

Vietnam
ADD (no change)

Consensus ratings*: Buy 2 Hold 2 Sell 2

Current price:	VND14,500
Target price:	VND17,300
Previous target:	VND20,000
Up/downside:	19.3%
CGS-CIMB / Consensus:	-3.4%
Reuters:	DPM.HM
Bloomberg:	DPM VN
Market cap:	US\$244.6m
	VND5,674,347m
Average daily turnover:	US\$0.35m
	VND8,129m
Current shares o/s:	391.4m
Free float:	40%
*Source: Bloomberg	

Key changes in this note

- FY19-21F EPS lowered by 4-20%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.3	-19.5	-19.9
Relative (%)	-8.1	-20.2	-23.7

Major shareholders

	% held
PetroVietnam	59.6
Edgbaston	4.9
Nghe An Agricultural Materials and Food JSC	3.9

Analyst(s)

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PetroVietnam Fertilizer and Chemicals

The worst seems to be over

- DPM's revenue decreased 28.5% yoy and net profit fell 86.8% yoy in 2Q19.
- 1H19 revenue and net profit plunged 26.7% yoy and 79.7% yoy, respectively, to come in at 39.0% and 17.0% of our FY19F forecasts.
- We expect DPM's urea and NH₃ plants to operate at 100% capacity in 2H19 and GPM to recover from 15.1% in 1H19 to 18.3% in 2H19.
- Maintain Add. We cut our TP to VND17,300 due to the weaker-than-expected 1H19 results, long maintenance period and higher expenses.

Disappointing 1H19 results

PetroVietnam Fertilizer and Chemicals (DPM) posted 1H19 revenue of VND3,505bn, down 26.7% yoy after its urea and NH₃ plants' operations were halted for a 72-day maintenance period which ended on 1 May 2019. This longer-than-expected shutdown caused a 40% drop in urea sales volume. 1H19 net profit also fell 79.7% yoy due to: 1) a 9.2% yoy increase in gas input price, and 2) interest expenses tripling as interest was no longer capitalised after the NH₃-NPK project became operational since Aug 2018.

Lower-than-expected urea and NPK sale volume

This year's maintenance (Feb 19 to 1 May 19) was longer than the usual 24 days per annum seen previously. Management said it sold 262,000 tonnes of urea (-40% yoy) and 40,000 tonnes of NPK (Nitrogen, phosphorus, potassium) in 1H19, which comprised just 27% of DPM's full-year target. Therefore, we cut our FY19F urea sales volume forecast by 2.3% to 690,000 tonnes and FY19F NPK sales volume forecast by 20% to 120,000 tonnes.

Higher gas input price due to a transportation tariff hike

DPM has adopted a 40% transportation tariff hike to calculate gas input price in 1H19. Besides, fuel oil (FO) price inched up 3% yoy in 1H19. Hence, we raise our FY19F gas input price assumption to US\$6.6/mmbtu, or 4.8% above our previous forecast.

Maintain Add with a lower TP of VND17,300

We cut our FY19-21F EPS by 4-20% to reflect higher gas input prices and the longer maintenance shutdown in 1H19. We lower our P/E target multiple to 8x (previously 9.3x) due to higher gas input price, lower NPK sales and higher interest expenses. Our TP is based on a 40:30:30 weighting of: (1) a FY19-23F DCF valuation, (2) 8.0x of FY20F EPS, (3) 0.9x of FY20F P/BV. We believe disappointing 1H19 results are largely priced in. We expect a recovery in 2H19 as DPM's urea and NH₃ plants operate at 100% capacity after their maintenance, thus DPM remains an Add. Re-rating catalysts include favourable oil price movements in 2H19F. Downside risks include 1) higher-than-expected gas transportation tariffs, and (2) further delays in the amended VAT policy.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	7,996	9,297	8,775	10,027	10,508
Operating EBITDA (VNDb)	862	1,321	1,129	1,372	1,546
Net Profit (VNDb)	694.5	699.6	375.1	622.4	789.2
Core EPS (VND)	1,774	1,787	958	1,590	2,016
Core EPS Growth	(39.4%)	0.7%	(46.4%)	65.9%	26.8%
FD Core P/E (x)	8.15	8.11	15.13	9.12	7.19
DPS (VND)	1,018	1,999	1,000	1,500	1,800
Dividend Yield	7.0%	13.8%	6.9%	10.3%	12.4%
EV/EBITDA (x)	3.74	3.34	3.53	2.76	2.28
P/FCFE (x)	NA	41.24	8.28	9.24	7.18
Net Gearing	(32.7%)	(17.4%)	(22.6%)	(25.0%)	(28.0%)
P/BV (x)	0.72	0.70	0.70	0.70	0.69
ROE	8.72%	8.77%	4.64%	7.69%	9.69%
% Change In Core EPS Estimates			(20.3%)	(6.0%)	(4.2%)
CGS-CIMB/Consensus EPS (x)			0.81	0.96	0.94

