

Singapore

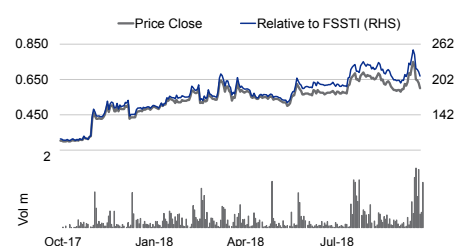


# JB Foods

## From bean to bar

### NON RATED

Current price:	S\$0.60
Consensus Tgt Price:	S\$
Up/downside:	N/A
Reuters:	JBFO.SI
Bloomberg:	JBF SP
Market cap:	US\$131.9m S\$181.9m
Average daily turnover:	US\$0.17m S\$0.23m
Current shares o/s:	303.2m
Free float:	20.9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.8	4.3	98.1
Relative (%)	-2.8	10.5	105.2

Major shareholders	% held
JB Cocoa Group Sdn Bhd	45.5
Tee Yih Jia Food Man	23.9
Ecom Agroindustrial	8.2

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### Analyst(s)


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- JB Foods is one of the top 10 cocoa-processing companies globally, based on its processing capacity (145,000mt p.a.) in Malaysia and Indonesia.
- Its 1H18 net profit growth of above 300% yoy was the result of sales volume growth and current favourable market dynamics, according to the company.
- The stock now trades at FY17 P/E of 7.3x, at a 63% discount to the global food and beverage (F&B) industry average of 19.8x.

### Leading cocoa-processing company worldwide

We recently met with JB Foods, a cocoa-processing company listed since Jul 2012 with operations in Malaysia and Indonesia (the third-largest cocoa-producing country globally). Its processing capacity of 145,000mt p.a. ranks it as one of the top 10 players worldwide, behind Barry Callebaut, Cargill and Olam International. The group supplies cocoa ingredients to both trading houses and confectionery producers, and counts international brands like Mars, Nestle and Hershey among its long-standing customers.

### Healthy market dynamics

The rising consumption of chocolate by emerging economies and improved consumer awareness is driving the global demand for cocoa, in our view. Meanwhile, cocoa bean prices remain low at US\$2,024/mt in 3Q18 (source: Bloomberg) due to bumper crops from Ivory Coast and Ghana, and the combined cocoa ratio (indicator of processing profitability) stays favourable at 3.6 in Jul 2018 (source: Bloomberg). Management views continuing industry consolidation and the high entry barrier of heavy capital requirements as possible tailwinds for the company.

### 1H18 net profit grew 332% yoy, with higher sales volume & margins

Since the turnaround in FY15, JB Foods has delivered positive net profit growth yoy, riding on increasing customer demand and subsiding overcapacity for cocoa processing globally. While its profit margins may be influenced by myriad external factors, including weather and government intervention, management aims to achieve double-digit sales volume growth every year and sees opportunities to make market share gains. The group has set up offices in Switzerland and China to penetrate deeper into those markets.

### Currently trades at historical 7.3x FY17 P/E

JB Foods reported 0.38x net gearing at end-2Q18, one of the lowest among its global peers in the capital-intensive F&B industry. The company paid DPS of 2Scts in FY17, translating into dividend yield of 3.3%. Its current valuations of 7.3x FY17 P/E and 1.2x FY17 P/BV (ROE of 16.9%) are at discounts of 60-70% to global F&B industry average.

### Financial Summary

FYE Dec (US\$m)	FY14	FY15	FY16	FY17	1H17	1H18
Revenue	218.7	226.5	300.6	295.6	144.3	148.0
Operating EBITDA	-6.2	8.7	11.9	24.1	7.3	19.7
Recurring Net Profit	(13.0)	2.4	3.8	14.2	3.1	13.3
Core EPS (US cents)	-7.8	0.9	1.7	6.3	1.2	4.7
Core EPS Growth (%)	na	na	85%	275%	na	304%
FD Core P/E <sup>^</sup> (x)	na	48.8	25.5	7.3	19.6	4.7
DPS (Scents)	-	-	0.5	2.0	-	1.0
Dividend Yield (%)	0.0%	0.0%	0.8%	3.3%	na	na
Net Gearing (%)	114%	117%	128%	75%	75%	38%
P/BV (x)	-	1.42	1.30	1.23	1.23	1.22
Recurring ROE <sup>^</sup> (%)	-19.8%	3.4%	5.1%	16.9%	7.3%	23.9%

<sup>^</sup>Annualised P/E and ROE for 1H data

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

# From bean to bar

## BACKGROUND

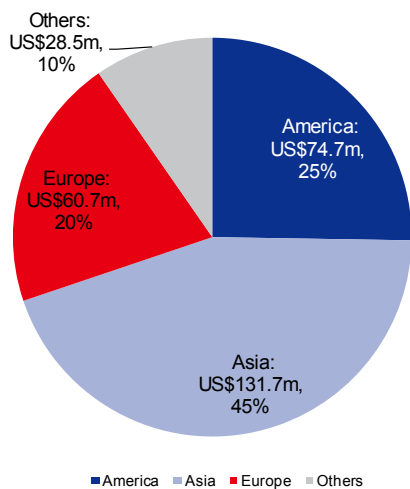
### One of the world's Top 10 cocoa-processing companies ➤

