EQUITY RESEARCH - COMPANY REPORT

16 APRIL 2021

THAILAND / PETROCHEM & CHEMICALS

GLOBAL GREEN CHEMICALS GGC TB

REDUCE

FROM BUY

TARGET PRICE	THB10.00
CLOSE	THB11.10
UP/DOWNSIDE	-9.9%
PRIOR TP	THB12.50
CHANGE IN TP	-20.0%
TP vs CONSENSUS	-10.8%

เสี่ยงสองต่อทั้งในด้านราคาและต้นทุน

เสี่ยงสองต่อจากการแข่งขันในด้านราคาของ ME และต้นทุน CPKO ที่อยู่ในระดับสูง

เราหันมามองแนวโน้มการเติบโตของกำไรสุทธิของ GGC ในปี 2021-23 เป็นลบมากยิ่งขึ้นจากการแข่งขันที่กำลังรุนแรงมากยิ่งขึ้นในตลาด Methyl Ester (ME) หรือ B100 ในประเทศไทยจากการแข่งขันด้านราคาหลังมีผู้เล่นใหม่ใน 1Q21 และความต้องการ Fatty Alcohol (FA) ที่อ่อนแอเกินคาดจากการแข่งขันจากประเทศจีน แม้ว่าแนวโน้มความต้องการสำหรับทั้ง ME และ FA จะอยู่ในระดับสูง ปัจจุบันเราคาดว่ากำไรสุทธิของ GGC จะโตเพียง 5% y-y ในปี 2021 เป็น 592 ลบ. ก่อนเพิ่มเป็น 22.9% y-y ในปี 2022 และ 45.9% y-y ในปี 2023 จากความต้องการที่พลิกมาโตและอัตรากำไรที่เพิ่มขึ้นของ ME และ FA หลังเศรษฐกิจโลกกลับมาเปิดเต็มตัว

กำไรสุทธิในระยะสั้นคาดจะโตช้าใน 1H21

เราเห็นว่าการเติบโตของกำไรสุทธิรายไตรมาสของ GGC มีแนวโน้มชะลอตัวใน 1Q21 และแนวโน้มดังกล่าวจะต่อเนื่องไปใน 2Q21 และ 2H21 จากการชะลอตัวของราคาน้ำมันปาล์มดิบ (CPO) ประเทศไทยกำลังเข้าสู่ฤดูการผลิตปาล์ม พร้อมระดับการผลิตที่กำลังเพิ่มสูงขึ้นจนถึง 4Q21 เราเชื่อว่าปัจจุบัน GGC กำลังเห็นแนวโน้มอัตรากำไรที่ท้าทายมากยิ่งขึ้นทั้งสำหรับ ME และ FA ในปี 2021 เนื่องจากอัตรากำไรของ ME ได้ปรับตัวลดลงมาตั้งแต่เดือน ม.ค. 21 จากการแข่งขันที่สูงขึ้นจากผู้ขายรายใหม่ ในขณะที่อัตรากำไรของ FA เมื่อเทียบกับน้ำมันจากเม็ดในของผลปาล์มดิบ (CPKO) อ่อนตัวอย่างต่อเนื่องจากอุปทานที่กำลังเพิ่มขึ้นและราคา CPKO ที่อยู่ในระดับสูง

คาดกำไรสุทธิ 1Q21 จะอ่อนแอ

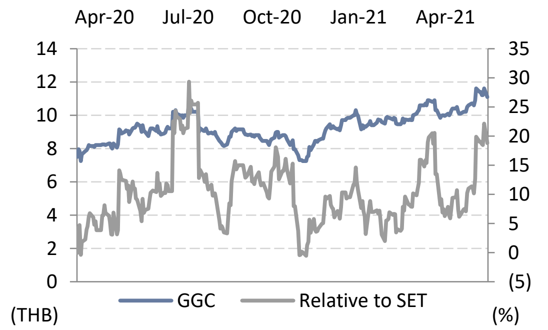
ใน 1Q21 เราคาดว่า GGC จะรายงานกำไรสุทธิ 97 ลบ. (-83% q-q, -59% y-y) กำไรสุทธิจากการดำเนินงานอาจลดลงเหลือ 77 ลบ. (-3% q-q, -47% y-y) จาก 1) ปริมาณขายที่ลดลงของ ME เหลือ 92kt จาก 93.5kt ใน 4Q20 จากการแข่งขันที่รุนแรงมากยิ่งขึ้นจากผู้ผลิตรายใหม่และความต้องการที่ลดลง; 2) ปริมาณขายที่ลดลงอย่างรุนแรงของ FA เหลือ 13kt (-50% q-q) จากการปิดโรงงานตามแผนเป็นเวลา 25 วันเป็นหลัก; 3) EBITDA margin ที่ลดลงเหลือ 9.4% เทียบกับ 14.6% ใน 4Q20 จาก EBITDA margin ของ ME และ FA ที่ลดลง; และ 4) กำไรจากสินค้าคงคลังที่ลดลงเหลือ 30 ลบ. จาก 486 ลบ. ใน 4Q20 จากราคา CPO และ ME ที่ลดลงเป็นจำนวนมาก

ปรับลดคำแนะนำเป็นลดน้ำหนักการลงทุนจากซื้อ

เราปรับลดคำแนะนำสำหรับ GGC เป็นลดน้ำหนักการลงทุนจากซื้อ หลังลดราคาเป้าหมายจาก 12.5 บาท (10.3x ของค่า 2021E EV/EBITDA) เหลือ 10 บาท (14.5x ของค่า 2021E EV/EBITDA) เพื่อสะท้อนประมาณการกำไรต่อหุ้นปี 2021-23 ที่ลดลง 27.3-45.4% อย่างไรก็ดีเรามองว่าค่า EV/EBITDA multiple ที่สูงขึ้นของเราสมเหตุสมผลจากความเสี่ยงในด้านคดีความที่ลดลง เนื่องจากเมื่อไม่นานมานี้ GGC ชนะคดีแพ่งที่เป็นความฟ้องร้องกับอดีตผู้ขายสินค้าให้กับบริษัทฯ และลูกจ้างจากเหตุสินค้าคงคลังสูญหายและสามารถเรียกคืนเงินได้เป็นจำนวนมากถึง 8 ลบ.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	18,203	14,291	15,256	17,206
Net profit	560	592	728	1,062
EPS (THB)	0.58	0.61	0.75	1.09
vs Consensus (%)	-	(4.5)	(16.5)	(5.6)
EBITDA	1,198	581	723	1,053
Core net profit	458	592	728	1,062
Core EPS (THB)	0.47	0.61	0.75	1.09
Chg. In EPS est. (%)	-	(41.5)	(45.4)	(27.3)
EPS growth (%)	167.9	29.3	22.9	45.9
Core P/E (x)	23.6	18.2	14.8	10.2
Dividend yield (%)	3.2	3.6	3.6	3.6
EV/EBITDA (x)	8.7	16.4	12.3	7.6
Price/book (x)	1.1	1.1	1.0	1.0
Net debt/Equity (%)	(4.1)	(12.5)	(17.8)	(24.5)
ROE (%)	4.7	5.9	7.0	9.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.7	12.7	48.0
Relative to country (%)	8.6	12.6	17.9

Mkt cap (USD m)	361
3m avg. daily turnover (USD m)	0.7
Free float (%)	28
Major shareholder	PTT Global Chemical Plc. (72%)
12m high/low (THB)	12.40/7.15
Issued shares (m)	1,023.67

Sources: Bloomberg consensus; FSSIA estimates

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 16 เมษายน 2021

Investment thesis

Global Green Chemicals (GGC) is the leader of the oleochemicals industry, with operational expertise in ME production, and the sole producer of natural FA in Thailand with a total capacity of 500KTA and 100KTA, respectively, as of end-2019. Superior operational competency coupled with a favourable structural change in the palm oil industry is encouraging GGC to grow whilst maintaining high utilisation levels and margins.

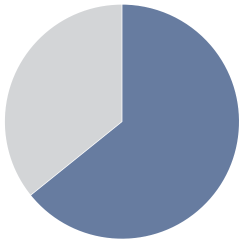
We turn more bearish on GGC's net profit growth outlook in 2021-23, given the intensifying competition in the methyl ester (ME), or B100, market following the price war triggered by a newcomer in 1Q21 and the weaker-than-expected demand for fatty alcohol (FA) caused by the tight competition from China, despite the strong demand outlook for both ME and FA.

