

Malaysia

HOLD (no change)

Consensus ratings*: Buy 1 Hold 6 Sell 8

| | |
|-----------------------|--------|
| Current price: | RM6.49 |
| Target price: | RM6.70 |
| Previous target: | RM6.40 |
| Up/downside: | 3.2% |
| CGS-CIMB / Consensus: | 25.4% |

| | |
|-------------------------|------------|
| Reuters: | UMWS.KL |
| Bloomberg: | UMWH MK |
| Market cap: | US\$1,943m |
| | RM7,582m |
| Average daily turnover: | US\$1.86m |
| | RM7.52m |
| Current shares o/s: | 1,168m |
| Free float: | 37.8% |

*Source: Bloomberg

Key changes in this note

- FY18F EPS increased by 31%.
- FY19F EPS increased by 5%.



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|------|------|------|
| Absolute (%) | -5.3 | 21.1 | 25.9 |
| Relative (%) | -6.2 | 12.3 | 15.4 |

| Major shareholders | % held |
|-------------------------|--------|
| Permodalan Nasional Bhd | 42.1 |
| EPF | 12.0 |
| KWAP | 8.0 |

Analyst(s)

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UMW Holdings

Better times ahead

- FY17 core net profit beat expectations at 129%/220% of our/Bloomberg consensus full-year forecasts due to lower-than-expected drag from the oil & gas division.
- UMW posted a higher RM73m core net profit in 4Q17, vs. the RM31m core net loss in 3Q17, due to stronger earnings from the auto division and favourable forex.
- New model launches from Toyota and Perodua will drive automotive volume growth in 2018. The group is also expected to benefit from the appreciation of ringgit vs. US\$.
- We raise our FY18-19F EPS by 5-31% to account for lower losses from non-listed oil & gas division. Maintain Hold with a higher RM6.70 TP, still based on 14x CY19F P/E.

Sequential earnings improvement in 4Q17

UMW posted a higher core net profit of RM73m in 4Q17 against a RM31m core net loss in 3Q17 due to improvements across three core divisions – Automotive, Equipment, Manufacturing & Engineering (M&E), which posted 12.8%, 6.5% and 9.1% pretax profit growth, respectively. As expected, there was no dividend declared in the quarter.

FY17 core pretax profit rose 9.6% yoy

FY17 revenue grew by 5.8% yoy, driven by higher sales contribution from Automotive (6%), Equipment (5.3%) and M&E (7.3%). As a result of higher operating leverage, the group's core pretax profit rose 9.6% yoy from 462.5m in FY16 to RM506.9m in FY17. Stripping out exceptional items, such as RM254m re-measurement of financial contract, RM114m forex gain, RM65m reversal of impairment loss, RM53m inventories write-down, we estimate UMW posted higher core net profit of RM177m in FY17 vs. RM89m in FY16.

Toyota and Lexus's sales volume rose 8% yoy in 2017

Toyota and Lexus's sales volume increased 8% yoy to 70,474 units, in line with the group's target of 70,000 units in 2017. We expect the group to deliver 6% volume growth in 2018 driven by new model launches such as Toyota Harrier, Toyota CH-R. Meanwhile, Perodua posted a lower sales volume of 205k units in 2017, down 1.1% yoy following a strong performance in 2016. Nevertheless, Perodua is targeting to record a 2% volume growth in 2018, driven by new models such as the third-generation Perodua Myvi.

Beneficiary of stronger ringgit

We see the strengthening of the ringgit vs. US\$ as a positive for the automotive sector, as it will help automakers reduce the cost of imported completely knocked-down (CKD) kits and completely built-up (CBU) units. We expect UMW to benefit from the favourable forex given that 50% of its total manufacturing costs are denominated in US\$.

Expansion into aerospace division gaining good traction

The UMW Aerospace (UMWA) division started operations in 4Q17. The group is targeting to deliver 80 units of fan cases in FY18F and 160 units in FY19F. The group expects UMWA to remain loss-making in FY18F, mainly due to plant start-up costs and depreciation expenses, but the group is optimistic for UMWA to start contributing to the group's earnings in FY19F, driven by higher shipment volume growth.

