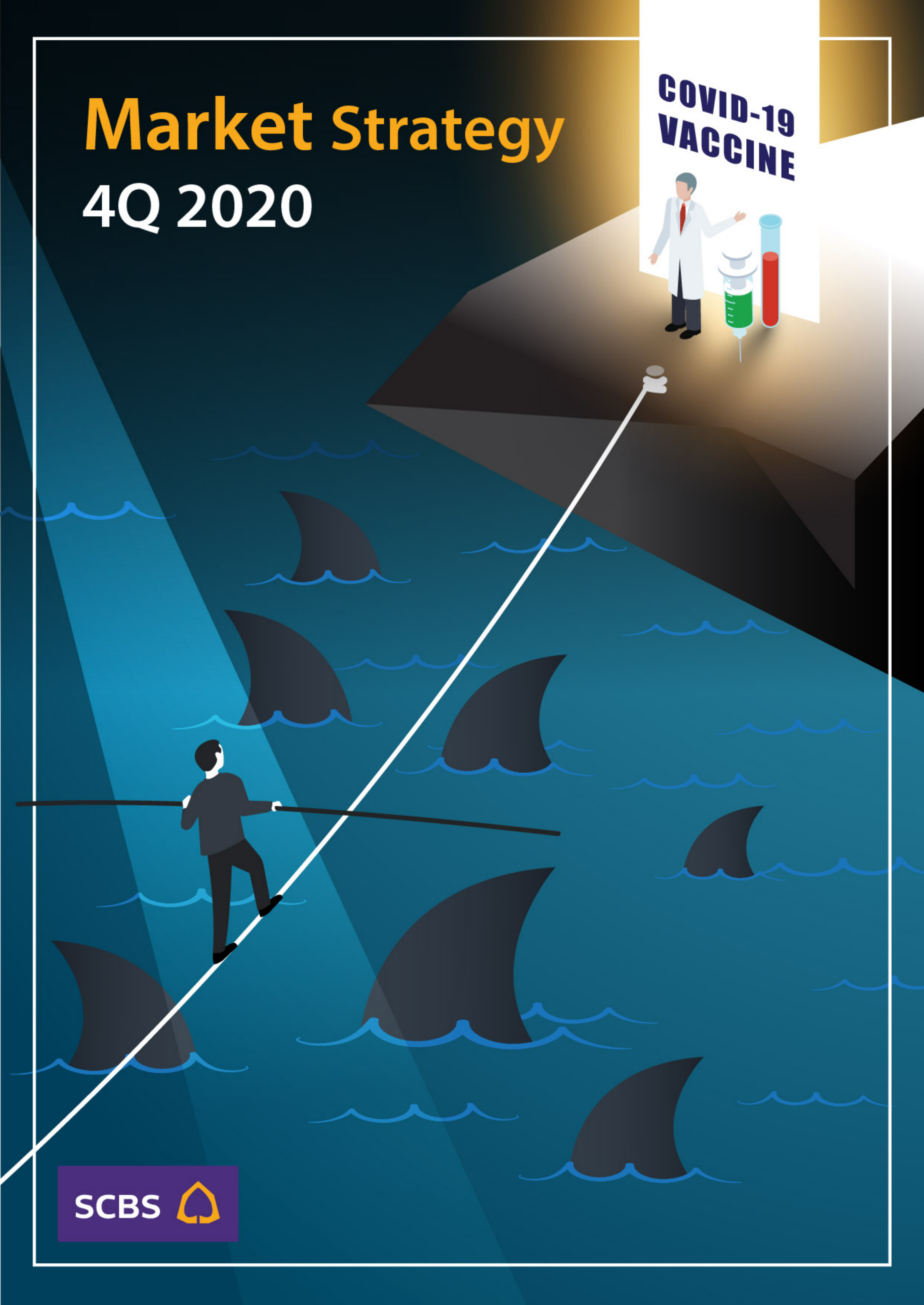
Market Strategy
4Q 2020



SCBS

Research Group

Head of Research
Sukit Udomsirikul
sukit.udomsirikul@scb.co.th, (662) 949-1035
Office Manager
Kanyarat Kawiya
kanyarat.kawiya@scb.co.th, (662) 949-1011

Fundamental Research

Automotive, Healthcare, Tourism, Transportation
Raweenuch Piyakriengkai
raweenuch.piyakriengkai@scb.co.th, (662) 949-1002
Banks, Finance, Insurance, Securities
Kittima Sattayapan, CFA
kittima.sattayapan@scb.co.th, (662) 949-1003
Building Materials, Commerce, Food
Sirima Dissara, CFA
sirima.dissara@scb.co.th, (662) 949-1004
Energy, Petrochemicals
Chaipat Thanawattano
chaipat.thanawattano@scb.co.th, (662) 949-1005
Industrial Estate, Property
Termporn Tantivivat
termporn.tantivivat@scb.co.th, 0-2949-1020
Telecom, Transportation, Property Fund & REITs
Kittisorn Pruitipat, CFA, FRM
kittisorn.pruitipat @scb.co.th, (662) 949-1007

Wealth Research

Macro-Economy
Dr. Piyasak Manason
piyasak.manason@scb.co.th, (662) 949-1037
Investment Analyst
Sittichai Duangrattanachaya
sittichai.duangrattanachaya@scb.co.th, (662) 949-1031
Medium and Small-cap Analyst
Natwarin Tripobsakul
natwarin.tripobsakul@scb.co.th, (662) 949-1032
Mutual Fund, Fixed Income
Permsak Jukmongkonchai
permsak.jukmongkonchai @scb.co.th, (662) 949-1015
Wealth Research Assistant
Rewat Charoenshuea
rewat.charoenshuea@scb.co.th, (662) 949-1016

Investment Strategy

Retail Strategy and Technical
Ekpawin Suntarapichard
ekpawin.suntarapichard@scb.co.th, (662) 949-1029
Derivatives Strategy
Banyart Kongkachan
banyart.kongkachan@scb.co.th, (662) 949-1088
Retail Strategy
Pobchai Phatrawit
pobchai.phatrawit@scb.co.th, (662) 949-1014
Research Assistant
Jaradsak Woragidbumrung
jaradsak.woragidbumrung@scb.co.th, (662) 949-1018

Research Support

Database
Sureeporn Charoenchongsuk
sureeporn.charoenchongsuk@scb.co.th, (662) 949-1025
Database
Supattra Jairew
supattra.jairew@scb.co.th, (662) 949-1023
Thai Editor
Pongkanit Paocharoen
pongkanit.paocharoen@scb.co.th, (662) 949-1027
Production
Saranjit Onaree
saranjit.onaree@scb.co.th, (662) 949-1028

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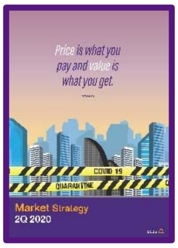
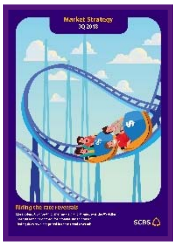
2020



2019


2018






2017

See the end of this report for important disclaimer

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Stock Picks

SCBS strategy

SET index	Close: 22/9/2020	1,267.63	-7.53 / -0.59%	Bt42,536mn
SET50 index	Close: 22/9/2020	808.83	-6.98 / -0.86%	Bt22,659mn

Soft, craggy and bumpy

Market volatility is expected to rise in 4Q20 as positive stories are priced in and the market is focused on the downside risks. The path of the SET could be bumpy, correcting before recovering to year-end target of 1,300. Key entry point is 1,160-1,200. Progress on a vaccine could rally the market to our bull case of 1,400. Our stance on the market in 2021 is cautiously optimistic on recovery based on hopes for vaccine availability amid high valuation. We are very selective and stay defensive in 4Q20.

The economy is edging closer to a black hole in 4Q20. A flood of liquidity is leading the state of the economy and asset prices to diverge. We expect the pace of recovery to slow in the face of a second wave of COVID-19, which spreads more easily in the winter. In addition, stimulus is reaching its limit as normalcy resumes. Uncertainties from the US presidential election and a no-deal Brexit are expected to cause volatility. In Thailand, we forecast GDP to contract 7.8% in 2020, from our previous estimate of a 5.9% contraction, dragged by slower than expected tourism recovery and rising NPLs and unemployment rate. The baht appreciation is likely to persist for years, despite a weakening growth outlook.

Worst behind, headwinds ahead. Apart from pressure from debt defaults, unemployment and tourism, Thailand faces extra downside pressure from the delay in the FY2021 budget, worries over a second wave of COVID-19. Headwinds will push the Thai economy into a black hole in 4Q20, but the slide appears to be leveling off due to easing lockdown measures.

Vaccine is a key catalyst. A vaccine will serve as an insurance policy against economic shocks. All the evidence suggests that a COVID-19 vaccine is likely to become available for focused populations in early 2Q21. This is a starting point for virus control and recovery that should be positive to cyclical stocks However, limited capacity and vaccine allocation with moderate side effects could reduce the effectiveness of vaccine protection. We worry that hopes for vaccine may be soaring too high, and in truth, do not believe a vaccine will end the pandemic.

Every cloud has a silver lining. During a volatile market, growth and visibility are more valuable in a low-rate, low-growth environment. The bright spot is in the area of digital transformation as COVID-19 accelerated the use of digital technology. Hotels, Transportation, Entertainment, Bank and Healthcare are suffering heavily from COVID-19, while Agribusiness, Electronics, Food and Paper are gaining momentum on earnings upgrades during the downturn.

Mind the valuation gap. Valuations are rebalancing in order to reflect long-term fundamentals and earnings recovery. Defensive sectors are de-rating, alongside cyclical sectors that have low earnings visibility. Small-cap stocks who have strong growth have seen a surge in valuation amid the lack of fresh macro catalysts. The SET is trading at the historical upper bound and relative to regional peers.

Exhausted bull. Stimulus measures, bottoming and easing lockdowns are priced in. The SET has recovered 70% of pre-COVID-19 level despite less than 50% recovery in the economy. In our view, the SET should be at 1,300 points if there is no vaccine, which is our base case scenario. Vaccine availability would overshoot the valuation in the short term, then the SET could reach 1,400 points. In the bear case scenario, the market will move toward downside driven by five headwinds. The key entry point to the SET is 1,160-1,200 points for a higher margin of safety.

Stay defensive, stay selective in 4Q20. We focus on fundamental value, earnings outlook and reasonable valuation. For 4Q20, our core portfolio again emphasizes high-quality defensive stocks such as BAM, BDMS, CBG, EGCO and GFPT. Our tactical portfolio focuses on quality global and domestic cyclicals such as AP, PTT, and TOP. Our S-curve portfolio focuses on small-cap stocks that have high potential growth with a robust growth narrative such as AUCT, IIG, PRIME, SVI, WICE and ZIGA

4Q20 Top picks

	Rating	Price (Bt)	TP (Bt)	ETR (%)
AP	Outperform	5.75	8.5	55.7
BAM	Outperform	19.90	25.0	30.9
BDMS	Outperform	20.10	26.0	30.5
GFPT	Outperform	12.00	16.0	35.0
TOP	Outperform	35.75	50.0	44.9

	PE (x)		EPS growth (%)	
	20F	21F	20F	21F
AP	5.1	4.8	18	6
BAM	18.6	15.3	(51)	22
BDMS	47.4	36.9	(30)	29
GFPT	13.3	11.6	(10)	15
TOP	7.7	7.9	128	(2)
Average	**18.4**	**15.3**	**11**	**14**

	PBV (x)		ROE (%)	
	20F	21F	20F	21F
AP	0.6	0.6	13	13
BAM	1.6	1.5	9	10
BDMS	3.6	3.5	8	9
GFPT	1.0	1.0	8	9
TOP	0.6	0.5	7	7
Average	**1.5**	**1.4**	**9**	**9**

	Div. Yield (%)		EV/EBITDA (x)	
	20F	21F	20F	21F
AP	7.9	8.3	9.2	7.7
BAM	5.3	5.5	-	-
BDMS	1.2	1.5	23.0	19.3
GFPT	1.7	1.7	7.1	6.5
TOP	5.0	5.3	12.1	8.3
Average	**4.2**	**4.5**	**10.3**	**8.4**

Analysts

Dr. Piyasak Manason
Fundamental Investment Analyst on Securities

Sittichai Duangrattanachaya
Fundamental Investment Analyst on Securities

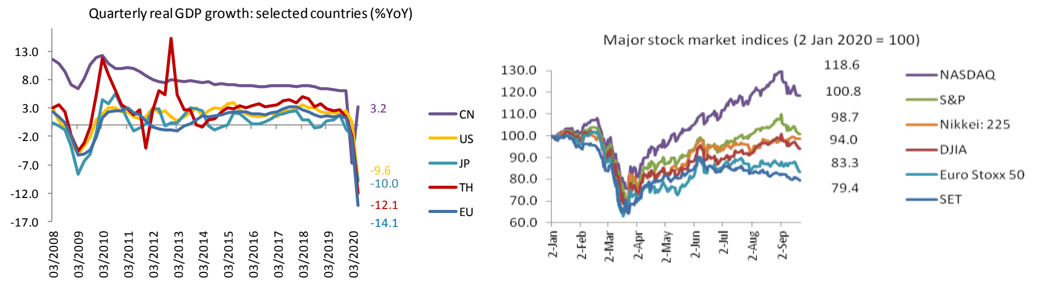
Market Strategy 4Q20

Beware of an "economic black hole" in 4Q20

Looking at the overall picture of the economic and investment world in the third quarter, it is turning out as we and some research houses expected: the economy is clawing its way back up after a near-record low in the second quarter. On the investment side, global stock indexes began to recover. Many markets, especially US and Northeast Asia indices, closed above end-2019 levels, but with a pared level of increase. Bond yields remained low but alternative assets such as gold and silver remain at record levels, while the dollar was at its weakest in years.

These snapshots suggest that the market faces a flood of liquidity that has nowhere to go. As investors worry about economic conditions and future risks that will affect earnings, they see current equity valuations as quite expensive, leading them to turn their attention to alternative assets instead.

Figure 1: Quarterly GDP growth and major stock market indices



Source: CEIC, SCBS Investment Research

Looking back

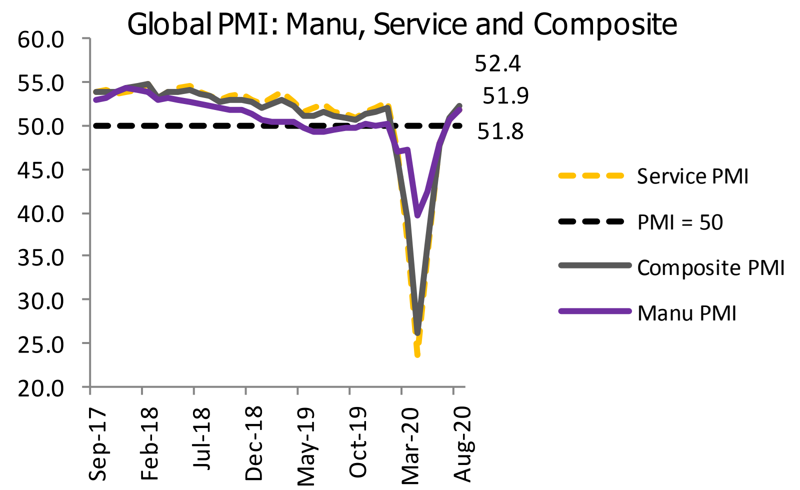
SCB Securities sees that the increasingly fragile economic and investment picture in Jul-Aug 2020 was due to three main reasons:

1. The pace of economic recovery is stalling. Although global indicators in the second quarter touched bottom and began to recover in July, the pace of recovery in the next phase has begun to slow down.

The global economy is bouncing back strongly from the collapse it suffered in the spring due to pent-up demand. But fresh data ranging from purchasing manager indexes, retail sales and confidence indices in the rich world to export figures in developing economies, suggest the early gains from the lifting of coronavirus lockdowns are already exhausted, adding to evidence that the world economy could take many months, if not years, to heal.

The main factor behind the deceleration is that COVID-19 infections in various places, especially in the United States, are still high, though recently beginning to show signs of subsiding. In Europe, where many countries opened up to travel in an attempt to revive their economies, new outbreaks of COVID-19 are also causing concern and these countries may have to shut down some economic activities again, though not as broad-based as during the first round. As long as the major economies do not need a generalized lockdown, the global economy should continue to mend, though it will not be able to sustain the spectacular rebound seen upon reopening businesses a few months ago.

Figure 2: Global purchasing manager indices: Manufacturing, Service and Composite



Source: CEIC, SCBS Investment Research

2. Monetary and fiscal stimulus is reaching its limit. Signals from policymakers around the world are now becoming clearer: they want to slow down the easing, with the US Senate not yet approving a new round of fiscal measures to support laid off US workers as proposed by Senate Democrats. This is because the majority Republican senators see the proposal as too costly - the program that expired at the end of July paid a benefit of US$600 per week. The legislative impasse led President Trump to issue a temporary executive order to renew the subsidy at US$400 a week. The latest news shows Trump adopting an increasingly compromised stance after he urged Republican lawmakers to accept the latest proposal pushed forward by the Democrats. However, the amount has fallen sharply: the total amount will be ~US$1.5trn, down from US$2.2trn in the previous measure.

On the monetary policy front, the Federal Reserve's shift in its inflation goal from a target of 2% to an average of 2% over time was seen by the market as ushering in a longer era of low rates. Although Fed officials projected no plans to raise interest rates through 2023, the policy rate has already reached zero and since the Fed is not ready to push it into negative territory, there is little room for more relaxation.

Moreover, the Fed maintained its purchasing quota of Treasury and mortgage-backed securities. Since mid-June, the Fed has been purchasing US$80bn a month in Treasuries and US$40bn a month in mortgage-backed debt, net of redemptions, down from even larger quantities in the spring. Some market participants projected the Fed would step up the pace of asset purchases and possibly shift purchases of Treasuries to longer-dated securities - so the lack of action has upset investors and led to a market decline after the announcement.

Figure 3: Federal Reserve's economic and Fed Funds Rate projection (at 0.1% to 2023)

Variable (%)	2020	2021	2022	2023
GDP (Jun projection)	-3.7	4.0	3.0	2.5
	-6.5	5.0	3.5	
U-rate (Jun projection)	7.6	5.5	4.6	4.0
	9.3	6.5	5.5	
Core PCE (Jun projection)	1.2	1.7	1.8	2.0
	1.0	1.5	1.7	
Fed Funds Rate (Jun projection)	0.1	0.1	0.1	0.1
	0.1	0.1	0.1	

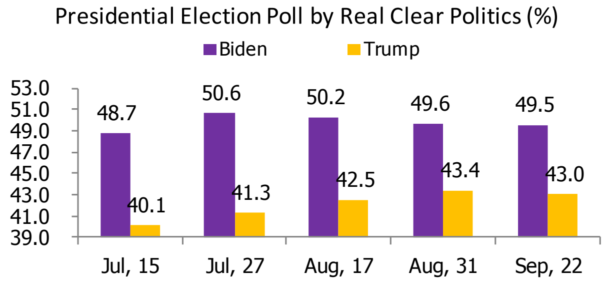
Source: CEIC, SCBS Investment Research

3. More uncertainty surrounding upcoming political events, i.e. the US presidential election and Brexit. In the US, many Americans worry that November could herald not a smooth exercise of democracy but violent discord and a constitutional crisis. This is because President Trump's popularity has been decreasing lately and he has signaled that he may not accept the election results if he is defeated.

A landslide win for either candidate would make about half of America unhappy. Many Democrats view Trump as a threat to democracy itself and if he wins his second term, millions will be distraught. Among Republicans, though, Trump still enjoys an 87% approval rating. If he loses, many will grouse that the other side cheated. But that need not stop a smooth transfer of power if the margin of victory is wide enough. However, if the election is close, things could be problematic. Delays in counting ballots on election night could well make it appear that Trump is winning in some key states. He might then claim victory before the results were in, as he did in Florida's 2018 midterms. As more mail-in votes are counted, the result could then shift to Biden's favor. America would then have two candidates claiming victory and protests would probably erupt. Currently, key US financial markets, such as volatility gauges in stocks and bonds, now appear to be pricing in the risk of delayed or inconclusive results in the presidential election.

There will also be a complication in the Brexit negotiations between the British government and the EU. Early in September, the British government passed an internal market bill that is intended to override parts of the Brexit withdrawal agreement. The bill gives the British government power to: 1) overrule any requirement for export declaration for goods moving from Northern Ireland to Great Britain, 2) decide if goods moving from Great Britain to Northern Ireland are at risk of moving on to the Irish Republic (which then requires border checks) and 3) decide whether to inform the EU about state aid that affects firms operating in the province, which goes against Article 10 of the withdrawal agreement. These three conditions contradict previous Brexit treaties with Europe, especially on state aid. Hence, the future of Brexit negotiations is increasingly brittle and there is a rising chance that a "no-deal" Brexit will be back on the table.

Figure 4: US presidential election poll and UK internal market bill



	UK Internal Market Bill
1.	Gives the British government power to overrule any requirement for export declaration for goods moving from Northern Ireland to Great Britain
2.	Gives the British government power to decide if goods moving from Great Britain to Northern Ireland are at risk of moving on to the Irish Republic (which then requires border checks).
3.	Gives the government the unilateral right to decide whether to inform the EU about state aid that affects firms operating in the province, which is against Article 10 of withdrawal agreement.

Source: Realclearpolitic.com, The Economist, SCBS Investment Research

Looking ahead

In 4Q20, in our view the world economy and investment climate are unsettling based on three risk factors.

1. The global recovery will be slow, insubstantial and uneven. Economic figures may show signs of deceleration because of second-round infection risks in many countries around the world. Currently the number of infected worldwide has already exceeded 30mn, while the number of new infections has hit a new record at around 300,000 cases per day.

Countries seeing continuous increases in the number of new patients daily are emerging markets in Asia (especially in India and Southeast Asia) where totals have risen by about 100,000, Latin America at a rate of 60,000 and Western Europe at 30,000 per day.

According to research in the medRxiv medical database, the temperature at which the virus is easily spread is 6.7-12.4 degrees Celsius. Chances of a new round of infection will grow in coming weeks as weather in the western hemisphere cools. A new round of COVID-19 will force the closure of economic activities, especially recreational activities, which will further slow economies.

2. US economic policy may tighten if Joe Biden, the Democratic nominee, is elected president, as he plans to increase the fiscal deficit by ~US$7trn in 10 years to finance infrastructure and public welfare projects. He plans to finance the increasing deficit by raising tax income by US$4trn. In his plan, corporate taxes will be raised from a maximum rate of 21% to 28%. Personal income tax rate will increase from 37% to 39.6% for some income levels and he will introduce a yet-to-be-specified wealth tax. These changes in taxes could dampen the already delicate economic recovery.

3. Greater global geopolitical risk. In the past few months, tensions between the two largest economies have become increasingly stark. For example, Washington has threatened to delist Chinese stocks from its markets if the companies do not comply with US accounting regulations. As well, pressure is mounting on Huawei, and now on TikTok and WeChat, and even Chinese construction companies that are active in the contested South China Sea.

Also of note is the tit-for-tat closures of consulates: China's in Houston - where the Americans alleged China was spying - and the US's in Chengdu, and the US ban on 11 Hong Kong officials in connection with the enforcement of Beijing's contentious new security law. This rift comes despite the fact that the US and China have reaffirmed their commitment to the phase one trade deal.

Our view is that, from now on, we can expect an increasingly harsh stance from the Trump administration in an effort to create the image of a strong leader that can challenge China in order to increase his popularity before the Nov 3 election. But it is also part of a long-term plan for the United States to prevent China from becoming a superpower. This idea will persist even if Trump does not win a second term.

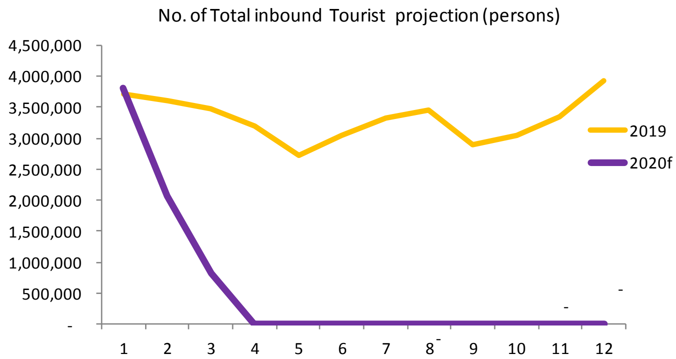
SCBS Thailand's economic forecast

The risks to Thailand's economy are mounting. The second quarter GDP contraction of 12.2% from a year earlier approached the deepest on record. The sectors most affected were tourism, which shrank by about 50%, and transport (down 39%) as a result of the ban on inbound travel. Given their large contribution to GDP, the impact on the overall economy has been severe.

The widespread rise in COVID-19 cases globally leads us to believe that the government may not be able to allow inbound tourists into Thailand this year. As a result, we now estimate Thai economic growth will slip from a contraction of 5.9% to a contraction of 7.8%, with the view that three factors are raising economic risks.

1) The number of COVID-19 cases is rising worldwide, making it virtually impossible for the Thai government to allow foreign tourists to enter the country this year. This will slash the number of tourists this year to 6.7mn (in actuality in just the first four months of the year) from 39mn in 2019 and shrink tourism income 83% to Bt3.3bn this year from Bt3trn in 2019.

Figure 5: Number of inbound tourists and revenue projection in 2020



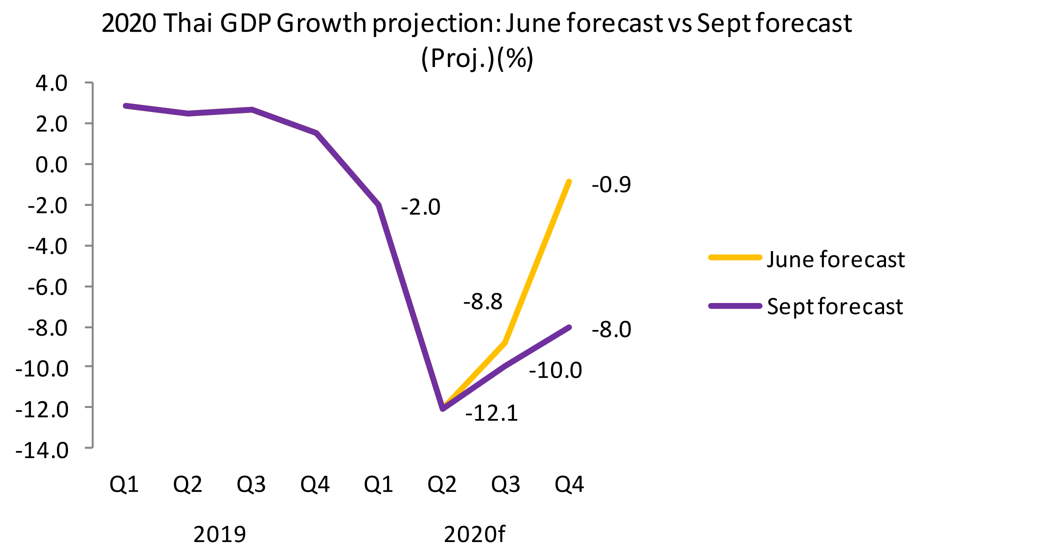
No. of Tourist	(Persons)
1H	6,691,574
2H	-
Sum	6,691,574
Revenue (THB bn)	
1H	325.08
2H	-
Sum (THBbn)	325.08
% of GDP	1.98
% YoY	(83.16)
Note: 2019 Rev = THB1.93trl	

Source: CEIC, SCBS Investment Research

2) The Bank of Thailand (BoT) failed to renew the debt moratorium measures for SMEs that currently have a total value of Bt7.2trn or 12.5mn accounts. This will result in increasing non-performing loans, since some SMEs lenders who did not have the ability to pay on their loans – many because they had to shut down their businesses – were forced to let their loan become bad debt. This will result in a higher proportion of non-performing debt.

3) The two factors above will lead to closure of many businesses related to the service sector, especially in the areas of tourism and travel, causing a rise in unemployment rate. We now expect the unemployment rate this year to rise to 3.4% or approximately 1.4mn unemployed from 1.95% or 750,000 in the second quarter. This will reduce purchasing power and hurt the economy as a whole in the fourth quarter. We now expect a 2020 GDP growth contraction of about 8% rather than the contraction of 1% forecast previously.

