

STARFLEX SFLEX TB

THAILAND / PACKAGING

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB5.50
CLOSE	THB3.84
UP/DOWNSIDE	+43.2%
TP vs CONSENSUS	-2.1%

Impressive gross margin leads to a 14% better-than-expected profit

Highlights

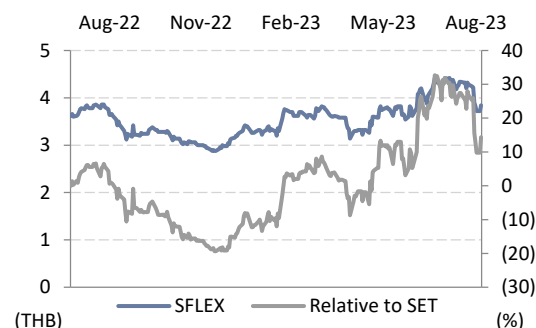
- SFLEX's core profit came in at THB50m – a rise of 24% q-q and 1,323% y-y, surpassing our projection by 14% largely due to the better-than-expected gross margin.
- The company posted its highest ever gross margin of 24.9% in 2Q23 as compared to its pre-pandemic levels of 20-22%. This was not only because of the declining raw material costs (i.e. LLDPE, WLLDPE, and PET) from the oil-price drop but also the efficiency in the product lines.
- Sales revenue slipped 2% q-q but rose 14% y-y, reflecting the rising demand for daily use consumer products.
- The SG&A expenses increased 11% q-q and 20% y-y to 12% of revenue from the consulting fees related to the investment project in Vietnam. The fees did not fade away as expected, but were mostly compensated for by the sharp rise in gross profit. Therefore, EBITDA rose to as high as THB78m in 2Q23 (+19% q-q and +449% y-y).
- SFLEX had a strong capital structure with a low D/E ratio of only 0.6x at end-2Q23, opening enough headroom for funding the THB300m loan for the Vietnam project. We still estimate a higher D/E ratio of 0.9x-1.0x post acquisition.
- The company's core profit of THB91m in 1H23 (+364% y-y) accounts for 49% of our full-year forecast of THB185m (+237% y-y).

Outlook

- We expect more strong quarters in 2H23 from the recognition of a 25% share of profit from Star Print Vietnam JSC (SPV). We maintain our net profit growth forecasts of 237%/24%/11% during 2023-25. We also maintain our BUY call and TP of THB5.50, based on a 2023E P/E of 24x.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	1,669	1,922	2,080	2,234
Net profit	55	185	229	255
EPS (THB)	0.07	0.23	0.28	0.31
vs Consensus (%)	-	3.1	1.8	1.6
EBITDA	124	287	313	340
Recurring net profit	55	185	229	255
Core EPS (THB)	0.07	0.23	0.28	0.31
EPS growth (%)	(63.1)	236.7	23.7	11.1
Core P/E (x)	57.2	17.0	13.7	12.4
Dividend yield (%)	0.8	1.8	2.2	2.4
EV/EBITDA (x)	26.7	12.6	11.3	10.2
Price/book (x)	3.2	3.0	2.8	2.6
Net debt/Equity (%)	16.3	44.5	33.4	26.2
ROE (%)	5.7	18.2	21.0	21.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(13.1)	7.3	6.1
Relative to country (%)	(13.3)	10.1	13.2
Mkt cap (USD m)	86		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	0		
Major shareholder	Mr. Printhorn Apithanasriwong (24%)		
12m high/low (THB)	4.50/2.76		
Issued shares (m)	820.00		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

Analyst register no. 014530

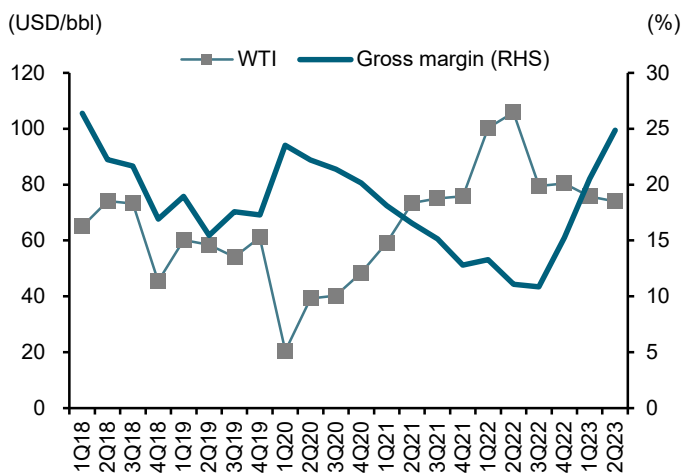
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Exhibit 1: SFLEX - 2Q23 operations summary

