

Singapore

HOLD (no change)

Consensus ratings*: Buy 1 Hold 3 Sell 4

Current price:	S\$0.096
Target price:	S\$0.09
Previous target:	S\$0.09
Up/downside:	-6.3%
CGS-CIMB / Consensus:	-8.0%
Reuters:	SCMN.SI
Bloomberg:	SMM SP
Market cap:	US\$2,176m
	S\$3,013m
Average daily turnover:	US\$14.74m
	S\$20.18m
Current shares o/s:	31,388m
Free float:	45.4%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-20	11.6	-40.4
Relative (%)	-16	18.6	-44.4

Major shareholders	% held
Temasek	54.6

Sembcorp Marine

Clearing headwinds

- SMM expects 1H22 to be significantly better than 1H21 (loss: S\$647m), but we think returning to profitability could take some time.
- SMM is venturing into niche defence segment with repair jobs from the US navy, while finalising contract for a Brazilian naval petrol vessel by Jun 22.
- Net orderbook rose 34.6% qoq from S\$1.3bn in 4Q21 to S\$1.75bn in 1Q22. We project S\$2bn order wins for FY22F. Reiterate Hold with a S\$0.09 TP.

Higher net orderbook (4Q21:S\$1.3bn); venturing into defence

With S\$1.51bn of projects under execution (with total original contract sum of S\$5.45bn) and S\$0.24bn of ongoing Repair & Upgrade projects, this brings 1Q22 net orderbook to S\$1.75bn (+34.6% from 4Q21). This is despite completing 6 of 12 vessels expected for completion in FY22F. Transocean Atlas is also expected for delivery in 1H22F. Notable new order wins in 1Q22 include a newbuild contract on a Wind Turbine Installation Vessel (WTIV) with Maersk, which we previously estimated to be worth US\$300m-500m (S\$415m-692m). SMM is still finalizing the Brazilian Navy on the construction of the Antarctic Support Vessel "NapAnt", a Brazilian Navy Research Vessel Project, with contract award expected by Jun 22. It also secured the repair jobs for three US Navy vessels in 1Q22, following some that were completed in 3Q21. We think establishing a foothold in the defence sector may set its margins and competitiveness apart from its Korean competitors.

Improving industry outlook; chasing new contracts

SMM expects an improving industry outlook backed by rising oil prices, severe under-investments in exploration and production in recent years, and the critical need to replenish depleting production. Upstream also reported SMM's hopes to win the EPC contract for a FPSO (total contract size: US\$2bn) destined for Santos' Dorado oilfield development in offshore Australia, in addition to its front-end engineering design (FEED) work.

Net gearing reduced to 0.38x; labour shortage still a challenge

Following the delivery of six vessels, including the Johan Castberg newbuild FPSO to Equinor in Feb 22, SMM improved its net gearing from 0.49x in 4Q21 to 0.38x. 1H22 profit is also expected to outperform 1H21 (net loss of S\$647m). As most orders are at tail-end stage, supply chain issue could be minimal but we believe labour shortage may still be a challenge in the near term. However, we are comforted that SMM foresees no further provisioning for needs for 1H22F (S\$839m provided in FY21). Risk of cash call is low for now with c.S\$720m of the S\$1.5bn rights issue reserved for working capital.

Reiterate Hold with a TP of S\$0.09

Our TP is based on 0.8x FY22F P/BV (3-year historical average). Discount could be narrowed post-merger completion of KEP/SMM since SMM can ride on combined entity's efforts from KEP O&M. KEP O&M's YTD announced contract wins amounted to S\$385m, consisting of FPSO contracts (worth S\$250m) and two KFELS B Class jackup rigs (worth S\$135m).

