

Malaysia

ADD (previously *REDUCE*)

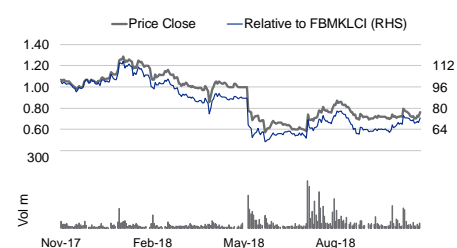
Consensus ratings*: Buy 5 Hold 4 Sell 1

Current price:	RM0.76
Target price:	RM0.90
Previous target:	RM0.65
Up/downside:	18.4%
CGS-CIMB / Consensus:	4.2%
Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US\$803.2m
	RM3,340m
Average daily turnover:	US\$4.40m
	RM18.14m
Current shares o/s:	4,346m
Free float:	42.1%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7	0	-27.6
Relative (%)	11.7	3.6	-26

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

More conviction on EDL's MTA post Budget 2019

- We deem MRCB a beneficiary of Budget 2019's tolled highway initiatives.
- RM1.3bn settlement sum for EDL has been committed, a major positive.
- Risk-reward profile is now attractive. Upgrade to Add with RM0.90 TP.

Budget 2019 has set aside RM1.3bn for 100%-owned EDL

We consider MRCB as a beneficiary of Budget 2019. One of the key infra takeaways relating to tolled highway concessions is the setting aside of RM1.3bn as full compensation to MRCB for the abolishment of toll collection on the 100%-owned Eastern Dispersal Link (EDL, 8.1km, 34-year concession) and the termination of EDL's concession agreement (CA).

Clarity of the settlement sum revives EDL's MTA

This news is positive and is long overdue, particularly clarity on the full settlement sum, which has never been officially revealed. The new government's acknowledgement of the RM1.3bn compensation to MRCB, in our view, should revive the long-drawn-out negotiations on EDL's mutual termination agreement (MTA), which commenced 10 months ago in Jan 18. With this new milestone, we believe there is a fair chance that a final resolution/agreement on the EDL could be expedited and reached by end-2018.

Service concession asset (SCA) has been reclassified

As per MRCB's 2017 annual report, the carrying amount of EDL's service concession asset (SCA) was RM1.1bn. It was stated that in the event of a compensation arising from the MTA, MRCB expects, at the minimum, to fully recover the RM1.1bn carrying amount as per its legal rights under the CA, which was signed on 26 Jun 2007. EDL's 34-year toll concession ended on 31 Dec 2017. Since then, EDL has generated zero revenue for MRCB.

Utilisation of RM1.3bn proceeds for EDL

We understand that the RM1.3bn cash compensation value for the EDL as announced in Budget 2019 (tabled on 2 Nov, Friday) will be utilised for the full settlement the RM1bn debt associated with EDL comprising the RM845m Senior Sukuk and RM199m Junior Sukuk (semi-annual payments, currently classified as current liabilities) and the interests accrued. The impact from EDL's compensation payment will therefore be NPV neutral to EDL at best, in our view, but will strike out 26% of non-recourse debt at the MRCB level.

Positive risk reward has emerged; upgrade to Add with RM0.90 TP

We make no changes to FY18-20F EPS pending the actual announcement by the government and MRCB regarding the resolution of the EDL MTA and more clarity on the timeline and the payment scheme of the settlement sum. Upgrade from Reduce to Add with a higher TP of RM0.90, pegged to a lower 20% discount to RNAV (30% previously). Our call is more trading-oriented ahead of official newsflow on the EDL, which will serve as the stock's key catalysts. A key risk to our call is a delay in the EDL settlement.

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)	12.35	20.70	27.69	25.59	25.18
DPS (RM)	0.015	0.017	0.015	0.015	0.015
Dividend Yield	1.97%	2.24%	1.97%	1.97%	1.97%
EV/EBITDA (x)	17.00	27.40	26.31	22.32	21.62
P/FCFE (x)	NA	7.3	621.3	69.7	55.7
Net Gearing	73.1%	52.8%	52.6%	51.9%	50.9%
P/BV (x)	1.13	0.68	0.70	0.71	0.72
ROE	11.3%	4.3%	2.8%	3.0%	3.1%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.08	0.82	0.69

