

## Malaysia

**HOLD** (previously ADD)

Consensus ratings\*: Buy 6 Hold 2 Sell 2

Current price:	RM0.74
Target price:	RM0.78
Previous target:	RM0.90
Up/downside:	5.4%
CGS-CIMB / Consensus:	-19.8%
Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US\$776.8m
	RM3,265m
Average daily turnover:	US\$1.39m
	RM5.78m
Current shares o/s:	4,395m
Free float:	42.1%

\*Source: Bloomberg

**Key changes in this note**

- FY19F EPS cut by 55%
- FY20F EPS cut by 30%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-19.1	-16.9	-3.3
Relative (%)	-16.2	-17	8.2

**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

## Subdued operating results in 1H19

- 1H19 core net loss of RM43m was a negative surprise. The results were dragged down by slower property and construction billings.
- We slash FY19-20F EPS by 30-55%. We now expect lower construction margin due to potential provisions and weaker property earnings in 2H19F.
- Share price is down 30% from its peak in 1H19 (+23% YTD) but we believe potential contract win catalysts have turned subdued for 2H19F.
- Downgrade from Add to Hold, with a lower TP of RM0.78.

**1H19 results below expectations; core net loss of RM43m**

MRCB's overall 1H19 results were impacted by 1) slow work progress for its property development projects, 2) deferment of earnings of selected property projects until the completion of the sale and purchase agreement (SPA), 3) Completion of VIVO in 9 Seputeh and Kalista Park, 4) re-timing of the LRT 3 contract, and 5) slower progress of higher-value infra contracts. Excluding the RM58m gain from the sale of ONE IFC, MRCB reported a 1H19 core net loss of RM43m vs. our and Bloomberg consensus full-year net profit forecasts of RM94m and RM142m, respectively. 1H19 core net loss was a negative surprise as we expected a sequentially stronger progress billings in 2Q19.

**Core losses for property and construction; plunge in LRT 3 profit**

1H19 revenue from its property development and investment division declined 62% yoy. Excluding the gain in asset sale, the property development unit recorded 1H19 operating loss of RM11.1m (1H18: RM55.1m). Construction segment turned in an operating loss of RM15.2m in 2Q19 and RM1.5m EBIT in 1H19, impacted by the slow progress of larger-value infra contracts (despite a healthy order book of RM21.1bn) and a <RM10m provision of cost contingency and potential legal matters. Due to the work disruption as a result of remodeling and cost revision for the LRT 3 project, MRCB's 50% share of the LRT 3 JV profit plunged from RM15m in 1H18 to RM1m in 1H19. During its conference call, MRCB guided that LRT 3's work progress has begun to pick up since May, suggesting gradual recovery in LRT 3 JV profit in 2H19F, albeit unlikely to be substantial.

**Downgrade to Hold with a lower RM0.78 TP**

We now factor in a weaker property revenue recognition, the timing effect of the remodeling of the LRT 3 project, and lower construction margin. As a result, we slash our FY19-20F EPS by 30-55% and introduce our FY21 forecasts. Though the stock has declined 30% decline from its peak in Apr, we feel that the company's subdued earnings outlook for 2H19F is likely to still cast an overhang on the stock. Also, a more cautious guidance on potential contract wins and potential delays in the tenders for the East Coast Rail Link (ECRL) suggest limited share price catalysts in 2H19F. We downgrade MRCB from Add to Hold, with a lower TP of RM0.78 (higher RNAV 40% discount from 20% previously). Revival in contract win and clarity on ECRL tenders is an upside risk. Sustained losses in 2H19F are a downside risk.

**Financial Summary**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	2,641	1,871	1,833	1,998	2,058
Operating EBITDA (RMm)	146.1	91.8	90.0	133.0	146.3
Net Profit (RMm)	161.9	101.2	83.8	123.4	133.1
Core EPS (RM)	0.033	0.019	0.015	0.023	0.026
Core EPS Growth	(46.5%)	(40.9%)	(23.7%)	57.8%	9.3%
FD Core P/E (x)	23.62	41.83	54.80	34.72	31.78
DPS (RM)	0.018	0.018	0.015	0.015	0.015
Dividend Yield	2.36%	2.36%	2.03%	2.03%	2.03%
EV/EBITDA (x)	31.35	40.23	40.91	27.45	24.67
P/FCFE (x)	NA	3.05	NA	NA	NA
Net Gearing	31.4%	19.2%	18.4%	17.5%	16.6%
P/BV (x)	0.67	0.67	0.68	0.68	0.68
ROE	3.69%	1.76%	1.35%	2.14%	2.34%
% Change In Core EPS Estimates			(54.6%)	(29.5%)	
CGS-CIMB/Consensus EPS (x)			0.83	0.96	0.77

