

MK RESTAURANT GROUP

THAILAND / FOOD & BEVERAGE

M TB

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB55.00
CLOSE	THB45.50
UP/DOWNSIDE	+20.9%
TP vs CONSENSUS	-0.8%

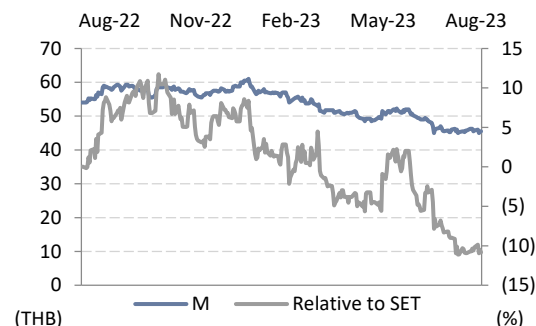
2Q23 net profit missed our estimate by 10%, but in line with consensus

Highlights

- M reported a 2Q23 net profit of THB459m (+41% q-q, +4.5% y-y), in line with the Bloomberg consensus estimate, but below our estimate by 10%. This mainly resulted from higher-than-expected SG&A.
- Total revenue increased by 8.5% q-q and 10.4% y-y in 2Q23, supported by SSSG which grew solidly by 13% y-y due to the low base last year. However, its revenue was below the pre-Covid level by around 5%.
- We were surprised with the solid gross margin at 65.7% in 2Q23 – a six-quarter high – mainly from adjusting selling prices, while raw material costs stabilised from 1Q23. However, it was still below the pre-Covid level at around 67-68%.
- SG&A increased by 7% q-q and 16.5% in 2Q23, higher than revenue growth. Hence, SG&A to sales rose to 55.6%, from 52.7% in 2Q22, due to higher personnel expenses and a higher utility cost. However, it dropped from 56.4% in 1Q23, thanks to higher revenue.
- M's 1H23 net profit was equal to THB784m (+10% y-y), accounting for 39% of our 2023 profit forecast. We expect that its net profit will continue to recover in 2H23, in line with the seasonality and a gross margin recovery, on the back of declining raw material costs. In particular, the 3QTD average pork price is equal to THB60 per kg, down from THB73 per kg in 2Q23.
- M announced a 1H23 DPS of THB0.6, implying a dividend yield of 1.3%.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	15,728	17,631	18,953	19,977
Net profit	1,439	2,008	2,211	2,403
EPS (THB)	1.56	2.18	2.40	2.61
vs Consensus (%)	-	14.7	4.3	1.6
EBITDA	3,867	4,535	4,799	5,043
Recurring net profit	1,439	2,008	2,211	2,403
Core EPS (THB)	1.56	2.18	2.40	2.61
EPS growth (%)	998.5	39.6	10.1	8.7
Core P/E (x)	29.1	20.9	19.0	17.4
Dividend yield (%)	3.1	4.1	4.7	5.2
EV/EBITDA (x)	9.4	8.0	7.6	7.2
Price/book (x)	3.1	3.0	3.0	2.9
Net debt/Equity (%)	(41.8)	(41.6)	(41.8)	(40.0)
ROE (%)	10.8	14.8	16.0	17.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.5)	(8.1)	(12.9)
Relative to country (%)	(2.9)	(5.9)	(8.2)
Mkt cap (USD m)	1,194		
3m avg. daily turnover (USD m)	1.0		
Free float (%)	36		
Major shareholder	Thirakomen Family (37%)		
12m high/low (THB)	61.50/44.75		
Issued shares (m)	920.88		

Sources: Bloomberg consensus; FSSIA estimates



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Exhibit 1: M – 2Q23 operations summary

