

India
HOLD (no change)

Consensus ratings*: Buy 4 Hold 8 Sell 8

Current price:	Rs2,461
Target price:	Rs2,510
Previous target:	Rs2,425
Up/downside:	2.0%
InCred Research / Consensus:	2.7%
Reuters:	PIDI.NS
Bloomberg:	PIDI IN
Market cap:	US\$16,659m
	Rs1,250,545m
Average daily turnover:	US\$17.6m
	Rs1323.5m
Current shares o/s:	508.2m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

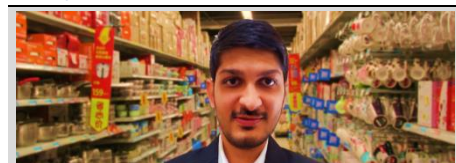
- Raised TP to Rs2,510
- Raised FY23F/24F EBITDA by 5.7%/7.2%
- Raised FY23F/24F EPS by 5.6%/7.3%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.6	3.9	43.8
Relative (%)	2.3	11.3	21.3

Major shareholders	% held
Promoter and Promoter Group	75.0
Axis Mutual Fund	3.1
LIC	2.4

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Pidilite Industries Limited

Cost pressures to abate by end of 4Q

- Consolidated sales grew 24% yoy (2-year CAGR of 21.6% vs 25.4% of APNT) to Rs28.5bn in 3QFY22. Domestic volume growth stood at 9.4%.
- Continued input cost pressure led gross margin to contract 1117bp yoy (down 182bp qoq) to 43.6%. EBITDA margin contracted 861bp yoy to 19.3%.
- Valuations at 70x/61x FY23F/FY24F P/E limit the upside. We maintain our Hold rating with a higher target price of Rs2,510.

Stable demand trends in 3Q

Domestic business sales grew 23.5% yoy (20.5% CAGR over 3QFY20-3QFY22) to Rs24.2bn. Domestic volume growth stood at 9.4% (vs 18% for APNT). The Consumer and Bazaar (C&B) / B2B businesses grew by 20.5%/35.2% respectively and volume and mix growth by 8.9%/13% yoy respectively. 3Q demand conditions were stable; urban areas grew faster than rural. Near-term demand conditions remain challenging (due to increasing restrictions) and is expected to improve by the end of 4Q.

Domestic C&B subsidiaries report robust growth

Domestic subsidiaries (ex-Huntsman) grew by 19.1% yoy. Growth was driven by C&B business (ICA Pidilite/CIPY grew 36.7%/28.5% yoy), while Domestic B2B subsidiaries (Nina-Percept) improved sequentially (up 2.6%/15.6% yoy/qoq respectively) led by recovery in real estate and construction activities. International business growth remained muted at 3% yoy due to the 24.6% decline in the Americas (pent-up demand in the base quarter). Asia and the Middle East reported strong growth of 18.8%/23.5% yoy respectively. Subsidiary margins were down by 271bp/102bp on yoy/qoq basis respectively to 13.5%.

Inflationary pressure led to margin contraction

Input costs remained inflated. PIDI's consumption rate of vinyl acetate monomer (VAM) in 3QFY22 was US\$1988/t vs US\$875/t in 3QFY21 and US\$2,071 in 2QFY22. Consolidated gross margin contracted 1117bp yoy to 43.6% in 3QFY22. The lag between input cost inflation and price hikes led EBITDA to decline 14.3% to Rs5.5bn (APNT's EBITDA fell by 13.7% in 3Q) while its EBITDA margin contracted 861bp yoy to 19.3%. It expects effective price hikes taken so far to cover 70-75% of the raw material inflation. Management expects raw material prices to ease from Mar 2022.

