

## Vietnam

### ADD (no change)

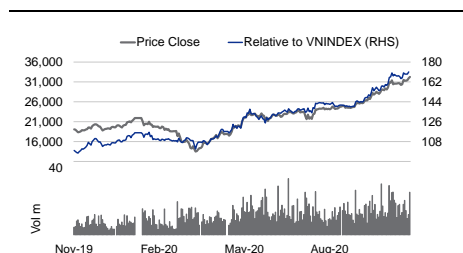
Consensus ratings\*: Buy 10 Hold 2 Sell 0

Current price:	VND32,250
Target price:	VND40,500
Previous target:	VND27,300
Up/downside:	25.6%
CGS-CIMB / Consensus:	21.6%
Reuters:	HPG.HM
Bloomberg:	HPG VN
Market cap:	US\$4,611m
	VND106,853,368m
Average daily turnover:	US\$17.37m
	VND408,976m
Current shares o/s:	2,761m
Free float:	67.3%

\*Source: Bloomberg

### Key changes in this note

- FY20F-22F Core EPS increased by 22.7-38.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.8	33.8	70.9
Relative (%)	8.4	20.2	75.2

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

### Analyst(s)



### Trung TRAN

T (84) 97 665 3885

E trung.tranba@vndirect.com.vn

# Hoa Phat Group

## Encouraging growth momentum

- HPG's 9M20 net profit was above at 89.9% of our full-year forecast, driven by the robust performance of the steel segments.
- We lift our FY20-22F EPS forecasts by 22.7-38.4% on the back of higher steel sales volume and lower coking coal price assumptions.
- We reiterate our Add call with a higher TP of VND40,500.

### What is behind HPG's impressive uptrend in recent 3 months

HPG's share price increased by 33.8% in the past three months, nearly double the increase of VNINDEX (+20.2%). In 3Q20, domestic steel rebar average selling price (ASP) fell 10.4% yoy to VND10.7m/tonne and iron ore price rose 14.3% yoy to a 6-year peak of US\$100.2/tonne. HPG's net profit surged 115.0% yoy to VND3,773bn in 3Q20, 30% above market consensus. We think that production volume of Dung Quat Steel Complex (DQSC) jumped tenfold yoy, contributing 56.9% of HPG's total sales volume in 3Q20 (compared with 11.4% in 3Q19), which helped DQSC achieve earlier-than-expected economies of scale. 9M20 net profit soared 57.4% yoy to VND8,801bn, fulfilling 89.9% of our previous full-year forecast.

### What make us confident in HPG for the next two years

We are now more optimistic about DQSC, thanks to 1) DQSC Phase 1's higher-than-expected utilisation rate of 98.6%, based on our estimate; 2) blast furnace No.3 and Hot Rolled Coil (HRC) factory of DQSC Phase 2 produced 340,000 tonnes of HRC from Aug 20 till end-Oct 2020 (equivalent to 160% monthly production volume of our previous forecast), and 3) better-than-expected EBITDA margin which helped DQSC surpass pretax breakeven level in 9M20, after just two years in operation. We estimate DQSC's EBITDA margin was 22.5% in 9M20, approaching other factories' EBITDA margin of 25.1%. Thus, we raise our FY20/21/22F EPS by 22.7/34.1/38.4% to reflect: 1) higher sales volume due to a combination of better demand (quicken public investment spending) and more contributions from DQSC; and 2) lower coking coal price assumptions due to weak demand in major importing countries (India, Japan) in 1H20.

### Has HPG's growth potential been fully priced in?

HPG now trades at 8.9x/7.4x FY20/21F P/E vs. regional peer's 7.9x FY20F median P/E. However, we believe that HPG deserves to be re-rated thanks to its robust earnings outlook and superior profitability vs regional peers.

### Reiterate Add with a higher target price of VND40,500

We raise our TP to VND40,500 to reflect the increases in our FY20-22F EPS. Our valuation is based on an equal weighting of: (1) a forward P/E of 9.0x on FY21F EPS; and (2) a DCF valuation over a 10-year projection period. Downside risk: slower-than-expected steel demand growth. Re-rating catalyst: lower-than-expected iron ore price.

### Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	55,836	63,658	88,801	108,502	114,427
Operating EBITDA (VNDb)	12,524	11,914	21,493	25,361	27,066
Net Profit (VNDb)	8,392	7,318	11,996	14,439	16,412
Core EPS (VND)	2,533	2,209	3,621	4,358	4,953
Core EPS Growth	7.2%	(12.8%)	63.9%	20.4%	13.7%
FD Core P/E (x)	12.73	14.60	8.91	7.40	6.51
DPS (VND)	2	0	500	500	1,000
Dividend Yield	0.01%	0.00%	1.55%	1.55%	3.10%
EV/EBITDA (x)	9.98	11.56	5.94	4.65	3.73
P/FCFE (x)	NA	58.63	31.65	32.98	9.37
Net Gearing	44.5%	64.3%	31.6%	13.4%	(6.6%)
P/BV (x)	2.64	2.24	1.64	1.35	1.15
ROE	23.1%	16.6%	21.3%	20.0%	19.0%
% Change In Core EPS Estimates			22.7%	34.1%	38.4%
CGS-CIMB/Consensus EPS (x)			1.10	1.07	1.09

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Encouraging growth momentum

### Vietnam's steel industry: leveraging on recent public investment expansion

#### Public investment took off in 10M20 ➤

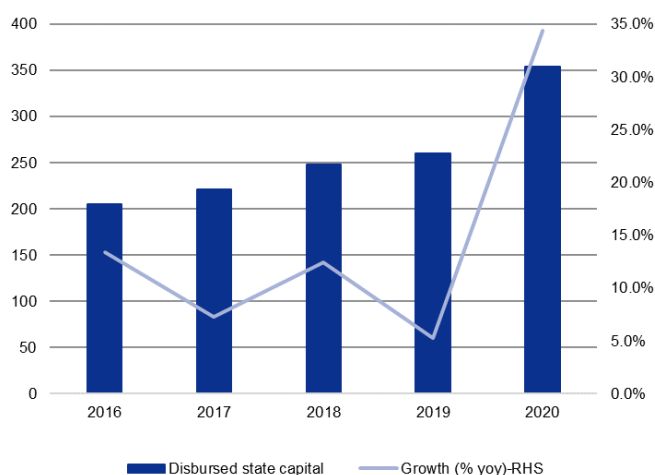
In a bid to reverse the downtrend in GDP growth, the government has been stepping up public investment to counter the slowdown in other growth engines. According to General Statistics Office of Vietnam (GSO), disbursed state capital rose 34.4% yoy to VND354.6tr in 10M20, equivalent to 69.8% of the revised full-year target.

On 30 Sep, the Ministry of Transport began construction of three subprojects under the North-South Expressway Project, including Mai Son-National Highway 45, Vinh Hao - Phan Thiet and Phan Thiet - Dau Giay expressways.

The government is investing VND54,000bn (45% of the total investment value of the North-South Expressway) in these three subprojects. The National Assembly has approved the financing of these subprojects via public investment instead of public-private partnerships (PPP).

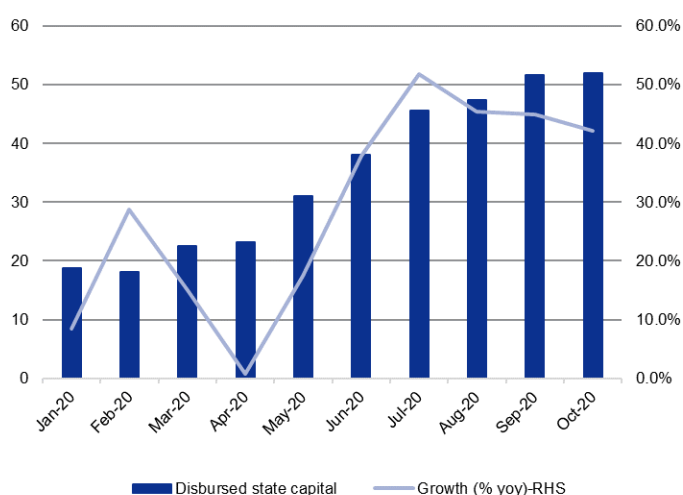
Hence, we expect public investment to increase in 4Q20F and the full-year disbursed investment under the state budget to meet 95-100% of the government's 2020 revised target.

