

Singapore

ADD (previously HOLD)

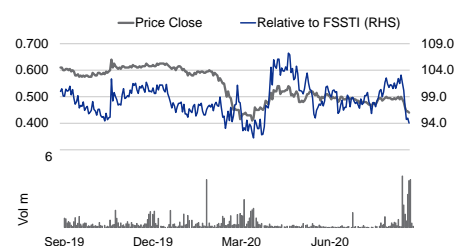
Consensus ratings*: Buy 0 Hold 3 Sell 0

Current price:	S\$0.44
Target price:	S\$0.523
Previous target:	S\$0.583
Up/downside:	18.9%
CGS-CIMB / Consensus:	2.6%
Reuters:	HRNE.SI
Bloomberg:	HRNET SP
Market cap:	US\$324.4m
	S\$441.2m
Average daily turnover:	US\$0.14m
	S\$0.19m
Current shares o/s:	1,007m
Free float:	23.1%

*Source: Bloomberg

Key changes in this note

- FY20F EPS decreased by 1.3%.
- FY21F EPS decreased by 18.6%.
- FY22F EPS decreased by 15.6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.1	-9.3	-27.9
Relative (%)	-7.4	-4.4	-5.3

Major shareholders	% held
SIMCO Ltd	74.7
HSBC Holdings PLC	2.0
Vanda 1 Investments Pte Ltd	2.0

Analyst(s)

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HRnetGroup Limited

Better risk-reward

- Upgrade HRNET from Hold to Add on valuations (more than 1.s.d. below historical mean, 3.9x ex-cash P/E) and gradual core earnings improvement.
- The group had S\$286m net cash (zero debt) as of end-Jun 20 and offers a c.5% dividend yield, higher than most global recruitment firms.
- Despite macro uncertainty, we think it is well-positioned to benefit from job creation (relocation of more foreign companies) and overseas expansion.

Upgrade from Hold to Add on attractive valuation and 5% yield

At 11.1x FY21F P/E (more than 1 s.d. below historical average and c.55% discount to global peers), we think HRNET's near-term earnings weakness has been more than priced in. We upgrade the stock from Hold to Add on gradual core earnings (excluding government relief) recovery. Our TP falls to S\$0.52 on lower FY20-22F EPS, now pegged to 13.2x FY21F P/E (prev. 12x), which is 1 s.d. below its 3-year historical mean. The group had S\$286m net cash as of end-Jun 20 (forming c.65% of market cap) and offers c.5% FY20-22F dividend yield, making it one of the cheapest and highest dividend-paying stocks among global recruitment companies. Catalysts are synergistic M&As and more job creation. Key downside risk: deteriorating macro conditions.

Some sectors gain and some lose in 1H20

HRNET's two largest markets accounted for 96% of its 1H20 gross profit: North Asia saw signs of weakness in 1Q, while its Singapore operations were more badly affected in 2Q due to circuit breaker. Permanent placements fell 18.2% from 3,481 in 1H19 to 4,256; the number of contractor employees slipped 0.9% yoy to 11,842 but average revenue per contractor increased 8.2% yoy. 1H20 topline was stable at S\$210.3m but gross margin dipped 4.9% pts, buffered by S\$3m more in government grants and tighter cost management (thanks to its profit-sharing model for its sales employees). We saw some sectors like healthcare/life sciences and energy benefit from the pandemic and opening of the local electricity market, shifting away from affected industries like retail/apparel and tourism; such trends could sustain into 2H20F, in our view.