Valuations limit upside; maintain Hold

We see limited upside as PIDI already trades at 70x/61x FY23F/24F EPS respectively. We await a better entry point and retain our Hold rating on the stock, with a higher target price of Rs2,510, based on 62x FY24F EPS (near +1SD above mean). Key catalyst is higher-than-estimated EBITDA growth led by benign raw material prices, and key downside risks include 1) lower-than-estimated sales/EBITDA margin, and 2) increased competitive intensity in the construction chemicals and waterproofing space.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	72,542	72,509	100,119	113,485	126,338
Operating EBITDA (Rsm)	15,760	16,806	19,676	25,951	30,115
Net Profit (Rsm)	11,164	11,312	12,673	17,760	20,601
Core EPS (Rs)	22.8	22.3	24.9	34.9	40.5
Core EPS Growth	18.1%	(2.1%)	11.8%	40.1%	16.0%
FD Core P/E (x)	111.99	110.55	98.68	70.42	60.71
DPS (Rs)	7.0	8.5	9.4	11.2	13.5
Dividend Yield	0.28%	0.35%	0.38%	0.46%	0.55%
EV/EBITDA (x)	78.74	74.37	63.43	47.79	40.84
P/FCFE (x)	63.59	(208.57)	109.51	114.80	79.80
Net Gearing	(24.5%)	(5.2%)	(7.5%)	(16.3%)	(25.0%)
P/BV (x)	28.06	22.36	19.59	16.48	13.95
ROE	26.9%	22.6%	21.2%	25.4%	24.9%
% Change In Core EPS Estimates			1.05%	5.65%	7.32%
InCred Research/Consensus EPS (x)			0.96	1.06	1.05

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 27 JAN 2022

Cost pressures to abate by end of 4Q

Key takeaways from the earnings call

Demand and operating environment

- PIDI recorded robust double-digit sales growth and volume growth (+9.4% yoy) driven by steady consumer demand. Growth was broad-based across categories in the Consumer & Bazaar (C&B) and B2B segments as urban markets outpaced rural markets.
- Near-term demand trends remain challenging as inflation pressure continues and management expects these to moderate by the end of 4QFY22 / beginning of 1QFY23.

Subsidiary performance

- Domestic subsidiaries in C&B reported double-digit sales growth.
- Performance of domestic subsidiaries in B2B improved sequentially due to the recovery in real estate and construction-related activities.
- Subsidiaries in Asia witnessed modest growth (up 18.7% yoy). Americas declined 24.5% yoy on a higher base (sales were higher in the base year due to pent-up demand and government subsidies to consumers during Covid). Margins remained under pressure due to higher input costs.
- The company will focus on growing its presence in global emerging markets and is performing well in Africa. One factory has been set up in Kenya and a second in Bangladesh, taking the total to three facilities outside India.

Input costs and margins

- Average procurement prices of vinyl acetate monomer (VAM) stood at US\$1,988/t during 3QFY22 (US\$875/t in 3QFY21), reaching highs of c.2,500/t in Dec 2021, and is currently close to US\$2,000/t. Some softening was witnessed from Jan 2022, and as the global supply scenario eases, management expects VAM prices to soften further by Mar 2022.
- Staggered price hikes (c15% taken so far) will cover c70-75% of the raw material inflation.
- The company remains prudent about costs across the board and will continue to focus on driving cost savings to offset margin pressure. After the current price hikes, management believes that VAM price at US\$1,500-2,000/t is a comfortable range to operate in and will not warrant any incremental price hikes.

Other highlights

- Over 2,000+ dealers now place orders via the Pidilite Genie app and require no manual intervention by sales personnel (via auto-replenishment). The app aims to strengthen its position in the deepest of touchpoints.
- The company is present in over 7,000+ villages with populations between 5,000 and 10,000 and aims to educate rural India about the company's products.
- Fevicol Champions Club, Pidilite's loyalty program for carpenters, leverages the strength of flanker brands (like Grupo) to give carpenters coupons, cashbacks and other loyalty points for using their products.
- The company's current capacity utilisation is 70-80% depending on product lines. The company is undertaking five brownfield expansion and is constructing nine new factories for tile grouting, Tenax, powder products and other products. Visakhapatnam unit will be the largest in South India, while others are spread across Ludhiana, Gujarat, Lucknow amongst other cities. Once these are operational, management expects capacity utilisation to get back to 60-70%.