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	----- Change -----		1H22	1H23	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Sales	3,495	4,016	4,067	4,149	4,089	4,435	8.5	10.4	7,511	8,524	13.5
Cost of sales	1,204	1,394	1,413	1,450	1,426	1,521	6.6	9.1	2,597	2,947	13.5
Gross profit	2,291	2,623	2,654	2,699	2,663	2,914	9.5	11.1	4,914	5,577	13.5
SG&A	2,008	2,118	2,182	2,337	2,307	2,468	7.0	16.5	4,126	4,774	15.7
Operating profit	347	555	527	442	424	541	27.8	(2.4)	902	965	7.0
Interest expense	21	21	21	23	23	26	13.4	26.2	42	49	16.7
Tax expense	51	89	86	82	65	47	(28.4)	(47.4)	140	112	(20.0)
Reported net profit	271	439	408	321	325	459	41.1	4.5	710	784	10.4
Core profit	271	418	408	321	325	459	41.1	9.7	689	784	13.8
Key ratios (%)							(ppt)	(ppt)			
Gross margin	65.6	65.3	65.2	65.0	65.1	65.7	0.6	0.4	65.4	65.4	0.0
SG&A / Sales	57.5	52.7	53.7	56.3	56.4	55.6	(0.8)	2.9	54.9	56.0	1.1
Operating margin	9.9	13.8	12.9	10.7	10.4	12.2	1.8	(1.6)	12.0	11.3	(0.7)
Net margin	7.7	10.9	10.0	7.7	8.0	10.3	2.4	(0.6)	9.5	9.2	(0.3)
Norm margin	7.7	10.4	10.0	7.7	8.0	10.3	2.4	(0.1)	9.2	9.2	0.0
Operating statistics											
SSSG (%)	10.0	58.0	101.0	14.0	16.0	13.0			34.0	14.5	

Sources: M; FSSIA estimates

Financial Statements

MK Restaurant Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,182	15,728	17,631	18,953	19,977
Cost of goods sold	(4,015)	(5,461)	(6,118)	(6,520)	(6,792)
Gross profit	7,167	10,267	11,513	12,433	13,185
Other operating income	207	249	353	379	400
Operating costs	(7,170)	(8,646)	(9,344)	(10,045)	(10,588)
Operating EBITDA	2,213	3,867	4,535	4,799	5,043
Depreciation	(2,009)	(1,997)	(2,014)	(2,032)	(2,047)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	204	1,870	2,521	2,767	2,997
Net financing costs	(69)	(87)	(88)	(89)	(90)
Associates	(23)	(29)	(8)	(5)	4
Recurring non-operating income	(23)	(29)	(8)	(5)	4
Non-recurring items	0	0	0	0	0
Profit before tax	111	1,755	2,425	2,673	2,910
Tax	10	(308)	(412)	(454)	(495)
Profit after tax	121	1,447	2,013	2,219	2,415
Minority interests	10	(8)	(5)	(8)	(12)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	131	1,439	2,008	2,211	2,403
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	131	1,439	2,008	2,211	2,403
Per share (THB)					
Recurring EPS *	0.14	1.56	2.18	2.40	2.61
Reported EPS	0.14	1.56	2.18	2.40	2.61
DPS	0.80	1.40	1.85	2.16	2.35
Diluted shares (used to calculate per share data)	921	921	921	921	921
Growth					
Revenue (%)	(16.3)	40.7	12.1	7.5	5.4
Operating EBITDA (%)	(32.3)	74.7	17.3	5.8	5.1
Operating EBIT (%)	(82.0)	816.8	34.8	9.8	8.3
Recurring EPS (%)	(85.6)	998.5	39.6	10.1	8.7
Reported EPS (%)	(85.6)	998.5	39.6	10.1	8.7
Operating performance					
Gross margin inc. depreciation (%)	64.1	65.3	65.3	65.6	66.0
Gross margin exc. depreciation (%)	82.1	78.0	76.7	76.3	76.2
Operating EBITDA margin (%)	19.8	24.6	25.7	25.3	25.2
Operating EBIT margin (%)	1.8	11.9	14.3	14.6	15.0
Net margin (%)	1.2	9.1	11.4	11.7	12.0
Effective tax rate (%)	(8.5)	17.5	17.0	17.0	17.0
Dividend payout on recurring profit (%)	562.5	89.6	85.0	90.0	90.0
Interest cover (X)	2.6	21.2	28.6	31.0	33.2
Inventory days	73.8	42.5	44.5	49.3	49.1
Debtor days	4.5	3.3	2.8	2.9	2.9
Creditor days	242.7	147.7	131.5	126.7	126.2
Operating ROIC (%)	17.2	230.6	291.7	225.5	222.9
ROIC (%)	1.5	16.1	21.8	23.6	24.7
ROE (%)	1.0	10.8	14.8	16.0	17.1
ROA (%)	0.9	7.7	10.5	11.4	12.0
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
MK	8,274	11,639	13,035	13,883	14,577
Yayoi	2,124	2,831	3,125	3,441	3,646
LCS	559	944	1,109	1,247	1,347
Other	224	315	362	382	407

