

NSL FOODS NSL TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

1Q23 in line with our estimate

- We are impressed with the higher sales volumes and an increasing ASP in 1Q23; 1Q23 net profit was in line with our estimate.
- We have a positive outlook for 2Q23 operations; its profit should continue to grow in line with the high season.
- Retain BUY call with TP of THB26.

TARGET PRICE	THB26.00
CLOSE	THB20.70
UP/DOWNSIDE	+25.6%
TP vs CONSENSUS	+0.0%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,001	4,458	4,937	5,305
Net profit	298	343	394	432
EPS (THB)	0.99	1.14	1.31	1.44
vs Consensus (%)	-	0.0	-	-
EBITDA	484	563	635	697
Core net profit	298	343	394	432
Core EPS (THB)	0.99	1.14	1.31	1.44
EPS growth (%)	41.5	15.3	14.9	9.7
Core P/E (x)	20.9	18.1	15.8	14.4
Dividend yield (%)	4.4	5.1	3.5	3.7
EV/EBITDA (x)	13.1	10.4	9.2	8.4
Price/book (x)	4.4	4.2	4.0	3.5
Net debt/Equity (%)	9.4	(25.2)	(24.9)	(19.3)
ROE (%)	22.4	23.8	26.0	26.0

1Q23 net profit in line with our estimate

NSL reported a 1Q23 net profit of THB75m (-3% q-q, +13% y-y), in line with our estimate. Excluding a THB3m damaged asset provision from a fire accident in March 2023, the company's 1Q23 core profit was equal to THB78m (+0.8% q-q, +18% y-y). The slight q-q growth was better than normal given the seasonal factors. In addition, the fire did not affect NSL's normal operations. We expect that the company will receive an insurance claim payment in 2Q23.

Impressive higher sales volumes and an increasing ASP

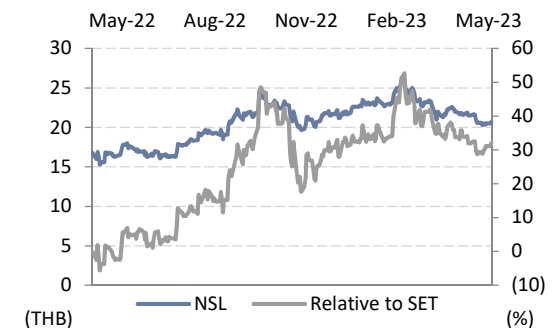
We are impressed by the solid growth in total revenue in 1Q23 by 3% q-q and 18% y-y, thanks to a higher sales volume for the bakery segment above the pre-Covid level. The current utilisation rate for chilled sandwich production has increased to a high level of around 70-80%, which was supported by a lower cost per unit. Hence, the 1Q23 gross margin slightly rose to 18.6% (vs 18.2% in 4Q22 and 18.4% in 1Q22) due to an increasing average selling price (ASP) and a higher utilisation rate, which were fully offset by higher cheese costs. SG&A to sales increased to 9.8% in 1Q23 (vs 9.1% in 4Q22 and 9.3% in 1Q22), mainly from higher marketing and advertising expenses.

Maintain our 2023E net profit

NSL's 1Q23 net profit accounts for 22% of our 2023 net profit forecast. Its cheese costs have stabilised at a high price in 2Q23. Despite this, we still have a positive outlook for 2Q23 operations. Its profit should continue to grow in line with the high season and a full-quarter's recognition of the higher ASP. In addition, the company has launched its 'Rice Bar' products in Tops Supermarket, and revenue is starting to be recognised from cake sales to Bake A Wish since March 2023. Its current situation is still in line with our view. Therefore, we maintain our 2023 net profit forecast of THB343m (+15% y-y).

