

Thailand Aviation

ลามลอยจากราคาซื้อเพลิง

- ราคาซื้อเพลิงได้ปรับตัวลดลงจากเฉลี่ย USD101 ต่อบาร์เรลในช่วง 1H24 เป็น USD82 ในปัจจุบัน ทั้งนี้ราคาซื้อเพลิงที่ลดลงทุก ๆ USD5 จะช่วยลดค่าซื้อเพลิงได้ประมาณ 200 ลบ. ต่อไตรมาสให้แก่ AAV และ 35 ลบ. ต่อไตรมาสให้แก่ BA
- คาดกำไรปกติ 3Q24 ของทั้ง AAV และ BA จะโต y-y และ q-q
- ให้น้ำหนักมากกว่าตลาดพร้อมคำแนะนำซื้อสำหรับ AAV (TP 3.3 บาท) และ BA (TP 28.0 บาท)

ราคาซื้อเพลิงอากาศยานปรับตัวลดลง 17% YTD

เราคิดว่าสายการบินน่าจะได้รับประโยชน์สูงจากราคาซื้อเพลิงอากาศยานที่ลดลงมาอยู่ที่เฉลี่ย USD94 ต่อบาร์เรล ในช่วง 3QTD24 และ USD82 ตามราคา Spot ในปัจจุบัน (เทียบกับค่าเฉลี่ยที่ USD105 ต่อบาร์เรลในปี 2023 และ USD99-103 ใน 1Q/2Q24) เราตั้งสมมติฐานการบริโภคซื้อเพลิงของ AAV อยู่ที่ 1.0-1.1ล้านบาร์เรล/ไตรมาส ดังนั้นราคาซื้อเพลิงที่ลดลงทุก ๆ USD5 น่าจะทำให้ต้นทุนซื้อเพลิงของ AAV ลดลง 170-200 ลบ. ต่อไตรมาส ในขณะที่ BA ใช้อยู่ที่ประมาณ 0.2 ล้านบาร์เรล/ไตรมาส เพราะฉะนั้นราคาซื้อเพลิงที่ลดลงทุก ๆ USD5 จึงน่าจะทำให้ต้นทุนซื้อเพลิงลดลง 30-35 ลบ. ต่อไตรมาส ด้วยเหตุดังกล่าวเราจึงเห็น Upside ต่อประมาณการปี 2024-25 ของเรา เนื่องจากปัจจุบันเราตั้งสมมติฐานราคาซื้อเพลิงอากาศยานอยู่ที่ USD110 ในช่วง 2H24 และปี 2025

Load factor และค่าบัตรโดยสารน่าจะปรับตัวดีขึ้น y-y ใน 3Q24

เราคาดว่า Load factor และค่าบัตรโดยสารจะมีแนวโน้มดีขึ้นต่อเนื่องใน 3Q24 สำหรับ AAV เราคาด Load factor อยู่ที่ 91-92% ในเดือน ก.ค. และ ส.ค. และน่าจะจบที่ค่าเฉลี่ย 91% ใน 3Q24 (เทียบกับ 90% ใน 3Q23) ซึ่งจะทำให้ปริมาณผู้โดยสารโต 7-10% y-y ในขณะที่ค่าบัตรโดยสารน่าจะปรับตัวดีขึ้น 13-16% y-y เป็น 1,950-2,000 บาท สำหรับ BA เราคาด Load factor อยู่ที่ 79-80% ในเดือน ก.ค. และ ส.ค. และน่าจะจบที่ค่าเฉลี่ย 79% ใน 3Q24 (เทียบกับ 78% ใน 3Q23) ซึ่งจะทำให้ปริมาณผู้โดยสารโต 6-9% y-y ในขณะที่ค่าบัตรโดยสารน่าจะปรับตัวดีขึ้น 9-13% y-y เป็น 4,150-4,300 บาท เพราะฉะนั้นเราจึงคาดว่าทั้งสองบริษัทจะรายงานกำไรปกติโต q-q และ y-y ใน 3Q24

