

Growth Story Meets Structural Reset

- EGCO's earnings base is structurally resetting lower, driven by the QPL contract renewal and weaker dispatch outlook for Paju.
- Support from U.S. assets and a solid balance sheet is unlikely to fully offset the earnings decline.
- Downgrade from BUY to HOLD at TP THB124.00

Earnings Base Likely Reset to a Lower Level

We turn negative on EGCO as we see a clear structural shift in its earnings base. The company's medium-term profit profile is changing meaningfully following the contract renewal at the Quezon (QPL) and a weaker dispatch outlook at the Paju in Korea, which together point to structurally lower earnings relative to the historical base. While earnings may see some support in 2026 from stronger PJM power prices, the 10% stake increase in the Linden and a contribution from Pinnacle II, we believe these positives are unlikely to fully offset the structural earnings reset.

Core Asset Earnings Reset Weighs on Outlook

A key driver of the structural shift is the contract reset at QPL. The plant's previous 25-year PSA with Meralco expired in May-25 and was replaced by a 15-year, 400MW PSA with a retail electricity supplier, implying materially lower returns. We expect QPL's annual profit contribution to decline from THB3-4b to around THB1b, marking significant NP reset. Meanwhile, the outlook for Paju is also weakening as Korea expands nuclear and renewable capacity, which could displace higher-cost gas generation and reduce plant utilization. In addition, Yunlin Offshore Wind Farm has begun recognizing full interest expenses post-COD, adding further pressure to near-term earnings.

Offsets Exist but Structural Headwinds Dominate

While EGCO positions the U.S. as a key growth market, we remain cautious on execution. The U.S. portfolio has faced operational challenges, including higher-than-expected unplanned maintenance at the Linden Cogeneration Plant, which has weighed on availability. In addition, electricity prices for the Compass portfolio were locked under conservative assumptions, limiting upside from the recent spike in U.S. power prices, with meaningful repricing only after 2030.

Solid Balance Sheet Supports Investment Capacity

Financially, EGCO maintains a solid balance sheet with net D/E at 1.22x in 2025 and THB30bn in cash and short-term investments, providing flexibility for future acquisitions or renewable investments. We also expect EGCO to maintain dividend payments at around THB6.5/share, supported by recurring cash flows despite a softer earnings outlook.

Downgrade from BUY to HOLD at TP THB124.00

We downgrade from BUY to HOLD and cut our TP to THB124 from THB176 reflecting a structurally weaker earnings outlook following the QPL profit reset and softer dispatch at Paju. While the U.S. portfolio may offer some support, we see limited upside in the near term.

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ESG Rating : AA

CG Rating : ▲▲▲▲▲

HOLD (from BUY)

Target Price 12M (THB)	124.00
VS. BB Consensus TP (%)	-7.5%
Share Price (THB)	113.00
Upside/Downside	+8.8%

Share Data

Market Cap (THB m)	59,490.55
Par (THB)	10.00
Free Float (%)	50.00
Issued shares (m shares)	526.5

Financial forecast

YE Dec (THB m)	2025	2026E	2027E	2028E
Revenue	32,086	30,364	30,648	29,631
Net profit	4,727	4,853	6,641	6,824
Core net profit	4,439	4,853	6,641	6,824
vs Consensus (%)		(31.9)	(12.2)	(6.1)
Net profit growth (%)	(12.6)	2.7	36.9	2.7
Core net profit growth (%)	(52.2)	9.3	36.9	2.7
EPS (THB)	8.98	9.22	12.62	12.96
Core EPS (THB)	8.43	9.22	12.62	12.96
Chg from previous (%)		(50.63)	(46.52)	na
DPS (THB)	6.50	3.69	5.05	5.18
P/E (x)	12.70	12.26	8.96	8.72
P/BV (x)	0.60	0.58	0.56	0.54
ROE (%)	4.35	4.81	6.38	6.30
Dividend yield (%)	5.70	3.26	4.47	4.59

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(7.00)	0.44	(0.88)	(0.88)
Market	(6.69)	(9.27)	(9.88)	(11.18)
12M High/Low (THB)	143.00 / 85.00			



