

Malaysia

REDUCE (previously HOLD)

Consensus ratings*: Buy 0 Hold 3 Sell 6

Current price:	RM1.04
Target price:	RM0.78
Previous target:	RM1.44
Up/downside:	-25.3%
CGS-CIMB / Consensus:	-31.4%

Reuters:	KARE.KL
Bloomberg:	KAREX MK
Market cap:	US\$266.1m
	RM1,042m
Average daily turnover:	US\$0.42m
	RM1.66m
Current shares o/s:	1,002m
Free float:	61.8%

*Source: Bloomberg

Key changes in this note

➤ FY18-20F EPS cut 44.9-46.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-13.3	-27.8	-53.2
Relative (%)	-13.4	-36.1	-62.8

Major shareholders	% held
Karex One Limited	31.8
Lam Yiu Pang Albert	6.4

Analyst(s)



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Karex Berhad

Strong ringgit environment a bane for Karex

- 1HFY18 core net profit of RM7.6m was grossly below our and Bloomberg consensus expectations, at only 27% and 16% of the respective FY18 estimates.
- The weaker-than-expected results were due to: i) stronger ringgit environment, ii) depressed ASPs in tender markets, and iii) high operating expenses.
- Near-term outlook should remain weak. We expect i) stiff competition in tender segment to persist, ii) high distribution expenses, and iii) stronger ringgit vs. US\$.
- We cut our FY18-20F EPS by 44.9-46.9% to account for: i) lower tender margins, ii) higher overall expenses, and iii) lower US\$/RM rate of RM4.05.
- Downgrade to Reduce from Hold, with TP lowered to RM0.78 (28x CY19F P/E).

1HFY6/18 core net profit below expectations

1HFY6/18 core net profit was below expectations at just 27% of our full-year forecast and 16% of Bloomberg consensus. While revenue rose 22.8% yoy, 1HFY18 core net profit plunged 60.6% yoy to RM7.6m. 1HFY18 EBITDA margin declined 8.6% pts yoy to 7.5%. The weak 1HFY18 performance was due to: i) weak ASPs especially for tenders, ii) higher distribution and administrative expenses (+42.1% yoy), and iii) margin squeeze from the strengthening of the ringgit vs. US\$.

2QFY18: another weak quarter

2QFY18 revenue rose 2.7% qoq, thanks to higher sales from the tender market as well as from its own brand manufacturing (OBM) segment. However, the 2QFY18 EBITDA margin declined to 7.1% (-0.8% pts qoq) as a result of higher overall operating costs, i.e. freight costs and impact from the weaker US\$/RM (-2.4% qoq). As a result, 2QFY18 core net profit declined 16.3% qoq to RM3.5m. This is after accounting for one-off losses of RM0.3m from write-off of inventories.

Stronger ringgit + high expenses = cloudy skies ahead

While we expect average selling prices (ASPs) to improve in 2HFY18F, we are wary of the ringgit's recent strengthening vs. the US\$. We believe the strong ringgit environment may lead to further margin compression until Karex is able to raise ASPs again. Even if ASPs are raised in 2HFY18, there is likely to be a time lag (3-5 months) before the price increase is reflected. Also, distribution and administration expenses are unlikely to subside in the near term as it continues to expand its OBM presence in new markets.

Slashing our FY18-20F EPS by 44.9-46.9%

We cut our FY18-20 EPS estimates by 44.9-46.9% to account for: i) lower tender margins, ii) higher distribution and administrative expenses, and iii) lower US\$/RM assumptions of RM4.05. We believe Karex's outlook remains weak in the near term due to: i) a stronger ringgit vs. US\$, ii) a competitive tender market, and iii) sustained high distribution and administrative expenses due to its aggressive OBM expansion plans.

Downgrade to Reduce; TP lowered to RM0.78

In tandem with our EPS cut, we downgrade Karex to Reduce and cut our TP to RM0.78, still based on 28x CY19F P/E (-1 s.d. from its 3-year mean). Although the long-term prospects of the stock remain intact, we believe its risk-reward profile has turned negative given the weak operating environment. We would only turn more positive on Karex on the back of: i) stronger-than-expected tender market volumes, ii) sharp appreciation of US\$ vs. ringgit, and iii) decline in OBM expenses.