Push for local employment and new offerings to benefit HRNET

Amid the gloomy economic outlook across its key markets and higher unemployment rate in Singapore as of 2Q20, we noted some recent pick-up in job postings, that could have been previously deferred and as a result of more Chinese firms setting up operations in Singapore, which could pose upside to our FY20-22F EPS. We do not expect a significant deterioration in its 2H20F core operations (excluding government subsidies) as we think the seasonality effects have been distorted for FY20F. We also see HRNET as a potential beneficiary of the government's push for more job creation and local employment given its relative focus on domestic candidates, while new offices (e.g. RecruitFirst in Jakarta, HRnetOne Shenzhen) and services (outplacement) could help diversify its revenue sources.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (S\$m)	428.5	423.1	424.5	429.4	436.0
Operating EBITDA (S\$m)	62.73	65.82	52.53	51.67	58.91
Net Profit (S\$m)	53.66	44.93	41.36	40.10	45.39
Normalised EPS (S\$)	0.053	0.045	0.041	0.040	0.045
Normalised EPS Growth	7.7%	(16.1%)	(8.2%)	(3.3%)	13.2%
FD Normalised P/E (x)	8.27	9.86	10.74	11.10	9.80
DPS (S\$)	0.028	0.028	0.022	0.022	0.024
Dividend Yield	6.36%	6.36%	5.00%	5.00%	5.45%
EV/EBITDA (x)	2.51	2.78	3.38	3.07	2.25
P/FCFE (x)	18.27	29.76	12.78	10.35	9.16
Net Gearing	(86.4%)	(79.3%)	(79.2%)	(81.9%)	(84.8%)
P/BV (x)	1.33	1.33	1.31	1.26	1.20
ROE	16.6%	13.5%	12.3%	11.6%	12.5%
% Change In Normalised EPS Estimates			(1.3%)	(18.6%)	(15.6%)
Normalised EPS/consensus EPS (x)			1.02	0.99	0.95

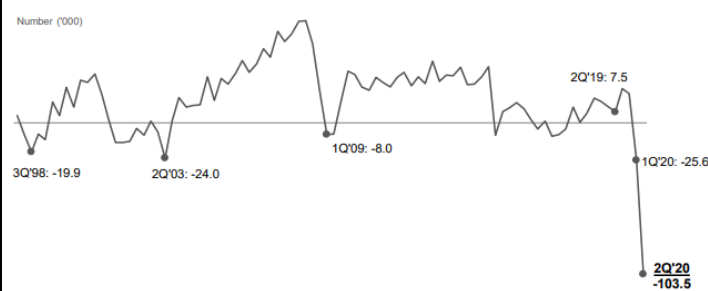
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Better risk-reward

Some optimism amid a sluggish economy ►

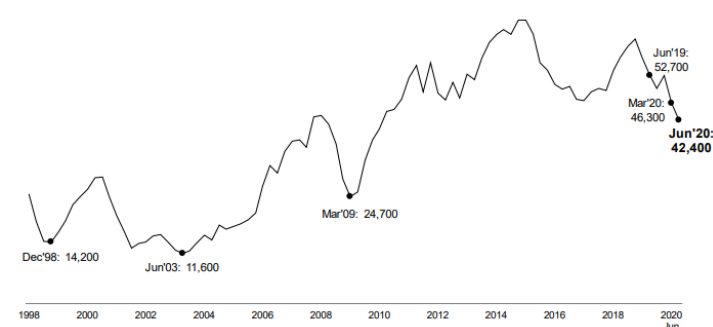
According to Singapore's 2Q20 labour market report released by the Ministry of Manpower (MOM) and Manpower Research and Statistics Department, unemployment rate spiked to 2.8% in Jun 2020 and total employment contracted by 103,500, with job losses most pronounced in industries such as food & beverage, retail trade, accommodation, arts, entertainment & recreation and construction. Retrenchments also more than doubled in 2Q20 to 8,130 (1Q20: 3,220, 2Q19: 2,320). Singapore's 2Q20 GDP contracted 13.2% yoy (Fig.3), with our CGS-CIMB economist projecting a 21.6% decline and 5.3% recovery in GDP in 2020F and 2021F, respectively.

Figure 1: Singapore's total employment (excluding foreign domestic workers) faced its sharpest decline in 2Q20



SOURCES: MANPOWER RESEARCH & STATISTICS DEPARTMENT, MOM

Figure 2: The number of job vacancies fell to a low of 42,400 in Jun 20, with the ratio of job vacancies to unemployed persons at 0.57 (Mar 20: 0.71)



SOURCES: MANPOWER RESEARCH & STATISTICS DEPARTMENT, MOM

Despite the gloomy employment situation and economic outlook, we see some opportunities and tailwinds for HRNET, particularly from more Chinese firms setting up new offices in Singapore (see below). In its 1H20 results, the group reported more intense hiring in the healthcare/life sciences and manufacturing sectors (Fig.4), whereas recruitment from retail and tourism-related sectors slowed down. We noted that HRNET has benefitted from higher recruitment activity in the past when new startups like Grab were expanding their domestic operations.

