

Hong Kong

**HOLD** (no change)

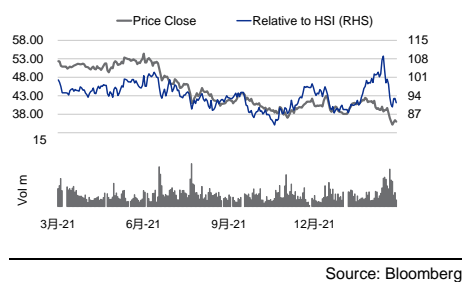
Consensus ratings\*: Buy 7 Hold 12 Sell 1

Current price:	HK\$36.00
Target price:	HK\$38.20
Previous target:	HK\$45.50
Up/downside:	6.1%
CGI / Consensus:	-14.6%
Reuters:	1044.HK
Bloomberg:	1044 HK
Market cap:	US\$5,345m
	HK\$41,836m
Average daily turnover:	US\$13.78m
	HK\$107.6m
Current shares o/s:	1,231m
Free float:	56.3%

\*Source: Bloomberg

**Key changes in this note**

- FY22F EPS decreased by 16.6%.
- FY23F EPS decreased by 15.9%.



<b>Price performance</b>	1M	3M	12M
Absolute (%)	-13.2	-12.5	-31.2
Relative (%)	-9.7	-7.5	-8.6

<b>Major shareholders</b>	% held
Man Bok Sze	18.5
Lin Chit Hui	18.3

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# Hengan Intl Group

## Margin pressure expected to continue in FY22F

- Hengan reported a revenue drop of 7.1% yoy to Rmb20.8bn in FY21, and a net profit drop of 28.8% yoy to Rmb3.3bn, below our expectations, because of lower sales and higher wood pulp prices, which hurt margins.
- Tissue sales are expected to grow by the mid-single digits yoy in FY22F, but the margin will continue to be under pressure, as the wood pulp price is expected to remain high, given the uncertain international situation and high shipping costs.
- Sanitary napkin revenue is expected to grow by mid- to high-single digits yoy in FY22F, and diaper sales are expected to be flattish as of FY21.
- Reiterate Hold with a new DCF-based TP of HK\$38.2.

### Results below expectations because of lower sales and margins

The sales decline for sanitary napkins, diapers, tissue and others was 8.1%, 14.5%, 5.2% and 7.7% yoy, respectively. The e-commerce channel contributed revenue of Rmb4.8bn, up 10% yoy, accounting for 23.1% of total revenue (FY20: 19.1%). Hengan's FY21 overall GPM was 37.4%, down 4.9% pts, with the GPM for the tissue business down 7.1% pts because of higher wood pulp price in 2H21. The distribution expenses ratio fell by 0.3% pts yoy, while the ratio for general and administrative expenses rose 0.5% pts yoy. The dividend payout ratio was 60.7% in FY21 (FY20: 64.4%). Hengan plans to refocus spending from channel discounts to brand building in FY22F, and it plans to increase capacity by no more than 100k ton for high-end products in FY23F.

### Margin pressure expected to linger in the tissue business

Because of market consolidation amid raw material price pressure, Hengan improved its market share in 2H21. Sales volume for tissue products improved from a double-digit yoy decline in 1H21 to mid-single-digit yoy growth in 2H21. Hengan expects to improve its market share in FY22F. In FY21, Hengan's high-end tissue product "Cloudy Soft Skin" achieved double-digit yoy growth and accounted for high-single-digit total sales. Hengan expects the contribution to reach over 10% in FY22F, the same as for wet wipe products. Hengan is planning to gradually increase the ex-factory price of its low-end coreless roll paper (accounting for less than 20% of total tissue sales) by about 10% in 1H22F. However, the wood pulp price went up again in recent months after a short-term dip at the end of FY21, and the price is expected to remain high, given the uncertain international situation and high shipping costs. Tissue sales are expected to grow by mid-single-digits yoy in FY22F, but the margin is expected to be under pressure.

