

## More than relaxation: post-pandemic play

- SPA is a leading player in Thailand's fragmented spa market
- Net profit is expected to grow 13% in 25E & 11% CAGR in 3 years
- Initiated with a BUY and TP of THB6.5

### A small giant in a thriving spa market

Thailand's wellness tourism industry, valued at THB57.5b in 2019, continues to expand, driven by strong demand for Thai massage and spa services. Siam Wellness Group (SPA), a key player in this sector, holds only 3% market share, with significant room to grow in a large and expanding total addressable market (TAM). As wellness tourism rebounds, SPA is well-positioned to capture increasing demand and strengthen its market presence.

### SPA's play on Thailand's tourism recovery

Thailand's tourism sector continues to recover, with 40m arrivals projected in 2025E, a 12% increase from 2024. As a key player in wellness tourism, SPA benefits directly from rising tourist inflows, with 70% of its customers being international visitors. While Chinese arrivals remain below pre-COVID levels, strong demand from other markets, including Malaysia, India, Korea, and Russia, supports SPA's growth. The company is well-positioned to capitalize on Thailand's expanding tourism industry and increasing wellness tourism trends.

### Full speed ahead, resuming aggressive expansion

For the first time since pre-COVID, SPA is resuming aggressive expansion, planning to open 10 new branches in 2025E, a 13% increase in store count. This marks a return to its pre-pandemic growth strategy, aiming to enhance accessibility and capture rising wellness demand. With strategic locations targeting high-tourist areas, SPA is set to strengthen its market position and capitalize on Thailand's expanding wellness tourism sector.

### SPA's path to higher earnings

For 2024, SPA reported THB1.6b in revenue (+13% y-y) and net profit of THB309m (+19% y-y). Looking ahead, we project SPA's revenue at THB 1.9b (+16% y-y) in 2025E, driven by an improved tourist traffic, a 5% price adjustment, and the 10 new branches (+13% store count). Net profit is expected to increase to THB344m in 2025E. Currently trading at 19x 2025E P/E, SPA is fairly valued but holds upside potential as Thailand's leading spa operator, well-positioned to capitalize on the expanding wellness tourism market.

### Initiated with a BUY and TP of THB6.5

We initiate coverage on SPA with a BUY and a TP of THB6.5, based on a 2025E P/E of 24x, which we view as a fair valuation for Thailand's leading spa operator. Despite the gradual recovery of Chinese tourists—SPA's key customer base—the company has already surpassed its pre-COVID revenue and net profit levels, demonstrating its strong business resilience and the attractiveness of Thailand's wellness industry.

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ESG Rating : -

CG Rating : -

## BUY

<b>Target Price 12M (THB)</b>	<b>6.50</b>
VS. BB Consensus TP (%)	-31.7%
Share Price (THB)	5.65
Upside/Downside	+16.1%

### Share Data

Market Cap (THB m)	7,246.12
Par (THB)	0.25
Free Float (%)	57.74
Issued shares (m shares)	1,283

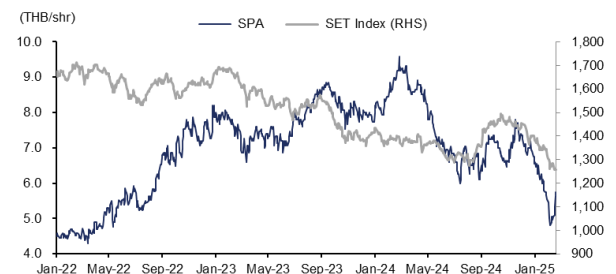
### Financial forecast

YE Dec (THB m)	2024	2025E	2026E	2027E
Revenue	1,629	1,918	2,110	2,321
Net profit	309	342	378	417
Core net profit	309	342	378	417
vs Consensus (%)	-	(6.7)	(11.8)	n/a
Net profit growth (%)	(6.9)	10.7	10.6	10.2
Core net profit growth (%)	(6.9)	10.7	10.6	10.2
EPS (THB)	0.24	0.27	0.30	0.33
Core EPS (THB)	0.24	0.27	0.30	0.33
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	0.10	0.11	0.12	1.13
P/E (x)	28.00	21.18	19.15	17.38
P/BV (x)	6.55	7.22	5.13	4.39
ROE (%)	29.45	26.21	24.73	36.65
Dividend yield (%)	2.01	1.48	1.96	2.17

