

SOMBOON ADVANCE TECHNOLOGY

THAILAND / AUTOMOTIVES

SAT TB

HOLD

UNCHANGED

Lower expenses boosted profit

- An increase of 20% q-q and 6% y-y in 1Q23 core profit was caused by lower export freight charges, better than our estimate by 15%.
- Headwinds are demand, loan tightening, and Kubota tractor sales.
- Maintain HOLD with the same TP of THB22.

TARGET PRICE	THB22.00
CLOSE	THB19.90
UP/DOWNSIDE	+10.6%
TP vs CONSENSUS	-7.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	8,931	9,671	10,291	10,555
Net profit	932	1,007	1,091	1,154
EPS (THB)	2.19	2.37	2.57	2.71
vs Consensus (%)	-	(0.6)	(1.9)	(0.7)
EBITDA	1,399	1,551	1,665	1,745
Core net profit	940	1,007	1,091	1,154
Core EPS (THB)	2.21	2.37	2.57	2.71
EPS growth (%)	(1.5)	7.1	8.4	5.8
Core P/E (x)	9.0	8.4	7.8	7.3
Dividend yield (%)	7.5	7.7	8.5	9.0
EV/EBITDA (x)	4.6	4.0	3.4	3.0
Price/book (x)	1.1	1.0	1.0	0.9
Net debt/Equity (%)	(25.1)	(28.0)	(31.1)	(34.3)
ROE (%)	12.1	12.4	12.7	12.8

Lower freight expenses boosted profit

SAT reported a 1Q23 core profit of THB273m, an increase of 20% q-q and 6% y-y, better than our estimate by 15% due to lower export freight charges from its subsidiaries. This caused SG&A expenses to fall by 19% q-q and 15% y-y to their lowest in more than three years at THB159m. The SG&A expense to sales ratio fell to 6.3% in 1Q23 as compared to our forecast and its eight-quarter average of 8.3%. 1Q23 EBITDA rose 33% q-q and 11% y-y to a high level of THB399m. Besides the lower-than-expected freight charges, its revenue and costs were largely in line with our expectations.

Sales and margin largely in line

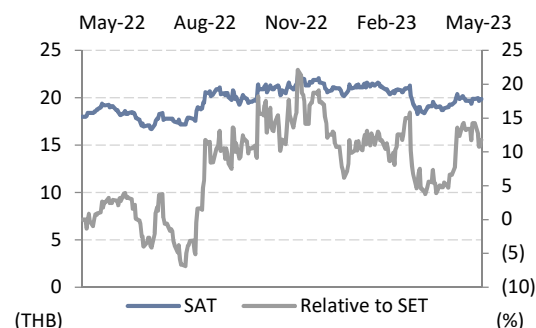
SAT's 1Q23 revenue grew 15% q-q and 8% y-y to THB2.5b, mostly in line with our projection. The sales growth was due to the production volume recovery of the automotive industry in both domestic and overseas markets, compensating for the slight decline in agricultural machinery production. The gross margin climbed from its nine-quarter low of 16.7% in 4Q22 to 17.2% in 1Q23 after the company gradually passed on the increased costs to its clients, though it was still below 17.9% in 1Q22.

Cautious on sales outlook in 2023

SAT's 1Q23 profit accounts for 27% of our full-year forecast, however, there are headwinds such as a weak consumer demand for big-ticket sales like cars, tighter lending standards from financial institutions, and a projected flat production volume for Kubota tractors due to the wild swings in weather. The start of its new business, E-Tuk in 2H23 should contribute an insignificant profit, as it is in an early stage of operation.

Maintain HOLD rating

We retain our core profit growth forecast of 7% in 2023 and TP of THB22, based on 9.3x 2023E P/E, at its five-year historical average. The current share price is trading at cheap valuations of a 2023E P/E of 8.4x and only 1.0x 2023E P/BV. We maintain our HOLD rating for SAT.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.7	(5.7)	10.6
Relative to country (%)	6.7	0.2	13.8
Mkt cap (USD m)	251		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	64		
Major shareholder	Kitapanich Family (44%)		
12m high/low (THB)	22.50/16.60		
Issued shares (m)	425.19		

