

2 NOVEMBER 2020

THAILAND / COMMERCE

## SRI TRANG GLOVES (THAILAND)

BUY

UNCHANGED

## STGT TB

TARGET PRICE	THB117.00
CLOSE	THB91.50
UP/DOWNSIDE	+27.9%
PRIOR TP	THB116.00
CHANGE IN TP	+0.9%
TP vs CONSENSUS	+3.0%

## การระบอบรอบ 2 เป็น Upside สำหรับถุงมือ?

## Upside จากราคาขายเฉลี่ยเทียบกับ Downside ด้านต้นทุน

นับตั้งแต่ไตรมาส 2Q20 ราคาขายเฉลี่ย (ASPs) ของถุงมือของ STGT ได้ปรับตัวสูงขึ้นอย่างรุนแรงจาก USD20/ptp ในไตรมาส 1Q20 เป็น USD35/ptp ที่คาดในไตรมาส 3Q20 และเราคาดว่าแนวโน้มดังกล่าวควรต่อเนื่องไปในช่วง 1H21 การระบอบรอบ 2 ของ Coronavirus โดยเฉพาะในยุโรปอาจช่วยเสริมความต้องการและความชัดเจนของราคาขายเฉลี่ยสำหรับถุงมือหลังช่วง 1H21 อย่างไรก็ตาม เราคาดว่า STGT จะเริ่มรู้สึกถึงแรงกดดันจากต้นทุนน้ำยางที่สูงขึ้นในช่วง 1H21 หลังต้นทุนเพิ่มขึ้นสองเท่าในช่วง 6 เดือนที่ผ่านมา เนื่องจากบริษัท ได้ทำการตรึงต้นทุนน้ำยางธรรมชาติและสังเคราะห์ไว้จนถึงสิ้นปี 2020

## ราคาขายจะสูงขึ้นและอยู่ยาวยิ่งขึ้น

เราคาดว่า STGT จะรายงานกำไรสุทธิในระดับที่ดีในปี 2020-2021 และได้ปรับเพิ่มประมาณการกำไรต่อหุ้น (EPS) ของเราในปี 2020-2022 อีก 7-32% เพื่อสะท้อนสมมติฐานดังต่อไปนี้ 1) ราคาขายเฉลี่ยที่สูงขึ้น 6-18% ในปี 2020-2022; 2) ราคาน้ำยางธรรมชาติที่เพิ่มขึ้น 18-49% ในปี 2021-2022; และ 3) ราคาน้ำยางสังเคราะห์ที่สูงขึ้น 22-31% ในปี 2021-2022 เราคงสมมติฐานราคาน้ำยางธรรมชาติและสังเคราะห์ในปี 2020 เนื่องจากจากข้อมูลของผู้บริหาร STGT ได้ทำการตรึงราคาวัตถุดิบสำหรับการผลิตในช่วง 2H20 ไว้เรียบร้อยแล้ว

## กำไรสุทธิไตรมาส 3Q20 มีแนวโน้มพุ่งสูงเป็นประวัติการณ์

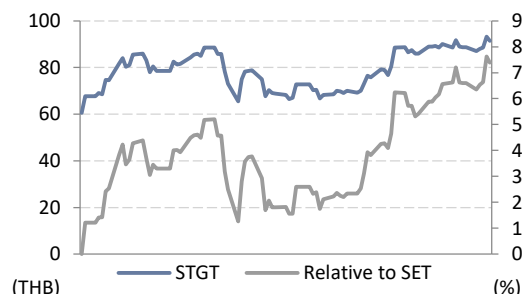
เราคาดว่า STGT จะรายงานกำไรสุทธิไตรมาส 3Q20 ที่ 3.4 พัน ลบ. เพิ่มขึ้น 223% q-q ปัจจัยสำคัญที่เราคาดว่า จะสนับสนุนประมาณการของเราประกอบด้วย 1) ราคาขายเฉลี่ยที่เพิ่มขึ้น 70% q-q เป็น USD35/ptp; 2) ปริมาณขายที่เพิ่มขึ้น 3% q-q เป็น 7.5 พันล้านชิ้น; 3) EBITDA margin ที่เพิ่มขึ้นเป็น 49% แม้ว่าต้นทุนวัตถุดิบที่เพิ่มขึ้นเล็กน้อย (+4% q-q) เนื่องจาก STGT ได้ทำการตรึงต้นทุนราคาวัตถุดิบบางส่วนมากไปจนถึงสิ้นปี 2020; และ 4) อัตราภาษีที่ลดลงเหลือ 10.5% จาก 10.8% ตามระดับการผลิตถุงมือที่เพิ่มขึ้นจากสายการผลิตใหม่ที่ได้สิทธิยกเว้นภาษี

## ปรับประมาณการกำไรต่อหุ้นและราคาเป้าหมาย

เราลงคำแนะนำซื้อหลังปรับเพิ่มราคาเป้าหมายของเราเป็น 117 บาท (2021E P/E ที่ 16x) จาก 116 บาท (2021E P/E ที่ 17x) เพื่อสะท้อนค่า 2021E P/E เฉลี่ยของกลุ่มฯ ที่ 15.6x เราเชื่อว่าค่า P/E 1 ปีล่วงหน้าเฉลี่ยของกลุ่มฯ (ซึ่งประกอบด้วย STGT และคู่แข่งอีก 4 บริษัทในมาเลเซีย) ที่ลดลงมีที่มาจากความกังวลของนักลงทุนเกี่ยวกับความเป็นไปได้ของ Downside ในด้านราคาขายเฉลี่ยหลังช่วง 2H21 เมื่อพิจารณาจากสถานการณ์ความไม่แน่นอนของอุปสงค์และอุปทานหลังความสำเร็จในการแจกจ่ายวัคซีนในระดับโลก ซึ่งเราคาดว่าเกิดขึ้นในปี 2021

## KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	11,994	24,554	35,900	35,548
Net profit	614	7,550	10,485	8,795
EPS (THB)	0.62	5.28	7.33	6.15
vs Consensus (%)	-	(9.3)	(6.4)	29.0
EBITDA	1,502	9,528	12,874	11,922
Core net profit	614	7,550	10,485	8,795
Core EPS (THB)	0.62	5.28	7.33	6.15
Chg. In EPS est. (%)	-	20.5	7.0	32.4
EPS growth (%)	(87.6)	751.0	38.9	(16.1)
Core P/E (x)	147.6	17.3	12.5	14.9
Dividend yield (%)	0.1	0.8	0.9	1.0
EV/EBITDA (x)	64.6	12.5	8.7	8.9
Price/book (x)	20.6	5.2	3.8	3.1
Net debt/Equity (%)	147.3	(46.1)	(53.7)	(58.0)
ROE (%)	18.0	51.2	35.1	22.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	19.2	12.6	n/a
Relative to country (%)	23.4	24.0	n/a
Mkt cap (USD m)	4,195		
3m avg. daily turnover (USD m)	49.5		
Free float (%)	30		
Major shareholder	STA & Sincharoenkul family (65%)		
12m high/low (THB)	94.50/55.25		
Issued shares (m)	1,430.78		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 2 พฤศจิกายน 2020

## Investment thesis

We project STGT's net profit to accelerate in 2020-22, driven by three key factors. First, strong industry demand growth in the wake of COVID-19 has led to unprecedented global awareness over sanitation and hygiene, potentially driving up the demand for rubber gloves by 2-3x in 2020-22. Second, the favourable demand-supply balance due to rising demand from COVID-19 should all but turn the previous chronic oversupply into a balanced market by 2H21. Third, STGT's capacity and market expansions after its acquisition of two key distribution subsidiaries should further strengthen its position against its once dominant competitors in Malaysia.

We project STGT's net profit growth to be 751% y-y in 2020, up from a negative 88% y-y in 2019. Key drivers include the capacity expansions of STGT's plants at Hat Yai (+3.6b pieces y-y) and at Trang (+5.6b pieces y-y); both new plants had commercial operation dates (COD) in Feb-20.

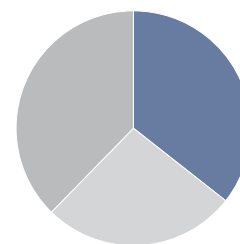
## Company profile

Sri Trang Gloves (Thailand) is a leading producer of rubber gloves in Thailand and global markets, with its highest product mix in natural rubber gloves.

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

## Principal activities (revenue, 2019)

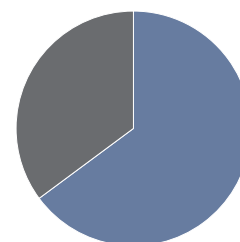
- Natural rubber powdered gloves - 35.6 %
- Natural rubber powder-free gloves - 26.7 %
- Nitrile gloves - 37.7 %



Source: Sri Trang Gloves (Thailand)

## Major shareholders

- STA & Sincharoenkul family - 64.9 %
- Others - 35.2 %



Source: Sri Trang Gloves (Thailand)

## Catalyst

Armed with three favourable industry drivers – demand growth, demand-supply balance, and worldwide market opportunities – we believe STGT, as one of the world's top five producers of rubber gloves, will see strong and sustained net profit growth momentum in 2020-22, backed by four growth pillars: sales volume growth, cost competitiveness, margin expansion, and the favourable THB/USD exchange rate.

## Risk to our call

The downside risks to our PE-based TP for STGT include 1) a lower-than-expected demand for rubber gloves; 2) higher prices of concentrated natural and synthetic latex and crude; and 3) exchange rate volatility.

## Event calendar

Date	Event
13 Nov 2020	3Q20 results announcement

## Key assumptions

	2020E	2021E	2022E
Average utilisation rate (%)	96	93	94
Sales volume (m pieces)	29,378	29,233	34,929
ASP - powdered (USD/1,000 pieces)	27.6	35.3	31.1
ASP - powder-free (USD/1,000 pieces)	33.9	43.7	38.4
ASP - nitrile (USD/1,000 pieces)	34.8	44.9	39.5
ASP - blended (USD/1,000 pieces)	32.2	41.4	36.5
Concentrated latex price (THB/kg)	37.0	57.0	45.0
Synthetic latex price (THB/kg)	38.0	50.0	55.0
Exchange rate (THB/USD)	32.0	32.0	32.0

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% change in THB/USD exchange rate we estimate a 1.4% change in 2020 EPS, all else being equal.
- For every 1% increase in latex price, we estimate 2020 EPS would fall 0.7%, and vice versa, all else being equal.
- For every 1% increase in utilisation rate, we estimate 2020 EPS would rise 1.5%, and vice versa, all else being equal.
- For every 1% increase in ASP, we estimate 2020 EPS would rise by 0.8%, and vice versa, all else being equal.