รัฐบาลอาจลดภาษีสรรพสามิตเพื่อกระตุ้นการท่องเที่ยวในประเทศ

มีความเป็นไปได้ว่ารัฐบาล (โดยรัฐมนตรีว่าการกระทรวงการคลัง) อาจปรับลดภาษีสรรพสามิตสำหรับซื้อเพลิงอากาศยานสำหรับเที่ยวบินในประเทศจาก 4.726 บาท/ลิตรก่อนเหตุการณ์ท่องเที่ยวที่กำลังจะมาถึงเพื่อกระตุ้นการท่องเที่ยวในประเทศ การลดดังกล่าวอาจไม่เท่ากับที่เคยลดลงเพียง 0.2 บาทในช่วงการระบาดโควิดโดยเราคาดว่าภาษี จะลดลงเหลือ 2.0-3.0 บาทซึ่งน่าจะเป็น level ที่น่าพอใจสำหรับทั้งรัฐบาลและสายการบิน ทั้งนี้เราคาดว่าภาษีสรรพสามิตที่ AAV และ BA จ่ายอยู่ในปัจจุบันอยู่ที่ 1.0-1.2 พัน ลบ. และ 0.5-0.6 พัน ลบ. ตามลำดับ

Valuations ต่ำพร้อมปัจจัยบวกที่รออยู่ข้างหน้า

หุ้นทั้งสองมีการซื้อขายโดยมี Valuations อยู่ในระดับต่ำที่ 14x (AAV) และ 15x (BA) 2024E P/E พร้อม Upsides สำหรับกำไร (จากค่าบัตรโดยสารที่สูงขึ้นและค่าซื้อเพลิงที่ลดลง) นอกจากกำไรที่โตดีแล้วราคาหุ้นทั้งสองยังมีปัจจัยบวก สำหรับ AAV มีกำไรพิเศษจำนวนมาก (2.0-3.0 พัน ลบ.) ที่บริษัท น่าจะบันทึกได้ใน 3Q24 จากการแข่งตัวของค่าเงินบาทเมื่อเทียบกับเงินสหรัฐ ประกอบกับประโยชน์ที่ได้จากการที่ Thai AirAsia X จะย้ายฐานไปยังสนามบินดอนเมืองตั้งแต่วันที่ 1 ต.ค. เป็นต้นไป สำหรับ BA ปัจจัยบวกอยู่ที่ขั้นตอนสุดท้ายของการอนุมัติเพิ่มปริมาณเที่ยวบินของสนามบินสมุยจาก 50 เป็น 70 เที่ยวบิน/วันและความเป็นไปได้ของโครงการ Entertainment complex ซึ่งอาจเป็นประโยชน์ต่อโครงการอู่ตะเภาในทางอ้อม



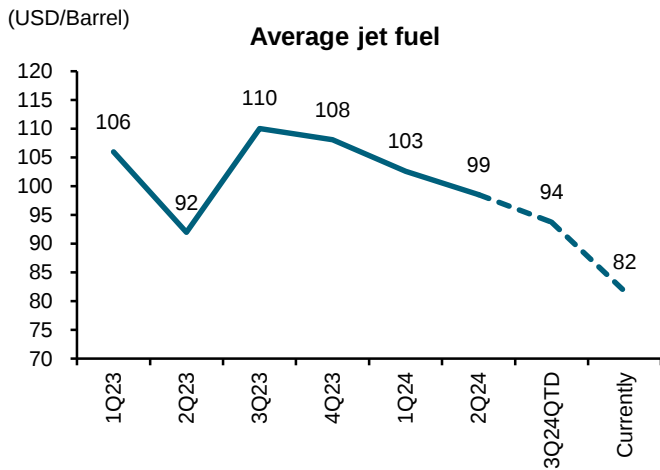
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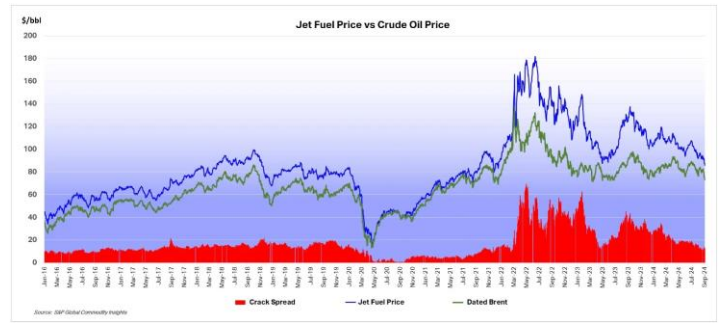
บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 12 กันยายน 2024

