

R&B FOOD SUPPLY RBF TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

Impressive 1Q23 margin recovery

- 1Q23 core profit grew q-q and y-y, better than our estimate by 10%.
- Maintain positive view on 2H23 outlook and expect to see good progress in India market expansion.
- Retain BUY recommendation with TP of THB13.5.

TARGET PRICE	THB13.50
CLOSE	THB10.90
UP/DOWNSIDE	+23.9%
TP vs CONSENSUS	+6.9%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	3,961	4,554	5,104	5,677
Net profit	482	664	772	881
EPS (THB)	0.24	0.33	0.39	0.44
vs Consensus (%)	-	(2.1)	(0.8)	9.2
EBITDA	809	1,103	1,298	1,494
Core net profit	459	664	772	881
Core EPS (THB)	0.23	0.33	0.39	0.44
EPS growth (%)	(3.3)	44.5	16.3	14.1
Core P/E (x)	47.5	32.8	28.2	24.8
Dividend yield (%)	0.9	1.8	2.1	2.4
EV/EBITDA (x)	26.4	19.4	16.4	14.1
Price/book (x)	5.0	4.8	4.5	4.2
Net debt/Equity (%)	(11.4)	(9.3)	(11.3)	(14.7)
ROE (%)	10.7	14.8	16.3	17.4

1Q23 core profit better than expected

RBF reported a 1Q23 net profit of THB147m (+56% q-q, -10% y-y). Excluding an FX loss of THB11m, the company's core profit was equal to THB159m (+47% q-q, +6% y-y), better than our estimate by 10%. Total revenue grew by 5% q-q and 7% y-y in 1Q23, due to solid overseas revenue growth (31% q-q, 42% y-y), to hit a record high. Key drivers were from 1) strong growth at its Indonesia and Vietnam factories; and 2) higher export revenue, mainly from increasing demand and its market expansion. As a result, its overseas contributions rose to 26.1% of total revenue in 1Q23, up from 20.9% in 4Q22 and 19.8% in 1Q22.

Gross margin recovery and good progress in India market

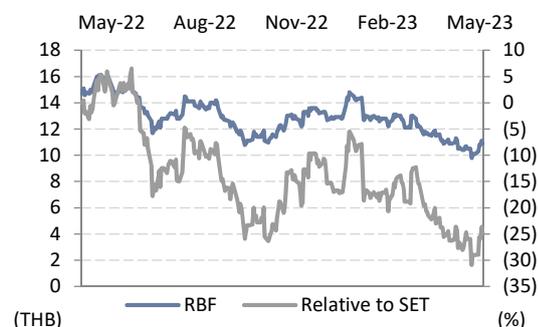
We are impressed with its 1Q23 gross margin recovery to 36.1% from 32.1% in 4Q22, thanks to 1) declining raw material costs; and 2) changes in its product mix. In addition, SG&A to sales was at 18.4% in 1Q23, down from 19.2% in 4Q22 and 18.7% in 1Q22, due to higher total revenue. Meanwhile, we saw an improvement in the India market expansion. RBF recognised a profit contribution from India of THB0.96m in 1Q23, up from THB0.02m in 4Q22. Note that RBF exported its first order to India in 4Q22. 1Q23 India revenue, via its joint venture company named RBS-TU Food Ingredients Private Limited, was equal to THB15m. It accounts for 50% of RBF's 2023 India revenue target of THB30m.

Maintain positive view on 2H23 outlook

RBF's 1Q23 core profit accounts for 24% of our full-year forecast. We expect 2H23 profit to continue to grow solidly h-h and y-y, due to the high season for its business, declining raw material costs, and continued growth in India. RBS-TU has finished acquiring land to construct its own food coating production line in India. The company stated that the plant's construction will be completed within 6-9 months, with operations expected to start in 1H24.

Reaffirm BUY call

We maintain our 2023E core profit of THB664m (+44.5% y-y). We reaffirm our BUY recommendation and TP of THB13.5, based on 40x 2023E P/E. The share price fell by 16% in 2023 YTD – it has an upside of 24%.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(14.8)	(25.3)
Relative to country (%)	2.0	(10.2)	(24.2)
Mkt cap (USD m)	641		
3m avg. daily turnover (USD m)	0.9		
Free float (%)	28		
Major shareholder	Ratanapoompinyo Family (62%)		
12m high/low (THB)	16.80/9.55		
Issued shares (m)	2,000.00		

Sources: Bloomberg consensus; FSSIA estimates



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Exhibit 1: 1Q23 earnings results