Major Shareholders (%) as of 8 Sep 2025

Electricity Generating Authority of Thailand	25.41
Tepdia Generating B.V.	22.42
Electricity Generating Authority of Thailand Saving And Credit Cooperative Ltd.	6.20

Company Profile

The Company operates as a holding company with its main business in 1) Operating power plants and supply electricity through independent power producer (IPP) and small power producers (SPP), 2) Providing operation, maintenance, engineering and construction services to power plants, petrochemical plants, oil refineries and other industries

Source: SETSMART, SET

Exhibit 1: Summary of 4Q25/2025 operations

	4Q24	3Q25	4Q25		2024	2025	chg.	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Revenue	9,594	5,471	7,375	34.8	(23.1)	40,317	32,086	(20.4)
Operating costs	(7,193)	(5,561)	(6,668)	(19.9)	7.3	(28,488)	(24,783)	13.0
EBITDA	2,401	(90)	707	882.1	(70.6)	8,445	4,451	(47.3)
EBITDA margin (%)	25.0	(1.7)	9.6	na	na	20.9	13.9	na
Depn & amort.	(741)	(552)	(540)	2.0	27.1	(3,121)	(2,488)	20.3
EBIT	1,660	(642)	166	125.9	(90.0)	5,324	1,962	(63.1)
Interest expense	(4,167)	(1,247)	(761)	39.0	81.7	(7,056)	(2,917)	58.7
Interest & invt inc	-	-	-	nm	nm	-	-	nm
Other income	933	775	713	(8.0)	(23.5)	4,262.1	4,962.9	16.4
Associates' contrib	2,607	756	1,194	57.9	(54.2)	7,946.0	1,882.0	(76.3)
Exceptionals	(859)	(365)	(1,360)	(272.2)	(58.4)	(3,872)	289	107.5
Pretax profit	175	(723)	(47)	93.4	(127.1)	6,605	6,179	(6.4)
Tax	(278)	71	(304)	(530.6)	(9.4)	(1,183)	(1,454)	(22.9)
Tax rate (%)	159.1	9.8	(641.3)	na	na	17.9	23.5	na
Minority interests	(3)	(3)	0	106.3	106.9	(10.1)	2.0	119.9
Net profit	(106)	(656)	(351)	46.5	(230.6)	5,411	4,727	(12.6)
Non-recurring	(2,375)	(1,500)	(442)	70.5	81.4	(3,872)	289	107.5
Core net profit	2,269	844	91	(89.2)	(96.0)	9,283	4,439	(52.2)
EPS (THB)	(0.20)	(1.25)	(0.67)	46.5	(230.6)	10.28	8.98	(12.6)
Core EPS (THB)	4.31	1.60	0.17	(89.2)	(96.0)	17.63	8.43	(52.2)

