

Singapore

ADD (no change)

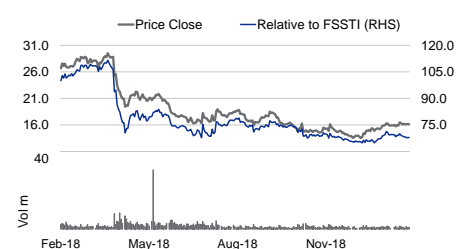
Consensus ratings*: Buy 7 Hold 2 Sell 1

Current price:	S\$16.12
Target price:	S\$17.88 ▲
Previous target:	S\$17.44
Up/downside:	10.9%
CGS-CIMB / Consensus:	5.8%
Reuters:	VENM.SI
Bloomberg:	VMS SP
Market cap:	US\$3,428m
	S\$4,639m
Average daily turnover:	US\$12.95m
	S\$17.64m
Current shares o/s:	287.8m
Free float:	93.0%

*Source: Bloomberg

Key changes in this note

- ▶ We assume a lower effective tax rate of 15% for FY19-21F.
- ▶ Introduce FY21F forecasts.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.1	10.3	-35.6
Relative (%)	2.7	2.8	-29.3

Major shareholders	% held
Wong Ngit Liong	7.0
Blackrock	6.0
Schroders	5.0

Analyst(s)

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Venture Corporation

Patience will be rewarded

- 4Q18/FY18 revenue at 25%/97% of our FY18 forecast was in line.
- 4Q18/FY18 core net profit in line at 30%/102% of our FY18 forecast due to judicious cost management and qoq revenue improvement.
- Key risk is impact on economic growth from the US-China trade war.
- Maintain Add with a higher S\$17.88 TP, based on 12.56x FY20F core EPS.

V-shaped recovery wins back investor confidence

FY18 core net profit was in line at 102% of our forecast. Although 4Q revenue fell 16.6% yoy, Venture demonstrated its strong execution capability and reduced operating costs. This brought pre-tax margin to 13.7% in 4Q18 and net profit margin to 11.9%. Offsetting the 16.6% yoy revenue decline in 4Q18 were notable declines in employee and R&D costs. Effective tax rate was also lower at 13.5% in 4Q18 vs. 14.9% in 4Q17.

Dividend stepped up

Venture proposed to pay a final DPS of S\$0.50. With interim DPS of S\$0.20 declared in its 2Q18 results, full-year DPS has stepped up to S\$0.70 from S\$0.60 in FY17. FY18 DPS of S\$0.70 is fully funded by its strong free cashflow generation capability. We think Venture's new base DPS over FY19-21F will be S\$0.70. Although Venture may be able to raise DPS above S\$0.70, we think the priority will be to grow the company.

Positive on the long term...

In 2019, Venture aims to drive revenue growth through the group's broad-based portfolio of technology domains, and continued success in new product launches for its partners. As some customers launched their products only in mid-4Q18, we expect the positive impact from these product launches to continue in FY19. The next growth phase calls for Venture to develop several dynamic ecosystems with its embedded Clusters of Excellence, to serve new markets in selected technology domains in the years ahead.

...backed by capacity planning

What has Venture done to back up its words? 1) We expect the fitting out of its facility in Milpitas, California, USA (strategically located in the Silicon Valley) to be completed in 2Q19 (purchase completed in Feb 18); 2) purchase of a plot of land in Batu Kawan, Penang completed in Jul 16 and 3) the recent announcement of the purchase of another factory in Tebrau, Johor, Malaysia.

Maintain Add, higher TP with a lower tax rate

We raise FY19-20F EPS due to a lower 15% tax rate assumption. This leads to a higher S\$17.88 TP, still based on 12.56x P/E (0.5 s.d. below the 12-year forward average P/E of 15.55x). Potential catalysts are new product launches by customers. Downside risk: slower orders from customers.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (S\$m)	4,005	3,485	3,676	3,841	4,013
Net Profit (S\$m)	372.8	370.1	386.0	409.6	434.8
Core EPS (S\$)	1.27	1.29	1.34	1.42	1.51
Core EPS Growth	103%	1%	4%	6%	6%
FD Core P/E (x)	12.56	12.47	12.02	11.33	10.67
Price To Sales (x)	1.15	1.33	1.26	1.21	1.16
DPS (S\$)	0.60	0.70	0.70	0.70	0.70
Dividend Yield	3.72%	4.34%	4.34%	4.34%	4.34%
EV/EBITDA (x)	8.47	8.85	7.98	7.19	6.41
P/FCFE (x)	12.85	25.42	11.92	12.17	11.42
Net Gearing	(33.3%)	(27.1%)	(31.2%)	(35.2%)	(39.1%)
P/BV (x)	2.12	1.97	1.83	1.69	1.56
ROE	17.5%	16.4%	15.8%	15.5%	15.2%
% Change In Core EPS Estimates			2.51%	2.50%	
CIMB/consensus EPS (x)			1.01	1.03	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

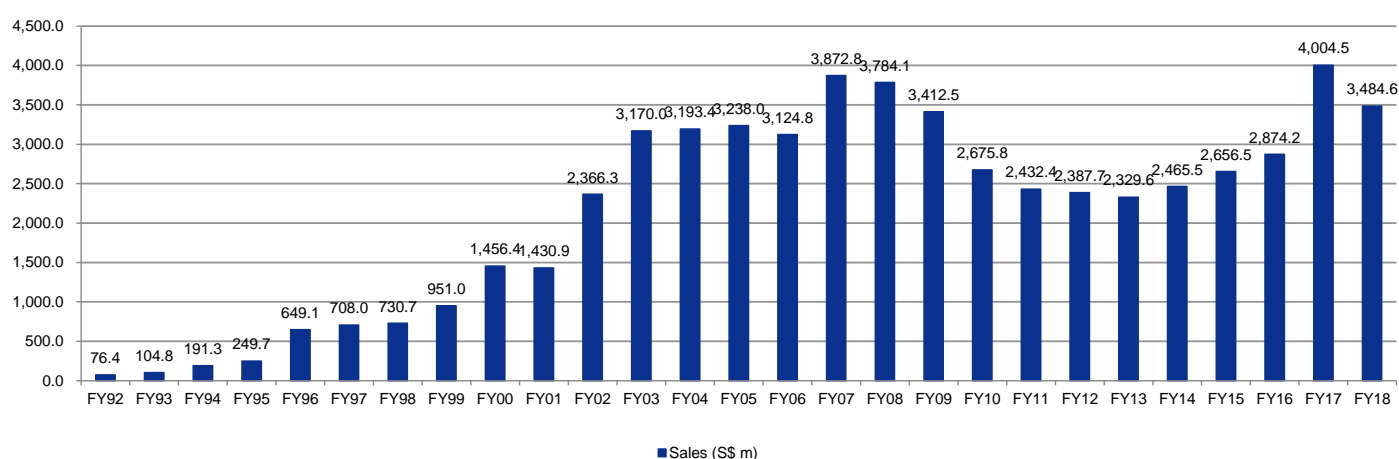
FYE Dec (\$\$ m)	4QFY18	4QFY17	yoy % chg	qoq % chg	4QFY18 Cum	4QFY17 Cum	yoy % chg	Prev FY18F	Comments
Revenue	906	1,086	(16.6)	17.6	3,485	4,005	(13.0)	3,604	In line, revenue decline due to customer M&A and product transition issues
Operating costs	(777)	(923)	(15.8)	15.8	(3,031)	(3,546)	(14.5)	(3,155)	
EBITDA	129	164	(21.2)	29.3	454	459	(1.1)	449	
EBITDA margin (%)	14	15	(5.4)	10.0	13	11	13.7	12	Continued strong margins with judicious cost management
Depn & amort.	(8)	(8)	(9.0)	(0.4)	(31)	(31)	(1.1)	(30)	Lower
EBIT	122	155	(21.8)	31.8	423	428	(1.1)	419	
Interest expense	(0)	(0)	44.9	3.4	(1)	(1)	(4.9)	(1)	Net cash.
Investment revenue	3	1	143.1	18.8	11	4	182.8	9	
Associates' contrib	(0)	-	na	na	(0)	2	na	-	
Exceptionals	-	11	na	na	-	11	na	-	
Pretax profit	124	168	(25.9)	31.5	433	444	(2.4)	427	
Tax	(17)	(25)	(32.8)	21.0	(63)	(71)	(11.5)	(64)	
Tax rate (%)	14	15	(9.3)	(7.9)	15	16	(9.3)	15.0	Strong tax planning
Minority interests	(0)	(0)	(43.6)	na	0	(0)	117.5	-	
Net profit	108	143	(24.7)	33.2	370	373	(0.7)	363	In line at 102% of ours and consensus expectations
Core net profit	108	132	(18.2)	33.2	370	361	2.5	363	
EPS (\$\$)	0.38	0.50	(25.3)	(98.7)	1.29	1.31	(1.6)	1.26	
Core EPS (\$\$)	0.38	0.46	(18.8)	(98.7)	1.29	1.27	1.5	1.26	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Earnings revisions

