

Singapore

ADD (no change)

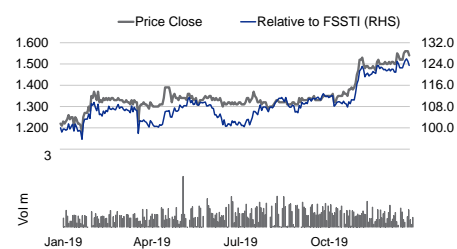
Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$1.54
Target price:	S\$2.05
Previous target:	S\$1.90
Up/downside:	32.8%
CGS-CIMB / Consensus:	14.5%
Reuters:	BRCA.SI
Bloomberg:	BRC SP
Market cap:	US\$266.7m
	S\$360.3m
Average daily turnover:	US\$0.52m
	S\$0.71m
Current shares o/s:	233.3m
Free float:	28.3%

*Source: Bloomberg

Key changes in this note

- FY20-22F EPS raised by 0.4-17.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.3	15.8	25.2
Relative (%)	-0.3	11.5	21.3

Major shareholders	% held
Estee Enterprise	71.7

BRC Asia Ltd

Poised for a good showing ahead

- Recovery in Singapore's construction demand should drive steel rebar volume growth in 2020F, potentially benefiting BRC Asia.
- We expect stronger margin expansion for BRC in FY9/20F, driven by lower steel price and stronger procurement power.
- We expect BRC to report a strong 1QFY20F at 56% yoy NP growth. We raise FY20-22F EPS by 0.4-17%. BRC remains an Add with a higher TP of S\$2.05.

Higher steel rebar demand in 2020 to drive BRC's volume growth

The Building and Construction Authority (BCA) announced that 2019's total construction demand in Singapore reached a 5-year high of S\$33.4bn, above the upper bound of its previous S\$27bn-32bn forecast. Construction demand is expected to remain strong in 2020F, with BCA forecasting a range of S\$28bn-33bn. Supported by the improved construction demand since 2018, BCA projects steel rebar demand in Singapore to grow to 1.5m-1.7m tonnes in 2020F (2019: 1.4m tonnes). We believe BRC stands to benefit, given its strong market share of c.60% in the reinforcing steel industry. On the back of stronger volumes, we forecast BRC to record revenue growth of 5.1% yoy in FY9/20F.

Strong margin expansion to continue in FY20F

We forecast BRC to record stronger GPM margin expansion of 1.9% pts to 10.3% GPM in FY20F (previously 9.4%). BRC has been entering into more fixed price contracts with construction companies in view of weaker steel price outlook. According to BCA, steel rebar prices in Singapore have been on a downtrend since May 2019, and last reported price in Nov 2019 reflected a decline of -0.3% mom and -6.8% yoy. This could potentially translate into better profits for BRC. We also expect BRC to benefit from 1) normalised industry pricing, 2) whittling down of low-margin projects from BRC's orderbook, and 3) further cost synergies from BRC's consolidation of Lee Metal in FY20F.

We forecast 56% core net profit growth in 1QFY9/20F

Benefiting from the weaker steel prices, we forecast BRC to record 56% core net profit growth to S\$9.6m in 1QFY20F. We raise our FY20-22F EPS forecasts by 0.4-17.0% on the back of higher volume and stronger margin assumptions, and now expect BRC to record net profit of S\$45m in FY20F (+43% yoy).

Maintain Add with a higher TP of S\$2.05

We maintain our Add call as we continue to like BRC for its market leadership in Singapore's reinforced steel industry, earnings visibility riding on the recovery in home market demand, and improving balance sheet strength. With our upward EPS revision, our TP rises to S\$2.05, based on 1.65x CY20F BVPS (Gordon growth model: ROE 14.4%, cost of equity 8.9%, 0.5% terminal growth). Re-rating catalysts include stronger-than-expected margin expansion, while downside risks include counterparty credit risks and intensifying industry competition.