Financial Summary

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	343.2	361.5	389.2	444.1	508.7
Operating EBITDA (RMm)	84.59	47.04	29.49	40.67	51.68
Net Profit (RMm)	66.88	27.95	15.69	23.88	31.73
Core EPS (RM)	0.062	0.033	0.016	0.024	0.032
Core EPS Growth	1.9%	(47.3%)	(52.1%)	52.2%	32.9%
FD Core P/E (x)	16.77	31.84	66.45	43.65	32.86
DPS (RM)	0.016	0.008	0.004	0.006	0.008
Dividend Yield	1.52%	0.79%	0.38%	0.57%	0.76%
EV/EBITDA (x)	10.93	19.73	32.07	23.76	19.05
P/FCFE (x)	NA	152.2	NA	NA	NA
Net Gearing	(24.7%)	(22.9%)	(19.1%)	(14.6%)	(10.8%)
P/BV (x)	2.17	2.07	2.02	1.95	1.87
ROE	13.6%	6.7%	3.1%	4.5%	5.8%
% Change In Core EPS Estimates			(44.9%)	(45.0%)	(46.9%)
CIMB/consensus EPS (x)			0.49	0.55	0.55

SOURCE: COMPANY DATA, CIMB FORECASTS

Key highlights from analyst briefing ▶

Approximately 25 analysts and fund managers attended Karex's 2QFY18 results briefing at Aloft hotel on 28 Feb. The briefing was hosted by group CEO Mr Goh Miah Kiat and CFO Mr Goh Chok Siang. There were no major surprises from the briefing, as most of the discussions centred on the group's weaker-than-expected 2QFY6/18 results and its prospects moving forward.

Key briefing highlights:

- Despite achieving stronger sales growth in 1HFY18, Karex believes that the tender market remains relatively competitive. This is due to budget cuts by several non-government organisations (NGOs) and governments, leading to lower demand for condoms in the tender market. Hence, manufacturers including Karex had to lower their selling prices to secure tender orders, especially last year. The bulk of these condoms were delivered in 1HFY18.
- However, Karex has guided that tender market ASPs are likely to improve in 2HFY18. This is a result of manufacturers raising their selling prices as they are no longer able to cope with the rising manufacturing costs, such as freight costs, etc. The higher costs and weak tender pricing have already led to several smaller condom producers closing down their operations.
- However, the stronger ringgit environment may curtail the positive impact from the higher selling prices. It already negatively impacted the group's GP margins in 1HFY18, which declined to 26.4% (-5.7% pts yoy).
- Despite the competitive tender environment, Karex's tender sales volume remains encouraging, contributing 38% to group revenue in 2QFY18 (1QFY18: 39%, FY17: 36%).
- As at end-2QFY18, Karex's total blended utilisation rate stood at approximately 60%.
- Karex will continue to expand its OBM products globally, in regions such as the Middle East, North America and Asia. Its OBM segment is mainly driven by the North American market, with its products currently being sold in an estimated 12,000 stores in the US.
- Also, the group aims to launch its OBM products in more countries in the future. This includes plans to launch its One brand products in more countries such as Thailand and Singapore by end-2018. Karex also has an eye on the China market but has no concrete plans at this juncture.
- The group is also continuously investing in automating its manufacturing processes in efforts to reduce labour costs. It is looking to invest in new machines, such as auto testing machines, which could increase its production volume without having to add production lines. In the long term, this could also help the group to lower its overall manufacturing costs as well as improve its production efficiency.