**Figure 1: Disbursed public investment in the first ten months of each year in FY16-20 (VND tr)**



SOURCES: VNDIRECT RESEARCH, GSO

**Figure 2: Monthly disbursed public investment (VND tr)**

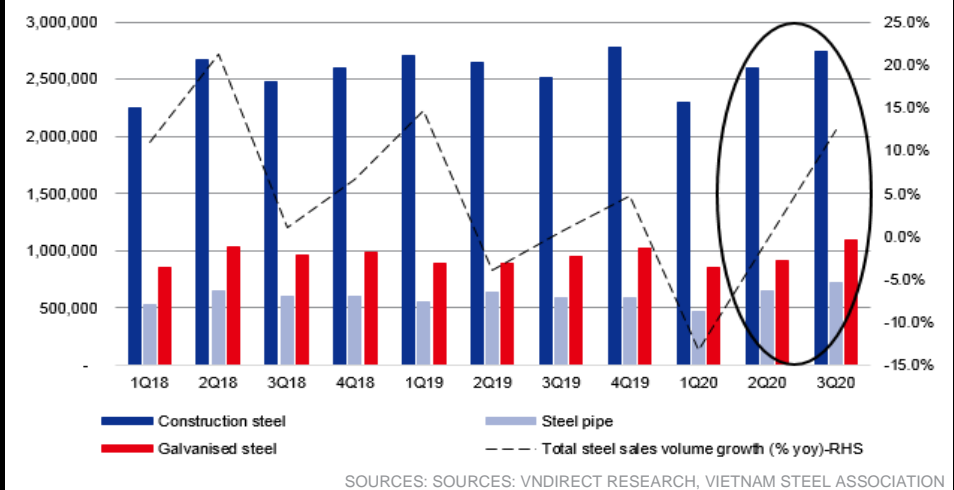


SOURCES: VNDIRECT RESEARCH, GSO

#### Vietnam steel sales volume to rebound strongly in 3Q20 ➤

The Covid-19 pandemic dampened steel demand in 1H20. Vietnam's total steel sales volumes fell 13.2% yoy to 3.6m tonnes (including construction steel, steel pipe, and galvanised steel) in 1Q20 and dipped 0.4% yoy to 4.2m tonnes in 2Q20. However, steel sales volume rose 12.4% yoy to 4.6m tonnes in 3Q20, due to 23.4% yoy rise in steel pipe products. We believe the improvement in steel sales volumes could be attributed to state investment disbursement since Jul 2020, which focuses on infrastructure development.

**Figure 3: Steel sales volume (tonnes) showed clear signs of recovery in 3Q20**



### Big players grabbed market share in 9M20 ➤

Though Covid-19 cast a shadow over the country's steel industry, steel producers with strong pricing power, healthy financial capability and large economies of scale seized this opportunity to grab market share.

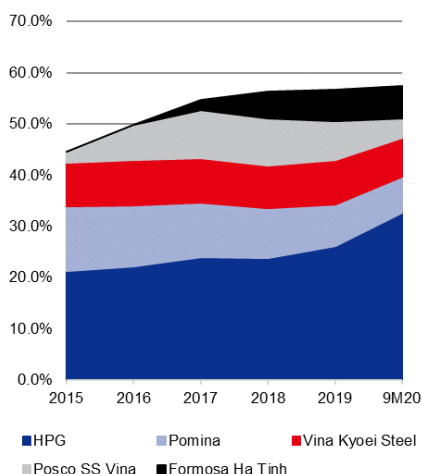
We observe that HPG, the largest local steel maker, has increased its market share in construction steel from 26.2% at end-FY19 to 32.6% at end-Sep 20. Its 9M20 construction steel sales volume rose 26.4% yoy to 2.5m tonnes in 9M20. Meanwhile, construction steel sales in Vietnam decreased 3.1% yoy to 7.6m tonnes.

Similarly, the leader in galvanised steel sheet market share – Hoa Sen Group (HSG VN, HOSE) also gained 2.8% market share to 32.4% in 9M20 from 29.6% in 9M19 and 29.6% in FY19.

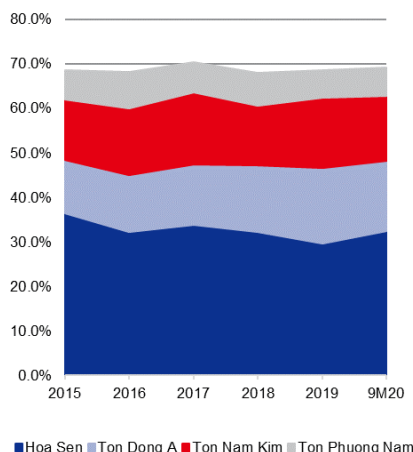
In the steel pipe market, the four leading companies, i.e. HPG, HSG, Minh Ngoc (Not listed), and TVP Steel (Not listed)) gained market share from smaller competitors. Their collective market share was 66.7% in 9M20, up from just 60.9% in FY17.

HPG's products are used in key infrastructure projects, including the North-South expressway, runway upgrade projects at Noi Bai and Tan Son Nhat international airports and many thermal plants projects. Hence, we believe that HPG is a big beneficiary from the increase in public investment.

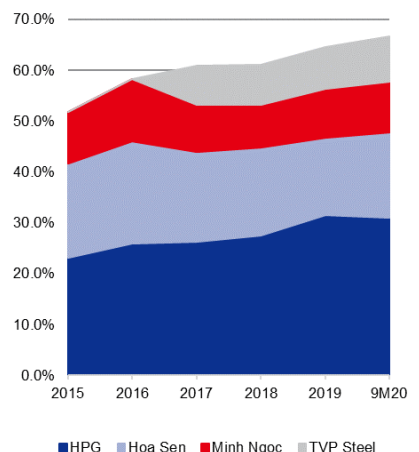
**Figure 4: Vietnam construction steel - market share of major producers**



**Figure 5: Vietnam galvanised steel - market share of major producers**



**Figure 6: Vietnam steel pipe - market share of major producers**



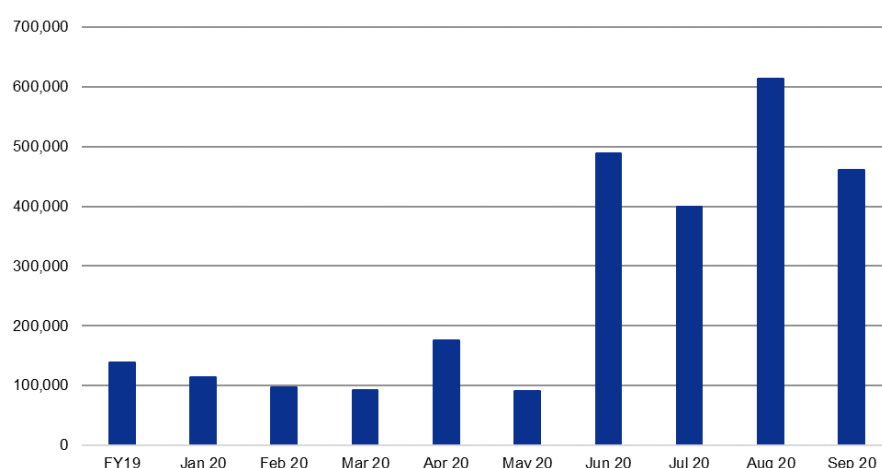
## China's commitment to fast-track infrastructure spending supports demand for steel products ➤

Since 2Q20, China's efforts to approve new infrastructure projects and accelerate construction, combined with fiscal stimulus measures in recent months, look set to help boost steel demand from the infrastructure sector. We expect this trend to continue at least until the end of 1H21, thereby boosting demand for steel imports into China.

