

## China

**ADD** (no change)

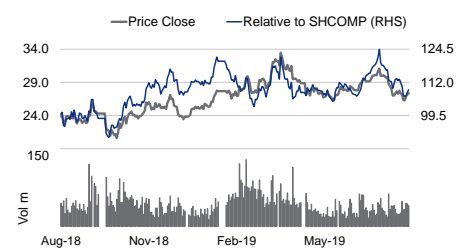
Consensus ratings\*: Buy 26 Hold 6 Sell 2

Current price:	Rmb27.39
Target price:	Rmb32.60
Previous target:	Rmb34.40
Up/downside:	19.0%
CGS-CIMB / Consensus:	0.7%
Reuters:	000002.SZ
Bloomberg:	000002 CH
Market cap:	US\$43,417m
	Rmb306,470m
Average daily turnover:	US\$145.0m
	Rmb1,006m
Current shares o/s:	11,302m
Free float:	46.3%

\*Source: Bloomberg

**Key changes in this note**

- FY19-21F EPS decreased by 5-9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-10.8	-0.5	14.6
Relative (%)	-9.3	0.4	9.2

**Major shareholders**

	% held
Shenzhen Metro Group	29.4
Baoneng Group	24.3

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# China Vanke-A

## Weak results dragged by tax and MI

- Vanke A's 1H19 results came in lower than expected with 11% earnings growth on higher-than-expected LAT provision and minority interests.
- We think Vanke should spin off its property management unit to unlock its huge potential value as the unit could fetch a price of at least 22x FY20 P/E.
- Maintain Add with a lower TP of Rmb32.6, based on 9x FY19 P/E.

**Weaker-than-expected results**

Vanke A announced a weaker-than-expected set of results, with 1H19 core net profit rising 11% yoy to Rmb11.6bn, 5% below our estimate, on the back of higher-than-expected LAT provision and minority interests. 1H19 core net profit formed 30% of our FY19F. Net gearing was stable at 35% as at end-Jun 19.

**Lower margins ahead**

Its gross margin pre-land appreciation tax (LAT) was 28%, 1% pts above our estimate, due to the recognition of property sales in 2017 and 1H18 when the property market was very strong. Its high gross margin is unlikely to be sustained considering surging land costs, so we expect it to decline by 2% pts p.a. on average over FY19-21F.

**Slow contracted sales growth on its high sales base**

Vanke achieved contracted sales of Rmb382bn in 1H19, up 9% yoy. Contracted sales had grown at 29% CAGR in FY13-18. Given the high base, we expect high single-digit contracted sales growth in FY19-21F. As of end-Jun, it had sizeable unbooked sales of Rmb622bn. We expect most of this to be recognised in 2H19F and FY20F. Thus, we estimate that it has locked in over 95% of FY19F earnings and 50% of FY20F earnings.

**Vanke should spin off its property management unit**

Its property management (PM) unit's revenue rose 27% yoy to Rmb5.3bn in 1H19. We expect the unit's revenue to surge to Rmb12bn in FY20F. Assuming a 10% net profit margin and a target P/E of 22x for large-scale PM companies in FY20F, this unit may be worth c.Rmb30bn. In our view, Vanke should consider spinning off the unit due to favourable valuations for PM companies.

**Contribution from other businesses remains low**

It also owns a set of non-property development businesses, such as long-term rental housing, logistics and warehousing. However, they accounted for only 5% of its total revenue in 1H19. We think management should put more effort into improving overall earnings contribution in the medium- to long-term.

**Remain Add**

We cut our FY19-21F EPS by 5-9% to reflect higher tax and finance costs as well as its latest share placement. Our TP is lowered to Rmb32.6, still based on FY19F P/E of 9x (1 s.d. above its 5-year avg). Key catalysts include stronger-than-expected contracted sales growth. Key downside risks include further tightening policies imposed by the government.

