

TOA PAINT (THAILAND)

TOA TB

THAILAND / CONSTRUCTION

BUY

UNCHANGED

Robust 1Q23 profit beats estimates

- 1Q23 net profit jumped by 121% q-q and 54% y-y to THB632m, led by domestic sales growth and gross margin recovery.
- Expect 2Q23 performance to continue to grow solidly y-y.
- Attractive valuation with its strong recovery potential. Retain BUY call and TP of THB40, based on 36x 2023E P/E.

TARGET PRICE	THB40.00
CLOSE	THB29.25
UP/DOWNSIDE	+36.8%
TP vs CONSENSUS	+6.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	20,649	22,761	23,759	24,496
Net profit	1,418	2,229	2,419	2,493
EPS (THB)	0.70	1.10	1.19	1.23
vs Consensus (%)	-	0.3	(3.6)	(10.3)
EBITDA	2,849	3,613	3,909	4,060
Core net profit	1,672	2,229	2,419	2,493
Core EPS (THB)	0.82	1.10	1.19	1.23
EPS growth (%)	(8.9)	33.3	8.6	3.1
Core P/E (x)	35.5	26.6	24.5	23.8
Dividend yield (%)	1.7	1.9	2.0	2.1
EV/EBITDA (x)	20.7	16.3	14.9	14.2
Price/book (x)	4.6	4.3	3.9	3.6
Net debt/Equity (%)	(7.2)	(7.5)	(10.7)	(13.8)
ROE (%)	13.3	16.7	16.7	15.8

Sales boosted by strong domestic demand

TOA reported a 1Q23 net profit of THB632m (+121% q-q, +54% y-y), the highest in seven quarters, beating our estimate and the BBG consensus by 22% due to a higher-than-expected gross margin. TOA's overall 1Q23 performance was driven by Thailand's sales growth and its gross margin recovery. 1Q23 sales revenue came in at THB5.65b, up 4% q-q and 14% y-y, led by the domestic sales growth. The increase in decorative paint sales was due to the rising average selling price and volume, and non-decorative paint sales improved on the higher average selling price.

Impressive six-quarter-high gross margin in 1Q23

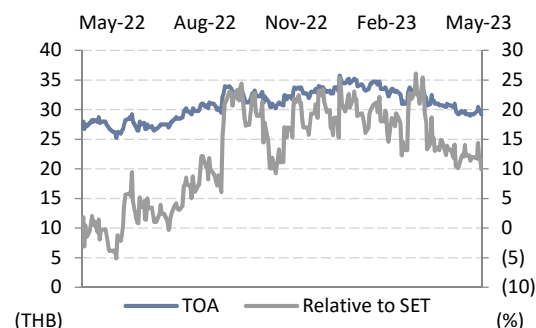
We are impressed by its gross margin improvement to 32.9%, up from 29% in 4Q22 and 1Q22, above our and TOA's expectations at 31% – the highest in six quarters. It reflects 1) a decline in some material prices, especially oil-linked; 2) a higher proportion of TiO2 from China, which is lower-priced; and 3) higher premium product sales with a good margin.

Expect 2Q23 performance to continue to grow solidly

TOA's 1Q23 performance accounts for 29% of our 2023E normalised profit. Though 2Q23 earnings might decrease q-q due to seasonality, they should grow y-y. We think the strong domestic demand recovery could offset the softer demand in Vietnam (9% of total sales) owing to tighter liquidity in the real estate segment. Meanwhile, we expect the gross margin to remain high at 32-33% in 2Q23 (vs 30% in 2Q22), as oil-link raw materials decline (15% of total costs) following the Brent crude oil spot price average declining to USD79/bbl in 2QTD (vs USD80.3/bbl in 1Q23 and USD107.6/bbl in 2Q22). It will also see the full effect of the TiO2 supply from China at c20% vs the gradual increase in 1Q23.