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Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$m)	1,510	1,862	1,135	1,622	2,083
Operating EBITDA (S\$m)	(389)	(1,396)	(236)	101	126
Net Profit (S\$m)	(582)	(1,514)	(389)	(106)	(81)
Core EPS (S\$)	(0.11)	(0.08)	(0.01)	(0.00)	(0.00)
Core EPS Growth	324%	(23%)	(85%)	(73%)	(24%)
FD Core P/E (x)	NA	NA	NA	NA	NA
DPS (S\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	58.38	49.20
P/FCFE (x)	NA	NA	58.47	NA	NA
Net Gearing	83.0%	55.9%	60.9%	81.9%	93.2%
P/BV (x)	0.14	0.43	0.83	0.86	0.88
ROE	(19.9%)	(39.5%)	(10.2%)	(3.0%)	(2.3%)
CGS-CIMB/Consensus EPS (x)			1.77	1.69	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Clearing headwinds

Valuations and recommendation ►

On a standalone basis, SMM trades at 0.83x FY22F P/BV, or the 3-year average since 2019. Based on the diluted combined entity FY21 NTA of S\$0.07, SMM trades at 1.4x, which could be fair, in our view as it still takes time to see synergy between the two yards, towards profitability.

Figure 1: Sembcorp Marine P/BV (x) averaged at 0.87x in the last 3 years

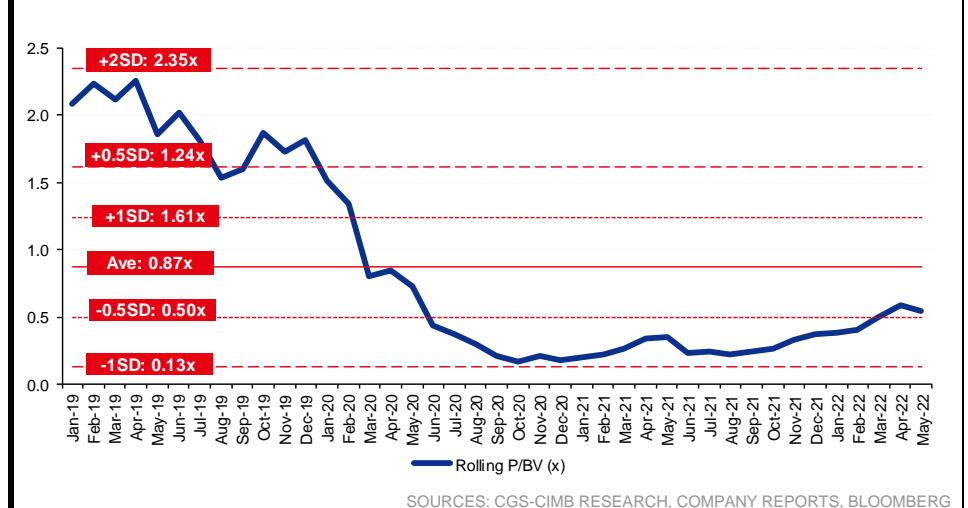


Figure 2: Implied combined entity P/BV and share price

Implied P/BV (x) of CE	Share price of CE	Implied P/BV (x) of CE	Share price of CE
0.6	\$ 0.04	1.3	\$ 0.09
0.7	\$ 0.05	1.4	\$ 0.10
0.8	\$ 0.06	1.5	\$ 0.11
1	\$ 0.07	1.6	\$ 0.11
1.1	\$ 0.08	1.7	\$ 0.12
1.2	\$ 0.08	1.8	\$ 0.13

Based on NTA of S\$0.07 and enlarged share base of 71.339m
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Upside risks: contract award of the Brazilian Navy Research Project; definite plans in the merged entity. Downside risks: sharp fall in oil prices, cancellation of orders.

KEP's order win momentum to benefit combined entity ►

At end-FY21, KEP and SMM have a combined order book comprising more than 50 projects worth c.S\$6.4bn. We think SMM could benefit from being the only yard in the region through market share increases and expansion of capabilities.