Sources: MK Restaurant Group; FSSIA estimates

Financial Statements

MK Restaurant Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	131	1,439	2,008	2,211	2,403
Depreciation	2,009	1,997	2,014	2,032	2,047
Associates & minorities	13	37	33	10	2
Other non-cash items	0	0	0	0	0
Change in working capital	(147)	295	(143)	72	50
Cash flow from operations	2,007	3,768	3,912	4,324	4,501
Capex - maintenance	(5,049)	(1,653)	(1,950)	(2,300)	(2,600)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	3,910	(691)	36	(60)	(46)
Cash flow from investing	(1,139)	(2,344)	(1,914)	(2,360)	(2,646)
Dividends paid	(460)	(1,197)	(1,707)	(1,990)	(2,163)
Equity finance	0	0	0	0	0
Debt finance	(410)	(187)	(270)	(23)	177
Other financing cash flows	28	51	(117)	79	61
Cash flow from financing	(842)	(1,333)	(2,095)	(1,933)	(1,924)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	26	91	(97)	32	(69)
Free cash flow to firm (FCFF)	937.23	1,510.24	2,085.67	2,054.16	1,945.53
Free cash flow to equity (FCFE)	486.05	1,287.71	1,610.16	2,021.30	2,093.54

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	1.02	1.64	2.26	2.23	2.11
FCFE per share	0.53	1.40	1.75	2.19	2.27
Recurring cash flow per share	2.34	3.77	4.40	4.62	4.83

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	11,525	11,913	12,263	12,613	12,913
Less: Accumulated depreciation	(8,683)	(9,167)	(9,258)	(9,351)	(9,444)
Tangible fixed assets (net)	2,842	2,747	3,005	3,263	3,469
Intangible fixed assets (net)	5,810	5,533	5,210	5,221	5,568
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,690	2,366	2,358	2,353	2,357
Cash & equivalents	7,689	7,779	7,683	7,714	7,645
A/C receivable	167	121	145	156	164
Inventories	392	414	587	625	651
Other current assets	170	111	176	190	200
Current assets	8,418	8,426	8,590	8,685	8,660
Other assets	808	830	793	853	899
Total assets	19,569	19,901	19,957	20,375	20,953
Common equity	13,194	13,443	13,744	13,965	14,205
Minorities etc.	314	322	347	352	357
Total shareholders' equity	13,509	13,765	14,091	14,317	14,562
Long term debt	2,207	2,023	1,823	1,723	1,823
Other long-term liabilities	1,124	1,175	1,058	1,137	1,199
Long-term liabilities	3,331	3,198	2,881	2,860	3,022
A/C payable	1,355	1,449	1,509	1,608	1,675
Short term debt	0	0	0	0	0
Other current liabilities	1,374	1,489	1,477	1,590	1,694
Current liabilities	2,729	2,938	2,986	3,197	3,369
Total liabilities and shareholders' equity	19,569	19,901	19,957	20,375	20,953
Net working capital	(2,000)	(2,291)	(2,078)	(2,227)	(2,354)
Invested capital	9,151	9,184	9,289	9,463	9,939

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	14.33	14.60	14.92	15.16	15.43
Tangible book value per share	8.02	8.59	9.27	9.50	9.38

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	(40.6)	(41.8)	(41.6)	(41.8)	(40.0)
Net debt/total assets (%)	(28.0)	(28.9)	(29.4)	(29.4)	(27.8)
Current ratio (x)	3.1	2.9	2.9	2.7	2.6
CF interest cover (x)	8.0	15.9	19.3	23.7	24.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	319.9	29.1	20.9	19.0	17.4
Recurring P/E @ target price (x) *	386.7	35.2	25.2	22.9	21.1
Reported P/E (x)	319.9	29.1	20.9	19.0	17.4
Dividend yield (%)	1.8	3.1	4.1	4.7	5.2
Price/book (x)	3.2	3.1	3.0	3.0	2.9
Price/tangible book (x)	5.7	5.3	4.9	4.8	4.9
EV/EBITDA (x) **	16.6	9.4	8.0	7.6	7.2
EV/EBITDA @ target price (x) **	20.5	11.7	10.0	9.4	9.0
EV/invested capital (x)	4.0	4.0	3.9	3.8	3.7

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

Sources: MK Restaurant Group; 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.

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

MK Restaurant Group (M TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Jan-2023	BUY	66.00	22-Mar-2023	BUY	59.00	22-Jun-2023	BUY	55.00

Sureeporn Teewasuwet started covering this stock from 05-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
MK Restaurant Group	M TB	THB 45.50	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and labour 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

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All share prices are as at market close on 10-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.