

Singapore

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.82
Target price:	S\$1.22
Previous target:	S\$1.22
Up/downside:	48.8%
CGS-CIMB / Consensus:	2.1%
Reuters:	JAPF.SI
Bloomberg:	JAP SP
Market cap:	US\$1,249m
	S\$1,679m
Average daily turnover:	US\$1.89m
	S\$2.51m
Current shares o/s:	2,050m
Free float:	19.0%

*Source: Bloomberg

Key changes in this note

- Lower FY21F EPS by 3.5%
- Lower FY22F EPS by 0.2%
- Raise FY23F EPS by 8.4%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.3	-9.4	23.3
Relative (%)	-4.3	-7.6	3.6

Major shareholders	% held
Rangi Management Ltd	51.8
Morze International Ltd	15.2
Tasburgh Ltd	5.2

Analyst(s)



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Japfa Ltd

Thirsting for China raw milk

- We like Japfa's (JAP) acquisition of Falcon Dairy Holdings Limited (Falcon) which could see expansion of its cattle capacity by 19%.
- We expect its dairy business' EBIT to increase by 8-23% in FY22-23F from acquisition alongside elevated raw milk prices.
- Reiterate Add with an unchanged TP of S\$1.22 at target FY22F P/E of 11.5x. The stock remains cheap at 7.8x FY22F P/E (compared to peers' 13.3x).

Details of acquisition

The Falcon acquisition price of US\$123.4m represents 1.88x of the assets' book value as of 31 Mar 2021, and will provide JAP with additional cattle capacity of up to 16k from Falcon's two farms; JAP's existing cattle capacity is 84k from its eight existing cattle farms in China (5 in Shandong, 3 in Inner Mongolia). The Falcon valuation is at a slight discount to the 2x BV of AustAsia (AIH) when JAP divested a 25% stake in its China dairy business to Meiji Co. Ltd (Non-rated) in Jul 2020 for US\$254m. The valuation is also within the group's capex expectation of US\$90m-95m to build a dairy farm with 10k cattle capacity. The acquisition will be fully funded through a debt facility, which could bring JAP's FY21F net gearing to 0.44x (from 0.37x); we expect the interest on debt to be similar to the existing debt profile, at c.8.3%.

Accelerated capacity expansion to capture elevated raw milk prices

Raw milk prices remain elevated (Fig. 1) at RMB4.26/kg in Jun 2021, compared with the 10-year average of RMB3.59/kg, as supply shortages persist. Although the industry has raced to increase capacity since 2020, we expect raw milk prices to remain elevated over the next two years, as it typically takes 3-5 years to bring new capacity online. Meanwhile, the acquisition could allow JAP to grow capacity within a shorter time to benefit from the higher raw milk prices.

Near-term earnings could be hit as new farms await turnaround

The two newly acquired farms recorded net losses of US\$4.6m in 1Q21, and could weigh on JAP's earnings over the next one year as the company optimises farming operations through capacity and yield management. Nevertheless, we expect operational optimisation to take a year. We therefore revise FY21F/22F/23F EPS by -3.5%/-0.23%/+8.4%, with expectations of a business turnaround of the new farms in 2H22F; we expect the new farms to break even in FY22F and contribute full-year earnings in FY23F.

Reiterate Add with unchanged TP of S\$1.22

This report marks a change in covering analyst. Our TP remains pegged to 11.5x FY22F EPS; the stock continues to trade cheaply at close to -0.5 s.d. of forward P/E. Upside risks could include a quicker business turnaround for newly acquired farms and sustained increase in raw milk prices, while downside risks would be delayed business turnaround and weakening raw milk prices.

Financial Summary	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (US\$m)	3,890	3,868	4,509	4,527	4,587
Operating EBITDA (US\$m)	458.5	507.7	626.5	574.6	590.3
Net Profit (US\$m)	119.9	322.0	213.7	161.1	156.7
Core EPS (US\$)	0.06	0.10	0.10	0.08	0.08
Core EPS Growth	(1.9%)	47.1%	9.4%	(24.6%)	(2.7%)
FD Core P/E (x)	9.42	6.08	5.85	7.76	7.98
DPS (US\$)	0.01	0.11	0.01	0.01	0.01
Dividend Yield	1.6%	18.0%	1.6%	1.6%	1.6%
EV/EBITDA (x)	5.89	5.06	4.52	5.18	5.28
P/FCFE (x)	6.58	NA	5.14	16.97	17.41
Net Gearing	90.8%	39.6%	44.3%	42.6%	41.4%
P/BV (x)	1.28	0.88	0.85	0.77	0.71
ROE	14.4%	17.0%	14.8%	10.4%	9.3%
% Change In Core EPS Estimates			(3.51%)	(0.23%)	8.42%
CGS-CIMB/Consensus EPS (x)			0.95	0.79	0.76

