

MCOT

MCOT TB / MCOT.BK

16 November 2012

Beat our estimate

Exceeded our estimate

MCOT reported a Bt480m net profit for 3Q12, up by 33% YoY and 8% QoQ. The reported number was 24% above our estimate, thanks to higher ad revenue and lower SG&A than modeled. Ad receipts were 7% above our expectation—TV ad revenue 8% higher and radio ad revenue 5% higher. SG&A was 9% below our model. GM was 57.2%; we had assumed only 55%.

Result highlights

The YoY jump in net profit was led by TV ad revenue (up by 24% YoY and 8% QoQ), a solid rise in radio ad receipts (up by 9% YoY and 4% QoQ) and well-controlled SG&A. There was no discernible low season effect in the quarter. The TV ad revenue rise was driven by a higher mean TV loading factor—92% in 3Q12 against 75% in 3Q11 and 90% in 2Q12—additional ad receipts from the Olympic Games and Miss Thailand live broadcasts. There were no ad rate increases in 3Q12. Ad revenue from news programs rose 45% YoY, while ad income from in-house shows shot up 192% YoY. The solid growth in radio ad revenue was driven by bundling marketing events with ad sales.

Outlook

Management expects another TV programming revamp in Jan 2013, given weak ratings for some variety shows. The rating for the *Kui Kamong Khao Chao* morning news program has picked up from 0.34 in 1H12 to 0.68 in October while that for the *Kui Klook Wong Khao* has just risen from 1.67 in 3Q12 to 2.13 in Oct. The firm guided for at least a 50% YoY jump in 4Q12 TV ad revenue. We estimate a Bt450m net profit for the quarter, up 240% YoY but down 6% QoQ.

The new president, Mr Anek Permwongseni, highlighted priorities—a higher proportion of in-house productions (from 46% in FY12 to 51% in FY13), the development of land plots into new sources of income, more special project income from SOEs (such as the Government Savings Bank), new business partnerships with BEC and TRUE Visions when their respective concessions expire and TV digital plans. MCOT will apply for facility and network licenses from the NBTC in Jan 2013 and will bid for five channel licenses in April 2013.

What's changed?

We have upgraded our net profit forecast by 6% to Bt1.73bn for FY12 and by 5% to Bt1.94bn for FY13 to factor in the stronger 3Q12 profit and better OPEX control than expected. Hence, our YE13 target price rises by 3% to Bt44.50.

Recommendation

Our BUY rating stands premised on value creation from digital network and channel provider licenses and improved operations in 4Q12 and beyond.

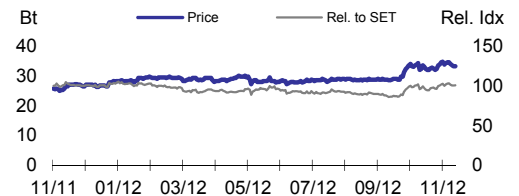
Sector: Media Neutral

Rating: BUY

Target Price: Bt44.50

Price (15 November 2012): Bt33.25

Price chart

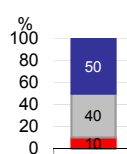


Share price perf. (%)	1M	3M	12M
Relative to SET	5.2	12.8	(2.7)
Absolute	3.9	16.7	26.7

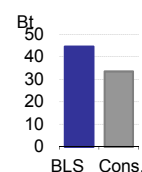
Key statistics

Market cap	Bt22.85bn	USD0.7bn
12-mth price range	Bt25.0/Bt35.3	
12-mth avg daily volume	Bt20.25m	
# of shares (m)	687.1	
Est. free float (%)	22.7	
Foreign limit (%)	15.0	

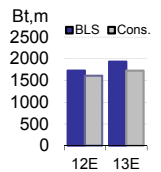
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	5,142	5,643	6,305	6,876
Net profit (Btm)	1,356	1,728	1,937	2,051
EPS (Bt)	1.97	2.51	2.82	2.98
EPS growth (%)	-4.7%	+27.4%	+12.1%	+5.9%
Core profit (Btm)	1,356	1,728	1,937	2,051
Core EPS (Bt)	1.97	2.51	2.82	2.98
Core EPS growth (%)	-5.3%	+27.4%	+12.1%	+5.9%
PER (x)	15.0	13.2	11.8	11.1
PBV (x)	2.7	2.8	2.8	2.7
Dividend (Bt)	2.0	2.5	2.9	3.0
Dividend yield (%)	6.8	7.7	8.6	9.1
ROE (%)	17.8	22.2	24.1	25.1

