

22 February 2021

Consumer Cyclical | Leisure & Entertainment

Central Pattana (CPN TB)

Buy (Maintained)

Asset Spin-Off – 1Q21 Catalyst; Maintain BUY

Target Price (Return): THB66.00 (+28%)
 Price: THB51.50
 Market Cap: USD7,680m
 Avg Daily Turnover (THB/USD) 614m/20.4m

- **Keep BUY and DCF-based THB66.00 TP, 28% upside and c.2% yield.** 4Q20 earnings fell YoY and QoQ on weaker profit margins. We are optimistic about Central Pattana's 2021F profit recovery, in addition to 1Q21F catalyst and earnings upside ie one-off gains from the spin-off of its two malls into CPN Retail Growth Leasehold REIT (CPNREIT TB, NR).
- **Weak margins lowered 4Q20 results.** 4Q20 core profit of THB2.1bn (-39% YoY, -11% QoQ) was in line with our forecast of THB2.0bn. The narrower profit margin was mainly from its retail malls as rental income fell, leading to lower earnings QoQ. FY20 core profit was THB7.3bn (-38%), affected by the COVID-19 lockdown in Mar-May 2020, which resulted in temporary mall closure in 2Q20, weak store traffic, and rent waivers and discounts given to tenants.
- **Outstanding residential business.** Total revenue rose 10% QoQ, strongly supported by CPN's residential business (+227%), as it delivered robust low- and high-rise residential project transfers in Bangkok and the provinces. Rental income from shopping malls fell slightly by 2% QoQ, from ongoing rent discounts of c.20% and COVID-19 resurgence in late Dec 2020, which caused partial closure of tenants at some of its malls.
- **Sluggish profit margins.** Overall GPM was 47.5% (-4.4ppts YoY, -1.8ppts QoQ) on rising variable costs for retail malls and hotels, but intensive cost control measures and favourable residential project development costs (ie land) helped limit the decline. Opex-to-sales ratio rose 2.8ppts QoQ on a handful of year-end marketing activities. Financial cost hike from a change to the Thai Financial Reporting Standards 16 also undermined bottomline and lowered CPM by 7ppts YoY and 6.4ppts QoQ.
- **Seek better mall operations.** All CPN's local retail malls fully opened from early February. We expect its core business operations to gradually recover from 2Q21. Average rent discounts may be steeper at c.30% in 1Q21 due to COVID-19 resurgence, but it should improve to <20% from 2H20.
- **2021F earnings recovery maintained.** We keep FY21F core profit, which may see 40% growth to THB10bn. Apart from a low earnings base and improving mall operations, we believe it will be further supported by the opening of two new retail projects in Ayutthaya and Sri Racha in 4Q21 (combined c.80,000 sqm NLA); its housing business' (8% of revenue) c.TH500m backlog and new launches of 3-5 residential projects; as well as CPN's strength in opex control, which can help boost CPM by 2ppts.
- **BUY, gains from asset spin-off as catalyst.** We see c.TH1.5-2.0bn one-off extraordinary gains in 1Q21F from the spin-off of two retail malls in Pattaya and Lampang into the REIT may be an upside to its 1Q21F bottomline and act as a near-term catalyst. Core profit may return to pre-pandemic levels in 2022F, while the ongoing 5-year investment plan may strengthen its long-term business outlook. CPN announced FY20 DPS of THB0.07 or 1.4% yield, with the ex-dividend date on 4 Mar.

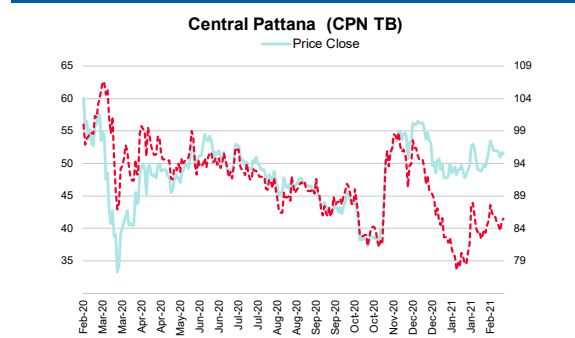
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Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|---------------|-----|--------|-------|--------|
| Absolute | 7.9 | 6.7 | (3.7) | 13.2 | (14.5) |
| Relative | 4.4 | 8.2 | (13.3) | (1.5) | (14.2) |
| 52-wk Price low/high (THB) | 33.25 – 60.00 | | | | |