Analyst(s)

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Financial Summary

	Sep-18A	Sep-19A	Sep-20F	Sep-21F	Sep-22F
Revenue (S\$m)	567.0	913.3	959.6	976.1	989.0
Operating EBITDA (S\$m)	32.51	64.80	74.58	70.67	72.54
Net Profit (S\$m)	12.04	31.56	45.00	42.98	45.65
Core EPS (S\$)	0.06	0.14	0.19	0.18	0.20
Core EPS Growth	473%	143%	43%	(4%)	6%
FD Core P/E (x)	27.65	11.39	7.98	8.36	7.87
DPS (S\$)	0.010	0.080	0.080	0.080	0.080
Dividend Yield	0.65%	5.19%	5.19%	5.19%	5.19%
EV/EBITDA (x)	19.02	8.97	7.52	6.70	6.15
P/FCFE (x)	NA	13.41	10.82	3.73	10.05
Net Gearing	125%	92%	76%	42%	31%
P/BV (x)	1.40	1.37	1.24	1.15	1.06
ROE	6.0%	12.6%	16.3%	14.3%	14.0%
% Change In Core EPS Estimates			17.0%	3.5%	0.4%
CGS-CIMB/Consensus EPS (x)			1.24	1.08	1.09

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Earnings upgrade from better margins

Higher steel rebar demand in 2020 to drive BRC's volume growth ➤

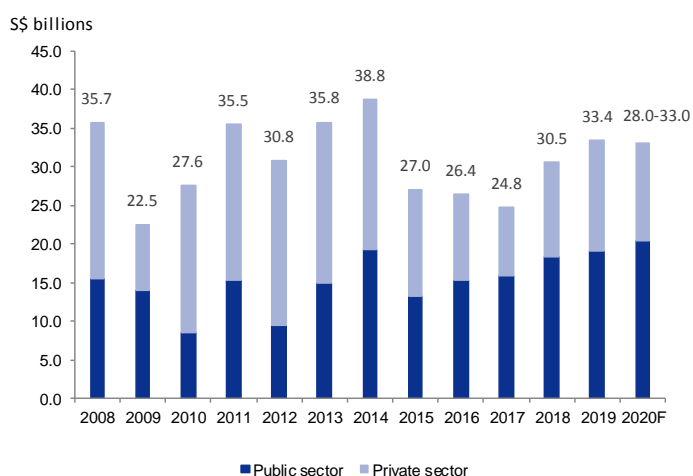
The Building and Construction Authority (BCA) announced on 8 Jan that Singapore's total construction demand (value of construction contracts awarded) expanded 9.5% yoy in 2019 to reach S\$33.4bn, above the upper bound of its S\$27bn-32bn forecast.

Singapore's construction demand is expected to remain strong in 2020F, with BCA forecasting a range of S\$28bn-33bn. The forecast for 2020 excludes any construction contracts by the two integrated resorts (IRs), Marina Bay Sands and Resorts World Sentosa, pending confirmation on the timeline and phasing of expansion projects. BCA expects public sector construction demand to be spurred by major infrastructure projects (35% of total construction demand), including works for Changi Airport Terminal 5, Jurong Region MRT Line, and Cross Island MRT Line. We are also positive on the public residential segment. According to a blog post by National Development Minister Lawrence Wong, around 16k-17k build-to-order (BTO) flats will be launched in 2020; this is more than the BTO supply of 14.6k flats in 2019. On the other hand, private sector construction demand may moderate, in view of the likely continued global economic uncertainties and current overhang in the supply of private residential housing units, according to BCA.

BCA projects total construction output (progress payment) in 2020 to rise to S\$30bn-32bn, representing a 7-14% yoy increase from S\$28bn in 2019 (2019: +5% yoy), supported by the improved construction demand since 2018. This should improve cash flow and help lower credit risk of construction industry, in our view.