Figure 3: KEP secured S\$385m of contract wins YTD

Contract date	No.	Customer	Work	Price (\$ m)	Delivery/contract span
06-May-22	1	BW Offshore	Integration work on a newbuild FPSO	250	2H24
06-May-22	1	Single Buoy Moorings	Frabrication, installation, and integration of topside modules for an FPSO project, including pre-commissioning and commissioning work		2H24
09-May-22	2	ADES Saudi Limited Company	Bareboat charter contracts for jackup rigs	135	4Q22-4Q27

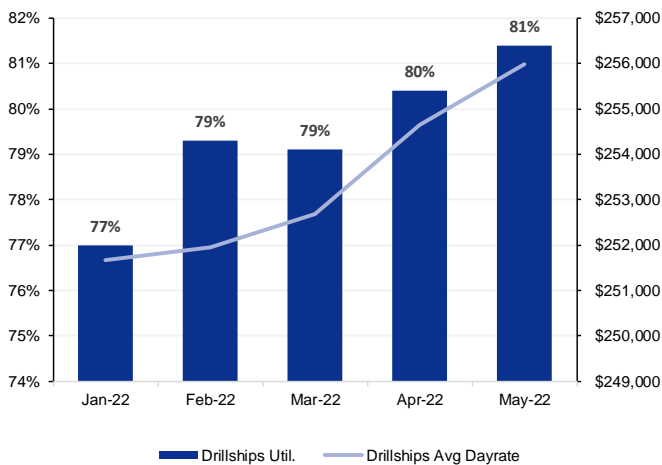
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Gradual improvement in rig market ►

According to RigLogix, average utilisation rates for drillships have increased from 77% in Jan 2022 to 81% in May 2022, backed by higher average day rates of US\$255,981 in May 2022 from US\$251,662 in Jan 2022 (+1.7% YTD). The trend for semisubs looks similar, with average utilisation rates inching up to 67% in May 2022 from 64% in Jan 2022, and YTD average day rates rising to US\$261,887 in May 2022 from US\$241,119 in Jan 2022 (+8.6% YTD).

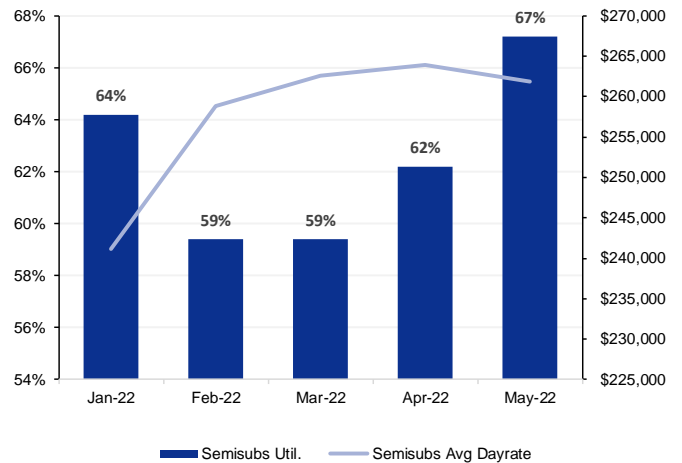
The continued uptrend is a positive for SMM's order win outlook, in our view, as it could translate into greater demand and more order enquiries. We project S\$2bn total order wins for SMM in FY22F.

Figure 4: Global marketed drillships – YTD utilisation rates and average day rates have increased



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, RIGLOGIX

Figure 5: Global market semisubs – YTD utilisation rates and average day rates have increased


