

Thailand Construction Services

Bet on budget approval

- Contractors are one of the beneficiaries from an earlier 2024 budget approval, with disbursement expected to start in April. Given a disbursement period of only six months, it should expedite public investment in 2H24.
- The government plans two new auctions with a combined value of THB48b after the cabinet has approved them in 1H24.
- The 2024 outlook is brighter with potentially improving performance and a catalyst from new auctions. Our top pick is CK.

Disbursement of the 2024 budget within six months would drive government auctions

The House of Representatives is due to deliberate a draft THB3.48t 2024 budget bill in the second and third reading on March 20-21, two weeks sooner than its previous schedule. The draft allocates 21% or THB720b (+4% y-y) to investment and THB180b (+2% y-y) to the Ministry of Transport. With disbursement expected to commence in April and a six-month disbursement period, it should expedite government auctions and support investment in construction to grow in 2H24, a crucial engine to drive the economy. Based on the Transport Minister, the government plans to push 14 projects with a combined value of THB570b. Also, it should help boost investment confidence in the private sector to recover shortly.

Raising backlog with expected 2024 auctions of over THB200b

The combined backlog of four contractors under our coverage stood at THB230b (+26% y-y) at the end of 2023 and is trending upward. Besides the Orange Line, which is waiting for a ruling from the Supreme Administrative Court, we expect the government to push nine new auctions with a combined value of THB200b in 2024, with a definite timeframe in 1H24 for the Chatuchote-Lumlukka expressway project (THB19b) and the Khon Kaen-Nong Khai double-track project (THB29b) and expected TOR sales in April-May. In 2H24, we anticipate progress in various projects with a combined value of THB150b, such as motorways, double-tracks, and the Red Line's extension. Their bidders would be mainly prominent contractors, while foundation contractors would benefit from piling works of train lines and expressways. Since ITD is facing liquidity problems, it would reduce market competition for other players with solid balance sheets and strong debt management.

Potentially dull 1Q24 profit before recovery in 2Q24 and improvement in 2H24

The aggregate core profit of the contractor sector stood at THB2.2b (+31% y-y) in 2023. In 2024, we expect it to jump by 21% y-y to THB2.7b due to a rise in revenue, in line with the backlog, while cost pressure eases. In particular, we anticipate building material prices to be less volatile amid a more balanced labor market. Also, we believe a minimum wage hike will not have much impact. We forecast the 1Q24 profit to decrease q-q and y-y. However, we project a recovery in 2Q24 due to potential dividends earned by CK and STEC and an improvement in 2H24 due to main contractors following the potential progress of mega projects, especially the South Purple Line. Additionally, foundation contractors may commence works on the Chatuchote expressway project in 4Q24.

More upbeat outlook; CK remains our top pick

We retain our Overweight rating on the contractor sector due to 1) an expected 2024 profit growth, in line with their backlog, 2) a drop of 29% in the SETCONS in 2023 (vs -15% of the SET) following zero new auctions and potential rallies in share prices, supported by potentially more new auctions, and 3) a short-term catalyst from a draft 2024 fiscal budget approval, which has already resulted in speculation in some shares. According to historical data, their share price increased by 2-8% within one week after the approval of the draft 2023 budget bill. We prefer main contractors to foundations. Although new auctions may increase, construction should commence at the end of the year. Hence, foundation contractors would continue to depend on works in the private sector, where competition is fierce, before an expected improvement in 4Q24. We select CK as our top pick on outstanding profit and backlog growth. Also, it may sign additional contracts from its affiliates and the government.



Thanyatorn Songwutti

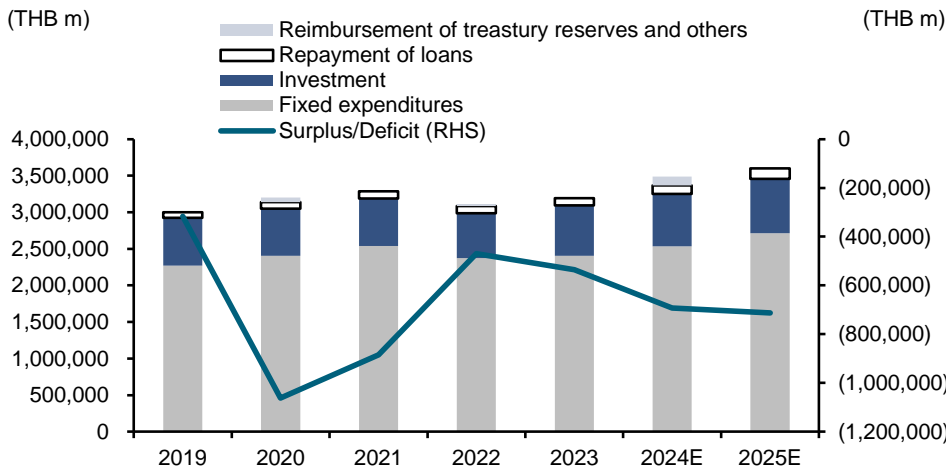
Fundamental Investment Analyst on Securities; License no. 101203
 thanyatorn.s@fssia.com, +66 2646 9963