- Alibaba bought a 50% stake in AXA Tower for US\$0.6bn, possibly intended for its expansion in Singapore; it is also looking to invest US\$3bn into Grab, according to Bloomberg news.
- Tencent will be opening a new office in Singapore to support its growing business in Southeast Asia. According to its hiring site, Tencent has more than 20 job openings (as of 16 Sep 20) for businesses including cross-border commerce, cloud computing and esports.
- ByteDance (Chinese owner of video-sharing app TikTok) will be investing (including the establishment of a data centre) and adding hundreds of jobs over the next three years in Singapore, where it has also applied for a licence to operate a digital bank

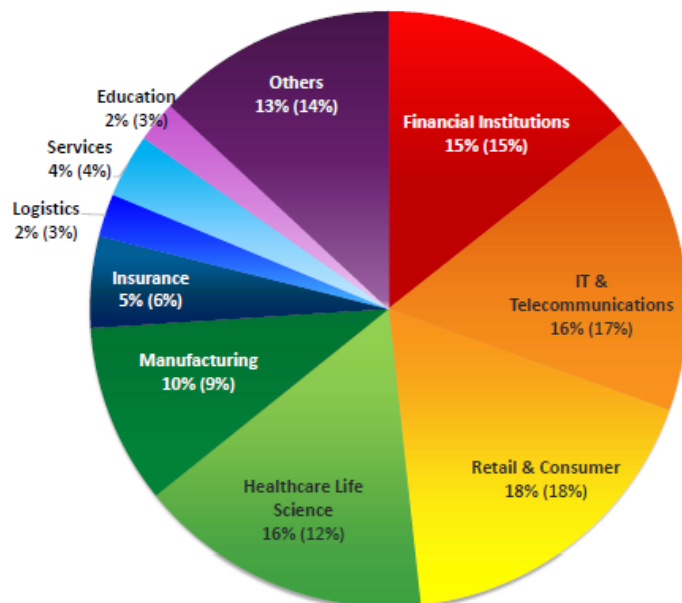
Based on a *recent survey* by recruitment firm **ManpowerGroup** who interviewed 462 employers, hiring sentiment should improve qoq in 4Q20 to -3% (net employment outlook) in six of the seven sectors (3Q20: -28%). The majority of the respondents (26%) expect a turnaround in hiring activity in the next 10-12 months, while 22% anticipate a recovery within the next three months, as compared to 16% who estimate over a year.

Figure 3: Economic backdrop – GDP growth across the major markets

Geography	Q1 2020	Q2 2020	2020 (Est.)	2019
Singapore ⁽¹⁾	-0.3	-13.2	-7.0 to -5.0	0.7
UK ⁽²⁾	-1.7		-10.2	1.4
Thailand ⁽²⁾	-1.8		-7.7	2.4
Japan ⁽²⁾	-2.2		-5.8	0.7
Hong Kong ⁽³⁾	-8.9		-4.8	-1.2
Malaysia ⁽²⁾	0.7		-3.8	4.3
S. Korea ⁽²⁾	1.4	-2.9	-2.1	2.0
Indonesia ⁽²⁾	3.0	-5.3	-0.3	5.0
Mainland China ⁽²⁾	-6.8	3.2	1.0	6.1
Taiwan ⁽⁴⁾	1.6	-0.7	1.7	2.7

