

## STRATEGY – THAILAND

## Alpha Picks: June 23 Portfolio

Our alpha picks underperformed the market (-3.5% vs 0.3%) in May 23, dragged by stocks affected by the uncertainty of new government policies. However, we expect the consumption recovery to still provide a boost to domestic plays. For Jun 23, our picks are CPALL, KKP, MAJOR, MINT, OR, PTTEP, SCB and TU.

## WHAT'S NEW

- **Portfolio underperformed in May.** Our portfolio declined 3.5% in May 23, underperforming the SET Index, which increased by 0.3%. The performance was dragged by: a) STEC (-19.4%) since the sector was impacted most from the possibility of change in political power, b) OR (-9.9%) due to the Move Forward party policy on the increase in minimum wage, c) PTTEP (-5.7%) as the energy stocks contracted due to the gloomy crude oil prices in May 23, and d) CPALL (-1.5%) due to the pressure from anti-monopoly policy despite strong earnings. However, the tourism sector (MINT: +7.1%) performed well. The anticipation of the MPC policy rate hike supported the gain in the banking sector (KKP: +5.0%).
- **Tourism and new government policies positive to consumption.** In Jun 23, we believe that the market uncertainty towards the US debt ceiling and Thailand's political issues will be resolved. International tourism is expected to be a key driver for service sectors and consumption recovery. Some new government policies, such as the reduction of electricity bills and minimum wage hike, could also be positive to domestic purchasing power. We view the commerce and tourism sectors as prime beneficiaries.
- **Policy rate has room to rise.** MPC raised the policy rate by 0.25% to 2.00%. We think policy rate could rise given that: a) MPC's secretary expects the real rate to be finally positive (from negative currently), and b) MPC voting unanimously to raise the policy rate, signalling the ongoing rate-hike cycle. The increase in policy rate is positive for NIM, but negative for asset quality, especially for SME loans which have a relatively higher level of default risk. We maintain selective buy on the banking sector.
- We maintain selective buy on the banking sector.

## ACTION

- **Add MAJOR and TU.** We add MAJOR as a laggard reopening play while the gain from selling MPIC (at approximately Bt350m) would be a plus to our earnings forecast. We also add TU due to its attractive price level with fundamental growth and lower expenses. These two stocks are trading at cheaper valuations compared to the entire sector, with positive outlooks in the next quarter.
- **Drop STEC.** We cut our losses on STEC as the company is expected to be severely affected by the election, with the fiscal budget potentially delayed due to the long process of setting up the cabinet and construction services being highly affected by the minimum wage hike policy.

## ANALYSTS' TOP ALPHA PICKS\*

Analyst	Company	Rec	Performance	Catalyst
Kampon Akaravarinchai	CPALL	BUY	2.8	Domestic consumption recovery due to more foreign tourists and the election.
Kwanchai Atiphopai / Thanawat Thangchadakorn	KKP	BUY	(0.4)	The laggard play in the banking sector.
Tanaporn Visaruthaphong / Thachasorn Jutagon	MAJOR	BUY		High season in 2Q and gain on selling MPIC.
Kochakorn Sutaruksanon	MINT	BUY	7.1	Expect brighter results in 2Q23 due to the high season of travel in Europe.
Tanaporn Visaruthaphong / Benjaphol Suthwanish	OR	BUY	(8.7)	An increase in marketing margins will improve earnings.
Tanaporn Visaruthaphong / Benjaphol Suthwanish	PTTEP	BUY	(7.0)	Stronger oil price outlook from higher global demand, especially from China.
Kwanchai Atiphopai / Thanawat Thangchadakorn	SCB	BUY	(0.5)	Strong 2Q23 results.
Kampon Akaravarinchai	TU	BUY		Significant improvement in TU's profitability from lower raw material and logistics costs.
Waritthorn Kaewmuang	STEC	BUY	(25.8)	Dropped.

\* Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation  
Source: UOB Kay Hian

## KEY RECOMMENDATIONS

Company	Share Price 31 May 23 (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
CPALL	63.75	78.00	22.35
KKP	63.00	87.00	38.10
MAJOR	15.50	23.00	48.39
MINT	33.75	42.00	24.44
OR	20.00	29.00	45.00
PTTEP	139.50	174.00	24.73
SCB	103.50	138.00	33.33
TU	14.70	17.00	15.65

Source: UOB Kay Hian

## CHANGE IN SHARE PRICE

Company	May 23 (%)	To-date* (%)
CPALL	(1.5)	2.8
KKP	5.0	(0.4)
MINT	7.1	7.1
OR	(9.9)	(8.7)
PTTEP	(5.7)	(7.0)
SCB	-	(0.5)
STEC	(19.4)	(25.8)
SET Index	(0.3)	

\*Share price change since stock was selected as alpha pick  
Source: UOB Kay Hian

## PORTFOLIO RETURNS

(%)	2022	1Q23
SET return	0.7	(3.6)
Alpha Picks Return		
- Price-weighted	4.1	2.2
- Market cap-weighted	4.4	0.8
- Equal-weighted	2.7	0.3

Assumptions for the three methodologies:

1. Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
2. Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
3. Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

## ANALYST(S)

**Kitpon Praipaisarnkit**  
+662 659 8154  
kitpon@uobkayhian.co.th

**Thailand Research Team**  
+662 659 8300  
research@uobkayhian.co.th

## ASSISTANT ANALYST(S)

**Apichaya Wongkolkitsilp**

### CPALL (Kampon Akaravarinchai)

- Operator of Thai 7-Eleven stores, controlling more than 50% of the convenience store market in Thailand.
- We are still positive on 2H23 earnings growth momentum. We expect 2H23 earnings to continue improving yoy, driven by the strong top-line growth from both the convenience stores and wholesale businesses. Also, the pressure from higher electricity costs is expected to be lower on a yoy basis. MAKRO was already refinancing all of the short-term USD loans with THB loans in Apr 23. Therefore, we foresee that the interest expenses have already peaked in 1H23. Overall, 2023 earnings should grow by 25% yoy, driven by the aforementioned factors.
- Maintain BUY on CPALL with a target price of Bt78.00. Our target price is pegged to 42x 2023F PE or 1SD above its 10-year historical mean. We believe CPALL will be one of the biggest beneficiaries of the resumption in tourist arrivals and better consumption in suburban areas. The overhang on MAKRO's cost of funds in US dollar-debt is also gradually easing, and management guided that all of its US dollar-denominated loans will be converted to Thai baht by 2023. Although we expect consensus to revise down its earnings forecast for CPALL, we like the company's long-term growth outlook and believe that this is a good accumulation opportunity.

### SHARE PRICE CATALYST

- Better-than-expected gross profit margin improvement in 2Q23 and lower SGA-to-sales following the lower FT rate.

### KKP (Kwanchai Atiphopchai, CFA)

- KKP is a small-sized bank that has roughly 2% of the credit market. It has a strong focus on auto hire purchase lending which accounts for about half of its loanbook.
- We expect KKP's NIM to continue dropping throughout 2023 as the effect of the rate hike cycle will widen the bank's funding cost. However, it should increase at a slower pace thanks to the normalisation of FIDF contributions.
- Maintain BUY with an unchanged target price of Bt85.00. Our target price is based on the Gordon Growth Method (cost of equity: 12.5%, long-term growth: 2.0%). Our target price implies 1.2x 2023F P/B, or +1SD to its five-year mean.

### SHARE PRICE CATALYST

- Strong 2Q23 results.

### MAJOR (Tanaporn Visaruthaphong/Thachasorn Jutaganon)

- Major Cineplex is a cinema operator with related businesses like bowling, karaoke, rentals, cinema media and film distribution.
- Attractive earnings growth in 2023. We expect MAJOR's earnings to grow by 256% yoy to Bt897m in 2023, chiefly underpinned by robust admission revenue and higher gross margin. Admission revenue, which contributes more than 50% of total revenue, is expected to increase by 50% yoy to Bt5.0b thanks to: a) recovery in the number of total seats, b) increase in average ticket price (ATP), and c) our expectation of occupancy rate. We expect to see gross margin of 35.2% (+7.4ppt yoy), mainly buoyed by gross margin of the admission business improving from 6% in 2022 to 12% in 2023. We expect gross margin to return to pre-pandemic levels.
- Maintain BUY on MAJOR with a target price of Bt23.00. Our target price is based on 23x 2023F PE and +1SD to its five-year PE mean. We like MAJOR as we expect it to see strong earnings growth of 264% yoy in 2023. Moreover, we believe the strong line-up of movies in 2023 would support MAJOR's share price as well.

