

Hong Kong

ADD (no change)

Consensus ratings*: Buy 4 Hold 1 Sell 0

Current price:	HK\$5.81
Target price:	HK\$10.62
Previous target:	HK\$10.00
Up/downside:	82.8%
CGS-CIMB / Consensus:	25.7%
Reuters:	0819.HK
Bloomberg:	819 HK
Market cap:	US\$844.4m
	HK\$6,546m
Average daily turnover:	US\$2.99m
	HK\$23.11m
Current shares o/s:	1,127m
Free float:	63.5%

*Source: Bloomberg

Key changes in this note

- FY20F/21F revenue decreased by 3.6%/8.4%
- FY20F/21F GPM decreased by 0.5%/0.4% pt
- FY20F/21F EPS decreased by 3.7%/4.9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.4	-5.7	-20.7
Relative (%)	11.1	12.8	0.7

Major shareholders	% held
Zhang Tianren	36.5
BlackRock, Inc.	5.1

Analyst



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Tianneng Power International

Growth in delivery/express e-bikes market

- Tianneng's FY19 net profit jumped 42% yoy on outstanding GPM expansion.
- LAMB revenue to grow 2% yoy but GPM to fall 1.2% pts in FY20F.
- Reiterate Add due to attractive valuation of 4.3x P/E and 5.7% yield in FY20F.

Outstanding GPM expansion to boost FY19 net profit, up 42% yoy

Tianneng Power (Tianneng) FY19 net profit jumped 42% yoy to Rmb1.68bn, and formed 132% of our forecast, mainly due to outstanding GPM expansion of 2.8% in lead-acid motive battery (LAMB) manufacturing. Revenue (ex-trading) fell 4.5% yoy to Rmb30.6bn, mainly due to a drop in lead price. Tianneng produced 268m lead-acid motive batteries for e-bikes/e-tricycles, mini electric cars and special purpose batteries for energy storage, vehicle starters and lift forks.

Delivery e-bikes and express e-tricycle ownership rapidly growing

LAMB manufacturing for e-bikes/e-tricycles/mini electric cars and special-purpose battery products remained the largest revenue and earnings contributor, accounting for 84% of total revenue and 96% of total gross profit in FY19. We believe strong LAMB demand for delivery e-bikes and express e-tricycles was due to a significant increase in delivery services and online sales in China during the lockdown due to the COVID-19 outbreak. However, this may be offset by lower demand in its primary market and mini-electric cars.

LAMB manufacturing revenue to grow 2% yoy in FY20F

We believe lead-acid motive batteries, in terms of volume, could grow 11% yoy to c.300m units in FY20F, driven by the rapidly-growing delivery and express industry in China as well as stable market share gain. In addition to softer lead prices, which traded at around Rmb13k/tonne to Rmb14k/tonne in 1Q20 compared with Rmb16k/tonne to Rmb17k/tonne in 1H19 and Rmb14k/tonne to Rmb16k/tonne in 2H19, we forecast revenue from LAMB to increase by c.2% yoy to c. Rmb32bn in FY20F, driven by an 11% increase in volume and 10% decline in lead price.

GPM should be lower on less primary market and mini electric cars

LAMB GPM expanded by 2.8% pts to 15.4% in FY19, driven by 1) robust LAMB output for delivery e-bikes and express e-tricycles, 2) increase in internal recycled lead, and 3) efficiency in the distribution channel. We believe GPM could decline by 1.2% pts to c.14.2% for LAMB manufacturing in FY20F (15.4% in FY19) due to lower contribution from the primary market and mini electric car segments and declining lead price.

Reiterate Add with a higher TP of HK\$10.62

Reiterate Add on Tianneng due to its attractive valuation (4.3x P/E and 5.7% yield in FY20F) and solid earnings outlook. Although we cut EPS by 4%/5% in FY20/FY21F on softer lead price and lower GPM assumptions, we raise our TP to HK\$10.62 as we roll over to FY21F, still based on 7x P/E, its upcycle trading range in the past 5-years. Re-rating catalysts are steady lead price increase. Risk is volatility in lead price.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (Rmbm)	34,751	40,614	41,303	42,809	44,293
Operating EBITDA (Rmbm)	1,796	2,443	2,195	2,436	2,574
Net Profit (Rmbm)	1,188	1,682	1,433	1,586	1,660
Normalised EPS (Rmb)	1.08	1.52	1.27	1.41	1.47
Normalised EPS Growth	(2.4%)	41.5%	(16.4%)	10.7%	4.6%
FD Normalised P/E (x)	5.07	3.56	4.26	3.85	3.68
DPS (Rmb)	0.35	0.36	0.30	0.33	0.35
Dividend Yield	6.50%	6.67%	5.69%	6.29%	6.58%
EV/EBITDA (x)	1.15	0.42	0.18	(0.17)	(0.52)
P/FCFE (x)	3.31	14.64	4.90	4.14	3.79
Net Gearing	(77.4%)	(76.8%)	(77.3%)	(74.8%)	(74.1%)
P/BV (x)	1.16	0.90	0.81	0.68	0.59
ROE	24.2%	29.0%	20.3%	19.5%	17.6%
% Change In Normalised EPS Estimates			(3.70%)	(4.90%)	
Normalised EPS/consensus EPS (x)			0.87	0.88	0.93

