

First Myanmar Investment (FMI)

Outperform (03/18E TP Kyat 16,800)

Close Kyat 14,500

Company Update

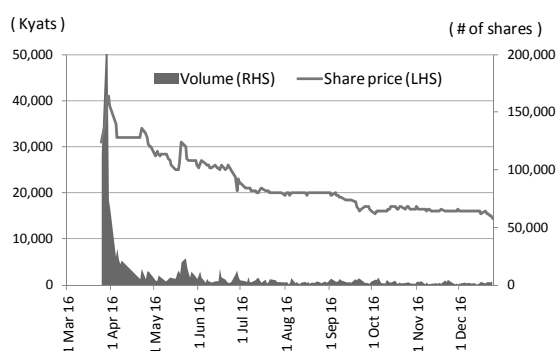
Diversified Conglomerate (Financial Services, Real Estate and Healthcare)

December 27, 2016

Real estate should recover slower than expected

Share data

Paid-up Shares (mn)	23.48
Par (USD/Kyat)	0.730 / 1,000
Market cap (US\$ mn /Kyat bn)	248.7/340.46
URL	www.fmi.com.mm



Major Shareholders (30 Sep'15)

Major Shareholders (30 Sep'15)	Holding
U Theim Wai @ Serge Pun	33.8%
Yangon Land	31.0%
U Phyo Phyu Noe	4.7%
SPA Assets Management	4.6%
Yoma Myittar Development	4.3%

Expect recovery of real estate to remain slow in 2017

FMI's share price has retreated 65% from its peak since entering the YSX in March 2016. This should have resulted mainly from the slower-than-expected recovery of profit from real estate, which has been the key profit driver of FMI for many years. We expect the other two core businesses, i.e., the bank and hospital, to continue growing on course, but decreasing speculation on the real estate market along with an increase in negative factors in terms of a higher tax rate and oversupply of luxury condominiums should delay the recovery of real estate for a few more years. We revise down FMI's profit forecasts and roll over the TP to Kyat16,800 in 03/18E. However, we think that downside risk for the stock price should begin to be limited after the significant correction during the past 8-9 months. With an improved investment climate on the horizon from the recent lifting of U.S. sanctions and Myanmar's new investment law expected to be enacted in 2017 that will allow foreign investors to participate in stock trading, we rate "Outperform" on the counter.

1H 03/17 profit lower than expected

1H 03/17 net profit of Kyat4.89bn was much lower than estimated (accounting for just 29% of our previous full-year forecast) due largely to the weak performance of the real estate business. If excluding extra items, the company showed an improving performance from the core operation with the net loss declining from Kyat1.93bn in 1H03/16 to Kyat417mn in 1H 03/17.

Sluggish real estate market

The slowdown of the real estate market has been the main culprit behind FMI's weaker-than-expected performance. This resulted from 1) a delay of the regulations accompanying the Condominium Law, 2) a higher tax rate imposed on condominium transfers starting in April and 3) a cooling down of property speculation after the country's post-election development has not progressed as swiftly as previously expected.

Bank and healthcare doing well

We maintain our view that the bank and hospital businesses of FMI should continue growing on course. We maintain the forecasts for the bank's net profit growth of 67% in 03/17 and the hospital business to turn to net profit of around Kyat2.0bn in FY 03/18.

Switching a tourism investment through RTO of an SGX listed company

FMI and its SGX-listed sister company will spin off tourism businesses through a reverse takeover of SHC Capital Asia, a company listed on the Catalist Board of the Singapore Stock Exchange. The deal is expected to be completed in 1H 2017.