Maintain BUY with our TP of THB40

We maintain our 2023E core profit of THB2.2b (+33% y-y), based on a 10% sales growth assumption and a gross margin estimate of 31%, which is more conservative than 1Q23's at 32.9%. TOA is trading at 26.6x 2023E P/E, below its historical average of 36x, and it looks attractive with its strong recovery potential. Improved profitability might provide an upside risk to our 2023E earnings, and the 1Q23 profit beat should be a positive catalyst for its share price in short-term, in our view.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.9)	(12.7)	13.6
Relative to country (%)	(3.0)	(7.9)	15.3
Mkt cap (USD m)	1,746		
3m avg. daily turnover (USD m)	1.2		
Free float (%)	25		
Major shareholder	TOA Group Holding Co Ltd (30%)		
12m high/low (THB)	36.50/25.00		
Issued shares (m)	2,029.00		

Sources: Bloomberg consensus; FSSIA estimates


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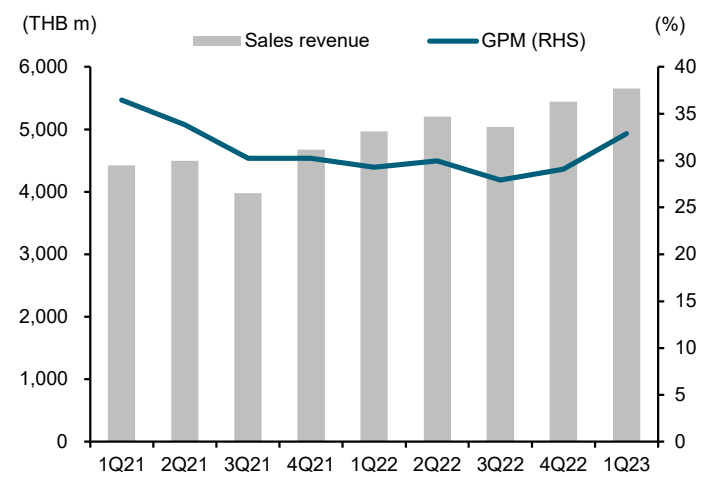
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Exhibit 1: 1Q23 results summary

	1Q22	2Q22	3Q22	4Q22	1Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Sales revenue	4,965	5,201	5,038	5,445	5,654	3.8	13.9
Cost of sales	3,511	3,642	3,631	3,862	3,795	(1.7)	8.1
Gross profit	1,455	1,559	1,407	1,583	1,859	17.4	27.8
SG&A	901	999	1,009	1,092	1,040	(4.8)	15.5
Operating profit	554	560	398	491	819	66.9	47.8
Interest expense	9	10	10	9	17	83.5	82.3
Tax expense	131	113	113	95	190	100.3	45.0
Reported net profit	410	368	354	287	632	120.7	54.2
Core profit	447	473	353	399	651	63.1	45.6
Key ratios (%)						(ppt)	(ppt)
Gross margin	29.3	30.0	27.9	29.1	32.9	3.8	3.6
SG&A / Sales	18.1	19.2	20.0	20.1	18.4	(1.7)	0.3
Operating margin	11.2	10.8	7.9	9.0	14.5	5.5	3.3
Net margin	8.3	7.1	7.0	5.3	11.2	5.9	2.9
Normalised margin	9.0	9.1	7.0	7.3	11.5	4.2	2.5

