

28 SEPTEMBER 2020

THAILAND / UTILITIES - CONVENTIONAL

ELECTRICITY GENERATING EGCO TB

BUY
UNCHANGED

TARGET PRICE	THB245.00
CLOSE	THB190.00
UP/DOWNSIDE	+28.9%
PRIOR TP	THB372.00
CHANGE IN TP	-34.1%
TP vs CONSENSUS	-24.4%

มองบวกน้อยลงตามเงินปันผลที่ลดลง

ข้อตกลงทางการเงินสำหรับโครงการขนส่งทางท่อของ TPN

เมื่อวันที่ 21 ก.ย. 2020 EGCO ประกาศว่าบริษัท ได้ทำเข้าสัญญาทางการเงินกับ Bangkok Bank (BBL TB, BUY, TP THB130) และ China Development Bank (not listed) เพื่อขอรับเงินกู้จำนวน 7.8 พัน ลบ. เป็นระยะเวลา 14 ปีเพื่อใช้เป็นเงินทุนสนับสนุนการก่อสร้างโครงการขยายระบบการขนส่งน้ำมันทางท่อไปยังภาคตะวันออกเฉียงเหนือ (The Northeastern Region Project หรือ PPS) ผ่าน Thai Pipeline Network Company (TPN, not listed) ซึ่ง EGCO ถือหุ้น 44.6% ในราคา 2.9 พัน ลบ. ในเดือน ก.ย. 2019

โครงการขยายระบบการขนส่งน้ำมันทางท่อของ TPN

TPN เป็นผู้พัฒนาและให้บริการขนส่งน้ำมันผ่านระบบท่อระยะทาง 342.8 กม. ในภาคตะวันออกเฉียงเหนือของประเทศไทย โดยเชื่อมต่อสถานีน้ำมันของบริษัท ซึ่งมีความจุ 140 ล้านลิตรที่ขอนแก่นเข้ากับสถานีน้ำมันของ Thapline (not listed) ในจังหวัดสระบุรี ระบบขนส่งน้ำมันทางท่อของ TPN เป็นระบบที่สามในประเทศ เมื่อรวมกับอีกสองระบบจะเชื่อมต่อการขนส่งระหว่างกรุงเทพฯ ภาคกลางและภาคตะวันออกเฉียงเหนือของประเทศไทย ในขั้นแรกระบบขนส่งทางท่อ ซึ่งปัจจุบันกำลังก่อสร้างและมีกำหนดแล้วเสร็จสำหรับการขนส่งเชิงพาณิชย์ใน 4Q21 มีกำลังส่งต่ออยู่ที่ 5,700 ล้านลิตร และสามารถเพิ่มเป็น 7,330 ล้านลิตรได้ในขั้นที่ 2

การเปลี่ยนแปลงนโยบายเงินปันผลอาจทำให้ Valuation เปลี่ยนไป

EGCO กำลังเปลี่ยนนโยบายเงินปันผลจากจำนวนคงที่หรือเพิ่มขึ้น y-y เป็นเงินปันผลที่สามารถเปลี่ยนแปลงได้ y-y ขึ้นอยู่กับจำนวนเงินลงทุนที่ต้องการสำหรับโครงการเพื่อการเติบโตใหม่ ๆ การเปลี่ยนแปลงดังกล่าวเกิดขึ้นหลังการจ่ายเงินปันผล 6.5 บาทต่อหุ้นในปี 2019 (ซึ่งต่ำกว่าเงินปันผลปกติ 7.5 บาทต่อหุ้นในปี 2018) และเงินปันผลระหว่างกาล 3 บาทต่อหุ้นใน 1H20 (ซึ่งต่ำกว่า 3.25 บาทต่อหุ้นใน 1H19) เราคาดว่า EGCO จะจ่ายเงินปันผล 6 บาทต่อหุ้นในปี 2020 (ซึ่งต่ำกว่า 6.5 บาทต่อหุ้นในปี 2019)

