

# T.A.C. CONSUMER TACC TB

THAILAND / CONSUMER, NON-CYCLICAL

# BUY

## Short-term pain for 2Q23 gain

- We forecast a 4Q22 net profit of THB50m (-18.8% q-q, -12.7% y-y), down q-q opposite to seasonality.
- Management has set its 2023 revenue growth target at 10%-15% y-y. We think net profit should return to growth in 2Q23.
- Initiate with a BUY call and TP of THB10, based on 23x 2023E P/E.

TARGET PRICE	THB10.00
CLOSE	THB6.50
UP/DOWNSIDE	+53.8%
TP vs CONSENSUS	+5.7%

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	1,341	1,486	1,647	1,777
Net profit	214	242	267	296
EPS (THB)	0.35	0.40	0.44	0.49
vs Consensus (%)	-	-	(0.7)	(2.0)
EBITDA	287	331	377	421
Core net profit	207	236	267	296
Core EPS (THB)	0.34	0.39	0.44	0.49
EPS growth (%)	9.9	13.9	13.2	10.7

### Manufacturer and distributor of dispensed beverages

TACC procures, manufactures and distributes beverages, mostly dispensed tea and coffee. The company sells mostly B2B, which accounted for 93% of 9M22 revenues. Under this channel, TACC's main alliance is 7-Eleven, to whom it sells mostly beverage dispensers and instant drink powder. TACC also sells through the B2C channel, which accounts for the remaining 7% of its revenue.

### Expect 4Q22 to record lowest profit in 2022

We forecast a 4Q22 net profit of THB50m (-18.8% q-q, -12.7% y-y), down q-q opposite to seasonality. Revenue should recover in line with the reopening. However, we project TACC's GPM to decrease to 34% (vs 35.1% in 3Q22 and 39% in 4Q21) due to rising raw material prices, especially for milk powder, a key material imported from France. In addition, SG&A to sales should rise to 17% from 16.1% in 3Q22, due to higher marketing costs. We think TACC's 4Q22 earnings will be the lowest in eight quarters. Assuming in-line 4Q22 results, TACC's 2022 net profit should equal THB242m (+12.8% y-y)

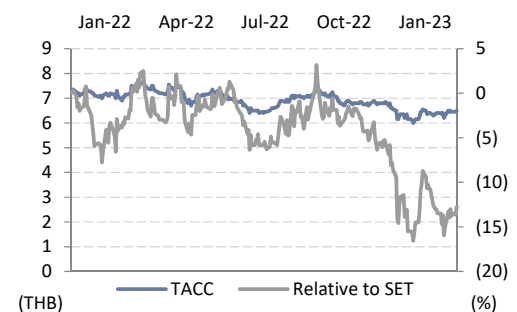
### Turning point should arrive in 2Q23

Management set its 2023 revenue growth target at 10%-15% y-y, driven by 1) new 7-Eleven store growth; 2) new product launches; 3) the pace of the overall business recovery; and 4) declining costs. We anticipate revenue growth in 2023-24 of 10.8% y-y and 7.9% y-y, respectively. TACC's 2023 gross margin should increase to 36.5% from 36.1% in 2022 as raw material prices drop in 2Q23. We think net profit growth should return in 2Q23 and project a 2023-24 net profit of THB267m (+10.6% y-y) and THB296m (+10.7% y-y), respectively.

### Recommend BUY based on attractive valuation

We rate TACC as BUY with a TP of THB10 which assumes 23x 2023E P/E, based on the average P/E of listed beverage companies OSP, CBG, ICHI, SAPPE, and NSL, which is a company related to 7-Eleven. Although we expect poor earnings in 4Q22-1Q23, we still have a positive view long term. TACC's shares fell 15% in the past three months and currently it is trading lowest-among-peers at 14.8x 2023E P/E.

Core P/E (x)	19.1	16.7	14.8	13.4
Dividend yield (%)	5.1	5.5	6.1	6.7
EV/EBITDA (x)	11.8	10.3	9.0	8.0
Price/book (x)	5.3	5.2	5.0	4.8
Net debt/Equity (%)	(75.8)	(71.4)	(70.9)	(71.6)
ROE (%)	28.3	31.3	34.3	36.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.8)	(4.4)	(15.6)
Relative to country (%)	(4.4)	(10.6)	(15.8)
Mkt cap (USD m)	119		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	66		
Major shareholder	Mr.Chatchawe Vatanasuk (24%)		
12m high/low (THB)	7.70/5.95		
Issued shares (m)	608.00		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

TACC procures, manufactures and distributes beverages, mostly dispensed tea and coffee. The company sells mostly B2B, which accounts for 93% of 9M22 revenues. Under this channel, TACC's main alliance is 7-Eleven as a leader in the convenience store market. This is one of TACC's competitive advantages. Besides, we like the company's solid profitability and strong financial position. The company has no interest-bearing debt from financial institutions. Although we expect poor earnings in 4Q22-1Q23, we still have a positive view for long-term growth. We project 2023-24 net profit growth at 10.6% y-y and 10.7% y-y, respectively.

