

STARFLEX SFLEX TB

THAILAND / PACKAGING

BUY

UNCHANGED

4Q23 results at first glance

4Q23 profit slightly below estimate on high SG&A

Highlights

- SFLEX posted a net profit of THB42m in 4Q23 (-13% q-q, +24% y-y), slightly below our estimate by 4%. The q-q decline was the result of seasonal conditions (fewer working days) and the increase in administrative expenses, which were the consulting fees related to the investment project in Vietnam.
- The 24% y-y rise in net profit despite 4% y-y revenue growth was mainly attributable to the improved gross margin as compared with 2022 when oil-linked raw material prices soared.
- The gross margin in 4Q23 remained at a high level of 25.3% not only because of the declining raw material costs (i.e. LLDPE, WLLDPE, and PET) but also the efficiency in supply sourcing and the improvement of the production process.
- In 2023, SFLEX registered a core profit of THB181m (+231% y-y) due to the significant improvement in gross margin from 12.6% in 2022 to 24.0%, the highest in at least eight years.
- SFLEX declared a dividend payment of THB0.045 per share (yield 1.3%), representing a 39% payment ratio. The ex-dividend date is on 14 March 2024. The payment date is on 9 May 2024.

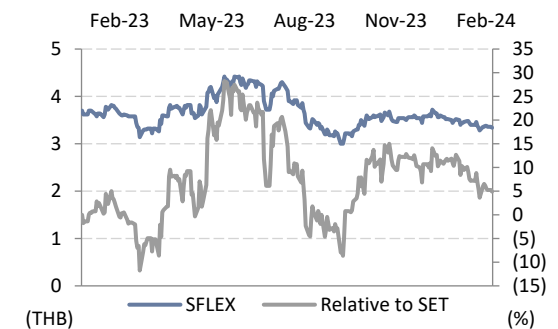
Outlook

- We maintain our profit growth forecast of 23%/12%/9% in 2024-26, thanks to the projected high gross margin of 21% and the contribution of Starprint Vietnam (SFLEX holds 25%) from 1Q24 onwards.
- Vietnam's GDP growth rate was 5.1% y-y in 2023, much higher than Thailand's GDP growth of 1.9% y-y. Vietnam remains a young country and has the potential to spend money. SFLEX can introduce its flexible packaging into Vietnam via this affiliate.
- We retain our BUY rating and TP of THB5.60, based on 20x 2024E P/E (-0.7SD of its four-year historical average after the IPO).

TARGET PRICE	THB5.60
CLOSE	THB3.34
UP/DOWNSIDE	+67.7%
PRIOR TP	THB5.60
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.0%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	1,795	2,080	2,234	2,397
Net profit	184	224	250	272
EPS (THB)	0.22	0.27	0.30	0.33
vs Consensus (%)	-	24.4	2.4	8.2
EBITDA	288	313	340	367
Recurring net profit	181	224	250	272
Core EPS (THB)	0.22	0.27	0.30	0.33
Chg. In EPS est. (%)	nm	(2.0)	(1.4)	nm
EPS growth (%)	234.6	21.4	11.6	8.8
Core P/E (x)	15.1	12.2	11.0	10.1
Dividend yield (%)	2.7	3.3	3.6	4.0
EV/EBITDA (x)	11.5	10.8	9.9	8.8
Price/book (x)	2.7	2.7	2.6	2.6
Net debt/Equity (%)	56.7	63.2	61.5	45.3
ROE (%)	18.6	22.1	24.2	25.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.1)	(7.2)	(9.7)
Relative to country (%)	(6.9)	(7.0)	5.8
Mkt cap (USD m)	74		
3m avg. daily turnover (USD m)	0.2		
Free float (%)	0		
Major shareholder	Mr. Printhorn Apithanasriwong (24%)		
12m high/low (THB)	4.50/2.90		
Issued shares (m)	820.01		