Figure 6: 2020 Thailand GDP growth projection



Source: CEIC, SCBS Investment Research

This series of unfortunate factors will lead the global and the Thai economy into a "black hole" in the fourth quarter. On the part of Thailand, although the government and the BoT have been trying to help via implementing measures to consolidate and restructure debt as well as aiding the most problematic economic sectors such as the labor market, the tourism sector and grassroots consumption, we believe underlying macro factors will have a greater negative influence on the economy, making these various measures far less effective.

Figure 7: 2020 Thailand GDP forecast (% YoY)

Macro growth projection	Actual	2020 forecast		
	2019	NESDC	BOT	SCBS
GDP Growth	2.4	-7.5	-8.1	-7.8
Gross fixed capital formation:	2.1	-5.8	N/A	-11.5
- Private	2.8	-10.2	-13.0	-16.4
- Public	0.2	8.6	5.8	7.3
Private consumption	4.5	-3.1	-3.6	-3.8
Public consumption	1.4	3.6	3.8	4.1
Export Value in $ term (%)	-3.2	-10.0	-10.3	-11.5
Import value in $ term (%)	-5.4	-15.4	-16.2	-21.1
Current account to GDP (%)	7.0	2.5	N/A	2.7
Headline Inflation (%)	0.7	-1.0	-1.7	-1.5
USDTHB	31.0	30.3	N/A	30.5
Policy Rate (%)	1.25	N/A	N/A	0.50

Source: CEIC, SCBS Investment Research

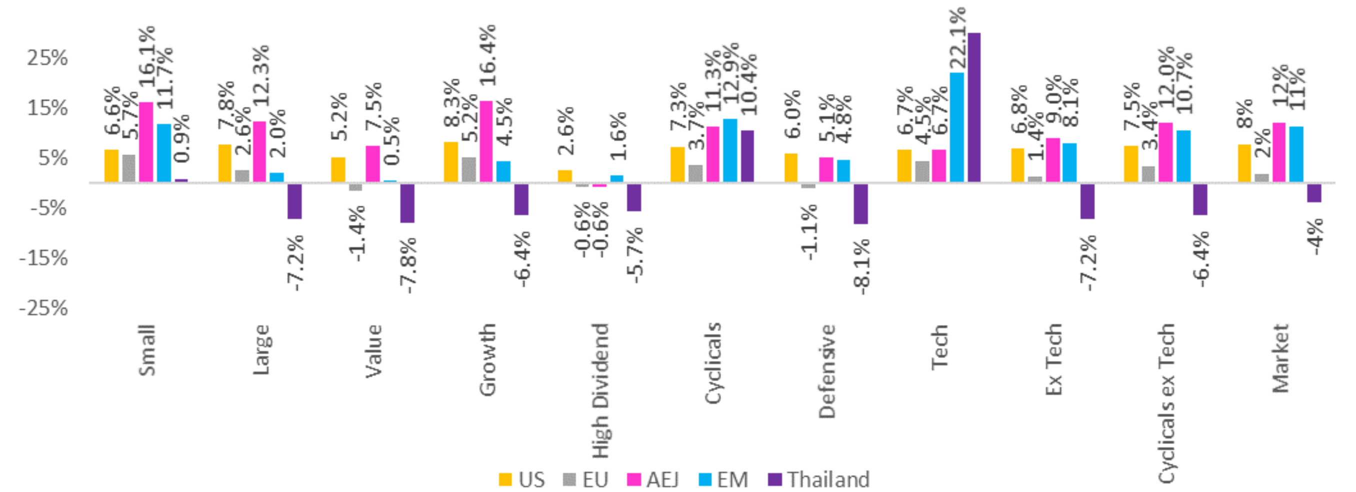
Market outlook

Stay defensive, stay selective in 4Q20

3Q20 was a heyday for small-cap and technology stocks: returns on our recommendations outperformed the SET by 6% thanks to HANA, ADVANC and BCH.

3Q20 has nearly come to an end and volatility was high in Sep. Markets faced the dichotomy of an incredibly high level of uncertainty from COVID-19 and geopolitical conflict and the fear of missing out if markets continued to move higher. As expected, the day of easy returns is over as mispriced assets became more difficult to detect and correct. In 3Q20, we saw small caps and growth stocks outperform large caps and value stocks. Technology-related stocks continued to outperform the rest of the market. Due to economic reopening and gradual lifting of Thailand's lockdown, cyclical stocks slightly outperformed defensive stocks. The SET recovered 46% from the COVID-19 cycle (Feb-Sep) and is down 4% QTD, lagging peers that have made it up 8% QTD. Based on the rate of recovery, we believe Thailand is seeing a strong recovery in asset price, while economic recovery is weaker than peers. Only four sectors - Electronics (+105%), Packaging (+18%), Food (+2%) and Financials (+1%) brought positive returns while the rest fell. Our top picks in 3Q20 offered average returns of 2%, representing an alpha of 6% thanks to HANA (+56%), BCH (-2%) and ADVANC (-3%).

Figure 8: Thailand underperforming peers across all aspects of investment style



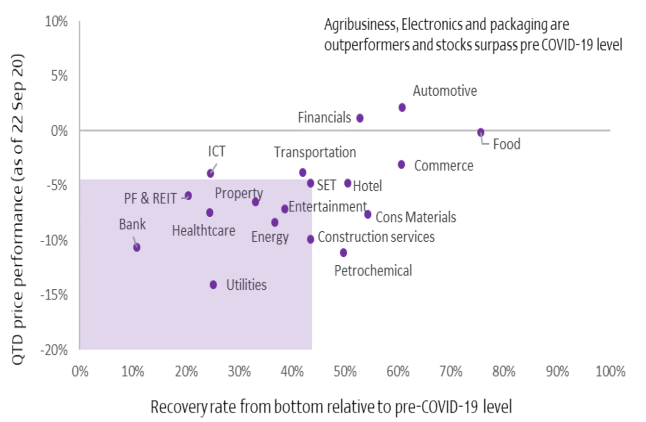
Source: SET, Bloomberg, SCBS Investment Research

Figure 9: The SET recovered 46% from COVID-19 cycle in Feb-Sep but is lagging peers

	US	EU	Thailand	Asia
IT	156.6%	97.1%	328.9%	134.0%
Healthcare	103.2%	81.6%	24.1%	194.5%
Financials	49.7%	-3.4%	12.5%	48.5%
ICT	104.8%	8.2%	9.1%	184.8%
Cons Disc	159.7%	91.7%	49.0%	152.7%
Industrials	78.4%	68.6%	45.4%	81.7%
Cons Staples	95.4%	64.7%	37.5%	103.0%
Energy	24.7%	16.7%	39.7%	84.0%
Utilities	54.8%	54.1%	23.7%	30.2%
Real Estate	61.9%	34.2%	35.4%	42.2%
Materials	116.9%	63.4%	60.0%	101.1%
REIT	62.2%	0.4%	19.7%	
Market	103.2%	50.1%	46.0%	113.3%

Source: Bloomberg, SCBS Investment Research

Figure 10: Only four sectors out of 20 showed strong recovery in 3Q20, while the rest fell.

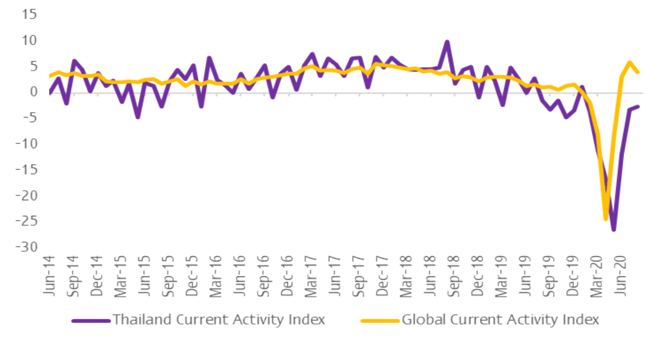


Source: Bloomberg, SCBS Investment Research

The worst is behind us in terms of economic shock, but headwinds lie ahead

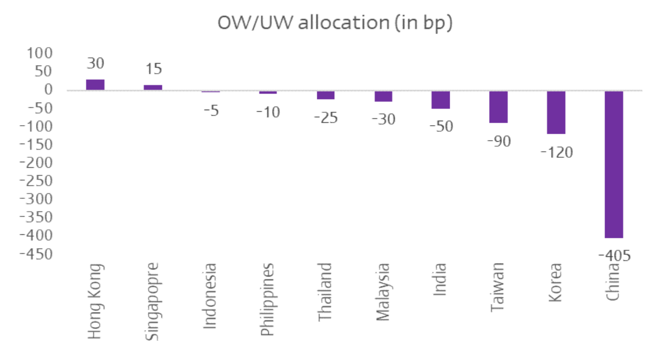
The Thai economy's steep slide appears to be leveling off amid signs that lockdown measures are easing. We believe the Thai economy bottomed out in the second quarter as earlier projected. Thailand's economic activities are gradually picking up, aligning with our view of a U-shaped recovery in the economy and in earnings. In addition, financial markets are back to normal. However, some headwinds lie ahead: 1) historic high unemployment rate, 2) rising default rate, 3) slow government action on spending and investment and 4) second wave of COVID-19 that could put a hurdle into the path of recovery and new money inflow.

Figure 11: Thailand economic activities are picking up but more slowly than global economic activities



Source: Bloomberg, SCBS Investment Research

Figure 12: FMs underweight Thailand relative to the benchmark by 25bps

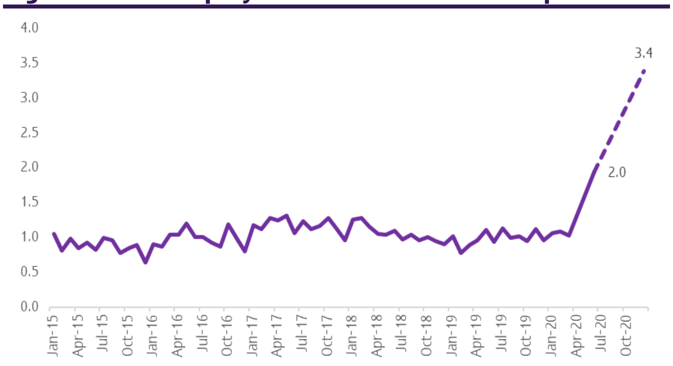


Source: EPFR, SCBS Investment Research

1) Unemployment on the cusp, could rise further

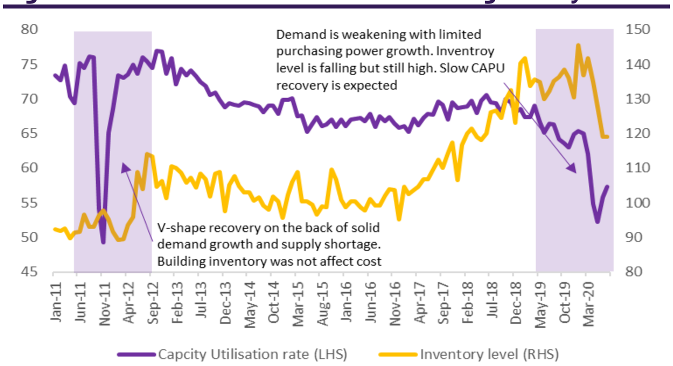
Unemployment rate is likely to increase materially due to the prolonged COVID-19 pandemic. Slow recovery in 2H20 will force companies to cut operating costs, especially via laying off staff after doing better than expected at cutting variable costs such as raw materials, inventory, logistics and rental expense. As 47% of the workforce is working in services where the door is still pretty much shut, we expect unemployment rate to increase further from the current 8%. Although manufacturing activities are back on line, capacity utilization rate (CAPU) remains low at 58% (-9% YoY) amid weak domestic demand that could lead to another round of layoffs in the manufacturing sector (23% of workforce). Looking at the massive floods in 2011 when recovery of utilization rate took seven months to reach essentially normal levels in 2012, recovery of utilization rate from COVID-19 is expected to be slower in the presence of high inventory levels. Thus, rising unemployment will affect wealth and purchasing power. In addition, this will reduce the money velocity from government stimulus to below that of previous stimulus measures. Same-store sales are expected to be poor in 2H20, but steady government support via stimulus could help lift same-store sales to some extent.

Figure 13: Unemployment rate is on the cusp



Source: Bank of Thailand, SCBS Investment Research

Figure 14: CAPU still low and recovering slowly

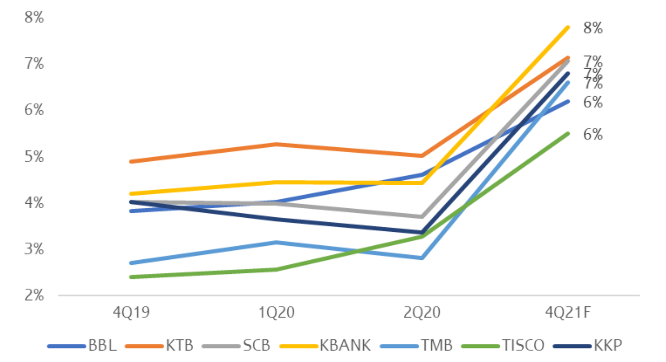


Source: Ministry of Industry, SCBS Investment Research

2) Debt default is likely to increase after the expiry of debt relief measures

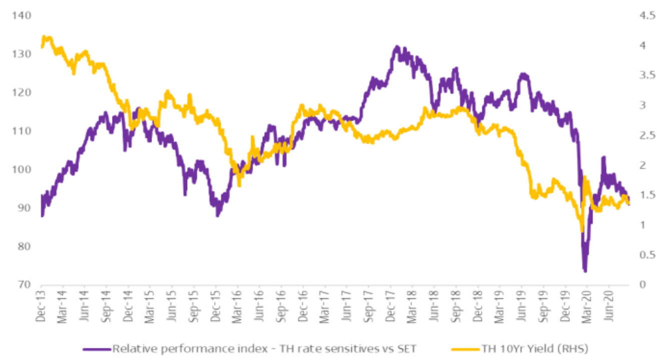
The COVID-19 pandemic has created economic hardship for each and every business in Thailand and will without doubt increase the number of non-performing loans (NPLs) as businesses face liquidity problems, especially after the expiry of debt relief measures in September. Reducing the minimum payment rate, changing loan terms and postponing payment has been staving off defaults. We do not expect the Bank of Thailand to extend the debt relief measures because they do not want to generate a climate of moral hazard and wrong incentives. We believe moratorium take-up rates are an indicator of future default risk. In addition, we are concerned about a second wave of infections that will deal a blow to ongoing efforts to revitalize businesses. As a result, NPLs are expected to increase further in 4Q20-1Q21. According to SCBS estimates, average NPLs of Thai banks will increase to 6.7% in 4Q21 from 3.9% in 2Q20. Thus, we recommend avoiding the Bank sector despite the fact they are being allowed to pay dividends in Oct, especially those with high exposure to SME loans. We prefer counter-cyclicals such as those involved in consumer finance, non-performing asset management and debt collection such as AUCT, BAM, JMT, MTC and SAWAD.

Figure 15: NPLs are expected to surge after 3Q20



Source: Bank of Thailand, SCBS Investment Research

Figure 16: Low yield is negative for banking

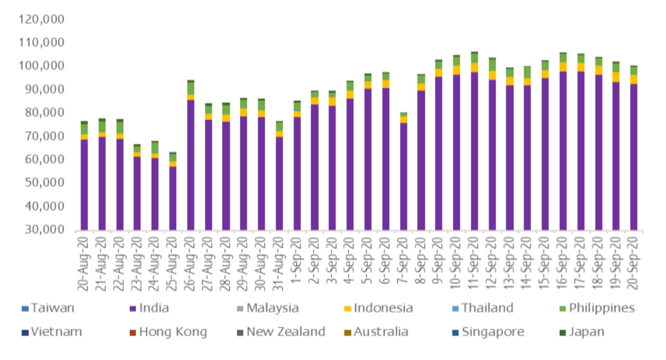


Source: SCBS Investment Research

3) The chances of Thailand facing a second wave of COVID-19 are high

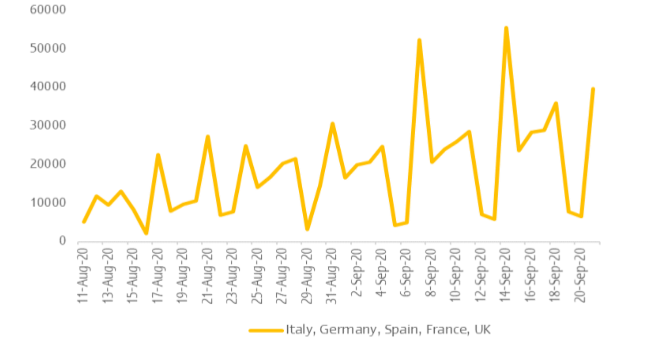
The Thai government eased up on most of the restrictions on business and activities in June, but kept the Emergency Decree in place to maintain control on all entries into the country as well as international travel activities. This means that all domestic businesses have resumed operations, though are still at below pre-COVID-19 levels. The Thai government is moving cautiously to reopen its borders with a plan to bring 1,200 international tourists per month starting October. At this point, all new confirmed cases are in people returning from other countries, with virtually no locally transmitted cases. We believe Thailand faces a high risk of a second wave of infection for three reasons: 1) people are beginning to lower their guard, 2) there has been an unusual spike in COVID-19 cases across the border, mostly Myanmar nationals and 4) there will be imported cases from tourists entering under a Special Tourist Visa. We believe the government will respond with a tight partial lockdown if there is a new round of local transmission, ushering in negative sentiment towards hotels, restaurants, transportation, shopping centers and banks. Despite the falling mortality rate worldwide, we recommend reducing holdings in those sectors that have shown a strong price recovery, such as hotels, shopping centers, airlines, land and rail transportation and banks. Without a second wave infection, those sectors have limited upside and lack positive catalysts. Thus, risk/reward is not favorable at the current level.

Figure 17: New cases in Asia are on the rise



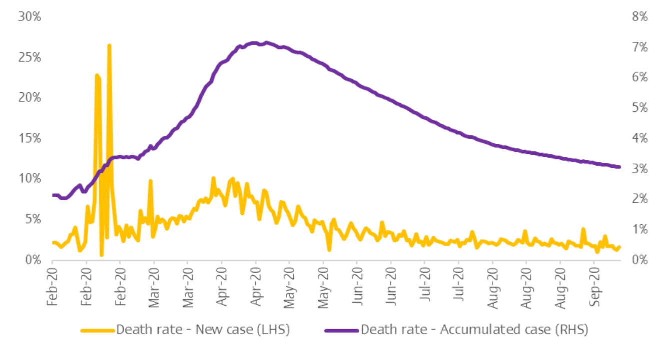
Source: WHO, Johns Hopkins University, SCBS Investment Research

Figure 18: Europe is experiencing a fresh spike



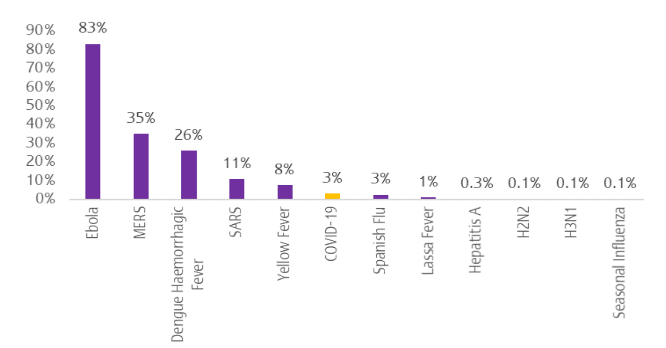
Source: WHO, Johns Hopkins University, SCBS Investment Research

Figure 19: Death rate of COVID-19 has fallen to 2%



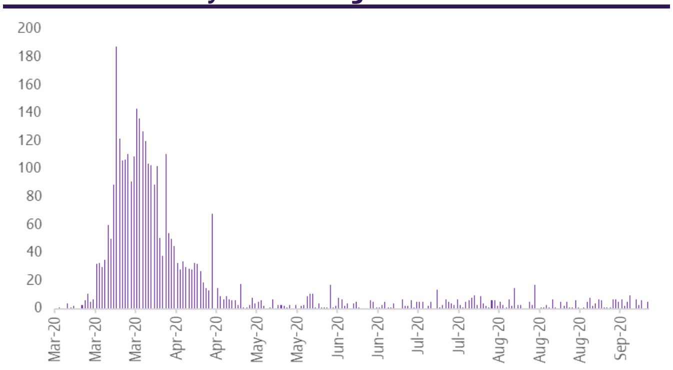
Source: WHO, Johns Hopkins University, SCBS Investment Research

Figure 20: Death rate of COVID-19 comparison



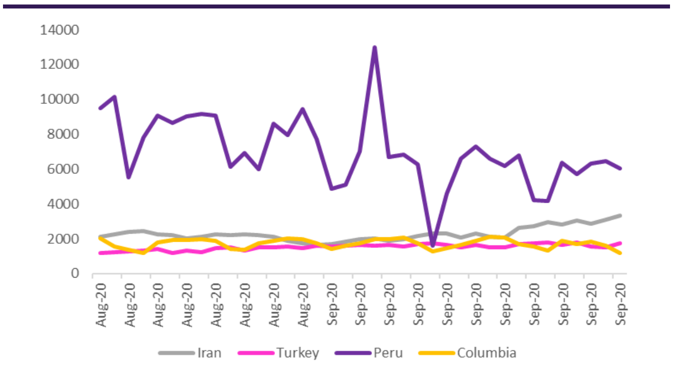
Source: WHO, Johns Hopkins University, SCBS Investment Research

Figure 21: Thailand's second wave of COVID-19 inflection is likely but manageable



Source: WHO, Johns Hopkins University, SCBS Investment Research

Figure 22: We are concerned on some EM countries



Source: WHO, Johns Hopkins University, SCBS Investment Research

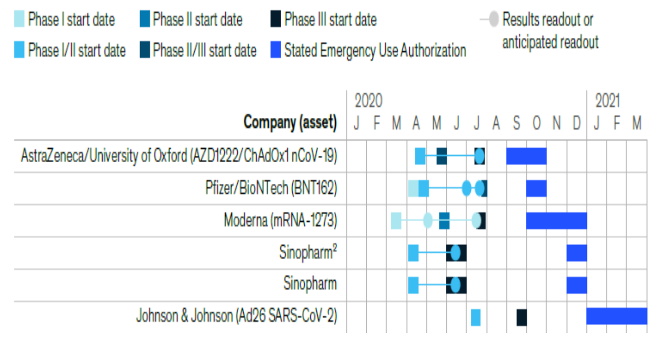
Vaccine development is key, though it will not end the pandemic

According to publicly available information, vaccine developers are publicly reporting timelines for potential emergency use of a COVID-19 vaccine between 4Q20-1Q21 as four COVID-19 vaccines globally have gone into phase 3 clinical trials. The US Center for Disease Control and Prevention (CDC) expects vaccines will be available in late 2Q21-3Q21. Taken together, all the evidence suggests that a COVID-19 vaccine may become available for focused populations in early 2021. This is a starting point for control of the virus. A vaccine will serve as an insurance policy against economic shocks from the pandemic and start another layer of recovery.

Based on our analysis, vaccine manufacturers have announced cumulative capacity that could produce as many as 600mn doses by end-2020 and 5.4bn doses by end-2021, which we feel is not enough to stop the pandemic due to: 1) limited coverage at 10-15% of the total population, 2) limited capacity in Asia, 3) moderate side effects. If the vaccine is not safe, people will lose faith in the vaccine and would be reluctant to get it, eroding confidence.

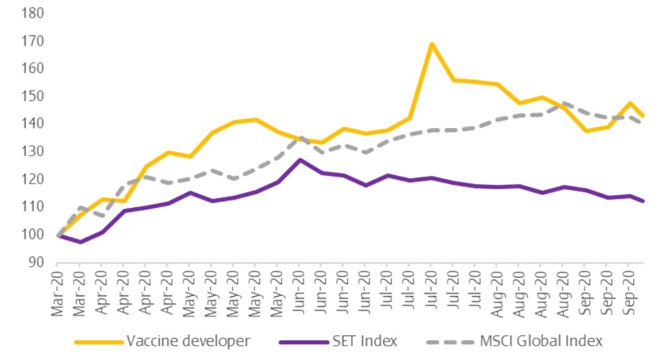
We believe the vaccine is the pivotal catalyst. The market will play on this theme before it has been approved. Based on our screening criteria for this theme, i.e. price performance, competitive advantage, consolidation and recovery, our preferences on this theme are AAV, AOT, MINT, and TOP.

Figure 23: Vaccines are likely to launch somewhere between 4Q20 and 1Q21



Source: Moderna, AstraZeneca, Pfizer, J&J, Sinopharm, SCBS Investment Research

Figure 24: Markets are pricing in the high probability of success with COVID-19 vaccine



Source: Bloomberg, SCBS Investment Research

Figure 25: Vaccine could help recovery, but will be unable to end the pandemic and infection rate

Company	Name	Development process	Emergency Use Authorization	Details	Annual capacity	Price
Oxford University, AstraZeneca	AZD1222	Phase 3	Sep-Oct20	Relatively clean side effect profile and promising signs of antibody/T-cell response. Two doses of vaccines could be effective in treating the disease	400m (700m) doses in 2020 / 1b (2b) doses in 2021	US$4 per dose (No profit)
Moderna	mRNA-1273	Phase 3	Oct-Dec20	The study showed a two-dose vaccination schedule of mRNA-1273 led to a robust immune response and protection against SARS-CoV-2 infection in the upper and lower airways in non-human primates	500m (1b) doses in 2021	US$32-37 per dose
BioNTech, Pfizer	BNT162n2	Phase 3	Oct-20	The vaccine elicited high, dose level-dependent SARS-CoV-2-neutralizing titers and RBD-binding IgG concentrations after the second dose.	100m doses in 2020 / 1b (1.3b) doses by the end of 2021	US$19.5 per dose
SinovacBiotech (China)	CoronaVac	Phase 3	-	CoronaVac induced neutralising antibodies in above 90% of volunteers who were tested 14 days after receiving two doses of the vaccine	100m doses in 2020 / 300m doses in 2021	-
Sinopharm (China)	-	Phase 3	Dec-20	Phase2 vaccine was produced antibodies at 14 days after the booster vaccine (the second dose)	200m-220m doses in 2021	US$145 for two doses
CanSino Biologics (China)	Ad5-nCoV	Phase 2	-	85% of participants producing antibodies for the novel coronavirus and a T-cell response within 14 days of receiving the two doses.	300m doses in 2021	-
Novavax	NVX-CoV2373	Phase 1	-	Two weeks after taking a second dose, most vaccinated subjects had high levels of neutralizing antibodies	1b doses per year	US$16 per dose

Company	Name	Development process	Emergency Use Authorization	Details	Annual capacity	Price
Inovio Pharmaceuticals	INO-4800	Phase 1	-	94% of participants demonstrated overall immune responses at Week 6 after two doses of INO-4800	1m doses in 2020 / 100m doses in 2021	-
Johnson & Johnson	Ad26 SARS-CoV-2	Phase 1 / Phase 2/3 in Sep20	Jan-Mar21	JNJ vaccine generated a strong antibody response and provided protection with a single dose.	1b doses per year in 2021	US$10 per dose
Total					**600m doses in 2020 / 5.4b doses in 2021**	

Note: Much research has found that levels of antibodies against COVID-19 began to decrease within 2 or 3 months of infection

Source: Various sources complied by SCBS Investment Research

Five key market themes – Every cloud has a silver lining

Market theme #1 - Growth and visibility are more valuable during low-rate growth

Until there is a widely available vaccine against COVID-19, the economy is likely to continue struggling at a low rate. The accommodative stance by central banks will pressure yield. With interest rate at near zero, market demand for growth will persist.

Despite value rotation in the short-term, cheap valuation is not enough. We expect Thailand's economy to continue to grow slowly over the next three to five years even after COVID-19 is no longer an issue. We also believe the Thai economy remains in a late cycle. Our recommendation for core long-term portfolios is to take positions in high-quality and defensive stocks.

Quality stocks that have proven track records of stable revenue and sales growth and high earnings visibility are poised to outperform in a low-rate, low-growth environment. We look at high-quality stocks that are not overly expensive. Based on our screening criteria that takes into account sales growth, EPS growth, ROE and D/E, our recommendations for this theme are WICE, RPH, CBG, and COM7.