CG rating



Prasit Sujiravorakul
 prasit@bualuang.co.th
 +66 2 618 1342

MCOT : Financial Tables – Year

PROFIT & LOSS (Btm)	2010	2011	2012E	2013E	2014E
Revenue	5,263	5,142	5,643	6,305	6,876
Cost of sales and services	(2,134)	(2,175)	(2,360)	(2,766)	(3,156)
Gross profit	3,129	2,967	3,283	3,539	3,721
SG&A	(1,163)	(1,080)	(1,174)	(1,261)	(1,307)
EBIT	1,966	1,888	2,109	2,278	2,414
Interest expense	(1)	(11)	(10)	(9)	(8)
Other income/exp.	93	170	175	181	188
EBT	2,058	2,047	2,274	2,451	2,594
Corporate tax	(604)	(671)	(525)	(492)	(520)
After-tax net profit (loss)	1,455	1,376	1,749	1,959	2,074
Minority interest	(23)	(20)	(21)	(22)	(23)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
Net profit (loss)	1,432	1,356	1,728	1,937	2,051
Reported EPS	2.07	1.97	2.51	2.82	2.98
Fully diluted EPS	2.08	1.97	2.51	2.82	2.98
Core net profit	1,432	1,356	1,728	1,937	2,051
Core EPS	2.08	1.97	2.51	2.82	2.98
EBITDA	2,464	2,429	2,668	2,856	3,010

KEY RATIOS

Revenue growth (%)	12.3	(2.3)	9.7	11.7	9.1
Gross margin (%)	59.5	57.7	58.2	56.1	54.1
EBITDA margin (%)	46.8	47.2	47.3	45.3	43.8
Operating margin (%)	37.4	36.7	37.4	36.1	35.1
Net margin (%)	27.2	26.4	30.6	30.7	29.8
Core profit margin (%)	27.2	26.4	30.6	30.7	29.8
ROA (%)	14.2	12.8	15.8	17.0	17.4
ROCE (%)	18.8	17.6	22.0	23.8	24.7
Asset turnover (x)	0.5	0.5	0.5	0.6	0.6
Current ratio (x)	3.3	3.9	3.8	3.6	3.4
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	1,386.8	172.9	209.0	249.2	294.4

BALANCE SHEET (Btm)

Cash & Equivalent	3,871	4,659	4,619	4,670	4,771
Accounts receivable	1,101	615	974	1,088	1,187
Inventory	4	5	5	6	6
PP&E-net	4,307	4,168	4,158	4,133	3,992
Other assets	239	257	365	548	704
Total assets	10,517	10,652	11,169	11,606	11,919
Accounts payable	137	87	116	136	156
ST debts & current portion	0	0	0	0	0
Long-term debt	5	6	2	3	4
Other liabilities	21	53	58	65	71
Total liabilities	2,781	2,994	3,137	3,365	3,566
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	1,107	1,107	1,107	1,107	1,107
Retained earnings	3,139	3,053	3,406	3,593	3,682
Shareholders equity	7,682	7,595	7,949	8,135	8,224
Minority interests	54	63	84	106	129
Total Liab.&Shareholders' equity	10,517	10,652	11,169	11,606	11,919

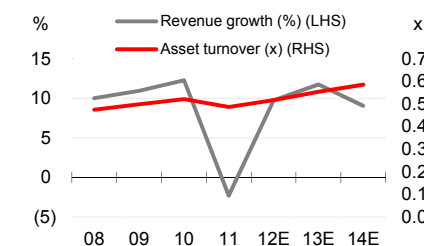
CASH FLOW (Btm)