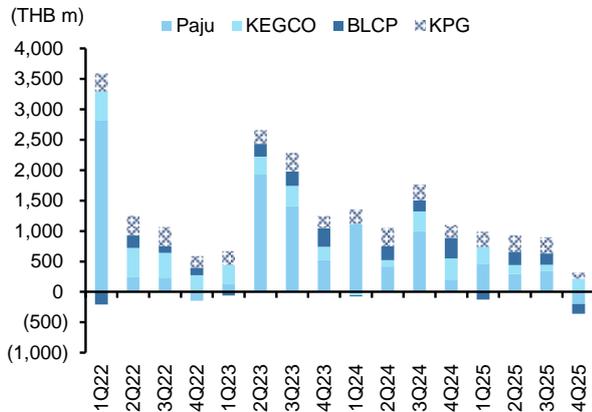
Sources: EGCO, Globlex Research

Exhibit 2: 4Q25/2025 key performance

Operating profit	4Q24	2325	4Q25	(q-q%)	(y-y%)	2024	2025	(y-y%)
IPP (Domestic)	896	556	155	(72.1)	(82.7)	2,464	1,756	(28.7)
KEGCO	350	107	215	100.9	(38.6)	721	754	4.6
BLCP	338	186	(162)	(187.1)	(147.9)	736	117	(84.1)
KPG	208	263	102	(61.2)	(51.0)	1,007	885	(12.1)
Overseas	2,894	1,144	1,009	(11.8)	(65.1)	11,759	6,619	(43.7)
Paju ES	201	340	(197)	(157.9)	(198.0)	2,733	890	(67.4)
XPCL	176	272	205	(24.6)	16.5	193	550	185.0
Quezon	1,012	(687)	156	122.7	(84.6)	3,801	1,002	(73.6)
NTPC	452	379	566	49.3	25.2	1,964	1,873	(4.6)
SBPL	126	308	(78)	(125.3)	(161.9)	967	912	(5.7)
Linden	(222)	311	112	(64.0)	150.5	641	553	(13.7)
Compass	271	280	(12)	(104.3)	(104.4)	873	657	(24.7)
Others Overseas:	878	(59)	257	535.6	(70.7)	587	182	(69.0)
NT1PC, BRWF, SEG, SEGSD, GDFC, Yunlin, Apex and RISEC.	878	(59)	257	535.6	(70.7)	587	182	(69.0)
SPP	228	329	119	(63.8)	(47.8)	917	834	(9.1)
EGCO Cogen, RG, BPU, KLU, CWF, YGP and NED	228	329	119	(63.8)	(47.8)	917	834	(9.1)
VSPP	19	(12)	(7)	41.7	(136.8)	38	4	(89.5)
SPP2, SPP3, SPP4, SPP5, TWF, Solarco and GPS	19	(12)	(7)	41.7	(136.8)	38	4	(89.5)
Other Businesses	311	82	340	314.6	9.3	937	1,237	32.0
ESCO, PEPOI, QMS, MME, E&E, TPN, Innopower, PeerPower and ERIE.	311	82	340	314.6	9.3	937	1,237	32.0

