

## Vietnam

**ADD** (no change)

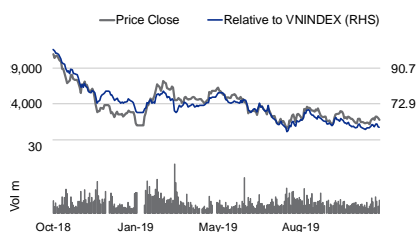
Consensus ratings\*: Buy 6 Hold 0 Sell 1

Current price:	VND21,800
Target price:	VND26,139
Previous target:	VND26,139
Up/downside:	19.9%
CGS-CIMB / Consensus:	-11.3%
Reuters:	HPG.HM
Bloomberg:	HPG VN
Market cap:	US\$2,594m
	VND60,191,416m
Average daily turnover:	US\$4.47m
	VND103,996m
Current shares o/s:	2,761m
Free float:	59.7%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.7	-3.3	-29.6
Relative (%)	-0.9	-4	-38.8

Major shareholders	% held
Tran Dinh Long	25.4
Dragon Capital	7.7
Vu Thi Hien	7.3

**Analyst(s)**

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# Hoa Phat Group

## Lacklustre 3Q19 performance not a surprise

- HPG's net revenue rose 8.2% yoy to VND15,350bn in 3Q19, but net profit fell 25.5% yoy to VND1,794bn during the same period.
- In 9M19, net revenue rose 9.6% yoy to VND45,411bn but core net profit slumped 17.2% yoy to VND5,655bn, in line with our expectations.
- Domestic steel demand is unlikely to recover in the near term, in our view.
- Maintain Add. Our target price remains at VND26,139.

### Weak 3Q19 performance as expected

Hoa Phat Group's (HPG) 3Q19 net revenue rose 8.2% yoy but net profit fell 25.5% yoy due to gross margin (GM) narrowing 5.4% pts. The weak GM was due to higher iron ore price (+54.8% yoy) and lower selling price (-10.5% yoy) amid thin domestic demand, as expected. Even so, 9M19 core net profit was in line at 79.8% of our full-year forecast.

### Slower production volume growth due to muted market demand

HPG's total output of construction steel and steel pipes rose only 5.6% yoy in 3Q19, (1H19: 22.9% yoy). HPG's steel output rose 15.8% yoy to 2.52m tonnes in 9M19, in line with our expectations. Meanwhile, Vietnam's total steel sales volume increased by 8.5% yoy in 9M19, according to the Vietnam Steel Association (VSA). HPG's market share in construction steel gained 2.1% pts to 25.0% in the same period.

### Domestic steel demand is unlikely to recover in the near term

There were few new real estate projects in 9M19. According to the HCMC Real Estate Association, the number of new projects in HCMC that obtained construction licences dropped by 38% yoy in 9M19. Thus, we believe domestic steel price is unlikely to recover in the near future. In addition, HPG's Dung Quat Complex Phase 1 should be fully operational in 2020 (test run since Jul 2019). This should boost total production volume by 13% yoy. According to HPG, Phase 2 of this complex will commence test runs in Nov 2019.

### Maintain Add with a target price of VND26,139

We maintain our Add call in light of a better outlook in FY20-21F thanks to 1) continuous domestic market share expansion, 2) improved GM on the back of lower iron ore prices from 4Q19 onwards, and 3) commissioning of Dung Quat Phase 2. Our TP remains at VND26,139, based on an equal weighting of 1) a forward P/E of 7.2x on average EPS over FY19-20F, and 2) a DCF valuation over a 10-year projection period. Re-rating catalyst is lower-than-expected iron ore price. Risks to our call include: 1) a higher iron ore price, and 2) weak demand for steel.

