

17 JUNE 2021

THAILAND / OIL & GAS

PTT OIL AND RETAIL BUSINESS

BUY

UNCHANGED

OR TB

TARGET PRICE	THB41.00
CLOSE	THB31.25
UP/DOWNSIDE	+31.2%
PRIOR TP	THB41.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+42.9%

ศูนย์การค้าชุมชนที่สะดวกและแข่งขันได้

ศูนย์การค้าชุมชนพร้อมสถานีบริการน้ำมัน

เราเชื่อว่าลักษณะเฉพาะของ OR ในฐานะที่เป็นศูนย์การค้าชุมชนย่อยที่มีสถานีบริการน้ำมันเพียงแห่งเดียวของไทยน่าจะทำให้บริษัท อยู่ในตำแหน่งที่ดีสำหรับการเติบโตในระยะต่อไปในช่วง 2H21-23 เราเห็นว่าอัตราการเติบโตของกำไรสุทธิจากการดำเนินงานรายไตรมาสของ OR จะเริ่มเร่งตัวขึ้นตั้งแต่ 3Q21 เป็นต้นไป ส่วนมากจากปัจจัยผลักดันในด้านความต้องการที่สูงขึ้นในธุรกิจสถานีบริการน้ำมัน ธุรกิจน้ำมันอากาศยาน ธุรกิจที่ไม่ใช่น้ำมัน เช่น ร้านกาแฟและร้านสะดวกซื้อ เราคาดว่าอัตรากำไรสุทธิจากการดำเนินงานหลักของ OR จะปรับตัวขึ้นจาก 1.2% ใน 4Q20-1Q21 เป็นประมาณ 2% ใน 3Q21 เป็นต้นไปโดยมีปัจจัยผลักดันจากปริมาณขายที่เพิ่มขึ้นของสินค้าที่ไม่ใช่น้ำมันซึ่งมีอัตรากำไรสูง โดยเฉพาะอย่างยิ่งจาก Café Amazon ซึ่งความต้องการควรฟื้นตัวในระดับสูงหลังประเทศไทยกลับมาเปิดกิจกรรมท่องเที่ยวและเศรษฐกิจ ซึ่งอาจเกิดขึ้นในช่วง 2H21

“ร้านกาแฟใกล้ตัวที่นำเสนอสินค้าหลากหลาย

ในระหว่างการประชุมทางโทรศัพท์กับ FSSIA ผู้บริหารได้เปิดเผยเป้าหมายของบริษัทฯ กล่าวคือ EBITDA ที่ 35% สำหรับธุรกิจที่ไม่ใช่น้ำมันภายในปี 2025 เป้าหมายดังกล่าวสอดคล้องกับประมาณการของเราที่คาดว่า EBITDA ของธุรกิจที่ไม่ใช่น้ำมันจะสูงถึง 35% ของ EBITDA รวมในปี 2023 และเพิ่มเป็น 37-40% ในปี 2024-25 โดยมีปัจจัยผลักดันจากการขยายสาขาของ Café Amazon และยอดซื้อต่อไปเรื่อยๆที่สูงขึ้นจากสัดส่วนยอดขายที่เพิ่มขึ้น ซึ่งจะเพิ่ม EBITDA ของสินค้าที่ไม่ใช่เครื่องดื่มจาก 9% ในปี 2020 เป็น 13% ภายในปี 2025 ในขณะที่รายได้จากธุรกิจที่ไม่ใช่น้ำมันคิดเป็นเพียง 3.9% ในปี 2020 เราเชื่อว่าการเติบโตของรายได้จากธุรกิจที่ไม่ใช่น้ำมันของ OR จะเป็นปัจจัยผลักดันสำคัญสำหรับการเติบโตของกำไรสุทธิของบริษัทฯ ตั้งแต่นั้นเป็นต้นไป เนื่องจาก EBITDA margin ของธุรกิจที่ไม่ใช่น้ำมันสูงกว่าธุรกิจน้ำมันมาก (26.5% เทียบกับ 3.1% ในปี 2020)

ร้านขายของกินที่ให้บริการครบครัน

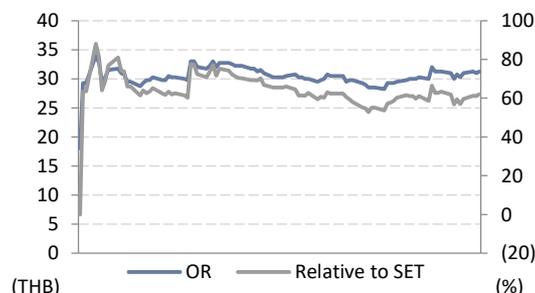
นับตั้งแต่ปี 2021 OR ตั้งเป้าเพิ่ม EBITDA และ EBITDA margin ของสินค้าที่ไม่ใช่เครื่องดื่มผ่าน 2 กลยุทธ์ ประการแรกจากภายในบริษัท OR จะสร้างโรงงานขนมอบ a dry mixed plant และศูนย์กระจายสินค้า (กำหนดเริ่มดำเนินงานเชิงพาณิชย์ในช่วง 2H21) สำหรับกลุ่มขนมอบ OR วางแผนทดแทนปริมาณขาย 1/3 ของขนมอบในปัจจุบันด้วยสินค้าที่บริษัทฯ ผลิต ประการที่สองจากภายนอก OR ได้ซื้อกิจการหลายแห่งประกอบด้วย Peaberry Specialty Coffee (ธ.ค. 20) กลุ่มร้านอาหารเพื่อสุขภาพ Ohkajhu (ก.พ. 21) และกิจการรับส่งสินค้า Flash Express สำหรับธุรกิจ E-Commerce (มี.ย. 21) เพื่อเสริมสร้างห่วงโซ่มูลค่าสินค้าของศูนย์การค้าชุมชนย่อยของบริษัทฯ ให้แข็งแกร่งมากยิ่งขึ้น

การประเมินมูลค่าอยู่ในระดับสูงจากการเติบโตของธุรกิจที่ไม่ใช่น้ำมัน

เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 41 บาท (SOTP) เราเห็นว่า OR เป็นหุ้นเติบโตที่น่าสนใจในธุรกิจน้ำมันและอาหารและเครื่องดื่มปลายน้ำสำหรับการฟื้นตัวในช่วง 2H21 เราเชื่อว่าอัตราการคิดวัดขึ้นที่เพิ่มขึ้นทั้งในและต่างประเทศในช่วง 2H21 จะทำให้ความต้องการสินค้าของ OR ทั้งในธุรกิจน้ำมันและไม่ใช่น้ำมัน ประกอบด้วย Café Amazon กิจการร้านค้าสะดวกซื้อ และน้ำมันเชื้อเพลิงเพิ่มอย่างต่อเนื่อง

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	428,804	613,593	629,451	640,491
Net profit	9,963	11,568	14,207	15,883
EPS (THB)	1.11	0.96	1.18	1.32
vs Consensus (%)	-	(5.7)	2.9	7.5
EBITDA	13,064	15,589	20,078	23,524
Core net profit	9,963	11,568	14,207	15,883
Core EPS (THB)	1.11	0.96	1.18	1.32
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(8.6)	(12.9)	22.8	11.8
Core P/E (x)	28.2	32.4	26.4	23.6
Dividend yield (%)	1.6	1.3	1.4	1.6
EV/EBITDA (x)	24.0	22.2	16.5	13.9
Price/book (x)	7.4	3.8	3.5	3.2
Net debt/Equity (%)	83.9	(29.5)	(41.5)	(41.7)
ROE (%)	26.2	16.9	13.8	14.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.6	5.0	n/a
Relative to country (%)	4.6	1.1	n/a
Mkt cap (USD m)	12,032		
3m avg. daily turnover (USD m)	61.3		
Free float (%)	62		
Major shareholder	PTT (75%)		
12m high/low (THB)	36.50/22.10		
Issued shares (m)	9,000.00		

Sources: Bloomberg consensus; FSSIA estimates



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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 17 มิถุนายน 2021

Investment thesis

In 2020, OR's net profit weakened due to the coronavirus impact, resulting in a lower demand for both oil and non-oil products at its retail and wholesale channels. We project OR's net profit to grow at a 21.8% CAGR in 2020-23, driven by its three growth strategies: 1) the expansion of its fuel stations in Thailand; 2) growth in its non-oil food and beverage (F&B) businesses, particularly its Café Amazon outlets and the number of convenience store (CVS) outlets; and 3) the expansion of its overseas presence in new and existing markets to leverage OR's core business value of the one-stop shop with a "Living Community" concept.

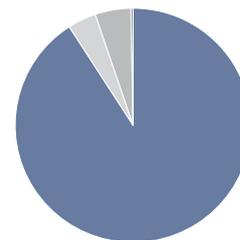
Company profile

OR is Thailand's leading gas station operator with its station network located mostly in Thailand and overseas. OR's non-oil business has increasingly contributed higher net profits led by its in-house coffee brand, Café Amazon. It also sells jet fuel, lube, asphalt and other petroleum products.

www.pttor.com

Principal activities (revenue, 2020)

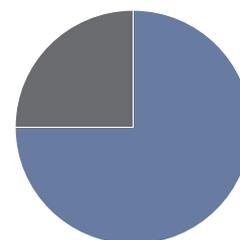
- Oil business - 90.9 %
- Non-oil business - 3.9 %
- International business - 4.9 %
- Others - 0.3 %



Source: PTT Oil and Retail Business

Major shareholders

- PTT - 75.0 %
- Others - 25.0 %



Source: PTT Oil and Retail Business

Catalysts

Key potential net profit catalysts include 1) higher sales volumes; 2) a higher marketing margin; and 3) improving EBITDA from non-oil businesses, such as the convenience store and food & beverage segments.

Risks to our call

The downside risks to our SOTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a lower marketing margin; and 3) weaker-than-expected jet demand.

Event calendar

Date	Event
Aug 2021	2Q21 results announcement

Key assumptions

	2021E	2022E	2023E
Brent oil price (USD/bbl)	55	50	50
Number of oil stations – Thailand (station)	2,045	2,120	2,250
Number of oil stations – Overseas (station)	368	403	424
EBITDA margin – oil (%)	2.3	2.4	2.2
EBITDA margin – non-oil (%)	27.4	29.7	24.4
EBITDA margin – international (%)	3.5	3.7	4.4
Number of Amazon Café outlets (outlet)	4,004	4,432	4,890
Revenue per ticket (THB/ticket)	63.0	64.0	65.0

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in marketing margin, we estimate 2021 earnings would rise by 4.3%, and vice versa, all else being equal.
- For every 1% increase in number of cups sold for Café Amazon, we estimate 2021 earnings would rise by 2.1%, and vice versa, all else being equal.