Source: FSSIA estimates

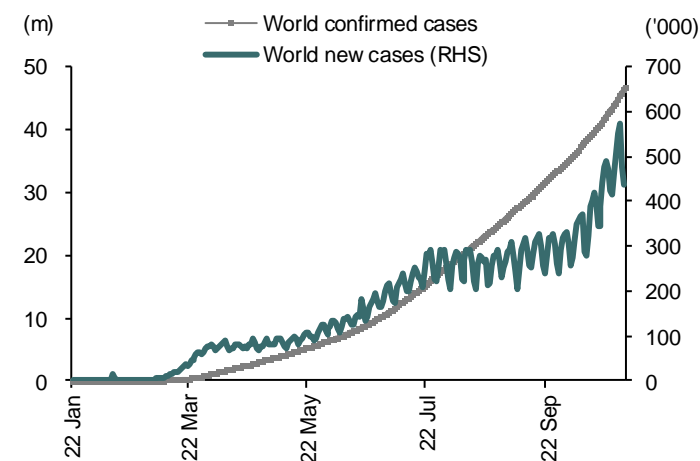


## Second wave of COVID-19 impact

Thanks to the rising COVID-19 case numbers globally, and the recent second-wave resurgence of the pandemic, the demand for STGT's gloves have gone from strength to strength since 2Q20.

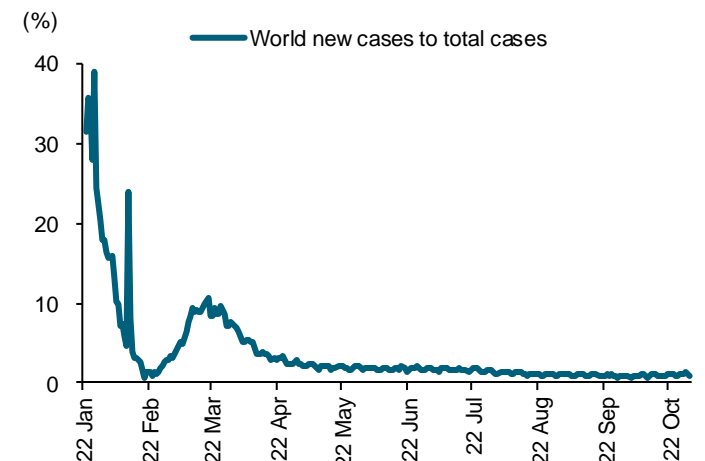
In the past week, many countries, particularly in Europe (including the UK, France and Germany) announced national lockdowns due to the sharp rise in new COVID-19 cases. We believe the second outbreak could further strengthen the global glove demand visibility into 2H21. The visibility of glove-makers' average selling prices (ASPs) could likewise improve during the same period, which has been a key concern for investors beyond 1H21.

**Exhibit 1: COVID-19 global confirmed cases vs new cases**



Source: <https://www.worldometers.info/coronavirus/countries-where-coronavirus-has-spread/>

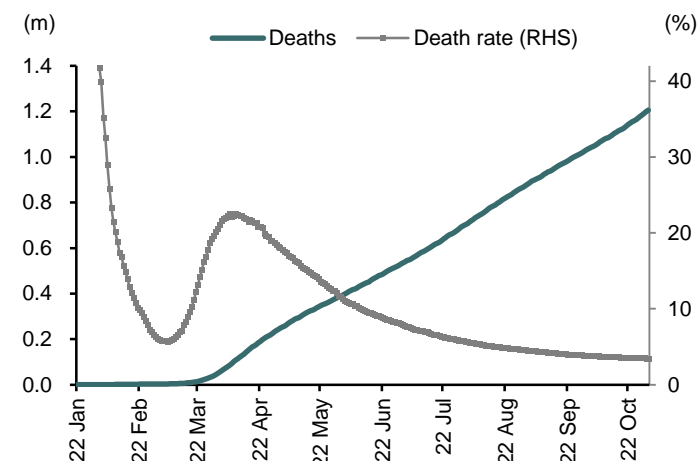
**Exhibit 2: Ratio of global COVID-19 new cases to total cases**



Source: <https://www.worldometers.info/coronavirus/countries-where-coronavirus-has-spread/>

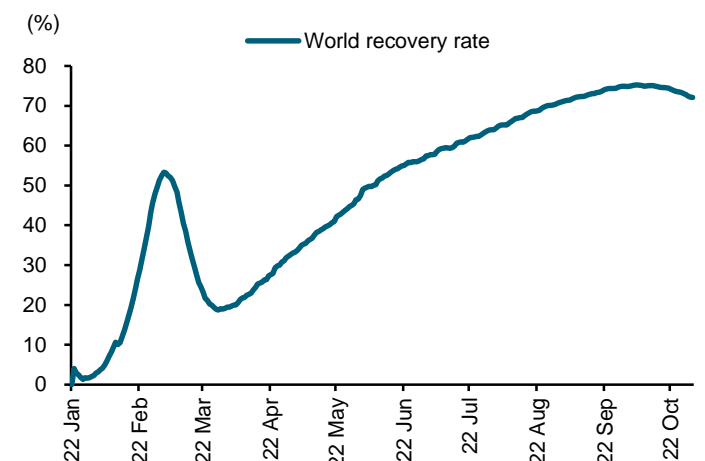
**First wave vs second wave of COVID-19 outbreak.** After having stabilized at around 300,000 cases during 22 July to mid-Oct 2020, the number of new COVID-19 cases globally has jumped again since mid-Oct to hit 573k cases on 30 Oct 2020. Most of the new infections have occurred in European countries, including the UK, France, Germany and Spain, leading the UK, Germany and France to implement their second national lockdowns since last week. However, the death rate has declined sharply in the second compared to the first wave of the pandemic, dropping from over 40% in Jan 2020 down to 3.5% in Oct 2020. Despite the lower death rate, we believe the rise in new cases will put enormous pressure on many countries to purchase medical equipment, including gloves.

