

# CHAROEN POKPHAND FOODS

## THAILAND / FOOD & BEVERAGE

## CPF TB

# BUY

UNCHANGED

TARGET PRICE	THB28.00
CLOSE	THB23.60
UP/DOWNSIDE	+18.6%
PRIOR TP	THB25.00
CHANGE IN TP	+12.0%
TP vs CONSENSUS	+11.1%

## More robust recovery expected

- We expect the 2Q24 net profit recovery to exceed previous projections, potentially hitting a 10-quarter high.
- Impressive gross margin supported by higher meat prices; China's swine prices are exceeding the breakeven point already.
- Revising up 2024E profit by 15% and TP to THB28.

### Expect 2Q24 profit to show a clear recovery

We expect a 2Q24 net profit of THB5.2b, surging 353% q-q and reversing a loss of THB792m in 2Q23. It would be a 10-quarter high. The biological asset gain in the quarter is driven by the adjustment of swine prices in Thailand, China, and Vietnam. Excluding this item, we still expect a core profit of THB4.2b in 2Q24, jumping c11.6x q-q and reversing a loss of THB3.8b in 2Q23. The main factor is the recovery of livestock prices, with Vietnamese swine prices increasing by 20% q-q and 16.3% y-y, exceeding the breakeven price by 39%. The average price of Chinese swine in 2Q24 is RMB16.4/kg (+12.6% q-q, +14.2% y-y), already exceeding the breakeven price.

### Impressive gross margin and higher profit sharing

Regarding lower feed costs, such as corn (-15% y-y) and soybean meal (-9% y-y), and higher livestock prices, including Thai swine, Thai chicken, Vietnamese swine, and Chinese swine, we estimate the 2Q24 gross margin to jump to 14.3% – a seven-quarter high, up from 12% in 1Q24 and 11% in 2Q23. In addition, we expect the share of profits from its associate companies to increase by 6% q-q, reversing from a loss in 2Q23. To elaborate, we estimate that CPALL's share of profits may dip q-q, but the Chinese swine business (CTI)'s contribution should turn profitable for the first time in six quarters (excluding 4Q23, which had an extra gain).

### More positive view on 2H24 outlook

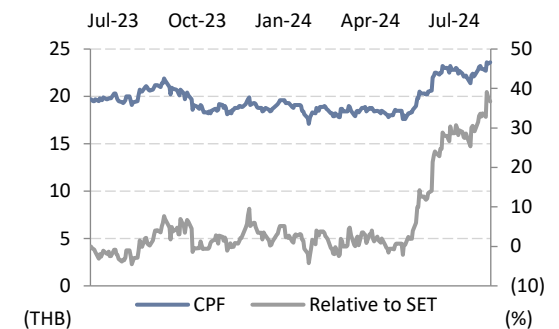
The profit trend in 2H24 should continue to rise, driven by the still-strong price of Chinese swine. It has recently stabilized at RMB18.3/kg, 14% above the breakeven price. The price of Vietnamese swine remains high at VND68,000-69,000/kg, while raw material costs remain low. Therefore, we assume that 3Q24 core profit will increase to a range of THB4-5b. Even though the latest corn price has started to rise, reaching THB12-12.5/kg, it is a seasonal adjustment and is expected to decline towards the end of 3Q24 when new crop production enters the market.

### Revising up our 2024E net profit and TP to THB28

We have revised up our 2024E net profit by 15% to THB14b, rebounding from a loss of THB5.2b in 2023. Similarly, we have increased our TP to THB28 (from THB25), based on a P/E of 17x. We reiterate our BUY recommendation and CPF is still our top pick in the meat sector.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	585,844	599,211	627,513	652,922
Net profit	(5,207)	14,112	16,780	19,676
EPS (THB)	(0.62)	1.68	1.99	2.34
vs Consensus (%)	-	110.8	70.2	54.5
EBITDA	31,556	54,284	57,242	60,114
Recurring net profit	(22,000)	13,362	16,780	19,676
Core EPS (THB)	(2.61)	1.59	1.99	2.34
Chg. In EPS est. (%)	nm	27.1	16.6	18.7
EPS growth (%)	nm	nm	25.6	17.3
Core P/E (x)	(9.0)	14.9	11.8	10.1
Dividend yield (%)	-	2.8	4.2	5.0
EV/EBITDA (x)	23.2	13.5	12.8	12.2
Price/book (x)	0.8	0.8	0.8	0.8
Net debt/Equity (%)	170.8	149.9	143.9	137.2
ROE (%)	(8.9)	5.5	6.7	7.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.1	31.1	19.8
Relative to country (%)	5.1	37.5	37.8
Mkt cap (USD m)	5,320		
3m avg. daily turnover (USD m)	15.3		
Free float (%)	46		
Major shareholder	Charoen Pokphand Group (37%)		
12m high/low (THB)	23.70/17.00		
Issued shares (m)	8,413.57		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

CPF operates an integrated agro-industrial and food business under its “Kitchen of the World” vision for sustainable growth. The company owns production bases through investments and joint ventures in 17 countries and exports to over 40 countries. Since CPF starts from upstream, especially farming, which is highly volatile in line with meat prices and feed costs, its annual performance sharply fluctuates. For example, we expect CPF to report an operating loss in 2023 before turning into a profit in 2024 after meat prices improve.

