

# S HOTELS AND RESORTS

THAILAND / TOURISM &amp; LEISURE

## SHR TB

# BUY

UNCHANGED

TARGET PRICE	THB5.30
CLOSE	THB4.36
UP/DOWNSIDE	+21.6%
PRIOR TP	THB5.00
CHANGE IN TP	+6.0%
TP vs CONSENSUS	+2.4%

## All portfolios starting to bear fruit

- Expect a strong core profit of THB148m in 4Q22 led by hotels in Thailand and the Maldives.
- Expect RevPAR to grow by 25% y-y and core profit of THB458m in 2023, up from breakeven in 2022.
- Maintain BUY with a DCF-TP of THB5.3/shr (from THB5.0/shr).

### Expect strong core profit to continue in 4Q22

We expect 4Q22 revenue to grow by 8% q-q driven by the high season for SHR's Thai and Maldives hotel portfolio, with RevPAR jumping by 83% q-q and 30% q-q, respectively. However, EBITDA margin should slightly drop from 26% in 3Q22 to 25% in 4Q22 due to major renovations at Outrigger Fiji Beach Resort and the soft performance of UK hotels. Overall, we expect a core profit of THB148m, relatively flat q-q.

### Upside from declining UK electricity prices

As for its UK portfolio, SHR has locked in and hedged electricity and gas prices until 1Q23. Dutch TTF prices have fallen to EUR67 currently, down from the peak of EUR300/MWh during Aug-22 and the 2022 average of EUR133. This has alleviated concerns about rising electricity prices and offers an opportunity for SHR to enter a favorable hedging position for next winter. Note that utilities costs accounted for c7% of revenue in 2022E. If ADR continues at a high level – 20% better than pre-Covid – in 2023, we estimate utilities costs would fall to 5%-6% of revenue and should translate into higher profits for the UK portfolio of cTHB40m-THB80m in 2023. This upside has not been factored into our forecast.

### China reopening to benefit Thai and Maldives hotels

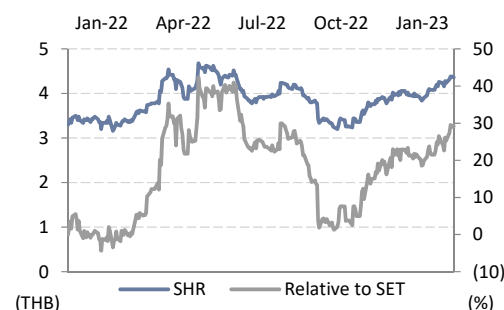
We project revenue growth of 17% y-y to THB10.1b in 2023 and overall RevPAR growth of 25%. OCC rate should increase from 60% in 2022E to 69% in 2023E. ADR should increase by 8% mainly led by Thai hotels, where RevPAR should jump by 66%, and Maldives hotels where RevPAR should grow by 20%. China's reopening should support a strong operating result as Chinese tourist revenue contributes 10% and 20% for the Thai and Maldives portfolios, respectively. Overall, we estimate EBITDA margin at 25% in 2023 (vs 30% long-term) and a strong THB458m core profit in 2023E (vs the core loss of THB15m in 2022E).

### Higher profit estimates, attractive valuation

We raise our 2022E core earnings estimate by 91% to reflect our expectation of strong 2H22 results and raise our core profit forecast by 2%-5% to reflect a strong outlook. We derive a new DCF-based TP of THB5.3/shr. SHR trades at an attractive valuation of 1.0x 2023E P/BV and 23x 2024E P/E (vs peers' average of 2.7x and 33x).

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	4,512	8,665	10,108	10,904
Net profit	(1,234)	55	458	677
EPS (THB)	(0.34)	0.02	0.13	0.19
vs Consensus (%)	-	nm	27.5	(5.0)
EBITDA	363	1,768	2,493	2,779
Core net profit	(1,229)	(15)	458	677
Core EPS (THB)	(0.34)	0.00	0.13	0.19
Chg. In EPS est. (%)	nm	nm	4.6	1.6
EPS growth (%)	nm	nm	nm	47.6
Core P/E (x)	(12.7)	(1,030.5)	34.2	23.2
Dividend yield (%)	-	-	1.2	1.7
EV/EBITDA (x)	87.7	15.5	10.3	8.8
Price/book (x)	1.0	1.0	1.0	0.9
Net debt/Equity (%)	101.9	74.3	61.2	51.5
ROE (%)	(7.8)	(0.1)	2.8	4.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	13.3	31.5	29.2
Relative to country (%)	9.1	24.6	27.2
Mkt cap (USD m)	487		
3m avg. daily turnover (USD m)	1.9		
Free float (%)	38		
Major shareholder	S Hotels and Resorts Inter (49%)		
12m high/low (THB)	4.90/3.04		
Issued shares (m)	3,593.64		

Sources: Bloomberg consensus; FSSIA estimates



Teerapol Udomvej, CFA

teerapol.udo@fssia.com  
+66 2611 3535

## Investment thesis

SHR raised THB7.5b at THB5.20/shr during its IPO in Nov-19. Its share price has been below the IPO price since then, mainly due to operating losses from two hotels in the Crossroads Maldives project and the impact of the Covid-19 pandemic.

SHR has successfully turned its operation around since 3Q22. We think this momentum should continue in 2023 with its Thai hotels and Maldives hotels benefiting from strong tourist arrivals of 25m-30m for Thailand (vs 40m in 2019) and 2.0m in 2023 for the Maldives (vs 1.7m in 2019). Its EBITDA margin should continue to improve to 30%, which is its long-term target by 2025.