According to S&P Global Platts, China approved 14 airport projects with a total investment of Rmb105.7bn (US\$15.3bn) in Jan-Jul 2020, i.e. 13% higher than the value of total approvals in FY19. In addition, 22 railway and urban rail transport projects were approved in 7M20, with 16 more expected to be approved soon. The length of these projects combined is 5,801 km, almost the same as the total length approved in 2019. S&P Global Platts expects work on most of these projects to start in 2H20. We estimate that steel consumption from these newly approved projects and from the construction of major rail and airport projects approved in 2016-19, should rise 24% yoy to about 23m tonnes in FY20.

Consequently, Vietnam's iron and steel exports to China have started to increase sharply since Jun 2020. According to the preliminary statistics from the General Department of Vietnam Customs, China surpassed ASEAN to become Vietnam's largest steel and steel importer, at 2.53m tonnes (+1,732% yoy) in 9M20. This is equivalent to 36.2% of total Vietnam's iron and steel export.

**Figure 7: Vietnam's iron and steel export volume to China (tonnes)**



SOURCES: SOURCES: SOURCES: VNDIRECT RESEARCH, GENERAL DEPARTMENT OF VN CUSTOMS

## HPG's steel sales volume climbed in 3Q20

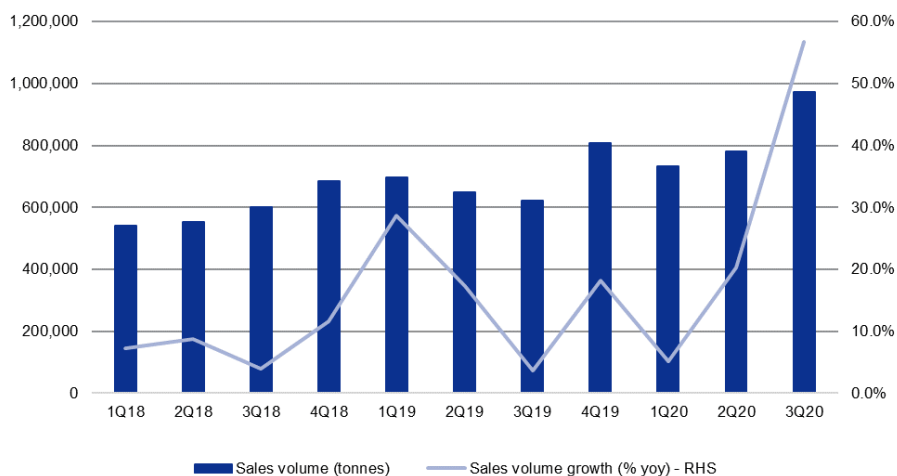
### Record construction steel sales volume ➤

HPG's construction steel sales volume jumped 56.7% yoy in 3Q20 thanks to improved domestic demand,

However, construction steel sales volume in Oct 2020 declined by 26.6% mom due to the impact of severe flooding in Vietnam's central provinces, which caused difficulties in transporting goods and lowered domestic demand. In 10M20, HPG sold 2.7m tonnes of construction steel (+25.1% yoy).

HPG's success is mainly thanks to 1) the rapid expansion of market share in the Southern Vietnam market, and 2) sharp growth in export sales. HPG's Southern sales volumes almost doubled to 651,460 tonnes in 10M20 from 328,136 tonnes in 10M19, while total export sales grew 211.6% yoy to 435,549 tonnes.

**Figure 8: HPG's construction steel sales volume (tonnes)**



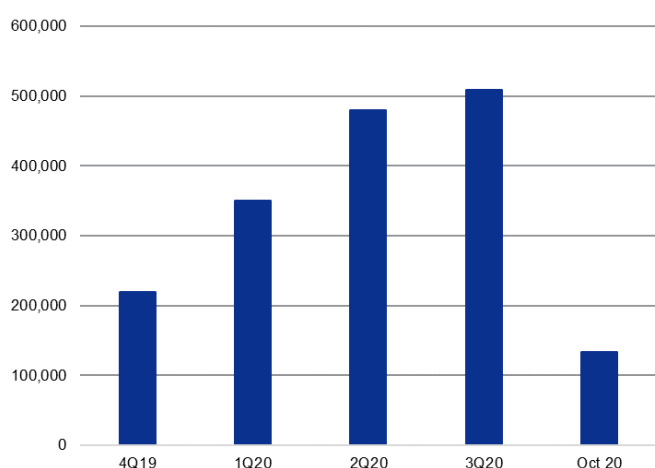
SOURCES: SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

### Solid billet sales driven by China demand ➤

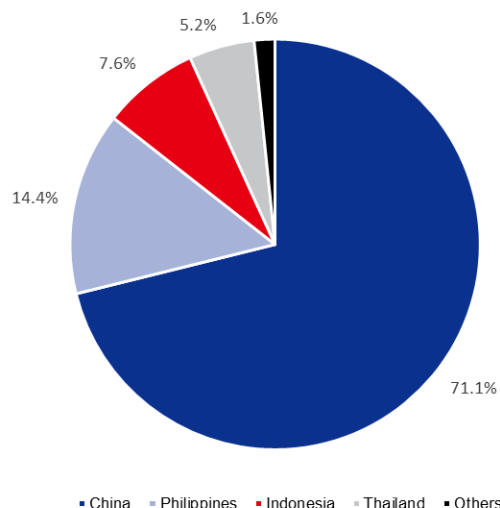
In 3Q20, billet sales volume increased to 509,000 tonnes, up 6.0% qoq. As HPG had not started selling billets in 3Q19, construction steel and billet combined sales volume grew by 138.6% yoy in 3Q20. Based on HPG's reported crude billet output of about 4.03m tonnes in 9M20, we estimate the blended utilisation rate of all existing steel facilities (including Hai Duong, Hung Yen and DQSC Phase 1) was at about 98.6% in 9M20. HPG also recorded 133,000 tonnes of billet sales volume in Oct 2020, up threefold from 41,988 tonnes in Oct 2019.

HPG's billet sales were fuelled by demand from China, which accounted for 71.1% of HPG's billet export volume in 10M20, on the back of strong public investment in the world's largest steel market.

**Figure 9: HPG billet sales volume (tonnes)**



**Figure 10: HPG's main billet export markets in 10M20**



SOURCES: SOURCES: VNDIRECT RESEARCH, GENERAL DEPARTMENT OF VN CUSTOMS

SOURCES: SOURCES: VNDIRECT RESEARCH, GENERAL DEPARTMENT OF VN CUSTOMS

On the other hand, steel pipe sales volume only edged up by 3.5% yoy to 569,078 tonnes in 9M20.