Sources: Bloomberg consensus; FSSIA estimates


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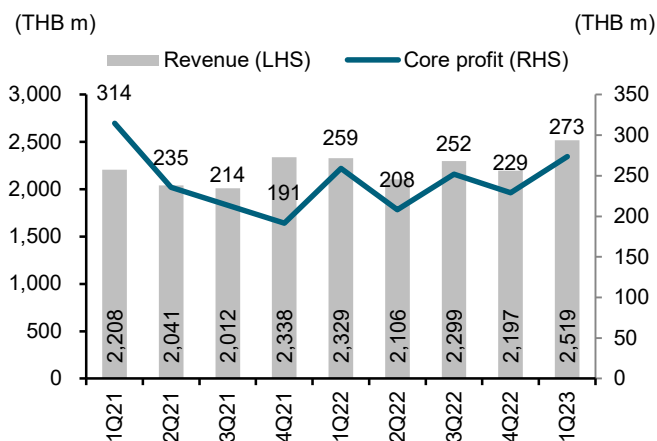
Exhibit 1: 1Q23 results review

	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%)
Revenue	2,329	2,106	2,299	2,197	2,519	14.7	8.1	8,931	9,671	8.3
Cost of sales*	(1,912)	(1,736)	(1,878)	(1,831)	(2,086)	13.9	9.1	(7,316)	(7,892)	7.9
Gross profit	418	371	421	366	433	18.4	3.8	1,616	1,780	10.1
SG&A expenses	(186)	(164)	(184)	(197)	(159)	(19.3)	(14.7)	(731)	(731)	0.0
EBIT	231	206	238	169	275	62.1	18.7	885	845	(4.5)
Depreciation & amortisation	128	128	129	130	125	(4.1)	(2.4)	515	570	10.7
EBITDA	359	335	366	299	399	33.3	11.2	1,399	1,551	10.8
Interest expense	(1)	(1)	(1)	(0)	(0)	361.2	(27.5)	(2)	(2)	1.1
Other income	43	35	19	65	19	(70.4)	(54.8)	162	143	(11.7)
Associates	11	1	(4)	30	18	(39.7)	59.1	38	53	39.0
Extra items	0	2	7	(17)	1	nm	nm	(8)	0	nm
Pretax profit	285	243	299	248	313	26.3	9.6	1,075	1,176	9.4
Tax	(26)	(33)	(42)	(39)	(41)	5.6	58.3	(140)	(176)	26.3
Minority interests	0	0	(2)	(3)	(3)	3.8	nm	(4)	(7)	66.2
Net profit	259	210	259	211	274	29.8	5.8	940	1,007	7.1
Core net profit	259	208	252	229	273	19.6	5.6	948	1,007	6.2
EPS (THB)	0.61	0.49	0.61	0.50	0.64	27.8	4.7	2.21	2.37	7.1
Core EPS (THB)	0.61	0.49	0.59	0.54	0.64	19.6	5.6	2.23	2.37	6.2
Margins	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	17.9	17.6	20.1	16.7	17.2	0.5	(0.7)	18.1	18.4	0.3
SG&A to sales	8.0	7.8	8.0	9.0	6.3	(2.7)	(1.7)	8.2	8.3	0.1
Operating margin	9.9	9.8	12.1	7.7	10.9	3.2	1.0	12.1	12.2	0.1
EBITDA margin	15.4	15.9	17.7	13.6	15.9	2.2	0.4	15.7	16.0	0.4
Core profit margin	11.1	9.9	11.0	10.4	10.9	0.4	(0.3)	10.6	10.4	-0.2

