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KEY HIGHLIGHTS

Update

KCE Electronics (KCE TB/HOLD/Bt51.50/Target: Bt52.75)

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4Q20 results preview: Robust profit but limited upside; downgrade to HOLD.

Siam Cement (SCC TB/BUY/Bt386.00/Target: Bt500.00)

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4Q20 results preview: Expect earnings to be better than our preliminary estimate.

KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,535.98	(11.33)	(0.73)
SET50	971.35	(9.40)	(0.96)
Value (Btm) - SET	85,793		
Top 5 Sector			
BANK	364.29	(0.24)	(0.07)
PETRO	1,060.41	(20.38)	(1.89)
PROP	214.91	0.74	0.35
ENERG	24,536.72	(357.85)	(1.44)
ICT	140.06	(0.27)	(0.19)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
CPALL	59.50	3.03	64,286.1
TASCO	21.10	10.47	182,951.7
SCGP	45.75	3.39	70,177.7
PTT	44.00	(1.12)	66,527.8
EA	65.00	(2.99)	44,422.5

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
MAX	0.02	100.00	57,016.5
IRCP	0.95	21.79	9,032.9
APEX	0.07	16.67	158.9
RSP	2.12	12.77	8,657.9
ICHI	11.50	12.75	91,572.1

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
UWC	0.04	(20.00)	2,804.7
B52	0.32	(11.11)	1,711.3
TWZ	0.08	(11.11)	197,061.3
DELTA	630.00	(10.00)	3,039.3
SEAOIL	2.94	(9.26)	8,470.3

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	56.4	12.3	27.5	8.9
Dubai crude*	54.8	9.8	35.3	9.0
Baltic Dry Index	1,856.0	45.8	18.9	35.9
Gold Spot***	1,850.9	(0.1)	(3.0)	(2.5)

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
27.7	216.6	216.6	(6,350.8)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 29.99

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

COMPANY UPDATE

KCE Electronics (KCE TB)

4Q20 Results Preview: Robust Profit But Limited Upside

We expect KCE to post a 4Q20 net profit of Bt348m (+43.7% yoy, +34.6% qoq). The key growth drivers for 4Q20's net profit are expected to have been solid sales and a gross margin expansion, driven by special-grade PCB and improvement in utilisation rates. Despite KCE's positive earnings outlook for 4Q20 and 2021, we believe the positives have been priced in and we now see limited upside. Downgrade to HOLD with a new target price of Bt52.75. Entry price: Bt44.85.

4Q20 RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q20F	4Q19	3Q20	yoy chg (%)	qoq chg (%)
Net turnover	3,238	2,902	2,722	11.6	19.0
Gross profit	708	591	518	19.8	36.8
EBIT	333	218	209	52.5	59.5
EBITDA	591	423	474	39.9	24.8
Net profit	348	259	242	34.6	43.7
EPS	0.30	0.22	0.21	34.6	43.7
Core profit	321	171	178	87.6	80.3
Ratio				yoy chg (%)	qoq chg (%)
Gross margin	21.9	20.4	19.0	1.5	2.9
SG&A% of sales	11.6	12.8	11.3	-1.3	0.2
Core profit margin	9.9	5.9	6.5	4.0	3.4

Source: KCE, UOB Kay Hian

WHAT'S NEW

- **Expected to report strong 4Q20 results.** We expect KCE Electronics (KCE) to post a 4Q20 net profit of Bt348m (+43.7% yoy, +34.6% qoq) on the back of two main growth drivers: a) robust sales of Bt3.2b (+11.6% yoy, +19.0% qoq) thanks to strong demand for printed circuit boards (PCB) and pent-up demand following the relaxation of the lockdown; sales in US dollar terms should have increased to US\$105.78m (+10.4% yoy, +21.8% qoq); b) gross margin expansion to 21.9% (+19.0% 3Q20, +20.4%: 4Q19) due to higher contribution of special-grade PCB which yields a higher gross margin. We expect a qoq recovery in factories' utilisation rates after the relaxation of lockdown measures in Thailand.

KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	13,982.5	12,097.4	11,347.0	12,593.9	12,725.4
EBITDA	2,781.7	1,818.5	2,008.2	2,843.6	2,992.1
Operating profit	1,826.8	841.0	958.8	1,769.4	1,883.4
Net profit (rep./act.)	1,949.2	934.5	1,086.9	1,863.0	1,972.1
Net profit (adj.)	1,949.2	934.5	1,086.9	1,863.0	1,972.1
EPS (Bt)	1.7	0.8	0.9	1.6	1.7
PE (x)	31.0	64.6	55.6	32.4	30.6
P/B (x)	5.1	5.2	4.9	4.5	4.2
EV/EBITDA (x)	21.5	32.9	29.8	21.0	20.0
Dividend yield (%)	2.1	0.8	1.2	1.6	1.6
Net margin (%)	13.9	7.7	9.6	14.8	15.5
Net debt/(cash) to equity (%)	13.9	9.4	(1.6)	(7.6)	(16.5)
Interest cover (x)	25.3	29.8	32.6	46.2	48.6
Consensus net profit	-	-	1,072	1,758	2,190
UOBKH/Consensus (x)	-	-	1.01	1.06	0.90

Source: KCE, Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	Bt51.50
Target Price	Bt52.75
Upside	+2.4%
(Previous TP)	Bt53.00)

COMPANY DESCRIPTION

KCE manufactures and distributes PCB boards under the KCE trademark. The company mainly focuses on the automobile PCB segment.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	KCE TB
Shares issued (m):	1,178.1
Market cap (Btm):	60,670.2
Market cap (US\$m):	2,018.8
3-mth avg daily t'over (US\$m):	31.5

Price Performance (%)

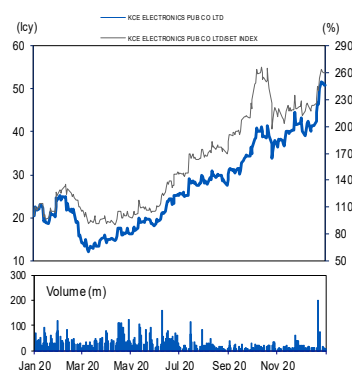
52-week high/low Bt51.75/Bt12.00

1mth	3mth	6mth	1yr	YTD
23.4	50.4	104.0	155.0	24.1

Major Shareholders

	%
Ongkosit Family	34.0
APCO CAPITAL	7.5
STATE STREET BANK EUROPE LIMITED	3.5
FY21 NAV/Share (Bt)	11.36
FY21 Net Cash/Share (Bt)	0.86

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- US dollar weakness persists on the Fed's stimulus.** KCE is expected to be directly impacted by the US dollar's depreciation as the company is an exporter of electronic components and recognises approximately 80% of its revenue in US dollar terms. In 4Q20, the baht had appreciated against the US dollar to US\$30.61/Bt (vs US\$31.33/Bt in 3Q20). Thus, we believe the US dollar will depreciate in 2021 as the Fed expects to roll out more stimulus. Despite an unfavourable forex outlook in 2021, we expect earnings to grow by 71% yoy due to an increase in sales and gross margin.
- Risk of resurgence of COVID-19 cases and lockdowns.** Lockdowns significantly affect automotive companies worldwide with the shutters of many car factories having been closed. Many customers of KCE who are chip suppliers, such as Continental and Bosch, have faced disruptions from the recent lockdowns. In the event of another lockdown over the near term, KCE's sales could see further downside risk from the delay in car orders and new production; hence, we are cautious of the risk of sales weakness.
- 5G products and HDI demand for global EV cars.** We believe that the trend of electric vehicles (EV) is increasing worldwide with further development of 5G. Therefore, we expect KCE to be one of the beneficiaries of growing demand for the technology needed to produce a multi-layer PCB - the high density interconnector (HDI) - which is required in EV cars. We are seeing many companies, such as Volkswagen, Apple and NIO, embarking on EV car projects. This implies high demand for chips as EV cars are growing in popularity.

EARNINGS REVISION/RISK

- Earnings forecasts.** We lower our 2020 net profit forecast from Bt1.11b to Bt1.09b (-2.3%) mainly due to changes in: a) forex assumption from Bt32.00/US\$ to Bt31.30/US\$; and b) gross margin assumption to increase from 21.3% to 21.4%. We raise our 2021 net profit forecast by 1.2%.