**Financial Summary**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues (Rmbm)	242,897	297,679	395,525	502,746	620,226
Operating EBITDA (Rmbm)	47,967	69,244	78,820	93,636	110,155
Net Profit (Rmbm)	26,097	36,079	40,434	46,423	54,489
Core EPS (Rmb)	2.48	3.19	3.62	4.11	4.57
Core EPS Growth	25.3%	28.4%	13.5%	13.5%	11.2%
FD Core P/E (x)	11.02	8.59	7.57	6.67	6.00
DPS (Rmb)	0.90	1.07	1.21	1.38	1.53
Dividend Yield	3.29%	3.91%	4.43%	5.03%	5.60%
EV/EBITDA (x)	7.76	6.57	6.29	5.57	4.84
P/FCFE (x)	3.05	7.67	6.13	5.69	4.76
Net Gearing	8.8%	30.9%	37.5%	36.8%	33.4%
P/BV (x)	2.27	1.94	1.68	1.43	1.22
ROE	22.2%	24.4%	23.8%	23.1%	22.0%
% Change In Core EPS Estimates			(5.25%)	(7.20%)	(8.61%)
CGS-CIMB/Consensus EPS (x)			0.99	0.98	1.02

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Vanke-A's 1H19 results review**

Rmb m	1H18	1H19	yoy chg	1H19F	Var (%)
<b>Revenue</b>	<b>105,975</b>	<b>139,320</b>	<b>31%</b>	<b>120,635</b>	<b>15%</b>
Cost of sales	(69,480)	(88,823)	28%	(80,946)	10%
LAT+Business Tax	(7,502)	(11,407)	52%	(7,238)	58%
<b>Gross profit</b>	<b>28,993</b>	<b>39,090</b>	<b>35%</b>	<b>32,451</b>	<b>20%</b>
Selling, administrative & other expenses	(7,151)	(8,801)	23%	(7,600)	16%
Operating profit	21,841	30,289	39%	24,851	22%
Net finance costs	(1,455)	(3,534)	143%	(1,495)	136%
Share of profit less losses of asso. & JV	784	1,301	66%	902	44%
Other income/(expenses)	(66)	(593)	805%	-	n.a.
<b>Profit before income tax</b>	<b>21,106</b>	<b>27,463</b>	<b>30%</b>	<b>24,257</b>	<b>13%</b>
Taxation	(6,285)	(8,451)	34%	(5,652)	50%
Minority interests	(4,399)	(7,444)	69%	(6,377)	17%
<b>Core profit</b>	<b>10,421</b>	<b>11,568</b>	<b>11%</b>	<b>12,229</b>	<b>-5%</b>
One-off items	(1,298)	274			
Reported net profit	9,123.7	11,841.8			
<b>% of revenue</b>			<b>% pts chg</b>		<b>% pts chg</b>
Gross margin (%)	27.4%	28.1%	0.7%	26.9%	1.2%
SG&A as a % of revenue	6.7%	6.3%	-0.4%	6.3%	0.0%
Operating margin	20.6%	21.7%	1.1%	20.6%	1.1%
core margin	9.8%	8.3%	-1.5%	10.1%	-1.8%
Net gearing	33%	35%	2.3%	35.0%	0.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Earnings revisions**

Rmb m	2019F			2020F			2021F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	395,525	395,525	0%	502,746	502,746	0%	620,226	620,226	0%
Net profit	42,169	40,434	-4%	48,860	46,423	-5%	58,642	51,633	-6%
EPS (Rmb)	3.82	3.62	-5%	4.43	4.11	-7%	5.00	4.57	-9%

SOURCES: CGS-CIMB RESEARCH

**Figure 3: Target price changes**

	Old	New	Chg
FY19F EPS (Rmb)	3.82	3.62	-5%
Target FY19F P/E (x)	9.0	9.0	0%
Target price (Rmb)	34.4	32.6	-5%