ปรับ EPS และ TP

เราปรับลดประมาณการ EPS สำหรับปี 2020-2022 ลง 7.14-8.42% เพื่อสะท้อน 1) สมมติฐานอัตราการใช้จ่ายการลงทุนที่ลดลง 5.9-14.8%; 2) สมมติฐานค่าไฟฟ้าที่ลดลง 3.3-5.6% ในปี 2020-2022 เพื่อสะท้อนแนวโน้มต้นทุนก๊าซที่ลดลงของประเทศไทย ซึ่งจะกดดันกำไรสุทธิของ EGCO จากโรงไฟฟ้าขนาดเล็กเป็นหลัก; และ 3) การปรับ Valuation ไปในปี FY2021 นอกจากนี้เรายังปรับลดราคาเป้าหมายลงจาก 372 บาทเป็น 245 บาท (SoTP) เพื่อสะท้อน 1) การปรับลดสมมติฐาน EPS ในปี 2020-2022E จากมุมมองที่เป็นลบมากยิ่งขึ้นเกี่ยวกับแนวโน้มความต้องการไฟฟ้าของประเทศไทย หลังคณะกรรมการกำกับกิจการพลังงาน (Energy Regulatory Commission หรือ ERC) คาดว่าปริมาณไฟฟ้าสำรองในปัจจุบันมีสูงถึงกว่า 40% ในปี 2020; และ 2) การปรับเพิ่มค่า Beta จาก 0.7 เป็น 0.9 เพื่อสะท้อนหนี้ที่เพิ่มขึ้นของ EGCO เพื่อใช้เป็นเงินสนับสนุนโครงการเพื่อการเติบโตของบริษัท

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	37,511	38,450	40,506	41,637
Net profit	13,059	11,699	13,178	16,956
EPS (THB)	24.81	22.22	25.03	32.21
vs Consensus (%)	-	10.8	17.7	40.2
EBITDA	9,268	10,343	10,840	13,530
Core net profit	15,661	11,699	13,178	16,956
Core EPS (THB)	29.75	22.22	25.03	32.21
Chg. In EPS est. (%)	-	(7.1)	(8.4)	(7.4)
EPS growth (%)	63.8	(25.3)	12.6	28.7
Core P/E (x)	6.4	8.5	7.6	5.9
Dividend yield (%)	3.4	3.2	3.2	3.3
EV/EBITDA (x)	17.8	15.1	13.5	9.8
Price/book (x)	1.0	0.9	0.8	0.7
Net debt/Equity (%)	61.2	49.1	36.6	22.5
ROE (%)	15.3	10.8	11.2	13.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(16.7)	(22.8)	(45.4)
Relative to country (%)	(11.9)	(17.7)	(28.6)
Mkt cap (USD m)	3,163		
3m avg. daily turnover (USD m)	9.6		
Free float (%)	50		
Major shareholder	EGAT (25%)		
12m high/low (THB)	396.00/161.00		
Issued shares (m)	526.47		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 28 กันยายน 2020

Investment thesis

EGCO is Thailand's second largest independent power producer (IPP) with a total contracted capacity of 5.5 GW in 2019. EGCO sells most of its electricity to the state-owned enterprise, the Electricity Generating Authority of Thailand (EGAT), on long-term power purchase agreements (PPA) that allow it to pass most of the demand and cost risks through to the buyer. While EGCO's power asset portfolio is diversified geographically, we think the company faces limited growth opportunities, as its key strength, the IPP business, is facing an oversupply in Thailand, and the trend in the power industry is changing in favour of smaller power plants and renewable power.

We believe EGCO's ROE and profitability will remain strong due to its continued acquisitions and its large IPP portfolio, which accounted for 43% of its total attributable capacity at end-2019. Thus, we expect EGCO to experience earnings growth over FY20-21.

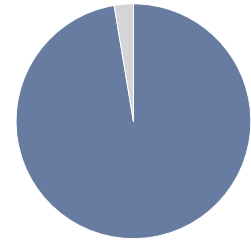
Company profile

EGCO is one of Thailand's leading power producers with a large portfolio of power assets of IPPs, small power producers (SPPs) and renewable energy power plants located in Thailand, Indonesia, the Philippines, Laos and Australia.

www.egco.com

Principal activities (revenue, 2019)

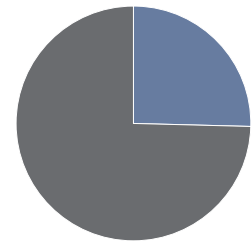
- Electricity generation - 97.4 %
- Other business - 2.6 %



Source: Electricity Generating

Major shareholders

- EGAT - 25.4 %
- Others - 74.6 %



Source: Electricity Generating

Catalyst

Key growth drivers include 1) higher utilisation rates of power plants; and 2) rising demand for electricity in Thailand, the Philippines and Indonesia.

Risk to our call

Downside risks to our SoTP-based TP include 1) lower-than expected demand for electricity in Thailand; 2) delays in project commencement or commercial operation dates (COD); and 3) government intervention in electricity tariff subsidies.

Event calendar

Date	Event
November 2020	3Q20 results announcement

Key assumptions

	2020E	2021E	2022E
Tariff (THB/KWh)	3.00	3.12	3.24
Utilisation rate (%)	75.0	78.0	80.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in coal price, we estimate 2020 earnings would decline 2%, and vice versa, all else being equal.
- For every 1% increase in gas price, we estimate 2020 earnings would decline 1.1%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate 2020 earnings would decline 1.3%, and vice versa, all else being equal.