	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	----- Change -----	
	(THB m)	(q-q%)	(y-y%)					
Sales	928	984	978	994	1,005	1,056	5.1	7.3
Cost of sales	633	615	643	675	682	674	(1.2)	9.7
Gross profit	295	370	335	319	323	382	18.3	3.2
SG&A	179	184	190	195	193	194	0.4	5.1
Operating profit	119	189	146	124	131	189	44.7	(0.1)
Interest expense	2.8	2.3	2.3	2.1	2.5	2.3	(5.7)	1.8
Tax expense	23	35	31	29	19	29	53.7	(16.0)
Profit (loss) sharing - India	0.00	0.00	0.00	0.00	0.02	0.96	<i>nm</i>	<i>nm</i>
Reported net profit	103	163	115	110	94	147	56.2	(9.9)
Core profit	93	150	112	90	108	159	47.2	5.9
Key ratios (%)							(ppt)	(ppt)
Gross margin	31.8	37.5	34.2	32.1	32.1	36.1	4.0	(1.4)
SG&A to sales	19.2	18.7	19.4	19.7	19.2	18.4	(0.9)	(0.4)
Operating margin	12.8	19.2	14.9	12.5	13.0	17.9	4.9	(1.3)
Net margin	11.1	16.5	11.8	11.1	9.4	13.9	4.5	(2.6)
Core margin	10.0	15.2	11.4	9.1	10.7	15.0	4.3	(0.2)
Operating statistics (THB m)								
Domestic	733	789	771	788	795	780	(1.9)	(1.2)
Overseas	195	195	207	205	210	276	31.3	41.5

Source: RBF

Financial Statements

R&B Food Supply

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,384	3,961	4,554	5,104	5,677
Cost of goods sold	(1,919)	(2,397)	(2,645)	(2,902)	(3,178)
Gross profit	1,465	1,565	1,909	2,202	2,499
Other operating income	7	7	14	15	17
Operating costs	(663)	(763)	(820)	(919)	(1,022)
Operating EBITDA	809	809	1,103	1,298	1,494
Depreciation	(207)	(219)	(279)	(339)	(399)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	603	590	824	960	1,096
Net financing costs	(9)	(9)	(9)	(12)	(15)
Associates	-	-	-	-	-
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(55)	23	0	0	0
Profit before tax	539	604	815	948	1,081
Tax	(116)	(113)	(147)	(171)	(195)
Profit after tax	423	491	668	777	886
Minority interests	(3)	(9)	(5)	(5)	(6)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	420	482	664	772	881
Non-recurring items & goodwill (net)	55	(23)	0	0	0
Recurring net profit	475	459	664	772	881
Per share (THB)					
Recurring EPS *	0.24	0.23	0.33	0.39	0.44
Reported EPS	0.21	0.24	0.33	0.39	0.44
DPS	0.15	0.10	0.20	0.23	0.26
Diluted shares (used to calculate per share data)	2,000	2,000	2,000	2,000	2,000
Growth					
Revenue (%)	6.7	17.1	15.0	12.1	11.2
Operating EBITDA (%)	(5.3)	(0.1)	36.3	17.7	15.1
Operating EBIT (%)	(9.6)	(2.0)	39.6	16.4	14.2
Recurring EPS (%)	(11.8)	(3.3)	44.5	16.3	14.1
Reported EPS (%)	(19.1)	14.8	37.6	16.3	14.1
Operating performance					
Gross margin inc. depreciation (%)	37.2	34.0	35.8	36.5	37.0
Gross margin of key business (%)	37.2	34.0	35.8	36.5	37.0
Operating EBITDA margin (%)	23.9	20.4	24.2	25.4	26.3
Operating EBIT margin (%)	17.8	14.9	18.1	18.8	19.3
Net margin (%)	14.0	11.6	14.6	15.1	15.5
Effective tax rate (%)	21.5	18.7	18.0	18.0	18.0
Dividend payout on recurring profit (%)	63.1	43.5	60.0	60.0	60.0
Interest cover (X)	68.0	64.5	88.5	80.0	74.6
Inventory days	166.1	168.0	177.9	180.5	182.4
Debtor days	91.2	85.2	85.0	85.1	85.5
Creditor days	81.2	77.3	75.1	74.3	75.1
Operating ROIC (%)	14.9	13.7	17.1	18.9	(5.2)
ROIC (%)	14.3	13.0	16.1	17.7	(4.9)
ROE (%)	11.4	10.7	14.8	16.3	17.4
ROA (%)	9.8	9.3	12.7	14.0	14.6
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Flavouring agents and Food colouring	1,194	1,292	1,550	1,782	1,996
Food coating	1,335	1,787	1,987	2,184	2,409
Dehydrated products	214	272	318	366	420
Frozen	68	60	67	75	84

Sources: R&B Food Supply; FSSIA estimates

Financial Statements

R&B Food Supply

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	475	459	664	772	881
Depreciation	207	219	279	339	399
Associates & minorities	0	0	0	0	0
Other non-cash items	14	11	(1)	2	2
Change in working capital	(135)	(354)	(234)	(221)	(231)
Cash flow from operations	562	335	708	891	1,050
Capex - maintenance	-	-	-	-	-
Capex - new investment	-	(456)	(367)	(300)	(300)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	30	(109)	(28)	(9)	(9)
Cash flow from investing	30	(565)	(395)	(309)	(309)
Dividends paid	(300)	(295)	(398)	(463)	(528)
Equity finance	0	0	0	0	0
Debt finance	(129)	19	(10)	(10)	(11)
Other financing cash flows	(1)	(3)	10	8	9
Cash flow from financing	(430)	(278)	(398)	(465)	(530)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	162	(508)	(85)	118	210
Free cash flow to firm (FCFF)	600.43	(220.64)	322.55	594.44	755.37
Free cash flow to equity (FCFE)	461.77	(213.05)	313.20	580.70	738.77

