

30 OCTOBER 2020

THAILAND / OIL & GAS

STAR PETROLEUM REFINING

SPRC TB

BUY

UNCHANGED

TARGET PRICE	THB8.00
CLOSE	THB5.35
UP/DOWNSIDE	+49.5%
PRIOR TP	THB8.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+20.6%

เบนซิน – ปัจจัยที่ช่วยกระตุ้นผลประกอบการ

เราตัวรอดจากการดำเนินงานที่แคล่วคล่องและกลยุทธ์ที่ดี

เราเชื่อว่า SPRC ยังเป็นโรงกลั่นที่มีความสามารถในการแข่งขันสูงที่สุดแห่งหนึ่งในประเทศในแง่ของต้นทุนโครงสร้างและกลยุทธ์การใช้น้ำมันดิบที่ยืดหยุ่น เพื่อรักษา Market GRM ของบริษัท ผ่านการปรับส่วนผสมน้ำมันดิบในท่ามกลางสภาวะแวดล้อมราคาน้ำมันดิบที่ไม่แน่นอนอันเกิดขึ้นตั้งแต่ไตรมาส 1Q20 อย่างไรก็ตาม Market GRM ของ SPRC มีแนวโน้มที่จะอ่อนแอต่อเนื่องในช่วง 2H20 จาก Crude Premiums ที่อยู่ในระดับสูงและ Diesel และ Jet-Dubai Margins ที่ตกต่ำ

วิธีการปฏิบัติที่เป็นเลิศในด้านส่วนผสมน้ำมันดิบและการผลิตให้ได้ประโยชน์

นับตั้งแต่เดือน ก.ค. 2020 SPRC เลิกผลิตน้ำมันอากาศยาน (Jet Fuel) จากความต้องการที่ตกต่ำและ Jet-Dubai Margin ที่อยู่ในระดับศูนย์หรือต่ำกว่า ต่างจากโรงกลั่นอื่น ๆ SPRC ประสบความสำเร็จในการเปลี่ยนการผลิตจากน้ำมันอากาศยานเป็นเบนซินในอัตราที่สูงกว่าดีเซล ในขณะที่โรงกลั่นในประเทศส่วนมากเปลี่ยนการผลิตน้ำมันอากาศยานเป็นดีเซล ซึ่งก่อให้เกิดปริมาณน้ำมันดีเซลล้นตลาด เราเชื่อว่า SPRC อยู่ในฐานะที่จะได้ประโยชน์อย่างยิ่งจากการเปลี่ยนไปผลิตเบนซิน เนื่องจากบริษัท อาจสามารถผลิตได้ผลตอบแทนเป็นเบนซินสูงสุดถึง 28% เทียบกับผลตอบแทนเฉลี่ยที่ 21% ของโรงกลั่นรายอื่นในประเทศ

คาดผลประกอบการไตรมาส 3Q20 จะอ่อนแอ

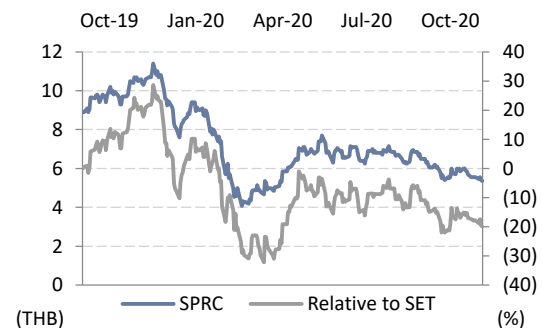
เราคาดว่ากำไรสุทธิไตรมาส 3Q20 ที่ 353 ลบ. ลดลง 69% q-q แต่เพิ่มขึ้นจากผลขาดทุนสุทธิที่ 925 ลบ. ในไตรมาส 3Q19 หักกำไรจากสินค้าคงคลัง เราคาดผลขาดทุนสุทธิจากการดำเนินงาน (Core Net Loss) ที่ 209 ลบ. ลดลงจากกำไรสุทธิที่ 117 ลบ. ในไตรมาส 2Q20 และ 231 ลบ. ในไตรมาส 3Q19 โดยมีปัจจัยสำคัญประกอบด้วย 1) Market GRM ที่ USD1.8/bbl ลดลงจาก USD4.7/bbl ในไตรมาส 2Q20 และ USD5.1/bbl ในไตรมาส 3Q19 จาก Crude Premiums ที่สูงขึ้น q-q และ Product Margin ที่ลดลงทั้ง y-y และ q-q ในทุกผลิตภัณฑ์จากการแพร่ระบาด COVID-19; 2) ค่าการกลั่นทางบัญชี (Accounting GRM) ที่ USD3.7/bbl (รวมกำไรจากสินค้าคงคลังที่ USD1.9/bbl หรือ 0.6พัน ลบ.) ลดลงจาก 7.5/bbl ในไตรมาส 2Q20 เนื่องจากกำไรจากสินค้าคงคลังที่ลดลง q-q; และ 3) อัตราการใช้กำลังการผลิตที่ลดลงเหลือ 82% จาก 86% ในไตรมาส 2Q20

คงคำแนะนำซื้อ ปรับลดประมาณการ EPS ในปี 2020

เราคงคำแนะนำซื้อและราคาเป้าหมายของเราที่ 8 บาทโดยคิดจาก FY21E EV/EBITDA ที่ 3.9x เรามองว่า SPRC เป็นโรงกลั่นที่ดีที่สุดของไทยที่จะได้ประโยชน์จาก Gasoline-Dubai Margin และความต้องการที่คาดว่าจะฟื้นคืนสภาพในประเทศไทย และควรได้รับผลกระทบน้อยที่สุดจากความต้องการและอัตรากำไร Jet และ Diesel-Dubai ที่ตกต่ำ เราปรับลดประมาณการกำไรสุทธิและกำไรต่อหุ้นจากการดำเนินงาน (Core Net Profit และ Core EPS) ในปี 2020 ลง 331% เพื่อสะท้อน 1) ผลขาดทุนจากสินค้าคงคลังที่สูงเกินคาดในช่วง 1H20; และ 2) Market GRM ที่ลดลง 56% จาก Jet-Dubai และ Diesel-Dubai Margins ที่คาดว่าจะลดลงในปี 2020

