

16 NOVEMBER 2021

THAILAND / MEDIA

RS RS TB

BUY

UNCHANGED

|                 |           |
|-----------------|-----------|
| TARGET PRICE    | THB22.00  |
| CLOSE           | THB18.90  |
| UP/DOWNSIDE     | +16.4%    |
| PRIOR TP        | THB22.00  |
| CHANGE IN TP    | UNCHANGED |
| TP vs CONSENSUS | +1.8%     |

## Embracing the cryptocurrency trend

### Announced the issuance of a cryptocurrency

RS is joining the cryptocurrency bandwagon by debuting its Popcoin Smart Marketing Platform (Popcoin), using blockchain technology to increase the market value of its content and entertainment business. Popcoin will be listed on Bitkub at the beginning of 2022 under a join-to-earn concept. This coin will be a utility cryptocurrency for use in RS's ecosystem. We have a positive view on this plan, given that many other companies in Thailand are now embracing the cryptocurrency trend. Having its own cryptocurrency could expand RS's "entertainment" vision of the company more effectively.

### Expect a recovery in 4Q21

Since 3Q21 should be the bottom due to the Covid-19 impact and weak consumer purchasing power, we believe RS will enter a recovery phase starting from 4Q21 onward. Its revenue should start to pick up thanks to 1) the recovery of the Thai economy; and 2) new product launches. Moreover, the initial marketing expense for its two new flagship products should finally decline, bringing its SG&A to sales down to close to the normal level. RS has affirmed that the company will see a U-shaped recovery in its commerce business, while the advertising expenditure in its media business has jumped by over 2-3x from its bottom in 3Q21.

### Earnings estimate cut

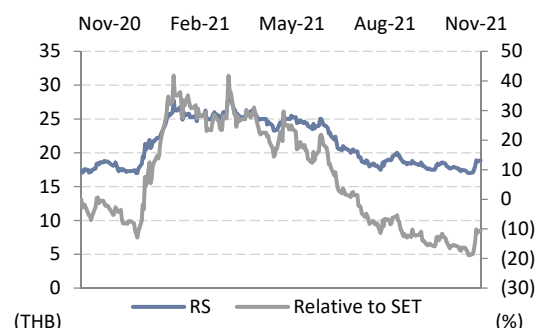
Due to the lower-than-expected results in 3Q21, where RS recognised a tiny loss of THB0.3m on its high SG&A to sales, while its new product launch plan was delayed to late 4Q21, we cut our 2021E earnings by 26% to THB278m (-56% y-y), mainly due to our higher SG&A to sales assumption at 43% vs our previous expectation of 38%.

### Maintain BUY with TP of THB22

Although we have not yet included the potential of Popcoin into our forecast, which could be another key support for RS on the linkage between its commerce and entertainment business, this new business could be a long-term growth driver for the company. We maintain BUY on RS with our SOTP-based TP of THB22, as we believe the worst of RS's performance is over and it is entering a recovery stage. Our TP is pegged to 35x 2022E P/E (-0.5SD of its mean P/E). Potential downside risks include 1) a weaker-than-expected recovery, mainly in its commerce business; and 2) unsuccessful new products.

## KEY STOCK DATA

| YE Dec (THB m)       | 2020  | 2021E  | 2022E  | 2023E |
|----------------------|-------|--------|--------|-------|
| Revenue              | 3,774 | 3,832  | 4,362  | 5,041 |
| Net profit           | 528   | 278    | 608    | 833   |
| EPS (THB)            | 0.54  | 0.29   | 0.62   | 0.86  |
| vs Consensus (%)     | -     | (10.2) | (6.5)  | 2.6   |
| EBITDA               | 1,240 | 871    | 1,151  | 1,411 |
| Core net profit      | 528   | 278    | 608    | 833   |
| Core EPS (THB)       | 0.54  | 0.29   | 0.62   | 0.86  |
| Chg. In EPS est. (%) | -     | (26.2) | (12.8) | (4.9) |
| EPS growth (%)       | 45.4  | (47.5) | 118.9  | 37.0  |
| Core P/E (x)         | 34.8  | 66.2   | 30.3   | 22.1  |
| Dividend yield (%)   | 0.5   | 0.5    | 1.0    | 2.3   |
| EV/EBITDA (x)        | 15.3  | 23.5   | 17.3   | 13.7  |
| Price/book (x)       | 9.2   | 8.4    | 7.0    | 6.1   |
| Net debt/Equity (%)  | 28.7  | 95.7   | 59.9   | 33.3  |
| ROE (%)              | 28.4  | 13.2   | 25.2   | 29.4  |