### Improved high-end product contribution expected

Sales volume for sanitary napkins decreased in FY21, as Hengan did not participate in the price war. Because of higher oil prices amid the Russia-Ukraine war, petrochemical prices are expected to rise, which is expected to ease the market competition for sanitary napkins. Hengan expects sanitary napkin sales to grow by mid- to high-single digits yoy in FY22F. The increase in raw material prices will put pressure on margins, so Hengan plans to improve the contribution of high-end products to offset margin pressure. Diaper sales of low-end products and in the traditional channel decreased by 20% yoy in FY21, but sales growth of high-end products was 20% yoy. High-end products accounted for 26% of total diaper sales, and Hengan plans to improve the contribution to 30% in FY22F. FY22F diaper sales are expected to be flattish as of FY21.

### Reiterate Hold with a new DCF-based TP of HK\$38.2

We cut our core earnings forecasts for FY22-23F by 16.6% and 15.9%, respectively, to factor in higher raw material costs. Positive catalysts are lower-than-expected wood pulp prices and faster market consolidation. A risk is increasing price competition.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	22,374	20,790	21,435	22,535	23,678
Operating EBITDA (Rmbm)	7,157	5,299	5,479	5,847	6,243
Net Profit (Rmbm)	4,599	3,317	3,380	3,593	3,826
Normalised EPS (Rmb)	3.87	2.82	2.88	3.06	3.26
Normalised EPS Growth	17.8%	(27.0%)	1.9%	6.3%	6.5%
FD Normalised P/E (x)	7.57	10.37	10.18	9.57	8.99
DPS (Rmb)	2.49	1.69	1.75	1.86	1.98
Dividend Yield	8.50%	5.78%	5.97%	6.34%	6.75%
EV/EBITDA (x)	4.95	6.53	6.26	5.71	5.18
P/FCFE (x)	5.32	48.11	28.75	18.23	15.66
Net Gearing	1.79%	(0.10%)	(1.64%)	(5.70%)	(9.88%)
P/BV (x)	1.79	1.81	1.68	1.57	1.46
ROE	24.7%	17.3%	17.1%	16.9%	16.8%
% Change In Normalised EPS Estimates			(16.6%)	(15.9%)	
Normalised EPS/consensus EPS (x)			0.88	0.88	0.88

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

# Margin pressure expected to continue in FY22F

**Figure 1: Hengan results review**

Rmb m	2H20	2H21	yoy	FY20	FY21	yoy
<b>Turnover</b>	<b>11,446.1</b>	<b>10,816.2</b>	<b>-5.5%</b>	<b>22,374.0</b>	<b>20,790.1</b>	<b>-7.1%</b>
Cost of sales	(6,805.9)	(6,974.6)	2.5%	(12,918.1)	(13,017.8)	0.8%
<b>Gross profit</b>	<b>4,640.2</b>	<b>3,841.6</b>	<b>-17.2%</b>	<b>9,455.9</b>	<b>7,772.3</b>	<b>-17.8%</b>
<b>Gross margin</b>	<b>40.5%</b>	<b>35.5%</b>	<b>-5.0ppt</b>	<b>42.3%</b>	<b>37.4%</b>	<b>-4.9ppt</b>
Other operating income	1,269.2	765.0	-39.7%	1,773.6	1,307.0	-26.3%
Distribution costs	(1,997.0)	(1,857.1)	-7.0%	(3,468.9)	(3,153.7)	-9.1%
G&A expenses	(705.1)	(746.5)	5.9%	(1,368.2)	(1,382.0)	1.0%
<b>Operating profit</b>	<b>3,207.3</b>	<b>2,003.0</b>	<b>-37.5%</b>	<b>6,392.4</b>	<b>4,543.6</b>	<b>-28.9%</b>
<b>Operating margin</b>	<b>28.0%</b>	<b>18.5%</b>	<b>-9.5ppt</b>	<b>28.6%</b>	<b>21.9%</b>	<b>-6.7ppt</b>
Net financing charges	(147.4)	(46.6)	-68.4%	(426.5)	(170.9)	-59.9%
<b>Profit before tax</b>	<b>3,059.9</b>	<b>1,956.4</b>	<b>-36.1%</b>	<b>5,965.9</b>	<b>4,372.7</b>	<b>-26.7%</b>
Tax	(711.9)	(492.0)	-30.9%	(1,353.0)	(1,039.4)	-23.2%
Minority interest	(8.2)	(8.3)	1.8%	(13.6)	(16.6)	21.8%
<b>Reported net profit</b>	<b>2,339.8</b>	<b>1,456.0</b>	<b>-37.8%</b>	<b>4,599.3</b>	<b>3,316.7</b>	<b>-27.9%</b>
<b>Net profit margin</b>	<b>20.4%</b>	<b>13.5%</b>	<b>-7.0ppt</b>	<b>20.6%</b>	<b>16.0%</b>	<b>-4.6ppt</b>