**Financial Summary**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	46,162	55,836	62,657	68,516	73,782
Operating EBITDA (VNDb)	11,417	12,524	12,688	15,923	18,618
Net Profit (VNDb)	7,826	8,392	7,087	7,605	9,444
Core EPS (VND)	2,834	3,039	2,567	2,754	3,420
Core EPS Growth	29.6%	7.2%	(15.5%)	7.3%	24.2%
FD Core P/E (x)	7.69	7.17	8.49	7.92	6.37
DPS (VND)	1.4	2.1	0.0	500.0	500.0
Dividend Yield	0.01%	0.01%	0.00%	2.29%	2.29%
EV/EBITDA (x)	5.17	6.25	7.60	5.69	4.24
P/FCFE (x)	NA	NA	195.9	22.1	53.8
Net Gearing	(3.8%)	44.5%	74.8%	54.8%	29.1%
P/BV (x)	1.86	1.49	1.25	1.09	0.94
ROE	30.1%	23.1%	16.0%	14.7%	15.9%
CGS-CIMB/Consensus EPS (x)			0.86	0.77	0.77

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Lacklustre 3Q19 performance not a surprise

Figure 1: Results comparison

	3Q19	3Q18	% yoy	9M19	9M18	% yoy	vs full year forecast	Comment
<b>Total revenue</b>	<b>15,350</b>	<b>14,188</b>	<b>8.2%</b>	<b>45,411</b>	<b>41,450</b>	<b>9.6%</b>	<b>72.5%</b>	<b>In line with our expectation</b>
Steel	12,291	11,889	3.4%	35,890	34,500	4.0%	69.7%	
Industrial production	725	822	-11.8%	2,532	2,397	5.6%	60.3%	
Agriculture	1,816	1,174	54.7%	5,378	3,185	68.9%	100.1%	We think the African swine flu (ASF) cutting domestic pork output by 9% yoy has triggered demand for alternative products (imported chicken, beef) and pork price to rise.
Real estates	254	303	-16.2%	1,347	1,368	-1.6%	82.9%	
<b>Gross profit</b>	<b>2,702</b>	<b>3,263</b>	<b>-17.2%</b>	<b>8,350</b>	<b>9,110</b>	<b>-8.3%</b>	<b>75.2%</b>	
Gross profit margin	17.6%	23.0%	-5.4% pts	18.4%	22.0%	-3.6% pts	0.7% pts	Higher than our expectation as the surge in iron ore price was not as bad as feared.
SG&A expense	377	240	56.9%	1,067	719	48.2%	74.2%	
EBITDA	2,963	3,608	-17.9%	9,118	10,097	-9.7%	70.9%	
Interest expense	266	142	87.7%	689	395	74.4%	57.7%	Lower than our forecast as more interest expenses were capitalised on fixed assets due to a longer-than-expected factory's turn.
Pretax profit	2,161	2,848	-24.1%	6,812	8,034	-15.2%	79.3%	
Net profit	1,794	2,408	-25.5%	5,655	6,834	-17.2%	79.8%	In line with our expectation
Net margin	11.7%	17.0%	-5.3% pts	12.5%	16.5%	-4.0% pts	1.1% pts	
EBITDA margin	19.3%	25.4%	-6.1% pts	20.1%	24.4%	-4.3% pts	-0.5% pts	
SG&A as % of revenue	2.5%	1.7%	0.8% pts	2.3%	1.7%	0.6% pts	0.1% pts	
<b>Sale volume (ton)</b>	<b>808,229</b>	<b>765,708</b>	<b>5.6%</b>	<b>2,516,935</b>	<b>2,174,387</b>	<b>15.8%</b>	<b>70.7%</b>	
Construction steel (ton)	621,229	599,608	3.6%	1,966,835	1,694,087	16.1%	69.2%	
Steel pipe (ton)	187,000	166,100	12.6%	550,100	480,300	14.5%	76.5%	
ASP (VND/kg)	11,950	13,350	-10.5%	12,364	13,417	-7.8%	0.0% pts	