Sources: Bloomberg consensus; FSSIA estimates


Jitra Amorntum

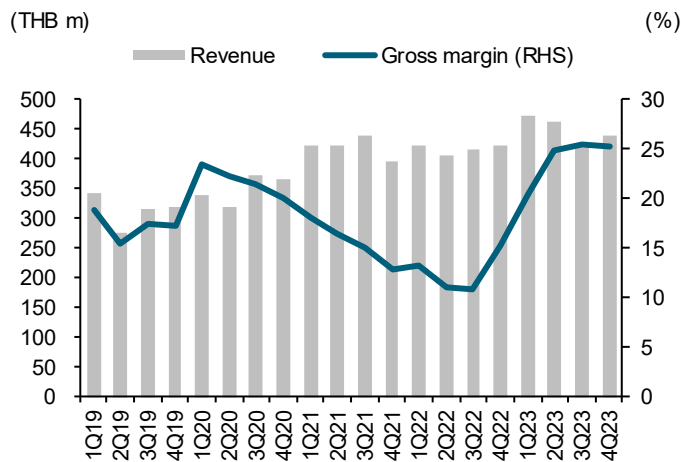
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Exhibit 1: SFLEX – 4Q23 results summary

Year to Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23	-----Change-----		2022	2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	422	472	462	421	439	4	4	1,669	1,795	8
Cost of sales	(357)	(375)	(347)	(314)	(328)	4	(8)	(1,458)	(1,365)	(6)
Gross profit	64	97	115	107	111	4	72	211	430	104
Other income	10	5	6	8	4	(46)	(61)	27	23	(15)
Operating costs	(34)	(51)	(57)	(52)	(63)	21	84	(170)	(223)	31
Operating profit	40	51	64	63	52	(17)	28	381	653	71
Operating EBITDA	54	66	78	77	66	(15)	21	124	291	134
Interest expense	1	(1)	(1)	(2)	(6)	286	(572)	(3)	(10)	232
Profit before tax	41	50	63	62	46	(26)	12	65	223	245
Tax	(8)	(10)	(13)	(13)	(4)	(70)	(51)	(10)	(39)	303
Reported net profit	33	41	50	49	42	(14)	27	55	184	235
Core profit	34	40	50	48	42	(13)	24	55	181	231
Reported EPS (THB)	0.041	0.050	0.064	0.062	0.051	(17)	27	0.07	0.23	245
Core EPS (THB)	0.041	0.049	0.061	0.059	0.051	(13)	24	0.07	0.22	231
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	15.3	20.5	24.9	25.4	25.3	(0.2)	10.0	12.6	24.0	11.3
Operating margin	9.4	10.9	13.9	15.0	11.8	(3.2)	2.4	4.0	12.8	8.8
EBITDA margin	12.9	13.9	16.9	18.4	14.9	(3.4)	2.1	7.4	16.2	8.8
Recurring net margin	8.1	8.6	10.9	11.5	9.6	(1.9)	1.5	3.3	10.1	6.8
SG&A / Sales	8.1	10.8	12.3	12.4	14.4	2.0	6.2	10.2	12.4	2.2