Source: FSSIA estimates

Financial close for TPN's pipeline project

EGCO acquired a 44.6% stake in TPN's PPS project in Sep-19, and on 21 Sep-20, announced the financial close of the project to secure a 14-year THB7.8b loan to fund the construction of a pipeline for the project. TPN is an oil transportation service developer and operator with a 342.8km pipeline system in the northeastern area of Thailand. It connects Thappline's oil terminal in Saraburi to TPN's terminal, with a storage capacity of 140m litres in Khon Kaen.

TPN's oil pipeline is Thailand's third pipeline system, with two existing pipelines linking Bangkok, central, and eastern parts of Thailand. The annual capacity of the first phase pipeline, currently under construction with a scheduled commercial operation date (COD) in 4Q21, is 5,443m litres; upgradable to 7,330m litres in phase 2.

Exhibit 1: TPN's oil volume projections in northeastern Thailand

	2018	2022E	5-yr CAGR
	(m litres)	(m litres)	(%)
2/3 of volume in upper northeast Thailand	1,861	2,100	2
30% of export volume to Laos	323	630	14
50% of non-Thappline volume	269	290	2
50% of Ubonratchathani volume	133	155	3
Total	2,586	3,175	4
FSSIA's projected volume		2,727	
PSTC's projected volume		3,246	

Sources: Power Solution Technologies (PSTC), FSSIA estimates

TPN was awarded a contract by Thailand's energy regulator in 2016 to build and operate a 342.8km oil pipeline from central to northeastern Thailand by 2022. TPN's oil pipeline project will span 342.8km from the Thappline depot in Saraburi province to the oil terminal in Ban Phai district, Khon Kaen province, in upper northeastern Thailand.

We estimate that this project will require a THB9.6b investment cost with a 13.4% IRR, based on the regulated fee of THB0.415/litre. We estimate the oil pipeline business would contribute a net profit of THB140m to EGCO in 2022, rising to THB531m in 2032 and THB1b in 2047.

Exhibit 2: Financial assumptions for TPN's PPS project

Project	Oil pipeline	Unit
EGCO's holdings	44.5	%
Investment cost	9.6	THB b
Fee for oil transportation	0.415	THB per litre
IRR	13.4	%
Payback period	11	year
Net present value	9.2	THB b
WACC	4.9	%
Cost of equity	7.1	%
Cost of debt	5.0	%
Commercial Operation Date (COD)	4Q21E	
Net profit per year	667	THB m
Net profit per litre	0.31	THB m per litre

Sources: PSTC; EGCO; FSSIA estimates

PPS is one of Thailand's two recently awarded oil pipeline projects, with the other project owned and developed by Bangkok Aviation Fuel Services (BAFS TB, FSS BUY, TP THB28). That pipeline runs from central to northern Thailand and already commenced its COD in 2019.

Exhibit 3: Oil pipeline project details

	TPN (PPS)	BAFS	Unit
Project area	Northeast	North	
2019 demand		3,000	million litres per year
Original estimated investment cost	12,000	7,500	THB m
Final investment cost	9,600	9,690	THB m
Cost change	(20)	29	%
Pipeline cost per km	28	17	THB m/km
COD	4Q21E	3Q18-4Q19	
Construction method	Open cut	Horizontal directional drill	
Storage capacity	140	250	m litres
Pipeline			
Pipeline distance	343	585	km
Saraburi – Khon Kaen (16 inches)	343		km
Bangpa-in – Phichit (14 inches)		365	km
Kamphaengphetch – Lampang (12 inches)		220	km
Capacity			
Saraburi – Khon Kaen (16 inches)	5,700		m litres per year
Bangpa-in – Phichit (14 inches)		9,000	m litres per year
Kamphaengphetch – Lampang (12 inches)		5,000	m litres per year
Demand (2019E)	3,992	3,250	m litres per year
Northeastern	2,792		m litres per year
North		3,000	m litres per year
Laos	1,200		m litres per year
Myanmar – Maesod		250	m litres per year
Financial			
Estimated NPV	9,159	1,492	THB m
IRR			
Original	12.2	9.5	%
Current	13.4	8.3	%
Payback period			
Original	13	14	years
Current	11	19	years

Sources: PSTC; EGCO; BAFS; FSSIA estimates

For EGCO's TPN acquisition, we estimate an incremental value of THB7.5/share with incremental annual net profit contributions to EGCO ranging from THB140m in 2022 to THB531m in 2032, based on the following assumptions:

- 1) THB2.9b investment for its 44.6% equity acquisition;
- 2) THB9.6b project investment cost;
- 3) D/E at 3:1;
- 4) THB0.415/litre fee for oil transportation;
- 5) Volume growth of 3.5% p.a. starting from 2,727m litres in 2022E, onward;
- 6) EIRR of 13.4% for EGCO vs the estimated EIRR of 20% for the project without EGCO's premium, which we estimate to be THB1b.

