

12 OCTOBER 2021

# Thailand Tourism & Leisure

## Time to check in for bargain prices

### European hotels should meaningfully improve as ADR returns to pre-Covid level

According to STR, European hotel operations have improved since June following the easing of lockdown restrictions. In addition, the EU Digital Covid Certificate Regulation has entered into application since July. This allows fully vaccinated travellers to move freely without the need for quarantine and Covid tests within the applicable European countries. As a result, the occupancy (OCC) rate of European hotels has recovered to c60-80% of the pre-Covid level in Aug-Sep from c20% in Apr-May. The UK leads the recovery with an OCC rate at 77% of the pre-Covid level. What's more, the average daily rate (ADR) of European hotels has shown an even stronger recovery, as the ADR in some countries has exceeded the pre-Covid level, such as Italy (116% vs pre-Covid), Portugal (109%) and Russia (107%).

### MINT and SHR's hotels in Europe should have an OCC rate of 55-70% in 3Q21

The strong performance of European hotels should benefit MINT and SHR. Around half of MINT's total revenue is derived from European hotels, for which we estimate the OCC rate to surge from 23% in 2Q21 to 55-60% in 3Q21. Meanwhile, SHR has a c25% revenue contribution from UK hotels, for which we estimate the OCC rate to jump from 34% in 2Q21 to 65-70% in 3Q21. In addition, SHR also has a c30% revenue contribution from Maldives, where tourist arrivals have reached the pre-Covid level since Aug-21. The OCC rate of SHR's Maldives hotels should stay above 55% in 3Q21, improving from 44% in 2Q21.

### 3Q21 results: MINT and SHR should have smaller losses q-q

We expect all hotel operators to still post core losses in 3Q21. MINT and SHR should book smaller core losses by 25% and 47% q-q, respectively, thanks to their European and Maldives hotel portfolios. CENTEL's 3Q21 core loss should be relatively in line with 2Q21, as the improving Maldives hotels should be offset by the weak Thai hotels and restaurants. AWC and ERW should report larger core losses q-q in 3Q21, dragged down by Thai hotels.

### Overweight sector; 3Q21 to see the first signs of a margin expansion

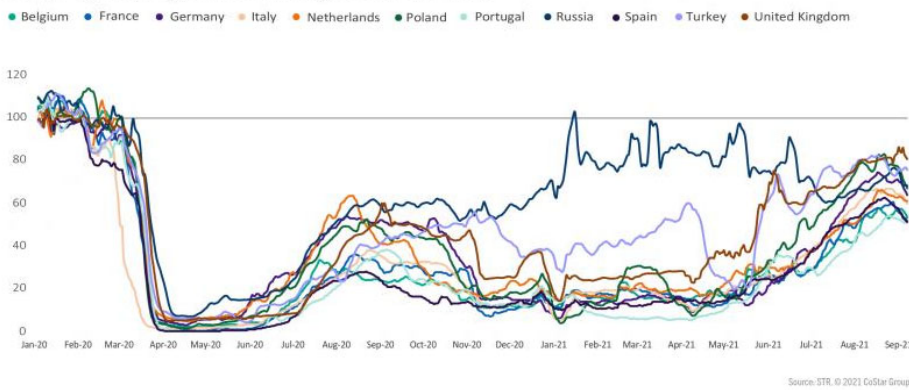
We are OVERWEIGHT on the hotel sector. The pent-up demand from domestic travellers and the border reopenings at major tourist destinations on 1 Nov-21 should boost the overall performance of Thai hotels in 4Q21-1Q22. We expect 3Q21 to be the first quarter where cost-saving benefits are visible as revenues start to recover. This could lead to a margin expansion above the pre-Covid level when revenues return to normalcy. All tourism stocks under our coverage except for AWC are trading at attractive valuations of 26-35x 2023E P/E, lower than the 5-year SET Tourism & Leisure Index average of 36x. Our top picks are MINT and SHR for their potential short-term catalysts on improving 3Q21 results.