Maintain Hold with a higher RM6.70 TP

We raise our FY18-19F EPS by 5-31% to reflect lower losses from unlisted oil & gas assets and better margin from automotive due to favorable forex. We maintain our Hold rating on the stock with a higher RM6.70 TP, still based on 14x CY19F P/E, a 10% premium to its FY09-14 historical mean of 13x. Key upside risks are accelerated disposal of unlisted O&G assets and strengthening of the ringgit vs. US\$, while key downside risks are delayed disposal of unlisted O&G assets and depreciation of the ringgit against US\$.

Financial Summary

| | Dec-16A | Dec-17A | Dec-18F | Dec-19F | Dec-20F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (RMm) | 10,965 | 11,400 | 11,817 | 12,755 | 13,159 |
| Operating EBITDA (RMm) | 684 | 609 | 1,152 | 1,407 | 1,477 |
| Net Profit (RMm) | 89.0 | 177.3 | 363.9 | 543.3 | 623.8 |
| Core EPS (RM) | 0.08 | 0.15 | 0.31 | 0.47 | 0.53 |
| Core EPS Growth | (76%) | 99% | 105% | 49% | 15% |
| FD Core P/E (x) | 84.11 | 42.23 | 20.57 | 13.78 | 12.00 |
| DPS (RM) | 0.00 | 0.00 | 0.10 | 0.20 | 0.25 |
| Dividend Yield | 0.00% | 0.00% | 1.54% | 3.08% | 3.85% |
| EV/EBITDA (x) | 20.80 | 16.86 | 8.76 | 7.14 | 6.77 |
| P/FCFE (x) | 12.46 | 11.56 | 9.17 | 8.89 | 8.60 |
| Net Gearing | 65.5% | 38.3% | 22.6% | 11.7% | 2.9% |
| P/BV (x) | 1.61 | 2.46 | 2.28 | 2.08 | 1.91 |
| ROE | 1.6% | 4.5% | 11.4% | 15.6% | 16.4% |
| % Change In Core EPS Estimates | | | 31.0% | 4.6% | |
| CIMB/consensus EPS (x) | | | 1.18 | 1.32 | |

SOURCE: COMPANY DATA, CGS-CIMB FORECASTS

Figure 1: Results comparison

| FYE Dec (RM m) | 4Q17 | 4Q16 | yoy % chg | 3Q17 | qoq % chg | 4Q17 Cum | 4Q16 Cum | yoy % chg | Prev. FY17F | Comments |
|------------------------------|----------------|--------------|---------------|-------------|---------------|----------------|--------------|--------------|--------------|--|
| Continuing operations | Restate | | | | | Restate | | | | Continuing operations |
| Revenue | 2,955 | 2,938 | 0.6 | 2,671 | 10.6 | 11,046 | 10,437 | 5.8 | 10,366 | Higher due to stronger contribution from Automotive, |
| Operating costs | (2,751) | (3,413) | (19.4) | (2,573) | 6.9 | (10,437) | (10,339) | 0.9 | (9,854) | Equipment and M&E in FY17 |
| EBITDA | 204 | (475) | 142.9 | 98 | 108.5 | 609 | 98 | n.m. | 512 | Above expectation |
| EBITDA margin (%) | 6.9 | (16.2) | | 3.7 | | 5.5 | 0.9 | | 4.9 | |
| Depn & amort. | (65) | (141) | (54.2) | (48) | 34.2 | (336) | (555) | (39.4) | (333) | In line |
| EBIT | 139 | (616) | 122.5 | 49 | 180.8 | 273 | (457) | 159.8 | 179 | |
| Interest expense | (77) | (16) | 389.2 | (20) | 280.0 | (119) | (33) | 266.0 | (103) | Above expectation |
| Interest & invt inc | 20 | 17 | 17.6 | 21 | (5.3) | 80 | 63 | 26.5 | 87 | In line |
| Associates' contrib | 58 | 72 | (18.9) | 30 | 96.6 | 172 | 184 | (6.5) | 159 | Lower contribution from Perodua |
| Exceptionals | (123) | | n.m. | (60) | 103.6 | (153) | | n.m. | 0 | Remeasure of financial guarantee contract for RM254m |
| Pretax profit | 18 | (543) | 103.2 | 20 | (11.8) | 253 | (242) | 204.3 | 323 | Below expectations |
| Tax | (33) | (24) | 37.8 | (30) | 11.0 | (122) | (134) | (8.4) | (129) | Higher tax rate due to expenses that were not |
| Tax rate (%) | 187.8 | (4.4) | n.m. | 149.3 | 25.8 | 48.4 | (55.1) | | 40.0 | allowable for tax purposes and losses in subs |
| Minority interests | (35) | 29 | (218.0) | (20) | 77.8 | (106) | (121) | (12.2) | (56) | Above expectation |
| Net profit | (50) | (537) | (90.7) | (29) | 70.9 | 24 | (497) | 104.9 | 137.9 | Above expectation |
| Core net profit | 73 | (537) | 113.5 | 31 | 134.8 | 177 | 89 | 99.2 | 137.9 | FY17 core net profit came in 29% above our and |
| EPS (sen) | (4.3) | (46.0) | (90.7) | (2.5) | 70.9 | 2.1 | (42.5) | 104.9 | 11.8 | 120% above Bloomberg consensus expectation |
| Core EPS (sen) | 6.2 | (46.0) | 113.5 | 2.6 | 134.8 | 15.2 | 7.6 | 99.2 | 11.8 | |