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

The worst seems to be over

Disappointing 1H19 results due to longer maintenance, higher gas input prices and interest expenses

Figure 1: Results comparison

FYE Dec (VND bn)	2Q19	2Q18	% yoy chg	1H19	1H18	% yoy chg	as % of FY19F	Comments
Brent crude oil (average, US\$/bbl)	63.8	67.2	-5.1%	66.2	71.2	-7.0%	101.8%	
Gas input price (est., US\$/mmbtu)	6.7	6.2	7.7%	6.7	6.1	9.2%	105.6%	Average fuel oil price increased 3.0% yoy in 1H19 and DPM applied temporary transportation tariff of US\$1.4/MMBTU to calculate gas input price (versus US\$0.98/MMBTU for entire FY2018), leading to significant increase in DPM's gas input price.
Net revenue	1,931.2	2,699.1	-28.5%	3,505	4,783	-26.7%	39.0%	Urea and NH3 plants were under maintenance for 72 days in 1H19, hence leading to lower-than-expected urea and NPK sales volume. Urea sales volume in 1H19 dropped 40% yoy and NPK sales volume was 40,000 tonnes (accounting for only 27% of year's plan). Average urea sales price reached VND7,469/kg, up 11% yoy.
Gross profit	262.4	464.3	-43.5%	531.0	929.4	-42.9%	33.5%	
Gross profit margin	13.6%	17.2%	-3.6% pts	15.1%	19.4%	-4.3% pts		GPM declined sharply in 1H19 amid gas input price hike and lower-than-expected urea and NPK sales due to 72-day maintenance shutdown of DPM's urea & NH3 plants
Selling expenses	122.0	129.0	-5.4%	222.5	272.9	-18.5%	38.0%	SG&A fell due to lower-than-expected revenue and DPM's continuing efforts to cut expenses.
G&A expenses	115.5	109.3	5.6%	205.8	231.9	-11.3%	44.1%	
Operating profit	24.8	225.9	-89.0%	102.6	424.5	-75.8%	19.2%	
Financial income	31.4	37.1	-15.2%	46.9	53.1	-11.6%	39.1%	Interest expense shot up from VND12.7bn in 1Q18 to VND55.1bn in 1H19, while financial income declined -11.6% yoy, due to lower cash balance and higher long-term debt to finance the NH3-NPK project.
Financial expenses	27.5	17.8	54.5%	55.3	18.4	200.1%	61.8%	
Pre-tax profit	31.8	245.9	-87.1%	98.0	465.3	-78.9%	16.9%	Pre-tax and net profit plummeted in 1H19 due to (1) lower urea & NPK sales volume, (2) gas input price hike and (3) higher interest expenses
Net profit	28.3	215.0	-86.8%	80.1	395.2	-79.7%	17.0%	

SOURCES: VND RESEARCH, COMPANY REPORTS

2019F: headwinds still blowing

FY19F urea output could drop 18% yoy due to 72-day maintenance shutdown ►

This longer-than-expected maintenance shutdown caused a 40% drop in 1H19 urea sales volume and NPK sales volume was only 40,000 tonnes, or just 27% of the full-year plan. We believe that DPM's urea and NPK output will recover in 2H19 after the maintenance had ended. We expect DPM's urea and NH3 plants to operate at 100% capacity in 2H19. We expect DPM to sell 428,000 tonnes of urea (1H19: 262,000 tonnes) and 80,000 tonnes of NPK in 2H19 (1H19: 40,000 tonnes). However, we cut our FY19F urea sales volume forecast by 2.3% to 690,000 tonnes and FY19F NPK sales volumes by 20% to 120,000 tonnes. The revision reflects lower-than-expected urea and NPK sales volumes in 1H19 as the urea and NH3 plants were shut for a 72-day maintenance.