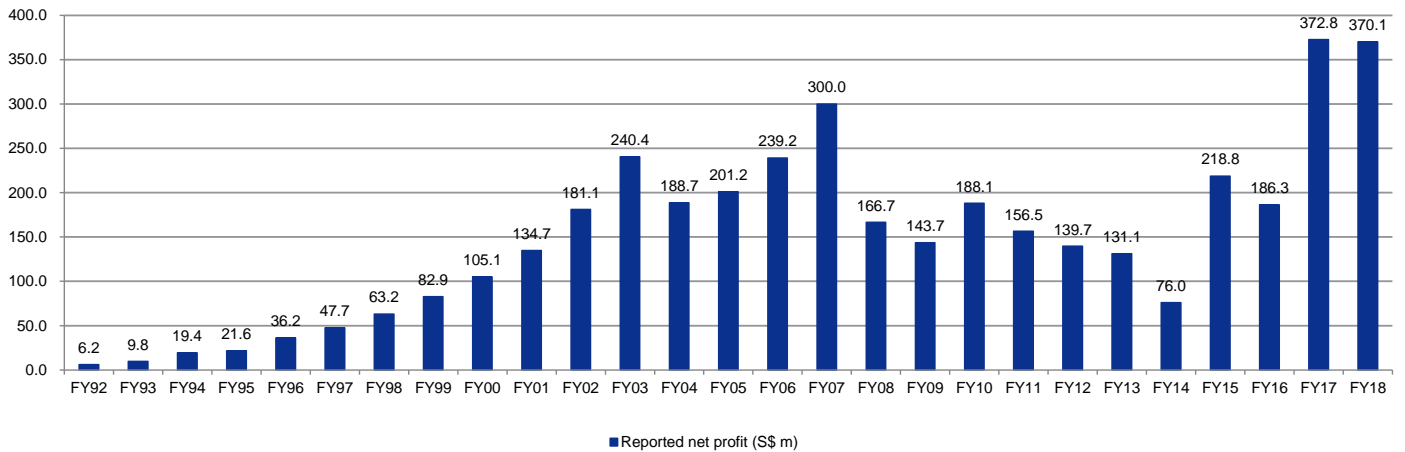
(\$\$m)	2019F			2020F		
	Old	New	% chg	Old	New	% chg
Revenue	3,784.3	3,676.3	(2.9)	3,935.0	3,840.5	(2.4)
Revenue growth (%)	5.0	5.5	0.5	4.0	4.5	0.5
Gross material margin (%)	27.5	27.0	(0.5)	27.5	27.0	(0.5)
EBITDA	480.4	482.1	0.4	520.0	511.5	(1.6)
Effective tax rate (%)	17.0	15.0	(2.0)	17.0	15.0	(2.0)
Net profit	376.9	386.0	2.4	400.0	409.6	2.4
Core EPS (\$\$)	1.31	1.34	2.5	1.39	1.42	2.5
Core EPS growth (%)	3.81	4.30	0.5	8.39	6.13	(2.3)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Full-year revenue trend


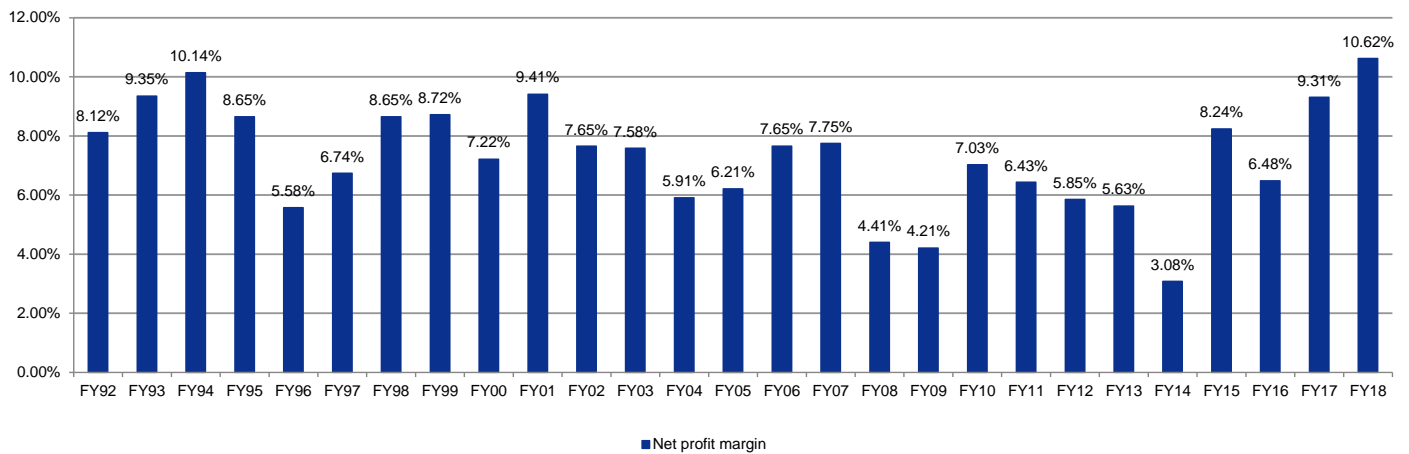
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Full-year net profit trend



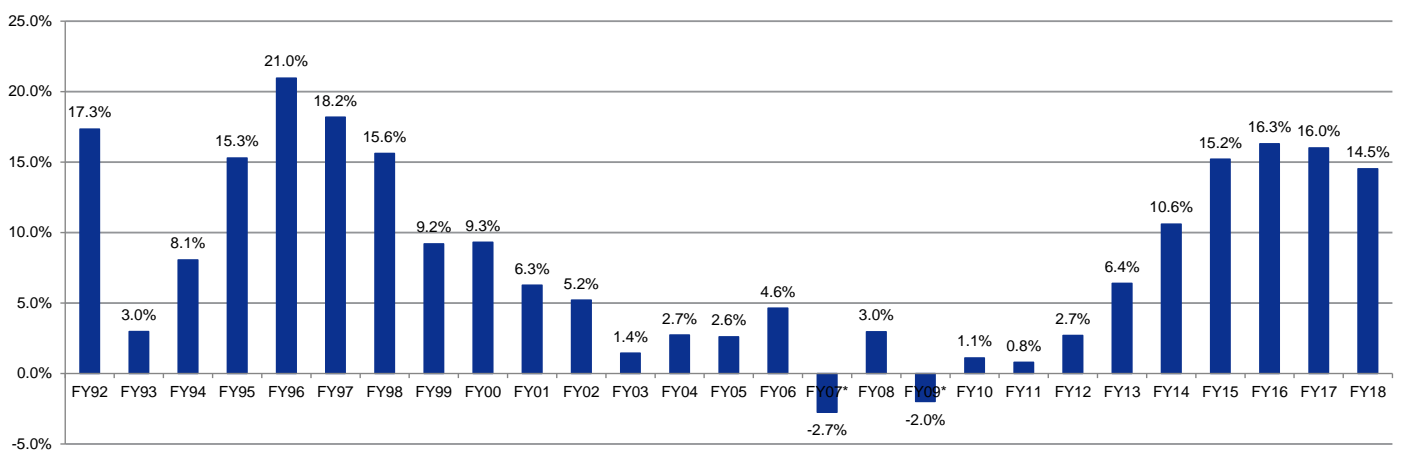
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Yearly net profit margin trend



