

I India
ADD (previously HOLD)

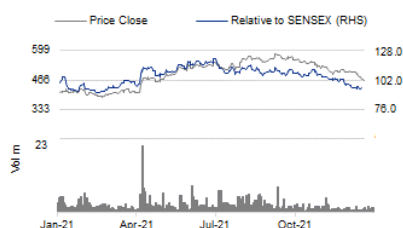
Consensus ratings*: Buy 28 Hold 10 Sell 3

Current price:	Rs472
Target price:	Rs545
Previous target:	Rs595
Up/downside:	15.5%
InCred Research / Consensus:	-9.7%
Reuters:	MRCO.NS
Bloomberg:	MRCO IN
Market cap:	US\$8,120m
	Rs609,351m
Average daily turnover:	US\$15.3m
	Rs1146.1m
Current shares o/s:	1,291.2m
Free float:	40.4%

*Source: Bloomberg

Key changes in this note

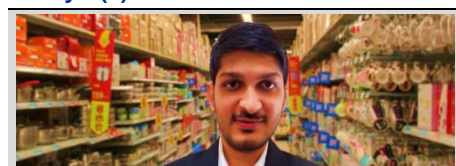
- Upgrade rating to ADD with revised TP of Rs545.
- Raised FY23F/24F revenue by 4.2%/5.3%.
- Reduced FY23/24F EPS by 2.1%/2.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.8)	(16.5)	14.6
Relative (%)	(4.7)	(12.4)	(6.1)

Major shareholders	% held
Promoter	59.6
First State Investments ICVC	7.0
LIC	3.7

Analyst(s)

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Marico Ltd

Reasonable valuation; upgrade to ADD

- Marico's 3QFY22 consolidated sales grew 13.4% yoy (two-year CAGR of 14.9%) to Rs24.1bn. Domestic volume growth was flat.
- Pricing interventions and softening input costs (barring crude oil) should support volume growth and margins, respectively, in coming quarters.
- Valuation (post recent 20% fall) at 41x/37x FY23F/FY24F EPS, respectively, is reasonable. Upgrade to ADD with a TP of Rs545 (43x FY24 EPS).

Pricing led sales growth; volumes to improve sequentially

Marico's domestic business reported a pricing-led sales growth of 11.3% (flat volume growth). Parachute recorded market share gains (up 220bp MAT Dec 2021) led volume/value growth of 1%/8%, respectively. VAHO posted sales growth of 3%, led by strong traction in mid and premium segments. Saffola edible oils recorded mid-single digit volume decline, as per our estimate, due to higher in-home consumption in the base period and weak trade sentiment due to volatile prices. The foods portfolio grew 28% yoy. Management expects budgetary interventions to drive rural consumption and pricing interventions in Parachute and Saffola to revive volume growth in 4QFY22F.

International business posts steady growth

International business reported a broad-based constant currency (CC) growth of 18% yoy. Bangladesh grew 16% yoy CC driven by accelerated growth in non-coconut oil portfolio and strong traction in newer categories (hair care and baby care). South East Asia grew 27% yoy CC as Covid-19 restrictions eased. Middle East (up 21% yoy CC) performed well, in line with the company's efforts of expanding its total addressable market. Marico aims to replicate the successful Bangladesh model (portfolio diversification and profitability) to other geographies which strengthens its confidence of business growth in double digits.

Margins set to improve sequentially

Consolidated gross margin contracted 318bp yoy (up 125bp qoq) to 43.7%. Management expects prices of copra and vegetable oils to correct in coming quarters while crude oil prices remain elevated. EBITDA margin contraction was restricted to 156bp yoy at 17.9% led by prudent cost control (other expenses down 80bp yoy but flat qoq) and lower employee cost. With easing input cost, management is optimistic of a sequential improvement in EBITDA margin.

