

## Malaysia

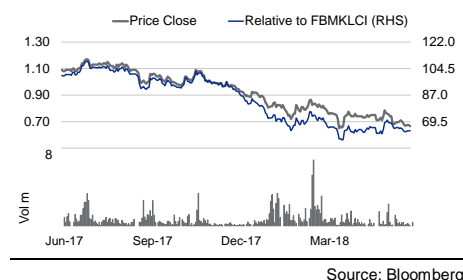
### ADD (no change)

Consensus ratings\*: Buy 2 Hold 0 Sell 0

Current price:	RM0.67
Target price:	RM1.00
Previous target:	RM1.00
Up/downside:	49.6%
CGS-CIMB / Consensus:	2.1%
Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US\$44.82m
	RM179.2m
Average daily turnover:	US\$0.08m
	RM0.32m
Current shares o/s:	256.0m
Free float:	62.1%
*Source: Bloomberg	

### Key changes in this note

➤ No change.



Price performance	1M	3M	12M
Absolute (%)	-6.3	-17.4	-39
Relative (%)	-0.3	-11.8	-36.3

Major shareholders	% held
K-Capital Sdn Bhd	30.7
Ignatius Luke Jr Tan Keng Hee	4.2
Ahmad Kabeer bin Mohamed Nagoor	3.0

### Analyst(s)



Walter AW

T (60) 3 2261 9093

E walter.aw@cimb.com

## AWC Berhad

### Chugging along nicely, thanks to IFM segment

- We recently met up with AWC's management to obtain updates about the company's earnings prospects as well as the status of its proposed acquisition of Trackworks.
- Contribution from integrated facilities management (IFM) segment should remain strong, thanks to a higher orderbook and maiden contribution from CARP concession.
- We expect lower yoy contribution from the environment segment given headwinds in terms of slower progress billings as well as increased competition in Singapore.
- AWC still aims to conclude the acquisition of a 60% stake in Trackworks by end-3Q18 as the acquisition would be earnings-accretive and a good fit for its rail division.
- Maintain Add, with TP of RM1.00 (11.2x CY19F P/E).

### Robust IFM segment, thanks to higher orderbook and CARP

We gather that AWC expects its IFM segment to continue to perform strongly, given: i) better economies of scale, ii) increase in orderbook, and iii) higher recognition from its Critical Asset Refurbishment Programme (CARP). CARP is a 10-year programme (Jan 2016 to Dec 2025) for the replacement of old mechanical and electrical (M&E) equipment in government buildings at a pre-agreed schedule. The government pays AWC on a monthly basis but AWC will only recognise the payment as earnings when work is done.

### Focusing on securing more non-concession IFM jobs

Moving forward, AWC plans to secure more private jobs in the IFM segment, especially in the healthcare and commercial segments. AWC believes its experience and strong track-record would make it very competitive in securing more private IFM jobs. Also, margins for private IFM contracts are also generally higher vs. concession projects. For the IFM segment, we estimate that 55% of its existing total orderbook, including the CARP concession (up to Dec 2025), are for government facilities.

### Headwinds in the environment division

In the environment segment, delays in progress billings led to a weak 9MFY6/18 performance. As AWC's STREAM automated waste collection systems are installed towards the end of a construction project, unforeseen delays by the project's main contractors resulted in slower progress billings. Also, emergence of new players in this segment in Singapore had led to a more competitive environment there. However, AWC remains confident that the superior quality of its products will set it apart from its peers.

### Delays to its proposed acquisition of 60% stake in Trackworks

AWC recently announced it has extended its target completion date for the acquisition of a 60% stake in Trackworks by three months to 26 Sep 2018. This was in relation to a demand letter for RM19m in damages served by a customer to Trackworks' vendors and international principal. According to AWC, any potential liability from this demand letter would likely be borne solely by the aforementioned principal. In our view, AWC is likely to complete this acquisition given its plans to venture into the rail business.

### Maintain Add

As there were no surprises from our meeting, we make no changes to our earnings estimates. We also retain our Add call, and TP of RM1.00, based on 11.2x CY19F P/E, a small-cap and liquidity discount of 10% to its larger peer UEM Edgenta's 12.4x. We continue to like AWC for its defensive earnings and undemanding valuation of 7.3x CY19F P/E. Potential re-rating catalysts are stronger-than-expected contribution from environment segment and more contract wins in IFM segment. Downside risks: i) cancellation of its facilities management contracts, and ii) delays in progress billing.