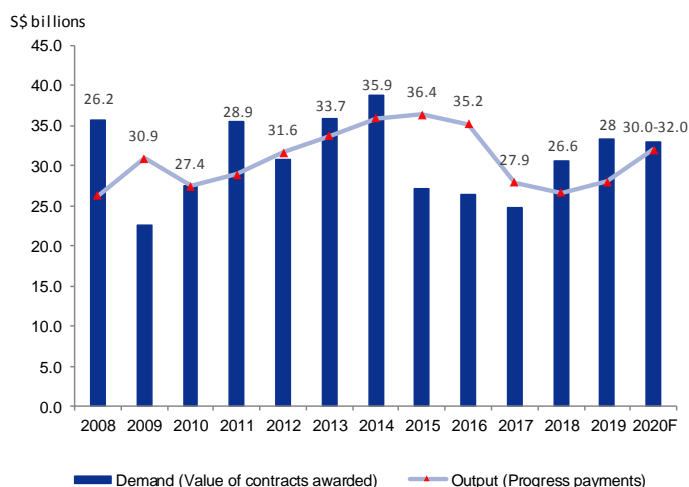
Supported by the improved construction demand since 2018, BCA projects steel rebar demand in Singapore to grow to 1.5m-1.7m tonnes in 2020F (2019: 1.4m tonnes). We believe BRC stands to benefit, given its strong market share of c.60% in the reinforcing steel industry. On the back of stronger volumes, we forecast BRC to record revenue growth of 5.1% yoy in FY9/20F.

Figure 1: Construction demand (new contracts awarded)



SOURCES: CGS-CIMB RESEARCH, BUILDING AND CONSTRUCTION AUTHORITY

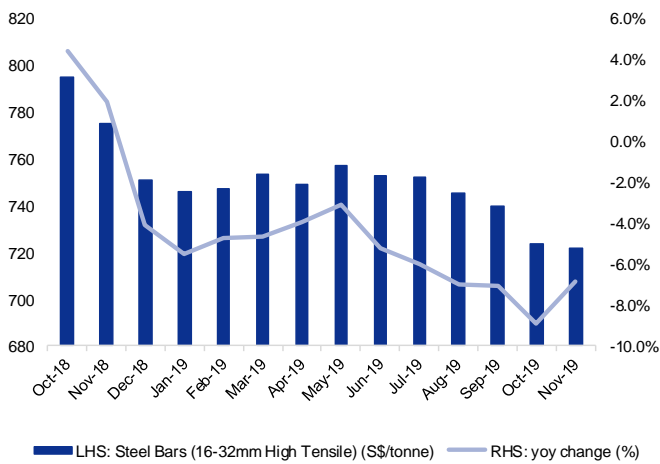
Figure 2: Singapore's construction output (progress payments)



*Progress payment refers to a payment to which a person is entitled for the carrying out of construction work, or the supply of goods or services, under a contract