Source: Bloomberg

| Forecasts and Valuation | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
|---------------------------------|--------|--------|---------|---------|---------|
| Total turnover (THBm) | 36,719 | 27,862 | 35,350 | 41,790 | 46,178 |
| Recurring net profit (THBm) | 11,621 | 7,253 | 10,018 | 12,586 | 14,313 |
| Recurring net profit growth (%) | 7.4 | (37.6) | 38.1 | 25.6 | 13.7 |
| Recurring EPS (THB) | 2.59 | 1.62 | 2.23 | 2.80 | 3.19 |
| DPS (THB) | 0.80 | 0.70 | 0.89 | 1.12 | 1.28 |
| Recurring P/E (x) | 19.89 | 31.87 | 23.07 | 18.36 | 16.15 |
| P/B (x) | 3.20 | 3.36 | 3.02 | 2.72 | 2.45 |
| Dividend Yield (%) | 1.6 | 1.4 | 1.7 | 2.2 | 2.5 |
| Return on average equity (%) | 17.0 | 13.6 | 13.8 | 15.6 | 15.9 |
| Net debt to equity (%) | 37.5 | 47.1 | 40.3 | 27.9 | 19.4 |

Source: Company data, RHB

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Financial Exhibits

| Asia | Financial summary (THB) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Thailand | Recurring EPS | 2.59 | 1.62 | 2.23 | 2.80 | 3.19 |
| Consumer Cyclical | EPS | 2.62 | 2.13 | 2.23 | 2.80 | 3.19 |
| Central Pattana | DPS | 0.80 | 0.70 | 0.89 | 1.12 | 1.28 |
| CPN TB | BVPS | 16.07 | 15.33 | 17.06 | 18.97 | 21.03 |
| Buy | Return on average equity (%) | 17.0 | 13.6 | 13.8 | 15.6 | 15.9 |
| | Return on average assets (%) | 7.1 | 4.9 | 4.5 | 5.4 | 6.0 |
| Valuation basis | | | | | | |
| DCF | Valuation metrics | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| | Recurring P/E (x) | 19.89 | 31.87 | 23.07 | 18.36 | 16.15 |
| | P/B (x) | 3.2 | 3.4 | 3.0 | 2.7 | 2.4 |
| | Dividend Yield (%) | 1.6 | 1.4 | 1.7 | 2.2 | 2.5 |
| | EV/EBITDA (x) | 11.67 | 14.33 | 12.00 | 10.14 | 9.02 |
| Key drivers | Income statement (THBm) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| i. The opening of new shopping malls; | Total turnover | 36,719 | 27,862 | 35,350 | 41,790 | 46,178 |
| ii. Renovations at existing projects, which may increase NLAs and help improve average rental rates; | Gross profit | 18,633 | 12,825 | 16,632 | 20,074 | 22,353 |
| iii. Improving domestic consumption that boosts customer traffic and income from revenue-sharing contracts. | EBITDA | 21,906 | 18,533 | 21,945 | 25,148 | 27,556 |
| | Depreciation and amortisation | (7,117) | (7,906) | (8,177) | (8,647) | (9,186) |
| | Operating profit | 14,789 | 10,627 | 13,767 | 16,501 | 18,370 |
| | Net interest | (811) | (1,865) | (1,610) | (1,226) | (1,000) |
| | Pre-tax profit | 14,095 | 11,066 | 12,157 | 15,275 | 17,371 |
| | Taxation | (2,286) | (1,449) | (2,006) | (2,520) | (2,866) |
| | Reported net profit | 11,738 | 9,557 | 10,018 | 12,586 | 14,313 |
| | Recurring net profit | 11,621 | 7,253 | 10,018 | 12,586 | 14,313 |
