

# Asia Media

*In rapid transit to growth*
**NOT RATED**
**RM0.28**
**@7/6/11**

Mkt.Cap: RM63.8m

Media

AMGB MK / ASMG.KL

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## Malaysia's largest transit TV operator

Asia Media, Malaysia's largest transit TV operator, offers a good growth story in a small but fast-growing media segment. Another key attraction is the group's exposure to the public transportation upgrade in the Klang Valley which will allow it to expand its services to the LRT and MRT systems. Tagging a 40% discount to our 14.5x target P/E for the larger media companies under our coverage, we get a CY12 P/E of 8.7x. Based on an estimated CY12 EPS of 6 sen, the stock could be worth 53 sen, which suggests attractive upside of 88%. The stock is trading at cheap CY12-13 P/Es of 4-5x and could be catalysed by strong quarterly numbers or success in securing the licence to operate on the LRT. Asia Media provides investors with an alternative exposure to growing media segments other than FTA TV and newspaper.

## Background

**Largest transit TV network player in Malaysia.** Listed on the Ace Market of Bursa on 11 Jan 11, Asia Media Group Berhad is the market leader in the out-of-home digital media and advertising industry. It operates the largest transit TV network in Malaysia. Back in Oct 07, the group secured exclusive medium term agreements to operate a transit TV network system on bus services operated by RapidKL. Subsequently, it secured a similar concession for Causeway Link buses. By end-08, the group's portfolio of public transport bus partners comprised RapidKL, Causeway Link as well as Plusliner, Nice and Nice ++ express buses. TransNet®, Asia Media's transit-TV network system, uses LCD TV screens to deliver content such as information, entertainment programmes, advertisements and public bulletins on public transport. The combination of exclusive rights agreements and the group's relatively early move into the industry provides strong barriers to entry.

**Figure 1: Major milestones**

Year	Milestones
2007	Started operations Awarded the concession to operate the transit TV System in 1,050 RapidKL buses
2008	Launch of TransNet KL transit TV Awarded the concession to operate transit TV in 250 Causeway Link stage buses in JB Acquired Transit Vision Holdings which operates LCD TV screens for Konsortium Transnasional
2009	Asia Media TV Network launched To be the first company in Malaysia to deploy digital video broadcasting (DVB) for transit TV
2010	Granted three licences from and spectrums to deploy digital multimedia broadcasting
Jan 2011	Listed on the Ace Market of Bursa Malaysia

Source: Company

## Shareholders and awards

**One major shareholder.** The group has only one major shareholder, Wong SK Holdings Sdn Bhd (WHSB) (46% stake) which is the holding company of the founder and ED of Asia Media, Dato' Ricky Wong. He was a general manager of a telecommunications company until a few years ago. He founded Asia Media to tap into the growth opportunities in the media industry in Malaysia. He was awarded the Creative Entrepreneur Award by Junior Chamber International in 2008 and 2009 and

also received the prestigious 8<sup>th</sup> Asia Pacific International Entrepreneur Award in 2009. Under his leadership, Asia Media has become a formidable player in the digital-out-of-home (DOOH) segment of the media industry.

**Small in size but has bagged several awards.** Asia Media has won several awards including Asia Pacific ICT Awards for Best Start-up Company, SME Rising Star Award, SME 100 Malaysia Fast Moving Company 2009 and Malaysia Book of Records for Largest Transit TV network. The group's listing early this year raised RM22.5m and will mainly be used to fund capex intended to transform it from just a transit network player that will benefit from the expansion of public transport in Greater KL to one owning several transmission towers with potential revenue spin-offs in the long run.

## Lucrative and unique business model

**LCDs as platform for advertising.** The group's existing transit TV operations via LCD screens in all RapidKL and Causeway link buses provide the media platform for advertising. The installed shows/broadcast content on the LCD panels include infotainment, movies, news and documentary. The captive audience is mainly bus riders who are a specific target audience for advertisers. Airtime sales or adex is one of the group's key sources of revenue, making up on average 25% of total revenue over the past four years but up to 53% of EBITDA. Asia Media purchases LCDs from its own vendors and is benefiting from the decline in prices of LCD screens following the creation of more advanced flat screen panels such as 3D and LED screens.

