

India

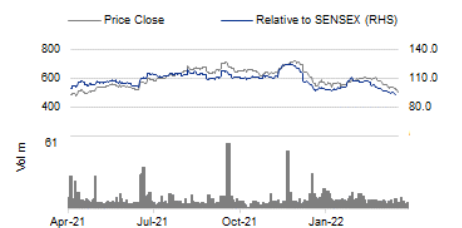
**REDUCE** (previously HOLD)

|                              |                             |
|------------------------------|-----------------------------|
| Consensus ratings*:          | Buy 20 Hold 16 Sell 9       |
| Current price:               | Rs509                       |
| Target price:                | Rs460                       |
| Previous target:             | Rs647                       |
| Up/downside:                 | -9.6%                       |
| InCred Research / Consensus: | -30.1%                      |
| Reuters:                     | WIPR.NS                     |
| Bloomberg:                   | WPRO IN                     |
| Market cap:                  | US\$36,488m<br>Rs2,788,892m |
| Average daily turnover:      | US\$66.0m<br>Rs5047.8m      |
| Current shares o/s:          | 5,480.0m                    |
| Free float:                  | 27.0%                       |

\*Source: Bloomberg

**Key changes in this note**

- Increase FY22-24F revenue CAGR by 1.1%.
- Lower FY22-24F EBIT CAGR by 0.4%.
- Lower FY22-24F PAT CAGR by 1.7%.



Source: Bloomberg

|                          |        |       |        |
|--------------------------|--------|-------|--------|
| <b>Price performance</b> | 1M     | 3M    | 12M    |
| Absolute (%)             | (15.6) | (7.9) | 3.9    |
| Relative (%)             | (12.3) | (3.8) | (11.2) |

|                           |        |
|---------------------------|--------|
| <b>Major shareholders</b> | % held |
| FPI                       | 8.1    |
| LIC                       | 3.3    |
| JP Morgan Chase Bank      | 2.5    |

**Analyst(s)**

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# Wipro

## Change in margin stance triggers EPS cut

- Soft 4QFY22 performance and 1QFY23F guidance.
- Margins could be under pressure even in FY23F.
- Earnings and valuation multiple cut lowers target price and downgrades rating.

### 4QFY22 performance and 1QFY23F guidance was soft

Although Wipro Ltd's (WPRO IN) 4QFY22 IT services revenue landed at the mid-point of its guidance and in line with our estimate, consolidated EBIT margin miss was significant. Further, 1QFY22 revenue guidance was muted in the backdrop of a strong demand environment while EBIT margin commentary was disappointing. Together, it drives a cut in our estimates, target price, and a change in rating to Reduce (from Hold earlier).

### Deal-win momentum could have been better

Wipro closed nine large deals (vs. 11 in 3QFY22) with >US\$30m in TCV while total TCV of US\$405m+ (vs US\$ 600m+ in 3QFY22) was soft QoQ. Wipro signed 37 large deals in FY22 with TCV of US\$2.3bn while ACV was higher by 56% YoY in 4QFY22 and 30% in FY22. Although commentary indicates highest-ever deal pipeline and drives Wipro's confidence for double-digit revenue growth in FY23F, deal conversion could have been better. We increase our FY22-24F US\$ revenue CAGR by ~110bp to 11.7%, primarily to account for recent acquisitions.

### Margins could be under pressure even in FY23F

IT services EBIT margin, down 60bp QoQ to 17%, was impacted due to higher employee expenses (up 5.6% QoQ and 40.7% YoY) and lower sequential utilization (down 60bp QoQ to 85.2%) while consolidated EBIT margin missed our estimate by 99bp. Management expects EBIT margin to be below the current stated band of 17%-17.5% for next two-to-three quarters led by sustained hiring, higher wage cost and business reinvestments. Consequently, we trim our average FY23F-FY24F EBIT margin assumption by 80bp to 17.1%, which in turn drives a 170bp cut in our FY22-24F PAT CAGR to 10%.

### Earnings and valuation multiple cut lowers TP and change in rating

A combination of lower EPS due to margin guidance and valuation multiple lowers our target price (TP) to Rs460 vs. Rs647 earlier. We now apply a 15% discount to Tata Consultancy Services or TCS' PE/G multiple to arrive at Wipro's target multiple vs. 10% earlier. The higher discount is to account for both - cut in EPS estimates and uncertain macro. This in turn drives our PE/G multiple to 1.7x (vs 1.89x earlier) and implied P/E multiple to 17x (vs. 22x earlier) and our target price lower and a downgrade in rating to Reduce (from Hold earlier). Acceleration in deal velocity and better-than-expected EBIT margin execution are key upside risks to our estimates and rating.