**Exhibit 3: Global COVID-19 number of deaths and death rate**



Source: <https://www.worldometers.info/coronavirus/countries-where-coronavirus-has-spread/>

**Exhibit 4: Global recovery rate for COVID-19 cases**



Source: <https://www.worldometers.info/coronavirus/countries-where-coronavirus-has-spread/>

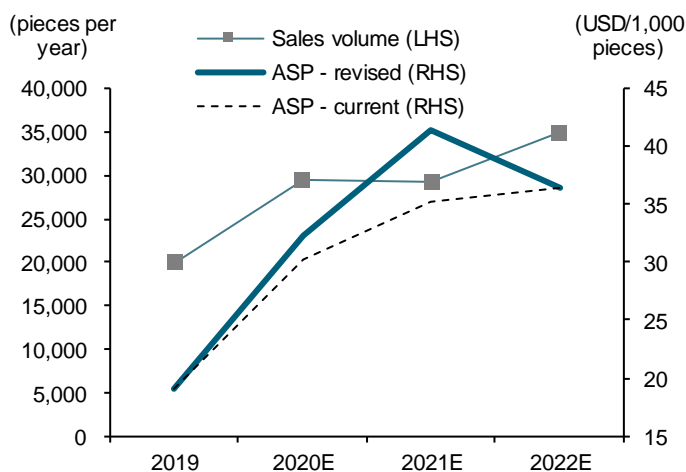
**ASPs continue to rise.** According to management, the ASPs of STGT’s three types of rubber gloves – which include the natural rubber powdered gloves (NPG), natural rubber powder-free gloves (NFG) and synthetic nitrile rubber gloves (NRG) – have risen markedly by over 2-3x from their prices at the beginning of 2020 at USD17-20 per 1,000 pieces (ptp).

Management indicated that STGT has now locked in only 10% of its sales volume for the upcoming 2 to 3-month delivery period, with most of the ASPs for gloves sold beyond this quarter remaining unpriced. STGT expects a higher ASP upside driven by the COVID-19 second wave starting Nov 2020.

In terms of sales volumes beyond the next delivery period, STGT has now locked in the sales volumes for NPG and NFG until 1Q22 and for NRG until end-2022. However, most of the secured sales volumes in 2021-22 remain unpriced, providing an ASP upside risk to STGT, in our view.

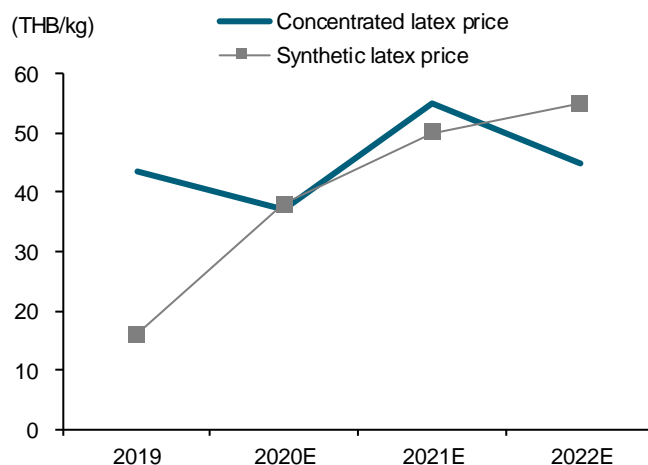
Its production lines have remained at near full utilization (close to 93-95%), producing 7.5b pieces per quarter with an estimated total sales volume of 30b pieces in 2020-21, before rising to 35b pieces in 2022 when its new production line starts up, based on our estimate.

**Exhibit 5: Sales volume vs changes in ASP assumptions**



Sources: STGT; FSSIA estimates

**Exhibit 6: Changes in price assumptions for concentrated latex and synthetic latex**

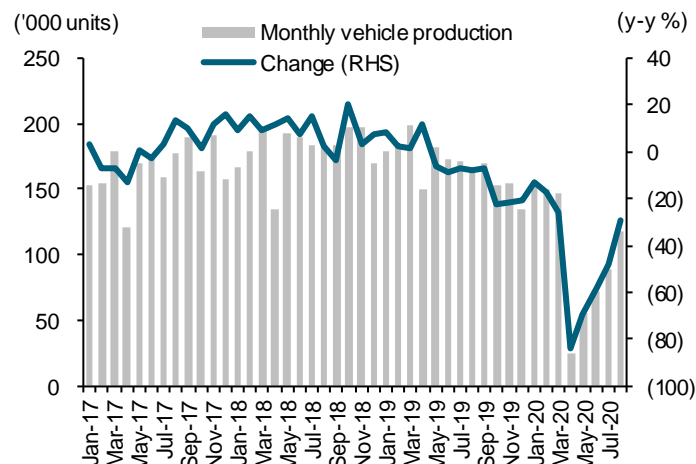


Sources: STGT; FSSIA estimates

**Rising rubber raw material cost is now a potential margin downside.** The price of natural latex has risen significantly from THB29/kg in Mar 2020 to THB54/kg in Oct 2020. The rise has been driven by the sharp demand recovery of the automotive industry following the reopening of economic activities in June 2020, resulting in the higher utilization rates of vehicle manufacturing plants in Thailand and other countries.