Figure 26: Screening criteria on growth and visibility

	Sales Growth 2019	EBIT growth 2019	EPS CAGR (2018-2022)	EPS Growth (20-21)	Avg ROE	PEG	D/E	D/E
WICE	21%	-28%	19%	50%	16%	0.3	20.3	20.3
RPH	53%	260%	35%	64%	7%	0.4	20.4	20.4
CBG	4%	61%	45%	22%	33%	1.2	39.5	39.5
COM7	20%	43%	21%	26%	37%	1.2	88.3	88.3

Source: SCBS Investment Research

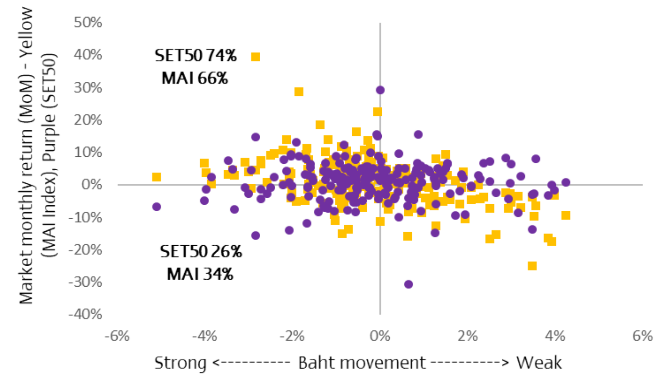
Market theme #2 – Baht appreciation is likely to persist for years

Although Thailand's economy is struggling to rebound from COVID-19, we believe the baht is likely to appreciate in 4Q20-2021 because Thailand's real yield is higher than in the US and EU, it has a large trade surplus and because the Bank of Thailand (BoT)'s hawkish stance. In the US, Biden's proposals to raise the US corporate tax rate would make stocks less attractive, which could lead to dollar selling if US equities underperform. Large stimulus would also likely weaken the US dollar. Based on EIC estimates, the baht is expected to appreciate in the range Bt30.5-31.5/US$. Money flow into emerging markets, limited tools for the Bank of Thailand to control baht movement, as the baht has been placed on the list for monitoring for currency manipulation, and rising gold price could lead to further baht appreciation. If a vaccine can be developed, the baht is expected to strengthen further because exports and foreign arrivals are starting to see signs of returning.

Although we found an inverse correlation between baht movement and SET returns, most Thai stocks are hurt by a baht appreciation. This relationship generally causes foreign equity inflows when the baht appreciates. However, this time is different because Thailand has high exposure to the old economic business model

We prefer defensive stocks that are unaffected by the movement of the baht. Our picks are BCH, BTSGIF, DIF and GPSC.

Figure 27: Relationship of baht and stock movement



Source: Bloomberg, SET, SCBS Investment Research

Figure 28: Winners and losers from baht appreciation

	Operations	Debt	Net effect
Airlines	Positive	Positive	Positive
ICT	Neutral	Slightly Positive	Slightly Positive
Agribusiness	Positive	Neutral	Slightly Positive
Hotel	Negative	Slightly Positive	Neutral
Utilities	Slightly Negative	Positive	Neutral
Energy & Petrochemical	Slightly Negative	Positive	Neutral
Automotive	Slightly Negative	Neutral	Slightly Negative
Commerce	Slightly Negative	Neutral	Slightly Negative
Electronics	Negative	Neutral	Negative
Food	Negative	Slightly Positive	Negative
Construction Materials	Negative	Slightly Positive	Negative
Property		Limited FX exposure	
Transportation & Infrastructure		Limited FX exposure	
Healthcare		Limited FX exposure	

Source: SCBS Investment Research

Market theme #3 – COVID-19 triggers accelerated shift to digital technology

In the previous strategy note, we noted ways in which COVID-19 has changed daily life, work and interactions. Before COVID-19, the 5G, cloud and datacenter technology were set to reset the replacement cycle in 2021. The ongoing digital transformation of business and society has been shifted into overdrive by the COVID-19 pandemic, triggering major changes in key segments ranging from teleconferencing to online education, online travel agents, e-commerce, working off-site, food delivery, virtual reality and media services – all things that have been predicted for years. COVID-19 accelerated their adoption and also led to a longer replacement cycle. In addition, healthcare technology, integration of software platforms by businesses outside of the technology sector, workflow automation and the digital payment infrastructure are expected to be increasingly important in the future.

In the current environment of low interest rates, high uncertainty and rapid digital disruption, technology-related stocks offer attractive characteristics, including strong balance sheets and improving profit margins, as well as resilient earnings. Our preferences in this theme are IIG and SVI.

Figure 29: Online shopping, WFH, E-learning, online entertainment, E-payment and telecom networking are trends that were accelerated by COVID-19

Source: Manpower Group

Figure 30: Digital transformation solves traditional problems with technology

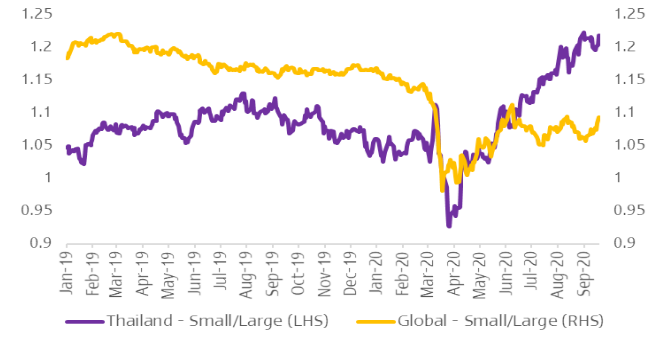
Source: Blake Michelle Morgan

Market theme #4 - Tactical rotation is just a short-term cycle

Financial market sentiment is improving along with signs of an economic bottoming out as a rising cyclical tide supports a rally in cyclical sectors. In the short term, the market expects to see cyclical rotation amid high valuation in technology-related sectors and the development of a vaccine to diversify exposure to less under-owned cyclicals and value stocks that generally trade at inexpensive valuations. In addition, global growth momentum should improve, spurred by improving vaccine prospects. This provides a conducive macro backdrop for cyclicals and value style to perform.

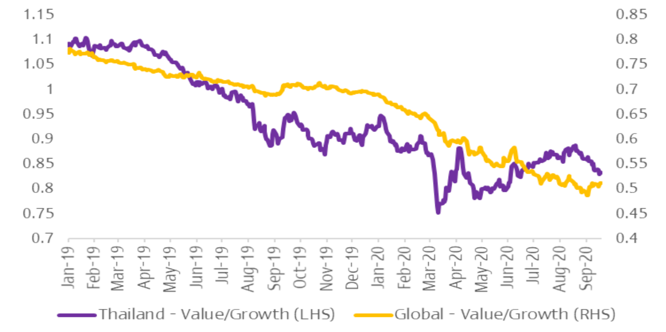
We believe that Energy and Petrochemical are well positioned in our expected global macro environment. We are concerned about domestic cyclicals that have seen a strong share price recovery and could be affected by erratic domestic events. Based on our screening criteria (leverage, financial strength, earnings growth and valuation), our recommendations for the cyclical rotation theme are CPN, EA, GUNKUL, IVL, PTT, SAWAD, and SCCC.

Figure 31: Small vs large – we prefer small cap



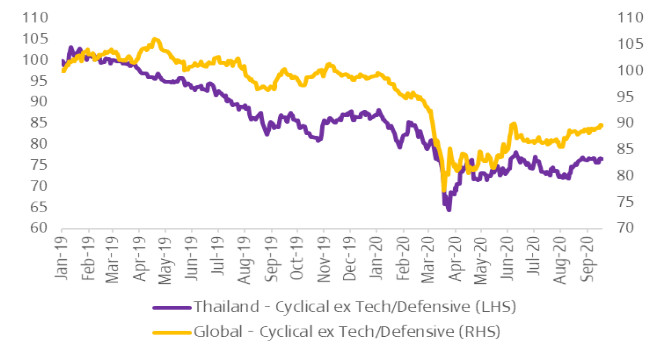
Source: Bloomberg, SCBS Investment Research

Figure 32: Value vs growth – we prefer growth



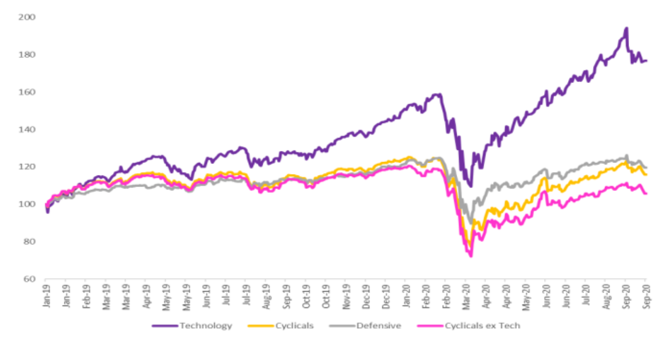
Source: Bloomberg, SCBS Investment Research

Figure 33: Cyclical vs defensive – we prefer defensive



Source: Bloomberg, SCBS Investment Research

Figure 34: Tech has outperformed...and will continue to do so



Source: Bloomberg, SCBS Investment Research

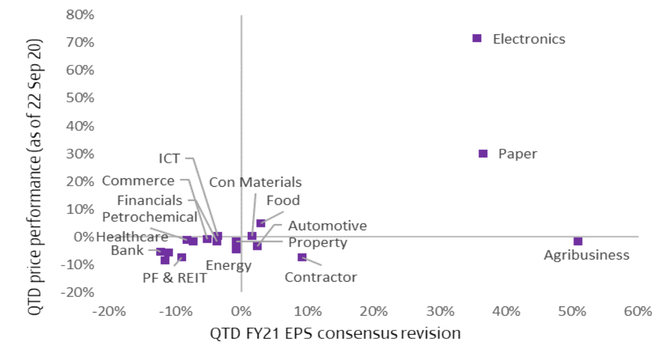
Market theme #5 – Earnings recovery and positive earnings momentum in a slump

Net profit for the SET in 1H20 fell 58% YoY due to COVID-19. The pace of recovery has been mixed across sectors and economic cohorts. Positive developments in macro activity, continued monetary easing and stabilizing commodity prices have prompted consensus to upgrade earnings forecasts. The SET revision trend has softened 1% in the past month. Companies in the Agribusiness, Electronics, Food and Paper sectors are leading and benefiting from earnings recovery and gaining earnings momentum despite the economic downturn, but Hotel, Healthcare, Transportation, Entertainment and Banks are generally underperforming due to earnings downgrades, reflecting a slower recovery than expected, mostly because of travel restrictions.

In 3Q20TD, the SET has fallen 4% while consensus 2021 EPS estimate was cut by 7%. Sector-level EPS revisions and price movements have followed a similar trend, with sectors that show a strong recovery in both operations and earnings outperforming, reflected in consensus earnings upgrades. Utilities, ICT and Food have experienced minimal earnings revisions as well as limited price declines. Meanwhile, macro-driven sectors such as Energy, Materials and Financials have shown an impressive rally in stark contrast to the earnings revision trend, indicating the market is overlooking idiosyncratic fundamentals in favor of sector dynamics.

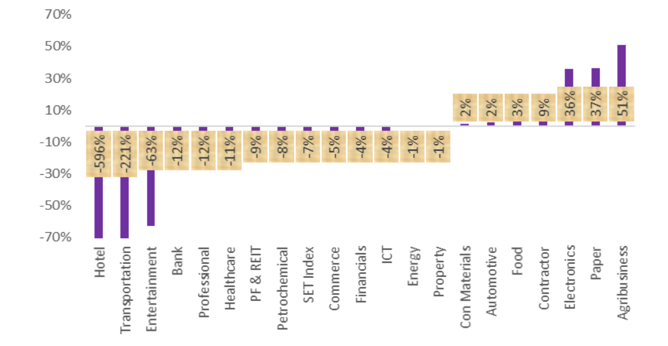
Based on our screening criteria, we prefer stocks that have seen positive earnings revisions of more than 10% over the past three months and whose valuation is reasonable. Our recommendations for this theme are ACE, BGRIM, DOHOME, HANA, KCE, SVI and THRE.

Figure 35: 3-month price change vs consensus revision to 2021 EPS estimates (Jul-Sep 2020)



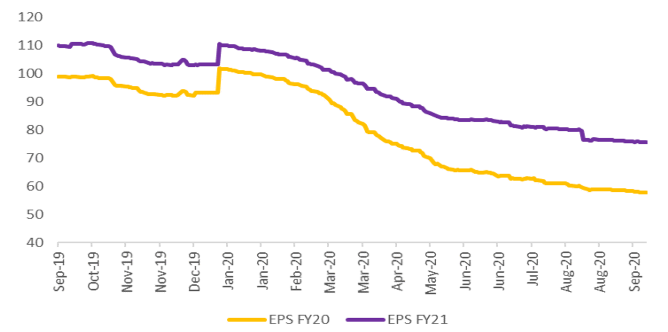
Source: Bloomberg, SCBS Investment Research

Figure 36: Profit divergence among sectors has been substantial



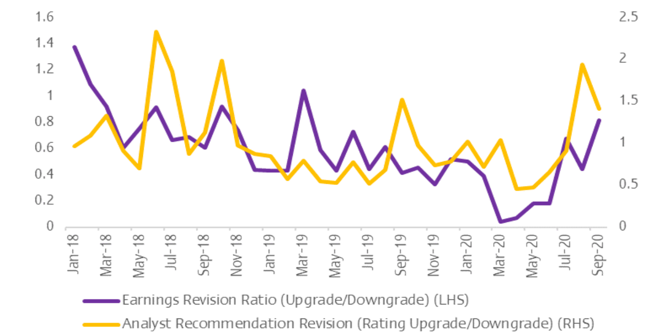
Source: Bloomberg, SCBS Investment Research

Figure 37: SET Index 4-week sector earnings revision



Source: Bloomberg, SCBS Investment Research

Figure 38: SET analyst recommendations and earnings revisions ratio is turning more bullish



Source: Bloomberg, SCBS Investment Research

For the SET, we expect CAGR net profit for our coverage between 2019 and 2022 at 1%. The rebound in 2021 earnings will not be uniform across all sectors. Some sectors, such as Healthcare, Commerce and Food, will post annualized growth of 4-5% for the next three years. However, other sectors, such as Property Development, Tourism & Leisure and Banks, will generate lower earnings in 2021 than in 2019. Our base forecast is that forward earnings for the SET may not return to the 2019 level until 2022. This suggests that earnings will see a gradual U-shaped recovery, aligning with our GDP forecast, which posits a return to pre-COVID-19 level in 2022. We believe our 2021 earnings forecast is achievable with improving earnings visibility after a COVID-19 vaccine becomes available.

Figure 39: U-shaped recovery, earnings in 2021 +27% YoY

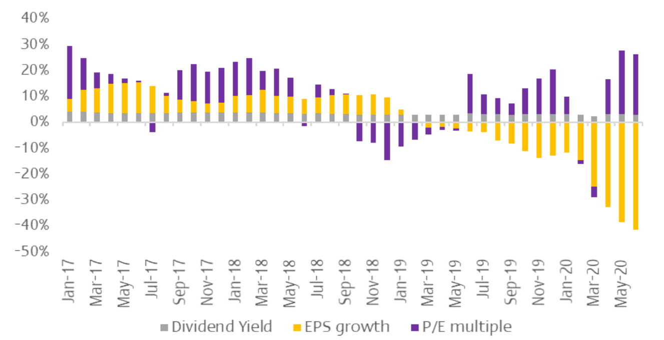
	Mkt. Cap.	Net Profit (Btm)				Growth (%)			
	(Btm)	19A	20F	21F	22F	19A	20F	21F	22F
Agribusiness	15,046	1,195	1,166	1,301	1,455	15.2	(2.4)	11.5	11.8
Automotive	27,228	2,787	1,399	2,672	3,317	(38.8)	(49.8)	91.1	24.1
Banking	1,118,113	211,515	136,887	138,937	162,403	4.3	(35.3)	1.5	16.9
Commerce	1,208,495	44,136	36,490	43,008	49,394	7.3	(17.3)	17.9	14.8
Construction Materials	478,721	37,537	39,366	42,302	44,706	(24.4)	4.9	7.5	5.7
Energy & Utilities	1,829,916	152,854	96,697	158,549	175,411	(19.4)	(36.7)	64.0	10.6
Finance & Securities	363,281	24,657	22,912	24,325	27,489	16.6	(7.1)	6.2	13.0
Food & Beverage	442,304	32,970	16,348	28,874	33,492	41.5	(50.4)	76.6	16.0
Health Care Services	479,079	21,501	10,739	13,989	16,528	40.3	(50.1)	30.3	18.1
Information & Communication Technology	717,258	42,248	32,769	28,639	29,177	30.6	(22.4)	(12.6)	1.9
Insurance	34,254	4,705	2,715	5,533	6,799	11.7	(42.3)	103.8	22.9
Paper & Printing Materials	8,970	863	984	1,005	1,035	11.1	14.0	2.1	3.1
Petrochemicals & Chemicals	332,585	17,028	11,092	28,673	34,337	(74.0)	(34.9)	158.5	19.8
Property Development	401,536	38,220	25,297	29,080	33,249	(1.0)	(33.8)	15.0	14.3
Tourism & Leisure	40,371	2,190	(1,633)	986	1,607	(19.3)	(174.6)	(160.4)	62.9
Transportation & Logistics	1,143,820	26,107	(1,772)	1,251	30,948	19.7	(106.8)	(170.6)	2,374.8
SCBS Coverage	8,640,978	660,513	431,454	549,124	651,346	(7.5)	(34.7)	27.3	18.6

Source: SCBS Investment Research

Lack of fresh positive catalyst with high expectations

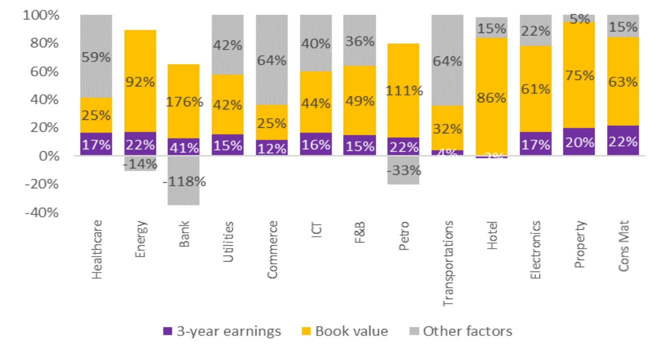
The SET has by and large recovered from the COVID-19-induced disruption during Feb-Sep to 72% of pre-COVID-19 level, while domestic economic and manufacturing activities have gradually recovered to about half of pre-COVID-19 level, but international travel remains at a standstill. Thus, the market is looking more at fundamentals and assumes a vaccine becomes available instead of hoping for recovery. Based on our calculations, we tabulate EPS forecasts for the next three years with current book value and expectations or other factors. This shows that the SET has expectations of about 13%, while other countries have slightly lower expectations than Thailand, i.e. they are cheaper against their market's index. Without vaccine availability, the SET is expected to move sideways in the absence of fresh positive catalysts. Slow tourism recovery, rising unemployment, slow government spending, high chance of a second wave of COVID-19 and corporate debt overhang are key downside risks in 4Q20.

Figure 40: SET rally is driven by multiples expansion; the current rally cannot be explained by earnings



Source: Bloomberg, SCBS Investment Research

Figure 41: Stock valuation may be a sector story



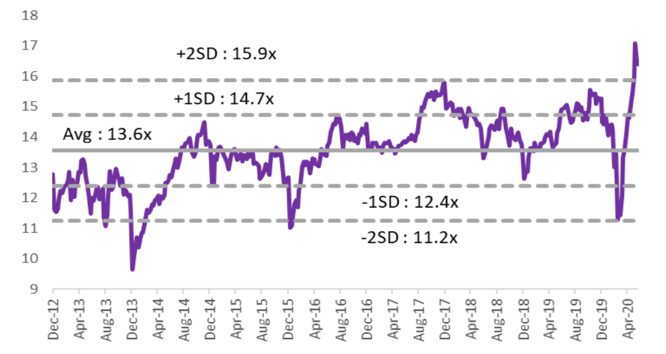
Source: Bloomberg, SCBS Investment Research

Mind the valuation gap; valuation is rebalancing

As expected, valuation is rebalancing based on long-term sector fundamentals and short-term earnings recovery. According to a back-of-the-envelope calculation on our country scorecard, which is based on relative PE, PBV, and EV/EBITDA to benchmark and long-term average, the SET appears fairly valued at 16.8x 2021 PE, 1.4x PB and 10.8x EV/EBITDA relative to Asia valuation. Based on the 3-year Z-score, we find that Transportation, Entertainment and Utilities carry a rich valuation, while valuations for Banks, Materials, Communication Services, Contractors and Automotive are cheap relative to historical levels. This indicates investor preference for defensive stocks despite high valuation and fear of cyclical stocks despite cheap valuation due to cloudy outlook and low earnings visibility.

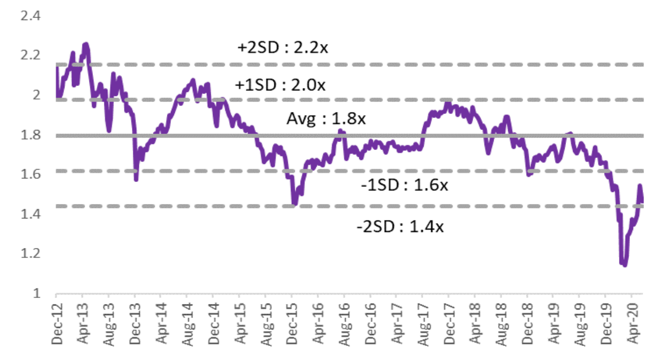
Valuation-wise, the SET is trading at upper band valuation and seems richly valued using fundamentals in 2020 - which are affected by COVID-19. The earnings yield gap at 4.5% indicates that there is no difference in terms of attractiveness between bonds and equity. However, the SET is trading at 16.8x 2021F which is +2SD over 7-year average, which seems to us to be a rich valuation. We believe near-zero interest rates for the next few years could make a higher valuation in stocks look comparatively attractive relative to bonds. However, our interest focuses on fundamental value and new growth narrative rather than betting on multiples expansion and elevated equity risk premium.

Figure 42: Forward P/E (2021) is on the upper band



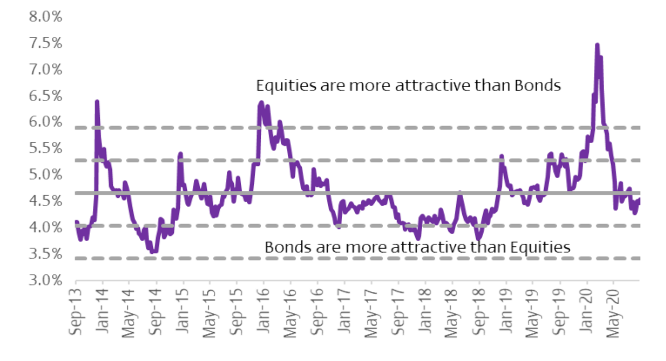
Source: Bloomberg, SCBS Investment Research

Figure 43: Forward P/BV is on the lower band



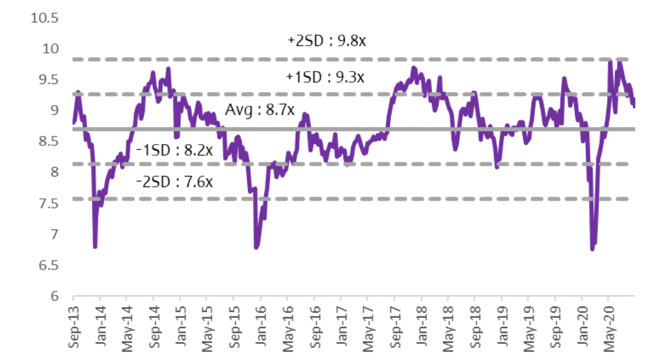
Source: Bloomberg, SCBS Investment Research

Figure 44: Earnings Yield Gap is staying at long-term average



Source: Bloomberg, SCBS Investment Research

Figure 45: Price to cashflow is falling from its peak and trading at around +1SD



Source: Bloomberg, SCBS Investment Research

SET index target in 2021 is 1,400-1,450, while the year-end 2020 index is 1,300

The SET is selling at a PB ratio of 1.4x, slightly lower than fundamental PB of 1.5x based on sector ROE profile, payout ratio and long-term growth rate. Our calculations show a 2021 SET Index target based on fundamentals of 1,440 or 5% upside from the current level. Thus, our 2021 SET target is 1,400-1,450 or upside of 10-15% from current level, aligning with our view that holds that net profit in 2021 will be below actual net profit in 2019 (average and yearend SET index at 1,640 and 1,560). The 4Q20 trading range target is 1,300-1,350. Progress in vaccine trials is a key catalyst for the SET.

Figure 46: Implied SET index target based on valuation band and justified PB

		Target PB		Market Cap	
	Book value (2021)	SD band	Justified PB	SD band	Justified PB
Energy	2,214,629	1.1	1.0	2,384,142	2,144,647
Utilities	246,070	2.3	2.1	572,163	520,388
Bank	2,458,400	0.6	0.6	1,497,076	1,491,753
Trans	435,346	3.3	3.4	1,423,397	1,480,833
ICT	586,365	4.4	3.2	2,566,301	1,864,670
Food	533,652	2.2	2.2	1,166,437	1,161,886
Commerce	440,174	5.4	5.4	2,397,090	2,376,940
Petro	518,370	1.1	0.9	548,182	443,605
Healthcare	179,280	5.7	5.7	1,028,015	1,021,896
Electronics	83,055	1.7	1.8	137,225	147,727
Property	721,872	1.2	0.7	865,520	506,836
Hotel	67,450	1.8	0.8	118,978	54,555
Media	55,303	2.7	2.6	148,967	145,289
Con Mat	441,762	1.5	1.3	672,999	579,119
Finance	207,948	3.0	3.3	632,194	684,469
Cons	96,602	1.1	0.4	101,794	41,645
Others	773,850	1.0	1.0	773,850	773,850
Implied target		**1.7**	**1.5**	**1,585**	**1,437**

Source: SCBS Investment Research

Combining various valuation approaches points to limited valuation upside from current levels. On the forward P/E approach, our base-case target 2021 P/E of 16x is about 4% downside from current 16.7x P/E. Similarly, an interest rate-related approach like Equity Risk Premium and Earnings Yield Gap, point to limited upside and downside. However, P/B based on our 2021 ROE expectations points to 11% upside. Taking an average of all four approaches suggests a median valuation downside of 1%, which translates to a 16x target P/E. We quantify potential bull and bear case scenarios which point to median 10% valuation upside and 9% valuation downside from current levels. Compared with our SET target of 1,400-1,450, bull and bear case valuations suggest our target is skewed toward the bull case scenario which is supported by a successful vaccine. We use bear case valuations as a key entry point and 6-9% margin of safety from current level.

Figure 47: Various approaches on SET index target

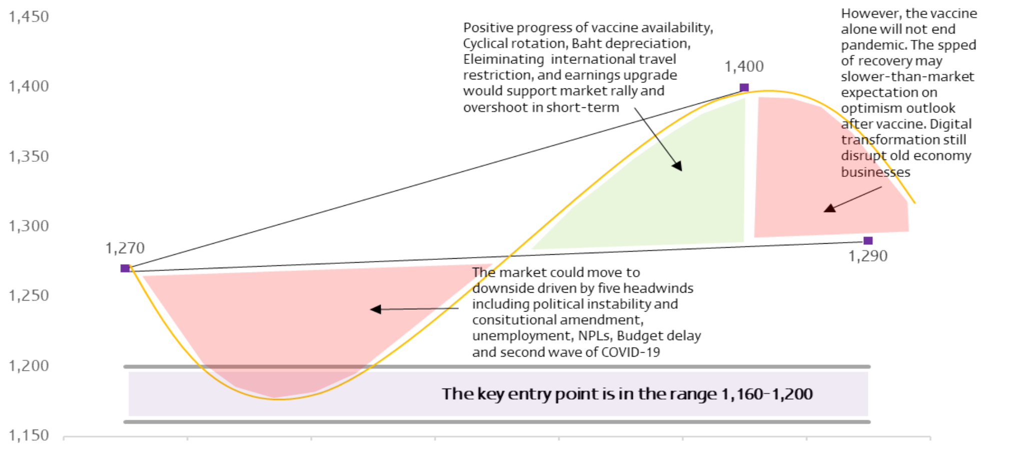
Approach	Current level	Target valuation (Based case)	Implied SET Index	Potential Upside / Downside	Bull case	Implied SET Index	Potential Upside / Downside	Bear case	Implied SET Index	Potential Upside / Downside
P/E	16.7	16.0	1,222	-4%	17.2	1,313	3%	14.8	1,130	-11%
P/B and ROE	1.45	1.53	1,411	11%	1.60	1,472	15%	1.47	1,355	6%
Equity Risk Premium	ERP 7% / Rf 0.5%	ERP 6.5% / Rf 0.5%	1,273	0%	ERP 6% / Rf 1%	1,388	9%	ERP 7.5% / Rf 0.25%	1,175	-8%
Earnings Yield Gap	455	466	1,263	-1%	404	1,408	10%	528	1,145	-10%
		Average	**1,292**	**1%**		**1,396**	**9%**		**1,201**	**-6%**
		Median	**1,268**	**-1%**		**1,398**	**10%**		**1,160**	**-9%**

Source: SCBS Investment Research

Bull run reaches exhaustion; is the bull market really gone?