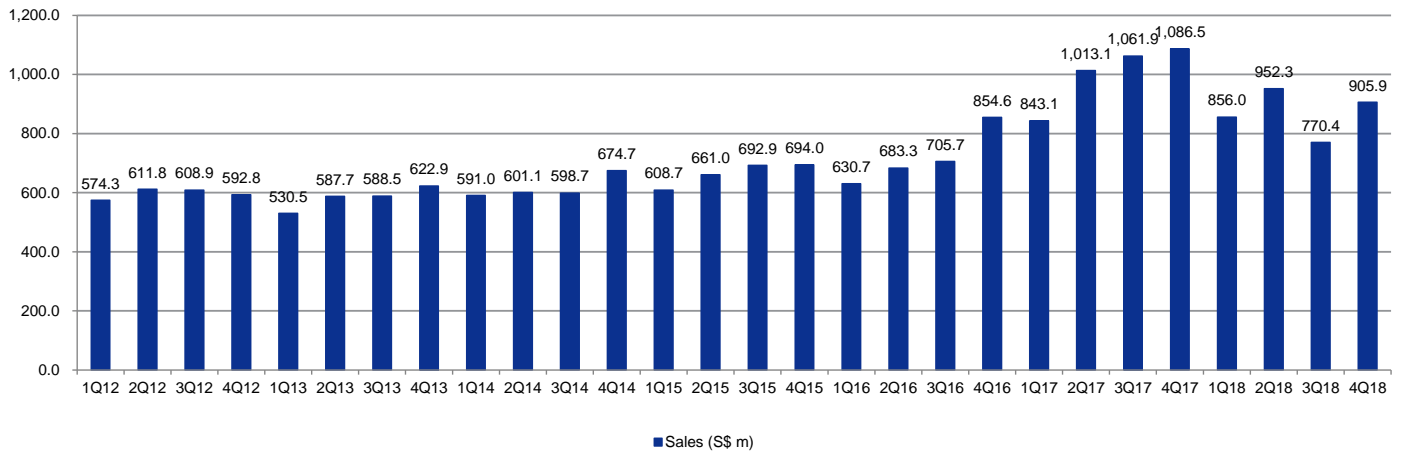
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Effective tax rate trend



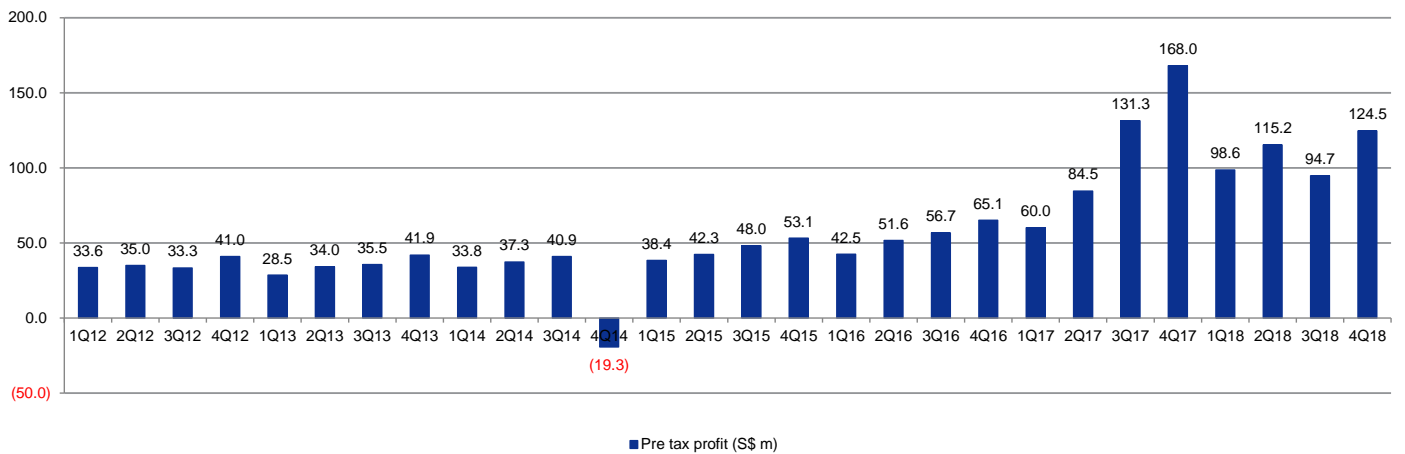
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Quarterly revenue trend



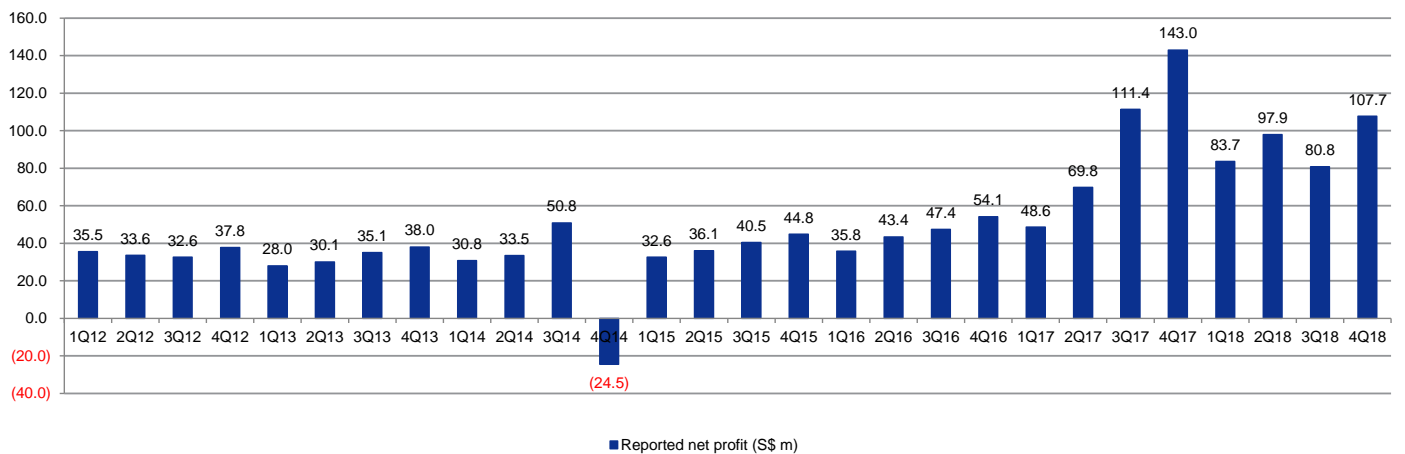
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Quarterly pre-tax profit trend



