

| Malaysia

REDUCE (no change)

Consensus ratings*: Buy 5 Hold 6 Sell 2

Current price:	RM12.78
Target price:	RM8.77
Previous target:	RM10.53
Up/downside:	-31.4%
CGS-CIMB / Consensus:	-33.3%
Reuters:	BATO.KL
Bloomberg:	ROTH MK
Market cap:	US\$833.4m
	RM3,649m
Average daily turnover:	US\$0.43m
	RM1.81m
Current shares o/s:	285.5m
Free float:	50.0%

*Source: Bloomberg

Key changes in this note

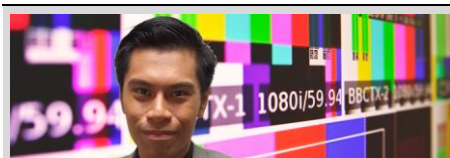
- FY22F EPS cut by 5% after inputting Prosperity Tax.
- COE raised from 8.4% to 9.9% after adjusting risk-free rate from 3% to 4.5% on the back of the higher interest rate environment.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.9	5.6	-17.8
Relative (%)	3.4	8.4	-14.8

Major shareholders	% held
British American Tobacco Holdings	50.0

Analyst(s)

Kamarul ANWAR

T (60) 3 2635 9257

E kamarulanwar.kamaruddin@cgs-cimb.com

British American Tobacco

Sales and margins contracted again

- BAT's 1Q22 core net profit made up 21% of our FY22F forecast. It was below our expectation because the effective tax rate was higher than expected.
- We believe the group will once again face the yoy sales decline seen before the pandemic's emergence, although not to the extent of 1Q22's 7.9% drop.
- We cut our FY22F EPS by 5% after factoring the Prosperity Tax's impact on the bottomline. Reiterate Reduce with lower DDM-based RM8.77 TP.

1Q22 review

British American Tobacco's (BAT) sales went south in 1Q22, at a rate of 7.9% yoy and 39.5% qoq, after the stay-at-home order was lifted. The group's 1Q22 core net profit (removing a RM555,000 gain from fixed assets' disposal) made up only 21% of our full-year forecast and 18% of consensus's FY22F estimate. It fell short of our expectation because the 32.2% effective tax rate in the quarter was higher than the 26.6% that we had assumed. Nonetheless, BAT's 1Q22 sales performance is in line with our expectation because we believe the group will fare moderately better qoq in subsequent quarters. We suspect the big yoy drop in 1Q22's sales was partly caused by commercial proprietors front-loading their cigarette purchases in 4Q21 as sales in 4Q21 were 46% higher than the quarterly average recorded in 9M21. The lower-than-expected 1Q22 earnings resulted in BAT issuing an equally disappointing first interim DPS of 17 sen.

Honeymoon period for sales growth may be halted after the MCO

BAT's 1Q22 core net profit dropped by 18% yoy and 27.6% qoq on the back of dwindling sales and margins. The group said the Omicron variant's emergence had hurt its 1Q22 sales. We are of the view that this is unlikely to be the key reason since the Movement Control Order (MCO) in 2020-10M21 had helped to shore up the group's topline. BAT also again blamed the black market cigarettes for ruining its growth trajectory. However, as we have argued before, thriving illicit market demand is not the primary problem but a symptom of the affordability issue plaguing the tobacco industry (see our proprietary analysis on cigarette prices in various countries against their populations' incomes in our 15 Feb 2019 Alpha series company note, "[No longer affordable](#)"). BAT's sales only recovered during the MCO because we believe a large segment of smokers had larger disposable incomes after their social activities were curtailed. Now, they will have less money for legal cigarettes after spending on petrol, eating out, and other commitments.