Exhibit 1: 2024 fiscal budget timeline



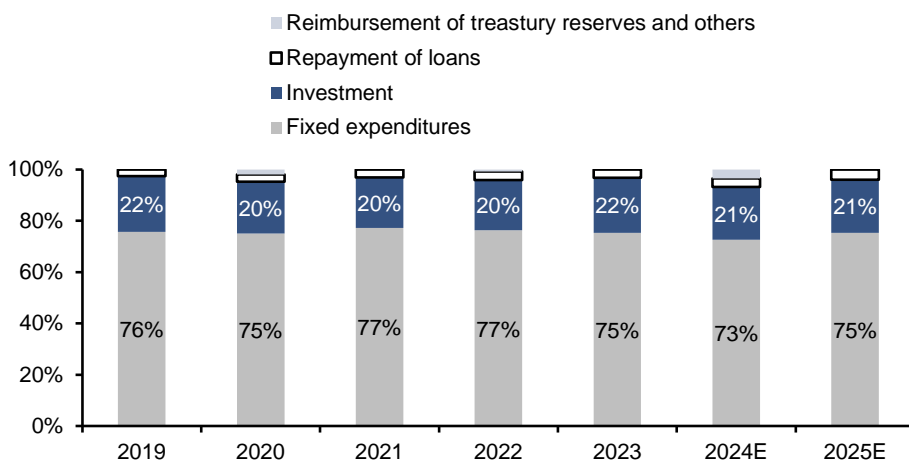
Source: Cabinet

Exhibit 2: 2024 fiscal budget



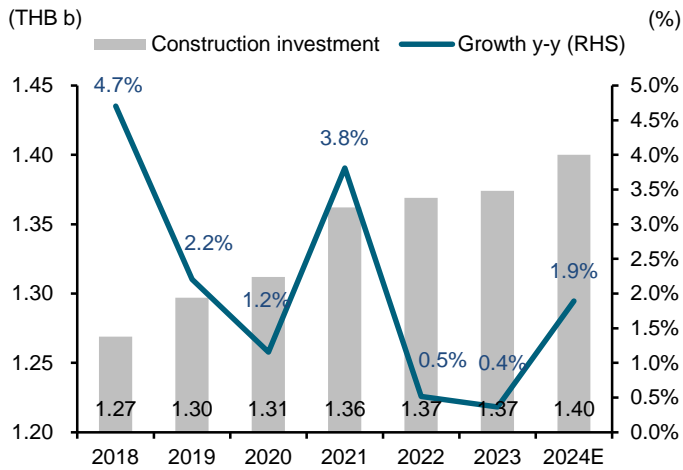
Sources: Budget Bureau; FSSIA's compilation

Exhibit 3: 2024 fiscal budget



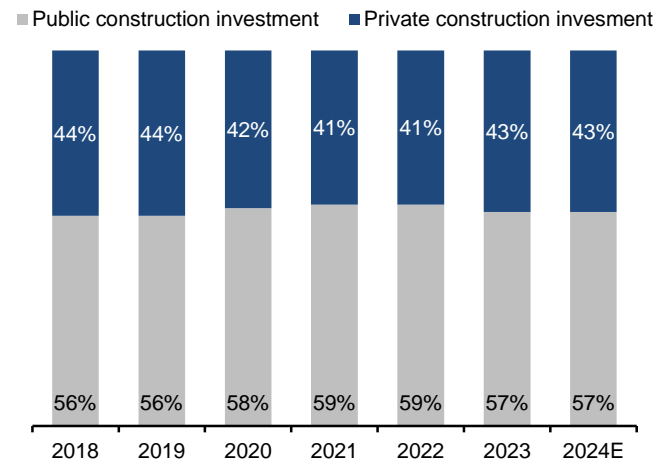
Sources: Budget Bureau; FSSIA's compilation