SOURCES: CGIS RESEARCH, COMPANY DATA

**Figure 2: Hengan earnings revisions**

	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Sales (Rmb m)	23,418	21,435	-8.5%	24,616	22,535	-8.5%	N/A	23,678	N/A
Gross margin	38.9%	37.4%	-1.5%	39.1%	37.7%	-1.4%	N/A	38.1%	N/A
Distribution expen/sales	13.2%	15.2%	2.0%	13.1%	15.1%	2.0%	N/A	15.0%	N/A
Operating margin	24.9%	21.7%	-3.1%	25.0%	22.0%	-3.0%	N/A	22.3%	N/A
Reported net profit (Rmb m)	4,103	3,380	-17.6%	4,322	3,593	-16.9%	N/A	3,826	N/A
EPS (Rmb)	3.45	2.88	-17.6%	3.63	3.06	-16.9%	N/A	3.26	N/A

SOURCES: CGIS RESEARCH

**Figure 3: Our forecasts vs. Bloomberg consensus**

	Our forecasts			BBG consensus			Diff.		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Sales (Rmb m)	21,435	22,535	23,678	22,440	23,293	24,503	-4.5%	-3.3%	-3.4%
Gross margin	37%	38%	38%	38%	38%	38%	-0.3%	-0.2%	-0.1%
Operating margin	22%	22%	22%	21%	21%	22%	0.9%	1.0%	0.5%
Reported net profit (Rmb m)	3,380	3,593	3,826	3,540	3,751	3,900	-4.5%	-4.2%	-1.9%
EPS (Rmb)	2.88	3.06	3.26	3.04	3.20	3.37	-5.3%	-4.4%	-3.4%

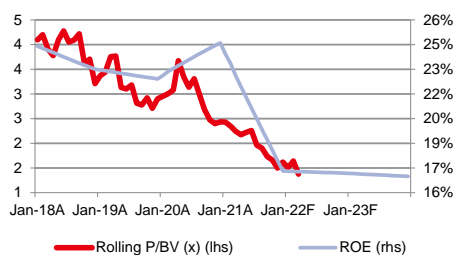
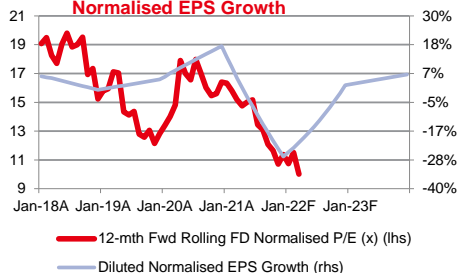
SOURCES: CGI RESEARCH, COMPANY REPORTS