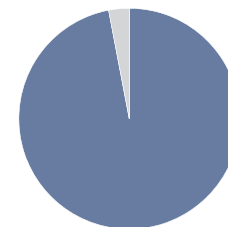
## Company profile

TACC has been a key partner of CPALL Plc (CPALL TB) in joint-developing dispenser beverages sold in 7-Eleven convenience stores since 2002. In 2005, TACC started producing its own ready-to-drink brand, Zenya, that it markets both domestically and overseas. TACC outsources most of its production to Original Equipment Manufacturer (OEM) companies.

[www.tacconsumer.com](http://www.tacconsumer.com)

## Principal activities (revenue, 2021)

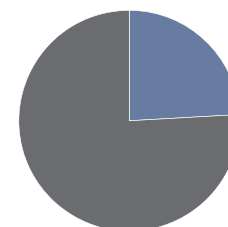
- B2B sales - 97.0 %
- B2C sales - 3.0 %



Source: T.A.C. Consumer

## Major shareholders

- Mr.Chatchawe Vatanasuk - 24.1 %
- Others - 75.9 %



Source: T.A.C. Consumer

## Catalysts

Potential catalysts for TACC's earnings growth in 2023 are 1) revenue growth driven by new product launches and the tourism recovery; 2) new 7-Eleven branch expansions; and 3) declining raw material costs.

## Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.

## Event calendar

Date	Event
23 February 2023	4Q22 results announcement
March 2023	1Q23 results announcement

## Key assumptions

	2022E (THB m)	2023E (THB m)	2024E (THB m)
B2B sales	1,382	1,532	1,653
B2C sales	104	115	124
Total sales growth (%)	10.8	10.8	7.9
Gross margin (%)	36.1	36.5	37.0
SG&A to sales (%)	16.4	16.9	16.4

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in revenues, we estimate net profit to rise by 0.9%, and vice versa, all else being equal.
- For every 0.2% increase in GPM, we estimate net profit to rise by 1.0%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A to sales, we estimate net profit to fall by 2.5%, and vice versa, all else being equal.

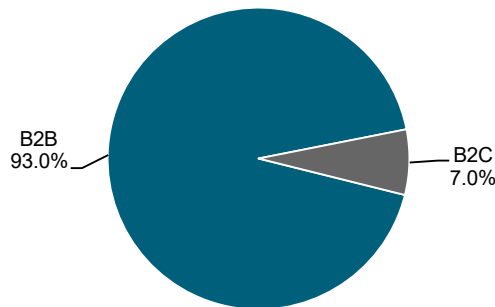
Source: FSSIA estimates

## Manufacturer and distributor of dispensed beverages

TACC was registered on 28 Mar-02 to operate and sell cold beverage dispenser products in 7-Eleven convenience stores. The products sold included iced tea, milk tea, coffee and fruit juice such as punch and cantaloupe juice. Later in 2005, the company expanded into the ready-to-drink market by launching a ready-to-drink bottled green tea product under the Zenya brand. In 2013, the company invested in a drink mix powder plant with a manufacturing capacity of 2,021 tons per year, located in Paragon Factory Land, Ban Bueng district, Chonburi province. However, the company still primarily employs outsourcing manufacturers in order to utilise the outstanding and unique advantages of each producer.

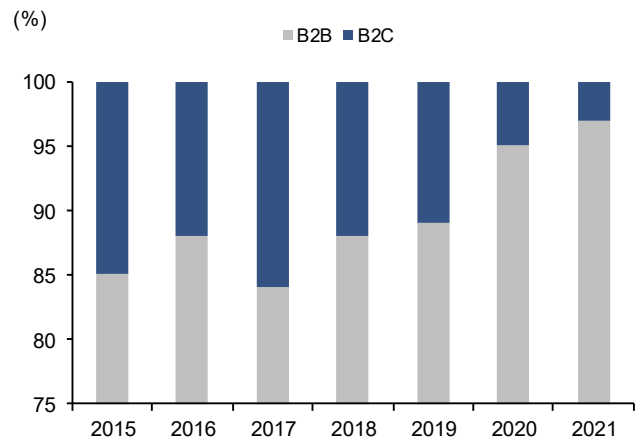
TACC procures, manufactures and distributes beverages, mostly dispensed tea and coffee. The company sells mostly B2B, which accounted for 93% of 9M22 revenues. Under this channel, TACC's main alliance is 7-Eleven, to whom it sells mostly beverage dispensers and instant drink powder. Moreover, TACC also sells through the B2C channel, which accounts for 7% of its remaining revenue. Through this channel, the company sells its products both in Thailand and abroad, including Zenya ready-to-drink green tea and other instant drink powders under the Na-Arun brand.