Listed on the SGX Mainboard in Jul 2012, JB Foods is one of the major cocoa ingredient producers in Asia by production capacity. It produces and sells cocoa products such as cocoa butter, cocoa powder, cocoa mass and cocoa cake, under its own "JB Cocoa" brand. Apart from processing operations in Malaysia and Indonesia, JB Foods has set up offices in the US, China and more recently, Switzerland.

**Figure 1: JB Foods' key products**

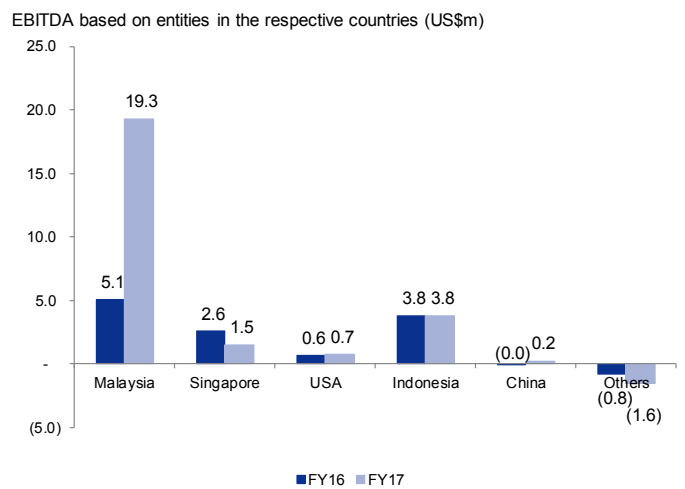


**Figure 2: FY17 revenue breakdown based on location of customer (US\$ m, %)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: EBITDA based on entities in the respective countries (US\$ m)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Total processing capacity of 145,000mt p.a. ➤

JB Foods first commenced operations in 2003, with a 85,000 metric tonne (mt) bean-equivalent processing facility situated in the Port of Tanjung Pelepas (PTP), within a free trade zone in Johor, Malaysia. JB Foods subsequently exercised its call option in 2014 to acquire an 80% stake in PT Jebe Koyo (Unlisted), a cocoa bean-processing facility located in Maspion Industrial Estate in Gresik, Indonesia, which is approximately 30km from the Surabaya port. According to management, this not only increases the group's processing capacity by another 60,000 mt p.a., but also saves the group from incurring Indonesian export taxes on raw cocoa beans, as per the government regulation implemented in Apr 2010 (current cocoa bean tax rate: 5%). Management estimates that both of its manufacturing plants are operating at average utilisation rates of 60-70% (historical maximum: 90%).

**Figure 4: JP Foods' first cocoa-processing plant in PTP, Johor, Malaysia**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: JP Foods' second cocoa-processing plant in Surabaya, Indonesia**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Customers ➤

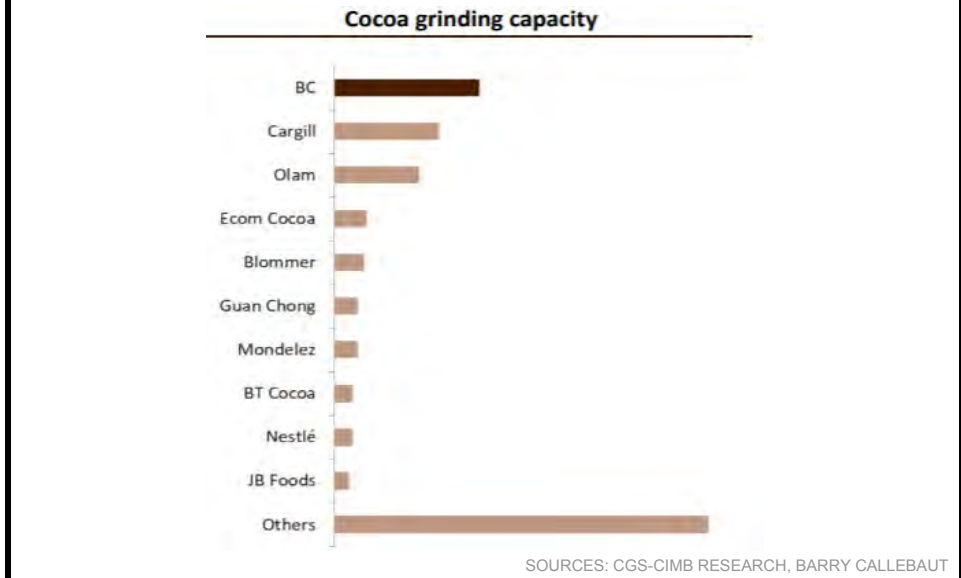
JB Foods supplies cocoa ingredients to a diverse customer base, ranging from international trade houses to end-users such as F&B producers and confectionery manufacturers. These include Mars Inc (Unlisted), Nestle SA (NESN SW, Not Rated), Mondelez International (MDLZ US, Not Rated), Hershey Co (HSY US, Not Rated), ITOCHU Corporation (8001 JP, Not Rated), Theobroma BV (Unlisted), General Cocoa Company Inc (Unlisted), and Olam Europe Limited (OLAM SP, Not Rated), many of which are long-standing customers. Based on JB Foods' FY17 annual report, two major customers contributed 32% of its FY17 sales (FY16: 20%).

