

# CHAROEN POKPHAND FOODS

THAILAND / FOOD & BEVERAGE

## CPF TB

# HOLD

FROM BUY

TARGET PRICE	THB20.00
CLOSE	THB17.10
UP/DOWNSIDE	+17.0%
PRIOR TP	THB22.00
CHANGE IN TP	-9.1%
TP vs CONSENSUS	-11.5%

### Bet on Chinese New Year to support 1Q24 meat prices

- Given slow meat price recoveries, we expect a higher loss in 4Q23, which would be the bottom of the year. Although CPF may realize an extra gain, it may not be enough to turn the results into a net profit as expected.
- We expect the Chinese New Year to support pig prices to exceed raising costs, which would help 1Q24 to turn into a profit.
- We have decreased our profit estimate and TP. After the cut, we recommend investors trade CPF in line with meat prices.

### Expect an extended core loss in 4Q23, the bottom of the year

We expect a normalized loss of roughly THB4b in 4Q23, weakening from THB3.7b core earnings in 3Q23. Also, it should be the bottom of 2023 due to continued meat price weaknesses. Specifically, the average pig price recorded losses of 0.6% q-q and 39% y-y in Thailand, 17% q-q and 11% y-y in Vietnam, and 5.7% q-q and 39% y-y in China. Although Thai chicken price increased by 3.6% q-q, it decreased by 11% y-y due to weak purchasing power in Thailand and abroad as several countries faced similar demand problems. Although raw material prices were down, meat prices remained lower than raising costs. Also, 4Q was usually a low season. However, CPF would realize an accounting gain from sales of its chicken unit in China. Initially, it could be as high as THB2-3b. Hence, we anticipate a lower net loss in 4Q23 than in 3Q23.

### Bet on Chinese New Year to support 1Q24 meat prices

In 1Q24, we still need to bet on the 1Q24 operating performance if it will turn into a profit. Although the price of Thai pigs and chickens increased to THB70/kg. (+12% q-q) and THB39/kg. (+3.7% q-q), respectively, the pig price was still below raising costs. In particular, maize began to steady at THB10/kg., while soybean meal was up q-q to THB22.8/kg. In China, the swine unit continued to suffer a loss. The current pig price (14 yuan/kg.) is still lower than raising costs of 15.5-16 yuan/kg. In the short term, we see a catalyst from the Chinese New Year in February. If it supports Thai pig prices to above THB72/kg., it will support the Thai swine unit to turn into a profit.

### An extended cautious mode in 2024

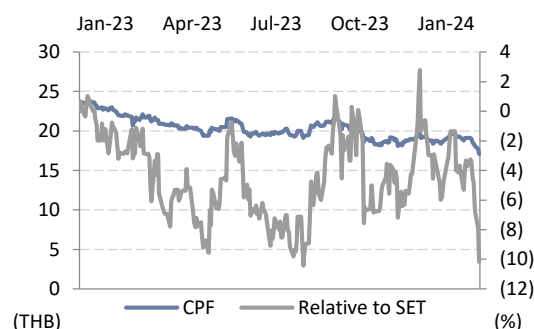
The 2024 recovery outlook is more challenging. Although raw material prices began to stabilize at a low level, it was not enough for the performance to turn into an instant profit. It still hinges mainly on a meat price recovery hope, while purchasing power in Thailand and abroad remains dull. As a result, CPF has maintained its cautious business strategy for 2024. In particular, it has cut unnecessary investments to retain liquidity amid a poor macroeconomic landscape. Given the much slower performance recovery than expected, we have decreased our 2024-25E core profit by 15% and 12%. However, it would turn into a profit after an anticipated loss of THB15.2b in 2023.

### TP cut; Recommend trade in line with meat prices

Similarly, we have decreased our 2024 TP to THB20 from THB22 (PE 17x, unchanged). Looking ahead, investors still need to monitor meat prices. If it recovers slowly and is lower than raising costs, an extended loss in 1Q24 is likely. It would provide a downside risk to our forecast. We have lowered our rating to HOLD and recommend our investors with risk appetite trade CPF in line with meat prices.

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	614,197	578,688	599,984	627,254
Net profit	13,970	(5,612)	10,013	10,623
EPS (THB)	1.76	(0.65)	1.16	1.23
vs Consensus (%)	-	nm	33.8	(7.8)
EBITDA	63,057	44,593	59,406	62,179
Recurring net profit	8,623	(15,207)	6,513	10,623
Core EPS (THB)	1.09	(1.77)	0.76	1.23
Chg. In EPS est. (%)	-	nm	(15.0)	(11.8)
EPS growth (%)	130.6	nm	nm	63.1
Core P/E (x)	15.7	(9.7)	22.6	13.9
Dividend yield (%)	4.4	-	3.4	3.6
EV/EBITDA (x)	10.5	15.1	11.4	10.9
Price/book (x)	0.5	0.6	0.6	0.6
Net debt/Equity (%)	160.9	157.4	149.6	150.2
ROE (%)	3.6	(6.0)	2.7	4.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.0)	(6.6)	(28.8)
Relative to country (%)	(5.8)	(3.6)	(11.5)
Mkt cap (USD m)	3,944		
3m avg. daily turnover (USD m)	7.8		
Free float (%)	46		
Major shareholder	Charoen Pokphand Group (37%)		
12m high/low (THB)	24.10/17.00		
Issued shares (m)	8,611.24		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

CPF operates an integrated agro-industrial and food business under its vision of being a “Kitchen of the World”. The company has production bases, investments and joint ventures in 17 countries as of 2022. We like its goal to leverage its expertise in the modern agro-industrial business and make investments in various countries. The company has strong brand recognition under the CP brand.