**Exhibit 7: Prices of natural latex and synthetic butadiene rubber (SBR)**

Source: Bloomberg

**Exhibit 8: Thailand's monthly vehicle production**

Source: The Federation of Thai Industries

As a result, we project STGT to post strong net profits in 2020-21 and raise our EPS forecasts for 2020-22 by 7-32% to reflect our assumptions of 1) 6-18% higher ASPs in 2020-22; 2) 18-49% higher prices of concentrated natural latex in 2021-22; and 3) 22-31% higher prices of synthetic latex in 2021-22. We maintain our natural and synthetic latex price assumptions for 2020, given that STGT has already locked in the raw material prices for its 2H20 production, based on management's guidance.

**Exhibit 9: Changes in key assumptions and EPS forecasts**

	Current			Previous			Change		
	2020E (THB m)	2021E (THB m)	2022E (THB m)	2020E (THB m)	2021E (THB m)	2022E (THB m)	2020E (%)	2021E (%)	2022E (%)
Revenue	24,554	35,900	35,548	22,982	30,446	30,142	6.8	17.9	17.9
Gross profit	10,510	15,064	14,055	9,017	13,976	11,212	16.6	7.8	25.4
Operating profit	8,436	11,507	10,280	7,005	10,752	7,762	20.4	7.0	32.4
Net profit	7,550	10,485	8,795	6,267	9,796	6,641	20.5	7.0	32.4
EPS (THB/share)	5.28	7.33	6.15	4.38	6.85	4.64	20.5	7.0	32.4
<b>Key assumptions</b>									
Average utilisation rate (%)	96	93	94	96	93	94	0.0	0.0	0.0
Sales volume (m pieces)	29,378	29,233	34,929	29,378	29,233	34,929	0.0	0.0	0.0
ASP - powdered (USD/1,000 pieces)	27.6	35.3	31.1	25.8	29.8	26.2	7.2	18.3	18.3
ASP - powder-free (USD/1,000 pieces)	33.9	43.7	38.4	31.8	37.1	32.6	6.5	17.7	17.7
ASP - nitrile (USD/1,000 pieces)	34.8	44.9	39.5	32.7	38.2	33.6	6.4	17.6	17.6
ASP - blended (USD/1,000 pieces)	32.2	41.4	36.5	30.2	35.2	30.9	6.7	17.8	17.8
Concentrated latex price (THB/kg)	37.0	57.0	45.0	37.0	38.3	38.0	0.0	49.0	18.4
Synthetic latex price (THB/kg)	38.0	50.0	55.0	38.0	41.0	42.0	0.0	22.0	31.0
Exchange rate (THB/USD)	32.0	32.0	32.0	32.0	32.0	32.0	0.0	0.0	0.0

Sources: STGT; FSSIA estimates

### 3Q20E earnings preview

We project STGT to post a 3Q20 net profit of THB3.4b, up 223% q-q. The key drivers we expect to support our forecast are 1) a 70% q-q higher ASP to USD35/ptp; 2) a 3% q-q higher sales volume to 7.5b pieces; 3) a sharp increase in its EBITDA margin to 49%, despite slightly higher raw material costs by 4% q-q, given that STGT has locked in most of its rubber raw material costs until end-2020; and 4) a lower effective tax rate to 10.5%, down from 10.8%, due to the higher glove production levels from its new lines with tax exemptions.

#### Exhibit 10: 3Q20E preview summary

	2Q20	3Q20E		9M20E	2020E	Comments
	(THB m)	(THB m)	(q-q%)	(THB m)	(THB m)	
<b>Revenue</b>	<b>4,857</b>	<b>8,339</b>	<b>71.7</b>	<b>16,956</b>	<b>24,554</b>	<b>Higher due to higher sales volume</b>
Operating costs	(3,405)	(4,257)	25.0	(10,702)	(15,026)	Higher due to higher production
<b>EBITDA</b>	<b>1,452</b>	<b>4,083</b>	<b>181.3</b>	<b>6,254</b>	<b>9,528</b>	<b>Higher due to higher sales volume and ASP</b>
<i>EBITDA margin (%)</i>	29.9	49.0	<i>nm</i>	36.9	38.8	
Depn & amort.	(267)	(287)	7.7	(779)	(1,092)	Higher due to higher production
<b>EBIT</b>	<b>1,185</b>	<b>3,796</b>	<b>220.3</b>	<b>5,475</b>	<b>8,436</b>	
Interest expense	(39)	(33)	(14.4)	(111)	(91)	Lower due to debt repayment
Interest & invt inc	1	1	<i>na</i>	2	-	
Other income	29	30	<i>na</i>	77	80.0	
Associates' contrib	-	-	<i>na</i>	-	-	
Exceptionals	9	15	-	2	-	
<b>Pretax profit</b>	<b>1,185</b>	<b>3,809</b>	<b>221.3</b>	<b>5,446</b>	<b>8,424</b>	<b>Higher due to higher margin and sales volume</b>
Tax	(128)	(398)	209.9	(557)	(874)	
<i>Tax rate (%)</i>	10.8	10.5		10.2	10.4	
Minority interests	-	-	<i>nm</i>	-	-	
<b>Net profit</b>	<b>1,057</b>	<b>3,411</b>	<b>222.7</b>	<b>4,889</b>	<b>7,550</b>	
<b>Core net profit</b>	<b>1,062</b>	<b>3,416</b>	<b>221.7</b>	<b>4,922</b>	<b>7,550</b>	
EPS (THB)	5.28	17.05	222.7	24.45	5.28	
Core EPS (THB)	5.31	17.08	221.7	24.61	5.28	

