

INTERLINK TELECOM

ITEL TB

THAILAND / INFORMATION&COMM TECH

BUY

UNCHANGED

Earnings beat on high margin

- 1Q23 net profit declined by 25% q-q but increased 6% y-y, beating our estimate by 41%.
- The earnings beat was led by the exceptionally high gross margin of the installation unit, which we believe to be temporary.
- Maintain projection and TP of THB4.50.

TARGET PRICE	THB4.50
CLOSE	THB3.08
UP/DOWNSIDE	+46.1%
TP vs CONSENSUS	+0.0%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	3,393	3,593	3,740	3,791
Net profit	254	315	354	375
EPS (THB)	0.19	0.23	0.26	0.27
vs Consensus (%)	-	15.0	6.1	-
EBITDA	860	943	989	1,011
Core net profit	254	315	354	375
Core EPS (THB)	0.19	0.23	0.26	0.27
EPS growth (%)	(4.1)	17.5	12.6	5.9
Core P/E (x)	16.0	13.6	12.1	11.4
Dividend yield (%)	2.1	2.2	2.5	2.6
EV/EBITDA (x)	8.5	7.9	7.5	6.8
Price/book (x)	1.1	1.1	1.0	1.0
Net debt/Equity (%)	85.8	76.8	70.5	55.9
ROE (%)	7.8	8.4	8.7	8.7

Earnings beat was led by higher gross margin

ITEL registered a net profit of THB58m in 1Q23, declining by 25% q-q but increasing 6% y-y, which beat our estimate by 41%. The earnings beat was led by the much stronger-than-expected blended gross margin of 27.1% vs our expectation of 21.5%. Its total revenue was largely in line at THB543m, a drop of 55% q-q and 7% y-y, driven by the contraction of the installation business (38% of total service revenue). Despite the falling installation revenue, the unit delivered an unusually high gross margin of 35.0% in 1Q23 from its normal level of 18-20%. This was able to compensate for the higher SG&A expense to revenue ratio of 8.7% as compared to 4.9-5.1% in 1Q22 and 4Q22.

High electricity bill still affected the data service unit

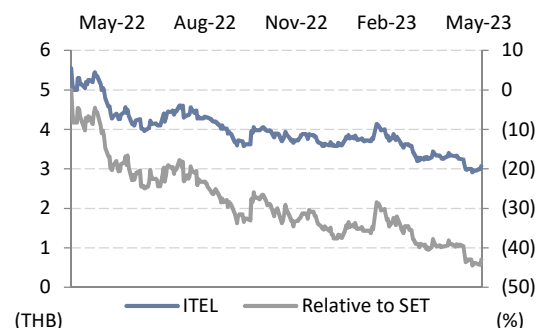
In 1Q23, 58% of total revenue was from data service income, which slightly increased 3% q-q, but fell 7% y-y to THB312m. The revenue was below its average level of THB330m per quarter. We believe that negotiations over the Universal Service Obligation (USO 1) contract are still ongoing. The gross margin of the data service unit was at 21.7% in 1Q23, improved from the previous quarter but still affected by higher electricity costs. The data centre unit accounted for 4% of total service revenue and generated a gross margin of 30.5%. This unit has not changed much from previous quarters.

Maintain projection

ITEL's 1Q23 net profit accounts for only 18% of our full-year profit forecast. We believe that the exceptionally high gross margin of the installation business in 1Q23 is temporary. Given that 1Q is typically the lowest season for ITEL, we maintain our 2023 core profit estimate of THB315m, a rise of 20% y-y. Our forecast sees a core profit margin of 8.8%, below management's target of a double-digit net profit margin.

Cheapest valuations in three years

ITEL's share price – currently trading at 13.6x 2023E P/E, 1.1x 2023E P/BV, and only 7.9x 2023E EV/EBITDA, -1.3SD of its five-year P/E and EV/EBITDA averages – is at its lowest level in the three years since the pandemic began. We maintain BUY for ITEL with a P/E-based TP of THB4.50 based on 20x 2023E P/E, equal to its five-year average.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.2)	(22.6)	(46.0)
Relative to country (%)	(5.8)	(17.9)	(44.1)
Mkt cap (USD m)	127		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	50		
Major shareholder	Interlink Communication PLC. (50%)		
12m high/low (THB)	5.70/2.82		
Issued shares (m)	1,364.52		

