

22 NOVEMBER 2021

THAILAND / CONSUMER STAPLES

CARABAO GROUP CBG TB

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB158.00 |
| CLOSE | THB119.00 |
| UP/DOWNSIDE | +32.8% |
| PRIOR TP | THB164.00 |
| CHANGE IN TP | -3.7% |
| TP vs CONSENSUS | +14.0% |

A return to overseas growth

Expect to deliver solid earnings growth in 2022-23

After CBG reported disappointing 3Q21 results, which should be the bottom quarter in our view, we think its 4Q21 performance should recover from the low base in 3Q21, but will likely not be as strong in 2Q21. We expect solid sales growth to resume in 2022 after the easing of the Covid situation in Thailand, CLMV, and China. Overall, we expect CBG to deliver solid earnings growth in 2022-23 at 22.9%/23.8%.

Modest recovery expected in 4Q21, though not as strong as 2Q21

Energy drink sales in 4Q21 should recover from the low base in 3Q21. 4Q21E energy drink sales in Thailand and CLMV should grow 10% q-q on the lockdown easing. China sales will likely remain weak at THB50m due to the low season in 4Q. 4Q21E energy drink GPM should bottom out in the range of 44-45% vs 43.1% in 3Q21. Though the average aluminium cost is currently USD2,800/tonne vs USD2,500/tonne in 3Q21, it could be offset by the recovery of high-margin export sales. Savings from the sugar reduction were almost fully realised in 3Q21, and CBG has no plan to adjust its sugar formula for export sales except to the EU.

Export sales growth engine should resume in 2022

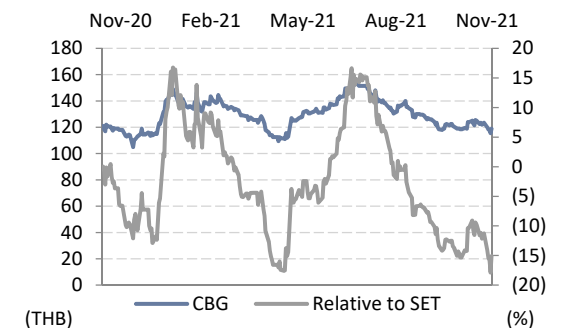
For 2022, Management is targeting energy drink sales growth of 20-25% in both domestic and overseas markets, while third-party distribution sales are expected to grow by at least 50% y-y. They maintain their positive view on China and expect solid growth of more than 50% y-y to THB1.4b-1.5b vs an estimated THB0.8b in 2021 after the Covid situation eases. CBG plans to launch a new CBD-infused drink in early 1Q22. Moreover, we see an upside risk from inorganic growth due to M&A or partnerships to offer new products based on its solid distribution channel (CJ Express, 700-800 branches, and Took Dee, 4,000 branches).

Accumulate on share price weakness

We cut our 2021E earnings by 6.9% to reflect the weaker-than-expected 3Q21 earnings due to the demand slowdown in Thailand, China and CLMV from lockdown measures. We lower our 2022/23E net profit by 5.9%/0.9% after fine-tuning our overseas sales assumptions. We recommend buying on share price weakness as its 4Q21 performance may not be in a V-shaped recovery as in 2Q21. We think the key catalyst to drive CBG's share price would be a strong recovery in its 2022 outlook, and we expect to see more guidance from CBG by early Jan-22.

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|--------|--------|--------|--------|
| Revenue | 17,382 | 17,461 | 20,206 | 23,354 |
| Net profit | 3,525 | 3,017 | 3,709 | 4,591 |
| EPS (THB) | 3.53 | 3.02 | 3.71 | 4.59 |
| vs Consensus (%) | - | (4.1) | (3.7) | 1.2 |
| EBITDA | 4,998 | 4,550 | 5,465 | 6,724 |
| Core net profit | 3,525 | 3,017 | 3,709 | 4,591 |
| Core EPS (THB) | 3.53 | 3.02 | 3.71 | 4.59 |
| Chg. In EPS est. (%) | - | (6.9) | (5.9) | (0.9) |
| EPS growth (%) | 40.1 | (14.4) | 22.9 | 23.8 |
| Core P/E (x) | 33.8 | 39.4 | 32.1 | 25.9 |
| Dividend yield (%) | 1.3 | 1.1 | 1.3 | 1.6 |
| EV/EBITDA (x) | 24.6 | 26.9 | 22.3 | 18.0 |
| Price/book (x) | 12.0 | 10.7 | 9.4 | 8.1 |
| Net debt/Equity (%) | 37.9 | 26.8 | 22.0 | 14.2 |
| ROE (%) | 38.1 | 28.7 | 31.3 | 33.7 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-----------------------------|---------|----------|
| Absolute (%) | 0.0 | (10.2) | (4.8) |
| Relative to country (%) | (0.9) | (15.7) | (20.8) |
| Mkt cap (USD m) | 3,634 | | |
| 3m avg. daily turnover (USD m) | 26.6 | | |
| Free float (%) | 34 | | |
| Major shareholder | Mr. Sathien Setthasit (34%) | | |
| 12m high/low (THB) | 156.00/104.00 | | |
| Issued shares (m) | 1,000.00 | | |

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

We believe CBG's strategy to enter growing markets, rather than markets in their introductory stage, is an effective and proven strategy for the company. We are optimistic about CBG's entry into Myanmar's and Thailand's vitamin C drink markets, which could be the key growth drivers for the next few years. Moreover, we see more room for a gross profit margin (GPM) expansion, driven by 1) a projected 150-200bps GPM increase over 2021-22 from its new packaging plant; 2) increasing export sales that we estimate double-digit growth for in the following year; and 3) solid growth from high-margin export sales, especially from CLMV and China.

