

Vietnam

HOLD (previously ADD)

Consensus ratings*: Buy 3 Hold 4 Sell 0

Current price:	VND20,600
Target price:	VND19,600
Previous target:	VND20,000
Up/downside:	-4.9%
CGS-CIMB / Consensus:	-3.2%
Reuters:	PVD.HM
Bloomberg:	PVD VN
Market cap:	US\$337.2m
	VND7,886,714m
Average daily turnover:	US\$2.71m
	VND65,423m
Current shares o/s:	383.3m
Free float:	34.0%

*Source: Bloomberg

Key changes in this note

- FY19F EPS decreased by 18.4%.
- FY20F EPS increased by 8.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.9	16.7	34.2
Relative (%)	6.4	17.3	34.8

Major shareholders

	% held
PetroVietnam Group	50.4
Others	49.6

Analyst(s)

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Narrowing losses in 1Q19

- Improvements in rig utilisation rate and day charter rate propelled 1Q19 results. Net loss narrowed to US\$3.8m in 1Q19 from US\$10.5m in 1Q18.
- Although the results fell short of our forecast, PVD's secured orderbook into 2020F and gradual improvement in day rate are encouraging positives.
- We downgrade to Hold from Add on valuations with lower TP of VND19,600. Better-than-expected revival of the TAD rig could re-rate the stock.

Net loss narrows in 1Q19

PVD reported a net loss of US\$3.8m in 1Q19 (vs. net loss of US\$10.5m in 1Q18). The lower net loss was driven by (1) higher jack-up utilisation rate (83% vs. 70% in 1Q18), (2) a slight increase in charter rate, (3) the impressive recovery of the well services segment, and (4) lower debt provision made in 1Q. However, the company still incurred a loss as the PVD II rig stayed idle for 2 months between two drilling projects for Vietsopetro (unlisted) and Hibiscus Malaysia (HIBI MK, Not rated).

Secured orderbook for FY19F

From 2Q19F, PVD's 4 jack-up rigs have already secured drilling contracts until the end of the year, mostly with Malaysian clients. Therefore, the company is on track to achieve our 90% jack-up utilisation rate assumption for FY19F (vs. 85% in FY18). We expect this, coupled with continued recovery in average day charter rate (+7.1% yoy to US\$60,000) on the back of warming regional market, to help its bottomline turn positive in the following quarters.

Where we differ from consensus

We cut our EPS for FY19F as the 1Q19 result missed our forecast. Nevertheless, our full-year 2019F forecast remains above consensus as we think PVD could recover c.US\$4m of bad debt from PVEP (unlisted) in FY19F. We also reduce SG&A expenses in 2020F as we assume the company will not need to make further debt provisions post-2019F.

Downgrade to Hold from Add with a lower TP of VND19,600

Our TP is based on a 50:50 combination of DCF valuation and target FY19-21F P/BV of 0.6x. We trim our target price to VND19,600 as our lower FY19F EPS leads to a decrease in the DCF-based fair value. We also downgrade our rating to Hold from Add as current valuations appear to have priced in the new contract awards. Upside risks include stronger recovery of day charter rate, and earlier revival/higher day rate of the deep-water TAD rig. Downside risks are low oil price, and further idleness of TAD rig beyond 2019F.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (US\$m)	171.5	239.2	249.5	291.6	299.3
Operating EBITDA (US\$m)	17.31	30.79	27.09	34.01	44.12
Net Profit (US\$m)	2.00	8.56	11.92	15.49	23.67
Core EPS (US\$)	0.005	0.022	0.031	0.040	0.062
Core EPS Growth	(66%)	329%	39%	30%	53%
FD Core P/E (x)	169.1	39.4	28.3	21.8	14.3
DPS (US\$)	0.000	0.000	-	-	-
Dividend Yield	0.018%	0.036%	0.000%	0.000%	0.000%
EV/EBITDA (x)	20.59	11.16	12.50	9.80	6.84
P/FCFE (x)	NA	5.58	NA	49.43	9.88
Net Gearing	5.35%	4.06%	2.97%	1.72%	(4.38%)
P/BV (x)	0.58	0.57	0.59	0.61	0.60
ROE	0.34%	1.46%	2.06%	2.76%	4.26%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)			1.94	0.88	0.91

