TDCX Inc

High growth enabler

Singapore

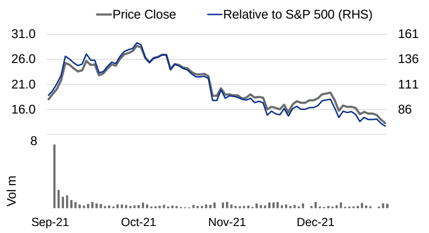
ADD *(initiation)*

Consensus ratings*:	Buy 1 Hold 0 Sell 0
Current price:	US$13.28
Target price:	US$24.00
Previous target:	US$
Up/downside:	80.7%
CIMB / Consensus:	-24.1%
Reuters:	TDCX.N
Bloomberg:	TDCX US
Market cap:	US$1,936m
	US$1,936m
Average daily turnover:	US$5.85m
	US$5.85m
Current shares o/s:	142.9m
Free float:	13.4%

**Source: Bloomberg*

Key changes in this note

- No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-13.7	-45	
Relative (%)	-12.2	-44.1	

Major shareholders	% held
Laurent Junique	86.6

- TDCX is a proxy to the fast-growing digital economy (FY20-23F revenue CAGR: 25.8%) through its strong clientele, such as Facebook and Airbnb.
- A strong track record in wallet share expansion and upselling within existing customers enables TDCX to enjoy industry-leading EBITDA margin of 33%.
- We like TDCX for its recurring revenue model and highly cash generative business. Initiate coverage with an Add rating and TP of US$24.00.

High-growth digital customer experience (CX) solutions provider

A high-growth business process outsourcing (BPO) firm with strong positioning in the digital economy, TDCX enables tech disruptors to remain agile while rapidly entering new markets and expanding product offerings. TDCX has 14,100 staff strength mostly based in SG, PH and MY, and operations in 10 countries as at end-3Q21. Services include omnichannel CX, digital marketing, as well as content monitoring. We like TDCX for its 1) fast-growing and large total addressable market, 2) strong client base, 3) track record in wallet share expansion, 4) unique tech-like work culture, and 5) industry-leading margins.

A proxy for rapidly growing tech disruptors

We see TDCX as a proxy to high-growth tech disruptors and forecast FY20-23F revenue CAGR of 25.8%. As of 3Q21, 93% of TDCX's revenue was derived from new economy clients, including Facebook and Airbnb. These companies have large TAMs and have grown quickly but often face difficulty scaling operations, which provides outsource opportunities of key functions to TDCX – essentially a recurring revenue model with good cash flow generation. With TDCX's strong client profile, we believe it is well positioned to further strengthen its presence within the new economy industry. Recent client acquisition momentum was strong, with TDCX adding 16 new logos in 9M21 (9M20: 9 additions).

Strong track record enables upselling and wallet share expansion

TDCX has proven its ability to scale client relationships over time, expanding its size and scope of engagements. We estimate more than 70% revenue are generated through B2B customer support currently. It achieved 128% revenue-weighted customer retention in FY20 (peer, TaskUs: 117%). For example, a leading search engine client outsourced technical and customer support for its top-tier advertising customers (previously handled in-house) to TDCX. The added responsibility was mission-critical, with a higher level of complexity and shorter turnaround times, allowing TDCX to price at higher levels and generate higher margins. We believe this competency has allowed TDCX to enjoy industry-leading margins (FY20 EBITDA margin of 33% vs. peers' 20%).

Initiate coverage with an Add and TP of US$24.00

Our TP is based on 18.0x EV/EBITDA (avg. FY22-23F EBITDA), growth-adjusted vs. peer group's 12.5x, given TDCX's faster growth profile (we estimate FY21-23F EBITDA CAGR of 22.7%) vs. peer group's 15.2% (based on Bloomberg consensus estimates). Potential catalysts include strong 4Q earnings and earnings accretive M&A. Key risks include weaker near-term margins due to geographical expansion.

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Financial Summary	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue (S$m)	330.3	434.7	554.0	695.0	865.0
Operating EBITDA (S$m)	108.1	142.9	177.6	216.0	267.2
Net Profit (S$m)	73.5	86.1	102.0	130.5	160.3
Normalised EPADS (S$)	0.60	0.70	0.77	0.91	1.12
Normalised EPS Growth	108%	17%	6%	24%	23%
FD Normalised P/E (x)	30.02	25.64	23.35	19.57	15.93
DPADS (S$)	0.14	0.60	0.00	0.00	0.00
Dividend Yield	0.77%	3.33%	0.00%	0.00%	0.00%
EV/EBITDA (x)	20.41	15.31	12.12	9.85	7.44
P/FCFE (x)	42.18	19.58	37.25	18.37	14.22
Net Gearing	(1.5%)	(17.3%)	(72.7%)	(75.5%)	(78.0%)
P/BV (x)	22.20	19.62	5.90	4.54	3.53
ROE	104%	81%	37%	26%	25%
% Change In Normalised EPADS Estimates					
Normalised EPADS/consensus EPADS (x)			1.01	0.99	0.96

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

High growth enabler

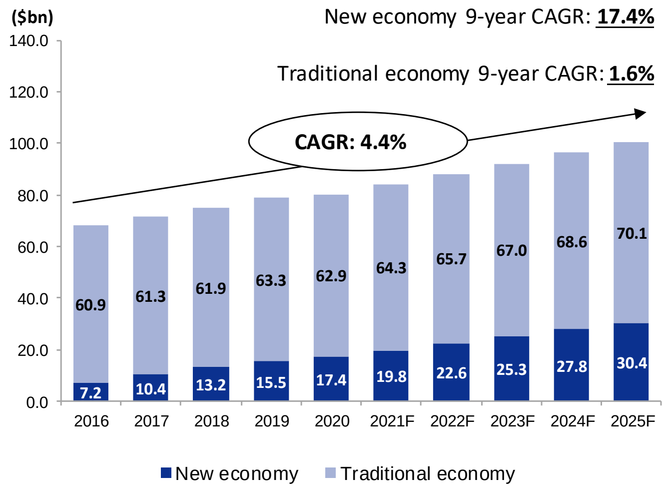
Company outlook

Rapidly growing total addressable market

We see TDCX as a derivative play on tech disruption given its strong exposure to new economy clients. Over the years, TDCX has built up a strong client base, which is comprised of some of the largest and most innovative companies in fast-growing industries as well as traditional blue-chip companies that are undergoing digital transformations. As of end-Jun 2021, 92.7% of TDCX's agents were staffed on campaigns for new economy clients. TDCX aims to focus on clients who require complex, high-value work, with the goal of providing a differentiated level of service to capture future growth in the wallet share of the client.

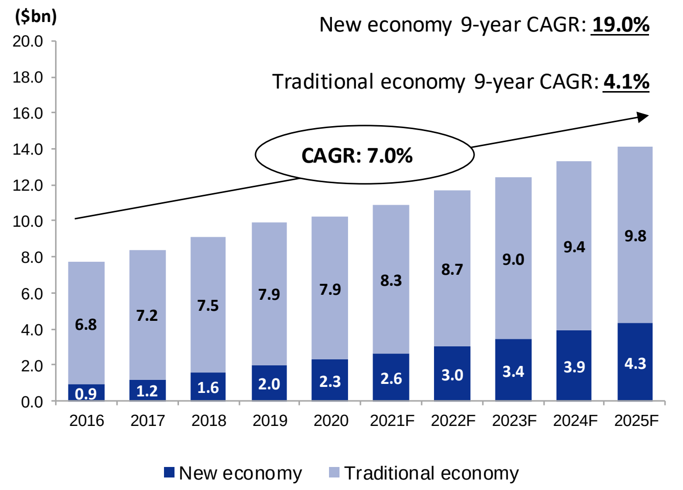
Frost & Sullivan, a consulting and research firm, estimates that the market size of the outsourced CX industry is rapidly growing for the new economy segment. Globally, Frost & Sullivan forecasts the market size of outsourced CX service for the new economy to record 17.4% CAGR (2016-2025F) to US$30.4bn; in Southeast Asia, the segment is forecast to post 19% CAGR over the same period to US$4.3bn.

Figure 1: Global market size of outsourced CX services, segmented by industry, 2016-2025F



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

Figure 2: Southeast Asia market size of outsourced CX services, segmented by industry, 2016-2025F



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

According to Frost & Sullivan, outsourcing is quickly becoming the preferred way for new economy companies to grow in a competitive environment as service providers have the expertise and capabilities to provide personalised services at lower costs. Outsourcing also gives new economy companies a competitive advantage as they can remain agile and scale at a fraction of the cost of building in-house resources and capabilities.

Growing client base with opportunities for wallet share gain

TDCX has been on a customer acquisition drive. Traditionally, TDCX's main customers have been US companies that serve global customers, such as Facebook and Airbnb. However, we understand from management that TDCX has expanded its client base of regional tech companies in Asia in recent years. From 1 Jan 2018 to 30 Jun 2021, the company acquired 32 new clients (bringing the total to 43 clients as of end-1H21). Current client base includes a global payments platform provider, a leading social network, a leading consumer electronics company, a leading regional e-commerce platform and a leading video game developer, as disclosed in the 3Q21 results presentation slides. We believe that, based on TDCX's strong client profile, it can enjoy 'network effect', further strengthening its presence in the new economy. As of end-3Q21, TDCX added a total of 16 logos YTD while total client base grew to 48, a faster pace of client wins compared to past years.

Figure 3: Examples of TDCX client base within the new economy

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Aside from customer acquisition, TDCX is also looking to expand its relationships with existing clients, according to the company. By growing and forging long-term partnerships, TDCX aims to expand the scope of its services and solutions, which could in turn enhance stickiness of the client. TDCX has proven its ability to scale client relationships over time, expanding the scope and size of engagements as well as taking on work higher up the value chain.

For example, Facebook, which TDCX first onboarded as a client in 2014, has expanded the scope of service requirements throughout the years. Currently, TDCX is serving Facebook in CX solutions, sales and digital marketing and content monitoring and moderation, which are the former's three primary business offerings. Facebook is now among TDCX's top 2 clients - the other being Airbnb - which jointly contributed 60.4% of TDCX's revenue in FY20.

Figure 4: Annual revenue growth of TDCX vs. key clients

	FY18	FY19	FY20	FY21F	FY22F	FY23F
TDCX	**na**	**82.2%**	**31.6%**	**27.4%**	**25.5%**	**24.5%**
Facebook	37.4%	26.6%	21.6%	36.8%	19.1%	18.2%
Airbnb	42.6%	31.6%	-29.7%	75.1%	24.1%	22.1%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

TDCX shared that, as of end-FY20, the company had 30 clients contributing less than S$5m annual revenue each. This represents good potential for further expansion and upscaling of engagements in the coming years, in our view. According to management, it typically takes about 2-3 years for a new client to yield.

Expansion into new markets

While TDCX is already operating in 10 geographies, it plans to further expand its footprint. This is driven by its strategy of growing to meet the needs of its existing clients, especially in processes requiring multi-jurisdictional and multi-lingual capabilities. The company also believes that increased geographical capacities can help it attract new clients.

In 2020, TDCX established a new office in Hyderabad, India, as an entry point to the Indian market as well as to serve as its hub for digital innovation and the global English-speaking market. In the same year, TDCX established an office in Bogota, Colombia, marking its entrance into the Latin America market, and added its second office in China (Shanghai).

TDCX expanded its operations into Romania in 2H21. The company also intends to open an office in the Republic of Korea by 2022. Other Chinese regional markets have also been identified for potential entry by the company, according to the prospectus.

According to management, key location criteria for setting up new offices include 1) the ability to tap a wide talent pool that has the desired skills to better cater to client requirements, 2) minimal time zone difference with, and proximity to, existing and potential clients, and 3) cost competitiveness.

Figure 5: TDCX employs more than 14,100 employees in over 10 geographies as at end-3Q21

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Growth through M&A and strategic partnerships ➤

Aside from organic growth, TDCX is on the lookout for M&A and strategic partnership opportunities to boost its geographical reach, client base and service offerings.

We believe TDCX has the muscle to carry out M&A given its strong balance sheet and cash flow generation capabilities. Post completion of public listing and subsequent repayment of the US$188m term loan facility from Credit Suisse, we estimate TDCX was in a net cash position of S$322m as of end-FY21F.

