

# BERLI JUCKER BJC TB

## THAILAND / CONSUMER STAPLES

# BUY

FROM HOLD

TARGET PRICE	THB40.00
CLOSE	THB35.50
UP/DOWNSIDE	+12.7%
PRIOR TP	THB38.00
CHANGE IN TP	+5.3%
TP vs CONSENSUS	+4.0%

## Improving sentiment to bolster SSSG

- Expect total sales to grow by double digits in the low to mid-teens with flat GPM y-y amid high commodity cost environment.
- Expect Big C's SSSG to be positive for the first time in 1Q22 in the past 12 quarters; SSSG QTD is at 5-7%.
- Upgrade to BUY from Hold with DCF-based TP of THB40.

### 2022 – the year of recovery

2022 should be year of recovery for BJC. Management targets total sales to grow by double digits in the low to mid-teens (vs our forecast of 13% in 2022). Rising commodity prices could pressure the packaging unit (PSC), consumer unit (CSC), and Big C's GPM. However, management expects the GPM to be flat y-y at 18.8%, in line with our estimate, supported by the economies of scale and efficient cost saving. Overall, we expect 2022 net profit (NP) to grow by 51% y-y to THB5.2b, and expect NP to reach the pre-Covid level at THB7.2b by 2024.

### High raw material cost could be mitigated by several strategies

BJC has continued to see positive sales momentum from PSC in 1Q22 after restrictions were eased in Thailand and Vietnam. BJC could partly pass high aluminium costs through by hedging after receiving customers' orders. For its glass business, BJC implemented a cost-plus strategy by initiating lightweight bottle packaging production, but only c50% of the total orders' high gas costs can be passed through due to high competition. For CSC, BJC will try to minimise the impact of higher raw material costs for palm oil, coconut oil, and pulp by raising the retail price.

### Expect positive SSSG for the first time in 1Q22 in last 12 quarters

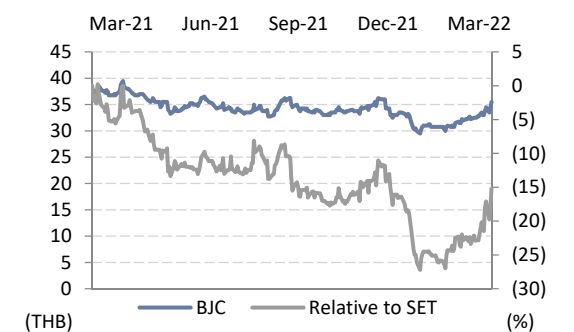
Big C's SSSG should turn positive at 7-9% in 2022, with sales growth at the low-teen level after suffering negative SSSG since 2019. SSSG QTD was positive in the mid-single digits. Big C plans to renovate 20 stores in 2022, which could boost its sales. For the GPM side, management believes that effective promotions and a better product mix could offset higher costs, such as the energy cost. We expect that 1Q22 earnings should continue to recover y-y to THB1.2b-1.4b.

### Upgrade to BUY from Hold

We revise up our 2022-23E NP by 1.2-1.4% after fine-tuning our assumptions to be in line with the company's guidance. We raise our TP to THB40 (from THB38) to reflect our earnings increases and upgrade our recommendation to BUY from Hold. BJC is trading at 27.5x 2022E P/E, or close to -1.0SD of its 5-year avg of 32x. A near-term catalyst would be the first positive SSSG in 1Q22 in the past 12 quarters.

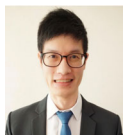
### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	149,959	169,233	174,546	182,165
Net profit	3,585	5,176	6,315	7,208
EPS (THB)	0.89	1.29	1.58	1.80
vs Consensus (%)	-	1.3	1.0	(19.5)
EBITDA	18,936	20,716	22,898	24,600
Core net profit	3,428	5,176	6,315	7,208
Core EPS (THB)	0.86	1.29	1.58	1.80
Chg. In EPS est. (%)	nm	1.2	1.4	nm
EPS growth (%)	(12.4)	51.0	22.0	14.1
Core P/E (x)	41.5	27.5	22.5	19.7
Dividend yield (%)	1.9	2.7	3.3	3.7
EV/EBITDA (x)	16.2	15.9	14.6	13.8
Price/book (x)	1.2	1.2	1.2	1.2
Net debt/Equity (%)	131.4	147.4	147.5	149.5
ROE (%)	3.0	4.4	5.4	6.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	12.7	9.2	(4.1)
Relative to country (%)	11.2	2.9	(14.6)
Mkt cap (USD m)			4,348
3m avg. daily turnover (USD m)			8.0
Free float (%)			26
Major shareholder		TCC Corporation (74%)	
12m high/low (THB)			40.75/29.25
Issued shares (m)			4,007.80

Sources: Bloomberg consensus; FSSIA estimates



**Karun Intrachai**  
 karun.int@fssia.com  
 +66 2611 3555

## Investment thesis

BJC is one of Thailand's oldest companies providing an integrated supply chain with upstream, midstream, and downstream operations. Its modern trade supply chain (Big C) contributed 70% of total revenue in 2019. The hypermarket segment's strong competition and limited growth has led us to have a cautious view on BJC's growth outlook. Big C's SSSG has been soft due to the high competition in the hypermarket segment. While the second revenue contributor, the packaging supply chain (13%), continued to deliver a softer GPM in 2019 due to a change in its geographical sales mix (more customers from Vietnam which command a lower GPM compared to Thailand's sales due to the intensely competitive industry).

