



# Monthly Insights

September 2024



- **Target range:** We anticipate a range of 1,340-1,380 for the SET Index in September.
- **Key factors influencing the market:**
  - Fed rate cut signal.
  - Domestic economic policies.
  - Chinese yuan carry trade.
  - Geopolitical tensions.
- **Investment strategy:** Focusing on domestic plays, particularly retailers benefitting from the government's digital wallet scheme.
- **Top picks:** IVL, KTB, MAGURO, NER, SAV, and SISB.

## KEY FACTORS



**(+) Fed rate cut signal:** As the FOMC meeting on September 18 approaches, the Fed Chair's recent comments suggesting a possible rate cut have ignited speculation about the magnitude of this adjustment. A 50-bps reduction could indicate growing concerns about the potential for an economic recession.



**(+/-) Domestic economic policies:** The new government's stimulus measures are anticipated to support the economy. Areas of focus include investment promotion, agriculture, and SME strengthening.



CARRY TRADE

**(+/-) Chinese yuan carry trade:** With the recent easing of Yen carry trade, investors are increasingly turning to the Chinese yuan. Beijing's accommodative monetary policy has contributed to a stronger yuan, making it an attractive option for carry trade strategies. However, the near-term outlook for China's economy remains uncertain.



**(-) Geopolitical tensions:** While a resolution to conflicts between Iran and Israel, and Israel and Hamas could have a positive impact on global equities, it could also lead to increased volatility in bullion and crude oil prices.



Support: 1,350-1,330

Resistance: 1,400-1,430

## August recap

The SET Index drifted sideways up in August. After finding support at 1,273 in the early month, marking the month's low level, the index broke above the upper end of the sideways trend of its two-month sideways range (June-July), reaching the month's high of 1,370.

## September outlook

While a short-term pullback is highly likely due to the recent breach of the 1,350 support level (which served as a key support from October 2023 to November 2024), the SET Index is expected to advance towards 1,400 and 1,430 if the 1,350 or 1,330 support levels hold.

- **IVL:** Net profit seen bottoming out in 2Q24; sales volume growth on track for 3Q24E
- **KTB:** Strong earnings growth outlook amidst superior asset quality
- **MAGURO:** Strong earnings growth outlook driven by GPM expansion
- **NER:** Bright 2H24E prospects amidst elevated rubber prices
- **SAV:** Continued 2H24E growth outlook amidst potential Laos expansion
- **SISB:** Strong Earnings Growth in 2H24E Driven by growing demand for international education

Stock	Rec	Price 30-Aug-24	Target price	Upside (%)	Net profit gwth (%)		Core profit gwth (%)		PER (x)		PBV (x)		Div. yield (%)	
					24E	25E	24E	25E	24E	25E	24E	25E	24E	25E
IVL	BUY	17.10	21.00	22.8	n.m.	n.m.	n.m.	15.1	n.m.	13.7	0.7	0.6	0.0	3.9
KTB	BUY	18.30	21.00	14.8	14.8	4.9	14.8	4.9	6.2	5.9	0.6	0.6	5.3	5.6
MAGURO	BUY	17.30	21.40	23.7	23.1	37.3	32.3	27.7	24.4	17.8	3.5	3.3	2.7	3.7
NER	BUY	4.96	6.80	37.1	25.2	5.1	22.3	5.1	4.8	4.5	1.0	0.9	8.4	8.8
SAV	BUY	20.80	26.00	25.0	65.0	21.7	61.4	20.7	30.0	24.6	7.6	6.5	1.7	2.0
SISB	BUY	30.00	40.00	33.3	46.3	32.5	37.6	32.5	30.5	23.0	8.3	6.7	1.0	1.3

Net profit seen bottoming out in 2Q24; sales volume growth on track for 3Q24E



## HIGHLIGHTS

- **Sales volume growth amidst stable PET spreads:** IVL's sales volume is anticipated to continue increasing QoQ in 3Q24E, primarily driven by robust demand for fibers. Despite the sales volume growth, profitability is expected to remain stable due to a gradual improvement in industry integrated PET spreads.