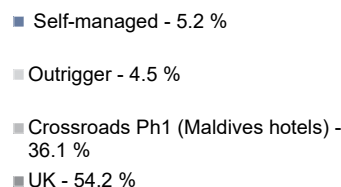
SHR's share price is attractive as it has been trading at a discount to its THB4.75/shr book value as of 3Q22 and the potential upside from M&A deals, given its strong balance sheet with only 0.8x IBD/E as of 3Q22.

## Company profile

SHR is the holding company of all of the resorts and hotels under the Singha Estate (S TB, not rated) group.

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

## Principal activities (revenue, 2021)



Source: S Hotels and Resorts

## Major shareholders



Source: S Hotels and Resorts

## Catalysts

Key potential growth drivers include 1) a faster OCC ramp-up rate following the global tourism recovery; 2) the easing of global travel restrictions; and 3) M&A deals.

## Risks to our call

Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

## Event calendar

Date	Event
Feb 2023	4Q22 results announcement

## Key assumptions

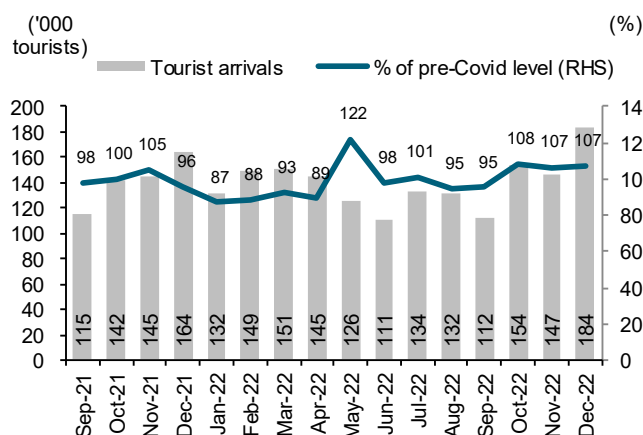
	2022E (%)	2023E (%)	2024E (%)
Self-Managed - Number of rooms (no.)	657	657	657
Self-Managed - Occupancy rate (OCC)	52.0	72.0	72.5
Self-Managed - RevPAR growth	392.5	66.2	3.7
Project Crossroads - Number of rooms (no.)	376	376	376
Project Crossroads - Occupancy rate (OCC)	65.0	71.0	72.0
Project Crossroads - RevPAR growth	54.6	20.2	5.5
UK - Number of rooms (no.)	2,940	2,740	2,740
UK - Occupancy rate (OCC)	60.0	70.0	71.0
UK - RevPAR growth	24.8	18.1	7.0

Source: FSSIA estimates

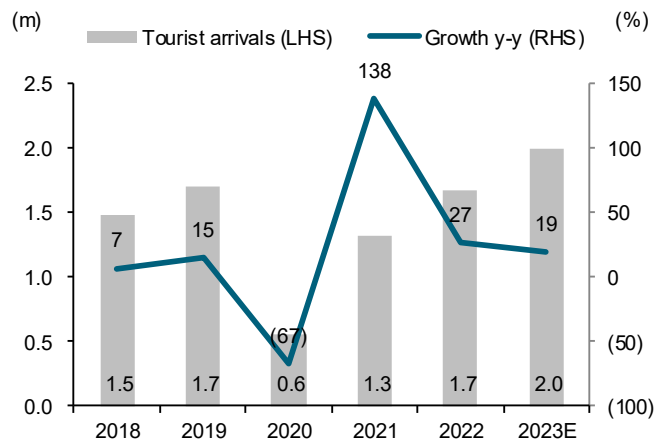
## Earnings sensitivity

- For every 1% increase in OCC rate, we project a 2023 profit increase of 23%, and vice versa, all else being equal.
- For every 1% increase in EBITDA margin, we project a 2023 profit increase of 14%, and vice versa, all else being equal.

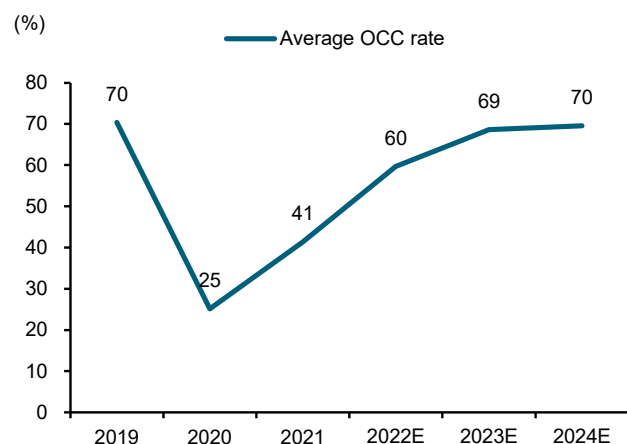
Source: FSSIA estimates

**Exhibit 1: Maldives industry – monthly tourist arrivals**

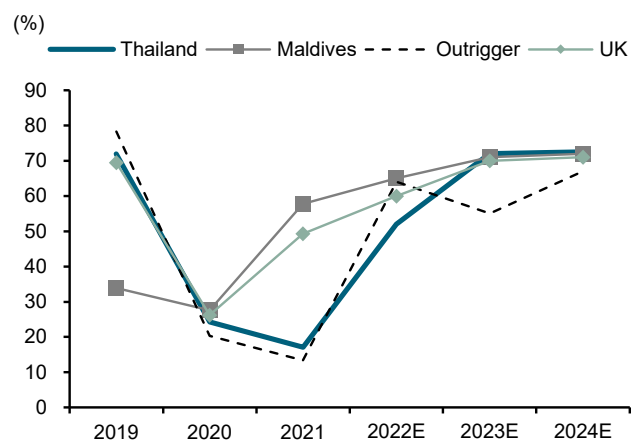
Sources: Ministry of Tourism, Republic of Maldives

