

COM7 COM7 TB

THAILAND / COMMERCE

BUY

 UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB40.00
CLOSE	THB27.25
UP/DOWNSIDE	+46.8%
TP vs CONSENSUS	+7.1%

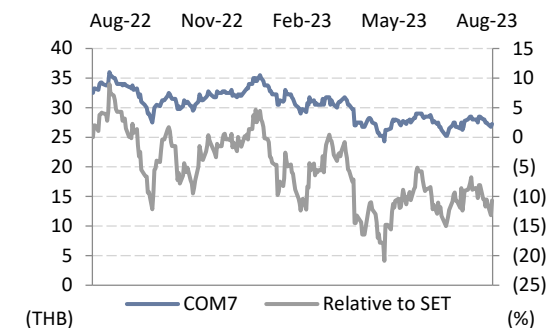
COM7 reported a 2Q23 net profit of THB704m, missing BBG's consensus estimate by 7%

Highlights

- COM7 reported a 2Q23 net profit of THB704m, decreasing 19% q-q due to seasonal factors and increasing by 14% y-y from sales growth and a higher margin.
- COM7's revenue of THB16b softened 7% q-q due to seasonal factors and increased by 11% y-y from a private consumption and tourism sector recovery, resulting in SSSG of 10% y-y.
- COM7's 2Q23 gross margin increased to 14.5% (vs 1Q23's 13.8% and 2Q22's 13.2%), mainly from a higher proportion of revenue from Android (higher margin than Apple) smartphones, which grew well.
- COM7's SG&A to sales rose to 8.6% (vs 1Q23's 7.4% and 2Q22's 8.0%) due mainly to 1) pre-operating expenses on store expansions; 2) higher electricity costs; and 3) higher credit card fees.
- In 2Q23, there were other expenses for two items amounting to THB75m: 1) a higher provision for doubtful accounts in the Ufund business, which amounted to THB44m; and 2) a loss from the fair value measurement of NCAP-W1, which amounted to THB31m.
- COM7's 1H23 net profit accounts for 46% of our full-year forecast, and we have a positive outlook in 2H23 from 1) the new iPhone 15 launch in 3Q23; 2) the company is more focused on higher-margin products such as accessories; and 3) lower electricity costs. Therefore, we maintain our 2023E net profit of THB3.4b (+13% y-y).

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	62,733	76,419	91,186	100,226
Net profit	3,038	3,430	4,137	4,543
EPS (THB)	1.27	1.44	1.73	1.90
vs Consensus (%)	-	(1.0)	1.7	(3.4)
EBITDA	4,689	5,083	6,059	6,429
Recurring net profit	3,038	3,430	4,137	4,543
Core EPS (THB)	1.27	1.44	1.73	1.90
EPS growth (%)	(41.9)	12.9	20.6	9.8
Core P/E (x)	21.4	18.9	15.7	14.3
Dividend yield (%)	1.8	3.7	4.2	5.1
EV/EBITDA (x)	14.7	13.5	11.4	10.7
Price/book (x)	9.1	8.0	6.8	6.0
Net debt/Equity (%)	53.1	41.9	40.3	35.6
ROE (%)	48.8	44.8	46.7	44.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.9	2.8	(17.4)
Relative to country (%)	0.0	5.8	(12.5)
Mkt cap (USD m)	1,858		
3m avg. daily turnover (USD m)	7.0		
Free float (%)	46		
Major shareholder	Sura Khanittaweekul (25%)		
12m high/low (THB)	36.25/24.10		
Issued shares (m)	2,400.00		