**Figure 4: Hengan DCF valuation**

DCF valuation (Rmb m)	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F
<b>EBIT</b>	<b>4,658.6</b>	<b>4,958.4</b>	<b>5,287.7</b>	<b>5,340.6</b>	<b>5,180.4</b>	<b>5,025.0</b>	<b>4,773.7</b>	<b>4,535.0</b>	<b>4,308.3</b>	<b>4,179.0</b>	<b>4,220.8</b>	<b>4,263.0</b>	<b>4,390.9</b>
Taxes	-1,073.2	-1,140.7	-1,214.8	-1,226.9	-1,190.1	-1,154.4	-1,096.7	-1,041.9	-989.8	-960.1	-969.7	-979.4	-1,008.7
<b>NOPAT</b>	<b>3,585.4</b>	<b>3,817.7</b>	<b>4,072.9</b>	<b>4,113.7</b>	<b>3,990.3</b>	<b>3,870.6</b>	<b>3,677.0</b>	<b>3,493.2</b>	<b>3,318.5</b>	<b>3,219.0</b>	<b>3,251.2</b>	<b>3,283.7</b>	<b>3,382.2</b>
<b>NOPAT growth</b>	<b>2.3%</b>	<b>6.5%</b>	<b>6.7%</b>	<b>1.0%</b>	<b>-3.0%</b>	<b>-3.0%</b>	<b>-5.0%</b>	<b>-5.0%</b>	<b>-5.0%</b>	<b>-3.0%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>3.0%</b>
D&A	820.8	888.3	955.8	984.5	1,014.0	1,044.4	1,075.7	1,108.0	1,141.3	1,175.5	1,210.8	1,247.1	1,284.5
<b>Funds from operation</b>	<b>4,406.2</b>	<b>4,706.0</b>	<b>5,028.7</b>	<b>5,098.1</b>	<b>5,004.3</b>	<b>4,915.0</b>	<b>4,752.8</b>	<b>4,601.2</b>	<b>4,459.8</b>	<b>4,394.5</b>	<b>4,461.9</b>	<b>4,530.7</b>	<b>4,666.7</b>
Change in net working Capital	-660.8	-267.9	-274.7	-282.9	-291.4	-300.1	-309.1	-318.4	-328.0	-337.8	-347.9	-358.4	-369.1
<b>Cash flow from operation</b>	<b>3,745.4</b>	<b>4,438.1</b>	<b>4,754.1</b>	<b>4,815.2</b>	<b>4,712.9</b>	<b>4,614.8</b>	<b>4,443.6</b>	<b>4,282.8</b>	<b>4,131.8</b>	<b>4,056.7</b>	<b>4,114.0</b>	<b>4,172.4</b>	<b>4,297.5</b>
Capex	-1,250.0	-1,250.0	-1,250.0	-1,287.5	-1,326.1	-1,365.9	-1,406.9	-1,449.1	-1,492.6	-1,537.3	-1,583.5	-1,631.0	-1,679.9
<b>Free cash flow from operation</b>	<b>2,495.4</b>	<b>3,188.1</b>	<b>3,504.1</b>	<b>3,527.7</b>	<b>3,386.7</b>	<b>3,248.9</b>	<b>3,036.7</b>	<b>2,833.7</b>	<b>2,639.2</b>	<b>2,519.3</b>	<b>2,530.5</b>	<b>2,541.4</b>	<b>2,617.6</b>
<b>FCF growth</b>	<b>-42.1%</b>	<b>27.8%</b>	<b>9.9%</b>	<b>0.7%</b>	<b>-4.0%</b>	<b>-4.1%</b>	<b>-6.5%</b>	<b>-6.7%</b>	<b>-6.9%</b>	<b>-4.5%</b>	<b>0.4%</b>	<b>0.4%</b>	<b>3.0%</b>
Terminal free cash flow	43,766.2				<b>Assumptions</b>								
Total discounted free cash flow	22,626.1				Risk Free Rate								
Present value of terminal free cash flow	14,253.0				Market Risk Premium								
					Equity Beta								
<b>Total present value of forecasted free cash flows</b>	<b>36,879.1</b>				<b>Cost of Equity</b>								
Less: Net Debt	-338.9				Cost of Debt								
<b>Equity Value</b>	<b>37,218.0</b>				Effective Tax Rate								
No. of outstanding shares (millions)	1,174.9				<b>WACC</b>								
<b>Per share Equity Value (Rmb)</b>	<b>31.70</b>				<b>Terminal growth rate</b>								
Exchange rate	1.2												
<b>Target price (HK\$)</b>	<b>38.20</b>												