However, investors should closely monitor the meat and raw material prices, as the prices are highly volatile and could negatively affect CPF’s operations both domestically and overseas.

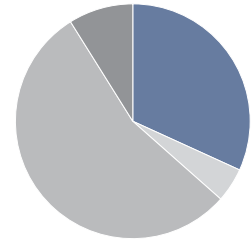
## Company profile

CPF was established in 1978 and listed on the Stock Exchange of Thailand in 1987. CPF operates a vertically integrated agro-industrial and food business, including livestock and aquaculture such as swine, broilers, layers, ducks, shrimp and fish. The businesses are divided into three segments, namely Feed, Farm and Food. In 2022, the company’s revenue contributions from Feed, Farm, and Food were 24%/55%/21%, respectively.

[www.cpfworldwide.com](http://www.cpfworldwide.com)

## Principal activities (revenue, 2022)

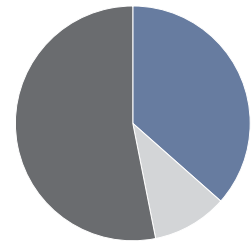
- Thailand livestock - 31.8 %
- Thailand aquatic - 4.7 %
- Overseas livestock - 54.6 %
- Overseas aquatic - 8.9 %



Source: Charoen Pokphand Foods

## Major shareholders

- Charoen Pokphand Group - 36.5 %
- UBS AG London Branch - 10.4 %
- Others - 53.1 %



Source: Charoen Pokphand Foods

## Catalysts

Potential catalysts for CPF’s earnings growth in 2023 are 1) revenue growth driven by sales volume; 2) higher-than-expected meat prices; 3) declining raw material costs; and 4) a higher-than-expected overseas business recovery.

## Risks to our call

Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected consumption recovery; 2) high or low volatility in meat and raw material prices; 3) a stronger or weaker THB than expected; and 4) a minimum wage increase or decrease and labour shortage or oversupply.

## Event calendar

Date	Event
27 February 2024	4Q23 results announcement
28 February 2024	4Q23 analyst meeting

## Key assumptions

	2023E	2024E	2025E
Broiler price-TH (THB)	39.5	41.0	42.0
Swine price-TH (THB)	71.1	72.0	72.0
Swine price-VN (VND)	52,311	52,000	52,000
Total revenue growth (%)	(5.8)	3.7	4.5
Gross margin (%)	10.8	12.3	12.4
SG&A to sales (%)	9.5	8.9	8.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in 2024 revenue, we estimate net profit to rise by 4%, and vice versa, all else being equal.
- For every 0.1% increase in 2024 GPM, we estimate net profit to rise by 3.5%, and vice versa, all else being equal.
- For every 0.1% increase in 2024 SG&A to sales, we estimate net profit to fall by 4.4%, and vice versa, all else being equal.