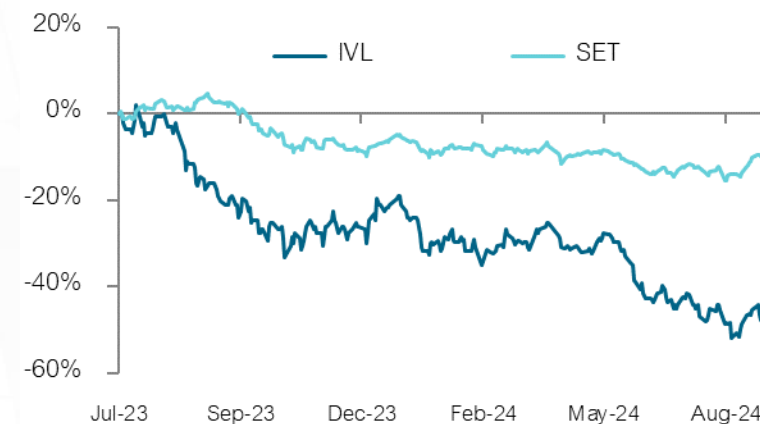
- **New PET supplies expected to peak in 2024E:** IVL forecasts a recovery in profitability in 2025-26E as new PET supplies are expected to decline from their projected peak in 2024E.

## EARNINGS OUTLOOK

- **Potential turnaround:** Net profit is projected to rebound to Bt7.3bn in 2025E, recovering from a forecasted loss of Bt18.7bn in 2024E. This estimate is based on an adjusted EBITDA of USD106/ton and sales volume of 14.1-14.2 mt in 2024-25E (compared to USD99/ton and 13.9 mt in 2023).

## PERFORMANCE & VALUATION

- We maintain a BUY rating on IVL. The target price remains at Bt21.00, based on an EV/EBITDA of 6.45x, which is positioned at -1.6 SD below the 5-year average.



End-December (Bt mn)	2022A	2023A	2024E	2025E
Revenue	656,266	541,458	569,826	643,948
EBITDA	83,701	39,000	52,600	55,420
Net profit	31,006	-10,798	-18,720	7,363
EPS (Bt)	5.52	-1.92	-3.33	1.31
EPS growth	17.9%	n.m.	n.m.	n.m.
Core EPS (Bt)	6.32	-0.50	1.34	1.54
Core EPS growth	43.8%	n.m.	n.m.	15.1%
DPS (Bt)	1.60	0.93	0.00	0.70
Dividend yield	8.9%	5.1%	0.0%	3.9%
PER (x)	3.3	n.m.	n.m.	13.7
Core PER (x)	2.8	n.m.	13.4	11.7



## Strong earnings growth outlook amidst superior asset quality



### HIGHLIGHT

- **Superior asset quality:** KTB's asset quality remains relatively low-risk compared to peers, driven by a sharp decrease in loan-loss provisions. The bank's coverage ratio remains a robust 181%.

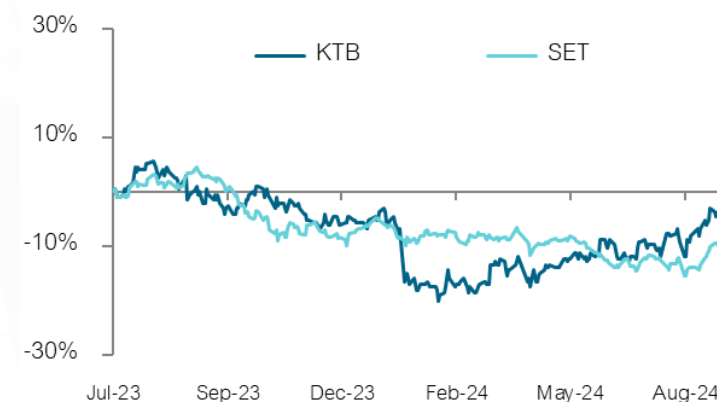
### EARNINGS OUTLOOK

- **Focus on state loans:** KTB is strategically focusing on state loans, which are expected to accelerate in 2H24E. These loans are generally lower-risk and more resilient to economic downturns, with no reserve obligations.
- **Continued profit growth:** We anticipate continued YoY profit growth in 3Q24E, primarily due to a downward trend in provisions. However, we expect a QoQ decline in earnings due to seasonally lower investment gains.
- **Solid 2024E growth prospects:** We project a +15% growth in net profit for 2024E, reaching Bt42.0bn. This optimism is underpinned by the

normalized provision trend and a reduction from the surge in provisions in 2023 due to ITD default.

### PERFORMANCE & VALUATION

- We recommend a BUY rating on KTB, with a target price of Bt21.00. This valuation reflects a 2024E PBV of 0.68x, which is positioned at -0.75 SD below the 10-year average. The current stock valuation of 0.63x PBV offers a significant discount (-1.0 SD) compared to the historical average. Moreover, even the previous peak of Bt21.00 has not fully reflected the bank's quarterly record-breaking performance.