## 3Q20 Recap: Steel business recorded strong performance in terms of both sales volume and margin

Figure 11: Results comparison

	3Q20	3Q19	% yoy	9M20	9M19	yoy	vs full year forecast	Comment
<b>Total revenue</b>	<b>24,686</b>	<b>15,087</b>	<b>63.6%</b>	<b>64,340</b>	<b>45,683</b>	<b>40.8%</b>	<b>74.6%</b>	
Steel	21,127	12,291	71.9%	54,071	36,426	48.4%	76.3%	
Industrial production	574	725	-20.8%	1,887	2,532	-25.5%	57.4%	
Agriculture	2,791	1,816	53.7%	7,834	5,378	45.7%	73.3%	In line with our expectation.
Real estates	193	255	-24.2%	549	1,347	-59.3%	40.6%	
Gross profit	5,169	2,702	91.3%	12,638	8,350	51.4%	81.7%	
Per HPG's management, the company has stockpiled iron ore at prices favourable for production in 3Q20 compared to benchmark iron ore prices (62% Fe - delivered to Qingdao - China) on average US\$114/tonne in 3Q20. This helped the steel segment's gross margin beat our forecast in 3Q20.								
Gross profit margin	20.9%	17.9%	3.0% pts	19.6%	18.3%	1.4% pts	1.7% pts	
SG&A expense	462	377	22.5%	1,287	1,067	20.7%	62.4%	
EBITDA	5,904	2,977	98.3%	14,778	9,132	61.8%	78.2%	
Interest expense	541	266	103.4%	1,545	666	131.9%	80.9%	
Pretax profit	4,272	2,161	97.7%	10,025	6,812	47.2%	88.5%	
<b>Net profit</b>	<b>3,773</b>	<b>1,755</b>	<b>115.0%</b>	<b>8,801</b>	<b>5,591</b>	<b>57.4%</b>	<b>89.9%</b>	
Net margin	15.3%	11.6%	3.7% pts	13.7%	12.2%	1.4% pts	2.3% pts	
EBITDA margin	23.9%	19.7%	4.2% pts	23.0%	20.0%	3.0% pts	1.1% pts	
SG&A as % of revenue	1.9%	2.5%	-0.6% pts	2.0%	2.3%	-0.3% pts	-0.4% pts	
<b>Sale volume (tonne)</b>	<b>1,705,058</b>	<b>810,377</b>	<b>110.4%</b>	<b>4,395,258</b>	<b>2,519,083</b>	<b>74.5%</b>	<b>84.1%</b>	
Construction steel	974,080	621,554	56.7%	2,486,917	1,967,160	26.4%	69.2%	
Steel billets	509,000	-	NA	1,339,263	-	NA	152.2%	
Steel pipe	221,978	188,823	17.6%	569,078	551,923	3.1%	75.6%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Rosier outlook for HPG in 2021-22F

### DQSC Phase 2 to drive HPG's steel sales volume growth in 2021F ➤

Blast furnace 3 (produces HRC) at DQSC Phase 2 commenced operation on 24 Aug 2020. All HRC products produced were used to meet internal demand for HPG's steel pipe and galvanised steel divisions in 3Q20. HPG will deliver HRC commercially from Nov 2020.

We estimate HPG's total HRC production volume of 575,000 tonnes in FY20F vs. just 230,000 tonnes in 3Q20. This comprises 230,000 tonnes to meet internal demand in FY20F and 345,000 tonnes for sale in FY20F. The 4th blast furnace at DQSC Phase 2 should commence operations from the beginning of next year, according to HPG's management.

We estimate HPG's total steel sales volume (including construction steel, billet, steel pipe, galvanised steel and HRC) to rise 17.4% yoy to 7.5m tonnes in FY21F, supported by the DQSC ramping up operation for Phase 1 and full-year contribution of Phase 2. HRC sales volume should jump by 288.7% yoy to 1.3m tonnes in FY21F.

### Real estate segment should contribute more to the company's earnings in FY21-23F ➤

With no major real estate projects handed over in FY20F, HPG will launch Pho Noi urban project in 1H21F (total investment of VND4,000bn) and lease Pho Noi A industrial park expansion 2 in 4Q20F. The company is also planning to manage 1,500ha of industrial park in 2025F. We estimate the real estate segment to have a revenue CAGR of 40.1% in FY21-23F.



**Figure 11: HPG's real estate development plan**

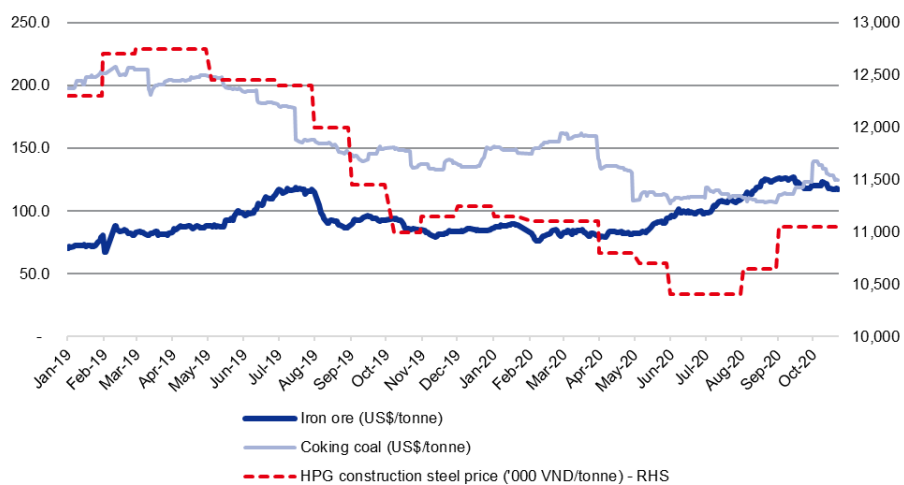
Projects	Area (ha)	Occupancy rate (%)	Notes
<b>Industrial parks</b>	<b>1,509</b>		
Pho Noi A	687		
Pho Noi A	390	95%	
Pho Noi A expansion 1	204	97%	
Pho Noi A expansion 2	93		Expected for lease by the end of 2020.
Yen My II	384		
Yen My II - Phase 1	98	82%	
Yen My II - Phase 2	70		Expected for lease in 2022F.
Yen My II expansion	216		Legal procedures are being finalised.
Hoa Mac	439	66%	
6 An Thi	308		Legal procedures are being finalised.
<b>Residential properties</b>	<b>296</b>		
Pho Noi	262		Under construction, expected to launch in 1H21F.
Pho Noi expansion	32		Legal procedures are being finalised.
Yen So - Hoang Mai Complex	1.7		Legal procedures are being finalised.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Steel selling price started to recover in Aug, supporting HPG's steel segment's gross profit margin in 2H20F ➤

- Construction steel price:** Construction steel price declined industrywide due to weak domestic steel demand in 1H20. HPG's ASP also declined as it prioritised expanding its market share amid the launch of DQSC in FY20F.  
 HPG's construction steel ASP slid to VND10.8m/tonne in 9M20 compared to VND12.4m/tonne in 9M19 and VND12.1m/tonne in 2019. We expect ASP to reach VND11.2m/tonne (-7.1% yoy) in 2020F, before increasing to VND11.3m/tonne (+1% yoy) in 2021F.
- Iron ore price:** Iron ore price has surged from end-2Q20 due to high demand from China and a supply shortage in Brazil. However, HPG's average iron ore cost has not increased significantly qoq in 3Q20 due to its inventory purchased at a low cost from 2Q20. The high pressure from iron ore prices will be more evident in 4Q20F. We estimate that the average iron ore cost/tonne of HPG should surge by 15.0% qoq in 4Q20F. For 2021F, we believe that the average iron ore price should drop to around US\$85/tonne (-10.5% yoy) thanks to 1) recovering seaborne supply from Brazil, and 2) ongoing solid performances from the Pilbara mines in Australia.
- Coking coal price:** Coking coal price fell to a 4-year low of US\$115/tonne in 1H20 due to weak demand in major coking coal importing countries (Japan, India). Although there were signs of recovery at end-3Q20, major China steel mills stopped importing coking coal from Australia since 12 Oct 2020 due to trade tensions between these two countries. Accordingly, coking coal prices have fallen significantly since then. We estimate HPG's coking coal cost for 4Q20F to be flat qoq at US\$120/tonne. We expect average annual price of coke coal to increase by 12.5% yoy to US\$135/tonne in 2021F as import markets resume production activities after Covid-19.

**Figure 13: HPG's average construction steel selling prices vs. iron ore & coking coal prices**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

### Changes to our FY20-22F forecasts ➤

We expect HPG to benefit from 1) increase in public investment spending in FY21F, and 2) recovery in steel industry post pandemic. We raise our FY20/21/22F core EPS by 22.7%/34.1%/38.4% to reflect: 1) 65.5%/17.4%/0.3% yoy growth in total steel sales volume (vs. our previous forecasts of 52.2%/15.0%/7.9% yoy growth); and 2) a 27.2%/15.6%/3.1% decrease in average coking coal prices.