Per share (THB)

FCFF per share	0.30	(0.11)	0.16	0.30	0.38
FCFE per share	0.23	(0.11)	0.16	0.29	0.37
Recurring cash flow per share	0.35	0.34	0.47	0.56	0.64

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	3,031	3,133	3,433	3,733	4,033
Less: Accumulated depreciation	(1,188)	(1,092)	(1,370)	(1,709)	(2,108)
Tangible fixed assets (net)	1,842	2,041	2,063	2,024	1,925
Intangible fixed assets (net)	6	6	11	11	11
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	69	180	180	180	180
Cash & equivalents	1,176	668	583	700	910
A/C receivable	850	998	1,123	1,259	1,400
Inventories	989	1,217	1,362	1,510	1,666
Other current assets	23	44	50	56	62
Current assets	3,039	2,927	3,117	3,524	4,038
Other assets	50	51	73	82	91
Total assets	5,006	5,204	5,444	5,821	6,246
Common equity	4,224	4,373	4,572	4,881	5,233
Minorities etc.	12	23	22	24	26
Total shareholders' equity	4,237	4,397	4,594	4,905	5,259
Long term debt	156	157	147	136	125
Other long-term liabilities	61	58	68	77	85
Long-term liabilities	217	215	215	213	211
A/C payable	487	528	561	622	686
Short term debt	12	10	10	11	11
Other current liabilities	53	54	64	71	79
Current liabilities	552	593	634	704	776
Total liabilities and shareholders' equity	5,006	5,204	5,444	5,821	6,246
Net working capital	1,323	1,676	1,910	2,131	2,363
Invested capital	3,290	3,954	4,237	4,428	4,570

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

Per share (THB)

Book value per share	2.11	2.19	2.29	2.44	2.62
Tangible book value per share	2.11	2.18	2.28	2.43	2.61

Financial strength

Net debt/equity (%)	(23.8)	(11.4)	(9.3)	(11.3)	(14.7)
Net debt/total assets (%)	(20.1)	(9.6)	(7.8)	(9.5)	(12.4)
Current ratio (x)	5.5	4.9	4.9	5.0	5.2
CF interest cover (x)	53.1	27.5	74.0	74.4	71.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	45.9	47.5	32.8	28.2	24.8
Recurring P/E @ target price (x) *	56.8	58.8	40.7	35.0	30.7
Reported P/E (x)	51.9	45.2	32.8	28.2	24.8
Dividend yield (%)	1.4	0.9	1.8	2.1	2.4
Price/book (x)	5.2	5.0	4.8	4.5	4.2
Price/tangible book (x)	5.2	5.0	4.8	4.5	4.2
EV/EBITDA (x) **	25.7	26.4	19.4	16.4	14.1
EV/EBITDA @ target price (x) **	32.1	32.8	24.1	20.4	17.6
EV/invested capital (x)	6.3	5.4	5.1	4.8	4.6

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

Sources: R&B Food Supply; 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

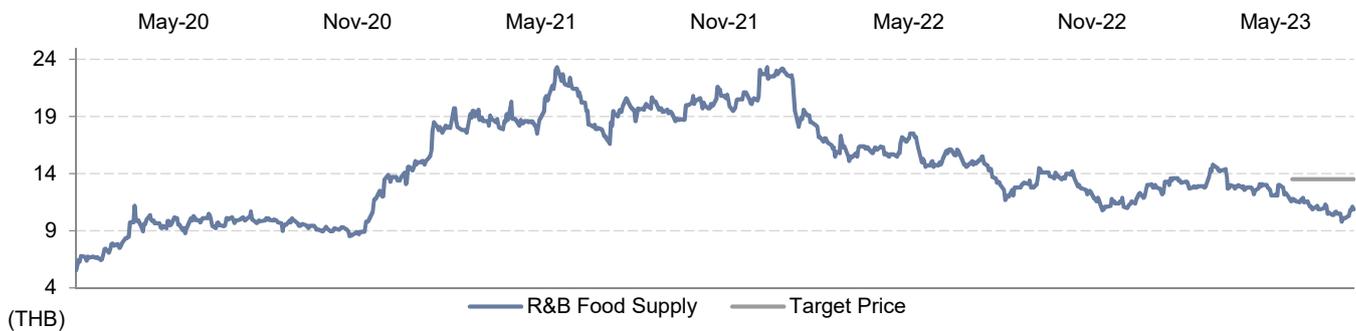
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History of change in investment rating and/or target price

R&B Food Supply (RBF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Mar-2023	BUY	13.50	-	-	-	-	-	-

Sureeporn Teewasuwet started covering this stock from 20-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
R&B Food Supply	RBF TB	THB 10.90	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material costs; 3) a weaker THB than expected; and 4) a slower-than-expected India expansion.

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 12-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.