

Vietnam

November 6, 2019 - 6:54 PM

**ADD** (no change)

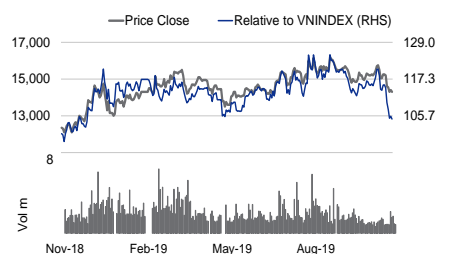
Consensus ratings\*: Buy 5 Hold 2 Sell 0

Current price:	VND14,300
Target price:	VND17,500
Previous target:	VND17,500
Up/downside:	22.4%
CGS-CIMB / Consensus:	-2.6%
Reuters:	KBC.HM
Bloomberg:	KBC VN
Market cap:	US\$289.6m
	VND6,717,571m
Average daily turnover:	US\$1.22m
	VND28,104m
Current shares o/s	475.7m
Free float:	37.0%

\*Source: Bloomberg

Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (VNDb)	841	1,052	800
Core EPS (VND)	1,790	2,239	1,702
Core EPS Growth	12.8%	25.1%	(24.0%)
FD Core P/E (x)	7.99	6.39	8.40
Recurring ROE	9.1%	10.6%	7.4%
P/BV (x)	0.71	0.64	0.60
DPS (VND)	1,000.0	0.0	0.0
Dividend Yield	6.99%	0.00%	0.00%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.7	-10.6	15.8
Relative (%)	-8.5	-16.9	4.6

Major shareholders	% held
Dang Thanh Tam	16.0
Kinh Bac Consulting and Investment	9.6
Dragon Capital	5.6

Analyst(s)

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# Kinh Bac City Corp

## Additional cost dented 3Q19 earnings

- 3Q19 net profit (NP) plunged 50% yoy as gross margin (GM) dropped 23% yoy because of additional cost at Tan Phu Trung industrial park (IP).
- 9M19 NP edged up 2% yoy to VND500bn, which was below our estimate at only 59% our full-year forecast.
- Maintain Add. Our RNAV-based TP is VND17,500.

### 3Q19 net profit subdued on GP margin contraction

- Kinh Bac City Corp's (KBC) 3Q19 revenue jumped 39% yoy to VND917bn. This comprised IP land sales which rose 40% yoy to VND841bn and utilities services which climbed 48% yoy to VND67bn.
- As Tan Phu Trung IP land sales accelerated in the last two years, KBC had revised its outdated development cost for Tan Phu Trung IP. The updated cost was just approved in 3Q19, which brought an additional cost of VND160bn for all the land sold. Hence, GM of Tan Phu Trung IP fell by 105% pts yoy which dragged blended GM to 40% in 3Q19 from 63% in 3Q18. We expect Tan Phu Trung IP's GM to recover to 50%-level in 4Q19F.
- 3Q19 net profit plunged 50% yoy to VND109.6bn.

### Strong IP land sales boosted 9M19 revenue

- 9M19 witnessed faster-than-expected IP sales of KBC's subsidiaries; i.e. Quang Chau IP (65.3ha, +382% yoy) and Tan Phu Trung IP (26.3ha, +74% yoy). Overall, KBC sold 106ha of IP land in 9M19, forming 83% of our FY19F IP target, thanks to high FDI inflow from China, Taiwan and Vietnam.
- 9M19 revenue reached VND2,486bn (+50% yoy), whereby IP land sales contributed VND2,212bn (+55% yoy).
- 9M19 net profit grew a modest 2% yoy to VND500bn due to i) 8% pts yoy lower blended GM; ii) a significant rise in minority interest to VND145bn (+269% yoy) as KBC 9M19 revenue mainly came from subsidiaries' IPs, given KBC owns a 72.4% stake in Tan Phu Trung IP and a 77.9% stake in Quang Chau IP.

### Residential property handover delayed till 4Q19

- 9M19 residential property revenue fell sharply (-98% yoy) as KBC only delivered c.100 sq m of townhouse land in Phuc Ninh project. We expect KBC to settle the violation in Phuc Ninh project's master plan later this year and also envisage KBC's completion of Trang Due project construction to be approved to give way for residential property handover in 4Q19.

