

# ENERGY ABSOLUTE EA TB

## THAILAND / UTILITIES - RENEWABLES

# BUY

UNCHANGED

## Upsides from dual bus operators

- Thai Smile Bus, a subsidiary of Beyond Securities, announced that it won 71 licenses to operate 71 bus lines from the DLT.
- We retain our positive view on EA and NEX's net profit growth potential in 2022-24 from EV ventures, mainly for e-bus orders.
- Maintain BUY and our SoTP-based target price of THB122.

TARGET PRICE	THB122.00
CLOSE	THB97.75
UP/DOWNSIDE	+24.8%
PRIOR TP	THB122.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+28.9%

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	20,174	33,947	49,993	65,576
Net profit	6,100	10,650	13,543	14,963
EPS (THB)	1.64	2.86	3.63	4.01
vs Consensus (%)	-	28.7	36.1	32.9
EBITDA	9,494	15,185	18,954	20,091
Core net profit	5,983	10,650	13,543	14,963
Core EPS (THB)	1.60	2.86	3.63	4.01
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	16.1	78.0	27.2	10.5
Core P/E (x)	60.9	34.2	26.9	24.4
Dividend yield (%)	0.4	0.7	1.0	1.3
EV/EBITDA (x)	42.7	26.0	20.2	18.5
Price/book (x)	11.2	8.8	6.9	5.7
Net debt/Equity (%)	108.4	62.5	27.8	4.8
ROE (%)	19.8	28.7	28.8	25.8

## Thai Smile Bus + Thai Smart Bus = EA's growth

In the past week, two key events have occurred that will likely increase the e-bus orders for EA and Nex Point (NEX TB, BUY) and strengthen their net profit growth from S-curve ventures in the EV and battery value chain, including 1) the acquisition of a 100% stake in Thai Smart Bus (SMB) by EA; and 2) Beyond Securities (BYD TB, not rated) winning licenses for 71 bus lines via its subsidiary Thai Smile Bus (TSB).

## Thai Smile Bus wins 71 bus lines with up to a 2,130 e-bus upside

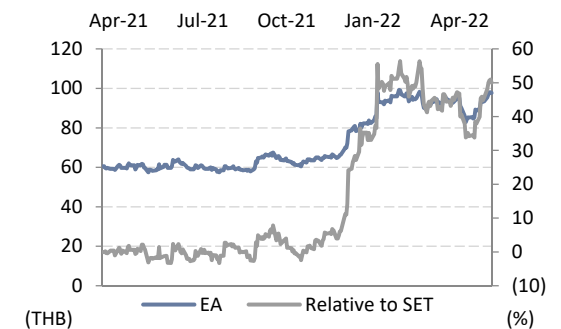
On 2 Apr-22, TSB, a subsidiary of BYD, announced that it won 71 licenses to operate 71 bus lines from the Department of Land Transport (DLT) with a minimum of 758 e-buses and a maximum of 2,130 e-buses for the 71 lines. BYD is required to begin operating up to 800 buses within 180 days until the beginning of Oct-22. TSB currently operates 11 lines and plans to increase the number of operating buses using EA's e-buses from 112 to a maximum of 377 by end-2023, according to BYD's management.

## Up to 3,155 e-bus orders for EA's AAB plant

We believe that in 2022 onward, the operational ramp-up of TSB and SMB could revolutionise Thailand's mass transportation and grow the country's commercial EV segment. Based on BYD's and EA's management, we estimate that the total number of e-buses potentially to be sold to TSB and SMB would be 2,355 and 800, bringing the total potential EV orders for AAB to 3,155 e-buses; all likely to be delivered within 2023-24. Based on our estimate of a THB6.8m selling price for each large-size e-bus with a 12-metre length, we estimate that AAB could generate up to THB21.5b in revenue for 3,155 e-buses within 2022-24. This confirms our positive view on EA and NEX's net profit growth potential in 2022-24 from EV ventures, mainly for e-bus orders.

## Still our top pick in the Thai EV theme

We maintain BUY and our SoTP-based target price of THB122. With a solid set of potential e-bus orders from TSB and SMB in 2022-23, we believe EA is likely to achieve our earnings and sales volume assumptions for e-trucks and e-buses on the high pent-up demand for commercial EVs (buses and trucks) and passenger EVs pending the official announcement of the government's incentive package.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.6	1.8	55.8
Relative to country (%)	0.8	0.0	46.2
Mkt cap (USD m)	10,900		
3m avg. daily turnover (USD m)	52.3		
Free float (%)	40		
Major shareholder	Mr. Somphote Ahunai (23%)		
12m high/low (THB)	105.50/57.00		
Issued shares (m)	3,730.00		

Sources: Bloomberg consensus; FSSIA estimates



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

## 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.

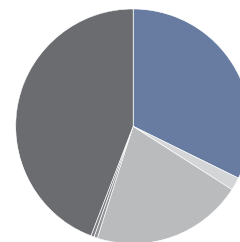
## Company profile

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](http://www.energyabsolute.co.th)

## Principal activities (revenue, 2021)

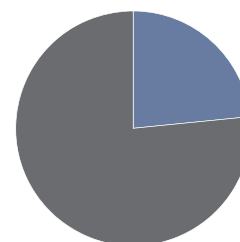
- Methyl ester Biodiesel products - 32.6 %
- Pure glycerine products - 1.8 %
- Electricity from solar and wind power - 21.1 %
- Head office and others - 0.5 %
- Project consultation regarding alternative electric energy - -0.4 %



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 2022	1Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
Dispatched power (GWh)	9,715	9,715	9,715
Capacity factor - wind farms (%)	26	27	27
Battery sales volume (GWh)	4.7	8.4	13.4
EV car sales (cars)	0	8,500	8,500
EV boat sales (boats)	50	50	50
EV bus sales (buses)	3,900	3,600	4,200
EV charging stations (stations)	1,000	1,000	1,000
Green diesel & PCM (tpd)	124	124	124

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in utilisation rate, we estimate 2022 earnings would rise by 1.3%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate 2022 earnings would decline by 1.3%, and vice versa, all else being equal.