**Clear growth opportunities.** Similar to other larger media companies in the FTA TV, newspaper and radio segments, Asia Media's ability to secure adex hinges on how effective its media platforms are in reaching out to the market and how the segmentation of those demographics matches the target markets of the advertisers. The DOOH segment has a relatively small market share compared to other media segments but is in the early days of growth. Growth in transit TV opportunities in Malaysia, particularly in the Klang Valley, will be driven by the government's initiative to beef up public transport and increase public transport usage. This will yield huge benefits for Asia Media in the medium- to long-term given its market share and first-mover advantage in this segment.

**It's all about growth in ridership.** Figure 2 shows the fleet size, ridership and viewership for each of the bus operators that Asia Media services. Total ridership based on a fleet size of 1,500 amounts to 543k/day or 16.3m/month. This translates into viewership of 800k/day or 24m/month. In advertisers' terms, Asia Media's reach of 24m viewers/months is 1.47x its ridership, which is still below the average readership/viewership of 2-3x for newspapers and FTA TV players but is acceptable given the market size of the DOOH segment. Asia Media's existing advertisers are mainly within the fast-moving consumer goods (FMCG), telco, banking, digital gaming, property and government segments.

**Figure 2: Fleet size and population catchment**

Platforms	Fleet owner	Description	Fleet size	Ridership per day	Ridership per month	Viewership per day	Viewership per month
TransNet KL	RapidKL	More than 2,000 Transit-TV screens installed in more than 1,000 RapidKL city buses in Selangor and Kuala Lumpur	1,050	400,000	12,000,000	400,000	12,000,000
TransNet JB	Handal Indah	More than 500 Transit-TV screens installed in Handal Indah Causeway Link buses and ~200 city buses within Johor	250	133,333	4,000,000	100,000	3,000,000
TransitNet Ex	Nice++ Plusliner	More than 600 Transit-TV screens installed in Nice and Plusliner express fleets, with ~200 express coaches in operation	200	10,000	300,000	300,000	9,000,000
<b>Total</b>			<b>1,500</b>	<b>543,333</b>	<b>16,300,000</b>	<b>800,000</b>	<b>24,000,000</b>

Source: Company

**Other revenue generators.** Other sources of revenue include programme sponsorship and creative production works. These segments constituted on average 75% of total revenue over the past four years but made up 52% of EBITDA. The creative production segment also develops in-house content for the transit TV business which helps keep costs in check. The group has plans to move up the value chain as a transit TV operator by venturing into digital video broadcasting for transit TV.

**Figure 3: Key P&L breakdown**

Key P&L Items	2007	2008	2009	2010
<b>Revenue</b>				
Air time	0.8	1.8	3.7	5.5
Programme Sponsorship	0.6	2.1	4.2	5.7
Creative production	2.2	2.6	5.3	12.2
<b>Total</b>	<b>3.5</b>	<b>6.5</b>	<b>13.2</b>	<b>23.4</b>
<b>% of total revenue</b>				
Air time	21%	28%	28%	24%
Programme Sponsorship	17%	33%	32%	24%
Creative production	61%	40%	40%	52%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Cost of sales</b>				
Air time	0.0	0.0	0.0	0.0
Programme Sponsorship	(0.0)	(0.5)	(1.2)	(1.1)
Creative production	(1.7)	(2.2)	(5.1)	(10.9)
<b>Total</b>	<b>(1.7)</b>	<b>(2.7)</b>	<b>(6.3)</b>	<b>(12.1)</b>
<b>% of total cost of sales</b>				
Air time	0%	0%	0%	0%
Programme Sponsorship	3%	17%	19%	9%
Creative production	97%	83%	81%	91%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Gross profit</b>				
Air time	0.8	1.8	3.7	5.5
Programme Sponsorship	0.6	1.7	3.0	4.5
Creative production	0.5	0.4	0.2	1.3
<b>Total</b>	<b>1.8</b>	<b>3.8</b>	<b>6.9</b>	<b>11.3</b>
<b>% of total gross profit</b>				
Air time	42%	47%	53%	49%
Programme Sponsorship	31%	43%	44%	40%
Creative production	27%	9%	3%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Gross profit margin</b>				
Air time	100%	100%	100%	100%
Programme Sponsorship	92%	78%	72%	80%
Creative production	23%	14%	4%	11%
<b>Total</b>	<b>51%</b>	<b>59%</b>	<b>52%</b>	<b>48%</b>