Source: Financial Statement and Globlex securities

### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(4.17)	(23.84)	(15.44)	(14.81)
Market	3.13	(10.58)	(9.84)	(4.24)
12M High/Low (THB)				9.87 / 4.60



### Major Shareholders (%) as of 28 Nov 2024

MR. WIBOON UTAHAJIT	11.27
MR. PRASERT JIRAVANSTIT	9.72
MRS. PRANEE SUPHAWATANAKIAT	8.01

### Company Profile

Siam Wellness Group PLC. operates the business of wellness spa and other related businesses. 1.Spa: The spa business under the brands "Let's Relax" "RarinJinda Wellness Spa" "Baansuan Massage" "Stretch me by Let's Relax" and "Dr. Spiller Pure Skin Care Solutions" 2.Hotel and Restaurant: A boutique hotel resort in Chiang Mai under the name "RarinJinda Wellness Spa Resort", managed "Rarin Villas" and a restaurant under the name "Deck 1" and cado "ORB Cafe & Bar" in Chiangmai Province and Pattaya City. 3.Sale of Spa Products and 4.School of Traditional Thai Massage: Source: SETSMART, SET

# More than relaxation: post-pandemic play

## Relax, rejuvenate, and rise

The global wellness tourism industry has witnessed exponential growth over the past decade, with Thailand emerging as one of the leading destinations for health and wellness services.

According to the Global Wellness Institute, wellness tourism in Thailand generated around THB57.5b in revenue in 2019. Thai massage, remains a key driver of this sector, attracting millions of visitors annually who seek relaxation.

Within this thriving industry, Siam Wellness Group (SPA) has established itself as a leading player, offering a diverse range of spa, massage, and wellness services that cater to both local and international customers.

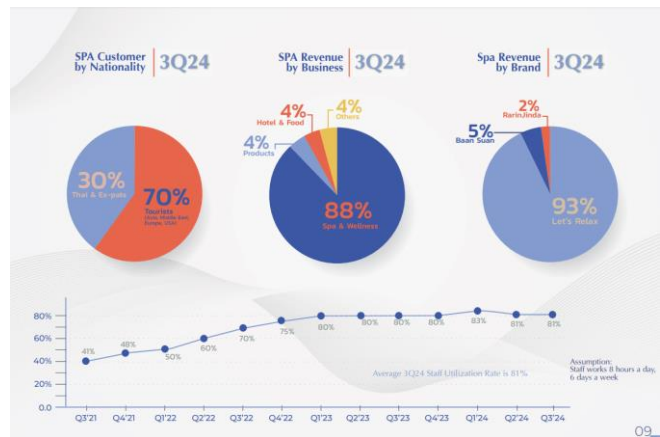
Despite being a dominant leader in Thailand's spa and massage market, SPA holds only around a 3% market share, with its closest competitor, Healthland, having approximately 1.5%. This indicates significant room for growth in a large and expanding total addressable market (TAM). As demand for wellness services continues to rise, SPA is well-positioned to capitalize on market opportunities and further strengthen its presence in the wellness tourism industry.

**Exhibit 1: SPA's businesses overview**



Sources: SPA

**Exhibit 2: 3Q24 revenue breakdown**



Sources: SPA

Currently, SPA primarily targets the premium mass customer segment through its "Let's Relax" brand, which contributes over 80% of total revenue. The company also caters to the mass market with its "BaanSuan Massage" brand and serves the premium segment under "RarinJinda."

Tourists remain the core customer base, accounting for 70% of SPA's clientele for 2024, reflecting a strong recovery from the 60:40 tourist-to-local ratio seen in 2023. However, this is still below the pre-COVID peak of 75:25, indicating further potential for growth as international travel continues to rebound.

**Exhibit 3: SPA's brands as of 3Q24**



Sources: SPA

**Exhibit 4: SPA's brands as of 3Q24**



Sources: SPA

SPA since its IPO until 2019 has a revenue growth over 25% CAGR from both store branches expansion and the growth from tourist arrival. However, the COVID-19 pandemic has stopped the growth momentum from 2020-2022, driving up the loan from around THB400m up to over THB800m in 2022. And as of 3Q24, the interest-bearing debt has reduced back to its normal level of below THB400m from an increase of capital and operational excellence in 23 and 24E.

