

Vietnam

HOLD (no change)

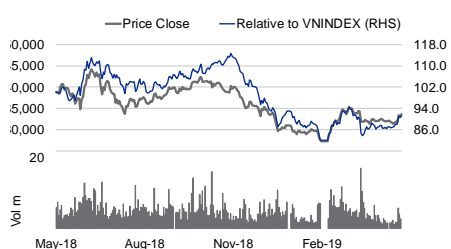
Consensus ratings*: Buy 8 Hold 1 Sell 0

Current price:	VND33,600
Target price:	VND33,100
Previous target:	VND33,800
Up/downside:	-1.5%
CGS-CIMB / Consensus:	-18.1%
Reuters:	HPG.HM
Bloomberg:	HPG VN
Market cap:	US\$3,065m
	VND71,363,280m
Average daily turnover:	US\$6.09m
	VND141,212m
Current shares o/s:	2,124m
Free float:	67.6%

*Source: Bloomberg

Key changes in this note

➤ FY19-21F EPS decrease by 10.9-14.2%.

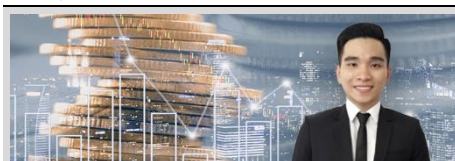


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.3	13.1	-12.1
Relative (%)	5.3	5.3	-5.8

Major shareholders

	% held
Tran Dinh Long	25.2
Dragon Capital	7.7
Vu Thi Hien	7.3

Analyst(s)

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Hoa Phat Group

Weak 1Q19 results amid rising iron ore price

- HPG's 1Q19 net profit slumped 18.6% yoy mainly due to higher raw material input price (iron ore price), to come in at 23.3% our FY19F forecast.
- Iron ore price has soared c.30% YTD due to natural disasters in Brazil and Australia.
- Hence, we cut our FY19-21F EPS forecasts and lower TP to VND33,100. Maintain Hold.

1Q19 earnings depressed by iron ore price spike

1Q19 net revenue was VND14,963bn (+15.1% yoy) driven by higher sale volume (construction steel sales volume rose +28.7% yoy; steel pipe sales volume grew +16.1% yoy). However, gross margin shrank by 5.3% pts yoy to 17.5% amid iron ore price spike. Consequently, 1Q19 net profit decreased 18.6% yoy, fulfilling 27.0% of FY19 company guidance and was in line at 23.3% of our FY19 forecast.

Iron ore price surged more than we expected

As mentioned in our last HPG report in Feb 19, the Brazil dam collapse boosted iron ore price from US\$75/t in Jan 19 to US\$89/t in Feb 19 (~18.7%). The dam is owned by Vale, the world's largest iron producer. In late Mar 2019, tropical cyclone Veronica hit Australia, forcing top iron ore mining companies, BHP, Rio Tinto and Fortescue to disrupt their operations. As a result, iron ore price jumped from US\$89/t in Feb 19 to US\$93/t in late Apr (~4.5%). We lift our base-case assumption of average iron ore prices from US\$75/t to US\$84/t in FY19.

We believe HPG has set conservative 2019 targets

HPG set its FY19F targets at revenue of VND70,000bn (+25.4% yoy) and net profit of VND6,700bn (-22.0% yoy). Management said its FY19F earnings guidance was based on average iron ore price of US\$90/t. However, according to S&P Global Platts the increase in iron ore price c.30% YTD is more speculative and expects this trend to reverse in 2H19. We estimate average FY19 iron ore price of US\$84/t which would bring a higher net profit of VND7,764 in FY19.

