

MCOT

MCOT TB / MCOT.BK

18 May 2015

Quarter's outcome worse, as expected

In line with our model

MCOT reported a Bt27m net profit for 1Q15, down 86% YoY and 49% QoQ. The poor earnings were in line with our estimate. This quarter was the first in which MCOT delivered an operating loss, plunging to Bt49m, which was 973% deeper than our estimate, thanks to higher-than-assumed service costs related to digital TV channels. GM in 1Q15 declined to 24.8%—lower than our 29.4% estimate—from 45.5% in 1Q14 and 30% in 4Q14. After-tax profit was 3% short of our model.

Result highlights

The earnings tumble was caused by the ad revenue plunge (related to the weak consumption environment, the first-quarter low season, more intense ad spend competition from new digital TV channels and its continued losses in TV ratings, ad-spend and audience shares), the drops of new media and concession revenues and the increase in the digital-related OPEX (production, programing and license-fee amortization). The firm revamped its TV programs for the HD Channel in March; hence, some of the positive impacts from the March program revamp on its HD Channel have yet to be seen in 2H15.

The top line tumbled 22% YoY and 23% QoQ. TV ad receipts (excluding new media) dived 34% both YoY and QoQ. Revenue from new media was Bt54m, down 28% YoY and 26% QoQ, because many C-band satellite channels that are broadcast through the MCOT satellite network discontinued their operations. Radio ad income remained solid—up 12% YoY but down 27% QoQ. Concession revenue slumped 40% YoY (but rose 9% QoQ) due to True Visions' subscriber migration from its concession with MCOT (the other one already expired in September 2014) to its NBTC-licensed subsidiary. It booked Bt48m in digital network rental revenue in 1Q15, up 30% QoQ.

Outlook

We estimate a Bt50m net profit for 2Q15, down 69% YoY (led by sustained weak consumption climate, no positive impact from its HD Channel's revamp in 2Q15 and continued drop in TV ratings of its HD and Family Channels), but up 83% QoQ (thanks to the second-quarter high season). It has also launched the revamp of its Family Channel during April-May 2015. We are skeptical if such makeovers for its two channels will bear fruit in 2H15, due to its weak programming. We expect its concession revenue from True Visions to hit the minimum of Bt35m/annum in 2016-17. We doubt if it can regain its lost ad-spend and audience shares from other digital players in 2H15.

What's changed?

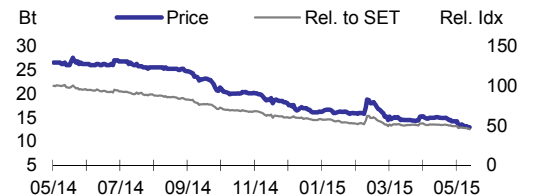
We maintained our FY15 net profit projection unchanged.

Recommendation

Our SELL rating stands, due to its weaker earnings and fundamentals.

Sector: Media Neutral
Rating: SELL
Target Price: Bt10.50
Price (15 May 2015): Bt13.00

Price chart

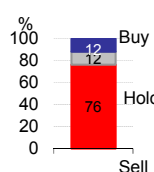


Share price perf. (%)	1M	3M	12M
Relative to SET	(10.4)	(24.9)	(59.0)
Absolute	(13.9)	(30.9)	(51.4)

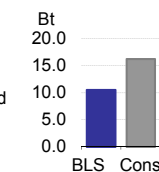
Key statistics

Market cap	Bt8.9bn	USD0.3bn
12-mth price range	Bt12.9/Bt27.5	
12-mth avg daily volume	Bt14m	USD0.4m
# of shares (m)	687	
Est. free float (%)	22.7	
Foreign limit (%)	15.0	