Exhibit 4: Construction Investment



Sources: NESDC, K-Research; FSSIA's compilation

Exhibit 5: Public and Private Construction Investment



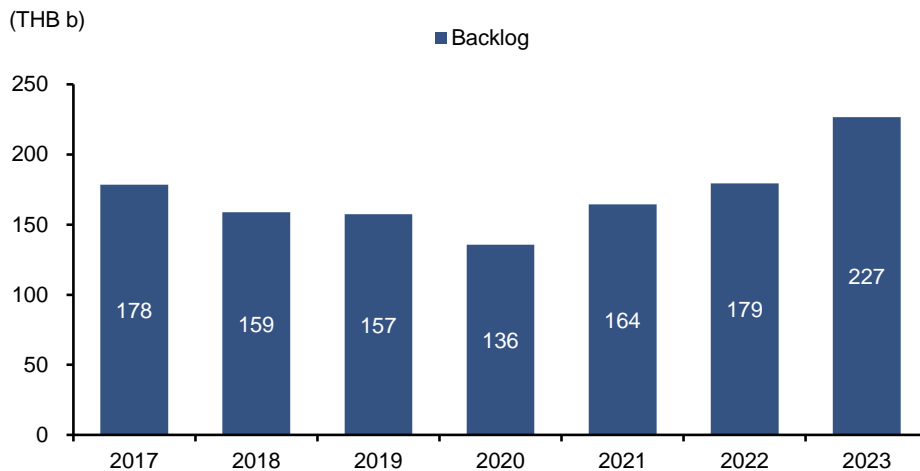
Sources: NESDC, K-Research; FSSIA's compilation

Exhibit 6: Gross Domestic Product Forecast

	2021 (y-y%)	2022 (y-y%)	2023 (y-y%)	2024E (y-y%)
Real GDP growth	1.6	2.5	1.9	2.2-3.2
Private consumption	0.6	6.2	7.1	3.0
Private investment	3.7	0.1	(4.6)	1.5
Public consumption	2.9	4.7	3.2	3.5
Public investment	3.5	(3.9)	(4.6)	(1.8)
Export value growth (USD)	19.2	5.4	(1.7)	2.9
Inflation (%)	1.2	6.1	1.2	0.9-1.9
Current account to GDP (%)	(2.0)	(3.2)	1.3	1.4

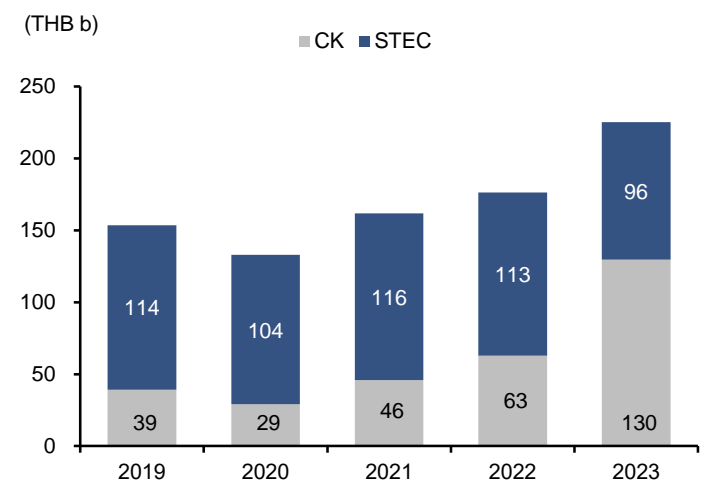
Sources: NESDC; FSSIA's compilation

Exhibit 7: Backlog



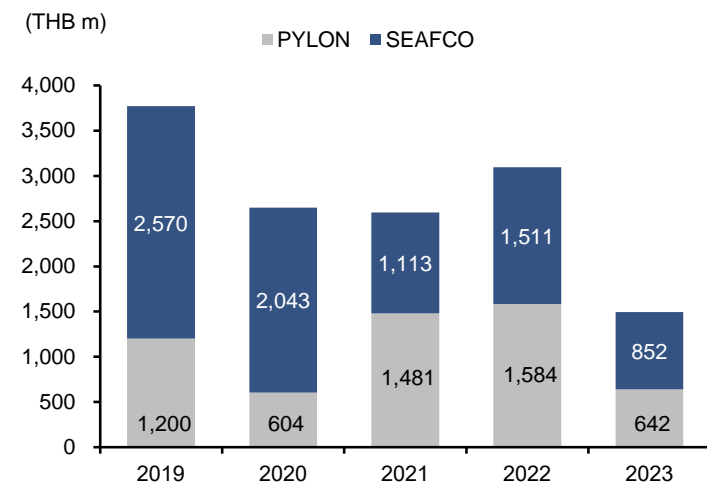
Sources: Company data; FSSIA's compilation

Exhibit 8: Main contractor's backlog



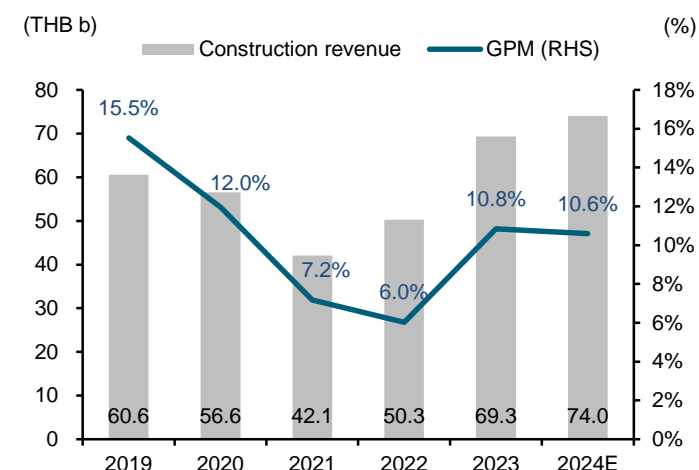
Sources: Company data; FSSIA's compilation