End-December (Bt mn)	2022A	2023A	2024E	2025E
Net interest income	90,404	113,419	118,666	123,749
Net fees income	20,316	20,872	21,297	21,766
Pre-provision profit	70,620	87,309	89,672	92,252
Provision	24,338	37,085	32,490	32,490
Net profit	33,697	36,616	42,040	44,104
EPS (Bt)	2.41	2.62	3.01	3.15
EPS growth (%)	56.1%	8.7%	14.8%	4.9%
NIM (%)	2.7%	3.3%	3.3%	3.2%
BVPS (Bt)	26.9	28.8	30.9	33.1
DPS (Bt)	0.7	0.9	1.0	1.0
PER (x)	7.8	7.1	6.2	5.9

## Strong earnings growth outlook driven by GPM expansion



End-December (Bt mn)	2022A	2023A	2024E	2025E
Revenue	664	1,044	1,340	1,610
EBITDA	115	218	302	354
Net profit	31	72	89	122
EPS (Bt)	0.25	0.58	0.71	0.97
EPS growth	227.6%	131.1%	23.1%	37.3%
Core EPS (Bt)	0.25	0.58	0.76	0.97
Core EPS growth	227.6%	131.1%	32.3%	27.7%
DPS (Bt)	0.24	0.68	0.46	0.63
Dividend yield	1.4%	3.9%	2.7%	3.7%
PER (x)	69.5	30.1	24.4	17.8
Core PER (x)	69.5	30.1	22.7	17.8

### HIGHLIGHTS

- **Earnings momentum:** We are optimistic about MAGURO's earnings growth prospects, driven by both revenue and GPM expansion.
- **Restaurant network expansion:** The company's ongoing restaurant network expansion and the addition of sukiyaki menu line for Hitori Shabu, are expected to boost revenue and GPM.
- **Reduced salmon costs:** A significant decline in salmon costs, down -41% QoQ to Bt320/kg QTD, has provided a tailwind for MAGURO's profitability. For every Bt50 reduction in salmon prices, MAGURO's GPM is impacted positively by 0.6-0.7%.

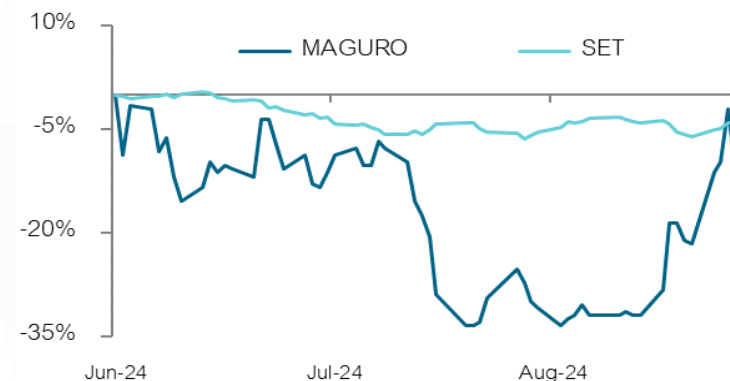
### EARNINGS OUTLOOK

- **All-time high profit prospects:** We forecast a robust +32% growth in net profit for 2024E, reaching Bt96.0mn. This is supported by the company's expansion plans, including the opening of 13 new restaurants (7 already introduced YTD) and the launch of two new brands.

- **Continued growth in 2025E:** We expect MAGURO's earnings growth to continue in 2025E, with a projected +28% increase in net profit to Bt122mn.

### PERFORMANCE & VALUATION

- We recommend a BUY rating on MAGURO with a target price of Bt21.40, based on a 2025E core PER of 22x. The current stock valuation of 17.8x core PER is undervalued compared to peers' average of 19.7x. MAGURO's lower penetration rate, strong earnings outlook, and recent bottoming out of earnings make it a compelling investment opportunity.



## Bright 2H24E prospects amidst elevated rubber prices



### HIGHLIGHTS

- **Bright 2H24E prospects:** We anticipate YoY and HoH profit improvement in 2H24E, driven by eased raw materials supply, the commencement of the rubber tapping season, and favorable La Niña conditions. Thai rubber exports in July surged +55% YoY and +35% MoM to USD456mn, marking a two-year high.

