BUALUANG SECURITIES

26 October 2009

# STP & I

Construction Materials Overweight

## Diamond in the sludge

INITIATION

**Investment thesis:** The sharp fall in STPI's earnings in FY10 is simply due to a temporary slump in demand. The firm has already received high labor fees from a client—to be booked starting 3Q10. Moreover, STPI is negotiating for a Qatar Airport job—we expect a fat margin to be recognized, starting Feb 2010. Moreover, negotiations for Woodside Phase II, to be booked, starting Oct 2010, should be finished soon. Note that STPI's dividend yields of 6.5% for 2H09 and 7.19% for FY10 are good. This, combined with a solid pipeline of jobs from Woodside, strong LNG demand and limited competition in the fabrication niche prompted us to initiate coverage with a BUY rating and a YE10 target price of Bt19.30, pegged to a PBV of 2.5x.

**Woodside is a valuable client:** A key STPI client is Woodside, one of Australia's top-ten firms and one of the world's major producers of liquefied natural gas (LNG). Its goal is to be a global leader in LNG production by 2015, by which time world LNG demand is expected to exceed supply. The implication is that fabrication jobs for Woodside will be solid through 2015 and STPI's earnings will strengthen over the next four-five years.

**Strong LNG demand:** World gas consumption increases by an average of 1.6% per year—projected to rise from 104trn cubic feet in 2006 to 153trn in 2030, due to its low price and small $CO_2$ emissions. The petrochem and electricity generation industries currently consume the most gas. That trend is expected to be sustained through 2030. Moreover, the non-OECD share of world consumption should increase from 50% in 2006 to 58% by 2030.

**Negotiating for cost reductions is unlikely:** There is only insignificant risk that Woodside may negotiate for reductions of fabrication costs or advanced payments for construction contracts, as the fabrication cost of Thai fabricators is substantially cheaper than the cost in other countries, while Thai technical expertise in the field is world class. Moreover, there are only a limited number of fabricators competent to do the work that Woodside needs. Also, the transport cost from Thailand to Australia is the cheapest in Asia. Therefore, Woodside should be happy to hire STPI for its fabrication jobs.

## BUALUANG RESEARCH

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# BUY (initiated coverage)

Target Price: Bt19.30
Price (22/10/09): Bt15.30
STPI TB / STPI.BK

### Key Ratios and Statistics

| | |
|---|---|
| Market cap | Bt4.43bn |
| 12-mth price range | Bt5.45/Bt17.20 |
| 3-mth avg daily volume | Bt63.39m |
| # of shares (m) | 250.0 |
| Est. free float (%) | 60 |

| Share price perf. (%) | 1M | 3M | 12M |
|---|---|---|---|
| Relative to SET | 29.2 | 50.6 | 92.5 |
| Absolute | 28.6 | 69.1 | 144.8 |

### Financial summary

| FY ended Dec 31 | 2008 | 2009E | 2010E | 2011E |
|---|---|---|---|---|
| Revenue (Btm) | 7,012 | 7,177 | 3,262 | 7,485 |
| Net profit (Btm) | 991 | 1,344 | 565 | 1,213 |
| EPS (Bt) | 3.97 | 4.92 | 1.66 | 3.57 |
| BLS/Consensus (x) | n.a. | n.a. | n.a. | n.a. |
| Core profit (Btm) | 991 | 1,346 | 573 | 1,222 |
| Core EPS (Bt) | 3.97 | 4.93 | 1.69 | 3.60 |
| Core EPS Growth | 5,135.83 | 24.18 | -65.79 | 113.38 |
| PER (x) | 2.15 | 3.11 | 9.19 | 4.28 |
| Core PER (x) | 2.15 | 3.11 | 9.08 | 4.25 |
| PBV (x) | 1.21 | 2.02 | 1.99 | 1.59 |
| Dividend (Bt) | 2.40 | 2.00 | 1.10 | 2.20 |
| Dividend yield (%) | 28.17 | 13.07 | 7.19 | 14.38 |
| ROE (%) | 76.57 | 61.89 | 21.76 | 41.22 |
| Net gearing (x) | 0.03 | 0.00 | 0.00 | 0.00 |