SOURCE: CIMB, COMPANY

Figure 2: Segmental breakdown

| Revenue Segmental | 4Q17 | 4Q16 | yoy % chg | 2Q17 | qoq % chg | 4Q17 Cum | 4Q16 Cum | yoy % chg | |
|----------------------|--------------|--------------|----------------|--------------|---------------|---------------|---------------|----------------|--|
| Automotive | 2,387 | 2,454 | (2.8) | 2,116 | 12.8 | 8,954 | 8,451 | 6.0 | Toyota sales volume grew 9% yoy, while Perodua fell by 1.1% |
| Equipment | 393 | 331 | 18.9 | 369 | 6.5 | 1,457 | 1,383 | 5.3 | Stronger demand for product support sales in heavy equipment |
| M&E | 170 | 154 | 10.1 | 156 | 9.1 | 646 | 601 | 7.3 | Stronger demand for shock absorber from OEM and REM markets |
| Oil & Gas (unlisted) | 26 | 64 | (59.2) | 38 | (30.2) | 120 | 201 | (40.0) | Lower due weak demand of OCTG pipes and cessation of Oman operations |
| Others | (22) | (66) | (67.1) | (8) | 185.8 | (130) | (199) | (34.8) | |
| Total | 2,955 | 2,938 | 0.6 | 2,671 | 10.6 | 11,046 | 10,437 | 5.8 | |
| PBT | | | | | | | | | |
| | 4Q17 | 4Q16 | yoy % chg | 2Q17 | qoq % chg | 4Q17 Cum | 4Q16 Cum | yoy % chg | |
| Automotive | 142 | 147 | (4.0) | 106 | 33.5 | 434 | 497 | (12.7) | Affected by volatility in currency |
| Equipment | 30 | 30 | (0.8) | 39 | (24.5) | 141 | 146 | (3.4) | |
| M&E | (3) | 5 | (165.0) | (7) | (55.0) | (16) | 25 | (166.1) | Higher opex related to aerospace business |
| Oil & Gas (unlisted) | (412) | (616) | (33.1) | (36) | 1,058.5 | (520) | (706) | (26.4) | |
| Others | 262 | (109) | (340.5) | (83) | 415.0 | 214 | (203) | (205.5) | |
| Total | 18 | (543) | (103.2) | 20 | (11.8) | 253 | (242) | (204.3) | |

SOURCE: CIMB, COMPANY

Figure 3: Earnings revision

| | Previous | | | Revised | | | Changes | | |
|---------------|----------|--------|-------|---------|--------|--------|---------|-------|-------|
| | 2018F | 2019F | 2020F | 2018F | 2019F | 2020F | 2018F | 2019F | 2020F |
| Revenue | 11,129 | 12,007 | na | 11,817 | 12,755 | 13,159 | 6% | 6% | na |
| EBIT | 375 | 644 | na | 831 | 1,069 | 1,195 | 121% | 66% | na |
| Pretax Profit | 473 | 795 | na | 958 | 1,253 | 1,415 | 102% | 58% | na |
| Net Profit | 278 | 519 | na | 364 | 543 | 624 | 31% | 5% | na |
| EPS | 24 | 44 | na | 31 | 47 | 53 | 31% | 5% | na |