Given the higher projected pipeline sales volume growth of PPS vs BAFS' project, we expect the IRR for EGCO's PPS to be higher at 13.4% than BAFS' IRR at 8.3%, based on our estimate.

Dividend policy change

Since 2001, EGCO has maintained its “stable or higher absolute dividend” policy, increasing its annual dividend from THB2.3/share in 2001 to THB6.5/share in 2019. In 2018, EGCO paid a special dividend of THB2/share, bringing the total dividend to THB9.5/share in 2018. To comply with its dividend policy, EGCO’s dividend payout has ranged between 24% in 2018 to 63% in 2011.

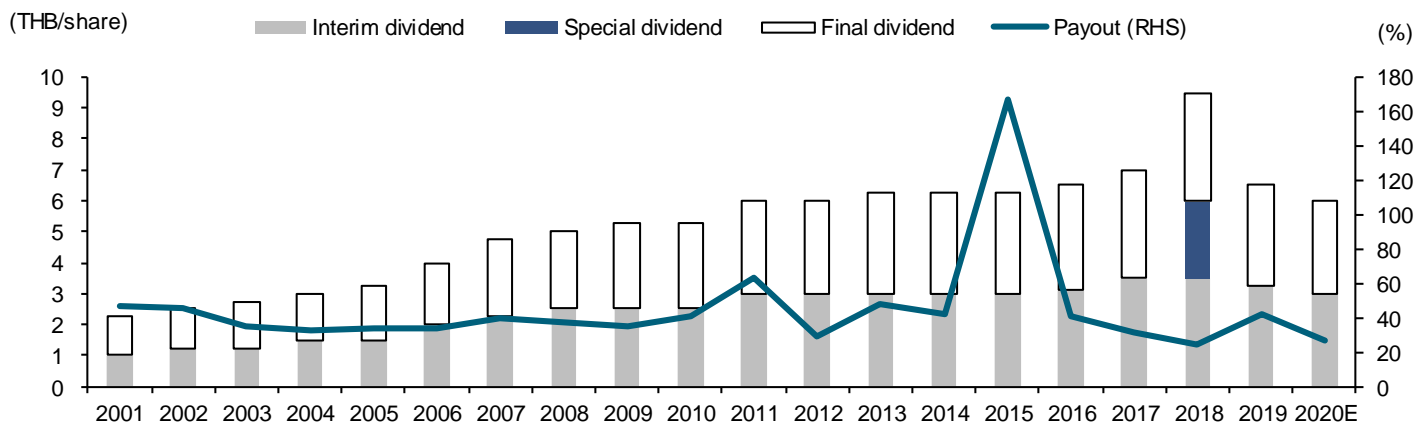
However, starting in 2020, EGCO announced a change in its dividend policy to a 20-30% payout policy, depending on the capex needs to fund its multiple growth projects. The recent acquisition of TPN’s PPS would help explain EGCO’s recent lower-than-expected dividend-to-reserve cash for acquisition growth. According to management, EGCO currently has multiple growth opportunities, and will therefore reserve more cash at the expense of a slightly lower dividend.

In addition to the TPN acquisition, EGCO’s recently acquired growth projects include the 19.8MW Gangdong fuel cell power plant in South Korea via its 49%-owned Paju power plant, COD in 4Q20E, which should further boost the net profits for EGCO’s Paju holding via its 0.9GW IPPs and fuel cell power plant. We estimate that the combined net profit contribution from Paju’s assets (the gas-fired and fuel cell power plants) to EGCO will be THB2.5-3b annually.

We project EGCO to pay a THB6/share dividend in 2020, down from the THB6.5/share paid in 2019, given that EGCO needs to fund its growth projects. This is reflected in EGCO’s lower-than-expected THB3/share interim dividend for 1H20 vs the THB3.25-3.5/share interim dividend that was expected by us and the market, based on EGCO’s previous dividend policy.

We expect EGCO’s valuation to derate, due to investors’ disappointment over its lower dividend yield and its lower-than-peers’ net profit growth outlook in 2020-22E.

Exhibit 4: Dividend policy changes due to higher funding requirement



Sources: EGCO; FSSIA estimates

EPS and TP revisions

We cut our EPS forecasts for 2020-22 by 7.14-8.42% to reflect 1) our lower overall utilisation rate assumptions by 5.9-14.8% in 2020-22 for EGCO's IPPs and SPPs due to the weaker demand for electricity caused by Thailand's weak GDP outlook and the negative impact of COVID-19; 2) our lower electricity tariff assumptions by 3.3-5.6% in 2020-22 to reflect Thailand's lower gas cost outlook that would mainly erode EGCO's net profits from SPPs; and 3) our valuation rollover to FY21.