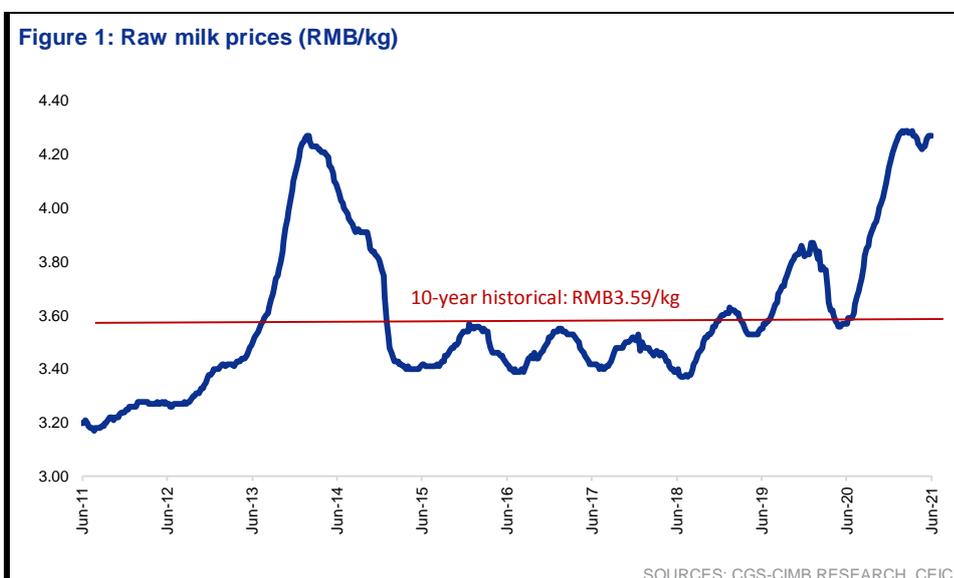
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Thirsting for China raw milk

Elevated raw milk prices expected ►

Based on Reuters, China is the world's third-largest milk producer, producing 34m tonnes of raw milk in 2020. However, the production output only met 70% of domestic needs. We expect the demand for milk and dairy products to increase due to the government's promotion of the beverage's nutritious value, as well as the perception that milk is a healthier beverage choice amid the Covid-19 pandemic. This has lifted current raw milk prices to the historical high of RMB4.25/kg last observed in 2013-2014, which is 18% higher than the 10-year historical average of RMB3.59/kg.

While the industry is eager to react to the shortage of supply, capacity increases typically require 3-5 years to build from scratch. As such, the supply shortage should only begin to ease from 2023F onwards, in our view, pointing to the likelihood of heightened raw milk prices over the next two years.



Acquisition follows industry's consolidation trend ►

Despite the favourable raw milk prices, the industry has observed a series of consolidation and integration. Larger players have been acquiring farms as a means to boost production capacity in the short term, while independent farmers and smaller players have been exiting the industry due to rising operating costs as a result of higher feed prices and subpar yields. Downstream milk processors, such as Mengniu (2319.HK, Add, TP: HKD50.80) and Yili (600887.CH, Add, TP: RMB51), have also been investing in upstream farms to secure the supply of raw materials.

JAP's acquisition of Falcon also falls into the group's strategic plan to be a leading independent raw milk producer in China. The two acquired farms could add up to 16k in cattle capacity for JAP, bringing its total cattle capacity past 100k after business integration.

When compared to China's largest raw milk producer, China Modern Dairy Holdings (CMD, 1117.HK, Add, TP: HK\$2.62), which recently completed two acquisitions, JAP's acquisition of Falcon looks reasonable on a price-per-dairy-cow capacity basis (Fig. 2). The acquisition's price-to-NAV of 1.88x is also slightly lower when compared with the 2x NAV for JAP's 25% stake divestment in AIH to Meiji in Jul 2020 and cheaper than the expected capex of US\$90m-95m for JAP to build a dairy farm with a 10k cattle capacity.

