KT·ZMICO

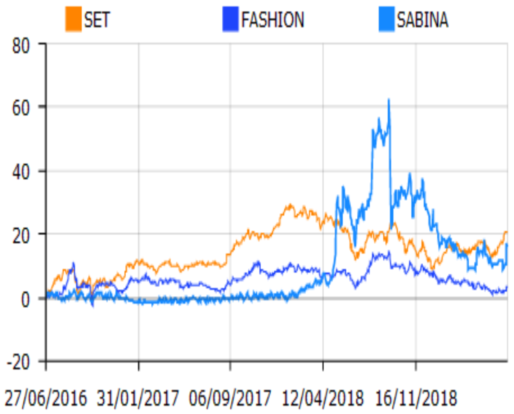
Initial Coverage

Sabina Plc. (SABINA)

Fashion

Buy
(2019E TP Bt35.00)
Close Bt27.25

Price Performance (%)



Source: SET Smart

	FY19	FY20
Consensus EPS (Bt)	1.240	1.330
KT ZMICO vs. consensus	-3.2%	0.0%

Share data

Reuters / Bloomberg	SABINA.BK/SABINA TB
Paid-up Shares (m)	347.50
Par (Bt)	1.00
Market cap (Bt bn / US$ m)	9.00/308.00
Foreign limit / actual (%)	49.00/11.91
52 week High / Low (Bt)	38.75/24.90
Avg. daily T/O (shares 000)	496.00
NVDR (%)	2.66
Estimated free float (%)	42.22
Beta	0.57
URL	www.sabina.co.th
CGR	
Anti-corruption	Level 4 (Certified)

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Thai brand growing from small cup to all cup

SABINA: Thai lingerie brand with strategic growth and share price implying 27% upside

KTZMICO Research initiates coverage on SABINA with a Buy rating, underpinned by several reasons. First, the firm's strong point is its ability to adapt to all types of business changes. This strength should help boost its profitability, with its three-year earnings growth expected to achieve a 12% CAGR from Bt362mn to Bt515mn in 2021E. Second, the firm offers an attractive dividend yield of around 4-5% p.a. Finally, the current share price implies 27% upside to our 2019E target price of Bt35 (29x PER). Note, however, that rather low trading liquidity is a limiting factor regarding investment in SABINA.

SABINA to benefit from the US-China trade war

The US-China trade war presents a business opportunity to SABINA as the firm can turn its Chinese rivals into partners. SABINA now uses the services of five Chinese factories, with the outsourcing portion rising from 4% in 2017 to 18% in 2018 and 33% in 1Q19. In addition, the firm plans to increase exposure to outsourcing services to 50% in the next two years. We expect its production from outsourcing to increase by 30% in 2019E and 50% in 2022E. Meanwhile, its product line involving very complicated and delicate work offers good margins. We thus project the firm's GPM to widen from 51.6% in 2018 to 52.2% in 2019E and 52.6%/53.0%/53.6% in 2020E/21E/22E, respectively.

Three-year earnings growth to achieve a 12% CAGR, driven by strong profitability

We expect SABINA to post a core profit of Bt417mn in 2019E (+15% YoY) and its three-year earnings are likely to achieve a 12% CAGR, with projected sales growth of a 9% CAGR. Drivers include: i) the firm's expansion to customers in all markets and strong growth in NSR sales channels (TV, online and direct catalogs); ii) the likelihood of a better gross profit margin (GPM) from 51.6% in 2018 to 53% in 2021E thanks to a larger portion of outsourcing products (yielding wider margins than the products it produces); and iii) efficient cost management by increasing the use of its own sponges to 100% (which have lower costs than sponges imported from Japan and Taiwan).

Share price implying almost 30% upside to our 2019E target price

The current share price implies 2019E PER of 24x vs. the three-year and five-year PER averages of SABINA at 34x and 41x, respectively; this implies 27% upside vs. our target price of Bt35.00/share based on 29x PER (-1.0 S.D. vs. the five-year historical average of 41x).

Financials and Valuation

FY Ended 31 Dec	2016	2017	2018	2019E	2020E
Revenues (Btmn)	2,383	2,663	3,090	3,388	3,660
Core profit (Btmn)	176	243	362	417	461
Net profit (Btmn)	176	243	362	401	461
Core EPS (Bt)	0.51	0.70	1.04	1.20	1.33
Core EPS growth (%)	6.11	38.19	48.95	15.23	10.69
EPS (Bt)	0.51	0.70	1.04	1.15	1.33
EPS growth (%)	6.11	38.19	48.95	10.81	15.11
Dividend (Bt)	0.24	0.82	1.04	1.15	1.33
BV (Bt)	5.05	5.45	5.28	5.34	5.43
PER (x)	54.40	39.37	26.43	23.85	20.72
EV/EBITDA (x)	31.95	23.94	17.58	15.74	14.32
PBV (x)	5.45	5.04	5.21	5.15	5.07
Dividend yield (%)	0.87	2.98	3.78	4.19	4.83
ROE (%)	10.28	13.32	19.38	21.71	24.65
Net gearing (%)	0.0	-0.2	-0.1	0.0	0.0

