

PATRANGSIT HEALTHCARE GROUP

THAILAND / HEALTH CARE SERVICES

PHG TB

BUY

UNCHANGED

2Q24 results at first glance

Core profit grew 17% y-y to THB37m in 2Q24; excluding one-off, it would grow 65% y-y to THB51m

Highlights

- PHG reported a core profit of THB37m in 2Q24 (+17% y-y, -45% q-q).
- In this quarter, PHG booked a Social Security Office (SSO) revenue reversal of THB18m following the insufficient budget for high-cost care (RW>=2), which was revised down to THB7,200/RW from THB12,000/RW for the treatments during Oct to Dec-23. Excluding this item, 2Q24 core profit would be THB51m (+65% y-y).
- Hospital revenue grew by 8% y-y in 2Q24. Revenue from self-pay patients grew by 12% y-y due to a strong OPD volume. Revenue from SSO patients grew by 7% y-y thanks to a higher number of registered insurers. Excluding the SSO revenue reversal, total revenue and SSO revenue would grow by 12% y-y and 18% y-y, respectively.
- COGS increased by 11% y-y following the higher patient volume. SG&A decreased by 4% y-y due to the absence of IPO expenses in 2Q23 and the reversal of expected credit losses.
- As a result, the 2Q24 EBITDA margin slightly improved to 13.1% (vs 12.9% in 2Q23). Excluding the SSO revenue reversal, the EBITDA margin would improve to 16%.
- 1H24 core profit grew by 36% y-y to THB103m and accounted for 34% of our 2024 core profit forecast of THB303m.

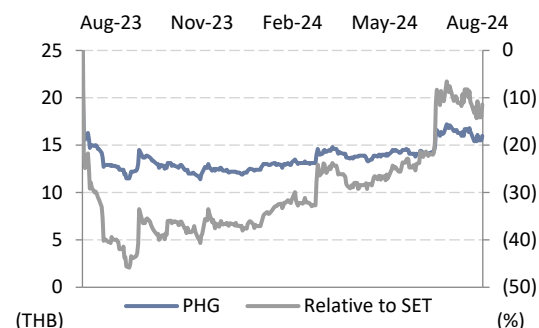
Outlook

- We expect the strong earnings growth momentum to continue in 3Q24, which is the high healthcare season.

TARGET PRICE	THB21.00
CLOSE	THB16.00
UP/DOWNSIDE	+31.3%
TP vs CONSENSUS	+0.0%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	2,138	2,384	2,545	2,778
Net profit	259	303	335	383
EPS (THB)	0.86	1.01	1.12	1.28
vs Consensus (%)	-	-	-	-
EBITDA	417	479	538	614
Recurring net profit	259	303	335	383
Core EPS (THB)	0.86	1.01	1.12	1.28
EPS growth (%)	(27.4)	16.9	10.5	14.2
Core P/E (x)	18.5	15.8	14.3	12.5
Dividend yield (%)	3.3	3.8	4.2	4.8
EV/EBITDA (x)	9.2	8.5	7.5	6.7
Price/book (x)	2.4	2.3	2.1	2.0
Net debt/Equity (%)	(48.9)	(34.2)	(33.8)	(29.2)
ROE (%)	17.7	14.9	15.3	16.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.9)	11.9	29.0
Relative to country (%)	(3.4)	18.3	52.6
Mkt cap (USD m)	136		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	42		
Major shareholder	Tuangjai Trakulchang (17%)		
12m high/low (THB)	17.20/11.10		
Issued shares (m)	300.00		

Sources: Bloomberg consensus; FSSIA estimates


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Exhibit 1: PHG – 2Q24 results summary

	2Q23	3Q23	4Q23	1Q24	2Q24	----- Change -----		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Revenue	488	568	597	567	527	(7)	8	2,138	2,384	12
Cost of sales (Incl. depreciation)	(380)	(409)	(416)	(426)	(423)	(1)	11	(1,565)	(1,738)	11
Gross profit	108	159	181	141	103	(27)	(4)	573	646	13
SG&A	(69)	(59)	(64)	(67)	(66)	(2)	(4)	(262)	(286)	9
Operating profit	39	100	117	74	37	(49)	(4)	312	360	15
Other operating income	4	4	11	10	8	(15)	133	23	24	4
Equity income	(0)	(0)	(0)	0	(0)			(0)	-	
EBIT	43	104	128	84	46	(45)	7	334	383	15
Interest expense	(4)	(2)	(1)	(1)	(0)	(44)	(91)	(10)	(4)	(57)
EBT	39	103	127	83	46	(45)	16	325	379	17
Income tax	(8)	(21)	(26)	(17)	(9)	(46)	14	(65)	(76)	16
Minority interests	0	0	0	0	0			-	-	
Core profit	31	82	102	67	37	(45)	17	259	303	17
Extraordinaries										
Net income	31	82	102	67	37	(45)	17	259	303	17
Core EPS (THB)	0.13	0.27	0.34	0.22	0.12	(45)	(4)	0.86	1.01	17
No of share (m)	246	300	300	300	300	0	22	300	300	0
Cost (Excl. depreciation)	(359)	(388)	(394)	(403)	(400)	(1)	11	(1,482)	(1,643)	11
Depreciation & amortization	(20)	(21)	(22)	(23)	(23)	1	15	(83)	(96)	16
EBITDA	63	126	151	107	69	(35)	10	417	479	15
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	22	28	30	25	20	(5)	(3)	27	27	0
SG&A/Revenue	14	10	11	12	13	1	(2)	12	12	(0)
EBITDA margin	13	22	25	19	13	(6)	0	20	20	1
Net profit margin	6	14	17	12	7	(5)	1	12	13	1
Operating stats	(y-y %)	(y-y %)	(y-y %)	(y-y %)	(y-y %)					
Self-pay patient revenue	12	16	14	15	12					
Self-pay patient OPD revenue	N/A	N/A	N/A	12	(100)					
Self-pay patient IPD revenue	N/A	N/A	N/A	23	(100)					
SSO revenue	(28)	3	75	19	3					
SSO registered members ('000)	155	156	155	155						
SSO revenue per head	4,393	4,801	6,025	5,061						

