

SAPPE SAPPE TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB96.50
CLOSE	THB88.25
UP/DOWNSIDE	+9.3%
TP vs CONSENSUS	+0.5%

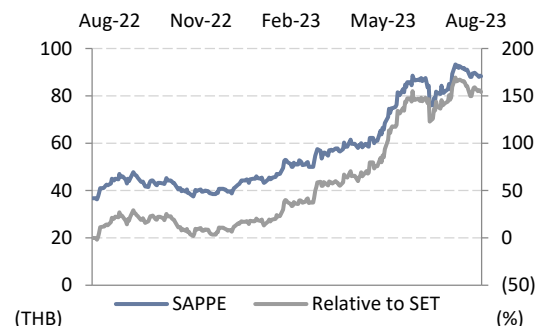
2Q23 reached a record high profit, in line with our estimate

Highlights

- SAPPE reported a 2Q23 net profit of THB312m (+13.6% q-q, +86.7% y-y). Excluding an FX loss of THB14m and an impairment loss of THB2.5m, the company's 2Q23 core profit was equal to THB329m (+17.7% q-q, 84% y-y), in line with our forecast and Bloomberg's consensus estimate. It was a record high profit.
- Total revenue grew by 9% q-q and 34% y-y in 2Q23, thanks to the high season for the beverage industry. To elaborate, its domestic revenue (including All Coco) was not exciting, with slight growth of 1.5% q-q and 10% y-y. We are impressed with the spike in overseas revenue growth by 15.7% q-q and 49.2% y-y to reach a record high, supported by growth from Europe, America, and the Middle East.
- Its 2Q23 gross margin reached a 28-quarter high at 44.5%, up from 43.2% in 1Q23 and 40.4% in 2Q22, thanks to a higher utilisation rate at 78% and declining packaging costs.
- The company managed its SG&A expenses well, partly due to a declining container freight rate. Hence, SG&A to sales dropped to 21.3% from 23.3% in 1Q23 and 30.7% in 2Q22.
- The 2Q23 sharing loss from its JV company plunged to THB11m (vs a loss of THB0.5m in 1Q23), mainly due to a higher loss contribution from M Intelligence (not listed). It might be a temporary issue because M Intelligence is undergoing adjustments to its accounting entries.
- SAPPE's 1H23 core profit was equal to THB609m (+84% y-y), accounting for 51% of our 2023 profit forecast. Preliminarily, we expect to see a new net profit high in 3Q23 of around THB370m-380m due to 1) the high season of the export industry; and 2) declining packaging costs.
- We maintain our 2023-24E core profit of THB1.19b (+82.3% y-y) and THB1.33b (+11.7% y-y), respectively. Reiterate our BUY recommendation and TP of THB96.5.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	4,566	6,281	6,998	7,750
Net profit	653	1,191	1,331	1,475
EPS (THB)	2.12	3.86	4.31	4.78
vs Consensus (%)	-	15.5	10.4	5.9
EBITDA	1,018	1,665	1,870	2,067
Recurring net profit	666	1,191	1,331	1,475
Core EPS (THB)	2.16	3.86	4.31	4.78
EPS growth (%)	59.5	78.9	11.7	10.9
Core P/E (x)	40.9	22.9	20.5	18.5
Dividend yield (%)	1.9	3.3	3.7	4.1
EV/EBITDA (x)	24.8	15.5	13.9	12.5
Price/book (x)	8.4	7.7	7.0	6.4
Net debt/Equity (%)	(60.9)	(39.8)	(34.6)	(36.5)
ROE (%)	21.6	34.9	35.7	36.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	6.6	32.7	140.1
Relative to country (%)	4.1	35.8	153.3
Mkt cap (USD m)	775		
3m avg. daily turnover (USD m)	2.5		
Free float (%)	25		
Major shareholder	Ruckariyapong Family (68%)		
12m high/low (THB)	95.25/35.50		
Issued shares (m)	308.29		

