

18 AUGUST 2023

EQUITY RESEARCH – RESULTS FLASH

RAMKHAMHAENG HOSPITAL

THAILAND / HEALTH CARE SERVICES

FSS INTERNATIONAL INVESTMENT ADVISORY

RAM TB

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB60.00
CLOSE	THB40.75
UP/DOWNSIDE	+47.2%
TP vs CONSENSUS	+55.8%

2Q23 core profit grew by 20% q-q to THB320m

Highlights

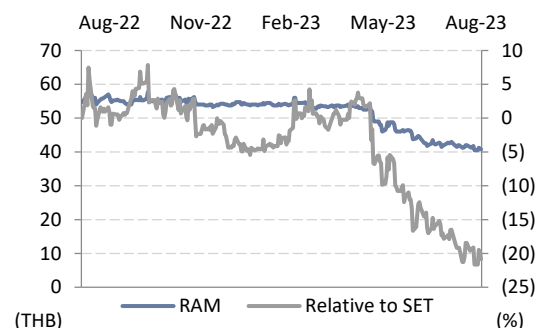
- RAM reported a core profit of THB320m in 2Q23 (-33% y-y, +20% q-q). The strong improvement q-q was led by a higher EBITDA margin from subsidiary hospitals, especially Vibharam.
- Including a THB313m gain on the sale of its investment in Mahaesak Hospital (RAM indirectly holds through Vibharam), RAM's net profit would be THB476m in 2Q23.
- Revenue grew by 9% q-q despite the 2Q low season. Medical revenue from RAM's flagship grew 6% q-q and exceeded the pre-Covid level by 15%. Subsidiary revenue (mainly from Vibharam) grew by 8% q-q. Revenue from sales of medical equipment grew 27% q-q.
- The EBITDA margin improved from 16% in 1Q23 to 18% in 2Q23. The EBITDA margin of RAM's flagship decreased to 30% (vs 33% in 1Q23) due to a lower gross profit margin. Meanwhile, the EBITDA margin of its subsidiaries (mainly from Vibharam) improved to 7% (vs breakeven in 1Q23).
- Share of income decreased to THB111m from THB201m in 1Q23 mainly due to less share income from Chiangmai Ram, Synphaet and THG. RAM booked dividend income of THB126m in 2Q23 (vs THB57m in 1Q23).

Outlook

- We expect organic operations to improve in 3Q23, which is the high healthcare season. However, the pre-operating expenses of its new hospital (RAM 2) may drag its margin down in 2H23.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	10,687	10,907	11,613	12,451
Net profit	2,088	1,965	2,289	2,531
EPS (THB)	1.74	1.64	1.91	2.11
vs Consensus (%)	-	34.4	49.2	43.5
EBITDA	2,356	2,368	2,677	2,935
Recurring net profit	2,088	1,965	2,289	2,531
Core EPS (THB)	1.74	1.64	1.91	2.11
EPS growth (%)	(48.4)	(5.9)	16.5	10.6
Core P/E (x)	23.4	24.9	21.4	19.3
Dividend yield (%)	2.7	2.7	2.3	2.6
EV/EBITDA (x)	28.6	28.6	24.9	22.0
Price/book (x)	2.5	2.4	2.3	2.2
Net debt/Equity (%)	35.7	35.5	30.6	21.6
ROE (%)	11.2	10.0	11.2	11.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.1)	(15.1)	(28.2)
Relative to country (%)	(4.1)	(15.4)	(23.0)
Mkt cap (USD m)	1,381		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	24		
Major shareholder	F&S 79 (23%)		
12m high/low (THB)	60.25/40.00		
Issued shares (m)	1,200.00		

Sources: Bloomberg consensus; FSSIA estimates



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Exhibit 1: RAM – 2Q23 operations summary

