

S HOTELS AND RESORTS

THAILAND / TOURISM & LEISURE

SHR TB

BUY

 UNCHANGED

Key takeaways from analyst meeting

TARGET PRICE	THB4.80
CLOSE	THB2.70
UP/DOWNSIDE	+77.8%
TP vs CONSENSUS	+22.8%

Highlights

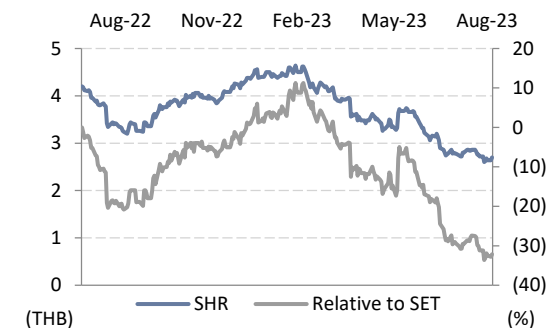
- We have a neutral view from the 2Q23 analyst meeting.
- UK performance improved in July with an OCC rate of 78% (vs 74% in 2Q23) and ADR of GBP95 (vs GBP90 in 2Q23). Fiji and Thailand RevPAR also improved by 33% and 1%, respectively, in July vs 2Q23.
- On a negative note, Maldives RevPAR dropped by 9% in July vs 2Q23 mainly due to lower ADR by 17%, while the OCC rate slightly improved to 59% (vs 54% in 2Q23). Management expects Maldives performance to start improving in September, and still expects 4Q23 RevPAR to surpass the 1Q23 level, led by more direct flights from European countries.
- Outrigger Mauritius is expected to partially reopen in October and fully reopen in mid-November; slightly delayed due to the equipment procurement process.
- Two main Thai hotels (Saii Laguna Phuket and Saii Phi Phi Island Village) are in the first phase of renovations, with 30% of room inventory being renovated. The first phase should be complete by December 2023.
- SHR plans to issue THB1.0b-1.5b in debentures in September to fund the renovation capex and repay high interest rate loans. This would slightly lift its IBD/E of 0.81x in 2Q23 (vs optimised level of 1.5x).

Recommendation

- We expect earnings to improve, led by UK and Fiji hotels in 3Q23. However, SHR should still report a loss (smaller q-q) in 3Q23. It would likely turn profitable in 4Q23 when the Maldives portfolio's performance recovers.
- SHR trades at cheap valuations of 0.6x 2024E P/BV and 19x 2024E P/E (vs peers' avg of 1.9x and 28x).

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	8,693	9,615	10,532	11,035
Net profit	14	170	508	640
EPS (THB)	0.00	0.05	0.14	0.18
vs Consensus (%)	-	(20.6)	32.1	-
EBITDA	1,859	2,231	2,557	2,789
Recurring net profit	(39)	170	508	640
Core EPS (THB)	(0.01)	0.05	0.14	0.18
EPS growth (%)	nm	nm	198.4	25.9
Core P/E (x)	(249.3)	56.9	19.1	15.2
Dividend yield (%)	-	0.7	2.1	2.6
EV/EBITDA (x)	12.9	9.1	7.4	6.4
Price/book (x)	0.6	0.6	0.6	0.6
Net debt/Equity (%)	88.6	65.1	55.9	47.7
ROE (%)	(0.2)	1.1	3.1	3.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.9)	(20.1)	(34.1)
Relative to country (%)	(3.9)	(21.0)	(31.2)
Mkt cap (USD m)	277		
3m avg. daily turnover (USD m)	0.9		
Free float (%)	38		
Major shareholder	S Hotels and Resorts Inter (49%)		
12m high/low (THB)	4.70/2.60		
Issued shares (m)	3,593.64		

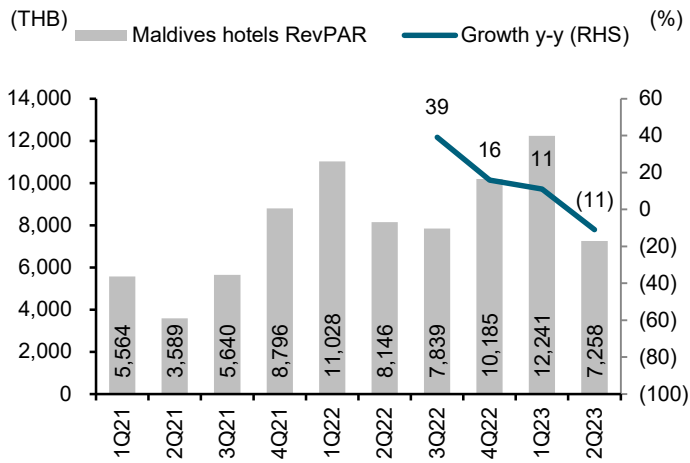
Sources: Bloomberg consensus; FSSIA estimates