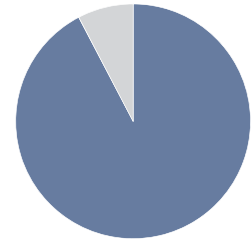
## Company profile

BJC is a fully-integrated consumer company with a presence in Thailand and ASEAN. It is part of TCC group, the largest beverage company in Thailand. Businesses include packaging, manufacturing consumer products, healthcare and modern trade. In 2016, it acquired 98% of Big C.

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

## Principal activities (revenue, 2021)

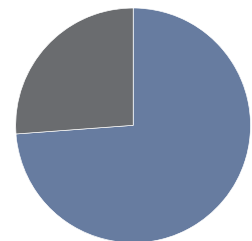
- Sales of goods/services - 92.3 %
- Other income - 7.7 %



Source: Berli Jucker

## Major shareholders

- TCC Corporation - 73.8 %
- Others - 26.2 %



Source: Berli Jucker

## Catalysts

The recovery of Thailand's economy and increasing consumer confidence, as well as easing competition in the hypermarket segment.

## Risks to our call

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.

## Event calendar

Date	Event
May 2022	1Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
<b>Revenue growth</b>			
- Packaging	7.0	5.0	5.0
- Consumer	2.0	5.0	5.0
- Healthcare	2.0	2.0	2.0
- Modern retailing (Big C)	12.0	2.0	4.0
<b>Gross margin</b>	<b>18.8</b>	<b>19.0</b>	<b>19.1</b>
- Packaging	22.9	22.6	22.7
- Consumer	17.3	17.2	17.3
- Healthcare	31.0	31.0	32.5
- Modern retailing (Big C)	16.0	16.5	16.6
<b>SG&amp;A to sales</b>	<b>18.3</b>	<b>18.0</b>	<b>17.9</b>

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in revenue we estimate 2022 EPS would rise 1.4%, and vice versa, all else being equal.
- For every 0.1% increase in GPM we estimate 2022 EPS would rise 1.7%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to sales we estimate 2022 EPS would fall 2.2%, and vice versa, all else being equal.

Source: FSSIA estimates

## Strong recovery in 4Q21 results; beat expectations

BJC booked a 4Q21 net profit of THB1.4b (+2% y-y, +277% q-q), beating Bloomberg's consensus estimate by 34%, driven by the recovering performance from its packaging unit and Big C.

Key highlights for BJC's supply chains in 4Q21 are as follows:

(+) Packaging Supply Chain (PSC) revenue rose 22% y-y to THB6.0b following the solid recovery of both BJC's glass packaging and aluminium can businesses in Thailand and Vietnam. 4Q21 GPM was at 21.6% (vs 24.0% in 3Q21, and 20.4% in 4Q20). The drop q-q was mainly due to the high gas cost. PSC's core profit was at THB586m (2% y-y, +16% q-q).

(-) Consumer Supply Chain (CSC) revenue grew 22% y-y to THB6.1b, driven by higher sales from the distribution of third-party products, as BJC started distributing Unicharm products to the traditional trade channel in Thailand. GPM dropped to 15.1% (vs 16.6% in 3Q21 and 17.7% in 4Q20) pressured by a lower margin from the non-food unit due to high raw material costs for palm oil, coconut oil, and pulp, and higher contributions from third-party sales. Core profit was at THB235m (7% y-y) but dropped 27% q-q.

(-) Healthcare & Technical Supply Chain (H&TSC) revenue rose 8% y-y to THB2.3b due to high demand for Covid-related products. GPM dropped to 28.4% vs 33.6% in 3Q21 and 32.1% in 4Q20. Core profit dropped to THB132m (-27% y-y).

(+) Modern Retail Supply Chain (BigC) revenue slightly increased by 2.4% y-y to THB24.1b due to flat SSSG. Other income dropped 10% y-y due to lower rental income. The discount rate in 4Q21 was at 6.8% (vs 17.3% in 3Q21 and 5% in 4Q20).

GPM was flat y-y at 17.5% (vs 14.5% in 3Q21) due to successful promotional investments, a high proportion of private brand sales, and good inventory management. The overall core NP of BigC was at THB1.1b (-12% y-y) due to lower rental income.

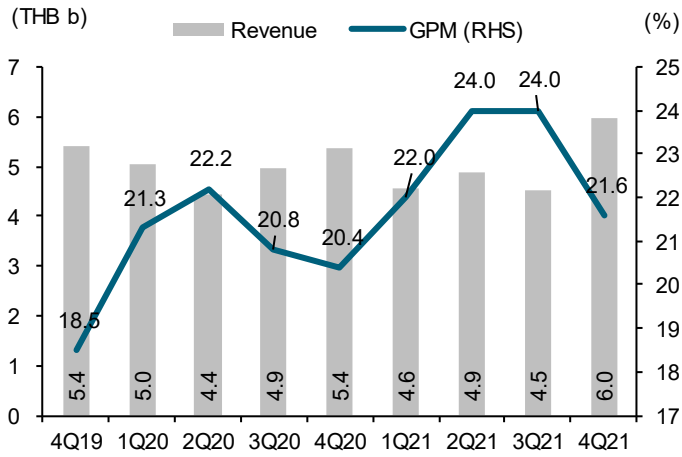
The effective tax rate dropped to 7% in 4Q21 (vs 12.3% in 4Q20), resulting in a 2021 effective tax rate of 10.5%. BJC guided that its effective tax rate should increase to the normal level at 13-15% in 2022.

