

Malaysia

REDUCE (no change)

Consensus ratings*: Buy 6 Hold 3 Sell 1

Current price:	RM0.57
Target price:	RM0.54
Previous target:	RM0.90
Up/downside:	-5.3%
CGS-CIMB / Consensus:	-49.8%
Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US\$627.4m
	RM2,503m
Average daily turnover:	US\$3.47m
	RM13.64m
Current shares o/s:	4,346m
Free float:	42.1%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-44.7	-47.2	-53.4
Relative (%)	-36.6	-39.8	-50.8

Major shareholders	% held
EPF	33.5
Gapurna Sdn Bhd	16.7
Lembaga Tabung Haji	7.8

Analyst(s)



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Malaysian Resources Corp

Opportunity loss from rail job cancellations

- 1Q18 core net profit made up 13-16% of our and consensus full-year forecasts. It is broadly in line as we expect stronger infra and PDP earnings in the next quarters.
- Construction segment's EBIT surged by 848% yoy in 1Q18, more than making up for the 43% yoy decline in the property segment.
- MRCB revealed that it has entered into discussions with the new government on the disposal of EDL. Management believes an expropriation method is unlikely.
- Results aside, sentiment on the stock could remain negative due to the recent rail contract cancellations. Maintain Reduce with a lower TP.

1Q18 broadly in line

MRCB's 1Q18 core net profit climbed 208% yoy to RM21.5m, with the engineering segment becoming a major earnings contributor, at 66% of group EBIT (1Q17: 4%). Although at only 16% of our full-year earnings forecast, we deem the core net profit to be in line with our expectation. We expect construction earnings to improve significantly in the coming quarters, as 60% of its outstanding RM4.9bn external order book is made up of higher-margin infra works.

Segmental performance

The construction segment's 1Q18 EBIT surged by 7.5x, thanks to: i) cost-savings initiatives; ii) infra projects dominating the order book and iii) LRT 3 PDP fee rising from RM1.3m in 1Q17 to RM8.9m in 1Q18. This more than made up for the 43% yoy decline in the property development division's 1Q18 EBIT, as MRCB had handed over the Easton Burwood residential development.

Huge opportunity loss from cancellation of HSR

Although we did not impute the potential HSR PDP earnings, earlier estimated to bump up FY19-20F EPS by 42-56%, the cancellation of the HSR project by the newly-elected government is a big opportunity loss for MRCB, in our view, as the PDP contract which it had secured could have solidified its plans to be the main developer of the HSR terminus in Bandar Malaysia. The estimated RM20bn-25bn PDP contract awarded to the MRCB-Gamuda JV (50:50) pre-GE14 has now become invalid.

Upside to order book capped, for now

We maintain our FY18-20F EPS and RM500m new order book assumption p.a., but highlight that potential downside to this assumption could arise should the job outlook for the overall sector become subdued in 2H18. Longer-term earnings (beyond our forecast period) should be supported by the PDP contracts from Kwasa Damansara and Bukit Jalil (combined value of over RM20bn), in addition to the PDP earnings from the ongoing RM9bn LRT 3 contract.

Expropriation clause on highway by PH

Under PH's manifesto, it targets to review all highway concession agreements and if need be, to acquire all highways via the expropriation clause. MRCB revealed that it has entered into discussions with the new government on the disposal of EDL. It believes an expropriation method is unlikely and would pursue a sale just to cover its cost.

Negative outlook for rail contractors; Reduce with a lower TP

Results aside, contract risks on the overall sector could worsen in the coming months. Maintain Reduce with a lower TP, as we widen our RNAV discount from 30% to 50% to reflect the deteriorating investor sentiment on major rail contractors and project delivery partner (PDP) companies like MRCB, whose future rail outlook has been impacted by the cancellation of the HSR and MRT 3 (Circle Line) projects. Upside risks to our call are a revival of the deal to divest EDL and stronger quarterly earnings.