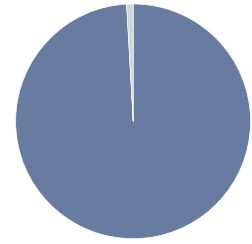
Company profile

Founded in 2001 as a partnership between three founders, one of which is the lead singer of Carabao (legendary Thai folk band), the Carabao Group is now the second largest energy drink company in Thailand with about a 23% market share.

www.carabaogroup.com

Principal activities (revenue, 2020)

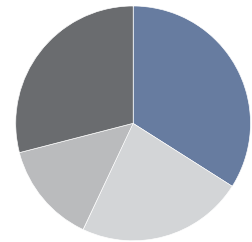
- Sales of goods - 99.1 %
- Other income - 0.9 %



Source: Carabao Group

Major shareholders

- Mr. Sathien Setthasit - 34.0 %
- Ms. Nutchamai Thanombooncharoen - 23.0 %
- Mr. Yuenyoung Opakul - 14.0 %
- Others - 29.0 %



Source: Carabao Group

Catalysts

Potential catalysts for CBG's share price include a higher-than-expected GPM and sales growth, and the company's potential entry into new markets, such as Vietnam, or new product segments, such as ready-to-drink coffee.

Risks to our call

The key downside risks to our DCF-based TP are 1) slower-than-expected sales growth in Myanmar, Cambodia, and the vitamin C drink market; 2) a decrease in domestic energy drink market share; and 3) higher-than-expected SG&A expenses from overseas operations, such as in China and the UK.

Event calendar

| Date | Event |
|---------------|---------------------------|
| February 2022 | 4Q21 results announcement |

Key assumptions

| | 2021E (THB b) | 2022E (THB b) | 2023E (THB b) |
|---------------------------------|------------------|------------------|------------------|
| Retail sales | 17.3 | 20.0 | 23.2 |
| - Energy drink sales (Domestic) | 5.2 | 5.4 | 5.7 |
| - Energy drink sales (Overseas) | 7.6 | 8.9 | 10.7 |
| CLMV | 6.0 | 6.9 | 8.2 |
| China | 0.8 | 1.1 | 1.5 |
| Distribution sales | 3.4 | 4.4 | 5.3 |
| GPM (%) | 36.7 | 37.7 | 39.3 |
| SG&A to sales (%) | 15.0 | 15.0 | 14.9 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in sales, we estimate 2021 EPS would rise 0.4%, and vice versa, all else being equal.
- For every 1ppt increase in GPM, we estimate 2021 EPS would rise 3.9%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales, we estimate 2021 EPS would fall 0.4%, and vice versa, all else being equal.

