

Vietnam

HOLD (no change)

Consensus ratings*: Buy 3 Hold 6 Sell 0

Current price:	VND17,400
Target price:	VND19,600
Previous target:	VND17,400
Up/downside:	12.6%
CGS-CIMB / Consensus:	0.7%
Reuters:	PVD.HM
Bloomberg:	PVD VN
Market cap:	US\$315.8m
	VND7,327,659m
Average daily turnover:	US\$1.87m
	VND43,916m
Current shares o/s:	421.5m
Free float:	34.0%

*Source: Bloomberg

Key changes in this note

- FY20F EPS increased by 21.3%.
- FY21F EPS increased by 3.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.7	1.3	-8.9
Relative (%)	-7.4	-1.7	-6.2

Major shareholders	% held
PetroVietnam Group	50.4
Others	49.6

Analyst(s)



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PetroVietnam Drilling & Well Services JSC

Contract win partly priced in

- PVD recently announced it has signed the contract for the long-awaited project in Brunei for a period of six years plus two 2-year extension options.
- We raise our FY20-21F EPS forecasts by 3-21% to reflect this new contract award.
- Maintain Hold with a higher target price of VND19,600.

Announcement of contract win ...

PVD said it has secured a drilling contract with Brunei Shell Petroleum (unlisted, BSP) for a charter term of six years with two 2-year extension options. The project is slated to start from Apr 2020F, giving the currently cold-stacked PVD V rig enough time to be reactivated (reactivation usually takes 4-5 months). Although not disclosed, we expect the contract day rate to be at the lower end of the global day rate range of US\$120,000-300,000, which should be competitive enough for the company to win the bid.

... led to 3-21% upward revisions in FY20-21F earnings forecasts ...

We had earlier assumed that the PVD V rig would return to work at a day rate of US\$85,000 starting from 1H20F. However, given the better market prospects, we increase our day rate assumption for the six-year contract to US\$125,000 and raise its full-year utilisation rate from 50% to 70% in 2020F. We also take into account the expected reactivation cost of US\$3.5m, which might not be a burden given the company's high cash balance of US\$74m (as at end-1H19).

... but positives are partly priced in

Our upward TP revision is due mainly to the addition of PVD V's workload. However, we maintain a Hold recommendation as early speculation of a possible contract win had pushed the stock price up by nearly 10% since our last update report. Our valuation remains on the basis of a 50:50 combination of (1) DCF valuation, and (2) target P/BV of 0.6x on average FY19-21F BVPS. The target P/BV is higher than FY19F peer average P/BV of 0.4x as we account for PVD's younger rig fleet than competitors and we expect the rebound in the oilfield service market to boost the average P/BV of drilling contractors in the medium term. We see the contract award for PVD as a short-term catalyst for the stock price, but the long-term growth driver should be a recovery in jack-up charter rates, as PVD V's day rate has already been locked up for the next six years.

Upside and downside risks

Upside risks include higher-than-expected charter rates for jack-up rigs and higher regional demand which could trigger PVD to hire external rigs for drilling. Downside risks are lower charter rates and low oil prices which could dampen the recovery in exploration and production activities.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (US\$m)	171.5	239.2	198.2	269.0	264.9
Operating EBITDA (US\$m)	17.31	30.79	22.34	41.94	46.31
Net Profit (US\$m)	2.00	8.60	9.73	17.59	24.03
Core EPS (US\$)	0.005	0.020	0.023	0.042	0.057
Core EPS Growth	(66%)	331%	13%	81%	37%
FD Core P/E (x)	158.3	36.7	32.5	18.0	13.2
DPS (US\$)	0.000	0.000	-	-	-
Dividend Yield	0.021%	0.042%	0.000%	0.000%	0.000%
EV/EBITDA (x)	19.35	10.47	14.23	7.22	5.80
P/FCFE (x)	NA	5.23	NA	65.32	7.56
Net Gearing	5.35%	4.06%	3.15%	0.12%	(6.45%)
P/BV (x)	0.54	0.54	0.56	0.57	0.57
ROE	0.34%	1.47%	1.68%	3.14%	4.34%
% Change In Core EPS Estimates			0.0%	21.3%	3.0%
CGS-CIMB/Consensus EPS (x)			1.10	0.95	0.86

