

Company Note

Malaysia

REDUCE (no change)

Consensus ratings*: Buy 1 Hold 6 Sell 9

Current price: RM5.75
 Target price: RM4.90
 Previous target: RM4.83
 Up/downside: -14.8%
 CIMB / Consensus: -3.7%

Reuters: UMWS.KL
 Bloomberg: UMWK MK
 Market cap: US\$1,572m
 RM6,718m
 Average daily turnover: US\$0.55m
 RM2.33m
 Current shares o/s: 1,168m
 Free float: 37.8%
*Source: Bloomberg

Key changes in this note

- ▶ FY17F EPS increased by 54%.
- ▶ FY18F EPS decreased by 6%.
- ▶ FY19F EPS increased by 19%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.2	2.9	2.9
Relative (%)	-1.3	3.1	-2.2

Major shareholders

	% held
Permodalan Nasional Bhd	42.1
EPF	12.0
KWAP	8.0

Analyst(s)



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UMW Holdings

Earnings recovery prospects reflected in share price

- 1H17 results were below expectations as UMW posted a wider core net loss of RM73m in 1H17 (vs. RM26m in 1H16) due to weaker earnings across all divisions.
- However, the group posted a higher core earnings of RM85m from continuing operations in 2Q17 after stripping out RM126m loss on UMW-OG demerger.
- Hence, we adjust our FY17-19F EPS to remove the full-impact of UMW-OG following its completed demerger in Jul 2017.
- While we expect better earnings delivery from 2H17 onwards, the strong share price has fully reflected the earnings recovery impact, in our view.
- Maintain Reduce with a slightly higher RM4.90 TP, based on 14.4x CY18F P/E.

Wider core net loss in 1H17

In 1H17, UMW Holdings (UMW) posted a wider core net loss of RM73m (excludes the RM127m loss from the demerger of UMW Oil & Gas, UMW-OG) vs. RM26m in 1H16 due to lower contribution from all four divisions – automotive, oil & gas, equipment, and manufacturing and engineering (M&E). If the calculation of core earnings also excludes the discontinued operations of UMW-OG, the group recorded a higher core earnings of RM138m in 1H17 vs. RM73m in 1H16.

Encouraging sales recovery in automotive

Toyota sales volume surged 23.5% yoy in 1H17 on the back new model launches such as the all-new Innova and facelift models of Toyota Vios, Camry and Corolla Altis in 4Q16. Meanwhile, its associate, Perusahaan Otomobil Kedua (Perodua) also posted decent 2.5% volume growth to 99,759 units in 1H17, driven by its latest two new models, Axia and Bezza. In spite of the higher sales volume, pretax profit from automotive fell 13.9% yoy in 1H17 due to margin erosion from high import costs amid currency volatility.

Widening losses from non-listed oil & gas assets

Revenue from non-listed oil & gas assets dropped 29.1% yoy in 1H17 due to weaker demand from oil & gas players amid lower crude oil prices. As a result of lower operating activities, the O&G division posted a wider pretax loss of RM85.7m vs. RM80.8m in 1H16. It also incurred expense on the cessation of drilling operations in Oman in 2Q17.

Stronger earnings projection in 2H17F

UMW has completed the distribution of its shares in UMW-OG to UMW shareholders in Jul 2017. UMW will no longer consolidate the financial performance of UMW-OG. Hence, we tweak our FY17-19 EPS forecasts as we remove the earnings contribution from UMW-OG entirely from FY17F onwards. UMW aims to progressively dispose of its non-listed oil and gas assets; management expects the exercise to be concluded by 2018.

But earnings recovery potential already reflected in share price

We see limited upside to UMW's share price given that the stock is up 42% YTD as the potential earnings recovery from the oil & gas asset disposals is already reflected in its share price. Also, we now expect 28% EPS growth in FY18F, mainly from non-listed oil & gas asset and stronger earnings from associates. The stock trades at 17x CY18F P/E, higher than its 5-year (FY09-FY14) historical mean of 13x, prior to a loss-making FY15.

