BUY (Unchanged) | **TP: Bt 138.00** (Unchanged) | **23 MAY 2022**

Company Update | **Upside : 27.2%**

Carabao Group Pcl (CBG TB)

Key driver back on track

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Exports are key to CBG, accounting for near 50% of sales and over 70% of earnings in normal years. Its exports were hit by lockdowns in most key countries in 2021 but the company saw a strong resumption of orders in 2Q22. We maintain our 44/30% EPS growth estimates in 2022-23F and reaffirm our BUY call on CBG.

Thanachart Securities

Street upgrade momentum

We expect consensus upgrade momentum for CBG's earnings after positive messages from its analyst meeting on Friday. We maintain our 44% earnings forecast this year and the consensus earnings is 25% below ours. Key messages from the meeting were: 1) a strong export turnaround in 2Q22, 2) domestic energy drink market share gains in 1Q22 after the 20% price hike by the market leader, 3) distribution and bottle sales income from the spirit business more than doubling from last year, and 4) higher raw material costs being more than offset by top-line growth. We estimate CBG's earnings growth at 44/30% in 2022-23F. An upside risk is if the aluminum price falls below our USD3,500/tonne assumption this year. It now is USD3,000/tonne. For each USD100 fall in the price, our earnings would rise by 1%.

Strong export recovery

As we already discussed other key drivers in *CBG – **Growth and quality*** (11 May 2022), this report focuses on exports. Exports made up 47% of total revenue and over 70% of CBG's earnings in 2020. Export revenues fell by 14% in 2021. Note that exports have higher EBIT margin than domestic energy drinks. Cambodia is normally the biggest market, followed by Myanmar, China and others. These markets were subject to lockdowns in 2021. In 1Q22, Myanmar recovered while Cambodia was still weak with almost no exports to China. According to CBG, all markets are back on track in 2Q22. We expect a 34% export growth in 2022F.

Cambodia and Myanmar back strongly

Cambodia is CBG's largest export market accounting for 60% of total exports in the pre-lockdown year in 2020. Its sales fell 20% in 2021 and 10% y-y in 1Q22. The lockdown ended in 2Q22 and CBG, knowing this market well with an 80% market share, is now resuming aggressive promotional campaigns (eg, giving out old neckless and motorbikes as prizes to lucky customers). Orders so far in 2Q22 have nearly returned to pre-lockdown levels. We forecast Cambodia's export growth at 30% this year. Myanmar accounted for 20% of total exports in 2020. Exports fell by 20% in 2021 but recovered strongly by 50% y-y in 1Q22. CBG is resuming its aggressive promotional campaigns in Myanmar and we forecast 70% growth to that market this year.

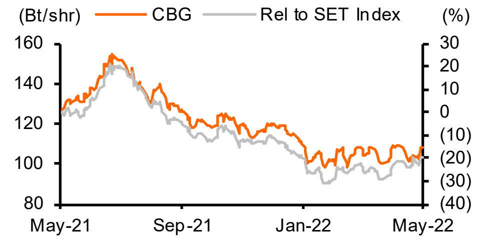
China hiccup ended

China accounted for 11% of exports in 2021. Exports to China fell 71% y-y in 1Q22 due to a hiccup in a new packaging design. The issue was solved in March and CBG will likely sell around 50m units in 2Q22, vs. <10m in 1Q22. Sales were at over 100m units in 2021 and we expect 150m units this year.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	17,364	23,524	27,506	29,348
Net profit	2,881	4,058	5,275	5,864
Consensus NP	—	3,253	3,839	4,379
Diff frm cons (%)	—	*24.7*	*37.4*	*33.9*
Norm profit	2,816	4,058	5,275	5,864
Prev. Norm profit	—	4,058	5,275	5,864
Chg frm prev (%)	—	*0.0*	*0.0*	*0.0*
Norm EPS (Bt)	2.8	4.1	5.3	5.9
Norm EPS grw (%)	(19.8)	44.1	30.0	11.2
Norm PE (x)	38.5	26.7	20.6	18.5
EV/EBITDA (x)	28.5	20.3	15.8	14.1
P/BV (x)	10.6	9.1	7.7	6.7
Div yield (%)	1.8	2.5	3.2	4.1
ROE (%)	27.9	36.6	40.3	38.7
Net D/E (%)	53.1	34.7	15.7	7.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 23-May-22 (Bt)	108.50
Market Cap (US$ m)	3,172.9
Listed Shares (m shares)	1,000.0
Free Float (%)	28.7
Avg Daily Turnover (US$ m)	18.4
12M Price H/L (Bt)	154.50/98.50
Sector	FOOD
Major Shareholder	Sathientham Holding 25%

Sources: Bloomberg, Company data, Thanachart estimates

Strong export recovery

CBG's is seeing a solid recovery across its business lines

Following its business recovery in 1Q22, Carabao Group Pcl (CBG) mentioned at its analyst meeting on Friday that it had seen stronger momentum for all of its business segments in 2Q22. These were strong export sales, market share gains in domestic energy drinks after the 20% price increase by the market leader, and a continued rise in sales for its bottles and distribution business on the back of its clients' market share gains.

