

# CHAROEN POKPHAND FOODS

## THAILAND / FOOD & BEVERAGE

## CPF TB

# BUY

UNCHANGED

TARGET PRICE	THB25.00
CLOSE	THB22.30
UP/DOWNSIDE	+12.1%
PRIOR TP	THB20.00
CHANGE IN TP	+25.0%
TP vs CONSENSUS	+4.0%

## Expect strong 2H recovery

- 2Q24 Thai swine is now profitable. Vietnam swine price reached a 13-quarter high at 52% higher than the raising cost.
- China unit to turn profitable soon, as swine price is currently close to the break-even price.
- Reiterate BUY call with higher TP of THB25.

### Thai swine is now profitable; Vietnam reached a 13-quarter high

The 2QTD Thai swine price surged to THB74/kg (+17% q-q, +2% y-y), higher than the break-even price by 5.7-8.8%, due to 1) an improved illegal pork situation; and 2) the impact of an industry-wide piglet supply cut. The Vietnam swine price has continued to rise significantly, reaching VND67,000/kg (+31% q-q, +27% y-y), a 13-quarter high. The price increase was caused by ongoing African Swine Fever (ASF) issues.

### China swine unit to turn profitable soon

Currently, the Chinese swine price stands at RMB15.78/kg (+5% q-q, +9% y-y), approaching the break-even price of RMB16/kg. This is partly due to reduced production costs as demand and supply gradually balance out. Management expects Chinese swine prices in 2H24 to recover to RMB17-18/kg, indicating that the Chinese swine unit's loss contribution may continue to decline in 2Q24 with a potential recovery in 2H24. Meanwhile, the poultry business remains strong in 2Q-3Q24, driven by seasonal factors, with domestic chicken prices standing at a high THB44/kg. Furthermore, demand from UK foodservice clients further supports the export of processed chicken.

### Expect 2H24 profit to grow the most in meat sector

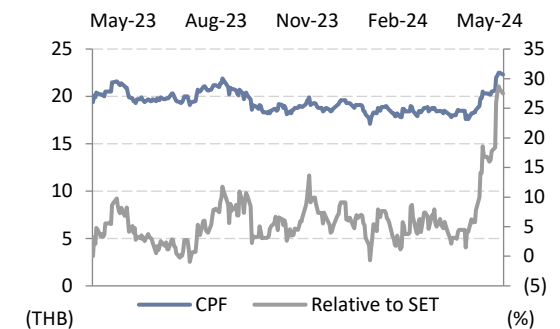
We expect a strong recovery in 2Q24. This would be driven by the improved profitability of Thai and Vietnamese swine, which should offset the loss contribution from Chinese swine. If China's swine prices rise close to RMB16/kg towards the end of 2Q24, we anticipate that the share of loss from the China unit may be lower than expected, leading to a recovery in 2H24. Aside from that, there are two other factors supporting a 2H24 recovery, which are low raw material prices and the continued strong profit contribution from CPALL. Thus, we expect 2H24 earnings to be significantly stronger, potentially returning to a profit of THB4b-5b per quarter. We have increased our 2024E net profit by 22% to THB12b.

### Reiterate BUY call with higher TP of THB25

Similarly, we have increased our TP to THB25, from THB20 (P/E 17x, unchanged). We maintain our BUY rating due to stronger earnings and share price catalysts. We expect 2H24 earnings to significantly rebound, driven by the Chinese swine unit to support the improvement of the balance sheet. We also expect to see CPF resume dividend payments.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	585,844	599,211	627,513	652,922
Net profit	(5,207)	12,315	14,395	16,575
EPS (THB)	(0.62)	1.46	1.71	1.97
vs Consensus (%)	-	93.4	54.8	38.4
EBITDA	31,556	51,288	54,732	56,850
Recurring net profit	(22,000)	10,515	14,395	16,575
Core EPS (THB)	(2.61)	1.25	1.71	1.97
Chg. In EPS est. (%)	nm	27.0	24.6	25.1
EPS growth (%)	nm	nm	36.9	15.1
Core P/E (x)	(8.5)	17.8	13.0	11.3
Dividend yield (%)	-	2.6	3.8	4.4
EV/EBITDA (x)	22.8	14.1	13.3	12.8
Price/book (x)	0.8	0.8	0.7	0.7
Net debt/Equity (%)	170.8	150.8	145.7	140.0
ROE (%)	(8.9)	4.3	5.8	6.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	26.7	25.3	14.9
Relative to country (%)	22.4	25.5	26.3
Mkt cap (USD m)	5,100		
3m avg. daily turnover (USD m)	10.3		
Free float (%)	46		
Major shareholder	Charoen Pokphand Group (37%)		
12m high/low (THB)	22.70/17.00		
Issued shares (m)	8,413.57		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

CPF operates an integrated agro-industrial and food business under its “Kitchen of the World” vision for sustainable growth. The company owns production bases through investments and joint ventures in 17 countries and exports to over 40 countries. Since CPF starts from upstream, especially farming, which is highly volatile in line with meat prices and feed costs, its annual performance sharply fluctuates. For example, we expect CPF to report an operating loss in 2023 before turning into a profit in 2024 after meat prices improve.

