Company Note

Malaysia

# AWC Berhad

## Stronger quarters ahead

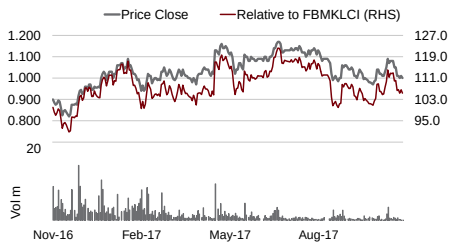
**ADD** *(no change)*

| Consensus ratings*: | Buy 1 | Hold 1 | Sell 0 |
|---|---|---|---|
| Current price: | | | RM1.00 |
| Target price: | | | RM1.28 |
| Previous target: | | | RM1.20 |
| Up/downside: | | | 27.7% |
| CIMB / Consensus: | | | 7.3% |
| Reuters: | | | AWCF.KL |
| Bloomberg: | | | AWCF MK |
| Market cap: | | | US$63.69m |
| | | | RM264.3m |
| Average daily turnover: | | | US$0.15m |
| | | | RM0.62m |
| Current shares o/s: | | | 256.0m |
| Free float: | | | 62.1% |

*Source: Bloomberg

**Key changes in this note**

- No change.




Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | 3.1 | -12.3 | 11.1 |
| Relative (%) | 4.3 | -9.4 | 5.4 |

| Major shareholders | % held |
|---|---|
| K-Capital Sdn Bhd | 30.7 |
| Ignatius Luke Jr Tan Keng Hee | 4.2 |
| Ahmad Kabeer bin Mohamed Nagoor | 3.0 |

- We deem 1QFY6/18 core net profit to be in line, at 19% of our and 18% of Bloomberg consensus' FY18 estimates. 1Q is typically a weaker quarter.
- 1QFY18 core net profit rose 11.7% yoy to RM4.1m, thanks to higher contribution from the facilities division.
- No dividend was declared for the quarter, as expected.
- Expect stronger quarters ahead with higher progress billings for both environment and engineering contracts.
- Maintain Add, with a higher SOP-based TP of RM1.28 as we roll over our valuation to end-2018F.

### Lower revenue from engineering and environment divisions

1QFY6/18 revenue dipped 1.4% yoy to RM66.2m, driven by lower contribution from the environment and engineering divisions (environment: -7.8% yoy; engineering: -8.6% yoy). This was mainly due to project delays in both divisions; AWC expects to catch up on the projects' progress in following quarters. The facilities division is the sole segment that recorded revenue growth, up 7.7% yoy to RM31.3m, thanks to the commencement of new projects during the quarter.

### 1QFY18 core net profit in line with our expectation

1QFY18 EBITDA margin declined to 13.3% (-1.0% pt yoy) due to lower contributions from higher margin segments (environment and engineering). However, 1QFY18 core net profit came in higher at RM4.1m (+11.7% yoy) after accounting for one-off write-backs of trade receivables of RM1m. This was mainly due to higher contribution from the facilities division (wholly-owned subsidiary). Overall, we deem 1QFY18 core net profit to be in line with expectations at 19% of our FY18 estimates as 1Q18 is typically a weaker quarter.

### Facilities division the star performer

The facilities division was the most profitable segment in 1QFY18, with PBT of RM6.8m (+223% yoy), thanks to stronger revenues, higher-margin contracts and better cost control. The environment division's 1QFY18 PBT declined 58% yoy to RM2.9m due to project delays. Meanwhile, the engineering division turned loss-making in 1QFY18, recording loss before tax of RM1.5m vs. PBT of 1.6m in 1QFY17. We attribute this to project delays and margin compression, especially for its air-conditioning contracts.

### Stronger quarters ahead with orderbook remaining healthy

We are confident the group will record stronger quarters ahead to achieve our FY18 estimates. This is on the back of expectations of faster progress billings as AWC aims to catch up on its delayed contracts in both the environment and engineering divisions. Overall, we believe AWC's outstanding orderbook will remain healthy till end-FY19F. We estimate current orderbook of c.RM512m, consisting of contracts in: i) facilities division (RM278.6m), engineering division (RM127.1m) and environment division (RM106.6m).

