

## Malaysia

**REDUCE** (no change)

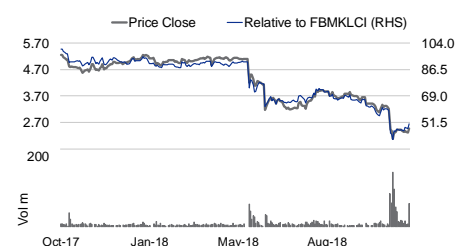
Consensus ratings\*: Buy 6 Hold 9 Sell 9

Current price:	RM2.47
Target price:	RM2.30
Previous target:	RM2.18
Up/downside:	-6.9%
CGS-CIMB / Consensus:	-25.1%
Reuters:	GAMU.KL
Bloomberg:	GAM MK
Market cap:	US\$1,460m
	RM6,096m
Average daily turnover:	US\$8.85m
	RM36.66m
Current shares o/s:	2,442m
Free float:	78.6%

\*Source: Bloomberg

**Key changes in this note**

- FY19F EPS increase by 7.5%.
- FY20F EPS increase by 5.5%.
- FY21F EPS increased by 3.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-20.1	-36.7	-52.1
Relative (%)	-13.7	-32	-49

Major shareholders	% held
EPF	10.9
Generasi Setia	5.5
KWAP	5.0

**Analyst(s)**

**Sharizan ROSELY**

T (60) 3 2261 9077

E sharizan.rosely@cimb.com

# Gamuda

## Factoring in a less negative outcome for MRT 2

- MRT 2 UG scope will be cut by 38%. Renegotiation is completed.
- The final outcome is less negative than our base case cut of 60%.
- FY19-21F EPS up by 3.5-7.5%. Reiterate Reduce but with a higher TP.

**Final outcome of MRT 2 cost rationalisation**

Last Friday, Finance Minister Lim Guan Eng issued a press statement outlining the outcome of the renegotiation of the MRT SSP line (MRT 2) underground (UG) scope. The quantum of the cost cut has been amicably agreed at 38% or a RM3.6bn reduction from the RM9.6bn balance of the contract value. This effectively reduces the total RM16.7bn (including variation order, VO) value of the UG scope by 22% to RM13.1bn. Two out of the 10 UG stations (the two UG stations under Bandar Malaysia) will be cancelled.

**Cost reduction is less severe than our base-case**

The actual 38% cost reduction, or the RM3.6bn decrease in contract price for MRT 2 UG is less severe than our earlier base-case assumption of a RM6bn reduction or a massive 60% cut to contract price – which was the Ministry of Finance's (MOF) maximum cost cut proposed. Putting this in perspective, the actual 38% cost reduction is still more than the maximum 22% acceptable quantum proposed by MMC-Gamuda JV in the earlier negotiation rounds (Refer to our scenario analysis in a previous report).

**Revised order book includes MRT 2 AG conversion to turnkey**

For the MRT 2 above ground (AG) portion, the 23% cost reduction remains intact. The conversion of the RM12.1bn total reduced outstanding value translates to RM6.1bn for Gamuda based on its 50% JV share. The RM6.1bn is effectively counted as order book as it is converted from project delivery partner (PDP) to a turnkey model based on a fixed price (6% guaranteed PDP fee no more applies). Gamuda's revised order book therefore works out to RM9.6bn of which MRT 2 AG: 64%; MRT 2 UG: 31%; PBH Sarawak: 5%.

**New assumption raises JV profit: FY19-21F EPS up by 3.5-7.4%**

As we have earlier assumed a massive 60% reduction in MRT 2 UG scope, we revise our MRT 2 assumptions accordingly to impute the renegotiated 38% cut in MRT 2 UG and 23% cut in MRT 2 AG. Our FY19-21F EPS is increased by 3.5-7.4% as we also assume a short extension of time (EOT) of one year from 2022 from two years previously, given the less negative impact on contract price. We now forecast Gamuda's MRT JV profit (recognised net of tax) to decline 8% yoy in FY19F, from RM231m in FY7/18.

**MRT 2 salvaged; outlook is still a downturn. Reduce with higher TP**

MRT 2's final cost cut remains net negative for Gamuda as we continue to expect a contracts downturn for 2019. We raise our end-CY19 TP by 13 sen to RM2.30 as we impute a less negative outcome for MRT 2 (40% discount to revised FD RNAV/share of RM3.84). Retain Reduce. Upside risk is revival of cancelled rail contracts: MRT 3 and HSR. We expect a muted share price impact from PTMP given the longer-term benefits.