**Exhibit 2: Maldives industry – yearly tourist arrivals**

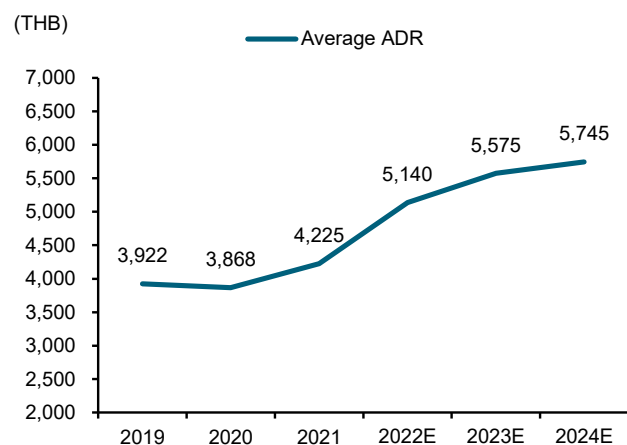
Sources: Ministry of Tourism, Republic of Maldives

**Exhibit 3: Average OCC rate**

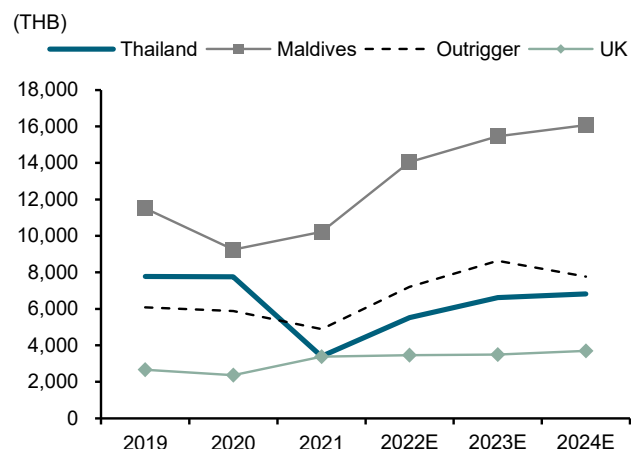
Sources: SHR; FSSIA estimates

**Exhibit 4: OCC rate breakdown by portfolio**

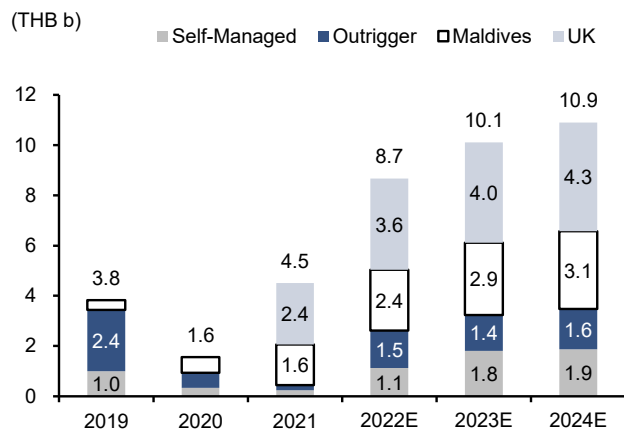
Sources: SHR; FSSIA estimates

**Exhibit 5: Average ADR**

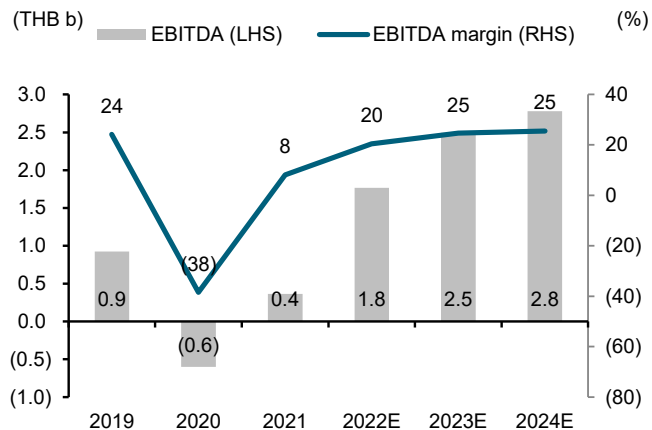
Sources: SHR; FSSIA estimates

**Exhibit 6: ADR breakdown by portfolio**

Sources: SHR; FSSIA estimate

**Exhibit 7: Revenue forecast**

Sources: SHR; FSSIA estimates

**Exhibit 8: EBITDA forecast**

Sources: SHR; FSSIA estimates

## 4Q22 results preview

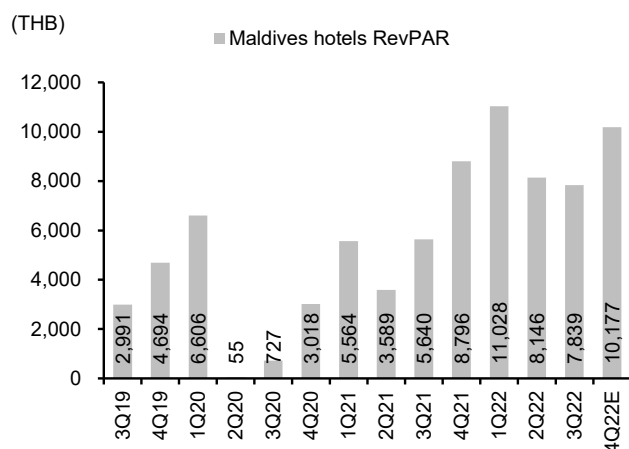
We expect 4Q22 revenue to grow by 8% q-q driven by the high season for its Thai and Maldives portfolios. RevPAR should jump by 83% q-q for Thai hotels and 30% q-q for Maldives hotels. The RevPAR of Outrigger hotels should slightly drop by 5% q-q due to the low season for Fiji hotels and the major renovations at Outrigger Fiji Beach Resort. The RevPAR of UK hotels should drop by 18% q-q due to the low season but still exceed the pre-Covid level by 20%.

We expect EBITDA margin to slightly drop from 26% in 3Q22 to 25% in 4Q22 due to the major renovations at Outrigger Fiji Beach Resort and the soft performance of UK hotels. Overall, we expect a core profit of THB148m, relatively flat q-q. Note that excluding tax income, EBT should grow by 23% q-q as we assume lower q-q tax income in 4Q22.

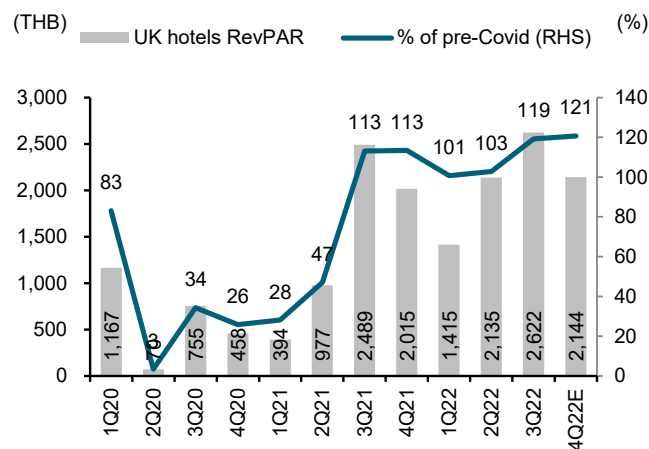
### Exhibit 9: 4Q22 results preview

	4Q21	1Q22	2Q22	3Q22	4Q22E	Change		2022E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
<b>Sales</b>	<b>1,744</b>	<b>1,690</b>	<b>2,071</b>	<b>2,362</b>	<b>2,547</b>	<b>8</b>	<b>46</b>	<b>8,665</b>
- Self-Managed Hotels	126	184	208	272	483	78	282	
- Outrigger Hotels	159	182	365	465	451	(3)	183	
- Project Crossroads Hotels	558	655	562	552	675	22	21	
- UK	900	669	936	1,073	939	(12)	4	
COGS (Incl. depreciation)	(1,226)	(1,259)	(1,427)	(1,528)	(1,653)	8	35	(5,862)
<b>Gross Profit</b>	<b>518</b>	<b>431</b>	<b>644</b>	<b>834</b>	<b>894</b>	<b>7</b>	<b>73</b>	<b>2,803</b>