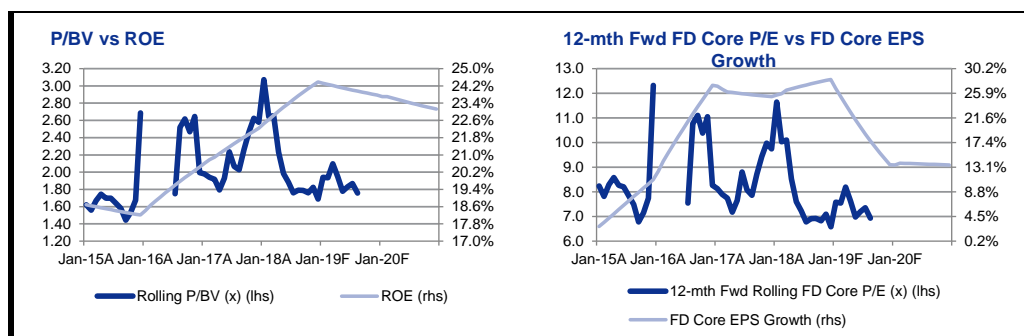
SOURCES: CGS-CIMB RESEARCH

**Figure 4: Peers comparison**

Company	Bloomberg Ticker	Share price (HK\$)	TP (HK\$)	Rating	Mkt cap (US\$ m)	NAV/sh (HK\$)	Disc. to NAV		P/E (x)			P/BV(x)			Yield (%)			Net Gearing (%)			
							NAV (%)	Upside (%)	2018	2019	2020F	2021F	2018	2019F	2020F	2018	2019F	2020F	2018	2019F	2020F
COLI	688 HK	25.90	33.80	ADD	35,832	37.6	31	31	7.7	6.6	6.0	5.4	1.0	0.9	0.8	3.5	3.9	4.4	32	24	18
CR Land	1109 HK	32.85	40.50	ADD	29,200	45.0	27	23	9.8	7.8	6.7	5.9	1.5	1.3	1.3	3.6	4.5	5.2	34	43	42
China Vanke - H	2202 HK	28.25	36.00	ADD	43,016	40.0	29	27	8.0	7.0	6.2	5.6	1.8	1.6	1.3	4.2	4.8	5.4	31	37	37
CIFI	884 HK	4.78	7.00	ADD	4,684	14.0	66	46	6.0	4.6	4.0	3.5	1.1	0.9	0.7	6.1	7.8	9.1	67	58	57
Country Garden	2007 HK	10.00	9.50	REDUCE	27,121	13.5	26	(5)	5.9	5.0	4.4	4.0	1.6	1.3	1.1	5.4	7.5	8.2	45	44	40
Evergrande	3333 HK	18.42	38.10	ADD	30,398	45.0	59	107	4.5	3.8	3.3	3.0	1.6	1.4	1.1	6.7	8.7	12.0	152	108	82
Greentown	3900 HK	7.08	5.60	REDUCE	1,832	13.9	49	(21)	6.6	5.8	5.4	5.1	0.5	0.5	0.4	3.6	4.1	4.4	105	101	94
Guangzhou R&F	2777 HK	13.30	21.00	ADD	5,382	35.0	62	58	4.4	3.2	2.5	2.1	0.6	0.5	0.4	10.3	11.6	12.8	184	158	138
KWG	1813 HK	6.51	9.60	ADD	2,575	19.2	66	47	5.6	3.9	3.1	2.7	0.6	0.6	0.5	9.6	10.8	12.9	65	59	49
Longfor	960 HK	28.60	40.00	ADD	21,014	40.0	29	40	11.8	9.4	7.7	6.4	1.9	1.7	1.5	3.8	4.8	5.9	53	56	58
Shimao Prop	813 HK	22.00	28.00	ADD	9,050	40.0	45	27	7.7	6.1	5.1	4.4	1.0	0.9	0.8	5.0	5.5	6.4	57	54	51
Sino-Ocean	3377 HK	3.10	3.40	HOLD	2,923	8.5	64	10	11.4	6.7	6.0	5.4	0.4	0.4	0.4	6.8	5.6	5.9	73	73	70
SOHO China	410 HK	2.42	2.60	REDUCE	1,604	5.2	53	7	31.0	26.1	20.3	18.3	0.3	0.3	0.3	1.4	1.6	2.0	42	42	42
Sunac	1918 HK	35.45	43.20	HOLD	19,535	54.0	34	22	8.3	5.8	4.2	3.4	2.5	2.0	1.6	2.6	4.3	6.0	170	121	81
Yuzhou	1628 HK	3.42	5.60	ADD	2,175	11.2	69	64	3.9	3.5	3.0	2.6	0.7	0.6	0.5	9.1	10.9	12.8	67	67	64
<b>Greater Bay Area (GBA) plays</b>																					
Agile	3383 HK	10.38	15.30	ADD	4,909	25.5	59	47	5.2	4.4	3.7	3.1	0.7	0.7	0.6	9.4	11.9	14.0	79	67	57