| Key risks | Cash flow (THBm) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| i. Delays in the opening of new projects; | Change in working capital | (257) | 853 | 6,728 | 131 | (391) |
| ii. Popularity of online trading channels; | Cash flow from operations | 20,619 | 22,665 | 15,826 | 21,003 | 23,369 |
| iii. Uncertainties like natural disasters, riots, and terrorism. | Capex | (18,500) | (9,900) | (12,850) | (14,750) | (15,350) |
| | Cash flow from investing activities | (20,194) | (16,398) | (14,648) | (17,644) | (18,144) |
| | Dividends paid | (4,937) | (3,577) | (3,142) | (4,007) | (5,034) |
| | Cash flow from financing activities | (1,393) | (1,101) | (4,136) | (4,698) | (7,431) |
| | Cash at beginning of period | 3,021 | 2,053 | 7,219 | 4,261 | 2,922 |
| | Net change in cash | (968) | 5,165 | (2,958) | (1,339) | (2,206) |
| | Ending balance cash | 2,053 | 7,219 | 4,261 | 2,922 | 716 |
| Company Profile | Balance sheet (THBm) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| Central Pattana is involved in retail property for rental. Its properties comprise large shopping complexes, and are branded under Central Plaza, Central Festival, and CentralWorld on top of other supportive businesses. Its portfolio mainly consists of shopping centres, offices, and hotels. CPN also invests in retail and office property funds, and acts as a property manager for such funds. | Total cash and equivalents | 3,055 | 9,225 | 6,054 | 5,042 | 3,058 |
| | Tangible fixed assets | 127,919 | 180,658 | 186,972 | 193,075 | 199,239 |
| | Total investments | 13,924 | 10,142 | 10,345 | 10,552 | 10,763 |
| | Total other assets | 11,712 | 7,087 | 8,441 | 9,979 | 11,026 |
| | Total assets | 169,933 | 221,774 | 228,249 | 236,413 | 242,815 |
| | Short-term debt | 8,739 | 17,905 | 21,135 | 18,150 | 15,000 |
| | Total long-term debt | 24,471 | 27,630 | 19,150 | 13,000 | 8,000 |
| | Total liabilities | 89,471 | 144,650 | 143,369 | 142,954 | 140,077 |
| | Shareholders' equity | 72,128 | 68,790 | 76,547 | 85,126 | 94,405 |
| | Minority interests | 8,334 | 8,333 | 8,333 | 8,333 | 8,333 |
| | Total equity | 80,462 | 77,123 | 84,880 | 93,459 | 102,738 |
| | Total liabilities & equity | 169,933 | 221,774 | 228,249 | 236,413 | 242,815 |
| | Key metrics | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| | Revenue growth (%) | 8.9 | (24.1) | 26.9 | 18.2 | 10.5 |
| | Recurring net profit growth (%) | 7.4 | (37.6) | 38.1 | 25.6 | 13.7 |
| | Recurrent EPS growth (%) | 7.4 | (37.6) | 38.1 | 25.6 | 13.7 |
| | Gross margin (%) | 50.7 | 46.0 | 47.0 | 48.0 | 48.4 |
| | Recurring net profit margin (%) | 31.6 | 26.0 | 28.3 | 30.1 | 31.0 |
| | Dividend payout ratio (%) | 42.1 | 37.4 | 31.4 | 31.8 | 35.2 |

Source: Company data, RHB

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Figure 1: CPN's 4Q20 and 2020 performance review