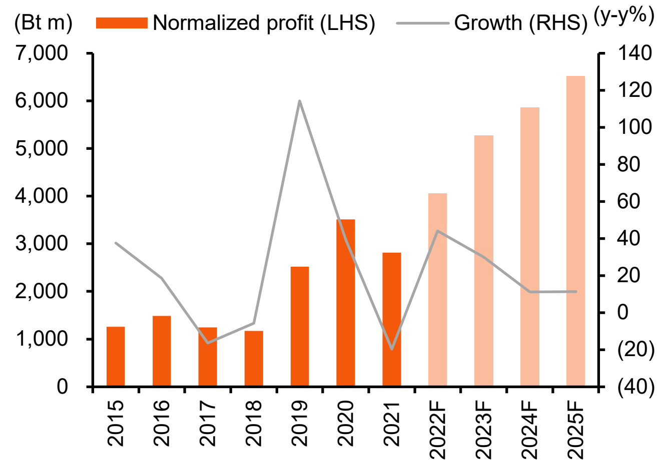
The largest business, exports, is seeing the strongest recovery

We already discussed other key drivers in *CBG – **Growth and quality***, dated 11 May 2022. This report focuses on energy drink exports. Exports accounted for 47% of total sales and over 70% of profits in 2020. The business' revenue fell by 14% in 2021. Cambodia is the largest market at 60% of export sales in 2020, followed by Myanmar at 20% and China at 5%. All of these markets have suffered from COVID lockdowns.

We expect consensus' earnings upgrade momentum

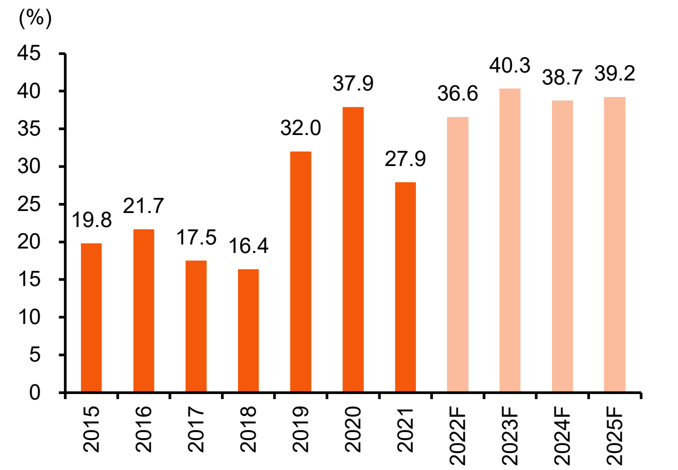
In all, we maintain our Street-high EPS growth forecast of 44% this year. The Bloomberg consensus earnings number is 25% below ours.

Ex 1: EPS Growth



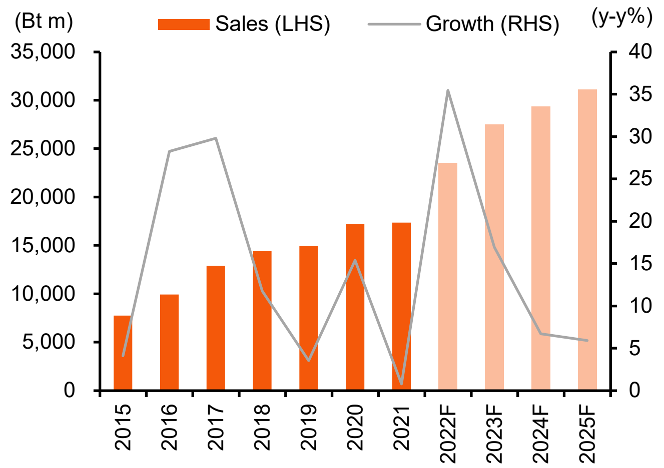
Sources: Company data, Thanachart estimates

