

Malaysia

ADD (no change)

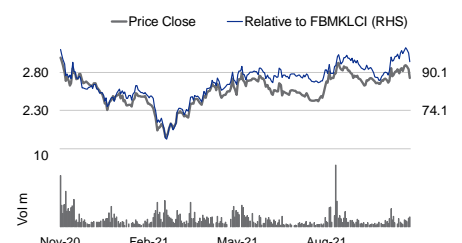
Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	RM2.73
Target price:	RM5.44
Previous target:	RM3.78
Up/downside:	99.3%
CGS-CIMB / Consensus:	46.8%
Reuters:	TGIB.KL
Bloomberg:	TGIMK
Market cap:	US\$250.1m
	RM1,046m
Average daily turnover:	US\$0.61m
	RM2.53m
Current shares o/s:	382.8m
Free float:	60.0%

*Source: Bloomberg

Key changes in this note

- FY21-23F EPS raised by 5-7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3	9.6	-16.3
Relative (%)	8.1	9.7	-11.2

Major shareholders	% held
Ang family	40.0

Analyst(s)



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Thong Guan Industries

Try to stop this juggernaut

- Thong Guan Industries's 9M21 core net profit made up 80% of our full-year forecast, above expectations on the back of stronger-than-expected sales.
- We expect the group to fare better qoq as it said that operations resumed to full capacity beginning end-Sep 2021. Capacity expansion is under way.
- We raise our FY21-23F EPS by 5-7%. With our 14.2x target P/E rolled over to end-2022, our TP rises to RM5.44 (99.3% potential upside).

Smashed core net profit expectations in 9M21

Thong Guan Industries's 9M21 core net profit exceeded expectations at 80% of our FY21F forecast and 78% of consensus. Excluding the RM1.1m unrealised foreign exchange gains and RM172,000 worth of fixed asset disposal gains, Thong Guan recorded a core net profit of RM68.4m in 9M21, up 16.8% yoy. The primary reason for Thong Guan's 9M21 core net profit coming in above our expectation was sales growing more than anticipated yoy. Turnover for 9M21 leapt 23.5% yoy to RM886.3m, and we believe it is likely to finally surpass the RM1bn mark that it has aimed for by year-end.

Some qoq slippage in 3Q21 core net profit

After achieving new quarterly earnings records in 1Q-2Q21, Thong Guan's 3Q21 core net profit slid 17.7% qoq while revenue inched down by 3.4% qoq. The group said that its output was hampered by two weeks of closures at two manufacturing facilities due to confirmed Covid-19 cases among its employees. 3Q21 sales were also scuppered by shipping delays and container shortages. Plus, Thong Guan said the average selling prices of certain commodities were affected in tandem with the drop in raw material prices.

Growth, however, seems less likely to stop

Thong Guan seemed unfazed by 3Q21's weaker qoq earnings. It said the reopening of borders would allow it to perform marketing activities as it seeks further market expansion. Now that construction activities can go full speed ahead, Thong Guan aims to finish the works on two more factories by end-2021 and 1Q22.

Reiterate Add

We raise our FY21-23F EPS by 5-7% on the back of the strong 9M21 performance. We believe that Thong Guan is undervalued; its share price is at less than 10x CY22F P/E. It is the tenth largest stretch film producer in the world, with a market presence in over 70 countries. The stretch films that Thong Guan produces are high-quality and more environmentally-friendly, which have helped its customers comply with environmental, social, and governance (ESG) standards. It is also looking to achieve sales of RM2bn by FY26F, effectively doubling FY21's in just five financial years. We roll over our TP valuation basis to CY23F P/E, still valued at 14.2x. It is 2 s.d. above Thong Guan's 5-year mean, justified by the strong 24.9% FY20-23F CAGR. Downside risk: more delays in capacity expansion.

