

MCOT

MCOT.TB / MCOT.BK

14 June 2013

Network and facility license issuance expected in June-July

Investment thesis

We regard MCOT as a safe haven high-dividend play—6.3% for FY13, a 2.5% premium to the 10-year Thai govt bond yield of 3.84% (yesterday's close). Our BUY rating stands, premised on an ad spend recovery in 2Q13, solid FY13 earnings, scope for upside from digital TV licenses and a generous dividend.

Mux license issuance expected in June

Col Natee Sukonrat, chairman of the NBTC's broadcasting committee, said that the NBTC will grant digital network (multiplexer: Mux) licenses by June 30 before the auction of digital commercial channel licenses, expected in Sept 2013. Mux licensees must declare their digital network rental rates—for both standard (SD) and hi-definition (HD) channels—to digital channel service providers one month before the auction of digital channel licenses.

There is currently a surplus of applicants for the six Mux licenses to be awarded. Five state agencies—MCOT, Channel 5, The Public Relations Department, Channel 11 and TPBS—filed applications for Mux licenses. In the private sector, TRUE, INTUCH and SAMART also applied for licenses. We expect the NBTC to issue Mux licenses to all the state agencies/SOEs engaged in broadcasting first, with the sixth license going to one of the private sector applicants.

Facility license issuance slated for June or July

The NBTC will issue digital facility licenses within two months, according to Col Natee. State-owned terrestrial free-to-air TV operators—MCOT, TPBS, Channel 11 and Channel 5—and state telecoms firms—TOT and CAT—have applied for digital facility licenses. Free-to-air TV operators currently have a total of 160 broadcasting towers—MCOT (36), TPBS (52), Channel 11 (32) and Channel 5 (40)—while TOT and CAT have extensive networks of towers nationwide used for telecoms transmission.

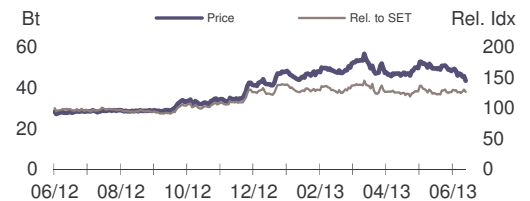
Incremental value of 3-4/share for one Mux license

The NBTC's working committee determined that each Mux licensee will have a maximum capacity of carrying two HD channels and six SD channels for digital terrestrial commercial TV operators. Assuming rental revenue of Bt5m/month/SD channel and Bt12.5m/month/HD channel, we estimate that MCOT's rental income would be in the region of Bt660m/annum for one Mux license.

Assuming a net margin of 15-20%, one Mux license would add Bt100-130m (4-6%) to MCOT's FY14 bottom-line and Bt3-4/share to our target price. We have not yet quantified the potential incremental value of a digital facility license (on top of a Mux license).

Sector: Media Neutral
Rating: BUY
Target Price: Bt60.00
Price (13 June 2013): Bt43.50

Price chart

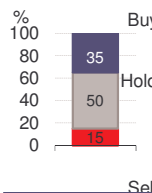


| Share price perf. (%) | 1M | 3M | 12M |
|-----------------------|--------|--------|------|
| Relative to SET | (2.4) | (7.1) | 32.3 |
| Absolute | (15.9) | (18.7) | 54.0 |

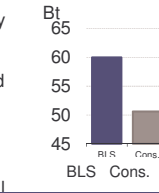
Key statistics

| | | |
|-------------------------|---------------|----------|
| Market cap | Bt29.9bn | USD1.0bn |
| 12-mth price range | Bt27.0/Bt56.8 | |
| 12-mth avg daily volume | Bt41m | USD1.3m |
| # of shares (m) | 687 | |
| Est. free float (%) | 22.7 | |
| Foreign limit (%) | 15.0 | |

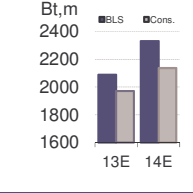
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

| FY Ended 31 Dec | 2012 | 2013E | 2014E | 2015E |
|---------------------|--------|--------|--------|-------|
| Revenues (Btm) | 5,729 | 6,771 | 7,399 | 7,973 |
| Net profit (Btm) | 1,759 | 2,088 | 2,331 | 2,554 |
| EPS (Bt) | 2.56 | 3.04 | 3.39 | 3.72 |
| EPS growth (%) | +29.7% | +18.7% | +11.6% | +9.6% |
| Core profit (Btm) | 1,759 | 2,088 | 2,331 | 2,554 |
| Core EPS (Bt) | 2.56 | 3.04 | 3.39 | 3.72 |
| Core EPS growth (%) | +29.7% | +18.7% | +11.6% | +9.6% |
| PER (x) | 12.7 | 14.3 | 12.8 | 11.7 |
| PBV (x) | 2.8 | 3.5 | 3.3 | 3.1 |
| Dividend (Bt) | 2.3 | 2.7 | 3.1 | 3.3 |
| Dividend yield (%) | 7.1 | 6.3 | 7.0 | 7.7 |
| ROE (%) | 22.6 | 25.4 | 26.8 | 27.9 |