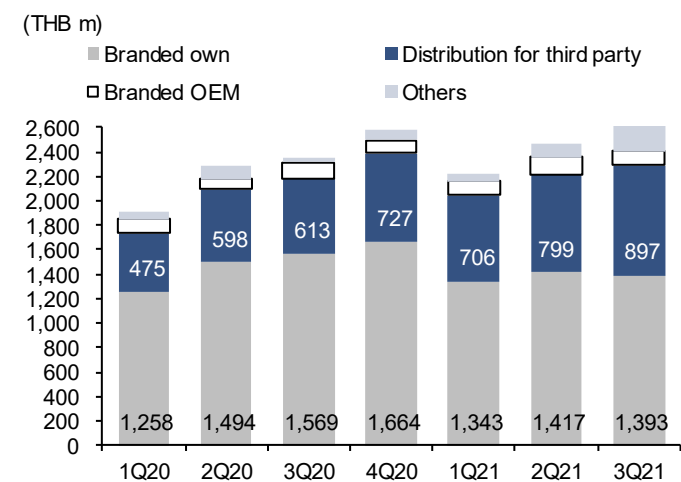
Source: FSSIA estimates

Exhibit 1: CBG – 3Q21 results summary

| YE Dec 31 | 3Q20 (THB m) | 4Q20 (THB m) | 1Q21 (THB m) | 2Q21 (THB m) | 3Q21 (THB m) | --- Change --- (q-q%) (y-y%) | | ----- 9M21 ----- (THB m) (y-y%) | | 2021E (THB m) | Change (y-y%) |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------|--------------|------------------------------------|--------------|------------------|------------------|
| Total revenue | 4,478 | 4,276 | 4,065 | 5,034 | 4,043 | (20) | (10) | 13,142 | 0 | 17,461 | 0 |
| Retail sales | 4,405 | 4,257 | 4,030 | 4,995 | 3,957 | (21) | (10) | 12,982 | 0 | 17,309 | 0 |
| Other income | 72 | 19 | 35 | 39 | 86 | 120 | 19 | 160 | 21 | 152 | 0 |
| Cost of sales | 2,575 | 2,585 | 2,475 | 3,094 | 2,608 | (16) | 1 | 8,177 | 8 | 10,964 | 8 |
| Gross profit | 1,903 | 1,691 | 1,590 | 1,940 | 1,435 | (26) | (25) | 4,965 | (10) | 6,498 | (10) |
| Operating costs | 719 | 670 | 726 | 769 | 739 | (4) | 3 | 2,234 | 1 | 2,619 | (9) |
| Operating profit | 1,184 | 1,021 | 864 | 1,172 | 696 | (41) | (41) | 2,731 | (17) | 3,878 | (10) |
| Operating EBITDA | 1,351 | 1,192 | 1,044 | 1,358 | 1,255 | (8) | (7) | 3,657 | (4) | 4,550 | (9) |
| Interest expense | (21) | (23) | (21) | (21) | (23) | 7 | 6 | (65) | (23) | (132) | 24 |
| Profit before tax | 1,163 | 1,005 | 843 | 1,151 | 673 | (42) | (42) | 2,667 | (17) | 3,746 | (11) |
| Tax | 191 | 132 | 147 | 198 | 82 | (59) | (57) | 427 | (20) | 693 | 4 |
| Minority interests | (3) | 0 | 5 | 14 | 10 | (28) | (477) | 28 | n/a | (36) | 5 |
| Reported net profit | 970 | 873 | 700 | 967 | 601 | (38) | (38) | 2,268 | (14) | 3,017 | (14) |
| Recurring net profit | 970 | 873 | 700 | 967 | 601 | (38) | (38) | 2,268 | (14) | 3,017 | (14) |
| EPS (THB) | 0.97 | 0.87 | 0.70 | 0.97 | 0.60 | (38) | (38) | 2.27 | (14) | 3.02 | (14) |
| Recurring EPS (THB) | 0.97 | 0.87 | 0.70 | 0.97 | 0.60 | (38) | (38) | 2.27 | (14) | 3.02 | (14) |
| Key Ratios | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) | (%) | (ppt) | (%) | (ppt) |
| Sales margin | 41.6 | 39.3 | 38.6 | 38.1 | 34.1 | (4.0) | (7.5) | 37.0 | (4.5) | 36.7 | (4.3) |
| EBIT margin | 26.4 | 23.9 | 21.3 | 23.3 | 17.2 | (6.1) | (9.2) | 20.8 | (4.5) | 22.2 | (2.7) |
| Recurring net margin | 30.2 | 26.6 | 24.4 | 26.8 | 18.7 | (8.1) | (11.6) | 23.5 | (5.1) | 17.3 | (3.0) |
| SG&A / Sales | 16.1 | 15.7 | 17.9 | 15.3 | 18.3 | 3.0 | 2.2 | 17.0 | 0.1 | 15.0 | (1.6) |
| Effective tax rate | 16.4 | 13.1 | 17.5 | 17.2 | 12.1 | (5.1) | (4.3) | 16.0 | (0.6) | 18.5 | 2.7 |
| Operating statistics | | | | | | | | | | | |
| Branded own | | | | | | | | | | | |
| Domestic sales | 1,569 | 1,664 | 1,343 | 1,417 | 1,393 | (2) | (11) | | | | |
| Overseas sales | 2,048 | 1,675 | 1,808 | 2,522 | 1,295 | (49) | (37) | | | | |
| CLMV | 1,656 | 1,450 | 1,484 | 1,942 | 1,117 | (42) | (33) | | | | |
| China | 133 | 29 | 210 | 488 | 19 | (96) | (86) | | | | |
| ICUK | 56 | 21 | 22 | 38 | 60 | 58 | 7 | | | | |
| Others | 203 | 175 | 91 | 54 | 99 | 83 | (51) | | | | |
| Distribution for third party (Domestic) | 613 | 727 | 706 | 799 | 897 | 12 | 46 | | | | |
| Branded OEM (Domestic) | 135 | 102 | 111 | 139 | 116 | (17) | (14) | | | | |
| Others | 40 | 90 | 63 | 118 | 255 | 116 | 532 | | | | |