**Exhibit 1: Total revenue breakdown in 9M22**



Source: TACC

**Exhibit 2: Total revenue breakdown, by year**



Source: TACC

TACC is engaged in the procurement, production and distribution of beverages such as tea and coffee, and lifestyle products with unique characteristics and noticeable differences. It focuses on marketing and sales strategies together with research and development of a wide variety of beverages in terms of types and flavors in response to consumer demand. The characteristics of the company's products can be categorised into two main groups: business-to-business (B2B) and business-to-consumer (B2C), which are as follows:

**1. Business-to-business (B2B)**

The company conducts research and development together with its customers, who are key strategic partners, to manufacture and distribute products in customer shops including convenience stores and chain restaurants with chilled beverage, powdered ready-to-drink, and hot beverage dispensers.

**Exhibit 3: B2B products (as of 9M22)**

<p><b>1 Cold Beverage Dispenser</b></p>  <p>Core Flavor : Espresso, Latte, Milk Tea Seasonal Flavor : Raspberry Milky, Fruit Punch, Matcha Latte</p> <p><b>10,800 outlets</b> Total 7-Eleven = 13,660 outlets</p>	<p><b>2 Non Coffee Menu @ All Café coffee corner</b></p>  <p>Core Flavor : Thai Milk Tea, Matcha Green Tea, Lemon Ice Tea, Taiwan Milk Tea Optional core : Fruit Yogurt Seasonal Flavor : Fruit Tea, Honey Black Tea, Ruby Chocolate, Yuzu and etc.</p> <p><b>10,300++ outlets</b></p>	<p><b>3 Hot Beverage Dispenser</b></p>  <p><b>500 outlets</b></p>
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Source: TACC

**2. Business-to-customer (B2C)**

The company offers the products created by the company and develops formulas for distribution under the company's own brands: Zenya ready-to-drink beverages and Na-Arun. TACC has also entered the character and café businesses.

**Exhibit 4: TACC's Zenya brand**



Source: TACC

**Exhibit 5: TACC's Na-Arun brand**

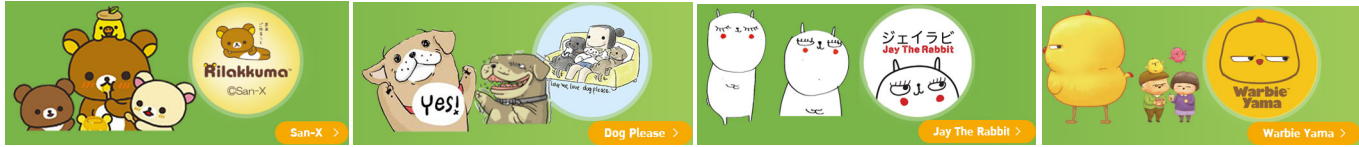


Source: TACC

**Character Business:** TACC is a licensing agent of San-X Japan (licensor). The company deals with licensees in seven countries such as Thailand, Singapore, Malaysia, Cambodia, Myanmar, Laos, and Vietnam. San-X's characters include Rilakkuma, Sumikkogurashi, Mamegoma, etc. In addition, the company has added more characters; Thai cartoon MaaJa, Jay the Rabbit, and Warbie Yama.

Licensing is the act of one party granting a license to another party for production using its trademark license and other market-related rights. Licensees have to pay an agreed licensing fee as a royalty fee.

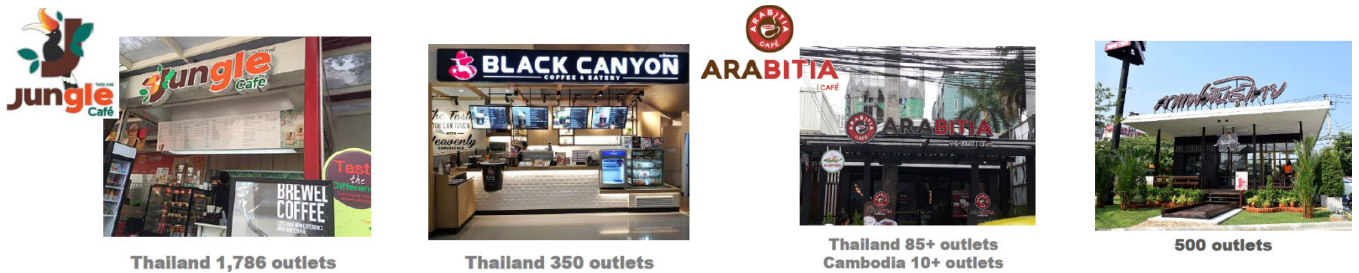
**Exhibit 6: Example of characters under TACC's licensing**