CG rating



Prasit Sujiravorakul

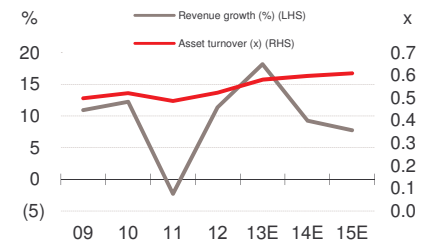
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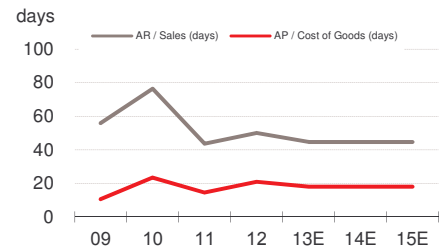
MCOT : Financial Tables – Year

| PROFIT & LOSS (Btm) | 2011 | 2012 | 2013E | 2014E | 2015E |
|---|----------------|----------------|----------------|----------------|----------------|
| Revenue | 5,142 | 5,729 | 6,771 | 7,399 | 7,973 |
| Cost of sales and services | (2,175) | (2,422) | (2,969) | (3,209) | (3,437) |
| Gross profit | 2,967 | 3,307 | 3,803 | 4,190 | 4,536 |
| SG&A | (1,080) | (1,186) | (1,388) | (1,480) | (1,555) |
| EBIT | 1,888 | 2,121 | 2,415 | 2,710 | 2,981 |
| Interest expense | (11) | (11) | (9) | (8) | (7) |
| Other income/exp. | 170 | 210 | 220 | 228 | 236 |
| EBT | 2,047 | 2,319 | 2,626 | 2,930 | 3,210 |
| Corporate tax | (671) | (551) | (527) | (587) | (643) |
| After-tax net profit (loss) | 1,376 | 1,768 | 2,099 | 2,343 | 2,567 |
| Minority interest | (20) | (10) | (11) | (12) | (13) |
| Equity earnings from affiliates | 0 | 0 | 0 | 0 | 0 |
| Extra items | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) | 1,356 | 1,759 | 2,088 | 2,331 | 2,554 |
| Reported EPS | 1.97 | 2.56 | 3.04 | 3.39 | 3.72 |
| Fully diluted EPS | 1.97 | 2.56 | 3.04 | 3.39 | 3.72 |
| Core net profit | 1,356 | 1,759 | 2,088 | 2,331 | 2,554 |
| Core EPS | 1.97 | 2.56 | 3.04 | 3.39 | 3.72 |
| EBITDA | 2,429 | 2,663 | 2,975 | 3,289 | 3,579 |
| KEY RATIOS | | | | | |
| Revenue growth (%) | (2.3) | 11.4 | 18.2 | 9.3 | 7.8 |
| Gross margin (%) | 57.7 | 57.7 | 56.2 | 56.6 | 56.9 |
| EBITDA margin (%) | 47.2 | 46.5 | 43.9 | 44.5 | 44.9 |
| Operating margin (%) | 36.7 | 37.0 | 35.7 | 36.6 | 37.4 |
| Net margin (%) | 26.4 | 30.7 | 30.8 | 31.5 | 32.0 |
| Core profit margin (%) | 26.4 | 30.7 | 30.8 | 31.5 | 32.0 |
| ROA (%) | 12.8 | 16.1 | 17.9 | 18.8 | 19.5 |
| ROCE (%) | 17.6 | 22.4 | 25.2 | 26.5 | 27.6 |
| Asset turnover (x) | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 |
| Current ratio (x) | 3.6 | 3.2 | 3.1 | 3.1 | 3.1 |
| Gearing ratio (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage (x) | 172.9 | 189.2 | 264.7 | 331.4 | 411.9 |
| BALANCE SHEET (Btm) | | | | | |
| Cash & Equivalent | 4,192 | 4,610 | 5,068 | 5,533 | 6,033 |