CG Rating - 2008

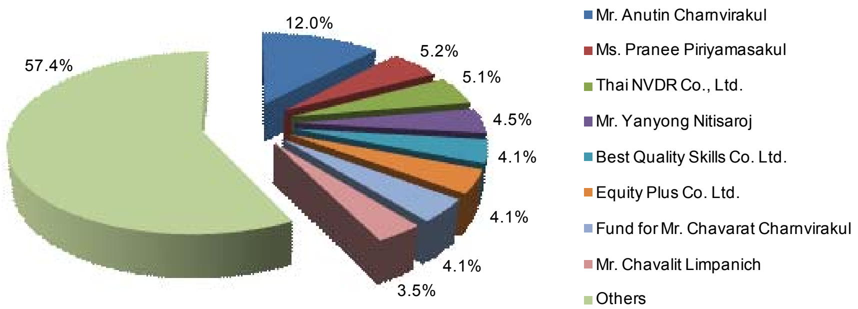
### Company profile

STPI has a steel fabrication capacity of 60,000 tonnes/year. The firm is one of Thailand's biggest piping fabricators with a capacity of 1m diameter-inches/year and a module assembly yard with a capacity of 30,000 tonnes/year. All its facilities are located near Laem Chabang Seaport, Map Ta Phut Seaport and Sriracha Harbour. STPI can fabricate large built-up beam steel for huge infrastructure and heavy industry projects, such as power plants, oil refineries, petrochemical plants, high-rise buildings, roof structures, bridges, elevated highways and airports.

# Background

**One of Thailand largest piping fabricators:** STP & I Public Company Limited (STPI) was established in 1975. The firm is noted for its capacity to fabricate large built-up beam steel for huge infrastructure and heavy industry projects. STPI owns and operates three production plants in three locations—Chonburi (*Chonburi Fabrication Shop* is the light-heavy steel, pipe, pressure vessel and tank fabrication facility with a capacity is 30,000 tonnes/year), *Sriracha (Sriracha Pipe Fabrication Shop*'s capacity is 10,000 tonnes/year.) and Rayong (*Rayong Fabrication Shop* is the light-medium steel and pipe fabrication facility; its capacity is 20,000 tonnes/year). The firm's total steel fabrication capacity is 60,000 tonnes/year. STPI also owns Laem Chabang Assembly Yard, which builds modular assemblies and loads them for shipping to clients—it has a capacity of 30,000 tonnes/year. STPI's core business consist of **1) Steel Structure Fabrication** for heavy industry (such as roof structures, power plants, refineries, petrochemical plants, etc), high-rise buildings, infrastructure systems (such as bridges, elevated highways airports, etc) and construction equipment and mechanical parts and general steel work (such as structures, transmission line towers, etc) and **2) Other Steel Fabrication:** *Piping Fabrication* includes piping pre-fabrication, piping erection, and pipeline construction. These pipes are essential components of industrial plants such as power plants, oil refineries, petrochemical plants, offshore process plants, etc. *Process Module*s: STPI designs, supplies and fabricates a variety of pressure vessels for petrochemical processing plants and power plants. The pressure vessel work includes drums, reactors, columns, splitter towers, stream drums, and separators, built to American Society of Mechanical Engineers (ASME) standards. STPI also designs spherical tanks and large-diameter storage tanks under various standards. These tanks are used for storing liquids or gas in refineries and for production processes in power plants and petrochemical plants.