### Maintain Add with a TP of VND17,500

- We maintain our Add rating, with a RNAV-based target price of VND17,500, backed by faster-than-expected sales from IPs and the 4Q19 handover of Trang Due and Phuc Ninh projects.
- Key downside risks include 1) worse-than-expected IP land sales, 2) delays in booking revenue from Phuc Ninh project. Re-rating catalysts are: 1) faster IPs or residential land sales rate; 2) approval for Trang Due 3 IP.

Figure 1: IPs land sales results

	3Q19	3Q18	% yoy chg	9M19	9M18	% yoy chg	As % of FY19F our estimate	Comments
IP land sales (ha)	43.2	27	59%	105.9	79	35%	82.94%	
Que Vo Ips	0.4	18	-98%	3.6	38	-91%		Que Vo Ips had a constrained NLA as it reached 99% of occupancy ratio at end-FY18
Tan Phu Trung IP	6.7	3	135%	26.3	15	74%		Tan Phu Trung IP recorded a stronger growth of 74% thanks to rising leasing demand
Trang Due 2 IP	2.4	4	-30%	10.7	12	-13%		Trang Due 2 IP had a constrained NLA as it reached 99% of occupancy ratio at end-FY18
Quang Chau IP	33.6	2	1334%	65.3	14	382%		Quang Chau IP held a hotspot destination, fuelled by a huge FDI inflow into the hi-tech sector in Thai Nguyen province

SOURCES: VND RESEARCH, COMPANY REPORTS

**Figure 2: Results comparison**

FYE Dec (VNDbn)	3Q19	3Q18	% yoy chg	9M19	9M18	% yoy chg	As % of FY19F our estimate	Comments
<b>Revenue (VNDbn)</b>	916.5	657.2	39.4%	2,486.4	1,661.0	49.7%	67.83%	
<i>IP land sales</i>	841.0	602.8	39.5%	2,212.5	1,426.5	55.1%	90.34%	
<i>IP factory sales</i>	0.0	0.0	0.0%	100.1	0.0			Factory land sales grew tremendously as KBC sold three factories, with a total area of 15,480 sq m in Quang Chau IP
<i>IP factory leasing</i>	8.7	9.1	-5.2%	26.7	26.2	1.6%		
<i>Utilities services</i>	66.9	45.3	47.5%	145.5	117.1	24.2%		
<i>Residential property</i>				1.7	91.1	-98.2%		Due to considerable slowdown in the handover of townhouse land area in Phuc Ninh project, the residential property dropped sharply
<i>Average rents (USD/sqm)</i>				89.69	77.92	15.1%		Higher demand from Tan Phu Trung IP and Quang Chau IP, with remarkable growth of 74% and 382%, respectively, boosted KBC's average rent to US\$88.8/sqm (+15% yoy)
Gross profit (VNDbn)	366.6	416.4	-11.9%	1,234.7	958.0	28.9%		
Gross profit margin	40%	63%		50%	58%			
<i>GM of IP land leasing</i>				50%	59%			The sharp fall was due to larger IP COGS, namely that of Tan Phu Trung IP.
<i>GM of factory leasing</i>				63%	61%			
<i>GM of IP factory sales</i>				68%				
SG&A expenses(VNDbn)	104.6	91.1	14.8%	245.9	189.7	29.6%		KBC paid higher commission to boost the IP land sales
Operating profit (VNDbn)	229.3	301.6	-24.0%	883.6	676.3	30.7%		
Financial income (VNDbn)	24.9	21.5	15.7%	54.6	59.8	-8.7%		
Financial expense (VNDbn)	56.9	44.6	27.5%	163.3	155.9	4.7%		
Pre-tax profit (VNDbn)	220.6	299.2	-26.3%	868.0	673.4	28.9%		
Profit after tax (VNDbn)	132.2	237.4	-44.3%	645.1	528.5	22.0%		
Minority interest (VNDbn)	22.6	17.5	29.3%	144.9	39.3	269.0%		9M19 profit mainly came from subsidiaries in Tan Phu Trung IP and Quang Chau IP, while minority interest made a significant increase of 269%
<b>Net profit (VNDbn)</b>	109.6	220.0	-50.2%	500.1	489.3	2.2%	59.49%	