Sources: Bloomberg consensus; FSSIA estimates


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Exhibit 1: SAPPE – 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	1,019	1,236	1,279	1,032	1,520	1,657	9.0	34.0	2,255	3,177	40.9
Cost of sales	599	736	756	612	864	920	6.5	24.9	1,335	1,784	33.6
Gross profit	420	500	524	420	656	737	12.3	47.4	920	1,394	51.4
SG&A	351	380	352	284	354	352	(0.7)	(7.3)	730	707	(3.3)
Operating profit	192	218	249	171	337	421	25.1	92.7	410	757	84.6
Other income	122	98	77	35	35	36	3.7	(63.5)	220	70	(68.1)
Interest expense	0.56	0.58	0.53	0.62	0.71	0.64	(9.4)	10.7	1.14	1.34	18.2
Tax expense	38	40	45	40	67	81	20.4	105.3	77	149	92.8
Profit (loss) sharing	1	1	(0)	(1)	(1)	(11)	<i>nm</i>	<i>nm</i>	1	(12)	<i>nm</i>
Reported net profit	153	167	179	154	275	312	13.6	86.7	321	587	83.1
Core profit	152	179	204	131	280	329	17.7	84.0	331	609	84.2
Key ratios (%)							(ppt)	(ppt)			(ppt)
Gross margin	41.2	40.4	40.9	40.7	43.2	44.5	1.3	4.1	40.8	43.9	3.1
SG&A to sales	34.4	30.7	27.5	27.5	23.3	21.3	(2.1)	(9.5)	32.4	22.2	(10.1)
Operating margin	18.8	17.7	19.5	16.6	22.1	25.4	3.3	7.7	18.2	23.8	5.7
Net margin	15.1	13.5	14.0	14.9	18.1	18.8	0.8	5.3	14.2	18.5	4.3
Core margin	14.9	14.5	15.9	12.7	18.4	19.9	1.5	5.4	14.7	19.2	4.5
Operating statistics (THB m)											
Domestic revenue	208	227	224	229	246	250	1.5	10.2	435	496	14.2
Overseas revenue	743	943	986	757	1,216	1,407	15.7	49.2	1,685	2,623	55.6
Indo/Philippines	265	298	296	223	420	199	(52.6)	(33.2)	563	619	9.8
South Korea	101	140	197	80	137	182	33.4	30.0	241	319	32.2
Other	376	505	494	454	660	1,026	55.5	103.2	881	1,686	91.3

