

## Hong Kong

**ADD** (no change)

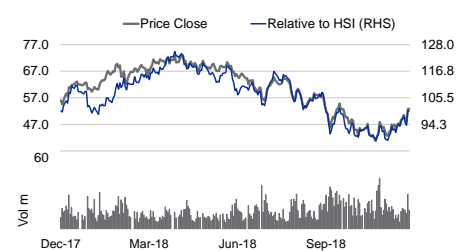
Consensus ratings\*: Buy 22 Hold 3 Sell 1

Current price:	HK\$52.90
Target price:	HK\$59.62
Previous target:	HK\$59.62
Up/downside:	12.7%
CGS-CIMB / Consensus:	2.0%
Reuters:	0027.HK
Bloomberg:	27 HK
Market cap:	US\$29,297m
	HK\$228,727m
Average daily turnover:	US\$115.0m
	HK\$901.2m
Current shares o/s:	4,276m
Free float:	53.9%

\*Source: Bloomberg

**Key changes in this note**

No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.4	-9.9	-8.2
Relative (%)	7.5	-7.3	-1.7

**Major shareholders**

	% held
City Lion	22.5
Che-Woo Lui	9.0
Capital Group	9.0

# Galaxy Entertainment

## NDR feedback

- We hosted an NDR for GEG on 26-27 Nov in Kuala Lumpur. The majority of the investors we met with held a cautious view on the sector.
- Management remains upbeat on the company's earnings growth drivers and the longer-term outlook for Macau's gaming sector.
- Maintain Add with an unchanged target price of HK\$59.62 based on SOP valuation. A potential catalyst is stronger-than-expected sector GGR.

### Investors adopt a cautious view

Most of the investors we met with were cautious on the Macau gaming sector, given China's macroeconomic overhang, but agreed that GEG was well positioned in light of its development pipeline and large scale in both VIP and mass gaming. Overall, we believe that most investors are underweight on the gaming sector but would be buyers if macro sentiment improves, with GEG and Sands as top picks. Some investors did hold Macau gaming stocks and thought that sector valuations already priced in macro weakness.

### Investors' main concern

The majority of investor questions focused on the near-term outlook for gaming demand amid the macro slowdown in China and Rmb depreciation. Other questions revolved around issues involving gaming licence expiry. Some investors asked if there would be any near-term impact on gaming demand from the opening of the Hong Kong-Macau bridge. At the company level, most of the questions were related to the development timeline for Phases 3 and 4 of Galaxy Macau.

### Management remains upbeat on near-term outlook

According to GEG's premium mass hosts, demand is likely to remain strong until Feb 2019, with limited visibility beyond Feb. Management has not seen negative impact on gaming demand from the recent China macro weakness and attributed recent Macau VIP weakness mainly to tougher regional competition from Cambodia, where VIP commission rates are double that of Macau. Management reiterated that the recent market share loss in GGR was mainly due to bad VIP luck in 3Q18.

### Licence renewal is not an issue

Management does not expect any clarity on the gaming licence renewal process until the next Macau Chief Executive takes office in 2020. The industry expectation is for all gaming licences to be renewed, with no significant changes in tax rates given that Macau's gaming tax is already one of the highest in the Asian region.

### Maintain Add on GEG

Maintain Add, with target price of HK\$59.62 based on SOP with 12.5x FY19F EV/EBITDA (historical 10-year average). We estimate equity value for Galaxy Phases 3 and 4 at HK\$3.17, assuming 10% ROIC on capex of HK\$45bn discounted back 2.5 years at 12% on a 10x EV/EBITDA multiple. Risks are weaker-than-expected sector revenues.

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**Financial Summary**

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (HK\$m)	52,826	62,450	77,651	90,025	101,828
Operating EBITDA (HK\$m)	9,738	13,171	16,733	19,217	22,467
Net Profit (HK\$m)	6,283	10,504	13,296	15,268	17,941
Core EPS (HK\$)	1.47	2.46	3.11	3.57	4.20
Core EPS Growth	50.6%	66.9%	26.6%	14.8%	17.5%
FD Core P/E (x)	36.36	21.79	17.22	14.99	12.76
DPS (HK\$)	0.33	0.59	0.75	0.86	1.01
Dividend Yield	0.62%	1.12%	1.41%	1.62%	1.91%
EV/EBITDA (x)	21.69	16.51	12.51	10.41	8.38
P/FCFE (x)	1,176	21	18	18	15
Net Gearing	(29.5%)	(13.9%)	(24.4%)	(32.6%)	(40.5%)
P/BV (x)	4.88	4.08	3.51	2.96	2.49
ROE	14.4%	20.6%	22.2%	21.7%	21.5%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	1.08	1.12