Teerapol Udomvej, CFA

Analyst register no. 080523

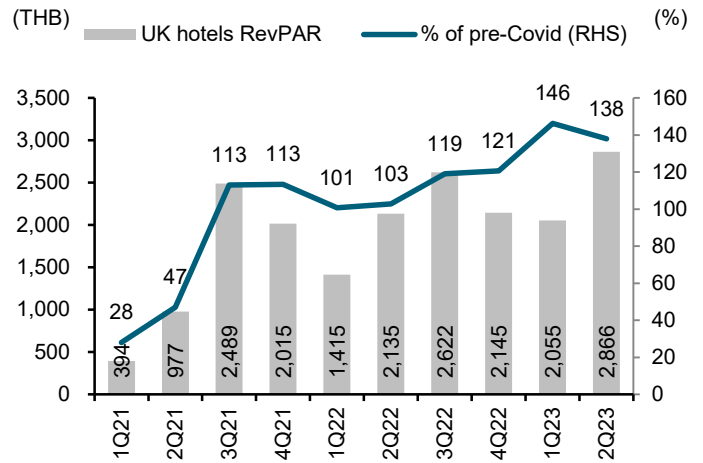
teerapol.udo@fssia.com, +66 2611 3535

Exhibit 1: SHR's Crossroads (Maldives) hotels RevPAR



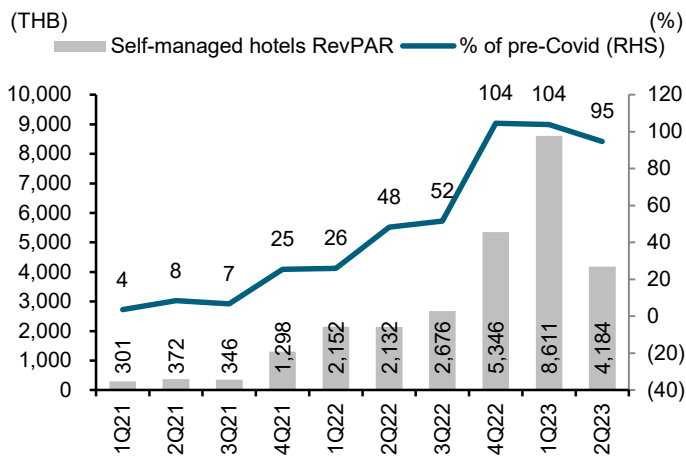
Sources: SHR; FSSIA estimates

Exhibit 2: SHR's UK hotels RevPAR



Sources: SHR; FSSIA estimates

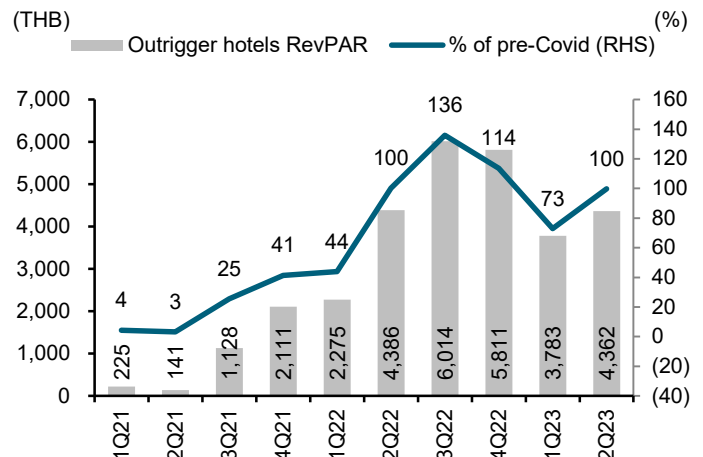
Exhibit 3: SHR's self-managed (Thailand) hotels RevPAR



Note: Saii Laguna Phuket, Saii Koh Samui Bophut and Konotta Maldives have been transferred from Outrigger to self-managed since 1Q21

Sources: SHR; FSSIA estimates

Exhibit 4: Outrigger (Mauritius, Fiji) hotels RevPAR



Note: Saii Laguna Phuket, Saii Koh Samui Bophut and Konotta Maldives have been transferred from Outrigger to self-managed since 1Q21