Investment Theme and Valuation

Dynamic strategies driving Thai brand SABINA to grow strategically

KTZMICO Research initiates coverage on SABINA with a Buy rating, underpinned by several reasons. First, the firm's strong point is its ability to adapt to all types of business changes. This strength should help boost its profitability, with its three-year earnings growth expected to achieve a 12% CAGR from Bt362mn to Bt515mn in 2021E. In the past three years (2016-18), its earnings growth already achieved a 30% CAGR from Bt166mn in 2015 to Bt362mn in 2018. For 2019E, we project core profit growth of 15% to Bt471mn. Second, the firm offers an attractive dividend yield of around 4-5% p.a. (assuming a 100% dividend payout and a biannual dividend payment). Finally, the current share price implies almost 30% upside to our 2019E target price of Bt35 (29x PER). Note, however, that rather low trading liquidity is a limiting factor regarding investment in SABINA.

Share price implying almost 30% upside to our 2019E target price

The current share price implies 2019E PER of 24x vs. the three-year and five-year PER averages of SABINA at 34x and 41x, respectively, implying 27% upside vs. our target price of Bt35.00/share based on 29x PER (-1.0 S.D. vs. five-year historical average of 41x). This makes the stock look attractive, especially in light of the dynamic strategies employed to adjust to business changes and boost profitability.

Figure 1: PER Band

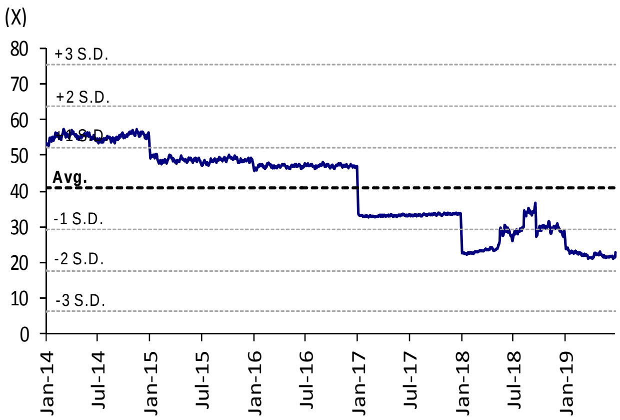
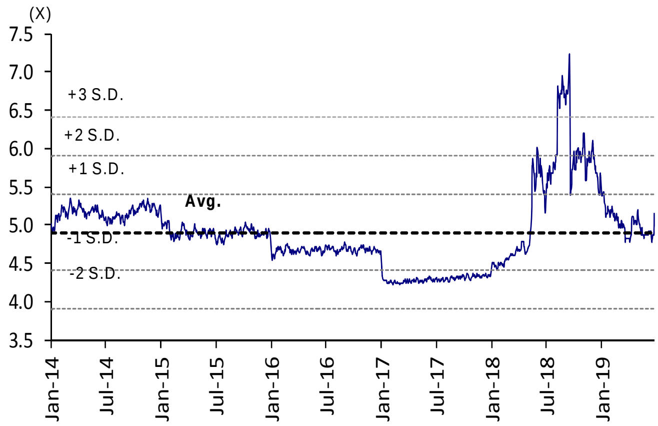