**Exhibit 5: Revenue from 2016-2019**



Sources: SPA

**Exhibit 6: Tourist arrival from 2005-2019**



Sources: SPA

With tourist traffic now recovering to 90% of 2019 levels and gradually normalizing, 2025 is expected to be a year of sustained growth momentum, continuing the trajectory set before the pandemic. SPA's growth is driven by two key factors: 1) the continued expansion of Thailand's tourism sector, and (2) aggressive branch expansion, allowing SPA to capture a larger market share and enhance accessibility to its services.

**SPA's play on Thailand's tourism recovery**

Thailand's tourism sector has experienced a significant rebound, with 35.5 million international arrivals recorded in 2024, marking a 26% y-y increase, aligning with the Tourism Authority of Thailand's (TAT) target. Looking ahead to 2025E, TAT has set a goal of 40m arrivals, a 12% growth from 2024. This recovery is being driven by increased international flight capacity, and strong demand for Thailand as a top global destination for leisure and wellness tourism.



**Exhibit 7: Tourist arrivals from 1-Jan to 2-Feb-25**



Sources: Economics Tourism and Sports Division

**Exhibit 8: Tourist arrivals in 2024**



Sources: Economics Tourism and Sports Division

In January 2025 alone, 3.7m tourists arrived, a 23% increase from Jan-24's 3m arrivals. Given that the average monthly arrivals in 2024 stood at 3m, the sharp rise in early 2025 strengthens confidence in reaching the annual target. This positive trend is expected to sustain strong demand for Thailand's wellness and spa industry.

**Impact of Tourism Trends on SPA's Customer Base**

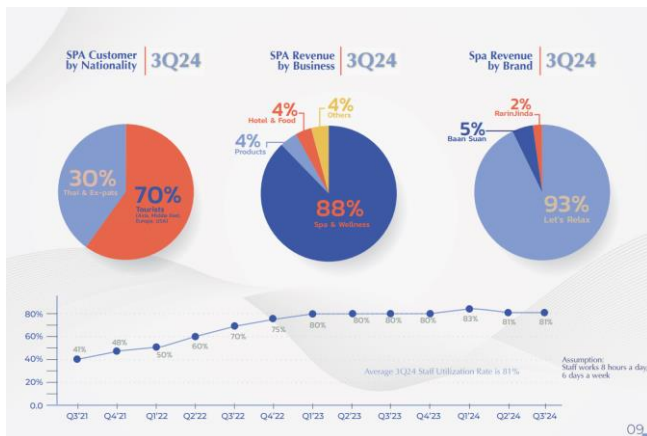
Currently, SPA's customer base consists of 70% foreign tourists and 30% local customers, making the company highly sensitive to fluctuations in Thailand's tourism sector. Before the pandemic, Chinese tourists were the dominant segment, contributing 55% of SPA's total revenue.

However, this proportion has now declined to 40%, while customers from the Middle East have increased their share from 2% to 6%. This shift reflects the changing dynamics of international travel and the evolving tourist demographics in Thailand.

The slower recovery of Chinese tourists remains a key challenge for SPA and Thailand's tourism. In 2024, Chinese arrivals reached 6.7m, still significantly below the 11m recorded in 2019, representing only 60% of pre-COVID levels.

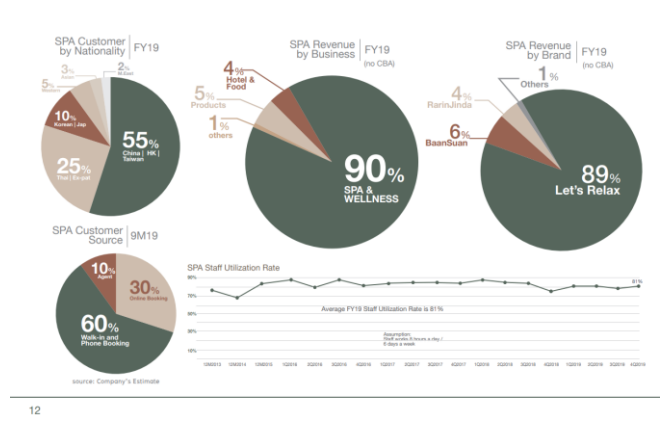
In contrast, tourist arrivals from Malaysia, India, South Korea, and Russia have surpassed pre-pandemic levels, diversifying SPA's customer mix. Moving forward, SPA's growth will depend on two major factors: the continued expansion of Thailand's tourism industry and the gradual recovery of Chinese tourist arrivals. As international travel normalizes and China's outbound tourism recovers, SPA is expected to regain momentum and strengthen its position in the market.

