

India

**HOLD** (no change)

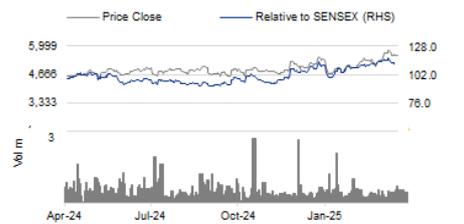
Consensus ratings\*: Buy 20 Hold 13 Sell 7

Current price:	Rs5,447
Target price:	Rs5,652
Previous target:	Rs5,197
Up/downside:	3.8%
InCred Research / Consensus:	2.4%
Reuters:	EICH.NS
Bloomberg:	EIM IN
Market cap:	US\$17,510m
	Rs1,493,235m
Average daily turnover:	US\$30.9m
	Rs2635.9m
Current shares o/s:	274.2m
Free float:	50.9%

\*Source: Bloomberg

**Key changes in this note**

- FY26F-27F sales volume raised by 1-2%.
- FY26F-27F EBITDA margin cut by ~70bp.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.8	15.8	15.1
Relative (%)	(4.0)	8.1	3.3

Major shareholders	% held
Lal Family	49.2
SBI Mutual Fund	2.0
NEW WORLD FUND INC	1.9

**Research Analyst(s)**



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# Eicher Motors Ltd

## EBITDA margin pressure continues

- 4Q EBITDA rose by 5% qoq, below our/Bloomberg consensus estimates, while subsidiary VECV's performance helped cover the shortfall on the EPS front.
- Management's priority to volume recovery at the cost of margin leads to our 2-3% EBITDA cut for FY26F-27F. However, VECV helps retain EPS estimates.
- Tariff challenges and margin pressure limit the upside. Maintain HOLD rating.

### EBITDA margin slips to a two-year low in 4QFY25

Eicher Motors' 4QFY25 EBITDA grew by 13% yoy and 5% qoq to Rs12.6bn, which was below our estimate (8%) and Bloomberg (BB) consensus estimate (4%). The EBITDA margin dipped 250bp yoy and 20bp qoq to 24%, which is a two-year low (Fig. 4), due to lower gross margin and prolonged higher other expenses. However, lower taxation (22%), and VE Commercial Vehicles or VECV's profit growth of 52% qoq led to net profit growth of 16% qoq and 27% yoy to Rs13.6bn, beating our estimate (10%) and BB consensus estimate (9%).

### Management conference-call highlights

Management indicated that it has taken around 1.2% price hike to meet OBD-II emission costs and transitioned all its products to meet the new norms. While a few one-offs hit the EBITDA margin, management indicated that the company, being a leader in premium bikes, is trying to revive sales momentum through aggressive marketing programs and interventions, which impacted short-term profitability. With improving urban market sentiment and enquiry levels, management is confident of sales volume momentum sustenance in the domestic market. In the US warehouse, the company has sufficient stock to supply in the current driving season, while it keeps a watch on the evolving tariff situation.

### FY26F-27F EBITDA cut by 2-3%

While monthly sales momentum in recent months is impressive, as it maneuvered through new emission norms in domestic as well as export markets, leading to our 1-2% sales volume upgrade. However, management prioritizing sales volume recovery over profitability in the short term led to a cut in the EBITDA margin by ~70bp for FY26F-27F. However, a strong profit performance by VECV, its commercial vehicle subsidiary, led us to upgrade consolidated profits by 1% for FY26F-27F.

### Volume focus to help in medium term; maintain HOLD rating

Management's priority to volume growth revival continues to be impressive, as the refreshed Hunter model rolls out. The volume revival will be a medium-term driver, while in the short term, the EBITDA margin may weigh on the stock's performance. With valuation near the 10-year mean level on P/E and P/BV, we maintain HOLD rating on the stock with a higher SOTP-based target price of Rs5,652 (Rs5,197 earlier), for roll forward. Upside risk: Volume growth surprise from new model success. Downside risk: Production challenges and tariff impact on exports.

### Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	165,358	188,705	215,610	241,976	276,793
Operating EBITDA (Rsm)	43,269	47,121	51,770	57,753	68,355
Net Profit (Rsm)	39,831	47,344	47,906	53,333	58,336
Core EPS (Rs)	145.6	169.9	174.7	194.5	212.7
Core EPS Growth	36.6%	16.7%	2.9%	11.3%	9.4%
FD Core P/E (x)	37.42	31.52	31.17	28.00	25.60
DPS (Rs)	51.0	70.0	75.0	82.0	90.0
Dividend Yield	0.94%	1.29%	1.38%	1.51%	1.65%
EV/EBITDA (x)	31.15	28.03	25.69	22.58	18.62
P/FCFE (x)	106.63	41.42	97.20	62.86	58.00
Net Gearing	(79.1%)	(80.6%)	(76.1%)	(77.9%)	(79.7%)
P/BV (x)	8.26	7.01	6.94	6.14	5.40
ROE	24.1%	23.7%	22.4%	23.3%	22.5%
% Change In Core EPS Estimates			0.41%	1.03%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## EBIDTA margin pressure continues

### Management conference-call highlights >

- **Outlook for FY26F:** Expects continued growth driven by premiumization, new launches, and urban market recovery due to tax cuts. International markets remain cautiously optimistic, with strong retail and product interest.
- **Input costs:** Monitoring commodity price volatility (steel, aluminum) and potential tariff impacts in markets like the US, where pre-tariff inventory protects the current riding season.
- **Financial performance:** 4Q gross margin impacted by 30bp due to model/variant mix, 20bp from higher commodity prices, and 20bp from one-off inventory provision for old bikes. Other expenses rose by Rs90m, including Rs190m for distributor liquidation in Europe (one-off).
- **Pricing action:** Took a 1.15% price hike on select models in Apr 2025 to offset OBD II-B costs, maintaining a value-driven approach over profit margin focus.
- **Product launches:** Introduced six new motorcycles, including Bear 650, Guerrilla 450, Classic 650, Goan Classic 350, and a refreshed Classic 350 in FY25. The Flying Flea electric brand was unveiled with two models (FF.C6 and FF.S6) at EICMA (International Motorcycle and Accessories Exhibition), generating strong global interest.
- **Market share:** Maintained market share in the premium mid-size motorcycle segment with an 88% market share domestically. Internationally, Royal Enfield ranks among the top mid-segment brands in markets like the UK, Korea, Australia, and New Zealand.
- **Global expansion:** Inaugurated a CKD assembly plant in Thailand and a manufacturing facility with a flagship showroom in Bangladesh. Brazil sales reached 22,000 units, with the Himalayan launch receiving good traction.
- **Warehouse:** Expanded with a new spare parts warehouse in Mumbai, totaling four regional warehouses.
- **Capex plan:** Planned an investment of Rs12bn in FY26F for EV manufacturing, product development, and capacity enhancement.
- **Customer profile:** The average age of Royal Enfield customers has decreased significantly, with ~30% below 25 years and ~60-65% below 35 years, driven by youth-focused models like Hunter and Meteor.
- **Finance penetration & network:** Finance penetration rose to 61%, indicating traction among younger buyers. The top 20 cities account for 18-22% of domestic volume, reflecting a broad geographic spread.

### VECV highlights:

- **Market share gain:** Achieved a 36% market share in light and medium-duty trucks (5-18t), becoming the market leader. Heavy-duty truck sales hit a record 7k units in 4Q, with a 9.7% market share (including Volvo).
- **Product innovation:** Launched 92 new products/variants, including the Eicher Pro X (2-3.5t electric truck) and LNG-powered HD trucks. Delivered 50 Volvo FM tractors for road/train applications.
- **Financial performance:** Margin improvement driven by better price management, operating leverage, and cost control. The focus is on reducing discounts and optimizing the product mix.