Figure 2: Recent acquisitions by China raw milk producers

	Japfa	CMD	CMD
Target	Falcon Dairy	Fuyuan	Zhongyuan Muye
Year	Jun-21	Mar-21	Apr-21
Price consideration	USD123.4m c.RMB 797.2m	RMB3.48bn	RMB815m
Valuation	1.88x 1Q21 P/B	24.4x FY19 P/E	6.35x FY20 P/E
Capacity (dairy cows)	16k	60k	22k
Price per dairy cow capacity (RMB)	49.8	58.0	37.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

The favourable valuations could be a result of the losses of US\$4.6m recorded for the acquired assets in 1Q21. However, we understand that the two farms were built in 2017 and match AIH's existing farms' specifications, making them attractive for acquisition. The two farms' location in Shandong province is also desirable due to scarcity of land in the region, which favours dairy production, as well as their proximity to JAP's existing farms in the region, which could potentially allow JAP to further reap operational synergies, such as sharing infrastructure. Two additional sites of land included in the purchase also provide further room to develop, for JAP to complement its farming operations in the region.

New farms likely to be profitable in 2H22F >

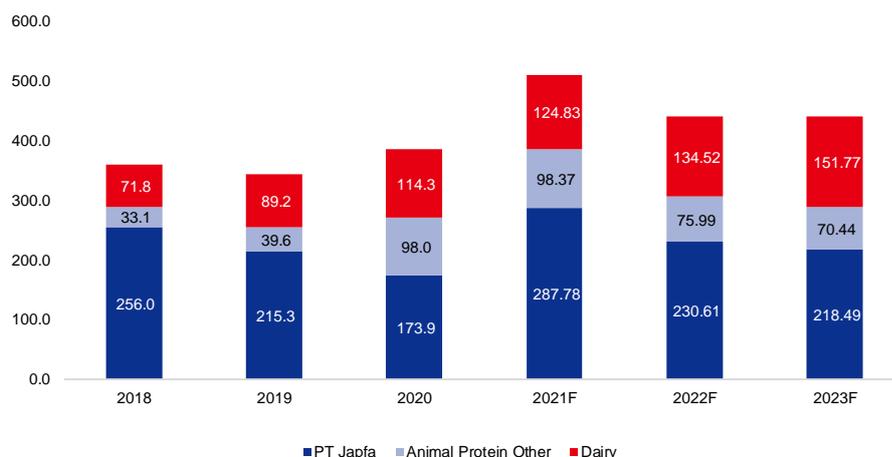
Extended losses for the two newly-acquired farms could pose near-term risks for JAP. However, we are confident that JAP will be able to turn the business around, given its history of operating profitable dairy farms within the same region. Furthermore, JAP has the best-in-class technologies to maximise yields at 40.9kg/cow/day (Fig. 3).

Business optimisation, including optimising cattle capacity and integrating farm management procedures, could take up to a year to complete. As such, we expect losses to extend for the next year, before business turnaround in 2H22F. We forecast losses of US\$7.8m in 2H21F, which could hurt FY21F EPS by 3.5% on lower EBIT margins despite higher revenue contribution.

Larger contribution to operating profits from China raw milk >

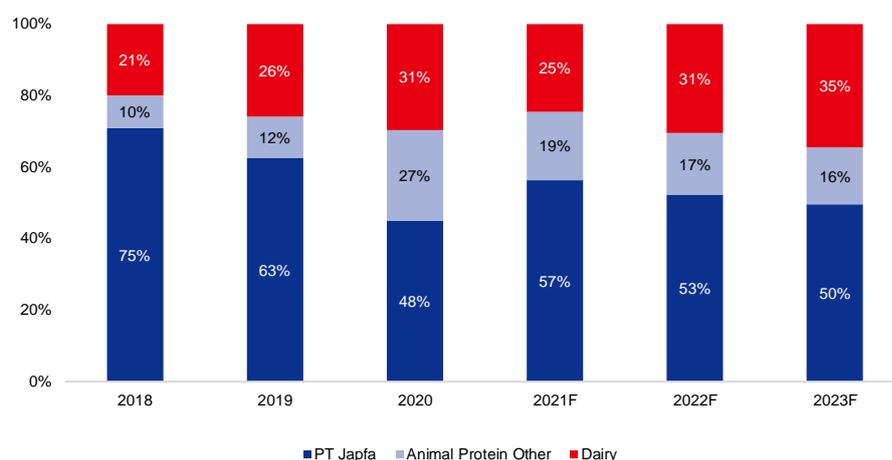
With the acquisition, JAP could see a more balanced EBIT mix by FY23F, which could contribute to more stable operating profit growth (Fig. 3), with contribution from PT Japfa stabilising around the 50% level and dairy up to the 35% level (Fig. 4), alongside alleviated price risks arising from volatility in business segments.

