

Singapore

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.66
Target price:	S\$0.81
Previous target:	S\$0.72
Up/downside:	22.6%
CGS-CIMB / Consensus:	11.4%
Reuters:	PGUN.SI
Bloomberg:	PBS SP
Market cap:	US\$107.0m
	S\$145.3m
Average daily turnover:	US\$0.22m
	S\$0.31m
Current shares o/s:	220.2m
Free float:	27.2%

*Source: Bloomberg

Key changes in this note

► FY19-21F EPS increased by 21.6-32.6%.

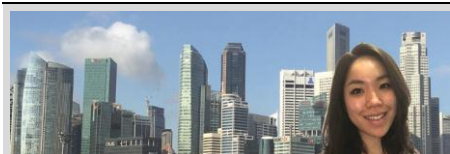


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.5	30.7	116.4
Relative (%)	0.5	27.5	109.2

Major shareholders

	% held
Hing Yih Pier	19.7
Keppel Corp Ltd	6.2
Dimensional Fund Advisors	0.9

Analyst(s)

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Penguin Int'l Ltd

3Q19: Stellar fleet

- 9M19 net profit of S\$13.9m (+120.8% yoy) was ahead at 94%/81% of our/consensus FY19F (S\$14.9m/S\$17.2m).
- The outperformance came mainly from other income, lower tax expense and lower operating costs. We lift FY19-21F EPS by 21.6-32.6%.
- Maintain Add with a higher TP on an unchanged 1x P/BV but now on FY20F BV/share. Robust balance sheet and niche vessel sales are its forte.

3Q19/9M19 revenue grows 47.6%/48.4% yoy

PBS made further strides, with 3Q19 revenue jumping 47.6% on higher chartering (S\$8.3m/+16.4% yoy) and shipbuilding revenue (S\$20.8m/+65.3% yoy). 9M19 revenue grew to S\$97.1m; with the shipbuilding segment (S\$76m) growing 60.1% yoy and the chartering division (S\$21.1m) growing 17.5% yoy. We estimate that PBS delivered at least 3-4 stock vessels and the rest of its Australian patrol boats this quarter. It also guided that its chartering division saw improvements in utilisation and charter rates within the quarter.

Other income stays strong

3Q19 other income was S\$2.2m (vs. 3Q18: S\$0.3m), largely on higher fleet vessel sales, taking 9M19 other income to S\$5.8m (vs. 9M18: S\$6m). While this was lower versus 9M18's sales, it still came in ahead at 97% of our previous FY19F estimate of S\$6.0m.

Lower opex and tax expense; Net income jumped 120.8% yoy

9M19 operating expenses came in at 21.1% of 9M19 sales (versus our expectation of 24.1% of FY19F), while 9M19 effective tax rate was also at 9.1% (vs. our estimate of 12.5% for FY19F). The better 9M19 operating leverage and lower tax led to better net profit margins of 14.4% (vs. our FY19F estimate of 11% and leading to a jump in 9M19 net profit to S\$14.4m, +120.8% yoy).

Raising FY19-21 EPS by 21.6-32.6%

PBS mentioned that it continues to see a pick-up in its shipbuilding and crewboat chartering activities. It also recently added offshore windfarm Crew Transfer Vessels to its internally funded build-to-stock programme which will expand its product range yet again. Given the outperformance in its 9M19 financials, we raise FY19-21F EPS on the back of lower opex, higher other income and lower tax expenses.