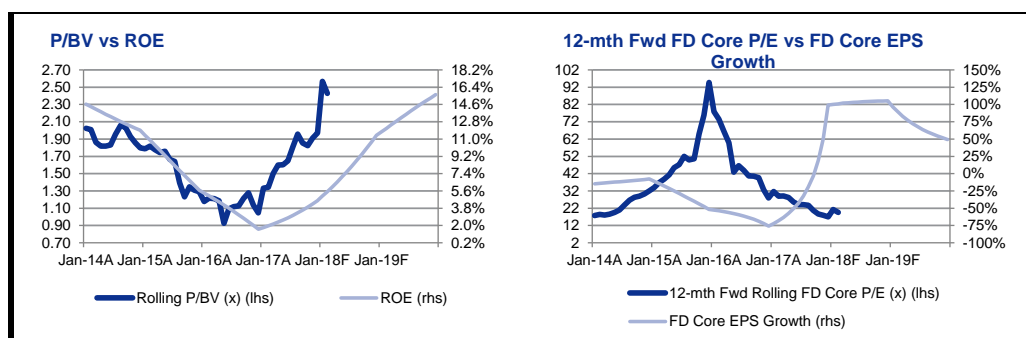
SOURCE: CIMB, COMPANY

Figure 4: Sector comparison

| Company | Recom. | Price (RM) | Target Price (RM) | Mkr Cap (US\$ m) | P/E (x) | | P/BV (x) | | Recurring ROE (%) | | EV/EBITDA (x) | | Dividend Yield (%) | |
|--------------------------|--------|------------|-------------------|------------------|-------------|-------------|------------|------------|-------------------|-------------|---------------|------------|--------------------|-------------|
| | | | | | CY18F | CY19F | CY18F | CY19F | CY18F | CY19F | CY18F | CY19F | CY18F | CY19F |
| Bermaz Auto Berhad | Hold | 2.18 | 2.06 | 647 | 16.8 | 14.1 | 5.8 | 5.8 | 34.4% | 41.0% | 10.5 | 9.1 | 6.0% | 7.1% |
| Tan Chong Motor Holdings | Reduce | 1.71 | 1.49 | 286 | 531.3 | 19.2 | 0.4 | 0.4 | 0.1% | 2.1% | 14.0 | 9.7 | 0.0% | 0.0% |
| DRB-Hicom | Add | 2.67 | 2.35 | 1,323 | na | 33.7 | 0.9 | 0.9 | -1.2% | 2.6% | 10.2 | 8.1 | 0.0% | 0.0% |
| UMW Holdings | Hold | 6.49 | 6.70 | 1,943 | 20.8 | 14.0 | 2.3 | 2.1 | 11.1% | 15.6% | 8.9 | 7.1 | 1.5% | 3.1% |
| Sime Darby Bhd | Reduce | 2.75 | 2.42 | 4,792 | 22.2 | 21.6 | 1.1 | 1.1 | 5.1% | 5.3% | 9.7 | 9.3 | 2.9% | 2.8% |
| Sector average | | | | | 27.0 | 19.5 | 1.2 | 1.2 | 4.5% | 6.3% | 9.8 | 8.4 | 2.3% | 2.7% |

SOURCE: CIMB, COMPANY

BY THE NUMBERS



Profit & Loss

| (RMm) | Dec-16A | Dec-17A | Dec-18F | Dec-19F | Dec-20F |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Net Revenues | 10,965 | 11,400 | 11,817 | 12,755 | 13,159 |
| Gross Profit | 1,645 | 1,653 | 2,186 | 1,913 | 2,105 |
| Operating EBITDA | 684 | 609 | 1,152 | 1,407 | 1,477 |
| Depreciation And Amortisation | (555) | (336) | (321) | (338) | (282) |
| Operating EBIT | 129 | 273 | 831 | 1,069 | 1,195 |
| Financial Income/(Expense) | 31 | (39) | (69) | (51) | (26) |
| Pretax Income/(Loss) from Assoc. | 184 | 172 | 197 | 235 | 246 |
| Non-Operating Income/(Expense) | 0 | 0 | 0 | 0 | 0 |
| Profit Before Tax (pre-EI) | 343 | 406 | 958 | 1,253 | 1,415 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 343 | 406 | 958 | 1,253 | 1,415 |
| Taxation | (134) | (122) | (239) | (313) | (382) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 210 | 283 | 718 | 940 | 1,033 |
| Minority Interests | (121) | (106) | (354) | (396) | (409) |
| Preferred Dividends | 0 | 0 | 0 | 0 | 0 |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 89 | 177 | 364 | 543 | 624 |
| Recurring Net Profit | 89 | 177 | 364 | 543 | 624 |
| Fully Diluted Recurring Net Profit | 89 | 177 | 364 | 543 | 624 |

