

15 AUGUST 2023

EQUITY RESEARCH – RESULTS FLASH

BETAGRO BTG TB

THAILAND / FOOD & BEVERAGE

FINANSIA
 FSS INTERNATIONAL INVESTMENT ADVISORY

HOLD
 UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB25.30
CLOSE	THB23.00
UP/DOWNSIDE	+10.0%
TP vs CONSENSUS	+2.4%

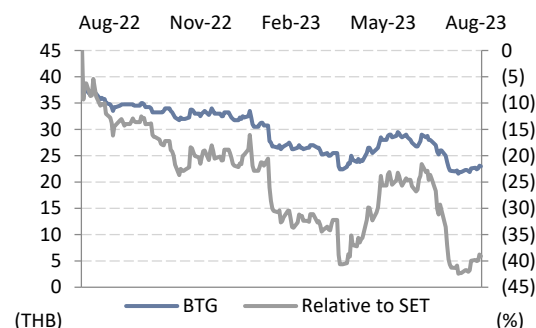
2Q23 results turned to a loss, in line with our estimate

Highlights

- BTG booked a 2Q23 net loss of THB351m, down from a profit of THB393m in 1Q23 and THB1.87b in 2Q22. Excluding several extra items, its 2Q23 core loss was equal to THB268m, in line with our estimate. The loss mainly came from the plunge in the domestic swine price and a loss contribution from the swine business in Cambodia.
- Total revenue in 2Q23 slightly dropped by 4.5% q-q and 5.3% y-y, mainly due to the declining swine price and a lower chicken and pet food sales volume.
- Meanwhile, overall raw material costs stabilised from 1Q23. Hence, its 2Q23 gross margin plunged to 10.5%, down from 12.7% in 1Q23 and 19.6% in 2Q22.
- The company booked a 1H23 core profit of only THB127m, sharply dropping from THB3.3b in 1H22. We still have a cautious view on the 2H23 outlook, due to declining domestic swine and chicken prices. Illegal pork imports have not ended, and we are starting to see the trend of a chicken export slowdown in 3Q23.
- Currently, we project a 2023 core profit of THB2.87b, while BTG's 1H23 core profit accounted for only 4.4% of our 2023 profit forecast.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	112,626	103,544	106,800	111,692
Net profit	7,938	2,867	3,373	3,648
EPS (THB)	4.11	1.49	1.75	1.89
vs Consensus (%)	-	69.5	5.4	1.1
EBITDA	14,018	7,962	8,940	9,729
Recurring net profit	7,477	2,367	2,873	3,148
Core EPS (THB)	3.74	1.18	1.44	1.57
EPS growth (%)	416.1	(68.3)	21.4	9.6
Core P/E (x)	6.2	19.4	16.0	14.6
Dividend yield (%)	11.0	3.9	4.6	4.9
EV/EBITDA (x)	4.4	7.6	6.6	5.8
Price/book (x)	1.6	1.5	1.4	1.3
Net debt/Equity (%)	61.9	51.8	44.7	37.4
ROE (%)	33.8	8.1	9.3	9.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.7)	(8.0)	n/a
Relative to country (%)	(12.9)	(6.1)	n/a
Mkt cap (USD m)	1,269		
3m avg. daily turnover (USD m)	2.5		
Free float (%)	37		
Major shareholder	Betagro Holding Company Limited (38%)		
12m high/low (THB)	39.75/21.30		
Issued shares (m)	1,934.80		