**Figure 1: STPI's major shareholders**




*Source: Company*

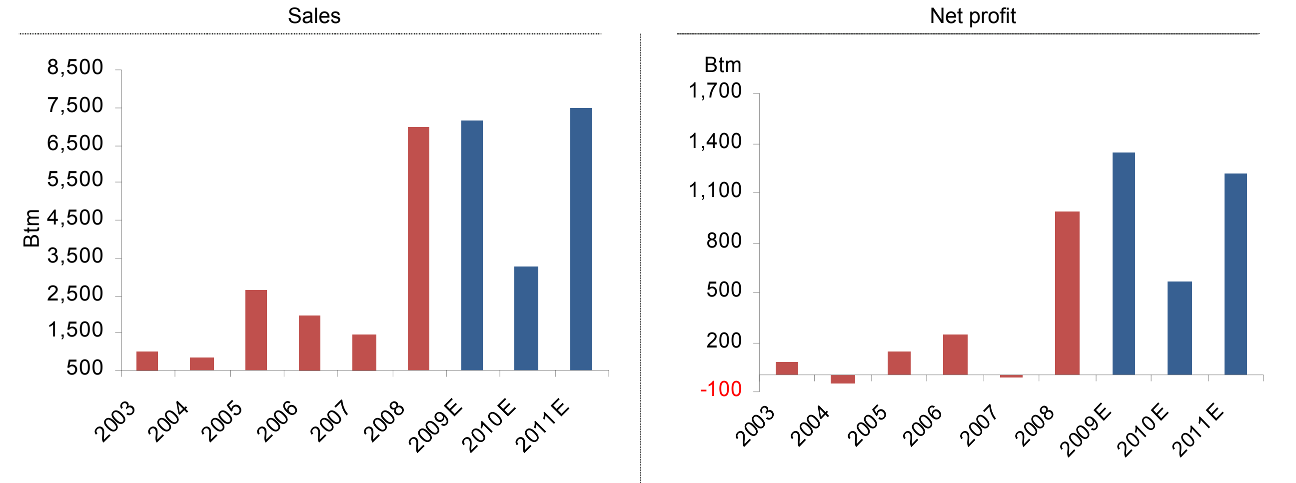
**Figure 2: STPI's masterwork**

Structural steel fabrication, New Doha International Airport, Qatar (March-Dec, 2008)

Module fabrication, Woodside Pluto LNG, Australia (2008-2009)

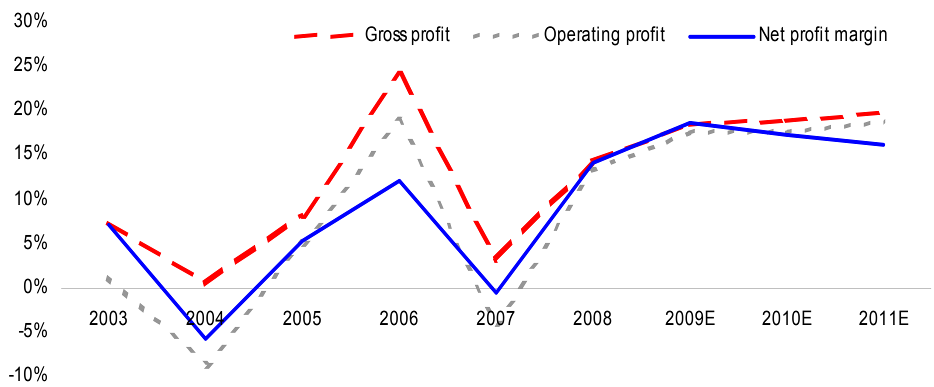
*Source: Company*

**Figure 3: STPI's Income and earnings outlook**




*Sources: Company, Bualuang Research estimates*

**Figure 4: STPI's profitability**




*Sources: Company, Bualuang Research estimates*

# Outlook

**Woodside is a valuable client:** A key STPI client is Woodside, one of Australia's top-ten firms by market capitalization and that nation's biggest publicly-traded oil and gas exploration and production company. Woodside is one of the world's largest producers of liquefied natural gas (LNG). The firm operates Australia's biggest primary resource project, the North West Shelf Venture in Western Australia, which produces about 40% of that country's petroleum. The North West Shelf Venture is the third-biggest LNG producer in the world and its share of equity LNG production will rise to 6.6m tonnes by YE10. In 2010 Woodside will complete construction of its A$12bn Pluto LNG Project near Karratha—Australia's second biggest resources project. Moreover, the company is investing A$5bn in the North Rankin 2 development on the North West Shelf, which will recover remaining low-pressure gas from the North Rankin and Perseus gas fields. The project will include the installation of a second platform (North Rankin B). The North Rankin 2 project is scheduled for progressive start-up in 2013. Woodside is also seeking to move forward with its Sunrise LNG development in the Timor Sea and the Browse LNG development in northern Western Australia. The firm's ambition is to be a global leader in LNG production by 2015, by which time world LNG demand is projected to exceed supply.