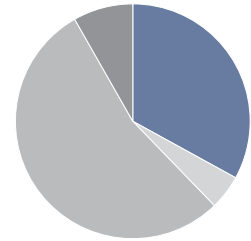
## Company profile

Established in 1978 and listed on the Stock Exchange of Thailand in 1987, CPF operates a vertically integrated agro-industrial and food business, from upstream to downstream, covering livestock and aquaculture such as swine, broilers, layers, ducks, shrimp, and fish. As of end-2022, CPF generated revenue from three units, namely Feed, Farm, and Food, with a revenue mix of 23%/54%/23%, respectively.

[www.cpfworldwide.com](http://www.cpfworldwide.com)

## Principal activities (revenue, 2023)

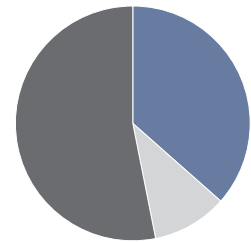
- Thailand livestock - 33.0 %
- Thailand aquatic - 4.8 %
- Overseas livestock - 54.0 %
- Overseas aquatic - 8.2 %



Source: Charoen Pokphand Foods

## Major shareholders

- Charoen Pokphand Group - 36.5 %
- UBS AG London Branch - 10.4 %
- Others - 53.1 %



Source: Charoen Pokphand Foods

## Catalysts

Potential drivers for CPF's earnings growth in 2024 are 1) sales volume growth after demand increases; 2) higher meat prices; 3) flat or declining feed costs; and 4) a better-than-expected recovery of overseas associates and subsidiaries.

## Risks to our call

Downside risks to our P/E-based TP include 1) slow purchasing power, 2) a slower-than-expected meat price recovery, 3) higher feed costs, 4) Baht strength, and 5) a minimum wage increase and labor shortages.

## Event calendar

Date	Event
August 2024	2Q24 results announcement

## Key assumptions

	2024E	2025E	2026E
Broiler price-TH (THB)	41.0	42.0	43.0
Swine price-TH (THB)	72.0	72.0	72.0
Swine price-VN (VND)	55,000	55,000	55,000
Total revenue growth (%)	2.3	4.7	4.0
Gross margin (%)	12.3	12.5	12.5
SG&A to sales (%)	8.9	8.9	8.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in 2024 revenue, we estimate net profit to rise by 4%, and vice versa, all else being equal.
- For every 0.1% increase in 2024 GPM, we estimate net profit to rise by 3.5%, and vice versa, all else being equal.
- For every 0.1% increase in 2024 SG&A to sales, we estimate net profit to fall by 4.4%, and vice versa, all else being equal.

Source: FSSIA estimates

## Swine price increases in all countries

2QTD swine prices have continued increasing in all countries. The Thai swine price has surged to THB74/kg (+17% q-q, +2% y-y), higher than the break-even price by 5.7-8.8%, due to 1) an improved illegal pork situation; and 2) the impact of an industry-wide piglet supply cut. The Vietnam swine price has continued to rise significantly, reaching VND67,000/kg (+31% q-q, +27% y-y), a 13-quarter high and 52% higher than the production cost. The price increase was caused by ongoing ASF issues, which benefited large producers like CPF. The company's efficient farming techniques enabled it to avoid losses and expand its pig breeding from 7 million in 2023 to 8 million units in 2024.

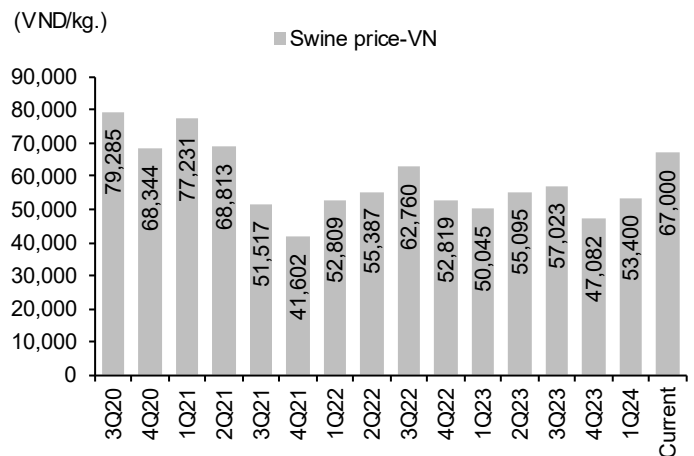
Currently, the Chinese swine price stands at RMB15.78/kg (+5% q-q, +9% y-y), approaching the break-even price of RMB16/kg. This is partly due to reduced production costs as demand and supply gradually balance out. Management expects Chinese swine prices in 2H24 to recover to RMB17-18/kg, indicating that the Chinese swine unit's loss contribution may continue to decline in 2Q24 with a potential recovery in 2H24. Meanwhile, the poultry business remains strong in 2Q-3Q24, driven by seasonal factors, with domestic chicken prices standing at a high THB44/kg. Furthermore, demand from UK foodservice clients further supports the export of processed chicken. We project the export volume in 2Q24 to grow by 10-15% (1Q24 +11.8%) and export revenue to increase by +7%, up from +5% in 1Q24.