After a strong 40% recovery from bottom in Mar to peak in Jun, the SET has continued to grind sideways/down by about 12% since late Jun. We feel the market has priced in the economic bottoming, aggressive liquidity injection and easing lockdown. However, the nascent recovery of the Thai and global economies in recent months sparks concerns that recovery may slower than expected. At the same time, we believe the bull market is not over because progress on a vaccine will support another leg of a rally in the rest of the year. Based on valuation approaches, the SET should be 1,300 points in case of no vaccine, which is our base case scenario. Vaccine availability would expand the valuation. In the short term, the SET could reach 1,400 points. In the bear case scenario, the market will move towards downside, driven by five headwinds. The key entry point to the SET is 1,160-1,200 points.

Figure 48: SET Index scenario



Source: SCBS Investment Research

Strategy for 4Q20 – stay defensive, stay selective

Although we believe the market has bottomed out, we think there is little upside for the SET. We continue to be cautious, expecting a slow recovery for the services sector and a rising default rate for small and medium enterprises, geopolitical risks.

Figure 49: Summary of market themes and our recommendations

Theme	Our view	Our recommendation
Vaccine progress	Vaccines will serve as an insurance policy against economic shocks and start of recovery and virus control. We believe a vaccine will not end the pandemic.	We believe sectors that have high intensity of human interaction such as restaurants, hotels, healthcare and entertainment will benefit. Our picks are AAV, AOT, MINT and TOP
Low rate and low growth environment	Aggressive monetary stimulus and rising corporate debt from COVID-19 on top of an aging population confirms our view of a low-rate, low-growth period.	Core long-term portfolios take positions in high-quality and defensive stocks, healthcare and consumer staples in particular. Our picks are WICE, RPH, CBG and COM7
Weak USD	We expect the baht to appreciate because Thailand's real yield is higher than US and EU, it has a large trade surplus, the BoT has a hawkish stance, gold price is rising and the baht is on the list of currency manipulation.	We prefer stocks that have limited impact from baht appreciation, focusing mainly on operations and balance sheet. Our picks are BCH, BTSGIF, DIF, GPSC.
Digital Transformation / technology adoption	Although we see a rich valuation in technology-related stocks, we think earnings growth, a strong balance sheet, robust cash flow are intact and support share price. Digital transformation has been shifted into overdrive by COVID-19 and the replacement cycle by 5G.	In the current environment of low interest rates, high uncertainty and rapid digital disruption, technology-related stocks offer attractive characteristics. Our picks are IIG and SVI
Cyclical rotation	Improving macro growth expectations, possibly driven by progress in a vaccine, could prompt a rise in bond yields leading to cyclical and value style rotation. We think cyclical rotation is a short-term trading idea, with unfavorable risk and reward in the medium term.	Sharp earnings recovery from a firmer macro setup could lead the rotation. Cyclical rotation contains high risk. Risk management is needed. We recommend safe bets for this theme. Our picks are CPN, EA, GUNKUL, IVL, PTT, SAWAD, SCCC
Positive earnings revision stocks	Positive developments in macro activity, continued monetary easing and stabilizing commodity prices have prompted consensus to upgrade earnings forecasts.	We prefer stocks that have seen positive earnings revisions of over 10% over the past three months whose valuation is reasonable; our picks are ACE, BGRIM, DOHOME, HANA, SVI and THRE.

Source: SCBS Investment Research

Figure 50: Sector weighting – Overweight Agribusiness, Electronics, Healthcare, Utilities; Underweight Air Transportation, Automotive, Bank, Media, Residential Developers and Telecommunication

Sector	Rating	Drivers (+)	Risks / Concerns (-)
Agribusiness	Overweight	Strong demand growth both domestic and international, rising agricultural price	Slow purchasing power, rising feed costs
Electronics	Overweight	Solid demand growth from 5G and accelerated technology adoption	Baht appreciation, limited margin expansion from new products
Healthcare	Overweight	Domestic demand remains robust, Rising demand for testing and laboratory services	Slow international patient recovery
Utilities	Overweight	Strong balance sheet, high earnings visibility, new projects in pipeline	International investment, lower EIRR, revision of Power Development Plan
Building Materials	Neutral	Margin expansion from lower production cost, pent-up domestic demand	Delay in government spending, cloudy growth in property and infrastructure, strong baht
Commerce	Neutral	Indirect positive impact from government stimulus	Second wave infection, sluggish purchasing power, online shopping
Contractor	Neutral	Second phase of double rail-track development	Delay in government spending, slow project bidding, competition from foreign players
Energy	Neutral	Vaccine progress, geopolitical conflicts, cheap valuation	Recovery priced in, global supply growth
Food & beverage	Neutral	Gradual domestic demand growth, strong growth from China, ASF in Europe	Volatile raw material prices, baht appreciation, Intense competition in restaurant and beverage
Hotel	Neutral	Vaccine progress, eliminating travel restrictions, strong domestic tourism demand	Slow international tourism recovery, Baht appreciation, Strong supply growth
Industrial Estate	Neutral	Continuous EEC activities, cheap valuation	Vietnam and Cambodia are gaining momentum on production relocation
Insurance	Neutral	Improving combined ratio	Weak premium growth, Low rate environment
Land Transportation	Neutral	Limited downside	Delay of orange line project, Work from home revolution, Second wave infection
Petrochemical	Neutral	Improving global economic activities, cheap valuation	Demand remains mute, Continuous supply growth
REITs / PF / IF	Neutral	Attractive yield spread, high visibility for infrastructure fund	Yield pickup, High exposure on office, hotel and shopping center
Air Transportation	Underweight	Sector consolidation, baht appreciation	Liquidity crunch, Credit rating downgrade, Capital increase, Slow recovery
Automotive	Underweight	Government stimulus measures on tax subsidy	Weak demand, High inventory, Limited model launches
Bank	Underweight	Higher dividend payout, gradual loan growth recovery	NIM pressure, Worsening credit quality, Higher provision, Liquidity stress
Entertainment / Media	Underweight	Low base from last year, marketing campaign in 4Q20	Popularity of streaming services and online advertising, disruption from digital media
Residential	Underweight	Low base effect, government stimulus measures	High inventory, slow presales, fewer new launches, tight regulations
Telecoms	Underweight	Replacement cycle in 5G devices, Services on digital transformation	Rising competition, subdued purchasing power, new capex cycle on 5G

Source: SCBS Investment Research

Figure 51: Summary of our views

		Our summary views
Macroeconomic outlook		The economy is edging closer to a black hole in 4Q20, pace of recovery slowing. Concern on second wave of COVID-19, limited stimulus, US election. In Thailand, NPLs, unemployment and baht appreciation are key risks
Expected returns	Base case	Limited upside. No fresh catalyst with high expectations and valuation
	Bull case	Vaccine could boost share price in the short term. SET could go up to 1,400 points.
	Bear case	Key entry point is 1,160-1,200 points with safe bet on the rebound
Earnings outlook		2021 EPS of our SCBS coverage (70% of market cap) will increase 27.8% YoY
Risk	1) Domestic politics	Outperformers during past political rallies were Commerce, Food, Healthcare, Insurance and Agribusiness.
	2) Unemployment	Could reach record high. Negative to Commerce and Automotive
	3) NPLs	Expiry of debt relief measures. Avoid Banks, We like AUCT, BAM, JMT, MTC and SAWAD
	4) Second wave	High chance of second wave. Avoid hotel, airline, land and rai transportation, shopping center
Market theme	1) Low rate, low growth	Growth and visibility are more valuable. We like WICE, RPH, CBG
	2) Strong baht	Look for defensive stocks with limited impact from baht movement. We like BCH, BTSGIF, DIF, and GPSC
	3) Digital transformation	CVOID-19 accelerated the shift to digital technology. We like IIG and SVI
	4) Rotation play	Just for short-term trading. We like CPN, EA, GUNKUL, IVL, PTT, SAWAD, and SCCC
	5) Earnings momentum	Earnings recovery and positive earnings momentum in downturn. We like ACE, BGRIM, DOHOME, HANA, SVI and THRE.
Vaccine		Serves as insurance policy against economic shock. Starting point of virus control, but it will not end the pandemic. Our preferences for this theme are AAV, AOT, MINT and TOP
Sector	Overweight	Food and Beverages, Agribusiness, Healthcare, Asset Management, Electronics
	Neutral	Commerce, Energy, Petrochemical, Hotel, Construction services, Land Transportation, Consumer Finance
	Underweight	Bank, Entertainment, Communication
Recommendation	Core portfolio	Defensive, strong long-term fundamentals, reasonable valuation
	Tactical portfolio	Vaccine-related theme, strong balance sheet, earnings recovery, benefit from government stimulus
	S-curve portfolio	High growth capability with fresh catalysts from new customers and new business model

Source: SCBS Investment Research

Core portfolio – Still emphasizing high-quality defensive stocks.

In this environment, we suggest a combination of defensive investing into stocks with strong long-term fundamental value and a robust balance sheet. We suggest investors view positively companies that: 1) operate in industries showing structural growth, 2) exhibit strong recovery after COVID-19, 3) remain competitive in the long-term, and 4) have the capacity to generate earnings, even if there is some downward pressure on underlying demand at this point because of COVID-19. We construct a defensive portfolio, which is our core and all-weather portfolio, composed of BAM, BDMS, CBG, EGCO and GFPT.

Tactical portfolio – Cautiously optimistic on undervalued cyclicals

Taking a bottom-up approach, we look for companies with idiosyncratic drivers and some protection from macro uncertainties. We have a cautious view on cyclical rotation because fundamentals of cyclical stocks remain weak with a clouded outlook despite cheap valuation. Thus, we choose safe bets for this theme: AP, PTT, TOP.

S-curve portfolio - Focus on small-cap stocks with high growth capability

We initiate this portfolio for high-risk-appetite investors because most of the stocks are mid to small cap that have a superior growth narrative as well as strong earnings growth outlook driven by adaptability during COVID-19 and gain momentum during downturns. We also focus on companies that have low financial risks. Our recommendations for the S-curve portfolio are AUCT, IIG, PRIME, SVI, WICE and ZIGA.

Figure 52: Stock recommendations

		Investment highlight in 4Q20
Core portfolio	BAM	Expect a sharp recovery in 2H20 and 2021, driven by an acceleration in NPA sales and NPL resolution, Opportunity to acquire distressed assets at better prices, Dividend yield 4.8%
	BDMS	Earnings passed bottom, 2H20 net profit +20% HoH, slow return of international patients but pent-up demand is still there, potential upside from growing patients from China from its collaboration with Ping An Health
	CBG	Huge opportunities in CLMV and vitamin C product launch, margin expansion from cost reduction in aluminum cans, cheaper valuation relative to OSP but higher growth
	EGCO	Strong balance sheet and cash flow generating ability, potential large M&A, active value-accretive capacity additions overseas
	GFPT	Earnings bottomed out and expect better performance HoH in 2H20F from better local broiler price, stronger 1H21 after new machines start up (+30% to capacity)
Tactical portfolio	AP	Outstanding presales from low-rise, strong backlog to support growth in 2H20, Liquidity remains healthy, attractive valuation and 8% yield, potential short-term upside from government stimulus measures
	TOP	Competitive cash cost will cushion the impact from COVID-19, More cost control measures, record gain from sale of GSPC to offset inventory loss, strong balance sheet, easing travel restriction is key to recovery
S-curve portfolio	IIG	Robust demand for Customer Relationship Management software, potential M&A, rising recurring income, new potential growth from data analytics and data cleansing
	PRIME	Repowering using bifacial technology for old solar farm, huge opportunities for overseas investment in Cambodia, Taiwan, Myanmar and Uzbekistan, strong EPC projects in the pipeline
	SVI	Demand for electronics products remains strong, digital transformation could support industrial automation, strong balance sheet, positive earnings revision, valuation is lower than peers
	WICE	Strong air trading activities especially electronics products and easing lockdown in China, continuous cost control measures, limited competition in this area
	ZIGA	Strong earnings growth in 2H20 driven by pre-zinc steel demand, expanding distribution channels and product launches, reasonable valuation

Source: SCBS Investment Research

AP (Thailand)

AP (Thailand) Public Company Limited

AP

Bloomberg	AP TB
Reuters	AP.BK

Solid earnings in 2H20

We maintain outperform for AP for four reasons. Firstly, outstanding presales from low-rise will offset poor condominium sales, giving growth in 2020. Secondly, strong backlog supports HoH growth in 2H20 earnings. Thirdly, liquidity remains healthy. Lastly, valuation is inexpensive at PE of 4.8-5X with a high dividend yield on 2020.

High backlog on hand: Outstanding accumulated presales have enlarged backlog on hand. AP's current backlog is worth Bt46bn, of which 20% is low-rise and 80% condo (10% from AP and 90% from JV). We believe this will underwrite revenue and profit sharing for the next four years. We anticipate around Bt7bn of this backlog will realized as revenue in 2H20, securing 73% of 2020 projected revenue of Bt23.5bn (+17.6% YoY) plus another Bt7bn from the completion of two of its JV projects: *Aspire Asoke-Ratchada* and *Life Asoke-Rama 9*. We thus expect 2020 earnings to come in at Bt3.5bn (+15.9% YoY) with an EPS of Bt1.13/share.

Presales at year's target with 2% growth: AP reported 8M20 presales of Bt21bn, representing 64% of its 2020 presales target of Bt33.5bn. Of 8M20 presales, low-rise contributed ~Bt18bn (84%), representing significant growth of 15% YoY. We believe the new normal of social distancing is generating a desire to stay away from crowded condos and is thus leading buyers to shun condos and switch to low-rise where their dwelling is separate from others and they can control who enters their space. We believe AP will achieve its 2020 presales target with 2% YoY growth and expect low-rise value to exceed its target of Bt22.5bn (8M20 accounted for 80% of target). At the same time, we expect condominiums to fall short of target (8M20 accounted for 28% of target). This means AP needs sales of around Bt3.1bn per month for the rest of the year, which we believe is achievable as it plans launch of another Bt12bn in low-rise projects before yearend.

Financial position solid: AP's financial position in 2020 remains solid in the presence of the market's credit risk, backed by strong cash flow and high potential backlog. Interest coverage remains high at 13.5X, with net gearing below 1X at the end of this year.

Maintain Outperform: We see AP as superior to peers, with strong earnings growth in 2020, 52% of that in 2H20, It has an appropriate business model with a good mix of low-rise and condominium. It is also the only developer in our universe that pays an annual dividend offering 7.9% yield and low PER (2020 at 5.1X and 2021 at 4.8X). Our target price is Bt8.50/share, based on 2021 PER of 7X (8% discount from average of 7.6X).

Forecasts and valuation

Year to 31 Dec	Unit	2018	2019	2020F	2021F	2022F
Revenue	(Btmn)	27,700	23,495	27,621	29,597	30,896
EBITDA	(Btmn)	4,821	3,907	4,533	4,731	5,171
Core Profit	(Btmn)	3,860	3,006	3,555	3,773	4,103
Reported Profit	(Btmn)	3,865	3,068	3,555	3,773	4,103
Core EPS	(Bt)	1.23	0.96	1.13	1.20	1.30
DPS	(Bt)	0.40	0.40	0.45	0.48	0.52
P/E, core	(x)	4.7	6.0	5.1	4.8	4.4
EPS growth, core	(%)	25.0	(22.1)	18.3	6.1	8.7
P/BV, core	(x)	0.7	0.7	0.6	0.6	0.5
ROE	(%)	16.8	11.9	12.9	12.7	12.7
Dividend yield	(%)	7.0	7.0	7.9	8.3	9.1
FCF yield	(%)	2.0	5.6	(7.7)	(6.1)	(0.3)
EV/EBIT	(x)	7.9	11.8	9.3	7.8	6.1
EBIT growth, core	(%)	20.2	(19.7)	16.4	4.4	9.4
EV/CE	(x)	0.8	0.8	0.7	0.7	0.6
ROCE	(%)	5.7	3.6	4.2	4.8	6.1
EV/EBITDA	(x)	7.8	11.5	9.2	7.7	6.0
EBITDA growth	(%)	20.4	(19.0)	16.0	4.4	9.3

Source: SCBS Investment Research

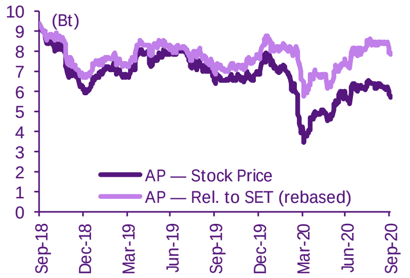
Tactical: OUTPERFORM

(3-month)

Stock data

Last close (Sep 22) (Bt)	5.55
12-m target price (Bt)	8.50
Mkt cap (Btbn)	17.46
Mkt cap (US$mn)	557
Beta	H
Mkt cap (%) SET	0.13
Sector % SET	5.74
Shares issued (mn)	3,146
Par value (Bt)	1.00
12-m high / low (Bt)	8 / 3.4
Avg. daily 6m (US$mn)	3.14
Foreign limit / actual (%)	30 / 24
Free float (%)	68.8
Dividend policy (%)	≤ 50

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	(9.8)	0.0	(12.6)
Relative to SET	(7.5)	7.0	11.9

Source: SET, SCBS Investment Research

Analyst

Termporn Tantivivat
Fundamental Investment Analyst on Securities
(662) 949-1020
termporn.tantivivat@scb.co.th

Financial statement

Profit and Loss Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total revenue	(Btmn)	22,079	20,253	22,176	27,700	23,495	27,621	29,597	30,896
Cost of goods sold	(Btmn)	14,545	13,292	14,262	18,339	15,320	19,252	20,202	21,309
Gross profit	**(Btmn)**	**7,534**	**6,961**	**7,914**	**9,361**	**8,176**	**8,369**	**9,395**	**9,587**
SG&A	(Btmn)	4,010	4,016	4,552	5,795	5,456	5,349	6,136	5,656
Other income	(Btmn)	148	89	88	59	88	88	88	88
Interest expense	(Btmn)	280	189	150	123	247	336	247	211
Pre-tax profit	**(Btmn)**	**3,392**	**2,846**	**3,300**	**3,503**	**2,560**	**2,772**	**3,100**	**3,808**
Corporate tax	(Btmn)	699	598	722	778	566	554	620	762
Equity a/c profits	(Btmn)	(207)	371	502	1,125	1,009	1,335	1,289	1,053
Minority interests	(Btmn)	0	0	9	10	4	4	4	4
Core profit	**(Btmn)**	**2,486**	**2,619**	**3,089**	**3,860**	**3,006**	**3,555**	**3,773**	**4,103**
Extra-ordinary items	(Btmn)	137	84	69	5	61	0	0	0
Net Profit	**(Btmn)**	**2,623**	**2,703**	**3,157**	**3,865**	**3,068**	**3,555**	**3,773**	**4,103**
EBITDA	(Btmn)	3,514	3,448	4,006	4,821	3,907	4,533	4,731	5,171
Core EPS	**(Bt)**	**0.79**	**0.83**	**0.98**	**1.23**	**0.96**	**1.13**	**1.20**	**1.30**
Net EPS	(Bt)	0.83	0.86	1.00	1.23	0.98	1.13	1.20	1.30
DPS	(Bt)	0.30	0.30	0.35	0.40	0.40	0.45	0.48	0.52

Balance Sheet

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total current assets	(Btmn)	33,281	33,118	37,741	43,280	51,470	50,443	47,783	45,788
Total fixed assets	(Btmn)	2,866	4,671	6,195	6,004	7,324	7,319	7,338	7,353
Total assets	**(Btmn)**	**36,147**	**37,790**	**43,936**	**49,284**	**58,794**	**57,762**	**55,121**	**53,141**
Total loans	(Btmn)	14,679	14,741	18,402	20,275	27,607	23,827	18,727	14,027
Total current liabilities	(Btmn)	7,451	9,721	12,491	11,247	17,056	11,926	18,135	19,762
Total long-term liabilities	(Btmn)	11,042	8,645	9,812	13,657	15,441	17,241	6,041	(159)
Total liabilities	**(Btmn)**	**18,493**	**18,366**	**22,303**	**24,904**	**32,497**	**29,167**	**24,176**	**19,603**
Paid-up capital	(Btmn)	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146
Total equity	**(Btmn)**	**17,654**	**19,423**	**21,637**	**24,393**	**26,313**	**28,610**	**30,961**	**33,554**
BVPS	**(Bt)**	**5.61**	**6.17**	**6.88**	**7.75**	**8.36**	**9.09**	**9.84**	**10.67**

Cash Flow Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Core Profit	(Btmn)	2,486	2,619	3,089	3,860	3,006	3,555	3,773	4,103
Depreciation and amortization	(Btmn)	50	42	54	70	92	91	95	99
Operating cash flow	(Btmn)	(468)	(397)	(6,392)	(2,931)	(9,810)	3,637	5,414	6,161
Investing cash flow	(Btmn)	966	(136)	(1,002)	(465)	(1,396)	1,222	1,149	912
Financing cash flow	(Btmn)	(540)	1,199	7,361	3,294	10,826	(5,039)	(6,522)	(6,209)
Net cash flow	**(Btmn)**	**(42)**	**666**	**(33)**	**(103)**	**(381)**	**(180)**	**40**	**864**

Key Financial Ratios

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Gross margin	(%)	34.1	34.4	35.7	33.8	34.8	30.3	31.7	31.0
Operating margin	(%)	16.0	14.5	15.2	12.9	11.6	10.9	11.0	12.7
EBITDA margin	(%)	15.9	17.0	18.1	17.4	16.6	16.4	16.0	16.7
EBIT margin	(%)	15.7	16.8	17.8	17.2	16.2	16.1	15.7	16.4
Net profit margin	(%)	11.9	13.3	14.2	14.0	13.1	12.9	12.7	13.3
ROE	(%)	14.8	14.1	15.0	16.8	11.9	12.9	12.7	12.7
ROA	(%)	6.9	7.1	7.6	8.3	5.6	6.1	6.7	7.6
Net gearing	(x)	0.8	0.7	0.8	0.8	1.0	0.8	0.6	0.4
Interest coverage	(x)	12.6	18.3	26.6	39.2	15.8	13.5	19.1	24.5
Debt service coverage	(x)	3.3	2.1	1.8	2.7	1.2	2.4	1.4	1.4
Payout Ratio	(%)	36.0	34.9	34.9	32.6	41.0	40.0	40.0	40.0

Main Assumptions

FY December 31		Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Revenue	- Low-rise	(Btmn)	12,948	12,947	13,198	17,838	17,839	17,840	17,841	17,842
	- Condo	(Btmn)	9,090	5,461	7,926	8,792	4,227	2,456	2,094	1,200
	- JVs (100%)	(Btmn)	41	4,794	6,727	10,322	10,322	13,186	17,550	17,980
Presales	- AP's low-rise	(Btmn)	13,225	12,332	14,822	19,652	18,419	22,558	24,780	25,863
	- AP's condo	(Btmn)	3,415	5,871	4,368	7,970	6,438	5,126	5,429	4,924
	- JVs (100%)	(Btmn)	11,544	4,162	23,788	13,676	8,000	5,000	6,000	7,000
Backlog	- AP's low-rise	(Btmn)	2,088	1,473	3,097	4,922	4,895	n.a.	n.a.	n.a.
	- AP's condo	(Btmn)	7,189	6,354	2,796	1,917	4,328	n.a.	n.a.	n.a.
	- JVs (100%)	(Btmn)	19,886	19,008	35,713	39,542	39,273	n.a.	n.a.	n.a.
New launch	- AP's low-rise	(Btmn)	11,490	12,950	24,940	28,090	20,760	n.a.	n.a.	n.a.
	- AP's condo	(Btmn)	17,280	6,140	-	3,000	4,100	n.a.	n.a.	n.a.
	- JVs (100%)	(Btmn)	10,645	25,676	24,700	14,100	23,000	n.a.	n.a.	n.a.
Land acquisition		(Btmn)	9,144	7,224	10,200	11,192	9,500	n.a.	n.a.	n.a.