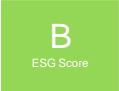

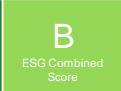





SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, RIGLOGIX

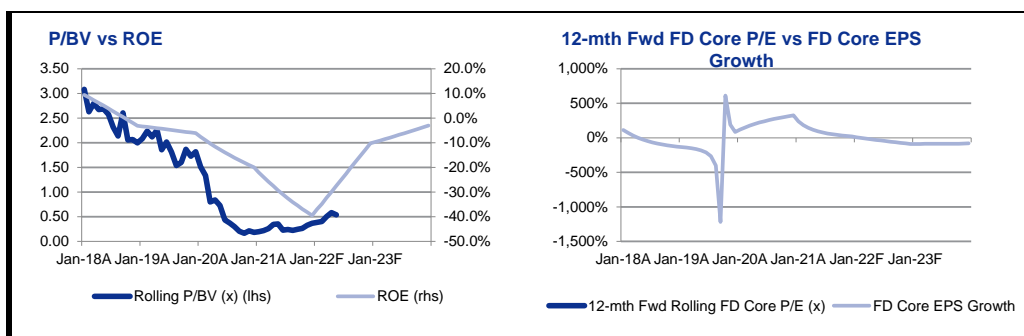
Figure 6: Peers comparison

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY22F	CY23F	CY24F		CY22F	CY23F		
Keppel Corporation	KEP SP	Add	6.62	7.20	8,564	14.0	14.6	15.0	-10.5%	0.97	0.94	7.0%	3.9%
Sembcorp Marine	SMM SP	Hold	0.10	0.09	2,176	na	na	na	na	0.83	0.86	-13.0%	0.0%
Singapore offshore - big cap simple average						14.0	14.6	15.0	-10.5%	0.90	0.90	-3.0%	2.0%
COSCO SHIPPING International S	COS SP	NR	0.20	na	321	1.4	1.3	na	245.5%	0.05	0.05	3.9%	30.2%
Yangzijiang Shipbuilding	YZJSGD SP	Add	0.83	1.63	2,354	6.5	5.2	4.7	17.3%	0.91	0.82	14.6%	6.1%
Chinese Shipbuilder simple average						4.0	3.2	4.7	131.4%	0.48	0.44	9.2%	18.1%
SATS Ltd	SATS SP	Add	4.40	4.77	3,566	51.8	24.2	na	272.8%	3.16	3.08	6.1%	2.1%
Sembcorp Industries	SCI SP	Add	2.80	2.96	3,609	11.7	10.1	9.7	32.3%	1.21	1.08	10.9%	2.6%
ST Engineering	STE SP	Add	4.05	4.70	9,118	21.5	18.4	16.9	7.7%	5.05	4.70	24.3%	4.0%
SIA Engineering	SIE SP	Add	2.49	2.92	2,019	44.4	32.9	24.5	31.4%	1.69	1.64	3.9%	1.5%
Industrial conglomerate simple average						32.4	21.4	17.0	86.1%	2.78	2.62	11.3%	2.5%
CSE Global	CSE SP	Add	0.47	0.57	174	12.0	9.8	8.7	26.9%	1.23	1.16	10.4%	5.9%
Ezion Holdings Ltd	EZI SP	NR	0.04	na	160	na	na	na	na	na	na	na	na
Mermaid Maritime PCL	MMT SP	NR	0.07	na	75	na	na	na	na	na	na	na	na
MTQ Corp Ltd	MTQ SP	NR	0.22	na	34	na	na	na	na	na	na	na	na
Singapore OSV owner simple average						12.0	9.8	8.7	26.9%	1.23	1.16	10.4%	5.9%
Bumi Armada	BAB MK	Add	0.41	0.55	545	4.1	4.1	4.3	-6.4%	0.53	0.47	13.7%	0.0%
Velesto Energy Berhad	VEB MK	Hold	0.13	0.14	243	30.3	17.1	17.5	na	0.46	0.45	1.5%	0.0%
Yinson Holdings	YNS MK	Add	2.23	3.95	1,076	11.1	5.8	6.4	62.3%	1.13	0.96	10.2%	1.3%
Coastal Contracts Bhd	COCO MK	NR	1.78	na	217	9.1	8.9	na	26.1%	na	na	8.3%	na
Dialog Group Bhd	DLG MK	NR	2.28	na	2,995	22.1	20.4	na	7.9%	2.50	2.32	11.6%	1.6%
Malaysia Marine and Heavy Engi	MMHE MK	NR	0.42	na	151	na	42.0	15.6	na	0.39	0.39	0.2%	0.0%
Petronas Dagangan Bhd	PETD MK	NR	21.52	na	4,879	29.5	26.9	26.1	22.6%	3.90	3.88	12.7%	3.2%
Uzma Bhd	UZMA MK	NR	0.49	na	39	9.1	6.4	na	35.3%	0.33	0.31	3.5%	na
Wah Seong Corp Bhd	YNS MK	NR	0.73	na	128	9.1	7.4	5.4	na	0.73	0.68	9.5%	0.0%
Malaysia offshore simple average						15.6	15.4	12.5	24.6%	1.24	1.18	7.9%	0.9%
Korea Shipbuilding & Offshore	009540 KS	Add	90,800	200,000	5,041	16.9	12.2	na	na	0.58	0.55	3.5%	0.0%
Hyundai Mipo Dockyard	010620 KS	Add	79,900	125,000	2,503	26.5	18.2	na	na	1.34	1.24	5.2%	0.0%
Samsung Heavy Industries	010140 KS	Reduce	5,610	4,000	3,872	na	na	na	na	2.30	2.36	-14.0%	0.0%
Korean shipbuilder simple average						21.7	15.2	na	na	1.41	1.38	-1.8%	0.0%
Average (All simple)						18.4	15.0	12.9	55.1%	1.46	1.40	6.4%	3.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Refinitiv ESG Scores	
	