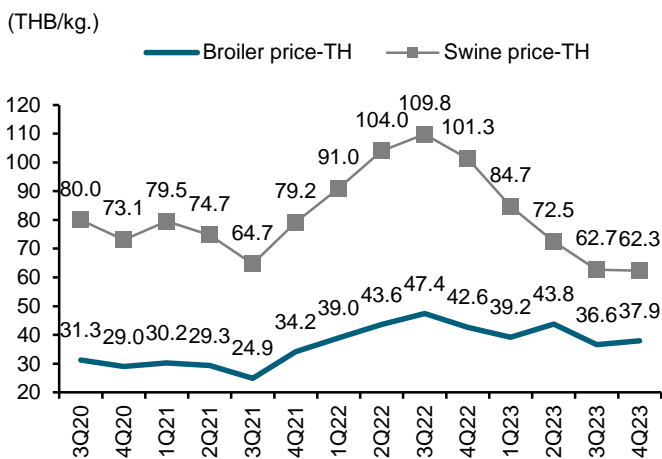
Source: FSSIA estimates

**Exhibit 1: 4Q23 earnings preview**

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales	138,887	155,996	160,266	159,048	143,781	150,246	144,498	140,163	(3.0)	(11.9)
Cost of sales	121,096	133,372	136,287	141,569	128,202	133,750	128,940	125,446	(2.7)	(11.4)
Gross profit	17,791	22,624	23,979	17,479	15,579	16,496	15,558	14,717	(5.4)	(15.8)
SG&A	12,124	13,564	14,385	14,928	12,787	13,868	14,079	14,016	(0.4)	(6.1)
Operating profit	6,179	10,257	10,564	3,849	3,663	3,607	2,364	1,751	(26.0)	(54.5)
Interest expense	4,469	4,360	5,494	6,035	6,068	6,157	6,377	6,200	(2.8)	2.7
Tax expense	1,158	3,522	2,020	(698)	429	123	(115)	150	(230.1)	(121.5)
Profit (loss) sharing	(336)	(793)	2,294	2,580	(1,088)	(893)	528	550	4.2	(78.7)
Biological gain (loss)	1,098	729	(886)	469	(41)	1,616	319	(200)	(162.6)	(142.6)
Other gain (loss)	1,509	1,953	421	52	879	1,419	1,603	4,000	149.6	7585.4
Reported net profit	2,842	4,208	5,108	1,812	(2,725)	(792)	(1,811)	(284)	nm	nm
Core profit	235	1,526	5,572	1,290	(3,563)	(3,827)	(3,733)	(4,084)	nm	nm
<b>Key Ratios (%)</b>									<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	12.8	14.5	15.0	11.0	10.8	11.0	10.8	10.5	(0.3)	(0.5)
SG&A to sales	8.7	8.7	9.0	9.4	8.9	9.2	9.7	10.0	0.3	0.6
Operating margin	4.4	6.6	6.6	2.4	2.5	2.4	1.6	1.2	(0.4)	(1.2)
Net margin	2.0	2.7	3.2	1.1	(1.9)	(0.5)	(1.3)	(0.2)	1.1	(1.3)
Core margin	0.2	1.0	3.5	0.8	(2.5)	(2.5)	(2.6)	(2.9)	(0.3)	(3.7)
<b>Operating statistics (THB/kg)</b>										
Broiler price-TH	39.0	43.6	47.4	42.6	39.2	43.8	36.6	37.9	3.6	(11.0)
Swine price-TH	91.0	104.0	109.8	101.3	84.7	72.5	62.7	62.3	(0.6)	(38.5)
Shrimp price 70 unit -TH	174.3	143.3	145.0	141.7	155.0	124.7	124.3	125.0	0.6	(11.8)
Corn price-TH	11.4	13.1	12.1	12.6	13.3	12.9	11.7	10.4	(10.7)	(17.5)
Soybean meal price-TH	21.4	23.1	23.1	23.3	24.0	23.4	21.5	22.0	2.3	(5.6)
Swine price-VN (VND/kg.)	52,809	55,387	62,760	52,819	50,045	55,095	57,023	47,082	(17.4)	(10.9)
Swine price-CH (RMB/kg.)	13.1	15.4	22.5	24.6	15.2	14.4	15.8	14.9	(5.7)	(39.4)