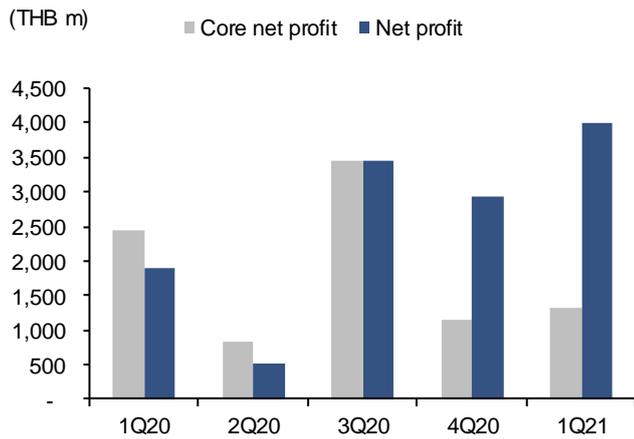
Source: FSSIA estimates

Convenient and competitive community mall

After two poor quarters for its core net profit due to the impact of the Covid-19 resurgence that stalled the demand growth of oil and non-oil products, we think OR's quarterly core net profit growth will start to accelerate in 3Q21 onward, mainly driven by a higher demand for oil stations, jet fuel, non-oil coffee and CVS.

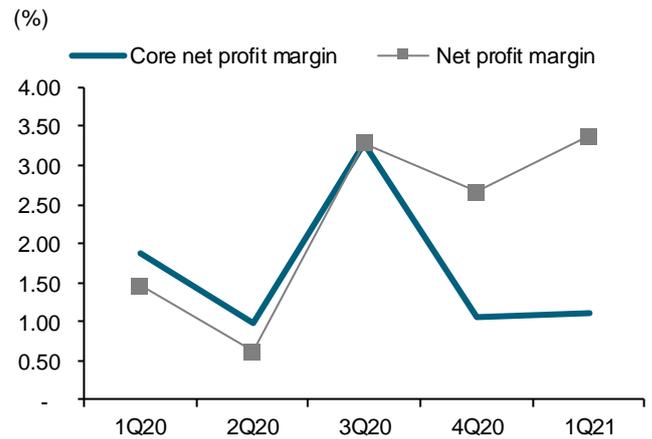
We project OR's core net profit margin to rise from 1.2% in 4Q20-1Q21 to c2% in 3Q21 onward, driven by higher sales volumes of high-margin non-oil products, particularly from Café Amazon, which should see a strong demand recovery after Thailand reopens its economy to tourism and economic activities, likely in 2H21.

Exhibit 1: Quarterly core and reported net profit



Source: OR

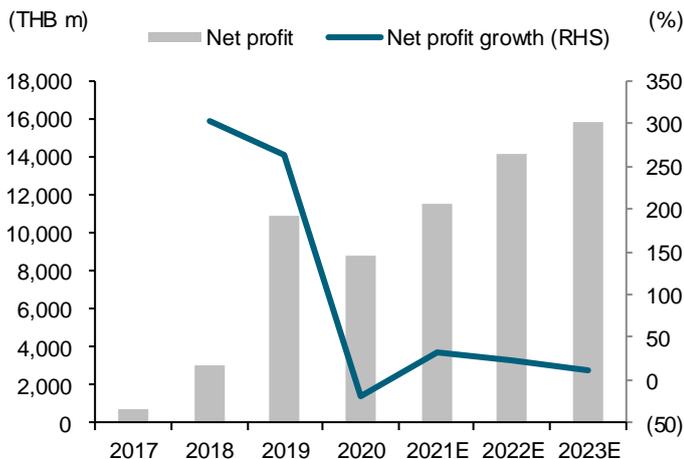
Exhibit 2: Quarterly core and reported net profit margins



Source: OR

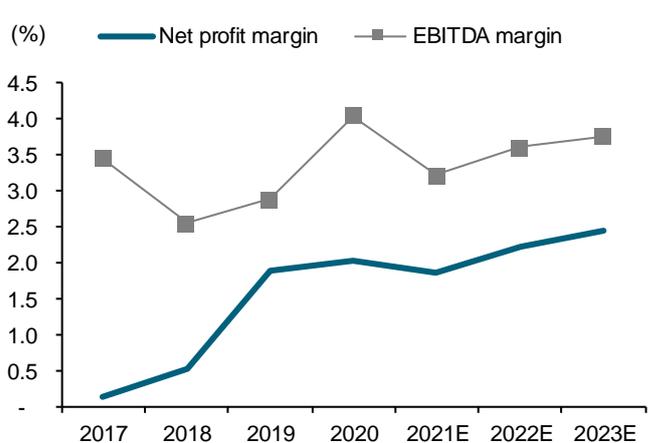
In terms of annual financial performance, we project that OR will see improving net profit growth in 2021-23, supported by 1) a higher demand for oil and non-oil products due to the planned economic reopening and the resumption of tourism; 2) the expansion of the number of its fuel stations, Café Amazon outlets and CVS; and 3) improving margins due to a higher sales volume of non-drink products, which includes baked goods from its in-house bakery hub, food from its acquired health food chain, Ohkajhu, and beverages from the acquired Pacamara specialty coffee brew house.

Exhibit 3: Net profit and net profit growth



Sources: OR; FSSIA estimates

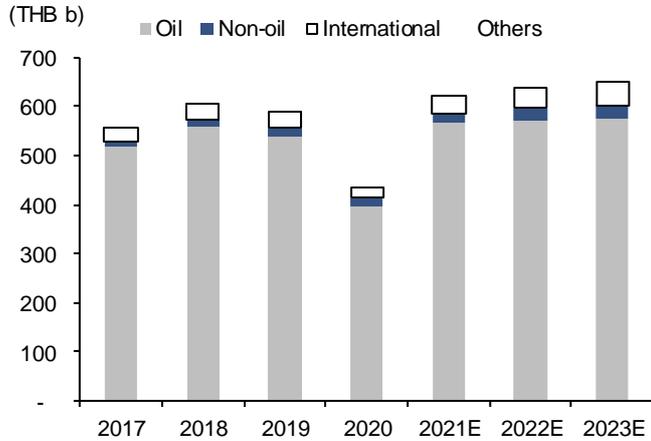
Exhibit 4: Net profit margin and EBITDA margin



Sources: OR; FSSIA estimates

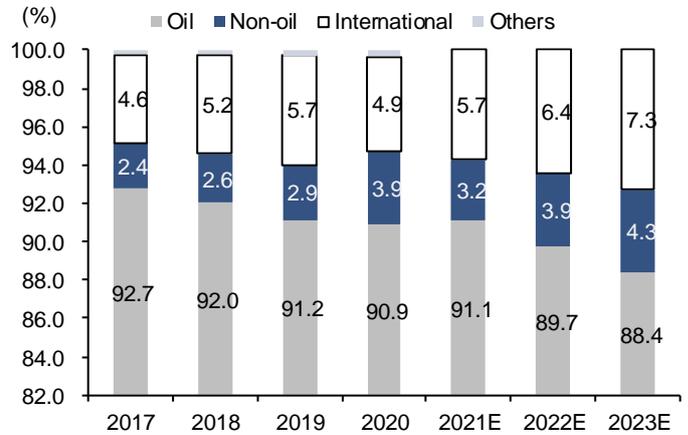
Non-oil is OR's key growth engine. While non-oil revenue accounted for only 3.9% in 2020, up from 2.9% in 2019, due to the sharp drop in oil revenue caused by the impact from the Covid-19 pandemic, we believe OR's focus on non-oil revenue growth will be the key driver for its net profit growth in 2021 onward, given that its non-oil EBITDA margin is much higher than the EBITDA margin of the oil segment.

Exhibit 5: Revenue breakdown by segment



Sources: OR; FSSIA estimates

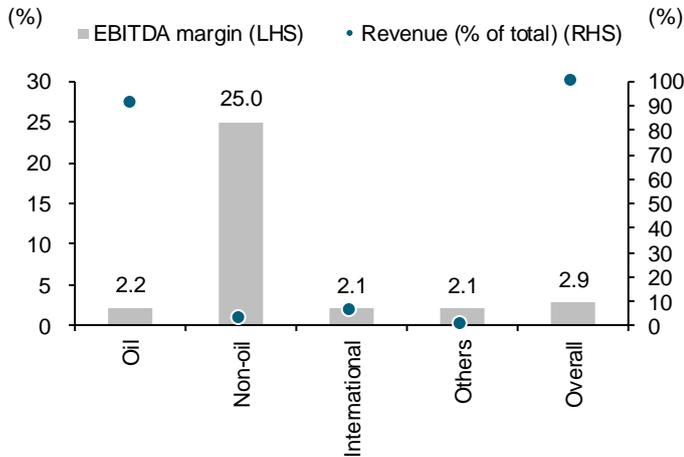
Exhibit 6: Revenue breakdown by segment (%)



Sources: OR; FSSIA estimates

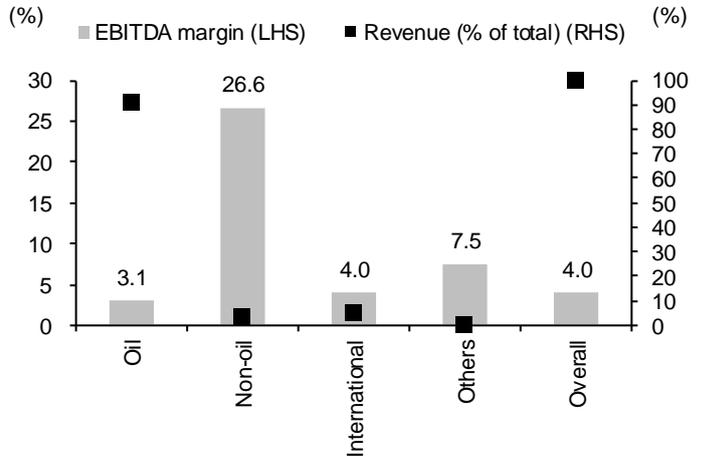
In 2020, OR witnessed a higher overall EBITDA margin from 2.9% in 2019 to 4% in 2020, mainly driven by the higher EBITDA margins of its non-oil segment to 26.6% (vs 25% in 2019) and international segment to 4% (vs 2.1%), which was also driven by non-oil EBITDA from higher coffee sales volumes overseas.