Financials and Valuation

FY Ended 31 Mar	03/14	03/15	03/16	03/17E	03/18E
Revenues (Kyat mn)	11,128	33,319	110,024	157,359	215,625
Net profit (Kyat mn)	12,499	74,655	9,427	6,418	6,749
Core profit (Kyat mn)	12,499	14,165	2,136	1,598	6,749
EPS (Kyat)	678.64	3,320.97	401.50	273.32	287.45
EPS growth (%)	n.a.	389.4%	-87.9%	-31.9%	5.2%
Dividend (Kyat)	200	120	135	80	80
BV (Kyat)	4,432	7,808	7,956	8,113	8,320

FY Ended 31 Mar	03/14	03/15	03/16	03/17E	03/18E
PER (x)	16.21	3.91	97.14	53.05	50.44
EV/EBITDA (x)	112.01	1,583.96	562.41	136.75	95.80
PBV (x)	2.48	1.66	4.90	1.79	1.74
Dividend yield (%)	1.82	0.92	0.35	0.52	0.52
ROE (%)	17.8%	48.6%	4.0%	2.5%	2.5%
Net gearing (%)	Cash	327.1%	499.9%	705.0%	863.0%

Pornsawat Jirajarus

Analyst no. 18228

Pornsawatj@ktzmico.com

66 (0) 2624 6257

1H 03/17 profit lower than expected

FMI reported 1H 03/17 net profit of Kyat4.85bn (EPS of Kyat207), down 10% YoY, due largely to foreign currency losses of Kyat1.64bn. Excluding extra items, the company showed an improving performance from the core operation with the net loss declining from Kyat1.93bn in 1H03/16 to Kyat417mn in 1H 03/17. However, the net profit was much lower than estimated (accounting for just 29% of our previous full-year forecast) due largely to the weak performance of the real estate business.

The revenue breakdown consisted of 90% from Yoma Bank and 10% from Pun Hlaing Siloam Hospital (PHSH). Total revenue grew 49% YoY, with Yoma Bank's interest income and fee income rising 65% YoY and 38% YoY, respectively, and PHSH's revenue growing 25% YoY from higher inpatient occupancy and service income. The YoY consolidated gross margin rose 121 bps from improvements at PHSH, while the bank's margin fell slightly.

Shared profit from affiliates turned from Kyat457mn profit in 1H 03/16 to a loss of Kyat118mn, primarily due to the Kyat416mn loss from Chindwin Holdings, the operator of Balloons over Bagan. Shared profit of Kyat298mn (vs. Kyat3.37bn in 03/16) from the real estate business, the key profit contributor in past years, came largely from Meeyahta International Hotel (rental income from FMI Center), while Thanlyin Estate (Star City) continued to record slow sales.

Profit from non-operations of Kyat5.27bn in 1H 03/17 came largely from 1) Kyat4.24bn gain on partial disposal of MTSB (resulting in a reduction of FMI's stake from 5.0% to 2.5%) and 2) a Kyat2.61bn increase in asset capitalization from land transferred among associate companies (for Dulwich College Yangon Campus). The YoY decline in profit from non-operations was due mainly to the absence of huge gain from disposal of FMI Air (Kyat4.40bn) in 1H 03/16 and Fx loss of Kyat1.64bn.