**Figure 14: Earnings revision for FY20-22F (VND bn)**

	Old forecasts			New forecasts			The difference between new and old forecasts			Comments
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F	
<b>Total revenue</b>	<b>86,215</b>	<b>100,221</b>	<b>109,132</b>	<b>88,801</b>	<b>108,502</b>	<b>114,427</b>	<b>3.0%</b>	<b>8.3%</b>	<b>4.9%</b>	
Steel	70,883	84,236	92,359	74,715	92,607	96,346	5.4%	9.9%	4.3%	We raise our FY20/21F steel revenue forecasts by 5.4%/9.9% as increases of 8.8%/11.0% in total sales volume offset decreases of 3.1%/1.0% in ASP vs. our previous forecasts.
Industrial production	3,289	3,476	3,720	2,498	2,647	2,846	-24.0%	-23.9%	-23.5%	
Agriculture	10,691	10,962	12,014	10,781	11,203	12,147	0.8%	2.2%	1.1%	
Real estate	1,351	1,547	1,039	806	2,045	3,088	-40.3%	32.2%	197.2%	
Gross profit	15,474	16,754	17,756	18,049	21,097	22,927	16.6%	25.9%	29.1%	
Gross profit margin	17.9%	16.7%	16.3%	20.3%	19.4%	20.0%	2.4% pts	2.7% pts	3.8% pts	We raise our FY20/21/22F GPM assumption by 2.4%/2.7%/3.8% pts thanks to 1) 27.3%/15.6%/3.1% lower than expected coking coal price, offsetting 10.9%/13.3%/7.1% higher-than-expected iron ore price and 2) higher-than-expected utilisation rate of DQSC Phase 2, supporting flat steel gross profit margin.
SG&A expense	2,064	2,399	2,612	1,776	2,170	2,289	-13.9%	-9.5%	-12.4%	
EBITDA	18,890	20,820	21,590	21,493	25,361	27,066	13.8%	21.8%	25.4%	
Interest expense	1,911	1,711	1,182	1,955	1,710	1,089	2.3%	-0.1%	-7.9%	
Pretax profit	11,325	12,387	13,646	14,133	16,928	19,212	24.8%	36.7%	40.8%	
<b>Net profit</b>	<b>9,792</b>	<b>10,803</b>	<b>11,938</b>	<b>12,306</b>	<b>14,811</b>	<b>16,834</b>	<b>25.7%</b>	<b>37.1%</b>	<b>41.0%</b>	
Net margin	11.4%	10.8%	10.9%	13.9%	13.7%	14.7%	2.5% pts	2.9% pts	3.8% pts	
EBITDA margin	21.9%	20.8%	19.8%	24.2%	23.4%	23.7%	2.3% pts	2.6% pts	3.9% pts	
SG&A as % of revenue	2.4%	2.4%	2.4%	2.0%	2.0%	2.0%	-0.4% pts	-0.4% pts	-0.4% pts	
Core EPS (VND)	2,951	3,250	3,579	3,621	4,358	4,953	22.7%	34.1%	38.4%	
<b>Sale volume ('000 tonne)</b>	<b>5,844</b>	<b>6,723</b>	<b>7,257</b>	<b>6,357</b>	<b>7,460</b>	<b>7,481</b>	<b>8.8%</b>	<b>11.0%</b>	<b>3.1%</b>	
Construction steel	3,591	4,041	4,266	3,341	4,048	4,223	-7.0%	0.2%	-1.0%	We lower our FY20F construction steel sales volume assumption by 7.0% as the company boosts sales of billet this year.
Steel billet	880	426	197	1,730	1,045	566	96.6%	145.2%	187.2%	We raise our billet sales volume assumption thanks to higher-than-expected utilisation rate of DQSC Phase 1.
Steel pipe	753	828	869	790	869	913	5.0%	5.0%	5.0%	
Galvanised steel	120	126	132	150	158	165	25.0%	25.0%	25.0%	
HRC	500	1,302	1,792	345	1,341	1,614	-31.0%	3.0%	-9.9%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 15: Combined impact of changes in iron ore price and coking coal price on HPG's FY21F net profit (VND bn)**

	Iron ore (US\$/tonne)						
	77.5	80.0	82.5	85.0	87.5	90.0	92.5
<b>120.0</b>	17,672.6	17,101.3	16,530.4	15,959.7	15,389.2	14,819.0	14,249.0
<b>125.0</b>	17,289.3	16,718.1	16,147.2	15,576.6	15,006.2	14,436.1	13,866.2
<b>130.0</b>	16,906.1	16,335.0	15,764.1	15,193.6	14,623.2	14,053.2	13,483.4
<b>135.0</b>	16,522.9	15,951.9	15,381.1	14,810.6	14,240.3	13,670.3	13,100.6
<b>140.0</b>	16,139.8	15,568.8	14,998.1	14,427.6	13,857.5	13,287.6	12,717.9
<b>145.0</b>	15,756.7	15,185.8	14,615.1	14,044.7	13,474.7	12,904.8	12,335.3
<b>150.0</b>	15,373.7	14,802.8	14,232.2	13,661.9	13,091.9	12,522.2	11,952.8

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 16: Forecast summary (VND bn)**

	FY19A	FY20F	FY21F	FY22F
<b>Total revenue</b>	<b>63,658</b>	<b>88,801</b>	<b>108,502</b>	<b>114,427</b>
Steel	50,179	74,715	92,607	96,346
Gross profit	11,185	18,049	21,097	22,927
Gross profit margin	17.6%	20.3%	19.4%	20.0%
SG&A expense	1,442	1,776	2,170	2,289
EBITDA	11,914	21,493	25,361	27,066
Interest expense	937	1,955	1,710	1,089
Pretax profit	9,097	14,133	16,928	19,212
After-tax profit	7,578	12,376	14,881	16,905
Net profit	7,508	12,306	14,811	16,834
Net margin	11.8%	13.9%	13.7%	14.7%
EBITDA margin	18.7%	24.2%	23.4%	23.7%
SG&A as % of revenue	2.3%	2.0%	2.0%	2.0%
Revenue growth	14.0%	39.5%	22.2%	5.5%
Net profit growth	-12.4%	63.9%	20.4%	13.7%
<b>Sales volume ('000 tonne)</b>	<b>3,840</b>	<b>6,357</b>	<b>7,460</b>	<b>7,481</b>
Construction steel	2,775	3,341	4,048	4,223
Steel billet	220	1,730	1,045	566
Steel pipe	753	790	869	913
Galvanised steel	92	150	158	165
HRC	-	345	1,341	1,614

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## Reiterate Add with a higher TP of VND40,500 ➤

We raise our TP to VND40,500 to reflect the better outlook for FY21-22F and as we roll forward our valuation base year to 2021. Our TP is based on an equal weighting of 1) a forward P/E of 9.0x on EPS FY21F, and 2) a DCF valuation over a 10-year projection period. Downside risks to our call include: 1) lower-than-expected steel demand growth, and 2) lower-than-expected utilisation rate at HRC plant. We use new P/E valuation of 9.0x from 8.0x of previous valuation, to reflect HPG's strong earnings growth in FY21-22F and DQSC's high utilisation rate.