Figure 2: PBV Band



Sources: Bloomberg, KT Zmico Research

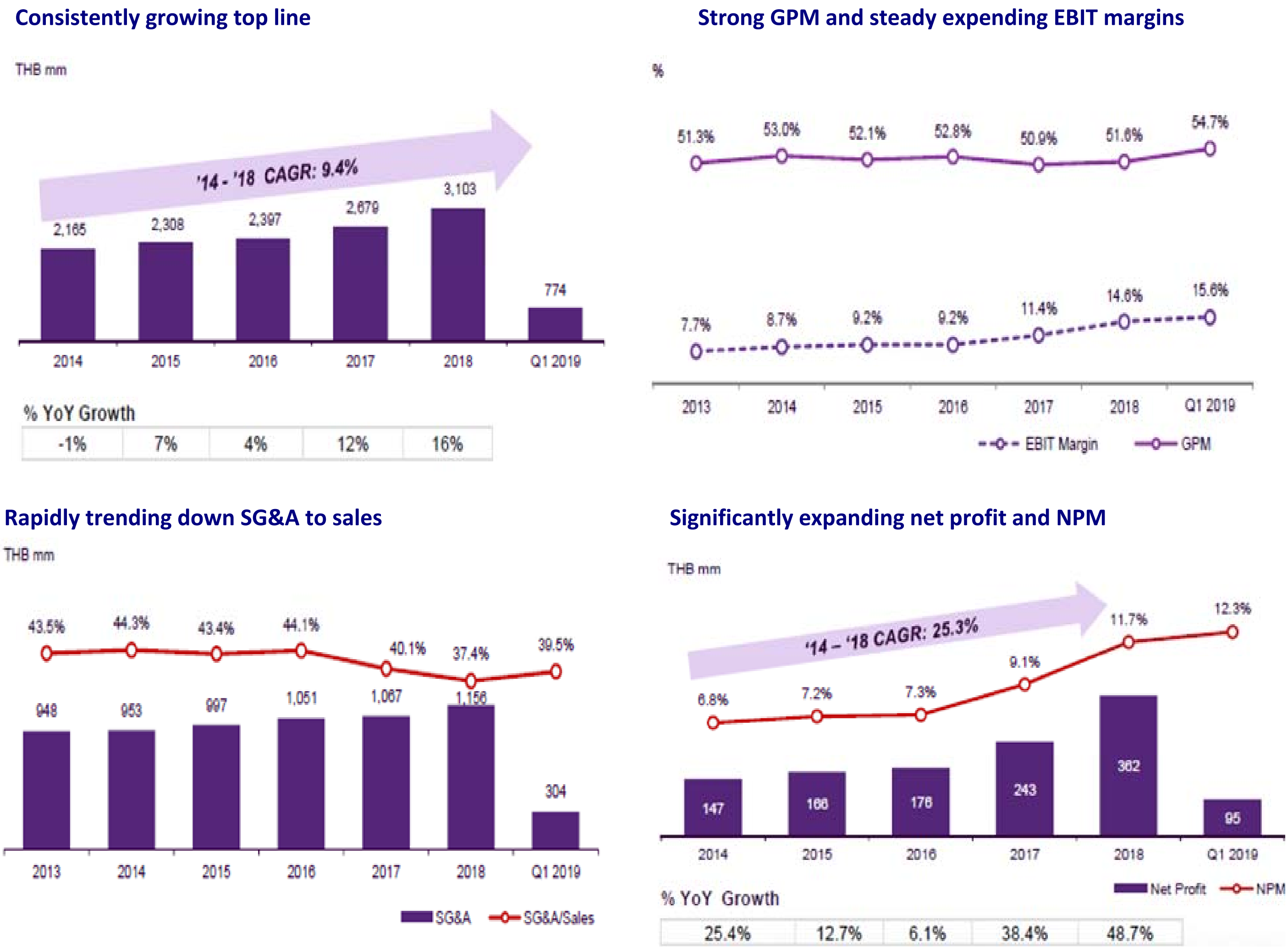
Earnings Performance and Outlook

Business adjustments drove earnings growth in the past five years (2014-18) to achieve a 25% CAGR and 20% YoY growth in 1Q19

The firm's business strategy is to have the brand cover all target groups and lingerie sizes (note: the firm offered only A-cup products in the first stage before expanding to bigger sizes). In addition, SABINA has expanded its sales channels, both online and exports. Studying consumer behavior has enhanced its inventory management, enabling it to plan production in accordance with market demand. This led to a reduction in inventory turnover from 434 days in 2014 to 255 days in 2018. Meanwhile, the firm uses outsourcing services from China, which have lower costs than its own production, helping to boost profit margins. For these reasons, its sales growth in the past five years achieved a 9% CAGR; meanwhile, its net profit growth for the same period recorded a 25% CAGR, with an average gross profit margin of 52% and SG&A expenses to sales falling from 44% in 2014 to 37% in 2018. Hence, its net profit margin widened from 6.8% in 2014 to 11.7% in 2018.

In 1Q19, net profit amounted to Bt95mn, up 20% YoY and 26% QoQ, driven by sales of Bt770mn (+12% YoY, flat QoQ). The GPM widened to 54.7% from 53% in 1Q18 and 54% in 4Q18 due to the larger portion of outsourcing products — with a wider GPM of 62.2% vs. the GPM earned by self-produced products at 52.9% — to 33% (vs. 18% in 2018). Therefore, the net profit margin advanced to 12.4% vs. 11.6% in 1Q18 and 9.8% in 4Q18.