**Figure 5: Progress of Woodside's projects**

| North West Shelf Venture |
|---|
| Production from the North West Shelf Venture accounts for about 1% of Australian GDP and contributes more than A$3bn each year in taxes and royalties. The North West Shelf Venture has delivered more than 2700 LNG cargoes since 1989. The North West Shelf Venture also produces oil and condensate-a light crude oil-for international energy markets, and to date has delivered more than 1000 cargoes of condensate. The North West Shelf Venture also supplies LPG for the world market and Western Australia. |
| **North Rankin redevelopment** |
| This project will recover remaining low pressure gas from the North Rankin and Perseus gas fields, and extend the field life to around 2040. The North Rankin Redevelopment project includes the necessary connections to North Rankin A and some refurbishment of the North Rankin A platform. North Rankin B is scheduled for start-up in 2013 and will support the North West Shelf Venture's onshore gas requirements to supply future customer commitments. |
| **Pluto LNG Project** |
| Woodside's A$12bn Pluto LNG Project is set to become the fastest developed LNG project from discovery of the gas field in 2005 to first gas from the field in late 2010 and first LNG in early 2011. The Pluto LNG Project is underpinned by 15-year sales agreements with Kansai Electric and Tokyo Gas. Both companies became project participants in January 2008, each acquiring a 5% interest in the foundation project. With construction of the foundation project progressing, Woodside is preparing for expansion with a second and third LNG train and pipeline gas facility. |
| **Sunrise** |
| The Sunrise Gas Development lies in the Timor Sea north of Australia and includes the Sunrise and Troubadour fields. Development options under consideration include a brownfields expansion of the Wickham Point Bayu Undan LNG plant at Darwin and a Floating LNG option. Development is contingent on the project receiving legal, regulatory and fiscal certainty from the Timor-Leste and Australian governments. |
| **Browse LNG Development** |
| Browse is a world-scale development which forms part of Woodside's LNG strategy. The Browse gas fields include the Torosa, Brecknock, and Calliance discoveries. The fields contain a combined contingent resource of about 14 trillion cubic feet of dry gas and 370m barrels of condensate (as at 31 December 2008). Following the evaluation process, two options remain under consideration. These are the State Government's proposed LNG precinct in the James Price Point coastal area in the Kimberley or existing Woodside-operated facilities located near Karratha. |

*Source: Woodside*

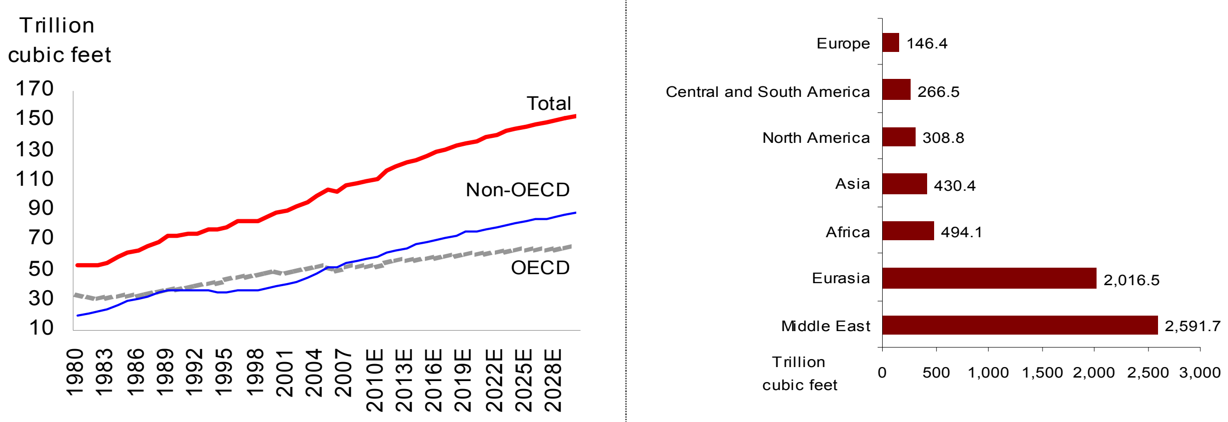
**LNG demand remains strong:** Worldwide, total natural gas consumption is projected to increase by an average of 1.6% per year, from 104trn cubic feet in 2006 to 153trn in 2030. With world oil prices assumed to return to near the high levels set in 2008 after 2012, energy consumers are anticipated to opt for comparatively less expensive natural gas. In addition, because natural gas produces less carbon dioxide, governments implementing national plans to reduce greenhouse effect may encourage its use to displace other fossil fuels. Natural gas remains a key energy source for industry and electricity generation. The industrial sector currently consumes more gas than any other end-use sector and is expected to continue to do so through 2030, when 40% of world consumption is projected to be used for industrial purposes. In particular, new petrochemical plants are expected to rely increasingly on natural gas as a feedstock—particularly in the Middle East. In the electric power sector, natural gas is an attractive choice for new plants, due to its relative fuel efficiency and low carbon dioxide footprint. Electricity generation should account for 35% of world consumption in 2030, up from 32% in 2006. Note that non-OECD countries' share of global natural gas consumption is expected to rise from 50% (of 104trn cubic feet) in 2006 to 58% (of 153trn cubic feet) in 2030, which means that non OECD countries are anticipated to be responsible for 74% of incremental rises in world gas consumption. OECD countries accounted for 38% of world production and 50% of consumption in 2006, making them dependent on imports from non-OECD sources for 25% of consumption. In 2030 the OECD countries are expected to account for 31% of production and 42% of consumption, with their dependence on non-OECD gas increasing to 27%.