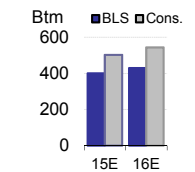
Consensus rating



BLS Target price vs. Consensus



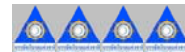
BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2014	2015E	2016E	2017E
Revenues (Btm)	4,284	3,675	3,925	4,184
Net profit (Btm)	504	400	430	466
EPS (Bt)	0.73	0.58	0.63	0.68
EPS growth (%)	-67.0%	-20.5%	+7.3%	+8.5%
Core profit (Btm)	504	400	430	466
Core EPS (Bt)	0.73	0.58	0.63	0.68
Core EPS growth (%)	-68.2%	-20.5%	+7.3%	+8.5%
PER (x)	34.3	22.3	20.8	19.2
PBV (x)	2.3	1.2	1.2	1.2
Dividend (Bt)	0.6	0.4	0.5	0.5
Dividend yield (%)	2.2	3.4	3.6	3.9
ROE (%)	6.6	5.4	5.7	6.1

CG rating



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Securities Fundamental Investment Analyst

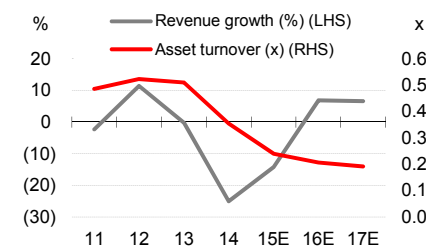
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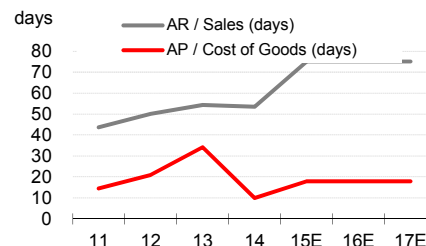
MCOT : Financial Tables – Year

PROFIT & LOSS (Btm)	2013	2014	2015E	2016E	2017E
Revenue	5,715	4,284	3,675	3,925	4,184
Cost of sales and services	(2,727)	(2,677)	(2,458)	(2,413)	(2,407)
Gross profit	2,989	1,607	1,217	1,513	1,778
SG&A	(1,264)	(1,136)	(823)	(997)	(1,151)
EBIT	1,725	471	394	515	626
Interest expense	(14)	(16)	(78)	(155)	(216)
Other income/exp.	269	170	177	183	190
EBT	1,980	625	492	544	600
Corporate tax	(396)	(144)	(114)	(135)	(154)
After-tax net profit (loss)	1,584	481	379	409	446
Minority interest	(1)	23	22	21	20
Equity earnings from affiliates	0	0	0	0	0
Extra items	(56)	0	0	0	0
Net profit (loss)	1,527	504	400	430	466
Reported EPS	2.22	0.73	0.58	0.63	0.68
Fully diluted EPS	2.22	0.73	0.58	0.63	0.68
Core net profit	1,583	504	400	430	466
Core EPS	2.30	0.73	0.58	0.63	0.68
EBITDA	2,264	1,233	1,185	1,338	1,481
KEY RATIOS					
Revenue growth (%)	(0.2)	(25.0)	(14.2)	6.8	6.6
Gross margin (%)	52.3	37.5	33.1	38.5	42.5
EBITDA margin (%)	39.6	28.8	32.3	34.1	35.4
Operating margin (%)	30.2	11.0	10.7	13.1	15.0
Net margin (%)	26.7	11.8	10.9	10.9	11.1
Core profit margin (%)	27.7	11.8	10.9	10.9	11.1
ROA (%)	13.6	4.2	2.6	2.3	2.1
ROCE (%)	19.1	6.5	4.0	3.2	2.9
Asset turnover (x)	0.5	0.4	0.2	0.2	0.2
Current ratio (x)	3.5	2.4	4.1	4.3	4.4
Gearing ratio (x)	0.0	0.0	0.7	1.0	1.3
Interest coverage (x)	121.0	29.6	5.0	3.3	2.9
BALANCE SHEET (Btm)					
Cash & Equivalent	4,337	3,334	5,997	6,667	7,288
Accounts receivable	850	627	755	807	860
Inventory	51	31	37	37	37
PP&E-net	3,988	3,872	4,598	5,406	6,255
Other assets	859	4,657	5,820	7,054	8,430
Total assets	11,168	12,989	17,629	20,413	23,335
Accounts payable	256	73	121	119	119
ST debts & current portion	0	0	0	0	0
Long-term debt	4	54	4,900	7,300	9,810
Other liabilities	115	2,319	2,205	2,355	2,511
Total liabilities	3,208	5,534	10,173	12,849	15,647
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	1,107	1,107	1,107	1,107	1,107
Retained earnings	3,357	2,885	2,908	3,037	3,181
Shareholders' equity	7,899	7,427	7,450	7,579	7,723
Minority interests	61	28	6	(15)	(35)
Total Liab.&Shareholders' equity	11,168	12,989	17,629	20,413	23,335
CASH FLOW (Btm)					
Net income	1,527	504	400	430	466
Depreciation and amortization	539	762	792	823	855
Change in working capital	41	60	(86)	(53)	(53)
FX, non-cash adjustment & others	(711)	(345)	(48)	11	13
Cash flows from operating activities	1,396	982	1,058	1,210	1,281
Capex (Invest)/Divest	(172)	(196)	(1,284)	(1,393)	(1,463)
Others	2,185	(1,543)	(756)	(373)	(388)
Cash flows from investing activities	2,013	(1,739)	(2,040)	(1,766)	(1,851)
Debt financing (repayment)	(5)	(6)	3,149	1,300	1,280
Equity financing	0	0	0	0	0
Dividend payment	(1,580)	(986)	(378)	(300)	(322)
Others	2,185	(1,543)	(756)	(373)	(388)
Cash flows from financing activities	(1,586)	(992)	2,771	1,000	958
Net change in cash	1,824	(1,750)	1,789	444	388
Free cash flow (Btm)	1,224	786	(226)	(183)	(182)
FCF per share (Bt)	1.8	1.1	(0.3)	(0.3)	(0.3)
Key assumptions	2013	2014	2015E	2016E	2017E
Average TV loading factor (%)	80.0%	60.0%	65.0%	70.0%	75.0%
TV ad revenue (Btm)	3,824	2,486	1,608	1,749	1,896
Radio ad revenue (Btm)	956	930	938	939	940
Concession revenue (Btm)	936	593	317	328	340
SG&A/sales (%)	21.6%	26.2%	23.0%	22.5%	15.0%