Figure 1: FMI's earnings results review

Profit and Loss (Kyats mn) FY Ended 31 March	FY14/15	FY15/16	1H 15/16 30/9/2015	1H 16/17 30/9/2016	% YoY	FY16/17E	% YoY	% YTD
Revenue	33,319	110,024	49,956	74,634	49	157,359	43	47
- Financial services	18,766	95,304	n.a.	67,461	n.a.	140,483	47	48
- Healthcare services	4,123	11,922	5,712	7,146	25	16,567	39	43
- Airline services	7,265	2,342	n.a.	-	n.a.	0	(100)	n.a.
- Rent, dividend and others	3,166	455	n.a.	27	n.a.	309	(32)	9
Gross profit	12,918	35,093	14,838	23,072	55	48,998	40	47
- Financial services	8,054	30,983	n.a.	n.a.	n.a.	42,389	37	n.a.
- Healthcare services	876	4,892	n.a.	n.a.	n.a.	6,301	29	n.a.
- Airline services	1,220	(1,238)	n.a.	-	n.a.	0	(100)	n.a.
- Rent, dividend and others	2,768	455	n.a.	n.a.	n.a.	309	(32)	n.a.
Selling & Admin expenses	14,007	35,524	17,073	19,430	14	40,903	15	48
- Financial services	6,901	25,703	n.a.	n.a.	n.a.	32,216	25	n.a.
- Healthcare services	2,207	6,084	n.a.	n.a.	n.a.	6,896	13	n.a.
- Airline services	3,039	2,126	n.a.	-	n.a.	0	(100)	n.a.
- Others	1,860	1,611	n.a.	n.a.	n.a.	1,791	11	n.a.
Other income (expense)	0	133	(35)	(446)	n.m.	139	5	(320)
Operating profit (loss)	(1,089)	(299)	(2,270)	3,195	n.m.	8,235	(2,858)	39
- Financial services	1,152	5,280	n.a.	n.a.	n.a.	10,173	93	n.a.
- Healthcare services	(1,331)	(1,192)	n.a.	n.a.	n.a.	(595)	(50)	n.a.
- Airline services	(1,819)	(3,364)	n.a.	-	n.a.	0	(100)	n.a.
- Others	909	(1,155)	n.a.	n.a.	n.a.	(1,483)	28	n.a.
EBITDA	516	3,176	(411)	5,239	n.m.	11,763	270	45
Interest expense	(624)	(438)	(564)	(572)	n.m.	(1,261)	188	45
Share of profit (loss) from affiliates	15,453	3,961	457	(118)	n.m.	638	(84)	(19)
- Property business	10,604	3,366	n.a.	298	n.m.	774	(77)	38
- Financial services	1,704	0	n.a.	0	n.m.	0		
- Healthcare	3,287	0	n.a.	0	n.m.	0		
- Others	(143)	595	n.a.	(416)	n.m.	(136)	(123)	n.m.
Profits from operating activities	13,740	3,224	(2,377)	2,505	n.m.	7,612	136	33
Profits from non-operations	60,620	7,142	7,305	6,911	(5)	4,819	(33)	143
Forexgain (loss)	(129)	149	n.a.	(1,642)	n.m.	(1,642)	(1,201)	100
Income tax	(1,107)	(1,599)	(847)	(1,575)	86	(2,553)	60	62
Minority interest	1,532	511	1,290	(1,347)	n.m.	(3,460)	(777)	39
Net profit (loss)	74,655	9,427	5,371	4,851	(10)	6,418	(32)	76
Core net profit (loss)	14,165	2,136	(1,934)	(417)	(78)	1,598	(25)	n.m.
Reported EPS (Kyat)	3,321	402	235	207	(12)	273	(32)	76
Core EPS (Kyat)	630	91	(82)	(18)	n.m.	68	(25)	n.m.
Gross margin (%)	38.8	31.9	29.7	30.9	1.21	31.1		
- Financial services	42.9	32.5	n.a.	n.a.	n.a.	30.2		
- Healthcare services	21.3	41.0	n.a.	n.a.	n.a.	38.0		
- Airline services	16.8	(52.8)	n.a.	-	n.a.	-		
EBITDA margin (%)	1.5	2.9	(0.8)	7.0	7.84	7.5		
Net margin (%)	224.1	8.6	10.8	6.5	(4.25)	4.1		
Core profit margin (%)	42.5	1.9	(3.9)	(0.6)	3.31	1.0		
Current ratio (x)	0.8	0.8	n.a.	0.8		0.8		
Interest coverage (x)	0.8	7.3	(0.7)	9.2		9.3		
Net debt/equity (x)	2.6	3.7	n.a.	4.4		5.0		
BVPS (Bt)	7,808.4	7,955.9	n.a.	8,112.6		8,112.6		
ROE (%)	48.6	4.0	n.a.	3.5		4.5		
No. of shares (mn)	22.5	23.5	23.5	23.5		23.5		