Exhibit 9: Piling contractor's backlog



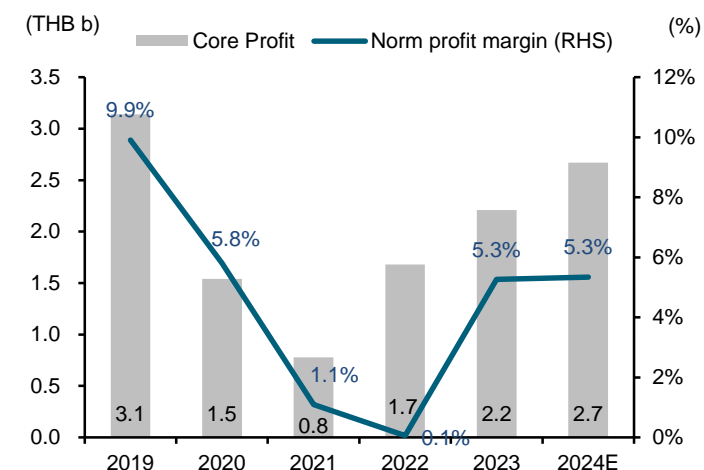
Sources: Company data; FSSIA's compilation

Exhibit 10: Yearly construction revenue and GPM



Sources: Company data; FSSIA's compilation

Exhibit 11: Core profit and norm profit margin



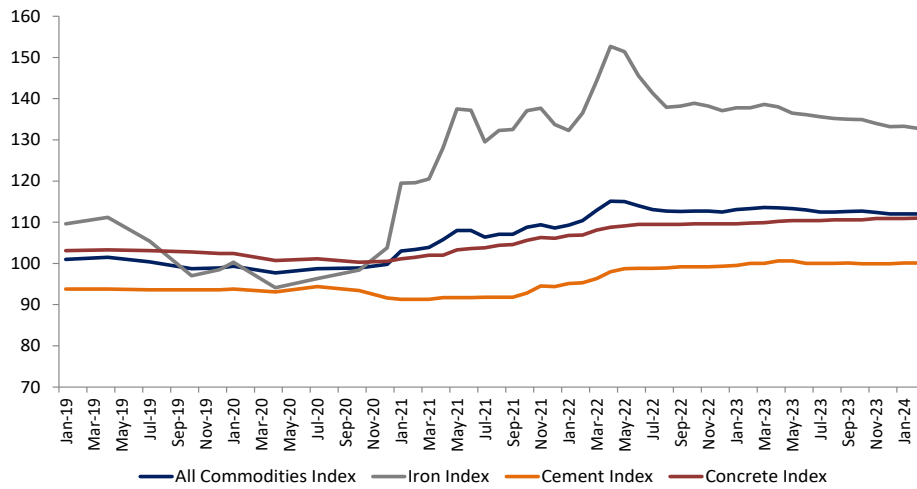
Sources: Company data; FSSIA's compilation

Exhibit 12: New project bidding in 2024

Type of work	Project	Project owner	Contract value (THB m)	Project status
Motorway	Utraphimuk Elevated, Rangsit-Bang Pa-In (M5)	DOH	28,360	Proposing the Cabinet and expect to open for bidding in 2H24
	Bang Khun Thian-Bang Bua Thong (M9)	DOH	56,035	
Expressway	Expressway Chatuchote-Lam Luk Ka	EXAT	19,000	Expect to open for bidding in April-24
Electrified Train	Orange Line West : BangKhonnon-Minburi	MRTA	109,216	Waiting for Signing Contract
	Red Line : Talingchan-Salaya	SRT	10,670	
	Red Line : Talingchan-Siriraj Hospital	SRT	4,694	
	Red Line : Rangsit-ThammasatUniversity	SRT	6,474	
Double Track Railway	Khon Kaen-Nong Khai section	SRT	29,748	Approved by the Cabinet and expect to open for bidding in May-24
	Jira Junction-Ubonratchathani	SRT	37,527	
Airport	Suvarnabhumi expansion (East)	AOT	10,000	Design process
Total			311,724	