During the 3Q results presentation, management has said it will only pursue profitable target companies that can complement the company's existing operations, for example those which can provide:

1) New clients within existing client verticals, with minimal overlap with TDCX's existing client base;
2) New client verticals with high growth potential, such as industries where demand exceeds TDCX's ability to scale business organically as well as fintech, digital marketing and gaming;
3) New language capabilities to enter new, large and diverse markets, such as Europe and Latin America; and
4) New operational capabilities that can improve its efficiencies, complement existing offerings, and introduce new offerings.

Company overview

Background

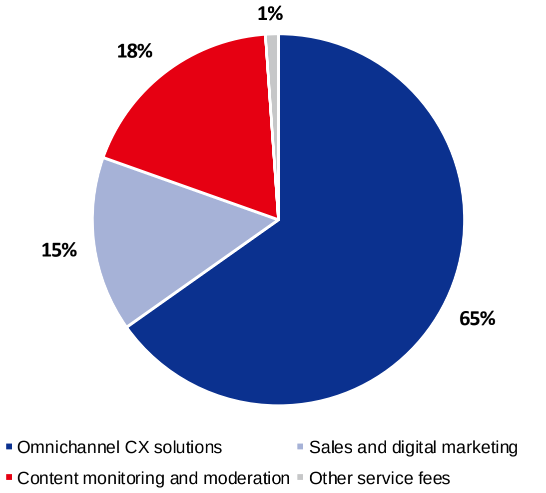
TDCX is a business process outsourcing (BPO) or business support services (BSS) provider specialising in digital customer experience (CX) solutions. Originally established in 1995 as Teledirect Pte Ltd, the company was renamed TDCX in 2019 and listed on the New York Stock Exchange on 1 Oct 2021. Currently, TDCX has 12 offices in 10 countries spanning across Asia, Europe and Latin America. This has allowed the firm to provide services in more than 20 languages, including English and key Asian languages, such as Mandarin, Thai, Korean, Malay (Malaysia and Indonesia), Vietnamese and Japanese. The company also has capabilities in Asian 'unicorn' languages, such as Bhutanese, Dhivehi and Sinhalese. As of end-3Q21, the group had 48 clients engaged (vs. 38 at end-FY20), with the bulk of clients being new economy players, such as Facebook and Airbnb.

Figure 6: Competitive strengths of TDCX

Source: Company F-1 Public Filing.
1. "New Economy" refers to high growth industries that are on the cutting edge of digital technology and are the driving forces of economic growth.
2. Based on average of FY2020 EBITDA per employee for CX peers. FX rate of 1 US$ = 1.3444 S$ assumed in converting financials from Singapore dollar to US dollar.

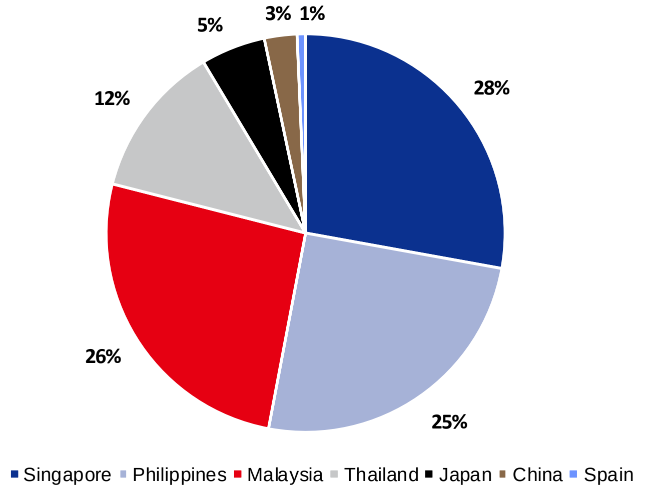
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Revenue breakdown by segment as of end-FY20



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Revenue breakdown by geography as of end-FY20



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Key business segments

TDCX operates three key business segments: 1) omnichannel CX solutions, 2) sales and digital marketing services, and 3) content monitoring and moderation services.

Figure 9: TDCX's key business segments

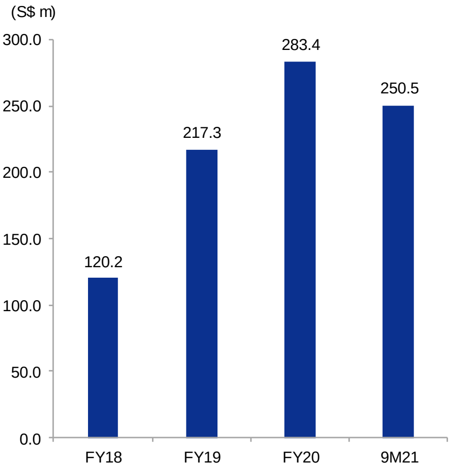
	Omnichannel CX	Sales and digital marketing	Content monitoring and moderation
Services and solutions	• Help clients manage their relationships by providing digital customer experience solutions, such as after-sales service and customer support. Services are provided out of 12 offices in 10 geographies across Asia, Europe and Latin America • Highly tailored services for complex interactions, such as technical support for software and sales campaigns • Inbound and outbound contacts covering the entire customer life cycle • Extensive network of delivery centres with employees proficient in >20 languages	• Help clients market their services to potential customers in both the B2C and the B2B markets • B2B: Aid clients in attracting advertisers. Provide aid to advertisers to develop effective advertising campaigns through optimising advertising campaign key words and target demographics • B2C: Sales and direct-marketing capabilities to support customer campaigns • Analytical capabilities that provide business insights through user-friendly data visualisations	• Providing a human touch to content monitoring and moderation services • Review of social media platforms for content that violates terms of service • Good understanding of local languages and political and social context of social media exchanges to ensure effective service offerings • In late-2021, TDCX also started providing data labelling services to clients, where TDCX helps categorise and label content on client's platform to train and improve machine learning while also refining algorithms and predictive models
Key clients	Airbnb + Global payment platform + Leading international airline	Facebook + Leading search engine platform	Facebook
9M21 revenue contribution	62.6%	20.0%	16.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Key services offered include:

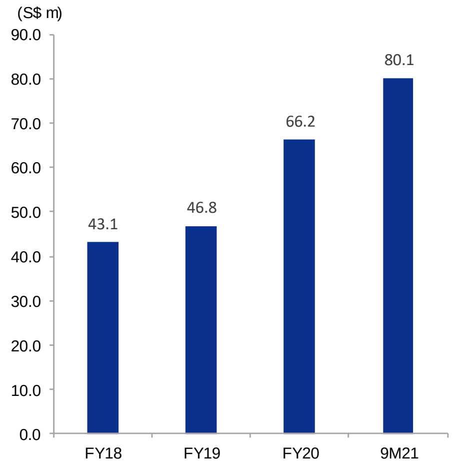
- inside sales, customer service, CX consulting and analytics (customer service strategy, customer journey mapping & analytics), digital marketing (lead qualification and enhancement, nurturing existing accounts, cross-selling, project managing the sales cycle across various distribution channels), content moderation and tech support.

Figure 10: Omnichannel CX solutions segment revenue trend



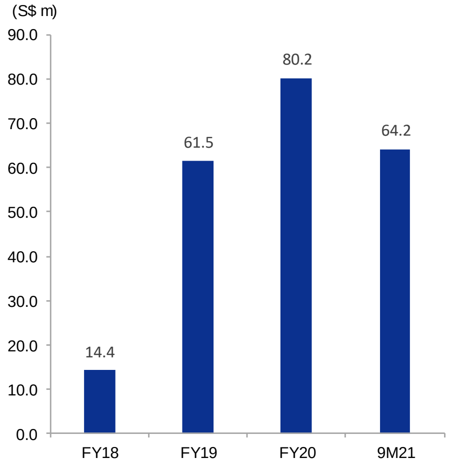
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Sales and digital marketing segment revenue trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: Content monitoring and moderation segment revenue trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

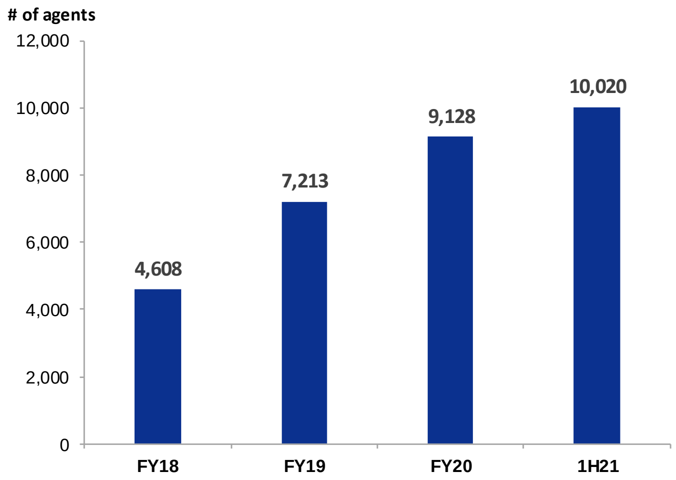
Strong and expanding geographical presence

TDCX has a diversified footprint, with operations spanning 12 offices across ten countries: Singapore, Malaysia, Thailand, the Philippines, China, Japan, Spain, India, Colombia and Romania. Each office serves a different client base. For example, Thailand supports the Indochina region, handling native languages from emerging markets, such as Vietnam, Cambodia, Laos and Thailand itself, while Malaysia services both Southeast Asian and North Asian customers in a variety of regional languages. The success of its offshore model has allowed TDCX to reap cost efficiencies.

Since its establishment in 1995, TDCX has predominantly operated in the Southeast Asian market. In 2017, the group expanded into China via the opening of its Beijing office. TDCX further expanded into Spain in 2018 via the opening of its Barcelona office, which marked the group's first office in Europe. The group expanded into Romania in 1H21 and intends to enter South Korea in FY22.

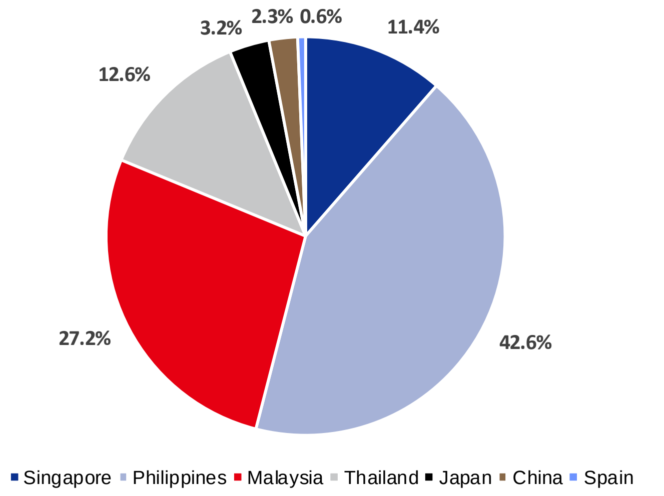
As of end-3Q21, TDCX employed 14,100k agents (vs. c.9k as of end-FY20). Based on last available agent split in end-1H21, the bulk of agents are located in the Philippines (43%), Malaysia (27%), Thailand (13%) and Singapore (11%). Similarly, the group's active campaigns as at end-1H21 came mostly from Malaysia (44), Singapore (18), the Philippines (17) and Thailand (15).