**Exhibit 1: China swine price**



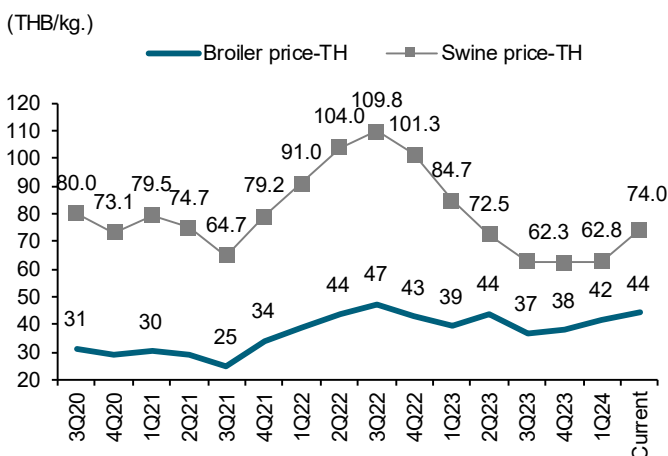
Sources: Bloomberg, CPF, FSSIA's compilation

**Exhibit 2: Vietnam swine price**



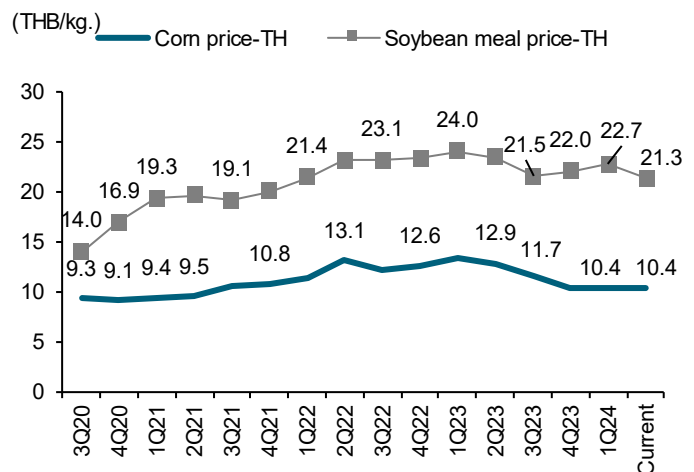
Source: CPF

**Exhibit 3: Domestic meat prices**



Source: CPF

**Exhibit 4: Raw material prices**



Source: CPF

## Expect 2H24 profit to grow the most in meat sector

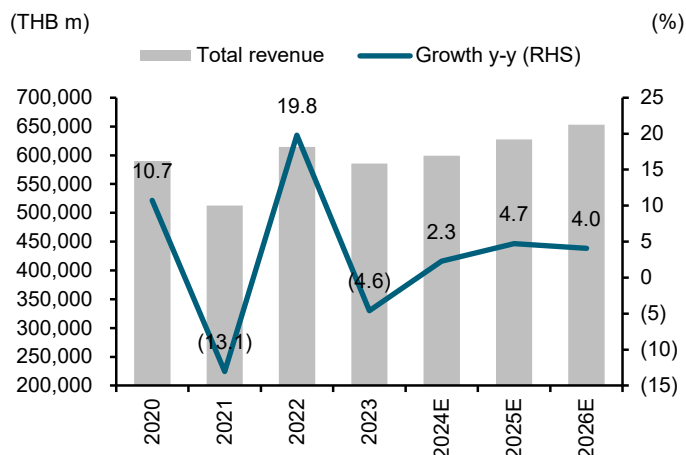
In the short term, we expect a strong recovery in 2Q24. This would be driven by the improved profitability of Thai and Vietnamese swine, which should offset the loss contribution from Chinese swine. If China's swine prices rise close to RMB16/kg towards the end of 2Q24, we anticipate that the share of loss from the China unit may be lower than expected, leading to a recovery in 2H24. Aside from that, there are two other factors supporting a 2H24 recovery, which are low raw material prices and the continued strong profit contribution from CPALL. Thus, we expect 2H24 earnings to be significantly stronger, potentially returning to a profit of THB4b-5b per quarter. We have increased our 2024E net profit by 22% to THB12b, mainly due to higher CPALL earnings (see FSSIA's CPALL report on May 15, 2024) and a 20bps increase in CPF's gross margin, reflecting a better-than-expected recovery in both livestock and aquatic animal margins.