China Aoyuan	3883 HK	10.88	14.20	ADD	3,568	17.8	39	31	11.2	6.1	4.1	3.3	2.2	1.5	1.1	3.7	7.4	11.6	59	61	46
Logan Property	3380 HK	11.50	15.00	ADD	7,676	21.4	46	30	8.1	6.2	5.1	4.5	2.1	1.3	1.1	5.2	8.4	10.2	54	54	48
SZ Investment	604 HK	2.95	3.06	HOLD	3,209	6.8	57	4	7.6	7.6	7.5	7.2	0.6	0.6	0.5	6.1	6.1	6.4	41	39	37
Times China	1233 HK	13.36	21.00	ADD	3,283	30.0	55	57	5.2	4.2	3.3	2.7	1.3	0.8	0.7	5.7	7.2	9.0	63	51	37
<b>GBA average</b>							<b>51</b>	<b>34</b>	<b>7.5</b>	<b>5.7</b>	<b>4.8</b>	<b>4.2</b>	<b>1.4</b>	<b>1.0</b>	<b>0.8</b>	<b>6.0</b>	<b>8.2</b>	<b>10.2</b>	<b>59</b>	<b>54</b>	<b>45</b>
<b>HK-listed developers' average</b>							<b>49</b>	<b>34</b>	<b>7.3</b>	<b>5.7</b>	<b>4.8</b>	<b>4.2</b>	<b>1.3</b>	<b>1.0</b>	<b>0.9</b>	<b>5.8</b>	<b>7.1</b>	<b>8.6</b>	<b>75</b>	<b>67</b>	<b>58</b>
China Vanke - A	000002 CH	27.39	32.60	ADD	43,015	33.1	17	19	8.6	7.2	6.2	5.5	1.9	1.6	1.4	3.9	4.7	5.4	31	34	31
CMSK	001979 CH	20.10	24.90	ADD	23,130	32.0	37	24	10.6	8.7	7.7	6.7	2.3	2.0	1.7	3.9	4.6	5.3	55	54	48
Seazen Holdings	601155 CH	25.59	23.40	REDUCE	8,274	39.0	34	(9)	7.3	5.1	4.1	3.7	1.9	1.5	1.2	5.9	6.3	7.8	35	48	43
Gemdale Corp	600383 CH	12.36	15.60	ADD	7,950	15.1	18	26	7.2	6.3	5.9	N/A	1.2	1.1	1.0	4.8	5.5	5.9	66	50	45
Poly Developments	600048 CH	14.54	15.00	HOLD	24,353	19.2	24	3	9.6	7.6	6.5	5.6	1.4	1.2	1.1	3.4	3.9	4.6	83	76	64
<b>A-share developers' average*</b>							<b>26</b>	<b>13</b>	<b>8.7</b>	<b>7.0</b>	<b>6.1</b>	<b>5.4</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>4.4</b>	<b>5.0</b>	<b>5.8</b>	<b>54</b>	<b>53</b>	<b>46</b>
<b>Small and mid-cap average</b>							<b>52</b>	<b>28</b>	<b>7.0</b>	<b>5.3</b>	<b>4.5</b>	<b>3.9</b>	<b>1.1</b>	<b>0.9</b>	<b>0.7</b>	<b>6.5</b>	<b>7.8</b>	<b>9.2</b>	<b>73</b>	<b>67</b>	<b>60</b>
<b>Overall average</b>							<b>44</b>	<b>29</b>	<b>7.6</b>	<b>5.9</b>	<b>5.1</b>	<b>4.4</b>	<b>1.4</b>	<b>1.1</b>	<b>0.9</b>	<b>5.5</b>	<b>6.7</b>	<b>8.0</b>	<b>71</b>	<b>64</b>	<b>56</b>