Figure 13: Total number of agents employed (as of end-1H21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: Breakdown of agents by geography, as of end 1H21



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: Key information about TDCX offices across geographies (as of end-1H21)

Country	Office locations and establishment date	Active campaigns	Agent headcount	Remarks
Singapore	Singapore (1995)	18	1,142	Supports campaigns for some of TDCX's most established clients. Provide full suite of services - omnichannel CX solutions, sales and digital marketing services and content monitoring and moderation services.
Philippines	Cebu (2014), Manila (2019)	17	4,270	Leverage a talented employee pool of proficient English speakers to service Global English end-markets.
Malaysia	Kuala Lumpur (2001)	44	2,728	Services Southeast Asian and North Asian customers in a variety of regional languages.
Thailand	Bangkok (2005)	15	1,260	Serves as hub in the Indochina region, support clients' operations that require native speakers from emerging markets such as Vietnam, Cambodia and Laos, in addition to Thailand.
Japan	Yokohama (2019)	5	324	Primarily supports Japanese language campaigns
China	Beijing (2017), Shanghai (2020)	10	232	Primarily supports Mandarin language campaigns for international clients with operations in China.
Spain	Barcelona (2018)	5	64	Act as hub for expansion in Europe
India	Hyderabad (2020)	na	na	To service Global English end-markets. Will also serve as a digital hub to grow technology capabilities throughout the Company.
Colombia	Bogota (2020)	na	na	Act as hub for expansion in Latin America, as well as into North America.
Romania	Bucharest (2021)	na	na	Serve as a complementary offering to already established European office in Spain to provide clients with alternative and complementary lower cost options for less complex or non-native language campaigns.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

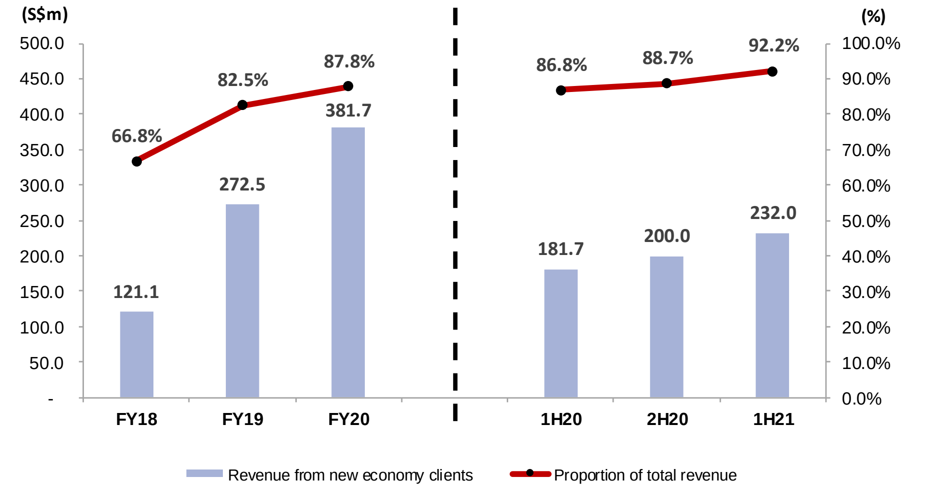
Solid foundation of new economy clients

TDCX has a quality portfolio of blue-chip new economy clients. The company secured its first new economy client in 2012 and has steadily grown its client base to 48 as at end-Sep 2021. Its top 2 clients are Facebook and Airbnb (jointly contributed 60% of FY20 revenue).

As of end-Jun 2021, 92.7% of TDCX's agents were staffed on campaigns for new economy clients. TDCX aims to focus on clients who require complex, high-value work, with the goal of providing a differentiated level of service to capture future growth in wallet share of the client. For example, to align with client requirements, TDCX employed over 1,000 staff with Google Ads certifications as of end-Jun 2021.

Over the years, the group increased its proportion of revenue sourced from new economy clients from 67% of FY18 revenue (S$121m) to 88% of FY20 revenue (S$382m). As of 3Q21, the proportion stands at 93%.

Figure 16: Growing contribution from new economy clients



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Ability to rapidly scale up to meet client demand

To cater to clients' rapidly-growing demand, TDCX developed a proprietary online interview platform, Flash Hire, to improve hiring workflows.

Flash Hire can be used to video record interviews so that interviews follow a uniform set of questions and multiple internal stakeholders and clients can participate in the interview. Flash Hire automates many of the routine administrative tasks from recruitment and shortens hiring time by more than half.

In 2019, using the traditional workflow, the average time for TDCX to hire a new employee from the date of initial application to the date an offer of employment was made was 3.52 months. By comparison, when using Flash Hire in the same year, the average time to hire a new employee fell to 1.33 months, a 62% improvement over the traditional workflow.

Flash Hire also comes with a predictive model that evaluates the resumé and personality traits of candidates to determine if they are suitable for the job using a competency value framework based on the profile of the ideal high performer. The ideal high performer profile is unique depending on the job family, i.e. customer service, sales or content moderator. This model also provides a fit dashboard and behavioural pointers for high-risk candidates. The model in Flash Hire supports TDCX recruiters' hiring decision.

Strong employee retention

TDCX's annual voluntary attrition rate was 24.8% in FY20, lower compared to the industry average of 30-34% in the Asia Pacific region, according to Frost & Sullivan. TDCX dedicates resources to the wellbeing and educational development of its employees, including of their professional skills, via relevant certifications and promoting participation in internal and external training sessions.

TDCX has a unique tech-like work culture (which also helps it better align with new economy clients) and provides its employees with ample opportunity for advancement. A core part of TDCX's in-house 360-degree human capital and experience management is 'Flash', which is an integrated platform which include workforce management, recruitment, performance management, infrastructure management, learning and development, employee engagement, and more. Its suite of offerings includes 'Flash Learn', a detailed online learning and training programme. TDCX also use third-party tools, such as LinkedIn Learning, to connect and conduct general training sessions with its employees.

Case studies: Growing wallet share

Case Study 1 – New economy client with large online marketplace, including global operations and access to almost every country in the world

- Initial engagement started in 2015, with 50 full-time employees for omnichannel CX solutions in the Philippines.
- TDCX worked closely with the client to formulate service requirements of engagement, providing a tailored solution involving the design and development of scenario-based training programmes and the dedication of business analytics experts to monitor and analyse customer trends and performance data for actionable insights that can be channelled towards process efficiency and innovation.
- TDCX was also able to provide additional depth by hiring, training, and managing highly skilled Mandarin-speaking agents as well as by establishing a dedicated support team to manage overflow of customer support tickets from the onshore support team.
- Engagement continued to expand; by 2017, TDCX had over 800 full-time employees from the Malaysia and Philippines offices for this engagement. In 2018, TDCX launched operations in China and Japan to support the client.
- More complex services were included, such as trust and safety verification for the client's customers, the incorporation of a dispute resolution process between the client and its customers, as well as global quality and compliance audits of the client's in-house customer contact team and the other third parties that it had engaged as client experience service providers (including TDCX's competitors).
- As of end-1H21, TDCX had more than 2,500 full-time employees engaged in the client's campaigns.

Case Study 2 – Leading search engine client

- TDCX began providing sales and marketing services to the client's customers in Malaysia in 2012, with less than 15 full-time employees based in the Malaysia office.
- The company has been working closely with the client to deliver services, routinely exceeding the minimum KPIs required.
- TDCX has also been able to rapidly scale up project size within a short time frame by utilising Flash Hire to meet the client's expanded requirements.
- In 2018 and 2019, the client engaged TDCX to provide sales and digital marketing services to its top-tier customers, previously handled entirely by its in-house team.
- As of 1H21, TDCX had engaged on 35 active campaigns with the client. Services are provided from 5 different countries, with more than 1,000 full-time employees involved. Services are provided in more than 10 different languages, including Vietnamese, Korean and Japanese.

SWOT analysis

Figure 17: SWOT analysis

Strengths	Opportunities
1) Strong client base providing good exposure to fast growing new economy industries 2) International footprint provides access to broad talent pool, equipping TDCX with the ability to serve a global customer base 3) Stronger employee retention rate vs. peers	1) Leverage on network effects to expand client coverage and service offerings globally 2) Wallet share expansion through deepening of relationships with existing clients 3) Fast growing total addressable market through strong exposure to a new economy client base
Weaknesses	**Threats**
1) Customer concentration is high, with top 2/5 customers contributing 60%/84% of FY20 revenue, respectively 2) Master Service Agreements (MSA) contract terms are renewable every one to three years; TDCX is typically not an exclusive service provider for its new economy clients as these clients prefer to engage more than one providers per region to reduce provider concentration risk	1) Intensifying competition 2) Challenges in talent recruitment and retention 3) Rapid growth in geographical presence leading to negative impact on margins

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Industry overview and outlook

Outsourced customer experience (CX) services industry

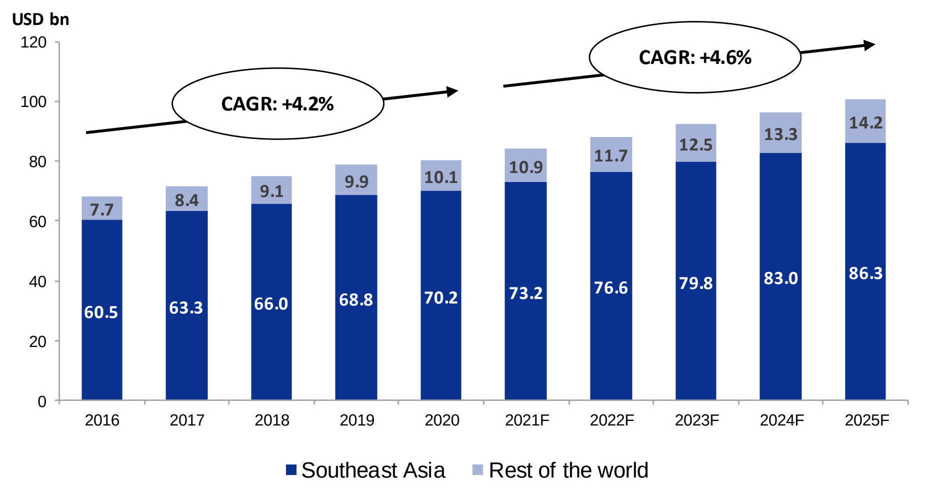
Outsourced CX services include both inbound and outbound services. Inbound services refer to incoming customer activity; these include helpdesk services, requests, inquiries, appointment scheduling, etc. Outbound services refer to outgoing customer activity; these include CRM management, sales, marketing, lead generation, presales/post sales assistance, content moderation and cross selling, etc.

According to Frost & Sullivan, increased focus on CX is driving enterprises to outsource their CX services to leverage third-party provider capabilities and expertise. The market has evolved to include key strategic elements beyond the traditional contact centres, into CX consulting and digital CX services. Enterprise client expectations have also evolved as clients increasingly look to partnering with service providers who embrace customer-centricity and proactively explore the application of innovative solutions, such as CX consulting, omnichannel platforms, automation, and analytics, in CX centres.

At the same time, customer care services have evolved and are now delivered through multiple channels, from traditional mediums, such as the telephone, to new platforms, such as online chats and social media. Similarly, customer expectations are rapidly changing. This forces organisations to develop new interactive models that deliver deeper personalised services and improved customer care. Some of the relevant technologies being implemented to improve business processes include cognitive artificial intelligence (AI), real-time analytics and chat bots, with the use cases to 1) automate repetitive tasks, 2) enhance predictive analytics, and 3) provide better contextualisation for agents so they can offer better customer experiences. There is a growing impetus for modernising the customer experience in the new economy industry to maintain competitive differentiation, adding other channels of communications, and building of efficient CX centres using machine learning and AI technologies.

According to Frost & Sullivan, the outsourced CX services market is expected to record a faster pace of 4.6% CAGR over 2021-2025F compared to 4.2% CAGR from 2016 to 2020.

Figure 18: Outsourced CX services market is expected to post 4.6% CAGR over 2021-2025F



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

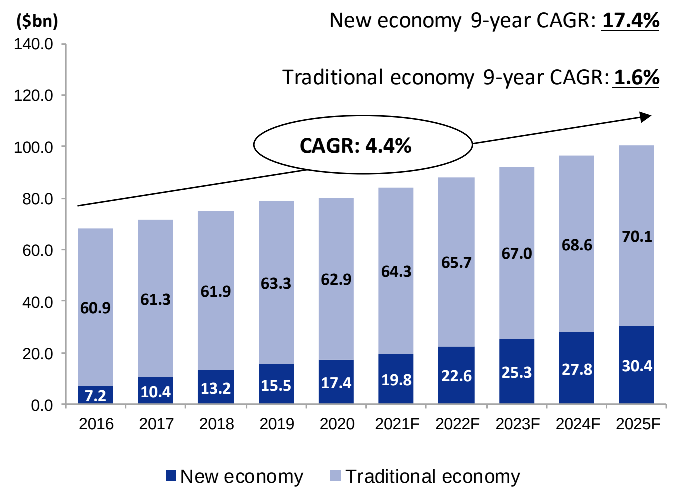
Frost & Sullivan highlighted several key reasons for the faster pace of growth:

1) **Companies are increasing investments in digital transformation initiatives to stay competitive**. Customers are demanding a more comprehensive and consistent experience. Building a differentiated CX through channel integration and contextual responses will be the leading requirement for CX-centred innovations.
2) **Increasing focus from enterprises to streamline their operations**. Outsourced CX services allows businesses to focus on their core business activities, improve efficiency and lower costs. Greater efficiencies can also be reaped from predictive analytics, customised solutions, and collaborative engagements, especially though working with service providers with capabilities including intelligent automation, advanced analytics, and alternate delivery models like business process as a service.
3) **Customers are demanding better support services**. Outsourced CX services provide high quality 24/7 support services via multiple communication channels, allowing businesses to offer better customer service to their customers.
4) **Impact of 5G technology**. The new generation of 5G wireless technology will change how people use the internet, besides adding to the proliferation of other technologies, including Internet of Things (IoT), augmented reality (AR) and virtual reality (VR), big data, and cloud computing. This could lead to heightened consumer expectations, and widespread access to video support (reducing number of product returns or in-home technician visits) given higher ability to guide customers to carry out self-troubleshooting. Higher big data processing power could also help develop better customer support trends and in-store personalisation.