## Competition ➤

On Dec 2014, the Financial Times reported that Barry Callebaut (BARN SW, Not Rated), Cargill (CARGILL BZ, Not Rated) and Olam International (OLAM SP, Not Rated) combined accounted for about 60% of the world's cocoa processing capacity in 2014, up from 41% in 2006. This was the result of significant industry consolidation, which saw the number of major cocoa grinders fall from 40 in the early 1990s to around 9 in the early 2000s. The global industry consolidation started in 1996 with the merger of Belgian industrial chocolate maker Callebaut and Cacao Barry of France.

In terms of cocoa-grinding capacity, JB Foods is one of the top 10 grinders globally in 2017, with annual capacity of 145,000mt, based on Barry Callebaut's industry statistics (Figure 6). This puts it behind Guan Chong (GUAN MK, Not Rated) with 200,000mt, Olam with 700,000mt and Barry Callebaut with over 1,000,000mt. Management cites heavy capital investment and working capital requirements as natural entry barriers to the cocoa processing industry.

**Figure 6: Ranking of Top 10 cocoa grinders globally, by annual capacity (mt) as of Jul 2018, based on Barry Callebaut estimates**



### Corporate exercises ➤

**Figure 7: Corporate exercises**

Period	Events	More details
Jan-2013	80m new share subscription by Tee Yih Jia, resulting in 16.67% stake at issue price of S\$0.27/shr	Raised net proceeds of S\$21.59m
Sep-2014	Rights issue: 1 for every 2 existing shares at S\$0.12/shr, 40% discount to last transacted price of S\$0.20/shr	Raised S\$17m via issuance of 240m new shares, of which S\$11.6m is used to buy PT Jebe Koko
Apr-2015	Acquisition of 80% interest in PT Jebe Koko Indonesia	Paid US\$9.6m in cash, and issued 38m new shares at S\$0.30/shr (US\$9.1m)
Aug-2015	Consolidate every 10 shares into 3 shares	
Sep-2015	Acquisition of 19.98% equity interest in PT Jebe Koko	Paid US\$1.3m
Dec-2017	Proposed renounceable non-underwritten rights issue of up to 75.8m new shares, on the basis of 1 rights share for every 3 existing shares. At issue price of S\$0.25, 57% discount to last traded price of S\$0.58.	Raised S\$18.8m net proceeds from issuance of 75.8m new shares

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## INDUSTRY OVERVIEW

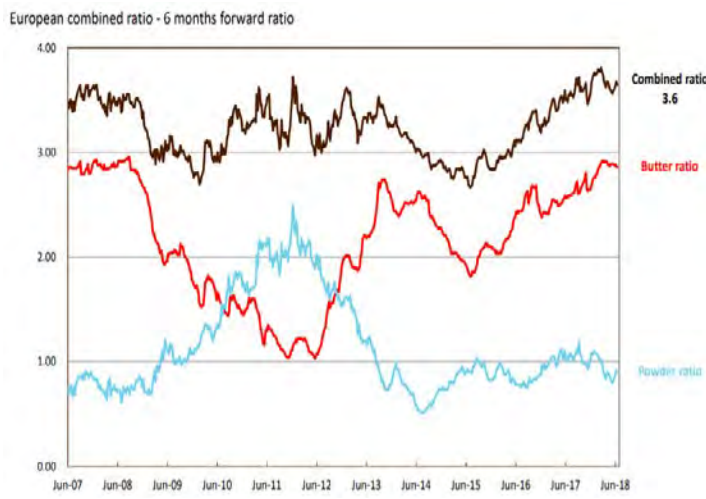
### Growing chocolate consumption and cocoa demand ➤

A growing middle class and changing consumer tastes have led to an increase in chocolate demand globally. Overall, Coherent Market Insights values the global chocolate market at US\$99.6bn in 2016 and expects it to register a CAGR of 6.6% in 2017-25F. According to Market Research Future, Europe represents the largest proportion of the global chocolate market, valued at US\$29.07bn in 2016. Worldwide chocolate market growth is attributed to the increased use of bakery and confectionery products, as well as the increasing disposable income of consumers globally. The Asia Pacific region represents the fastest-growing chocolate market and Coherent Market Insights expects it to grow by an 8.5% CAGR in 2017-25F. This is likely to be driven by the growing middle class, accentuated by the low base historically. BBC reported that China has lagged behind other countries worldwide in terms of chocolate consumption, with less than 1kg per capita consumed in 1H18 in China compared to >8kg per capita in Switzerland. Rising awareness regarding the health benefits of chocolates, like improved heart function and anti-oxidant properties, have also helped drive the market, according to Polaris Market Research.

