

SRINANAPORN MARKETING

THAILAND / CONSUMER DISCRETIONARY

SNNP TB

BUY

UNCHANGED

ปีเสือกระโจน

- Upside จากผลิตภัณฑ์กัญชงใหม่และตลาดอินโดนีเซีย
- กำไร 4Q21 อาจแตะระดับสูงเป็นประวัติการณ์ที่ 112 ลบ. แนวโน้มดีต่อเนื่องใน 1Q22
- การประเมินมูลค่าที่อยู่ในระดับสูงสมเหตุสมผลจากกำไรที่คาดว่าจะโตได้ถึง 44% CAGR ในช่วงปี 2022-23 ซึ่งคิดเป็นค่า PEG ที่เพียง 0.86x

ผลตอบแทนที่ดีจากการเปิดตัวผลิตภัณฑ์ใหม่

SNNP เปิดตัวผลิตภัณฑ์ใหม่หลายรายการใน 4Q21 เช่น Jele Chewy, Jele x Nestea, และ Lotus รสใหม่ (รสบาร์บีคิวผสมใบกัญชง) เราเห็นผลตอบแทนที่ดีจากลูกค้า ยกตัวอย่างเช่น Jele Chewy กำลังจับกลุ่มลูกค้าเป้าหมายใหม่ เช่น นักเรียน ซึ่งอาจทำให้ยอดขายเพิ่มขึ้นอีก 200-300 ลบ. ต่อปี เราเห็น Upside จากผลิตภัณฑ์กัญชงหรือผลิตภัณฑ์ผสม CBD ซึ่ง SNNP วางแผนเปิดตัวใน 1Q22 ในขั้นต้นเราคาดว่าส่วนแบ่งยอดขายจากผลิตภัณฑ์กัญชงจะมากถึง 300-400 ลบ. ในปี 2022-23

3 ปัจจัยสำคัญที่จะเพิ่มอัตรากำไรขั้นต้น (GPM)

เราเห็นว่า SNNP ต่างจากผู้ผลิตอาหารรายอื่น ซึ่งกำลังประสบปัญหาด้านต้นทุนจากสภาวะเงินเฟ้อสูงในปัจจุบัน เรามั่นใจว่าอัตรากำไรขั้นต้น (GPM) ของบริษัท มีโอกาสขยายได้อีก โดยคาดว่าจะเพิ่มเป็น 26.6%/26.7% ในปี 2022/23 จาก 25.7% ที่เราคาดไว้ในปี 2021 ซึ่งยังต่ำกว่าเป้าที่บริษัท คาดว่าจะเพิ่ม 200bps โดยมีปัจจัยสำคัญ 3 ประการที่คาดว่าจะช่วยหนุน GPM ประกอบด้วย: 1) ผลิตภัณฑ์ใหม่ที่มีอัตรากำไรสูงขึ้นที่กว่า 30-35%; 2) อัตรากำไรใช้กำลังการผลิตที่สูงขึ้นของโรงงานผลิตในประเทศไทย; และ 3) การเริ่มดำเนินงานเชิงพาณิชย์ (COD) ของโรงงานในกัมพูชาและเวียดนาม ซึ่งมี GPM สูงกว่าการส่งออกจากประเทศไทยประมาณ 3-5%

คาดการณ์กำไรสุทธิ 4Q21 จะแตะระดับสูงเป็นประวัติการณ์ที่ 112 ลบ.

เราคาดว่า SNNP จะรายงานกำไรสูงเป็นประวัติการณ์ใน 4Q21 ที่ 112 ลบ. (+81% q-q, +205% y-y) จาก 1) การฟื้นตัวของยอดขายทั้งในประเทศและในตลาด CLMV; 2) GPM ที่ปรับตัวดีขึ้น; และ 3) ค่าใช้จ่ายดอกเบี้ยที่หายไป เราคิดว่ายอดขายน่าจะมีแนวโน้มที่ดีต่อเนื่องใน 1Q22 โดยปกติไตรมาส 1 จะเป็นไตรมาสที่ยอดขายตกต่ำสุด อย่างไรก็ตาม SNNP เปิดตัวผลิตภัณฑ์ใหม่หลายรายการในช่วง 4Q21-1Q22 ซึ่งมีผลตอบแทนที่ดีจากลูกค้า ดังนั้นเราจึงคาดว่ายอดขายในประเทศจะโต q-q ในขณะที่ยอดขายในตลาด CLMV อาจลดลง q-q จากปัจจัยด้านฤดูกาล ในภาพรวมกำไร 1Q22 น่าจะทรงตัวหรือโตเล็กน้อย q-q

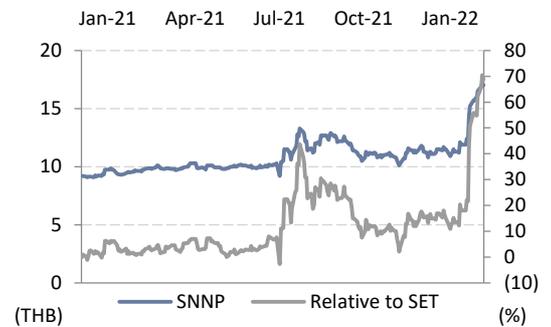
คำแนะนำซื้อหลังปรับราคาเป้าหมายเพิ่มเป็น 20 บาท

เราปรับเพิ่มประมาณการกำไรสุทธิปี 2021-23 อีก 1.6-5.0% เพื่อสะท้อนผลประกอบการที่ดีในรอบ 9M21 เราปรับเพิ่มราคาเป้าหมายเป็น 20 บาท (DCF) เพื่อสะท้อนประมาณการกำไรที่ปรับขึ้นและมุมมองเชิงบวกที่เพิ่มขึ้นสำหรับแนวโน้มของ SNNP ในระยะกลางถึงยาวจากยอดขายผลิตภัณฑ์ใหม่ที่ดี Upside จากผลิตภัณฑ์ผสม CBD และตลาดใหม่ (อินโดนีเซีย)

