

17 AUGUST 2020

THAILAND / COMMERCE

## SRI TRANG GLOVES (THAILAND)

BUY

UNCHANGED

## STGT TB

TARGET PRICE THB111.00  
CLOSE THB73.00  
UP/DOWNSIDE +52.1%  
TP vs CONSENSUS +9.2%

## กำไรสุทธิสูงเป็นประวัติการณ์ใน 2Q20

## ราคาขายเฉลี่ยและปริมาณขายที่เพิ่มขึ้นผลักดันผลประกอบการ 2Q20

STGT รายงานกำไรสุทธิ 2Q20 พุ่งขึ้นเป็น 1.06 พัน ลบ. (+510% y-y, +151% q-q) สูงกว่าตลาดคาด 23% และสูงกว่าที่เราคาด 15% จาก (1) ปริมาณขายที่เพิ่มขึ้นเป็น 7.4 พันล้านชิ้น (+62.1% y-y, +17.6% q-q) หลังกำลังการผลิตเพิ่ม 9.2 พันล้านชิ้นต่อปี (ppa) ใน ก.พ. 2020, (2) ราคาขายเฉลี่ยเพิ่มสูงขึ้นเป็น USD20.7 ต่อ 1,000 ชิ้น (ptp) (+5.2% y-y, +9.9% q-q) จากความต้องการที่โตในระดับสูงเนื่องจาก COVID-19; และ (3) การปรับตัวลดลงของต้นทุนน้ำยางธรรมชาติ (-9.1% y-y, -0.7% q-q) และ Nitrile Butadiene Rubber (NBR) (-19.4% y-y, -7.8% q-q) จากความต้องการที่ตกต่ำในอุตสาหกรรมยานยนต์ เมื่อหักผลขาดทุนพิเศษ 5 ลบ. (ประกอบด้วยผลขาดทุนจากอัตราแลกเปลี่ยน 76.6 ลบ., กำไรอื่น ๆ 85.6 ลบ., และค่าใช้จ่ายในการทำ IPO 14.1 ลบ.) Core Net Profit เพิ่มขึ้นเป็น 1.06 พัน ลบ. (+613% y-y, +139% q-q) ในขณะที่อัตรากำไรสุทธิที่ 95%

## อัตรากำไรสุทธิพุ่ง 11pts q-q แม้ว่าราคาขายเฉลี่ยเพิ่มเพียง 9.9% q-q

ใน 2Q20 รายได้กระโดด 70.5% y-y EBITDA พุ่ง 257% y-y เนื่องจาก EBITDA Margin ปรับตัวเพิ่มขึ้นเป็น 31% จาก 19.1% ใน 1Q20 และ 16% ใน 2Q19 อัตรากำไรขั้นต้นกระโดดขึ้นเป็น 29.2% จาก 19% ใน 1Q20 และ 14% ใน 2Q19 แม้ว่าราคาขายเฉลี่ยจะเพิ่มไม่มากนัก (+5.2% y-y, +9.9% q-q) สะท้อนว่า STGT มี Operating Leverage ในระดับสูง โดยโครงสร้างต้นทุนคงที่ที่อยู่ในระดับสูงจะได้ประโยชน์เต็มที่จากราคาขายเฉลี่ยที่ปรับตัวขึ้น อัตรากำไรสุทธิพุ่งเป็น 22% ใน 2Q20 จาก 11.2% ใน 1Q20 จากต้นทุนทางการเงินที่อยู่ในระดับต่ำ

## มีปัจจัยบวกเพิ่มสำหรับ Upsides ข้างหน้าใน 2H20-2021E

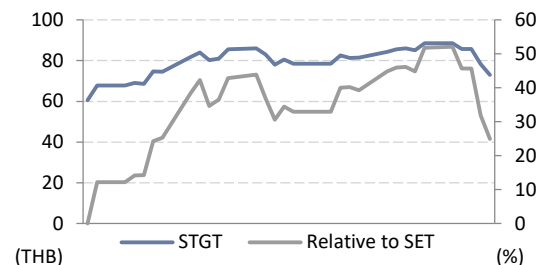
เราคาดว่ากำไรสุทธิของ STGT จะโตใน 2H20-2021 จาก (1) ราคาขายเฉลี่ยที่เพิ่มขึ้นจาก USD20.7ptp เป็น USD25ptp ใน 3Q20, USD30ptp ใน 4Q20, และ 35-40ptp ใน 1H21 ซึ่งจะให้ผลบวกที่มากกว่าต้นทุนยางที่คาดว่าจะเพิ่มขึ้น 10-30%; (2) งานในมือที่รองรับการผลิตถุงมือยางธรรมชาติได้จนถึง 4Q21 และถุงมือ NBR จนถึง 2Q22 ด้วยราคาขายเฉลี่ยที่เพิ่มขึ้นและอัตรากำไรขั้นต้นการผลิตที่ 95%; (3) ค่าใช้จ่ายต่อบิลลดลง 100 ลบ. เนื่องจาก STGT จ่ายหนี้สิน 2.1 พัน ลบ. เมื่อสิ้น 2Q20 โดยใช้นเงินสด 14.8 พัน ลบ. ที่ได้จากการออก IPO ซึ่งทำให้อัตราส่วนหนี้สินต่อทุนลดลงเหลือ 0.21x จาก 1.39x ใน 1Q20 หนี้ของ STGT ที่เหลืออีก 4.24 พัน ลบ. มีอัตราดอกเบี้ยต่ำเพียง 3% เนื่องจากได้รับการอุดหนุนจากการวางแห่งประเทศไทย