Maintain Hold with a lower TP of VND33,100

We cut our FY19-21F EPS forecasts by 10.9-14.2% to reflect the rising iron ore price. We increase our target multiple to 8.4x (previously 7.1x) amid recent positive market sentiment on the rise in global steel price since Jan 2019. Our TP of VND33,100 is based on an equal weighting of: 1) a forward P/E of 8.4x on average EPS over FY19-20F, 2) DCF valuation over a 5-year period (WACC: 12.5%). Upside risks are a rebound in steel prices and a drop in raw material prices. Potential downside risks include: 1) lower than expected sales volume; and 2) significant rise in input prices.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	46,162	55,836	69,886	79,143	87,626
Operating EBITDA (VNDb)	11,626	12,834	14,811	16,757	18,519
Net Profit (VNDb)	8,007	8,592	7,764	8,537	10,342
Core EPS (VND)	3,379	3,772	3,473	3,818	4,626
Core EPS Growth	16.4%	11.6%	(7.9%)	10.0%	21.1%
FD Core P/E (x)	9.95	8.91	9.68	8.80	7.26
DPS (VND)	1.77	2.79	0.00	0.00	0.00
Dividend Yield	0.005%	0.008%	0.000%	0.000%	0.000%
EV/EBITDA (x)	6.90	7.26	6.77	5.40	4.25
P/FCFE (x)	NA	NA	93.44	17.36	6.98
Net Gearing	26.9%	53.7%	59.5%	33.5%	10.9%
P/BV (x)	2.21	1.76	1.48	1.26	1.06
ROE	27.6%	22.0%	16.6%	15.4%	15.9%
% Change In Core EPS Estimates			(14.2%)	(12.9%)	(10.9%)
CIMB/consensus EPS (x)			0.81	0.73	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Weak 1Q19 results amid rising iron ore price

1Q19 highlights ►

In 1Q19, HPG posted net revenue of VND14,963bn (+15.1% yoy) and net profit of VND1,810bn (-18.6% yoy). In 1Q19, HPG's construction steel sales volume grew +28.7% yoy to c.700,000 tonnes while steel pipe sales volume grew +16.1% yoy to c.172,000 tonnes.

1Q19 gross margin was 17.5%, down 5.3% pts yoy and down 0.3% pts qoq. The sharp drop in GM stemmed from a combination of a decline in steel selling prices and rising iron ore price:

- According to Vietnam Steel Association (VSA) in 1Q19, HPG's ASP of rebar decreased 0.3% qoq and 2.8% yoy.
- The iron ore price spike in the same period also hurt HPG's gross margins. As mentioned in our last HPG update report in Feb 19, Vale's dam disaster in Brazil boosted iron ore price from US\$75/t in Jan 19 to US\$89/t in Feb 19 (~18.7%). In late Mar 2019, tropical cyclone Veronica hit Australia, forcing top iron ore mining companies, BHP, Rio Tinto and Fortescue, to disrupt their operations. As a result, iron ore price jumped from US\$89/t in Feb 19 to US\$93/t in late Apr (~4.5%).

Figure 1: 1Q19 results review

FYE (VNDbn)	1Q19	1Q18	yoy % chg	as % of FY19F (*)	Comments
Net revenue	14,963.3	13,000.9	15.1%	21.4%	
Gross profit	2,620.9	2,965.5	-11.6%	19.6%	Driven by lower selling price and higher iron ore price
Gross margin	17.5%	22.8%	-5.3% pts		
SG&A	(314.2)	(258.2)	21.7%		
SG&A/Revenue	2.1%	-2.0%	+0.1% pts		
Operating profit	2,306.7	2,707.3	-14.8%		
Interest expense	(185.2)	(118.0)	56.9%		
Pre-tax profit	2,170.9	2,608.4	-16.8%		
Net profit	1,810.0	2,222.7	-18.6%	20.0%	Mainly driven by lower gross profit margin
EPS (VND)	852.2	1,046.5	-19%		

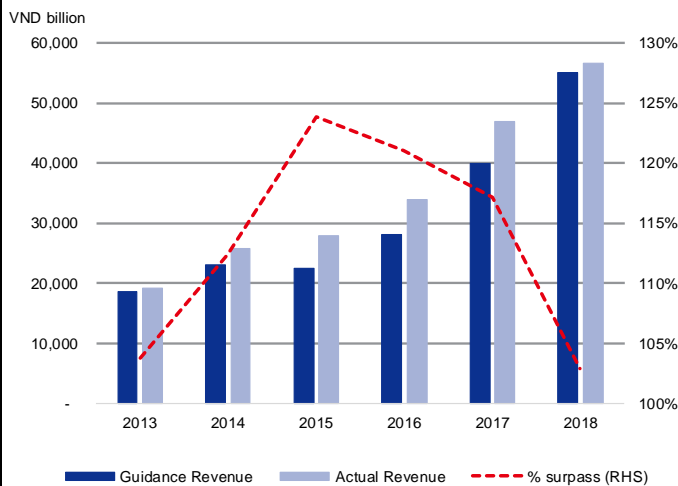
SOURCES: VND RESEARCH, HPG
(*): vs. old forecast