Source: FSSIA estimates

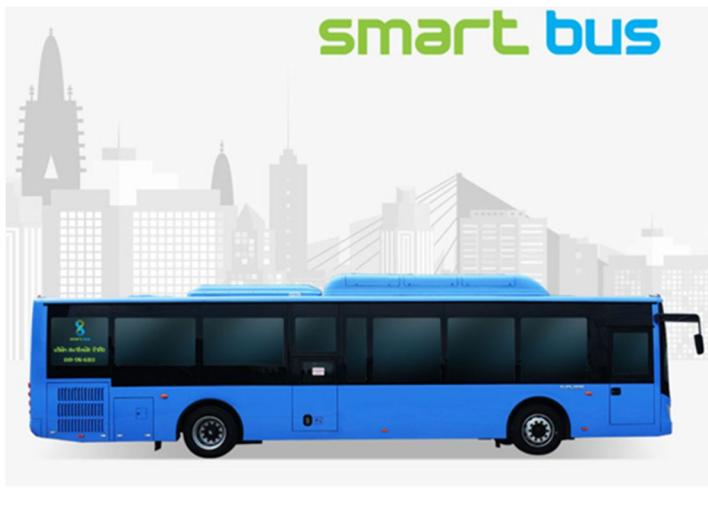
## Thai Smile Bus + Thai Smart Bus = EA's growth

In the past week, EA has seen two key events that should strengthen its net profit growth from its S-curve EV and battery value chain ventures.

### Thai Smart Bus acquisition underscores new orders and forward integration

EA acquired a 100% stake worth THB3.28b in SMB, an operator and owner of licenses to operate blue buses. SMB started operating on 30 Jun-19 using "Sunlong" Chinese brand buses imported from China, initially running two lines – 104 Pakred-Morchit Mai and 150 Pakred-Bangkapi in 2019.

Exhibit 1: Smart Bus' light blue colour bus



Source: [Smart Bus](#)

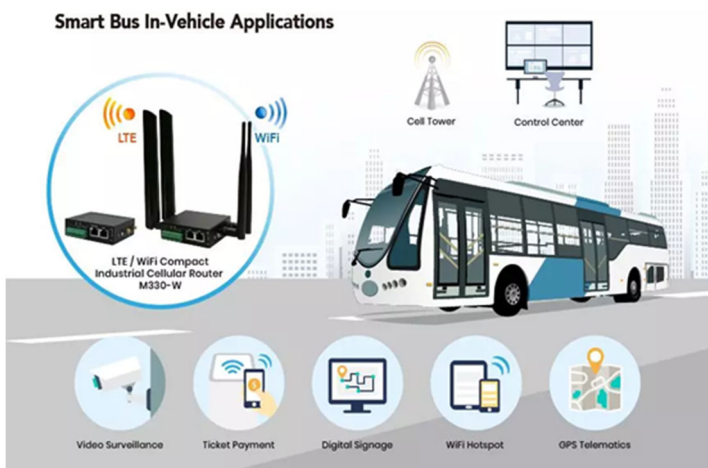
Exhibit 2: Smart Bus' route 104



Source: [Smart Bus](#)

Since its inception SMB has acquired several bus lines from distressed operators. On 19 Nov-19 SMB further improved its bus operations by joining with Bangkok Smartcard System to develop and deploy the payment system for the bus fees via the "Rabbit" card.

Exhibit 3: Smart Bus' operating system



Source: [Smart Bus](#)

Exhibit 4: Rabbit Card used for Smart Bus' fee payment



Source: [Rabbit Card](#)

Hence, we think that after the acquisition, EA is likely to change all 414 buses currently in operation by SMB to e-buses in 2022-23.

According to EA’s management, EA plans to deliver up to 800 e-buses to SMB, partly for the 414 NGV-to-EV buses, with the remaining almost 400 e-buses to be added to reach the maximum number of e-buses in operation for the entire 37 bus lines owned by SMB.

**Exhibit 5: Bus lines operated by Smart Bus**



Source: [Smart Bus](#)

**Exhibit 6: Bus lines operated by Smart Bus**



Source: [Smart Bus](#)

**Thai Smile Bus to further strengthen EA’s battery and EV orders**

On 2 Apr-22, TSB, a subsidiary of BYD, a listed broker company, announced that it won 71 licenses to operate 71 bus lines from the DLT. BYD is required to begin operating up to 800 buses within 180 days until the beginning of Oct-22.

**Exhibit 7: Thai Smile Bus’ dark blue colour bus**



Source: [Manager Online](#)

Established in Jun-20, TSB began its bus operations on 5 Oct-21 and currently operates 11 bus lines with 112 buses in operation using “MINEBUS” model NJ6106BEV, produced by Absolute Assembly (AAB), an EV manufacturing plant owned 55% by EA and 45% by NEX, to run its bus lines since 5 Oct-21. It has 5 bus stations to serve as a hub for the charging and maintenance of its 112 e-buses.

TSB plans to increase the number of operating buses using EA’s e-buses from 112 to a maximum of 377 buses by end-2023, according to BYD’s management.