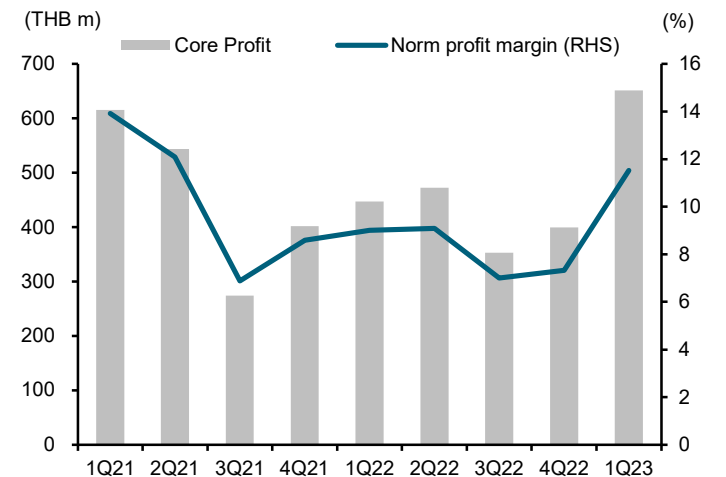
Sources: TOA; FSSIA's compilation

Exhibit 2: Quarterly sales revenue and GPM



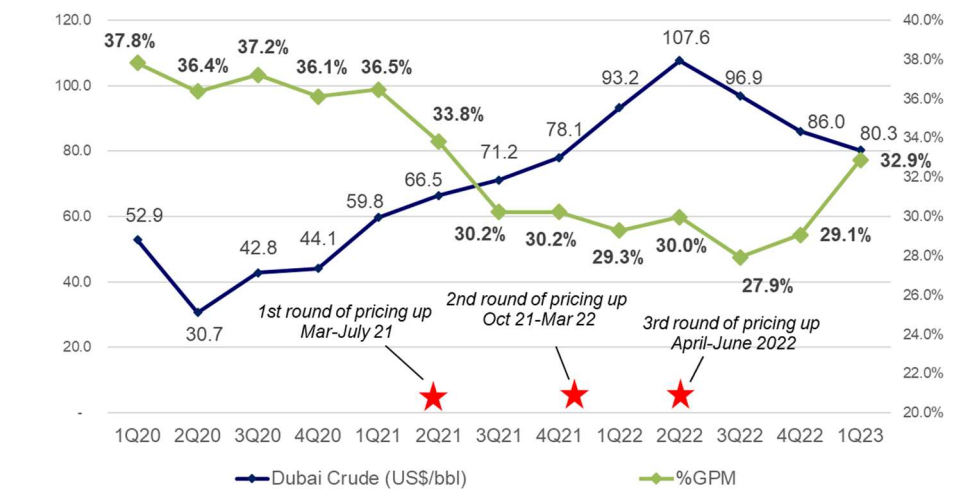
Sources: TOA; FSSIA's compilation

Exhibit 3: Quarterly core profit and normalised profit margin



Sources: TOA; FSSIA's compilation

Exhibit 4: Dubai Crude vs %GPM



Sources: Aspen; FSSIA's compilation

Financial Statements

TOA Paint (Thailand)