Figure 1: Quarterly summary – consolidated

Y/E, Mar (Rs m)	3QFY21	2QFY22	3QFY22	YoY (%)	QoQ (%)	9MFY21	9MFY22	Gr (%)
Revenue	22,990	26,264	28,507	24.0	8.5	50,572	74,139	46.6
Expenditure	16,582	20,768	23,017	38.8	10.8	38,374	59,677	55.5
Consumption of RM	10,402	14,339	16,083	54.6	12.2	22,770	40,279	76.9
as % of sales	45.2	54.6	56.4			45.0	54.3	
Employee Cost	2,603	2,731	2,800	7.6	2.5	7,182	8,338	16.1
as % of sales	11.3	10.4	9.8			14.2	11.2	
Other expenditure	3,577	3,697	4,134	15.6	11.8	8,422	11,060	31.3
as % of sales	15.6	14.1	14.5			16.7	14.9	
EBITDA	6,408	5,496	5,490	-14.3	-0.1	12,198	14,462	18.6
Depreciation	495	603	605	22.2	0.2	1,435	1,774	23.7
EBIT	5,913	4,893	4,886	-17.4	-0.1	10,764	12,688	17.9
Other Income	204	139	52	-74.6	-62.8	621	252	-59.4
Interest	121	124	108	27	-13.0	298	327	9.9
PBT	5,997	4,908	4,830	-19.5	-1.6	11,086	12,613	13.8
Total Tax	1,548	1,159	1,275	-17.6	10.0	2,926	3,155	7.8
PAT	4,449	3,749	3,555	-20.1	-5.2	8,160	9,458	15.9
(Profit)/loss from JVs / Minority Interest	30	2	-30	-198.7	-1395.7	-90	-75	-17.1
Net profit (before extraordinary items)	4,418	3,747	3,585	-18.9	-4.3	8,250	9,532	15.5
Extra ordinary items	0	0	0	NA	NA	0	0	NA
Reported net profit	4,418	3,747	3,585	-18.9	-4.3	8,250	9,532	15.5
Margins (%)				(bp)	(bp)			(bp)
Gross Margin	54.8	45.4	43.6	-1,117	-182	55.0	45.7	-930
EBIDTA	27.9	20.9	19.3	-861	-167	24.1	19.5	-461
EBIT	25.7	18.6	17.1	-858	-149	21.3	17.1	-417
EBT	26.1	18.7	16.9	-914	-174	21.9	17.0	-491
PAT	19.2	14.3	12.6	-664	-169	16.3	12.9	-346
Effective Tax rate	25.8	23.6	26.4	58	278	26.4	25.0	-138

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental performance – consolidated

Y/E, Mar (Rs m)	3QFY21	2QFY22	3QFY22	YoY (%)	QoQ (%)	9MFY21	9MFY22	Gr (%)
Segment revenues								
Consumer & Bazaar	18,489	21,304	22,645	22.5	6.3	40,786	58,812	44.2
Business to Business (B2B)	4,751	5,324	6,186	30.2	16.2	10,404	16,330	57.0
Others	122	146	205	68.1	40.3	211	449	112.6
Total	23,361	26,774	29,036	24.3	8.5	51,401	75,592	47.1
Segment results								
Consumer & Bazaar	6,451	5,827	5,629	-12.7	-3.4	13,080	15,160	15.9
Business to Business (B2B)	558	263	400	-28.3	52.2	628	1,083	72.5
Others	-5	-8	-12	123.1	48.7	-33	-13	(58.8)
Total	7,004	6,082	6,017	-14.1	-1.1	13,675	16,230	18.7
Segment margins (%)				(bp)	(bp)			(bp)
Consumer & Bazaar	34.9	27.4	24.9	-1004	-249	32.1	25.8	-629
Business to Business (B2B)	11.7	4.9	6.5	-528	153	6.0	6.6	60
Others	-4.3	-5.3	-5.7	-140	-32	-15.4	-3.0	1240
PBIT margins %	30.0	22.7	20.7	-926	-199	26.6	21.5	-513