Source: FMI, KT Zmico research

Sluggish real estate market – recovery should take longer than expected

The slowdown of Myanmar's real estate market has been the main culprit behind FMI's weaker-than-expected performance this year. The negative factors that caused the slowing market include 1) delay of the regulations accompanying the Condominium Law, which will allow foreigners to buy up to 40% of total project space of condominiums in Myanmar, 2) a higher tax rate imposed on condominium transfers starting in April 2016, 3) oversupply of luxury condominiums and 4) shaking of buyers' confidence after the government's ruling in May to freeze construction work on many high-rise buildings for inspections. We expect that the regulations accompanying the Condominium Law will be enacted next year and help stimulate buyer demand. However, we view that the other negative factors such as the high tax rate and oversupply of luxury units will continue to discourage buyers' appetite. We also believe that the speculation on the real estate market has been reduced after the country's post-election development has not progressed as swiftly as many previously thought. This should result in the recovery of the real estate market remaining slow in the next 2-3 years.

Bank doing well, but more capital required should lower the firm's ROE

Yoma Bank's loan book grew 63% YoY to Kyat850bn at the end of 1H 03/17 compared to deposits of Kyat1,270bn (+16% YoY), resulting in a loan-to-deposit ratio of 67%, up slightly from 66% at the end of 03/16. The bank has gone through a series of recapitalizations, resulting in its capital rising by nearly one fold during the past year; however, we expect that its strong loan growth will bring down the bank's capital adequacy ratio to around 13% at the end of 1H 03/17 (vs. 11% at the end of Dec-15 and the Central Bank of Myanmar's minimum requirement of 10%). This should require the bank to raise more capital in the next 6-12 months. The need for periodic capital increases will lower the firm's ROE over the long term.

We maintain the forecasts for FMI's banking business, expecting loan growth of 40% in 03/17E and 30% in 03/18E, revenue growth of 47% in 03/17E and 32% in 03/18E and net profit to rise 67% in 03/17 and grow at a CAGR of 43% during FY03/18E-FY03/19E (the company did not provide a business breakdown for operating profit and net profit of interim results).

Wave Money (a mobile money transfer joint venture between Norway's Telenor, FMI and Yoma Bank in the proportion of 51%, 44% and 5%, respectively) - The company has not yet disclosed shared profit/(loss) of Wave Money in the 1H 03/17 financial results. Wave Money plans to aggressively expand its network from around 4,000 outlets in mid 2016 to around 6,000 outlets by the end of this year. We retain our view that this affiliate will incur losses in the first 1-2 years but will later boost fee income and the deposit base for Yoma Bank over the long term.

Healthcare: Capital increase to support expansion

FMI notified the YSX last Friday (23 December) that the firm has increased its capital contribution to Yoma Siloam Hospital Pun Hlaing Limited (YSHPH), its 60%-owned subsidiary (remaining 40% is a partnership with the Lippo Group of Indonesia) and operator of PHS, by USD 5.42mn. This is to support expansion of PHS's facilities. We maintain our view that expects PHS to continue gaining more recognition in the premium healthcare segment. We maintain our forecasts expecting the hospital to report a decreasing loss to Kyat700-800mn in 03/17E (no disclosure for interim; vs. loss of Kyat 1.2bn in 03/16) and turn to net profit of around Kyat2.0bn in FY 03/18.

Spinning off investment in tourism businesses through RTO of an SGX-listed company

FMI and its sister company, SGX-listed Yoma Strategic Holding (YSH) hold 30% and 70% in Chindwin Holdings Pte., operator of tourism businesses in Myanmar (Balloons over Bagan, Pun Hlaing Lodge and Bagan Land). Chindwin provided shared profit of Kyat186.5mn to FMI in 03/16.

On October 24, FMI, YSH and Exemplary Venture Ltd. (EVL, new partner) entered into an agreement to spin off their businesses through a reverse takeover of SHC Capital Asia Ltd. (SHC), a company listed on the Catalist Board of the Singapore Stock Exchange. The deal would result in a transfer of the tourism businesses of FMI and YSH and the hotel and tourism management business of EVL into a new entity, which eventually will be fully owned by SHC. The final structure will result in FMI, YSH and EVL holding 13.4%, 53.5% and 19.1% shares, respectively, in SHC. This deal, still subject to certain condition precedents, is expected to be completed in 1H 2017.

