

NSL FOODS NSL TB

THAILAND / FOOD & BEVERAGE

BUY

UNCHANGED

TARGET PRICE	THB26.00
CLOSE	THB21.40
UP/DOWNSIDE	+21.5%
PRIOR TP	THB26.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+1.5%

4Q23 results at first glance

4Q23 profit blows past our estimate to a new high

Highlights

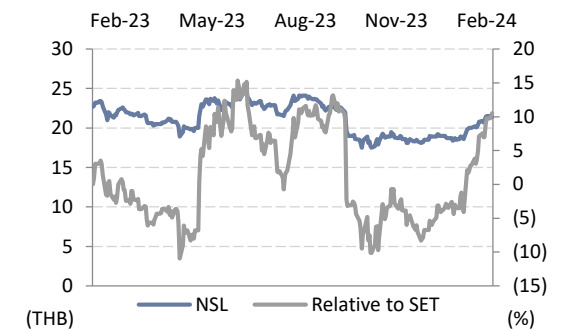
- NSL reported a 4Q23 net profit of THB102m (+39% q-q, +31% y-y), a new high. It blew past our estimate by 20% due to higher-than-expected revenue and gross margin.
- Total revenue hit a new high at THB1.33b (+11% q-q, +25% y-y) due mainly to solid revenue growth of 8.8% q-q and 19% y-y from bakery and snacks (through 7-Eleven). Also, the branded products recorded high y-y growth.
- The gross margin increased more than expected to 19% from 17.7% in 3Q23 and 18.2% in 4Q22 due to 1) a higher utilization rate, 2) lower raw material costs, and 3) an absence of improvement expenses upon its completion.
- Associate Pen1 F&B (in which NSL holds a 33.33% stake) shared a lower loss of THB2.7m from THB3.7m in 3Q23 due to lower marketing expenses. Subsidiary BAW and NSL Intertrade reported a loss of THB2-3m. For the year ended 2023, the loss sharing from associate Pen1 F&B amounted to cTHB8.9m, while the loss from subsidiary BAW and NSL Intertrade equaled THB4m.
- For the year ended 2023, NSL posted a net profit of THB333m (+12% y-y), including a THB13m loss and loss sharing from an associate and subsidiaries.
- NSL announced a 2H23 DPS of THB0.35, implying a 1.6% yield.

Outlook

- In the short term, the 1Q24 revenue outlook remains bright due partly to continued new product launches, several of which have favorable responses. Also, NSL exported products under NSL Intertrade. Preliminary, we expect the 1Q24 profit to be flat or slightly increase q-q.
- We maintain our 2024E net profit of THB383m (+15% y-y) and our TP of THB26 (PE 20x, unchanged).
- NSL disclosed an investment plan of THB39.5m in a 79% stake in SPCI. Established in 2022, it is a manufacturer, retailer, wholesaler, and exporter of food and food ingredients. NSL is conducting a feasibility study before entering into a contract.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	4,793	5,449	6,009	6,390
Net profit	333	383	428	492
EPS (THB)	1.11	1.28	1.43	1.64
vs Consensus (%)	-	21.9	12.6	530.8
EBITDA	557	625	701	800
Recurring net profit	333	383	428	492
Core EPS (THB)	1.11	1.28	1.43	1.64
Chg. In EPS est. (%)	nm	0.1	0.8	nm
EPS growth (%)	12.1	14.9	11.7	14.9
Core P/E (x)	19.3	16.8	15.0	13.1
Dividend yield (%)	3.0	3.6	4.0	4.6
EV/EBITDA (x)	11.6	9.9	8.7	7.4
Price/book (x)	4.1	3.7	3.4	3.1
Net debt/Equity (%)	1.4	(15.7)	(18.0)	(23.6)
ROE (%)	22.5	23.4	23.8	24.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	15.7	9.7	(6.1)
Relative to country (%)	14.5	11.3	10.2
Mkt cap (USD m)	178		
3m avg. daily turnover (USD m)	0.2		
Free float (%)	0		
Major shareholder	Mr. Somchai Asavapiyanon (72%)		
12m high/low (THB)	25.25/17.30		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates


Sureeporn Teewasuwet

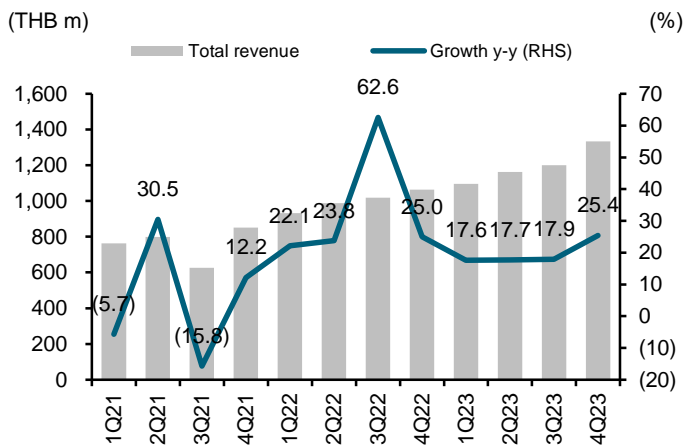
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Exhibit 1: NSL - 4Q23 results summary

	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	1,063	1,095	1,163	1,201	1,333	11.1	25.4	4,001	4,793	19.8
Cost of sales	870	892	949	988	1,081	9.3	24.3	3,259	3,910	20.0
Gross profit	194	204	214	212	253	19.1	30.5	742	883	18.9
SG&A	97	107	109	117	129	10.3	33.7	369	462	25.4
Operating profit	100	98	108	98	132	35.0	32.2	382	437	14.5
Interest expense	3	3	3	2	3	11.2	(6.0)	10	11	3.5
Profit (loss) sharing	0	(1)	(2)	(4)	(3)	nm	nm	0	(9)	nm
Tax expense	20	19	21	19	27	41.4	35.5	74	85	15.3
Reported net profit	78	75	83	73	102	39.0	30.9	298	333	12.1
Core profit	78	78	83	73	102	39.0	30.9	298	333	12.1
Key ratios (%)										
Gross margin	18.2	18.6	18.4	17.7	19.0	1.3	0.7	18.5	18.3	(0.2)
SG&A / Sales	9.1	9.8	9.4	9.7	9.7	(0.1)	0.6	9.2	9.6	0.4
Operating margin	9.4	9.0	9.3	8.2	9.9	1.8	0.5	9.5	8.9	(0.6)
Net margin	7.3	6.9	7.1	6.1	7.6	1.5	0.3	7.4	7.0	(0.5)
Core margin	7.3	7.2	7.1	6.1	7.6	1.5	0.3	7.4	7.0	(0.5)
Operating statistics (THB m)										
Revenue from 7-Eleven	968	997	1,059	1,105	1,201	8.8	24.2	3,671	4,361	18.8
Revenue from non 7-Eleven	96	99	105	96	132	37.4	38.0	330	431	30.5
Bakery sales	966	1,004	1,066	1,060	1,152	8.8	19.3	3,648	4,282	17.4
Food service sales	80	68	69	64	75	18.2	(5.3)	286	276	(3.7)
Snack sales (NSL brands)	10	10	10	45	45	(0.2)	347.9	34	110	221.9
OEM sales	8	14	19	19	17	(11.1)	123.5	33	68	108.2
Franchise sales	0	0	0	1	3	nm	nm	0	4	nm

