

Singapore

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.45
Target price:	S\$0.50
Previous target:	S\$0.50
Up/downside:	10.1%
CGS-CIMB / Consensus:	-10.8%

Reuters:	CSES.SI
Bloomberg:	CSE SP
Market cap:	US\$169.5m
	S\$230.9m
Average daily turnover:	US\$0.75m
	S\$1.00m
Current shares o/s:	516.1m
Free float:	65.6%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.1	7.1	3.4
Relative (%)	2.6	14.7	5.1

Major shareholders

	% held
Serba Dinamik	24.8
Fidelity Management & Research	20.1
Fidelity Management & Research	8.1

CSE Global

2Q18F preview: Systems still go

- We forecast 2Q18F net profit of S\$4.6m (+65.7% yoy, -3.7% qoq). Net profit for 1H18F should form 50.5% of our full-year estimate.
- We assume steady revenue from O&G and infrastructure projects, and overall GPM of 26.8%.
- 2Q18F interim DPS of 1.25 Scts (1Q17:1.25 Scts) should be intact given likelihood of positive operating cashflows as large projects hit billing milestones in 2Q/3Q18F.
- We maintain our Add call and target price. We favour CSE for its net cash position, dividend yield of 6.1% and sustained earnings recovery in FY18F.

Steady oil and gas (O&G) and infrastructure divisions drive revenue

We estimate CSE 2Q18F/6M18F revenue of S\$96.6m/S\$188.8m (vs. 2Q17/6M17 revenue of S\$85.5m/S\$160m) on the back of firm contract executions by its O&G and infrastructure divisions. We forecast O&G division 2Q18F/6M18F revenue of S\$70m/S\$135.9m fuelled by improved brownfield project flow and sustained execution of large greenfield contracts won in 1QFY17. For the infrastructure division, we estimate 2Q18F/6M18F revenue of S\$24.0m/S\$47.7m (Fig 1).

GPM likely steady

In 1Q18, CSE guided that gross margins (GPMs) were stable at c.26-27%. Hence, we expect 2Q18F/6MFY18F GPM of 26.8% in 2Q18F (vs. 2Q17/6MFY17:25.7%/27.3%). CSE guided that the competitive environment remains keen, so it will be a bonus if near term GPMs exceed 27%, in our view (Fig 3).

A return to positive operating cashflow?

In 1Q18, CSE mentioned that several large projects will reach billing milestones in 2Q-3Q18F. We believe this implies positive operating cashflow in 2Q18F (vs. negative net operating cashflow of S\$7.3m in 1Q18). The group also said that it was confident of achieving positive operating cashflow for FY18F. We forecast FY18F net operating cashflow of S\$22.4m vs. negative net operating cashflow of S\$7.2m in FY17 (excluding a one-off payment of a S\$16.6m penalty settlement in 3Q17) (Fig 2).

2Q18F interim dividend of 1.25 Scts intact

In its Mar 18 business and financial update, CSE said that it intends to keep FY18 DPS at 2.75 Scts; but will commit to 2.25 Scts first; and assess the additional 0.5 Scts post reviewing its 1Q-2Q18F cash position and cash generation for the year. In 1Q18, it was still in a net cash position (1 Scts/share) and given guidance that billing cycles pick up in 2Q/3Q18F, this strengthens the case for a firmer cash position by end-FY18F of S\$50.4m. We expect FY18F DPS of 2.75 Scts to be achieved and forecast an unchanged interim DPS in 2Q18F of 1.25 Scts.

Maintain Add and TP of S\$0.50

We favour CSE given FY18F earnings recovering (higher GPMs, firmer contract execution) from FY17's doldrums. Its net cash position accords it a safe haven should order flows be delayed. The stock offers a committed FY18F DPS of 2.75 Scts, which implies 6.1% yield. Our target price is based on 13.5x CY19F P/E (close to its historical 5-year mean of 13.1x).

Catalysts and risks

Re-rating catalysts are higher-than-expected contract wins and better margins. Downside risks are vice-versa.