*Note: * including AP and JV*

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total revenue	(Btmn)	6,776	8,518	7,790	4,455	5,886	5,364	5,399	7,792
Cost of goods sold	(Btmn)	4,589	5,839	5,230	2,870	3,818	3,402	3,537	5,487
Gross profit	**(Btmn)**	**2,187**	**2,679**	**2,561**	**1,584**	**2,068**	**1,962**	**1,862**	**2,305**
SG&A	(Btmn)	1,351	1,742	1,512	1,138	1,252	1,554	1,148	1,516
Other income	(Btmn)	16	23	10	14	29	35	13	12
Interest expense	(Btmn)	25	29	45	81	66	55	75	101
Pre-tax profit	**(Btmn)**	**827**	**930**	**1,013**	**380**	**779**	**387**	**652**	**700**
Corporate tax	(Btmn)	183	213	228	82	169	86	143	150
Equity a/c profits	(Btmn)	282	256	293	167	(26)	574	109	664
Minority interests	(Btmn)	2	4	0	1	1	1	1	1
Core profit	**(Btmn)**	**928**	**977**	**1,078**	**467**	**585**	**877**	**618**	**1,215**
Extra-ordinary items	(Btmn)	-	(0)	-	22	35	5	-	-
Net Profit	**(Btmn)**	**928**	**977**	**1,078**	**488**	**619**	**882**	**618**	**1,215**
EBITDA	(Btmn)	874	983	1,083	489	877	476	793	867
Core EPS	**(Bt)**	**0.30**	**0.31**	**0.34**	**0.16**	**0.20**	**0.28**	**0.20**	**0.39**
Net EPS	(Bt)	0.30	0.31	0.34	0.15	0.19	0.28	0.20	0.39

Balance Sheet

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total current assets	(Btmn)	42,969	43,286	46,982	49,055	49,320	51,470	53,746	53,612
Total fixed assets	(Btmn)	6,049	6,109	6,111	6,240	6,833	7,324	8,241	8,928
Total assets	**(Btmn)**	**49,018**	**49,395**	**53,093**	**55,295**	**56,153**	**58,794**	**61,986**	**62,540**
Total Loans	(Btmn)	21,517	20,275	22,248	25,722	26,031	27,607	30,013	30,589
Total current liabilities	(Btmn)	13,918	11,247	15,108	14,961	14,540	17,056	15,228	17,202
Total long-term liabilities	(Btmn)	13,657	13,657	12,417	15,537	16,197	15,441	19,845	18,467
Total liabilities	**(Btmn)**	**25,591**	**24,904**	**27,524**	**30,497**	**30,737**	**32,497**	**35,073**	**35,670**
Paid-up capital	(Btmn)	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146
Total equity	**(Btmn)**	**23,436**	**24,504**	**25,582**	**24,812**	**25,431**	**26,313**	**26,932**	**26,889**
BVPS	**(Bt)**	**7.45**	**7.79**	**8.14**	**7.89**	**8.09**	**8.37**	**8.57**	**8.55**

Cash Flow Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Core Profit	(Btmn)	928	977	1,078	467	585	877	618	1,215
Depreciation and amortization	(Btmn)	21	24	25	28	32	33	66	66
Operating cash flow	(Btmn)	(304)	1,194	(954)	(4,269)	(2,318)	(2,269)	(5,223)	1,858
Investing cash flow	(Btmn)	326	236	(181)	12	(778)	(449)	(169)	(267)
Financing cash flow	(Btmn)	(562)	(1,263)	2,534	3,419	2,339	2,534	5,953	1,548
Net cash flow	**(Btmn)**	**(541)**	**167**	**1,399**	**(839)**	**(757)**	**(184)**	**560**	**3,138**

Key Financial Ratios

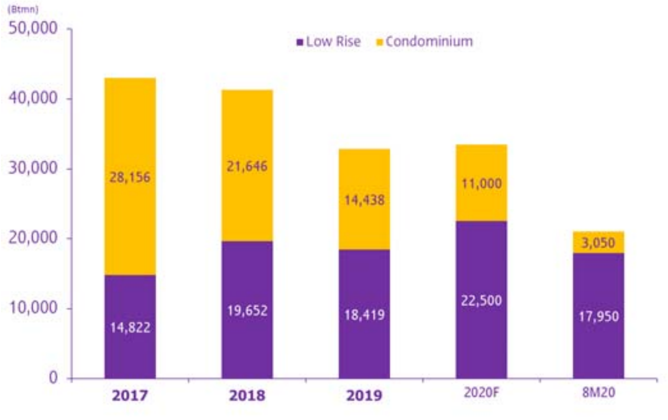
FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Gross margin	(%)	32.3	31.5	32.9	35.6	35.1	36.6	34.5	29.6
Operating margin	(%)	12.3	11.0	13.5	10.0	13.9	7.6	13.2	10.1
EBITDA margin	(%)	12.9	11.5	13.9	11.0	14.9	8.9	14.7	11.1
EBIT margin	(%)	12.6	11.3	13.6	10.3	14.4	8.3	13.5	10.3
Net profit margin	(%)	13.7	11.5	13.8	11.0	10.5	16.4	11.5	15.6
ROE	(%)	16.2	16.3	17.2	7.4	9.3	13.6	13.7	14.2
ROA	(%)	7.6	7.9	8.4	3.4	4.2	6.1	5.9	6.1
Net gearing	(x)	0.9	0.8	0.8	1.0	1.0	1.0	1.1	1.1
Interest coverage	(x)	38.5	29.0	6.8	11.3	17.3	14.4	10.1	13.5
Debt service coverage	(x)	0.4	0.7	0.5	0.2	0.3	0.3	0.3	0.3

Main Assumptions

FY December 31		Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Revenue	- Low-rise	(Btmn)	4,492	4,668	5,965	3,238	4,719	4,202	4,403	6,732
	- Condo	(Btmn)	2,127	3,666	1,538	985	876	849	759	851
	- JVs (100%)	(Btmn)	2,324	2,259	2,247	1,379	467	4,575	1,421	5,347
Presales	- AP's low-rise	(Btmn)	5,690	4,037	6,222	5,065	4,557	2,574	5,096	7,716
	- AP's condo	(Btmn)	2,999	1,286	4,617	652	892	277	436	819
	- JVs (100%)	(Btmn)	4,739	5,282	1,746	2,492	2,318	1,443	513	505
Backlog	- AP's low-rise	(Btmn)	5,542	4,922	5,063	6,833	6,598	4,894	5,518	6,417
	- AP's condo	(Btmn)	4,010	1,917	4,996	4,647	4,651	4,072	3,738	3,697
	- JVs (100%)	(Btmn)	36,518	39,542	38,873	40,456	42,173	38,791	37,853	32,882
New launch	- AP's low-rise	(Btmn)	11,580	11,140	6,000	8,100	5,660	1,000	8,025	7,450
	- AP's condo	(Btmn)	n.a.	n.a.	4,100	0	0	0	0	0
	- JVs (100%)	(Btmn)	6,400	5,700	3,200	8,800	6,300	4,700	0	0

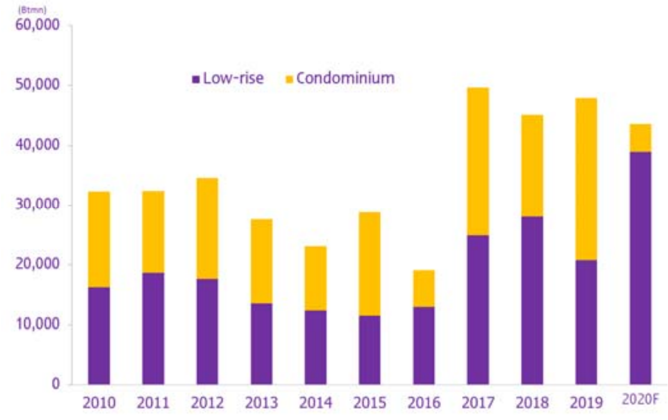
Appendix

Figure 1: Presales 8M20, achieved 64% led by low-rise



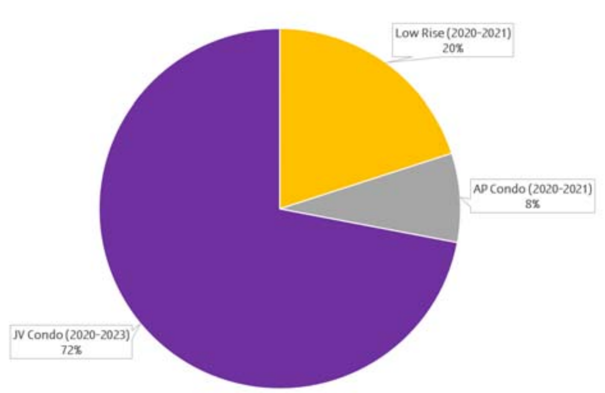
Source: SCBS Investment Research, Bloomberg

Figure 2: New Launch 2020 with record high low-rise



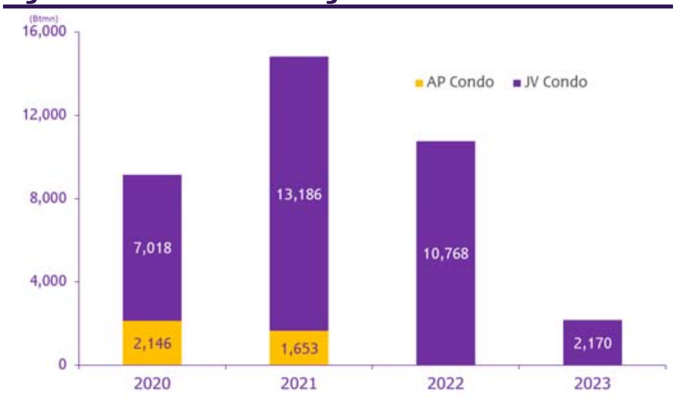
Source: SCBS Investment Research, Bloomberg

Figure 3: Total Backlog 2020-2023 = 46,084 mn.



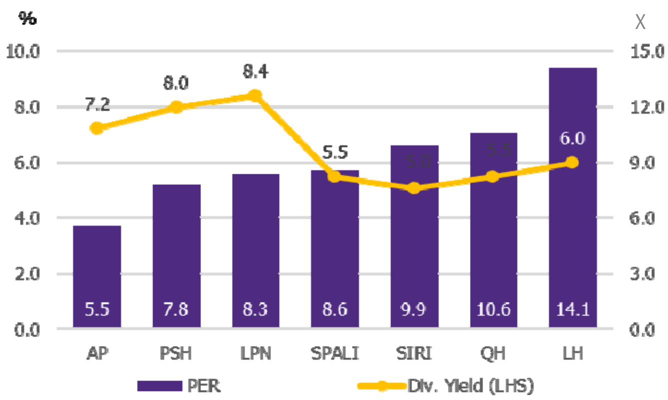
Source: SCBS Investment Research, Bloomberg

Figure 4: AP Condo Backlog 2020-2023



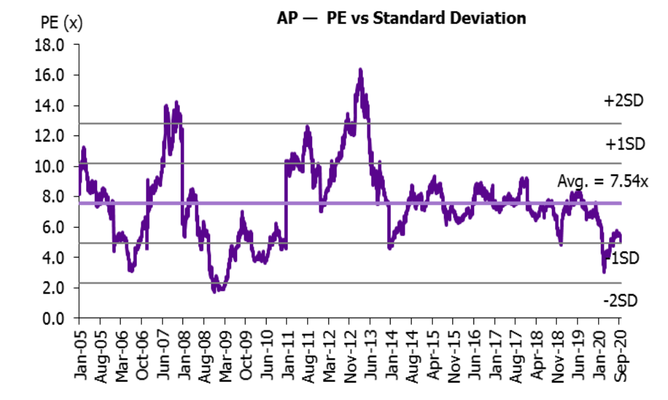
Source: SCBS Investment Research, Bloomberg

Figure 5: PER vs. Dividend Yield Residential Sector



Source: SCBS Investment Research, Bloomberg (Closed Price 21 Sep 2020)

Figure 6: PER Band



Source: SCBS Investment Research, Bloomberg

Figure 7: Valuation summary (price as of Sep 21, 2020)

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	19A	20F	21F	19A	20F	21F	19A	20F	21F	19A	20F	21F	19A	20F	21F	19A	20F	21F
AP	Outperform	5.75	8.5	55.7	6.0	5.1	4.8	(22)	18	6	0.7	0.6	0.6	12	13	13	7.0	7.9	8.3	11.5	9.2	7.7
LH	Neutral	7.00	7.5	13.3	10.9	13.6	12.8	(18)	(20)	6	1.6	1.7	1.6	15	12	13	10.0	6.2	6.5	10.0	15.1	14.3
LPN	Underperform	4.54	4.6	10.2	5.3	7.9	7.4	(8)	(32)	6	0.5	0.5	0.5	10	6	7	13.2	8.9	9.5	8.3	11.3	12.1
PSH	Neutral	11.20	11.5	10.7	4.6	7.6	6.8	(11)	(40)	11	0.6	0.6	0.6	13	8	8	13.8	8.1	8.9	6.9	10.8	9.8
QH	Neutral	2.20	2.3	10.2	8.5	10.3	8.9	(28)	(18)	15	0.9	0.9	0.8	10	9	10	9.1	5.7	6.5	11.5	12.6	10.5
SIRI	Underperform	0.67	0.7	14.6	5.0	8.9	8.2	(4)	(44)	8	0.3	0.3	0.3	7	4	4	20.9	5.6	7.3	17.9	22.6	21.0
SPALI	Outperform	16.20	19.2	24.2	6.4	8.0	6.9	(6)	(20)	17	1.0	0.8	0.8	15	10	11	6.2	5.6	6.6	6.6	8.6	7.2
Average					**6.7**	**8.8**	**8.0**	**(14)**	**(22)**	**10**	**0.8**	**0.8**	**0.7**	**12**	**9**	**9**	**11.5**	**6.8**	**7.7**	**10.4**	**12.9**	**11.8**

Source: SCBS Investment Research

Bangkok Commercial Asset Management

BAM

Bangkok Commercial Asset Management Public Company Limited

Bloomberg	BAM TB
Reuters	BAM.BK

SCBS

Tactical: OUTPERFORM

(3-month)

Sharp recovery with extra income ahead

We expect a sharp recovery in 2H20 and 2021, driven by an acceleration in NPA sales and NPL resolution plus upside from deferred tax benefit. As a result of the end of the debt relief program, we expect a substantial rise in supply of NPLs up for sale by financial institutions in 1H21, giving BAM the opportunity to acquire distressed assets at better prices. Backed by resilient cash collection, we expect BAM to keep 2020 DPS stable, translating to a decent dividend yield of 5.3%. We maintain our Outperform rating with a TP of Bt25.

A sharp earnings recovery in 2H20. We expect a V-shaped recovery in BAM's earnings in 2H20 as a result of introducing a special price campaign for the sale of NPAs, the Legal Execution Department's resumption of auctions after being closed from March 30-May 31 and a resumption of physical booth sales in 2H20 (two events in July with more than 10 upcoming events). It is negotiating for the sale of large-sized NPAs (3-4 cases worth Bt100-300mn per case and 1 case worth Bt800mn) that may be finalized in 2H20 (one case was completed in 3Q20). BAM expects cash collection in 2020 to come in 10-15% below its Bt16bn target after collecting Bt5.89bn in 1H20 (Bt3.17bn in 1Q20 and Bt2.72bn in 2Q20), accounting for 41-43% of its new guidance.

Extra income from deferred tax benefit. BAM intends to book as much as possible of a deferred tax benefit this year, if approved by the auditor. However, there is still uncertainty about when and how it will be ab le to recognize this deferred tax benefit, but it plans to gradually recognize it as the status clarifies. Its deferred tax benefits fell to Bt4.99bn in 2Q20 from Bt5.87bn in 1Q20 due to adjustments in deferred tax assets from accrued income from sales at auctions. We have factored in a deferred tax benefit of Bt2bn in 2020F, Bt1.5bn in 2021F and Bt1bn in 2022F.

Opportunity to buy distressed assets at more favorable prices. In 1H20, it purchased distressed assets valued at Bt7.67bn comprised of Bt6.56bn in NPLs and Bt1.1bn in NPAs. As a result of rising NPLs during this economic downturn, BAM was able to buy distressed assets 5% below usual costs in 1H20. It targets the purchase of Bt10bn in NPLs & NPAs in 2020 (vs. Bt13.3bn in 2019). We forecast growth in net NPLs under management at 8% in 2020 vs. 3.3% YTD in 1H20. As a result of the end of the debt relief program, we expect a substantial rise in supply of NPLs up for sale by financial institutions in 1H21, giving BAM the chance to acquire distressed assets at more favorable prices.

Sustainable dividend. BAM intends to pay as high a dividend as possible to keep its yield decent. With a fairly resilient cash collection, we expect BAM to sustain DPS at Bt1.05 on 2020 and 2021 (62% payout ratio) on par with the post IPO DPS on 2019, equivalent to a 5.3% dividend yield.

Forecasts and valuation

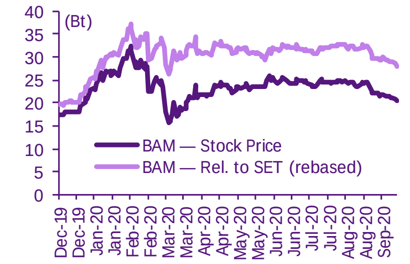
Year to 31 Dec	Unit	2018	2019	2020F	2021F	2022F
Net profit	(Bt mn)	5,202	6,549	5,463	5,716	5,886
Core net profit	(Bt mn)	5,202	6,549	3,463	4,216	4,886
EPS	(Bt)	1.90	2.17	1.69	1.77	1.82
Core EPS	(Bt)	1.90	2.17	1.07	1.30	1.51
BVPS	(Bt)	15.30	12.29	12.77	13.48	14.20
DPS	(Bt)	1.14	5.36	1.05	1.10	1.25
Core PER	(x)	10.46	9.16	18.57	15.26	13.16
Core EPS growth	(%)	15.58	14.21	(50.67)	21.74	15.88
PBV	(x)	1.30	1.62	1.56	1.48	1.40
ROE	(%)	12.55	16.60	8.84	9.94	10.92
Dividend yield	(%)	5.74	26.94	5.28	5.53	6.28

Source: SCBS Investment Research

Stock data

Last close (Sep 22) (Bt)	19.90
12-m target price (Bt)	25.00
Mkt cap (Btbn)	64.32
Mkt cap (US$mn)	2,051
Beta	M
Mkt cap (%) SET	0.47
Sector % SET	3.40
Shares issued (mn)	3,232
Par value (Bt)	5.00
12-m high / low (Bt)	36.3 / 15.6
Avg. daily 6m (US$mn)	82.19
Foreign limit / actual (%)	49 / 6
Free float (%)	54.2
Dividend policy (%)	≥ 40

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	(15.0)	(20.1)	n.a.
Relative to SET	(12.8)	(14.5)	n.a.

Source: SET, SCBS Investment Research

Analyst

Kittima Sattayapan, CFA
Fundamental Investment Analyst on Securities
(66-2) 949-1003
kittima.sattayapan@scb.co.th

Financial statement

Profit and Loss Statement

FY December 31	Unit	2016	2017	2018	2019	2020F	2021F	2022F
Interest income from NPLs under management	(Btmn)	1,232	1,878	1,857	1,519	5,925	6,323	7,095
Interest income from loans for installment sales	(Btmn)	149	105	89	108	100	105	110
Other interest income	(Btmn)	21	46	30	63	134	133	133
Interest income	**(Btmn)**	**1,402**	**2,028**	**1,976**	**1,690**	**6,159**	**6,561**	**7,339**
Interest expense	(Btmn)	1,244	1,622	1,769	2,132	2,437	2,632	2,825
Net interest income	**(Btmn)**	**158**	**406**	**206**	**(442)**	**3,722**	**3,929**	**4,514**
Gain on NPLs under management	(Btmn)	4,224	3,509	4,438	7,450	6,440	6,775	7,095
Gain on NPAs under management	(Btmn)	2,363	1,741	3,106	2,907	1,943	3,236	3,562
Gain on installment sales	(Btmn)	584	184	115	94	93	98	103
Other income	(Btmn)	190	163	116	96	94	96	98
Non-interest income	**(Btmn)**	**7,361**	**5,598**	**7,776**	**10,546**	**8,570**	**10,204**	**10,858**
Non-interest expenses	**(Btmn)**	**2,582**	**2,520**	**2,935**	**3,757**	**3,120**	**3,262**	**3,400**
Pre-provision profit	**(Btmn)**	**4,937**	**3,484**	**5,047**	**6,347**	**9,172**	**10,870**	**11,972**
Provision	(Btmn)	21	(1,025)	(162)	135	5,324	5,600	5,865
Pre-tax profit	**(Btmn)**	**4,916**	**4,509**	**5,209**	**6,212**	**3,848**	**5,270**	**6,107**
Tax	(Btmn)	12	8	7	(337)	385	1,054	1,221
Core net profit	**(Btmn)**	**4,904**	**4,501**	**5,202**	**6,549**	**3,463**	**4,216**	**4,886**
Extra item	(Btmn)	0	0	0	0	2,000	1,500	1,000
Net profit	**(Btmn)**	**4,904**	**4,501**	**5,202**	**6,549**	**5,463**	**5,716**	**5,886**
EPS	(Bt)	1.79	1.65	1.90	2.17	1.69	1.77	1.82
DPS	(Bt)	1.45	1.61	1.14	5.36	1.05	1.10	1.25

Balance Sheet

FY December 31	Unit	2016	2017	2018	2019	2020F	2021F	2022F
Cash & deposits at financial institutions	(Btmn)	1,611	1,163	1,035	1,384	1,023	1,023	1,023
Investments	(Btmn)	146	140	94	70	70	70	70
Net credit for purchase of receivables	(Btmn)	69,887	72,886	75,434	77,375	81,866	86,297	90,418
Net loans for installment sales	(Btmn)	1,562	641	708	649	682	716	752
Properties foreclosed	(Btmn)	15,082	17,735	20,596	23,899	27,927	30,907	33,861
Total assets	**(Btmn)**	**93,637**	**99,933**	**107,653**	**115,790**	**125,981**	**134,926**	**143,037**
Borrowings and debentures	(Btmn)	50,329	56,868	57,709	75,688	81,688	88,310	94,091
Total liabilities	**(Btmn)**	**53,114**	**58,874**	**65,804**	**78,724**	**84,724**	**91,346**	**97,127**
Paid-up capital	(Btmn)	13,675	13,675	13,675	15,075	16,160	16,160	16,160
Total Equities	**(Btmn)**	**40,523**	**41,059**	**41,849**	**37,066**	**41,258**	**43,580**	**45,910**
BVPS	**(Bt)**	**14.82**	**15.01**	**15.30**	**12.29**	**12.77**	**13.48**	**14.20**

Key Assumptions and Financial Ratios

	Unit	2016	2017	2018	2019	2020F	2021F	2022F
Growth								
YoY growth in net credit for purchase of receivables	(%)	NA.	4.29	3.50	2.57	5.80	5.41	4.78
YoY growth in properties foreclosed	(%)	NA.	17.59	16.13	16.04	16.85	10.67	9.56
Profitability								
Return from NPL management	(%)	NA.	6.83	7.79	10.85	14.40	14.50	15.00
Return from NPA management	(%)	NA.	11.59	16.68	13.56	8.04	11.42	11.40
Cost of funds	(%)	NA.	3.03	3.09	3.20	3.10	3.10	3.10
Core net profit margin	(%)	55.96	59.02	53.35	53.52	23.51	25.15	26.85
Core ROE	(%)	NA.	11.03	12.55	16.60	8.84	9.94	10.92
Core ROA	(%)	NA.	4.65	5.01	5.86	2.86	3.23	3.52
Efficiency								
Cost to income ratio	(%)	29.46	33.04	30.10	30.71	21.18	19.46	18.68
Leverage								
D/E	(%)	1.31	1.43	1.57	2.12	2.05	2.10	2.12

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Interest income from NPLs under management	(Btmn)	386	425	348	439	458	273	1,440	1,409
Interest income from loans for installment sales	(Btmn)	23	25	19	35	33	21	23	23
Other interest income	(Btmn)	12	9	4	4	36	19	31	38
Interest income	**(Btmn)**	**420**	**458**	**372**	**479**	**527**	**313**	**1,494**	**1,470**
Interest expense	(Btmn)	474	454	445	481	599	608	581	582
Net interest income	**(Btmn)**	**(54)**	**4**	**(73)**	**(2)**	**(73)**	**(295)**	**913**	**888**
Gain on NPLs under management	(Btmn)	667	2,139	4,059	873	1,639	879	1,584	755
Gain on NPAs under management	(Btmn)	1,077	599	307	465	358	1,777	226	434
Gain on installment sales	(Btmn)	42	41	40	22	19	13	10	20
Other income	(Btmn)	18	94	13	12	22	48	8	21
Non-interest income	**(Btmn)**	**1,804**	**2,874**	**4,419**	**1,372**	**2,038**	**2,717**	**1,828**	**1,231**
Non-interest expenses	**(Btmn)**	**735**	**880**	**881**	**707**	**1,001**	**1,169**	**681**	**622**
Pre-provision profit	**(Btmn)**	**1,014**	**1,998**	**3,465**	**663**	**965**	**1,253**	**2,060**	**1,497**
Provision	(Btmn)	(145)	103	219	(91)	83	(75)	1,298	1,376
Pre-tax profit	**(Btmn)**	**1,159**	**1,896**	**3,247**	**755**	**882**	**1,328**	**762**	**120**
Tax	(Btmn)	1	4	0	0	1	(339)	63	(15)
Core net profit	**(Btmn)**	**1,159**	**1,891**	**3,247**	**754**	**881**	**1,667**	**699**	**136**
Extra item	(Btmn)	0	0	0	0	0	0	0	0
Net profit	**(Btmn)**	**1,159**	**1,891**	**3,247**	**754**	**881**	**1,667**	**699**	**136**
EPS	(Bt)	NA.	NA.	1.19	0.28	0.32	0.55	0.22	0.04

Balance Sheet

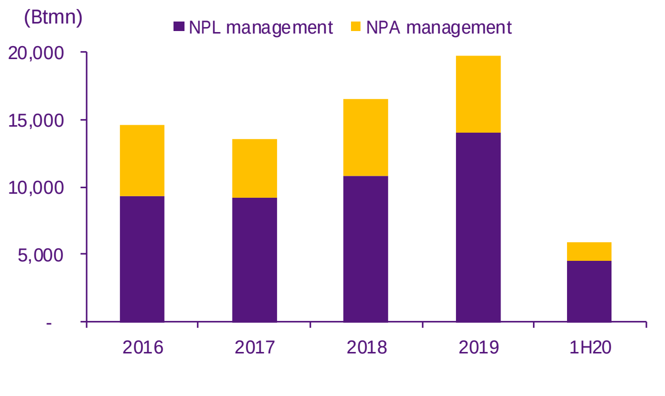
FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Cash & deposits at financial institutions	(Btmn)	NA.	1,035	538	848	1,547	1,384	666	781
Investments	(Btmn)	NA.	94	93	86	5,690	70	449	454
Net credit for purchase of receivables	(Btmn)	NA.	75,434	74,482	76,749	79,136	77,375	78,015	77,550
Net loans for installment sales	(Btmn)	NA.	708	693	667	676	649	656	669
Properties foreclosed	(Btmn)	NA.	20,596	21,731	22,506	23,245	23,899	26,255	27,043
Total assets	**(Btmn)**	NA.	107,653	107,667	**111,669**	**121,701**	**115,790**	**118,979**	**119,677**
Borrowings and debentures	(Btmn)	NA.	57,709	59,497	66,746	75,060	75,688	75,487	79,983
Total liabilities	**(Btmn)**	NA.	65,804	62,573	**68,969**	**78,126**	**78,724**	**82,455**	**83,016**
Paid-up capital	(Btmn)	NA.	13,675	13,675	13,675	13,675	15,075	16,160	16,160
Total Equities	**(Btmn)**	NA.	41,849	45,095	**42,700**	**43,575**	**37,066**	**36,523**	**36,662**
BVPS	**(Bt)**	NA.	15.30	16.49	**15.61**	**15.93**	**12.29**	**11.30**	**11.34**

Key Assumptions and Financial Ratios

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Growth									
YoY growth in net credit for purchase of receivables	(%)	NA.	NA.	NA.	NA.	NA.	2.57	4.74	1.04
YoY growth in properties foreclosed	(%)	NA.	NA.	NA.	NA.	NA.	(8.35)	(5.31)	0.36
Profitability									
Return from NPL management	(%)	NA.	NA.	21.67	6.40	9.95	5.45	14.22	10.03
Return from NPA management	(%)	NA.	NA.	6.69	9.16	6.96	29.89	4.04	7.00
Cost of funds	(%)	NA.	NA.	3.03	3.05	3.38	3.23	3.08	2.99
Core net profit margin	(%)	52.11	56.76	67.77	40.77	34.36	55.02	21.03	5.02
Core ROE	(%)	NA.	NA.	29.87	6.87	8.17	16.54	7.60	1.48
Core ROA	(%)	NA.	NA.	12.06	2.75	3.02	5.62	2.38	0.45
Efficiency									
Cost to income ratio	(%)	33.06	26.40	18.38	38.19	39.01	38.59	20.50	23.04
Leverage									
D/E	(%)	NA.	NA.	1.39	1.62	1.79	2.12	2.26	2.26

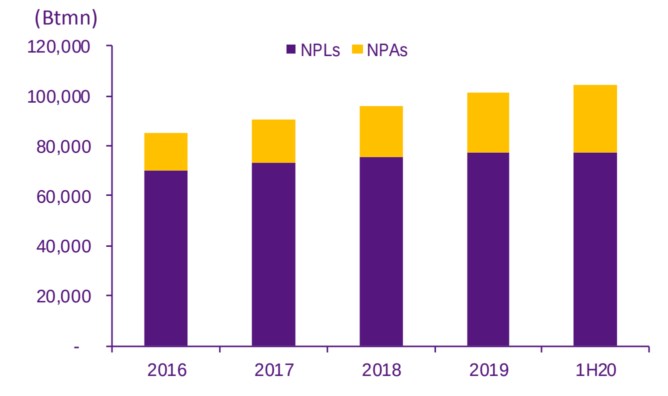
Appendix

Figure 1: Cash collection



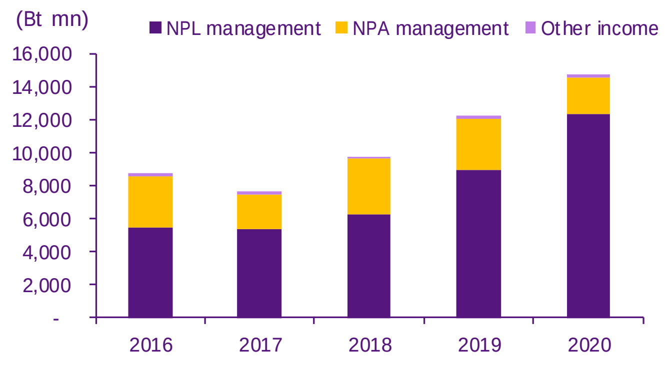
Source: BAM and SCBS Investment Research

Figure 2: Distressed assets under management



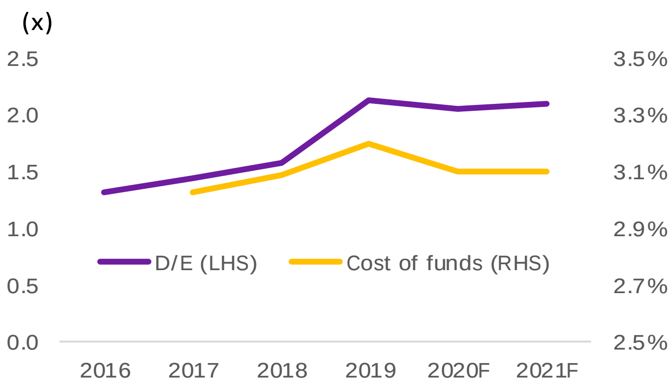
Source: BAM and SCBS Investment Research

Figure 3: Revenue breakdown



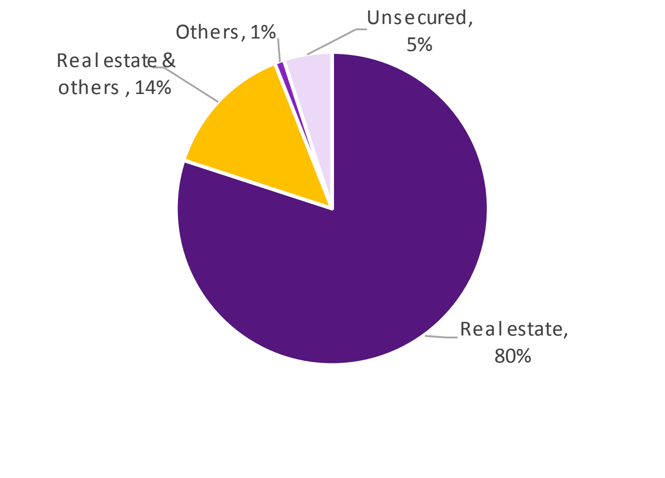
Source: BAM and SCBS Investment Research

Figure 4: D/E and cost of funds



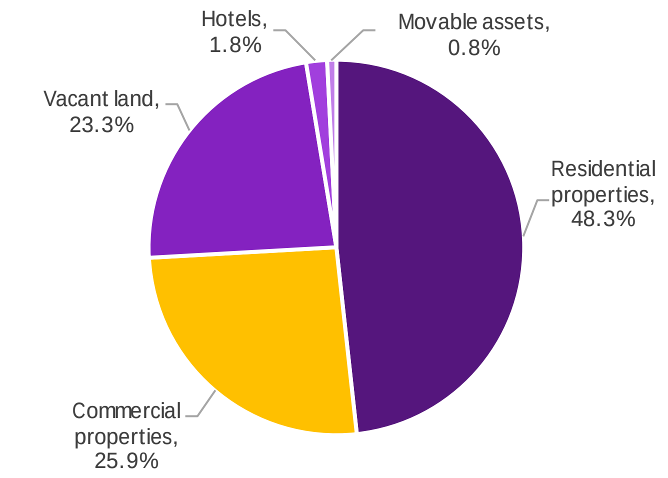
Source: BAM and SCBS Investment Research

Figure 5: Breakdown of NPLs by collateral type



Source: BAM and SCBS Investment Research

Figure 6: Breakdown of NPAs by type



Source: BAM and SCBS Investment Research

Bangkok Dusit Medical — BDMS

Bangkok Dusit Medical Services Public Company Limited		Bloomberg	BDMS TB
		Reuters	BDMS.BK

SCBS

ST hiccup but LT positive outlook is intact

We believe BDMS' earnings passed nadir in 2Q20 and expect 2H20 to be better as ~80% of pre-COVID Thai patient traffic has returned. Looking beyond the slow recovery of international patient services, we see BDMS as a good long-term investment from growing the insured Thai patient segment and potential upside from growing patients from China from its collaboration with Ping An Health which is a part of Ping An Insurance Group Company of China, Ltd., the largest insurance company in China.

