

## Malaysia

**ADD** (no change)

Consensus ratings\*: Buy 7 Hold 2 Sell 0

Current price:	RM1.49
Target price:	RM2.03
Previous target:	RM2.30
Up/downside:	36.2%
CGS-CIMB / Consensus:	-0.8%
Reuters:	SUPM.KL
Bloomberg:	SUCB MK
Market cap:	US\$461.5m
	RM1,946m
Average daily turnover:	US\$1.28m
	RM5.48m
Current shares o/s:	1,360m
Free float:	62.5%

\*Source: Bloomberg

**Key changes in this note**

➤ FY20-21F EPS lowered by 10.6-12.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9.2	-9.2	-11.3
Relative (%)	-7.3	-7.7	0.1

**Major shareholders**

	% held
Dato' Seri Thai Kim Sim, Stanley	20.7
Datin Seri Tan Bee Geok, Cheryl	15.3
Amanah Saham Nasional	1.5

**Analyst(s)**

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# Supermax Corp

## An unexpected blip

- FY6/19 core net profit of RM117.3m was below expectations, at 91% of our and 89% of Bloomberg consensus' full-year estimates.
- We expect stronger earnings ahead, on the back of: i) recovery in glove selling prices, ii) capacity expansion, and iii) better cost efficiencies.
- Maintain Add, with lower TP of RM2.03 (18.8x CY20F P/E).

### Weaker 4QFY19 due to higher latex prices and operating expenses

4QFY6/19 revenue rose 4.1% qoq, mainly from higher glove sales. Yet, 4QFY19 EBITDA margin declined 8.8% pts qoq to 8.5% while net profit weakened to RM15.1m (-56.5% qoq). We attribute the weaker qoq results to: i) higher latex prices (+23% qoq), ii) stiffer pricing competition, and iii) higher operating costs. We suspect there was a longer-than-expected time lag in adjusting selling prices of latex gloves upwards to fully pass on higher latex prices. Note that SUCB's glove sales mix is currently 52% nitrile: 48% latex.

### FY6/19 core net profit rose 9.6% yoy; below expectations

Due to the weaker-than-expected 4QFY19 results, FY19 core net profit came in below expectations at 91% of our and 89% of Bloomberg consensus' full-year estimates. This was despite SUCB posting a 14.2% yoy increase in FY19 revenue to RM1.5bn and 9.6% yoy growth in FY19 core net profit to RM117m (excluding one-off RM6.5m gain from insurance claims in 1QFY19). The stronger yoy results was driven by higher glove sales from increased production output and better cost efficiencies.

### Slight delay in commissioning its new plant, Plant 12

For its glove capacity expansion plans, Plant 12 will begin gradual commissioning in two stages -- Stage A (2.2bn p.a.) to begin by 4Q19F (1QFY6/20F) and Stage B (+2.2bn p.a.) by 2Q20F (3QFY20F), an estimated delay of 3 months due to slower civil works. With this new plant, SUCB's total glove production capacity will rise 20.3% to 26.2bn pieces p.a.

### Stronger earnings ahead

Moving forward, we expect SUCB to record stronger earnings, to be driven by: i) higher selling prices of its latex gloves, ii) tailwinds from external environment (lower latex raw material prices and weaker RM/US\$), and iii) its capacity expansion. Nevertheless, we lower our FY20-21F EPS by 10.6-12.5% to reflect: i) higher latex prices, and ii) 3-month delay in commissioning of all its new glove plants. We also introduce our FY22 estimates.

### Maintain Add, with lower TP of RM2.03

With the EPS cut, our TP dips to RM2.03, still based on 18.8x CY20F P/E (1 s.d. of 5yr mean). We believe that at 13.8x CY20F P/E (51% discount to glove sector's average of 24.8x), SUCB is undervalued, given its improved earnings outlook and strong 3-year EPS CAGR of 18% (FY20-22F). Potential re-rating catalysts are stronger-than-expected earnings delivery from its glove segment, and its contact lens segment turning profitable. Downside risks: sharp rise in latex/nitrile raw material prices, stiffer pricing competition.