Reasonable valuation; upgrade to ADD

After recent correction in share price (20% in three months), Marico's valuation at 41x/37x FY23/FY24F, respectively, appear reasonable. We upgrade the stock to ADD (from HOLD earlier) with a lower target price of Rs545 (Rs595 earlier) based on 43x (five-year average P/E) FY24F EPS. Marico's foray into new categories in the foods space is encouraging. However, proof of execution needs to be monitored. Key downside risk: Subdued performance in VAHO and edible oils, and slower-than-expected ramp of foods portfolio.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	73,150	80,480	95,268	106,407	119,146
Operating EBITDA (Rsm)	14,690	15,920	17,319	20,245	23,120
Net Profit (Rsm)	10,500	11,620	12,690	14,775	16,340
Core EPS (Rs)	8.1	9.0	9.8	11.4	12.7
Core EPS Growth	12.9%	10.7%	9.2%	16.4%	10.6%
FD Core P/E (x)	57.93	52.35	47.95	41.18	37.24
DPS (Rs)	5.4	6.0	5.9	6.9	7.5
Dividend Yield	1.33%	1.48%	1.47%	1.71%	1.87%
EV/EBITDA (x)	41.02	37.45	34.66	29.44	25.55
P/FCFE (x)	77.78	33.15	309.06	52.00	44.66
Net Gearing	(18.8%)	(37.6%)	(22.8%)	(30.9%)	(39.0%)
P/BV (x)	20.12	18.77	16.82	15.02	13.38
ROE	34.9%	37.1%	37.0%	38.5%	38.0%
% Change In Core EPS Estimates			(2.09%)	(2.11%)	(2.12%)
InCred Research/Consensus EPS (x)			0.98	0.96	0.93

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Reasonable valuation; upgrade to ADD

Key takeaways from the earnings call

Demand and operating environment

- Sustained inflation impacted consumer spending in FMCG with rural markets registering a visibly higher slowdown than urban markets. The company managed to outperform market growth, in value as well as volume terms.
- Rural demand has been slower in 3QFY22. Management expects budgetary interventions (increased outlay towards the Mahatma Gandhi National Rural Employment scheme, etc), normal monsoon and good sowing to aid rural recovery.

India business

- **Parachute** brand's performance was stable (up 8% yoy) with volume market share up 220bp (at 53%) in rigid packs. Price cuts were done during the quarter as copra prices continued to soften. Management has been more proactive with price reductions across the Parachute portfolio to ensure continued volume growth.
- The Saffola franchise (edible oils + foods) grew 19%. **Saffola** edible oils registered mid-single digit volume degrowth, as per our estimate, due to higher in-home consumption in the base period and weak trade sentiment during the quarter due to price volatility (lower stock-in-trade (STR) at trade channels).
- **Foods** portfolio grew 28% yoy and is on track to achieving the targeted Rs5bn sales in FY22F. Saffola Oats has ranked no.1 in value terms (including masala and plain variants) during the quarter across channels.
 - **Saffola Honey** gained the highest market share in modern trade so far this quarter. The category has seen some moderation from a high base. Saffola Honey has 13% market share in key modern trade outlets and 23% in e-commerce channels (down from 25% in 1QFY22). As per management, modern trade and e-commerce channels account for 30% of honey category sales.
 - **Saffola Oodles** is currently being prototyped in some general trade channels. However, the ramp-up is slower than expected.
 - Marico has a strong pipeline in foods and a strong innovation pipeline for the category. The company will continue to invest in brands launched in the past one year.
- **Value-added hair oil (VAHO):**
 - VAHO recorded tepid sales growth of 3% (*management has stopped giving volume growth details from 2Q onwards*). Value market share gains of 80bp (Oct-Dec 2021). We note that market share data for other categories are reported on MAT (monthly annual turnover) Dec 2021 basis.
 - Given the rural slowdown, mid and premium segments grew ahead of the bottom-of-pyramid segment. New launches (Parachute Advanced Onion Hair Oil and Jataa for Men 100% Ayurvedic Hair Growth Oil) focus on premium segment. These brands will be digital first and will be available in e-commerce marketplaces.
 - Marico's market share in North and East India markets is in single digits as these markets are moving towards the bottom-of-pyramid segment.
- D2C brands recorded net sales of Rs1,500-2,000m on an annualized basis. Marico targets to achieve Rs4.5-5bn sales from D2C brands in FY24F.

International business

- International businesses grew 18% yoy with all markets witnessing stable and profitable growth.
- Input cost pressure has cooled off. Marico will continue to invest in brand and market development in each geography.
- Bangladesh continued its strong performance driven by accelerated growth in non-coconut oil portfolio and strong traction in newer categories (hair care and baby care).
- Marico aims to replicate the successful Bangladesh model (portfolio diversification and profitability) to other geographies which strengthens its confidence of business growth in double digits.

Input cost and margins

- Gross margin is expected to expand sequentially and normalize post 4QFY22F as prices of copra are expected to be deflationary from 1QFY23F.
- Prices of copra have started cooling off, and the company has started taking price cuts to pass on the benefits to the customers in order to grow volume. Price reductions were implemented more proactively (not repeating the mistakes from 2018) in Oct 2021, followed by one in Dec 2021 and another one in Jan 2022.
- Management expects advertisement and promotion or A&P spending to be at 9% of sales in FY23F and will continue to invest in brands. Weighted average digital spending stood at 20% of A&P spending in 3Q (vs. single-digit three-to-four years ago).
- Staff cost was lower due to 1) higher charge in base quarter due to higher share-based payments, and 2) one-off incentives to frontline workers in the base period.
- EBITDA is expected to improve in 4QFY22F, and margins are likely to remain above 19% once the inflationary situation normalizes.