FY ending Dec	2Q22	3Q22	4Q22	1Q23	2Q23	Change		2023E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)
Sales	2,592	2,679	2,413	2,270	2,472	9	(5)	10,907
COGS (incl depreciation)	(1,950)	(1,927)	(1,906)	(1,728)	(1,825)	6	(6)	(8,020)
Gross profit	641	752	507	542	646	19	1	2,887
SG&A	(388)	(394)	(364)	(476)	(444)	(7)	14	(1,609)
Operating profit	253	358	142	66	202	204	(20)	1,278
Dividend income	158	148	5	57	126	120	(20)	346
Net other income	26	30	33	32	25	(20)	(1)	117
Interest expenses	(58)	(65)	(66)	(72)	(80)	11	38	(252)
Pretax profit	378	471	114	83	273	228	(28)	1,490
Income Tax	(56)	(70)	(25)	(27)	(125)	356	122	(283)
Associates	218	291	134	201	111	(45)	(49)	871
Minority interest	(60)	(73)	50	10	62	502	(202)	(112)
Core profit	479	618	273	267	320	20	(33)	1,965
Extraordinaries, GW & FX	0	0	0	0	156			
Reported net profit	479	618	274	267	476	78	(1)	1,965
Outstanding shares (m)	1,200	1,200	1,200	1,200	1,200	0	0	1,201
Pre-ex EPS (THB)	0.40	0.52	0.23	0.22	0.27	20	(33)	1.64
EPS (THB)	0.40	0.52	0.23	0.22	0.40	78	(1)	1.64
COGS excl. depreciation	(1,713)	(1,659)	(1,664)	(1,419)	(1,574)	11	(8)	(6,930)
Depreciation	(237)	(268)	(242)	(309)	(251)	(19)	6	(1,090)
EBITDA	490	626	384	375	453	21	(8)	2,368
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)
Gross margin	25	28	21	24	26	2	1	26
SG&A/Revenue	15	15	15	21	18	(3)	3	15
EBITDA margin	19	23	16	16	18	2	(1)	21
Net profit margin	18	23	11	12	19	8	1	18
Operating stats								
Ramkhamhaeng hospital revenue growth (y-y %)	10	16	11	(4)	1			
Ramkhamhaeng EBITDA margin (%)	28	31	33	33	30			
Subsidiary hospital revenue growth (y-y %)	3	(56)	(45)	(35)	(12)			
Subsidiary EBITDA margin (%)	14	18	1	0	7			
Share income - Synphaet (THB m)	47	84	50	44	22			
Share income - THG (THB m)	94	100	64	46	28			
Share income - Sukhumvit (THB m)	18	28	20	15	21			
Share income - Chiangmai Ram (THB m)	8	35	21	50	13			
Share income - VIBHA (THB m)	38	34	(19)	13	19			
Share income - RJH (THB m)	0	0	0	0	0			

