

Vietnam

ADD (previously HOLD)

Consensus ratings*: Buy 0 Hold 2 Sell 0

Current price:	VND8,100
Target price:	VND9,900
Previous target:	VND9,900
Up/downside:	22.2%
CGS-CIMB / Consensus:	na
Reuters:	DCM.HM
Bloomberg:	DCM VN
Market cap:	US\$184.7m VND4,288,140m
Average daily turnover:	US\$0.09m VND2,128m
Current shares o/s:	529.4m
Free float:	15.9%

*Source: Bloomberg

Key changes in this note

➤ FY19-21F EPS increased by 43-84%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	-3.6	-25.7
Relative (%)	0.9	-5.6	-26

Major shareholders	% held
Vietnam National Oil and Gas Group	75.6
PVFCapital	8.5

Analyst(s)



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PetroVietnam Ca Mau Fertilizer

Not as bad as initially feared

- DCM's 1H19 net profit was above at 137.4% of our FY19F forecast despite falling 27.7% yoy.
- This was due to higher-than-expected urea ASP, lower interest expense and better SG&A control. So, we raise our FY19-21F EPS forecasts by 43-84%.
- We upgrade DCM from Hold to Add with an unchanged TP of VND9,900.

A surge in gas input price dented gross margin

DCM's 1H19 revenue rose 5.9% yoy to VND3,446bn thanks to 1) a 2% increase in urea ASP, 2) higher NH3 sales volume, and 3) a 10.5% increase in trading revenue as DCM imported more NPK (nitrogen, phosphorus, potassium) for sale. However, 1H19 gross margin shrank 9.8% yoy as the average gas input price rose nearly 30% yoy. Better SG&A control partially offset the weak margin. Hence, SG&A/revenue decreased from 10.6% in 1H18 to 7.4% in 1H19. DCM also received VND38.7bn from insurance compensation for business disruption.

Better-than-expected 1H19 results

1H19 net profit was above at 137.4% of our FY19F forecast despite falling 27.7% yoy. This was due to 1) higher than expected urea ASP, 2) lower than expected SG&A and interest expense, and 3) VND38.7bn insurance compensation.

DCM's NPK products could be launched in 3Q19

DCM's NPK plant has been completed and is ready to commence operations in 3Q19. DCM expects the plant to produce 80,000 tonnes in 2H19. DCM targets to sell 60,000 tonnes of NPK in 2H19, which should contribute c.VND494bn to FY19 revenue.

Upgrade from Hold to Add with an unchanged TP of VND9,900

We raise our FY19-21F EPS forecasts by 43-84% to reflect higher urea price and the ongoing cost-cutting efforts. Our TP is based on equal weighting (previously 50:25:25 weighting) of 1) a FY19-23F DCF valuation, (2) 9.3x of FY19F EPS, (3) 0.9x of FY19F P/BV. We are neutral on DCM's outlook while consensus seems overly concern. After slumping 22.5% YTD, the share price now trades at 10.8x FY19F EPS. We believe that the negative impact from gas input price adjustment has been largely priced in. Therefore, we upgrade DCM from Hold to Add, with a total upside of 33.3%, including a potential share price gain of 22.2% and dividend yield of 11.1%.

Re-rating catalysts and downside risks

Re-rating catalysts include a dividend payment for 2018 of VND900/share, equivalent to a dividend yield of 11.1%. This is likely to be implemented in the 2H19. Other re-rating catalysts include a more favourable gas price policy and higher urea ASP. Downside risks include a less supportive FY19F gas price policy and lower fertiliser consumption.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	5,748	6,689	7,306	8,146	8,729
Operating EBITDA (VNDb)	2,048	2,107	1,730	1,738	1,668
Net Profit (VNDb)	666.5	678.8	397.9	328.4	323.6
Core EPS (VND)	1,259	1,282	752	620	611
Core EPS Growth	3.0%	1.9%	(41.4%)	(17.5%)	(1.4%)
FD Core P/E (x)	6.43	6.32	10.78	13.06	13.25
DPS (VND)	505.5	900.1	900.0	400.0	450.0
Dividend Yield	6.2%	11.1%	11.1%	4.9%	5.6%
EV/EBITDA (x)	2.47	2.01	2.31	1.49	0.73
P/FCFE (x)	3.11	NA	16.06	7.12	3.66
Net Gearing	12.0%	(1.3%)	(5.1%)	(27.5%)	(48.6%)
P/BV (x)	0.70	0.69	0.70	0.68	0.67
ROE	11.2%	11.0%	6.4%	5.3%	5.1%
CGS-CIMB/Consensus EPS (x)					