Source: TACC

**Café Business:** TACC has expanded sales of its B2C products to café businesses such as Jungle Café, Arabitia, Black Canyon, and Punthai Coffee, which are distributed nationwide. Moreover, the company has also expanded its beverage products to Lotus's hypermarkets and Lotus's go fresh supermarkets.

**Exhibit 7: TACC's café customers**



Source: TACC

## Expect 4Q22 profit to be the lowest in 2022

We forecast a 4Q22 net profit of THB50m (-18.8% q-q, -12.7% y-y), down q-q opposite to seasonality. Total revenue, however, should recover in line with the reopening. However, we project TACC's GPM to decrease to 34% (vs 35.1% in 3Q22 and 39% in 4Q21) due to the 3Q22 rise in raw material prices, especially for milk powder, a key raw material that is imported from France. TACC locked in its milk powder price at a high level throughout 1Q23. In addition, SG&A to sales should rise to 17% from 16.1% in 3Q22, due to higher marketing costs. Overall, we think TACC's 4Q22 earnings should be the lowest in eight quarters. Assuming in-line 4Q22 results, TACC's 2022 net profit should equal THB242m (+12.8% y-y).

### Exhibit 8: 4Q22 results preview

	4Q21	1Q22	2Q22	3Q22	4Q22E	----- Change -----		2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	% Y-Y
Sales	354	337	385	382	382	0.2	8.0	1,341	1,486	10.8
Cost of sales	216	206	243	247	252	2.0	16.8	831	949	14.2
Gross profit	138	131	142	134	130	(3.0)	(5.8)	510	537	5.3
SG&A	66	57	60	61	65	5.9	(1.5)	252	243	(3.6)
Operating profit	73	76	82	75	66	(11.2)	(9.6)	263	299	13.9
Tax expense	14	15	17	15	13	(14.3)	(5.6)	53	61	14.3
Reported net profit	58	61	68	62	50	(18.8)	(12.7)	214	242	12.8
Core profit	59	61	64	59	52	(10.8)	(11.0)	207	236	13.9
<b>Key ratio (%)</b>										
Gross margin	39.0	39.0	36.8	35.1	34.0	(1.1)	(5.0)	38.0	36.1	(1.9)
SG&A / Sales	18.6	16.8	15.6	16.1	17.0	0.9	(1.6)	18.8	16.4	(2.5)
Operating margin	20.7	22.7	21.3	19.6	17.3	(2.2)	(3.4)	19.6	20.1	0.5
Net margin	16.3	18.0	17.8	16.3	13.2	(3.1)	(3.1)	16.0	16.3	0.3
Norm margin	16.6	18.0	16.6	15.4	13.7	(1.7)	(2.9)	15.5	15.9	0.4
<b>Operating statistics (THB m)</b>										
B2B sales	343	314	358	355	356	0.2	3.5	1,301	1,382	6.3
B2C sales	11	24	27	27	27	0.2	152.0	40	104	158.6

Sources: TACC, FSSIA estimates

## Turning point should come in 2Q23

Management has set its 2023 revenue growth target at 10%-15% y-y, driven by 1) new branch expansions by 7-Eleven; 2) new product launches; 3) the recovery in its character business; and 4) declining raw material and packaging costs. However, we expect raw material prices to drop in 2Q23 after current stocks run out. We think net profit growth should return in 2Q23.

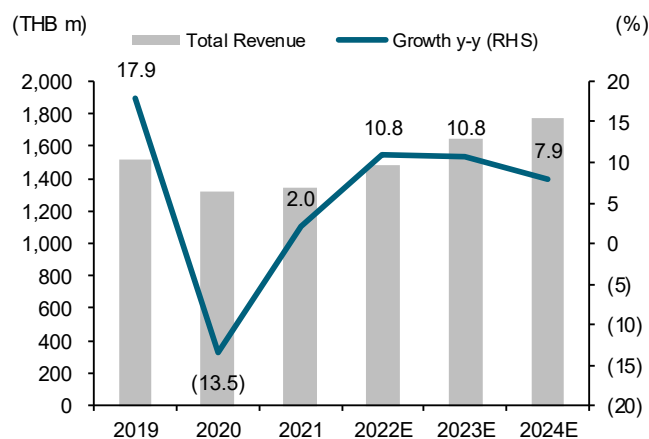
We anticipate revenue growth in 2023-24 of 10.8% y-y and 7.9% y-y, respectively. TACC's gross margin in 2023 should increase to 36.5% from 36.1% in 2022, which we think is a conservative assumption given that it is still below the 38% seen in 2021. We project a 2023-24 net profit of THB267m (+10.6% y-y) and THB296m (+10.7% y-y), respectively.