### Exhibit 1: BJC – 4Q21 results summary

YE Dec 31	4Q20 (THB m)	1Q21 (THB m)	2Q21 (THB m)	3Q21 (THB m)	4Q21 (THB m)	----- Change -----		4Q21 (%21A)	2020 (THB m)	2021 (THB m)	Change
						(q-q%)	(y-y%)				(y-y%)
<b>Total revenue</b>	<b>38,617</b>	<b>35,553</b>	<b>37,074</b>	<b>36,850</b>	<b>40,482</b>	<b>10</b>	<b>5</b>	<b>27</b>	<b>157,549</b>	<b>149,959</b>	<b>(5)</b>
Sales income	35,103	32,520	34,161	34,466	37,317	8	6	27	144,732	138,465	(4)
Other income	3,514	3,033	2,913	2,384	3,164	33	(10)	28	12,817	11,494	(10)
<b>Gross profit</b>	<b>10,445</b>	<b>9,254</b>	<b>9,177</b>	<b>8,657</b>	<b>10,423</b>	<b>20</b>	<b>(0)</b>	<b>28</b>	<b>40,296</b>	<b>37,511</b>	<b>(7)</b>
Operating costs	(7,401)	(6,755)	(6,822)	(6,653)	(7,386)	11	(0)	27	(29,688)	(27,616)	(7)
<b>Operating profit</b>	<b>3,044</b>	<b>2,499</b>	<b>2,354</b>	<b>2,005</b>	<b>3,037</b>	<b>51</b>	<b>(0)</b>	<b>31</b>	<b>10,609</b>	<b>9,895</b>	<b>(7)</b>
Operating EBITDA	6,440	4,746	4,535	4,307	5,348	24	(17)	28	19,512	18,936	(3)
Interest income	14	4	5	6	9	61	(37)	37	71	24	(66)
Interest expense	(1,286)	(1,254)	(1,258)	(1,283)	(1,299)	1	1	25	(5,273)	(5,094)	(3)
<b>Profit before tax</b>	<b>1,772</b>	<b>1,249</b>	<b>1,102</b>	<b>727</b>	<b>1,747</b>	<b>140</b>	<b>(1)</b>	<b>36</b>	<b>5,407</b>	<b>4,825</b>	<b>(11)</b>
Tax	(218)	(123)	(69)	(194)	(123)	(37)	(44)	24	(787)	(508)	(35)
Equity income	(9)	(54)	(22)	(108)	(3)	(97)	(68)	2	(156)	(187)	20
Minority interests	(157)	(118)	(210)	(125)	(248)	98	57	35	(551)	(701)	27
Non recurring items	(34)	59	22	66	9	(87)	(126)	6	88	157	79
<b>Reported net profit</b>	<b>1,353</b>	<b>1,013</b>	<b>822</b>	<b>367</b>	<b>1,383</b>	<b>277</b>	<b>2</b>	<b>39</b>	<b>4,001</b>	<b>3,585</b>	<b>(10)</b>
<b>Recurring net profit</b>	<b>1,387</b>	<b>953</b>	<b>800</b>	<b>301</b>	<b>1,374</b>	<b>357</b>	<b>(1)</b>	<b>40</b>	<b>3,914</b>	<b>3,428</b>	<b>(12)</b>
EPS (THB)	0.34	0.25	0.21	0.09	0.35	277	2	39	1.00	0.89	(10)
Recurring EPS (THB)	0.35	0.24	0.20	0.08	0.34	357	(1)	40	0.98	0.86	(12)
<b>Key Ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>				
Sales margin	19.7	19.1	18.3	18.2	19.5	1.2	(0.3)				
Operating margin	7.9	7.0	6.4	5.4	7.5	2.1	(0.4)				
Recurring net margin	3.6	2.7	2.2	0.8	3.4	2.6	(0.2)				
SG&A / Sales	19.2	19.0	18.4	18.1	18.2	0.2	(0.9)				
Effective tax rate	12.3	9.8	6.3	26.6	7.0						
<b>Operating statistics</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q%)</b>	<b>(y-y%)</b>				
Packaging	5,373	4,571	4,886	4,504	5,976	33	11				
Consumer	4,989	4,971	5,678	5,958	1,652	(72)	(67)				
Healthcare and technical	2,158	1,926	2,189	2,609	1,920	(26)	(11)				
Modern trade (Big C)	23,505	22,022	22,403	22,805	23,787	4	1				
SSSG (%)	(20.8)	(21.6)	(14.3)	(6.6)	(0.1)						
Number of large stores (no.)	152	152	152	152	154						

