projects launched earlier in the year. The government's property incentive will help transfers: we expect revenue to jump 60% QoQ to Bt53.8bn (flat YoY), on backlog transfer of Bt47.9bn (out of Bt178.7bn) in 4Q19, securing 95% of revised 2019 revenue.

Top pick: LH. The new measure offering a Bt50,000 down payment allowance is only a ST sentimental blessing. It is not attractive enough to boost demand. We continue pessimistic on this sector. Our concerns center on the curtailing of loan availability via a stricter LTV, debt service ratio (DSR) and lower base income (excluding overtime pay). Affordability is also sinking with less overtime and unemployment risk from the economic downturn and business disruption. We like LH as a low-risk play with a focus on mid-high low-rise housing and broad diversification into retail and hospitality in Thailand and the US. The sale of *Grande CentrePoint Sukhumvit 55* will add to 4Q19 earnings and the final dividend.

Cutting all targets, suggesting downside risk



Source: AP, LH, LPN, PSH, QH, SIRI, SPALI, 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	6.9	9.0	36.1	7.1	6.6	0.8	0.8
LH	Buy	9.8	13.0	39.9	13.0	12.3	2.4	2.3
LPN	Neutral	4.6	5.0	18.8	5.0	5.1	0.5	0.5
PSH	Neutral	15.5	20.5	42.5	5.5	5.4	0.8	0.7
QH	Buy	2.7	3.5	37.1	9.6	8.9	1.1	1.0
SIRI	Neutral	1.1	1.5	46.4	7.8	6.7	0.5	0.5
SPALI	Buy	17.4	20.0	20.4	6.8	6.4	1.0	0.9
Average					7.8	7.3	1.0	1.0

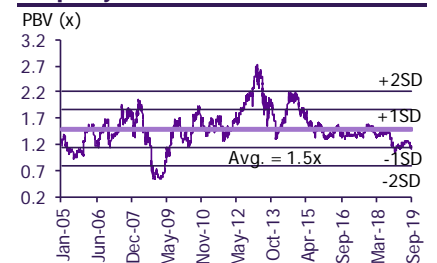
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
AP	5.4	(6.2)	0.7	6.1	(2.4)	4.0
LH	1.0	(9.3)	(3.0)	1.7	(5.6)	0.2
LPN	(1.3)	(25.2)	(42.5)	(0.6)	(22.2)	(40.6)
PSH	0.6	(20.1)	(16.7)	1.4	(16.9)	(14.0)
QH	4.7	(8.8)	(9.5)	5.4	(5.2)	(6.5)
SIRI	0.0	(19.6)	(17.2)	0.7	(16.3)	(14.5)
SPALI	8.1	(11.7)	(14.3)	8.8	(8.1)	(11.5)

Source: SET, SCBS Investment Research

Property sector's PBV

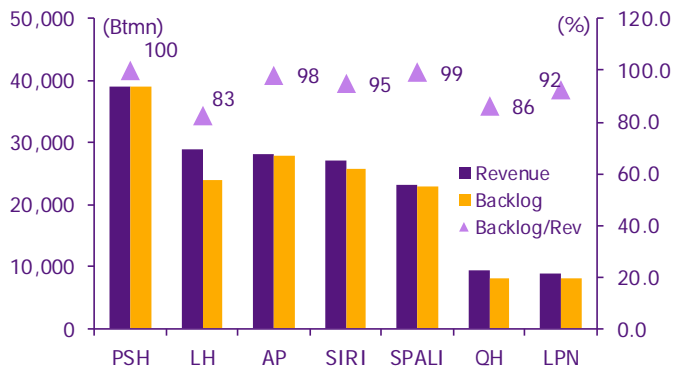


Source: SET, SCBS Investment Research

Analyst

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Figure 1: Backlog to revenue for 2019 (average 95%)



Source: Company, SCBS Investment Research

Figure 2: New mortgage lending (post-finance) slowing down



Source: BoT

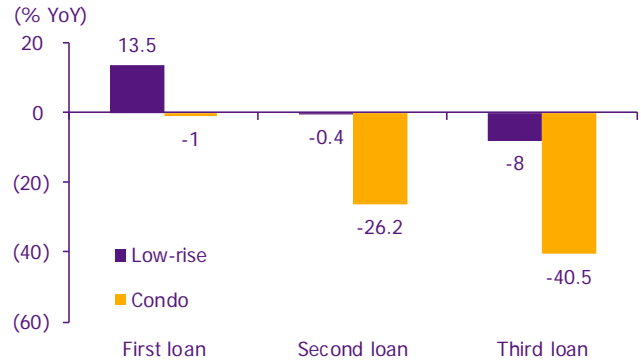
Note: Bar graph represents new loan amount (new flows), while loan growth illustrates growth of loan outstanding (% YoY)

Figure 3: Mortgage loan growth in 9M19 versus 9M18 broken down by contract



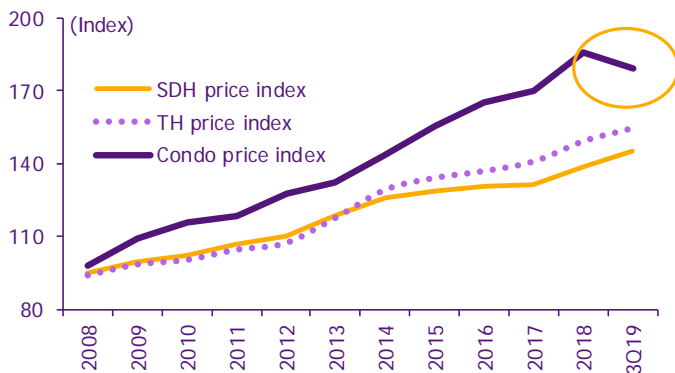
Source: BoT

Figure 4: Growth rate of new mortgage contracts in 9M19 versus 9M18, broken down by housing type



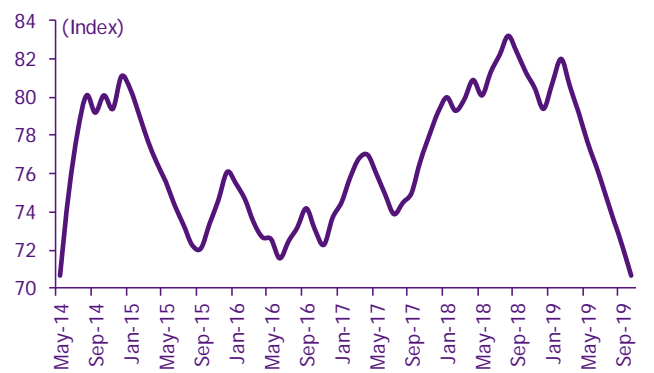
Source: BoT

Figure 5: Condo price index heading south after the new LTV took effect



Source: BoT

Figure 6: CCI lowest in 65 months (70.7)



Source: UTCC

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
AP	Buy	6.85	9.0	36.1	5.6	7.1	6.6	25	(21)	8	0.9	0.8	0.8	17	12	12	5.8	4.7	5.0	8.5	10.0	9.2
LH	Buy	9.80	13.0	39.9	12.5	13.0	12.3	5	(4)	6	2.4	2.4	2.3	19	18	19	7.7	7.3	7.7	12.0	13.7	13.1
LPN	Neutral	4.60	5.0	18.8	5.0	5.0	5.1	28	0	(2)	0.5	0.5	0.5	11	10	10	13.0	10.1	9.8	6.4	7.0	7.6
PSH	Neutral	15.50	20.5	42.5	5.6	5.5	5.4	10	2	2	0.8	0.8	0.7	15	14	14	10.0	10.2	10.5	8.5	8.7	8.6
QH	Buy	2.68	3.5	37.1	7.4	9.6	8.9	17	(23)	7	1.1	1.1	1.0	15	11	12	8.2	6.5	6.8	9.7	12.6	11.5
SIRI	Neutral	1.11	1.5	46.4	7.9	7.8	6.7	(29)	1	18	0.5	0.5	0.5	7	7	8	7.2	11.2	13.1	17.7	18.6	16.7
SPALI	Buy	17.40	20.0	20.4	6.5	6.8	6.4	(15)	(5)	6	1.1	1.0	0.9	19	15	15	5.7	5.5	5.8	6.7	6.6	6.0
Average					7.2	7.8	7.3	6	(7)	6	1.1	1.0	1.0	15	13	13	8.2	7.9	8.4	9.9	11.0	10.4

Source: SCBS Investment Research

Securities

SET FIN index Close: 29/11/2019 4,285.77 +23.32 / +0.55% Bt1,049mn
 Bloomberg ticker: SETFIN



Still prefer ASP to MBKET

We expect MBKET and ASP to see a QoQ fall in 4Q19F earnings due to lower daily market turnover and falling market share. We maintain Neutral on ASP on an expected decent dividend yield but Sell MBKET due to an unsustainable dividend after an exceptionally high 1H19 dividend.