New economy – Rapid growing outsourced CX opportunity

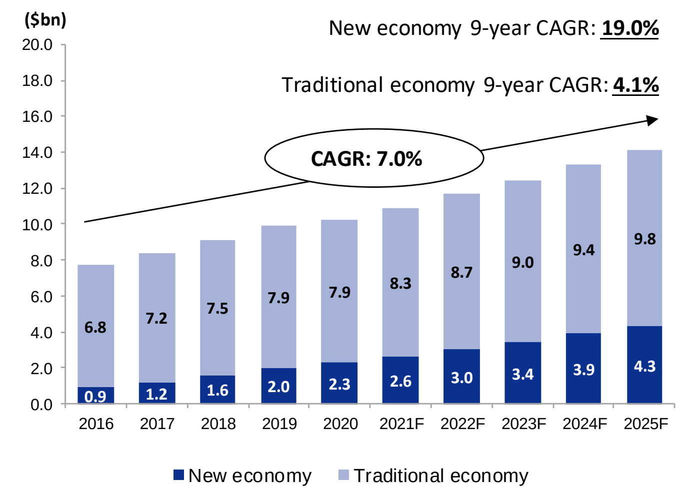
While the traditional economy currently still forms the bulk of the global outsourced CX services market (78% in 2020 according to Frost & Sullivan), the internet and the new economy segment have been rapidly growing and is expected to remain a significant driver behind the CX industry's growth in the next 5 years.

Figure 19: Global market size of outsourced CX services, segmented by industry, 2016-2025F



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

Figure 20: Southeast Asia market size of outsourced CX services, segmented by industry, 2016-2025F



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

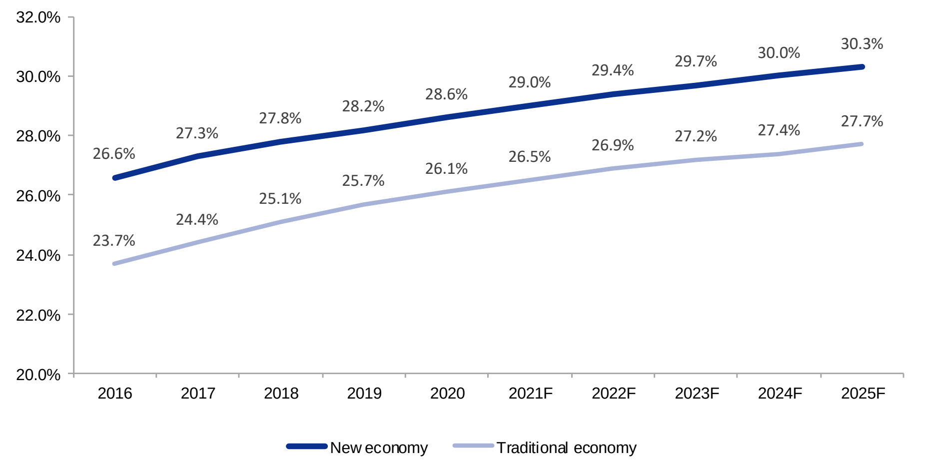
The new economy is defined by Frost & Sullivan as high-growth industries that are on the cutting edge of digital technology and which are the driving forces of economic growth. Sectors within the new economy include e-commerce, digital advertising, fintech, and online gaming. The new economy has been rapidly growing in recent years, riding on 1) increased adoption of internet and mobile usage transforming consumer behaviour, 2) growth in global urbanisation rates and hence greater consumer inclusion within the new economy, and 3) changing demographics, especially in Southeast Asia, to a larger youth population resulting in a shift in how consumers buy their products and spend their money.

Frost & Sullivan estimates that the market size of the outsourced CX industry is rapidly growing for the new economy segment. Globally, Frost & Sullivan forecasts the market size of outsourced CX service for new economy to record 17.4% CAGR (2016-2025F) to US$30.4bn; in Southeast Asia, the segment is forecast to deliver 19% CAGR over the same period to US$4.3bn.

Frost & Sullivan believes that the new economy industries are a powerful growth engine for the business support services industry. Companies within the new economy are increasingly partnering with service providers to grow exponentially as they focus on expansion into new markets and evolve to provide new products and services.

Outsourcing is quickly becoming the preferred way for new economy companies to grow in a competitive environment as service providers have the expertise and capabilities to provide personalised services at lower costs. Outsourcing also gives new economy companies a competitive advantage as they can remain agile and scale at a fraction of the cost of building in-house resources and capabilities.

Figure 21: Penetration rate of outsourced CX services for traditional and new economy industries, by delivery locations in Southeast Asia, 2016-2025F



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

Aside from that, there is also a trend where outsourcing is evolving from low-complexity work to high-value strategic services. Outsourcing a variety of functions, including customer care, content management, content moderation, advertising campaign management, sales support services, and other back-office support services, is becoming increasingly popular as service providers can deliver dedicated service at a fraction of the cost of an in-house team. Outsourced business support services (BSS) players are also able to help companies meet their strategic goals to improve customer relationships and enhance customer experience journeys by offering sophisticated CX solutions.

Competitive landscape

As stated by Frost & Sullivan, the global outsourced CX market is relatively fragmented, comprising both global service providers and smaller specialised service providers located in different regional markets. Delivery centres in Southeast Asia and India predominantly serve customers in North America, Europe, and Australia. According to Frost & Sullivan, contribution from domestic business is comparatively smaller (less than 15%) but Southeast Asian delivery centres are typically able to support multiple languages. For example, a location in Malaysia could support multiple languages, including English, Malay, Mandarin, and several other Chinese dialects.

As of 2020 estimates, the top 15 players in Southeast Asia contributed 51% of market share by revenue, according to Frost & Sullivan. We believe TDCX is among the top 5 outsourced CX service providers by revenue in Southeast Asia; Frost & Sullivan estimates its market share to be 3.2%. According to the same report by Frost & Sullivan, the other key market players are Teleperformance (TEP FP, NR) at 9.7% market share, Concentrix (CNXC US, NR) at 9.1%, Alorica (Unlisted) at 3.8%, and TTEC (TTEC US, NR) at 3.4%.

Figure 22: Competitive landscape of the outsourced CX market as of 2021

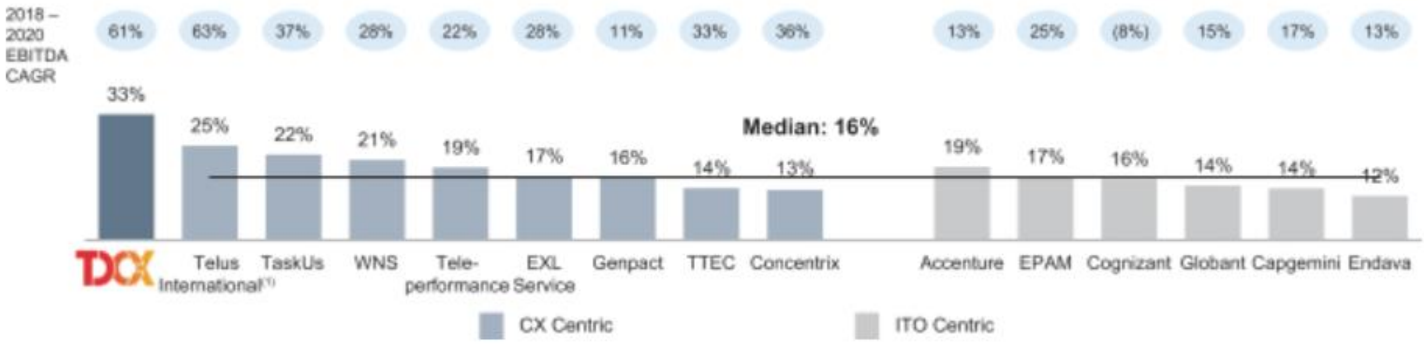
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

TDCX has pivoted to become a digital service support provider for new economy clients and its competitive landscape has since changed significantly. We believe TDCX is competing in the higher value-added services segment given its capabilities in providing 1) multi-lingual interactions, 2) digital marketing services, 3) content monitoring and moderation services, and 4) real-time data analytics.

Compared to its peers, TDCX has a significantly greater share of new economy clients as a percentage of its total client base. 88% of its FY20 revenue came from new economy clients, compared to c.7% for Teleperformance. Frost & Sullivan believes that omnichannel CX service providers, including TDCX, have several key advantages over the larger competitors, such as 1) stronger presence with faster growing technology and start-up service ecosystems, 2) ability to quickly adapt to newer technologies and changing demands on CX service providers as consumer behaviours shift over time, 3) specialised, proprietary-focused verticals and core capabilities, which are typically higher-margin services, and 4) greater focus on employee retention and engagement.

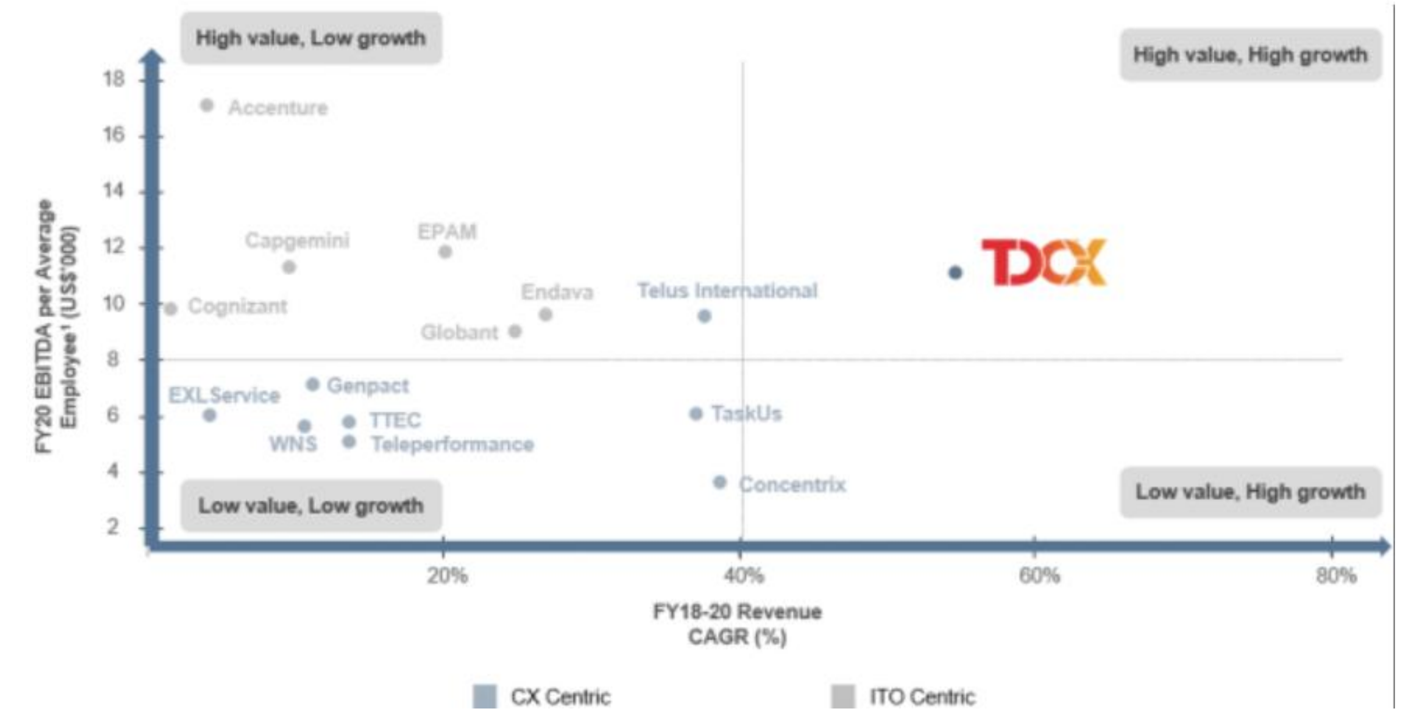
Frost & Sullivan pointed out three operating metrics where TDCX stands out: 1) superior EBITDA margins over peers, 2) higher EBITDA per employee vs. revenue growth, and 3) lower voluntary attrition rate.