## การเพิ่มกำลังการผลิตจะเป็นปัจจัยหนุนถัดไป

เราลงคำแนะนำซื้อ STGT ที่ราคาเป้าหมาย 111 บาท เราเชื่อว่าแผนของ STGT ในการเพิ่มกำลังการผลิตจาก 32.6b ppa เมื่อสิ้น 2020 เป็น 45.8b ppa เมื่อสิ้น 2022 (+40.5%) จะช่วยผลักดันการเติบโตของกำไรสุทธิใน 2021-2022 และทำให้สัดส่วนกำลังการผลิตสำหรับถุงมือ NBR และถุงมือยางธรรมชาติเปลี่ยนเป็น 50%/50% จาก 35%/65% ใน 2Q20

## KEY STOCK DATA

| YE Dec (THB m)      | 2019   | 2020E  | 2021E  | 2022E  |
|---------------------|--------|--------|--------|--------|
| Revenue             | 11,994 | 19,495 | 26,144 | 25,884 |
| Net profit          | 614    | 4,260  | 6,343  | 3,954  |
| EPS (THB)           | 0.62   | 2.98   | 4.43   | 2.76   |
| vs Consensus (%)    | -      | (2.3)  | (1.6)  | (2.7)  |
| EBITDA              | 1,502  | 6,145  | 8,772  | 6,261  |
| Core net profit     | 614    | 4,260  | 6,343  | 3,954  |
| Core EPS (THB)      | 0.62   | 2.98   | 4.43   | 2.76   |
| EPS growth (%)      | (87.6) | 380.2  | 48.9   | (37.7) |
| Core P/E (x)        | 117.7  | 24.5   | 16.5   | 26.4   |
| Dividend yield (%)  | 0.2    | 1.0    | 1.1    | 1.2    |
| EV/EBITDA (x)       | 52.4   | 15.6   | 10.6   | 14.6   |
| Price/book (x)      | 16.4   | 4.8    | 3.8    | 3.5    |
| Net debt/Equity (%) | 147.3  | (39.0) | (43.1) | (42.9) |
| ROE (%)             | 18.0   | 32.5   | 25.9   | 13.8   |



| Share price performance        | 1 Month                          | 3 Month | 12 Month |
|--------------------------------|----------------------------------|---------|----------|
| Absolute (%)                   | (13.1)                           | n/a     | n/a      |
| Relative to country (%)        | (12.2)                           | n/a     | n/a      |
| Mkt cap (USD m)                | 3,350                            |         |          |
| 3m avg. daily turnover (USD m) | n/a                              |         |          |
| Free float (%)                 | 30                               |         |          |
| Major shareholder              | STA & Sincharoenkul family (65%) |         |          |
| 12m high/low (THB)             | 90.00/55.25                      |         |          |
| Issued shares (m)              | 1,430.78                         |         |          |

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 17 สิงหาคม 2020

## Exhibit 1: Summary of 2Q20/1H20 operations

|                        | 2Q19         | 1Q20         | 2Q20         |              | 1H19         | 1H20         | chg.         | 2020E        | Comments      |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                        | (THB m)      | (THB m)      | (THB m)      | (q-q%)       | (y-y%)       | (THB m)      | (THB m)      | (y-y%)       | (THB m)       |
| <b>Revenue</b>         | <b>2,849</b> | <b>3,761</b> | <b>4,857</b> | <b>29.2</b>  | <b>70.5</b>  | <b>5,840</b> | <b>8,617</b> | <b>47.6</b>  | <b>19,495</b> |
| Operating costs        | (2,442)      | (3,041)      | (3,405)      | 12.0         | 39.5         | (5,004)      | (6,446)      | 28.8         | (13,350)      |
| <b>EBITDA</b>          | <b>407</b>   | <b>720</b>   | <b>1,452</b> | <b>101.6</b> | <b>256.5</b> | <b>836</b>   | <b>2,171</b> | <b>159.8</b> | <b>6,145</b>  |
| EBITDA margin (%)      | 14.3         | 19.1         | 29.9         | nm           | nm           | 14.3         | 25.2         | nm           | 31.5          |
| Depn & amort.          | (196)        | (225)        | (267)        | 18.5         | 36.3         | (387)        | (492)        | 27.0         | (1,092)       |
| <b>EBIT</b>            | <b>212</b>   | <b>495</b>   | <b>1,185</b> | <b>139.5</b> | <b>460.2</b> | <b>449</b>   | <b>1,680</b> | <b>274.3</b> | <b>5,052</b>  |
| Interest expense       | (51)         | (39)         | (39)         | (1.1)        | (23.7)       | (102)        | (78)         | (23.7)       | (151)         |
| Interest & invt inc    | 1            | 0            | 1            | na           | na           | 2            | 1            | na           | -             |
| Other income           | 28           | 18           | 29           | na           | 4.4          | 41           | 47           | 14.6         | 80.0          |
| Associates' contrib    | -            | -            | -            | na           | na           | -            | -            | na           | -             |
| Exceptionals           | 24           | (22)         | 9            | na           | na           | (6)          | (13)         | na           | -             |
| <b>Pretax profit</b>   | <b>214</b>   | <b>452</b>   | <b>1,185</b> | <b>162.1</b> | <b>453.4</b> | <b>384</b>   | <b>1,637</b> | <b>326.1</b> | <b>4,982</b>  |
| Tax                    | (34)         | (30)         | (128)        | 324.2        | 273.9        | (56)         | (159)        | 184.1        | (721)         |
| Tax rate (%)           | 16.0         | 6.7          | 10.8         | nm           | nm           | 14.5         | 9.7          | nm           | 14.5          |
| Minority interests     | (7)          | -            | -            | nm           | (100.0)      | 1            | -            | (100.0)      | -             |
| <b>Net profit</b>      | <b>173</b>   | <b>422</b>   | <b>1,057</b> | <b>150.5</b> | <b>510.2</b> | <b>330</b>   | <b>1,479</b> | <b>348.4</b> | <b>4,260</b>  |
| <b>Core net profit</b> | <b>149</b>   | <b>444</b>   | <b>1,062</b> | <b>139.1</b> | <b>613.3</b> | <b>332</b>   | <b>1,506</b> | <b>353.8</b> | <b>4,260</b>  |
| EPS (THB)              | 0.87         | 2.11         | 5.28         | 150.5        | 510.2        | 1.65         | 7.39         | 348.4        | 2.98          |
| Core EPS (THB)         | 0.74         | 2.22         | 5.31         | 139.1        | 613.3        | 1.66         | 7.53         | 353.8        | 2.98          |