Maintain Reduce

We maintain our Reduce rating with a higher RM4.90 TP, based on a higher 14.3x CY18F P/E, (10% premium to its 5-year [FY09-FY14's] historical mean of 13x, prior to its loss-making in 2015), in view of the stronger earnings outlook and reduced drag from risky oil and gas assets. Key upside risks are accelerated disposal of non-listed oil and gas assets, and stronger earnings contribution from automotive. Switch to Bermaz for exposure to the Malaysian auto sector.

Financial Summary

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	14,442	10,965	10,366	11,129	11,569
Operating EBITDA (RMm)	1,054	(359)	608	782	858
Net Profit (RMm)	370.5	(401.8)	308.5	394.6	495.1
Core EPS (RM)	0.32	(0.34)	0.26	0.34	0.42
Core EPS Growth	(52%)	(208%)		28%	25%
FD Core P/E (x)	17.90	NA	21.49	16.81	13.40
DPS (RM)	0.20	0.00	0.10	0.20	0.20
Dividend Yield	3.48%	0.00%	1.74%	3.48%	3.48%
EV/EBITDA (x)	12.14	NA	18.97	14.69	13.91
P/FCFE (x)	7	NA	NA	5,713	NA
Net Gearing	35.0%	61.5%	48.9%	43.0%	44.8%
P/BV (x)	1.02	1.42	2.38	2.25	2.07
ROE	5.6%	(7.1%)	8.2%	13.6%	15.9%
% Change In Core EPS Estimates			54.2%	(6.3%)	19.1%
CIMB/consensus EPS (x)			1.21	0.98	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison

FYE Dec (RM m)	2Q17	2Q16	yoy %		1Q17	qoq %	2Q17	2Q16	yoy %		Prev. FY17F	Comments
			chg	chg	Cum	Cum	chg	chg				
Continuing operations	Restate						Restate				Continuing operations	
Revenue	2,786	2,717	2.5	-	n.m.	5,515	4,828	14.2	10,276	Higher due to new model launches and sales		
Operating costs	(2,633)	(2,574)	2.3	-	n.m.	(5,253)	(4,557)	15.3	(9,364)	promotion activities for Toyota and Lexus		
EBITDA	153	142	7.3	-	n.m.	262	271	(3.3)	912	EBITDA not comparable to our forecasts		
<i>EBITDA margin (%)</i>	5.5	5.2				4.8	5.6		8.9	which include discontinuing operations		
Depn & amort.	(49)	(65)	(23.9)	-	n.m.	(94)	(129)	(27.0)	(550)			
EBIT	104	78	33.3	-	n.m.	168	142	18.2	512			
Interest expense	(24)	(16)	49.6	-	n.m.	(53)	(33)	58.6	(141)			
Interest & invt inc	20	15	30.3	-	n.m.	38	36	6.6	87			
Associates' contrib	28	26	6.0	-	n.m.	68	48	40.5		Stronger contribution from Perodua		
Exceptionals	(139)	5	n.m.	-	n.m.	(113)	5	n.m.	0	Loss on demerger of UMW Oil & Gas		
Pretax profit	(11)	109	(110.3)	-	n.m.	108	198	(45.5)	458			
Tax	(35)	(47)	(25.7)	-	n.m.	(60)	(73)	(18.0)	(103)	Higher tax rate due to expenses that were not		
<i>Tax rate (%)</i>	n.m.	43.6	n.m.	-	n.m.	55.7	37.0		22.5	allowable for tax purposes and losses in subs		
Minority interests	(8)	(36)	(79.1)	-	n.m.	(24)	(47)	(49.3)	(155)			
Profit/Loss from continuing operations	(54)	25	(313.0)			24	78	(69.0)				
Core net profit from continuing operations	85	20	323.5			138	73	88.4				
Discontinuing operations												
Profit/Loss from discontinuing operations	(155)	(37)	314.5	-	n.m.	(213)	(74)	189.3				
Net profit	(209)	(12)	n.m.	-	n.m.	(189)	4	n.m.	200.0			
Core net profit	(69)	(15)	351.0	-	n.m.	(73)	(26)	184.2	200.0	Below expectation		
EPS (sen)	(13.3)	(3.2)	314.5	-	n.m.	(18.3)	(6.3)	189.3	17.1			
Core EPS (sen)	(5.9)	(1.3)	351.0	-	n.m.	(6.3)	(2.2)	184.2	17.1			