| FYE Dec (THBm) | 4Q19 | 3Q20 | 4Q20 | YoY % chg | QoQ % chg | 2019 | 2020 | YoY % chg | Remarks |
|------------------------|--------|-------|-------|--------------|--------------|---------|---------|--------------|---|
| Turnover | 10,350 | 7,318 | 8,065 | -22.1 | 10.2 | 36,719 | 27,862 | -24.1 | Rental income was sluggish QoQ due to effects of the second COVID-19 spread in Dec, while robust transfers of residential units supported the total revenue growth QoQ |
| Gross profit | 5,372 | 3,609 | 3,830 | -28.7 | 6.1 | 18,633 | 12,825 | -31.2 | Optimised control on fixed and variable expenses lowered 2020 cost base vs 2019 |
| EBIT | 4,175 | 3,265 | 3,019 | -27.7 | -7.5 | 14,789 | 10,627 | -28.1 | Weakening GPM and rising opex undermined EBIT growth |
| EBIT margin (%) | 40.3 | 44.6 | 37.4 | | | 40.3 | 38.1 | | |
| Interest expense | (165) | (436) | (458) | 177.0 | 5.0 | (811) | (1,865) | 129.8 | TFRS16 caused additional interest expense YoY |
| Pretax profit | 4,010 | 2,829 | 2,561 | -36.1 | -9.5 | 13,978 | 8,762 | -37.3 | |
| Tax | (534) | (448) | (426) | -20.3 | -4.9 | (2,286) | (1,449) | -36.6 | |
| Core profit | 3,402 | 2,362 | 2,091 | -38.5 | -11.4 | 11,621 | 7,253 | -37.6 | Lowered OPM, other income, and share of profits may have caused a sluggish 4Q20F bottomline |
| Net profit | 3,605 | 2,481 | 2,017 | -44.0 | -18.7 | 11,738 | 9,557 | -18.6 | A net extra gain of THB119m related to financial instruments in 3Q20 |
| Gross margin (%) | 51.9 | 49.3 | 47.5 | | | 50.7 | 46.0 | | Efficient cost control measures for retail malls and favourable residential project development costs limited the GPM decline QoQ. Mall GPM was 50.2% in 4Q20 (-0.4ppt QoQ), while residential GPM rose to 35.1% in 4Q20 vs 31.5% in 3Q20, thanks to the unit transfers of new projects with low land cost. |
| SG&A/sales (%) | 18.8 | 15.9 | 18.7 | | | 18.3 | 18.4 | | Lower marketing and promotion expenses regarding the effects of COVID-19 pandemic limited the increase of SG&A/sales ratio in 2020 |
| Core profit margin (%) | 32.9 | 32.3 | 25.9 | | | 31.6 | 26.0 | | Rising financial costs lowered the core profit margin YoY |
| Net margin (%) | 34.8 | 33.9 | 25.0 | | | 32.0 | 34.3 | | |

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2021-01-26 | Buy | 66.0 | 52.3 |
| 2020-11-10 | Buy | 58.0 | 50.3 |
| 2020-05-22 | Buy | 56.0 | 49.3 |
| 2020-04-01 | Buy | 54.0 | 40.5 |
| 2020-01-31 | Buy | 79.0 | 60.8 |
| 2019-10-21 | Buy | 83.5 | 64.0 |
| 2019-01-22 | Buy | 93.0 | 75.8 |
| 2018-09-13 | Buy | 95.0 | 82.8 |

Source: RHB, Bloomberg

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| | |
|---------------------|--|
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| Neutral: | Share price may fall within the range of +/- 10% over the next 12 months |
| Take Profit: | Target price has been attained. Look to accumulate at lower levels |
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| Not Rated: | Stock is not within regular research coverage |

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| ช่วงคะแนน Score | สัญลักษณ์ Rang Number of Logo | ความหมาย | Description |
|--------------------|---|----------|--------------|
| 90 - 100 |  | ดีเลิศ | Excellent |
| 80 - 89 |  | ดีมาก | Very Good |
| 70 - 79 |  | ดี | Good |
| 60 - 69 |  | พอใช้ | Satisfactory |
| 50 - 59 |  | ผ่าน | Pass |
| ต่ำกว่า 50 | No logo give | N/A | N/A |

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IOD (IOD Disclaimer)