Daily market turnover falling. QTD average daily market turnover (excluding proprietary trading) is Bt44.6bn for 4Q19 (as of November 29), down 17% QoQ but up 11% YoY. YTD daily market turnover is Bt47.8bn. We inch down our 2019F average daily market turnover assumption from Bt48bn to Bt47.5bn (vs. Bt50.6bn in 2018), assuming Bt45bn in 4Q19. We expect to see daily market turnover sink to Bt42bn in 2020 as investment in LTF will no longer be tax deductible.

Market share slimming. MBKET's market share has fallen to 5.98% QTD in 4Q19 (as of November 29) from 6.32% in 3Q19 with a YTD market share of 6.17% vs. 6.14% in 2018. ASP's market share slipped to 1.5% in 3Q19 (as of September 12) from 1.69% in 3Q19 with a YTD market share of 1.72% vs. 2.29% in 2018. We maintain MBKET's 2019F market share at 6.1% and ASP's 2019F market share at 1.7%.

MBKET 4Q19F preview: Down QoQ and YoY. We forecast a 43% QoQ and 17% YoY drop in 4Q19 earnings to Bt62mn. The fall QoQ arises out of a 22% drop in brokerage fees with stable non-brokerage fee and investment income.

ASP's 4Q19F preview: Down QoQ, Up YoY. We forecast 4Q19 earnings to decrease 33% QoQ but soar 129% YoY to Bt60mn. The QoQ fall of 33% comes chiefly from a 31% fall in brokerage fees with a 4% increase in non-brokerage fees, mainly from its mutual fund business, and expectation of a small investment gain (vs. small investment loss in 3Q19).

Decent 2H19F dividend yield. We expect MBKET's 2H19 dividend to return to normal at Bt0.30/share (100% payout on 2H19, 4.3% yield), after a larger-than-expected 1H19 dividend of Bt0.68, which was 9.9x 1H19 EPS. We estimate ASP's 2H19 dividend at Bt0.08/share (vs. Bt0.06/share on 1H19), a 90% dividend payout ratio for 2019, translating to 4.6% dividend yield.

Prefer ASP to MBKET. We keep our Neutral on ASP with TP of Bt2 (15x 2020F EPS) and Sell on MBKET with TP of Bt4 (16.7x 2020F EPS). We prefer ASP to MBKET because of: 1) more diversified source of revenue to cope with the intense competition in the brokerage market and 2) less expensive valuation and thus higher dividend yield.

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	1.7	2.0	23.2	10.9	12.8	0.8	0.8
MBKET	Sell	7.0	4.0	(28.3)	18.8	28.8	0.9	1.0
Average					14.9	20.8	0.9	0.9

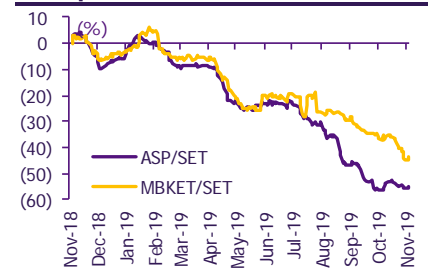
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
ASP	0.0	(25.0)	(49.4)	0.7	(22.0)	(47.8)
MBKET	(11.5)	(19.2)	(35.6)	(10.8)	(15.9)	(33.6)

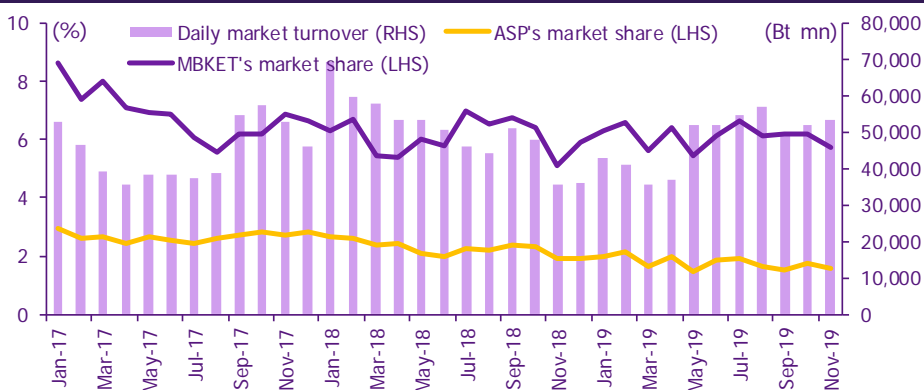
Source: SET, SCBS Investment Research

Price performance relative to SET



Source: SET, SCBS Investment Research

Market turnover lower than expected



Source: SET and SCBS Investment Research

Analyst

Kittima Sattayapan, CFA

Fundamental Investment

Analyst on Securities

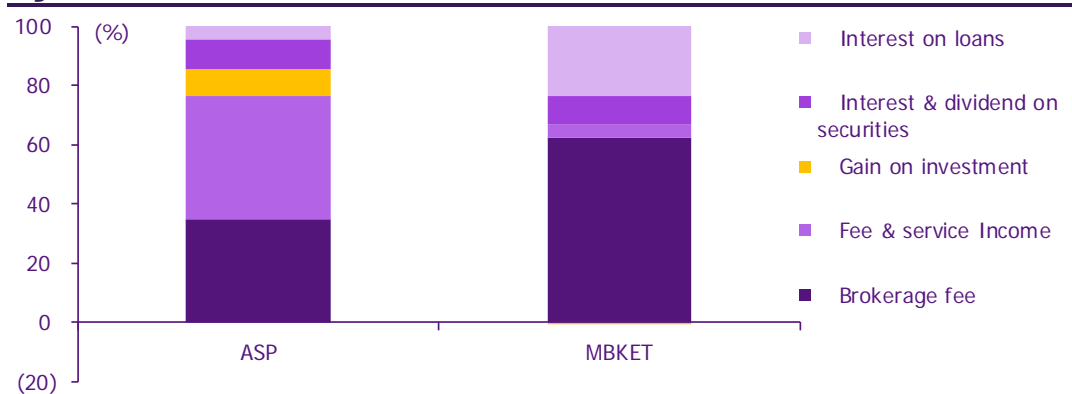
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Figure 1: Target price sensitivity to turnover

	ASP	MBKET
Target price at various daily mkt. turnover for 2H19 and 1H20		
Bt42bn	1.9	2.1
Bt45bn — base case	2.0	4.0
Bt48bn	2.2	6.0
EPS (Bt) at various daily mkt. turnover for 2H19 and 1H20		
Bt42bn	0.13	0.12
Bt45bn — base case	0.14	0.24
Bt48bn	0.14	0.36
DPS (Bt) at various daily mkt. turnover for 2H19 and 1H20		
Bt42bn	0.11	0.12
Bt45bn — base case	0.12	0.24
Bt48bn	0.13	0.36
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 (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
ASP	Neutral	1.74	2.0	23.2	8.4	10.9	12.8	(41)	(23)	(15)	0.8	0.8	0.8	9	7	6	11.5	8.2	7.0
MBKET	Sell	6.95	4.0	(28.3)	10.1	18.8	28.8	(39)	(46)	(35)	0.9	0.9	1.0	8	5	3	9.8	14.1	3.5
Average					9.3	14.9	20.8	(40)	(34)	(25)	0.8	0.9	0.9	9	6	5	10.6	11.2	5.3

Source: SCBS Investment Research

Telecom

SET ICT index Close: 29/11/2019 161.69 -3.97 / -2.40% Bt7,251mn
 Bloomberg ticker: SETCOMUN



Time to take a breather

Given rising competition in prepaid and unclear commercial use case for 5G despite the scheduling of the auction, we believe the outperformance of telecom stocks YTD (ADVANC and DTAC) may need to take a break. Recent developments indicate limited chance for upside surprise in the sector. We recommend investors stay on the sidelines to see whether the aggressive promotions will be prolonged. ADVANC may be hit the most by pricing competition as it has the highest market share, but we continue to like the company for its good cash flow and the highest dividend yield in the sector.