| Financial Summary                 | Mar-20A | Mar-21A | Mar-22A | Mar-23F | Mar-24F   |
|-----------------------------------|---------|---------|---------|---------|-----------|
| Revenue (Rsm)                     | 610,232 | 619,430 | 790,934 | 904,701 | 1,007,874 |
| Operating EBITDA (Rsm)            | 122,272 | 147,773 | 164,656 | 187,273 | 208,630   |
| Net Profit (Rsm)                  | 97,216  | 107,945 | 122,191 | 131,282 | 147,915   |
| Core EPS (Rs)                     | 17.0    | 18.8    | 21.5    | 24.0    | 27.0      |
| Core EPS Growth                   | 8.2%    | 10.6%   | 14.7%   | 11.3%   | 12.7%     |
| FD Core P/E (x)                   | 29.64   | 27.14   | 23.21   | 21.24   | 18.85     |
| DPS (Rs)                          | 1.0     | 1.0     | 6.0     | 18.0    | 20.8      |
| Dividend Yield                    | 0.19%   | 0.20%   | 1.18%   | 3.53%   | 4.08%     |
| EV/EBITDA (x)                     | 21.43   | 18.04   | 16.14   | 13.77   | 12.20     |
| P/FCFE (x)                        | 37.35   | 22.89   | 34.48   | 29.44   | 21.30     |
| Net Gearing                       | (47.3%) | (48.0%) | (27.3%) | (30.6%) | (33.8%)   |
| P/BV (x)                          | 5.38    | 5.25    | 4.26    | 4.06    | 3.87      |
| ROE                               | 17.2%   | 19.6%   | 20.0%   | 19.6%   | 21.0%     |
| % Change In Core EPS Estimates    |         |         | (4.98%) | (7.93%) | (7.73%)   |
| InCred Research/Consensus EPS (x) |         |         |         | 0.97    | 0.95      |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly performance**

| YE Mar (Rs m)               | 4QFY22   | 4QFY21   | YoY (%)  | 3QFY22   | QoQ (%)  | 4QFY22F  | Var. (%) |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|
| IT services revenue (USD m) | 2,722    | 2,152    | 26.4     | 2,640    | 3.1      | 2,719    | 0.1      |
| Revenue (Rs m)              | 2,08,600 | 1,62,454 | 28.4     | 2,03,136 | 2.7      | 2,11,717 | (1.5)    |
| USD INR realization         | 75.9     | 73.8     | 2.8      | 76.1     | (0.3)    | 76.3     | (0.5)    |
| EBITDA                      | 41,374   | 40,273   | 2.7      | 41,793   | (1.0)    | 44,461   | (6.9)    |
| EBITDA Margin (%)           | 19.8     | 24.8     | (496 bp) | 20.6     | (74 bp)  | 21.0     | (117 bp) |
| EBIT                        | 34,029   | 33,281   | 2.2      | 34,334   | (0.9)    | 36,627   | (7.1)    |
| EBIT Margin (%)             | 16.3     | 20.5     | (417 bp) | 16.9     | (59 bp)  | 17.3     | (99 bp)  |
| Depreciation                | 7,345    | 6,992    | 5.0      | 7,459    | (1.5)    | 7,834    | (6.2)    |
| Net other income            | 3,304    | 4,211    | (21.5)   | 3,362    | (1.7)    | 6,949    | (52.5)   |
| PBT                         | 37,333   | 37,492   | (0.4)    | 37,696   | (1.0)    | 43,576   | (14.3)   |
| Provision for tax           | 6,399    | 7,756    | (17.5)   | 8,063    | (20.6)   | 9,582    | (33.2)   |
| % tax rate                  | 17.1     | 20.7     | (355 bp) | 21.4     | (425 bp) | 22.0     | (485 bp) |
| Net Profit                  | 30,873   | 29,720   | 3.9      | 29,690   | 4.0      | 34,037   | (9.3)    |
| EPS (Rs)                    | 5.6      | 5.4      | 3.9      | 5.4      | 4.0      | 6.2      | (9.3)    |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Key conference call take-aways

- Outlook: Wipro expects 1QFY23F IT services revenue to increase 1-3% QoQ, including CAS group acquisition, while Rizing acquisition (likely to close at the end of 1QFY23F) revenue is not factored in the guidance. Wipro expects business investments, higher amortization costs due to acquisition and higher employee expenses to drive IT services EBIT margin slightly below the earlier stated range of 17-17.5% over the next few quarters.
- Wipro continues to pivot in high-growth services and is strengthening offerings with hyper-scalers. Cloud business witnessed a 31% growth yoy in FY22 while 40% of bookings are from cloud. 50% of deals closed in 4QFY22 were with larger partners.
- Large deal team is actively pursuing opportunities. Wipro is optimistic on closing large deals in FY23F as 1) a few deals didn't close in FY22, 2) some were split into smaller-sized deals, and 3) some were delayed due to decision-making delay.
- Wipro is witnessing strong demand in reimagining back-office and CX services.
- Capco integration is progressing well with 60 joint wins in FY22 and a healthy double-digit revenue growth rate in FY22.
- Engineering services witnessed good traction in FY22, and their current contribution is ~10% to overall revenue.
- Quarterly attrition rate is down by 500bp QoQ. Wipro has doubled fresher intake in FY22 (~19,000 freshers) and aims to further double the in-take in FY23F. Quarterly promotion cycle introduced for 70% of its employees.