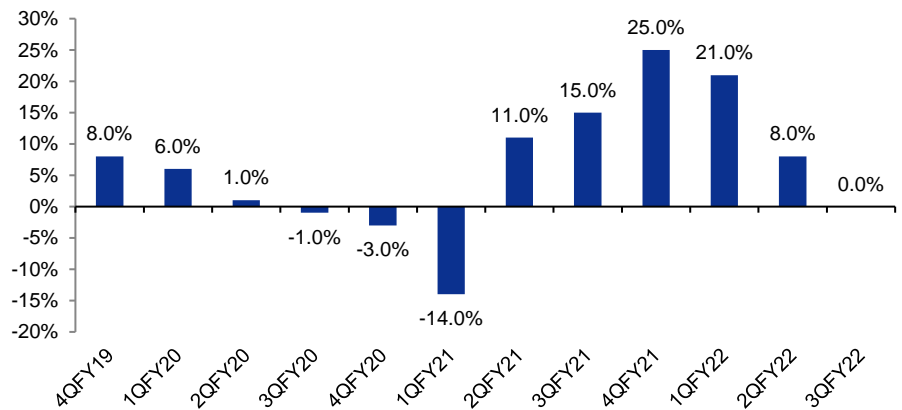
Other highlights

- Debtor turnover days stood at 29 days in 3QFY22 (vs 23 days in 3QFY21) due to a higher share of emerging channels. Inventory turnover days stood at 53 days in 3QFY22 (vs 49 days in 3QFY21) due to inflationary raw material prices and strategic buying of certain raw materials. Net working capital days stood at 19 days in 3QFY22 (vs 21 days in 3QFY21).
- Marico will focus on 1) investing in brands, 2) gaining market share and market development in the food category through new product launches, 3) strengthen GTM (Go-to-market strategy) in urban and rural markets and focus on technology to drive growth. The company will also continue to expand its presence at chemist and food outlets in urban markets.

Figure 1: Quarterly performance - consolidated

Y/E, Mar (Rs. m)	3QFY21	2QFY22	3QFY22	YoY (%)	QoQ (%)	9MFY21	9MFY22	Gr (%)
Revenue	21,220	24,190	24,070	13.4	-0.5	60,360	73,510	21.8
Expenditure	17,090	19,960	19,760	15.6	-1.0	47,670	60,160	26.2
Consumption of RM	11,270	13,920	13,550	20.2	-2.7	31,450	42,360	34.7
as % of sales	53.1	57.5	56.3			52.1	57.6	
Employee Cost	1,480	1,530	1,440	-2.7	-5.9	4,200	4,470	6.4
as % of sales	7.0	6.3	6.0			7.0	6.1	
Other expenditure	4,340	4,510	4,770	9.9	5.8	12,020	13,330	10.9
as % of sales	20.5	18.6	19.8			19.9	18.1	
EBITDA	4,130	4,230	4,310	4.4	1.9	12,690	13,350	5.2
Depreciation	360	330	360	0.0	9.1	1,030	1,020	-1.0
EBIT	3,770	3,900	3,950	4.8	1.3	11,660	12,330	5.7
Other Income	240	250	220	-8.3	-12.0	700	740	5.7
Interest	70	100	100	42.9	0.0	240	280	16.7
PBT	3,940	4,050	4,070	3.3	0.5	12,120	12,790	5.5
Total Tax	820	890	900	9.8	1.1	2,680	2,810	4.9
PAT	3,120	3,160	3,170	1.6	0.3	9,440	9,980	5.7
(Profit)/loss from JV's/Ass/MI	-40	70	70	NA	0.0	140	230	64.3
APAT after MI	3,160	3,090	3,100	-1.9	0.3	9,300	9,750	4.8
Extra ordinary items	0	0	0	NA	NA	310	0	-100.0
Reported PAT	3,160	3,090	3,100	-1.9	0.3	9,610	9,750	1.5
EPS	2.4	2.4	2.4	-1.9	0.3	7.2	7.6	4.8
Margins (%)	3QFY21	2QFY22	3QFY22	YoY (bp)	QoQ (bp)	9MFY21	9MFY22	(bp)
Gross margin	46.9	42.5	43.7	-320	130	47.9	42.4	-550
EBIDTA	19.5	17.5	17.9	-160	40	21.0	18.2	-290
EBIT	17.8	16.1	16.4	-140	30	19.3	16.8	-250
EBT	18.6	16.7	16.9	-170	20	20.1	17.4	-270
PAT	14.7	13.1	13.2	-150	10	15.6	13.6	-210
Effective Tax rate	20.8	22.0	22.1	130	10	22.1	22.0	-10