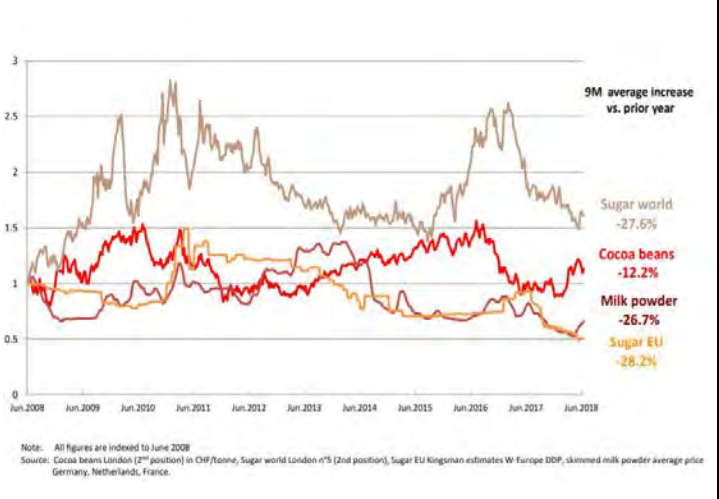
### Current combined cocoa ratio above 3.0 ➤

The profitability of cocoa processors depends on the ratio between combined output selling prices (of both cocoa butter and powder) and input costs (price of cocoa beans), with breakeven level ranging from 3.0-3.2x relative to the cocoa bean price. According to Barry Callebaut reports, the current combined ratio of 3.6, driven by tight supply and historically low cocoa bean prices, is favorable for grinders.

**Figure 8: Combined cocoa ratio of 3.6 remains favourable**



**Figure 9: Prices of main raw materials remain low**



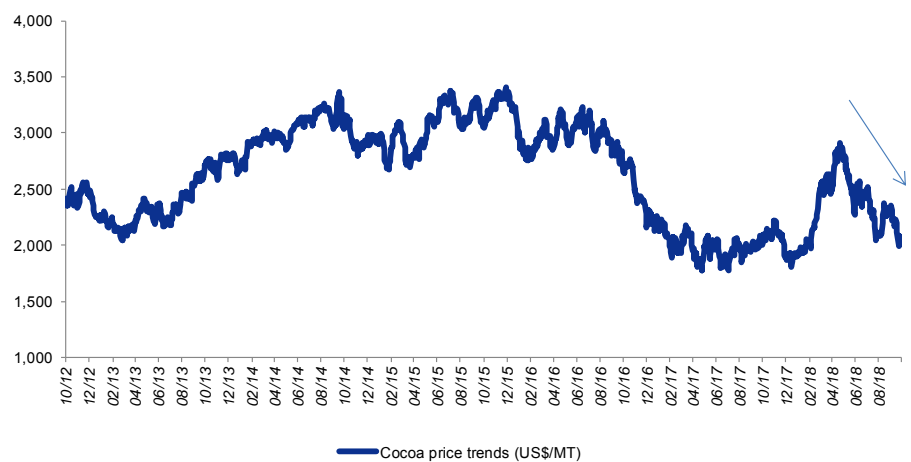
## FINANCIALS

### 1H18 net profit surged 332% yoy ➤

JB Foods registered net losses in FY13-14, as a result of processing overcapacity (after Indonesia introduced the export tax), aggressive price competition and sluggish demand in the industry. Global cocoa prices also skyrocketed on supply concerns, which eventually put some of the smaller, older or less-utilised grinders out of business. JB Foods turned around from net loss of US\$13.0m in FY14 to net profit of US\$2.1m in FY15, as industry consolidation took away some competition and sales volume continued to rise on the back of more customers, according to management. We saw FY17 sales volume rise 17% yoy, but revenue dipped 2% yoy as cocoa beans became cheaper because of harvest surplus, which enables grinders to enjoy better processing margins.