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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## NDR feedback

### Key management highlights

#### Macro views

- According to GEG's premium mass hosts, gaming demand would be strong until Feb 2019. Beyond Feb, there is limited visibility for gaming demand, according to the company.
- Historically, Rmb depreciation has not had a negative impact on gaming demand unless the Rmb depreciates against the US\$ by 15% or more.
- GEG has not seen any negative impact on gaming demand from China's macro weakness – Macau VIP weakness in 3Q18 was mainly due to loss of players to regions such as Cambodia that offered strong junket rebates.
- The company has not seen any negative impact from monetary tightening. Some small junkets may be having issues but this has not had any impact on the overall VIP market.
- GEG observed that the large junkets are becoming more cautious with lending.
- There has been no excessive pricing competition among gaming operators recently.
- Japan is not likely to open casinos until 2025, in GEG's view.
- Gaming in Hainan Island is not likely, according to the company, as the recent reports on future casino openings are based on unfounded statements by property agents trying to make a quick sale.

#### Macau-specific views

- The bridge connecting Hong Kong and Macau has had negligible impact on gaming demand in Macau. The bridge's lack of point to point connection makes taking the ferry easier. GGR impact from the bridge is likely to be minimal, according to GEG.
- The smoking ban is not likely to have much impact on the company's earnings, given its aggressive smoking room construction (100 rooms) and, the location of its smoking rooms close to dealer tables, which should result in minimal play disruption.
- GEG thinks there will be no resolution for gaming licences until Macau's new Chief Executive takes office in 2020. Industry expectations are that all licences would be renewed, with no significant changes to tax given the risk of gaming demand flowing to other regions.
- Any new operators are likely to have minimal negative impact on GGR market share as the new operator may just be a conglomerate of current SJM (880 HK, Hold, TP: HK\$6.45) satellite operators.

#### GEG-specific views

- Management's focus is still on increasing property yields (attracting higher-spending players despite limited hotel inventory), which would lead to positive operating leverage and earnings.
- GEG's competitive advantage is strong product offerings that present diversification and immense scale in terms of F&B, hotel and retail options.
- Management's focus is also on expanding EBITDA, as EBITDA is likely to withstand VIP slowdown (VIP only comprised 15% of GEG's EBITDA in 3Q18). GEG estimates a 10% decline in VIP would only have a negative 1.5% impact on EBITDA.
- Market share loss in 3Q18 was due to bad VIP luck, according to GEG.
- Phase 3 (hotel, convention centre, arena) is not likely to be opened until mid-2020, when the new Macau Chief Executive begins their term.

- Phase 4 (brand new integrated resort with seven towers and 4-5 hotels) is slated for opening in 2022.
- Overall capex for Phases 3 and 4 is HK\$45bn-50bn, according to GEG.
- Phase 3 construction has reached level 6 of 40. Phase 4 construction is now at the piling stage.
- GEG currently delivers 30% dividend payout ratio and is not likely to go higher, according to management.