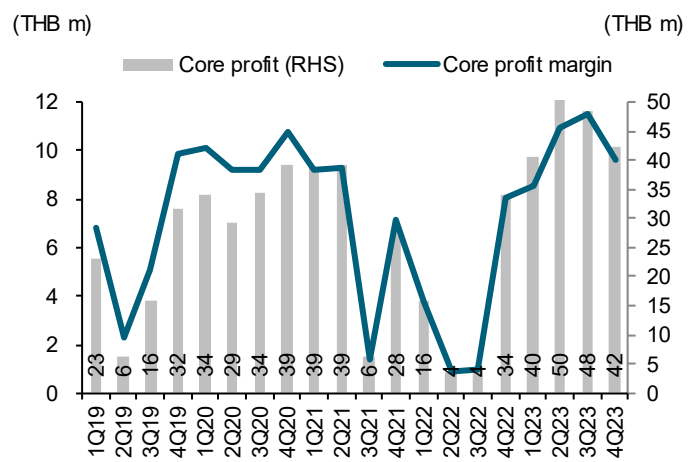
Sources: SFLEX, FSSIA's compilation

Exhibit 2: Revenue and gross margin



Sources: SFLEX, FSSIA's compilation

Exhibit 3: Core profit and core profit margin



Sources: SFLEX, FSSIA's compilation

Financial Statements

Starflex

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	1,669	1,795	2,080	2,234	2,397
Cost of goods sold	(1,458)	(1,365)	(1,643)	(1,765)	(1,886)
Gross profit	211	430	437	469	511
Other operating income	27	23	27	29	31
Operating costs	(170)	(223)	(210)	(218)	(236)
Operating EBITDA	124	288	313	340	367
Depreciation	(57)	(58)	(59)	(60)	(61)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	67	230	254	280	306
Net financing costs	(3)	(7)	(15)	(12)	(13)
Associates	-	0	33	35	38
Recurring non-operating income	0	0	33	35	38
Non-recurring items	0	(3)	0	0	0
Profit before tax	65	223	272	303	330
Tax	(10)	(39)	(48)	(54)	(58)
Profit after tax	55	184	224	250	272
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	55	184	224	250	272
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	55	181	224	250	272
Per share (THB)					
Recurring EPS *	0.07	0.22	0.27	0.30	0.33
Reported EPS	0.07	0.22	0.27	0.30	0.33
DPS	0.03	0.09	0.11	0.12	0.13
Diluted shares (used to calculate per share data)	820	820	820	820	820
Growth					
Revenue (%)	(0.5)	7.5	15.9	7.4	7.3
Operating EBITDA (%)	(44.4)	132.7	8.7	8.7	7.7
Operating EBIT (%)	(58.2)	241.6	10.4	10.5	9.0
Recurring EPS (%)	(63.1)	231.2	23.4	11.6	8.8
Reported EPS (%)	(63.1)	234.6	21.4	11.6	8.8
Operating performance					
Gross margin inc. depreciation (%)	12.6	24.0	21.0	21.0	21.3
Gross margin exc. depreciation (%)	16.0	27.2	23.9	23.7	23.9
Operating EBITDA margin (%)	7.4	16.1	15.1	15.2	15.3
Operating EBIT margin (%)	4.0	12.8	12.2	12.6	12.8
Net margin (%)	3.3	10.3	10.8	11.2	11.3
Effective tax rate (%)	14.9	17.4	17.6	17.7	17.7
Dividend payout on recurring profit (%)	44.7	40.1	40.0	40.0	40.0
Interest cover (X)	26.0	34.1	19.4	26.0	25.8
Inventory days	86.9	92.1	74.3	75.2	74.0
Debtor days	66.6	59.5	56.3	53.4	50.4
Creditor days	74.3	83.9	84.8	91.2	95.1
Operating ROIC (%)	5.4	17.5	17.8	18.7	21.3
ROIC (%)	4.8	13.6	13.9	14.8	16.6
ROE (%)	5.7	18.6	22.1	24.2	25.9
ROA (%)	3.7	10.4	11.1	11.7	12.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Non-food packaging	1,258	1,353	1,560	1,676	1,798
Food packaging	393	434	512	550	590
Others	18	7	8	9	10

Sources: Starflex; FSSIA estimates

Financial Statements

Starflex

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	55	184	224	250	272
Depreciation	57	58	59	60	61
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	50	(43)	30	(144)	62
Cash flow from operations	162	200	313	165	395
Capex - maintenance	-	-	-	-	-
Capex - new investment	(144)	-	(294)	(140)	(180)
Net acquisitions & disposals	-	(460)	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(144)	(460)	(294)	(140)	(180)
Dividends paid	(37)	(59)	(89)	(100)	(109)
Equity finance	0	(100)	0	0	0
Debt finance	66	346	116	13	(90)
Other financing cash flows	-	-	-	-	-
Cash flow from financing	29	187	26	(87)	(198)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	7	25	0	62	0
Net other adjustments	7	25	(80)	62	(20)
Movement in cash	54	(48)	(35)	0	(3)
Free cash flow to firm (FCFF)	20.98	(249.95)	33.82	37.41	228.56
Free cash flow to equity (FCFE)	91.15	111.55	54.88	99.96	105.44

Per share (THB)

FCFF per share	0.03	(0.30)	0.04	0.05	0.28
FCFE per share	0.11	0.14	0.07	0.12	0.13
Recurring cash flow per share	0.14	0.30	0.35	0.38	0.41