Source: Company

## Outlook

**Jewel is the airtime sales segment.** 51% of bus commuters are in the 16-34 age group, which is an attractive target audience compared to the target audience of other larger advertising mediums such as TV, newspaper, radio and outdoor. Given that the transit TV operates 18 hours/day and seven days/week, one advertisement can run up to nine times/day and 63 times/week, which, in terms of reach, appeals to advertisers within the telco, consumer, airline and fashion and entertainment space. Transit-related advertising appeals to advertisers as it is relatively cheaper, supports brand awareness and provides more control of the frequency of advertising content as passengers are unable to switch channels. In terms of pricing, spending on transit-related airtime space is roughly 25-40% lower than other larger mediums.

**Sole listed entity within DOOH space.** Asia Media is the only listed company operating within the DOOH segment, which is divided into two categories – DOOH segment for transit and DOOH for building and outdoor. There are six key players within the general DOOH industry but Asia Media is the sole entity that offers direct exposure to the transit segment. Other companies include YTL Info Screen and Simfoni Maya which operate in both the transit and building & outdoor segments and Focus Media Network, Point Cast, and MKN At-Life which are involved only in the building & outdoor segment. Looking at the combined revenue of the top three major players in the DOOH transit segment (Asia Media, YTL Info Screen and Simfoni Maya), Asia Media had 85% share of this segment's revenue in 2009.

**Exposure to public transport upgrade theme.** One key growth factor which appeals to us is the public transportation upgrade story. Under the Greater KL National Key Result Areas (NKRA) of the Economic Transformation Programme (ETP), improvement of public transportation is one of the key priorities. Under this initiative, the number of transit buses will be increased, LRT systems will be extended and the RM40bn-50bn Klang Valley MRT system will be implemented. Asia Media is already well positioned to benefit from this public transport upgrade initiative. The existing licences/concessions provide a barrier to entry by other players. Although there is a risk of competition, we think that Asia Media is already well ahead in the game. The group is looking at finalising the licensing for the LRT system by end-2011. Success in clinching this would immediately boost its ridership by 400k-500k/day.

**Riding on EPPs.** From its position in the transit TV business, Asia Media will gradually position itself at the forefront of the broadcasting and digital content sector. There are 131 Entry Point Projects (EPPs) and 60 business opportunities under 12 National Key Economic Area (NKEAs). The recent ETP update highlighted several new projects which include the RM500m capex over 5-10 years to install transmission towers nationwide. The initiative is driven by Asia Media, which ties in with the group's plans to roll out digital live transit TV broadcast infrastructure in the Klang Valley through its existing fleet of buses from mid-2011. This will allow the group to extend its transit TV network coverage to the LRT, monorail and MRT systems.

**Figure 4: Macro drivers for DOOH segment**

**Macro drivers for DOOH segment**

> Public transportation upgrade under the Greater KL initiative of the ETP aims to increase public transport usage from 10% to 25% by end-2012.

> Daily ridership in the Klang Valley is targeted to increase by 150% from 240k to about 600k by 2012

> Bus ridership is expected to contribute 43% to the growth in public transport ridership from 2008 to 2012

> RapidKL LRT is forecast to contribute about 26% to the targeted growth in ridership in 2012

**Implications for Asia Media**

Growth in potential catchment and viewership. Positive indicator for advertisers

Larger target market for advertisers.  
Upside to demand for DOOH

Directly positive for Asia Media as it controls licences to operate on Prasarana's buses

Likely to boost market catchment for Asia Media in the next 12-24 months

*Out-of-home (OOH) segment comprises print and digital media. Asia Media controls 6.6% market share in OOH segment in 2009*

*Digital Out-of-Home (DOOH) segment is a subset of OOH segment. There are only three major players in DOOH including Asia Media*

*Asia Media is the only listed player in the DOOH segment and had 84.5% market share in 2009.*