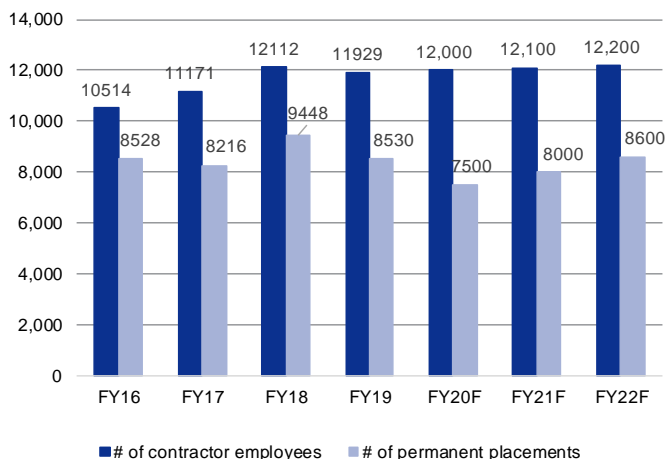
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: HRNET's 1H20 revenue by sector



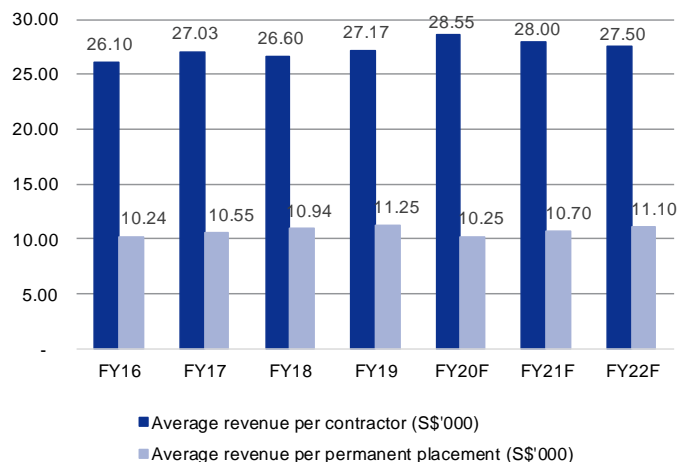
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: We expect the number of permanent placements to gradually recover over FY21-22F from FY20F low (1H20: 3,481 permanent placements, 11,842 contractor employees) for HRNET



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: We think the average revenue per permanent placement (one-time commission fees) could remain suppressed in the near-term for HRNET



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Upgrade from Hold to Add on attractive valuation ➤

We lower our FY20-22F EPS by 1.3-18.6% to reflect the revenue mix changes from professional recruitment and flexible staffing, as well as a more conservative hiring outlook. Our target price for HRNET also falls slightly to S\$0.52, now pegged to 13.2x FY21F P/E (prev. 12x), which is based on 1 s.d. below its 3-year historical average.

At 11.1x forward P/E (more than 1 s.d. below historical mean and a c.55% discount to its global peers), we think the stock has priced in its near-term earnings weakness and upgrade our rating from Hold to Add. Our rating upgrade is supported by its S\$286m net cash position (as of end-Jun 20) and 5-6%

FY20-22F dividend yield. Synergistic M&As and more job creation are potential catalysts, while key downside risk is deteriorating macro conditions.

Figure 7: 1H20 results comparison

FYE Dec (\$\$ m)	2QFY20 cum	2QFY19 cum	yoy % chng	Prev. FY20F	Comments
Revenue	210.3	212.5	(1.0)	418.4	1H20 revenue formed 50%/48% of our/consensus full-year forecasts, in line. Professional recruitment revenue -27.2% yoy, Flexible Staffing revenue +7.1% yoy
Operating costs	(178.8)	(172.3)	3.8	(358.5)	
EBITDA	31.5	40.2	(21.6)	59.9	
EBITDA margin (%)	15.0	18.9	(3.9)	14.3	In line
Deprn & amort.	(4.9)	(3.6)	36.1	(7.5)	
EBIT	26.6	36.6	(27.3)	52.4	
Interest expense	(0.2)	(0.1)	nm	(0.4)	
Interest & invt inc	1.4	2.4	(42.7)	3.5	
Associates' contrib	-	-	nm	-	
Exceptionals	(1.2)	5.1	nm	0.0	1H20: S\$3.6m FV loss on financial assets measured and designated at FVTPL, S\$2.4m investment disposal gain
Pretax profit	27.7	38.9	(28.7)	55.5	
Tax	(5.5)	(6.0)	(8.6)	(10.3)	
Tax rate (%)	19.9	15.5	nm	18.6	Slightly above
Minority interests	1.2	2.0	nm	3.4	
Net profit	21.0	30.8	(31.9)	41.8	
Core net profit	22.2	25.7	(13.6)	41.8	Excluding one-offs, 1H20 formed 53%/42% of our/consensus full-year numbers.
EPS (Scts)	2.1	3.1	(31.8)	4.1	We deem this broadly in line as we believe seasonality effects have been distorted in FY20F
Core EPS (Scts)	2.1	3.1	(31.7)	4.1	