DTAC is a market share gainer in 3Q19. DTAC's revenue market share has been on the way down for many quarters. However, in 3Q19, DTAC started to gain revenue market share, rising to 22.3% from 21.7% in 2Q19, as the company reported the strongest service revenue ex. IC growth QoQ among peers. ADVANC's market share was relatively flat at 50.4% while TRUE's market share slid to 27.3% from 27.8% in 2Q19.

Prepaid competition is heating up. We see the message from TRUE that it is shifting its strategy for the prepaid segment as an alarming sign for the sector as a whole. Competition on prepaid is rising in 4Q19 after all operators resumed offering unlimited data packages for prepaid customers (Bt200/mth with unlimited data at 10Mbps speed). This one is more aggressive than the one introduced in 3Q19, which applied only for new SIM cards and speed was only 4Mbps. We recently saw some operators introducing a package priced at Bt90/mth with unlimited data at 2Mbps speed – below prepaid ARPU for all operators: prepaid ARPU for ADVANC is Bt179, DTAC's is Bt142 and TRUE's is Bt115 as of 3Q19. We see this as downside risk to sector earnings in 4Q19, with the magnitude depending on how many subscribers move to the Bt90/mth package.

Still no real benefit for 5G. The market likes 5G because the starting price is low and payment terms better than the 4G auction. We are less sanguine. Our initial thought is that it is too early to assume this will be positive for the sector given the fact that there is no real case for commercial use case (i.e. potential revenue upside). We believe the real sticking point for 5G is on the revenue side not the cost side. Our view is in line with the message from all operators that they feel it is too early for 5G in Thailand as there is as yet no clear commercial use despite the fact that the NBTC is planning an auction for 5G on Feb 16, 2020.

Wait and see. Share prices for ADVANC (+22.9% YTD) and DTAC (+23.7%) have outperformed the SET's rise of 1.7% YTD; TRUE has fallen 15.4%. With competition escalating in the prepaid segment, we do not expect to see any upside surprise. We suggest investors take a wait-and-see mode to see whether the aggressive promotions will be prolonged. ADVANC (TP Bt260) is our top pick. We are NEUTRAL on TRUE (TP Bt5.0) and DTAC (TP Bt63).

Potential auction prices proposed by NBTC

	Bandwidth per license (MHz)	No. of licenses	Price per license (Btmn)
700MHz	5	3	8,792
1800MHz	5	7	12,486
2600MHz	10	19	1,862
26GHz	100	27	423

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	212.0	260.0	26.3	19.1	17.4	9.2	7.8
DTAC	Neutral	53.5	63.0	21.4	19.3	19.3	5.0	4.4
TRUE	Neutral	4.4	5.0	14.3	180.6	164.6	1.1	1.1
Average					73.0	67.1	5.1	4.4

Source: SCBS Investment Research

Price performance

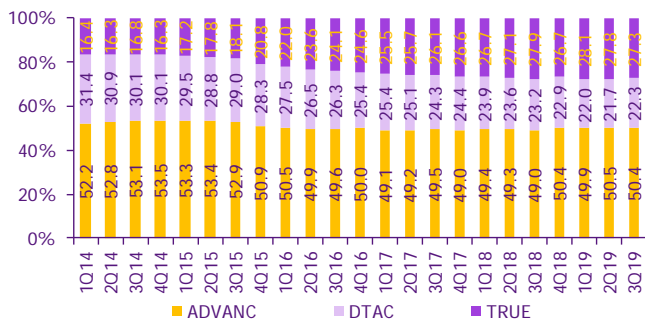
(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
ADVANC	(10.9)	(8.6)	18.8	(10.3)	(4.9)	22.6
DTAC	(14.1)	(13.0)	11.5	(13.4)	(9.5)	15.0
TRUE	(12.1)	(29.5)	(24.1)	(11.5)	(26.7)	(21.7)

Source: SET, SCBS Investment Research

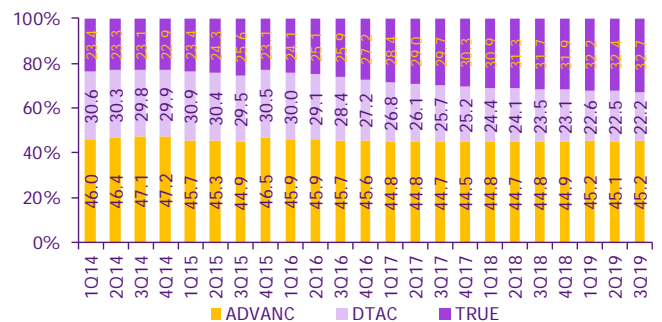
Analyst

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Figure 1: DTAC started to gain revenue market share in 3Q19 **Figure 2: ...despite lower subs market share**

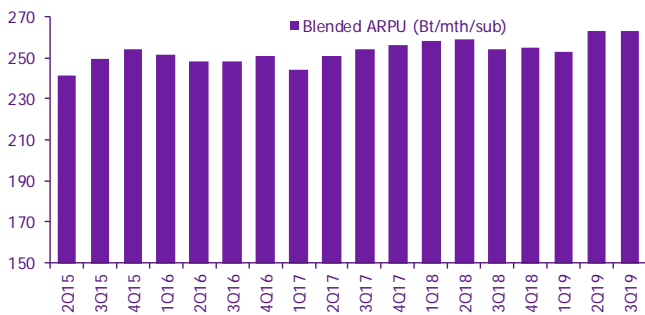


Source: Company data and SCBS Investment Research



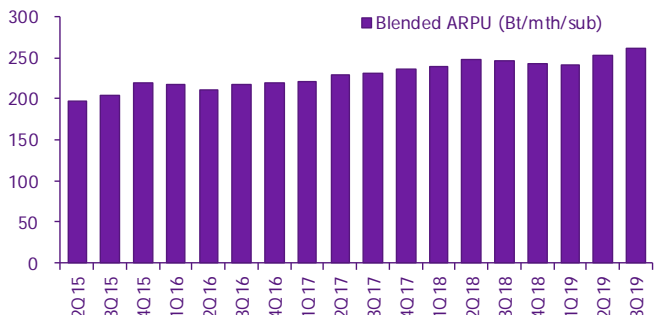
Source: Company data and SCBS Investment Research

Figure 3: Blended ARPU was flat QoQ in 3Q19 for ADVANC



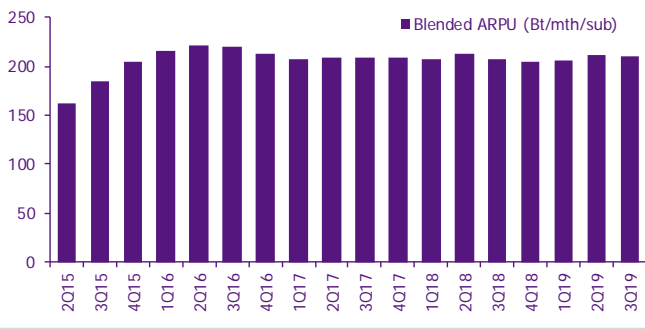
Source: SET and SCBS Investment Research

Figure 4: ...but DTAC managed to improve blended ARPU QoQ



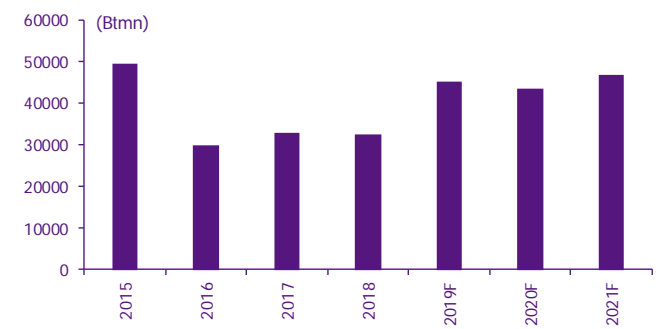
Source: SET and SCBS Investment Research