Company profile

Founded by its parent company, PTT Global Chemical (PTTGC TB), GGC is Thailand`s leading producer of biofuels and biochemical products. It is one of the largest producers of methyl ester and is the only producer of fatty alcohol in Thailand.

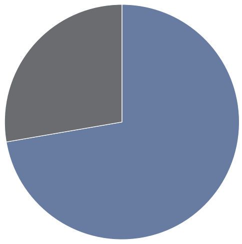
www.ggcplc.com

Principal activities (revenue, 2020)



Source: Global Green Chemicals

Major shareholders



Source: Global Green Chemicals

Catalysts

The weak margins of ME and FA, and low demand for ME due to changes in government policy are key catalysts.

Risks to our call

Upside risks to our EV/EBITDA-based target price include: 1) a sharp increase in crude palm oil price; 2) a supply shortage of palm, CPO, and ME; and 3) a higher fatty alcohol margin due to the new supply in the US.

Event calendar

Date	Event
May 2021	1Q21 results announcement

Key assumptions

	2021E	2022E	2023E
ME Utilisation rate (%)	76	76	79
FA utilisation rate (%)	70	80	89
CPO price (THB/kg)	24	23	20
ME price (THB/litre)	22	22	22
FA price (USD/tonne)	1,805	1,805	1,805
CPKO price (USD/tonne)	590	580	580

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in average CPO price, we project 2021 earnings will rise by 1.1%, and vice versa, all else being equal.
- For every 1% increase in ME-CPO margin, 2021 earnings should rise by 1.5%, and vice versa, all else being equal.
- Stability in CPO price and rising ME-CPO and FA-palm fatty acid distillate (PFAD) margins are key for earnings growth.

Source: FSSIA estimates

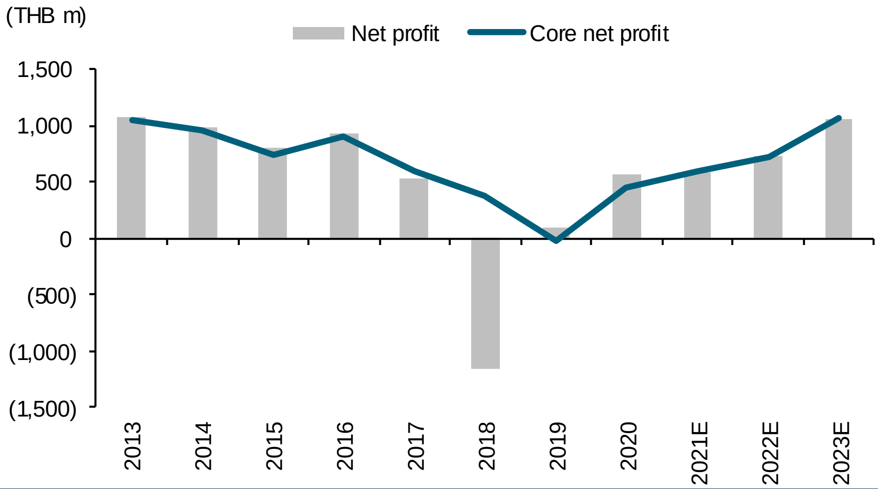
Double jeopardy on lower price and rising cost

We turn more bearish on GGC's net profit growth outlook in 2021-23, given the intensifying competition in the methyl ester (ME), or B100, market in Thailand following the price war triggered by a newcomer in 1Q21 and the weaker-than-expected demand for fatty alcohol (FA) caused by the tight competition from China, despite the strong demand outlook for both ME and FA.

While we still expect GGC's net profit to continue to grow in 2021-23, we think the growth momentum will be lower than the market expects. Our revised net profit forecasts for 2021-23 are now lower than the Bloomberg's consensus estimate by 4.5-16.5%.

We now expect GGC's net profit to grow by only 5% y-y in 2021 to THB592m, before rising by 22.9% y-y in 2022 and 45.9% y-y in 2023, driven by returning demand growth and improving margins for ME and FA after the full reopening of the global economy.

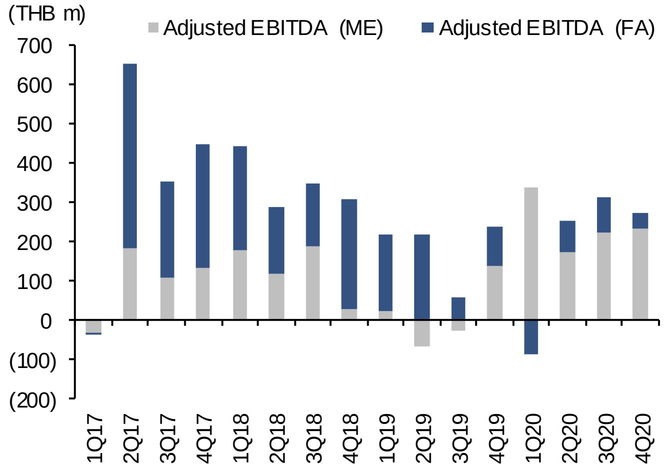
Exhibit 1: Net profit and core net profit (excluding inventory gain/loss)



Sources: GGC; FSSIA estimates

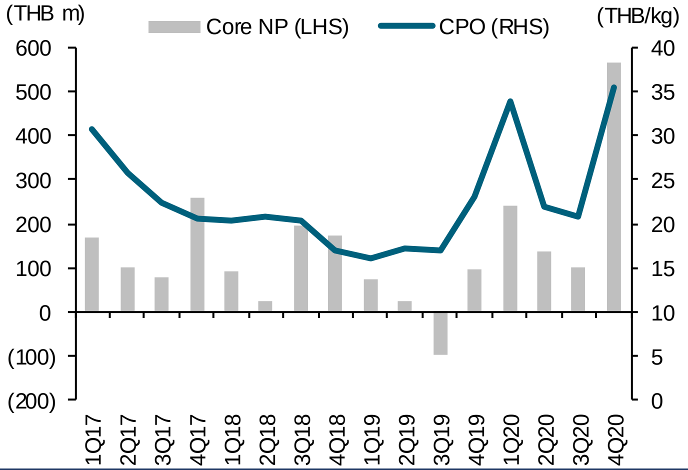
Near-term net profit growth outlook is worsening. After posting a strong 4Q20 net profit of THB565m, driven mainly by an inventory gain of THB486m, we think GGC's quarterly net profit growth momentum will be lower in 1Q21 and likely continue into 2Q21 and 2H21 due to the decline in the CPO price. Thailand is entering the high season for palm, with rising production levels until 4Q21.

Exhibit 2: Adjusted EBITDA breakdown by business



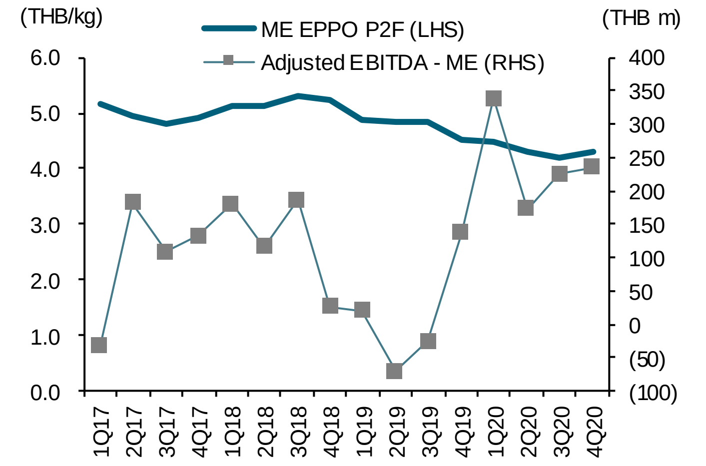
Source: GGC

Exhibit 3: Core net profit and CPO price



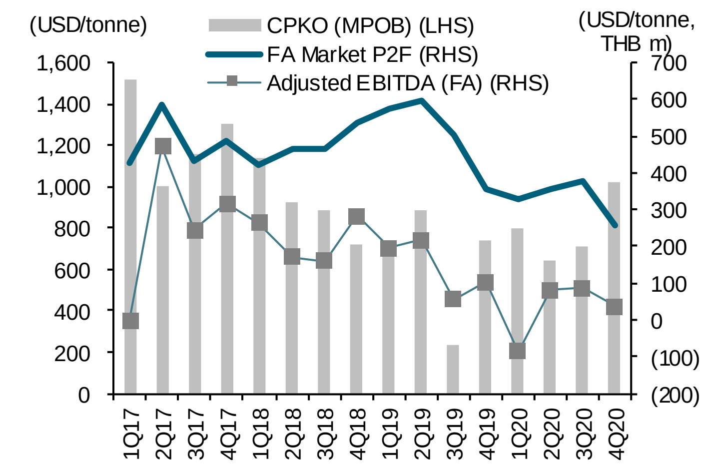
Source: GGC

Exhibit 4: ME price vs adjusted ME EBITDA for GGC (excluding inventory impact)