Ex 2: ROE Trend



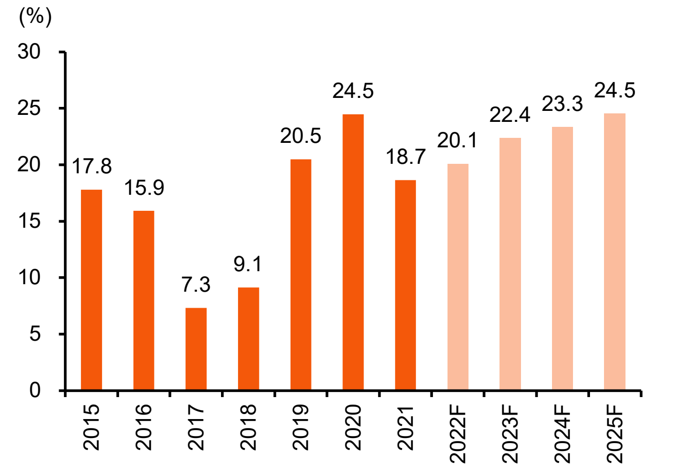
Sources: Company data, Thanachart estimates

Ex 3: Sales Growth



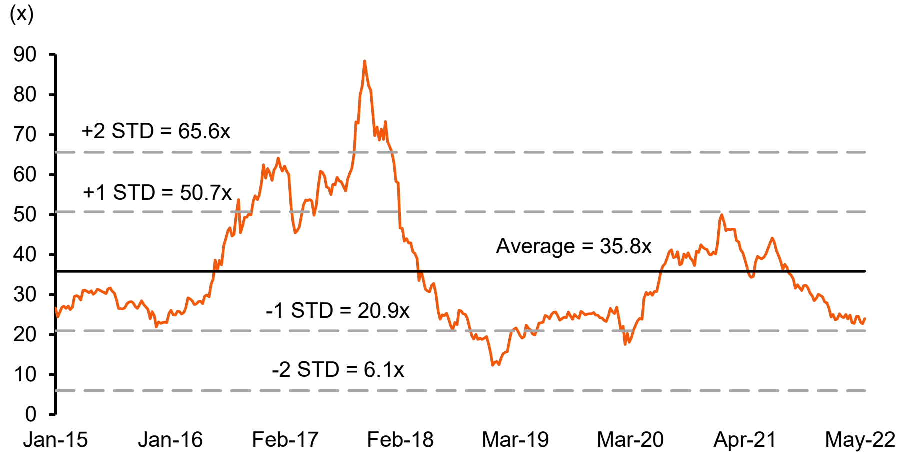
Sources: Company data, Thanachart estimates

Ex 4: EBIT Trend



Sources: Company data, Thanachart estimates

Ex 5: Attractive PE, In Our View



Sources: Bloomberg, Thanachart estimates

Ex 6: Our Key Assumptions

(in Bt m)	2019	2020	2021	2022F	2023F	2024F
Revenues (% growth)	**4**	**15**	**1**	**35**	**17**	**7**
Domestic energy drinks	6,068	5,764	5,383	6,076	6,728	6,930
% growth	(0.5)	(5.0)	(6.6)	12.9	10.7	3.0
Domestic other drinks *	0	220	308	385	443	487
% growth	na	na	40	25	15	10
Distribution **	1,408	2,414	3,568	6,066	7,885	8,516
% growth	38	72	48	70	30	8
Bottle OEM **	0	293	670	1,139	1,481	1,599
% growth	na	na	129	70	30	5
Export energy drinks	6,955	8,098	6,985	9,387	10,511	11,363
% growth	8	16	(14)	34	12	8
- CLMV	6,073	6,875	5,660	7,869	8,754	9,468
% growth	11	13	(18)	39	11	8
- China	478	385	731	892	1,070	1,177
% growth	0	(19)	90	22	20	10
Others	404	838	594	627	687	718
% growth	0	107	(29)	6	10	5
Others	608	443	504	543	543	543
% growth	(25)	(27)	14	8	0	0
Gross margin (%)	38.9	41.0	35.6	33.1	33.8	34.2
SG&A to sales (%)	18.4	16.5	17.0	13.0	11.4	10.9
EBIT margin (%)	20.5	24.5	18.7	20.1	22.4	23.3