SOURCES: VND RESEARCH, COMPANY REPORTS

**Figure 3: Peer comparison**

Company Name	Ticker	Price (local curr)	TP (local curr)	Recom.	Market Cap (US\$ m)	3-year EPS CAGR %	P/E		P/BV		ROE (%)		Dividend yield (%)		Net gearing (%)
							2019F	2020F	2019F	2020F	2019F	2020F	2019F	020F	
<b>Kinh Bac City De</b>	<b>KBC VN</b>	<b>14,300</b>	<b>17,500</b>	<b>ADD</b>	<b>289.6</b>	<b>85.1</b>	<b>8.0</b>	<b>6.4</b>	<b>0.7</b>	<b>0.6</b>	<b>9.1</b>	<b>10.6</b>	<b>N/A</b>	<b>N/A</b>	<b>23.0</b>
Becamex IDC Corp	BCM VN	30,000	NR	NR	1,333	N/A	12.4	N/A	2.0	N/A	11.3	N/A	1.3	N/A	123.1
Sonadezi Corp	SNZ VN	20,500	NR	NR	331	26	15.8	N/A	1.0	N/A	12.0	N/A	3.4	N/A	12.3
Saigon Vrg Inves	SIP VN	103,500	NR	NR	307	N/A	27.5	N/A	4.4	N/A	19.1	N/A	N/A	0.0	-250.5
Viglacera Corporation	VGC VN	18,850	NR	NR	363	89	15.1	11.3	1.4	1.2	9.4	10.7	4.7	0.0	4.9
Vietnam Urban and Industrial Park Develc	IDC VN	18,400	NR	NR	237	53	15.9	N/A	0.2	N/A	4.5	N/A	3.3	N/A	14.5
Nam Tan Uyen Industrial Park Developme	NTC VN	168,800	NR	NR	116	73	16.0	N/A	3.7	N/A	32.3	N/A	5.9	N/A	-234.5
Industrial Urban	D2D VN	82,300	NR	NR	75	40	7.9	N/A	1.4	N/A	23.5	N/A	3.6	N/A	-150.3
<b>Vietnam Average</b>							<b>15.8</b>	<b>11.3</b>	<b>2.0</b>	<b>1.2</b>	<b>16.0</b>	<b>N/A</b>	<b>3.7</b>	<b>N/A</b>	<b>-68.7</b>
<b>Vietnam Median</b>							<b>15.5</b>	<b>11.3</b>	<b>1.4</b>	<b>1.2</b>	<b>11.7</b>	<b>10.7</b>	<b>3.5</b>	<b>0.0</b>	<b>8.6</b>
Wha Corp Pcl	WHA TB	4.64	5.03	ADD	2,116	141	10.3	11.8	0.9	0.8	8.7	7.4	N/A	N/A	11.4
Amata Corp Pub	AMATA TB	24.00	26.87	ADD	794	72	25.2	13.8	1.1	1.0	6.5	7.6	N/A	N/A	42.9
Frasers Property	FPT TB	18.20		NR	1,138	121	12.8	17.6	1.0	1.0	5.0	4.5	5.7	N/A	123.4
Rojana Indus Par	ROJNA TB	6.35	8.45	ADD	398	126	19.4	16.3	2.4	2.1	11.9	12.8	N/A	N/A	104.5
<b>Thailand Average</b>							<b>16.9</b>	<b>14.9</b>	<b>1.3</b>	<b>1.2</b>	<b>8.0</b>	<b>8.1</b>	<b>5.7</b>	<b>N/A</b>	<b>70.5</b>
Bumi Serpong	BSDE IJ	1,335	1,666	ADD	1,773	167	19.1	17.3	1.3	1.2	6.9	7.0	N/A	N/A	31.3
Ciputra Developm	CTRA IJ	1,275	1,330	ADD	1,633	98	11.4	15.9	0.4	0.3	2.0	5.6	N/A	N/A	39.7
Lippo Karawaci	LPKR IJ	278	324	ADD	1,360	156	14.7	19.3	0.5	0.5	3.4	2.4	1.0	N/A	47.7
<b>Indonesia Average</b>							<b>15.1</b>	<b>17.5</b>	<b>0.7</b>	<b>0.7</b>	<b>4.1</b>	<b>5.0</b>	<b>N/A</b>	<b>N/A</b>	<b>39.6</b>

All prices are based on the closing prices on 04 Nov 2019. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