**Figure 17: DCF model - key assumptions**

<b>General assumptions</b>	
Risk free rate (10-year VGB yield)	4.0%
Equity risk premium	11.0%
Beta (source: BB, 1-y adj. beta)	1.1
Cost of equity	16.2%
Long-term growth rate	1.0%
Cost of Debt	5.0%
WACC	12.9%
(in VND bn, otherwise noted)	
PV of DCF (10 years)	89,209
PV of Terminal value	60,152
Enterprise value	149,361
Less: Total Debt	27,276
Plus: Cash and Cash equiv.	16,606
Less: Minority Interest	324
Implied EV	138,367
No. of o/s shares (mn shares)	3,313
Implied value per share (VND)	41,761

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 18: P/E method assumptions**

EPS 2021	4,358
Industry average multiple	9.3
Premium	-3.2%
Target multiple	9.0
Implied value per share (VND)	39,220

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 19: Blended target price, based on our estimates**

Method	Implied value per share (VND)	Weight (%)	Weighted price (VND)
DCF	41,761	50%	20,881
P/E	39,220	50%	19,610
Target price (VND, rounded)			40,500

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

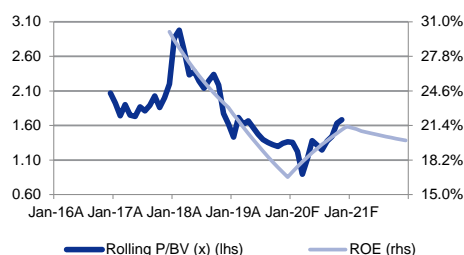
**Figure 20: Peer comparison**

Company	Ticker	Recom.	Price	TP	Mkt cap	P/E (x)		3-year EPS	P/BV (x)		EV/EBITDA (x)		ROE (%)	
			LC\$	LC\$	US\$ m	CY20F	CY21F	CAGR (%)	CY20F	CY21F	CY20F	CY21F	CY20F	CY21F
Regional listed steel producers														
Sansteel Minguang Co Ltd -A	002110 CH	n/a	7.07	8.0	2,637	6.8	6.2	78.9	0.8	0.8	5.3	5.1	12.2	12.3
Xinxing Ductile Iron Pipes-A	000778 CH	na	3.88	4.5	2,356	9.2	8.7	68.9	0.7	0.7	6.2	5.9	7.6	7.6
Xinyu Iron & Steel Co Ltd-A	600782 CH	n/a	4.62	4.8	2,241	5.8	5.7	179.9	0.6	0.5	6.9	6.3	10.1	9.2
Nanjing Iron & Steel Co-A	600282 CH	na	3.29	3.7	3,076	8.4	7.7	322.5	1.0	0.9	5.6	5.2	12.1	11.9
Liuzhou Iron & Steel Co-A	601003 CH	n/a	5.07	5.5	1,977	7.3	6.9	327.1	1.1	1.0	8.4	7.9	13.8	13.3
Angang Steel Co Ltd-A	000898 CH	n/a	2.98	3.0	4,132	16.4	12.8	87.1	0.5	0.5	6.0	5.5	3.2	3.7
Xinyu Iron & Steel Co Ltd-A	600782 CH	n/a	4.62	4.8	2,241	5.8	5.7	179.9	0.6	0.5	6.9	6.3	10.1	9.2
Hyundai Steel	004020 KS	n/a	33,100	33,263	3,994	na	20.2	(48.7)	0.3	0.3	9.2	7.5	(0.8)	1.3
JFE Holidng Inc	5411 JP	n/a	901	1087.1	5,301	na	10.8	na	0.3	0.3	17.8	8.2	(7.1)	2.8
Tata Steel	TATA IN	Add	492.2	503.1	7,556	217.0	9.5	50.0	0.8	0.7	9.1	6.2	0.5	8.2
Jindal Steel & Power Ltd	JSP IN	Add	216.4	277.5	2,964	10.5	10.0	58.5	0.7	0.6	4.6	4.7	6.5	6.4
NMDC Ltd	NMDC IN	Add	94	112.2	3,865	7.3	7.1	14.4	1.0	0.9	5.2	4.9	13.5	13.0
Average					3,492	29.6	9.3	176.6	0.7	0.7	7.4	6.0	7.5	8.8
Median					3,020	7.9	8.2	78.9	0.7	0.7	6.1	5.7	8.8	8.7
Hoa Phat Group	HPG VN	Add	32,250	40,500	4,610	11.2	9.3	4.5	1.6	1.3	5.6	4.4	21.3	20.0

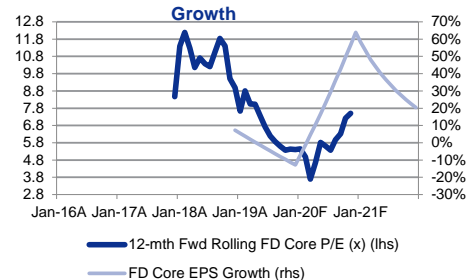
SOURCES: VNDIRECT RESEARCH, BLOOMBERG, DATA AS OF 16 NOV 2020

## BY THE NUMBERS

**P/BV vs ROE**



**12-mth Fwd FD Core P/E vs FD Core EPS Growth**



### Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>Total Net Revenues</b>	<b>55,836</b>	<b>63,658</b>	<b>88,801</b>	<b>108,502</b>	<b>114,427</b>
<b>Gross Profit</b>	<b>11,671</b>	<b>11,185</b>	<b>18,049</b>	<b>21,097</b>	<b>22,927</b>
<b>Operating EBITDA</b>	<b>12,524</b>	<b>11,914</b>	<b>21,493</b>	<b>25,361</b>	<b>27,066</b>
Depreciation And Amortisation	(2,206)	(2,417)	(5,507)	(6,840)	(6,840)
<b>Operating EBIT</b>	<b>10,318</b>	<b>9,498</b>	<b>15,987</b>	<b>18,521</b>	<b>20,226</b>
Financial Income/(Expense)	(245)	(465)	(1,824)	(1,579)	(958)
Pretax Income/(Loss) from Assoc.	0	(1)	(1)	(1)	(1)
Non-Operating Income/(Expense)	(1)	66	(28)	(12)	(54)
<b>Profit Before Tax (pre-EI)</b>	<b>10,071</b>	<b>9,097</b>	<b>14,133</b>	<b>16,928</b>	<b>19,212</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>10,071</b>	<b>9,097</b>	<b>14,133</b>	<b>16,928</b>	<b>19,212</b>
Taxation	(1,471)	(1,518)	(1,757)	(2,047)	(2,308)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>8,601</b>	<b>7,578</b>	<b>12,376</b>	<b>14,881</b>	<b>16,905</b>
Minority Interests	(28)	(71)	(71)	(71)	(71)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(181)	(189)	(309)	(372)	(423)
<b>Net Profit</b>	<b>8,392</b>	<b>7,318</b>	<b>11,996</b>	<b>14,439</b>	<b>16,412</b>
Recurring Net Profit	8,392	7,318	11,996	14,439	16,412
<b>Fully Diluted Recurring Net Profit</b>	<b>8,392</b>	<b>7,318</b>	<b>11,996</b>	<b>14,439</b>	<b>16,412</b>

### Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>EBITDA</b>	<b>12,524</b>	<b>11,914</b>	<b>21,493</b>	<b>25,361</b>	<b>27,066</b>
Cash Flow from Invt. & Assoc.	0	(1)	(1)	(1)	(1)
Change In Working Capital	(2,766)	(8,494)	(5,432)	(7,499)	433
(Incr)/Decr in Total Provisions	(73)	(6)	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0	0
Other Operating Cashflow	(86)	(8)	(134)	(128)	(383)
Net Interest (Paid)/Received	(540)	(937)	(1,955)	(1,710)	(1,089)
Tax Paid	(1,416)	(1,518)	(1,757)	(2,047)	(2,308)
<b>Cashflow From Operations</b>	<b>7,642</b>	<b>949</b>	<b>12,213</b>	<b>13,976</b>	<b>23,718</b>
Capex	(27,594)	(21,622)	(7,000)	(6,000)	(5,000)
Disposals Of FAs/subsidiaries	65	22	0	0	0
Acq. Of Subsidiaries/investments	6,148	2,350	(7,559)	0	0
Other Investing Cashflow	849	41	0	0	0
<b>Cash Flow From Investing</b>	<b>(20,533)</b>	<b>(19,209)</b>	<b>(14,559)</b>	<b>(6,000)</b>	<b>(5,000)</b>
Debt Raised/(repaid)	11,137	20,082	5,722	(4,736)	(7,317)
Proceeds From Issue Of Shares	11	0	5,522	0	0
Shares Repurchased					
Dividends Paid	(6)	(13)	(1,657)	(1,657)	(3,313)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>11,143</b>	<b>20,069</b>	<b>9,587</b>	<b>(6,393)</b>	<b>(10,630)</b>
Total Cash Generated	(1,748)	1,810	7,241	1,583	8,088
<b>Free Cashflow To Equity</b>	<b>(1,754)</b>	<b>1,822</b>	<b>3,376</b>	<b>3,240</b>	<b>11,401</b>
<b>Free Cashflow To Firm</b>	<b>(12,351)</b>	<b>(17,323)</b>	<b>(390)</b>	<b>9,686</b>	<b>19,807</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	6,240	5,939	15,124	16,606	24,788
Total Debtors	3,210	3,575	6,812	8,918	8,203
Inventories	14,115	19,412	23,261	29,668	31,664
Total Other Current Assets	1,743	1,546	2,156	2,634	2,778
<b>Total Current Assets</b>	<b>25,309</b>	<b>30,472</b>	<b>47,353</b>	<b>57,826</b>	<b>67,432</b>
Fixed Assets	50,852	68,992	70,485	69,644	67,803
Total Investments	67	26	26	26	26
Intangible Assets	217	269	250	231	212
Total Other Non-Current Assets	1,778	2,032	4,440	5,425	5,721
<b>Total Non-current Assets</b>	<b>52,914</b>	<b>71,319</b>	<b>75,201</b>	<b>75,326</b>	<b>73,762</b>
Short-term Debt	11,495	16,838	14,146	8,918	3,503
Current Portion of Long-Term Debt					
Total Creditors	8,707	6,178	8,723	10,776	12,843
Other Current Liabilities	2,435	3,982	5,328	6,249	6,401
<b>Total Current Liabilities</b>	<b>22,636</b>	<b>26,998</b>	<b>28,197</b>	<b>25,944</b>	<b>22,747</b>
Total Long-term Debt	12,811	19,842	21,587	18,358	15,146
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,153	7,163	7,548	9,223	9,726
<b>Total Non-current Liabilities</b>	<b>14,964</b>	<b>27,005</b>	<b>29,135</b>	<b>27,580</b>	<b>24,872</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>37,600</b>	<b>54,003</b>	<b>57,332</b>	<b>53,524</b>	<b>47,619</b>
Shareholders' Equity	40,496	47,605	64,968	79,304	93,181
Minority Interests	127	183	253	324	394
<b>Total Equity</b>	<b>40,623</b>	<b>47,788</b>	<b>65,222</b>	<b>79,628</b>	<b>93,575</b>

### Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	21.0%	14.0%	39.5%	22.2%	5.5%
Operating EBITDA Growth	9.7%	(4.9%)	80.4%	18.0%	6.7%
Operating EBITDA Margin	22.4%	18.7%	24.2%	23.4%	23.7%
Net Cash Per Share (VND)	(5,452)	(9,278)	(6,220)	(3,220)	1,853
BVPS (VND)	12,222	14,368	19,608	23,935	28,123
Gross Interest Cover	19.11	10.14	8.18	10.83	18.57
Effective Tax Rate	14.6%	16.7%	12.4%	12.1%	12.0%
Net Dividend Payout Ratio	0.1%	NA	12.0%	10.0%	17.7%
Accounts Receivables Days	31.92	19.45	21.41	26.46	27.31
Inventory Days	106.9	116.6	110.4	110.5	122.3
Accounts Payables Days	53.44	51.77	38.54	40.71	47.11
ROIC (%)	27.9%	13.0%	16.3%	17.4%	17.9%
ROCE (%)	19.2%	13.3%	17.4%	17.9%	18.6%
Return On Average Assets	15.4%	10.3%	13.7%	14.0%	14.3%

### Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% Change)	14.6%	-8.8%	-7.1%	1.0%	1.0%
Unit Sales Growth (%)	6.4%	21.1%	65.5%	17.4%	0.3%
Utilisation Rate (%)	84.7%	71.1%	107.7%	108.1%	101.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to VNDIRECT Securities Corporation, and is distributed by CGS-CIMB pursuant to an arrangement between VNDIRECT Securities Corporation and CGS-CIMB. VNDIRECT Securities Corporation is not an affiliate of CGS-CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CGS-CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report.

VNDIRECT Securities Corporation may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. Neither VNDIRECT Securities Corporation nor CGS-CIMB is under any obligation to update this report in the event of a material change to the information contained in this report. Neither VNDIRECT Securities Corporation nor CGS-CIMB has any and will accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, VNDIRECT Securities Corporation, CGS-CIMB and their respective affiliates and related persons including China Galaxy International Financial Holdings Limited ("CGIFHL") and CIMB Group Sdn. Bhd. ("CIMBG") and their respective related corporations (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, VNDIRECT Securities Corporation and CGS-CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CGS-CIMB or VNDIRECT Securities Corporation, or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) to any person to buy or sell any investments.

CGS-CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations), their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMB and/or VNDIRECT Securities Corporation, and/or their respective affiliates and their respective related corporations (including CGIFHL, CIMBG and their respective related corporations) do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CGS-CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CGS-CIMB and/or VNDIRECT Securities Corporation may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "VNDIRECT Securities Corporation" shall, unless the context otherwise requires, mean VNDIRECT Securities Corporation and its affiliates, subsidiaries and related companies. The term "CGS-CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CGS-CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations.



**CGS-CIMB**

Country	CGS-CIMB Entity	Regulated by
Hong Kong	CGS-CIMB Securities (Hong Kong) Limited	Securities and Futures Commission Hong Kong
India	CGS-CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.)	Securities Commission Malaysia
Singapore	CGS-CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CGS-CIMB Securities (Hong Kong) Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CGS-CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand


(i) As of December 26, 2019 VNDIRECT Securities Corporation has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

(ii) As of December 26, 2019, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CGS-CIMB, VNDIRECT Securities Corporation and their respective affiliates (including CGIFHL, CIMBG and their related corporations) do not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. None of CGS-CIMB, VNDIRECT Securities Corporation and their respective affiliates and related persons (including CGIFHL, CIMBG and their related corporations) shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CGS-CIMB's and its affiliates' (including CGIFHL's, CIMBG's and their respective related corporations') clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

**Restrictions on Distributions**

**Australia:** Despite anything in this report to the contrary, this research is issued by VNDIRECT Securities Corporation and provided in Australia by CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited do not hold, and are not required to hold an Australian financial services license. CGS-CIMB Securities (Singapore) Pte. Ltd. and CGS-CIMB Securities (Hong Kong) Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

**Canada:** This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at <https://researchcentral.cibcwm.com>.

**China:** For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

**France:** Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

**Germany:** This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act

(WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

**Hong Kong:** This report is issued by VNDIRECT Securities Corporation and distributed in Hong Kong by CGS-CIMB Securities (Hong Kong) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CGS-CIMB Securities (Hong Kong) Limited. The views and opinions in this research report are of VNDIRECT Securities Corporation as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update the opinion or the information in this research report.

CHK does not make a market on other securities mentioned in the report.

#### India:

This report is issued by VNDIRECT Securities Corporation and distributed in India by CGS-CIMB Securities (India) Private Limited ("CGS-CIMB India"). CGS-CIMB India is a subsidiary of CGS-CIMB Securities International Pte. Ltd. which in turn is a 50:50 joint venture company of CGIFHL and CIMBG. The details of the members of the group of companies of CGS-CIMB can be found at [www.cgs-cimb.com](http://www.cgs-cimb.com), CGIFHL at [www.chinastock.com.hk/en/ACG/ContactUs/index.aspx](http://www.chinastock.com.hk/en/ACG/ContactUs/index.aspx) and CIMBG at [www.cimb.com/en/who-we-are.html](http://www.cimb.com/en/who-we-are.html). CGS-CIMB India is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member (Merchant Banking Number: INM000012037) under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CGS-CIMB India is not required to seek registration with the Securities and Exchange Board of India ("SEBI") as an Investment Adviser. CGS-CIMB India is registered with SEBI (SEBI Registration Number: INZ000157134) as a Research Analyst (INH000000669) pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CGS-CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CGS-CIMB India or its affiliates.