**Figure 1: Galaxy Phases 3 and 4 (red) double the size of Phases 1 and 2 (blue)**



SOURCES: CGS-CIMB RESEARCH, GOOGLE MAP



## Valuation and recommendation

Figure 2: GEG consensus forward EV/EBITDA

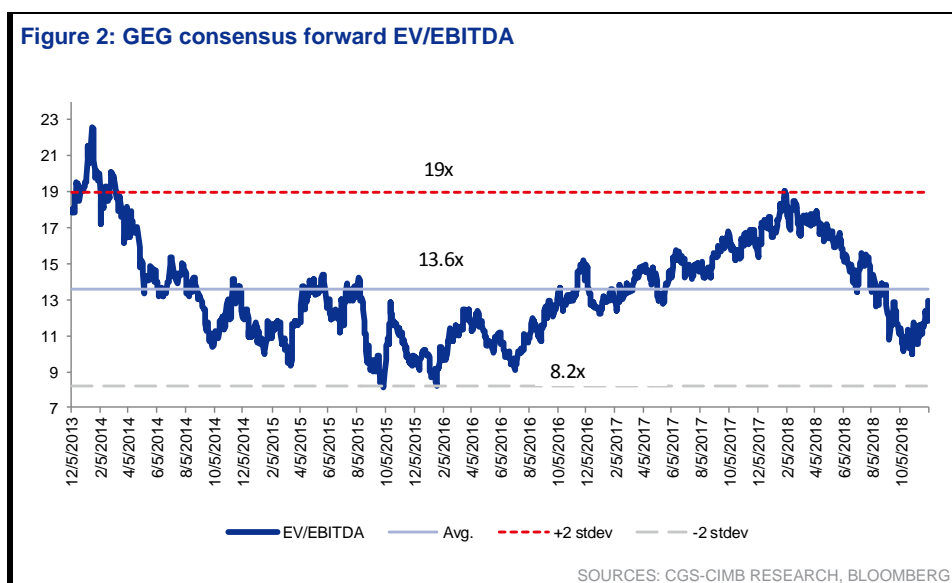


Figure 3: GEG SOP-based target price

HK\$m	FY19F EBITDA	EV multiple	FY19F EV
Gaming	18,448	12.5	230,603
Construction	769	3	2,306
Total	19,217		232,909
Historical cash	17,565		
Historical debt	9,944		
Net debt	-7,621		
		Per share	
Equity value	240,529	56.45	
Value added from Galaxy Phases 3-4		3.17	
<b>Per share (HK\$)</b>		<b>59.62</b>	

SOURCES: CGS-CIMB RESEARCH

Figure 4: Value added from Phases 3-4 based on our estimates

	HK\$ m
Invested capital	45,000
ROIC in FY21F	10%
EBITDA	4,500
FY21F EV/EBITDA	10.0
Enterprise value	45,000
Net debt	27,000
Equity value	18,000
Number of shares (m)	4,276
Equity value per share in FY21F (HK\$)	4.21
Discount rate	12.0%
<b>Equity value per share in FY18F (HK\$)</b>	<b>3.17</b>