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume growth flat during 3QFY22


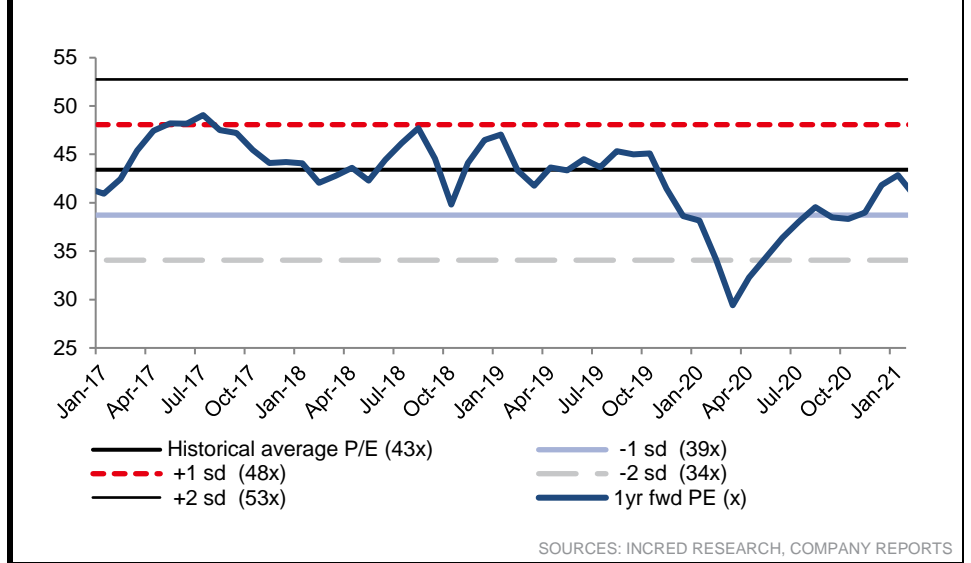
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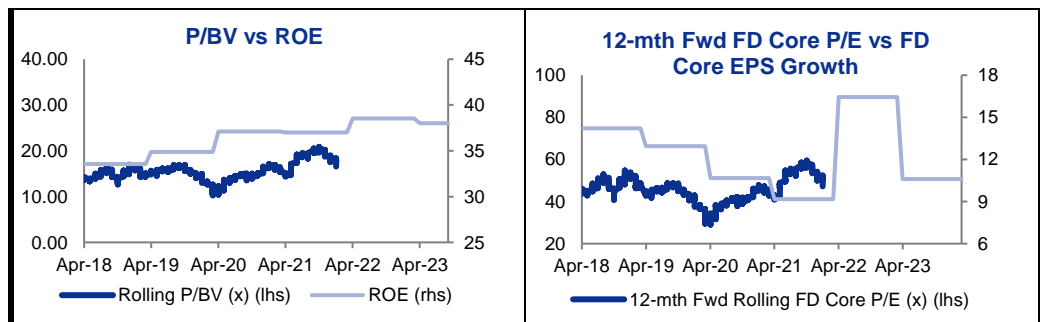
Figure 3: Our revised estimates

Y/E, Mar (Rs. m)	FY22F			FY23F			FY24F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net Sales	92,767	95,268	2.7	1,02,130	1,06,407	4.2	1,13,134	1,19,146	5.3
EBITDA	17,577	17,319	-1.5	20,248	20,245	0.0	22,896	23,120	1.0
EBITDA Margin (%)	18.9	18.2	-80 bp	19.8	19.0	-80 bp	20.2	19.4	-80 bp
Net Income (before exceptional items)	12,960	12,690	-2.1	15,093	14,775	-2.1	16,694	16,340	-2.1
EPS	10.0	9.8	-2.1	11.7	11.5	-2.1	12.9	12.7	-2.1

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Marico trades between -1SD and historical average P/E



BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	73,150	80,480	95,268	106,407	119,146
Gross Profit	35,700	37,780	40,684	47,023	53,663
Operating EBITDA	14,690	15,920	17,319	20,245	23,120
Depreciation And Amortisation	(1,400)	(1,390)	(1,388)	(1,556)	(1,724)
Operating EBIT	13,290	14,530	15,931	18,689	21,396
Financial Income/(Expense)	740	600	666	744	225
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	14,030	15,130	16,596	19,433	21,621
Exceptional Items					
Pre-tax Profit	14,030	15,130	16,596	19,433	21,621
Taxation	(3,310)	(3,240)	(3,606)	(4,358)	(4,982)
Exceptional Income - post-tax					
Profit After Tax	10,720	11,890	12,990	15,075	16,640
Minority Interests	(220)	(270)	(300)	(300)	(300)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10,500	11,620	12,690	14,775	16,340
Recurring Net Profit	10,500	11,620	12,690	14,775	16,340
Fully Diluted Recurring Net Profit	10,500	11,620	12,690	14,775	16,340

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	14,690	15,920	17,319	20,245	23,120
Cash Flow from Invt. & Assoc.					
Change In Working Capital	2,710	6,820	(7,361)	21	211
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,240	940	1,046	1,144	625
Net Interest (Paid)/Received	(500)	(340)	(380)	(400)	(400)
Tax Paid	(3,310)	(3,240)	(3,606)	(4,358)	(4,982)
Cashflow From Operations	14,830	20,100	7,017	16,651	18,575
Capex	(3,840)	(540)	(2,048)	(1,950)	(1,950)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,170)	(1,210)	(3,000)	(3,000)	(3,000)
Cash Flow From Investing	(7,010)	(1,750)	(5,048)	(4,950)	(4,950)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(8,119)	(9,004)	(8,944)	(10,413)	(11,392)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(8,119)	(9,004)	(8,944)	(10,413)	(11,392)
Total Cash Generated	(299)	9,346	(6,975)	1,289	2,233
Free Cashflow To Equity	7,820	18,350	1,969	11,701	13,625
Free Cashflow To Firm	8,320	18,690	2,349	12,101	14,025

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	9,070	15,720	11,786	16,033	21,307
Total Debtors	5,390	3,880	4,377	4,891	5,478
Inventories	13,800	11,260	16,385	17,150	17,912
Total Other Current Assets	4,580	3,760	3,651	4,081	4,574
Total Current Assets	32,840	34,620	36,198	42,155	49,272
Fixed Assets	8,780	7,930	8,602	8,997	9,223
Total Investments	1,050	2,260	2,260	2,260	2,260
Intangible Assets	5,800	8,430	8,418	8,418	8,418
Total Other Non-Current Assets	1,520	1,020	1,020	1,020	1,020
Total Non-current Assets	17,150	19,640	20,300	20,695	20,921
Short-term Debt	3,250	3,400	3,400	3,400	3,400
Current Portion of Long-Term Debt					
Total Creditors	9,780	11,340	15,511	17,153	19,100
Other Current Liabilities					
Total Current Liabilities	13,030	14,740	18,911	20,553	22,500
Total Long-term Debt	100	80	80	80	80
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	100	80	80	80	80
Total Provisions	580	210	841	929	1,036
Total Liabilities	13,710	15,030	19,832	21,561	23,616
Shareholders Equity	30,230	32,400	36,187	40,508	45,497
Minority Interests	130	180	180	180	180
Total Equity	30,360	32,580	36,367	40,688	45,677

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(0.3%)	10.0%	18.4%	11.7%	12.0%
Operating EBITDA Growth	14.7%	8.4%	8.8%	16.9%	14.2%
Operating EBITDA Margin	20.1%	19.8%	18.2%	19.0%	19.4%
Net Cash Per Share (Rs)	4.43	9.49	6.43	9.73	13.81
BVPS (Rs)	23.43	25.12	28.03	31.40	35.24
Gross Interest Cover	26.58	42.73	41.92	46.72	53.49
Effective Tax Rate	23.6%	21.4%	21.7%	22.4%	23.0%
Net Dividend Payout Ratio	77.3%	77.5%	70.5%	70.5%	69.7%
Accounts Receivables Days	26.35	21.02	15.82	15.90	15.88
Inventory Days	136.01	107.11	92.43	103.06	97.72
Accounts Payables Days	93.66	90.27	89.77	100.38	101.04
ROIC (%)	44.2%	58.3%	59.1%	68.2%	77.7%
ROCE (%)	39.5%	41.6%	42.0%	44.5%	45.9%
Return On Average Assets	20.5%	21.7%	22.3%	24.0%	24.7%

Key Drivers					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Domestic revenue growth	(2.0%)	8.3%	18.8%	11.8%	12.1%
EBIDTA margin	20.1%	19.8%	18.2%	19.0%	19.4%

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.