Reiterate Reduce, DDM-based TP cut to RM8.77

We cut our FY22F EPS by 5% after adding the Prosperity Tax's impact. Our DDM-based TP drops to RM8.77 after raising our risk-free rate from 3% to 4.5% (based on the 10-year Malaysian Government Securities' yield), which lifts the COE from 8.4% to 9.9%. In our view, Malaysia's regulatory framework is working against the tobacco industry's efforts to grow its sales. Upside risks: the government rescinds the "generation end game" proposal for cigarette sales and tones down the vape liquid excise duty.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (RMm)	2,315	2,637	2,514	2,498	2,470
Operating EBITDA (RMm)	346.5	498.2	379.8	356.4	358.6
Net Profit (RMm)	236.8	372.8	241.5	238.3	240.7
Core EPS (RM)	0.83	1.31	0.85	0.83	0.84
Core EPS Growth	(35.8%)	57.4%	(35.2%)	(1.3%)	1.0%
FD Core P/E (x)	15.41	9.79	15.11	15.31	15.16
DPS (RM)	0.82	0.98	0.83	0.82	0.83
Dividend Yield	6.42%	7.67%	6.48%	6.40%	6.46%
EV/EBITDA (x)	11.92	8.84	10.23	10.87	11.40
P/FCFE (x)	17.18	16.19	5.16	18.44	NA
Net Gearing	129%	197%	61%	58%	111%
P/BV (x)	9.79	9.54	9.41	9.30	9.19
ROE	62.2%	98.7%	62.7%	61.1%	60.9%
% Change In Core EPS Estimates			(5.24%)	0.00%	0.00%
CGS-CIMB/Consensus EPS (x)			0.85	0.79	0.78

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (RM m)	1Q FY22	1Q FY21	yoy % chg	4Q FY21	qoq % chg	Prev. Comments FY22F
Revenue	521.6	566.6	(7.9)	861.9	(39.5)	2,513.9 Volume slipped by 7% yoy, while its market share inched down by
Operating costs	(440.1)	(480.0)	(8.3)	(752.2)	(41.5)	(2,134.1) 0.5% pts yoy
EBIT	81.4	86.5	(5.9)	109.7	(25.8)	372.6 Within expectation
EBIT Margin	15.6	15.3	0.3	12.7	2.9	14.8
Interest expense	(5.0)	(3.7)	34.6	(4.9)	0.9	(26.8)
Interest & invt inc	0.1	0.2	(73.2)	0.1	(58.1)	1.2
Exceptionals	0.6	-	n.m.	-	n.m.	-
Pre-tax profit	77.1	83.1	(7.2)	104.9	(26.5)	346.9
Tax	(24.8)	(19.9)	24.3	(33.4)	(25.9)	(92.1)
Tax rate (%)	32.2	24.0	8.1	31.9	0.3	(26.6)
Minority interests	-	-	-	-	-	-
Net profit	52.3	63.1	(17.2)	71.5	(26.8)	254.8
Core net profit	51.7	63.1	(18.0)	71.5	(27.6)	254.8 1Q22 core net profit formed 21% of our FY22F estimates, and
EPS (sen)	18.3	22.1	(17.2)	25.0	(26.8)	89.2 18% of consensus'
Core EPS (sen)	18.1	22.1	(18.0)	25.0	(27.6)	89.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision

FYE Dec (RM m)	Previous			Revised			Changes		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	2,513.9	2,498.4	2,470.3	2,513.9	2,498.4	2,470.3	-	-	-
Operating costs	(2,134.1)	(2,142.0)	(2,111.6)	(2,134.1)	(2,142.0)	(2,111.6)	-	-	-
EBIT	372.6	349.8	352.6	372.6	349.8	352.6	-	-	-
Pre-tax profit	346.9	324.5	327.7	346.9	324.5	327.7	-	-	-
Net profit	254.8	238.3	240.7	241.5	238.3	240.7	-5%	-	-
EPS (RM)	0.89	0.83	0.84	0.85	0.83	0.84	-5%	-	-
DPS (RM)	0.87	0.82	0.83	0.83	0.82	0.83	-5%	-	-

SOURCE: CGS-CIMB RESEARCH ESTIMATES

Figure 3: BAT's DDM valuation

Market risk premium	6.0%	
Risk free rate	4.5%	
Cost of equity	9.9%	
Beta	0.9	
Long-term growth	0.0%	
	DPS (sen)	NPV (sen)
FY22F	83	75.4
FY23F	82	67.7
FY24F	83	62.2
FY25-27F	231	158.1
Terminal value	994	513.2
Total NPV		876.6
Target price (RM/share)		8.77