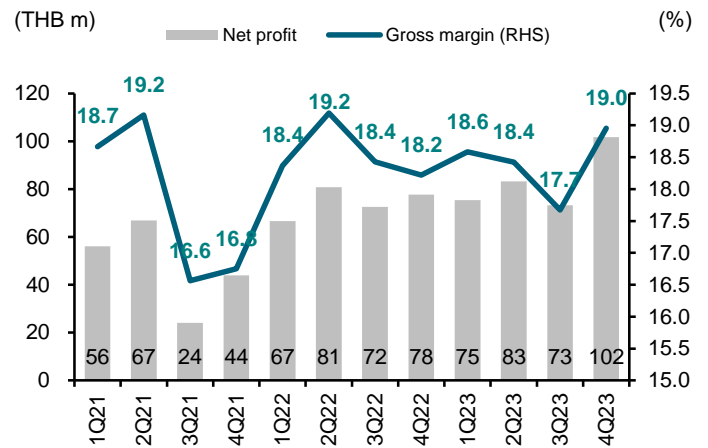
Sources: NSL; FSSIA estimates

Exhibit 2: Total revenue and growth



Source: NSL

Exhibit 3: Net profit and gross margin



Source: NSL

Financial Statements

NSL Foods

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	4,001	4,793	5,449	6,009	6,390
Cost of goods sold	(3,259)	(3,910)	(4,451)	(4,903)	(5,208)
Gross profit	742	883	997	1,106	1,182
Other operating income	8	17	11	13	13
Operating costs	(369)	(462)	(523)	(577)	(575)
Operating EBITDA	484	557	625	701	800
Depreciation	(102)	(120)	(140)	(160)	(180)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	382	437	485	541	620
Net financing costs	(10)	(11)	(12)	(13)	(14)
Associates	-	-	-	-	-
Recurring non-operating income	0	(9)	(5)	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	372	418	468	528	607
Tax	(74)	(85)	(85)	(100)	(115)
Profit after tax	298	332	383	428	492
Minority interests	0	1	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	298	333	383	428	492
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	298	333	383	428	492
Per share (THB)					
Recurring EPS *	0.99	1.11	1.28	1.43	1.64
Reported EPS	0.99	1.11	1.28	1.43	1.64
DPS	0.55	0.65	0.77	0.86	0.98
Diluted shares (used to calculate per share data)	300	300	300	300	300
Growth					
Revenue (%)	31.7	19.8	13.7	10.3	6.3
Operating EBITDA (%)	40.0	15.1	12.3	12.1	14.1
Operating EBIT (%)	53.3	14.5	11.1	11.5	14.6
Recurring EPS (%)	41.5	12.1	14.9	11.7	14.9
Reported EPS (%)	41.5	12.1	14.9	11.7	14.9
Operating performance					
Gross margin inc. depreciation (%)	18.5	18.4	18.3	18.4	18.5
Gross margin exc. depreciation (%)	21.1	20.9	20.9	21.1	21.3
Operating EBITDA margin (%)	12.1	11.6	11.5	11.7	12.5
Operating EBIT margin (%)	9.5	9.1	8.9	9.0	9.7
Net margin (%)	7.4	7.0	7.0	7.1	7.7
Effective tax rate (%)	19.9	20.4	18.1	19.0	19.0
Dividend payout on recurring profit (%)	55.4	58.5	60.0	60.0	60.0
Interest cover (X)	37.1	40.2	39.2	41.3	45.8
Inventory days	26.4	26.1	27.1	29.6	30.2
Debtor days	49.8	50.5	49.5	47.7	48.5
Creditor days	58.5	58.2	58.5	59.2	60.3
Operating ROIC (%)	25.9	27.2	27.9	29.3	32.3
ROIC (%)	22.3	21.3	24.1	27.4	30.2
ROE (%)	22.4	22.5	23.4	23.8	24.8
ROA (%)	13.9	14.2	14.8	15.0	15.9
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Bakery and appetizers	3,643	4,282	4,890	5,387	5,708
Food Services	288	276	295	330	363
NSL snack	35	110	121	131	140
OEM & bread wastes	35	68	79	90	104

