

Indonesia

**ADD** (no change)

Consensus ratings\*: Buy 3 Hold 0 Sell 0

Current price: Rp274.0  
 Target price: Rp400.0  
 Previous target: Rp400.0  
 Up/downside: 46.0%  
 CGS-CIMB / Consensus: na

Reuters: ASSA.JK  
 Bloomberg: ASSA IJ  
 Market cap: US\$67.81m  
 Rp930,915m  
 Average daily turnover: US\$0.02m  
 Rp257.7m  
 Current shares o/s: 7,147m  
 Free float: 40.0%  
 \*Source: Bloomberg

**Key changes in this note**

- FY18F core EPS increased by 7%.
- FY19F core EPS increased by 6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.6	35.6	7.9
Relative (%)	10.8	38.2	-2.8

**Major shareholders**

	% held
Adi Dinamika Investindo	24.9
Daya Adicipta Mustika	19.2
Theodore Permadi Rahmat	6.0

**Analyst(s)**



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# Adi Sarana

## Shifting up a gear

- ASSA's FY17 core profit was ahead of our expectation, at 115% of our forecast.
- Higher-than-expected contributions from further decline in borrowing costs point to upside to our previous estimates.
- We fine-tune our forecasts according to the latest car disposal margin trend and company guidance.
- The stock is trading at 0.9x FY18F P/BV. Our target price reflects its deep undervaluation and the growth potential in a recovery environment. Maintain Add.

### Another strong finish

ASSA's earnings beat our expectations for the second year in a row, with FY17 core net profit of Rp102bn (+66% yoy) coming in 15% ahead of our FY17 estimate. This was driven mainly by faster-than-expected decline in interest rates on debt. The company's vehicles under management rose to 20,898 units as at end-FY17 (vs. our estimate of 21,734 units), with net addition of 1,699 units throughout the year.

### The growth triangle

On the other hand, FY17 revenue came in at Rp1,690bn (+8% yoy), which only formed 95% of our estimate. Nevertheless, the positive revenue growth was contributed by continuous growth in rental revenue (+9% yoy, 70% of FY17 revenue), as well as strong growth in used car revenue (+22% yoy, 14% of FY17 revenue) and auction business revenue (+82% yoy, 2% of FY17 revenue). These offset the weakness in logistics business revenue (-18% yoy, 13% of FY17 revenue).

### Stabilising used car margins...

ASSA's used car sales margin slightly softened to Rp20.0m/car in 4Q17 vs. Rp20.1m/car in 3Q17. This brought the average FY17 used car margin to Rp17.6m/car, in line with our estimate. The ongoing recovery in used car margins suggests that the used car market remains strong, while the disposal of loss-making 4x4 vehicles declined (71 units disposed in FY17, -53% yoy) and losses narrowed to c.Rp43m/car in 4Q17 vs. c.Rp50m/unit in 3Q17.

### ...which remain visible for the next two years

We think the used car sales margins could be sustained for the next two years given that: a) a four-year old Toyota Avanza could be sold at c.76% of its acquisition price in 2017, a further increase from 72% in FY16; b) further improvement in 4x4 vehicles disposal losses to Rp15m/car in 2M18 as demand improved; and c) the disposal of 4- and 5-year old cars which were purchased before the significant car price hike in FY16, which translates to lower acquisition cost relative to the higher used car prices.

### Cruising ahead

That being said, we now estimate that the company can continue to book average used car sales margin of Rp20m for the next two years, supported by a better economic growth outlook and higher new car prices. We have also adjusted our forecasts, expecting weaker growth in logistics business revenue, offset by lower cost of funds. All of these underpin our FY18-19F EPS forecast upgrades of 6-7%.

### Deeply undervalued

ASSA currently trades at 0.9x FY18F P/BV. Given the stronger-than-expected recovery in the used car market and rapidly rising ROE, we believe ASSA is undervalued. We maintain our GGM-based target price of Rp400 (with unchanged ROE of 16%, LTG 0% and COE 14%) which implies 8x FY19F P/E and 1.1x FY19F P/BV. Re-rating catalysts include faster-than-expected adjustments in ROE. Downside risks include a softening secondary car market, which could result in lower-than-expected used car sales margins.

### Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (Rpb)	1,570	1,690	1,906	2,171	2,353
Operating EBITDA (Rpb)	640	710	816	944	1,077
Net Profit (Rpb)	62.2	103.4	131.9	169.6	190.2
Core EPS (Rp)	18.30	30.44	38.81	49.93	55.98
Core EPS Growth	81.8%	66.3%	27.5%	28.6%	12.1%
FD Core P/E (x)	14.97	9.00	7.06	5.49	4.89
DPS (Rp)	4.00	7.00	12.15	15.53	19.97
Dividend Yield	1.46%	2.55%	4.43%	5.67%	7.29%
EV/EBITDA (x)	4.25	4.01	3.93	3.77	3.61
P/FCFE (x)	35.85	13.61	18.34	13.75	12.31
Net Gearing	198%	194%	212%	220%	225%
P/BV (x)	1.03	0.94	0.87	0.78	0.71
ROE	7.1%	10.9%	12.8%	15.0%	15.2%
% Change In Core EPS Estimates			6.68%	5.69%	
CIMB/consensus EPS (x)			1.07	1.06	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

# Shifting up a gear

## OUTLOOK

### FY17 results above expectations ►

FY17 revenue came in at Rp1,690bn (+8% yoy), which only formed 95% of our estimate. Nevertheless, the positive revenue growth was contributed by continuous growth in rental revenue (+9% yoy, 70% of FY17 revenue), as well as strong growth in used car revenue (+22% yoy, 14% of FY17 revenue) and auction business revenue (+82% yoy, 2% of FY17 revenue). These offset the weakness in logistics business revenue (-18% yoy, 13% of FY17 revenue).

**Figure 1: Results Comparison**

FYE Dec (Rp bn)	4QFY17	4QFY16	yoy % chg	3QFY17	qoq % chg	4QFY17 Cum	4QFY16 Cum	yoy% chg	Previous FY17F
Revenue	456	437	4.3	421	8.3	1,690	1,570	7.6	1,779 95% of previous CIMB forecast
Operating costs	(269)	(265)	1.5	(243)	10.5	(994)	(945)	5.2	(1,050)
EBITDA	187	172	8.7	178	5.2	696	626	11.2	730 95% of previous CIMB forecast
EBITDA margin (%)	41%	39%		42%		41%	40%		41%
Depn & amort.	105	96	9.9	103	2.5	401	370	8.3	422
EBIT	82	77	7.1	76	8.9	295	256	15.4	308 96% of previous CIMB forecast
Interest expense	(44)	(45)	(2.5)	(46)	(3.3)	(176)	(185)	(4.9)	(210)
Interest & invt inc	0	0	25.8	0	70.0	1	1	32.9	1
Others	4	5	(13.2)	5	(2.5)	17	17	2.0	15
Pretax profit	43	37	16.3	35	23.9	138	89	55.5	113
Tax	(13)	(14)	(11.1)	(8)	52.1	(35)	(27)	30.8	(24)
Tax rate (%)	30%	39%	0%	24%	0%	25%	30%	0%	22%
Minority interests	0	0	370.1	0	260.2	0	0	216.7	-
<b>Net profit</b>	<b>30</b>	<b>23</b>	<b>N/A</b>	<b>26</b>	<b>14.8</b>	<b>103</b>	<b>62</b>	<b>66.1</b>	<b>89 116% of previous CIMB forecast</b>
<b>Core net profit</b>	<b>30</b>	<b>22</b>	<b>N/A</b>	<b>26</b>	<b>16.3</b>	<b>102</b>	<b>61</b>	<b>66.2</b>	<b>89 115% of previous CIMB forecast</b>
EPS (Rp)	9	7	N/A	8	14.8	30	18	66.1	26
Core EPS (Rp)	9	7	N/A	8	16.3	30	18	66.2	26