Figure 3: Solid top line with strong margin improvement

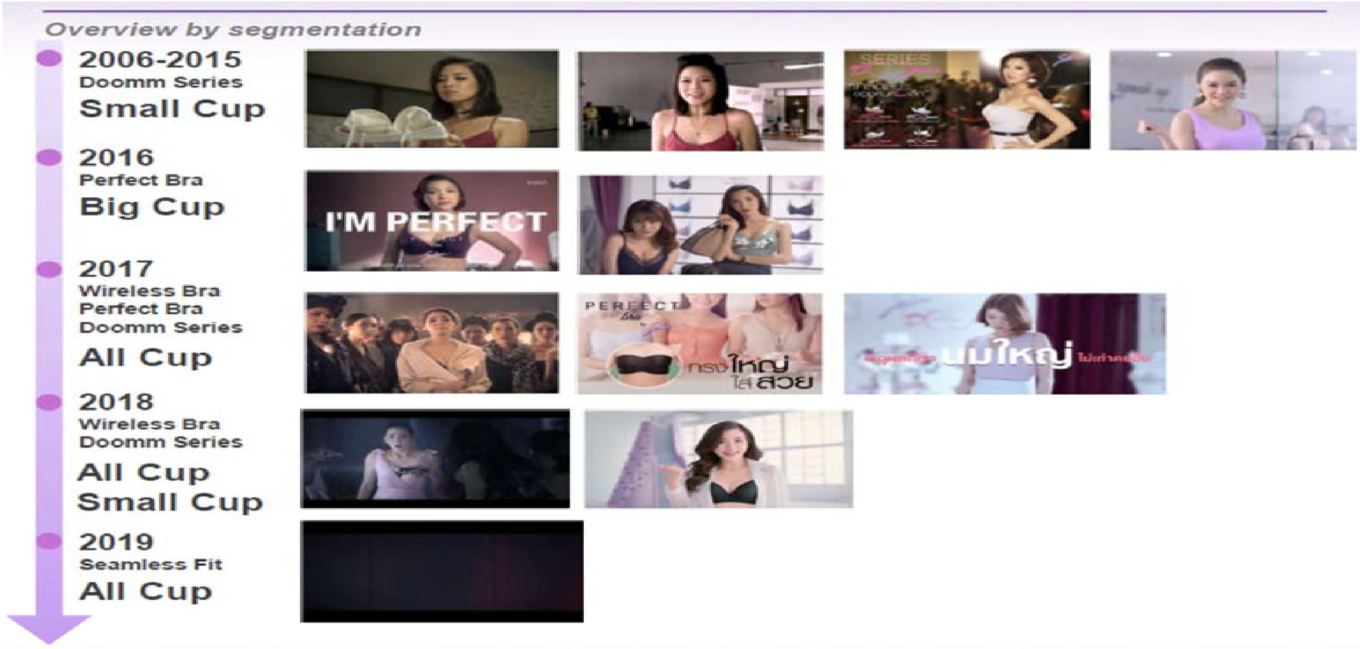


Sources: SABINA, KT Zmico Research

From small cup to all cups

SABINA is committed to the production of attractive, modern products for customers of all ages, sizes and shapes, in all price ranges; furthermore, its products are outstanding in terms of both fashion and function. The firm conducts extensive market research and uses the results to plan product development. SABINA previously sold only small cup sizes during 2006-2015, but market surveys revealed that bigger-sized products made up around 65% of the total market; thus, the company began offering products with both small and large sizes in 2016. SABINA now expects that its new focus, i.e., bigger-sized bras that account for 65% of total products, will be the growth driver in the future. Moreover, the company continues to apply innovative manufacturing techniques in order to ensure the production of high-quality lingerie with a comfortable feel.

Figure 4: SABINA brand



Sources: SABINA, KT Zmico Research

SABINA to benefit from the US-China trade war

The US-China trade war presents a business opportunity to SABINA as the firm can turn Chinese rivals into partners. The decline in China's exports to the US has resulted in available capacity for some Chinese factories, necessitating an increase in OEM orders to pick up the slack. This situation affords SABINA enhanced bargaining power. The company currently uses outsourcing services from five Chinese factories, with the portion having risen from 4% in 2017 to 18% in 2018 and 33% in 1Q19. It plans to increase exposure to outsourcing services to 50% in the next two years. We expect production from outsourcing will increase to 30% in 2019E and 50% in 2022E. Moreover, its product line involving very complicated and delicate work offers good margins. We thus project the firm's GPM to rise from 51.6% in 2018 to 52.2% in 2019E and 52.6%/53.0%/ 53.6% in 2020E/21E/22E, respectively.

A net importer benefiting from appreciation of the baht

SABINA is one of the firms benefiting from the appreciation of the baht because its net imports account for around 20% of total revenue. The outsourcing products from China and imports of raw material combined account for around 34% of total revenue. Meanwhile, revenue from exports to CLMV plus OEM should account for 12% of total revenue in 2019E. Based on these figures, every one baht gain against the US dollar will post upside to SABINA's net profit and target price forecasts by 2%, or Bt11mn and Bt0.64/share, respectively.

Earnings Performance

2Q19E core profit expected to grow by 23%YoY and 25%QoQ

We expect SABINA to post a net profit of Bt103mn in 2Q19E (+7%YoY, +8%QoQ). The firm is expected to see additional expenses of Bt16mn related to the provision of employee benefits under the amended labor protection law. Excluding this item, the firm is expected to report 2Q19 core profit of Bt119 mn (+23%YoY,+25%QoQ). We project sales of Bt869mn (+11%YoY, +13%QoQ) driven by the expected sales of products launched in mid-1Q19, which should have been realized for full quarter. The delivery volume of OEM products for foreign customers is expected to increase. The increase in revenue from OEM products supplied by Chinese factories with lower cost (with GPM of over 62% in 1Q19; higher exposure of outsourcing service to 33%; and higher product prices) is expected to drive the GPM to 53.5% in 2Q19E from 50.5% in 2Q18 and 54.7%. In addition, the SG&A expenses to sales are projected at 37% (vs. 35% in 2Q18 and 40% in 1Q19). We therefore expect the core profit to increase to 13.7% from 12.3% and 12.4% in 2Q18 and 1Q19.