Figure 1: Quarterly results comparison

Y/E Mar (Rs m)	4QFY25	4QFY24	yoy % chg	3QFY25	qoq % chg	FY25	FY24	yoy % chg	Comments for the quarter
Revenue	52,411	42,560	23.1	49,731	5.4	1,88,705	1,65,358	14.1	6% below our estimate.
Raw material costs	29,269	22,754	28.6	27,317	7.1	1,02,971	89,807	14.7	
RM costs as a % of revenue	56	53	238.1	55	91.6	55	54	25.7	
<b>EBITDA</b>	<b>12,577</b>	<b>11,286</b>	<b>11.4</b>	<b>12,012</b>	<b>4.7</b>	<b>47,121</b>	<b>43,269</b>	<b>8.9</b>	<b>7% below our estimate.</b>
EBITDA margin (%)	24.0	26.5	(252.2)	24.2	(15.7)	25.0	26.2	(119.6)	49bp below our estimate.
Depreciation & amortization	2,014	1,653	21.9	1,793	12.3	7,293	5,976	22.0	
<b>EBIT</b>	<b>10,563</b>	<b>9,634</b>	<b>9.6</b>	<b>10,219</b>	<b>3.4</b>	<b>39,828</b>	<b>37,293</b>	<b>6.8</b>	
Interest expenses	155	153	1.3	134	16.1	543	509	6.8	
Other Income	3,804	3,052	24.7	2,888	31.7	13,049	10,759	21.3	11% below our estimate.
Pre-tax profit	14,212	12,532	13.4	12,973	9.5	52,334	47,543	10.1	
Tax	3,070	3,146	(2.4)	2,903	5.7	11,986	12,010	(0.2)	
Profit before minority interest	11,142	9,386	19	10,070	11	40,347	35,533	13.6	
Profit in joint venture	2,480	1,318	88	1,635	52	6,194	4,298	44	-
<b>Normalized net profit</b>	<b>13,622</b>	<b>10,705</b>	<b>27.3</b>	<b>11,705</b>	<b>16.4</b>	<b>46,541</b>	<b>39,831</b>	<b>16.8</b>	<b>2% above our estimate.</b>
Exceptional items	-	-	nm	-	nm	803	-	nm	
Reported net profit	13,622	10,705	27.3	11,705	16.4	46,541	39,831	16.8	
Normalized EPS (Rs)	49.7	39.1	27.1	42.7	16.4	169.7	145.5	16.7	
Volume (nos.)	2,82,823	2,20,618	28.2	2,72,297	3.9	10,09,899	9,12,732	10.6	
Net realization (Rs)	1,85,314	1,92,914	(3.9)	1,82,636	1.5	1,86,855	1,81,168	3.1	
EBITDA/vehicle	44,469	51,158	(13.1)	44,113	0.8	46,660	47,406	(1.6)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Royal Enfield's quarterly performance

(Rs m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	FY25	FY24	yoy (%)
Net sales	51,066	41,921	21.8%	49,081	4.0%	1,84,515	1,61,706	14.1%
EBITDA	12,609	11,553	9.1%	12,237	3.0%	47,680	44,726	6.6%
EBITDA margin (%)	24.7%	27.6%	-287	24.9%	(24)	25.8%	27.7%	-182
<b>Normalized PAT</b>	<b>11,251</b>	<b>9,833</b>	<b>14.4%</b>	<b>10,562</b>	<b>6.5%</b>	<b>42,793</b>	<b>38,418</b>	<b>11.4%</b>
Total volume (In nos.)	2,82,823	2,27,673	24.2%	2,72,297	3.9%	10,09,899	9,12,732	10.6%
ASP (Rs)	1,80,558	1,79,536	0.6%	1,80,250	0.2%	1,82,706	1,77,167	3.1%

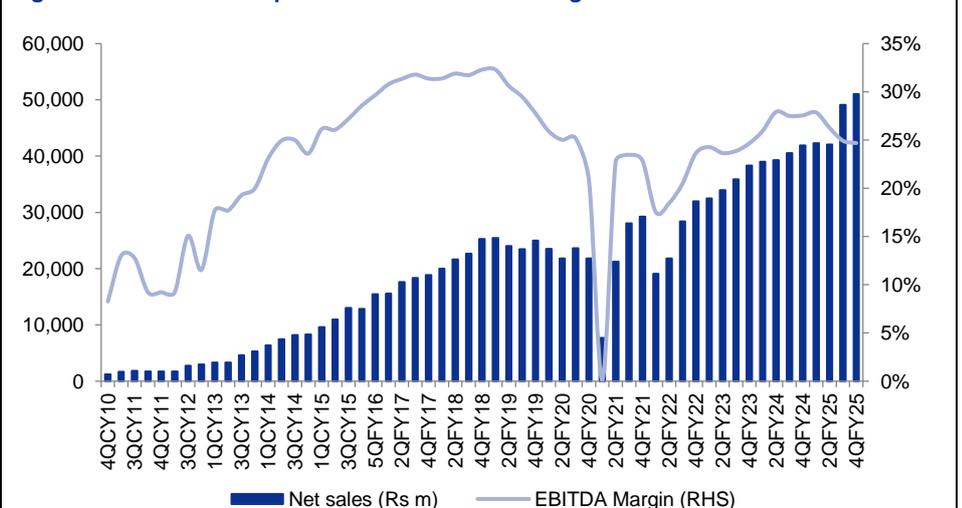
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: VE Commercial Vehicles' quarterly performance