SOURCES: VND RESEARCH, COMPANY REPORTS

Contract win partly priced in

[Further information >](#)

Figure 1: PVD's drilling schedule

Rig fleet	1Q19	2Q19	3Q19F	4Q19F	1Q20F	2Q20F	3Q20F	4Q20F
PVD I	VSP	Murphy	Hibiscus Malaysia			Hibiscus Malaysia		
PVD II		Sapura	JVPC	Petronas	Petronas			
PVD III	Repsol Malaysia					Repsol Malaysia		
PVD VI	VSP	ENI	Sapura			Rosneft		
TAD						Shell Brunei		

Firm contract
Potential option

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Global semi-submersible average day rates and contracted utilisation

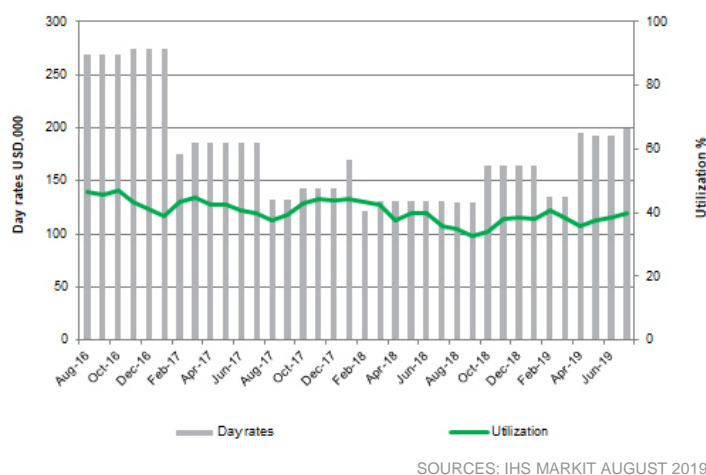
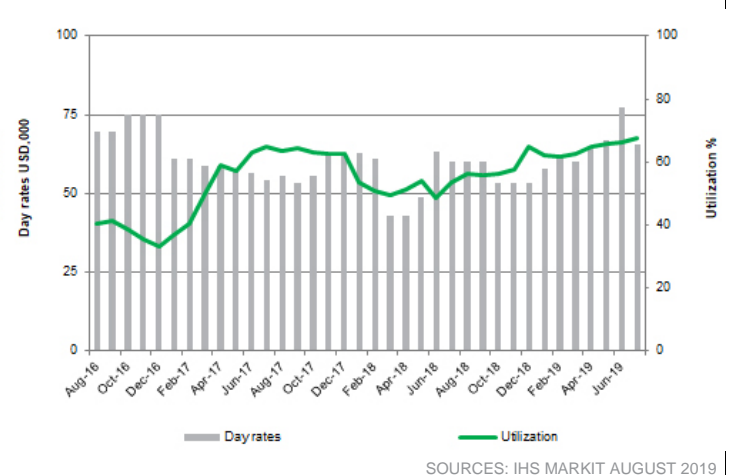
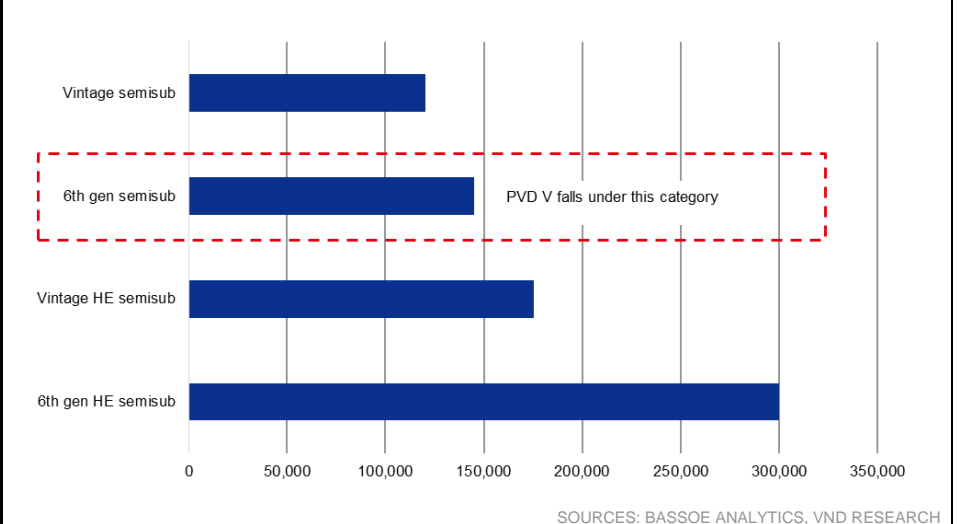