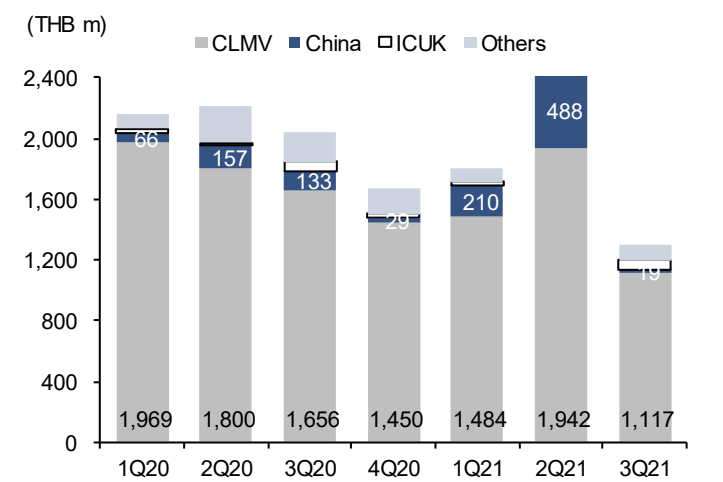
Sources: CBG; FSSIA estimates

Exhibit 2: Domestic sales trend



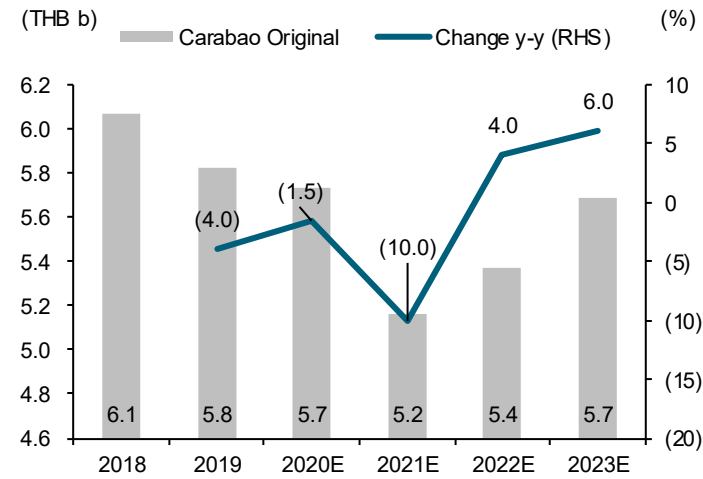
Sources: CBG; FSSIA estimates

Exhibit 3: Overseas sales trend



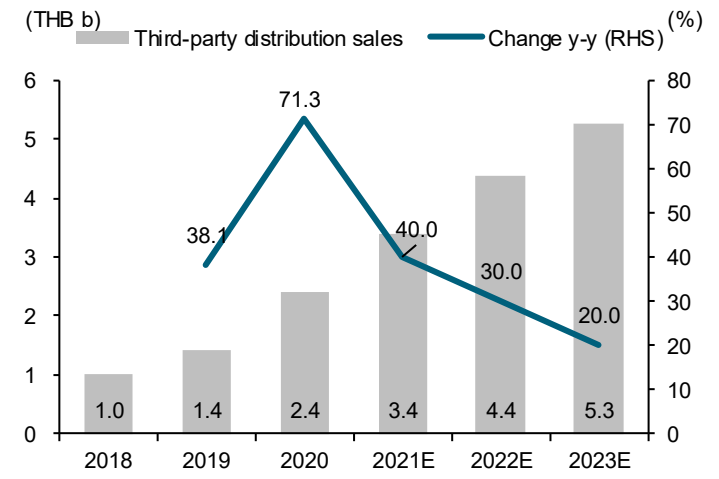
Sources: CBG; FSSIA estimates

Exhibit 4: Domestic energy drink sales trend



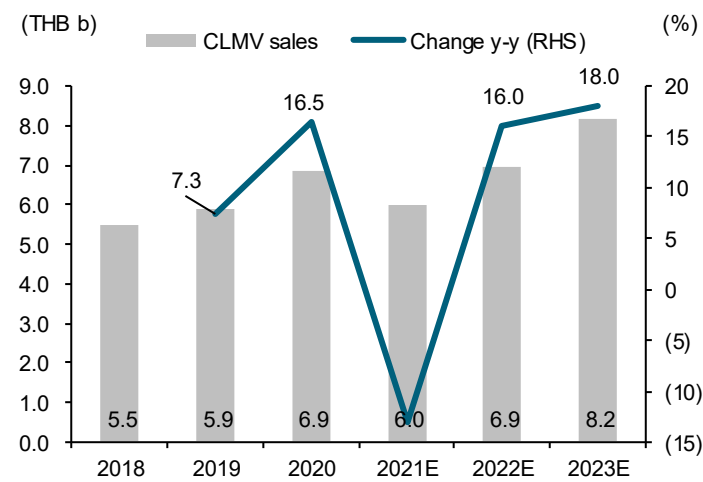
Sources: CBG; FSSIA estimates

Exhibit 5: Third-party distribution sales trend



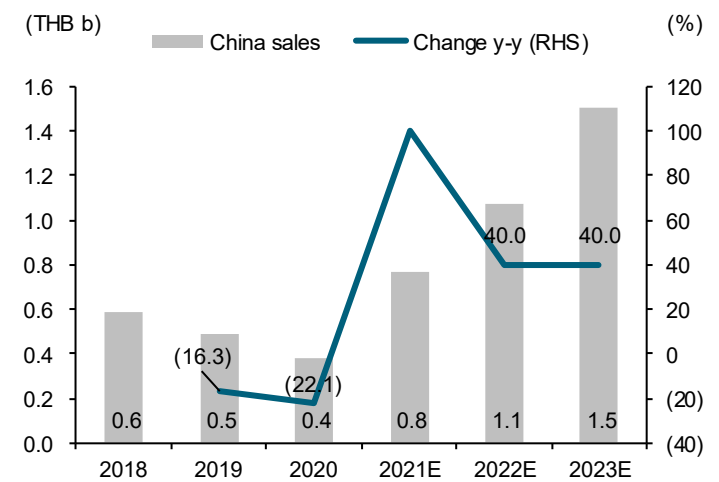
Sources: CBG; FSSIA estimates

Exhibit 6: CLMV sales trend



Sources: CBG; FSSIA estimates

Exhibit 7: China sales trend



Sources: CBG; FSSIA estimates

Net profit and target price revisions

We cut our 2021E earnings by 6.9% to reflect the weaker-than-expected 3Q21 earnings due to the demand slowdown in Thailand, China and CLMV from lockdown measures. We lower our 2022/23E net profit by 5.9%/0.9% after fine-tuning our overseas sales assumptions. We cut our China sales assumptions to THB1.1b/1.5b in 2022/23 (from THB1.4b/1.7b previously). We recommend buying on share price weakness as its 4Q21 performance may not be in a V-shaped recovery as in 2Q21. The key catalyst to drive CBG's share price, in our view, would be a strong recovery in its 2022 outlook, and we expect to see more guidance from CBG by early Jan-22.

Exhibit 8: Assumption revisions

| | ----- Current ----- | | | ----- Previous ----- | | | ----- Change ----- | | |
|-------------------------------|---------------------|------------------|------------------|----------------------|------------------|------------------|--------------------|--------------|--------------|