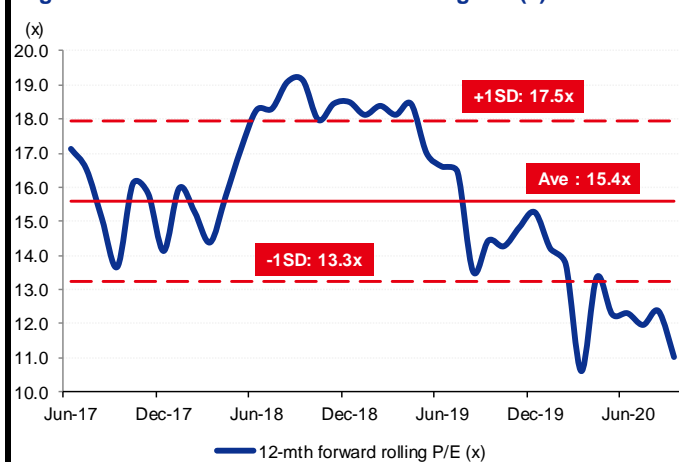
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Earnings revision table

S\$m	New				Old			% change		
	FY19A	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Revenue	423	424	429	436	418	434	443	1.5%	-1.1%	-1.7%
EBITDA	71.0	60.8	60.2	67.9	59.9	69.8	76.0	1.6%	-13.8%	-10.8%
EBITDA margin (%)	16.8%	14.3%	14.0%	15.6%	14.3%	16.1%	17.1%	0.0%	-2.1%	-1.6%
Reported PATMI	51.6	41.4	40.1	45.4	41.8	49.1	53.4	-1.0%	-18.3%	-15.0%
Core PATMI	44.9	41.4	40.1	45.4	41.8	49.1	53.4	-1.0%	-18.3%	-15.0%
NPM (%)	12.2%	9.7%	9.3%	10.4%	10.0%	11.3%	12.0%	-0.2%	-2.0%	-1.6%
EPS (Scts)	4.1	4.1	4.0	4.5	4.2	4.9	5.3	-1.3%	-18.6%	-15.6%

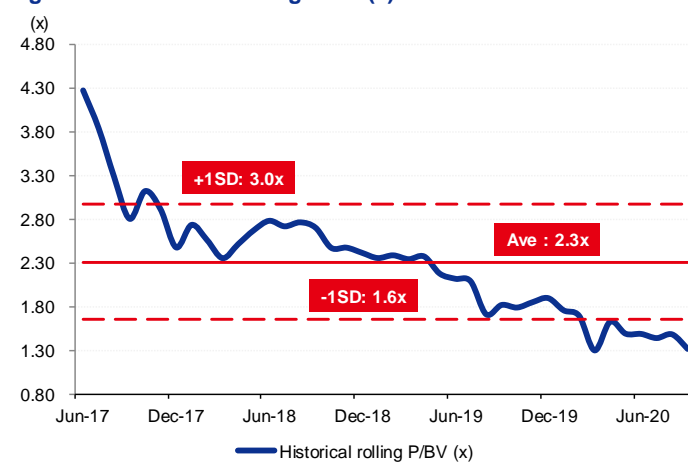
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Historical 12-mth forward rolling P/E (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Historical rolling P/BV (x)