Sources: STGT; FSSIA estimates

## Exhibit 2: 2Q20/1H20 key performance

|                                   | 2Q19  | 1Q20  | 2Q20  | (q-q%) | (y-y%) | 1H19  | 1H20  | (y-y%) |
|-----------------------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| <b>Revenue by product (THB m)</b> |       |       |       |        |        |       |       |        |
| Natural rubber powered gloves     | 1,002 | 1,370 | 1,889 | 38     | 89     | 2,061 | 3,260 | 58     |
| Natural rubber power-free gloves  | 834   | 1,065 | 1,256 | 18     | 51     | 1,673 | 2,321 | 39     |
| Nitrile rubber gloves             | 1,012 | 1,325 | 1,711 | 29     | 69     | 2,105 | 3,036 | 44     |
| <b>Revenue by Geography (%)*</b>  |       |       |       | (ppt)  | (ppt)  |       |       | (ppt)  |
| Asia                              | 40    | 45    | 44    | (1)    | 3      | 40    | 44    | 4      |
| Europe                            | 24    | 19    | 20    | 1      | (4)    | 24    | 19    | (5)    |
| North America                     | 18    | 17    | 17    | 0      | (0)    | 17    | 17    | 0      |
| South America                     | 12    | 11    | 10    | (2)    | (2)    | 11    | 10    | (1)    |
| Middle East                       | 3     | 4     | 5     | 1      | 2      | 4     | 4     | 1      |
| Africa                            | 3     | 4     | 4     | 0      | 1      | 3     | 4     | 1      |
| Australia, Oceania                | 1     | 1     | 1     | 0      | 0      | 1     | 1     | 0      |
| <b>Margin (%)*</b>                |       |       |       | (ppt)  | (ppt)  |       |       | (ppt)  |
| Gross margin                      | 13.8  | 18.8  | 29.2  | 10     | 15     | 13.5  | 24.6  | 11     |
| EBITDA margin                     | 16.2  | 19.0  | 30.7  | 12     | 15     | 15.0  | 25.6  | 11     |
| Net margin                        | 7.2   | 11.2  | 21.8  | 11     | 15     | 5.6   | 17.2  | 12     |

\* Note that change is in percentage point change

Sources: STGT; FSSIA estimates

## Exhibit 3: Net profit, EPS, and target price sensitivity to changes in ASP in 2021E

| Net profit             |         | EPS         |     |     | Target price at each level of P/E (THB/share) |     |     |     |     |     |     |     |     |
|------------------------|---------|-------------|-----|-----|---|-----|-----|-----|-----|-----|-----|-----|-----|
| ASP (USD/1,000 pieces) | 2021E   | 2021E       | 20  | 21  | 22  | 23  | 24  | 25  | 26  | 27  | 28  | 29  | 30  |
| (USD/1,000 pieces)     | (THB m) | (THB/share) | (x) | (x) | (x)   | (x) | (x) | (x) | (x) | (x) | (x) | (x) | (x) |
| 25.0                   | 2,773   | 1.94        | 39  | 41  | 43  | 45  | 47  | 48  | 50  | 52  | 54  | 56  | 58  |
| 30.2                   | 6,343   | 4.43        | 89  | 93  | 98  | 102 | 106 | 111 | 115 | 120 | 124 | 129 | 133 |
| 35.0                   | 9,912   | 6.93        | 139 | 145 | 152   | 159 | 166 | 173 | 180 | 187 | 194 | 201 | 208 |
| 40.0                   | 13,481  | 9.42        | 188 | 198 | 207   | 217 | 226 | 236 | 245 | 254 | 264 | 273 | 283 |
| 45.0                   | 17,051  | 11.92       | 238 | 250 | 262   | 274 | 286 | 298 | 310 | 322 | 334 | 346 | 358 |
| 50.0                   | 20,620  | 14.41       | 288 | 303 | 317   | 331 | 346 | 360 | 375 | 389 | 404 | 418 | 432 |
| 55.0                   | 24,190  | 16.91       | 338 | 355 | 372   | 389 | 406 | 423 | 440 | 456 | 473 | 490 | 507 |

|      |        |       |     |     |     |     |     |     |     |     |     |     |     |
|------|--------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 60.0 | 27,759 | 19.40 | 388 | 407 | 427 | 446 | 466 | 485 | 504 | 524 | 543 | 563 | 582 |
|------|--------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Source: FSSIA estimates