| Accounts receivable | 615 | 786 | 828 | 905 | 975 |
| Inventory | 11 | 40 | 49 | 53 | 56 |
| PP&E-net | 4,168 | 4,091 | 3,978 | 3,851 | 3,707 |
| Other assets | 723 | 830 | 1,092 | 1,277 | 1,444 |
| Total assets | 10,652 | 11,248 | 12,053 | 12,743 | 13,421 |
| Accounts payable | 87 | 139 | 146 | 158 | 169 |
| ST debts & current portion | 0 | 0 | 0 | 0 | 0 |
| Long-term debt | 6 | 5 | 3 | 4 | 5 |
| Other liabilities | 53 | 62 | 73 | 80 | 86 |
| Total liabilities | 2,994 | 3,209 | 3,495 | 3,722 | 3,931 |
| 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 | 3,053 | 3,438 | 3,946 | 4,397 | 4,854 |
| Shareholders equity | 7,595 | 7,980 | 8,488 | 8,940 | 9,396 |
| Minority interests | 63 | 59 | 69 | 81 | 94 |
| Total Liab.&Shareholders' equity | 10,652 | 11,248 | 12,053 | 12,743 | 13,421 |
| CASH FLOW (Btm) | | | | | |
| Net income | 1,356 | 1,759 | 2,088 | 2,331 | 2,554 |
| Depreciation and amortization | 541 | 542 | 560 | 579 | 597 |
| Change in working capital | 429 | (148) | (44) | (69) | (63) |
| FX, non-cash adjustment & others | 31 | (160) | (131) | (64) | (57) |
| Cash flows from operating activities | 2,358 | 1,994 | 2,474 | 2,777 | 3,032 |
| Capex (Invest)/Divest | (322) | (278) | (400) | (400) | (400) |
| Others | (890) | (663) | (653) | (441) | (407) |
| Cash flows from investing activities | (1,212) | (940) | (1,053) | (841) | (807) |
| Debt financing (repayment) | (3) | (5) | 0 | 0 | 0 |
| Equity financing | 0 | 0 | 0 | 0 | 0 |
| Dividend payment | (1,443) | (1,374) | (1,580) | (1,880) | (2,098) |
| Others | (890) | (663) | (653) | (441) | (407) |
| Cash flows from financing activities | (1,458) | (1,393) | (1,580) | (1,880) | (2,098) |
| Net change in cash | (313) | (340) | (160) | 56 | 127 |
| Free cash flow (Btm) | 2,036 | 1,716 | 2,074 | 2,377 | 2,632 |
| FCF per share (Bt) | 3.0 | 2.5 | 3.0 | 3.5 | 3.8 |
| Key assumptions | 2011 | 2012 | 2013E | 2014E | 2015E |
| Average TV loading factor (%) | 80.0% | 83.0% | 90.0% | 94.0% | 98.0% |
| TV ad revenue (Btm) | 3,395 | 3,860 | 4,801 | 5,377 | 5,898 |
| Radio ad revenue (Btm) | 855 | 942 | 946 | 947 | 948 |
| Concession revenue (Btm) | 892 | 927 | 953 | 984 | 1,017 |
| SG&A/sales (%) | 21.0% | 20.6% | 20.5% | 20.0% | 19.5% |