EARNINGS REVISION

(Btm)	2020F			2021F		
	New	Previous	% chg	New	Previous	% chg
Sales	11,347	11,283	0.6%	12,594	12,611	-0.1%
Net profit	1,087	1,112	-2.3%	1,878	1,856	0.4%
Gross margin (%)	21.4	21.3	0.5%	25.9	26	-1.5%
FX rate (Bt/\$US)	31.3	32.0	-2.2%	30.5	32.0	-4.8%

Source: KCE, Bloomberg, UOB Kay Hian

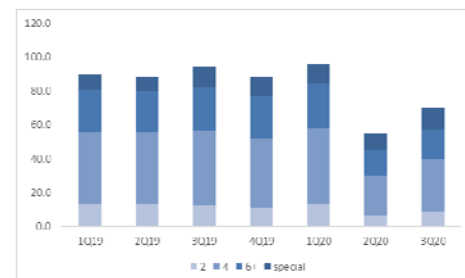
VALUATION/RECOMMENDATION

- Downgrade to HOLD** with a new target price of Bt52.75 (from Bt53.00 previously), based on 33.7x 2021F PE and pegged at +1SD to its 5-year mean PE. Our HOLD call is premised on fair price having limited upside of only 6% and with share price having factored in the positive news. Entry price is Bt44.85.

RISK

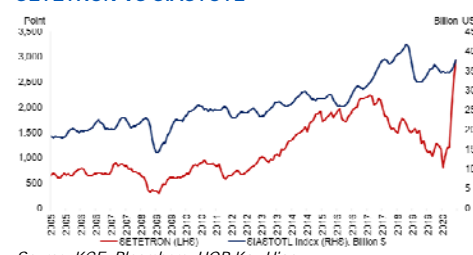
- Dollar depreciation from Fed's stimulus and COVID-19 lockdown.**

PRODUCT MIX BREAKDOWN



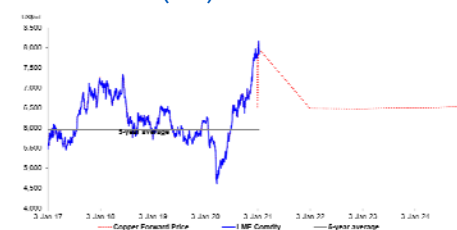
Source: KCE, UOB Kay Hian

SETETRON VS SIASTOTL



Source: KCE, Bloomberg, UOB Kay Hian

COPPER PRICE (LME) FORECAST



Source: KCE, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Net turnover	12,097	11,347	12,594	12,725
EBITDA	1,819	2,008	2,844	2,992
Deprec. & amort.	978	1,049	1,074	1,109
EBIT	841	959	1,769	1,883
Total other non-operating income	191	244	244	244
Associate contributions	19	11	12	12
Net interest income/(expense)	(61)	(62)	(62)	(62)
Pre-tax profit	990	1,152	1,964	2,078
Tax	(41)	(50)	(86)	(91)
Minorities	(15)	(15)	(15)	(15)
Net profit	934	1,087	1,863	1,972
Net profit (adj.)	934	1,087	1,863	1,972

CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Operating	2,278	2,119	2,542	2,929
Pre-tax profit	990	1,152	1,964	2,078
Tax	(41)	(50)	(86)	(91)
Deprec. & amort.	978	1,049	1,074	1,109
Working capital changes	367	(69)	(408)	(167)
Non-cash items	(16)	37	(2)	0
Other operating cashflows	0	0	0	0
Investing	(531)	(243)	(967)	(605)
Capex (growth)	(504)	(301)	(1,001)	(609)
Investments	(146)	0	0	0
Others	119	58	35	4
Financing	(2,173)	(174)	(764)	(968)
Dividend payments	(1,136)	(588)	(824)	(968)
Issue of shares	0	0	0	0
Proceeds from borrowings	(978)	403	0	0
Others/interest paid	(59)	10	60	0
Net cash inflow (outflow)	(425)	1,702	811	1,356
Beginning cash & cash equivalent	1,383	957	2,659	3,471
Ending cash & cash equivalent	957	2,659	3,471	4,826

BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Fixed assets	9,491	8,743	8,670	8,170
Other LT assets	370	364	374	376
Cash/ST investment	957	2,659	3,471	4,826
Other current assets	5,683	5,254	6,372	5,930
Total assets	16,501	17,020	18,887	19,301
ST debt	1,330	1,683	1,683	1,683
Other current liabilities	2,322	1,861	2,569	1,960
LT debt	731	781	781	781
Other LT liabilities	357	408	453	458
Shareholders' equity	11,712	12,222	13,321	14,325
Minority interest	50	65	80	95
Total liabilities & equity	16,501	17,020	18,888	19,302

KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Profitability				
EBITDA margin	15.0	17.7	22.6	23.5
Pre-tax margin	8.2	10.2	15.6	16.3
Net margin	7.7	9.6	14.8	15.5
Net profit (adj.)	(52.1)	16.3	71.4	5.9
Leverage				
Debt to total capital	14.9	16.7	15.5	14.6
Debt to equity	17.6	20.2	18.5	17.2
Net debt/(cash) to equity	9.4	(1.6)	(7.6)	(16.5)
Interest cover (x)	29.8	32.6	46.2	48.6

COMPANY UPDATE

Siam Cement (SCC TB)

4Q20 Results Preview: Expect Earnings To Be Better Than Our Prior Estimate

We expect SCC's net profit to have declined qoq in 4Q20. However, it could be better than our preliminary estimate on less impact from the planned maintenance shutdown at its MOC plant. We also expect the improvement in chemical spreads which would support earnings as well as its MOC's debottleneck project to increase its HDPE and PP capacity by around 10% from 2Q21. Maintain BUY and target price of Bt500.00.

WHAT'S NEW

- **Net profit to have declined qoq in 4Q20, but better than our preliminary estimate.** We expect Siam Cement (SCC) to post a net profit of Bt7.7b in 4Q20, down 20.7% qoq but up 8.7% yoy. The qoq decline would be due to softer cement earnings on seasonally low demand which was further impacted by floods in Oct 20. Second, a 45-day planned maintenance shutdown at its Map Ta Phut Olefins (MOC) plant in 4Q20 but we see less impact from the shutdown as we expect High Density Polyethylene (HDPE). The volume loss from polypropylene (PP) production could be around 110,000 tonnes in 4Q20 better than our preliminary estimate of 125,000 tonnes. Moreover, HDPE and PP spreads have increased by 13.4% qoq and 28.5% qoq respectively while the expected inventory gains of around Bt500m should partially offset the shutdown impact. Lastly, although SCG Packaging's (SCGP TB) net profit is expected to have increased 26.7% qoq to Bt1.7b, its contribution to SCC is expected to have declined 8% qoq to Bt1.2b as the public listing of SCGP in Oct 20 has diluted SCC's stake in of SCGP to 72.1% from 100%.
- The yoy increase in net profit would mainly be due to HDPE and PP spreads surging 97.3% yoy and 43.9% yoy respectively as well as higher inventory gains of Bt500m in 4Q20 (4Q19: inventory loss of Bt1.1b).

KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net turnover	478,438	437,980	401,328	434,380	445,639
EBITDA	76,480	58,104	53,139	71,518	67,309
Operating profit	51,705	34,173	28,822	45,310	39,212
Net profit (rep./act.)	44,748	32,014	30,098	40,328	42,426
Net profit (adj.)	46,388	38,194	32,638	40,328	42,426
EPS (Bt)	38.7	31.8	27.2	33.6	35.4
PE (x)	10.0	12.1	14.2	11.5	10.9
P/B (x)	1.7	1.7	1.5	1.2	1.1
EV/EBITDA (x)	9.1	11.9	13.0	9.7	10.3
Dividend yield (%)	4.7	4.5	3.0	3.4	4.0
Net margin (%)	9.4	7.3	7.5	9.3	9.5
Net debt/(cash) to equity (%)	56.0	67.3	60.8	44.6	44.4
Interest cover (x)	11.2	9.0	6.4	8.6	92.0
ROE (%)	16.6	11.5	10.2	11.7	10.8
Consensus net profit	-	-	33,944	35,743	37,288
UOBKH/Consensus (x)	-	-	0.96	1.13	1.14

Source: SCC, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt386.00
Target Price	Bt500.00
Upside	+29.5%

