

11 MAY 2021

THAILAND / UTILITIES - RENEWABLES

ENERGY ABSOLUTE EA TB

BUY

UNCHANGED

TARGET PRICE	THB76.00
CLOSE	THB61.00
UP/DOWNSIDE	+24.6%
PRIOR TP	THB76.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+18.0%

From a “bus stop” to “bus start”

การเติบโตจากยานยนต์ไฟฟ้ากำลังเริ่มใน 2Q21

นับตั้งแต่เดือน เม.ย. 2021 เป็นต้นมา เราคาดว่า EA จะเริ่มบันทึกกำไรได้จากธุรกิจยานยนต์ไฟฟ้า (EV) โดยจะขายรถเมล์ไฟฟ้า 122 คันให้กับลูกค้าและบันทึกกำไรได้มากถึง 500 ลบ. ใน 2Q21 เราคาดว่า EA จะรายงานกำไรสุทธิโต 58.9% y-y ในปี 2021 มาอยู่ที่ 8.2 พัน ลบ. ส่วนมากมาจากกำไรที่เพิ่มจากธุรกิจเติบโตสูงใหม่ (S-curve) เป็นหลัก

ได้ส่วนแบ่งตลาดรถเมล์จากข้อได้เปรียบในด้านรถเมล์ไฟฟ้า

สำหรับ EA เราคาดว่าธุรกิจรถเมล์ไฟฟ้าอาจสร้างกำไรสุทธิมากถึง 600 ลบ. ในปี 2021 จาก 1) การขายรถเมล์ 1,000 คันต่อปี; 2) ราคาขายเฉลี่ยที่ 5 ลบ. ต่อคัน; 3) สมมติฐานอัตรากำไรสุทธิที่ 15%; และ 4) หุ้น 40% ของ EA ใน NEX และ 73% ใน AAB นอกจากนี้ EA กำลังประมูลสัญญาส่งมอบรถเมล์ไฟฟ้า 2,500-3,000 คันให้แก่กองการขนส่งมวลชนกรุงเทพฯ (ขสมก.) ซึ่งมีการกำหนดสรุปภายในปี 2021 ถ้า NEX ชนะประมูลสัญญาซ่อมบำรุงรถเมล์ไฟฟ้าที่ NEX และ AAB ขาย เราคาดว่า EA อาจมีกำไรสุทธิเพิ่มมากถึง 40 ลบ. ต่อปีจากกำไรที่ได้รับซ่อมบำรุงบนสมมติฐานที่ว่า NEX สามารถขายรถเมล์ไฟฟ้า 1,000 คันต่อปี

รถเมล์ไฟฟ้าอาจสร้างกำไรสุทธิได้ถึง 600 ลบ. ในปี 2021

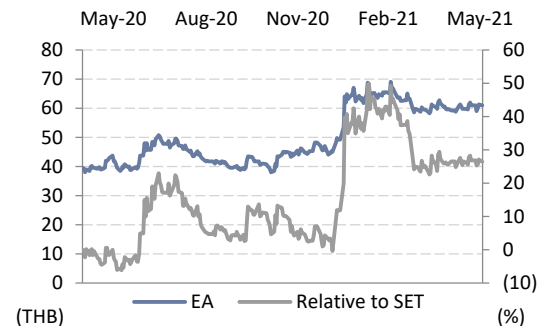
สำหรับ EA เราคาดว่าธุรกิจรถเมล์ไฟฟ้าอาจสร้างกำไรสุทธิมากถึง 600 ลบ. ในปี 2021 จาก 1) การขายรถเมล์ 1,000 คันต่อปี; 2) ราคาขายเฉลี่ยที่ 5 ลบ. ต่อคัน; 3) สมมติฐานอัตรากำไรสุทธิที่ 15%; และ 4) หุ้น 40% ของ EA ใน NEX และ 73% ใน AAB นอกจากนี้ EA กำลังประมูลสัญญาส่งมอบรถเมล์ไฟฟ้า 2,500-3,000 คันให้แก่กองการขนส่งมวลชนกรุงเทพฯ (ขสมก.) ซึ่งมีการกำหนดสรุปภายในปี 2021 ถ้า NEX ชนะประมูลสัญญาซ่อมบำรุงรถเมล์ไฟฟ้าที่ NEX และ AAB ขาย เราคาดว่า EA อาจมีกำไรสุทธิเพิ่มมากถึง 40 ลบ. ต่อปีจากกำไรที่ได้รับซ่อมบำรุงบนสมมติฐานที่ว่า NEX สามารถขายรถเมล์ไฟฟ้า 1,000 คันต่อปี

ยิ่งโตมาก ยิ่งมีความเสี่ยงสูงขึ้นสูง

เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 76 บาท (SoTP) เรามองว่าการเติบโตของกำไรสุทธิของ EA มีความชัดเจนสูง และเป็นไปได้ที่บริษัทฯ จะได้คำสั่งซื้อรถเมล์และรถบรรทุกไฟฟ้าเพิ่มเติมจะไม่เพียงแต่เพิ่มกำไรให้แก่บริษัทฯ แต่จะช่วยลดความเสี่ยงในด้านความต้องการสำหรับธุรกิจแบตเตอรี่ ซึ่งจะพิสูจน์ว่าคุณภาพแบตเตอรี่ของ EA มีความน่าเชื่อถือและสามารถแข่งขันกับผู้ผลิต EV รายอื่นที่มีความประสงค์จะเข้ามาทำธุรกิจในประเทศไทย รถเมล์ไฟฟ้าควรเป็นก้าวแรกสำหรับการเติบโตของ EA ในตลาด EV ที่จะช่วยเพิ่มความมั่นใจของผู้บริโภคในธุรกิจ EV ของบริษัทฯ ซึ่งอาจตามมาด้วยการส่งมอบแบตเตอรี่ใน 3Q21 รถยนต์ไฟฟ้าใน 4Q21 และรถบรรทุกไฟฟ้าในปี 2022 เรามองว่าราคาหุ้นจะปรับขึ้นเมื่อบริษัทฯ เริ่มส่งมอบรถเมล์ไฟฟ้า รถบรรทุกไฟฟ้า และเรือไฟฟ้าซึ่งใช้แบตเตอรี่ที่ผลิตจากโรงงานระยะที่ 1 ขนาด 1GWh ของบริษัทฯ