Forecasts cut and roll over TP to Kyat16,800 in 03/18E

We revise down our profit forecasts and roll over the TP to Kyat16,800 in 03/18E. Our new TP is 25% lower than the 03/17E TP at Kyat 22,300 due to:

- 1) 16% lower value from Yoma Bank's valuation given that our adjustments to the bank's recapitalization requirement lower its long-term ROE from 21% to 17% and the PBV multiple under the Gordon growth model to 1.5x vs. 1.0x of regional peers and 0.9x of MCB, down from the previous multiple at 5.9x, also derived from the Gordon growth model, which was also close to the multiple when FMI bought an additional 15% share in Yoma Bank in December 2014.
- 2) 7% lower value from the real estate business, as we expect that the recovery of the real estate market will continue at a rather slow pace in the next 2-3 years. We revise down FMI's share of profit from affiliates by around 90% in 03/17E-03/18E, which is the key factor for the lowering of FMI's core net profit forecasts by 90% in 03/17 and 81% in 03/18.
- 3) 2% lower value from decreasing the investment in MTSB (partial disposal in 1H 03/17, which resulted in the reduction of FMI's stake from 5.0% to 2.5%).

Note that due to limited disclosure related to the tourism business at the time being, our valuation using FMI's investment cost on the tourism business is unchanged.

Figure 2: Earnings revisions

Forecast revisions	New			Old	
	03/16	03/17E	03/18E	03/17E	03/18E
Revenues	110,024	157,359	215,625	157,543	213,906
% change		0%	1%		
- Financial services	95,304	140,483	184,795	140,444	182,792
- Healthcare services	11,922	16,567	30,550	16,567	30,550
- Others	2,798	309	279	532	564
Gross margin	31.9%	31.1%	34.0%	34.1%	34.7%
EBITDA	3,176	11,763	20,302	18,421	28,292
% change		-36%	-28%		
EBITDA margin	2.9%	7.5%	9.4%	11.7%	13.2%
Share of profit from affiliates	3,961	638	2,265	10,943	26,394
% change		-94%	-91%		
Profits from non-operations	7,291	4,819	0	0	0
Net profit	9,427	6,418	6,749	16,619	35,735
% change		-61%	-81%		
Core net profit	2,136	1,598	6,749	16,619	35,735
% change		-90%	-81%		
Net margin	8.6%	4.1%	3.1%	10.5%	16.7%

