

TMT

Trawling for triumph

Following the release of our TMT strategy report on Jul 27, our selected five stocks yielded an average return of +7%, outperforming the SET's performance of -1%. Today, we are excited to introduce our new series: "Trawling for triumph: Hooking three stocks worth reeling in from the market's abyss."

Emerging from the abyss

Amid the ongoing market volatility, mid-to-small cap stocks often find themselves relegated to the sidelines due to weak sentiment. The prevailing market breadth isn't conducive to widespread gains; instead, selective rises are the norm. Nonetheless, we firmly believe that solid fundamentals will ultimately prevail in influencing stock prices. Our conviction was reaffirmed on Jul 27 when we unveiled our recommendations for five stocks boasting robust growth potential for 2Q23 and beyond, all of which demonstrated impressive 2Q23 earnings as anticipated. As a result, their stock prices delivered an exceptional average return of +7%, outshining the SET's -1% performance. This outcome stands as compelling evidence that sound fundamentals can move the market in a way that transcends mere sentiment.

Bolstered by this achievement, we are thrilled to introduce our latest series: "Trawling for triumph: hooking three stocks worth reeling in from the market's abyss." In this context, "abyss" signifies not only these stocks' profound underperformance in terms of stock price but also their earnings' plunge to rock bottom in 2Q23, with a projected resurgence beginning in 3Q23.

YGG: The introduction of HSH Online (HSHO) occurred during the latter part of 2Q23. HSHO could generate revenue of Bt5-6m/quarter for in-game item purchases, excluding sponsor-based revenue. In Sep, MYGG will launch a new game and YGG will launch HSHO in the US, followed by two more launches in 4Q23. And revenue recognition from previously postponed VFX projects is expected to materialize in 3Q23. We expect its core earnings in 3Q23 of Bt30m up 50% YoY and 20% QoQ.

TBN: We have strong confidence in the firm's earnings prospects for 2H23, given high demand and strong backlog of Bt340m at end-Jun (Bt180m for 2023 and Bt160m for 2024). Furthermore, TBN was granted BOI approval in Jul, which could lead to tax savings of Bt10 million/year with full year effect in 2024. We expect its core earnings of Bt15-20m, up more than 100% YoY and 30-80% QoQ in 3Q23.

ITEL: The company has achieved significant milestones by successfully securing two pivotal projects: the Course Online project (after experiencing a delay), and the Solar Cell Base Station project (worth Bt99m and recently secured an additional Bt334m). The forthcoming filing of Blue Solution in Sep stands as a testament to ITEL's strategic prowess as an investor, adept at cultivating synergies within its network. For 3Q23, we expect its earnings to rise 40% YoY and 20% QoQ.

Sector: TMT Strategy

Fundamental recommendations and valuations

	Rec.	Target (Bt)	PER (x) FY23	PBV (x) FY23	ROE (%) FY23	Div yield (%) FY23
YGG	BUY	10.00	24.2	6.6	29.3	2.1
TBN	BUY	33.00	21.0	3.4	29.0	1.9
ITEL	BUY	3.00	15.6	0.8	7.6	2.6
Simple avg			20.3	3.6	22.0	2.2

Price performance relative to SET

	1M	3M	12M
YGG	(0.2)	3.3	(5.4)
TBN	(13.9)		
ITEL	10.0	(11.4)	(34.6)

Sector relative to SET and Other Sectors



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CPN	HANA	HMPRO	IVL	OSP	SAWAD	BANPU	BCH	BTS	SCC	TU	INTUCH	VGI	SCGP	COM7
DOHOME	JMT	CHG	TTB	BAM	BCP	KTB	KKP	OR	BEM	GUNKUL	EA	RBF	STGT	JMART
BEC	KEX	RCL	SINGER	TIDLOR	FORTH	DELTA	SABUY	CKP	TRUE	PSL	SIRI	TQM	CK	ERW
MEGA	SNNP	TLI	STEC	EGCO										

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CG Rating

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

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