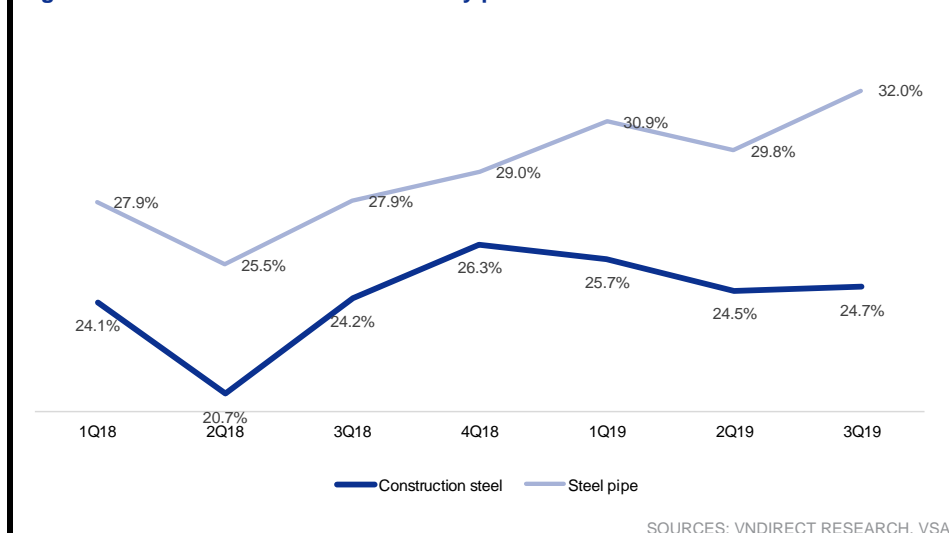
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

### HPG's market share expanded despite slowing demand

Sales volume of construction steel rose 16.1% yoy to 1.97m tonnes in 9M19, beating the industry's 8.8% rise. Sales volume of steel pipes rose 14.5% yoy to 0.55m tonnes in 9M19 vs. the industry's 1.4% increase. We think that this was due to HPG's leading position in the industry.

As a result, HPG's market share in construction steel expanded from 22.9% in 9M18 to 25.0% in 9M19. Similarly, its steel pipe market share rose from 27.0% in 9M18 to 30.7% in 9M19, according to HPG.

Figure 2: HPG's domestic market share by products



SOURCES: VNDIRECT RESEARCH, VSA

### Agriculture business took the spotlight

HPG's agriculture segment was the top performer within the group as revenue and net profit jumped 68.9% yoy/22.4% yoy to VND3,185bn/VND84.0bn in 9M19. HPG said this was due to the positive performance of its imported Australian beef distribution and its own herd. We think the African swine flu (ASF) reduced domestic pork output by 9% yoy in 9M19 has triggered demand for alternative products (imported chicken, imported beef) and led to higher pork prices.

### Neutral outlook for 4Q19

#### Domestic steel demand is unlikely to recover in near term

There were few new real estate projects in 9M19 in major cities. According to the HCMC Real Estate Association, the number of new projects in HCMC that obtain construction licences dropped by 38% yoy in 9M19. Thus, we believe domestic steel price is unlikely to recover in the near future. In addition, HPG's Dung Quat Complex Phase 1 is coming onstream in 2020 (test-run since Jul 2019). This should boost total production volume by 13% yoy. According to HPG, Phase 2 of this complex will commence test-runs in Nov 2019.