| Share price performance        | 1 Month                    | 3 Month | 12 Month |
|--------------------------------|----------------------------|---------|----------|
| Absolute (%)                   | 4.4                        | 4.4     | 3.3      |
| Relative to country (%)        | 4.4                        | (2.6)   | (15.1)   |
| Mkt cap (USD m)                | 553                        |         |          |
| 3m avg. daily turnover (USD m) | 4.2                        |         |          |
| Free float (%)                 | 60                         |         |          |
| Major shareholder              | Surachi Chetchotisak (23%) |         |          |
| 12m high/low (THB)             | 30.00/16.70                |         |          |
| Issued shares (m)              | 972.50                     |         |          |

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

RS is an organisation that conducts business through “opportunity,” by focusing on market leadership, continual investment to sustain its commerce business, and expansions to its related businesses. We expect the contributions from its new businesses to increase significantly, strengthening the company’s total revenue.

With various sales channels via TV, online, retail, exclusive distribution networks (EDN), and direct sales, RS has an advantage in sales channels over its peers.

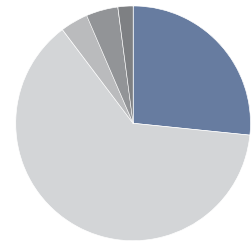
## Company profile

RS operates a commerce business that provides content and powerful entertainment and also sells products. This includes establishing a system to analyse customer data and a telemarketing system.

[www.rs.co.th](http://www.rs.co.th)

## Principal activities (revenue, 2020)

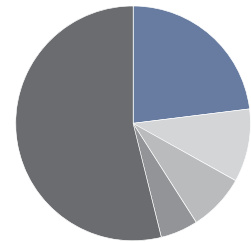
- TV - 26.6 %
- Commerce - 63.1 %
- Radio - 3.8 %
- Music - 4.4 %
- Event - 2.1 %



Source: RS

## Major shareholders

- Surachi Chetchotisak - 23.0 %
- Sorat Vanichvarakij - 10.1 %
- Thai NVDR - 7.9 %
- Bangkok Bank PCL - 5.2 %
- Others - 53.9 %



Source: RS

## Catalysts

- New product lines should be able to boost its commerce revenue as well as its bottom line.
- The new “entertainmerce” strategy may help the company’s revenue grow continuously.
- Growth in associate companies like Chase and Specialty.

## Risks to our call

The key downside risk to our SoTP-based TP is if the company is unable to maintain the growth momentum from its commerce business if revenues from TV, radio, and music continue to decline.

## Event calendar

| Date   | Event                     |
|--------|---------------------------|
| Feb-22 | 2021 results announcement |

## Key assumptions

|                      | 2020 | 2021E | 2022E | 2023E |
|----------------------|------|-------|-------|-------|
|                      | (%)  | (%)   | (%)   | (%)   |
| Commerce growth      | 18   | 8     | 15    | 15    |
| Media revenue growth | (13) | (9)   | 12    | 17    |

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in commerce revenue, we project 2021 earnings to rise by 1.2%, and vice versa, all else being equal;
- For every 1% increase in commerce profit margin, we project 2021 earnings to rise by 3.2%, and vice versa, all else being equal.

Source: FSSIA estimates

## Popcoin, the cryptocurrency for RS

According to RS's management, the Popcoin platform will be a smart marketing platform with Popcoin Token as the medium of exchange. This bold move should seamlessly synergise RS's commerce and media-entertainment businesses. Popcoin can also be applied to marketing campaigns for brands and products whose results are practically measurable. Furthermore, it could create new customer experiences on the Popcoin platform.

Popcoin is developed on Bitkub Chain, one of the biggest digital asset exchanges in Thailand. RS has discussed with the Office of the Securities and Exchange Commission and is preparing to get Popcoin listed on the trading board of Bitkub, approximately at the beginning of 2022.