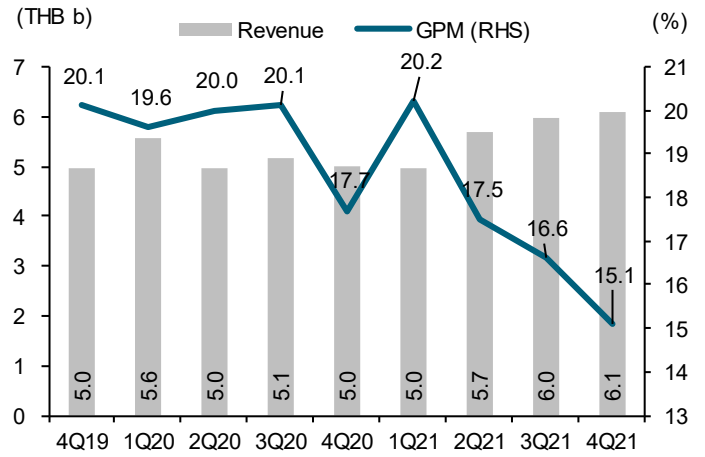
Sources: BJC; FSSIA

**Exhibit 2: PSC revenue and GPM**



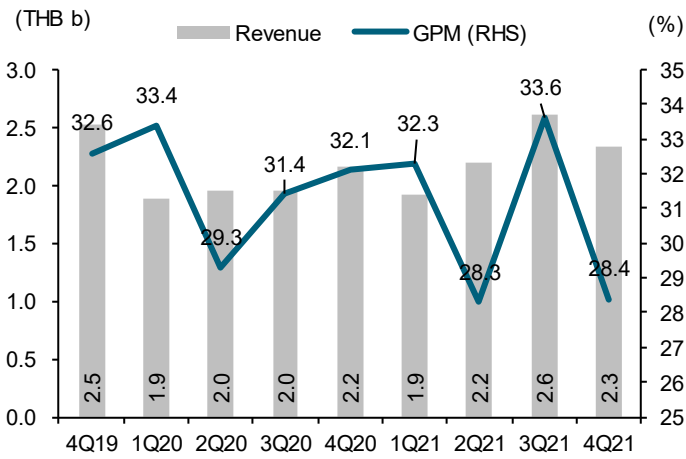
Sources: BJC; FSSIA estimates

**Exhibit 3: CSC revenue and GPM**



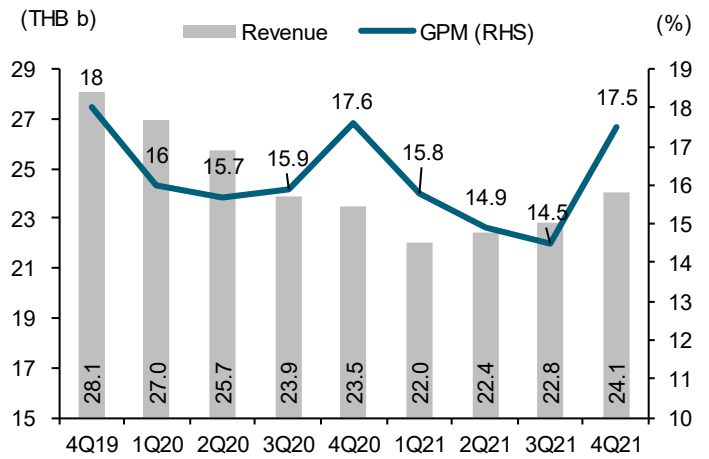
Sources: BJC; FSSIA estimates

**Exhibit 4: H&TSC revenue and GPM**



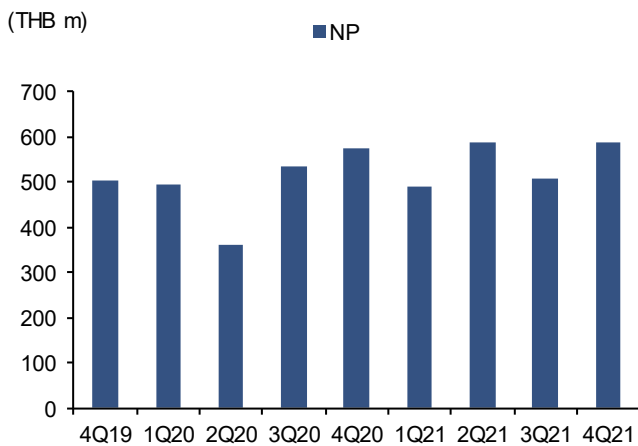
Sources: BJC; FSSIA estimates

**Exhibit 5: MSC (Big C) revenue and GPM**



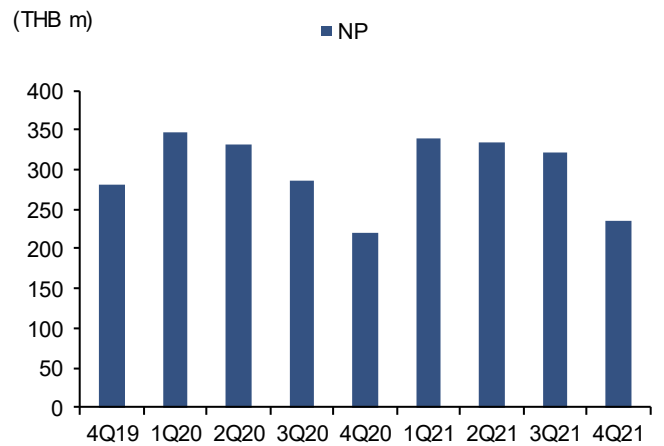
Sources: BJC; FSSIA estimates

**Exhibit 6: PSC NP trend**



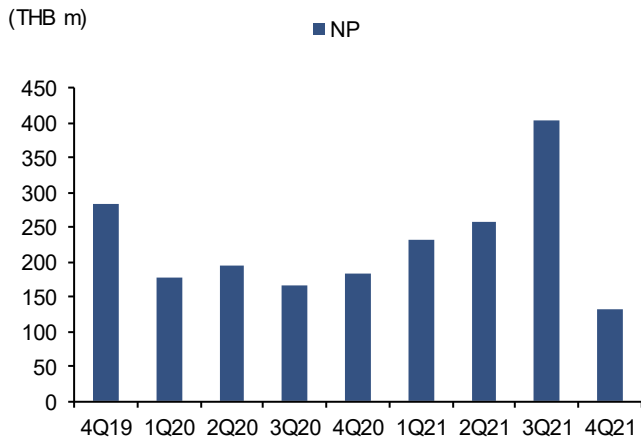
Sources: BJC; FSSIA estimates

**Exhibit 7: CSC NP trend**



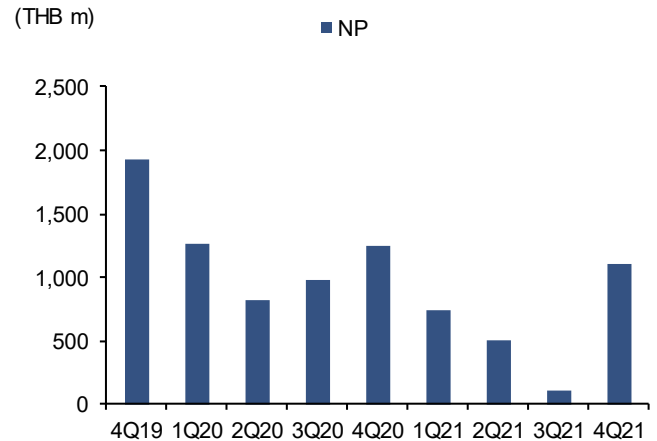
Sources: BJC; FSSIA estimates

Exhibit 8: H&amp;TSC NP trend



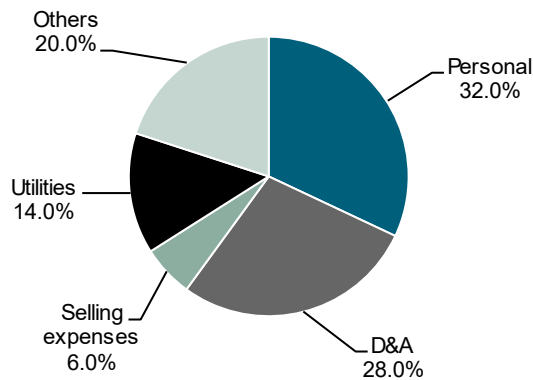
Sources: BJC; FSSIA estimates

Exhibit 9: MSC (Big C) NP trend



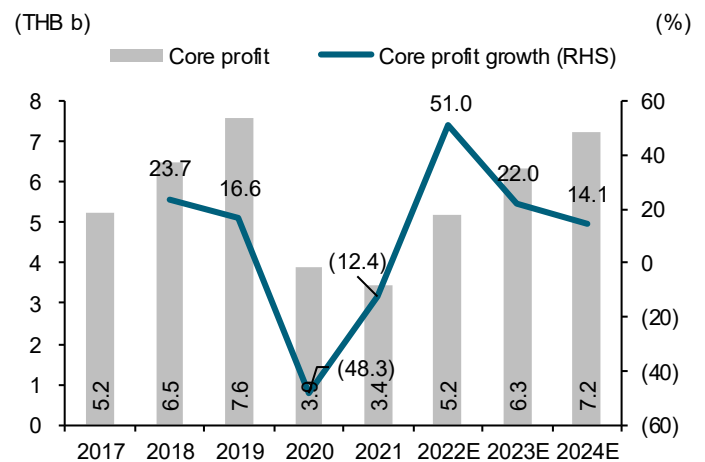
Sources: BJC; FSSIA estimates

Exhibit 10: Big C's SG&amp;A to sales breakdown in 4Q21



Sources: BJC; FSSIA estimates

Exhibit 11: Core profit may not recover to 2019 levels until 2024



Sources: BJC; FSSIA estimates