Sources: Bloomberg consensus; FSSIA estimates


Jitra Amorntum

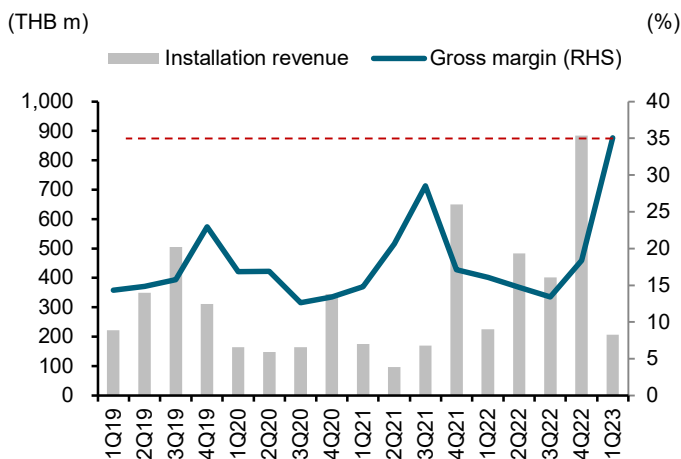
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Exhibit 1: 1Q23 results review

Year to Dec 31	1Q22	2Q22	3Q22	4Q22	1Q23	-----Change-----		2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	584	843	756	1,210	543	(55.1)	(7.0)	3,393	3,593	5.9
Cost of sales	(454)	(682)	(621)	(1,000)	(396)	(60.5)	(13.0)	(2,755)	(2,871)	4.2
Gross profit	129	161	136	210	147	(29.7)	14.0	637	722	13.2
Operating costs	(30)	(35)	(39)	(59)	(47)	(20.0)	58.9	(164)	(178)	9.0
Operating profit	100	125	96	151	100	(33.5)	0.6	474	544	14.7
Operating EBITDA	181	208	184	240	190	(20.9)	4.7	815	903	10.7
Other income	10	12	16	8	14	60.8	41.3	45	40	(11.0)
Interest expense	(33)	(43)	(46)	(46)	(41)	(11.1)	23.3	(169)	(160)	(5.1)
Associates	(2)	(2)	2	(2)	(2)	0.9	(6.8)	(5)	(4)	(8.4)
Reported net profit	55	66	54	77	58	(24.9)	5.8	254	315	24.1
Core profit	55	66	54	77	58	(24.9)	5.8	254	315	24.1
Reported EPS (THB)	0.04	0.05	0.04	0.04	0.04	8.5	0.9	0.19	0.23	17.0
Core EPS (THB)	0.04	0.05	0.04	0.06	0.04	(27.6)	(0.8)	0.19	0.23	17.0
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	22.1	19.1	17.9	17.3	27.1	9.8	5.0	18.8	20.1	1.3
Operating margin	17.1	14.9	12.7	12.5	18.5	6.0	1.4	14.0	15.1	1.2
EBITDA margin	31.0	24.7	24.4	19.8	34.9	15.1	3.9	24.0	25.1	1.1
Core profit margin	9.4	7.9	7.1	6.4	10.6	4.3	1.3	7.7	8.8	1.0
SG&A / Sales	(5.1)	(4.2)	(5.2)	(4.9)	(8.7)	(3.8)	(3.6)	4.8	5.0	0.1
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Data service	337	338	333	302	312	3.3	(7.4)	1,311	1,599	22.0
Installation	225	484	401	884	207	(76.6)	(8.2)	1,995	1,904	(4.6)
Data centre	21	20	22	24	24	0.4	12.7	87	90	3.0
Gross margin by business	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Data service	25.8	24.7	22.7	13.1	21.7	8.5	(4.1)	21.8	22.2	0.4
Installation	16.1	14.7	13.4	18.4	35.0	16.6	18.9	16.2	17.8	1.6
Data centre	28.9	30.0	29.4	31.1	30.5	(0.6)	1.6	29.9	31.1	1.2