     	
<p>ESG in a nutshell</p> <p>SMM scored a B in its ESG combined score by Refinitiv in FY21 – environmental: B- (weightage: 34.18%); social: A- (weightage 37.34%); and governance: C+ (weightage 28.48%). Its improved ESG controversies score from D+ in FY20 to A+ in FY21 contributed to the huge jump in ESG combined score. SMM has 2025 ESG targets of: (1) achieving 30% of annual company turnover generated from sustainable product solutions; (2) achieving 100% compliance with product safety and health requirements; (3) maintaining above 95% customer satisfaction in all projects; (4) zero harm to the environment; and (5) 100% contracted procurement spend in compliance with SMM’s Code of Business Conduct and Supplier Code of Conduct.</p>	
<p>Keep your eye on</p> <p>In 2019, SMM reported that authorities had searched its shipyard in Brazil as part of a graft investigation. In 2020, the Federal Justice Court of Curitiba accepted the complaint against ex-employee Mr Martin Cheah Kok Choon for money laundering and corruption, in relation to certain drilling rig construction contracts entered into by subsidiaries of the Company with Sete Brasil in 2012. Martin Cheah is the former President of Estaleiro Jurong Aracruz Ltda (“EJA”), SMM’s Brazilian subsidiary. No charges were filed against EJA.</p>	<p>Implications</p> <p>While no charges were filed against SMM, negative press pulled the Group’s ESG controversies score down to a C+ in FY20. As there is no resolution, this Brazilian case is likely to impact SMM’s ESG controversies score moving forward, until the case is closed for good. Unlike KEP SP where a fine was paid for global resolution from a similar fraud investigation in Brazil, no charges were brought against SMM. We would keep an eye on the development of this, should there be any potential negative outcome.</p>
<p>ESG highlights</p> <p>According to Refinitiv, SMM fares strongly against peers in all E, S, and G pillars. In particular, SMM leads in the Social and Governance categories. On its Social aspect, SMM clinched 24 awards at the national Work Safety and Health (WSH) Awards on 29 Jul 2021. SMM also has an audited Health, Safety and Environment (HSE) integrated management system aimed at the elimination of harm to people, property, and the environment. As for Governance, SMM successfully completed surveillance audit for ISO 37001, an Anti-bribery Management System certification. There were also no material incidents of non-compliance, as well as zero legal actions for anti-competitive behaviors, anti-trust, and monopolistic practices.</p>	<p>Implications</p> <p>Accordingly, Community, Workforce, and Management are SMM’s 3 best performing categories in FY2020. We believe the group stands to gain from its strong workplace safety policies through workforce productivity and cost minimisation.</p>
<p>Trends</p> <p>SMM scores remained constant yoy at a B+ for Environment, A- for Social, and A for Governance. The Group has put in place concrete goals for its Environmental pillar. With a target to avoid 15,000 tCO₂e annually by 2025, SMM has since avoided 6,235 tCO₂e per year through the installation of solar roofs and LED lighting.</p> <p>In 1Q22, it also achieved its inaugural ISO50001 certification, which recognises the successful implementation of a structured Energy Management System.</p>	<p>Implications</p> <p>We believe that SMM’s continued investments in its Climate Programmes, coupled with its strong Social and Governance aspects, will attract investors who are conscious about E, S, and G performances.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	1,510	1,862	1,135	1,622	2,083
Gross Profit	(490)	(1,082)	(397)	(49)	0
Operating EBITDA	(389)	(1,396)	(236)	101	126
Depreciation And Amortisation	(192)	(172)	(186)	(182)	(178)
Operating EBIT	(581)	(1,567)	(422)	(81)	(52)
Financial Income/(Expense)	(90)	(32)	(49)	(49)	(49)
Pretax Income/(Loss) from Assoc.	1	1	2	2	3
Non-Operating Income/(Expense)	1	0	0	0	0
Profit Before Tax (pre-EI)	(670)	(1,598)	(469)	(128)	(98)
Exceptional Items	0	0	0	0	0
Pre-tax Profit	(670)	(1,598)	(469)	(128)	(98)
Taxation	84	79	70	19	15
Exceptional Income - post-tax					
Profit After Tax	(587)	(1,518)	(399)	(109)	(83)
Minority Interests	5	5	9	3	2
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	(582)	(1,514)	(389)	(106)	(81)
Recurring Net Profit	(582)	(1,514)	(389)	(106)	(81)
Fully Diluted Recurring Net Profit	(582)	(1,514)	(389)	(106)	(81)