Sources: Bloomberg consensus; FSSIA estimates



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Exhibit 1: BTG – 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	25,312	27,973	29,492	29,850	27,736	26,491	(4.5)	(5.3)	53,285	54,226	1.8
Cost of sales	20,771	22,498	23,233	24,393	24,219	23,714	(2.1)	5.4	43,269	47,932	10.8
Gross profit	4,541	5,474	6,259	5,457	3,517	2,777	(21.0)	(49.3)	10,016	6,294	(37.2)
SG&A	2,895	3,008	3,376	3,315	2,955	3,069	3.9	2.0	5,902	6,024	2.1
Operating profit	1,807	2,600	3,029	2,340	729	(138)	<i>nm</i>	<i>nm</i>	4,406	591	(86.6)
Interest expense	150	152	151	165	146	148	<i>nm</i>	<i>nm</i>	302	294	(2.7)
Tax expense	361	373	467	348	196	(18)	<i>nm</i>	<i>nm</i>	734	178	(75.8)
Biological gain (loss)	177	(75)	(7)	(5)	(59)	(20)	<i>nm</i>	<i>nm</i>	103	(79)	<i>nm</i>
Other gain (loss)	490	(70)	(19)	(32)	56	(62)	<i>nm</i>	<i>nm</i>	420	(6)	<i>nm</i>
Reported net profit	1,970	1,869	2,303	1,796	393	(351)	<i>nm</i>	<i>nm</i>	3,839	42	(98.9)
Core profit	1,302	2,014	2,329	1,833	395	(268)	<i>nm</i>	<i>nm</i>	3,316	127	(96.2)
Key ratios (%)							(ppt)	(ppt)			
Gross margin	17.9	19.6	21.2	18.3	12.7	10.5	(2.2)	(9.1)	18.8	11.6	(7.2)
SG&A to sales	11.4	10.8	11.4	11.1	10.7	11.6	0.9	0.8	11.1	11.1	0.0
Operating margin	7.1	9.3	10.3	7.8	2.6	(0.5)	(3.1)	(9.8)	8.3	1.1	(7.2)
Net margin	7.8	6.7	7.8	6.0	1.4	(1.3)	(2.7)	(8.0)	7.2	0.1	(7.1)
Core margin	5.1	7.2	7.9	6.1	1.4	(1.0)	(2.4)	(8.2)	6.2	0.2	(6.0)
Operating statistics											
Broiler price-TH (THB/kg)	39.0	43.6	47.4	42.6	39.2	43.8	11.7	0.5	41.3	41.5	0.5
Swine price-TH (THB/kg)	91.0	104.0	109.8	101.3	84.7	72.5	(14.4)	(30.3)	97.5	78.6	(19.4)
Swine price-Cambodia (KHR/kg)	11,514	12,732	11,093	8,117	8,068	8,668	7.4	(31.9)	12,123	8,368	(31.0)
Corn price-TH (THB/kg)	11.4	13.1	12.1	12.6	13.3	12.7	(4.7)	(3.2)	12.3	13.0	6.0
Soybean meal price-TH (THB/kg)	21.4	23.1	23.1	23.3	24.0	23.2	(3.2)	0.6	22.3	23.6	6.1