Sources: PHG; FSSIA estimates

Financial Statements

Patransit Healthcare Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	2,040	2,138	2,384	2,545	2,778
Cost of goods sold	(1,432)	(1,565)	(1,738)	(1,853)	(2,007)
Gross profit	608	573	646	691	771
Other operating income	14	23	24	24	25
Operating costs	(242)	(262)	(286)	(293)	(314)
Operating EBITDA	450	417	479	538	614
Depreciation	(70)	(83)	(96)	(115)	(132)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	380	334	383	423	482
Net financing costs	(12)	(10)	(4)	(4)	(4)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	368	325	379	419	478
Tax	(75)	(65)	(76)	(84)	(96)
Profit after tax	293	259	303	335	383
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	293	259	303	335	383
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	293	259	303	335	383
Per share (THB)					
Recurring EPS *	1.19	0.86	1.01	1.12	1.28
Reported EPS	1.19	0.86	1.01	1.12	1.28
DPS	0.95	0.52	0.61	0.67	0.77
Diluted shares (used to calculate per share data)	246	300	300	300	300
Growth					
Revenue (%)	3.5	4.8	11.5	6.7	9.2
Operating EBITDA (%)	(6.8)	(7.3)	14.8	12.4	14.1
Operating EBIT (%)	(8.0)	(12.0)	14.6	10.3	14.1
Recurring EPS (%)	(62.5)	(27.4)	16.9	10.5	14.2
Reported EPS (%)	(62.5)	(27.4)	16.9	10.5	14.2
Operating performance					
Gross margin inc. depreciation (%)	29.8	26.8	27.1	27.2	27.8
Gross margin exc. depreciation (%)	33.2	30.7	31.1	31.7	32.5
Operating EBITDA margin (%)	22.0	19.5	20.1	21.2	22.1
Operating EBIT margin (%)	18.6	15.6	16.1	16.6	17.4
Net margin (%)	14.4	12.1	12.7	13.2	13.8
Effective tax rate (%)	20.3	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	79.5	60.1	60.0	60.0	60.0
Interest cover (X)	31.8	34.2	91.9	101.4	115.7
Inventory days	11.4	12.2	12.8	13.1	12.9
Debtor days	58.0	55.7	46.7	40.9	36.3
Creditor days	63.7	64.9	65.5	66.9	66.3
Operating ROIC (%)	30.9	26.3	25.0	22.9	23.4
ROIC (%)	30.6	26.0	24.7	22.7	23.3
ROE (%)	33.5	17.7	14.9	15.3	16.3
ROA (%)	19.5	13.4	12.5	12.9	13.7

* Pre exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Self pay patient revenue	1,051	1,142	1,299	1,405	1,549
SSO patient revenue	712	750	810	851	920
NHSO patient revenue	278	246	275	289	309

Sources: Patransit Healthcare Group; FSSIA estimates

Financial Statements

Patransit Healthcare Group

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	293	259	303	335	383
Depreciation	70	83	96	115	132
Associates & minorities	-	-	-	-	-
Other non-cash items	(3)	3	0	0	0
Change in working capital	(28)	37	49	34	23
Cash flow from operations	332	382	448	484	538
Capex - maintenance	(87)	(152)	(530)	(261)	(386)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	-	-	-	-	-
Cash flow from investing	(87)	(152)	(530)	(261)	(386)
Dividends paid	(233)	(380)	(156)	(182)	(201)
Equity finance	146	1,108	0	0	0
Debt finance	(58)	(280)	0	0	0
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(145)	448	(156)	(182)	(201)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	100	678	(238)	42	(49)
Free cash flow to firm (FCFF)	256.85	239.94	(77.62)	227.67	155.74
Free cash flow to equity (FCFE)	186.83	(49.49)	(81.79)	223.50	151.57

