

India

**HOLD** (no change)

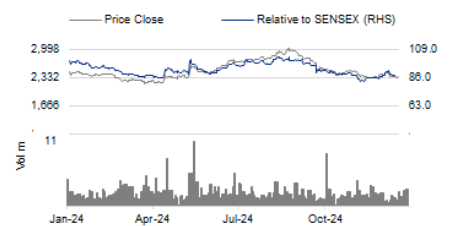
Consensus ratings\*: Buy 26 Hold 14 Sell 3

Current price:	Rs2,343
Target price:	Rs2,530
Previous target:	Rs2,715
Up/downside:	8.0%
InCred Research / Consensus:	-10.2%
Reuters:	
Bloomberg:	HUVR IN
Market cap:	US\$75,810m Rs5,504,975m
Average daily turnover:	US\$65.3m Rs4739.7m
Current shares o/s:	2,350.0m
Free float:	38.1%

\*Source: Bloomberg

**Key changes in this note**

- Lower target price to Rs2,530 from Rs2,715.
- Lower FY25F-27F EPS by 4-8%.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	0.4	(12.3)	(4.7)
Relative (%)	2.5	(7.9)	(10.9)

<b>Major shareholders</b>	% held
Unilever PLC	61.9
LIC	5.3
SBI MF	1.7

# Hindustan Unilever Ltd

## Weak outlook persists

- HUVR's consolidated revenue grew 1.8% yoy in 3QFY25, with flat UVG (despite positive tonnage growth) due to weak product mix and low demand.
- HUVR has acquired a 90.5% stake in skincare brand Minimalist for Rs26.7bn. The ice-cream business' demerger was approved with a 1:1 entitlement ratio.
- We expect the near-term demand environment to remain weak for HUVR. We cut FY25F-FY27F EPS by 4-8%. Reiterate HOLD with a lower TP of Rs2,530.

### Weak sales mix impacts volume growth; urban weakness continues

Hindustan Unilever (HUVR) posted flat underlying volume growth (UVG) in 3QFY25 (deceleration compared to +2%/+3% growth in 3QFY24/2QFY25, respectively), with sales growth at 1.8%, dragged by weak demand in beauty & wellbeing (B&W) and personal care segments. Positive volume (tonnage) growth was offset by a weak sales mix, driven by faster growth in small packs (especially in urban markets) and the home care segment. The overall demand environment remained subdued, with moderation continuing in urban markets while rural markets continued their gradual recovery.

### Home care segment drives growth; rest of the portfolio stays laggard

The home care segment posted high single-digit volume growth, which drove 5.4% sales growth in 3Q. Liquid categories performed well (double-digit growth). The B&W segment saw a low single-digit volume decline (+1% yoy sales growth) led by the impact of a delayed winter impacting the winter portfolio along with continued slowdown at the mass-end of skincare business. The non-winter range grew in mid-single digit while its six big focus areas in skincare posted double-digit growth. The food & refreshment segment continued its weak streak, with a mid-single digit volume decline (despite a 3% volume decline in the base). The tea business posted a low single-digit sales growth led by price hikes while the nutrition range continued to witness a decline in consumption. The personal care segment saw mid-single digit volume decline due to price hikes/grammage reduction in soaps portfolio. The Lifebuoy brand saw the highest decline and is being relaunched.

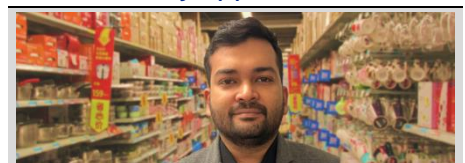
### Acquisition of Minimalist brand to augur well in the long run

HUVR's board has approved the acquisition of a 90.5% stake in Minimalist brand, comprising secondary buyout for a cash consideration of Rs26.7bn (at a pre-money EV of Rs29.5bn). HUVR plans to scale the brand in offline channels as well as international markets over time and drive growth in the actives-led masstige segment. The board also approved the demerger of HUVR's ice-cream business with an entitlement ratio of 1:1.