TARGET PRICE	THB20.00
CLOSE	THB17.00
UP/DOWNSIDE	+17.6%
PRIOR TP	THB15.00
CHANGE IN TP	+33.3%
TP vs CONSENSUS	+34.2%

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	4,436	4,349	5,149	5,846
Net profit	94	428	512	621
EPS (THB)	0.13	0.45	0.53	0.65
vs Consensus (%)	-	-	5.0	4.8
EBITDA	381	633	889	1,044
Core net profit	94	299	512	621
Core EPS (THB)	0.13	0.31	0.53	0.65
Chg. In EPS est. (%)	-	2.4	2.0	5.0
EPS growth (%)	(15.5)	139.2	71.2	21.2
Core P/E (x)	130.5	54.5	31.9	26.3
Dividend yield (%)	-	1.6	1.9	2.3
EV/EBITDA (x)	38.8	26.5	18.9	15.9
Price/book (x)	55.4	6.3	5.8	5.3
Net debt/Equity (%)	497.8	7.2	8.7	0.6
ROE (%)	53.8	21.2	18.9	21.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	49.1	57.4	n/a
Relative to country (%)	47.6	54.8	n/a
Mkt cap (USD m)	494		
3m avg. daily turnover (USD m)	5.1		
Free float (%)	34		
Major shareholder	Concord I. Capital Limited (21%)		
12m high/low (THB)	17.50/9.90		
Issued shares (m)	960.00		

Sources: Bloomberg consensus; FSSIA estimates



Karun Intrachai

karun.int@fssia.com

+66 2611 3555

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 20 มกราคม 2022

Investment thesis

As one of Thailand's leading producers and distributors of snacks and jelly, with three highly recognised brands – 'Bento' (squid and fish strips), 'Jele' (jelly), and 'Lotus' (biscuit sticks), Srinaporn Marketing (SNNP) has been an iconic snack market leader in Thailand over the past three decades. After three years of restructuring efforts in 2018-20, we think SNNP will now reap the benefits from higher net margins, rising sales volumes, and improving operational and distribution efficiency. Unlike other snacks, which have seen demand sharply dwindle after a few years due to health concerns and high prices, we think SNNP's seafood snacks and jelly products are "core snacks", which have seen consistent demand growth in the past three decades.

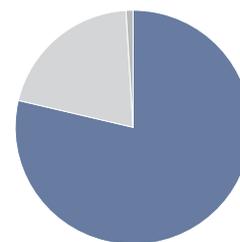
Company profile

Founded in 1972 by the Kraipisitkul family as a snack wholesaler under the name Sriwivat, SNNP has been operating for more than 30 years and is currently a market leader with strong brands in snack and beverage products.

<https://snp.co.th>

Principal activities (revenue, 2020)

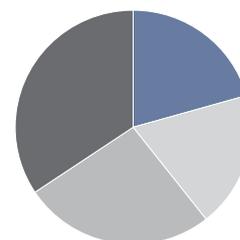
- Domestic - 78.7 %
- Overseas - 20.3 %
- Others - 1.0 %



Source: Srinaporn Marketing

Major shareholders

- Concord I. Capital Limited - 20.6 %
- Ascend I. Holding Company Limited - 18.8 %
- Chaisathaporn family - 26.3 %
- Others - 34.4 %



Source: Srinaporn Marketing

Catalysts

Potential catalysts are 1) revenue growth driven by higher utilisation rates and the new production plant in Vietnam (COD in 2022); and 2) a net margin rise from 2.1% in 2020 to 9.1-10.2% in 2021-23, driven by lower SG&A and interest expenses, along with higher sales volumes from traditional trade, rising from 48% in 2020 to 52% of the total sales volume in 2023, based on our estimate.

Risks to our call

The key downside risks to our DCF-based TP are 1) slower-than-expected demand growth and market penetration overseas, especially in Cambodia and Vietnam; 2) a lower-than-expected profit margin due to high raw material and transportation costs; and 3) higher-than-expected SG&A expenses from overseas operations.

Event calendar

Date	Event
February 2022	4Q21 results announcement

Key assumptions

SNNP	2021E	2022E	2023E
	(THB m)	(THB m)	(THB m)
Total sales	4,319	5,078	5,766
Sales growth (%)	(1.7)	17.6	13.5
Domestic sales	3,498	3,809	4,209
Overseas sales	821	1,270	1,557
GPM (%)	25.7	26.6	26.7
SG&A to sales (%)	16.3	15.0	14.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in utilisation rate, we estimate that 2021 earnings would rise by 2.4%, and vice versa, all else being equal.
- For every 1% increase in THB/USD, we estimate that 2021 earnings would rise by 1.7%, and vice versa, all else being equal.
- For every 1% increase in electricity tariff, we estimate that 2021 earnings would drop by 0.2%, and vice versa, all else being equal.

Source: FSSIA estimates

Impressive feedback from new product launches

SNNP launched several products in 4Q21 such as Jele Chewy, Jele x Nestea, and a new flavour of Lotus (barbecue mixed with cannabis leaf). We have seen impressive feedback from customers. For example, Jele x Nestea could boost overall sales in the Jele beauty category by 10%, while Jele Chewy is capturing new customer target groups like students which could boost incremental sales by THB200m-300m per year.

Moreover, we see an upside risk from hemp or CBD infused products. SNNP plans to launch several products in 1Q22 such as Lotus hemp seed flavour, Jele party mixed with cannabis water, Jele vitamin with CBD (cannabidiol), and Bento with cannabis leaf. We preliminarily estimate sales contributions from cannabis products of up to THB300m-400m in 2022-23.