Exhibit 12: Revised assumptions

	Current			Previous			Change		
	2022E (%)	2023E (%)	2024E (%)	2022E (%)	2023E (%)	2024E (%)	2022E (%)	2023E (%)	2024E (%)
<b>Retail sales (THB m)</b>	<b>155,975</b>	<b>160,428</b>	<b>167,124</b>	<b>148,383</b>	<b>152,926</b>	<b>167,124</b>	<b>5.1</b>	<b>4.9</b>	<b>0.0</b>
- Packaging	7.0	5.0	5.0	5.0	5.0	5.0	2.0	0.0	0.0
- Consumer	2.0	5.0	5.0	4.0	5.0	5.0	(2.0)	0.0	0.0
- Healthcare	2.0	2.0	2.0	5.0	5.0	2.0	(3.0)	(3.0)	0.0
- Modern retailing (Big C)	12.0	2.0	4.0	3.0	2.0	4.0	9.0	0.0	0.0
<b>Gross margin</b>	<b>18.8</b>	<b>19.0</b>	<b>19.1</b>	<b>19.3</b>	<b>19.8</b>	<b>19.1</b>	<b>(0.5)</b>	<b>(0.8)</b>	<b>0.0</b>
- Packaging	22.9	22.6	22.7	23.5	23.0	22.7	(0.6)	(0.4)	0.0
- Consumer	17.3	17.2	17.3	18.7	18.9	17.3	(1.4)	(1.7)	0.0
- Healthcare	31	31	32.5	31.5	31.5	32.5	(0.5)	(0.5)	0.0
- Modern retailing (Big C)	16	16.5	16.6	15.9	16.5	16.6	0.1	0.0	0.0
<b>SG&amp;A to sales</b>	<b>18.3</b>	<b>18.0</b>	<b>17.9</b>	<b>18.4</b>	<b>18.3</b>	<b>17.9</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0.0</b>
Earnings (THB m)	5,176	6,315	7,208	5,115	6,228	7,208	1.2	1.4	0.0