SOURCES: VND RESEARCH, COMPANY REPORTS

Better FY19F earnings prospects

1H19 results highlights

Figure 1: Results comparison

FYE June (VND.bn)	2Q19	2Q18	% yoy	1H19	1H18	% yoy	vs. FY19 forecast	Comments
Revenue	2,053.3	1,991.7	3.1%	3,544.5	3,383.0	4.8%	50.2%	
Urea	1373.5	1388.0	-1.0%	2,667.0	2,661.0	0.2%	51.7%	1H19 urea revenue inched up 0.2% yoy as urea selling price rose 1.8% yoy while urea sales volume declined 1.6%, per our estimation
Trading activities	534.8	566.0	-5.5%	722.0	653.5	10.5%	60.7%	1H19 trading revenue increased 10.5% yoy as DCM imported more NPK for sale
Other revenue	91.1	29.3	211.0%	155.5	68.5	127.2%	68.4%	Other revenue increased thanks to higher NH3 sales volume
Deductions	53.9	8.5	536.0%	98.0	128.4	-23.7%	68.6%	
Net revenue	1,999.4	1,983.3	0.8%	3,446.5	3,254.6	5.9%	49.8%	Net revenue exceeded our forecast due to a higher-than-expected surge in urea ASP and higher trading volumes of other fertilizers.
Gross profit	261.7	401.3	-34.8%	537.8	827.2	-35.0%	59.5%	1H19 GPM fell to 15.6% from 25.4% in 1H18 due to a 30% yoy increase in gas input price. However, the 1H19 urea ASP was 6% higher than our forecast due to tighter supply in the domestic market. Thanks to the higher ASP, 1H19 GPM was higher than our forecast by 2.6%pts.
Gross profit margin	13.1%	20.2%	-7.1% pts	15.6%	25.4%	-9.8% pts	2.6%pts	
Selling expenses	86.4	117.8	-26.7%	158.0	191.8	-17.6%	46.0%	SG&A expenses fell both absolutely and as % of net revenue as a result of DCM's continuing efforts to cut expenses. Specifically, G&A expenses fell strongly in 1H19 due to (1) lower depreciation and (2) lower outside purchasing services cost.
G&A expenses	50.5	94.9	-46.7%	97.4	153.4	-36.5%	29.3%	
Operating profit	124.7	188.5	-33.8%	282.3	482.0	-41.4%	124.2%	Operating profit exceeded our forecast due to (1) higher-than-expected urea ASP, (2) higher-than-expected GPM, (3) lower SG&A expenses
Financial income	32.8	47.3	-30.6%	68.8	90.7	-24.1%	49.7%	Financial income declined 24.1% yoy due to lower cash balance
Financial expenses	38.5	77.8	-50.5%	65.0	141.3	-54.0%	45.9%	DCM paid in advance US\$50m of long-term debt from BNP Paribas, thus reducing interest expense and exchange rate losses.
Interest expenses	23.9	43.3	-41.3%	48.3	84.8	-43.1%	39.6%	
Other profit	0.2	5.3	-95.5%	39.0	5.4	626.8%	403.2%	DCM received VND38.7bn from insurance compensation for business disruption
Pre-tax profit	119.3	163.4	-27.0%	325.1	436.8	-25.6%	139.0%	
Net profit	109.8	152.5	-28.0%	297.8	411.8	-27.7%	137.4%	

SOURCES: VND RESEARCH, COMPANY REPORTS

Medium-term outlook remains neutral

A domestic supply shortage triggers better ASP outlook in 2019 ►

Vietnam's largest urea producer DPM underwent a 72-day maintenance shutdown in 1H19, so its urea output slumped 40% during the period. In the context of tighter supply, urea's selling price had picked up. We estimate this led to DCM's ASP rising 2% yoy in 1H19. Hence, we raise our urea ASP assumption by 6% to VND6,976 per kg in FY19F.