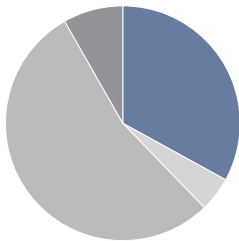
Company profile

Established in 1978 and listed on the Stock Exchange of Thailand in 1987, CPF operates a vertically integrated agro-industrial and food business, from upstream to downstream, covering livestock and aquaculture such as swine, broilers, layers, ducks, shrimp, and fish. As of end-2023, CPF generated revenue from three units, namely Feed, Farm, and Food, with a revenue mix of 23.4%/54.3%/22.3%, respectively.

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

Principal activities (revenue, 2023)

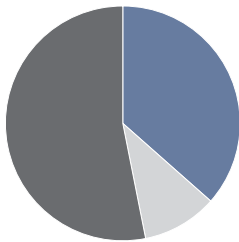
- Thailand livestock - 33.0 %
- Thailand aquatic - 4.8 %
- Overseas livestock - 54.0 %
- Overseas aquatic - 8.2 %



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 drivers for CPF’s earnings growth in 2024 are 1) sales volume growth after demand increases; 2) higher meat prices; 3) flat or declining feed costs; and 4) a better-than-expected recovery of overseas associates and subsidiaries.

Risks to our call

Downside risks to our P/E-based TP include 1) slow purchasing power; 2) a slower-than-expected meat price recovery; 3) higher feed costs; 4) baht strength; and 5) a minimum wage increase and labor shortages.

Event calendar

Date	Event
14 August 2024	2Q24 results announcement
15 August 2024	2Q24 analyst meeting

Key assumptions

	2024E	2025E	2026E
Broiler price-TH (THB)	41.0	42.0	43.0
Swine price-TH (THB)	72.0	72.0	72.0
Swine price-VN (VND)	55,000	55,000	55,000
Total revenue growth (%)	2.3	4.7	4.0
Gross margin (%)	12.8	12.9	13.0
SG&A to sales (%)	8.9	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.

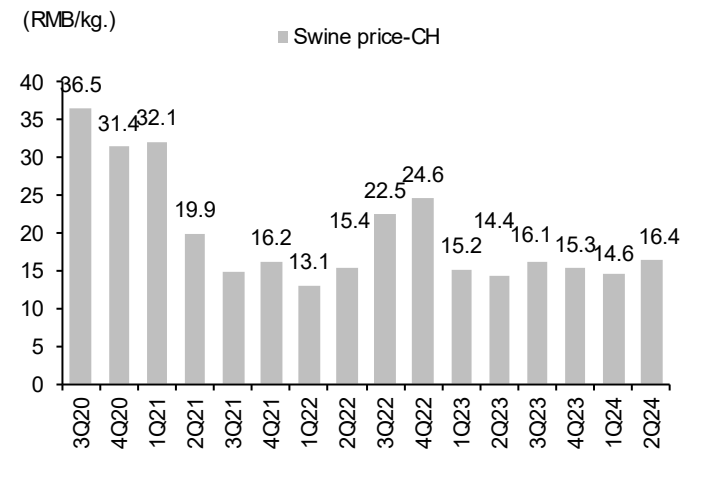
Source: FSSIA estimates

Exhibit 1: CPF – 2Q24E earnings preview

	2Q23	3Q23	4Q23	1Q24	2Q24E	----- Change -----		2023	2024E	Change	1H24E	% 1H24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)	to 2024E
Sales	150,246	144,498	147,319	140,037	147,039	5.0	(2.1)	585,844	599,211	2.3	287,076	47.9
Cost of sales	133,750	128,940	133,750	123,228	126,012	2.3	(5.8)	524,643	522,512	(0.4)	249,240	47.7
Gross profit	16,496	15,558	13,569	16,809	21,027	25.1	27.5	61,201	76,699	25.3	37,836	49.3
SG&A	13,868	14,079	15,141	12,178	12,498	2.6	(9.9)	55,875	53,330	(4.6)	24,676	46.3
Operating profit	3,607	2,364	(3,200)	5,297	9,228	74.2	155.8	6,435	28,163	337.6	14,525	51.6
Interest expense	6,157	6,377	6,903	6,182	6,200	0.3	0.7	25,506	24,633	(3.4)	12,382	50.3
Tax expense	123	(115)	163	550	906	64.5	634.8	600	716	19.3	1,456	203.4
Profit (loss) sharing	(893)	528	643	1,792	1,900	6.0	nm	(810)	9,530	nm	3,692	38.7
Biological gain (loss)	1,616	319	(1,169)	464	1,050	126.1	(35.0)	724	750	3.6	1,514	201.9
Other gain (loss)	1,419	1,603	5,062	330	0	nm	nm	16,068	0	(100.0)	330	nm
Reported net profit	(792)	(1,811)	121	1,152	5,222	353.3	nm	(5,207)	14,112	nm	6,374	45.2
Core profit	(3,827)	(3,733)	(10,877)	358	4,172	1,066.5	nm	(22,000)	13,362	nm	4,530	33.9
Key ratios (%)						(ppt)	(ppt)					
Gross margin	11.0	10.8	9.2	12.0	14.3	2.3	3.3	10.4	12.8	2.4	13.2	
SG&A to sales	9.2	9.7	10.3	8.7	8.5	(0.2)	(0.7)	9.5	8.9	(0.6)	8.6	
Operating margin	2.4	1.6	(2.2)	3.8	6.3	2.5	3.9	1.1	4.7	3.6	5.1	
Net margin	(0.5)	(1.3)	0.1	0.8	3.6	2.7	4.1	(0.9)	2.4	3.2	2.2	
Core margin	(2.5)	(2.6)	(7.4)	0.3	2.8	2.6	5.4	(3.8)	2.2	6.0	1.6	
Operating statistics (THB/kg)												
Broiler price-TH	43.8	36.6	37.9	40.8	44.0	7.8	0.5	39.5	41.0	3.9	42.4	
Swine price-TH	72.5	62.7	62.3	66.3	69.3	4.5	(4.4)	70.5	72.0	2.1	67.8	
Shrimp price 70 unit -TH	124.7	124.3	136.0	129.0	121.7	(5.7)	(2.4)	137.0	145.0	5.8	125.3	
Corn price-TH	12.9	11.7	10.4	10.4	10.9	5.1	(14.9)	12.1	10.0	(17.0)	10.7	
Soybean meal price-TH	23.4	21.5	22.0	22.2	21.3	(4.0)	(9.1)	22.7	20.5	(9.8)	21.7	
Swine price-VN (VND/kg.)	55,095	57,023	47,082	53,400	64,055	20.0	16.3	52,311	55,000	5.1	58,728	
Swine price-CH (RMB/kg.)	14.4	16.1	15.3	14.6	16.4	12.6	14.2	15.3	16.0	4.9	15.5	

