

SAPPE SAPPE TB
THAILAND / FOOD & BEVERAGEBUY
UNCHANGED

พุ่งหาสถิติสูงสุดใหม่ใน 2Q-3Q23

- SAPPE ได้ขยายกำลังการผลิตเพื่อต้นให้รายได้สูงขึ้น
- เราปรับประมาณการกำไรสุทธิปี 2023 ของเราขึ้น 29% เป็นโต 66% y-y ในระยะสั้น เราคาดว่ากำไรสุทธิ 2Q23 จะทำสถิติสูงสุดใหม่
- คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 88 บาท

| | |
|-----------------|----------|
| TARGET PRICE | THB88.00 |
| CLOSE | THB75.25 |
| UP/DOWNSIDE | +16.9% |
| PRIOR TP | THB68.00 |
| CHANGE IN TP | +29.4% |
| TP vs CONSENSUS | +24.2% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|--------|--------|--------|
| Revenue | 4,566 | 5,889 | 6,499 | 7,117 |
| Net profit | 653 | 1,086 | 1,202 | 1,301 |
| EPS (THB) | 2.12 | 3.52 | 3.90 | 4.22 |
| vs Consensus (%) | - | 22.0 | 17.9 | 10.2 |
| EBITDA | 1,018 | 1,552 | 1,729 | 1,872 |
| Core net profit | 666 | 1,086 | 1,202 | 1,301 |
| Core EPS (THB) | 2.16 | 3.52 | 3.90 | 4.22 |
| Chg. In EPS est. (%) | - | 28.9 | 27.6 | 24.0 |
| EPS growth (%) | 59.5 | 63.1 | 10.7 | 8.2 |
| Core P/E (x) | 34.9 | 21.4 | 19.3 | 17.8 |
| Dividend yield (%) | 2.2 | 3.5 | 3.9 | 4.2 |
| EV/EBITDA (x) | 20.9 | 14.1 | 12.8 | 11.7 |
| Price/book (x) | 7.1 | 6.7 | 6.2 | 5.7 |
| Net debt/Equity (%) | (60.9) | (38.5) | (32.5) | (34.0) |
| ROE (%) | 21.6 | 32.3 | 33.2 | 33.1 |

มุมมองเชิงบวกจากที่ประชุมนักวิเคราะห์เมื่อวันที่ 22 พ.ค. 2023

ผู้บริหารระบุว่าเป้าอัตราการเติบโตของรายได้ปี 2023 ในปัจจุบันอาจมี Upside ได้อีก 25% เนื่องจากรายได้รวม 2QTD ดีกว่าคาด SAPPE ได้ขยายกำลังการผลิตเพิ่มอีก 20% มาตั้งแต่เดือน ก.พ. 2023 ในขณะที่บริษัท เริ่มแบ่ง 10% ของการผลิตให้บริษัทรับจ้างผลิต (OEM) ในเดือน มี.ค. 2023 ผู้บริหารปรับเป้าอัตรากำไรขั้นต้นปี 2023 ขึ้นเป็น 42-43% จาก 40% จากอัตราการใช้จ่ายการผลิตที่สูงเกินคาด SAPPE วางแผนเพิ่มกำลังการผลิตอีก 30% โดยจะเพิ่มสายการผลิตใหม่ภายใน 1Q24 ในขณะที่บริษัท วางแผนบรรลุเป้ารายได้ระยะยาวที่ 10 พัน ลบ. ในปี 2026

รายได้ที่ดีน่าจะช่วยหนุนให้กำไรทำสถิติสูงสุดใหม่ใน 2Q23

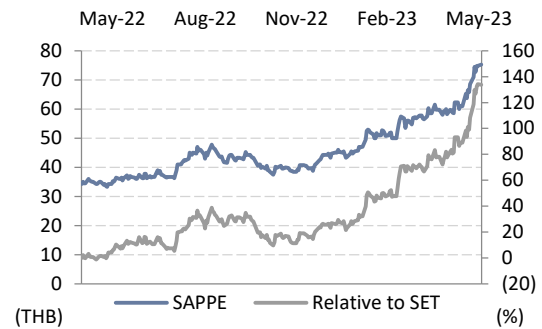
ในระยะสั้นเราคาดว่ากำไรสุทธิ 2Q23 จะทำสถิติสูงสุดใหม่ที่ 298 ลบ. (+8.3% q-q, +78% y-y) จากปัจจัยด้านฤดูกาลที่เกื้อหนุน เราคาดว่ารายได้จะทำสถิติสูงสุดใหม่ที่ 1.6 พัน ลบ. (+5.7% q-q, +30% y-y) ใน 2Q23 อัตรากำไรขั้นต้นน่าจะทรงตัว q-q ที่ 43.5% แต่เพิ่มสูงจาก 40.4% ใน 2Q22 หากผลประกอบการ 2Q23 ออกมาตามคาด กำไรสุทธิ 1H23 จะอยู่ที่ 572 ลบ. (+78.5% y-y) เราคาดว่ากำไรสุทธิ 3Q23 จะโตเล็กน้อยหรือทรงตัว q-q เนื่องจากบางส่วนของไตรมาสดังกล่าวยังเป็นฤดูส่งออก ใน 4Q23 การดำเนินงานน่าจะลดลง q-q สู่ระดับต่ำสุดของปี สอดคล้องกับปัจจัยด้านฤดูกาล

ปรับเพิ่มประมาณการกำไรสุทธิปี 2023

เราปรับประมาณการกำไรสุทธิปี 2023 ขึ้น 29% เป็น 1.09 พัน ลบ. (+66% y-y) โดยจะได้ปัจจัยหนุนจาก 1) รายได้ที่โตดีขึ้นตามประมาณการรายได้ในช่วง 1H23; และ 2) สมมติฐานอัตรากำไรขั้นต้นที่สูงขึ้นเป็น 42.7% จากที่เคยคาดไว้ที่ 41% อย่างไรก็ตามสมมติฐานของเราต่ำกว่าเป้าของผู้บริหาร นอกจากนั้นแล้วเรายังคาดว่ากำไรสุทธิปี 2024 ที่ 1.2 พัน ลบ. เพิ่มเพียง 10.7% y-y จากฐานที่สูงในปี 2023

คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 88 บาท

เราปรับราคาเป้าหมายขึ้นเป็น 88 จาก 68 บาท (25x ของค่า 2023E P/E) ราคาหุ้นปรับตัวได้ดีกว่าคู่แข่งโดยกระโดดเพิ่ม 69% ในปี 2022 และ 70% ใน 2023 YTD เราคิดว่าราคาหุ้นได้สะท้อนคาดการณ์การเติบโตของกำไรที่อยู่ในระดับสูงไปแล้วบางส่วน อย่างไรก็ตามราคาเป้าหมายใหม่ของเรา Upside อยู่ที่ 16.9% เพราะฉะนั้นเรายังคงแนะนำซื้อ.