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	17,080	24,179	33,496	49,254
Net profit	5,205	8,192	9,742	11,143
EPS (THB)	1.40	2.20	2.61	2.99
vs Consensus (%)	-	25.7	24.9	1.0
EBITDA	9,211	11,854	14,432	16,415
Core net profit	5,155	8,192	9,742	11,143
Core EPS (THB)	1.38	2.20	2.61	2.99
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(12.7)	58.9	18.9	14.4
Core P/E (x)	44.1	27.8	23.4	20.4
Dividend yield (%)	0.5	0.4	0.4	0.4
EV/EBITDA (x)	28.8	21.8	17.1	14.1
Price/book (x)	8.2	6.5	5.2	4.2
Net debt/Equity (%)	121.9	76.1	36.4	2.6
ROE (%)	20.1	26.1	24.8	22.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.1	(6.5)	61.6
Relative to country (%)	0.7	(10.7)	28.8
Mkt cap (USD m)	7,320		
3m avg. daily turnover (USD m)	39.8		
Free float (%)	40		
Major shareholder	Mr. Somphote Ahunai (23%)		
12m high/low (THB)	71.75/37.75		
Issued shares (m)	3,730.00		

Sources: Bloomberg consensus; FSSIA estimates



Suwat Sinsadok
suwat.sin@fssia.com
+66 2611 3558

Siriluck Pinthusoonthorn
siriluck.pin@fssia.com
+66 2611 3562

The President of Finasia Syrus Securities PCL is also EA's Independent Director and on EA's Audit Committee.

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 11 พฤษภาคม 2021

Investment thesis

EA is Thailand's largest green energy player, operating through its three business segments of solar, wind and biodiesel; all touted to be the key pillars of Thailand's energy growth over the next 10 years. A biodiesel producer since 2012 with an 800k litre-per-day (lpd) capacity, EA later ventured into the solar and wind businesses. We believe EA's solar farms will be key earnings growth drivers, as they stand to gain from: 1) a high-margin THB6.5/kWh adder; and 2) a 40% decline in the cost of solar panels since 2010.

EA has evolved from being a pure biodiesel player to emerge as one of Thailand's key players in renewable energy. While its biodiesel segment has been struggling at a mere 50% utilisation rate due to the country's oversupply, EA's solar and wind farm businesses have benefited from high-margin electricity tariffs and the declining cost of solar panels.

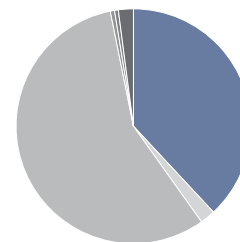
Company profile

Energy Absolute (EA) is a leading green energy company in Thailand with business interests in biodiesel, solar and wind energy. EA has expanded into the battery storage and electricity vehicle (EV) businesses, which we expect to be key earnings growth drivers post 2019.

www.energyabsolute.co.th

Principal activities (revenue, 2020)

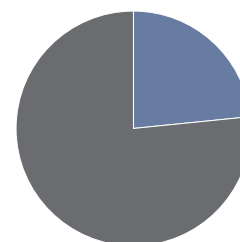
- Methyl ester Biodiesel products - 38.5 %
- Pure glycerine products - 2.1 %
- Electricity from solar and wind power - 57.3 %
- Head office and others - 0.6 %
- Project consultation regarding alternative electric energy - -0.5 %



Source: Energy Absolute

Major shareholders

- Mr. Somphote Ahunai - 23.4 %
- Others - 76.6 %



Source: Energy Absolute

Catalysts

Higher utilisation rates of power plants and rising demand for electricity in Thailand are key potential growth drivers.

Risks to our call

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.

Event calendar

Date	Event
May 2021	1Q21 results announcement

Key assumptions

	2021E	2022E	2023E
Dispatched power (GWh)	9,715	9,715	9,715
Capacity factor - wind farms (%)	26	26	27
Battery sales volume (GWh)	0.7	3.1	6.1
EV car sales (cars)	5,000	5,500	8,500
EV boat sales (boats)	50	50	50
EV bus sales (buses)	2,640	3,000	3,000
EV charging stations (stations)	1,000	1,000	1,000
Green diesel & PCM (tpd)	61	124	124

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in utilisation rate, we estimate 2021 earnings would rise by 1.3%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate 2021 earnings would decline by 1.3%, and vice versa, all else being equal.