### Exhibit 5: Changes in key assumptions for CPF

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	599,211	627,513	652,922	599,211	627,513	652,922	0.0	0.0	0.0
Cost of sales	525,508	549,074	571,307	526,706	550,329	572,613	(0.2)	(0.2)	(0.2)
Gross profit	73,703	78,439	81,615	72,505	77,184	80,309	1.7	1.6	1.6
SG&A expenses	53,330	55,849	58,110	53,330	55,849	58,110	0.0	0.0	0.0
Operating profit	25,167	27,611	28,729	23,968	26,356	27,423	5.0	4.8	4.8
Interest expense	24,633	24,988	25,212	24,633	24,988	25,212	0.0	0.0	0.0
Profit (loss) sharing	9,530	11,689	13,052	8,378	9,957	10,861	13.8	17.4	20.2
- CPALL	8,038	9,332	10,506	6,887	7,604	8,320	16.7	22.7	26.3
Reported net profit	12,315	14,395	16,575	10,082	11,557	13,253	22.2	24.6	25.1
Core profit	10,515	14,395	16,575	8,282	11,557	13,253	27.0	24.6	25.1
<b>Key ratios (%)</b>									
Net profit growth	nm	16.9	15.1	nm	14.6	14.7			
Core profit growth	nm	36.9	15.1	nm	39.5	39.5			
Gross margin	12.3	12.5	12.5	12.1	12.3	12.3	0.2	0.2	0.2
SG&A to sales	8.9	8.9	8.9	8.9	8.9	8.9	0.0	0.0	0.0
Net margin	2.1	2.3	2.5	1.7	1.8	2.0	0.4	0.5	0.5
Core margin	1.8	2.3	2.5	1.4	1.8	2.0	0.4	0.5	0.5
<b>Price</b>									
Broiler price-TH (THB/kg.)	41.0	42.0	43.0	41.0	42.0	43.0	0.0	0.0	0.0
Swine price-TH (THB/kg.)	72.0	72.0	72.0	72.0	72.0	72.0	0.0	0.0	0.0
Shrimp price-70 unit (THB/kg.)	145.0	145.0	145.0	145.0	145.0	145.0	0.0	0.0	0.0
Corn price-TH (THB/kg.)	10.0	10.0	10.0	10.0	10.0	10.0	0.0	0.0	0.0
Soybean meal price-TH (THB/kg.)	20.5	20.0	19.0	20.5	20.0	19.0	0.0	0.0	0.0
Swine price-VN (VND)	55,000	55,000	55,000	55,000	55,000	55,000	0.0	0.0	0.0
Swine price-CH (RMB)	16.0	17.0	18.0	16.0	17.0	18.0	0.0	0.0	0.0