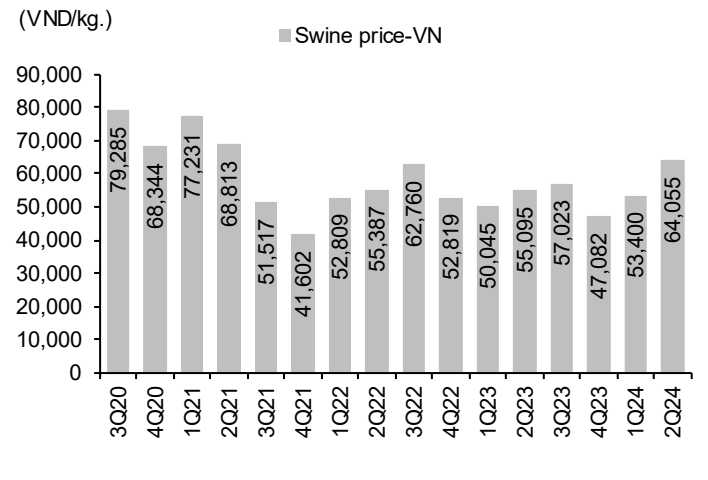
Sources: CPF, FSSIA estimates

Exhibit 2: China swine price

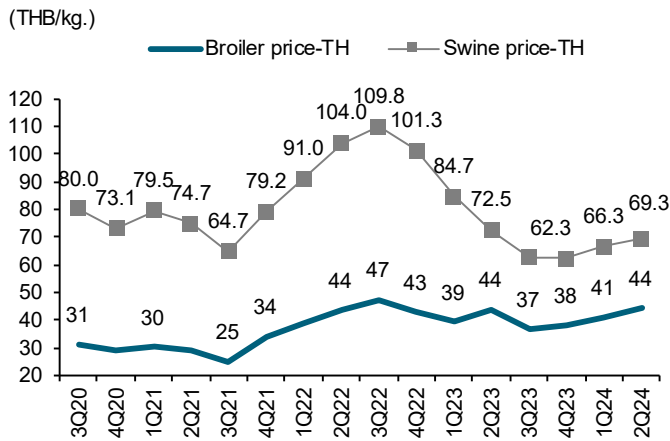


Sources: Bloomberg, CPF, FSSIA's compilation

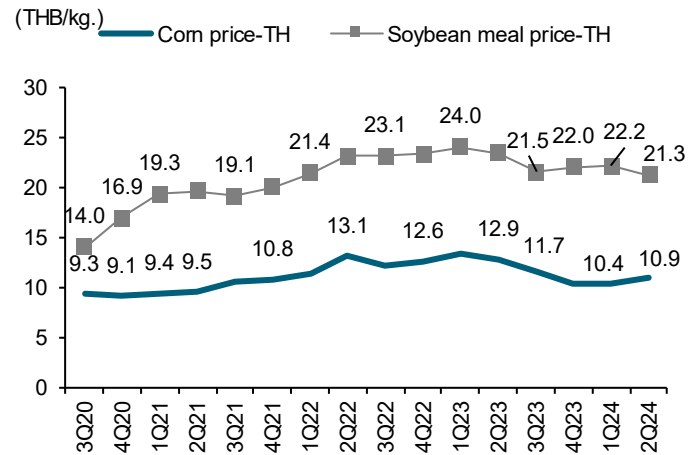
Exhibit 3: Vietnam swine price



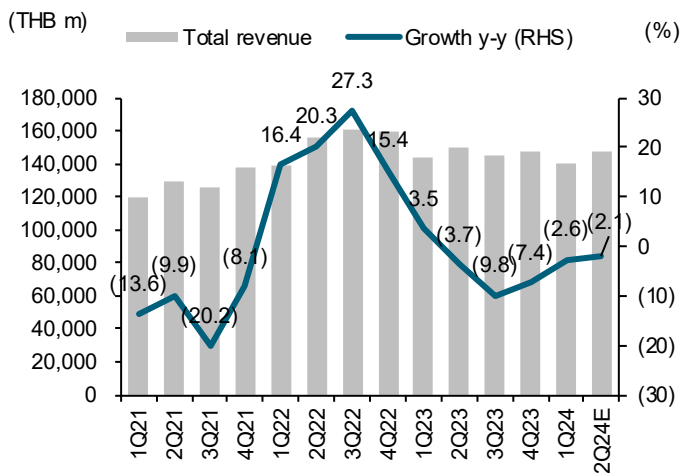
Source: CPF

**Exhibit 4: Domestic meat prices**

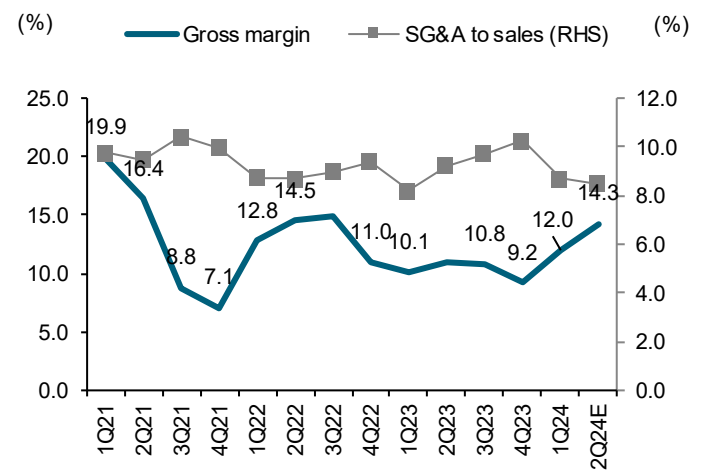
Source: CPF

**Exhibit 5: Raw material prices**

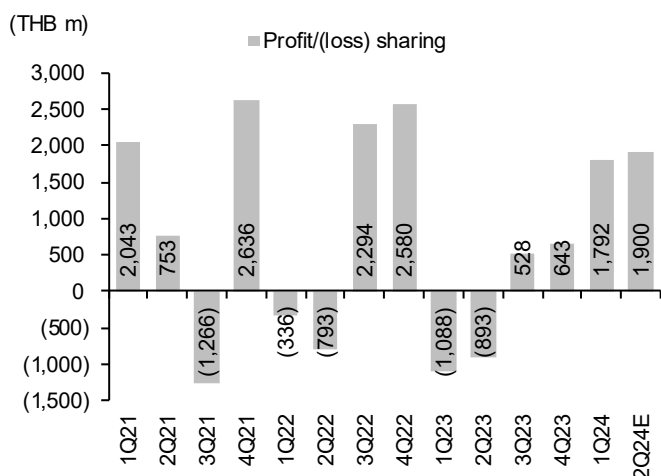
Source: CPF

**Exhibit 6: Quarterly total revenue and growth**

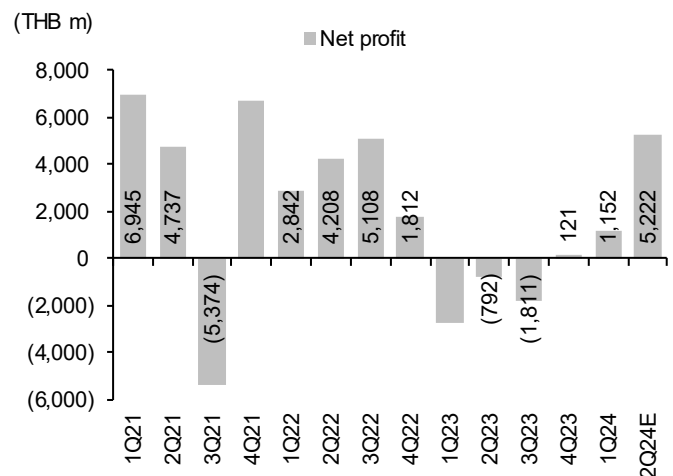
Sources: CPF, FSSIA estimates

**Exhibit 7: Quarterly gross margin and SG&A to sales**

Sources: CPF, FSSIA estimates

**Exhibit 8: Share of profit/(loss)**

Sources: CPF, FSSIA estimates

**Exhibit 9: Quarterly net profit**

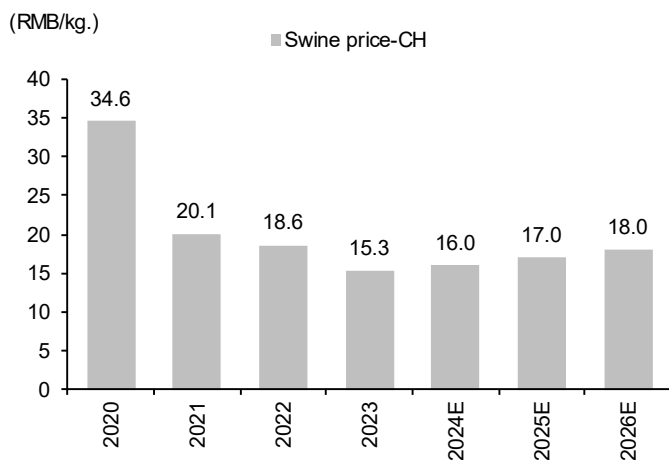
Sources: CPF, FSSIA estimates

## Exhibit 10: Changes in key assumptions for CPF

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	599,211	627,513	652,922	599,211	627,513	652,922	0.0	0.0	0.0
Cost of sales	522,512	546,563	568,042	525,508	549,074	571,307	(0.6)	(0.5)	(0.6)
Gross profit	76,699	80,949	84,880	73,703	78,439	81,615	4.1	3.2	4.0
SG&A expenses	53,330	55,849	58,110	53,330	55,849	58,110	0.0	0.0	0.0