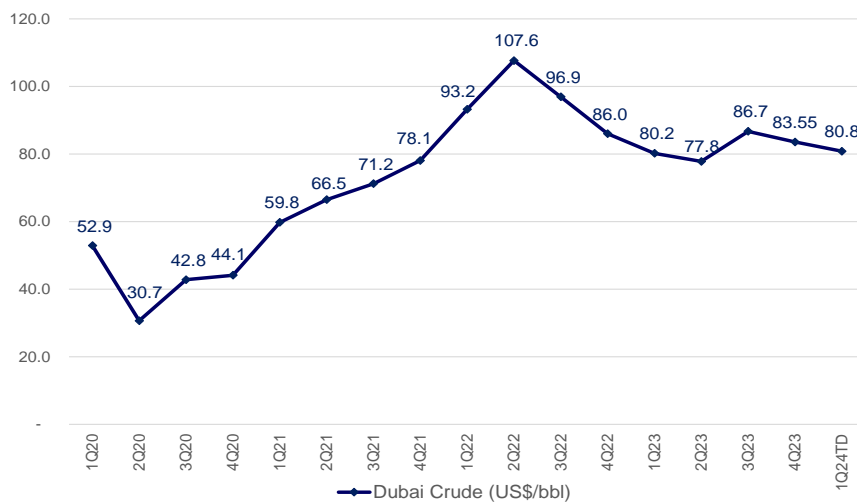
Sources: Company data; FSSIA's compilation

Exhibit 13: Construction Materials Price Index



Sources: MOC; FSSIA's compilation

Exhibit 14: Dubai Crude



Sources: Bloomberg; FSSIA's compilation

Exhibit 15: 1Q24E performances

1Q24E performances	Net profit		Core profit	
	(q-q %)	(y-y %)	(q-q %)	(y-y %)
CK	-	-	-	-
STEC	0	-	+	-
PYLON	-	-	-	-
SEAFCO	0	-	0	-
Total	-	-	-	-

Source: FSSIA estimates

Exhibit 16: D/E and Net IBD/E

	D/E		Net IBD/E	
	2022	2023	2022	2023
	(x)	(x)	(x)	(x)
CK	2.5	2.7	1.6	1.8
STEC	1.6	1.6	Cash	0.1
PYLON	0.2	0.2	Cash	Cash
SEAFCO	0.5	0.6	0.2	0.1

Sources: Company data; FSSIA's compilation

Exhibit 17: Changes in share prices after the 2023 budget approval on August 23, 2022

Stock	-1M (%)	-1W (%)	+1W (%)	+1M (%)
CK	-1.4%	5.0%	2.0%	10.2%
STEC	-2.4%	6.9%	3.4%	3.4%
PYLON	-0.4%	17.6%	4.0%	-0.4%
SEAFCO	-1.1%	-29.2%	8.0%	6.3%

Sources: SETSMART; FSSIA's compilations

Exhibit 18: Changes in share prices after March 18, 2024

Stock	2023 (%)	YTD (%)	-1M (%)	-1W (%)
CK	-14.4%	15.4%	1.3%	0.8%
STEC	-38.2%	27.4%	7.5%	4.9%
PYLON	-43.5%	0.8%	-5.9%	-0.8%
SEAFCO	-32.3%	4.8%	-4.3%	-2.2%

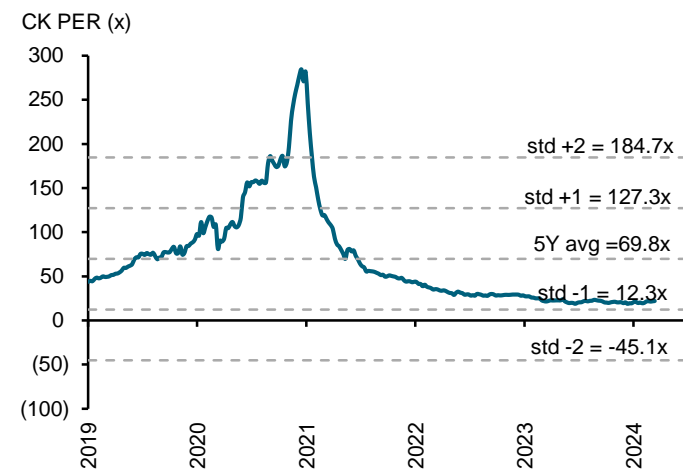
Sources: SETSMART; FSSIA's compilations

Exhibit 19: Peer comparisons as of 19 Mar 2024

Company	BBG	Rec	Rec profit growth		PE		DivYld		ROE		PBV		PBV 5Y-avg (x)
			24E (%)	25E (%)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)			
Thailand													
CH Karnchang	CK TB	BUY	24.8	11.5	22.4	20.1	1.8	2.0	7.0	7.4	1.5	1.5	1.4
Sino-Thai Engineering	STEC TB	HOLD	19.8	14.9	27.0	23.5	1.9	2.1	3.4	3.8	0.9	0.9	3.2
Pylon	PYLON TB	HOLD	(5.0)	6.1	19.6	18.4	4.1	4.3	9.2	9.6	1.8	1.8	1.3
Seafco	SEAFCO TB	BUY	4.1	4.4	12.4	11.9	4.0	4.2	9.6	9.6	1.2	1.1	2.3
Average			21	12	20.4	18.5	2.9	3.2	7.3	7.6	1.3	1.3	2.0