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

| | | | | | | | | | | | | | |
|--------|-------|-------|--------|--------|-------|-------|-------|-------|--------|--------|-------|-------|------|
| A | ASK | CHG | FC | GREEN | JUTHA | MATCH | NINE | PIMO | RWI | SPPT | TFI | TU | VNT |
| AI | AU | CHOTI | FER | GSTEL | KASET | MATI | NMG | PK | SANKO | SPRC | THE | TVD | WAVE |
| AIE | BCH | CHOW | FPI | GUNKUL | KBS | MBAX | NNCL | PL | SAUCE | SR | TICON | TVO | WHA |
| AIRA | BJC | CIG | FSMART | HARN | KCAR | MC | NTV | PLANB | SC | SRICHA | TIP | TVT | WICE |
| AJ | BJCHI | COL | GEL | IFS | KTECH | MFEC | NUSA | POST | SCCC | SST | TKN | TWPC | WIJK |
| ALUCON | BLAND | COM7 | GFPT | ILINK | KWC | MIDA | NWR | PRINC | SCN | STA | TLUXE | U | TRUE |
| AMATAV | BR | CPALL | GGC | INET | KYE | MILL | OGC | PRO | SEAOIL | SUPER | TMILL | UPA | |
| AOT | BROCK | CPF | GIFT | IRC | L&E | ML | PACE | PSTC | SE-ED | SUSCO | TMT | UREKA | |
| APCO | BRR | CPR | GJS | J | LEE | MTLS | PAF | PYLON | SENA | SWC | TNP | UWC | |
| AQUA | CEN | CSC | GLOBAL | JMART | LIT | NBC | PAP | QTC | SIRI | SYMC | TPA | VGI | |
| ARROW | CGH | EKH | GOLD | JMT | LVT | NCL | PATO | ROH | SMART | TAKUNI | TSE | VIBHA | |
| ASIA | CHEWA | EPCO | GPSC | JUBILE | MAKRO | NEP | PCSGH | ROJNA | SPACK | TBSP | TTI | VIH | |

ได้รับการรับรอง CAC

| | | | | | | | | | | | | | |
|--------|--------|-------|-------|--------|--------|-------|--------|--------|--------|--------|-------|--------|--------|
| ADVANC | BKI | CPN | FE | INTUCH | LANNA | MSC | PLAT | PTT | SAT | SNP | TCMC | TMD | UOBKH |
| AKP | BLA | CSL | FNS | IRPC | LHBANK | MTI | PM | PTTEP | SCB | SORKON | TFG | TNITY | WACOAL |
| AMANAH | BROOK | DCC | FSS | IVL | LHK | NKI | PPP | PTTGC | SCC | SPC | TGCI | TNL | |
| AP | BTS | DEMCO | GBX | K | LPN | NSI | PPS | Q-CON | SCG | SPI | THANI | TOG | |
| ASP | BWG | DIMET | GCAP | KBANK | MBK | OCC | PRANDA | QH | SGP | SSF | THCOM | TOP | |
| AYUD | CENTEL | DRT | GLOW | KCE | MBKET | OCEAN | PREB | QLT | SINGER | SSI | THRE | TPCORP | |
| BAFS | CFRESH | DTAC | HANA | KGI | MCOT | PB | PRG | RATCH | SIS | SSSC | THREL | TRU | |
| BANPU | CIMBT | DTC | HMPRO | KKP | MFC | PDI | PSH | RML | SITHAI | SVI | TIPCO | TSC | |
| BAY | CM | EASTW | HTC | KSL | MINT | PE | PSL | ROBINS | SMIT | SYNTEC | TISCO | TSSTH | |
| BBL | CNS | ECL | ICC | KTB | MONO | PG | PT | S & J | SMPC | TAE | TKT | TTCL | |
| BCP | CPI | EGCO | IFEC | KTC | MOONG | PHOL | PTG | SABINA | SNC | TCAP | TMB | TVI | |