Figure 3: Average day rates and contracted utilisation of Southeast Asia jack-ups



Day rate of a semi-submersible rig usually varies based on rig specifications, e.g. environmental specification, deck load, water depth capability, technology level of the equipment. Younger rigs (6th generation, constructed from 2005 onwards) often have higher specifications and thus earn a higher day rate. Similarly, a rig suitable for working in harsh environments (HE), such as the North Sea, requires higher technology and would earn a better day rate.

Figure 4: Estimated current day rate (US\$)



According to Bassoe Analytics, the current rate for a 6th gen semi-submersible working in benign environment (similar to PVD V) is estimated at US\$145,000. We assume a lower-than-average charter rate for PVD V at US\$125,000/day as we think the company might have bid low in order to win the contract from competitors.

Maintain Hold with a higher TP of VND19,600 ➔

We take into account the US\$3.5m reactivation cost of PVD V, which the company claims to expense over the operating years of the rig. We assume that this expense will be fully booked in 2020-22F.

Figure 5: Earnings revision

Unit: US\$m	2020F			2021F		
	Old	New	%Δ	Old	New	%Δ
Net revenue	244	269	10.1%	251	265	5.5%
Gross profit	42	48	13.2%	54	56	3.5%
Gross profit margin	17.4%	17.9%	-0.6% pts	21.4%	21.0%	+0.3% pts
Pre-tax profit	17	21	21.3%	27	28	3.0%
Net profit	15	18	21.3%	23	24	3.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

We consider the contract win of the deepwater rig a success for the company, which will bring in enough additional cash flow for the rig to become profitable at the net profit level. This could be a short-term catalyst for the stock price.

However, from a long-term perspective, we see the jack-up day rate recovery as the main growth driver for the company. According to PVD, the company has seen rising demand for longer-term contracts in recent months, as exploration activities are resumed regionally and customers want to lock in low charter rates. We expect regional utilisation rate to improve further on the back of rising demand for longer-term contracts, which will narrow down the supply of premium rigs and further boost average day rates.