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Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (S\$m)	317.8	362.4	378.3	382.3	383.2
Operating EBITDA (S\$m)	34.10	11.92	32.77	33.56	33.64
Net Profit (S\$m)	21.22	11.50	18.41	18.93	18.98
Core EPS (S\$)	0.040	0.022	0.036	0.037	0.037
Core EPS Growth	(32.3%)	(44.6%)	60.1%	2.9%	0.2%
FD Core P/E (x)	11.18	20.19	12.62	12.27	12.24
DPS (S\$)	0.028	0.028	0.028	0.028	0.028
Dividend Yield	6.11%	6.11%	6.11%	6.11%	6.11%
EV/EBITDA (x)	4.64	18.23	6.52	6.25	6.09
P/FCFE (x)	NA	NA	11.62	11.00	10.55
Net Gearing	(27.5%)	(8.8%)	(10.5%)	(12.5%)	(14.7%)
P/BV (x)	0.92	1.34	1.30	1.27	1.24
ROE	8.4%	5.4%	10.5%	10.5%	10.2%
CIMB/consensus EPS (x)			1.02	0.94	0.88

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

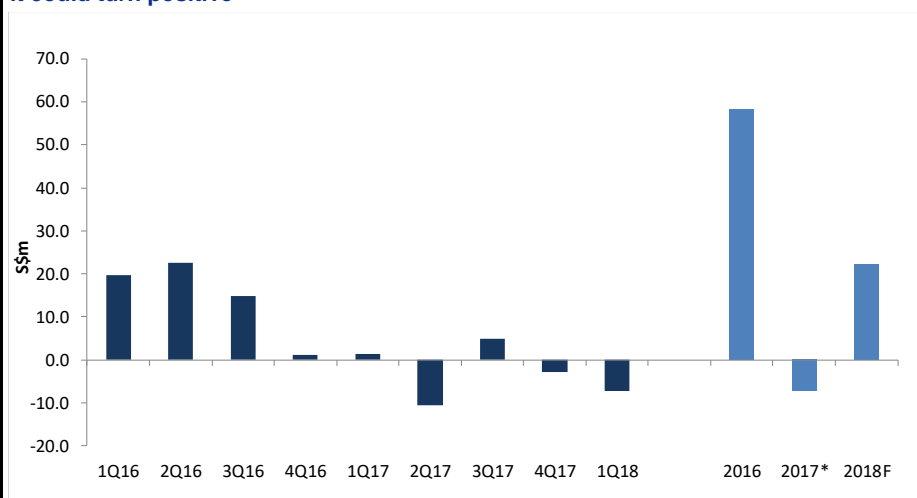
2Q18F preview: Systems still go

Figure 1: Results forecasts

	2Q		yoy %	1Q		6M18F	6M17	yoy %	Prev.
FYE Dec (S\$ m)	FY18F	FY17	chg	FY18	chg	Cum	Cum	chg	FY18F
Revenue	96.6	85.5	12.9	92.2	4.8	188.8	160.0	18.0	378.3
EBIT	5.9	(12.6)	147.0	7.8	(24.5)	12.8	(9.1)	240.5	25.6
Pretax profit	5.8	(12.8)	145.2	7.7	(25.0)	13.5	(8.8)	253.9	24.7
Net profit	4.6	(13.9)	132.8	5.7	(20.0)	13.6	(10.9)	224.0	18.4
EPS (cts)	0.9	(2.7)	132.8	1.1	(20.0)	2.6	(2.1)	224.0	3.6
Core Net profit	4.6	2.8	65.7	4.7	(3.0)	9.3	5.6	66.5	18.4
Core EPS (Scts)	0.9	0.5	65.7	0.9	(3.0)	1.8	1.1	66.5	3.6
DPS (Scts)	1.25	1.25	-	-	-	1.25	1.25	-	2.75
Segment Revenue									
Mining & mineral	2.6	9.1	(71.4)	2.6	0.0%	5.2	11.1	-53.2%	20.4
Infra	24.0	23.3	3.0	23.7	1.3%	47.7	42.4	12.5%	128.3
Oil & gas	70.0	53.2	31.6	65.9	6.2%	135.9	106.7	27.4%	229.6
Total	96.6	85.5	12.9	92.2	4.8%	188.8	160.0	18.0%	378.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