Net income	1,432	1,356	1,728	1,937	2,051
Depreciation and amortization	498	541	559	577	596
Change in working capital	(299)	435	(330)	(95)	(80)
FX, non-cash adjustment & others	122	62	(83)	(75)	(61)
Cash flows from operating activities	1,753	2,395	1,874	2,344	2,506
Capex (Invest)/Divest	(280)	(322)	(500)	(500)	(400)
Others	(807)	(927)	631	(374)	(329)
Cash flows from investing activities	(1,086)	(1,249)	131	(874)	(729)
Debt financing (repayment)	(1)	(3)	0	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,272)	(1,443)	(1,374)	(1,750)	(1,962)
Others	(807)	(927)	631	(374)	(329)
Cash flows from financing activities	(1,273)	(1,458)	(1,374)	(1,750)	(1,962)
Net change in cash	(607)	(313)	631	(280)	(185)
Free cash flow (Btm)	1,474	2,073	1,374	1,844	2,106
FCF per share (Bt)	2.1	3.0	2.0	2.7	3.1

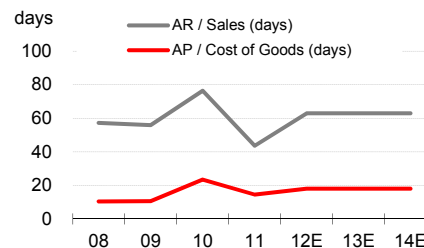
Key assumptions

	2010	2011	2012E	2013E	2014E
Average TV loading factor (%)	110.0%	79.3%	90.3%	95.0%	98.0%
TV ad revenue (Btm)	3,530	3,395	3,761	4,376	4,901
Radio ad revenue (Btm)	899	876	900	927	955
Concession revenue (Btm)	834	871	982	1,002	1,022
SG&A/sales (%)	22.1%	21.0%	20.8%	20.0%	19.0%

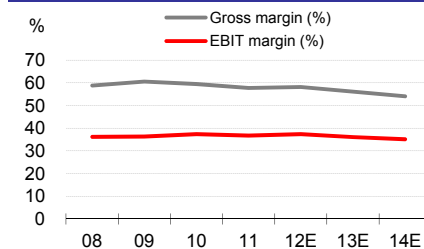
Revenue growth and asset turnover



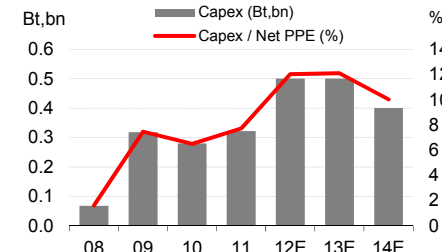
A/C receivable & A/C payable days



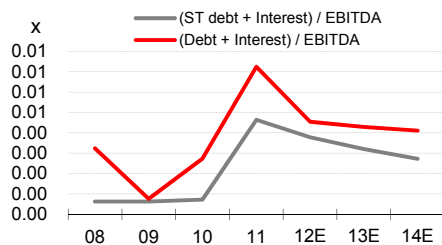
Profit margins



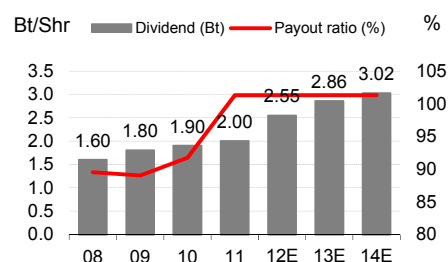
Capital expenditure



Debt serviceability



Dividend payout



MCOT : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q11	4Q11	1Q12	2Q12	3Q12
Revenue	1,313	1,096	1,265	1,450	1,515
Cost of sales and services	(572)	(585)	(589)	(593)	(649)
Gross profit	741	512	676	857	866
SG&A	(271)	(275)	(264)	(299)	(292)
EBIT	471	237	412	558	574
Interest expense	(3)	(2)	(3)	(3)	(3)
Other income/exp.	63	42	47	54	39
EBT	531	276	457	609	610
Corporate tax	(162)	(141)	(101)	(163)	(129)
After-tax net profit (loss)	369	136	356	446	482
Minority interest	(9)	(3)	(1)	(3)	(2)
Equity earnings from affiliates	0.0	0.0	0.0	0.0	0.0
Extra items	0.0	0.0	0.0	0.0	0.0
Net profit (loss)	361	132	355	443	480
Reported EPS	0.52	0.19	0.52	0.65	0.70
Fully diluted EPS	0.52	0.19	0.52	0.65	0.70
Core net profit	361	132	355	443	480
Core EPS	0.52	0.19	0.52	0.65	0.70
EBITDA	608	373	547	695	709