Sources: Bloomberg consensus; FSSIA estimates



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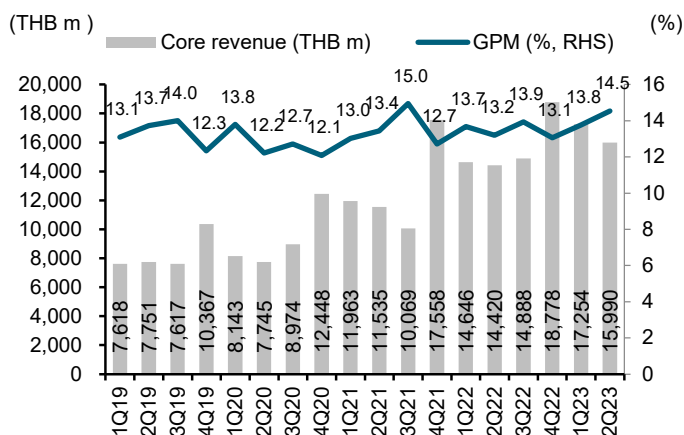
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Exhibit 1: COM7 – 2Q23 operations summary

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23	Change		2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)
Revenue	14,420	14,888	18,778	17,254	15,990	(7)	11	76,419	22
COGS	(12,517)	(12,813)	(16,325)	(14,878)	(13,665)	(8)	9	(66,156)	22
Gross profit	1,904	2,075	2,454	2,376	2,325	(2)	22	10,263	22
Operating costs	(1,153)	(1,202)	(1,303)	(1,284)	(1,378)	7	20	(5,999)	28
Operating profit	750	874	1,151	1,091	947	(13)	26	4,264	14
Other income	23	163	45	9	46	385	99	76	(69)
Other gains (losses)	0	(88)	(0)	(28)	(75)	173	n/a	0	(100)
FX Gain (Loss)	1	4	(4)	(6)	0	(100)	(100)	0	(100)
Interest expense	(24)	(25)	(36)	(39)	(53)	36	121	(101)	(2)
Profit before tax	750	928	1,157	1,028	864	(16)	15	4,239	12
Tax	(132)	(198)	(248)	(184)	(149)	(19)	13	(848)	10
Associates	2	3	20	45	7	(84)	238	39	(14)
Minority interests	0	(8)	(19)	(15)	(18)	22	nm	0	(100)
Non recurring items	0	0	0	0	0	n/a	n/a	0	n/a
Reported net profit	620	725	910	874	704	(19)	14	3,430	13
Recurring net profit	620	725	910	874	704	(19)	14	3,430	13
EPS (THB)	0.26	0.30	0.38	0.37	0.30	(19)	14	1.44	13
Recurring EPS (THB)	0.26	0.30	0.38	0.37	0.30	(19)	14	1.44	13
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)
Gross margin	13.2	13.9	13.1	13.8	14.5	0.8	1.3	13.4	(0.0)
Operating margin	5.4	6.4	6.1	6.2	5.7	(0.4)	0.4	5.6	(0.4)
Recurring net margin	4.3	4.9	4.8	5.1	4.4	(0.7)	0.1	4.5	(0.4)
SG&A / Sales	8.0	8.1	6.9	7.4	8.6	1.2	0.6	7.9	0.4
						(q-q%)	(y-y%)		
Number of stores (no.)	1,045	1,113	1,160	1,284	1,287	0.2	23		