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	168,840	92,648	156,891	160,375
Net profit	(2,809)	(3,851)	5,773	6,454
EPS (THB)	(0.65)	(0.89)	1.33	1.49
vs Consensus (%)	-	(100.0)	142.7	117.5
EBITDA	(2,336)	3,290	10,627	11,426
Core net profit	(2,809)	(3,851)	5,773	6,454
Core EPS (THB)	(0.65)	(0.89)	1.33	1.49
Chg. In EPS est. (%)	-	(331.4)	-	-
EPS growth (%)	(224.1)	(37.1)	nm	11.8
Core P/E (x)	(8.3)	(6.0)	4.0	3.6
Dividend yield (%)	3.4	3.7	15.0	16.8
EV/EBITDA (x)	(12.8)	9.7	2.8	2.2
Price/book (x)	0.7	0.8	0.7	0.7
Net debt/Equity (%)	20.9	30.9	20.1	6.7
ROE (%)	(7.9)	(12.7)	19.4	19.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.7)	(21.3)	(35.2)
Relative to country (%)	1.8	(12.4)	(14.1)
Mkt cap (USD m)	742		
3m avg. daily turnover (USD m)	3.9		
Free float (%)	39		
Major shareholder	Chevron South Asia Holdings Pte Ltd (61%)		
12m high/low (THB)	11.70/3.82		
Issued shares (m)	4,335.90		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 30 ตุลาคม 2020

Investment thesis

With IMO 2020 coming into force in Jan 2020 – limiting the sulphur content in fuel oil used by the shipping industry – we think SPRC faces a potential downside risk from a lower fuel oil-Dubai spread; but this should be offset by a widening diesel-fuel oil spread. While purely a refinery business, SPRC's earnings sustainability comes from its low-cost structure, high crude flexibility and high operational efficiency, supported by its parent Chevron.

We think SPRC's earnings will continue to grow in 2021-22, driven by sustainable earnings from a higher market gross refining margin (GRM) and its low-cost structure.

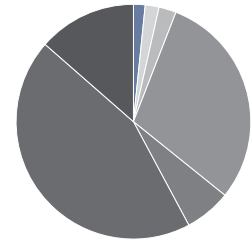
Company profile

SPRC is a subsidiary of US-based Chevron, with capacity of 165kb/d. Its competitive, low-cost structure and high crude consumption flexibility are key to sustaining its high market GRM.

www.sprc.co.th

Principal activities (revenue, 2019)

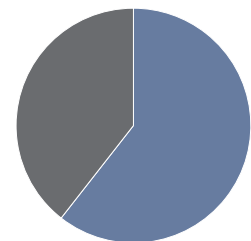
- Polymer Grade Propylene - 1.6 %
- Liquefied Petroleum Gas - 1.9 %
- Light Naphtha - 2.4 %
- Gasoline - 29.9 %
- Jet Fuel - 6.4 %
- Diesel - 44.3 %
- Others - 13.6 %



Source: Star Petroleum Refining

Major shareholders

- Chevron South Asia Holdings Pte Ltd - 60.6 %
- Others - 39.4 %



Source: Star Petroleum Refining

Catalyst

We expect SPRC's earnings growth to recover in 2021 on a widening diesel-Dubai spread.

Risk to our call

TP is based on EV/EBITDA. Downside risks are a sharp rise in oil price and weak demand for refined oil products.

Event calendar

Date	Event
November 2020	3Q20 results announcement

Key assumptions

	2020E	2021E	2022E
Utilisation rate (%)	82.0	95.0	95.0
Market GRM (USD/bbl)	1.8	5.8	6.2
Dubai crude price (USD/bbl)	40.0	50.0	50.0
Gasoline-Dubai spread (USD/bbl)	6.0	10.0	14.0
Jet-Dubai spread (USD/bbl)	1.0	10.0	10.0
Diesel-Dubai spread (USD/bbl)	4.0	12.0	15.0
Fuel oil-Dubai spread (USD/bbl)	(4.0)	(3.0)	(7.0)
Crude premium (USD/bbl)	1.5	3.3	4.3

Source: FSSIA estimates

Earnings sensitivity

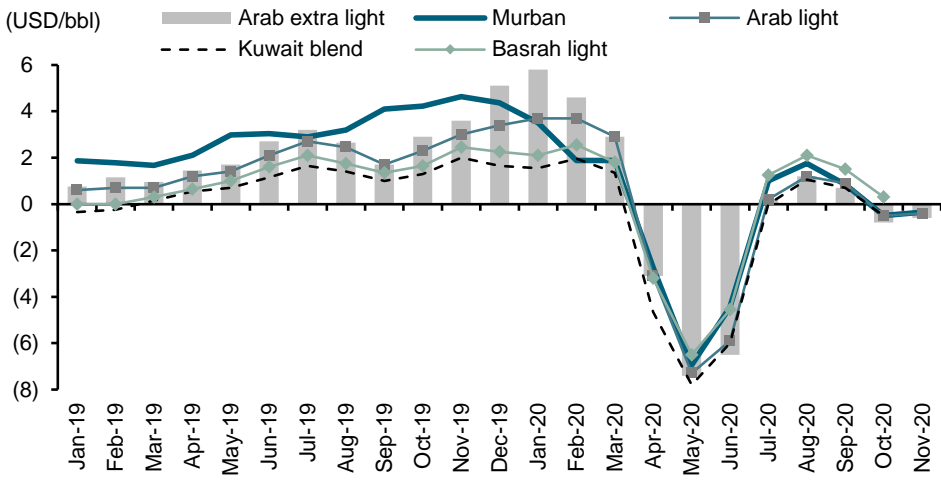
- For every 1% increase in average Dubai oil price, we project that 2020 earnings would rise by 2.8%, and vice versa, all else being equal.
- For every 1% increase in market GRM, we project that 2020 earnings would rise by 2.5%, and vice versa, all else being equal.
- Stability in crude oil price, rising diesel cracks and low crude premiums are key for earnings growth.

