

Malaysia

HOLD (previously ADD)

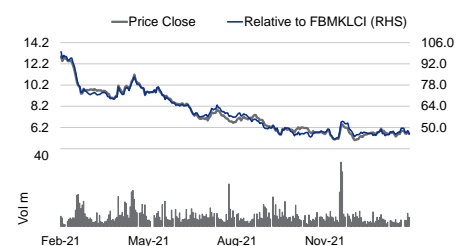
Consensus ratings*: Buy 10 Hold 8 Sell 5

Current price:	RM5.57
Target price:	RM5.80
Previous target:	RM6.40
Up/downside:	4.1%
CGS-CIMB / Consensus:	-3.6%
Reuters:	HTHB.KL
Bloomberg:	HART MK
Market cap:	US\$4,549m
	RM19,035m
Average daily turnover:	US\$7.00m
	RM29.40m
Current shares o/s:	3,418m
Free float:	42.7%

*Source: Bloomberg

Key changes in this note

- FY22-24F EPS lowered by 1.3-22.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.8	-4.5	-56.8
Relative (%)	-3.9	-4.1	-54

Major shareholders

	% held
Hartalega Industries Sdn Bhd	48.4
Employees Provident Fund	5.9
Kumpulan Wan Persaraan	3.0

Analyst(s)

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Hartalega Holdings

Impact of prosperity tax to hit 4QFY22

- We deem 9MFY3/22 net profit of RM3.4bn largely in line (109% of our FY22 estimate) as we expect losses in 4QFY22F from the prosperity tax.
- We expect ASPs to only bottom in 1QFY22 (at US\$24-25 per 1k pieces), with supply-led dynamics in the sector putting pressure on ASPs.
- Downgrade to Hold, with a lower TP of RM5.80 (28x CY23F P/E).

9MFY22 net profit rose 94.4% yoy to RM3.4bn; within expectations

While 3QFY3/22 net profit declined 71.4% yoy to RM259m, 9MFY3/22 net profit still rose 94.4% yoy to RM3.4bn. We deem this in line with our FY22 estimate (109%) but below Bloomberg consensus' (97%). We expect Hartalega to record losses in 4QFY22F due to lower ASPs and RM375m impact from prosperity tax. An interim dividend of 14.8sen/share was declared, bringing 9MFY22 dividend to 69.8sen/share, in line with our expectation.

3QFY22: Weaker due to lower sales volume and decline in ASPs

On a qoq basis, 3QFY22 revenue and net profit declined 50% and 71.4% respectively. The weaker qoq results were mainly owing to: i) a decline in ASPs (-39.8% qoq), ii) lower sales volume (-16.9% qoq), and iii) lower economies of scale. The weaker sales were due to weaker demand from customers (keeping low inventory levels); it also saw some shipment delays due to logistical issues (order backlog of an estimated 1bn pieces).

ASPs to likely bottom in 1QFY22F

We expect Hartalega's ASPs to bottom in 1QFY22F (at US\$24-25 per 1k pieces). Though glove buyers are currently cautious in restocking their inventories as industry dynamics continue to be supply-led, we expect the situation to improve once ASPs bottom with the improvement in the industry's supply-demand dynamics (slower expansion plans by all glove makers). On the bright side, Hartalega expects a gradual uptick in orders from 4QFY22 onwards, thanks to increasing demand from customers in developed markets.

Slowing down expansion plans due to the current environment

Hartalega is also slowing down its capacity expansion plans. Its first line in Plant 1 (4.7bn pieces p.a. – 12 lines) of Next Generation Complex 1.5 (NGC 1.5 – total capacity of 19bn pieces p.a.) will only be commissioned in 4QFY3/23 (previously target: 1QFY3/23). The delay is due to: i) weak market supply-demand dynamics, ii) labour shortage, and iii) construction delays. It aims to commission one line a month, with full commissioning of Plant 1 of NGC1.5 by 3QFY3/24. Upon the full commissioning of Plant 1, Hartalega will assess plans to commission lines in the remaining plants (Plants 2, 3 and 4) in NGC1.5.