Sources: GGC; FSSIA estimates

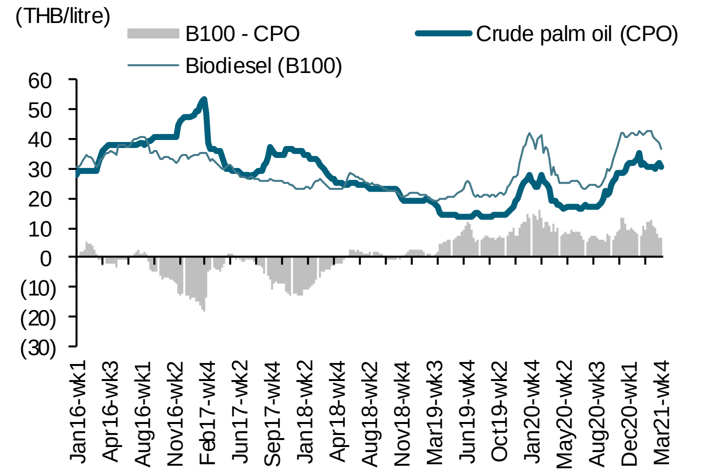
Exhibit 5: FA and CPKO prices vs GGC's adjusted EBITDA



Sources: GGC; FSSIA estimates

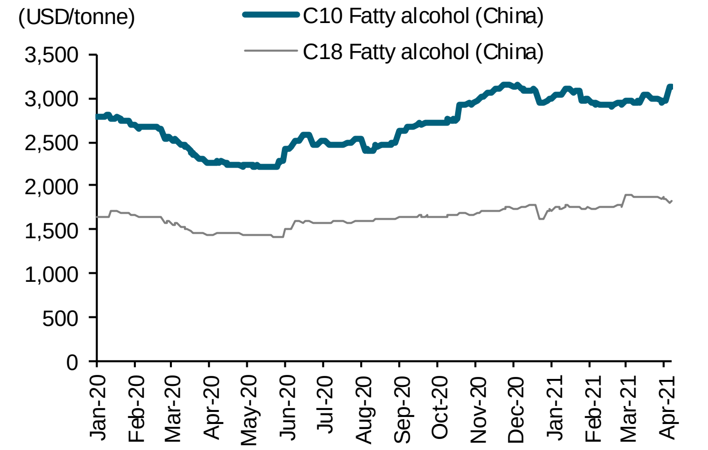
Weaker-than-expected margin outlook for both ME and FA in 2021. We believe GGC is now facing a more challenging margin outlook for both ME and FA in 2021, as the ME margin has dipped since Jan-21 due to the higher competition from the new supplier, while the margin of FA over CPKO has continued to weaken from the rising supply and the sustained high price of the CPKO feedstock.

Exhibit 6: Prices of ME, CPO, and the margin of ME-CPO



Source: Energy Policy and Planning Office (EPPO)

Exhibit 7: Prices of FA for C10 and C18 (China)

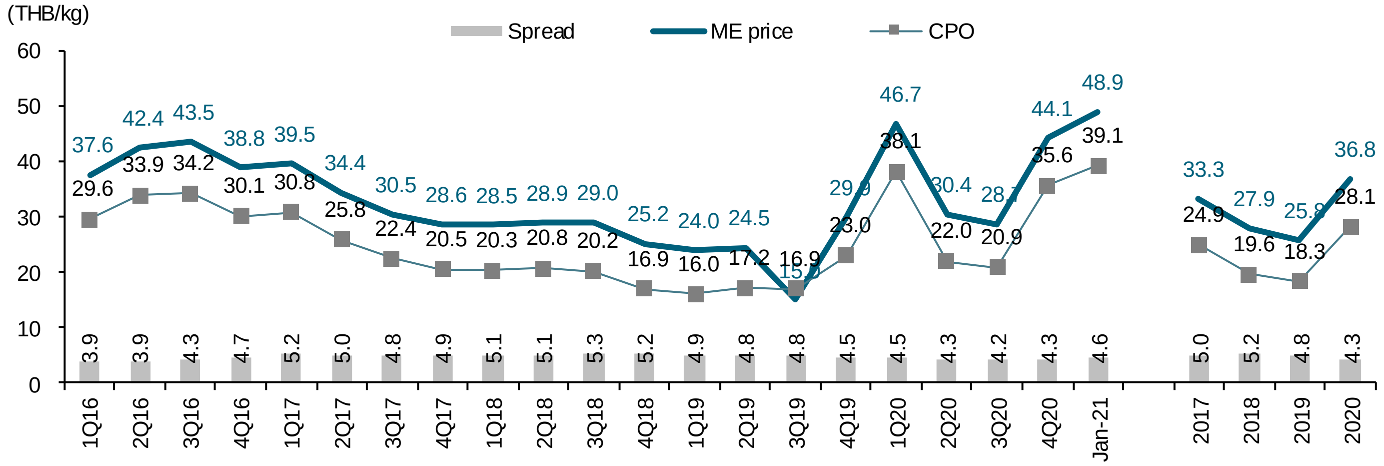


Source: Bloomberg

ME price and margin are on the downtrend in 2021

In 2020, the ME-CPO margin spiked twice in 1Q20 and 4Q20 due to the lower-than-expected CPO inventory at sub-200kt thanks to the government's mandate for the Electricity Generating Authority of Thailand (EGAT) to purchase CPO and use it as an energy source for its power plants.

Exhibit 8: ME price and spread vs CPO price



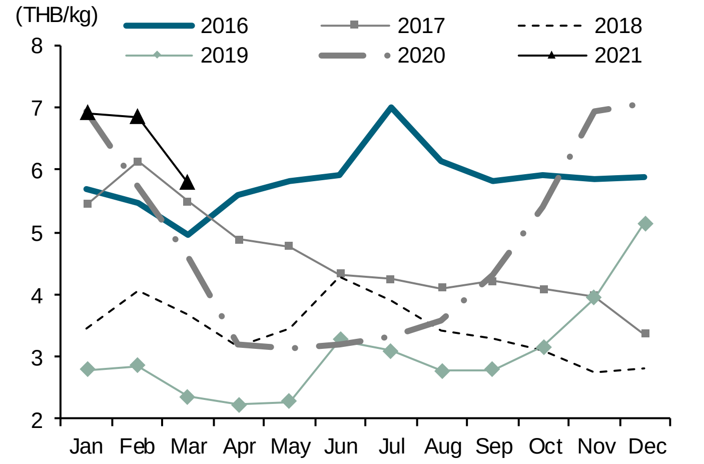
Sources: Department of Internal Trade (DIT); GGC; FSSIA estimates

As a result, the prices of CPO and ME had shot up in 1Q20 and 4Q20, the period that Thailand's CPO inventory sharply plunged from over 400kt down to 200kt. However, during 2Q-3Q20, the prices of CPO and ME, along with the margin of ME-CPO, had dropped due to the declining demand and the falling CPO prices caused by the nation's lockdown to combat the COVID-19 outbreak. In 1Q21, the prices of ME and CPO dropped by over 15% q-q due to the ME price war and the weaker-than-expected demand for diesel, as the impact of the ongoing COVID-19 outbreak has eroded the demand for diesel.

Minimum prices of THB4/kg for palm and THB22/kg for CPO are guaranteed by the Thai government in 2021. On 10 Feb-21, the Thai cabinet approved a THB8.8b budget for its state-sponsored price guarantee scheme for fresh oil palm nuts at THB4/kg, limited to 25 rais per family and lasting until Sep-21. Under the scheme, the government will pay the price difference to the palm growers if the palm price stays below THB4/kg.