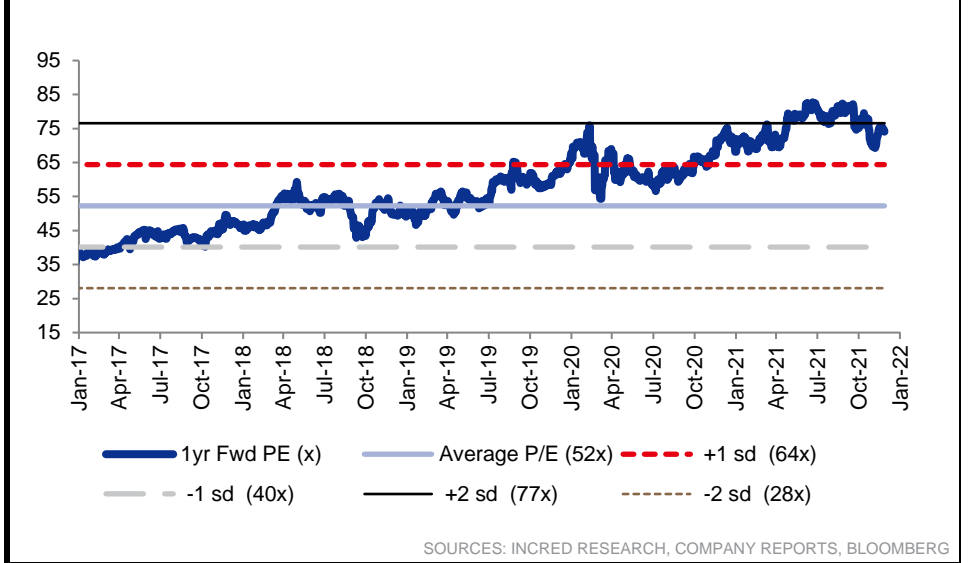
SOURCES: INCRED RESEARCH, COMPANY REPORTS

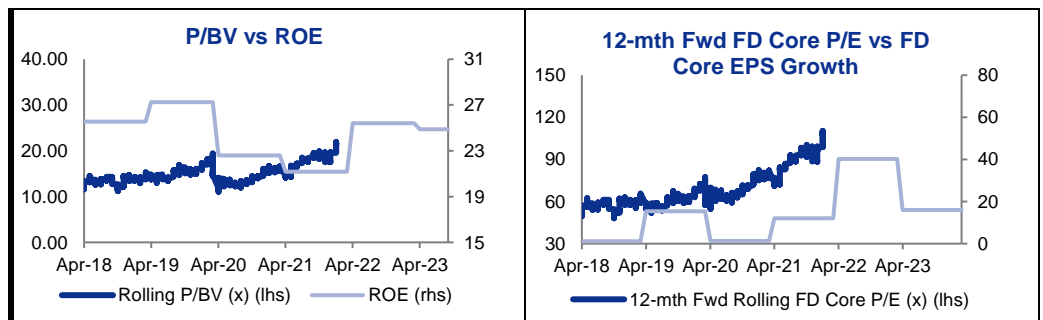
Figure 3: Revisions in estimates

Y/E, Mar (Rs m)	FY22F			FY23F			FY24F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net sales	92,141	1,00,240	8.8	1,04,429	1,13,607	8.8	1,16,227	1,26,459	8.8
EBITDA	18,635	19,676	5.6	24,560	25,951	5.7	28,088	30,115	7.2
EBITDA margin (%)	20.2	19.6	-60bp	23.5	22.8	-70bp	24.2	23.8	-40bp
Net Income	12,542	12,673	1.1	16,811	17,760	5.6	19,197	20,601	7.3
EPS (Rs)	24.7	24.9	1.1	33.1	34.9	5.6	37.8	40.5	7.3

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: PIDI's one-year forward P/E is trading close to +2SD P/E



BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	72,945	72,927	100,240	113,607	126,459
Gross Profit	38,920	39,160	45,943	57,478	65,876
Operating EBITDA	15,760	16,806	19,676	25,951	30,115
Depreciation And Amortisation	(1,699)	(2,007)	(2,377)	(2,765)	(3,225)
Operating EBIT	14,061	14,800	17,298	23,185	26,889
Financial Income/(Expense)	1,158	422	(122)	594	695
Pretax Income/(Loss) from Assoc.	30	40	44	48	53
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	15,250	15,261	17,220	23,827	27,637
Exceptional Items	(552)	(36)			
Pre-tax Profit	14,698	15,225	17,220	23,827	27,637
Taxation	(3,477)	(3,964)	(4,572)	(6,047)	(7,016)
Exceptional Income - post-tax					
Profit After Tax	11,221	11,261	12,648	17,780	20,621
Minority Interests	(56)	51	25	(20)	(20)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	11,164	11,312	12,673	17,760	20,601
Recurring Net Profit	11,586	11,339	12,673	17,760	20,601
Fully Diluted Recurring Net Profit	11,586	11,339	12,673	17,760	20,601