**Figure 2: Operating metric trend**

| Operating trends            | 4QFY20   | 1QFY21   | 2QFY21   | 3QFY21   | 4QFY21   | 1QFY22   | 2QFY22   | 3QFY22   | 4QFY22   |
|-----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| IT services revenue (USD m) | 2073.7   | 1921.6   | 1992.4   | 2071.0   | 2152.4   | 2414.5   | 2580.0   | 2639.7   | 2721.7   |
| Growth YoY (%)              | -0.1     | -5.7     | -2.8     | -1.1     | 3.8      | 25.7     | 29.5     | 27.5     | 26.4     |
| Growth QoQ (%)              | -1.0     | -7.3     | 3.7      | 3.9      | 3.9      | 12.2     | 6.9      | 2.3      | 3.1      |
| CC growth YoY (%)           | 2.6      | -4.4     | -3.4     | -2.0     | 0.5      | 21.3     | 28.8     | 28.5     | 28.5     |
| CC growth QoQ (%)           | 0.4      | -7.5     | 2.0      | 3.4      | 3.0      | 12.0     | 8.1      | 3.0      | 3.1      |
| Total revenue (Rs. m)       | 1,57,110 | 1,49,131 | 1,51,145 | 1,56,700 | 1,62,454 | 1,82,524 | 1,96,674 | 2,03,136 | 2,08,600 |
| Growth YoY (%)              | 4.7      | 1.3      | -0.1     | 1.3      | 3.4      | 22.4     | 30.1     | 29.6     | 28.4     |
| Growth QoQ (%)              | 1.6      | -5.1     | 1.4      | 3.7      | 3.7      | 12.4     | 7.8      | 3.3      | 2.7      |
| EBIT Margin (%)             | 15.9     | 17.2     | 18.5     | 21.2     | 20.5     | 17.2     | 17.3     | 16.9     | 16.3     |
| USD-INR realized rate       | 73.8     | 76.0     | 74.1     | 74.0     | 73.8     | 74.7     | 75.1     | 76.1     | 75.9     |
| Headcount                   | 1,82,886 | 1,81,804 | 1,85,243 | 1,90,308 | 1,97,712 | 2,09,890 | 2,21,365 | 2,31,671 | 2,43,128 |
| Utilization (%)             | 82.6     | 84.5     | 86.9     | 86.3     | 86.0     | 86.8     | 89.2     | 85.8     | 85.2     |
| Attrition (%)               | 14.7     | 13.0     | 11.0     | 11.0     | 12.1     | 15.5     | 20.5     | 22.7     | 23.8     |
| Vertical (%)                | 4QFY20   | 1QFY21   | 2QFY21   | 3QFY21   | 4QFY21   | 1QFY22   | 2QFY22   | 3QFY22   | 4QFY22   |
| BFSI                        | 30.4     | 30.7     | 31.2     | 30.5     | 30.5     | 33.4     | 34.8     | 35.2     | 35.4     |
| Health business unit        | 13.5     | 13.5     | 13.7     | 13.9     | 13       | 11.9     | 11.7     | 11.8     | 11.5     |
| Energy & Utilities          | 12.8     | 13.2     | 12.9     | 13.1     | 13.2     | 13.1     | 12.3     | 11.7     | 11.5     |
| Communications              | 5.5      | 5.1      | 5.3      | 5.2      | 5        | 5.1      | 5.00     | 5.00     | 4.80     |
| Consumer                    | 16.8     | 15.9     | 16.2     | 16.4     | 17       | 17.3     | 17.3     | 17.7     | 17.9     |
| Manufacturing and Tech      | 21       | 21.6     | 20.7     | 20.9     | 21.3     | 19.2     | 18.9     | 18.6     | 18.9     |
| Vertical (USD m)            | 4QFY20   | 1QFY21   | 2QFY21   | 3QFY21   | 4QFY21   | 1QFY22   | 2QFY22   | 3QFY22   | 4QFY22   |
| BFSI                        | 630.4    | 589.9    | 621.6    | 631.7    | 656.5    | 806.4    | 897.8    | 929.2    | 963.5    |
| Health business unit        | 279.9    | 259.4    | 273.0    | 287.9    | 279.8    | 287.3    | 301.9    | 311.5    | 313.0    |
| Energy & Utilities          | 265.4    | 253.7    | 257.0    | 271.3    | 284.1    | 316.3    | 317.3    | 308.8    | 313.0    |
| Communications              | 114.1    | 98.0     | 105.6    | 107.7    | 107.6    | 123.1    | 129.0    | 132.0    | 130.6    |
| Consumer                    | 348.4    | 305.5    | 322.8    | 339.6    | 365.9    | 417.7    | 446.3    | 467.2    | 487.2    |