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

**P/BV vs ROE**

**12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth**


### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>22,374</b>	<b>20,790</b>	<b>21,435</b>	<b>22,535</b>	<b>23,678</b>
<b>Gross Profit</b>	<b>10,221</b>	<b>8,528</b>	<b>8,827</b>	<b>9,389</b>	<b>9,984</b>
<b>Operating EBITDA</b>	<b>7,157</b>	<b>5,299</b>	<b>5,479</b>	<b>5,847</b>	<b>6,243</b>
Depreciation And Amortisation	-765	-756	-821	-888	-956
<b>Operating EBIT</b>	<b>6,392</b>	<b>4,544</b>	<b>4,659</b>	<b>4,958</b>	<b>5,288</b>
Financial Income/(Expense)	-426	-171	-188	-207	-227
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>5,966</b>	<b>4,373</b>	<b>4,471</b>	<b>4,752</b>	<b>5,060</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>5,966</b>	<b>4,373</b>	<b>4,471</b>	<b>4,752</b>	<b>5,060</b>
Taxation	-1,353	-1,039	-1,073	-1,141	-1,215
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>4,613</b>	<b>3,333</b>	<b>3,397</b>	<b>3,611</b>	<b>3,845</b>
Minority Interests	-14	-17	-17	-18	-19
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	0	0	0	0	0
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>4,599</b>	<b>3,317</b>	<b>3,380</b>	<b>3,593</b>	<b>3,826</b>
Normalised Net Profit	4,613	3,333	3,397	3,611	3,845
<b>Fully Diluted Normalised Profit</b>	<b>4,599</b>	<b>3,317</b>	<b>3,380</b>	<b>3,593</b>	<b>3,826</b>

### Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>7,157</b>	<b>5,299</b>	<b>5,479</b>	<b>5,847</b>	<b>6,243</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	161	1,260	-661	-268	-275
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-795	-130	0	0	0
Net Interest (Paid)/Received	0	-466	-512	-563	-620
Tax Paid	-1,482	-1,039	-1,073	-1,141	-1,215
<b>Cashflow From Operations</b>	<b>5,042</b>	<b>4,925</b>	<b>3,233</b>	<b>3,875</b>	<b>4,134</b>
Capex	-761	-1,207	-1,250	-1,250	-1,250
Disposals Of FAs/subsidiaries	5	0	0	0	0
Acq. Of Subsidiaries/Investments					
Other Investing Cashflow	2,312	-394	324	357	392
<b>Cash Flow From Investing</b>	<b>1,556</b>	<b>-1,601</b>	<b>-926</b>	<b>-893</b>	<b>-858</b>
Debt Raised/(repaid)	-50	-2,609	-1,111	-1,094	-1,080
Proceeds From Issue Of Shares	11	-2	0	0	0
Shares Repurchased					
Dividends Paid	-2,921	-2,958	-1,988	-2,053	-2,182
Preferred Dividends					
Other Financing Cashflow	-969	8	0	0	0
<b>Cash Flow From Financing</b>	<b>-3,929</b>	<b>-5,561</b>	<b>-3,099</b>	<b>-3,147</b>	<b>-3,262</b>
Total Cash Generated	2,668	-2,237	-792	-166	15
<b>Free Cashflow To Equity</b>	<b>6,548</b>	<b>715</b>	<b>1,196</b>	<b>1,887</b>	<b>2,196</b>
<b>Free Cashflow To Firm</b>	<b>6,598</b>	<b>3,790</b>	<b>2,820</b>	<b>3,545</b>	<b>3,896</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS... cont'd