**Financial Summary**

	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
Revenue (RMm)	1,304	1,489	1,761	2,029	2,314
Operating EBITDA (RMm)	211.7	230.6	271.8	308.4	340.1
Net Profit (RMm)	106.7	123.8	135.7	157.9	175.3
Core EPS (RM)	0.08	0.09	0.10	0.12	0.13
Core EPS Growth	58.7%	9.9%	15.7%	16.4%	11.0%
FD Core P/E (x)	19.00	17.29	14.94	12.84	11.56
DPS (RM)	0.040	0.039	0.045	0.052	0.036
Dividend Yield	2.68%	2.60%	3.01%	3.51%	2.42%
EV/EBITDA (x)	10.07	8.86	7.95	7.15	6.50
P/FCFE (x)	12.4	29.7	115.5	20.3	16.7
Net Gearing	28.5%	19.4%	27.5%	28.7%	26.1%
P/BV (x)	2.00	1.80	1.69	1.57	1.43
ROE	10.3%	11.0%	11.7%	12.7%	13.0%
% Change In Core EPS Estimates			(12.5%)	(10.6%)	
CGS-CIMB/Consensus EPS (x)			0.88	0.92	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

FYE Jun	4Q		4Q yoy % qoq %		4QFY19	4QFY18	yoy %	Prev.	Comments
(RM m)	FY19	FY18	chg	chg	Cum	Cum	chg	FY19F	
Revenue	376.0	329.5	14.1	4.1	1,489.3	1,304.5	14.2	1,637.9	FY19: Higher due to increase in glove sales volume
Operating costs	(344.0)	(293.4)	17.2	15.2	(1,265.3)	(1,088.1)	16.3	(1,437.9)	
EBITDA	32.0	36.0	(11.3)	(49.0)	224.1	216.4	3.5	217.7	
EBITDA margin (%)	8.5	10.9	(2.4)	(8.8)	15.0	16.6	(1.5)	14.5	Due to higher raw material prices, stiffer pricing competition and increase
Depn & amort.	(11.6)	(10.4)	11.8	(1.3)	(43.6)	(40.8)	7.0	(49.8)	in overall operating costs
EBIT	20.4	25.7	(20.7)	(31.9)	180.4	175.6	2.7	200.0	
Interest expense	(5.9)	(4.0)	47.2	30.2	(19.7)	(14.0)	41.1	(17.0)	Net borrowings stand at RM218.1m
Interest & invt inc	-	-	-	-	-	-	-	-	
Associates' contrib	1.8	1.8	(2.7)	>100	5.4	5.5	(2.3)	4.0	Lower contribution recorded from associate companies
Exceptionals	-	-	>100	>100	6.5	-	-	-	One-off gain of RM6.5m in 1QFY19 from insurance claim for fire that hit one
<b>Pretax profit</b>	<b>16.2</b>	<b>23.4</b>	<b>(30.9)</b>	<b>(67.2)</b>	<b>172.6</b>	<b>167.2</b>	<b>3.2</b>	<b>187.0</b>	of its glove factories in Sungai Buloh, Selangor.
Tax	(2.2)	(12.0)	(81.7)	(84.8)	(49.0)	(56.2)	(12.9)	(55.0)	
Tax rate (%)	13.5	51.0	(37.5)	(15.7)	28.4	33.6	(5.3)	29.4	Higher than statutory tax rate from higher tax rates of overseas subsidiaries
Minority interests	1.1	(1.6)	(164)	(405)	0.1	(4.0)	(102)	(3.5)	
<b>Net profit</b>	<b>15.1</b>	<b>9.8</b>	<b>53.0</b>	<b>(56.5)</b>	<b>123.8</b>	<b>107.0</b>	<b>15.6</b>	<b>128.5</b>	<b>Below expectations at 91% of CIMB and 88% of consensus FY19</b>
<b>Core net profit</b>	<b>15.1</b>	<b>9.8</b>	<b>53.0</b>	<b>(56.5)</b>	<b>117.3</b>	<b>107.0</b>	<b>9.6</b>	<b>128.5</b>	estimates
EPS (sen)	1.1	0.7	53.0	(56.5)	9.1	7.9	15.6	9.4	
Core EPS (sen)	1.1	0.7	53.0	(56.5)	8.6	7.9	9.6	9.4	Based on 1360m total outstanding shares