Earnings passed bottom. We believe 2Q20 marked the bottom for BDMS as it slogged through the COVID-19 pandemic, particularly in April when the country was essentially locked down. We expect operations to improve in 2H20, driven by pent-up demand from Thai patients after the lockdown lifted. For 3QTD we estimate a drop in BDMS' patient traffic of 20% YoY implying ~80% of pre-COVID-19 level, much better than the 27% YoY drop in 2Q20. Our 2020 forecast suggests better earnings in 2H20 at 20% HoH (but dropping 31% YoY).

Slow return of international patients but pent-up demand is still there. Thailand began cautiously opening the doors for foreigners in July to international patients who desire medical treatment in Thailand (except for COVID-19) and in October for long-stay tourists. We see this as a positive for BDMS as 29% of its revenue (pre-COVID-19) was from international patients. In BDMS' network, 30 hospitals have set up isolation wards to qualify as Alternative Hospital Quarantine (AHQ) to serve fly-in patients and BDMS is working with 18 hotels including its own wellness hotel, *Mövenpick BDMS Wellness Resort Bangkok*, which qualifies as Alternative State Quarantine (ASQ). BDMS revealed that it has seen a list of international patients expressing a desire to come to Thailand, suggesting there is pent-up demand for international patient services. However, in our view, the release of demand will be gradual because of Thailand's caution in reopening the country to international flights.

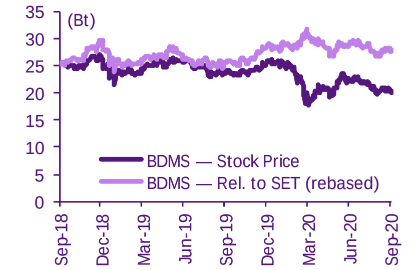
Long-term positive outlook is intact. Looking beyond the short-term pothole from the scarcity of international patients, for longer-term investment, we maintain our positive view on BDMS, backed by its sound fundamentals; getting in on rising demand for quality healthcare with its entire spectrum of healthcare service, from preventive to curative and rehabilitative, growing its insurance patient segment via providing exclusive health insurance policies for health services at BDMS' hospital network and potential upside from growing patients from China via its collaboration with Ping An Health which is a part of Ping An Insurance Group Company of China, Ltd., the largest insurance company in China with over 200mn individual customers in 2019.

Tactical: OUTPERFORM
(3-month)

Stock data

Last close (Sep 22) (Bt)	20.10
12-m target price (Bt)	26.00
Mkt cap (Btbn)	319.43
Mkt cap (US$mn)	10,188
Beta	L
Mkt cap (%) SET	2.31
Sector % SET	4.69
Shares issued (mn)	15,892
Par value (Bt)	0.10
12-m high / low (Bt)	26.5 / 15.6
Avg. daily 6m (US$mn)	19.62
Foreign limit / actual (%)	25 / 18
Free float (%)	64.9
Dividend policy (%)	≥ 50

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	0.0	(10.7)	(14.8)
Relative to SET	2.5	(4.4)	9.0

Source: SET, SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2018	2019	2020F	2021F	2022F
Revenue	(Btmn)	75,331	79,630	69,412	78,164	84,546
EBITDA	(Btmn)	17,249	18,032	14,523	16,997	19,206
Core profit	(Btmn)	9,918	9,560	6,668	8,576	9,991
Reported profit	(Btmn)	9,191	15,517	6,668	8,576	9,991
Core EPS	(Bt)	0.64	0.61	0.42	0.54	0.64
DPS	(Bt)	0.32	0.55	0.23	0.30	0.35
P/E, core	(x)	31.6	33.1	47.4	36.9	31.2
EPS growth, core	(%)	22.7	(4.4)	(30.3)	28.6	18.4
P/BV, core	(x)	4.5	3.8	3.6	3.5	3.3
ROE	(%)	14.2	11.9	7.5	9.3	10.3
Dividend yield	(%)	1.6	2.7	1.2	1.5	1.8
FCF yield	(x)	0.5	5.5	3.0	2.5	2.9
EV/EBIT	(x)	29.7	17.2	38.5	30.3	25.0
EBIT growth, core	(%)	7.2	66.8	(56.1)	25.0	17.2
EV/CE	(x)	4.7	4.0	4.1	4.0	3.9
ROCE	(%)	7.9	7.4	4.8	6.7	8.0
EV/EBITDA	(x)	20.5	18.9	23.0	19.3	16.5
EBITDA growth	(%)	11.0	4.5	(19.5)	17.0	13.0

Source: SCBS Investment Research

Analyst
Raweenuch Piyakriengkai
Fundamental Investment
Analyst on Securities
(66-2) 949-1002
raweenuch.piyakriengkai@scb.co.th

Financial statement

Profit and Loss Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total revenue	(Btmn)	60,240	65,237	69,123	75,331	79,630	69,412	78,164	84,546
Cost of goods sold	(Btmn)	41,151	45,277	47,975	51,546	54,277	48,224	54,005	58,223
Gross profit	**(Btmn)**	**19,088**	**19,960**	**21,148**	**23,784**	**25,354**	**21,188**	**24,159**	**26,323**
SG&A	(Btmn)	12,649	13,644	14,488	15,998	17,447	16,531	17,608	18,261
Other income	(Btmn)	3,401	3,681	4,402	4,803	11,882	4,026	4,299	4,650
Interest expense	(Btmn)	1,136	881	1,535	1,165	929	829	823	899
Pre-tax profit	**(Btmn)**	**8,705**	**9,116**	**9,526**	**11,424**	**18,860**	**7,853**	**10,027**	**11,813**
Corporate tax	(Btmn)	1,895	1,922	2,564	2,740	3,873	1,335	1,705	2,126
Equity a/c profits	(Btmn)	1,259	1,370	1,417	1,690	1,022	450	613	675
Minority interests	(Btmn)	(314)	(385)	(359)	(456)	(492)	(300)	(360)	(371)
Core profit	**(Btmn)**	**7,755**	**8,178**	**8,021**	**9,918**	**9,560**	**6,668**	**8,576**	**9,991**
Extra-ordinary items	(Btmn)	266	209	2,195	(727)	5,957	-	-	-
Net Profit	**(Btmn)**	**8,021**	**8,386**	**10,216**	**9,191**	**15,517**	**6,668**	**8,576**	**9,991**
EBITDA	(Btmn)	14,285	14,800	15,544	17,249	18,032	14,523	16,997	19,206
Core EPS (Bt)	**(Btmn)**	**0.50**	**0.53**	**0.52**	**0.64**	**0.61**	**0.42**	**0.54**	**0.64**
Net EPS (Bt)	(Bt)	0.52	0.54	0.66	0.59	0.99	0.42	0.54	0.64
DPS (Bt)	(Bt)	0.26	0.29	0.36	0.32	0.55	0.23	0.30	0.35

Balance Sheet

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total current assets	(Btmn)	13,582	12,595	14,359	15,198	16,325	18,066	17,296	17,734
Total fixed assets	(Btmn)	52,950	56,461	71,559	74,496	78,440	75,491	75,796	76,267
Total assets	**(Btmn)**	**102,335**	**106,939**	**122,627**	**133,499**	**133,662**	**132,453**	**131,989**	**132,897**
Total loans	(Btmn)	20,211	21,873	30,456	39,849	24,316	22,425	17,425	13,325
Total current liabilities	(Btmn)	15,295	17,877	13,417	28,499	19,263	16,651	14,724	13,229
Total long-term liabilities	(Btmn)	27,013	25,916	37,694	29,790	24,099	22,401	17,401	13,301
Total liabilities	**(Btmn)**	**47,338**	**48,635**	**56,756**	**60,061**	**46,480**	**42,170**	**37,743**	**34,048**
Paid-up capital	(Btmn)	1,549	1,549	1,549	1,567	1,589	1,589	1,589	1,589
Total equity	**(Btmn)**	**54,997**	**58,305**	**65,871**	**73,438**	**87,182**	**90,283**	**94,246**	**98,849**
BVPS (Bt)	**(Bt)**	**3.39**	**3.60**	**4.07**	**4.50**	**5.33**	**5.52**	**5.76**	**6.14**

Cash Flow Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Core Profit	(Btmn)	7,755	8,178	8,021	9,918	9,560	6,668	8,576	9,991
Depreciation and amortization	(Btmn)	4,387	4,803	5,168	5,386	5,752	5,841	6,148	6,493
Operating cash flow	(Btmn)	12,866	12,447	10,933	14,804	14,546	12,410	14,433	16,115
Investing cash flow	(Btmn)	(5,183)	(9,492)	(11,870)	(13,351)	2,818	(2,892)	(6,453)	(6,964)
Financing cash flow	(Btmn)	(5,763)	(4,266)	1,811	(1,511)	(17,701)	(5,681)	(9,612)	(9,488)
Net cash flow	**(Btmn)**	**1,920**	**(1,312)**	**874**	**(58)**	**(337)**	**3,837**	**(1,632)**	**(336)**

Key Financial Ratios

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Gross margin	(%)	31.7	30.6	30.6	31.6	31.8	30.5	30.9	31.1
Operating margin	(%)	10.7	9.7	9.6	10.3	9.9	6.7	8.4	9.5
EBITDA margin	(%)	22.4	21.5	21.3	21.7	21.5	19.8	20.6	21.5
EBIT margin	(%)	16.8	15.6	19.2	15.7	24.9	12.5	13.9	15.0
Net profit margin	(%)	13.3	12.9	14.8	12.2	19.5	9.6	11.0	11.8
ROE	(%)	14.9	14.4	12.9	14.2	11.9	7.5	9.3	10.3
ROA	(%)	7.9	7.8	7.0	7.7	7.2	5.0	6.5	7.5
Net D/E	(x)	0.4	0.5	0.5	0.5	0.3	0.2	0.1	0.1
Interest coverage	(x)	12.6	16.8	10.1	14.8	19.4	17.5	20.6	21.4
Debt service coverage	(x)	3.6	2.2	5.1	1.1	2.9	2.5	5.1	12.6
Payout Ratio	(%)	50.2	53.6	54.6	54.3	55.8	55.0	55.0	55.0

Main Assumptions

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Volume growth									
OPD	(%)	5.8	6.6	2.0	5.0	3.8	(7.0)	3.9	2.1
IPD	(%)	7.7	3.5	(9.6)	14.1	4.4	(10.7)	9.3	6.1
Billing per visit									
OPD	(%)	4.8	3.9	6.1	1.4	2.0	(4.6)	4.2	3.5
IPD	(%)	2.9	2.7	15.0	(2.9)	1.5	(3.8)	6.4	3.9

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total revenue	(Btmn)	19,351	19,364	19,793	18,692	20,838	20,308	18,882	13,080
Cost of goods sold	(Btmn)	12,990	13,737	13,490	13,015	13,961	13,810	13,034	9,853
Gross profit	**(Btmn)**	**6,361**	**5,627**	**6,302**	**5,677**	**6,877**	**6,497**	**5,848**	**3,226**
SG&A	(Btmn)	3,895	4,555	4,295	4,138	4,323	4,691	3,773	3,131
Other income	(Btmn)	1,006	1,120	998	997	1,083	1,187	1,132	914
Interest expense	(Btmn)	261	293	288	262	173	206	228	218
Pre-tax profit	**(Btmn)**	**3,210**	**1,899**	**2,717**	**2,275**	**3,463**	**2,787**	**2,979**	**791**
Corporate tax	(Btmn)	617	289	2,067	505	710	543	506	226
Equity a/c profits	(Btmn)	421	553	286	199	291	247	218	(37)
Minority interests	(Btmn)	(135)	(86)	(114)	(106)	(154)	(119)	(123)	(71)
Core profit	**(Btmn)**	**2,879**	**2,077**	**2,433**	**1,864**	**2,890**	**2,373**	**2,568**	**458**
Extra-ordinary items	(Btmn)	0	(727)	6,006	2	0	(50)	0	0
Net Profit	**(Btmn)**	**2,879**	**1,350**	**8,439**	**1,865**	**2,890**	**2,323**	**2,568**	**458**
EBITDA	(Btmn)	4,833	3,574	4,474	3,944	5,122	4,494	4,801	2,604
Core EPS (Bt)	**(Btmn)**	**0.18**	**0.13**	**0.16**	**0.12**	**0.18**	**0.15**	**0.16**	**0.03**
Net EPS (Bt)	(Bt)	0.18	0.09	0.54	0.12	0.18	0.15	0.16	0.03

Balance Sheet

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total current assets	(Btmn)	15,645	15,273	21,981	20,320	18,276	16,325	22,738	13,094
Total fixed assets	(Btmn)	72,620	74,496	75,136	75,610	75,853	78,440	78,516	78,431
Total assets	**(Btmn)**	**125,805**	**133,499**	**135,568**	**134,354**	**132,558**	**133,662**	**142,889**	**132,852**
Total loans	(Btmn)	35,968	39,849	32,554	32,134	28,326	24,316	30,216	27,409
Total current liabilities	(Btmn)	22,200	28,574	26,498	28,056	22,583	19,263	28,102	12,494
Total long-term liabilities	(Btmn)	25,962	24,734	24,204	24,205	24,098	24,099	20,992	23,993
Total liabilities	**(Btmn)**	**53,776**	**60,061**	**54,230**	**53,751**	**48,201**	**46,480**	**58,906**	**48,443**
Paid-up capital	(Btmn)	1,567	1,567	1,567	1,569	1,589	1,589	1,589	1,589
Total equity	**(Btmn)**	**72,029**	**73,438**	**81,338**	**80,603**	**84,357**	**87,182**	**83,983**	**84,409**
BVPS (Bt)	**(Bt)**	**4.42**	**4.50**	**4.99**	**4.94**	**5.15**	**5.33**	**5.08**	**5.11**

Cash Flow Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Core Profit	(Btmn)	2,879	2,077	2,433	1,864	2,890	2,373	2,568	458
Depreciation and amortization	(Btmn)	1,361	1,381	1,358	1,408	1,486	1,500	1,593	1,595
Operating cash flow	(Btmn)	4,096	3,966	2,749	3,547	4,296	3,954	2,989	1,235
Investing cash flow	(Btmn)	(1,918)	(8,447)	8,788	100	(3,901)	(2,169)	(2,104)	(1,237)
Financing cash flow	(Btmn)	(1,533)	3,658	(7,346)	(3,243)	(3,075)	(4,037)	5,752	(7,904)
Net cash flow	**(Btmn)**	**645**	**(823)**	**4,191**	**404**	**(2,680)**	**(2,252)**	**6,637**	**(7,905)**

Key Financial Ratios

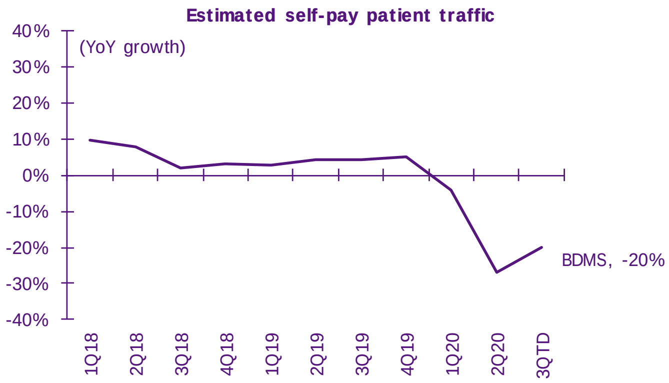
FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Gross margin	(%)	32.9	29.1	31.8	30.4	33.0	32.0	31.0	24.7
Operating margin	(%)	12.7	5.5	10.1	8.2	12.3	8.9	11.0	0.7
EBITDA margin	(%)	23.7	17.4	21.5	20.0	23.4	20.9	24.0	18.6
EBIT margin	(%)	17.9	11.3	53.7	13.6	17.4	14.7	17.0	7.7
Net profit margin	(%)	14.9	7.0	42.6	10.0	13.9	11.4	13.6	3.5
ROE	(%)	15.7	14.2	13.0	11.5	12.3	11.9	12.4	7.3
ROA	(%)	8.6	7.7	7.5	6.7	7.4	7.2	7.4	4.5
Net D/E	(x)	0.4	0.5	0.3	0.3	0.3	0.3	0.2	0.3
Interest coverage	(x)	18.5	12.2	15.5	15.1	29.6	21.8	21.0	11.9
Debt service coverage	(x)	1.7	0.9	1.4	1.1	2.1	3.0	1.6	2.4

Main Assumptions

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Volume growth									
OPD	(%)	1.8	3.5	3.3	4.3	4.1	4.8	(4.0)	(26.2)
IPD	(%)	1.0	(1.9)	(1.2)	1.4	3.4	10.5	(10.1)	(34.4)
Billing per visit									
OPD	(%)	0.1	7.3	3.0	(1.5)	1.2	(2.0)	1.6	1.1
IPD	(%)	5.0	8.8	5.5	5.4	6.1	(3.3)	4.2	0.9

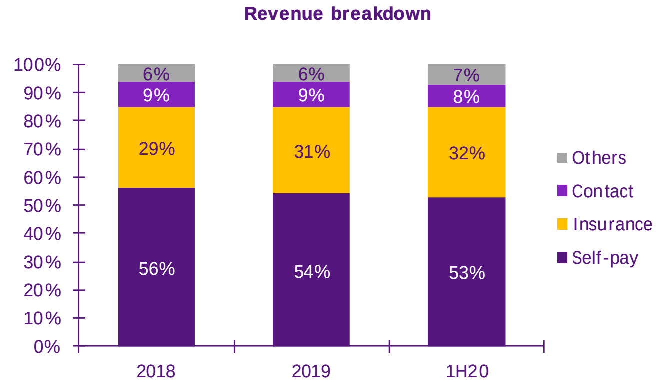
Appendix

Figure 1: Patient traffic is recovering after lockdown



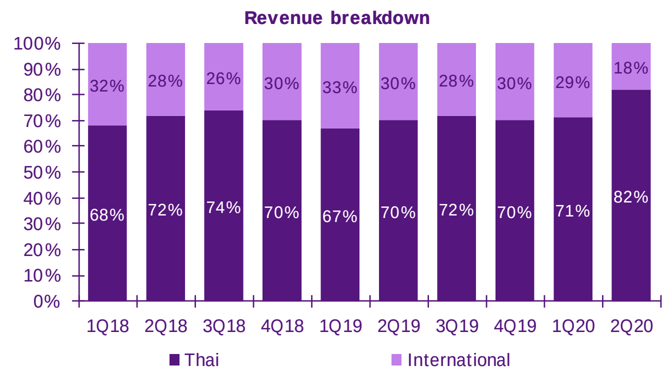
Source: Company data and SCBS Investment Research

Figure 2: Revenue breakdown by service



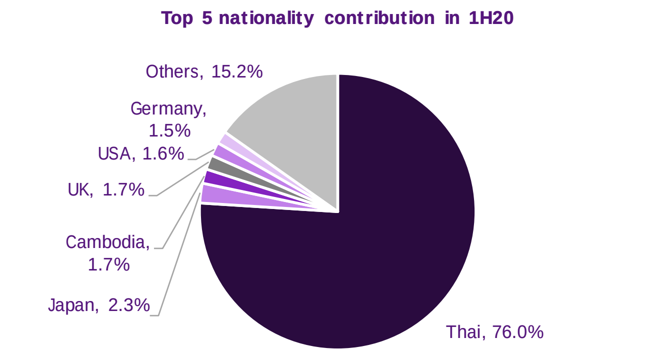
Source: Company data and SCBS Investment Research

Figure 3: Revenue breakdown by nationality



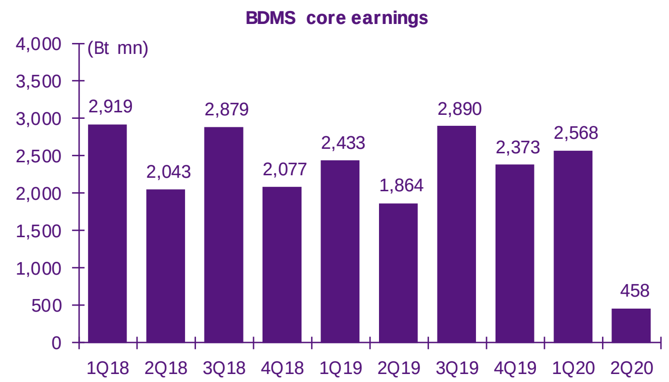
Source: Company data and SCBS Investment Research

Figure 4: Top 5 nationality contribution in 1H20



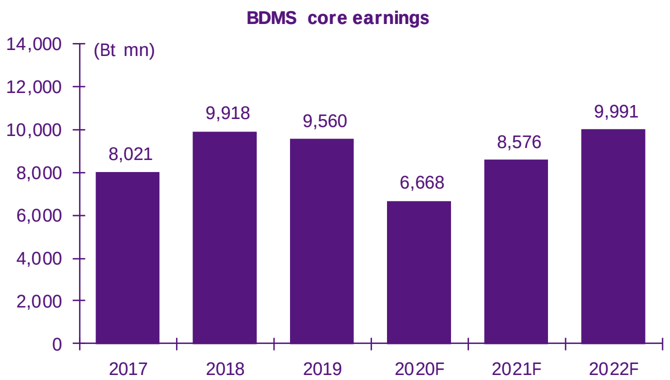
Source: Company data and SCBS Investment Research

Figure 5: BDMS' quarterly earnings



Source: Company data and SCBS Investment Research

Figure 6: BDMS earnings forecast



Source: Company data and SCBS Investment Research

Figure 7: Valuation summary (price as of Sep 22, 2020)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 19A	P/E (x) 20F	P/E (x) 21F	EPS growth (%) 19A	EPS growth (%) 20F	EPS growth (%) 21F	P/BV (x) 19A	P/BV (x) 20F	P/BV (x) 21F	ROE (%) 19A	ROE (%) 20F	ROE (%) 21F	Div. Yield (%) 19A	Div. Yield (%) 20F	Div. Yield (%) 21F	EV/EBITDA (x) 19A	EV/EBITDA (x) 20F	EV/EBITDA (x) 21F
BCH	Outperform	14.60	19.0	32.1	29.4	28.9	25.2	11.8	1.6	14.9	5.8	5.3	4.8	19	17	18	1.6	1.7	2.0	17.2	15.1	13.8
BDMS	Outperform	20.10	26.0	30.8	33.1	47.4	36.9	(4.4)	(30.3)	28.6	3.8	3.6	3.5	12	8	9	2.7	1.2	1.5	18.9	23.0	19.3
BH	Neutral	106.00	120.0	15.3	20.6	45.2	28.6	(9.7)	(54.4)	58.0	3.9	4.0	3.7	19	9	13	3.0	1.3	2.1	12.3	21.4	14.9
CHG	Outperform	2.44	2.9	21.6	35.5	34.2	29.3	17.2	3.9	16.6	7.2	6.9	6.4	20	20	22	2.0	2.3	2.7	22.8	20.4	17.5
RJH	Outperform	22.00	28.0	31.0	19.3	20.7	18.8	34.4	(7.0)	10.4	4.7	4.4	4.1	25	22	23	5.0	3.4	3.7	12.3	12.7	11.2
Average					**27.6**	**35.3**	**27.8**	**9.8**	**(17.2)**	**25.7**	**5.2**	**5.0**	**4.6**	**17**	**13**	**16**	**2.3**	**1.6**	**2.1**	**17.8**	**20.0**	**16.4**

Source: SCBS Investment Research

GFPT

GFPT
Public Company Limited

GFPT

Bloomberg	GFPT TB
Reuters	GFPT.BK

SCBS

Past bottom, ready to get back to growth

We believe 2Q20 earnings were bottom and expect better performance HoH in 2H20F from better local broiler price and potential recording of insurance claim from the fire damage in October 2019. 1H21F earnings will reflect greater recovery as sales are brought back up after the startup of replacement lines and the new lines, raising total further production capacity by 30%. We see this price level as a good entry point ahead of revived earnings. We rate Outperform with an end-2021F SOTP TP of Bt16.

Better HoH in 2H20F. Local broiler price was Bt34/kg in 3Q20TD (+8% QoQ but -6% YoY), above breakeven cost of Bt31-32/kg. The rise QoQ was due to better demand after economic activities and exports began to come back, while the YoY drop was due to softer export demand. In the medium term, local broiler price will be supported by robust local swine price, undergirded by high swine price in neighboring countries whose pig supply is low after African Swine Fever (ASF), a wide gap between local swine and broiler prices (substitute product) at Bt46/kg now (vs Bt30/kg for the past seven years) and gradually better export demand after the global economy restarts. There will be upside for Thai broiler exports over the next 6-12 months if lower broiler production in the US and Brazil (the world's two largest broiler exporters) caused by the closure of slaughterhouses in response to COVID-19 continues. Feed costs will tend to stay low in 2H20F, as crops were good and global meat production was reduced. With better broiler prices and export volume, its 2H20F equity income (GFN and McKey) will improve.