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	17,570	20,649	22,761	23,759	24,496
Cost of goods sold	(11,208)	(13,976)	(14,989)	(15,508)	(15,956)
Gross profit	6,363	6,674	7,772	8,251	8,540
Other operating income	138	177	162	163	163
Operating costs	(3,516)	(4,001)	(4,321)	(4,505)	(4,643)
Operating EBITDA	2,985	2,849	3,613	3,909	4,060
Depreciation	(615)	(670)	(716)	(767)	(823)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,369	2,179	2,897	3,142	3,236
Net financing costs	(35)	(38)	(37)	(39)	(39)
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	120	(254)	0	0	0
Profit before tax	2,454	1,887	2,860	3,103	3,197
Tax	(528)	(453)	(615)	(667)	(687)
Profit after tax	1,926	1,435	2,245	2,436	2,510
Minority interests	29	(17)	(17)	(17)	(17)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	1,955	1,418	2,229	2,419	2,493
Non-recurring items & goodwill (net)	(120)	254	0	0	0
Recurring net profit	1,835	1,672	2,229	2,419	2,493
Per share (THB)					
Recurring EPS *	0.90	0.82	1.10	1.19	1.23
Reported EPS	0.96	0.70	1.10	1.19	1.23
DPS	0.50	0.50	0.55	0.60	0.61
Diluted shares (used to calculate per share data)	2,029	2,029	2,029	2,029	2,029
Growth					
Revenue (%)	7.8	17.5	10.2	4.4	3.1
Operating EBITDA (%)	(6.7)	(4.5)	26.8	8.2	3.9
Operating EBIT (%)	(10.3)	(8.0)	32.9	8.5	3.0
Recurring EPS (%)	(10.0)	(8.9)	33.3	8.6	3.1
Reported EPS (%)	(3.7)	(27.5)	57.2	8.6	3.1
Operating performance					
Gross margin inc. depreciation (%)	32.7	29.1	31.0	31.5	31.5
Gross margin of key business (%)	32.7	29.1	31.0	31.5	31.5
Operating EBITDA margin (%)	17.0	13.8	15.9	16.5	16.6
Operating EBIT margin (%)	13.5	10.6	12.7	13.2	13.2
Net margin (%)	10.4	8.1	9.8	10.2	10.2
Effective tax rate (%)	21.5	24.0	21.5	21.5	21.5
Dividend payout on recurring profit (%)	55.3	60.7	50.0	50.0	50.0
Interest cover (X)	68.1	57.1	79.2	81.4	83.1
Inventory days	77.9	77.2	83.1	84.7	85.1
Debtor days	65.0	61.8	62.5	64.3	64.7
Creditor days	110.8	100.7	97.0	97.9	98.3
Operating ROIC (%)	40.3	31.1	33.5	33.0	31.6
ROIC (%)	17.2	14.4	17.2	17.6	17.4
ROE (%)	15.5	13.3	16.7	16.7	15.8
ROA (%)	10.5	9.1	11.4	11.5	11.2
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Decorative paint and coating	11,078	12,431	13,429	14,018	14,452
Non-decorative paint and coating	5,938	7,392	8,422	8,791	9,063
Others	554	826	910	950	980

Sources: TOA Paint (Thailand); FSSIA estimates

Financial Statements

TOA Paint (Thailand)

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,835	1,672	2,229	2,419	2,493
Depreciation	615	670	716	767	823
Associates & minorities	-	-	-	-	-
Other non-cash items	(29)	17	17	17	17
Change in working capital	(97)	(1,453)	(406)	(176)	(125)
Cash flow from operations	2,325	905	2,556	3,027	3,209
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,150)	(816)	(1,304)	(1,195)	(1,293)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(1,150)	(816)	(1,304)	(1,195)	(1,293)
Dividends paid	(1,008)	(1,163)	(1,131)	(1,226)	(1,263)
Equity finance	247	507	0	0	0
Debt finance	177	(237)	(37)	11	11
Other financing cash flows	-	-	-	-	-
Cash flow from financing	(584)	(893)	(1,168)	(1,215)	(1,252)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	591	(803)	83	617	663
Free cash flow to firm (FCFF)	1,210.10	127.45	1,288.44	1,870.43	1,954.05
Free cash flow to equity (FCFE)	1,352.02	(147.52)	1,214.40	1,842.85	1,926.23

Per share (THB)

FCFF per share	0.60	0.06	0.64	0.92	0.96
FCFE per share	0.67	(0.07)	0.60	0.91	0.95
Recurring cash flow per share	1.19	1.16	1.46	1.58	1.64

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	6,923	8,231	9,054	9,960	10,956
Less: Accumulated depreciation	(4,219)	(4,751)	(5,172)	(5,656)	(6,188)
Tangible fixed assets (net)	2,705	3,481	3,882	4,304	4,767
Intangible fixed assets (net)	1,608	1,474	1,660	1,666	1,673
Long-term financial assets	4,611	4,115	4,115	4,115	4,115
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	3,011	2,208	2,291	2,908	3,571
A/C receivable	3,296	3,701	4,097	4,277	4,409
Inventories	2,619	3,293	3,534	3,662	3,775
Other current assets	219	214	228	238	245
Current assets	9,145	9,416	10,150	11,084	12,000
Other assets	429	854	865	903	931
Total assets	18,497	19,338	20,672	22,071	23,486
Common equity	12,287	12,793	13,907	15,117	16,364
Minorities etc.	164	691	691	691	691
Total shareholders' equity	12,451	13,484	14,598	15,808	17,055
Long term debt	1,026	966	934	944	953
Other long-term liabilities	432	439	471	488	503
Long-term liabilities	1,458	1,406	1,406	1,432	1,457
A/C payable	3,831	3,882	4,083	4,231	4,363
Short term debt	448	271	266	267	269
Other current liabilities	309	296	319	333	343
Current liabilities	4,588	4,449	4,668	4,831	4,974
Total liabilities and shareholders' equity	18,497	19,338	20,672	22,071	23,486
Net working capital	1,995	3,030	3,456	3,612	3,724
Invested capital	11,346	12,953	13,978	14,600	15,210