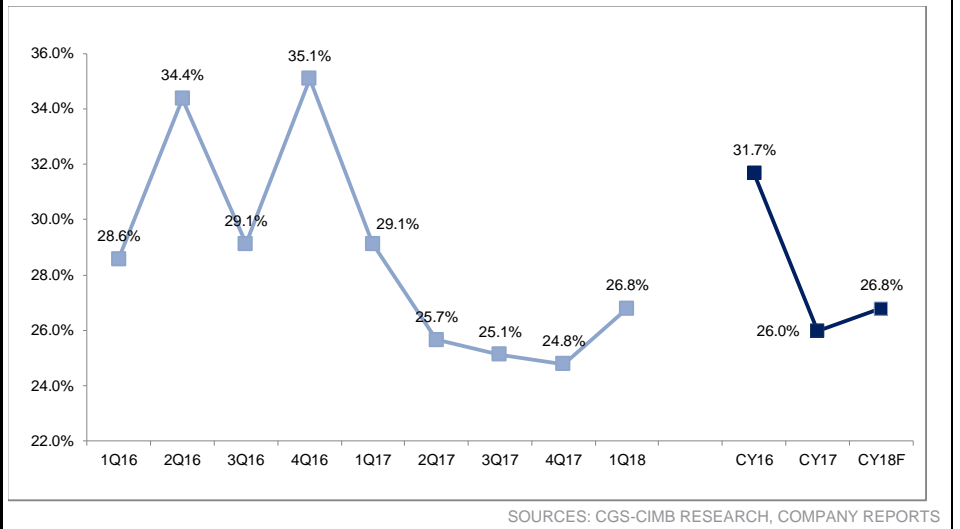
Figure 2: CSE's quarterly net operating cashflow was largely negative in CY17 due to large project funding needs; but guidance is to reach billing milestones in 2Q/3Q18 so it could turn positive



*Note: Excludes one-off settlement charges amounting to S\$16.6m (US\$12.0m)

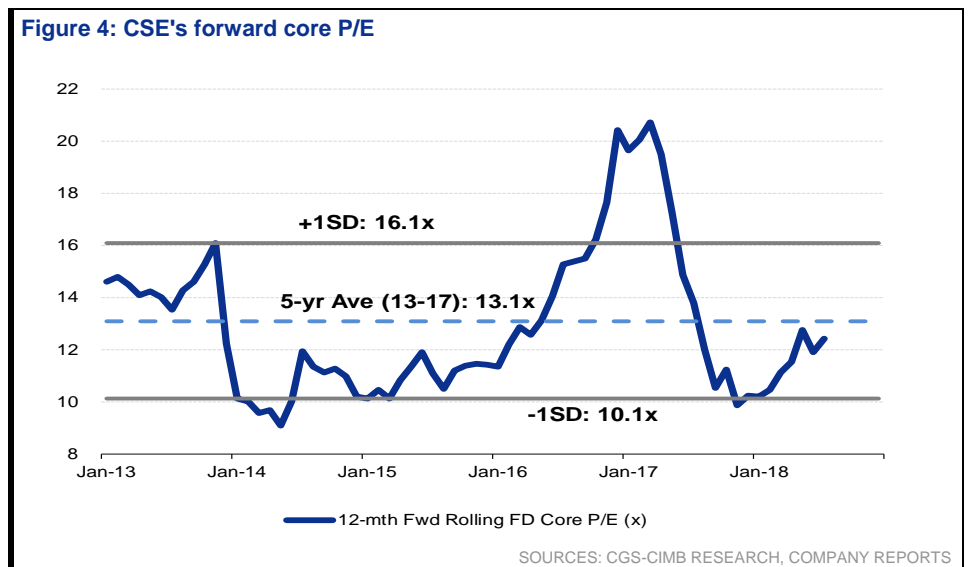
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: GPM dived in FY17 due to unprofitable oil and gas division. It recovered slightly in 1Q18.



Valuation and recommendation ➤

Figure 4: CSE's forward core P/E

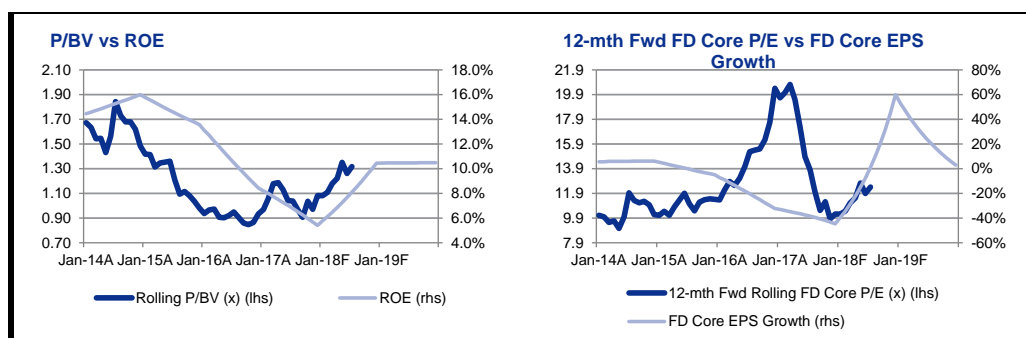


CSE is currently trading at FY19F P/E of 12.3x, below its 5-year average of 13.1x despite earnings being in a recovery mode, and dividend expected to be intact. Our S\$0.50 target price implies an upside of 10.1%; coupled with dividend yield of 6.1%, this implies a total return of 16.2%.