## Financial Statements

### Sri Trang Gloves (Thailand)

| Profit and Loss (THB m) Year Ending Dec           | 2018         | 2019         | 2020E        | 2021E         | 2022E        |
|---|--------------|--------------|--------------|---------------|--------------|
| Revenue   | 10,989       | 11,994       | 19,495       | 26,144        | 25,884       |
| Cost of goods sold                                | (8,551)      | (9,766)      | (12,180)     | (15,777)      | (18,069)     |
| <b>Gross profit</b>                               | <b>2,437</b> | <b>2,228</b> | <b>7,314</b> | <b>10,367</b> | <b>7,815</b> |
| Other operating income                            | -            | -            | -            | -             | -            |
| Operating costs                                   | (550)        | (725)        | (1,170)      | (1,595)       | (1,553)      |
| <b>Operating EBITDA</b>                           | <b>1,888</b> | <b>1,502</b> | <b>6,145</b> | <b>8,772</b>  | <b>6,261</b> |
| Depreciation                                      | (628)        | (789)        | (1,092)      | (1,367)       | (1,642)      |
| Goodwill amortisation                             | 0            | 0            | 0            | 0             | 0            |
| <b>Operating EBIT</b>                             | <b>1,259</b> | <b>713</b>   | <b>5,052</b> | <b>7,405</b>  | <b>4,619</b> |
| Net financing costs                               | (168)        | (105)        | (151)        | (68)          | (76)         |
| Associates  | 0            | 0            | 0            | 0             | 0            |
| Recurring non operating income                    | 114          | 109          | 80           | 80            | 80           |
| Non recurring items                               | (17)         | 0            | 0            | 0             | 0            |
| <b>Profit before tax</b>                          | <b>1,187</b> | <b>718</b>   | <b>4,982</b> | <b>7,416</b>  | <b>4,623</b> |
| Tax   | (206)        | (104)        | (721)        | (1,074)       | (669)        |
| <b>Profit after tax</b>                           | <b>982</b>   | <b>614</b>   | <b>4,260</b> | <b>6,343</b>  | <b>3,954</b> |
| Minority interests                                | 0            | 0            | 0            | 0             | 0            |
| Preferred dividends                               | 0            | 0            | 0            | 0             | 0            |
| Other items                                       | 0            | 0            | 0            | 0             | 0            |
| <b>Reported net profit</b>                        | <b>982</b>   | <b>614</b>   | <b>4,260</b> | <b>6,343</b>  | <b>3,954</b> |
| <b>Non recurring items &amp; goodwill (net)</b>   | <b>17</b>    | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>0</b>     |
| <b>Recurring net profit</b>                       | <b>999</b>   | <b>614</b>   | <b>4,260</b> | <b>6,343</b>  | <b>3,954</b> |
| <b>Per share (THB)</b>                            |              |              |              |               |              |
| Recurring EPS *                                   | 4.99         | 0.62         | 2.98         | 4.43          | 2.76         |
| Reported EPS                                      | 4.91         | 0.62         | 2.98         | 4.43          | 2.76         |
| DPS   | 0.24         | 0.11         | 0.70         | 0.80          | 0.90         |
| Diluted shares (used to calculate per share data) | 200          | 990          | 1,431        | 1,431         | 1,431        |
| <b>Growth</b>                                     |              |              |              |               |              |
| Revenue (%)                                       | (2.3)        | 9.2          | 62.5         | 34.1          | (1.0)        |
| Operating EBITDA (%)                              | 131.3        | (20.4)       | 309.0        | 42.8          | (28.6)       |
| Operating EBIT (%)                                | 332.1        | (43.4)       | 608.3        | 46.6          | (37.6)       |
| Recurring EPS (%)                                 | 188.1        | (87.6)       | 380.2        | 48.9          | (37.7)       |
| Reported EPS (%)                                  | 357.5        | (87.4)       | 380.2        | 48.9          | (37.7)       |
| <b>Operating performance</b>                      |              |              |              |               |              |
| Gross margin inc depreciation (%)                 | 16.5         | 12.0         | 31.9         | 34.4          | 23.8         |
| Gross margin of key business (%)                  | -            | -            | -            | -             | -            |
| Operating EBITDA margin (%)                       | 17.2         | 12.5         | 31.5         | 33.6          | 24.2         |
| Operating EBIT margin (%)                         | 11.5         | 5.9          | 25.9         | 28.3          | 17.8         |
| Net margin (%)                                    | 9.1          | 5.1          | 21.9         | 24.3          | 15.3         |
| Effective tax rate (%)                            | 17.3         | 14.5         | 14.5         | 14.5          | 14.5         |
| Dividend payout on recurring profit (%)           | 4.8          | 17.7         | 23.5         | 18.0          | 32.6         |
| Interest cover (X)                                | 8.2          | 7.9          | 34.1         | 109.9         | 61.6         |
| Inventory days                                    | 63.9         | 61.5         | 54.3         | 53.4          | 56.4         |
| Debtor days                                       | 56.3         | 53.8         | 32.0         | 27.0          | 31.0         |
| Creditor days                                     | 52.1         | 49.6         | 46.9         | 46.1          | 48.8         |
| Operating ROIC (%)                                | 15.3         | 6.0          | 33.9         | (10.4)        | (5.7)        |
| ROIC (%)  | 16.1         | 6.7          | 33.4         | (10.3)        | (5.7)        |
| ROE (%)   | 46.4         | 18.0         | 32.5         | 25.9          | 13.8         |
| ROA (%)   | 13.0         | 5.8          | 22.3         | 21.8          | 11.6         |

\* Pre exceptional, pre-goodwill and fully diluted

| Revenue By Division (THB m)       | 2018  | 2019  | 2020E | 2021E  | 2022E |
|-----------------------------------|-------|-------|-------|--------|-------|
| Natural rubber powdered gloves    | 3,385 | 4,270 | 7,659 | 10,483 | 9,894 |
| Natural rubber powder-free gloves | 3,012 | 3,205 | 4,372 | 5,872  | 6,105 |
| Nitrile gloves                    | 4,404 | 4,519 | 7,464 | 9,789  | 9,885 |
| Natural rubber products business  | 187   | 0     | 0     | 0      | 0     |