Sources: BTG; FSSIA estimates

Financial Statements

Betagro

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	85,424	112,626	103,544	106,800	111,692
Cost of goods sold	(74,260)	(90,894)	(89,773)	(92,062)	(96,055)
Gross profit	11,164	21,731	13,771	14,738	15,637
Other operating income	548	637	724	640	613
Operating costs	(10,914)	(12,594)	(11,286)	(11,641)	(12,174)
Operating EBITDA	4,864	14,018	7,962	8,940	9,729
Depreciation	(4,066)	(4,243)	(4,753)	(5,203)	(5,653)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	798	9,775	3,209	3,737	4,076
Net financing costs	(577)	(619)	(652)	(601)	(562)
Associates	54	37	45	55	58
Recurring non-operating income	54	37	45	55	58
Non-recurring items	771	460	500	500	500
Profit before tax	1,047	9,654	3,102	3,692	4,072
Tax	(208)	(1,549)	(390)	(479)	(536)
Profit after tax	839	8,104	2,711	3,213	3,536
Minority interests	172	(167)	155	160	112
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,011	7,938	2,867	3,373	3,648
Non-recurring items & goodwill (net)	(771)	(460)	(500)	(500)	(500)
Recurring net profit	239	7,477	2,367	2,873	3,148
Per share (THB)					
Recurring EPS *	0.72	3.74	1.18	1.44	1.57
Reported EPS	3.06	4.11	1.49	1.75	1.89
DPS	24.50	2.52	0.89	1.05	1.13
Diluted shares (used to calculate per share data)	330	2,000	2,000	2,000	2,000
Growth					
Revenue (%)	6.6	31.8	(8.1)	3.1	4.6
Operating EBITDA (%)	(31.4)	188.2	(43.2)	12.3	8.8
Operating EBIT (%)	(74.9)	1,125.0	(67.2)	16.5	9.1
Recurring EPS (%)	(90.6)	416.1	(68.3)	21.4	9.6
Reported EPS (%)	(61.1)	34.4	(63.9)	17.7	8.2
Operating performance					
Gross margin inc. depreciation (%)	13.1	19.3	13.3	13.8	14.0
Gross margin exc. depreciation (%)	17.8	23.1	17.9	18.7	19.1
Operating EBITDA margin (%)	5.7	12.4	7.7	8.4	8.7
Operating EBIT margin (%)	0.9	8.7	3.1	3.5	3.6
Net margin (%)	0.3	6.6	2.3	2.7	2.8
Effective tax rate (%)	19.9	16.0	12.6	13.0	13.2
Dividend payout on recurring profit (%)	3,382.1	67.4	75.3	73.0	72.1
Interest cover (X)	1.5	15.9	5.0	6.3	7.4
Inventory days	65.3	60.7	63.3	62.8	62.4
Debtor days	21.6	18.4	20.5	19.7	19.6
Creditor days	24.6	23.2	26.0	26.2	26.0
Operating ROIC (%)	1.6	18.1	5.9	6.9	7.6
ROIC (%)	1.5	16.1	5.3	6.3	6.9
ROE (%)	1.5	33.8	8.1	9.3	9.8
ROA (%)	1.0	13.3	4.2	5.0	5.4
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Agro	24,795	28,403	27,460	27,032	28,278
Food and protein	54,171	75,758	68,057	71,213	74,271
International	4,881	6,236	5,539	5,704	5,874
Pet segment	1,491	2,211	2,322	2,681	3,097

Sources: Betagro; FSSIA estimates

Financial Statements

Betagro

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	239	7,477	2,367	2,873	3,148
Depreciation	4,066	4,243	4,753	5,203	5,653
Associates & minorities	(373)	362	(104)	(52)	(53)
Other non-cash items	(522)	91	0	0	0
Change in working capital	(1,047)	(1,479)	1,362	(561)	(896)
Cash flow from operations	2,363	10,694	8,377	7,464	7,853
Capex - maintenance	(5,511)	(5,576)	(4,560)	(4,500)	(4,500)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	4,201	1,436	738	559	484
Cash flow from investing	(1,310)	(4,140)	(3,822)	(3,941)	(4,016)
Dividends paid	(1,257)	(11,250)	(1,720)	(2,024)	(2,189)
Equity finance	4,500	16,929	0	0	0
Debt finance	8,881	(3,487)	(1,935)	(1,724)	(1,293)
Other financing cash flows	(14,586)	81	(800)	65	98
Cash flow from financing	(2,462)	2,274	(4,455)	(3,683)	(3,384)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	1,348	0	0	0	0
Net other adjustments	1,348	(3,430)	0	0	0
Movement in cash	(61)	5,398	101	(160)	453
Free cash flow to firm (FCFF)	1,630.08	7,173.00	5,208.04	4,123.44	4,398.39
Free cash flow to equity (FCFE)	(3,303.76)	(281.29)	1,820.55	1,863.97	2,641.43

Per share (THB)

FCFF per share	0.84	3.71	2.69	2.13	2.27
FCFE per share	(1.71)	(0.15)	0.94	0.96	1.37
Recurring cash flow per share	10.34	6.31	3.64	4.16	4.53