(Rs m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	FY25	FY24	yoy (%)
Net sales	71,390	62,760	13.8%	58,010	23.1%	2,34,450	2,18,790	7.2%
EBITDA	7,330	4,860	50.8%	5,090	44.0%	20,221	16,774	20.6%
EBITDA margin (%)	10.3%	7.7%	252	8.8%	149	8.6%	7.7%	96
<b>Normalized PAT</b>	<b>4,570</b>	<b>2,420</b>	<b>88.8%</b>	<b>3,010</b>	<b>51.8%</b>	<b>10,181</b>	<b>7,875</b>	<b>29.3%</b>
Total volume (In nos.)	28,010	25,449	10.1%	21,010	33.3%	89,416	85,560	4.5%
ASP (Rs)	25,48,733	24,66,109	3.4%	27,61,066	-7.7%	26,22,009	25,57,156	2.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Revenue at its peak while the EBITDA margin moderates



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Sales volume break-up (units)

	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	FY25	FY24
RE Domestic	2,49,901	2,04,522	22.2%	2,42,013	3.3%	9,02,757	8,41,480
RE Export	32,922	23,151	42.2%	30,284	8.7%	1,06,256	78,307
Commercial vehicles	28,010	24,807	12.9%	21,010	33.3%	89,496	85,277
<b>Total sales volume</b>	<b>3,10,833</b>	<b>2,52,480</b>	<b>23.1%</b>	<b>2,93,307</b>	<b>6.0%</b>	<b>10,98,509</b>	<b>10,05,064</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Product portfolio of Royal Enfield

Engine Platform	Heritage	Roadster	Scrambler	Adventure	Cruiser	Retro Sport
<b>P Platform</b> 650cc   Twin cylinder Air-oil cooled 47 PS   52.4 N-m	Classic 650 Shotgun 650 Interceptor IN1650	Bear 650			Super Meteor 650	Continental GT650
<b>K Platform</b> 450cc   Single cylinder Liquid cooled 39.4 PS   40 N-m		Guerrilla 450		Himalayan 450		
<b>D Platform</b> 443cc   Single cylinder Air-oil cooled 25.4 PS   34 N-m			SCRAM 440			
<b>J Platform</b> 350cc   Single cylinder Air cooled 20.2 PS   27 N-m	Classic 350 Bullet 350	Gean Classic 350 Hunter 350			Meteor 350	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Key assumptions

Rs m	FY23	FY24	FY25	FY26F	FY27F	FY28F
<b>Volume (nos.)</b>						
Royal Enfield	8,34,895	9,12,732	10,09,899	11,27,060	12,42,266	13,89,538
VECV	79,623	85,560	89,416	99,586	1,09,662	1,20,921
Consol.	9,14,518	9,98,292	10,99,315	12,26,646	13,51,928	15,10,459
<b>Sales</b>						
Royal Enfield	1,40,667	1,61,706	1,84,515	2,10,442	2,36,187	2,70,368
VECV	1,89,520	2,18,790	2,34,450	2,48,747	2,74,171	3,02,577
Consol.	3,30,187	3,80,496	4,18,965	4,59,189	5,10,358	5,72,945
<b>EBITDA Margins (%)</b>						
Royal Enfield	24.1%	27.7%	25.8%	25.1%	24.6%	25.2%
VECV	7.3%	7.7%	8.6%	8.8%	8.4%	8.0%
Consol.	14.5%	16.2%	16.2%	16.3%	15.9%	16.1%
<b>Net Profit</b>						
Royal Enfield	26,225	38,418	42,793	45,488	50,088	58,037
VECV	2,641	3,591	6,103	4,920	5,219	5,347
Consol.	28,866	42,009	48,895	50,408	55,307	63,384

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Our revised consolidated entity's earnings estimates

	FY26F		FY27F	
	Old	New	New	New
RE sales volume	11,19,351	11,27,060	12,24,286	12,42,266
Change (%)		0.7%		1.5%
Net sales (Rs m)	2,16,696	2,15,610	2,39,735	2,41,976
Change (%)		-0.5%		0.9%
EBITDA (Rs m)	53,263	51,770	58,982	57,753
Change (%)		-2.8%		-2.1%
EBITDA margin	24.6%	24.0%	24.6%	23.9%
Bp		(57)		(74)
EPS (Rs)	174.0	174.7	192.5	194.5
Change (%)		0.4%		1.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Eicher Motors' sum-of-the-parts or SOTP valuation