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**Exhibit 1: OCC rate recovery of European hotels**

**Europe occupancy recovery varies by country**

Rolling 7-day occupancy (total room inventory), 2021 indexed to 2019

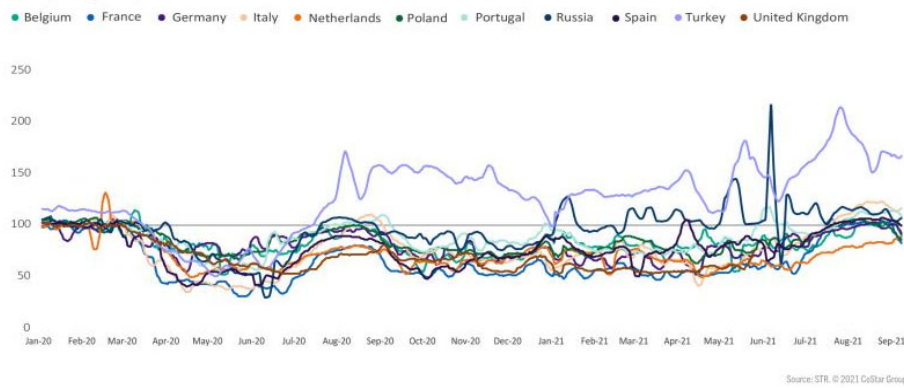


Source: STR

**Exhibit 2: ADR recovery of European hotels**

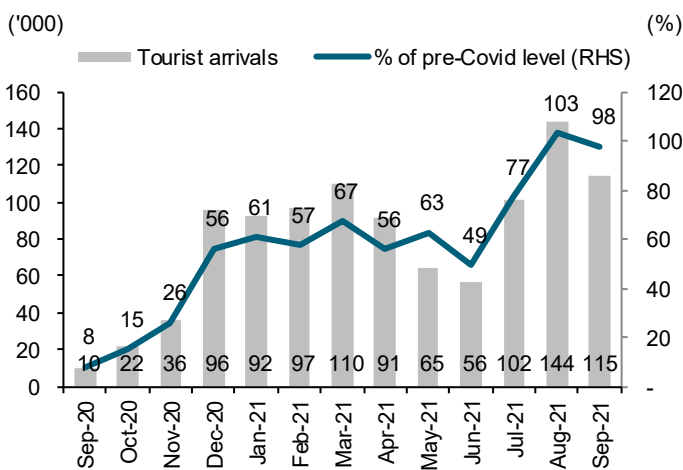
**ADR recovering swiftly across the continent**