Exhibit 1: Timeline of new product launches



Source: SNNP

From CLMV to Indonesia

SNNP has successfully launched the first “Jele beauty” product in Indonesia in 4Q21 after being granted approval for a Halal certificate for two years. The product is exclusively sold in Indomaret (the first and largest chain of retail convenience stores, with over 18,000 stores across Indonesia). SNNP’s product is initially being sold in 10,000 stores on Java Island, and a nationwide rollout is planned in 2022. We expect that this product’s GPM could be higher than SNNP’s average GPM due to its higher selling price at THB16/piece vs THB10/piece in Thailand. We have seen impressive numbers from the first SKU launch as it has generated THB4m-5m sales per month. Hence, we estimate that Indonesia sales could amount to THB200m-300m in 2023, which have yet to include in our forecast.

Exhibit 2: Example of Jele product in Indonesia



Jele Collagen

adalah minuman jeli rasa anggur dan lemon, mengandung collagen ikan dan sumber vitamin C. Membantu penerapan gaya hidup sehat, menjaga kadar collagen dalam tubuh dan sebagai bentuk investasi terbaik bagi Kesehatan tubuh dan kulitmu.

#ForEverydayGlowandSmile

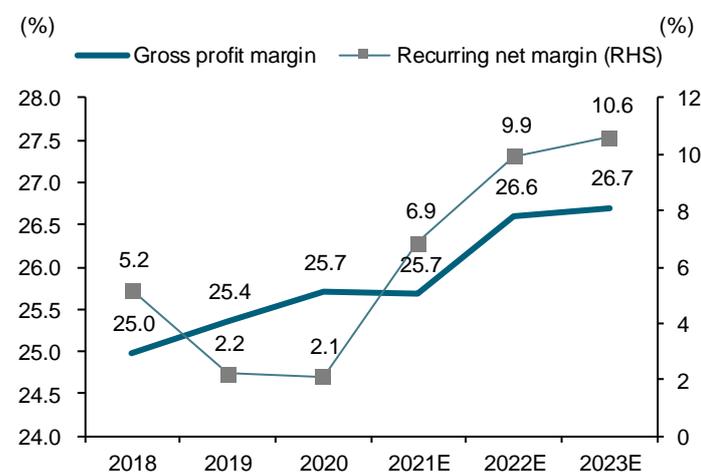
Jele Collagen memiliki kemasan berbentuk pouch, mudah digenggam dan dibawa kemana saja, sangat praktis untuk dikonsumsi kapanpun dan dimanapun.

Source: [Jele](#)

Three key engines to boost GPM

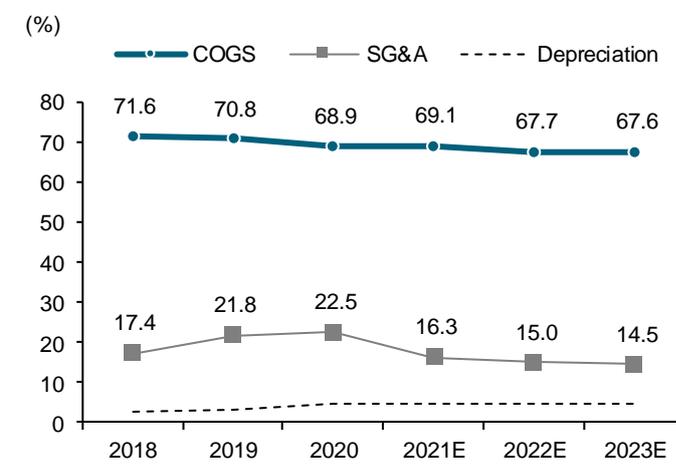
SNNP is different from other food manufacturers which are currently facing cost pressure from the high inflation environment, in our view. We are convinced that SNNP's GPM has more room to expand, and expect it to rise to 26.6%/26.7% in 2022/23 from the 25.7% we estimate in 2021, which is still below SNNP's target of a 200bps improvement. Three key engines should boost its GPM:

Exhibit 3: GPM and NPM on the uptrend



Sources: SNNP; FSSIA estimates

Exhibit 4: Major costs as % of revenue

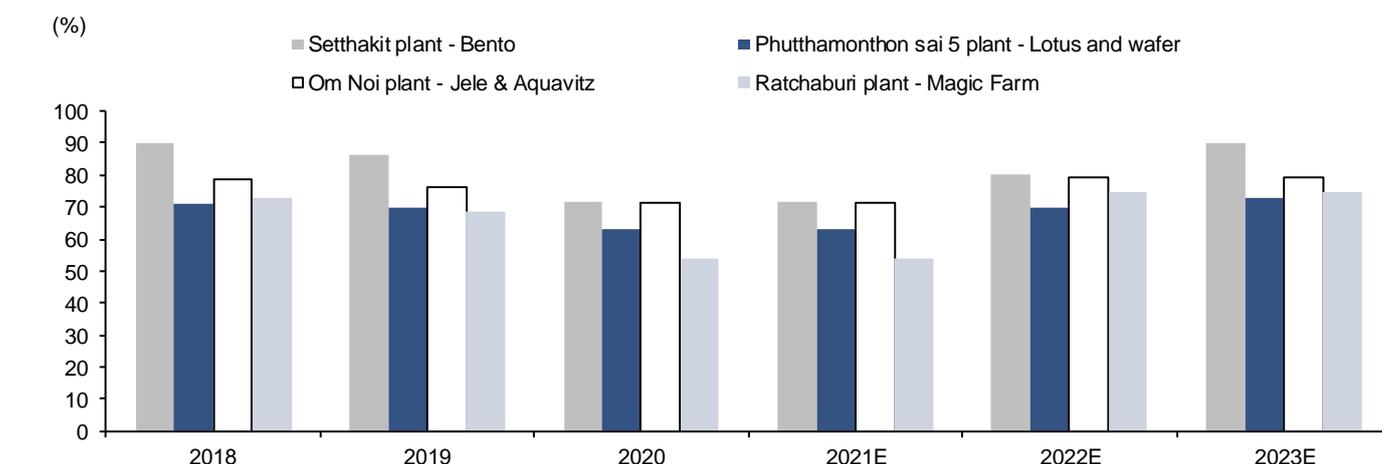


Sources: SNNP; FSSIA estimates

1) New products with higher margins: we estimate its new products will have a high margin at 30-35% vs SNNP's average GPM at c25%.