**Financial Summary**

	Jul-17A	Jul-18A	Jul-19F	Jul-20F	Jul-21F
Revenue (RMm)	3,211	4,227	4,058	4,054	4,050
Operating EBITDA (RMm)	530.1	511.4	524.2	486.5	490.0
Net Profit (RMm)	602.1	513.9	584.4	580.3	585.1
Core EPS (RM)	0.25	0.21	0.24	0.24	0.24
Core EPS Growth	(3.8%)	(14.7%)	13.7%	(0.7%)	0.8%
FD Core P/E (x)	10.69	13.49	11.86	11.94	11.85
DPS (RM)	0.12	0.12	0.12	0.12	0.12
Dividend Yield	4.68%	4.68%	4.68%	4.68%	4.68%
EV/EBITDA (x)	16.39	17.27	16.84	18.06	17.84
P/FCFE (x)	16.45	9.18	19.24	20.00	19.40
Net Gearing	56.0%	54.3%	55.0%	53.7%	52.5%
P/BV (x)	0.79	0.79	0.78	0.77	0.76
ROE	8.38%	6.83%	7.70%	7.58%	7.56%
% Change In Core EPS Estimates			7.35%	5.45%	3.54%
CIMB/consensus EPS (x)			0.94	0.89	0.85

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 1: The range of cost cuts for MRT 2 UG proposed by MMC-Gamuda JV, the MOF and final agreed quantum**

MRT 2 UG		
	(RM m)	Comments/details
Original cost	15,490	Contract value awarded to MMC-Gamuda JV in March 2016
(+) Variation order (VO)	1,200	Revision in specs and designs for certain scopes
<b>Revised cost</b>	<b>16,710</b>	<b>Revised contract value including VO</b>
1st cost revision in 15 Aug 2018	15,100	Proposed by MMC-Gamuda JV: to exclude two UG stations at Bandar Malaysia
Implied reduction in cost	(1,610)	Implied reduction of 10% from revised RM16.7bn total cost with VO (17% cut from RM9.6bn outstanding)
2nd cost revision in 7 Sep 2018	14,580	Proposed by MMC-Gamuda JV: in addition to reducing two UG stations (max cut offered MMC-Gamuda JV)
Implied reduction in cost	(2,130)	Implied reduction of 13% from revised RM16.7bn cost with VO (22% cut from RM9.6bn outstanding)
3rd cost revision by government	12,520	Proposed by government's independent engineering consultant
Implied reduction in cost (lower range)	(4,190)	Lower range: 25% cut from revised RM16.7bn total cost with VO (44% cut from RM9.6bn outstanding)
4th cost revision by government	10,920	Proposed by government's independent engineering consultant
Implied reduction in cost (higher range)	(5,790)	Higher range: 35% cut from revised RM16.7bn total cost with VO (60% cut from RM9.6bn outstanding)
5th cost revision (Final)	13,110	The final agreed revised cost of MRT 2 UG as a result of the renegotiation
Implied reduction in cost (higher range)	(3,600)	22% cut from revised RM16.7bn total cost with VO (38% cut from RM9.6bn outstanding)

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Gamuda's revised breakdown of outstanding order book (based on 50% JV share)**

	Value as			Comment
	Balance of works (RM m)	% of total	% completion as at end-Jul	
MRT SSP Line (MRT 2) above ground (AG) - conversion to turnkey contract	6,097.0	64%	40%	Total cost cut by 23%; lower margin
MRT SSP Line (MRT 2) under ground (UG)	3,000.0	31%	30%	Total cost cut by 22%; lower margin
Pan Borneo Highway (PBH) Sarawak	500.0	5%	25%	On going
<b>Total</b>	<b>9,597.0</b>	<b>100%</b>		