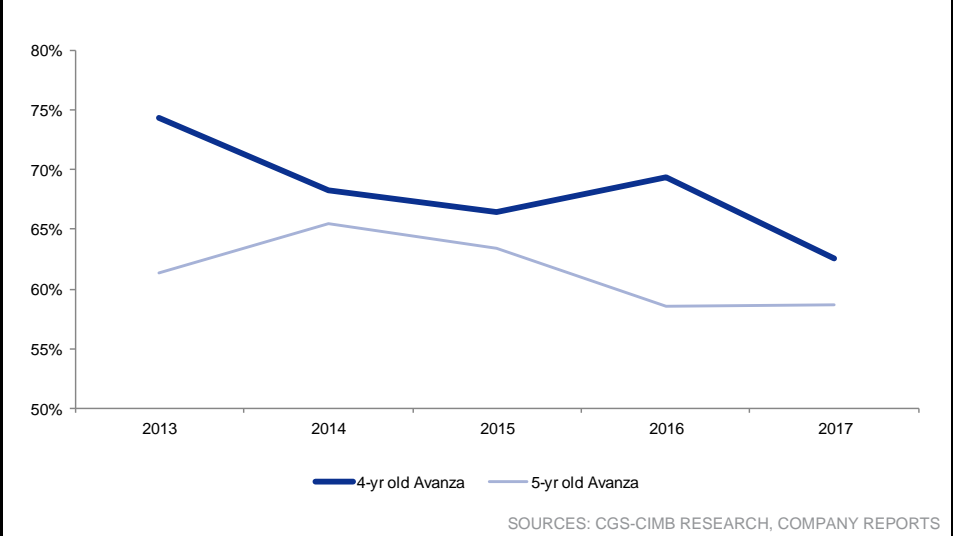
SOURCES: CGS-CIMB, COMPANY REPORTS

Nevertheless, ASSA's earnings beat our expectations for the second consecutive year. FY17 core net profit came in at Rp102bn (+66% yoy), 15% ahead of our FY17 estimate. This was driven mainly by faster-than-expected decline in interest rates on debt. The company's vehicles under management rose to 20,898 units as at end-FY17 (vs. our estimate of 21,734 units), with net addition of 1,699 units throughout the year.

### Car market improvement continues ►

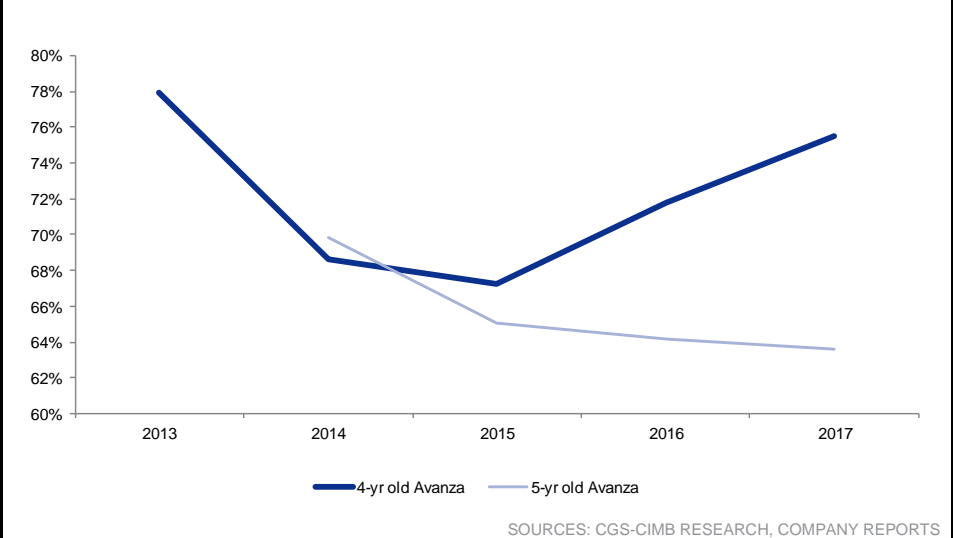
Continuing our previous observation from our report "The second chance" dated 24 Mar 2017, we observe the disposal price of a typical four-year old Toyota Avanza has declined to c.63% of a new car price, vs. the stable 68-69% of a new car price observed in 2014-16. This, we believe, is due to Toyota replacing the previous Avanza model (dubbed "New Avanza") in 2016 with the new Avanza model (dubbed "Grand New Avanza"), which introduced a new engine and added new features. Note that this resulted in a price hike vs. the previous model, meaning a lack of apple-to-apple price comparison between 2016 and 2017.

