

CENTRAL PATTANA CPN TB

THAILAND / PROPERTY DEVELOPMENT

BUY

UNCHANGED

Key takeaways from analyst meeting

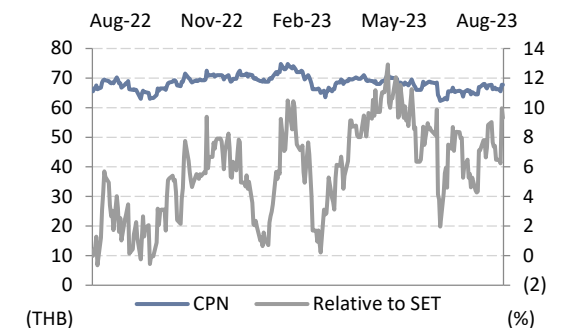
TARGET PRICE	THB82.00
CLOSE	THB67.75
UP/DOWNSIDE	+21.0%
TP vs CONSENSUS	+1.7%

Highlights

- We found the analyst meeting on 18 August 2023 to have a positive tone, as CPN's operations showed continued growth across all business units and already exceeded the pre-pandemic level in 2019 since 1Q23.
- Shopping malls' occupancy rate hit its normalised 91% in 2Q23, while the drop in community malls' occupancy during 1H23 was owing to the opening of Marche Thonglor mall in March 2023. Management expects an 80% occupancy rate for Marche Thonglor by year-end 2023.
- The 'Pride Celebration 2023' in Bangkok at Centralworld in June 2023 boosted foot traffic by 40% above the period with no activities. Following the success of such an event, CPN plans to continue hosting more activities and bringing more global brands into the stores.
- On 31 July 2023, unitholders of CPN Retail Growth Leasehold REIT (CPNREIT TB, NR) approved the lease renewals of Central Pinklao and Central Rama 2 as well as the fund-raising plan. CPN will subscribe up to cTHB6b for an additional 10% stake from 30% to 40% in CPNREIT. The transaction is expected in 2H24.
- Regarding CPN's five-year plan for 2023-27, the company will invest cTHB135b in 12 shopping malls, seven offices, 31 hotels, and 62 residential projects. Mall projects in the pipeline are Central Westville (4Q23), Central Nakhon Sawan (1Q24), Central Nakhon Pathom (2Q24), and Central Krabi (4Q24). Non-retail projects in the pipeline are six more residential projects (2H23), Dusit Thani Hotel (2Q24), GO! Hotels in Sri Racha and Chonburi (3Q23), and Centara Ayutthaya and Rayong (4Q23).
- Management maintains its revenue target at a 14-16% CAGR during 2023-27 with a non-retail project contribution of 20-25% by 2027, up from 14% in 1H23. Should CPN achieve this target, its revenue would reach THB68b-75b by 2027. Assuming a net margin of 33%, the same as in 2Q23, its net profit would be THB22b-24b. Our projection assumes revenue growth at an 8% CAGR in 2023-27 and a net profit of THB16b in 2027.
- CPN's current share price is still 20% below its peak in 2017, although we expect its EBITDA margin and profit to reach the highest levels in 2023. The company's share price is currently trading at 23.6x 2023E P/E, lower than the modern trade industry's average of 30x. We reiterate our BUY call on CPN.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	35,575	41,462	44,890	47,661
Net profit	10,760	12,898	14,064	14,927
EPS (THB)	2.40	2.87	3.13	3.33
vs Consensus (%)	-	1.9	(1.2)	(3.1)
EBITDA	19,608	23,096	25,387	27,208
Recurring net profit	10,945	12,898	14,064	14,927
Core EPS (THB)	2.44	2.87	3.13	3.33
EPS growth (%)	114.6	17.8	9.0	6.1
Core P/E (x)	27.8	23.6	21.6	20.4
Dividend yield (%)	1.3	1.6	1.7	1.8
EV/EBITDA (x)	22.0	17.8	16.6	15.8
Price/book (x)	3.7	3.4	3.1	2.8
Net debt/Equity (%)	133.7	100.4	101.4	100.1
ROE (%)	14.2	15.1	15.0	14.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.9	(1.5)	0.8
Relative to country (%)	2.6	(1.8)	7.8
Mkt cap (USD m)	8,439		
3m avg. daily turnover (USD m)	14.0		
Free float (%)	66		
Major shareholder	Chirathivat Family (37%)		
12m high/low (THB)	75.50/61.75		
Issued shares (m)	4,488.00		