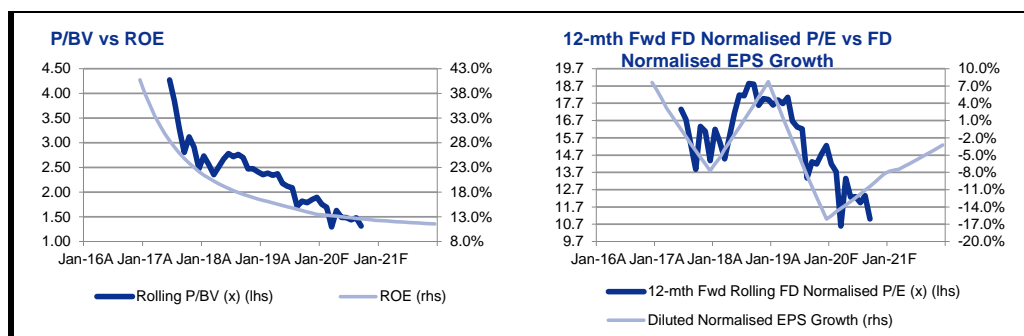


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
			(lcl curr)	(lcl curr)		CY20F	CY21F	CAGR (%)	CY20F	CY21F	CY20F	CY21F	CY20F	CY21F
HRnetGroup Limited	HRNET SP	ADD	0.44	0.52	324	10.7	11.1	-3.4%	1.31	1.26	12.4%	11.6%	5.0%	5.0%
Asian Peers														
JAC Recruitment Co Ltd	2124 JP	NR	1,380	NA	541	23.1	19.3	-6.3%	4.14	4.00	13.2%	21.5%	3.7%	3.8%
Pasona Group Inc	2168 JP	NR	1,594	NA	631	104.8	30.4	-11.0%	2.09	na	6.8%	na	1.2%	1.2%
Persol Holdings Co Ltd	2181 JP	NR	1,805	NA	4,058	55.1	21.0	29.5%	2.72	2.47	8.6%	12.9%	1.7%	1.7%
Recruit Holdings Co Ltd	6098 JP	NR	4,299	NA	69,246	39.7	43.2	5.7%	6.68	6.03	13.4%	13.8%	0.5%	0.4%
TechnoPro Holdings Inc	6028 JP	NR	6,230	NA	2,138	20.8	21.5	6.6%	4.40	3.94	20.6%	19.3%	2.4%	1.5%
Beijing Career International C	300662 CH	NR	55.74	NA	1,500	56.7	44.0	23.3%	9.95	8.32	17.3%	18.6%	0.3%	0.3%
SEEK	SEK AU	HOLD	19.21	17.90	4,974	99.9	68.6	13.9%	6.22	5.88	5.7%	8.7%	0.5%	0.9%
Humanica PCL	HUMAN TB	HOLD	8.65	9.30	189	38.3	32.2	12.6%	4.64	4.34	12.8%	13.9%	1.4%	1.7%
Average excl. HRnetgroup						54.8	35.0	9.3%	5.10	5.00	12.3%	15.5%	1.5%	1.5%
Non-Asian Peers														
Adecco Group AG	ADEN SW	NR	50.96	NA	9,149	26.1	15.0	-5.6%	2.20	2.26	6.1%	14.4%	4.9%	5.0%
Randstad NV	RAND NA	NR	46.35	NA	10,059	24.1	14.8	4.3%	1.82	1.71	6.8%	12.0%	3.3%	4.6%
Hays PLC	HAS LN	NR	116.8	NA	2,528	37.2	29.9	-1.5%	2.33	2.33	6.7%	10.6%	1.2%	2.5%
Pagegroup PLC	PAGE LN	NR	380.2	NA	1,612	212.0	20.1	-7.0%	3.86	3.37	0.0%	22.5%	1.3%	4.0%
Robert Walters PLC	RWA LN	NR	407.0	NA	399	67.8	19.0	-8.7%	1.99	1.95	3.3%	9.1%	2.9%	2.9%
Heidrick & Struggles Internati	HSII US	NR	22.22	NA	430	47.8	12.7	-14.0%	2.10	1.95	na	13.8%	2.7%	2.7%
Kelly Services Inc	KELYA US	NR	16.87	NA	665	13.3	9.6	na	na	na	na	7.1%	na	na
Kforce Inc	KFRC US	NR	33.06	NA	726	14.8	14.0	-22.2%	6.17	11.44	na	26.3%	2.4%	2.5%
Korn Ferry	KFY US	NR	28.78	NA	1,577	15.1	23.4	7.5%	1.24	1.19	7.4%	8.8%	1.4%	1.4%
ManpowerGroup Inc	MAN US	NR	68.60	NA	3,984	25.6	13.9	-4.2%	1.59	1.58	5.5%	10.1%	3.2%	3.4%
Robert Half International Inc	RHI US	NR	53.97	NA	6,187	22.3	18.2	-0.7%	5.26	5.24	23.5%	28.3%	2.5%	2.7%
Non-Asian Peers Average						46.0	17.3	-5.2%	2.86	3.30	7.4%	14.8%	2.6%	3.2%
Average of all-co excl. HRnetgroup						49.7	24.8	1.2%	3.86	4.00	9.8%	15.1%	2.1%	2.4%