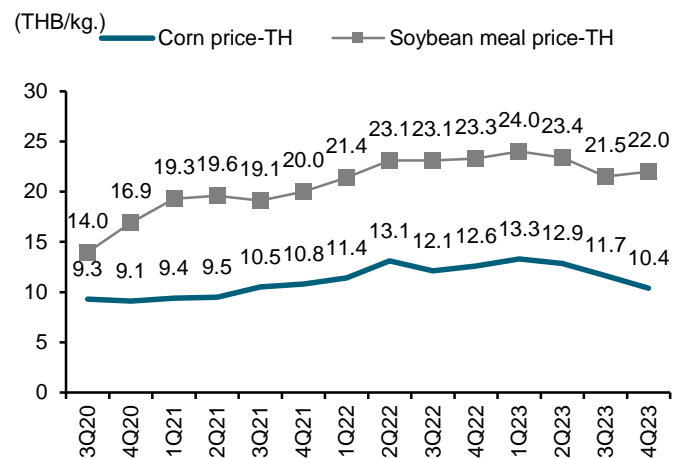
Sources: CPF, FSSIA estimates

**Exhibit 2: Domestic swine and chicken prices**



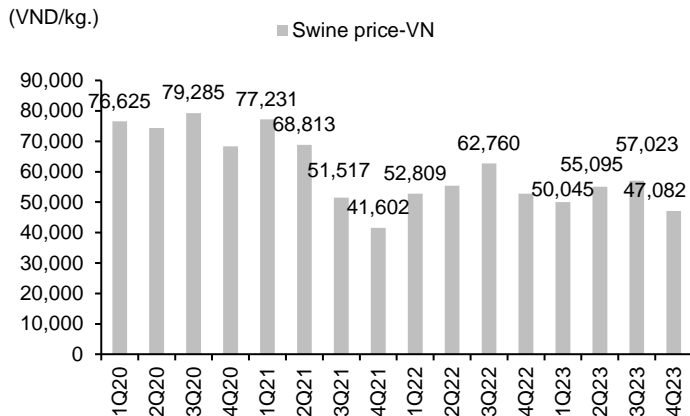
Sources: CPF, FSSIA's compilation

**Exhibit 3: Corn and soybean meal prices**



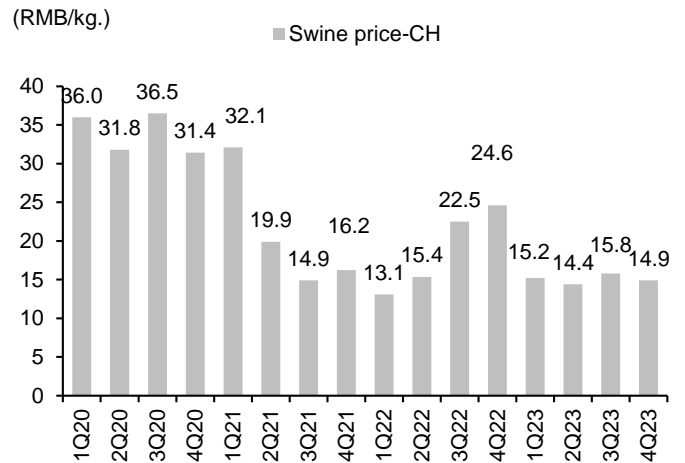
Sources: CPF, FSSIA's compilation

**Exhibit 4: Vietnam's swine price**



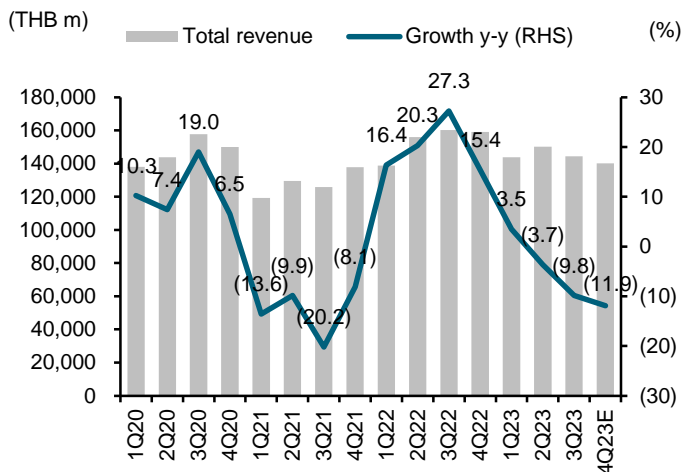
Sources: CPF, FSSIA's compilation

**Exhibit 5: China's swine price**



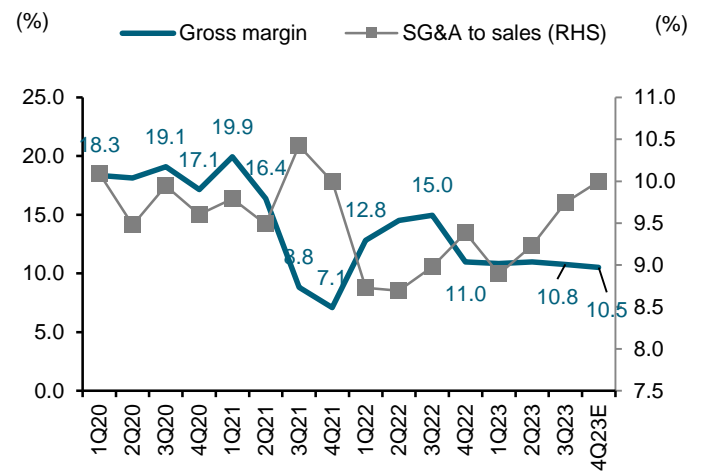
Sources: CPF, FSSIA's compilation

**Exhibit 6: Total revenue and growth**



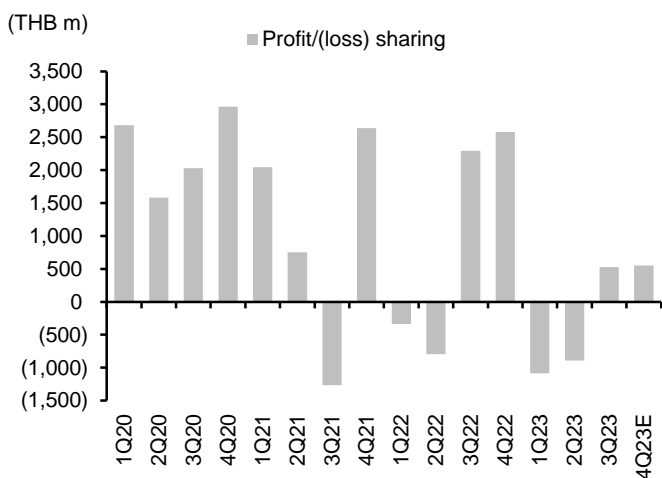
Sources: CPF, FSSIA estimates

**Exhibit 7: Gross margin and SG&A to sales**



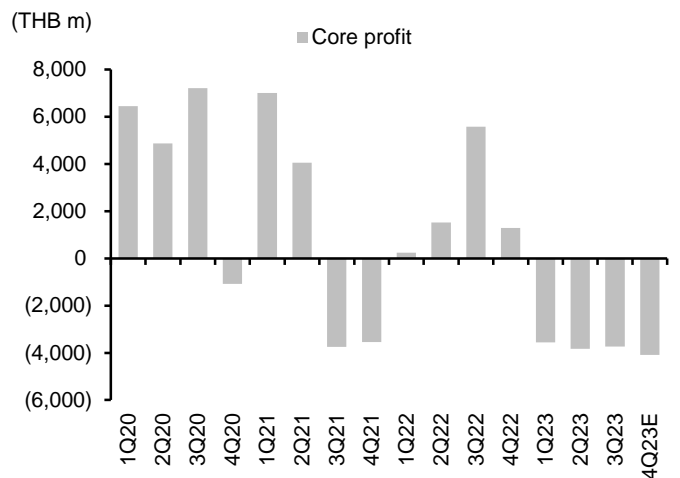
Sources: CPF, FSSIA estimates

**Exhibit 8: Quarterly profit/loss (-) sharing**



Sources: CPF, FSSIA estimates

**Exhibit 9: Quarterly core profit**



Sources: CPF, FSSIA estimates

## Exhibit 10: Change of key assumptions for CPF

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Total revenue	578,688	599,984	627,254	588,459	617,258	649,666	(1.7)	(2.8)	(3.4)
Cost of sales	516,339	526,186	549,474	525,736	540,246	567,381	(1.8)	(2.6)	(3.2)
Gross profit	62,349	73,798	77,779	62,723	77,012	82,285	(0.6)	(4.2)	(5.5)
SG&A expenses	54,751	53,399	55,826	53,726	55,553	58,470	1.9	(3.9)	(4.5)