Sources: Company data, Thanachart estimates

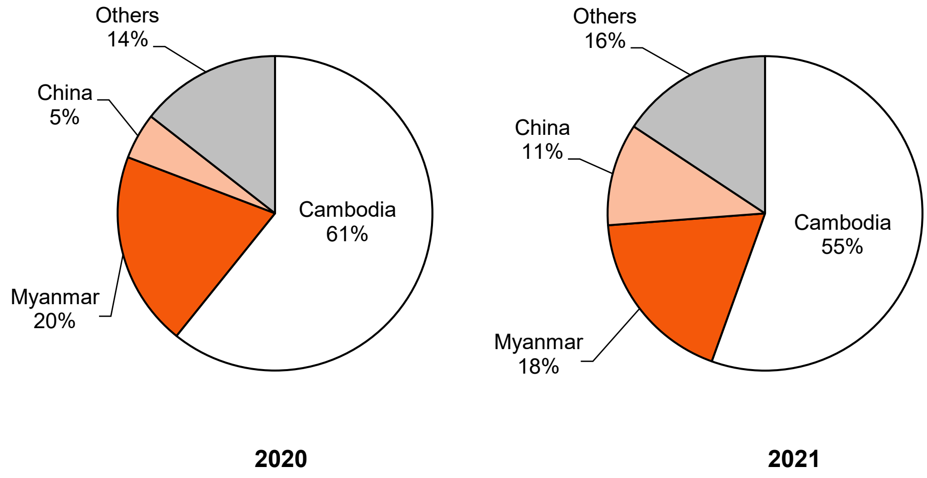
Note: * * Includes C+ Lock and other drinks

** Mainly for spirit products

All three main markets are seeing a recovery

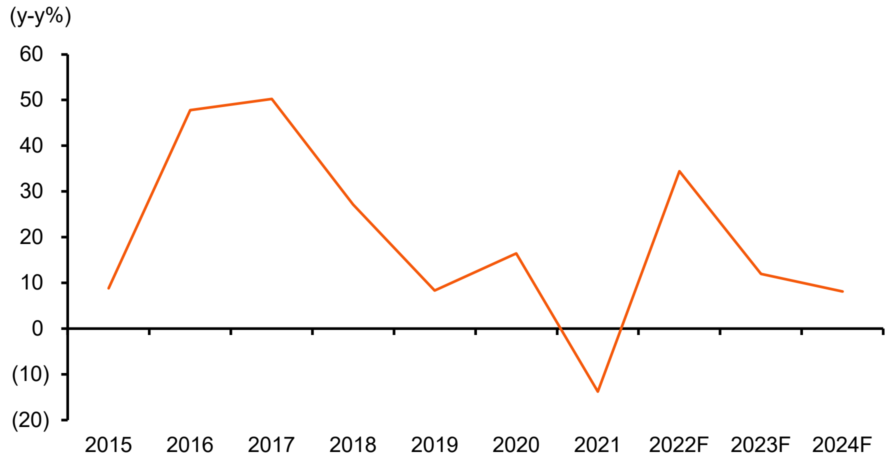
CBG's three main export markets have recovered and we expect for export's strong growth outlook over the next few years. We discuss them below.