Rolling 7-day ADR, 2021 indexed to 2019



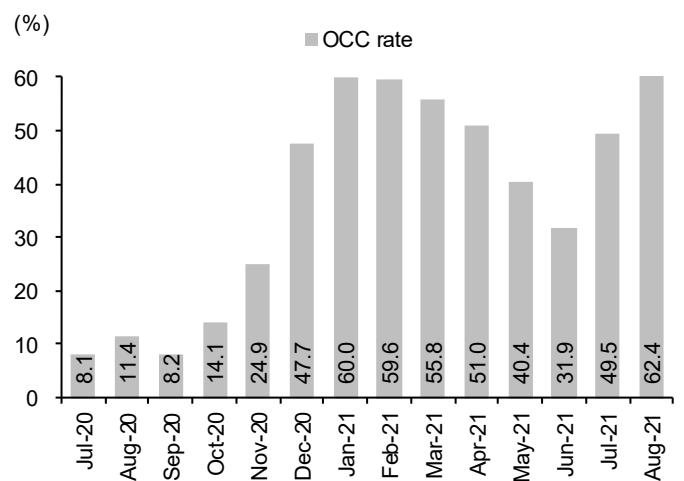
Source: STR

**Exhibit 3: Maldives tourist arrivals**



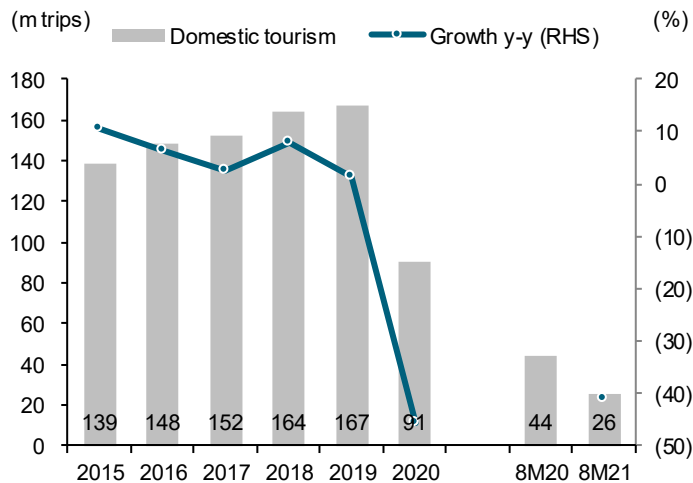
Source: Ministry of Tourism, Maldives

**Exhibit 4: Maldives hotels OCC rate**



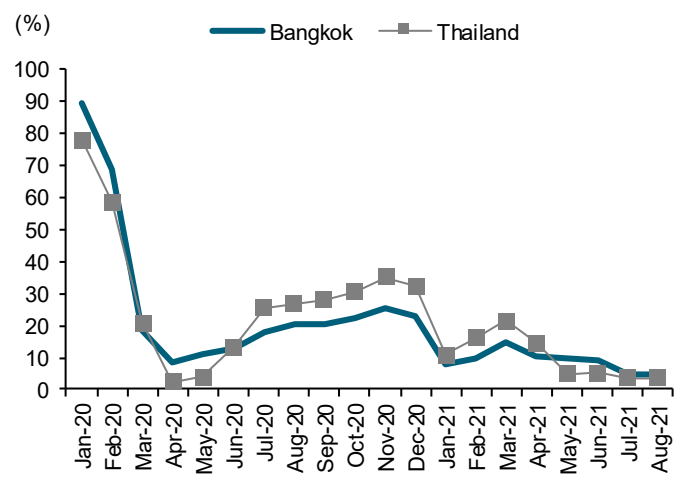
Source: Ministry of Tourism, Maldives

Exhibit 5: Domestic tourism



Source: Ministry of Tourism & Sports

Exhibit 6: OCC rate of Bangkok and Thailand hotels



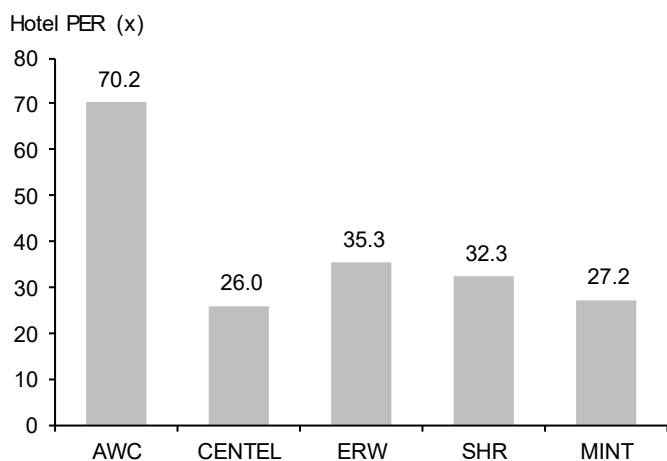
Source: Ministry of Tourism & Sports

Exhibit 7: 3Q21E results preview for hotel sector

Core profit	3Q20 (THB m)	2Q21 (THB m)	3Q21E (THB m)	Change (y-y %)	Change (q-q %)	FSSIA's 3Q21 OCC/SSSG estimates
AWC	(620)	(758)	(824)	(33)	(9)	Hotel OCC 13% / Retail OCC 56% / Office OCC 75%
MINT	(4,783)	(3,394)	(2,542)	47	25	Thai hotel OCC 13% / NHH OCC 55% / SSSG -10% y-y
CENTEL	(897)	(651)	(672)	25	(3)	Thai hotel OCC 12% / Maldives hotel OCC 63% / SSSG -26% y-y
ERW	(514)	(559)	(586)	(14)	(5)	Hotel OCC (excl. Hop Inn) 8% / Hop Inn OCC 27%
SHR	(596)	(549)	(290)	51	47	Maldives OCC 57% / UK OCC 68% / Thai OCC 14%