**Exhibit 9: Operational breakdown in 3Q24**



Sources: SPA

**Exhibit 10: Operational breakdown in 2019**

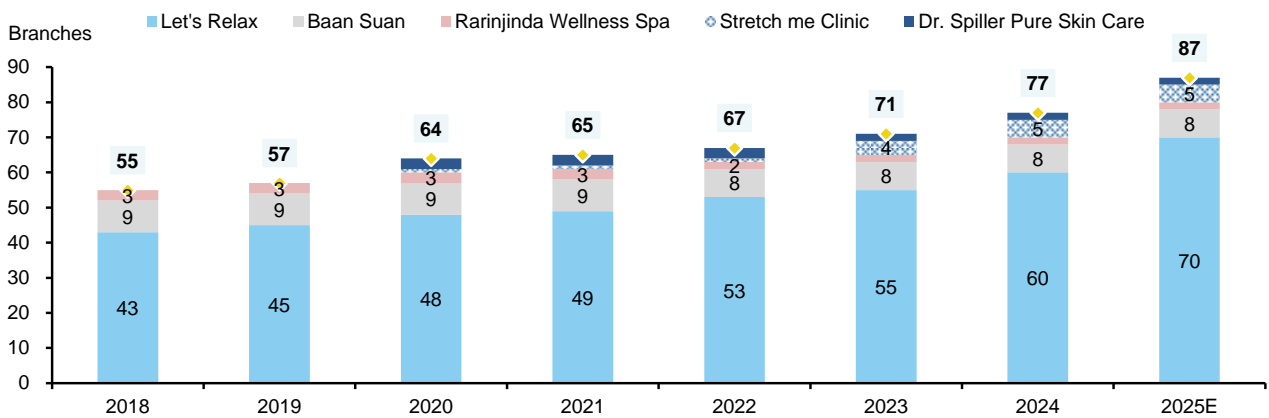


Sources: SPA

## Full speed ahead, resuming aggressive expansion

While tourism remains an external factor beyond SPA’s control, the company is actively expanding its accessibility to drive growth. Following its IPO, SPA aggressively expanded its store count, more than doubling its locations until 2018-2019. The COVID-19 pandemic abruptly halted this expansion, shifting the company’s focus toward sustaining operations. In 2024, SPA resumed its expansion efforts, and 2025 is expected to mark a return to its pre-COVID growth pace, with plans to open 10 new branches, representing a 13% increase from its current store count. This strategic expansion will enhance SPA’s market presence, improve accessibility for both local and international customers, and capitalize on Thailand’s growing wellness tourism sector.

Exhibit 11: SPA’s store count from 2018-2025E

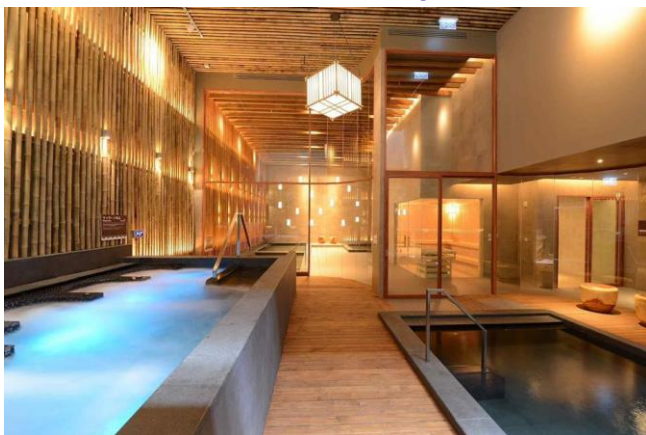


Sources: SPA

### Diversification into Onsen and Hotel Spa Management

Beyond traditional Thai massage services, SPA has expanded into the Onsen business and Hotel Spa Management, further diversifying its revenue streams. The company currently operates two Let’s Relax Onsen branches in Thonglor and Pattaya, with a third location set to open in Lumpini in 1Q25E. The Onsen business presents an attractive investment opportunity due to its lower operating costs and comparable payback period of 3 years, similar to traditional Let’s Relax branches. However, it requires a significantly higher CAPEX of THB80-100m per location, compared to THB10-20m for a standard Let’s Relax branch.