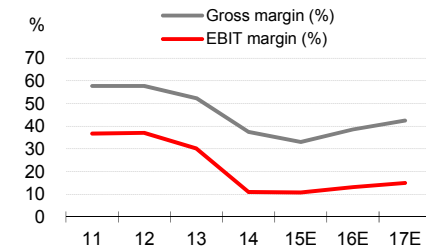
Revenue growth and asset turnover



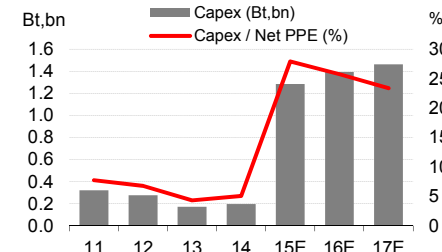
A/C receivable & A/C payable days



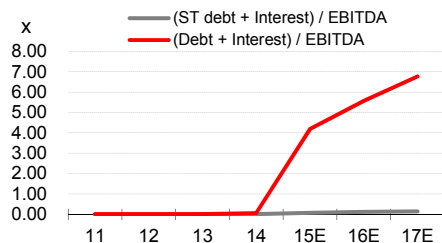
Profit margins



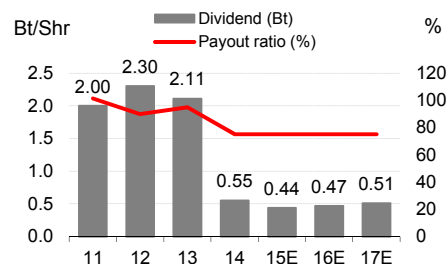
Capital expenditure



Debt serviceability



Dividend payout



MCOT : Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q14	2Q14	3Q14	4Q14	1Q15
Revenue	1,062	1,126	1,088	1,008	805
Cost of sales and services	(593)	(681)	(708)	(696)	(606)
Gross profit	469	445	380	312	199
SG&A	(280)	(283)	(288)	(286)	(249)
EBIT	190	162	92	26	(49)
Interest expense	(3)	(3)	(4)	(4)	(5)
Other income/exp.	51	46	30	42	83
EBT	237	205	119	64	29
Corporate tax	(48)	(49)	(28)	(19)	(6)
After-tax net profit (loss)	189	156	91	45	22
Minority interest	9	7	(1)	8	5
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
Net profit (loss)	198	163	90	54	27
Reported EPS	0.29	0.24	0.13	0.08	0.04
Fully diluted EPS	0.29	0.24	0.13	0.08	0.04
Core net profit	198	163	90	54	27
Core EPS	0.29	0.24	0.13	0.08	0.04
EBITDA	330	355	308	239	152