SOURCES: VND RESEARCH, COMPANY REPORTS

Narrowing losses in 1Q19

1Q19 results improve on the back of higher utilisation rate

Figure 1: 1Q19 results overview

FYE Dec (VNDbn)	1Q18	1Q19	% yoy	vs. FY19 forecast	Comment
Net revenue	48.7	39.3	-19.4%	16.1%	
Drilling	16.0	16.8	5.5%		Higher jack-up utilisation rate (83% vs 70% in 1Q18) and slight improvements in day charter rate
Trading	16.9	3.7	-77.9%		Revenue from trading activities declined on 1Q18 high base due to fewer large contracts in 1Q19 than the company's expectation.
Well services	15.9	18.7	17.8%		Higher work volume
Gross profit	(2.0)	2.2	N/A	8.7%	
Drilling	(4.2)	(1.4)	N/A		PVD incurred lower loss in 1Q19 due to higher rig utilisation rate and day charter rate. However, 1Q19 gross profit was still negative as the PVD II rig stayed idle for 2 months between the 2 drilling projects for Vietsopetro and Hibiscus Malaysia.
Trading	0.5	0.7	57.9%		
Well services	1.7	2.9	65.9%		
Gross profit margin	-4.0%	5.6%	+9.6% pts		
Drilling	N/A	N/A			
Trading	2.7%	19.4%	+16.7% pts		
Well services	11.0%	15.5%	+4.5% pts		
Selling expenses	0.1	0.1	-19.1%	16.0%	
G&A expenses	7.5	5.1	-31.3%	39.3%	PVD continued to make c.US\$2m provision for PVEP's debt, however, this amount is lower than 1Q18's provision expenses.
Operating profit	(10)	(3)	N/A	N/A	
Financial income	1.6	1.1	-33.2%	8.8%	
Financial expenses	2.8	2.2	-22.5%	22.3%	
Pre-tax profit	(10.9)	(3.7)	N/A	N/A	
Net profit	(10.5)	(3.8)	N/A	N/A	