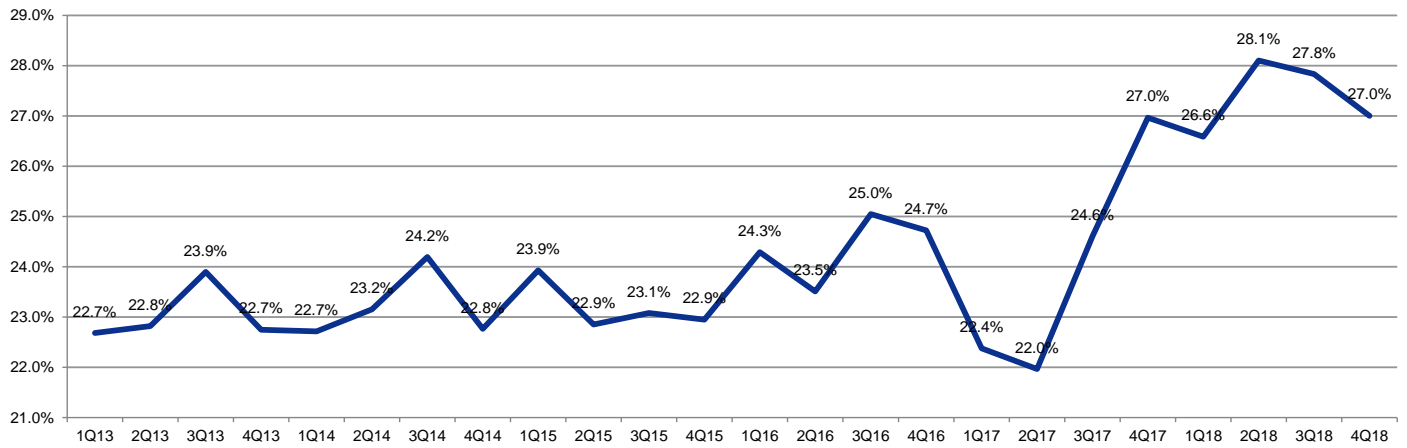
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Quarterly net profit trend



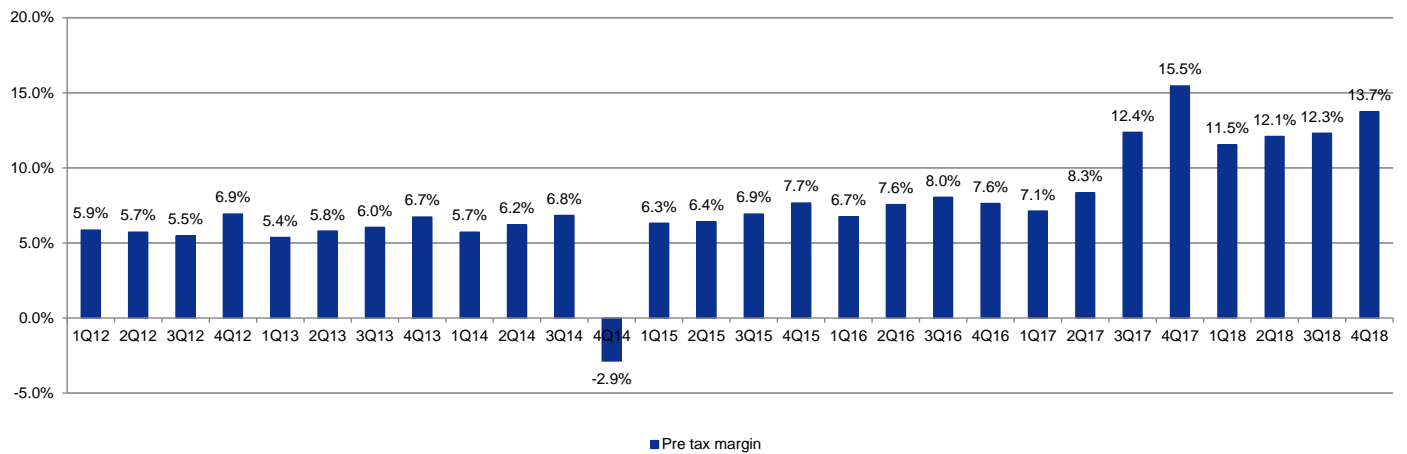
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Quarterly gross material margin



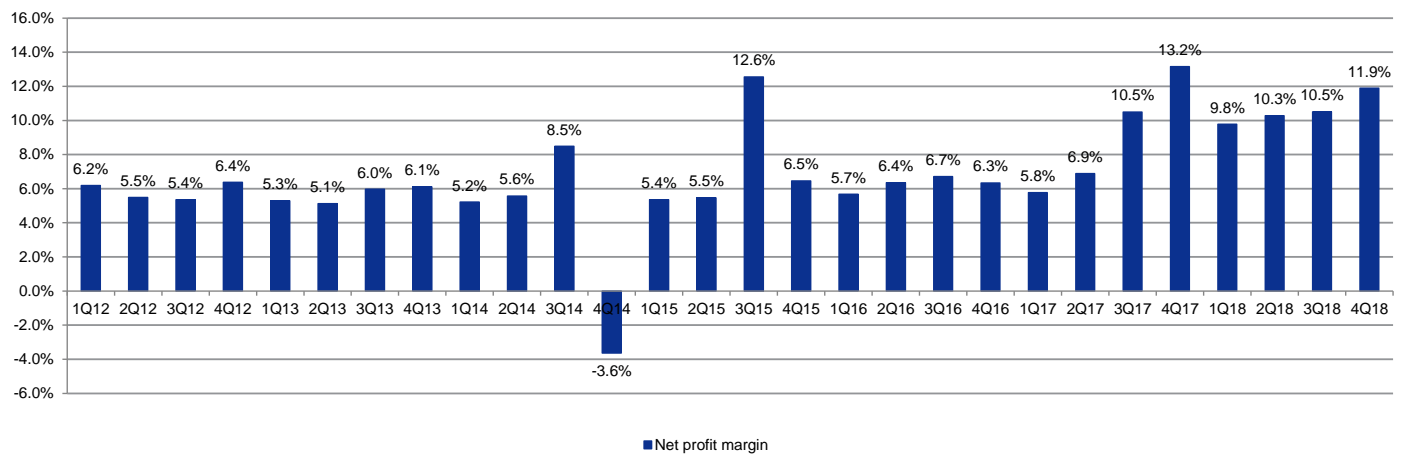
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Quarterly pre-tax margin trend



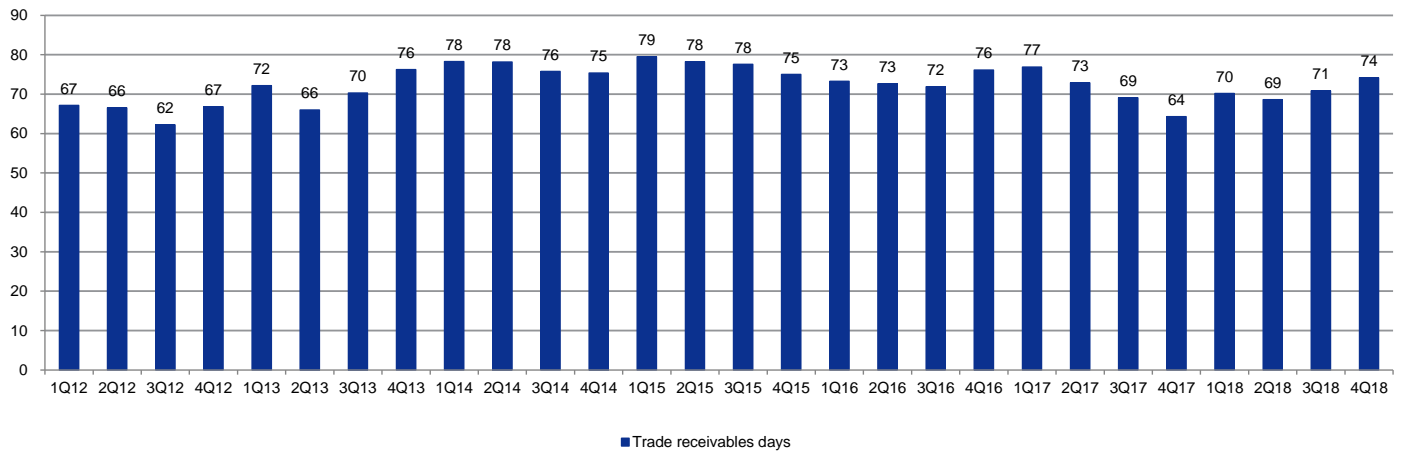
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: Quarterly net profit margin trend