Sources: STGT; FSSIA estimates

## TP revision

We maintain BUY and raise our TP to THB117, based on 16x 2021E P/E, from THB116, previously based on 17x 2021E P/E, to reflect the sector's lower average forward 2021E P/E of 15.6x. We believe the sector's lower one-year forward P/E – which includes STGT and its four major competitors in Malaysia – is due to investors' concerns over the potential ASP downside post 2H21, given the uncertain demand and supply situation following the successful implementation of a global vaccine, which we estimate could occur anytime in 2021.

### Exhibit 11: TP sensitivity to changes in one-year P/E and ASP

ASP (USD/1,000 pieces)	Net profit	EPS	Target price at each level of P/E (THB/share)										
	2021E (THB m)	2021E (THB/share)	10 (x)	11 (x)	12 (x)	13 (x)	14 (x)	15 (x)	16 (x)	17 (x)	18 (x)	19 (x)	20 (x)
25.0	2,194	1.53	15	17	18	20	21	23	25	26	28	29	31
41.4	10,485	7.33	73	81	88	95	103	110	117	125	132	139	147
40.0	13,604	9.51	95	105	114	124	133	143	152	162	171	181	190
45.0	17,415	12.17	122	134	146	158	170	183	195	207	219	231	243
50.0	21,227	14.84	148	163	178	193	208	223	237	252	267	282	297

ASP (USD/1,000 pieces)	% change of		Target price upside to market price of THB70.72 at each level of P/E										
	Net profit 2021E	EPS 2021E	20 (%)	21 (%)	22 (%)	23 (%)	24 (%)	25 (%)	26 (%)	27 (%)	28 (%)	29 (%)	30 (%)
25.0	(79)	(79)	(78)	(76)	(74)	(72)	(69)	(67)	(65)	(63)	(61)	(59)	(56)
41.4	0	0	4	15	25	36	46	56	67	77	88	98	109
40.0	30	30	35	49	62	76	89	103	117	130	144	157	171
45.0	66	66	73	91	108	125	143	160	177	195	212	229	247
50.0	102	102	111	132	153	175	196	217	238	259	280	301	322

Sources: STGT; FSSIA estimates

We believe our 16x 2021E P/E is conservative enough to absorb the looming downside from the expected decline in ASPs and the waning demand for gloves over the next 12 months. This has been reflected in the valuation derating of the glove sector from its average one-year forward P/E of 21.8x in Aug 2020 down to its current 15.6x 2021E P/E, in our view, despite the rising demand visibility that has been locked in beyond 1H21 and the continually improving ASPs thanks to the second wave of COVID-19.

### Exhibit 12: Peer comparisons as of 30 Oct 2020

Company	BBG code	Rec	Share price			Market Cap (USD m)	3Y EPS CAGR (%)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)			20E (x)	21E (x)	20E (%)	21E (%)	20E (x)	21E (x)	20E (x)	21E (x)
<b>THAILAND</b>															
Sri Trang Gloves*	STGT TB	BUY	91.50	117.00	28	4,195	127.8	17.3	12.5	51.2	35.1	5.2	3.8	12.5	8.7
<b>MALAYSIA</b>															
Top Glove Corp Bhd	TOPG MK	NA	8.57	NA	NA	16,712	177.9	47.1	8.2	46.8	108.7	19.8	7.1	32.8	6.1
Hartalega Holdings	HART MK	NA	18.00	NA	NA	14,842	70.5	131.4	26.4	19.2	74.0	25.0	17.8	85.6	18.5
Kossan Rubber Ind	KRI MK	NA	7.50	NA	NA	4,590	68.6	26.2	17.6	42.2	43.8	10.5	7.9	18.3	13.1
Supermax Corp Bhd	SUCB MK	NA	9.47	NA	NA	5,827	181.6	68.9	9.0	36.6	88.6	17.7	7.7	36.2	6.2
Malaysia average						41,972	115.9	77.7	15.8	35.1	86.5	20.4	11.0	50.3	11.3
<b>Overall average</b>						<b>46,167</b>	<b>116.5</b>	<b>72.5</b>	<b>15.6</b>	<b>36.0</b>	<b>81.8</b>	<b>19.0</b>	<b>10.4</b>	<b>47.1</b>	<b>11.1</b>