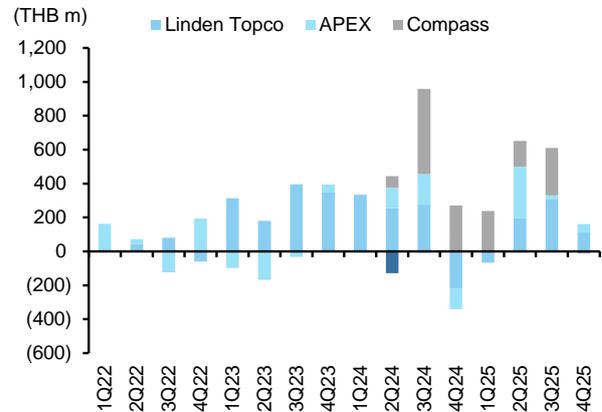
Sources: EGCO; Beyond Research

Exhibit 3: EGCO's key IPP contributions



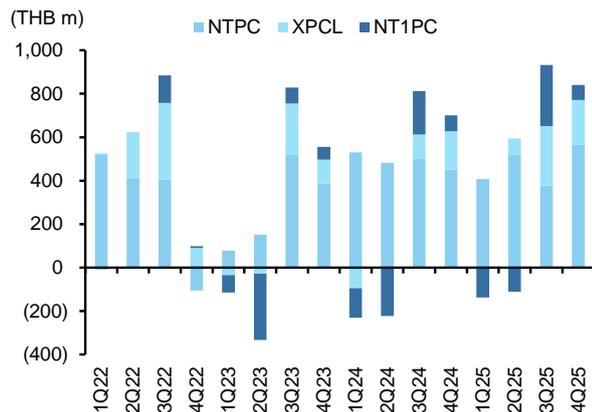
Sources: EGCO, Globlex Research

Exhibit 4: EGCO's key US plants contributions



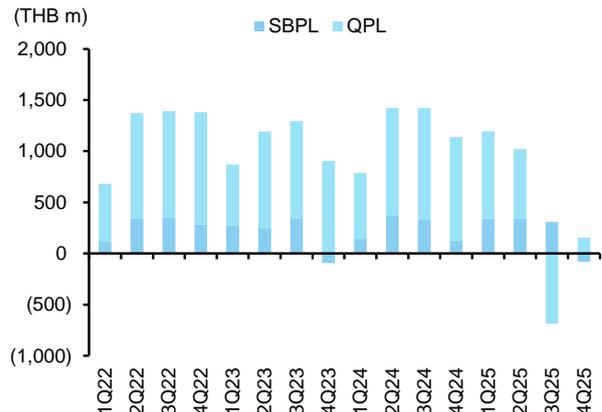
Sources: EGCO, Globlex Research

Exhibit 5: EGCO's key Hydro power plant contributions



Sources: EGCO, Globlex Research

Exhibit 6: EGCO's key PH plant contributions Title



Sources: EGCO, Globlex Research

Exhibit 7: Key changes in assumptions

(THB m)	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	30,364	30,648	29,631	44,089	45,482	29,631	(31.1)	(32.6)	0.0
Gross profit	11,043	12,422	11,375	16,034	18,434	11,375	(31.1)	(32.6)	0.0
Operating profit	9,221	10,276	9,300	13,389	15,250	9,300	(31.1)	(32.6)	0.0
Net profit	4,853	6,641	6,824	9,830	12,418	6,824	(50.6)	(46.5)	0.0
EPS (THB/share)	9.22	12.62	12.96	18.67	23.59	12.96	(50.6)	(46.5)	0.0
Key assumptions									
Utilisation rate (%)	60.0	60.0	60.0	80.0	80.0	60.0	(25.0)	(25.0)	0.0
Gas cost (THB/mmbtu)	320	320	320	383	398	320	(16.4)	(19.6)	0.0
PEA Tariff Estimates (THB/kWh)	4.4	4.6	4.8	4.4	4.6	4.8	0.0	0.0	0.0
Equity income from U.S. assets (THB m)	899	971	1,364	1,404	1,432	1,364	(36.0)	(32.2)	0.0

Sources: Globlex Research

Exhibit 8: EGCO's SoTP valuation

Cost of equity assumptions (%)			Cost of debt assumptions (%)		
Risk free rate	2.3		Pretax cost of debt	5.0	
Market risk premium	8.5		Marginal tax rate	20.0	
Stock beta	0.80				
Cost of equity, Ke	9.1		Net cost of debt, Kd	4.0	
Weight applied	25.1		Weight applied	75.0	
WACC (%)	5.3				

DCF valuation estimate	% holding	Equity capacity	THB m	THB/share	Comments
IPP					
KEGCO (2013) - Cogen1	100%	930	22,775	43.3	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
BLCP (1998) - Coal	50%	734	4,960	9.4	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
GPG (2005) - Cogen1	50%	673	4,179	7.9	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
SPP					
EGCO Cogen (2003) - Cogen1	80%	94	1,732	3.3	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
KLU (2015) - cogen1	100%	102	3,633	6.9	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
BPU (2015) - cogen1	100%	215	8,537	16.2	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Renewable					
GYG (Biomass, 2007)	50%	10	1,369	2.6	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
NED-wsp (Solar, 2011)	63%	6	300	0.6	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
NED (Solar, 2010)	63%	35	1,236	2.3	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
SPP 2 (Solar, 2010)	100%	8	593	1.1	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
SPP 3 (Solar, 2010)	100%	8	593	1.1	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
SPP 4 (Solar, 2010)	100%	6	442	0.8	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
SPP 5 (Solar, 2011)	100%	8	580	1.1	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
GPS (Solar, 2011)	60%	16	1,497	2.8	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Solar co (Solar, 2013)	49%	28	2,582	4.9	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
CWF (Wind, 2014)	90%	72	3,076	5.8	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
TWF (Wind, 2012)	90%	6	408	0.8	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Overseas					
QPL (Coal, Philippines, IPP)	100%	460	5,842	11.1	WACC 8%, RF 4.1%, RPM 7.8%, zero terminal growth
NTPC (Hydro, Mar-11)	35%	375	11,653	22.1	WACC 8%, RF 4.1%, RPM 7.8%, zero terminal growth
BRWF (Wind, Australia)	100%	113	4,582	8.7	WACC 6%, RF 6%, RPM 5%, zero terminal growth
XPCL, Laos (Hydro, COD 2019)	13%	160	4,611	8.8	WACC 6%, RF 6%, RPM 5%, zero terminal growth
NT1PC, Laos (Hydro, COD 2022)	25%	129	10,977	20.9	WACC 6%, RF 6%, RPM 5%, zero terminal growth
SBPL, Philippines (Oct, 2019)	49%	223	6,873	13.1	WACC 8%, RF 4.1%, RPM 7.8%, zero terminal growth
Paju, Korea (Gas, Feb 2017)	49%	893	22,804	43.3	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Yunlin (Wind, Taiwan) (2021-22)	25%	18	907	1.7	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
APEX (Solar, US) (2022)	17%	12	760	1.4	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Linden (Cogen, US)	38%	369	8,889	16.9	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Gangdong (South Korea, 2020)	49%	10	569	1.1	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Pinnacle (solar&wind, US)	49%	123	6,174	11.7	WACC 5.3%, RF 2.3%, RPM 8.5%, zero terminal growth
Infrastructure					
TPN oil pipeline	43%		5,042	9.6	WACC 5.9%, RF 2.3%, RPM 8.5%, zero terminal growth
Cash			35,438	67.3	At end-2026E
Debt			(113,617)	(215.8)	At end-2026E
Minorities			(267)	(0.5)	At end-2026E
Residual ordinary equity			65,374	124.00	