Operating profit	11,386	25,199	26,972	13,298	26,396	29,012	(14.4)	(4.5)	(7.0)
Interest expense	24,803	25,122	25,149	24,331	24,117	24,143	1.9	4.2	4.2
Profit (loss) sharing	(903)	6,037	8,584	(2681)	6,037	8,584	66.3	0.0	0.0
Reported net profit	(5612)	10,013	10,623	(8886)	11,159	12,050	36.8	(10.3)	(11.8)
Core profit	(15207)	6,513	10,623	(14759)	7,659	12,050	(2.6)	(15.0)	(11.8)
<b>Key ratios (%)</b>									
Total revenue growth	(5.8)	3.7	4.5	(4.2)	4.9	5.3			
Net profit growth	nm	nm	6.1	nm	nm	8.0			
Core profit growth	nm	nm	63.1	nm	nm	57.3			
Gross margin	10.8	12.3	12.4	10.7	12.5	12.7	0.1	(0.2)	(0.3)
SG&A to sales	9.5	8.9	8.9	9.1	9.0	9.0	0.3	(0.1)	(0.1)
Operating margin	2.0	4.2	4.3	2.3	4.3	4.5	(0.3)	(0.1)	(0.2)
Net margin	(1.0)	1.7	1.7	(1.5)	1.8	1.9	0.5	(0.1)	(0.2)
Core margin	(2.6)	1.1	1.7	(2.5)	1.2	1.9	(0.1)	(0.2)	(0.2)
<b>Key assumptions</b>									
<b>Price</b>									
Broiler price-TH (THB/kg.)	39.5	41.0	42.0	40.0	41.0	42.0	(1.3)	0.0	0.0
Swine price-TH (THB/kg.)	71.1	72.0	72.0	75.5	80.0	80.0	(5.8)	(10.0)	(10.0)
Shrimp price-70 unit (THB/kg.)	127.0	145.0	145.0	127.0	145.0	145.0	0.0	0.0	0.0
Corn price-TH (THB/kg.)	12.1	10.5	10.0	12.2	11.5	11.0	(1.2)	(8.7)	(9.1)
Soybean meal price-TH (THB/kg.)	22.7	21.0	20.0	22.0	21.0	20.0	3.3	0.0	0.0
Swine price-VN (VND)	52,311	52,000	52,000	54,700	54,000	54,000	(4.4)	(3.7)	(3.7)
Swine price-CH (RMB)	15.1	16.0	17.0	15.0	17.0	18.0	0.7	(5.9)	(5.6)