Exhibit 7: EBITDA margin by segment in 2019



Source: OR

Exhibit 8: EBITDA margin by segment in 2020

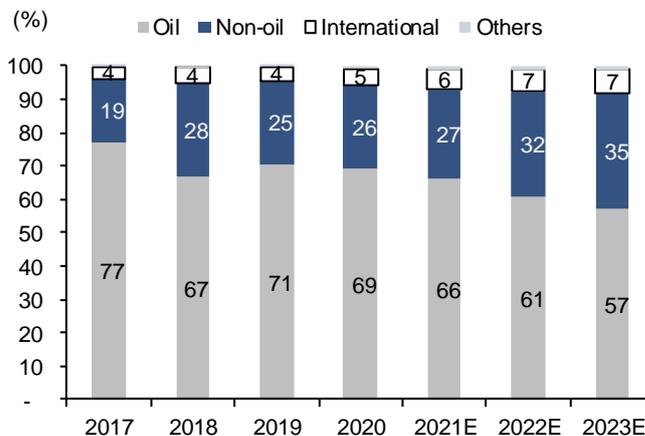
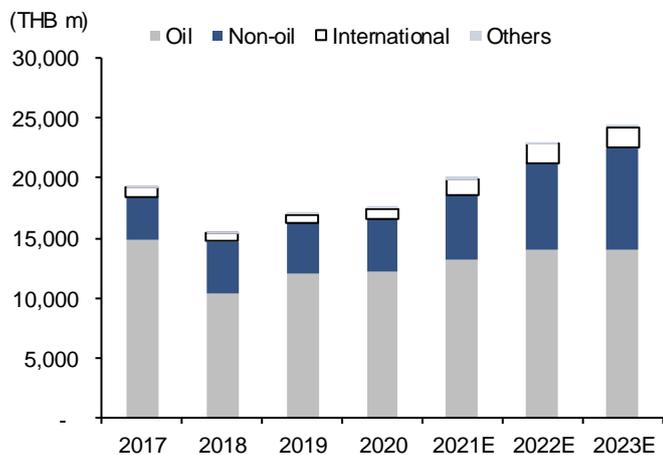


Source: OR

EBITDA from non-oil segment could exceed 35% post 2023. In line with management’s target of 35% EBITDA generated from the non-oil business by 2025, we project that non-oil EBITDA will rise to 35% of OR’s total EBITDA in 2023 and further increase to 37-40% in 2024-25, driven by the expansion of Café Amazon outlets and higher ticket sizes from a higher proportion of non-drink sales, particularly bakery. Management indicated OR could increase its non-drink EBITDA from 9% in 2020 to 13% by 2025.

Exhibit 9: EBITDA breakdown by segment

Exhibit 10: EBITDA breakdown by segment (%)



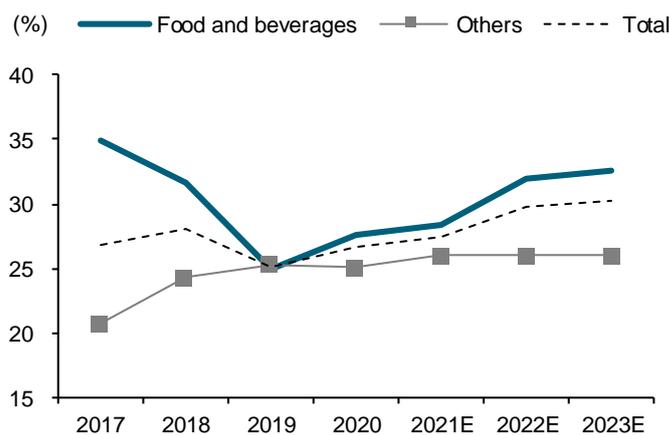
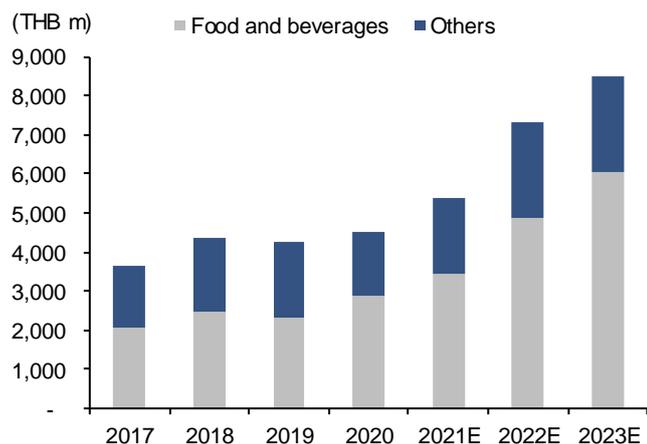
Sources: OR; FSSIA estimates

Sources: OR; FSSIA estimates

The key margin and EBITDA drivers for OR’s non-oil business will likely come from Café Amazon, which accounts for over 90% of OR’s F&B segment, based on management’s guidance. We expect the EBITDA margin from F&B to rise from 27.7% in 2020 to 28.3% in 2021, 32% in 2022, and 32.5% in 2023. However, the EBITDA margin of OR’s CVS, which account for 90% of OR’s non-oil ‘others’ segment classification, is projected to marginally improve from 25% in 2020 to 26% in 2021-23, according to management, as OR has already renewed its 10-year contract agreement with CPALL to operate its CVS 7-Eleven stores located in OR’s fuel stations.

Exhibit 11: Non-oil EBITDA breakdown

Exhibit 12: Non-oil EBITDA margins



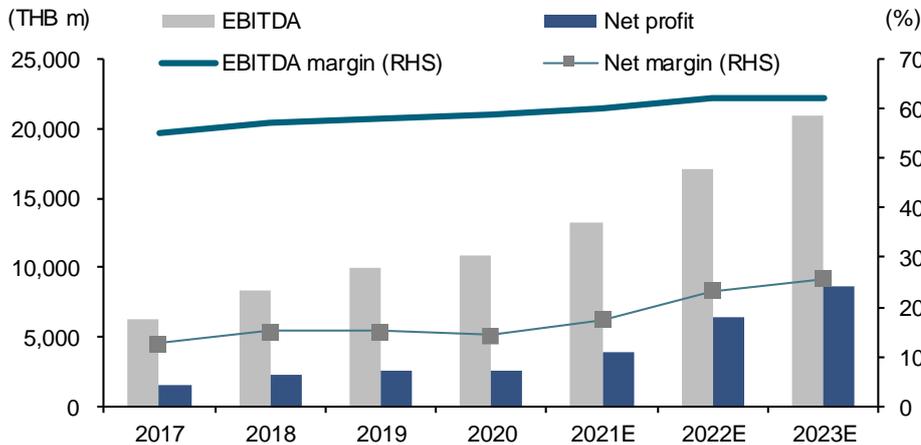
Sources: OR; FSSIA estimates

Sources: OR; FSSIA estimates

Café Amazon: Black diamond in the growth route

We estimate that OR's Café Amazon will grow its EBITDA from THB10.8b in 2020 to THB13.3b in 2021, THB17.1b in 2022, and 20.9b in 2023, driven by 1) the expansion of Café Amazon outlets by over 400 annually; 2) a higher ticket size of THB63-65/billing per customer, up from THB61/billing in 2020, based on our estimate; and 3) additional EBITDA from other non-drink products, including health food under the Ohkajhu brand (+10 branches per annum) and other franchised brands like Texas Chicken (+20), Huasenghong and specialty coffee under the Pacamara brand.

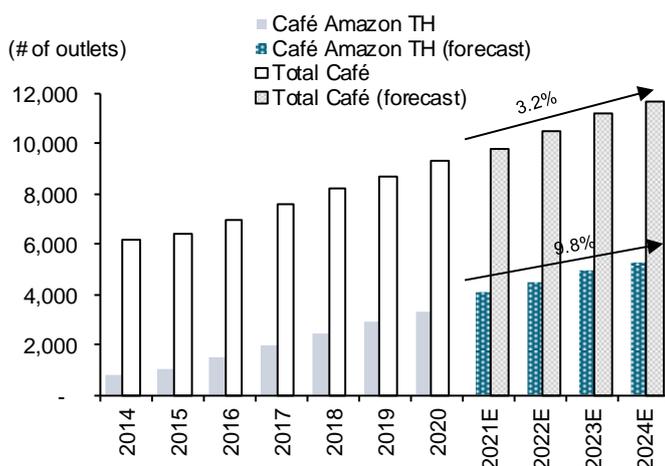
Exhibit 13: Café Amazon EBITDA, net profit, EBITDA margin and net profit margin



Sources: OR; FSSIA estimates

Café Amazon's outlet expansion is still far from saturation in Thailand. We believe OR will be able to accelerate the expansion of its Café Amazon outlets from 420 in 2021 to 458 annually in 2023, given the currently low consumption of coffee per capita at only 1.3kg/person; much lower than the 1.5-3kg/person in other developed countries. Management believes that Café Amazon still has ample room to grow the number of its outlets in Thailand and overseas by over 400 outlets annually, without the impact of cannibalization, given that Thailand's coffee market remains far from saturated or a mature market.

Exhibit 14: Number of café Amazon outlets vs total cafés



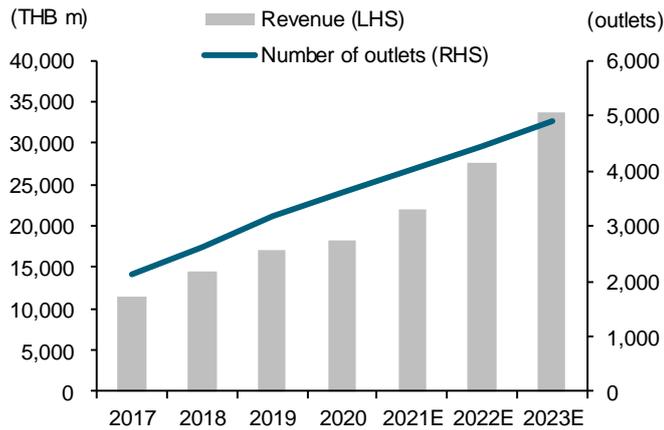
Source: OR

Exhibit 15: Different outlet formats to fit consumers' lifestyles



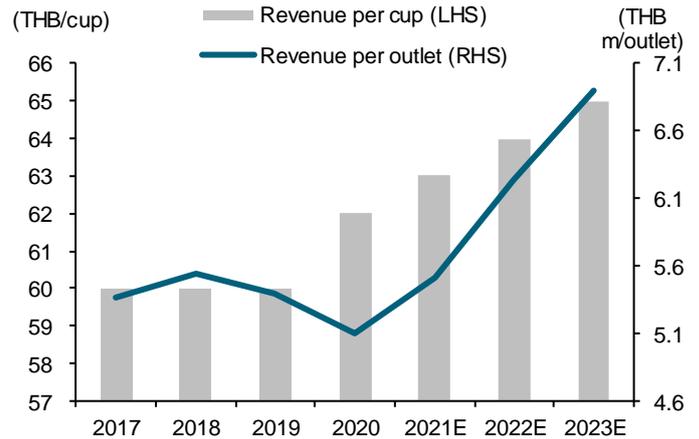
Source: OR

Exhibit 16: Café Amazon revenue vs number of outlets



Sources: OR; FSSIA estimates

Exhibit 17: Café Amazon revenue per cup vs revenue per outlet

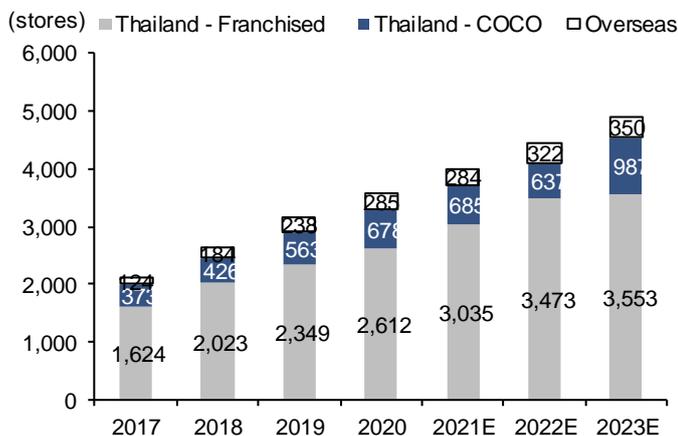


Sources: OR; FSSIA estimates

Revenue per cup to rise to THB65 by 2023. We project that OR will grow its revenue per cup (ticket size) from THB62 in 2020 to THB65 in 2023, mainly driven by higher non-drink bakery sales from goods that will be produced at OR’s own bakery hub, scheduled to start operating in 3Q21.