### Financial Summary

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	249.3	296.1	313.9	331.0	355.5
Operating EBITDA (RMm)	31.90	45.94	42.29	44.78	47.67
Net Profit (RMm)	17.30	21.59	21.15	22.74	24.22
Core EPS (RM)	0.068	0.069	0.083	0.089	0.095
Core EPS Growth	89.8%	2.3%	19.6%	7.5%	6.5%
FD Core P/E (x)	9.84	9.62	8.05	7.49	7.03
DPS (RM)	0.025	0.020	0.025	0.030	0.035
Dividend Yield	3.76%	3.01%	3.76%	4.51%	5.26%
EV/EBITDA (x)	4.76	3.23	3.59	3.33	3.10
P/FCFE (x)	24.65	5.36	19.33	10.36	10.26
Net Gearing	(32.0%)	(34.6%)	(32.2%)	(33.7%)	(34.3%)
P/BV (x)	1.43	1.30	1.17	1.06	0.97
ROE	16.4%	14.1%	15.3%	14.8%	14.4%
CIMB/consensus EPS (x)			0.96	0.97	1.00

SOURCES: CIMB RESEARCH, COMPANY REPORTS

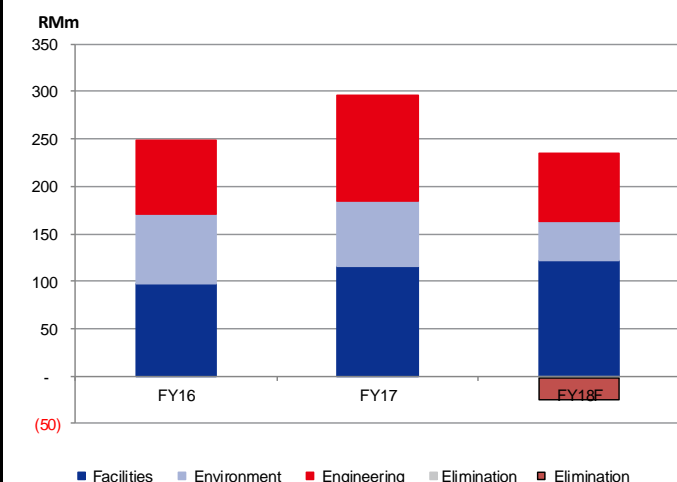
# Chugging along nicely, thanks to IFM segment

## IFM segment holding up AWC's earnings

### IFM's 9MFY18 pretax profit rose 88% yoy ➤

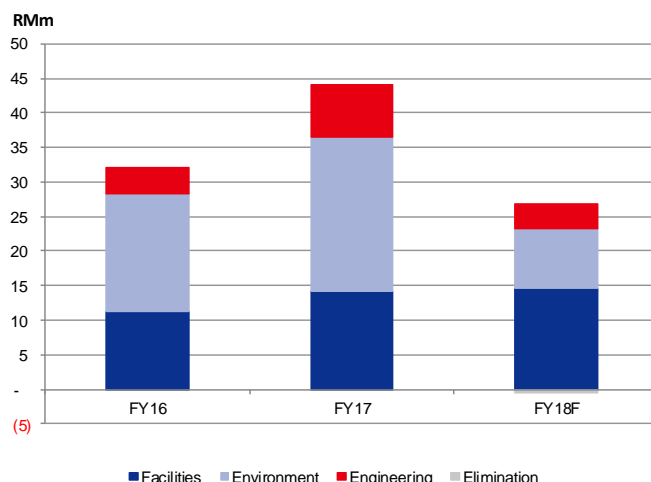
In the 9MFY6/18 period, AWC's IFM segment revenue and pretax profit rose 18.4% and 88% yoy, respectively. The stronger performance was owing to: i) higher orderbook from commencement of new contracts, ii) increased recognition from the federal government's Critical Asset Refurbishment Programme (CARP), and iii) better economies of scale. Note that the group also commenced IFM works for four new projects in Putrajaya, Malaysia in 3QFY18. We expect the IFM segment's performance to continue improving moving forward, with higher economies of scale and commencement of more projects undertaken recently.