### Exhibit 9: TACC's key assumptions

Assumptions	Forecast			% Growth		
	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (%)	2023E (%)	2024E (%)
B2B sales	1,382	1,532	1,653	6.3	10.8	7.9
B2C sales	104	115	124	63.8	11.2	9.1
<b>Total sales values (THB m)</b>	<b>1,486</b>	<b>1,647</b>	<b>1,777</b>	<b>10.8</b>	<b>10.8</b>	<b>7.9</b>
Gross profit (THB m)	537	601	657	5.3	11.9	9.4
Gross margin (%)	36.1	36.5	37.0	(1.9)	0.4	0.5
SG&A expenses (THB m)	243	270	291	(3.6)	11.1	7.6
SG&A to sales (%)	16.4	16.4	16.4	(2.5)	0.0	(0.0)
<b>Report net profit (THB m)</b>	<b>242</b>	<b>267</b>	<b>296</b>	<b>12.8</b>	<b>10.6</b>	<b>10.7</b>
Net margin (%)	16.3	16.2	16.6	0.3	(0.0)	0.4
Core profit (THB m)	236	267	296	13.9	13.2	10.7
Norm margin (%)	15.9	16.2	16.6	0.4	0.4	0.4

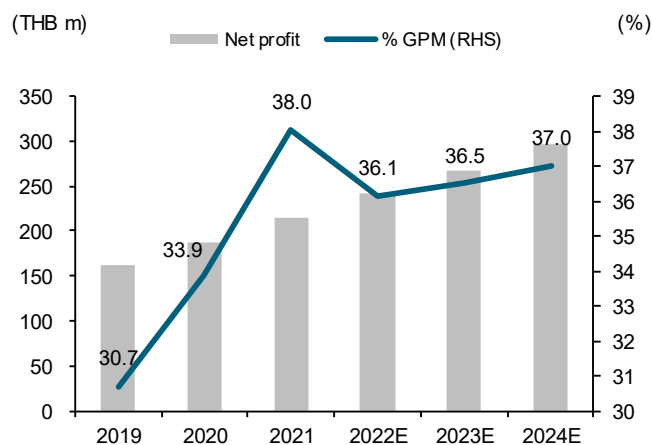
Note: Change of items in percentage terms are represented in ppt change.  
Source: FSSIA estimates

### Exhibit 10: Projected revenue growth



Sources: TACC; FSSIA estimates

### Exhibit 11: Projected GPM (%) and net profit



Sources: TACC; FSSIA estimates

## Valuations

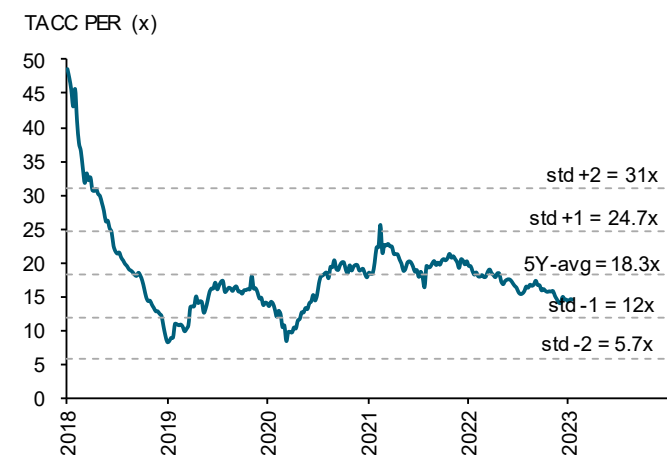
Our 2023 TP for TACC at THB10 assumes 23x 2023 P/E, based on the average P/E of listed beverage companies: OSP, CBG, ICHI, SAPPE, and NSL, which is a company related to 7-Eleven. Although TACC is a smaller company, we like its solid profitability and strong financial position, with no interest-bearing debt from financial institutions except for leasing liabilities. In addition, 7-Eleven, its key alliance, is a leader in the convenience store market, which we think is a competitive advantage for TACC. We have a positive view for long-term growth. TACC's share price has fallen by 15% in the past three months and currently it is trading lowest-among-peers at 14.8x 2023E P/E.