Ex 7: Export Breakdown With 2021 Lockdown Hiccup



Sources: Company data, Thanachart estimates

Ex 8: Exports Enjoying A Structural Growth Trend

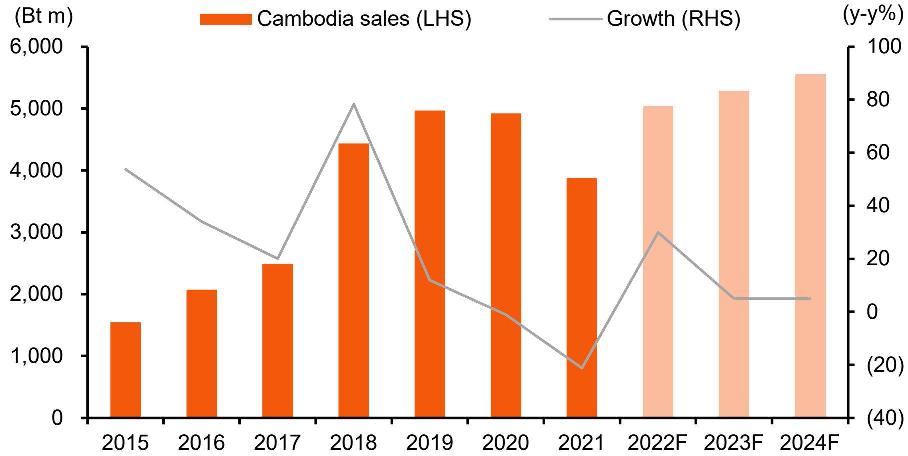


Sources: Company data, Thanachart estimates

Cambodia's recovery

Cambodia: Its sales fell 20% in 2021 and 10% y-y in 1Q22. The lockdown there has ended and sales so far in 2Q22 have returned to near pre-lockdown level. We believe the strong recovery has been a result of both the market's pent-up demand and CBG gaining market share. CBG, leveraging on its market insights and deep pockets with an 80% market share, has been able to push products back onto the market fast, expand its sales team, and carry out an aggressive promotional prized-based campaign. The campaign, eg, giving out gold neckless and motorcycles, or free drinks as prizes to lucky customers, has been key to CBG's success since entering Cambodia in 2013. We also believe it would be difficult for other smaller players to replicate given CBG's much larger business scale. After 2023, we forecast CBG to grow organically along with the Cambodian market by 5% p.a.

Ex 9: Cambodia's Growth



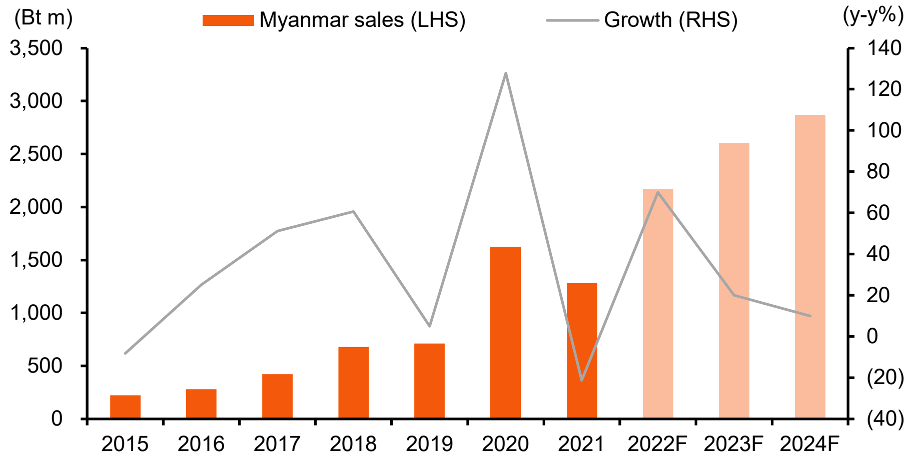
Sources: Company data, Thanachart estimates

Myanmar's continued growth

Myanmar: CBG saw China sales jump by 50% y-y in 1Q22 on both pent-up market demand and its market share gains. We expect CBG to experience continued success in gaining market share.

In 2019, CBG adopted the successful prized-based strategy implemented in Cambodia in Myanmar. CBG then saw its market share there increase from 13% in 2019 to around 30% in 2020. That was approaching the level of the market leader Osotspa Pcl (OSP TB, Bt35.0, SELL). However, the hiccups from the coup and lockdowns in 2021 resulted in difficulties in exporting there and CBG saw its market share fall to 24% while OSP, which has a factory and operation in Myanmar, regained market share, with its market share increasing to 36%. The hiccup has eased and CBG started to see a strong resumption of sales growth in Myanmar in 1Q22 at +50% y-y. We estimate 70% sales growth this year after a 21% drop in 2021. Note that the Myanmar market has been growing at over 10% p.a. and we see it continuing to grow nicely due to the low penetration rate of energy drinks there.

Ex 10: Myanmar's Growth



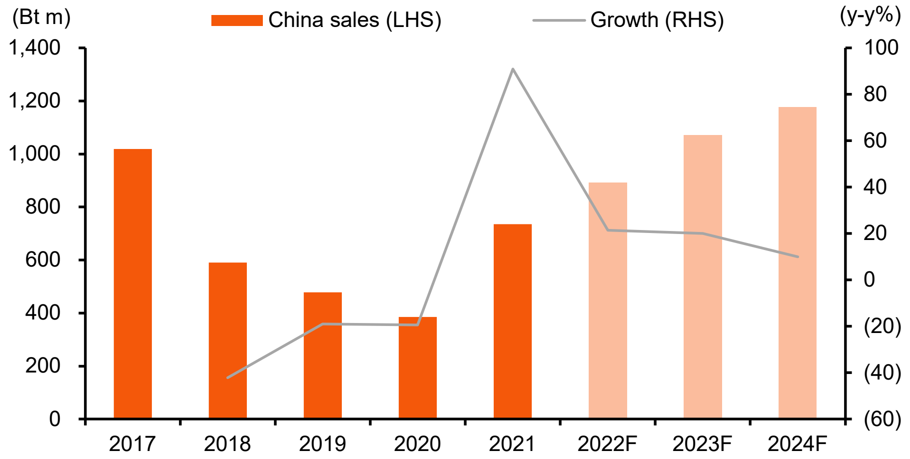
Sources: Company data, Thanachart estimates