Financial Summary	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (RMm)	2,408	2,824	2,908	3,025	3,085
Operating EBITDA (RMm)	313.3	208.9	215.2	250.7	255.8
Net Profit (RMm)	267.4	167.6	131.3	142.1	144.4
Core EPS (RM)	0.062	0.039	0.030	0.033	0.033
Core EPS Growth	84.1%	(37.3%)	(21.7%)	8.2%	1.6%
FD Core P/E (x)	9.26	15.53	20.77	19.19	18.88
DPS (RM)	0.015	0.017	0.015	0.015	0.015
Dividend Yield	2.63%	2.98%	2.63%	2.63%	2.63%
EV/EBITDA (x)	14.36	23.45	22.47	19.03	18.39
P/FCFE (x)	NA	5.5	466.0	52.3	41.7
Net Gearing	73.1%	52.8%	52.6%	51.9%	50.9%
P/BV (x)	0.85	0.51	0.53	0.53	0.54
ROE	11.3%	4.3%	2.8%	3.0%	3.1%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.66	0.59	0.54

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (RM m)	1Q18	1Q17	yoy %	4QFY17	qoq %	Prev.	
			chg		chg	FY18F	Comments
Revenue	427.6	519.8	(17.7)	408.2	4.8	2,908.4	Lower revenue from Bukit Jalil's completion and
Operating costs	(419.3)	(473.7)	(11.5)	(374.6)	11.9	(2,693.2)	no contribution from the EDL
EBIT	8.3	46.1	(82)	33.6	(75.4)	140.9	
EBIT margin (%)	1.9	8.9	(78)	8.2	(76.5)	4.8	Dragged by property development
EBIT	8.3	46.1	(82)	33.6	(75.4)		
Interest expense	(4.3)	(35.2)	(87.9)	(2.1)	103.4	(162.1)	Debt stood at RM3.6bn
Interest & invt inc	15.9	17.2	(7.6)	89.3	(82.2)	130.9	Cash stood at RM665.9m
Associates' contrib	10.7	(1.1)	1,036.9	10.8	(1.2)	34.2	
Exceptionals	-	1.6	(100.0)	60.8	(100.0)	-	
Pretax profit	30.6	27.0	13.3	131.6	(76.8)	188.0	
Tax	(4.9)	(8.4)	(7.0)	(26.7)	(82)	(32.0)	
Tax rate (%)	16.1	31.2	(48.3)	20.3	(20)	(24.7)	Reversal of deferred tax liabilities
Minority interests	(4.1)	(9.9)	(58.7)	0.8	(612)	(50.8)	
Net profit	21.5	8.6	149.2	105.7	(79.6)	131.3	
Core net profit	21.5	7.0	208.0	44.9	n.m.	131.3	1Q18 core net profit made up 16% of our
EPS (sen)	0.5	0.4	22.5	4.8	(89.8)	3.0	full-year forecast and 13% of consensus

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakdown

Revenue	1Q18	1Q17	YoY	Comments
Engineering & construction	191.1	231.2	-17%	Bukit Jalil project reached completion
Property development	220.4	237.5	-7%	Easton Burwood in Melbourne completed and handed over
Infrastructure and environmental	0.7	28.5	-97%	The EDL was handed over to the government
Building services	13.0	16.9	-23%	Steady recurring revenues
Investment holding and others	2.3	5.7	-59%	Lumpy recurring revenues
Total	427.6	519.8	-18%	
EBIT	1Q18	1Q17	YoY	
Engineering & construction	25.1	2.6	848%	Bigger share of high-margin infra projects maturing, plus LRT 3 PDP fee rose
Property development	25.8	45.3	-43%	Easton Burwood handed over, other developments still in early construction phases
Infrastructure and environmental	(1.3)	17.5	-107%	
Building services	0.2	3.7	-96%	Profits tend to be lumpy
Investment holding and others	(11.6)	(4.5)	155%	
Total	38.1	64.6	-41%	
EBIT margins	1Q18	1Q17	% pts	
Engineering & construction	13%	1%	12%	Infra projects making up 60% of order book, implemented cost-savings initiatives
Property development	12%	19%	-7%	Eroded in line with lower sales
Infrastructure and environmental	-180%	61%	nm	
Building services	1%	22%	-21%	Profits tend to be lumpy
Investment holding and others	-494%	-80%	nm	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Conference call highlights

Discussions on EDL now revolve around sukuk disposal ►

During MRCB's post-1Q18 conference call yesterday, the group disclosed that it had sat down with the new government to discuss the Eastern Dispersal Link's (EDL) disposal. The discussion now mainly centres around disposing of the highway's junior and senior sukuk (RM1.1bn as at Mar 18). The group is only looking to recoup its cost on the EDL, and offload the sukuk.