2) Higher utilisation rate from Thailand production plants: SNNP operates four production plants in Thailand with average utilisation rates in the range of 47-72% in 2020. We project that the utilisation rates for all plants will improve to their pre-Covid levels in 2018 in the range of 60-90% within 2022-23.

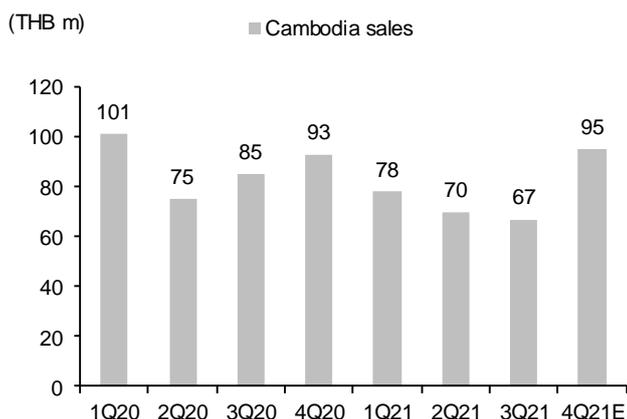
Exhibit 5: Utilisation rates



Sources: SNNP; FSSIA estimates

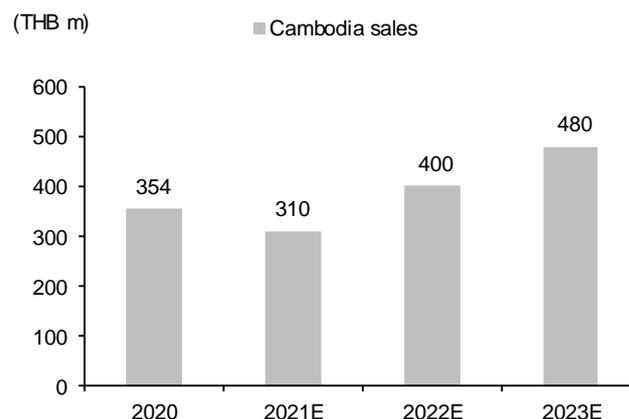
3) Production plants in Cambodia and Vietnam: SNNP's Cambodia plant commenced its commercial operation date (COD) by late 2019 and was suddenly hit by the Covid outbreak in early 2020, which drove its utilisation rate down to 5-10% in 2020-21. Currently, the Cambodia plant has two production lines for Lotus and wafers. The new Jele production line is expected to start its COD by 2H22, which should increase the total sales capacity to THB1.0b. We estimate that THB300m in sales should be generated from the Cambodia plant out of THB400m in sales in Cambodia that we forecast in 2022.

Exhibit 6: Cambodia sales, quarterly



Sources: SNNP; FSSIA estimates

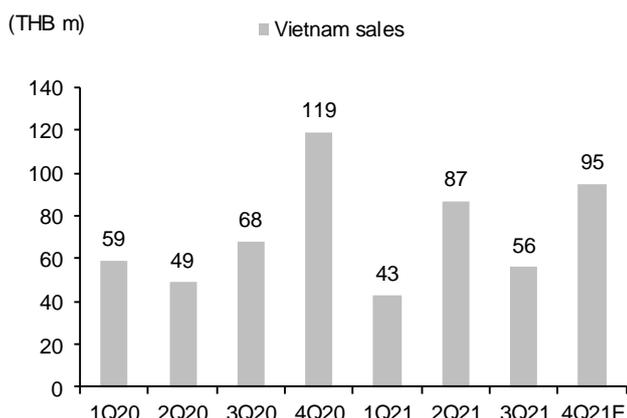
Exhibit 7: Cambodia sales, annually



Sources: SNNP; FSSIA estimates

The Vietnam plant has three expansion phases: the first phase being the Jele and Lotus production line which should start its COD by 2H22, while the second phase (Jele and Lotus production line expansion) and third phase (Bento production line) are expected to COD by mid-2023 and end-2023, respectively. After completing the three phases, the Vietnam production plant could generate sales of up to THB2.0b.

Exhibit 8: Vietnam sales, quarterly



Sources: SNNP; FSSIA estimates

Exhibit 9: Vietnam sales, annually



Sources: SNNP; FSSIA estimates

The two production plants in Cambodia and Vietnam should enhance SNNP's GPM due to the reduction of production costs, logistics costs, and taxes. Overall, production in Cambodia and Vietnam commands a c3-5% higher GPM than exporting from Thailand.

Exhibit 10: Product localisation strategy – production and logistics cost reductions

Key Raw Material	Unit	Thailand Price	% cost saving from Cambodia Operation	% cost saving from Vietnam Operation
Wheat Flour	Kg.	100%	18.00%	12.30%
Sugar	kg.	100%	17.70%	N/A
Surimi Fish	kg.	100%	N/A	12.70%
Packaging	Piece	100%	8.70%	N/A
Packaging	Piece	100%	N/A	2.00%