### Maintain HOLD rating with a lower target price of Rs2,530

While the long-term prospects remain strong for HUVR, raw material volatility and near-term demand pressure are likely to persist. We cut FY25-27F EPS by 4-8% and retain HOLD rating on HUVR with a lower target price of Rs2,530 (51x Sep 2026F EPS) from Rs2,715 earlier. Downside/upside risks: Lower/faster-than-expected sales growth.

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**Financial Summary**

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	591,440	604,690	617,872	657,674	715,561
Operating EBITDA (Rsm)	136,320	141,900	144,354	155,715	169,691
Net Profit (Rsm)	99,000	100,253	102,798	111,420	121,933
Core EPS (Rs)	42.3	42.9	43.7	47.4	51.9
Core EPS Growth	12.9%	1.4%	1.9%	8.4%	9.4%
FD Core P/E (x)	55.62	54.92	53.56	49.42	45.16
DPS (Rs)	34.0	39.0	39.3	42.6	46.6
Dividend Yield	1.45%	1.66%	1.68%	1.82%	1.99%
EV/EBITDA (x)	39.86	38.00	37.47	34.67	31.76
P/FCFE (x)	60.82	47.09	73.05	49.64	46.00
Net Gearing	(12.3%)	(20.3%)	(16.6%)	(18.3%)	(19.8%)
P/BV (x)	10.96	10.80	10.58	10.36	10.12
ROE	20.1%	19.9%	20.0%	21.2%	22.7%
% Change In Core EPS Estimates			(4.26%)	(5.24%)	(8.09%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Weak outlook persists

**Figure 1: Quarterly results summary - standalone**

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr. (%)
<b>Revenue</b>	<b>1,51,880</b>	<b>1,55,080</b>	<b>1,54,080</b>	1.4	-0.6	<b>4,56,120</b>	<b>4,62,550</b>	1.4
<b>Expenditure</b>	<b>1,16,480</b>	<b>1,18,610</b>	<b>1,18,380</b>	1.6	-0.2	<b>3,48,570</b>	<b>3,54,320</b>	1.6
Consumption of raw materials	73,670	75,930	76,010	3.2	0.1	2,21,760	2,26,420	2.1
as % of sales	48.5	49.0	49.3			48.6	49.0	
Employee costs	6,490	7,650	6,840	5.4	-10.6	20,080	20,510	2.1
as % of sales	4.3	4.9	4.4			4.4	4.4	0.17
Advertising & promotion expenses	15,930	14,640	14,660	-8.0	0.1	47,940	45,740	-4.6
as % of sales	10.5	9.4	9.5			10.5	9.9	-0.97
Other expenditure	20,390	20,390	20,870	2.4	2.4	58,790	61,650	4.9
as % of sales	13.4	13.1	13.5			12.9	13.3	0.12
<b>EBITDA</b>	<b>35,400</b>	<b>36,470</b>	<b>35,700</b>	<b>0.8</b>	<b>-2.1</b>	<b>1,07,550</b>	<b>1,08,230</b>	<b>0.6</b>
Depreciation	2,820	3,050	3,080	9.2	1.0	8,080	9,110	12.7
<b>EBIT</b>	<b>32,580</b>	<b>33,420</b>	<b>32,620</b>	<b>0.1</b>	<b>-2.4</b>	<b>99,470</b>	<b>99,120</b>	<b>-0.4</b>
Other income	2,850	3,090	3,120	9.5	1.0	7,530	8,780	16.6
Interest	810	990	1,050	29.6	6.1	2,000	2,890	44.5
<b>PBT</b>	<b>34,620</b>	<b>35,520</b>	<b>34,690</b>	<b>0.2</b>	<b>-2.3</b>	<b>1,05,000</b>	<b>1,05,010</b>	<b>0.0</b>
Total tax	9,130	9,240	9,770	7.0	5.7	27,200	27,950	2.8
<b>APAT</b>	<b>25,490</b>	<b>26,280</b>	<b>24,920</b>	<b>-2.2</b>	<b>-5.2</b>	<b>77,800</b>	<b>77,060</b>	<b>-1.0</b>
Extraordinary items	-300	-160	5,090	NA	NA	-720	4,450	NA
<b>Reported PAT</b>	<b>25,190</b>	<b>26,120</b>	<b>30,010</b>	<b>19.1</b>	<b>14.9</b>	<b>77,080</b>	<b>81,510</b>	<b>5.7</b>
<b>EPS</b>	<b>10.7</b>	<b>11.1</b>	<b>12.8</b>	<b>19.1</b>	<b>14.9</b>	<b>32.8</b>	<b>34.7</b>	<b>5.7</b>
<b>Margins (%)</b>	<b>3QFY24</b>	<b>2QFY25</b>	<b>3QFY25</b>	<b>(bp)</b>	<b>(bp)</b>	<b>9MFY24</b>	<b>9MFY25</b>	<b>(bp)</b>
Gross margin	51.5	51.0	50.7	-80	-40	51.4	51.0	-30
EBITDA	23.3	23.5	23.2	-10	-30	23.6	23.4	-20
EBIT	21.5	21.6	21.2	-30	-40	21.8	21.4	-40
EBT	22.8	22.9	22.5	-30	-40	23.0	22.7	-30
PAT	16.8	16.9	16.2	-60	-80	17.1	16.7	-40
Effective tax rate	26.4	26.0	28.2	180	220	25.9	26.6	70