Retain BUY call with attractive valuation

We retain our BUY call and TP of THB26, based on 23x 2023E P/E. The share price has fallen by 10% in two months. It is trading at 18x 2023E P/E, below local food processing peers.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.5)	(14.5)	25.5
Relative to country (%)	(1.3)	(5.8)	35.2
Mkt cap (USD m)	182		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	0		
Major shareholder	Mr. Somchai Asavapiyanon (75%)		
12m high/low (THB)	26.25/15.20		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates



Sureeporn Teewasuwet

sureeporn.t@fssia.com
+66 2646 9972

Exhibit 1: 1Q23 earnings results

	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	----- Change -----	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	851	932	988	1,018	1,063	1,095	3.0	17.6
Cost of sales	708	761	799	831	870	892	2.6	17.3
Gross profit	142	171	190	188	194	204	5.1	18.9
SG&A	86	87	88	97	97	107	11.2	23.4
Operating profit	58	86	104	93	100	98	(1.7)	15.0
Interest expense	3	2	3	3	3	3	7.1	22.3
Tax expense	11	16	20	18	20	19	(1.3)	17.1
Reported net profit	44	67	81	72	78	75	(3.0)	13.2
Core profit	44	67	81	72	78	78	0.8	17.7
Key ratios (%)								
Gross margin	16.8	18.4	19.2	18.4	18.2	18.6	0.4	0.2
SG&A / Sales	10.1	9.3	8.9	9.5	9.1	9.8	0.7	0.5
Operating margin	6.8	9.2	10.5	9.1	9.4	9.0	(0.4)	(0.2)
Net margin	5.2	7.1	8.2	7.1	7.3	6.9	(0.4)	(0.3)
Core margin	5.2	7.1	8.2	7.1	7.3	7.2	(0.2)	0.0
Operating statistics (THB m)								
Bakery sales	756	847	898	938	966	1,004	3.9	18.5
Food service sales	80	72	73	62	80	68	(14.5)	(5.9)
Snack sales	11	5	9	10	10	10	(1.7)	115.2
OEM sales	4	8	8	9	8	14	83.9	71.6

Source: NSL

Financial Statements

NSL Foods

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,038	4,001	4,458	4,937	5,305
Cost of goods sold	(2,400)	(3,157)	(3,502)	(3,867)	(4,140)
Gross profit	638	844	956	1,070	1,165
Other operating income	5	8	8	9	10
Operating costs	(297)	(369)	(401)	(444)	(477)
Operating EBITDA	346	484	563	635	697
Depreciation	(97)	(102)	(122)	(142)	(157)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	249	382	440	493	540
Net financing costs	(17)	(10)	(12)	(12)	(13)
Associates	-	-	-	-	-
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	232	372	429	480	527
Tax	(41)	(74)	(86)	(86)	(95)
Profit after tax	191	298	343	394	432
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	191	298	343	394	432
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	191	298	343	394	432
Per share (THB)					
Recurring EPS *	0.70	0.99	1.14	1.31	1.44
Reported EPS	0.70	0.99	1.14	1.31	1.44
DPS	0.50	0.91	1.05	0.72	0.76
Diluted shares (used to calculate per share data)	273	300	300	300	300
Growth					
Revenue (%)	3.9	31.7	11.4	10.8	7.4
Operating EBITDA (%)	7.7	40.0	16.2	12.8	9.8
Operating EBIT (%)	15.9	53.3	15.3	11.9	9.6
Recurring EPS (%)	3.7	41.5	15.3	14.9	9.7
Reported EPS (%)	3.7	41.5	15.3	14.9	9.7
Operating performance					
Gross margin inc. depreciation (%)	17.8	18.5	18.7	18.8	19.0
Gross margin of key business (%)	16.2	17.8	18.5	18.7	18.8
Operating EBITDA margin (%)	11.4	12.1	12.6	12.9	13.1
Operating EBIT margin (%)	8.2	9.5	9.9	10.0	10.2
Net margin (%)	6.3	7.4	7.7	8.0	8.1
Effective tax rate (%)	17.8	19.9	20.0	18.0	18.0
Dividend payout on recurring profit (%)	71.3	92.2	91.9	54.8	52.9
Interest cover (X)	14.8	37.1	37.6	40.2	41.2
Inventory days	25.1	26.4	24.3	19.7	20.1
Debtor days	54.6	49.8	49.4	47.6	48.3
Creditor days	65.2	58.5	65.4	69.1	59.8
Operating ROIC (%)	18.0	25.9	30.0	34.2	33.1
ROIC (%)	17.5	22.3	25.7	32.7	31.8
ROE (%)	22.4	22.4	23.8	26.0	26.0
ROA (%)	11.1	13.9	14.6	15.6	16.7
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Bakery and appetizers	2,791	3,643	4,064	4,516	4,854
Food Services	207	288	317	339	363
NSL snack	25	35	38	41	44
OEM & bread wastes	15	35	38	41	44