SOURCES: CGS-CIMB, COMPANY REPORTS

**Figure 2: Earnings revision**

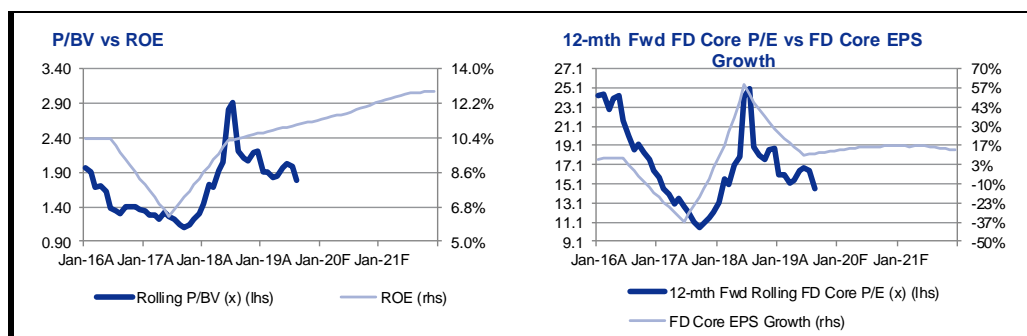
RM m	2018	2019F			2020F			2021F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Revenue	1,489	1,897	1,761	-7%	2,126	2,029	-5%	-	2,314	-
EBITDA	231	299	272	-9%	337	308	-8%	-	340	-
Core pretax profit	164	234	200	-15%	265	231	-13%	-	256	-
Core net profit	117	155	136	-12%	177	158	-11%	-	175	-

SOURCES: CIMB, COMPANY REPORTS

**Figure 3: Malaysian industrial goods and services sector comparison – CIMB Research coverage**

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY19F	CY20F		CY19F	CY20F	CY19F	CY20F	CY19F	CY20F	CY19F	CY20F
Hartalega Holdings	HART MK	Hold	5.13	5.20	4,085	38.4	35.1	9.8%	7.2	6.7	19.9%	19.8%	24.7	22.6	1.6%	1.7%
Top Glove Corporation	TOPG MK	Add	4.75	5.30	2,883	28.8	23.8	14.2%	4.6	4.2	16.6%	18.3%	18.5	15.7	1.7%	2.1%
Kossan Rubber Industries	KRI MK	Add	4.22	5.07	1,280	23.8	20.8	16.2%	3.7	3.4	16.4%	17.0%	14.6	13.0	1.7%	1.9%
<b>Supermax Corp</b>	<b>SUCB MK</b>	<b>Add</b>	<b>1.49</b>	<b>2.03</b>	<b>462</b>	<b>16.0</b>	<b>13.8</b>	<b>18.0%</b>	<b>1.7</b>	<b>1.6</b>	<b>11.4%</b>	<b>12.3%</b>	<b>8.2</b>	<b>7.5</b>	<b>2.8%</b>	<b>3.3%</b>
<b>Weighted Average</b>						<b>31.9</b>	<b>28.1</b>	<b>12.6%</b>	<b>5.5</b>	<b>5.1</b>	<b>17.8%</b>	<b>18.5%</b>	<b>20.3</b>	<b>18.1</b>	<b>1.7%</b>	<b>1.9%</b>