We cut FY19F gross profit margin on higher gas input price►

Though the average urea selling price rose 11% yoy to VND7,469/kg in 1H19, the gross profit margin shrank 4.3% pts yoy to 15.1% due to (1) lower urea and NPK sales, and (2) a 9% increase in gas input price following an expected hike in gas transportation tariffs and higher FO prices.

We raise our forecast for FY19F gas input price to US\$6.6/mmbtu (VAT inclusive), up 4.8% from our previous forecast to reflect higher FO prices. In 1H19, although the average Brent crude oil dropped 7.0% yoy, the FO price still inched up 3.0% yoy, exceeding our expectations. As a result, we lower DPM's FY19F gross profit margin to 17.1% from 17.6% previously.

However, we expect gross profit margin to improve to 18.3% in 2H19 from 15.1% in 1H19 thanks to (1) higher urea and NPK sales in 2H19 and (2) higher contribution of urea sales, which has higher GPM than other products. We estimate that the urea could contribute 60.1% of total revenue in 2H19, up from 56.5% in 1H19. We expect urea GPM of 23.4% in FY19F, which is much higher than other segments' estimated average GPM of 8.4%.

We revise up FY19-21F interest expenses due to more debt to finance the NH3-NPK project ►

Interest expenses jumped to VND55.1bn in 1H19 from VND12.7bn in 1H18 as long-term debt used to finance the NH3-NPK project soared by 64% yoy in FY18, and as interest expenses are no longer capitalised after the NH3-NPK project became operational since Aug 2018. The long-term debt increased by another 6% in 1H19. DPM also borrowed VND202bn in short-term debt in 2018. Besides, the average loan interest rate in 1H19 was much higher than our estimation. As a result, we raise our FY19-21F interest expense assumptions by 34-45%.

Earnings revision ►

Figure 2: Forecast revision

	2019F			2020F			2021F			Note
	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ	
<i>Unit: VNDbn, otherwise noted</i>										
Brent crude oil (average, US\$/bbl)	65.0	65.0	0%	67.0	67.0	0%	68.6	68.6	0%	
Urea ASP (VND/kg)	7,176	7,460	4%	7,248	7,535	4%	7,318	7,608	4%	We revise up 2019 ASP assumption (6.3% growth in 2019 ASP vs. the old forecast of 2.2%) as 1H19 price level was higher than our expectation
Urea volume ('000 tonnes)	706	690	-2%	805	794	-1%	805	802	0%	We adjust the 2019 sales volume to be in line with lower-than-expected sales volume in 1H19 due to 72-day maintenance shutdown
Net revenue	8,998	8,775	-2%	10,246	10,027	-2%	10,655	10,508	-1%	
Gross profit	1,586	1,494	-6%	1,928	1,898	-2%	2,147	2,134	-1%	We revised up 2019 gas input price to US\$6.6/mmbtu to reflect higher-than-expected fuel oil price in 1H19
Selling expenses	585	582	-1%	659	658	0%	672	670	0%	
G&A expenses	467	459	-2%	528	517	-2%	547	540	-1%	
Operating profit	533	453	-15%	740	723	-2%	928	924	0%	
Pre-tax profit	581	464	-20%	818	770	-6%	1,019	988	-3%	We update DPM's financial expense to reflect higher interest rate for long-term debt than we expected before.
Net profit	471	375	-20%	662	622	-6%	824	789	-4%	
Basic EPS (VND/share)	1,203	958	-20%	1,693	1,590	-6%	2,104	2,016	-4%	
Adjusted EPS (VND/share)	1,034	824	-20%	1,456	1,368	-6%	1,809	1,734	-4%	

SOURCES: VND RESEARCH, COMPANY REPORTS

TP lowered to VND17,300; maintain Add

We cut our target price by 13.5% to VND17,300 on the back of 1) FY19-21F EPS downward revision; and 2) lowered target multiple P/E to 8x. Our TP is based on a 40:30:30 weighting of: (1) a FY19-23F DCF valuation, (2) 8.0x of FY20F EPS, (3) 0.9x of FY20F P/BV. The DCF valuation also takes into account DPM potential debt obligation to PVTex.