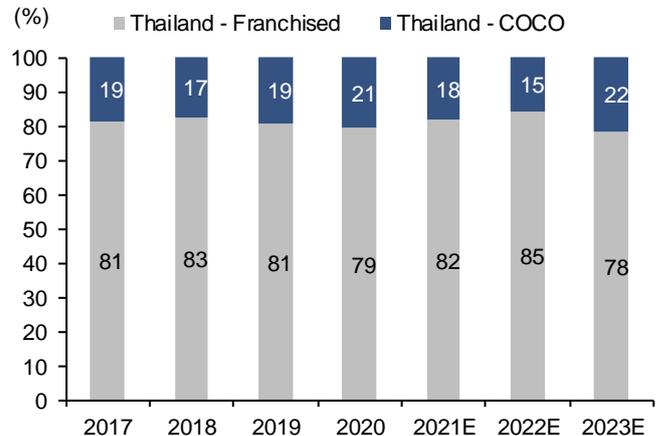
Number of cups sold per outlet to rebound in 2021 onward. While OR’s number of cups sold per outlet (CSO) declined from 89,814 in 2019 to 82,633 in 2020 in Thailand and dropped from 90,290 in 2019 to 76,803 in 2020 for its overseas outlets, we think CSO will rebound markedly in 2021 onward, as we think the economic reopening in Thailand and overseas, poised to start in 2H21, should drive up OR’s CSO to reach 100,000 by 2022 and 110,000 by 2023.

Exhibit 18: Number of Café Amazon outlets



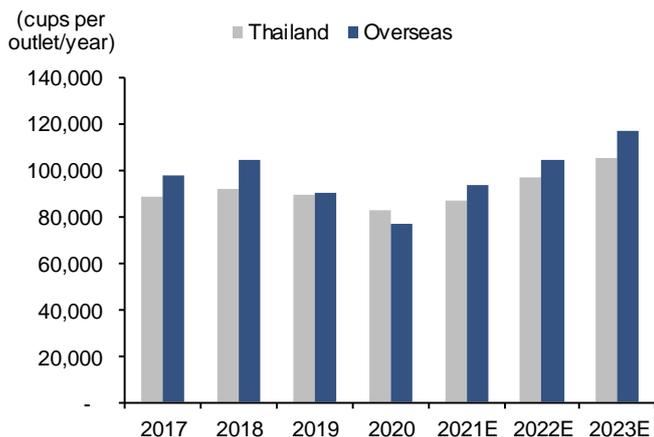
Sources: OR; FSSIA estimates

Exhibit 19: Number of Café Amazon outlets (%)



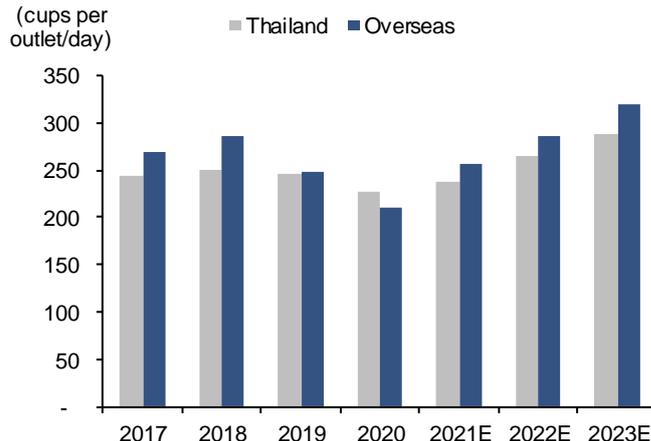
Sources: OR; FSSIA estimates

Exhibit 20: No. of cups per outlet per year in Thailand and overseas



Sources: OR; FSSIA estimates

Exhibit 21: No. of cups per outlet per day in Thailand and overseas

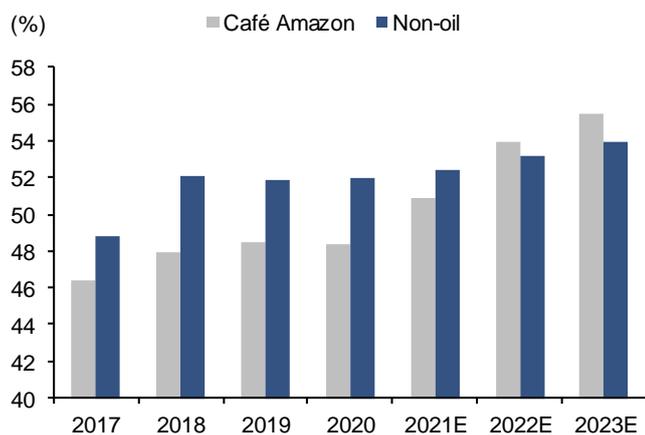


Sources: OR; FSSIA estimates

Gross and EBITDA margin comparison for Café Amazon. The gross margin for Café Amazon, while high in the range of 48-49% in 2018-20, has been consistently lower than OR's overall non-oil gross margin range of 51-52%. This is due to the lower gross margins for non-drink products, particularly baked goods which account for 8-10% of Café Amazon's revenue. OR has outsourced its non-drink products and they therefore yield lower margins as trading and supplementary products to the coffee and other beverage products.

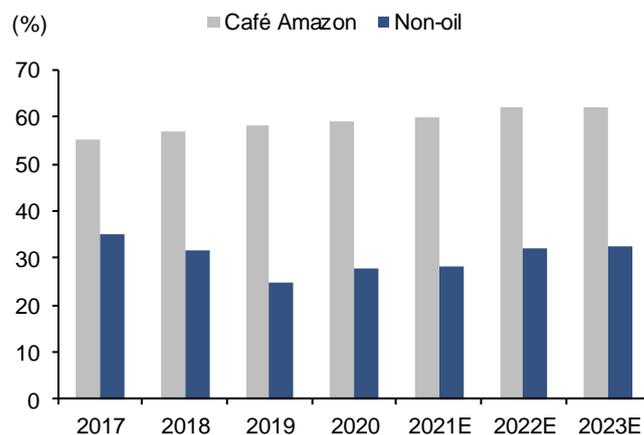
However, Café Amazon's EBITDA margin, which was in the range of 58-59% in 2019-20, has been much higher than that of non-oil products, which was in the range of 25-28% in the same period, given the high depreciation expense of Café Amazon. Hence, in terms of cash flow generation, Café Amazon generates a higher cash flow than OR's other non-oil products.

Exhibit 22: Gross margin – Café Amazon vs non-oil



Sources: OR; FSSIA estimates

Exhibit 23: EBITDA margin – Café Amazon vs non-oil



Sources: OR; FSSIA estimates

A short 2 to 3-year payback period for Café Amazon is key to attract franchisees.

Based on the investment information from the Café Amazon website, our analysis indicates that investing in Café Amazon for franchisees is highly attractive, with an initial investment cost ranging from THB2.4m-3.7m for a small indoor café to THB2.4m-4.2m for a large standalone café.

Management also confirmed our analysis that on average the franchisees of Café Amazon achieve breakeven for their investment within only 2-3 years of operations, with certain high traffic outlets attaining even as short as a 0.8-year payback period with only a 2m-4m investment. Hence, OR has received around 4,000-5,000 applications for Café Amazon franchising annually, but OR can only accept around 300-400 new outlets per annum, implying that the acceptance rate is only 10%.

Under our more conservative assumption set, we found that the estimated payback period for an investment in Café Amazon would range between 3.4-4.5 years only, based on our assumptions of 1) a THB60/cup selling price; 2) an average of 4,500 cups sold per month for a small size café to 6,000 cups sold per month for a large size café. According to management, most Café Amazon outlets owned by franchisees will have a payback period of only 2-3 years, depending on the café locations.

Exhibit 24: Financial analysis of Café Amazon for franchisees (as of 2020)

Format	Unit	Indoor		Standalone	
Size	sqm	>40		100-200	
Construction and decoration costs	THB	1,200,000	2,500,000	1,200,000	3,000,000
Fixed initial cost					
Designing cost	THB	40,000	100,000	40,000	100,000
Equipment	THB	779,000	779,000	779,000	779,000
Insurance	THB	100,000	100,000	100,000	100,000
Pre-opening cost	THB	80,000	80,000	80,000	80,000
Franchise fee	THB	150,000	150,000	150,000	150,000
Total fixed initial cost	THB	2,349,000	3,709,000	2,349,000	4,209,000
Depreciation period	year	15	15	15	15
Depreciation expense	THB	156,600	247,267	156,600	280,600
Variable cost					
Royalty fee (% of monthly sales)	%	3.0	3.0	3.0	3.0
Marketing fee (% of monthly sales)	%	3.0	3.0	3.0	3.0
Rental cost for "Point of sales" machine	THB	24,000	24,000	24,000	24,000
Contract period	year	6 renewable every 3 years			
Assumptions					
Revenue per cup	THB/cup	60	60	60	60
No. of cups sold per month	cup	4,500	6,000	4,500	6,000
Royalty fee (% of monthly sales)	THB	8,100	8,100	8,100	8,100
Marketing fee (% of monthly sales)	THB	8,100	8,100	8,100	8,100
Gross margin	%	35	35	35	35
Analysis of annual financials					
Revenue	THB	3,240,000	4,320,000	3,240,000	4,320,000
Gross profit	THB	1,134,000	1,512,000	1,134,000	1,512,000
Fixed depreciation expense	THB	(156,600)	(247,267)	(156,600)	(280,600)
Variable expense	THB	(194,400)	(194,400)	(194,400)	(194,400)
EBIT	THB	783,000	1,070,333	783,000	1,037,000
Interest expense @ 5% pa	THB	(117,450)	(185,450)	(117,450)	(210,450)
EBT	THB	665,550	884,883	665,550	826,550
Tax rate	%	20	20	20	20
Tax expense	THB	(133,110)	(176,977)	(133,110)	(165,310)
Net profit	THB	532,440	707,907	532,440	661,240
Net margin	%	16.4	16.4	16.4	15.3
Cash flows	THB	689,040	955,173	689,040	941,840
Payback period	year	3.41	3.88	3.41	4.47

Sources: [Café Amazon](#); FSSIA estimates

More product variety offered. OR also plans to increase the number of coffee and non-coffee drink products sold to customers, both in terms of product offerings, different packaging, and particularly non-coffee product variety using local ingredients to not only differentiate Café Amazon from other competitors but also to increase its ticket size, as the new non-coffee products would have a higher average selling price than coffee, per se.