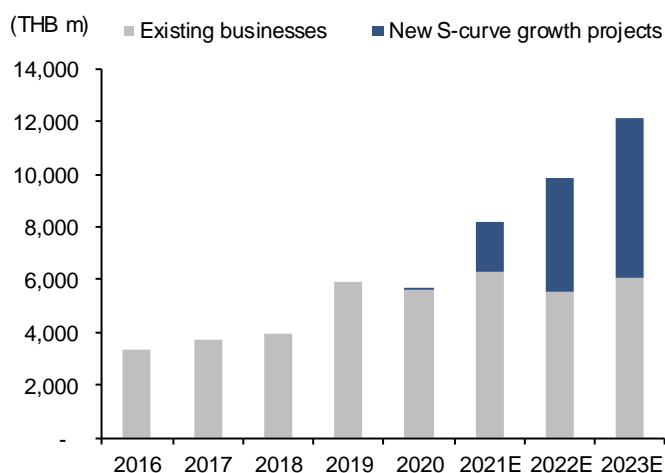
Source: FSSIA estimates

Growth engine starting for EVs

Starting in April 2021, we expect EA to begin booking revenue from its EV ventures, selling 122 E-buses to its customers and booking revenue of up to THB0.5b in 2Q21, based on our estimate. We project EA to post net profit growth of 58.9% y-y in 2021 to THB8.2b, mainly driven by the earnings growth from its new S-curve businesses.

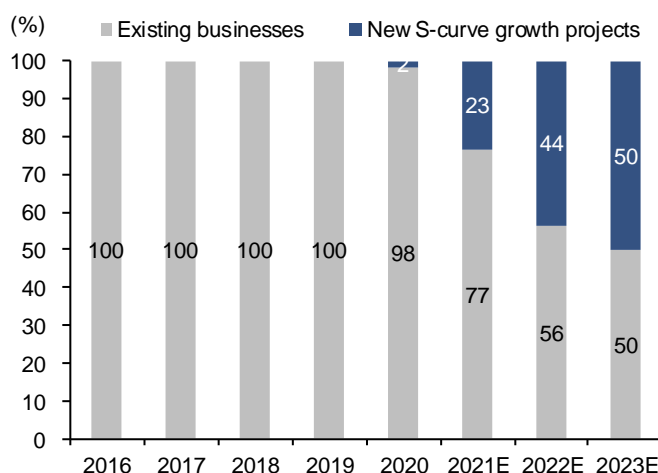
EA's new S-curve growth projects include phase change materials (PCM) and multiple businesses in the EV value chain, comprising EV cars, E-buses, E-ferries, E-trucks, EV charging stations, and a battery manufacturing plant. While other EV ventures remain on track to commence their commercial operation dates (COD) in 2H21 onward, EA's E-buses will be the first venture within its EV value chain to materialise, allowing EA to book revenue and earnings from its EV venture in 2Q21 onward.

Exhibit 1: EA's net profit breakdown by existing (solar and wind farms and biodiesel) vs new S-curve growth projects



Sources: EA; FSSIA estimates

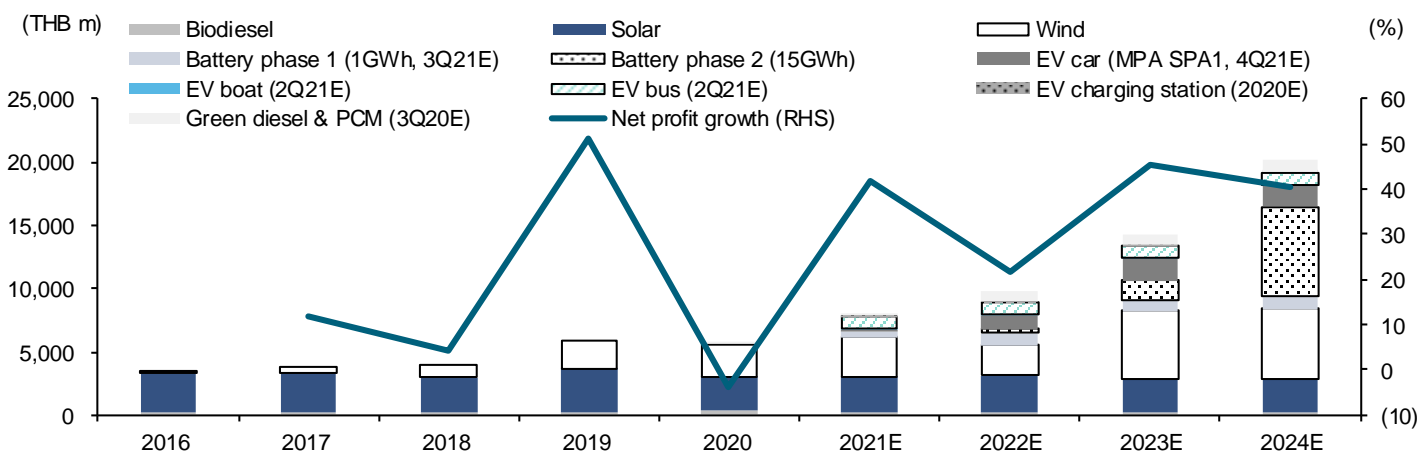
Exhibit 2: EA's net profit breakdown by existing (solar and wind farms and biodiesel) vs new S-curve growth projects (%)



Sources: EA; FSSIA estimates

A series of growth engines starting in 2021. Starting in 1Q21, with the net profit growth generated from its 65ktpa PCM plant, we estimate EA's net profit to continue to grow at a faster pace in 2021-24, driven by the earnings from its 1) EV buses numbering 1,000 units in 2021; 2) the operational start-up of 24 E-ferries in 2Q21; 3) its battery phase 1 (1GWh) plant, COD scheduled in 3Q21; 4) EV car deliveries to its clients in 4Q21; and 5) its EV charging stations since 3Q20.