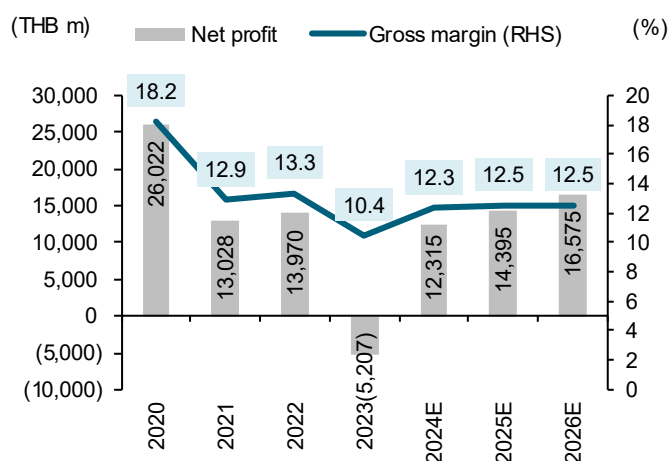
Source: FSSIA estimates

**Exhibit 6: Total revenue and growth**



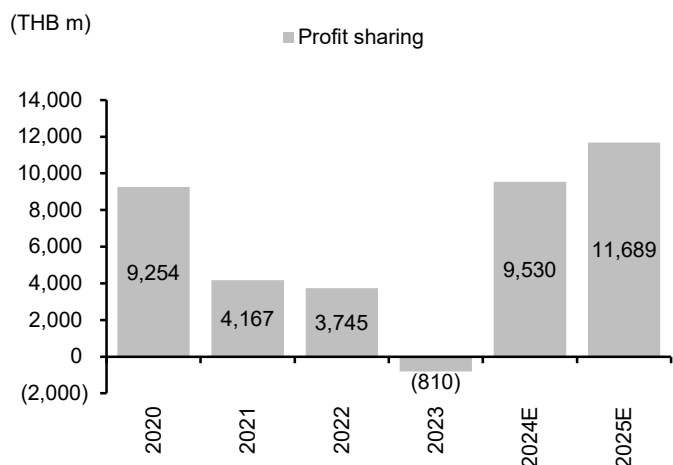
Sources: CPF, FSSIA estimates

**Exhibit 7: Net profit and gross margin**



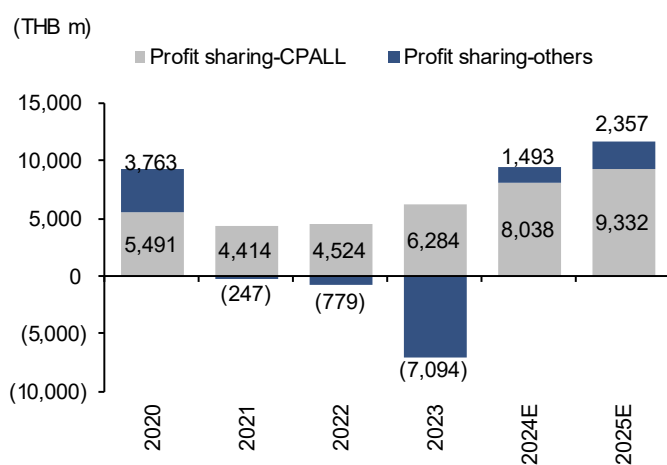
Sources: CPF, FSSIA estimates

**Exhibit 8: Share of profits**



Sources: CPF, FSSIA estimates

**Exhibit 9: Share of profit breakdown by CPALL and others**

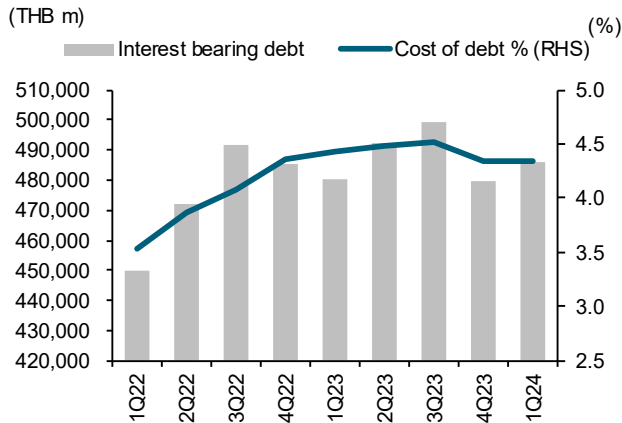


Sources: CPF, FSSIA estimates

## Reiterate BUY call with higher TP of THB25

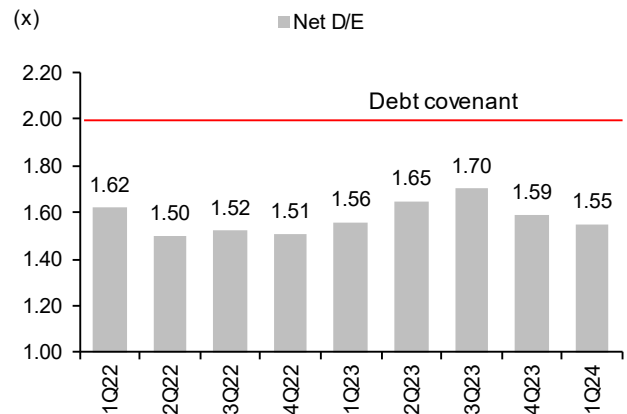
Similarly, we have increased our TP to THB25, from THB20 (P/E 17x, unchanged). We maintain our BUY rating due to stronger earnings and share price catalysts. We expect 2H24 earnings to significantly rebound, driven by the Chinese swine unit to support the improvement of the balance sheet. CPF has postponed the spin-off of its subsidiaries in both Thailand and Vietnam and is not planning additional business sales in China due to improved operational trends. We also expect to see CPF resume dividend payments.

Exhibit 10: IBD and cost of debt



Source: CPF

Exhibit 11: Net IBD/E



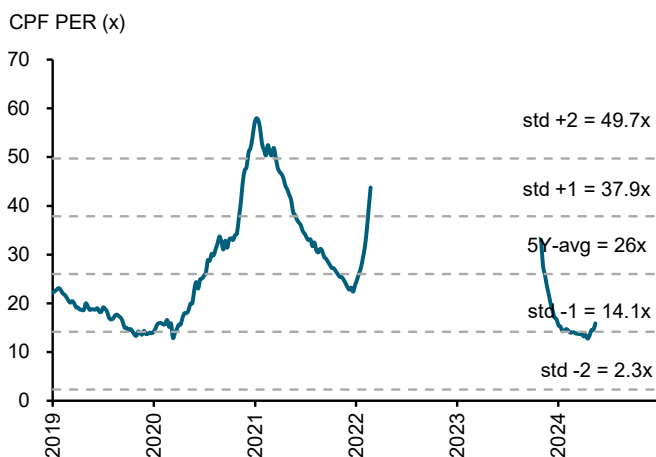
Source: CPF

Exhibit 12: Peer comparisons as of 20 May 2024

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)
<b>Thailand</b>														
Charoen pokphand foods	CPF TB	BUY	22.30	25.00	12	5,100	17.8	13.0	4.3	5.8	0.8	0.7	14.1	13.3
Thai union group	TU TB	BUY	15.20	17.30	14	1,834	14.0	12.7	8.7	9.5	1.2	1.2	10.1	9.6
Betagro	BTG TB	BUY	23.80	25.00	5	1,278	17.3	15.1	10.6	11.4	1.7	1.6	7.6	6.6
Thaifoods group	TFG TB	BUY	4.00	4.80	20	627	11.7	11.6	14.5	14.3	1.6	1.6	5.4	5.1
GFPT	GFPT TB	BUY	12.70	14.20	12	442	10.8	10.0	8.1	8.2	0.9	0.8	6.7	6.1
Asian sea	ASIAN TB	n/a	9.80	n/a	n/a	221	10.7	10.9	11.6	10.8	1.2	1.1	6.0	6.1
<b>Average</b>						<b>9,502</b>	<b>13.7</b>	<b>12.2</b>	<b>9.6</b>	<b>10.0</b>	<b>1.2</b>	<b>1.2</b>	<b>8.3</b>	<b>7.8</b>