Sources: Globlex Research

Balance sheet (THB m)					
Year ending Dec	2024	2025	2026E	2027E	2028E
Current assets					
Cash & ST investment	35,438	30,482	24,427	20,536	16,989
Account receivable	5,685	5,327	4,988	4,645	4,314
Inventories	0	0	0	0	0
Others	19,182	14,062	13,307	13,432	12,986
Non-current assets					
Net fixed assets	44,635	37,473	35,985	34,476	32,947
Others	136,123	134,363	134,363	134,363	134,363
Total Assets	241,063	221,707	213,069	207,451	201,600
Current liabilities					
Account payable	2,825	3,184	2,482	2,342	2,346
ST borrowing	17,535	23,110	23,110	23,110	23,110
Others	4,746	4,439	4,201	4,240	4,100
Long-term liabilities					
Long-term debts	96,083	83,401	73,401	63,401	53,401
Others	15,234	7,527	7,527	7,527	7,527
Total liabilities	136,422	121,661	110,721	100,620	90,483
Paid-up capital	5,265	5,265	5,265	5,265	5,265
Retained earnings	92,774	94,079	96,251	100,593	104,724
Others	6,335	449	449	449	449
Minority interest	267	253	384	525	679
Shareholders' equity	104,640	100,045	102,348	106,831	111,116

Key ratios					
Year ending Dec	2024	2025	2026E	2027E	2028E
Growth (%YoY)					
Sales	(18.8)	(20.4)	(5.4)	0.9	(3.3)
Operating profit	2.8	(47.3)	107.2	11.4	(9.5)
EBITDA	2.8	(47.3)	107.2	11.4	(9.5)
Net profit	164.6	(12.6)	2.7	36.9	2.7
Core net profit	6.3	(52.2)	9.3	36.9	2.7
EPS	164.6	(12.6)	2.7	36.9	2.7
Core EPS	6.3	(52.2)	9.3	36.9	2.7
Profitability (%)					
Gross margin	29.3	22.8	36.4	40.5	38.4
Operation margin	20.9	13.9	30.4	33.5	31.4
EBITDA margin	20.9	13.9	30.4	33.5	31.4
Net margin	13.4	14.7	16.0	21.7	23.0
ROE	8.9	4.3	4.8	6.4	6.3
ROA	9.0	1.4	5.2	6.0	5.9
Stability					
Interest bearing debt/equity (x)	1.1	1.1	0.9	0.8	0.7
Net debt/equity (x)	0.7	0.8	0.7	0.6	0.5
Interest coverage (x)	0.8	0.7	1.1	1.4	1.4
Interest & ST debt coverage (x)	0.2	0.1	0.2	0.3	0.2
Cash flow interest coverage (x)	0.1	0.1	0.1	0.1	0.2
Current ratio (x)	2.4	1.6	1.4	1.3	1.2
Quick ratio (x)	1.6	1.2	1.0	0.8	0.7
Net debt (THB m)	78,179	76,029	72,084	65,976	59,522
Activity					
Asset turnover (X)	0.2	0.1	0.1	0.1	0.1
Days receivables	55.3	62.6	62.0	57.4	55.2
Days inventory	0.0	0.0	0.0	0.0	0.0
Days payable	44.5	44.2	53.5	48.3	46.9
Cash cycle days	10.8	18.4	8.5	9.1	8.3