SOURCES: CIMB, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(RMm)	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
<b>Total Net Revenues</b>	<b>1,304</b>	<b>1,489</b>	<b>1,761</b>	<b>2,029</b>	<b>2,314</b>
<b>Gross Profit</b>	<b>439</b>	<b>466</b>	<b>540</b>	<b>613</b>	<b>688</b>
<b>Operating EBITDA</b>	<b>212</b>	<b>231</b>	<b>272</b>	<b>308</b>	<b>340</b>
Depreciation And Amortisation	(42)	(44)	(58)	(62)	(67)
<b>Operating EBIT</b>	<b>170</b>	<b>187</b>	<b>214</b>	<b>246</b>	<b>273</b>
Financial Income/(Expense)	(14)	(20)	(20)	(20)	(22)
Pretax Income/(Loss) from Assoc.	6	5	5	5	5
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>162</b>	<b>173</b>	<b>200</b>	<b>231</b>	<b>256</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>162</b>	<b>173</b>	<b>200</b>	<b>231</b>	<b>256</b>
Taxation	(52)	(49)	(60)	(69)	(77)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>110</b>	<b>124</b>	<b>140</b>	<b>162</b>	<b>179</b>
Minority Interests	(3)	0	(4)	(4)	(4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>107</b>	<b>124</b>	<b>136</b>	<b>158</b>	<b>175</b>
Recurring Net Profit	107	117	136	158	175
<b>Fully Diluted Recurring Net Profit</b>	<b>107</b>	<b>117</b>	<b>136</b>	<b>158</b>	<b>175</b>

**Cash Flow**

(RMm)	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
<b>EBITDA</b>	<b>211.7</b>	<b>230.6</b>	<b>271.8</b>	<b>308.4</b>	<b>340.1</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	56.8	0.0	(99.6)	(46.5)	(49.3)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	(13.2)	66.3	24.9	27.1	29.4
Net Interest (Paid)/Received	(14.0)	(19.7)	(19.7)	(19.9)	(22.1)
Tax Paid	(64.1)	(49.0)	(59.9)	(69.4)	(76.8)
<b>Cashflow From Operations</b>	<b>177.2</b>	<b>228.2</b>	<b>117.5</b>	<b>199.7</b>	<b>221.2</b>
Capex	(58.9)	(115.7)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(58.9)</b>	<b>(115.7)</b>	<b>(150.0)</b>	<b>(150.0)</b>	<b>(150.0)</b>
Debt Raised/(repaid)	45.7	(44.3)	50.0	50.0	50.0
Proceeds From Issue Of Shares					
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(75.7)	(32.8)	(61.1)	(71.1)	(49.1)
Preferred Dividends					
Other Financing Cashflow	(14.0)	(19.7)	(19.7)	(19.9)	(22.1)
<b>Cash Flow From Financing</b>	<b>(44.0)</b>	<b>(96.8)</b>	<b>(30.8)</b>	<b>(40.9)</b>	<b>(21.2)</b>
Total Cash Generated	74.3	15.7	(63.2)	8.7	50.0
<b>Free Cashflow To Equity</b>	<b>164.0</b>	<b>68.2</b>	<b>17.5</b>	<b>99.7</b>	<b>121.2</b>
<b>Free Cashflow To Firm</b>	<b>132.3</b>	<b>132.2</b>	<b>(12.7)</b>	<b>69.6</b>	<b>93.3</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(RMm)	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
Total Cash And Equivalents	145	174	111	119	169
Total Debtors	203	197	303	349	398
Inventories	188	183	270	314	360
Total Other Current Assets	36	77	175	176	177
<b>Total Current Assets</b>	<b>572</b>	<b>631</b>	<b>859</b>	<b>959</b>	<b>1,105</b>
Fixed Assets	896	972	1,049	1,134	1,214
Total Investments	197	202	202	202	202
Intangible Assets	29	29	29	29	29
Total Other Non-Current Assets	2	1	1	1	1
<b>Total Non-current Assets</b>	<b>1,123</b>	<b>1,204</b>	<b>1,281</b>	<b>1,366</b>	<b>1,446</b>
Short-term Debt	374	350	350	350	350
Current Portion of Long-Term Debt					
Total Creditors	192	229	322	365	412
Other Current Liabilities		49	49	49	49
<b>Total Current Liabilities</b>	<b>566</b>	<b>627</b>	<b>721</b>	<b>764</b>	<b>810</b>
Total Long-term Debt	62	42	92	142	192
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	82	82	83
<b>Total Non-current Liabilities</b>	<b>62</b>	<b>42</b>	<b>174</b>	<b>224</b>	<b>275</b>
Total Provisions	49	40	40	40	40
<b>Total Liabilities</b>	<b>677</b>	<b>709</b>	<b>935</b>	<b>1,028</b>	<b>1,124</b>
Shareholders' Equity	1,013	1,127	1,202	1,288	1,415
Minority Interests	10	0	4	8	12
<b>Total Equity</b>	<b>1,023</b>	<b>1,127</b>	<b>1,206</b>	<b>1,296</b>	<b>1,427</b>

