

## MARKET NEWS

US stocks were higher on Tuesday, as gains in the utilities, consumer discretionary and materials sectors led shares higher. At the close of the NYSE, the DJIA gained 0.40% while the S&P 500 index rose 0.52%, and the NASDAQ Composite index advanced 0.58%. Advancing stocks outnumbered falling ones on the NYSE by 2,128 to 764 and 79 ended unchanged; on the Nasdaq Stock Exchange, 2,902 advanced and 1,374 declined, while 190 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index rose 32.56pt to 3,199.07. Among the top active stocks were Seatrium (+2.4%), Genting Singapore (+0.6%), Singapore Telecommunications (+1.3%), Singapore Airlines (-0.2%) and UMS (+1.6%). The FTSE ST Mid Cap index rose 0.9% while the FTSE ST Small Cap Index was up 0.8%. The broader market saw 369 gainers and 227 losers with total trading value of S\$809.7m.

## WHAT'S IN THE PACK

### Singapore Company Update:

#### Thai Beverage - Temporary hiccup to tourism recovery.

(THBEV SP / BUY / S\$0.535 / Target: S\$0.750)

Thailand's tourist arrivals continue to improve yoy despite lower-than-expected Chinese tourist arrivals. In a bid to revive tourism, Thailand has simplified visa requirements for Chinese tourists...

### Singapore Technical Analysis:

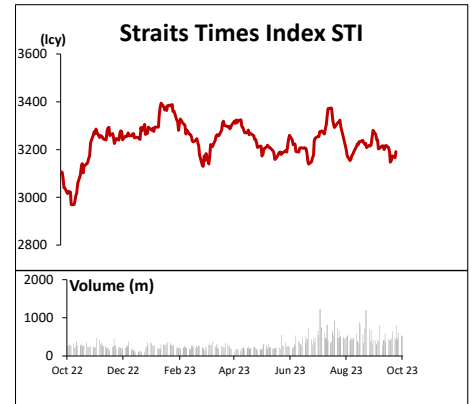
#### City Developments (CIT SP) - Trading BUY

Price rebounded after forming a temporary bottom at S\$6.43. There is potential divergence warning given by the MACD that hints at a possible reversal ahead...

#### Keppel DC REIT (KDCREIT SP) - Trading BUY

Price rebounded after being supported by the rising trendline support. The RSI is rising from the oversold zone, hinting at a possible reversal ahead...

## PRICE CHART



## KEY INDICES

	Prev Close	1M %	YTD %
DJIA	33739.3	(2.4)	1.8
S&P 500	4358.2	(2.2)	13.5
FTSE 100	7628.2	2.0	2.4
AS30	7231.0	(2.1)	0.1
CSI 300	3657.1	(2.9)	(5.5)
FSSTI	3199.1	(0.6)	(1.6)
HSCEI	6052.5	(3.9)	(9.7)
HSI	17664.7	(2.4)	(10.7)
JCI	6922.2	(0.6)	1.0
KLCI	1435.2	(1.4)	(4.0)
KOSPI	2402.6	(6.0)	7.4
Nikkei 225	31746.5	(2.2)	21.7
SET	1434.5	(6.9)	(14.0)
TWSE	16520.6	(0.3)	16.9
BDI	1983	64.0	30.9
CPO (RM/mt)	3613	(3.7)	(10.7)
Brent Crude (US\$/bbl)	88	(3.3)	2.0

Source: Bloomberg

## TOP TRADING TURNOVER

Company	Price (\$)	Chg (%)	5-day ADT ('000s)
DBS Group Holdings Oversea-Chinese Banking Corp	33.97	1.2	92.1
United Overseas Bank	13.00	0.9	52.4
Seatrium	28.56	1.0	50.6
Singapore Telecommunications	0.13	2.4	45.6
	2.41	1.3	36.0

## TOP GAINERS

Company	Price (\$)	Chg (%)	5-day ADT ('000s)
ComfortDelGro Corp	1.33	3.1	8.2
Frasers Centrepoint Trust	2.15	2.9	7.2
Seatrium	0.13	2.4	45.6
Yanlord Land Group	0.65	2.4	0.5
iFAST Corp	5.87	2.3	1.2

## TOP LOSERS

Company	Price (\$)	Chg (%)	5-day ADT ('000s)
Frasers Property	0.81	(1.2)	0.1
Nio Inc	8.49	(1.0)	0.9
Frasers Hospitality Trust	0.50	(1.0)	1.3
Emperador Inc	0.50	(1.0)	0.5
Lendlease Global Commercial	0.51	(1.0)	4.2

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TRADERS' CORNER



## City Developments (CIT SP)

Trading Buy Range: S\$6.55-6.58

Last price: S\$6.69

Target price: S\$6.96

Protective stop: S\$6.40

**Price rebounded after forming a temporary bottom at S\$6.43. There is potential divergence warning given by the MACD that hints at a possible reversal ahead. These could increase chances of the stock price continuing to move higher.**

The potential upside target is S\$6.96. Stop-loss could be placed at S\$6.40.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$8.00.