Sources: Sri Trang Gloves (Thailand); FSSIA estimates

## Financial Statements

### Sri Trang Gloves (Thailand)

| Cash Flow (THB m) Year Ending Dec | 2018           | 2019           | 2020E          | 2021E          | 2022E          |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Recurring net profit              | 999            | 614            | 4,260          | 6,343          | 3,954          |
| Depreciation                      | 628            | 789            | 1,092          | 1,367          | 1,642          |
| Associates & minorities           | 0              | 0              | 0              | 0              | 0              |
| Other non-cash items              | -              | -              | -              | -              | -              |
| Change in working capital         | (672)          | 133            | (465)          | (533)          | (303)          |
| <b>Cash flow from operations</b>  | <b>955</b>     | <b>1,536</b>   | <b>4,888</b>   | <b>7,176</b>   | <b>5,293</b>   |
| Capex - maintenance               | (1,536)        | (3,180)        | (3,023)        | (3,023)        | (3,023)        |
| Capex - new investment            | (1,903)        | (133)          | 0              | 0              | 0              |
| Net acquisitions & disposals      | 0              | 0              | 0              | 0              | 0              |
| Other investments (net)           | (563)          | 324            | 0              | 0              | 0              |
| <b>Cash flow from investing</b>   | <b>(4,002)</b> | <b>(2,990)</b> | <b>(3,023)</b> | <b>(3,023)</b> | <b>(3,023)</b> |
| Dividends paid                    | (28)           | (109)          | (109)          | (1,002)        | (1,145)        |
| Equity finance                    | 0              | 0              | 0              | 0              | 0              |
| Debt finance                      | 1,746          | 1,819          | (5,000)        | 0              | 500            |
| Other financing cash flows        | 1,328          | (248)          | 13,223         | 60             | 58             |
| <b>Cash flow from Financing</b>   | <b>3,046</b>   | <b>1,462</b>   | <b>8,114</b>   | <b>(942)</b>   | <b>(586)</b>   |
| Non-recurring cash flows          | -              | -              | -              | -              | -              |
| Other adjustments                 | 0              | 0              | 0              | 0              | 0              |
| <b>Net other adjustments</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       |
| <b>Movement in cash</b>           | <b>0</b>       | <b>8</b>       | <b>9,979</b>   | <b>3,211</b>   | <b>1,683</b>   |
| Free cash flow to firm (FCFF)     | (2,884.60)     | (1,259.61)     | 2,015.17       | 4,221.25       | 2,345.96       |
| Free cash flow to equity (FCFE)   | 27.67          | 116.81         | 10,087.69      | 4,212.77       | 2,827.88       |

#### Per share (THB)

|                               |        |        |      |      |      |
|-------------------------------|--------|--------|------|------|------|
| FCFF per share                | (2.02) | (0.88) | 1.41 | 2.95 | 1.64 |
| FCFE per share                | 0.02   | 0.08   | 7.05 | 2.94 | 1.98 |
| Recurring cash flow per share | 8.14   | 1.42   | 3.74 | 5.39 | 3.91 |

| Balance Sheet (THB m) Year Ending Dec             | 2018          | 2019          | 2020E         | 2021E         | 2022E         |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed asset (gross)                      | 8,031         | 10,561        | 13,584        | 16,607        | 19,631        |
| Less: Accumulated depreciation                    | (1,993)       | (1,999)       | (3,091)       | (4,458)       | (6,100)       |
| <b>Tangible fixed assets (Net)</b>                | <b>6,038</b>  | <b>8,562</b>  | <b>10,493</b> | <b>12,149</b> | <b>13,531</b> |
| <b>Intangible fixed assets (Net)</b>              | <b>221</b>    | <b>221</b>    | <b>221</b>    | <b>221</b>    | <b>221</b>    |
| Long-term financial assets                        | -             | -             | -             | -             | -             |
| Invest. In associates & subsidiaries              | -             | -             | -             | -             | -             |
| Cash & equivalents                                | 573           | 581           | 10,560        | 13,772        | 15,455        |
| A/C receivable                                    | 1,922         | 1,612         | 1,807         | 2,068         | 2,327         |
| Inventories                                       | 1,681         | 1,612         | 2,010         | 2,604         | 2,982         |
| Other current assets                              | 74            | 507           | 825           | 1,106         | 1,095         |
| <b>Current assets</b>                             | <b>4,251</b>  | <b>4,312</b>  | <b>15,202</b> | <b>19,550</b> | <b>21,859</b> |
| Other assets                                      | 142           | 121           | 121           | 121           | 121           |
| <b>Total assets</b>                               | <b>10,652</b> | <b>13,216</b> | <b>26,037</b> | <b>32,041</b> | <b>35,731</b> |
| Common equity                                     | 2,431         | 4,402         | 21,777        | 27,178        | 30,045        |
| Minorities etc.                                   | 1,358         | 0             | 0             | 0             | 0             |
| <b>Total Shareholders' equity</b>                 | <b>3,789</b>  | <b>4,402</b>  | <b>21,777</b> | <b>27,178</b> | <b>30,045</b> |
| Long term debt                                    | 4,249         | 5,846         | 1,846         | 1,846         | 2,346         |
| Other long-term liabilities                       | 248           | 195           | 195           | 195           | 195           |
| <b>Long-term liabilities</b>                      | <b>4,497</b>  | <b>6,041</b>  | <b>2,041</b>  | <b>2,041</b>  | <b>2,541</b>  |
| A/C payable                                       | 1,263         | 1,393         | 1,737         | 2,250         | 2,577         |
| Short term debt                                   | 996           | 1,218         | 218           | 218           | 218           |
| Other current liabilities                         | 107           | 163           | 264           | 354           | 351           |
| <b>Current liabilities</b>                        | <b>2,366</b>  | <b>2,773</b>  | <b>2,219</b>  | <b>2,822</b>  | <b>3,145</b>  |
| <b>Total liabilities and shareholders' equity</b> | <b>10,652</b> | <b>13,216</b> | <b>26,037</b> | <b>32,041</b> | <b>35,731</b> |
| Net working capital                               | 2,308         | 2,176         | 2,640         | 3,174         | 3,476         |
| Invested capital                                  | 8,709         | 11,079        | 13,475        | 15,665        | 17,349        |

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

|                               |       |      |       |       |       |
|-------------------------------|-------|------|-------|-------|-------|
| Book value per share          | 12.15 | 4.45 | 15.22 | 19.00 | 21.00 |
| Tangible book value per share | 11.05 | 4.22 | 15.07 | 18.84 | 20.84 |