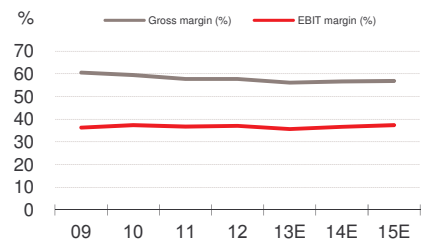
Revenue growth and asset turnover



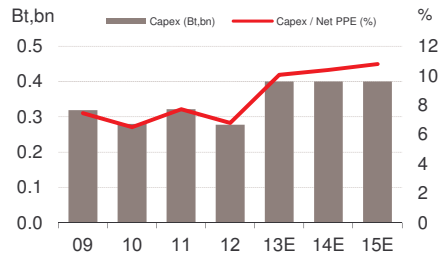
A/C receivable & A/C payable days



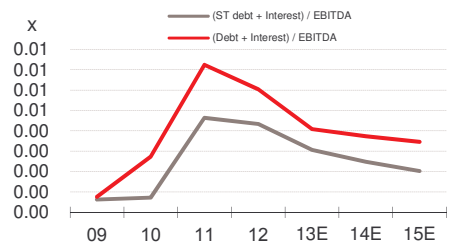
Profit margins



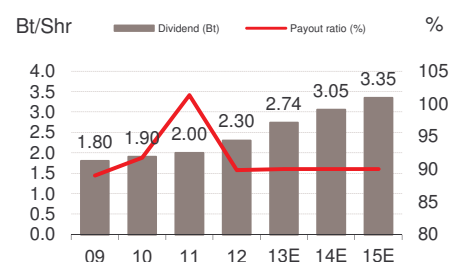
Capital expenditure



Debt serviceability



Dividend payout



MCOT : Financial Tables – Quarter

| QUARTERLY PROFIT & LOSS (Btm) | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 1Q13 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 1,265 | 1,450 | 1,515 | 1,499 | 1,283 |
| Cost of sales and services | (589) | (593) | (649) | (591) | (581) |
| Gross profit | 676 | 857 | 866 | 908 | 702 |
| SG&A | (264) | (299) | (292) | (331) | (334) |
| EBIT | 412 | 558 | 574 | 577 | 368 |
| Interest expense | (3) | (3) | (3) | (3) | (3) |
| Other income/exp. | 47 | 54 | 39 | 69 | 105 |
| EBT | 457 | 609 | 610 | 644 | 470 |
| Corporate tax | (101) | (163) | (129) | (159) | (95) |
| After-tax net profit (loss) | 356 | 446 | 482 | 485 | 375 |
| Minority interest | (1) | (3) | (2) | (4) | (0) |
| 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) | 355 | 443 | 480 | 481 | 375 |
| Reported EPS | 0.52 | 0.65 | 0.70 | 0.70 | 0.55 |
| Fully diluted EPS | 0.52 | 0.65 | 0.70 | 0.70 | 0.55 |
| Core net profit | 355 | 443 | 480 | 481 | 375 |
| Core EPS | 0.52 | 0.65 | 0.70 | 0.70 | 0.55 |
| EBITDA | 547 | 695 | 709 | 711 | 503 |

KEY RATIOS

| | | | | | |
|------------------------|-------|-------|-------|-------|-------|
| Gross margin (%) | 53.4 | 59.1 | 57.2 | 60.6 | 54.7 |
| EBITDA margin (%) | 43.3 | 47.9 | 46.8 | 47.4 | 39.2 |
| Operating margin (%) | 32.6 | 38.4 | 37.9 | 38.5 | 28.7 |
| Net margin (%) | 28.0 | 30.6 | 31.7 | 32.1 | 29.2 |
| Core profit margin (%) | 28.0 | 30.6 | 31.7 | 32.1 | 29.2 |
| BV (Bt) | 11.7 | 11.3 | 11.0 | 11.7 | 12.2 |
| ROE (%) | 17.8 | 23.0 | 25.6 | 24.1 | 18.0 |
| ROA (%) | 13.1 | 16.2 | 16.8 | 17.1 | 13.1 |
| Current ratio (x) | 4.3 | 3.1 | 2.4 | 3.2 | 3.7 |
| Gearing ratio (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage (x) | 162.9 | 222.4 | 224.0 | 227.4 | 113.7 |

QUARTERLY BALANCE SHEET (Btm)

| | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalent | 4,754 | 4,492 | 4,882 | 4,610 | 4,845 |
| Accounts receivable | 618 | 676 | 735 | 786 | 655 |
| Inventory | 5 | 20 | 28 | 40 | 52 |
| PP&E-net | 4,092 | 4,203 | 4,166 | 4,091 | 4,029 |
| Other assets | 371 | 928 | 923 | 919 | 935 |
| Total assets | 10,833 | 10,916 | 11,418 | 11,248 | 11,449 |
| Accounts payable | 93 | 96 | 127 | 139 | 136 |
| ST debts & current portion | 6 | 6 | 6 | 6 | 6 |
| Long-term debt | 5 | 4 | 5 | 5 | 4 |
| Other liabilities | 1,341 | 1,314 | 1,275 | 1,247 | 1,288 |
| Total liabilities | 2,820 | 3,156 | 3,864 | 3,209 | 3,062 |
| Paid-up capital | 3,435 | 3,435 | 3,435 | 3,435 | 3,435 |
| Share premium | 3,408 | 3,164 | 2,956 | 3,438 | 3,785 |
| Retained earnings | 3,408 | 3,164 | 2,956 | 3,438 | 3,785 |
| Shareholders equity | 7,950 | 7,706 | 7,499 | 7,980 | 8,327 |
| Minority interests | 64 | 53 | 55 | 59 | 60 |
| Total Liab.&Shareholders' equity | 10,833 | 10,916 | 11,418 | 11,248 | 11,449 |