KEY RATIOS

Gross margin (%)	44.2	39.5	34.9	31.0	24.8
EBITDA margin (%)	31.0	31.6	28.3	23.7	18.8
Operating margin (%)	17.9	14.4	8.5	2.6	(6.1)
Net margin (%)	18.6	14.5	8.2	5.3	3.4
Core profit margin (%)	18.6	14.5	8.2	5.3	3.4
BV (Bt)	11.9	11.0	10.8	10.9	10.9
ROE (%)	9.8	8.7	4.9	2.9	1.5
ROA (%)	5.6	4.9	2.7	1.7	0.9
Current ratio (x)	3.4	2.2	2.0	2.4	2.5
Gearing ratio (x)	0.0	0.0	0.0	0.0	0.0
Interest coverage (x)	55.2	46.8	25.7	6.2	n.m.

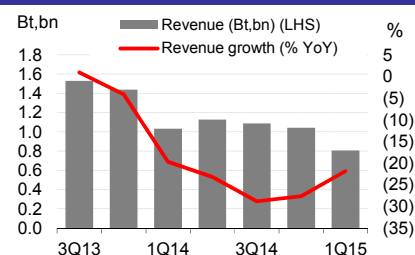
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	3,571	3,269	3,646	3,334	3,372
Accounts receivable	676	727	668	627	530
Inventory	54	64	50	31	27
PP&E-net	4,090	4,019	3,944	2,707	2,613
Other assets	4,946	4,877	4,796	5,911	5,846
Total assets	14,199	13,344	13,487	12,989	12,804
Accounts payable	301	219	175	73	64
ST debts & current portion	6	6	16	32	33
Long-term debt	3	5	25	54	48
Other liabilities	4,524	3,746	3,693	3,637	3,565
Total liabilities	6,050	5,812	6,077	5,534	5,326
Paid-up capital	3,435	3,435	3,435	3,435	3,435
Share premium	3,555	2,955	2,831	2,885	2,912
Retained earnings	3,555	2,955	2,831	2,885	2,912
Shareholders equity	8,097	7,497	7,374	7,427	7,455
Minority interests	52	35	36	28	23
Total Liab.&Shareholders' equity	14,199	13,344	13,487	12,989	12,804
Average TV loading factor (%)	1Q14	2Q14	3Q14	4Q14	1Q15
Average TV loading factor (%)	64.0%	75.0%	84.0%	66.0%	65.0%
TV ad revenue (Btm)	586	653	660	585	387
Radio ad revenue (Btm)	183	218	250	278	204
Concession revenue (Btm)	186	183	121	103	112
New media & digital network rev (Btm)	75	72	58	73	102

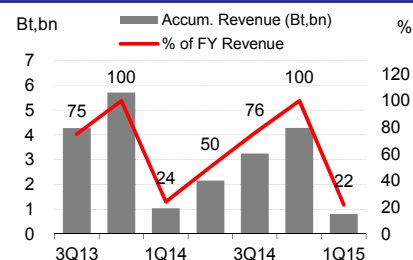
Company profile

MCOT Plc (MCOT) operates a free-to-air national terrestrial TV station, ModerNine, and 62 radio stations across the country. The broadcaster also collects a percentage of the revenues generated by two TV operators that have MCOT-granted concessions—Bangkok Entertainment Plc (a subsidiary of BEC) and UBC (or TRUE Visions). Bangkok Entertainment operates the nationwide terrestrial TV station, Channel 3. In FY14, Bangkok Entertainment paid Bt191m in revenue share to MCOT. TRUE Vision runs a multichannel pay TV business over fiber-optic cable and satellite. It pays 6.5% of its revenue to MCOT. In FY14 it paid Bt382m.