Sources: SAPPE; FSSIA estimates

Financial Statements

Sappe

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	3,444	4,566	6,281	6,998	7,750
Cost of goods sold	(2,089)	(2,703)	(3,549)	(3,954)	(4,379)
Gross profit	1,355	1,863	2,732	3,044	3,371
Other operating income	269	333	88	98	109
Operating costs	(1,078)	(1,366)	(1,382)	(1,540)	(1,705)
Operating EBITDA	743	1,018	1,665	1,870	2,067
Depreciation	(198)	(187)	(227)	(267)	(292)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	546	830	1,438	1,603	1,775
Net financing costs	(3)	(2)	(3)	(3)	(2)
Associates	(20)	0	(2)	3	3
Recurring non-operating income	(20)	0	(2)	3	3
Non-recurring items	(7)	(12)	0	0	0
Profit before tax	516	816	1,433	1,602	1,776
Tax	(106)	(162)	(287)	(320)	(355)
Profit after tax	410	654	1,147	1,282	1,421
Minority interests	1	(1)	44	49	54
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	411	653	1,191	1,331	1,475
Non-recurring items & goodwill (net)	7	12	0	0	0
Recurring net profit	417	666	1,191	1,331	1,475
Per share (THB)					
Recurring EPS *	1.35	2.16	3.86	4.31	4.78
Reported EPS	1.34	2.12	3.86	4.31	4.78
DPS	1.10	1.65	2.90	3.24	3.59
Diluted shares (used to calculate per share data)	308	308	308	308	308
Growth					
Revenue (%)	5.4	32.6	37.5	11.4	10.7
Operating EBITDA (%)	5.3	36.9	63.7	12.3	10.5
Operating EBIT (%)	8.3	52.2	73.2	11.4	10.7
Recurring EPS (%)	8.9	59.5	78.9	11.7	10.9
Reported EPS (%)	7.5	57.8	82.3	11.7	10.9
Operating performance					
Gross margin inc. depreciation (%)	39.3	40.8	43.5	43.5	43.5
Gross margin exc. depreciation (%)	45.1	44.9	47.1	47.3	47.3
Operating EBITDA margin (%)	21.6	22.3	26.5	26.7	26.7
Operating EBIT margin (%)	15.8	18.2	22.9	22.9	22.9
Net margin (%)	12.1	14.6	19.0	19.0	19.0
Effective tax rate (%)	20.5	19.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	81.3	76.5	75.0	75.0	75.0
Interest cover (X)	208.9	363.6	574.4	501.6	889.0
Inventory days	49.4	53.3	45.8	38.0	35.7
Debtor days	41.1	26.6	31.9	40.2	38.1
Creditor days	38.5	29.8	31.3	35.6	35.7
Operating ROIC (%)	38.4	63.7	79.1	61.6	60.1
ROIC (%)	30.3	48.3	63.2	52.2	51.7
ROE (%)	14.7	21.6	34.9	35.7	36.2
ROA (%)	11.2	15.9	24.3	25.0	25.3
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Domestic revenue	1,210	1,055	1,143	1,261	1,395
Overseas revenue	2,234	3,511	5,137	5,737	6,355

Sources: Sappe; FSSIA estimates

Financial Statements

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Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	417	666	1,191	1,331	1,475
Depreciation	198	187	227	267	292
Associates & minorities	20	0	2	(3)	(3)
Other non-cash items	(1)	1	26	12	13
Change in working capital	96	191	(341)	145	4
Cash flow from operations	731	1,045	1,105	1,752	1,781
Capex - maintenance	-	-	-	-	-
Capex - new investment	(140)	(302)	(797)	(820)	(455)
Net acquisitions & disposals	7	6	0	0	0
Other investments (net)	(163)	(41)	(47)	(7)	(8)
Cash flow from investing	(296)	(338)	(844)	(827)	(463)
Dividends paid	(310)	(348)	(893)	(998)	(1,106)
Equity finance	47	63	(2)	0	0
Debt finance	(34)	0	28	(8)	3
Other financing cash flows	7	25	(38)	4	4
Cash flow from financing	(291)	(259)	(905)	(1,003)	(1,099)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	70	0	0
Net other adjustments	0	(73)	70	0	0
Movement in cash	144	375	(574)	(78)	219
Free cash flow to firm (FCFF)	437.25	709.65	263.35	927.95	1,320.84
Free cash flow to equity (FCFE)	407.22	659.24	321.50	919.99	1,325.60

Per share (THB)

FCFF per share	1.42	2.30	0.85	3.01	4.28
FCFE per share	1.32	2.14	1.04	2.98	4.30
Recurring cash flow per share	2.07	2.77	4.69	5.21	5.76