Figure 23: TDCX has superior margins vs. peers



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

Figure 24: EBITDA per employee vs. revenue growth



SOURCES: CGS-CIMB RESEARCH, FROST & SULLIVAN

TDCX has shown stronger capabilities in personnel retention. The annual voluntary attrition rate for the company was 21.5%, 23.1% and 24.8% in 2018, 2019 and 2020, respectively, compared to the industry average of 30-34% in APAC, according to Frost & Sullivan.

Financials

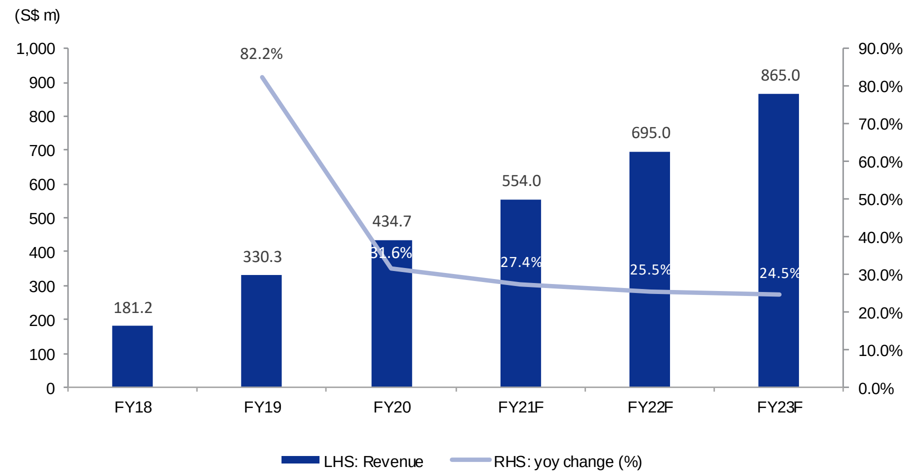
25.8% revenue CAGR over FY20-23F

We forecast TDCX to record revenue CAGR of 25.8% over FY20-23F from S$434.7m to S$865.0m. We believe TDCX is well positioned to capture market share within Southeast Asia's outsourced CX market as it continues to 1) grow wallet share of existing clients, and 2) expand its client base by leveraging the strong network effect.

The recovery in the international travel industry, which we believe accounts for >20% of TDCX's revenue (as at FY20) (Airbnb is one of TDCX's top 2 clients as at FY20), should also provide further upside, in our view. While the Omicron variant has no doubt brought a short-term setback to the travel industry, we believe the world today is better equipped to recover quickly, with higher vaccination rates and better detection tools and treatments for Covid-19.

We believe the main drivers for TDCX's revenue expansion are 1) headcount growth, and 2) wage adjustments. Overall, we forecast agent count to record CAGR of 26.2% over FY20-23F and blended wage per agent to contract slightly. While we forecast revenue per agent across countries to climb at a stable rate of 2.0% per annum, the lower blended wage per agent is mainly attributable to our expectations of faster headcount growth in developing countries, such as India, vs. some of TDCX's existing offices, such as Singapore.

Figure 25: Revenue trend

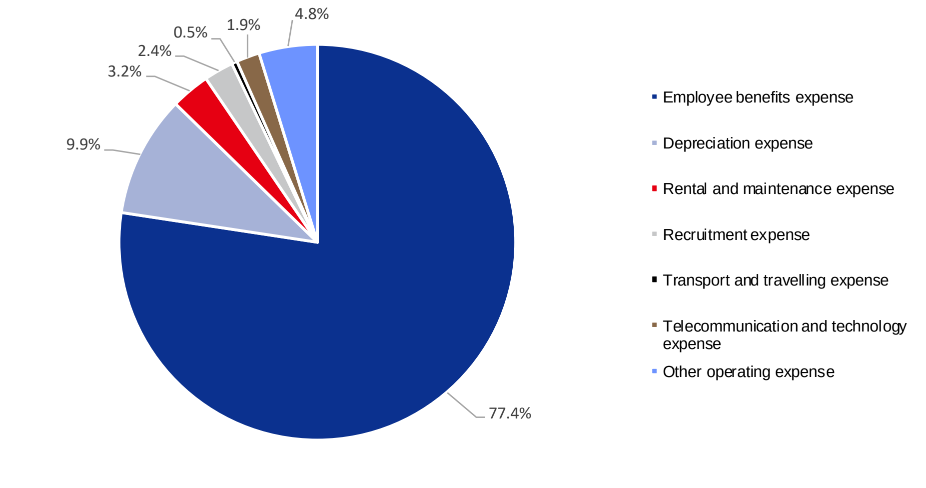


SOURCES: CGS-CIMB RESEARCH ESTIMATES

Slight margin contraction on geographical expansion

The largest component of TDCX's cost structure is employee benefits expense. TDCX typically charges clients on a cost-plus basis, based on a Master Service Agreement (MSA) predetermined with clients (please refer to Appendix for more details). We note that GPM has held rather steady at c.40% levels since FY18. We understand that, currently, c.60% of revenues are billed in US$, c.30% in S$ and c.10% in other currencies. This means that an appreciation of US$ against local currencies where TDCX has presence in could lead to FX gains.

Figure 26: Operating cost structure breakdown (FY20)

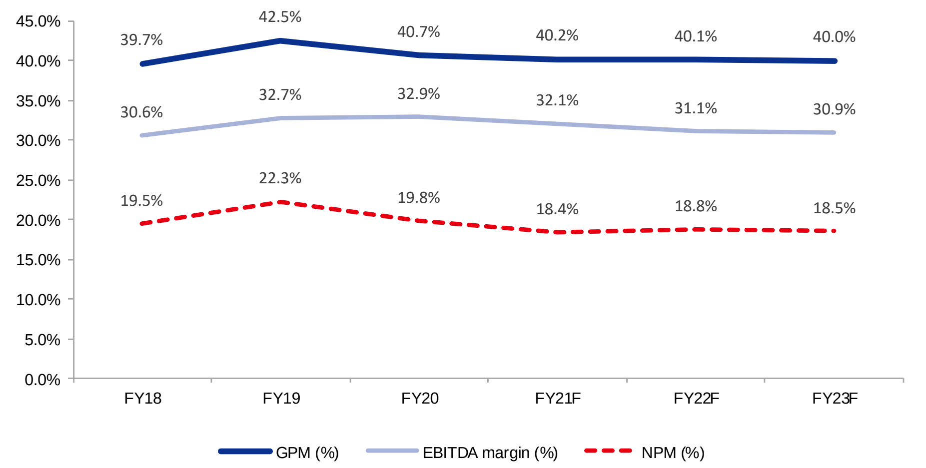


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Currently, TDCX enjoys industry-leading margins (FY20 EBITDA margin: 32.9%). TDCX attributes the stronger margin vs. peers to 1) focus on the high-growth CX segment, 2) strong exposure to new economy clients, 3) focus on complex offerings, 4) regionalisation of operations underpinned by multilingual hubs, and 5) >90% of agents being based in Southeast Asia.

Looking ahead, we forecast TDCX to see a slight declining trend in margins during FY20-23F. We forecast the EBITDA margin to contract from 32.9% in FY20 to 30.9% in FY22F, mainly due to geographical expansion. TDCX has picked up the speed of geographical expansion since FY18; we believe this will lead to some margin compression due to the start-up costs incurred. According to management, there is generally not much variation in margins across territories once its business reaches maturity.

Figure 27: Margin trends

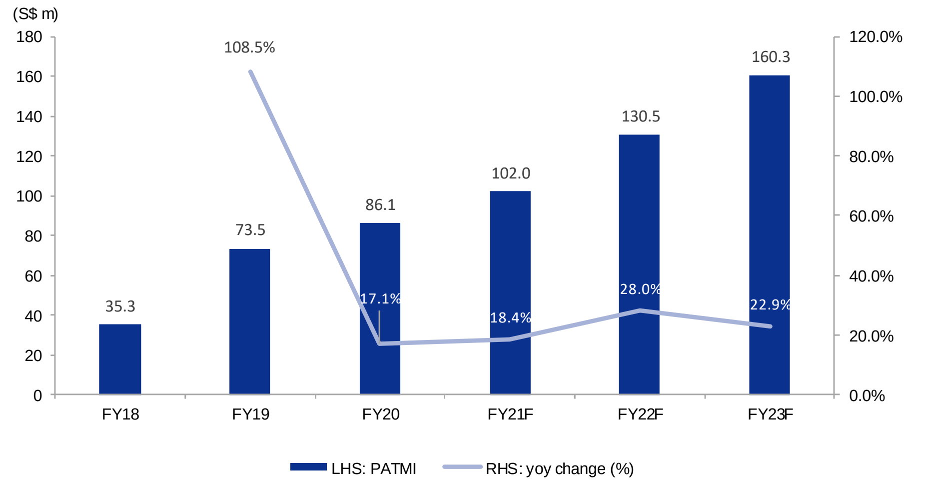


SOURCES: CGS-CIMB RESEARCH ESTIMATES

Our forecasts have yet to include any potential impact from TDCX's Performance Share Plan (PSP). Pursuant to the PSP announced on 26 Aug 2021, the aggregate shares over which the board of directors may award is 5.0% of TDCX's total issued and outstanding shares. We understand the financial impact of the PSP will be recognised starting 4Q21F.

We forecast TDCX's tax rate to rise to 21.0% for FY21-23F, given geographical expansion to new markets. Overall, due to the compression in EBITDA margin, we forecast net profit to deliver a 3-year CAGR of 23.0% (FY20-23F), slightly lower than its revenue growth trend.

Figure 28: Net profit trend



SOURCES: CGS-CIMB RESEARCH ESTIMATES

Net cash position with strong cash generation capabilities to support future M&A

Post the completion of public listing and subsequent repayment of the US$188m term loan facility from Credit Suisse in Dec 2021, we estimate TDCX was in a net cash position of S$322m as of end-FY21F.

This, together with TDCX's highly cash generative business (while being asset light; key capital expenditures in FY19/20 were related to office expansion), will allow the company to pursue M&A opportunities in the future, in our view. During the 3Q results presentation, management said they will only be pursuing profitable target companies that have geographical or business vertical advantages that complement the company's existing operations.

Dividend policy

TDCX does not have a fixed dividend policy. According to its prospectus, it does not intend to pay any dividends for the foreseeable future but expects all its earnings to be used for the operation and growth of its business or M&A.

Figure 29: Income statement

FYE Dec (S$ m)	FY18	FY19	FY20	FY21F	FY22F	FY23F
Revenue	**181.2**	**330.3**	**434.7**	**554.0**	**695.0**	**865.0**
yoy chg (%)		***82.2%***	***31.6%***	***27.4%***	***25.5%***	***24.5%***
Employee benefits expense	(109.4)	(189.9)	(258.0)	(331.3)	(416.3)	(519.0)
Depreciation expense	(12.9)	(24.6)	(33.1)	(41.5)	(54.2)	(68.3)
Rental and maintenance expense	(2.6)	(9.2)	(10.6)	(12.2)	(15.3)	(19.0)
Recruitment expense	(3.8)	(6.7)	(8.0)	(10.0)	(12.5)	(15.6)
Transport and travelling expense	(1.4)	(2.1)	(1.5)	(1.7)	(3.1)	(4.3)
Telecommunication and technology expense	(2.4)	(4.5)	(6.3)	(8.9)	(11.1)	(13.8)
Other operating expense	(6.9)	(10.5)	(15.8)	(16.6)	(21.9)	(27.7)
Other operating income	0.5	0.7	7.5	4.0	1.0	1.5
Operating profit	**42.5**	**83.5**	**108.9**	**135.9**	**161.6**	**198.7**
OPM (%)	***23.4%***	***25.3%***	***25.1%***	***24.5%***	***23.2%***	***23.0%***
Interest expense	(1.1)	(2.9)	(3.1)	(8.0)	(0.6)	(0.5)
Share of profit from associates	0.0	0.0	0.2	0.2	0.2	0.2
Interest income	0.3	0.5	0.6	1.0	4.0	4.5
Others	0.0	0.0	0.7	0.0	0.0	0.0
Profit before income tax	**41.6**	**81.1**	**107.4**	**129.1**	**165.2**	**202.9**
Income tax expenses	(3.5)	(7.5)	(21.3)	(27.1)	(34.7)	(42.6)
Effective tax rate (%)	-8.5%	-9.3%	-19.8%	-21.0%	-21.0%	-21.0%
Non-controlling interests	2.8	0.0	0.0	0.0	0.0	0.0
Net profit attributable to shareholders	**35.3**	**73.5**	**86.1**	**102.0**	**130.5**	**160.3**
yoy chg (%)		***108.5%***	***17.1%***	***18.4%***	***28.0%***	***22.9%***
EBITDA (excluding SBC)	**55.4**	**108.1**	**142.9**	**177.6**	**216.0**	**267.2**
EBITDA margin (%)	**30.6%**	**32.7%**	**32.9%**	**32.1%**	**31.1%**	**30.9%**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 30: Balance sheet