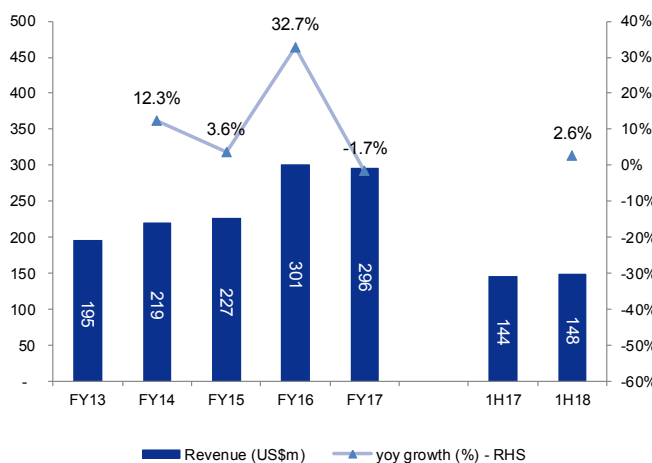
1H18 topline grew 2.6% yoy on the back of stronger customer demand, mitigating the softer cocoa bean prices. The higher shipment volume also contributed to the improvements in gross margin, which expanded from 7.3% in 1H17 to 16.6% in 1H18, underpinning the 332% yoy growth in net profit in 1H18. Management expects the current cocoa business sentiment in 1H18 to sustain into 2H18F, according to its SGX announcements.

Figure 10: Cocoa price trends (US\$/mt)



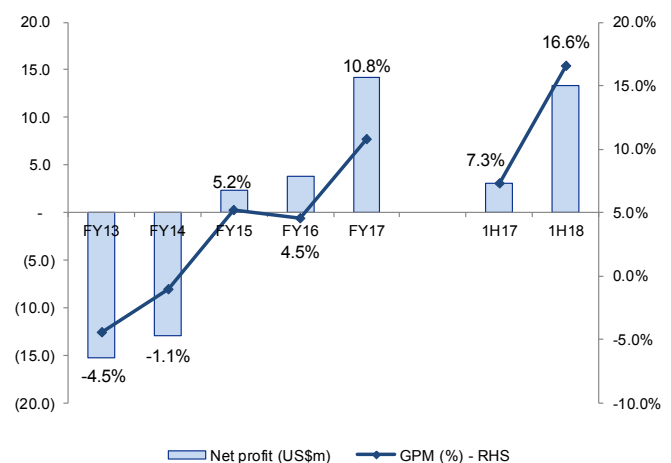
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 11: Topline growth trends for JB Foods



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: JB Foods saw net profit turnaround in FY15



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

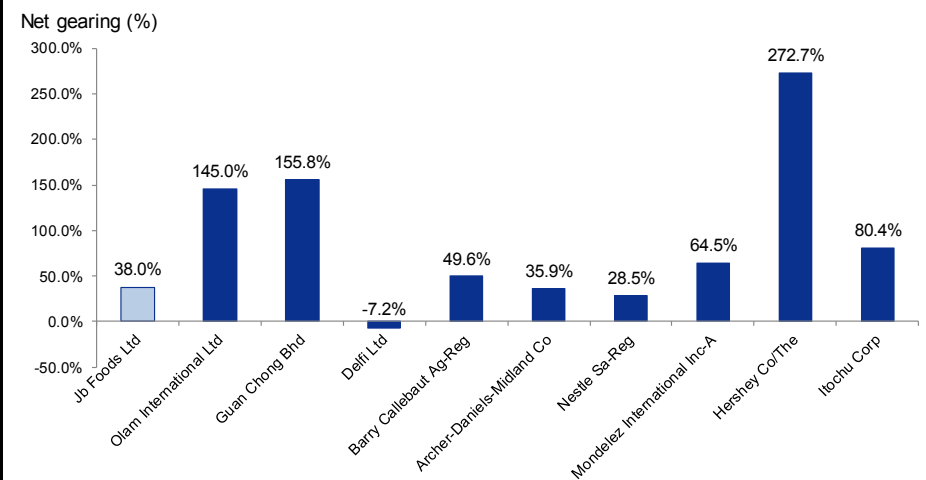
## Inventories form the bulk of its assets >

The group's total asset value was S\$198m at-end FY17, of which inventories comprised 42%, PPE constituted 28% and cash & trade receivables accounted for the remaining 26%. Of the S\$83m inventories, raw materials made up S\$54m (65%) while finished goods represented S\$23m (28%).

## Net gearing of 0.38x, one of the lowest among global peers >

JB Foods reported net gearing of 0.38x at end-1H18, significantly lower from than its 1.28x at end-FY16 and stronger than most of its global peers (average of 0.86x). The majority of its borrowings are in the form of trade bills.

**Figure 13: Net gearing of JB Foods and its global peers at end-1H18, based on the latest reported figures from Bloomberg**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

## HISTORICAL VALUATION

### Trades at FY17 P/E of 7.3x >

The stock currently trades at 7.3x FY17 P/E and 1.2x FY17 P/BV, which are at discounts of 60-70% to the global industry average at present.