Profit & loss (THB m)					
Year ending Dec	2024	2025	2026E	2027E	2028E
Revenue					
Revenue	40,317	32,086	30,364	30,648	29,631
Cost of goods sold	(28,488)	(24,783)	(19,321)	(18,226)	(18,257)
Gross profit	11,829	7,303	11,043	12,422	11,375
Operating expenses	(3,383)	(2,852)	(1,822)	(2,145)	(2,074)
Operating profit	8,445	4,451	9,221	10,276	9,300
EBIT	5,324	1,962	6,732	7,768	6,772
Depreciation	(3,121)	(2,488)	(2,489)	(2,509)	(2,529)
EBITDA	8,445	4,451	9,221	10,276	9,300
Non-operating income					
Other incomes	3,362	3,158	2,000	2,000	2,000
Other non-op income	(2,972)	2,094	(1,500)	(1,500)	(1,500)
Non-operating expense	(7,583)	(5,996)	(6,091)	(5,491)	(4,891)
Interest expense	(7,056)	(2,917)	(6,091)	(5,491)	(4,891)
Other non-op expense	(527)	(3,079)	0	0	0
Equity income/(loss)	8,473	4,961	3,795	3,861	4,477
Pre-tax Profit	6,605	6,179	4,936	6,638	6,858
Extraordinary items					
Current taxation	(1,183)	(1,454)	48	144	120
Minorities	(10)	2	(131)	(140)	(154)
Net Profit	5,411	4,727	4,853	6,641	6,824
Core net profit	9,283	4,439	4,853	6,641	6,824
EPS (THB)	10.28	8.98	9.22	12.62	12.96
Core EPS (THB)	17.63	8.43	9.22	12.62	12.96

Cash flow (THB m)					
Year ending Dec	2024	2025	2026E	2027E	2028E
Operating cash flow					
Operating cash flow	16,659	17,708	11,290	13,128	14,470
Net profit	5,411	4,727	4,853	6,641	6,824
Depre. & amortization	3,121	2,488	2,489	2,509	2,529
Change in working capital	(346)	5,531	154	117	640
Others	8,473	4,961	3,795	3,861	4,477
Investment cash flow	9,428	5,608	1,295	1,361	1,977
Net CAPEX	(820)	4,673	(4,000)	(4,000)	(4,000)
Change in LT investment	3,819	1,224	2,295	2,361	2,977
Change in other assets	6,429	(288)	3,000	3,000	3,000
Free cash flow	26,087	23,316	12,585	14,489	16,447
Financing cash flow					
Financing cash flow	(19,512)	(28,272)	(18,640)	(18,381)	(19,993)
Change in share capital	0	0	0	0	0
Net change in debt	287	(7,106)	(10,000)	(10,000)	(10,000)
Dividend paid	(3,250)	(3,250)	(2,682)	(2,299)	(2,693)
Others	(16,549)	(17,916)	(5,958)	(6,082)	(7,300)
Net cash flow	6,576	(4,956)	(6,055)	(3,892)	(3,546)
Per share (THB)					
EPS	10.28	8.98	9.22	12.62	12.96
Core EPS	17.63	8.43	9.22	12.62	12.96
CFPS	16.23	13.70	14.19	17.65	18.06
BVPS	198.25	189.55	193.68	201.92	209.77
Sales/share	76.58	60.95	57.67	58.21	56.28
EBITDA/share	16.04	8.45	17.51	19.52	17.67
DPS	6.50	6.50	3.69	5.05	5.18
Valuation					
P/E (x)	11.38	12.70	12.26	8.96	8.72
P/BV (x)	0.59	0.60	0.58	0.56	0.54
Dividend yield (%)	5.56	5.70	3.26	4.47	4.59
Dividend payout ratio (%)	63.24	72.39	40.00	40.00	40.00

GENERAL DISCLAIMER

Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause 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.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: 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: 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: 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.