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	47,575	49,403	50,791	51,171	51,144
Less: Accumulated depreciation	(24,662)	(26,031)	(27,072)	(28,155)	(29,281)
Tangible fixed assets (net)	22,913	23,372	23,719	23,016	21,863
Intangible fixed assets (net)	955	882	882	882	882
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,452	1,346	1,347	1,347	1,347
Cash & equivalents	542	5,940	6,041	5,881	6,334
A/C receivable	6,029	6,652	6,295	6,493	6,790
Inventories	14,111	14,711	14,757	15,133	15,790
Other current assets	7,775	9,477	8,284	8,544	8,935
Current assets	28,457	36,781	35,376	36,051	37,849
Other assets	3,697	2,852	2,659	2,655	2,729
Total assets	57,475	65,234	63,983	63,951	64,669
Common equity	15,759	28,502	30,189	31,538	32,997
Minorities etc.	(237)	163	104	107	112
Total shareholders' equity	15,522	28,664	30,292	31,645	33,109
Long term debt	10,606	8,064	7,064	6,064	5,064
Other long-term liabilities	2,789	2,871	2,071	2,136	2,234
Long-term liabilities	13,395	10,934	9,134	8,200	7,297
A/C payable	8,276	9,852	9,773	10,044	10,488
Short term debt	19,984	15,615	14,680	13,956	13,663
Other current liabilities	298	168	104	107	112
Current liabilities	28,558	25,636	24,556	24,106	24,263
Total liabilities and shareholders' equity	57,475	65,234	63,983	63,951	64,669
Net working capital	19,341	20,821	19,459	20,020	20,915
Invested capital	48,360	49,274	48,066	47,919	47,735

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

Per share (THB)

Book value per share	47.75	14.77	15.65	16.35	17.10
Tangible book value per share	44.86	14.32	15.19	15.89	16.65

Financial strength

Net debt/equity (%)	193.6	61.9	51.8	44.7	37.4
Net debt/total assets (%)	52.3	27.2	24.5	22.1	19.2
Current ratio (x)	1.0	1.4	1.4	1.5	1.6
CF interest cover (x)	(4.7)	0.5	3.8	4.1	5.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	31.8	6.2	19.4	16.0	14.6
Recurring P/E @ target price (x) *	34.9	6.8	21.4	17.6	16.1
Reported P/E (x)	7.5	5.6	15.5	13.2	12.2
Dividend yield (%)	106.5	11.0	3.9	4.6	4.9
Price/book (x)	0.5	1.6	1.5	1.4	1.3
Price/tangible book (x)	0.5	1.6	1.5	1.4	1.4
EV/EBITDA (x) **	7.7	4.4	7.6	6.6	5.8
EV/EBITDA @ target price (x) **	7.8	4.8	8.1	7.1	6.3
EV/invested capital (x)	0.8	1.3	1.3	1.2	1.2

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

Sources: Betagro; 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

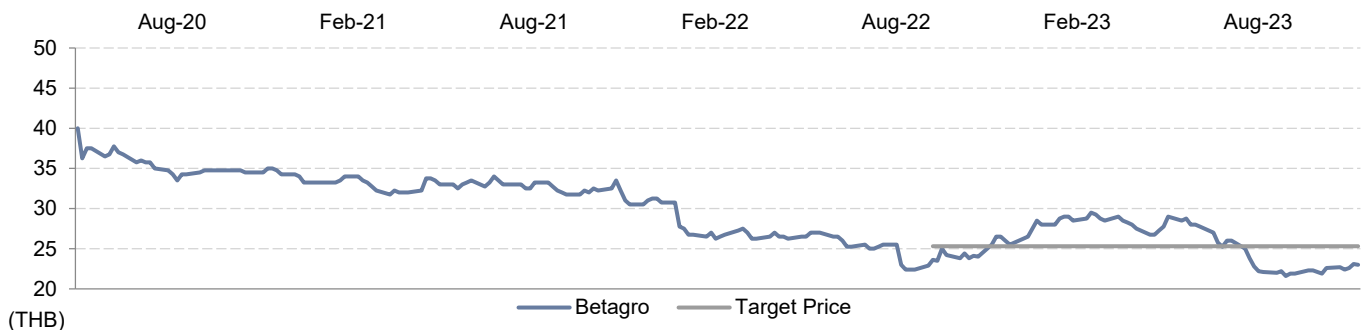
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History of change in investment rating and/or target price

Betagro (BTG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-May-2023	BUY	25.30	15-May-2023	HOLD	25.30	-	-	-

Sureeporn Teewasuwet started covering this stock from 08-May-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Betagro	BTG TB	THB 23.00	HOLD	Downside and upside risks to our PE-based TP include 1) a slower or faster-than-expected consumption recovery; 2) a potential rise or fall in meat and raw material prices; and 3) a stronger or weaker-than-expected THB against USD.

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 11-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.