Should 2Q19E core profit comes in line with expectation, 1H19E core profit will amount to Bt214mn, up by 22%YoY thanks to higher sales by 12% to Bt1.64bn, expected wider GPM to 54% vs. 51.7% in 1H18, expected SG&A expense to sales at 38% vs. 37% in 1H18 and projected larger net margin to 13.1% vs. 12% in 1H18. This, coupled with the expected additional provision for employee benefits of Bt16mn, its net profit is thus projected at Bt198mn or Bt0.57/share in 1H19E.

Figure 5: SABINA's 2Q19 earnings preview

Profit and Loss (Btmn) Year-end 31 Dec	2Q18	1Q19	2Q19E	% YoY	% QoQ	1H19E	%YoY	2018	2019E	% YoY	YTD (% of 19E)
Revenue	783	770	869	11.0	12.9	1,639	11.6	3,090	3,388	9.7	48.4%
Gross profit	**396**	**421**	**465**	17.5	10.5	**886**	16.7	**1,595**	1,767	10.8	50.1%
EBITDA	**134**	**133**	**150**	12.4	12.9	**271**	10.2	**502**	**576**	14.7	47.0%
Interest expense	(0)	(1)	(1)	534.0	-	(3)	703.8	(1)	(5)	216.5	58.6%
Other income	2	4	4	80.2	-	9	44.9	13	12	(8.1)	72.4%
Income tax	(24)	(24)	(30)	22.3	22.0	(54)	20.7	(89)	(104)	16.7	52.0%
Other extraordinary Items	0	0	16	nm	nm	16	nm	0	(16)	nm	nm
Gn (Ls) from affiliates	0	0	0	nm	nm	0	nm	0	0	nm	nm
Minority interests	0	0	0	nm	nm	0	nm	0	0	nm	nm
Net profit (loss)	**96**	**95**	**103**	**6.8**	**8.1**	**198**	**12.7**	**362**	**401**	**10.8**	49%
Core profit (loss)	**96**	**95**	**119**	**23.4**	**24.9**	**214**	**21.8**	**362**	**417**	**15.2**	51%
Reported EPS (Bt)	**0.28**	**0.27**	**0.30**	**6.8**	**8.1**	**0.57**	**12.7**	**1.04**	**1.15**	**10.8**	49%
Gross margin (%)	50.5	54.7	53.5			54.0		51.6	52.2		
EBITDA margin (%)	17.1	17.3	17.3			16.5		16.3	17.0		
Net margin (%)	12.3	12.4	11.8			12.1		11.7	11.8		
Current ratio (x)	4.1	3.2	2.9			2.9		3.1	3.2		
Interest coverage (x)	633.2	99.4	112.2			101.3		348.6	126.4		
IBD	0.0	0.1	0.2			0.2		0.1	0.2		
BVPS (Bt)	5.3	5.6	5.3			4.5		5.3	5.3		
ROE (%)	20.3	20.2	21.8			20.9		19.4	21.7		

Sources: SET, KT Zmico Research

Three-year sales growth to achieve a 9% CAGR driven by all cups, lower production costs from outsourcing, and sales channel expansion to cover online and export channels

We expect three-year sales growth (2019-2021E) to achieve a 9% CAGR (more conservative than the company's sales target of 10-15% p.a.) from Bt3.1bn in 2018 to Bt3.4/3.7/4.0bn in 2019E/20E/21E, respectively. The sales of branded products are expected to grow by an average of 9.3% p.a. (from Bt2.8bn in 2018 to Bt3.7bn in 2021E) and those of OEM products are anticipated to rise by an average of 5.7% p.a. (from Bt287mn in 2018 to Bt339mn in 2021E). The sales growth of branded products is expected to be driven by the following factors:

1) The firm began to expand its customer base from its previous focus on A cup products in 2006-15 — then accounting for 35% of the total market — to B, C and D cups, which had 65% of the total market in 2016. This strategy enabled the firm to cover all product groups and bases, driving the sales growth of its SABINA brand in the domestic market.
2) Although the firm's utilization rate has already reached 95-100%, it aims to increase the amount of lower-cost outsourcing products from China. We preliminarily expect the firm to boost outsourcing products from China from 18% in 2018 to 40% in 2021E (vs. the firm's own target of 50% in 2021E).
3) The firm has increased its non-store retailing (NSR) channels through three TV channels (e.g., One31), online channels (e.g., Shopee, Lazada, Line@ and K+) and two direct catalogs (i.e., Friday catalog and 24 catalog), in accordance with changing consumer behaviors. We expect SABINA to see sales growth through NSR channels at an average of 35% p.a. from Bt254mn in 2018 to Bt623mn in 2021E.
4) The firm has expanded to more export markets, especially countries where citizens have similar figures to Thais, e.g., CLMV, the Philippines, Bangladesh and Pakistan. Hence, we expect SABINA's exports to grow by an average of 9% p.a. from Bt61mn in 2018 to Bt78mn in 2021E.