**Figure 2: Historical selling price of used Toyota Avanza compared to new car price. Note that Toyota has discontinued the previous Avanza model since 2016 and thus the acquisition price of a new Avanza in 2017 has reflected the price of the new model**



Nevertheless, we continue to see a positive trend on how the price of a used Toyota Avanza compares to its acquisition price. The figure below shows that the selling price of a four-year old Avanza dropped during 2014-15 to only 67-69% of the acquisition price (vs. 78% in 2013), improved to 72% by 2016 and further picked up to 76% in 2017, nearing the peak level of 78% observed back in 2013. This indeed resulted in further improvement in ASSA's margin on car disposals, which increased to Rp17.6m/car vs. Rp2.7m/car in FY16, along with the narrowing of losses borne on 4x4 vehicle disposals to Rp43m/car by the end of 2017 vs. Rp110m/car in 2016.

**Figure 3: Historical selling price of used Toyota Avanza compared to its acquisition cost**



We think that the main driver for this phenomenon of higher selling price vs. acquisition price was the significant 9% yoy price increase for Toyota Avanza as car demand recovered in 2016 (we use the historical price for the Toyota Avanza 1.3L G M/T type for this particular case study). This price increase was double the average 4% 7-year CAGR for new car prices, and thus lifted the used car prices.

That being said, we believe the trend of higher used car prices relative to the acquisition price vs. the 2014-15 level persisted in 2016-17, and we think this could continue for at least until 2020, assuming that a four-year old Toyota Avanza continues be sold at 61-63% of the price of a new car and barring any significant price increases in Toyota Avanza models until 2020.

## VALUATION AND RECOMMENDATION

### Upgrade FY18-19F earnings by 6-7% ➤

We raise our earnings forecasts, taking into account our new assumptions of higher used car sales margins of Rp20m for both FY18F and FY19F. This assumes that: a) 60% of the c.3,200 units targeted for disposal by the company this year are popular MPV models and would result in gains of Rp35m/car; b) 35% of the units targeted for disposal are other types of cars, which are being sold at book value; and c) the remaining 5% of the disposal target consists of 4x4 ex-mining vehicles which are expected to be sold at a loss of Rp15m/car.