KEY RATIOS

Gross margin (%)	56.5	46.7	53.4	59.1	57.2
EBITDA margin (%)	46.3	34.0	43.3	47.9	46.8
Operating margin (%)	35.8	21.6	32.6	38.4	37.9
Net margin (%)	27.5	12.1	28.0	30.6	31.7
Core profit margin (%)	27.5	12.1	28.0	30.6	31.7
BV (Bt)	12.4	11.1	11.7	11.3	11.0
ROE (%)	17.1	7.0	17.8	23.0	25.6
ROA (%)	12.9	5.0	13.1	16.2	16.8
Current ratio (x)	4.0	3.9	4.3	3.1	2.4
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	187.7	95.2	162.9	222.4	224.0

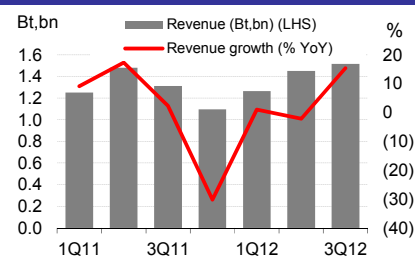
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	4,998	4,659	4,754	4,492	4,882
Accounts receivable	789	615	618	676	735
Inventory	4	5	5	20	28
PP&E-net	4,217	4,168	4,092	4,203	4,166
Other assets	398	346	371	928	923
Total assets	11,143	10,652	10,833	10,916	11,418
Accounts payable	101	87	93	96	127
ST debts & current portion	6	7	6	6	6
Long-term debt	8	6	5	4	5
Other liabilities	1,002	1,410	1,341	1,314	1,275
Total liabilities	2,657	2,994	2,820	3,156	3,864
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	3,885	3,053	3,408	3,164	2,956
Retained earnings	3,885	3,053	3,408	3,164	2,956
Shareholders equity	8,427	7,595	7,950	7,706	7,499
Minority interests	59	63	64	53	55
Total Liab.&Shareholders' equity	11,143	10,652	10,833	10,916	11,418

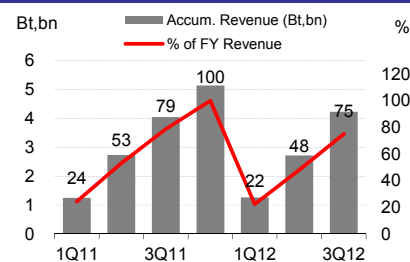
Key statistics

	3Q11	4Q11	1Q12	2Q12	3Q12
Average TV loading factor (%)	75.0%	48.0%	76.0%	90.0%	92.0%
TV ad revenue (Btm)	855	665	819	976	1,058
Radio ad revenue (Btm)	225	231	197	234	245
Concession revenue (Btm)	233	200	249	240	212
SG&A/sales (%)	20.6%	25.1%	20.8%	20.6%	19.3%

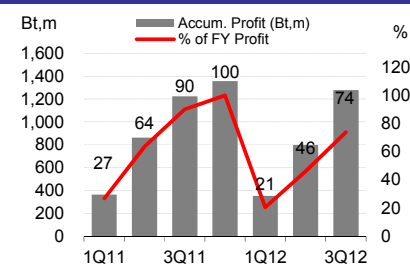
Revenue trend



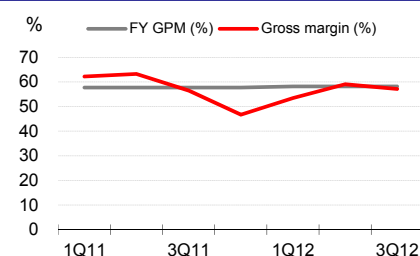
Revenue trend (accumulated)