Three-year earnings growth to achieve a 12% CAGR driven by strong profitability

We expect SABINA to post a core profit of Bt417mn in 2019E. On a YoY basis, core earnings are expected to grow by 15% YoY, driven by the expected sales increase of 10%, a wider GPM of 52.2% (vs. 51.6% in 2018) due to a larger portion of outsourcing products that earn better margins than its self-produced products, and greater cost efficiency from increasing the use of its own sponges to 100% (which have lower costs than sponges imported from Japan and Taiwan). On a QoQ basis, earnings are expected to increase by 11% to Bt462mn in 2020E and 12% to Bt515mn in 2021E. Hence, its three-year earnings are likely to achieve a 12% CAGR, driven by projected sales growth of a 9% CAGR, better management in terms of raw materials and production, as well as market expansion. Therefore, the GPM is anticipated to widen from 51.6% in 2018 to 52.2%/52.6%/53% in 2019-21E. At the same time, SG&A to sales are expected to remain flat at 37%. This, combined with tax and interest expenses, is projected to drive the core profit margin up from 11.7% in 2018 to 12.3%/12.6%/12.9% in 2019E/20E/21E. Finally, we expect EBITDA to grow by an average of 12% p.a. from Bt502mn in 2018 to Bt576/635/704mn in 2019E/20E/21E, driven by better profit quality thanks to larger net profit/EBITDA from 72% in 2018 to 73% in 2021E.

Strong financial position with a 100% dividend payout; yields of 4.2-4.8% expected for 2019-20E

The company's financial position is strong with net cash of Bt268mn (Bt0.77/share) as of March 2019. Meanwhile, its D/E ratio was at merely 0.1x, with only short-term loans for working capital. We project low D/E at just 0.2x in 2019-21E. Its earnings performance is likely to be strong enough for the firm to continue offering a 100% payout, which it began doing in 2017-18 (SABINA has a dividend payout policy of at least 40% of net profit biannually). The dividend momentum should continue, with management having confirmed a 100% payout. We project yields of 4.2% for 2019E and 4.8% for 2020E.

Risks

Risk regarding high dependence on large distributors

SABINA's sells products through modern trade, i.e., Big C and Lotus, in around 300 stores, accounting for 30% of total revenue in the past, vs. the total of 581 shops. As both modern trade retailers can offer their house brand products at lower prices, they have reduced the sales areas for SABINA, leading to lost business opportunities. However, they have not stopped distributing SABINA's products. After observing the large number of customers visiting these modern trade retailers, SABINA decided to launch its own stores. The firm also has been able to expand its sales channels thanks to the popularity of social media and sales through TV and direct sales.

Risk related to launching its own stores

The firm has reduced the number of its own loss-generating stores and become more cautious about opening new stores. The company believes it can maintain same-store-sales growth and also plans to expand to the online market, which has lower expenses.

Risk related to obsolete and unpopular products

SABINA closely monitors products that receive low interest from customers to ensure appropriate production levels for each product, especially dynamic fashion products. Due to changing market trends, the firm has reduced the production of some product patterns and only sells them in certain shops. In addition, special products are offered in each channel. Finally, the company is seeking to minimize storage and distribution costs by launching the Sabina@home system, enabling customers to order products offline, which will then be delivered to homes or offices.

Risk related to OEM customers

The firm serves some foreign OEM customers who hire SABINA to design and produce lingerie under their brands. It has tried to reduce costs to maintain competitiveness but faces stiff price competition from some products produced in other countries. However, as OEM accounts for only 10% of total sales and the firm focuses more on the premium market, it is less impacted by competition than other brands.