Share price data as of 21 August 2019; \* A-share data stated in Rmb

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

**BY THE NUMBERS**

**Profit & Loss**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>242,897</b>	<b>297,679</b>	<b>395,525</b>	<b>502,746</b>	<b>620,226</b>
<b>Gross Profit</b>	<b>63,095</b>	<b>88,399</b>	<b>103,876</b>	<b>124,981</b>	<b>148,609</b>
<b>Operating EBITDA</b>	<b>47,967</b>	<b>69,244</b>	<b>78,820</b>	<b>93,636</b>	<b>110,155</b>
Depreciation And Amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>47,967</b>	<b>69,244</b>	<b>78,820</b>	<b>93,636</b>	<b>110,155</b>
Financial Income/(Expense)	(3,344)	(5,083)	(5,777)	(6,443)	(7,087)
Pretax Income/(Loss) from Assoc.	4,569	6,280	6,908	7,599	8,359
Non-Operating Income/(Expense)	324	(42)	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>49,516</b>	<b>70,399</b>	<b>79,951</b>	<b>94,791</b>	<b>111,426</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>49,516</b>	<b>70,399</b>	<b>79,951</b>	<b>94,791</b>	<b>111,426</b>
<b>Taxation</b>	<b>(14,263)</b>	<b>(18,821)</b>	<b>(18,261)</b>	<b>(21,798)</b>	<b>(25,053)</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>35,253</b>	<b>51,578</b>	<b>61,690</b>	<b>72,993</b>	<b>86,373</b>
Minority Interests	(9,157)	(15,500)	(21,256)	(26,571)	(31,885)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>26,097</b>	<b>36,079</b>	<b>40,434</b>	<b>46,423</b>	<b>54,489</b>
Recurring Net Profit	27,365	35,163	40,434	46,423	51,633
<b>Fully Diluted Recurring Net Profit</b>	<b>27,365</b>	<b>35,163</b>	<b>40,434</b>	<b>46,423</b>	<b>51,633</b>

**Cash Flow**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>47,967</b>	<b>69,244</b>	<b>78,820</b>	<b>93,636</b>	<b>110,155</b>
Cash Flow from Inv. & Assoc.	4,569	6,280	6,908	7,599	8,359
Change In Working Capital	168,141	153,937	204,048	210,772	221,472
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(88,917)	(128,058)	(138,726)	(154,784)	(172,699)
Net Interest (Paid)/Received	(9,677)	(13,761)	(15,286)	(16,783)	(18,257)
Tax Paid	(39,760)	(54,023)	(59,426)	(65,368)	(68,637)
<b>Cashflow From Operations</b>	<b>82,323</b>	<b>33,618</b>	<b>76,339</b>	<b>75,071</b>	<b>80,393</b>
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries	6,283	3,316	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(20,704)	(24,438)	(21,108)	(22,083)	(22,543)
Other Investing Cashflow	(37,192)	(46,242)	(30,316)	(23,626)	(17,793)
<b>Cash Flow From Investing</b>	<b>(51,613)</b>	<b>(67,364)</b>	<b>(51,425)</b>	<b>(45,709)</b>	<b>(40,336)</b>
Debt Raised/(repaid)	68,266	73,143	25,000	25,000	25,000
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	(19,134)	(40,249)	(41,457)	(42,701)	(43,982)
Preferred Dividends					
Other Financing Cashflow	6,133	11,904	0	0	0
<b>Cash Flow From Financing</b>	<b>55,265</b>	<b>44,798</b>	<b>(16,457)</b>	<b>(17,701)</b>	<b>(18,982)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	174,121	188,417	184,125	195,786	216,861
Properties Under Development					
Total Debtors	172,327	280,401	308,441	339,285	373,214
Inventories	598,088	750,303	825,333	907,866	998,653
Total Other Current Assets	73,017	75,951	74,484	75,217	74,851
<b>Total Current Assets</b>	<b>1,017,553</b>	<b>1,295,072</b>	<b>1,392,383</b>	<b>1,518,155</b>	<b>1,663,578</b>
Fixed Assets	36,933	67,503	76,956	84,651	93,116
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	110,862	166,005	168,367	171,084	174,208
<b>Total Non-current Assets</b>	<b>147,794</b>	<b>233,508</b>	<b>245,323</b>	<b>255,735</b>	<b>267,325</b>
Short-term Debt	62,273	93,183	93,183	93,183	93,183
Current Portion of Long-Term Debt					
Total Creditors	176,770	229,597	252,557	277,813	305,594
Other Current Liabilities	608,313	799,133	823,213	866,964	926,602
<b>Total Current Liabilities</b>	<b>847,355</b>	<b>1,121,914</b>	<b>1,168,953</b>	<b>1,237,961</b>	<b>1,325,379</b>
Total Long-term Debt	128,352	168,024	193,024	218,024	243,024
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,701	2,482	2,978	3,573	4,288
<b>Total Non-current Liabilities</b>	<b>131,052</b>	<b>170,506</b>	<b>196,002</b>	<b>221,598</b>	<b>247,312</b>
Total Provisions	265	539	523	624	717
<b>Total Liabilities</b>	<b>978,673</b>	<b>1,292,959</b>	<b>1,365,478</b>	<b>1,460,182</b>	<b>1,573,409</b>
<b>Shareholders' Equity</b>	<b>132,675</b>	<b>155,764</b>	<b>184,386</b>	<b>217,081</b>	<b>253,137</b>
Minority Interests	53,999	79,857	87,842	96,626	104,357
<b>Total Equity</b>	<b>186,674</b>	<b>235,621</b>	<b>272,228</b>	<b>313,708</b>	<b>357,494</b>