Exhibit 5: Key changes in assumptions and EPS

	Current			Previous			Change		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Revenue	38,450	40,506	41,637	38,541	40,592	41,735	(0.2)	(0.2)	(0.2)
Gross profit	13,305	13,961	16,739	13,337	13,990	16,778	(0.2)	(0.2)	(0.2)
Operating profit	7,227	7,648	10,264	7,251	7,671	10,296	(0.3)	(0.3)	(0.3)
Net profit	11,699	13,177	16,949	12,598	14,388	18,319	(7.14)	(8.42)	(7.48)
EPS (THB)	22.22	25.03	32.21	23.93	27.33	34.80	(7.14)	(8.42)	(7.48)
Key assumptions	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Tarif (THB/KWh)f	3.00	3.12	3.24	3.10	3.30	3.40	(3.3)	(5.6)	(4.7)
Utilisation rate (%)	75.0	78.0	80.0	88.0	85.0	85.0	(14.8)	(8.2)	(5.9)

Source: FSSIA estimates

We cut our SoTP-based TP from THB372 to THB245, to reflect 1) our EPS revisions for 2020-22E due to our more bearish view on Thailand's electricity demand outlook, given the currently high power reserve of over 40% in 2020, based on the ERC's estimate; and 2) our higher beta from 0.7 to 0.9 to reflect EGCO's rising debt to fund its growth projects.

Exhibit 6: SoTP valuation

Cost of equity assumptions				(%)		Cost of debt assumptions		(%)	
Risk free rate (Rf)				2.3		Pretax cost of debt		5.0	
Market risk premium (Rp)				8.5		Marginal tax rate		20.0	
Stock beta				0.90					
Cost of equity, Ke				10.0		Net cost of debt, Kd		4.0	
Weight applied				30.0		Weight applied		70.0	
WACC				5.8					
DCF valuation estimate	Capacity	Holding	Equity capacity	-----Equity value-----		Assumptions			
	(MW)	(%)	(MW)	(THB m)	(THB/shr)				
IPP									
Khanom (KEGCO, 2013) - Cogen1	970	100	970	30,169	57.3	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
BLCP (1998) - Coal	1,434	50	717	2,884	5.5	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
GPG (2005) - Cogen1	1,510	50	755	4,000	7.6	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
SPP									
EGCO Cogen (2003) - Cogen1	117	80	94	1,749	3.3	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
RG (2003) - Coal	10	70	7	176	0.3	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
Gulf Cogen (GCC, 1998) - Cogen1	110	50	55	1,470	2.8	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
NKCC (2000) - Cogen1	126	50	63	2,107	4.0	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
SCC (1999) - Cogen1	126	50	63	2,887	5.5	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
KLU (2015) - Cogen1	171	100	171	3,307	6.3	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
BPU (2015) - Cogen1	256	100	256	8,552	16.2	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
NED-wsp (Solar, 2011)	8	67	5	381	0.7	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
Renewable									
GYG (Biomass, 2007)	23	50	12	1,242	2.4	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
CWF (Wind, 2014)	80	90	72	4,076	7.7	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
NED (Solar, 2010)	55	67	37	1,862	3.5	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
SPP 2 (Solar, 2010)	8	100	8	756	1.4	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
SPP 3 (Solar, 2010)	8	100	8	756	1.4	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
SPP 4 (Solar, 2010)	6	100	6	353	0.7	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
SPP 5 (Solar, 2011)	8	100	8	528	1.0	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
GPS (Solar, 2011)	26	60	16	1,354	2.6	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
Solar co (Solar, 2013)	57	49	28	3,835	7.3	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
TWF (Wind, 2012)	8	90	7	408	0.8	WACC 5.8%, Rf 2.3%, Rp 8.5%, zero terminal growth			
Overseas									
Quezon (Coal, Philippines, IPP)	503	100	503	26,804	50.9	WACC 8%, Rf 4.1%, Rp 7.8%, zero terminal growth			
Nam Tern (Hydro, Mar-11)	1,087	35	380	10,288	19.5	WACC 8%, Rf 4.1%, Rp 7.8%, zero terminal growth			
SEG (Geothermal, Indonesia)	227	20	45	3,340	6.3	WACC 6.5%, Rf 7.1%, Rp 6.9%, zero terminal growth			
Salak (Unit 1-3) (Geothermal, Indonesia, 1994)	180	20	36	1,605	3.0	WACC 6.5%, Rf 7.1%, Rp 6.9%, zero terminal growth			
Salak (Unit 4-6)(Geothermal, Indonesia, 1997)	197	20	40	2,694	5.1	WACC 6.5%, Rf 7.1%, Rp 6.9%, zero terminal growth			
Darajat (Unit 1) (Geothermal, 1994)	55	20	11	440	0.8	WACC 6.5%, Rf 7.1%, Rp 6.9%, zero terminal growth			
Darajat (Unit 2) (Geothermal, 1997)	95	20	19	1,814	3.4	WACC 6.5%, Rf 7.1%, Rp 6.9%, zero terminal growth			
Darajat (Unit 3) (Geothermal, 2007)	121	20	24	2,675	5.1	WACC 6.5%, Rf 7.1%, Rp 6.9%, zero terminal growth			
BRWF (Wind, Australia)	113	100	113	4,236	8.0	WACC 6%, Rf 6%, Rp 5%, zero terminal growth			
XPCL, Laos (Hydro, COD 2019)	1,280	13	160	5,096	9.7	WACC 6%, Rf 6%, Rp 5%, zero terminal growth			
NT1PC, Laos (Hydro, COD 2022)	644	25	161	13,720	26.1	WACC 6%, Rf 6%, Rp 5%, zero terminal growth			
SBPL, Philippines (Oct, 2019)	455	49	223	6,502	12.4	WACC 8%, Rf 4.1%, Rp 7.8%, zero terminal growth			
Paju, Korea (Gas, Feb 2017)	1,823	49	893	19,574	37.2	WACC 5.4%, Rf 2.1%, Rp 5.6%, zero terminal growth			
Infrastructure									
TPN oil pipeline (m litres per year)	5,443	43	2,340	3,938	7.5	WACC 5.8%, Rf 2.1%, Rp 5.6%, zero terminal growth			
Cash			5,965	19,473	37.0	At end-2021E			
Debt				(64,778)	(123.9)	At end-2021E			
Minorities				(951)	(1.8)	At end-2021E			
Residual ordinary equity				128,531	245				