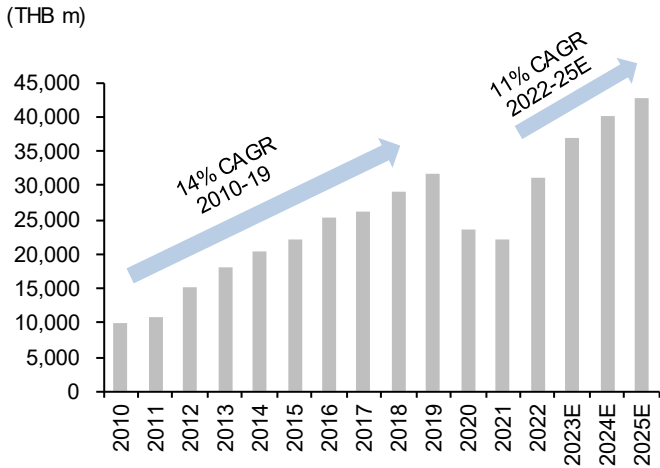
Sources: Bloomberg consensus; FSSIA estimates


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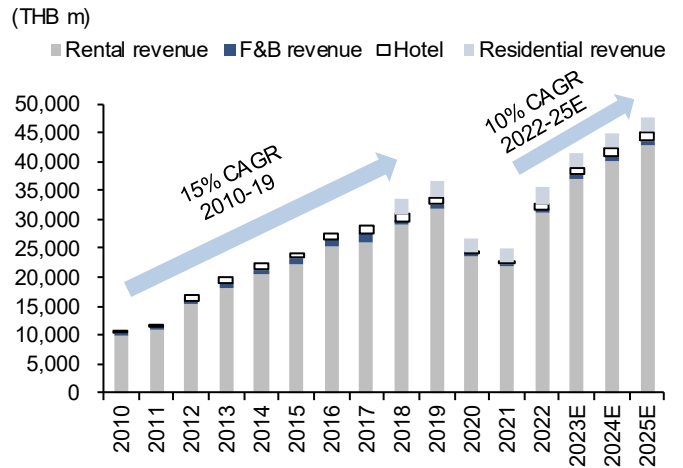
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Exhibit 1: Rental revenue