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

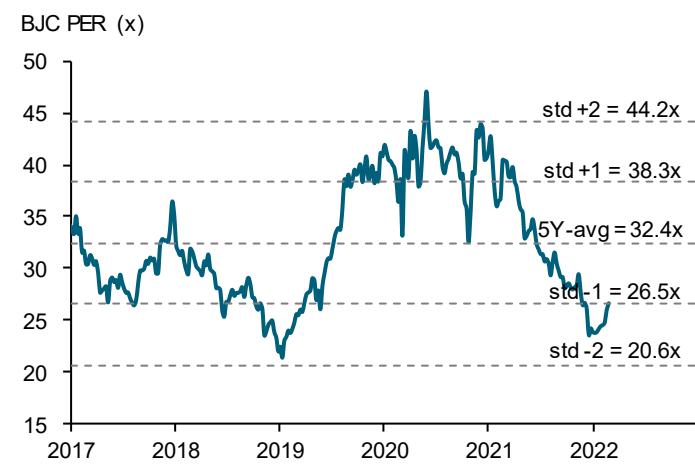
Sources: BJC; FSSIA estimates

## Exhibit 13: DCF-derived TP

	(%)	(THB b)
Discount rate (WACC)	7.5	
Terminal growth	2.0	
NPV		130
Add: terminal value		217
Sum of PV		348
Add: investment		0
Less: debt		181
Less: minorities		6
Residual ordinary equity		160
No. of shares (m)		4,008
<b>Residual ordinary equity (THB/share)</b>		<b>40.0</b>

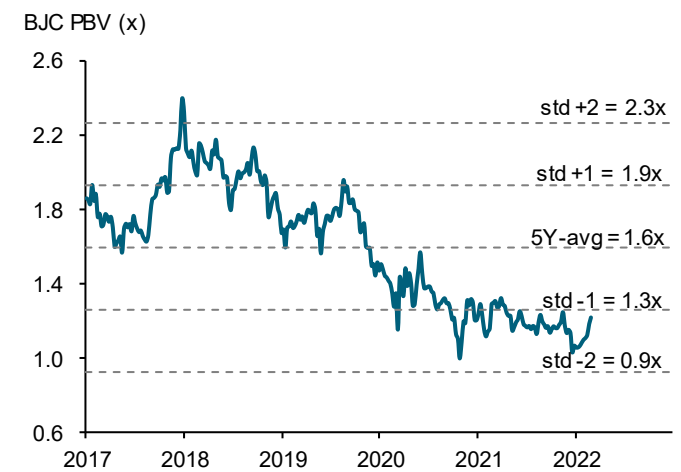
Source: FSSIA estimates

## Exhibit 14: P/E Band



Sources: Bloomberg; FSSIA estimates

## Exhibit 15: P/BV Band



Sources: Bloomberg; FSSIA estimates

## Exhibit 16: Peer comparisons

Year to Dec Company	BBG	--- Share price ---		Up side	Market Cap	3Y EPS CAGR	----- PE -----		--- ROE ---		--- PBV ---		EV/EBITDA	
		Current (LCY)	Target (LCY)				22E (x)	23E (x)	22E (%)	23E (%)	22E (%)	23E (%)	22E (x)	23E (x)
Berli Jucker	BJC TB	35.50	40	12.7	4,348	17.3	27.5	22.5	4.4	5.4	1.2	1.2	15.9	14.6
Cp All	CPALL TB	68.25	82	20.1	18,737	12.8	35.6	30.3	15.9	17.1	6.6	5.8	19.8	18.9
Siam Global House	GLOBAL TB	19.90	27.5	38.2	2,920	24.8	25.5	23.0	16.7	16.1	4.1	3.7	18.2	16.5
Home Product Center	HMPRO TB	16.10	18.3	13.7	6,471	12.6	33.1	28.8	27.2	29.2	8.7	8.1	19.3	17.3
Siam Makro	MAKRO TB	43.00	52	20.9	13,904	5.3	36.0	26.9	4.3	5.6	1.5	1.5	17.6	14.8
Central Retail Corp	CRC TB	38.75	43	11.0	7,142	425.0	49.4	33.2	8.6	11.5	4.2	3.7	16.2	13.4
Srinanaporn Marketing	SNNP TB	16.30	20	22.7	478	70.9	30.5	25.1	17.6	20.2	5.2	4.9	19.3	16.2
Thanapiriya	TNP TB	5.25	6.8	29.5	128	21.9	20.2	17.2	21.6	22.1	4.1	3.6	13.0	10.9
<b>Coverage</b>					<b>54,129</b>	<b>20.5</b>	<b>32.2</b>	<b>25.9</b>	<b>14.6</b>	<b>15.9</b>	<b>4.4</b>	<b>4.1</b>	<b>17.4</b>	<b>15.3</b>
Dohome	DOHOME TB	23.70	n/a	n/a	1,827	48.8	30.4	25.8	17.2	17.3	5.1	4.4	20.4	17.4
Lawson	2651 JP	4,680	n/a	n/a	4,055	(17.8)	25.4	20.2	6.8	8.3	1.7	1.7	3.8	3.6
Dairy Farm Intl Holding	DFI SP	2.64	n/a	n/a	3,613	43.6	14.3	11.8	16.9	21.3	2.8	2.6	10.4	9.6
Better Life Commercial	002251 CH	6.46	n/a	n/a	883	20.9	31.7	26.6	2.5	2.8	1.0	0.9	20.2	16.3
<b>Regional</b>					<b>10,378</b>	<b>(14.8)</b>	<b>25.4</b>	<b>21.1</b>	<b>10.9</b>	<b>12.4</b>	<b>2.6</b>	<b>2.4</b>	<b>13.7</b>	<b>11.7</b>
<b>Average</b>					<b>64,508</b>	<b>8.6</b>	<b>30.0</b>	<b>24.3</b>	<b>13.3</b>	<b>14.7</b>	<b>3.8</b>	<b>3.5</b>	<b>16.2</b>	<b>14.1</b>