Maintain Add

We like PBS as it is increasingly profitable, cheap vs. domestic peers and in a net cash position. We continue to value PBS at 1x PBV (excluding investment in Marco Polo), but roll over to FY20F, still based on a 20% discount to its small- to mid-cap peers' 1.2x aggregate P/BV pre-oil crisis. Catalysts are higher ship sales and GPM. Risks are lumpy quarterly sales recognition, lower ship sales and chartering.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (S\$m)	79.8	107.3	136.8	149.4	156.1
Operating EBITDA (S\$m)	6.16	16.72	22.43	25.99	27.15
Net Profit (S\$m)	2.28	13.58	18.11	19.45	20.00
Normalised EPS (S\$)	0.010	0.062	0.082	0.088	0.091
Normalised EPS Growth		496%	33%	7%	3%
FD Normalised P/E (x)	63.76	10.70	8.02	7.47	7.27
DPS (S\$)	0.005	0.013	0.017	0.018	0.018
Dividend Yield	0.68%	1.89%	2.53%	2.71%	2.79%
EV/EBITDA (x)	18.05	6.21	5.29	4.01	3.22
P/FCFE (x)	6.83	36.29	NA	8.04	6.99
Net Gearing	(24.2%)	(27.3%)	(16.0%)	(22.4%)	(29.1%)
P/BV (x)	1.03	0.95	0.87	0.79	0.73
ROE	1.6%	9.3%	11.3%	11.1%	10.4%
% Change In Normalised EPS Estimates			21.6%	30.0%	32.6%
Normalised EPS/consensus EPS (x)			1.05	0.92	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

3Q19: Stellar fleet

Figure 1: Results review

FYE Dec (\$S)	3QFY19	3QFY18	yoy % chg	2QFY19	qoq % chg	3QFY19 Cum	3QFY18 Cum	yoy % chg	Prev FY19	Comments
Revenue	29.1	19.7	47.6	52.1	(44.1)	97.1	65.4	48.4	135.7	In-line. 9M19 met 72% of FY19F
Gross profit	10.5	6.9	52.5	13.4	(22.0)	29.4	19.8	48.3	42.7	Slightly below
Operating costs	(7.0)	(6.4)	9.0	(7.7)	(8.7)	(20.5)	(18.6)	10.2	(32.7)	
Other income	2.2	0.3	633.3	2.5	(13.5)	5.8	6.0	(3.9)	6.0	Above. On higher sales of existing fleet
EBIT	5.6	0.7	673.8	8.3	(31.7)	14.7	7.3	102.0	16.0	Above. Due to higher other income.
Interest expense	(0.0)	(0.0)	(28)	(0.0)	(51)	(0.1)	(0.1)	26	-	
Interest income	0.2	0.3	(16.4)	0.3	(12.0)	0.8	0.8	(7.0)	1.0	
Pretax profit	5.9	1.0	495.4	8.5	(31.0)	15.4	8.0	91.8	17.0	Above
Tax	(0.3)	(0.3)	(15.3)	(1.0)	(74.1)	(1.4)	(1.7)	(17.2)	(2.1)	Below, effective tax was 9.1% vs our 12.5% expectations
Tax rate (%)	4.6	32.5	(85.8)	12.3	(62.5)	9.1	21.0	(56.8)	12.5	
Net profit	5.6	0.7	741.2	7.5	(25.0)	14.0	6.3	120.8	14.9	
Core net profit	5.6	0.7	741.2	7.5	(25.0)	14.0	6.3	120.8	14.9	Above. 9M19 met 94%/81% of our/consensus FY19F
EPS (\$ cts)	2.5	0.3	741.2	3.4	(25.0)	6.3	2.9	120.8	6.8	
Core EPS (\$ cts)	2.5	0.3	741.2	3.4	(25.0)	6.3	2.9	120.8	6.8	
Segment information										
Charter revenue	8.3	7.1	16.4	6.8	22.0	21.1	18.0	17.5	25.7	
Shipbuilding revenue	20.8	12.6	65.3	45.3	(54.1)	76.0	47.5	60.1	109.0	
Total revenue	29.1	19.7		52.1		97.1	65.4	48.4	134.7	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Forecast revision

FYE Dec (\$S)	FY19F			FY20F			FY21F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Income Statement									
Revenue	135.7	136.8	0.8%	136.9	149.4	9.2%	138.6	156.1	12.6%
Derived EBITDA	27.3	30.2	10.9%	27.4	33.0	20.2%	27.7	34.2	23.2%
Net profit	14.9	18.1	21.6%	15.0	19.5	30.0%	15.1	20.0	32.6%
Core net profit	14.9	18.1	21.6%	15.0	19.5	30.0%	15.1	20.0	32.6%
Diluted EPS (\$S cents)	6.8	8.2	21.6%	6.8	8.8	30.0%	6.8	9.1	32.6%
Core EPS (\$S cents)	6.8	8.2	21.6%	6.8	8.8	30.0%	6.8	9.1	32.6%