Higher fuel oil price outlook ►

DCM stops enjoying subsidised gas input prices from 2019F onwards, as stated in its gas price contract with PVN. We estimate DCM's gas input cost increased nearly 30% yoy in 1H19, thus leading to gross profit margin narrowing to 15.6% (1H18: 25.4%). Although the government has yet to make a final decision on gas input price applied to DCM for 2019, we assume the price would be at a 25% discount to DPM's gas input price. Hence, we revise up our FY19F DCM's gas input price to US\$4.4/mmbtu, which is 14% higher than our previous forecast.

Continuing cost-cutting efforts supports earnings ►

DCM is trying to cut costs to cope with changes in gas price policy. In 1H19, general administration expenses fell by 36.5% yoy and selling expenses fell by 17.6%. Therefore, we cut our FY19-21F general administration expenses assumptions by 18-21%, which partly offsets the impact of the gas input hike. We also cut FY19F selling expenses by 5%.

DCM is also trying to reduce long-term debt in order to lower interest expenses. DCM has paid off about US\$90m of its long-term debt in advance in 2018 and 1H19. As a result, the interest expenses declined significantly by 43.1% to

VND48.3bn in 1H19 from VND84.8bn in 1H18. Hence, we cut our FY19F finance cost by 5% to reflect lower long-term debt.

Amended VAT policy could be delayed until 2021 ►

There are no indications that changes in VAT policy for fertilizer products will be approved by the National Assembly in 2019, as the changes were not included in the list of legal documents submitted for parliament review and approval for the May 2019 session nor the upcoming Nov 2019 sitting. Therefore, fertilizer companies may have to wait until 2021 at the soonest to benefit from changes in the VAT policy.

Earnings revisions ►

Figure 2: Earnings revision

Unit: VND bn, otherwise Comments	2019F			2020F			2021F			Note
	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ	
Brent crude oil (average, US\$/bbl)	65.0	65.0	0%	67.0	67.0	0%	68.6	68.6	0%	
Urea ASP (VND/kg)	6,593	6,976	6%	6,758	7,046	4%	6,927	7,116	3%	We revise up 2019 urea ASP to VND6,976 per kg on a high 1H19 base and we expect short-to-medium term price level to remain favourable
Urea volume ('000 tonnes)	782	756	-3%	763	750	-2%	758	753	-1%	We adjust downward urea sales volume from 2019 onwards assuming DCM would use in-house urea to produce NPK, hence lower external sales volume
NPK volume ('000 tonnes)	60	60	0%	150	150	0%	195	195	0%	
Other fertiliser volume ('000 tonnes)	140	175	25%	147	184	25%	154	193	25%	We revise up 2019-2021F forecast for FY19-21F trading volume base on higher company target for other fertiliser sales volume.
Net revenue	6,925	7,306	6%	7,799	8,146	4%	8,420	8,729	4%	
Gross profit	903	972	8%	933	975	4%	906	939	4%	FY19F gross profit margin improves to reflect higher urea sales price to support margin and lower-than-expected gas input price.
Selling expenses	343	325	-5%	368	384	4%	392	407	4%	We adjust the assumption of SG&A expenses to reflect the
G&A expenses	332	263	-21%	357	292	-18%	381	313	-18%	continuing efforts of DCM to cut expenses
Operating profit	227	383	69%	209	298	43%	132	219	66%	
Financial income	139	135	-3%	153	142	-7%	194	176	-9%	DCM paid US\$90m of debt in 2018 and 1H19 (equivalent to 44% of total debt at the beginning of 2018), hence we lower forecast for interest expense from 2019 onwards.
Financial expense	142	134	-5%	123	108	-13%	97	70	-27%	
Pre-tax profit	234	428	83%	249	353	42%	241	348	45%	
Net profit	217	398	84%	230	328	43%	223	324	45%	
Basic EPS (VND/share)	409	752	84%	435	620	43%	422	611	45%	
Adjusted EPS (VND/share)	360	661	84%	383	546	43%	371	538	45%	

SOURCES: VND RESEARCH

We upgrade DCM to Add

Our target price is based on equal weighting of (1) a 5-year DCF valuation, (2) target FY19F P/E of 9.3x and (3) target FY19F P/BV of 0.9x, equal to 3-year historical average P/E and P/BV. We change weightage of each valuation method to equal weighting from 50:25:25 in our previous valuation as we want to better reflect the current market sentiment on DCM's market price.