Exhibit 25: Examples of OR's new products in 2021



Source: OR

Exhibit 26: Café Amazon's unique limited time offers



Source: OR

Non-drink venture: Wind beneath non-oil wings

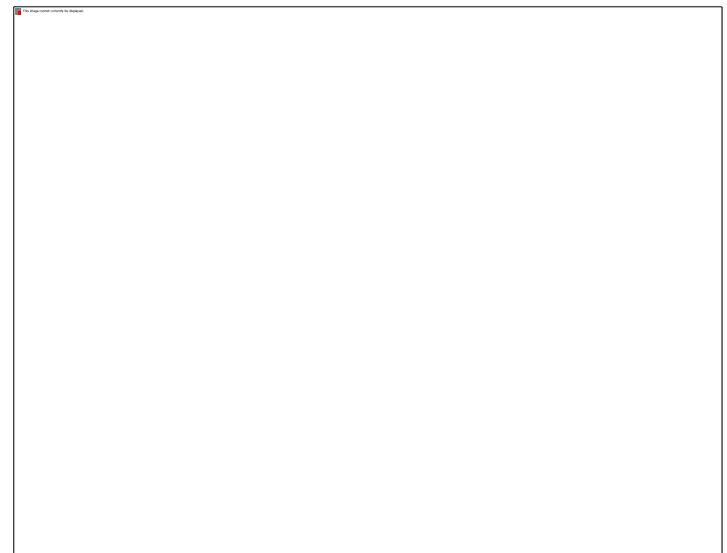
Starting in 2021, OR aims to enhance the EBITDA and EBITDA margin of its non-drink products via two strategies.

Organically, OR will build a bakery plant, a dry mixed plant, and a distribution centre, all scheduled to be completed and commence their commercial operation dates (COD) in 2H21. For its bakery segment, OR plans to replace 1/3 of its current bakery sales volume with in-house baked goods, potentially leading to higher non-drink revenue and a higher EBITDA margin for its non-oil unit.

Exhibit 27: Projects expected to start operations in 2Q21

Business	Product	Area (sq.m)	Capacity	Unit
Bakery plant	- Fresh bakery - Baked bakery	7,400	1,000	tonnes dough/year
Dry mixed plant	- Cocoa mixed powder - Mixed powder for coffee beverage - Mixed powder for milk tea - White & brown sugar - Creamer	6,100	19,247	tonnes/year
Distribution centre	- Ambient goods - Temperature controlled goods	24,000	24,480	pallet location

Exhibit 28: Café Amazon outlets as of 1Q21



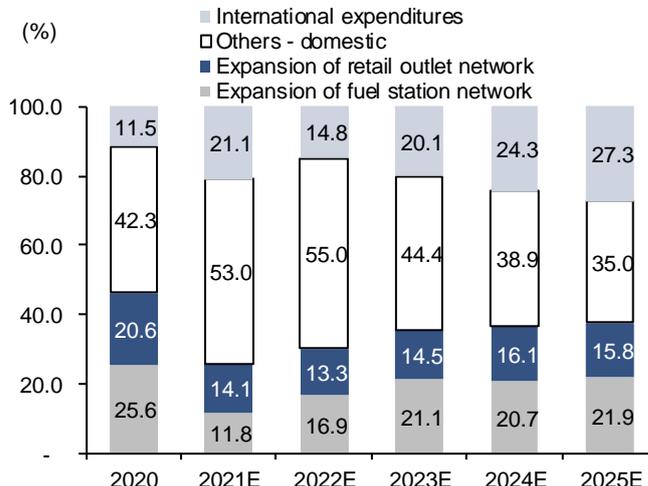
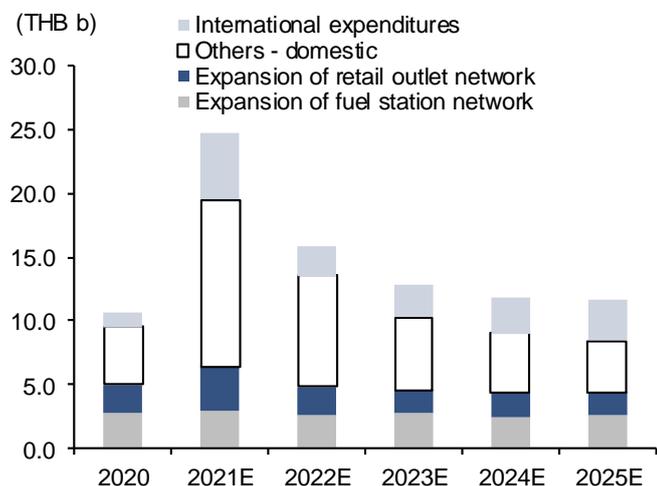
Source: OR

Source: OR

While the total investment for the bakery plant, dry mixed plant, and the distribution centre will be high at THB5b-7b in 2021, we think OR could achieve a payback period of 4-5 years based on the lower cost of transportation and storage (distribution centre) and higher EBITDA margins for non-drink products (bakery and dry mixed plants), which could boost the overall EBITDA margin by 1-2 ppts in 2022 onward, based on our estimate.

Exhibit 29: CAPEX breakdown

Exhibit 30: CAPEX breakdown (%)



Sources: OR; FSSIA estimates

Sources: OR; FSSIA estimates

Inorganically, OR has acquired multiple assets after its IPO in 2H20 to not only strengthen the product value chain of its “mini community mall” concept but also diversify into other growth engines outside OR’s conventional F&B business.

Peaberry (Thai) for Pacamara. In December 2020, OR acquired a 65% stake in Peaberry (Thai), one of the leading integrated specialty coffee companies in Thailand with 20 café outlets of the leading Pacamara brand, and a marketer of coffee brewing machines. At a THB172m investment, we think OR will achieve synergies to grow its specialty coffee chain via 1) over 10 new branch openings annually for Pacamara; 2) synergies for the procurement of coffee beans, coffee brewing machines, and centralised personnel expenses to leverage the economies of scale (Café Amazon and Pacamara) and scope. In 2019, the specialty coffee market size was THB2b – 10% of the total roasted coffee market in Thailand

While management remains conservative, projecting that the specialty coffee Pacamara will generate insignificant revenue to OR in 2021-23, we think the growing revenue and more diversified non-oil portfolio will place OR well for the growth of the highly integrated coffee, drink, bakery, and café markets in Thailand.

Exhibit 31: Pacamara coffee shop at Vela Sindhorn Village Langsuan



Source: Pacamara

Exhibit 32: Examples of Pacamara’s products



Source: Pacamara

Ohkajhu for healthy food strength. In February 2021, OR acquired a 20% stake in Ohkajhu, Thailand’s leading healthy organic food restaurant chain, with an investment cost of THB0.4b. Originating in Chaingmai, Northern Thailand, Ohkajhu has 14 restaurants nationwide vs OR’s over 1,900 oil stations, allowing OR to strengthen its “mini community mall” with a larger variety of product choices in the health food value chain; a megatrend of consumer behaviour along with coffee and CVS.

Exhibit 33: Ohkajhu’s organic farm



Source: BangkokPost

Exhibit 34: Ohkajhu’s signature dishes



Source: BangkokPost

Convenience stores: Partner for growth

On 25 May 2021, OR announced that it had renewed its contract of business collaboration with CPALL for the operation of the 7-Eleven CVS located at OR's fuel stations. As of 1Q21, OR runs 1,988 CVS' in Thailand. Of this, 1,843 are 7-Elevens operated by CPALL, while the remaining 145 are OR's company-owned, company-operated (COCO) Jiffy shops. This is the second renewal for another 10-year period contract to extend the joint agreement with CPALL to exclusively operate 7-Eleven CVS at OR's fuel stations. The current agreement is due to expire in Feb-23.

Exhibit 35: Financial analysis of CPALL's net profit from CVS

	2021E	% of CPALL's total net profit	Comment
	(THB m)	(%)	
CPALL	15,067	100	
MAKRO	7,100	47	
CPALL's 93% stake in MAKRO	6,603	44	
Equity income from Lotus	853	6	
Profit from CVS (7-Eleven)	7,611	51	Net profit excluding MAKRO and Lotus
No. of total 7-Eleven branches	13,034		Assume adding 600 CVS in 2021
7-Eleven outlet breakdown at end-1Q21	(outlets)	(%)	
No. of total 7-Eleven branches	12,587	100	
No. of 7-Elevens in OR's stations	1,843	15	
No. of total standalone 7-Elevens	10,744	85	

Sources: CPALL; PTT; FSSIA estimates

We estimate that the new contract will maintain the gross profit sharing structure, comprising 1) a royalty fee in the range of 50-61% of gross profit for OR's COCO and dealer-owned, dealer-operated (DODO) formats of 7-Eleven CVS; and 2) 19% of the gross profit as a management fee for OR's COCO 7-Eleven CVS. Note that CPALL normally shares 50% of its gross profit in the range of 27-28% to its franchisees vs 50-61% for OR's DODO and 80% (61% royalty fee plus 19% management fee) for OR's COCO 7-Eleven CVS.

Exhibit 36: Financial analysis of gross profit sharing structure for CVS (PTT vs CPALL)

As of 31 Mar 2021	Revenue/store (THB m/store)	GPM (%)	Gross profit (THB m/store)	Sharing GP to CPALL (%)	Operating profit (THB m/store)	Estimated operating profit (THB m)
7-11 (Total stores)	24.4	27	6.6	50	3.3	9,660
7-11 (PTT station)	26.8	27	7.2	19	5.9	2,753
Jiffy	23.2	25	5.8	0	5.8	216

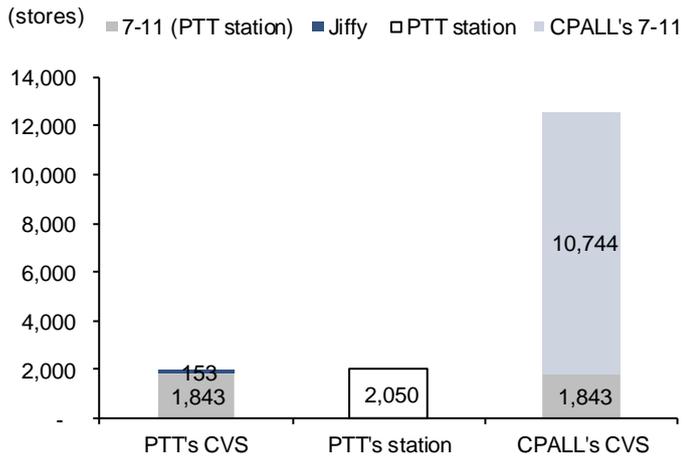
Sources: CPALL; PTT; FSSIA estimates

Why will OR not employ Jiffy to replace 7-Eleven? Our analysis indicates that there are two main reasons that led OR to not use its Jiffy CVS to replace CPALL's 7-Eleven, thus leading to OR's decision to renew the CPALL contract.

First, our analysis indicates that there is little difference in the financial returns and net profits generated from the franchise model for 7-Eleven with CPALL and OR's own Jiffy CVS, as our estimated revenue per store for 7-Eleven and Jiffy are similar. It is based on the revenue market share for CVS sales in gas stations in 2019 as estimated by Euromonitor, which includes THB65.2b total CVS sales in gas stations and a revenue market share of 72.1% for 7-Eleven CVS in OR's stations and a 5.7% revenue market share for Jiffy.