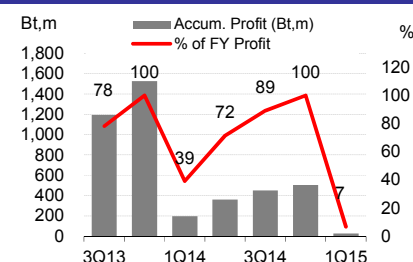
Revenue trend



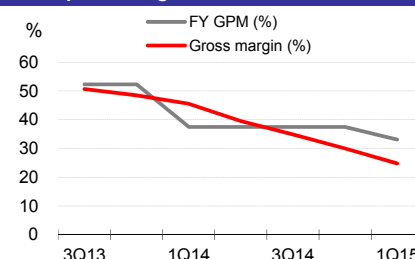
Revenue trend (accumulated)



Net profit trend (accumulated)



Gross profit margin



EBIT margin

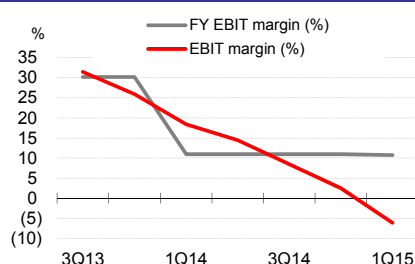


Figure 1 : 1Q15 results

FY Ended 31 Dec (Btm)	1Q15	1Q14	YoY %	4Q14	QoQ %	3M15	3M14	YoY %	3M15 vs. FY15E	
Income Statement										
Revenue	805	1,030	(22)	1,040	(23)	805	1,030	(22)	22	• Ad income was 6% above our estimate
Cost of sales and services	(606)	(561)	8	(728)	(17)	(606)	(561)	8	25	• Gross profit was 11% short of our expectation
EBITDA	152	330	(54)	239	(37)	152	330	(54)	13	
SG&A	(249)	(280)	(11)	(286)	(13)	(249)	(280)	(11)	30	• GM was 24.8%; below our assumption of 29.4%
EBIT	(49)	190	(126)	26	nm	(49)	190	nm	nm	
Interest expense	(5)	(3)	33	(4)	8	(5)	(3)	33	6	
Other income/exp.	83	51	62	42	96	83	51	62	47	
Equity earnings from affiliates	0	0	nm	0	nm	0	0	nm	nm	• The first quarter of operating loss of Bt49m, 973% deeper loss than estimated
Extra items	0	0	nm	0	nm	0	0	nm	nm	
EBT	29	237	(88)	64	(55)	29	237	(88)	6	
Corporate tax	(6)	(48)	(87)	(19)	(66)	(6)	(48)	(87)	6	
Minority interest	5	9	(43)	8	(42)	5	9	(43)	22	
Net profit (loss)	27	198	(86)	54	(49)	27	198	(86)	7	
Reported EPS	0.04	0.29	(86)	0.08	(49)	0.04	0.29	(86)	7	
Core net profit	27	198	(86)	54	(49)	27	198	(86)	7	
Key ratios										
Gross margin (%)	24.8	45.5		30.0		24.8	45.5			• After-tax profit was 3% below our estimate
EBITDA margin (%)	18.8	32.0		23.0		18.8	32.0			
EBIT margin (%)	(6.1)	18.4		2.5		(6.1)	18.4			
SG&A / Revenue (%)	30.9	27.1		27.5		30.9	27.1			• Net profit was 3% short of our estimate
Tax rate (%)	22.1	20.3		29.5		22.1	20.3			
Net margin (%)	3.4	19.2		5.2		3.4	19.2			
Current ratio (x)	2.5	3.4		2.4		2.5	3.4			
Gearing ratio (x)	0.0	0.0		0.0		0.0	0.0			
Interest coverage (x)	nm	nm		nm		nm	nm			
Balance Sheet										
Cash & Equivalent	3,372	3,571	(6)	3,334	1					
Total assets	12,804	14,199	(10)	12,989	(1)					
ST debts & current portion	33	6	nm	32	3					
Long-term debt	48	3	nm	54	(10)					
Total liabilities	5,326	6,050	(12)	5,534	(4)					
Retained earnings	2,912	3,555	(18)	2,885	1					
Shareholders equity	7,455	8,097	(8)	7,427	0					
Minority interests	23	52	(56)	28	(18)					
BV (Bt)	10.9	11.9	(8)	10.9	0					