Source: FSSIA estimates

Gasoline-Dubai margin remains only a key supporter in 2H20

Saudi Arabia recently announced that it would decrease its Oct-20 official selling price (OSP), or the crude premiums of its benchmark crudes, by USD0.2/bbl to a discount of USD0.6/bbl over Dubai crude price for Arab Extra Light (AXL), and by USD0.1/bbl to a discount of USD0.4/bbl over Dubai for Arab Light (ARL). We think the major factors affecting Thai refiners' market GRMs now are the higher crude costs with continued depressed product margins.

Exhibit 1: Crude premiums of Middle East producers



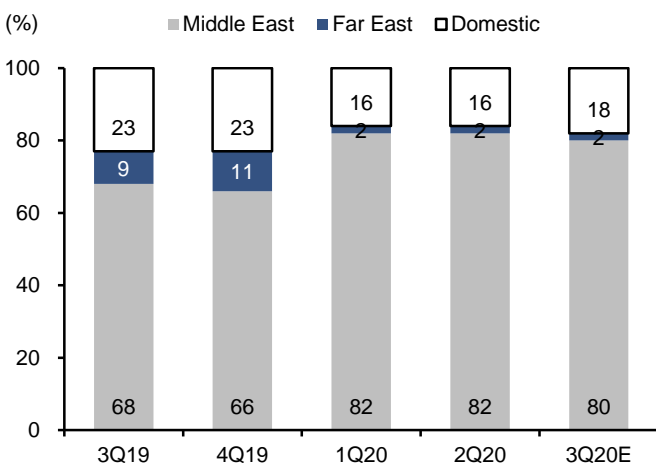
Source: SPRC

These USD8.8-6.9/bbl higher crude premiums within six months will likely lead to 1) continued losses from SPRC's market gross refining margin (GRM), despite its low-cost structure; and 2) much less flexibility to change crude types from among Middle East (ME) crudes, including Saudi Arabia's ARL and AXL and the UAE's Murban crudes, the three most popular crude types used by Thai refiners.

No way out yet for crude flexibility in 2H20

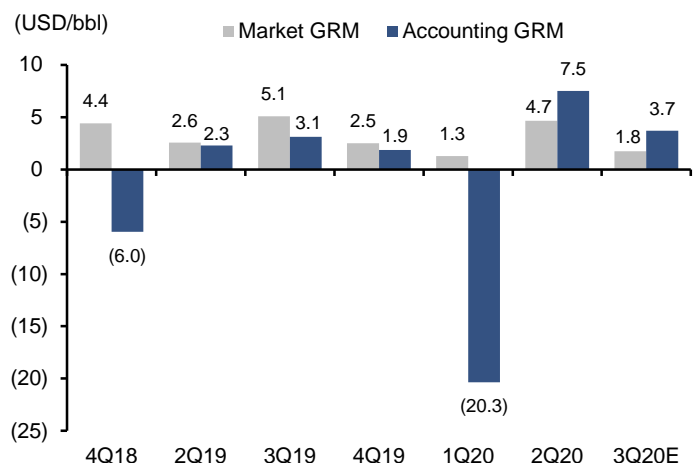
According to management, SPRC will continue to use ME crude as its key feedstock in 3Q20 and likely in 4Q20 onward, despite the price hike since July. SPRC has increased its ME crude intake from 66% in 4Q19 to 82% in 1Q-2Q20, and we project the company to slightly decrease its ME crude consumption to 80% in 3Q20, supplanted by a higher intake of the more economical Far East (FE) crude, which is lighter and can produce a higher gasoline content. This would help SPRC achieve the highest profitability for its refinery amid the industry's weak product margins.

Exhibit 2: Crude mix



Sources: SPRC; FSSIA estimates

Exhibit 3: Market and accounting GRM



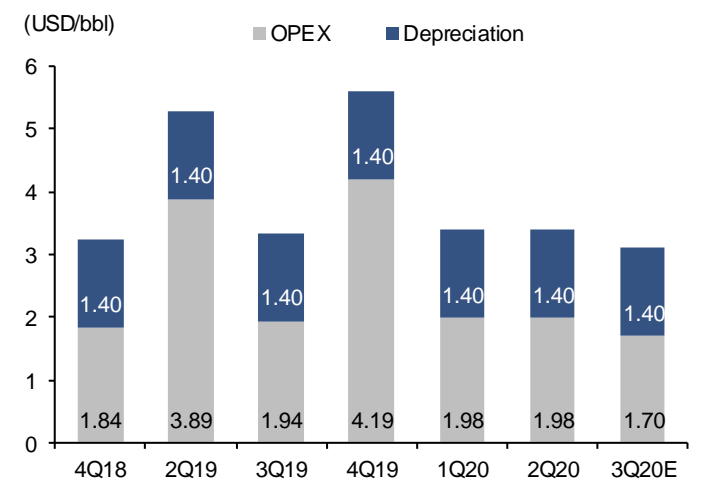
Sources: SPRC; FSSIA estimates

We believe SPRC remains one of the most competitive refiners in Thailand in terms of cost structure and its flexible crude intake strategy of sustaining its market GRM via timely changes to its crude mix throughout the uncertain crude price environment that has existed since 1Q20.