Exhibit 3: Net profit breakdown by business



Sources: EA; FSSIA estimates

EV value chain

EA has entered into the EV business with a fully integrated business model which includes an upstream battery plant, manufacturing plants for EV cars, E-buses, and E-

trucks, the operation of E-ferris on the Chaophraya River, and 1,000 EV charging stations.

While all of EA's EV-related projects are currently under construction or under implementation, EA will begin to deliver its first 122 E-buses to its customers, and hence will book revenue and earnings from its EV venture in 2Q21.

Exhibit 4: EA's EV current investment projects

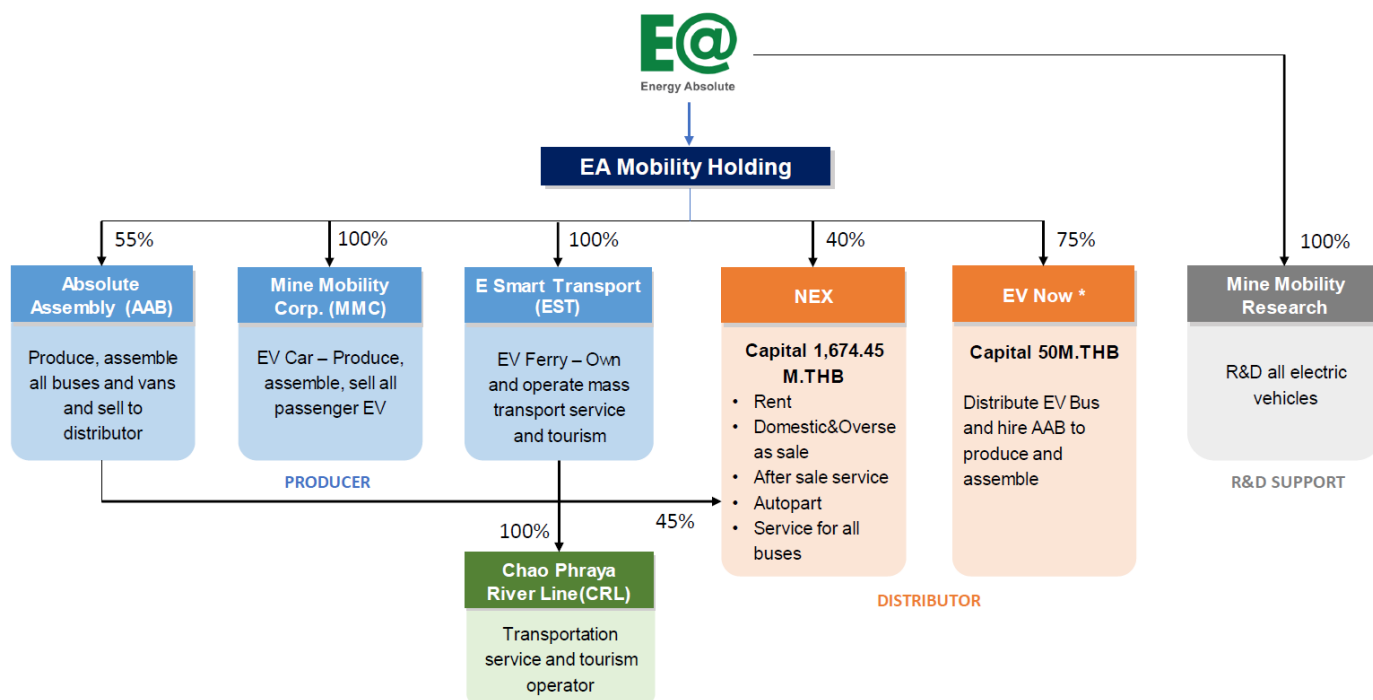


Source: EA

E-bus venture via AAB and NEX. EA operates its E-buses via two companies – Absolute Assembly (AAB, not listed) and its 40%-owned JV with Nex Point (NEX TB, not rated). Hence, EA's revenue and net profits will come from two sources – its 73% stake in AAB as a manufacturer (direct 55% stake and indirect 45% in NEX) and its 40% stake in NEX as a E-bus marketer, distributor, and dealer.

EA's THB1.2b acquisition of a 40% stake in NEX in May-20, and the additional THB1.3b investment cost for its E-bus manufacturing plant with a total capacity of 6,000 E-buses annually, should allow EA and NEX to see strong net profit growth in 2021.

Exhibit 5: EV business structure



Source: EA

NEX's E-buses, produced domestically at EA's THB1.8b plant and assembled from not less than 50% local material, should be able to capitalise on the government's favourable tax incentive scheme and the projected demand growth in the next five years, based on the current Power Development Plan 2018 Revision 1.

Meanwhile, EA will use its in-house produced battery from Amita (Thailand), which owns and operates a 1GWh battery plant phase 1 (expandable to 50GWh capacity), for its E-buses, E-ferries, EV cars, and E-trucks, to achieve a zero-tax benefit. This would be achieved mainly via the 50% local content, enabling it to be tax exempt from the 40% import tax for E-buses and 20% import tax for batteries.

Exhibit 6: EA's EV ecosystem



Source: EA

Growth engine from E-buses starting in 2Q21

We think the bus segment will be a key target market for EA. According to the Electric Vehicle Association of Thailand (EVAT), E-buses remain a tiny proportion of the overall bus total in Thailand, with only 130 E-buses currently in operation, representing only 2.4% of all battery EVs in Thailand as of Dec-20. We believe the EA-NEX JV will be one of the competitive players to capture market share as a first mover to generate a THB0.6b net profit contribution to EA in 2021.