Sources: EGCO; FSSIA estimates

Financial Statements

Electricity Generating

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	35,522	37,511	38,450	40,506	41,637
Cost of goods sold	(23,441)	(25,353)	(25,145)	(26,545)	(24,899)
Gross profit	12,081	12,158	13,305	13,961	16,739
Other operating income	-	-	-	-	-
Operating costs	(5,476)	(2,890)	(2,963)	(3,121)	(3,208)
Operating EBITDA	6,606	9,268	10,343	10,840	13,530
Depreciation	(3,165)	(3,067)	(3,116)	(3,191)	(3,267)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,440	6,201	7,227	7,648	10,264
Net financing costs	(4,099)	(1,553)	(3,191)	(3,299)	(2,794)
Associates	5,488	6,405	6,127	7,306	8,316
Recurring non operating income	11,202	11,940	8,717	9,896	10,906
Non recurring items	11,511	(2,601)	0	0	0
Profit before tax	22,055	13,986	12,752	14,244	18,375
Tax	(938)	(859)	(893)	(891)	(1,230)
Profit after tax	21,116	13,127	11,859	13,353	17,146
Minority interests	(44)	(67)	(160)	(175)	(190)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	21,073	13,059	11,699	13,178	16,956
Non recurring items & goodwill (net)	(11,511)	2,601	0	0	0
Recurring net profit	9,562	15,661	11,699	13,178	16,956
Per share (THB)					
Recurring EPS *	18.16	29.75	22.22	25.03	32.21
Reported EPS	40.03	24.81	22.22	25.03	32.21
DPS	9.50	6.50	6.00	6.00	6.25
Diluted shares (used to calculate per share data)	526	526	526	526	526
Growth					
Revenue (%)	18.3	5.6	2.5	5.3	2.8
Operating EBITDA (%)	(23.6)	40.3	11.6	4.8	24.8
Operating EBIT (%)	(40.5)	80.2	16.5	5.8	34.2
Recurring EPS (%)	4.2	63.8	(25.3)	12.6	28.7
Reported EPS (%)	78.3	(38.0)	(10.4)	12.6	28.7
Operating performance					
Gross margin inc depreciation (%)	25.1	24.2	26.5	26.6	32.4
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	18.6	24.7	26.9	26.8	32.5
Operating EBIT margin (%)	9.7	16.5	18.8	18.9	24.7
Net margin (%)	26.9	41.7	30.4	32.5	40.7
Effective tax rate (%)	5.7	11.3	13.5	12.8	12.2
Dividend payout on recurring profit (%)	52.3	21.9	27.0	24.0	19.4
Interest cover (X)	3.6	11.7	5.0	5.3	7.6
Inventory days	-	-	-	-	-
Debtor days	55.5	45.8	34.3	30.7	26.3
Creditor days	57.0	49.3	40.0	38.8	41.2
Operating ROIC (%)	4.2	8.6	10.2	10.9	14.8
ROIC (%)	7.8	9.3	7.6	8.4	10.3
ROE (%)	10.3	15.3	10.8	11.2	13.1
ROA (%)	6.6	8.2	7.0	7.8	9.3
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue By Division (THB m)					
Electricity generation	34,525	36,524	37,526	39,577	40,720
Other business	997	987	924	928	917