## Keppel DC REIT (KDCREIT SP)

Trading Buy Range: S\$2.05-2.06

Last price: S\$2.08

Target price: S\$2.21

Protective stop: S\$1.98

**Price rebounded after being supported by the rising trendline support. The RSI is rising from the oversold zone, hinting at a possible reversal ahead. These could increase chances of the stock price rebounding from this trendline to move higher.**

The potential upside target is S\$2.21. Stop-loss could be placed at S\$1.98.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

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FROM THE REGIONAL MORNING NOTES...

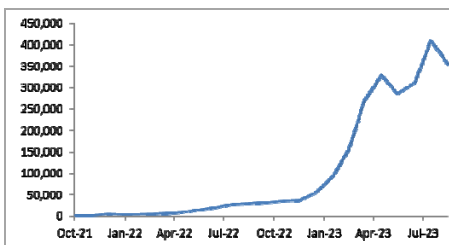
## Thai Beverage (THBEV SP)

Temporary Hiccup To Tourism Recovery

Thailand's tourist arrivals continue to improve yoy despite lower-than-expected Chinese tourist arrivals. In a bid to revive tourism, Thailand has simplified visa requirements for Chinese tourists, its largest feeder market. However, the recent shooting in Bangkok is poised to partially offset any improvement in the near term. With the recent share price weakness, we reckon that THBEV is trading at attractive valuations, supported by favourable tailwinds. Maintain BUY but with a lower SOTP-based target price of S\$0.75.

### WHAT'S NEW

#### THAILAND'S MONTHLY CHINESE TOURIST ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

#### THAILAND'S MONTHLY INTERNATIONAL TOURIST ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian

- Muted tourism recovery.** Thailand reported approximately 2.47m (-0.9% mom, +1.1x yoy) tourist arrivals in Aug 23, roughly 71.2% of pre-COVID-19 levels. This is on the back of the country's fully reopened international borders, relaxed global travel restrictions and a sharp rebound in Chinese tourists. Despite continuing its overall upward momentum, Chinese tourist arrivals were lower than expected in Aug 23, falling 13.4% mom but still 11.8x yoy higher in Aug 23. Excluding seasonal factors, we opine that insufficient flight capacity from China to Thailand, a slowing domestic economy in China, long visa approval times and mainly ongoing safety concerns about Thailand led to the lower-than-expected Chinese visitor numbers. In our view, it is unlikely that the Chinese tourist arrivals would hit the estimated 5m-7m goal set by Thailand's authorities for 2023.
- Visa-free entry.** In a bid to revive sluggish Chinese tourist arrivals, Thailand's authorities implemented a temporary scheme from end-Sep 23 onwards to allow visa-free entry for Chinese tourists into the kingdom, simplifying the previous lengthy visa scheme that was driving Chinese tourists away. According to estimates from the Thai government, the visa waiver programme is expected to bring in an additional 2.9m Chinese tourists for the five-month period as compared with the 2.2m that arrived ytd. With Chinese tourists being the largest source of visitors pre-COVID-19, coupled with the largest expenditure, we reckon that this would benefit consumer companies such as Thai Beverage (THBEV).