Exhibit 12: Let’s Relax Onsen Thonglor



Sources: SPA

Exhibit 13: Hotel spa management

**Let’s Relax Continued Expansion**  
(SPA OPERATING ON HOSPITALITY BUSINESS)

Let’s Relax Spa, Thailand’s Leading Boutique Day Spa Chain has been honoured to be selected by International Hotel Chains and Local Hotel Owner to manage and operated their Spa Facilities including:

Sources: SPA



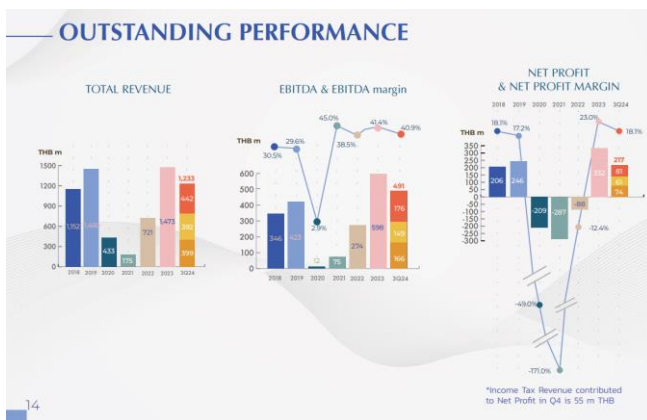
In addition, SPA has successfully ventured into hotel spa management, leveraging its expertise in spa operations to generate additional income without the need of CAPEX. This initiative, initially developed during the pandemic as a means of revenue diversification, allows SPA to manage spa facilities for leading hotel brands without investing in infrastructure, ensuring profitability from the outset. Currently, SPA manages spa services for more than 15 hotel brands, reinforcing its presence in the high-end wellness market and solidifying partnerships within the premium hospitality sector.

**Expansion strategy vs. Chinese tourist dependency**

SPA has set ambitious revenue targets of THB2.0b in 2025E, representing 23% growth y-y. Given the projected 40m tourist arrivals in 2025E, a 13% increase from 2024, and the planned expansion of 10 new branches (13% growth in store count), we believe this target is achievable. However, SPA's ability to capture this growth will depend on the recovery of its key customer base, particularly Chinese tourists, who remain a significant driver of revenue.

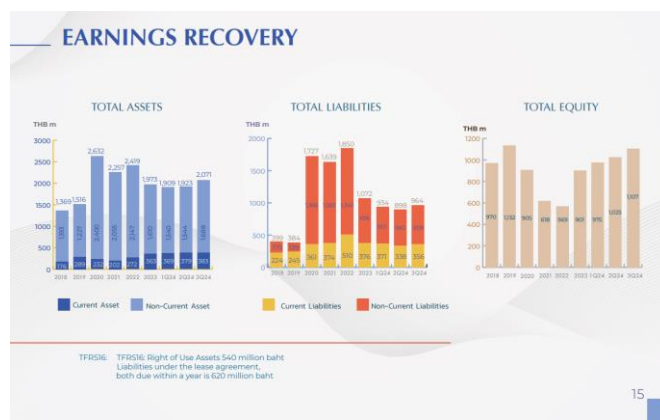
Despite being SPA's largest customer segment, Chinese tourist arrivals remain well below pre-COVID levels at 6.7m in 2024 vs 11m in 2019, a shortfall of 40%. Given China's economic slowdown and the Chinese government's emphasis on promoting domestic tourism, we anticipate only a modest recovery in Chinese arrivals in 2025E, limiting SPA's ability to fully capitalize on broader tourist growth. While other markets such as Malaysia, India, Korea, and Russia have shown strong improvements, SPA's revenue growth will hinge on whether the Chinese segment can regain momentum in the medium term.

**Exhibit 14: 9Q24 Performance**



Sources: SPA

**Exhibit 15: 9M24 SPA's asset breakdown**



Sources: SPA

**Exhibit 16: 3Q24 branch opening**



Sources: SPA

**Exhibit 17: 3Q24 branch opening**



Sources: SPA

For 2024, SPA reported THB 1.6b in revenue (+13% y-y), with a GPM of 32%, improving from 30% in 2023 and 31% pre-COVID. Staff utilization also rebounded to 81%, reaching pre-pandemic levels, driving a 2024 net profit of THB309m (+18% y-y).

For 2025E, we project SPA's revenue at THB1.9b (+18% y-y), slightly below the company's target, driven by SSSG from improved tourist traffic, a typical 5% price adjustment, and the planned expansion of 10 new branches (13% increase in store count). Additionally, net profit is projected to reach THB 344m in 2025E, supported by revenue growth and operational efficiencies.

