

THONBURI HEALTHCARE GROUP

THAILAND / HEALTH CARE SERVICES

THG TB

REDUCE

UNCHANGED

Key takeaways from analyst meeting

Highlights

- We have a slightly positive view from the 2Q23 analyst meeting.
- Management targets 2023 revenue of 10.8b and 11.8b, including potential M&A. This would imply strong revenue of up to THB5.8b-6.8b in 2H23 (vs THB5.0b in 1H23). Management sees a strong patient volume in 3Q23, especially for the hospitals in the southern region, with the IPD utilisation rate reaching 90% in Jul-Aug due to an influenza outbreak.
- Mature hospitals had a strong performance in 1H23, with the EBITDA margin reaching 25-30% (vs c20% pre-Covid) and the net profit margin at 15-20%. However, the group's performance was dragged down by Jin Wellbeing County, which transferred 13 rooms in 1H23 (vs 34 rooms in 1H22). Management targets 50 transferred rooms in 2023. In addition, THG has had discussions with potential partners for Jin Wellbeing County. This could improve both the business model and financial status of the project.
- For its five-year plan, THG expects to increase the IPD capacity from 1,722 currently to more than 2,000 beds in 2028 and ramp up revenue from THB11.5b in 2022 to THB15b-20b over 2025-28. For NPM, management expects it to improve to double-digits (vs 7% in 1H23) after restructuring the Jin Wellbeing County business model.
- The performance of Ar Yu Hospital in Myanmar has significantly improved, with profit from operations of THB71m in 1H23. Management expects the hospital to benefit from the depreciation of the MMK (Kyat), which should increase domestic demand and decrease the demand of fly-in patients seeking service in hospitals in Bangkok.
- THG plans to spin off Thonburi Sermrath and Thonburi Bamrungmuang by 2024. Thonburi Sermrath operates a hospital management business. Currently, it manages three Heart Centers for public hospitals with a revenue size of THB370m in 2022, or 3-4% of THG's revenue. THG expects more collaborations with public hospitals in the future.

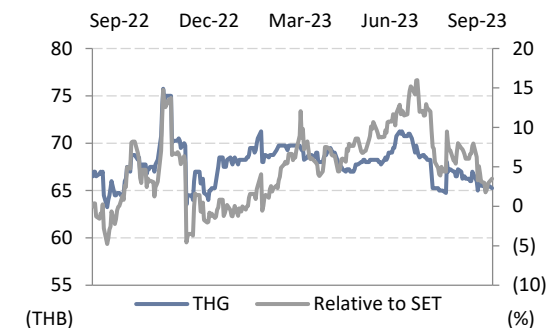
Outlook

- We believe that earnings have bottomed out in 2Q23 and expect a significant improvement in 2H23. However, we see a downside risk to our 2023 forecast mainly due to the lower-than-expected 2Q23 results following the slowdown of room transfers for Jin Wellbeing and a one-time expense related to investment feasibility.

TARGET PRICE	THB55.00
CLOSE	THB65.25
UP/DOWNSIDE	-15.7%
TP vs CONSENSUS	+7.8%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	11,540	12,317	13,141	13,939
Net profit	1,602	1,186	1,347	1,501
EPS (THB)	1.89	1.40	1.59	1.77
vs Consensus (%)	-	2.7	7.6	6.8
EBITDA	2,746	2,521	2,819	3,102
Recurring net profit	1,497	1,186	1,347	1,501
Core EPS (THB)	1.77	1.40	1.59	1.77
EPS growth (%)	20.3	(20.8)	13.6	11.4
Core P/E (x)	36.9	46.6	41.1	36.8
Dividend yield (%)	1.4	1.5	1.7	1.9
EV/EBITDA (x)	23.7	25.7	22.9	20.8
Price/book (x)	5.4	5.2	5.0	4.7
Net debt/Equity (%)	78.7	72.2	67.9	63.3
ROE (%)	15.5	11.4	12.4	13.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.0)	(5.4)	(3.7)
Relative to country (%)	(4.1)	(6.5)	0.9
Mkt cap (USD m)	1,570		
3m avg. daily turnover (USD m)	1.7		
Free float (%)	42		
Major shareholder	Ramkhamhaeng Hospital (22%)		
12m high/low (THB)	78.00/61.75		
Issued shares (m)	847.47		