Per share (THB)	2022	2023	2024E	2025E	2026E
FCFF per share	0.86	0.80	(0.26)	0.76	0.52
FCFE per share	0.62	(0.16)	(0.27)	0.74	0.51
Recurring cash flow per share	1.46	1.15	1.33	1.50	1.71

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	1,660	1,781	2,311	2,572	2,958
Less: Accumulated depreciation	(764)	(816)	(911)	(1,027)	(1,158)
Tangible fixed assets (net)	896	965	1,400	1,545	1,799
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	6	6	6	6	6
Cash & equivalents	334	1,012	775	816	767
A/C receivable	336	316	294	276	276
Inventories	44	55	60	64	69
Other current assets	1	1	1	1	2
Current assets	716	1,385	1,131	1,158	1,114
Other assets	6	7	7	7	7
Total assets	1,624	2,363	2,543	2,716	2,926
Common equity	975	1,963	2,110	2,263	2,445
Minorities etc.	0	0	0	0	0
Total shareholders' equity	975	1,963	2,110	2,263	2,445
Long term debt	332	52	52	52	52
Other long-term liabilities	40	44	44	44	44
Long-term liabilities	372	96	96	96	96
A/C payable	247	279	310	328	354
Short term debt	0	0	0	0	0
Other current liabilities	29	24	27	29	31
Current liabilities	276	304	337	357	385
Total liabilities and shareholders' equity	1,624	2,363	2,543	2,716	2,926
Net working capital	106	68	19	(15)	(38)
Invested capital	1,014	1,046	1,432	1,543	1,774

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

Per share (THB)	2022	2023	2024E	2025E	2026E
Book value per share	3.97	6.54	7.03	7.54	8.15
Tangible book value per share	3.97	6.54	7.03	7.54	8.15

Financial strength	2022	2023	2024E	2025E	2026E
Net debt/equity (%)	(0.2)	(48.9)	(34.2)	(33.8)	(29.2)
Net debt/total assets (%)	(0.1)	(40.6)	(28.4)	(28.1)	(24.4)
Current ratio (x)	2.6	4.6	3.4	3.2	2.9
CF interest cover (x)	16.6	(4.1)	(18.6)	54.6	37.4

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	13.4	18.5	15.8	14.3	12.5
Recurring P/E @ target price (x) *	17.6	24.3	20.8	18.8	16.5
Reported P/E (x)	13.4	18.5	15.8	14.3	12.5
Dividend yield (%)	5.9	3.3	3.8	4.2	4.8
Price/book (x)	4.0	2.4	2.3	2.1	2.0
Price/tangible book (x)	4.0	2.4	2.3	2.1	2.0
EV/EBITDA (x) **	8.7	9.2	8.5	7.5	6.7
EV/EBITDA @ target price (x) **	11.5	12.8	11.6	10.3	9.1
EV/invested capital (x)	3.9	3.7	2.8	2.6	2.3

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

Sources: Patransit Healthcare Group; 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><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="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></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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Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

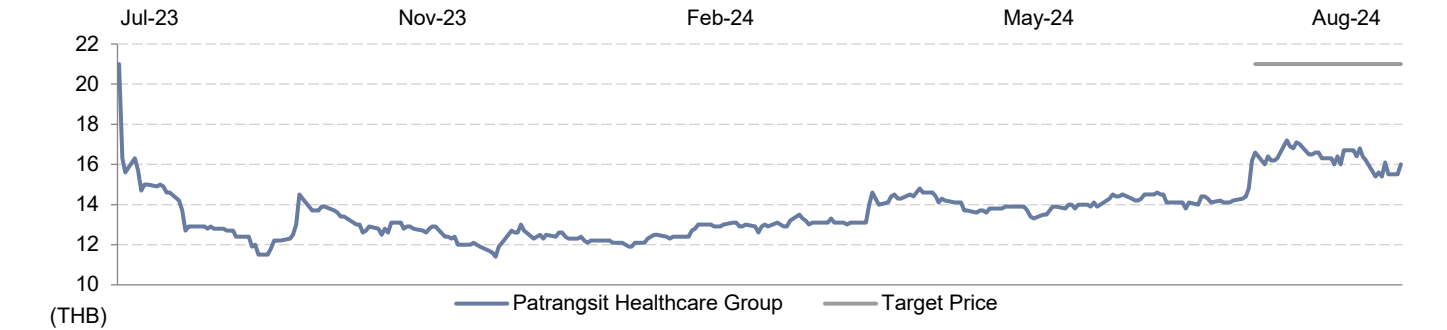
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History of change in investment rating and/or target price

Patangsit Healthcare Group (PHG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-Jun-2024	BUY	21.00	-	-	-	-	-	-

Teerapol Udomvej, CFA started covering this stock from 27-Jun-2024

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Patangsit Healthcare Group	PHG TB	THB 16.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic slowdown; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.

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 13-Aug-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.