Sources: Bloomberg consensus; \*FSSIA estimates



## Financial Statements

### Sri Trang Gloves (Thailand)

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	10,989	11,994	24,554	35,900	35,548
Cost of goods sold	(8,551)	(9,766)	(14,044)	(20,836)	(21,493)
<b>Gross profit</b>	<b>2,437</b>	<b>2,228</b>	<b>10,510</b>	<b>15,064</b>	<b>14,055</b>
Other operating income	-	-	-	-	-
Operating costs	(550)	(725)	(982)	(2,190)	(2,133)
<b>Operating EBITDA</b>	<b>1,888</b>	<b>1,502</b>	<b>9,528</b>	<b>12,874</b>	<b>11,922</b>
Depreciation	(628)	(789)	(1,092)	(1,367)	(1,642)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>1,259</b>	<b>713</b>	<b>8,436</b>	<b>11,507</b>	<b>10,280</b>
Net financing costs	(168)	(105)	(91)	(68)	(76)
Associates	0	0	0	0	0
Recurring non operating income	114	109	80	80	80
Non recurring items	(17)	0	0	0	0
<b>Profit before tax</b>	<b>1,187</b>	<b>718</b>	<b>8,424</b>	<b>11,519</b>	<b>10,284</b>
Tax	(206)	(104)	(874)	(1,033)	(1,489)
<b>Profit after tax</b>	<b>982</b>	<b>614</b>	<b>7,550</b>	<b>10,485</b>	<b>8,795</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>982</b>	<b>614</b>	<b>7,550</b>	<b>10,485</b>	<b>8,795</b>
<b>Non recurring items &amp; goodwill (net)</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>999</b>	<b>614</b>	<b>7,550</b>	<b>10,485</b>	<b>8,795</b>
<b>Per share (THB)</b>					
Recurring EPS *	4.99	0.62	5.28	7.33	6.15
Reported EPS	4.91	0.62	5.28	7.33	6.15
DPS	0.24	0.11	0.70	0.80	0.90
Diluted shares (used to calculate per share data)	200	990	1,431	1,431	1,431
<b>Growth</b>					
Revenue (%)	(2.3)	9.2	104.7	46.2	(1.0)
Operating EBITDA (%)	131.3	(20.4)	534.2	35.1	(7.4)
Operating EBIT (%)	332.1	(43.4)	1,082.7	36.4	(10.7)
Recurring EPS (%)	188.1	(87.6)	751.0	38.9	(16.1)
Reported EPS (%)	357.5	(87.4)	751.0	38.9	(16.1)
<b>Operating performance</b>					
Gross margin inc depreciation (%)	16.5	12.0	38.4	38.2	34.9
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	17.2	12.5	38.8	35.9	33.5
Operating EBIT margin (%)	11.5	5.9	34.4	32.1	28.9
Net margin (%)	9.1	5.1	30.7	29.2	24.7
Effective tax rate (%)	17.3	14.5	10.4	9.0	14.5
Dividend payout on recurring profit (%)	4.8	17.7	13.3	10.9	14.6
Interest cover (X)	8.2	7.9	93.3	170.1	135.7
Inventory days	63.9	61.5	51.1	50.4	59.3
Debtor days	56.3	53.8	25.8	20.7	24.6
Creditor days	52.1	49.6	44.1	43.6	51.3
Operating ROIC (%)	15.3	6.0	56.0	(15.7)	(12.3)
ROIC (%)	16.1	6.7	55.0	(15.5)	(12.1)
ROE (%)	46.4	18.0	51.2	35.1	22.9
ROA (%)	13.0	5.8	35.6	29.9	19.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue By Division (THB m)</b>					
Natural rubber powdered gloves	3,385	4,270	9,896	14,469	13,656
Natural rubber powder-free gloves	3,012	3,205	2,364	4,113	4,861
Nitrile gloves	4,404	4,519	12,129	16,785	16,563
Natural rubber products business	187	0	165	533	469

