

India

**ADD** (no change)

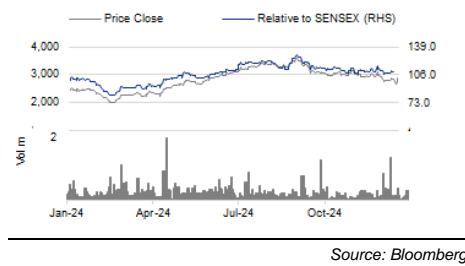
Consensus ratings\*: Buy 14 Hold 4 Sell 8

Current price:	Rs2,878
Target price:	Rs3,600
Previous target:	Rs3,600
Up/downside:	25.1%
InCred Research / Consensus:	4.9%
Reuters:	DLPA.NS
Bloomberg:	DLPL IN
Market cap:	US\$2,777m Rs240,553m
Average daily turnover:	US\$8.0m Rs696.7m
Current shares o/s:	83.5m
Free float:	45.4%

\*Source: Bloomberg

**Key changes in this note**

- Reduce our FY25F/26F EPS by 2%/4%.



Price performance	1M	3M	12M
Absolute (%)	(2.6)	(5.5)	16.2
Relative (%)	(0.9)	(2.2)	8.6

Major shareholders	% held
Promoters	54.6
Invesco Oppenheimer Intl. Growth	3.7
UTI Flexi Cap Fundd	2.8

**Research Analyst(s)**

<b>Yogesh SONI</b>
T (91) 22 4161 1566
E yogesh.soni@incredresearch.com
<b>Praful BOHRA</b>
T (91) 22 4161 1552
E praful.bohra@incredresearch.com

# Dr. Lal Pathlabs Ltd.

## Volume growth driving from the front

- In-line 3Q performance, led by volume growth (10.3%); Delhi NCR also grew in double digits. SwasthFit was up 27% and Suburban Diagnostics up 9%.
- Bundling is working well, with revenue/patient growth at 7.5% YoY. Price hike remains at bay due to the focus on bundling.
- Reduce our FY25F/26F estimates by 2%/4%. Retain ADD rating with a target price of Rs3,600. Any slowdown in patient volume is a key downside risk.

### Volume drives overall growth

3QFY25 earnings of Dr. Lal Pathlabs (DLPL) were in line with our expectation, led by consistent strong volume growth (10.3% YoY); Delhi NCR region witnessed double-digit growth after a long time. Swasthfit grew by 27% in 3Q and contributed 23% (vs. 20% YoY) whereas the specialty mix stood at 22%. Suburban Diagnostics grew by 9.2% YoY with a margin of 12%+ (+50bp improvement YoY). Gross margin at 80.4% peaked out and is expected to remain stable going ahead. The EBITDA margin at 25.8% was 30bp down YoY due to increased employee costs (addition of 100 employees). The bundling phenomena has been working well for DLPL as patient volume growth was 3.8% YoY whereas revenue/patient growth was 7.5% YoY.

### Keeps price hike at bay

While aggressive pricing in the industry has reversed, with online players taking some hikes last year, DLPL aims at volume-driven growth by increasing patient visits and tests per patient, targeting double-digit growth in FY25F while maintaining the current pricing (price hike to be reconsidered in two-to-three quarters), barring inflationary adjustments in specialty tests. DLPL is boosting its revenue by bundling high-end tests, with specialized tests already contributing 20%+ to the topline. To drive further growth, DLPL plans to open 20+ labs in Tier-3 & Tier-4 cities (10 labs addition done in 1HFY25), primarily in northern & eastern regions, in FY25F, enhancing geographic presence & aiding sustainable growth.

### Suburban helps in diversification & expansion in western region

With more than 60% of the revenue of DLPL coming from Delhi NCR and the northern region, it is susceptible to high concentration risk. The integration of DLPL and Suburban Diagnostics reflects a strategic shift to focus on the western region (Mumbai, Pune & Goa) and is a key diversification move. This region witnessed a rising market share for the combined entity. Suburban Diagnostics, which clocked high single-digit growth in 9MFY25, is expected to achieve double-digit growth in a few quarters led by volume expansion.