#### Financial strength

|                           |       |       |        |        |        |
|---------------------------|-------|-------|--------|--------|--------|
| Net debt/Equity (%)       | 123.3 | 147.3 | (39.0) | (43.1) | (42.9) |
| Net debt/total assets (%) | 43.9  | 49.0  | (32.6) | (36.5) | (36.1) |
| Current ratio (x)         | 1.8   | 1.6   | 6.9    | 6.9    | 6.9    |
| CF interest cover (x)     | 12.5  | 3.4   | 68.0   | 62.9   | 38.0   |

| Valuation                                 | 2018        | 2019         | 2020E       | 2021E       | 2022E       |
|---|-------------|--------------|-------------|-------------|-------------|
| <b>Recurring P/E (x) *</b>                | <b>14.6</b> | <b>117.7</b> | <b>24.5</b> | <b>16.5</b> | <b>26.4</b> |
| <b>Recurring P/E @ target price (x) *</b> | <b>22.2</b> | <b>179.0</b> | <b>37.3</b> | <b>25.0</b> | <b>40.2</b> |
| Reported P/E (x)                          | 14.9        | 117.7        | 24.5        | 16.5        | 26.4        |
| Dividend yield (%)                        | 0.3         | 0.2          | 1.0         | 1.1         | 1.2         |
| Price/book (x)                            | 6.0         | 16.4         | 4.8         | 3.8         | 3.5         |
| Price/tangible book (x)                   | 6.6         | 17.3         | 4.8         | 3.9         | 3.5         |
| EV/EBITDA (x) **                          | 10.9        | 52.4         | 15.6        | 10.6        | 14.6        |
| EV/EBITDA @ target price (x) **           | 15.0        | 77.5         | 24.5        | 16.8        | 23.3        |
| EV/invested capital (x)                   | 2.4         | 7.1          | 7.1         | 5.9         | 5.3         |

\* Pre-exceptional & pre-goodwill are fully diluted \*\* EBITDA includes associate income and recurring non operating income