Figure 1: Revenue breakdown (RMm)



SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 2: PBT breakdown (RMm)



SOURCES: CIMB RESEARCH, COMPANY REPORTS

## Focusing on securing non-concession IFM works ➤

As at 9MFY18, 63% of AWC's IFM revenue stemmed from government-related projects as well as its concession business. To recap, AWC has been providing IFM services to 37 federal government buildings in four states -- Johor, Melaka, Negeri Sembilan and Sarawak -- since 1998. In Jan 2016, its CARP concession was renewed for RM555m for a period of 10 years (Jan 2016 to 31 Dec 2025). To lower its dependency on concession jobs, AWC plans to secure more private IFM works, especially in the healthcare and commercial space. We gather that margins in this segment are relatively higher vs. concession projects, despite contracts which have a shorter term (3-5 years). A good example of a non-concession IFM project is the Shah Alam hospital for which AWC is handling all maintenance works (covering all engineering, cleaning and maintenance) for RM90m over a five-year period.

## Tough times for environment business

### Slower progress billings due to project delays ➤

For 9MFY6/18, the environment division recorded a 14% yoy decline in revenue and a 46.1% yoy decline in PBT. This was mainly attributable to lower margins as well as slower progress billings from project delays. Overall, we expect the environment division to remain sluggish moving forward. We gather that the bulk

of its STREAM projects are facing slower progress billings due to issues with project delays by the main contractors. As STREAM is usually installed towards the tail-end of a construction project, any delays faced by other contractors may lead to delays in its delivery.

### Rising competition in Singapore ►

Meanwhile, AWC is facing stiff competition when tendering for projects for STREAM in Singapore. We understand that new players are emerging in the Singapore market and tendering for environment projects at very competitive pricing. As a result, AWC has to tender for projects with lower margins to secure more contracts. We suspect that this negatively impacted its earnings from this segment.

### Acquisition of a 60% stake in Trackworks likely to proceed

#### Completion of acquisition hindered by damage claim amounting to RM19m to Trackworks and its principal ►

Recently, AWC announced that its proposed acquisition of a 60% stake in Trackworks, a rail-related works company has been deferred by three months to 26 Sep 2018. This was in relation to a demand letter for RM19m worth of damages served by a customer of a previously completed project to sellers of Trackworks and its international principal. According to AWC, any potential liability from this demand letter would likely be borne solely by the aforementioned principal as Trackworks is just the local trading agent. Hence, AWC is of the view that Trackworks is unlikely to be bogged down by any negative financial impact arising from this damage claim.

#### Acquisition still likely to proceed ►

In our view, AWC is still likely to complete this proposed acquisition. We gather that the group is still keen on the deal, as: i) it is earnings-accretive, ii) it allows direct access to rail-related jobs, and iii) it will enhance AWC's service offering. Despite the recent negative newsflow surrounding major rail projects in Malaysia, such as Kuala Lumpur-Singapore high-speed rail (HSR) and East Coast Rail Link (ECRL), AWC remains optimistic on rail-related projects. We gather that AWC believes any cancellation of these mega rail projects would likely lead to more upgrading works on existing ones. As Trackworks has more than 18 years of track record in the rail industry, we believe it has the potential to benefit from any of these upgrading works.

Figure 3: Historical and on-going projects of Trackworks

Project description (name of project)	Project owner	Date of Award/Commencement date	Completion/Expected completion date	Amount/Contract value (RMm)
<b>2015</b>				
Supply of track network maintenance, tools and equipment at Kampung Kuala Sungai Baru Depot	George Kent (M) Berhad	24 Nov 2015	30 Mar 2016	1.74
Supply of welding portions and accessories for Ampang LRT extension	CHEC Construction (M) Sdn Bhd ("CHEC")	17 Aug 2015 and 21 Oct 2015	Jan 2016	0.37
<b>2016</b>				
Provision of miscellaneous rail related works	Fajarbaru	18 Jul 2016	31 May 2017	34.8
Supply of welding portions and accessories for Ampang LRT extension	CHEC	5 Aug 2016	Dec 2016	0.18
Klang Valley Double Tracking project	Dhaya Maju Infrastructure Asia Sdn Bhd ("DMIA")	15 Aug 2016	15 Oct 2018	12.7
<b>2017</b>				
Supply of inspection platform	Siemens Malaysia Sdn Bhd	9 May 2017	31 May 2017	0.57
Supply of concrete bearers, commissioning and other rail related works	China Communications Construction Company (M) Sdn Bhd	20 Oct 2017	6 Apr 2020	6.17