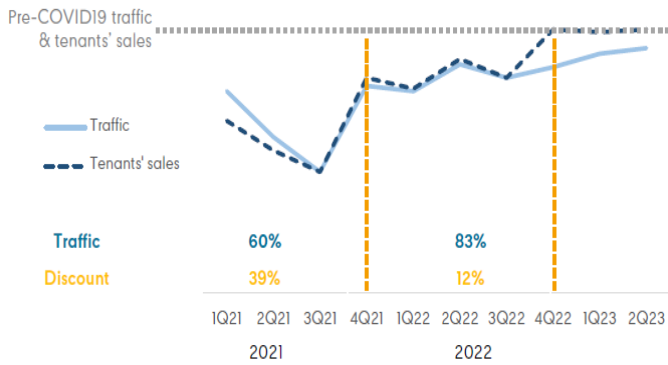
Sources: CPN, FSSIA estimates

Exhibit 2: Total revenue



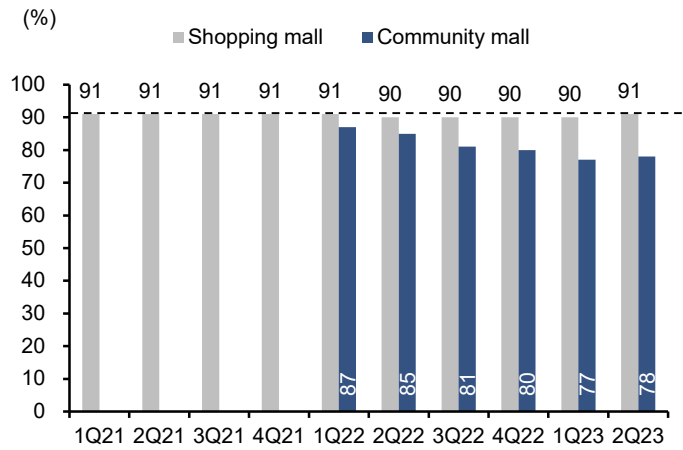
Sources: CPN, FSSIA estimates

Exhibit 3: Mall traffic and tenant sales



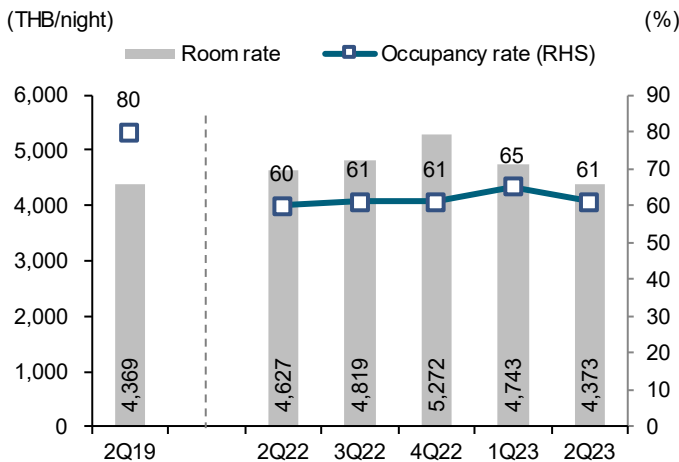
Source: CPN

Exhibit 4: Mall occupancy rate



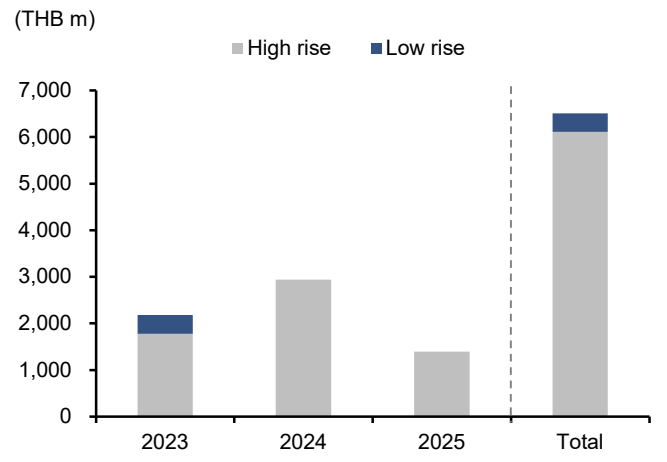
Source: CPN

Exhibit 5: Hotel operations



Source: CPN

Exhibit 6: Residential backlog



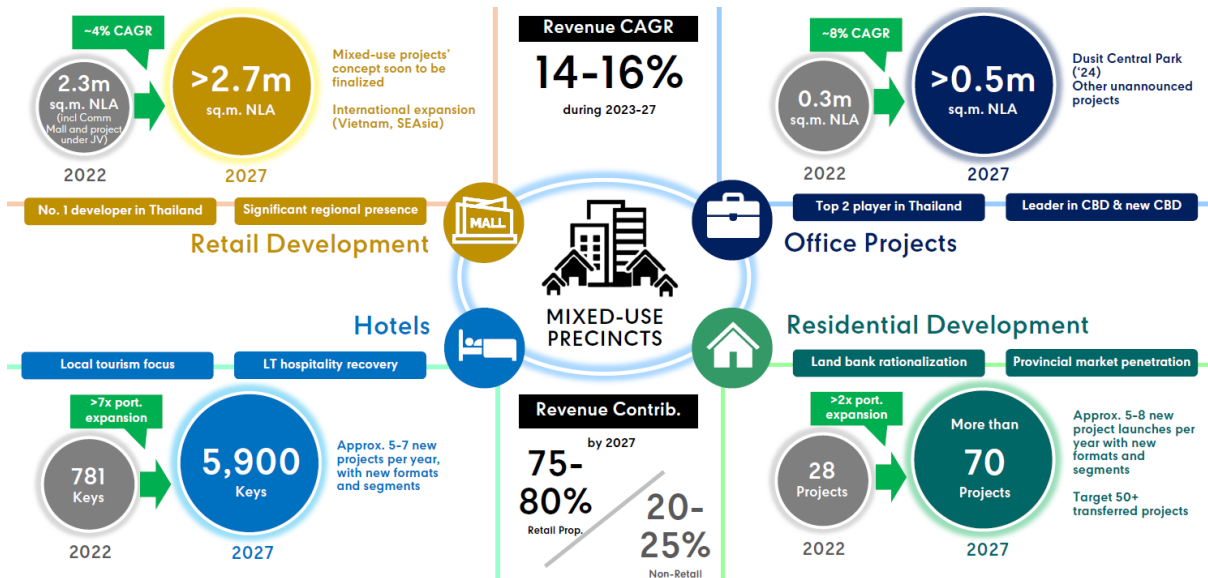
Source: CPN

Exhibit 7: Shopping malls in pipeline



Source: CPN

Exhibit 8: Five-year financial targets



Source: CPN

Financial Statements

Central Pattana

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	24,840	35,575	41,462	44,890	47,661
Cost of goods sold	(14,784)	(18,033)	(20,916)	(22,235)	(23,326)
Gross profit	10,056	17,542	20,546	22,654	24,335
Other operating income	-	-	-	-	-
Operating costs	(5,414)	(6,483)	(6,510)	(7,093)	(7,721)
Operating EBITDA	12,766	19,608	23,096	25,387	27,208
Depreciation	(8,124)	(8,550)	(9,059)	(9,825)	(10,594)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	4,642	11,058	14,037	15,562	16,614
Net financing costs	(1,790)	(2,204)	(2,137)	(2,286)	(2,486)
Associates	704	1,560	1,658	1,749	1,860
Recurring non-operating income	3,594	4,692	4,084	4,163	4,310
Non-recurring items	2,048	(186)	0	0	0
Profit before tax	8,495	13,361	15,984	17,439	18,438
Tax	(1,265)	(2,487)	(2,965)	(3,248)	(3,383)
Profit after tax	7,230	10,874	13,019	14,191	15,055