SG&A	(519)	(459)	(550)	(553)	(580)	5	12	(2,143)
<b>Operating Profit</b>	<b>(1)</b>	<b>(28)</b>	<b>94</b>	<b>280</b>	<b>314</b>	<b>12</b>	<b>(30,880)</b>	<b>660</b>
Other income	76	10	23	67	67	0	(12)	165
- Other income	76	10	23	67	67	0	(12)	165
Interest expense	(176)	(176)	(193)	(233)	(240)	3	36	(841)
<b>Pretax profit</b>	<b>(101)</b>	<b>(194)</b>	<b>(76)</b>	<b>115</b>	<b>141</b>	<b>23</b>	<b>240</b>	<b>(16)</b>
Income Tax	131	4	(30)	35	10	(71)	(92)	20
Associates	1	(9)	(5)	(3)	(3)	0	(367)	(19)
Minority interest	0	0	0	0				0
<b>Core profit</b>	<b>31</b>	<b>(199)</b>	<b>(111)</b>	<b>146</b>	<b>148</b>	<b>1</b>	<b>373</b>	<b>(15)</b>
Extraordinaries, GW & FX	(101)	(5)	14	62		(100)	(100)	70
Net unrealized (loss)/gain on FX	(7)	(5)	14	24		(100)	(100)	
Non-recurring items	(94)			38		(100)	(100)	
<b>Reported net profit</b>	<b>(70)</b>	<b>(204)</b>	<b>(97)</b>	<b>207</b>	<b>148</b>	<b>29</b>	<b>311</b>	<b>55</b>
Shares out (end Q, m)	3,664	3,664	3,664	3,664	3,664	0	0	3,664
<b>Core EPS</b>	<b>0.01</b>	<b>(0.05)</b>	<b>(0.03)</b>	<b>0.04</b>	<b>0.04</b>	<b>1</b>	<b>373</b>	<b>(0.00)</b>
<b>EPS</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>(0.03)</b>	<b>0.06</b>	<b>0.04</b>	<b>29</b>	<b>311</b>	<b>0.01</b>
COGS (Excl. depreciation)	(961)	(971)	(1,160)	(1,258)	(1,383)	10	44	(4,754)
Depreciation	(265)	(288)	(267)	(270)	(270)	0	2	(1,108)
EBITDA	341	261	379	614	648	5	90	1,914
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>
Gross margin	30	25	31	35	35	4	7	32
SG&A/Revenue	30	27	27	23	23	(3)	(12)	25
EBITDA margin	20	15	18	26	25	8	8	22
Net profit margin	(4)	(12)	(5)	9	6	13	29	1
<b>Operating stats</b>								
<b>Self-Managed Hotels</b>								
OCC (%)	30.4	37.7	49.9	54.5				
ADR (THB)	4,268	5,708	4,276	4,911				
RevPAR (THB)	1,298	2,152	2,132	2,676				
<b>Outrigger Hotels</b>								
OCC (%)	31.2	32.7	63.6	78.0				
ADR (THB)	6,760	6,965	6,894	7,708				
RevPAR (THB)	2,111	2,275	4,386	6,014				
<b>Project Crossroads Hotels</b>								
OCC (%)	63.1	74.3	65.2	60.8				
ADR (THB)	13,944	14,843	12,499	12,895				
RevPAR (THB)	8,796	11,028	8,146	7,839				
<b>UK Hotels</b>								
OCC (%)	57.4	46.2	61.4	69.0				
ADR (THB)	3,511	3,065	3,475	3,801				
RevPAR (THB)	2,015	1,415	2,135	2,622				