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 3: RNAV**

	DCF value	Gamuda's	Value
Concession assets	(RM m)	stake (%)	(RM m)
LDP/Litrak (Market capitalisation)	2,117.0	45%	952.7
SAE	1,400.0	70%	784.0
Sprint	2,307.6	52%	960.0
SSP1&3 (Splash)	2,800.0	40%	1,020.0
Gamuda Water	500.0	80%	560.0
PPH, India	152.9	50%	76.5
DE, India	108.2	50%	54.1
SMART	963.3	50%	481.6
	<b>Land size</b>	<b>Value</b>	
	<b>(acres)</b>	<b>RM psf</b>	
<b>Property</b>			
Kota Kemuning	10	30.0	50% 6.5
Bandar Botanic	30	45.0	100% 58.8
Bandar Nusajaya	400	40.0	50% 348.5
Jade Hills	170	55.0	100% 407.3
Yenso, Hanoi	300	80.0	100% 1,045.4
Celadon City, HCMC	80	147.8	100% 515.1
Gamuda Gardens - Rawang	820	45.0	100% 1,607.4
Kundang Estates - Rawang	20	45.0	100% 39.2
Gamuda Cove - Cyberjaya West	1530	18.2	100% 1,213.0
Twentyfive.7 - Kota Kemuning	230	45.0	100% 450.8
Bukit Bantayan Residences - Sabah	10	20.0	100% 8.7
Anchorvale Crescent - Singapore	4	259.3	50% 22.6
	<b>CY19F</b>		
	<b>net profit</b>	<b>P/E (x)</b>	
Construction	157.2	15	100% 2,357.5
Quarry	13.8	13.5	100% 186.1
Property investments, JVs and associates			2,178.3
Net current assets net of dev. prop. (4Q18)			1,447.9
Total debt 4Q18			(5,736.7)
<b>Total RNAV</b>			<b>11,045.1</b>
No. of shares (m)			2,406.1
Warrant-E (2016/2021) (m)			400.9
Warrant proceeds @RM4.05			1,623.6
ESOS (m)			68.8
<b>FD RNAV</b>			<b>12,668.7</b>
FD no. of shares			2,875.8
<b>FD RNAV/share (RM)</b>			<b>3.84</b>
RNAV discount			40%
<b>Target price (RM)</b>			<b>2.30</b>

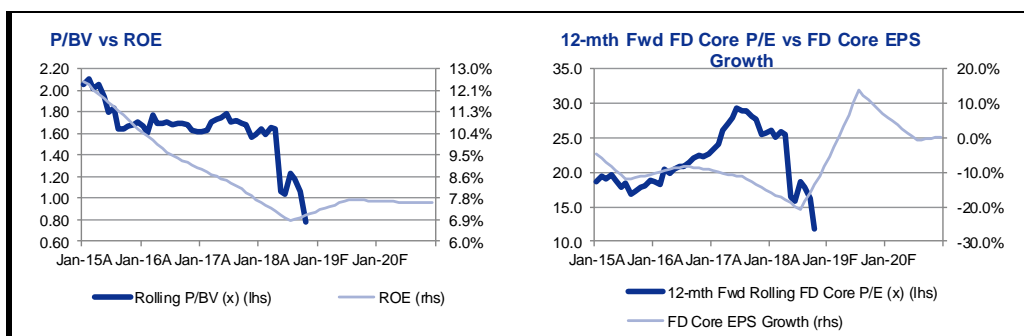
SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 4: Earnings revision**

RM m	2018A	2019F			2020F			2021F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Revenue	4,227	4,058	4,058	0%	4,054	4,054	0%	4,050	4,050	0%
EBITDA	511	524	524	0%	486	486	0%	490	490	0%
Core pretax profit	729	790	830	5%	775	805	4%	789	809	3%
Core net profit	514	544	584	7%	550	580	5%	565	585	4%