Source: FSSIA estimates

## Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	512,704	614,197	578,688	599,984	627,254
Cost of goods sold	(446,815)	(532,324)	(516,339)	(526,186)	(549,474)
<b>Gross profit</b>	<b>65,890</b>	<b>81,873</b>	<b>62,349</b>	<b>73,798</b>	<b>77,779</b>
Other operating income	4,137	3,978	3,787	4,800	5,018
Operating costs	(50,880)	(55,001)	(54,751)	(53,399)	(55,826)
<b>Operating EBITDA</b>	<b>48,077</b>	<b>63,057</b>	<b>44,593</b>	<b>59,406</b>	<b>62,179</b>
Depreciation	(28,931)	(32,207)	(33,207)	(34,207)	(35,207)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>19,146</b>	<b>30,850</b>	<b>11,386</b>	<b>25,199</b>	<b>26,972</b>
Net financing costs	(15,853)	(19,515)	(23,754)	(24,065)	(24,044)
Associates	4,167	3,745	(903)	6,037	8,584
Recurring non-operating income	4,167	3,745	(903)	6,037	8,584
Non-recurring items	9,273	5,347	9,595	3,500	0
<b>Profit before tax</b>	<b>16,732</b>	<b>20,427</b>	<b>(3,676)</b>	<b>10,672</b>	<b>11,512</b>
Tax	(2,654)	(6,003)	(587)	(359)	(576)
<b>Profit after tax</b>	<b>14,079</b>	<b>14,424</b>	<b>(4,263)</b>	<b>10,313</b>	<b>10,936</b>
Minority interests	(1,050)	(454)	(1,349)	(300)	(314)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>13,028</b>	<b>13,970</b>	<b>(5,612)</b>	<b>10,013</b>	<b>10,623</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(9,273)</b>	<b>(5,347)</b>	<b>(9,595)</b>	<b>(3,500)</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,756</b>	<b>8,623</b>	<b>(15,207)</b>	<b>6,513</b>	<b>10,623</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.47	1.09	(1.77)	0.76	1.23
Reported EPS	1.63	1.76	(0.65)	1.16	1.23
DPS	0.65	0.75	0.00	0.58	0.62
Diluted shares (used to calculate per share data)	7,970	7,936	8,611	8,611	8,611
<b>Growth</b>					
Revenue (%)	(13.1)	19.8	(5.8)	3.7	4.5
Operating EBITDA (%)	(41.0)	31.2	(29.3)	33.2	4.7
Operating EBIT (%)	(64.0)	61.1	(63.1)	121.3	7.0
Recurring EPS (%)	(76.5)	130.6	nm	nm	63.1
Reported EPS (%)	(45.9)	7.7	nm	nm	6.1
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	12.9	13.3	10.8	12.3	12.4
Gross margin exc. depreciation (%)	18.5	18.6	16.5	18.0	18.0
Operating EBITDA margin (%)	9.4	10.3	7.7	9.9	9.9
Operating EBIT margin (%)	3.7	5.0	2.0	4.2	4.3
Net margin (%)	0.7	1.4	(2.6)	1.1	1.7
Effective tax rate (%)	15.9	29.4	-16.0	3.4	5.0
Dividend payout on recurring profit (%)	137.9	69.0	-	76.9	50.0
Interest cover (X)	1.5	1.8	0.4	1.3	1.5
Inventory days	54.8	57.1	63.4	63.6	62.7
Debtor days	24.4	24.3	28.3	28.9	28.8
Creditor days	33.5	34.8	38.0	37.1	36.6
Operating ROIC (%)	4.5	6.2	2.2	4.9	5.4
ROIC (%)	2.7	3.6	1.0	3.2	3.6
ROE (%)	1.8	3.6	(6.0)	2.7	4.4
ROA (%)	2.2	2.8	0.6	2.9	3.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Thailand livestock	159,495	195,358	178,753	187,065	197,205
Thailand aquatic	29,696	28,998	29,317	30,783	32,476
Overseas livestock	275,816	335,164	314,302	322,995	334,882
Overseas aquatic	47,697	54,677	56,317	59,142	62,690

Sources: Charoen Pokphand Foods; FSSIA estimates

## Financial Statements

### Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	3,756	8,623	(15,207)	6,513	10,623
Depreciation	28,931	32,207	33,207	34,207	35,207
Associates & minorities	-	-	-	-	-
Other non-cash items	(4,741)	(30,593)	12,556	8,569	(5,050)
Change in working capital	(28,575)	(11,702)	2,699	(3,561)	(5,291)
<b>Cash flow from operations</b>	<b>(629)</b>	<b>(1,465)</b>	<b>33,256</b>	<b>45,728</b>	<b>35,489</b>
Capex - maintenance	(47,587)	(51,354)	(23,344)	(30,000)	(30,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(6,758)	(1,758)	0	0	0
Other investments (net)	(3,736)	(5,173)	9,384	648	(1,091)
<b>Cash flow from investing</b>	<b>(58,082)</b>	<b>(58,285)</b>	<b>(13,959)</b>	<b>(29,352)</b>	<b>(31,091)</b>
Dividends paid	(4,158)	(5,808)	0	(5,007)	(5,311)
Equity finance	(1,335)	(818)	0	0	0
Debt finance	47,700	55,491	(6,005)	(9,800)	541
Other financing cash flows	(1,735)	6,821	(10,725)	639	818
<b>Cash flow from financing</b>	<b>40,472</b>	<b>55,686</b>	<b>(16,729)</b>	<b>(14,168)</b>	<b>(3,952)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(18,238)</b>	<b>(4,065)</b>	<b>2,567</b>	<b>2,208</b>	<b>446</b>
Free cash flow to firm (FCFF)	(42,114.37)	(39,392.75)	44,099.38	41,498.04	29,546.63
Free cash flow to equity (FCFE)	(12,745.29)	2,561.44	2,566.76	7,215.08	5,756.84

#### Per share (THB)

FCFF per share	(4.89)	(4.57)	5.12	4.82	3.43
FCFE per share	(1.48)	0.30	0.30	0.84	0.67
Recurring cash flow per share	3.51	1.29	3.55	5.72	4.74