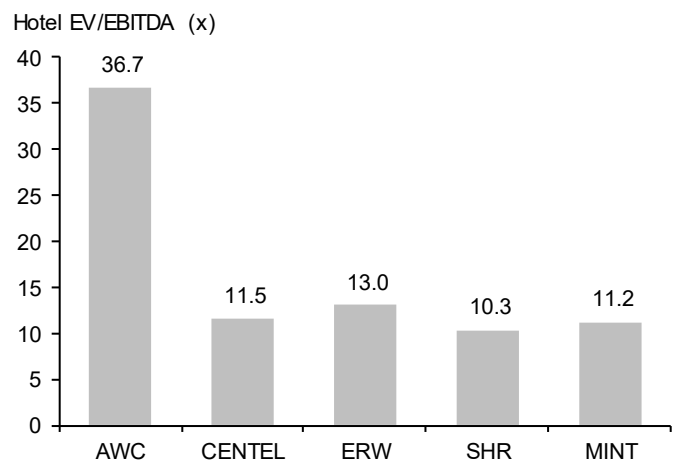
Source: FSSIA estimates

Exhibit 8: 2023E P/E comparison



Source: FSSIA estimates

Exhibit 9: 2023E EV/EBITDA comparison



Source: FSSIA estimates

## Exhibit 10: Peers comparison as of 11 Oct 2021

Company	BBG	Rec	--- Share price ---		Up side	Market Cap	----- PE -----		----- PBV -----		--- EV/EBITDA ---	
			Current (LCY)	Target (LCY)			21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
<b>Thailand</b>												
Asset World Corp Pcl	AWC TB	BUY	4.58	5.60	22	4,327	(59.8)	501.8	1.9	1.9	3,502.5	63.6
Minor International Pcl	MINT TB	BUY	33.25	42.00	26	5,103	(14.0)	71.7	3.1	3.0	50.6	14.5
Central Plaza Hotel Pcl	CENTEL TB	BUY	36.50	40.00	10	1,455	(24.0)	146.7	2.8	2.8	48.3	17.0
Erawan Group Pcl/The	ERW TB	BUY	3.18	4.00	26	425	(7.2)	(143.9)	2.4	2.4	(46.9)	20.1
S Hotels & Resorts Pcl	SHR TB	BUY	3.68	4.60	25	390	(10.1)	134.0	0.9	0.9	54.3	12.7
<b>Thailand average</b>						<b>11,700</b>	<b>(23.0)</b>	<b>142.1</b>	<b>2.2</b>	<b>2.2</b>	<b>721.8</b>	<b>25.6</b>
<b>Regional</b>												
Shanghai Jin Jiang Capital-H	2006 HK	n/a	1.60	n/a	n/a	1,116	64.7	n/a	0.7	0.7	n/a	n/a
Btg Hotels Group Co Ltd-A	600258 CH	n/a	23.15	n/a	n/a	3,578	43.9	21.9	2.6	2.3	25.1	14.6
Sh Jinjiang Intl Hotels - B	900934 CH	n/a	1.88	n/a	n/a	7,063	20.6	7.9	0.9	0.8	28.6	17.5
Huangshan Tourism Develop-B	900942 CH	n/a	0.71	n/a	n/a	887	15.5	10.0	0.7	0.7	10.2	7.2
Genting Bhd	GENT MK	n/a	5.17	n/a	n/a	4,846	n/a	13.7	0.6	0.6	14.1	7.7
Greentree Hospitality Gr-Adr	GHG US	n/a	8.79	n/a	n/a	906	12.7	10.5	2.4	2.1	8.4	6.6
Huazhu Group Ltd-Adr	HTHT US	n/a	50.35	n/a	n/a	16,452	137.3	41.5	8.8	6.8	44.7	19.0
Indian Hotels Co Ltd	IH IN	n/a	206.80	n/a	n/a	3,391	n/a	n/a	7.0	7.6	n/a	78.3
Lemon Tree Hotels Ltd	LEMONTRE IN	n/a	56.20	n/a	n/a	593	n/a	n/a	6.5	5.2	103.3	51.4
Lippo Karawaci Tbk Pt	LPKR IJ	n/a	159.00	n/a	n/a	803	19.2	21.8	0.6	0.6	14.4	13.6
<b>Regional average</b>						<b>39,636</b>	<b>44.8</b>	<b>18.2</b>	<b>3.1</b>	<b>2.7</b>	<b>31.1</b>	<b>24.0</b>
<b>Overall average</b>						<b>51,336</b>	<b>16.6</b>	<b>69.8</b>	<b>2.8</b>	<b>2.6</b>	<b>296.7</b>	<b>24.6</b>

Sources: Bloomberg; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

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\* 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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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)

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

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### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

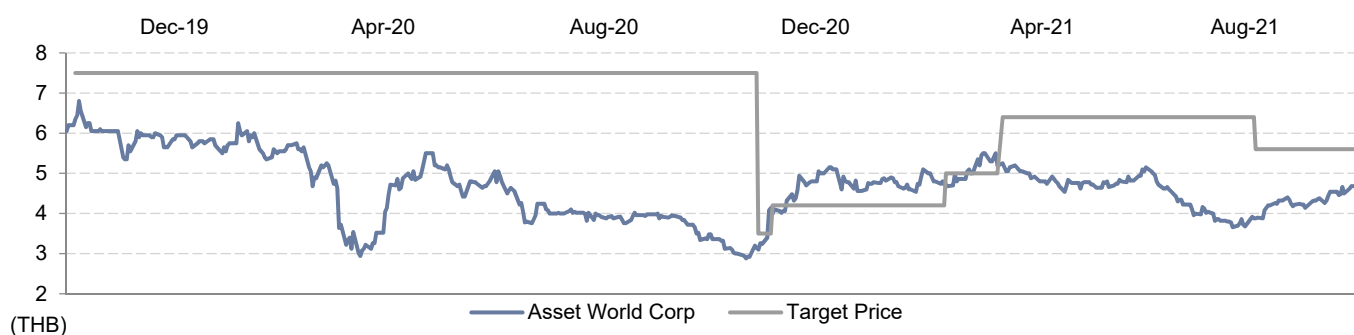
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### History of change in investment rating and/or target price