The market seems to be far too pessimistic about the negative impact of DCM gas input price's adjustment. However, based on DCM's 1H19 results, DCM has shown us the outlook is better than we previously thought. We believe that the negative impact from gas input price adjustment has been largely priced in. Therefore, we upgrade DCM from Hold to Add, with a total upside of 33.3%, including a potential share price gain of 22.2% and dividend yield of 11.1%.

Figure 3: DCF model - key assumption and inputs, based on our estimates

General assumptions (in VND bn, otherwise noted)	2019F	2020F	2021F	2022F	2023F	Terminal
Net income	398	328	324	329	332	
Tax rate (%)	6.7%	6.7%	6.7%	6.7%	6.7%	
Interest expense	104	107	73	50	31	
-Changes in working capital	(442)	19	9	12	11	
-Net Capex	(585)	(147)	(158)	(169)	(181)	
+Depreciation & Amortisation	1,347	1,440	1,448	1,463	1,479	
FCFF	814	1,740	1,691	1,682	1,670	6,671
PV of FCFF	723	1,374	1,187	1,049	925	3,698
PV of DCF (5 years)	5,259					Risk free rate (10-year VGB yield) 5%
PV of Terminal value	3,698					Equity risk premium 11%
Enterprise Value	8,957					Beta (Source: BB, adj. beta) 0.8
Less: Total debt	2,704					WACC 13%
Less: Minority interest	29					Terminal growth rate 2%
Plus: Cash and Cash equiv.	286					Exit EV/EBITDA 4.0x
Implied EV	6,510					
No. of o/s shares (m)	529					
Implied value per share (VND)		12,297				

SOURCES: VND RESEARCH

Figure 4: Target multiple method - key inputs

	FY19F
EPS (VND)	752
Target multiple (based on historical 3-year average P/E)	9.3x
Implied value per share (VND)	6,990
BVPS (VND)	11,639
Target multiple (based on historical 3-year average P/BV)	0.9x
Implied value per share (VND)	10,475

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 5: Blended target price

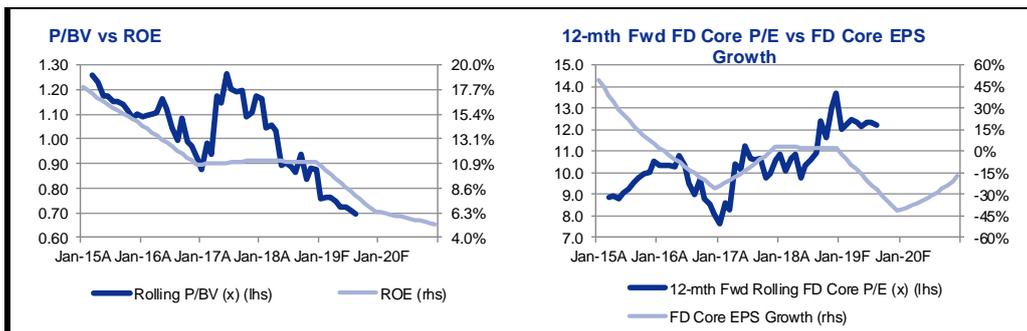
Valuation method	Implied value per share (VND)	Weight (%)	Weighted value per share (VND)
DCF	12,297	33%	4,099
P/E	6,990	33%	2,330
P/BV	10,475	33%	3,492
Fair value			9,921
Target price (rounded down)			9,900

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 6: Peer comparison for urea producers