Operating profit	28,163	30,121	31,993	25,167	27,611	28,729	11.9	9.1	11.4
Interest expense	24,633	24,988	25,212	24,633	24,988	25,212	0.0	0.0	0.0
Profit (loss) sharing	9,530	11,689	13,052	9,530	11,689	13,052	0.0	0.0	0.0
- CPALL	8,038	9,332	10,506	8,038	9,332	10,506	0.0	0.0	0.0
Reported net profit	14,112	16,780	19,676	12,315	14,395	16,575	14.6	16.6	18.7
Core profit	13,362	16,780	19,676	10,515	14,395	16,575	27.1	16.6	18.7
<b>Key ratios (%)</b>									
Net profit growth	nm	18.9	17.3	nm	16.9	15.1			
Core profit growth	nm	25.6	17.3	nm	36.9	15.1			
Gross margin	12.8	12.9	13.0	12.3	12.5	12.5	0.5	0.4	0.5
SG&A to sales	8.9	8.9	8.9	8.9	8.9	8.9	0.0	0.0	0.0
Net margin	2.4	2.7	3.0	2.1	2.3	2.5	0.3	0.4	0.5
Core margin	2.2	2.7	3.0	1.8	2.3	2.5	0.5	0.4	0.5
<b>Price</b>									
Broiler price-TH (THB/kg)	41.0	42.0	43.0	41.0	42.0	43.0	0.0	0.0	0.0
Swine price-TH (THB/kg)	72.0	72.0	72.0	72.0	72.0	72.0	0.0	0.0	0.0
Shrimp price-70 unit (THB/kg)	145.0	145.0	145.0	145.0	145.0	145.0	0.0	0.0	0.0
Corn price-TH (THB/kg)	10.0	10.0	10.0	10.0	10.0	10.0	0.0	0.0	0.0
Soybean meal price-TH (THB/kg)	20.5	20.0	19.0	20.5	20.0	19.0	0.0	0.0	0.0
Swine price-VN (VND)	55,000	55,000	55,000	55,000	55,000	55,000	0.0	0.0	0.0
Swine price-CH (RMB)	16.0	17.0	18.0	16.0	17.0	18.0	0.0	0.0	0.0