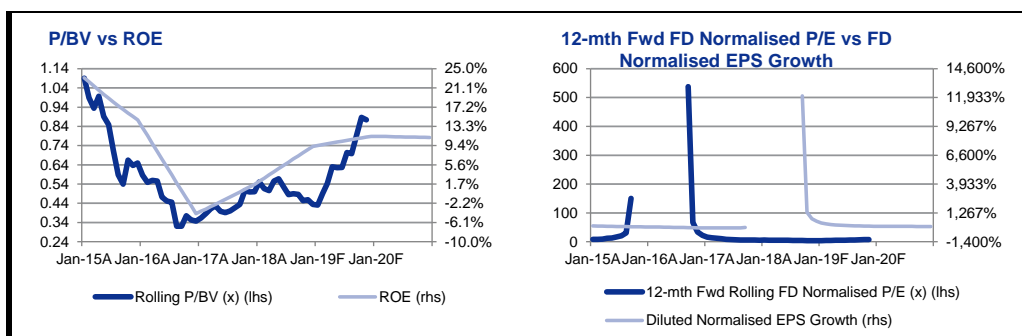
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Peers comparison

Company	Bbg Ticker	Bbg Recom.	Price (lcl curr)	Target	Market	P/E (x)			2-year EPS	P/BV (x)		Recurring	Dividend
				Price (lcl curr)	Cap (US\$ m)	CY19F	CY20F	CY21F	CAGR (%)	CY19F	CY20F	ROE (%)	Yield (%)
Keppel Corporation	KEP SP	Add	6.94	8.36	9,280	15.6	13.5	12.7	-1.1%	1.08	1.03	7.0%	3.0%
Sembcorp Marine	SMM SP	Hold	1.37	1.26	2,110	na	na	807.3	na	1.30	1.30	-3.2%	1.5%
Yangzijiang Shipbuilding	YZJSGD SP	Add	0.98	1.45	2,827	6.1	6.2	6.6	-10.4%	0.62	0.58	10.8%	4.0%
CSE Global	CSE SP	Add	0.53	0.73	198	12.1	10.0	9.8	14.7%	1.52	1.42	12.8%	5.2%
Dyna-Mac Holdings Ltd	DMHL SP	Add	0.13	0.13	99	33.0	23.9	na	na	1.30	1.24	4.0%	0.0%
Pacific Radiance	PACRA SP	Reduce	0.10	0.07	55	na	na	na	na	0.25	na	-4.3%	0.0%
Penguin Int'l Ltd	PBS SP	Add	0.66	0.81	107	8.0	7.5	7.3	19.3%	0.87	0.79	11.3%	2.5%
Singapore average						16.7	13.4	209.1	1.1%	1.01	1.11	4.5%	2.3%
Bumi Armada	BAB MK	Add	0.48	0.36	682	8.8	8.3	7.6	24.4%	0.77	0.70	9.2%	0.0%
Velesto Energy Berhad	VEB MK	Add	0.40	0.36	794	91.7	37.3	27.7	209.5%	1.16	1.13	1.3%	0.0%
Yinson Holdings Bhd	YNS MK	Add	6.68	8.01	1,745	95.9	22.4	19.7	27.6%	2.05	1.90	2.2%	0.9%
Malaysia average						65.5	22.7	18.3	87.2%	1.33	1.24	4.2%	0.3%
Korea Shipbuilding & Offshore	009540 KS	Add	118,000	170,000	7,216	26.1	10.5	7.1	na	0.71	0.67	2.8%	0.0%
Hyundai Mipo Dockyard	010620 KS	Add	42,600	81,000	1,470	22.3	19.9	18.2	-0.8%	0.72	0.69	3.3%	1.6%
Samsung Heavy Industries	010140 KS	Hold	7,260	8,600	3,952	na	25.3	16.7	na	0.74	0.72	-9.0%	0.0%
South Korea average						24.2	18.6	14.0	-0.8%	0.72	0.69	-1.0%	0.5%
Average (All simple)						34.6	17.7	93.3	37.7%	1.02	1.03	3.1%	1.3%