We believe HPG has set conservative 2019 targets ►

HPG set its FY19F targets at revenue of VND70,000bn (+25.4% yoy) and net profit of VND6,700bn (-22.0% yoy). Despite strong revenue growth, the weak net profit growth target was set based on higher iron ore prices and lower average selling prices of construction steel. According to management, HPG expects FY19F steel ASP to be lower than FY18 due to the rising competition in Vietnam steel market. Furthermore, higher iron ore prices would dampen its FY19F profit margins, as per management.

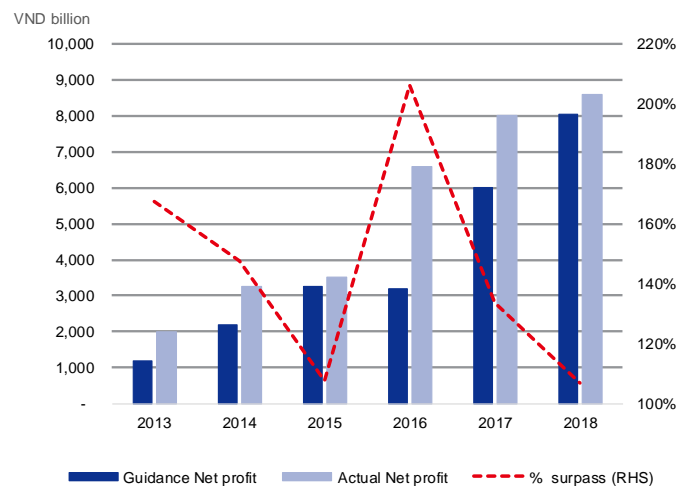
However we believe that HPG's management team is usually conservative in setting its targets. In the past five years, HPG often surpassed its revenue and net profit targets.

Figure 2: HPG actual revenue vs. guidance in 2013-18



SOURCES: VND RESEARCH, HPG

Figure 3: HPG actual net profit vs. guidance in 2013-18



SOURCES: VND RESEARCH, HPG

We were more positive than HPG's management on its earnings prospects, especially on iron ore price's forecasts in 2019. According to management, FY19F earnings guidance was based on average iron ore price of US\$90/t. Nevertheless, according to S&P Global Platts, the increase in iron ore price c.30% YTD is more speculative and this trend should reverse in 2H19. We believe iron ore price would decrease soon as Vale's iron ore mines are set to reopen. Hence, our average iron ore price forecast in 2019 is US\$84/t as our base-case assumption. Even though iron ore price has increased, we still assume 2019 ASP of HPG would decrease by 7% as in our last report. In fact, according to VSA data on steel prices, HPG's ASP in 1Q19 decreased 2.8% yoy and 0.3% qoq.

According to our estimation, HPG can meet its revenue guidance and surpass earnings guidance by 15.8% to record VND7,764bn in FY19 net profit.

Figure 4: Changes in our forecasts (in VNDbn unless otherwise noted)

	Old forecasts			New forecasts			The difference between new and old forecasts			Comments
	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	
Revenue	69,886	79,143	87,626	69,886	79,143	87,626	0.0%	0.0%	0.0%	
Gross profit	13,373	14,314	16,335	12,393	12,857	14,876	-7.3%	-10.2%	-8.9%	Driven by higher iron ore price (we assume average iron ore price will reach US\$84/t instead of US\$75/t in FY19F)
EBIT	11,975	12,731	14,495	10,995	11,274	13,036	-8.2%	-11.4%	-10.1%	
EBT	10,528	11,279	13,356	9,038	9,823	11,897	-14.2%	-12.9%	-10.9%	Driven by higher interest expense due to not being able to capitalise interest expense in Dung Quat plant as in FY18
Net profit	9,054	9,813	11,619	7,764	8,537	10,342	-14.3%	-13.0%	-11.0%	
No. of o/s shares (mn shares)	2,124	2,124	2,124	2,124	2,124	2,124	0.0%	0.0%	0.0%	
EPS (VND)	4,046	4,385	5,193	3,473	3,818	4,626	-14.3%	-13.0%	-11.0%	

SOURCES: VND RESEARCH

Valuation

Our VND33,100 TP is based on an equal weighting of: 1) 8.4x forward P/E on FY19-20F EPS and 2) DCF valuation over a 5-year period.

