

## Malaysia

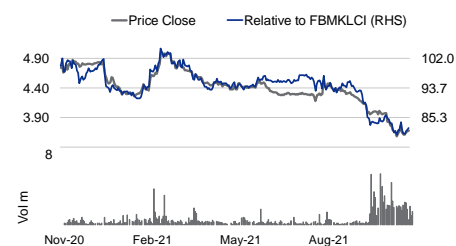
**ADD** (no change)

Consensus ratings\*: Buy 7 Hold 1 Sell 0

Current price:	RM3.68
Target price:	RM6.00 ▲
Previous target:	RM5.80
Up/downside:	63.0%
CGS-CIMB / Consensus:	15.7%
Reuters:	TAKA.KL
Bloomberg:	STMB MK
Market cap:	US\$734.5m
	RM3,075m
Average daily turnover:	US\$1.20m
	RM4.98m
Current shares o/s:	821.0m
Free float:	40.3%
*Source: Bloomberg	

**Key changes in this note**

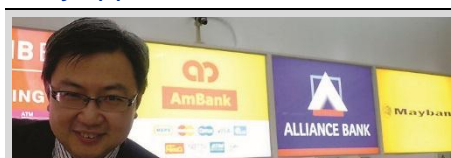
- ▶ Net profit forecasts cut by 7.7% for FY21F and 8.4% for FY22F



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.2	-14	-22.4
Relative (%)	-4.1	-14	-17.7

Major shareholders	% held
BIMB Holdings	59.7
EPF	12.3
Islamic Development Bank	4.3

**Analyst(s)**

**Winson NG, CFA**

T (60) 3 2635 9253

E winson.ng@cgs-cimb.com

# Syarikat Takaful Malaysia Keluarga Bhd

## Expecting a net profit recovery in 4Q21F

- STMK's 9M21 net profit was below our and consensus' expectations due to lower-than-expected investment income.
- We project strong qoq net profit growth of 41.8% in 4Q21F, underpinned by the reopening of the economy.
- Reiterate Add on STMK, given its attractive valuation (FY22F P/E of 8.1x) and our projected recovery in net profit growth to 4.4% in FY22F.

**9M21 net profit below expectation**

Syarikat Takaful Malaysia Keluarga's (STMK) 9M21 net profit was below expectations, accounting for 65.9% of our full-year forecast and 67.8% of Bloomberg consensus' estimate. The variance to our projection mainly came from lower-than-expected investment income. STMK's 9M21 net profit dipped by 1.5% yoy, mainly due to the wider increase of 6.4% yoy in management expense vs. 5.8% yoy growth in revenue.

**A decline in 3Q21 net profit due to lower GEC**

STMK's 3Q21 net profit dwindled by 12.1% yoy, due to the 6.3% yoy decline in gross earned contributions (GEC; akin to premium for conventional insurers), which was negatively impacted by the lockdowns. 3Q21 net profit also fell by 10.9% qoq, dragged down by a 1.3% qoq drop in GEC.

**Projecting qoq recovery in 4Q21F net profit**

We are projecting a recovery in STMK's net profit to RM102.4m in 4Q21F, underpinned by the reopening of the economy; this represents a qoq net profit growth of 41.8%, but a 0.8% yoy decline due to the higher base in 4Q20.

**Lowering FY21-22F net profit forecasts**

We lower our FY21F net profit forecast by 7.7% due to the 9.4% cut in our projected investment income, in view of the weaker-than-expected 9M21 investment income. We also reduce our projected FY22F net profit by 8.4% as we factor in the Cukai Makmur, which raises our forecasted FY22F tax expense by 48.7%. However, we raise our DDM-based target price (TP) for STMK from RM5.80 to RM6.00 due to the roll-over to end-2022F.

**Reiterate Add**

We reiterate our Add call on STMK given its attractive valuation with a CY22F P/E of 8.1x, which is below its 5-year historical average of 11x. A potential re-rating catalyst would be the expected recovery in net profit growth to our projected 4.4% in FY22F and 15.6% in FY23F, in line with the improvement in economic growth. Dividend yield is also attractive at 5.3% for FY21F. Downside risks to our call include: 1) weaker growth in GEC in 4Q21F and FY22F, and 2) a spike in management expenses.