Source: KT Zmico research

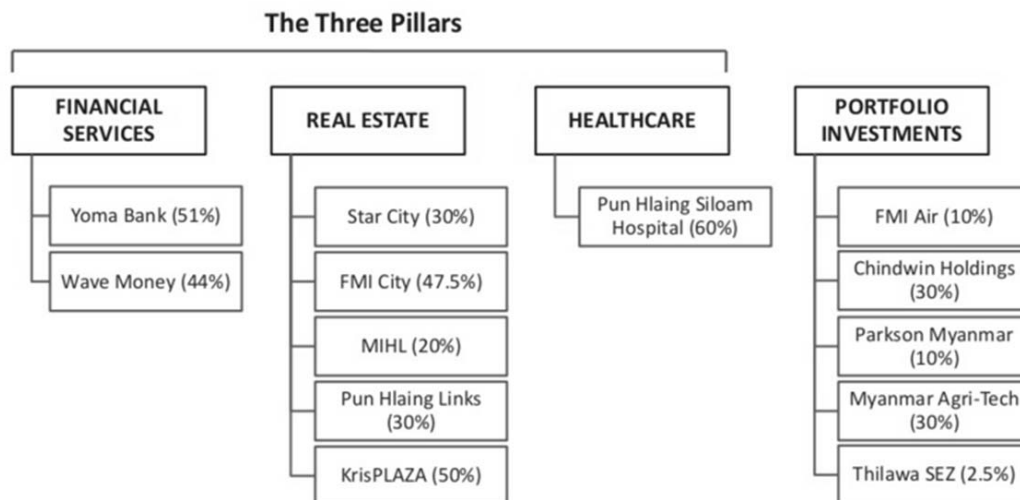
Figure 3: Sum-of-the-parts valuation

(Kyat mn)	% holding	FY03/18E	% of gross valuation	Comment
Core businesses				
Yoma Bank	51%	80,750	20%	P/BV at 1.5x(Gordon model)
Pun Hliang Silom Hospital	60%	48,020	12%	DCF
Real Estate		254,670	65%	
Thanlyin Estate (Star City)	30%	104,370		
Current phases		9,030		FY03/18E RNAV
Remaining developable area		95,340		FY03/18E RNAV
Pun Hling Link Services	30%	52,520		
Remaining developable area		43,520		FY03/18E RNAV, excluding golf course and international school
Golf course 125 acres		9,000		In case raw land sales @ USD 200,000 /acre, assuming no debt
Landmark Development	20%	90,680		FY03/18E RNAV
KrisPlaza	50%	7,100		FY03/18E RNAV
Other associated companies				
Myanmar Thilawa SEZ (MTSH)	2.5%	4,477	1%	Based on 19/12/2016 close price @ Kyat 4,600
Luxury tourism (balloon over Bagan)	30%	6,188	2%	FY03/16 - investment cost
FMI Air	10%	-	0%	FY03/16 - investment cost Kyat 2.31bn, but still operates at loss
Parkson	10%	259	0%	FY03/16 - investment cost
Total segmental value		394,364	100%	
Number of shares (million)		23.5		
Fair value per share (Kyat)		16,800		