Figure 5: TRUE reported a slight drop QoQ in blended ARPU



Source: SET and SCBS Investment Research

Figure 6: Expect sector net profit to drop 3.6% YoY in 2020F, mainly from TRUE



Source: SET and SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
ADVANC	Buy	212.00	260.0	26.3	21.3	19.1	17.4	(1)	12	10	10.9	9.2	7.8	55	52	48	3.3	3.7	4.0	9.8	9.0	8.7
DTAC	Neutral	53.50	63.0	21.4	n.m.	19.3	19.3	n.m.	n.m.	0	5.8	5.0	4.4	(17)	28	24	1.9	3.6	2.6	8.2	6.6	6.8
TRUE	Neutral	4.44	5.0	14.3	21.1	180.6	164.6	n.m.	(88)	10	1.1	1.1	1.1	5	1	1	2.0	1.7	0.3	5.3	8.5	8.1
Average					21.2	73.0	67.1	(1)	(38)	6	5.9	5.1	4.4	14	27	24	2.4	3.0	2.3	7.8	8.0	7.9

Source: SCBS Investment Research

Tourism

SET TOURISM index Close: 29/11/2019 526.79 +2.70 / +0.52% Bt130mn
 Bloomberg ticker: SETHOT



Entering the high season

2H19TD brought with it accelerating international tourist arrivals growth, backed by the return of tourists from China. We expect this momentum to continue in 4Q19-1Q20, driven by the government's extension of the waiver of visa-on-arrival (VOA) fees and the windfall from a switch in travel destinations due to the protests in Hong Kong. We will be keeping an eye on travel demand, which may be shaken by concerns about the economy and the stronger baht. Our top picks are ERW and MINT.

Accelerating growth of arrivals. Thai tourism is back on track with growth in international tourist arrivals during July – October 2019 of 8% YoY to 12.7mn, accelerating from 1% YoY growth in 1H19, propelled by the China market (29% of total arrivals). Tourists from China grew 19% YoY to 3.7mn in July - October, up from a drop of 5% YoY in 1H19. Though the strong YoY growth is admittedly off low a base from the boat accident in Phuket in July 2018, this still indicates healthy recovery since the number of China tourists are greater than 2017's, which is the level before the downturn. We believe strong arrivals growth from China as well as other countries will continue in 4Q19-1Q20, which is Thailand's high season, backed by the government's extension of the waiver of visa-on-arrival (VOA) fees through April 2020 and the windfall from a switch in travel destinations due to the protests in Hong Kong.

2020: Keep an eye on travel demand. The Tourism Authority of Thailand (TAT) targets international tourist arrivals at 40mn in 2019 and 42mn in 2020 or 4% growth per year. While Thai tourism has a short-term positive backdrop, we see challenges in 2020 that may deter travel, such as the impact of the trade war on economies worldwide and the strong baht. Thai baht has appreciated 9% against the yuan, 7% against the US\$ and 10% against the euro YTD, making it more expensive to visit Thailand. We expect the government to introduce stimulus measures to give a further boost to Thai tourism after the end of the VOA fee waiver in April 2020.

Top picks: ERW and MINT. ERW, as a pure hotel play focused primarily on Thailand, is poised to be the prime beneficiary of the improvement in Thai tourism. We expect ERW's core earnings to resume growth in 4Q19, supported by the high tourism season with more guests and events and the completion of the final phase of renovations at flagship *JW Marriott Bangkok*; the last batch of renovated rooms and restaurants were ready for service in October. For MINT, while the strong baht is a concern given its large earnings base in Europe, we forecast core earnings growth at 14% YoY in 2020, backed by stronger NHH operations. We see long-term growth potential through synergy between the large hotel portfolio of NHH combined with MINT's own.

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	27.8	34.0	24.2	24.8	23.6	2.6	2.4
ERW	Buy	6.4	8.5	33.8	33.0	24.8	2.7	2.5
MINT	Buy	38.5	45.0	18.1	28.8	25.3	2.0	1.9
Average					28.9	24.6	2.4	2.3

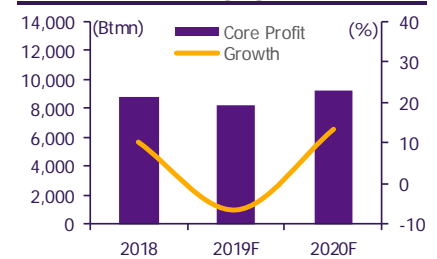
Source: SCBS Investment Research

Price performance

(%)	Absolute			Relative to SET		
	1M	3M	12M	1M	3M	12M
CENTEL	1.8	(13.3)	(34.3)	2.6	(9.8)	(32.2)
ERW	18.5	9.4	(7.9)	19.4	13.8	(4.9)
MINT	6.2	1.3	6.2	7.0	5.4	9.6

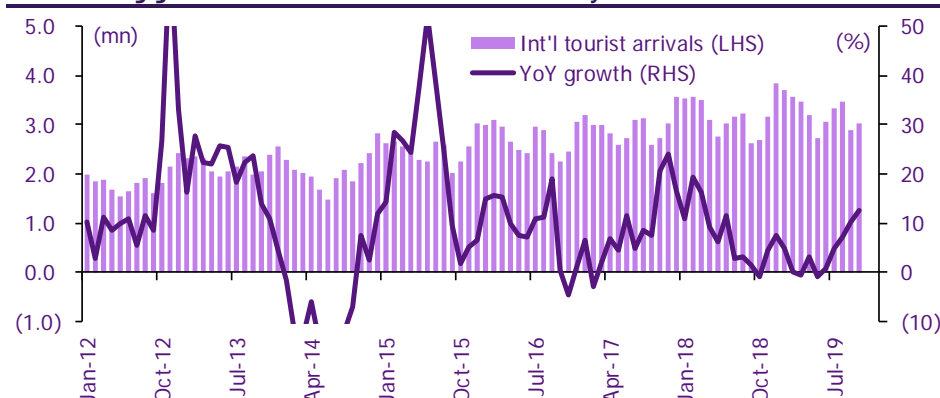
Source: SET, SCBS Investment Research

Sector core earnings growth



Source: SET, SCBS Investment Research

Accelerating growth of int'l tourist arrivals since July 2019

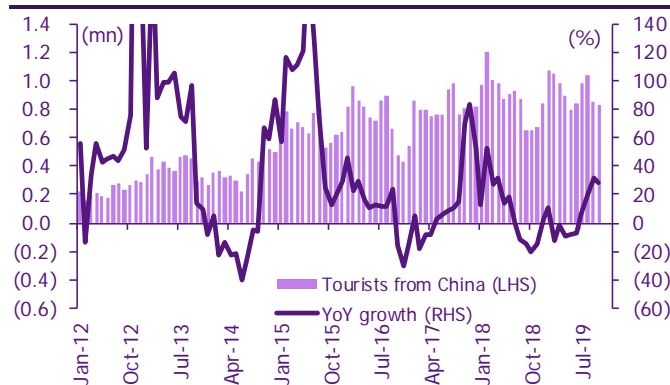


Source: Ministry of Tourism and Sport and SCBS Investment Research

Analyst

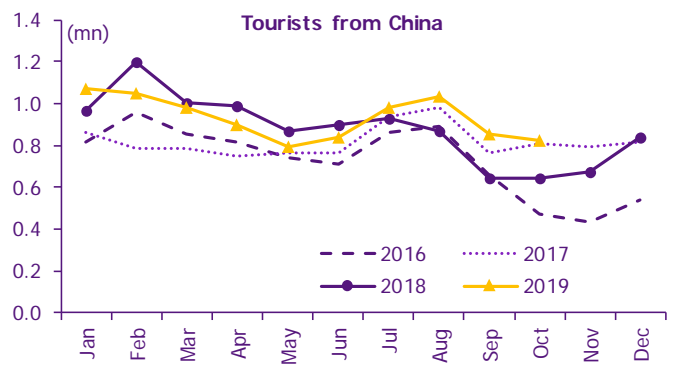
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Figure 1: Recovery in China market...



Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 2: ...with more visitors than in 2017, before the downturn beginning in July 2018



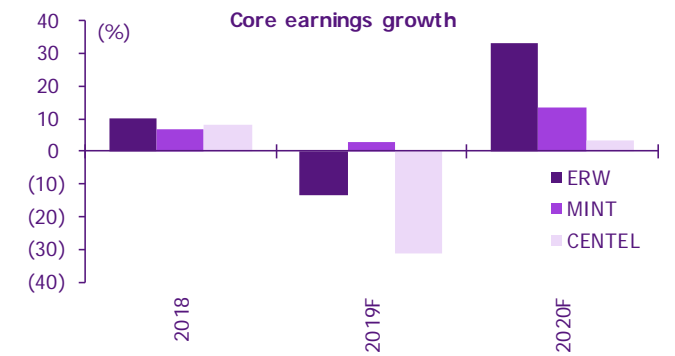
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 3: Thai tourism forecast



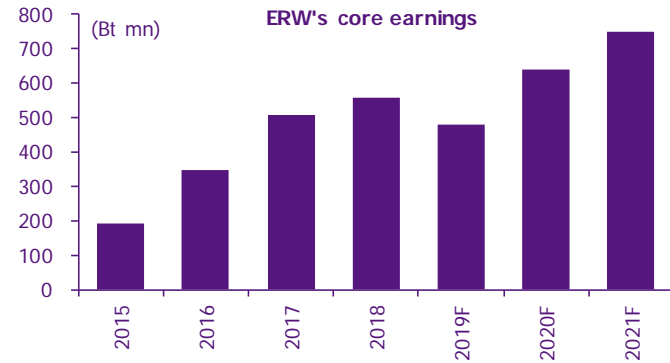
Source: Ministry of Tourism and Sport and SCBS Investment Research

Figure 4: Core earnings growth forecast



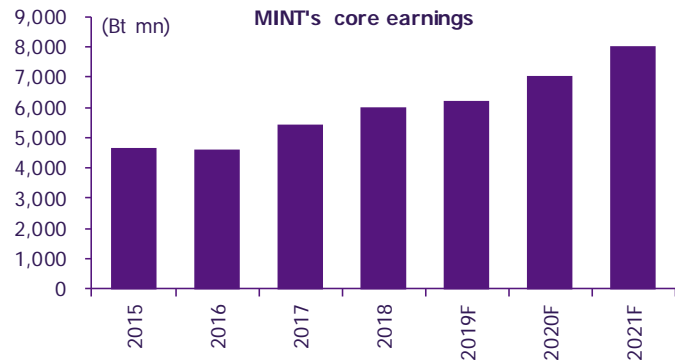
Source: SCBS Investment Research

Figure 5: ERW's earnings



Source: SCBS Investment Research

Figure 6: MINT's earnings



Source: SCBS Investment Research

Figure 7: Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
CENTEL	Neutral	27.75	34.0	24.2	17.2	24.8	23.6	8.0	(30.7)	5.1	2.8	2.6	2.4	17.1	10.9	10.7	2.3	1.7	1.7	8.6	10.6	10.6
ERW	Buy	6.40	8.5	33.8	28.6	33.0	24.8	9.8	(13.6)	33.1	2.8	2.7	2.5	10.0	8.2	10.3	1.4	1.0	1.4	12.7	13.7	11.5
MINT	Buy	38.50	45.0	18.1	29.6	28.8	25.3	6.6	3.0	13.6	2.1	2.0	1.9	9.0	7.2	7.6	1.0	1.2	1.4	18.5	13.5	12.4
Average					25.1	28.9	24.6	8.1	(13.8)	17.3	2.6	2.4	2.3	12.0	8.7	9.5	1.6	1.3	1.5	13.3	12.6	11.5