|                                     |               |               |               |               |               |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Manufacturing and Tech              | 435.5         | 415.1         | 412.4         | 432.8         | 458.5         | 463.6         | 487.6         | 491.0         | 514.4         |
| <b>Vertical YoY (%)</b>             | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| BFSI                                | -3.6          | -8.4          | -3.1          | -2.4          | 4.1           | 36.7          | 44.4          | 47.1          | 46.8          |
| Health business unit                | 2.2           | -3.6          | 2.5           | 4.9           | 0.0           | 10.8          | 10.6          | 8.2           | 11.9          |
| Energy & Utilities                  | -0.1          | -2.8          | -2.8          | 0.4           | 7.0           | 24.7          | 23.5          | 13.8          | 10.2          |
| Communications                      | -3.6          | -18.5         | -9.6          | -9.8          | -5.6          | 25.7          | 22.2          | 22.6          | 21.4          |
| Consumer                            | 3.6           | -3.9          | -1.5          | -4.1          | 5.0           | 36.7          | 38.3          | 37.6          | 33.1          |
| Manufacturing and Tech              | 1.9           | -2.6          | -4.6          | 0.8           | 5.3           | 11.7          | 18.2          | 13.4          | 12.2          |
| <b>Vertical QoQ (%)</b>             | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| BFSI                                | -2.6          | -6.4          | 5.4           | 1.6           | 3.9           | 22.8          | 11.3          | 3.5           | 3.7           |
| Health business unit                | 2.0           | -7.3          | 5.2           | 5.5           | -2.8          | 2.7           | 5.1           | 3.2           | 0.5           |
| Energy & Utilities                  | -1.8          | -4.4          | 1.3           | 5.6           | 4.7           | 11.3          | 0.3           | -2.7          | 1.3           |
| Communications                      | -4.5          | -14.1         | 7.8           | 2.0           | -0.1          | 14.4          | 4.8           | 2.3           | -1.0          |
| Consumer                            | -1.6          | -12.3         | 5.6           | 5.2           | 7.7           | 14.2          | 6.9           | 4.7           | 4.3           |
| Manufacturing and Tech              | 1.4           | -4.7          | -0.6          | 4.9           | 5.9           | 1.1           | 5.2           | 0.7           | 4.8           |
| <b>Incremental revenue (USD m)</b>  | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| BFSI                                | -16.9         | -40.5         | 31.7          | 10.0          | 24.8          | 150.0         | 91.4          | 31.3          | 34.3          |
| Health business unit                | 5.5           | -20.5         | 13.5          | 14.9          | -8.1          | 7.5           | 14.5          | 9.6           | 1.5           |
| Energy & Utilities                  | -4.8          | -11.8         | 3.4           | 14.3          | 12.8          | 32.2          | 1.0           | -8.5          | 4.2           |
| Communications                      | -5.4          | -16.1         | 7.6           | 2.1           | -0.4          | 15.5          | 5.9           | 3.0           | -1.3          |
| Consumer                            | -5.6          | -42.8         | 17.2          | 16.9          | 26.3          | 51.8          | 28.6          | 20.9          | 20.0          |
| Manufacturing and Tech              | 6.0           | -20.4         | -2.6          | 20.4          | 25.6          | 5.1           | 24.0          | 3.4           | 23.4          |
| <b>Geography (%)</b>                | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Americas 1                          | 30.1          | 29.2          | 29.7          | 29.4          | 29.2          | 27.6          | 27.5          | 28.2          | 28.3          |
| Americas 2                          | 29.6          | 30.3          | 30.1          | 29.1          | 29.3          | 30.5          | 30.6          | 30.4          | 31.0          |
| Europe                              | 26.9          | 26.7          | 26.1          | 28            | 28.4          | 30.2          | 30.2          | 29.7          | 29.3          |
| APMEA                               | 13.4          | 13.8          | 14.1          | 13.5          | 13.1          | 11.7          | 11.7          | 11.7          | 11.4          |
| <b>Geography (USD m)</b>            | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Americas 1                          | 624.2         | 561.1         | 591.7         | 608.9         | 628.5         | 666.4         | 709.5         | 744.4         | 770.2         |
| Americas 2                          | 613.8         | 582.2         | 599.7         | 602.7         | 630.7         | 736.4         | 789.5         | 802.5         | 843.7         |
| Europe                              | 557.8         | 513.1         | 520.0         | 579.9         | 611.3         | 729.2         | 779.2         | 784.0         | 797.5         |
| APMEA                               | 277.9         | 265.2         | 280.9         | 279.6         | 282.0         | 282.5         | 301.9         | 308.8         | 310.3         |
| <b>Geography YoY (%)</b>            | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Americas 1                          | NA            | NA            | NA            | NA            | 0.7           | 18.8          | 19.9          | 22.3          | 22.6          |
| Americas 2                          | NA            | NA            | NA            | NA            | 2.7           | 26.5          | 31.6          | 33.2          | 33.8          |
| Europe                              | NA            | NA            | NA            | NA            | 9.6           | 42.1          | 49.8          | 35.2          | 30.5          |
| APMEA                               | NA            | NA            | NA            | NA            | 1.5           | 6.5           | 7.5           | 10.5          | 10.0          |
| <b>Geography QoQ (%)</b>            | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Americas 1                          | NA            | -10.1         | 5.5           | 2.9           | 3.2           | 6.0           | 6.5           | 4.9           | 3.5           |
| Americas 2                          | NA            | -5.1          | 3.0           | 0.5           | 4.6           | 16.8          | 7.2           | 1.6           | 5.1           |
| Europe                              | NA            | -8.0          | 1.4           | 11.5          | 5.4           | 19.3          | 6.9           | 0.6           | 1.7           |
| APMEA                               | NA            | -4.6          | 5.9           | -0.5          | 0.9           | 0.2           | 6.9           | 2.3           | 0.5           |
| <b>Incremental revenue (USD m)</b>  | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Americas 1                          | NA            | -63.1         | 30.6          | 17.1          | 19.6          | 37.9          | 43.1          | 34.9          | 25.8          |
| Americas 2                          | NA            | -31.6         | 17.5          | 2.9           | 28.0          | 105.8         | 53.1          | 13.0          | 41.3          |
| Europe                              | NA            | -44.8         | 6.9           | 59.9          | 31.4          | 117.9         | 50.0          | 4.8           | 13.5          |
| APMEA                               | NA            | -12.7         | 15.7          | -1.3          | 2.4           | 0.5           | 19.4          | 7.0           | 1.4           |
| <b>Services (%)</b>                 | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| iDEAS                               | 58.4          | 58            | 57.6          | 57.3          | 56.8          | 60.1          | 61.3          | 61            | 61.2          |
| iCORE                               | 41.6          | 42            | 42.4          | 42.7          | 43.2          | 39.9          | 38.7          | 39            | 38.8          |
| <b>Services (USD m)</b>             | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| iDEAS                               | 1211.0        | 1114.5        | 1147.6        | 1186.7        | 1222.6        | 1451.1        | 1581.5        | 1610.2        | 1665.7        |
| iCORE                               | 862.7         | 807.1         | 844.8         | 884.3         | 929.8         | 963.4         | 998.5         | 1029.5        | 1056.0        |
| <b>Services YoY (%)</b>             | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| iDEAS                               | NA            | NA            | NA            | NA            | 1.0           | 30.2          | 37.8          | 35.7          | 36.2          |
| iCORE                               | NA            | NA            | NA            | NA            | 7.8           | 19.4          | 18.2          | 16.4          | 13.6          |
| <b>Services QoQ (%)</b>             | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| iDEAS                               | NA            | -8.0          | 3.0           | 3.4           | 3.0           | 18.7          | 9.0           | 1.8           | 3.4           |
| iCORE                               | NA            | -6.4          | 4.7           | 4.7           | 5.1           | 3.6           | 3.6           | 3.1           | 2.6           |
| <b>Incremental revenue (USD m)</b>  | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| iDEAS                               | NA            | -96.5         | 33.1          | 39.1          | 35.9          | 228.6         | 130.4         | 28.7          | 55.5          |
| iCORE                               | NA            | -55.6         | 37.7          | 39.5          | 45.5          | 33.5          | 35.1          | 31.0          | 26.5          |
| <b>Client (%)</b>                   | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Top                                 | 3             | 3.2           | 3.2           | 3.1           | 3.1           | 3.1           | 3.1           | 3.2           | 3.2           |
| Top 2-5                             | 9.2           | 9.1           | 8.8           | 8.8           | 9.1           | 9             | 9.4           | 9.5           | 9.7           |
| Top 6-10                            | 7.1           | 8             | 7.6           | 7             | 7.3           | 7.7           | 7.6           | 7.5           | 7.6           |
| Others                              | 80.7          | 79.7          | 80.4          | 81.1          | 80.5          | 80.2          | 79.9          | 79.8          | 79.5          |
| <b>Client YoY (%)</b>               | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Top                                 | -19.0         | -18.5         | -2.8          | 2.2           | 7.3           | 21.7          | 25.4          | 31.6          | 30.5          |
| Top 2-5                             | -8.1          | -15.1         | -10.9         | -6.5          | 2.7           | 24.3          | 38.3          | 37.6          | 34.8          |
| Top 6-10                            | 5.9           | 9.3           | 5.6           | 0.3           | 6.7           | 20.9          | 29.5          | 36.6          | 31.6          |
| Others                              | 1.3           | -5.3          | -2.5          | -0.8          | 3.5           | 26.4          | 28.7          | 25.4          | 24.9          |
| <b>Client QoQ (%)</b>               | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Top                                 | -1.0          | -1.2          | 3.7           | 0.7           | 3.9           | 12.2          | 6.9           | 5.6           | 3.1           |
| Top 2-5                             | -2.1          | -8.3          | 0.3           | 3.9           | 7.5           | 10.9          | 11.6          | 3.4           | 5.3           |
| Top 6-10                            | 1.9           | 4.4           | -1.5          | -4.3          | 8.4           | 18.3          | 5.5           | 1.0           | 4.5           |
| Others                              | -1.1          | -8.5          | 4.6           | 4.8           | 3.2           | 11.8          | 6.5           | 2.2           | 2.7           |
| <b>Incremental revenues (USD m)</b> | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Top                                 | -0.6          | -0.7          | 2.3           | 0.4           | 2.5           | 8.1           | 5.1           | 4.5           | 2.6           |
| Top 2-5                             | -4.0          | -15.9         | 0.5           | 6.9           | 13.6          | 21.4          | 25.2          | 8.3           | 13.2          |
| Top 6-10                            | 2.7           | 6.5           | -2.3          | -6.5          | 12.2          | 28.8          | 10.2          | 1.9           | 8.9           |
| Others                              | -19.1         | -142.0        | 70.4          | 77.7          | 53.1          | 203.7         | 125.0         | 45.1          | 57.3          |
| <b>Client metrics</b>               | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| No. of active clients               | 1074          | 1004          | 1089          | 1136          | 1120          | 1229          | 1284          | 1315          | 1369          |
| Revenue per active client           | 7.7           | 8.1           | 7.4           | 7.1           | 7.3           | 7.0           | 7.2           | 7.4           | 7.6           |