Sources: NSL Foods; FSSIA estimates

Financial Statements

NSL Foods

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	191	298	343	394	432
Depreciation	97	102	122	142	157
Associates & minorities	-	-	-	-	-
Other non-cash items	61	0	0	0	0
Change in working capital	(157)	(54)	187	(8)	(243)
Cash flow from operations	192	346	652	528	346
Capex - maintenance	(39)	(146)	(200)	(200)	(150)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	7	(301)	289	(5)	(4)
Cash flow from investing	(33)	(448)	89	(205)	(154)
Dividends paid	(266)	(144)	(274)	(315)	(216)
Equity finance	75	0	0	0	0
Debt finance	(107)	(100)	(3)	(20)	(34)
Other financing cash flows	588	1	36	4	(21)
Cash flow from financing	290	(243)	(242)	(331)	(271)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	449	(344)	500	(8)	(79)
Free cash flow to firm (FCFF)	176.03	(91.06)	753.12	335.26	205.84
Free cash flow to equity (FCFE)	640.64	(200.65)	774.02	307.10	137.42

Per share (THB)

FCFF per share	0.59	(0.30)	2.51	1.12	0.69
FCFE per share	2.14	(0.67)	2.58	1.02	0.46
Recurring cash flow per share	1.28	1.33	1.55	1.79	1.96

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	1,614	1,738	1,877	2,001	2,065
Less: Accumulated depreciation	(688)	(768)	(829)	(896)	(967)
Tangible fixed assets (net)	926	970	1,047	1,105	1,098
Intangible fixed assets (net)	7	6	6	6	6
Long-term financial assets	0	301	0	0	0
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	459	115	615	607	528
A/C receivable	496	595	611	676	727
Inventories	189	267	199	220	235
Other current assets	2	3	2	2	3
Current assets	1,147	980	1,426	1,505	1,493
Other assets	31	32	45	49	53
Total assets	2,111	2,290	2,524	2,666	2,650
Common equity	1,252	1,406	1,475	1,553	1,770
Minorities etc.	0	0	0	0	0
Total shareholders' equity	1,252	1,406	1,475	1,553	1,770
Long term debt	181	80	85	65	56
Other long-term liabilities	50	30	67	74	53
Long-term liabilities	231	110	152	139	109
A/C payable	453	559	695	769	589
Short term debt	146	167	158	155	130
Other current liabilities	29	47	45	49	53
Current liabilities	628	774	898	973	772
Total liabilities and shareholders' equity	2,111	2,290	2,524	2,666	2,650
Net working capital	205	259	72	80	323
Invested capital	1,169	1,568	1,170	1,241	1,480

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

Per share (THB)

Book value per share	4.17	4.69	4.92	5.18	5.90
Tangible book value per share	4.15	4.67	4.90	5.16	5.88

Financial strength

Net debt/equity (%)	(10.6)	9.4	(25.2)	(24.9)	(19.3)
Net debt/total assets (%)	(6.3)	5.8	(14.7)	(14.5)	(12.9)
Current ratio (x)	1.8	1.3	1.6	1.5	1.9
CF interest cover (x)	39.1	(18.5)	67.1	26.1	11.5

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	29.5	20.9	18.1	15.8	14.4
Recurring P/E @ target price (x) *	37.1	26.2	22.7	19.8	18.1
Reported P/E (x)	29.5	20.9	18.1	15.8	14.4
Dividend yield (%)	2.4	4.4	5.1	3.5	3.7
Price/book (x)	5.0	4.4	4.2	4.0	3.5
Price/tangible book (x)	5.0	4.4	4.2	4.0	3.5
EV/EBITDA (x) **	17.6	13.1	10.4	9.2	8.4
EV/EBITDA @ target price (x) **	22.2	16.4	13.2	11.7	10.7
EV/invested capital (x)	5.2	4.0	5.0	4.7	4.0

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

Sources: NSL Foods; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet 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.

History of change in investment rating and/or target price

NSL Foods (NSL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	26.00	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
NSL Foods	NSL TB	THB 21.20	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

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 09-May-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.