Downgrade to Hold, TP lowered to RM5.80

We lower FY22-24F EPS to account for lower ASPs and sales volume. Hence, our TP falls to RM5.80 (28x CY23F P/E, current 5-year historical mean). While we like Hartalega for its: i) leading manufacturing technology in the nitrile space among peers, ii) strong balance sheet (net cash of RM2.8bn), and iii) higher margins vs. peers (past 5-year average), its earnings prospects are likely to remain weak in the near-term with limited upside potential.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (RMm)	2,924	6,696	7,914	3,885	4,274
Operating EBITDA (RMm)	719	3,952	4,626	900	1,013
Net Profit (RMm)	434	2,885	3,150	614	706
Core EPS (RM)	0.15	0.84	0.92	0.18	0.21
Core EPS Growth	10%	477%	9%	(81%)	15%
FD Core P/E (x)	38.07	6.60	6.04	31.04	26.97
DPS (RM)	0.08	0.51	0.55	0.11	0.12
Dividend Yield	1.48%	9.09%	9.93%	1.93%	2.22%
EV/EBITDA (x)	26.44	4.24	3.59	17.60	15.54
P/FCFE (x)	59.02	6.71	9.42	16.25	36.83
Net Gearing	(1.2%)	(46.5%)	(39.1%)	(49.9%)	(49.2%)
P/BV (x)	7.50	3.83	3.05	2.94	2.82
ROE	20.8%	76.8%	56.2%	9.6%	10.7%
% Change In Core EPS Estimates			(1.3%)	(22.7%)	(22.0%)
CGS-CIMB/Consensus EPS (x)			0.89	0.68	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results Comparison

FYE Mar	3Q	3Q	yoy %	qoq %	3QFY22	3QFY21	yoy %	Prev.	Comments
(RM m)	FY22	FY21	chg	chg	Cum	Cum	chg	FY22F	
Revenue	1,005.4	2,129.9	(52.8)	(50.0)	6,919.6	4,396.0	57.4	8,185.5	3QFY22: ASPs dipped 39.8% qoq while sales volume dropped 16.9% qoq
Operating costs	(618.2)	(749.4)	(17.5)	(22.4)	(2,385.5)	(1,988.4)	20.0	(3,481.7)	
EBITDA	387.2	1,380.5	(72.0)	(68.1)	4,534.1	2,407.6	88.3	4,703.9	
EBITDA margin (%)	38.5	64.8	(26.3)	(21.9)	65.5	54.8	10.8	57.5	3QFY22: Lower economies of scale, decline in ASPs (weak sales demand and more supply from new glovemakers) and lower production volume
Depn & amort.	(37.9)	(34.7)	9.3	1.7	(112.4)	(101.6)	10.6	(143.7)	
EBIT	349.3	1,345.9	(74.0)	(70.3)	4,421.7	2,306.0	91.7	4,560.2	
Interest expense	(1.1)	(1.6)	(28.6)	(12.6)	(3.8)	(5.0)	(25.4)	(10.3)	Net cash of RM2.8bn (as at end-3QFY3/22)
Interest & invt inc	4.2	1.6	>100	34.3	2.3	0.7	>100	27.4	
Associates' contrib	-	-	-	-	-	-	-	-	
Exceptionals	-	-	-	-	-	-	-	-	We do not consider forex or derivative gains/losses as one-off
Pretax profit	352.4	1,345.9	(73.8)	(70.3)	4,420.2	2,301.7	92.0	4,577.3	
Tax	(96.3)	(338.0)	(71.5)	(64.8)	(986.5)	(523.1)	88.6	(1,407.0)	
Tax rate (%)	27.3	25.1	2.2	4.3	22.3	22.7	(0.4)	30.7	3QFY22: Higher than statutory tax rate due to certain expenses disallowed for taxation purpose
Minority interests	3.0	(6.2)	51.4	>100	0.3	(12.3)	>100	(20.0)	
Net profit	259.1	1,001.6	(74.1)	(71.7)	3,434.0	1,766.3	94.4	3,150.3	
Core net profit	259.1	1,001.6	(74.1)	(71.4)	3,434.0	1,766.3	94.4	3,150.3	Largely within our expectations (109% of our) but above Bloomberg consensus FY22 estimates (97%)
EPS (sen)	7.6	29.3	(74.1)	(71.7)	100.5	51.7	94.4	93.4	We expect net loss in 4QFY22 due to impact of prosperity tax (RM375m)
Core EPS (sen)	7.6	29.3	(74.1)	(71.4)	100.5	51.7	94.4	93.4	Based on outstanding shares of 3.4bn