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

Per share (THB)

Book value per share	6.06	6.31	6.85	7.45	8.06
Tangible book value per share	5.26	5.58	6.04	6.63	7.24

Financial strength

Net debt/equity (%)	(12.3)	(7.2)	(7.5)	(10.7)	(13.8)
Net debt/total assets (%)	(8.3)	(5.0)	(5.3)	(7.7)	(10.0)
Current ratio (x)	2.0	2.1	2.2	2.3	2.4
CF interest cover (x)	72.9	18.5	69.9	79.7	83.7

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	32.3	35.5	26.6	24.5	23.8
Recurring P/E @ target price (x) *	44.2	48.5	36.4	33.5	32.6
Reported P/E (x)	30.4	41.8	26.6	24.5	23.8
Dividend yield (%)	1.7	1.7	1.9	2.0	2.1
Price/book (x)	4.8	4.6	4.3	3.9	3.6
Price/tangible book (x)	5.6	5.2	4.8	4.4	4.0
EV/EBITDA (x) **	19.4	20.7	16.3	14.9	14.2
EV/EBITDA @ target price (x) **	26.7	28.4	22.4	20.5	19.6
EV/invested capital (x)	5.1	4.6	4.2	4.0	3.8

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

Sources: TOA Paint (Thailand); 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 Environmental, and Social issues, by managing business with transparency in Governance. 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: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (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

Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

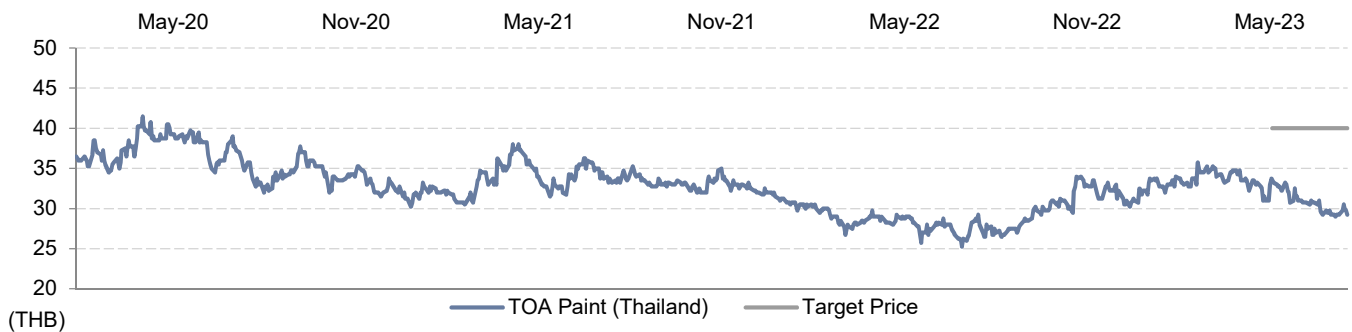
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History of change in investment rating and/or target price

TOA Paint (Thailand) (TOA TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Mar-2023	BUY	40.00	-	-	-	-	-	-

Thanyatorn Songwutti started covering this stock from 08-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
TOA Paint (Thailand)	TOA TB	THB 29.25	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected economic recovery and weak purchasing power; 2) an increase in raw material costs, especially in relation to oil price movement and TiO ₂ ; 3) currency exchange fluctuation, as c13% of its raw materials are imported; and 4) the challenging situation in Vietnam.

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 Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 12-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.