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG (as of 16 Sep 2020)

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	431.8	436.5	434.5	433.9	440.5
Gross Profit	158.6	158.9	142.8	144.3	154.2
Operating EBITDA	62.7	65.8	52.5	51.7	58.9
Depreciation And Amortisation	(1.0)	(1.4)	(1.5)	(1.6)	(1.6)
Operating EBIT	61.7	64.4	51.0	50.1	57.4
Financial Income/(Expense)	3.5	4.0	3.1	3.0	2.9
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)	65.2	68.4	54.1	53.1	60.3
Exceptional Items					
Pre-tax Profit	65.2	68.4	54.1	53.1	60.3
Taxation	(12.7)	(12.6)	(10.1)	(10.0)	(11.4)
Exceptional Income - post-tax					
Profit After Tax	52.4	55.8	44.0	43.1	48.8
Minority Interests	(4.2)	(4.2)	(2.6)	(3.0)	(3.4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	5.5	(6.7)	0.0	0.0	0.0
Preference Dividends (Australia)					
Net Profit	53.7	44.9	41.4	40.1	45.4
Normalised Net Profit	52.4	55.8	44.0	43.1	48.8
Fully Diluted Normalised Profit	53.7	44.9	41.4	40.1	45.4

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	62.73	65.82	52.53	51.67	58.91
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(8.76)	4.66	(1.80)	(1.34)	(1.42)
(Incr)/Decr in Total Provisions	1.54	0.13	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	4.95	(7.22)	1.19	1.19	1.19
Other Operating Cashflow					
Net Interest (Paid)/Received	2.39	3.94	3.10	3.00	2.90
Tax Paid	(11.20)	(13.24)	(10.12)	(9.98)	(11.45)
Cashflow From Operations	51.65	54.08	44.91	44.54	50.14
Capex	(1.73)	(1.27)	(1.55)	(1.55)	(1.55)
Disposals Of FAs/subsidiaries	3.37	33.34	0.00	0.00	0.00
Acq. Of Subsidiaries/Investments	(29.34)	(72.00)	(8.62)	0.00	0.00
Other Investing Cashflow	0.33	0.73	0.00	0.00	0.00
Cash Flow From Investing	(27.37)	(39.20)	(10.17)	(1.55)	(1.55)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(24.64)	(30.00)	(30.04)	(24.00)	(24.00)
Preferred Dividends					
Other Financing Cashflow	(6.59)	0.16	(6.00)	(6.00)	(6.00)
Cash Flow From Financing	(31.23)	(29.85)	(36.04)	(30.00)	(30.00)
Total Cash Generated	(6.95)	(14.97)	(1.30)	12.99	18.59
Free Cashflow To Equity	24.28	14.88	34.74	42.99	48.59
Free Cashflow To Firm	24.28	15.21	35.14	43.49	49.19