Exhibit 7: EA's E-bus business model



Source: EA

State-of-the-art technology for EV manufacturing plant, import parts, batteries, and EV chargers. To ensure its product reliability and quality, EA has employed state-of-the-art technology for its manufacturing plant, which was designed by Dongfeng Design Institute; the company which built manufacturing plants for China’s leading EV brands, including Sunlong, Honda, Toyota, and Fiat.

Exhibit 8: EA’s EV manufacturing plant

EV BUS FACTORY



- **Company:** Absolute Assembly Co Ltd
- **Capacity:** 3,000 buses per year
- **Standard Granted:** ISO:9001
- **Area:** Over 65,000 sqm3
- **Manpower:** Over 700
- **Investment cost:** 1,800 MB
- **Process:** Welding, Painting, Assembly

BUILD TO HIGHEST QUALITY

1.Design by Dongfeng Design Institute



 Sunlong Motor Maximum capacity 240,000 vehicle per year	 Dongfeng Honda Motor Maximum capacity 240,000 car per year	 GAC Toyota Motor Maximum capacity 300,000 car per year	 GAC Fiat Motor Maximum capacity 200,000 car per year
---	--	--	--

2.Machine Sourcing / Installation / Commissioning



Chinese Stated-Owned Defense Coporation
 Revenue 62 Billions USD
 Specialized in Defense Product and also Heavy-Duty Machinery
 (Produce Heavy Duty Truck & Mining Vehicle & Other Vehicle)

3.Monitoring production process
 Our partner both stakeholder and Chinese bus company will send a professional team to monitor during production process to ensure the quality of bus.






Source: EA

In addition, EA has fully integrated all business units within its EV value chain for its E-buses, which includes importing parts from China’s leading E-bus brands (Yutong, Sunlong, Golden Dragon, and Skywell) for assembly at its plant. The batteries used are produced at its plant operated by Amita Technology, and the EV chargers use technology from Growatt and Ates Power Technology (AESS).

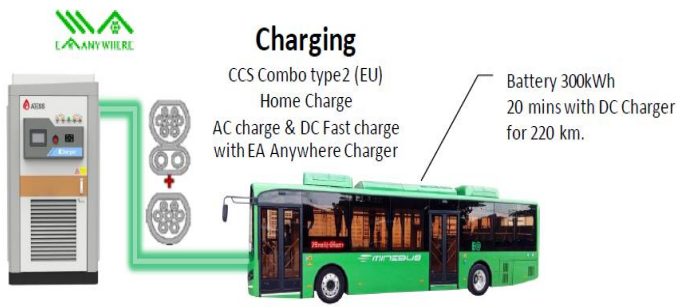
Exhibit 9: EV business



Source: EA

Exhibit 10: Charging stations for E-buses

22/150 kW AC/DC Combo Charger



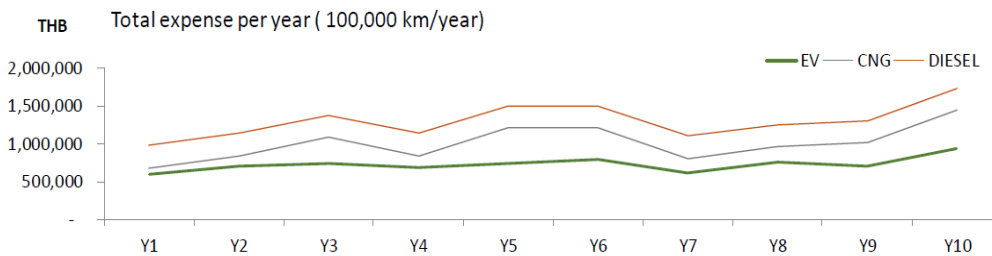
Source: EA

Exhibit 11: EA's E-bus characteristics

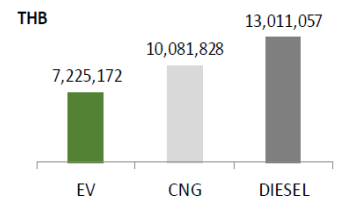
Source: EA

Cost competitiveness (E-bus vs ICE bus). While E-bus prices are slightly higher than that of ICE buses, using diesel by up to 15%, the accumulated cost for one of EA's E-buses throughout its 10-year useful lifetime could be c44% lower than for an ICE bus, according to EA's management. The company projects the operating expenses, which include maintenance and energy costs, to be only THB7.2m vs THB13m for ICE buses and THB10m for natural gas for vehicle (NGV) or compressed natural gas (CNG) buses.

Exhibit 12: Operating cost comparison (ICE vs EV bus)



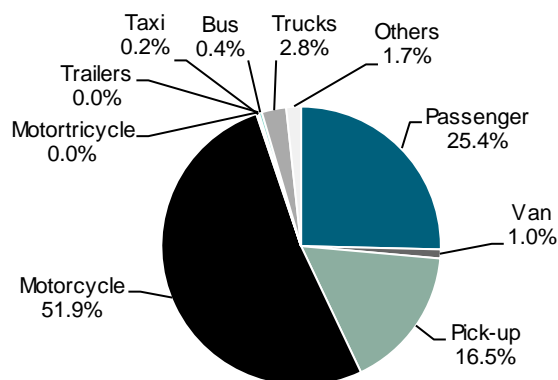
Total expense for 10 year (1million KM.)



