

ASSET WORLD CORP

THAILAND / PROPERTY DEVELOPMENT

AWC TB

BUY

UNCHANGED

Expanding luxury footprint in NYC

- Acquiring and renovating the Plaza Athenee New York Hotel, with a total project value of THB15.0b
- Reasonable acquisition price based on appraisal value of THB8.7b and 13x 2028E EV/EBITDA.
- Maintain BUY with 2023 DCF-based TP of THB6.8/shr.

TARGET PRICE	THB6.80
CLOSE	THB4.96
UP/DOWNSIDE	+37.1%
TP vs CONSENSUS	+10.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	9,508	15,152	18,890	20,538
Net profit	3,854	4,607	6,185	6,601
EPS (THB)	0.12	0.14	0.19	0.21
vs Consensus (%)	-	150.0	81.0	54.4
EBITDA	2,750	5,561	7,681	8,562
Core net profit	(49)	2,107	3,685	4,101
Core EPS (THB)	0.00	0.07	0.12	0.13
EPS growth (%)	nm	nm	74.9	11.3
Core P/E (x)	(3,213.6)	75.3	43.1	38.7
Dividend yield (%)	0.6	0.5	0.9	1.0
EV/EBITDA (x)	80.1	39.8	28.9	25.7
Price/book (x)	1.9	1.8	1.7	1.6
Net debt/Equity (%)	74.3	72.5	68.9	63.5
ROE (%)	(0.1)	2.5	4.1	4.3

Acquiring and rebranding a hotel to capture the ultra-luxury segment

AWC announced the acquisition of a 100% share of Plaza Athenee New York Hotel, including the right to use the Plaza Athenee brand, for a total value of THB7.8b (USD226m). AWC will acquire an 18% share in the first stage in July 2023 and acquire the remaining 82% within 10 years (likely by 2028 when the hotel reaches maturity). The hotel is freehold with 145 rooms and is located in a prime area of Manhattan Island. AWC plans to spend THB7.2b (USD208m) to renovate and rebrand to the Hotel Plaza Athenee Nobu and Spa New York (scheduled to open in 1Q26). Sources of funds for both the acquisition and hotel renovations are bank loans and internal cash flow. The transaction is subject to EGM approval on 26 July.

Transaction implying 13x EV/EBITDA and 31x 2028E P/E

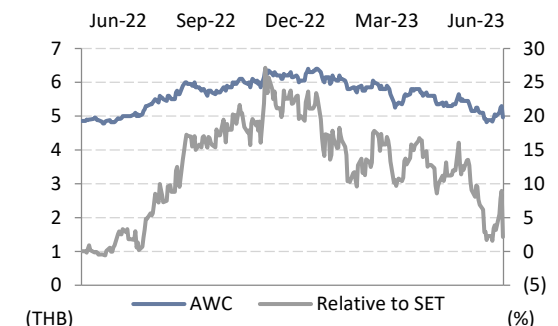
AWC expects the hotel to reach maturity in 2028 and generate revenue of up to THB3.0b, based on an ADR assumption of USD1,225 in 2026, which is in line with the compset (e.g. USD1,600 for The Mark Hotel and USD1,200 for St. Regis New York), and EBITDA of THB1.1b (implying a 37% EBITDA margin and 7% EBITDA yield) with a profit of THB0.5b. This implies an acquisition price of 13x EV/EBITDA and 31x P/E, relatively in line with the hotel sector's valuation. Plus, the acquisition price of THB7.8b is lower than the appraisal value of THB8.7b by CBRE.

AWC's profit should be dragged by only 2% during development

AWC's share price plunged 6% yesterday amid concerns of the project's drag on performance. However, we estimate a minimal impact on AWC's P/L during the project development period of only 1-2%, mainly from interest expenses from the share acquisition. Expenses related to the renovation plan should be capitalised. The hotel should reach breakeven within two years of operation. We suggest investors focus on AWC's organic growth from the recovery of high-spending inbound tourists.