Source: SNNP

Expect a record high 4Q21 net profit

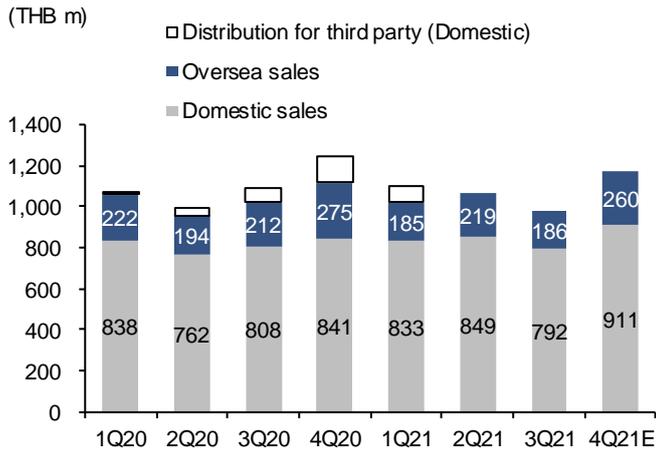
We expect SNNP to post record high earnings in 4Q21 at THB112m (+81% q-q, +205% y-y), driven by 1) a sales recovery in both the domestic and CLMV markets; 2) an improving GPM; and 3) no interest expenses. Revenue should grow 20% q-q in 4Q21 to THB1.2b, driven by solid domestic demand (+15% q-q) and a solid recovery in CLMV sales (+72% q-q). Vietnam sales (c8% of total 2021E sales) plunged in 3Q21 due to transportation disruptions following lockdown measures. Its GPM should rise to 25.7% due to higher utilisation rates for its plants. We estimate SG&A to sales to drop to 14.3% in 4Q21 vs 16.4% in 3Q21 due to Covid-related expenses.

Exhibit 11: 4Q21E earnings preview

	4Q20	1Q21	2Q21	3Q21	4Q21E	----- Change -----		2021E	Change
	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)				
Total revenue	1,259	1,110	1,073	986	1,180	20	(6)	4,349	(2)
Retail sales	1,247	1,102	1,068	978	1,171	20	(6)	4,319	(2)
Cost of sales	937	812	795	732	870	19	(7)	3,209	(2)
Gross profit	321	298	278	254	310	22	(4)	1,140	(3)
Operating costs	260	220	158	162	169	4	(35)	709	(29)
Operating profit	61	78	121	92	140	53	130	431	147
Operating EBITDA	115	126	162	132	186	41	62	633	66
Interest expense	(20)	(19)	(17)	(4)	(0)	(92)	(98)	(40)	(50)
Profit before tax	41	59	104	87	140	60	242	390	317
Tax	(9)	(15)	(21)	(17)	(21)	19	129	74	281
Associates	0	(1)	(9)	(11)	(10)	(8)	nm	(30)	nm
Minority interests	(5)	(6)	(3)	(2)	(2)	3	(54)	13	(34)
Reported net profit	37	178	77	62	112	81	205	428	356
Recurring net profit	37	49	77	62	112	81	205	299	219
EPS (THB)	0.04	0.19	0.08	0.07	0.16	133	291	0.45	242
Recurring EPS (THB)	0.04	0.05	0.08	0.07	0.16	133	291	0.31	139
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Sales margin	24.9	26.3	25.6	25.1	25.7	0.6	0.8	25.7	(0.0)
EBIT margin	4.8	7.0	11.3	9.3	11.9	2.6	7.1	9.9	6.0
Recurring net margin	2.5	4.0	7.7	7.1	10.1	3.0	7.6	6.9	4.8
SG&A / Sales	20.7	19.8	14.7	16.4	14.3	(2.1)	(6.3)	16.3	(6.2)
Effective tax rate	(22.2)	(24.8)	(20.5)	(19.9)	(14.8)	5.1	7.3	19.0	(1.8)
Operating statistics	(THB m)	(q-q%)	(y-y%)						
Branded own									
Domestic sales	841	833	849	792	911	15	8		
Oversea sales	275	185	219	186	260	40	(6)		
CLMV	218	122	161	128	220	72	1		
Others	57	63	58	58	40	(31)	(30)		
Distribution for third party (Domestic)	131	85	0	0	0	nm	(100)		

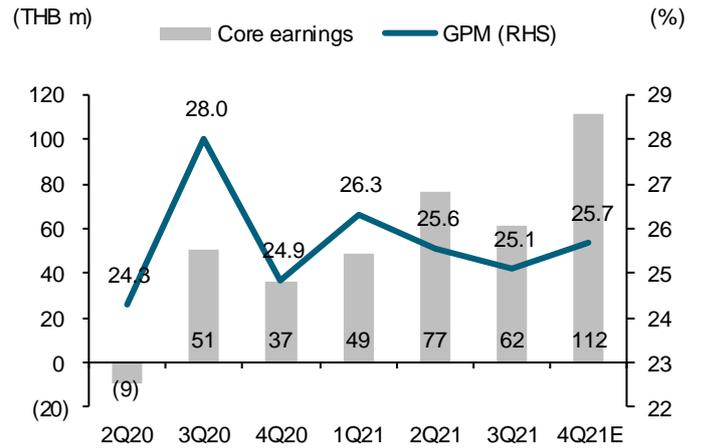
Sources: SNNP; FSSIA estimates

Exhibit 12: Revenue breakdown by domestic and overseas markets



Sources: SNNP; FSSIA estimates

Exhibit 13: Core earnings and GPM trend, quarterly



Sources: SNNP; FSSIA estimates

Solid momentum to continue in 1Q22

We think SNNP’s solid sales momentum should continue in 1Q22. Normally, 1Q should be the lowest quarter for sales, but SNNP has launched several products during 4Q21-1Q22 which have received good feedback from customers. Hence, we expect domestic sales to grow q-q while CLMV sales could soften q-q due to seasonality. Overall, 1Q22 earnings should be flat or slightly grow q-q.