Figure 5: Peers Comparison

Company	Bbg Ticker	Price Recom.	(lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY18F	P/E (x) CY19F	P/E (x) CY20F	2-year EPS CAGR (%)	P/BV (x) CY18F	P/BV (x) CY19F	Recurring ROE (%) CY18F	Dividend Yield (%) CY18F
Keppel Corporation	KEP SP	Add	6.65	8.82	8,853	11.4	11.5	9.3	49.9%	1.01	0.96	9.1%	4.0%
Sembcorp Marine	SMM SP	Add	1.95	2.52	2,989	na	97.7	48.8	na	1.70	1.70	-1.7%	1.0%
Singapore offshore - big cap simple average						11.4	54.6	29.1	49.9%	1.35	1.33	3.7%	2.5%
COSCO Shipping International S	COS SP	NR	0.35	na	576	70.0	50.0	43.8	-75.6%	na	na	4.9%	0.0%
Yangzijiang Shipbuilding	YZJSGD SP	Add	0.88	1.27	2,551	6.4	6.3	6.2	-2.5%	0.60	0.56	9.5%	5.0%
Chinese Shipbuilder simple average						38.2	28.1	25.0	-39.1%	0.60	0.56	7.2%	2.5%
SATS Ltd	SATS SP	Hold	5.06	5.17	4,149	22.2	19.9	na	10.1%	3.14	2.92	14.5%	3.3%
Sembcorp Industries	SCI SP	Add	2.59	3.49	3,398	14.9	11.8	10.0	32.0%	0.65	0.62	4.4%	2.5%
ST Engineering	STE SP	Add	3.37	3.80	7,717	18.9	18.1	17.1	8.8%	4.53	4.29	24.3%	4.6%
SIA Engineering	SIE SP	Reduce	3.19	3.13	2,621	23.9	23.4	na	3.5%	2.30	2.27	9.6%	3.7%
Industrial conglomerate simple average						20.0	18.3	13.6	13.6%	2.65	2.53	13.2%	3.5%
Vard Holdings Ltd	VARD SP	NR	0.25	na	217	na	na	na	na	na	na	na	na
Singapore-listed OSV builder simple average						na	na	na	na	na	na	na	na
CSE Global	CSE SP	Add	0.45	0.50	170	12.6	12.3	12.2	30.2%	1.30	1.27	10.5%	6.1%
Dyna-Mac Holdings Ltd	DMHL SP	Add	0.12	0.18	90	na	21.1	15.2	na	1.23	1.16	-3.4%	0.0%
Ezion Holdings	EZI SP	Reduce	0.20	0.13	300	27.0	19.4	na	294.1%	0.23	0.22	0.9%	0.0%
Mermaid Maritime	MMT SP	Hold	0.12	0.16	128	38.3	33.4	29.2	10.1%	0.37	0.36	1.0%	0.0%
MTQ Corp Ltd	MTQ SP	NR	0.19	na	30	na	na	na	na	na	na	na	na
Pacc Offshore Services Holding	POSH SP	NR	0.32	na	427	na	na	na	-61.3%	0.98	1.07	-6.4%	na
Pacific Radiance	PACRA SP	Reduce	0.10	0.07	54	na	na	na	na	0.24	0.25	-9.6%	0.0%
Vallianz Holdings Limited	VALZ SP	Add	0.01	0.07	109	1.0	na	na	na	0.09	na	9.4%	7.6%
Singapore OSV owner simple average						19.7	21.6	18.9	68.3%	0.63	0.72	0.3%	2.3%
Bumi Armada	BAB MK	Hold	0.75	0.79	1,082	10.4	8.6	9.7	29.0%	0.74	0.68	7.4%	0.0%
Sapura Energy Bhd	SAKP MK	Add	0.59	0.64	867	na	na	na	na	0.36	0.38	-3.8%	0.0%
Velesto Energy Berhad	VEB MK	Add	0.29	0.33	579	43.9	49.0	38.2	na	0.85	0.84	1.9%	0.0%
Alam Maritim Resources Bhd	AMRB MK	NR	0.14	na	32	na	na	na	-55.0%	0.25	0.27	-13.3%	0.0%
Coastal Contracts Bhd	COCO MK	NR	1.02	na	133	15.1	na	na	-30.5%	0.29	na	na	1.4%
Dialog Group Bhd	DLG MK	NR	3.23	na	4,501	38.7	34.2	na	12.7%	5.15	4.72	13.9%	1.1%
Malaysia Marine and Heavy Engi	MMHE MK	NR	0.67	na	263	47.5	25.6	17.5	10.2%	0.42	0.41	0.7%	2.0%
Petronas Dagangan Bhd	PETD MK	NR	25.78	na	6,330	25.0	23.5	22.9	-15.9%	4.12	3.96	17.1%	3.1%
Uzma Bhd	UZMA MK	NR	1.02	na	81	8.4	8.0	na	21.2%	0.62	0.49	7.4%	0.0%
Wah Seong Corp Bhd	WSC MK	NR	1.23	na	235	8.5	8.4	7.5	0.2%	0.97	0.88	11.5%	2.2%
Malaysia offshore simple average						24.7	22.5	19.2	-3.5%	1.38	1.40	4.8%	1.0%
Logindo Samudramakmur Tbk PT	LEAD IJ	NR	89.00	na	25	na	na	na	na	na	na	na	na
Indonesia offshore simple average						na	na	na	na	na	na	na	na
Average (All simple)						20.8	24.0	18.8	19.3%	1.34	1.38	5.0%	2.1%