SOURCE: INCRED RESEARCH, COMPANY REPORTS

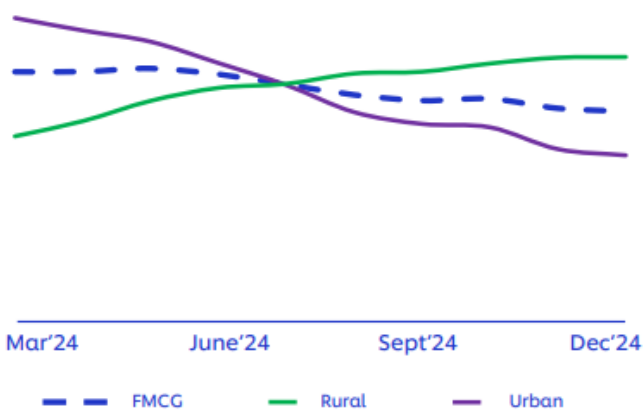
**Figure 2: Segment-wise performance**

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr (%)
<b>Segment-wise Revenue</b>								
Home Care	54,480	57,370	57,420	5.4	0.1	1,61,850	1,71,540	6.0
Beauty & Wellbeing	33,900	33,230	34,380	1.4	3.5	97,670	99,600	2.0
Personal Care	23,150	24,120	22,460	-3.0	-6.9	73,480	70,440	(4.1)
Foods & Refreshments	37,330	38,032	37,450	0.3	-1.5	1,13,810	1,13,980	0.1
Others	3,020	2,330	2,370	-21.5	1.7	9,310	6,990	(24.9)
<b>Total</b>	<b>1,51,880</b>	<b>1,55,082</b>	<b>1,54,080</b>	<b>1.4</b>	<b>-0.6</b>	<b>4,56,120</b>	<b>4,62,550</b>	<b>1.4</b>
<b>Segment Results</b>								
Home Care	9,660	10,870	10,540	9.1	-3.0	29,520	32,500	10.1
Beauty & Wellbeing	10,970	11,210	10,120	-7.7	-9.7	32,480	31,390	(3.4)
Personal Care	3,640	4,010	3,950	8.5	-1.5	12,660	12,140	(4.1)
Foods & Refreshments	6,900	6,900	7,550	9.4	9.4	21,120	21,810	3.3
Others	1,200	430	460	-61.7	7.0	3,690	1,280	(65.3)
<b>Total</b>	<b>32,370</b>	<b>33,420</b>	<b>32,620</b>	<b>0.8</b>	<b>-2.4</b>	<b>99,470</b>	<b>99,120</b>	<b>(0.4)</b>
<b>EBIT Margin (%)</b>				<b>(bp)</b>	<b>(bp)</b>			<b>(bp)</b>
Home Care	17.7	18.9	18.4	60	-60	18.2	18.9	70
Beauty & Wellbeing	32.4	33.7	29.4	-290	-430	33.3	31.5	-170
Personal Care	15.7	16.6	17.6	190	100	17.2	17.2	0
Foods & Refreshments	18.5	18.1	20.2	170	200	18.6	19.1	60