SOURCES: CIMB, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(RMm)	Jul-17A	Jul-18A	Jul-19F	Jul-20F	Jul-21F
<b>Total Net Revenues</b>	<b>3,211</b>	<b>4,227</b>	<b>4,058</b>	<b>4,054</b>	<b>4,050</b>
<b>Gross Profit</b>	<b>3,211</b>	<b>4,227</b>	<b>4,058</b>	<b>4,054</b>	<b>4,050</b>
<b>Operating EBITDA</b>	<b>530</b>	<b>511</b>	<b>524</b>	<b>486</b>	<b>490</b>
Depreciation And Amortisation	(149)	(176)	(174)	(173)	(171)
<b>Operating EBIT</b>	<b>381</b>	<b>335</b>	<b>350</b>	<b>314</b>	<b>319</b>
Financial Income/(Expense)	(6)	34	44	47	53
Pretax Income/(Loss) from Assoc.	248	129	219	215	213
Non-Operating Income/(Expense)	203	231	217	229	224
<b>Profit Before Tax (pre-EI)</b>	<b>826</b>	<b>729</b>	<b>830</b>	<b>805</b>	<b>809</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>826</b>	<b>729</b>	<b>830</b>	<b>805</b>	<b>809</b>
Taxation	(170)	(165)	(195)	(175)	(175)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>656</b>	<b>564</b>	<b>635</b>	<b>630</b>	<b>635</b>
Minority Interests	(54)	(50)	(51)	(50)	(50)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>602</b>	<b>514</b>	<b>584</b>	<b>580</b>	<b>585</b>
Recurring Net Profit	602	514	584	580	585
<b>Fully Diluted Recurring Net Profit</b>	<b>602</b>	<b>514</b>	<b>584</b>	<b>580</b>	<b>585</b>

### Cash Flow

(RMm)	Jul-17A	Jul-18A	Jul-19F	Jul-20F	Jul-21F
<b>EBITDA</b>	<b>530.1</b>	<b>511.4</b>	<b>524.2</b>	<b>486.5</b>	<b>490.0</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(204.2)	77.1	81.0	85.1	89.3
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	52.0	102.5	100.5	98.5	96.5
Net Interest (Paid)/Received	(5.8)	34.4	43.6	46.9	53.3
Tax Paid	(169.8)	(164.9)	(194.6)	(174.6)	(174.6)
<b>Cashflow From Operations</b>	<b>202.4</b>	<b>560.5</b>	<b>554.7</b>	<b>542.3</b>	<b>554.5</b>
Capex	(300.0)	(506.8)	(205.0)	(205.0)	(205.0)
Disposals Of FAs/subsidiaries	4.5	140.0	5.9	5.9	5.9
Acq. Of Subsidiaries/investments	(39.0)	0.0	0.0	0.0	0.0
Other Investing Cashflow	77.5	49.8	47.8	45.9	44.1
<b>Cash Flow From Investing</b>	<b>(257.1)</b>	<b>(317.0)</b>	<b>(151.3)</b>	<b>(153.2)</b>	<b>(155.0)</b>
Debt Raised/(repaid)	446.0	511.3	(43.1)	(42.7)	(42.2)
Proceeds From Issue Of Shares	144.7	70.6	67.1	63.7	60.5
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(288.7)	(329.6)	(329.6)	(329.6)	(329.6)
Preferred Dividends					
Other Financing Cashflow	(678.1)		(195.5)	(80.5)	(88.2)
<b>Cash Flow From Financing</b>	<b>(376.1)</b>	<b>252.2</b>	<b>(501.2)</b>	<b>(389.1)</b>	<b>(399.5)</b>
Total Cash Generated	(430.8)	495.7	(97.8)	0.0	0.0
<b>Free Cashflow To Equity</b>	<b>391.3</b>	<b>754.7</b>	<b>360.3</b>	<b>346.5</b>	<b>357.3</b>
<b>Free Cashflow To Firm</b>	<b>49.7</b>	<b>339.5</b>	<b>503.3</b>	<b>490.0</b>	<b>501.4</b>

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(RMm)	Jul-17A	Jul-18A	Jul-19F	Jul-20F	Jul-21F
Total Cash And Equivalents	1,042	1,623	1,525	1,525	1,525
Total Debtors	2,848	3,001	3,026	3,051	3,077
Inventories	228	495	470	447	425
Total Other Current Assets	2,317	2,217	2,217	2,217	2,217
<b>Total Current Assets</b>	<b>6,436</b>	<b>7,336</b>	<b>7,238</b>	<b>7,240</b>	<b>7,243</b>
Fixed Assets	619	1,009	1,039	1,069	1,099
Total Investments	2,915	2,777	2,795	2,813	2,832
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	5,803	5,718	5,746	5,774	5,803
<b>Total Non-current Assets</b>	<b>9,336</b>	<b>9,504</b>	<b>9,580</b>	<b>9,657</b>	<b>9,734</b>
Short-term Debt	629	1,427	1,427	1,427	1,427
Current Portion of Long-Term Debt					
Total Creditors	1,814	2,167	2,183	2,200	2,217
Other Current Liabilities	124	119	119	119	119
<b>Total Current Liabilities</b>	<b>2,567</b>	<b>3,713</b>	<b>3,730</b>	<b>3,746</b>	<b>3,763</b>
Total Long-term Debt	4,615	4,310	4,267	4,224	4,182
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	746	865	865	865	865
<b>Total Non-current Liabilities</b>	<b>5,361</b>	<b>5,174</b>	<b>5,131</b>	<b>5,088</b>	<b>5,046</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>7,927</b>	<b>8,888</b>	<b>8,861</b>	<b>8,835</b>	<b>8,809</b>
Shareholders' Equity	7,476	7,568	7,614	7,699	7,785
Minority Interests	369	384	344	363	383
<b>Total Equity</b>	<b>7,845</b>	<b>7,952</b>	<b>7,957</b>	<b>8,062</b>	<b>8,168</b>