**Figure 14: Peers comparison**

Company	Bloomberg Ticker	Recom.	Price (lci curr)	Target Price (lci curr)	Market Cap (US\$ m)	P/E (x) CY17A	P/E (x) CY18F	3-year EPS CAGR (%)	P/BV (x) CY17A	P/BV (x) CY18F	Recurring ROE (%) CY17A	Recurring ROE (%) CY18F	Dividend Yield (%) CY17A	Dividend Yield (%) CY18F
JB Foods Ltd	JBF SP	Not rated	0.60	na	136	7.3	na	na	1.23	na	16.9%	na	3.3%	na
<b>Regional peers</b>														
Olam International Ltd	OLAM SP	Not rated	1.81	na	4,191	9.7	10.6	16.0%	1.05	na	10.6%	na	3.9%	2.2%
Guan Chong Bhd	GUAN MK	Not rated	2.40	na	276	12.6	na	na	2.39	na	20.1%	na	1.0%	na
Delfi Ltd	DELFI SP	Hold	1.15	2.30	510	12.8	12.1	na	1.7	1.5	13.6%	13.3%	4.0%	4.2%
Barry Callebaut AG	BARN SW	Not rated	1,800	na	9,976	32.7	26.7	17.0%	4.38	3.95	14.9%	15.3%	1.2%	1.3%
Archer-Daniels-Midland Co	ADM US	Not rated	48.67	na	27,242	17.4	14.1	18.5%	1.48	1.46	9.0%	10.6%	2.6%	2.7%
Nestle SA	NESN SW	Not rated	78.70	na	243,395	33.9	20.3	14.7%	3.91	3.94	11.4%	19.4%	3.0%	3.2%
Mondelez International Inc	MDLZ US	Not rated	41.19	na	60,408	21.3	17.0	32.7%	2.35	2.33	11.4%	13.9%	2.0%	2.3%
Hershey Co/The	HSY US	Not rated	102.1	na	21,369	27.7	19.0	19.0%	23.52	19.89	92.1%	118.2%	2.5%	2.7%
ITOCHU Corp	8001 JT	Not rated	2,174	na	32,137	9.7	8.4	14.9%	1.30	1.15	15.7%	16.5%	3.0%	3.6%
<b>Simple average (exclude JBF SP)</b>						<b>19.8</b>	<b>16.0</b>	<b>19.0%</b>	<b>4.67</b>	<b>4.89</b>	<b>22.1%</b>	<b>29.6%</b>	<b>2.6%</b>	<b>2.8%</b>

Note: Multiples for all Non-rated stocks are based on Bloomberg consensus estimates

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (AS OF 12 OCT 2018)