Net profit and TP revisions

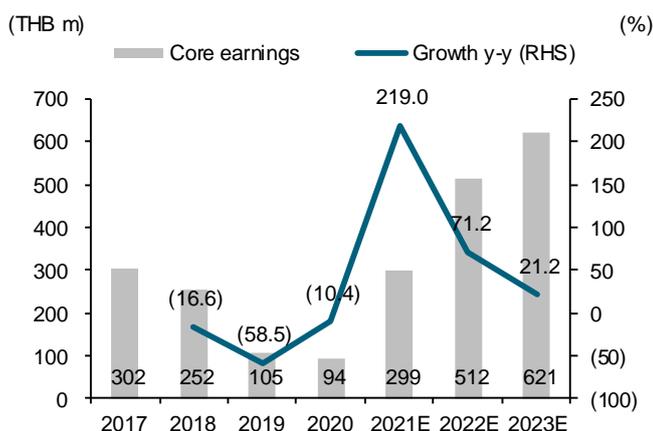
We revise up our 2021-23E net profit by 1.6-5.0% to reflect the solid performance in 9M21 and the higher-than-expected GPM. We raise our DCF-based TP to THB20 (from THB15) to reflect our earnings upgrade and our greater optimism in SNNP's mid- to long-term outlook due to the impressive sales from its new products and the upside risk from the new products (CBD infused products) and new markets (Indonesia, etc). Our TP implies 37.5x 2022E P/E, a premium compared to its peers' average at 28x. We think the premium valuation is justified by the solid earnings CAGR that we estimate over 2022-23 at 44%, implying PEG of only 0.86x.

Exhibit 14: Revised assumptions

	Current			Previous			Change		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total sales	4,319	5,078	5,766	4,499	5,209	5,766	(4.0)	(2.5)	0.0
Sales growth (%)	(1.7)	17.6	13.5	2.4	15.8	10.7	(4.1)	1.8	2.9
Domestic sales	3,498	3,809	4,209	3,463.8	3,907.1	4,208.8	1.0	(2.5)	0.0
Overseas sales	821	1,270	1,557	1,034.7	1,302.4	1,556.7	(20.7)	(2.5)	0.0
GPM (%)	25.7	26.6	26.7	25.6	26.4	26.4	0.1	0.2	0.3
SG&A to sales (%)	16.3	15.0	14.5	15.0	15.0	14.5	1.3	0.0	0.0
Net profit	428	512	621	421	502	592	1.6	2.0	5.0

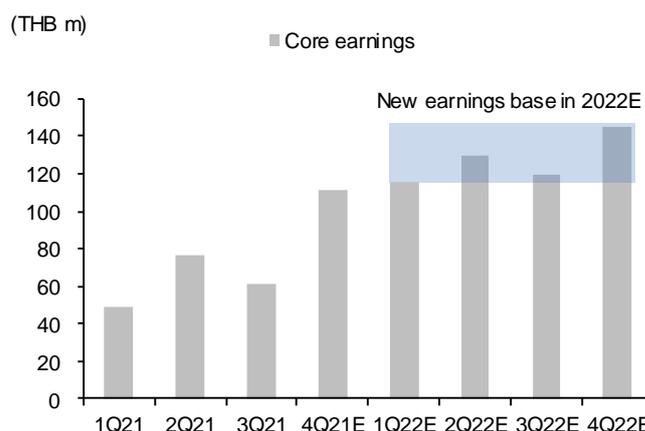
Note: Change of items in percentage terms is represented in ppt change
Source: FSSIA estimates

Exhibit 15: Solid core earnings growth expected in 2022-23



Sources: SNNP; FSSIA estimates

Exhibit 16: New earnings base at THB120m-130m



Sources: SNNP; FSSIA estimates

Exhibit 17: DCF valuation

DCF-derived TP	(%)	(THB b)
Discount rate (WACC)	7.6	
Terminal growth	2.0	
NPV		6.8
Add: terminal value		12.5
Sum of PV		19
Add: investment		0
Less: debt		0.3
Less: minorities		0.2
Residual ordinary equity		18.7
No. of shares (m)		960
Residual ordinary equity (THB/share)		20.0