**Key Ratios**

	Jul-17A	Jul-18A	Jul-19F	Jul-20F	Jul-21F
Revenue Growth	51.3%	31.6%	(4.0%)	(0.1%)	(0.1%)
Operating EBITDA Growth	37.6%	(3.5%)	2.5%	(7.2%)	0.7%
Operating EBITDA Margin	16.5%	12.1%	12.9%	12.0%	12.1%
Net Cash Per Share (RM)	(1.83)	(1.80)	(1.82)	(1.80)	(1.78)
BVPS (RM)	3.11	3.15	3.16	3.20	3.24
Gross Interest Cover	3.65	3.49	3.50	3.11	3.13
Effective Tax Rate	20.6%	22.6%	23.5%	21.7%	21.6%
Net Dividend Payout Ratio	48.0%	56.2%	49.4%	49.8%	49.3%
Accounts Receivables Days	222.6	215.2	226.7	229.8	231.7
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 (%)	4.56%	3.40%	3.45%	3.08%	3.12%
ROCE (%)	3.75%	3.43%	3.56%	3.33%	3.40%
Return On Average Assets	4.42%	3.25%	3.51%	3.46%	3.43%

**Key Drivers**

(RMm)	Jul-17A	Jul-18A	Jul-19F	Jul-20F	Jul-21F
Outstanding Orderbook	9,035	7,634	6,000	2,200	200
Order Book Depletion	2,500	2,500	4,503	3,800	3,500
Orderbook Replenishment	1,099	-	-	1,500	1,500
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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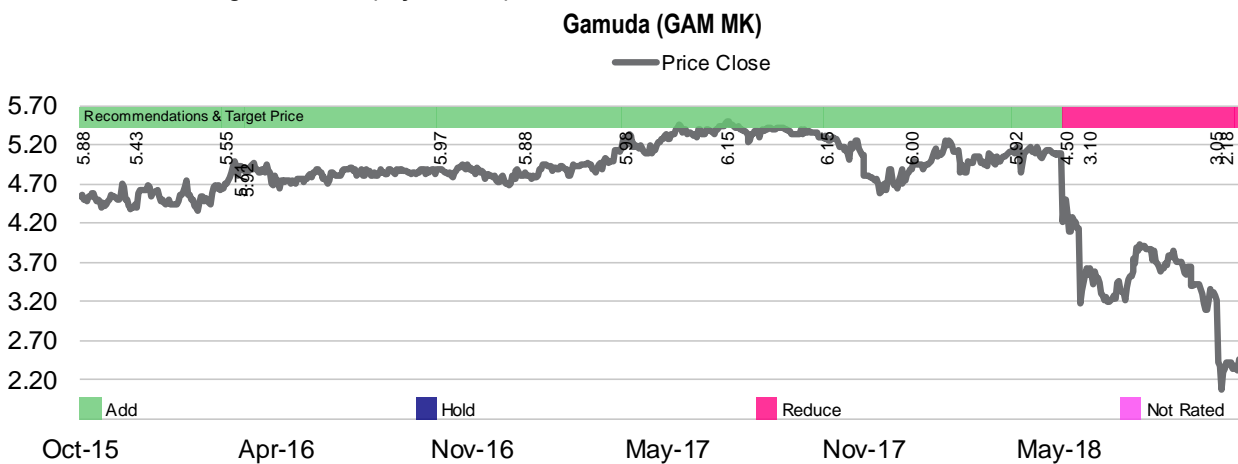
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**Spitzer Chart for stock being researched ( 2 year data )**



**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, **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.

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