China's recovery

China (5% total export): CBG expects to see a significant jump from 2Q22 as CBG China (owned by CBG's major shareholder) has already made substantial orders with CBG itself. Actually, exports to China have become much stronger since 1H21 when it sold around 100m-plus units of energy drinks, vs. 50-70m p.a. in previous years. However, given China's very strict zero-COVID policy where it locks down entire provinces if it finds even a single COVID case, orders to CBG fell to almost zero in 2H21. In 1Q22, CBG also faced an in-house new production packaging hiccup despite orders from China already being strong. The hiccup ended in March and CBG has resumed deliveries to China. CBG expects to sell 150-200m units for 50-100% growth in China this year. We estimate sales of 150/170/180m units in 2022-24F.

China's strength has come after various management changes and business strategy adjustments over the year since CBG entered the country in 2017. CBG China has now narrowed its focus to a few provinces first from a broad-based strategy previously in order to be able to understand its clients better and therefore introduce better marketing and promotional strategies. Note that its total investment budget remains intact despite its more niche focus. That said, the overall performance is still far below what the owners had hoped for as it still has less than a 2% market share, so it plans to become more aggressive.

Ex 11: China's Growth



Sources: Company data, Thanachart estimates

Ex 12: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		5,514	6,960	7,702	8,414	9,229	10,198	11,065	11,837	12,665	13,554	13,999	—
Free cash flow		3,697	5,325	5,164	7,185	7,956	8,827	9,646	10,326	11,052	11,831	12,253	215,244
PV of free cash flow		3,687	4,554	4,082	5,251	5,376	5,554	5,618	5,567	5,516	5,466	5,239	82,176
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	8.2												
Terminal growth (%)	2.0												
Enterprise value - add investments	143,345												
Net debt (2021)	5,370												
Minority interest	(99)												
Equity value	138,074												
# of shares (m)	1,000												
Equity value/share (Bt)	**138.00**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 13: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Yakult Honsha	2267 JP	Japan	2.0	3.4	24.4	23.6	2.4	2.2	13.7	13.2	1.1	1.2
Coca-Cola	KO US	US	6.5	7.7	24.7	22.9	9.9	9.9	21.8	20.3	2.9	2.9
PepsiCo	PEP US	US	6.1	8.9	24.4	22.4	11.6	10.7	17.2	15.9	2.8	2.9
Monster Beverage	MNST US	US	4.9	18.6	32.5	27.4	6.7	6.3	22.3	19.3	0.0	0.0
Sappe PCL	SAPPE TB	Thailand	16.4	16.8	22.5	19.3	3.4	3.2	11.2	9.9	3.0	3.4
Carabao Group PCL*	CBG TB	Thailand	44.1	30.0	26.7	20.6	9.1	7.7	20.3	15.8	2.5	3.2
Osotspa PCL*	OSP TB	Thailand	9.1	8.6	28.5	26.2	5.2	5.2	20.3	18.3	3.6	3.8
Average			**12.7**	**13.4**	**26.2**	**23.2**	**6.9**	**6.5**	**18.1**	**16.1**	**2.3**	**2.5**

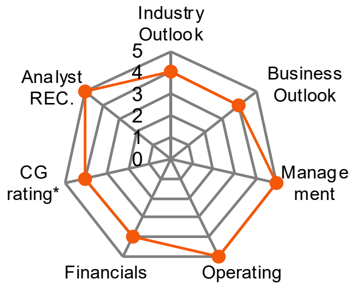
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS.
Based on 23-May-22 closing prices

COMPANY DESCRIPTION

Carabao Group Pcl (CBG) is Thailand's second-largest energy drinks producer with a 22% market share. The company holds 100% stakes in three subsidiaries: CBD (energy drinks manufacturing company), APG (glass bottle production and procurement company), and DCM (distribution company). CBG started producing energy drinks in 2002 and now sells its products both domestically and abroad.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong presence in the domestic beverage market.
- Robust balance sheet.
- Proactive management team.

W — Weakness

- Only organic growth in a mature beverage market.
- Lack of pricing power.
- Heavily reliant on brand ambassador.

O — Opportunity

- Expansions abroad.
- Mergers and acquisitions.