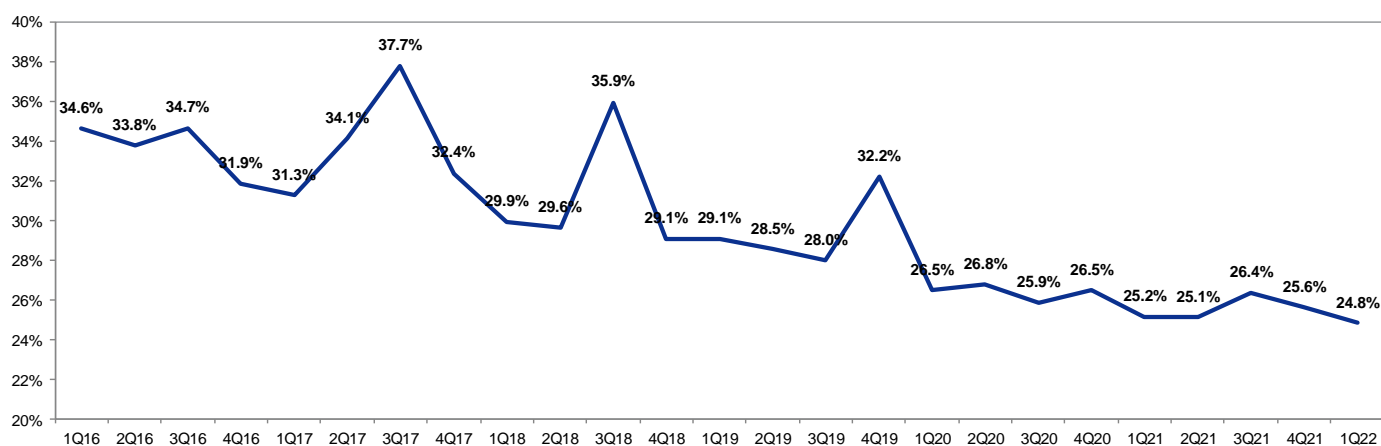
SOURCES: CIMB RESEARCH, COMPANY REPORTS

Potential de-rating catalysts

Margin erosion fear manifested in 1Q22; a serious concern if this persists ➤

BAT's strategy to lure Malaysians away from illicit cigarettes is to offer cigarettes that are moderately cheaper than its legacy products, which in industry nomenclature are known as "value-for-money" (VFM) cigarettes. The danger in relying on these products is that it is damaging to BAT's margins.

It has been years since BAT's gross margin sat comfortably in the mid-30% level. Unfortunately, the group's gross margin trended down further in 1Q22, to a record-low 24.8%. While BAT patted itself on the back for successfully reducing its 1Q22 overheads by 14% yoy, it was not enough to soothe the blistering effects of its thinning gross margin. Its 1Q22 core net profit yoy drop of 18% was bigger than the 7.9% yoy fall in turnover.

Figure 4: BAT's historical quarterly gross margin


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Since Malaysians' lack of ability to afford legal cigarettes is the biggest problem besetting the tobacco industry, we are concerned that BAT's margin could be stretched even thinner at a time when smokers are feeling the pinch from rising goods' prices. If they cannot afford the higher-value cigarettes, they may opt for VFM cigarettes.

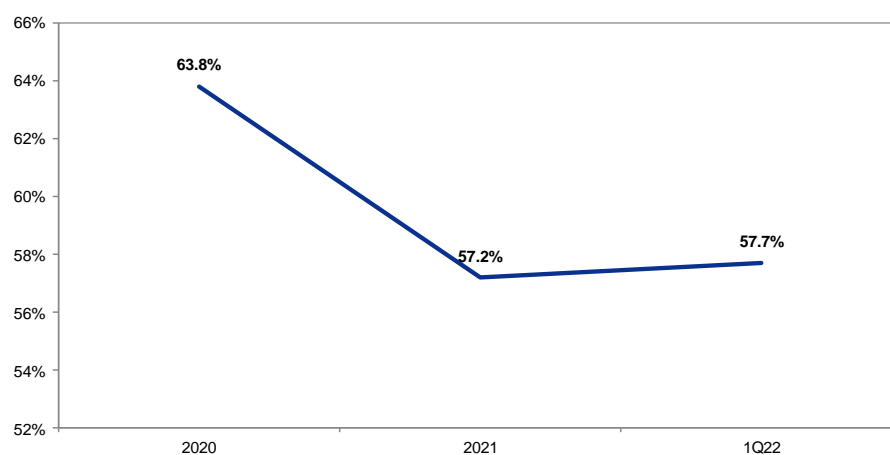
Vapes are seen as veritable substitutes for cigarettes today ➤

Even worse, smokers could just switch from smoking to vaping altogether. Based on our years-long analysis, the monthly expenses for vaporiser products and electronic cigarettes' liquid and gel amount to a fraction of what smokers pay to satiate their nicotine cravings.

