

Wednesday, February 27, 2019

Investment Strategy

SET Index is fluctuating and could test 1,680 pts or even 1,700 pts resistance range soon. The market has already reflected domestic political situations as Thailand is moving toward a general election and a speech of Fed Chairman to the Congress which confirmed easing monetary policies, likely encouraging fund flows to Asia. We still recommend dividend plays that are going XD soon (QH, LH, KKP, THANI, BBL, PTT, PTTEP). Top pick is LH(FV@B14), which provided average yield of 4% before going XD in the next two months.

SET undergoes correction, but not under 1,660 pts yet

SET Index opened down 5 pts, swung narrowly (± 5 pts) during the day, and closed at 1,663.56 pts, down 8.19 pts (-0.49%) with trading value of B53.bn. While US-China trade talk tension has softened, there was still selling pressure on 4Q18 earning reports. The market was mainly weakened by energy plays, especially PTT, PTTEP, PTTGC, IRPC, and GULF. Moreover, BEAUTY fell 14.7% to B6.95 after its profit plunged 69.1%yoy in 4Q18 and 19.3% in 2018.

SET Index would test next resistance ranges of 1,680 pts and 1,700 pts in the near future. The SET has already absorbed the political situation, which stumbled for the short term but still leads to the general election. In addition, Fed confirms easing monetary policies. All these news would encourage fund inflow in Asian stock markets.

Fed confirms easing policies, weakening USD

According to Fed chairman Jerome Powell's annual testimony to the Congress, Fed remained patients about the key interest rate of 2.5% and probably hikes it fewer than one time initially planned. Fed also discussed for appropriate Fed reduction period; since October 2017, it has tapered reinvestment in U.S. bonds and mortgage-backed securities (MBS) by 9.2% from the peak of US\$4.49tr to US\$4.07tr at present. Fed has been concerned about U.S. economic deceleration. Reported yesterday, U.S. December housing starts fell 11.2%mom to 1.08 million, making a new low in more than two years. New home sales hit the lowest point in one year and three months. Existing home sales made a four-year low. Manufacturing PMI made a new low in one year and one month. Particularly, U.S. inflation rate fell from 1.9% in December 2018 to 1.6%yoy in January 2019, the lowest in one year and seven months.

U.S. easing monetary would weaken USD while strengthen commodity prices, especially oil. Crude oil price has been supported by supply curb, in line with global oil demand that has been weakened by trade war. Dubai crude oil price is US\$64.8 at present, close to our assumption of US\$65 in 2019 and US\$70 from 2020 on, probably staying above US\$60 for the rest of this year. We recommend buying PTTEP(FV@B168) and PTT(FV@B56).

SET Index	1,663.56
Change (pts)	-8.19
Market Cap (Million B)	53,065

Net Buy and Sell by Investor Type (Million B)

Foreign	-620.64
Proprietary	301.48
Institutional	-265.86
Retail	585.02

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TMB+TCAP. TCAP shareholders face dilution effect

TMB and TCAP yesterday notified the SET about their merger deal.

1. TMB is purchasing only TBANK, while other businesses held currently by TBANK, which are the securities business, the insurance business, the asset management business, and the leasing business (THANI), will be transferred back to two existing shareholders of TBANK, i.e. Scotia Netherlands Holdings B.V. (holding 48.99% in TBANK) and TCAP (holding 50.96% in TBANK).

2. TMB is issuing new shares at a price of B2.4 each or 1.1x of its book value (B2.2), in a total amount of not exceeding B140,000 million, to swap with TCAP shares (also at a price of 1.1x of TCAP's book value of B21.62, which is equivalent to B23.782). However, TMB will swap only 70% of its newly issued shares of B140,000m or not exceeding B100,000 million with TCAP shares (the remaining B40,000 million shares will be issued as bonds). The B100,000 million in money raised from issuing new shares for swapping with TCAP shares will be divided into two parts (existing shareholders need not increase investment), which we believe will be used as follows:

2.1. Private placement (PP) of B55,000 million , swapping TBANK shares for 22,174 million TMB shares.

2.2. B45,000 million for 18,142.74 million TMB shares.

2.2.1. Right offering (RO) of B21,753 million or 8,700.40 million TMB shares, at a swap ratio of 5 TBANK shares : 1 TMB share, at the same price.

2.2.2. Private placement (PP) of B23,246 million or 9,372.34 million TMB shares, to swap with TBANK by 5,154.78 million shares and to sell to ING by 42,17.55 million shares.