T — Threat

- Domestic consumption and economic conditions.
- New competition in the beverage segment.
- Natural disasters.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	113.82	138.00	21%
Net profit 22F (Bt m)	3,253	4,058	25%
Net profit 23F (Bt m)	3,839	5,275	37%
Consensus REC	BUY: 7	HOLD: 5	SELL: 3

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings are 25-37% ahead of the Bloomberg consensus numbers, which we attribute to us having a more aggressive view on its growth in China and a decent recovery in the Cambodia and Myanmar markets.
- Our DCF-based TP of Bt138 is the highest on the Street.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected growth in domestic sales and exports would represent the key downside risks to our earnings forecasts and TP.
- Lower-than-expected sales growth in the Myanmar and Vietnam markets would pose a secondary downside risk to our earnings forecasts.

Source: Thanachart

We project gross margins to rise over 2022-24F

We expect 44% EPS growth in 2022F

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	17,231	17,364	23,524	27,506	29,348
Cost of sales	10,173	11,181	15,741	18,205	19,297
Gross profit	**7,058**	**6,183**	**7,783**	**9,301**	**10,052**
% gross margin	41.0%	35.6%	33.1%	33.8%	34.2%
Selling & administration expenses	2,840	2,945	3,057	3,148	3,204
Operating profit	**4,218**	**3,239**	**4,727**	**6,153**	**6,848**
% operating margin	24.5%	18.7%	20.1%	22.4%	23.3%
Depreciation & amortization	668	753	823	852	901
EBITDA	**4,886**	**3,992**	**5,549**	**7,005**	**7,749**
% EBITDA margin	28.4%	23.0%	23.6%	25.5%	26.4%
Non-operating income	101	141	190	222	237
Non-operating expenses	0	0	0	0	0
Interest expense	(107)	(89)	(113)	(125)	(135)
Pre-tax profit	**4,211**	**3,291**	**4,803**	**6,250**	**6,950**
Income tax	667	513	764	994	1,105
After-tax profit	**3,544**	**2,778**	**4,039**	**5,256**	**5,845**
% net margin	20.6%	16.0%	17.2%	19.1%	19.9%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(34)	38	19	19	19
Extraordinary items	15	65	0	0	0
NET PROFIT	**3,525**	**2,881**	**4,058**	**5,275**	**5,864**
Normalized profit	**3,510**	**2,816**	**4,058**	**5,275**	**5,864**
EPS (Bt)	3.5	2.9	4.1	5.3	5.9
Normalized EPS (Bt)	3.5	2.8	4.1	5.3	5.9

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	3,992	5,382	6,878	7,981	10,156
Cash & cash equivalent	947	1,134	1,000	1,200	3,000
Account receivables	1,420	1,756	2,378	2,781	2,967
Inventories	1,489	2,337	3,290	3,756	3,928
Others	136	155	209	245	261
Investments & loans	107	103	103	103	103
Net fixed assets	12,032	12,537	12,150	11,743	12,389
Other assets	956	1,164	1,715	1,885	1,965
Total assets	**17,087**	**19,186**	**20,845**	**21,712**	**24,613**
LIABILITIES:					
Current liabilities:	5,655	5,427	5,560	5,030	5,654
Account payables	1,573	1,769	2,490	2,880	3,053
Bank overdraft & ST loans	2,504	3,381	2,662	1,767	2,144
Current LT debt	1,090	0	0	0	0
Others current liabilities	488	278	408	383	457
Total LT debt	**894**	**3,123**	**2,459**	**1,632**	**1,981**
Others LT liabilities	380	525	964	1,010	1,032
Total liabilities	**6,929**	**9,075**	**8,983**	**7,672**	**8,666**
Minority interest	201	(99)	(118)	(137)	(156)
Preferreds shares	0	0	0	0	0
Paid-up capital	1,000	1,000	1,000	1,000	1,000
Share premium	0	0	0	0	0
Warrants	0	0	0	0	0
Surplus	3,905	3,680	3,680	3,680	3,680
Retained earnings	**5,051**	**5,530**	**7,300**	**9,497**	**11,423**
Shareholders' equity	9,956	10,209	11,979	14,177	16,102
Liabilities & equity	**17,087**	**19,186**	**20,845**	**21,712**	**24,613**