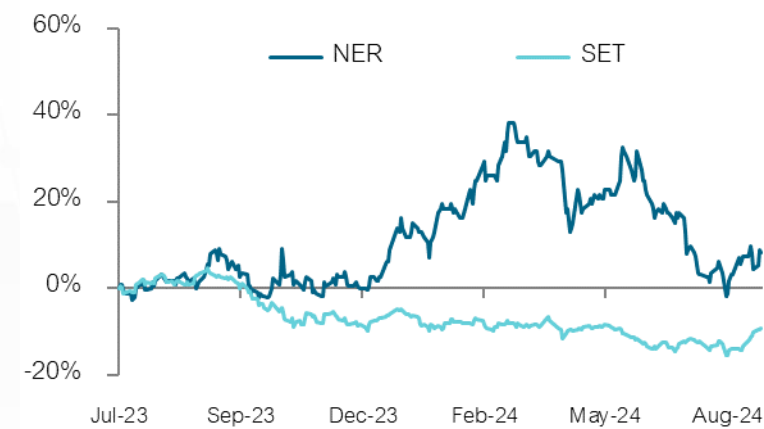
- **Elevated rubber prices:** Domestic RSS3 prices have soared +81% YoY and +21% MoM, exceeding Bt80.0/kg, providing a solid foundation for rubber prices in 4Q24E and 1Q25E.

### EARNINGS OUTLOOK

- **Earnings turnaround:** We project a +22% growth in core profit for 2024E, reaching Bt1.9bn. This marks a turnaround in three years, supported by the upward rubber price, export growth, and the acquisition of new customers.

### PERFORMANCE & VALUATION

- We recommend a BUY rating on NER with a target price of Bt6.80, based on a 2024E PER of 6.5x (+0.25 SD above the 5-year average). Progress on the company's new plant in Thailand and Côte d'Ivoire could act as catalysts.



End-December (Bt mn)	2022A	2023A	2024E	2025E
Revenue	25,172	25,045	24,447	27,107
EBITDA	2,505	2,305	2,685	2,809
Net profit	1,748	1,546	1,935	2,034
EPS (Bt)	0.96	0.84	1.05	1.10
EPS growth	-14.7%	-13.2%	25.2%	5.1%
Core EPS (Bt)	1.02	0.86	1.05	1.10
Core EPS growth	-18.6%	-15.9%	22.3%	5.1%
DPS (Bt)	0.38	0.34	0.42	0.44
Dividend yield	7.6%	6.8%	8.4%	8.8%
PER (x)	5.2	6.0	4.8	4.5
Core PER (x)	4.9	5.8	4.8	4.5



## Continued 2H24E growth outlook amidst potential Laos expansion



End-December (Bt mn)	2022A	2023A	2024E	2025E
Revenue	1,218	1,644	1,975	2,291
EBITDA	377	495	663	794
Net profit	200	272	448	545
EPS (Bt)	0.35	0.42	0.70	0.85
EPS growth	-368.4%	22.5%	65.0%	21.7%
Core EPS (Bt)	0.33	0.44	0.71	0.85
Core EPS growth	-374.7%	33.8%	61.4%	20.7%
DPS (Bt)	0.00	0.75	0.35	0.43
Dividend yield	0.0%	3.6%	1.7%	2.0%
PER (x)	60.6	49.5	30.0	24.6
Core PER (x)	64.3	48.0	29.8	24.6

### HIGHLIGHTS

- **Laos aviation radio business update:** SAV is optimistic about concluding a deal for the aviation radio business in Laos in the near term. A MoU is expected by October, with operations commencing in early 2025E.
- **Continued flight number growth:** The number of overflights continues to increase, driven by the tourism boom. Domestic Vietnamese flights are also expected to change routes through Cambodian airspace during the monsoon season. Cambodia AirAsia is set to commence international flights within 3Q24E.

### EARNINGS OUTLOOK

- **Robust outlook:** We forecast a significant +65% surge in net profit for 2024E, reaching Bt448mn. This is followed by a +22% increase to Bt545mn in 2025E. Rising flight volume and lower financial costs are driving this optimistic outlook.

- **Continued profit growth:** We anticipate continued YoY profit growth in 3Q-4Q24E.

### PERFORMANCE & VALUATION

- We recommend a BUY rating on SAV with a target price of Bt26.00, based on a DCF valuation assuming a WACC of 8.2% and a terminal growth rate of 2.5%. The company's expansion plans into Laos and recent business related to airport equipment procurements could provide an upside to our earnings forecasts.



## Strong Earnings Growth in 2H24E Driven by growing demand for international education



### HIGHLIGHTS

- **Favorable industry conditions:** The increasing interest in international education programs, coupled with rising income levels, has made international curricula a more preferred option. SISB is well-positioned to capitalize on the growing number of foreign residents, particularly from China, as it is one of the few international schools in Thailand offering Chinese language as a core curriculum.

- **Business high season:** The start of the new academic year in the second half of the year normally leads to a significant increase in student enrollments. Annual tuition fee hikes further strengthen earnings growth.