NOTE: PRICE AS OF 06 NOV 2019

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORT

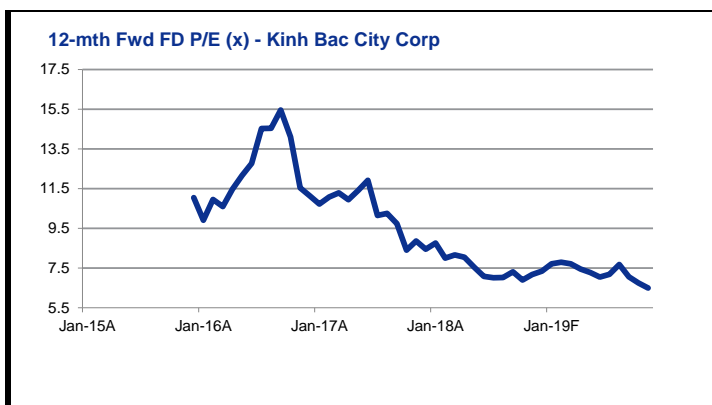
## BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>2,490</b>	<b>3,666</b>	<b>4,343</b>	<b>3,278</b>
<b>Gross Profit</b>	<b>1,468</b>	<b>1,864</b>	<b>2,231</b>	<b>1,719</b>
<b>Operating EBITDA</b>	<b>1,161</b>	<b>1,413</b>	<b>1,696</b>	<b>1,316</b>
Depreciation And Amortisation	0	0	0	0
<b>Operating EBIT</b>	<b>1,161</b>	<b>1,413</b>	<b>1,696</b>	<b>1,316</b>
Financial Income/(Expense)	(102)	(161)	(134)	(133)
Pretax Income/(Loss) from Assoc.	14	14	14	14
Non-Operating Income/(Expense)	(26)	(13)	(10)	(5)
<b>Profit Before Tax (pre-EI)</b>	<b>1,047</b>	<b>1,252</b>	<b>1,566</b>	<b>1,191</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>1,047</b>	<b>1,252</b>	<b>1,566</b>	<b>1,191</b>
<b>Taxation</b>	<b>(238)</b>	<b>(263)</b>	<b>(329)</b>	<b>(250)</b>
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>808</b>	<b>989</b>	<b>1,237</b>	<b>941</b>
Minority Interests	(63)	(148)	(186)	(141)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>746</b>	<b>841</b>	<b>1,052</b>	<b>800</b>
Recurring Net Profit	746	841	1,052	800
<b>Fully Diluted Recurring Net Profit</b>	<b>746</b>	<b>841</b>	<b>1,052</b>	<b>800</b>

Balance Sheet				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	227	318	2,526	4,206
Properties Under Development				
Total Debtors	5,842	7,760	7,760	6,938
Inventories	8,593	8,811	8,550	8,452
Total Other Current Assets	200	260	260	232
<b>Total Current Assets</b>	<b>14,862</b>	<b>17,149</b>	<b>19,096</b>	<b>19,829</b>
Fixed Assets	157	548	526	493
<b>Total Investments</b>	<b>1,276</b>	<b>1,254</b>	<b>1,222</b>	<b>1,187</b>
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	614	728	728	728
<b>Total Non-current Assets</b>	<b>2,047</b>	<b>2,530</b>	<b>2,475</b>	<b>2,408</b>
Short-term Debt	1,154	138	138	138
Current Portion of Long-Term Debt		0	0	0
Total Creditors	479	1,020	1,020	882
Other Current Liabilities	2,300	3,283	3,283	2,841
<b>Total Current Liabilities</b>	<b>3,933</b>	<b>4,441</b>	<b>4,441</b>	<b>3,861</b>
Total Long-term Debt	1,285	2,133	1,953	1,953
Hybrid Debt - Debt Component		0	0	0
Total Other Non-Current Liabilities	1,191	2,083	2,918	3,224
<b>Total Non-current Liabilities</b>	<b>2,476</b>	<b>4,216</b>	<b>4,871</b>	<b>5,177</b>
Total Provisions	664	664	664	664
<b>Total Liabilities</b>	<b>7,072</b>	<b>9,321</b>	<b>9,976</b>	<b>9,702</b>
<b>Shareholders' Equity</b>	<b>9,035</b>	<b>9,407</b>	<b>10,459</b>	<b>11,258</b>
Minority Interests	803	951	1,137	1,278
<b>Total Equity</b>	<b>9,837</b>	<b>10,358</b>	<b>11,595</b>	<b>12,536</b>