Minority interests	(81)	(114)	(120)	(127)	(127)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	7,148	10,760	12,898	14,064	14,927
Non-recurring items & goodwill (net)	(2,048)	186	0	0	0
Recurring net profit	5,100	10,945	12,898	14,064	14,927
Per share (THB)					
Recurring EPS *	1.14	2.44	2.87	3.13	3.33
Reported EPS	1.59	2.40	2.87	3.13	3.33
DPS	0.60	0.90	1.08	1.18	1.23
Diluted shares (used to calculate per share data)	4,488	4,488	4,488	4,488	4,488
Growth					
Revenue (%)	(7.1)	43.2	16.6	8.3	6.2
Operating EBITDA (%)	(5.7)	53.6	17.8	9.9	7.2
Operating EBIT (%)	(17.5)	138.2	26.9	10.9	6.8
Recurring EPS (%)	(9.3)	114.6	17.8	9.0	6.1
Reported EPS (%)	(25.2)	50.5	19.9	9.0	6.1
Operating performance					
Gross margin inc. depreciation (%)	40.5	49.3	49.6	50.5	51.1
Gross margin exc. depreciation (%)	73.2	73.3	71.4	72.4	73.3
Operating EBITDA margin (%)	51.4	55.1	55.7	56.6	57.1
Operating EBIT margin (%)	18.7	31.1	33.9	34.7	34.9
Net margin (%)	20.5	30.8	31.1	31.3	31.3
Effective tax rate (%)	22.0	20.7	20.7	20.7	20.7
Dividend payout on recurring profit (%)	52.8	37.0	37.7	37.7	37.1
Interest cover (X)	4.6	7.1	8.5	8.6	8.4
Inventory days	-	-	-	-	-
Debtor days	94.8	65.9	52.0	53.8	54.3
Creditor days	319.5	267.0	253.1	267.9	275.8
Operating ROIC (%)	2.1	5.0	6.1	6.2	6.2
ROIC (%)	2.9	5.0	5.5	5.6	5.7
ROE (%)	7.2	14.2	15.1	15.0	14.5
ROA (%)	2.7	4.8	5.2	5.3	5.4
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Revenue from rent and services	22,073	31,131	36,988	40,236	42,847
Revenue from food and beverage	325	655	725	762	800
Revenue from hotel operation	2,443	3,788	3,749	3,892	4,014