Figure 1: Results comparison

FYE Jun	2Q	2Q	yoy %	qoq %	2QFY18	2QFY17	yoy %	Prev. Comments
(RM m)	FY18	FY17	chg	chg	Cum	Cum	chg	FY18F
Revenue	110.5	97.6	13.3	2.7	218.1	177.6	22.8	402.3 Stronger yoy revenue growth in 1HFY18 mainly due to higher sales volume especially in the
Operating costs	(102.7)	(81.0)	26.8	3.6	(201.8)	(149.0)	35.4	(356.5) tender segment.
EBITDA	7.8	16.6	(52.8)	(7.6)	16.3	28.6	(42.9)	45.9
EBITDA margin (%)	7.1	17.0	(9.9)	(0.8)	7.5	16.1	(8.6)	11.4 EBITDA margins waned due to: i) stiffer pricing competition, ii) higher overall operating costs
Depn & amort.	(3.5)	(2.5)	40.1	1.3	(7.0)	(4.6)	51.8	(10.0) and iii) rising production costs.
EBIT	4.3	14.1	(69.4)	(13.8)	9.3	24.0	(61.1)	35.9
Interest expense	(0.3)	(0.3)	10.8	32.0	(0.6)	(0.6)	(4.6)	(0.9)
Interest & invt inc	0.5	0.8	(45.1)	9.1	0.9	1.7	(48.2)	2.0
Exceptionals	(0.3)	(1.2)	(75.0)	-	(0.3)	(1.2)	(75.0)	-
Pretax profit	4.1	13.4	(69.1)	(20.1)	9.3	23.9	(60.9)	37.0 Below expectations
Tax	(0.8)	(3.1)	(73.2)	(17.9)	(1.8)	(5.4)	(66.1)	(8.1)
Tax rate (%)	19.9	22.9	(3.0)	0.5	19.6	22.6	(3.0)	22.0 Lower-than-expected statutory tax rates due to lower tax incurred by foreign subsidiaries.
Minority interests	(0.2)	(0.3)	(51.9)	>100	(0.2)	(0.3)	(41.0)	(0.4)
Net profit	3.2	10.0	(68.4)	(23.7)	7.3	18.1	(59.7)	28.5
Core net profit	3.5	11.2	(69.1)	(16.3)	7.6	19.4	(60.6)	28.5 Accounted for only 26.8% and 16% of our and consensus estimates for FY18F respectively.
EPS (sen)	0.3	1.0	(68.4)	(23.7)	0.7	1.8	(59.7)	2.8
Core EPS (sen)	0.3	1.1	(69.1)	(16.3)	0.8	1.9	(60.6)	2.8

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Earnings revision

RM m	2017A	2018F			2019F			2020F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	361	402	389	-3%	459	444	-3%	530	509	-4%
EBITDA	47	46	29	-36%	65	41	-38%	87	52	-41%
Core pretax profit	43	37	21	-44%	56	31	-45%	76	41	-47%
Core net profit	33	28	16	-45%	43	24	-45%	60	32	-47%
Core EPS	0.03	0.03	0.02	-45%	0.04	0.02	-45%	0.06	0.03	-47%

SOURCES: CIMB, COMPANY REPORTS

Figure 3: Segmental revenue and EBIT

Segmental revenue								
FYE Jun	2Q	2Q	qoq %	yoy %	2QFY18	2QFY17	yoy %	Comments
(RM m)	FY18	FY17	chg	chg	cum	cum	chg	
Sexual wellness	102.8	88.5	3.8	16.2	201.9	159.3	26.7	Sales increased due to stronger demand for condoms.
Medical	6.3	8.6	(8.9)	(25.9)	13.3	15.5	(14.3)	Revenue contribution from Medical remained stable.
Others	1.4	0.6	(10.9)	151.9	2.9	2.8	6.2	
Total revenue	110.5	97.6	2.7	13.3	218.1	177.6	22.8	

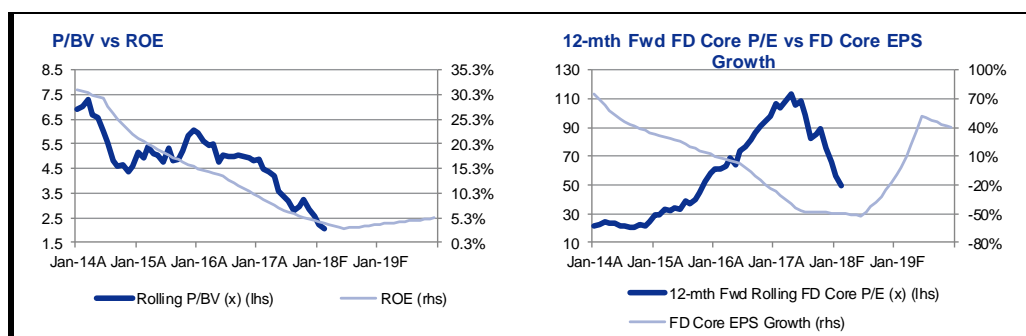
Segmental profit (ex. Interest income, finance cost, unallocated amounts)								
FYE Jun	2Q	2Q	qoq %	yoy %	2QFY18	2QFY17	yoy %	Comments
(RM m)	FY18	FY17	chg	chg	cum	cum	chg	
Sexual wellness	3.7	13.0	(16.3)	(71.8)	8.0	20.8	(61.4)	Lower EBIT yoy due to stiffer pricing competition, rising production costs and higher
Medical	1.2	1.9	3.7	(38.9)	2.3	3.7	(38.1)	distribution and administrative expenses.
Others	0.0	-0.1	(13.7)	(143.1)	0.1	0.5	(79.7)	
Total EBIT	4.9	14.8	(12.3)	(67.1)	10.4	25.0	(58.3)	