Cash Flow				
(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	1,161.3	1,412.8	1,696.4	1,315.5
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(516.3)	201.2	1,151.1	727.6
Straight Line Adjustment		0.0	0.0	0.0
(Incr)/Decr in Total Provisions	(22.0)	1.0	1.0	0.0
Other Non-Cash (Income)/Expense	41.3	69.0	98.3	99.8
Other Operating Cashflow	(136.6)	(13.1)	(9.8)	(5.4)
Net Interest (Paid)/Received	(193.9)	(216.2)	(216.2)	(215.3)
Tax Paid	(204.7)	(262.9)	(328.9)	(250.1)
<b>Cashflow From Operations</b>	<b>129.1</b>	<b>1,191.7</b>	<b>2,391.8</b>	<b>1,672.2</b>
Capex	(62.1)	(440.6)	(43.4)	(32.8)
Disposals Of FAs/subsidiaries	6.8	13.9	13.9	13.9
Disposals of Investment Properties	9.8	0.0	0.0	0.0
Acq. Of Subsidiaries/Investments		0.0	0.0	0.0
Other Investing Cashflow	(109.3)	13.2	26.4	26.4
<b>Cash Flow From Investing</b>	<b>(154.8)</b>	<b>(413.6)</b>	<b>(3.2)</b>	<b>7.5</b>
Debt Raised/(repaid)	(245.7)	(216.0)	(179.7)	0.0
Proceeds From Issue Of Shares		0.0	0.0	0.0
Shares Repurchased		0.0	0.0	0.0
Dividends Paid	(9.7)	(469.8)	0.0	0.0
Preferred Dividends		0.0	0.0	0.0
Other Financing Cashflow		0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(255.3)</b>	<b>(685.8)</b>	<b>(179.7)</b>	<b>0.0</b>

Key Ratios				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	97.6%	47.2%	18.5%	(24.5%)
Operating EBITDA Growth	146%	22%	20%	(22%)
Operating EBITDA Margin	46.6%	38.5%	39.1%	40.1%
Net Cash Per Share (VND)	(4,709)	(4,157)	926	4,501
BVPS (VND)	19,232	20,025	22,264	23,966
Gross Interest Cover	5.99	6.53	7.85	6.11
Effective Tax Rate	N/A	N/A	N/A	N/A
Net Dividend Payout Ratio	NA	55.9%	NA	NA
Accounts Receivables Days	218.6	200.0	189.7	237.4
Inventory Days	3,020	1,762	1,504	1,990
Accounts Payables Days	33.00	34.09	49.58	62.46
ROIC (%)	9.8%	11.2%	12.3%	9.7%
ROCE (%)	9.9%	11.3%	12.9%	9.4%
Return On Average Assets	5.57%	6.29%	6.65%	4.90%



Key Drivers				
	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Unbooked Presales (m) (VND)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	N/A	N/A	N/A	N/A
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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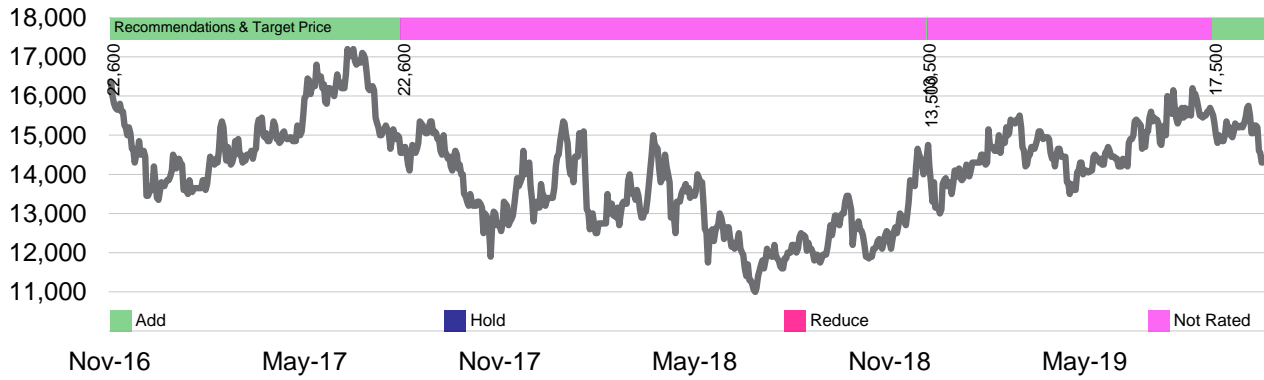
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Spitzer Chart for stock being researched ( 2 year data )

**Kinh Bac City Corp (KBC VN)**

— Price Close



## 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, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **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 reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% 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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