Figure 3: EBIT breakdown by business segments (US\$m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: EBIT mix by business segments



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

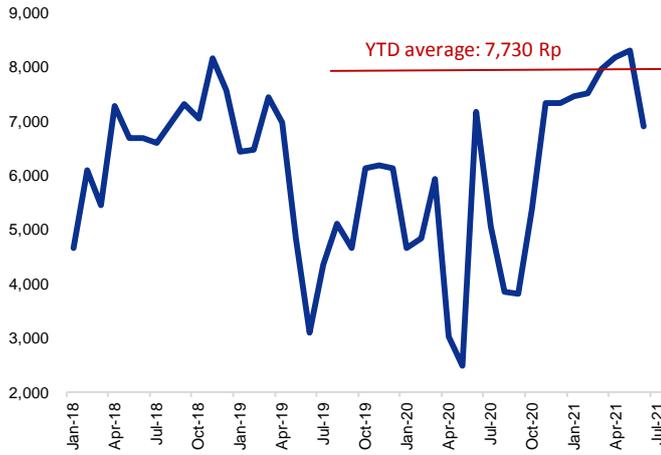
Reiterate Add, with an unchanged TP of S\$1.22 ➤

We continue to peg our TP to 11.5x FY22F EPS, slightly above the historical mean of 10.7x, which was largely unchanged (-0.23%) as we expect the new acquisitions to breakeven in FY22F. However, we raise FY23F EPS by 8.4% on full-year accretion of the farms. Recent share price weakness is likely due to lower swine prices in Vietnam at VND65.8/kg, 16% below the average prices observed in 1Q21 (Fig. 7).

Nevertheless, our FY22F contribution from the animal protein segment is pegged to an estimated price of VND67.2/kg. We also understand that JAP could surprise on the upside given its healthy stock of swine, despite shortage of supply due to the African Swine Fever (ASF), which hit the industry in 2020.

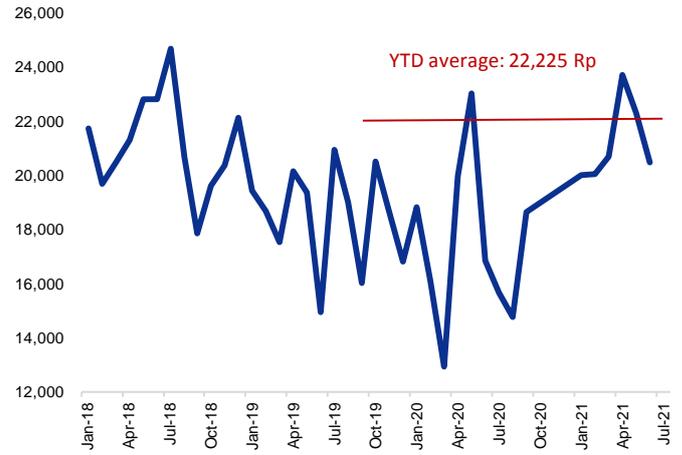
Potential re-rating catalysts include quicker turnaround of acquired farms and positive raw milk prices, while downside risks could include prolonged and widening losses of newly acquired farms, and easing prices of raw milk.