|                              |               |               |               |               |               |               |               |               |               |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| No of new customers          | 65            | 42            | 97            | 89            | 52            | 129           | 116           | 67            | 116           |
| 100 m+                       | 15            | 13            | 11            | 10            | 11            | 13            | 15            | 17            | 19            |
| 75 m+                        | 22            | 22            | 24            | 24            | 27            | 27            | 28            | 29            | 29            |
| 50 m+                        | 40            | 39            | 39            | 38            | 40            | 42            | 44            | 47            | 50            |
| 20 m+                        | 96            | 97            | 100           | 97            | 93            | 95            | 100           | 110           | 117           |
| 10 m+                        | 166           | 163           | 166           | 168           | 167           | 176           | 182           | 189           | 194           |
| 1 m+                         | 574           | 577           | 573           | 567           | 566           | 601           | 623           | 661           | 679           |
| <b>Per employee analysis</b> | <b>4QFY20</b> | <b>1QFY21</b> | <b>2QFY21</b> | <b>3QFY21</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> |
| Revenue (USD m) - TTM        | 8,256         | 8,139         | 8,083         | 8,059         | 8,137         | 8,630         | 9,218         | 9,787         | 10,356        |
| Employees (Average TTM)      | 1,81,627      | 1,83,365      | 1,84,313      | 1,85,060      | 1,88,767      | 1,95,788      | 2,04,819      | 2,15,160      | 2,26,514      |
| Revenue per employee (TTM)   | 45,457        | 44,387        | 43,852        | 43,546        | 43,108        | 44,080        | 45,005        | 45,485        | 45,719        |