**Key Ratios**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	1.0%	22.6%	32.9%	27.1%	23.4%
Operating EBITDA Growth	30.4%	44.4%	13.8%	18.8%	17.6%
Operating EBITDA Margin	19.7%	23.3%	19.9%	18.6%	17.8%
Net Cash Per Share (Rmb)	(1.50)	(6.59)	(9.03)	(10.21)	(10.56)
BVPS (Rmb)	12.05	14.11	16.31	19.21	22.40
Gross Interest Cover	4.54	4.79	4.97	5.43	5.92
Effective Tax Rate	28.8%	26.7%	22.8%	23.0%	22.5%
Net Dividend Payout Ratio	38.0%	32.7%	33.9%	33.6%	31.8%
Accounts Receivables Days	217.1	277.6	271.7	235.8	209.7
Inventory Days	1,081	1,176	986	840	738
Accounts Payables Days	323.2	354.4	301.7	256.9	225.8
ROIC (%)	17.4%	25.2%	19.0%	18.6%	19.1%
ROCE (%)	14.6%	16.0%	15.0%	15.9%	16.7%
Return On Average Assets	3.78%	4.11%	4.17%	4.56%	4.95%

**Key Drivers**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Unbooked Presales (m) (Rmb)	529,880.0	606,950.0	676,710.8	740,327.0	788,555.7
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	26.0%	29.7%	26.3%	24.9%	23.5%
Contracted Sales ASP (per Sm) (Rmb)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	6.2%	6.4%	6.3%	6.2%	6.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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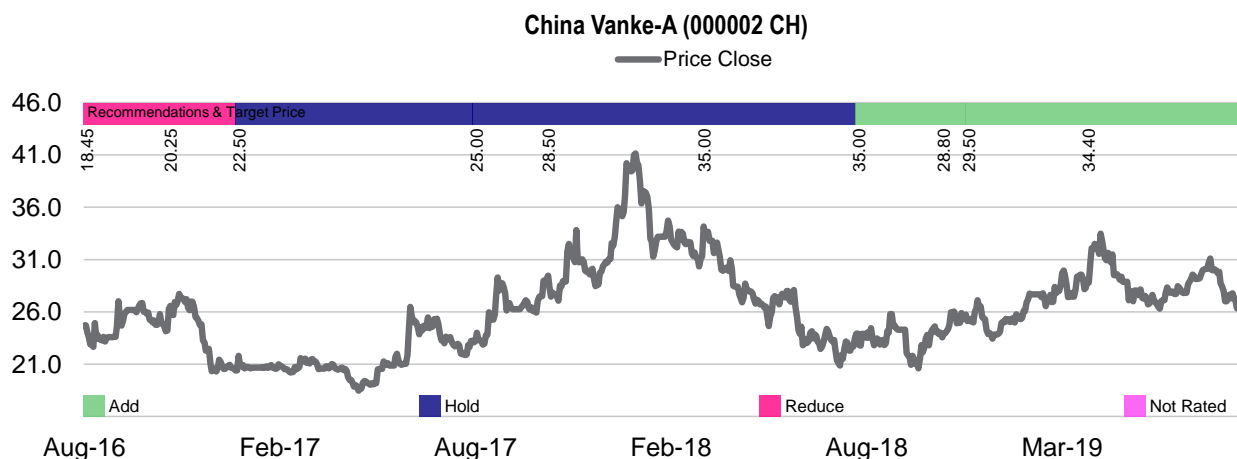
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2019		
791 companies under coverage for quarter ended on 30 June 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

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 2018, Anti-Corruption 2018**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

**Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:**

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

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

**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.

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