| | 2021E (THB m) | 2022E (THB m) | 2023E (THB m) | 2021E (THB m) | 2022E (THB m) | 2023E (THB m) | 2021E (%) | 2022E (%) | 2023E (%) |
| Retail sales | 17,309 | 20,030 | 23,150 | 17,453 | 20,024 | 22,997 | (0.8) | 0.0 | 0.7 |
| Sales growth (%) | 0.5 | 15.7 | 15.6 | 1.3 | 14.7 | 14.8 | (0.8) | 1.0 | 0.7 |
| Energy drink sales (Domestic) | 5,160 | 5,367 | 5,689 | 5,802 | 5,367 | 5,689 | (11.1) | 0.0 | 0.0 |
| Energy drink sales (Overseas) | 7,602 | 8,896 | 10,656 | 7,987 | 9,204 | 10,879 | (4.8) | (3.3) | (2.1) |
| CLMV | 5,981 | 6,938 | 8,187 | 5,981 | 6,938 | 8,187 | 0.0 | 0.0 | 0.0 |
| China | 770 | 1,078 | 1,509 | 1,155 | 1,386 | 1,733 | (33.3) | (22.2) | (12.9) |
| Distribution sales | 3,378 | 4,392 | 5,270 | 3,137 | 4,078 | 4,894 | 7.7 | 7.7 | 7.7 |
| Blended GPM (%) | 36.7 | 37.7 | 39.3 | 38.0 | 39.0 | 40.0 | (1.4) | (1.4) | (0.6) |
| SG&A to sales (%) | 15.0 | 15.0 | 14.9 | 15.0 | 15.0 | 15.2 | 0.0 | 0.0 | (0.3) |
| Net profit | 3,017 | 3,709 | 4,591 | 3,239 | 3,940 | 4,631 | (6.9) | (5.9) | (0.9) |

Note: Change of items in percentage terms are represented in ppt change

Source: FSSIA estimates

Exhibit 9: DCF valuation

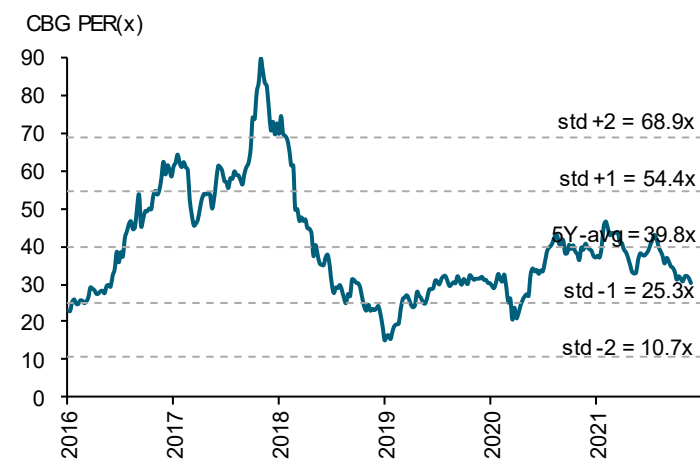
| | (%) | (THB b) |
|---|-----|------------|
| Discount rate (WACC) | 6.7 | |
| Terminal growth | 3.0 | |
| NPV | | 37 |
| Add: terminal value | | 123 |
| Sum of PV | | 161 |
| Add: investment | | 0 |
| Less: debt | | 2.8 |
| Less: minorities | | 0.2 |
| Residual ordinary equity | | 158 |
| No. of shares (m) | | 1,000 |
| Residual ordinary equity (THB/share) | | 158 |