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,268	2,530	3,330	4,130	4,630
Less: Accumulated depreciation	(1,262)	(1,398)	(1,625)	(1,892)	(2,184)
Tangible fixed assets (net)	1,006	1,132	1,705	2,238	2,445
Intangible fixed assets (net)	134	128	128	128	128
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	156	186	184	186	189
Cash & equivalents	1,754	2,129	1,555	1,477	1,696
A/C receivable	430	459	839	852	889
Inventories	291	444	389	379	420
Other current assets	50	47	38	35	39
Current assets	2,524	3,079	2,821	2,743	3,044
Other assets	29	36	63	70	78
Total assets	3,848	4,561	4,900	5,365	5,884
Common equity	2,906	3,258	3,556	3,889	4,258
Minorities etc.	101	102	128	140	153
Total shareholders' equity	3,006	3,360	3,684	4,029	4,411
Long term debt	52	61	56	48	51
Other long-term liabilities	45	70	31	35	39
Long-term liabilities	96	130	88	83	90
A/C payable	181	230	340	379	420
Short term debt	21	21	34	34	34
Other current liabilities	543	820	754	840	930
Current liabilities	745	1,071	1,128	1,253	1,384
Total liabilities and shareholders' equity	3,848	4,561	4,900	5,365	5,884
Net working capital	46	(99)	172	47	(2)
Invested capital	1,371	1,383	2,251	2,669	2,838

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

Per share (THB)

Book value per share	9.49	10.56	11.53	12.61	13.80
Tangible book value per share	9.05	10.15	11.11	12.19	13.39

Financial strength

Net debt/equity (%)	(55.9)	(60.9)	(39.8)	(34.6)	(36.5)
Net debt/total assets (%)	(43.7)	(44.9)	(29.9)	(26.0)	(27.4)
Current ratio (x)	3.4	2.9	2.5	2.2	2.2
CF interest cover (x)	218.4	421.9	448.5	544.7	891.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	65.2	40.9	22.9	20.5	18.5
Recurring P/E @ target price (x) *	71.3	44.7	25.0	22.4	20.2
Reported P/E (x)	65.8	41.7	22.9	20.5	18.5
Dividend yield (%)	1.2	1.9	3.3	3.7	4.1
Price/book (x)	9.3	8.4	7.7	7.0	6.4
Price/tangible book (x)	9.7	8.7	7.9	7.2	6.6
EV/EBITDA (x) **	34.2	24.8	15.5	13.9	12.5
EV/EBITDA @ target price (x) **	37.6	27.3	17.1	15.2	13.7
EV/invested capital (x)	18.6	18.3	11.5	9.7	9.1

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

Sources: Sappe; 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

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

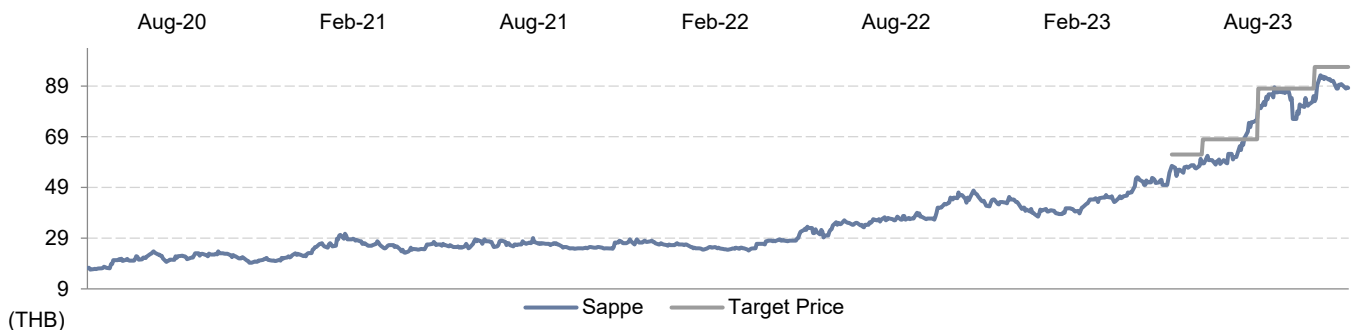
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History of change in investment rating and/or target price

Sappe (SAPPE TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Mar-2023	BUY	62.00	23-May-2023	BUY	88.00	-	-	-
05-Apr-2023	BUY	68.00	11-Jul-2023	BUY	96.50			

Sureeporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sappe	SAPPE TB	THB 88.25	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.

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 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.