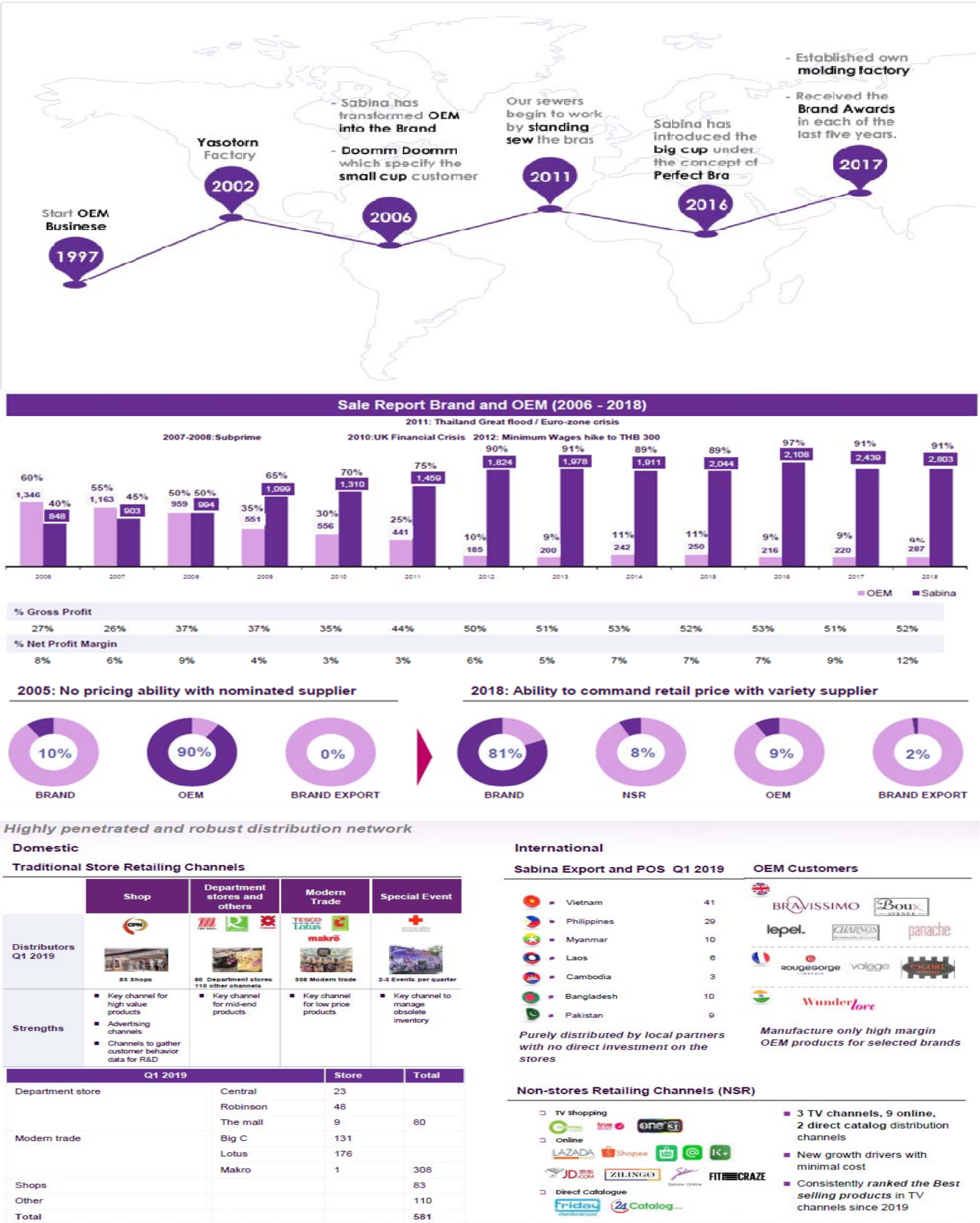
Company's profile

SABINA is Thailand's number one producer and distributor of lingerie. The company's sales channels have nationwide coverage and it has a strong presence in neighboring countries in the AEC, especially CLMV, along with other parts of the world. It also supplies foreign OEM customers.

Formerly named J&D Apparel Public Company Limited, the company was founded in 1985 by the second generation of the Thanalongkorn family, led by Mr. Viroj Thanalongkorn, who has over 40 years of experience in the lingerie industry. The first generation of the family started the lingerie business with Jintana Lingerie Limited Partnership. The company originally produced and distributed lingerie for its subsidiary (Sabina Fareast Company Limited, founded in 1977) and supplied lingerie for its foreign OEM customers. J&D Apparel Public Company Limited was renamed Sabina Public Company Limited in 2007. The firm owns five factories in Chainat, Bangkok, Nakorn Pathom, Yasothorn and Burirum, with a combined production capacity of 12.83mn pieces/year.

Originally, the firm's OEM business served its subsidiary, which supplied finished products for clients. Once the firm became better known among foreign clients, it began to supply more OEM products directly to its customers, with OEM revenue accounting for around 90% of its total revenue. In 2008, the firm changed its policy and began to reduce the portion of OEM products supplied for foreign clients. Hence, 90% of its total revenue is currently derived from production and distribution for its subsidiary under the brand SABINA.