## APPENDIX

**Figure 15: Profile of management and board of directors**

Name	Background
CHUA CHEOW KHOON MICHAEL INDEPENDENT DIRECTOR AND NON-EXECUTIVE CHAIRMAN	<p>Mr Chua was appointed to the Board on 4 May 2012 as Lead Independent Director.</p> <p>With effect from 2 January 2013, he was appointed as Chairman of the Group. Mr Chua is an Executive Director of BMD Consulting Pte Ltd, a management consulting practice in Singapore. He has more than 30 years of experience in financial and management accounting, corporate finance, general management and management consultancy, and was formerly the Chief Investment Officer of Sapphire Corporation Limited.</p> <p>Mr Chua has held senior positions in multinational companies including the Singapore Technologies and Sembcorp group of companies. He is also an Independent Director of Cogent Holdings Limited, a company previously listed on the Mainboard of the SGX-ST.</p> <p>Mr Chua graduated with a Bachelor of Business from the Charles Sturt University (Mitchell College of Advanced Education), Australia in 1977 and is a Fellow of CPA Australia.</p>
GOI SENG HUI NON-INDEPENDENT, NON- EXECUTIVE DIRECTOR AND VICE CHAIRMAN	<p>Mr Goi was appointed to the Board on 1 March 2013 as Non-Independent, Non-Executive Director and Vice Chairman. He is the Executive Chairman of Tee Yih Jia Group, a global food and beverage group and GSH Corporation Ltd, a regional developer of premium residential and commercial properties as well as the owner and operator of the 5-Star Sutera Harbour Resorts, Marina and Golf Course in Kota Kinabalu, Malaysia.</p> <p>In 2017, GSH expanded into China via an investment in Henan Zhongyuan Group, operating the largest frozen food logistics and warehousing hub in Zhengzhou with an annual turnover of more than RMB60 billion. In addition, Mr Goi serves as Vice Chairman of Envictus International Holdings Limited. He also has investments across a range of listed and private entities in numerous industries, such as food and beverage, consumer essentials, recycling, distribution and logistics.</p>
TEY HOW KEONG CHIEF EXECUTIVE OFFICER	<p>Mr Tey was appointed to the Board on 3 January 2012 and is responsible for the overall strategic, management and business development of the Group. Mr Tey has over 25 years of experience in the cocoa business. He started his career in the cocoa business in November 1988 as sales manager of JB Cocoa Group Sdn Bhd. In August 1989, he was appointed as a director of Guan Chong Cocoa Manufacturer Sdn Bhd and played an active role in setting up its cocoa processing plant in Pasir Gudang, and remained as a director until October 2003. In May 2000, Mr Tey established JB Cocoa Shd Bhd, and under his leadership, the Group expanded over the years to become an active player within the cocoa ingredients production industry in Malaysia and foreign markets. Mr Tey graduated in 1988 with a Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA.</p>
GOH LEE BENG EXECUTIVE DIRECTOR	<p>Mdm Goh was appointed to the Board on 4 May 2012 and is responsible for procurement of raw materials and manage cocoa trading positions of the Group, which is sourcing of cocoa beans and cocoa ingredients, manage cocoa hedging book, monitors world cocoa trends, and marketing of cocoa butter.</p> <p>Upon graduation, Mdm Goh joined Guan Chong Cocoa Manufacturer Shd Bhd in November 1989 as an executive and was responsible for logistics, operations and inventory management. She joined JB Cocoa Shd Bhd in January 2003 and was appointed as its Executive Director in August 2003. She was responsible for sourcing of cocoa beans and supply chain management.</p> <p>Mdm Goh graduated in 1989 with a Bachelor of Business Administration from the University of Toledo, College of Business Administration, USA.</p>
CHIN KOON YEOW INDEPENDENT AND NON- EXECUTIVE DIRECTOR	<p>Mr Chin was appointed to the Board on 18 February 2014 as an Independent Director.</p> <p>He has more than 10 years of experience in the cocoa and chocolate industry through his previous role as the Chief Financial Officer of Petra Foods Limited from 2001 to September 2013. Prior to this, Mr Chin has held various senior positions at W R Grace, a US MNC, for over 17 years, culminating in the role of Chief Financial Officer for Asia Pacific in 1998. He has more than 30 years of experience in financial and general management in both MNC and Asian set-up.</p> <p>Mr Chin completed his Association of Chartered Certified Accountant (ACCA) in 1980. He obtained a Master of Business Administration from Henley-Brunel University in 1996.</p>
LOO WEN LIEH ALTERNATE DIRECTOR TO MR GOI SENG HUI	<p>Mr Loo Wen Lieh was appointed on 23 May 2013 as an Alternate Director to Mr Goi Seng Hui. Mr Loo is the Group Financial Controller of the Tee Yih Jia (TYJ) Group, and oversees its financial, tax and accounting matters. TYJ Group is a leading frozen foods manufacturer in Singapore and distributes its products to more than 80 countries.</p> <p>Mr Loo was previously the Chief Financial Officer and Corporate Secretary of two other SGX listed companies from December 2002 to May 2007 where he was responsible for the Initial Public Offering, financial, tax and related matters of the companies. Mr Loo graduated with a Bachelor of Accountancy from the Nanyang Technological University in 1996, and is a Fellow Chartered Accountant of Singapore, an ACA of the Institute of Chartered Accountants in England and Wales, and an ASEAN Chartered Professional Accountant.</p>
WONG WING HONG GROUP FINANCIAL CONTROLLER	<p>Mr Wong joined the Group in August 2014 as Corporate Planning Manager and is currently the Group Financial Controller. He is overall responsible for the corporate, treasury, tax, finance and accounting functions of the Group. Prior to joining the Group, Mr. Wong was a manager with BDO Singapore from November 2010 to August 2014, Nexia Singapore from May 2007 to August 2010, where he was involved in the assurance and auditing, Initial Public Offerings, Reverse Take Over and related projects. Mr Wong completed his Association of Chartered Certified Accountant ("ACCA") in 2010, and is a member of ACCA and Institute of Singapore Chartered Accountants.</p>