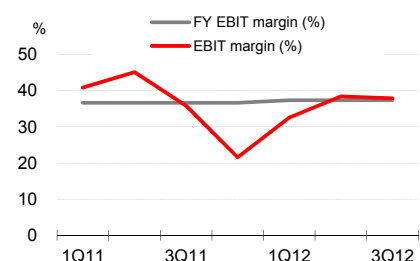
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

MCOT Plc (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The firm also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Plc (a subsidiary of BEC) and UBC (or TRUE Visions). Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. Last year Bangkok Entertainment paid Bt165m in revenue share to MCOT. TRUE Vision runs a multi-channel pay TV business over fiber-optic cable and satellite. It pays 6.5% of its revenue to MCOT. In FY11 it paid Bt530m.

Figure 1 : 3Q12 results

FY Ended 31 Dec (Btm)	3Q12	3Q11	YoY %	2Q12	QoQ %	9M12	9M11	YoY %	9M12 vs. FY12E	
Income Statement										
Revenue	1,515	1,313	15	1,450	4	4,230	4,046	5	75	
Cost of sales and services	(649)	(572)	14	(593)	9	(1,831)	(1,590)	15	78	• Sales were 4% higher than estimated, led by 7% higher ad revenue than assumed
EBITDA	709	608	17	695	2	1,952	2,056	(5)	73	
SG&A	(292)	(271)	8	(299)	(2)	(855)	(805)	6	73	
EBIT	574	471	22	558	3	1,544	1,651	(6)	73	
Interest expense	(3)	(3)	2	(3)	2	(8)	(7)	3	75	
Other income/exp.	39	63	(38)	54	(27)	140	127	10	80	• Gross profit was 8% above our expectation
Equity earnings from affiliates	0	0	nm	0	nm	0	0	nm	n.m.	
Extra items	0	0	nm	0	nm	0	0	nm	n.m.	
EBT	610	531	15	609	0	1,676	1,771	(5)	74	
Corporate tax	(129)	(162)	(20)	(163)	(21)	(392)	(530)	(26)	75	• GM was 57.2%; our assumption was 55%
Minority interest	(2)	(9)	(81)	(3)	(42)	(6)	(17)	(66)	27	
Net profit (loss)	480	361	33	443	8	1,278	1,224	4	74	
Reported EPS	0.70	0.52	33	0.65	8	1.86	1.78	4	74	• SG&A was 9% below our model
Core net profit	480	361	33	443	8	1,278	1,224	4	74	
Key ratios										
Gross margin (%)	57.2	56.5		59.1		56.7	60.7			• EBIT was 19% above our estimate
EBITDA margin (%)	46.8	46.3		47.9		46.1	50.8			
EBIT margin (%)	37.9	35.8		38.4		36.5	40.8			
SG&A / Revenue (%)	19.3	20.6		20.6		20.2	19.9			• After-tax profit was 23% above our expectation
Tax rate (%)	21.1	30.5		26.7		23.4	29.9			
Net margin (%)	31.7	27.5		30.6		30.2	30.3			
Current ratio (x)	2.4	4.0		3.1		2.4	4.0			
Gearing ratio (x)	0.0	0.0		0.0		0.0	0.0			• Net profit was 24% above our estimate, led by ad revenue and lower SG&A
Interest coverage (x)	224.0	187.7		n.m.		203.1	223.3			
Balance Sheet										
Cash & Equivalent	4,882	4,998	(2)	4,492	9					
Total assets	11,418	11,143	2	10,916	5					
ST debts & current portion	6	6	n.m.	6	3					
Long-term debt	5	8	n.m.	4	25					
Total liabilities	3,864	2,657	45	3,156	22					
Retained earnings	2,956	3,885	(24)	3,164	(7)					
Shareholders equity	7,499	8,427	(11)	7,706	(3)					
Minority interests	55	59	(7)	53	3					
BV (Bt)	11.0	12.4	(11)	11.3	(3)					