### Maintain Add, with higher TP of RM1.28

We make no changes to our Add call and earnings estimates. However, our SOP-based TP rises to RM1.28 as we roll over our valuation to end-2018F. Potential catalysts for the stock are large-size contract wins, especially for the environment and engineering divisions. Downside risks are contract execution delays and weaker-than-expected orderbook replenishment.

| Financial Summary | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---|---|---|---|---|---|
| Revenue (RMm) | 249.3 | 296.1 | 313.9 | 331.0 | 355.5 |
| Operating EBITDA (RMm) | 31.90 | 45.94 | 42.29 | 44.78 | 47.67 |
| Net Profit (RMm) | 17.30 | 21.59 | 21.15 | 22.74 | 24.22 |
| Core EPS (RM) | 0.068 | 0.069 | 0.083 | 0.089 | 0.095 |
| Core EPS Growth | 89.8% | 2.3% | 19.6% | 7.5% | 6.5% |
| FD Core P/E (x) | 14.80 | 14.47 | 12.10 | 11.26 | 10.57 |
| DPS (RM) | 0.025 | 0.020 | 0.025 | 0.030 | 0.035 |
| Dividend Yield | 2.50% | 2.00% | 2.50% | 3.00% | 3.50% |
| EV/EBITDA (x) | 7.45 | 5.09 | 5.62 | 5.24 | 4.90 |
| P/FCFE (x) | 37.07 | 8.07 | 29.07 | 15.57 | 15.43 |
| Net Gearing | (32.0%) | (34.6%) | (32.2%) | (33.7%) | (34.3%) |
| P/BV (x) | 2.15 | 1.95 | 1.76 | 1.59 | 1.45 |
| ROE | 16.4% | 14.1% | 15.3% | 14.8% | 14.4% |
| % Change In Core EPS Estimates | | | 0% | 0% | 0% |
| CIMB/consensus EPS (x) | | | 0.94 | 1.00 | 1.00 |

SOURCE: COMPANY DATA, CIMB FORECASTS

**Analyst(s)**



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**Figure 1: Results Comparison**

| FYE June | 1Q | 1Q | yoy % | 4Q | qoq % | Prev. | Comments |
|---|---|---|---|---|---|---|---|
| (RM m) | FY18 | FY17 | chg | FY17 | chg | FY18F | |
| Revenue | 66.2 | 67.1 | (1.4) | 86.0 | (23.0) | 313.9 | 1QFY18 revenue declined 1.4% yoy due to lower contribution from environment |
| Operating costs | (57.4) | (57.5) | (0.2) | (75.3) | (23.8) | (271.6) | and engineering divisions |
| EBITDA | 8.8 | 9.6 | (8.2) | 10.6 | (17.0) | 42.3 | |
| EBITDA margin (%) | 13.3 | 14.3 | (1.0) | 12.4 | 1.0 | 13.5 | 1QFY18 EBITDA margins declined 1.0% pts yoy owing to lower contribution from higher |
| Depn & amort. | (1.7) | (1.5) | 10.7 | (1.7) | (0.2) | (6.5) | margin segments (environment and engineering) |
| EBIT | 7.1 | 8.1 | (11.8) | 8.9 | (20.3) | 35.8 | |
| Interest expense | (0.3) | (0.2) | 35.0 | (0.4) | (38.0) | (0.3) | |
| Interest & invt inc | 0.2 | 0.4 | (50.2) | 0.2 | 32.1 | 0.3 | |
| Associates' contrib | - | - | - | - | - | - | |
| Exceptionals | 1.0 | 1.8 | (44.4) | 1.8 | (44.4) | - | RM1m from write-back of trade receivables |
| **Pretax profit** | 8.1 | 10.1 | (20.2) | 10.4 | (22.9) | **36.1** | |
| Tax | (1.7) | (1.9) | (7.5) | (2.3) | (26.4) | (8.3) | |
| Tax rate (%) | 21.4 | 18.5 | 2.9 | 22.5 | (1.0) | 23.0 | Lower than statutory tax rate |
| Minority interests | (1.3) | (2.8) | (54.7) | (2.2) | (42.3) | (6.6) | |
| **Net profit** | **5.1** | **5.4** | (6.9) | **5.9** | (14.2) | **21.2** | |
| **Core net profit** | **4.1** | **3.6** | 11.7 | **4.1** | (1.0) | 21.2 | **In line with expectations, at 19% of our FY18 estimates** |
| EPS (sen) | 1.9 | 2.1 | (8.8) | 2.3 | (15.1) | 8.3 | |
| Core EPS (sen) | 1.5 | 1.4 | 9.4 | 1.6 | (2.0) | 8.3 | Based on 264.6m outstanding shares |