Stronger 1H21F after new machines start up. Recap of fire in 4Q19. In mid-October 2019, a fire broke out at the Samut Prakan plant. Of five production lines at the further plant, two (40% of capacity) were sufficiently damaged that they had to be taken off line; three were able to run normally. The shutdown of these two production lines hurt sales and margin by forcing a change in sales mix, with a shift to more exports of low-priced and low-margin frozen products. Insurance claim in 2H20F. GFPT expects to record the insurance claim from the fire damage of at least Bt55mn in 2H20F. Startup of new machines in 1H21F. GFPT targets completion of the installation and test runs for the first two replacement lines in December (commissioning in 1Q21) and the three new lines in March-April 2021 (commissioning in 2Q21). After installation of all new machines, production capacity in the further plant will rise to 36K tons p.a. (adding 30% to capacity before the fire), which will help bring sales and margin up YoY.

Outperform maintained. We see this price level as a good entry point ahead of the revival of its earnings. We maintain Outperform on GFPT with an SOTP TP of Bt16, based on 15x PE on feed, 13x PE on farm and 17x PE on food business. Key risks are changes in product price and feed costs.

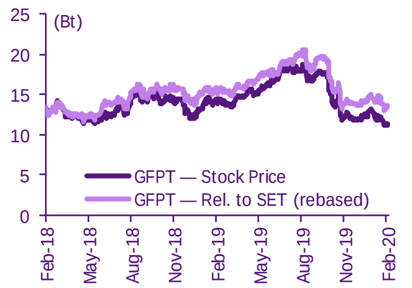
Tactical: OUTPERFORM

(3-month)

Stock data

Last close (Sep 22) (Bt)	12.00
12-m target price (Bt)	16.00
Mkt cap (Btbn)	15.05
Mkt cap (US$mn)	480
Beta	H
Mkt cap (%) SET	0.11
Sector % SET	0.55
Shares issued (mn)	1,254
Par value (Bt)	1.00
12-m high / low (Bt)	18.2 / 7.3
Avg. daily 6m (US$mn)	1.72
Foreign limit / actual (%)	49 / 13
Free float (%)	57.8
Dividend policy (%)	≤ 50

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	(7.0)	(11.8)	(31.0)
Relative to SET	(4.7)	(5.6)	(11.7)

Source: SET, SCBS Investment Research

Forecasts and valuation

Year to 31 Dec	Unit	2018	2019	2020F	2021F	2022F
Revenue	(Btmn)	16,647	16,864	14,721	15,822	16,482
EBITDA	(Btmn)	2,694	2,664	2,451	2,654	2,752
Core profit	(Btmn)	1,144	1,256	1,132	1,301	1,455
Reported profit	(Btmn)	1,038	1,195	1,166	1,301	1,455
Core EPS	(Bt)	0.91	1.00	0.90	1.04	1.16
DPS	(Bt)	0.25	0.20	0.20	0.20	0.23
P/E, core	(x)	13.2	12.0	13.3	11.6	10.3
EPS growth, core	(%)	(34.6)	9.8	(9.8)	14.9	11.8
P/BV, core	(x)	1.2	1.1	1.0	1.0	0.9
ROE	(%)	9.2	9.5	8.0	8.6	9.0
Dividend yield	(%)	2.1	1.7	1.7	1.7	1.9
FCF yield	(x)	7.3	1.7	1.5	3.1	5.3
EV/EBIT	(x)	12.2	12.9	15.9	13.7	12.7
EBIT growth, core	(%)	(20.5)	(4.9)	(18.8)	14.8	4.5
EV/CE	(x)	1.7	1.6	1.4	1.3	1.2
ROCE	(%)	8.8	7.8	5.0	5.8	6.0
EV/EBITDA	(x)	6.4	6.5	7.1	6.5	6.0
EBITDA growth	(%)	(10.4)	(1.1)	(8.0)	8.3	3.7

Source: SCBS Investment Research

Analyst

Sirima Dissara, CFA
Fundamental Investment
Analyst on Securities
(66-2) 949-1004
sirima.dissara@scb.co.th

Financial statement

Profit and Loss Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total revenue	(Btmn)	16,467	16,693	16,928	16,647	16,864	14,721	15,822	16,482
Cost of goods sold	(Btmn)	(14,463)	(14,191)	(14,151)	(14,186)	(14,443)	(12,587)	(13,480)	(14,043)
Gross profit	**(Btmn)**	**2,003**	**2,502**	**2,778**	**2,461**	**2,420**	**2,135**	**2,342**	**2,439**
SG&A	(Btmn)	(1,170)	(1,243)	(1,316)	(1,340)	(1,352)	(1,318)	(1,365)	(1,409)
Other income	(Btmn)	229	280	318	293	276	275	277	280
Interest expense	(Btmn)	(123)	(98)	(74)	(79)	(79)	(93)	(90)	(80)
Pre-tax profit	**(Btmn)**	**938**	**1,441**	**1,705**	**1,335**	**1,265**	**999**	**1,164**	**1,230**
Corporate tax	(Btmn)	20	(206)	(219)	(252)	(258)	(230)	(256)	(271)
Equity a/c profits	(Btmn)	249	371	272	71	256	370	401	503
Minority interests	(Btmn)	(18)	(13)	(10)	(10)	(8)	(7)	(8)	(8)
Core profit	**(Btmn)**	**1,189**	**1,594**	**1,748**	**1,144**	**1,256**	**1,132**	**1,301**	**1,455**
Extra-ordinary items	(Btmn)	6	50	(86)	(106)	(60)	34	0	0
Net Profit	**(Btmn)**	**1,195**	**1,644**	**1,662**	**1,038**	**1,195**	**1,166**	**1,301**	**1,455**
EBITDA	(Btmn)	2,132	2,676	3,004	2,694	2,664	2,451	2,654	2,752
Core EPS (Bt)	**(Btmn)**	**0.95**	**1.27**	**1.39**	**0.91**	**1.00**	**0.90**	**1.04**	**1.16**
Net EPS (Bt)	(Bt)	0.95	1.31	1.33	0.83	0.95	0.93	1.04	1.16
DPS (Bt)	(Bt)	0.25	0.30	0.30	0.25	0.20	0.20	0.20	0.23

Balance Sheet

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total current assets	(Btmn)	4,809	4,915	5,372	5,770	5,714	4,801	4,808	5,041
Total fixed assets	(Btmn)	10,167	11,245	11,994	12,360	13,107	14,406	15,062	15,602
Total assets	**(Btmn)**	**14,976**	**16,160**	**17,366**	**18,130**	**18,820**	**19,208**	**19,870**	**20,644**
Total loans	(Btmn)	4,145	3,806	3,577	3,440	3,424	3,124	2,624	2,124
Total current liabilities	(Btmn)	2,953	3,198	2,975	2,988	1,937	1,795	1,864	1,907
Total long-term liabilities	(Btmn)	2,581	2,183	2,229	2,415	3,268	2,882	2,426	1,953
Total liabilities	**(Btmn)**	**5,533**	**5,381**	**5,205**	**5,403**	**5,205**	**4,677**	**4,290**	**3,860**
Paid-up capital	(Btmn)	1,254	1,254	1,254	1,254	1,254	1,254	1,254	1,254
Total equity	**(Btmn)**	**9,443**	**10,779**	**12,161**	**12,726**	**13,615**	**14,531**	**15,581**	**16,784**
BVPS (Bt)	**(Bt)**	**7.53**	**8.60**	**9.70**	**10.15**	**10.86**	**11.59**	**12.43**	**13.39**

Cash Flow Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2017
Core Profit	(Btmn)	1,189	1,594	1,748	1,144	1,256	1,132	1,301	1,455
Depreciation and amortization	(Btmn)	1,070	1,137	1,225	1,279	1,320	1,359	1,400	1,442
Operating cash flow	(Btmn)	1,764	2,089	2,456	2,478	2,014	2,891	2,524	2,786
Investing cash flow	(Btmn)	(1,386)	(1,613)	(1,350)	(1,375)	(1,759)	(2,659)	(2,056)	(1,982)
Financing cash flow	(Btmn)	(55)	(757)	(680)	(599)	(408)	(551)	(751)	(751)
Net cash flow	**(Btmn)**	**323**	**(282)**	**425**	**504**	**(153)**	**(318)**	**(282)**	**53**

Key Financial Ratios

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Gross margin	(%)	12.2	15.0	16.4	14.8	14.4	14.5	14.8	14.8
Operating margin	(%)	5.1	7.5	8.6	6.7	6.3	5.6	6.2	6.3
EBITDA margin	(%)	12.9	16.0	17.7	16.2	15.8	16.7	16.8	16.7
EBIT margin	(%)	6.4	9.2	10.5	8.5	8.0	7.4	7.9	8.0
Net profit margin	(%)	7.3	9.8	9.8	6.2	7.1	7.9	8.2	8.8
ROE	(%)	13.1	15.8	15.2	9.2	9.5	8.0	8.6	9.0
ROA	(%)	8.3	10.2	10.4	6.4	6.8	6.0	6.7	7.2
Net D/E	(x)	0.4	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Interest coverage	(x)	17.3	27.3	40.4	34.2	33.6	26.3	29.4	34.3
Debt service coverage	(x)	1.0	1.2	1.5	1.5	2.9	2.7	2.9	3.0
Payout Ratio	(%)	26.2	22.9	22.6	30.2	21.0	21.5	19.3	20.0

Main Assumptions

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Sales growth	('%)	(7.6)	1.4	1.4	(1.7)	1.3	(12.7)	7.5	4.2
Feed revenue	(Bt mn)	4,458	3,908	3,380	3,129	3,172	3,034	3,064	3,095
Farm revenue	(Bt mn)	4,507	4,680	5,168	5,264	5,089	4,494	4,630	4,723
Food revenue	(Bt mn)	7,501	8,106	8,381	8,254	8,603	7,193	8,128	8,664
Chicken meat volume	(000 tons)	104.9	106.9	112.3	117.1	122.5	104.2	110.1	113.9
FX	(Bt/US$1)	34.2	35.3	33.9	32.3	31.0	31.8	31.8	31.8

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total revenue	(Btmn)	4,492	4,442	3,966	4,347	4,544	4,007	3,682	3,321
Cost of goods sold	(Btmn)	(3,788)	(3,784)	(3,432)	(3,744)	(3,831)	(3,437)	(3,142)	(2,846)
Gross profit	**(Btmn)**	**705**	**658**	**534**	**603**	**714**	**570**	**540**	**475**
SG&A	(Btmn)	(334)	(355)	(334)	(331)	(339)	(347)	(331)	(328)
Other income	(Btmn)	64	77	66	73	65	71	67	72
Interest expense	(Btmn)	(20)	(20)	(21)	(19)	(20)	(19)	(24)	(24)
Pre-tax profit	**(Btmn)**	**414**	**360**	**245**	**325**	**420**	**275**	**252**	**195**
Corporate tax	(Btmn)	(64)	(65)	(38)	(73)	(79)	(67)	(74)	(42)
Equity a/c profits	(Btmn)	80	50	22	74	53	107	100	85
Minority interests	(Btmn)	(3)	(2)	(1)	(2)	(2)	(2)	(3)	(1)
Core profit	**(Btmn)**	**426**	**344**	**227**	**324**	**391**	**313**	**276**	**238**
Extra-ordinary items	(Btmn)	11	(100)	1	18	(16)	(63)	49	(15)
Net Profit	**(Btmn)**	**437**	**243**	**228**	**341**	**376**	**250**	**325**	**223**
EBITDA	(Btmn)	761	703	581	680	774	629	609	544
Core EPS (Bt)	**(Btmn)**	**0.34**	**0.27**	**0.18**	**0.26**	**0.31**	**0.25**	**0.22**	**0.19**
Net EPS (Bt)	(Bt)	0.35	0.19	0.18	0.27	0.30	0.20	0.26	0.18

Balance Sheet

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total current assets	(Btmn)	5,773	5,770	5,939	5,778	5,820	5,714	5,773	5,808
Total fixed assets	(Btmn)	12,132	12,360	12,524	12,611	12,867	13,107	13,812	14,090
Total assets	**(Btmn)**	**17,904**	**18,130**	**18,462**	**18,389**	**18,687**	**18,820**	**19,584**	**19,898**
Total loans	(Btmn)	3,643	3,440	3,368	3,351	3,361	3,424	3,890	3,797
Total current liabilities	(Btmn)	3,103	2,988	2,884	2,777	2,693	1,937	2,294	2,643
Total long-term liabilities	(Btmn)	2,300	2,415	2,623	2,626	2,631	3,268	3,350	3,351
Total liabilities	**(Btmn)**	**5,403**	**5,403**	**5,507**	**5,403**	**5,325**	**5,205**	**5,645**	**5,993**
Paid-up capital	(Btmn)	1,254	1,254	1,254	1,254	1,254	1,254	1,254	1,254
Total equity	**(Btmn)**	**12,501**	**12,726**	**12,955**	**12,986**	**13,363**	**13,615**	**13,940**	**13,904**
BVPS (Bt)	**(Bt)**	**9.97**	**10.15**	**10.33**	**10.36**	**10.66**	**10.86**	**11.12**	**11.09**

Cash Flow Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Core Profit	(Btmn)	437	243	228	341	376	250	325	223
Depreciation and amortization	(Btmn)	326	323	316	336	334	334	333	325
Operating cash flow	(Btmn)	545	432	305	1,151	598	(40)	1,048	990
Investing cash flow	(Btmn)	(317)	(451)	(407)	(333)	(532)	(487)	(519)	(414)
Financing cash flow	(Btmn)	(32)	(230)	(92)	(351)	(20)	54	59	(387)
Net cash flow	**(Btmn)**	**196**	**(249)**	**(194)**	**467**	**46**	**(473)**	**588**	**189**

Key Financial Ratios

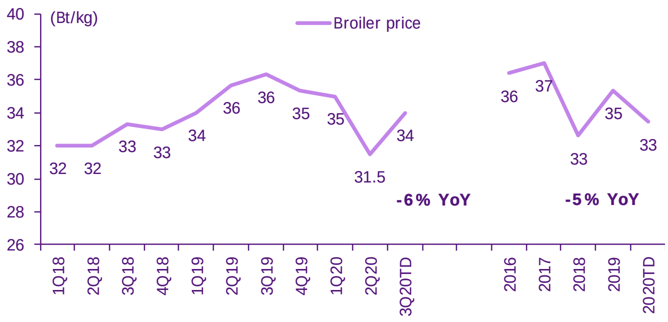
FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Gross margin	(%)	15.7	14.8	13.5	13.9	15.7	14.2	14.7	14.3
Operating margin	(%)	8.2	6.8	5.0	6.2	8.2	5.6	5.7	4.4
EBITDA margin	(%)	16.9	15.8	14.7	15.7	17.0	15.7	16.5	16.4
EBIT margin	(%)	9.7	8.5	6.7	7.9	9.7	7.3	7.5	6.6
Net profit margin	(%)	9.7	5.5	5.7	7.9	8.3	6.3	8.8	6.7
ROE	(%)	13.9	10.9	7.1	10.0	11.9	9.3	8.0	6.8
ROA	(%)	9.6	7.6	5.0	7.0	8.4	6.7	5.7	4.8
Net D/E	(x)	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.1
Interest coverage	(x)	37.3	35.5	27.9	35.1	38.7	32.8	25.3	23.1
Debt service coverage	(x)	1.5	1.6	1.6	1.9	2.1	2.8	1.9	1.8

Key statistics

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Sales growth	('%)	2.1	4.7	6.2	9.2	1.2	(9.8)	(7.2)	(23.6)
Feed revenue	(Bt mn)	866	825	765	756	867	783	720	761
Farm revenue	(Bt mn)	1,400	1,114	1,369	1,244	1,233	1,242	1,246	1,044
Food revenue	(Bt mn)	2,227	2,502	1,831	2,346	2,444	1,982	1,717	1,516
Chicken meat volume	(000 tons)	31.5	31.9	31.1	31.2	32.3	28.3	27.2	22.6
FX	(Bt/US$1)	32.9	32.8	31.6	31.6	30.7	30.2	31.3	31.9

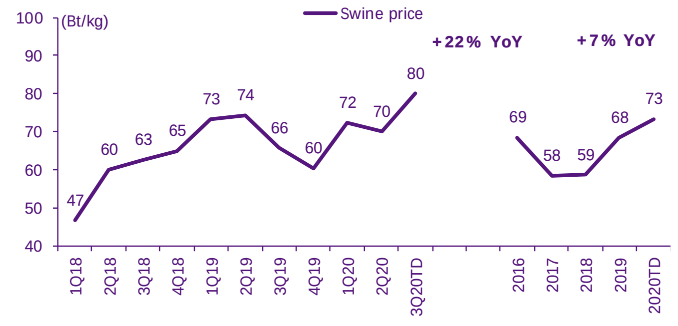
Appendix

Figure 1: In 3Q20TD, local broiler price revived QoQ, after easing lockdown



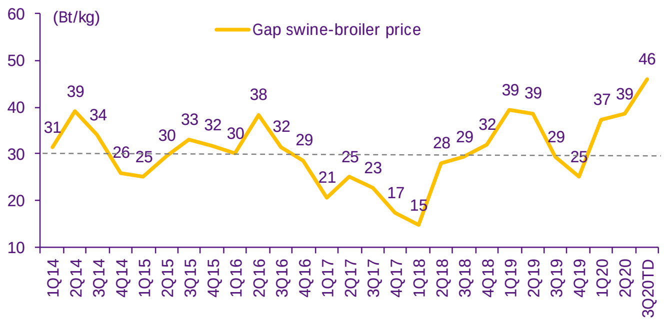
Source: Industry sources and SCBS Investment Research

Figure 2: Local swine price hit 7-year high in 3Q20TD



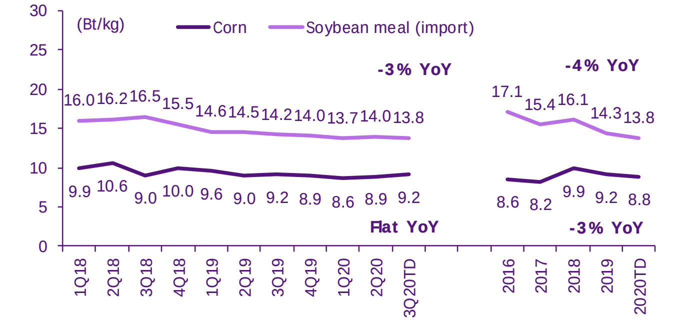
Source: Industry sources and SCBS Investment Research

Figure 3: Gap of local swine price and broiler price widened in 3Q20TD



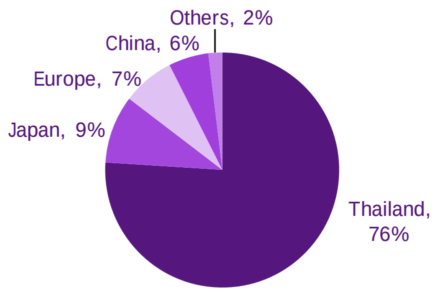
Source: Industry sources and SCBS Investment Research

Figure 4: Blended feed costs declined in 3Q20TD



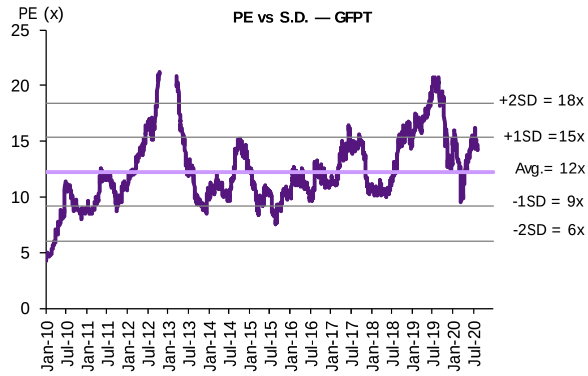
Source: Industry sources and SCBS Investment Research

Figure 5: GFPT's sales breakdown by market base in 2019



Source: Company data and SCBS Investment Research

Figure 6: GFPT's historical PE band



Source: Industry sources and SCBS Investment Research

Figure 7: Valuation summary (price as of Sep 22, 2020)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x) 19A	P/E (x) 20F	P/E (x) 21F	EPS growth (%) 19A	EPS growth (%) 20F	EPS growth (%) 21F	P/BV (x) 19A	P/BV (x) 20F	P/BV (x) 21F	ROE (%) 19A	ROE (%) 20F	ROE (%) 21F	Div. Yield (%) 19A	Div. Yield (%) 20F	Div. Yield (%) 21F	EV/EBITDA (x) 19A	EV/EBITDA (x) 20F	EV/EBITDA (x) 21F
CPF	Outperform	29.25	38.0	32.3	16.9	12.5	11.7	111	35	7	1.1	1.0	1.0	7	9	9	2.4	2.4	2.4	10.7	9.2	8.9
GFPT	Outperform	12.00	16.0	35.0	12.0	13.3	11.6	10	(10)	15	1.1	1.0	1.0	10	8	9	1.7	1.7	1.7	6.5	7.1	6.5
TU	Neutral	13.40	16.0	23.7	12.2	12.3	11.8	30	(0)	4	1.2	1.2	1.1	11	10	10	3.5	4.3	4.5	10.3	9.7	10.1
Average					**13.7**	**12.7**	**11.7**	**50**	**8**	**9**	**1.1**	**1.1**	**1.0**	**9**	**9**	**9**	**2.5**	**2.8**	**2.8**	**9.2**	**8.7**	**8.5**

Source: SCBS Investment Research

Thai Oil

TOP

Thai Oil Public Company Limited		Bloomberg	TOP TB
		Reuters	TOP.BK

Better cost position keeping it "on top"

Although earnings will be hurt by weak GRM and aromatics product spread in 2H20, its competitive cash cost will cushion the impact. This cost advantage will be beefed up further in 2H20 as it works to carve 25% more off costs in 2020; it will also record gain from sale of part of its holding in GSPC, sufficient to offset a huge inventory loss. We believe the worst is over and reaffirm end-2021 TP of Bt50. We rate it as OUTPERFORM on its competitive cost position, solid balance sheet and strong support from parent company PTT as its oil refining flagship. TOP is our tactical pick for 4Q20 as we feel investor appetite will improve in tandem with sentiment towards commodity stocks.

Cautious on industry, particularly TOP's key segments: oil refinery, aromatics and lube base oil. Of these, oil refinery looks best, though not encouraging. GRM will be supported by higher demand for gasoline and diesel after economic activities resume. This hinges on higher demand for jet fuel in 4Q20 - but air travel remains iffy. High inventory and added capacity cloud PX and lube base oil outlook, with demand for LAB driving aromatics and bitumen fueling lube base oil in 2H20.

More cost cutting in 2H20. TOP plans to cut cash cost by 25% from US$1.70/bbl, already among top quartile of global oil refiners. Management expects to achieve this target since cost in 1H20 was only 37% of the year's budget. Key to lower cost in 1H20 was reduced manpower via digitalization, prioritizing expenses to essential tasks only and managing maintenance to match demand and product spread. These cost control programs will be more stringent in 2H20.

Cost advantage enhanced by CFP from 2023. TOP's competitive operating cost will be strengthened further on the startup of its refinery expansion project, Clean Fuel Project (CFP), in late 2023-early 2024. Higher refining capacity will enhance economies of scale and better product yield will increase product margin. A slight delay from COVID-19 could add to investment cost but TOP expects to stay within budget as it did set aside a contingency budget. It plans to spend US$3.3bn over 2020-23.

Restructuring investment in power. TOP's sale of a portion of its stake in GPSC to PTT is one of two steps to restructure its electricity generating portfolio, designed to keep earnings from this segment at 15% for the long term. It will sell 8.91% of its stake in GPSC to PTT for Bt67.21/share (Bt16.9bn) vs. average cost of Bt31.02/share. This restructure has a twofold benefit: 1) partial divestment of GSPC monetizes assets to unlock cash for future growth while keeping long-term profit proportion from power generating at 15% and 2) it will streamline its investment in the business via subsidiary Thaioil Power. We estimate gain from the sale at Bt9bn in 2020, making up for the huge 1H20 inventory loss of Bt13bn.

Solid financial position. TOP remains financially solid with added funding secured via bond issuance. Demand for its recent debt issuance of US$1bn was good despite low interest of only 2.5% on the 10-year tranche and 3.75% on the 30-year tranche. Cash on hand and a new debt issue will meet investment needs. TOP also plans to monetize some assets to get more liquidity, if necessary. This includes extending crude oil accounts payable with parent PTT to increase working capital.