Cost structure remains key to its competitiveness. As of 3Q20, we project SPRC's cash operating cost (OPEX) per bbl at USD1.7/bbl, down from USD1.98/bbl in 1Q-2Q20. Despite excluding the one-time expenses related to its plant maintenance shutdown of USD0.16-0.32/bbl in 1Q-2Q20, SPRC's OPEX per bbl should remain lower q-q, from USD1.82/bbl (excluding the shutdown-related expense) to USD1.7/bbl in 3Q20, thanks to the company's high operational efficiency.

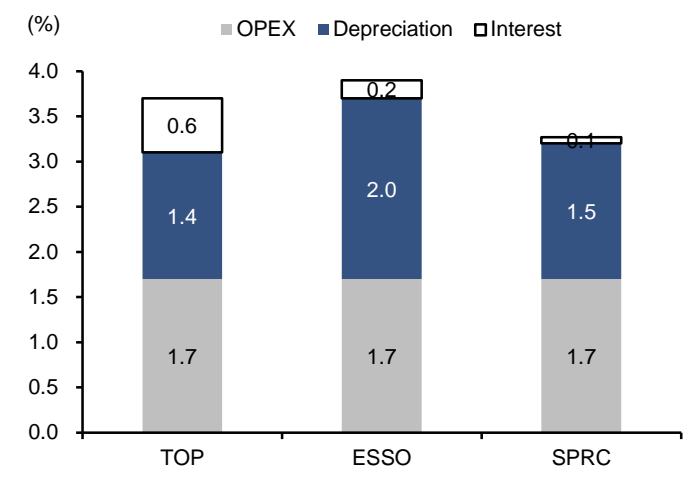
However, including depreciation, we estimate SPRC's accounting cost per bbl for 3Q20 to be USD3.1/bbl, which is still higher than the estimated market GRM of USD1.75/bbl in 3Q20. Including a stock gain of USD1.9/bbl, we project SPRC's 3Q20 reported GRM to be USD3.7/bbl, still higher than its total estimated cost of USD3.1/bbl.

Exhibit 4: Cost structure of SPRC



Sources: SPRC; FSSIA estimates

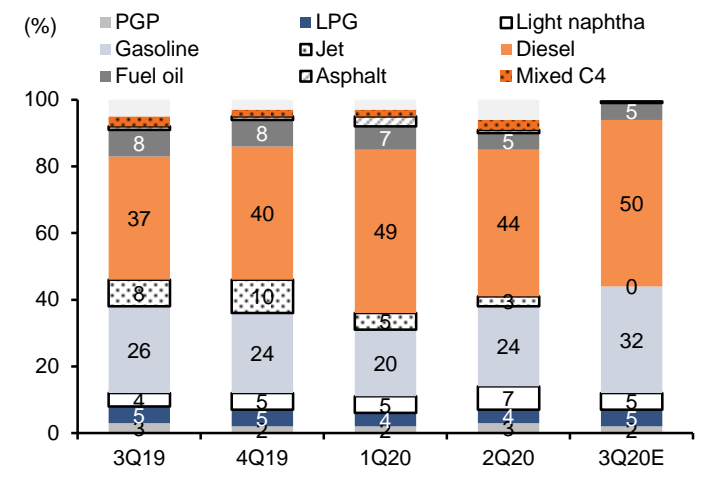
Exhibit 5: Cost structures for key Thai refiners, 2Q20



Source: Company data

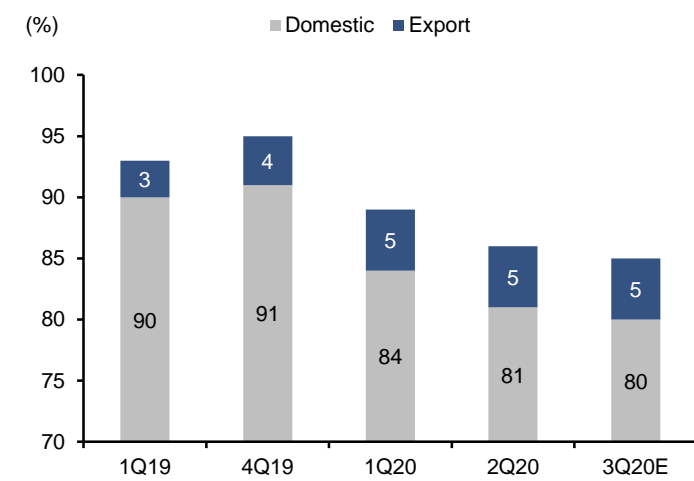
Maximisation of gasoline and minimisation of diesel yield. Since Jul-20, SPRC has produced zero jet fuel, given the depressed demand and jet-Dubai margin at or below zero. Unlike other refiners, SPRC has successfully shifted from producing jet fuel to producing gasoline at a higher rate than diesel. Most Thai refiners have shifted their jet fuel production to diesel, leading to a diesel oversupply.

Exhibit 6: Production yield



Sources: SPRC; FSSIA estimates

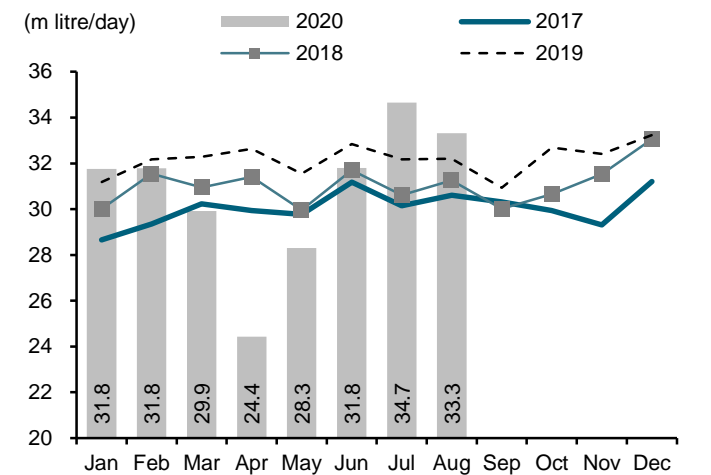
Exhibit 7: Sales volume (in terms of utilisation) by market