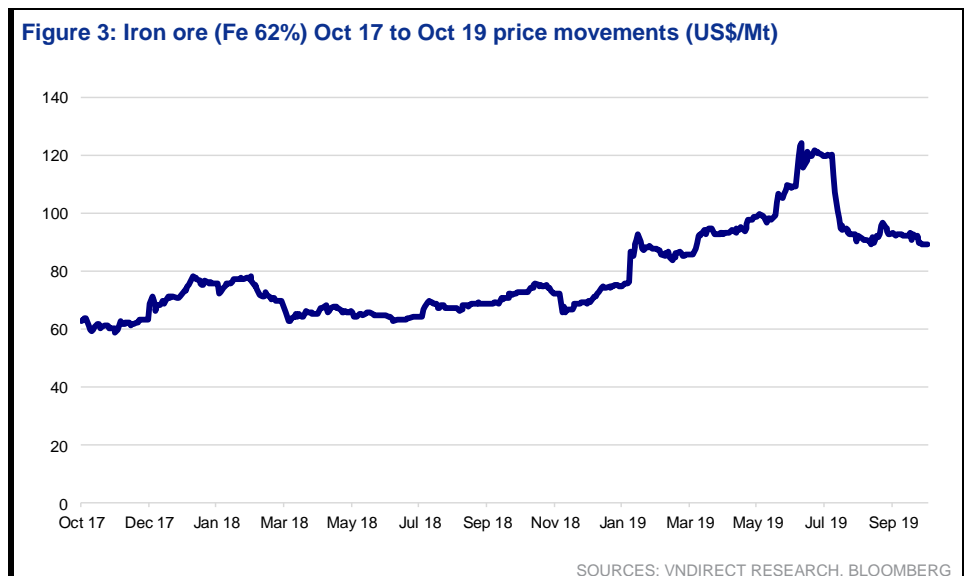
#### However, lower iron ore price could help offset weak steel selling price

As at end-Oct 2019, iron ore price (62% Fe) fell 28.2% to US\$89/Mt from 2Q19's peak of US\$124/Mt after the world's largest iron ore producer Vale (Vale3 BZ, Not rated) resumed full production at Vargem Grande mining complex in 3Q19.

Vale said its iron ore production increased by 35% qoq to 86.7m tonnes in 3Q19. Its Brucutu mine (a part of its Vargem Grande complex) was shut following the Brumadinho dam burst in Brazil in Jan 19.

The average iron ore price was US\$91/Mt as Oct 19, which was 11.5% lower than the average iron ore price in 3Q19. If iron ore prices continue to decline, this should support the sector's gross margin as iron ore contributes 30-35% HPG's steel COGS.

Figure 3: Iron ore (Fe 62%) Oct 17 to Oct 19 price movements (US\$/Mt)



## Valuation

### Maintain Add with a target price of VND26,139

We maintain our Add call in light of a better outlook in FY20-21F thanks to 1) continuous domestic market share expansion, 2) improved GM on the back of lower iron ore prices from 4Q19 onwards, and 3) commissioning of Dung Quat Phase 2. Our TP remains at VND26,139, based on an equal weighting of 1) a forward P/E of 7.2x on average EPS over FY19-20F, and 2) a DCF valuation over a 10-year projection period. Re-rating catalyst is lower-than-expected iron ore price. Risks to our call include: 1) a higher iron ore price, and 2) weak demand for steel.

**Figure 4: DCF model - key assumptions & input, based on our estimates (WACC:13.0%)**

General assumptions	
Risk free rate (10-year VGB yield)	4.4%
Equity risk premium	8.6%
Beta (source: BB, 1-y adj. beta)	1.1
Cost of equity	13.5%
Long-term growth rate	2.0%
(in VND bn, otherwise noted)	
PV of DCF (10 years)	70,593
PV of Terminal value	56,876
Enterprise value	127,469
Less: Total Debt	39,770
Plus: Cash and Cash equiv.	3,568
Less: Minority Interest	154
Implied EV	91,112
No. of o/s shares (mn shares)	2,761
Implied value per share (VND)	32,999

SOURCES: VNDIRECT RESEARCH

**Figure 5: P/E method, key assumptions, based on our estimates**

	FY19F	FY20F	Avg. CY19-20F
EPS	2,567	2,754	2,661
Industry average multiple			5.8
Premium			24.5%
Target multiple			7.2
Implied value per share (VND)			19,232

SOURCES: VNDIRECT RESEARCH

**Figure 6: Blended target price, based on our estimates**

Method	Implied value per share (VND)	Weight (%)	Weighted price (VND)
DCF	32,999	50%	16,499
P/E	19,278	50%	9,639
Target price (VND)			26,139