Meanwhile, we use FY20F EPS to estimate DPM stock price in the P/E method as we view FY19 results as an anomaly due to the 72-day maintenance shutdown. We also adjust the target P/E to 8.0x vs. 9.3x previously to reflect the higher gas input price, lower NPK sales volume and higher interest expenses. This target P/E of 8.0x is equal to historical 6-year average P/E.

DPM's share price has fallen sharply since the negative news emerged related to longer-than-expected maintenance shutdown and higher transportation tariff. We believe the concerns are likely to have been priced in. We reckon the worst has been fully reflected in the 1H19 results. We also consider that DPM's results will gradually recover in 2H19 as DPM's urea and NH3 plants operate at 100% capacity after their maintenance. Therefore, we maintain our Add rating for DPM

with a total upside of 26.2%, including a potential price gain of 19.3% and dividend yield of 6.9%.

Figure 3: DCF model - key assumption and inputs, based on our estimates

General assumptions (in VND bn, otherwise noted)	2019F	2020F	2021F	2022F	2023F	Terminal
Net income	375	622	789	816	813	
Tax rate (%)	17.5%	17.5%	18.5%	17.8%	17.0%	
Interest expense	105	91	74	57	40	
-Changes in working capital	(43)	(90)	(67)	(70)	(91)	
-Net Capex	(350)	(360)	(370)	(381)	(392)	
+Depreciation & Amortisation	676	649	622	597	547	
FCFF	745	896	1,035	1,010	912	8,321
PV of FCFF	658	699	714	615	491	4,481
PV of DCF (5 years)	3,178					Risk free rate (10-year VGB yield) 5%
PV of Terminal value	4,481					Equity risk premium 11%
Enterprise Value	7,658					Beta (Source: BB, adj. beta) 0.8
Less: Total debt	1,234					WACC 13%
Less: Total liability relating to PVTex investment	1,311					Terminal growth rate 2%
Less: Minority interest	168					
Plus: Cash and Cash equiv.	2,672					
Implied EV	7,617					
No. of o/s shares (m)	391					
Implied value per share (VND)	19,462					

SOURCES: VND RESEARCH

Figure 4: P/E and P/BV valuation - key inputs

	FY19F
EPS FY2020F (VND)	1,590
Target multiple (based on historical 6-year average P/E)	8
Implied value per share (VND)	12,722
BVPS FY2020F (VND)	21,191
Target multiple (based on historical 6-year average P/BV)	0.9x
Implied value per share (VND)	19,072

SOURCES: VND RESEARCH

Figure 5: Blended target price

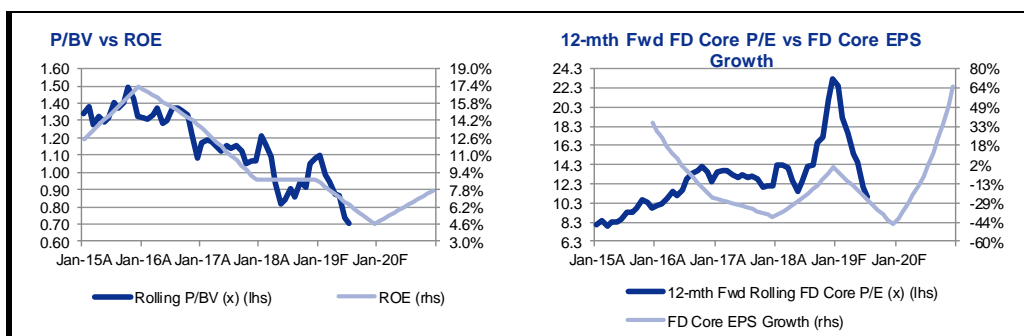
Valuation method	Implied value per share (VND)	Weight (%)	Weighted value per share (VND)
DCF	19,462	40%	7,785
P/E	12,722	30%	3,816
P/BV	19,072	30%	5,722
Fair value			17,323
Target price (rounded down)			17,300