FYE Dec (S$ m)	FY18	FY19	FY20	FY21F	FY22F	FY23F
Current assets						
Cash and cash equivalents	24.0	35.9	59.8	314.5	425.2	564.4
Fixed deposits	-	0.8	7.7	7.7	7.7	7.7
Trade receivables	27.6	55.3	36.9	53.1	66.6	82.9
Contract assets	18.6	26.5	46.8	58.2	73.0	90.8
Other receivables	5.4	9.2	12.3	12.3	12.3	12.3
Tax recoverable	0.4	-	-	-	-	-
Total current assets	**75.9**	**127.8**	**163.6**	**445.8**	**584.8**	**758.1**
Non-current assets						
Pledged deposits	2.1	2.1	2.4	2.4	2.4	2.4
Other receivables	2.9	3.7	5.9	5.9	5.9	5.9
Plant and equipment	24.9	40.7	40.6	48.3	51.7	53.3
Right-of-use assets	18.6	22.8	29.2	29.2	29.2	29.2
Loan to an associate	-	0.8	-	-	-	-
Deferred tax assets	0.3	1.2	1.6	1.6	1.6	1.6
Investment in an associate	0.0	0.0	0.2	0.4	0.6	0.8
Total non-current assets	**48.9**	**71.4**	**79.9**	**87.7**	**91.4**	**93.2**
Total assets	124.8	199.2	243.4	533.5	676.2	851.3
Current liabilities						
Other payables	15.9	26.9	37.2	47.7	59.9	74.6
Amount due to founder	10.5	-	-	-	-	-
Bank loans	6.4	34.4	24.2	-	-	-
Lease liabilities	7.6	11.0	14.7	14.7	14.7	14.7
Provision for reinstatement cost	-	-	0.5	0.5	0.5	0.5
Income tax payable	3.2	7.0	13.3	13.3	13.3	13.3
Total current liabilities	**43.6**	**79.3**	**89.7**	**76.0**	**88.3**	**103.0**
Non-current liabilities						
Bank loans	24.2	-	16.1	-	-	-
Lease liabilities	12.5	14.5	17.8	17.8	17.8	17.8
Provision for reinstatement cost	1.8	5.0	5.6	5.6	5.6	5.6
Defined benefit obligation	0.3	0.8	1.4	1.4	1.4	1.4
Deferred tax liabilities	0.4	0.2	0.1	0.1	0.1	0.1
Total non-current liabilities	**39.2**	**20.5**	**41.1**	**25.0**	**25.0**	**25.0**
Total liabilities	82.7	99.7	130.9	101.0	113.3	128.0
Equity						
Share capital	-	-	-	470.0	470.0	470.0
Reserves	(21.6)	(20.7)	(19.8)	(271.8)	(271.8)	(271.8)
Retained earnings	63.7	120.1	132.4	234.3	364.8	525.1
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	**42.1**	**99.4**	**112.5**	**432.5**	**563.0**	**723.3**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 31: Cash flow statement

FYE Dec (S$ m)	FY18	FY19	FY20	FY21F	FY22F	FY23F
Operating activities						
Profit before tax	41.6	81.1	107.4	129.1	165.2	202.9
Adjustments for:						
Depreciation expense	12.9	24.6	33.1	41.5	54.2	68.3
Gain on early termination of right-of-use assets	-	(0.0)	(0.2)	-	-	-
(Reversal)/allowance on trade and other receivables	0.0	(0.0)	-	-	-	-
Bank facility fee	0.0	0.1	0.1	-	-	-
Interest income	(0.3)	(0.5)	(0.6)	(1.0)	(4.0)	(4.5)
Interest expense	1.1	2.9	3.1	8.0	0.6	0.5
Remeasurement of retirement benefit obligation	0.1	0.3	0.5	-	-	-
Loss on disposal and write-off of PPE	0.0	-	0.0	-	-	-
Rent concession	-	-	(0.5)	-	-	-
Gain on disposal of a subsidiary	-	-	(0.7)	-	-	-
Share of profit from an associate	-	-	(0.2)	(0.2)	(0.2)	(0.2)
Operating cash flows before movements in working capital	55.5	108.4	141.8	177.4	215.8	267.0
Changes in working capital:						
Trade receivables	(7.1)	(27.2)	19.1	(16.2)	(13.5)	(16.3)
Contract assets	(10.4)	(7.7)	(20.1)	(11.3)	(14.8)	(17.8)
Other receivables	(4.1)	(3.2)	(5.0)	-	-	-
Other payables	4.5	9.8	9.5	10.5	12.2	14.8
Cash generated from operations	38.4	80.0	145.4	160.3	199.7	247.7
Interest received	0.3	0.5	0.6	1.0	4.0	4.5
Income tax paid	(1.6)	(4.8)	(15.5)	(27.1)	(34.7)	(42.6)
Income tax refunded	0.2	0.3	0.0	-	-	-
Net cash from operating activities	**37.3**	**76.0**	**130.5**	**134.2**	**169.0**	**209.6**
Investing activities						
Purchase of plant and equipment	(19.0)	(25.9)	(17.3)	(30.0)	(30.0)	(30.0)
Proceeds from sale of plant and equipment	-	-	0.0	-	-	-
Payment for restoration of office	-	(0.1)	-	-	-	-
Increase in fixed deposits	-	(0.8)	(6.9)	-	-	-
Increase in pledged deposits	(1.9)	-	(0.3)	-	-	-
Disposal of a subsidiary	-	-	(0.0)	-	-	-
Repayment from (loan to) an associate	-	(0.8)	0.8	-	-	-
Dividends received from associate	-	-	-	-	-	-
Net cash used in investing activities	**(20.9)**	**(27.6)**	**(23.7)**	**(30.0)**	**(30.0)**	**(30.0)**
Financing activities						
Acquisition of non-controlling interests	(38.0)	-	-	-	-	-
Dividends paid to shareholders	(3.0)	(17.0)	(73.5)	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	-
Drawdown of bank loan	30.4	10.0	12.0		-	-
Amount paid to directors, net	6.2	(10.5)	-		-	-
Repayment of lease liabilities	(5.3)	(11.6)	(14.2)	(19.2)	(27.7)	(39.9)
Interest paid	(0.8)	(1.4)	(1.4)	(8.0)	(0.6)	(0.5)
Bank facility fee paid	(0.2)	(0.1)	-	-	-	-
Repayment of bank loan	-	(6.1)	(6.1)	(40.3)	-	-
Issuance of share capital	-	-	-	470.0	-	-
Net cash used in financing activities	**(10.7)**	**(36.7)**	**(83.3)**	**150.5**	**(28.3)**	**(40.4)**
Net change in cash	5.8	11.8	23.5	254.7	110.7	139.2
Beginning balance	**18.3**	**24.0**	**35.9**	**59.8**	**314.5**	**425.2**
FX effects	(0.1)	0.2	0.4	-	-	-
Ending balance	**24.0**	**35.9**	**59.8**	**314.5**	**425.2**	**564.4**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Valuation and recommendation

Initiate with an Add rating and TP of US$24.00

We initiate coverage on TDCX with an Add rating and TP of US$24.00, based on 18x EV/EBITDA (avg. FY22-23F EBITDA), growth-adjusted vs. peer group's 13x. We like TDCX for its 1) fast-growing and large total addressable market (TAM), 2) strong client base, 3) track record in wallet share expansion, 4) unique tech-like work culture, and 5) industry-leading margins.

We value TDCX using the EV/EBITDA valuation methodology, as we think this methodology allows to incorporate near-term catalysts and risks, while accounting for TDCX's strong net cash position post-IPO which can allow it to drive inorganic growth through strategic M&A and partnerships.

We use customer experience (CX) peers listed in Figure 32 below as TDCX's peer group. Our target multiple of 18.0x EV/EBITDA (avg. FY22-23F EBITDA) is growth-adjusted vs. peer group's 12.5x, given TDCX's faster growth profile (we estimate FY21-23F EBITDA CAGR of 22.7%) vs. peer group's 15.2% EBITDA growth CAGR over the same period (based on Bloomberg consensus estimates).

Potential re-rating catalysts include earnings-accretive M&A and faster-than-expected travel recovery; key downside risks include larger-than-expected margin erosion resulting from overseas market expansion.

Figure 32: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US$ m)	P/E (x) CY22F	P/E (x) CY23F	2021-23F EPS CAGR (%)	P/BV (x) CY22F	Recurring ROE (%) CY22F	EV/EBITDA (x) CY22F	EV/EBITDA (x) CY23F	Dividend Yield (%) CY22F
TDCX Inc	**TDCX US**	**ADD**	**13.28**	**24.00**	**1,936**	**19.6**	**15.9**	**25.2%**	**4.54**	**26.2%**	**9.9**	**7.5**	**0.0%**
Customer experience													
TaskUS	TASK US	NR	30.13	na	2,931	23.1	18.3	63.7%	6.16	19.9%	14.2	11.1	na
Teleperformance	TEP FP	NR	349.1	na	22,947	26.7	24.1	38.0%	6.17	23.0%	14.1	13.0	1.0%
Telus International	TIXT US	NR	27.95	na	7,467	23.6	19.3	46.5%	4.00	15.4%	13.4	11.5	0.0%
TTEC	TTEC US	NR	80.01	na	3,760	16.7	15.3	27.2%	5.45	36.3%	11.8	10.7	1.2%
Offshore BPO													
Genpact	G US	NR	50.76	na	9,546	18.9	16.7	23.4%	4.40	23.0%	13.4	11.9	0.9%
ExlService	EXLS US	NR	126.6	na	4,217	25.8	23.4	27.4%	5.32	21.3%	16.4	14.9	0.0%
WNS	WNS US	NR	85.91	na	4,188	24.1	21.4	23.8%	5.70	22.4%	14.2	13.3	0.0%
Simple average excluding TDCX						**22.3**	**19.3**	**33.3%**	**4.91**	**21.6%**	**13.3**	**11.8**	**0.7%**
Average						**22.0**	**19.0**	**32.4%**	**4.87**	**22.1%**	**12.9**	**11.3**	**0.6%**

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Note: Forecasts for Not rated companies are based on Bloomberg consensus estimates
DATA AS AT 21 JAN 2022

Figure 33: Peer analysis

Company	Revenue growth FY-2	Revenue growth FY-1	Revenue growth FY	EBITDA margin FY-2	EBITDA margin FY-1	EBITDA margin FY	Net profit growth FY-2	Net profit growth FY-1	Net profit growth FY	Revenue 2018-20 CAGR	EBITDA 2018-20 CAGR	Net profit 2018-20 CAGR	Revenue 2021-23F CAGR	EBITDA 2021-23F CAGR	Net profit 2021-23F CAGR
TDCX	na	82%	32%	31%	33%	33%	na	93%	17%	*54.9%*	*60.7%*	*50.3%*	*25.0%*	*22.7%*	*25.4%*
TaskUs	117%	41%	33%	18%	20%	19%	257%	5%	2%	*37.1%*	*41.1%*	*3.5%*	*26.3%*	*24.4%*	*34.6%*
Teleperformance	6%	21%	7%	17%	21%	20%	0%	28%	-19%	*13.6%*	*21.7%*	*1.9%*	*8.1%*	*8.7%*	*10.5%*
Telus International	46%	22%	55%	18%	22%	25%	9%	46%	49%	*37.7%*	*63.3%*	*47.8%*	*14.9%*	*17.3%*	*24.0%*
TTEC	2%	9%	19%	13%	13%	16%	390%	116%	54%	*13.6%*	*26.9%*	*82.0%*	*9.4%*	*10.4%*	*7.2%*
Genpact	10%	17%	5%	14%	15%	15%	7%	8%	1%	*11.2%*	*15.9%*	*4.6%*	*9.9%*	*11.8%*	*11.3%*
ExlService Holdings	16%	12%	-3%	11%	13%	17%	16%	19%	32%	*4.2%*	*27.7%*	*25.6%*	*10.4%*	*7.2%*	*5.6%*
WNS Holdings	7%	15%	-2%	19%	23%	22%	22%	11%	-12%	*6.2%*	*12.6%*	*-1.3%*	*11.0%*	*10.8%*	*11.0%*
Average	**40%**	**30%**	**18%**	**18%**	**20%**	**20%**	**112%**	**36%**	**16%**	***23.0%***	***32.9%***	***24.9%***	***13.9%***	***14.2%***	***16.6%***

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

We cross check our valuation using a DCF methodology, which implies a per share value of US$24.10. Our DCF valuation assumes a WACC of 8.1% and terminal growth assumption of 3%.