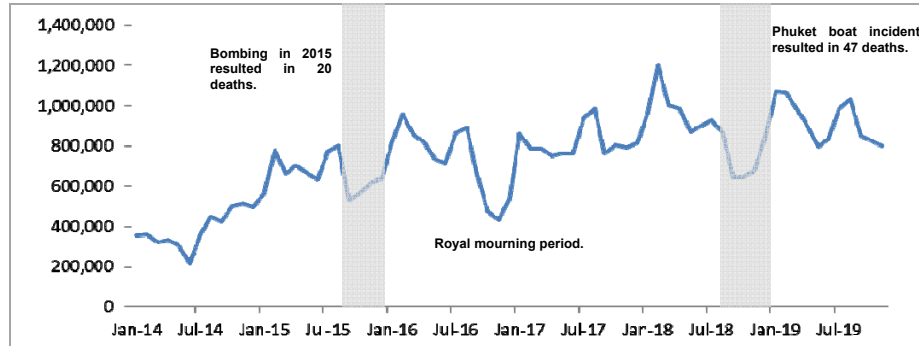
### KEY FINANCIALS

Year to 30 Sep (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	240,543	272,359	277,743	298,190	322,324
EBITDA	41,613	46,343	46,839	48,792	51,505
Operating profit	33,782	38,583	38,871	40,610	43,103
Net profit (rep./fact.)	24,645	30,106	31,961	34,092	36,858
Net profit (adj.)	24,645	30,106	31,961	34,092	36,858
EPS (Bt)	1.0	1.2	1.3	1.4	1.5
PE (x)	14.7	12.0	11.3	10.6	9.8
P/B (x)	2.1	1.8	1.6	1.5	1.4
EV/EBITDA (x)	13.9	12.5	12.3	11.8	11.2
Dividend yield (%)	3.5	4.2	4.4	4.7	5.1
Net margin (%)	10.2	11.1	11.5	11.4	11.4
Net debt/(cash) to equity (%)	109.7	79.2	75.8	67.4	58.4
Interest cover (x)	6.1	7.4	7.6	7.4	7.4
ROE (%)	15.7	16.0	15.0	14.8	14.8
Consensus net profit	-	-	29,404	31,844	33,674
UOBKH/Consensus (x)	-	-	1.09	1.07	1.09

Source: THBEV, Bloomberg, UOB Kay Hian

## STOCK IMPACT

### HISTORICAL EVENTS THAT IMPACTED CHINESE TOURIST ARRIVALS



Source: Thailand's Ministry of Tourism and Sports, UOB Kay Hian, Various Sources.

- Thailand: Delayed recovery.** Despite the visa-waiver scheme starting in Sep 23, we do expect a near-term temporary delay in Chinese tourism recovery due to the recent shooting in Bangkok. In our view, increased safety concerns after this incident is likely to deter Chinese tourists from travelling to Thailand. Looking back to Aug 15, a fatal bombing incident in Bangkok caused a sharp fall in Chinese tourist arrivals immediately from around 800,000 in Aug 15 to 530,000-640,000 in Sep-Dec 15, before recovering back to pre-incident levels in Jan 16. Similarly in Jul 18, a boat capsizing incident in Phuket which caused the deaths of 47 Chinese tourists dragged Chinese tourist arrivals from around 930,000 in Jul 18 to 646,000-867,000 in Aug-Dec 18. Similar to the bombing incident, it took 4-5 months for Chinese tourist arrivals to return to pre-incident levels in Jan 19. Based on this, we expect Chinese tourist arrivals to fall in the coming one to two quarters, offsetting Thailand's overall tourism recovery. We reckon that this may also offset the ongoing recovery for THBEV's brown spirits and beer segments, given the on-trade consumption nature of these products. We note that sales volumes/EBITDA margins for the spirits segment fell one to two quarters after these two incidents, implying a loss in sales volumes for the higher-margin brown spirits. We reckon that the beer segment would also suffer a similar loss in sales volumes as well.
- Vietnam: Easing visa policies.** According to statistics from General Statistics Office of Vietnam, 9M23 international tourist arrivals to Vietnam had recovered back to around 70% of pre-pandemic levels at 8.9m, beating the government's original 8m target. A new target of 12m-13m has been set by Vietnam's authorities, backed by the relaxation of the country's visa application process. Starting Aug 23, Vietnam has offered 90-day e-visas to citizens of all countries with multiple entries. Also, 13 countries have been unilaterally exempted from visas and are allowed to stay for 45 days, up from 15 days previously. We reckon that there is still room for further recovery for 2023, given that Chinese tourist arrivals in Sep 23 accounted for only 16.4% of total tourist arrivals (30-40% pre-pandemic) and 28.5% of pre-pandemic levels. 9M23 Chinese tourist arrivals to Vietnam are currently at 28.2% of pre-pandemic levels.

## EARNINGS REVISION/RISK

- We lower our FY24-25 PATMI forecasts by 1-2%**, after accounting for slightly lower sales volumes for the brown spirits and beer segments. Our new FY23-25 PATMI estimates are Bt31,961m (unchanged), Bt34,092m (Bt34,613m previously) and Bt36,858m (Bt37,534m previously) respectively.

## VALUATION/RECOMMENDATION

- Maintain BUY with a lower SOTP-based target price of S\$0.75 (from S\$0.83).** Our new target price is due to lower valuations for the beer segment as well as a stronger Singapore dollar since our last update. We still reckon that THBEV remains attractively priced at -2SD to its five-year mean PE, backed by an expected fundamental earnings recovery underpinned by favourable tailwinds and a decent 4.4% FY23 dividend yield. We opine that the recent share price weakness presents an attractive entry level.

## SHARE PRICE CATALYST

- a) Gaining market share in the beer segment, b) lower-than-expected operating costs.

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