The Popcoin platform is intended to become a smart marketing platform that fulfils customer's needs, creates opportunities, and generates benefits for all stakeholders in the Popcoin ecosystem, including:

- 1. Companies or brands launching marketing campaigns.** Popcoin is intended to solve market measurement problems and can be used to create campaigns to increase direct engagement with consumers to achieve goals and increase efficiency while improving cost efficiency. Moreover, Popcoin will be positioned as a marketing tool that can adapt clients' strategies to the target audience, thus giving consumers choices and helping them to not feel subjected to unwanted marketing or be unwilling to engage with sponsors.
- 2. Consumers.** Popcoin should provide an incentive for consumers to interact with the platform and gain new experiences with brand content or content creators. It can also be being used as an intermediary for exchanging various benefits in the RS Group under the Popcoin ecosystem.
- 3. Content creator or event organisers who create entertainment content in various forms, including art, online media and TV media.** Popcoin is a tool that will allow content creators to deliver their content to their target audience. It is being designed to help increase creators' follower bases effectively and function as an alternative way to generate additional income in addition to traditional business models.

### Exhibit 1: Popcoin project timeline



Source: RS

## Weak 3Q21 results

RS's bottom line in 3Q21 turned to a loss at THB0.3m, lower than Bloomberg's consensus expectation of a THB25m profit. The company's revenue dropped by 9% y-y and 14% q-q to THB852m. Its revenue was comprised of its commerce business at THB542m (-16% y-y, -4% q-q) and its entertainment business at THB311m (+6% y-y, -27% q-q).

Its GPM in 3Q21 dropped to 47% vs 54% in 2Q21 due to weak entertainment revenue. Moreover, SG&A to sales remained high at 50% due to the marketing expenses from its two new flagship products, CamuC and Well U, launched in 2Q21. The company expects its SG&A to sales ratio to decrease to its normal level at under 35% (vs 50% in 3Q21) in 2022 from new SKUs under existing brands, which should lead to better economies of scale and commerce business sales growth.

Share of profits from Chase improved significantly to THB29m (+180% q-q) in 3Q21, back to the normal level, after the company had less bad debt in the quarter.

### Exhibit 2: 3Q21 results review

|                          | 3Q20       | 2Q21       | 3Q21        | ----- Change ----- |                    | 9M19         | 9M20         | Change      | 2021E        |
|--------------------------|------------|------------|-------------|--------------------|--------------------|--------------|--------------|-------------|--------------|
|                          | (THB m)    | (THB m)    | (THB m)     | (q-q%)             | (y-y%)             | (THB m)      | (THB m)      | (y-y%)      | (THB m)      |
| <b>Revenue</b>           | <b>938</b> | <b>992</b> | <b>852</b>  | <b>(14)</b>        | <b>(9)</b>         | <b>2,756</b> | <b>2,837</b> | <b>3</b>    | <b>3,832</b> |
| Operating costs          | (454)      | (459)      | (449)       | (2)                | (1)                | (1,286)      | (1,339)      | 4           | (1,883)      |
| <b>Gross profit</b>      | <b>484</b> | <b>534</b> | <b>404</b>  | <b>(24)</b>        | <b>(17)</b>        | <b>1,470</b> | <b>1,498</b> | <b>2</b>    | <b>1,948</b> |
| SG&A expenses            | (312)      | (469)      | (431)       | (8)                | 38                 | (915)        | (1,287)      | 41          | (1,628)      |
| <b>EBIT</b>              | <b>172</b> | <b>65</b>  | <b>(27)</b> | <b>(142)</b>       | <b>(116)</b>       | <b>555</b>   | <b>211</b>   | <b>(62)</b> | <b>320</b>   |
| Depn & amort.            | 133        | 150        | 145         | (3)                | 9                  | 378          | 429          | 14          | 542          |
| <b>EBITDA</b>            | <b>305</b> | <b>215</b> | <b>118</b>  | <b>(45)</b>        | <b>(61)</b>        | <b>933</b>   | <b>640</b>   | <b>(31)</b> | <b>862</b>   |
| <i>EBITDA margin (%)</i> | 32.5       | 21.7       | 13.9        | <i>n.m.</i>        | <i>n.m.</i>        | 33.8         | 22.5         | <i>n.m.</i> | 22.5         |
| Interest expense         | (9)        | (16)       | (16)        | 0                  | 76                 | (27)         | (43)         | 57          | (60)         |
| Other income             | 2          | 2          | 1           | (17)               | (20)               | 6            | 6            | 6           | 8            |
| Associates               | 0          | 10         | 29          | 180                | <i>n.a.</i>        | 0            | 49           | <i>n.a.</i> | 80           |
| <b>Pretax profit</b>     | <b>164</b> | <b>61</b>  | <b>(12)</b> | <b>(120)</b>       | <b>(107)</b>       | <b>533</b>   | <b>223</b>   | <b>(58)</b> | <b>347</b>   |
| Tax                      | (34)       | (8)        | 11          | <i>n.a.</i>        | <i>n.a.</i>        | (108)        | (30)         | (72)        | (69)         |
| <i>Tax rate (%)</i>      | (20.6)     | (12.4)     | (92.0)      | <i>n.m.</i>        | <i>n.m.</i>        | (20.2)       | (13.4)       | <i>n.m.</i> | (20)         |
| <b>Net profit</b>        | <b>131</b> | <b>54</b>  | <b>(0)</b>  | <b><i>n.a.</i></b> | <b><i>n.a.</i></b> | <b>426</b>   | <b>193</b>   | <b>(55)</b> | <b>278</b>   |
| <b>Core net profit</b>   | <b>131</b> | <b>54</b>  | <b>(0)</b>  | <b><i>n.a.</i></b> | <b><i>n.a.</i></b> | <b>426</b>   | <b>193</b>   | <b>(55)</b> | <b>278</b>   |
| EPS (THB)                | 0.13       | 0.06       | (0.00)      | <i>n.a.</i>        | <i>n.a.</i>        | 0.44         | 0.20         | (55)        | 0.29         |
| Core EPS (THB)           | 0.13       | 0.06       | (0.00)      | <i>n.a.</i>        | <i>n.a.</i>        | 0.44         | 0.20         | (55)        | 0.29         |