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

FYE Dec (RM m)	2QFY19	2QFY18	yoY % chg	1QFY19	qoq % chg	2QFY19 Cum	2QFY18 Cum	yoY % chg	Prev. FY19F	Comments
Revenue	241.0	405.2	(40.5)	234.1	3.0	475.0	832.8	(43.0)	3,204.7	Slow recognition of property sales and construction
Operating costs	(217.3)	(356.2)	(39.0)	(218.5)	(0.6)	(493.8)	(770.8)	(36)	(2,774.0)	order book
EBITDA	23.7	49.0	(52)	15.5	52.5	(18.8)	62.0	(130.2)	250.7	
<b>EBITDA margin (%)</b>	<b>9.8</b>	<b>12.1</b>	<b>(19)</b>	<b>6.6</b>	<b>48.1</b>	<b>(3.9)</b>	<b>7.4</b>	<b>(153.0)</b>	<b>7.8</b>	
Depn & amort.	(10.9)	(6.1)	78.9	(8.2)	32.5	(19.1)	(10.8)	76.1	(78.7)	
EBIT	12.8	42.9	(70)	7.3	74.9	(37.8)	51.2	(173.9)	171.0	
Interest expense	(12.6)	(16.8)	(25.1)	(12.4)	1.2	(25.0)	(21.0)	18.7	(60.6)	Debt stood at RM1.5bn
Interest & invt inc	8.3	11.1	(25.3)	11.5	(28.3)	77.8	27.0	188.6	54.5	Cash stood at RM271m
Associates & JV	1.3	5.8	(78.0)	1.9	(34.3)	3.2	16.5	(80.5)	35.6	Included RM1m in LRT 3 JV profit (1H18: RM15m)
Exceptionals	58.0	-	nm	-	nm	58.0	-	nm	-	RM58m gain from the disposal of ONE IFC
Pretax profit	9.8	43.0	(77.2)	8.4	16.8	18.2	73.6	(75.2)	206.0	
Tax	(2.2)	(10.8)	(7.0)	(6.9)	(68)	(9.0)	(15.7)	(42.5)	(35.3)	
Tax rate (%)	22.1	25.0	(11.6)	81.5	(73)	49.5	21.3	132.2	17.2	
Minority interests	3.4	1.2	188.6	2.6	32	6.0	(2.3)	361.3	(28.6)	
<b>Net profit</b>	<b>11.1</b>	<b>33.4</b>	<b>(66.9)</b>	<b>4.1</b>	<b>167.4</b>	<b>15.2</b>	<b>55.6</b>	<b>(72.7)</b>	<b>142.1</b>	1H19 core net loss was below ours and
<b>Core net profit</b>	<b>(46.9)</b>	<b>33.4</b>	<b>(240.3)</b>	<b>4.1</b>	<b>n.m.</b>	<b>(42.8)</b>	<b>55.6</b>	<b>(177.0)</b>	<b>142.1</b>	consensus' full-year forecast core net profit of
EPS (sen)	0.3	0.8	(67.1)	0.1	177.8	0.3	1.3	(72.8)	3.3	RM94m and RM142m respectively

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Segmental breakdown (excluding associate and JV profits)**