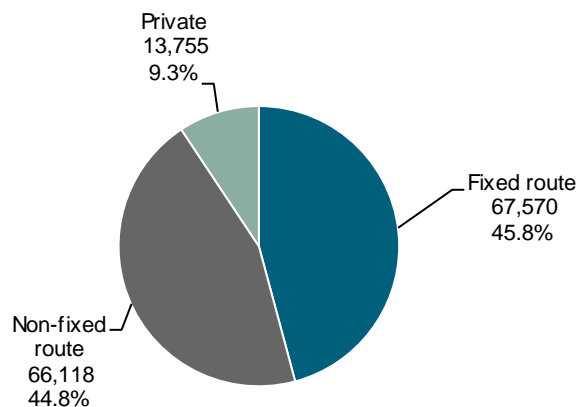
Source: EA

A market opportunity as a first mover for E-buses. As the first mover and the most integrated company in Thailand's EV industry, the EA-NEX JV should have an edge over its competitors, both domestic and foreign, to penetrate and quickly gain market share in Thailand's bus market.

According to the Transportation Statistics Sub-Division, Department of Land Transport, there are 147,443 registered buses, comprising 67.6k fixed-route buses, including BMTA buses (45.8% of total buses), 66.1k non-fixed route buses (44.8%), and 13.8k private buses. We think all of these bus segments, particularly the fixed-route buses, will be the key target market for NEX to capture in the next few years. Management expects to sell 1,000 E-buses in 2021, rising to 2,500-3,000 E-buses in 2022 onward, representing only 20% of the market share of Thailand's annual new bus market of 11,000-13,000 buses annually.

Exhibit 13: Thailand's total number of registered vehicles – breakdown by type (41.8m vehicles as of 30 April 2021)

Sources: Transport Statistics Sub-Division, Planning Division, Department of Land Transport

Exhibit 14: Thailand's total number of registered buses (147,443 buses as of 30 April 2021)

Sources: Transport Statistics Sub-Division, Planning Division, Department of Land Transport

For EA, we estimate that its E-bus JV could generate a net profit of up to THB0.6b in 2021, based on 1) 1,000 buses sold annually; 2) an average selling price per bus of THB5m; 3) an estimated net profit margin of 15%; and 4) EA's stake of 40% in NEX and 73% in AAB. In addition, EA is in the process of bidding for a contract to supply 2,500-3,000 E-buses to BMTA, which is scheduled to be finalised within 2021.

Exhibit 15: NEX's E-bus financials and profitability

EA's stake in NEX as a marketer	Unit	Value
Estimated number of buses sold annually	bus	1,000
Price range	THB m	3-6
Average selling price	THB m	5
Estimated net margin	%	15
Net profit	THB m	750
EA's stake	%	40
EA's net profit from E-buses	THB m	300
Net profit per E-bus	THB m	0.75

Sources: EA; FSSIA estimates

Exhibit 16: AAB's E-bus financials and profitability

EA's stake in AAB as a manufacturer	Unit	Value
Estimated number of buses sold annually	bus	1,000
Price range	THB m	3-6
Average selling price	THB m	5
Estimated net margin	%	8
Net profit	THB m	400
EA's stake	%	73
EA's net profit from E-buses	THB m	292
Net profit per E-bus	THB m	0.40

Sources: EA; FSSIA estimates

Additionally, if NEX wins the maintenance contract for the E-buses that NEX and AAB sell, we estimate that EA could add an additional net profit of up to THB40m annually from the maintenance income, assuming that NEX can sell 1,000 E-buses annually.

Exhibit 17: Maintenance revenue and net profit for 1,000 E-buses

Maintenance service	Unit	Value
Estimated number of buses sold annually	bus	1,000
Estimated running distance	km/year	100,000
Maintenance service fee (EV)	THB/km	3.75
Maintenance service fee (NGV)	THB/km	5.25
Estimated maintenance revenue	THB m/year	375
Estimated net margin	%	30
Net profit	THB m	113
EA's stake	%	40
EA's net profit from E-bus maintenance	THB m	45

Sources: EA; FSSIA estimates

Share price rerating is coming

We maintain BUY and our SoTP-based TP of THB76. We think EA's net profit growth is highly visible but will grow even without its EV car delivery in 2021. Its potential success in securing additional E-bus and E-truck orders would not only boost its earnings but also reduce the demand risk for its batteries, thus proving that EA's battery quality is reliable and can compete with other EV manufacturers that have the intention of establishing footholds in Thailand. E-buses should be the first growth step in EA's EV chain to boost investors' confidence in its EV venture, which could be followed by the delivery of its batteries in 3Q21, EV cars in 4Q21 and E-trucks in 2022. We think its share price will rerate once it starts to deliver its E-buses, E-trucks, and E-ferries using the batteries produced from its 1GWh phase 1 plant.