Financial Summary	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (RMm)	935	961	1,172	1,336	1,737
Operating EBITDA (RMm)	98.8	126.3	150.5	172.3	228.2
Net Profit (RMm)	63.2	76.3	92.8	106.9	146.7
Core EPS (RM)	0.34	0.20	0.24	0.28	0.38
Core EPS Growth	40.1%	(41.9%)	21.6%	15.1%	37.3%
FD Core P/E (x)	7.96	10.21	11.32	9.78	7.12
DPS (RM)	0.08	0.06	0.07	0.08	0.11
Dividend Yield	2.93%	2.19%	2.66%	3.07%	4.21%
EV/EBITDA (x)	4.38	7.29	6.70	5.92	4.49
P/FCFE (x)	12.5	10.1	154.7	47.8	279.8
Net Gearing	(14.7%)	(22.0%)	(8.7%)	(7.1%)	(6.3%)
P/BV (x)	0.87	1.62	1.47	1.33	1.17
ROE	11.8%	12.5%	13.7%	14.3%	17.5%
% Change In Core EPS Estimates			6.80%	4.94%	4.69%
CGS-CIMB/Consensus EPS (x)			1.04	1.05	1.04

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY21	3QFY20	yoy % chg	2QFY21	qoq % chg	3QFY21 cum	3QFY20 cum	yoy % chg	Prev. FY21F	Comments
Revenue	296.8	245.8	20.8	307.3	(3.4)	886.3	717.8	23.5	1337.1	Qoq slipped on shipping and container bottlenecks
Operating costs	(259.9)	(211.1)	23.1	(265.3)	(2.0)	(772.7)	(623.3)	24.0	(1194.4)	
EBITDA	36.9	34.6	6.6	42.0	(12.1)	113.6	94.6	20.1	142.7	Above expectation
EBITDA margin (%)	12.4	14.1	(1.7)	13.7	(1.2)	12.8	13.2	(0.4)	10.7	
Depn & amort.	(7.1)	(6.6)	8.6	(7.5)	(5.0)	(22.1)	(20.2)	9.6	(30.1)	
EBIT	29.8	28.1	6.1	34.5	(13.7)	91.5	74.4	22.9	112.6	
Interest expense	(0.5)	(0.5)	11.8	(0.5)	11.3	(1.4)	(2.1)	(33.5)	-	
Interest & invt inc	0.6	0.7	(9.4)	0.9	(28.8)	2.3	3.3	(28.1)	1.0	RM79.3m (20.1 sen/share) net cash as of end-Sep 2021
Associates' contrib	0.1	0.3	(53.4)	0.0	nm	0.3	0.7	(51.7)	0.96	
Exceptionals	0.9	(1.1)	nm	(0.5)	283.4	1.3	(0.3)	nm	0.0	Mostly unrealised forex gain
Pre-tax profit	31.0	27.4	12.8	34.5	(10.2)	94.0	75.9	23.8	114.6	Above expectation
Tax	(7.2)	(5.6)	28.4	(7.6)	(4.5)	(20.4)	(14.0)	45.8	(23.1)	
Tax rate (%)	23.4	20.6	13.8	22.0	1.4	21.7	18.4	17.7	20.1	
Minority interests	(1.3)	(2.2)	nm	(1.3)	2.4	(3.9)	(3.7)	6.6	(4.7)	
Net profit	22.4	19.6	14.2	25.6	(12.5)	69.7	58.3	19.6	86.9	Thong Guan's 9M21 core net profit made up 80% of our
Core net profit	21.5	20.7	3.5	26.1	(17.7)	68.4	58.6	16.8	86.9	full-year earnings forecast, and 78% of consensus'
EPS (sen)	5.9	5.2	12.5	6.7	(12.7)	18.2	15.5	17.9	22.7	
Core EPS (sen)	5.6	5.5	1.9	6.8	(17.9)	17.9	15.5	15.0	22.7	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Segmental breakdown