Figure 5: Historical average DOC prices (Rp)



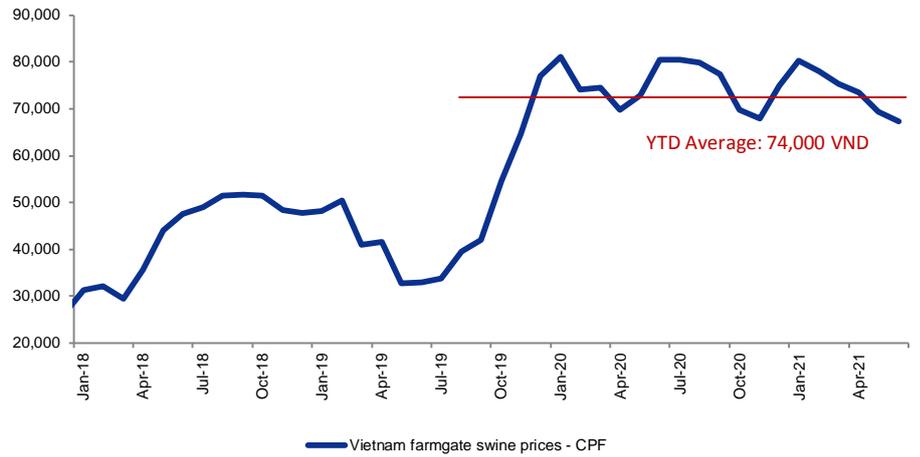
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Historical average live-bird (broiler) prices (Rp)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Farm-gate swine price (VND/kg)



SOURCES: CGS-CIMB RESEARCH, CHAROEN POKPHAND FOODS

ESG in a nutshell

JAP scored a B- on Refinitiv's combined ESG score in 2019. However, the score was weighed down by the Social pillar, in which JAP scored a C-. We believe that as a commercial farmer, the Environmental pillar (28.7%) should hold more weight as opposed to the skew towards the Social pillar (45.1%). Under the Environmental pillar, JAP scored a B+, which ranks it fourth among its seven identified peers (by Refinitiv) within Singapore's food and tobacco industry. We believe JAP will also continue to play an important role in ensuring food security, especially in Indonesia, where it has maintained its second position in market share in commercial poultry farming.

Keep your eye on

Ethical and responsible farming methodologies which could impact resource and waste management.

Implications

Currently, we do not measure the tacit impact of farming methodologies. However, we believe ethical and responsible farming methodologies could manifest in the form of yield management and efficiencies across JAP's various business segments.

ESG highlights

JAP completed the Life Cycle Assessment (LCA) of its Indonesian poultry operations, initiated in 2019, which aims to measure the potential environmental impact throughout the supply chain. This puts JAP one step closer to the ecolabel environmental product declaration ("EPD"), which will provide traceability of sources and quality assurance to commercial customers and consumers.

Implications

Recognition of ESG efforts could grant higher valuation premiums based on its peers. An increasing P/E ratio trading band could signal a valuation re-rating.

Trends

While JAP only got its first Refinitiv ESG rating in 2019, the company started its sustainability reporting in 2017. The company has started an LCA on its Indonesian poultry operations as it is the largest contributor to its business.

Implications

Greater ESG efforts could improve JAP's ESG ranking among its peers, which could translate into higher premiums to valuations. However, we have not reflected any premium/discount at this moment into our analysis.