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------------------|---------|----------|
| Absolute (%) | 29.2 | 43.3 | 121.3 |
| Relative to country (%) | 31.6 | 54.9 | 136.7 |
| Mkt cap (USD m) | 673 | | |
| 3m avg. daily turnover (USD m) | 1.4 | | |
| Free float (%) | 25 | | |
| Major shareholder | Ruckariyapong Family (68%) | | |
| 12m high/low (THB) | 76.25/32.25 | | |
| Issued shares (m) | 308.29 | | |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 23 พฤษภาคม 2023

Investment thesis

SAPPE is well known as a leader in innovative and functional drinks in Thailand, some of which are made from Thai agricultural products, including Mogu Mogu, Sappe Aloe Vera, and All Coco. A strong global brand, its products are distributed in 98 countries via both modern trade and traditional stores.

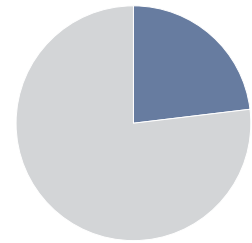
Company profile

SAPPE is a manufacturer and distributor of beverages targeting health and beauty-conscious consumers. A leading company in Thailand’s functional drink market, it currently has 12 successful brands in five categories, including the popular Sappe Beauti Drink brand. In 2022, 76.9% of SAPPE’s revenue came from overseas sales and domestic sales accounted for 23.1%.

www.sappe.com

Principal activities (revenue, 2022)

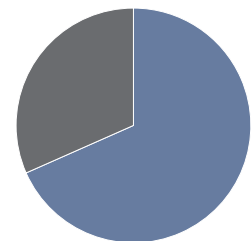
- Domestic revenue - 23.1 %
- Overseas revenue - 76.9 %



Source: SAPPE

Major shareholders

- Ruckariyapong Family - 68.4 %
- Others - 31.6 %



Source: SappeAPPE

Catalysts

Potential catalysts for SAPPE’s earnings growth in 2023 include 1) revenue growth driven by rising sales volumes; 2) declining packaging costs; 3) successful expansion into new markets; and 4) successful new product launches.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks.

Event calendar

| Date | Event |
|-------------|---------------------------|
| August 2023 | 2Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|--------------------------|-------|-------|-------|
| Domestic revenue (THB m) | 1,310 | 1,445 | 1,597 |
| Overseas revenue (THB m) | 4,579 | 5,054 | 5,521 |
| Total revenue (THB m) | 5,889 | 6,499 | 7,117 |
| Total revenue growth (%) | 29.0 | 10.4 | 9.5 |
| Gross margin (%) | 42.7 | 43.0 | 43.2 |
| SG&A to sales (%) | 24.2 | 23.5 | 23.0 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in revenue, we estimate 2023 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 2.9%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 2.8%, and vice versa, all else being equal.

Source: FSSIA estimates

Impressive 1Q23 results

SAPPE reported a 1Q23 net profit of THB275m (+79% q-q, +79% y-y), beating our estimate by 15% and hitting a new high, thanks to solid revenue growth and a higher gross margin.

Total revenue rose by 47% q-q and 49% y-y in 1Q23, supported by stronger domestic and overseas revenue. To elaborate, domestic revenue increased by 7.5% q-q and 18.4% y-y, mainly from a consumption recovery and seven new product launches. Meanwhile, overseas revenue grew sharply by 61% q-q and 64% y-y, as Ramadan began in 1Q23, earlier than usual, which led to strong growth in Indonesia and the Philippines (+88% q-q, +58% y-y).

We are impressed by the new gross margin high at 43.2% in 1Q23 (vs 40.7% in 4Q22 and 41.2% in 1Q22). Key drivers came from 1) a high utilisation rate at 81%; and 2) declining packaging costs by around 20% y-y.

Exhibit 1: 1Q23 results earnings

| | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | ----- Change ----- | |
|-------------------------------------|---------|---------|---------|---------|---------|--------------------|--------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) |
| Sales | 1,019 | 1,236 | 1,279 | 1,032 | 1,520 | 47.4 | 49.2 |
| Cost of sales | 599 | 736 | 756 | 612 | 864 | 41.1 | 44.3 |
| Gross profit | 420 | 500 | 524 | 420 | 656 | 56.5 | 56.2 |
| SG&A | 351 | 380 | 352 | 284 | 354 | 24.8 | 1.1 |
| Operating profit | 192 | 218 | 249 | 171 | 337 | 97.0 | 75.4 |
| Interest expense | 0.56 | 0.58 | 0.53 | 0.62 | 0.71 | 14.3 | 25.9 |
| Tax Expense | 38 | 40 | 45 | 40 | 67 | 67.9 | 79.6 |
| Profit (loss) sharing | (4) | 1 | 1 | (0) | (1) | 44.1 | (81.8) |
| Reported net profit | 153 | 167 | 179 | 154 | 275 | 79.0 | 79.1 |
| Core profit | 152 | 179 | 204 | 131 | 280 | 113.2 | 84.3 |
| Key ratios (%) | | | | | | (ppt) | (ppt) |
| Gross margin | 41.2 | 40.4 | 40.9 | 40.7 | 43.2 | 2.5 | 1.9 |
| SG&A to sales | 34.4 | 30.7 | 27.5 | 27.5 | 23.3 | (4.2) | (11.1) |
| Operating margin | 18.8 | 17.7 | 19.5 | 16.6 | 22.1 | 5.6 | 3.3 |
| Net margin | 15.1 | 13.5 | 14.0 | 14.9 | 18.1 | 3.2 | 3.0 |
| Core margin | 14.9 | 14.5 | 15.9 | 12.7 | 18.4 | 5.7 | 3.5 |
| Operating statistics (THB m) | | | | | | | |
| Domestic revenue | 208 | 227 | 224 | 229 | 246 | 7.5 | 18.4 |
| Overseas revenue | 743 | 943 | 986 | 757 | 1,216 | 60.6 | 63.8 |
| Indo/Philippines | 265 | 298 | 296 | 223 | 420 | 88.4 | 58.2 |
| South Korea | 101 | 140 | 197 | 80 | 137 | 71.0 | 35.3 |
| Other | 376 | 505 | 494 | 454 | 660 | 45.2 | 75.3 |

Sources: SAPPE; FSSIA's compilation

Exhibit 2: Seven new products launched in 1Q23



Source: SAPPE

Expanding production capacity to support long-term growth

We have a positive view from the analyst meeting on 22 May 2023. Even though management still targets 2023 revenue growth at 25% y-y, they mentioned there is a potential upside to their target. Because 2QTD total revenue is stronger than targeted, they might revise the yearly target after 2Q23 results release.