Historically, world natural gas reserves have generally trended upward. As of January 1, 2009, proved world natural gas reserves, as reported by Oil & Gas Journal, 17 were estimated at 6,254trn cubic feet—69trn cubic feet higher than the estimate of 6,186trn cubic feet for 2008. Reserves have remained relatively flat since 2004, despite growing gas demand, implying that, thus far, producers have been able to continue finding new reserves. Despite fairly swift rises in high gas consumption, particularly over the past decade, the reserves-to-production ratios for most regions are substantial. Worldwide, the reserves-to-production ratio is estimated at 63 years. By region, the highest ratios are about 48 years for Central and South America, 78 years for Russia, 79 years for Africa, and more than 100 years for the Middle East.

**Figure 6: World LNG outlook**

World natural gas consumption in 1980-2030

World natural gas reserves by geographic region as of Jan 1, 2009




*Source: Energy Information Administration (EIA) ( http://www.eia.doe.gov/oiaf/ieo/nat_gas.html)*

# Risks

**Slowdown in key client's demand:** Weaker-than-expected global GDP would result in a lower-than-expected number of fabrication jobs from Woodside, which would negatively hit on STPI's income and earnings. However, this risk is unlikely to play out over the next four or five years, as Woodside's ambition is to be a global leader in LNG production by 2015, when global LNG demand is expected to exceed supply. If the Australian firm is to meet that goal, it is going to have a significant amount of fabrication work to farm out through to 2015.

**Negotiating for cost reductions:** There is risk that Woodside may negotiate for reductions to fabrication cost or advanced payment for construction contracts. That would result in lower revenues. However, the risk of that scenario materializing is low—the cost of Thai fabricators is cheaper than foreign rivals of comparable technical expertise. Moreover, there are only a limited number of fabricators competent to undertake jobs as complicated as those that Woodside wants done. At the same time, the cost of transporting modules from Thailand to Woodside's sites in Australia is the cheapest in Asia. Therefore, Woodside would be cautious about awarding fabrication jobs to any player other than STPI.

**Baht appreciation against the Australian dollar:** Most/all of STPI's income is denominated in Australian currency. As such, baht appreciation against the Australian dollar would result in an FX loss and would negatively impact the firm's bottom-line. Fortunately, baht is currently depreciating against the Oz. More importantly, STPI has always been careful to fully hedge FX-denominated contracts.

# Recommendation and valuation

**Initiated with BUY rating with bright outlook ahead:** The sharp fall in STPI's earnings in FY10 is simply due to a temporary slump in demand. STPI has already received a labor fee of US$100m from a customer, to be recognized, starting 3Q10 (maybe September 2010). Moreover, STPI is negotiating for work for Qatar Airport worth US$30, which would be recognized, starting February 2010. The Qatar job would generate a very impressive profit margin. More importantly, negotiation on Woodside Phase II, worth US$200m, is likely to be concluded soon. The project's value may be expanded along the construction period. This job would be recognized, starting October 2010.

STPI's share price will fall, 2H09-1H10, because income from new jobs is insufficient to boost its earnings. However, we view that the falling stock price will present a good opportunity to buy—despite falling earnings, its dividend yields of 6.5% for 2H09 and 7.19% for FY10 are too good to ignore. Furthermore, in FY11 STPI's profitability will post a strong recovery from the 2H09-1H10 drop. So, we think the downside risk to stock price is limited. However, the temporary fall of earnings in 2H09-1H10 will mean that scope for share price appreciation during that time is also modest. We, therefore, have initiated our coverage with a BUY rating and a YE10 target price of Bt19.30, pegged to a PBV of 2.5x.