Sources: SPRC; FSSIA estimates

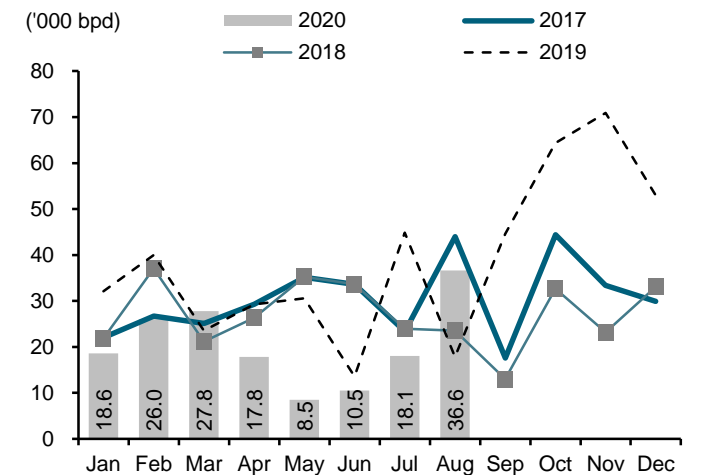
Thailand is an importer of gasoline and LPG but an exporter of diesel and fuel oil to ASEAN markets. In 8M20, Thailand had already imported gasoline amounting to 4.92m bbls, or an average of 20.5kbpd, due to the higher demand for gasoline in the country. The gasoline demand had already recovered to surpass pre-COVID levels since Jul-20. We believe SPRC stands to benefit greatly from its shift to gasoline, as it could potentially produce the highest gasoline yield at up to 28% vs the average gasoline yield of 21% for other Thai refiners.

Exhibit 8: Gasoline demand in Thailand



Source: Department of Energy Business (DOEB)

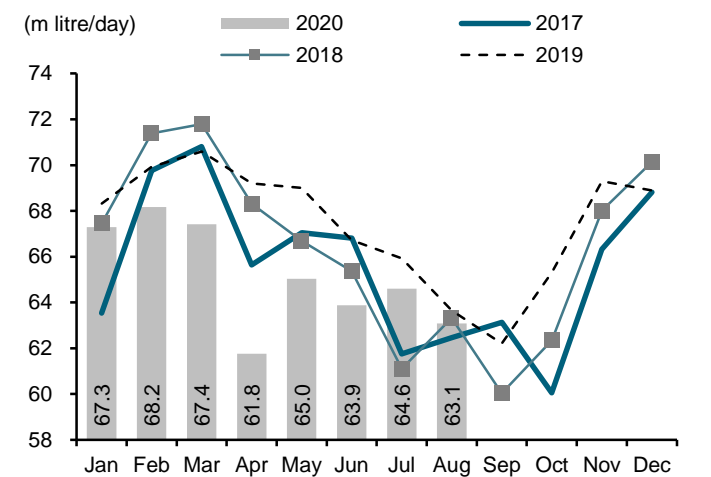
Exhibit 9: Thailand's gasoline imports



Source: Energy Planning and Policy Office (EPPO)

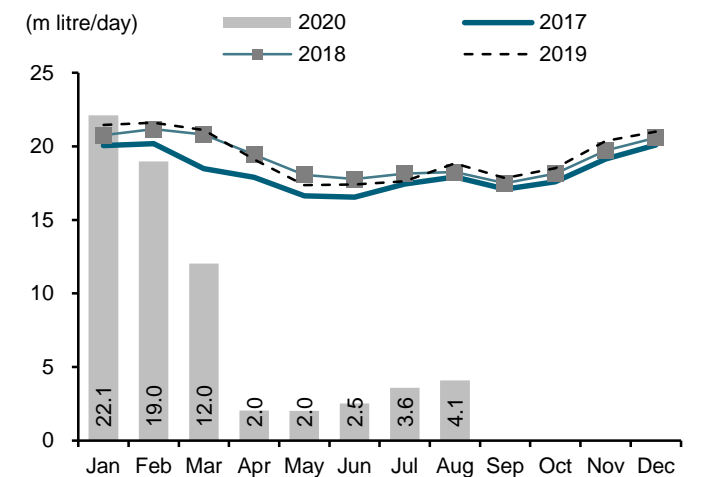
Demand for middle distillate products remains weak. Since Apr-20, the demand for jet fuel in Thailand collapsed due to the ban on international flights as a result of the pandemic. Thanks to SPRC's high operational flexibility, the company has reduced its jet fuel production to zero since Jul-20. This production level is likely to continue into 2021, as the projected demand for jet in Thailand remains depressed on account of the continued international flight ban.

Exhibit 10: Diesel demand in Thailand



Source: DOEB

Exhibit 11: Jet fuel demand in Thailand



Source: DOEB

SPRC is maintaining its plan to produce high sulphur fuel oil (HSFO) at 7%, and has no plan to produce low sulphur fuel oil (LSFO), as the higher crude cost does not justify its production, according to management.

3Q20E earnings preview

We project SPRC to post a 3Q20 net profit of THB353m, down 69% q-q but up from a net loss of THB925m in 3Q19. Excluding inventory gains, we project a core net loss of THB209m, down from a net profit of THB117m in 2Q20 and THB231m in 3Q19.