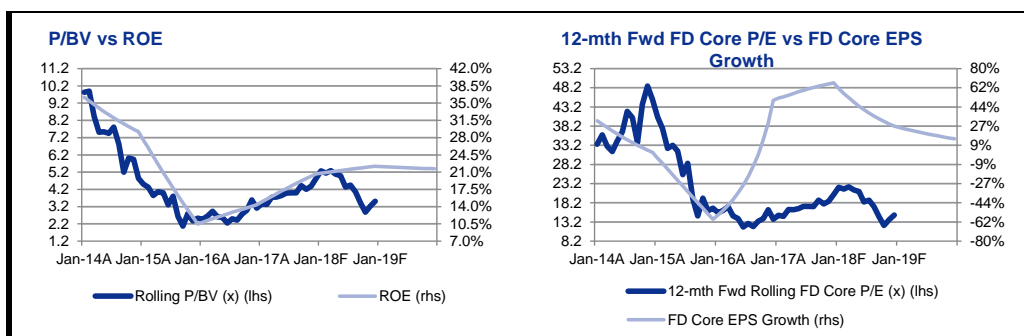
SOURCES: CGS-CIMB RESEARCH

**Figure 5: Sector Comparisons**

Company	Bloomberg		Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		2-year EPS CAGR (%)	P/BV (x)		EV/EBITDA (x)		ROE (%)		Yield (%)	
	Ticker	Recom.				FY18F	FY19F		FY18F	FY19F	FY18F	FY19F	FY18F	FY19F	FY18F	FY19F
Galaxy Entertainment	27 HK	ADD	52.90	59.62	29,249	17.0	14.8	20%	3.5	3.0	12.5	10.4	22%	22%	1.4%	1.6%
Sands China	1928 HK	ADD	37.65	42.58	38,904	19.2	15.7	24%	8.5	7.8	14.7	12.5	44%	52%	5.3%	5.3%
MGM China Holdings	2282 HK	ADD	14.86	24.52	7,221	20.0	13.4	34%	5.4	4.2	13.2	9.0	30%	35%	2.5%	4.5%
Wynn Macau	1128 HK	ADD	19.70	25.94	13,092	15.9	12.9	42%	52.5	27.8	11.8	10.1	261%	281%	5.7%	6.2%
SJM Holdings	880 HK	HOLD	7.67	6.45	5,551	17.8	20.6	3%	1.7	1.7	16.6	17.4	10%	8%	2.8%	2.4%
<b>HK listed Macau average</b>						<b>18.0</b>	<b>15.5</b>	<b>25%</b>	<b>14.3</b>	<b>8.9</b>	<b>13.8</b>	<b>11.9</b>	<b>73%</b>	<b>80%</b>	<b>3.5%</b>	<b>4.0%</b>
Genting Bhd	GENT MK	ADD	6.59	8.90	6,092	11.7	12.8	3%	0.7	0.6	4.8	4.4	6%	5%	1.8%	1.8%
Berjaya Sports Toto	BST MK	ADD	2.08	3.09	673	10.0	8.9	18%	3.6	3.4	7.0	6.4	37%	39%	8.4%	9.0%
Genting Malaysia	GENM MK	HOLD	2.91	3.25	3,950	10.8	11.6	4%	0.9	0.9	6.9	7.3	8%	8%	3.4%	3.4%
<b>Malaysia average</b>						<b>10.9</b>	<b>11.1</b>	<b>8%</b>	<b>1.7</b>	<b>1.6</b>	<b>6.2</b>	<b>6.1</b>	<b>17%</b>	<b>17%</b>	<b>4.5%</b>	<b>4.7%</b>
Paradise	034230 KS	REDUCE	21,300	15,000	1,744	1291.5	62.6	na	2.0	1.9	32.5	22.1	0%	3%	0.5%	0.7%
Grand Korea Leisure	114090 KS	ADD	25,100	34,000	1,398	14.6	12.5	25%	2.6	2.3	8.8	7.3	19%	20%	3.8%	4.4%
Kangwon Land	035250 KS	HOLD	32,000	27,000	6,165	18.8	17.0	-3%	2.0	1.9	7.1	5.7	10%	11%	3.1%	3.1%
<b>Korea average</b>						<b>441.6</b>	<b>30.7</b>	<b>11%</b>	<b>2.2</b>	<b>2.0</b>	<b>16.1</b>	<b>11.7</b>	<b>10%</b>	<b>11%</b>	<b>2.4%</b>	<b>2.7%</b>
NagaCorp Ltd	3918 HK	ADD	8.71	9.65	183	14.5	11.9	26%	2.5	1.9	10.0	6.9	20%	18%	4.1%	5.1%
Summit Ascent Holdings	102 HK	ADD	0.96	1.21	183	74.4	44.8	50%	0.9	0.9	3.4	2.6	1%	2%	0.0%	0.0%
Genting Singapore	GENS SP	ADD	1.04	1.28	9,164	17.3	17.2	6%	1.6	1.5	7.7	7.4	10%	9%	2.9%	2.9%
<b>Other average</b>						<b>35.4</b>	<b>24.6</b>	<b>27%</b>	<b>1.7</b>	<b>1.4</b>	<b>7.0</b>	<b>5.6</b>	<b>10%</b>	<b>10%</b>	<b>2.3%</b>	<b>2.6%</b>

\*AS AT 4 DEC 2018

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(HK\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>Total Net Revenues</b>	<b>52,826</b>	<b>62,450</b>	<b>77,651</b>	<b>90,025</b>	<b>101,828</b>
<b>Gross Profit</b>	<b>21,988</b>	<b>25,379</b>	<b>31,676</b>	<b>36,362</b>	<b>40,841</b>
<b>Operating EBITDA</b>	<b>9,738</b>	<b>13,171</b>	<b>16,733</b>	<b>19,217</b>	<b>22,467</b>
Depreciation And Amortisation	(3,573)	(3,349)	(3,537)	(4,033)	(4,576)
<b>Operating EBIT</b>	<b>6,166</b>	<b>9,822</b>	<b>13,196</b>	<b>15,184</b>	<b>17,890</b>
Financial Income/(Expense)	110	562	157	165	165
Pretax Income/(Loss) from Assoc.	72	244	120	120	120
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>6,348</b>	<b>10,628</b>	<b>13,473</b>	<b>15,469</b>	<b>18,176</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>6,348</b>	<b>10,628</b>	<b>13,473</b>	<b>15,469</b>	<b>18,176</b>
Taxation	(77)	(113)	(162)	(186)	(218)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,271</b>	<b>10,516</b>	<b>13,312</b>	<b>15,284</b>	<b>17,957</b>
Minority Interests	12	(11)	(16)	(16)	(16)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6,283</b>	<b>10,504</b>	<b>13,296</b>	<b>15,268</b>	<b>17,941</b>
Recurring Net Profit	6,283	10,504	13,296	15,268	17,941
<b>Fully Diluted Recurring Net Profit</b>	<b>6,283</b>	<b>10,504</b>	<b>13,296</b>	<b>15,268</b>	<b>17,941</b>