Source: FSSIA estimates

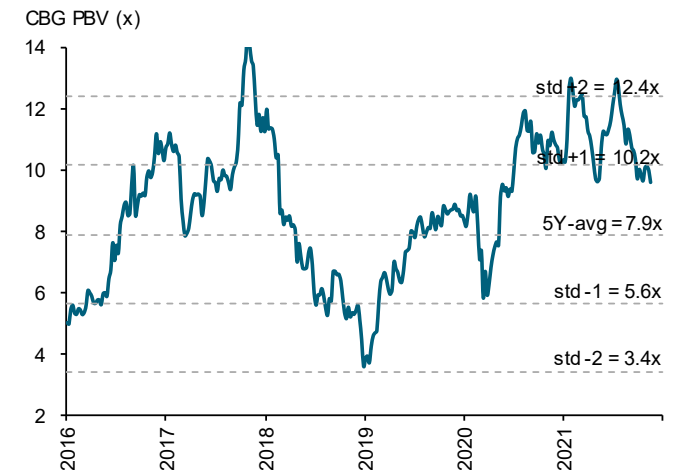
Exhibit 10: Peer valuation comparison

| | CBG | OSP |
|-------------------------|-------|-------|
| Current price (THB) | 119.0 | 34.5 |
| TP (THB) | 158.0 | 42.0 |
| Upside (%) | 33 | 22 |
| No. of share (m shares) | 1,000 | 3,004 |
| 2021E NP (THB m) | 3,017 | 3,146 |
| 2022E NP (THB m) | 3,709 | 3,644 |
| 2023E NP (THB m) | 4,591 | 4,024 |
| 2021E EPS (THB/share) | 3.02 | 1.05 |
| 2022E EPS (THB/share) | 3.71 | 1.21 |
| 2023E EPS (THB/share) | 4.59 | 1.34 |
| 2021E P/E (x) | 39.4 | 32.9 |
| 2022E P/E (x) | 32.1 | 28.4 |
| 2023E P/E (x) | 25.9 | 25.8 |
| 5-Year Average (x) | 39.8 | 33.2 |
| 2022E EPS growth (%) | 22.9 | 15.8 |
| 2023E EPS growth (%) | 23.8 | 10.4 |

Source: FSSIA estimates

Exhibit 11: Rolling one-year forward P/E band

Sources: Bloomberg; FSSIA estimates

Exhibit 12: Rolling one-year forward P/BV band

Sources: Bloomberg; FSSIA estimates

Financial Statements

Carabao Group

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|--------------|--------------|--------------|--------------|---------------|
| Revenue | 15,050 | 17,382 | 17,461 | 20,206 | 23,354 |
| Cost of goods sold | (8,589) | (9,505) | (10,292) | (11,710) | (13,150) |
| Gross profit | 6,461 | 7,878 | 7,169 | 8,496 | 10,204 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Operating costs | (2,744) | (2,880) | (2,619) | (3,031) | (3,480) |
| Operating EBITDA | 3,718 | 4,998 | 4,550 | 5,465 | 6,724 |
| Depreciation | (534) | (668) | (671) | (777) | (898) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 3,184 | 4,329 | 3,878 | 4,688 | 5,826 |
| Net financing costs | (131) | (103) | (132) | (119) | (144) |
| Associates | 0 | 0 | 0 | 0 | 0 |
| Recurring non-operating income | (12) | 0 | 0 | 0 | 0 |
| Non-recurring items | (9) | 0 | 0 | 0 | 0 |
| Profit before tax | 3,032 | 4,227 | 3,746 | 4,569 | 5,682 |
| Tax | (564) | (667) | (693) | (822) | (1,051) |
| Profit after tax | 2,468 | 3,559 | 3,053 | 3,747 | 4,631 |
| Minority interests | 38 | (34) | (36) | (38) | (40) |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 2,506 | 3,525 | 3,017 | 3,709 | 4,591 |
| Non-recurring items & goodwill (net) | 9 | 0 | - | - | - |
| Recurring net profit | 2,515 | 3,525 | 3,017 | 3,709 | 4,591 |
| Per share (THB) | | | | | |
| Recurring EPS * | 2.52 | 3.53 | 3.02 | 3.71 | 4.59 |
| Reported EPS | 2.51 | 3.53 | 3.02 | 3.71 | 4.59 |
| DPS | 1.70 | 1.50 | 1.28 | 1.58 | 1.95 |
| Diluted shares (used to calculate per share data) | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Growth | | | | | |
| Revenue (%) | 3.1 | 15.5 | 0.5 | 15.7 | 15.6 |
| Operating EBITDA (%) | 94.1 | 34.4 | (9.0) | 20.1 | 23.0 |
| Operating EBIT (%) | 119.4 | 36.0 | (10.4) | 20.9 | 24.3 |
| Recurring EPS (%) | 117.1 | 40.1 | (14.4) | 22.9 | 23.8 |
| Reported EPS (%) | 116.3 | 40.6 | (14.4) | 22.9 | 23.8 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 39.4 | 41.5 | 37.2 | 38.2 | 39.8 |
| Gross margin of key business (%) | 39.0 | 41.0 | 36.7 | 37.7 | 39.3 |
| Operating EBITDA margin (%) | 24.7 | 28.8 | 26.1 | 27.0 | 28.8 |
| Operating EBIT margin (%) | 21.2 | 24.9 | 22.2 | 23.2 | 24.9 |
| Net margin (%) | 16.7 | 20.3 | 17.3 | 18.4 | 19.7 |
| Effective tax rate (%) | 18.5 | 15.8 | 18.5 | 18.0 | 18.5 |
| Dividend payout on recurring profit (%) | 67.6 | 42.6 | 42.6 | 42.6 | 42.6 |
| Interest cover (X) | 24.2 | 42.2 | 29.3 | 39.5 | 40.4 |
| Inventory days | 39.9 | 47.6 | 54.9 | 53.5 | 53.9 |
| Debtor days | 24.8 | 26.9 | 29.8 | 27.8 | 27.8 |
| Creditor days | 69.2 | 58.0 | 58.0 | 56.5 | 56.9 |
| Operating ROIC (%) | 22.9 | 29.8 | 23.8 | 27.4 | 31.2 |
| ROIC (%) | 21.4 | 27.8 | 22.1 | 25.3 | 28.7 |
| ROE (%) | 32.0 | 38.1 | 28.7 | 31.3 | 33.7 |
| ROA (%) | 17.8 | 22.9 | 18.2 | 20.8 | 23.5 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Sales of goods | 14,933 | 17,231 | 17,309 | 20,030 | 23,150 |
| Other income | 117 | 151 | 152 | 176 | 203 |