**Financial Summary**

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Gross Premium (RMm)	2,749	2,513	2,722	2,948	3,193
Investment And Other Income (RMm)	307.2	316.2	335.8	357.4	380.2
Net Premium (RMm)	2,749	2,513	2,722	2,948	3,193
Net Profit (RMm)	364.8	362.4	357.7	373.6	432.0
Core EPS (RM)	0.44	0.44	0.44	0.46	0.53
Core EPS Growth	23.7%	(0.7%)	(1.3%)	4.4%	15.6%
FD Core P/E (x)	8.28	8.34	8.45	8.09	6.99
P/NB (x)	NA	NA	NA	NA	NA
DPS (RM)	0.20	0.12	0.20	0.20	0.24
Dividend Yield	5.43%	3.26%	5.33%	5.57%	6.44%
P/EV (x)	NA	NA	NA	NA	NA
P/BV (x)	2.47	2.00	1.77	1.58	1.41
ROE	33.1%	26.5%	22.2%	20.7%	21.3%
% Change In Core EPS Estimates			(7.71%)	(8.36%)	0.00%
CGS-CIMB/Consensus EPS (x)			0.95	0.96	1.09

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Expecting a net profit recovery in 4Q21F

**Figure 1: Syarikat Takaful Malaysia's 3QFY21 results summary**

FYE Dec (RM m)	3QFY21	3QFY20	yoy %		2QFY21		3QFY21		3QFY20		yoy %	Prev. FY21F	Comments
			chng	chng	Cum	Cum	chng	Cum					
Gross contributions	633.1	675.4	(6.3)	641.4	(1.3)	1,973.4	1,812.4	8.9	2,539.2	In line. A yoy decline in 3Q21.			
Net contributions	508.6	571.1	(10.9)	526.0	(3.3)	1,593.4	1,493.3	6.7	2,082.2	In line. Decent growth amidst lockdowns.			
Invnt & other income	142.6	151.2	(5.7)	116.1	22.8	376.8	369.2	2.1	522.2	In line.			
Total income	651.2	722.3	(9.8)	642.1	1.4	1,970.2	1,862.5	5.8	2,604.4	In line. Lifted by gross premium growth.			
Net claims ratio	46.1%	43.4%	-	42.7%	-	43.6%	44.9%	(2.9)	58.9%	Below.			
Net claims incurred	(234.4)	(248.0)	(5.5)	(224.8)	4.3	(694.4)	(670.4)	3.6	(1,225.6)	Below.			
Management expenses	(100.4)	(102.8)	(2.3)	(101.3)	(0.9)	(306.4)	(287.9)	6.4	(393.9)	In line. Close to normalised growth of 5%.			
Others	(68.3)	(74.5)	(8.3)	(55.7)	22.6	(215.9)	(219.0)	(1.4)	(277.8)	In line.			
Pretax profit	<b>88.4</b>	<b>97.8</b>	(9.6)	<b>95.7</b>	(7.6)	<b>298.6</b>	<b>309.6</b>	(3.6)	<b>456.8</b>	Below. 65% of CGS-CIMB.			
Tax	(15.7)	(15.0)	4.7	(13.9)	12.9	(42.9)	(49.8)	(13.9)	(68.2)	Below.			
Tax rate (%)	17.8	15.3	-	14.5	-	14.4	16.1	(10.7)	14.9	In line.			
Minority interests	(0.1)	(0.2)	-	(0.3)	-	(0.4)	(0.5)	-	(1.1)				
Net profit	<b>72.6</b>	<b>82.6</b>	(12.1)	<b>81.5</b>	(10.9)	<b>255.3</b>	<b>259.3</b>	(1.5)	<b>387.6</b>	Below CGS-CIMB (66%) & mkt (68%).			
EPS (sen)	8.7	10.0	(12.8)	9.8	(11.0)	30.6	31.3	(2.2)	47.2				

SOURCES: CGS-CIMB, COMPANY REPORTS

**Figure 2: Earnings revision**

	2020A	2021F			2022F			2023F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Investment income	420	375	340	-9.4%	397	397	0.0%	420	420	0.0%
Tax expense	(63)	(68)	(68)	0.0%	(70)	(104)	48.7%	(75)	(75)	0.0%
Net profit	362	388	358	-7.7%	408	374	-8.4%	432	432	0.0%

SOURCES: CGS-CIMB, COMPANY REPORTS

### Family takaful accounted for more than two-thirds of 9M21 GEC ➤

STMK's family takaful business contributed 67.9% of its 9M21 GEC, while the remaining 32.1% was generated from its general takaful business.