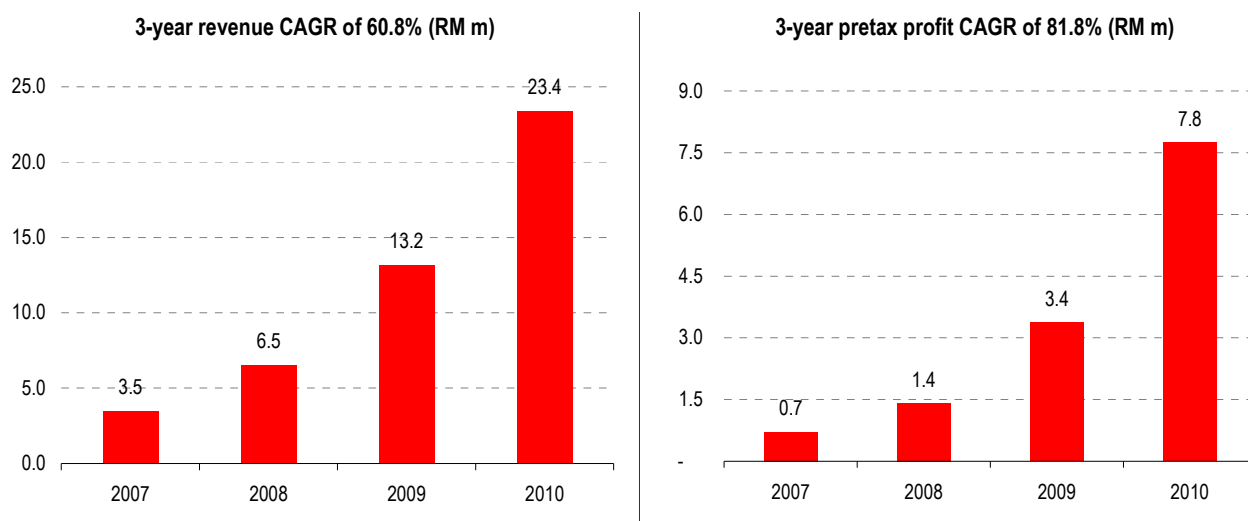
*Source: Company*

**Going nationwide with digital broadcast.** The first series of transmission towers is expected to be ready in mid-2011. In the medium term, the group will invest in seven transmission towers to be located in the Klang Valley in KL city centre, Damansara, Putrajaya, Subang Jaya, Klang, Serdang and Rawang. The group has invested RM25m YTD in its transit TV system and plans to invest another RM25m for the rollout of digital live transit TV broadcasting in the Klang Valley. Of the total RM25m required, RM16m will be from funds raised during its recent IPO.

## Financials

**Strong earnings momentum.** Revenue notched up a stellar CAGR of 61% between 2007 and 2010 but pretax profit outdid it with a CAGR of 82%, driven by the expansion of margins. Pretax margin has been on an uptrend since 2007, rising from 20.3% in FY07 to 33.1% in FY10. Net profit surged 130% in FY09 and 139% in FY10. Despite the higher base, management appears comfortable with a doubling of net profit in FY11 and a 20-25% rise in FY12-13 net profit p.a. based on the current bus fleet.

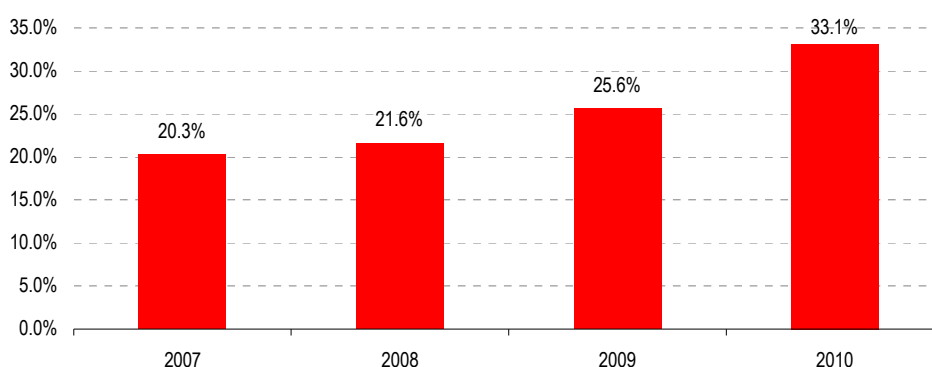
Figure 5: Revenue and pretax profit growth



Source: Company

**Airtime and sponsorship give lucrative margins.** We think that 20-25% net profit growth p.a. in FY12-13 is achievable as the topline will be driven by the continued increase in adex and corporate sponsorships. These two segments constituted 48% of FY10 revenue but a disproportionate 90% of EBITDA. The increase in the availability of airtime when new LCD screens are deployed in line with the growth in the number of transit buses, LRT and in the future, MRT underpins the group's domestic growth prospects. Adex utilises 30% of total airtime presently, while content makes up the balance. There still room to increase advertising slots given the expected rise in demand for DOOH media.