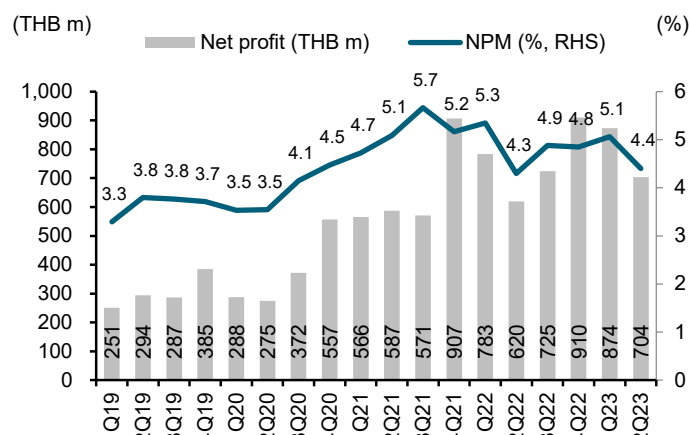
Sources: COM7; FSSIA estimates

Exhibit 2: Core revenue and GPM



Sources: COM7; FSSIA's compilation

Exhibit 3: Net profit and NPM



Sources: COM7; FSSIA's compilation

Financial Statements

Com7

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	51,126	62,733	76,419	91,186	100,226
Cost of goods sold	(44,281)	(54,298)	(66,156)	(78,940)	(86,766)
Gross profit	6,846	8,435	10,263	12,246	13,460
Other operating income	28	248	76	91	100
Operating costs	(3,761)	(4,790)	(5,999)	(7,113)	(7,818)
Operating EBITDA	3,900	4,689	5,083	6,059	6,429
Depreciation	(787)	(796)	(742)	(834)	(686)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	3,113	3,893	4,341	5,225	5,743
Net financing costs	(26)	(105)	(101)	(107)	(126)
Associates	97	45	39	43	49
Recurring non-operating income	97	45	39	43	49
Non-recurring items	0	0	0	0	0
Profit before tax	3,183	3,832	4,278	5,160	5,666
Tax	(555)	(769)	(848)	(1,024)	(1,123)
Profit after tax	2,629	3,064	3,430	4,137	4,543
Minority interests	2	(26)	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2,630	3,038	3,430	4,137	4,543
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	2,630	3,038	3,430	4,137	4,543
Per share (THB)					
Recurring EPS *	2.19	1.27	1.44	1.73	1.90
Reported EPS	2.19	1.27	1.44	1.73	1.90
DPS	1.00	0.50	1.02	1.16	1.40
Diluted shares (used to calculate per share data)	1,200	2,385	2,385	2,385	2,385
Growth					
Revenue (%)	37.0	22.7	21.8	19.3	9.9
Operating EBITDA (%)	62.4	20.2	8.4	19.2	6.1
Operating EBIT (%)	75.8	25.1	11.5	20.4	9.9
Recurring EPS (%)	76.5	(41.9)	12.9	20.6	9.8
Reported EPS (%)	76.5	(41.9)	12.9	20.6	9.8
Operating performance					
Gross margin inc. depreciation (%)	13.4	13.4	13.4	13.4	13.4
Gross margin exc. depreciation (%)	14.9	14.7	14.4	14.3	14.1
Operating EBITDA margin (%)	7.6	7.5	6.7	6.6	6.4
Operating EBIT margin (%)	6.1	6.2	5.7	5.7	5.7
Net margin (%)	5.1	4.8	4.5	4.5	4.5
Effective tax rate (%)	17.4	20.1	19.8	19.8	19.8
Dividend payout on recurring profit (%)	45.6	39.5	70.6	66.7	73.3
Interest cover (X)	123.6	37.4	43.2	49.1	46.1
Inventory days	41.4	46.2	43.5	42.3	43.8
Debtor days	12.7	18.7	18.2	17.2	17.8
Creditor days	31.8	34.2	30.7	31.3	32.4
Operating ROIC (%)	51.3	42.6	40.5	44.3	(10.9)
ROIC (%)	37.9	30.2	27.3	29.6	(7.3)
ROE (%)	57.6	48.8	44.8	46.7	44.8
ROA (%)	21.0	17.9	17.0	18.1	17.7

* Pre exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Phone	28,631	35,130	42,795	51,064	56,127
Tablet	7,669	9,410	11,463	13,678	15,034
IT Product	6,135	7,528	9,170	10,942	12,027
Accessories	6,135	7,528	9,170	10,942	12,027