Note: Share prices as of 2 Mar 2022;

Sources: Bloomberg; FSSIA estimates

## Financial Statements

Berli Jucker

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	157,549	149,959	169,233	174,546	182,165
Cost of goods sold	(108,349)	(103,406)	(117,533)	(120,232)	(124,901)
<b>Gross profit</b>	<b>49,200</b>	<b>46,553</b>	<b>51,699</b>	<b>54,314</b>	<b>57,264</b>
Other operating income	0	0	0	0	0
Operating costs	(29,688)	(27,616)	(30,983)	(31,416)	(32,664)
<b>Operating EBITDA</b>	<b>19,512</b>	<b>18,936</b>	<b>20,716</b>	<b>22,898</b>	<b>24,600</b>
Depreciation	(8,904)	(9,042)	(9,166)	(9,720)	(10,291)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>10,609</b>	<b>9,895</b>	<b>11,550</b>	<b>13,178</b>	<b>14,309</b>
Net financing costs	(5,201)	(5,070)	(4,705)	(5,048)	(5,169)
Associates	(156)	(187)	(197)	(206)	(217)
Recurring non-operating income	(156)	(187)	(197)	(206)	(217)
Non-recurring items	88	157	0	0	0
<b>Profit before tax</b>	<b>5,339</b>	<b>4,794</b>	<b>6,649</b>	<b>7,924</b>	<b>8,923</b>
Tax	(787)	(508)	(721)	(857)	(963)
<b>Profit after tax</b>	<b>4,552</b>	<b>4,286</b>	<b>5,928</b>	<b>7,067</b>	<b>7,960</b>
Minority interests	(551)	(701)	(752)	(752)	(752)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>4,001</b>	<b>3,585</b>	<b>5,176</b>	<b>6,315</b>	<b>7,208</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(88)</b>	<b>(157)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,914</b>	<b>3,428</b>	<b>5,176</b>	<b>6,315</b>	<b>7,208</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.98	0.86	1.29	1.58	1.80
Reported EPS	1.00	0.89	1.29	1.58	1.80
DPS	0.78	0.66	0.95	1.16	1.33
Diluted shares (used to calculate per share data)	4,008	4,008	4,008	4,008	4,008
<b>Growth</b>					
Revenue (%)	(9.4)	(4.8)	12.9	3.1	4.4
Operating EBITDA (%)	(9.5)	(3.0)	9.4	10.5	7.4
Operating EBIT (%)	(23.8)	(6.7)	16.7	14.1	8.6
Recurring EPS (%)	(48.3)	(12.4)	51.0	22.0	14.1
Reported EPS (%)	(45.1)	(10.4)	44.4	22.0	14.1
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	25.6	25.0	25.1	25.5	25.8
Gross margin of key business (%)	19.0	18.8	18.8	19.0	19.1
Operating EBITDA margin (%)	12.4	12.6	12.2	13.1	13.5
Operating EBIT margin (%)	6.7	6.6	6.8	7.5	7.9
Net margin (%)	2.5	2.3	3.1	3.6	4.0
Effective tax rate (%)	14.6	10.5	10.5	10.5	10.5
Dividend payout on recurring profit (%)	79.9	77.2	73.8	73.8	73.8
Interest cover (X)	2.0	1.9	2.4	2.6	2.7
Inventory days	69.7	71.5	67.4	68.8	69.5
Debtor days	34.2	39.6	40.1	41.8	41.6
Creditor days	102.0	102.6	100.9	105.9	105.3
Operating ROIC (%)	12.8	12.5	15.0	17.9	20.2
ROIC (%)	3.1	3.0	3.3	3.6	3.8
ROE (%)	3.4	3.0	4.4	5.4	6.1
ROA (%)	2.7	2.6	2.9	3.2	3.4
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Sales of goods/services	144,732	138,465	155,975	160,428	167,124
Other income	12,817	11,494	13,258	14,118	15,041