SOURCES: CIMB RESEARCH, COMPANY REPORTS

## Valuation and recommendation

### Maintain Add, with TP of RM1.00 ➤

With no major surprises from our meeting with management, we maintain our Add call on the stock. Our 12-month TP is also kept unchanged at RM1.00, still based on 11.2x CY19F P/E, a discount of 10% to its larger peer, UEM Edgenta; the discount to reflect its small capitalisation and lower liquidity. We continue to like AWC for its defensive earnings and undemanding valuation of 8.1x CY19F P/E.

### Downside risks ➤

Downside risks to our view are: i) cancellation of its facilities management contracts, and ii) delays in progress billing.

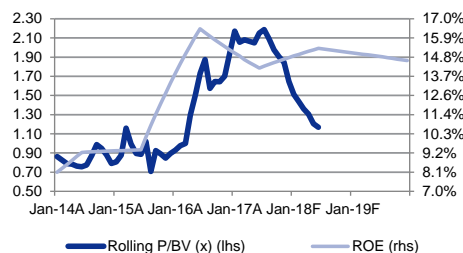
Figure 4: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY17	CY18		CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18
AWC Berhad	AWCF MK	Add	0.67	1.00	45	7.8	7.3	8.2%	1.1	1.0	14.8%	14.6%	3.5	3.2	4.1%	4.9%
Hartalega Holdings	HART MK	Hold	6.00	9.68	4,972	39.7	32.9	1.7%	9.2	8.3	20.7%	21.1%	27.2	23.0	1.5%	1.8%
Kossan Rubber Industries	KRI MK	Hold	8.15	7.70	1,304	24.6	20.7	2.9%	4.1	3.8	17.4%	19.0%	14.3	12.3	2.0%	2.4%
Supermax Corp	SUCB MK	Add	3.98	3.75	653	18.3	16.2	0.5%	2.2	2.0	12.1%	12.8%	12.0	10.8	1.6%	1.9%
Karex Berhad	KAREX MK	Hold	0.76	0.61	191	44.5	35.1	2.2%	1.5	1.4	3.2%	4.1%	21.6	18.0	0.6%	0.7%
Riverstone Holdings	AWCF MK	Add	1.02	1.28	559	15.6	13.4	18.7%	3.1	2.7	20.7%	21.1%	10.2	8.6	2.5%	3.0%
Daibochi Plastic & Packa	DPP MK	Reduce	2.10	1.61	172	23.3	20.4	10.3%	3.5	3.2	15.2%	16.3%	10.0	8.3	2.3%	2.4%
Wellcall Holdings	WELL MK	Reduce	1.32	1.05	164	21.4	19.0	2.1%	6.3	6.1	28.8%	32.4%	14.1	12.4	3.5%	3.6%
Thong Guan Industries	TGI MK	Add	2.58	4.48	88	12.5	11.6	18.4%	0.6	0.6	14.0%	13.9%	4.0	3.6	6.4%	7.0%
Tomypak Holdings	TOMY MK	Reduce	0.84	0.38	88	25.7	23.3	0.8%	2.6	2.5	10.5%	10.9%	9.5	8.2	2.2%	2.2%
Oceancash Pacific Bhd	OCP MK	Add	0.66	0.76	37	12.7	11.2	13.0%	1.6	1.4	13.1%	13.5%	8.0	6.7	1.3%	1.5%
<b>Weighted Average</b>						<b>32.7</b>	<b>27.3</b>	<b>3.4%</b>	<b>6.8</b>	<b>6.2</b>	<b>18.9%</b>	<b>19.6%</b>	<b>21.4</b>	<b>18.2</b>	<b>1.7%</b>	<b>2.1%</b>