Figure 6: DCF valuation summary

US\$m	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F	Dec-22F	Dec-25F	Dec-30F	Dec-35F	CAGR 20-35F
Total revenue	172	239	198	269	265	282	375	489	540	4.8%
% yoy	-27.4%	41.4%	-14.6%	39.8%	1.4%	6.4%	10.0%	3.7%	1.2%	
COGS & OPEX	(189)	(235)	(191)	(253)	(244)	(257)	(330)	(431)	(475)	
EBIT	(17)	4	7	16	21	25	45	59	65	9.6%
Operating margin	-10.2%	1.8%	3.7%	6.1%	7.8%	9.0%	12.0%	12.0%	12.0%	
Effective tax rate	76.4%	25.8%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
EBIT * (1-Tax rate)	(4)	3	5	12	15	19	34	44	49	9.6%
+ Depreciation & Amortisation	35	26	15	25	26	26	34	45	49	
% of revenue	20.3%	11.1%	7.6%	9.5%	9.7%	9.1%	9.1%	9.1%	9.1%	
- CapEx	(2)	(3)	(9)	(16)	(13)	(14)	(19)	(24)	(27)	
% of revenue	-1.1%	-1.4%	-4.4%	-6.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	
+ Change in Working Capital	2	(3)	3	4	15	(1)	7	8	22	
% of revenue	0.9%	-1.2%	1.3%	1.4%	5.6%	-0.4%	1.7%	1.6%	4.0%	
Interest and other financial activities, net	24	6	4	4	7	9	12	16	18	
% of revenue	14.1%	2.4%	2.1%	1.5%	2.8%	3.3%	3.3%	3.3%	3.3%	
Unlevered free cash flow (UFCF)	54	29	19	29	50	39	68	88	110	
% yoy	24.7%	-45.6%	-34.4%	63.3%	76.0%	-23.0%	23.0%	4.0%	1.2%	

SOURCES: VND RESEARCH

Figure 7: Cost of equity assumptions

Cost of equity	
Risk Free Rate	5.0%
Beta	1.5
Risk Premium	11.0%
Cost of Equity	21.5%

SOURCES: VND RESEARCH

Figure 8: WACC and terminal growth

US\$m	
Equity Value	293
Debt	151
Cost of Debt	5.0%
Tax Rate	25.0%
WACC	15.5%
Perpetual Growth Rate	1.2%

SOURCES: VND RESEARCH

Figure 9: Blended target price*

Method	Implied share price (VND)	Weight (%)	Weighted share price (VND)
DCF	19,761	50%	9,881
Target FY19-21F P/BV of 0.6x	19,400	50%	9,700
Blended price		100%	19,581
Target price			19,600

*Assuming USD/VND rate of VND23,000

SOURCES: VND RESEARCH

Figure 10: 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	17,400	19,600	316	14.3	32.5	18.0	40.8%	0.5	0.6	0.6	4.0%	1.7%	3.1%	2.5%	1.2%	1.8%
Velesto Energy Bhd	VEB MK	ADD	0.32	0.36	627	NA	75.7	30.7	132.9%	0.9	1.0	0.9	-0.3%	1.3%	3.1%	-0.2%	0.8%	2.0%
Diamond Offshore	DO US	NOT RATED	5.22	N/A	719	NA	NA	NA	-12.3%	0.2	0.2	0.2	-8.9%	-10.7%	-7.2%	-5.3%	-3.3%	-2.1%
Valaris plc	VAL US	NOT RATED	4.36	N/A	863	NA	NA	NA	29.3%	0.1	0.1	0.1	-1.6%	-6.7%	-7.7%	-0.8%	-3.8%	-2.0%
Sapura Energy Bhd	SAPE MK	HOLD	0.27	0.31	1,027	NA	8.0	NA	-87.8%	0.2	0.3	0.3	2.1%	-8.0%	-3.8%	0.9%	-3.0%	-1.4%
Transocean	RIGN SW	NOT RATED	5.14	N/A	3,167	NA	NA	NA	NA	NA	0.3	0.3	-8.2%	-5.1%	-3.4%	-4.1%	-2.1%	-0.8%
Average - Offshore drilling peers					1,281	41.8	30.7	15.5%	0.4	0.4	0.4	-3.4%	-5.8%	-3.8%	-1.9%	-2.3%	-0.9%	

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (DATA AS AT OCT 02)