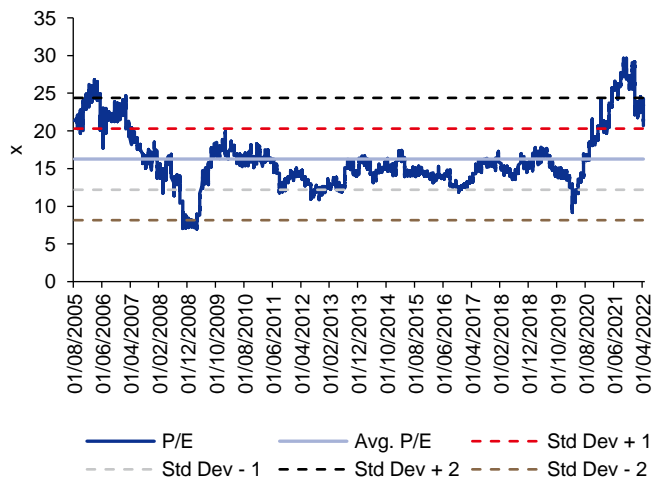
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Figure 3: Change in our earnings estimate

| Y/E, Mar (Rs m)          | FY23F    |          |          | FY24F     |          |          |
|--------------------------|----------|----------|----------|-----------|----------|----------|
|                          | New      | Old      | % change | New       | Old      | % change |
| US\$ IT services revenue | 11,730   | 11,669   | 0.5      | 12,920    | 12,706   | 1.7      |
| Revenue (Rs m)           | 9,04,701 | 9,00,090 | 0.5      | 10,07,874 | 9,91,314 | 1.7      |
| EBIT (Rs m)              | 1,52,894 | 1,59,316 | -4.0     | 1,73,354  | 1,79,428 | -3.4     |
| EBIT Margin (%)          | 16.9     | 17.7     | (80) bp  | 17.2      | 18.1     | (90) bp  |
| PAT (Rs m)               | 1,31,282 | 1,42,581 | -7.9     | 1,47,915  | 1,60,302 | -7.7     |
| EPS (Rs)                 | 24.0     | 26.0     | -7.9     | 27.0      | 29.3     | -7.7     |

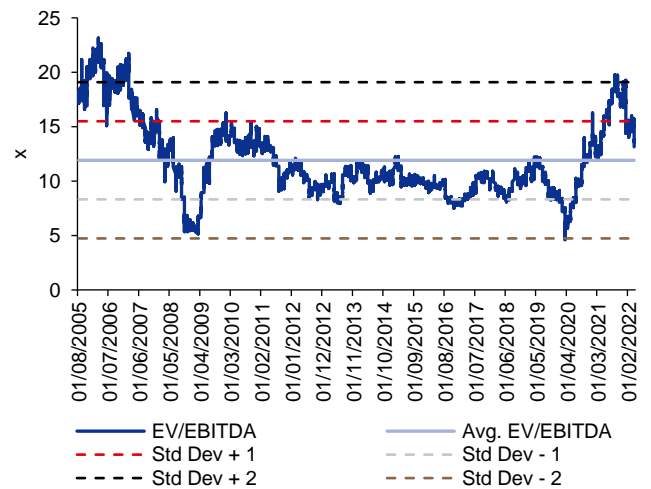
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One year forward P/E of 20x...

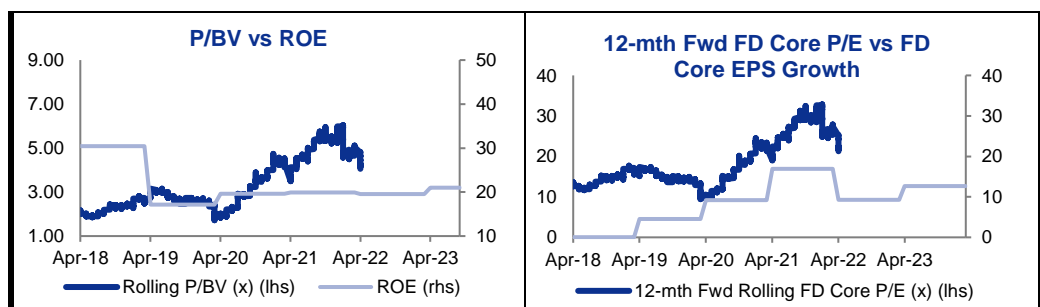


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Figure 5: ...and 13.2x EV/EBITDA