#### Exhibit 8: Thai Smart Bus’ current operating bus lines

		
ปอ. 7 สฤทธาสาร- หัวลำโพง	35 พระประแดง - สายใต้ใหม่	ปอ.207 ม.รามคำแหง 2 วิทยาเขตบางนา - ม.รามคำแหง
		
133 เคหะบางพลี - สถานี รถไฟฟ้าเอกมัย	132 พระโขนง - การเคหะ บางพลี	ปอ. 4-21 (120) สฤทธาสาร - แยกบ้านแขก
		
80ก หมู่บ้าน วปอ.11 - สวนหลวงพระราม 8	ปอ.56 วงกลมสะพานกรุงธน - บางลำพู	39 รัชสิต - ออนุสาวรีย์ ชัยสมรภูมิ
		
ปอ. 7 สฤทธาสาร- หัวลำโพง	สาย 6 ท่าเรือพระประแดง - บางลำพู	

Source: [Thaismilebus.com](http://Thaismilebus.com)

**Up to 2,400 new e-buses for TSB in 2022-23.** Based on the recently won 71 licenses for 71 bus lines, the minimum number of e-buses that TSB needs to deliver and operate within 180 days, or Oct-22, is 758 e-buses. However, BYD's management indicated that the company aims to fill up to the maximum number of e-buses allowed by the DLT – up to 2,130 e-buses for the 71 bus lines.

Together with the remaining 255 e-buses eligible to be filled for the 11 bus lines, TSB could see its total e-buses in operation number 2,507 e-buses (2,130 from 71 new lines and 377 from 11 existing lines) by end-2023.

**Exhibit 9: Thai Smile Bus' touchless electronic card for fee payment system**



Source: [Thaismilebus.com](http://Thaismilebus.com)

**Advanced fee payment system could revolutionise Thailand's bus industry.** TSB is currently one of the most advanced bus operators in Thailand with a fee structure of THB15-20-25, depending on the distance. Its e-buses in service all are equipped with a touchless e-ticket system to accommodate customers' convenience using credit cards, debit cards, or mobile banking.

Each e-bus is equipped with a GPS system, CCTV, and on-bus WiFi service, making TSB's e-buses the most user-friendly, safe and convenient mass transportation vehicles, in our view. We believe TSB will see significant earnings growth in 2022 onward after it completes its plan for over 2,400 e-buses to be in operation by 2023.

**Exhibit 10: SMB's line 7 trip for inbound route**



Sources: [Thaismilebus.com](http://Thaismilebus.com)

**Exhibit 11: SMB's line 7 trip for outbound route**

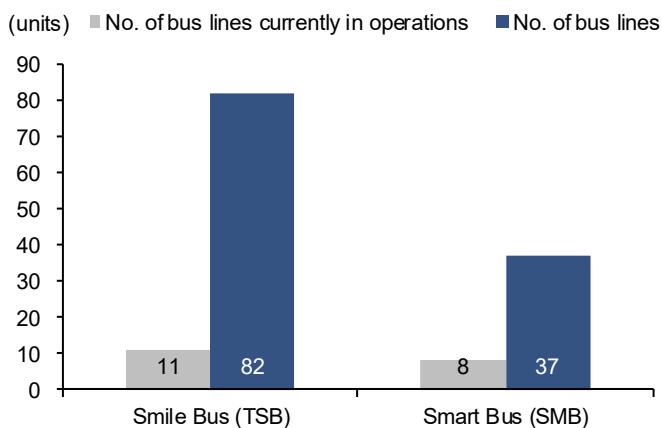


Sources: [Thaismilebus.com](http://Thaismilebus.com)

## Thai Smile Bus + Thai Smart Bus: NEX and EA's growth drivers for EVs

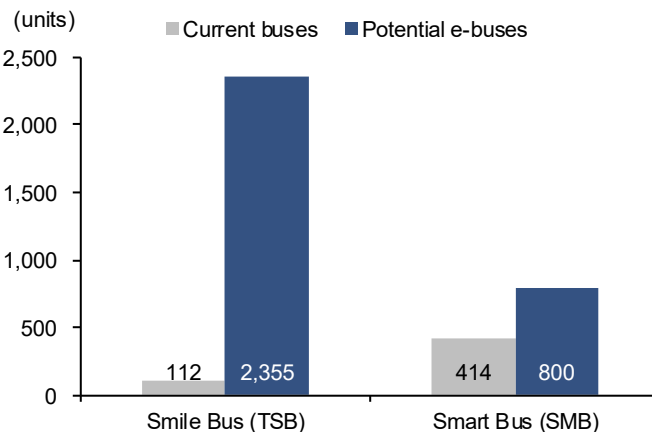
We believe that in 2022 onward, the operational ramp-up of TSB and SMB could revolutionise Thailand's mass transportation and grow the country's commercial EV segment.

**Exhibit 12: Number of bus lines in operation and potential in 2022-23 for TSB and SMB**



Sources: Companies; FSSIA estimates

**Exhibit 13: Number of buses in operation and potential in 2022-23 for TSB and SMB**



Sources: Companies; FSSIA estimates

Based on BYD's and EA's management, we estimate that the total number of e-buses potentially to be sold to TSB and SMB would be 2,355 and 800, bringing the total potential EV orders for AAB to 3,155 e-buses; all likely to be delivered within 2023-24.

Based on our estimate of a THB6.8m selling price for each large-size e-bus with a 12-metre length, we estimate that AAB could generate up to THB21.5b in revenue for 3,155 e-buses within 2022-24. We believe this confirms our positive view on EA and NEX's net profit growth potential in 2022-24 from EV ventures, mainly for e-bus orders.