Sources: Central Pattana; FSSIA estimates

Financial Statements

Central Pattana

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	5,100	10,945	12,898	14,064	14,927
Depreciation	8,124	8,550	9,059	9,825	10,594
Associates & minorities	558	(942)	0	0	0
Other non-cash items	81	2,150	120	127	127
Change in working capital	(1,750)	(4,317)	(706)	(653)	(458)
Cash flow from operations	12,114	16,387	21,372	23,364	25,191
Capex - maintenance	(14,748)	(11,409)	(21,400)	(24,000)	(21,600)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	(32,648)	(6,029)	(3,464)	(1,051)	888
Other investments (net)	0	10,001	15,001	15,001	15,001
Cash flow from investing	(47,396)	(7,438)	(9,863)	(10,050)	(5,711)
Dividends paid	(2,693)	(2,709)	(4,859)	(5,298)	(5,535)
Equity finance	(144)	293	0	0	0
Debt finance	34,951	1,991	(21,812)	37,838	8,800
Other financing cash flows	0	(8,445)	0	0	0
Cash flow from financing	32,114	(8,871)	(26,671)	32,540	3,265
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	14,999	0	0
Net other adjustments	0	(15)	14,999	(46,008)	(22,891)
Movement in cash	(3,168)	63	(162)	(154)	(147)
Free cash flow to firm (FCFF)	(33,492.06)	11,152.76	13,646.37	15,600.02	21,965.76
Free cash flow to equity (FCFE)	(331.39)	2,479.58	4,696.33	5,143.93	5,388.82

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(7.46)	2.49	3.04	3.48	4.89
FCFE per share	(0.07)	0.55	1.05	1.15	1.20
Recurring cash flow per share	3.09	4.61	4.92	5.35	5.72

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	246,508	257,917	279,317	303,317	324,917
Less: Accumulated depreciation	(76,660)	(85,210)	(94,270)	(104,095)	(114,689)
Tangible fixed assets (net)	169,848	172,707	185,048	199,223	210,229
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	42,381	41,306	41,306	42,316	43,306
Cash & equivalents	6,057	6,121	5,958	5,804	5,658
A/C receivable	7,395	5,455	6,358	6,883	7,308
Inventories	0	0	0	0	0
Other current assets	10,062	13,667	15,928	17,245	18,310
Current assets	23,515	25,242	28,245	29,933	31,276
Other assets	27,677	33,436	38,970	37,972	34,269
Total assets	263,421	272,692	293,568	309,443	319,079
Common equity	73,102	81,475	89,514	98,280	107,440
Minorities etc.	8,973	8,145	8,266	8,393	8,521
Total shareholders' equity	82,075	89,620	97,780	106,674	115,960
Long term debt	94,176	98,522	79,119	87,863	94,548
Other long-term liabilities	43,677	42,517	74,588	70,541	62,059
Long-term liabilities	137,853	141,040	153,707	158,404	156,606
A/C payable	6,259	7,614	8,832	9,389	9,849
Short term debt	29,796	27,441	25,032	26,126	27,241
Other current liabilities	7,437	6,976	8,218	8,851	9,421
Current liabilities	43,492	42,032	42,082	44,366	46,512
Total liabilities and shareholders' equity	263,420	272,691	293,569	309,443	319,078
Net working capital	3,762	4,531	5,237	5,889	6,347
Invested capital	243,668	251,981	270,560	285,399	294,150