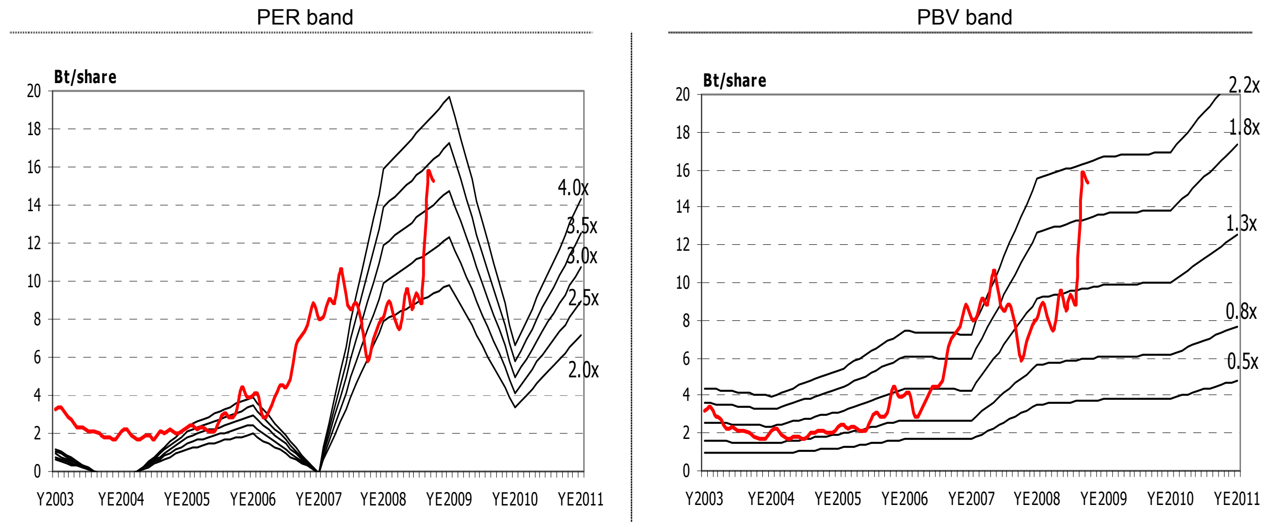
**Figure 7: Fair price for STPI-W1**

| | |
|---|---|
| **Remaining warrants:** | 48,132,983 units |
| **Exercise price:** | Bt3.09 a share |
| **Exercise ratio:** | 1 STPI-W1 for 1.13 ordinary share |
| **Next exercise date:** | 40147 |

| **STPI** | **STPI-W1** | **STPI's cost from exercise of STPI-W1 (Bt)** | **STPI-W1 upside from closed price on 40108** |
|---|---|---|---|
| 15.30 | 13.40 | 14.98 | 0.8% |
| 16.00 | 14.20 | 15.69 | 6.8% |
| 16.50 | 14.80 | 16.22 | 11.3% |
| 17.00 | 15.30 | 16.67 | 15.0% |
| 17.50 | 15.90 | 17.20 | 19.5% |
| 18.00 | 16.50 | 17.73 | 24.1% |
| 18.50 | 17.00 | 18.17 | 27.8% |
| 19.00 | 17.60 | 18.71 | 32.3% |
| 19.30 | 17.90 | 18.97 | 34.6% |