Sources: RS; FSSIA estimates

### Exhibit 3: Key assumption changes

|                 | ----- New ----- |            | ----- Previous ----- |            | ----- Change ----- |              |
|-----------------|-----------------|------------|----------------------|------------|--------------------|--------------|
|                 | 2021E           | 2022E      | 2021E                | 2022E      | 2021E              | 2022E        |
|                 | (THB m)         | (THB m)    | (THB m)              | (THB m)    | (%)                | (%)          |
| Revenue         | 3,832           | 4,362      | 3,832                | 4,362      | (0)                | (0)          |
| Gross profit    | 1,948           | 2,209      | 1,893                | 2,209      | 3                  | (0)          |
| SG&A expense    | (1,628)         | (1,614)    | (1,456)              | (1,505)    | 12                 | 7            |
| EBIT            | 407             | 833        | 530                  | 944        | (23)               | (12)         |
| Core net profit | 278             | 608        | 376                  | 697        | (26)               | (13)         |
| <b>Margin</b>   | <b>(%)</b>      | <b>(%)</b> | <b>(%)</b>           | <b>(%)</b> | <b>(ppt)</b>       | <b>(ppt)</b> |
| GPM             | 50.8            | 50.6       | 49.4                 | 50.6       | 1.45               | (0.00)       |
| SG&A to sales   | (42.5)          | (37.0)     | (38.0)               | (34.5)     | (4.50)             | (2.50)       |
| NPM             | 7.2             | 13.9       | 9.8                  | 16.0       | (2.57)             | (2.05)       |