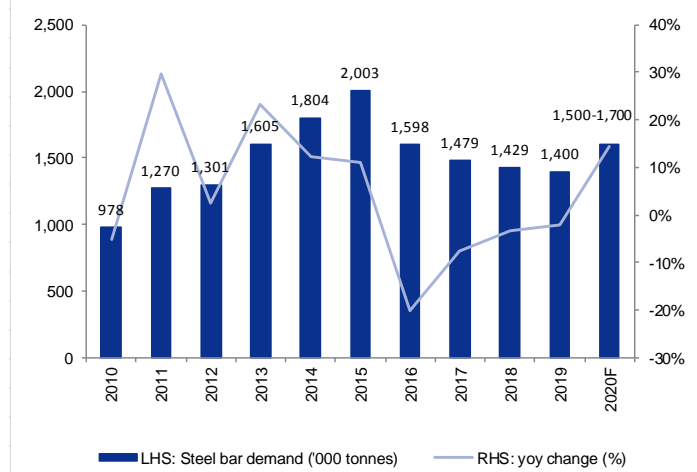
SOURCES: CGS-CIMB RESEARCH, BUILDING AND CONSTRUCTION AUTHORITY

Figure 3: Steel bar price in Singapore



SOURCES: CGS-CIMB RESEARCH, BUILDING AND CONSTRUCTION AUTHORITY

Figure 4: Steel bar demand in Singapore



*Forecast provided by Building and Construction Authority

SOURCES: CGS-CIMB RESEARCH, BUILDING AND CONSTRUCTION AUTHORITY

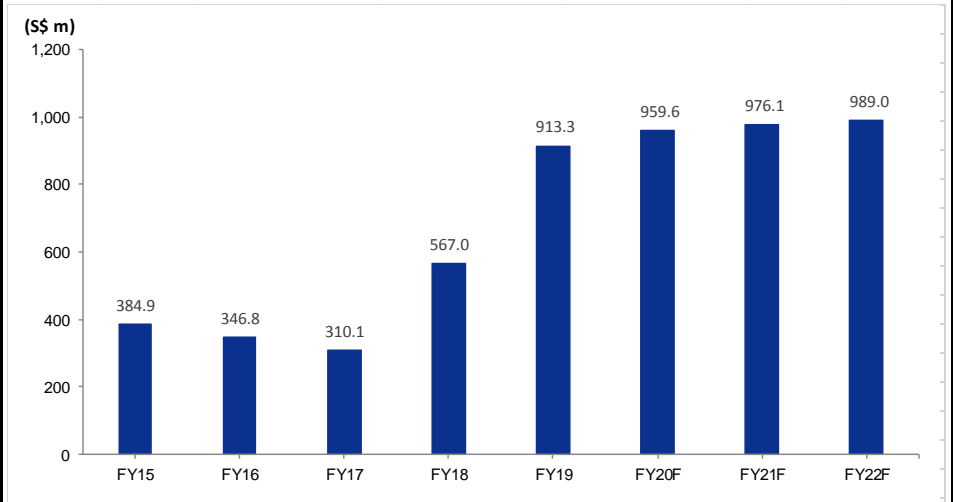
Strong margin expansion to continue in FY20F

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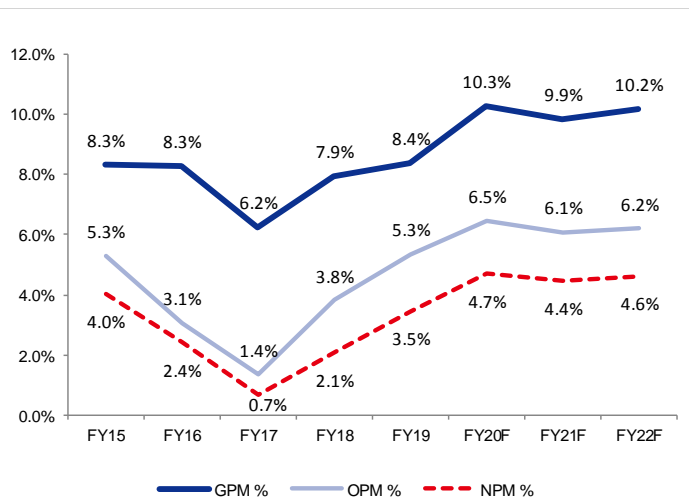
We believe BRC is also reaping other benefits through the enlarged scale post-acquisition of Lee Metal in 2018, including:

- Lower procurement cost of steel rebars as BRC can purchase bigger volumes and negotiate for better pricing;
- Lower unit costs at various stages in the supply chain, including logistics, sub-contractors, spare parts and scrap metal;
- Improved productivity and efficiency in managing inventory space, and increased market competitiveness; and
- Ability to be more selective in terms of project quality, thus lowering its credit risk profile.

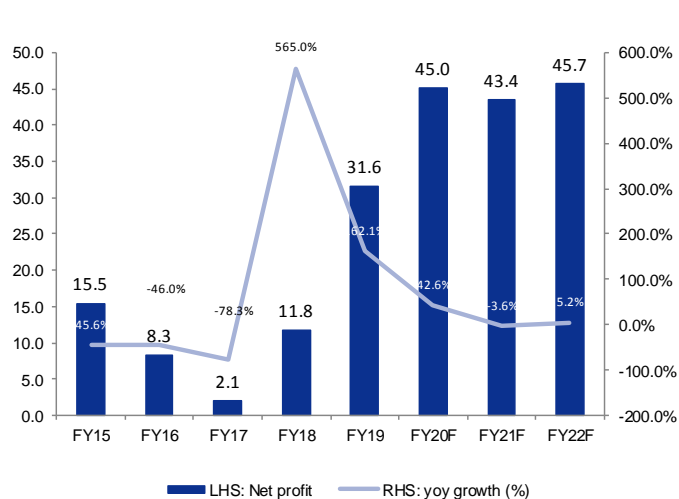
Figure 5: BRC revenue forecast (\$\$ m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Margin forecasts