### Maintain ADD rating with an unchanged target price of Rs3,600

In the last four months, DLPL has underperformed the BSE Healthcare index by 12%. After the recent price correction, the stock trades below its long-term mean (at 48x FY26F EPS), providing a suitable entry point. We maintain ADD rating on DLPL with an unchanged target price of Rs3,600. Any slowdown in patient volume is a key downside risk.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	20,874	20,169	22,266	24,715	27,775
Operating EBITDA (Rsm)	5,607	4,899	6,093	6,871	7,888
Net Profit (Rsm)	3,448	2,389	3,577	4,320	5,055
Core EPS (Rs)	41.2	28.6	42.8	51.7	60.5
Core EPS Growth	18.2%	(30.7%)	49.7%	20.8%	17.0%
FD Core P/E (x)	69.75	100.71	67.26	55.70	47.59
DPS (Rs)	12.0	12.0	24.0	24.0	24.0
Dividend Yield	0.41%	0.42%	0.83%	0.84%	0.84%
EV/EBITDA (x)	42.37	48.00	38.07	33.33	28.48
P/FCFE (x)	70.14	403.67	67.24	56.74	41.28
Net Gearing	(21.9%)	(34.1%)	(46.5%)	(55.9%)	(67.2%)
P/BV (x)	15.95	14.44	13.01	11.59	10.15
ROE	25.0%	15.1%	20.3%	22.0%	22.7%
% Change In Core EPS Estimates				(1.55%)	(4.09%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)
Revenue	4,894	4,910	5,410	6,013	5,389	5,454	6,019	6,602	5,967	11%	-10%
Consumption of raw materials	1,109	1,059	1,131	1,224	1,070	1,089	1,194	1,273	1,170	9%	-8%
as % of sales	22.7%	21.6%	20.9%	20.4%	19.9%	20.0%	19.8%	19.3%	19.6%		
Employee costs	963	925	1,047	1,054	1,090	1,054	1,166	1,240	1,264	16%	2%
as % of sales	19.7%	18.8%	19.4%	17.5%	20.2%	19.3%	19.4%	18.8%	21.2%		
Other expenditure	1692	1770	1770	1957	1823	1864	1959	2064	1993	9%	-3%
as % of sales	34.6%	36.0%	32.7%	32.5%	33.8%	34.2%	32.5%	31.3%	33.4%		
EBITDA	1,130	1,156	1,462	1,778	1,406	1,447	1,700	2,025	1,540	10%	-24%
Margins (%)	23.1%	23.5%	27.0%	29.6%	26.1%	26.5%	28.2%	30.7%	25.8%		
Depreciation	379	376	351	359	360	366	347	353	355		
Other income	105	142	144	181	183	184	206	219	251		
Interest	91	90	80	78	70	66	60	60	53		
PBT	765	832	1,175	1,522	1,159	1,199	1,499	1,831	1,383	19%	-24%
Total tax	229	263	339	415	337	341	421	523	402		
Tax rate (%)	29.9%	31.6%	28.9%	27.3%	29.1%	28.4%	28.1%	28.6%	29.1%		
PAT before MI	536	569	836	1,107	822	858	1,078	1,308	981	19%	-25%
Minority interest (MI)	-8	-2	-10	-14	-9	-13	-14	-16	-14		
Adj. PAT before extraordinary items	528	567	826	1,093	813	845	1,064	1,292	967	19%	-25%
Extraordinary expenses	0	0	0	0	0	0	0	0	0		
Reported PAT	528	567	826	1,093	813	845	1,064	1,292	967	19%	-25%
No. of shares	83	83	83	83	83	83	83	84	84		
EPS	6.3	6.8	9.9	13.1	9.7	10.1	12.7	15.5	11.6	19%	-25%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin break-up

(in %)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	77%	78%	79%	80%	80%	80%	80%	81%	80%	25	-33
EBITDA	23%	24%	27%	30%	26%	27%	28%	31%	26%	-28	-486
Adj. PAT	11%	12%	15%	18%	15%	15%	18%	20%	16%	112	-336
Effective tax rate	30%	32%	29%	27%	29%	28%	28%	29%	29%	-1	50

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Actuals vs estimates

	Actuals	Incred Estimates	Variance (%)	Bloomberg Estimates	Variance (%)
Revenue (Rs m)	5,967	5,884	1%	5,997	-1%
EBITDA (Rs m)	1,540	1,591	-3%	1,591	-3%
Margin (%)	25.8	27.0		26.5	
PAT (Rs m)	967	972	0%	995	-3%