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F
Grupa Azoty Zaklady Azotowe Pulawy SA	ZAP PW	NR	92	N/A	455.7	6.9	7.4	0.0	0.0	9.4	8.5	1.7	1.8	5.4	5.4
Fatima Fertilizer Co Ltd	FATIMA PA	NR	25	N/A	325.4	4.1	3.5	0.7	0.6	NA	18.0	NA	NA	8.7	10.6
Stanley Agricultural Group Co Ltd	002588 CH	NR	4	N/A	657.4	12.2	10.4	0.9	0.8	10.3	12.0	NA	NA	1.6	2.0
Engro Fertilizers Ltd	EFERT PA	NR	63	N/A	532.4	5.2	5.0	1.7	1.6	34.7	34.8	3.4	3.1	16.9	17.4
Fauji Fertilizer Co Ltd	FFC PA	NR	95	N/A	760.3	7.4	7.1	NA	NA	48.1	51.7	NA	NA	9.5	10.1
Engro Corp Ltd	ENGRO PA	NR	243	N/A	883.6	7.0	5.7	1.0	0.9	12.7	14.5	6.4	4.3	8.7	9.9
Hubei Xinyangfeng Fertilizer Co Ltd	000902 CH	NR	11	N/A	2,051.9	14.7	12.6	2.0	1.8	14.4	14.9	8.5	7.3	1.9	2.1
Average					809.5	8.2	7.4	1.1	1.0	21.6	22.1	5.0	4.1	7.5	8.2
Median					657.4	7.0	7.1	1.0	0.9	13.6	14.9	4.9	3.7	8.7	9.9
PetroVietnam Ca Mau	DCM VN	ADD	8,100	9,900	184.7	10.8	12.7	0.7	0.7	6.3	5.2	2.2	1.3	4.9	5.6
PetroVietnam Fertilizer and Chemicals	DPM VN	ADD	14,050	17,300	236.8	14.7	8.8	0.7	0.7	4.6	7.7	3.4	2.6	7.1	10.7

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	5,748	6,689	7,306	8,146	8,729
Gross Profit	1,381	1,437	972	975	939
Operating EBITDA	2,048	2,107	1,730	1,738	1,668
Depreciation And Amortisation	(1,309)	(1,303)	(1,347)	(1,440)	(1,448)
Operating EBIT	739	804	383	298	219
Financial Income/(Expense)	(34)	(84)	1	34	106
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	3	9	44	21	23
Profit Before Tax (pre-EI)	708	729	428	353	348
Exceptional Items					
Pre-tax Profit	708	729	428	353	348
Taxation	(38)	(47)	(29)	(24)	(23)
Exceptional Income - post-tax					
Profit After Tax	670	682	400	330	325
Minority Interests	(3)	(3)	(2)	(1)	(1)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	666	679	398	328	324
Recurring Net Profit	666	679	398	328	324
Fully Diluted Recurring Net Profit	666	679	398	328	324

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	2,048	2,107	1,730	1,738	1,668
Cash Flow from Inv. & Assoc.					
Change In Working Capital	489	(300)	(442)	19	9
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(96)	(37)	(7)	(9)	(6)
Other Operating Cashflow	(93)	(205)	25	33	41
Net Interest (Paid)/Received	(26)	16	20	22	87
Tax Paid	(27)	(29)	(29)	(24)	(23)
Cashflow From Operations	2,295	1,552	1,298	1,779	1,776
Capex	(120)	(341)	(585)	(147)	(158)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	354	(240)	(3)	(4)	(3)
Cash Flow From Investing	234	(581)	(588)	(151)	(160)
Debt Raised/(repaid)	(1,150)	(2,082)	(442)	(1,026)	(445)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(268)	(477)	(476)	(212)	(238)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	(1,418)	(2,558)	(919)	(1,238)	(684)
Total Cash Generated	1,111	(1,588)	(209)	391	932
Free Cashflow To Equity	1,379	(1,111)	267	602	1,170
Free Cashflow To Firm	2,712	1,113	813	1,735	1,689