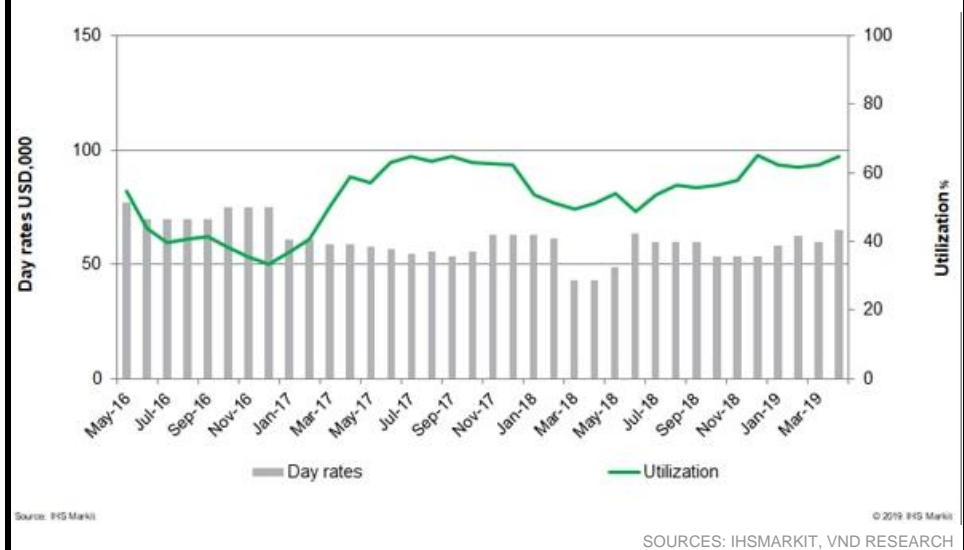
SOURCES: VND RESEARCH, COMPANY REPORTS

2019-20F outlook: extending abroad

Warming regional market to benefit PVD ➤

Both day rates and utilisation rate for jack-up rigs in the region have shown slight improvements from 2018. We expect the average charter rate to continue to increase in the following quarters, assuming Brent oil price leveling at US\$60-70/bbl in FY19-21F. Note that historically, the demand for drilling rigs often moves in line with crude oil price with a lag of c. 1 year.

Figure 2: Average day rates and utilisation rate for jack-up rigs (361-400 IC) in Southeast Asia



PVD has been finding opportunities in the regional market in the past 2 years as the domestic market remained quiet without long-term drilling contracts. The newly-awarded contracts of PVD are mostly from Malaysia, with details as follows:

- PVD I rig finished drilling for Murphy Oil (unlisted) in 1Q19, and is currently under contract with Hibiscus Malaysia (HIBI MK, Not rated) starting from May until end-2019F.
- PVD II started drilling for Sapura Energy (SAPE MK, HOLD, TP:RM0.37) in Feb 2019, which will last for about 120 days. After that, PVD has a contract with JVPC (unlisted) from Jul to Sep 2019.
- PVD III has been working for Repsol Malaysia (unlisted) since 2018, which will last until Mar 2020F.
- PVD VI has a contract with ENI Vietnam B.V. (unlisted) for an 80-day drilling project at Block 114 – Song Hong Basin, starting from May 2019. After that, the rig will move to Malaysia for a drilling project of c.9 months with extending option.

We expect that as the regional market heats up following the recovery of oil price in 2018, demand for drilling rigs and other related services will continue to improve, opening up more opportunities for PVD. In terms of domestic market, the company is open to lease rigs from clients to cater to domestic demand.

Regarding the PVD V rig (deep-water TAD rig), management claims to be bidding for a drilling project of Shell Brunei, in which PVD has an advantage of having more modern and younger rig than the competitor Sapura. This contract, if awarded, could be an upside catalyst to the stock price. On the other hand, some other potential solutions for TAD include conversion to a production platform for Dai Hung field or finding other drilling contracts both domestically and abroad. We maintain our assumption that the TAD rig could start working again in 2H20F at a charter rate of US\$85,000/day.

Forecast revisions ►

Figure 3: Forecast revisions

Unit: US\$m	2019F			2020F			2021F			Note
	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ	
Net revenue	244	249	2.2%	276	292	5.8%	299	299	0.0%	Revenue revised up to take into account additional revenue from 1 new leased rig. In Mar 2019, PVD announced to lease the Hakuryu-11 rig of Japan Drilling (1606 JP, Not rated) for domestic work in Vung Tau city, starting from Oct 2019, with total estimated time of 12 months.
Gross profit	25	27	5.2%	44	46	3.7%	57	57	1.5%	
<i>Gross profit margin</i>	10.4%	10.7%	+0.3% pts	16.1%	15.8%	-0.3% pts	18.9%	19.2%	-0.3% pts	GPM of the well services segment is revised up in line with 2018 audited numbers (18.4% from 15.9%), yet offset by the higher contribution of the low-margin leased rig (GPM of 3%).
SG&A expenses	14	14	2.9%	34	31	-7.2%	37	37	0.0%	We adjust 2020F G&A expenses as we expect that PVD no longer needs to make provision for PVEP's bad debt starting from 2020F.
Operating profit	12	13	7.8%	11	15	38.0%	20	21	4.1%	
Financial income	12	8	-36.0%	11	9	-20.0%	11	11	-6.5%	Lower 2019F financial income as the 1Q19 number significantly missed our forecast.
Financial expenses	10	10	2.6%	10	10	1.2%	8	8	0.2%	
Pre-tax profit	17	14	-18.0%	17	18	9.1%	27	28	1.0%	
Net profit	15	12	-18.4%	14	15	8.1%	24	24	0.1%	

SOURCES: VND RESEARCH

Valuation

We cut our target price to VND19,600 due to lower EPS forecast for 2019F. The target price is derived on the basis of a 50:50 combination of DCF and target P/BV multiple for FY19-21F at 0.6x.