Figure 6: Pretax margins on the uptrend



Source: Company

## Valuation

**Dilution from share placement.** The group recently announced a share placement representing 35% of its issued capital in order to meet Bumiputera equity requirements. Based on the illustrative price of 23.4 sen, the additional 79.8m shares will generate gross proceeds of RM18.7m. The issue price for each tranche of the

placement will be determined separately. The placement exercise will increase Asia Media's share base by 35% to 307.8m shares and brings funds raised from the time of its listing to a total of RM41.2m. Though the placement exercise may not be well received given its dilutive impact and its post-IPO timing, investors will not be worse off as the placement price is roughly in line with the IPO price and is a discount to the current share price. The group's strong growth prospects in the next 2-3 years will also compensate for this.

**Figure 7: Total funds to be raised**

	Price/share RM m	No of shares (m)	Proceeds RM m	Utilisation for capex (RM m)
IPO proceeds (90m OFS, 8m new shares)	0.230	98.0	22.5	16.0
*Cash from private placement (35% of paid-up)	0.234	79.8	18.7	**2
<b>Total funds raised since IPO</b>			<b>41.2</b>	<b>18.0</b>

Total number of shares increases to 307.8m

\*Based on illustrative price of 23.4 sen

\*\*Within 12 months

Source: Company

**1Q11 results to set the earnings trend.** Asia Media recently reported RM4.2m net profit for 1Q11, which works out to an annualised RM16.6m achievable net profit. This represents 115% growth, driven mainly by new customers/advertisers and higher margins. Pretax margins stood at 42%, which is an increase from 33% in FY10. Cash stood at RM18.1m, a huge increase from RM1.7m at end-FY10 while borrowings totalled RM1m. Net cash/share worked out to 7.5 sen or 27% of the current market capitalisation of RM63.8m.

**Figure 8: Expected net profit growth in FY11-13**

	FY09	FY10	FY11E	FY12E	FY13E
Net profit (RM m)	3.4	7.8	15.5	18.6	23.3
EPS (sen)	1.1	2.5	5.0	6.0	7.6
Net profit growth (%)	139%	130%	100%	20%	25%
P/E (x)	25.6	11.1	5.6	4.6	3.7

Annualised 1Q11 net profit of RM4.2m works out to be RM16.6m

Source: CIMB Research

**Stock could be worth 53 sen; 88% upside.** The group is set to double its net profit in FY11, fuelled by strong margins and new customers/advertisers. These should also be the main factors driving the expected 20-25% net profit growth in FY12-13, which we believe is achievable given the margin expansion and a rise in ad utilisation rates from the current 30%. Working on these parameters, we are looking at a potential net profit of RM18.6m for FY12 and RM23.3m for FY13. Factoring in the dilution from the 35% share placement, we arrive at an EPS of 6 sen for FY12. We apply a 40% discount to our 14.5x target P/E for larger media companies under our coverage, giving us a target CY12 P/E of 8.7x. The 40% discount is also higher than the 30% we applied to Digistar (DICB MK, Not Rated) which has a larger market capitalisation. Based on a target CY12 P/E of 8.7x, Asia Media could be worth 53 sen, which implies upside of 88%.

**Cheap, under-researched and overlooked.** The stock's key attraction is its market positioning in the high-growth DOOH segment which will ride on the gradual shift of advertising budget to digital out-of-home media and the government's plan to upgrade public transport. Its expansion into digital live broadcasting will change the face of transit TV network in Malaysia. The stock is trading at attractive CY12-13 P/Es of 4-5x compared to the Malaysian media sector average of 12-14x. The group has no dividend payout policy but may declare dividends in FY12. Assuming a 10-20% net payout ratio, we are looking at a potential DPS of 0.6-1.5 sen for FY12-13. This translates into dividend yields of 2-5% compared to the 3-6% for Malaysian media stocks under our coverage.