SOURCES: VND RESEARCH

Figure 6: Peer comparison for urea producers

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F
Grupa Azoty Zaklady Azotowe Pulawy SA	ZAP PW	NR	99	N/A	492.4	7.4	8.0	0.0	0.0	9.4	8.5	2.0	2.0	5.0	5.0
Fatima Fertilizer Co Ltd	FATIMA PA	NR	25	N/A	320.1	4.1	3.4	0.7	0.6	N/A	21.0	N/A	N/A	8.7	10.6
Stanley Agricultural Group Co Ltd	002588 CH	NR	4	N/A	720.9	13.0	11.1	1.0	0.9	10.3	12.0	N/A	N/A	1.5	1.8
Engro Fertilizers Ltd	EFERT PA	NR	64	N/A	531.6	5.4	5.2	1.8	1.7	34.2	33.9	3.4	3.1	16.1	16.8
Fauji Fertilizer Co Ltd	FFC PA	NR	94	N/A	742.0	7.3	7.1	N/A	N/A	48.1	51.7	N/A	N/A	9.6	10.1
Engro Corp Ltd	ENGRO PA	NR	251	N/A	900.7	7.2	5.9	1.0	1.0	12.9	14.4	6.5	4.4	8.4	9.5
Hubei Xinyangfeng Fertilizer Co Ltd	000902 CH	NR	11	N/A	2,118.4	14.8	12.5	2.1	1.8	14.4	14.9	8.8	7.6	1.9	2.1
Average					832.3	8.5	7.6	1.1	1.0	21.6	22.4	5.2	4.3	7.3	8.0
Median					720.9	7.3	7.1	1.0	0.9	13.6	14.9	4.9	3.7	8.4	9.5
PetroVietnam Ca Mau	DCM VN	HOLD	8,320	9,900	189.8	20.3	19.1	0.7	0.7	3.5	3.7	2.6	1.8	6.0	6.0
PetroVietnam Fertilizer and Chemicals	DPM VN	ADD	14,500	17,300	244.6	15.1	9.1	0.7	0.7	4.6	7.7	3.5	2.8	6.9	10.3

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	7,996	9,297	8,775	10,027	10,508
Gross Profit	2,111	1,899	1,494	1,898	2,134
Operating EBITDA	862	1,321	1,129	1,372	1,546
Depreciation And Amortisation	(191)	(519)	(676)	(649)	(622)
Operating EBIT	670	801	453	723	924
Financial Income/(Expense)	163	50	(6)	28	44
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	19	19	17	18	19
Profit Before Tax (pre-EI)	853	871	464	770	988
Exceptional Items					
Pre-tax Profit	853	871	464	770	988
Taxation	(145)	(158)	(81)	(135)	(182)
Exceptional Income - post-tax					
Profit After Tax	708	712	383	635	805
Minority Interests	(13)	(13)	(8)	(13)	(16)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	694	700	375	622	789
Recurring Net Profit	694	700	375	622	789
Fully Diluted Recurring Net Profit	694	700	375	622	789

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	862	1,321	1,129	1,372	1,546
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(681)	(754)	(43)	(90)	(67)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(11)	(84)	1	(3)	(1)
Other Operating Cashflow	(97)	(18)	11	13	14
Net Interest (Paid)/Received	158	60	(1)	34	50
Tax Paid	(150)	(144)	(81)	(135)	(182)
Cashflow From Operations	81	381	1,016	1,191	1,359
Capex	(1,392)	(891)	(350)	(360)	(370)
Disposals Of FAs/subsidiaries	24	5	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(680)	64	149	(29)	(11)
Cash Flow From Investing	(2,048)	(822)	(201)	(389)	(381)
Debt Raised/(repaid)	629	578	(130)	(188)	(188)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(398)	(783)	(391)	(587)	(705)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	230	(204)	(522)	(775)	(892)
Total Cash Generated	(1,737)	(645)	294	27	86
Free Cashflow To Equity	(1,338)	138	685	614	790
Free Cashflow To Firm	(1,967)	(378)	921	893	1,052