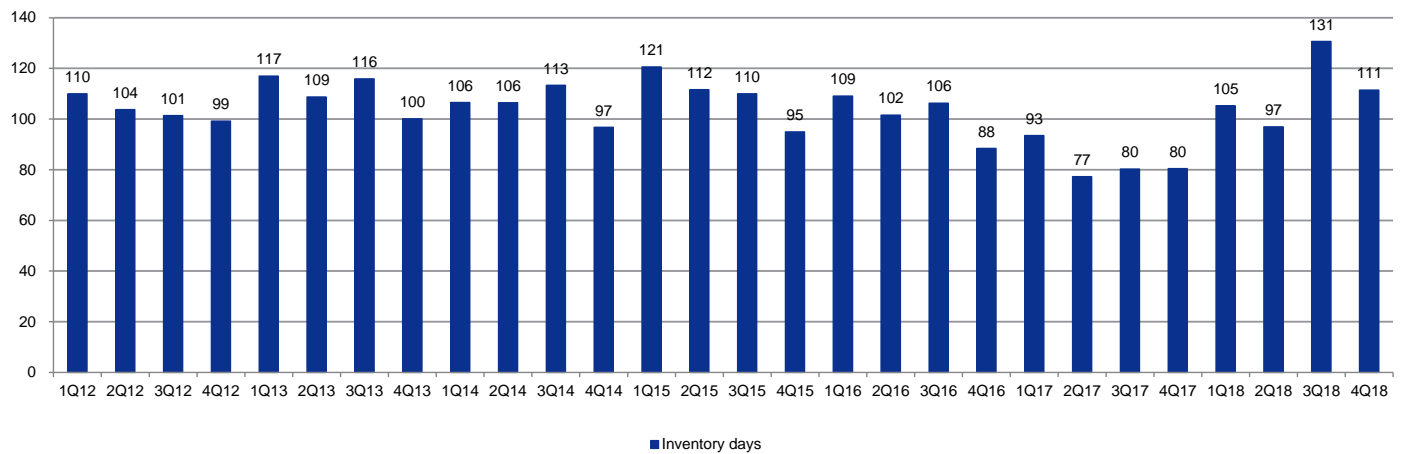
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 13: Quarterly trade receivables days



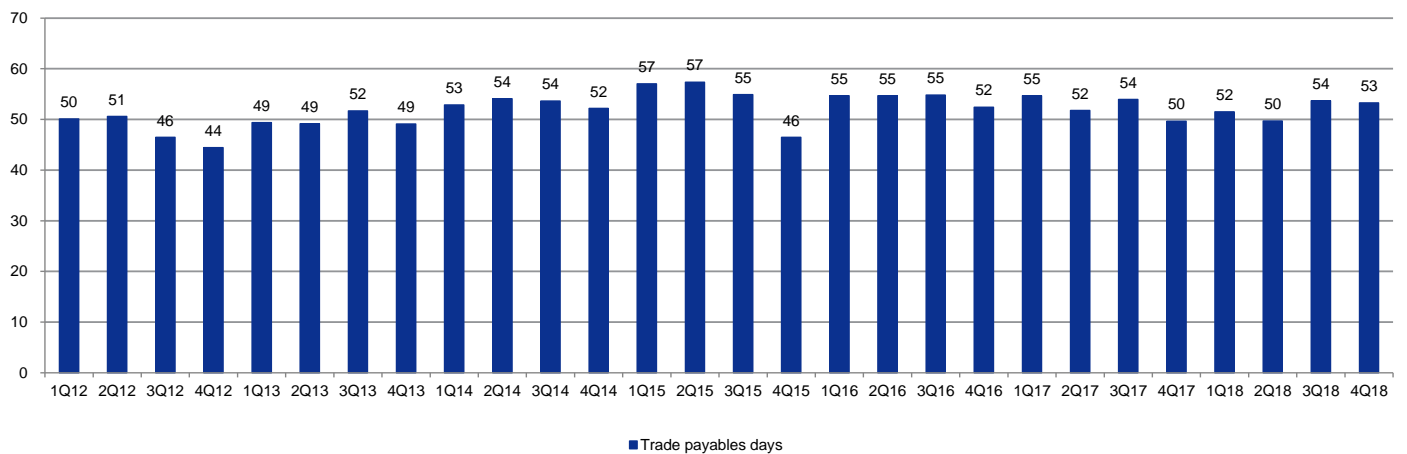
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: Quarterly inventory days



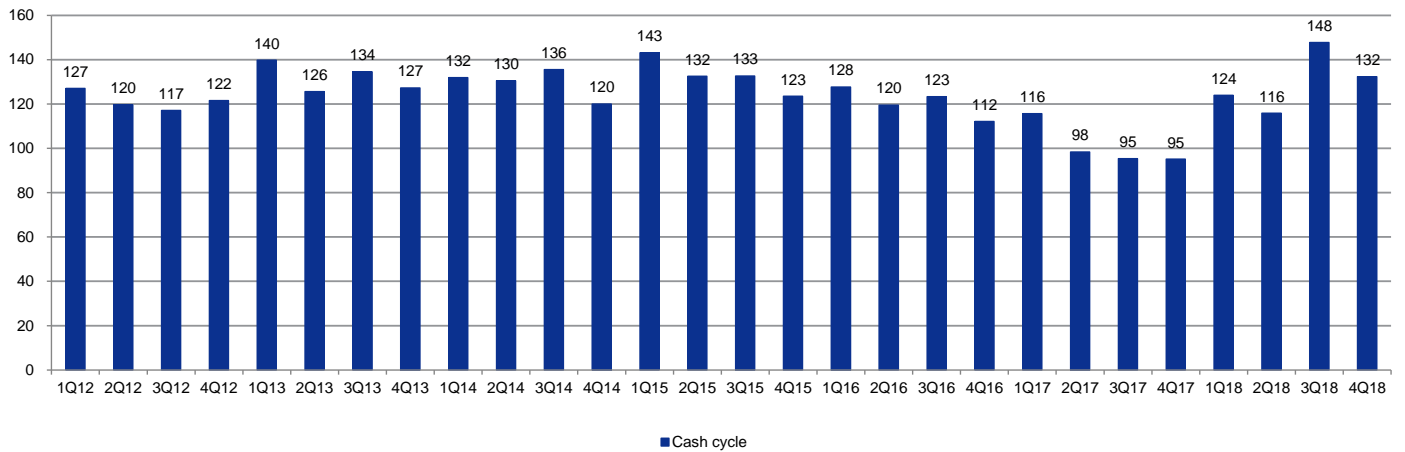
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: Quarterly trade payable days