- We project a USD1.8/bbl market GRM, down from USD4.7/bbl in 2Q20 and USD5.1/bbl in 3Q19, due to q-q higher crude premiums and y-y and q-q lower product margins across the board as a result of the COVID-19 pandemic;
- Including an inventory gain of USD1.9/bbl, or THB0.6b, we forecast an accounting GRM of USD3.7/bbl, down from 7.5/bbl in 2Q20 due to a q-q lower inventory gain, but up from USD3.1/bbl in 3Q19 due to the large inventory loss in that quarter;
- We forecast a lower utilisation rate to 82%, down from 86% in 2Q20 due to the poorer product margins.

Exhibit 12: 3Q20E earnings preview

	3Q19	2Q20	----- 3Q20E-----		9M19	9M20E	Chg.	2020E	Comments	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)		(THB m)
Revenue	44,307	25,831	29,845	15.5	(32.6)	141,036	95,052	(32.6)	92,648	Lower y-y due to a lower selling price
Operating costs	(45,079)	(24,696)	(29,362)	18.9	(34.9)	(140,109)	(103,311)	(26.3)	(88,431)	Lower y-y due to lower crude costs
EBITDA	(772)	1,135	483	(57.5)	<i>nm</i>	927	(8,259)	<i>nm</i>	3,290	Lower q-q due to a lower GRM
<i>EBITDA margin (%)</i>	<i>(1.7)</i>	<i>4</i>	<i>1.6</i>	<i>nm</i>	<i>nm</i>	<i>0.7</i>	<i>(8.7)</i>	<i>nm</i>	<i>3.6</i>	
Depreciation	(628)	(720)	(721)	0.1	14.7	(1,942)	(2,148)	10.6	(2,598)	
EBIT	(1,401)	415	(238)	<i>nm</i>	83.3	(1,015)	(10,407)	<i>nm</i>	692	
Interest expense	(14)	(31)	(35)	13.9	159.2	(28)	(118)	<i>nm</i>	(327)	
Interest income	0	0	0	-	-	0	0	-	0	
Other income	9	8	12	55.2	40.6	30	33	10.1	(5,089)	
Associates	0	0	0	-	-	0	0	-	0	
Exceptional	226	1,021	562	(45.0)	148.8	1,065	(6,311)	<i>nm</i>	0	Inventory gain
Pretax profit	(1,180)	1,413	301	(78.7)	(125.5)	52	(16,802)	<i>nm</i>	(4,723)	Lower due to inventory losses and a lower GRM
Tax	255	(275)	52	<i>nm</i>	(79.6)	114	1,885	<i>nm</i>	873	
<i>Tax rate (%)</i>	<i>22</i>	<i>19</i>	<i>(17)</i>	<i>nm</i>	<i>nm</i>	<i>(216)</i>	<i>11</i>	<i>nm</i>	<i>18</i>	
Minority interests	0	0	0	-	-	0	0	-	0	
Net profit	(925)	1,138	353	(69.0)	<i>nm</i>	166	(6,782)	<i>nm</i>	(3,851)	
Core net profit	231	117	(209)	<i>nm</i>	<i>nm</i>	1,566	(471)	<i>nm</i>	(3,851)	
EPS (THB)	(0.21)	0.26	0.08	(69.0)	<i>nm</i>	0.04	(1.56)	<i>nm</i>	(0.89)	
Core EPS (THB)	0.05	0.03	(0.05)	<i>nm</i>	<i>nm</i>	0.36	(0.11)	<i>nm</i>	(0.89)	

Sources: SPRC; FSSIA estimates

EPS revisions

We cut our core net profit and core EPS forecast for 2020 by 331% to reflect 1) the larger-than-expected inventory losses in 1H20; 2) the 56% decline in market GRM due to the projected lower jet-Dubai and diesel-Dubai margins in 2020 by 50% and 33%, respectively; and 3) the lower utilisation rate from 85% to 82% in 2020E, due to our more conservative view on SPRC's lower utilisation rates to optimise its profitability.

Exhibit 13: Change of key assumptions

	New			Old			Change		
	2020E (THB m)	2021E (THB m)	2022E (THB m)	2020E (THB m)	2021E (THB m)	2022E (THB m)	2020E (%)	2021E (%)	2022E (%)
Revenue	92,648	156,891	160,375	111,159	156,891	160,375	(16.7)	0.0	0.0
Gross profit	4,217	12,198	13,031	6,516	12,198	13,031	(35.3)	0.0	0.0
Operating profit	692	7,341	8,140	2,336	7,341	8,140	(70.4)	0.0	0.0
Core net profit	(3,851)	5,773	6,454	1,664	5,773	6,454	(331.4)	(0.0)	0.0
EPS (THB)	0.1	1.3	1.5	0.4	1.3	1.5	(80.6)	0.0	0.0
Key assumptions									
Utilisation rate (%)	82.0	95.0	95.0	85.0	95.0	95.0	(3.2)	0.0	0.0
Market GRM (USD/bbl)	1.8	5.8	6.2	4.1	5.8	6.2	(56.0)	0.0	0.0
Dubai crude price (USD/bbl)	40.0	50.0	50.0	40.0	50.0	50.0	0.0	0.0	0.0
Gasoline-Dubai spread (USD/bbl)	6.0	10.0	14.0	6.0	10.0	14.0	0.0	0.0	0.0
Jet-Dubai spread (USD/bbl)	1.0	10.0	10.0	2.0	10.0	10.0	(50.0)	0.0	0.0
Diesel-Dubai spread (USD/bbl)	4.0	12.0	15.0	6.0	12.0	15.0	(33.3)	0.0	0.0
Fuel oil-Dubai spread (USD/bbl)	(4.0)	(3.0)	(7.0)	(4.0)	(3.0)	(7.0)	0.0	0.0	0.0
Crude premium (USD/bbl)	1.5	3.3	4.3	1.5	3.3	4.3	0.0	0.0	0.0

Source: FSSIA estimates

We maintain BUY and our TP of THB8, based on 3.9x FY21E EV/EBITDA. We think SPRC is Thailand's best refiner to benefit from the expected resilient gasoline-Dubai margin and demand in Thailand, and should be the least impacted by the depressed jet and diesel-Dubai demand and margins.