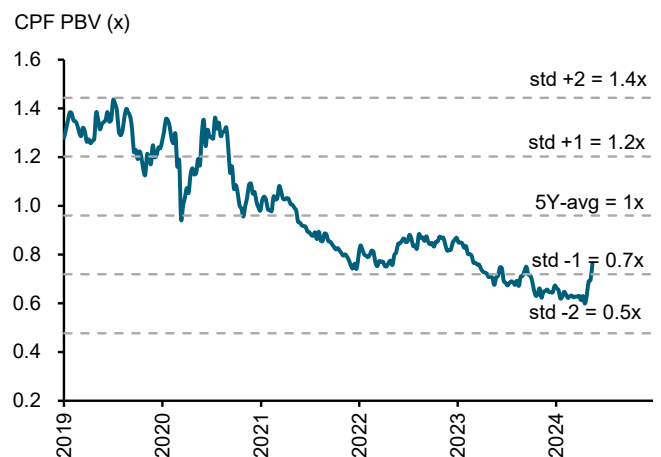
Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	614,197	585,844	599,211	627,513	652,922
Cost of goods sold	(532,324)	(524,643)	(525,508)	(549,074)	(571,307)
<b>Gross profit</b>	<b>81,873</b>	<b>61,201</b>	<b>73,703</b>	<b>78,439</b>	<b>81,615</b>
Other operating income	3,978	1,110	4,794	5,020	5,223
Operating costs	(55,001)	(55,875)	(53,330)	(55,849)	(58,110)
<b>Operating EBITDA</b>	<b>63,057</b>	<b>31,556</b>	<b>51,288</b>	<b>54,732</b>	<b>56,850</b>
Depreciation	(32,207)	(25,121)	(26,121)	(27,121)	(28,121)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>30,850</b>	<b>6,435</b>	<b>25,167</b>	<b>27,611</b>	<b>28,729</b>
Net financing costs	(19,515)	(24,348)	(23,376)	(23,883)	(24,059)
Associates	3,745	(810)	9,530	11,689	13,052
Recurring non-operating income	3,745	(810)	9,530	11,689	13,052
Non-recurring items	5,347	16,792	1,800	0	0
<b>Profit before tax</b>	<b>20,427</b>	<b>(1,931)</b>	<b>13,121</b>	<b>15,417</b>	<b>17,722</b>
Tax	(6,003)	(600)	(566)	(771)	(886)
<b>Profit after tax</b>	<b>14,424</b>	<b>(2,531)</b>	<b>12,555</b>	<b>14,646</b>	<b>16,836</b>
Minority interests	(454)	(2,676)	(240)	(251)	(261)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>13,970</b>	<b>(5,207)</b>	<b>12,315</b>	<b>14,395</b>	<b>16,575</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(5,347)</b>	<b>(16,792)</b>	<b>(1,800)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,623</b>	<b>(22,000)</b>	<b>10,515</b>	<b>14,395</b>	<b>16,575</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.09	(2.61)	1.25	1.71	1.97
Reported EPS	1.76	(0.62)	1.46	1.71	1.97
DPS	0.75	0.00	0.59	0.86	0.98
Diluted shares (used to calculate per share data)	7,936	8,414	8,414	8,414	8,414
<b>Growth</b>					
Revenue (%)	19.8	(4.6)	2.3	4.7	4.0
Operating EBITDA (%)	31.2	(50.0)	62.5	6.7	3.9
Operating EBIT (%)	61.1	(79.1)	291.1	9.7	4.0
Recurring EPS (%)	130.6	nm	nm	36.9	15.1
Reported EPS (%)	7.7	nm	nm	16.9	15.1
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	13.3	10.4	12.3	12.5	12.5
Gross margin exc. depreciation (%)	18.6	14.7	16.7	16.8	16.8
Operating EBITDA margin (%)	10.3	5.4	8.6	8.7	8.7
Operating EBIT margin (%)	5.0	1.1	4.2	4.4	4.4
Net margin (%)	1.4	(3.8)	1.8	2.3	2.5
Effective tax rate (%)	29.4	(31.1)	4.3	5.0	5.0
Dividend payout on recurring profit (%)	69.0	-	46.8	50.0	50.0
Interest cover (X)	1.8	0.2	1.5	1.6	1.7
Inventory days	57.1	55.7	57.0	61.8	61.9
Debtor days	24.3	26.7	27.6	28.7	28.8
Creditor days	34.8	32.0	31.8	36.0	36.1
Operating ROIC (%)	6.2	1.2	4.8	5.4	5.6
ROIC (%)	3.6	0.6	3.5	3.9	4.1
ROE (%)	3.6	(8.9)	4.3	5.8	6.5
ROA (%)	2.8	0.0	3.3	3.7	3.9
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Thailand livestock	195,358	193,310	202,299	213,266	226,471
Thailand aquatic	28,998	27,945	29,342	30,956	32,813
Overseas livestock	335,164	316,296	316,855	329,533	336,125
Overseas aquatic	54,677	48,293	50,715	53,758	57,513

Sources: Charoen Pokphand Foods; FSSIA estimates



## Financial Statements

### Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	8,623	(22,000)	10,515	14,395	16,575
Depreciation	32,207	25,121	26,121	27,121	28,121
Associates & minorities	-	-	-	-	-
Other non-cash items	(30,593)	3,360	11,710	(8,155)	(9,518)
Change in working capital	(11,702)	(3,219)	2,509	(5,450)	(4,967)
<b>Cash flow from operations</b>	<b>(1,465)</b>	<b>3,262</b>	<b>50,855</b>	<b>27,910</b>	<b>30,211</b>
Capex - maintenance	(51,354)	(17,771)	(21,683)	(20,000)	(20,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(1,758)	2,796	0	0	0
Other investments (net)	(5,173)	8,051	865	(1,132)	(1,016)
<b>Cash flow from investing</b>	<b>(58,285)</b>	<b>(6,924)</b>	<b>(20,818)</b>	<b>(21,132)</b>	<b>(21,016)</b>
Dividends paid	(5,808)	(13,027)	(4,926)	(7,197)	(8,287)
Equity finance	(818)	1,371	0	1	0
Debt finance	55,491	(2,424)	(22,450)	(2,700)	(5,120)
Other financing cash flows	6,821	9,783	(7,960)	849	762
<b>Cash flow from financing</b>	<b>55,686</b>	<b>(4,298)</b>	<b>(35,336)</b>	<b>(9,047)</b>	<b>(12,645)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(4,065)</b>	<b>(7,960)</b>	<b>(5,299)</b>	<b>(2,269)</b>	<b>(3,451)</b>
Free cash flow to firm (FCFF)	(39,392.75)	21,844.06	54,669.95	31,766.36	34,405.88
Free cash flow to equity (FCFE)	2,561.44	3,696.24	(373.29)	4,927.38	4,836.42