We believe that HPG deserves to trade at a premium over its regional peers given our average FY18-19F ROE projection of 21.1% (vs. peers' average of 13.9%). Therefore, we applied a 5% premium over its regional peers' median FY18-19F P/E of 8.0x, which translates into a target FY18-19F P/E multiple of 8.4x for HPG.

Figure 5: DCF model - key assumptions & input, based on our estimates

General assumptions	2019F	2020F	2021F	2022F	2023F	Terminal
Risk free rate (10-year VGB yield)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Equity risk premium (%)	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Beta (source: BB)	1.18	1.18	1.18	1.18	1.18	1.18
Cost of equity (%)	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Long-term growth rate (%)						2.1%
ROE (%)						14.4%
(in VND bn, otherwise noted)						
PV of DCF (5 years)	29,069					
PV of Terminal value	72,259					
Enterprise value	101,328					
Less: Total debt	31,655					
Plus: Cash and cash equiv.	2,865					
implied EV	72,537					
No. of o/s shares (mn shares)	2,124					
Implied value per share (VND)	34,153					

SOURCES: VND RESEARCH

Figure 6: P/E method, key inputs, based on our estimates

Valuation	FY19F	FY20F	Avg. FY19-20F
EPS	3,655	4,019	3,837
Industry average multiple	8.2	7.8	8.0
Premium			5.0%
Target multiple			8.4
Target price (VND)			32,231

SOURCES: VND RESEARCH

Figure 7: Valuation summary

Method	Implied value per share (VND)	Weight (%)	Weighted price (VND)
DCF	34,153	50%	17,000
P/E	32,231	50%	16,100
Target price (VND)			33,100