Source: SCBS Investment Research

Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	Core Profit (Btm)			Core EPS (Bt)			Core EPS growth (%)			Core PER (x)			BVPS(Bt)			P/BV (x)			ROE (%)		
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F
Health Care Services						12.7	16,079	15,494	17,439						35.2	32.9	29.5				6.46	5.89	5.45	18	18	19
BCH	Buy	17.40	20.50	17.8	19.7	1,109	1,189	1,361	0.44	0.48	0.55	21	7	14	39.1	36.5	31.9	2.3	2.5	2.8	7.61	6.90	6.23	18	18	19
BDMS	Buy	24.60	28.00	13.8	27.0	9,918	9,373	10,954	0.64	0.60	0.70	23	(6)	17	38.7	41.0	35.1	4.5	5.2	5.5	5.46	4.76	4.49	14	12	13
BH	Neutral	135.50	145.00	7.0	141.9	4,152	3,841	3,922	5.70	5.27	5.38	5	(7)	2	23.8	25.7	25.2	25.3	27.4	30.1	5.35	4.94	4.50	23	20	18
CHG	Buy	2.64	2.80	6.1	2.9	645	778	848	0.06	0.07	0.08	9	21	9	45.1	37.4	34.2	0.3	0.3	0.4	8.15	7.68	7.11	18	20	21
RJH	Buy	24.90	30.50	22.5	30.7	255	314	354	0.85	1.05	1.18	10	23	13	29.3	23.8	21.1	4.4	4.8	5.1	5.71	5.14	4.90	17	23	24
Information & Communication Technology						20.1	43,707	53,534	57,171						19.6	58.3	53.8				5.59	4.92	4.37	18	28	26
Mobile																										
ADVANC	Buy	212.00	260.00	22.6	250.0	29,564	32,997	36,136	9.94	11.10	12.15	(1)	12	10	21.3	19.1	17.4	19.4	23.1	27.1	10.93	9.17	7.83	55	52	48
DTAC	Neutral	53.50	63.00	17.8	59.6	-4,382	6,551	6,556	-1.85	2.77	2.77	n.m.	n.m.	0	n.m.	19.3	19.3	9.3	10.7	12.1	5.78	4.99	4.42	(17)	28	24
TRUE	Neutral	4.44	5.00	12.6	5.5	7,035	820	900	0.21	0.02	0.03	n.m.	(88)	10	21.1	180.6	164.6	4.0	4.1	4.0	1.11	1.09	1.10	5	1	1
Other																										
INTUCH	Buy	58.75	70.00	19.1	76.3	11,491	13,166	13,580	3.58	4.11	4.24	(7)	15	3	16.4	14.3	13.9	12.9	13.3	14.1	4.55	4.43	4.15	29	31	31
Insurance						50.4	4,212	5,223	5,350						8.0	12.2	10.0				1.07	0.98	0.92	2	10	11
BLA	Buy	21.80	34.00	56.0	25.4	4,970	4,856	4,899	2.91	2.84	2.87	37	(2)	1	7.5	7.7	7.6	22.5	26.2	28.3	0.97	0.83	0.77	13	12	11
THRE	Neutral	0.63	0.60	(4.8)	0.6	-1,011	135	186	-0.24	0.03	0.04	(810)	n.m.	38	n.m.	19.7	14.3	0.9	0.9	0.9	0.73	0.71	0.67	(24)	4	5
THREL	Buy	3.60	4.40	22.2	4.4	253	233	265	0.42	0.39	0.44	(42)	(8)	14	8.5	9.3	8.2	2.4	2.6	2.7	1.50	1.38	1.32	17	16	17
Paper & Printing Materials						773	852	861							8.4	7.6	7.5				2.42	2.06	1.81	33	29	26
UTP	Neutral	9.95	10.70	7.5	11.5	773	852	861	1.19	1.31	1.32	113	10	1	8.4	7.6	7.5	4.1	4.8	5.5	2.42	2.06	1.81	33	29	26
Petrochemicals & Chemicals						35.6	65,201	23,324	47,357						11.0	34.4	9.9				1.09	1.08	1.00	13	4	10
GGC	Sell	10.50	11.00	4.8	12.7	565	165	989	0.55	0.16	0.97	(6)	(71)	499	19.0	65.1	10.9	9.5	9.7	10.5	1.11	1.09	1.00	5	2	10
IVL	Buy	34.75	50.00	43.9	42.8	24,053	9,663	19,986	4.28	1.72	3.56	12	(60)	107	8.1	20.2	9.8	25.8	26.0	28.2	1.35	1.33	1.23	18	7	13
PTTGC	Buy	53.75	70.00	30.2	59.0	40,583	13,496	26,382	9.00	2.99	5.85	(0)	(67)	95	6.0	18.0	9.2	65.7	65.9	69.5	0.82	0.82	0.77	14	4	8
Property Development						29.8	37,699	37,418	41,940						37.1	24.9	16.5				1.64	1.32	1.26	12	10	11
Industrial Estate																										
AMATA	Buy	21.20	32.00	50.9	27.7	1,250	1,808	2,223	1.17	1.69	2.08	(19)	45	23	18.1	12.5	10.2	12.2	13.5	14.9	1.74	1.57	1.43	8	11	13
AMATAV	Neutral	4.88	5.20	6.6	5.2	396	103	182	0.42	0.11	0.20	(21)	(74)	76	11.5	44.1	25.0	3.0	2.9	3.1	1.64	1.66	1.57	13	3	6
ROJNA	Buy	5.95	8.50	42.9	8.4	315	691	958	0.16	0.34	0.47	14	119	39	38.1	17.4	12.5	6.2	5.9	6.1	0.96	1.00	0.98	2	4	5
WHA	Buy	4.22	6.50	54.0	5.3	2,907	3,398	4,367	0.20	0.22	0.28	5	8	29	20.8	19.2	15.0	1.9	2.2	2.3	2.22	1.96	1.82	10	11	11
Real Estate Developer																										
AWC	Buy	6.00	7.20	20.0	6.5	470	1,275	2,271	0.02	0.04	0.07	218	104	78	306.7	150.6	84.5	1.0	2.3	2.4	5.76	2.58	2.54	2.78	2.57	3.03
Residential																										
AP	Buy	6.85	9.00	31.4	8.3	3,860	3,035	3,282	1.23	0.96	1.04	25	(21)	8	5.6	7.1	6.6	7.8	8.3	9.0	0.88	0.82	0.76	17	12	12
LH	Buy	9.80	13.00	32.7	11.6	9,389	8,980	9,499	0.79	0.75	0.79	5	(4)	6	12.5	13.0	12.3	4.1	4.1	4.2	2.38	2.38	2.33	19	18	19
LPN	Neutral	4.60	5.00	8.7	4.9	1,358	1,364	1,336	0.92	0.92	0.91	28	0	(2)	5.0	5.0	5.1	8.7	9.0	9.5	0.53	0.51	0.48	11	10	10
PSH	Neutral	15.50	20.50	32.3	17.1	6,022	6,165	6,308	2.75	2.82	2.88	10	2	2	5.6	5.5	5.4	18.5	19.7	21.0	0.84	0.79	0.74	15	14	14
QH	Buy	2.68	3.50	30.6	3.2	3,865	2,988	3,210	0.36	0.28	0.30	17	(23)	7	7.4	9.6	8.9	2.5	2.5	2.6	1.09	1.07	1.01	15	11	12
SIRI	Neutral	1.11	1.50	35.1	1.1	2,098	2,110	2,480	0.14	0.14	0.17	(29)	1	18	7.9	7.8	6.7	2.1	2.1	2.1	0.53	0.53	0.52	7	7	8
SPALI	Buy	17.40	20.00	14.9	21.4	5,770	5,499	5,824	2.69	2.57	2.72	(15)	(5)	6	6.5	6.8	6.4	15.5	17.1	18.8	1.12	1.02	0.92	19	15	15
Tourism & Leisure						25.6	2,737	1,993	2,229						22.9	28.9	24.2				2.78	2.63	2.46	14	10	11
CENEL	Neutral	27.75	34.00	22.5	33.3	2,182	1,513	1,590	1.62	1.12	1.18	8	(31)	5	17.2	24.8	23.6	9.9	10.6	11.4	2.79	2.61	2.44	17	11	11
ERW	Buy	6.40	8.50	32.8	7.3	555	480	638	0.22	0.19	0.26	10	(14)	33	28.6	33.0	24.8	2.3	2.4	2.6	2.78	2.65	2.48	10	8	10
Transportation & Logistics						8.2	17,149	13,767	24,031						53.4	47.2	36.4				3.23	3.09	3.78	(4)	(19)	(22)
Aviation																										
AAV	Buy	2.20	4.60	109.1	3.6	-68	-32	673	-0.01	-0.01	0.14	n.m.	53	n.m.	n.m.	n.m.	15.9	4.2	4.2	4.3	0.52	0.52	0.51	(0)	(0)	3
AOT	Neutral	75.50	80.00	6.0	80.6	25,036	25,470	27,268	1.75	1.78	1.91	15	2	7	43.1	42.3	39.6	10.1	10.8	11.8	7.48	6.98	6.40	18	17	17
THAI	Sell	6.90	6.50	(5.8)	5.6	-10,364	-15,140	-7,606	-4.75	-6.93	-3.48	n.m.	(46)	50	n.m.	n.m.	n.m.	9.4	4.8	1.3	0.74	1.44	5.31	(40)	(98)	(115)
Mass Transit																										
BTS	Buy	13.70	16.00	16.8	15.2	2,545	3,469	3,697	0.21	0.26	0.25	65	22	(3)	63.8	52.1	53.8	3.3	4.0	4.7	4.19	3.40	2.91	5	6	5
Infrastructure Fund						18,448	20,487	25,923							14.1	13.0	11.7				1.01	1.00	1.01	8	8	10
BTS GIF	Neutral	10.40	11.00	5.8																						