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,046	1,141	1,391	1,421	1,452
Less: Accumulated depreciation	(307)	(365)	(424)	(484)	(546)
Tangible fixed assets (net)	739	776	967	937	907
Intangible fixed assets (net)	54	40	41	41	42
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	32	408	408	408	408
Cash & equivalents	129	81	46	47	44
A/C receivable	263	322	320	333	328
Inventories	333	326	319	384	356
Other current assets	22	27	29	30	32
Current assets	747	756	714	794	760
Other assets	29	62	64	66	67
Total assets	1,602	2,042	2,194	2,246	2,185
Common equity	985	1,001	1,021	1,040	1,061
Minorities etc.	0	0	0	0	0
Total shareholders' equity	985	1,001	1,021	1,040	1,061
Long term debt	175	168	284	297	207
Other long-term liabilities	43	46	53	61	71
Long-term liabilities	218	215	337	358	277
A/C payable	276	331	411	441	510
Short term debt	114	480	408	389	317
Other current liabilities	8	16	17	18	19
Current liabilities	398	827	836	849	846
Total liabilities and shareholders' equity	1,602	2,042	2,194	2,246	2,185
Net working capital	334	328	240	288	187
Invested capital	1,188	1,615	1,720	1,741	1,612

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

Per share (THB)

Book value per share	1.20	1.22	1.25	1.27	1.29
Tangible book value per share	1.14	1.17	1.20	1.22	1.24

Financial strength

Net debt/equity (%)	16.3	56.7	63.2	61.5	45.3
Net debt/total assets (%)	10.0	27.8	29.4	28.5	22.0
Current ratio (x)	1.9	0.9	0.9	0.9	0.9
CF interest cover (x)	91.9	17.6	24.7	20.7	22.4

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	49.7	14.9	12.2	11.0	10.1
Recurring P/E @ target price (x) *	83.4	24.9	20.5	18.4	16.9
Reported P/E (x)	49.7	14.9	12.2	11.0	10.1
Dividend yield (%)	0.9	2.7	3.3	3.6	4.0
Price/book (x)	2.8	2.7	2.7	2.6	2.6
Price/tangible book (x)	2.9	2.9	2.8	2.7	2.7
EV/EBITDA (x) **	23.4	11.5	10.8	9.9	8.8
EV/EBITDA @ target price (x) **	38.4	17.9	16.7	15.4	13.8
EV/invested capital (x)	2.4	2.0	2.0	1.9	2.0

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

Sources: Starflex; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																											
The Dow Jones Sustainability Indices (DJSI) 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 (THSI) by The Stock Exchange of Thailand (SET)	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 THSI inclusion , 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. SETTHSI Index 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.																											
CG Score 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 (60-69), 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%).																											
AGM level 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&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.																											
Thai CAC 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.																											
Morningstar Sustainalytics	The Sustainalytics' 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. <i>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.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <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>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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0-10	10-20	20-30	30-40	40+																									
ESG Book	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.	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.																											
MSCI	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" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;">AAA</td> <td style="vertical-align: top;">8.571-10.000</td> <td style="vertical-align: top;">Leader:</td> <td style="vertical-align: top;">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="vertical-align: top;">AA</td> <td style="vertical-align: top;">7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td style="vertical-align: top;">A</td> <td style="vertical-align: top;">5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td style="vertical-align: top;">BBB</td> <td style="vertical-align: top;">4.286-5.713</td> <td style="vertical-align: top;">Average:</td> <td style="vertical-align: top;">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td style="vertical-align: top;">BB</td> <td style="vertical-align: top;">2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td style="vertical-align: top;">B</td> <td style="vertical-align: top;">1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td style="vertical-align: top;">CCC</td> <td style="vertical-align: top;">0.000-1.428</td> <td style="vertical-align: top;">Laggard:</td> <td style="vertical-align: top;">lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	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.																												
Refinitiv ESG rating	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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																												
S&P Global	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.																												
Bloomberg	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

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Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	12-Jun-2023	BUY	5.50	04-Dec-2023	BUY	5.60

Jitra Amornthum started covering this stock from 10-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Starflex	SFLEX TB	THB 3.34	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

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 27-Feb-2024 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.