Sources: SHR; FSSIA estimates

Financial Statements

S Hotels and Resorts

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	4,512	8,693	9,615	10,532	11,035
Cost of goods sold	(3,596)	(5,807)	(6,242)	(6,675)	(6,973)
Gross profit	916	2,885	3,373	3,857	4,062
Other operating income	-	-	-	-	-
Operating costs	(1,742)	(2,142)	(2,271)	(2,452)	(2,530)
Operating EBITDA	363	1,859	2,231	2,557	2,789
Depreciation	(1,189)	(1,116)	(1,128)	(1,152)	(1,257)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	(826)	743	1,102	1,405	1,532
Net financing costs	(693)	(842)	(965)	(881)	(855)
Associates	(3)	(21)	(50)	(22)	4
Recurring non-operating income	158	73	63	93	122
Non-recurring items	(5)	53	0	0	0
Profit before tax	(1,366)	27	200	617	799
Tax	131	(13)	(30)	(109)	(159)
Profit after tax	(1,234)	14	170	508	640
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	(1,234)	14	170	508	640
Non-recurring items & goodwill (net)	5	(53)	0	0	0
Recurring net profit	(1,229)	(39)	170	508	640
Per share (THB)					
Recurring EPS *	(0.34)	(0.01)	0.05	0.14	0.18
Reported EPS	(0.34)	0.00	0.05	0.14	0.18
DPS	0.00	0.00	0.02	0.06	0.07
Diluted shares (used to calculate per share data)	3,594	3,594	3,594	3,594	3,594
Growth					
Revenue (%)	188.7	92.6	10.6	9.5	4.8
Operating EBITDA (%)	nm	411.7	20.0	14.6	9.1
Operating EBIT (%)	nm	nm	48.4	27.4	9.0
Recurring EPS (%)	nm	nm	nm	198.4	25.9
Reported EPS (%)	nm	nm	1,084.7	198.4	25.9
Operating performance					
Gross margin inc. depreciation (%)	20.3	33.2	35.1	36.6	36.8
Gross margin exc. depreciation (%)	46.7	46.0	46.8	47.6	48.2
Operating EBITDA margin (%)	8.1	21.4	23.2	24.3	25.3
Operating EBIT margin (%)	(18.3)	8.5	11.5	13.3	13.9
Net margin (%)	(27.2)	(0.4)	1.8	4.8	5.8
Effective tax rate (%)	9.7	(289.8)	12.0	17.0	20.0
Dividend payout on recurring profit (%)	-	-	40.0	40.0	40.0
Interest cover (X)	(1.0)	1.0	1.2	1.7	1.9
Inventory days	28.3	16.6	17.0	17.1	17.5
Debtor days	17.8	18.7	19.0	17.4	16.6
Creditor days	168.5	130.1	233.4	332.0	339.0
Operating ROIC (%)	(2.9)	9.7	3.6	4.7	5.1
ROIC (%)	(2.1)	9.7	3.4	4.5	4.9
ROE (%)	(7.8)	(0.2)	1.1	3.1	3.8
ROA (%)	(1.9)	8.8	2.7	3.2	3.4
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Self-managed	234	1,098	1,786	1,711	1,839
Outrigger	205	1,486	1,302	1,625	1,674
Crossroads Ph1 (Maldives hotels)	1,627	2,445	2,556	2,605	2,761
UK	2,446	3,664	3,971	4,591	4,761

Sources: S Hotels and Resorts; FSSIA estimates

Financial Statements

S Hotels and Resorts

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(1,229)	(39)	170	508	640
Depreciation	1,189	1,116	1,128	1,152	1,257
Associates & minorities	-	-	-	-	-
Other non-cash items	(190)	109	(8)	(8)	(8)
Change in working capital	(750)	1,052	3,005	273	122
Cash flow from operations	(981)	2,238	4,295	1,925	2,011
Capex - maintenance	(11,050)	(116)	(569)	(624)	(654)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	1,555	(277)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(9,495)	(393)	(569)	(624)	(654)
Dividends paid	0	0	0	(68)	(203)
Equity finance	13	0	(44)	0	0
Debt finance	8,476	(1,418)	(900)	(900)	0
Other financing cash flows	1,408	139	0	0	0
Cash flow from financing	9,897	(1,280)	(944)	(968)	(203)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(579)	566	2,783	333	1,153
Free cash flow to firm (FCFF)	(9,783.45)	2,686.85	4,691.92	2,182.01	2,211.38
Free cash flow to equity (FCFE)	(591.92)	565.63	2,826.57	401.30	1,356.77

Per share (THB)

FCFF per share	(2.72)	0.75	1.31	0.61	0.62
FCFE per share	(0.16)	0.16	0.79	0.11	0.38
Recurring cash flow per share	(0.06)	0.33	0.36	0.46	0.53