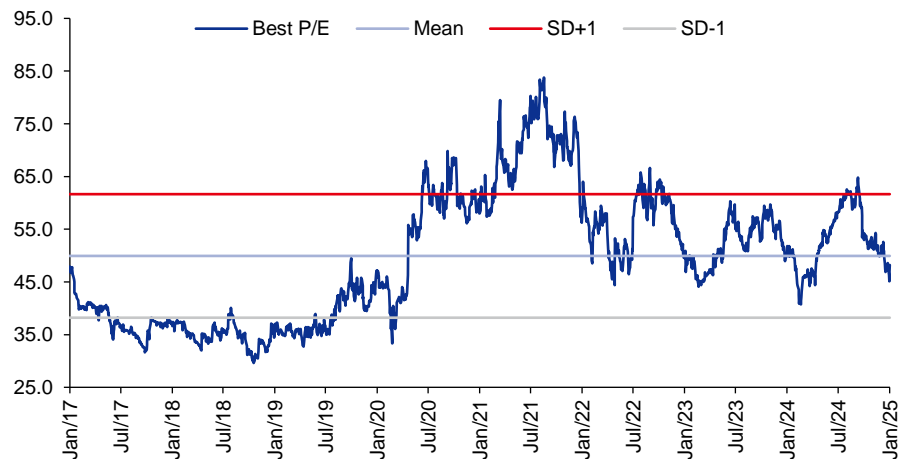
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Our revised earnings estimates

	FY25F			FY26F		
	Old	New	Variance (%)	Old	New	Variance (%)
Revenue (Rs m)	24,716	24,715	-0.0	27,768	27,775	0.0
EBITDA (Rs m)	7,044	6,871	-2.5	8,120	7,888	-2.9
Margin (%)	28.5	27.8		29.2	28.4	
PAT (Rs m)	4,388	4,320	-1.6	5,271	5,055	-4.1

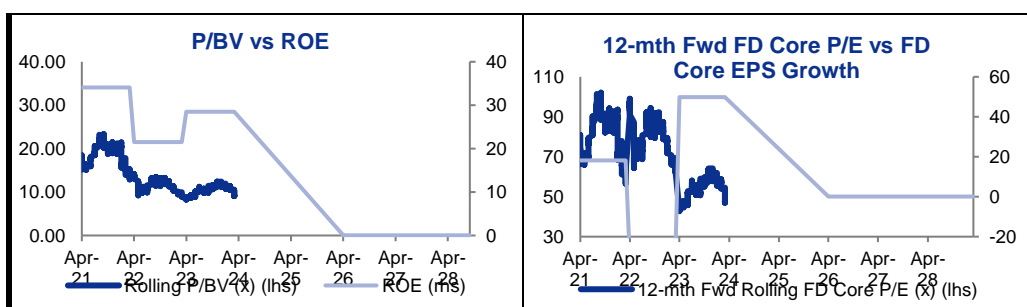
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: The recent price correction has made the stock to trade at an attractive valuation (below the long-term mean), providing a suitable entry point



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	20,874	20,169	22,266	24,715	27,775
<b>Gross Profit</b>	15,851	15,697	17,752	19,852	22,248
<b>Operating EBITDA</b>	5,607	4,899	6,093	6,871	7,888
Depreciation And Amortisation	(1,081)	(1,502)	(1,436)	(1,405)	(1,420)
<b>Operating EBIT</b>	4,526	3,397	4,657	5,466	6,468
Financial Income/(Expense)	(302)	(375)	(294)	(233)	(250)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	525	417	692	906	900
<b>Profit Before Tax (pre-EI)</b>	4,749	3,439	5,055	6,139	7,118
Exceptional Items					
<b>Pre-tax Profit</b>	4,749	3,439	5,055	6,139	7,118
Taxation	(1,246)	(1,028)	(1,432)	(1,760)	(1,993)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	3,503	2,411	3,623	4,380	5,125
Minority Interests	(55)	(22)	(46)	(60)	(70)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	3,448	2,389	3,577	4,320	5,055
Recurring Net Profit	3,448	2,389	3,577	4,320	5,055
<b>Fully Diluted Recurring Net Profit</b>	3,448	2,389	3,577	4,320	5,055