SOURCES: CIMB RESEARCH, COMPANY REPORTS

More conviction on EDL's MTA post Budget 2019

Budget 2019 puts to rest uncertainties over EDL ➤

- Although we do not foresee MRCB potentially benefitting directly from the projects highlighted under Budget 2019 (apart from the group's position as one of the turnkey contractors of the restructured LRT 3), **the government's acknowledgement that it is committed to honouring compensations related to the freezing of toll rate hikes for selected intra-city highways in 2019 and the RM1.3bn full compensation for the termination of Eastern Dispersal Link's (EDL) concession agreement (CA) are positive for MRCB.**
- In our view, **highlighting EDL in Budget 2019 lends more credibility to the EDL divestment angle for MRCB vs. persistent delays in the past** and puts to rest the uncertainties surrounding the settlement sum for EDL. Note that EDL's 34-year CA was terminated subsequent to the Federal Road Order (FRO) 2017 that was issued to concessionaire MRCB Lingkar Selatan Sdn Bhd (MLSSB) on 29 Dec 17.
- As per the table below, the **mutual termination agreement (MTA) of EDL was initiated from the point of the abolishment of EDL's toll collection in Jan 18.** At the point of the abolishment of tolling, EDL was also reclassified as a federal non-tolled road.

Figure 1: Major milestones for the EDL

27-Oct-17	- The government announced in Budget 2018 that toll collection on the Eastern Dispersal Link (EDL) was to be abolished
	- It was reported thereafter that EDL will receive RM70m in compensation p.a.
28-Dec-17	- Federal Roads Order (FRO) 2017 was issued by the government to revoke the previous order that allowed MRCB Lingkar Selatan Sdn Bhd (MLSSB) to collect toll on the 100%-owned Eastern Dispersal Link (EDL, 8.1km)
	- The government requested that a mutual termination agreement (MTA) was to be finalised with MRCB
	- EDL's 34-year toll concession effectively ended on 31 Dec 2017
1-Jan-18	- FRO 2017 came into effect resulting to the abolishment of the toll collection on EDL (RM6.80 per trip)
	- EDL was reclassified as a federal non-tolled road (tolled highway previously)
	- Public Works Department (PWD) takes over the operations of the EDL
Jan-Nov YTD	- Negotiations on the terms for EDL's mutual termination agreement (MTA)
	- Negotiations on the full settlement sum to be paid to MRCB
2-Nov-18	- Budget 2019 announced/acknowledged the RM1.3bn compensation/settlement sum as payment to MRCB under the MTA

SOURCES: CIMB RESEARCH, ANNUAL REPORT, BUDGET 2019, PRESS REPORTS

Key points for our trading-oriented upgrade to Add ➤

- Since our downgrade of the stock from Add to Reduce post the general elections (GE) in May, **MRCB's share price has declined 24% as per Friday's close and 32% YTD.**
- Although MRCB (along with other contractors/property developers) is unlikely to be spared by the construction sector downturn in 2019 and the lacklustre property market outlook next year, **positive revelations regarding the EDL from Budget 2019 seem to signal that the worst is over for the share price. At these levels, the stock appears oversold.**
- As EDL has not been contributing to revenue, **benefits from realising a full cash settlement sum of RM1.3bn will directly impact MRCB's net gearing**, which we estimate will fall from 0.69x as at end-2Q18 to 0.49x. This excludes other cash-enhancing events, i.e. EPF's subscription in Bukit Jalil Sentral, disposal of Ascott tower and disposal of Menara Celcom, which will pare down net gearing further to 0.22x, as per guided by MRCB.
- Non-recourse debt relating to EDL stood at RM1bn as at end-2Q18, making up 26% of MRCB's total borrowings of RM2.9bn.