Figure 8: Forecast revisions

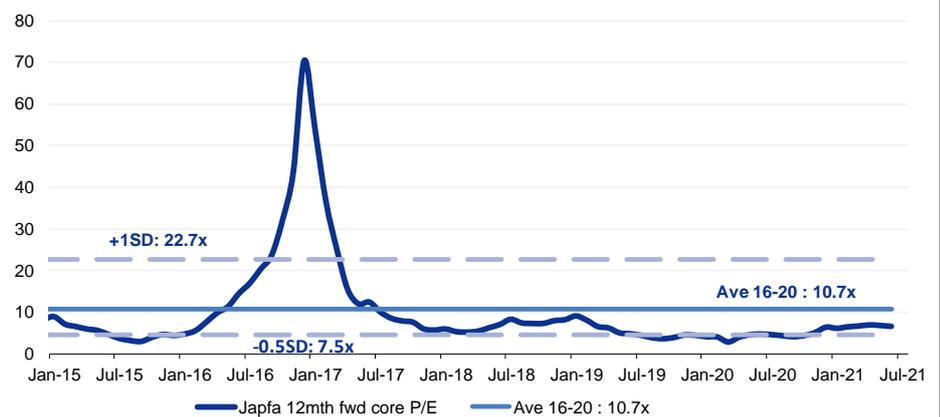
FYE Dec (US\$m)	New			Old			Change		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Revenue	4,508.8	4,527.4	4,587.4	4,481.4	4,460.8	4,445.6	0.6%	1.5%	3.2%
Gross profit	1,055.9	988.3	995.2	1,059.9	970.3	949.5	-0.4%	1.9%	4.8%
EBIT	506.0	436.1	435.7	513.4	426.3	407.4	-1.4%	2.3%	7.0%
Finance costs	(92.7)	(123.9)	(135.3)	(88.1)	(112.2)	(123.6)	5.2%	10.4%	9.5%
Tax	(95.5)	(71.2)	(66.5)	(97.0)	(72.2)	(65.8)	-1.5%	-1.5%	1.1%
MI	(104.1)	(79.9)	(77.2)	(106.8)	(80.4)	(73.4)	-2.5%	-0.5%	5.1%
Core net profit	213.7	161.1	156.7	221.5	161.5	144.5	-3.5%	-0.2%	8.4%
Core EPS	10.4	7.9	7.6	10.8	7.9	7.1	-3.5%	-0.2%	8.4%
Group Revenue	4,508.8	4,527.4	4,587.4	4,481.4	4,460.8	4,445.6	0.6%	1.5%	3.2%
PT Japfa Comfeed	3,032.0	3,077.6	3,124.1	3,032.0	3,077.6	3,124.1	0.0%	0.0%	0.0%
Animal protein Other	819.7	759.9	704.4	819.7	759.9	704.4	0.0%	0.0%	0.0%
Dairy	657.0	689.9	758.8	629.6	623.3	617.1	4.3%	10.7%	23.0%
Group EBIT	506.0	436.1	435.7	513.4	426.3	407.4	-1.4%	2.3%	7.0%
PT Japfa Comfeed	287.8	230.6	218.5	287.8	230.6	218.5	0.0%	0.0%	0.0%
Animal protein Other	98.4	76.0	70.4	98.4	76.0	70.4	0.0%	0.0%	0.0%
Dairy	124.8	134.5	151.8	132.2	124.7	123.4	-5.6%	7.9%	23.0%
Group EBIT Margin (%)	11.2%	9.6%	9.5%	11.5%	9.6%	9.2%	0.0%pt	0.0%pt	0.0%pt
PT Japfa Comfeed	9.5%	7.5%	7.0%	9.5%	7.5%	7.0%	0.0%pt	0.0%pt	0.0%pt
Animal protein Other	12.0%	10.0%	10.0%	12.0%	10.0%	10.0%	0.0%pt	0.0%pt	0.0%pt
Dairy	19.0%	19.5%	20.0%	21.0%	20.0%	20.0%	-2.0%pt	-0.5%pt	0.0%pt

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

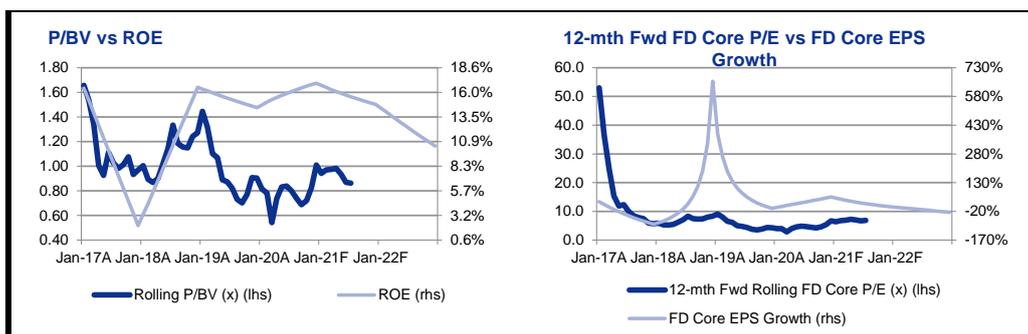
Figure 9: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x)		2-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)	Dividend Yield (%)
						CY21F	CY22F		CY21F	CY21F	CY21F
Japfa Ltd	JAP SP	Add	0.83	1.22	1,256	5.7	7.8	-9.1%	0.85	15.3%	1.6%
Animal protein peers											
Japfa Comfeed Indonesia Tbk PT	JPFA IJ	Not rated	1,975	NA	1,706	14.5	12.0	33.4%	1.97	13.0%	1.6%
Charoen Pokphand Indonesia	CPIN IJ	Add	6,250	6,800	7,068	21.9	18.0	37.9%	3.91	19.1%	1.3%
Malindo Feedmill	MAIN IJ	Add	710.0	1,200	110	6.5	4.5	na	0.71	11.8%	0.0%
China Modern Dairy Holdings	1117 HK	Add	1.72	2.62	1,574	11.5	9.5	15.0%	1.01	9.8%	0.0%
China Mengniu Dairy	2319 HK	Add	46.95	50.80	23,869	32.4	25.8	34.9%	4.26	13.6%	0.9%
Charoen Pokphand Foods	CPF TB	Add	26.5	39.25	6,953.6	10.0	9.9	-1.6%	1.10	11.7%	3.5%
Simple average						16.1	13.3	23.9%	2.16	13.2%	1.2%
Dairy peers											
China Modern Dairy Holdings Lt	1117 HK	Add	1.72	2.62	1,574	11.5	9.5	15.0%	1.01	9.8%	0.0%
China Mengniu Dairy Co Ltd	2319 HK	Add	46.95	50.8	23,869	32.4	25.8	34.9%	4.26	13.6%	0.9%
Inner Mongolia Yili Industrial	600887 CH	Add	36.83	51.00	34,692	27.4	24.2	15.3%	6.84	25.7%	2.5%
Simple average						23.8	19.8	21.7%	4.04	16.4%	1.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 10: Japfa's 12-month forward core P/E