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23	----- Change -----		1H22	1H23	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	406	418	422	472	462	(2)	14	829	934	13
Cost of sales	(361)	(372)	(357)	(375)	(347)	(7)	(4)	(728)	(722)	(1)
Gross profit	45	45	64	97	115	19	155	101	212	109
Other income	6	6	10	5	6	9	6	11	11	7
Operating costs	(47)	(45)	(34)	(51)	(57)	11	20	(91)	(108)	18
Operating profit	3	6	40	51	64	25	1,784	21	115	455
Operating EBITDA	14	23	54	66	78	19	449	49	144	192
Interest expense	(1)	(1)	1	(1)	(1)	31	(5)	(3)	(2)	(17)
Profit before tax	2	6	41	50	63	25	3,035	18	113	525
Tax	1	(1)	(8)	(10)	(13)	28	nm	(1)	(22)	1,610
Reported net profit	3	5	33	41	50	24	1,342	17	91	441
Core profit	4	4	34	40	50	24	1,323	20	91	364
Reported EPS (THB)	0.004	0.006	0.041	0.050	0.064	28	1,500	0.020	0.114	441
Core EPS (THB)	0.004	0.005	0.041	0.049	0.061	24	1,323	0.024	0.111	364
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	11.1	10.8	15.3	20.5	24.9	4.4	13.8	12.2	22.7	10.5
Operating margin	0.8	1.7	9.4	10.9	13.9	3.0	13.1	2.5	12.4	9.8
EBITDA margin	3.5	5.6	12.9	13.9	16.9	3.0	13.4	5.9	15.4	9.5
Recurring net margin	0.9	1.0	8.1	8.6	10.9	2.3	10.0	2.4	9.7	7.4
SG&A / Sales	11.6	10.8	8.1	10.8	12.3	1.5	0.7	11.0	11.5	0.6
Revenue structure	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Non-food packaging	305	312	320	362	354	13	12	627	716	14
Food packaging	100	99	98	102	99	5	6	197	202	3
Gross margin (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Non-food packaging	14.2	13.8	18.3	23.4	28.4	5.1	6.7	15.5	15.9	0.4
Food packaging	1.5	1.7	4.9	10.2	12.5	5.4	7.8	2.0	11.3	9.3

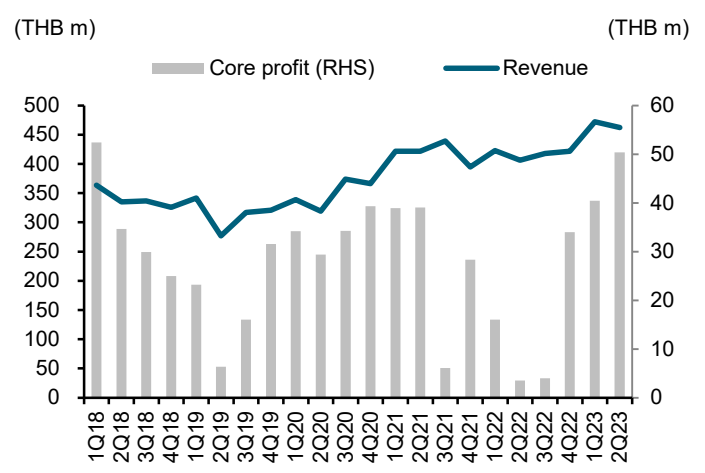
Source: SFLEX

Exhibit 2: Gross margin vs crude oil prices



Sources: SFLEX, Bloomberg

Exhibit 3: Revenue and core profit



Source: SFLEX

Financial Statements

Starflex

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,677	1,669	1,922	2,080	2,234
Cost of goods sold	(1,414)	(1,458)	(1,528)	(1,643)	(1,765)
Gross profit	263	211	394	437	469
Other operating income	50	27	29	27	29
Operating costs	(152)	(170)	(194)	(210)	(218)
Operating EBITDA	223	124	287	313	340
Depreciation	(62)	(57)	(58)	(59)	(60)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	161	67	229	254	280
Net financing costs	(4)	(3)	(9)	(9)	(7)
Associates	-	-	10	34	36
Recurring non-operating income	0	0	10	34	36
Non-recurring items	0	0	0	0	0
Profit before tax	157	65	229	278	310
Tax	(7)	(10)	(44)	(49)	(55)
Profit after tax	149	55	185	229	255
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	149	55	185	229	255
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	149	55	185	229	255
Per share (THB)					
Recurring EPS *	0.18	0.07	0.23	0.28	0.31
Reported EPS	0.18	0.07	0.23	0.28	0.31
DPS	0.05	0.03	0.07	0.08	0.09
Diluted shares (used to calculate per share data)	820	820	820	820	820
Growth					
Revenue (%)	20.0	(0.5)	15.1	8.3	7.4
Operating EBITDA (%)	(4.2)	(44.4)	131.7	9.2	8.7
Operating EBIT (%)	(7.4)	(58.2)	239.8	11.0	10.5
Recurring EPS (%)	4.6	(63.1)	236.7	23.7	11.1
Reported EPS (%)	4.6	(63.1)	236.7	23.7	11.1
Operating performance					
Gross margin inc. depreciation (%)	15.7	12.6	20.5	21.0	21.0
Gross margin exc. depreciation (%)	19.4	16.0	23.5	23.9	23.7
Operating EBITDA margin (%)	13.3	7.4	14.9	15.1	15.2
Operating EBIT margin (%)	9.6	4.0	11.9	12.2	12.6
Net margin (%)	8.9	3.3	9.7	11.0	11.4
Effective tax rate (%)	4.8	14.9	19.2	17.6	17.6
Dividend payout on recurring profit (%)	24.7	44.7	30.0	30.0	30.0
Interest cover (X)	40.7	26.0	27.0	31.1	43.2
Inventory days	75.9	86.9	91.3	94.9	92.3
Debtor days	66.1	66.6	60.1	66.2	65.9
Creditor days	78.2	74.3	72.2	73.1	70.8
Operating ROIC (%)	18.1	5.4	15.0	14.2	(3.7)
ROIC (%)	15.7	4.8	14.3	14.8	(3.8)
ROE (%)	16.2	5.7	18.2	21.0	21.8
ROA (%)	11.0	3.7	10.7	11.7	12.4
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-food packaging	1,309	1,258	1,449	1,560	1,676
Food packaging	365	393	465	512	550
Others	3	18	8	8	9