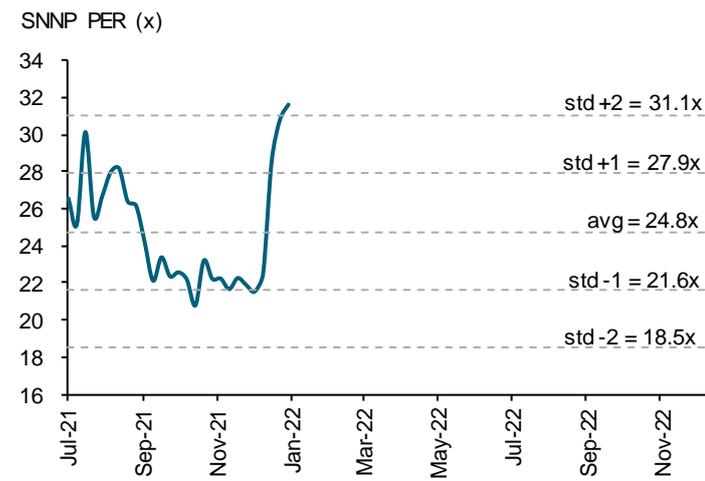
Sources: SNNP; FSSIA estimates

Exhibit 18: Peers valuation as of 19 Jan 2022

Company	BBG	Share price		Up side	Market Cap	3Y EPS CAGR	PE		ROE		PBV		EVEBITDA	
		Current	Target				21E	22E	21E	22E	21E	22E	21E	22E
		(LCY)	(LCY)				(%)	(%)	(%)	(%)	(x)	(x)	(x)	(x)
Berli Jucker	BJC TB	30.00	38	26.7	3,643	16.8	35.1	23.5	3.0	4.5	1.1	1.1	14.8	13.3
Cp All	CPALL TB	58.00	82	41.4	15,786	12.8	50.1	30.2	10.4	15.9	6.3	5.6	21.9	18.1
Siam Global House	GLOBAL TB	20.20	27.5	36.1	2,816	22.6	29.3	27.3	17.6	17.0	4.9	4.4	20.6	19.2
Home Product Center	HMPRO TB	14.10	18.3	29.8	5,618	12.6	35.3	29.0	23.7	27.2	8.1	7.6	19.8	17.0
Siam Makro	MAKRO TB	38.25	52	35.9	12,262	3.4	28.1	32.9	28.1	8.8	7.6	1.6	16.7	15.5
Central Retail Corp	CRC TB	32.75	40	22.1	5,984	417.4	(334.5)	52.5	(1.1)	7.0	3.7	3.6	21.3	14.7
Srinanaporn Marketing	SNNP TB	17.00	20	17.6	494	70.6	54.5	31.9	21.2	18.9	6.3	5.8	26.5	18.9
Thanapiriya	TNP TB	5.25	6.8	29.5	127	21.9	23.0	20.2	21.6	21.6	4.7	4.1	14.8	13.0
Coverage					46,731	19.6	(9.9)	30.9	15.6	15.1	5.3	4.2	19.5	16.2
Dohome	DOHOME TB	22.80	n/a	n/a	1,679	50.4	27.6	23.8	21.7	19.8	5.4	4.5	20.8	18.4
Lawson	2651 JP	4,830.00	n/a	n/a	4,260	(17.0)	54.1	26.3	3.4	6.9	1.8	1.8	4.4	3.9
Dairy Farm Intl Holding	DFI SP	2.89	n/a	n/a	3,897	46.5	32.0	15.2	9.2	18.3	3.2	3.0	11.8	10.6
Better Life Commercial	002251 CH	7.22	n/a	n/a	982	20.9	38.8	35.3	2.2	2.5	1.1	1.1	26.0	21.0
Regional					10,819	(13.9)	38.1	25.2	9.1	11.8	2.9	2.6	15.7	13.5
Average					57,550	8.2	6.1	29.0	13.4	14.0	4.5	3.7	18.3	15.3

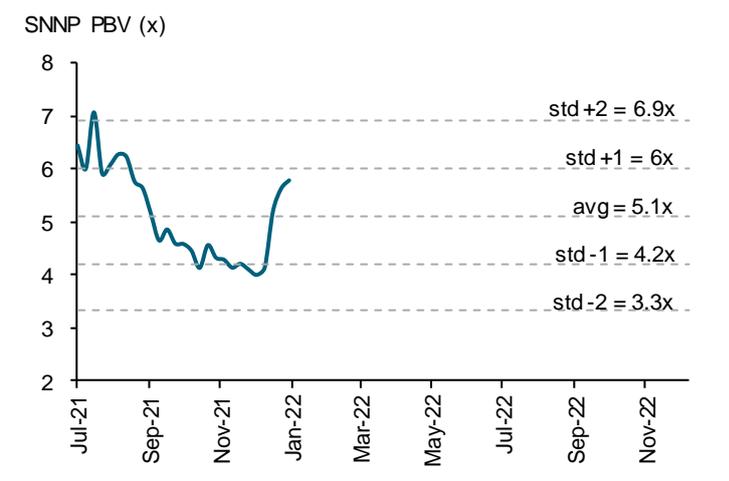
Sources: Bloomberg; FSSIA estimates

Exhibit 19: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 20: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Srinaporn Marketing

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	4,749	4,436	4,349	5,149	5,846
Cost of goods sold	(3,364)	(3,058)	(3,007)	(3,488)	(3,954)
Gross profit	1,385	1,378	1,342	1,661	1,892
Other operating income	0	0	0	0	0
Operating costs	(1,037)	(997)	(709)	(772)	(848)
Operating EBITDA	348	381	633	889	1,044
Depreciation	(151)	(206)	(202)	(239)	(272)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	197	175	431	649	772
Net financing costs	(83)	(81)	(40)	(23)	(22)
Associates	0	0	(30)	3	15
Recurring non-operating income	0	0	(30)	3	15
Non-recurring items	0	0	129	0	0
Profit before tax	114	94	489	630	766
Tax	(30)	(19)	(74)	(113)	(139)
Profit after tax	84	74	415	517	627
Minority interests	21	20	13	(5)	(6)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	105	94	428	512	621
Non-recurring items & goodwill (net)	0	0	(129)	0	0
Recurring net profit	105	94	299	512	621
Per share (THB)					
Recurring EPS *	0.15	0.13	0.31	0.53	0.65
Reported EPS	0.15	0.13	0.45	0.53	0.65
DPS	0.08	0.00	0.27	0.32	0.39
Diluted shares (used to calculate per share data)	680	720	960	960	960
Growth					
Revenue (%)	(2.8)	(6.6)	(2.0)	18.4	13.5
Operating EBITDA (%)	(35.5)	9.4	66.2	40.4	17.5
Operating EBIT (%)	(52.6)	(11.3)	146.5	50.8	18.9
Recurring EPS (%)	(71.3)	(15.5)	139.2	71.2	21.2
Reported EPS (%)	(71.3)	(15.5)	242.1	19.7	21.2
Operating performance					
Gross margin inc. depreciation (%)	26.0	26.4	26.2	27.6	27.7
Gross margin of key business (%)	26.0	26.4	25.7	26.6	26.7
Operating EBITDA margin (%)	7.3	8.6	14.6	17.3	17.9
Operating EBIT margin (%)	4.1	3.9	9.9	12.6	13.2
Net margin (%)	2.2	2.1	6.9	9.9	10.6
Effective tax rate (%)	26.5	20.8	19.0	18.0	18.5
Dividend payout on recurring profit (%)	54.5	-	85.8	60.0	60.0
Interest cover (X)	2.4	2.2	9.9	29.0	36.5
Inventory days	40.3	50.0	50.4	46.5	47.1
Debtor days	86.7	91.5	85.7	78.2	79.8
Creditor days	106.3	116.7	116.4	107.6	108.8
Operating ROIC (%)	6.3	5.9	15.3	21.2	24.8
ROIC (%)	5.3	4.8	10.9	16.4	18.8
ROE (%)	92.0	53.8	21.2	18.9	21.2
ROA (%)	3.7	3.4	7.3	10.8	12.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Domestic	3,667	3,490	3,498	3,809	4,209
Overseas	1,042	902	821	1,270	1,557
Others	40	43	30	71	81