SCBS Investment Recommendations

Price as of : 29-Nov-19



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	DPS (Bt)			Dividend Yield (%)			EV/EBITDA (x)			EBITDA Growth (%)			Net Debt (Btm)			Shares (m Shrs.)	Mkt. Cap. (Btm)	%Mkt.Cap / SET	
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F				
Agribusiness																								
				12.9					1.99	2.05	2.05	6.59	6.45	6.82	-10	-2	-8	2,200	1,538	1,075				
GFPT	Neutral	12.40	14.00	12.9	14.4	0.25	0.25	0.25	1.99	2.05	2.05	6.59	6.45	6.82	-10	-2	-8	2,200	1,538	1,075	1,254	15,547	0.09	
Automotive																								
				3.6					6.83	4.27	4.53	4.92	4.97	4.67	12	-3	-2	-1,746	-2,463	-4,613			33,863	0.20
AH	Sell	13.50	11.00	(18.5)	15.3	1.30	0.64	0.44	9.63	4.75	3.29	6.36	6.50	6.63	32	5	-9	5,807	6,546	5,750	323	4,355	0.03	
PCSGH	Sell	5.90	5.30	(10.2)	6.0	0.27	0.10	0.25	4.58	1.69	4.20	7.49	7.95	6.96	3	-12	8	(498)	(976)	(1,442)	1,525	8,998	0.05	
SAT	Buy	15.80	20.00	26.6	20.5	1.35	1.03	1.04	8.54	6.53	6.57	3.10	2.63	2.40	3	-2	-6	(1,759)	(2,578)	(3,179)	425	6,718	0.04	
STANLY	Buy	180.00	195.00	8.3	200.5	8.25	7.40	7.30	4.58	4.11	4.06	2.73	2.77	2.70	12	-3	-1	(5,296)	(5,455)	(5,742)	77	13,793	0.08	
Banking																								
Large Banks																								
BBL	Buy	176.50	205.00	16.1	207.8	6.50	7.00	7.50	3.68	3.97	4.25							-	-	-	1,909	336,911	2.00	
KBANK	Buy	155.00	155.00	-	165.8	4.00	3.78	3.78	2.58	2.44	2.44							-	-	-	2,393	370,955	2.20	
KTB	Buy	16.40	20.00	22.0	18.8	0.72	0.78	0.83	4.38	4.75	5.07							-	-	-	13,976	229,207	1.36	
Mid/small banks																								
BAY	Buy	32.25	39.00	20.9	36.7	1.01	1.32	1.15	3.14	4.11	3.56							-	-	-	7,356	237,223	1.41	
KKP	Neutral	68.50	70.00	2.2	74.5	5.00	4.64	4.13	7.30	6.78	6.02							-	-	-	847	58,002	0.34	
LHFG	Sell	1.30	1.40	7.7	1.5	0.04	0.04	0.05	3.39	3.36	3.52										21,184	27,539	0.16	
TCAP	Buy	55.75	63.00	13.0	59.5	2.60	6.80	3.54	4.66	12.20	6.35							-	-	-	1,165	64,955	0.39	
TISCO	Neutral	97.50	102.00	4.6	105.8	7.00	7.34	7.08	7.18	7.53	7.26							-	-	-	801	78,063	0.46	
TMB	Buy	1.60	1.90	18.8	1.7	0.07	0.06	0.06	4.38	3.75	3.92							-	-	-	43,852	70,163	0.42	
Commerce																								
				23.0					1.88	1.85	2.00	19.27	18.39	17.08	8	4	6	302,737	278,419	257,939			1,314,247	7.81
BJC	Neutral	45.50	53.00	16.5	54.9	0.73	0.68	0.73	1.60	1.50	1.60	16.03	15.57	15.04	5	2	3	155,208	152,496	150,302	4,007	182,310	1.08	
CPALL	Buy	76.00	98.00	28.9	92.2	1.20	1.31	1.49	1.58	1.72	1.96	18.66	16.99	15.45	5	7	8	118,667	101,713	85,735	8,983	682,716	4.06	
GLOBAL	Buy	17.00	19.50	14.7	17.6	0.21	0.14	0.16	1.21	0.82	0.93	23.70	23.57	21.21	21	-1	10	11,761	10,328	9,220	4,202	71,426	0.42	
HMPRO	Buy	16.50	19.00	15.2	18.3	0.35	0.38	0.44	2.12	2.33	2.64	21.85	20.07	18.24	10	8	9	11,020	9,880	7,943	13,151	216,995	1.29	
MAKRO	Neutral	33.50	40.00	19.4	39.1	0.96	0.96	0.96	2.87	2.87	2.87	16.11	15.73	15.45	0	1	2	6,081	4,002	4,739	4,800	160,800	0.96	
Construction Materials																								
Cement																								
SCC	Buy	381.00	440.00	15.5	399.1	18.00	13.51	13.51	4.72	3.55	3.55	8.10	9.67	9.42	-9	-15	4	154,615	167,251	177,269	1,200	457,200	2.72	
SCCC	Buy	205.00	260.00	26.8	254.9	8.00	8.00	8.00	3.90	3.90	3.90	10.72	10.62	10.10	4	0	4	28,277	27,317	26,031	298	61,090	0.36	
Others																								
DCC	Neutral	1.86	2.30	23.7	2.5	0.12	0.10	0.11	6.24	5.56	6.09	7.59	7.70	7.30	7	5	8	2,280	2,344	2,284	7,231	13,450	0.08	
EPG	Buy	7.35	8.50	15.6	8.8	0.22	0.22	0.25	2.99	3.00	3.47	14.39	13.19	11.58	-2	6	10	952	413	-341	2,800	20,580	0.12	
Energy & Utilities																								
Oil & Gas and Coal																								
PTT	Buy	43.25	53.00	22.5	50.4	2.00	2.00	2.00	4.62	4.62	4.62	3.78	3.75	2.96	-2	-6	12	109,030	17,486	-124,260	28,563	1,235,350	7.34	
PTTEP	Buy	120.00	164.00	36.7	143.0	5.00	5.50	5.75	4.17	4.58	4.79	3.11	3.23	3.20	18	11	1	-79,887	-18,678	-20,157	3,970	476,398	2.83	
Refineries																								
BCP	Buy	25.00	33.00	32.0	31.5	1.35	0.40	1.40	5.40	1.60	5.60	7.15	10.13	7.10	-20	-22	34	38,652	46,761	41,808	1,377	34,423	0.20	
ESSO	Buy	7.40	9.60	29.7	8.6	0.30	0.00	0.60	4.05	0.00	8.11	11.06	46.49	5.79	-59	-77	616	24,458	22,543	17,283	3,461	25,610	0.15	
IRPC	Buy	3.50	4.30	22.9	4.0	0.19	0.01	0.17	5.43	0.29	4.86	7.17	14.97	6.78	-19	-53	103	55,028	52,253	42,212	20,434	71,520	0.43	
SPRC	Buy	9.95	11.00	10.6	10.8	0.59	0.20	0.44	5.96	2.01	4.42	8.98	13.05	4.67	-61	-35	149	-74	-2,608	-6,981	4,336	43,142	0.26	
TOP	Buy	69.00	79.00	14.5	74.8	2.65	1.20	3.10	3.84	1.74	4.49	6.23	11.36	7.12	-40	-28	87	-202	43,008	74,348	2,040	140,762	0.84	
Utilities																								
GPSC	Buy	81.50	95.00	16.6	82.8	1.25	1.25	1.40	1.53	1.53	1.72	23.68	15.23	16.40	22	181	16	16,829	101,737	84,250	2,820	229,808	1.37	
TTW	Neutral	13.60	14.00	2.9	14.7	0.60	0.60	0.60	4.41	4.41	4.41	12.70	12.21	11.19	3	3	5	6,592	5,906	3,811	3,990	54,264	0.32	
WHAUP	Buy	5.95	9.20	54.6	8.1	0.21	0.20	0.22	3.55	3.38	3.71	10.70	11.31	10.18	50	-5	6	8,135	8,233	6,876	3,825	22,759	0.14	
Finance & Securities																								
Credit card																								
AEONTS	Buy	192.50	250.00	29.9	240.2	4.70	5.66	6.55	2.44	2.94	3.40										250	48,125	0.29	
KTC	Neutral	41.00	42.00	2.4	42.3	0.80	0.86	0.97	1.94	2.11	2.37										2,578	105,712	0.63	
MTC	Neutral	60.25	64.00	6.2	65.3	0.26	0.31	0.38	0.43	0.51	0.64										2,120	127,730	0.76	
SAWAD	Neutral	62.75	72.00	14.7	68.3	0.01	0.01	0.02	0.02	0.02	0.03										1,325	83,159	0.49	
Securities																								
ASP	Neutral	1.74	2.00	14.9	2.5	0.20	0.14	0.12	11.49	8.24	7.04										2,106	3,664	0.02	
MBKET	Sell	6.95	4.00	(42.4)	4.0	0.68	0.98	0.24	9.78	14.12	3.47										571	3,967	0.02	
Food & Beverage																								
CPF	Buy	27.50	32.00	16.4	33.8	0.65	0.65	0.65	2.36	2.36	2.36	14.48	11.96	11.45	16	18	4	297,260	280,684	279,445	8,611	236,809	1.41	
MINT	Buy	38.50	45.00	16.9	43.8	0.40	0.47	0.53	1.04	1.22	1.38	18.53	13.50	12.44	40	35	7	114,098	108,872	105,698	4,619	177,832	1.06	
TU	Neutral	13.80	16.50	19.6	17.5	0.40	0.53	0.55	2.90	3.84	3.96	13.71	11.69	11.10	-6	13	3	62,760	58,291	55,886	4,772	65,851	0.39	