Exhibit 14: Valuation comparison of companies under coverage as of 29 Oct 2020

	Rec	Share price	Up side	EPS growth		PE		DivYld		ROE		PBV		EV/EBITDA			
				Current (THB)	Target (THB)	20E (%)	21E (%)	20E (x)	21E (x)	20E (%)	21E (%)	20E (x)	21E (x)	20E (x)	21E (x)		
PTT	PTT TB	BUY	31.00	60.00	94	33.0	(0.2)	7.2	7.2	4.8	11.6	13.5	12.7	0.9	0.9	4	4
PTT Explor	PTTEP TB	BUY	79.00	101.00	28	(54.9)	21.0	14.3	11.8	4.2	5.1	6.1	7.2	0.9	0.8	4	4
Thai Oil	TOP TB	BUY	34.50	62.00	80	10.4	110.7	10.7	5.1	4.2	8.8	5.2	10.4	0.5	0.5	7	6
Star Petroleum	SPRC TB	BUY	5.35	8.00	50	(37.1)	nm	(6.0)	4.0	3.7	15.0	(12.7)	19.4	0.8	0.7	10	3
Bangchak Corp	BCP TB	BUY	14.70	21.00	43	(512.8)	(145.2)	(2.7)	6.0	1.4	8.9	(10.6)	5.0	0.3	0.3	47	8
PTG Energy	PTG TB	BUY	18.80	22.00	17	(5.8)	17.7	21.4	18.1	0.0	0.8	21.1	22.3	4.3	3.8	7	6
Esso Thailand	ESSO TB	BUY	6.00	9.90	65	(8.3)	nm	(7.4)	5.9	0.0	6.7	(13.7)	17.1	1.1	0.9	44	5
Coverage						(1.7)	24.9	9.4	7.6	4.5	9.9	9.3	11.2	0.9	0.8	5	4

Source: FSSIA estimates

Financial Statements

Star Petroleum Refining

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	209,159	168,840	92,648	156,891	160,375
Cost of goods sold	(203,451)	(169,486)	(88,431)	(144,693)	(147,344)
Gross profit	5,709	(646)	4,217	12,198	13,031
Other operating income	-	-	-	-	-
Operating costs	(947)	(1,690)	(927)	(1,570)	(1,605)
Operating EBITDA	4,762	(2,336)	3,290	10,627	11,426
Depreciation	(2,737)	(2,565)	(2,598)	(3,286)	(3,286)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,025	(4,901)	692	7,341	8,140
Net financing costs	743	1,179	(327)	(294)	(261)
Associates	0	0	0	0	0
Recurring non operating income	35	29	(5,089)	35	38
Non recurring items	0	0	0	0	0
Profit before tax	2,804	(3,693)	(4,723)	7,082	7,917
Tax	(541)	885	873	(1,308)	(1,463)
Profit after tax	2,263	(2,809)	(3,851)	5,773	6,454
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	2,263	(2,809)	(3,851)	5,773	6,454
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	2,263	(2,809)	(3,851)	5,773	6,454
Per share (THB)					
Recurring EPS *	0.52	(0.65)	(0.89)	1.33	1.49
Reported EPS	0.52	(0.65)	(0.89)	1.33	1.49
DPS	0.59	0.18	0.20	0.80	0.90
Diluted shares (used to calculate per share data)	4,336	4,336	4,336	4,336	4,336
Growth					
Revenue (%)	22.6	(19.3)	(45.1)	69.3	2.2
Operating EBITDA (%)	(61.3)	(149.1)	(240.8)	223.1	7.5
Operating EBIT (%)	(78.6)	(342.0)	(114.1)	961.1	10.9
Recurring EPS (%)	(74.6)	(224.1)	37.1	(249.9)	11.8
Reported EPS (%)	(74.6)	(224.1)	37.1	(249.9)	11.8
Operating performance					
Gross margin inc depreciation (%)	1.4	(1.9)	1.7	5.7	6.1
Gross margin of key business (%)	1.4	(1.9)	1.7	5.7	6.1
Operating EBITDA margin (%)	2.3	(1.4)	3.6	6.8	7.1
Operating EBIT margin (%)	1.0	(2.9)	0.7	4.7	5.1
Net margin (%)	1.1	(1.7)	(4.2)	3.7	4.0
Effective tax rate (%)	19.3	24.0	18.5	18.5	18.5
Dividend payout on recurring profit (%)	113.6	(28.2)	(22.5)	60.1	60.5
Interest cover (X)	(2.8)	4.1	(13.5)	25.1	31.3
Inventory days	24.3	33.0	56.1	31.0	38.1
Debtor days	21.6	21.3	28.3	16.7	16.4
Creditor days	19.9	27.7	42.6	23.5	29.0
Operating ROIC (%)	3.9	(10.3)	1.5	(4.1)	(4.6)
ROIC (%)	3.9	(9.9)	(9.1)	(3.9)	(4.4)
ROE (%)	5.6	(7.9)	(12.7)	19.4	19.8
ROA (%)	2.9	(6.9)	(7.2)	11.8	12.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue By Division (THB m)					
Polymer Grade Propylene	3,963	2,716	4,088	7,209	4,305
Liquefied Petroleum Gas	4,450	3,216	1,091	3,221	3,221
Light Naphtha	5,912	4,027	2,524	4,225	4,225
Gasoline	60,711	50,452	34,428	55,843	50,194