#### SHARE PRICE CATALYST

- More blockbuster movies, growth in cinema advertising income, recovery in the economy that could accelerate consumer spending, and a higher level of GDP.

#### MINT (Kochakorn Sutaruksanon)

- MINT is one of the largest hospitality companies in the Asia-Pacific region. It also operates restaurants in Thailand and overseas and is involved in residential property development and retail trading.
- 2Q23 earnings are likely to surge yoy and qoq. The yoy surge should turn the net loss in 1Q23 to a profit of Bt1.8b-2.0b in 2Q23. The key driver is a recovery in all business units, especially hotels in Europe. EBITDA margin should improve yoy and qoq from the economies of scale of the hotel operations. Alongside this, MINT also maintains food EBITDA margin through optimising the menu prices and entering into contracts to lock in raw material prices.
- Maintain BUY with a target price of Bt42.00 based on EV/EBITDA multiple at 13.0x, at -0.5SD of its historical mean. MINT is one of our picks in the hotel sector as: a) the valuation is undemanding, trading at EV/EBITDA of 11.0x, which is lower than the hotel sector at 15-18x, and b) 2Q23 earnings are likely to outperform its peers.

#### SHARE PRICE CATALYST

- Better-than-expected cost control, ability to increase ADR.

#### OR (Benjaphol Suthwanish)

- OR operates an integrated oil and non-oil retailing platform both in Thailand and abroad, including the sales and distribution of petroleum products and other products in retail and commercial marketing, coffee shops, other food and beverage outlets, convenience stores and space management offerings.
- We expect core profit to continue growing in 2Q23. This positive outlook is supported by increased oil sales and the expectation of marketing margin not being lower than 1Q23. According to the Energy Policy and Planning Office (EPPO) report, the marketing margin for diesel fuel in Bangkok in Apr 23 was Bt1.9/litre, surpassing the figures recorded in Feb 23 (Bt1.66/litre) and Mar 23 (Bt1.86/litre). This suggests a positive trend in marketing margins, and we expect 2Q23 marketing margin to be at least as high as 1Q23.
- Maintain BUY with a target price of Bt29.00, based on a five-year average PE of 24x. The projected outlook seems reasonable, with improving marketing margins, increased oil sales volume and the alleviation of pressure from the oil fund. These factors have the potential to facilitate a sustained growth in OR's earnings in the forthcoming two quarters.

#### SHARE PRICE CATALYST

- An increase in marketing margin will improve earnings.

#### PTTEP (Tanaporn Visaruthaphong/Benjaphol Suthwanish)

- PTTEP explores crude oil and natural gas, and develops fields for production.
- Core profit outlook in 2Q23 decreased qoq and yoy. PTTEP expects a decrease in gas selling prices to US\$5.90/MMBTU in 2Q23, down 10% qoq and 3% yoy. Additionally, the expected sales volume is 437,000 barrels per day, declining 5% qoq and 6% yoy. The issues with production in the Benjamat Project (B8/32) and decreased gas sales in Malaysia have resulted in lower performance for the company. However, the recovery of crude oil prices is a limiting factor, and Dubai's crude oil price in 2Q23 qtd has increased by 5.2% qoq to US\$84.50/barrel.

- Maintain BUY with a target price of Bt174.00, based on a regional forward 2023 PE of 11x. Despite the slight drawback caused by the decrease in sales targets for 2023, we believe that PTTEP's current share price has already taken into account the many negative factors. However, the resurgence of crude oil prices is expected to enhance the investment attractiveness of PTTEP

#### SHARE PRICE CATALYST

- Stronger oil price outlook from higher global demand, especially China.