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Subdued consumption trend continues

FMCG Volume Growth trends (MAT Nielsen)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Smaller packs took front stage, impacting the sales mix

- ❑ Sustained gradual rural recovery
- ❑ Moderation in urban growth
- ❑ Small packs growing faster than large packs
- ❑ Secular trend of premiumisation remains

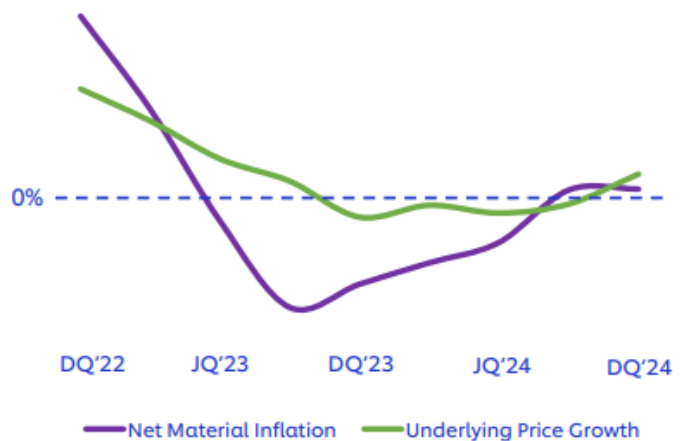
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Prices of palm oil and tea were up 40%/24% yoy, respectively

	DQ'24 Inflation	
	vs. DQ'23	vs. SQ'24
Crude Oil (Brent USD/bbl)	-11%	-6%
Soda Ash (INR/ton)	-3%	0%
Palm Oil (BMD CPO USD/MT)	40%	22%
Tea (INR/kg)	24%	-7%
USD/INR	1%	1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

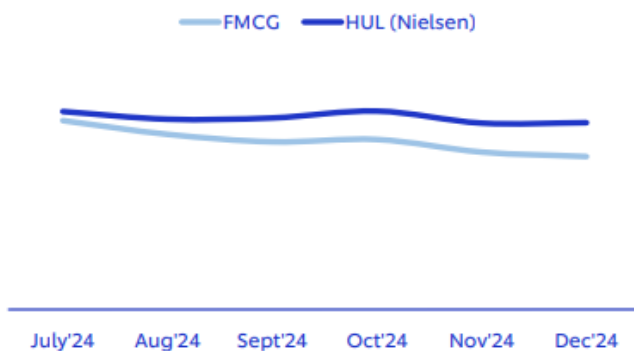
Figure 6: Pricing action taken in line with net material inflation



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Absolute volume (tonnage) growth was positive...

Volume Growth Trends (MAT - Nielsen)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: ...however, UVG was impacted by a weak mix

- ❑ Home Care growing ahead of the rest of the business
- ❑ Small packs growing ahead of large packs
- ❑ Partially offset by secular trend of premiumisation

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Divestment of non-core business and acquisition of future growth categories



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Ice-cream business demerger approved with a 1:1 share entitlement ratio

- ❑ Scheme of arrangement, for demerger, approved by Board of Directors
- ❑ Opportunity for all shareholders to participate in future value creation with a 1:1 Share Entitlement Ratio
- ❑ Great business with significant growth potential
- ❑ Focused management with greater flexibility to deploy strategies suited to Ice Cream’s distinctive business model
- ❑ Equipped with the portfolio, brand and innovation expertise from the largest global Ice Cream business
- ❑ Smoother transition for business as well as our people while securing a better talent outcome

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Management remains optimistic about the beauty biz opportunity in India



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Six big bets in beauty & wellbeing business