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	3,257	2,672	2,966	2,993	3,078
Total Debtors	257	521	506	578	606
Inventories	1,223	1,663	1,575	1,792	1,829
Total Other Current Assets	281	317	299	342	358
Total Current Assets	5,017	5,172	5,345	5,705	5,871
Fixed Assets	939	4,453	4,131	3,846	3,598
Total Investments	47	47	47	47	47
Intangible Assets	896	860	863	867	870
Total Other Non-Current Assets	3,366	602	446	468	472
Total Non-current Assets	5,247	5,962	5,488	5,228	4,986
Short-term Debt	0	202	162	121	81
Current Portion of Long-Term Debt					
Total Creditors	720	1,178	1,023	1,245	1,250
Other Current Liabilities	697	133	126	144	151
Total Current Liabilities	1,418	1,514	1,311	1,510	1,482
Total Long-term Debt	629	1,032	942	795	647
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	174	334	334	334	334
Total Non-current Liabilities	803	1,365	1,275	1,128	981
Total Provisions	0	0	0	0	0
Total Liabilities	2,221	2,879	2,587	2,638	2,463
Shareholders' Equity	7,872	8,087	8,071	8,106	8,191
Minority Interests	171	168	175	188	204
Total Equity	8,043	8,255	8,246	8,294	8,395

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	0.9%	16.3%	(5.6%)	14.3%	4.8%
Operating EBITDA Growth	(38.6%)	53.3%	(14.5%)	21.5%	12.7%
Operating EBITDA Margin	10.8%	14.2%	12.9%	13.7%	14.7%
Net Cash Per Share (VND)	6,713	3,674	4,757	5,307	6,006
BVPS (VND)	20,113	20,662	20,621	20,711	20,927
Gross Interest Cover	3,595	13	4	8	12
Effective Tax Rate	17.0%	18.2%	17.5%	17.5%	18.5%
Net Dividend Payout Ratio	57%	112%	104%	94%	89%
Accounts Receivables Days	5.87	11.11	17.08	15.59	16.21
Inventory Days	66.56	71.19	81.15	75.81	78.93
Accounts Payables Days	23.98	17.60	21.63	20.84	21.40
ROIC (%)	15.9%	14.5%	6.4%	10.8%	14.2%
ROCE (%)	9.8%	10.2%	5.9%	9.1%	11.4%
Return On Average Assets	5.49%	6.19%	3.54%	5.57%	6.98%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Oil Price (US\$/bbl)	54.2	71.2	65.0	67.0	68.6
Volume Growth (%)	-3.5%	2.2%	-15.0%	15.0%	1.0%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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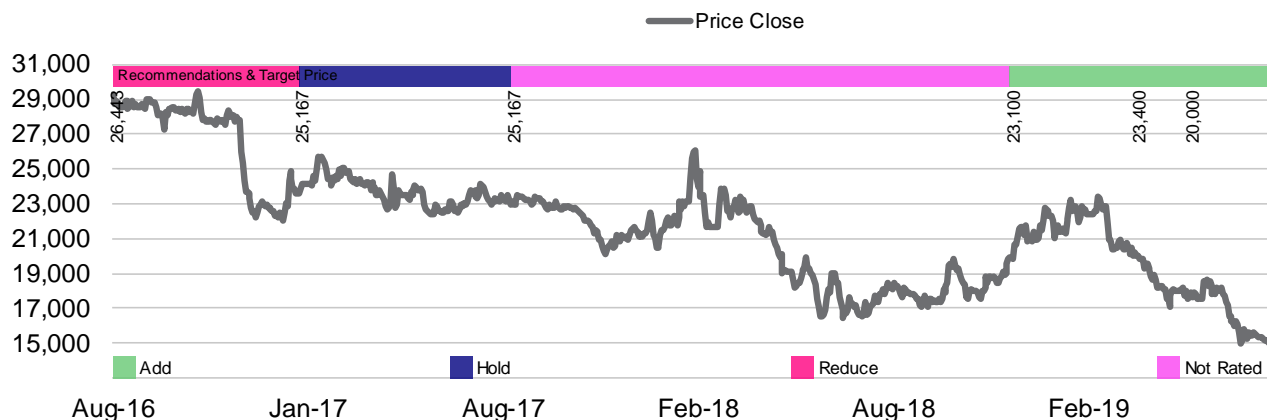
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PetroVietnam Fertilizer and Chemicals (DPM VN)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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