As the share price has increased 18.5% since our last report, which we believe prices in the positive news regarding continuous contract wins, the stock is fairly priced now. We downgrade our recommendation from Add to Hold.

Figure 4: DCF model – summary of free cash flow (FCF)

US\$m	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F	Dec-25F	Dec-30F	Dec-35F	CAGR 20-35F
Total revenue	240	172	239	249	292	410	534	589	4.8%
% yoy		-27.4%	41.4%	7.4%	20.4%	10.0%	3.7%	1.2%	
COGS & OPEX	(233)	(189)	(235)	(237)	(277)	(361)	(470)	(519)	
EBIT	7	(17)	4	13	15	49	64	71	11.0%
Operating margin	3.0%	-10.2%	1.8%	5.0%	5.0%	12.0%	12.0%	12.0%	
Effective tax rate	30.8%	76.4%	25.8%	25.0%	25.0%	25.0%	25.0%	25.0%	
EBIT * (1-Tax rate)	5	(4)	3	9	11	37	48	53	11.0%
+ Depreciation & Amortisation	33	35	26	15	19	32	42	46	
% of revenue	13.6%	20.3%	11.1%	5.8%	6.6%	7.8%	7.8%	7.8%	
- CapEx	(11)	(2)	(3)	(11)	(17)	(20)	(27)	(29)	
% of revenue	-4.4%	-1.1%	-1.4%	-4.4%	-6.0%	-5.0%	-5.0%	-5.0%	
+ Change in Working Capital	12	2	(3)	5	3	10	12	24	
% of revenue	5.2%	0.9%	-1.2%	1.9%	1.2%	2.4%	2.3%	4.0%	
Interest and other financial activities, net	5	24	6	1	3	9	12	14	
% of revenue	2.0%	14.1%	2.4%	0.6%	1.2%	2.3%	2.3%	2.3%	
Unlevered free cash flow (UFCF)	44	54	29	19	20	68	88	107	
% yoy		24.7%	-45.6%	-32.9%	6.7%	25.3%	4.2%	1.2%	

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 5: Cost of equity

Cost of equity	
Risk Free Rate	5.0%
Beta	1.7
Risk Premium	11.0%
Cost of Equity	23.7%

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 6: WACC and terminal growth

US\$m	
Equity Value	293
Debt	151
Cost of Debt	5.0%
Tax Rate	25.0%
WACC	16.9%
Perpetual Growth Rate	1.2%

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 7: Blended target price

Method	Implied share price (VND)*	Weight (%)	Weighted share price (VND)
DCF	17,736	50%	8,868
Target FY19-21F P/B of 0.6x	21,397	50%	10,699
Blended price		100%	19,566
Target price			19,600