Sources: NSL Foods; FSSIA estimates

Financial Statements

NSL Foods

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	298	333	383	428	492
Depreciation	102	120	140	160	180
Associates & minorities	-	-	-	-	-
Other non-cash items	0	26	7	0	0
Change in working capital	(54)	(36)	(34)	(34)	(24)
Cash flow from operations	346	443	496	554	648
Capex - maintenance	(146)	(200)	(200)	(200)	(200)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(301)	28	196	(6)	(4)
Cash flow from investing	(448)	(172)	(4)	(206)	(204)
Dividends paid	(144)	(180)	(230)	(257)	(295)
Equity finance	0	0	0	0	0
Debt finance	(100)	(93)	70	(9)	(13)
Other financing cash flows	1	20	27	(22)	4
Cash flow from financing	(243)	(252)	(133)	(288)	(304)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(344)	19	359	61	140
Free cash flow to firm (FCFF)	(91.06)	281.68	504.04	361.50	458.10
Free cash flow to equity (FCFE)	(200.65)	198.69	588.50	317.46	435.34
Per share (THB)					
FCFF per share	(0.30)	0.94	1.68	1.21	1.53
FCFE per share	(0.67)	0.66	1.96	1.06	1.45
Recurring cash flow per share	1.33	1.60	1.76	1.96	2.24
Balance Sheet (THB m) Year Ending Dec					
	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,738	1,896	2,024	2,137	2,236
Less: Accumulated depreciation	(768)	(846)	(914)	(987)	(1,066)
Tangible fixed assets (net)	970	1,050	1,110	1,150	1,170
Intangible fixed assets (net)	6	47	47	47	47
Long-term financial assets	301	214	0	0	0
Invest. in associates & subsidiaries	0	6	0	0	0
Cash & equivalents	115	134	493	553	694
A/C receivable	595	732	746	823	875
Inventories	267	274	366	403	428
Other current assets	3	7	3	3	3
Current assets	980	1,147	1,608	1,782	2,000
Other assets	32	36	54	60	64
Total assets	2,290	2,500	2,819	3,039	3,281
Common equity	1,406	1,560	1,713	1,884	2,081
Minorities etc.	0	17	18	18	19
Total shareholders' equity	1,406	1,576	1,731	1,902	2,099
Long term debt	80	14	65	56	43
Other long-term liabilities	30	49	82	60	64
Long-term liabilities	110	64	147	116	107
A/C payable	559	650	732	806	856
Short term debt	167	141	155	155	155
Other current liabilities	47	68	54	60	64
Current liabilities	774	859	941	1,021	1,075
Total liabilities and shareholders' equity	2,290	2,500	2,819	3,039	3,281
Net working capital	259	295	329	363	387
Invested capital	1,568	1,648	1,540	1,620	1,667
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	4.69	5.20	5.71	6.28	6.94
Tangible book value per share	4.67	5.04	5.55	6.12	6.78
Financial strength					
Net debt/equity (%)	9.4	1.4	(15.7)	(18.0)	(23.6)
Net debt/total assets (%)	5.8	0.9	(9.7)	(11.3)	(15.1)
Current ratio (x)	1.3	1.3	1.7	1.7	1.9
CF interest cover (x)	(18.5)	19.7	49.0	25.2	33.1
Valuation					
	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	21.6	19.3	16.8	15.0	13.1
Recurring P/E @ target price (x) *	26.2	23.4	20.4	18.2	15.9
Reported P/E (x)	21.6	19.3	16.8	15.0	13.1
Dividend yield (%)	2.6	3.0	3.6	4.0	4.6
Price/book (x)	4.6	4.1	3.7	3.4	3.1
Price/tangible book (x)	4.6	4.2	3.9	3.5	3.2
EV/EBITDA (x) **	13.5	11.6	9.9	8.7	7.4
EV/EBITDA @ target price (x) **	16.4	14.1	12.1	10.7	9.1
EV/invested capital (x)	4.2	3.9	4.0	3.8	3.6
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: NSL Foods; 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 Sustainability	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. <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="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </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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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

NSL Foods (NSL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2023	BUY	26.00	18-Oct-2023	BUY	24.00	05-Feb-2024	BUY	26.00

Sureeporn Teewasuwet started covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
NSL Foods	NSL TB	THB 21.40	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.

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 28-Feb-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.