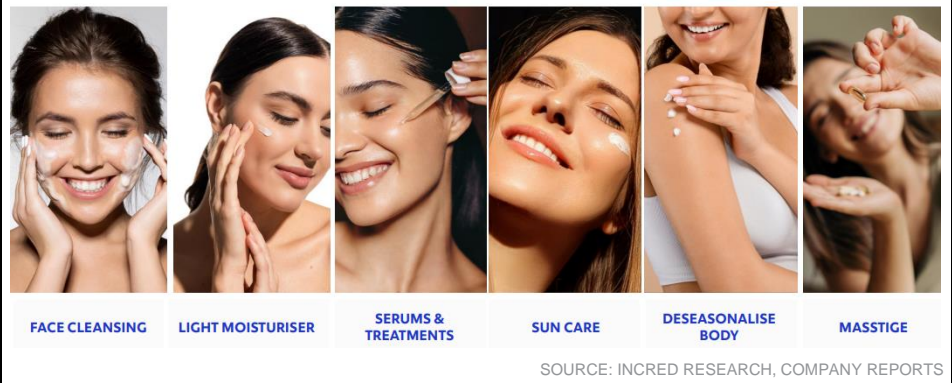


Figure 13: Acquisition of Minimalist brand to strengthen its play in the masstige segment

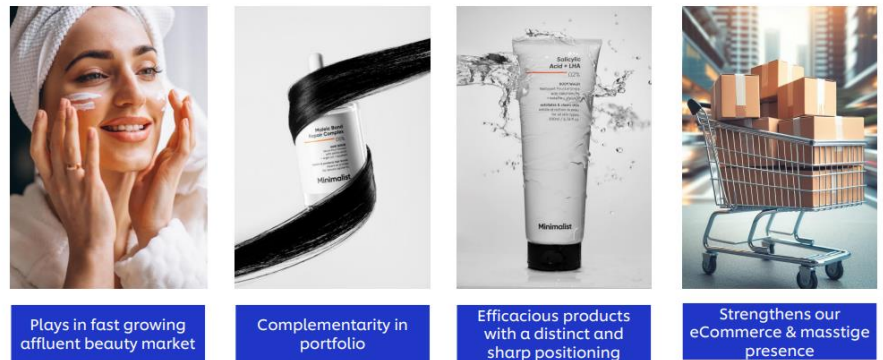


Figure 14: Overview of the deal structure

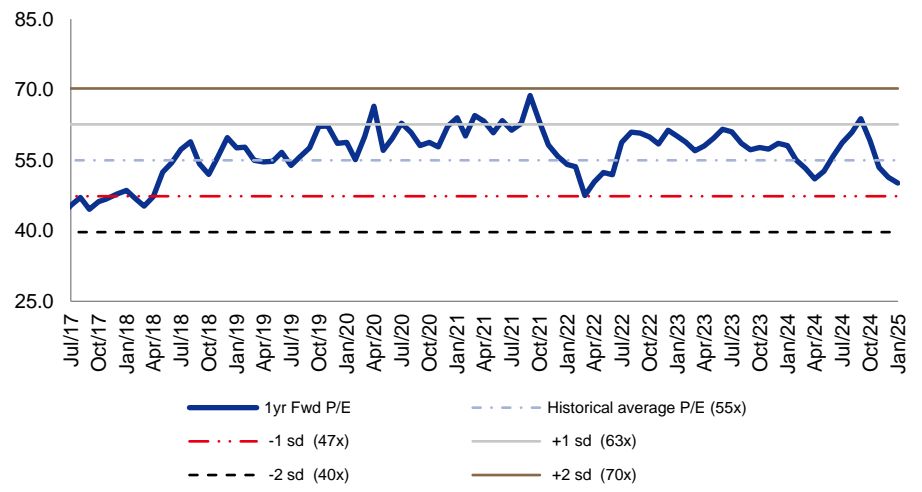
- ❑ HUL to acquire 90.5% stake in the business through secondary buy-outs at a pre-money enterprise value of ₹ 2,955 cr. (subject to adjustments as per the transaction documents) and primary infusion
  - ❑ Balance 9.5% will be acquired from the founders in two years as per terms set out in the transaction documents
  - ❑ Minimalist team led by Mohit and Rahul will continue to run the business for a period of two years
  - ❑ HUL and Minimalist team will partner to unlock value through synergies and complementary capabilities
  - ❑ Transaction is expected to close in JQ'25, subject to applicable regulatory approvals and customary closing conditions
- SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Our revised earnings estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY26F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net Sales	6,33,978	6,17,872	(2.5)	6,74,855	6,57,674	(2.5)	7,34,170	7,15,561	(2.5)
EBITDA	1,50,373	1,44,354	(4.0)	1,64,200	1,55,715	(5.2)	1,84,037	1,69,691	(7.8)
EBITDA Margin (%)	23.7	23.4	-40 bp	24.3	23.7	-70 bp	25.1	23.7	-140 bp
APAT	1,07,368	1,02,798	(4.3)	1,17,583	1,11,420	(5.2)	1,32,661	1,21,933	(8.1)
EPS (Rs)	45.7	43.7	(4.3)	50.0	47.4	(5.2)	56.5	51.9	(8.1)