Sources: Sri Trang Gloves (Thailand); FSSIA estimates

## Corporate Governance report of Thai listed companies 2019

| EXCELLENT LEVEL |          |   |        |        |        |        |              |        |        |        |
|-----------------|----------|---|--------|--------|--------|--------|--------------|--------|--------|--------|
| AAV             | ADVANC   | AIRA  | AKP    | AKR    | AMA    | AMATA  | AMATAV       | ANAN   | AOT    | AP     |
| ARROW           | BAFS     | BANPU   | BAY    | BCP    | BCPG   | BOL    | BRR          | BTS    | BTW    | BWG    |
| CFRESH          | CHEWA    | CHO   | CK     | CKP    | CM     | CNT    | COL          | COMAN  | CPALL  | CPF    |
| CPI             | CPN      | CSS   | DELTA  | DEMC   | DRT    | DTAC   | DTC          | EA     | EASTW  | ECF    |
| EGCO            | GBX      | GC  | GCAP   | GEL    | GGC    | GGC    | GOLD         | GPSC   | GRAMMY | GUNKUL |
| HANA            | HARN     | HMPRO   | ICC    | ICHI   | III    | ILINK  | INTUCH       | IRPC   | IVL    | JKN    |
| JSP             | K        | KBANK   | KCE    | KKP    | KSL    | KTB    | KTC          | KTIS   | LH     | LHFG   |
| LIT             | LPN      | MAKRO   | MALEE  | MBK    | MBKET  | MC     | MCOT         | MFEC   | MINT   | MONO*  |
| MTC             | NCH      | NCL   | NKI    | NSI    | NVD    | NYT    | OISHI        | OTO    | PAP    | PCSGH  |
| PDJ             | PG       | PHOL  | PJW    | PLANB  | PLANET | PORT   | PPS          | PR9    | PREB   | PRG    |
| PRM             | PSH      | PSL   | PTG    | PTT    | PTTEP  | PTTGC  | PYLON        | Q-CON  | QH     | QTC    |
| RATCH           | ROBINS** | RS  | S      | S & J  | SABINA | SAMART | SAMTEL       | SAT    | SC     | SCB    |
| SCC             | SCCC     | SCN   | SDC    | SEAF   | SEAOL  | SE-ED  | SELIC        | SENA   | SIS    | SITHAI |
| SNC             | SORKON   | SPALI   | SPI    | SPRC   | SSSC   | STA    | STEC         | SVI    | SYNTEC | TASCO  |
| TCAP            | THAI     | THANA   | THANI  | THCOM  | THIP   | THREL  | TIP          | TISCO  | TK     | TKT    |
| TMB             | TMILL    | TNDT  | TOA    | TOP    | TRC    | TRU    | TRUE         | TSC    | TSR    | TSTH   |
| TTA             | TTCL     | TTW   | TU     | TVD    | TVO    | U      | UAC          | UV     | VGI    | VIH    |
| WACOAL          | WAVE     | WHA   | WHAUP  | WICE   | WINNER |        |              |        |        |        |
| VERY GOOD LEVEL |          |   |        |        |        |        |              |        |        |        |
| 2S              | ABM      | ADB   | AF     | AGE    | AH     | AHC    | AIT          | ALLA   | ALT    | AMANAH |
| AMARIN          | APCO     | APCS  | AQUA   | ARIP   | ASAP   | ASIA   | ASIAN        | ASIMAR | ASK    | ASN    |
| ASP             | ATP30    | AUCT  | AYUD   | B      | BA     | BBL    | BDMS         | BEC    | BEM    | BFIT   |
| BGC             | BGRIM    | BIZ   | BJC    | BJCHI  | BLA    | BPP    | BROOK        | CBG    | CEN    | CENTEL |
| CGH             | CHG      | CHOTI   | CHOW   | CI     | CIMBT  | CNS    | COLOR        | COM7   | COTTO  | CRD    |
| CSC             | CSP      | DCO   | DCON   | DDD    | DOD    | EASON  | ECL          | EE     | EPG    | ERW    |
| ESTAR           | ETE      | FLOYD   | FN     | FNS    | FORTH  | FPI    | FPT          | FSMART | FSS    | FVC    |
| GENCO           | GJS      | GL  | GLOBAL | GLOW** | GULF   | HPT    | HTC          | HYDRO  | ICN    | IFS    |
| INET            | INSURE   | IRC   | IRCP   | IT     | ITD*** | ITEL   | J            | JAS*   | JCK    | JCKH   |
| JMART           | JMT      | JWD   | KBS    | KCAR   | KGI    | KIAT   | KOOL         | KWC    | KWM    | L&E    |
| LALIN           | LANNA    | LDC   | LHK    | LOXLEY | LRH    | LST    | M            | MACO   | MAJOR  | MBAX   |
| MEGA            | METCO    | MFC   | MK     | MODERN | MOONG  | MPG    | MSC          | MTI    | NEP    | NETBAY |
| NEX             | NINE     | NOBLE   | NOK    | NTV    | NWR    | OCC    | OGC          | ORI    | OSP    | PATO   |
| PB              | PDG      | PDI   | PL     | PLAT   | PM     | PPP    | PRECHA       | PRIN   | PRINC  | PSTC   |
| PT              | QLT      | RCL   | RICHY  | RML    | RWI    | S11    | SAAM         | SALEE  | SAMCO  | SANKO  |
| SAPPE           | SAWAD    | SCG   | SCI    | SCP    | SE     | SFP    | SIAM         | SINGER | SIRI   | SKE    |
| SKR             | SKY      | SMIT  | SMK    | SMP    | SMT    | SNP    | SONIC        | SPA    | SPC    | SPCG   |
| SPVI            | SR       | SRICHA  | SSC    | SSF    | SST    | STANLY | STPI         | SUC    | SUN    | SUSCO  |
| SUTHA           | SWC      | SYMC  | SYNEX  | T      | TACC   | TAE    | TAKUNI       | TBSP   | TCC    | TCMC   |
| TEAM            | TEAMG    | TFG   | TFMAMA | THG    | THRE   | TIPCO  | TITLE        | TIW    | TKN    | TKS    |
| TM              | TMC      | TMD   | TMI    | TMT    | TNITY  | TNL    | TNP          | TNR    | TOG    | TPA    |
| TPAC            | TPBI     | TPCORP  | TPOLY  | TRITN  | TRT    | TSE    | TSTE         | TVI    | TVT    | TWP    |
| TWPC            | UBIS     | UEC   | UMI    | UOBKH  | UP     | UPF    | UPOIC        | UT     | UWC    | VNT    |
| WIUK            | XO       | YUASA   | ZEN    | ZMICO  |        |        |              |        |        |        |
| GOOD LEVEL      |          |   |        |        |        |        |              |        |        |        |
| A               | ABICO    | ACAP***   | AEC    | AEONTS | AJ     | ALUCON | AMC          | APURE  | AS     | ASEFA  |
| AU              | B52      | BCH   | BEAUTY | BGT    | BH     | BIG    | BLAND        | BM     | BR     | BROCK  |
| BSBM            | BSM      | BTNC  | CCET   | CCP    | CGD    | CHARAN | CHAYO        | CITY   | CMAN   | CMC    |
| CMO             | CMR      | CPL   | CPT    | CSR    | CTW    | CWT    | D            | DIMET  | EKH    | EMC    |
| EPCO            | ESSO     | FE  | FTE    | GIFT   | GLAND  | GLOCON | GPI          | GREEN  | GTB    | GYT    |
| HTECH           | HUMAN    | IHL   | INGRS  | INOX   | JTS    | JUBILE | KASET        | KCM    | KKC    | KWG    |
| KYE             | LEE      | LPH   | MATCH  | MATI   | M-CHAI | MCS    | MDX          | META   | MGT    | MJD    |
| MM              | MVP      | NC  | NDR    | NER    | NNCL   | NPK    | NUSA         | OCEAN  | PAF    | PF     |
| PICO            | PIMO     | PK  | PLE    | PMTA   | POST   | PPM    | PROUD        | PTL    | RCI    | RJH    |
| ROJNA           | RPC      | RPH   | SF     | SGF    | SGP    | SKN    | SLP          | SMART  | SOLAR  | SPG    |
| SQ              | SSP      | STI   | SUPER  | SVOA   | TCCC   | THE    | THMUI        | TIC    | TIGER  | TNH    |
| TOPP            | TPCH     | TPIPP   | TPLAS  | TQM    | TTI    | TYCN   | UTP          | VCOM   | VIBHA  | VPO    |
| WIN             | WORK     | WP  | WPH    | ZIGA   |        |        |              |        |        |        |
| Score Range     |          | Number of Logo  |        |        |        |        | Description  |        |        |        |
| 90-100          |          |  |        |        |        |        | Excellent    |        |        |        |
| 80-89           |          |  |        |        |        |        | Very Good    |        |        |        |
| 70-79           |          |  |        |        |        |        | Good         |        |        |        |
| 60-69           |          |  |        |        |        |        | Satisfactory |        |        |        |
| 50-59           |          |  |        |        |        |        | Pass         |        |        |        |
| Less than 50    |          | No logo given   |        |        |        |        | -            |        |        |        |

## Disclaimer:

The disclosure of the survey results 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 results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator