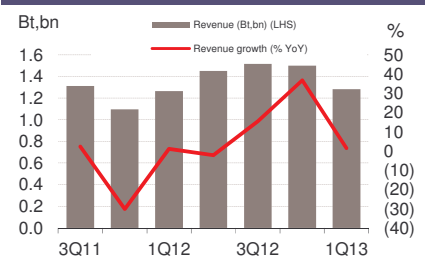
Key statistics

| | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 1Q13 |
|-------------------------------|-------|-------|-------|-------|-------|
| Average TV loading factor (%) | 76.0% | 90.0% | 92.0% | 80.0% | 65.0% |
| TV ad revenue (Btm) | 819 | 976 | 1,058 | 1,007 | 857 |
| Radio ad revenue (Btm) | 197 | 234 | 245 | 267 | 197 |
| Concession revenue (Btm) | 249 | 240 | 212 | 226 | 229 |
| SG&A/sales (%) | 20.8% | 20.6% | 19.3% | 22.1% | 26.1% |

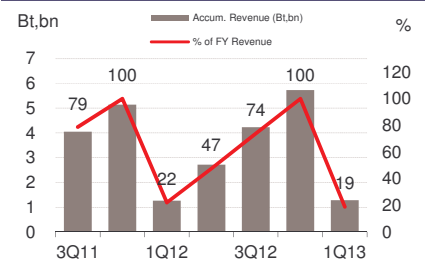
Company profile

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 Bt173m 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 FY12 it paid Bt522m.

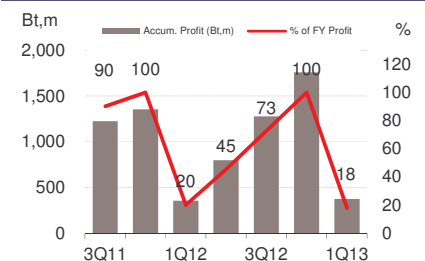
Revenue trend



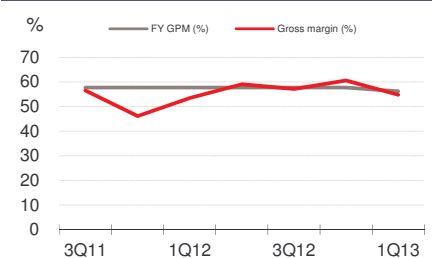
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

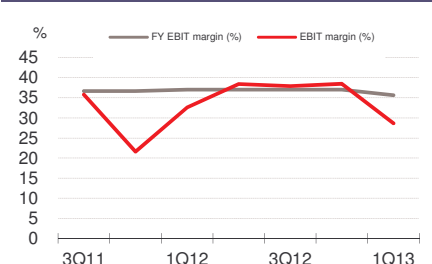
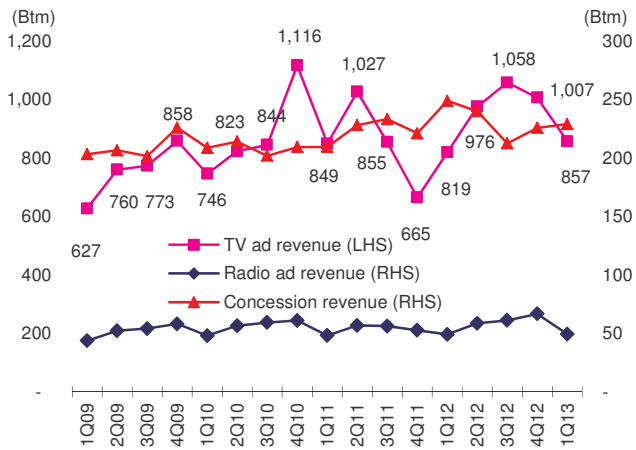
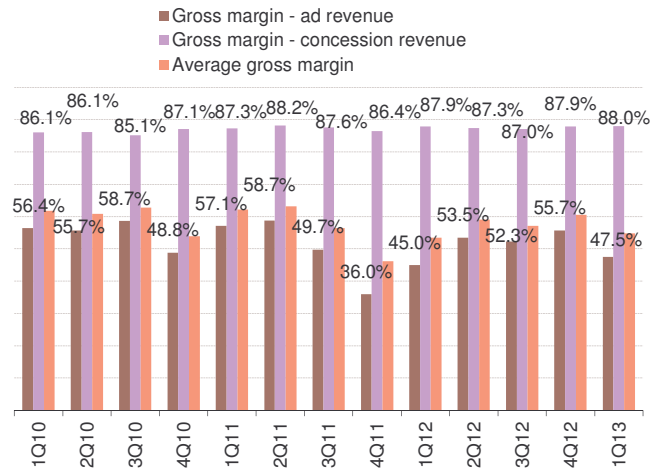