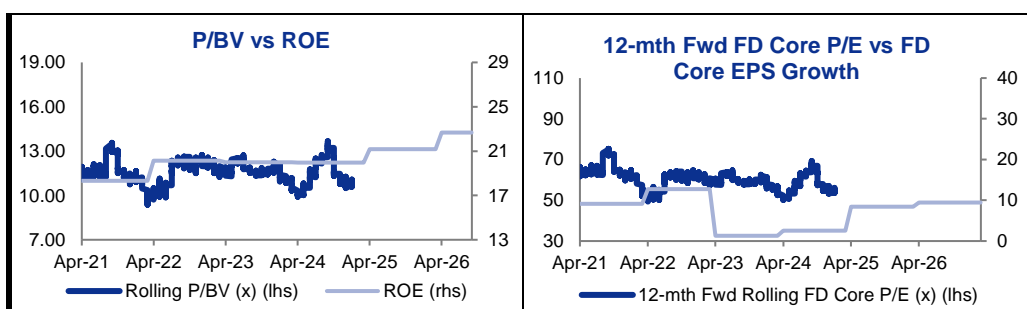
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 16: HUVR's one-year forward P/E trades below its five-year average, close to -1SD**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>591,440</b>	<b>604,690</b>	<b>617,872</b>	<b>657,674</b>	<b>715,561</b>
<b>Gross Profit</b>	<b>280,000</b>	<b>311,420</b>	<b>320,058</b>	<b>346,594</b>	<b>384,256</b>
<b>Operating EBITDA</b>	<b>136,320</b>	<b>141,900</b>	<b>144,354</b>	<b>155,715</b>	<b>169,691</b>
Depreciation And Amortisation	(10,300)	(10,970)	(11,200)	(11,900)	(12,750)
<b>Operating EBIT</b>	<b>126,020</b>	<b>130,930</b>	<b>133,154</b>	<b>143,815</b>	<b>156,941</b>
Financial Income/(Expense)	3,240	2,490	2,061	2,667	3,334
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,150	4,223	4,645	5,110	5,621
<b>Profit Before Tax (pre-EI)</b>	<b>131,410</b>	<b>137,643</b>	<b>139,861</b>	<b>151,592</b>	<b>165,895</b>
Exceptional Items	(620)	(890)			
<b>Pre-tax Profit</b>	<b>130,790</b>	<b>136,753</b>	<b>139,861</b>	<b>151,592</b>	<b>165,895</b>
Taxation	(31,170)	(35,610)	(37,063)	(40,172)	(43,962)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>99,620</b>	<b>101,143</b>	<b>102,798</b>	<b>111,420</b>	<b>121,933</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(620)	(890)			
<b>Net Profit</b>	<b>99,000</b>	<b>100,253</b>	<b>102,798</b>	<b>111,420</b>	<b>121,933</b>
Recurring Net Profit	99,472	100,911	102,798	111,420	121,933
<b>Fully Diluted Recurring Net Profit</b>	<b>99,472</b>	<b>100,911</b>	<b>102,798</b>	<b>111,420</b>	<b>121,933</b>