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	79.76	107.27	136.80	149.40	156.07
Gross Profit	19.46	33.71	42.41	47.81	49.94
Operating EBITDA	6.16	16.72	22.43	25.99	27.15
Depreciation And Amortisation	(8.93)	(8.89)	(11.34)	(12.38)	(12.93)
Operating EBIT	(2.77)	7.84	11.10	13.61	14.22
Financial Income/(Expense)	0.56	0.95	1.00	1.00	1.00
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	4.30	6.71	7.81	7.00	7.00
Profit Before Tax (pre-EI)	2.10	15.50	19.90	21.61	22.22
Exceptional Items					
Pre-tax Profit	2.10	15.50	19.90	21.61	22.22
Taxation	0.18	(1.92)	(1.79)	(2.16)	(2.22)
Exceptional Income - post-tax					
Profit After Tax	2.28	13.58	18.11	19.45	20.00
Minority Interests	0.00	0.00	0.00	0.00	0.00
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	2.28	13.58	18.11	19.45	20.00
Normalised Net Profit	2.28	13.58	18.11	19.45	20.00
Fully Diluted Normalised Profit	2.28	13.58	18.11	19.45	20.00

Cash Flow

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	6.16	16.72	22.43	25.99	27.15
Cash Flow from Inv. & Assoc.					
Change In Working Capital	9.61	(5.66)	(27.68)	(3.75)	(2.15)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	2.62	2.50	(0.79)	(1.16)	(1.22)
Net Interest (Paid)/Received	(0.27)	(0.14)	0.00	0.00	0.00
Tax Paid					
Cashflow From Operations	18.13	13.42	(6.04)	21.08	23.78
Capex	(2.99)	(19.22)	(30.00)	(25.00)	(25.00)
Disposals Of FAs/subsidiaries	12.78	20.05	24.00	22.00	22.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.00	(8.00)	0.00	0.00	0.00
Cash Flow From Investing	9.79	(7.17)	(6.00)	(3.00)	(3.00)
Debt Raised/(repaid)	(6.65)	(2.25)	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	0.00	(0.99)	(2.75)	(3.67)	(3.94)
Preferred Dividends					
Other Financing Cashflow	(0.84)	(0.47)			
Cash Flow From Financing	(7.48)	(3.71)	(2.75)	(3.67)	(3.94)
Total Cash Generated	20.44	2.54	(14.79)	14.41	16.84
Free Cashflow To Equity	21.28	4.00	(12.04)	18.08	20.78
Free Cashflow To Firm	28.19	6.39	(12.04)	18.08	20.78

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	39.1	42.6	27.8	42.2	59.1
Total Debtors	10.4	20.2	25.5	27.9	29.1
Inventories	18.9	20.6	36.2	39.0	40.7
Total Other Current Assets	24.7	23.1	29.4	32.1	33.5
Total Current Assets	93.1	106.5	118.9	141.2	162.4
Fixed Assets	74.1	86.6	89.0	86.7	83.7
Total Investments	0.0	5.2	5.2	5.2	5.2
Intangible Assets	0.1	0.1	0.1	0.1	0.1
Total Other Non-Current Assets	10.9	8.5	8.5	8.5	8.5
Total Non-current Assets	85.1	100.3	102.7	100.4	97.4
Short-term Debt	2.3	1.0	1.0	1.0	1.0
Current Portion of Long-Term Debt					
Total Creditors	20.1	44.5	44.1	48.1	50.4
Other Current Liabilities	9.7	5.1	5.1	5.1	5.1
Total Current Liabilities	32.0	50.6	50.1	54.2	56.5
Total Long-term Debt	1.1	0.1	0.1	0.1	0.1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4.2	3.9	3.9	3.9	3.9
Total Non-current Liabilities	5.2	4.0	4.0	4.0	4.0
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	37.3	54.5	54.1	58.2	60.4
Shareholders' Equity	140.9	152.2	167.6	183.4	199.4
Minority Interests	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Equity	140.9	152.2	167.6	183.4	199.4