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	292,447	344,753	332,545	319,338	305,131
Less: Accumulated depreciation	(28,931)	(32,207)	(33,207)	(34,207)	(35,207)
<b>Tangible fixed assets (net)</b>	<b>263,516</b>	<b>312,546</b>	<b>299,338</b>	<b>285,131</b>	<b>269,924</b>
<b>Intangible fixed assets (net)</b>	<b>74,466</b>	<b>76,224</b>	<b>76,224</b>	<b>76,224</b>	<b>76,224</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	265,911	272,055	271,152	277,190	285,773
Cash & equivalents	40,280	36,215	38,782	40,990	41,436
A/C receivable	38,471	43,221	46,612	48,327	50,524
Inventories	73,431	83,080	84,878	86,496	90,325
Other current assets	64,368	70,703	57,869	59,998	62,725
<b>Current assets</b>	<b>216,550</b>	<b>233,219</b>	<b>228,141</b>	<b>235,813</b>	<b>245,010</b>
Other assets	24,801	32,944	31,048	31,899	32,990
<b>Total assets</b>	<b>845,244</b>	<b>926,987</b>	<b>905,903</b>	<b>906,257</b>	<b>909,922</b>
Common equity	217,302	256,053	247,002	242,008	237,320
Minorities etc.	72,050	43,791	53,751	66,357	69,891
<b>Total shareholders' equity</b>	<b>289,352</b>	<b>299,844</b>	<b>300,753</b>	<b>308,365</b>	<b>307,211</b>
Long term debt	330,701	332,081	329,581	327,081	329,781
Other long-term liabilities	21,264	28,085	17,361	18,000	18,818
<b>Long-term liabilities</b>	<b>351,965</b>	<b>360,166</b>	<b>346,941</b>	<b>345,080</b>	<b>348,598</b>
A/C payable	44,372	50,964	49,512	50,456	52,689
Short term debt	132,460	186,478	182,656	175,356	173,197
Other current liabilities	27,096	29,536	26,041	26,999	28,226
<b>Current liabilities</b>	<b>203,928</b>	<b>266,978</b>	<b>258,209</b>	<b>252,811</b>	<b>254,113</b>
<b>Total liabilities and shareholders' equity</b>	<b>845,244</b>	<b>926,987</b>	<b>905,903</b>	<b>906,257</b>	<b>909,922</b>
Net working capital	104,802	116,505	113,806	117,367	122,658
Invested capital	733,497	810,273	791,568	787,811	787,570

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

#### Per share (THB)

Book value per share	27.27	32.26	28.68	28.10	27.56
Tangible book value per share	17.92	22.66	19.83	19.25	18.71

#### Financial strength

Net debt/equity (%)	146.1	160.9	157.4	149.6	150.2
Net debt/total assets (%)	50.0	52.0	52.3	50.9	50.7
Current ratio (x)	1.1	0.9	0.9	0.9	1.0
CF interest cover (x)	0.2	1.1	1.1	1.3	1.2

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>36.3</b>	<b>15.7</b>	<b>(9.7)</b>	<b>22.6</b>	<b>13.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>42.4</b>	<b>18.4</b>	<b>(11.3)</b>	<b>26.4</b>	<b>16.2</b>
Reported P/E (x)	10.5	9.7	(26.2)	14.7	13.9
Dividend yield (%)	3.8	4.4	-	3.4	3.6
Price/book (x)	0.6	0.5	0.6	0.6	0.6
Price/tangible book (x)	1.0	0.8	0.9	0.9	0.9
EV/EBITDA (x) **	13.1	10.5	15.1	11.4	10.9
EV/EBITDA @ target price (x) **	13.6	10.9	15.7	11.8	11.3
EV/invested capital (x)	0.9	0.8	0.9	0.9	0.9

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

Sources: Charoen Pokphand Foods; FSSIA estimates

# Charoen Pokphand Foods PCL (CPF TB)

**FSSIA ESG rating**

**78.94 /100**
**Exhibit 11: FSSIA ESG score implication**

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

**Exhibit 12: ESG – peer comparison**

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BTG	8.00	--	--	--	--	--	Declared	--	--	--	--	--	--	--	--
CPF	78.94	Y	Y	Y	5.00	5.00	Certified	High	50.25	BBB	43.00	70.21	85.00	4.08	62.09
GFPT	53.67	--	Y	Y	5.00	5.00	Certified	High	56.79	--	--	61.87	19.00	--	54.18
TU	68.12	Y	--	--	5.00	5.00	Certified	High	44.49	A	35.00	66.15	87.00	2.99	--
TFG	33.01	--	--	Y	4.00	5.00	Certified	High	--	--	--	42.11	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation
**Exhibit 13: ESG score by Bloomberg**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>2.23</b>	<b>2.57</b>	<b>2.01</b>	<b>2.32</b>	<b>4.20</b>	<b>3.82</b>	<b>4.28</b>	<b>4.08</b>
BESG environmental pillar score	2.50	2.50	1.35	1.44	5.60	4.55	5.50	4.49
BESG social pillar score	0.91	1.77	1.49	2.38	3.05	2.82	3.14	3.29
BESG governance pillar score	3.49	3.59	3.67	3.65	3.68	3.94	3.97	4.36
<b>ESG disclosure score</b>	<b>51.20</b>	<b>51.20</b>	<b>46.05</b>	<b>46.05</b>	<b>55.11</b>	<b>52.85</b>	<b>54.23</b>	<b>62.09</b>
Environmental disclosure score	35.00	35.00	17.97	17.97	41.53	38.15	38.15	51.98
Social disclosure score	31.11	31.11	32.68	32.68	36.31	32.92	37.06	44.32
Governance disclosure score	87.36	87.36	87.36	87.36	87.36	87.36	87.36	89.86
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GHG scope 1	220	240	—	—	250	238	222	288
GHG scope 2 location-based	660	670	—	—	590	647	641	1,154
GHG Scope 3	—	—	—	—	—	3,565	4,132	4,412
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	2,883	2,664	—	—	3,072	2,296	2,284	4,881
Renewable energy use	678	550	—	—	800	—	—	1,503
Electricity used	1,133	1,211	—	—	—	1,353	1,395	2,243
Fuel used - natural gas	—	—	—	—	36,310	1,315,790	1,221,200	1,503,630