*It is not meaningful to compare 2Q17 with 1Q17 as the group classified its UMW-OG asset as discontinuing operations in 2Q17

** Only 2Q17 reported net profit and core net profit are comparable to our forecasts

SOURCE: CIMB RESEARCH, COMPANY

Figure 2: Segmental breakdown

Revenue	2Q17	2Q16	yoy %		1Q17	qoq %	2Q17	2Q16	yoy %		Comments
Segmental			chg	chg					chg		
Automotive	2,260	2,177	3.8	2,191	3.2	4,451	3,733	19.2	Toyota and Lexus market share increased by 1.9% pts to 12% in 1H17		
Equipment	351	351	0.1	342	2.6	694	709	(2.2)	Stiff competition in construction sector		
M&E	154	157	(2.0)	166	(7.2)	320	302	5.7	Higher due to stronger demand for shock absorber from OEM and REM markets		
Oil & Gas (unlisted)	32	42	(25.0)	36	(12.6)	68	96	(29.1)	Lower due weak demand in exploration sub-segment		
Others	(12)	(11)	8.0	(6)	88.9	(18)	(12)	45.3			
Total	2,786	2,717	2.5	2,729		5,515	4,828	14.2			
Pretax profit											
	2Q17	2Q16	yoy %		1Q17	qoq %	2Q17	2Q16	yoy %		
			chg	chg					chg		
Automotive	99	133	(25.7)	87	13.7	186	216	(13.9)	Affected by volatility in currency		
Equipment	32	43	(25.7)	40	(18.6)	72	83	(13.1)			
M&E	(10)	11	(188.0)	3	n.m.	(7)	17	(137.2)	Higher opex related to aerospace business		
Oil & Gas (unlisted)	(71)	(45)	56.0	(15)	n.m.	(86)	(81)	6.0	Mainly due to cessation of drilling operations in Oman		
Others	(62)	(33)	85.7	5	n.m.	(58)	(37)	55.5			
Total	(11)	109	(110.3)	119	(109.4)	108	198	(45.5)			

SOURCE: CIMB RESEARCH, COMPANY

Figure 3: Sector comparison

Company	Recom.	Price	Target Price	Mkr Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
		(RM)	(RM)		CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18
Bermaz Auto Berhad	Add	1.87	2.15	505	14.0	11.2	5.0	5.0	33.9%	44.9%	9.0	7.3	7.4%	8.7%
Tan Chong Motor Holdings	Reduce	1.69	1.55	258	na	148.8	0.4	0.4	-3.0%	0.3%	24.9	12.9	0.0%	0.0%
DRB-Hicom	Add	1.57	2.35	711	na	91.6	0.5	0.5	-5.7%	0.6%	11.8	7.5	0.0%	0.0%
UMW Holdings	Reduce	5.75	4.90	1,574	21.8	17.0	2.4	2.3	8.0%	13.6%	19.5	14.7	1.7%	3.5%
Sector average					438.6	20.7	1.1	1.1	0.2%	5.2%	14.6	10.0	2.2%	3.3%