Sources: Company data, Bualuang Research estimates

Figure 2: 1Q15 revenue and gross profit breakdown

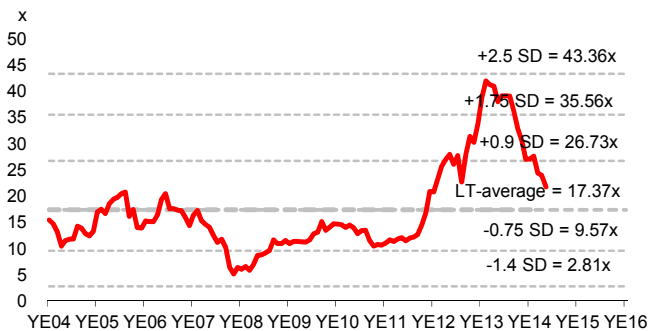
	1Q15	1Q14	% YoY	4Q14	% QoQ
Total revenue	805	1,029	(21.8)	1,040	(22.6)
- TV	387	586	(34.0)	585	(33.8)
- New media and digital network	102	75	36.0	73	39.7
- Radio	204	182	12.1	279	(26.8)
- Concession	112	186	(39.9)	103	9.0
Total cost of services	(606)	(561)	8.0	(728)	(16.8)
- Cost of TV & radio & new media	(562)	(522)	7.7	(683)	(17.7)
- Cost of concession	(43)	(39)	12.0	(44)	(2.6)
Gross profit	199	469	(57.5)	312	(36.2)
- TV & radio & new media	131	321	(59.3)	253	(48.4)
- Concession	69	148	(53.4)	58	17.8
Gross margin (%)	24.8%	45.6%		30.0%	
- TV & radio & new media	18.8%	38.0%		27.0%	
- Concession	61.5%	79.3%		56.9%	