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 2: Earnings revision

RM m	2021A	2022F			2023F			2024F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Revenue	6,696	8,186	7,914	-3.3%	4,686	3,885	-17.1%	5,140	4,274	-16.8%
EBITDA	3,952	4,704	4,626	-1.7%	1,176	900	-23.5%	1,305	1,013	-22.4%
Core pretax profit	3,813	4,577	4,488	-2.0%	1,036	763	-26.3%	1,152	863	-25.0%
Core net profit	2,885	3,150	3,150	-1.3%	783	613	-22.7%	893	706	-22.0%
Core EPS (sen)	84	93	93	-1.3%	23	18	-22.7%	26	21	-22.0%

SOURCES: CGS-CIMB, COMPANY REPORTS

Briefing highlights ➤

- In 3QFY22, sales volume was at 5.5bn pieces with a utilisation rate of 52% (-9% pts qoq, -44% pts yoy). The lower sales volume was owing to increased competition (more supply in the global market) as well as logistical challenges (shipment delays) in Dec 21 (affecting orders amounting to RM1bn in 3QFY22).
- ASPs in the quarter declined 40% qoq to an estimated US\$40-43 per 1k pieces. While raw material prices also fell, ASP decline was higher than the decline in raw material prices.
- We understand that ASPs have continued to decline, which we estimate to reach US\$25 in Feb-22 (4QFY22).
- Short-term glove demand has softened, as customers from developed markets are still running down existing inventories or taking a more cautious approach in their glove purchases (keeping low inventories).
- Malaysia glove makers should also benefit from the improving operating environment, driven by factors such as: i) trade tensions between the US and China; and ii) slower expansion plans by global glove manufacturers.
- Post-pandemic, Hartalega still expects the long-term demand for gloves to remain healthy. This is mainly driven by the demand from better healthcare awareness and higher glove usage in more non-medical markets.

- Hartalega will continue to focus on automation and maximising efficiency. At this juncture, three plants have fully digitalised factory floor with plans to roll out to more plants. With ongoing automation initiatives (including rolling out glove automatic packaging systems), Hartalega expects to reduce future manual labour requirements by 20%.
- Hartalega is of the view that margins could dip below pre-Covid-19 levels in the near-term, in view of the weak supply-demand dynamics in the global glove market. However, this is likely to be temporary until supply-demand dynamics in the global glove sector improve.

Downside/upside risks ►


Downside risks: i) another Covid-19 outbreak among its workers leading to production disruption, which will negatively impact its sales volume; ii) being subject to a withhold release order (WRO) by US Customs and Border Patrol; and iii) further spikes in raw material prices that will compress margins.

Upside risks: i) higher-than-expected ASPs; ii) stronger-than-expected sales volume; and iii) faster-than-expected commissioning of new production lines.

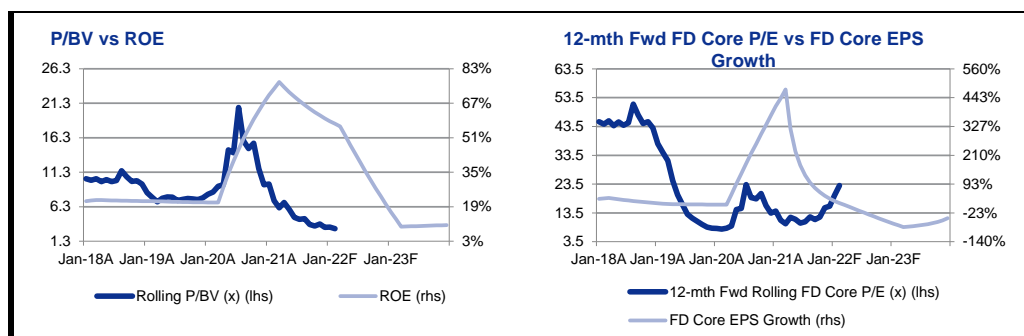
Figure 3: Sector comparisons (CGS-CIMB's rubber products sector coverage)