The project should provide more upside

We have not incorporated this project into our forecast yet, pending EGM approval. However, we estimate that it has the potential to lift AWC's core profit by c5% and our DCF valuation by c5%, based on an 11% IRR. We see the weak share price as an opportunity to accumulate the stock to capture the strong earnings growth momentum over the next three years.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.0)	(7.3)	2.5
Relative to country (%)	(9.9)	(6.9)	4.8
Mkt cap (USD m)	4,560		
3m avg. daily turnover (USD m)	5.4		
Free float (%)	25		
Major shareholder	TCC Business Management (45%)		
12m high/low (THB)	6.55/4.74		
Issued shares (m)	32,000.77		

Sources: Bloomberg consensus; FSSIA estimates



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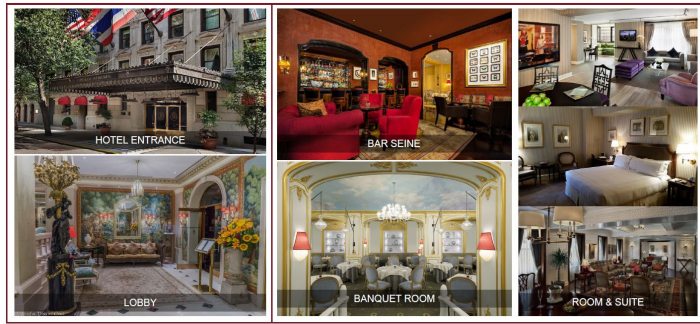
Exhibit 1: Project summary

ASSET TYPE	Hotel & Townhouse
OWNERSHIP	FREEHOLD, owned by Plaza Athenee Hotel Co., Ltd. (US Co)
LAND	Asset Group 1: Hotel: 0.23 acres (10,041 square feet) Asset Group 2: Townhouse: 0.05 acres (2,020 square feet) Total 0.28 acres (12,061 square feet)
LOCATION	37 East 64 th Street, NY, 10065, United States
LAND USE	R8B (Residential areas that can apply for permission to use the building as a hotel according to the Zoning Resolution ("ZR") § 32-02(c)(1) and (2))
BUILDING	The hotel building is 16 stories tall and includes a basement and rooftop. Additionally, there is a 2-story row house building with a total of 141 rooms and a usable area of 14,772 square meters.
CONSTRUCTION AREA	Main Building 125,274 square feet Townhouse 6,012 square feet