*Assuming USD/VND rate of VND23,000

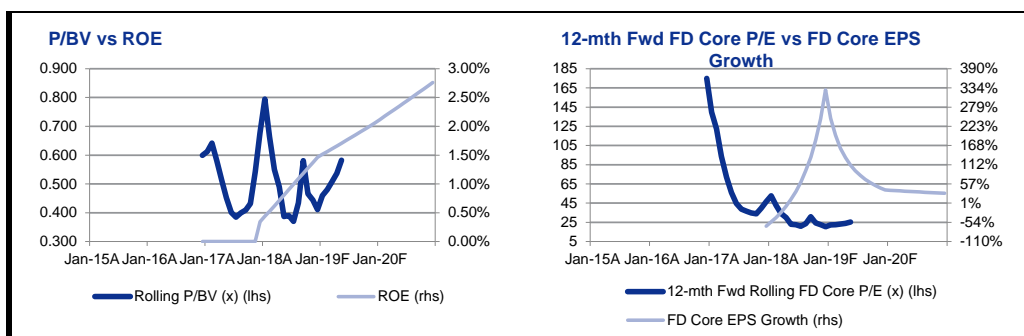
SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 8: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)			ROE (%)			ROA (%)		
						TTM	FY19F	FY20F		TTM	FY19F	FY20F	TTM	FY19F	FY20F	TTM	FY19F	FY20F
Offshore drilling companies																		
PV Drilling	PVD VN	HOLD	20,600	19,600	337	23.1	28.3	21.8	40.4%	0.6	0.6	0.6	2.7%	2.1%	2.8%	1.7%	1.3%	1.8%
Velesto Energy Bhd	VEB MK	HOLD	0.27	0.30	530	N/A	61.7	16.6	39.5%	0.8	0.7	0.7	-1.7%	1.2%	1.3%	-1.1%	0.8%	0.9%
Sapura Energy Bhd	SAPE MK	HOLD	0.30	0.37	1,142	N/A	N/A	N/A	-51.0%	0.3	0.3	0.4	1.8%	-4.1%	-2.0%	0.7%	-1.6%	-0.7%
EnSCO	OXHI LN	NOT RATED	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-8.4%	-7.4%	-5.7%	-4.9%	-3.7%	-2.9%
Rowan Companies	RDC LN	NOT RATED	10.93	N/A	1,391	N/A	N/A	N/A	N/A	0.3	N/A	N/A	-6.7%	-3.9%	-2.3%	-4.2%	-0.8%	1.4%
Transocean	RIGN SW	NOT RATED	7.35	N/A	4,454	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-14.8%	-10.0%	-7.5%	-7.7%	-6.8%	-4.1%
Average - Offshore drilling peers					1,879	61.7	16.6	-5.8%	0.5	0.5	0.5	-6.0%	-4.8%	-3.2%	-3.4%	-2.4%	-1.1%	

SOURCES: BLOOMBERG, VND RESEARCH (DATA AS OF MAY 23 2019)

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	171.5	239.2	249.5	291.6	299.3
Gross Profit	8.5	17.3	26.6	46.0	57.4
Operating EBITDA	17.3	30.8	27.1	34.0	44.1
Depreciation And Amortisation	(34.8)	(26.5)	(14.5)	(19.3)	(23.3)
Operating EBIT	(17.4)	4.3	12.6	14.7	20.8
Financial Income/(Expense)	(3.6)	(2.9)	(2.3)	(0.8)	2.5
Pretax Income/(Loss) from Assoc.	0.2	2.6	3.4	3.9	4.0
Non-Operating Income/(Expense)	27.5	6.1	0.3	0.3	0.3
Profit Before Tax (pre-EI)	6.7	10.1	13.9	18.1	27.7
Exceptional Items					
Pre-tax Profit	6.7	10.1	13.9	18.1	27.7
Taxation	(5.1)	(2.6)	(3.5)	(4.5)	(6.9)
Exceptional Income - post-tax					
Profit After Tax	1.6	7.5	10.5	13.6	20.8
Minority Interests	0.4	1.0	1.5	1.9	2.9
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2.0	8.6	11.9	15.5	23.7
Recurring Net Profit	2.0	8.6	11.9	15.5	23.7
Fully Diluted Recurring Net Profit	2.0	8.6	11.9	15.5	23.7