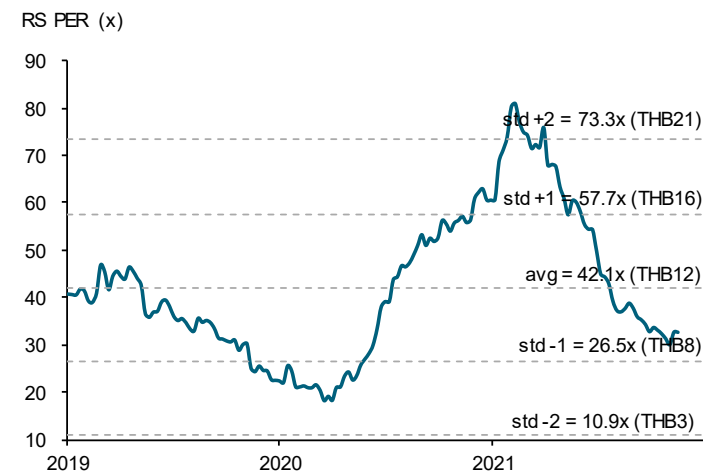
Source: FSSIA estimates

Exhibit 4: RS's product lines

|  |  |  |   |   |  |  |
|--|--|--|---|---|--|--|
| Category                                     | Scientific food supplement   | Herbal extract                               | Traditional herbal medicine                   | Innovative food supplement                        | Functional drink                       | Pet care <b>NEW</b>  |
| Brand  |  |  |   |   |  |  |
| Key products                                 | Eye mask, Reduce Cholesterol, Bird's nest, Ginseng Supplement, Instant Coffee Supplement | Featuring 5 types of herbal extract products | Andropogon paniculata herbs "Fish Tail Juice" | Premium Collagen For healthy hair, skin and bones | Camu Camu Vitamin C 200%, Hemp extract | Premium grade Dog Food, Cat Food   |
| Main channel                                 |  |  |   | RS's Exclusive Distribution Network (EDN)         |  | Traditional trade & Modern trade (7-Eleven, Tops, etc.), Traditional trade Specialty store (Pet clinic, PETClub, etc.) |
| Supporting channels e.g. e-commerce & others |  |  |   |   |  |  |

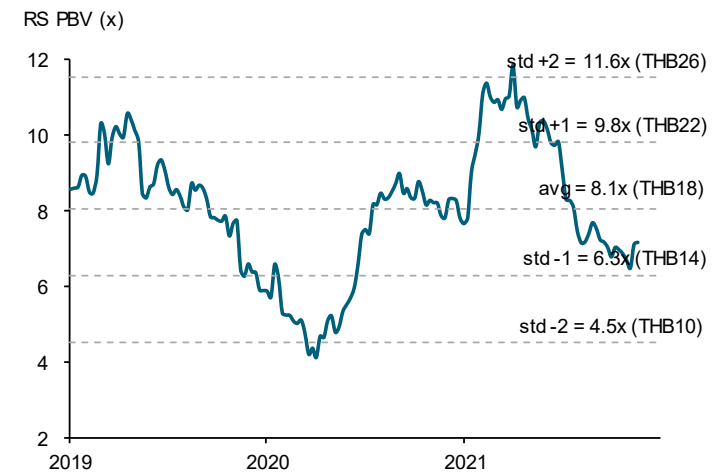
Source: RS

Exhibit 5: Rolling one-year prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: Rolling one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