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Net profit forecasts (\$\$ m)


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Earnings revision

	FY19	FY20F			FY21F			FY22F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
<i>Income Statement</i>										
Revenue	913.3	931.5	959.6	3.0%	955.1	976.1	2.2%	978.3	989.0	1.1%
Operating profit	48.9	54.2	62.1	14.6%	57.1	59.3	4.0%	61.1	61.3	0.4%
Net profit	31.6	38.5	45.0	17.0%	41.5	43.4	4.5%	45.5	45.7	0.4%
Core net profit	31.6	38.5	45.0	17.0%	41.5	43.4	4.5%	45.5	45.7	0.4%
Basic EPS (Scts/share)	0.14	0.16	0.19	17.0%	0.18	0.19	4.5%	0.19	0.20	0.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: P/BV derived target price for BRC

Risk free rate	2.3%
Beta	0.56
Equity risk premium	10.0%
Liquidity premium	1.0%
Adjusted cost of equity (COE)	8.9%
Average ROE over FY19-21F (ROE)	14.4%
Terminal growth rate (g)	0.5%
ROE-g [a]	13.9%
COE-g [b]	8.4%
Theoretical P/B (x) [a]/[b]	1.65
CY20F BVPS (S\$)	1.24
Target price (S\$)	2.05
CY21F EPS (S\$)	0.19
Implied FY21F P/E (x)	11.0

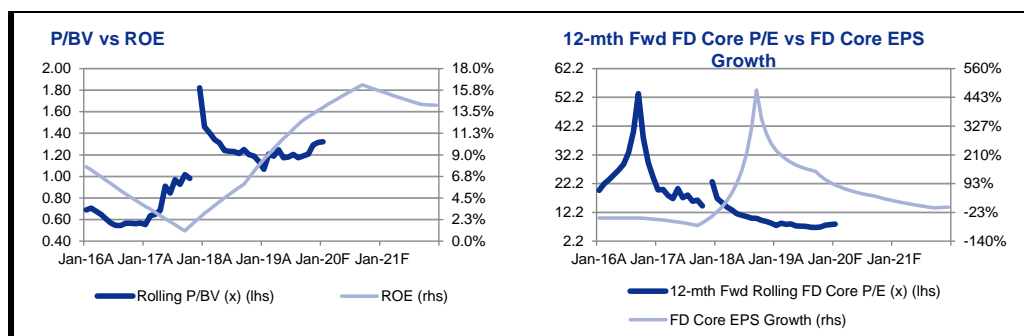
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Peer comparison

Company	Bloomberg		Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
	Ticker	Recom.				CY19F	CY20F	CY21F		CY18	CY19F	CY18	CY19F	CY18	CY19F
BRC Asia Ltd	BRC SP	ADD	1.54	2.05	266.7	10.3	8.1	8.0	37.7%	1.3	1.3	7.9%	13.7%	1.4%	5.2%
Boustead Projects Limited	BOCJ SP	Add	0.93	1.24	213	9.0	8.4	na	5.1%	1.2	0.86	9.5%	11.2%	1.8%	1.6%
Yongnam Holdings Ltd	YNH SP	Add	0.15	0.28	57.6	na	4.1	na	na	0.3	0.30	-18.9%	-5.1%	0.0%	0.0%
Pan-United Corp Ltd	PAN SP	Not rated	0.37	na	189	na	na	na	na	1.3	na	2.7%	na	8.9%	na
KSH Holdings Ltd	KSHH SP	Not rated	0.46	na	187	34.0	na	na	na	0.8	na	4.1%	na	3.4%	na
Lian Beng Group Ltd	LBG SP	Not rated	0.52	na	191	7.9	na	na	na	0.4	na	8.2%	na	4.4%	na
OKP Holdings Ltd	OKP SP	Not rated	0.20	na	45.7	na	na	na	na	0.5	na	5.3%	na	7.0%	na
Tiong Seng Holdings Ltd	TSNG SP	Not rated	0.21	na	67.5	na	na	na	na	0.3	na	3.3%	na	2.4%	na
Wee Hur Holdings Ltd	WHUR SP	Not rated	0.22	na	143	na	na	na	na	0.5	na	7.0%	na	3.3%	na