**Strong re-rating factors; alternative exposure to mainstream media.** Asia Media is also cheap on a P/BV basis, trading at 1.3x CY11 compared to 3.1x for Malaysian media stocks under our coverage. It also offers high ROEs of 30% vs. the sector average of 24% and a 3-year EPS CAGR of 44% compared to 9.3% for the sector.

The stock offers good liquidity, is under-researched and deserves a re-rating for its growth potential. Potential catalysts are strong quarterly earnings and success in landing the licence to operate transit TV on the LRT system, which is likely to come through at end-2H11. Asia Media provides investors with an alternative exposure to growing media segments apart from FTA TV and newspaper.

Figure 9: Implied value based on various discounts to market P/E

Disc. to market P/E of 14.5x	Applied P/E (x)	Implied value/share RM	Upside (x)
50%	7.3	0.44	56%
40%	8.7	0.53	88%
30%	10.2	0.61	119%
20%	11.6	0.70	150%
10%	13.1	0.79	182%

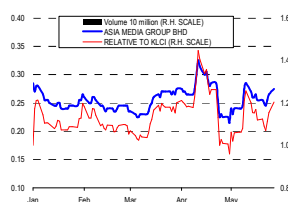
Based on estimated CY12 EPS of 6 sen

Source: CIMB Research

### Financial summary

FYE Dec	2007	2008	2009	2010
Revenue (RM m)	3.5	6.5	13.2	23.4
EBITDA (RM m)	0.7	1.4	3.4	7.8
EBITDA margins (%)	20.3	21.6	25.6	33.1
Pretax profit (RM m)	0.7	1.4	3.4	7.8
Net profit (RM m)	0.7	1.4	3.4	7.8
EPS (sen)	0.3	0.6	1.5	3.4
EPS growth (%)	nm	+99%	+139%	+130%
P/E (x)	83.5	42.0	17.6	7.6
Gross DPS (sen)	-	-	-	-
Dividend yield (%)	-	-	-	-
P/NTA (x)	2.5	2.3	1.2	1.3
ROE (%)	6.1	5.7	9.0	16.1
Net cash per share (RM)	0.00	0.01	0.02	0.06
P/CF (x)	0.4	0.2	0.1	0.0
EV/EBITDA (x)	82.9	41.7	10.8	5.3

### Price chart



Source: Bloomberg

Source: Company, CIMB Research, Bloomberg

Figure 10: Sector comparisons

	Bloomberg ticker	Recom.	Price (Local)	Target price (Local)	Mkt. cap (US\$ m)	Core P/E (x) CY2011	Core P/E (x) CY2012	3-yr EPS CAGR (%)	P/BV (x) CY2011	ROE (%) CY2011	Div yield (%) CY2011
<b>Malaysia</b>											
Asia Media Group	AMGB	NR	0.28	0.53	21	5.6	4.6	69.5	1.3	32.0	0.0
Media Prima	MPR MK	N	2.79	3.02	968	14.8	12.2	15.5	5.5	42.0	3.7
MCI	MCIL MK	N	1.27	1.40	711	13.0	13.2	0.7	1.5	12.1	4.5
Star Publications	STAR MK	O	3.38	4.52	829	12.9	10.8	11.7	2.2	17.6	6.2
<b>Simple average (ex-Asia Media Group)</b>						<b>13.6</b>	<b>12.1</b>	<b>9.3</b>	<b>3.1</b>	<b>23.9</b>	<b>4.8</b>
<b>Thailand</b>											
BEC	BEC TB	O	36.00	27.70	2,378	22.6	20.7	9.7	11.7	52.6	4.2
Major	MAJOR TB	N	15.30	16.00	446	19.0	16.6	15.1	2.5	13.1	3.9
MCOT	MCOT TB	N	29.50	26.20	669	14.5	13.5	2.6	2.6	18.1	5.5
<b>Simple average</b>						<b>18.7</b>	<b>16.9</b>	<b>9.1</b>	<b>5.6</b>	<b>27.9</b>	<b>4.5</b>
<b>Indonesia</b>											
MNC	MNCN IJ	N	940	1,000	1,523	14.6	12.8	18.5	2.1	16.8	0.7
Surya Citra	SCMA IJ	O	4,725	5,700	1,070	12.7	11.2	18.7	6.1	47.3	7.8
<b>Simple average</b>						<b>13.7</b>	<b>12.0</b>	<b>18.6</b>	<b>4.1</b>	<b>32.1</b>	<b>4.3</b>
<b>Singapore</b>											
SPH	SPH SP	N	3.83	4.29	4,970	15.4	14.3	(3.6)	2.7	17.5	5.9
<b>Simple average</b>						<b>15.4</b>	<b>14.3</b>	<b>(3.6)</b>	<b>2.7</b>	<b>17.5</b>	<b>5.9</b>