Sources: Star Petroleum Refining; FSSIA estimates

Financial Statements

Star Petroleum Refining

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	2,263	(2,809)	(3,851)	5,773	6,454
Depreciation	2,737	2,565	2,598	3,286	3,286
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	3,592	(1,245)	1,829	(1,237)	(57)
Cash flow from operations	8,592	(1,489)	576	7,823	9,683
Capex - maintenance	(2,685)	(2,518)	(2,598)	(3,286)	(3,286)
Capex - new investment	(2,041)	(1,965)	(330)	(1,019)	(1,019)
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	6,609	6,645	(5,120)	0	0
Cash flow from investing	1,883	2,162	(8,048)	(4,305)	(4,305)
Dividends paid	(12,652)	(8,317)	(271)	(3,035)	(3,469)
Equity finance	0	0	0	0	0
Debt finance	(3,689)	6,369	2,681	(3,000)	(3,000)
Other financing cash flows	3,768	1,220	5,779	2,038	2,037
Cash flow from Financing	(12,573)	(727)	8,189	(3,997)	(4,431)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(2,098)	(54)	718	(479)	947
Free cash flow to firm (FCFF)	10,525.25	719.65	(7,144.70)	3,811.89	5,639.60
Free cash flow to equity (FCFE)	10,554.11	8,263.27	989.07	2,555.69	4,415.53

Per share (THB)

FCFF per share	2.43	0.17	(1.65)	0.88	1.30
FCFE per share	2.43	1.91	0.23	0.59	1.02
Recurring cash flow per share	1.15	(0.06)	(0.29)	2.09	2.25

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Tangible fixed asset (gross)	72,396	69,391	71,659	73,927	76,194
Less: Accumulated depreciation	(43,698)	(42,705)	(45,303)	(48,589)	(51,875)
Tangible fixed assets (Net)	28,698	26,686	26,356	25,337	24,319
Intangible fixed assets (Net)	144	124	124	124	124
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	0	0	0	0	0
Cash & equivalents	74	20	738	259	1,205
A/C receivable	12,541	7,192	7,192	7,192	7,192
Inventories	12,820	17,856	9,317	15,244	15,524
Other current assets	87	456	250	424	433
Current assets	25,521	25,524	17,497	23,118	24,354
Other assets	647	1,960	1,960	1,960	1,960
Total assets	55,011	54,294	45,937	50,540	50,757
Common equity	38,529	32,476	28,354	31,092	34,077
Minorities etc.	0	0	0	0	0
Total Shareholders' equity	38,529	32,476	28,354	31,092	34,077
Long term debt	449	0	4,000	1,000	0
Other long-term liabilities	328	484	484	484	484
Long-term liabilities	778	484	4,484	1,484	484
A/C payable	12,126	13,567	7,079	11,582	11,794
Short term debt	0	6,819	5,500	5,500	3,500
Other current liabilities	3,579	949	521	882	901
Current liabilities	15,704	21,334	13,099	17,964	16,195
Total liabilities and shareholders' equity	55,011	54,294	45,937	50,540	50,757
Net working capital	9,743	10,989	9,159	10,396	10,453
Invested capital	39,233	39,759	37,600	37,818	36,856

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

Per share (THB)

Book value per share	8.89	7.49	6.54	7.17	7.86
Tangible book value per share	8.85	7.46	6.51	7.14	7.83

Financial strength

Net debt/Equity (%)	1.0	20.9	30.9	20.1	6.7
Net debt/total assets (%)	0.7	12.5	19.1	12.3	4.5
Current ratio (x)	1.6	1.2	1.3	1.3	1.5
CF interest cover (x)	(15.9)	(7.7)	5.0	13.2	21.8

Valuation	2018	2019	2020E	2021E	2022E
Recurring P/E (x) *	10.2	(8.3)	(6.0)	4.0	3.6
Recurring P/E @ target price (x) *	15.3	(12.3)	(9.0)	6.0	5.4
Reported P/E (x)	10.2	(8.3)	(6.0)	4.0	3.6
Dividend yield (%)	11.1	3.4	3.7	15.0	16.8
Price/book (x)	0.6	0.7	0.8	0.7	0.7
Price/tangible book (x)	0.6	0.7	0.8	0.7	0.7
EV/EBITDA (x) **	5.0	(12.8)	9.7	2.8	2.2
EV/EBITDA @ target price (x) **	7.4	(17.8)	13.2	3.9	3.2
EV/invested capital (x)	0.6	0.8	0.8	0.8	0.7

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

Sources: Star Petroleum Refining; 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	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	SMPC	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
WIIK	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	TIPIP	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	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)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat 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. Thaipat 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 Thaipat 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

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Company	Ticker	Price	Rating	Valuation & Risks
Star Petroleum Refining	SPRC TB	THB 5.35	BUY	TP is based on EV/EBITDA. Downside risks are a sharp rise in oil price and weak demand for refined oil products.
PTT	PTT TB	THB 31.00	BUY	Risks to our SoTP-based valuation are the oil price and potential earnings downsides from government intervention.
PTT Explor & Prod	PTTEP TB	THB 79.00	BUY	Risks our TP, which is based on EV/EBITDA, are a sharp decline in oil price and potential earnings downsides from government intervention.
Thai Oil	TOP TB	THB 34.50	BUY	Downside risks to our EV/EBITDA-based TP are a sharp rise in oil price and weak demand for refined oil products.
Bangchak Corp	BCP TB	THB 14.70	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) higher crude premiums; and 3) unplanned shutdowns of the company's refinery plants.
PTG Energy	PTG TB	THB 18.80	BUY	The downside risks to our SoTP-based TP include 1) a government cap on oil prices; and 2) weaker demand for diesel and gasoline.
Esso Thailand	ESSO TB	THB 6.00	BUY	The downside risks to our SoTP-based TP on ESSO include 1) lower-than-expected demand for petroleum products; 2) higher crude premiums; and 3) unplanned shutdowns of its refinery and petrochemical plants.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 29-Oct-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.