**Key Ratios**

	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
Revenue Growth	15.8%	14.2%	18.2%	15.3%	14.0%
Operating EBITDA Growth	42.1%	8.9%	17.9%	13.4%	10.3%
Operating EBITDA Margin	16.2%	15.5%	15.4%	15.2%	14.7%
Net Cash Per Share (RM)	(0.21)	(0.16)	(0.24)	(0.27)	(0.27)
BVPS (RM)	0.74	0.83	0.88	0.95	1.04
Gross Interest Cover	12.15	9.48	10.87	12.38	12.35
Effective Tax Rate	32.0%	28.4%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio	34.3%	30.6%	31.2%	31.3%	19.5%
Accounts Receivables Days	59.64	41.41	44.86	54.53	54.80
Inventory Days	79.63	66.14	68.00	75.28	75.65
Accounts Payables Days	81.54	58.71	61.84	74.75	75.12
ROIC (%)	14.6%	16.1%	18.1%	16.9%	17.2%
ROCE (%)	11.1%	12.2%	13.2%	14.0%	14.2%
Return On Average Assets	10.1%	10.9%	11.0%	11.3%	11.4%

**Key Drivers**

	Jun-18A	Jun-19A	Jun-20F	Jun-21F	Jun-22F
ASP (% chg, main prod./serv.)	0.0%	13.7%	16.9%	9.9%	6.1%
Unit sales grth (% , main prod./serv.)	2.8%	-8.2%	74.9%	82.2%	36.9%
Util. rate (% , main prod./serv.)	79.0%	79.0%	78.0%	82.0%	83.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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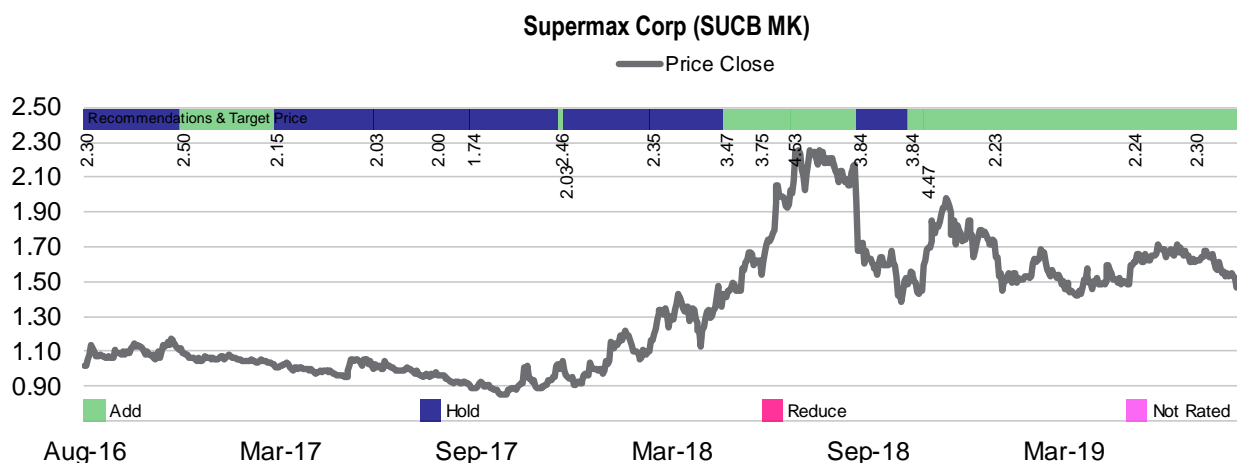
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Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

**Recommendation Framework****Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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