### Potential downside risks ➤

Potential downside risks to our call include: 1) weaker growth in GEC in 4Q21F and FY22F, and 2) a spike in management expenses.

## ESG in a nutshell



Being a takaful operator, Syarikat Takaful Malaysia Keluarga (STMK) is governed by Shariah principles, which place high emphasis on ethics and contributions to society. This would have helped to uplift STMK's ESG standards. Overall, we do not see any material ESG issues for the company. Going forward, we think that STMK will focus on: 1) incorporating ESG evaluation into all its decision-making processes, 2) facilitating the ESG evaluation of its customers (as part of its underwriting practices), 3) enhancing the analysis and disclosure of information on risks from climate change, and 4) launching of more ESG-centric products.

### Keep your eye on

We think that there is still room for STMK to improve its ESG disclosures, especially for its initiatives to elevate its ESG standards and details on its greenhouse gas (GHG) emissions.

### Implications

We expect STMK to provide more information on its ESG initiatives in the future as the company embarks on more ESG projects. This would enable a more thorough evaluation by investors of its overall ESG standards.

### ESG highlights

STMK is not a constituent of the FTSE4Good Bursa Malaysia index. It was accorded three stars (out of a maximum four) by FTSE Russell for the ESG Grading Band. This places the company in the top 26-50% bracket in terms of ESG ratings of all the public-listed companies in FTSE Bursa Malaysia Emas index.

### Implications

We do not see any material ESG issues for STMK, especially as the company is governed by Shariah principles. In our view, the reason for its score on the ESG Grading Band by FTSE Russell not being among the best in the market is its lack of disclosure on certain important ESG information.

### Trends

We think that climate change would have a material impact on the claims ratios of its takaful funds, which could affect the long-term competitiveness of STMK. As such, we expect STMK to put in more efforts to analyse the risks from climate change (on its businesses) and price these in its contribution rate (contribution is akin to premium for conventional insurers) for its takaful products.

### Implications

We expect the company to provide more information relating to climate change, primarily on the risks from this on its overall business and the impact on the pricing of its takaful products.

SOURCES: CGS-CIMB, COMPANY REPORTS, BURSA MALAYSIA

Figure 3: Sector comparison

Company	Bbg Ticker	Recom.	Price (local)	Target Price (local)	Market Cap (US\$ m)	Core P/E (x)	CY2021	CY2022	3-year EPS CAGR (%)	P/BV (x)	CY2021	Recurr. ROE (%)	CY2021	Div Yield (%)	CY2021
Syarikat Takaful Malaysia Keluarga	STMB MK	Add	3.68	6.00	734.5	8.4	8.1	6.2%	1.77	22.7%	5.3%				
Tune Protect Group Bhd	TIH MK	Reduce	0.47	0.38	83	67.1	10.9	34.9%	0.60	0.9%	0.7%				
<b>Malaysia average</b>						<b>8.6</b>	<b>7.7</b>	<b>7.5%</b>	<b>1.46</b>	<b>18.3%</b>	<b>5.2%</b>				
Insurance Australia Group	IAG AU	Add	4.64	5.36	8,302	85.2	16.4	113.9%	1.81	2.1%	4.1%				
QBE Insurance Group	QBE AU	Add	12.38	13.70	13,267	16.7	14.3	na	1.49	9.1%	3.1%				
<b>Australia average</b>						<b>24.4</b>	<b>15.1</b>	<b>na</b>	<b>1.60</b>	<b>6.6%</b>	<b>3.5%</b>				
AIA Group	1299 HK	Add	85.35	119.0	132,509	19.7	16.8	15.6%	1.96	10.3%	1.7%				
China Life Insurance	2628 HK	Add	13.72	19.20	109,264	5.4	5.4	10.8%	0.65	12.6%	6.8%				
Ping An Insurance	2318 HK	Add	57.60	82.00	139,285	6.6	5.3	7.5%	1.01	15.5%	5.2%				
<b>Hong Kong average</b>						<b>8.8</b>	<b>7.5</b>	<b>9.6%</b>	<b>1.14</b>	<b>13.4%</b>	<b>4.0%</b>				