Revenue (RM m)	3Q21	3Q20	Yoy (%)	2Q21	Qoq (%)	3Q21 cum.	3Q20 cum.	Yoy (%)
Plastic packaging products	273.8	224.6	21.9%	284.5	-3.7%	817.6	658.9	24.1%
Food, beverages, and other consumable products	23.0	21.2	8.7%	22.8	0.8%	68.7	59.0	16.4%
Total	296.8	245.8	20.8%	307.3	-3.4%	886.3	717.8	23.5%
Pre-tax profit/(loss) (RM m)	2Q21	2Q20	Yoy (%)	1Q21	Qoq (%)	3Q21 cum.	3Q20 cum.	Yoy (%)
Plastic packaging products	29.9	26.4	13.0%	33.6	-11.0%	90.2	72.6	24.2%
Food, beverages, and other consumable products	1.1	1.0	7.9%	0.9	21.8%	3.9	3.3	16.1%
Total	31.0	27.4	12.8%	34.5	-10.2%	94.0	75.9	23.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision

	Previous		Revised				Change	
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY23F
Revenue	1,152.7	1,337.1	1,738.3	1,171.9	1,336.0	1,736.8	2%	0%
EBIT	112.6	131.1	179.9	120.4	137.6	188.4	7%	5%
Pre-tax profit	114.6	133.1	181.9	122.4	139.6	190.4	7%	5%
Net profit	86.9	101.8	140.1	92.8	106.9	146.7	7%	5%
EPS (sen)	22.7	26.6	36.6	24.2	27.9	38.3	7%	5%

SOURCES: CIMB RESEARCH, 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 (%)	
						CY21F	CY22F		CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F
Daibochi Bhd	DPP MK	Hold	2.58	2.70	202	13.8	12.1	-1.9%	2.92	2.63	16.1%	15.4%	13.4	12.4	1.6%	1.7%
Thong Guan Industries	TGI MK	Add	2.73	5.44	250	11.3	9.8	24.5%	1.47	1.33	13.9%	14.3%	6.6	5.9	2.7%	3.1%
Tomyapak Holdings	TOMY MK	Hold	0.56	0.52	58	71.7	30.8	na	1.23	1.18	1.8%	3.9%	10.8	9.2	0.0%	3.7%
Weighted average						19.1	13.1	11.3%	2.0	1.8	13.4%	13.5%	9.8	8.8	2.0%	2.6%
Simple average						32.2	17.5	11.3%	1.9	1.7	10.6%	11.2%	10.3	9.2	1.4%	2.8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS



ESG in a nutshell

While plastic production is a touchy subject in the environmental space, Thong Guan Industries is doing all it can to balance the need to preserve the environment and consumers' rising demand for plastic packaging products. This 80-year-old family-run company took the initiative to transform itself in 2016 into a world-class player of plastic products and stretch films. Although the transformation's ultimate goal is to raise its margins and revenue base, Thong Guan had to invest in research and development (R&D) to produce more environmentally friendly plastic products that could satisfy its customers in the developed markets.

Keep your eye on

Thong Guan's capacity expansion. The company aims to build facilities that will generate another RM1bn worth of sales by FY26F, effectively doubling its turnover from FY20 levels.

Implications

Our TP valuation is set at 14x CY22F P/E, which is 2 s.d. above its 5-year mean. The premium is accorded to give a value to Thong Guan's strong earnings growth.

ESG highlights

Thong Guan is the 10th largest stretch film producer in the world, according to the UK's Applied Market Information.

Implications

To reach that level of sales, Thong Guan cannot simply produce sub-par plastic products that do not meet today's strict environmental standards. In 2016, the company established an R&D arm that went on to conceptualise its ultra-light TG Nano Series stretch films and recyclable bags.