RS

| Profit and Loss (THB m) Year Ending Dec           | 2019         | 2020         | 2021E        | 2022E        | 2023E        |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue   | 3,611        | 3,774        | 3,832        | 4,362        | 5,041        |
| Cost of goods sold                                | (1,451)      | (1,235)      | (1,341)      | (1,611)      | (1,933)      |
| <b>Gross profit</b>                               | <b>2,160</b> | <b>2,540</b> | <b>2,490</b> | <b>2,751</b> | <b>3,108</b> |
| Other operating income                            | 11           | 17           | 10           | 14           | 17           |
| Operating costs                                   | (1,100)      | (1,317)      | (1,628)      | (1,614)      | (1,714)      |
| <b>Operating EBITDA</b>                           | <b>1,071</b> | <b>1,240</b> | <b>871</b>   | <b>1,151</b> | <b>1,411</b> |
| Depreciation                                      | (569)        | (534)        | (542)        | (542)        | (540)        |
| Goodwill amortisation                             | 0            | 0            | 0            | 0            | 0            |
| <b>Operating EBIT</b>                             | <b>502</b>   | <b>706</b>   | <b>329</b>   | <b>609</b>   | <b>871</b>   |
| Net financing costs                               | (35)         | (36)         | (60)         | (73)         | (87)         |
| Associates  | 0            | 0            | 80           | 229          | 262          |
| Recurring non-operating income                    | (6)          | (4)          | 78           | 223          | 256          |
| Non-recurring items                               | 0            | 0            | 0            | 0            | 0            |
| <b>Profit before tax</b>                          | <b>462</b>   | <b>666</b>   | <b>347</b>   | <b>759</b>   | <b>1,041</b> |
| Tax   | (97)         | (137)        | (69)         | (152)        | (208)        |
| <b>Profit after tax</b>                           | <b>364</b>   | <b>528</b>   | <b>278</b>   | <b>608</b>   | <b>833</b>   |
| Minority interests                                | (1)          | 0            | 0            | 0            | 0            |
| Preferred dividends                               | 0            | 0            | 0            | 0            | 0            |
| Other items                                       | -            | -            | -            | -            | -            |
| <b>Reported net profit</b>                        | <b>363</b>   | <b>528</b>   | <b>278</b>   | <b>608</b>   | <b>833</b>   |
| <b>Non-recurring items &amp; goodwill (net)</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| <b>Recurring net profit</b>                       | <b>363</b>   | <b>528</b>   | <b>278</b>   | <b>608</b>   | <b>833</b>   |
| <b>Per share (THB)</b>                            |              |              |              |              |              |
| Recurring EPS *                                   | 0.37         | 0.54         | 0.29         | 0.62         | 0.86         |
| Reported EPS                                      | 0.37         | 0.54         | 0.29         | 0.62         | 0.86         |
| DPS   | 0.40         | 0.10         | 0.09         | 0.19         | 0.43         |
| Diluted shares (used to calculate per share data) | 972          | 972          | 972          | 972          | 972          |
| <b>Growth</b>                                     |              |              |              |              |              |
| Revenue (%)                                       | (5.6)        | 4.5          | 1.5          | 13.8         | 15.6         |
| Operating EBITDA (%)                              | (10.2)       | 15.8         | (29.7)       | 32.1         | 22.6         |
| Operating EBIT (%)                                | (16.4)       | 40.6         | (53.3)       | 85.0         | 42.9         |
| Recurring EPS (%)                                 | (10.4)       | 45.4         | (47.5)       | 118.9        | 37.0         |
| Reported EPS (%)                                  | (26.9)       | 45.4         | (47.5)       | 118.9        | 37.0         |
| <b>Operating performance</b>                      |              |              |              |              |              |
| Gross margin inc. depreciation (%)                | 44.1         | 53.1         | 50.8         | 50.6         | 50.9         |
| Gross margin of key business (%)                  | -            | -            | -            | -            | -            |
| Operating EBITDA margin (%)                       | 29.7         | 32.9         | 22.7         | 26.4         | 28.0         |
| Operating EBIT margin (%)                         | 13.9         | 18.7         | 8.6          | 14.0         | 17.3         |
| Net margin (%)                                    | 10.1         | 14.0         | 7.2          | 13.9         | 16.5         |
| Effective tax rate (%)                            | 20.0         | 20.0         | 20.0         | 20.0         | 20.0         |
| Dividend payout on recurring profit (%)           | 106.8        | 18.1         | 30.0         | 30.0         | 50.0         |
| Interest cover (X)                                | 14.3         | 19.4         | 6.8          | 11.4         | 13.0         |
| Inventory days                                    | 68.4         | 72.1         | 64.1         | 58.9         | 56.3         |
| Debtor days                                       | 55.5         | 60.7         | 61.9         | 54.6         | 56.7         |
| Creditor days                                     | 174.1        | 246.5        | 243.3        | 193.7        | 199.0        |
| Operating ROIC (%)                                | 85.7         | 112.2        | 45.5         | 67.5         | 104.6        |
| ROIC (%)  | 15.1         | 20.5         | 8.2          | 13.9         | 19.3         |
| ROE (%)   | 21.4         | 28.4         | 13.2         | 25.2         | 29.4         |
| ROA (%)   | 10.5         | 14.1         | 6.3          | 11.1         | 13.9         |
| * Pre-exceptional, pre-goodwill and fully diluted |              |              |              |              |              |
| <b>Revenue by Division (THB m)</b>                |              |              |              |              |              |
| TV  | 803          | 1,004        | 979          | 1,008        | 1,038        |
| Commerce  | 2,012        | 2,382        | 2,560        | 2,944        | 3,386        |
| Radio   | 266          | 144          | 138          | 156          | 167          |
| Music   | 289          | 166          | 145          | 174          | 200          |

