

SUPALAI SPALI TB

THAILAND / PROPERTY DEVELOPMENT

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB24.00
CLOSE	THB20.40
UP/DOWNSIDE	+17.6%
TP vs CONSENSUS	-5.3%

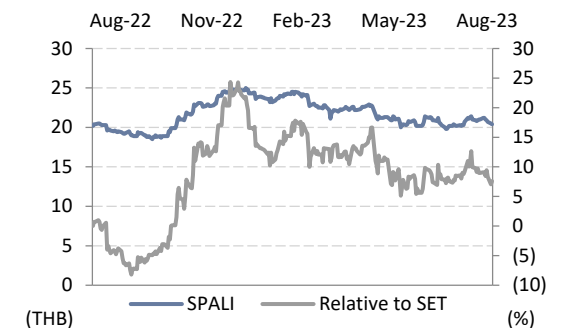
2Q23 profit beat our and consensus estimates

Highlights

- SPALI posted a 2Q23 net profit of THB1.7b (+57% q-q, -18% y-y), beating our forecast and BBG's consensus estimate by 11% and 7%, respectively, due to higher-than-expected other income.
- Overall 2Q23 results were in line with our estimates. The q-q improvement came from a transfer recovery, but the y-y drop was due to a narrower property gross margin.
- 2Q23 transfers remained stable compared to 2Q22's and grew 43% q-q to THB8.1b, split 65:35 between low-rise and condo transfers. Low-rise transfers rose 29% q-q and 12% y-y to THB5b, supported by the continuous realisation of the backlog. Meanwhile, condo transfers amounted to THB3.1b, surging 76% q-q from one newly built condo named Supalai Loft Sathorn-Ratchapruek (worth THB1.5b, sold out), but dropping 16% y-y due to fewer new condos.
- Share of profits from its JVs jumped by 93% q-q and 54% y-y to THB127m in 2Q23 on more transfers from Australia projects.
- Its property gross margin shrank to 35% in 2Q23 (vs 36.4% in 1Q23 and 39.5% in 2Q22), mainly due to the increasing proportion of Australia project transfers which had a lower margin than Thai projects.
- SPALI's 1H23 performance was equal to THB2.8b (-15% y-y), accounting for 44% of our 2023 profit forecast. SPALI has announced a DPS of THB0.70 for its performance in 1H23, implying a dividend yield of 3.4%. The stock's XD is on 22 August and the dividend will be paid on 6 September 2023.
- We project 3Q23 profit to recover q-q from the continuous realisation of new condos from 2Q23, plus one newly built condo named Supalai Premier Si Phraya-Samyang (worth THB2.3b, sold out), as well as more new low-rise launches. However, earnings should continue to decrease y-y from the high base in 3Q22.
- We maintain our 2023E net profit of THB6.3b (-23% y-y). SPALI had a backlog of THB19.8b at end-2Q23. Of that, it will book THB11.6b this year, which is enough to secure 78% of our 2023 transfer estimate.
- We see an unexciting 2H23 outlook and slower performance this year. However, the stock trades at 6.3x 2023E P/E, below its historical average of 7x. We maintain our BUY call with the same target price at THB24.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	34,486	32,565	33,865	32,357
Net profit	8,173	6,332	6,612	6,173
EPS (THB)	4.18	3.24	3.39	3.16
vs Consensus (%)	-	(10.6)	(11.4)	(21.9)
EBITDA	9,514	8,000	8,358	7,815
Recurring net profit	8,173	6,332	6,612	6,173
Core EPS (THB)	4.18	3.24	3.39	3.16
EPS growth (%)	27.0	(22.5)	4.4	(6.6)
Core P/E (x)	4.9	6.3	6.0	6.5
Dividend yield (%)	7.1	6.4	6.4	6.4
EV/EBITDA (x)	6.7	7.7	7.4	8.2
Price/book (x)	0.9	0.8	0.7	0.7
Net debt/Equity (%)	48.9	40.1	37.6	38.8
ROE (%)	18.5	13.1	12.6	11.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.0	(2.4)	3.0
Relative to country (%)	(0.9)	0.4	9.2
Mkt cap (USD m)	1,139		
3m avg. daily turnover (USD m)	2.9		
Free float (%)	60		
Major shareholder	Tangmatitham Family (30%)		
12m high/low (THB)	25.25/18.50		
Issued shares (m)	1,953.05		