Exhibit 18: SoTP valuation

EA's DCF valuation					
Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		2.3	Pretax cost of debt		4.6
Market risk premium		8.5	Marginal tax rate		20.0
Stock beta		0.40			
DCF assumptions					
Cost of equity, Ke		5.7	Net cost of debt, Kd		3.4
Weight applied		25.0	Weight applied		75.0
WACC (%)		4.0			
SoTP valuation estimate	(THB m)	(THB/share)	Valuation methodology		
Biodiesel	4,417	1.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Solar					
Lop buri	1,331	0.4	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Nakornsawun	12,119	3.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Lumpang	18,979	5.1	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Pisanuloak	19,270	5.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
<i>Total solar</i>	<i>51,699</i>	<i>13.9</i>			
Wind					
- Southern (COD 2017)					
Had Gunghun 1	4,175	1.1	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Had Gunghun 2	5,087	1.4	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Had Gunghun 3	5,103	1.4	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Had Gunghun 4	6,301	1.7	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
<i>Total wind farms Southern</i>	<i>14,365</i>	<i>5.5</i>			
- Northeastern (COD 2018)					
Hanuman 1	8,160	2.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Hanuman 5	8,682	2.3	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Hanuman 8	8,139	2.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Hanuman 9	7,596	2.0	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
Hanuman 10	14,507	3.9	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
<i>Total wind farms Northeastern</i>	<i>47,084</i>	<i>12.6</i>			
EV and battery					
Battery phase 1 (1GWh)	11,655	3.1	DCF with WACC 5%, Risk free rate 5.3%, Risk premium 8.5%		
Battery phase 2 (15GWh)	121,234	32.5	DCF with WACC 5%, Risk free rate 5.3%, Risk premium 8.5%		
EV cars (MPA SPA1, 1Q21E)	11,124	3.0	FY21E P/E at 12x		
EV boats (1Q21E)	779	0.2	FY21E P/E at 12x		
EV charging stations (2020)	1,085	0.3	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%		
EV bus (2Q21E)	32,265	8.7	FY21E P/E at 15x		
<i>Total EV and battery</i>	<i>145,876</i>	<i>47.8</i>			
Green diesel & PCM (3Q20)	5,616	1.5	FY20E P/E at 15x		
Net debt	(28,027)	(7.0)			
Minorities	2,133	0.6			
Residual ordinary equity	243,164	76			

Sources: EA; FSSIA estimates

Financial Statements

Energy Absolute

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	14,887	17,080	24,179	33,496	49,254
Cost of goods sold	(4,413)	(6,591)	(10,633)	(16,719)	(29,883)
Gross profit	10,474	10,489	13,546	16,777	19,371
Other operating income	-	-	-	-	-
Operating costs	(946)	(1,278)	(1,693)	(2,345)	(2,955)
Operating EBITDA	9,528	9,211	11,854	14,432	16,415
Depreciation	(2,517)	(2,730)	(2,494)	(3,694)	(4,500)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	7,010	6,480	9,360	10,738	11,916
Net financing costs	(1,226)	(1,627)	(1,753)	(1,706)	(1,443)
Associates	(14)	(61)	860	983	985
Recurring non-operating income	53	126	961	1,084	1,086
Non-recurring items	178	50	0	0	0
Profit before tax	6,016	5,029	8,568	10,116	11,559
Tax	11	18	(55)	(45)	(111)
Profit after tax	6,027	5,047	8,513	10,071	11,448
Minority interests	55	157	(320)	(330)	(305)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	6,082	5,205	8,192	9,742	11,143
Non-recurring items & goodwill (net)	(178)	(50)	0	0	0
Recurring net profit	5,903	5,155	8,192	9,742	11,143
Per share (THB)					
Recurring EPS *	1.58	1.38	2.20	2.61	2.99
Reported EPS	1.63	1.40	2.20	2.61	2.99
DPS	0.25	0.30	0.25	0.25	0.25
Diluted shares (used to calculate per share data)	3,730	3,730	3,730	3,730	3,730
Growth					
Revenue (%)	28.9	14.7	41.6	38.5	47.0
Operating EBITDA (%)	37.8	(3.3)	28.7	21.8	13.7
Operating EBIT (%)	38.0	(7.6)	44.4	14.7	11.0
Recurring EPS (%)	51.2	(12.7)	58.9	18.9	14.4
Reported EPS (%)	22.2	(14.4)	57.4	18.9	14.4
Operating performance					
Gross margin inc. depreciation (%)	53.4	45.4	45.7	39.1	30.2
Gross margin of key business (%)	54.6	45.7	45.7	39.1	30.2
Operating EBITDA margin (%)	64.0	53.9	49.0	43.1	33.3
Operating EBIT margin (%)	47.1	37.9	38.7	32.1	24.2
Net margin (%)	39.7	30.2	33.9	29.1	22.6
Effective tax rate (%)	-0.2	-0.4	0.7	0.5	1.1
Dividend payout on recurring profit (%)	15.8	21.7	11.4	9.6	8.4
Interest cover (X)	5.8	4.1	5.9	6.9	9.0
Inventory days	45.0	44.1	37.6	38.0	36.3
Debtor days	67.1	71.4	56.6	47.0	38.0
Creditor days	67.5	64.0	58.1	58.8	56.1
Operating ROIC (%)	11.8	9.5	(3.4)	(4.0)	(4.8)
ROIC (%)	10.9	8.2	(3.0)	(3.5)	(4.0)
ROE (%)	28.4	20.1	26.1	24.8	22.8
ROA (%)	10.6	8.5	9.3	9.9	10.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Methyl ester Biodiesel products	6,570	6,570	6,570	6,570	6,570
Pure glycerine products	350	360	361	361	361
Electricity from solar and wind power	7,957	9,784	8,252	15,759	21,648
Head office and others	100	100	101	101	101