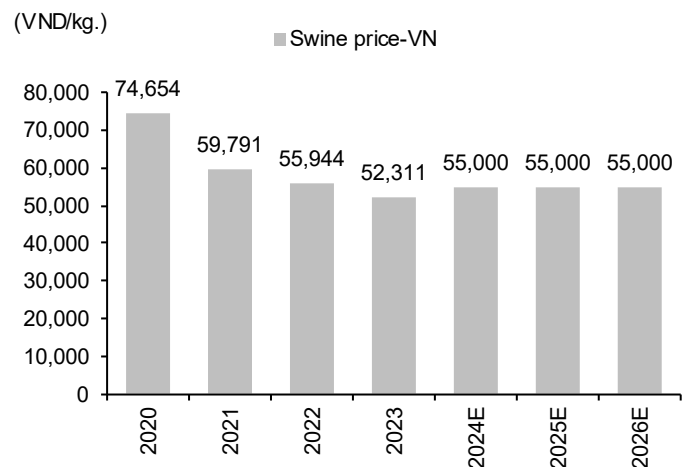
Source: FSSIA estimates

## Exhibit 11: Yearly China swine price



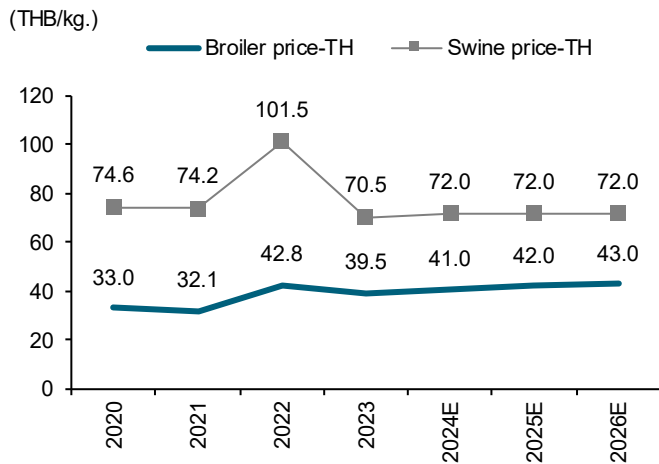
Sources: CPF, FSSIA estimates

## Exhibit 12: Yearly Vietnam swine price



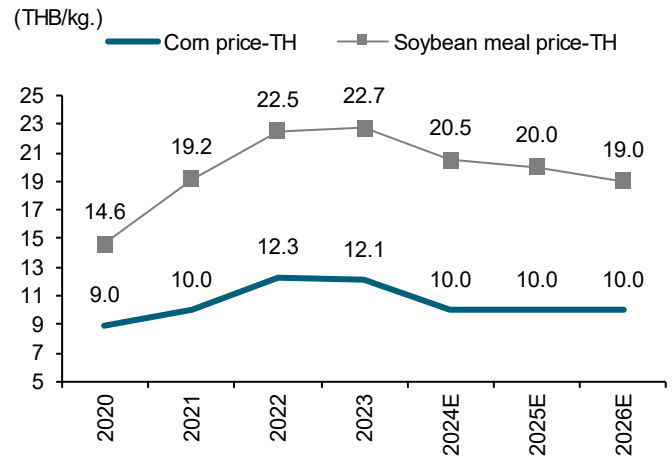
Sources: CPF, FSSIA estimates

Exhibit 13: Yearly domestic meat prices



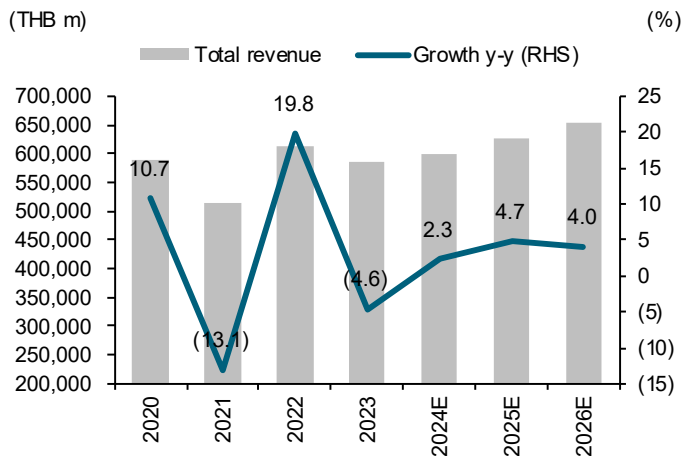
Sources: CPF, FSSIA estimates

Exhibit 14: Yearly raw material prices



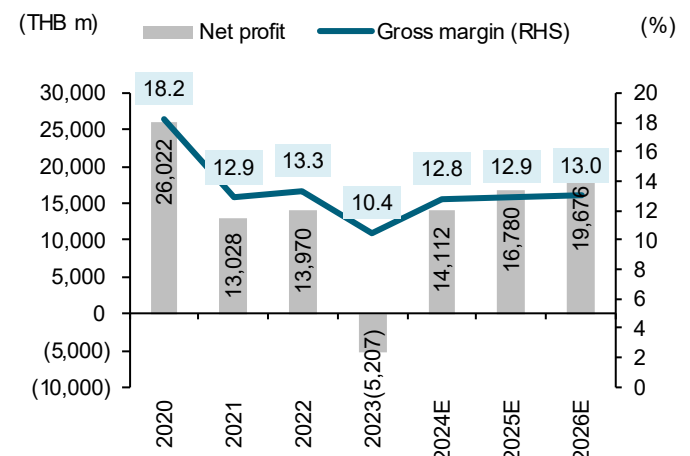
Sources: CPF, FSSIA estimates

Exhibit 15: Yearly total revenue and growth



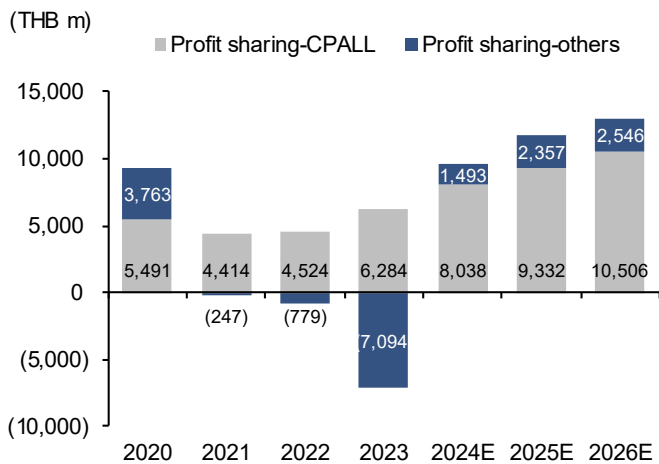
Sources: CPF, FSSIA estimates

Exhibit 16: Yearly net profit and gross margin



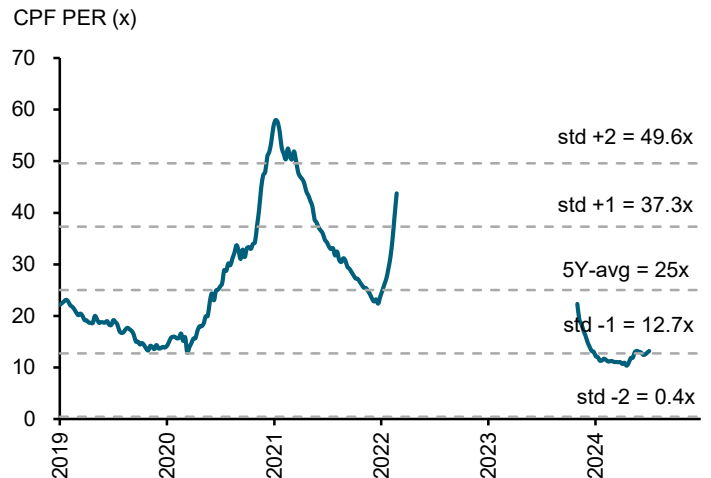
Sources: CPF, FSSIA estimates

Exhibit 17: Share of profit breakdown by CPALL and others



Sources: CPF, FSSIA estimates

Exhibit 18: Historical P/E band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Charoen Pokphand Foods