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(\$m)	Sep-18A	Sep-19A	Sep-20F	Sep-21F	Sep-22F
Total Net Revenues	567.0	913.3	959.6	976.1	989.0
Gross Profit	45.1	76.6	98.4	96.1	100.4
Operating EBITDA	32.5	64.8	74.6	70.7	72.5
Depreciation And Amortisation	(10.8)	(15.9)	(12.5)	(11.8)	(11.2)
Operating EBIT	21.7	48.9	62.1	58.8	61.3
Financial Income/(Expense)	(5.2)	(9.6)	(8.1)	(7.3)	(6.5)
Pretax Income/(Loss) from Assoc.	(0.8)	(0.8)	0.5	0.5	0.5
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	15.7	38.4	54.5	52.1	55.3
Exceptional Items					
Pre-tax Profit	15.7	38.4	54.5	52.1	55.3
Taxation	(3.6)	(6.9)	(9.5)	(9.1)	(9.7)
Exceptional Income - post-tax					
Profit After Tax	12.0	31.6	45.0	43.0	45.7
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	12.0	31.6	45.0	43.0	45.7
Recurring Net Profit	12.0	31.6	45.0	43.0	45.7
Fully Diluted Recurring Net Profit	12.0	31.6	45.0	43.0	45.7

Cash Flow

(\$m)	Sep-18A	Sep-19A	Sep-20F	Sep-21F	Sep-22F
EBITDA	32.5	64.8	74.6	70.7	72.5
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(30.4)	23.6	(4.4)	56.9	(5.6)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(8.9)	(5.5)	(8.7)	0.0	0.0
Other Operating Cashflow	(1.0)	(1.0)	(2.6)	(4.2)	(5.9)
Net Interest (Paid)/Received	(5.2)	(9.6)	(8.1)	(7.3)	(6.5)
Tax Paid	(3.1)	(2.7)	(9.5)	(9.1)	(9.7)
Cashflow From Operations	(16.1)	69.7	41.3	107.0	44.9
Capex	(26.9)	(2.3)	(5.0)	(5.0)	(5.0)
Disposals Of FAs/subsidiaries	3.8	0.2	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(142.3)	0.0	0.0	0.0	0.0
Other Investing Cashflow	(1.6)	(9.2)	2.6	4.2	5.9
Cash Flow From Investing	(167.0)	(11.3)	(2.4)	(0.8)	0.9
Debt Raised/(repaid)	152.5	(31.6)	(5.7)	(10.0)	(10.0)
Proceeds From Issue Of Shares	47.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	(2.3)	(18.7)	(18.7)	(18.7)
Preferred Dividends					
Other Financing Cashflow	(4.5)	(9.4)	(8.1)	(7.3)	(6.5)
Cash Flow From Financing	195.0	(43.3)	(32.4)	(35.9)	(35.1)
Total Cash Generated	11.9	15.1	6.5	70.3	10.6
Free Cashflow To Equity	(30.6)	26.8	33.2	96.2	35.8
Free Cashflow To Firm	(177.9)	68.0	46.9	113.5	52.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(\$m)	Sep-18A	Sep-19A	Sep-20F	Sep-21F	Sep-22F
Total Cash And Equivalents	41.1	65.8	80.3	157.8	174.9
Total Debtors	185.6	204.1	186.8	199.8	180.9
Inventories	270.2	231.9	267.6	203.0	244.1
Total Other Current Assets	26.7	30.0	30.0	30.0	30.0
Total Current Assets	523.6	531.8	564.8	590.8	629.9
Fixed Assets	151.4	136.5	129.1	122.3	116.1
Total Investments	23.7	26.3	26.8	27.3	27.8
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
Total Non-current Assets	175.2	162.8	155.9	149.5	143.8
Short-term Debt	255.8	245.8	235.8	225.8	215.8
Current Portion of Long-Term Debt					
Total Creditors	62.1	94.3	108.3	113.7	130.1
Other Current Liabilities	25.5	17.7	9.1	9.1	9.1
Total Current Liabilities	343.5	357.9	353.2	348.6	355.0
Total Long-term Debt	82.3	60.7	65.0	65.0	65.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	36.0	13.1	13.1	13.1	13.1
Total Non-current Liabilities	118.2	73.8	78.1	78.1	78.1
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	461.7	431.7	431.4	426.7	433.2
Shareholders' Equity	237.0	262.9	289.3	313.6	340.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	237.0	262.9	289.3	313.6	340.6