Figure 1 : Revenue breakdown, quarterly



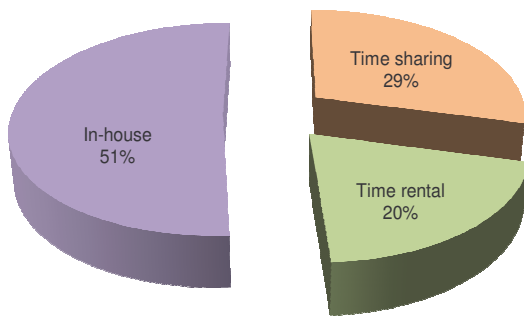
Source: Company data

Figure 2 : Gross margin breakdown, quarterly



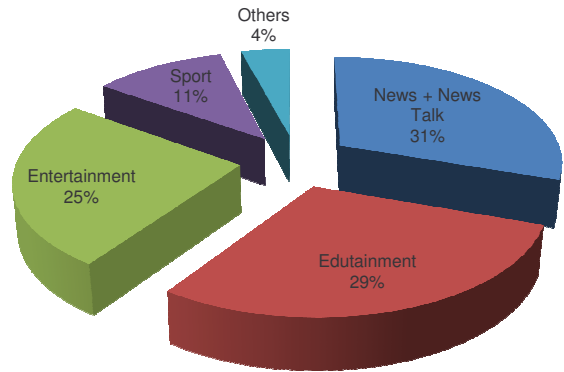
Source: Company data

Figure 3 : MCOT's programming guidance for FY13



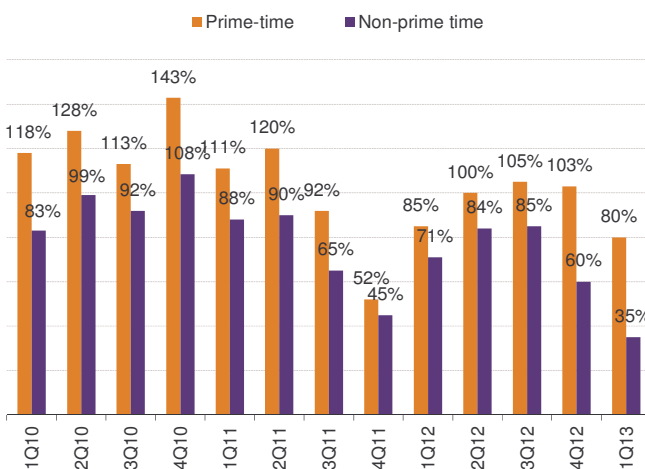
Source: Company data

Figure 4 : MCOT's current program type in 2H12



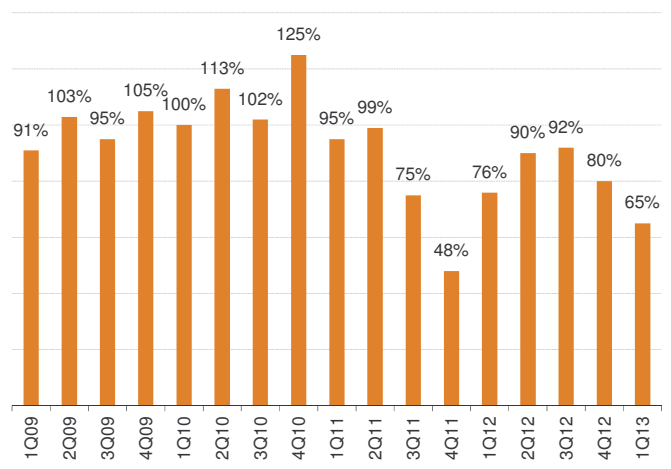