Exhibit 1: Jet fuel price trend, quarterly



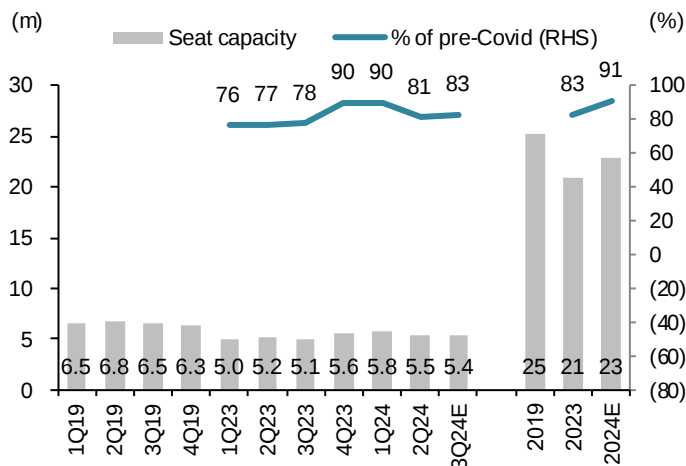
Note: Jet Fuel Singapore FOB Cargoes
Source: Bloomberg

Exhibit 2: Jet fuel vs crude oil prices



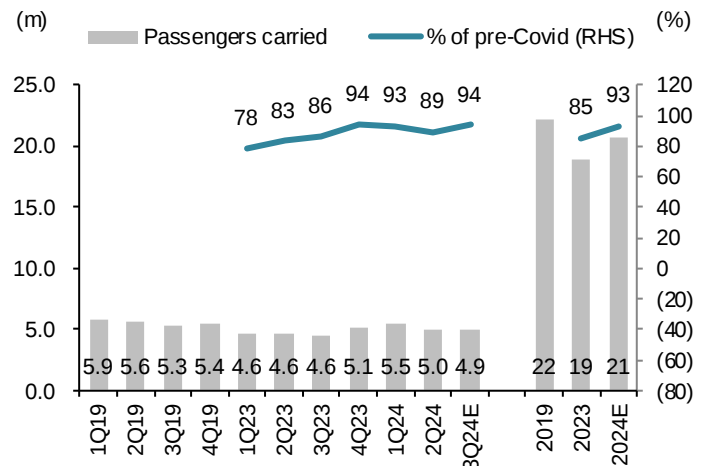
Source: IATA

Exhibit 3: AAV – seat capacity



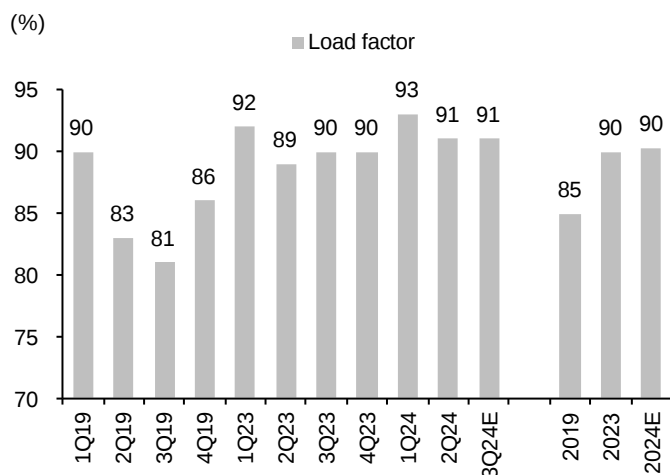
Source: AAV; FSSIA estimates

Exhibit 4: AAV – passengers carried



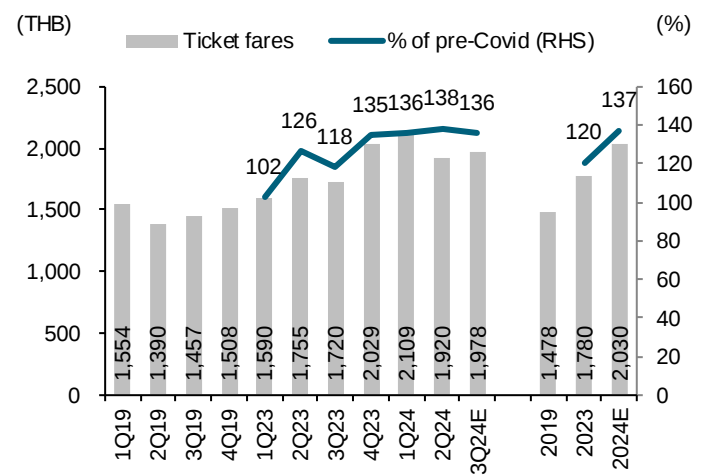
Source: AAV; FSSIA estimates

Exhibit 5: AAV – load factor



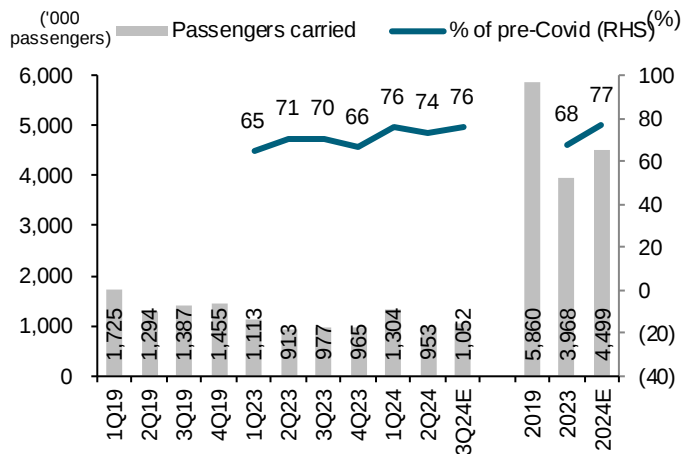
Source: AAV; FSSIA estimates

Exhibit 6: AAV – average ticket fares



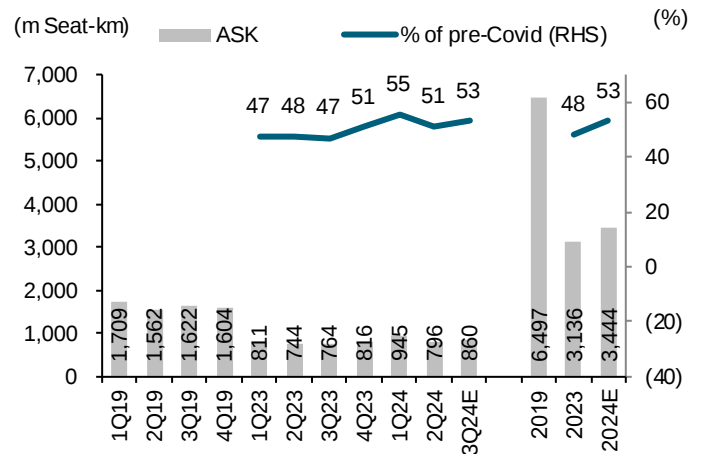
Source: AAV; FSSIA estimates

Exhibit 7: BA – passengers carried



Sources: BA; FSSIA estimates

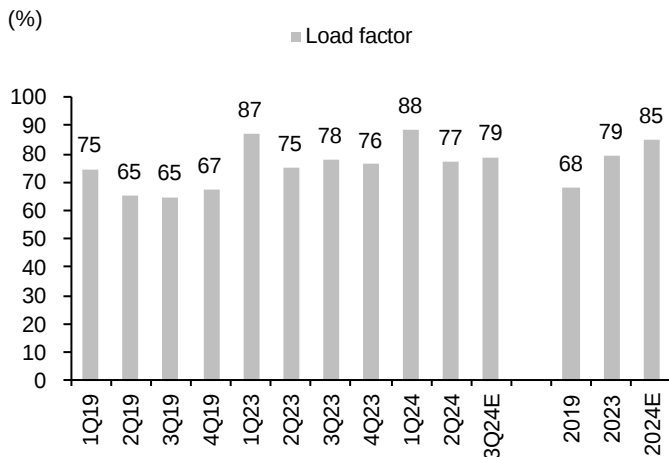
Exhibit 8: BA – ASK



* ASK = available seat kilometers

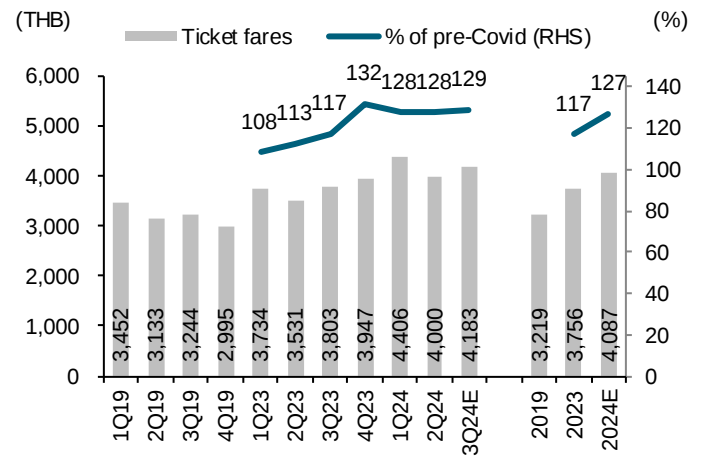
Sources: BA; FSSIA estimates

Exhibit 9: BA – load factor



Sources: BA; FSSIA estimates

Exhibit 10: BA – average ticket fares



Sources: BA; FSSIA estimates

Exhibit 11: Core profit forecast summary

Stocks	Core net profit						Growth			
	2019	2022	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Asia Aviation	(667)	(6,946)	110	2,421	2,567	2,849	102	2,108	6	11
Bangkok Aviation	(1,778)	(1,974)	1,653	3,310	3,508	3,715	184	100	6	6
Total	(2,445)	(8,921)	1,763	5,731	6,075	6,564				

Source: FSSIA estimates