While vapes are technically still illegal in Malaysia, one can find dedicated vape shops or eateries openly selling vape products in almost every housing area.

After decades of government efforts to stigmatise cigarettes' use, many teenagers and young adults today are shunning combustible cigarettes altogether in favour of vapes. As a case in point, in the hit HBO Original series Euphoria, we observe that characters' age groups can be defined by their preferred nicotine products: teenagers vape exclusively while high-school graduates and adults choose cigarettes. In our view, this is a visual depiction of smoking as an "uncool" trait that younger people do not want to be associated with.

We highly doubt that the 7% yoy drop in legal domestic sales volume (sources: Illegal Cigarettes Study, Confederation of Malaysian Tobacco Manufacturers, IPSOS Retail Audit Malaysia) was solely the doing of illicit cigarettes. According to these studies, the contraband cigarette market expanded by only 50bp yoy to 57.7% in 1Q22 from FY21's average. And it is highly unlikely that smokers can just flick their nicotine addiction off like a switch. Instead, we believe that they have now opted for vapes – either purely for financial reasons, the supposedly lower risks that come with vapes, the "coolness" factor, the lack of tobacco odour, or a combination of any of these reasons. If more Malaysians lose cigarettes in favour of vapes, BAT may have to take a long hard look at its strategy.


Figure 5: Illicit cigarettes' market share


SOURCE: NIELSEN ILLEGAL CIGARETTES STUDY

Figure 6: Sector comparison (as at 27 May 2022)