ONG KIM TECK GROUP ENGINEERING MANAGER	<p>Mr Ong leads and monitors the overall production, factory maintenance, electrical, electronics and information technology matters in the processing facility. Upon graduation, Mr Ong joined Goista Synergy Berhad as a mechanical engineer in September 1997 and was involved in equipment design and managing engineering projects. In April 2002, he joined JB Cocoa Shd Bhd as project manager, during which he oversaw the construction of the processing facility in Port of Tanjung Pelepas, including monitoring the installation of the equipment and maintenance issues at the processing facility. In July 2004, he was appointed as the factory manager and subsequently in April 2011, he was promoted to Operations Manager of the Group. In 2016, he was redesignated to Group Engineering Manager overseeing Engineering, Utilities and ad-hoc projects. Mr Ong graduated with a Bachelor of Engineering with Honours (School of Mechanical Engineering) from the University of Liverpool, United Kingdom in 1997.</p>
SAW POH CHIN GROUP SALES AND MARKETING MANAGER	<p>Ms Saw has over 15 years of experience in the cocoa business. She manages and markets the Group's products to international markets, and assists in product development activities. Ms Saw started her career with Guan Chong Cocoa Manufacturer Shd Bhd in February 2000 as a research and development chemist before joining JB Cocoa Shd Bhd in June 2002 as its quality and research and development manager. In December 2004, she was reassigned as the technical support manager and reassigned as technical sales manager in January 2007. In September 2010, she was re-designated as the Sales and Marketing and R &amp; D Manager of the Group. Ms Saw graduated with a Bachelor of Science in Agricultural Sciences from the University of Nebraska, USA in 1998 and a Master of Science from</p>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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Reduce	13.7%	0.4%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, ADVANC – Excellent, Certified, AEONTS – Good, n/a, AMATA – Very Good, n/a, ANAN – Excellent, n/a, AOT – Excellent, Declared, AP – Excellent, Declared, ASK – Very Good, Declared, ASP – Very Good, Certified, BANPU – Excellent, Certified, BAY – Excellent, Certified, BBL – Very Good, Certified, BCH – Good, Declared, BCP - Excellent, Certified, BCPG – Very Good, n/a, BEM – Very Good, n/a, BDMS – Very Good, n/a, BEAUTY – Good, n/a, BEC – Very Good, n/a, , BGRIM – not available, n/a, BH - Good, n/a, BJC – Very Good, Declared, BJCHI – Very Good, Declared, BLA – Very Good, Certified, BPP – Good, n/a, BR - Good, Declared, BTS - Excellent, Certified, CBG – Good, n/a, CCET – Good, n/a, CENTEL – Very Good, Certified, CHG – Very Good, Declared, CK – Excellent, n/a, COL – Very Good, Declared, CPALL – not available, Declared, CPF – Excellent, Declared, CPN - Excellent, Certified, DELTA - Excellent, n/a, DEMCO – Excellent, Certified, DIF – not available, n/a, DTAC – Excellent, Certified, EA – Very Good, n/a, ECL – Very Good, Certified, EGCO - Excellent, Certified, EPG – Very Good, n/a, GFPT - Excellent, Declared, GGC – not available, Declared, GLOBAL – Very Good, Declared, GLOW – Very Good, Certified, GPSC – Excellent, Declared, GRAMMY - Excellent, n/a, GUNKUL – Excellent, Declared, HANA - Excellent, Certified, HMPRO - Excellent, Certified, ICHI – Excellent, n/a, III – not available, n/a, INTUCH - Excellent, Certified, IRPC – Excellent, Certified, ITD – Very Good, n/a, IVL - Excellent, Certified, JAS – not available, Declared, JASIF – not available, n/a, JUBILE – Good, Declared, KAMART – not available, n/a, KBANK - Excellent, Certified, KCE - Excellent, Certified, KGI – Very Good, Certified, KKP – Excellent, Certified, KSL – Very Good, Certified, KTB - Excellent, Certified, KTC – Excellent, Certified, LH - Very Good, n/a, LPN – Excellent, Certified, M – Very Good, n/a, MACO – Very Good, n/a, MAJOR – Very Good, n/a, MAKRO – Very Good, Declared, MALEE – Very Good, n/a, MBKET – Very Good, Certified, MC – Very Good, Declared, MCOT – Excellent, Certified, MEGA – Very Good, n/a, MINT - Excellent, Certified, MTLN – Very Good, Declared, NYT – Excellent, n/a, OISHI – Very Good, n/a, PLANB – Excellent, Declared, PLAT – Very Good, Certified, PSH – Excellent, Certified, PSL - Excellent, Certified, PTT - Excellent, Certified, PTTEP - Excellent, Certified, PTTGC - Excellent, Certified, QH – Excellent, Certified, RATCH – Excellent, Certified, ROBINS – Excellent, Certified, RS – Very Good, n/a, SMART - Excellent, n/a, SAPPE - Good, n/a, SAT – Excellent, Certified, SAWAD – Very Good, n/a, SC – Excellent, Declared, SCB - Excellent, Certified, SCBLIF – not available, n/a, SCC – Excellent, Certified, SCN – Very Good, Declared, SCCC - Excellent, Declared, SIM - Excellent, n/a, SIRI – Very Good, Declared, SPA - Good, n/a, SPALI - Excellent, n/a, SPRC – Excellent, Declared, STA – Very Good, Declared, STEC – Excellent, n/a, SVI – Excellent, Certified, TASCO – Very Good, n/a, TCAP – Excellent, Certified, THAI – Very Good, n/a, THANI – Very Good, Certified, THCOM – Excellent, Certified, THRE – Very Good, Certified, THREL – Excellent, Certified, TICON – Very Good, Declared, TIPCO – Very Good, Certified, TISCO - Excellent, Certified, TK – Very Good, n/a, TKN – Very Good, Declared, TMB - Excellent, Certified, TNR – Good, n/a, TOP - Excellent, Certified, TPCH – Good, n/a, TPIPP – not available, n/a, TRUE – Excellent, Declared, TTW – Very Good, n/a, TU – Excellent, Declared, TVO – Excellent, Declared, UNIQ – not available, Declared, VGI – Excellent, Declared, WHA – not available, Declared, WHART – not available, n/a, WORK

– not available, n/a.

**Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:**

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework	
<b>Stock Ratings</b>	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>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.

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