Source: KT Zmico research

Figure 4: FMI's investment structure

FMI Overview



Source: FMI

FY Ended 31 March	Consolidated				
PROFIT & LOSS (Ks mn)	03/14	03/15	03/16	03/17E	03/18E
Revenues	11,128	33,319	110,024	157,359	215,625
Cost of sales and service	(6,706)	(20,401)	(74,932)	(108,361)	(142,375)
Gross profit	4,422	12,918	35,093	48,998	73,251
SG&A	(2,880)	(14,007)	(35,524)	(40,903)	(57,150)
EBITDA	1,796	516	3,176	11,763	20,302
Depreciation & amortization	(255)	(1,605)	(3,475)	(3,528)	(4,055)
EBIT	1,542	(1,089)	(299)	8,235	16,247
Interest expense	(40)	(624)	(438)	(1,261)	(1,378)
Gain (loss) from affiliates	11,431	15,453	3,961	638	2,265
Extra Items	320	60,491	7,291	4,819	0
EBT	13,252	74,231	10,515	12,431	17,134
Corporate tax	(704)	(1,107)	(1,599)	(2,553)	(3,761)
Net profit	12,499	74,655	9,427	6,418	6,749
Reported EPS	678.64	3,320.97	401.50	273.32	287.45
Core net profit	12,499	14,165	2,136	1,598	6,749
Core EPS	678.64	630.10	90.98	68.08	287.45
Dividend (Ks)	200.00	120.00	121.00	122.00	123.00
FY Ended 31 March	Consolidated				
BALANCE SHEET (Ks mn)	03/14	03/15	03/16	03/17E	03/18E
Cash and equivalents	1,177	129,014	187,642	51,985	64,575
Accounts receivable	21,728	2,835	21,258	30,130	41,310
Inventories	365	480	612	594	780
PP&E-net	10,223	107,339	66,333	69,833	72,806
Other assets	39,500	296,265	391,630	508,452	561,035
Total assets	86,547	961,515	1,401,172	1,707,560	2,075,542
ST debt & current portion	0	689,282	1,094,804	1,357,557	1,713,237
Long-term debt	178	13,917	26,667	37,344	37,344
Total liabilities	4,524	736,558	1,151,003	1,442,252	1,798,739
Paid-up shares	18,418	22,480	23,480	23,480	23,480
Shareholder equity	81,638	175,534	186,805	190,485	195,356
Total liab. & shareholder equity	86,162	912,091	1,337,808	1,632,736	1,994,095
FY Ended 31 March	Consolidated				
CASH FLOW (Ks mn)	03/14	03/15	03/16	03/17E	03/18E
Net income	12,499	74,655	9,427	6,418	6,749
Forex and other extraordinary adjustments	-	-	9,560	8,432	-
Depreciation & amortization	255	1,605	3,475	3,528	4,055
Change in working capital	(20,445)	72,875	77,104	(42,922)	55,927
Cash flow from operations	- 18,722	72,873	- 20,735	- 136,136	21,496
Capex (Invest)/Divest	(17,607)	19,152	(59,612)	(7,028)	(7,028)
Cash flow from investing	(17,607)	19,152	(59,612)	(7,028)	(7,028)
Debt financing (repayment)	- 26	13,856	12,523	10,677	-
Equity financing	39,246	25,551	-	-	-
Dividend payment	- 1,306	- 3,597	- 2,746	- 3,170	- 1,878
Others	-	-	-	-	-
Cash flow from financing	37,915	35,810	9,778	7,507	- 1,878
Net change in cash	1,586	127,835	(70,570)	(135,657)	12,590
Free cash flow	(36,329)	92,025	(80,347)	(143,164)	14,468
FCF per share (Ks)	(1,972)	4,094	(3,422)	(6,097)	616
FY Ended 31 March	Consolidated				
PROFITABILITY	03/14	03/15	03/16	03/17E	03/18E
Revenue growth (%)	n.a.	199.4	230.2	43.0	37.0
EBITDA growth (%)	n.a.	(71.3)	515.7	270.4	72.6
EPS growth (%)	n.a.	389.36	(87.91)	(31.93)	5.17
Gross margin (%)	39.7	38.8	31.9	31.1	34.0
EBITDA margin (%)	16.1	1.5	2.9	7.5	9.4
Operating margin (%)	13.9	(3.3)	(0.3)	5.2	7.5
Net margin (%)	112.3	224.1	8.6	4.1	3.1
Core profit margin (%)	112.3	42.5	1.9	1.0	3.1
Effective tax rate (%)	5.3	1.5	15.2	20.5	22.0

Note:

KT ZMICO has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully.

An executive of KT ZMICO Securities is also a board member of BCP, BTC, CI, CPI, KBS, MAJOR, MK, PACE, PSL, SVH, VNG, ZMICO, SAWAD, TFG.






A management member of KT ZMICO Securities is also a board member of BTC and NFC.

KT ZMICO is a financial advisor for U, LOXLEY, ZMICO, MAKRO, CPALL, SAFARI, PACE, M-CHAI, PF. TFD, EVER.

Corporate Governance Report (CGR)

Source: Sec, Thai Institute of Directors

Association (IOD)

 <p>Excellent (scores: 90 - 100)</p>	 <p>Satisfactory (scores: 60 – 69)</p>
 <p>Very Good (scores: 80 – 89)</p>	 <p>Pass (scores: 50 – 59)</p>
 <p>Good (scores: 70 – 79)</p>	<p>No Logo N/A (scores: below 50)</p>

Anti-corruption Progress Indicator

Source: Sec, Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed)** : Organization’s statement or board's resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared)** : Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established)** : Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified)** : Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended)** : Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

DISCLAIMER

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user.

KT ZMICO RESEARCH – RECOMMENDATION DEFINITIONS

STOCK RECOMMENDATIONS

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

OUTPERFORM: Expecting total returns between -10% to +15%; returns expected to exceed market returns over a six-month period due to specific catalysts

UNDERPERFORM: Expecting total returns between -10% to +15%; returns expected to be below market returns over a six-month period due to specific catalysts

SELL: Expecting negative total returns of 10% or more over the next 12 months

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% 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 by 10% over the next 12 months.