Sources: Com7; FSSIA estimates

Financial Statements

Com7

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	2,630	3,038	3,430	4,137	4,543
Depreciation	787	796	742	834	686
Associates & minorities	(97)	(45)	(39)	(43)	(49)
Other non-cash items	144	148	140	150	175
Change in working capital	(2,271)	(2,371)	160	(1,249)	(782)
Cash flow from operations	1,195	1,566	4,434	3,829	4,573
Capex - maintenance	-	-	-	-	-
Capex - new investment	(833)	(792)	(1,053)	(895)	(609)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(924)	(1,236)	(554)	(446)	(373)
Cash flow from investing	(1,757)	(2,028)	(1,607)	(1,341)	(982)
Dividends paid	(1,199)	(1,619)	(2,421)	(2,761)	(3,330)
Equity finance	(3)	(103)	0	0	0
Debt finance	2,515	1,135	576	(343)	(108)
Other financing cash flows	(23)	548	(58)	(68)	(93)
Cash flow from financing	1,290	(38)	(1,904)	(3,172)	(3,531)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	729	(500)	923	(684)	60
Free cash flow to firm (FCFF)	(513.34)	(359.16)	2,927.86	2,594.95	3,716.47
Free cash flow to equity (FCFE)	1,930.95	1,221.11	3,343.99	2,076.74	3,389.97

Per share (THB)

FCFF per share	(0.21)	(0.15)	1.22	1.08	1.55
FCFE per share	0.80	0.51	1.39	0.87	1.41
Recurring cash flow per share	2.89	1.65	1.79	2.13	2.25

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	4,061	4,863	5,645	6,428	7,261
Less: Accumulated depreciation	(2,259)	(3,040)	(3,637)	(4,414)	(5,371)
Tangible fixed assets (net)	1,801	1,823	2,008	2,014	1,890
Intangible fixed assets (net)	297	531	656	712	759
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	774	1,517	1,517	1,517	1,517
Cash & equivalents	1,851	1,350	2,273	1,589	1,648
A/C receivable	2,707	3,716	3,912	4,668	5,131
Inventories	6,208	7,333	8,249	9,843	10,819
Other current assets	1,120	963	1,163	1,388	1,576
Current assets	11,886	13,362	15,597	17,488	19,175
Other assets	1,207	1,930	2,352	2,827	3,224
Total assets	15,966	19,162	22,131	24,558	26,564
Common equity	5,285	7,154	8,163	9,539	10,752
Minorities etc.	16	97	97	97	97
Total shareholders' equity	5,301	7,252	8,261	9,636	10,849
Long term debt	-	-	-	-	-
Other long-term liabilities	1,203	1,307	1,539	1,694	1,778
Long-term liabilities	1,203	1,307	1,539	1,694	1,778
A/C payable	5,106	4,909	6,101	7,280	8,002
Short term debt	3,801	5,204	5,731	5,471	5,512
Other current liabilities	556	490	498	476	422
Current liabilities	9,462	10,603	12,330	13,227	13,937
Total liabilities and shareholders' equity	15,966	19,162	22,131	24,558	26,564
Net working capital	4,374	6,612	6,725	8,143	9,102
Invested capital	8,454	12,413	13,259	15,213	16,492

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

Per share (THB)

Book value per share	4.40	3.00	3.42	4.00	4.51
Tangible book value per share	4.16	2.78	3.15	3.70	4.19

Financial strength

Net debt/equity (%)	36.8	53.1	41.9	40.3	35.6
Net debt/total assets (%)	12.2	20.1	15.6	15.8	14.5
Current ratio (x)	1.3	1.3	1.3	1.3	1.4
CF interest cover (x)	107.4	20.1	44.4	28.7	32.8

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	12.4	21.4	18.9	15.7	14.3
Recurring P/E @ target price (x) *	18.2	31.4	27.8	23.1	21.0
Reported P/E (x)	12.4	21.4	18.9	15.7	14.3
Dividend yield (%)	3.7	1.8	3.7	4.2	5.1
Price/book (x)	6.2	9.1	8.0	6.8	6.0
Price/tangible book (x)	6.6	9.8	8.7	7.4	6.5
EV/EBITDA (x) **	8.9	14.7	13.5	11.4	10.7
EV/EBITDA @ target price (x) **	12.8	21.2	19.5	16.4	15.5
EV/invested capital (x)	4.1	5.6	5.2	4.5	4.2

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

Sources: Com7; 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).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

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.

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Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Com7 (COM7 TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
26-Jan-2023	BUY	40.00	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 26-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Com7	COM7 TB	THB 27.25	BUY	Downside risks to our P/E-based TP include 1) lower consumer spending; 2) store cannibalisation; and 3) product shortages.

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 08-Aug-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.