**Exhibit 14: Analysis of potential sales volume upsides for AAB**

	Major shareholder	Current type of buses in operation	Current buses (no.)	Potential e-buses (no.)	No. of bus lines currently in operation (no.)	No. of bus lines (no.)	Price of e-bus (THB m)	Total order value (THB m)	Size of e-bus
Smile Bus (TSB)	BYD	EV	112	2,355	11	82	6.8	16,014	Large size at 12m length
Smart Bus (SMB)	EA	NGV, Diesel, EV	414	800	8	37	6.8	5,440	Large size at 12m length
<b>Total</b>			<b>526</b>	<b>3,155</b>	<b>19</b>	<b>119</b>		<b>21,454</b>	

Sources: Companies; FSSIA estimates

## Paradigm shift in Thailand's mass transportation industry landscape in 2022

After many decades of a near monopoly, the Bangkok Mass Transit Authority (BMTA), a state-owned enterprise focusing on the operation of a number of bus lines in Bangkok and its vicinity, will now face a grave challenge, with two large-scale newcomers, TSB and SMB, operating up to 119 bus lines combined, with up to a total of 3,155 e-buses in operation by 2024.

**Background:** On 27 September 2016, the cabinet cancelled the legacy orders granted by the then-cabinet on 11 January 1983 to allow BMTA to be the only operator of most bus lines in Bangkok and its vicinity and the sole owner of the licenses to be granted to private companies to operate the bus lines under BMTA's licensing. Since then, BMTA has lost its monopoly power as a regulator to become just another operator, similar to other licensed private operators.

At present, the regulator, the DLT, has the sole power to grant operating licenses for bus lines to any private company. BMTA has already lost some bus lines, as in the case of Bus line number 7, which had been run by BMTA since 1976, covering the route between Klongkwang-Hualumpong.

Exhibit 15: BMTA's non-air-conditioned bus



Source: [Mekha News](#)

Exhibit 16: TSB's air-conditioned e-bus



Source: [Mekha News](#)

**Benefits from privately run e-buses should outweigh higher fees.** However, on 1 March 2021, BMTA permanently quit its bus line number 7 in response to the DLT's order to allow only one operator, TSB, to run the bus line. On the positive side, the buses for line number 7 have significantly improved, with air-conditioned, clean, and safe buses equipped with advanced payment systems.

On the negative side, the bus fee increased from THB8 per passenger for the more frequently running non-air-conditioned and ageing buses run by BMTA to the less frequently running e-buses at THB15-20-25 per passenger, depending on the distance.

We believe that over the next two years, the number of e-buses running will significantly increase following the expansion of the bus fleets by both TSB and SMB. However, the higher bus fees should be more than offset by the higher quality service, cleaner buses, and improved convenience with significantly improved punctuality for the bus running schedule compared to the ageing internal combustion engine buses.



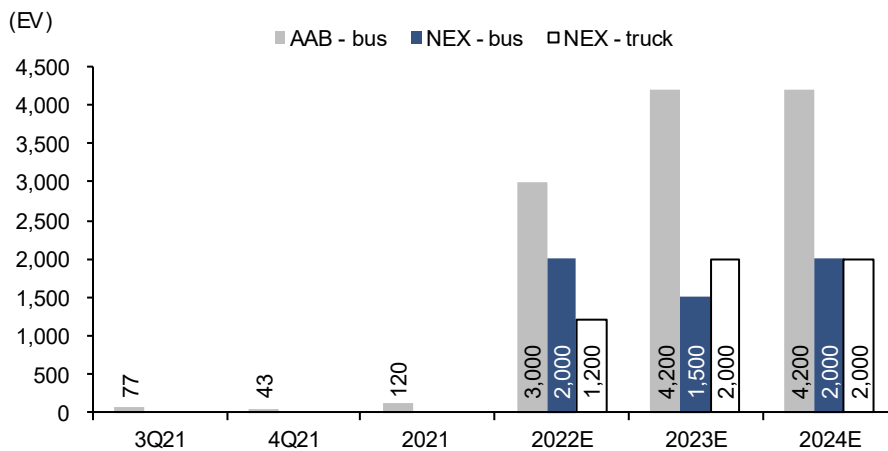
### More solid EV upsides for EA from battery and EV sales in 2022-24

With the confirmation of the higher number of e-buses for both TSB and SMB, we believe EA's earnings growth from its EV value chain, including the manufacturing plants with a 1GWh battery capacity and 3,000 annual e-bus capacity, are now highly visible.

The EV growth potential is in line with our forecast in 2022 with 3,000 e-buses produced by AAB and 2,000 e-bus sales for NEX, and in 2023 with 4,200 e-buses produced by AAB and 1,500 e-buses sold by NEX. Note that our forecasts for the number of e-buses manufactured and sold in 2022-24 could be subject to delays from 2022 into 2023-24 considering that:

- 1) The signing of contracts may be delayed by a few months;
- 2) The production of e-buses could be delayed by a few months due to the delays of the imported parts necessary such as the chassis for the Completely Knocked Down (CKD) assembly model with over 40% local content, to be assembled with the parts to be produced domestically such as batteries and tires.