Cash Flow

| (RMm) | Dec-16A | Dec-17A | Dec-18F | Dec-19F | Dec-20F |
|----------------------------------|----------------|--------------|--------------|--------------|--------------|
| EBITDA | 684 | 609 | 1,152 | 1,407 | 1,477 |
| Cash Flow from Inv. & Assoc. | | | | | |
| Change In Working Capital | 686 | 801 | 356 | (6) | (65) |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | 528 | 333 | 321 | 338 | 282 |
| Net Interest (Paid)/Received | 31 | (39) | (69) | (51) | (26) |
| Tax Paid | (210) | (133) | (239) | (313) | (382) |
| Cashflow From Operations | 1,719 | 1,571 | 1,520 | 1,375 | 1,285 |
| Capex | (1,182) | (1,004) | (750) | (600) | (500) |
| Disposals Of FAs/subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | 63 | 80 | 47 | 67 | 85 |
| Cash Flow From Investing | (1,118) | (924) | (703) | (533) | (415) |
| Debt Raised/(repaid) | 0 | 0 | 0 | 0 | 0 |
| Proceeds From Issue Of Shares | 0 | 0 | 0 | 0 | 0 |
| Shares Repurchased | 0 | 0 | 0 | 0 | 0 |
| Dividends Paid | 0 | 0 | (117) | (234) | (292) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | | | | | |
| Cash Flow From Financing | 0 | 0 | (117) | (234) | (292) |
| Total Cash Generated | 601 | 647 | 700 | 608 | 578 |
| Free Cashflow To Equity | 601 | 647 | 817 | 842 | 870 |
| Free Cashflow To Firm | 633 | 767 | 933 | 961 | 981 |

SOURCE: CGS-CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

| (RMm) | Dec-16A | Dec-17A | Dec-18F | Dec-19F | Dec-20F |
|--------------------------------------|---------------|--------------|--------------|--------------|--------------|
| Total Cash And Equivalents | 1,857 | 1,163 | 1,685 | 2,123 | 2,581 |
| Total Debtors | 996 | 994 | 1,073 | 1,159 | 1,195 |
| Inventories | 1,931 | 1,343 | 2,081 | 2,247 | 2,318 |
| Total Other Current Assets | 1,000 | 1,622 | 1,622 | 1,622 | 1,622 |
| Total Current Assets | 5,785 | 5,122 | 6,462 | 7,150 | 7,716 |
| Fixed Assets | 7,679 | 2,661 | 3,089 | 3,351 | 3,569 |
| Total Investments | 2 | 1 | 1 | 1 | 1 |
| Intangible Assets | 0 | 0 | 0 | 0 | 0 |
| Total Other Non-Current Assets | 2,797 | 2,159 | 2,159 | 2,159 | 2,159 |
| Total Non-current Assets | 10,478 | 4,820 | 5,249 | 5,511 | 5,729 |
| Short-term Debt | 2,639 | 692 | 692 | 692 | 692 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 1,879 | 767 | 1,941 | 2,185 | 2,228 |
| Other Current Liabilities | 234 | 2,094 | 2,094 | 2,094 | 2,094 |
| Total Current Liabilities | 4,752 | 3,553 | 4,727 | 4,971 | 5,014 |
| Total Long-term Debt | 3,716 | 2,070 | 2,070 | 2,070 | 2,070 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | 931 | 143 | 150 | 150 | 150 |
| Total Non-current Liabilities | 4,647 | 2,213 | 2,219 | 2,219 | 2,219 |
| Total Provisions | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 9,399 | 5,766 | 6,947 | 7,191 | 7,233 |
| Shareholders' Equity | 4,719 | 3,082 | 3,329 | 3,639 | 3,971 |
| Minority Interests | 2,146 | 1,093 | 1,435 | 1,831 | 2,241 |
| Total Equity | 6,864 | 4,176 | 4,764 | 5,470 | 6,211 |