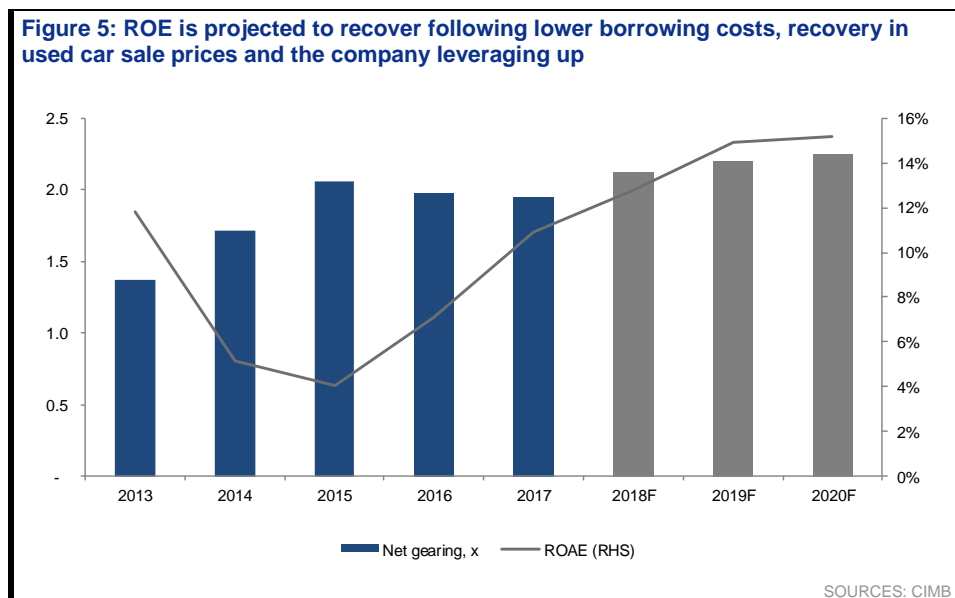
Figure 4: Earnings revision summary

	Previous		Revision		%change	
	FY18F	FY19F	FY18F	FY19F	FY18F	FY19F
Revenue	2,038.81	2,375.27	1,906.0	2,170.6	-7%	-9%
Gross Profit	668.78	794.50	604.3	716.2	-10%	-10%
Operating profit	406.95	486.98	372.1	451.7	-9%	-7%
Core profit	123.61	160.50	131.9	169.6	7%	6%
<b>Operational</b>						
Number of fleet, units	24,224	27,000	23,398	25,898	-3%	-4%
Utilisation ratio, %	94%	94%	94%	94%	0%	0%
Rental rate per year, Rp m	64.5	68.4	64.8	66.7	0%	-2%
Used car sales volume, units	3,191	3,797	3,233	3,995	1%	5%
Used car sales margin, Rp m/unit	19.0	18.0	20.0	20.0	5%	11%

SOURCES: CGS-CIMB

We also adjust our FY17 fleet acquisition and disposal targets, in line with the latest company guidance, lower borrowing costs as well as expect weaker growth in logistics business revenue. As a result, our FY18-19F earnings forecasts are lifted by 6-7%.

Figure 5: ROE is projected to recover following lower borrowing costs, recovery in used car sale prices and the company leveraging up



SOURCES: CIMB

By 2018, we project ROAE should recover to 13% (vs. 11% in 2017). The leverage currently stands at 2x, but this still leaves room to expand up to 4x, which is management's long-term target gearing. ROAE nevertheless should hit c.16% in the long term, as margins expand driven by higher used car sales margins and balance sheet expansion.

### Maintain Add with unchanged GGM-based TP of Rp400 ➤

We maintain our GGM-based target price of Rp400. Our assumptions remain unchanged, with a long-term ROE assumption of 16%, LTG of 0% and cost of equity of 14%. The assumptions are consistent with our positive outlook on the economy and manageable inflation, which should translate into a) a recovery in the auto market and b) improving demand for car rentals.

Our target price of Rp400/share implies 8x FY19F P/E and 1.1x FY19F P/BV. Re-rating catalysts include faster-than-expected adjustments in borrowing rates and ROE adjustment. Downside risks could come from lower-than-expected used car sales margins.

**Figure 6: GGM valuation assumptions**

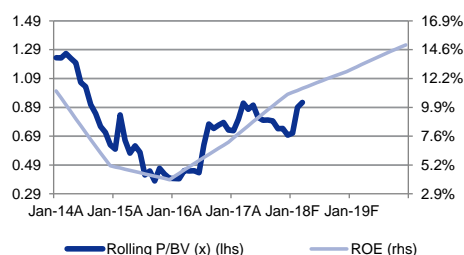
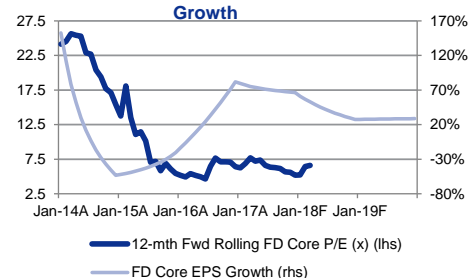
Beta	1.0
Risk premium	7.0%
Risk free rate	7.0%
Cost of equity	14.0%
Sustainable growth rate	0.0%
Long term ROE	16.0%

SOURCES: CGS-CIMB

**Figure 7: Sensitivity of valuations**

Long-term ROE	Sustainable growth rate		
	0.0%	0.5%	1.0%
15.0%	376	377	378
15.5%	389	390	392
16.0%	401	403	405
16.5%	414	416	419
17.0%	426	429	432