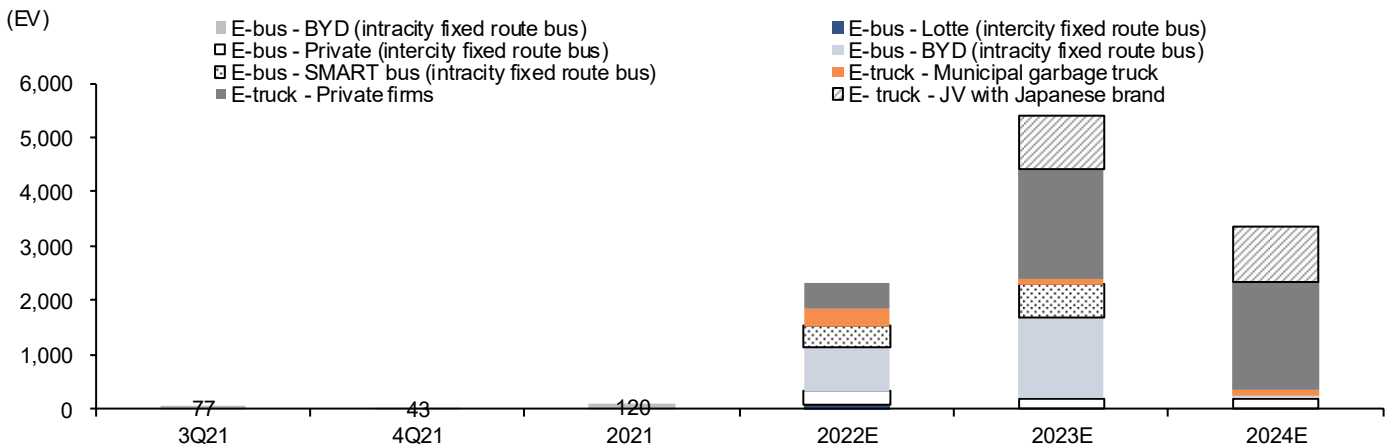
### Exhibit 17: NEX – forecast number of e-buses and e-trucks in 2022-24



Source: FSSIA estimates

While our 2024 sales volume forecasts for e-buses and e-trucks remains lower y-y due to our conservative assumption of no further e-bus sales beyond what we have been informed by the companies (EA and BYD), we think there is a high likelihood that AAB and NEX could secure additional sales growth for both e-buses and e-trucks in 2023 onward.

### Exhibit 18: EV sales volume forecasts for NEX and AAB



Sources: EA; FSSIA estimates

The key success factors for EA, NEX, and AAB in the commercial EV segment comes from their first-mover advantage and the higher entry barrier for competitors – both locally in the form of the 40% local content requirement mandated for domestically produced batteries and the importers who could face over 47% import taxes imposed on their imported e-buses, even from China, given Thailand’s existing Free Trade Agreement with China and the Thai government’s recent EV package that excludes commercial EVs

**More solid EV upsides for EA from battery and EV sales in 2022-24**

After commencing operations at its 1GWh battery phase 1 plant on 12 Dec-21, delivering 122 e-buses in Sep-Oct 2021, and securing over 300 e-bus orders for delivery in 4Q21-2022, we are now more confident about EA’s sales volume outlook for its EVs in 2022-23.

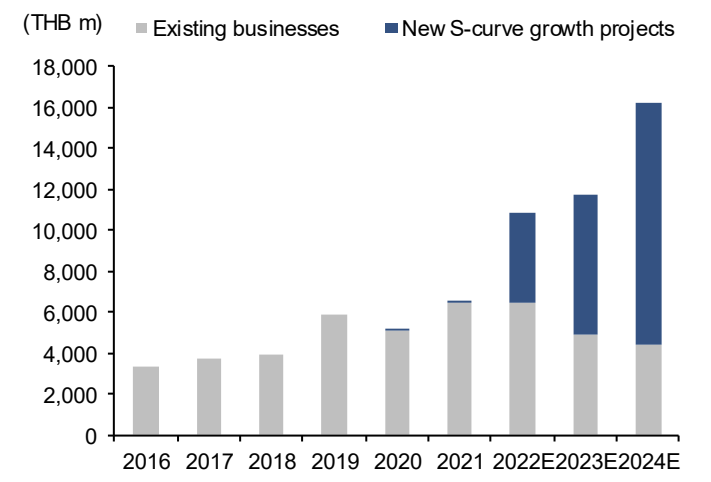
With a solid set of potential e-bus orders from TSB and SMB in 2022-23, we believe EA is likely to achieve our earnings and sales volume assumptions for e-trucks and e-buses on the high pent-up demand for commercial EVs (buses and trucks) and passenger EVs pending the official announcement of the government’s incentive package.

**Capital increase remains unlikely to fund its growth in 2022-23.** On 13 Dec-21, EA issued unsecured convertible bonds (CBs) worth THB29b or €900m, leveraging the current negative real interest rate in the European financial market to capture zero-interest rate CBs. The CB issue is equal to 290m common shares and will have the key characteristics as follows:

- A 5-year bond life;
- An estimated THB100/share for the convertible share price based on the THB29b maximum value and the 290m convertible shares, but the final convertible ratio will depend on the market share price prior to and after the issuance period;
- The conversion period for bond to common stock is 41 days after the issue date to 10 days before the maturity date;
- There will be a 6-month silent period with 25% of convertible common shares being sellable.