CGS-CIMB India does not have actual / beneficial ownership of 1% or more securities of the subject company in this research report, at the end of the month immediately preceding the date of publication of this research report. However, since affiliates of CGS-CIMB India are engaged in the financial services business, they might have in their normal course of business financial interests or actual / beneficial ownership of one per cent or more in various companies including the subject company in this research report.

CGS-CIMB India or its associates, may: (a) from time to time, have long or short position in, and buy or sell the securities of the subject company in this research report; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company in this research report or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

CGS-CIMB India, its associates and the analyst engaged in preparation of this research report have not received any compensation for investment banking, merchant banking or brokerage services from the subject company mentioned in the research report in the past 12 months.

CGS-CIMB India, its associates and the analyst engaged in preparation of this research report have not managed or co-managed public offering of securities for the subject company mentioned in the research report in the past 12 months. The analyst from CGS-CIMB India engaged in preparation of this research report or his/her relative (a) do not have any financial interests in the subject company mentioned in this research report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the research report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the research report.

**Indonesia:** This report is issued by VNDIRECT Securities Corporation and distributed by PT CGS-CIMB Sekuritas Indonesia ("CGS-CIMB Indonesia"). The views and opinions in this research report are not our own but of VNDIRECT Securities Corporation as of the date hereof and are subject to change. CGS-CIMB Indonesia has no obligation to update the opinion or the information in this research report. This report is for private circulation only to clients of CGS-CIMB Indonesia. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

**Ireland:** CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

**Malaysia:** This report is issued by VNDIRECT Securities Corporation and distributed in Malaysia by CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.) ("CGS-CIMB Malaysia") solely for the benefit of and for the exclusive use of our clients. Recipients of this report are

to contact CGS-CIMB Malaysia, at 29th Floor Menara CIMB No. 1 Jalan Stesen Sentral 2, Kuala Lumpur Sentral 50470 Kuala Lumpur, Malaysia, in respect of any matters arising from or in connection with this report. CGS-CIMB Malaysia has no obligation to update, revise or reaffirm the opinion or the information in this research report after the date of this report.

**New Zealand:** In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

**Singapore:** This report is issued by VNDIRECT Securities Corporation and distributed by CGS-CIMB Research Pte Ltd ("CGS-CIMBR"). CGS-CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CGS-CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CGS-CIMB Research Pte Ltd, 50 Raffles Place, #16-02 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CGS-CIMBR has no obligation to update the opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CGS-CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CGS-CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CGS-CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in securities), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CGS-CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CGS-CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CGS-CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CGS-CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CGS-CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CGS-CIMBR, its affiliates and related corporations, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMBR, its affiliates and its related corporations do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of December 26, 2019,, CGS-CIMBR does not have a proprietary position in the recommended securities in this report.

CGS-CIMBR does not make a market on the securities mentioned in the report.

**South Korea:** This report is issued by VNDIRECT Securities Corporation and distributed in South Korea by CGS-CIMB Securities (Hong Kong) Limited, Korea Branch ("CGS-CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

**Spain:** This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CGS-CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

**Sweden:** This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

**Switzerland:** This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

**Thailand:** This report is issued by VNDIRECT Securities Corporation and distributed by CGS-CIMB Securities (Thailand) Co. Ltd. ("CGS-CIMB Thailand") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CGS-CIMB Thailand has no obligation to update the opinion or the information in this research report.

CGS-CIMB Thailand may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AEONTS, AMATA, ANAN, AOT, AP, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEAUTY, BEC, BEM, BGRIM, BH, BJC, BLAND, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EA, EGCO, EPG, ERW, ESSO, GFPT, GLOBAL, GPSC, GULF,

GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMT, KBANK, KCE, KKP, KTB, KTC, LH, MAJOR, MBK, MEGA, MINT, MTC, ORI, OSP, PLANB, PRM, PSH, PSL, PTG, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, RS, SAWAD, SCB, SCC, SGP, SIRI, SPALI, SPRC, STA, STEC, SUPER, TASCO, TCAP, THAI, THANI, TISCO, TKN, TMB, TOA, TOP, TPIPP, TRUE, TTW, TU, TVO, WHA.

#### Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

**United Arab Emirates:** The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom and European Economic Area (EEA):** In the United Kingdom and European Economic Area, this material is issued by VNDIRECT Securities Corporation and is being distributed by CGS-CIMB Securities (UK) Limited ("CGS-CIMB UK"). CGS-CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. The material distributed by CGS-CIMB UK has been prepared in accordance with CGS-CIMB's policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CGS-CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material(all such persons together being referred to as "relevant persons"). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this material is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "research" (cannot remove research from here under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent material will not have been prepared in accordance with legal requirements designed to promote the independence of research (cannot remove research from here) and will not subject to any prohibition on dealing ahead of the dissemination of research. Any such non-independent material must be considered as a marketing communication.

**United States:** This research report is issued by VNDIRECT Securities Corporation and distributed in the United States of America by CGS-CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.), CGS-CIMB Research Pte Ltd, PT CGS-CIMB Sekuritas Indonesia, CGS-CIMB Securities (Thailand) Co. Ltd, CGS-CIMB Securities (Hong Kong) Limited and CGS-CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CGS-CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CGS-CIMB Securities (USA) Inc.

CGS-CIMB Securities (USA) Inc. does not make a market on other securities mentioned in the report.

CGS-CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

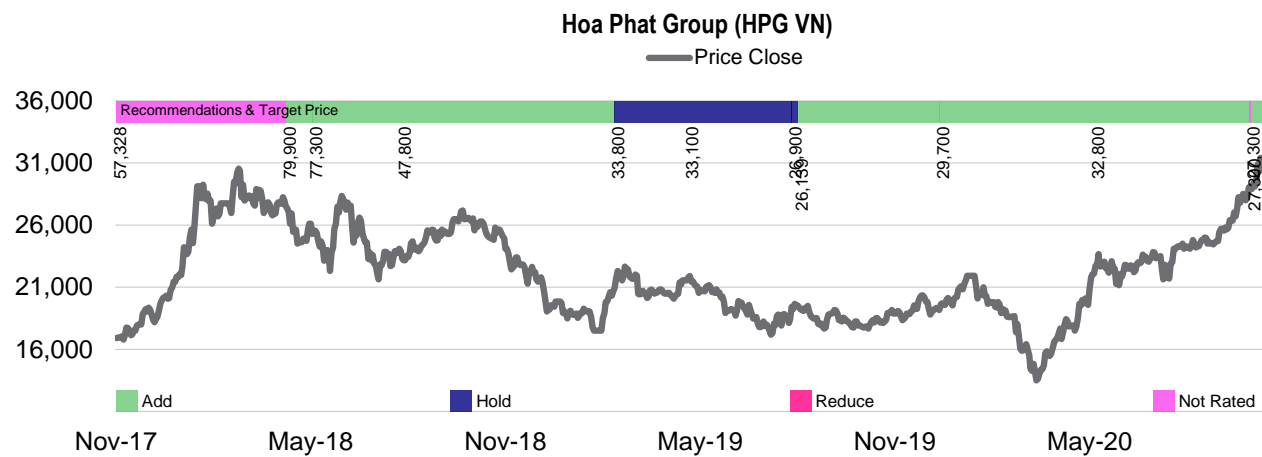
CGS-CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
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, **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, **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, **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.

**Hien Tran Khanh – Deputy Head of Research**

Email: hien.trankhanh@vndirect.com.vn

**Trung TRAN – Analyst**

Email: trung.tranba@vndirect.com.vn



**VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn) | Website: <https://vndirect.com.vn>