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**BY THE NUMBERS**

**Profit & Loss**

| (Rs mn)                                   | Mar-20A        | Mar-21A        | Mar-22A        | Mar-23F        | Mar-24F          |
|---|----------------|----------------|----------------|----------------|------------------|
| <b>Total Net Revenues</b>                 | <b>610,232</b> | <b>619,430</b> | <b>790,934</b> | <b>904,701</b> | <b>1,007,874</b> |
| <b>Gross Profit</b>                       | <b>195,002</b> | <b>223,859</b> | <b>265,973</b> | <b>303,075</b> | <b>337,638</b>   |
| <b>Operating EBITDA</b>                   | <b>122,272</b> | <b>147,773</b> | <b>164,656</b> | <b>187,273</b> | <b>208,630</b>   |
| Depreciation And Amortisation             | (20,855)       | (27,634)       | (30,911)       | (34,379)       | (35,276)         |
| <b>Operating EBIT</b>                     | <b>101,417</b> | <b>120,139</b> | <b>133,745</b> | <b>152,894</b> | <b>173,354</b>   |
| Financial Income/(Expense)                | 14,803         | 13,358         | 8,182          | 8,462          | 9,919            |
| Pretax Income/(Loss) from Assoc.          |                |                |                |                |                  |
| Non-Operating Income/(Expense)            | 5,119          | 5,461          | 7,105          | 7,057          | 6,954            |
| <b>Profit Before Tax (pre-EI)</b>         | <b>121,339</b> | <b>138,958</b> | <b>149,032</b> | <b>168,414</b> | <b>190,227</b>   |
| Exceptional Items                         |                |                |                |                |                  |
| <b>Pre-tax Profit</b>                     | <b>121,339</b> | <b>138,958</b> | <b>149,032</b> | <b>168,414</b> | <b>190,227</b>   |
| Taxation                                  | (24,801)       | (30,346)       | (28,946)       | (37,051)       | (42,230)         |
| Exceptional Income - post-tax             | 1,144          | (81)           | 2,186          |                | (1)              |
| <b>Profit After Tax</b>                   | <b>97,682</b>  | <b>108,531</b> | <b>122,272</b> | <b>131,363</b> | <b>147,996</b>   |
| Minority Interests                        | (466)          | (586)          | (81)           | (81)           | (81)             |
| Preferred Dividends                       |                |                |                |                |                  |
| FX Gain/(Loss) - post tax                 |                |                |                |                |                  |
| Other Adjustments - post-tax              |                |                |                |                |                  |
| <b>Net Profit</b>                         | <b>97,216</b>  | <b>107,945</b> | <b>122,191</b> | <b>131,282</b> | <b>147,915</b>   |
| Recurring Net Profit                      | 96,072         | 108,026        | 120,005        | 131,282        | 147,916          |
| <b>Fully Diluted Recurring Net Profit</b> | <b>96,072</b>  | <b>108,026</b> | <b>120,005</b> | <b>131,282</b> | <b>147,916</b>   |

**Cash Flow**

| (Rs mn)                          | Mar-20A          | Mar-21A          | Mar-22A          | Mar-23F          | Mar-24F          |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>EBITDA</b>                    | <b>122,272</b>   | <b>147,773</b>   | <b>164,656</b>   | <b>187,273</b>   | <b>208,630</b>   |
| Cash Flow from Invt. & Assoc.    |                  |                  |                  |                  |                  |
| Change In Working Capital        | (23,856)         | 22,922           | (36,488)         | 9,403            | (14,633)         |
| (Incr)/Decr in Total Provisions  |                  |                  |                  |                  |                  |
| Other Non-Cash (Income)/Expense  | 8,611            | 1,770            | (81)             | (81)             | (81)             |
| <b>Other Operating Cashflow</b>  |                  |                  |                  |                  |                  |
| Net Interest (Paid)/Received     |                  |                  |                  |                  |                  |
| Tax Paid                         | (6,384)          | (24,915)         | (25,686)         | (37,051)         | (42,230)         |
| <b>Cashflow From Operations</b>  | <b>100,643</b>   | <b>147,550</b>   | <b>102,401</b>   | <b>159,545</b>   | <b>151,685</b>   |
| Capex                            | (23,497)         | (19,577)         | (20,153)         | (64,840)         | (20,770)         |
| Disposals Of FAs/subsidiaries    |                  |                  |                  |                  |                  |
| Acq. Of Subsidiaries/investments |                  |                  |                  |                  |                  |
| Other Investing Cashflow         | 57,509           | 27,316           | (204,342)        | 22,387           | 23,741           |
| <b>Cash Flow From Investing</b>  | <b>34,012</b>    | <b>7,739</b>     | <b>(224,495)</b> | <b>(42,453)</b>  | <b>2,971</b>     |
| Debt Raised/(repaid)             |                  |                  |                  |                  |                  |
| Proceeds From Issue Of Shares    |                  |                  |                  |                  |                  |
| Shares Repurchased               | (105,311)        | (116,644)        |                  |                  |                  |
| Dividends Paid                   | (6,863)          | (5,459)          | (5,467)          | (98,461)         | (113,895)        |
| Preferred Dividends              |                  |                  |                  |                  |                  |
| Other Financing Cashflow         | (38,824)         | (6,737)          | 52,053           | (6,868)          | (6,867)          |
| <b>Cash Flow From Financing</b>  | <b>(150,998)</b> | <b>(128,840)</b> | <b>46,586</b>    | <b>(105,329)</b> | <b>(120,762)</b> |
| Total Cash Generated             | (16,343)         | 26,449           | (75,508)         | 11,762           | 33,895           |
| <b>Free Cashflow To Equity</b>   | <b>77,146</b>    | <b>127,973</b>   | <b>82,248</b>    | <b>94,705</b>    | <b>130,915</b>   |
| <b>Free Cashflow To Firm</b>     | <b>134,655</b>   | <b>155,289</b>   | <b>(122,094)</b> | <b>117,092</b>   | <b>154,656</b>   |