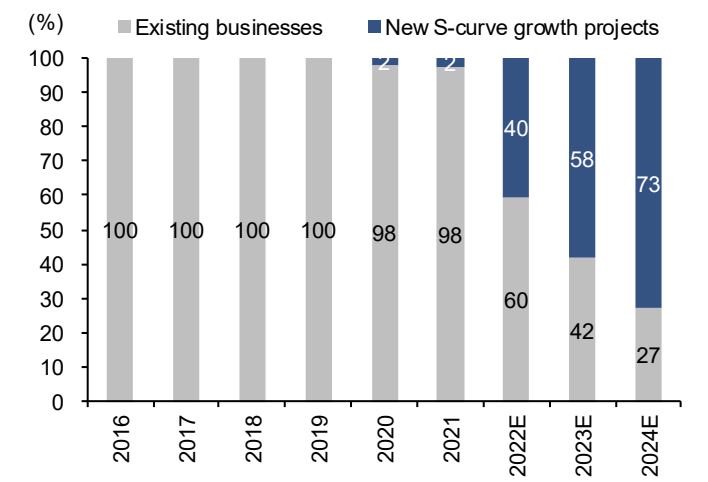
We believe EA’s issuance of CBs is 1) timely to capture the low-cost funding in € currency; 2) financially positive to add THB29b in capital for EA’s future battery phase 2 expansion (49GWh) and as working capital and a financial weapon to fund the sales of its batteries and EVs to customers; and 3) should strategically strengthen EA’s balance sheet to effectively enhance its bargaining power against large-scale automakers and competitors.

**Exhibit 19: Net profit breakdown**



Sources: EA; FSSIA estimates

**Exhibit 20: Net profit breakdown (%)**



Sources: EA; FSSIA estimates

## Exhibit 21: SoTP 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
<b>Biodiesel</b>	<b>4,417</b>	<b>1.2</b>	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
<b>Solar</b>			
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%
<b>Total solar</b>	<b>51,699</b>	<b>13.9</b>	
<b>Wind</b>			
<b>Southern (COD 2017)</b>			
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%
<b>Total wind farm Southern</b>	<b>14,365</b>	<b>5.5</b>	
<b>Northeastern (COD 2018)</b>			
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%
<b>Total wind farm Northeastern</b>	<b>47,084</b>	<b>12.6</b>	
Battery phase 1 (1GWh)	12,366	3.3	DCF with WACC 4%, Risk free rate 5.3%, Risk premium 8.5%
Battery phase 2 (15GWh)	226,739	60.8	DCF with WACC 4%, Risk free rate 5.3%, Risk premium 8.5%
EV car (MPA SPA1, 2Q21E)	12,355	3.3	FY22E P/E at 12x
EV boat (1Q21E)	939	0.3	FY22E P/E at 12x
EV charging station (2020E)	1,085	0.3	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
EV bus (3Q21)	77,342	20.7	FY22E P/E at 24x
<b>Total EV and battery</b>	<b>253,484</b>	<b>88.7</b>	
Green diesel & PCM	12,654	3.4	FY22E P/E at 15x
Net debt	(14,618)	(3.9)	
Minorities	2,465	0.7	
<b>Residual ordinary equity</b>	<b>371,551</b>	<b>122.0</b>	

Sources: EA; FSSIA estimates

## Financial Statements

### Energy Absolute

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	17,080	20,174	33,947	49,993	65,576
Cost of goods sold	(6,591)	(9,242)	(16,385)	(28,040)	(40,895)
<b>Gross profit</b>	<b>10,489</b>	<b>10,931</b>	<b>17,561</b>	<b>21,954</b>	<b>24,682</b>
Other operating income	-	-	-	-	-
Operating costs	(1,278)	(1,437)	(2,376)	(3,000)	(4,590)
<b>Operating EBITDA</b>	<b>9,211</b>	<b>9,494</b>	<b>15,185</b>	<b>18,954</b>	<b>20,091</b>
Depreciation	(2,730)	(2,768)	(4,494)	(5,300)	(5,300)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>6,480</b>	<b>6,726</b>	<b>10,691</b>	<b>13,654</b>	<b>14,791</b>
Net financing costs	(1,627)	(1,322)	(1,232)	(1,128)	(1,061)
Associates	(61)	14	1,289	1,189	1,395
Recurring non-operating income	126	411	1,539	1,439	1,645
Non-recurring items	50	117	0	0	0
<b>Profit before tax</b>	<b>5,029</b>	<b>5,933</b>	<b>10,998</b>	<b>13,965</b>	<b>15,375</b>
Tax	18	(3)	(41)	(116)	(98)
<b>Profit after tax</b>	<b>5,047</b>	<b>5,929</b>	<b>10,956</b>	<b>13,849</b>	<b>15,277</b>
Minority interests	157	171	(306)	(305)	(314)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>5,205</b>	<b>6,100</b>	<b>10,650</b>	<b>13,543</b>	<b>14,963</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(50)</b>	<b>(117)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>5,155</b>	<b>5,983</b>	<b>10,650</b>	<b>13,543</b>	<b>14,963</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.38	1.60	2.86	3.63	4.01
Reported EPS	1.40	1.64	2.86	3.63	4.01
DPS	0.30	0.40	0.70	1.00	1.25
Diluted shares (used to calculate per share data)	3,730	3,730	3,730	3,730	3,730
<b>Growth</b>					
Revenue (%)	14.7	18.1	68.3	47.3	31.2
Operating EBITDA (%)	(3.3)	3.1	59.9	24.8	6.0
Operating EBIT (%)	(7.6)	3.8	58.9	27.7	8.3
Recurring EPS (%)	(12.7)	16.1	78.0	27.2	10.5
Reported EPS (%)	(14.4)	17.2	74.6	27.2	10.5
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	45.4	40.5	38.5	33.3	29.6
Gross margin of key business (%)	45.7	41.0	38.5	33.3	29.6
Operating EBITDA margin (%)	53.9	47.1	44.7	37.9	30.6
Operating EBIT margin (%)	37.9	33.3	31.5	27.3	22.6
Net margin (%)	30.2	29.7	31.4	27.1	22.8
Effective tax rate (%)	-0.4	0.1	0.4	0.9	0.7
Dividend payout on recurring profit (%)	21.7	24.9	24.5	27.5	31.2
Interest cover (X)	4.1	5.4	9.9	13.4	15.5
Inventory days	44.1	45.7	46.2	47.0	50.0
Debtor days	57.9	58.3	41.5	31.2	27.0
Creditor days	18.2	14.4	11.2	11.4	12.1
Operating ROIC (%)	9.5	(2.3)	(3.5)	(4.5)	(5.0)
ROIC (%)	8.2	(1.9)	(3.2)	(4.0)	(4.4)
ROE (%)	20.1	19.8	28.7	28.8	25.8
ROA (%)	8.5	6.8	11.9	13.5	13.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Methyl ester Biodiesel products	6,570	6,570	6,570	6,570	6,570
Pure glycerine products	360	361	2,387	3,469	3,469
Electricity from solar and wind power	9,784	4,247	14,184	19,279	32,354
Head office and others	100	101	101	101	101