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	614,197	585,844	599,211	627,513	652,922
Cost of goods sold	(532,324)	(524,643)	(522,512)	(546,563)	(568,042)
<b>Gross profit</b>	<b>81,873</b>	<b>61,201</b>	<b>76,699</b>	<b>80,949</b>	<b>84,880</b>
Other operating income	3,978	1,110	4,794	5,020	5,223
Operating costs	(55,001)	(55,875)	(53,330)	(55,849)	(58,110)
<b>Operating EBITDA</b>	<b>63,057</b>	<b>31,556</b>	<b>54,284</b>	<b>57,242</b>	<b>60,114</b>
Depreciation	(32,207)	(25,121)	(26,121)	(27,121)	(28,121)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>30,850</b>	<b>6,435</b>	<b>28,163</b>	<b>30,121</b>	<b>31,993</b>
Net financing costs	(19,515)	(24,348)	(23,376)	(23,883)	(24,059)
Associates	3,745	(810)	9,530	11,689	13,052
Recurring non-operating income	3,745	(810)	9,530	11,689	13,052
Non-recurring items	5,347	16,792	750	0	0
<b>Profit before tax</b>	<b>20,427</b>	<b>(1,931)</b>	<b>15,067</b>	<b>17,927</b>	<b>20,987</b>
Tax	(6,003)	(600)	(716)	(896)	(1,049)
<b>Profit after tax</b>	<b>14,424</b>	<b>(2,531)</b>	<b>14,351</b>	<b>17,031</b>	<b>19,937</b>
Minority interests	(454)	(2,676)	(240)	(251)	(261)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>13,970</b>	<b>(5,207)</b>	<b>14,112</b>	<b>16,780</b>	<b>19,676</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(5,347)</b>	<b>(16,792)</b>	<b>(750)</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,623</b>	<b>(22,000)</b>	<b>13,362</b>	<b>16,780</b>	<b>19,676</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.09	(2.61)	1.59	1.99	2.34
Reported EPS	1.76	(0.62)	1.68	1.99	2.34
DPS	0.75	0.00	0.67	1.00	1.17
Diluted shares (used to calculate per share data)	7,936	8,414	8,414	8,414	8,414
<b>Growth</b>					
Revenue (%)	19.8	(4.6)	2.3	4.7	4.0
Operating EBITDA (%)	31.2	(50.0)	72.0	5.4	5.0
Operating EBIT (%)	61.1	(79.1)	337.6	7.0	6.2
Recurring EPS (%)	130.6	nm	nm	25.6	17.3
Reported EPS (%)	7.7	nm	nm	18.9	17.3
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	13.3	10.4	12.8	12.9	13.0
Gross margin exc. depreciation (%)	18.6	14.7	17.2	17.2	17.3
Operating EBITDA margin (%)	10.3	5.4	9.1	9.1	9.2
Operating EBIT margin (%)	5.0	1.1	4.7	4.8	4.9
Net margin (%)	1.4	(3.8)	2.2	2.7	3.0
Effective tax rate (%)	29.4	(31.1)	4.8	5.0	5.0
Dividend payout on recurring profit (%)	69.0	-	42.2	50.0	50.0
Interest cover (X)	1.8	0.2	1.6	1.8	1.9
Inventory days	57.1	55.7	57.1	61.7	61.9
Debtor days	24.3	26.7	27.6	28.7	28.8
Creditor days	34.8	32.0	31.9	36.0	36.1
Operating ROIC (%)	6.2	1.2	5.4	5.9	6.3
ROIC (%)	3.6	0.6	3.8	4.2	4.4
ROE (%)	3.6	(8.9)	5.5	6.7	7.6
ROA (%)	2.8	0.0	3.6	4.0	4.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Thailand livestock	195,358	193,310	202,299	213,266	226,471
Thailand aquatic	28,998	27,945	29,342	30,956	32,813
Overseas livestock	335,164	316,296	316,855	329,533	336,125
Overseas aquatic	54,677	48,293	50,715	53,758	57,513