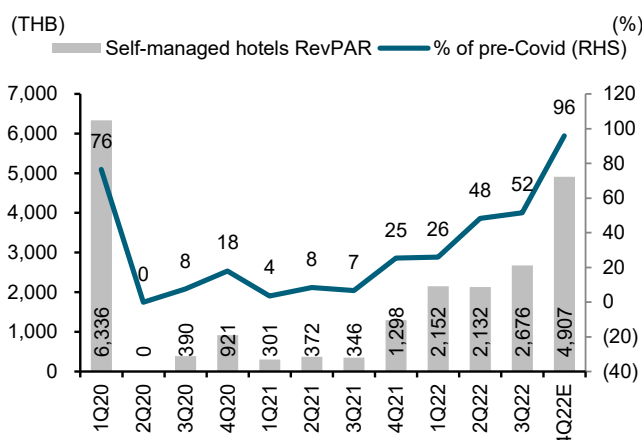
Sources: SHR; FSSIA estimates

**Exhibit 10: SHR's Crossroads (Maldives) hotels RevPAR**

Sources: SHR; FSSIA estimates

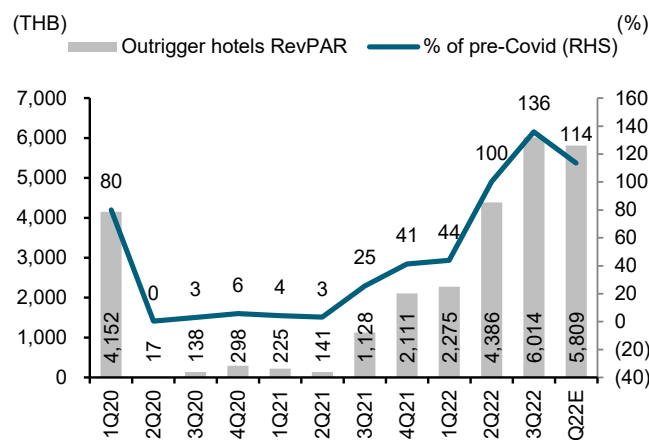
**Exhibit 11: SHR's UK hotels RevPAR**

Sources: SHR; FSSIA estimates

**Exhibit 12: SHR's self-managed (Thailand) hotels RevPAR**

Note: Saii Laguna Phuket, Saii Koh Samui Bophut and Konotta Maldives have been transferred from Outrigger to self-managed since 1Q21

Sources: SHR; FSSIA estimates

**Exhibit 13: Outrigger (Mauritius, Fiji) hotels RevPAR**

Note: Saii Laguna Phuket, Saii Koh Samui Bophut and Konotta Maldives have been transferred from Outrigger to self-managed since 1Q21

Sources: SHR; FSSIA estimates

**Exhibit 14: Forecast revisions**

	Current			Previous			Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
	(THB)	(THB)	(THB)	(THB)	(THB)	(THB)	(%)	(%)	(%)
Self-Managed - OCC rate (%)	52.0	72.0	72.5	50.0	67.0	70.0	2.0	5.0	2.5
Self-Managed - RevPAR	2,871	4,771	4,948	2,605	4,168	4,573	10.2	14.4	8.2
Outrigger - OCC rate (%)	64.0	55.0	67.0	63.0	70.0	71.0	1.0	(15.0)	(4.0)
Outrigger - RevPAR	4,608	4,752	5,210	4,536	5,191	5,423	1.6	(8.5)	(3.9)
Project Crossroads - OCC rate (%)	65.0	71.0	72.0	69.0	70.0	71.0	(4.0)	1.0	1.0
Project Crossroads - RevPAR	9,133	10,974	11,574	9,660	10,094	10,648	(5.5)	8.7	8.7
UK -OCC rate (%)	60	70	71	61	70	71	(1.0)	-	-
UK -RevPAR	2,075	2,451	2,623	2,118	2,576	2,757	(2.0)	(4.9)	(4.9)
Revenue (THB b)	8.7	10.1	10.9	8.7	10.1	10.7	(0.3)	0.2	1.9
EBITDA margin (%)	20.4	24.7	25.5	18.0	24.4	25.4	2.4	0.3	0.1
Core earnings (THB m)	(15)	458	677	(162)	438	666	90.6	4.6	1.6