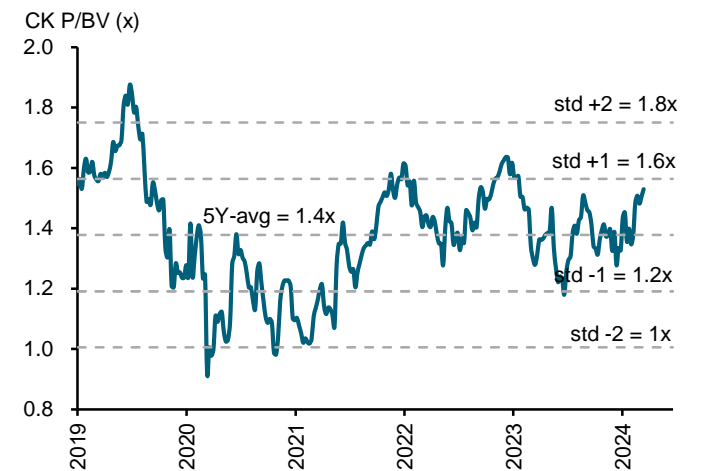
Sources: Bloomberg; FSSIA estimates

Exhibit 20: CK - Historical P/E band



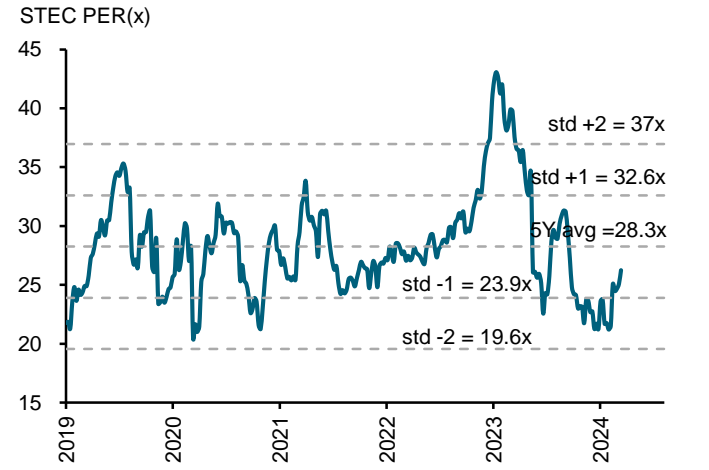
Sources: Bloomberg; FSSIA estimates

Exhibit 21: CK - Historical P/BV band



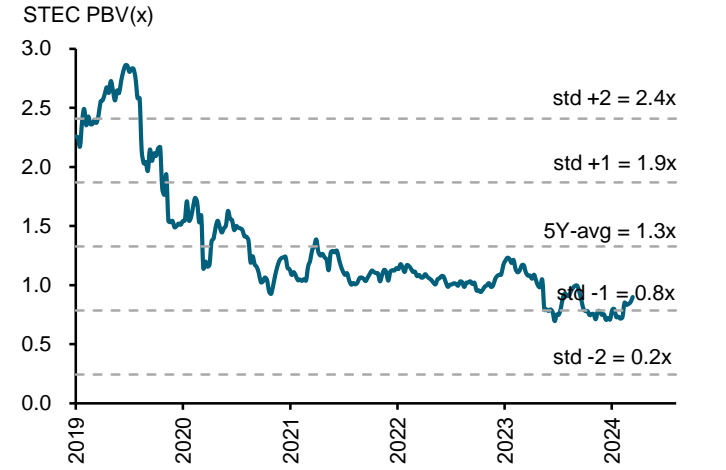
Sources: Bloomberg; FSSIA estimates

Exhibit 22: STEC - Historical P/E band



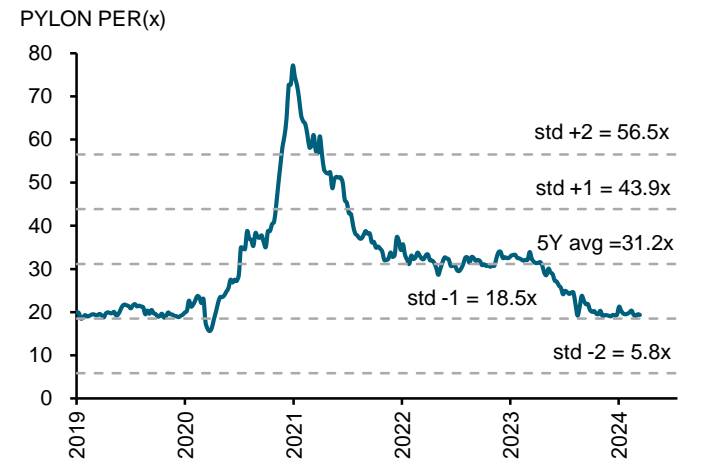
Sources: Bloomberg; FSSIA estimates

Exhibit 23: STEC - Historical P/BV band



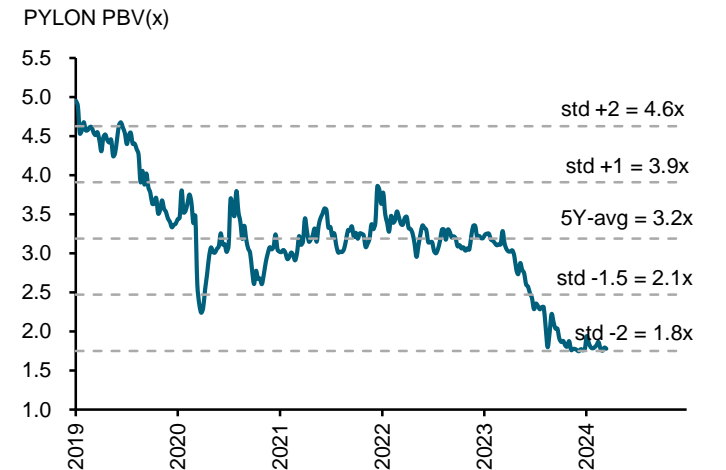