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	15,760	16,806	19,676	25,951	30,115
Cash Flow from Invt. & Assoc.	30	40	44	48	53
Change In Working Capital	822	2,081	(4,233)	(2,785)	(2,210)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	5,518	(36)			
Other Operating Cashflow					
Net Interest (Paid)/Received	(336)	(372)	(436)	(320)	(325)
Tax Paid	(3,477)	(3,964)	(4,572)	(6,047)	(7,016)
Cashflow From Operations	18,317	14,555	10,479	16,846	20,617
Capex	(5,462)	(28,464)	(4,000)	(4,250)	(4,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	5,109	7,496	842	914	1,020
Cash Flow From Investing	(353)	(20,968)	(3,158)	(3,336)	(3,480)
Debt Raised/(repaid)	1,695	417	4,100	(2,616)	(1,465)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,557)	(4,320)	(4,752)	(5,702)	(6,842)
Preferred Dividends					
Other Financing Cashflow	(10,975)	7,797	(20)	(20)	(20)
Cash Flow From Financing	(12,836)	3,895	(672)	(8,338)	(8,327)
Total Cash Generated	5,128	(2,518)	6,967	4,088	7,312
Free Cashflow To Equity	19,660	(5,996)	11,420	10,894	15,672
Free Cashflow To Firm	18,301	(6,040)	7,756	13,830	17,462

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	14,230	6,279	12,298	17,470	26,280
Total Debtors	10,885	13,210	14,758	16,744	18,684
Inventories	9,295	12,342	13,743	15,587	17,378
Total Other Current Assets	5,452	5,746	6,932	7,866	8,782
Total Current Assets	39,861	37,577	47,731	57,667	71,124
Fixed Assets	18,820	34,278	35,901	37,386	38,660
Total Investments	4,665	3,395	3,115	3,115	3,115
Intangible Assets	1,840	12,840	12,840	12,840	12,840
Total Other Non-Current Assets	41	217	341	387	429
Total Non-current Assets	25,366	50,730	52,197	53,727	55,044
Short-term Debt	1,440	2,015	6,115	3,465	1,965
Current Portion of Long-Term Debt					
Total Creditors	6,210	21,942	22,129	24,078	26,466
Other Current Liabilities	8,070	11,874			
Total Current Liabilities	15,720	35,831	28,245	27,544	28,431
Total Long-term Debt	1,366	1,208	1,208	1,241	1,277
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	1,366	1,208	1,208	1,241	1,277
Total Provisions	1,428	4,644	4,583	4,653	4,742
Total Liabilities	18,514	41,683	32,100	31,303	32,201
Shareholders Equity	44,556	55,930	63,851	75,909	89,668
Minority Interests	2,157	2,400	2,400	2,400	2,400
Total Equity	46,713	58,330	66,252	78,310	92,069

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	248.9%	(4.5%)	3,807.8%	1,335.0%	1,132.6%
Operating EBITDA Growth	1,166.6%	663.7%	1,707.5%	3,189.1%	1,604.5%
Operating EBITDA Margin	21.7%	23.2%	19.7%	22.9%	23.8%
Net Cash Per Share (Rs)	22.48	6.01	9.79	25.12	45.33
BVPS (Rs)	87.69	110.05	125.64	149.37	176.44
Gross Interest Cover	41.85	39.75	39.68	72.45	82.74
Effective Tax Rate	23.7%	26.0%	26.5%	25.4%	25.4%
Net Dividend Payout Ratio	30.4%	38.1%	37.5%	32.1%	33.2%
Accounts Receivables Days	53.65	60.30	50.92	50.60	51.13
Inventory Days	99.98	116.94	87.68	95.37	99.30
Accounts Payables Days	(64.45)	(152.15)	(148.13)	(150.24)	(152.26)
ROIC (%)	43.9%	33.0%	27.7%	34.7%	38.2%
ROCE (%)	29.6%	25.9%	23.4%	27.3%	27.9%
Return On Average Assets	17.1%	14.2%	13.6%	16.3%	16.8%

Key Drivers					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Consumer Bazaar revenue growth	(0.4%)	(0.7%)	32.6%	13.2%	10.8%
Industrial product revenue growth	30.5%	(6.0%)	50.0%	14.0%	12.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

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.