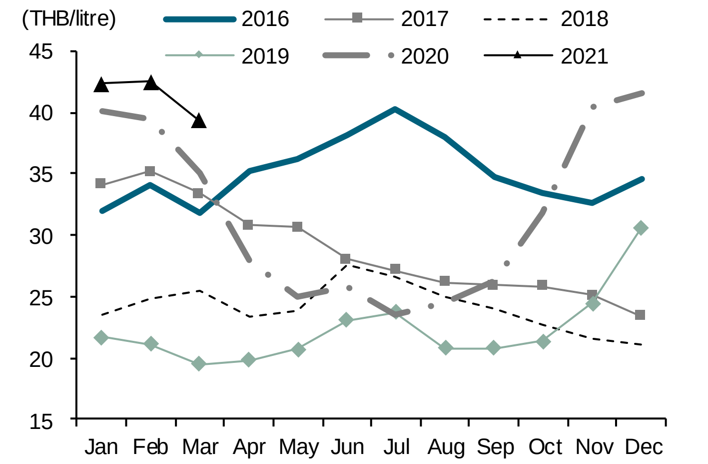
However, the domestic price of fresh palm nuts rose sharply to THB7/kg in 4Q20 from THB3.0-3.5/kg in 2Q-3Q20, and has since stayed above the THB4/kg price guaranteed by the government, driving up the prices of CPO and ME.

Exhibit 9: Thailand's palm price



Sources: DIT; GGC

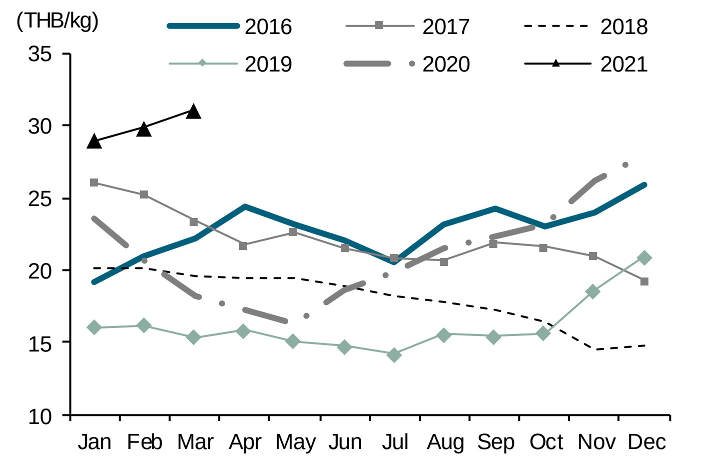
Exhibit 10: Thailand's B100 price



Sources: DIT; GGC

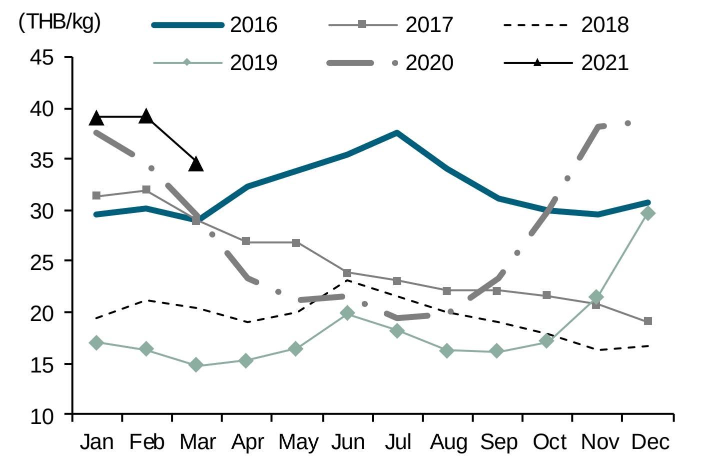
Divergence of CPO prices in Malaysia and Thailand. In 1Q21, while the CPO price in Malaysia rose due to a smaller palm harvest after the national lockdown in 2H20, the CPO price in Thailand declined from THB39/kg in Jan-Feb 2021 down to 34/kg in Mar-21, given the expectation of higher palm production levels in the upcoming season during 2Q-3Q21.

Exhibit 11: Malaysia's crude palm oil price



Sources: DIT; GGC

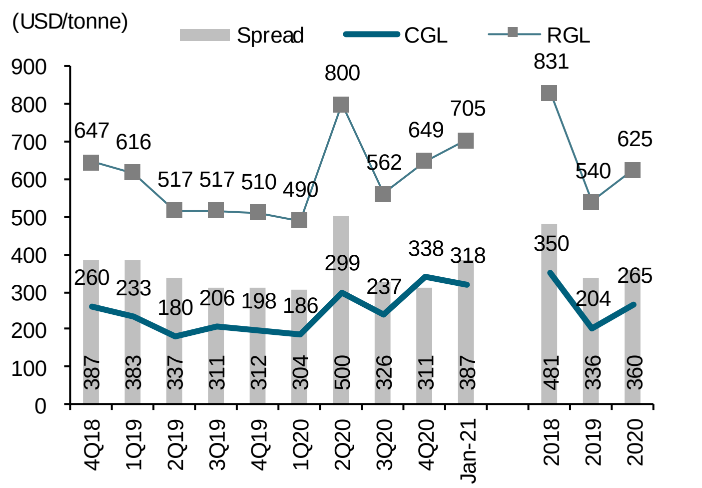
Exhibit 12: Thailand's crude palm oil price



Sources: DIT; GGC

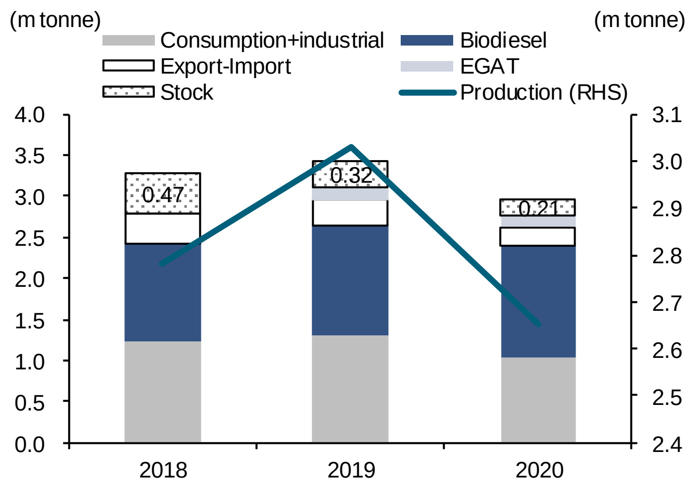
However, while we believe the CPO price in Thailand, which is independent from the global CPO price, proxied by the CPO price in Malaysia, is unlikely to decline to below THB22-23/kg – the price guaranteed by the government – we think the CPO price will decline from THB40/kg to THB25-30/kg by mid-2021, given the high level of palm production in Thailand.

Exhibit 13: CGL, RGL and spread



Source: GGC

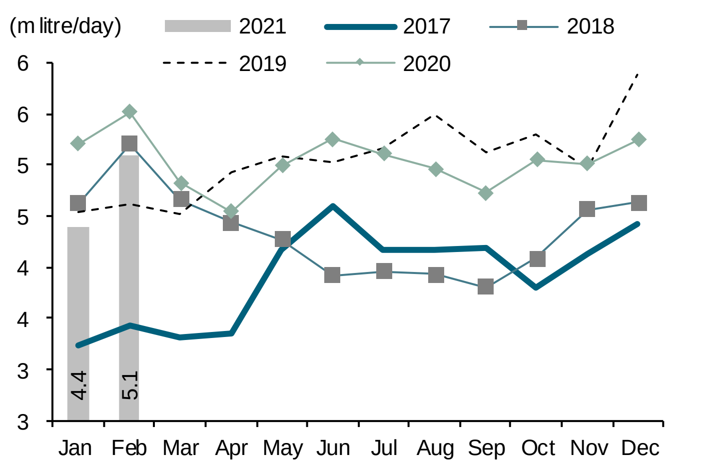
Exhibit 14: CPO production, consumption & stock



Source: GGC

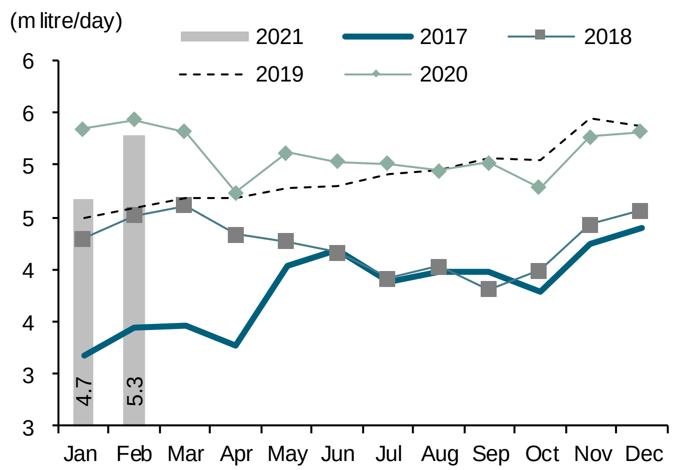
Given the weaker-than-expected demand for diesel caused by the ongoing COVID-19 pandemic, both the demand and production of ME (biodiesel) have been lower y-y in 2M21. We think the ME demand will remain weak in 2021 and will likely pressure GGC's ME sales volume and selling price in 2021.