Sources: Bloomberg consensus; FSSIA estimates


Thanyatorn Songwutti

Analyst register no. 101203

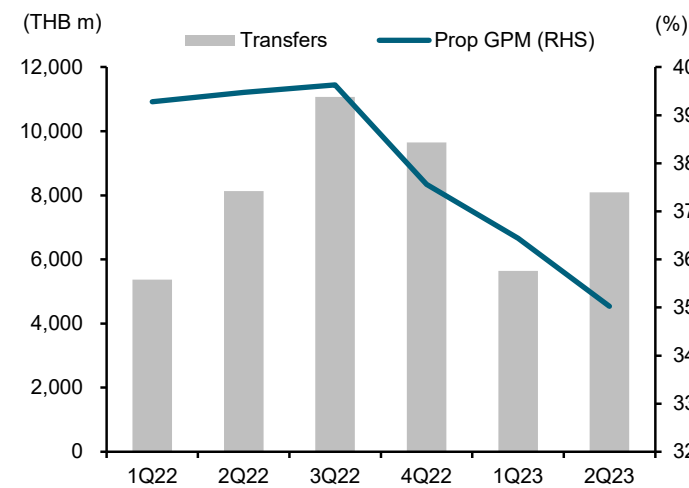
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Exhibit 1: SPALI - 2Q23 operations summary

	2Q22	3Q22	4Q22	1Q23	2Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Total revenue	8,198	11,133	9,723	5,734	8,165	42	(0)
Cost of sales	4,967	6,728	6,071	3,638	5,306	46	7
Gross profit	3,231	4,404	3,652	2,096	2,859	36	(12)
SG&A	940	1,124	1,248	815	957	17	2
Operating profit	4,171	5,528	4,900	2,911	3,816	31	(9)
Other income	357	229	323	168	279	66	(22)
Interest expense	61	75	81	96	103	8	68
Profit before tax	2,587	3,435	2,646	1,353	2,078	54	(20)
Tax	564	729	596	318	483	52	(14)
Associates	83	85	165	66	127	93	54
Reported net profit	2,075	2,749	2,171	1,080	1,701	57	(18)
Normalised profit	2,075	2,749	2,171	1,080	1,701	57	(18)
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)
Property gross margin	39.5	39.6	37.6	36.4	35.0	(1.4)	(4.4)
Gross margin	39.4	39.6	37.6	36.6	35.0	(1.5)	(4.4)
Operating margin	50.9	49.7	50.4	50.8	46.7	(4.0)	(4.1)
Net profit margin	25.3	24.7	22.3	18.8	20.8	2.0	(4.5)
Normalised profit margin	25.3	24.7	22.3	18.8	20.8	2.0	(4.5)
Operating statistics	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Property transfers	8,136	11,068	9,646	5,641	8,089	43	(1)
-- Low-rise	4,475	5,202	5,795	3,893	5,015	29	12
-- High-rise	3,661	5,866	3,851	1,749	3,074	76	(16)
Presales	9,364	6,809	7,408	9,029	8,256	(9)	(12)
-- Low-rise	6,102	4,880	4,787	6,411	4,998	(22)	(18)
-- High-rise	3,262	1,929	2,621	2,618	3,258	24	(0)