Figure 6: From OEM manufacturer to brand developer



Sources: SABINA, KT Zmico Research

Financial Table

PROFIT & LOSS (Bt mn)	2016	2017	2018	2019E	2020E
Revenues	2,383	2,663	3,090	3,388	3,660
Cost of sales and service	(1,125)	(1,307)	(1,495)	(1,621)	(1,734)
Gross profit	1,258	1,356	1,595	1,767	1,925
SG&A	(1,051)	(1,067)	(1,156)	(1,254)	(1,354)
EBITDA	281	361	502	576	635
Depreciation & amortization	(60)	(56)	(50)	(51)	(52)
EBIT	221	305	452	525	583
Interest expense	(3)	(1)	(1)	(5)	(7)
Other income / exp.	0	0	0	0	0
EBT	14	16	13	12	12
Corporate tax	218	304	451	521	576
Extra Items	(42)	(61)	(89)	(104)	(115)
Gain (loss) from affiliates	0	0	0	(16)	0
Net profit	176	243	362	401	461
Reported EPS	0.51	0.70	1.04	1.15	1.33
Fully diluted EPS	0.51	0.70	1.04	1.15	1.33
Core net profit	176	243	362	417	461
Core EPS	0.51	0.70	1.04	1.20	1.33
Dividend (Bt)	0.24	0.82	1.04	1.15	1.33

BALANCE SHEET (Btmn)	2016	2017	2018	2019E	2020E
Cash and equivalents	41	44	60	63	54
Accounts receivables	314	342	402	484	523
Inventories	1,151	976	1,118	1,212	1,296
PP&E-net	306	283	294	262	230
Other assets	426	742	728	580	580
Total assets	**2,238**	**2,387**	**2,602**	**2,601**	**2,683**
ST debt & current portion	108	18	156	300	320
Long-term debt	0	0	0	0	0
Total liabilities	**484**	**492**	**767**	**745**	**798**
Paid-up shares	348	348	348	348	348
Shareholder equity	**1,754**	**1,895**	**1,835**	**1,856**	**1,886**
Total liab. & shareholder equity	**2,238**	**2,387**	**2,602**	**2,601**	**2,684**

CASH FLOW (Btmn)	2016	2017	2018	2019E	2020E
Net income	176	243	362	401	461
Forex and other	6	17	18	107	14
Depreciation & amortization	60	56	50	51	52
Change in working capital	29	219	(193)	(292)	(94)
Cash flow from operation	**271**	**535**	**237**	**267**	**433**
Capex (Invest)/Divest	(29)	(26)	(53)	(32)	(31)
Others	(56)	(319)	105	5	0
Cash flow from investing	**(85)**	**(345)**	**52**	**(27)**	**(31)**
Debt financing (repayment)	(111)	(90)	138	144	20
Equity financing	0	0	0	0	0
Dividend payment	(73)	(97)	(410)	(381)	(431)
Others	0	0	0	0	0
Cash flow from financing	**(184)**	**(187)**	**(272)**	**(237)**	**(411)**
Net change in cash	2	3	17	2	(9)
Free cash flow	**242**	**510**	**184**	**235**	**402**
FCF per share (Bt)	**0.70**	**1.47**	**0.53**	**0.67**	**1.16**

PROFITABILITY	2016	2017	2018	2019E	2020E
Revenue growth (%)	3.8	11.7	16.0	9.7	8.0
EBITDA growth (%)	3.5	28.3	39.2	14.7	10.2
EPS growth (%)	6.1	38.2	48.9	10.8	15.1
Gross margin (%)	52.8	50.9	51.6	52.2	52.6
EBITDA margin (%)	11.8	13.6	16.3	17.0	17.4
Operating margin (%)	8.7	14.2	15.6	15.2	15.6
Net margin (%)	7.4	9.1	11.7	11.8	12.6
Core profit margin (%)	7.4	9.1	11.7	12.3	12.6
Effective tax rate (%)	19.4	20.0	19.8	20.0	20.0

Note:

KT ZMICO has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully.

An executive of KT ZMICO Securities is also a board member of BCP, KBS, MAJOR, MK, PSL, SVH, VNG, ZMICO, PACE, TFG.

A management member of KT ZMICO Securities is also a board member of NFC and GEL.

KT ZMICO is a financial advisor for ZMICO, POMPUI, JKN, BRR, SUN, CRANE, META, NUSA and JCK.

Corporate Governance Report (CGR)		Source: Sec, Thai Institute of Directors Association (IOD)	
	Excellent (scores: 90-100)		Satisfactory (scores: 60 – 69)
	Very Good (scores: 80 – 89)		Pass (scores: 50 – 59)
	Good (scores: 70 – 79)	No Logo	N/A (scores: below 50)

Anti-corruption Progress Indicator
Source: Sec, Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed) :**Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared) :** Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established) :** Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified) :**Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended) :** Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

Disclaimer

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user.

KT Zmico Research – Recommendation Definitions

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months

OUTPERFORM: Expecting total returns between -10% to +15%; returns expected to exceed market returns over a six-month period due to specific catalysts

UNDERPERFORM: Expecting total returns between -10% to +15%; returns expected to be below market returns over a six-month period due to specific catalysts

SELL: Expecting negative total returns of 10% or more over the next 12 months

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.