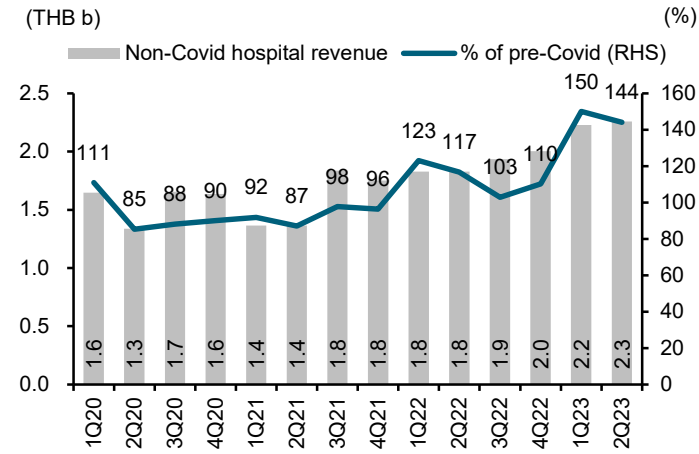
Sources: Bloomberg consensus; FSSIA estimates


Teerapol Udomvej, CFA

Analyst register no. 080523

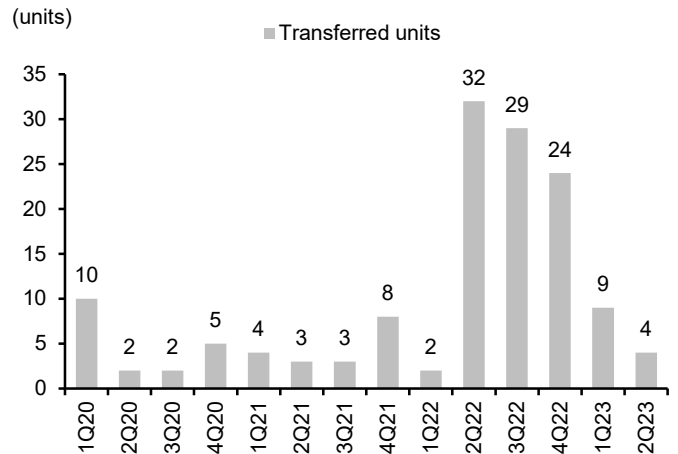
teerapol.udo@fssia.com, +66 2611 3535

Exhibit 1: Non-Covid hospital revenue, quarterly



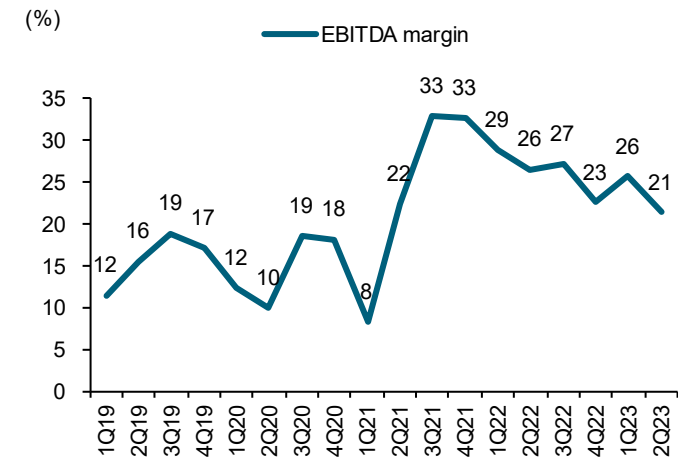
Source: THG

Exhibit 2: Jin Wellbeing units transferred, quarterly



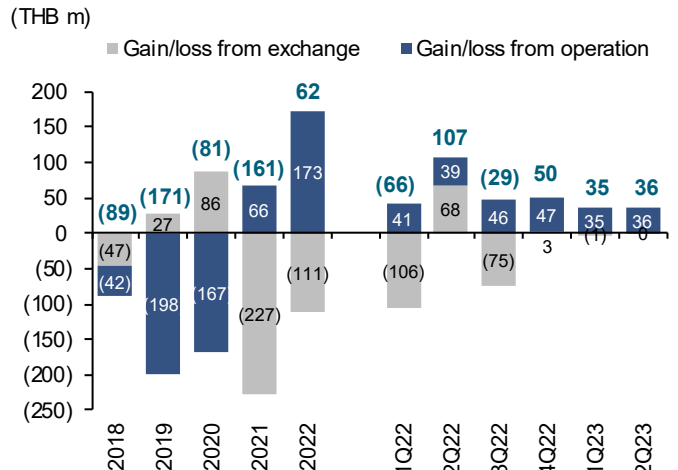
Source: THG

Exhibit 3: EBITDA margin



Source: THG

Exhibit 4: Ar Yu International Hospital profit and loss



Source: THG

Financial Statements

Thonburi Healthcare Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	10,847	11,540	12,317	13,141	13,939
Cost of goods sold	(7,406)	(8,054)	(9,025)	(9,610)	(10,155)
Gross profit	3,442	3,486	3,292	3,531	3,784
Other operating income	-	-	-	-	-
Operating costs	(1,571)	(1,745)	(1,863)	(1,919)	(1,986)
Operating EBITDA	2,814	2,746	2,521	2,819	3,102
Depreciation	(944)	(1,006)	(1,092)	(1,207)	(1,304)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	1,870	1,740	1,429	1,612	1,798
Net financing costs	(299)	(305)	(341)	(341)	(341)
Associates	31	151	145	162	172
Recurring non-operating income	139	465	471	502	525
Non-recurring items	90	105	0	0	0
Profit before tax	1,801	2,005	1,558	1,772	1,982
Tax	(444)	(329)	(283)	(322)	(362)
Profit after tax	1,357	1,676	1,276	1,450	1,620
Minority interests	(19)	(75)	(90)	(103)	(119)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,337	1,602	1,186	1,347	1,501
Non-recurring items & goodwill (net)	(90)	(105)	0	0	0
Recurring net profit	1,247	1,497	1,186	1,347	1,501
Per share (THB)					
Recurring EPS *	1.47	1.77	1.40	1.59	1.77
Reported EPS	1.58	1.89	1.40	1.59	1.77
DPS	0.90	0.90	0.98	1.11	1.24
Diluted shares (used to calculate per share data)	849	847	847	847	847
Growth					
Revenue (%)	48.3	6.4	6.7	6.7	6.1
Operating EBITDA (%)	186.3	(2.4)	(8.2)	11.8	10.0
Operating EBIT (%)	1,096.3	(6.9)	(17.9)	12.8	11.5
Recurring EPS (%)	nm	20.3	(20.8)	13.6	11.4
Reported EPS (%)	2,042.4	20.0	(26.0)	13.6	11.4
Operating performance					
Gross margin inc. depreciation (%)	31.7	30.2	26.7	26.9	27.1