**Cash Flow**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	5,607	4,899	6,093	6,871	7,888
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(167)	355	357	(105)	553
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
<b>Other Operating Cashflow</b>	525	417	692	800	950
Net Interest (Paid)/Received	(302)	(375)	(294)	(233)	(250)
Tax Paid	(1,196)	(736)	(1,494)	(2,493)	(2,713)
<b>Cashflow From Operations</b>	4,467	4,560	5,354	4,841	6,428
Capex	(925)	(360)	(503)	(600)	(600)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,567)	(2,513)	260		
<b>Cash Flow From Investing</b>	(4,492)	(2,873)	(243)	(600)	(600)
Debt Raised/(repaid)	3,454	(1,091)	(1,533)		
Proceeds From Issue Of Shares	2	9	35		
Shares Repurchased					
Dividends Paid	(1,167)	(1,030)	(2,012)	(2,001)	(2,026)
Preferred Dividends					
Other Financing Cashflow	(925)	(720)	(629)	906	900
<b>Cash Flow From Financing</b>	1,364	(2,832)	(4,139)	(1,095)	(1,126)
Total Cash Generated	1,339	(1,145)	972	3,146	4,703
<b>Free Cashflow To Equity</b>	3,429	596	3,578	4,241	5,828
<b>Free Cashflow To Firm</b>	277	2,062	5,405	4,474	6,078

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	6,831	8,153	9,441	12,460	16,862
Total Debtors	854	708	774	865	972
Inventories	524	338	373	420	472
Total Other Current Assets	542	531	679	741	833
<b>Total Current Assets</b>	<b>8,751</b>	<b>9,730</b>	<b>11,267</b>	<b>14,486</b>	<b>19,140</b>
Fixed Assets	8,398	7,622	6,513	5,708	4,888
Total Investments					
Intangible Assets	5,505	5,498	5,482	5,482	5,482
Total Other Non-Current Assets	508	621	512	512	512
<b>Total Non-current Assets</b>	<b>14,411</b>	<b>13,741</b>	<b>12,507</b>	<b>11,702</b>	<b>10,882</b>
Short-term Debt	1,789	1,533	833	833	833
Current Portion of Long-Term Debt					
Total Creditors	1,474	1,561	1,866	1,875	2,213
Other Current Liabilities	1,737	1,624	1,977	2,063	2,529
<b>Total Current Liabilities</b>	<b>5,000</b>	<b>4,718</b>	<b>4,676</b>	<b>4,771</b>	<b>5,575</b>
Total Long-term Debt	1,668	833			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,059	925	605	605	605
<b>Total Non-current Liabilities</b>	<b>2,727</b>	<b>1,758</b>	<b>605</b>	<b>605</b>	<b>605</b>
Total Provisions					
<b>Total Liabilities</b>	<b>7,727</b>	<b>6,476</b>	<b>5,281</b>	<b>5,376</b>	<b>6,180</b>
Shareholders Equity	15,080	16,663	18,493	20,752	23,711
Minority Interests	355	332		60	130
<b>Total Equity</b>	<b>15,435</b>	<b>16,995</b>	<b>18,493</b>	<b>20,812</b>	<b>23,841</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	32.0%	(3.4%)	10.4%	11.0%	12.4%
Operating EBITDA Growth	28.5%	(12.6%)	24.4%	12.8%	14.8%
Operating EBITDA Margin	26.9%	24.3%	27.4%	27.8%	28.4%
Net Cash Per Share (Rs)	40.36	69.22	102.97	139.08	191.74
BVPS (Rs)	180.39	199.32	221.21	248.23	283.63
Gross Interest Cover	14.99	9.06	15.84	23.46	25.87
Effective Tax Rate	26.2%	29.9%	28.3%	28.7%	28.0%
Net Dividend Payout Ratio	21.1%	29.3%	39.9%	33.3%	28.7%
Accounts Receivables Days	13.30	14.13	12.15	12.10	12.07
Inventory Days	34.52	35.18	28.75	29.77	29.46
Accounts Payables Days	105.91	123.86	138.55	140.43	135.00
ROIC (%)	121.1%	25.9%	38.4%	52.1%	66.1%
ROCE (%)	28.6%	17.8%	24.1%	26.7%	27.9%
Return On Average Assets	25.6%	16.4%	22.6%	25.5%	26.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

#### **Analyst declaration**

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

---

#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

**Recommendation Framework****Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.