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	36,405	36,291	36,868	37,500	38,162
Less: Accumulated depreciation	(6,444)	(7,323)	(8,451)	(9,603)	(10,860)
Tangible fixed assets (net)	29,961	28,968	28,417	27,896	27,301
Intangible fixed assets (net)	1,641	1,630	1,630	1,630	1,630
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	427	704	704	704	704
Cash & equivalents	1,914	2,479	5,262	5,595	6,749
A/C receivable	387	501	501	501	501
Inventories	198	229	249	269	278
Other current assets	2,224	1,324	1,464	1,604	1,680
Current assets	4,723	4,533	7,477	7,970	9,209
Other assets	463	615	615	615	615
Total assets	37,214	36,450	38,842	38,814	39,459
Common equity	15,882	16,019	16,146	16,586	17,023
Minorities etc.	0	0	0	0	0
Total shareholders' equity	15,882	16,019	16,146	16,586	17,023
Long term debt	18,092	16,674	15,774	14,874	14,874
Other long-term liabilities	1,392	1,612	1,612	1,612	1,612
Long-term liabilities	19,485	18,286	17,386	16,486	16,486
A/C payable	1,635	1,711	4,830	5,217	5,399
Short term debt	0	0	0	0	0
Other current liabilities	213	433	479	525	550
Current liabilities	1,848	2,144	5,310	5,742	5,950
Total liabilities and shareholders' equity	37,214	36,450	38,842	38,814	39,459
Net working capital	961	(90)	(3,095)	(3,368)	(3,489)
Invested capital	33,453	31,826	28,270	27,477	26,760

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

Per share (THB)

Book value per share	4.42	4.46	4.49	4.62	4.74
Tangible book value per share	3.96	4.00	4.04	4.16	4.28

Financial strength

Net debt/equity (%)	101.9	88.6	65.1	55.9	47.7
Net debt/total assets (%)	43.5	38.9	27.1	23.9	20.6
Current ratio (x)	2.6	2.1	1.4	1.4	1.5
CF interest cover (x)	0.1	1.7	3.9	1.5	2.6

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(7.9)	(249.3)	56.9	19.1	15.2
Recurring P/E @ target price (x) *	(14.0)	(443.2)	101.2	33.9	27.0
Reported P/E (x)	(7.9)	674.6	56.9	19.1	15.2
Dividend yield (%)	-	-	0.7	2.1	2.6
Price/book (x)	0.6	0.6	0.6	0.6	0.6
Price/tangible book (x)	0.7	0.7	0.7	0.6	0.6
EV/EBITDA (x) **	71.2	12.9	9.1	7.4	6.4
EV/EBITDA @ target price (x) **	92.0	16.9	12.4	10.4	9.1
EV/invested capital (x)	0.8	0.8	0.7	0.7	0.7

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

Sources: S Hotels and Resorts; 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

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

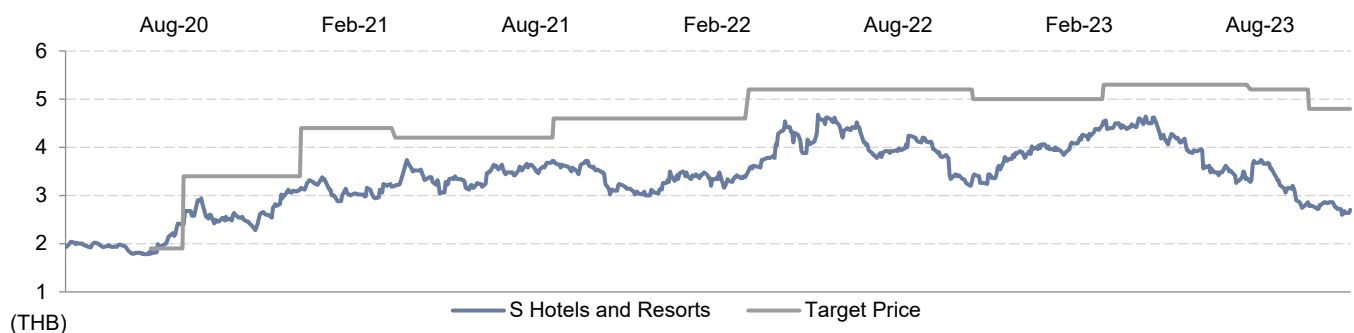
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History of change in investment rating and/or target price

S Hotels and Resorts (SHR TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Nov-2020	HOLD	1.90	12-Oct-2021	BUY	4.60	26-May-2023	BUY	5.20
01-Dec-2020	BUY	3.40	25-Mar-2022	BUY	5.20	17-Jul-2023	BUY	4.80
11-Mar-2021	BUY	4.40	04-Oct-2022	BUY	5.00			
28-May-2021	BUY	4.20	23-Jan-2023	BUY	5.30			

Teerapol Udomvej, CFA started covering this stock from 03-Nov-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
S Hotels and Resorts	SHR TB	THB 2.70	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.

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 22-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.