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY22F	CY23F		CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
Malaysia-listed glove makers														
Hartalega Holdings	HART MK	Hold	5.57	5.80	4,549	15.4	27.9	-20.2%	3.0	2.8	20.1%	10.4%	3.9%	2.1%
Kossan Rubber Industries	KRI MK	Add	1.83	2.20	1,116	15.0	14.1	-13.9%	1.1	1.0	7.2%	7.3%	2.3%	2.5%
Supermax Corp	SUCB MK	Reduce	1.25	1.00	808	5.1	19.0	-58.7%	0.6	0.6	12.1%	3.0%	5.9%	1.6%
Top Glove Corporation	TOPG MK	Reduce	2.29	1.50	4,382	28.8	29.4	-36.5%	2.9	2.7	10.4%	9.6%	1.6%	1.5%
Weighted average						14.0	24.4	-16.8%	2.3	2.2	16.9%	8.9%	3.9%	2.1%
Singapore-listed glove makers														
Riverstone Holdings	RSTON SP	Add	0.74	1.20	810	8.7	10.4	-39.2%	1.6	1.5	17.0%	14.7%	5.8%	4.8%
UG Healthcare Corp Ltd	UGHC SP	Add	0.30	0.42	137	5.4	N/A	N/A	0.7	N/A	14.8%	N/A	0.9%	N/A
Weighted average						8.2	8.9	-33.5%	0.0	1.3	16.7%	12.6%	5.1%	4.1%
Weighted Average						19.0	16.8	-14.0%	2.5	2.3	14.4%	16.1%	3.1%	3.1%
Simple Average						13.1	16.1	-9.7%	1.6	1.9	13.6%	14.2%	3.4%	1.5%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Refinitiv ESG Scores							
	<table border="1"> <tr> <td style="background-color: #4CAF50; color: white; text-align: center;">B ESG Score</td> <td style="background-color: #4CAF50; color: white; text-align: center;">A+ ESG Controversies Score</td> <td style="background-color: #4CAF50; color: white; text-align: center;">B ESG Combined Score</td> <td style="background-color: #FFC107; color: white; text-align: center;">C ESG Environment Pillar Score</td> <td style="background-color: #4CAF50; color: white; text-align: center;">B+ ESG Social Pillar Score</td> <td style="background-color: #4CAF50; color: white; text-align: center;">B ESG Government Pillar Score</td> </tr> </table>	B ESG Score	A+ ESG Controversies Score	B ESG Combined Score	C ESG Environment Pillar Score	B+ ESG Social Pillar Score	B ESG Government Pillar Score
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<h2>ESG in a nutshell</h2> <p>We regard Hartalega as a leader in ESG-related matters in the glove industry. Hartalega is currently a constituent of FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Shariah Index. In accordance with FTSE Russell ESG Ratings methodology, Hartalega is ranked in the top 25% of ESG ratings among PLCS in FBM EMAS that have been assessed by FTSE Russell. Based on MSCI, Hartalega’s ESG rating was upgraded to AA from A as at 22 Dec 2020. Among the 94 companies in the healthcare equipment & supplies industry (under MSCI coverage), only 19% of these companies have an AA rating or above (updated data as at 7 Feb 2022).</p>							
<h3>Keep your eye on</h3> <p>In Jun 2021, US Custom Border and Protection (CBP) announced that it has sufficient information to investigate allegations of forced labour at Hartalega. This is based on a petition by social activist Andy Hall. However, as at 7 Feb 2022, we have yet to hear any further progression of this matter. Hartalega is unlikely to run into major issues with US CBP given its social compliance efforts.</p>	<h3>Implications</h3> <p>While this news is positive, Hartalega clarified its policies surrounding foreign labour, as well as efforts to remediate recruitment fees to its workers. This includes the completion of a RM41m payment to its current workers who joined prior to the implementation of its zero recruitment cost policy (on 1 Apr 2019). This process commenced in November 2020 and was completed in Jun 2021.</p>						
<h3>ESG highlights</h3> <p>According to MSCI, Hartalega is a leader in human capital development. The company has developed a Competency Development Programme (CDP), which allows its employees to sharpen their functional and leadership capabilities, complemented by a systematic training methodology known as Structured On-the-Job Training (SOJT). In its SOJT database, the company has over 300 modules.</p>	<h3>Implications</h3> <p>We view this positively as this is an indication of Hartalega’s commitment and investment in developing all of its employees (8,548 people as of its FY21 annual report).</p>						
<h3>Trends</h3> <p>In FY3/21, electricity consumption per unit of production increased by 20.4% yoy, natural gas consumption per unit of production increased by 3.2% yoy, and water usage increased slightly by 1% yoy. Also, Hartalega saw a significant increase of 13.9% yoy in waste disposal per unit of production.</p>	<h3>Implications</h3> <p>With production ramping up in post Covid-19 period leading to more energy consumption, we are still positive on Hartalega’s efforts to manage its environmental waste and resource usage. Hartalega revealed its environmental targets (as of its FY21 annual report), according to which it targets to achieve a 22% reduction in greenhouse gas (GHG) emission intensity by 2024, using FY2021 as a baseline (no disclosure information on FY21 GHG numbers).</p>						
<small>SOURCES: CGS-CIMB RESEARCH, REFINITIV</small>							