Exhibit 12: Peers comparison as of 17 Jan-23

Company	BBG	Rec	Share price			Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			Current (LCY)	Target (LCY)	Upside (%)		22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)	22E (x)	23E (x)
<b>Thailand</b>														
TAC Consumer	TACC TB	BUY	6.50	10.00	54	119	16.7	14.8	31.3	34.3	5.2	5.0	10.3	9.0
NSL Foods	NSL TB	BUY	22.80	26.00	14	207	23.3	20.0	22.9	25.5	5.2	5.0	13.3	11.4
Osoetspa	OSP TB	n/a	29.75	n/a	n/a	2,727	40.7	32.2	11.3	14.3	4.7	4.6	22.2	18.8
Carabao Group	CBG TB	n/a	102.00	n/a	n/a	3,087	40.0	33.2	23.9	26.6	9.3	8.9	28.7	24.6
Sappe	SAPPE TB	n/a	45.50	n/a	n/a	422	21.7	19.4	20.7	21.9	4.4	4.1	12.2	11.2
Ichitan Group	ICHI TB	n/a	11.60	n/a	n/a	464	24.9	21.3	10.0	11.7	2.5	2.5	11.8	11.0
<b>Thailand average</b>						<b>7,027</b>	<b>27.9</b>	<b>23.5</b>	<b>20.0</b>	<b>22.4</b>	<b>5.2</b>	<b>5.0</b>	<b>16.4</b>	<b>14.4</b>

Sources: Bloomberg; FSSIA estimates

Exhibit 13: Historical P/E Band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Historical P/BV Band



Sources: Bloomberg; FSSIA estimates



## Corporate Governance – TACC

### Board structure

Independent Directors (ID)	5 of 9 board members, 3 female
Percentage of IDs on the board	55.6%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Not more than nine years

Additional information: the chairman of the Executive Committee is an Independent Director.

### Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2021, THB1.3m vs net profit of THB214m
Change/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

Additional information: None

### Audit Practices

Auditor	EY Office Limited
Length of service	Unchanged during the past five years
Reporting incidents	None
Fee track record	THB1.56m in 2021
Policy on change of audit firm	To be reviewed every five years

Additional information: Subject to approval from the the Annual General Meeting of Shareholders.

### Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriate and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Additional information: None

### ESG and sustainability management

TACC operates in the business of providing, manufacturing, and distributing beverages, tea and coffee, and lifestyle products. TACC's B2B sales accounted for 93% of revenue in 9M22, with reliance on its major partner CP ALL Plc (CPALL TB). B2C accounted for the rest (7%). The partnership with CPALL in joint-developing dispenser beverages provided at CPALL's 7-Eleven convenience stores has been ongoing since 2002. Apart from researching and developing products closely with CPALL, TACC develops its own brands and products such as its ready-to-drink brand "Zenya", instant powdered drink brand "Na-Arun", a licensing business, and a Café business.

TACC was rated in the ESG 100 by the Thaipat Institute's announcement of 100 Listed Companies with outstanding environment, social and corporate governance. The company was awarded an Excellent score (five stars) for CGR in Thai Listed Companies 2021. As for disclosure and transparency, TACC was awarded "Best Investor Relations Awards" from Business Excellence group in 2019-2021.

Materiality issues	Activities and practice
Dependence on a single customer	In both 2020-21, 95% of revenue came from transactions with CPALL PCL. To lessen this risk, TACC expanded sales of its beverages to Lotus's hypermarkets and Lotus's go fresh supermarkets, and by collaborating with BONCAFE to develop non-alcoholic beverages and equipment for production and distribution, and by <a href="#">developing dispensed beverages</a> for food chain businesses. In addition, the company also sells its own branded products both domestically and at overseas exhibitions every year.
Fierce competition	TACC's management has more than 20 years of experience in non-alcoholic beverages and a comprehensive understanding of consumer behavior for creating effective marketing strategies. The company's focus is on developing unique and different products as well as giving high importance to building strong relationships with business partners.
Leakage of Secret Recipe	TACC outsources most of its production to OEM companies to produce its tea and coffee beverages. The company has policies and practices for the preparation of raw materials, packing and finished goods, and restricted personnel.
Sourcing and pricing of raw materials	TACC has its R&D department provide a short list of manufacturers/suppliers of raw materials to ensure quality. Meanwhile, the procurement department monitors supply quantities and prices of the main raw materials closely in order to ensure sourcing of sufficient raw materials at a competitive price. It is the procurement agent's duty to search for new raw materials for the R&D department to analyse and evaluate to ensure substituted raw materials have similar qualities as the raw materials being used currently. Raw materials are sought from different regions in order to gain new sources that provide the same quality which can be used as substitutes.
Environmental management	The company aims to use innovative "Green Carton" packaging by SCG Packaging, which is made from recycled paper waste, for all its beverages. The company sees eco-friendly packaging as one of its most important CSR projects, and one that reinforces its image of environmental stewardship.
Covid-19 pandemic	TACC managed to continue growing during the lockdown, with net profit during 2020/2021 of THB188.4m/THB214.2m, respectively, exceeding 2019's THB166.2m, thanks to the "bubble and seal" strategy that was created for the Ban Bung factory and head office. Operations are managed to achieve the highest efficiency in three parts: production efficiency, R/M P/M efficiency, and operational efficiency.
Employment	At the end of 2021, TACC had 138 employees, 100 females and 38 males. Two females are disabled. In 2021, the company organised training courses for its employees to increase their skills and work potential as follows: One internal course with a total of 48 hours and 10 external courses with a total of 1,919 hours. In 2021, the rate of employees voluntarily quitting (turnover rate) was 9.57%, which was 0.32% lower than the previous year.