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>136,320</b>	<b>141,900</b>	<b>144,354</b>	<b>155,715</b>	<b>169,691</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(8,660)	42,650	(26,126)	101	(2,489)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(620)	(890)			
Other Operating Cashflow	6,400	9,733	10,706	11,777	12,955
Net Interest (Paid)/Received	(1,010)	(3,020)	(4,000)	(4,000)	(4,000)
Tax Paid	(31,170)	(35,610)	(37,063)	(40,172)	(43,962)
<b>Cashflow From Operations</b>	<b>101,260</b>	<b>154,763</b>	<b>87,872</b>	<b>123,421</b>	<b>132,194</b>
Capex	(14,010)	(20,850)	(12,500)	(12,500)	(12,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	3,280	(16,990)			
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(10,730)</b>	<b>(37,840)</b>	<b>(12,500)</b>	<b>(12,500)</b>	<b>(12,500)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(84,590)	(93,980)	(92,337)	(100,082)	(109,525)
Preferred Dividends					
Other Financing Cashflow	1,420	1,647			
<b>Cash Flow From Financing</b>	<b>(83,170)</b>	<b>(92,333)</b>	<b>(92,337)</b>	<b>(100,082)</b>	<b>(109,525)</b>
Total Cash Generated	7,360	24,590	(16,965)	10,839	10,169
<b>Free Cashflow To Equity</b>	<b>90,530</b>	<b>116,923</b>	<b>75,372</b>	<b>110,921</b>	<b>119,694</b>
<b>Free Cashflow To Firm</b>	<b>91,540</b>	<b>119,943</b>	<b>79,372</b>	<b>114,921</b>	<b>123,694</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	72,330	117,260	101,095	119,485	130,454
Total Debtors	27,350	26,900	16,667	19,513	23,167
Inventories	40,310	38,120	31,667	35,479	48,264
Total Other Current Assets	45,370	45,710	44,753	44,968	45,281
<b>Total Current Assets</b>	<b>185,360</b>	<b>227,990</b>	<b>194,183</b>	<b>219,444</b>	<b>247,166</b>
Fixed Assets	349,900	359,780	361,080	361,680	361,430
Total Investments	9,830	9,830	9,830	9,830	9,830
Intangible Assets	173,160	173,160	173,160	173,160	173,160
Total Other Non-Current Assets	(63,250)	(64,540)	(64,540)	(64,540)	(64,540)
<b>Total Non-current Assets</b>	<b>469,640</b>	<b>478,230</b>	<b>479,530</b>	<b>480,130</b>	<b>479,880</b>
Short-term Debt	2,930	3,400	3,400	3,400	3,400
Current Portion of Long-Term Debt					
Total Creditors	125,260	163,950	123,244	129,272	142,076
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>128,190</b>	<b>167,350</b>	<b>126,644</b>	<b>132,672</b>	<b>145,476</b>
Total Long-term Debt	7,460	10,340	11,140	18,690	19,490
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>7,460</b>	<b>10,340</b>	<b>11,140</b>	<b>18,690</b>	<b>19,490</b>
Total Provisions	17,140	18,800	15,738	16,684	18,143
<b>Total Liabilities</b>	<b>152,790</b>	<b>196,490</b>	<b>153,522</b>	<b>168,045</b>	<b>183,109</b>
Shareholders Equity	502,210	509,730	520,191	531,529	543,937
Minority Interests					
<b>Total Equity</b>	<b>502,210</b>	<b>509,730</b>	<b>520,191</b>	<b>531,529</b>	<b>543,937</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	15.5%	2.2%	2.2%	6.4%	8.8%
Operating EBITDA Growth	9.0%	4.1%	1.7%	7.9%	9.0%
Operating EBITDA Margin	23.0%	23.5%	23.4%	23.7%	23.7%
Net Cash Per Share (Rs)	26.36	44.05	36.83	41.44	45.77
BVPS (Rs)	213.71	216.91	221.36	226.18	231.46
Gross Interest Cover	124.77	43.35	33.29	35.95	39.24
Effective Tax Rate	23.8%	26.0%	26.5%	26.5%	26.5%
Net Dividend Payout Ratio	80.2%	90.6%	89.8%	89.8%	89.8%
Accounts Receivables Days	14.40	16.37	12.87	10.04	10.89
Inventory Days	46.42	48.81	42.77	39.39	46.13
Accounts Payables Days	143.59	179.97	175.99	148.14	149.47
ROIC (%)	28.2%	31.5%	30.3%	32.6%	35.3%
ROCE (%)	25.8%	26.3%	26.3%	27.7%	29.3%
Return On Average Assets	14.9%	14.5%	14.6%	15.8%	16.6%

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.*

**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.