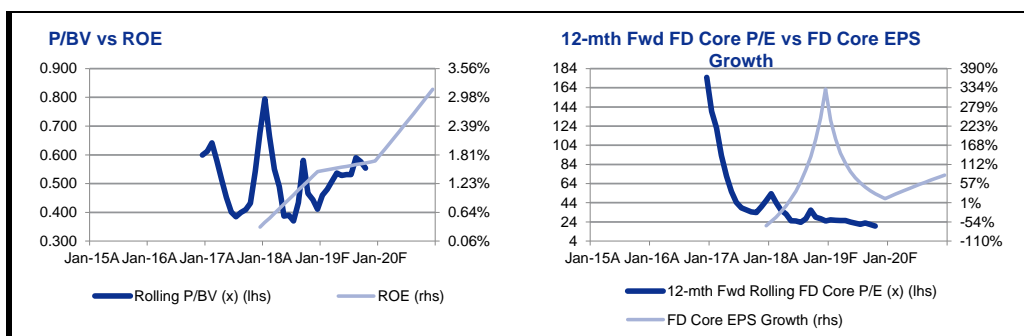
Sensitivity analysis ➤

Figure 11: Sensitivity of PVD's EPS and target price under different day rate scenarios

	Lower charter rate			Base case	Higher charter rate	
PVD V's day rate (US\$)	95,000	105,000	115,000	125,000	135,000	145,000
EPS 2020F (US\$/share)	0.027	0.032	0.037	0.042	0.047	0.052
EPS 2021F (US\$/share)	0.037	0.043	0.050	0.057	0.064	0.071
P/B 2020F (x)	0.58	0.58	0.57	0.57	0.57	0.57
P/B 2021F (x)	0.58	0.58	0.57	0.57	0.56	0.56
Target price (VND/share)	18,700	19,000	19,300	19,600	19,900	20,200

SOURCES: VND RESEARCH

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	171.5	239.2	198.2	269.0	264.9
Gross Profit	8.5	17.3	21.6	48.0	55.7
Operating EBITDA	17.3	30.8	22.3	41.9	46.3
Depreciation And Amortisation	(34.8)	(26.5)	(15.0)	(25.5)	(25.7)
Operating EBIT	(17.4)	4.3	7.3	16.5	20.6
Financial Income/(Expense)	(3.6)	(2.9)	(2.3)	(0.2)	3.2
Pretax Income/(Loss) from Assoc.	0.2	2.6	3.8	4.0	4.0
Non-Operating Income/(Expense)	27.5	6.1	2.6	0.3	0.3
Profit Before Tax (pre-EI)	6.7	10.1	11.4	20.6	28.1
Exceptional Items					
Pre-tax Profit	6.7	10.1	11.4	20.6	28.1
Taxation	(5.1)	(2.6)	(2.8)	(5.1)	(7.0)
Exceptional Income - post-tax					
Profit After Tax	1.6	7.5	8.5	15.4	21.1
Minority Interests	0.4	1.1	1.2	2.2	2.9
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2.0	8.6	9.7	17.6	24.0
Recurring Net Profit	2.0	8.6	9.7	17.6	24.0
Fully Diluted Recurring Net Profit	2.0	8.6	9.7	17.6	24.0

Cash Flow

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	17.31	30.79	22.34	41.94	46.31
Cash Flow from Inv. & Assoc.	(6.32)	(7.11)	(6.90)	(6.70)	(6.50)
Change In Working Capital	1.52	(2.89)	2.66	3.65	14.91
(Incr)/Decr in Total Provisions	1.81	(4.95)	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	(10.65)	(20.67)	(10.96)	(21.35)	(18.20)
Other Operating Cashflow	13.78	25.89	21.72	31.22	30.63
Net Interest (Paid)/Received	(8.68)	(7.70)	(9.69)	(8.46)	(7.39)
Tax Paid	(3.71)	(6.21)	(2.85)	(5.15)	(7.03)
Cashflow From Operations	5.05	7.15	16.33	35.14	52.73
Capex	(1.95)	(3.42)	(8.70)	(16.14)	(13.25)
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	(8.70)	(16.14)	(13.25)
Debt Raised/(repaid)	(33.16)	1.78	(16.21)	(14.17)	2.33
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)	(16.21)	(14.17)	2.33
Total Cash Generated	(43.07)	18.16	(8.58)	4.84	41.81
Free Cashflow To Equity	(43.01)	60.45	(8.58)	4.84	41.81
Free Cashflow To Firm	(1.17)	66.37	17.32	27.47	46.87