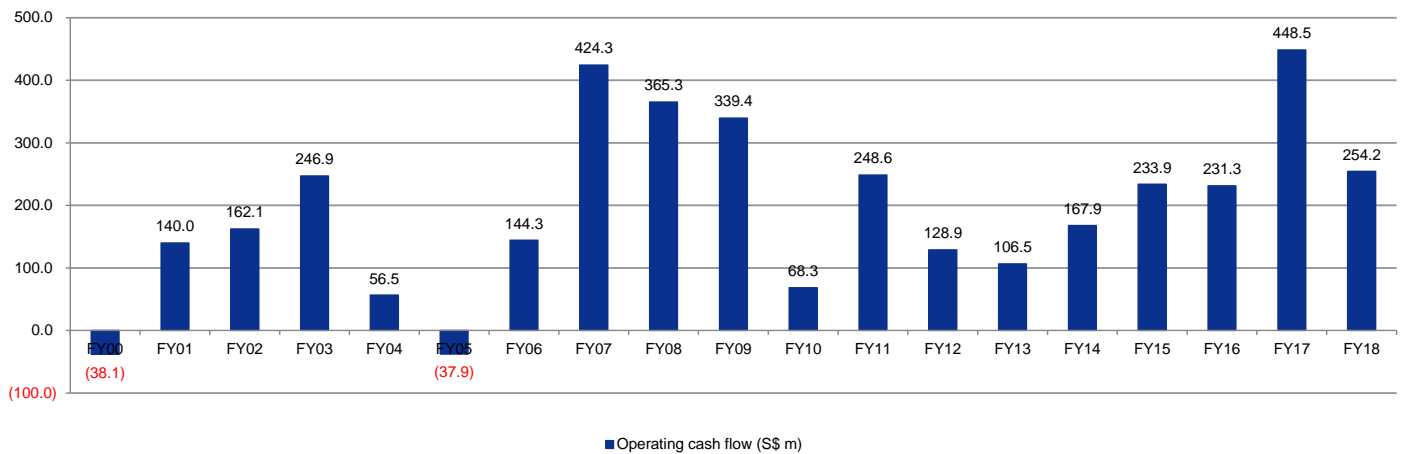
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 16: Quarterly cash cycle in days



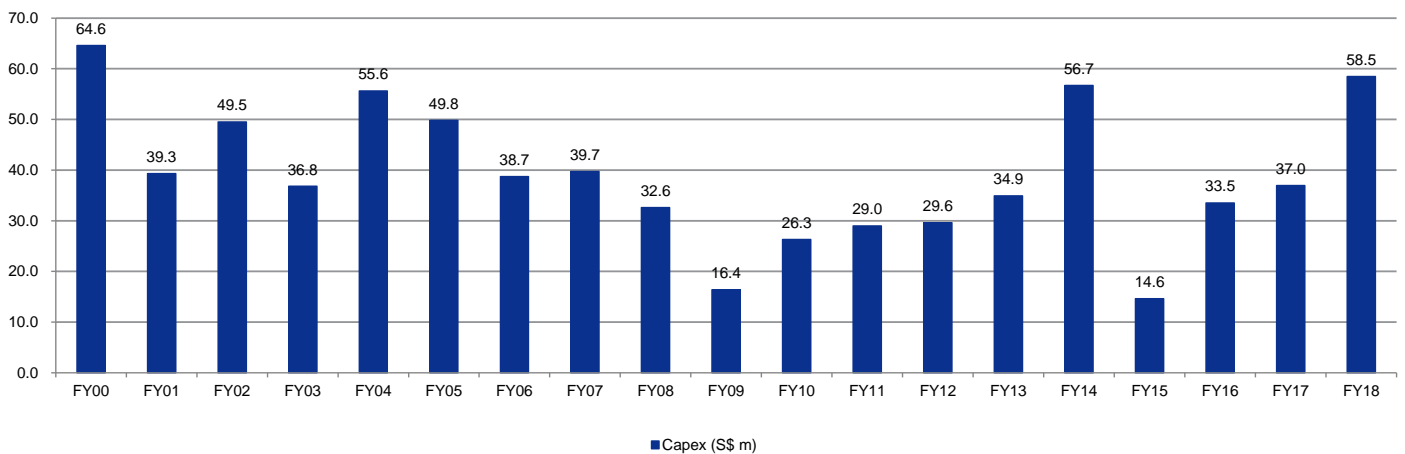
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Operating cashflow trend



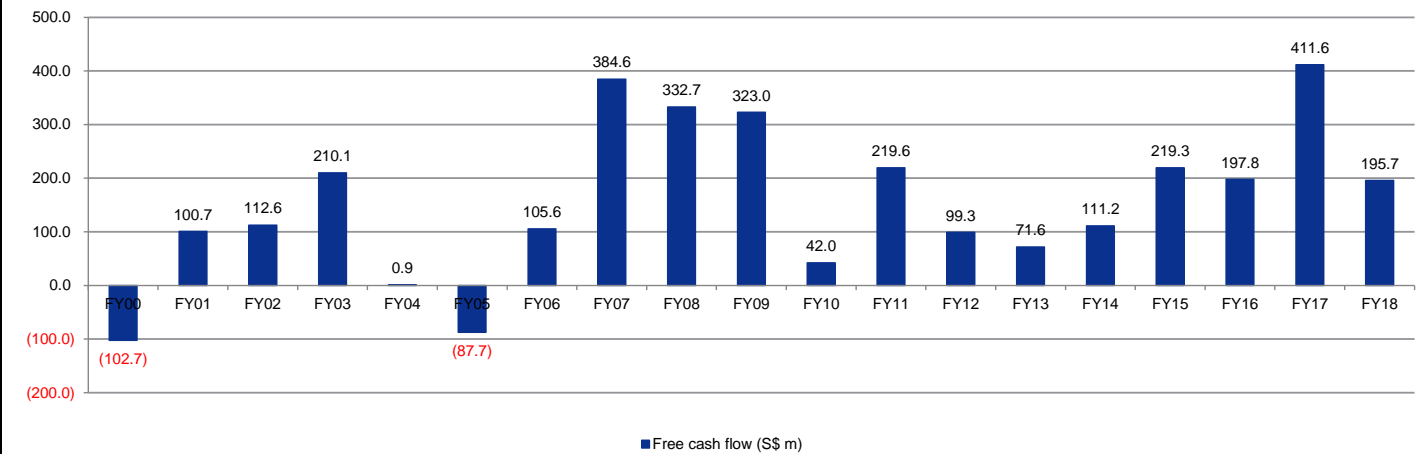
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 18: Capex trend



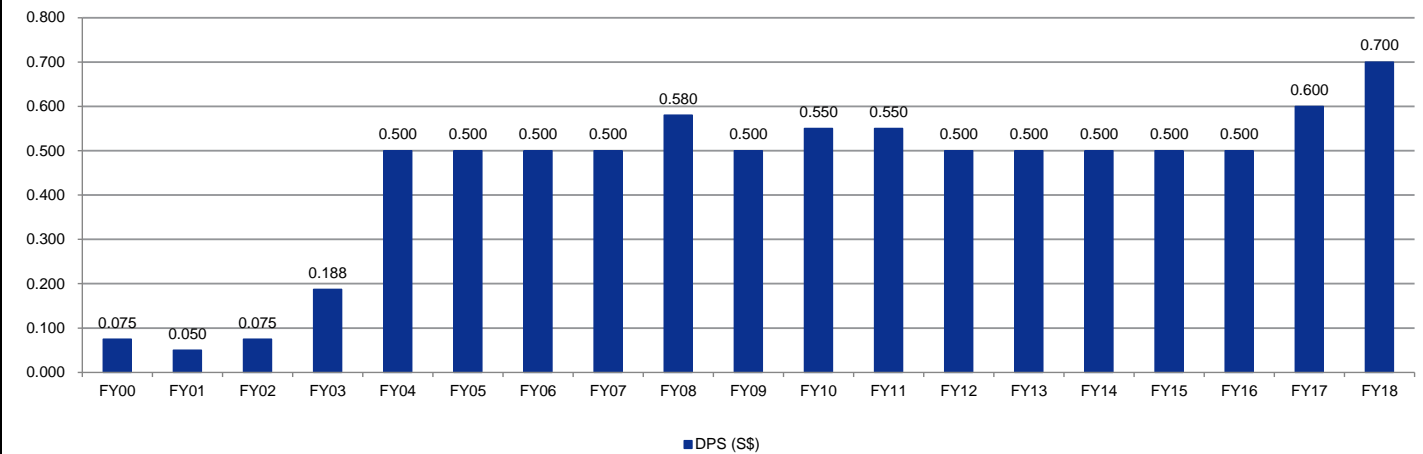
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 19: Free cashflow trend