<b>Balance Sheet</b>					
<b>(Rmbm)</b>	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Total Cash And Equivalents	20,484	18,247	17,455	17,289	17,304
Total Debtors	3,375	2,970	3,083	3,241	3,406
Inventories	4,311	4,162	4,599	4,807	5,017
Total Other Current Assets	1,772	1,890	1,948	2,048	2,152
<b>Total Current Assets</b>	<b>29,941</b>	<b>27,269</b>	<b>27,085</b>	<b>27,386</b>	<b>27,879</b>
Fixed Assets	8,274	8,023	8,452	8,814	9,108
Total Investments	0	0	0	0	0
Intangible Assets	755	725	725	725	725
Total Other Non-Current Assets	5,470	6,276	6,276	6,276	6,276
<b>Total Non-current Assets</b>	<b>14,499</b>	<b>15,024</b>	<b>15,453</b>	<b>15,814</b>	<b>16,109</b>
Short-term Debt	18,344	17,488	16,488	15,488	14,488
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	2,244	2,565	2,428	2,538	2,649
Other Current Liabilities	1,474	1,984	2,069	2,157	2,250
<b>Total Current Liabilities</b>	<b>22,062</b>	<b>22,037</b>	<b>20,984</b>	<b>20,183</b>	<b>19,387</b>
Total Long-term Debt	2,493	739	628	534	454
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	225	235	235	235	235
<b>Total Non-current Liabilities</b>	<b>2,718</b>	<b>975</b>	<b>864</b>	<b>770</b>	<b>690</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>24,779</b>	<b>23,012</b>	<b>21,848</b>	<b>20,952</b>	<b>20,076</b>
Shareholders' Equity	19,411	19,037	20,429	21,969	23,613
Minority Interests	250	243	261	279	298
<b>Total Equity</b>	<b>19,661</b>	<b>19,280</b>	<b>20,690</b>	<b>22,248</b>	<b>23,912</b>

<b>Key Ratios</b>					
	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Revenue Growth	(0.53%)	(7.08%)	3.10%	5.13%	5.07%
Operating EBITDA Growth	11.3%	(26.0%)	3.4%	6.7%	6.8%
Operating EBITDA Margin	32.0%	25.5%	25.6%	25.9%	26.4%
Net Cash Per Share (Rmb)	-0.30	0.02	0.29	1.08	2.01
BVPS (Rmb)	16.32	16.20	17.39	18.70	20.10
Gross Interest Cover	8.90	9.76	9.10	8.80	8.53
Effective Tax Rate	22.7%	23.8%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	64.3%	59.9%	60.7%	60.7%	60.7%
Accounts Receivables Days	57.47	55.70	51.54	51.22	51.37
Inventory Days	122.2	126.1	126.8	130.6	131.3
Accounts Payables Days	67.28	71.58	72.29	68.94	69.31
ROIC (%)	25.5%	17.1%	18.2%	18.3%	18.9%
ROCE (%)	16.7%	12.4%	13.2%	14.0%	14.7%
Return On Average Assets	11.3%	8.0%	8.3%	8.8%	9.2%

<b>Key Drivers</b>					
	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Tissue ASP growth (%)	-9.7%	-5.2%	-0.1%	2.0%	2.0%
Tissue sales volume growth (%)	0.1%	0.0%	5.1%	3.7%	3.5%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2021		
619 companies under coverage for quarter ended on 31 Dec 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

**Spitzer Chart for stock being researched ( 2 year data )**

**Hengan Intl Group (1044 HK)**

## RECOMMENDATION FRAMEWORK

### Stock Ratings Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% 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.

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