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	(389)	(1,396)	(236)	101	126
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(356)	295	305	(647)	(314)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(153)	(54)	(49)	(49)	(49)
Tax Paid	(8)	(5)	70	19	15
Cashflow From Operations	(906)	(1,159)	91	(576)	(222)
Capex	(89)	(46)	(50)	(100)	(100)
Disposals Of FAs/subsidiaries	3	4	0	0	0
Acq. Of Subsidiaries/investments	(2)	(2)	0	0	0
Other Investing Cashflow	0	0	0	0	0
Cash Flow From Investing	(88)	(44)	(50)	(100)	(100)
Debt Raised/(repaid)	661	(512)	0	0	0
Proceeds From Issue Of Shares	587	1,499	0	0	0
Shares Repurchased	0	(0)	0	0	0
Dividends Paid	(0)	(0)	0	0	0
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	1,247	986	0	0	0
Total Cash Generated	253	(217)	41	(676)	(322)
Free Cashflow To Equity	(333)	(1,715)	41	(676)	(322)
Free Cashflow To Firm	(832)	(1,140)	141	(575)	(221)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	772	1,104	1,146	473	154
Total Debtors	618	471	315	451	579
Inventories	94	67	95	135	174
Total Other Current Assets	1,656	1,384	965	1,372	1,756
Total Current Assets	3,140	3,026	2,521	2,430	2,662
Fixed Assets	4,115	3,993	3,857	3,775	3,696
Total Investments	271	256	256	256	256
Intangible Assets	221	198	198	198	198
Total Other Non-Current Assets	1,223	1,827	1,364	1,364	1,364
Total Non-current Assets	5,830	6,274	5,674	5,592	5,514
Short-term Debt	2,143	842	842	842	842
Current Portion of Long-Term Debt					
Total Creditors	1,095	1,514	870	758	950
Other Current Liabilities	161	178	116	164	209
Total Current Liabilities	3,400	2,533	1,828	1,763	2,000
Total Long-term Debt	1,698	2,513	2,513	2,513	2,513
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	150	210	210	210	210
Total Non-current Liabilities	1,847	2,722	2,722	2,722	2,722
Total Provisions	27	19	19	19	19
Total Liabilities	5,274	5,275	4,569	4,505	4,742
Shareholders' Equity	3,667	4,001	3,612	3,506	3,425
Minority Interests	29	24	14	12	10
Total Equity	3,696	4,025	3,626	3,518	3,435