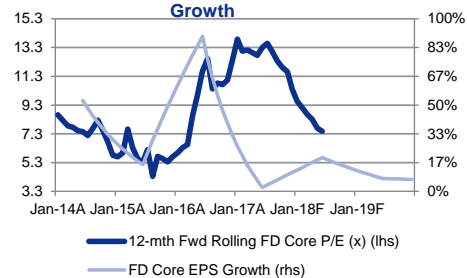
SOURCES: CIMB, COMPANY REPORTS

## BY THE NUMBERS

**P/BV vs ROE**



**12-mth Fwd FD Core P/E vs FD Core EPS Growth**



### Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
<b>Total Net Revenues</b>	<b>249.3</b>	<b>296.1</b>	<b>313.9</b>	<b>331.0</b>	<b>355.5</b>
<b>Gross Profit</b>	<b>79.1</b>	<b>85.8</b>	<b>94.5</b>	<b>102.8</b>	<b>112.2</b>
<b>Operating EBITDA</b>	<b>31.9</b>	<b>45.9</b>	<b>42.3</b>	<b>44.8</b>	<b>47.7</b>
Depreciation And Amortisation	(1.8)	(6.5)	(6.5)	(6.6)	(6.7)
<b>Operating EBIT</b>	<b>30.1</b>	<b>39.5</b>	<b>35.8</b>	<b>38.2</b>	<b>41.0</b>
Financial Income/(Expense)	0.3	(0.4)	0.3	0.3	0.3
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>30.4</b>	<b>39.1</b>	<b>36.1</b>	<b>38.5</b>	<b>41.3</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>30.4</b>	<b>39.1</b>	<b>36.1</b>	<b>38.5</b>	<b>41.3</b>
Taxation	(6.5)	(8.7)	(8.3)	(8.5)	(9.1)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>23.9</b>	<b>30.4</b>	<b>27.8</b>	<b>30.0</b>	<b>32.3</b>
Minority Interests	(6.6)	(8.8)	(6.6)	(7.3)	(8.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>17.3</b>	<b>21.6</b>	<b>21.2</b>	<b>22.7</b>	<b>24.2</b>
Recurring Net Profit	17.3	17.7	21.2	22.7	24.2
<b>Fully Diluted Recurring Net Profit</b>	<b>17.3</b>	<b>17.7</b>	<b>21.2</b>	<b>22.7</b>	<b>24.2</b>

### Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
<b>EBITDA</b>	<b>31.90</b>	<b>45.94</b>	<b>42.29</b>	<b>44.78</b>	<b>47.67</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(13.79)	20.53	(10.18)	(4.87)	(6.98)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.00	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(6.50)	(8.23)	(8.30)	(8.47)	(9.10)
<b>Cashflow From Operations</b>	<b>11.61</b>	<b>58.24</b>	<b>23.81</b>	<b>31.44</b>	<b>31.59</b>
Capex	(3.50)	(26.50)	(15.00)	(15.00)	(15.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
<b>Cash Flow From Investing</b>	<b>(3.50)</b>	<b>(26.50)</b>	<b>(15.00)</b>	<b>(15.00)</b>	<b>(15.00)</b>
Debt Raised/(repaid)	(1.20)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7.40)	(8.96)	(6.40)	(7.68)	(8.96)
Preferred Dividends					
Other Financing Cashflow	0.15	0.45	0.60	0.60	0.60
<b>Cash Flow From Financing</b>	<b>(8.45)</b>	<b>(8.51)</b>	<b>(5.80)</b>	<b>(7.08)</b>	<b>(8.36)</b>
Total Cash Generated	(0.34)	23.23	3.01	9.36	8.23
<b>Free Cashflow To Equity</b>	<b>6.91</b>	<b>31.74</b>	<b>8.81</b>	<b>16.44</b>	<b>16.59</b>
<b>Free Cashflow To Firm</b>	<b>8.11</b>	<b>31.74</b>	<b>8.81</b>	<b>16.44</b>	<b>16.59</b>