SAPPE has expanded its production capacity by 20% since February 2023, while it began outsourcing 10% of its production to original equipment manufacturers (OEMs) in March 2023. The total additional production capacity of 30% will be fully recognised in 2Q23 onward. This should support higher revenue from both domestic and overseas sources in 2Q23 and 3Q23, in line with the high season.

In addition, the company plans to increase its capacity by another 30% via its own new production line within 1Q24, and then stop outsourcing to OEMs at that time. Moreover, the company aims to achieve its long-term revenue target of THB10b in 2026, up from THB4.57b in 2022.

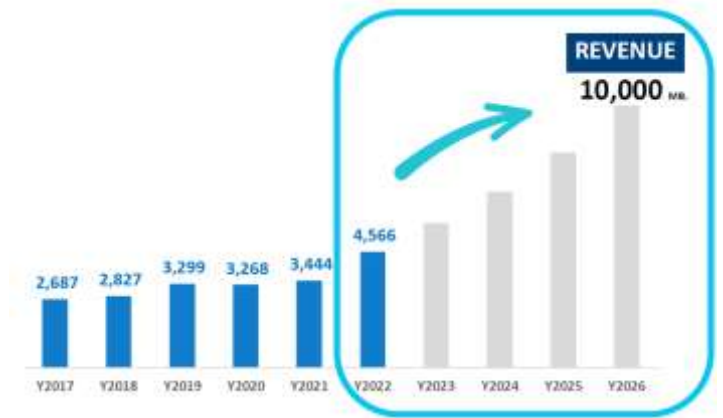
Management raised its targeted 2023 gross margin to 42-43% from 40%, due to a higher-than-expected utilisation rate. Its high utilisation rate should offset higher utility costs and a low gross margin contribution from OEM outsourcing.

Exhibit 3: Investment timeline in 2023-24



Source: SAPPE

Exhibit 4: Target revenue in 2023-26



Source: SAPPE

Exhibit 5: Yearly actual utilisation rate



Source: SAPPE

Exhibit 6: Quarterly actual utilisation rate



*Calculated from the increase in maximum capacity, +19% y-y
Source: SAPPE

Expect 2Q23 profit to hit another record high

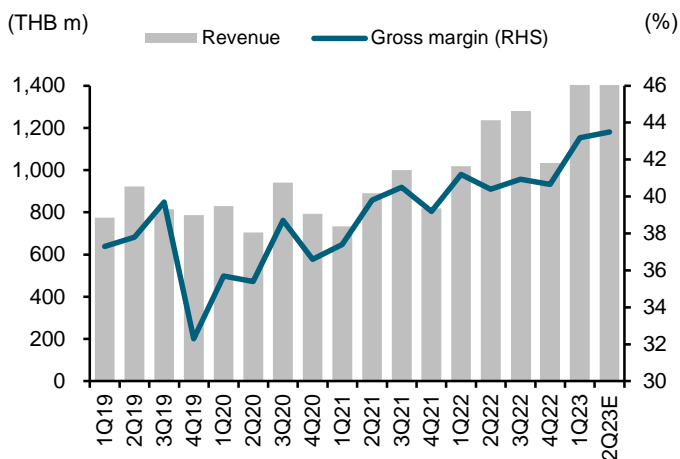
In the short term, we forecast a 2Q23 net profit at a record high of THB298m (+8.3% q-q, +78% y-y), due to favourable seasonal factors. We expect a new revenue high of THB1.6b (+5.7% q-q, +30% y-y) in 2Q23. Its gross margin should stabilise q-q at 43.5%, but sharply increase from 40.4% in 2Q22.

Exhibit 7: 2Q23E earnings preview

| | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23E | ----- Change ----- | | 1H22 | 1H23E | Change |
|-----------------------|---------|---------|---------|---------|---------|---------|--------------------|--------------|---------|---------|--------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (THB m) | (y-y%) |
| Sales | 1,019 | 1,236 | 1,279 | 1,032 | 1,520 | 1,607 | 5.7 | 30.0 | 2,255 | 3,128 | 38.7 |
| Cost of sales | 599 | 736 | 756 | 612 | 864 | 908 | 5.1 | 23.3 | 1,335 | 1,772 | 32.7 |
| Gross profit | 420 | 500 | 524 | 420 | 656 | 699 | 6.5 | 39.8 | 920 | 1,356 | 47.3 |
| SG&A | 351 | 380 | 352 | 284 | 354 | 374 | 5.6 | (1.4) | 730 | 729 | (0.2) |
| Operating profit | 192 | 218 | 249 | 171 | 337 | 360 | 6.9 | 64.7 | 410 | 696 | 69.7 |
| Interest expense | 0.56 | 0.58 | 0.53 | 0.62 | 0.71 | 0.70 | (0.7) | 21.3 | 1.14 | 1.41 | 23.6 |
| Tax Expense | 38 | 40 | 45 | 40 | 67 | 72 | 6.4 | 81.4 | 77 | 139 | 80.5 |
| Profit (loss) sharing | (4) | 1 | 1 | (0) | (1) | (1) | nm | nm | (3) | (1) | (59.3) |
| Reported net profit | 153 | 167 | 179 | 154 | 275 | 298 | 8.3 | 78.0 | 321 | 572 | 78.5 |
| Core profit | 152 | 179 | 204 | 131 | 280 | 298 | 6.4 | 66.4 | 331 | 577 | 74.6 |
| Key ratios (%) | | | | | | | (ppt) | (ppt) | | | |
| Gross margin | 41.2 | 40.4 | 40.9 | 40.7 | 43.2 | 43.5 | 0.3 | 3.1 | 40.8 | 43.3 | 2.5 |
| SG&A to sales | 34.4 | 30.7 | 27.5 | 27.5 | 23.3 | 23.3 | (0.0) | (7.4) | 32.4 | 23.3 | (9.1) |
| Operating margin | 18.8 | 17.7 | 19.5 | 16.6 | 22.1 | 22.4 | 0.2 | 4.7 | 18.2 | 22.3 | 4.1 |
| Net margin | 15.1 | 13.5 | 14.0 | 14.9 | 18.1 | 18.5 | 0.4 | 5.0 | 14.2 | 18.3 | 4.1 |
| Core margin | 14.9 | 14.5 | 15.9 | 12.7 | 18.4 | 18.5 | 0.1 | 4.1 | 14.7 | 18.5 | 3.8 |