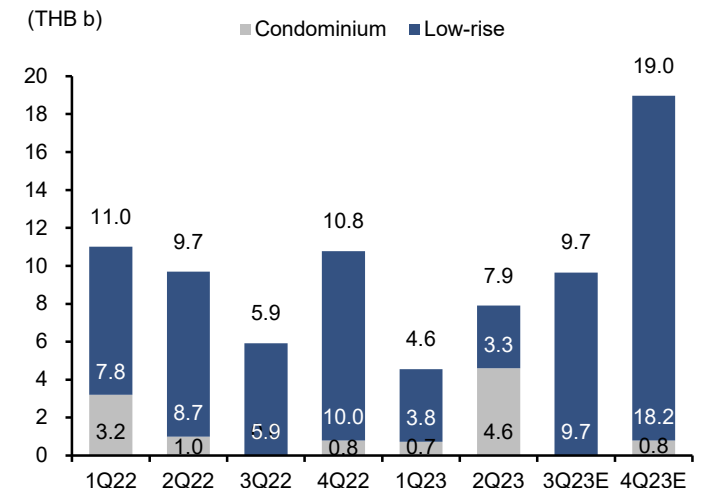
Sources: SPALI; FSSIA's compilation

Exhibit 2: Quarterly transfers and property GPM



Sources: SPALI; FSSIA's compilation

Exhibit 3: Quarterly new launches



Sources: SPALI; FSSIA's compilation

Financial Statements

Supalai

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	29,160	34,486	32,565	33,865	32,357
Cost of goods sold	(17,518)	(21,070)	(20,725)	(21,566)	(20,698)
Gross profit	11,642	13,416	11,840	12,299	11,659
Other operating income	0	0	0	0	0
Operating costs	(3,321)	(4,029)	(3,971)	(4,076)	(3,984)
Operating EBITDA	8,444	9,514	8,000	8,358	7,815
Depreciation	(123)	(127)	(130)	(135)	(140)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	8,321	9,387	7,870	8,224	7,675
Net financing costs	(259)	(277)	(371)	(383)	(415)
Associates	533	390	300	300	300
Recurring non-operating income	1,020	1,405	900	900	900
Non-recurring items	0	0	0	0	0
Profit before tax	9,083	10,515	8,399	8,740	8,160
Tax	(1,943)	(2,212)	(1,887)	(1,941)	(1,808)
Profit after tax	7,139	8,303	6,512	6,799	6,352
Minority interests	(69)	(130)	(180)	(187)	(179)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	7,070	8,173	6,332	6,612	6,173
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	7,070	8,173	6,332	6,612	6,173
Per share (THB)					
Recurring EPS *	3.30	4.18	3.24	3.39	3.16
Reported EPS	3.30	4.18	3.24	3.39	3.16
DPS	1.25	1.45	1.30	1.30	1.30
Diluted shares (used to calculate per share data)	2,146	1,953	1,953	1,953	1,953
Growth					
Revenue (%)	41.6	18.3	(5.6)	4.0	(4.5)
Operating EBITDA (%)	57.4	12.7	(15.9)	4.5	(6.5)
Operating EBIT (%)	58.6	12.8	(16.2)	4.5	(6.7)
Recurring EPS (%)	66.3	27.0	(22.5)	4.4	(6.6)
Reported EPS (%)	66.3	27.0	(22.5)	4.4	(6.6)
Operating performance					
Gross margin inc. depreciation (%)	39.9	38.9	36.4	36.3	36.0
Gross margin exc. depreciation (%)	40.3	39.3	36.8	36.7	36.5
Operating EBITDA margin (%)	29.0	27.6	24.6	24.7	24.2
Operating EBIT margin (%)	28.5	27.2	24.2	24.3	23.7
Net margin (%)	24.2	23.7	19.4	19.5	19.1
Effective tax rate (%)	22.7	21.7	23.3	23.0	23.0
Dividend payout on recurring profit (%)	37.9	34.6	40.0	38.4	41.0
Interest cover (X)	36.1	39.0	23.6	23.8	20.7
Inventory days	1,280.5	1,113.5	1,195.5	1,219.3	1,362.2
Debtor days	0.6	0.5	0.6	0.7	0.7
Creditor days	51.4	47.1	51.8	50.4	52.5
Operating ROIC (%)	11.6	12.3	9.6	9.6	8.3
ROIC (%)	12.0	12.7	9.3	9.3	8.2
ROE (%)	18.0	18.5	13.1	12.6	11.0
ROA (%)	10.5	11.3	8.3	8.3	7.3
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Real estate	28,938	34,222	32,297	33,583	32,061
Rentals & Services	222	264	268	282	296

Sources: Supalai; FSSIA estimates

Financial Statements

Supalai

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	7,070	8,173	6,332	6,612	6,173
Depreciation	123	127	130	135	140
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(2,648)	(5,013)	(1,343)	(4,601)	(5,871)
Cash flow from operations	4,545	3,288	5,119	2,146	443
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,272)	(4,608)	(147)	(135)	(214)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,272)	(4,608)	(147)	(135)	(214)
Dividends paid	(1,864)	(5,111)	(2,533)	(2,539)	(2,531)
Equity finance	324	1,474	180	187	179
Debt finance	(1,442)	4,646	(2,719)	721	1,879
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(2,982)	1,010	(5,072)	(1,631)	(473)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	291	(311)	(101)	380	(244)
Free cash flow to firm (FCFF)	3,532.04	(1,043.62)	5,342.11	2,394.09	644.00
Free cash flow to equity (FCFE)	1,830.99	3,325.97	2,251.95	2,731.95	2,108.17

Per share (THB)

FCFF per share	1.81	(0.53)	2.74	1.23	0.33
FCFE per share	0.94	1.70	1.15	1.40	1.08
Recurring cash flow per share	3.35	4.25	3.31	3.45	3.23