Sum-of-the-parts (Rs m)	EBITDA 1-yr fwd	Multiple (x)	EV	Net Debt 1-yr fwd	Equity Value	Stake	Attributable	No. of Shares (m)	Value per Share (Rs)
Royal Enfield	59,415	21.0	12,47,721	(1,64,049)	14,11,770	100%	14,11,770	273.3	5,166
Volvo Eicher CV (incl. engine business)	23,172	10.0	2,31,721	(12,547)	2,44,267	54.4%	1,32,881	273.3	486
<b>SOTP value of Eicher Motors</b>									<b>5,652</b>

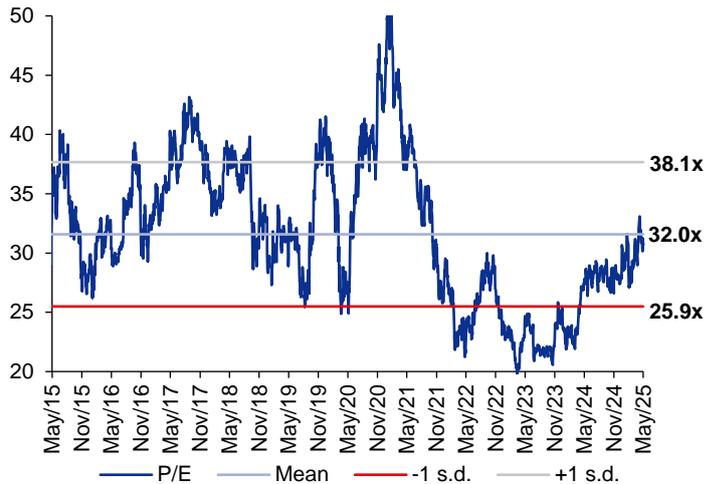
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Forward P/BV valuation near the 10-year mean level



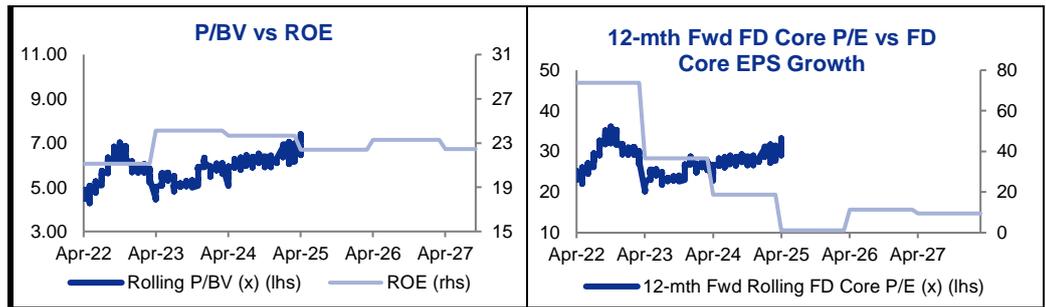
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 11: Forward P/E valuation below the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Net Revenues</b>	165,358	188,705	215,610	241,976	276,793
<b>Gross Profit</b>	75,551	85,734	95,615	106,511	122,998
<b>Operating EBITDA</b>	43,269	47,121	51,770	57,753	68,355
Depreciation And Amortisation	(5,976)	(7,293)	(8,570)	(9,470)	(10,470)
<b>Operating EBIT</b>	37,293	39,828	43,200	48,283	57,885
Financial Income/(Expense)	(509)	(543)	(700)	(750)	(720)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	10,759	13,049	15,199	16,719	18,223
<b>Profit Before Tax (pre-EI)</b>	47,543	52,334	57,699	64,252	75,388
Exceptional Items					
<b>Pre-tax Profit</b>	47,543	52,334	57,699	64,252	75,388
Taxation	(12,010)	(11,986)	(15,913)	(17,446)	(20,096)
Exceptional Income - post-tax		803			
<b>Profit After Tax</b>	35,533	41,150	41,786	46,806	55,292
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	4,298	6,194	6,120	6,526	3,044
<b>Net Profit</b>	39,831	47,344	47,906	53,333	58,336
Recurring Net Profit	39,831	46,541	47,906	53,333	58,336
<b>Fully Diluted Recurring Net Profit</b>	39,831	46,541	47,906	53,333	58,336