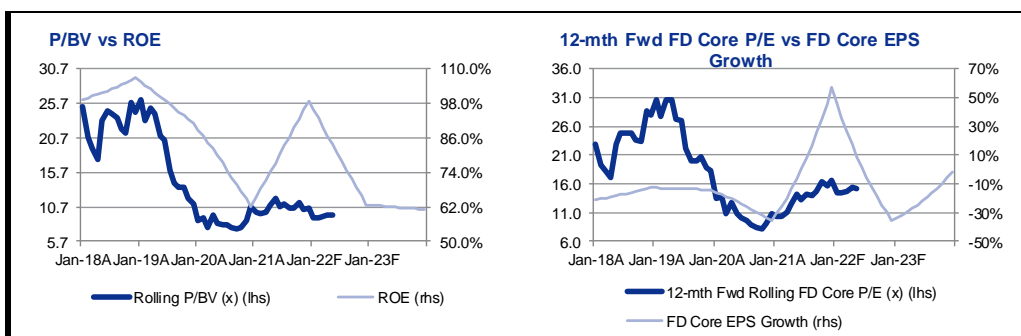
Company	Bloomberg Ticker	Recom.	Share price	Target Price	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY22F	CY23F		CY22F	CY23F	CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
British American Tobacco	ROTH MK	Reduce	12.78	8.77	833	15.1	15.3	-15.1%	9.41	9.30	64.3%	61.1%	10.0	10.9	6.6%	6.4%
Fraser & Neave Holdings	FNH MK	Add	21.10	29.80	1,767	14.6	16.7	3.2%	2.44	2.27	15.2%	15.0%	9.3	8.5	3.2%	3.5%
Nestle (Malaysia)	NESZ MK	Hold	134.10	135.00	7,182	53.1	43.0	11.1%	53.42	52.77	101%	124%	28.1	26.1	1.9%	2.3%
MSM Malaysia Holdings	MSM MK	Reduce	0.86	0.93	138	14.0	7.8	59.4%	0.37	0.36	2.6%	4.7%	6.8	5.5	3.6%	6.4%
QL Resources	QLG MK	Add	5.00	5.40	2,779	45.8	35.5	19.8%	4.71	4.35	10.7%	12.7%	19.7	16.4	0.8%	1.0%
7-Eleven Malaysia	SEM MK	Add	1.43	1.83	368	18.2	17.2	20.6%	13.53	10.29	89.8%	67.9%	5.2	4.8	3.4%	3.5%
Mynews Holdings	MNHB MK	Reduce	0.62	0.50	96	na	36.6	na	1.92	1.84	-6.5%	5.1%	10.1	5.8	0.1%	0.7%
Bonia Corporation	BON MK	Add	2.36	3.00	108	12.4	11.5	17.5%	1.19	1.12	9.9%	10.0%	5.1	4.7	3.2%	3.5%
Berjaya Food Berhad	BFD MK	Add	4.45	5.50	366	15.3	14.4	11.5%	3.98	3.67	27.4%	26.5%	4.7	4.2	4.6%	4.8%
Carlsberg Brewery (M)	CAB MK	Add	22.50	25.20	1,571	23.4	19.9	19.4%	26.96	25.25	129.3%	131.0%	15.3	14.3	3.7%	4.8%
Heineken Malaysia Bhd	HEIM MK	Add	24.78	29.00	1,710	24.0	20.1	14.8%	18.86	18.79	80.5%	93.9%	14.1	13.3	4.2%	5.0%
CCK Consolidated	CCK MK	Add	0.58	0.81	82	10.7	9.3	16.7%	1.06	0.98	10.6%	10.9%	4.4	3.8	3.0%	3.3%
Power Root Bhd	PWRT MK	Hold	1.57	1.40	141	27.5	22.6	11.6%	2.49	2.48	9.1%	11.0%	14.9	12.8	3.5%	4.2%
DKSH Holdings (Malaysia)	DKSH MK	Add	4.41	6.20	159	7.4	7.1	7.3%	0.85	0.78	12.4%	11.4%	4.4	4.0	2.3%	2.3%
Panasonic Manufacturing Mala	PMM MK	Hold	28.10	31.20	390	18.0	13.5	20.7%	2.22	2.21	12.2%	16.4%	8.8	6.6	6.7%	7.1%
Weighted Average						36.9	30.7	12.3%	27.8	27.2	69.6%	79.9%	19.3	17.7	2.7%	3.1%
Simple Average						21.4	19.4	15.6%	9.6	9.1	37.9%	40.1%	10.7	9.4	3.4%	3.9%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Refinitiv ESG Scores							
	<table border="1"> <tr> <td style="background-color: #4CAF50; color: white; padding: 5px;"> B+ ESG Score </td> <td style="background-color: #4CAF50; color: white; padding: 5px;"> A+ ESG Controversies Score </td> <td style="background-color: #4CAF50; color: white; padding: 5px;"> B+ ESG Combined Score </td> <td style="background-color: #4CAF50; color: white; padding: 5px;"> A- ESG Environment Pillar Score </td> <td style="background-color: #4CAF50; color: white; padding: 5px;"> A- ESG Social Pillar Score </td> <td style="background-color: #4CAF50; color: white; padding: 5px;"> B- ESG Government Pillar Score </td> </tr> </table>	B+ ESG Score	A+ ESG Controversies Score	B+ ESG Combined Score	A- ESG Environment Pillar Score	A- ESG Social Pillar Score	B- ESG Government Pillar Score
B+ ESG Score	A+ ESG Controversies Score	B+ ESG Combined Score	A- ESG Environment Pillar Score	A- ESG Social Pillar Score	B- ESG Government Pillar Score		
<h2>ESG in a nutshell</h2>							
<p>British American Tobacco (BAT) is cognisant of tobacco's detrimental effects on people's health. This is why it has been pushing the Malaysian government to legalise alternative products. These supposed reduced-harm products, in the form of electronic cigarettes and vaporisers, are currently technically illegal in Malaysia, hence preventing BAT from distributing them in the Malaysia market. Yet, the grey market marches on, so much so that it commanded 11% of Malaysia's enlarged tobacco market share as of 1Q21. We think legalising vapes will be overall positive for both BAT and the local industry. However, the government's proposed high excise duty for vape liquid could more than double the liquid's current retail prices, thus defeating the main purpose of legalising vapes in the first place, in our view.</p>							
<p>Keep your eye on</p> <p>The legalisation of e-cigarettes and vapes. The previous government, helmed by Pakatan Harapan, had finalised a Tobacco Act to be tabled to Parliament. However, since the abrupt change of the Federal administration in Mar 2020, Malaysia had been caught in an extended movement control order (MCO). The Health Ministry, which is responsible for tobacco sales regulation, is still grappling with the Covid-19 crisis.</p>	<p>Implications</p> <p>Finance Minister Tengku Datuk Seri Zafrul Aziz said the legalisation of vape products would take place once Parliament passes the vaping framework. While this was supposed to be the happy ending for BAT, the proposed excise duty for vape liquid, unfortunately, could more than double the current retail prices — and hence create a new affordability issue. Whether this vaping legalisation would be good for BAT hinges on whether the Finance Ministry acquiesces to vaping players' concerns with the duty rate proposed.</p>						
<p>ESG highlights</p> <p>BAT's "A Better Tomorrow" campaign is practiced among the British American Tobacco plc's group of companies worldwide. BAT is also a victim — and a major critic — of the rampant illicit cigarette trade in Malaysia.</p>	<p>Implications</p> <p>BAT's share price enjoyed a resurgence of sorts in 2021 as expectations mounted for a recovery in sales volume amid the government's renewed pledge to fight the illicit trade and hopes that vapes would finally be greenlighted.</p>						
<p>Trends</p> <p>BAT's long-term share price trajectory has been on a downtrend because it has been unable to combat the illicit trade, and it has so far been barred from introducing new reduced-harm products.</p>	<p>Implications</p> <p>Should the Finance Ministry remain steadfast with the high excise duty rate for vape liquids and gels, we are concerned that BAT's long-term earnings sustainability will be in danger as cigarettes are no longer the poison of choice for youths today, with many turning to vapes instead.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	2,315	2,637	2,514	2,498	2,470
Gross Profit	597	762	630	605	580
Operating EBITDA	347	498	380	356	359
Depreciation And Amortisation	(6)	(6)	(7)	(7)	(6)
Operating EBIT	340	492	373	350	353
Financial Income/(Expense)	(16)	(16)	(26)	(25)	(25)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	324	476	347	324	328
Exceptional Items					
Pre-tax Profit	324	476	347	324	328
Taxation	(87)	(103)	(105)	(86)	(87)
Exceptional Income - post-tax					
Profit After Tax	237	373	241	238	241
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	237	373	241	238	241
Recurring Net Profit	237	373	241	238	241
Fully Diluted Recurring Net Profit	237	373	241	238	241