SOURCES: CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	48.2	58.6	61.5	71.8	81.0
Total Debtors	120.6	91.5	103.2	108.8	116.9
Inventories	18.1	38.1	43.0	45.3	48.7
Total Other Current Assets	2.5	2.1	2.1	2.1	2.1
<b>Total Current Assets</b>	<b>189.4</b>	<b>190.3</b>	<b>209.8</b>	<b>228.1</b>	<b>248.6</b>
Fixed Assets	10.0	38.7	47.4	54.7	61.8
Total Investments	2.8	2.8	2.8	2.8	2.8
Intangible Assets	28.1	28.1	28.1	28.1	28.1
Total Other Non-Current Assets	1.6	1.6	1.6	1.6	1.6
<b>Total Non-current Assets</b>	<b>42.5</b>	<b>71.2</b>	<b>79.9</b>	<b>87.2</b>	<b>94.3</b>
Short-term Debt	0.2	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	78.3	89.7	96.2	99.3	103.7
Other Current Liabilities	1.8	1.8	1.8	1.8	1.8
<b>Total Current Liabilities</b>	<b>80.3</b>	<b>91.7</b>	<b>98.2</b>	<b>101.3</b>	<b>105.7</b>
Total Long-term Debt	0.7	0.7	0.7	0.7	0.7
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.7	2.7	2.7	2.7	2.7
<b>Total Non-current Liabilities</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
Total Provisions	0.2	0.2	0.2	0.2	0.2
<b>Total Liabilities</b>	<b>83.9</b>	<b>95.3</b>	<b>101.8</b>	<b>104.9</b>	<b>109.3</b>
Shareholders' Equity	119.1	131.0	145.7	160.8	176.0
Minority Interests	28.9	35.6	42.3	49.6	57.6
<b>Total Equity</b>	<b>148.0</b>	<b>166.6</b>	<b>188.0</b>	<b>210.4</b>	<b>233.7</b>

### Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	94.7%	18.8%	6.0%	5.4%	7.4%
Operating EBITDA Growth	126%	44%	(8%)	6%	6%
Operating EBITDA Margin	12.8%	15.5%	13.5%	13.5%	13.4%
Net Cash Per Share (RM)	0.18	0.23	0.24	0.28	0.31
BVPS (RM)	0.47	0.51	0.57	0.63	0.69
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	21.4%	22.3%	23.0%	22.0%	22.0%
Net Dividend Payout Ratio	26.9%	16.9%	21.7%	24.6%	26.9%
Accounts Receivables Days	132.2	130.7	113.2	116.9	116.2
Inventory Days	38.31	48.77	67.46	70.67	70.73
Accounts Payables Days	64.11	77.40	89.05	93.28	93.37
ROIC (%)	45.9%	39.2%	32.9%	30.0%	29.4%
ROCE (%)	22.6%	24.7%	20.2%	19.2%	18.5%
Return On Average Assets	15.6%	16.0%	13.0%	12.6%	12.5%

### Key Drivers

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	6.5%	13.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	52.1%	19.1%	7.0%	7.0%	7.0%
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
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS



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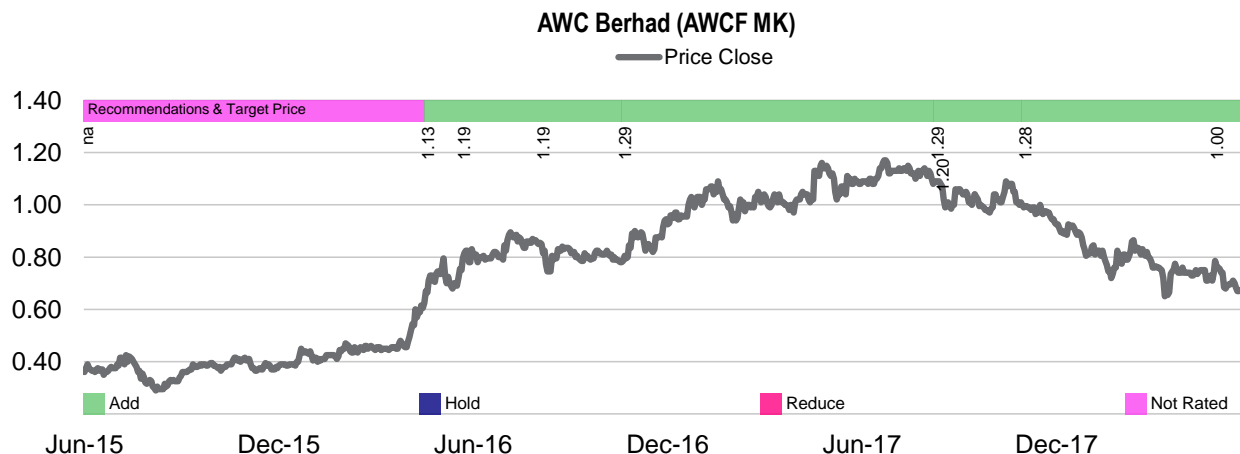
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#### Spitzer Chart for stock being researched ( 2 year data )



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