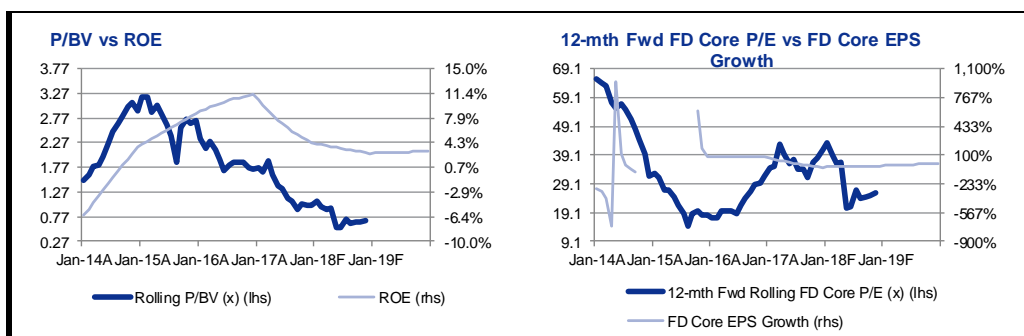
- The overall net impact on P&L, we believe, hinges on more details of the terms of the MTA and mechanism of the settlement sum (if any), which, if talks are expedited, could be finalised by end-2018. We therefore make no changes to our FY18-20F EPS.
- **In the medium term, we expect investors' likely positive expectations for a conclusion to the EDL deal to be sentiment-positive for the share price**, at least over the short term. We make no changes to our FD RNAV/share of RM1.13 but apply a lower RNAV discount of 20% from 30% previously to reflect the stock's positive risk-reward profile compared to other diversified mid- to larger-cap contractors/developers, which are pegged to higher RNAV discounts of 30-50%.
- **Our TP rises from RM0.65 to RM0.90 (+25 sen), implying 18% upside.** We note that considering the overall construction sector's fundamental risks arising from a slowdown in contracts in 2019 and the sustained lacklustre phase of the property sector, our upgrade from Reduce to Add is therefore more trading-oriented as we anticipate more newsflow and clarity on the progress of EDL's MTA and settlement sum over the next 2 months, underpinning key potential re-rating catalysts for the share price.
- **Our new TP also implies a target P/BV of 0.81x** (using end-2Q18 BV of RM1.11/share), in line with the higher end of the historical range of 0.7-0.8x P/BV multiples of other pure developers and also diversified contractors where the earnings mix is predominantly property earnings-driven, similar to MRCB. **A key risk to our call is if the EDL revival angle together with the lump sum RM1.3bn settlement sum as per guided earlier fail to materialise.**

Figure 2: RNAV

	Land bank		GDV	Stake	Value	Value
	(Acres)	(m sq ft)	(RM m)	(%)	(RM psf)	(RM m)
Ongoing property development						
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%	330.0	1,140.1
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			3,284.9
				Stake		
Eastern Dispersal Link (EDL) - DCF value				100%		896.5
Construction Net profit (FY19) at 15x P/E				100%		300.0
MQ REIT				31%		372.0
Property investments (2Q18)						1,255.4
Associates & investments (2Q18)						278.0
Net working capital less prop development cost (2Q18)						826.8
Total borrowings (2Q18)						(2,871.0)
Total RNAV (RM m)						4,521.5
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)						6,038.1
FD RNAV/share (RM)						1.13
Discount to RNAV (%)						20%
Target price (RM/share)						0.90

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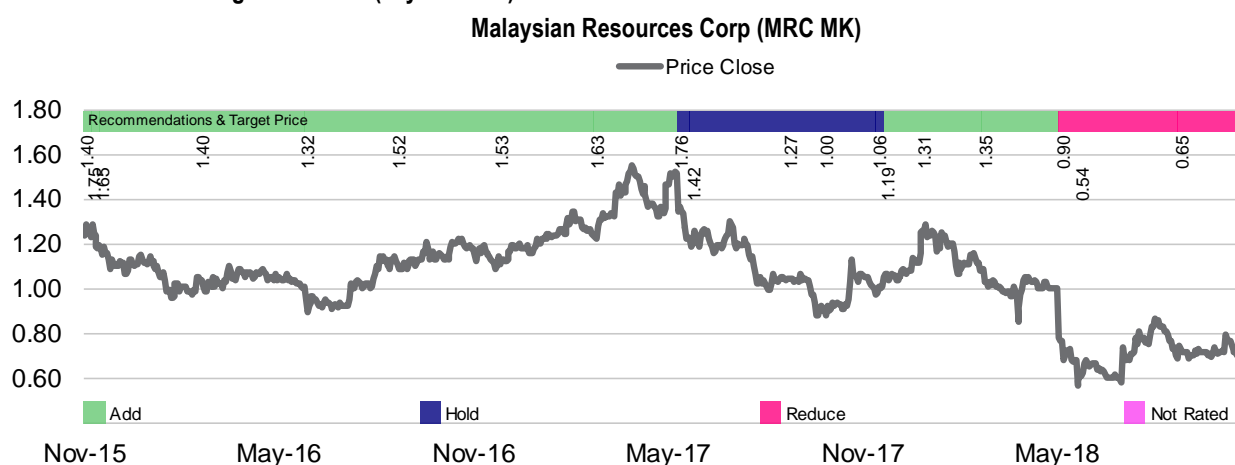
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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

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, **CENDEL** – 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, **TPIPP** – 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.