MRCB said that it may be difficult for the government to exercise the concession agreement's expropriation clause, as it would require the government to hastily work out a compensation value – within three months of notice. As it is, the two parties are in negotiations for the EDL's disposal.

Should the debt be removed from MRCB's books, the group's net gearing would come down from the 0.59x as at end-Jan 2018 to 0.33x. The next round of coupon payments for the sukuk is due in Jun 2018, and would cost MRCB c.RM40m.

Focusing on PDP scope in property development >

Given the shift in the new government's direction for infrastructure spending, MRCB said its construction earnings going forward will be supported by the management contracts and project delivery partner (PDP) fees from its joint developments in Bukit Jalil and Kwasa Damansara Township.

This year alone, the group secured two management contracts worth a total of RM18.5bn, which will be spread out over 12 to 20 years. Of the contracts' value, RM14.5bn had been set aside for engineering, procurement, construction, and completion (EPCC) works.

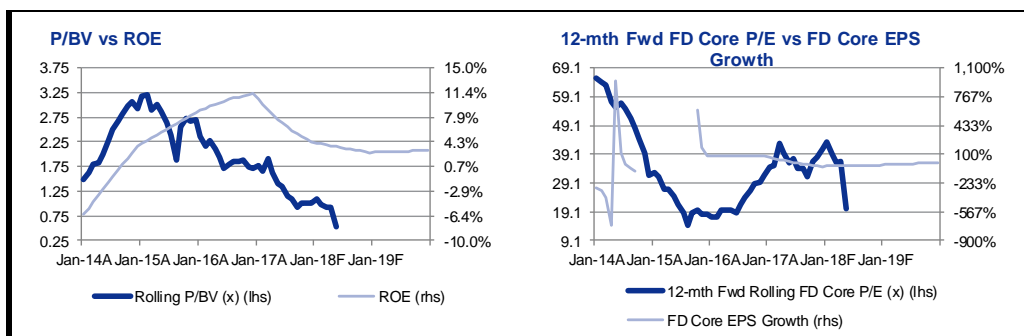
MRCB said its outstanding order book is not affected by the Pakatan Harapan (PH) government's decision to rein in infrastructure spending. The Light Rail Transit Line 3 (LRT 3) is still ongoing (10% completed), and it has one package for the Klang Valley Mass Rapid Transit Line 2 (MRT 2) (20% completed). The group said only 23% of its order book are from government-related jobs.