SOURCES: CIMB, COMPANY REPORTS

**Figure 2: SOP-based target price [CY19F]**

| | |
|---|---|
| Share capital (m) | 256 |
| CY19 EPS (sen) | 9.2 |
| Target P/E | 11.2 |
| Value of business (RM/share) | 1.03 |
| Net cash position (RM) | 0.25 |
| **Target price (RM)** | **1.28** |

SOURCES: CIMB, COMPANY REPORTS

**Figure 3: Segmental revenue and profit before tax**

**Segmental revenue**

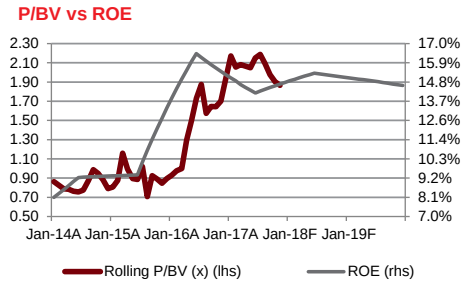
| FYE Dec | 1QFY18 | 1QFY17 | yoy % | Comments |
|---|---|---|---|---|
| (RM m) | | | chg | |
| Facilities | 31.3 | 29.1 | 7.7 | Facilities grew 7.7% yoy from commencement of new projects |
| Environment | 15.1 | 16.4 | (7.8) | |
| Engineering | 19.8 | 21.7 | (8.6) | |
| **Total Revenue** | **66.2** | **67.1** | **(1.4)** | |

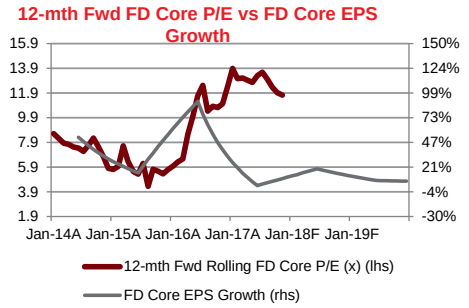
**Segmental profit before tax**

| FYE Dec | 1QFY18 | 1QFY17 | yoy % | Comments |
|---|---|---|---|---|
| (RM m) | | | chg | |
| Facilities | 6.8 | 2.1 | (>100) | |
| Environment | 2.9 | 6.9 | (58.2) | Decline due to lower progress billings |
| Engineering | (1.5) | 1.6 | (>100) | Decline owing to margin compression and project delays |
| Investment Holding | (0.2) | (0.5) | (66.3) | |
| **Total PBT** | **8.1** | **10.1** | **(20.2)** | |

SOURCES: CIMB, COMPANY REPORTS

## BY THE NUMBERS




### Profit & Loss

| (RMm) | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---|---|---|---|---|---|
| **Total Net Revenues** | **249.3** | **296.1** | **313.9** | **331.0** | **355.5** |
| **Gross Profit** | **79.1** | **85.8** | **94.5** | **102.8** | **112.2** |
| **Operating EBITDA** | **31.9** | **45.9** | **42.3** | **44.8** | **47.7** |
| Depreciation And Amortisation | (1.8) | (6.5) | (6.5) | (6.6) | (6.7) |
| **Operating EBIT** | **30.1** | **39.5** | **35.8** | **38.2** | **41.0** |
| Financial Income/(Expense) | 0.3 | (0.4) | 0.3 | 0.3 | 0.3 |
| Pretax Income/(Loss) from Assoc. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-Operating Income/(Expense) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Profit Before Tax (pre-EI)** | **30.4** | **39.1** | **36.1** | **38.5** | **41.3** |
| Exceptional Items | | | | | |
| **Pre-tax Profit** | **30.4** | **39.1** | **36.1** | **38.5** | **41.3** |
| Taxation | (6.5) | (8.7) | (8.3) | (8.5) | (9.1) |
| Exceptional Income - post-tax | | | | | |
| **Profit After Tax** | **23.9** | **30.4** | **27.8** | **30.0** | **32.3** |
| Minority Interests | (6.6) | (8.8) | (6.6) | (7.3) | (8.0) |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| **Net Profit** | **17.3** | **21.6** | **21.2** | **22.7** | **24.2** |
| Recurring Net Profit | 17.3 | 17.7 | 21.2 | 22.7 | 24.2 |
| **Fully Diluted Recurring Net Profit** | **17.3** | **17.7** | **21.2** | **22.7** | **24.2** |