Source: Company data

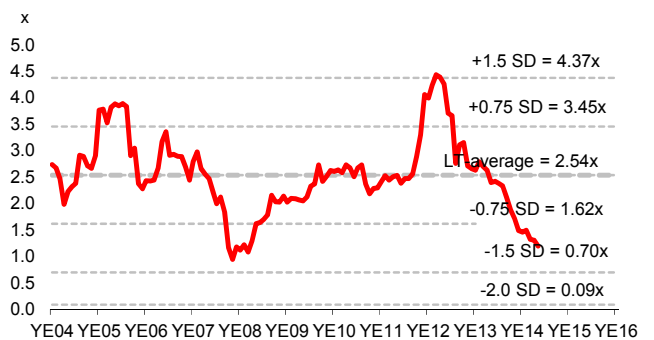
Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E	2015E	2016E
Abs-Cbn Corp	ABS PM	PHP61.9	1,186	21.1	14.4	4.6	47.8	1.9	1.7	9.0	12.0	1.0	1.4
Gma Network Inc	GMA7 PM	PHP6.3	478	25.8	16.4	-44.6	73.7	n.a.	n.a.	14.2	20.7	4.1	2.4
Sun Tv Network Ltd	SUNTV IN	INR347.4	2,161	17.7	15.1	3.3	16.9	4.1	3.8	23.6	25.6	3.6	3.7
Zee Entertainment Enterprise	Z IN	INR301.1	4,564	32.3	27.9	1.6	16.3	6.1	5.3	21.4	21.2	0.8	1.0
Television Broadcasts Ltd	511 HK	HKD53.2	3,006	14.5	13.8	264.3	5.1	2.7	2.6	18.8	18.2	4.9	5.2
Phoenix Satellite Television	2008 HK	HKD3.0	1,903	26.8	21.1	199.7	27.3	2.6	2.4	10.5	12.0	1.7	1.6
Nippon Television Network	9404 JP	JPY2,187.0	4,832	16.3	14.9	22.8	8.8	1.0	0.9	6.0	6.4	1.5	1.6
Tokyo Broadcasting System	9401 JP	JPY1,581.0	2,521	25.0	23.7	3.7	5.4	0.7	0.7	2.8	3.0	1.2	1.3
Tv Asahi Corp	9409 JP	JPY2,096.0	1,905	19.2	18.4	-7.2	3.7	0.8	0.7	4.0	4.3	1.6	1.8
Beijing Gehua Catv Network-A	600037 CH	CNY31.7	5,968	42.1	31.1	35.7	34.1	4.8	4.2	11.7	13.4	0.9	1.2
BEC World	BEC TB	THB37.75	2,255	22.9	21.4	-25.3	6.8	9.5	8.8	40.7	45.0	4.0	4.3
GMM Grammy	GRAMMY TE	THB13.50	331	n.m.	26.0	n.m.	n.m.	3	3	-0.3	12.7	0.0	0.0
Major Cineplex Group	MAJOR TB	THB34.50	918	23.7	21.3	19.4	11.2	4.6	4.4	19.9	21.1	3.6	4.0
MCOT	MCOT TB	THB13.00	267	22.3	20.8	-20.5	7.3	1.2	1.2	5.4	5.7	3.4	3.6
Plan B Media	PLANB TB	THB4.88	510	42.5	29.8	44.3	42.7	6.2	5.5	22.8	19.6	1.2	1.7
RS	RS TB	THB14.00	420	35.6	18.7	8.4	90.6	7.4	6.3	22.2	37.5	1.7	3.2
VGI Global Media	VGI TB	THB4.42	906	31	22	-27.4	41.9	6.8	4.0	32.8	23.1	2.8	4.1
Workpoint Entertainment	WORK TB	THB35.50	442	58.4	50.3	676.6	16.0	4.7	4.4	10.5	9.2	0.9	1.0
Simple average				28.1	22.6	68.2	26.8	4.0	3.5	15.3	17.3	2.2	2.4

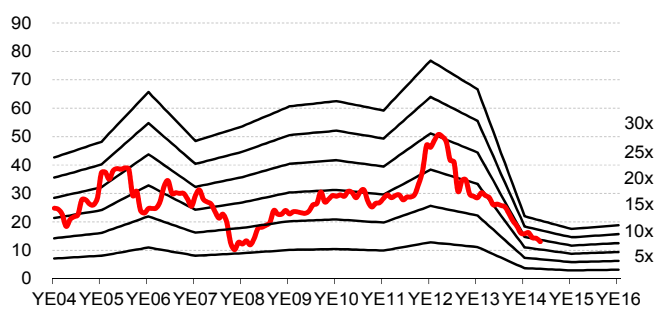
PER band versus SD (next 12 months)



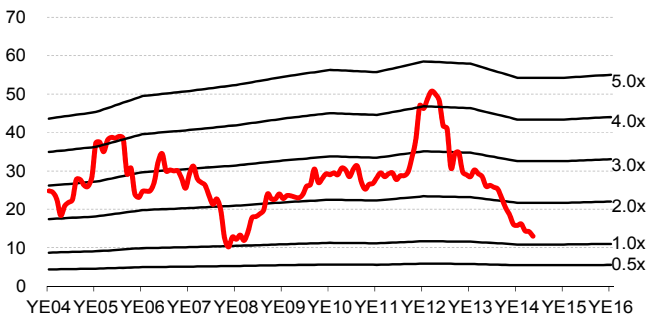
PBV band versus SD (next 12 months)



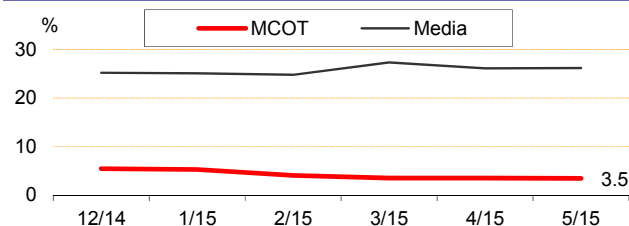
PER band and share price



PBV band and share price



Foreign holding








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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.