Sources: Sri Trang Gloves (Thailand); FSSIA estimates

## Financial Statements

### Sri Trang Gloves (Thailand)

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	999	614	7,550	10,485	8,795
Depreciation	628	789	1,092	1,367	1,642
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(672)	133	(703)	(838)	(360)
<b>Cash flow from operations</b>	<b>955</b>	<b>1,536</b>	<b>7,940</b>	<b>11,015</b>	<b>10,076</b>
Capex - maintenance	(1,536)	(3,180)	(3,023)	(3,023)	(3,023)
Capex - new investment	(1,903)	(133)	0	0	0
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	(563)	324	0	0	0
<b>Cash flow from investing</b>	<b>(4,002)</b>	<b>(2,990)</b>	<b>(3,023)</b>	<b>(3,023)</b>	<b>(3,023)</b>
Dividends paid	(28)	(109)	(109)	(1,002)	(1,145)
Equity finance	0	0	0	0	0
Debt finance	1,746	1,819	(5,000)	0	500
Other financing cash flows	1,328	(248)	13,223	60	58
<b>Cash flow from Financing</b>	<b>3,046</b>	<b>1,462</b>	<b>8,114</b>	<b>(942)</b>	<b>(586)</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>0</b>	<b>8</b>	<b>13,031</b>	<b>7,050</b>	<b>6,467</b>
Free cash flow to firm (FCFF)	(2,884.60)	(1,259.61)	5,007.70	8,059.86	7,129.50
Free cash flow to equity (FCFE)	27.67	116.81	13,139.68	8,051.38	7,611.42
<b>Per share (THB)</b>					
FCFF per share	(2.02)	(0.88)	3.50	5.63	4.98
FCFE per share	0.02	0.08	9.18	5.63	5.32
Recurring cash flow per share	8.14	1.42	6.04	8.28	7.29
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed asset (gross)	8,031	10,561	13,584	16,607	19,631
Less: Accumulated depreciation	(1,993)	(1,999)	(3,091)	(4,458)	(6,100)
<b>Tangible fixed assets (Net)</b>	<b>6,038</b>	<b>8,562</b>	<b>10,493</b>	<b>12,149</b>	<b>13,531</b>
<b>Intangible fixed assets (Net)</b>	<b>221</b>	<b>221</b>	<b>221</b>	<b>221</b>	<b>221</b>
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	-	-	-	-	-
Cash & equivalents	573	581	13,612	20,662	27,129
A/C receivable	1,922	1,612	1,857	2,216	2,572
Inventories	1,681	1,612	2,318	3,439	3,547
Other current assets	74	507	1,039	1,519	1,504
<b>Current assets</b>	<b>4,251</b>	<b>4,312</b>	<b>18,826</b>	<b>27,836</b>	<b>34,752</b>
Other assets	142	121	121	121	121
<b>Total assets</b>	<b>10,652</b>	<b>13,216</b>	<b>29,661</b>	<b>40,327</b>	<b>48,624</b>
Common equity	2,431	4,402	25,067	34,610	42,318
Minorities etc.	1,358	0	0	0	0
<b>Total Shareholders' equity</b>	<b>3,789</b>	<b>4,402</b>	<b>25,067</b>	<b>34,610</b>	<b>42,318</b>
Long term debt	4,249	5,846	1,846	1,846	2,346
Other long-term liabilities	248	195	195	195	195
<b>Long-term liabilities</b>	<b>4,497</b>	<b>6,041</b>	<b>2,041</b>	<b>2,041</b>	<b>2,541</b>
A/C payable	1,263	1,393	2,003	2,971	3,065
Short term debt	996	1,218	218	218	218
Other current liabilities	107	163	333	487	482
<b>Current liabilities</b>	<b>2,366</b>	<b>2,773</b>	<b>2,553</b>	<b>3,676</b>	<b>3,765</b>
<b>Total liabilities and shareholders' equity</b>	<b>10,652</b>	<b>13,216</b>	<b>29,661</b>	<b>40,327</b>	<b>48,624</b>
Net working capital	2,308	2,176	2,878	3,716	4,076
Invested capital	8,709	11,079	13,713	16,207	17,948
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	12.15	4.45	17.52	24.19	29.58
Tangible book value per share	11.05	4.22	17.37	24.04	29.42
<b>Financial strength</b>					
Net debt/Equity (%)	123.3	147.3	(46.1)	(53.7)	(58.0)
Net debt/total assets (%)	43.9	49.0	(38.9)	(46.1)	(50.5)
Current ratio (x)	1.8	1.6	7.4	7.6	9.2
CF interest cover (x)	12.5	3.4	145.0	119.2	100.7
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>18.3</b>	<b>147.6</b>	<b>17.3</b>	<b>12.5</b>	<b>14.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>23.4</b>	<b>188.7</b>	<b>22.2</b>	<b>16.0</b>	<b>19.0</b>
Reported P/E (x)	18.6	147.6	17.3	12.5	14.9
Dividend yield (%)	0.3	0.1	0.8	0.9	1.0
Price/book (x)	7.5	20.6	5.2	3.8	3.1
Price/tangible book (x)	8.3	21.7	5.3	3.8	3.1
EV/EBITDA (x) **	12.9	64.6	12.5	8.7	8.9
EV/EBITDA @ target price (x) **	15.6	81.4	16.4	11.6	12.0
EV/invested capital (x)	2.8	8.8	8.7	6.9	5.9
* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income					

Sources: Sri Trang Gloves (Thailand); FSSIA estimates

## Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NKL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMP	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

**Disclaimer:**

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

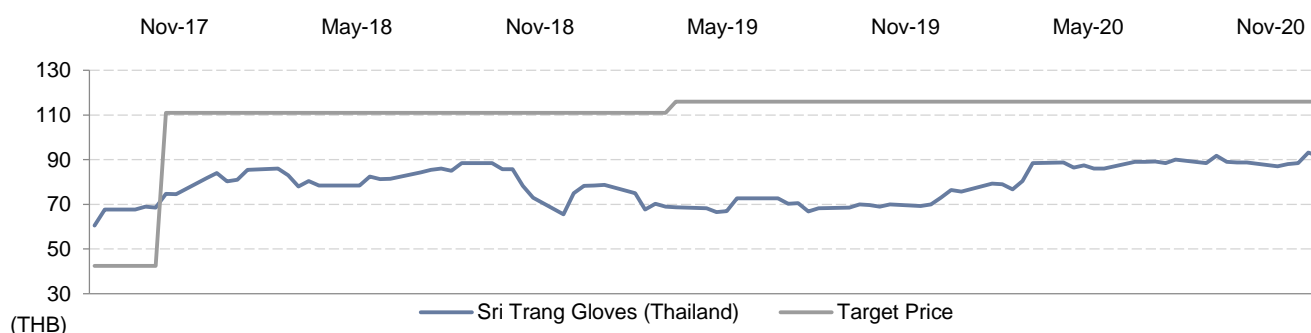
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### History of change in investment rating and/or target price

#### Sri Trang Gloves (Thailand) (STGT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Jul-2020	BUY	42.50	15-Jul-2020	BUY	111.00	18-Aug-2020	BUY	111.00
08-Jul-2020	BUY	111.00	29-Jul-2020	BUY	111.00	27-Aug-2020	BUY	116.00

Suwat Sinsadok started covering this stock from 01-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sri Trang Gloves (Thailand)	STGT TB	THB 91.50	BUY	The downside risks to our PE-based TP for STGT include 1) a lower-than-expected demand for rubber gloves; 2) higher prices of concentrated natural and synthetic latex and crude; and 3) exchange rate volatility.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 30-Oct-2020 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

**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.