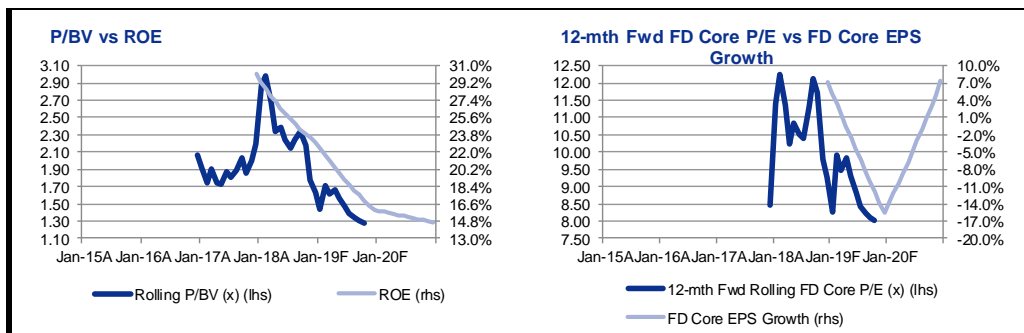
SOURCES: VNDIRECT RESEARCH

**Figure 7: Peer comparison**

Company	Ticker	Recom.	Price	TP	Mkt cap	P/E (x)		3-year EPS		P/BV (x)		EV/EBITDA (x)		ROE (%)	
			LC\$	LC\$	US\$ m	CY19F	CY20F	CAGR (%)	CY19F	CY20F	CY19F	CY20F	CY19F	CY20F	
<b>Regional listed steel producers</b>															
Sansteel Minguang Co Ltd -A	002110 CH	na	8.81	11.2	3,046	3.9	3.8	na	0.9	0.8	2.7	2.6	20.0	18.7	
Xinxing Ductile Iron Pipes-A	000778 CH	na	4.09	na	2,302	7.9	7.5	76.7	0.7	0.7	5.5	5.2	7.7	7.8	
Xinyu Iron & Steel Co Ltd-A	600782 CH	na	4.88	6.3	2,195	4.1	4.0	437.3	0.7	0.6	3.3	2.9	15.8	14.4	
Nanjing Iron & Steel Co-A	600282 CH	na	3.43	na	2,142	4.2	4.2	na	0.8	0.7	4.0	3.9	18.9	17.0	
Liuzhou Iron & Steel Co-A	601003 CH	na	5.69	5.9	2,057	5.5	5.2	na	1.1	1.0	14.0	63.8	20.9	19.9	
Hangzhou Iron & Steel Co-A	600126 CH	na	4.27	5.2	2,034	11.7	9.6	na	na	na	14.8	14.4	6.4	7.1	
Steel Authority Of India	SAIL IN	Reduce	33.8	58.0	1,957	10.7	5.3	na	0.4	0.4	7.6	5.5	5.7	10.9	
S GIS Songshan Co Ltd-A	000717 CH	na	4.09	na	1,396	4.0	3.5	na	1.0	0.8	3.0	2.8	24.2	20.3	
<b>Average</b>					2,141	6.2	5.4	0.8	0.7	6.9	13.7	14.8	13.9		
<b>Median</b>					2,099	4.9	4.7	0.8	0.7	3.9	3.9	17.5	15.7		
<b>Hoa Phat Group</b>	<b>HPG VN</b>	<b>Add</b>	<b>21,800</b>	<b>26,139</b>	<b>2,594</b>	<b>8.5</b>	<b>7.9</b>	<b>35.8</b>	<b>1.2</b>	<b>1.1</b>	<b>7.6</b>	<b>5.7</b>	<b>18.9</b>	<b>17.4</b>	

Note: Not Rated forecasts based on Bloomberg consensus estimates, SOURCES: VNDIRECT RESEARCH, BLOOMBERG, DATA AS OF 31 OCT 2019