Note: Change in % terms is represented in ppt change

Source: FSSIA estimates

## Exhibit 15: DCF valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		3.0	Pre-tax cost of debt		4.0
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		1.3			
Cost of equity, Ke		13.2	Net cost of debt, Kd		3.2
Weight applied		60.0	Weight applied		40.0
WACC		9.2			

DCF valuation estimate	(THB b)	(THB/share)	Comments
NPV	14.9	4.1	WACC 9.2%, risk-free rate 3%, risk premium 8%
Terminal value	15.5	4.3	Terminal growth 2.5%
Cash & liquid assets	5.4	1.5	At end-2022E
Investments	0.4	0.1	At end-2022E
Debt	(17.2)	(4.8)	At end-2022E
Minorities	0.0	0.0	At end-2022E
<b>Residual ordinary equity</b>	<b>19.0</b>	<b>5.3</b>	

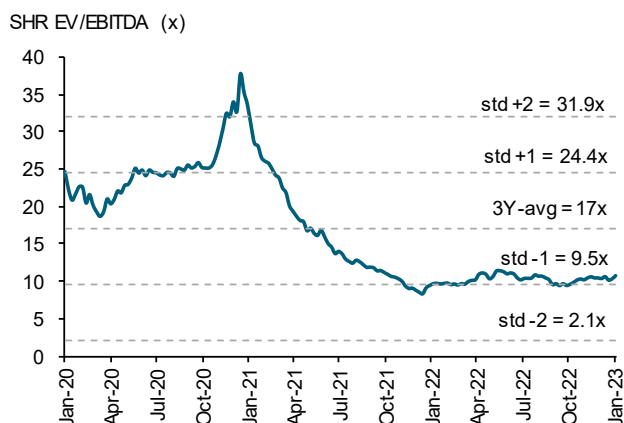
Source: FSSIA estimates

## Exhibit 16: Peer comparisons as of 20 Jan-23

Company	BBG	Rec	Share price			Market Cap	PE			ROE		PBV		EV/EBITDA	
			Current	Target	Upside		22E	23E	24E	22E	23E	22E	23E	22E	23E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Thailand															
Asset World Corp	AWC TB	BUY	6.10	6.80	11	5,981	(886.7)	92.6	53.0	(0.3)	2.5	2.4	2.2	99.3	45.5
Minor International	MINT TB	BUY	32.50	40.00	23	5,212	175.9	34.1	26.5	1.6	8.3	2.5	2.9	13.7	11.8
Central Plaza Hotel	CEN TEL TB	BUY	50.00	58.00	16	2,099	299.9	31.6	25.7	1.2	11.1	3.7	3.3	23.2	14.0
Erawan Group	ERW TB	BUY	4.58	5.00	9	650	(60.4)	44.0	38.9	(5.9)	8.0	3.7	3.4	37.8	16.3
S Hotels & Resorts	SHR TB	BUY	4.36	5.30	22	487	(1,030.5)	34.2	23.2	(0.1)	2.8	1.0	1.0	15.5	10.3
Dusit Thani	DUSIT TB	BUY	12.40	18.00	45	318	(15.7)	97.0	28.9	(22.3)	3.9	3.8	3.7	167.4	32.9
Thailand average						14,746	(252.9)	55.6	32.7	(4.3)	6.1	2.8	2.7	59.5	21.8
Regional															
Btg Hotels Group	600258 CH	n/a	24.30	n/a	n/a	4,007	n/a	33.7	22.9	(2.8)	7.1	2.5	2.4	24.9	12.3
Sh Jinjiang Intl Hotels	900934 CH	n/a	2.09	n/a	n/a	8,100	97.8	9.1	6.4	1.0	8.7	0.9	0.9	45.1	17.5
Huangshan Tourism Dev.	900942 CH	n/a	0.84	n/a	n/a	1,146	n/a	17.6	13.2	(1.1)	5.8	1.0	0.9	48.3	12.0
Genting Bhd	GENT MK	n/a	4.94	n/a	n/a	4,427	34.8	14.7	11.8	1.7	4.4	0.6	0.6	8.4	6.9
Greentree Hospitality	GHG US	n/a	4.15	n/a	n/a	428	n/a	10.3	7.6	10.4	15.3	1.8	1.5	25.0	6.8
Huazhu Group	HTHT US	n/a	48.48	n/a	n/a	15,390	n/a	52.4	38.8	(11.3)	19.9	12.9	10.7	125.9	23.8
Indian Hotels	IH IN	n/a	295.55	n/a	n/a	5,208	n/a	53.0	39.8	(4.5)	10.6	7.2	5.4	82.9	28.8
Lemon Tree Hotels	LEMONTRE IN	n/a	74.10	n/a	n/a	717	n/a	59.2	38.0	(6.2)	10.8	6.8	6.5	53.1	20.8
Lippo Karawaci	LPKR IJ	n/a	76.00	n/a	n/a	358	n/a	n/a	25.8	(3.0)	(0.8)	0.3	0.3	9.2	8.1
Regional average						39,781	66.3	31.3	22.7	(1.5)	8.6	3.8	3.2	47.0	15.2
Overall average						54,527	(173.1)	41.7	26.7	(2.5)	7.7	3.4	3.0	52.0	17.9