Sources: RAM; FSSIA estimates

Financial Statements

Ramkhamhaeng Hospital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	12,664	10,687	10,907	11,613	12,451
Cost of goods sold	(7,941)	(7,815)	(8,020)	(8,431)	(8,998)
Gross profit	4,723	2,872	2,887	3,182	3,452
Other operating income	-	-	-	-	-
Operating costs	(1,364)	(1,513)	(1,609)	(1,641)	(1,674)
Operating EBITDA	4,175	2,356	2,368	2,677	2,935
Depreciation	(816)	(998)	(1,090)	(1,136)	(1,157)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	3,359	1,359	1,278	1,540	1,778
Net financing costs	(224)	(234)	(240)	(237)	(223)
Associates	2,259	1,002	871	1,012	1,085
Recurring non-operating income	2,640	1,450	1,322	1,488	1,575
Non-recurring items	122	0	0	0	0
Profit before tax	5,897	2,575	2,360	2,791	3,130
Tax	(506)	(274)	(283)	(356)	(409)
Profit after tax	5,391	2,301	2,077	2,435	2,721
Minority interests	(1,220)	(212)	(112)	(146)	(190)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,171	2,088	1,965	2,289	2,531
Non-recurring items & goodwill (net)	(122)	0	0	0	0
Recurring net profit	4,049	2,088	1,965	2,289	2,531
Per share (THB)					
Recurring EPS *	3.37	1.74	1.64	1.91	2.11
Reported EPS	3.48	1.74	1.64	1.91	2.11
DPS	0.76	1.10	1.10	0.95	1.05
Diluted shares (used to calculate per share data)	1,200	1,200	1,200	1,200	1,200
Growth					
Revenue (%)	61.9	(15.6)	2.1	6.5	7.2
Operating EBITDA (%)	295.8	(43.6)	0.5	13.0	9.7
Operating EBIT (%)	892.2	(59.6)	(5.9)	20.5	15.4
Recurring EPS (%)	540.6	(48.4)	(5.9)	16.5	10.6
Reported EPS (%)	559.9	(49.9)	(5.9)	16.5	10.6
Operating performance					
Gross margin inc. depreciation (%)	37.3	26.9	26.5	27.4	27.7
Gross margin exc. depreciation (%)	43.7	36.2	36.5	37.2	37.0
Operating EBITDA margin (%)	33.0	22.1	21.7	23.0	23.6
Operating EBIT margin (%)	26.5	12.7	11.7	13.3	14.3
Net margin (%)	32.0	19.5	18.0	19.7	20.3
Effective tax rate (%)	14.4	17.4	19.0	20.0	20.0
Dividend payout on recurring profit (%)	22.5	63.2	67.2	50.0	50.0
Interest cover (X)	26.8	12.0	10.8	12.8	15.0
Inventory days	38.7	40.8	40.9	40.2	39.8
Debtor days	54.7	77.7	67.7	63.6	59.3
Creditor days	25.1	30.4	35.9	35.3	34.9
Operating ROIC (%)	23.3	7.7	6.2	7.4	9.0
ROIC (%)	16.8	6.4	5.4	6.2	6.9
ROE (%)	26.5	11.2	10.0	11.2	11.7
ROA (%)	16.6	6.4	5.5	6.3	6.7
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Cash patient	8,845	7,604	7,659	8,215	8,907
SSO	1,575	1,716	1,836	1,928	2,025
NHSO	649	241	241	241	241
Sales of medical equipment	1,595	1,126	1,171	1,229	1,278

Sources: Ramkhamhaeng Hospital; FSSIA estimates

Financial Statements

Ramkhamhaeng Hospital

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	4,049	2,088	1,965	2,289	2,531
Depreciation	816	998	1,090	1,136	1,157
Associates & minorities	-	-	-	-	-
Other non-cash items	2,038	609	112	146	190
Change in working capital	(199)	439	(911)	(7)	1,152
Cash flow from operations	6,705	4,134	2,256	3,564	5,029
Capex - maintenance	(1,776)	(4,895)	(654)	(680)	(1,081)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(4,791)	(1,480)	(395)	(395)	(360)
Other investments (net)	-	-	-	-	-
Cash flow from investing	(6,567)	(6,375)	(1,049)	(1,075)	(1,441)
Dividends paid	(969)	(1,362)	(1,320)	(1,320)	(1,145)
Equity finance	0	0	0	0	0
Debt finance	753	1,318	(600)	(300)	(300)
Other financing cash flows	589	2,527	(76)	(73)	(95)
Cash flow from financing	372	2,483	(1,996)	(1,693)	(1,540)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	510	242	(789)	796	2,048
Free cash flow to firm (FCFF)	377.20	(1,997.35)	1,458.11	2,730.86	3,822.58
Free cash flow to equity (FCFE)	1,479.50	1,604.43	530.99	2,116.43	3,193.03

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	0.31	(1.66)	1.22	2.28	3.19
FCFE per share	1.23	1.34	0.44	1.76	2.66
Recurring cash flow per share	5.75	3.08	2.64	2.98	3.23