Second, management indicated that based on the acquisition contract when OR acquired Chevron's Jiffy oil stations and CVS, OR is not permitted to expand Jiffy CVS beyond 150 outlets in Thailand. Hence, the operation of CVS in OR's fuel stations has to rely on CPALL's expertise to operate 7-Eleven CVS.

Exhibit 37: Number of CVS (OR vs CPALL) as of 1Q21

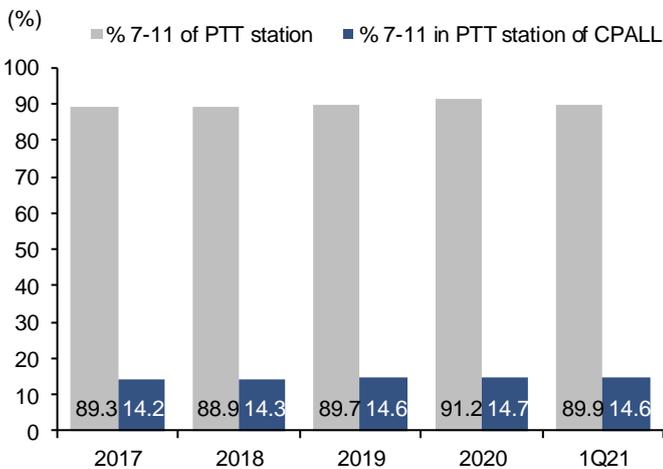


Sources: CPALL; PTT; FSSIA estimates

In Thailand, 7-Eleven is the clear leading CVS, commanding a 79.8% market share by revenue and 72.1% market share by revenue for CVS located inside the forecourts of fuel stations. This could further strengthen 7-Eleven's CVS position with OR's fuel stations to maximise the profitability of both OR and CPALL, in our view.

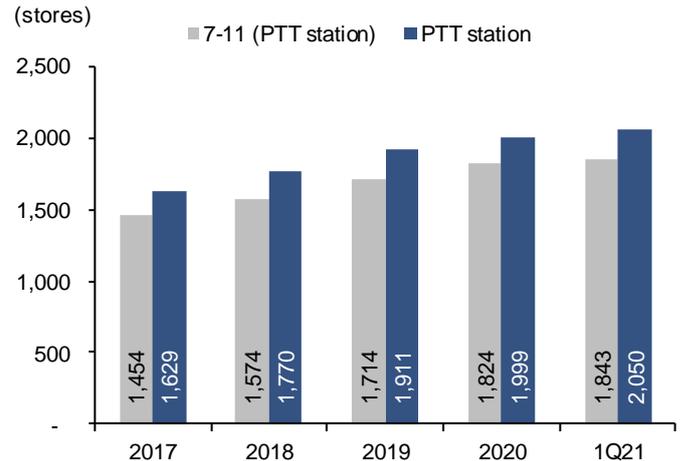
We believe it is likely that OR will employ its Jiffy CVS for most of its new fuel stations overseas, similar to its 29 Jiffy CVS integrated with OR's fuel stations in Laos as of 3Q20 – under the master franchise granted by OR's subsidiary, PTT Retail Management Co., Ltd. (PTTRM) to PTT (Lao) Co., Ltd. (PTT Lao).

Exhibit 39: % of 7-Eleven CVS in OR's stations and stand-alone



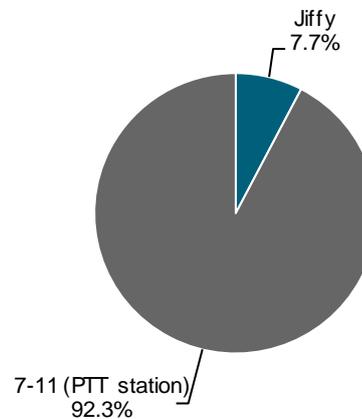
Sources: CPALL; PTT; FSSIA estimates

Exhibit 38: Number of OR's CVS and fuel stations as of 1Q21



Sources: CPALL; PTT

Exhibit 40: Breakdown of OR's CVS proportion



Sources: CPALL; PTT; FSSIA estimates

Flash Express investment: Seeding capital for future growth

On 12 October 2020, OR, along with Alibaba, Krungsri Finnovate, Durbell, and other venture capital (VC) firms, invested a total of THB6.2b (USD200m) in Flash Express (Flash, not listed), one of the top three e-commerce parcel logistics companies in Thailand. Founded in 2017, Flash has quickly emerged to be a leading e-commerce logistics company in Thailand with a unique on-site pick-up service as a key differentiating service from its arch-rival, Kerry Express (Thailand) (KEX TB, HOLD, TP THB42).

Exhibit 41: Companies investing in Flash

Company	Description	Founder/Parent company	Series D	Series E
			2020 USD200m	2021 USD150m
Electronic World Trade Platform (eWTP)	A private sector-led and multi-stakeholder initiative aiming to support small to medium-sized enterprises (SMEs)	Hangzhou customs and Alibaba	/	/
PTT Oil and Retail Business (OR)	A listed company in Thailand which operates an integrated oil and non-oil retailing platform both in Thailand and abroad	Subsidiary of PTT	/	/
Durbell	Leading consumer goods distributors and warehouse	Under TCP Group	/	/
Krungsri Finnovate	A venture capital firm aiming to be a strategic investor supporting startups	Under Bank of Ayudhya (BAY)	/	/
SCB 10X	A venture capital firm aiming to achieve exponential growth through tech innovations and investments beyond banking	Subsidiary of Siam Commercial Bank (SCB)	/	/
Chan Wanich Security Printing	Manufacturer of security printed matters	-	/	/
Buer Capital	Singapore-based fund	-	-	/

Source: OR

On 1 June 2021, Flash raised THB4.7b (USD150m) worth of capital in its series D+ and series E rounds, from a host of VC firms, including OR, SCB10x (a VC arm of SCB), and Durbell (a subsidiary of TCP group, the owner of Red Bull Thailand), making it Thailand's first unicorn (market cap of over USD1b).

Exhibit 42: Flash Express delivery pick-up trucks



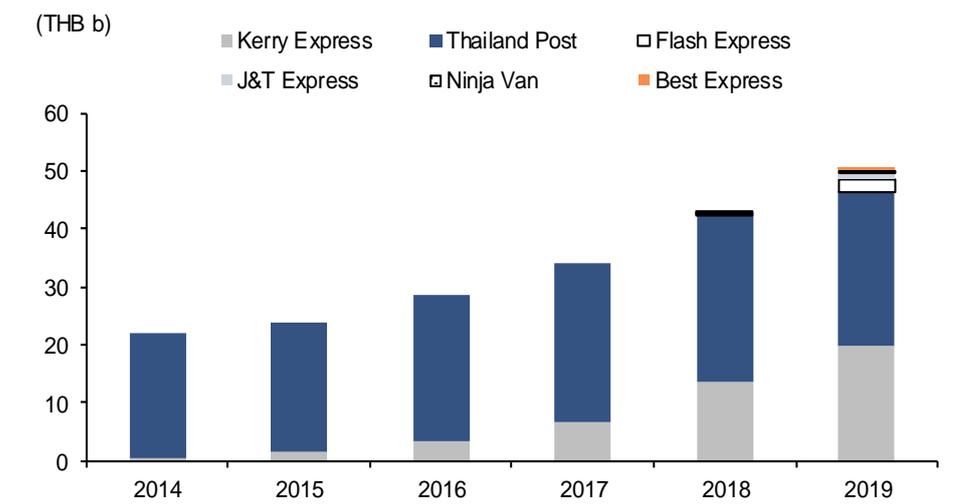
Source: [BrandInside](#)

Exhibit 43: Key management of companies investing in Flash



Source: [Today](#)

While Flash's financial information remains undisclosed, we estimate that it remains in a net loss given its low price offering to gain market share. According to OR, Flash now delivers up to 2m parcels daily, allowing it to gain the #3 market share in Thailand following the long dominant Thai Post at #1 and KEX at #2.

Exhibit 44: Revenue of parcel delivery companies

Note: Accounting for only six main parcel delivery companies
Sources: KEX; Department of Business Development

On 13 June 2021, AlphaFast, one of the key players in Thailand's e-commerce logistics industry, announced a sudden bankruptcy, citing the inability to raise capital and hence forcing the loss-making AlphaFast to shut its operations permanently due to the intensifying price war in the industry caused by newcomers, including Flash.

Exhibit 45: Shareholders' structure comparison (Best Express vs Flash)

	Best Express	Flash Express
Alibaba investment	22% stake	THB1b
Company type	Listed company in US	Start-up company
Business model	Franchise	Own-investment
Key selling point	Chinese company with ample capital	Start price of THB25
Thailand's funding	5 year (2018-2022) for THB5b	First CAPEX of THB2.5b

Source: Companies

We believe the industry consolidation will continue in 2021-22, with a potentially larger number of small, subscale, and uncompetitive players exiting the industry, leaving 5-8 players remaining. Once mostly consolidated, we think Thailand's e-commerce logistics industry, which was worth THB10b in 2020, based on OR's estimate, should continue to grow and allow the surviving players to turn around and improve their profitability in 2023 onward.

With strong capital support from shareholders and highly competitive costs and efficient operations, we think Flash will be one of the industry survivors and is likely to turn profitable by 2024. Some of OR's fuel station sites are already hosting Flash's on-site pick-up and storage outlets, thereby increasing Flash's cost competitiveness over competitors, in our view.

Exhibit 46: Company information of key players in Thailand's e-commerce logistics market

	Thailand Post	Kerry Express	Flash Express	Units
Nationality	Thai	Hong Kong	Thai	
No. of delivery points	11,006	15,000	10,000	outlets
No. of delivery trucks	NA	25,000	15,000	trucks
Revenue	24,211	19,010	14,900	THB m
Net profit	32	1,405	NA	THB m
Parcels per day	7.00	1.90	1.30	m pieces/day
Concept	The First	Kerry Express Everywhere	In Mind In Delivery	

Sources: Companies; FSSIA estimates

E-commerce logistics market landscape in Thailand

The following paragraphs in this page are excerpted from “A bigger cake with more to share”, FSSIA’s initiation report for [Kerry Express \(Thailand\)](#), dated 2 June 2021.

Thai Post

Thai Post is a state enterprise that provides postal services in Thailand. The Post and Telegraph Office was first established in 1883 by King Rama V. Given its long footprint in mail and parcel deliveries in Thailand, Thai Post is currently the biggest parcel delivery company in the country, owning over 50% of the market share.

Flash Express

Flash Express (Thailand) is a one-stop e-commerce service provider, founded in 2017. At present, there are more than 2,500 parcel delivery points. Flash is also the first service provider to have a free on-site pickup policy. Currently, the company ships more than 1m pieces per day.

Flash just recently received capital from new investors worth over THB6.2b, including OR, in 2020. The company now has over THB12b worth of capital ready to expand its business in the future. We estimate that Flash is now the third biggest parcel delivery company in Thailand. It recently announced that it was the first start-up unicorn (valued at over THB30b) after its latest fundraising.