*Includes depreciation

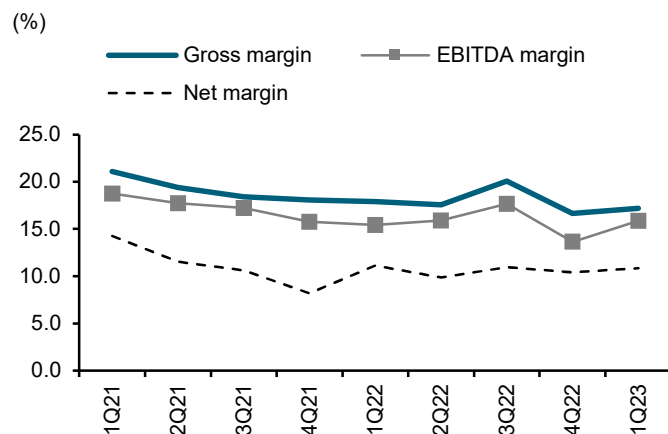
Sources: SAT; FSSIA estimates

Exhibit 2: Revenue and core profit



Sources: SAT; FSSIA's compilation

Exhibit 3: Margins



Sources: SAT; FSSIA's compilation

Financial Statements

Somboon Advance Technology

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	8,598	8,931	9,671	10,291	10,555
Cost of goods sold	(6,371)	(6,801)	(7,322)	(7,786)	(7,949)
Gross profit	2,227	2,130	2,349	2,505	2,606
Other operating income	-	-	-	-	-
Operating costs	(737)	(731)	(798)	(840)	(861)
Operating EBITDA	1,490	1,399	1,551	1,665	1,745
Depreciation	(572)	(515)	(570)	(580)	(590)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	918	885	982	1,085	1,155
Net financing costs	(6)	(10)	(2)	0	0
Associates	84	38	53	62	69
Recurring non-operating income	204	200	196	211	227
Non-recurring items	(2)	(8)	0	0	0
Profit before tax	1,114	1,068	1,176	1,296	1,382
Tax	(159)	(140)	(176)	(194)	(207)
Profit after tax	955	928	1,000	1,101	1,174
Minority interests	(3)	4	7	(10)	(20)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	953	940	1,007	1,091	1,154
Non-recurring items & goodwill (net)	2	8	0	0	0
Recurring net profit	955	948	1,007	1,091	1,154
Per share (THB)					
Recurring EPS *	2.25	2.23	2.37	2.57	2.71
Reported EPS	2.24	2.21	2.37	2.57	2.71
DPS	1.50	1.50	1.53	1.68	1.80
Diluted shares (used to calculate per share data)	425	425	425	425	425
Growth					
Revenue (%)	46.2	3.9	8.3	6.4	2.6
Operating EBITDA (%)	63.7	(6.1)	10.8	7.3	4.8
Operating EBIT (%)	216.1	(3.6)	10.9	10.5	6.5
Recurring EPS (%)	147.7	(0.7)	6.2	8.4	5.8
Reported EPS (%)	156.9	(1.3)	7.1	8.4	5.8
Operating performance					
Gross margin inc. depreciation (%)	19.2	18.1	18.4	18.7	19.1
Gross margin of key business (%)	0.2	0.2	0.2	0.2	0.2
Operating EBITDA margin (%)	17.3	15.7	16.0	16.2	16.5
Operating EBIT margin (%)	10.7	9.9	10.2	10.5	10.9
Net margin (%)	11.1	10.5	10.4	10.6	10.9
Effective tax rate (%)	-14.3	-13.0	-15.0	-15.0	-15.0
Dividend payout on recurring profit (%)	66.8	67.9	64.5	65.6	66.1
Interest cover (X)	193.8	112.4	589.0	-	-
Inventory days	33.2	36.7	35.5	31.3	31.9
Debtor days	65.0	74.0	68.3	64.0	65.2
Creditor days	86.8	98.1	92.0	83.5	85.1
Operating ROIC (%)	19.3	17.5	19.7	21.8	23.3
ROIC (%)	18.9	17.2	18.7	20.3	21.5
ROE (%)	13.0	12.1	12.4	12.7	12.8
ROA (%)	10.3	9.4	9.6	10.2	10.4
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Auto	6,449	7,145	7,885	8,403	8,601
Non-auto	2,150	1,786	1,786	1,888	1,954

Sources: Somboon Advance Technology; FSSIA estimates

Financial Statements

Somboon Advance Technology

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	955	940	1,007	1,091	1,154
Depreciation	572	515	570	580	590
Associates & minorities	3	(4)	(7)	10	20
Other non-cash items	(10)	(40)	(16)	10	20
Change in working capital	(157)	(200)	(1)	(70)	(43)
Cash flow from operations	1,363	1,211	1,552	1,622	1,741
Capex - maintenance	(192)	(452)	(357)	(357)	(357)
Capex - new investment	(82)	(194)	(153)	(153)	(153)
Net acquisitions & disposals	8	0	0	0	0
Other investments (net)	(1,002)	471	(53)	(62)	(69)
Cash flow from investing	(1,268)	(174)	(563)	(572)	(579)
Dividends paid	(374)	(629)	(608)	(650)	(716)
Equity finance	0	0	0	0	0
Debt finance	(94)	0	(13)	0	0
Other financing cash flows	(22)	(18)	(23)	0	0
Cash flow from financing	(490)	(648)	(645)	(650)	(716)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	8	0	0	0
Net other adjustments	16	8	0	0	0
Movement in cash	(379)	397	344	401	447
Free cash flow to firm (FCFF)	100.92	1,038.39	991.28	1,050.42	1,162.86
Free cash flow to equity (FCFE)	(4.93)	1,026.01	952.54	1,050.42	1,162.86

Per share (THB)

FCFF per share	0.24	2.44	2.33	2.47	2.73
FCFE per share	(0.01)	2.41	2.24	2.47	2.73
Recurring cash flow per share	3.57	3.32	3.65	3.98	4.20