SOURCES: CGS-CIMB

**BY THE NUMBERS**
**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**

**Profit & Loss**

(Rpb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>Total Net Revenues</b>	<b>1,570</b>	<b>1,690</b>	<b>1,906</b>	<b>2,171</b>	<b>2,353</b>
<b>Gross Profit</b>	<b>814</b>	<b>904</b>	<b>1,037</b>	<b>1,195</b>	<b>1,348</b>
<b>Operating EBITDA</b>	<b>640</b>	<b>710</b>	<b>816</b>	<b>944</b>	<b>1,077</b>
Depreciation And Amortisation	(367)	(398)	(444)	(492)	(566)
<b>Operating EBIT</b>	<b>273</b>	<b>313</b>	<b>372</b>	<b>452</b>	<b>510</b>
Financial Income/(Expense)	(184)	(175)	(204)	(236)	(268)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>89</b>	<b>138</b>	<b>168</b>	<b>216</b>	<b>242</b>
Exceptional Items	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>89</b>	<b>138</b>	<b>168</b>	<b>216</b>	<b>242</b>
Taxation	(27)	(35)	(36)	(46)	(52)
Exceptional Income - post-tax	0	0	0	0	0
<b>Profit After Tax</b>	<b>62</b>	<b>103</b>	<b>132</b>	<b>170</b>	<b>190</b>
Minority Interests	0	0	(0)	0	0
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
<b>Net Profit</b>	<b>62</b>	<b>103</b>	<b>132</b>	<b>170</b>	<b>190</b>
Recurring Net Profit	62	103	132	170	190
<b>Fully Diluted Recurring Net Profit</b>	<b>62</b>	<b>103</b>	<b>132</b>	<b>170</b>	<b>190</b>

**Cash Flow**

(Rpb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>EBITDA</b>	<b>640.1</b>	<b>710.5</b>	<b>816.2</b>	<b>943.7</b>	<b>1,076.7</b>
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	0.6	3.2	(56.2)	(10.2)	(0.8)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
<b>Other Operating Cashflow</b>	<b>(252.9)</b>	<b>(325.8)</b>	<b>(822.3)</b>	<b>(930.8)</b>	<b>(1,005.3)</b>
Net Interest (Paid)/Received	(184.0)	(174.6)	(204.1)	(235.7)	(268.2)
Tax Paid	(26.7)	(34.9)	(36.1)	(46.5)	(52.1)
<b>Cashflow From Operations</b>	<b>177.2</b>	<b>178.4</b>	<b>(302.5)</b>	<b>(279.5)</b>	<b>(249.8)</b>
Capex	(12.4)	(110.6)	(15.9)	(16.7)	(17.5)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(12.4)</b>	<b>(110.6)</b>	<b>(15.9)</b>	<b>(16.7)</b>	<b>(17.5)</b>
Debt Raised/(repaid)	(138.8)	0.6	369.1	363.8	342.9
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(13.6)	(23.8)	(41.3)	(52.7)	(67.8)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(152.4)</b>	<b>(23.2)</b>	<b>327.8</b>	<b>311.1</b>	<b>275.0</b>
Total Cash Generated	12.4	44.6	9.5	14.9	7.8
<b>Free Cashflow To Equity</b>	<b>26.0</b>	<b>68.4</b>	<b>50.8</b>	<b>67.7</b>	<b>75.6</b>
<b>Free Cashflow To Firm</b>	<b>349.7</b>	<b>243.7</b>	<b>(111.9)</b>	<b>(57.8)</b>	<b>4.0</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rpb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	40	85	94	109	117
Total Debtors	201	212	245	279	302
Inventories	31	27	38	32	21
Total Other Current Assets	20	20	53	61	66
<b>Total Current Assets</b>	<b>292</b>	<b>344</b>	<b>431</b>	<b>481</b>	<b>506</b>
Fixed Assets	2,631	2,765	3,159	3,614	4,071
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	106	199	199	199	199
<b>Total Non-current Assets</b>	<b>2,738</b>	<b>2,964</b>	<b>3,358</b>	<b>3,813</b>	<b>4,270</b>
Short-term Debt	2	0	0	0	0
Current Portion of Long-Term Debt	440	637	693	800	900
Total Creditors	88	116	116	131	141
Other Current Liabilities	67	50	71	81	87
<b>Total Current Liabilities</b>	<b>597</b>	<b>802</b>	<b>880</b>	<b>1,011</b>	<b>1,128</b>
Total Long-term Debt	1,387	1,365	1,678	1,935	2,178
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	143	154	154	154	154
<b>Total Non-current Liabilities</b>	<b>1,529</b>	<b>1,519</b>	<b>1,832</b>	<b>2,090</b>	<b>2,332</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,126</b>	<b>2,322</b>	<b>2,712</b>	<b>3,101</b>	<b>3,461</b>
Shareholders' Equity	904	986	1,076	1,193	1,315
Minority Interests	0	0	0	0	0
<b>Total Equity</b>	<b>904</b>	<b>986</b>	<b>1,076</b>	<b>1,193</b>	<b>1,316</b>