Figure 3: RNAV

	Land bank		GDV	Stake	Value	Value
Ongoing property development	(Acres)	(m sq ft)	(RM m)	(%)	(RM psf)	(RM m)
Bukit Jalil KL Sports City	76.1	3.3	20,700.0	17%	400.0	225.4
Kwasa Sentral (Kwasa Damansara)	64.1	2.8	8,606.0	70%	200.0	390.9
Cyberjaya City	113.3	4.9	5,350.0	70%	200.0	690.9
KL Sentral - Lot F	5.7	0.2	2,993.0	100%	1,000.0	248.3
Semarak City - Setapak	27.4	1.2	2,977.0	100%	300.0	358.1
Penang Sentral - phases 3 & 7	16.7	0.7	2,100.0	70%	120.0	61.1
PJ Sentral - Nilaitera	7.8	0.3	1,656.0	100%	400.0	135.9
Lot 349, KL Sentral (service apartments)	4.9	0.2	1,413.0	100%	1,000.0	213.4
Q Sentral Office Tower	1.9	0.1	1,228.0	66%	1,000.0	54.6
Lot 94 Jalan Kia Peng	1.9	0.1	1,012.0	100%	500.0	41.4
9 Seputeh - Old Klang Road	8.0	0.3	795.0	100%	200.0	69.7
Pulai Johor	67.5	2.9	770.0	100%	35.0	102.9
PJ Sentral - Tower 1	0.0	0.0	700.0	100%	550.0	0.0
Penang Sentral - phases 1 & 2	6.0	0.3	590.0	100%	120.0	31.4
PJ Sentral - Tower 5	0.0	0.0	455.0	100%	550.0	0.0
PJ Sentral - Celcom Tower	2.3	0.1	428.0	100%	450.0	45.1
Suria Subang	3.2	0.1	401.0	100%	200.0	27.9
Seri Iskandar - phase 3	159.0	6.9	350.0	70%	10.0	48.5
Seri Iskandar - Phase 2	245.0	10.7	321.0	70%	5.0	37.4
Rahman Putra - phase 3	4.6	0.2	307.0	100%	20.0	4.0
Canegie - Melbourne	1.0	0.0	305.0	100%	450.0	19.6
Selbourne 2 - Shah Alam	2.4	0.1	198.0	100%	200.0	20.9
Rahman Putra - phase 2	4.1	0.2	175.0	100%	20.0	3.6
Rahman Putra - phase 1	5.5	0.2	84.0	100%	20.0	4.8
Total	828.4	36.1	53,914.0			2,835.7
				Stake		
Eastern Dispersal Link (EDL) - DCF value				100%		896.5
Construction Net profit (FY19) at 15x P/E				100%		300.0
MQ REIT				31%		370.8
LRT 3 PDP DCF value (6% PDP fees)				50%		178.9
Property investments (1Q18)						1,236.9
Associates & investments (1Q18)						576.1
Net working capital less prop development cost (1Q18)						1,489.2
Total borrowings (1Q18)						(3,598.0)
Total RNAV (RM m)						4,286.1
Enlarged no. of shares (m)						4,345.7
Outstanding warrants (2013/2018)						576.5
Proceeds from warrants @RM1.68 strike price						968.5
New free warrants (10-years)						438.5
Proceeds from new warrants @RM1.25 strike price						548.1
FD no.of shares (m)						5,360.7
FD RNAV (RM m)						5,802.8
FD RNAV/share (RM)						1.08
Discount to RNAV (%)						50%
Target price (RM/share)						0.54

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	2,408	2,824	2,908	3,025	3,085
Gross Profit	2,408	2,824	2,908	3,025	3,085
Operating EBITDA	313	209	215	251	256
Depreciation And Amortisation	(64)	(69)	(74)	(80)	(85)
Operating EBIT	250	140	141	171	170
Financial Income/(Expense)	(115)	13	(31)	(21)	(14)
Pretax Income/(Loss) from Assoc.	32	25	34	36	37
Non-Operating Income/(Expense)	227	69	44	21	22
Profit Before Tax (pre-EI)	393	247	188	206	216
Exceptional Items	0	0	0	0	0
Pre-tax Profit	393	247	188	206	216
Taxation	(74)	(66)	(32)	(35)	(39)
Exceptional Income - post-tax					
Profit After Tax	319	182	156	171	177
Minority Interests	(52)	(14)	(25)	(29)	(33)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	267	168	131	142	144
Recurring Net Profit	267	168	131	142	144
Fully Diluted Recurring Net Profit	267	168	131	142	144

Cash Flow

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	313.3	208.9	215.2	250.7	255.8
Cash Flow from Inv. & Assoc.					
Change In Working Capital	9.3	41.8	45.3	49.0	53.0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.0	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(115.1)	13.4	(31.2)	(21.1)	(13.7)
Tax Paid	(73.5)	(65.5)	(32.0)	(35.3)	(38.9)
Cashflow From Operations	133.9	198.6	197.2	243.2	256.2
Capex	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	10.7	14.9	15.0	15.0	15.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	(171.4)	(171.4)	(171.4)	(171.4)	(171.4)
Cash Flow From Investing	(170.7)	(166.5)	(166.4)	(166.4)	(166.4)
Debt Raised/(repaid)	(450.3)	444.7	(24.9)	(24.7)	(24.4)
Proceeds From Issue Of Shares	0.0	1,716.6	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(21.1)	(21.1)	(21.1)	(21.1)	(21.1)
Preferred Dividends					
Other Financing Cashflow	708.9	26.8	(241.2)	31.8	31.8
Cash Flow From Financing	237.5	2,167.0	(287.2)	(14.0)	(13.7)
Total Cash Generated	200.6	2,199.1	(256.5)	62.8	76.0
Free Cashflow To Equity	(487.1)	476.9	5.9	52.2	65.3
Free Cashflow To Firm	139.1	148.2	192.9	234.1	242.3