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	11,370	11,867	12,367	12,867	13,367
Less: Accumulated depreciation	(8,301)	(8,654)	(9,211)	(9,780)	(10,359)
Tangible fixed assets (net)	3,069	3,213	3,155	3,087	3,008
Intangible fixed assets (net)	39	44	51	49	48
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,031	1,114	1,167	1,229	1,297
Cash & equivalents	1,602	1,998	2,342	2,743	3,190
A/C receivable	1,751	1,869	1,749	1,861	1,909
Inventories	594	776	649	688	702
Other current assets	1,597	1,188	1,224	1,260	1,298
Current assets	5,543	5,830	5,963	6,552	7,098
Other assets	148	149	150	156	159
Total assets	9,830	10,351	10,487	11,073	11,610
Common equity	7,642	7,951	8,342	8,793	9,252
Minorities etc.	0	16	9	19	39
Total shareholders' equity	7,642	7,966	8,351	8,812	9,291
Long term debt	0	0	0	0	0
Other long-term liabilities	296	330	322	338	355
Long-term liabilities	296	330	322	338	355
A/C payable	1,694	1,961	1,730	1,834	1,872
Short term debt	0	0	0	0	0
Other current liabilities	199	93	84	88	93
Current liabilities	1,892	2,054	1,814	1,922	1,964
Total liabilities and shareholders' equity	9,830	10,351	10,487	11,073	11,610
Net working capital	2,049	1,778	1,807	1,887	1,944
Invested capital	6,336	6,299	6,331	6,408	6,456

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

Per share (THB)

Book value per share	17.97	18.70	19.62	20.68	21.76
Tangible book value per share	17.88	18.60	19.50	20.57	21.65

Financial strength

Net debt/equity (%)	(21.0)	(25.1)	(28.0)	(31.1)	(34.3)
Net debt/total assets (%)	(16.3)	(19.3)	(22.3)	(24.8)	(27.5)
Current ratio (x)	2.9	2.8	3.3	3.4	3.6
CF interest cover (x)	14.3	127.4	553.8	-	-

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	8.9	9.0	8.4	7.8	7.3
Recurring P/E @ target price (x) *	9.8	10.0	9.3	8.6	8.1
Reported P/E (x)	8.9	9.1	8.4	7.8	7.3
Dividend yield (%)	7.5	7.5	7.7	8.5	9.0
Price/book (x)	1.1	1.1	1.0	1.0	0.9
Price/tangible book (x)	1.1	1.1	1.0	1.0	0.9
EV/EBITDA (x) **	4.6	4.6	4.0	3.4	3.0
EV/EBITDA @ target price (x) **	5.2	5.3	4.5	4.0	3.6
EV/invested capital (x)	1.1	1.0	1.0	0.9	0.8

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

Sources: Somboon Advance Technology; 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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

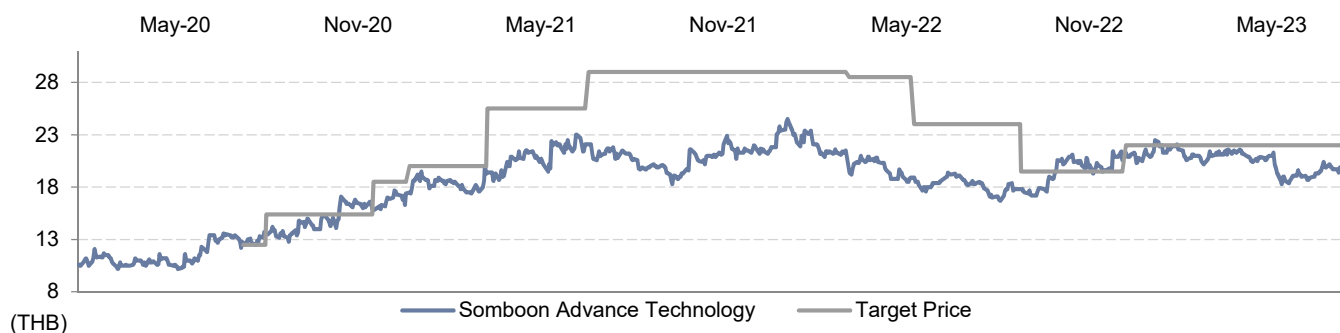
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History of change in investment rating and/or target price

Somboon Advance Technology (SAT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	12.50	29-Apr-2021	BUY	25.50	01-Aug-2022	HOLD	19.50
21-Oct-2020	BUY	15.40	23-Jul-2021	BUY	29.00	28-Oct-2022	HOLD	22.00
21-Jan-2021	BUY	18.50	04-Mar-2022	BUY	28.50			
19-Feb-2021	BUY	20.00	29-Apr-2022	BUY	24.00			

Jitra Amornthum started covering this stock from 01-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Somboon Advance Technology	SAT TB	THB 19.90	HOLD	The key downside and upside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower or faster than expected, a faster-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 11-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.