Key Ratios

	Sep-18A	Sep-19A	Sep-20F	Sep-21F	Sep-22F
Revenue Growth	82.8%	61.1%	5.1%	1.7%	1.3%
Operating EBITDA Growth	173%	99%	15%	(5%)	3%
Operating EBITDA Margin	5.73%	7.09%	7.77%	7.24%	7.33%
Net Cash Per Share (\$)	-1.37	-1.03	-0.95	-0.57	-0.45
BVPS (\$)	1.10	1.13	1.24	1.34	1.46
Gross Interest Cover	4.17	5.10	7.71	8.12	9.46
Effective Tax Rate	23.0%	17.9%	17.5%	17.5%	17.5%
Net Dividend Payout Ratio	18.0%	59.1%	41.5%	43.4%	40.9%
Accounts Receivables Days	82.47	75.14	71.19	69.00	67.00
Inventory Days	133.5	109.5	106.1	97.6	91.8
Accounts Payables Days	44.76	32.55	41.34	44.37	48.41
ROIC (%)	8.6%	7.3%	10.4%	9.8%	11.7%
ROCE (%)	5.4%	8.5%	10.7%	9.9%	10.0%
Return On Average Assets	3.14%	5.66%	7.30%	6.70%	6.74%

Key Drivers

	Sep-18A	Sep-19A	Sep-20F	Sep-21F	Sep-22F
ASP (% chg, main prod./serv.)	1.0%	1.0%	1.0%	1.0%	1.0%
Unit sales grth (% , main prod./serv.)	1.0%	1.0%	1.0%	1.0%	1.0%
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: CGS-CIMB RESEARCH, COMPANY REPORTS

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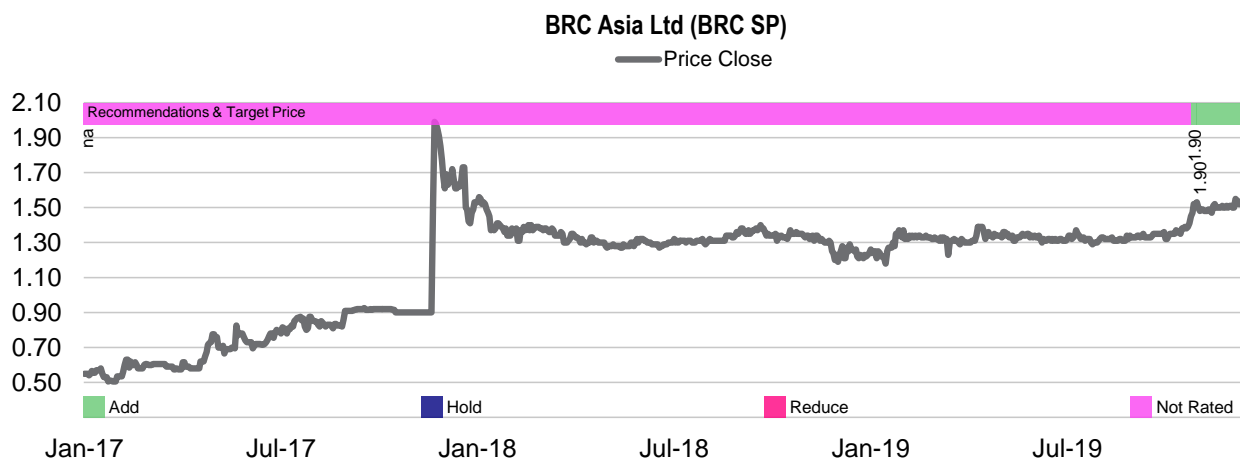
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Spitzer Chart for stock being researched (2 year data)



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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