Gross margin exc. depreciation (%)	40.4	38.9	35.6	36.1	36.5
Operating EBITDA margin (%)	25.9	23.8	20.5	21.5	22.3
Operating EBIT margin (%)	17.2	15.1	11.6	12.3	12.9
Net margin (%)	11.5	13.0	9.6	10.3	10.8
Effective tax rate (%)	26.4	18.8	20.0	20.0	20.0
Dividend payout on recurring profit (%)	61.3	51.0	70.0	70.0	70.0
Interest cover (X)	6.7	7.2	5.6	6.2	6.8
Inventory days	78.1	64.7	53.0	54.6	54.7
Debtor days	76.3	85.9	48.3	28.2	26.6
Creditor days	110.4	111.6	73.3	75.4	75.6
Operating ROIC (%)	8.3	8.3	6.5	7.2	7.8
ROIC (%)	7.8	9.0	7.3	8.1	8.7
ROE (%)	14.6	15.5	11.4	12.4	13.2
ROA (%)	6.7	7.4	6.1	6.6	7.1
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Revenue from hospital operations	10,023	10,211	10,995	11,876	12,629
Revenue from sale of goods	301	284	316	332	349
Revenue from other services	425	601	592	629	658
Revenue from sales of condominium unit	98	444	414	304	304

Sources: Thonburi Healthcare Group; FSSIA estimates

Financial Statements

Thonburi Healthcare Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,247	1,497	1,186	1,347	1,501
Depreciation	944	1,006	1,092	1,207	1,304
Associates & minorities	-	-	-	-	-
Other non-cash items	217	214	90	103	119
Change in working capital	780	(211)	1,227	(33)	(32)
Cash flow from operations	3,188	2,506	3,595	2,625	2,891
Capex - maintenance	(1,821)	(1,951)	(2,316)	(1,590)	(1,688)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(590)	(243)	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(2,411)	(2,194)	(2,316)	(1,590)	(1,688)
Dividends paid	(252)	(758)	(763)	(830)	(943)
Equity finance	6	27	(35)	0	0
Debt finance	301	1,002	0	0	0
Other financing cash flows	154	520	(63)	(72)	(83)
Cash flow from financing	210	792	(860)	(902)	(1,026)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	987	1,104	418	133	177
Free cash flow to firm (FCFF)	1,076.11	616.83	1,619.72	1,376.27	1,544.62
Free cash flow to equity (FCFE)	1,232.57	1,834.70	1,215.54	962.66	1,120.17

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	1.27	0.73	1.91	1.62	1.82
FCFE per share	1.45	2.16	1.43	1.14	1.32
Recurring cash flow per share	2.84	3.21	2.79	3.14	3.45