Forecasts and valuation

Year to 31 Dec	Unit	2018	2019	2020F	2021F	2022F
Revenue	(Btmn)	392,166	364,327	219,682	255,202	260,628
EBITDA	(Btmn)	20,698	12,971	11,021	20,268	23,414
Core profit	(Btmn)	10,343	4,143	9,450	9,256	12,070
Reported profit	(Btmn)	10,149	6,277	9,104	9,256	12,070
Core EPS	(Bt)	5.07	2.03	4.63	4.54	5.92
DPS	(Bt)	2.65	1.50	1.80	1.90	2.40
P/E, core	(x)	7.1	17.6	7.7	7.9	6.0
EPS growth, core	(%)	(52.6)	(59.9)	128.1	(2.0)	30.4
P/BV, core	(x)	0.6	0.6	0.6	0.6	0.5
ROE	(%)	8.2	3.3	7.4	6.9	8.5
Dividend yield	(%)	7.4	4.2	5.0	5.3	6.7
FCF yield	(x)	(9.8)	45.3	(29.8)	(43.6)	(4.8)
EV/EBIT	(x)	5.4	18.7	34.5	12.9	10.9
EBIT growth, core	(%)	(52.9)	(56.2)	(34.2)	237.2	23.6
EV/CE	(x)	0.7	0.8	0.8	0.8	0.8
ROCE	(%)	10.0	3.1	1.9	5.2	6.0
EV/EBITDA	(x)	3.5	8.5	12.1	8.3	7.5
EBITDA growth	(%)	(42.8)	(37.3)	(15.0)	83.9	15.5

Source: SCBS Investment Research

SCBS

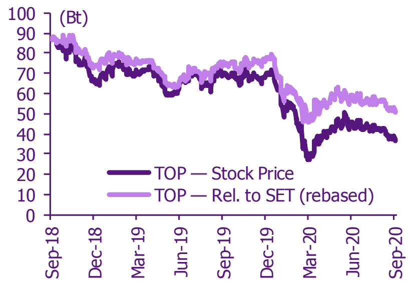
Tactical: OUTPERFORM

(3-month)

Stock data

Last close (Sep 22) (Bt)	35.75
12-m target price (Bt)	50.00
Mkt cap (Btbn)	72.93
Mkt cap (US$mn)	2,326
Beta	H
Mkt cap (%) SET	0.53
Sector % SET	21.55
Shares issued (mn)	2,040
Par value (Bt)	10.00
12-m high / low (Bt)	73.5 / 25.3
Avg. daily 6m (US$mn)	24.51
Foreign limit / actual (%)	40 / 16
Free float (%)	52.0
Dividend policy (%)	≥ 25

Price performance



Source: SET, SCBS Investment Research

Share performance

(%)	1M	3M	12M
Absolute	(13.3)	(21.9)	(48.6)
Relative to SET	(11.2)	(16.4)	(34.1)

Source: SET, SCBS Investment Research

Analyst

Chaipat Thanawattano
Fundamental Investment Analyst on Securities
(66-2) 949-1005
chaipat.thanawattano@scb.co.th

Financial statement

Profit and Loss Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total revenue	(Btmn)	293,569	274,739	337,388	392,166	364,327	219,682	255,202	260,628
Cost of goods sold	(Btmn)	273,819	247,261	305,386	375,950	355,756	213,394	239,339	241,631
Gross profit	**(Btmn)**	**19,750**	**27,478**	**32,002**	**16,216**	**8,570**	**6,289**	**15,862**	**18,997**
SG&A	(Btmn)	3,207	2,633	3,461	2,782	2,684	2,417	2,807	2,859
Other income	(Btmn)	1,546	1,366	1,348	1,876	1,744	10,879	1,814	1,851
Interest expense	(Btmn)	3,435	3,461	3,285	3,942	3,307	4,300	4,675	4,527
Pre-tax profit	**(Btmn)**	**14,654**	**22,750**	**26,604**	**11,368**	**4,322**	**10,451**	**10,195**	**13,461**
Corporate tax	(Btmn)	1,597	2,295	5,529	1,983	1,239	1,819	1,835	2,288
Equity a/c profits	(Btmn)	712	930	1,197	1,193	1,299	1,364	1,433	1,433
Minority interests	(Btmn)	(323)	(365)	(463)	(235)	(240)	(547)	(536)	(536)
Core profit	**(Btmn)**	**13,446**	**21,019**	**21,808**	**10,343**	**4,143**	**9,450**	**9,256**	**12,070**
Extra-ordinary items	(Btmn)	(1,264)	203	3,048	(194)	2,134	(346)	0	0
Net Profit	**(Btmn)**	**12,181**	**21,222**	**24,856**	**10,149**	**6,277**	**9,104**	**9,256**	**12,070**
EBITDA	(Btmn)	23,309	32,606	36,183	20,698	12,971	11,021	20,268	23,414
Core EPS	**(Btmn)**	**6.59**	**10.30**	**10.69**	**5.07**	**2.03**	**4.63**	**4.54**	**5.92**
Net EPS	(Bt)	5.97	10.40	12.18	4.97	3.08	4.46	4.54	5.92
DPS	(Bt)	2.70	4.50	5.25	2.65	1.50	1.80	1.90	2.40

Balance Sheet

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Total current assets	(Btmn)	90,490	115,731	126,211	164,743	134,676	128,395	83,003	76,372
Total fixed assets	(Btmn)	101,676	102,001	101,897	103,869	148,768	188,035	235,611	250,158
Total assets	**(Btmn)**	**192,166**	**217,731**	**228,108**	**268,613**	**283,445**	**316,430**	**318,614**	**326,529**
Total loans	(Btmn)	75,506	76,301	66,468	107,060	114,200	147,864	141,528	140,192
Total current liabilities	(Btmn)	18,192	34,146	33,348	38,020	38,667	36,547	36,351	41,041
Total long-term liabilities	(Btmn)	76,965	71,988	67,612	104,121	120,854	148,349	144,813	139,513
Total liabilities	**(Btmn)**	**95,157**	**106,134**	**100,960**	**142,141**	**159,521**	**184,896**	**181,164**	**180,554**
Paid-up capital	(Btmn)	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
Total equity	**(Btmn)**	**97,009**	**111,597**	**127,148**	**126,472**	**123,924**	**131,534**	**137,450**	**145,975**
BVPS	**(Bt)**	**45.28**	**52.38**	**59.91**	**59.66**	**58.81**	**62.27**	**64.91**	**68.83**

Cash Flow Statement

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Core Profit	(Btmn)	13,446	21,019	21,808	10,343	4,143	9,450	9,256	12,070
Depreciation and amortization	(Btmn)	6,766	7,762	7,642	7,264	7,085	7,149	7,213	7,277
Operating cash flow	(Btmn)	31,738	23,105	33,821	19,020	9,666	24,859	20,694	17,636
Investing cash flow	(Btmn)	2,530	(18,352)	(30,092)	(26,167)	23,343	(46,611)	(52,523)	(21,131)
Financing cash flow	(Btmn)	(14,740)	(9,397)	(19,226)	25,566	8,129	32,171	(9,676)	(4,880)
Net cash flow	**(Btmn)**	**19,527**	**(4,644)**	**(15,497)**	**18,418**	**41,138**	**10,418**	**(41,505)**	**(8,375)**

Key Financial Ratios

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Gross margin	(%)	6.7	10.0	9.5	4.1	2.4	2.9	6.2	7.3
Operating margin	(%)	5.6	9.0	8.5	3.4	1.6	1.8	5.1	6.2
EBITDA margin	(%)	7.9	11.9	10.7	5.3	3.6	5.0	7.9	9.0
EBIT margin	(%)	5.6	9.0	8.5	3.4	1.6	1.8	5.1	6.2
Net profit margin	(%)	4.1	7.7	7.4	2.6	1.7	4.1	3.6	4.6
ROE	(%)	14.5	20.2	18.3	8.2	3.3	7.4	6.9	8.5
ROA	(%)	7.0	10.3	9.8	4.2	1.5	3.2	2.9	3.7
Net D/E	(x)	0.2	0.1	(0.0)	(0.0)	0.3	0.5	0.7	0.7
Interest coverage	(x)	6.8	9.4	11.0	5.3	3.9	2.6	4.3	5.2
Debt service coverage	(x)	4.5	2.8	6.2	1.9	2.1	0.9	2.1	1.8
Payout Ratio	(%)	45.2	43.3	43.1	53.3	48.8	40.3	41.9	40.6

Main Assumptions

FY December 31	Unit	2015	2016	2017	2018	2019	2020F	2021F	2022F
Dubai crude oil	(US$/bbl)	51.2	41.3	53.2	69.4	63.5	38.0	43.0	43.0
Avg. market GIM	(US$/bbl)	9.1	7.5	9.1	6.9	4.7	3.4	5.6	6.5
PX spread vs. ULG95	(US$/t)	256	317	276	388	285	200	200	200
Utilization rate - refinery	(%)	108.0	108.0	112.0	113.0	107.0	110.0	112.0	112.0
Utilization rate - petchem	(%)	81.0	81.0	83.0	89.0	70.0	85.0	85.0	85.0
FX	(Bt/US$)	34.35	35.29	33.93	32.32	31.06	32.00	32.00	32.00

Financial statement

Profit and Loss Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total revenue	(Btmn)	101,783	100,954	91,789	92,564	83,034	96,940	77,831	50,523
Cost of goods sold	(Btmn)	95,800	104,640	86,073	91,700	83,585	94,399	91,654	49,193
Gross profit	**(Btmn)**	**5,983**	**(3,687)**	**5,717**	**864**	**(551)**	**2,541**	**(13,823)**	**1,329**
SG&A	(Btmn)	643	855	546	801	526	811	585	591
Other income	(Btmn)	424	586	679	825	527	(287)	413	315
Interest expense	(Btmn)	844	1,271	1,215	1,196	1,041	(144)	1,105	1,029
Pre-tax profit	**(Btmn)**	**4,921**	**(5,226)**	**4,635**	**(307)**	**(1,592)**	**1,586**	**(15,100)**	**24**
Corporate tax	(Btmn)	1,008	(1,315)	1,000	116	(222)	345	(3,558)	495
Equity a/c profits	(Btmn)	320	201	351	351	297	300	584	699
Minority interests	(Btmn)	(82)	(17)	(63)	(45)	(60)	(71)	(62)	(136)
Core profit	**(Btmn)**	**4,150**	**(3,727)**	**3,923**	**(117)**	**(1,133)**	**1,470**	**(11,020)**	**92**
Extra-ordinary items	(Btmn)	408	(1,085)	486	684	451	514	(2,734)	2,388
Net Profit	**(Btmn)**	**4,558**	**(4,812)**	**4,408**	**567**	**(683)**	**1,984**	**(13,754)**	**2,480**
EBITDA	(Btmn)	7,169	(2,680)	6,973	1,836	703	3,459	(12,279)	3,162
Core EPS	**(Btmn)**	**2.03**	**(1.83)**	**1.92**	**(0.06)**	**(0.56)**	**0.72**	**(5.40)**	**0.05**
Net EPS	(Bt)	2.23	(2.36)	2.16	0.28	(0.33)	0.97	(6.74)	1.22

Balance Sheet

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Total current assets	(Btmn)	139,639	164,743	166,386	146,947	138,546	134,676	99,569	115,090
Total fixed assets	(Btmn)	101,260	103,869	105,845	109,506	117,316	148,768	172,797	183,081
Total assets	**(Btmn)**	**240,899**	**268,613**	**272,231**	**256,453**	**255,863**	**283,445**	**272,366**	**298,170**
Total loans	(Btmn)	75,325	107,060	102,026	99,597	99,000	114,200	121,643	147,336
Total current liabilities	(Btmn)	37,652	38,020	38,127	29,885	32,255	38,667	26,849	23,473
Total long-term liabilities	(Btmn)	71,932	104,121	103,165	101,414	101,120	120,854	137,188	163,865
Total liabilities	**(Btmn)**	**109,583**	**142,141**	**141,292**	**131,299**	**133,375**	**159,521**	**164,037**	**187,339**
Paid-up capital	(Btmn)	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
Total equity	**(Btmn)**	**131,316**	**126,472**	**130,939**	**125,154**	**122,488**	**123,924**	**108,329**	**110,832**
BVPS	**(Btmn)**	**62.04**	**59.66**	**61.82**	**59.39**	**58.08**	**58.81**	**51.20**	**52.43**

Cash Flow Statement

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Core Profit	(Btmn)	4,150	(3,727)	3,923	(117)	(1,133)	1,470	(11,020)	92
Depreciation and amortization	(Btmn)	1,828	1,862	1,803	1,772	1,781	1,729	2,129	2,109
Operating cash flow	(Btmn)	(4,395)	11,351	3,466	2,962	(1,670)	4,908	293	1,764
Investing cash flow	(Btmn)	(5,789)	(29,983)	7,878	18,388	9,630	(12,552)	(33,218)	(33,223)
Financing cash flow	(Btmn)	(3,610)	31,915	(5,186)	(3,911)	(3,468)	20,694	(603)	27,497
Net cash flow	**(Btmn)**	**(13,794)**	**13,282**	**6,158**	**17,439**	**4,491**	**13,050**	**(33,528)**	**(3,962)**

Key Financial Ratios

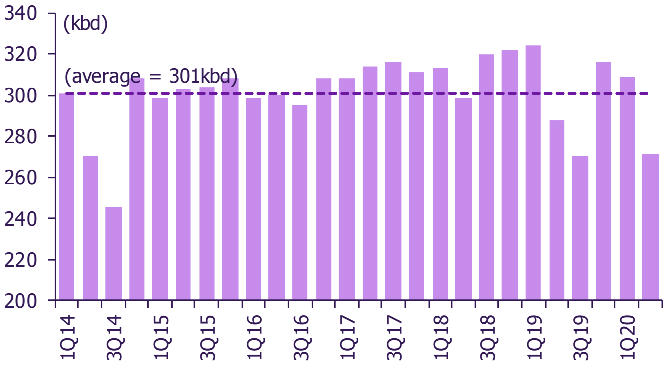
FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Gross margin	(%)	5.9	(3.7)	6.2	0.9	(0.7)	2.6	(17.8)	2.6
Operating margin	(%)	5.2	(4.5)	5.6	0.1	(1.3)	1.8	(18.5)	1.5
EBITDA margin	(%)	7.0	(2.7)	7.6	2.0	0.8	3.6	(15.8)	6.3
EBIT margin	(%)	5.2	(4.5)	5.6	0.1	(1.3)	1.8	(18.5)	2.1
Net profit margin	(%)	4.5	(4.8)	4.8	0.6	(0.8)	2.0	(17.7)	4.9
ROE	(%)	12.7	(11.6)	12.2	(0.4)	(3.7)	4.8	(38.0)	0.3
ROA	(%)	6.9	(5.9)	5.8	(0.2)	(1.8)	2.2	(15.9)	0.1
Net D/E	(x)	0.0	(0.0)	0.0	0.0	0.2	0.3	0.5	0.6
Interest coverage	(x)	8.5	(2.1)	5.7	1.5	0.7	(24.0)	(11.1)	3.1
Debt service coverage	(x)	2.7	(0.9)	3.6	0.9	0.4	5.9	(4.3)	1.2

Key Statistics

FY December 31	Unit	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Dubai crude oil	(US$/bbl)	74.30	67.40	63.50	67.40	61.10	62.10	50.90	30.55
Avg. market GIM	(US$/bbl)	7.2	6.5	5.2	4.2	5.1	4.4	2.1	2.9
PX spread vs. ULG95	(US$/t)	451	528	508	273	194	163	218	214
Utilization rate - refinery	(%)	115	115	116	103	97	113	111	98
Utilization rate - petchem	(%)	89	94	92	64	54	73	81	75
FX	(Bt/US$)	32.97	32.82	31.79	31.76	30.72	30.46	31.45	31.96

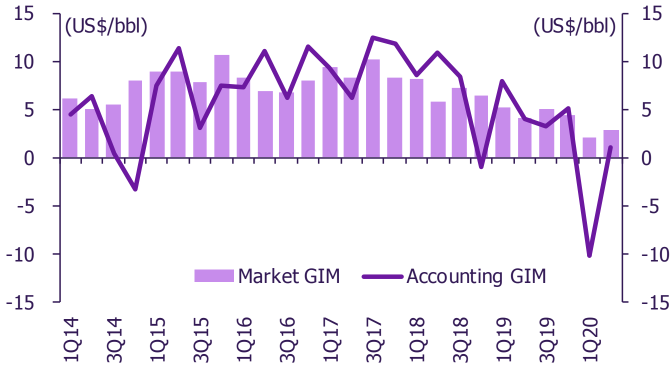
Appendix

Figure 1: Integrated intake



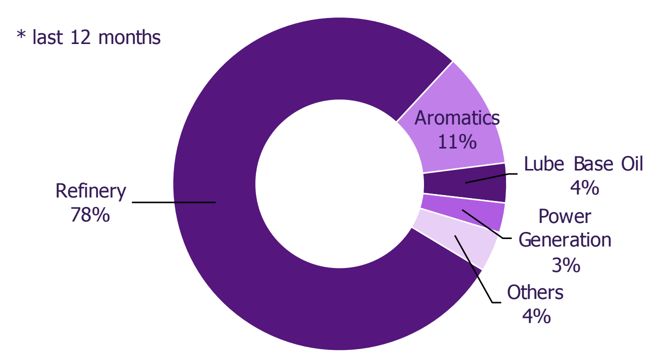
Source: TOP, SCBS Investment Research

Figure 2: Gross integrated margin



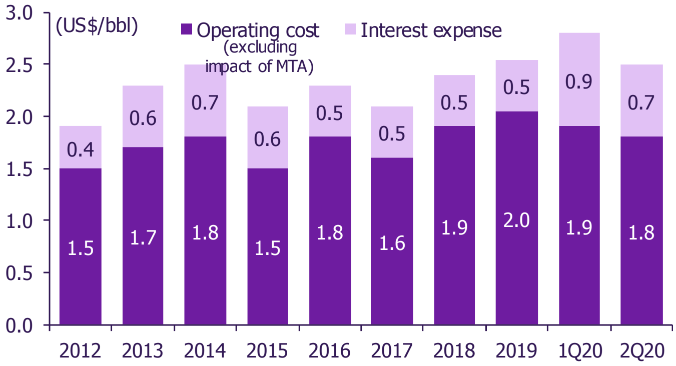
Source: TOP, SCBS Investment Research

Figure 3: Revenue breakdown by segment (LTM*)



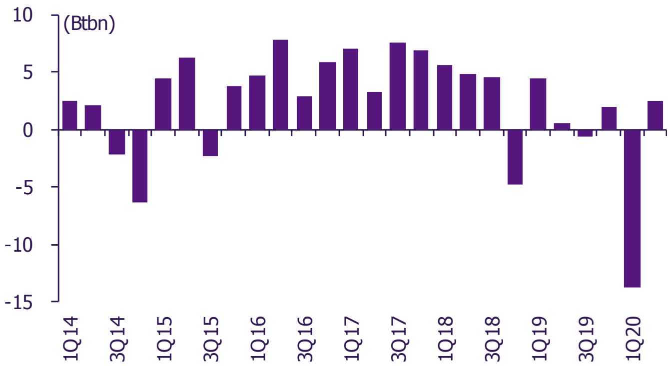
Source: TOP, SCBS Investment Research

Figure 4: Group cash cost



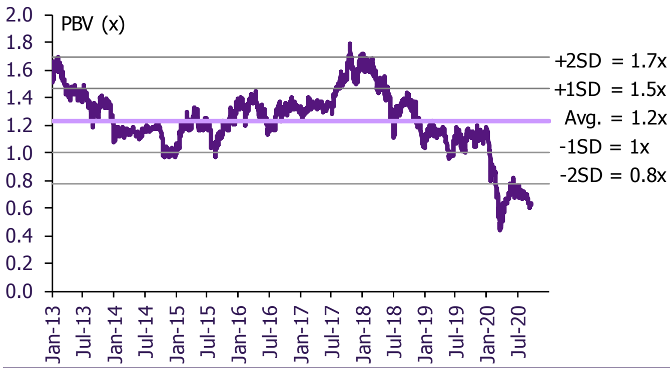
Source: TOP, SCBS Investment Research

Figure 5: Quarterly net profit



Source: TOP, SCBS Investment Research

Figure 6: TOP – PBV band



Source: Bloomberg Finance LP, SCBS Investment Research

Figure 7: Valuation summary (price as of Sep 22, 2020)

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	19A	20F	21F	19A	20F	21F	19A	20F	21F	19A	20F	21F	19A	20F	21F	19A	20F	21F
BCP	Outperform	15.80	30.0	93.0	22.0	n.m.	4.5	(64)	n.m.	n.m.	0.4	0.5	0.4	2	(6)	10	5.1	3.2	11.4	7.6	14.1	4.3
ESSO	Underperform	6.20	5.1	(17.7)	n.m.	n.m.	6.9	n.m.	(2)	n.m.	1.0	1.1	1.0	(13)	(15)	15	0.0	0.0	6.5	(26.6)	(18.4)	6.4
IRPC	Neutral	2.04	2.8	37.3	n.m.	n.m.	11.6	n.m.	(42)	n.m.	0.5	0.5	0.5	(5)	(8)	5	4.9	0.0	3.9	20.2	39.9	6.1
PTT	Outperform	34.25	44.0	32.8	12.6	14.7	10.9	(31)	(14)	35	1.1	1.1	1.0	6	5	7	5.8	4.4	5.1	4.4	4.5	3.3
PTTEP	Outperform	84.75	114.0	38.0	6.9	17.4	11.6	35	(60)	49	0.9	0.9	0.9	13	5	8	7.1	3.5	4.1	2.5	3.5	3.1
SPRC	Underperform	5.50	5.2	(4.7)	n.m.	n.m.	11.4	n.m.	(31)	n.m.	0.7	0.9	0.8	(11)	(18)	8	3.3	0.0	4.5	(13.3)	(6.9)	4.7
TOP	Outperform	35.75	50.0	44.9	17.6	7.7	7.9	(60)	128	(2)	0.6	0.6	0.5	3	7	7	4.2	5.0	5.3	8.5	12.1	8.3
Average					**14.8**	**13.3**	**9.3**	**(1)**	**35**	**(25)**	**0.8**	**0.8**	**0.7**	**(1)**	**(4)**	**8**	**4.3**	**2.3**	**5.8**	**0.5**	**7.0**	**5.2**

Source: SCBS Investment Research

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Anti-corruption Progress Indicator

Certified (ได้รับการรับรอง)

2S, ADVANC, AI, AIE, AIRA, AKP, AMA, AMANAH, AP, AQUA, ARROW, ASK, ASP, AYUD, B, BAFS, BANPU, BAY, BBL, BCH, BCP, BCPG, BGC, BGRIM, BJCHI, BKI, BLA, BPP, BROOK, BRR, BSBM, BTS, BWG, CEN, CENTEL, CFRESH, CGH, CHEWA, CHOTI, CHOW, CIG, CIMBT, CM, CMC, COL, COM7, CPALL, CPF, CPI, CPN, CSC, DCC, DELTA, DEMCO, DIMET, DRT, DTAC, DTC, EASTW, ECL, EGCO, FE, FNS, FPI, FPT, FSS, FTE, GBX, GC, GCAP, GEL, GFPT, GGC, GJS, GPSC, GSTEEL, GUNKUL, HANA, HARN, HMPRO, HTC, ICC, ICHI, IFS, INET, INSURE, INTUCH, IRPC, ITEL, IVL, K, KASET, KBANK, KBS, KCAR, KCE, KGI, KKP, KSL, KTB, KTC, KWC, L&E, LANNA, LHFG, LHK, LPN, LRH, M, MAKRO, MALEE, MBAX, MBK, MBKET, MC, MCOT, MFC, MFEC, MINT, MONO, MOONG, MPG, MSC, MTC, MTI, NBC, NEP, NINE, NKI, NMG, NNCL, NSI, NWR, OCC, OCEAN, OGC, ORI, PAP, PATO, PB, PCSGH, PDG, PDI, PDJ, PE, PG, PHOL, PL, PLANB, PLANET, PLAT, PM, PPP, PPS, PREB, PRG, PRINC, PRM, PSH, PSL, PSTC, PT, PTG, PTT, PTTEP, PTTGC, PYLON, Q-CON, QH, QLT, QTC, RATCH, RML, RWI, S & J, SABINA, SAT, SC, SCB, SCC, SCCC, SCG, SCN, SEAOIL, SE-ED, SELIC, SENA, SGP, SIRI, SITHAI, SMIT, SMK, SMPC, SNC, SNP, SORKON, SPACK, SPC, SPI, SPRC, SRICHA, SSF, SSSC, SST, STA, SUSCO, SVI, SYNTEC, TAE, TAKUNI, TASCO, TBSP, TCAP, TCMC, TFG, TFI, TFMAMA, THANI, THCOM, THIP, THRE, THREL, TIP, TIPCO, TISCO, TKT, TMB, TMD, TMILL, TMT, TNITY, TNL, TNP, TNR, TOG, TOP, TPA, TPCORP, TPP, TRU, TRUE, TSC, TSTH, TTCL, TU, TVD, TVI, TVO, TWPC, U, UBIS, UEC, UKEM, UOBKH, UWC, VGI, VIH, VNT, WACOAL, WHA, WHAUP, WICE, WIIK, XO, ZEN

Declared (ประกาศเจตนารมณ์)

7UP, ABICO, AF, ALT, AMARIN, AMATA, AMATAV, ANAN, APURE, B52, BKD, BM, BROCK, BUI, CHO, CI, COTTO, DDD, EA, EFORL, EP, ERW, ESTAR, ETE, EVER, FSMART, GPI, ILINK, IRC, J, JKN, JMART, JMT, JSP, JTS, KWG, LDC, MAJOR, META, NCL, NOBLE, NOK, PK, PLE, ROJNA, SAAM, SAPPE, SCI, SE, SHANG, SINGER, SKR, SPALI, SSP, STANLY, SUPER, SYNEX, THAI, TKS, TOPP, TRITN, TTA, UPF, UV, WIN, ZIGA

N/A

A, A5, AAV, ABM, ACAP, ACC, ACE, ACG, ADB, AEC, AEONTS, AFC, AGE, AH, AHC, AIT, AJ, AJA, AKR, ALL, ALLA, ALUCON, AMC, AOT, APCO, APCS, APEX, APP, AQ, ARIN, ARIP, AS, ASAP, ASEFA, ASIA, ASIAN, ASIMAR, ASN, ATP30, AU, AUCT, AWC, BA, BAM, BAT-3K, BC, BCT, BDMS, BEAUTY, BEC, BEM, BFIT, BGT, BH, BIG, BIZ, BJC, BLAND, BLISS, BOL, BR, BSM, BTNC, BTW, CAZ, CBG, CCET, CCP, CGD, CHARAN, CHAYO, CHG, CITY, CK, CKP, CMAN, CMO, CMR, CNT, COLOR, COMAN, CPH, CPL, CPR, CPT, CPW, CRANE, CRC, CRD, CSP, CSR, CSS, CTW, CWT, D, DCON, DV8, DOD, DOHOME, DTCI, EASON, ECF, EE, EKH, EMC, EPG, ESSO, ETC, F&D, FANCY, FLOYD, FMT, FN, FORTH, FVC, GENCO, GIFT, GL, GLAND, GLOBAL, GLOCON, GRAMMY, GRAND, GREEN, GSC, GTB, GULF, GYT, HFT, HPT, HTECH, HUMAN, HYDRO, ICN, IFEC, IHL, IIG, III, ILM, IMH, INGRS, INOX, INSET, IP, IRCP, IT, ITD, JAS, JCK, JCKH, JCT, JUBILE, JUTHA, JWD, KAMART, KC, KCM, KDH, KIAT, KKC, KOOL, KTIS, KUMWEL, KUN, KWM, KYE, LALIN, LEE, LH, LIT, LOXLEY, LPH, LST, MACO, MANRIN, MATCH, MATI, MAX, M-CHAI, MCS, MDX, MEGA, METCO, MGT, MIDA, MILL, MITSIB, MJD, MK, ML, MM, MODERN, MORE, MPIC, MVP, NC, NCH, NDR, NER, NETBAY, NEW, NEWS, NEX, NFC, NPK, NTV, NUSA, NVD, NYT, OHTL, OISHI, OSP, OTO, PACE, PAE, PAF, PERM, PF, PICO, PIMO, PJW, PMTA, POLAR, POMPUI, PORT, POST, PPM, PR9, PRAKIT, PRECHA, PRIME, PRIN, PRO, PROUD, PTL, RAM, RBF, RCI, RCL, RICHY, RJH, ROCK, ROH, RP, RPC, RPH, RS, RSP, S, S11, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SANKO, SAUCE, SAWAD, SAWANG, SCM, SCP, SDC, SEAFCO, SEG, SF, SFLEX, SFP, SGF, SHR, SIAM, SICT, SIMAT, SIS, SISB, SKE, SKN, SKY, SLM, SLP, SMART, SMT, SOLAR, SONIC, SPA, SPCG, SPG, SPVI, SQ, SR, SSC, STAR, STARK, STC, STEC, STGT, STHAI, STI, STPI, SUC, SUN, SUTHA, SVH, SVOA, SWC, SYMC, T, TACC, TAPAC, TC, TCC, TCCC, TCJ, TCOAT, TEAM, TEAMG, TGPRO, TH, THANA, THE, THG, THL, THMUI, TIGER, TITLE, TIW, TK, TKN, TM, TMC, TMI, TMW, TNDT, TNH, TNPC, TOA, TPAC, TPBI, TPCH, TPIPL, TPIPP, TPLAS, TPOLY, TPS, TQM, TR, TRC, TRT, TRUBB, TSE, TSF, TSI, TSR, TSTE, TTI, TTT, TTW, TVT, TWP, TWZ, TYCN, UAC, UMI, UMS, UNIQ, UP, UPA, UPOIC, UREKA, UT, UTP, UVAN, VARO, VCOM, VI, VIBHA, VL, VNG, VPO, VRANDA, W, WAVE, WG, WINNER, WORK, WORLD, WP, WPH, WR, YCI, YGG, YUASA, ZMICO

Explanations

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Bangkok - Head Office

19 Tower 3, 2nd, 20th-21st Fl., SCB Park Plaza,
Ratchadapisek Rd., Chatuchak, Chatuchak,
Bangkok 10900
Tel: (662) 949-1000
Fax: (662) 949-1001

Bangkok - Sindhorn Branch

130-132, G Floor, Sindhorn Tower 1 Building,
Wireless Road, Lumpini, Pathumwan,
Bangkok 10330
Tel: (662) 686-2068
Fax: (662) 263-3822

Bangkok - Chaloem Nakorn Branch

269 Charoen Krung Road,
Pomprab, Pomprab Sattru Phai,
Bangkok 10100
Tel: (662) 688-9200
Fax: (662) 688-9020

Bangkok – Central Plaza Westgate Branch

199, 199/1, 199/2 MU 6, 3 rd FL.,
Saothonghin, Bangyai,
Nonthaburi 11140
Tel: (662) 949-1358
Fax: (662) 194-2896

Bangkok – Central Plaza Pinklao Branch

7/222, Central Plaza Pinklao, Room K414, 4 Fl.,
Boromratchonni Rd., Arun Amarin, Bangkoknoi,
Bangkok 10700
Tel: (662) 949 1429
Fax: (662) 884 7962

Bangkok – Ramathibodee Branch

270 Rama 6 Road, Thung Phaya Thai Sub District
Ratchathewi District, Bangkok 10400
Tel: (662) 949-1424
Fax: (662) 354-5590

Chiang Mai – Chiang Mai Branch

90/1 Unit 512, Floor 5, Airport Business Park, Building D,
Mahidol Road, Hai Ya Sub District, Muang Chiang Mai
District, Chiang Mai, 50100
Tel: (66-53) 235-933
Fax: (66-53) 235-944

Chiang Mai - Tha Phae Branch

17, 2nd Floor, Tha Phae Road,
Chang Klan, Mueang Chiang Mai,
Chiang Mai 50000
Tel : (66-53) 818-422
Fax : (66-53) 818-433

Hat Yai - Thanon Rat Yindi Branch

16/4 2nd Floor, Rat Yindi Road
Hat Yai, Hat Yai,
Songkhla 90110
Tel: (66-74) 209-788
Fax: (66-74) 209-737