Cash Flow

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	346.5	498.2	379.8	356.4	358.6
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(97.0)	(282.2)	509.1	1.7	(222.5)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(15.3)	(128.9)	(33.7)	(31.4)	(31.0)
Net Interest (Paid)/Received	(17.2)	(17.1)	(26.8)	(26.4)	(26.1)
Tax Paid	(87.4)	(103.0)	(105.5)	(86.2)	(87.0)
Cashflow From Operations	129.7	(32.8)	722.9	214.1	(7.9)
Capex	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	1.2	0.6	1.2	1.2	1.2
Cash Flow From Investing	(6.2)	(6.8)	(6.2)	(6.2)	(6.2)
Debt Raised/(repaid)	89.0	265.0	(10.0)	(10.0)	(10.0)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(234.4)	(279.8)	(236.6)	(233.6)	(235.8)
Preferred Dividends					
Other Financing Cashflow	(17.2)	(17.1)	(26.8)	(26.4)	(26.1)
Cash Flow From Financing	(162.6)	(31.9)	(273.4)	(270.0)	(271.9)
Total Cash Generated	(39.1)	(71.5)	443.3	(62.1)	(286.1)
Free Cashflow To Equity	212.4	225.4	706.7	197.9	(24.2)
Free Cashflow To Firm	140.6	(22.6)	743.5	234.3	11.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	29.0	21.8	527.8	528.5	304.6
Total Debtors	396.5	723.0	321.9	319.9	316.3
Inventories	229.9	177.6	95.8	104.6	105.1
Total Other Current Assets	4.0	2.0	0.0	0.0	0.0
Total Current Assets	659.4	924.5	945.5	953.1	726.0
Fixed Assets	57.5	46.4	47.1	42.9	39.2
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	411.6	411.6	411.6	411.6	411.6
Total Other Non-Current Assets	15.5	9.5	9.5	9.5	9.5
Total Non-current Assets	484.6	467.6	468.2	464.0	460.3
Short-term Debt	510.0	775.0	765.0	755.0	745.0
Current Portion of Long-Term Debt					
Total Creditors	212.1	197.1	223.6	232.1	6.5
Other Current Liabilities	30.0	22.8	22.8	22.8	22.8
Total Current Liabilities	752.1	994.9	1,011.5	1,009.9	774.3
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	19.2	14.6	14.6	14.6	14.6
Total Non-current Liabilities	19.2	14.6	14.6	14.6	14.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	771.3	1,009.5	1,026.1	1,024.6	789.0
Shareholders' Equity	372.6	382.5	387.7	392.4	397.3
Minority Interests					
Total Equity	372.6	382.5	387.7	392.4	397.3