### EARNINGS OUTLOOK

- **Bright prospects:** We estimate 2024E profit at Bt914mn, representing a +35% YoY growth. This is based on our projected enrollment growth of +10% to approx. 4,600 and the annual +5% tuition fee

increase.

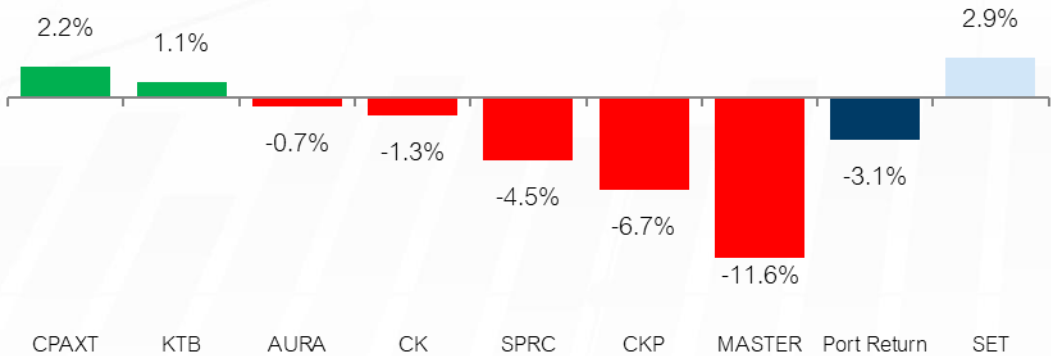
### PERFORMANCE & VALUATION

- We recommend a BUY rating on SISB with a target price of Bt40.00, based on a DCF valuation using a WACC of 7.2% and a terminal growth rate of 3%. Increasing student enrollments and annual tuition fee adjustments are expected to be key catalysts.



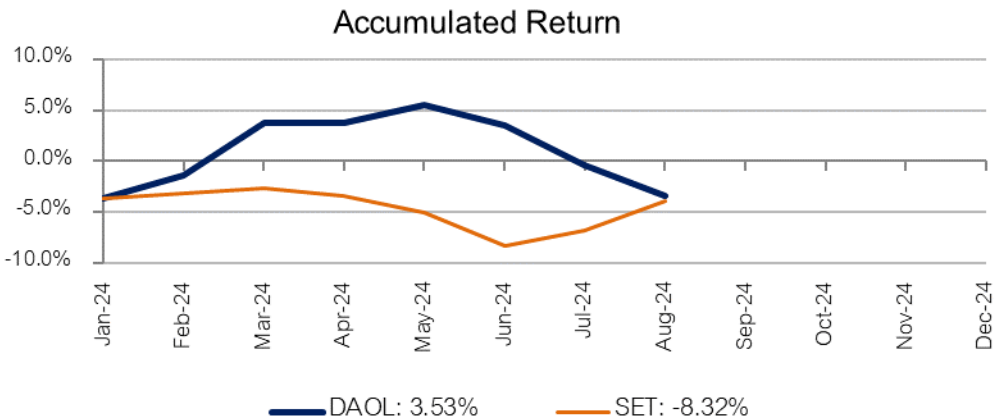
Last month performance

Stocks	Action	Entry Price (31 Jul 24)	Exit Price (30 Aug 24)	XD	Monthly Return
CPAXT	BUY	30.50	31.00	0.18	2.23%
KTB	BUY	18.10	18.30		1.10%
AURA	BUY	15.10	15.00		-0.66%
CK	BUY	19.40	19.00	0.15	-1.29%
SPRC	BUY	7.70	7.10	0.25	-4.55%
CKP	BUY	3.88	3.62		-6.70%
MASTER	BUY	49.50	43.75		-11.62%
Port Return					-3.07%
SET		1,320.86	1,359.07		2.89%
Port - SET					-5.96%



YTD performance

Month	Monthly Return		Accumulated Return		DAOL - SET
	DAOL	SET	DAOL	SET	
Jan-24	-3.63%	-3.63%	-3.63%	-3.63%	-0.01%
Feb-24	2.29%	0.45%	-1.34%	-3.17%	1.83%
Mar-24	5.13%	0.53%	3.79%	-2.64%	6.44%
Apr-24	-0.05%	-0.72%	3.75%	-3.37%	7.11%
May-24	1.80%	-1.63%	5.55%	-5.00%	10.55%
Jun-24	-2.02%	-3.32%	3.53%	-8.32%	11.85%
Jul-24	-3.89%	1.53%	-0.36%	-6.79%	6.43%
Aug-24	-3.07%	2.89%	-3.43%	-3.90%	0.47%



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# DAOL

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