SOURCES: CGS-CIMB, COMPANY REPORTS

## BY THE NUMBERS

<b>Profit &amp; Loss</b>					
<b>(RMm)</b>	<b>Dec-19A</b>	<b>Dec-20A</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
Revenue	2,354	2,072	2,255	2,433	2,637
Total Claims and Changes in Reserves	(1,012)	(866)	(1,210)	(1,290)	(1,405)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	431	400	380	415	443
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	431	400	380	415	443
Total Other Technical Income	307	316	336	357	380
<b>Total Other Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Operating Costs</b>	<b>(320)</b>	<b>(289)</b>	<b>(294)</b>	<b>(294)</b>	<b>(315)</b>
Other Technical Income / (Loss)					
<b>Depreciation And Amortisation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Profit</b>	<b>418</b>	<b>427</b>	<b>422</b>	<b>479</b>	<b>509</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
<b>Non-Operating Income/(Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
<b>Pre-tax Profit</b>	<b>418</b>	<b>427</b>	<b>422</b>	<b>479</b>	<b>509</b>
Taxation	(51)	(63)	(63)	(104)	(75)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>366</b>	<b>364</b>	<b>359</b>	<b>375</b>	<b>433</b>
Minority Interests	(2)	(1)	(1)	(1)	(1)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>365</b>	<b>362</b>	<b>358</b>	<b>374</b>	<b>432</b>

<b>Operating Ratios</b>					
	<b>Dec-19A</b>	<b>Dec-20A</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
Premium Retention Ratio (life & Health)	100.0%	100.0%	100.0%	100.0%	100.0%
Benefits Ratio (life & Health)	(42.1%)	(43.6%)	(57.2%)	(57.2%)	(57.2%)
Acquisition Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Admin Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Total Expense Ratio (life & Health)	35.2%	35.1%	23.3%	23.8%	23.4%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(6.9%)	(8.5%)	(33.9%)	(33.4%)	(33.8%)
Underwriting Profit Margin (life & Health)	23.0%	21.4%	20.4%	19.7%	19.9%
Operating Profit Margin (life & Health)	37.4%	38.9%	37.7%	36.8%	36.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Fixed Assets	224	225	227	246	266
Intangible Assets	0	0	0	0	0
Other Long Term Assets	9,465	10,802	11,370	12,158	13,002
<b>Total Non-current Assets</b>	<b>9,688</b>	<b>11,027</b>	<b>11,597</b>	<b>12,404</b>	<b>13,269</b>
Total Cash And Equivalents	603	713	1,228	2,134	1,843
Trade Debtors	0	0	0	0	0
Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>603</b>	<b>713</b>	<b>1,228</b>	<b>2,134</b>	<b>1,843</b>
Creditors - Direct & Reinsurance Business	0	0	0	0	0
Provision For Claims Outstanding	0	0	0	0	0
Other Current Liabilities	315	439	406	454	485
<b>Total Current Liabilities</b>	<b>315</b>	<b>439</b>	<b>406</b>	<b>454</b>	<b>485</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component	0	0	0	0	0
Other Liabilities	23	27	25	26	26
<b>Total Non-current Liabilities</b>	<b>23</b>	<b>27</b>	<b>25</b>	<b>26</b>	<b>26</b>
<b>Total Technical &amp; Other Provisions</b>	<b>8,745</b>	<b>9,773</b>	<b>10,710</b>	<b>12,168</b>	<b>12,473</b>
<b>Total Liabilities</b>	<b>9,083</b>	<b>10,239</b>	<b>11,141</b>	<b>12,647</b>	<b>12,984</b>
Shareholders' Equity	1,223	1,509	1,706	1,912	2,149
Minority Interests	32	32	32	32	32
<b>Total Equity</b>	<b>1,254</b>	<b>1,542</b>	<b>1,738</b>	<b>1,944</b>	<b>2,181</b>
Life Embedded Value					

### Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Net Premium Growth	19.8%	(8.6%)	8.3%	8.3%	8.3%
Operating Profit Growth (Life & Health)	92.4%	(11.8%)	4.7%	5.4%	8.3%
Value Of New Life Business Growth (after-tax)	N/A	N/A	N/A	N/A	N/A
Life Embedded Value Growth	N/A	N/A	N/A	N/A	N/A
Pre-tax Margin	17.4%	20.2%	18.3%	19.3%	19.0%
Net Profit Margin	15.2%	17.1%	15.5%	15.1%	16.1%
Effective Tax Rate	12.3%	14.8%	14.9%	21.7%	14.8%
Net Dividend Payout Ratio	39.5%	23.1%	38.3%	35.2%	38.3%
Return On Average Assets	4.35%	3.87%	3.43%	3.50%	3.43%
Net Gearing	(97%)	(89%)	(257%)	961%	(601%)
Financial Leverage	8.71	8.06	7.64	7.56	7.30
Equity / Assets	11.9%	12.9%	13.3%	13.1%	14.2%

### Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Return on equity (%)	33.1%	26.5%	22.2%	20.7%	21.3%
Return on asset (%)	3.8%	3.3%	2.9%	2.7%	2.9%
Gross premium growth (%)	19.8%	-8.5%	1.0%	8.3%	8.3%
Reinsurance ratio (%)	14.3%	17.5%	18.0%	14.0%	18.7%
Net premium growth (%)	21.3%	-12.0%	0.4%	13.6%	2.4%
Claims ratio (%)	42.0%	42.9%	58.9%	55.7%	58.9%
Management expense ratio (%)	17.6%	18.1%	18.9%	18.6%	19.4%
Other expense ratio (%)	15.0%	13.3%	13.3%	12.6%	12.9%
Total expense ratio (%)	74.5%	74.2%	91.1%	86.9%	91.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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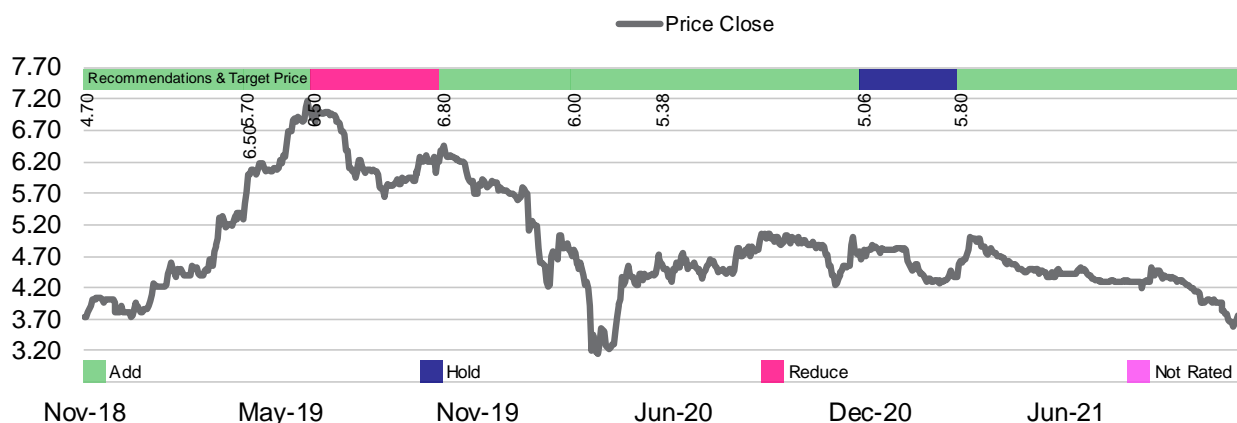
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Syarikat Takaful Malaysia Keluarga Bhd (STMB MK)



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, **AU** – 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.