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	139%	34%	28%	9%	4%
Operating EBITDA Growth	N/A	171%	34%	16%	4%
Operating EBITDA Margin	7.7%	15.6%	16.4%	17.4%	17.4%
Net Cash Per Share (S\$)	0.15	0.19	0.12	0.19	0.26
BVPS (S\$)	0.64	0.69	0.76	0.83	0.91
Gross Interest Cover	(10.29)	56.78	N/A	N/A	N/A
Effective Tax Rate	0.0%	12.4%	9.0%	10.0%	10.0%
Net Dividend Payout Ratio	43.5%	20.3%	20.3%	18.9%	19.7%
Accounts Receivables Days	42.12	51.98	60.97	65.36	66.60
Inventory Days	178.8	98.0	109.8	135.4	137.0
Accounts Payables Days	108.0	160.1	171.2	166.0	169.4
ROIC (%)	(2.0%)	7.2%	10.1%	9.8%	10.1%
ROCE (%)	(1.28%)	5.97%	7.51%	8.28%	7.91%
Return On Average Assets	0.94%	6.56%	7.99%	7.97%	7.58%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Outstanding Orderbook (S\$m)	N/A	N/A	N/A	N/A	N/A
Order Book Wins (S\$m)	N/A	N/A	N/A	N/A	N/A
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)	13	7	11	15	16
Average Utilisation Rate (%)	60.0%	60.0%	65.0%	75.0%	75.0%
Oil Price (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Energy Production Volume (mmboe)	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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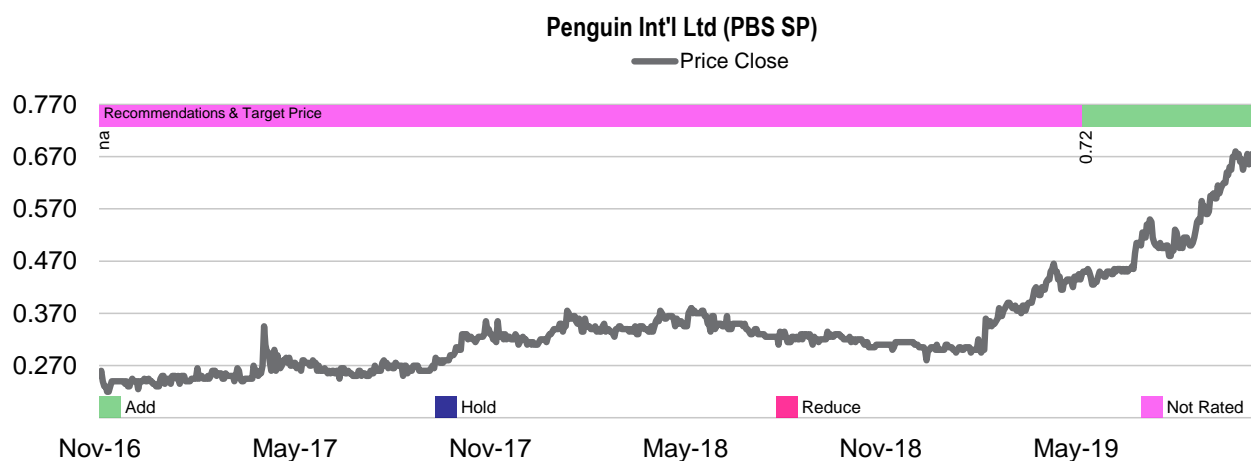
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Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – 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, **DREIT** – 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, **JWD** – Very Good, 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, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **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, **S** – Very Good, 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, **THANI** – 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, **WICE** – Very Good, Certified, **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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