N/A

| | | | | | | | | | | | | | |
|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|
| 2S | ARIP | BSM | CSS | FMT | INOX | LTX | NPK | RCL | SFP | SUC | TITLE | TSR | VPO |
| AAV | AS | BTC | CTW | FN | INSURE | M | NPP | RICH | SGF | SUN | TIW | TSTE | VTE |
| ABICO | ASAP | BTNC | CWT | FOCUS | IRCP | MACO | NVD | RICHY | SHANG | SUTHA | TK | TTA | WG |
| ACAP | ASEFA | BTW | D | FORTH | IT | MAJOR | NYT | RJH | SIAM | SVH | TKS | TTL | WHAUP |
| ACC | ASIAN | BUI | DCON | FTE | ITD | MALEE | OHTL | ROCK | SIMAT | SVOA | TM | TTTM | WIN |
| ADAM | ASIMAR | CBG | DCORP | FVC | ITEL | MANRIN | OISHI | RP | SKE | SYNEX | TMC | TTW | WINNER |
| ADB | ASN | CCET | DDD | GC | JAS | MAX | ORI | RPC | SKN | T | TMI | TUCC | WORK |
| AEC | ATP30 | CCP | DELTA | GENCO | JCT | M-CHAI | OTO | RPH | SKR | TACC | TMW | TWP | WORLD |
| AEONTS | AUCT | CGD | DIGI | GL | JKN | MCS | PAE | RS | SKY | TAPAC | TNDT | TWZ | WP |
| AF | BA | CHARAN | DNA | GLAND | JSP | MDX | PDG | RSP | SLP | TASCO | TNH | TYCN | WPH |
| AFC | BAT-3K | CHO | DTCI | GPI | JTS | MEGA | PERM | S | SMK | TC | TNPC | UAC | WR |
| AGE | BCPG | CHUO | EA | GRAMMY | JWD | METCO | PF | S11 | SMM | TCB | TNR | UBIS | XO |
| AH | BDMS | CI | EARTH | GRAND | KAMART | MGT | PICO | SAFARI | SMT | TCC | TOA | UEC | YCI |
| AHC | BEAUTY | CITY | EASON | GTB | KC | MJD | PJW | SALEE | SOLAR | TCCC | TOPP | UKEM | YNP |
| AIT | BEC | CK | ECF | GULF | KCM | MK | PLANET | SAM | SPA | TCJ | TPAC | UMI | YUASA |
| AJA | BEM | CKP | EE | GYT | KDH | MM | PLE | SAMART | SPALI | TCOAT | TPBI | UMS | ZIGA |
| AKR | BFIT | CMO | EFORL | HFT | KIAT | MODERN | PMTA | SAMCO | SPCG | TEAM | TPCH | UNIQU | ZMICO |
| ALLA | BGRIM | CMR | EIC | HOTPOT | KKC | MPG | POLAR | SAMTEL | SPG | TFD | TIPL | UP | |
| ALT | BGT | CNT | EMC | HPT | KOOL | MPIC | POMPUI | SAPPE | SPORT | TFMAMA | TIPIP | UPF | |
| AMA | BH | COLOR | EPG | HTECH | KTIS | NC | PORT | SAWAD | SPVI | TGPRO | TPOLY | UPOIC | |
| AMARIN | BIG | COMAN | ERW | HUMAN | KWG | NCH | PPM | SAWANG | SQ | TH | TPP | UT | |
| AMATA | BIZ | CPH | ESSO | HYDRO | LALIN | NDR | PRAKIT | SCI | SSC | THAI | TR | UTP | |
| AMC | BKD | CPL | ESTAR | ICHI | LDC | NETBAY | PRECHA | SCP | SSP | THANA | TRC | UV | |
| ANAN | BLISS | CPT | ETE | ICN | LH | NEW | PRIN | SDC | STANLY | THG | TRITN | UVAN | |
| APCS | BM | CRANE | EVER | IEC | LOXLEY | NEWS | PRM | SE | STAR | THIP | TRT | VARO | |
| APEX | BOL | CRD | F&D | IHL | LPH | NFC | PTL | SEAFCO | STEC | THL | TRUBB | VCOM | |
| APURE | BPP | CSP | FANCY | III | LRH | NOBLE | RAM | SELIC | STHAI | THMUI | TSF | VI | |
| AQ | BSBM | CSR | FLOYD | INGRS | LST | NOK | RCI | SF | STPI | TIC | TSI | VNG | |

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนาธรรมนี้เข้าร่วม CAC
- ได้รับการรับรอง CAC

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