Sources: RS; FSSIA estimates

## Financial Statements

RS

| Cash Flow (THB m) Year Ending Dec | 2019         | 2020         | 2021E          | 2022E        | 2023E        |
|-----------------------------------|--------------|--------------|----------------|--------------|--------------|
| Recurring net profit              | 363          | 528          | 278            | 608          | 833          |
| Depreciation                      | 569          | 534          | 542            | 542          | 540          |
| Associates & minorities           | 1            | 0            | 0              | 0            | 0            |
| Other non-cash items              | 139          | 127          | 0              | 0            | 0            |
| Change in working capital         | (38)         | (140)        | (57)           | (4)          | 33           |
| <b>Cash flow from operations</b>  | <b>1,033</b> | <b>1,050</b> | <b>763</b>     | <b>1,145</b> | <b>1,406</b> |
| Capex - maintenance               | (247)        | (321)        | (212)          | (172)        | (172)        |
| Capex - new investment            | (370)        | (482)        | (318)          | (258)        | (258)        |
| Net acquisitions & disposals      | 0            | 0            | 0              | 0            | 0            |
| Other investments (net)           | (206)        | 7            | (1,595)        | 0            | 0            |
| <b>Cash flow from investing</b>   | <b>(823)</b> | <b>(797)</b> | <b>(2,125)</b> | <b>(430)</b> | <b>(430)</b> |
| Dividends paid                    | (388)        | (96)         | (83)           | (182)        | (416)        |
| Equity finance                    | 70           | 0            | 0              | 0            | 0            |
| Debt finance                      | 130          | 10           | 1,394          | (150)        | (150)        |
| Other financing cash flows        | (34)         | (296)        | (83)           | 0            | 0            |
| <b>Cash flow from financing</b>   | <b>(222)</b> | <b>(381)</b> | <b>1,227</b>   | <b>(332)</b> | <b>(566)</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>(11)</b>  | <b>(128)</b> | <b>(135)</b>   | <b>383</b>   | <b>410</b>   |
| Free cash flow to firm (FCFF)     | 244.99       | 289.34       | (1,302.48)     | 788.32       | 1,062.75     |
| Free cash flow to equity (FCFE)   | 306.59       | (32.41)      | (51.76)        | 565.27       | 826.20       |

### Per share (THB)

|                               |      |        |        |      |      |
|-------------------------------|------|--------|--------|------|------|
| FCFF per share                | 0.25 | 0.30   | (1.34) | 0.81 | 1.09 |
| FCFE per share                | 0.32 | (0.03) | (0.05) | 0.58 | 0.85 |
| Recurring cash flow per share | 1.10 | 1.22   | 0.84   | 1.18 | 1.41 |

| Balance Sheet (THB m) Year Ending Dec             | 2019         | 2020         | 2021E        | 2022E        | 2023E        |
|---|--------------|--------------|--------------|--------------|--------------|
| Tangible fixed assets (gross)                     | 1,245        | 1,479        | 1,659        | 1,739        | 1,819        |
| Less: Accumulated depreciation                    | (741)        | (837)        | (934)        | (1,025)      | (1,111)      |
| <b>Tangible fixed assets (net)</b>                | <b>504</b>   | <b>642</b>   | <b>725</b>   | <b>714</b>   | <b>708</b>   |
| <b>Intangible fixed assets (net)</b>              | <b>1,374</b> | <b>2,384</b> | <b>2,289</b> | <b>2,188</b> | <b>2,084</b> |
| Long-term financial assets                        | 0            | 0            | 0            | 0            | 0            |
| Invest. in associates & subsidiaries              | 4            | 4            | 1,599        | 1,599        | 1,599        |
| Cash & equivalents                                | 328          | 200          | 65           | 448          | 858          |
| A/C receivable                                    | 545          | 711          | 588          | 716          | 850          |
| Inventories                                       | 259          | 229          | 243          | 277          | 319          |
| Other current assets                              | 13           | 33           | 34           | 34           | 34           |
| <b>Current assets</b>                             | <b>1,145</b> | <b>1,174</b> | <b>929</b>   | <b>1,476</b> | <b>2,062</b> |
| Other assets                                      | 380          | 313          | 222          | 247          | 290          |
| <b>Total assets</b>                               | <b>3,407</b> | <b>4,516</b> | <b>5,764</b> | <b>6,224</b> | <b>6,743</b> |
| Common equity                                     | 1,725        | 2,002        | 2,196        | 2,622        | 3,038        |
| Minorities etc.                                   | 2            | 2            | 2            | 2            | 2            |
| <b>Total shareholders' equity</b>                 | <b>1,727</b> | <b>2,004</b> | <b>2,198</b> | <b>2,624</b> | <b>3,040</b> |
| Long term debt                                    | 236          | 156          | 1,720        | 1,620        | 1,520        |
| Other long-term liabilities                       | 178          | 543          | 545          | 546          | 546          |
| <b>Long-term liabilities</b>                      | <b>414</b>   | <b>699</b>   | <b>2,265</b> | <b>2,166</b> | <b>2,066</b> |
| A/C payable                                       | 651          | 1,016        | 772          | 938          | 1,170        |
| Short term debt                                   | 530          | 620          | 450          | 400          | 350          |
| Other current liabilities                         | 84           | 178          | 80           | 96           | 116          |
| <b>Current liabilities</b>                        | <b>1,266</b> | <b>1,814</b> | <b>1,302</b> | <b>1,434</b> | <b>1,636</b> |
| <b>Total liabilities and shareholders' equity</b> | <b>3,407</b> | <b>4,516</b> | <b>5,764</b> | <b>6,224</b> | <b>6,743</b> |
| Net working capital                               | 81           | (220)        | 13           | (6)          | (82)         |
| Invested capital                                  | 2,343        | 3,123        | 4,848        | 4,742        | 4,598        |