Exhibit 15: Thailand's biodiesel production



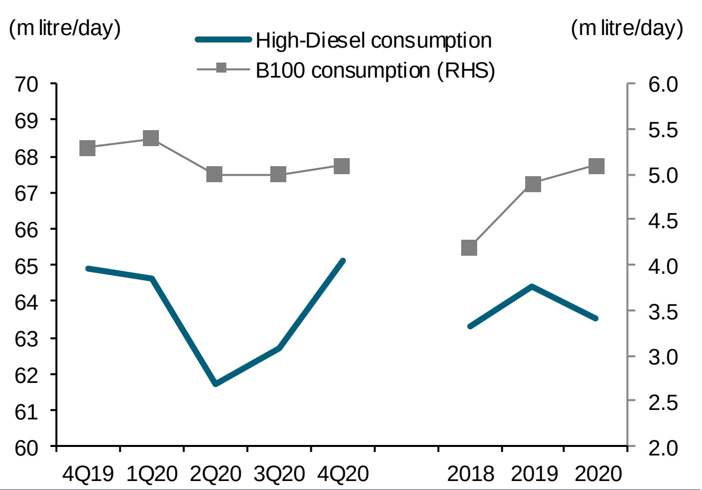
Source: Department of Energy Business (DOEB)

Exhibit 16: Thailand's biodiesel demand



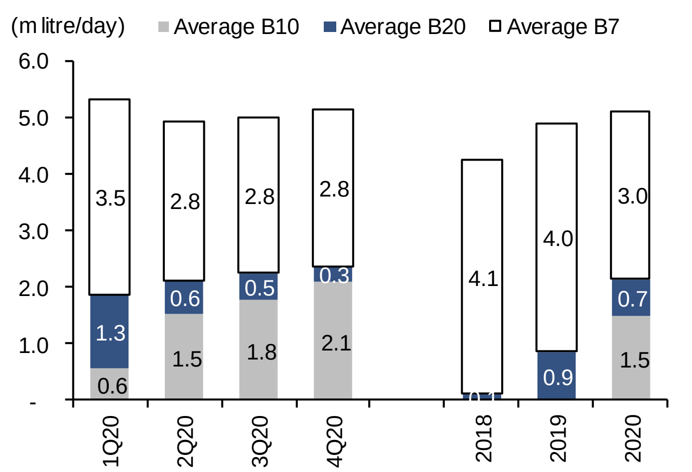
Source: DOEB

Exhibit 17: Diesel demand / B100 demand



Source: GGC

Exhibit 18: B10, B20, B7 consumption

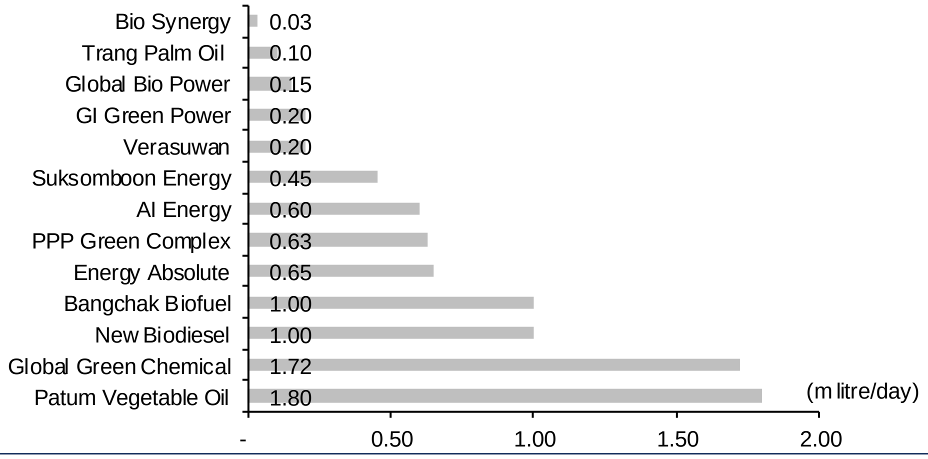


Source: GGC

According to GGC's management, the ME price in 1Q21 has been pressured by the price competition from the newcomer, Suksomboon Energy (not listed), with a 455k litre per day capacity. GGC also had a smaller ME sales volume in 1Q21 at 92kt, slightly lower than 93.5kt in 4Q20.

We believe the price and demand competition from Suksomboon will continue in 2021, resulting a lower-than-expected ME-CPO margin in the form of a higher price discount to GGC's customers.

Exhibit 19: ME production capacity in Thailand as of Nov-20

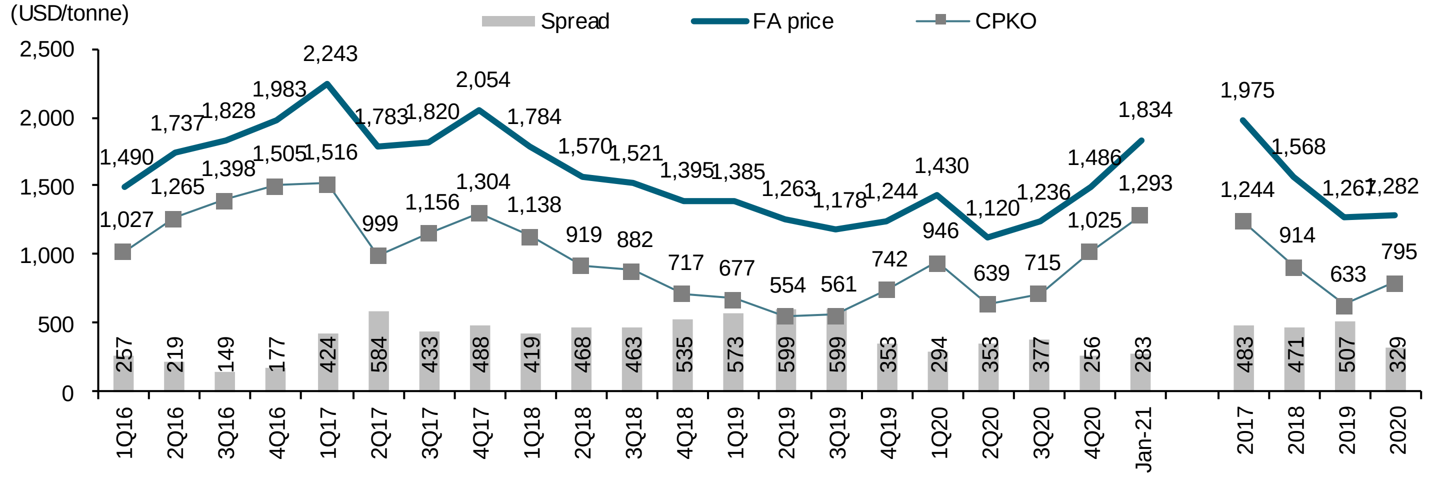


Source: DOEB

FA margin remains under pressure in 2021

The FA-CPKO margin has remained weak since 2020 due to the high price of CPKO feedstock, declining from USD599/t in 3Q19 down to USD256/t in 3Q20 and USD283/t in 4Q20. GGC generated only THB12m operating EBITDA from FA in 2020, generating a net loss of THB0.3b, based on our estimate.