SCBS Investment Recommendations

Price as of : 29-Nov-19



Company	Rec.	Price (Bt)	Target Price	% Up/(Down)	12-mth BB-CON	DPS (Bt)			Dividend Yield (%)			EV/EBITDA (x)			EBITDA Growth (%)			Net Debt (Btm)			Shares (m Shrs.)	Mkt. Cap. (Btm)	%Mkt.Cap / SET	
						18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F	18A	19F	20F				
Health Care Services					12.7		1.88	1.96	2.19	21.35	19.03	17.17	8	10	10	38,208	17,540	12,373		569,602	3.39			
BCH	Buy	17.40	20.50	17.8	19.7	0.22	0.23	0.27	1.26	1.35	1.57	21.25	19.39	16.84	8	9	15	4,044	3,739	3,608	2,494	43,391	0.26	
BDMS	Buy	24.60	28.00	13.8	27.0	0.32	0.33	0.39	1.30	1.34	1.57	24.53	22.14	20.16	11	6	9	39,055	20,066	16,466	15,892	390,943	2.32	
BH	Neutral	135.50	145.00	7.0	141.9	2.90	2.64	2.69	2.14	1.95	1.99	14.62	15.16	14.50	4	-5	3	(5,414)	(6,815)	(8,169)	729	98,758	0.59	
CHG	Buy	2.64	2.80	6.1	2.9	0.05	0.05	0.05	1.89	1.83	2.04	28.30	23.82	21.00	6	19	13	718	867	639	11,000	29,040	0.17	
RJH	Buy	24.90	30.50	22.5	30.7	0.70	0.84	0.94	2.81	3.36	3.79	18.04	14.65	13.34	12	21	12	(194)	(316)	(171)	300	7,470	0.04	
Information & Communication Technology					20.1		2.97	3.99	3.52	9.64	9.66	9.39				12	0	7	272,031	265,552	317,608		1,093,524	6.50
Mobile																								
ADVANC	Buy	212.00	260.00	22.6	250.0	7.08	7.84	8.51	3.34	3.70	4.01	9.80	8.98	8.68	5	7	4	100,066	85,176	90,081	2,973	630,314	3.75	
DTAC	Neutral	53.50	63.00	17.8	59.6	1.01	1.94	1.38	1.89	3.63	2.59	8.18	6.63	6.80	-33	22	2	32,910	30,411	38,165	2,368	126,678	0.75	
TRUE	Neutral	4.44	5.00	12.6	5.5	0.09	0.07	0.01	2.03	1.67	0.27	5.30	8.49	8.12	23	-35	19	134,606	145,616	185,113	33,368	148,155	0.88	
Other																								
INTUCH	Buy	58.75	70.00	19.1	76.3	2.71	4.11	4.24	4.61	6.99	7.21	15.27	14.54	13.97	4	5	4	4,449	4,349	4,249	3,206	188,377	1.12	
Insurance					50.4		4.35	3.96	4.36														42,040	0.25
BLA	Buy	21.80	34.00	56.0	25.4	0.73	0.71	0.72	3.34	3.26	3.29											1,708	37,225	0.22
THRE	Neutral	0.63	0.60	(4.8)	0.6	0.00	0.00	0.00	0.00	0.00	0.00											4,215	2,655	0.02
THREL	Buy	3.60	4.40	22.2	4.4	0.35	0.31	0.35	9.72	8.62	9.80											600	2,160	0.01
Paper & Printing Materials							6.03	6.61	6.68	6.11	5.15	4.67	86	9	0	199	-363	-915					6,468	0.04
UTP	Neutral	9.95	10.70	7.5	11.5	0.60	0.66	0.66	6.03	6.61	6.68	6.11	5.15	4.67	86	9	0	199	-363	-915	650	6,468	0.04	
Petrochemicals & Chemicals					35.6		3.98	2.87	4.15	7.08	10.61	6.06	2	-33	61	170,966	152,247	113,254					448,205	2.66
GGC	Sell	10.50	11.00	4.8	12.7	0.00	0.15	0.32	0.00	1.43	3.02	9.34	14.05	5.83	-17	-27	115	-1,681	-793	-1,868	1,024	10,749	0.06	
IVL	Buy	34.75	50.00	43.9	42.8	1.40	1.40	1.40	4.03	4.03	4.03	7.13	9.10	6.22	30	-28	36	130,554	104,410	82,333	5,615	195,106	1.16	
PTTGC	Buy	53.75	70.00	30.2	59.0	4.25	1.70	2.90	7.91	3.16	5.40	4.78	8.67	6.12	-9	-44	34	42,093	48,631	32,789	4,509	242,351	1.44	
Property Development					29.8		6.04	5.64	6.22	14.83	16.34	14.26	1	-3	14	295,303	267,162	304,470					555,146	3.30
Industrial Estate																								
AMATA	Buy	21.20	32.00	50.9	27.7	0.40	0.68	0.84	1.89	3.23	3.97	18.32	20.77	16.92	-14	34	25	9,397	25,866	26,728	1,067	22,620	0.13	
AMATAV	Neutral	4.88	5.20	6.6	5.2	0.04	0.04	0.04	0.81	0.81	0.83	10.01	28.89	20.34	-13	-61	42	2,065	2,942	2,962	935	4,563	0.03	
ROJNA	Buy	5.95	8.50	42.9	8.4	0.60	0.34	0.47	10.08	5.75	7.97	10.89	9.60	8.34	1	13	11	21,701	21,451	20,111	2,020	12,022	0.07	
WHA	Buy	4.22	6.50	54.0	5.3	0.08	0.10	0.12	1.97	2.39	2.74	27.83	23.13	20.29	-21	28	16	32,402	33,526	35,056	14,709	62,072	0.37	
Real Estate Developer																								
AWC	Buy	6.00	7.20	20.0	6.5	0.00	0.00	0.03	0.00	0.00	0.47	43.90	39.39	35.13	6	11	30	61,911	13,870	47,279	32,000	192,000	1.14	
Residential																								
AP	Buy	6.85	9.00	31.4	8.3	0.40	0.32	0.34	5.84	4.67	4.96	8.48	9.96	9.19	20	-18	7	19,323	17,632	17,155	3,146	21,549	0.13	
LH	Buy	9.80	13.00	32.7	11.6	0.75	0.71	0.76	7.65	7.28	7.71	12.02	13.67	13.12	-2	-10	5	42,832	46,347	47,630	11,950	117,107	0.70	
LPN	Neutral	4.60	5.00	8.7	4.9	0.60	0.46	0.45	13.04	10.10	9.84	6.43	6.98	7.63	27	-1	-2	4,813	5,707	6,654	1,476	6,788	0.04	
PSH	Neutral	15.50	20.50	32.3	17.1	1.55	1.59	1.62	10.00	10.24	10.48	7.16	7.08	7.01	6	3	3	25,655	26,760	28,015	2,189	33,922	0.20	
QH	Buy	2.68	3.50	30.6	3.2	0.22	0.17	0.18	8.21	6.48	6.81	9.74	12.61	11.55	15	-23	7	19,613	19,720	18,530	10,714	28,715	0.17	
SIRI	Neutral	1.11	1.50	35.1	1.1	0.08	0.12	0.15	7.21	11.24	13.10	16.58	17.39	15.70	-19	-3	17	41,878	42,765	45,898	14,863	16,498	0.10	
SPALI	Buy	17.40	20.00	14.9	21.4	1.00	0.95	1.01	5.75	5.48	5.80	6.64	6.58	5.93	4	-5	6	13,712	10,577	8,451	2,143	37,290	0.22	
Tourism & Leisure					25.6		1.87	1.34	1.55	10.66	12.12	11.07	5	-8	11	13,395	16,918	19,101					53,559	0.32
CENDEL	Neutral	27.75	34.00	22.5	33.3	0.65	0.47	0.47	2.34	1.70	1.70	8.59	10.57	10.64	5	-14	4	4,843	7,198	9,472	1,350	37,463	0.22	
ERW	Buy	6.40	8.50	32.8	7.3	0.09	0.06	0.09	1.41	0.98	1.41	12.73	13.67	11.50	4	-2	18	8,551	9,720	9,629	2,515	16,097	0.10	
Transportation & Logistics					8.2		4.92	1.59	2.15	21.61	23.46	18.67	-11	-5	46	148,763	139,805	115,131					1,279,047	7.60
Aviation																								
AAV	Buy	2.20	4.60	109.1	3.6	0.34	0.02	0.07	15.23	0.76	3.15	13.17	11.98	7.65	-53	13	60	16,680	17,473	18,123	4,850	10,670	0.06	
AOT	Neutral	75.50	80.00	6.0	80.6	1.05	0.88	0.95	1.39	1.16	1.26	27.19	26.33	24.07	10	3	9	-54,899	-62,213	-66,382	14,286	1,078,570	6.41	
THAI	Sell	6.90	6.50	(5.8)	5.6	0.00	0.00	0.00	0.00	0.00	0.00	11.12	22.65	10.59	-43	-51	113	137,585	135,857	135,205	2,183	15,061	0.09	
Mass Transit																								
BTS	Buy	13.70	16.00	16.8	15.2	0.42	0.61	0.57	3.07	4.44	4.18	34.97	32.87	32.36	42	15	0	49,398	48,688	28,185	12,755	174,746	1.04	
Infrastructure Fund							7.55	7.71	8.69	15.26						25,740	24,805	37,929					318,007	1.89
BTSIF	Neutral	10.40	11.00	5.8	10.8	0.78	0.80	1.01	7.50	7.72	9.68	13.31	12.83	10.22	-2	4	26	-67	-50	-62	5,788	60,195	0.36	
DIF	Buy	16.80	19.50	16.1	18.3	1.02	1.04	1.05	6.04	6.18	6.25	19.02	17.41	16.03	52	19	8	25,844	26,135	25,946	10,632	178,612	1.06	
JASIF	Buy	9.90	12.50	26.																				

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