Sources: Bloomberg; FSSIA's compilation



## Exhibit 14: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	1	1	—	—	—	1	1	1
Total waste	440	440	—	—	920	463	456	636
Waste recycled	—	—	—	—	27	—	—	42
Waste sent to landfills	—	—	—	—	—	—	—	74
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	6,670	6,033	106,500
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	59	51	51	52	52	42	44	45
Pct disabled in workforce	—	—	1	1	1	—	1	0
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	0	0	0	1
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	78,993	66,087	71,131	72,319	73,941	71,318	128,548	135,284
Employee turnover pct	30	19	18	20	34	—	13	11
Total hours spent by firm - employee training	1,125,050	985,230	1,138,100	1,012,470	887,292	2,781,400	1,331,690	1,772,550
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>No. of independent directors (ID)</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>5</b>
No. of women on board	1	2	2	2	2	2	2	2
No. of non-executive directors on board	10	10	10	10	9	9	9	10
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	10	11	9	7	7	13	11	9
Board meeting attendance pct	93	96	87	96	94	96	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	65	61	62	63	58	53	53	53
Age of the oldest director	80	80	82	83	81	82	76	76
<b>No. of executives / company managers</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>7</b>	<b>11</b>	<b>9</b>	<b>21</b>	<b>27</b>
No. of female executives	2	2	2	1	2	2	2	6
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on audit committee	5	4	4	4	4	4	4	4
Audit committee meetings	9	10	8	9	9	10	11	8
Audit meeting attendance %	93	95	91	94	100	98	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	1	3	2	2	2	3	3	3
Compensation meeting attendance %	100	100	100	100	100	92	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
No. of nomination committee meetings	1	3	2	2	2	3	3	3
Nomination meeting attendance %	100	100	100	100	100	92	100	100
<b>Sustainability governance</b>								
Verification type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																												
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). ( <i>The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.</i> )	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. ( <i>Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.</i> )	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
<a href="#">Morningstar Sustainability</a>	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.																												
<a href="#">ESG Book</a>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	<table border="1"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table> <p>The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.</p>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
NEGL	Low	Medium	High	Severe																										
0-10	10-20	20-30	30-40	40+																										
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																													
	<table border="0"> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																											
<a href="#">Moody's ESG solutions</a>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. ( <i>Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.</i> )																													
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

**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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

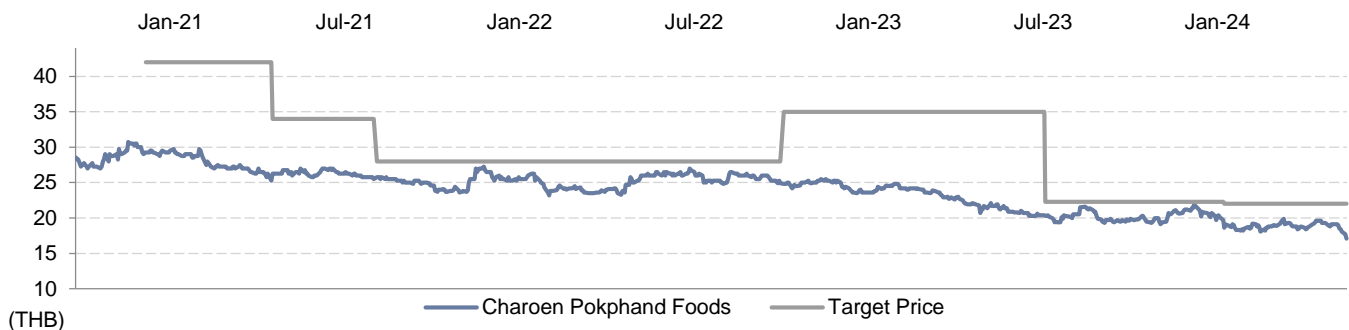
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### History of change in investment rating and/or target price

#### Charoen Pokphand Foods (CPF TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
25-Mar-2021	BUY	42.00	23-Sep-2022	BUY	35.00	13-Dec-2023	BUY	22.00
12-Jul-2021	BUY	34.00	08-May-2023	HOLD	22.30			
08-Oct-2021	HOLD	28.00	09-Oct-2023	HOLD	22.00			

Sureeporn Teewasuwet started covering this stock from 08-May-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Charoen Pokphand Foods	CPF TB	THB 17.10	HOLD	Downside and upside risks to our P/E-based TP include 1) a slower or faster-than-expected consumption recovery; 2) high or low volatility in meat and raw material prices; 3) a stronger or weaker THB than expected; and 4) a minimum wage increase or decrease and labour shortage or oversupply.

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.

All share prices are as at market close on 23-Jan-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / 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.