#### Asset World Corp (AWC TB)



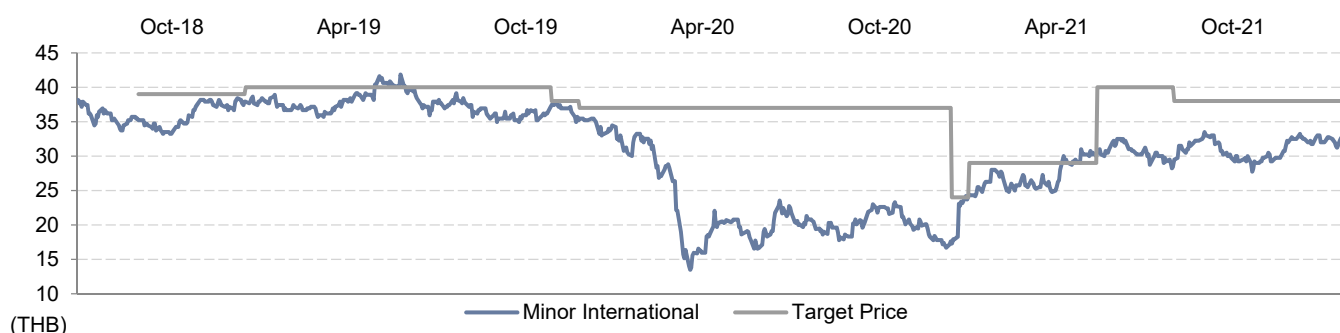
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Oct-2019	BUY	7.50	11-Nov-2020	HOLD	4.20	11-Aug-2021	BUY	5.60
02-Apr-2020	BUY	7.50	17-Feb-2021	HOLD	5.00			
03-Nov-2020	HOLD	3.50	19-Mar-2021	BUY	6.40			

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

#### Minor International (MINT TB)



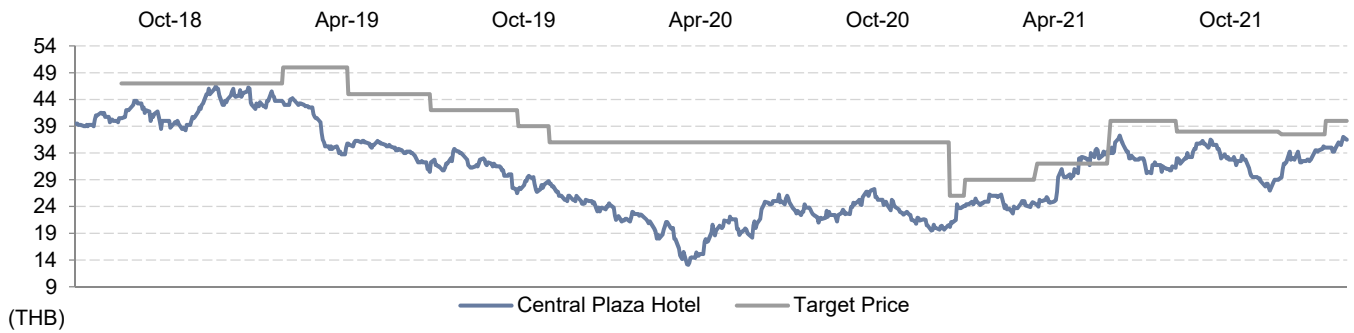
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
06-Dec-2018	HOLD	39.00	20-Dec-2019	HOLD	37.00	18-Nov-2020	BUY	29.00
08-Mar-2019	HOLD	40.00	02-Apr-2020	HOLD	37.00	08-Mar-2021	BUY	40.00
26-Nov-2019	HOLD	38.00	03-Nov-2020	BUY	24.00	13-May-2021	BUY	38.00