Sources: Charoen Pokphand Foods; FSSIA estimates



## Financial Statements

### Charoen Pokphand Foods

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	8,623	(22,000)	13,362	16,780	19,676
Depreciation	32,207	25,121	26,121	27,121	28,121
Associates & minorities	-	-	-	-	-
Other non-cash items	(30,593)	3,360	11,960	(8,155)	(9,518)
Change in working capital	(11,702)	(3,219)	2,714	(5,484)	(4,915)
<b>Cash flow from operations</b>	<b>(1,465)</b>	<b>3,262</b>	<b>54,156</b>	<b>30,262</b>	<b>33,364</b>
Capex - maintenance	(51,354)	(17,771)	(21,683)	(20,000)	(20,000)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	(1,758)	2,796	0	0	0
Other investments (net)	(5,173)	8,051	(435)	(1,132)	(1,016)
<b>Cash flow from investing</b>	<b>(58,285)</b>	<b>(6,924)</b>	<b>(22,118)</b>	<b>(21,132)</b>	<b>(21,016)</b>
Dividends paid	(5,808)	(13,027)	(5,645)	(8,390)	(9,838)
Equity finance	(818)	1,371	0	1	0
Debt finance	55,491	(2,424)	(22,450)	(2,700)	(5,120)
Other financing cash flows	6,821	9,783	(7,960)	849	762
<b>Cash flow from financing</b>	<b>55,686</b>	<b>(4,298)</b>	<b>(36,055)</b>	<b>(10,240)</b>	<b>(14,196)</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>(4,065)</b>	<b>(7,960)</b>	<b>(4,017)</b>	<b>(1,110)</b>	<b>(1,849)</b>
Free cash flow to firm (FCFF)	(39,392.75)	21,844.06	56,671.41	34,117.62	37,558.94
Free cash flow to equity (FCFE)	2,561.44	3,696.24	1,628.17	7,278.64	7,989.49
<b>Per share (THB)</b>					
FCFF per share	(4.68)	2.60	6.74	4.06	4.46
FCFE per share	0.30	0.44	0.19	0.87	0.95
Recurring cash flow per share	1.29	0.77	6.11	4.25	4.55
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	344,753	325,762	320,641	314,520	307,399
Less: Accumulated depreciation	(32,207)	(25,121)	(26,121)	(27,121)	(28,121)
<b>Tangible fixed assets (net)</b>	<b>312,545</b>	<b>300,641</b>	<b>294,520</b>	<b>287,399</b>	<b>279,278</b>
<b>Intangible fixed assets (net)</b>	<b>76,224</b>	<b>73,428</b>	<b>73,428</b>	<b>73,428</b>	<b>73,428</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	272,055	272,548	282,078	293,768	306,820
Cash & equivalents	36,215	28,255	24,238	23,128	21,279
A/C receivable	43,221	42,351	48,265	50,545	52,592
Inventories	83,080	69,508	85,892	89,846	93,377
Other current assets	70,703	69,002	59,921	62,751	65,292
<b>Current assets</b>	<b>233,219</b>	<b>209,116</b>	<b>218,317</b>	<b>226,270</b>	<b>232,540</b>
Other assets	32,944	31,485	31,868	33,001	34,017
<b>Total assets</b>	<b>926,987</b>	<b>887,218</b>	<b>900,212</b>	<b>913,865</b>	<b>926,083</b>
Common equity	256,053	239,416	246,149	254,540	264,378
Minorities etc.	43,791	45,617	66,357	69,891	73,425
<b>Total shareholders' equity</b>	<b>299,844</b>	<b>285,033</b>	<b>312,506</b>	<b>324,431</b>	<b>337,803</b>
Long term debt	332,081	316,785	314,285	316,985	314,485
Other long-term liabilities	28,085	25,936	17,976	18,825	19,588
<b>Long-term liabilities</b>	<b>360,166</b>	<b>342,722</b>	<b>332,262</b>	<b>335,811</b>	<b>334,073</b>
A/C payable	50,964	36,527	50,104	52,410	54,470
Short term debt	186,478	198,326	178,376	172,976	170,356
Other current liabilities	29,536	24,610	26,964	28,238	29,382
<b>Current liabilities</b>	<b>266,978</b>	<b>259,463</b>	<b>255,444</b>	<b>253,624</b>	<b>254,207</b>