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,850	2,947	3,053	3,169	3,298
Less: Accumulated depreciation	(1,346)	(1,471)	(1,601)	(1,736)	(1,876)
Tangible fixed assets (net)	1,505	1,476	1,451	1,433	1,421
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	1
Invest. in associates & subsidiaries	4,404	8,863	8,955	8,974	9,060
Cash & equivalents	1,626	1,315	1,214	1,594	1,350
A/C receivable	51	38	65	68	65
Inventories	62,104	65,675	69,241	73,936	79,507
Other current assets	1,407	2,065	1,791	1,863	1,780
Current assets	65,188	69,093	72,311	77,460	82,702
Other assets	336	441	488	508	485
Total assets	71,432	79,873	83,207	88,376	93,669
Common equity	42,070	46,514	50,313	54,386	58,030
Minorities etc.	857	949	1,129	1,316	1,495
Total shareholders' equity	42,926	47,463	51,442	55,702	59,524
Long term debt	3,976	3,886	8,338	5,742	5,988
Other long-term liabilities	713	804	829	863	829
Long-term liabilities	4,689	4,690	9,167	6,605	6,817
A/C payable	2,469	2,939	2,902	3,019	2,898
Short term debt	15,913	20,650	13,479	16,796	18,429
Other current liabilities	5,435	4,182	6,218	6,254	6,003
Current liabilities	23,817	27,772	22,598	26,069	27,331
Total liabilities and shareholders' equity	71,432	79,924	83,207	88,376	93,671
Net working capital	55,659	60,657	61,978	66,593	72,450
Invested capital	61,903	71,437	72,874	77,508	83,418

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

Per share (THB)

Book value per share	19.61	23.82	25.76	27.85	29.71
Tangible book value per share	19.61	23.82	25.76	27.85	29.71

Financial strength

Net debt/equity (%)	42.5	48.9	40.1	37.6	38.8
Net debt/total assets (%)	25.6	29.1	24.8	23.7	24.6
Current ratio (x)	2.7	2.5	3.2	3.0	3.0
CF interest cover (x)	13.0	29.7	7.5	8.5	6.6

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	6.2	4.9	6.3	6.0	6.5
Recurring P/E @ target price (x) *	7.3	5.7	7.4	7.1	7.6
Reported P/E (x)	6.2	4.9	6.3	6.0	6.5
Dividend yield (%)	6.1	7.1	6.4	6.4	6.4
Price/book (x)	1.0	0.9	0.8	0.7	0.7
Price/tangible book (x)	1.0	0.9	0.8	0.7	0.7
EV/EBITDA (x) **	7.4	6.7	7.7	7.4	8.2
EV/EBITDA @ target price (x) **	8.4	7.5	8.6	8.3	9.1
EV/invested capital (x)	1.0	0.9	0.8	0.8	0.8

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

Sources: Supalai; 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 **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

Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

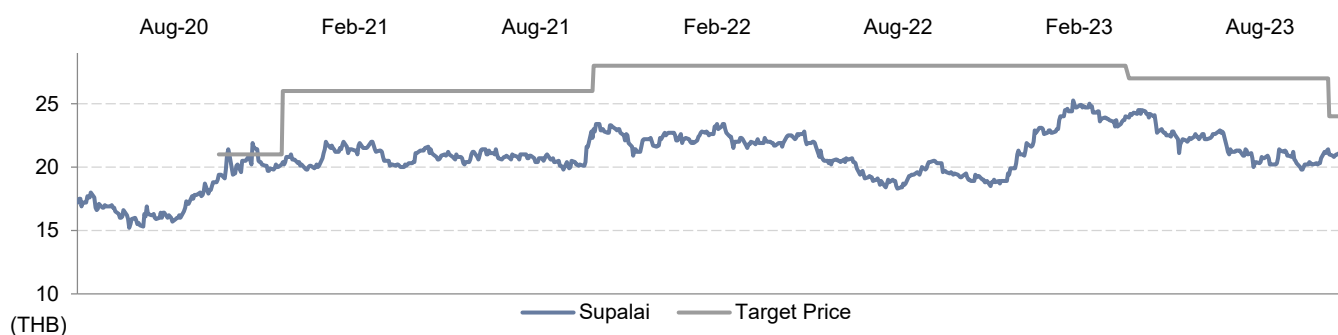
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History of change in investment rating and/or target price

Supalai (SPALI TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Dec-2020	BUY	21.00	26-Oct-2021	BUY	28.00	20-Jul-2023	BUY	24.00
01-Feb-2021	BUY	26.00	27-Jan-2023	BUY	27.00			

Thanyatorn Songwutti started covering this stock from 27-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Supalai	SPALI TB	THB 20.40	BUY	Downside risks to our P/E derived TP are cost overruns; delays or poor receptions for new launches; presale cancellations; inability of homebuyers to obtain mortgage financing; and weak take-up rates and reduced pricing power from rising competition.

Source: FSSIA estimates

Additional Disclosures

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

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All share prices are as at market close on 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.