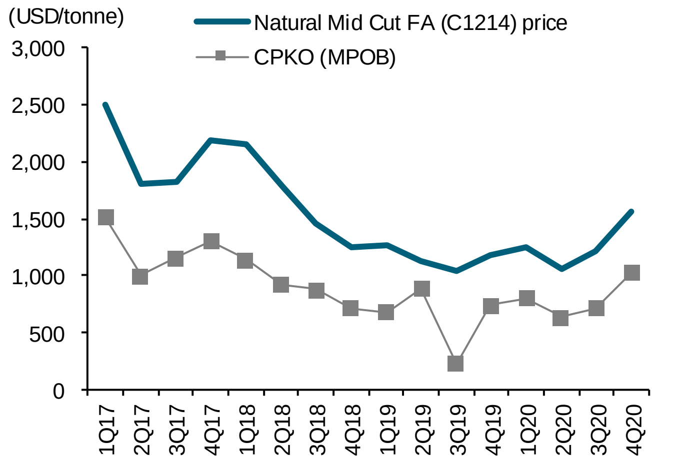
Exhibit 20: FA price and spread vs CPKO price



Sources: DIT; GGC; FSSIA estimates

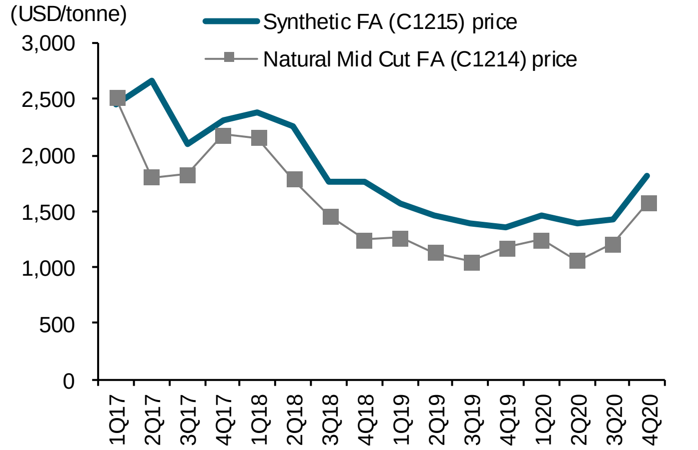
We believe that in 2021 GGC will continue to see weak operating EBITDA and post a net loss from FA – we project a net loss of THB0.2b from FA for GGC in 2021. In 1Q21, we expect GGC to have an FA sales volume of only 13kt, down 50% q-q, due to the planned 25-day shutdown to change to the new catalyst used in the chemical production process for GGC's plant and the higher industry competition.

Exhibit 21: Average price of CPKO-based FA vs CPKO



Sources: GGC; FSSIA estimates

Exhibit 22: Average price of synthetic FA vs mid-cut CPKO-based FA



Sources: GGC; FSSIA estimates

1Q21E preview

We expect GGC to post a net profit of THB97m in 1Q21, down 83% q-q and 59% y-y. Its 1Q21E core net profit could drop to THB77m, down 3% q-q and 47% y-y, driven by:

- A lower sales volume for ME to 92kt, down from 93.5kt in 4Q20 due to the higher competition from the new producer and the lower demand. We expect the sales volume of FA to sharply plunge to 13kt, down 50% q-q, due mainly to the planned 25-day shutdown.
- A weaker EBITDA margin of 9.4%, down from 14.6% in 4Q20, due to 1) a lower EBITDA margin for ME to 5%, down from 5.8% in 4Q20 thanks to the price competition from the new supplier, Suksomboon Energy; and 2) a lower EBITDA margin for FA to 3%, down from 3.4% in 4Q20, due to the higher CPKO price.
- A lower inventory gain of THB30m, down from THB486m in 4Q20 given the sharp drop in CPO and ME prices.

Exhibit 23: 1Q21E results preview

	1Q20	4Q20	---------------- 1Q21E ----------------			2020	2021E	*Chg.*	Comments
	(THB m)	(THB m)	(THB m)	*(q-q%)*	*(y-y%)*	(THB m)	(THB m)	*(y-y%)*	
Revenue	**5,227**	**5,196**	**3,254**	***(37.4)***	***(37.7)***	**18,203**	**14,291**	***(21.5)***	**Lower due to a decline in average selling price**
Operating costs	(4,882)	(4,437)	(2,949)	*(33.5)*	*(39.6)*	(17,005)	(13,710)	*(19.4)*	Lower due to lower crude cost
EBITDA	**345**	**759**	**305**	***(59.8)***	***(11.6)***	**1,198**	**581**	***(51.5)***	**Lower due to weaker product spreads**
EBITDA margin (%)	*6.6*	*14.6*	*9.4*	*nm*	*nm*	*6.6*	*4.1*	*nm*	
Depn & amort.	(154)	(177)	(195)	*10.4*	*26.3*	(683)	(529)	*(22.6)*	
EBIT	191	582	110	*(81.1)*	*(42.3)*	514	52	*(89.8)*	
Interest expense	(11)	(13)	(10)	*(23.1)*	*(9.1)*	(41)	75	*(282.2)*	
Interest & invt inc	59	(17)	(12)	*(29.4)*	*(120.3)*	(63)	383	*(709.4)*	
Associates' contrib	18	3	5	*47.1*	*(72.2)*	62	100	*60.1*	
Pretax profit	**257**	**556**	**93**	***(83.3)***	***(63.8)***	**575**	**610**	***6.1***	**Lower due to inventory losses**
Tax	(18)	9	4	*(56.9)*	*(122.0)*	(15)	(18)	*21.2*	
Tax rate (%)	*7*	*(2)*	*(4)*	*nm*	*nm*	*3*	*3*	*nm*	
Minority interests	0	0	0	*nm*	*nm*	0	0	*nm*	
Net profit	**238**	**565**	**97**	***(82.8)***	***(59.3)***	**560**	**592**	***5.7***	
Stock Gain/(Loss) & NRV	92	486	20	*(95.9)*	*(78.3)*	102	0	*(100.0)*	
Core net profit	**146**	**79**	**77**	***(2.7)***	***(47.4)***	**458**	**592**	***29.3***	
EPS (THB)	0.25	0.58	0.10	*(82.8)*	*(59.3)*	0.58	0.61	*5.7*	
Core EPS (THB)	0.15	0.08	0.08	*(2.7)*	*(47.4)*	0.47	0.61	*29.3*	

Sources: GGC; FSSIA estimates

EPS and TP revisions

We revise down our EPS forecasts for 2021-23 by 27.3-45.4% to reflect 1) the lower utilisation rates for ME and FA due to the lower demand projections; 2) the lower CPO and ME prices to reflect the higher palm production in 2021 during the high season; and 3) the lower FA and CPKO prices to reflect the weaker demand for FA.

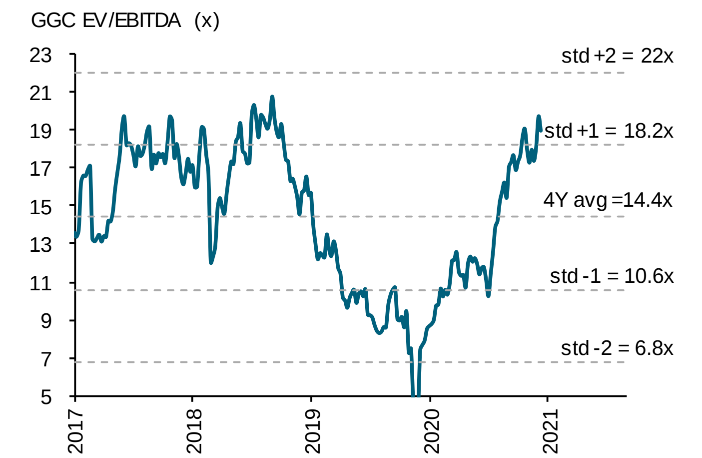
Exhibit 24: Key changes in assumptions

(THB m)	----- Current -----			----- Previous -----			----- Change (%) -----		
	2021E	2022E	2023E	2021E	2022E	2023E	*2021E*	*2022E*	*2023E*
Revenue	14,291	15,256	17,206	14,373	14,459	14,675	*(0.6)*	*5.5*	*17.2*
Gross profit	481	650	1,036	919	1,237	1,328	*(47.7)*	*(47.5)*	*(22.0)*
Operating profit	52	192	520	488	803	888	*(89.3)*	*(76.1)*	*(41.5)*
Net profit	592	728	1,062	1,012	1,334	1,460	*(41.5)*	*(45.4)*	*(27.3)*
EPS (THB)	0.6	0.7	1.1	1.0	1.4	2	*(41.5)*	*(45.4)*	*(27.3)*
Key assumptions									
ME Utilisation rate (%)	76	76	79	85	88	89	*(11)*	*(13)*	*(11)*
FA utilisation rate (%)	70	80	89	108	108	108	*(35)*	*(26)*	*(18)*
CPO price (THB/kg)	24	23	20	27	25	24	*(11)*	*(8)*	*(17)*
ME price (THB/litre)	22	22	22	27	26	27	*(18)*	*(16)*	*(19)*
FA price (USD/tonne)	1,805	1,805	1,805	1,904	1,920	1,920	*(5)*	*(6)*	*(6)*
CPKO price (USD/tonne)	590	580	580	650	640	670	*(9)*	*(9)*	*(13)*