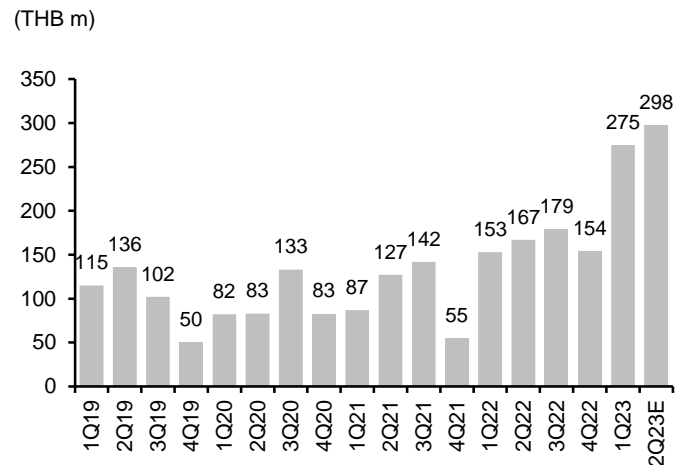
Sources: SAPPE, FSSIA estimates

Exhibit 8: Quarterly revenue and gross margin



Sources: SAPPE, FSSIA estimates

Exhibit 9: Quarterly net profit



Sources: SAPPE, FSSIA estimates

Raising our 2023 net profit estimate with solid growth of 66% y-y

Assuming in-line 1H23 results, SAPPE's 1H23 net profit would be THB572m (+78.5% y-y). We expect to see its 3Q23 net profit grow slightly or be flat q-q, as it is still part of the high season for the export industry. Its 4Q23 operations should drop q-q to the lowest point of the year, in line with the seasonality.

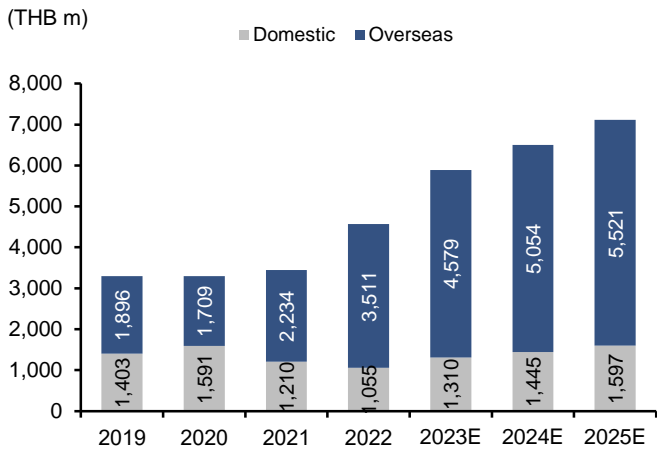
We raise our 2023 net profit forecast by 29% to THB1.09b (+66% y-y), supported by 1) higher revenue growth in line with 1H23E revenue; and 2) a higher gross margin of 42.7% from our previous forecast of 41% – though still more conservative than management's target. Aside from that, we anticipate a 2024 net profit of THB1.2b, slightly growing by 10.7% y-y due to a high base in 2023.

Exhibit 10: Key assumptions for SAPPE

| | Current | | | Previous | | | Change | | |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|--------------|--------------|
| | 2023E (THB m) | 2024E (THB m) | 2025E (THB m) | 2023E (THB m) | 2024E (THB m) | 2025E (THB m) | 2023E (%) | 2024E (%) | 2025E (%) |
| Total sales value | 5,889 | 6,499 | 7,117 | 5,655 | 6,323 | 6,986 | 4.1 | 2.8 | 1.9 |
| Costs | 3,375 | 3,704 | 4,043 | 3,336 | 3,718 | 4,101 | 1.2 | (0.4) | (1.4) |
| Gross profit | 2,515 | 2,795 | 3,075 | 2,319 | 2,605 | 2,885 | 8.4 | 7.3 | 6.6 |
| SG&A expense | 1,425 | 1,527 | 1,637 | 1,459 | 1,581 | 1,712 | (2.3) | (3.4) | (4.4) |
| Interest expense | 3 | 3 | 2 | 3 | 3 | 2 | 0.0 | 0.0 | 0.0 |
| Reported net profit | 1,086 | 1,202 | 1,301 | 842 | 942 | 1,048 | 28.9 | 27.6 | 24.1 |
| Core profit | 1,086 | 1,202 | 1,301 | 842 | 942 | 1,048 | 28.9 | 27.6 | 24.1 |
| Key ratios (%) | | | | | | | | | |
| Total revenue growth | 29.0 | 10.4 | 9.5 | 23.8 | 11.8 | 10.5 | 5.2 | (1.4) | (1.0) |
| Net profit growth | 66.2 | 10.7 | 8.2 | 28.9 | 11.8 | 11.3 | 37.3 | (1.1) | (3.1) |
| Core profit growth | 63.1 | 10.7 | 8.2 | 26.5 | 11.8 | 11.3 | 36.6 | (1.1) | (3.1) |
| Operating statistics (no.) | | | | | | | | | |
| Domestic revenue | 1,310 | 1,445 | 1,597 | 1,266 | 1,415 | 1,564 | 3.5 | 2.1 | 2.1 |
| Overseas revenue | 4,579 | 5,054 | 5,521 | 4,289 | 4,907 | 5,422 | 6.8 | 3.0 | 1.8 |
| Domestic revenue growth | 24.2 | 10.3 | 10.5 | 20.0 | 11.8 | 10.5 | 4.2 | (1.5) | (0.0) |
| Overseas revenue growth | 30.4 | 10.4 | 9.2 | 25.0 | 11.8 | 10.5 | 5.4 | (1.4) | (1.3) |
| Domestic revenue portion | 22.3 | 22.2 | 22.4 | 22.4 | 22.4 | 22.4 | (0.1) | (0.1) | 0.0 |
| Overseas revenue portion | 77.7 | 77.8 | 77.6 | 75.8 | 77.6 | 77.6 | 1.9 | 0.2 | 0.0 |