Figure 34: DCF Valuation

DCF valuation (S$ m)	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
EBIT	135.9	161.6	198.7	228.5	257.1	282.8	308.2	332.9	356.2	377.6	396.5	416.3
Taxes	-27.1	-34.7	-42.6	-49.0	-55.1	-60.6	-66.1	-71.4	-76.4	-81.0	-85.0	-89.3
D&A	22.3	26.5	28.4	29.3	30.2	31.1	32.0	33.0	34.0	35.0	36.0	37.1
Change in net working Capital	-17.1	-16.1	-19.4	-20.0	-20.6	-21.2	-21.8	-22.5	-23.1	-23.8	-24.5	-25.3
Capex	-30.0	-30.0	-30.0	-30.9	-31.8	-32.8	-33.8	-34.8	-35.8	-36.9	-38.0	-39.1
Free cash flow from operation	**84.0**	**107.3**	**135.2**	**158.0**	**179.8**	**199.3**	**218.6**	**237.3**	**254.8**	**270.9**	**284.9**	**299.7**
PV		107.3	125.1	135.3	142.5	146.1	148.4	149.0	148.1	145.7	141.8	138.0
Terminal free cash flow (S$ m)	6,099.6											
Total discounted free cash flow (S$ m)	1,527.3											
Present value of terminal free cash flow (S$ m)	2,809.4											
Total present value of forecasted free cash flows (S$ m)	**4,336.7**											
Add: Net cash as of end-FY21F (S$ m)	322.2											
Equity Value (S$ m)	**4,658.9**											
No. of outstanding shares (millions)	142.9											
Per share Equity Value (S$)	32.60											
Per share Equity Value (US$)	**24.10**											
WACC	**(%)**											
Cost of equity	**8.5%**											
Risk free	1.7%											
Market risk premium	5.7%											
Beta	1.20											
Cost of debt	**5.0%**											
Kd (after tax)	3.8%											
Target Debt / (Debt + Equity)	10%											
Target Equity / (Debt + Equity)	90%											
WACC	**8.1%**											

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Key risks

Customer concentration risks

TDCX's 2 largest clients, Facebook, and Airbnb, together contributed 60.4% of its FY20 revenue while its top 5 customers contributed 83.8% of FY20 revenue in aggregate. Revenue contribution of the top 2/5 customers have remained relatively high, above 60%/80% for the past 3 years. There is no assurance that the volume of work to be performed by TDCX for these customers will not vary significantly going forward, particularly since the company is generally not its clients' exclusive service provider. The loss of revenue from any of TDCX's largest clients may impact its business operations and financials. Nevertheless, we note that, despite lower revenue contribution (-12.5% yoy) from Airbnb in FY20 (as the latter's operations were affected by Covid-19), TDCX managed to achieve 31.6% yoy growth in revenue during the period.

Intensifying competition

TDCX operates in a competitive industry. According to Frost & Sullivan, the global outsourced CX market remains relatively fragmented. In Southeast Asia, the top 15 players were estimated to comprise just over 51% of market share by revenue in 2020, with TDCX likely holding 3.2%. As the market continues to grow, TDCX could face increased competition from new entrants and incumbents. There is also the risk of TDCX's clients choosing to bring the services currently provided by TDCX inhouse or consolidate the number of vendors they use. This could lead to pricing pressure; loss of market share could also result in lower profit margins for the company.

Talent recruitment and retention

TDCX's growth prospects are largely dependent on its ability to attract, hire, train and retain talented and skilled employees so it can keep pace with the growing demand for business services from its client base. There is significant competition for trained employees with the skills necessary to perform the services TDCX offers to its clients, including for employees that are proficient in certain high-demand languages.

Talent retention is also very important to TDCX. A significant increase in the attrition rate among trained employees could result in greater costs, disrupted revenues streams and lower profit margins. Employee salaries also must be carefully managed given employee benefits expenses form the bulk of TDCX's expenses, averaging c.60% of revenue over FY18-20.

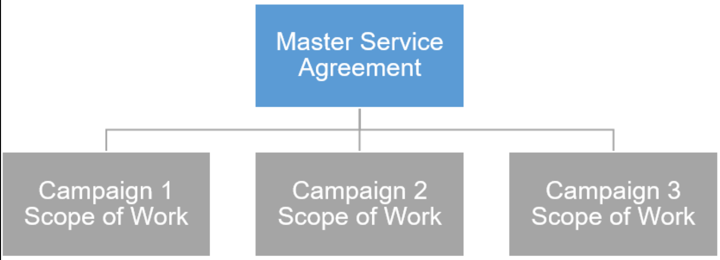
Risks relating to potential warrant issuance to Airbnb

According to the prospectus, TDCX is currently in the process of negotiating with Airbnb the potential issuance of warrants to acquire some of TDCX's ordinary shares. The terms of the warrants have yet to be determined. TDCX expects the warrant to be granted on the basis that it would result in growth in revenues. If TDCX is unable to agree to the terms of the warrant and the warrant is not issued, it could negatively affect its business relationship with Airbnb, which could result in reduced volume of work and lower revenues.

Appendix

Contracts and pricing model

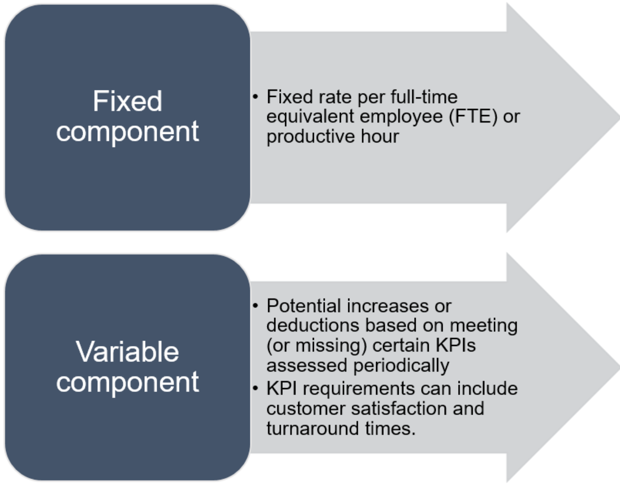
Figure 35: TDCX's typical contract terms with clients



- Master Service Agreement (MSA) contract terms **typically** range from **1-3 years**, with new economy clients typically preferring **1-year renewable** contract terms
- Each campaign is defined under a Scope of Work (SOW), which sets out the service to be provided for each campaign (price, FTEs deployed, service level agreement and technical specification)
- **Clauses in SOW can supersede terms of a MSA** if needed. This allows TDCX to **quickly define and implement new client campaigns** without protracted legal discussions.
- In the past 5 years, TDCX have generally met KPI requirements in most campaigns, and none of its clients have terminated their respective agreement on the basis of consistent underperformance of KPIs

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 36: Example of TDCX pricing structure



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Key management team

Figure 37: Key management team profile

Name	Position	Experience
Mr Laurent Junique	Executive Chairman and Chief Executive Officer	Mr Laurent Junique founded the company in 1995 and is the Executive Chairman and CEO of TDCX. With over 25 years of outsourcing experience, Mr Junique is responsible for ensuring that the company delivers impactful and innovative solutions for its clients. Recognized as a leader in the outsourcing business, he received the EY Entrepreneur of the Year (Outsourced Solutions) award in 2018. Prior to founding the company, Mr Junique was a managing director at Phone Communication Pte Ltd. He graduated with a Bachelor's degree in Marketing from ESIEA.
Mr Chin Tze Neng	Chief Financial Officer	Mr Chin Tze Neng is the group's Chief Financial Officer. He is responsible for accounting and finance matters of the company, which also includes budgeting and financial performance forecasting. Before joining TDCX, Mr Chin worked in accounting and finance positions with Coopers and Lybrand, Malayan Cement Berhad, and Interprint. Mr Chin graduated from RMIT University and is a member of the CPA Australia and Malaysian Institute of Accountants.
Mr Edward Goh	EVP Corporate Development	Mr Edward Goh is the group's EVP Corporate Development. He is responsible for growing and restructuring the business, establishing strategic partnerships, and creating value. Prior to joining the company, Mr Goh was the Managing Director Senior Advisor in Bank Julius Baer's investment finance team. Mr Goh graduated with a Bachelor's degree in Business from Nanyang Technological University and a MBA from Imperial College, London. He is also a Chartered Financial Analyst.
Ms Angie Tay	EVP Singapore & Thailand, Chief Operating Officer	Ms Angie Tay is the group's EVP Singapore & Thailand and Chief Operating Officer. She is responsible for leading staff in both Singapore and Thailand. Prior to joining the company, Ms Tay worked in customer service roles for MobileOne and Standard Chartered Bank. She graduated with a Bachelor's degree in Business and an executive MBA from Nanyang Technological University. She is also Vice Chairman for the Contact Center Association of Singapore.
Mr Byron Fernandez	EVP Malaysia & India, Chief Information Officer	Mr Byron Fernandez is the group's EVP Malaysia & India and Chief Information Officer. He is responsible for managing the group's information technology deployments. Prior to joining the company, Mr Fernandez held managerial positions for SRG Asia Pacific and Vision IP Services. He holds an Advanced Diploma in Computer Science from Informatics Institute and a MBA from Olympia College.
Mr Lim Chee Gay	Chief Human Resources Officer	Mr Lim Chee Gay is the group's Chief Human Resources Officer. Prior to joining the company, Mr Lim held managerial and board positions in HR, manufacturing, IT and supply chain management. Mr Lim graduated from University Science Malaysia with a Bachelor's degree in Applied Science. He was named the National Human Resources Leader of the Year by the Malaysia Institute of Human Resources Management in 2018.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Timeline of events ›

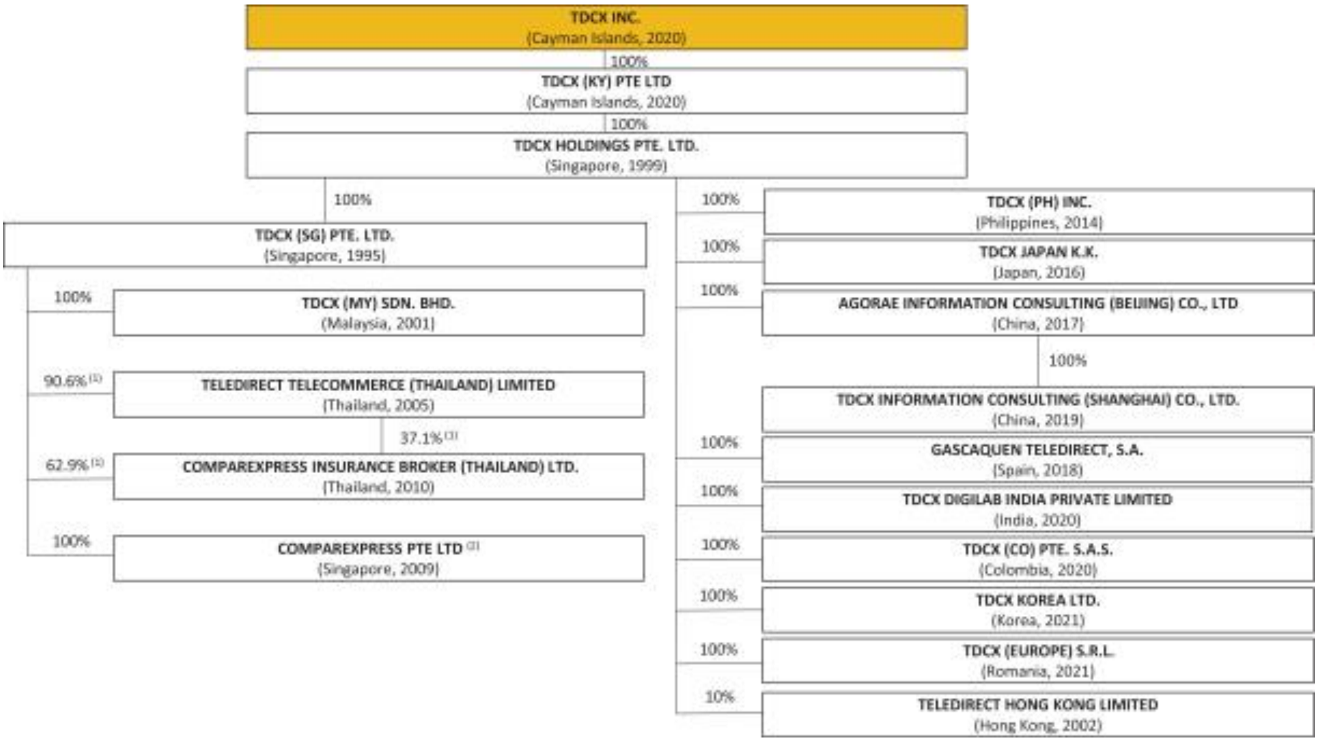
Figure 38: Timeline of key events

Date	Event
Oct 2021	Listed on the New York Stock Exchange
March 2021	Entered into a $188m term loan credit facility agreement with Credit Suisse to acquire Founder's shareholder interests in TDCX KY (previous holding company for TDCX subsidiaries).
April 2020	TDCX was incorporated as an exempted company in the Cayman Islands
December 2019	Teledirect changed its name to TDCX (SG).
January 2019	Founder reduced his 60% stake in Teledirect. Teledirect became a wholly-owned subsidiary of Agorae.
September 2018	Agorae acquired the 40% stake held by WPP Singapore.
May 2001	Renamed company to Agorae.
1997	WPP Singapore, part of London-based WPP plc group, acquired 40% stake in Teledirect.
1995	Mr Laurent Junique, CEO, founded Teledirect in Singapore.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Corporate structure ›