SOURCES: CIMB, COMPANY REPORTS

Figure 4: Sector comparison

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
Hartalega Holdings	HART MK	Hold	11.68	11.35	4,936	46.0	36.4	32.5%	10.60	9.37	23.6%	26.9%	34.9	26.3	1.2%	1.5%
Kossan Rubber Industries	KRI MK	Add	8.57	9.57	1,399	29.5	23.1	18.3%	4.74	4.30	15.9%	19.2%	19.9	14.1	1.5%	2.2%
Supermax Corp	SUCB MK	Hold	2.62	2.35	439	19.7	14.9	17.8%	1.57	1.46	8.0%	9.9%	12.7	10.3	1.4%	2.0%
Top Glove Corporation	TOPG MK	Add	9.71	10.00	3,114	33.9	26.5	19.1%	5.85	5.27	17.7%	20.4%	25.4	19.2	1.6%	1.9%
Karex Berhad	KAREX MK	Reduce	1.04	0.78	266	43.2	52.6	-14.3%	2.04	1.98	4.7%	3.7%	26.4	27.9	0.6%	0.5%
Weighted Average						39.8	31.9	25.2%	7.9	7.1	20.1%	23.1%	29.5	22.4	1.4%	1.8%

SOURCE: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	343.2	361.5	389.2	444.1	508.7
Gross Profit	125.8	117.9	111.6	132.8	156.5
Operating EBITDA	84.6	47.0	29.5	40.7	51.7
Depreciation And Amortisation	(9.0)	(11.5)	(10.0)	(11.0)	(12.1)
Operating EBIT	75.6	35.5	19.5	29.6	39.6
Financial Income/(Expense)	4.6	1.5	1.1	1.1	1.1
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)	80.1	37.0	20.6	30.7	40.7
Exceptional Items					
Pre-tax Profit	80.1	37.0	20.6	30.7	40.7
Taxation	(13.1)	(8.2)	(4.5)	(6.5)	(8.5)
Exceptional Income - post-tax					
Profit After Tax	67.0	28.8	16.1	24.3	32.1
Minority Interests	(0.1)	(0.9)	(0.4)	(0.4)	(0.4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	66.9	27.9	15.7	23.9	31.7
Recurring Net Profit	62.2	32.7	15.7	23.9	31.7
Fully Diluted Recurring Net Profit	62.2	32.7	15.7	23.9	31.7

Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	84.59	47.04	29.49	40.67	51.68
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(54.63)	(9.69)	(14.17)	(24.69)	(29.17)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	31.63	1.19	0.91	0.91	0.91
Net Interest (Paid)/Received	(1.12)	(1.19)	(0.91)	(0.91)	(0.91)
Tax Paid	(15.24)	(8.24)	(4.54)	(6.45)	(8.54)
Cashflow From Operations	45.23	29.11	10.78	9.53	13.97
Capex	(44.20)	(25.00)	(25.00)	(25.00)	(25.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(47.16)	2.74	2.00	2.00	2.00
Cash Flow From Investing	(91.36)	(22.26)	(23.00)	(23.00)	(23.00)
Debt Raised/(repaid)	(0.70)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(16.71)	(8.19)	(3.92)	(5.97)	(7.93)
Preferred Dividends					
Other Financing Cashflow	(0.23)	(1.19)	(0.91)	(0.91)	(0.91)
Cash Flow From Financing	(17.64)	(9.38)	(4.83)	(6.88)	(8.84)
Total Cash Generated	(63.77)	(2.53)	(17.05)	(20.35)	(17.87)
Free Cashflow To Equity	(46.83)	6.85	(12.22)	(13.47)	(9.03)
Free Cashflow To Firm	(45.01)	8.04	(11.32)	(12.56)	(8.13)