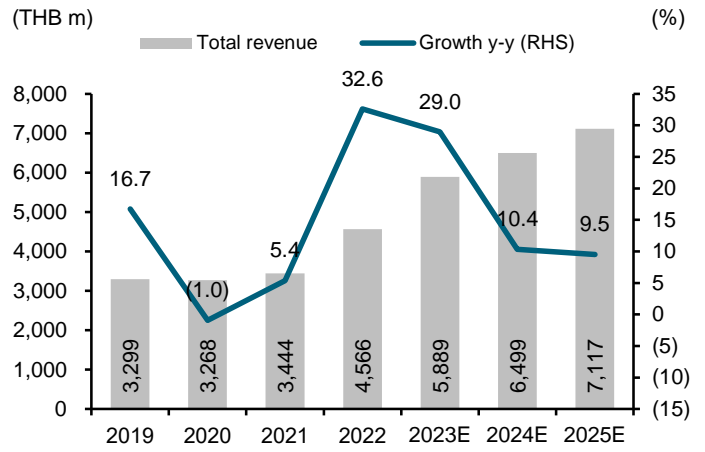
Source: FSSIA estimates

Exhibit 11: Yearly domestic and overseas revenue



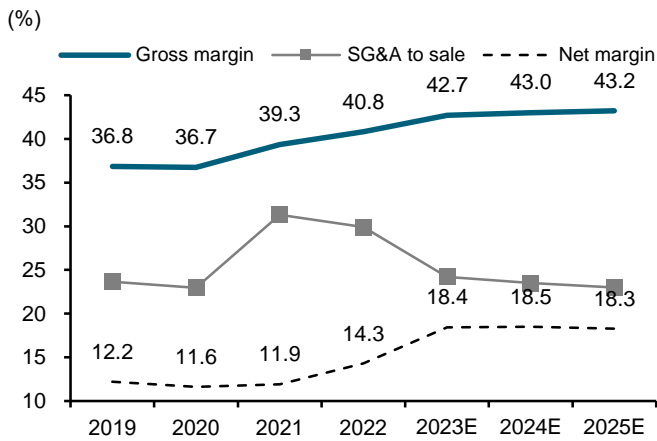
Sources: SAPPE, FSSIA estimates

Exhibit 12: Yearly total revenue and growth



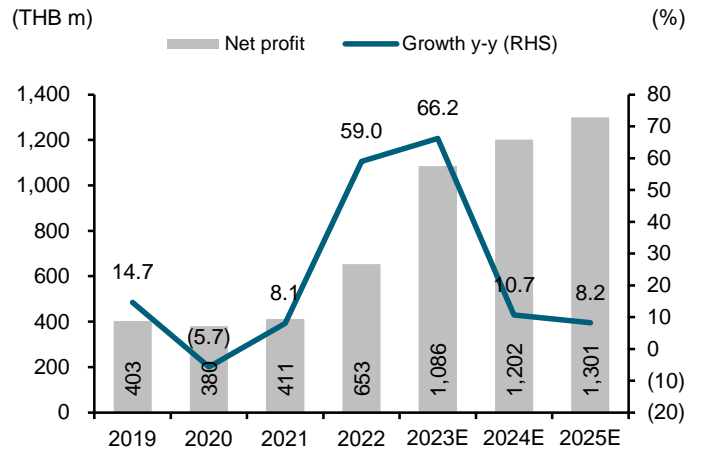
Sources: SAPPE, FSSIA estimates

Exhibit 13: Gross margin and net margin



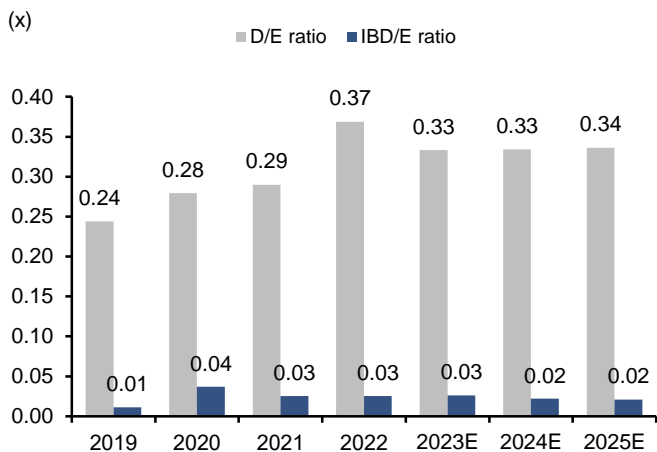
Sources: SAPPE, FSSIA estimates

Exhibit 14: Yearly net profit and growth



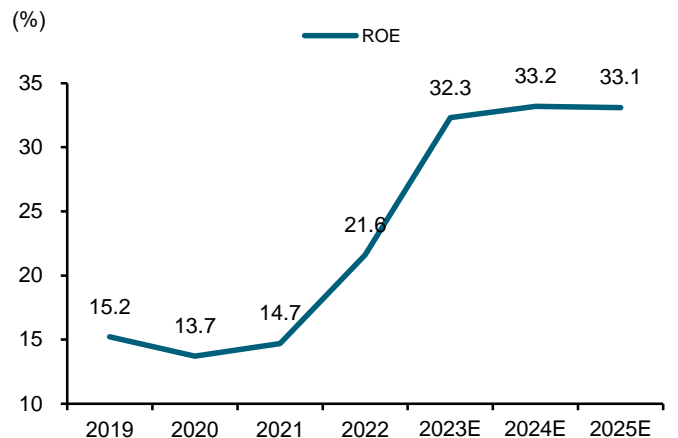
Sources: SAPPE, FSSIA estimates

Exhibit 15: SAPPE's gearing ratio



Sources: SAPPE, FSSIA estimates

Exhibit 16: SAPPE's ROE



Sources: SAPPE, FSSIA estimates

Maintain BUY call with new TP of THB88

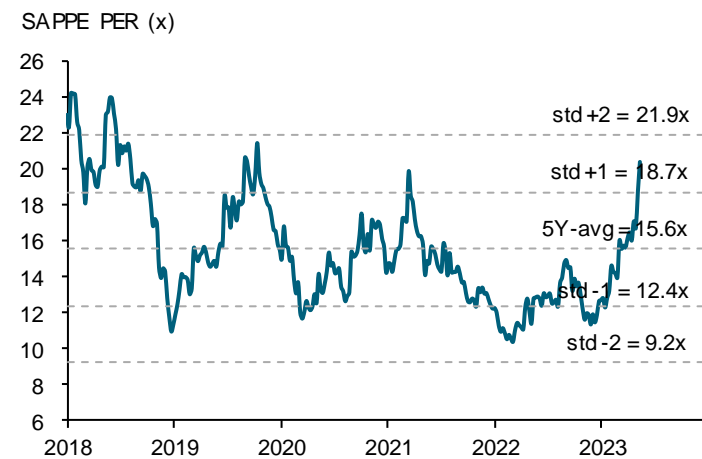
We revise up our target price to THB88 from THB68, based on the same 2023E P/E of 25x, in line with its peers' five-year historical average. Even though its share price has outperformed among its peers, jumping by 69% in 2022 and 70% in 2023 YTD, we think the share price has partially reflected the high profit growth expectations. However, our new target price has an upside of 16.9%, hence we retain our BUY recommendation.

Exhibit 17: Peers comparison as of 22 May 2023

| Company | BBG | Rec | Share price | | | Market Cap (USD m) | PE | | ROE | | PBV | | EV / EBITDA | |