Figure 39: Corporate structure



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell

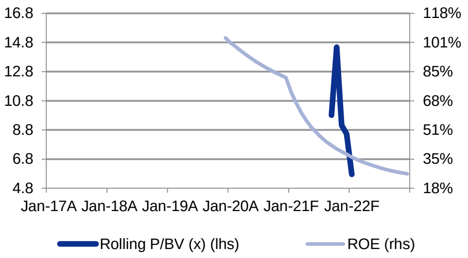
We believe TDCX has shown great commitment to promoting employee welfare and inclusivity. This is evidenced by the group's lower-than-average employee attrition rates vs. industry and various accolades won over the years. TDCX has also pledged to contribute on the environmental and CSR front, which we believe will help promote the group's ESG standing further. As a newly listed company, TDCX has yet to publish its first sustainability report, but we are pleased to note that the company has been releasing articles detailing its CSR efforts on a quarterly basis.

Keep your eye on	Implications
TDCX views employee retention as one of its top priorities. To combat attrition, management places great emphasis on promoting an inclusive and attractive working culture. Dedicated engagement teams constantly interact with employees via various programmes (e.g. weekly internal engagement surveys). The group also offers employees opportunities to develop via extensive training courses.	We believe that employee satisfaction is crucial for business process outsourcing companies given the industry's high reliance on human capital. Thus far, we think that TDCX has performed well in this aspect as the group's voluntary attrition rates (2018-2020: 22-25%) are notably lower compared to the Asia Pacific industry average (2018-2020: 30-34%), according to Frost & Sullivan. We believe lower attrition rates can result in higher service quality and reduced rehiring costs.
ESG highlights	**Implications**
TDCX has received various accolades, including being listed as among *"Best Companies to Work for in Asia 2020" and "Top 100 Asia's Best Employer Brands 2019"* and receiving *"Asia's Best Employer Brand Award".*	We like that TDCX has been recognised for its efforts to cultivate an attractive workplace environment. This could further promote the hiring of high-quality employees, which would contribute greatly to the company's long-term success.
The company is committed to promoting greater environmental sustainability. It aims to become carbon neutral within the next 10 years via carbon offsetting projects in Asia. All offices promote recycling (e.g. centralized recycling bins, modern recycling methods) and ban the use of single-use plastics.	Companies are increasingly being scrutinised for their sustainability and CSR efforts. Its commitment to such goals paints TDCX in an encouraging light, which could attract greater investor interest, in our view.
On the CSR front, the group believes in giving back to the community. Examples of such activities include donating to public education institutions, provision of meals to healthcare workers (Friday Food for Frontliners), as well as a disaster relief programme in place in the event of a natural disaster.	
Trends	**Implications**
As the company was listed in Oct 2021, there are no meaningful ESG trends that we can note. We will continue to monitor TDCX's ESG efforts.	Not meaningful

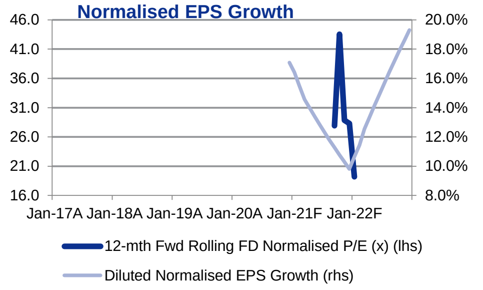
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(S$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Net Revenues	**330.3**	**434.7**	**554.0**	**695.0**	**865.0**
Gross Profit	**140.4**	**176.7**	**222.7**	**278.7**	**346.0**
Operating EBITDA	**108.1**	**142.9**	**177.6**	**216.0**	**267.2**
Depreciation And Amortisation	(24.6)	(33.1)	(41.5)	(54.2)	(68.3)
Operating EBIT	**83.5**	**109.9**	**136.1**	**161.8**	**198.9**
Financial Income/(Expense)	(2.4)	(2.5)	(7.0)	3.4	4.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**81.1**	**107.4**	**129.1**	**165.2**	**202.9**
Exceptional Items					
Pre-tax Profit	**81.1**	**107.4**	**129.1**	**165.2**	**202.9**
Taxation	(7.5)	(21.3)	(27.1)	(34.7)	(42.6)
Exceptional Income - post-tax					
Profit After Tax	**73.5**	**86.1**	**102.0**	**130.5**	**160.3**
Minority Interests	(0.0)	(0.0)	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	**73.5**	**86.1**	**102.0**	**130.5**	**160.3**
Normalised Net Profit	73.5	86.1	102.0	130.5	160.3
Fully Diluted Normalised Profit	**73.5**	**86.1**	**102.0**	**130.5**	**160.3**

Cash Flow

(S$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
EBITDA	108.1	142.9	177.6	216.0	267.2
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(28.4)	3.5	(17.1)	(16.1)	(19.4)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	24.6	32.9	41.5	54.2	68.3
Other Operating Cashflow	(20.9)	(30.3)	(32.7)	(49.8)	(63.5)
Net Interest (Paid)/Received	(2.9)	(3.1)	(8.0)	(0.6)	(0.5)
Tax Paid	(4.5)	(15.5)	(27.1)	(34.7)	(42.6)
Cashflow From Operations	**76.0**	**130.5**	**134.2**	**169.0**	**209.6**
Capex	(25.9)	(17.3)	(30.0)	(30.0)	(30.0)
Disposals Of FAs/subsidiaries	0.0	(0.0)	0.0	0.0	0.0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1.7)	(6.3)	0.0	0.0	0.0
Cash Flow From Investing	**(27.6)**	**(23.7)**	**(30.0)**	**(30.0)**	**(30.0)**
Debt Raised/(repaid)	3.9	5.9	(40.3)	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	470.0	0.0	0.0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(40.6)	(89.2)	(279.2)	(28.3)	(40.4)
Cash Flow From Financing	**(36.7)**	**(83.3)**	**150.5**	**(28.3)**	**(40.4)**
Total Cash Generated	11.8	23.5	254.7	110.7	139.2
Free Cashflow To Equity	**52.3**	**112.7**	**63.9**	**139.0**	**179.6**
Free Cashflow To Firm	**51.3**	**109.9**	**112.2**	**139.6**	**180.1**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(S$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Total Cash And Equivalents	35.9	59.8	314.5	425.2	564.4
Total Debtors	64.5	49.2	65.4	78.9	95.2
Inventories					
Total Other Current Assets	27.4	54.6	65.9	80.7	98.5
Total Current Assets	**127.8**	**163.6**	**445.8**	**584.8**	**758.1**
Fixed Assets	40.7	40.6	48.3	51.7	53.3
Total Investments	0.0	0.2	0.4	0.6	0.8
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	30.6	39.1	39.1	39.1	39.1
Total Non-current Assets	**71.4**	**79.9**	**87.7**	**91.4**	**93.2**
Short-term Debt	34.4	24.2	0.0	0.0	0.0
Current Portion of Long-Term Debt					
Total Creditors	26.9	37.2	47.7	59.9	74.6
Other Current Liabilities	17.9	28.4	28.4	28.4	28.4
Total Current Liabilities	**79.3**	**89.7**	**76.0**	**88.3**	**103.0**
Total Long-term Debt	0.0	16.1	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	20.2	24.9	24.9	24.9	24.9
Total Non-current Liabilities	**20.2**	**41.0**	**24.9**	**24.9**	**24.9**
Total Provisions	0.2	0.1	0.1	0.1	0.1
Total Liabilities	**99.7**	**130.9**	**101.0**	**113.3**	**128.0**
Shareholders' Equity	99.4	112.5	432.5	562.9	723.3
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**99.4**	**112.5**	**432.5**	**563.0**	**723.3**

Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue Growth	82.2%	31.6%	27.4%	25.5%	24.5%
Operating EBITDA Growth	95.2%	32.2%	24.3%	21.6%	23.7%
Operating EBITDA Margin	32.7%	32.9%	32.1%	31.1%	30.9%
Net Cash Per ADS (S$)	0.01	0.16	2.20	2.98	3.95
BVPADS (S$)	0.81	0.91	3.03	3.94	5.06
Gross Interest Cover	28.9	35.9	17.0	269.6	397.8
Effective Tax Rate	9.3%	19.8%	21.0%	21.0%	21.0%
Net Dividend Payout Ratio	23.1%	85.4%	NA	NA	NA
Accounts Receivables Days	45.80	38.81	29.66	31.45	31.56
Inventory Days	-	-	-	-	-
Accounts Payables Days	-	-	-	-	-
ROIC (%)	119%	74%	91%	90%	97%
ROCE (%)	81.1%	77.0%	46.8%	33.3%	31.6%
Return On Average Assets	46.8%	39.8%	27.7%	21.1%	20.6%

Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue per agent (S$)	53,545.0	53,869.0	-	-	-
Total number of agents (end of year)	7,213.0	9,128.0	11,617.2	14,666.1	18,360.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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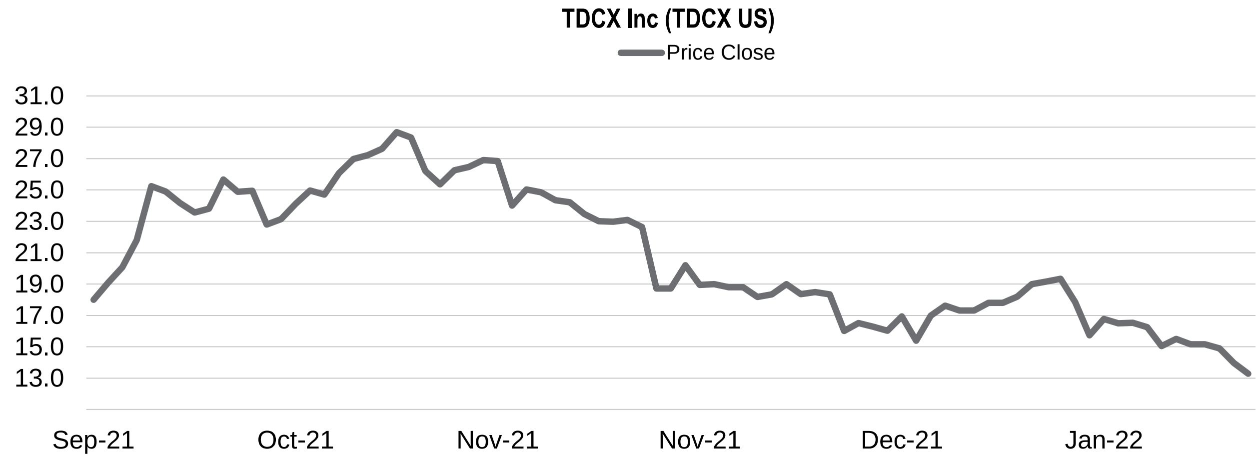
Reduce	7.1%	0.0%

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, **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, **CENTEL** – 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.