Sources: Electricity Generating; FSSIA estimates

Financial Statements

Electricity Generating

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	9,562	15,661	11,699	13,178	16,956
Depreciation	3,165	3,067	3,116	3,191	3,267
Associates & minorities	5,488	6,405	6,127	7,306	8,316
Other non-cash items	-	-	-	-	-
Change in working capital	16,339	1,258	(217)	132	2
Cash flow from operations	34,554	26,391	20,725	23,807	28,540
Capex - maintenance	(3,165)	(3,067)	(3,116)	(3,191)	(3,267)
Capex - new investment	(5,362)	(3,580)	(116)	(191)	(267)
Net acquisitions & disposals	(4,622)	(31,302)	0	0	0
Other investments (net)	21,761	21,474	6,127	7,306	8,316
Cash flow from investing	8,611	(16,474)	2,895	3,923	4,782
Dividends paid	(3,255)	(3,254)	(3,290)	(3,159)	(3,159)
Equity finance	0	0	0	0	0
Debt finance	(6,429)	(7,607)	(10,000)	(10,000)	(10,000)
Other financing cash flows	(5,392)	(13,446)	(11,862)	(14,054)	(15,908)
Cash flow from Financing	(15,076)	(24,306)	(25,152)	(27,212)	(29,067)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	28,090	(14,389)	(1,533)	518	4,255
Free cash flow to firm (FCFF)	47,174.83	11,170.22	26,810.74	31,219.04	36,311.20
Free cash flow to equity (FCFE)	31,344.28	(11,135.77)	1,757.83	3,676.58	7,413.91

Per share (THB)

FCFF per share	89.61	21.22	50.93	59.30	68.97
FCFE per share	59.54	(21.15)	3.34	6.98	14.08
Recurring cash flow per share	34.60	47.74	39.78	44.97	54.21

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Tangible fixed asset (gross)	83,287	81,165	84,165	87,165	90,165
Less: Accumulated depreciation	(26,926)	(28,384)	(31,500)	(34,691)	(37,958)
Tangible fixed assets (Net)	56,361	52,782	52,666	52,474	52,208
Intangible fixed assets (Net)	8,160	11,702	11,702	11,702	11,702
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	55,979	87,281	87,281	87,281	87,281
Cash & equivalents	34,877	20,488	18,955	19,473	23,728
A/C receivable	5,796	3,613	3,613	3,208	2,792
Inventories	0	0	0	0	0
Other current assets	10,681	11,693	11,986	12,627	12,980
Current assets	51,353	35,794	34,555	35,308	39,500
Other assets	34,574	20,963	20,963	20,963	20,963
Total assets	206,428	208,523	207,167	207,729	211,654
Common equity	100,239	104,490	112,899	122,919	136,716
Minorities etc.	611	616	776	951	1,141
Total Shareholders' equity	100,850	105,106	113,675	123,870	137,857
Long term debt	65,038	78,986	68,986	58,986	48,986
Other long-term liabilities	6,594	11,951	11,951	11,951	11,951
Long-term liabilities	71,632	90,937	80,937	70,937	60,937
A/C payable	4,081	2,769	2,746	2,899	2,719
Short term debt	27,347	5,792	5,792	5,792	5,792
Other current liabilities	2,517	3,918	4,016	4,231	4,349
Current liabilities	33,945	12,479	12,554	12,922	12,860
Total liabilities and shareholders' equity	206,428	208,523	207,167	207,729	211,654
Net working capital	9,878	8,620	8,837	8,705	8,703
Invested capital	164,953	181,348	181,450	181,126	180,858

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

Per share (THB)

Book value per share	190.40	198.48	214.45	233.48	259.69
Tangible book value per share	174.90	176.25	192.22	211.25	237.46

Financial strength

Net debt/Equity (%)	57.0	61.2	49.1	36.6	22.5
Net debt/total assets (%)	27.9	30.8	26.9	21.8	14.7
Current ratio (x)	1.5	2.9	2.8	2.7	3.1
CF interest cover (x)	10.0	(3.9)	1.6	2.2	3.7