BY THE NUMBERS



Profit & Loss

(RMm)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	2,924	6,696	7,914	3,885	4,274
Gross Profit	894	4,168	4,873	1,133	1,258
Operating EBITDA	719	3,952	4,626	900	1,013
Depreciation And Amortisation	(119)	(137)	(156)	(162)	(176)
Operating EBIT	600	3,814	4,470	738	837
Financial Income/(Expense)	(8)	(1)	18	26	27
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	593	3,813	4,488	763	863
Exceptional Items	(37)	0	0	0	0
Pre-tax Profit	555	3,813	4,488	763	863
Taxation	(121)	(910)	(1,317)	(145)	(155)
Exceptional Income - post-tax	0	0	0	1	0
Profit After Tax	434	2,904	3,170	619	708
Minority Interests	(1)	(18)	(20)	(5)	(2)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	434	2,885	3,150	614	706
Recurring Net Profit	500	2,885	3,150	613	706
Fully Diluted Recurring Net Profit	500	2,885	3,150	613	706

Cash Flow

(RMm)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	719.0	3,951.8	4,625.9	899.5	1,012.5
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(18.8)	(146.6)	(705.7)	691.7	(66.9)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	28.3	13.3	0.0	0.0	0.0
Net Interest (Paid)/Received	0.0	0.0	17.7	25.7	26.7
Tax Paid	(72.7)	(730.8)	(1,317.4)	(145.1)	(155.4)
Cashflow From Operations	655.7	3,087.7	2,620.4	1,471.9	816.9
Capex	(7.6)	(2.7)	(600.0)	(300.0)	(300.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(243.5)	(358.6)	0.0	0.0	0.0
Other Investing Cashflow	6.3	14.8	0.0	0.0	0.0
Cash Flow From Investing	(244.9)	(346.5)	(600.0)	(300.0)	(300.0)
Debt Raised/(repaid)	(88.3)	97.1	0.0	0.0	0.0
Proceeds From Issue Of Shares	84.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(249.0)	(604.2)	(1,890.2)	(368.0)	(423.5)
Preferred Dividends					
Other Financing Cashflow	71.8	122.5	0.0	0.0	0.0
Cash Flow From Financing	(181.4)	(384.6)	(1,890.2)	(368.0)	(423.5)
Total Cash Generated	229.5	2,356.6	130.2	803.8	93.4
Free Cashflow To Equity	322.6	2,838.3	2,020.4	1,171.9	516.9
Free Cashflow To Firm	410.8	2,741.2	2,030.7	1,182.2	527.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	305	2,669	2,798	3,602	3,695
Total Debtors	502	1,066	1,359	667	735
Inventories	274	647	410	371	407
Total Other Current Assets	7	1	1	1	1
Total Current Assets	1,089	4,382	4,568	4,641	4,838
Fixed Assets	2,002	2,156	2,614	2,752	2,876
Total Investments	0	0	0	0	1
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	223	293	293	293	293
Total Non-current Assets	2,225	2,450	2,907	3,045	3,170
Short-term Debt	85	104	104	104	104
Current Portion of Long-Term Debt					
Total Creditors	274	1,059	410	371	408
Other Current Liabilities	48	231	231	231	231
Total Current Liabilities	407	1,393	744	705	742
Total Long-term Debt	189	240	240	240	240
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2	2	2	2	2
Total Non-current Liabilities	191	242	242	242	242
Total Provisions	172	198	198	198	198
Total Liabilities	770	1,833	1,184	1,145	1,182
Shareholders' Equity	2,540	4,975	6,235	6,480	6,763
Minority Interests	3	24	44	49	51
Total Equity	2,543	4,999	6,279	6,530	6,814

Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	3%	129%	18%	(51%)	10%
Operating EBITDA Growth	9%	450%	17%	(81%)	13%
Operating EBITDA Margin	24.6%	59.0%	58.5%	23.2%	23.7%
Net Cash Per Share (RM)	0.01	0.68	0.72	0.95	0.98
BVPS (RM)	0.74	1.46	1.82	1.90	1.98
Gross Interest Cover	55.6	583.9	434.3	71.7	81.3
Effective Tax Rate	21.8%	23.9%	29.4%	19.0%	18.0%
Net Dividend Payout Ratio	60.0%	60.0%	60.0%	60.0%	60.0%
Accounts Receivables Days	60.09	42.73	55.91	95.16	59.97
Inventory Days	49.55	66.46	63.44	51.84	47.21
Accounts Payables Days	47.97	96.24	88.20	51.83	47.21
ROIC (%)	17%	106%	117%	(5%)	(6%)
ROCE (%)	21.1%	89.6%	72.8%	11.1%	12.1%
Return On Average Assets	15.1%	57.3%	44.1%	8.2%	9.1%

Key Drivers

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Sales volume growth (%)	6.7%	32.0%	-7.5%	-3.4%	10.2%
Average annual utilisation (%)	84.0%	97.0%	80.0%	74.0%	76.0%
RM/US\$	4.2	4.1	4.2	4.2	4.2
ASPs growth (%)	1.0%	86.4%	15.2%	-49.6%	-1.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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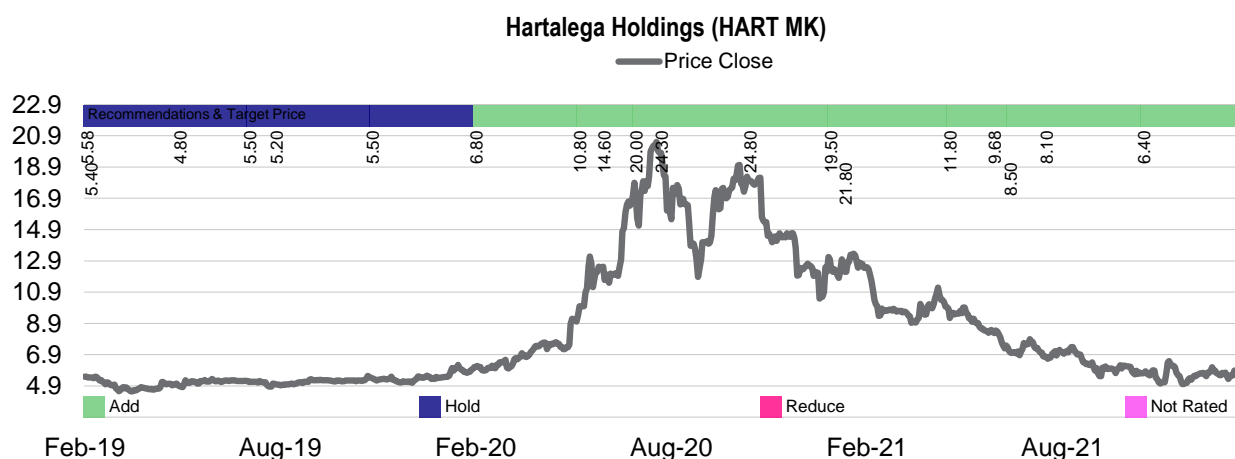
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
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, **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.