#### Per share (THB)

FCFF per share	(4.68)	2.60	6.50	3.78	4.09
FCFE per share	0.30	0.44	(0.04)	0.59	0.57
Recurring cash flow per share	1.29	0.77	5.75	3.97	4.18

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	344,753	325,762	320,641	314,520	307,399
Less: Accumulated depreciation	(32,207)	(25,121)	(26,121)	(27,121)	(28,121)
<b>Tangible fixed assets (net)</b>	<b>312,545</b>	<b>300,641</b>	<b>294,520</b>	<b>287,399</b>	<b>279,278</b>
<b>Intangible fixed assets (net)</b>	<b>76,224</b>	<b>73,428</b>	<b>73,428</b>	<b>73,428</b>	<b>73,428</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	272,055	272,548	282,078	293,768	306,820
Cash & equivalents	36,215	28,255	22,955	20,686	17,235
A/C receivable	43,221	42,351	48,265	50,545	52,592
Inventories	83,080	69,508	86,385	90,259	93,913
Other current assets	70,703	69,002	59,921	62,751	65,292
<b>Current assets</b>	<b>233,219</b>	<b>209,116</b>	<b>217,526</b>	<b>224,241</b>	<b>229,032</b>
Other assets	32,944	31,485	31,868	33,001	34,017
<b>Total assets</b>	<b>926,987</b>	<b>887,218</b>	<b>899,421</b>	<b>911,836</b>	<b>922,575</b>
Common equity	256,053	239,416	245,071	252,269	260,557
Minorities etc.	43,791	45,617	66,357	69,891	73,425
<b>Total shareholders' equity</b>	<b>299,844</b>	<b>285,033</b>	<b>311,428</b>	<b>322,160</b>	<b>333,982</b>
Long term debt	332,081	316,785	314,285	316,985	314,485
Other long-term liabilities	28,085	25,936	17,976	18,825	19,588
<b>Long-term liabilities</b>	<b>360,166</b>	<b>342,722</b>	<b>332,262</b>	<b>335,811</b>	<b>334,073</b>
A/C payable	50,964	36,527	50,391	52,651	54,783
Short term debt	186,478	198,326	178,376	172,976	170,356
Other current liabilities	29,536	24,610	26,964	28,238	29,382
<b>Current liabilities</b>	<b>266,978</b>	<b>259,463</b>	<b>255,732</b>	<b>253,865</b>	<b>254,520</b>
<b>Total liabilities and shareholders' equity</b>	<b>926,987</b>	<b>887,218</b>	<b>899,421</b>	<b>911,836</b>	<b>922,575</b>
Net working capital	116,505	119,724	117,216	122,666	127,633
Invested capital	810,273	797,826	799,111	810,261	821,176

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	32.26	28.46	29.13	29.98	30.97
Tangible book value per share	22.66	19.73	20.40	21.26	22.24

#### Financial strength

Net debt/equity (%)	160.9	170.8	150.8	145.7	140.0
Net debt/total assets (%)	52.0	54.9	52.2	51.5	50.7
Current ratio (x)	0.9	0.8	0.9	0.9	0.9
CF interest cover (x)	1.1	1.2	1.0	1.2	1.2

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>20.5</b>	<b>(8.5)</b>	<b>17.8</b>	<b>13.0</b>	<b>11.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>23.0</b>	<b>(9.6)</b>	<b>20.0</b>	<b>14.6</b>	<b>12.7</b>
Reported P/E (x)	12.7	(36.0)	15.2	13.0	11.3
Dividend yield (%)	3.4	-	2.6	3.8	4.4
Price/book (x)	0.7	0.8	0.8	0.7	0.7
Price/tangible book (x)	1.0	1.1	1.1	1.0	1.0
EV/EBITDA (x) **	11.2	22.8	14.1	13.3	12.8
EV/EBITDA @ target price (x) **	11.5	23.5	14.6	13.7	13.2
EV/invested capital (x)	0.9	0.9	0.9	0.9	0.9

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Charoen Pokphand Foods; FSSIA estimates