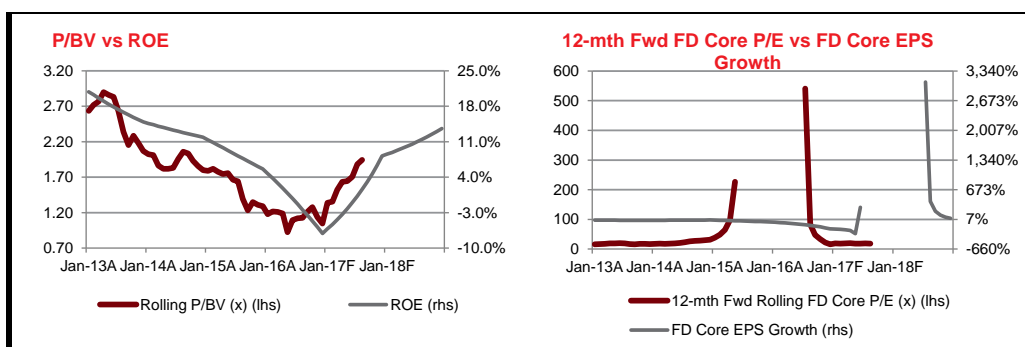
SOURCES: CIMB, COMPANY REPORTS

Figure 4: Earnings revision

	Previous			Revised			Changes		
	2017F	2018F	2019F	2017F	2018F	2019F	2017F	2018F	2019F
Revenue	10,276	10,727	11,152	10,366	11,129	11,569	1%	4%	4%
EBIT	361	783	886	400	573	650	11%	-27%	-27%
Pretax Profit	458	881	988	544	672	787	19%	-24%	-20%
Net Profit	200	421	416	309	395	495	54%	-6%	19%
EPS	17	36	36	26	34	42	54%	-6%	19%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	14,442	10,965	10,366	11,129	11,569
Gross Profit	3,391	1,645	1,659	1,948	1,735
Operating EBITDA	1,054	(359)	608	782	858
Depreciation And Amortisation	(511)	(555)	(208)	(210)	(208)
Operating EBIT	543	(914)	400	573	650
Financial Income/(Expense)	(0)	(106)	(15)	(105)	(95)
Pretax Income/(Loss) from Assoc.	134	155	159	205	232
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	677	(865)	544	672	787
Exceptional Items					
Pre-tax Profit	677	(865)	544	672	787
Taxation	(267)	(141)	(109)	(128)	(134)
Exceptional Income - post-tax					
Profit After Tax	410	(1,006)	435	545	653
Minority Interests	(39)	604	(127)	(150)	(158)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	371	(402)	309	395	495
Recurring Net Profit	371	(402)	309	395	495
Fully Diluted Recurring Net Profit	371	(402)	309	395	495

Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	1,054	(359)	608	782	858
Cash Flow from Invt. & Assoc.					
Change In Working Capital	68	775	131	(220)	(413)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	511	528	208	210	208
Net Interest (Paid)/Received	1	106	15	105	95
Tax Paid	(274)	(207)	(109)	(128)	(134)
Cashflow From Operations	1,360	842	854	749	615
Capex	(2,280)	(966)	(1,000)	(750)	(750)
Disposals Of FAs/subsidiaries	44	0	0	0	0
Acq. Of Subsidiaries/investments			0	0	
Other Investing Cashflow	126	81	87	2	15
Cash Flow From Investing	(2,111)	(886)	(913)	(748)	(735)
Debt Raised/(repaid)	1,692	0	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(479)	0	(117)	(234)	(234)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	1,213	0	(117)	(234)	(234)
Total Cash Generated	462	(44)	(176)	(232)	(354)
Free Cashflow To Equity	941	(44)	(59)	1	(120)
Free Cashflow To Firm	(878)	(230)	(162)	(106)	(230)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	2,734	2,179	56	363	394
Total Debtors	1,833	1,022	1,113	1,205	1,458
Inventories	1,890	1,922	1,397	1,644	1,902
Total Other Current Assets	1,252	1,012	962	962	962
Total Current Assets	7,710	6,136	3,528	4,174	4,716
Fixed Assets	8,103	7,639	4,295	4,541	5,083
Total Investments	3	2	0	0	0
Intangible Assets	25	0	0	0	0
Total Other Non-Current Assets	2,384	2,429	2,426	2,083	1,833
Total Non-current Assets	10,515	10,070	6,721	6,624	6,916
Short-term Debt	3,725	2,641	1,558	909	709
Current Portion of Long-Term Debt					
Total Creditors	2,241	1,781	1,477	1,596	1,694
Other Current Liabilities	372	197	192	192	192
Total Current Liabilities	6,338	4,619	3,228	2,697	2,595
Total Long-term Debt	2,290	3,789	1,005	1,787	2,303
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	214	889	888	888	888
Total Non-current Liabilities	2,503	4,678	1,893	2,675	3,191
Total Provisions	0	0	0	0	0
Total Liabilities	8,841	9,297	5,121	5,372	5,786
Shareholders' Equity	6,584	4,722	2,821	2,982	3,243
Minority Interests	2,797	2,187	2,307	2,444	2,602
Total Equity	9,381	6,909	5,128	5,426	5,846