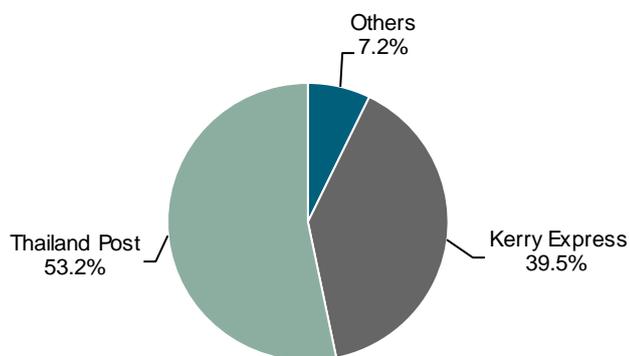
J&T Express

J&T Express is an Indonesian logistics company, founded in 2015. After starting in Indonesia in 2015 it expanded to Malaysia, then to Vietnam in 2017, the Philippines and Thailand in 2018, Singapore and Cambodia in 2019, and China in 2020. Last year, J&T Express was the fourth largest parcel company in Indonesia, according to Mordor Intelligence. In 2020, J&T Express delivered 300m parcels. The company has invested over THB6b since 2018 and aims to inject THB3b more in 2022 to increase its service efficiency, according to [The Standard](#).

Best Express

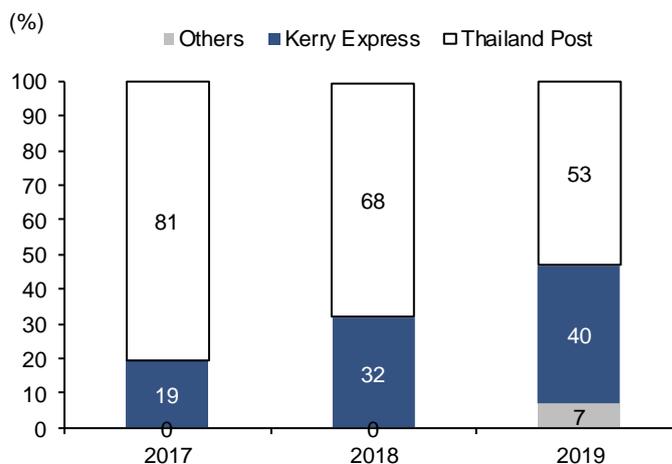
Best Express is under BEST Inc., the company listed on the New York Stock Exchange. Best Express was found in 2010 and has become one of the biggest parcel delivery companies in China. It was established in Thailand at the beginning of 2019. The company delivered almost 100m parcels in 2020. It aims to invest around THB5b over 2020-25, according to [Brand Inside](#).

Exhibit 47: Current parcel delivery market share, 2019



Note: Accounting for only six main parcel delivery companies
Sources: KEX; Department of Business Development

Exhibit 48: Parcel delivery market share outlook



Note: Accounting for only six main parcel delivery companies
Sources: KEX; Department of Business Development

Premium valuation underscored by OR's strong non-oil position

We apply an SOTP valuation methodology to derive our valuation range for OR, as we think each of OR's business units embraces a different risk-reward ratio at different business cycles. We subtract the projected net debt at end-2021 to derive our final valuation range for OR.

Exhibit 49: SOTP valuation

2021E	EBITDA	EBITDA margin	EV/EBITDA	Valuation	Value	Comments
	(THB m)	(%)	(X)	(THB m)	(THB/shr)	
Oil business	13,989	2.3	10.9	152,719	17.0	
Retail	6,417	1.8	12.0	77,003	8.6	At 12x FY22E EV/EBITDA
Commercial	7,572	3.0	10.0	75,716	8.4	At 10x FY22E EV/EBITDA
Non-oil	7,311	27.4	22.3	163,269	18.1	
Food & Beverage	4,869	28.3	23.0	111,993	12.4	At 23x FY22E EV/EBITDA
Others	2,442	26.0	21.0	51,276	5.7	At 21x FY22E EV/EBITDA
International	1,525	3.5	15.0	22,881	2.5	At 15x FY22E EV/EBITDA
Others	93	11.8	8.0	740	0.1	At 8.0x FY21E EV/EBITDA
Total	22,917		14.8	339,609	37.7	At 14.8x FY21E EV/EBITDA
Net debt	29,204	nm	nm	29,204	3.2	FY21E net debt
Total value	52,122		7.1	368,813	41.0	

Source: FSSIA estimates

Using the forward EV/EBITDA valuations of its closest local peers – PTG for retail oil, SUSCO for commercial wholesale oil, CBG for F&B, and CPALL for CVS – we apply different EV/EBITDA valuations to each business segment to reflect their different risk-reward characteristics. While we think OR's premium valuation over its closest peers, PTG and SUSCO for the oil business, is justified by its larger network of oil stations, a strong market share of the jet fuel market, and a solid non-oil dominant position, we think the key factors that differentiate our higher-than-consensus SOTP target price of THB41 are the valuation premiums for OR's non-oil ventures.

Food & beverage: Given OR's strong brand and high-margin growth outlook for F&B, we believe the valuation of 23x 2022E EV/EBITDA – a premium to CBG's 18-20x 2021E EV/EBITDA range – is justified for OR's F&B unit, as we think the F&B unit, particularly its flagship Café Amazon, should generate higher EBITDA and net margins than CBG's.

CVS: For the non-oil others segment (which includes CVS), we employ a 21x 2022E EV/EBITDA range, a premium to the valuation range of 15-17x 2021E EV/EBITDA for CPALL, the operator of the 7-Eleven shops at OR's fuel stations, to reflect the superior traffic and profitability of CVS located at OR's fuel stations vs CPALL's other CVS.

International and others: We apply a low valuation range of 8.0-15x 2022E EV/EBITDA for the valuations of OR's international and others segments, which we think will remain small with a mixed bag of businesses: retail oil stations, non-oil F&B, and commercial oil sales. This is justified by the higher operational, regulatory, and competition risks of OR's international unit in ASEAN countries, in our view.

Exhibit 50: Valuation and financial comparisons of Thai retail peers

Company	BBG	Share	Market	3Y EPS	----- PE -----		----- ROE -----		----- P/BV -----		-- EV/ EBITDA --	
		price	Cap	CAGR	21E	22E	21E	22E	21E	22E	21E	22E
		(LCY)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Berli Jucker*	BJC TB	36.00	4,629	21.3	26.0	21.9	4.9	5.8	1.3	1.3	15.0	14.0
CP All*	CPALL TB	61.75	17,798	14.4	36.8	27.2	14.9	18.2	6.5	5.7	20.8	18.0
Siam Global House*	GLOBAL TB	21.80	3,219	22.6	33.2	29.9	16.2	16.4	5.1	4.7	21.7	19.7
Home Product Center*	HMPRO TB	14.40	6,076	13.4	32.3	28.1	26.3	28.4	8.3	7.7	18.8	16.7
Siam Makro*	MAKRO TB	37.50	5,775	9.9	25.4	22.7	30.5	31.0	7.4	6.7	15.3	13.8
Central Retail Corp*	CRC TB	36.75	7,111	466.5	64.4	29.1	6.3	13.2	4.0	3.7	17.3	13.0
*FSSIA Coverage			44,609	22.0	36.3	26.5	16.5	18.8	5.4	5.0	18.1	15.9
Dohome	DOHOME TB	26.50	1,994	42.6	40.0	35.6	18.1	17.6	7.1	6.2	26.7	23.7
Lawson	2651 JP	5,030	4,555	(17.6)	55.7	27.0	3.4	6.6	1.9	1.9	4.7	4.1
Dairy Farm Intl Hldgs	DFI SP	4.25	5,750	61.4	18.6	14.8	23.4	25.6	4.1	3.7	12.7	11.7
Better Life Commercial Cha-A	002251 CH	7.22	975	30.7	31.9	27.5	2.1	2.6	0.9	0.8	13.7	12.9
Regional peers			13,274	(13.4)	36.6	26.2	11.7	13.1	3.5	3.2	14.5	13.1
Overall average			57,882	9.5	36.4	26.4	14.6	16.5	4.6	4.2	16.7	14.8

Prices as of 16 Jun 2021

Sources: Bloomberg; *FSSIA estimates

Exhibit 51: Valuation and financial comparisons of regional food & beverage peers

Year to Dec	BBG	Share	Market	3Y EPS	----- PE -----		----- ROE -----		----- P/BV -----		- EV/ EBITDA -	
Company	code	price	Cap	CAGR	21E	22E	21E	22E	21E	22E	21E	22E
		(LCY)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Carabao Group*	CBG TB	135.00	4,332	13.1	33.8	30.0	37.0	35.7	11.6	9.9	23.6	20.9
Osotspa*	OSP TB	37.00	3,566	10.1	28.4	26.4	20.2	21.4	5.7	5.6	20.0	18.6
*FSSIA coverage			7,897	12.4	31.1	28.2	28.6	28.5	8.6	7.8	21.8	19.7
Thai Beverage	THBEV SP	0.70	13,162	8.0	15.5	14.5	17.7	17.2	2.6	2.4	14.4	13.7
Suntory Beverage & Food	2587 JP	4,300	12,049	8.6	20.9	18.9	7.8	8.2	1.6	1.5	8.0	7.5
Asahi Group Holdings	2502 JP	5,478	25,320	18.8	17.3	15.8	10.1	10.1	1.7	1.5	12.9	12.0
Kirin Holdings	2503 JP	2,305	19,159	11.9	18.2	15.1	12.2	13.6	2.1	1.9	11.4	10.1
Ito En Ltd	2593 JP	6,790	5,594	(2.1)	123.8	67.2	4.8	7.7	5.6	5.3	25.3	21.2
Fraser & Neave Holdings	FNH MK	26.00	2,317	7.3	22.0	21.0	15.4	15.5	3.2	3.0	13.8	13.2
Nestle (Malaysia) Berhad	NESZ MK	134.60	7,668	9.7	51.3	47.0	107.6	114.2	55.9	53.9	31.2	28.4
Monster Beverage Corp	MNST US	91.52	48,374	13.2	34.8	30.4	26.3	27.5	8.7	6.1	24.6	21.8
Peer average			133,642	11.6	38.0	28.7	25.2	26.8	10.2	9.5	17.7	16.0
Overall average			141,539	11.8	36.6	28.6	25.9	27.1	9.9	9.1	18.5	16.8

Prices as of 16 Jun 2021

Sources: Bloomberg; *FSSIA estimates

Exhibit 52: Valuation and financial comparisons of Thai retail oil station peers

Year to Dec	BBG	Share	Market	3Y EPS	----- PE -----		----- ROE -----		----- P/BV -----		-- EV/ EBITDA --	
Company	code	price	Cap.	CAGR	21E	22E	21E	22E	21E	22E	21E	22E
		(LCY)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand												
PTT Oil and Retail *	OR TB	31.25	12,032	6.1	32.4	26.4	16.9	13.8	3.8	3.5	17.4	13.5
PTG Energy*	PTG TB	19.00	1,018	7.7	16.5	15.2	22.8	21.6	3.5	3.1	6.6	6.1
ESSO Thailand*	ESSO TB	8.55	949	59.2	6.8	6.5	26.3	22.2	1.6	1.3	5.0	4.5
Bangchak Corp*	BCP TB	26.25	1,143	(214.5)	13.7	6.3	5.6	11.5	0.8	0.7	9.4	7.2
Susco*	SUSCO TB	3.24	104	18.3	11.9	10.1	8.3	8.8	0.9	0.9	22.2	17.3
Thailand avg			15,247	25.8	2.6	2.0	3.6	3.8	0.4	0.3	1.6	1.3
Malaysia												
Petronas Dagangan	PETD MK	19.02	4,590	42.9	28.8	24.4	11.3	13.6	3.3	3.3	12.4	11.2
Malaysia avg			4,590	42.9	28.8	24.4	11.3	13.6	3.3	3.3	12.4	11.2
Average (all)			19,837	29.8	8.7	7.1	5.4	6.0	1.1	1.0	4.1	3.6