Sources: Srinaporn Marketing; FSSIA estimates

Financial Statements

Srinaporn Marketing

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	105	94	299	512	621
Depreciation	151	206	202	239	272
Associates & minorities	163	1	13	(5)	(6)
Other non-cash items	(31)	(9)	(18)	9	6
Change in working capital	(212)	142	11	(99)	(78)
Cash flow from operations	175	434	507	656	814
Capex - maintenance	(380)	0	(500)	(300)	(100)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(17)	(233)	128	(113)	(99)
Other investments (net)	0	32	0	0	0
Cash flow from investing	(397)	(201)	(372)	(413)	(199)
Dividends paid	(57)	0	(257)	(307)	(373)
Equity finance	(20)	0	2,210	2	2
Debt finance	440	(292)	(1,565)	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	363	(292)	388	(305)	(370)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	141	(59)	523	(62)	245
Free cash flow to firm (FCFF)	(138.61)	314.37	175.36	265.40	636.81
Free cash flow to equity (FCFE)	218.53	(58.45)	(1,430.00)	242.90	615.21

Per share (THB)

FCFF per share	(0.14)	0.33	0.18	0.28	0.66
FCFE per share	0.23	(0.06)	(1.49)	0.25	0.64
Recurring cash flow per share	0.57	0.41	0.52	0.79	0.93

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	2,655	2,724	3,224	3,524	3,624
Less: Accumulated depreciation	(752)	(1,060)	(1,262)	(1,502)	(1,773)
Tangible fixed assets (net)	1,903	1,664	1,962	2,023	1,851
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	232	173	697	634	879
A/C receivable	1,193	1,031	1,011	1,196	1,358
Inventories	419	418	411	478	542
Other current assets	2	3	3	3	3
Current assets	1,847	1,625	2,121	2,311	2,783
Other assets	449	687	687	814	924
Total assets	4,199	3,976	4,770	5,147	5,557
Common equity	128	221	2,602	2,809	3,060
Minorities etc.	258	239	239	239	239
Total shareholders' equity	385	460	2,842	3,049	3,299
Long term debt	871	721	600	600	600
Other long-term liabilities	68	73	72	85	96
Long-term liabilities	939	794	672	685	696
A/C payable	988	968	951	1,105	1,253
Short term debt	1,886	1,744	300	300	300
Other current liabilities	1	11	6	10	9
Current liabilities	2,875	2,722	1,257	1,414	1,562
Total liabilities and shareholders' equity	4,199	3,976	4,770	5,148	5,557
Net working capital	626	473	468	563	642
Invested capital	2,978	2,825	3,117	3,399	3,416

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

Per share (THB)

Book value per share	0.19	0.31	2.71	2.93	3.19
Tangible book value per share	0.19	0.31	2.71	2.93	3.19

Financial strength

Net debt/equity (%)	655.4	497.8	7.2	8.7	0.6
Net debt/total assets (%)	60.1	57.6	4.3	5.2	0.4
Current ratio (x)	0.6	0.6	1.7	1.6	1.8
CF interest cover (x)	3.6	0.3	(34.4)	11.8	29.5

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	110.3	130.5	54.5	31.9	26.3
Recurring P/E @ target price (x) *	129.8	153.5	64.2	37.5	30.9
Reported P/E (x)	110.3	130.5	38.1	31.9	26.3
Dividend yield (%)	0.5	-	1.6	1.9	2.3
Price/book (x)	90.6	55.4	6.3	5.8	5.3
Price/tangible book (x)	90.6	55.4	6.3	5.8	5.3
EV/EBITDA (x) **	41.2	38.8	26.5	18.9	15.9
EV/EBITDA @ target price (x) **	47.0	44.4	31.0	22.2	18.6
EV/invested capital (x)	4.8	5.2	5.4	4.9	4.9

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

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

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

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

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.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Srinanaporn Marketing	SNNP TB	THB 17.00	BUY	The key downside risks to our DCF-based TP are 1) slower-than-expected demand growth and market penetration overseas, especially in Cambodia and Vietnam; 2) a lower-than-expected profit margin due to high raw material and transportation costs; and 3) higher-than-expected SG&A expenses from overseas operations.
Berli Jucker	BJC TB	THB 30.00	HOLD	Key downside risks to our DCF-based TP could come from 1) competition with Lotus which could impact its sales and gross margin; and 2) a lower-than-expected utilisation rate and profit margin from its packaging unit after losing major customers in Thailand. The key upside risk is from easing competition in the hypermarket segment.
CP All	CPALL TB	THB 58.00	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Siam Global House	GLOBAL TB	THB 20.20	BUY	The key downside risks to our DCF-based TP are volatile farm incomes and farm prices which could negatively impact purchasing power, especially in the provinces.
Home Product Center	HMPRO TB	THB 14.10	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.
Siam Makro	MAKRO TB	THB 38.25	HOLD	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operational losses from its overseas business. The key upside risks include: 1) the faster-than-expected recovery of Lotus' performance; and 2) a more aggressive expansion plan.
Central Retail Corp	CRC TB	THB 32.75	BUY	The key downside risks to our DCF-based TP include 1) new waves of Covid-19; and 2) lower-than-expected sales from the high-margin fashion business.
Thanapiriya	TNP TB	THB 5.25	BUY	Downside risks to our DCF based TP would be 1) slowdown of economic growth in Chiang Rai; and 2) aggressive expansion plan from both local and modern trade players.

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-Jan-2022 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.