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	(3.3%)	(24.1%)	(5.5%)	7.4%	4.0%
Operating EBITDA Growth	(46%)	(134%)	N/A	29%	10%
Operating EBITDA Margin	7.30%	(3.28%)	5.87%	7.03%	7.42%
Net Cash Per Share (RM)	(2.81)	(3.64)	(2.15)	(2.00)	(2.24)
BVPS (RM)	5.64	4.04	2.41	2.55	2.78
Gross Interest Cover	4.29	(4.91)	3.90	5.33	5.92
Effective Tax Rate	39.5%	0.0%	20.0%	19.0%	17.0%
Net Dividend Payout Ratio	36.6%	NA	28.0%	44.7%	37.2%
Accounts Receivables Days	49.44	47.66	37.59	38.00	42.00
Inventory Days	61.44	74.85	69.57	60.45	65.81
Accounts Payables Days	73.63	78.98	68.30	61.09	61.07
ROIC (%)	3.89%	(5.32%)	2.49%	5.04%	5.64%
ROCE (%)	4.62%	(5.80%)	4.63%	7.27%	7.83%
Return On Average Assets	3.90%	(4.56%)	4.20%	7.14%	7.66%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	0.0%	2.0%	0.0%	1.5%	1.5%
Unit sales grth (% , main prod./serv.)	-5.7%	-9.1%	6.4%	6.2%	4.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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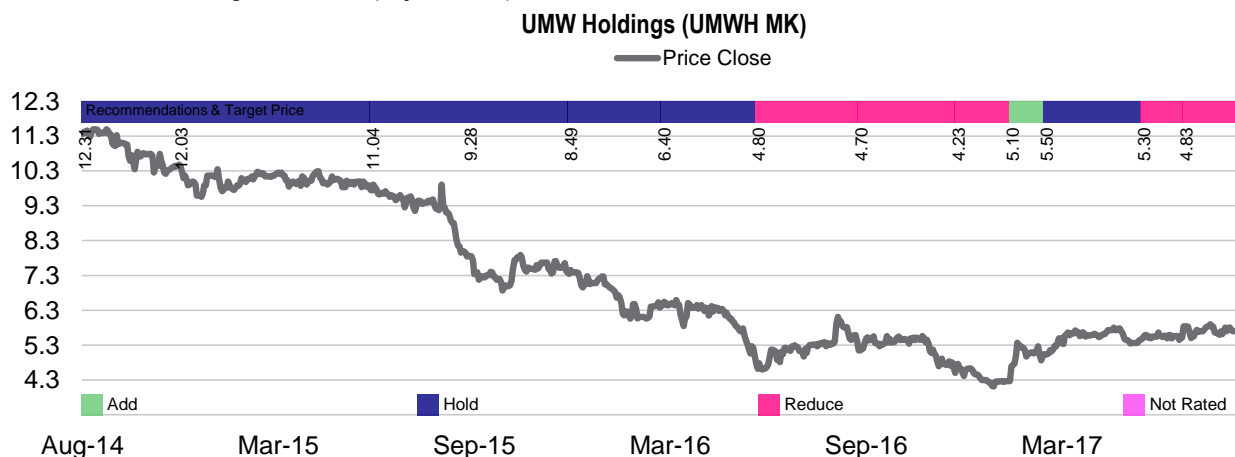
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1288 companies under coverage for quarter ended on 30 June 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	51.2%	5.5%
Hold	35.7%	3.1%
Reduce	11.9%	0.1%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BJCHI** – Good, Declared, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PLAT** – Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPA** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TNR** – not available, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **TVO** – Very Good, Declared **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies certified by CAC

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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.