Sources: Carabao Group; FSSIA estimates

Financial Statements

Carabao Group

| Cash Flow (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Recurring net profit | 2,515 | 3,525 | 3,017 | 3,709 | 4,591 |
| Depreciation | 534 | 668 | 671 | 777 | 898 |
| Associates & minorities | 3 | 15 | (36) | (38) | (40) |
| Other non-cash items | (38) | 34 | 36 | 38 | 40 |
| Change in working capital | (204) | (614) | (8) | (166) | (200) |
| Cash flow from operations | 2,810 | 3,628 | 3,680 | 4,320 | 5,289 |
| Capex - maintenance | (316) | (1,828) | (1,000) | (1,800) | (1,890) |
| Capex - new investment | 0 | 0 | 0 | 0 | 0 |
| Net acquisitions & disposals | 60 | (347) | 40 | (119) | (137) |
| Other investments (net) | 0 | 0 | 0 | 0 | 0 |
| Cash flow from investing | (256) | (2,175) | (960) | (1,919) | (2,027) |
| Dividends paid | (1,700) | (1,500) | (1,284) | (1,578) | (1,954) |
| Equity finance | 583 | (635) | (611) | (611) | (611) |
| Debt finance | (612) | 666 | (759) | (151) | (565) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (1,730) | (1,469) | (2,654) | (2,341) | (3,129) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 824 | (15) | 66 | 61 | 133 |
| Free cash flow to firm (FCFF) | 2,686.80 | 1,560.49 | 2,852.50 | 2,520.11 | 3,406.81 |
| Free cash flow to equity (FCFE) | 1,941.84 | 2,119.42 | 1,960.92 | 2,249.86 | 2,697.93 |

| Per share (THB) | 2019 | 2020 | 2021E | 2022E | 2023E |
|-------------------------------|------|------|-------|-------|-------|
| FCFF per share | 2.69 | 1.56 | 2.85 | 2.52 | 3.41 |
| FCFE per share | 1.94 | 2.12 | 1.96 | 2.25 | 2.70 |
| Recurring cash flow per share | 3.01 | 4.24 | 3.69 | 4.49 | 5.49 |

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross) | 13,006 | 14,680 | 15,680 | 17,480 | 19,370 |
| Less: Accumulated depreciation | (2,133) | (2,648) | (3,320) | (4,097) | (4,995) |
| Tangible fixed assets (net) | 10,872 | 12,032 | 12,360 | 13,384 | 14,376 |
| Intangible fixed assets (net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 0 |
| Invest. in associates & subsidiaries | 103 | 107 | 107 | 107 | 107 |
| Cash & equivalents | 962 | 947 | 1,013 | 1,074 | 1,207 |
| A/C receivable | 1,140 | 1,420 | 1,427 | 1,651 | 1,908 |
| Inventories | 992 | 1,489 | 1,605 | 1,828 | 2,057 |
| Other current assets | 104 | 136 | 137 | 158 | 183 |
| Current assets | 3,197 | 3,992 | 4,181 | 4,711 | 5,355 |
| Other assets | 607 | 956 | 960 | 1,111 | 1,284 |
| Total assets | 14,780 | 17,087 | 17,609 | 19,312 | 21,121 |
| Common equity | 8,566 | 9,956 | 11,078 | 12,598 | 14,625 |
| Minorities etc. | 153 | 201 | 201 | 201 | 201 |
| Total shareholders' equity | 8,718 | 10,157 | 11,280 | 12,800 | 14,826 |
| Long term debt | 2,131 | 1,116 | 527 | 507 | 433 |
| Other long-term liabilities | 153 | 159 | 203 | 234 | 271 |
| Long-term liabilities | 2,284 | 1,274 | 729 | 741 | 704 |
| A/C payable | 1,447 | 1,573 | 1,695 | 1,931 | 2,172 |
| Short term debt | 1,997 | 3,679 | 3,509 | 3,377 | 2,886 |
| Other current liabilities | 333 | 404 | 396 | 464 | 533 |
| Current liabilities | 3,777 | 5,655 | 5,600 | 5,771 | 5,591 |
| Total liabilities and shareholders' equity | 14,780 | 17,087 | 17,609 | 19,312 | 21,121 |
| Net working capital | 455 | 1,069 | 1,077 | 1,243 | 1,443 |
| Invested capital | 12,038 | 14,164 | 14,505 | 15,844 | 17,209 |