COMPANY DESCRIPTION

SCC operates as a holding company and is engaged in the industrial supplies and construction industries. The company operates six core businesses - chemical, paper, cement, building materials, distribution and investment.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	SCC TB
Shares issued (m):	1,200.0
Market cap (Btm):	463,200.0
Market cap (US\$m):	15,413.3
3-mth avg daily t'over (US\$m):	41.5

Price Performance (%)

52-week high/low Bt398.00/Bt267.00

1mth	3mth	6mth	1yr	YTD
(2.3)	10.3	1.3	4.9	2.1

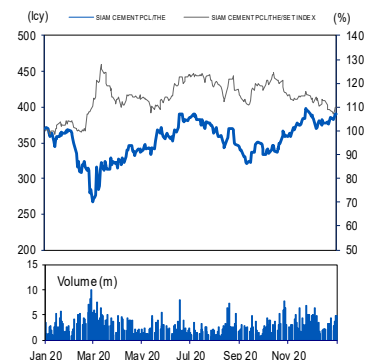
Major Shareholders

	%
Maha Vajiralongkorn	33.3
Stock Exchange of Thailand	10.0
STATE STREET Corp	4.3

FY21 NAV/Share (Bt) 316.80

FY21 Net Debt/Share (Bt) 141.43

PRICE CHART



Source: Bloomberg

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4Q20 RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q19	3Q20	4Q20F	yoy % chg	qoq % chg
Revenue	106,177	100,938	95,891	(9.7)	(5.0)
COGS	-87,195	-76,129	-74,316	(14.8)	(2.4)
SG&A	-14,592	-13,465	-12,792	(12.3)	(5.0)
EBITDA	20,758	19,334	19,683	(5.2)	1.8
Interest expenses	-3,135	-2,024	-1,923	(38.7)	(5.0)
Net income	7,104	9,741	7,726	8.7	(20.7)
- Cement	1,305	1,894	1,100	(15.7)	(41.9)
- Chemical	2,801	5,488	4,766	70.1	(13.2)
- Packaging	1,196	1,335	1,226	2.5	(8.2)
EPS (Bt)	5.9	8.1	6.4	8.7	(20.7)
Inventory gains/ (loss)	-1,060	820	500	147.2	(39.0)
Non-recurring items	1,610	-572	144	(91.1)	125.2
Recurring Income	6,554	9,493	7,082	8.0	(25.4)
SG&A/Sales (%)	13.7	13.3	13.3		
EBITDA margin (%)	19.6	19.2	20.5		
Net margin (%)	6.7	9.7	8.1		

Source: SCC, UOB Kay Hian

STOCK IMPACT

- Chemical business (50% of 2020F total profit) should drive earnings growth in 2021.**

We expect SCC to benefit from higher HDPE and PP demand for the production of packaging, consumer health and hygiene products. Container shortage should continue to push up HDPE/PP prices while the market expects the shortage of boxes and space on ships would likely continue into 1H21. SCC's MOC debottleneck project will start commercial operation in 2Q21 and will increase SCC's HDPE and PP production capacity to 500,000 tonnes per quarter (from 450,000-470,000 tonnes currently). All in all, HDPE prices have risen to a one-year high of US\$1,065/tonne while PP prices have hit a one-year high of US\$1,255/tonne currently.

- Expect 1Q21 core earnings to improve qoq.** We expect SCC's core earnings to improve strongly qoq in 1Q21, supported by higher sales volumes of HDPE and PP products after the 45-day shutdown at its MOC plant was completed in 4Q20. Moreover, cement and packaging demand are entering the high season in 1Q21.

EARNINGS REVISION/RISK

- None.

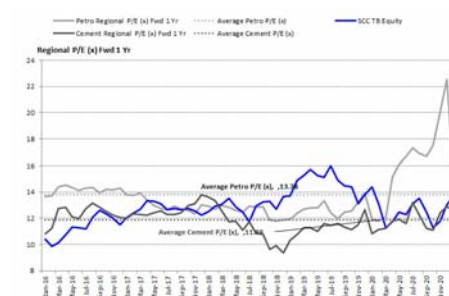
VALUATION/RECOMMENDATION

- Maintain BUY and target price of Bt500.00**, based on SOTP valuation. We peg valuation of the chemical, cement and packaging businesses to the 5-year mean of their regional PE mean multiples of 14x, 12x and 26x respectively. Within the oil & gas space, PTT Global Chemical (PTTGC TB) and Indorama Venture (IVL TB) remain our top picks on their strong earnings recovery.