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(US\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Net Revenues	3,890	3,868	4,509	4,527	4,587
Gross Profit	814	858	1,056	988	995
Operating EBITDA	458	508	626	575	590
Depreciation And Amortisation	(119)	(144)	(120)	(138)	(155)
Operating EBIT	339	364	506	436	436
Financial Income/(Expense)	(104)	(99)	(93)	(124)	(135)
Pretax Income/(Loss) from Assoc.	1	0	0	0	0
Non-Operating Income/(Expense)	12	158	0	0	0
Profit Before Tax (pre-EI)	247	422	413	312	300
Exceptional Items					
Pre-tax Profit	247	422	413	312	300
Taxation	(62)	(51)	(96)	(71)	(67)
Exceptional Income - post-tax					
Profit After Tax	185	372	318	241	234
Minority Interests	(65)	(50)	(104)	(80)	(77)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	120	322	214	161	157
Recurring Net Profit	120	195	214	161	157
Fully Diluted Recurring Net Profit	120	195	214	161	157

Cash Flow

(US\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
EBITDA	458.5	507.7	626.5	574.6	590.3
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(47.2)	(29.5)	(15.0)	(125.8)	(136.6)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	70.7	36.6	92.7	123.9	135.3
Net Interest (Paid)/Received	(107.1)	(106.0)	(92.7)	(123.9)	(135.3)
Tax Paid	(95.9)	(25.8)	(95.5)	(71.2)	(66.5)
Cashflow From Operations	279.1	383.1	515.9	377.6	387.1
Capex	(277.2)	(211.6)	(300.0)	(300.0)	(300.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.0	0.0	(123.4)	0.0	0.0
Other Investing Cashflow	(39.7)	195.5	0.0	0.0	0.0
Cash Flow From Investing	(316.9)	(16.1)	(423.4)	(300.0)	(300.0)
Debt Raised/(repaid)	209.2	(402.6)	150.7	(3.9)	(15.3)
Proceeds From Issue Of Shares	0.0	66.7	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(27.3)	(14.9)	(161.0)	(14.6)	(14.6)
Preferred Dividends					
Other Financing Cashflow	(43.4)				
Cash Flow From Financing	138.5	(350.8)	(10.3)	(18.6)	(30.0)
Total Cash Generated	100.6	16.3	82.2	59.0	57.2
Free Cashflow To Equity	171.3	(35.6)	243.2	73.7	71.8
Free Cashflow To Firm	69.2	473.0	185.1	201.5	222.5