Sources: Company data, Bualuang Research estimates

Figure 2 : Revenue and gross profit breakdown

	3Q12	3Q11	% YoY	2Q12	% QoQ	9M12	9M11	% YoY
Total revenue	1,515	1,313	15.4	1,450	4.5	4,230	4,046	4.5
- TV	1,058	855	23.8	976	8.4	2,853	2,731	4.5
- Radio	245	225	8.7	234	4.3	676	645	4.8
- Concession	212	233	(8.9)	240	(11.5)	701	671	4.5
Total cost of services	(649)	(572)	13.5	(593)	9.4	(1,831)	(1,590)	15.1
- Cost of TV & radio	(622)	(543)	14.5	(563)	10.4	(1,743)	(1,508)	15.6
- Cost of concession	(28)	(29)	(4.9)	(30)	(9.4)	(88)	(82)	6.8
Gross profit	866	741	16.8	857	1.1	2,398	2,456	(2.3)
- TV & radio	681	537	26.8	647	5.3	1,785	1,867	(4.4)
- Concession	185	204	(9.5)	210	(11.8)	613	588	4.2
Gross margin (%)	57.2%	56.5%		59.1%		56.7%	60.7%	
- TV & radio	52.3%	49.7%		53.5%		50.6%	55.3%	
- Concession	87.0%	87.6%		87.3%		87.5%	87.7%	

Source: Company data

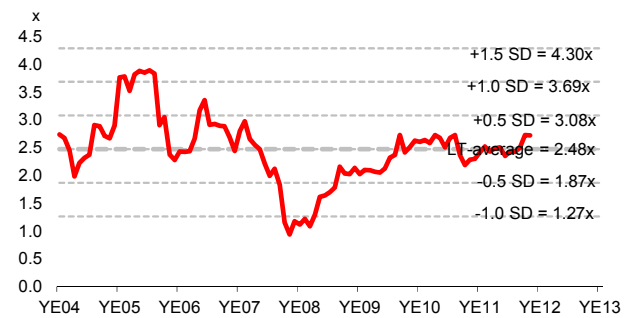
Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E
Abs-Cbn Corp	ABSPM	PHP32.0	594	17.6	13.2	-41.2	22.5	2.3	2.1	24.5	28.4	12	17
Gma Network Inc	GMA7 PM	PHP8.4	685	18.0	15.6	30.3	10.9	4.0	3.9	23.0	25.0	7.9	3.9
Sun Tv Network Ltd	SUNTV IN	INR369.0	2,654	20.3	17.4	3.5	14.9	5.3	4.7	26.5	27.8	2.8	2.9
Zee Entertainment Enterprise	Z IN	INR197.9	3,463	27.6	22.6	17.6	21.7	5.0	4.3	18.5	19.5	10	12
Television Broadcasts Ltd	511HK	HKD56.9	3,212	14.3	13.8	10.3	3.7	3.3	3.0	23.8	22.8	4.3	4.5
Phoenix Satellite Television	2008 HK	HKD2.5	1,578	13.5	12.1	-1368.7	22.4	2.8	2.3	20.8	21.0	2.5	3.1
Nippon Television Network	9404 JP	JPY9910	3,223	10.1	9.2	6.7	9.0	0.5	0.5	5.5	6.1	3.0	3.1
Tokyo Broadcasting System	9401JP	JPY793.0	1,861	83.6	16.0	-915	684.4	0.4	0.4	0.4	2.4	16	18
Tv Asahi Corp	9409 JP	JPY10410	1,291	13.8	12.9	4.0	4.7	0.4	0.4	3.2	3.3	2.0	2.2
Beijing Gehua Catv Network-A	600037 CH	CNY6.3	1,072	22.7	21.2	6.5	18	n.a.	n.a.	6.0	5.8	17	2.1
BEC World	BEC TB	THB56.00	3,643	23.5	20.6	34.9	14.1	12.6	11.4	59.9	60.1	4.1	4.7
GMM Grammy	GRAMMY TB	THB17.90	309	68.7	73.1	-77.9	-6.1	3.0	2.8	5.2	5.3	0.0	0.0
Major Cineplex Group	MAJOR TB	THB18.80	542	18.9	16.2	12.0	16.6	2.6	2.5	14.5	16.2	4.9	5.7
MCOT	MCOT TB	THB33.25	743	13.2	11.8	27.4	12.1	2.8	2.8	22.2	24.1	7.7	8.6
VGI Global Media	VGI TB	THB70.75	690	23.2	16.3	9.4	42.9	13.6	11.7	98.6	77.2	3.4	4.9
Workpoint Entertainment	WORK TB	THB30.50	255	18.7	17.0	24.6	10.0	5.8	5.2	34.0	33.1	4.2	4.5
Simple average				25.5	19.3	-87.0	55.3	4.3	3.9	24.2	23.6	3.3	3.4