**Cash Flow**

(HK\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>EBITDA</b>	<b>9,738</b>	<b>13,171</b>	<b>16,733</b>	<b>19,217</b>	<b>22,467</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	2,701	5,066	3,621	3,151	3,001
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	244	(306)	(157)	(165)	(165)
Other Operating Cashflow	182	806	277	285	285
Net Interest (Paid)/Received	(45)	(123)	(126)	(118)	(118)
Tax Paid	(88)	(94)	(162)	(186)	(218)
<b>Cashflow From Operations</b>	<b>12,732</b>	<b>18,520</b>	<b>20,186</b>	<b>22,184</b>	<b>25,251</b>
Capex	(2,075)	(2,008)	(8,000)	(10,000)	(10,000)
Disposals Of FAs/subsidiaries	22	10	0	0	0
Acq. Of Subsidiaries/investments	(53)	(14)	0	0	0
Other Investing Cashflow	(15,231)	(9,104)	283	283	283
<b>Cash Flow From Investing</b>	<b>(17,337)</b>	<b>(11,117)</b>	<b>(7,717)</b>	<b>(9,717)</b>	<b>(9,717)</b>
Debt Raised/(repaid)	4,800	3,715	269	0	0
Proceeds From Issue Of Shares	109	348	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(1,408)	(2,526)	(2,526)	(3,197)	(3,671)
Preferred Dividends					
Other Financing Cashflow	(50)	(57)	0	0	0
<b>Cash Flow From Financing</b>	<b>3,450</b>	<b>1,480</b>	<b>(2,257)</b>	<b>(3,197)</b>	<b>(3,671)</b>
Total Cash Generated	(1,155)	8,884	10,213	9,271	11,864
<b>Free Cashflow To Equity</b>	<b>194</b>	<b>11,118</b>	<b>12,738</b>	<b>12,467</b>	<b>15,534</b>
<b>Free Cashflow To Firm</b>	<b>(4,560)</b>	<b>7,527</b>	<b>12,595</b>	<b>12,585</b>	<b>15,653</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(HK\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	19,967	17,740	26,091	35,361	47,225
Total Debtors	1,886	2,166	2,644	3,032	3,403
Inventories	158	171	213	248	282
Total Other Current Assets	20	23	23	23	23
<b>Total Current Assets</b>	<b>22,032</b>	<b>20,101</b>	<b>28,970</b>	<b>38,665</b>	<b>50,933</b>
Fixed Assets	33,502	31,802	36,454	42,572	48,116
Total Investments	6,353	6,534	6,534	6,534	6,534
Intangible Assets	1,138	921	731	580	460
Total Other Non-Current Assets	3,235	24,457	24,457	24,457	24,457
<b>Total Non-current Assets</b>	<b>44,229</b>	<b>63,713</b>	<b>68,175</b>	<b>74,142</b>	<b>79,566</b>
Short-term Debt	5,609	9,685	9,685	9,685	9,685
Current Portion of Long-Term Debt					
Total Creditors	12,675	17,303	21,443	25,018	28,423
Other Current Liabilities	37	47	47	47	47
<b>Total Current Liabilities</b>	<b>18,321</b>	<b>27,036</b>	<b>31,175</b>	<b>34,750</b>	<b>38,155</b>
Total Long-term Debt	526	259	528	528	528
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	551	504	236	236	236
<b>Total Non-current Liabilities</b>	<b>1,077</b>	<b>764</b>	<b>765</b>	<b>765</b>	<b>765</b>
Total Provisions	257	268	268	268	268
<b>Total Liabilities</b>	<b>19,655</b>	<b>28,067</b>	<b>32,208</b>	<b>35,783</b>	<b>39,188</b>
Shareholders' Equity	46,345	55,482	64,388	76,460	90,731
Minority Interests	518	534	550	565	580
<b>Total Equity</b>	<b>46,863</b>	<b>56,015</b>	<b>64,938</b>	<b>77,025</b>	<b>91,311</b>

### Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	3.6%	18.2%	24.3%	15.9%	13.1%
Operating EBITDA Growth	36.3%	35.3%	27.0%	14.8%	16.9%
Operating EBITDA Margin	18.4%	21.1%	21.5%	21.3%	22.1%
Net Cash Per Share (HK\$)	3.23	1.82	3.71	5.88	8.66
BVPS (HK\$)	10.84	12.98	15.06	17.88	21.22
Gross Interest Cover	141.2	153.7	104.7	128.5	151.4
Effective Tax Rate	1.21%	1.06%	1.20%	1.20%	1.20%
Net Dividend Payout Ratio	22.4%	24.0%	24.0%	24.0%	24.0%
Accounts Receivables Days	13.05	10.36	10.34	10.68	10.83
Inventory Days	1.83	1.62	1.52	1.57	1.59
Accounts Payables Days	143.1	147.2	153.3	157.6	160.0
ROIC (%)	21.3%	36.1%	31.3%	35.3%	39.0%
ROCE (%)	13.1%	17.5%	19.0%	19.0%	19.2%
Return On Average Assets	10.1%	13.3%	14.5%	14.4%	14.6%

### Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
VIP Chip Volume (% Change)	-7.4%	18.5%	24.8%	17.0%	15.0%
VIP Chip Win Percentage (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Mass mkt chip drop (% chg.)	18.5%	15.5%	20.6%	17.8%	12.6%
Mass mkt chip win (%-tage)	17.0%	17.0%	17.0%	17.0%	17.0%
Slot Handle (% Change)	7.0%	8.1%	-8.9%	6.1%	7.9%
Slot Hold Percentage (%)	7.5%	7.5%	7.5%	7.5%	7.5%
Net Win Per Slot (% Change)	7.0%	8.1%	-8.9%	0.0%	0.0%
Net Win Per Table (% Change)	-2.8%	17.2%	23.0%	0.0%	0.0%
No. Of Slots	1,980	1,980	1,980	1,980	1,980
No. Of Tables	988	988	988	988	988

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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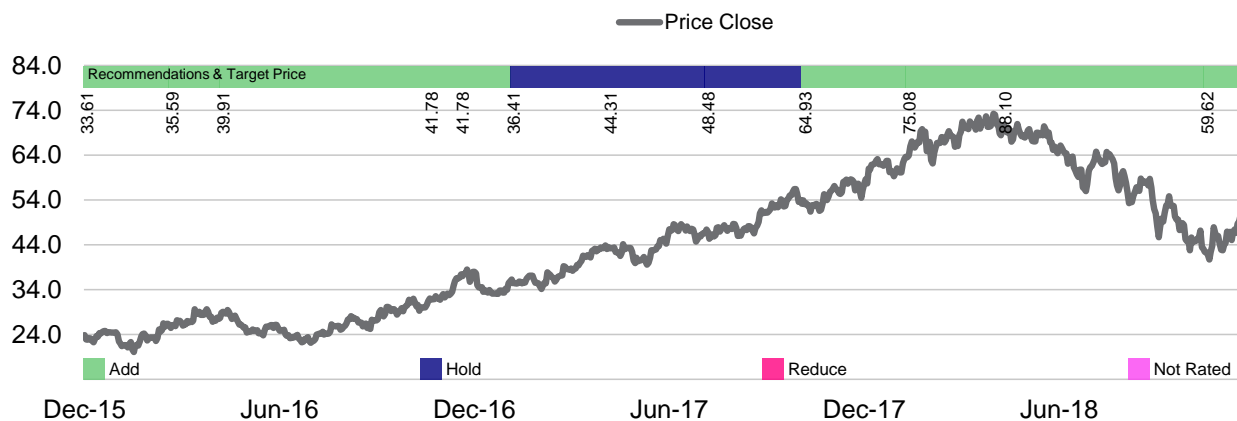
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

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

#### Galaxy Entertainment (27 HK)



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

Companies participating in Thailand’s Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC’s regulations or charged with corruption.

Recommendation Framework	
<b>Stock Ratings</b>	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.
<i>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.</i>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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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