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(47.6%)	23.3%	(39.1%)	43.0%	28.4%
Operating EBITDA Growth	(557%)	259%	(83%)	N/A	25%
Operating EBITDA Margin	(25.7%)	(74.9%)	(20.8%)	6.2%	6.1%
Net Cash Per Share (S\$)	(0.57)	(0.12)	(0.07)	(0.09)	(0.10)
BVPS (S\$)	0.69	0.22	0.12	0.11	0.11
Gross Interest Cover	(4.10)	(18.97)	(4.19)	(0.81)	(0.52)
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	133.5	106.8	126.5	86.1	90.4
Inventory Days	18.98	10.00	19.24	25.09	27.13
Accounts Payables Days	218.9	154.0	264.5	159.9	135.6
ROIC (%)	(9.1%)	(23.5%)	(6.7%)	(1.4%)	(0.8%)
ROCE (%)	(7.3%)	(20.3%)	(5.1%)	(0.4%)	(0.0%)
Return On Average Assets	(5.7%)	(16.3%)	(4.0%)	(0.7%)	(0.4%)

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Order win (S\$bn)	-	1.0	2.0	2.5	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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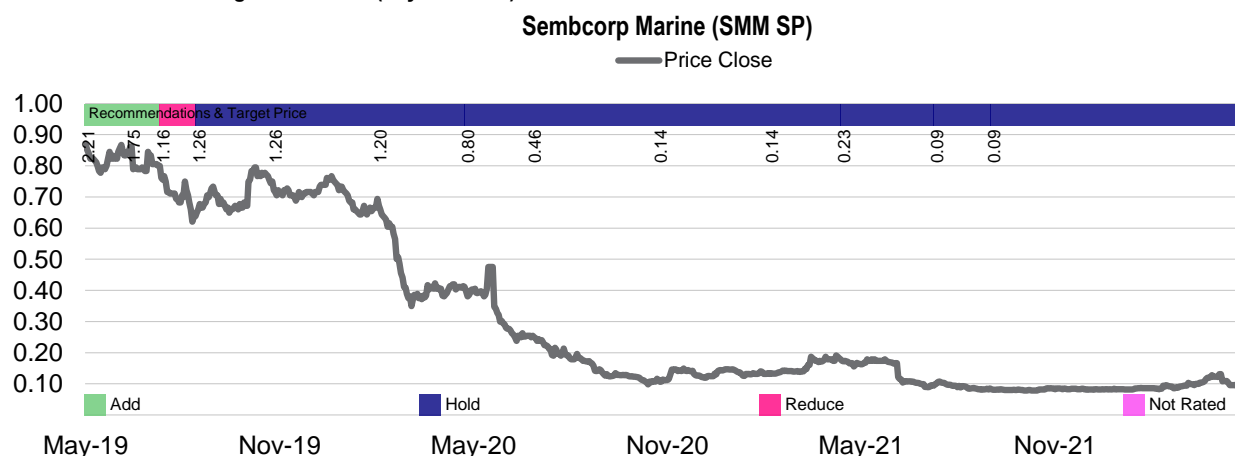
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Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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.

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.