Sources: Energy Absolute; FSSIA estimates

## Financial Statements

### Energy Absolute

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	5,155	5,983	10,650	13,543	14,963
Depreciation	2,730	2,768	4,494	5,300	5,300
Associates & minorities	(61)	14	1,289	1,189	1,395
Other non-cash items	-	-	-	-	-
Change in working capital	4,045	(4,390)	(163)	(689)	(1,029)
<b>Cash flow from operations</b>	<b>11,869</b>	<b>4,375</b>	<b>16,270</b>	<b>19,344</b>	<b>20,629</b>
Capex - maintenance	(2,730)	(2,768)	(4,494)	(5,300)	(5,300)
Capex - new investment	(4,486)	(2,564)	(994)	(1,800)	(1,800)
Net acquisitions & disposals	(1,429)	(84)	0	0	0
Other investments (net)	(7,546)	(711)	1,289	1,189	1,395
<b>Cash flow from investing</b>	<b>(16,192)</b>	<b>(6,127)</b>	<b>(4,199)</b>	<b>(5,911)</b>	<b>(5,705)</b>
Dividends paid	(746)	(746)	(1,492)	(2,611)	(3,730)
Equity finance	0	0	0	0	0
Debt finance	(2,873)	1,904	(4,255)	(2,035)	(2,035)
Other financing cash flows	863	570	(334)	1,477	1,074
<b>Cash flow from financing</b>	<b>(2,756)</b>	<b>1,728</b>	<b>(6,081)</b>	<b>(3,169)</b>	<b>(4,691)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(7,079)</b>	<b>(24)</b>	<b>5,990</b>	<b>10,264</b>	<b>10,234</b>
Free cash flow to firm (FCFF)	(2,685.77)	(364.69)	13,352.81	14,611.11	16,035.47
Free cash flow to equity (FCFE)	(6,332.72)	721.90	7,481.97	12,874.77	13,963.85
<b>Per share (THB)</b>					
FCFF per share	(0.72)	(0.10)	3.58	3.92	4.30
FCFE per share	(1.70)	0.19	2.01	3.45	3.74
Recurring cash flow per share	2.10	2.35	4.41	5.37	5.81
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	67,122	70,852	74,352	77,852	81,352
Less: Accumulated depreciation	(11,265)	(12,431)	(16,925)	(22,225)	(27,525)
<b>Tangible fixed assets (net)</b>	<b>55,857</b>	<b>58,421</b>	<b>57,426</b>	<b>55,627</b>	<b>53,827</b>
<b>Intangible fixed assets (net)</b>	<b>1,337</b>	<b>1,453</b>	<b>1,453</b>	<b>1,453</b>	<b>1,453</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,529	1,614	1,614	1,614	1,614
Cash & equivalents	2,951	2,927	8,917	19,181	29,415
A/C receivable	2,750	3,690	4,030	4,530	5,186
Inventories	833	1,483	2,663	4,557	6,647
Other current assets	855	3,549	5,972	8,795	11,537
<b>Current assets</b>	<b>7,389</b>	<b>11,650</b>	<b>21,582</b>	<b>37,063</b>	<b>52,784</b>
Other assets	12,371	12,339	12,339	12,339	12,339
<b>Total assets</b>	<b>78,484</b>	<b>85,476</b>	<b>94,415</b>	<b>108,096</b>	<b>122,017</b>
Common equity	27,812	32,501	41,609	52,492	63,675
Minorities etc.	1,815	2,601	2,907	3,212	3,527
<b>Total shareholders' equity</b>	<b>29,627</b>	<b>35,102</b>	<b>44,516</b>	<b>55,704</b>	<b>67,201</b>
Long term debt	31,090	33,777	29,522	27,487	25,452
Other long-term liabilities	4,203	3,921	3,921	3,921	3,921
<b>Long-term liabilities</b>	<b>35,292</b>	<b>37,699</b>	<b>33,443</b>	<b>31,409</b>	<b>29,374</b>
A/C payable	373	358	643	1,101	1,606
Short term debt	7,983	7,200	7,200	7,200	7,200
Other current liabilities	5,209	5,118	8,612	12,683	16,636
<b>Current liabilities</b>	<b>13,564</b>	<b>12,676</b>	<b>16,455</b>	<b>20,984</b>	<b>25,442</b>
<b>Total liabilities and shareholders' equity</b>	<b>78,484</b>	<b>85,476</b>	<b>94,415</b>	<b>108,096</b>	<b>122,017</b>
Net working capital	(1,143)	3,246	3,410	4,098	5,127
Invested capital	69,951	77,073	76,242	75,131	74,360
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	7.46	8.71	11.16	14.07	17.07
Tangible book value per share	7.10	8.32	10.77	13.68	16.68
<b>Financial strength</b>					
Net debt/equity (%)	121.9	108.4	62.5	27.8	4.8
Net debt/total assets (%)	46.0	44.5	29.4	14.3	2.7
Current ratio (x)	0.5	0.9	1.3	1.8	2.1
CF interest cover (x)	(0.1)	3.5	7.9	14.0	15.9
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>70.7</b>	<b>60.9</b>	<b>34.2</b>	<b>26.9</b>	<b>24.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>88.3</b>	<b>76.1</b>	<b>42.7</b>	<b>33.6</b>	<b>30.4</b>
Reported P/E (x)	70.1	59.8	34.2	26.9	24.4
Dividend yield (%)	0.3	0.4	0.7	1.0	1.3
Price/book (x)	13.1	11.2	8.8	6.9	5.7
Price/tangible book (x)	13.8	11.7	9.1	7.1	5.9
EV/EBITDA (x) **	43.7	42.7	26.0	20.2	18.5
EV/EBITDA @ target price (x) **	53.5	52.2	32.0	25.0	23.0
EV/invested capital (x)	5.8	5.3	5.2	5.1	5.0
* 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	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
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	TTB	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:**