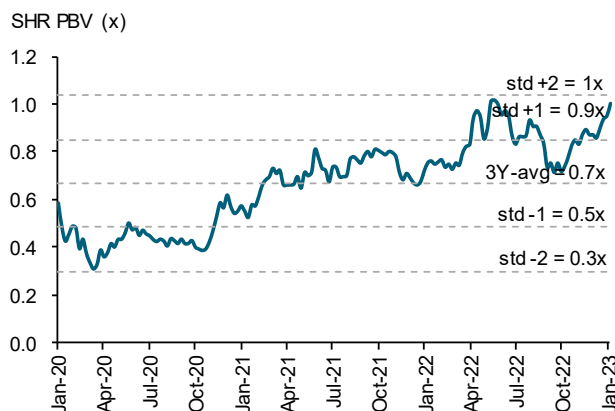
Sources: Bloomberg; FSSIA estimates

## Exhibit 17: Historical EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

## Exhibit 18: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

### S Hotels and Resorts

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	1,563	4,512	8,665	10,108	10,904
Cost of goods sold	(683)	(2,407)	(4,754)	(5,301)	(5,672)
<b>Gross profit</b>	<b>880</b>	<b>2,105</b>	<b>3,911</b>	<b>4,807</b>	<b>5,232</b>
Other operating income	-	-	-	-	-
Operating costs	(1,480)	(1,742)	(2,143)	(2,314)	(2,453)
<b>Operating EBITDA</b>	<b>(600)</b>	<b>363</b>	<b>1,768</b>	<b>2,493</b>	<b>2,779</b>
Depreciation	(986)	(1,189)	(1,108)	(1,184)	(1,225)
Goodwill amortisation	-	-	-	-	-
<b>Operating EBIT</b>	<b>(1,586)</b>	<b>(826)</b>	<b>660</b>	<b>1,309</b>	<b>1,554</b>
Net financing costs	(377)	(693)	(841)	(915)	(865)
Associates	(172)	(3)	(19)	(50)	(22)
Recurring non-operating income	51	158	146	121	151
Non-recurring items	(462)	(5)	70	0	0
<b>Profit before tax</b>	<b>(2,374)</b>	<b>(1,366)</b>	<b>35</b>	<b>515</b>	<b>840</b>
Tax	4	131	20	(56)	(164)
<b>Profit after tax</b>	<b>(2,371)</b>	<b>(1,234)</b>	<b>55</b>	<b>458</b>	<b>677</b>
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(2,371)</b>	<b>(1,234)</b>	<b>55</b>	<b>458</b>	<b>677</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>462</b>	<b>5</b>	<b>(70)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(1,908)</b>	<b>(1,229)</b>	<b>(15)</b>	<b>458</b>	<b>677</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.53)	(0.34)	0.00	0.13	0.19
Reported EPS	(0.66)	(0.34)	0.02	0.13	0.19
DPS	0.00	0.00	0.00	0.05	0.08
Diluted shares (used to calculate per share data)	3,594	3,594	3,594	3,594	3,594
<b>Growth</b>					
Revenue (%)	(59.1)	188.7	92.0	16.7	7.9
Operating EBITDA (%)	nm	nm	386.7	41.0	11.5
Operating EBIT (%)	nm	nm	nm	98.4	18.7
Recurring EPS (%)	nm	nm	nm	nm	47.6
Reported EPS (%)	nm	nm	nm	736.7	47.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	(6.7)	20.3	32.3	35.8	36.8
Gross margin of key business (%)	(6.7)	20.3	32.3	35.8	36.8
Operating EBITDA margin (%)	(38.4)	8.1	20.4	24.7	25.5
Operating EBIT margin (%)	(101.5)	(18.3)	7.6	13.0	14.3
Net margin (%)	(122.1)	(27.2)	(0.2)	4.5	6.2
Effective tax rate (%)	0.2	9.7	20.0	10.0	19.0
Dividend payout on recurring profit (%)	-	-	-	40.0	40.0
Interest cover (X)	(4.1)	(1.0)	1.0	1.6	2.0
Inventory days	127.9	28.3	22.6	28.4	29.0
Debtor days	39.7	17.8	16.3	14.0	13.0
Creditor days	615.3	168.5	219.8	313.2	333.5
Operating ROIC (%)	(7.9)	(2.9)	1.8	4.6	5.1
ROIC (%)	(6.6)	(2.1)	2.1	4.5	5.1
ROE (%)	(11.4)	(7.8)	(0.1)	2.8	4.1
ROA (%)	(5.4)	(1.9)	1.7	3.3	3.5
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Self-managed	329	234	1,122	1,808	1,875
Outrigger	607	205	1,494	1,428	1,604
Crossroads Ph1 (Maldives hotels)	627	1,627	2,419	2,877	3,097
UK	0	2,446	3,630	3,996	4,328