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>46,162</b>	<b>55,836</b>	<b>62,657</b>	<b>68,516</b>	<b>73,782</b>
<b>Gross Profit</b>	<b>10,626</b>	<b>11,671</b>	<b>11,097</b>	<b>12,498</b>	<b>14,589</b>
<b>Operating EBITDA</b>	<b>11,417</b>	<b>12,524</b>	<b>12,688</b>	<b>15,923</b>	<b>18,618</b>
Depreciation And Amortisation	-1,871	-2,206	-3,206	-5,194	-5,965
<b>Operating EBIT</b>	<b>9,546</b>	<b>10,318</b>	<b>9,482</b>	<b>10,729</b>	<b>12,653</b>
Financial Income/(Expense)	-293	-245	-965	-1,498	-1,217
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	36	-1	68	-21	-8
<b>Profit Before Tax (pre-EI)</b>	<b>9,288</b>	<b>10,071</b>	<b>8,585</b>	<b>9,209</b>	<b>11,428</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>9,288</b>	<b>10,071</b>	<b>8,585</b>	<b>9,209</b>	<b>11,428</b>
Taxation	-1,274	-1,471	-1,288	-1,381	-1,714
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>8,015</b>	<b>8,601</b>	<b>7,297</b>	<b>7,828</b>	<b>9,714</b>
Minority Interests	-8	-28	-28	-28	-28
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	-181	-181	-182	-196	-243
<b>Net Profit</b>	<b>7,826</b>	<b>8,392</b>	<b>7,087</b>	<b>7,605</b>	<b>9,444</b>
Recurring Net Profit	7,826	8,392	7,087	7,605	9,444
<b>Fully Diluted Recurring Net Profit</b>	<b>7,826</b>	<b>8,392</b>	<b>7,087</b>	<b>7,605</b>	<b>9,444</b>

### Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>11,417</b>	<b>12,524</b>	<b>12,688</b>	<b>15,923</b>	<b>18,618</b>
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	-3,149	-2,766	-4,376	-4,606	-2,136
(Incr)/Decr in Total Provisions	-11	-73	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0	0
Other Operating Cashflow	4	-86	-8	-134	-128
Net Interest (Paid)/Received	-480	-540	-1,194	-1,715	-1,444
Tax Paid	-1,724	-1,416	-1,288	-1,381	-1,714
<b>Cashflow From Operations</b>	<b>6,058</b>	<b>7,642</b>	<b>5,822</b>	<b>8,086</b>	<b>13,196</b>
Capex	-8,875	-27,594	-13,443	-2,188	-800
Disposals Of FAs/subsidiaries	7	65	0	0	0
Acq. Of Subsidiaries/investments	-9,182	6,148	2,980	0	0
Other Investing Cashflow	124	849	0	0	0
<b>Cash Flow From Investing</b>	<b>-17,926</b>	<b>-20,533</b>	<b>-10,463</b>	<b>-2,188</b>	<b>-800</b>
Debt Raised/(repaid)	6,520	11,137	4,948	-3,173	-11,277
Proceeds From Issue Of Shares	5,057	11	0	0	0
Shares Repurchased					
Dividends Paid	-4	-6	0	-1,381	-1,381
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>11,574</b>	<b>11,143</b>	<b>4,948</b>	<b>-4,553</b>	<b>-12,658</b>
Total Cash Generated	-294	-1,748	307	1,345	-262
<b>Free Cashflow To Equity</b>	<b>-5,347</b>	<b>-1,754</b>	<b>307</b>	<b>2,725</b>	<b>1,119</b>
<b>Free Cashflow To Firm</b>	<b>-11,388</b>	<b>-12,351</b>	<b>-3,447</b>	<b>7,613</b>	<b>13,840</b>