<b>Total liabilities and shareholders' equity</b>	<b>926,987</b>	<b>887,218</b>	<b>900,212</b>	<b>913,865</b>	<b>926,083</b>
Net working capital	116,505	119,724	117,010	122,494	127,409
Invested capital	810,273	797,826	798,905	810,089	820,952
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	32.26	28.46	29.26	30.25	31.42
Tangible book value per share	22.66	19.73	20.53	21.53	22.70
<b>Financial strength</b>					
Net debt/equity (%)	160.9	170.8	149.9	143.9	137.2
Net debt/total assets (%)	52.0	54.9	52.0	51.1	50.1
Current ratio (x)	0.9	0.8	0.9	0.9	0.9
CF interest cover (x)	1.1	1.2	1.1	1.3	1.3
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>21.7</b>	<b>(9.0)</b>	<b>14.9</b>	<b>11.8</b>	<b>10.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>25.8</b>	<b>(10.7)</b>	<b>17.6</b>	<b>14.0</b>	<b>12.0</b>
Reported P/E (x)	13.4	(38.1)	14.1	11.8	10.1
Dividend yield (%)	3.2	-	2.8	4.2	5.0
Price/book (x)	0.7	0.8	0.8	0.8	0.8
Price/tangible book (x)	1.0	1.2	1.1	1.1	1.0
EV/EBITDA (x) **	11.3	23.2	13.5	12.8	12.2
EV/EBITDA @ target price (x) **	11.9	24.3	14.2	13.5	12.9
EV/invested capital (x)	0.9	0.9	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



### Exhibit 19: FSSIA ESG score implication

**78.94 /100**

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.
★★★★★	>59-79	<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 20: 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://settrade.com); FSSIA's compilation

### Exhibit 21: 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 22: 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 (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 <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.																				
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&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.																				
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 &amp; 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	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+																		
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><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="2">Average:</td><td rowspan="2">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><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
CCC	0.000-1.428																					
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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

Sureporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

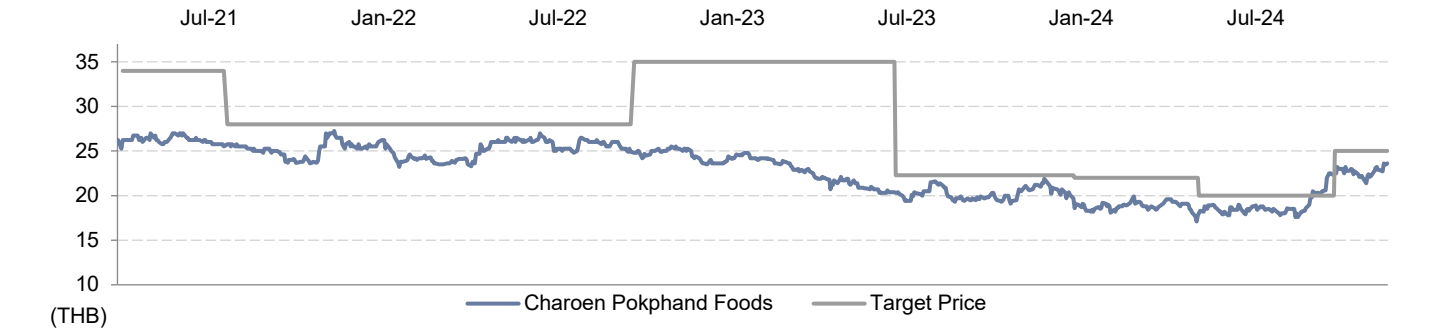
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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
12-Jul-2021	BUY	34.00	08-May-2023	HOLD	22.30	24-Jan-2024	HOLD	20.00
08-Oct-2021	HOLD	28.00	09-Oct-2023	HOLD	22.00	18-Apr-2024	BUY	20.00
23-Sep-2022	BUY	35.00	13-Dec-2023	BUY	22.00	20-May-2024	BUY	25.00

Sureporn 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 23.60	BUY	Downside risks to our P/E-based TP include 1) slow purchasing power; 2) a slower-than-expected meat price recovery; 3) higher feed costs; 4) baht strength; and 5) a minimum wage increase and labor shortages.

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 05-Jul-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.