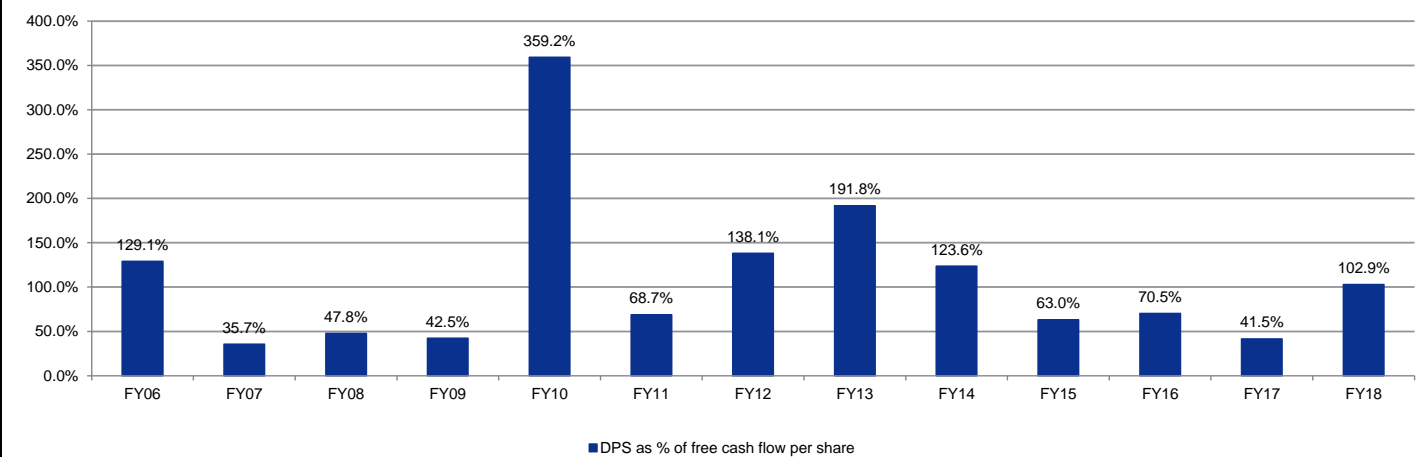
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: Dividend trend



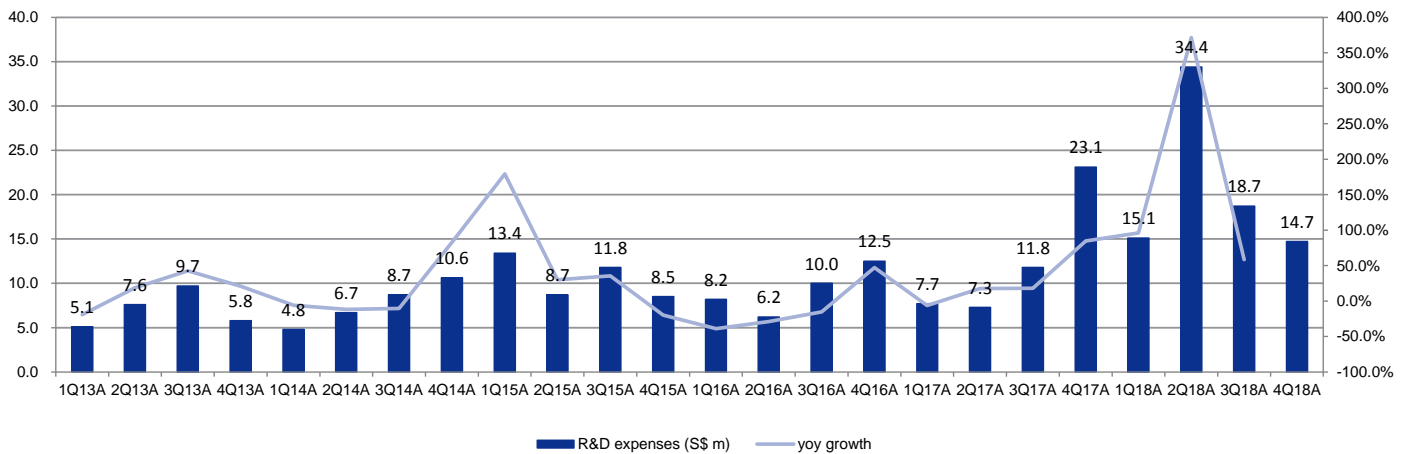
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 21: DPS as a percentage of free cashflow per share



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: R&D expenses trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

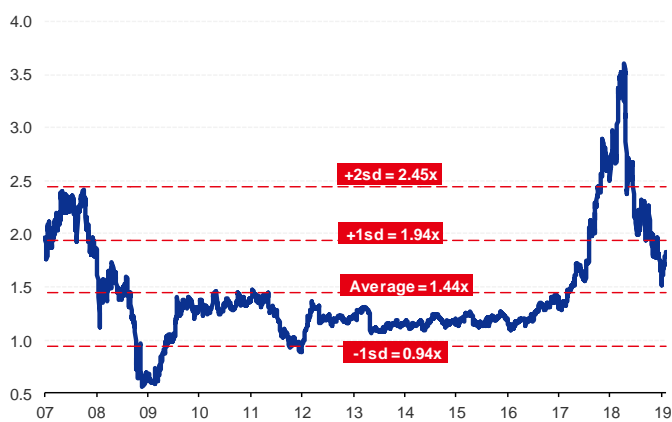
Figure 23: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY18F	P/E (x) CY19F	3-year EPS CAGR (%)	P/BV (x) CY18F	Recurring ROE (%) CY18F	Dividend Yield (%) CY18F
Venture Corporation	VMS SP	Add	16.12	17.88	3,428	12.5	12.0	4.6%	1.97	16.5%	4.3%
US											
Benchmark Electronics	BHE US	NR	28.02	NA	1,225	57.2	16.7	na	na	na	0.0%
Celestica Inc	CLS US	NR	9.16	NA	1,250	12.9	10.0	18.2%	0.94	7.4%	0.0%
Flextronics International	FLEX US	NR	10.40	NA	5,423	12.8	8.6	22.9%	1.76	18.4%	0.0%
Jabil Circuit	JBL US	NR	28.64	NA	4,431	57.3	9.2	75.4%	2.42	11.0%	1.1%
Plexus Corp	PLXS US	NR	60.15	NA	1,859	150.4	15.6	19.2%	2.08	4.2%	0.0%
Sanmina-SCI Corp	SANM US	NR	32.52	NA	2,225	na	10.8	48.6%	na	-1.2%	0.0%
Simple Average (US)						12.9*	11.8	36.9%	1.80	8.0%	1.1%
Simple Average (all co)						12.8	11.9	31.5%	1.9	11.5%	2.7%

* excluding Benchmark Electronics, Jabil Circuit & Plexus Corp

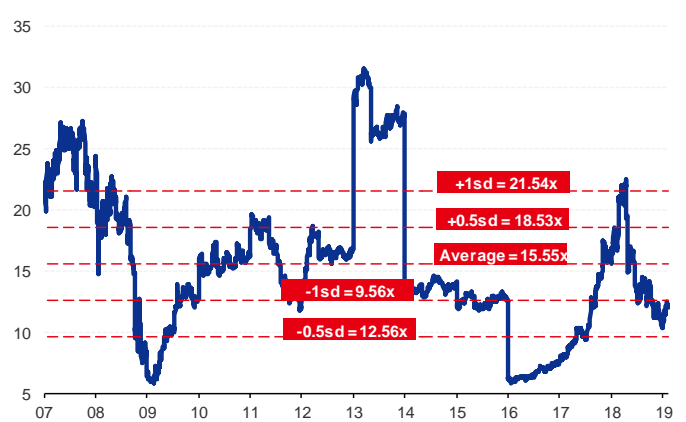
SOURCES: BLOOMBERG, CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 24: 12 months forward average P/BV