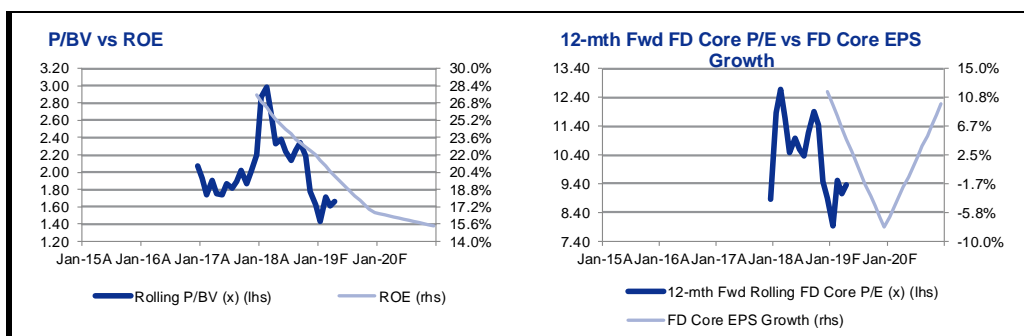
SOURCES: VND RESEARCH

Figure 8: Regional sector comparison

Company	Bloomberg Ticker	Recom.	Closing price (local curr.)	Target price (local curr.)	Market cap (US\$ m)	ROE (%)		P/BV (x)		P/E (x)	
						CY19F	CY20F	CY19F	CY20F	CY19F	CY20F
JSW Steel	JSTL IN	Reduce	308.4	299.4	10,702	24.3	17.2	2.2	1.9	9.7	11.4
Tata Steel	TATA IN	Add	557.2	625.7	9,103	11.7	11.1	0.9	0.8	7.8	7.5
NMDC	NMDC IN	Add	100.5	121.3	4,416	16.6	13.7	1.2	1.1	7.6	8.7
Shanxi Taigang Stainless-A	000825 CH	Not rated	4.6	na	3,848	11.1	11.3	na	na	7.9	5.5
Steel Authority of India	SAIL IN	Reduce	55.8	52.4	3,309	7.5	7.9	0.6	0.5	9.1	7.7
Maanshan Iron & Steel-A	600808 CH	Add	3.5	4.4	3,881	14.1	13.9	0.9	0.8	6.8	6.8
Liuzhou Iron & Steel Co-A	601003 CH	Add	6.8	8.8	2,603	24.5	22.4	1.4	1.2	6.6	5.3
Xinxing Ductile Iron Pipes-A	000778 CH	Add	4.8	6.6	2,850	7.5	7.5	0.9	0.8	10.2	9.2
<i>Average regional peers</i>						14.7	13.1	1.2	1.0	8.2	7.8
<i>Median regional peers</i>						12.9	12.5	0.9	0.8	7.9	7.6
Hoa Phat Group JSC	HPG VN	Hold	33,600	33,100	3,058	22.2	20.0	1.5	1.3	7.7	6.1

SOURCES: VND RESEARCH, BLOOMBERG

NOTE: AS OF 2 MAY 2019

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	46,162	55,836	69,886	79,143	87,626
Gross Profit	10,674	11,671	12,393	12,857	14,876
Operating EBITDA	11,626	12,834	14,811	16,757	18,519
Depreciation And Amortisation	(2,005)	(2,284)	(3,816)	(5,483)	(5,483)
Operating EBIT	9,622	10,550	10,995	11,274	13,036
Financial Income/(Expense)	(370)	(478)	(1,956)	(1,451)	(1,138)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	36	(1)	(1)	(1)	(1)
Profit Before Tax (pre-EI)	9,288	10,071	9,038	9,823	11,897
Exceptional Items					
Pre-tax Profit	9,288	10,071	9,038	9,823	11,897
Taxation	(1,274)	(1,471)	(1,265)	(1,277)	(1,547)
Exceptional Income - post-tax					
Profit After Tax	8,015	8,601	7,773	8,546	10,351
Minority Interests	(8)	(9)	(9)	(9)	(9)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	8,007	8,592	7,764	8,537	10,342
Recurring Net Profit	7,176	8,011	7,375	8,110	9,825
Fully Diluted Recurring Net Profit	7,176	8,011	7,375	8,110	9,825

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	11,626	12,834	14,811	16,757	18,519
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,149)	(2,767)	(12,508)	(3,024)	(2,619)
(Incr)/Decr in Total Provisions	0	0	0	0	0
Other Non-Cash (Income)/Expense	(5)	31	0	0	0
Other Operating Cashflow	(361)	(530)	(371)	(393)	(407)
Net Interest (Paid)/Received	(334)	(476)	(1,957)	(1,452)	(1,139)
Tax Paid	(1,724)	(1,416)	(1,265)	(1,277)	(1,547)
Cashflow From Operations	6,054	7,676	(1,291)	10,612	12,807
Capex	(8,875)	(27,594)	(6,245)	(1,358)	(1,700)
Disposals Of FAs/subsidiaries	7	108	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(9,058)	6,995	0	0	0
Cash Flow From Investing	(17,926)	(20,491)	(6,245)	(1,358)	(1,700)
Debt Raised/(repaid)	6,520	11,326	8,299	(5,143)	(882)
Proceeds From Issue Of Shares	5,057	11	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(4)	(6)	0	0	0
Preferred Dividends					
Other Financing Cashflow	1	(189)	(415)	(618)	(826)
Cash Flow From Financing	11,574	11,143	7,885	(5,761)	(1,708)
Total Cash Generated	(298)	(1,673)	349	3,493	9,400
Free Cashflow To Equity	(5,352)	(1,490)	764	4,111	10,225
Free Cashflow To Firm	(11,537)	(12,340)	(5,579)	10,706	12,246