Sources: S Hotels and Resorts; FSSIA estimates



## Financial Statements

### S Hotels and Resorts

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	(1,908)	(1,229)	(15)	458	677
Depreciation	986	1,189	1,108	1,184	1,225
Associates & minorities	-	-	-	-	-
Other non-cash items	(497)	(190)	64	(6)	(6)
Change in working capital	(1,357)	(750)	3,683	774	266
<b>Cash flow from operations</b>	<b>(2,776)</b>	<b>(981)</b>	<b>4,841</b>	<b>2,410</b>	<b>2,161</b>
Capex - maintenance	(116)	(11,050)	(427)	(600)	(648)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(186)	1,555	0	0	0
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(302)</b>	<b>(9,495)</b>	<b>(427)</b>	<b>(600)</b>	<b>(648)</b>
Dividends paid	0	0	0	0	(183)
Equity finance	26	13	(44)	0	0
Debt finance	1,769	8,476	(900)	(900)	(900)
Other financing cash flows	29	1,408	0	0	0
<b>Cash flow from financing</b>	<b>1,824</b>	<b>9,897</b>	<b>(944)</b>	<b>(900)</b>	<b>(1,083)</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>(1,255)</b>	<b>(579)</b>	<b>3,470</b>	<b>910</b>	<b>429</b>
Free cash flow to firm (FCFF)	(2,701.00)	(9,783.45)	5,254.31	2,724.40	2,378.13
Free cash flow to equity (FCFE)	(1,280.72)	(591.92)	3,513.51	909.61	612.83

#### Per share (THB)

FCFF per share	(0.75)	(2.72)	1.46	0.76	0.66
FCFE per share	(0.36)	(0.16)	0.98	0.25	0.17
Recurring cash flow per share	(0.39)	(0.06)	0.32	0.46	0.53

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	25,004	36,405	36,838	37,445	38,099
Less: Accumulated depreciation	(4,910)	(6,444)	(7,552)	(8,736)	(9,961)
<b>Tangible fixed assets (net)</b>	<b>20,093</b>	<b>29,961</b>	<b>29,286</b>	<b>28,708</b>	<b>28,138</b>
<b>Intangible fixed assets (net)</b>	<b>1,023</b>	<b>1,641</b>	<b>1,641</b>	<b>1,641</b>	<b>1,641</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,982	427	427	427	427
Cash & equivalents	2,493	1,914	5,384	6,293	6,723
A/C receivable	52	387	387	387	387
Inventories	176	198	391	436	466
Other current assets	918	2,224	1,000	1,166	1,258
<b>Current assets</b>	<b>3,638</b>	<b>4,723</b>	<b>7,161</b>	<b>8,282</b>	<b>8,834</b>
Other assets	381	463	463	463	463
<b>Total assets</b>	<b>27,117</b>	<b>37,214</b>	<b>38,977</b>	<b>39,521</b>	<b>39,502</b>
Common equity	15,676	15,882	15,893	16,351	16,845
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>15,676</b>	<b>15,882</b>	<b>15,893</b>	<b>16,351</b>	<b>16,845</b>
Long term debt	9,487	18,092	17,192	16,292	15,392
Other long-term liabilities	890	1,392	1,392	1,392	1,392
<b>Long-term liabilities</b>	<b>10,377</b>	<b>19,485</b>	<b>18,585</b>	<b>17,685</b>	<b>16,785</b>
A/C payable	587	1,635	4,090	5,007	5,358
Short term debt	130	0	0	0	0
Other current liabilities	347	213	409	478	515
<b>Current liabilities</b>	<b>1,064</b>	<b>1,848</b>	<b>4,500</b>	<b>5,485</b>	<b>5,873</b>
<b>Total liabilities and shareholders' equity</b>	<b>27,117</b>	<b>37,214</b>	<b>38,977</b>	<b>39,521</b>	<b>39,502</b>
Net working capital	211	961	(2,722)	(3,496)	(3,761)
Invested capital	23,690	33,453	29,094	27,743	26,907

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

#### Per share (THB)

Book value per share	4.36	4.42	4.42	4.55	4.69
Tangible book value per share	4.08	3.96	3.97	4.09	4.23

#### Financial strength

Net debt/equity (%)	45.4	101.9	74.3	61.2	51.5
Net debt/total assets (%)	26.3	43.5	30.3	25.3	21.9
Current ratio (x)	3.4	2.6	1.6	1.5	1.5
CF interest cover (x)	(2.4)	0.1	5.2	2.0	1.7

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>(8.2)</b>	<b>(12.7)</b>	<b>(1,030.5)</b>	<b>34.2</b>	<b>23.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(10.0)</b>	<b>(15.5)</b>	<b>(1,252.7)</b>	<b>41.5</b>	<b>28.2</b>
Reported P/E (x)	(6.6)	(12.7)	285.9	34.2	23.2
Dividend yield (%)	-	-	-	1.2	1.7
Price/book (x)	1.0	1.0	1.0	1.0	0.9
Price/tangible book (x)	1.1	1.1	1.1	1.1	1.0
EV/EBITDA (x) **	(38.0)	87.7	15.5	10.3	8.8
EV/EBITDA @ target price (x) **	(43.6)	97.0	17.4	11.7	10.0
EV/invested capital (x)	1.0	1.0	0.9	0.9	0.9

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

Sources: S Hotels and Resorts; FSSIA estimates

## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	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	SEAOL	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	TIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

**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

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	MST	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
AMANA	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	SEOIL	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)

## 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 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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Teerapol Udomvej, CFA 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
S Hotels and Resorts	SHR TB	THB 4.36	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Asset World Corp	AWC TB	THB 6.10	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Minor International	MINT TB	THB 32.50	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Central Plaza Hotel	CEN TEL TB	THB 50.00	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply and higher competition in the F&B business, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
The Erawan Group	ERW TB	THB 4.58	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Dusit Thani	DUSIT TB	THB 12.40	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

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 20-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.