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	724	778	822	868	917
Total Debtors	1,603	3,067	2,915	2,771	2,633
Inventories	58	154	128	134	141
Total Other Current Assets	781	1,962	1,982	2,001	2,021
Total Current Assets	3,166	5,962	5,846	5,774	5,712
Fixed Assets	438	614	627	639	652
Total Investments	822	1,790	1,726	1,666	1,609
Intangible Assets	253	226	226	226	226
Total Other Non-Current Assets	3,074	1,709	1,693	1,677	1,662
Total Non-current Assets	4,587	4,339	4,272	4,208	4,147
Short-term Debt	806	2,491	2,466	2,441	2,417
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	1,586	1,279	1,254	1,229	1,204
Other Current Liabilities	43	218	218	218	218
Total Current Liabilities	2,435	3,988	3,937	3,888	3,839
Total Long-term Debt	2,131	891	891	891	891
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	161	493	474	455	436
Total Non-current Liabilities	2,292	1,385	1,365	1,346	1,328
Total Provisions	0	0	0	0	0
Total Liabilities	4,727	5,372	5,302	5,233	5,166
Shareholders' Equity	2,926	4,824	4,706	4,633	4,572
Minority Interests	99	104	110	115	121
Total Equity	3,025	4,929	4,816	4,748	4,693

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	41.9%	17.3%	3.0%	4.0%	2.0%
Operating EBITDA Growth	95.9%	(33.3%)	3.0%	16.5%	2.0%
Operating EBITDA Margin	13.0%	7.4%	7.4%	8.3%	8.3%
Net Cash Per Share (RM)	(0.51)	(0.60)	(0.58)	(0.57)	(0.55)
BVPS (RM)	0.67	1.11	1.08	1.07	1.05
Gross Interest Cover	1.42	1.21	0.87	1.09	1.12
Effective Tax Rate	18.7%	26.5%	17.0%	17.2%	18.0%
Net Dividend Payout Ratio	7.9%	12.6%	16.1%	14.9%	14.6%
Accounts Receivables Days	203.3	299.0	372.6	340.4	317.9
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	5.97%	3.06%	2.26%	2.80%	2.84%
ROCE (%)	5.54%	3.78%	3.30%	3.78%	3.85%
Return On Average Assets	6.05%	1.87%	1.83%	1.91%	1.93%

Key Drivers

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook	3,705	3,995	3,985	3,975	3,965
Order Book Depletion	510	510	510	510	510
Orderbook Replenishment	800	800	500	500	500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
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

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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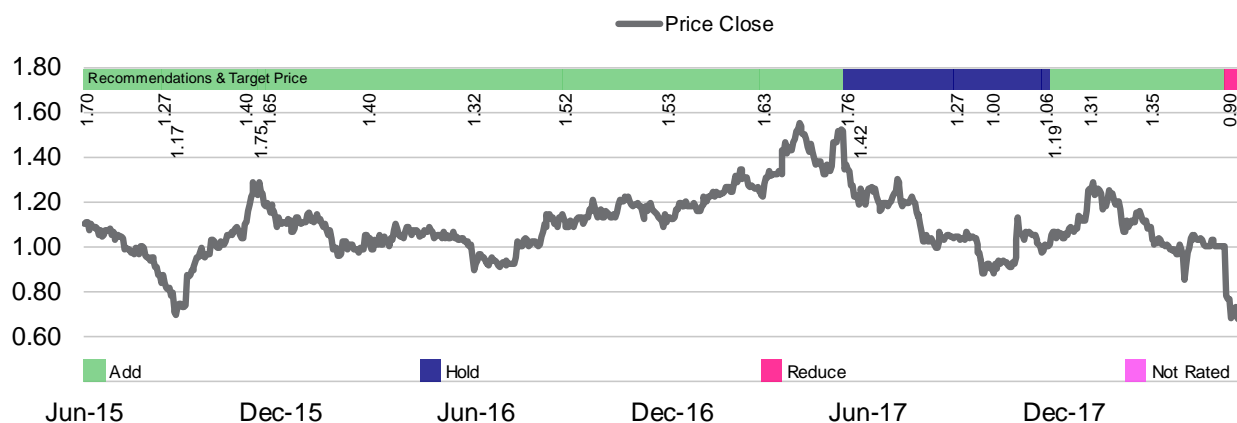
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Malaysian Resources Corp (MRC MK)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

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

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.