# Charoen Pokphand Foods PCL (CPF TB)

**FSSIA ESG rating**

**78.94 /100**
**Exhibit 15: FSSIA ESG score implication**

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

**Exhibit 16: ESG – peer comparison**

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BTG	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
CPF	78.94	Y	Y	Y	5.00	5.00	Certified	High	50.25	BBB	43.00	70.21	85.00	4.08	62.09
GFPT	53.67	--	Y	Y	5.00	5.00	Certified	High	56.79	--	--	61.87	19.00	--	54.18
TU	68.12	Y	--	--	5.00	5.00	Certified	High	44.49	A	35.00	66.15	87.00	2.99	--
TFG	33.01	--	--	Y	4.00	5.00	Certified	High	--	--	--	42.11	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
**Exhibit 17: ESG score by Bloomberg**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>2.23</b>	<b>2.57</b>	<b>2.01</b>	<b>2.32</b>	<b>4.20</b>	<b>3.82</b>	<b>4.28</b>	<b>4.08</b>
BESG environmental pillar score	2.50	2.50	1.35	1.44	5.60	4.55	5.50	4.49
BESG social pillar score	0.91	1.77	1.49	2.38	3.05	2.82	3.14	3.29
BESG governance pillar score	3.49	3.59	3.67	3.65	3.68	3.94	3.97	4.36
<b>ESG disclosure score</b>	<b>51.20</b>	<b>51.20</b>	<b>46.05</b>	<b>46.05</b>	<b>55.11</b>	<b>52.85</b>	<b>54.23</b>	<b>62.09</b>
Environmental disclosure score	35.00	35.00	17.97	17.97	41.53	38.15	38.15	51.98
Social disclosure score	31.11	31.11	32.68	32.68	36.31	32.92	37.06	44.32
Governance disclosure score	87.36	87.36	87.36	87.36	87.36	87.36	87.36	89.86
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GHG scope 1	220	240	—	—	250	238	222	288
GHG scope 2 location-based	660	670	—	—	590	647	641	1,154
GHG Scope 3	—	—	—	—	—	3,565	4,132	4,412
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	2,883	2,664	—	—	3,072	2,296	2,284	4,881
Renewable energy use	678	550	—	—	800	—	—	1,503
Electricity used	1,133	1,211	—	—	—	1,353	1,395	2,243
Fuel used - natural gas	—	—	—	—	36,310	1,315,790	1,221,200	1,503,630

Sources: Bloomberg; FSSIA's compilation

## Exhibit 18: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	1	1	—	—	—	1	1	1
Total waste	440	440	—	—	920	463	456	636
Waste recycled	—	—	—	—	27	—	—	42
Waste sent to landfills	—	—	—	—	—	—	—	74
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	6,670	6,033	106,500
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	59	51	51	52	52	42	44	45
Pct disabled in workforce	—	—	1	1	1	—	1	0
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	0	0	0	1
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	78,993	66,087	71,131	72,319	73,941	71,318	128,548	135,284
Employee turnover pct	30	19	18	20	34	—	13	11
Total hours spent by firm - employee training	1,125,050	985,230	1,138,100	1,012,470	887,292	2,781,400	1,331,690	1,772,550
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>No. of independent directors (ID)</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>5</b>
No. of women on board	1	2	2	2	2	2	2	2
No. of non-executive directors on board	10	10	10	10	9	9	9	10
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	10	11	9	7	7	13	11	9
Board meeting attendance pct	93	96	87	96	94	96	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	65	61	62	63	58	53	53	53
Age of the oldest director	80	80	82	83	81	82	76	76
<b>No. of executives / company managers</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>7</b>	<b>11</b>	<b>9</b>	<b>21</b>	<b>27</b>
No. of female executives	2	2	2	1	2	2	2	6
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on audit committee	5	4	4	4	4	4	4	4
Audit committee meetings	9	10	8	9	9	10	11	8
Audit meeting attendance %	93	95	91	94	100	98	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	1	3	2	2	2	3	3	3
Compensation meeting attendance %	100	100	100	100	100	92	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of nomination committee meetings	1	3	2	2	2	3	3	3
Nomination meeting attendance %	100	100	100	100	100	92	100	100
<b>Sustainability governance</b>								
Verification type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																											
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																											
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																											
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																											
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																											
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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0-10	10-20	20-30	30-40	40+																									
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																											
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;"><b>AAA</b></td> <td>8.571-10.000</td> <td style="text-align: right;"><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="text-align: right;"><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>BBB</b></td> <td>4.286-5.713</td> <td style="text-align: right;"><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td style="text-align: right;"><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><b>CCC</b></td> <td>0.000-1.428</td> <td style="text-align: right;"><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																												
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																												
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																												
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Sureporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Charoen Pokphand Foods	CPF TB	THB 22.30	BUY	Downside risks to our P/E-based TP include 1) slow purchasing power, 2) a slower-than-expected meat price recovery, 3) higher feed costs, 4) Baht strength, and 5) a minimum wage increase and labor shortages.
Thai Union Group	TU TB	THB 15.20	BUY	Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected.
Betagro	BTG TB	THB 23.80	BUY	Downside and upside risks to our PE-based TP include 1) a slower or faster-than-expected purchasing power recovery, 2) a lower or faster-than-expected meat price increase, 3) a slower or faster-than-expected decrease in feed costs, and 4) a stronger or weaker-than-expected THB.
Thai Foods Group	TFG TB	THB 4.00	BUY	Downside risks to our P/E-based TP are 1) a slower-than-expected consumption recovery; 2) a potential rise in meat and raw material prices; 3) a stronger-than-expected THB against USD.
GFPT	GFPT TB	THB 12.70	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in chicken and raw material prices; 3) a stronger THB than expected; and 4) a minimum wage increase and/or a labour shortage.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 20-May-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

## Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

## Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.