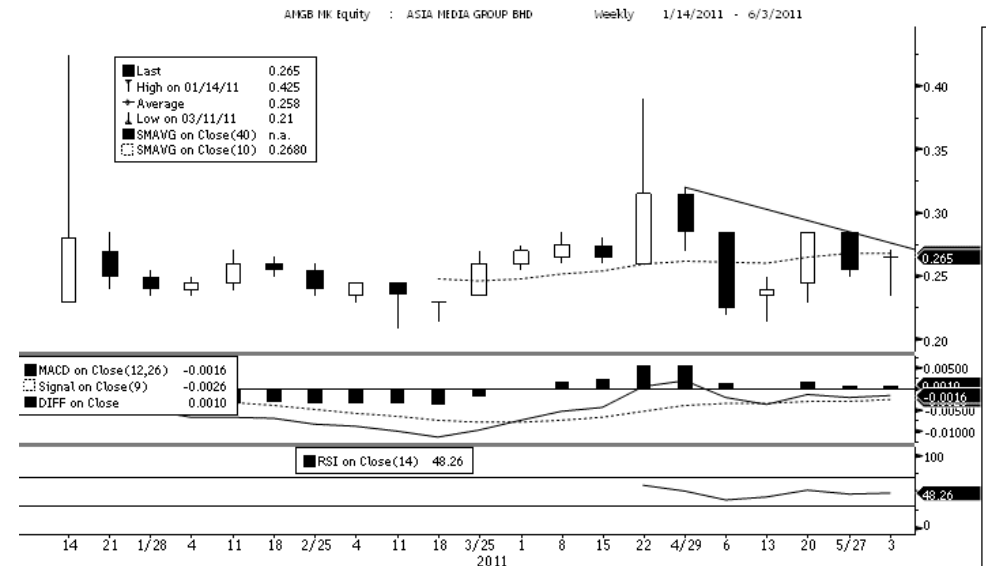
O = Outperform, N = Neutral, U = Underperform, NR = Not Rated, TB = Trading Buy and TS = Trading Sell  
Source: Company, CIMB Research

## Appendix

### Technical outlook for Asia Media – *This uptrend still has legs*

Based on Asia Media's daily chart, the stock could still see one more upleg that will challenge its previous swing high of RM0.285. The candles pushed above the 30-day and 50-day SMAs on Friday, which is a positive sign. Indicators also show that the bulls have the upper hand here. The MACD histogram bar has turned positive and the RSI is also rising. Once the RM0.285 level is taken out, the following upswing should lift the stock towards RM0.305 and possibly even RM0.335. To keep the bulls in play, prices must not fall below the support trend line at RM0.235.

Figure 1: Asia Media's weekly chart (RM0.265)



Source: Bloomberg, CIMB Research

Figure 2: Asia Media's daily chart (RM0.265)



Source: Bloomberg, CIMB Research



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## RECOMMENDATION FRAMEWORK #1 \*

### STOCK RECOMMENDATIONS

**OUTPERFORM:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

**NEUTRAL:** The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

**UNDERPERFORM:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

**TRADING BUY:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

**TRADING SELL:** The stock's total return is expected to be below a relevant benchmark's total return by 5% 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.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

\* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

## RECOMMENDATION FRAMEWORK #2 \*\*

### STOCK RECOMMENDATIONS

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

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

**UNDERPERFORM:** 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.

**TRADING SELL:** Expected negative total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

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