Sources: Bloomberg; FSSIA estimates

Exhibit 24: PYLON - Historical P/E band



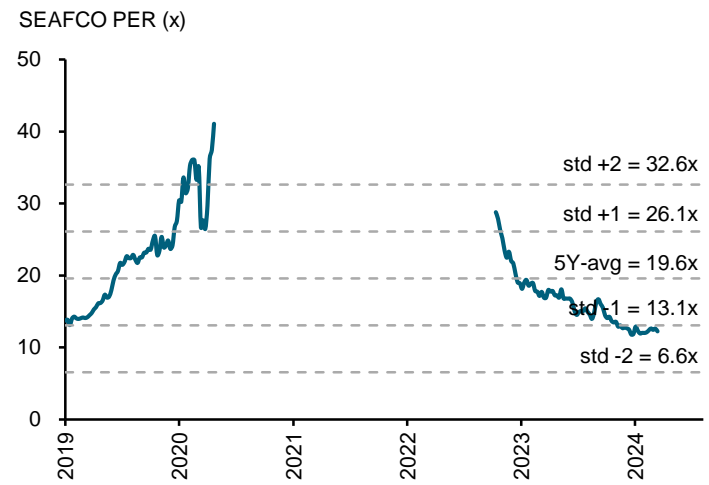
Sources: Bloomberg; FSSIA estimates

Exhibit 25: PYLON - Historical P/BV band



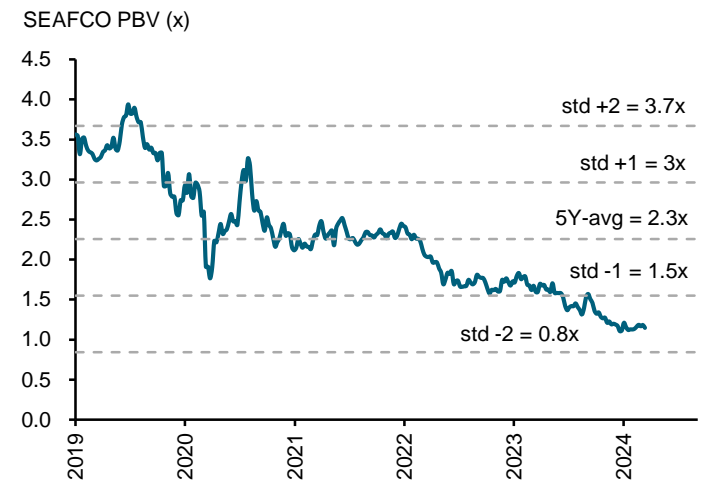
Sources: Bloomberg; FSSIA estimates

Exhibit 26: SEAFCO - Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 27: SEAFCO - Historical P/BV band



Sources: Bloomberg; 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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