SHARE PRICE CATALYST

- Continued improvement in HDPE and PP spreads.

REGIONAL PE MEAN



Source: Bloomberg, UOB Kay Hian

SOTP VALUATION

	Equity value	Bt/share	Methodology
Chemical	323,429	270	14x PE
Cement	91,164	76	12x PE
Paper	161,641	135	26x PE
Others	24,243	20	10x PE
Total	600,477	500	

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Net turnover	437,980	401,328	434,380	445,639
EBITDA	58,104	53,139	71,518	67,309
Deprec. & amort.	23,932	24,318	26,208	28,098
EBIT	34,173	28,822	45,310	39,212
Total other non-operating income	0	0	0	0
Associate contributions	11,632	18,764	18,952	19,141
Net interest income/(expense)	(6,442)	(8,284)	(8,285)	(732)
Pre-tax profit	39,363	39,302	55,977	57,621
Tax	(6,167)	(3,891)	(6,797)	(5,882)
Minorities	(1,182)	(5,313)	(8,853)	(9,313)
Preferred dividends	0	0	0	0
Net profit	32,014	30,098	40,328	42,426
Net profit (adj.)	38,194	32,638	40,328	42,426

CASH FLOW

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Operating	68,940	46,871	51,751	59,020
Pre-tax profit	39,363	33,989	47,125	48,308
Tax	(6,167)	(3,891)	(6,797)	(5,882)
Deprec. & amort.	23,932	24,318	26,208	28,098
Associates	(11,632)	(18,764)	(18,952)	(19,141)
Working capital changes	4,500	5,907	(4,685)	(1,676)
Non-cash items	0	0	0	0
Other operating cashflows	18,945	5,313	8,853	9,313
Investing	(48,057)	(60,000)	(60,000)	(60,000)
Capex (growth)	(48,057)	(60,000)	(60,000)	(60,000)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	17,320	(3,975)	25,154	1,380
Dividend payments	(20,772)	(13,975)	(15,846)	(18,620)
Issue of shares	12,623	0	44,000	0
Proceeds from borrowings	12,735	10,000	(3,000)	20,000
Loan repayment	n.a.	0	0	0
Others/interest paid	12,735	0	0	0
Net cash inflow (outflow)	38,204	(17,104)	16,905	400
Beginning cash & cash equivalent	50,381	44,373	37,663	54,568
Changes due to forex impact	(44,212)	10,394	n.a.	n.a.
Ending cash & cash equivalent	44,373	37,663	54,568	54,968

BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Fixed assets	305,986	302,266	322,955	340,808
Other LT assets	164,362	198,388	206,326	213,435
Cash/ST investment	44,373	37,663	54,568	54,968
Other current assets	120,013	116,962	143,411	155,178
Total assets	634,733	655,279	727,260	764,389
ST debt	77,533	82,610	79,610	89,610
Other current liabilities	53,972	49,710	52,186	53,347
LT debt	155,361	144,674	144,674	144,674
Other LT liabilities	20,124	10,562	10,562	10,562
Shareholders' equity	280,215	311,678	380,161	403,967
Minority interest	47,528	56,045	60,068	62,229
Total liabilities & equity	634,733	655,279	727,260	764,389

KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Profitability				
EBITDA margin	13.3	13.2	16.5	15.1
Pre-tax margin	9.0	9.8	12.9	12.9
Net margin	7.3	7.5	9.3	9.5
ROA	5.2	4.7	5.8	5.7
ROE	11.5	10.2	11.7	10.8
Growth				
Turnover	(8.5)	(8.4)	8.2	2.6
EBITDA	(24.0)	(8.5)	34.6	(5.9)
Pre-tax profit	(34.3)	(0.2)	42.4	2.9
Net profit	(28.5)	(6.0)	34.0	5.2
Net profit (adj.)	(17.7)	(14.5)	23.6	5.2
EPS	(17.7)	(14.5)	23.6	5.2
Leverage				
Debt to total capital	41.5	38.2	33.8	33.4
Debt to equity	83.1	72.9	59.0	58.0
Net debt/(cash) to equity	67.3	60.8	44.6	44.4
Interest cover (x)	9.0	6.4	8.6	92.0

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