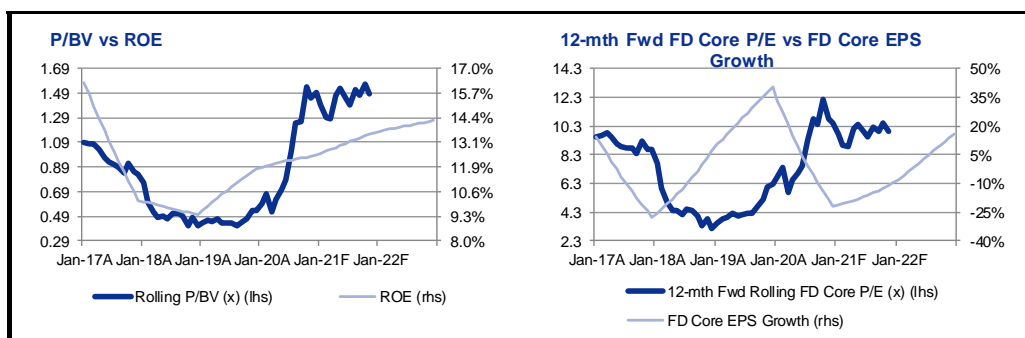
Trends

Thong Guan's annual report disclosures are pretty light on the social element of the ESG investing standards. Besides the usual declarations such as policies against child labour and bribery, there are no yoy trends or statistics on other social aspects, like gender or racial breakdown in its workforce.

Implications

Given the dearth of information on this front, there is little for us to comment on. However, Thong Guan is known as one of the biggest employers in Peninsular Malaysia's northern region. It has also not run into controversies over its labour practices or worker treatment.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Net Revenues	935.1	960.6	1,171.9	1,336.0	1,736.8
Gross Profit	266.0	293.2	354.8	405.0	529.9
Operating EBITDA	98.8	126.3	150.5	172.3	228.2
Depreciation And Amortisation	(23.1)	(27.4)	(30.1)	(34.6)	(39.8)
Operating EBIT	75.7	98.9	120.4	137.6	188.4
Financial Income/(Expense)	1.0	1.0	1.0	1.0	1.0
Pretax Income/(Loss) from Assoc.	0.5	1.0	1.0	1.0	1.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	77.2	100.9	122.4	139.6	190.4
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	77.2	100.9	122.4	139.6	190.4
Taxation	(12.0)	(19.6)	(24.6)	(28.1)	(38.2)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	65.2	81.3	97.8	111.6	152.2
Minority Interests	(2.0)	(5.0)	(5.0)	(4.7)	(5.5)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
Net Profit	63.2	76.3	92.8	106.9	146.7
Recurring Net Profit	63.2	76.3	92.8	106.9	146.7
Fully Diluted Recurring Net Profit	63.2	76.3	92.8	106.9	146.7

Cash Flow

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
EBITDA	98.77	126.30	150.51	172.25	228.21
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(6.39)	10.18	(79.11)	(44.30)	(108.21)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	0.00	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(12.05)	(19.65)	(24.61)	(28.06)	(38.21)
Cashflow From Operations	80.34	116.83	46.79	99.90	81.79
Capex	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	(38.05)	(38.05)
Cash Flow From Investing	(40.00)	(40.00)	(40.00)	(78.05)	(78.05)
Debt Raised/(repaid)	0.00	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(18.57)	(22.66)	(28.04)	(32.25)	(44.20)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(18.57)	(22.66)	(28.04)	(32.25)	(44.20)
Total Cash Generated	21.77	54.18	(21.25)	(10.40)	(40.46)
Free Cashflow To Equity	40.34	76.83	6.79	21.85	3.74
Free Cashflow To Firm	40.34	76.83	6.79	21.85	3.74