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	127.7	126.8	163.1
Total Debtors	68.5	69.7	58.1	78.9	77.7
Inventories	33.3	32.8	25.7	32.1	30.4
Total Other Current Assets	1.2	1.1	0.9	1.2	1.2
Total Current Assets	277.3	245.2	212.3	239.0	272.4
Fixed Assets	653.9	624.9	604.4	577.4	548.2
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	641.0	613.0	582.7
Short-term Debt	59.2	15.7	13.8	12.0	25.2
Current Portion of Long-Term Debt					
Total Creditors	39.5	42.9	38.5	52.2	51.4
Other Current Liabilities	73.6	62.4	52.1	70.6	69.6
Total Current Liabilities	172.3	121.0	104.3	134.9	146.2
Total Long-term Debt	146.9	150.2	132.1	115.5	100.9
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	169.2	151.4	135.8
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	368.2	309.1	273.5	286.3	282.0
Shareholders' Equity	582.8	587.3	567.8	551.8	556.6
Minority Interests	11.7	11.1	12.0	13.8	16.4
Total Equity	594.4	598.4	579.8	565.6	573.0

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	(28.5%)	39.4%	(17.1%)	35.7%	(1.5%)
Operating EBITDA Growth	(56.5%)	77.9%	(27.5%)	87.7%	10.4%
Operating EBITDA Margin	10.1%	12.9%	11.3%	15.6%	17.5%
Net Cash Per Share (US\$)	(0.075)	(0.058)	(0.043)	(0.002)	0.088
BVPS (US\$)	1.38	1.39	1.35	1.31	1.32
Gross Interest Cover	(2.05)	0.58	1.14	2.95	4.23
Effective Tax Rate	76.4%	25.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	3.08%	1.41%	NA	NA	NA
Accounts Receivables Days	144.4	105.4	117.6	93.2	107.8
Inventory Days	76.42	54.36	60.43	47.82	54.50
Accounts Payables Days	69.73	58.78	81.70	73.06	87.93
ROIC (%)	(0.60%)	0.49%	0.87%	2.04%	2.70%
ROCE (%)	(1.07%)	1.61%	1.97%	3.49%	4.49%
Return On Average Assets	0.24%	1.04%	1.16%	1.83%	2.19%

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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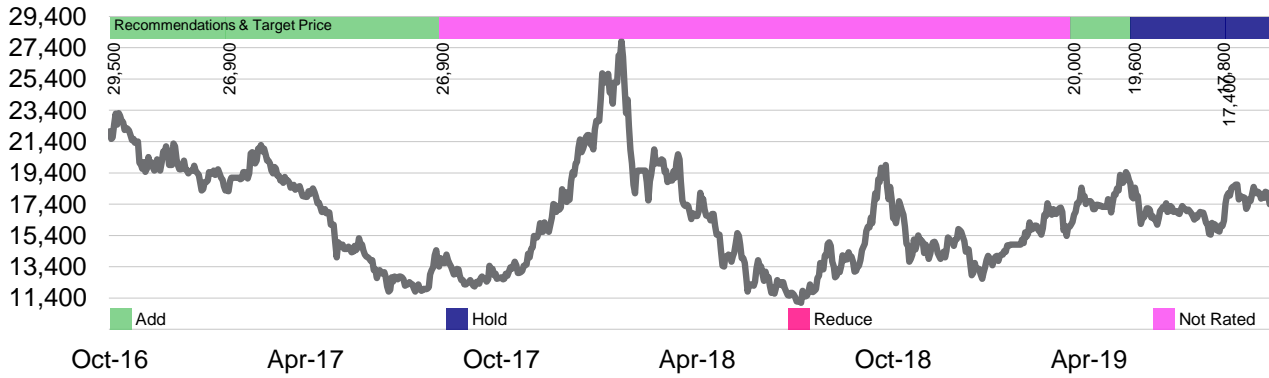
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— Price Close



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

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