Exhibit 12: Peer comparisons as of 11 Sep 2024

Company	BBG	Rec	---Share price---			Market Cap (USD m)	----- PE -----			----- PBV -----		--- EV/ EBITDA --	
			Current	Target	Upside		24E	25E	26E	24E	25E	24E	25E
			(LCY)	(LCY)	(%)		(x)	(x)	(x)	(x)	(x)	(x)	(x)
Thailand													
Bangkok Airways	BA TB	BUY	23.10	28.00	21.2	1,441	14.7	13.8	13.1	2.7	2.6	13.5	12.6
Asia Aviation	AAV TB	BUY	2.60	3.30	26.9	992	13.8	13.0	11.7	3.1	2.7	7.7	7.3
Thailand average						2,433	14.2	13.4	12.4	2.9	2.6	10.6	10.0
Regional													
Interglobe Aviation	INDIGO IN	n/a	50.00	n/a	n/a	6,810	16.1	13.2	11.2	2.7	2.3	10.2	8.5
Singapore Airlines	SIA SP	n/a	4,900.40	n/a	n/a	22,553	24.0	22.8	23.2	138.9	19.5	12.6	11.6
Air China	601111 CH	n/a	5.47	n/a	n/a	11,817	58.6	15.6	16.1	2.4	2.1	8.4	7.5
China Southern Airlines	600029 CH	n/a	3.65	n/a	n/a	9,919	72.2	26.4	11.0	2.1	1.8	9.0	8.7
China Eastern Airlines	600115 CH	n/a	50.00	n/a	n/a	6,810	16.1	13.2	11.2	2.7	2.3	10.2	8.5
Ana Holdings	9202 JP	n/a	6.57	n/a	n/a	12,673	71.1	20.0	12.1	2.7	2.3	9.0	7.7
Japan Airlines	9201 JP	n/a	21,900	n/a	n/a	6,034	6.2	6.4	6.3	0.8	0.7	3.5	3.5
Spring Airlines Co Ltd-A	601021 CH	n/a	6.35	n/a	n/a	14,644	7.4	9.5	13.4	1.3	1.3	4.6	5.2
Spring Airlines	601021 CH	n/a	2,374.50	n/a	n/a	7,431	11.7	10.2	9.0	1.2	1.1	4.3	4.0
Cathay Pacific Airways	293 HK	n/a	2,938.50	n/a	n/a	10,150	10.1	11.4	10.8	1.4	1.2	4.6	4.8