### Cash Flow

| (RMm) | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---|---|---|---|---|---|
| EBITDA | 31.90 | 45.94 | 42.29 | 44.78 | 47.67 |
| Cash Flow from Invt. & Assoc. | | | | | |
| Change In Working Capital | (13.79) | 20.53 | (10.18) | (4.87) | (6.98) |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Interest (Paid)/Received | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tax Paid | (6.50) | (8.23) | (8.30) | (8.47) | (9.10) |
| **Cashflow From Operations** | **11.61** | **58.24** | **23.81** | **31.44** | **31.59** |
| Capex | (3.50) | (26.50) | (15.00) | (15.00) | (15.00) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Cash Flow From Investing** | **(3.50)** | **(26.50)** | **(15.00)** | **(15.00)** | **(15.00)** |
| Debt Raised/(repaid) | (1.20) | 0.00 | 0.00 | 0.00 | 0.00 |
| Proceeds From Issue Of Shares | | | | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (7.40) | (8.96) | (6.40) | (7.68) | (8.96) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | 0.15 | 0.45 | 0.60 | 0.60 | 0.60 |
| **Cash Flow From Financing** | **(8.45)** | **(8.51)** | **(5.80)** | **(7.08)** | **(8.36)** |
| Total Cash Generated | (0.34) | 23.23 | 3.01 | 9.36 | 8.23 |
| **Free Cashflow To Equity** | **6.91** | **31.74** | **8.81** | **16.44** | **16.59** |
| **Free Cashflow To Firm** | **8.11** | **31.74** | **8.81** | **16.44** | **16.59** |

SOURCE: CIMB RESEARCH, COMPANY DATA

## BY THE NUMBERS… cont'd

### Balance Sheet

| (RMm) | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---|---|---|---|---|---|
| Total Cash And Equivalents | 48.2 | 58.6 | 61.5 | 71.8 | 81.0 |
| Total Debtors | 120.6 | 91.5 | 103.2 | 108.8 | 116.9 |
| Inventories | 18.1 | 38.1 | 43.0 | 45.3 | 48.7 |
| Total Other Current Assets | 2.5 | 2.1 | 2.1 | 2.1 | 2.1 |
| **Total Current Assets** | **189.4** | **190.3** | **209.8** | **228.1** | **248.6** |
| Fixed Assets | 10.0 | 38.7 | 47.4 | 54.7 | 61.8 |
| Total Investments | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Intangible Assets | 28.1 | 28.1 | 28.1 | 28.1 | 28.1 |
| Total Other Non-Current Assets | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| **Total Non-current Assets** | **42.5** | **71.2** | **79.9** | **87.2** | **94.3** |
| Short-term Debt | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 78.3 | 89.7 | 96.2 | 99.3 | 103.7 |
| Other Current Liabilities | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| **Total Current Liabilities** | **80.3** | **91.7** | **98.2** | **101.3** | **105.7** |
| Total Long-term Debt | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| **Total Non-current Liabilities** | **3.4** | **3.4** | **3.4** | **3.4** | **3.4** |
| Total Provisions | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| **Total Liabilities** | **83.9** | **95.3** | **101.8** | **104.9** | **109.3** |
| Shareholders' Equity | 119.1 | 131.0 | 145.7 | 160.8 | 176.0 |
| Minority Interests | 28.9 | 35.6 | 42.3 | 49.6 | 57.6 |
| **Total Equity** | **148.0** | **166.6** | **188.0** | **210.4** | **233.7** |

### Key Ratios

| | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---|---|---|---|---|---|
| Revenue Growth | 94.7% | 18.8% | 6.0% | 5.4% | 7.4% |
| Operating EBITDA Growth | 126% | 44% | (8%) | 6% | 6% |
| Operating EBITDA Margin | 12.8% | 15.5% | 13.5% | 13.5% | 13.4% |
| Net Cash Per Share (RM) | 0.18 | 0.23 | 0.24 | 0.28 | 0.31 |
| BVPS (RM) | 0.47 | 0.51 | 0.57 | 0.63 | 0.69 |
| Gross Interest Cover | N/A | N/A | N/A | N/A | N/A |
| Effective Tax Rate | 21.4% | 22.3% | 23.0% | 22.0% | 22.0% |
| Net Dividend Payout Ratio | 26.9% | 16.9% | 21.7% | 24.6% | 26.9% |
| Accounts Receivables Days | 132.2 | 130.7 | 113.2 | 116.9 | 116.2 |
| Inventory Days | 38.31 | 48.77 | 67.46 | 70.67 | 70.73 |
| Accounts Payables Days | 64.11 | 77.40 | 89.05 | 93.28 | 93.37 |
| ROIC (%) | 45.9% | 39.2% | 32.9% | 30.0% | 29.4% |
| ROCE (%) | 22.6% | 24.7% | 20.2% | 19.2% | 18.5% |
| Return On Average Assets | 15.6% | 16.0% | 13.0% | 12.6% | 12.5% |