*Sources: Company, Bualuang Research estimates*

**Figure 8: STPI's historical PER and PBV bands**




*Sources: Company data, Bualuang Research estimates*

## Financial tables

| PROFIT & LOSS (Btm) | 2007 | 2008 | 2009E | 2010E | 2011E |
|---|---|---|---|---|---|
| Income from fabrication work | 1,121 | 6,694 | 6,940 | 2,998 | 7,197 |
| Sales & services | 319 | 266 | 209 | 238 | 261 |
| Total income | 1,440 | 6,960 | 7,148 | 3,236 | 7,458 |
| COGS | 1,390 | 5,955 | 5,826 | 2,622 | 5,980 |
| **Gross profit** | **49** | **1,005** | **1,322** | **614** | **1,477** |
| SG&A | 105 | 89 | 71 | 42 | 75 |
| **Operating profit** | **-55** | **916** | **1,252** | **572** | **1,403** |
| Other income | 45 | 53 | 28 | 26 | 27 |
| Other expense | -29 | -29 | -84 | 0 | 0 |
| **EBIT** | **19** | **998** | **1,364** | **598** | **1,430** |
| Interest expense | 5 | 3 | 3 | 3 | 3 |
| **EBT** | **13** | **995** | **1,361** | **595** | **1,427** |
| Tax | 20 | 3 | 17 | 30 | 214 |
| **Net profit** | **-7** | **991** | **1,344** | **565** | **1,213** |
| **EPS** | **-0.03** | **3.97** | **4.92** | **1.66** | **3.57** |
| DPS | 0.00 | 2.40 | 2.00 | 1.10 | 2.20 |
| **KEY RATIOS** | | | | | |
| Revenue growth (%) | -26.41 | 478.63 | 3.29 | -56.60 | 138.86 |
| EPS growth (%) | -103.06 | 13,333.33 | 23.90 | -66.17 | 114.58 |
| Gross margin (%) | 3.43 | 14.44 | 18.50 | 18.97 | 19.81 |
| Operating margin (%) | -3.85 | 13.16 | 17.51 | 17.67 | 18.81 |
| Net margin (%) | -0.44 | 14.14 | 18.73 | 17.33 | 16.21 |
| Effective tax rate (%) | 149.70 | 0.31 | 1.24 | 5.00 | 15.00 |
| **BALANCE SHEET (Btm)** | | | | | |
| Cash and cash equivalents | 200 | 313 | 262 | 419 | 460 |
| Current investments | 233 | 1,706 | 1,988 | 2,412 | 1,986 |
| Trade accounts receivable | 162 | 979 | 1,095 | 895 | 773 |
| Unbilled receivables | 235 | 224 | 51 | 328 | 528 |
| Work in progress | 544 | 243 | 338 | 536 | 511 |
| Advances payment for construction | 113 | 520 | 205 | 461 | 302 |
| Other current assets | 258 | 396 | 405 | 397 | 267 |
| PPE | 570 | 1,329 | 1,270 | 1,168 | 1,014 |
| Other assets | 84 | 199 | 370 | 323 | 316 |
| **Total assets** | **2,400** | **5,910** | **5,984** | **6,939** | **6,158** |
| Bank overdrafts | 0 | 0 | 0 | 0 | 0 |
| Trade accounts payable | 622 | 823 | 379 | 610 | 302 |
| Unbilled payable - cost of construction | 56 | 863 | 830 | 1,145 | 590 |
| Advances received from construction | 654 | 1,913 | 1,114 | 1,422 | 1,054 |
| Construction revenue received in adv | 0 | 228 | 858 | 874 | 746 |
| Current portion of l-t liabilities | 54 | 10 | 0 | 0 | 0 |
| Other current liabilities | 174 | 300 | 225 | 271 | 197 |
| Other liabilities | 17 | 8 | 0 | 0 | 0 |
| **Total liabilities** | **1,576** | **4,144** | **3,406** | **4,322** | **2,889** |
| **Total shareholders' equity** | **824** | **1,766** | **2,578** | **2,617** | **3,269** |
| **Total liab. & shareholders' equity** | **2,400** | **5,910** | **5,984** | **6,939** | **6,158** |
| | | | | | |
| Total debt (Btm) | 71 | 17 | 0 | 0 | 0 |
| Net debt (Cash) (Btm) | -130 | -296 | -262 | -419 | -460 |
| BV per share (Bt) | 3.30 | 7.06 | 7.59 | 7.70 | 9.62 |