Overall, newly issued shares of TMB are 40,317 million in total number. Combined with its existing 43,852 million shares, the total shares will be 84,169 million or a dilution effect of around 48%. However, 36,099 million shares of which are those of exiting TBANK shareholders which will be swapped with TMB shares, which is equivalent to only 42.9% share in TMB after the capital raising, lower than our estimate of 60% (earlier we projected the share of existing shareholders in TMB at 40%). This is based on an assumption for a direct swap, merging two companies at the same PBV. In contrast, the share of existing shareholders of TMB will increase more than other shareholders like ING Bank, the Finance Ministry, and others.

Shareholders structure of TMB (TMB + TCAP)

	No. of Shares	Shareholding (%)
Ministry of Commerce	13,682	16%
ING BANK N.V.	17,373	21%
NVDR	6,315	8%
SOUTHEAST ASIA UK	1,052	1%
MRS.SOMPORN JUNGR	526	1%
MILITARY GROUP	526	1%
OTHERS	17,365	21%
TCAP	16,464	20%
SCOTIA	10,865	13%
TOTAL	84,169	100%



Two notably political issues

There are two notably political issues now:

- 1. Political party** – Today (February 27), the Constitutional Court will hold the first hearing on the Election Commission's (EC) petition for dissolution of Thai Raksa Chart; this is the first hearing after the court accepted the case and allowed Thai Raksa Chart to submit evidences and defend itself from the charges. Investors have to watch the Constitutional Court's final decision and when it will be announced as well as whether further evidences have to be investigated. Preliminarily, the case is expected to reach the conclusion before the general election on March 24, 2019. Meanwhile, the Judge Advocate General officer filed an allegation against the leader and two other executive members of Future Forward Party in relation with "Returns the Friday to Thailand" Facebook live broadcast on June 29, 2018. Investors have to watch whether this case is filed to the court and lead to dissolution of Future Forward Party or prohibit its executives from political activities.
- 2. Senate selection** – The Election Commission (EC) already submitted a list of 200 Senate candidates to the NCPO; then, the NCPO will handpick 50 senators from the list. Another 200 senators will be selected by a senator selection committee led by Prawit Wongsuwan, which will submit a list of 400 Senate candidates to the NCPO; 194 of the list will be handpicked by the NCPO by March 9, 2019, while the other six seats are reserved for armed forces leaders. The final list of 250 senators will be presented for royal endorsement within three days after the EC confirms 95% of its MP list. These senators will take part in voting prime ministerial candidate at the parliament conference.

Development in these two political issues would not affect the election timeframe, both in terms of election date and obtainment of a new government. Political tension would remain heated, having only short-term negative sentiment on the SET.

4Q18 profit of no sector grows both qoq, yoy

This is the final bend of 4Q18 earnings report season.

IVL – IVL's 4Q18 net profit was B2.35bn (as expected), plummeting 76.6%qoq mainly because of non-recurring stock loss. 4Q18 normalized profit also plunged 56.2%qoq to B3.8bn mainly because of a significant drop in average spreads. Overall, IVL's 2018 net profit and normalized profit was B26bn and B24bn, still growing 26.7%yoy and 52.8%yoy. 1Q19 profit is expected to rebound as it will restock in preparation for 2Q19 (high season). Income from projects acquired in 2H18 will be booked for a full quarter. There would be no massive stock loss like in 4Q18. Still, spreads would remain low as the economy is still dull (especially in China). 2019 normal profit would stay close to 2018. With limited upside and unattractive 4Q18 dividend of only B0.35 (0.7% dividend yield), switch.

SPALI – 4Q18 normalized profit was B2.4bn, increasing 43%yoy and 97%qoq mainly thanks to a growth in revenue from property sales. 2018 normal profit was B5.77bn (5.3% above forecast), growing 6%yoy as SG&A was lower than expected while revenue from property sales still grew robustly. 2019 profit is expected to grow 8%yoy to B6.2bn. Backlog already covers 47% of revenue target, while another 53% will come from sales of newly-opened low-

rise projects as well as available-for-transfer condominium inventories. We reiterate BUY. 2H18 dividend is B0.60; XD date is March 12, 2019.