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	297.9	274.7	281.7	303.2	330.8
Total Debtors	87.2	81.6	84.1	85.3	86.7
Inventories					
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	385.1	356.3	365.8	388.6	417.4
Fixed Assets	1.6	1.6	2.6	3.7	4.7
Total Investments	12.2	38.7	47.3	47.3	47.3
Intangible Assets	14.8	6.7	6.9	7.0	7.0
Total Other Non-Current Assets	1.7	16.0	16.0	16.0	16.0
Total Non-current Assets	30.3	62.9	72.8	73.9	75.0
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	50.6	48.1	48.7	48.7	48.6
Other Current Liabilities	10.7	17.5	17.5	17.5	17.5
Total Current Liabilities	61.3	65.5	66.2	66.1	66.0
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	8.6	6.8	16.3	26.0	36.0
Total Non-current Liabilities	8.6	6.8	16.3	26.0	36.0
Total Provisions	0.6	0.3	0.3	0.3	0.3
Total Liabilities	70.5	72.7	82.8	92.4	102.3
Shareholders' Equity	333.4	332.0	340.4	353.5	371.9
Minority Interests	11.5	14.6	15.4	16.6	18.2
Total Equity	344.8	346.6	355.8	370.1	390.1

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	9.33%	(1.26%)	0.33%	1.16%	1.53%
Operating EBITDA Growth	11.7%	4.9%	(20.2%)	(1.6%)	14.0%
Operating EBITDA Margin	14.6%	15.6%	12.4%	12.0%	13.5%
Net Cash Per Share (\$)	0.30	0.27	0.28	0.30	0.33
BVPS (\$)	0.33	0.33	0.34	0.35	0.37
Gross Interest Cover	N/A	192.8	127.5	100.2	95.6
Effective Tax Rate	19.6%	18.4%	18.7%	18.8%	19.0%
Net Dividend Payout Ratio	52.5%	62.8%	53.6%	55.3%	53.3%
Accounts Receivables Days	66.37	67.27	65.46	66.12	66.21
Inventory Days	-	-	-	-	-
Accounts Payables Days	8.44	8.23	7.99	8.39	8.38
ROIC (%)	196%	122%	105%	96%	104%
ROCE (%)	19.6%	19.8%	15.5%	14.8%	16.0%
Return On Average Assets	13.9%	11.0%	9.7%	9.0%	9.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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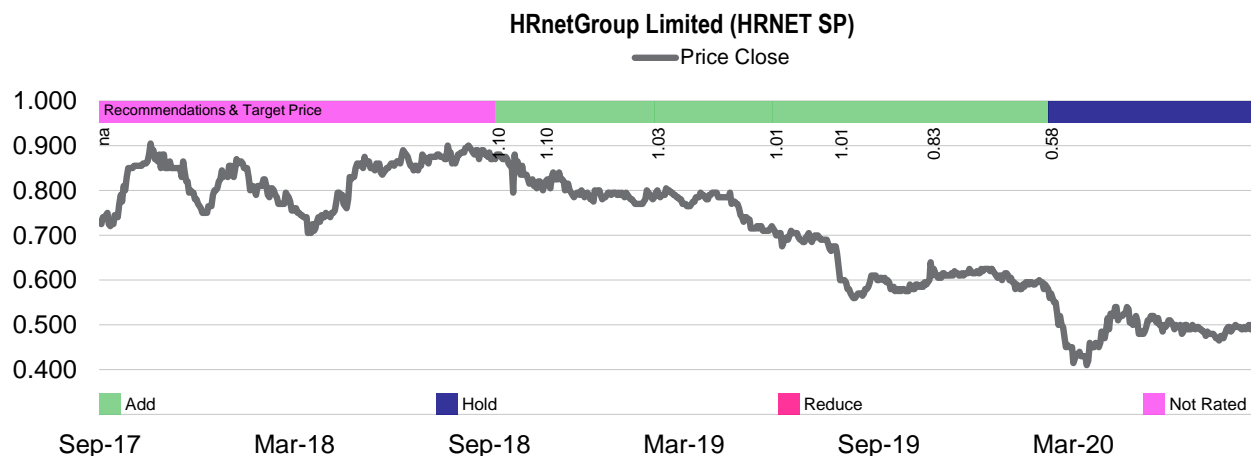
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2020		
800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

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 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **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, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **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, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, 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** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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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