| CERTIFIED |        |        |        |       |        |        |        |        |        |        |
|-----------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|
| ADVANC    | AIE    | AKP    | AMANAH | AP    | APCS   | AQUA   | ARROW  | ASK    | ASP    | AYUD   |
| BAFS      | BANPU  | BAY    | BBL    | BCH   | BCP    | BCPG   | BGRIM  | BJCHI  | BKI    | BLA    |
| BROOK     | BRR    | BSBM   | BTS    | BWG   | CEN    | CENTEL | CFRESH | CGH    | CHEWA  | CIG    |
| CIMBT     | CM     | COM7   | CPALL  | CPF   | CPI    | CPN    | CSC    | DCC    | DEMCO  | DIMET  |
| DRT       | DTAC   | DTC    | EASTW  | ECL   | EGCO   | FE     | FNS    | FSS    | GBX    | GC     |
| GCAP      | GEL    | GFPT   | GGC    | GJS   | GOLD   | GPSC   | GSTEEL | GUNKUL | HANA   | HARN   |
| HMPRO     | HTC    | ICC    | IFS    | INET  | INSURE | INTUCH | IRPC   | IVL    | K      | KASET  |
| KBANK     | KBS    | KCAR   | KCE    | KGI   | KKP    | KSL    | KTB    | KTC    | KWC    | L&E    |
| LANNA     | LHK    | LPN    | LRH    | M     | MAKRO  | MALEE  | MBAX   | MBK    | MBKET  | MC     |
| MCOT      | MFC    | MINT   | MONO   | MOONG | MSC    | MTI    | NBC    | NINE   | NKI    | NMG    |
| NNCL      | NSI    | OCC    | OCEAN  | OGC   | PAP    | PATO   | PB     | PCSGH  | PDG    | PDI    |
| PDJ       | PE     | PG     | PHOL   | PL    | PLANB  | PLANET | PLAT   | PM     | PPP    | PPS    |
| PREB      | PRG    | PRINC  | PSH    | PSTC  | PT     | PTG    | PTT    | PTTEP  | PTTGC  | PYLON  |
| Q-CON     | QH     | QLT    | QTC    | RATCH | RML    | S & J  | SABINA | SAT    | SC     | SCB    |
| SCC       | SCCC   | SCG    | SCN    | SE-ED | SELIC  | SENA   | SGP    | SIRI   | SIS    | SITHAI |
| SMIT      | SMK    | SMPC   | SNC    | SNP   | SORKON | SPACK  | SPC    | SPI    | SPRC   | SRICHA |
| SSF       | SSI    | SSSC   | SST    | STA   | SUSCO  | SVI    | SYNTEC | TASCO  | TCAP   | TFG    |
| TFI       | TFMAMA | THANI  | THCOM  | THIP  | THRE   | THREL  | TIP    | TIPCO  | TISCO  | TKT    |
| TMB       | TMD    | TMILL  | TMT    | TNITY | TNL    | TNP    | TNR    | TOG    | TOP    | TPA    |
| TPCORP    | TRU    | TRUE   | TSC    | TSTH  | TTCL   | TU     | TVD    | TVI    | TWPC   | U      |
| UBIS      | UEC    | UKEM   | UOBKH  | VGI   | VIH    | VNT    | WACOAL | WHA    | WICE   | WIIK   |
| DECLARED  |        |        |        |       |        |        |        |        |        |        |
| 2S        | ABICO  | AF     | AI     | AIRA  | ALT    | AMA    | AMARIN | AMATA  | ANAN   | B      |
| BM        | BPP    | BUI    | CHG    | CHO   | CHOTI  | CHOW   | CI     | CMC    | COL    | DDD    |
| DELTA     | EFORL  | EPCO   | ESTAR  | ETE   | FPI    | FTE    | ICHI   | INOX   | IRC    | ITEL   |
| JAS       | JSP    | JTS    | KWG    | LDC   | LIT    | META   | MFEC   | MPG    | NEP    | NOK    |
| NWR       | ORI    | PRM    | PSL    | ROJNA | RWI    | SAAM   | SAPPE  | SCI    | SEAOIL | SHANG  |
| SKR       | SPALI  | STANLY | SYNEX  | TAE   | TAKUNI | TMC    | TOPP   | TPP    | TRITN  | TVO    |
| UV        | UWC    | WHAUP  | XO     | YUASA | ZEN    |        |        |        |        |        |

| Level     |   |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared  | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)  |

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaiapat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaiapat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaiapat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

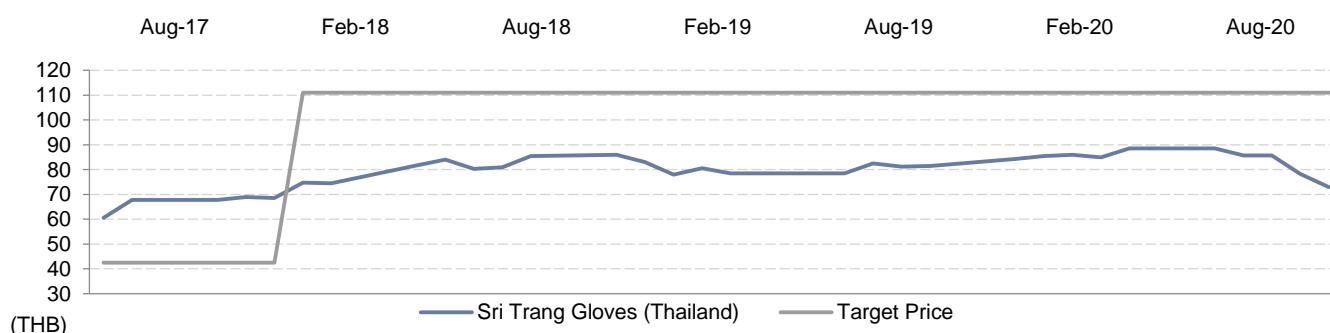
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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#### History of change in investment rating and/or target price

#### Sri Trang Gloves (Thailand) (STGT TB)



| Date        | Rating | Target price | Date        | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 01-Jul-2020 | BUY    | 42.50        | 08-Jul-2020 | BUY    | 111.00       | -    | -      | -            |

Suwat Sinsadok started covering this stock from 01-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company                     | Ticker  | Price     | Rating | Valuation & Risks  |
|-----------------------------|---------|-----------|--------|--|
| Sri Trang Gloves (Thailand) | STGT TB | THB 73.00 | BUY    | The downside risks to our PE-based TP for STGT include 1) a lower-than-expected demand for rubber gloves; 2) higher prices of concentrated natural and synthetic latex and crude; and 3) exchange rate volatility. |

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

All share prices are as at market close on 14-Aug-2020 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.



## Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

## Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.