|-------------------------|----------|-----|---------------|--------------|------------|--------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| | | | Current (LCY) | Target (LCY) | Upside (%) | | 23E (x) | 24E (x) | 23E (%) | 24E (%) | 23E (x) | 24E (x) | 23E (x) | 24E (x) |
| Thailand | | | | | | | | | | | | | | |
| TAC Consumer | TACC TB | BUY | 5.30 | 7.20 | 36 | 94 | 14.7 | 12.2 | 28.3 | 33.1 | 4.1 | 4.0 | 8.4 | 7.0 |
| NSL Foods | NSL TB | BUY | 19.50 | 26.00 | 33 | 170 | 17.1 | 14.8 | 23.8 | 26.0 | 4.0 | 3.8 | 9.7 | 8.6 |
| Sappe | SAPPE TB | BUY | 75.25 | 88.00 | 17 | 673 | 21.4 | 19.3 | 32.3 | 33.2 | 6.7 | 6.2 | 14.1 | 12.8 |
| Ichitan Group | ICHI TB | BUY | 14.30 | 15.70 | 10 | 540 | 22.8 | 20.8 | 13.2 | 14.5 | 3.0 | 3.0 | 11.6 | 10.8 |
| Osotspa | OSP TB | n/a | 30.25 | n/a | n/a | 2,593 | 32.5 | 27.6 | 14.8 | 17.0 | 4.8 | 4.7 | 19.0 | 16.7 |
| Carabao Group | CBG TB | n/a | 69.00 | n/a | n/a | 1,988 | 31.1 | 25.5 | 19.7 | 22.0 | 6.0 | 5.5 | 21.2 | 18.5 |
| Thailand average | | | | | | 6,057 | 23.3 | 20.0 | 22.0 | 24.3 | 4.8 | 4.5 | 14.0 | 12.4 |

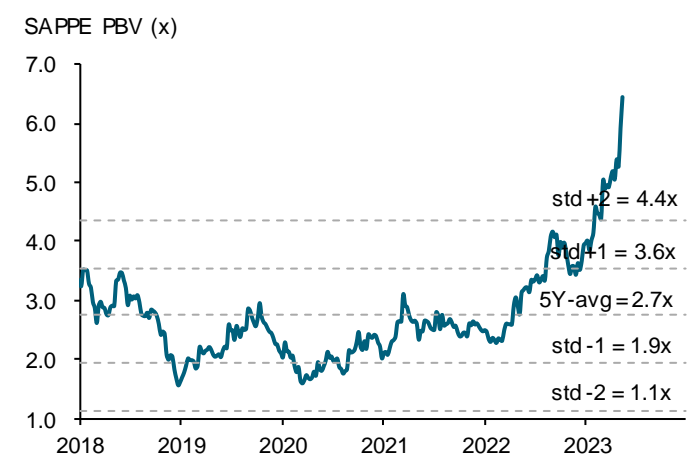
Sources: Bloomberg, FSSIA estimates

Exhibit 18: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 19: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Financial Statements