Cash Flow

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	17.31	30.79	27.09	34.01	44.12
Cash Flow from Inv. & Assoc.	(6.32)	(7.11)	(6.90)	(6.70)	(6.50)
Change In Working Capital	1.52	(2.89)	4.62	3.40	16.48
(Incr)/Decr in Total Provisions	1.81	(4.95)	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	(10.65)	(20.67)	(13.15)	(15.89)	(16.42)
Other Operating Cashflow	13.78	25.89	21.45	25.84	28.74
Net Interest (Paid)/Received	(8.68)	(7.70)	(10.06)	(9.62)	(8.12)
Tax Paid	(3.71)	(6.21)	(3.49)	(4.53)	(6.92)
Cashflow From Operations	5.05	7.15	19.57	26.52	51.38
Capex	(1.95)	(3.42)	(10.95)	(17.50)	(14.96)
Disposals Of FAs/subsidiaries	0.01	0.03	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(12.96)	54.90	0.00	0.00	0.00
Cash Flow From Investing	(14.90)	51.51	(10.95)	(17.50)	(14.96)
Debt Raised/(repaid)	(33.16)	1.78	(10.62)	(2.19)	(2.27)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(0.06)	(0.12)	0.00	0.00	0.00
Preferred Dividends					
Other Financing Cashflow	0.00	(42.17)	0.00	0.00	0.00
Cash Flow From Financing	(33.22)	(40.51)	(10.62)	(2.19)	(2.27)
Total Cash Generated	(43.07)	18.16	(2.00)	6.83	34.15
Free Cashflow To Equity	(43.01)	60.45	(2.00)	6.83	34.15
Free Cashflow To Firm	(1.17)	66.37	18.68	18.64	44.53

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	174.3	141.6	134.2	135.2	163.6
Total Debtors	68.5	69.7	73.1	85.5	87.8
Inventories	33.3	32.8	32.4	35.7	35.1
Total Other Current Assets	1.2	1.1	1.1	1.3	1.3
Total Current Assets	277.3	245.2	240.9	257.7	287.8
Fixed Assets	653.9	624.9	607.1	587.6	562.2
Total Investments	25.5	29.9	29.3	28.4	27.6
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	5.9	7.5	7.4	7.2	6.9
Total Non-current Assets	685.3	662.3	643.7	623.2	596.7
Short-term Debt	59.2	15.7	14.3	13.7	27.7
Current Portion of Long-Term Debt					
Total Creditors	39.5	42.9	48.4	56.6	58.1
Other Current Liabilities	73.6	62.4	65.5	76.6	78.6
Total Current Liabilities	172.3	121.0	128.3	146.9	164.4
Total Long-term Debt	146.9	150.2	137.2	131.2	110.7
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	49.0	37.9	37.0	35.9	34.9
Total Non-current Liabilities	195.9	188.1	174.2	167.2	145.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	368.2	309.1	302.5	314.1	310.0
Shareholders' Equity	582.8	587.3	569.8	552.9	558.1
Minority Interests	11.7	11.1	12.3	13.8	16.3
Total Equity	594.4	598.4	582.1	566.8	574.5

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	(28.5%)	39.4%	4.3%	16.9%	2.6%
Operating EBITDA Growth	(56.5%)	77.9%	(12.0%)	25.5%	29.7%
Operating EBITDA Margin	10.1%	12.9%	10.9%	11.7%	14.7%
Net Cash Per Share (US\$)	(0.083)	(0.063)	(0.045)	(0.025)	0.066
BVPS (US\$)	1.52	1.53	1.49	1.44	1.46
Gross Interest Cover	(2.05)	0.58	1.89	2.31	3.88
Effective Tax Rate	76.4%	25.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	3.08%	1.42%	NA	NA	NA
Accounts Receivables Days	144.4	105.4	104.5	99.6	105.6
Inventory Days	76.42	54.36	53.39	50.69	53.42
Accounts Payables Days	69.73	58.78	72.67	76.12	84.18
ROIC (%)	(2.04%)	0.53%	1.59%	1.94%	2.85%
ROCE (%)	(1.07%)	1.61%	2.72%	3.25%	4.42%
Return On Average Assets	0.45%	1.05%	1.37%	1.61%	2.12%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Oil Price (US\$/bbl)	54.0	72.0	65.0	68.0	70.0
Volume Growth (%)	-4.6%	-0.5%	-0.8%	0.4%	-0.2%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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PetroVietnam Drilling & Well Services JSC (PVD VN)



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

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **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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