Additional information: [Annual report 2021](#)

## Financial Statements

T.A.C. Consumer

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	1,315	1,341	1,486	1,647	1,777
Cost of goods sold	(851)	(807)	(917)	(1,006)	(1,072)
<b>Gross profit</b>	<b>464</b>	<b>534</b>	<b>569</b>	<b>641</b>	<b>705</b>
Other operating income	4	5	6	6	6
Operating costs	(213)	(252)	(243)	(270)	(291)
<b>Operating EBITDA</b>	<b>255</b>	<b>287</b>	<b>331</b>	<b>377</b>	<b>421</b>
Depreciation	(19)	(24)	(32)	(40)	(48)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>236</b>	<b>263</b>	<b>299</b>	<b>337</b>	<b>373</b>
Net financing costs	(1)	(1)	(1)	(1)	(1)
Associates	0	(1)	(1)	(1)	0
Recurring non-operating income	0	(1)	(1)	(1)	0
Non-recurring items	0	7	6	0	0
<b>Profit before tax</b>	<b>235</b>	<b>267</b>	<b>302</b>	<b>335</b>	<b>372</b>
Tax	(46)	(53)	(61)	(69)	(76)
<b>Profit after tax</b>	<b>188</b>	<b>214</b>	<b>242</b>	<b>266</b>	<b>296</b>
Minority interests	0	0	0	1	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>188</b>	<b>214</b>	<b>242</b>	<b>267</b>	<b>296</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>(7)</b>	<b>(6)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>189</b>	<b>207</b>	<b>236</b>	<b>267</b>	<b>296</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.31	0.34	0.39	0.44	0.49
Reported EPS	0.31	0.35	0.40	0.44	0.49
DPS	0.30	0.33	0.36	0.40	0.44
Diluted shares (used to calculate per share data)	608	608	608	608	608
<b>Growth</b>					
Revenue (%)	(13.5)	2.0	10.8	10.8	7.9
Operating EBITDA (%)	11.1	12.6	15.5	13.7	11.7
Operating EBIT (%)	12.0	11.4	13.9	12.5	10.7
Recurring EPS (%)	13.4	9.9	13.9	13.2	10.7
Reported EPS (%)	16.2	13.7	12.8	10.6	10.7
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	33.9	38.0	36.1	36.5	37.0
Gross margin of key business (%)	33.9	38.0	36.1	36.5	37.0
Operating EBITDA margin (%)	19.4	21.4	22.3	22.9	23.7
Operating EBIT margin (%)	18.0	19.6	20.1	20.5	21.0
Net margin (%)	14.3	15.5	15.9	16.2	16.6
Effective tax rate (%)	19.7	19.9	20.1	20.5	20.5
Dividend payout on recurring profit (%)	-	-	-	-	-
Interest cover (X)	199.2	243.0	240.9	301.7	358.7
Inventory days	16.0	20.8	19.1	14.9	15.2
Debtor days	76.8	68.5	69.6	71.3	72.3
Creditor days	103.2	101.9	93.6	89.2	90.9
Operating ROIC (%)	126.5	138.7	127.6	118.6	127.1
ROIC (%)	116.1	115.2	110.3	113.1	121.3
ROE (%)	26.5	28.3	31.3	34.3	36.6
ROA (%)	18.6	20.0	22.4	24.8	26.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
2020	2021	2022E	2023E	2024E	
B2B sales	1,249	1,301	1,382	1,532	1,653
B2C sales	66	40	104	115	124