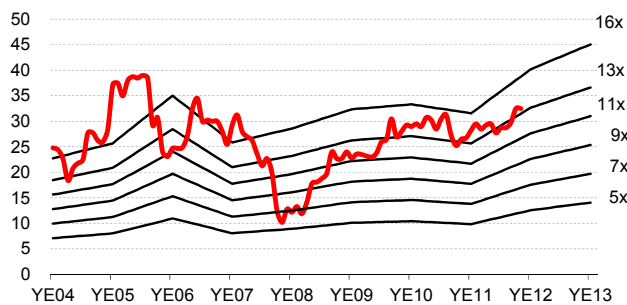
PER band versus SD (next 12 months)



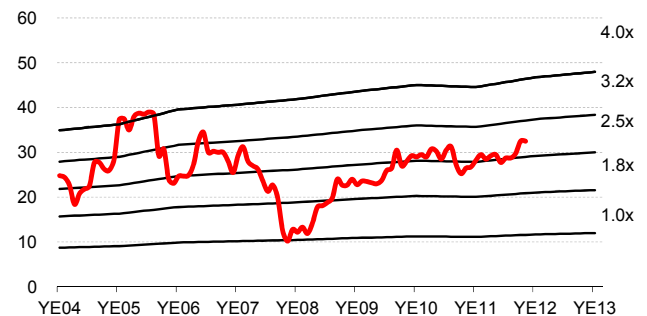
PBV band versus SD (next 12 months)



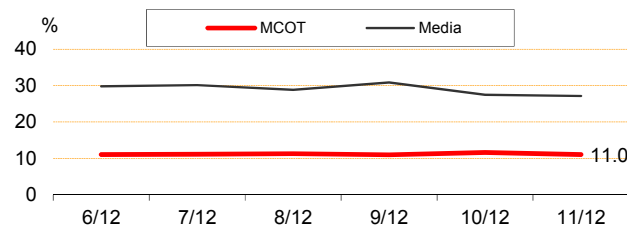
PER band and share price



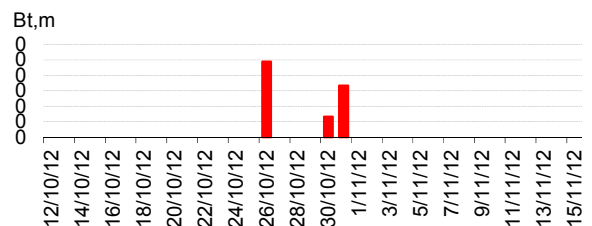
PBV band and share price



Foreign holding



Short selling activities during past four weeks







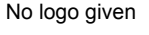
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DWs Underlying Stocks	Financial Advisor	Underwriter/ Co-underwriter
ADVANC, AOT, BANPU, BAY, BCP, BEC, BGH, BH, BIGC, BJC, BLA, BTS, CPALL, CPF, CPN, DTAC, EGCO, ESSO, GLOW, HMPRO, HEMRAJ, INTUCH, IRPC, IVL, KBANK, KTB, LH, MAKRO, MINT, PS, PTT, PTTEP, PTTGC, ROBINS, SCB, SCC, SPALI, STA, TCAP, THAI, TISCO, TOP, TMB, TPIPL, TRUE, TUF	ANAN	ANAN, JMT, TMILL

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK
STOCK RECOMMENDATIONS

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

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

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