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

### Per share (THB)

|                               |      |        |        |      |      |
|-------------------------------|------|--------|--------|------|------|
| Book value per share          | 1.77 | 2.06   | 2.26   | 2.70 | 3.12 |
| Tangible book value per share | 0.36 | (0.39) | (0.10) | 0.45 | 0.98 |

### Financial strength

|                           |      |      |      |      |      |
|---------------------------|------|------|------|------|------|
| Net debt/equity (%)       | 25.3 | 28.7 | 95.7 | 59.9 | 33.3 |
| Net debt/total assets (%) | 12.8 | 12.8 | 36.5 | 25.3 | 15.0 |
| Current ratio (x)         | 0.9  | 0.6  | 0.7  | 1.0  | 1.3  |
| CF interest cover (x)     | 20.5 | 13.5 | 5.4  | 12.3 | 13.5 |

| Valuation                                 | 2019        | 2020        | 2021E       | 2022E       | 2023E       |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Recurring P/E (x) *</b>                | <b>50.6</b> | <b>34.8</b> | <b>66.2</b> | <b>30.3</b> | <b>22.1</b> |
| <b>Recurring P/E @ target price (x) *</b> | <b>58.9</b> | <b>40.5</b> | <b>77.1</b> | <b>35.2</b> | <b>25.7</b> |
| Reported P/E (x)                          | 50.6        | 34.8        | 66.2        | 30.3        | 22.1        |
| Dividend yield (%)                        | 2.1         | 0.5         | 0.5         | 1.0         | 2.3         |
| Price/book (x)                            | 10.7        | 9.2         | 8.4         | 7.0         | 6.1         |
| Price/tangible book (x)                   | 52.3        | (48.1)      | (198.2)     | 42.4        | 19.3        |
| EV/EBITDA (x) **                          | 17.6        | 15.3        | 23.5        | 17.3        | 13.7        |
| EV/EBITDA @ target price (x) **           | 20.4        | 17.7        | 27.0        | 19.9        | 15.9        |
| EV/invested capital (x)                   | 8.0         | 6.1         | 4.2         | 4.2         | 4.2         |

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

Sources: RS; 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   | PAP   | PCSGH  | PDJ    | PG     | PHOL   | PLANB |
| 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

## 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 2020

| CERTIFIED |        |        |        |        |        |        |         |        |        |        |
|-----------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| 2S        | ADVANC | AI     | AIE    | AIRA   | AKP    | AMA    | AMANAHA | 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)  |

**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

Naruedom Mujjalinkool 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

#### RS (RS TB)



| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 27-Aug-2020 | BUY    | 22.00        | 05-Mar-2021 | BUY    | 30.00        | 18-Aug-2021 | BUY    | 22.00        |
| 05-Nov-2020 | BUY    | 22.00        | 24-May-2021 | BUY    | 30.00        |             |        |              |
| 20-Jan-2021 | BUY    | 24.90        | 13-Jul-2021 | BUY    | 24.00        |             |        |              |

Naruedom Mujjalinkool started covering this stock from 27-Aug-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price     | Rating | Valuation & Risks  |
|---------|--------|-----------|--------|--|
| RS      | RS TB  | THB 18.90 | BUY    | The key downside risk to our SoTP-based TP is if the company is unable to maintain the growth momentum from its commerce business if revenues from TV, radio, and music continue to decline. |

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 15-Nov-2021 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.