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(US\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	209	225	307	366	423
Total Debtors	226	431	383	496	503
Inventories	795	788	904	926	1,063
Total Other Current Assets	155	161	161	161	161
Total Current Assets	1,384	1,604	1,754	1,949	2,150
Fixed Assets	1,179	1,205	1,384	1,546	1,691
Total Investments	11	39	39	39	39
Intangible Assets	386	418	418	418	418
Total Other Non-Current Assets	349	401	525	525	525
Total Non-current Assets	1,926	2,063	2,366	2,528	2,673
Short-term Debt	584	432	432	432	432
Current Portion of Long-Term Debt					
Total Creditors	390	358	411	421	428
Other Current Liabilities	30	42	42	42	42
Total Current Liabilities	1,003	833	885	896	902
Total Long-term Debt	793	569	813	933	1,053
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	208	274	274	274	274
Total Non-current Liabilities	1,001	843	1,087	1,207	1,327
Total Provisions	19	30	30	30	30
Total Liabilities	2,024	1,706	2,002	2,132	2,258
Shareholders' Equity	881	1,420	1,472	1,619	1,761
Minority Interests	406	542	646	726	803
Total Equity	1,287	1,962	2,119	2,345	2,564

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	10.1%	(0.6%)	16.6%	0.4%	1.3%
Operating EBITDA Growth	2.3%	10.7%	23.4%	(8.3%)	2.7%
Operating EBITDA Margin	11.8%	13.1%	13.9%	12.7%	12.9%
Net Cash Per Share (US\$)	(0.63)	(0.38)	(0.46)	(0.49)	(0.52)
BVPS (US\$)	0.48	0.69	0.72	0.79	0.86
Gross Interest Cover	3.17	3.43	5.46	3.52	3.22
Effective Tax Rate	25.3%	12.0%	23.1%	22.8%	22.1%
Net Dividend Payout Ratio	11.0%	50.0%	6.9%	9.1%	9.3%
Accounts Receivables Days	19.72	31.06	32.92	35.42	39.74
Inventory Days	95.6	96.2	89.4	94.4	101.0
Accounts Payables Days	46.19	45.48	40.67	42.93	43.13
ROIC (%)	11.1%	10.2%	12.6%	9.8%	9.1%
ROCE (%)	13.5%	13.0%	15.8%	12.2%	11.1%
Return On Average Assets	8.5%	12.8%	9.9%	7.8%	7.2%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
ASP (% chg, main prod./serv.)	4.4%	3.5%	2.0%	2.0%	2.0%
Unit sales grth (% , main prod./serv.)	11.1%	-9.8%	20.0%	-1.0%	-1.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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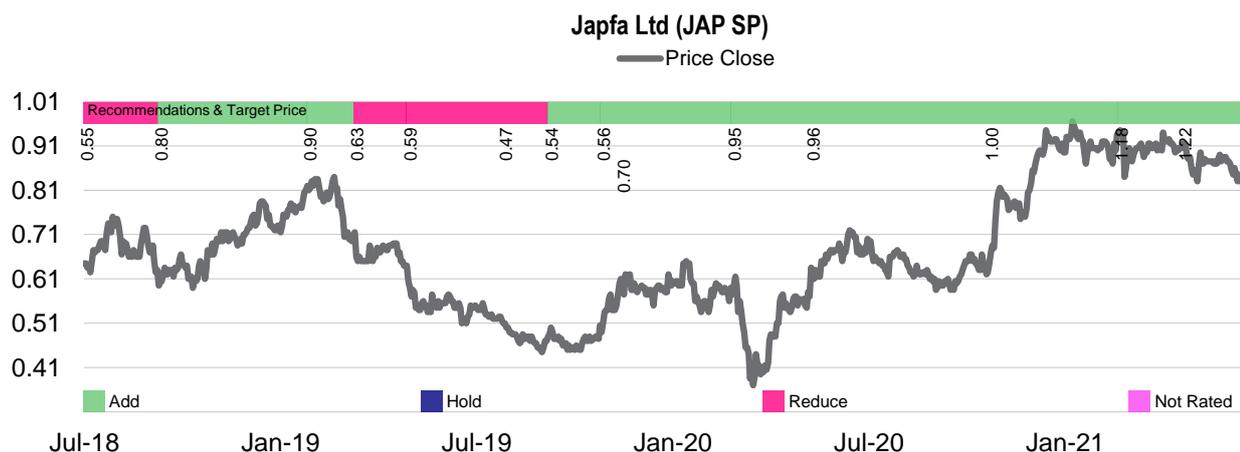
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2021		
613 companies under coverage for quarter ended on 31 March 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	1.1%
Hold	19.6%	0.2%
Reduce	10.1%	0.2%

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 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **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** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **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** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – 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 2020 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 January 30, 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.