Valuation	2018	2019	2020E	2021E	2022E
Recurring P/E (x) *	10.5	6.4	8.5	7.6	5.9
Recurring P/E @ target price (x) *	13.5	8.2	11.0	9.8	7.6
Reported P/E (x)	4.7	7.7	8.5	7.6	5.9
Dividend yield (%)	5.0	3.4	3.2	3.2	3.3
Price/book (x)	1.0	1.0	0.9	0.8	0.7
Price/tangible book (x)	1.1	1.1	1.0	0.9	0.8
EV/EBITDA (x) **	23.9	17.8	15.1	13.5	9.8
EV/EBITDA @ target price (x) **	28.3	20.9	17.9	16.2	11.9
EV/invested capital (x)	1.0	0.9	0.9	0.8	0.7

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

Sources: Electricity Generating; 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	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	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	SEAFCO	SEAOIL	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	AMANA
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	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	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	PNR	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
WIJK	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.

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* 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	AMANAHA	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	SEOIL	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)

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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

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Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

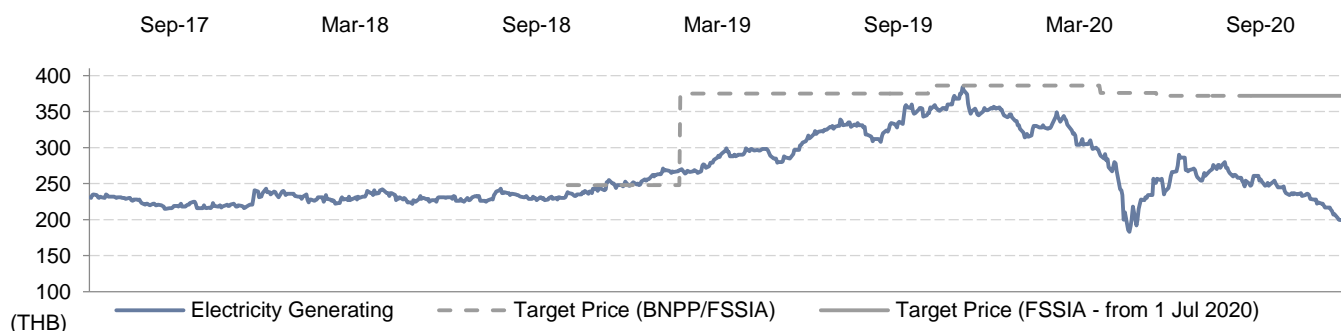
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History of change in investment rating and/or target price

Electricity Generating (EGCO TB)



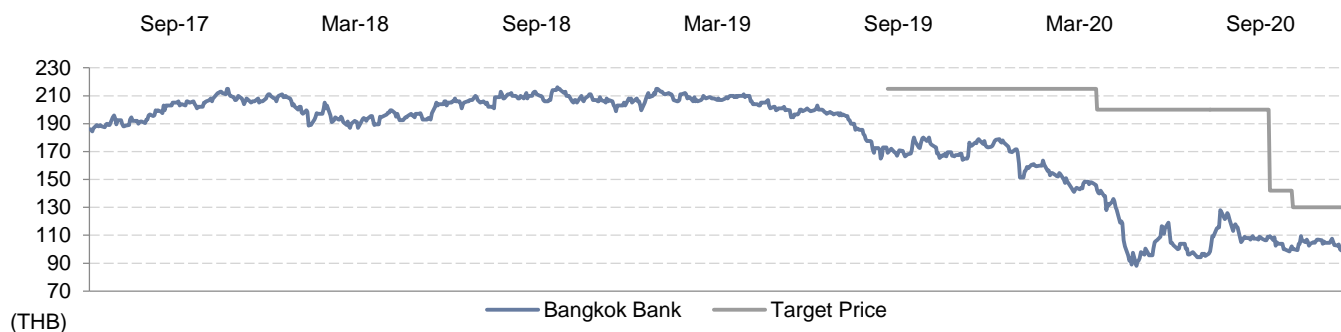
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Nov-2018	HOLD	248.00	25-Sep-2019	BUY	386.00	10-Apr-2020	BUY	372.00
21-Feb-2019	BUY	375.00	21-Feb-2020	BUY	376.00			

Suwat Sinsadok started covering this stock from 15-Nov-2018

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Bank (BBL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Aug-2019	BUY	215.00	02-Apr-2020	BUY	200.00	05-Aug-2020	BUY	130.00
18-Feb-2020	BUY	200.00	16-Jul-2020	BUY	142.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Electricity Generating	EGCO TB	THB 190.00	BUY	Downside risks to our SoTP-based TP include 1) lower-than expected demand for electricity in Thailand; 2) delays in project commencement or commercial operation dates (COD); and 3) government intervention in electricity tariff subsidies.
Bangkok Bank	BBL TB	THB 96.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 25-Sep-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

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

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.