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>EBITDA</b>	43,269	47,121	51,770	57,753	68,355
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,436	1,097	(3,587)	71	(1,388)
(Incr)/Decr in Total Provisions	(18,329)	(119)	(3,310)	(400)	(900)
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	4,298	6,997	6,120	6,526	3,044
Net Interest (Paid)/Received	10,250	12,506	14,499	15,969	17,503
Tax Paid	(13,620)	(11,986)	(15,913)	(17,446)	(20,096)
<b>Cashflow From Operations</b>	27,305	55,615	49,579	62,473	66,518
Capex	(9,050)	(12,248)	(12,042)	(11,470)	(10,470)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4,070)	(7,034)	(23,195)	(27,245)	(30,299)
<b>Cash Flow From Investing</b>	(13,120)	(19,282)	(35,237)	(38,715)	(40,769)
Debt Raised/(repaid)	(206)	(300)	1,023		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(13,964)	(19,194)	(20,565)	(22,484)	(24,678)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	(14,170)	(19,495)	(19,543)	(22,484)	(24,678)
Total Cash Generated	14	16,839	(5,200)	1,274	1,071
<b>Free Cashflow To Equity</b>	13,978	36,034	15,365	23,758	25,749
<b>Free Cashflow To Firm</b>	14,693	36,877	15,042	24,508	26,469

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

**Balance Sheet**

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	143,855	172,407	165,463	191,086	222,384
Total Debtors	3,738	5,496	13,261	14,883	17,037
Inventories	14,096	15,638	14,414	16,824	20,741
Total Other Current Assets	29,357	31,741	36,333	37,833	39,833
<b>Total Current Assets</b>	<b>191,046</b>	<b>225,281</b>	<b>229,471</b>	<b>260,626</b>	<b>299,995</b>
Fixed Assets	35,845	39,368	43,121	45,121	45,121
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>35,845</b>	<b>39,368</b>	<b>43,121</b>	<b>45,121</b>	<b>45,121</b>
Short-term Debt	1,121	821	1,844	1,844	1,844
Current Portion of Long-Term Debt					
Total Creditors	20,901	25,298	28,251	32,354	37,037
Other Current Liabilities	13,841	15,420	19,000	20,000	21,000
<b>Total Current Liabilities</b>	<b>35,863</b>	<b>41,538</b>	<b>49,095</b>	<b>54,198</b>	<b>59,880</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions	9,422	10,427	8,405	8,505	8,605
<b>Total Liabilities</b>	<b>45,285</b>	<b>51,965</b>	<b>57,500</b>	<b>62,703</b>	<b>68,486</b>
Shareholders Equity	180,455	212,965	215,092	243,044	276,630
Minority Interests					
<b>Total Equity</b>	<b>180,455</b>	<b>212,965</b>	<b>215,092</b>	<b>243,044</b>	<b>276,630</b>

**Key Ratios**

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	14.5%	14.1%	14.3%	12.2%	14.4%
Operating EBITDA Growth	25.7%	8.9%	9.9%	11.6%	18.4%
Operating EBITDA Margin	26.2%	25.0%	24.0%	23.9%	24.7%
Net Cash Per Share (Rs)	521.31	625.77	596.72	690.16	804.31
BVPS (Rs)	659.08	776.68	784.43	886.37	1,008.86
Gross Interest Cover	73.30	73.29	61.71	64.38	80.40
Effective Tax Rate	25.3%	22.9%	27.6%	27.2%	26.7%
Net Dividend Payout Ratio	35.1%	41.2%	42.9%	42.2%	42.3%
Accounts Receivables Days	8.20	8.93	15.88	21.23	21.05
Inventory Days	54.63	52.70	45.70	42.08	44.58
Accounts Payables Days	79.27	81.88	81.44	81.65	82.34
ROIC (%)	155.8%	82.5%	83.8%	80.6%	92.9%
ROCE (%)	21.9%	19.7%	19.6%	20.4%	21.7%
Return On Average Assets	19.3%	19.2%	18.1%	18.7%	18.1%

**Key Drivers**

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	5.2%	3.1%	2.2%	1.8%	2.3%
Unit sales grth (% , main prod./serv.)	9.3%	10.6%	11.6%	10.2%	11.9%
ASP (% chg, 2ndary prod./serv.)	9.5%	1.0%	(4.0%)	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	7.5%	4.5%	11.4%	10.1%	10.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.*

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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.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
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