Currently at 19x 2025E P/E, SPA is trading at what we consider a fair valuation, though with some upside potential. Given its strong positioning as Thailand's leading spa operator within the expanding wellness tourism sector, SPA stands to benefit from continued industry growth.

However, the pace of recovery in its key customer base, particularly Chinese tourists, remains a key risk. While other international markets are growing, SPA's long-term earnings potential will depend on whether the Chinese tourist segment can recover closer to pre-pandemic levels. The combination of tourism growth, strategic expansion, and pricing adjustments should provide long-term value creation, making SPA an attractive investment within the sector.

## Initiated with a BUY and TP of THB6.5

We initiate coverage on SPA with a BUY and a TP of THB6.5, based on a 2025E P/E of 24x, which we view as a fair valuation for Thailand's leading spa operator. Despite the gradual recovery of Chinese tourists—SPA's key customer base—the company has already surpassed its pre-COVID revenue and net profit levels, demonstrating its strong business resilience and the attractiveness of Thailand's wellness industry.

While short-term risks remain, particularly related to Chinese tourist recovery, SPA's strong fundamentals, dominant market position, and continued expansion efforts make it a compelling investment opportunity in Thailand's wellness tourism sector.

Balance sheet (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Current assets</b>					
Cash & ST investment	252	158	168	147	(1,174)
Account receivable	26	20	13	4	(5)
Inventories	43	49	58	64	70
Others	42	55	59	62	64
<b>Non-current assets</b>					
Net fixed assets	954	1,175	1,434	1,732	2,075
Others	656	679	679	679	678
<b>Total Assets</b>	<b>1,973</b>	<b>2,136</b>	<b>2,411</b>	<b>2,688</b>	<b>1,710</b>
<b>Current liabilities</b>					
Account payable	124	134	158	174	191
ST borrowing	43	0	0	0	0
Others	209	210	248	272	300
<b>Long-term liabilities</b>					
Long-term debts	472	453	453	453	453
Others	225	140	140	140	140
<b>Total liabilities</b>	<b>1,072</b>	<b>938</b>	<b>999</b>	<b>1,039</b>	<b>1,084</b>
Paid-up capital	214	321	321	321	321
Retained earnings	308	520	734	970	(52)
Others	379	358	358	358	358
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>901</b>	<b>1,198</b>	<b>1,412</b>	<b>1,649</b>	<b>626</b>

Key ratios					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Growth (%YoY)</b>					
Sales	103.3	12.7	17.7	10.0	10.0
Operating profit	736.7	20.1	16.5	11.0	10.5
EBITDA	1,325.1	7.2	(32.2)	11.0	10.5
Net profit	477.3	(6.9)	10.7	10.6	10.2
Core net profit	477.3	(6.9)	10.7	10.6	10.2
EPS	477.3	(38.0)	10.7	10.6	10.2
Core EPS	477.3	(38.0)	10.7	10.6	10.2
<b>Profitability (%)</b>					
Gross margin	26.8	28.6	28.7	28.8	28.9
Operation margin	20.6	21.9	21.7	21.9	22.0
EBITDA margin	39.6	37.7	21.7	21.9	22.0
Net margin	23.0	19.0	17.8	17.9	18.0
ROE	45.2	29.4	26.2	24.7	36.7
ROA	15.1	15.0	15.0	14.8	19.0
<b>Stability</b>					
Interest bearing debt/equity (x)	0.6	0.4	0.3	0.3	0.7
Net debt/equity (x)	0.3	0.2	0.2	0.2	2.6
Interest coverage (x)	6.4	11.3	13.1	14.4	15.6
Interest & ST debt coverage (x)	3.3	11.3	13.1	14.4	15.6
Cash flow interest coverage (x)	0.6	0.5	0.2	0.2	0.2
Current ratio (x)	1.0	0.8	0.7	0.6	(2.1)
Quick ratio (x)	0.7	0.5	0.4	0.3	(2.4)
Net debt (THB m)	262	296	285	306	1,627
<b>Activity</b>					
Asset turnover (X)	0.7	0.7	0.8	1.0	2.7
Days receivables	6.6	4.5	2.4	0.8	-0.7
Days inventory	14.9	15.5	15.5	15.5	15.5
Days payable	42.7	42.2	42.2	42.2	42.2
Cash cycle days	(21.2)	(22.3)	(24.3)	(26.0)	(27.4)