Sources: Starflex; FSSIA estimates

Financial Statements

Starflex

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	149	55	185	229	255
Depreciation	62	57	58	59	60
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(134)	50	(317)	(26)	(106)
Cash flow from operations	78	162	(74)	263	209
Capex - maintenance	-	-	-	-	-
Capex - new investment	(196)	(144)	(226)	(7)	(19)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(196)	(144)	(226)	(7)	(19)
Dividends paid	(70)	(37)	(56)	(69)	(76)
Equity finance	0	0	0	0	0
Debt finance	128	66	302	(98)	(101)
Other financing cash flows	-	-	-	-	-
Cash flow from financing	58	29	246	(167)	(177)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	7	48	0	0
Net other adjustments	(34)	7	48	(71)	(50)
Movement in cash	(94)	54	(6)	18	(37)
Free cash flow to firm (FCFF)	(114.34)	20.98	(291.17)	265.66	198.05
Free cash flow to equity (FCFE)	(23.95)	91.15	49.81	87.00	39.31

Per share (THB)

FCFF per share	(0.14)	0.03	(0.36)	0.32	0.24
FCFE per share	(0.03)	0.11	0.06	0.11	0.05
Recurring cash flow per share	0.26	0.14	0.30	0.35	0.38

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	859	1,046	1,346	1,376	1,406
Less: Accumulated depreciation	(428)	(307)	(365)	(424)	(484)
Tangible fixed assets (net)	431	739	981	952	922
Intangible fixed assets (net)	47	54	55	56	57
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	32	32	32	32
Cash & equivalents	75	129	123	142	104
A/C receivable	346	263	370	385	422
Inventories	334	333	402	421	441
Other current assets	185	22	23	24	25
Current assets	939	747	918	972	992
Other assets	89	29	30	31	32
Total assets	1,507	1,602	2,016	2,042	2,035
Common equity	960	985	1,058	1,130	1,206
Minorities etc.	0	0	0	0	0
Total shareholders' equity	960	985	1,058	1,130	1,206
Long term debt	84	175	477	379	278
Other long-term liabilities	43	43	49	56	65
Long-term liabilities	127	218	526	435	343
A/C payable	295	276	306	329	333
Short term debt	121	114	117	139	142
Other current liabilities	4	8	9	9	10
Current liabilities	419	398	432	477	485
Total liabilities and shareholders' equity	1,507	1,602	2,016	2,042	2,035
Net working capital	566	334	480	492	545
Invested capital	1,133	1,188	1,578	1,563	1,587

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

Per share (THB)

Book value per share	1.17	1.20	1.29	1.38	1.47
Tangible book value per share	1.11	1.14	1.22	1.31	1.40

Financial strength

Net debt/equity (%)	13.5	16.3	44.5	33.4	26.2
Net debt/total assets (%)	8.6	10.0	23.4	18.4	15.5
Current ratio (x)	2.2	1.9	2.1	2.0	2.0
CF interest cover (x)	44.5	91.9	32.2	11.1	8.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	21.1	57.2	17.0	13.7	12.4
Recurring P/E @ target price (x) *	30.2	81.9	24.3	19.7	17.7
Reported P/E (x)	21.1	57.2	17.0	13.7	12.4
Dividend yield (%)	1.2	0.8	1.8	2.2	2.4
Price/book (x)	3.3	3.2	3.0	2.8	2.6
Price/tangible book (x)	3.4	3.4	3.1	2.9	2.7
EV/EBITDA (x) **	14.7	26.7	12.6	11.3	10.2
EV/EBITDA @ target price (x) **	20.9	37.7	17.4	15.6	14.2
EV/invested capital (x)	2.9	2.8	2.3	2.3	2.2

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

Sources: Starflex; 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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	12-Jun-2023	BUY	5.50	-	-	-

Jitra Amornthum started covering this stock from 10-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Starflex	SFLEX TB	THB 3.84	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

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 Finasia Syrus Securities Public Company Limited

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All share prices are as at market close on 15-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.