Sappe

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,444 | 4,566 | 5,889 | 6,499 | 7,117 |
| Cost of goods sold | (1,891) | (2,516) | (3,147) | (3,437) | (3,750) |
| Gross profit | 1,553 | 2,051 | 2,742 | 3,062 | 3,367 |
| Other operating income | 269 | 333 | 236 | 195 | 142 |
| Operating costs | (1,078) | (1,366) | (1,425) | (1,527) | (1,637) |
| Operating EBITDA | 743 | 1,018 | 1,552 | 1,729 | 1,872 |
| Depreciation | (198) | (187) | (227) | (267) | (292) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 546 | 830 | 1,325 | 1,462 | 1,580 |
| Net financing costs | (3) | (2) | (3) | (3) | (2) |
| Associates | (20) | 0 | (2) | 3 | 3 |
| Recurring non-operating income | (20) | 0 | (2) | 3 | 3 |
| Non-recurring items | (7) | (12) | 0 | 0 | 0 |
| Profit before tax | 516 | 816 | 1,320 | 1,462 | 1,581 |
| Tax | (106) | (162) | (264) | (292) | (316) |
| Profit after tax | 410 | 654 | 1,056 | 1,169 | 1,265 |
| Minority interests | 1 | (1) | 29 | 32 | 36 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 411 | 653 | 1,086 | 1,202 | 1,301 |
| Non-recurring items & goodwill (net) | 7 | 12 | 0 | 0 | 0 |
| Recurring net profit | 417 | 666 | 1,086 | 1,202 | 1,301 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.35 | 2.16 | 3.52 | 3.90 | 4.22 |
| Reported EPS | 1.34 | 2.12 | 3.52 | 3.90 | 4.22 |
| DPS | 1.10 | 1.65 | 2.64 | 2.92 | 3.16 |
| Diluted shares (used to calculate per share data) | 308 | 308 | 308 | 308 | 308 |
| Growth | | | | | |
| Revenue (%) | 5.4 | 32.6 | 29.0 | 10.4 | 9.5 |
| Operating EBITDA (%) | 5.3 | 36.9 | 52.5 | 11.4 | 8.3 |
| Operating EBIT (%) | 8.3 | 52.2 | 59.6 | 10.4 | 8.1 |
| Recurring EPS (%) | 8.9 | 59.5 | 63.1 | 10.7 | 8.2 |
| Reported EPS (%) | 7.5 | 57.8 | 66.2 | 10.7 | 8.2 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 39.3 | 40.8 | 42.7 | 43.0 | 43.2 |
| Gross margin of key business (%) | 39.3 | 40.8 | 42.7 | 43.0 | 43.2 |
| Operating EBITDA margin (%) | 21.6 | 22.3 | 26.4 | 26.6 | 26.3 |
| Operating EBIT margin (%) | 15.8 | 18.2 | 22.5 | 22.5 | 22.2 |
| Net margin (%) | 12.1 | 14.6 | 18.4 | 18.5 | 18.3 |
| Effective tax rate (%) | 20.5 | 19.8 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 81.3 | 76.5 | 75.0 | 75.0 | 75.0 |
| Interest cover (X) | 208.9 | 363.6 | 529.1 | 457.8 | 791.6 |
| Inventory days | 49.4 | 53.3 | 47.2 | 38.5 | 36.1 |
| Debtor days | 41.1 | 26.6 | 32.5 | 40.4 | 38.3 |
| Creditor days | 38.5 | 29.8 | 32.1 | 36.0 | 36.1 |
| Operating ROIC (%) | 38.4 | 63.7 | 73.0 | 56.3 | 53.4 |
| ROIC (%) | 30.3 | 48.3 | 58.4 | 47.8 | 46.0 |
| ROE (%) | 14.7 | 21.6 | 32.3 | 33.2 | 33.1 |
| ROA (%) | 11.2 | 15.9 | 22.7 | 23.7 | 23.5 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Domestic revenue | 1,210 | 1,055 | 1,310 | 1,445 | 1,597 |
| Overseas revenue | 2,234 | 3,511 | 4,579 | 5,054 | 5,521 |

Sources: Sappe; FSSIA estimates

Financial Statements

Sappe

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Recurring net profit | 417 | 666 | 1,086 | 1,202 | 1,301 |
| Depreciation | 198 | 187 | 227 | 267 | 292 |
| Associates & minorities | 20 | 0 | 2 | (3) | (3) |
| Other non-cash items | (1) | 1 | 23 | 11 | 12 |
| Change in working capital | 96 | 191 | (335) | 136 | 3 |
| Cash flow from operations | 731 | 1,045 | 1,003 | 1,613 | 1,605 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (140) | (302) | (797) | (820) | (455) |
| Net acquisitions & disposals | 7 | 6 | 0 | 0 | 0 |
| Other investments (net) | (163) | (41) | (23) | (6) | (6) |
| Cash flow from investing | (296) | (338) | (820) | (826) | (461) |
| Dividends paid | (310) | (348) | (814) | (901) | (975) |
| Equity finance | 47 | 63 | (63) | 0 | 0 |
| Debt finance | (34) | 0 | 8 | (8) | 3 |
| Other financing cash flows | 7 | 25 | (40) | 3 | 3 |
| Cash flow from financing | (291) | (259) | (909) | (907) | (969) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 70 | 0 | 0 |
| Net other adjustments | 0 | (73) | 70 | 0 | 0 |
| Movement in cash | 144 | 375 | (656) | (119) | 174 |
| Free cash flow to firm (FCFF) | 437.25 | 709.65 | 185.07 | 790.45 | 1,145.45 |
| Free cash flow to equity (FCFE) | 407.22 | 659.24 | 221.27 | 781.95 | 1,149.54 |

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| FCFF per share | 1.42 | 2.30 | 0.60 | 2.56 | 3.72 |
| FCFE per share | 1.32 | 2.14 | 0.72 | 2.54 | 3.73 |
| Recurring cash flow per share | 2.07 | 2.77 | 4.34 | 4.79 | 5.19 |

| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|--------------|
| Tangible fixed assets (gross) | 2,268 | 2,530 | 3,330 | 4,130 | 4,630 |
| Less: Accumulated depreciation | (1,262) | (1,398) | (1,625) | (1,892) | (2,184) |
| Tangible fixed assets (net) | 1,006 | 1,132 | 1,705 | 2,238 | 2,445 |
| Intangible fixed assets (net) | 134 | 128 | 128 | 128 | 128 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 156 | 186 | 184 | 186 | 189 |
| Cash & equivalents | 1,754 | 2,129 | 1,473 | 1,353 | 1,527 |
| A/C receivable | 430 | 459 | 791 | 797 | 820 |
| Inventories | 291 | 444 | 370 | 355 | 388 |
| Other current assets | 50 | 47 | 35 | 32 | 36 |
| Current assets | 2,524 | 3,079 | 2,669 | 2,538 | 2,770 |
| Other assets | 29 | 36 | 59 | 65 | 71 |
| Total assets | 3,848 | 4,561 | 4,744 | 5,155 | 5,604 |
| Common equity | 2,906 | 3,258 | 3,469 | 3,769 | 4,095 |
| Minorities etc. | 101 | 102 | 125 | 136 | 147 |
| Total shareholders' equity | 3,006 | 3,360 | 3,594 | 3,905 | 4,242 |
| Long term debt | 52 | 61 | 56 | 48 | 51 |
| Other long-term liabilities | 45 | 70 | 29 | 32 | 36 |
| Long-term liabilities | 96 | 130 | 86 | 80 | 87 |
| A/C payable | 181 | 230 | 324 | 355 | 388 |
| Short term debt | 21 | 21 | 34 | 34 | 34 |
| Other current liabilities | 543 | 820 | 707 | 780 | 854 |
| Current liabilities | 745 | 1,071 | 1,064 | 1,169 | 1,276 |
| Total liabilities and shareholders' equity | 3,848 | 4,561 | 4,744 | 5,155 | 5,604 |
| Net working capital | 46 | (99) | 166 | 50 | 1 |
| Invested capital | 1,371 | 1,383 | 2,241 | 2,667 | 2,835 |

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

Per share (THB)

| | | | | | |
|-------------------------------|------|-------|-------|-------|-------|
| Book value per share | 9.49 | 10.56 | 11.25 | 12.22 | 13.28 |
| Tangible book value per share | 9.05 | 10.15 | 10.83 | 11.81 | 12.86 |