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	16.29	18.15	19.95	21.90	23.94
Tangible book value per share	16.29	18.15	19.95	21.90	23.94

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	143.7	133.7	100.4	101.4	100.1
Net debt/total assets (%)	44.8	43.9	33.4	35.0	36.4
Current ratio (x)	0.5	0.6	0.7	0.7	0.7
CF interest cover (x)	0.8	2.1	3.2	3.3	3.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	59.6	27.8	23.6	21.6	20.4
Recurring P/E @ target price (x) *	72.2	33.6	28.5	26.2	24.7
Reported P/E (x)	42.5	28.3	23.6	21.6	20.4
Dividend yield (%)	0.9	1.3	1.6	1.7	1.8
Price/book (x)	4.2	3.7	3.4	3.1	2.8
Price/tangible book (x)	4.2	3.7	3.4	3.1	2.8
EV/EBITDA (x) **	33.8	22.0	17.8	16.6	15.8
EV/EBITDA @ target price (x) **	38.8	25.3	20.5	19.1	18.1
EV/invested capital (x)	1.8	1.7	1.5	1.5	1.5

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

Sources: Central Pattana; 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

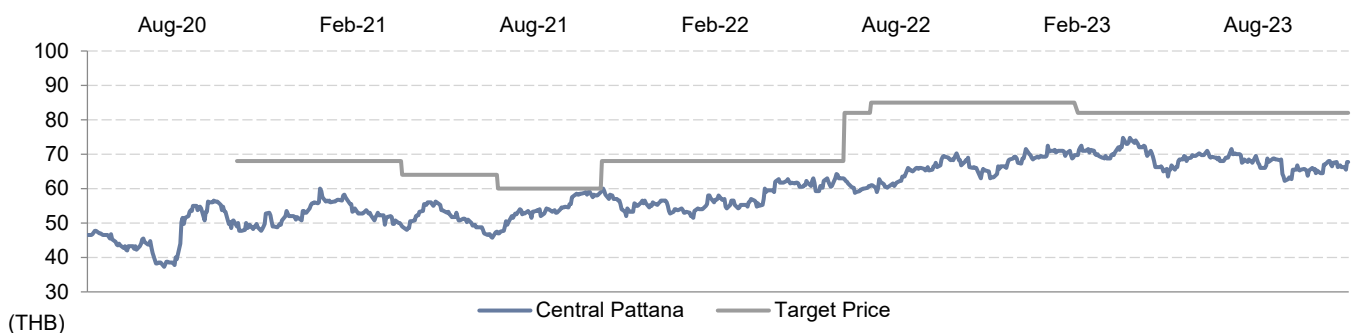
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History of change in investment rating and/or target price

Central Pattana (CPN TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Dec-2020	BUY	68.00	08-Nov-2021	BUY	68.00	23-Dec-2022	BUY	82.00
19-May-2021	BUY	64.00	06-Jun-2022	BUY	82.00			
10-Aug-2021	BUY	60.00	29-Jun-2022	BUY	85.00			

Jitra Amornthum started covering this stock from 23-Dec-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Central Pattana	CPN TB	THB 67.75	BUY	Key downside risks to our DCF-derived TP are deviations to our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates.

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.