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	317.8	362.4	378.3	382.3	383.2
Gross Profit	100.7	94.2	101.4	102.4	102.7
Operating EBITDA	34.1	11.9	32.8	33.6	33.6
Depreciation And Amortisation	(7.1)	(7.3)	(7.2)	(7.3)	(7.3)
Operating EBIT	27.0	4.6	25.6	26.3	26.4
Financial Income/(Expense)	0.2	(41.9)	(0.9)	(0.9)	(0.9)
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
Profit Before Tax (pre-EI)	27.2	(37.3)	24.7	25.4	25.5
Exceptional Items	0.6		0.0	0.0	0.0
Pre-tax Profit	27.8	(37.3)	24.7	25.4	25.5
Taxation	(6.5)	(9.5)	(6.3)	(6.5)	(6.5)
Exceptional Income - post-tax	0.0		0.0	0.0	0.0
Profit After Tax	21.2	(46.8)	18.4	18.9	19.0
Minority Interests	(0.0)	1.7	(0.0)	(0.0)	(0.0)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax		56.6			
Net Profit	21.2	11.5	18.4	18.9	19.0
Recurring Net Profit	20.8	11.5	18.4	18.9	19.0
Fully Diluted Recurring Net Profit	20.8	11.5	18.4	18.9	19.0

Cash Flow

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	34.10	11.92	32.77	33.56	33.64
Cash Flow from Invt. & Assoc.					
Change In Working Capital	25.22	(13.49)	(1.16)	(1.10)	(0.25)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.00	(16.60)	0.00	0.00	0.00
Other Operating Cashflow					
Net Interest (Paid)/Received	0.18	(0.32)	(0.32)	0.13	0.12
Tax Paid	(3.68)	(4.50)	(6.30)	(6.48)	(6.50)
Cashflow From Operations	55.81	(22.99)	24.99	26.11	27.01
Capex	(7.54)	(8.32)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.76	6.35	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(21.55)	(8.18)	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(28.33)	(10.15)	(5.00)	(5.00)	(5.00)
Debt Raised/(repaid)	(35.01)	10.83	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(14.19)	(14.19)	(14.19)	(14.19)	(14.19)
Preferred Dividends					
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(49.20)	(3.36)	(14.19)	(14.19)	(14.19)
Total Cash Generated	(21.73)	(36.50)	5.80	6.92	7.82
Free Cashflow To Equity	(7.54)	(22.31)	19.99	21.11	22.01
Free Cashflow To Firm	28.17	(32.31)	20.85	21.98	22.89