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	4,265	2,516	2,865	6,358	15,758
Total Debtors	6,555	3,915	8,386	9,497	10,515
Inventories	11,769	14,115	20,123	23,200	25,462
Total Other Current Assets	10,489	5,468	5,816	6,235	6,737
Total Current Assets	33,077	26,014	37,190	45,290	58,472
Fixed Assets	18,652	50,149	52,382	48,267	44,493
Total Investments	17	67	67	67	67
Intangible Assets	240	305	296	286	277
Total Other Non-Current Assets	1,035	1,690	1,774	1,863	1,956
Total Non-current Assets	19,945	52,211	54,519	50,483	46,793
Short-term Debt	11,329	11,495	10,483	6,331	7,010
Current Portion of Long-Term Debt					
Total Creditors	6,487	12,029	10,349	11,931	13,095
Other Current Liabilities					
Total Current Liabilities	17,815	23,524	20,832	18,263	20,105
Total Long-term Debt	1,651	12,811	21,172	19,076	16,076
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,158	1,281	1,308	1,499	1,807
Total Non-current Liabilities	2,809	14,092	22,480	20,575	17,884
Total Provisions	0	0	0	0	0
Total Liabilities	20,624	37,616	43,312	38,838	37,989
Shareholders' Equity	32,287	40,481	48,244	56,781	67,123
Minority Interests	111	128	154	154	154
Total Equity	32,398	40,609	48,398	56,935	67,277

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	38.7%	21.0%	25.2%	13.2%	10.7%
Operating EBITDA Growth	22.0%	10.4%	15.4%	13.1%	10.5%
Operating EBITDA Margin	25.2%	23.0%	21.2%	21.2%	21.1%
Net Cash Per Share (VND)	(4,103)	(10,259)	(13,555)	(8,969)	(3,451)
BVPS (VND)	15,202	19,060	22,715	26,734	31,603
Gross Interest Cover	34.37	21.99	5.29	6.93	9.39
Effective Tax Rate	13.7%	14.6%	14.0%	13.0%	13.0%
Net Dividend Payout Ratio	0.047%	0.069%	NA	NA	NA
Accounts Receivables Days	35.38	34.22	32.12	41.35	41.68
Inventory Days	113.2	107.0	108.7	119.6	122.1
Accounts Payables Days	64.71	76.51	71.03	61.51	62.78
ROIC (%)	42.8%	25.0%	17.3%	14.4%	16.8%
ROCE (%)	27.2%	19.3%	15.3%	14.0%	15.3%
Return On Average Assets	19.4%	13.8%	11.4%	10.7%	11.4%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP (% Change)	18.6%	15.6%	-7.0%	-5.0%	0.0%
Unit Sales Growth (%)	17.8%	14.6%	38.6%	14.0%	5.9%
Utilisation Rate (%)	101.0%	85.9%	84.3%	81.8%	86.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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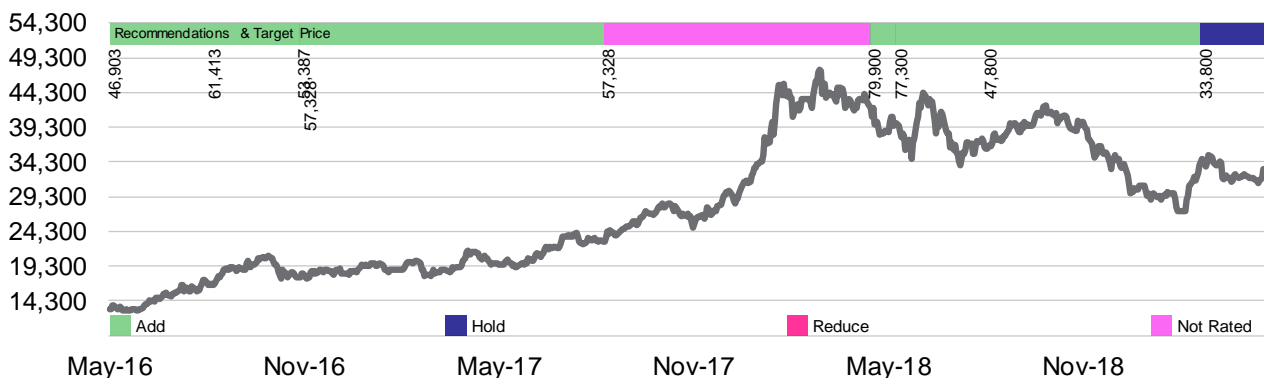
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— Price Close



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, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – 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, **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, **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, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **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, **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, **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, **TPIPP** – 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, **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 reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% 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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