As of yesterday evening, 4Q18 net profit of 353 SET-listed companies accounting for 82% of market capitalization have been reported at the combined value of B144bn so far, a decrease of 37.3%yoy from 4Q17 and 39.4%qoq from 3Q18. 4Q18 total net profit of all SET-listed companies may miss our market earnings forecast by B250-260bn. Every B10bn decrease from our market earnings forecast would depress market EPS by B1; thus, 2018 market EPS is expected to drop from our projection of B108 to B103-105. 2019 market EPS is also likely to fall slightly below our initial forecast of B112.2; we are working on down revision.

Many factors support fund inflow in Thailand

Foreign funds possessed a net buying position in Asian markets at US\$224m yesterday (sixth day). Three markets were with net buying, Taiwan at US\$195m (seventh day), Indonesia at US\$25m (second day), and the Philippines at US\$23m (fourth day). In contrast, South Korea was with net selling of only US\$0.7m (third day), similar to Thailand at US\$20m or B620m (second day). Local institutions were also net sellers at B266m (after a day of net buying).

SET Index has been pressured by political uncertainty, which has triggered MTD foreign net selling of over B20.5bn (February 8-18). Still, fund flow has returned to Thailand. Fed has signaled easing monetary measures, while US-China trade talk is turning out well, so this would boost fund inflow in Asia. Particularly, as Thailand's valuation is still cheaper than neighbors while the election is coming soon, fund flow is more likely to return to Thailand rather than neighbors.

Monthly Foreign Fund Flow in Asia

Date	Indonesia	Philippines	S. Korea	Taiwan	Thailand	Total
2017	-2,960	1,095	8,268	5,758	-796	11,343
2018	-3,656	-1,080	-5,676	-12,182	-8,913	-31,508
2019 (YTD)	756	444	4,482	3,886	281	9,849
January 2019	964	356	3,658	1,946	214	7,138
February 2019 (MTD)	-208	88	824	1,940	67	2,711

Unit: Million US\$

Dividend plays advisable amid SET fluctuation

Valuation of nine dividend plays not going XD yet

No.	Stock	Last Price (26/02/19)	Fair Value	Upside	Div Yield 19F(%)	Growth 19F	Avg. Return before XD Date	Probability	Remaining Time before XD Date	2018/2019 XD Date	Dividend Payment
Property											
1	SENA	3.54	4.46	26.03%	6.58	-1.20%	13.18%	100%	2 months 9 days	07/05/18	Semi-Anl
2	AP	7.50	9.60	27.99%	5.60	4.33%	6.31%	80%	2 months 10 days	09/05/18	Annual
3	LH	10.60	14.00	32.10%	7.55	-4.50%	3.28%	80%	2 months 9 days	08/05/18	Semi-Anl
4	QH	3.04	4.48	47.32%	7.38	3.18%	3.00%	60%	1 month 28 days	26/04/18	Semi-Anl
Media											
5	MAJOR	26.25	29.00	10.48%	4.60	7.07%	10.87%	100%	1 month 25 days	23/04/19	Semi-Anl
Leasing											
6	JMT	12.60	15.60	23.81%	3.73	24.94%	7.32%	80%	1 month 26 days	24/04/18	Semi-Anl
7	THANI	7.75	9.40	21.29%	4.56	9.71%	1.84%	40%	0 month 8 days	07/03/19	Annual
Banking											
8	KKP	71.25	75.60	6.11%	7.37	4.73%	2.27%	40%	2 months 2 days	30/04/19	Semi-Anl
9	BBL	211.00	227.00	7.58%	3.79	4.85%	3.49%	80%	1 month 25 days	23/04/18	Semi-Anl

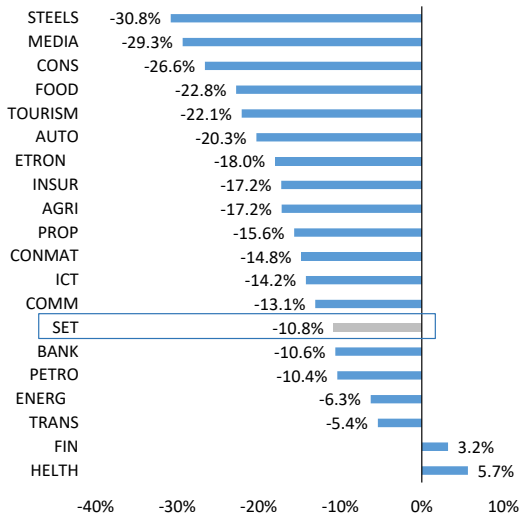
Note: Since 2H18 XD dates of these companies have not been announced yet, our reports are based on 2H17 XD dates instead.