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	20,176	22,487	24,804	26,394	28,081
Less: Accumulated depreciation	(6,106)	(7,455)	(8,548)	(9,755)	(11,059)
Tangible fixed assets (net)	14,069	15,032	16,256	16,639	17,023
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,572	2,815	2,815	2,815	2,815
Cash & equivalents	1,482	2,586	3,004	3,137	3,314
A/C receivable	3,183	2,246	1,014	1,014	1,014
Inventories	1,416	1,084	1,220	1,292	1,361
Other current assets	937	1,092	1,166	1,244	1,319
Current assets	7,018	7,008	6,404	6,687	7,009
Other assets	139	225	225	225	225
Total assets	23,799	25,081	25,701	26,366	27,072
Common equity	9,147	10,178	10,567	11,084	11,642
Minorities etc.	471	998	1,025	1,056	1,091
Total shareholders' equity	9,618	11,176	11,592	12,139	12,733
Long term debt	6,399	6,852	6,852	6,852	6,852
Other long-term liabilities	737	784	784	784	784
Long-term liabilities	7,136	7,635	7,635	7,635	7,635
A/C payable	2,813	1,498	1,686	1,786	1,882
Short term debt	3,976	4,525	4,525	4,525	4,525
Other current liabilities	257	246	262	280	297
Current liabilities	7,045	6,269	6,474	6,591	6,704
Total liabilities and shareholders' equity	23,799	25,081	25,701	26,366	27,072
Net working capital	2,467	2,678	1,451	1,484	1,516
Invested capital	19,247	20,751	20,748	21,163	21,580

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	10.77	12.01	12.47	13.08	13.74
Tangible book value per share	10.77	12.01	12.47	13.08	13.74

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	92.5	78.7	72.2	67.9	63.3
Net debt/total assets (%)	37.4	35.1	32.6	31.3	29.8
Current ratio (x)	1.0	1.1	1.0	1.0	1.0
CF interest cover (x)	5.1	7.0	4.6	3.8	4.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	44.4	36.9	46.6	41.1	36.8
Recurring P/E @ target price (x) *	37.4	31.1	39.3	34.6	31.1
Reported P/E (x)	41.4	34.5	46.6	41.1	36.8
Dividend yield (%)	1.4	1.4	1.5	1.7	1.9
Price/book (x)	6.1	5.4	5.2	5.0	4.7
Price/tangible book (x)	6.1	5.4	5.2	5.0	4.7
EV/EBITDA (x) **	23.0	23.7	25.7	22.9	20.8
EV/EBITDA @ target price (x) **	19.9	20.5	22.2	19.8	18.0
EV/invested capital (x)	3.4	3.1	3.1	3.1	3.0

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

Sources: Thonburi Healthcare Group; 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

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

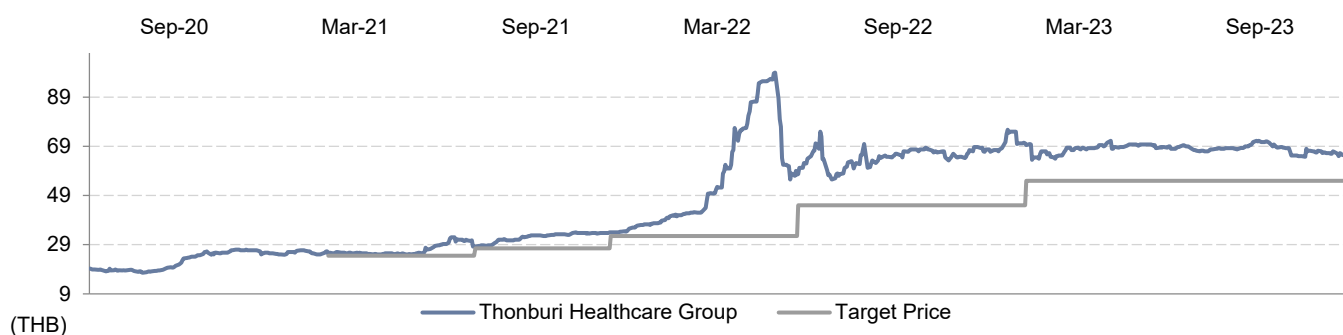
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

Thonburi Healthcare Group (THG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
31-Mar-2021	HOLD	24.50	30-Nov-2021	HOLD	32.50	24-Nov-2022	REDUCE	55.00
05-Aug-2021	HOLD	27.50	11-May-2022	REDUCE	45.00			

Teerapol Udomvej, CFA started covering this stock from 30-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thonburi Healthcare Group	THG TB	THB 65.25	REDUCE	Upside risks to our DCF-based target price include 1) a new Covid wave from a new variant; and 2) big-lot sales of Jin Wellbeing County units.

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 04-Sep-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.