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	90.8	46.9	50.4	54.4	59.3
Total Debtors	92.3	99.2	99.5	100.5	100.7
Inventories	14.7	14.6	15.3	15.5	15.5
Total Other Current Assets	41.9	63.3	54.9	55.5	55.6
Total Current Assets	239.7	224.1	220.1	225.9	231.2
Fixed Assets	26.5	28.0	27.8	27.6	27.4
Total Investments	7.4	1.3	1.3	1.3	1.3
Intangible Assets	53.1	27.6	27.6	27.6	27.6
Total Other Non-Current Assets	11.9	5.4	5.4	5.4	5.4
Total Non-current Assets	98.9	62.3	62.1	61.9	61.7
Short-term Debt	20.6	31.4	31.4	31.4	31.4
Current Portion of Long-Term Debt					
Total Creditors	37.1	60.8	51.1	51.6	51.7
Other Current Liabilities	16.4	12.6	13.7	13.8	13.8
Total Current Liabilities	74.1	104.8	96.2	96.8	97.0
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4.3	0.3	0.5	0.7	0.9
Total Non-current Liabilities	4.3	0.3	0.5	0.7	0.9
Total Provisions	5.4	5.5	5.5	5.5	5.5
Total Liabilities	83.8	110.6	102.2	103.0	103.4
Shareholders' Equity	251.4	174.0	178.2	182.9	187.7
Minority Interests	3.5	1.8	1.8	1.8	1.8
Total Equity	254.8	175.8	180.0	184.7	189.5

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(22.9%)	14.0%	4.4%	1.0%	0.2%
Operating EBITDA Growth	(24%)	(65%)	175%	2%	0%
Operating EBITDA Margin	10.7%	3.3%	8.7%	8.8%	8.8%
Net Cash Per Share (S\$)	0.14	0.03	0.04	0.04	0.05
BVPS (S\$)	0.49	0.34	0.35	0.35	0.36
Gross Interest Cover	38.57	5.52	29.57	30.08	30.07
Effective Tax Rate	23.6%	0.0%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	69%	123%	77%	75%	75%
Accounts Receivables Days	112.8	93.1	93.0	92.7	93.3
Inventory Days	22.38	19.97	19.73	20.09	20.23
Accounts Payables Days	73.95	66.60	73.76	66.99	67.45
ROIC (%)	11.2%	2.0%	12.9%	13.2%	13.1%
ROCE (%)	9.5%	2.1%	11.9%	12.0%	11.8%
Return On Average Assets	5.7%	14.3%	6.7%	6.9%	6.8%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook (S\$m)	162	175	223	267	310
Order Book Wins (S\$m)	286.6	381.9	350.0	350.0	350.0
Order Book Depletion (S\$m)	N/A	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US\$)	N/A	N/A	N/A	N/A	N/A
No. Of Ships (unit)	N/A	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Oil Price (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Energy Production Volume (mmbœ)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - Drilling Rigs (%)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - FPU's (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - FPU's (%)	N/A	N/A	N/A	N/A	N/A
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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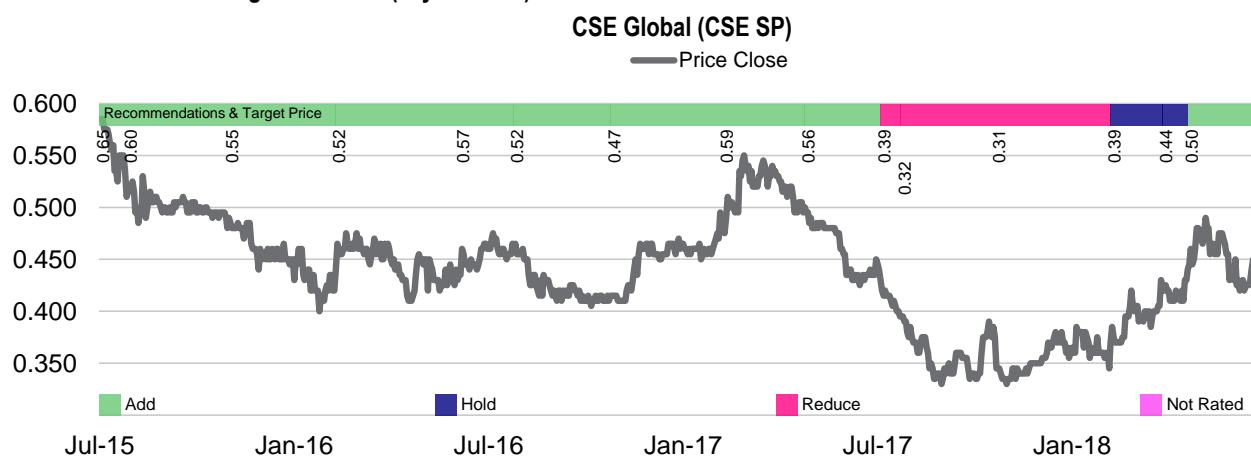
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Spitzer Chart for stock being researched (2 year data)



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, **BGP** – Excellent, Certified, **BPCG** – 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.