*Sources: Company data, Bualuang Research estimates*

## Financial tables

| QUAETERLY PROFIT & LOSS (Btm) | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 |
|---|---|---|---|---|---|
| Income from fabrication work | 1,042 | 1,689 | 2,400 | 2,615 | 1,834 |
| Sales & services | 51 | 73 | 72 | 131 | 47 |
| Total income | 1,094 | 1,762 | 2,472 | 2,746 | 1,881 |
| COGS | 945 | 1,563 | 2,080 | 2,203 | 1,557 |
| **Gross profit** | **149** | **199** | **392** | **544** | **324** |
| SG&A | 20 | 26 | 25 | 24 | 21 |
| **Operating profit** | **129** | **173** | **367** | **519** | **303** |
| Other income | -23 | 12 | 4 | 13 | 9 |
| Other expense | 0 | 0 | -29 | -84 | 0 |
| **EBIT** | **106** | **185** | **400** | **617** | **312** |
| Interest expense | 0 | 0 | 1 | 0 | 1 |
| **EBT** | **106** | **184** | **399** | **616** | **312** |
| Tax | 0 | 0 | 3 | 7 | 4 |
| **Net profit** | **106** | **184** | **396** | **609** | **307** |
| **EPS** | **0.42** | **0.74** | **1.58** | **2.44** | **1.17** |
| **KEY RATIOS** | | | | | |
| Revenue growth (%) | -36.72 | 65.67 | 39.57 | 11.46 | -31.51 |
| EPS growth (%) | -65.57 | 76.19 | 113.96 | 54.11 | -52.05 |
| Gross margin (%) | 13.64 | 11.28 | 15.87 | 19.80 | 17.23 |
| Operating margin (%) | 11.82 | 9.81 | 14.87 | 18.91 | 16.11 |
| Net margin (%) | 9.87 | 10.38 | 15.99 | 22.08 | 16.25 |
| Effective tax rate (%) | 0.00 | 0.00 | 0.78 | 1.13 | 1.41 |
| **QUARTERLY BALANCE SHEET (Btm)** | | | | | |
| Cash and cash equivalents | 164 | 300 | 313 | 325 | 251 |
| Current investments | 689 | 471 | 1,706 | 1,681 | 1,990 |
| Trade accounts receivable | 300 | 591 | 979 | 1,101 | 1,752 |
| Unbilled receivables | 430 | 660 | 224 | 42 | 20 |
| Work in progress | 325 | 222 | 243 | 253 | 744 |
| Advances payment for construction | 160 | 126 | 520 | 1,023 | 863 |
| Other current assets | 320 | 268 | 396 | 444 | 379 |
| PPE | 1,088 | 1,398 | 1,329 | 1,299 | 1,213 |
| Other assets | 162 | 223 | 199 | 254 | 330 |
| **Total assets** | **3,639** | **4,260** | **5,910** | **6,422** | **7,544** |
| Bank overdrafts | 0 | 0 | 0 | 0 | 0 |
| Trade accounts payable | 409 | 571 | 823 | 520 | 469 |
| Unbilled payable - cost of construction | 813 | 1,121 | 863 | 1,162 | 1,135 |
| Advances received from construction | 543 | 714 | 1,913 | 1,868 | 1,774 |
| Construction revenue received in adv | 345 | 212 | 228 | 215 | 1,636 |
| Current portion of l-t liabilities | 33 | 31 | 10 | 7 | 5 |
| Other current liabilities | 248 | 210 | 300 | 261 | 287 |
| Other liabilities | 11 | 9 | 8 | 7 | 4 |
| **Total liabilities** | **2,402** | **2,867** | **4,144** | **4,042** | **5,311** |
| **Total shareholders' equity** | **1,237** | **1,393** | **1,766** | **2,381** | **2,233** |
| **Total liab. & shareholders' equity** | **3,639** | **4,260** | **5,910** | **6,422** | **7,544** |
| | | | | | |
| Total debt (Btm) | 44 | 40 | 17 | 15 | 10 |
| Net debt (Cash) (Btm) | -121 | -261 | -296 | -310 | -242 |
| BV per share (Bt) | 4.95 | 5.57 | 7.06 | 9.67 | 7.82 |

*Sources: Company data, Bualuang Research*

## BUALUANG SECURITIES PUBLIC COMPANY LIMITED – DISCLAIMER



**Corporate Governance Report disclaimer**

The disclosure of the survey result 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 base 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 result may be changed after that date. Bualuang Securities Public Company Limited does not conform nor certify the accuracy of such survey result.

| Score Range | Number of Logo | Description |
|---|---|---|
| 90 – 100 | | Excellent |
| 80 – 89 | | Very Good |
| 70 – 79 | | Good |
| 60 – 69 | | Satisfactory |
| 50 – 59 | | Pass |
| Below 50 | No logo given | N/A |

## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.