Profit & loss (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Revenue</b>					
Revenue	1,446	1,629	1,918	2,110	2,321
Cost of goods sold	(1,058)	(1,163)	(1,367)	(1,502)	(1,650)
<b>Gross profit</b>	<b>388</b>	<b>466</b>	<b>550</b>	<b>608</b>	<b>671</b>
Operating expenses	(90)	(109)	(134)	(146)	(160)
<b>Operating profit</b>	<b>297</b>	<b>357</b>	<b>416</b>	<b>462</b>	<b>511</b>
<b>EBIT</b>	<b>297</b>	<b>357</b>	<b>416</b>	<b>462</b>	<b>511</b>
Depreciation	(275)	(256)	0	0	0
<b>EBITDA</b>	<b>572</b>	<b>613</b>	<b>416</b>	<b>462</b>	<b>511</b>
<b>Non-operating income</b>	<b>27</b>	<b>44</b>	<b>43</b>	<b>43</b>	<b>43</b>
Other incomes	25	38	43	43	43
Other non-op income	2	6	0	0	0
<b>Non-operating expense</b>	<b>(46)</b>	<b>(32)</b>	<b>(32)</b>	<b>(32)</b>	<b>(33)</b>
Interest expense	(46)	(32)	(32)	(32)	(33)
Other non-op expense	0	0	0	0	0
<b>Equity income/(loss)</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Pre-tax Profit</b>	<b>277</b>	<b>369</b>	<b>428</b>	<b>473</b>	<b>521</b>
Extraordinary items					
Current taxation	55	(60)	(86)	(95)	(104)
Minorities	0	(0)	0	0	0
<b>Net Profit</b>	<b>332</b>	<b>309</b>	<b>342</b>	<b>378</b>	<b>417</b>
<b>Core net profit</b>	<b>332</b>	<b>309</b>	<b>342</b>	<b>378</b>	<b>417</b>
<b>EPS (THB)</b>	<b>0.39</b>	<b>0.24</b>	<b>0.27</b>	<b>0.30</b>	<b>0.33</b>
<b>Core EPS (THB)</b>	<b>0.39</b>	<b>0.24</b>	<b>0.27</b>	<b>0.30</b>	<b>0.33</b>

Cash flow (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
<b>Operating cash flow</b>					
Net profit	332	309	342	378	417
Depre. & amortization	275	256	0	0	0
Change in working capital	(32)	2	56	40	44
Others	91	(133)	(185)	(203)	(223)
<b>Investment cash flow</b>	<b>(480)</b>	<b>(508)</b>	<b>(74)</b>	<b>(94)</b>	<b>(120)</b>
Net CAPEX	(198)	(478)	(478)	(478)	(478)
Change in LT investment	1,139	13	139	121	118
Change in other assets	(1,421)	(43)	265	262	239
<b>Free cash flow</b>	<b>186</b>	<b>(73)</b>	<b>139</b>	<b>121</b>	<b>118</b>
<b>Financing cash flow</b>	<b>(119)</b>	<b>(21)</b>	<b>(128)</b>	<b>(142)</b>	<b>(1,439)</b>
Change in share capital	0	107	0	0	0
Net change in debt	0	0	0	0	0
Dividend paid	(119)	(128)	(128)	(142)	(1,439)
Others	0	0	0	0	0
<b>Net cash flow</b>	<b>67</b>	<b>(95)</b>	<b>11</b>	<b>(21)</b>	<b>(1,321)</b>

Per share (THB)					
EPS	0.39	0.24	0.27	0.30	0.33
Core EPS	0.39	0.24	0.27	0.30	0.33
CFPS	0.71	0.66	0.27	0.30	0.33
BVPS	1.05	1.40	1.10	1.29	0.49
Sales/share	1.69	1.91	1.50	1.65	1.81
EBITDA/share	0.67	0.72	0.32	0.36	0.40
DPS	0.14	0.10	0.11	0.12	1.13
<b>Valuation</b>					
P/E (x)	17.8	28.0	21.2	19.1	17.4
P/BV (x)	11.83	6.55	7.22	5.13	4.39
Dividend yield (%)	0.00	2.01	1.48	1.96	2.17
Dividend payout ratio (%)	35.76	41.49	41.49	41.49	349.12



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### 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.