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	228.2	293.9	211.0	205.0	205.0
Total Debtors	172.3	194.7	234.4	267.2	347.4
Inventories	186.4	210.4	234.4	267.2	347.4
Total Other Current Assets	0.7	0.7	6.2	6.2	6.2
Total Current Assets	587.6	699.6	686.0	745.6	905.9
Fixed Assets	261.4	295.4	305.3	348.7	387.0
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	10.5	9.0	79.9	105.4	105.4
Total Non-current Assets	271.9	304.4	385.1	454.1	492.4
Short-term Debt	91.7	88.2	88.3	88.3	88.3
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	111.2	167.8	152.3	173.7	225.8
Other Current Liabilities	2.3	3.0	0.5	0.5	0.5
Total Current Liabilities	205.2	259.0	241.1	262.5	314.6
Total Long-term Debt	49.0	58.3	58.3	58.3	58.3
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	9.8	17.3	31.9	59.2	97.0
Total Non-current Liabilities	58.7	75.6	90.2	117.5	155.3
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	263.9	334.6	331.3	380.0	469.9
Shareholders' Equity	577.6	646.4	711.8	787.1	890.2
Minority Interests	18.0	23.0	28.0	32.7	38.2
Total Equity	595.5	669.4	739.8	819.8	928.4

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	8.5%	2.7%	22.0%	14.0%	30.0%
Operating EBITDA Growth	36.1%	27.9%	19.2%	14.4%	32.5%
Operating EBITDA Margin	10.6%	13.1%	12.8%	12.9%	13.1%
Net Cash Per Share (RM)	0.48	0.38	0.17	0.15	0.15
BVPS (RM)	3.14	1.69	1.86	2.06	2.33
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	15.6%	19.5%	20.1%	20.1%	20.1%
Net Dividend Payout Ratio	24.7%	23.6%	23.9%	23.9%	23.9%
Accounts Receivables Days	66.98	69.92	66.83	68.52	64.58
Inventory Days	97.8	108.8	99.3	98.3	92.9
Accounts Payables Days	58.12	76.49	71.50	63.91	60.41
ROIC (%)	16.2%	19.1%	22.3%	19.5%	23.0%
ROCE (%)	11.2%	12.9%	14.3%	15.0%	18.6%
Return On Average Assets	9.5%	10.7%	11.7%	12.2%	14.6%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Plastic packaging products growth	N/A	0.0	0.2	0.2	0.3
Food, beverages, and other consumable products gro	N/A	0.2	0.0	(0.0)	0.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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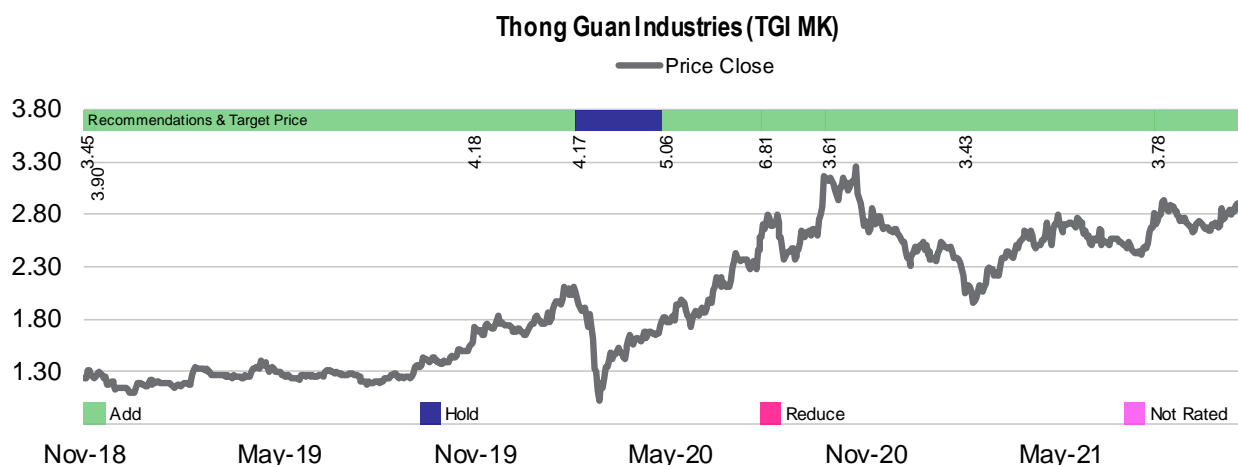
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Spitzer Chart for stock being researched (2 year data)

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AJ** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised 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.