Sources: T.A.C. Consumer; FSSIA estimates

## Financial Statements

T.A.C. Consumer

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	189	207	236	267	296
Depreciation	19	24	32	40	48
Associates & minorities	0	1	1	1	0
Other non-cash items	0	0	6	0	0
Change in working capital	15	(11)	(59)	(12)	(11)
<b>Cash flow from operations</b>	<b>222</b>	<b>221</b>	<b>216</b>	<b>296</b>	<b>333</b>
Capex - maintenance	(32)	(53)	(4)	(42)	(41)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(32)</b>	<b>(53)</b>	<b>(4)</b>	<b>(42)</b>	<b>(41)</b>
Dividends paid	(164)	(195)	(218)	(241)	(266)
Equity finance	0	0	0	0	0
Debt finance	18	7	(1)	(1)	(1)
Other financing cash flows	0	3	(9)	1	1
<b>Cash flow from financing</b>	<b>(146)</b>	<b>(185)</b>	<b>(228)</b>	<b>(240)</b>	<b>(266)</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>43</b>	<b>(17)</b>	<b>(16)</b>	<b>14</b>	<b>26</b>
Free cash flow to firm (FCFF)	190.97	168.99	213.13	255.16	293.12
Free cash flow to equity (FCFE)	207.51	177.60	201.22	254.51	291.89

### Per share (THB)

FCFF per share	0.31	0.28	0.35	0.42	0.48
FCFE per share	0.34	0.29	0.33	0.42	0.48
Recurring cash flow per share	0.34	0.38	0.45	0.51	0.57

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	176	192	207	224	242
Less: Accumulated depreciation	(57)	(79)	(86)	(102)	(128)
<b>Tangible fixed assets (net)</b>	<b>119</b>	<b>113</b>	<b>121</b>	<b>121</b>	<b>114</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	29	0	0	0
Cash & equivalents	600	583	567	581	607
A/C receivable	242	262	305	338	365
Inventories	35	57	39	43	46
Other current assets	3	2	7	8	9
<b>Current assets</b>	<b>879</b>	<b>905</b>	<b>919</b>	<b>970</b>	<b>1,027</b>
Other assets	13	17	9	10	11
<b>Total assets</b>	<b>1,012</b>	<b>1,065</b>	<b>1,050</b>	<b>1,103</b>	<b>1,152</b>
Common equity	723	742	767	793	823
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>723</b>	<b>742</b>	<b>767</b>	<b>793</b>	<b>823</b>
Long term debt	16	15	14	14	12
Other long-term liabilities	19	21	12	13	14
<b>Long-term liabilities</b>	<b>34</b>	<b>36</b>	<b>26</b>	<b>27</b>	<b>27</b>
A/C payable	214	236	234	258	276
Short term debt	5	6	5	5	5
Other current liabilities	35	44	18	20	21
<b>Current liabilities</b>	<b>255</b>	<b>286</b>	<b>257</b>	<b>283</b>	<b>302</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,012</b>	<b>1,065</b>	<b>1,050</b>	<b>1,103</b>	<b>1,152</b>
Net working capital	30	41	100	112	123
Invested capital	162	201	231	244	248

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

### Per share (THB)

Book value per share	1.19	1.22	1.26	1.30	1.35
Tangible book value per share	1.19	1.22	1.26	1.30	1.35

### Financial strength

Net debt/equity (%)	(80.2)	(75.8)	(71.4)	(70.9)	(71.6)
Net debt/total assets (%)	(57.3)	(52.8)	(52.2)	(51.0)	(51.2)
Current ratio (x)	3.5	3.2	3.6	3.4	3.4
CF interest cover (x)	176.1	166.1	163.7	229.5	281.7

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>21.0</b>	<b>19.1</b>	<b>16.7</b>	<b>14.8</b>	<b>13.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>32.3</b>	<b>29.3</b>	<b>25.8</b>	<b>22.8</b>	<b>20.6</b>
Reported P/E (x)	21.0	18.4	16.4	14.8	13.4
Dividend yield (%)	4.6	5.1	5.5	6.1	6.7
Price/book (x)	5.5	5.3	5.2	5.0	4.8
Price/tangible book (x)	5.5	5.3	5.2	5.0	4.8
EV/EBITDA (x) **	13.2	11.8	10.3	9.0	8.0
EV/EBITDA @ target price (x) **	21.6	19.2	16.7	14.7	13.0
EV/invested capital (x)	20.8	16.8	14.7	13.9	13.6

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

Sources: T.A.C. Consumer; FSSIA estimates

## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BPCG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TPIPP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MSTI	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIIK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

## Level

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

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

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#### Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
T.A.C. Consumer	TACC TB	THB 6.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles.
NSL Foods	NSL TB	THB 22.80	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery, 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.

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

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All share prices are as at market close on 17-Jan-2023 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.