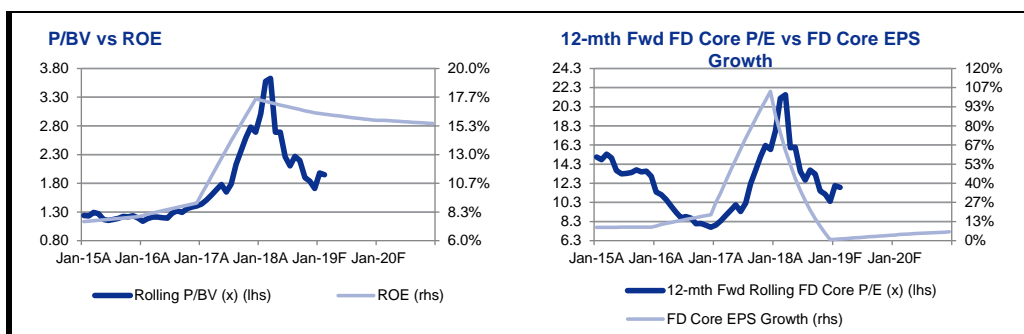
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 25: 12 month forward average P/E (x)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	4,005	3,485	3,676	3,841	4,013
Gross Profit	965	954	993	1,037	1,084
Operating EBITDA	457	452	482	511	543
Depreciation And Amortisation	(31)	(31)	(33)	(35)	(36)
Operating EBIT	426	422	449	477	507
Financial Income/(Expense)	3	8	3	3	3
Pretax Income/(Loss) from Assoc.	2	(0)	0	0	0
Non-Operating Income/(Expense)	14	3	2	2	2
Profit Before Tax (pre-EI)	444	433	454	482	512
Exceptional Items	0	0	0	0	0
Pre-tax Profit	444	433	454	482	512
Taxation	(71)	(63)	(68)	(72)	(77)
Exceptional Income - post-tax					
Profit After Tax	373	370	386	410	435
Minority Interests	0	(0)	0	0	0
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	373	370	386	410	435
Recurring Net Profit	362	370	386	410	435
Fully Diluted Recurring Net Profit	362	370	386	410	435

Cash Flow

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	456.7	452.2	482.1	511.5	542.6
Cash Flow from Inv. & Assoc.	(1.7)	0.1	0.0	0.0	0.0
Change In Working Capital	13.8	(147.4)	(4.1)	(38.6)	(40.6)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	2.4	2.4	2.4	2.4	2.4
Net Interest (Paid)/Received	2.8	8.2	3.0	3.0	3.0
Tax Paid	(50.3)	(56.3)	(61.9)	(68.1)	(72.3)
Cashflow From Operations	423.8	259.3	421.6	410.3	435.2
Capex	(37.0)	(58.5)	(60.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	23.0	9.9	1.0	1.0	1.0
Cash Flow From Investing	(14.0)	(48.6)	(59.0)	(29.0)	(29.0)
Debt Raised/(repaid)	(56.3)	(29.2)	26.5	0.0	0.0
Proceeds From Issue Of Shares	46.2	40.6	0.0	0.0	0.0
Shares Repurchased	0.0	(18.1)	0.0	0.0	0.0
Dividends Paid	(140.7)	(230.0)	(201.5)	(201.5)	(201.5)
Preferred Dividends					
Other Financing Cashflow	24.5	0.0	0.0	0.0	0.0
Cash Flow From Financing	(126.3)	(236.7)	(175.0)	(201.5)	(201.5)
Total Cash Generated	283.5	(26.0)	187.6	179.8	204.7
Free Cashflow To Equity	353.5	181.5	389.1	381.3	406.2
Free Cashflow To Firm	410.8	211.7	363.6	382.2	407.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	752	713	894	1,068	1,267
Total Debtors	824	785	967	1,010	1,056
Inventories	700	808	662	691	722
Total Other Current Assets	0	0	0	0	0
Total Current Assets	2,276	2,306	2,522	2,769	3,045
Fixed Assets	198	231	258	253	247
Total Investments	30	28	28	28	28
Intangible Assets	640	640	640	640	640
Total Other Non-Current Assets	1	0	0	0	0
Total Non-current Assets	868	898	925	921	915
Short-term Debt	31	76	76	76	76
Current Portion of Long-Term Debt					
Total Creditors	910	734	765	800	836
Other Current Liabilities	34	40	40	40	40
Total Current Liabilities	974	850	882	916	952
Total Long-term Debt	0	0	26	26	26
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	0	0	26	26	26
Total Provisions	2	2	3	3	3
Total Liabilities	976	852	911	945	981
Shareholders' Equity	2,166	2,350	2,534	2,743	2,976
Minority Interests	2	2	2	2	2
Total Equity	2,168	2,352	2,537	2,745	2,978

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	39.3%	(13.0%)	5.5%	4.5%	4.5%
Operating EBITDA Growth	85.0%	(1.0%)	6.6%	6.1%	6.1%
Operating EBITDA Margin	11.4%	13.0%	13.1%	13.3%	13.5%
Net Cash Per Share (S\$)	2.54	2.21	2.75	3.35	4.05
BVPS (S\$)	7.61	8.16	8.81	9.53	10.34
Gross Interest Cover	420.6	429.2	457.3	485.7	515.8
Effective Tax Rate	16.0%	14.5%	15.0%	15.0%	15.0%
Net Dividend Payout Ratio	38.5%	46.5%	44.4%	41.8%	39.4%
Accounts Receivables Days	67.39	78.65	81.53	88.32	88.06
Inventory Days	79.4	108.7	100.0	88.3	88.1
Accounts Payables Days	64.99	80.78	77.07	80.65	80.42
ROIC (%)	28.0%	29.7%	26.6%	27.7%	28.9%
ROCE (%)	20.2%	18.6%	17.9%	17.5%	17.2%
Return On Average Assets	14.9%	13.4%	13.6%	13.4%	13.3%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP Change (% , Main Product)	0.0%	0.0%	0.0%	0.0%	0.0%
Unit sales growth (% , main prod)	6.8%	6.8%	6.8%	6.8%	6.8%
No. Of Lines (main Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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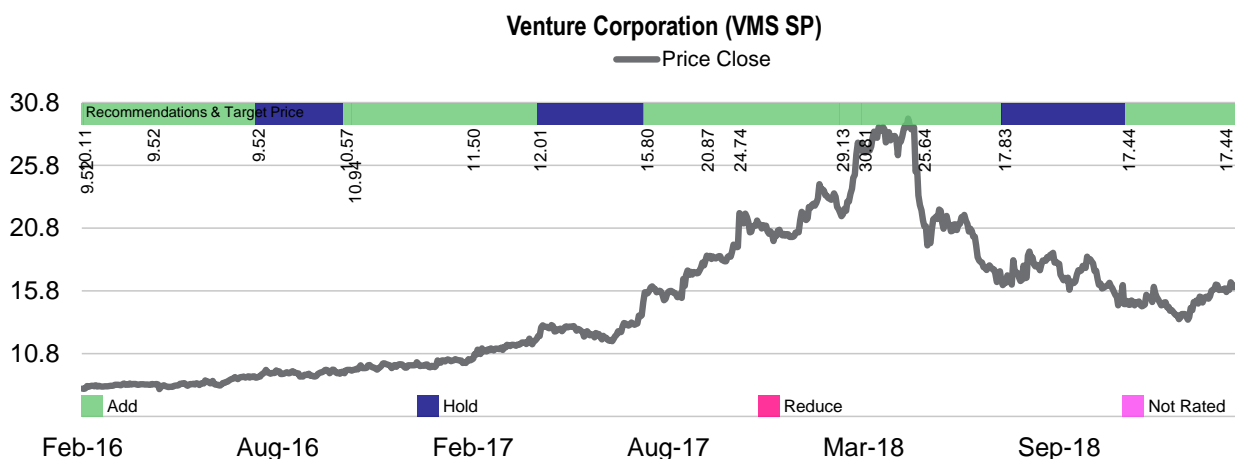
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Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

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 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, **TIPIP** – 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

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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