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

**Central Plaza Hotel (CENTEL TB)**



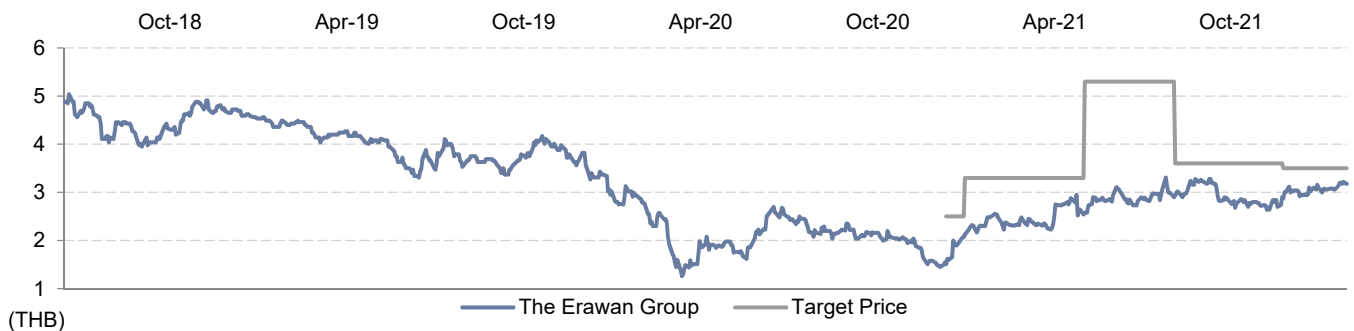
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
23-Nov-2018	BUY	47.00	26-Nov-2019	BUY	36.00	19-Mar-2021	BUY	40.00
11-Apr-2019	BUY	50.00	02-Apr-2020	BUY	36.00	17-May-2021	BUY	38.00
06-Jun-2019	BUY	45.00	03-Nov-2020	BUY	26.00	07-Jul-2021	BUY	38.00
16-Aug-2019	BUY	42.00	16-Nov-2020	BUY	29.00	13-Aug-2021	BUY	37.50
30-Oct-2019	BUY	39.00	15-Jan-2021	BUY	32.00	22-Sep-2021	BUY	40.00

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

**The Erawan Group (ERW TB)**



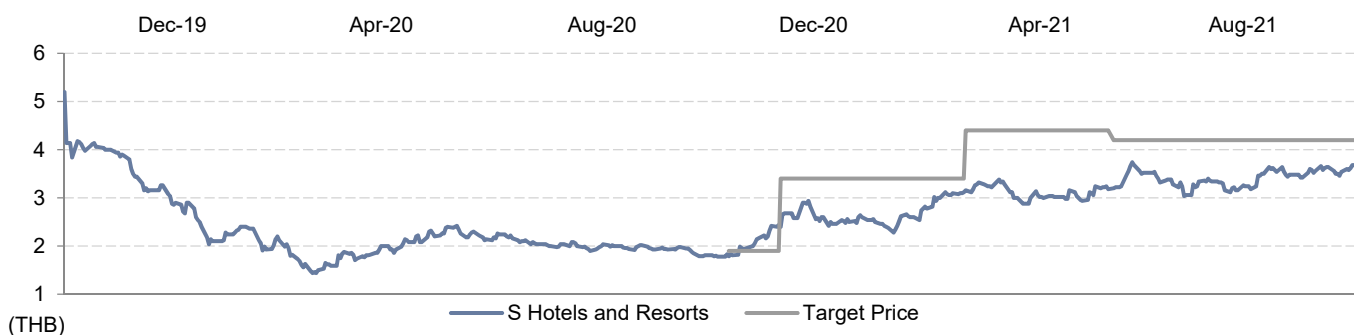
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Nov-2020	HOLD	2.50	01-Mar-2021	BUY	5.30	17-Aug-2021	BUY	3.50
19-Nov-2020	HOLD	3.30	17-May-2021	BUY	3.60			

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

**S Hotels and Resorts (SHR TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Nov-2020	HOLD	1.90	11-Mar-2021	BUY	4.40	-	-	-
01-Dec-2020	BUY	3.40	28-May-2021	BUY	4.20			

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates



Company	Ticker	Price	Rating	Valuation & Risks
Asset World Corp	AWC TB	THB 4.58	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Minor International	MINT TB	THB 33.25	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Plaza Hotel	CEN TEL TB	THB 36.50	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
The Erawan Group	ERW TB	THB 3.18	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
S Hotels and Resorts	SHR TB	THB 3.68	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

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 11-Oct-2021 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.