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	3,996	2,788	2,578	2,969	3,901
Total Debtors	400	453	469	491	506
Inventories	371	983	1,185	1,342	1,457
Total Other Current Assets	71	95	104	116	124
Total Current Assets	4,839	4,318	4,336	4,917	5,989
Fixed Assets	7,470	6,298	5,888	4,600	3,310
Total Investments	0	0	0	0	0
Intangible Assets	32	39	34	29	28
Total Other Non-Current Assets	116	376	32	36	38
Total Non-current Assets	7,617	6,712	5,954	4,665	3,377
Short-term Debt					
Current Portion of Long-Term Debt	1,062	1,196	1,059	478	217
Total Creditors	1,185	1,594	1,344	1,506	1,621
Other Current Liabilities	278	307	336	374	401
Total Current Liabilities	2,525	3,097	2,739	2,359	2,239
Total Long-term Debt	3,674	1,508	1,202	757	573
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	103	157	157	157	157
Total Non-current Liabilities	3,777	1,665	1,359	914	730
Total Provisions	0	0	0	0	0
Total Liabilities	6,303	4,762	4,098	3,272	2,969
Shareholders' Equity	6,127	6,240	6,162	6,278	6,364
Minority Interests	26	29	30	32	33
Total Equity	6,154	6,269	6,192	6,310	6,397

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	17.1%	16.4%	9.2%	11.5%	7.2%
Operating EBITDA Growth	(2.6%)	2.9%	(17.9%)	0.5%	(4.0%)
Operating EBITDA Margin	35.6%	31.5%	23.7%	21.3%	19.1%
Net Cash Per Share (VND)	(1,398)	158	598	3,275	5,877
BVPS (VND)	11,574	11,787	11,639	11,859	12,021
Gross Interest Cover	4.04	5.66	3.70	2.80	3.00
Effective Tax Rate	5.36%	6.47%	6.68%	6.68%	6.68%
Net Dividend Payout Ratio	40%	70%	120%	64%	74%
Accounts Receivables Days	0.26	0.51	0.92	0.91	0.93
Inventory Days	31.13	47.02	62.45	64.48	65.58
Accounts Payables Days	47.06	41.62	34.40	23.61	24.01
ROIC (%)	8.5%	11.5%	6.0%	4.9%	4.6%
ROCE (%)	7.91%	9.69%	5.82%	5.34%	5.16%
Return On Average Assets	5.54%	6.52%	3.74%	2.98%	2.31%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Oil Price (US\$/bbl)	54.2	71.2	65.0	67.0	68.6
Volume Growth (%)	6.4%	-11.2%	-1.6%	-0.7%	0.3%
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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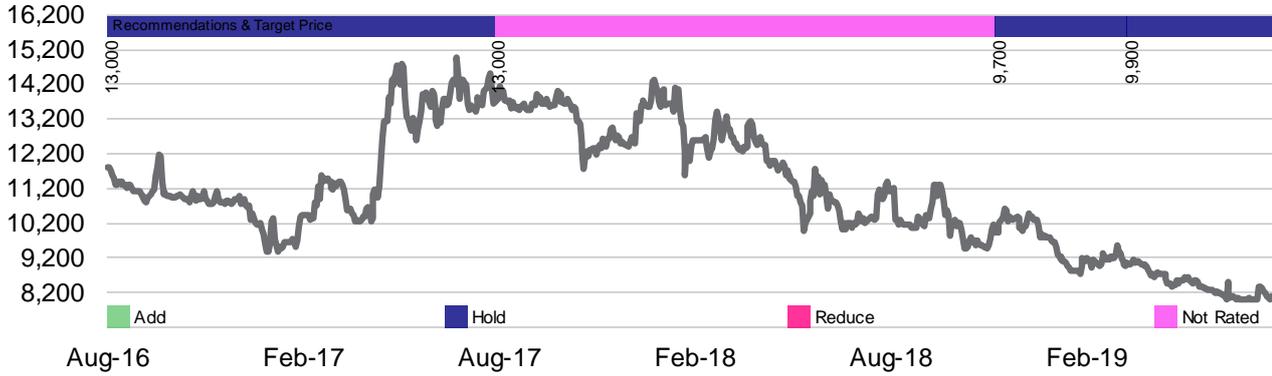
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Reduce	15.5%	0.4%

Spitzer Chart for stock being researched (2 year data)

PetroVietnam Ca Mau Fertilizer (DCM VN)

— 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, **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.

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