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

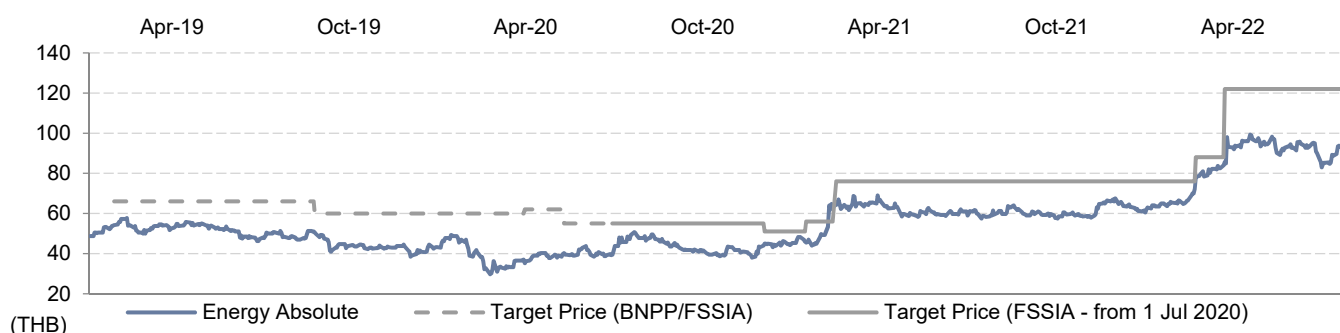
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### History of change in investment rating and/or target price

#### Energy Absolute (EA TB)



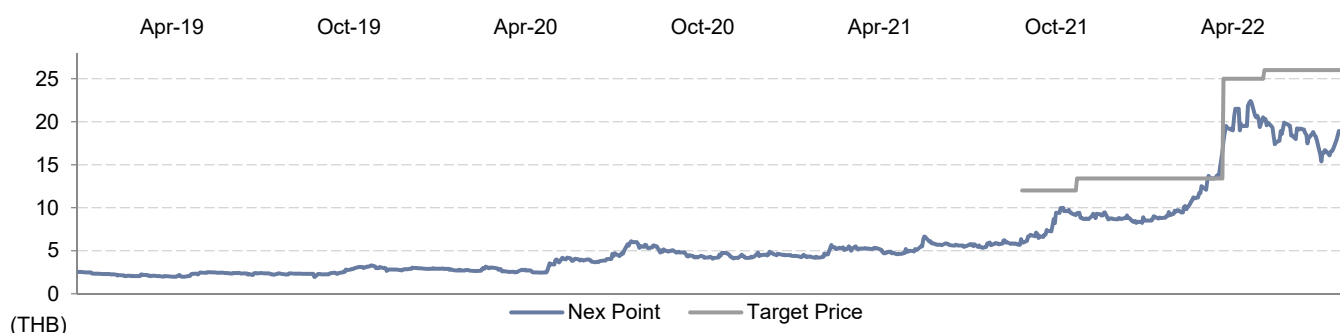
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
26-Apr-2019	BUY	66.00	20-May-2020	BUY	55.00	08-Jan-2021	BUY	76.00
17-Oct-2019	BUY	60.00	09-Nov-2020	BUY	51.00	18-Nov-2021	BUY	88.00
16-Apr-2020	BUY	62.00	15-Dec-2020	BUY	56.00	13-Dec-2021	BUY	122.00

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

Price and TP are in local currency

Source: FSSIA estimates

#### Nex Point (NEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Jun-2021	BUY	12.00	13-Dec-2021	BUY	25.00	-	-	-
09-Aug-2021	BUY	13.40	17-Jan-2022	BUY	26.00	-	-	-

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 23-Jun-2021

Price and TP are in local currency

Source: FSSIA estimates



Company	Ticker	Price	Rating	Valuation & Risks
Energy Absolute	EA TB	THB 97.75	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.
Nex Point	NEX TB	THB 19.00	BUY	Downside risks to our SOTP-based TP include: 1) a lower-than-expected bus sales volume; 2) delays in bus deliveries; and 3) risk from regulatory changes.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

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

All share prices are as at market close on 01-Apr-2022 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.