Financial strength

| | | | | | |
|---------------------------|--------|--------|--------|--------|--------|
| Net debt/equity (%) | (55.9) | (60.9) | (38.5) | (32.5) | (34.0) |
| Net debt/total assets (%) | (43.7) | (44.9) | (29.1) | (24.7) | (25.7) |
| Current ratio (x) | 3.4 | 2.9 | 2.5 | 2.2 | 2.2 |
| CF interest cover (x) | 218.4 | 421.9 | 408.4 | 501.6 | 803.3 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 55.6 | 34.9 | 21.4 | 19.3 | 17.8 |
| Recurring P/E @ target price (x) * | 65.0 | 40.8 | 25.0 | 22.6 | 20.9 |
| Reported P/E (x) | 56.1 | 35.5 | 21.4 | 19.3 | 17.8 |
| Dividend yield (%) | 1.5 | 2.2 | 3.5 | 3.9 | 4.2 |
| Price/book (x) | 7.9 | 7.1 | 6.7 | 6.2 | 5.7 |
| Price/tangible book (x) | 8.3 | 7.4 | 6.9 | 6.4 | 5.9 |
| EV/EBITDA (x) ** | 28.9 | 20.9 | 14.1 | 12.8 | 11.7 |
| EV/EBITDA @ target price (x) ** | 34.1 | 24.8 | 16.7 | 15.0 | 13.8 |
| EV/invested capital (x) | 15.7 | 15.4 | 9.8 | 8.3 | 7.7 |

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

Sources: Sappe; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

[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**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of 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.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > 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.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureeporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Sappe (SAPPE TB)



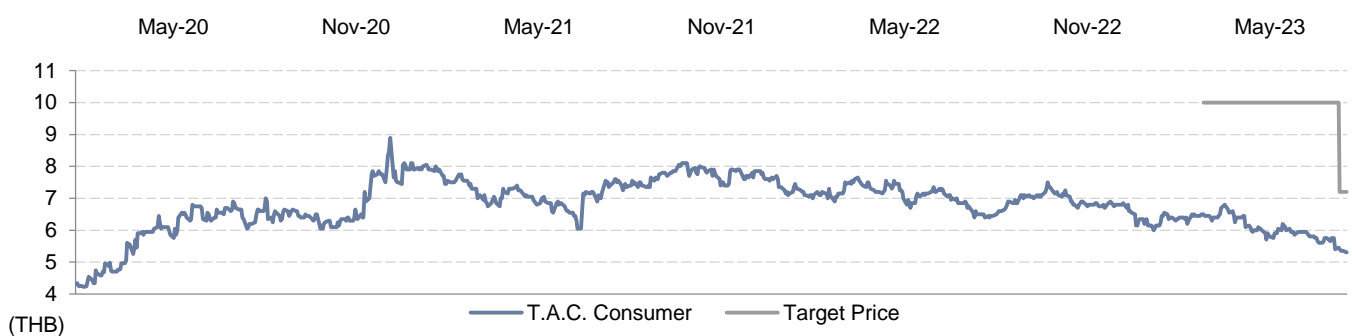
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 09-Mar-2023 | BUY | 62.00 | 05-Apr-2023 | BUY | 68.00 | - | - | - |

Sureeporn Teewasuwet started covering this stock from 09-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

T.A.C. Consumer (TACC TB)



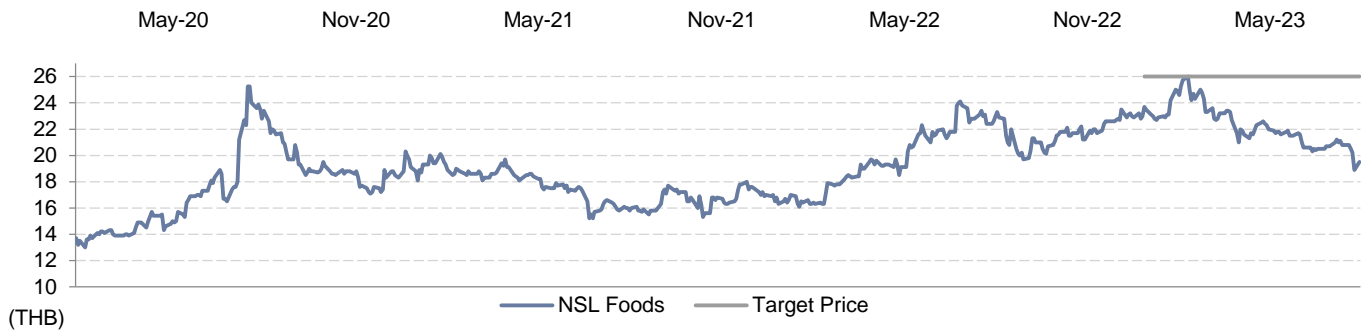
| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 18-Jan-2023 | BUY | 10.00 | 15-May-2023 | BUY | 7.20 | - | - | - |

Sureeporn Teewasuwet covering this stock from 18-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

NSL Foods (NSL TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|------|--------|--------------|------|--------|--------------|
| 18-Jan-2023 | BUY | 26.00 | - | - | - | - | - | - |

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

Price and TP are in local currency

Source: FSSIA estimates

Ichitan Group (ICHI TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|------|--------|--------------|
| 21-Mar-2023 | BUY | 14.00 | 17-May-2023 | BUY | 15.70 | - | - | - |

Sureeporn Teewasuwet started covering this stock from 21-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|-----------------|----------|-----------|--------|--|
| Sappe | SAPPE TB | THB 75.25 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; 3) a stronger-than-expected THB; and 4) increased competition and government policy changes such as excise taxes for sugary drinks. |
| T.A.C. Consumer | TACC TB | THB 5.30 | BUY | Downside risks to our P/E-based TP include 1) a slower-than-expected recovery in consumption; 2) the high volatility of raw material prices; 3) rain and cold weather lasting longer than expected; and 4) changing consumer demand and lifestyles. |
| NSL Foods | NSL TB | THB 19.50 | BUY | Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles. |
| Ichitan Group | ICHI TB | THB 14.30 | BUY | Downside risks to our P/E-based TP would be 1) a slower-than-expected recovery in consumption; 2) high volatility in packaging costs; and 3) increased competition and government policy changes such as excise taxes for sugary drinks. |

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

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All share prices are as at market close on 22-May-2023 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.