Source: Company data

Figure 5 : MCOT's TV loading factor, prime versus non-prime



Source: Company data

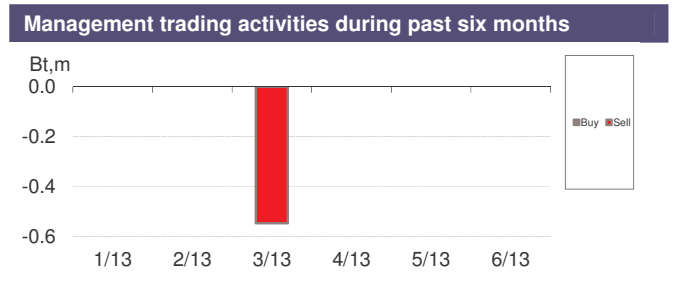
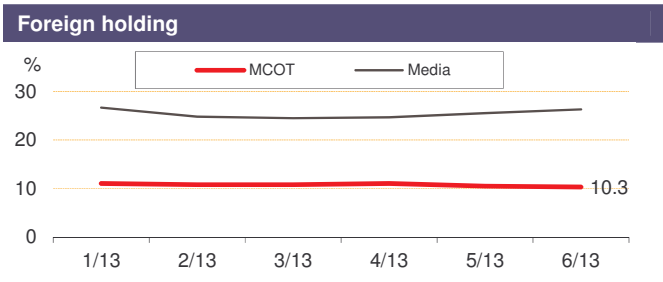
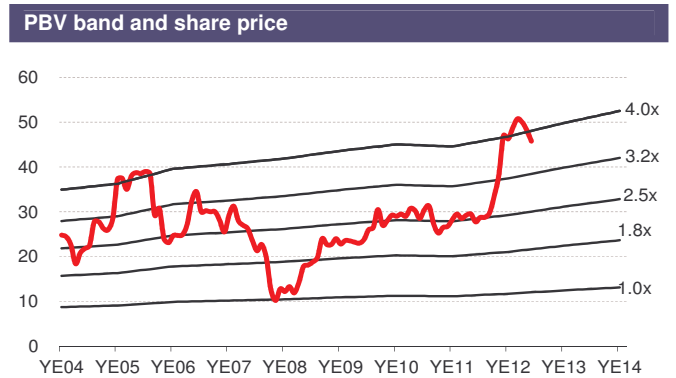
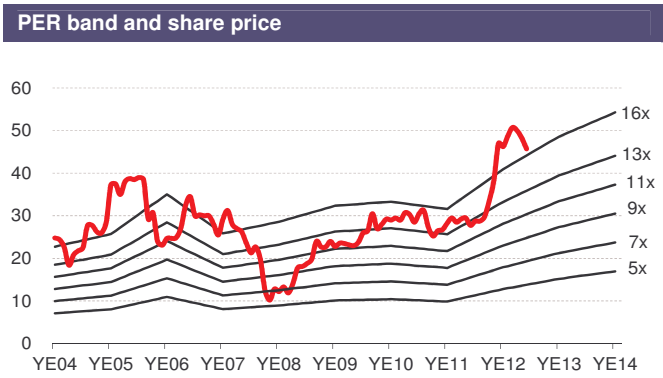
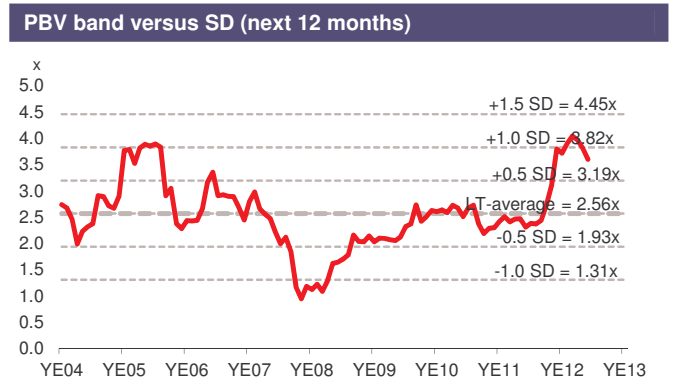
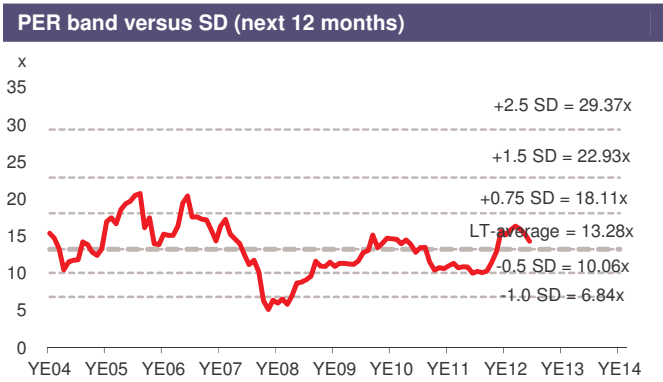
Figure 6 : MCOT's average TV loading factor