Korea Air Lines	003490 KS	n/a	7.89	n/a	n/a	6,472	7.2	6.7	6.9	0.9	0.8	4.6	4.7
Vietjet Aviation	VJC VN	n/a	105,000	n/a	n/a	2,317	36.4	34.0	31.1	3.3	3.0	20.2	18.5
Regional average						117,630	28.1	15.8	13.5	13.4	3.2	8.4	7.8
Global													
Delta Air Lines	DAL US	n/a	35.45	n/a	n/a	5,964	8.2	10.3	n/a	1.6	1.5	2.7	3.0
Ryanair	RYAAY US	n/a	112.43	n/a	n/a	24,745	12.1	14.8	11.8	3.2	2.9	6.6	7.4
United Airlines	UAL US	n/a	2.66	n/a	n/a	3,380	9.4	9.4	8.6	1.6	1.5	4.8	4.4
Southwest Airlines (US)	LUV US	n/a	487.80	n/a	n/a	4,821	7.9	7.1	6.4	1.1	1.0	2.6	2.4
American Airline	AAL US	n/a	15.41	n/a	n/a	4,067	6.3	5.6	5.0	3.3	1.9	3.0	2.8
Lufthansa	LHA GY	n/a	10.77	n/a	n/a	7,039	10.2	5.9	4.2	n/a	n/a	7.1	5.9
Qantas Airways	QAN AU	n/a	6.84	n/a	n/a	7,084	7.9	6.8	6.3	28.7	8.9	3.8	3.5
Eva Airways	2618 TT	n/a	39.49	n/a	n/a	4,982	9.8	7.2	6.0	1.1	0.9	4.0	3.3
Alaska Airlines	ALK US	n/a	48.47	n/a	n/a	15,937	5.0	4.3	3.7	1.3	0.9	3.6	3.2
Easyjet (UK)	EZJ LN	n/a	5.83	n/a	n/a	7,688	7.1	4.7	4.0	0.7	0.6	3.3	2.7
Air Canada	AC CN	n/a	5.65	n/a	n/a	1,960	n/a	n/a	70.6	0.6	0.7	13.5	7.0
Jet2	JET2 LN	n/a	1,398.00	n/a	n/a	3,913	8.3	7.8	7.3	2.2	1.7	1.9	1.7
Air Arabia	AIRARABIA UH	n/a	44.28	n/a	n/a	28,579	7.2	6.2	5.4	1.9	1.5	4.9	4.4
JetBlue Airways (US, Latin AM)	JBLU	n/a	28.81	n/a	n/a	17,262	165.6	24.8	15.4	1.8	1.7	10.1	5.9
Global average						137,418	20.4	8.8	11.9	3.8	2.0	5.1	4.1
Overall average						257,481	23.3	12.3	12.7	8.0	2.6	6.9	6.1