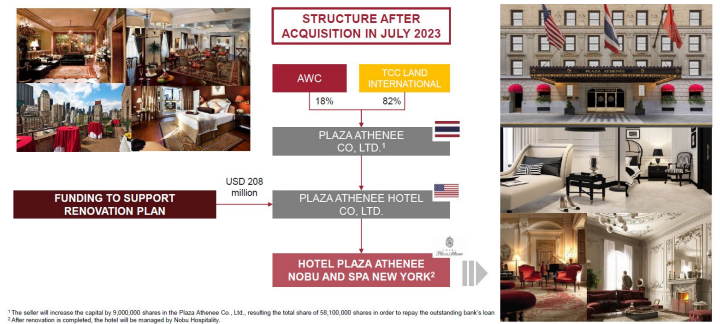
Source: AWC

Exhibit 2: Current state of the hotel



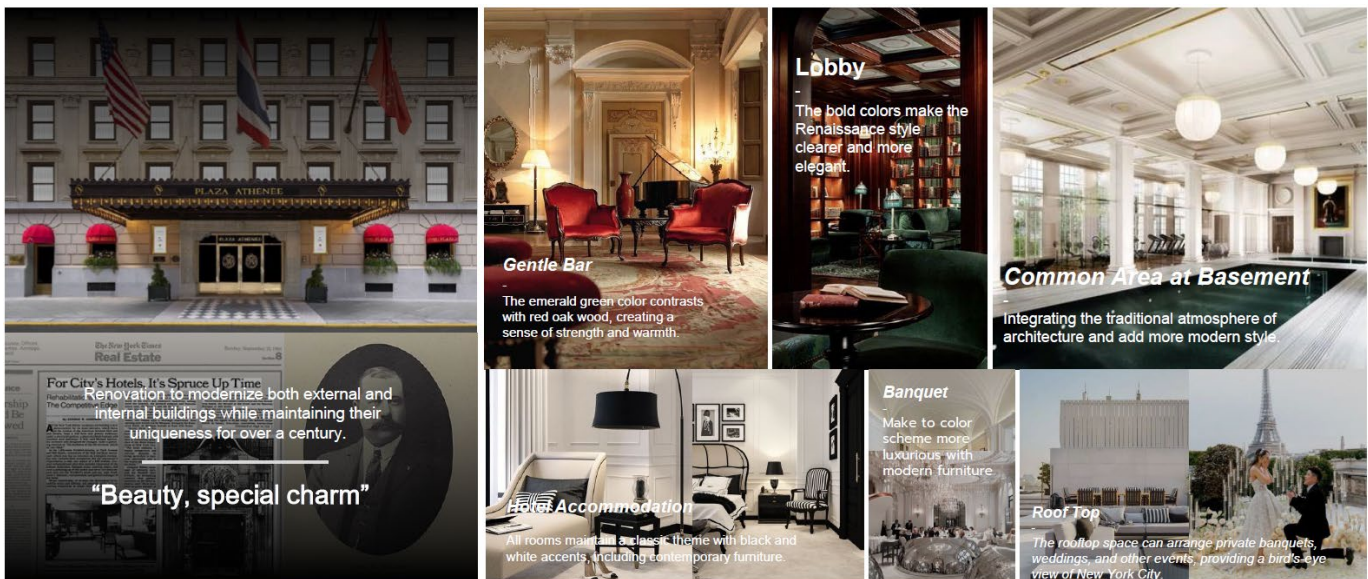
Source: AWC

Exhibit 3: Renovation plan



Source: AWC

Exhibit 4: Renovation design overview



Source: AWC

Financial Statements

Asset World Corp

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,245	9,508	15,152	18,890	20,538
Cost of goods sold	(3,585)	(5,182)	(8,039)	(8,946)	(9,446)
Gross profit	660	4,326	7,113	9,944	11,092
Other operating income	94	77	80	83	86
Operating costs	(2,304)	(3,254)	(3,333)	(4,137)	(4,477)
Operating EBITDA	55	2,750	5,561	7,681	8,562
Depreciation	(1,605)	(1,600)	(1,702)	(1,791)	(1,862)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(1,551)	1,150	3,859	5,890	6,700
Net financing costs	(1,180)	(1,225)	(1,492)	(1,551)	(1,574)
Associates	0	(1)	(1)	(1)	(1)
Recurring non-operating income	0	(1)	(1)	(1)	(1)
Non-recurring items	3,109	3,903	2,500	2,500	2,500
Profit before tax	379	3,827	4,867	6,838	7,626
Tax	483	27	(260)	(653)	(1,025)
Profit after tax	861	3,854	4,607	6,185	6,601
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	861	3,854	4,607	6,185	6,601
Non-recurring items & goodwill (net)	(3,109)	(3,903)	(2,500)	(2,500)	(2,500)
Recurring net profit	(2,248)	(49)	2,107	3,685	4,101
Per share (THB)					
Recurring EPS *	(0.07)	0.00	0.07	0.12	0.13
Reported EPS	0.03	0.12	0.14	0.19	0.21
DPS	0.01	0.03	0.03	0.05	0.05
Diluted shares (used to calculate per share data)	32,000	32,001	32,001	32,001	32,001
Growth					
Revenue (%)	(29.1)	124.0	59.4	24.7	8.7
Operating EBITDA (%)	(95.3)	4,930.5	102.3	38.1	11.5
Operating EBIT (%)	nm	nm	235.7	52.6	13.8
Recurring EPS (%)	nm	nm	nm	74.9	11.3
Reported EPS (%)	nm	347.3	19.5	34.3	6.7
Operating performance					
Gross margin inc. depreciation (%)	15.5	45.5	46.9	52.6	54.0
Gross margin exc. depreciation (%)	53.4	62.3	58.2	62.1	63.1
Operating EBITDA margin (%)	1.3	28.9	36.7	40.7	41.7
Operating EBIT margin (%)	(36.5)	12.1	25.5	31.2	32.6
Net margin (%)	(53.0)	(0.5)	13.9	19.5	20.0
Effective tax rate (%)	17.7	35.5	11.0	15.1	20.0
Dividend payout on recurring profit (%)	(15.3)	(2,073.3)	40.0	40.0	40.0
Interest cover (X)	(1.3)	0.9	2.6	3.8	4.3
Inventory days	8.8	5.4	4.8	5.8	5.9
Debtor days	60.0	29.4	20.7	16.6	15.3
Creditor days	285.4	182.3	161.7	194.8	200.8
Operating ROIC (%)	(1.0)	0.5	2.2	3.1	3.3
ROIC (%)	(1.0)	0.5	2.2	3.1	3.2
ROE (%)	(3.0)	(0.1)	2.5	4.1	4.3
ROA (%)	(1.0)	0.5	2.1	3.0	3.1
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Hotel revenue	1,770	6,422	11,067	13,914	15,231
Retail and office revenue	2,475	3,086	4,084	4,976	5,307