SOURCE: *CIMB RESEARCH, COMPANY DATA*

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	144.4	141.9	124.8	104.5	86.6
Total Debtors	133.5	140.5	151.3	172.7	197.8
Inventories	64.4	72.2	82.3	92.2	104.4
Total Other Current Assets	2.9	2.9	2.9	2.9	2.9
Total Current Assets	345.2	357.5	361.3	372.3	391.6
Fixed Assets	181.1	196.9	212.0	225.9	238.8
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	32.6	32.6	32.6	32.6	32.6
Total Other Non-Current Assets	0.2	0.2	0.2	0.2	0.2
Total Non-current Assets	213.9	229.7	244.7	258.7	271.6
Short-term Debt	9.2	9.2	9.2	9.2	9.2
Current Portion of Long-Term Debt					
Total Creditors	42.8	48.0	54.7	61.3	69.4
Other Current Liabilities	1.9	1.9	1.9	1.9	1.9
Total Current Liabilities	53.9	59.0	65.7	72.4	80.4
Total Long-term Debt	16.7	16.7	16.7	16.7	16.7
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7.8	7.8	7.8	7.8	7.8
Total Non-current Liabilities	24.5	24.5	24.5	24.5	24.5
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	78.4	83.6	90.3	96.9	105.0
Shareholders' Equity	479.9	504.5	516.3	534.2	558.0
Minority Interests	0.7	1.6	2.0	2.4	2.8
Total Equity	480.7	506.1	518.2	536.6	560.8

Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	15.4%	5.3%	7.7%	14.1%	14.5%
Operating EBITDA Growth	5.1%	(44.4%)	(37.3%)	37.9%	27.1%
Operating EBITDA Margin	24.6%	13.0%	7.6%	9.2%	10.2%
Net Cash Per Share (RM)	0.12	0.12	0.10	0.08	0.06
BVPS (RM)	0.48	0.50	0.52	0.53	0.56
Gross Interest Cover	67.53	29.83	21.55	32.71	43.67
Effective Tax Rate	16.4%	22.2%	22.0%	21.0%	21.0%
Net Dividend Payout Ratio	23.6%	29.3%	25.0%	25.0%	25.0%
Accounts Receivables Days	116.2	138.3	136.9	133.1	133.3
Inventory Days	97.6	102.4	101.5	102.3	102.2
Accounts Payables Days	66.08	68.06	67.51	68.03	67.93
ROIC (%)	29.9%	9.6%	4.9%	7.0%	8.5%
ROCE (%)	16.9%	7.4%	4.0%	5.7%	7.2%
Return On Average Assets	11.8%	4.8%	2.5%	3.7%	4.8%

Key Drivers

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	13.6%	0.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	10.0%	15.0%	20.0%	0.0%	0.0%
Util. rate (% , main prod./serv.)	83.0%	90.0%	80.0%	0.0%	0.0%
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

SOURCE: "CIMB RESEARCH, COMPANY DATA"

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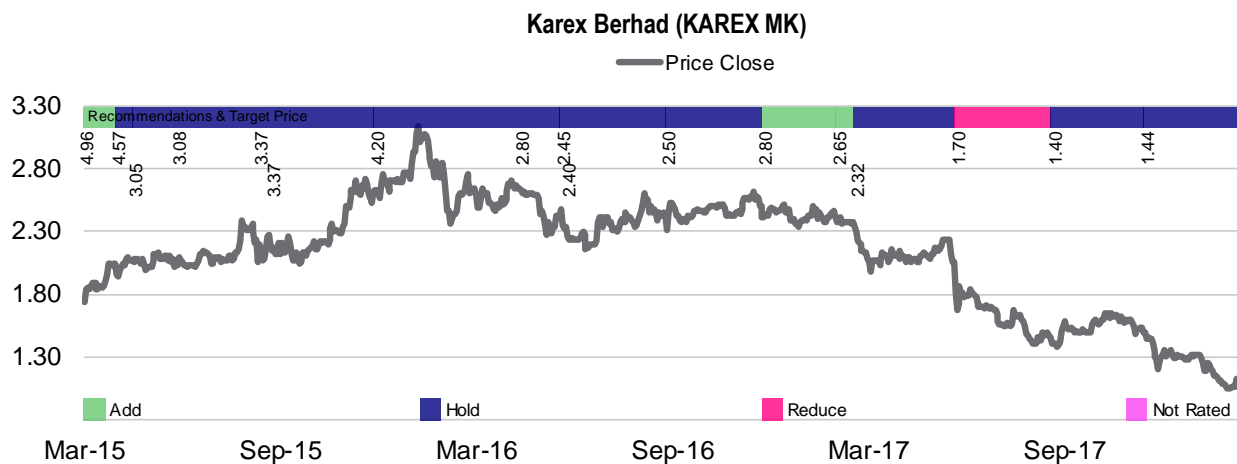
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Spitzer Chart for stock being researched (2 year data)



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, **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, **TIPIP** – 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.