Revenue	2QFY19	2QFY18	YoY	1HFY19	1HFY18	YoY	Comments
Property development	71.2	193.4	-63%	156.4	413.9	-62%	Delayed due to S&P completion; slow revenue recognition from high-rise projects
Engineering, construction & environment	150.8	192.8	-22%	283.5	383.9	-26%	Slow progress of construction works including higher-value infra contracts
Facilities management & parking	12.8	13.1	-2%	25.9	26.1	-1%	New environmental jobs have yet to flow through
Investment holding and others	6.2	6.0	4%	9.2	9.0	2%	Lumpy recurring revenues
<b>Total</b>	<b>241.0</b>	<b>405.2</b>	<b>-41%</b>	<b>475.0</b>	<b>832.8</b>	<b>-43%</b>	
<b>EBIT</b>	<b>2QFY19</b>	<b>2QFY18</b>	<b>YoY</b>	<b>1HFY19</b>	<b>1HFY18</b>	<b>YoY</b>	
Property development	44.0	30.9	42%	46.9	55.1	-15%	Included RM58m gain in 2Q19 from the 30% stake sale in ONE IFC
Engineering, construction & environment	(15.2)	25.0	-161%	1.5	41.0	-96%	<RM10m cost provision on ongoing contracts and potential legal proceedings
Facilities management & parking	0.5	0.7	-34%	0.1	0.9	-91%	Some contracts at the tail-end
Investment holding and others	(2.3)	1.1	-306%	(1.0)	(11.7)	-92%	Profits tend to be lumpy
<b>Total</b>	<b>26.9</b>	<b>57.7</b>	<b>-53%</b>	<b>47.5</b>	<b>85.1</b>	<b>-44%</b>	
<b>EBIT margins</b>	<b>2QFY19</b>	<b>2QFY18</b>	<b>YoY</b>	<b>1HFY19</b>	<b>1HFY18</b>	<b>% pts</b>	
Property development	62%	16%	46%	30%	13%	125%	Included RM58m gain in 2Q19 from the 30% stake sale in ONE IFC
Engineering, construction & environment	-10%	13%	-23%	1%	11%	-10%	Impacted by weak progress billings
Facilities management & parking	4%	5%	-2%	0%	3%	nm	Typically higher project margins
Investment holding and others	-38%	19%	-57%	-11%	-130%	-92%	Profits tend to be lumpy
<b>Total</b>	<b>11%</b>	<b>14%</b>	<b>-3%</b>	<b>10%</b>	<b>10%</b>	<b>-2%</b>	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Earnings revision**

RM m	2018A	2019F			2020F		
		Old	New	%chg	Old	New	%chg
Revenue	2,908	3,025	1,833	-39%	3,085	1,998	-35%
EBITDA	215	251	90	-64%	256	133	-48%
Core pretax profit	188	206	95	-54%	216	138	-36%
Core net profit	131	142	65	-54%	144	103	-28%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 4: 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%	250.0	488.6
Cyberjaya City	113.3	4.9	5,350.0	70%	280.0	967.3
KL Sentral - Lot F	5.7	0.2	2,993.0	100%	950.0	235.9
Semarak City - Setapak	27.4	1.2	2,977.0	100%	320.0	381.9
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%	350.0	118.9
Lot 349, KL Sentral (service apartments)	4.9	0.2	1,413.0	100%	950.0	202.8
Q Sentral Office Tower	1.9	0.1	1,228.0	66%	950.0	51.9
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
<b>Total</b>	<b>828.4</b>	<b>36.1</b>	<b>53,914.0</b>			<b>3,190.9</b>
				<b>Stake</b>		
Construction Net profit (FY20) at 15x P/E				<b>100%</b>		<b>225.0</b>
MQ REIT				31%		348.8
Property investments (2Q19)						1,331.3
Associates & investments (2Q19)						773.4
Net working capital less prop development cost (2Q19)						1,376.0
Total borrowings (2Q19)						(1,480.0)
<b>Total RNAV (RM m)</b>						<b>5,765.3</b>
Enlarged no. of shares (m)						4,412.0
New free warrants (10-years)						438.5
Proceeds from new warrants @RM1.25 strike price						548.1
FD no.of shares (m)						4,850.6
<b>FD RNAV (RM m)</b>						<b>6,313.5</b>
<b>FD RNAV/share (RM)</b>						<b>1.30</b>
Discount to RNAV (%)						40%
<b>Target price (RM/share)</b>						<b>0.78</b>