Source: Company data

Regional Comparisons

| | Bloomberg Code | Price (local curr.) | Market Cap (US\$ equivalent) | PER (x) | | EPS Growth (%) | | PBV (x) | | ROE (%) | | Div Yield (%) | |
|------------------------------|----------------|---------------------|------------------------------|-------------|-------------|----------------|-------------|------------|------------|-------------|-------------|---------------|------------|
| | | | | 2013E | 2014E | 2013E | 2014E | 2013E | 2014E | 2013E | 2014E | 2013E | 2014E |
| Abs-Cbn Corp | ABS PM | PHP39.0 | 748 | 13.4 | 16.0 | 6.3 | 2.9 | 14 | 13 | 11.1 | 8.2 | 2.2 | 15 |
| Gma Network Inc | GMA7 PM | PHP8.8 | 687 | 15.6 | 16.2 | 68.2 | -3.6 | n.a. | n.a. | 30.4 | 26.2 | n.a. | n.a. |
| Sun Tv Network Ltd | SUNTV IN | INR349.0 | 2,371 | 16.6 | 14.0 | 15.9 | 17.7 | 4.4 | 3.9 | 27.5 | 28.9 | 3.0 | 3.4 |
| Zee Entertainment Enterprise | Z IN | INR216.7 | 3,584 | 24.9 | 20.3 | 15.0 | 23.2 | 4.6 | 4.0 | 20.1 | 22.0 | 1.1 | 14 |
| Television Broadcasts Ltd | 511HK | HKD514 | 2,900 | 12.5 | 12.0 | 3.2 | 4.4 | 2.7 | 2.6 | 22.9 | 22.3 | 5.1 | 5.4 |
| Phoenix Satellite Television | 2008 HK | HKD2.9 | 1,860 | 14.5 | 12.7 | 19.8 | 18.5 | 2.5 | 2.0 | 21.7 | 20.4 | 2.4 | 2.8 |
| Nippon Television Network | 9404 JP | JPY1,597.0 | 4,458 | 13.9 | 13.0 | 12.2 | 6.6 | 0.8 | 0.8 | 5.9 | 5.9 | 2.0 | 2.0 |
| Tokyo Broadcasting System | 9401JP | JPY1,132.0 | 2,281 | 19.2 | 17.8 | -1.3 | 8.3 | 0.5 | 0.5 | 2.8 | 3.0 | 1.4 | 1.5 |
| Tv Asahi Corp | 9409 JP | JPY1,903.0 | 2,026 | 17.3 | 15.8 | 22.7 | 10.2 | 0.7 | 0.7 | 4.2 | 4.4 | 1.6 | 1.5 |
| Beijing Gehua Catv Network-A | 600037 CH | CNY7.0 | 1,208 | 23.0 | 20.6 | 10.5 | 11.9 | n.a. | n.a. | 5.7 | 6.0 | 1.6 | 1.7 |
| BEC World | BEC TB | THB60.75 | 3,947 | 20.2 | 18.0 | 26.1 | 12.3 | 12.3 | 11.1 | 68.7 | 68.2 | 4.8 | 5.4 |
| GMM Grammy | GRAMMY TB | THB17.50 | 301 | n.m. | 77.4 | n.m. | n.m. | 2.7 | 2.6 | -6.4 | 4.8 | 0.0 | 0.6 |
| Major Cineplex Group | MAJOR TB | THB20.80 | 600 | 14.9 | 14.3 | 52.8 | 3.8 | 2.7 | 2.7 | 19.1 | 19.0 | 6.2 | 6.5 |
| MCOT | MCOT TB | THB43.50 | 971 | 14.3 | 12.8 | 18.7 | 11.6 | 3.5 | 3.3 | 25.4 | 26.8 | 6.3 | 7.0 |
| VGI Global Media | VGI TB | THB125.00 | 1,340 | 29.5 | 23.0 | 53.8 | 28.2 | 22.4 | 22.0 | 76.4 | 96.4 | 3.0 | 3.7 |
| Workpoint Entertainment | WORK TB | THB45.00 | 376 | 21.4 | 18.2 | 33.5 | 17.5 | 7.3 | 6.4 | 37.3 | 38.6 | 3.6 | 4.2 |
| Simple average | | | | 18.1 | 20.1 | 23.8 | 11.6 | 4.9 | 4.6 | 23.3 | 25.1 | 2.9 | 3.2 |



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| DWs Underlying Stocks | Financial Advisor | Joint lead underwriter/ 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, JAS, KBANK, KK, KTB, LH, MAKRO, MINT, PS, PTT, PTTEP, PTTGC, ROBINS, SCB, SCC, SPALI, TCAP, THAI, TISCO, TOP, TMB, TPIPL, TRUE, TUF | | MONO, CKP |

Score Range

90 – 100
80 – 89
70 – 79
60 – 69
50 – 59
Below 50

Score Range


No logo given

Description

Excellent
Very Good
Good
Satisfactory
Pass
N/A

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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.