Sources: Berli Jucker; FSSIA estimates

## Financial Statements

Berli Jucker

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	3,914	3,428	5,176	6,315	7,208
Depreciation	8,904	9,042	9,166	9,720	10,291
Associates & minorities	(382)	(228)	0	0	0
Other non-cash items	695	833	812	768	776
Change in working capital	(3,504)	(2,180)	636	(750)	(759)
<b>Cash flow from operations</b>	<b>9,626</b>	<b>10,894</b>	<b>15,789</b>	<b>16,053</b>	<b>17,516</b>
Capex - maintenance	(6,641)	(5,834)	(6,300)	(6,489)	(6,684)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(8,670)	(158)	(27,170)	(7,683)	(10,887)
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(15,312)</b>	<b>(5,992)</b>	<b>(33,470)</b>	<b>(14,172)</b>	<b>(17,571)</b>
Dividends paid	(3,126)	(2,645)	(3,819)	(4,660)	(5,319)
Equity finance	(1,244)	258	(396)	(396)	(396)
Debt finance	6,739	(1,146)	22,115	3,175	5,770
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>2,370</b>	<b>(3,534)</b>	<b>17,900</b>	<b>(1,881)</b>	<b>55</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>(3,316)</b>	<b>1,369</b>	<b>220</b>	<b>0</b>	<b>0</b>
Free cash flow to firm (FCFF)	(413.17)	9,996.05	(12,930.54)	6,974.55	5,160.42
Free cash flow to equity (FCFE)	1,053.57	3,755.98	4,434.71	5,055.70	5,714.63

### Per share (THB)

FCFF per share	(0.10)	2.49	(3.23)	1.74	1.29
FCFE per share	0.26	0.94	1.11	1.26	1.43
Recurring cash flow per share	3.28	3.26	3.78	4.19	4.56

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	101,192	102,325	108,625	115,115	121,799
Less: Accumulated depreciation	(35,926)	(40,122)	(49,136)	(58,696)	(68,820)
<b>Tangible fixed assets (net)</b>	<b>65,266</b>	<b>62,202</b>	<b>59,489</b>	<b>56,418</b>	<b>52,979</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	2,786	2,860	3,028	3,204	3,389
Cash & equivalents	3,030	4,398	4,618	4,618	4,618
A/C receivable	15,076	17,448	19,691	20,309	21,195
Inventories	19,359	21,166	22,216	23,142	24,446
Other current assets	243	953	1,075	1,109	1,158
<b>Current assets</b>	<b>37,708</b>	<b>43,965</b>	<b>47,600</b>	<b>49,178</b>	<b>51,417</b>
Other assets	220,398	220,155	248,452	256,253	267,438
<b>Total assets</b>	<b>326,157</b>	<b>329,183</b>	<b>358,569</b>	<b>365,053</b>	<b>375,223</b>
Common equity	114,677	115,875	116,836	118,095	119,589
Minorities etc.	4,859	5,331	6,083	6,835	7,587
<b>Total shareholders' equity</b>	<b>119,536</b>	<b>121,206</b>	<b>122,919</b>	<b>124,931</b>	<b>127,176</b>
Long term debt	128,053	139,046	144,348	146,815	151,299
Other long-term liabilities	13,204	13,008	14,454	14,908	15,559
<b>Long-term liabilities</b>	<b>141,257</b>	<b>152,054</b>	<b>158,802</b>	<b>161,724</b>	<b>166,858</b>
A/C payable	27,571	30,567	34,441	35,325	36,749
Short term debt	36,732	24,593	41,406	42,114	43,400
Other current liabilities	1,060	763	1,000	960	1,039
<b>Current liabilities</b>	<b>65,363</b>	<b>55,923</b>	<b>76,847</b>	<b>78,399</b>	<b>81,188</b>
<b>Total liabilities and shareholders' equity</b>	<b>326,157</b>	<b>329,183</b>	<b>358,569</b>	<b>365,053</b>	<b>375,223</b>
Net working capital	6,047	8,237	7,541	8,275	9,010
Invested capital	294,496	293,455	318,510	324,150	332,816

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

### Per share (THB)

Book value per share	28.61	28.91	29.15	29.47	29.84
Tangible book value per share	28.61	28.91	29.15	29.47	29.84

### Financial strength

Net debt/equity (%)	135.3	131.4	147.4	147.5	149.5
Net debt/total assets (%)	49.6	48.4	50.5	50.5	50.7
Current ratio (x)	0.6	0.8	0.6	0.6	0.6
CF interest cover (x)	1.2	1.7	1.9	2.0	2.1

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>36.4</b>	<b>41.5</b>	<b>27.5</b>	<b>22.5</b>	<b>19.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>41.0</b>	<b>46.8</b>	<b>31.0</b>	<b>25.4</b>	<b>22.2</b>
Reported P/E (x)	35.6	39.7	27.5	22.5	19.7
Dividend yield (%)	2.2	1.9	2.7	3.3	3.7
Price/book (x)	1.2	1.2	1.2	1.2	1.2
Price/tangible book (x)	1.2	1.2	1.2	1.2	1.2
EV/EBITDA (x) **	15.8	16.2	15.9	14.6	13.8
EV/EBITDA @ target price (x) **	16.8	17.2	16.8	15.3	14.6
EV/invested capital (x)	1.0	1.0	1.0	1.0	1.0

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

Sources: Berli Jucker; 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.

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
Berli Jucker	BJC TB	THB 35.50	BUY	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.
CP All	CPALL TB	THB 68.25	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 19.90	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 16.10	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 43.00	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) a lower-than-expected GPM improvement; and 3) operational losses from its overseas business.
Central Retail Corp	CRC TB	THB 38.75	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.
Srinanaporn Marketing	SNNP TB	THB 16.30	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.
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 02-Mar-2022 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.