#### SCB (Kwanchai Atiphopchai, CFA/Thanawat Thangchadakorn)

- SCB X is one of the largest commercial banks with a roughly 15% share of Thailand's credit market. It has a strong focus on retail lending, which accounts for 46% of its loanbook.
- Expect NIM to improve on potential rate hike(s) in 2023. SCB EIC, SCB X's research house, forecasts the baseline terminal rate to be 2% as there could be another potential 25bp increase in May 23. As a result, SCB could achieve its NIM target of 3.5% this year as management guided that NIM had already exceeded 3.5% in Mar 23.
- Maintain BUY with a lower target price of Bt133.00, based on the Gordon Growth Model (cost of equity: 11%, long-term growth: 2%). SCB currently trades at 7.0x 2023F PE, almost -1SD to its five-year mean, and at 0.7x 2023F P/B, below its five-year mean.

#### SHARE PRICE CATALYST

- The Bank of Thailand (BOT) implementing policy rate hikes.

#### TU (Kampon Akaravarinchai)

- TU manufactures and exports frozen and canned seafood, including canned food, frozen food and snacks. It is also involved in pet food, value-added products and animal feed.
- We expect to see a qoq earnings growth in 2Q23 due to an improvement in each business unit. The ambient seafood segment is expected to see a qoq recovery in both sales and gross profit margin momentum. Note that in 1Q23, there was some pressure from OEM customers as they had delayed placing orders with TU due to higher tuna prices. The company expects its customers to carry out inventory restocking in 2Q23. Therefore, we should see a sales recovery in 2Q23 and sales normalisation in 2H23. The ambient seafood segment's gross profit margin will benefit from better cost pass-through to TU's OEM customers. For the pet food business, i-Tail Corporation's (ITC, 77.82%-owned by TU) management expects the customer destocking period to end in 2Q23, and sales momentum should begin to normalise in 2H23, together with an improvement in gross profit margin.
- Maintain BUY with an unchanged target price of Bt17.00. We peg the forward PE target to TU's five-year mean of its latest PE band, which is equivalent to 13.1x. There is still a 25% upside to our target price. Given the high dividend yield and undemanding valuation, we maintain BUY on TU.

#### SHARE PRICE CATALYST

- Better-than-expected earnings momentum in 2Q23 and a significant improvement in TU's profitability from lower raw material and logistics costs.

### VALUATION

Company	Ticker	Rec.	Last Price 31 May 23 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	----- PE -----			EPS Growth 2023F (%)	PEG 2023F (x)	P/B 2023F (x)	Yield 2023F (%)	ROE 2023F (%)
CP All	CPALL TB	BUY	63.75	78.00	22.35	16,362	43.1	34.4	28.5	25.5	1.3	5.2	1.5	5.6
Kiatnakin Phatra Bank	KKP TB	BUY	63.00	87.00	38.10	1,524	7.0	6.4	5.5	10.3	0.6	0.8	4.0	13.8
Major Cineplex Group	MAJOR TB	BUY	15.50	23.00	48.39	396	55.0	15.5	12.1	255.9	0.1	2.2	6.5	12.4
Minor International	MINT TB	BUY	33.75	42.00	24.44	5,032	41.8	32.6	24.8	28.5	1.1	2.3	1.0	6.5
PTT Oil And Retail Business	OR TB	BUY	20.00	29.00	45.00	6,857	23.1	16.3	15.5	41.9	0.4	1.0	1.8	6.5
PTT Exploration & Production	PTTEP TB	BUY	139.50	174.00	24.73	15,823	7.8	8.8	7.3	(11.7)	(0.8)	1.2	5.7	13.7
SCB X	SCB TB	BUY	103.50	138.00	33.33	9,957	9.3	7.9	7.0	17.7	0.4	0.7	5.9	9.4
Thai Union Group	TU TB	BUY	14.70	17.00	15.65	2,004	9.8	11.6	10.0	(15.0)	(0.8)	0.8	4.9	6.8

Source: UOB Kay Hian

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

## IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.



### Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W