Source: FSSIA estimates

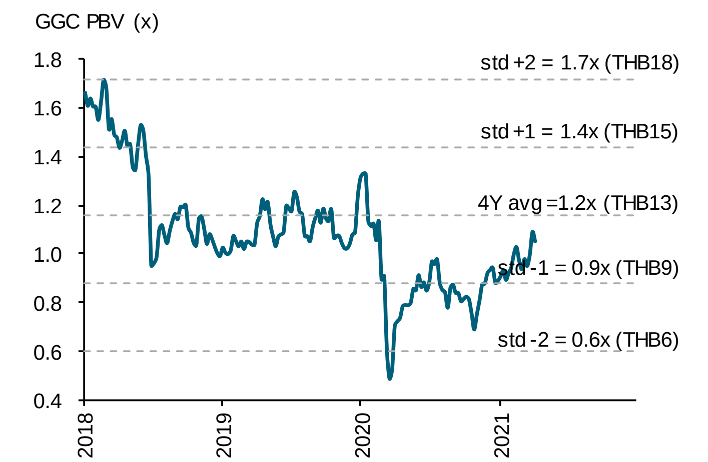
We downgrade GGC to REDUCE from Buy and cut our TP from 12.5, previously based on 10.3x 2021E EV/EBITDA, to THB10, now based on 14.5x 2021E EV/EBITDA, to reflect our lower EPS forecasts for 2021-23. However, we think our higher EV/EBITDA multiple is justified by the lower downside risk from its court case, as GGC recently won a civil case against its former supplier and employees in relation to a missing inventory incident and was able to reclaim up to THB8m. Hence, we think GGC should now trade at a higher valuation despite the weaker earnings outlook.

Exhibit 25: Rolling one-year forward EV/EBITDA band



Sources: GGC, FSSIA estimates

Exhibit 26: Rolling one-year forward P/BV band



Sources: GGC, FSSIA estimates

Exhibit 27: Peer comparisons

Company	BBG code	Rec	Share Price	Target price	*Upside*	Market Cap	3Y EPS CAGR	------- PE -----		---- ROE ----		---- PBV ----		EV / EBITDA	
								21E	22E	21E	22E	21E	22E	21E	22E
			(LCY)	(LCY)	*(%)*	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
THAILAND															
Global Green Chemicals Pcl	GGC TB	REDUCE	11.1	10	*(10)*	361	62.1	18.2	14.8	5.9	7.0	1.1	1.0	16.4	12.3
PTG Energy Pcl	PTG TB	BUY	19.8	24.5	*24*	1,050	10.1	17.1	15.9	22.8	21.6	3.7	3.2	6.8	6.3
Energy Absolute Pcl	EA TB	BUY	59.25	76	*28*	7,019	18.2	27.0	22.7	26.1	24.8	6.3	5.1	21.2	16.6
Thailand avg						**8,430**	**17.9**	**25.4**	**21.5**	**24.9**	**23.6**	**5.8**	**4.7**	**19.2**	**15.2**
Biodiesel under coverage						**8,430**	**17.9**	**25.4**	**21.5**	**24.9**	**23.6**	**5.8**	**4.7**	**19.2**	**15.2**

Share prices as of 12 April 2021

Sources: Bloomberg, FSSIA estimates

Financial Statements

Global Green Chemicals

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	13,055	18,203	14,291	15,256	17,206
Cost of goods sold	(11,783)	(16,177)	(13,281)	(14,075)	(15,638)
Gross profit	**1,271**	**2,026**	**1,010**	**1,181**	**1,569**
Other operating income	-	-	-	-	-
Operating costs	(839)	(828)	(429)	(458)	(516)
Operating EBITDA	**433**	**1,198**	**581**	**723**	**1,053**
Depreciation	(514)	(683)	(529)	(531)	(533)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**(81)**	**514**	**52**	**192**	**520**
Net financing costs	(38)	(41)	75	76	94
Associates	29	62	100	100	100
Recurring non-operating income	423	0	483	483	483
Non-recurring items	(77)	102	0	0	0
Profit before tax	**227**	**575**	**610**	**751**	**1,097**
Tax	(133)	(15)	(18)	(23)	(35)
Profit after tax	**94**	**560**	**592**	**728**	**1,062**
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	**94**	**560**	**592**	**728**	**1,062**
Non-recurring items & goodwill (net)	**77**	**(102)**	**0**	**0**	**0**
Recurring net profit	**171**	**458**	**592**	**728**	**1,062**
Per share (THB)					
Recurring EPS *	0.18	0.47	0.61	0.75	1.09
Reported EPS	0.10	0.58	0.61	0.75	1.09
DPS	0.35	0.35	0.40	0.40	0.40
Diluted shares (used to calculate per share data)	972	972	972	972	972
Growth					
Revenue (%)	(19.5)	39.4	(21.5)	6.8	12.8
Operating EBITDA (%)	(47.7)	176.8	(51.5)	24.4	45.6
Operating EBIT (%)	nm	nm	(89.8)	266.3	170.6
Recurring EPS (%)	(62.5)	167.9	29.3	22.9	45.9
Reported EPS (%)	nm	495.8	5.7	22.9	45.9
Operating performance					
Gross margin inc. depreciation (%)	5.8	7.4	3.4	4.3	6.0
Gross margin of key business (%)	5.8	7.4	3.4	4.3	6.0
Operating EBITDA margin (%)	3.3	6.6	4.1	4.7	6.1
Operating EBIT margin (%)	(0.6)	2.8	0.4	1.3	3.0
Net margin (%)	1.3	2.5	4.1	4.8	6.2
Effective tax rate (%)	67.3	2.9	3.5	3.5	3.5
Dividend payout on recurring profit (%)	199.0	74.3	65.7	53.4	36.6
Interest cover (X)	9.0	12.6	(7.2)	(8.9)	(10.6)
Inventory days	47.8	40.6	50.1	43.9	42.9
Debtor days	39.3	30.7	41.8	39.2	34.7
Creditor days	30.7	22.9	26.9	23.6	23.1
Operating ROIC (%)	(1.0)	6.2	(0.2)	(0.6)	(1.7)
ROIC (%)	3.4	4.5	(1.1)	(1.4)	(2.2)
ROE (%)	1.8	4.7	5.9	7.0	9.7
ROA (%)	1.5	3.8	4.6	5.6	7.9

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
Methyl Ester	9,261	11,687	8,038	8,916	10,616
Fatty Alcohols	3,794	6,515	6,252	6,340	6,590

Sources: Global Green Chemicals; FSSIA estimates

Financial Statements

Global Green Chemicals

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	171	458	592	728	1,062
Depreciation	514	683	529	531	533
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(264)	(1,066)	273	(72)	(143)
Cash flow from operations	**421**	**75**	**1,394**	**1,187**	**1,452**
Capex - maintenance	(472)	(472)	(529)	(531)	(533)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	1,047	1,213	1,302	1,445	1,777
Cash flow from investing	**575**	**741**	**773**	**915**	**1,244**
Dividends paid	(699)	(681)	(340)	(389)	(389)
Equity finance	(642)	0	0	0	0
Debt finance	(335)	(446)	56	(445)	55
Other financing cash flows	204	(1,258)	(964)	(1,106)	(1,436)
Cash flow from financing	**(1,471)**	**(2,385)**	**(1,248)**	**(1,940)**	**(1,770)**
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	**0**	**0**	**0**	**0**	**0**
Movement in cash	**(476)**	**(1,569)**	**919**	**161**	**926**
Free cash flow to firm (FCFF)	1,063.52	885.15	2,210.09	2,132.09	2,714.77
Free cash flow to equity (FCFE)	864.42	(887.80)	1,259.41	550.39	1,315.07
Per share (THB)					
FCFF per share	1.04	0.86	2.16	2.08	2.65
FCFE per share	0.84	(0.87)	1.23	0.54	1.28
Recurring cash flow per share	0.70	1.17	1.15	1.29	1.64