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| <b>Balance Sheet</b>                 |                |                |                |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>(Rs mn)</b>                       | <b>Mar-20A</b> | <b>Mar-21A</b> | <b>Mar-22A</b> | <b>Mar-23F</b> | <b>Mar-24F</b> |
| Total Cash And Equivalents           | 334,134        | 345,500        | 345,491        | 376,870        | 410,763        |
| Total Debtors                        | 129,683        | 121,422        | 176,028        | 171,026        | 193,291        |
| Inventories                          | 1,865          | 1,064          | 1,334          | 1,334          | 1,334          |
| Total Other Current Assets           | 54,169         | 55,200         | 97,899         | 97,899         | 97,899         |
| <b>Total Current Assets</b>          | <b>519,851</b> | <b>523,186</b> | <b>620,752</b> | <b>647,129</b> | <b>703,287</b> |
| Fixed Assets                         | 96,176         | 100,703        | 109,378        | 120,339        | 105,834        |
| Total Investments                    | 22,615         | 22,502         | 30,738         | 30,738         | 30,738         |
| Intangible Assets                    | 143,256        | 148,232        | 286,416        | 286,416        | 286,416        |
| Total Other Non-Current Assets       | 30,891         | 32,699         | 27,653         | 27,653         | 27,653         |
| <b>Total Non-current Assets</b>      | <b>292,938</b> | <b>304,136</b> | <b>454,185</b> | <b>465,146</b> | <b>450,641</b> |
| Short-term Debt                      | 54,020         | 60,363         | 95,233         | 95,233         | 95,233         |
| Current Portion of Long-Term Debt    |                |                |                |                |                |
| Total Creditors                      | 58,400         | 54,174         | 62,522         | 66,923         | 74,555         |
| Other Current Liabilities            | 103,973        | 115,503        | 150,574        | 150,574        | 150,574        |
| <b>Total Current Liabilities</b>     | <b>216,393</b> | <b>230,040</b> | <b>308,329</b> | <b>312,730</b> | <b>320,362</b> |
| Total Long-term Debt                 | 4,840          | 7,458          | 56,463         | 56,463         | 56,463         |
| Hybrid Debt - Debt Component         |                |                |                |                |                |
| Total Other Non-Current Liabilities  | 36,464         | 39,316         | 55,717         | 55,717         | 55,717         |
| <b>Total Non-current Liabilities</b> | <b>41,304</b>  | <b>46,774</b>  | <b>112,180</b> | <b>112,180</b> | <b>112,180</b> |
| Total Provisions                     |                |                |                |                |                |
| <b>Total Liabilities</b>             | <b>257,697</b> | <b>276,814</b> | <b>420,509</b> | <b>424,910</b> | <b>432,542</b> |
| Shareholders Equity                  | 553,217        | 549,010        | 654,030        | 686,850        | 720,871        |
| Minority Interests                   | 1,875          | 1,498          | 515            | 515            | 515            |
| <b>Total Equity</b>                  | <b>555,092</b> | <b>550,508</b> | <b>654,545</b> | <b>687,365</b> | <b>721,386</b> |

| <b>Key Ratios</b>         |                |                |                |                |                |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
|                           | <b>Mar-20A</b> | <b>Mar-21A</b> | <b>Mar-22A</b> | <b>Mar-23F</b> | <b>Mar-24F</b> |
| Revenue Growth            | 4.1%           | 1.5%           | 27.7%          | 14.4%          | 11.4%          |
| Operating EBITDA Growth   | 9.1%           | 20.9%          | 11.4%          | 13.7%          | 11.4%          |
| Operating EBITDA Margin   | 20.0%          | 23.9%          | 20.8%          | 20.7%          | 20.7%          |
| Net Cash Per Share (Rs)   | 44.93          | 46.60          | 32.59          | 38.32          | 44.51          |
| BVPS (Rs)                 | 94.65          | 96.84          | 119.35         | 125.34         | 131.55         |
| Gross Interest Cover      | 13.84          | 23.61          | 25.12          | 22.26          | 25.24          |
| Effective Tax Rate        | 20.4%          | 21.8%          | 19.4%          | 22.0%          | 22.2%          |
| Net Dividend Payout Ratio | 5.9%           | 5.3%           | 27.4%          | 75.0%          | 77.0%          |
| Accounts Receivables Days | 75.68          | 73.98          | 68.63          | 70.01          | 65.97          |
| Inventory Days            | 2.56           | 1.35           | 0.83           | 0.81           | 0.73           |
| Accounts Payables Days    | 53.21          | 51.94          | 40.57          | 39.27          | 38.52          |
| ROIC (%)                  | 28.2%          | 32.0%          | 37.2%          | 24.6%          | 27.7%          |
| ROCE (%)                  | 12.5%          | 14.9%          | 14.8%          | 14.2%          | 15.5%          |
| Return On Average Assets  | 10.3%          | 12.0%          | 11.9%          | 11.4%          | 12.4%          |

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CGS-CIMB Securities (USA) Inc. has received compensation for investment banking services in the past 12 months.

CGS-CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CGS-CIMB Securities (USA) Inc. expects to receive or intend to seek compensation for investment banking services within the next 3 months.

CGS-CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

**Recommendation Framework**

**Stock Ratings**

Definition:

|               |   |
|---------------|---|
| <b>Add</b>    | The stock's total return is expected to exceed 10% over the next 12 months.                     |
| <b>Hold</b>   | The stock's total return is expected to be between 0% and positive 10% over the next 12 months. |
| <b>Reduce</b> | 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:

|                    |  |
|--------------------|--|
| <b>Overweight</b>  | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.  |
| <b>Neutral</b>     | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.       |
| <b>Underweight</b> | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |

**Country Ratings**

Definition:

|                    |  |
|--------------------|--|
| <b>Overweight</b>  | An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark. |
| <b>Neutral</b>     | A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.           |
| <b>Underweight</b> | An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark. |