* Average return from this date to XD dates

Source: SET / ASPS Research

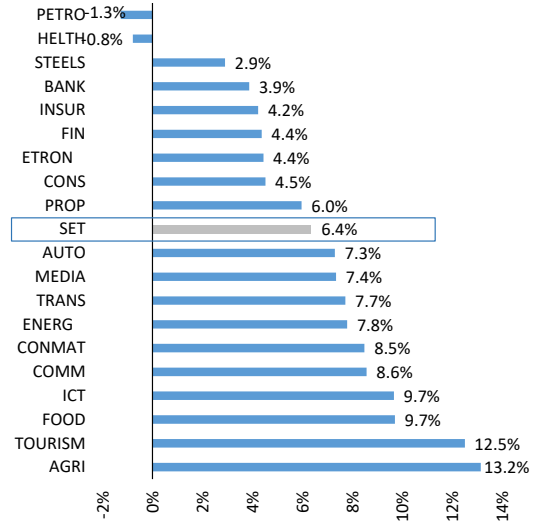


SET vs Sector Return 2018



Source: ASPS Research

SET vs Sector Return 2019 YTD



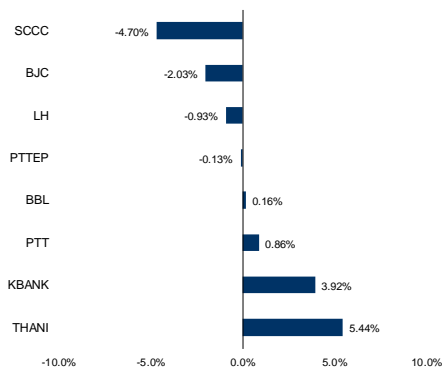
Source: ASPS Research

Market Talk Top Picks

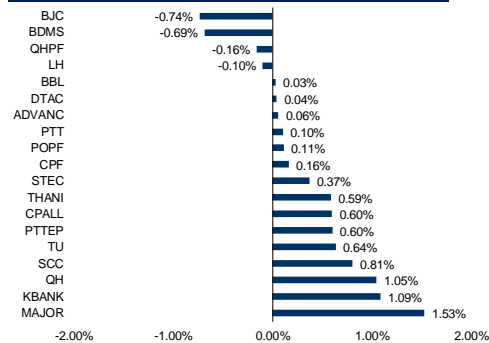
Stocks	Start Date	Fair Value	Weight	Price Avg. Cost	Price Last	Accumulated Return	PER 2019F	PBV 2019F	Dividend Yield	Strategist Comment	-5 Day Chart
SCCC	06-Feb-19	269.00	10%	234.00	223.00	-4.70%	17.41	1.84	3.59	SCCC has benefited from the coming of general election, which boosted domestic demands of cement, its major business. Dividend yield is almost 4%.	
PTTEP	18-Feb-19	168.00	15%	125.17	125.00	-0.13%	14.26	1.18	4.00	Overseas situations have improved, both US government shutdown and US-China trade talks, so Dubai crude oil price continued rising as we had expected, but the share price is still laggard peers.	
KBANK	28-Dec-18	246.00	10%	191.50	199.00	3.92%	11.71	1.17	2.26	2018-2019 net profit is projected to grow 12.2% and 4.9%, contributed by corporate and SME businesses which benefit from mega investments of the government and private companies. KBANK price is still laggard other big banks.	
BJC	28-Dec-18	61.00	15%	49.25	48.25	-2.03%	26.49	1.60	2.00	1Q19 profit to grow from the retail business, government's consumption boost measure, and packaging business. Upside is wide.	
PTT	21-Jan-19	56.00	15%	48.58	49.00	0.86%	12.10	1.51	4.08	Although 4Q18 profit was weakened by stock loss, there is still short-term positive from global crude oil price that has risen by more than 27%ytd.	
BBL	13-Feb-19	227.00	15%	210.67	211.00	0.16%	10.87	0.92	3.55	2019 net profit to grow 4.9%qoq and 7.6%yoy as loan business has improved, thanks to government's mega investment projects.	
THANI	13-Feb-19	9.40	10%	7.35	7.75	5.44%	13.15	2.93	4.21	4Q18 profit made new high for another quarter thanks to truck leasing segment. 1Q19 profit growth is estimated at 10%/yoy, depending on situations after election.	
LH	26-Feb-19	14.00	10%	10.70	10.60	-0.93%	12.01	2.01	7.54	Dividend payment season is coming soon. QHPF has dividend yield over 7%.a and beta below 1x (less volatile than SET). A good safe haven.	