Sources: Energy Absolute; FSSIA estimates

Financial Statements

Energy Absolute

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	5,903	5,155	8,192	9,742	11,143
Depreciation	2,517	2,730	2,494	3,694	4,500
Associates & minorities	(14)	(61)	860	983	985
Other non-cash items	-	-	-	-	-
Change in working capital	(9,651)	4,045	1,554	2,055	3,821
Cash flow from operations	(1,245)	11,869	13,101	16,474	20,449
Capex - maintenance	(2,517)	(2,730)	(2,494)	(3,694)	(4,500)
Capex - new investment	(3,784)	(4,486)	(1,006)	(194)	(1,000)
Net acquisitions & disposals	(68)	(1,429)	0	0	0
Other investments (net)	(49)	(7,546)	860	983	985
Cash flow from investing	(6,418)	(16,192)	(2,640)	(2,905)	(4,515)
Dividends paid	(746)	(746)	(1,119)	(933)	(933)
Equity finance	0	0	0	0	0
Debt finance	12,725	(2,873)	8,639	(10,990)	(2,035)
Other financing cash flows	235	863	(1,400)	(1,248)	336
Cash flow from financing	12,214	(2,756)	6,120	(13,171)	(2,632)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	4,551	(7,079)	16,582	398	13,302
Free cash flow to firm (FCFF)	(6,277.07)	(2,685.77)	12,214.99	15,274.42	17,376.56
Free cash flow to equity (FCFE)	5,296.76	(6,332.72)	17,700.69	1,330.39	14,234.69
Per share (THB)					
FCFF per share	(1.68)	(0.72)	3.27	4.10	4.66
FCFE per share	1.42	(1.70)	4.75	0.36	3.82
Recurring cash flow per share	2.25	2.10	3.10	3.87	4.46
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	59,819	67,122	70,622	74,122	77,622
Less: Accumulated depreciation	(8,448)	(11,265)	(13,759)	(17,453)	(21,953)
Tangible fixed assets (net)	51,371	55,857	56,863	56,669	55,669
Intangible fixed assets (net)	3,683	4,130	4,130	4,130	4,130
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	100	1,529	1,529	1,529	1,529
Cash & equivalents	10,029	2,951	19,532	19,930	33,232
A/C receivable	3,175	3,511	3,987	4,647	5,616
Inventories	758	833	1,355	2,130	3,807
Other current assets	71	94	133	184	270
Current assets	14,033	7,389	25,007	26,890	42,925
Other assets	1,033	9,578	9,578	9,578	9,578
Total assets	70,220	78,484	97,107	98,797	113,832
Common equity	23,365	27,812	34,885	43,694	53,904
Minorities etc.	1,502	1,815	2,136	2,465	2,771
Total shareholders' equity	24,866	29,627	37,021	46,159	56,675
Long term debt	36,977	31,090	39,729	28,739	26,704
Other long-term liabilities	2,306	4,203	4,203	4,203	4,203
Long-term liabilities	39,283	35,292	43,932	32,941	30,907
A/C payable	1,021	1,289	2,095	3,293	5,887
Short term debt	4,968	7,983	7,983	7,983	7,983
Other current liabilities	81	4,293	6,078	8,420	12,381
Current liabilities	6,070	13,564	16,155	19,696	26,250
Total liabilities and shareholders' equity	70,220	78,484	97,107	98,797	113,832
Net working capital	2,902	(1,143)	(2,698)	(4,753)	(8,574)
Invested capital	59,089	69,951	69,403	67,154	62,332
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	6.26	7.46	9.35	11.71	14.45
Tangible book value per share	5.28	6.35	8.25	10.61	13.34
Financial strength					
Net debt/equity (%)	128.4	121.9	76.1	36.4	2.6
Net debt/total assets (%)	45.5	46.0	29.0	17.0	1.3
Current ratio (x)	2.3	0.5	1.5	1.4	1.6
CF interest cover (x)	8.4	(0.1)	11.7	1.9	11.6
Valuation					
Recurring P/E (x) *	38.5	44.1	27.8	23.4	20.4
Recurring P/E @ target price (x) *	48.0	55.0	34.6	29.1	25.4
Reported P/E (x)	37.4	43.7	27.8	23.4	20.4
Dividend yield (%)	0.4	0.5	0.4	0.4	0.4
Price/book (x)	9.7	8.2	6.5	5.2	4.2
Price/tangible book (x)	11.6	9.6	7.4	5.8	4.6
EV/EBITDA (x) **	27.4	28.8	21.8	17.1	14.1
EV/EBITDA @ target price (x) **	33.3	34.9	26.5	21.0	17.5
EV/invested capital (x)	4.4	3.8	3.7	3.7	3.7
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Energy Absolute; 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	ICI	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	AMANAHA	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	WIJK	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	TIPIP	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	AMANAHA	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	WIJK	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 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

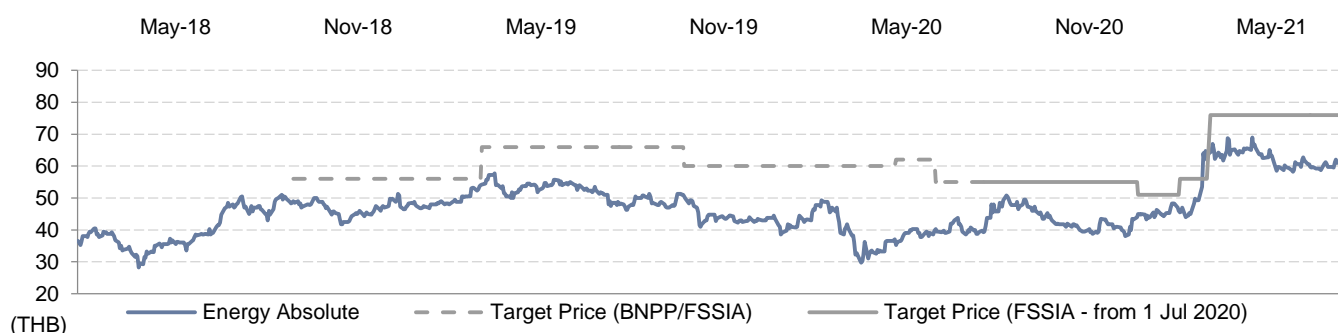
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

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 started covering this stock from 15-Nov-2018

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Energy Absolute	EA TB	THB 61.00	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 10-May-2021 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.