Prices as of 16 Jun 2021

Sources: Bloomberg; *FSSIA estimates

Financial Statements

PTT Oil and Retail Business

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	577,134	428,804	613,593	629,451	640,491
Cost of goods sold	(539,465)	(390,479)	(573,461)	(584,195)	(591,347)
Gross profit	37,669	38,325	40,132	45,256	49,143
Other operating income	0	0	0	0	0
Operating costs	(26,481)	(25,261)	(24,544)	(25,178)	(25,620)
Operating EBITDA	11,188	13,064	15,589	20,078	23,524
Depreciation	(3,602)	(5,203)	(6,030)	(8,267)	(10,016)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	7,586	7,861	9,558	11,811	13,508
Net financing costs	4,699	3,343	3,473	4,308	4,531
Associates	744	535	750	825	908
Recurring non-operating income	744	535	750	825	908
Non-recurring items	0	0	0	0	0
Profit before tax	13,028	11,739	13,781	16,944	18,946
Tax	(2,132)	(1,776)	(2,213)	(2,737)	(3,063)
Profit after tax	10,896	9,963	11,568	14,207	15,883
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	10,896	9,963	11,568	14,207	15,883
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	10,896	9,963	11,568	14,207	15,883
Per share (THB)					
Recurring EPS *	1.21	1.11	0.96	1.18	1.32
Reported EPS	1.21	1.11	0.96	1.18	1.32
DPS	0.00	0.50	0.40	0.45	0.50
Diluted shares (used to calculate per share data)	9,000	9,000	12,000	12,000	12,000
Growth					
Revenue (%)	(2.9)	(25.7)	43.1	2.6	1.8
Operating EBITDA (%)	8.2	16.8	19.3	28.8	17.2
Operating EBIT (%)	14.4	3.6	21.6	23.6	14.4
Recurring EPS (%)	262.5	(8.6)	(12.9)	22.8	11.8
Reported EPS (%)	262.5	(8.6)	(12.9)	22.8	11.8
Operating performance					
Gross margin inc. depreciation (%)	5.9	7.7	5.6	5.9	6.1
Gross margin of key business (%)	5.9	7.7	5.6	5.9	6.1
Operating EBITDA margin (%)	1.9	3.0	2.5	3.2	3.7
Operating EBIT margin (%)	1.3	1.8	1.6	1.9	2.1
Net margin (%)	1.9	2.3	1.9	2.3	2.5
Effective tax rate (%)	17.6	17.0	17.0	17.0	17.0
Dividend payout on recurring profit (%)	-	45.2	41.5	38.0	37.8
Interest cover (X)	(1.8)	(2.5)	(3.0)	(2.9)	(3.2)
Inventory days	16.4	19.1	14.9	17.6	17.7
Debtor days	27.8	29.2	13.5	5.2	1.2
Creditor days	28.7	32.9	22.7	26.8	26.8
Operating ROIC (%)	9.8	10.6	12.7	16.6	19.1
ROIC (%)	7.7	7.6	8.7	11.1	12.7
ROE (%)	33.3	26.2	16.9	13.8	14.1
ROA (%)	4.8	4.9	5.5	6.0	6.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Oil business		389,783			
Non-oil business		16,723			
International business		21,011			
Others		1,286			

Sources: PTT Oil and Retail Business; FSSIA estimates

Financial Statements

PTT Oil and Retail Business

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	10,896	9,963	11,568	14,207	15,883
Depreciation	3,602	5,203	6,030	8,267	10,016
Associates & minorities	6,075	4,045	4,247	4,459	4,682
Other non-cash items	-	-	-	-	-
Change in working capital	13,027	493	18,771	14,222	216
Cash flow from operations	33,599	19,703	40,616	41,156	30,798
Capex - maintenance	(2,856)	(3,191)	(4,217)	(5,781)	(7,004)
Capex - new investment	(10,200)	(10,200)	(24,767)	(15,902)	(15,902)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(7,796)	(5,987)	(20,550)	(10,121)	(8,898)
Cash flow from investing	(20,853)	(19,378)	(49,533)	(31,804)	(31,804)
Dividends paid	0	(4,500)	(4,800)	(5,400)	(6,000)
Equity finance	0	0	54,000	0	0
Debt finance	3,616	3,608	45,303	0	0
Other financing cash flows	(552)	(6,729)	(69,886)	11,642	11,420
Cash flow from financing	3,064	(7,621)	24,617	6,242	5,420
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	15,810	(7,296)	15,700	15,594	4,414
Free cash flow to firm (FCFF)	14,306.58	1,772.23	(8,142.13)	9,503.03	(854.88)
Free cash flow to equity (FCFE)	15,810.19	(2,796.04)	(33,500.00)	20,993.73	10,413.82

Per share (THB)

FCFF per share	1.59	0.20	(0.90)	1.06	(0.09)
FCFE per share	1.76	(0.31)	(3.72)	2.33	1.16
Recurring cash flow per share	2.29	2.13	1.82	2.24	2.55

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	41,600	43,498	68,265	84,167	100,068
Less: Accumulated depreciation	(1,502)	(1,502)	(7,532)	(15,799)	(25,816)
Tangible fixed assets (net)	40,098	41,996	60,732	68,367	74,253
Intangible fixed assets (net)	5,872	5,624	5,624	5,624	5,624
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	6,240	5,218	5,218	5,218	5,218
Cash & equivalents	26,300	19,004	34,704	50,298	54,712
A/C receivable	39,013	29,543	15,994	2,094	2,094
Inventories	21,856	19,021	27,934	28,457	28,805
Other current assets	716	1,027	1,469	1,507	1,533
Current assets	87,885	68,594	80,101	82,356	87,144
Other assets	12,082	23,547	23,547	23,547	23,547
Total assets	152,176	144,979	175,222	185,112	195,786
Common equity	38,295	37,823	98,791	107,798	117,881
Minorities etc.	412	93	93	93	93
Total shareholders' equity	38,708	37,916	98,884	107,891	117,974
Long term debt	50,335	41,634	5,000	5,000	5,000
Other long-term liabilities	16,257	24,961	24,961	24,961	24,961
Long-term liabilities	66,592	66,595	29,961	29,961	29,961
A/C payable	41,579	28,898	42,441	43,235	43,764
Short term debt	4,076	9,169	500	500	500
Other current liabilities	1,222	2,402	3,437	3,525	3,587
Current liabilities	46,877	40,469	46,377	47,260	47,851
Total liabilities and shareholders' equity	152,176	144,979	175,222	185,112	195,786
Net working capital	18,783	18,291	(481)	(14,703)	(14,919)
Invested capital	83,075	94,675	94,641	88,053	93,723

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

Per share (THB)

Book value per share	4.26	4.20	8.23	8.98	9.82
Tangible book value per share	3.60	3.58	7.76	8.51	9.35

Financial strength

Net debt/equity (%)	72.6	83.9	(29.5)	(41.5)	(41.7)
Net debt/total assets (%)	18.5	21.9	(16.7)	(24.2)	(25.1)
Current ratio (x)	1.9	1.7	1.7	1.7	1.8
CF interest cover (x)	(4.5)	(1.2)	3.5	(7.6)	(4.8)

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	25.8	28.2	32.4	26.4	23.6
Recurring P/E @ target price (x) *	33.9	37.0	42.5	34.6	31.0
Reported P/E (x)	25.8	28.2	32.4	26.4	23.6
Dividend yield (%)	-	1.6	1.3	1.4	1.6
Price/book (x)	7.3	7.4	3.8	3.5	3.2
Price/tangible book (x)	8.7	8.7	4.0	3.7	3.3
EV/EBITDA (x) **	27.7	24.0	22.2	16.5	13.9
EV/EBITDA @ target price (x) **	35.5	30.7	29.7	22.3	18.8
EV/invested capital (x)	3.7	3.3	3.7	3.8	3.5

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

Sources: PTT Oil and Retail Business; 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	PAP	PCSGH	PDJ	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	SEOIL	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

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Company	Ticker	Price	Rating	Valuation & Risks
PTT Oil and Retail Business	OR TB	THB 31.25	BUY	The downside risks to our SoTP TP include: 1) lower-than-expected demand for petroleum products, 2) lower marketing margin; and 3) weaker-than-expected jet demand.
Berli Jucker	BJC TB	THB 36.00	HOLD	Key downside risks to our DCF-based TP could come from 1) competition with Tesco Lotus which could impact its sales and gross margin; and 2) a lower-than-expected utilisation rate and profit margin from its packaging unit after losing major customers in Thailand. The key upside risk is from easing competition in the hypermarket segment.
CP All	CPALL TB	THB 61.75	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Siam Global House	GLOBAL TB	THB 21.80	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces.
Home Product Center	HMPRO TB	THB 14.40	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Siam Makro	MAKRO TB	THB 37.50	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operation losses from its overseas business.
Central Retail Corp	CRC TB	THB 36.75	BUY	The key downside risks to our DCF-based TP include 1) new waves of Covid-19; and 2) lower-than-expected sales from the high-margin fashion business.
Carabao Group	CBG TB	THB 135.00	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected sales growth in Myanmar, Cambodia, and the vitamin C drink market; 2) a decrease in domestic energy drink market share; and 3) higher-than-expected SG&A expenses from overseas operations, such as in China and the UK.
Osotspa PCL	OSP TB	THB 37.00	BUY	The key downside risks to our DCF-based TP are 1) a decline in energy drink market share in Myanmar due to strong competition; 2) a slow recovery in the economy; and 3) lower-than-expected SG&A savings from the Fit Fast Firm program.
PTG Energy	PTG TB	THB 19.00	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 8.55	BUY	The downside risks to our SoTP-based TP on ESSO include 1) lower-than-expected demand for petroleum products, 2) a higher crude premium, and 3) unplanned shutdowns of its refinery and petrochemical plants.
Bangchak Corp	BCP TB	THB 26.25	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.
Susco	SUSCO TB	THB 3.24	BUY	The downside risks to our SOTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a lower marketing margin; and 3) weaker-than-expected jet fuel demand.
Kerry Express (Thailand)	KEX TB	THB 40.00	HOLD	The key upside and downside risks to our DCF-based TP are 1) if the competition is higher or lower than our expectation; 2) if Covid-19 continues to spread further; and 3) if M&A deals can boost the company's earnings above or below our expectation.

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 16-Jun-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.