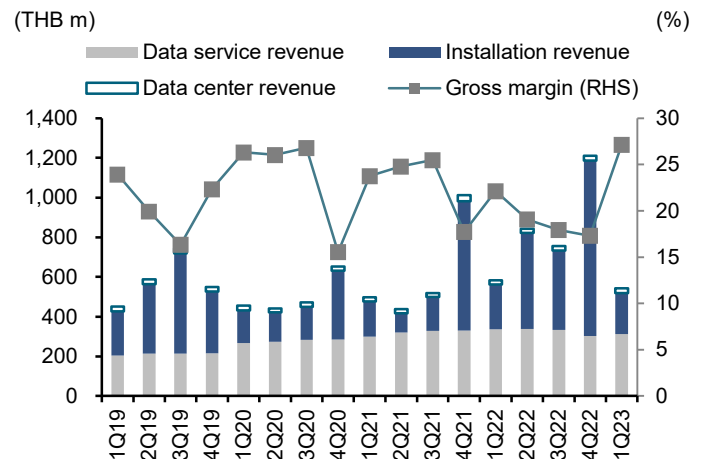
Sources: ITEL; FSSIA estimates

Exhibit 2: Network installation revenue and gross margin



Sources: ITEL; FSSIA's compilation

Exhibit 3: Total service revenue and gross margin



Sources: ITEL; FSSIA's compilation

Financial Statements

Interlink Telecom

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	2,466	3,393	3,593	3,740	3,791
Cost of goods sold	(1,606)	(2,414)	(2,512)	(2,605)	(2,625)
Gross profit	859	979	1,081	1,135	1,166
Other operating income	43	45	40	39	38
Operating costs	(112)	(164)	(178)	(185)	(193)
Operating EBITDA	790	860	943	989	1,011
Depreciation	(321)	(341)	(359)	(371)	(376)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	469	519	584	618	635
Net financing costs	(146)	(169)	(160)	(146)	(139)
Associates	(6)	(5)	(4)	(4)	(4)
Recurring non-operating income	(6)	(5)	(4)	(4)	(4)
Non-recurring items	0	0	0	0	0
Profit before tax	317	346	419	468	492
Tax	(66)	(65)	(82)	(93)	(98)
Profit after tax	251	280	337	375	394
Minority interests	0	(27)	(23)	(21)	(19)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	251	254	315	354	375
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	251	254	315	354	375
Per share (THB)					
Recurring EPS *	0.20	0.19	0.23	0.26	0.27
Reported EPS	0.20	0.19	0.23	0.26	0.27
DPS	0.00	0.06	0.07	0.08	0.08
Diluted shares (used to calculate per share data)	1,247	1,315	1,389	1,389	1,389
Growth					
Revenue (%)	22.0	37.6	5.9	4.1	1.4
Operating EBITDA (%)	17.2	8.9	9.6	4.8	2.2
Operating EBIT (%)	25.3	10.6	12.5	5.8	2.8
Recurring EPS (%)	21.8	(4.1)	17.5	12.6	5.9
Reported EPS (%)	9.4	(4.1)	17.5	12.6	5.9
Operating performance					
Gross margin inc. depreciation (%)	21.8	18.8	20.1	20.4	20.8
Gross margin of key business (%)	21.8	18.8	20.1	20.4	20.8
Operating EBITDA margin (%)	32.0	25.4	26.2	26.4	26.7
Operating EBIT margin (%)	19.0	15.3	16.3	16.5	16.7
Net margin (%)	10.2	7.5	8.8	9.5	9.9
Effective tax rate (%)	20.9	18.9	19.6	19.8	19.9
Dividend payout on recurring profit (%)	-	32.9	30.0	30.0	30.0
Interest cover (X)	3.2	3.0	3.6	4.2	4.5
Inventory days	-	-	-	-	-
Debtor days	82.6	69.8	78.3	71.6	71.1
Creditor days	183.6	155.0	152.9	119.7	115.4
Operating ROIC (%)	6.8	7.4	8.2	8.4	8.6
ROIC (%)	5.5	5.8	6.5	6.6	6.9
ROE (%)	10.4	7.8	8.4	8.7	8.7
ROA (%)	4.8	5.0	5.5	5.8	5.8
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Data service	1,281	1,311	1,599	1,791	1,916
Installation	1,093	1,995	1,904	1,856	1,782
Data centre	92	87	90	93	93

Sources: Interlink Telecom; FSSIA estimates

Financial Statements

Interlink Telecom

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	251	254	315	354	375
Depreciation	321	341	359	371	376
Associates & minorities	6	5	4	4	4
Other non-cash items	249	278	82	93	98
Change in working capital	(857)	491	(354)	(31)	127
Cash flow from operations	(31)	1,368	406	791	979
Capex - maintenance	-	-	-	-	-
Capex - new investment	(332)	(346)	(252)	(522)	(326)
Net acquisitions & disposals	0	(69)	0	0	0
Other investments (net)	(10)	(49)	(5)	10	32
Cash flow from investing	(342)	(464)	(257)	(512)	(294)
Dividends paid	(136)	(160)	(177)	(199)	(211)
Equity finance	765	282	283	2	2
Debt finance	(96)	(1,042)	4	(17)	(157)
Other financing cash flows	0	0	(170)	0	0
Cash flow from financing	533	(920)	(59)	(214)	(366)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	20	0	0	0
Net other adjustments	(6)	20	(4)	(4)	(4)
Movement in cash	154	4	86	62	316
Free cash flow to firm (FCFF)	(226.34)	1,072.70	309.46	425.39	824.34
Free cash flow to equity (FCFE)	(474.72)	(118.13)	(20.31)	258.64	524.39

Per share (THB)