Sources: Asset World Corp; FSSIA estimates

Financial Statements

Asset World Corp

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(2,248)	(49)	2,107	3,685	4,101
Depreciation	1,605	1,600	1,702	1,791	1,862
Associates & minorities	-	-	-	-	-
Other non-cash items	11,462	4,368	2,359	2,359	2,359
Change in working capital	179	173	1,583	496	256
Cash flow from operations	10,999	6,091	7,751	8,331	8,578
Capex - maintenance	(15,760)	(18,066)	(7,814)	(8,026)	(5,440)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(15,760)	(18,066)	(7,814)	(8,026)	(5,440)
Dividends paid	0	(344)	(1,024)	(843)	(1,474)
Equity finance	9	11	0	0	0
Debt finance	4,372	12,327	2,000	3,000	0
Other financing cash flows	279	132	0	0	0
Cash flow from financing	4,660	12,126	976	2,157	(1,474)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(101)	151	913	2,463	1,664
Free cash flow to firm (FCFF)	(3,580.50)	(10,748.79)	1,430.70	1,863.65	4,735.42
Free cash flow to equity (FCFE)	(110.54)	484.10	1,937.33	3,305.28	3,138.05

Per share (THB)

FCFF per share	(0.11)	(0.34)	0.04	0.06	0.15
FCFE per share	0.00	0.02	0.06	0.10	0.10
Recurring cash flow per share	0.34	0.18	0.19	0.24	0.26

Balance Sheet (THB m) Year Ending Dec

	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	145,402	163,586	169,040	174,707	177,788
Less: Accumulated depreciation	(9,406)	(11,003)	(10,204)	(9,496)	(8,858)
Tangible fixed assets (net)	135,996	152,583	158,836	165,211	168,930
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	128	279	1,193	3,655	5,319
A/C receivable	674	860	860	860	860
Inventories	46	60	106	120	127
Other current assets	56	82	131	163	177
Current assets	905	1,281	2,289	4,797	6,483
Other assets	1,996	2,590	2,590	2,590	2,590
Total assets	138,897	156,454	163,715	172,599	178,003
Common equity	79,207	82,860	86,442	91,785	96,911
Minorities etc.	0	0	0	0	0
Total shareholders' equity	79,207	82,860	86,442	91,785	96,911
Long term debt	45,717	56,306	58,306	61,306	61,306
Other long-term liabilities	8,332	9,511	9,511	9,511	9,511
Long-term liabilities	54,049	65,817	67,817	70,817	70,817
A/C payable	1,551	2,027	3,587	4,050	4,293
Short term debt	3,812	5,550	5,550	5,550	5,550
Other current liabilities	279	200	318	397	431
Current liabilities	5,641	7,777	9,455	9,997	10,274
Total liabilities and shareholders' equity	138,897	156,454	163,715	172,599	178,003
Net working capital	(1,053)	(1,225)	(2,809)	(3,304)	(3,560)
Invested capital	136,940	153,948	158,617	164,497	167,960