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	4,211	3,291	4,803	6,250	6,950
Tax paid	(592)	(741)	(548)	(1,020)	(1,032)
Depreciation & amortization	668	753	823	852	901
Chg In working capital	(652)	(987)	(855)	(478)	(186)
Chg In other CA & CL / minorities	72	(340)	(140)	(35)	(15)
Cash flow from operations	**3,708**	**1,977**	**4,083**	**5,569**	**6,617**
Capex	(1,828)	(1,259)	(400)	(400)	(1,500)
Right of use	(304)	(139)	(330)	(50)	(50)
ST loans & investments	0	0	0	0	0
LT loans & investments	(4)	4	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	133	151	184	(119)	(55)
Cash flow from investments	**(2,003)**	**(1,242)**	**(546)**	**(569)**	**(1,605)**
Debt financing	414	2,081	(1,383)	(1,722)	726
Capital increase	0	0	0	0	0
Dividends paid	(2,100)	(2,400)	(2,288)	(3,078)	(3,938)
Warrants & other surplus	(35)	(228)	0	0	0
Cash flow from financing	**(1,721)**	**(547)**	**(3,671)**	**(4,799)**	**(3,212)**
Free cash flow	**1,880**	**718**	**3,683**	**5,169**	**5,117**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	30.9	38.5	26.7	20.6	18.5
Normalized PE - at target price (x)	39.3	49.0	34.0	26.2	23.5
PE (x)	30.8	37.7	26.7	20.6	18.5
PE - at target price (x)	39.1	47.9	34.0	26.2	23.5
EV/EBITDA (x)	22.9	28.5	20.3	15.8	14.1
EV/EBITDA - at target price (x)	29.0	35.9	25.6	20.0	18.0
P/BV (x)	10.9	10.6	9.1	7.7	6.7
P/BV - at target price (x)	13.9	13.5	11.5	9.7	8.6
P/CFO (x)	29.3	54.9	26.6	19.5	16.4
Price/sales (x)	6.3	6.2	4.6	3.9	3.7
Dividend yield (%)	2.2	1.8	2.5	3.2	4.1
FCF Yield (%)	1.7	0.7	3.4	4.8	4.7
(Bt)					
Normalized EPS	3.5	2.8	4.1	5.3	5.9
EPS	3.5	2.9	4.1	5.3	5.9
DPS	2.4	1.9	2.7	3.5	4.4
BV/share	10.0	10.2	12.0	14.2	16.1
CFO/share	3.7	2.0	4.1	5.6	6.6
FCF/share	1.9	0.7	3.7	5.2	5.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

ROE looks attractive to us at 37% in 2022F

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	15.4	0.8	35.5	16.9	6.7
Net profit (%)	40.6	(18.3)	40.9	30.0	11.2
EPS (%)	40.6	(18.3)	40.9	30.0	11.2
Normalized profit (%)	39.4	(19.8)	44.1	30.0	11.2
Normalized EPS (%)	39.4	(19.8)	44.1	30.0	11.2
Dividend payout ratio (%)	68.1	65.9	65.9	65.9	75.0
Operating performance					
Gross margin (%)	41.0	35.6	33.1	33.8	34.2
Operating margin (%)	24.5	18.7	20.1	22.4	23.3
EBITDA margin (%)	28.4	23.0	23.6	25.5	26.4
Net margin (%)	20.6	16.0	17.2	19.1	19.9
D/E (incl. minor) (x)	0.4	0.6	0.4	0.2	0.3
Net D/E (incl. minor) (x)	0.3	0.5	0.3	0.2	0.1
Interest coverage - EBIT (x)	39.5	36.5	41.8	49.2	50.7
Interest coverage - EBITDA (x)	45.8	45.0	49.0	56.0	57.3
ROA - using norm profit (%)	22.0	15.5	20.3	24.8	25.3
ROE - using norm profit (%)	37.9	27.9	36.6	40.3	38.7
DuPont					
ROE - using after tax profit (%)	38.3	27.6	36.4	40.2	38.6
- asset turnover (x)	1.1	1.0	1.2	1.3	1.3
- operating margin (%)	25.1	19.5	20.9	23.2	24.1
- leverage (x)	1.7	1.8	1.8	1.6	1.5
- interest burden (%)	97.5	97.4	97.7	98.0	98.1
- tax burden (%)	84.2	84.4	84.1	84.1	84.1
WACC (%)	8.2	8.2	8.2	8.2	8.2
ROIC (%)	30.3	20.3	25.5	32.1	35.2
NOPAT (Bt m)	3,549	2,734	3,975	5,175	5,759
invested capital (Bt m)	13,497	15,579	16,100	16,376	17,227

Sources: Company data, Thanachart estimates

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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