Yesterday we sold QHPF to take profit, reduced investment in SCCC by 5%, and invested 10% in LH.

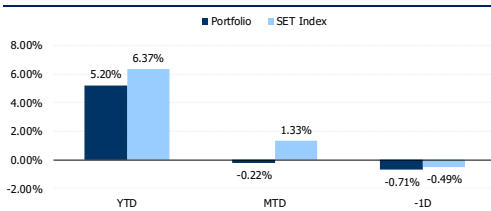
Accumulated returns since our recommendation



Accumulated contribution returns since beginning of the year



Accumulated returns



Source: ASPS Research

February 2019

Monday	Tuesday	Wednesday	Thursday	Friday
25	26	27	28	1
<p>New listing - Derivatives Warrant</p> <p>AMAT01C1909A 60m units @B1.00 AMAT01C1909B 40m units @B1.00 AMAT01P1909A 40m units @B1.00 AOT01C1908A 100m units @B1.00 AOT01C1908B 100m units @B1.00 AOT01P1908A 100m units @B1.00 AOT01P1908B 100m units @B1.00 AP01C1908A 50m units @B1.00 AP01C1908B 35m units @B1.00 BEAU01P1909A 40m units @B1.00 BTS01C1908A 90m units @B1.00 BTS01C1908B 90m units @B1.00 BTS01P1908A 90m units @B1.00 HMPR01C1908A 100m units @B1.00 HMPR01C1908B 100m units @B1.00 HMPR01P1908A 100m units @B1.00 QH01C1908A 70m units @B1.00 QH01C1908B 60m units @B1.00 S5001C1906F 150m units @B1.00 S5001C1906G 150m units @B1.00 S5001P1906F 150m units @B1.00 S5001P1906G 150m units @B1.00 STA01C1908B 50m units @B1.00 TISC01C1908A 70m units @B1.00 TISC01C1908B 50m units @B1.00 TISC01P1908A 25m units @B1.00 AMAT11C2001A 41.9m units @B1.00 AP11C2001A 33.7m units @B1.00 BBL11C2001A 90m units @B1.00 BBL11P2001A 90m units @B1.00 BCH11C2001A 56.4m units @B1.00 BDMS11C2001A 90m units @B1.00 BEM11C2001A 90m units @B1.00 BJC11C2001A 90m units @B1.00 ERW11C2001A 27.2m units @B1.00 INTU11C2001A 90m units @B1.00 CBG13C1907A 120m units @B1.00 KCE13C1907A 120m units @B1.00 TASC13C1907A 120m units @B1.00 BCP23C1907A 30m units @B1.00 BCH23C1907A 30m units @B1.00 CK23C1907A 30m units @B1.00 CHG23C1907A 30m units @B1.00 GUNK23C1907A 30m units @B1.00 PSL23C1907A 30m units @B1.00 SPRC23C1907A 30m units @B1.00 STEC23C1907A 30m units @B1.00 TASC23C1907A 30m units @B1.00 SPAL24C1907A 50m units @B1.00 STA24C1909A 50m units @B1.00 TASC24C1908A 50m units @B1.00 TVO23C1907A 30m units @B1.00</p> <p>XD LHHOTEL @B0.28 LHSC @B0.16 PICO @B0.30 PICO-P1 @B0.30 TIF1 @B0.15</p> <p>Conversion WORK-W1 1:1w @B38.10</p>	<p>XD BTSGIF @B0.206 IRPC @B0.09</p> <p>XE NEW-W4 2.2306:1w @B0.447 (final, "SP")</p> <p>New shares trading SAWAD 57m shrs (pp)</p> <p>New listing - Derivatives Warrant</p> <p>AOT07C1910A 50m units @B1.00 BH07C1910A 50m units @B1.00 EA07C1910A 50m units @B1.00 GULF07C1910A 50m units @B1.00 S5008C1906A 80m units @B1.00 S5008P1906A 80m units @B1.00 IRPC11C2001A 90m units @B1.00 SGP13C1907A 120m units @B1.00 PTT28C1907A 52m units @B1.00 PTT28P1907A 46m units @B1.00 WORK28C1907B 45m units @B1.00 ADVA41C1908A 70m units @B1.00 ADVA41P1908A 50m units @B1.00 AMAT41C1908A 50m units @B1.00 BTS41C1908A 70m units @B1.00 CBG41C1908A 20m units @B1.00 CENT41C1908A 20m units @B1.00 GPSC41C1908A 20m units @B1.00 KBAN41P1908A 50m units @B1.00 KCE28C1907A 152m units @B1.00 KTC28C1907A 109m units @B1.00 GPSC41C1908A 70m units @B1.00 PTT41P1908A 120m units @B1.00 SAWA41C1908A 50m units @B1.00 GPSC41C1908A 70m units @B1.00</p>	<p>XD BOL @B0.12 CPTGF @B0.19 EGATIF @B0.1965 FSS @B0.06 FTREIT @B0.167 KIAT @B0.01 LPN @B0.40 SAT @B1.00 TFFIF @B0.0744 TTLPF @B0.39</p> <p>XN TFFIF @B0.0089</p> <p>New listing - Derivatives Warrant</p> <p>COM713C1907A 120m units @B1.00 MEGA13C1907A 120m units @B1.00 ORI13C1907A 120m units @B1.00 S5041C1906G 120m units @B1.00 S5041P1906G 120m units @B1.00</p>	<p>XD CPR @B0.16 + special div @B1 FUTUREPF @B0.357 HREIT @B0.1684 MBKET @B0.28 RS @B0.20 SPVI @B0.06 TOP @B1.15</p> <p>XN HREIT @B0.0226</p> <p>Conversion BH-P 1:1 DIMET-W2 1:1w @B1.15 SPORT-W7 1:1w @B0.20 SUPER-W4 1:1w @B2.50 TSF-W5 1:1w @B0.05 TTA-W5 1.0141:1w @B18.2439 (final)</p>	<p>XD AMA @B0.10 BKKCP @B0.20 BROCK @B0.02 DELTA @B2.30 GAHREIT @B0.30 JASIF @B0.23 MC @B0.35 MIPF @B0.45 PM @B0.36 PT @B0.50 TASCO @B0.30 TLHPF @B0.375</p>
			BOT : Jan-19 Trade	MOC : Feb-19 CPI