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	19,197	24,024	24,678	25,358	26,439
Less: Accumulated depreciation	(8,133)	(9,062)	(10,152)	(11,288)	(12,445)
Tangible fixed assets (net)	11,064	14,961	14,526	14,069	13,994
Intangible fixed assets (net)	409	422	422	422	422
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	20,016	21,496	21,891	22,286	22,646
Cash & equivalents	1,126	1,369	580	1,376	3,424
A/C receivable	2,524	2,023	2,023	2,023	2,023
Inventories	756	770	782	824	885
Other current assets	373	373	983	1,051	367
Current assets	4,779	4,534	4,368	5,274	6,699
Other assets	143	202	202	202	202
Total assets	36,411	41,615	41,409	42,254	43,963
Common equity	17,781	19,387	20,032	21,001	22,388
Minorities etc.	6,362	8,592	8,629	8,702	8,797
Total shareholders' equity	24,143	27,980	28,661	29,704	31,185
Long term debt	4,501	5,189	4,889	4,889	4,889
Other long-term liabilities	404	501	501	501	501
Long-term liabilities	4,905	5,690	5,390	5,390	5,390
A/C payable	460	676	687	723	777
Short term debt	5,548	6,178	5,878	5,578	5,278
Other current liabilities	1,356	1,092	792	859	1,333
Current liabilities	7,363	7,945	7,357	7,160	7,388
Total liabilities and shareholders' equity	36,411	41,615	41,409	42,254	43,963
Net working capital	1,838	1,398	2,310	2,317	1,165
Invested capital	33,470	38,480	39,350	39,296	38,429

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	14.82	16.16	16.69	17.50	18.66
Tangible book value per share	14.48	15.80	16.34	17.15	18.30

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	37.0	35.7	35.5	30.6	21.6
Net debt/total assets (%)	24.5	24.0	24.6	21.5	15.3
Current ratio (x)	0.6	0.6	0.6	0.7	0.9
CF interest cover (x)	7.6	7.9	3.2	9.9	15.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	12.1	23.4	24.9	21.4	19.3
Recurring P/E @ target price (x) *	17.8	34.5	36.6	31.5	28.4
Reported P/E (x)	11.7	23.4	24.9	21.4	19.3
Dividend yield (%)	1.9	2.7	2.7	2.3	2.6
Price/book (x)	2.8	2.5	2.4	2.3	2.2
Price/tangible book (x)	2.8	2.6	2.5	2.4	2.2
EV/EBITDA (x) **	15.4	28.6	28.6	24.9	22.0
EV/EBITDA @ target price (x) **	20.9	38.4	38.3	33.5	29.8
EV/invested capital (x)	1.9	1.8	1.7	1.7	1.7

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

Sources: Ramkhamhaeng Hospital; 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.

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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

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Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

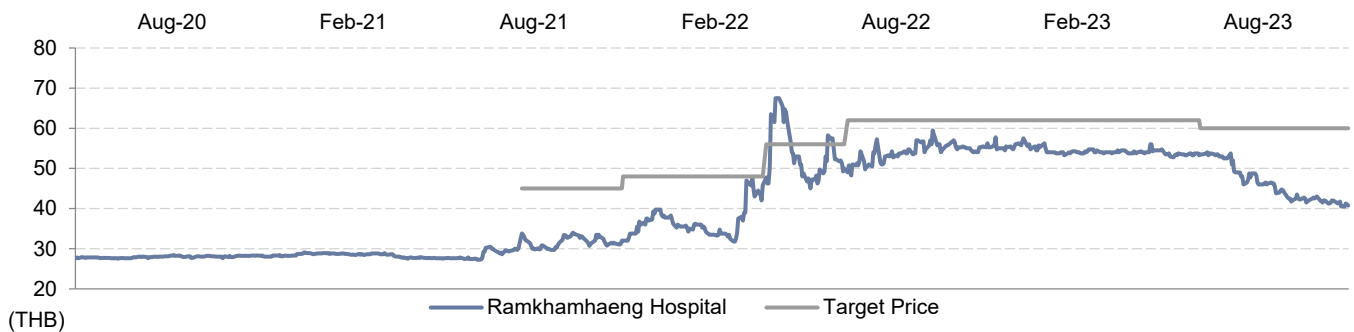
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History of change in investment rating and/or target price

Ramkhamhaeng Hospital (RAM TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Sep-2021	BUY	45.00	01-Apr-2022	BUY	56.00	11-Apr-2023	BUY	60.00
01-Dec-2021	BUY	48.00	10-Jun-2022	BUY	62.00			

Teerapol Udomvej, CFA started covering this stock from 03-Sep-2021

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Ramkhamhaeng Hospital	RAM TB	THB 40.75	BUY	Downside risks to our DCF-based target price include 1) weak patient volumes following the economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) losses from its subsidiary companies.

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 17-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.