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(7.7%)	13.9%	(4.7%)	(0.6%)	(1.1%)
Operating EBITDA Growth	(31.8%)	43.8%	(23.8%)	(6.2%)	0.6%
Operating EBITDA Margin	15.0%	18.9%	15.1%	14.3%	14.5%
Net Cash Per Share (RM)	(1.68)	(2.64)	(0.83)	(0.79)	(1.54)
BVPS (RM)	1.31	1.34	1.36	1.37	1.39
Gross Interest Cover	19.82	28.82	13.91	13.24	13.52
Effective Tax Rate	27.0%	21.6%	30.4%	26.6%	26.6%
Net Dividend Payout Ratio	72.3%	58.8%	68.2%	72.0%	72.0%
Accounts Receivables Days	63.18	77.47	75.86	46.88	47.13
Inventory Days	34.95	39.66	26.50	19.33	20.30
Accounts Payables Days	39.35	37.93	39.54	42.68	21.84
ROIC (%)	31.5%	42.3%	24.3%	41.0%	41.7%
ROCE (%)	40.4%	48.3%	32.4%	30.5%	30.9%
Return On Average Assets	31.0%	38.5%	26.1%	24.3%	26.6%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Premium growth (%)	-15.6%	5.0%	-2.0%	-5.0%	-5.0%
Aspirational premium growth (%)	-21.6%	-2.0%	-15.0%	-8.0%	-10.0%
Value-for-money (VFM) growth (%)	1097.1%	36.0%	34.2%	19.3%	14.3%
Heat-not-burn (HNB) growth (%)	N/A	25.0%	3.0%	3.0%	3.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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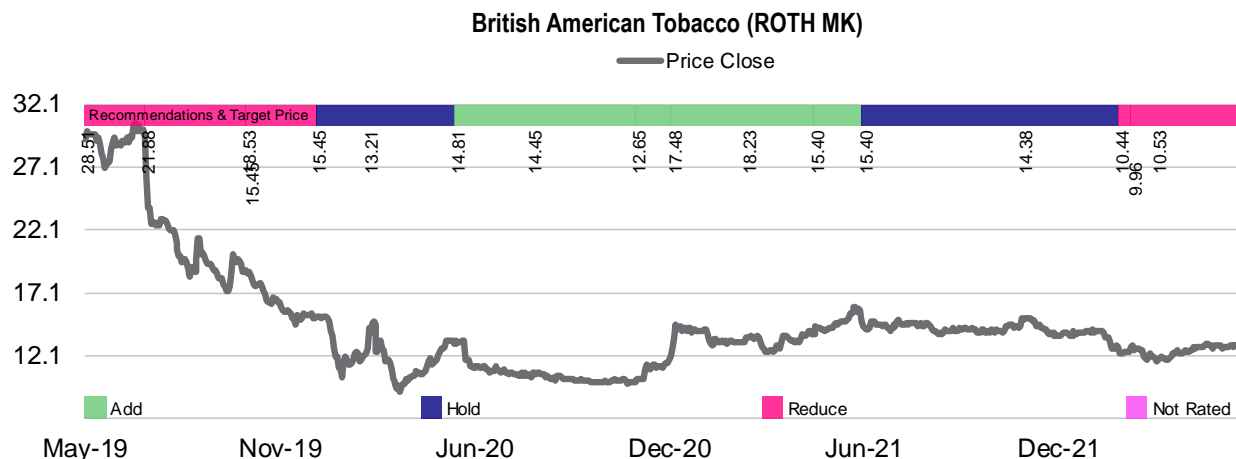
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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.
<i>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.</i>	
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.