March 2019

Monday	Tuesday	Wednesday	Thursday	Friday
4	5	6	7	8
<p>XD AMATAR @B0.075 DCC @B0.027 INOX @B0.05723 JAS @B0.28 KSL @B0.05 PLAT @B0.20 PPP @B0.05 QLT @B0.25 RATCH @B1.25</p> <p>XN AMATAR @B0.11 BOFFICE @B0.1659</p>	<p>XD AMANAH @B0.0074074 + 15 existing : 1STD @free BCPG @B0.16 FTE @B0.11 IFS @B0.17 LIT @B0.33 MAKRO @B0.56 MINT @B0.0155 NVD @B0.08 PTTGC @B2.50</p>	<p>XD BCP @B0.50 BH @B1.80 BH-P @B1.80 BRRGIF @B0.13143 CBG @B0.60 CTARAF @B0.0438 GFPT @B0.25 GOLDPF @B0.195 ICN @B0.09 IT @B0.07 KPNPF @B0.11 MJLF @B0.2125 NKI @B1.50 + 34 existing : 1STD @free OGC @B0.57 PTT @B1.20 SSTRT @B0.2625 TAE @B0.15 TMT @B0.07 + 1STD @free TPRIME @B0.1017 TU @B0.15 UTP @B0.60</p> <p>XE UWC-W2 1:1w @B0.10 (final, "SP")</p> <p>XN CTARAF @B0.0762 TPRIME @B0.0627</p>	<p>XD ASK @B1.61 B-WORK @B0.18 BKI @B5.00 CSC @B1.50 CSC-P @B3.00 GLOBAL @B0.05 + 20 existing : 1STD @free NOBLE @B6.90 RAM @B30.00 SCP @B0.50 SGP @B0.20 SMK @B2.03 SVH @B9.00 TCCC @B1.50 THANI @B0.29 + 4 existing : 1STD @free TNP @B0.02 TPIPP @B0.10 UVAN @B0.23 WHART @B0.0705</p> <p>XW SWC 2 existing : 1w @free WHART @B0.0125</p>	<p>XD DDD @B0.50 EGCO @B3.50 HPF @B0.0632 M-II @B0.14 M-STOR @B0.0934 MNIT2 @B0.06 N-PAT @B0.181 NDR @B0.03 ROBINS @B1.35 SCI @B0.05 SYNEX @B0.34 + 10 existing : 1STD @free TNR @B0.20 UOBKH @B0.07</p> <p>XN MNIT2 @B0.165 MNRF @B0.4773</p>