Sources: Bloomberg consensus; 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 Sustainabilitys	The Sustainabilitys' 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="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
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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

Teerapol Udomvej, CFA FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Asia Aviation (AAV TB)



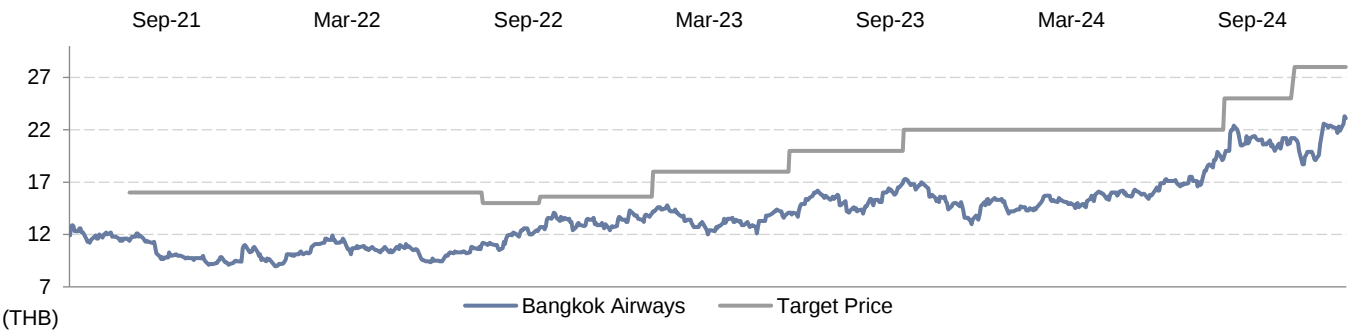
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Oct-2021	BUY	3.50	01-Nov-2023	BUY	2.80	23-Jul-2024	BUY	3.30
07-Jun-2022	BUY	3.40	03-Apr-2024	BUY	3.10			
31-Oct-2022	BUY	3.70	23-May-2024	BUY	3.20			

Teerapol Udomvej, CFA started covering this stock from 21-Dec-2020

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Airways (BA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Nov-2021	BUY	16.00	25-Jan-2023	BUY	18.00	29-May-2024	BUY	25.00
01-Sep-2022	BUY	15.00	22-May-2023	BUY	20.00	26-Jul-2024	BUY	28.00
20-Oct-2022	BUY	15.60	28-Aug-2023	BUY	22.00			

Teerapol Udomvej, CFA started covering this stock from 04-Jun-2021

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Asia Aviation	AAV TB	THB 2.60	BUY	Downside risks to our P/E multiple target price include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Bangkok Airways	BA TB	THB 23.10	BUY	Downside risks to our SoTP-based TP include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.

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 11-Sep-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.