**Key Ratios**

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	12.8%	7.6%	12.8%	13.9%	8.4%
Operating EBITDA Growth	14.0%	11.0%	14.9%	15.6%	14.1%
Operating EBITDA Margin	40.8%	42.0%	42.8%	43.5%	45.8%
Net Cash Per Share (Rp)	(526.3)	(564.3)	(670.1)	(772.8)	(871.4)
BVPS (Rp)	265.9	290.1	316.8	351.2	387.1
Gross Interest Cover	1.47	1.78	1.80	1.90	1.88
Effective Tax Rate	30.0%	25.2%	21.5%	21.5%	21.5%
Net Dividend Payout Ratio	21.9%	23.0%	31.3%	31.1%	35.7%
Accounts Receivables Days	42.07	43.27	41.88	41.33	42.43
Inventory Days	12.37	13.50	13.62	13.04	9.51
Accounts Payables Days	20.18	15.55	18.24	23.37	24.86
ROIC (%)	8.0%	8.8%	9.7%	10.3%	10.3%
ROCE (%)	10.2%	11.0%	11.6%	12.3%	12.3%
Return On Average Assets	7.07%	7.67%	8.32%	8.86%	8.92%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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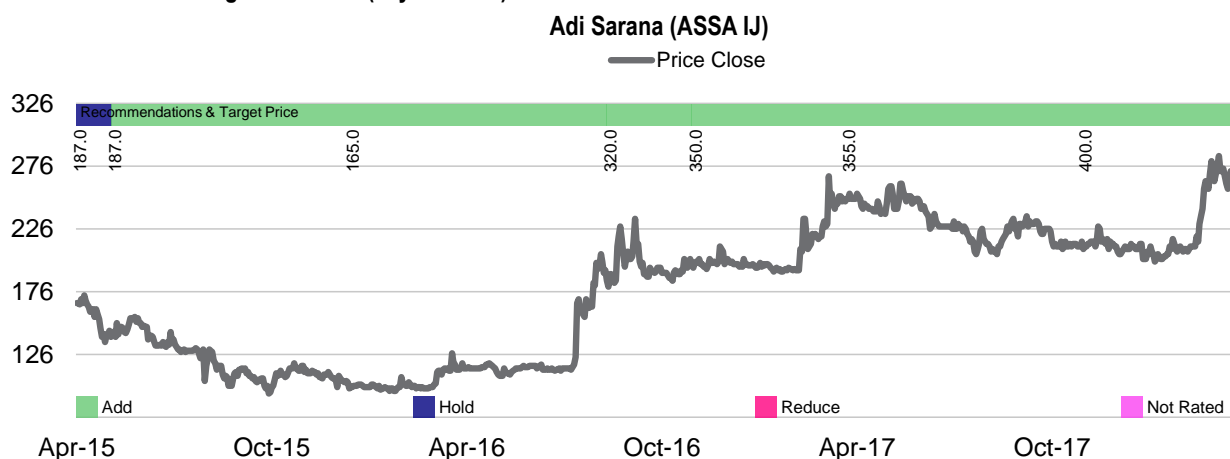
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**Spitzer Chart for stock being researched ( 2 year data )**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017**

**AAV** – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

**Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized 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.