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	10,136	10,395	10,586	10,778	10,969
Less: Accumulated depreciation	(5,372)	(5,819)	(6,348)	(6,878)	(7,411)
Tangible fixed assets (net)	**4,764**	**4,576**	**4,239**	**3,899**	**3,558**
Intangible fixed assets (net)	**69**	**69**	**69**	**69**	**69**
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,115	1,623	1,623	1,623	1,623
Cash & equivalents	3,311	1,742	2,661	2,823	3,749
A/C receivable	1,426	1,637	1,637	1,637	1,637
Inventories	1,596	2,003	1,644	1,743	1,936
Other current assets	-	-	-	-	-
Current assets	**6,333**	**5,382**	**5,943**	**6,202**	**7,322**
Other assets	650	1,589	1,429	1,468	1,548
Total assets	**12,931**	**13,239**	**13,302**	**13,262**	**14,120**
Common equity	9,648	9,993	10,245	10,584	11,257
Minorities etc.	0	0	0	0	0
Total shareholders' equity	**9,648**	**9,993**	**10,245**	**10,584**	**11,257**
Long term debt	1,329	764	820	375	430
Other long-term liabilities	105	596	596	596	596
Long-term liabilities	**1,433**	**1,360**	**1,416**	**971**	**1,026**
A/C payable	953	1,076	883	936	1,040
Short term debt	447	566	566	566	566
Other current liabilities	450	244	192	205	231
Current liabilities	**1,850**	**1,886**	**1,641**	**1,707**	**1,837**
Total liabilities and shareholders' equity	**12,931**	**13,239**	**13,302**	**13,262**	**14,120**
Net working capital	1,619	2,319	2,206	2,238	2,302
Invested capital	8,217	10,176	9,565	9,298	9,099
Per share (THB)					
Book value per share	9.92	10.28	10.53	10.88	11.58
Tangible book value per share	9.85	10.21	10.46	10.81	11.50
Financial strength					
Net debt/equity (%)	(15.9)	(4.1)	(12.5)	(17.8)	(24.5)
Net debt/total assets (%)	(11.9)	(3.1)	(9.6)	(14.2)	(19.5)
Current ratio (x)	3.4	2.9	3.6	3.6	4.0
CF interest cover (x)	23.8	(20.7)	(15.9)	(6.3)	(13.0)

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

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	**63.1**	**23.6**	**18.2**	**14.8**	**10.2**
Recurring P/E @ target price (x) *	**56.9**	**21.2**	**16.4**	**13.4**	**9.2**
Reported P/E (x)	114.8	19.3	18.2	14.8	10.2
Dividend yield (%)	3.2	3.2	3.6	3.6	3.6
Price/book (x)	1.1	1.1	1.1	1.0	1.0
Price/tangible book (x)	1.1	1.1	1.1	1.0	1.0
EV/EBITDA (x) **	21.4	8.7	16.4	12.3	7.6
EV/EBITDA @ target price (x) **	18.9	7.8	14.5	10.8	6.6
EV/invested capital (x)	1.1	1.0	1.0	1.0	0.9

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

Sources: Global Green Chemicals; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL

AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL

2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAH	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL

7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

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 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAH	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIIK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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 th e 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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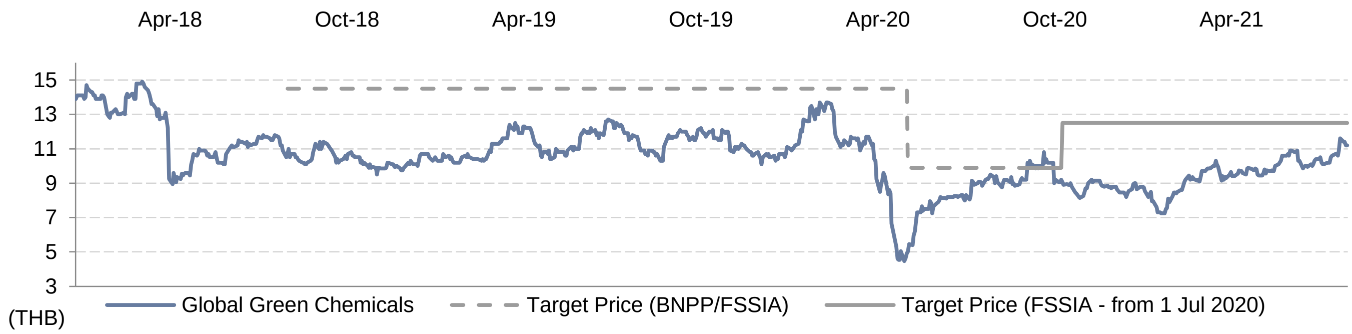
History of change in investment rating and/or target price

Global Green Chemicals (GGC TB)



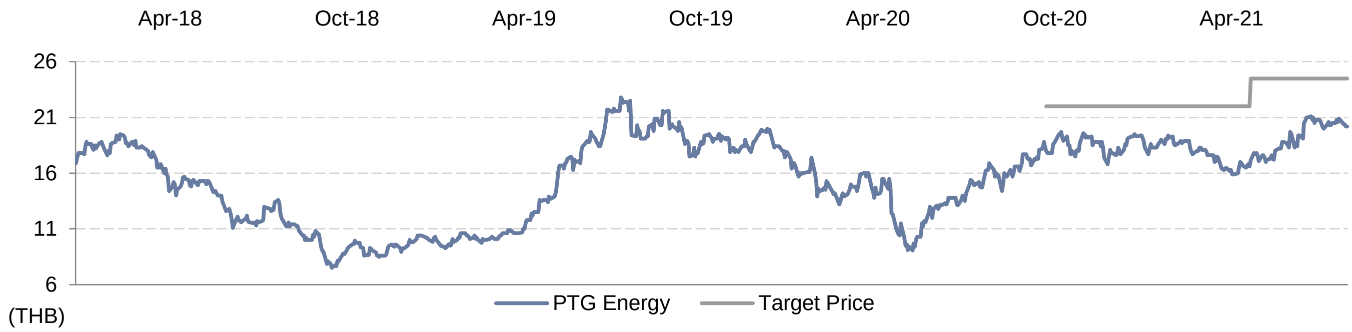
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	BUY	14.50	11-Jun-2020	BUY	9.90	-	-	-
26-Mar-2020	BUY	9.90	05-Aug-2020	BUY	12.50			

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 11-Jun-2020

Price and TP are in local currency

Source: FSSIA estimates

PTG Energy (PTG TB)



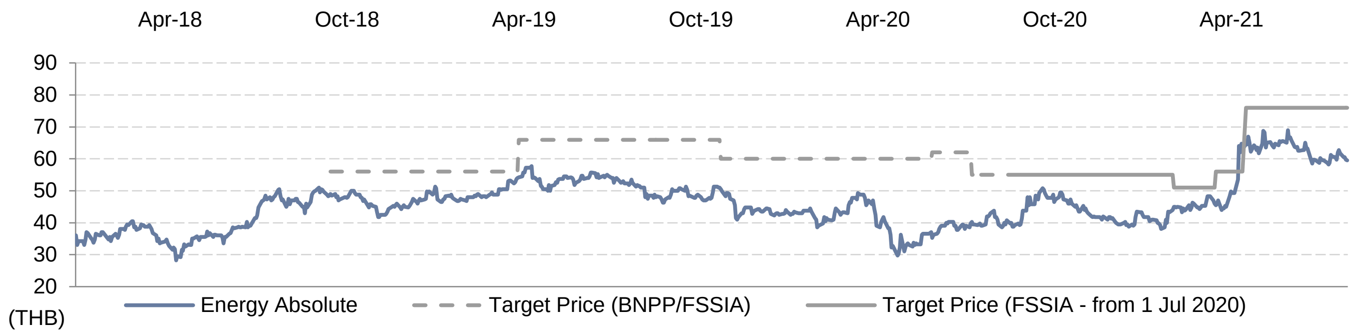
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
22-Jul-2020	BUY	22.00	09-Sep-2020	BUY	22.00	14-Jan-2021	BUY	24.50

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 22-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Energy Absolute (EA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Nov-2018	BUY	56.00	20-May-2020	BUY	55.00	15-Dec-2020	BUY	56.00
26-Apr-2019	BUY	66.00	09-Jul-2020	BUY	55.00	08-Jan-2021	BUY	76.00
17-Oct-2019	BUY	60.00	17-Jul-2020	BUY	55.00			
16-Apr-2020	BUY	62.00	09-Nov-2020	BUY	51.00			

Suwat Sinsadok, CFA/FRM/ERP started covering this stock from 09-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Global Green Chemicals	GGC TB	THB 11.10	REDUCE	Upside risks to our EV/EBITDA-based target price include: 1) a sharp increase in crude palm oil price; 2) a supply shortage of palm, CPO, and ME; and 3) a higher fatty alcohol margin due to the new supply in the US.
PTG Energy	PTG TB	THB 19.80	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.
Energy Absolute	EA TB	THB 59.25	BUY	Downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude prices; and 3) lower-than-expected demand for batteries.

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 12-Apr-2021 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.