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

| Per share (THB) | 2019 | 2020 | 2021E | 2022E | 2023E |
|-------------------------------|------|------|-------|-------|-------|
| Book value per share | 8.57 | 9.96 | 11.08 | 12.60 | 14.63 |
| Tangible book value per share | 8.57 | 9.96 | 11.08 | 12.60 | 14.63 |

| Financial strength | 2019 | 2020 | 2021E | 2022E | 2023E |
|---------------------------|------|------|-------|-------|-------|
| Net debt/equity (%) | 36.3 | 37.9 | 26.8 | 22.0 | 14.2 |
| Net debt/total assets (%) | 21.4 | 22.5 | 17.2 | 14.6 | 10.0 |
| Current ratio (x) | 0.8 | 0.7 | 0.7 | 0.8 | 1.0 |
| CF interest cover (x) | 15.8 | 21.7 | 15.8 | 19.9 | 19.7 |

| Valuation | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 47.3 | 33.8 | 39.4 | 32.1 | 25.9 |
| Recurring P/E @ target price (x) * | 62.8 | 44.8 | 52.4 | 42.6 | 34.4 |
| Reported P/E (x) | 47.5 | 33.8 | 39.4 | 32.1 | 25.9 |
| Dividend yield (%) | 1.4 | 1.3 | 1.1 | 1.3 | 1.6 |
| Price/book (x) | 13.9 | 12.0 | 10.7 | 9.4 | 8.1 |
| Price/tangible book (x) | 13.9 | 12.0 | 10.7 | 9.4 | 8.1 |
| EV/EBITDA (x) ** | 32.9 | 24.6 | 26.9 | 22.3 | 18.0 |
| EV/EBITDA @ target price (x) ** | 43.4 | 32.4 | 35.4 | 29.5 | 23.8 |
| EV/invested capital (x) | 10.2 | 8.7 | 8.4 | 7.7 | 7.0 |

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

Sources: Carabao Group; 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

Karun Intrachai 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

Carabao Group (CBG TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 12-Sep-2019 | BUY | 92.00 | 24-Nov-2020 | BUY | 150.00 | 27-May-2021 | BUY | 163.00 |
| 02-Dec-2019 | BUY | 117.00 | 18-Feb-2021 | BUY | 180.00 | 07-Jul-2021 | BUY | 185.00 |
| 02-Apr-2020 | BUY | 117.00 | 22-Feb-2021 | BUY | 180.00 | 16-Aug-2021 | BUY | 173.00 |
| 17-Sep-2020 | BUY | 148.00 | 30-Apr-2021 | BUY | 163.00 | 14-Oct-2021 | BUY | 164.00 |
| 02-Oct-2020 | BUY | 148.00 | 17-May-2021 | BUY | 163.00 | | | |

Karun Intrachai started covering this stock from 17-Sep-2020

Price and TP are in local currency

Source: FSSIA estimates

Osotspa PCL (OSP TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 19-Sep-2019 | BUY | 42.00 | 17-Sep-2020 | BUY | 43.00 | 16-Aug-2021 | BUY | 42.00 |
| 21-Nov-2019 | HOLD | 42.00 | 25-Mar-2021 | BUY | 43.00 | | | |
| 02-Apr-2020 | HOLD | 42.00 | 17-May-2021 | BUY | 43.00 | | | |

Karun Intrachai started covering this stock from 17-Sep-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------------|--------|------------|--------|---|
| Carabao Group | CBG TB | THB 119.00 | BUY | The key downside risks to our DCF-based TP are 1) slower-than-expected sales growth in Myanmar, Cambodia, and the vitamin C drink market; 2) a decrease in domestic energy drink market share; and 3) higher-than-expected SG&A expenses from overseas operations, such as in China and the UK. |
| Osotspa PCL | OSP TB | THB 34.50 | BUY | The key downside risks to our DCF-based TP are 1) a decline in energy drink market share in Myanmar due to strong competition; 2) a slow recovery in the economy; and 3) lower-than-expected SG&A savings from the Fast Forward 10X program. |

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 19-Nov-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.