Key Ratios

| | Dec-16A | Dec-17A | Dec-18F | Dec-19F | Dec-20F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth | (24.1%) | 4.0% | 3.7% | 7.9% | 3.2% |
| Operating EBITDA Growth | (35.1%) | (10.9%) | 89.0% | 22.2% | 4.9% |
| Operating EBITDA Margin | 6.2% | 5.3% | 9.7% | 11.0% | 11.2% |
| Net Cash Per Share (RM) | (3.85) | (1.37) | (0.92) | (0.55) | (0.15) |
| BVPS (RM) | 4.04 | 2.64 | 2.85 | 3.11 | 3.40 |
| Gross Interest Cover | 3.97 | 2.29 | 7.16 | 9.00 | 10.82 |
| Effective Tax Rate | 38.9% | 30.2% | 25.0% | 25.0% | 27.0% |
| Net Dividend Payout Ratio | NA | NA | 19.4% | 27.3% | 29.0% |
| Accounts Receivables Days | 47.22 | 31.85 | 31.92 | 31.94 | 32.74 |
| Inventory Days | 75.03 | 61.30 | 64.88 | 72.85 | 75.56 |
| Accounts Payables Days | 80.89 | 49.54 | 51.32 | 69.46 | 73.07 |
| ROIC (%) | 0.8% | 1.7% | 10.5% | 13.4% | 14.3% |
| ROCE (%) | 1.3% | 3.5% | 12.1% | 14.4% | 14.9% |
| Return On Average Assets | 1.9% | 3.3% | 9.3% | 10.6% | 11.0% |

Key Drivers

| | Dec-16A | Dec-17A | Dec-18F | Dec-19F | Dec-20F |
|---|---------|---------|---------|---------|---------|
| ASP (% chg, main prod./serv.) | 2.0% | 0.0% | 1.5% | 1.5% | 1.5% |
| Unit sales grth (% , main prod./serv.) | -9.1% | 6.4% | 6.5% | 4.0% | 4.0% |
| 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 |
| ASP (% chg, tertiary prod/serv) | N/A | N/A | N/A | N/A | N/A |
| Unit sales grth (% ,tertiary prod/serv) | N/A | N/A | N/A | N/A | N/A |
| Util. rate (% , tertiary prod/serv) | N/A | N/A | N/A | N/A | N/A |

SOURCE: CGS-CIMB RESEARCH, COMPANY DATA

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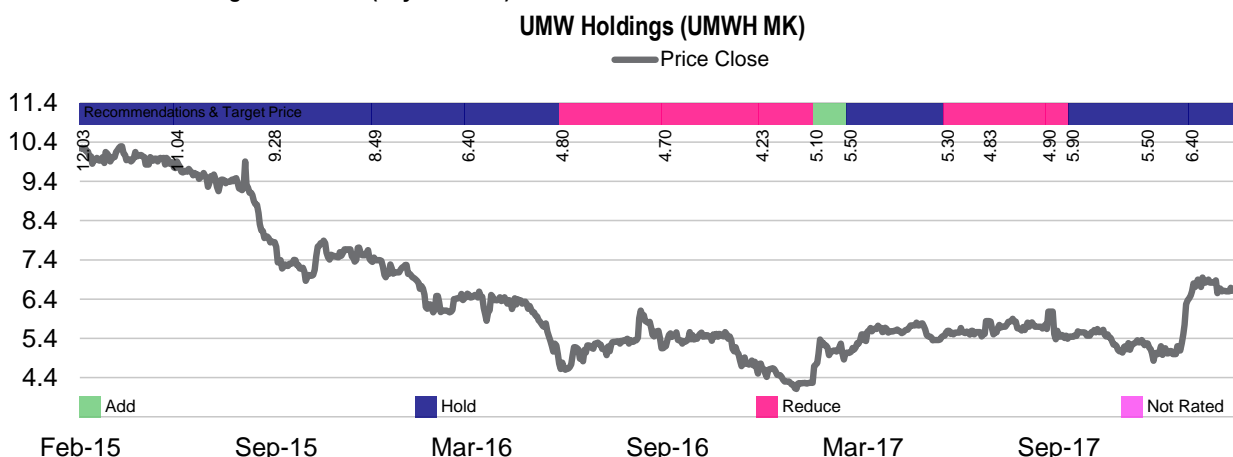
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Spitzer Chart for stock being researched (2 year data)



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