SOURCES: VNDIRECT 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	14,201	6,240	3,568	4,913	4,651
Total Debtors	6,555	3,210	3,433	5,808	7,075
Inventories	11,749	14,115	16,245	18,024	19,574
Total Other Current Assets	562	1,743	1,956	2,139	2,303
<b>Total Current Assets</b>	<b>33,068</b>	<b>25,309</b>	<b>25,202</b>	<b>30,884</b>	<b>33,604</b>
Fixed Assets	18,672	50,852	70,990	68,595	63,129
Total Investments	17	67	67	67	67
Intangible Assets	186	217	206	195	183
Total Other Non-Current Assets	1,079	1,778	1,995	2,182	2,350
<b>Total Non-current Assets</b>	<b>19,954</b>	<b>52,914</b>	<b>73,258</b>	<b>71,038</b>	<b>65,728</b>
Short-term Debt	11,329	11,495	20,705	18,643	10,227
Current Portion of Long-Term Debt					
Total Creditors	4,226	8,707	6,906	7,727	8,081
Other Current Liabilities	2,965	2,435	2,732	2,987	3,217
<b>Total Current Liabilities</b>	<b>18,520</b>	<b>22,636</b>	<b>30,343</b>	<b>29,357</b>	<b>21,525</b>
Total Long-term Debt	1,651	12,811	19,065	16,574	13,041
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	453	2,153	627	685	738
<b>Total Non-current Liabilities</b>	<b>2,105</b>	<b>14,964</b>	<b>19,692</b>	<b>17,259</b>	<b>13,779</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>20,625</b>	<b>37,600</b>	<b>50,035</b>	<b>46,616</b>	<b>35,304</b>
Shareholders' Equity	32,287	40,496	48,270	55,123	63,819
Minority Interests	111	127	154	182	210
<b>Total Equity</b>	<b>32,398</b>	<b>40,623</b>	<b>48,425</b>	<b>55,305</b>	<b>64,028</b>

### Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP (% Change)	13.4%	8.0%	-7.0%	-5.0%	-2.0%
Unit Sales Growth (%)	19.2%	6.4%	17.1%	13.3%	9.4%
Utilisation Rate (%)	100.0%	84.7%	88.5%	77.0%	81.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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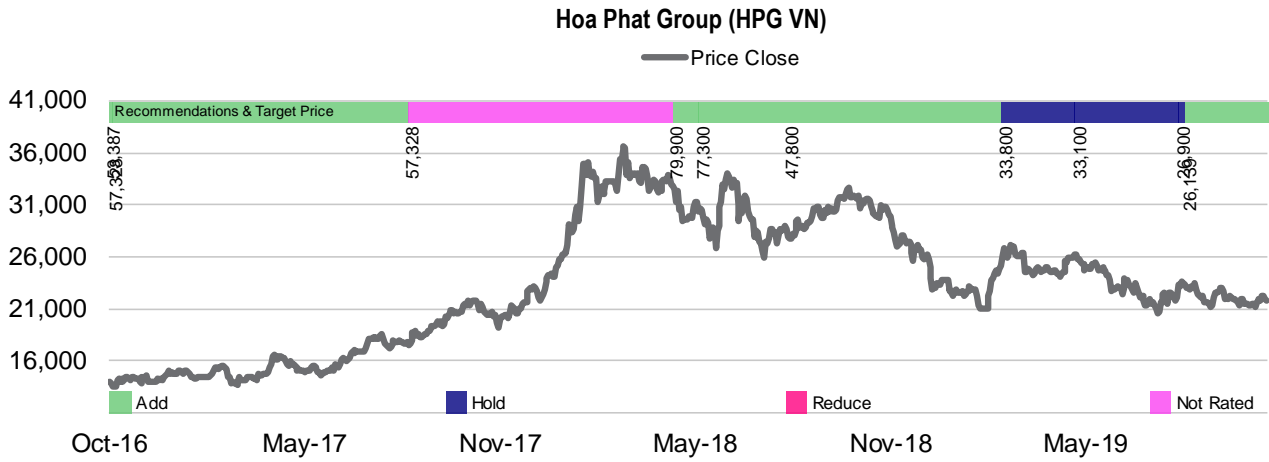
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Reduce	14.9%	0.1%

Spitzer Chart for stock being researched ( 2 year data )





## 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, **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, **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 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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