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

Per share (THB)

Book value per share	2.48	2.59	2.70	2.87	3.03
Tangible book value per share	2.48	2.59	2.70	2.87	3.03

Financial strength

Net debt/equity (%)	62.4	74.3	72.5	68.9	63.5
Net debt/total assets (%)	35.6	39.4	38.3	36.6	34.6
Current ratio (x)	0.2	0.2	0.2	0.5	0.6
CF interest cover (x)	0.9	1.4	2.3	3.1	3.0

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(70.6)	(3,213.6)	75.3	43.1	38.7
Recurring P/E @ target price (x) *	(96.8)	(4,405.8)	103.3	59.0	53.1
Reported P/E (x)	184.2	41.2	34.5	25.7	24.0
Dividend yield (%)	0.2	0.6	0.5	0.9	1.0
Price/book (x)	2.0	1.9	1.8	1.7	1.6
Price/tangible book (x)	2.0	1.9	1.8	1.7	1.6
EV/EBITDA (x) **	3,807.7	80.1	39.8	28.9	25.7
EV/EBITDA @ target price (x) **	4,885.0	101.5	50.4	36.6	32.6
EV/invested capital (x)	1.5	1.4	1.4	1.3	1.3

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

Sources: Asset World Corp; 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

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

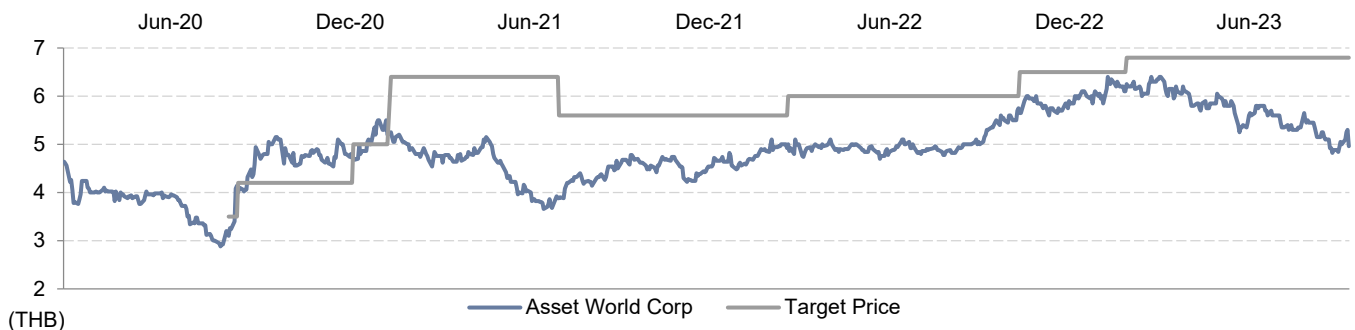
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History of change in investment rating and/or target price

Asset World Corp (AWC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Nov-2020	HOLD	3.50	19-Mar-2021	BUY	6.40	07-Sep-2022	BUY	6.50
11-Nov-2020	HOLD	4.20	11-Aug-2021	BUY	5.60	07-Dec-2022	BUY	6.80
17-Feb-2021	HOLD	5.00	22-Feb-2022	BUY	6.00			

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Asset World Corp	AWC TB	THB 4.96	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

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All share prices are as at market close on 15-Jun-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.