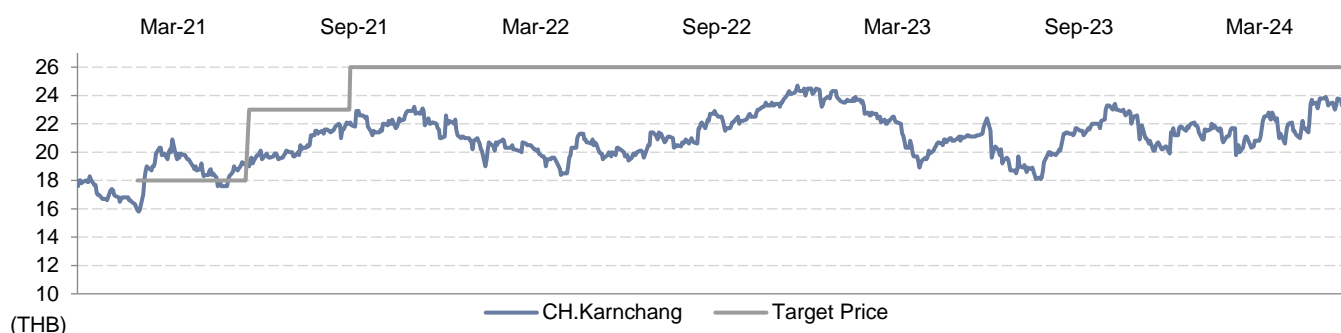
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History of change in investment rating and/or target price

CH.Karnchang (CK TB)



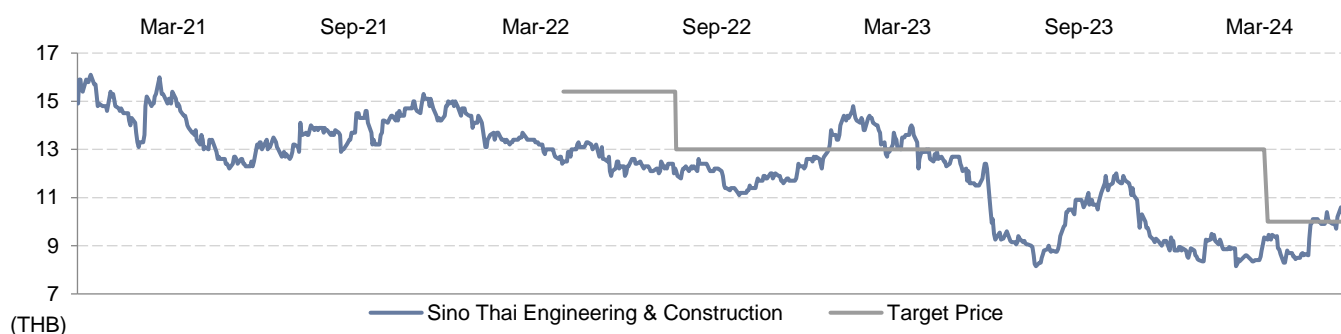
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
11-May-2021	BUY	18.00	13-Aug-2021	BUY	23.00	10-Nov-2021	BUY	26.00

Thanyatorn Songwutti started covering this stock from 11-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Sino Thai Engineering & Construction (STEC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
12-May-2022	BUY	15.40	17-Aug-2022	HOLD	13.00	05-Jan-2024	HOLD	10.00

Thanyatorn Songwutti started covering this stock from 05-Jan-2024

Price and TP are in local currency

Source: FSSIA estimates

Pylon (PYLON TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
14-Jun-2023	HOLD	3.80	27-Nov-2023	HOLD	2.70	-	-	-

Thanyatorn Songwutti started covering this stock from 14-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Seafco (SEAFKO TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Apr-2023	BUY	4.70	04-Dec-2023	BUY	3.80	-	-	-

Thanyatorn Songwutti started covering this stock from 04-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
CH.Karnchang	CK TB	THB 23.70	BUY	Key downside risks to our SoTP-based TP include 1) delays in the signing of the Luang Prabang hydropower plant and Orange Line projects; 2) fewer new projects than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition.
Sino Thai Engineering & Construction	STEC TB	THB 10.70	HOLD	Downside risks to our TP include 1) volatility of the gross margin, 2) a delay and additional repair expenses on the Bueng Nong Bon drainage tunnel project, 3) a delay in the commencement of its construction of U-Tapao Airport, 4) a delay in new auctions, and 5) a higher-than-expected loss sharing from associates.
Pylon	PYLON TB	THB 2.42	HOLD	Downside risks to our P/E-based TP include 1) fewer new projects than expected; 2) bidding delays for new projects; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition. Upside risks would be 1) a higher-than-expected additional backlog and new auctions; and 2) the sooner-than-expected commencement of the high-speed train project linking three airports.
Seafco	SEAFKO TB	THB 2.64	BUY	Downside risks to our P/BV-based TP include 1) fewer-than-expected new contract signing; 2) auction delays; 3) a failure to win contracts from the Orange Line project; 4) political uncertainties; 5) construction delays and cost overrun; 6) higher building material costs, labor shortages, and a minimum wage hike; and 7) fierce competition.

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 19-Mar-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.