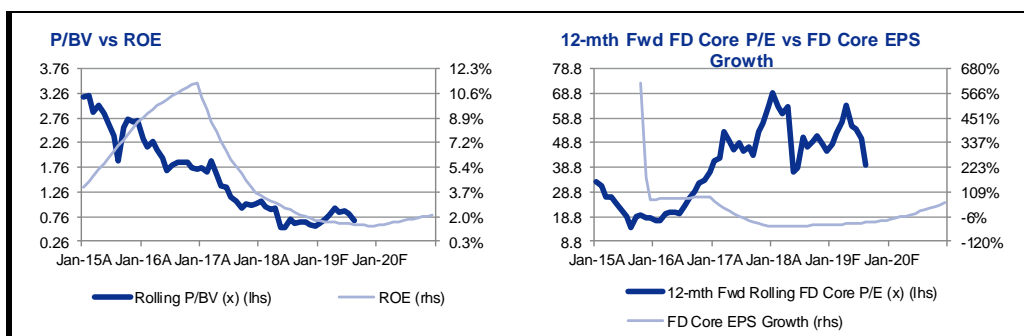
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: MRCB's share price is down 30% from its peak of RM1.05 in Apr**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>2,641</b>	<b>1,871</b>	<b>1,833</b>	<b>1,998</b>	<b>2,058</b>
<b>Gross Profit</b>	<b>2,641</b>	<b>1,871</b>	<b>1,833</b>	<b>1,998</b>	<b>2,058</b>
<b>Operating EBITDA</b>	<b>146</b>	<b>92</b>	<b>90</b>	<b>133</b>	<b>146</b>
Depreciation And Amortisation	(25)	(26)	(26)	(27)	(27)
<b>Operating EBIT</b>	<b>121</b>	<b>66</b>	<b>64</b>	<b>106</b>	<b>119</b>
Financial Income/(Expense)	(6)	(23)	(24)	(26)	(27)
Pretax Income/(Loss) from Assoc.	25	25	26	28	29
Non-Operating Income/(Expense)	104	29	30	30	31
<b>Profit Before Tax (pre-EI)</b>	<b>244</b>	<b>97</b>	<b>95</b>	<b>138</b>	<b>152</b>
Exceptional Items	25	26	26	26	27
<b>Pre-tax Profit</b>	<b>269</b>	<b>123</b>	<b>121</b>	<b>165</b>	<b>178</b>
Taxation	(69)	(46)	(35)	(39)	(43)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>200</b>	<b>77</b>	<b>86</b>	<b>126</b>	<b>135</b>
Minority Interests	(14)	(1)	(2)	(2)	(2)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(24)	26			
<b>Net Profit</b>	<b>162</b>	<b>101</b>	<b>84</b>	<b>123</b>	<b>133</b>
Recurring Net Profit	143	85	65	103	113
<b>Fully Diluted Recurring Net Profit</b>	<b>143</b>	<b>85</b>	<b>65</b>	<b>103</b>	<b>113</b>

### Cash Flow

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>146</b>	<b>92</b>	<b>90</b>	<b>133</b>	<b>146</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(1,138)	1,143	49	53	67
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(56)	(178)	(117)	0	0
Net Interest (Paid)/Received	(6)	(23)	(24)	(26)	(27)
Tax Paid	(69)	(46)	(35)	(39)	(43)
<b>Cashflow From Operations</b>	<b>(1,123)</b>	<b>988</b>	<b>(38)</b>	<b>121</b>	<b>144</b>
Capex	(782)	(493)	(50)	(50)	(50)
Disposals Of FAs/subsidiaries	4	71	15	15	15
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	(264)	1,434	(171)	(171)	(171)
<b>Cash Flow From Investing</b>	<b>(1,042)</b>	<b>1,012</b>	<b>(206)</b>	<b>(206)</b>	<b>(206)</b>
Debt Raised/(repaid)	548	(835)	(7)	(7)	(7)
Proceeds From Issue Of Shares	1,798	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(60)	(106)	(66)	(66)	(66)
Preferred Dividends	0	(187)	0	0	0
Other Financing Cashflow	(249)	(866)	318	158	136
<b>Cash Flow From Financing</b>	<b>2,036</b>	<b>(1,994)</b>	<b>245</b>	<b>85</b>	<b>62</b>
Total Cash Generated	(129)	6	0	0	(0)
<b>Free Cashflow To Equity</b>	<b>(1,617)</b>	<b>1,165</b>	<b>(252)</b>	<b>(92)</b>	<b>(69)</b>
<b>Free Cashflow To Firm</b>	<b>(2,137)</b>	<b>2,044</b>	<b>(199)</b>	<b>(38)</b>	<b>(14)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	778	552	585	620	657
Total Debtors	2,376	907	868	831	796
Inventories	901	1,054	1,064	1,075	1,086
Total Other Current Assets	1,930	711	718	725	733
<b>Total Current Assets</b>	<b>5,986</b>	<b>3,223</b>	<b>3,235</b>	<b>3,251</b>	<b>3,271</b>
Fixed Assets	614	665	679	692	706
Total Investments	1,790	1,999	1,938	1,881	1,826
Intangible Assets	226	227	227	227	227
Total Other Non-Current Assets	1,709	2,228	2,207	2,186	2,165
<b>Total Non-current Assets</b>	<b>4,339</b>	<b>5,119</b>	<b>5,050</b>	<b>4,985</b>	<b>4,923</b>
Short-term Debt	1,432	726	719	711	704
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	1,242	1,119	1,097	1,075	1,054
Other Current Liabilities	1,345	120	120	120	120
<b>Total Current Liabilities</b>	<b>4,019</b>	<b>1,965</b>	<b>1,936</b>	<b>1,907</b>	<b>1,879</b>
Total Long-term Debt	891	766	766	766	766
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	431	641	616	591	567
<b>Total Non-current Liabilities</b>	<b>1,322</b>	<b>1,407</b>	<b>1,381</b>	<b>1,356</b>	<b>1,333</b>
Total Provisions	62	70	72	74	77
<b>Total Liabilities</b>	<b>5,403</b>	<b>3,442</b>	<b>3,389</b>	<b>3,338</b>	<b>3,288</b>
Shareholders' Equity	4,817	4,832	4,825	4,824	4,828
Minority Interests	104	68	71	75	79
<b>Total Equity</b>	<b>4,921</b>	<b>4,900</b>	<b>4,897</b>	<b>4,899</b>	<b>4,906</b>

### Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	9.7%	(29.2%)	(2.0%)	9.0%	3.0%
Operating EBITDA Growth	(53.4%)	(37.1%)	(2.0%)	47.7%	10.0%
Operating EBITDA Margin	5.53%	4.91%	4.91%	6.65%	7.11%
Net Cash Per Share (RM)	(0.36)	(0.21)	(0.20)	(0.19)	(0.18)
BVPS (RM)	1.11	1.10	1.09	1.09	1.09
Gross Interest Cover	4.25	1.50	1.41	2.28	2.48
Effective Tax Rate	25.5%	37.5%	29.1%	23.6%	24.0%
Net Dividend Payout Ratio	41.2%	75.4%	84.7%	50.4%	45.9%
Accounts Receivables Days	264.2	294.4	150.6	131.7	121.1
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 (%)	2.64%	1.28%	1.40%	2.34%	2.62%
ROCE (%)	2.16%	1.26%	1.31%	1.97%	2.17%
Return On Average Assets	1.73%	1.07%	1.02%	1.51%	1.65%

### Key Drivers

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Outstanding Orderbook	3,995	21,218	21,098	20,948	20,668
Order Book Depletion	510	510	620	650	780
Orderbook Replenishment	800	500	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: CGS-CIMB RESEARCH, COMPANY REPORTS

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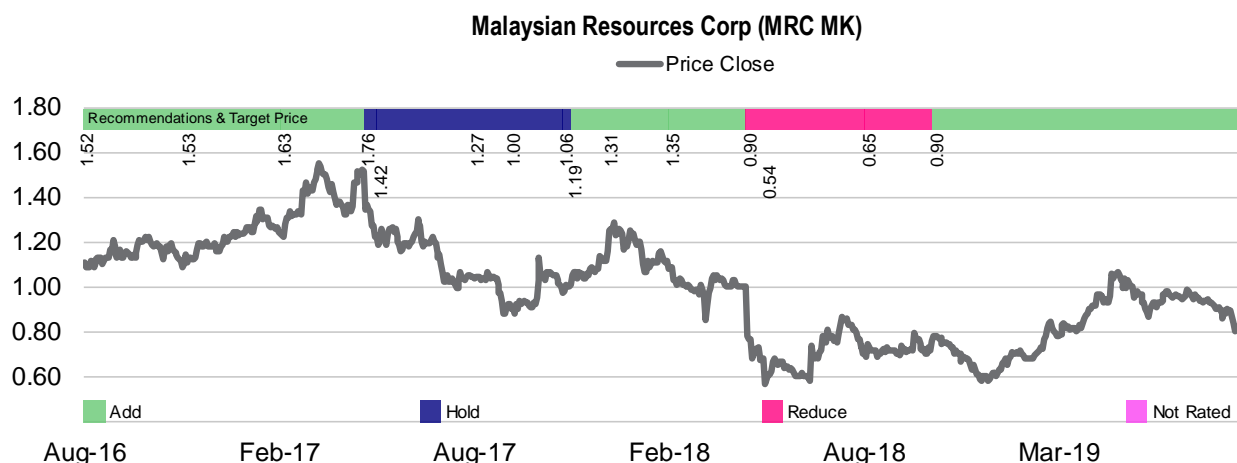
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**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2019		
791 companies under coverage for quarter ended on 30 June 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

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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