FCFF per share	(0.17)	0.79	0.23	0.31	0.60
FCFE per share	(0.35)	(0.09)	(0.01)	0.19	0.38
Recurring cash flow per share	0.66	0.67	0.55	0.59	0.61

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	5,182	5,467	5,986	6,507	6,833
Less: Accumulated depreciation	(1,305)	(1,516)	(2,142)	(2,513)	(2,889)
Tangible fixed assets (net)	3,877	3,951	3,844	3,994	3,944
Intangible fixed assets (net)	23	112	113	114	115
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	25	20	20	20	20
Cash & equivalents	225	229	315	376	692
A/C receivable	2,192	2,466	2,443	2,468	2,359
Inventories	0	0	0	0	0
Other current assets	407	283	303	277	243
Current assets	2,824	2,978	3,061	3,122	3,294
Other assets	1,336	1,335	1,339	1,328	1,295
Total assets	8,084	8,396	8,377	8,578	8,669
Common equity	2,909	3,603	3,935	4,183	4,445
Minorities etc.	0	88	90	92	94
Total shareholders' equity	2,909	3,691	4,025	4,275	4,540
Long term debt	1,405	1,842	1,520	1,518	1,489
Other long-term liabilities	56	51	57	58	57
Long-term liabilities	1,461	1,893	1,577	1,576	1,546
A/C payable	816	1,234	870	838	822
Short term debt	2,845	1,553	1,886	1,870	1,742
Other current liabilities	54	25	19	19	20
Current liabilities	3,715	2,812	2,774	2,727	2,583
Total liabilities and shareholders' equity	8,084	8,396	8,377	8,578	8,669
Net working capital	1,729	1,490	1,857	1,888	1,761
Invested capital	6,990	6,908	7,173	7,345	7,135

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

Per share (THB)

Book value per share	2.33	2.74	2.83	3.01	3.20
Tangible book value per share	2.31	2.65	2.75	2.93	3.12

Financial strength

Net debt/equity (%)	138.4	85.8	76.8	70.5	55.9
Net debt/total assets (%)	49.8	37.7	36.9	35.1	29.3
Current ratio (x)	0.8	1.1	1.1	1.1	1.3
CF interest cover (x)	0.0	2.4	2.4	6.4	7.1

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	15.3	16.0	13.6	12.1	11.4
Recurring P/E @ target price (x) *	22.4	23.3	19.9	17.6	16.7
Reported P/E (x)	15.3	16.0	13.6	12.1	11.4
Dividend yield (%)	-	2.1	2.2	2.5	2.6
Price/book (x)	1.3	1.1	1.1	1.0	1.0
Price/tangible book (x)	1.3	1.2	1.1	1.1	1.0
EV/EBITDA (x) **	10.0	8.5	7.9	7.5	6.8
EV/EBITDA @ target price (x) **	12.2	10.7	10.0	9.5	8.8
EV/invested capital (x)	1.1	1.1	1.0	1.0	1.0

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

Sources: Interlink Telecom; 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

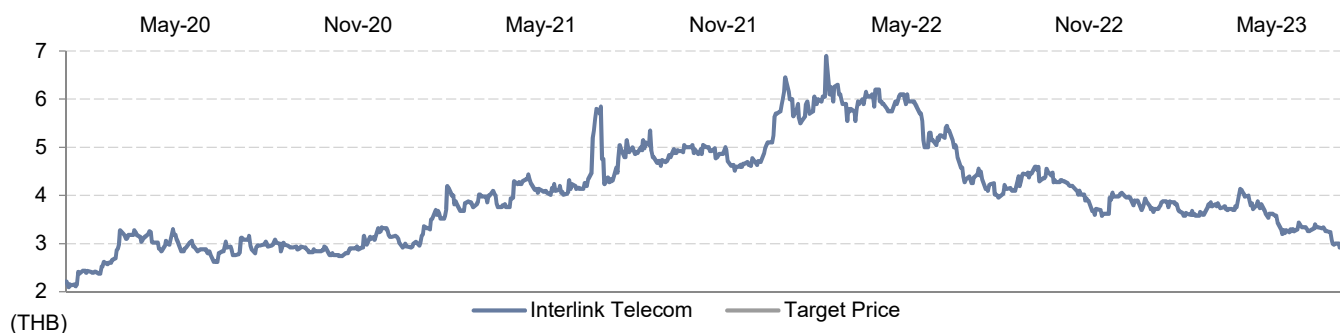
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History of change in investment rating and/or target price

Interlink Telecom (ITEL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-May-2023	BUY	4.50	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 03-May-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Interlink Telecom	ITEL TB	THB 3.08	BUY	Downside risks to our P/E-based TP include 1) uncertainty regarding bidding outcomes; 2) delays in projects; 3) cost overruns; and 4) risks from technological disruptions.

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 10-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.