### Key Drivers

| | Jun-16A | Jun-17A | Jun-18F | Jun-19F | Jun-20F |
|---|---|---|---|---|---|
| ASP (% chg, main prod./serv.) | 6.5% | 13.0% | 0.0% | 0.0% | 0.0% |
| Unit sales grth (%, main prod./serv.) | 52.1% | 19.1% | 7.0% | 7.0% | 7.0% |
| Util. rate (%, main prod./serv.) | N/A | N/A | N/A | N/A | N/A |
| ASP (% chg, 2ndary prod./serv.) | N/A | N/A | N/A | N/A | N/A |
| Unit sales grth (%,2ndary prod/serv) | N/A | N/A | N/A | N/A | N/A |
| Util. rate (%, 2ndary prod/serv) | N/A | N/A | N/A | N/A | N/A |
| Unit raw mat ASP (%chg,main) | N/A | N/A | N/A | N/A | N/A |
| Unit raw mat ASP (%chg,2ndary) | N/A | N/A | N/A | N/A | N/A |

SOURCE: CIMB RESEARCH, COMPANY DATA

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| **Score Range:** | 90 - 100 | 80 - 89 | 70 - 79 | Below 70 or | No Survey Result |
|---|---|---|---|---|---|
| **Description:** | Excellent | Very Good | Good | N/A | |

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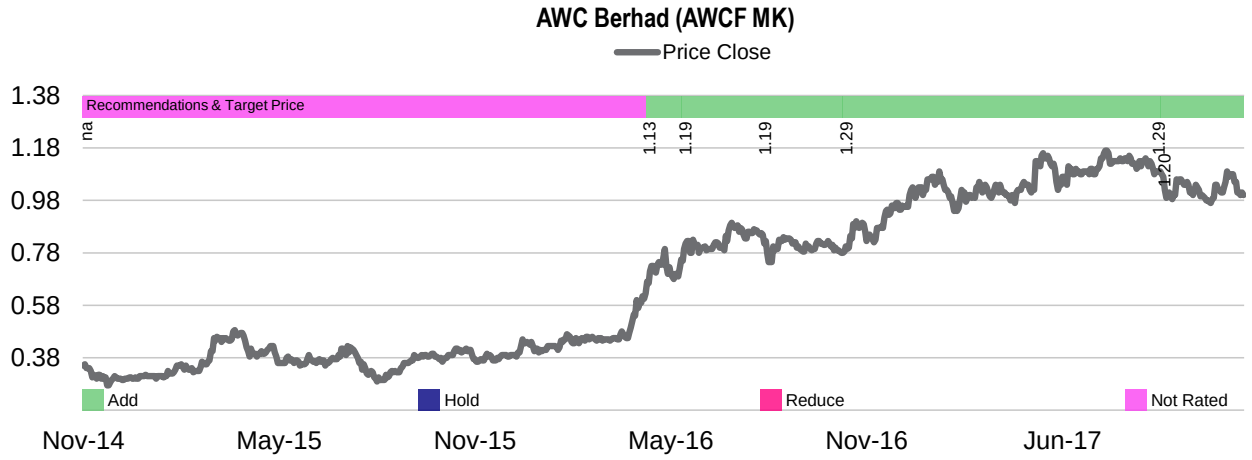
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|---|---|---|
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 53.5% | 4.3% |
| Hold | 35.9% | 2.6% |
| Reduce | 9.7% | 0.2% |

**Spitzer Chart for stock being researched ( 2 year data )**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017**

**AAV** – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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|---|---|
| Add | The stock's total return is expected to exceed 10% over the next 12 months. |
| Hold | The stock's total return is expected to be between 0% and positive 10% over the next 12 months. |
| Reduce | The stock's total return is expected to fall below 0% or more over the next 12 months. |

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

| Sector Ratings | Definition: |
|---|---|
| Overweight | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation. |
| Neutral | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation. |
| Underweight | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |

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