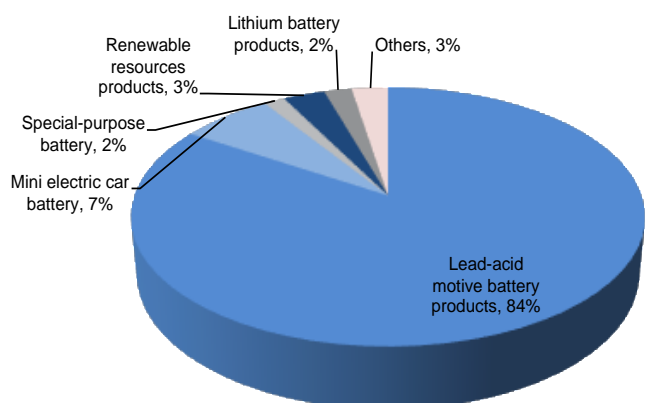
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Growth in delivery/express e-bikes market

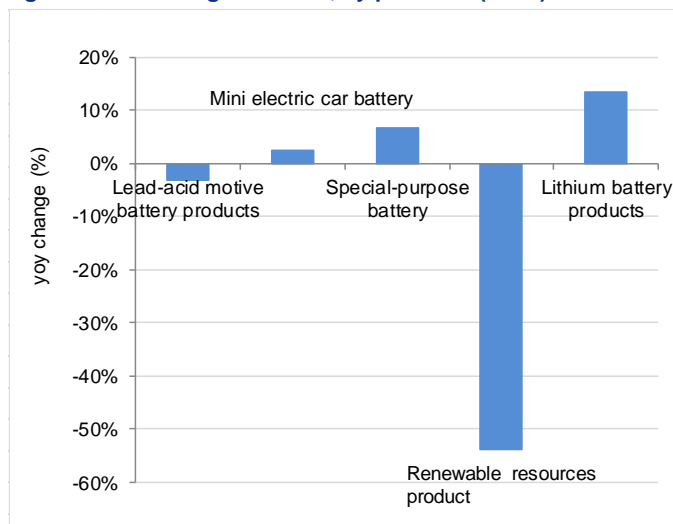
Figure 1: 2HFY19 results review

FYE Dec (Rmb m)	2HFY19	2HFY18	yoy % chg	hoh % chg	2HFY19 Cum	2HFY18 Cum	yoy % chg	Prev. FY19F	Comments
Revenue	20,527	20,244	1.4	2.2	40,614	34,751	16.9	43,998	Revenue (ex-trading) rose 17% yoy in FY19, driven by lead-acid motive battery (-2.5% yoy), renewable resources product (-54% yoy) and lithium battery (+13% yoy).
Operating costs	(18,781)	(19,222)	(2.3)	(2.7)	(38,078)	(32,923)	15.7	(42,369)	
EBITDA	1,746	1,022	70.8	121.1	2,536	1,828	38.7	1,682	
EBITDA margin (%)	8.5	5.0			6.2	5.3		3.8	GPM (ex-trading) expanded by 2.8% pts to 15.4% in FY19, driven by robust shipments on high-performance battery for takeaway-use and express-use e-bike/e-tricycle.
Depn & amort.	(275)	(194)	41.9	31.7	(485)	(394)	23.1	(381)	
EBIT	1,471	828	77.6	153.3	2,051	1,434	43.0	1,300	
Interest expense	(130)	(117)	11.3	4.5	(255)	(190)	34.5	(238)	Interest expense increased due to increase in short term bank borrowing
Interest & invt inc	131	174	(24.5)	(43.2)	363	306	18.5	545	
Associates' contrib	(0)	1	N/M	#DIV/0!	(0)	3	N/M	-	
Exceptionals	21	(2)			(33)	(23)		-	
Pretax profit	1,492	884	68.8	133.9	2,126	1,531	38.9	1,555	
Tax	(263)	(166)	58.8	91.9	(400)	(295)	35.4	(295)	Higher taxation rate
Tax rate (%)	18	19	-	-	19	19		19	
Minority interests	(54)	(26)		(636.5)	(44)	(47)	nm	11	
Net profit	1,175	692	69.7	130.0	1,682	1,188	41.5	1,270	FY19 net profit formed 132% of our full-year FY19 forecasts, due to outstanding GPM in lead-acid motive battery manufacturing.
Core net profit	1,154	694	66.2	106.0	1,714	1,211	41.5	1,324	
EPS (Rmb cts)	104.3	61.5	69.7	130.0	149.3	105.5	41.5	112.8	
Core EPS (Rmb cts)	102.4	61.6	66.2	106.0	152.2	107.5	41.5	117.5	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Revenue breakdown (ex-trading), by products (FY19)


SOURCE: CGS-CIMB RESEARCH, COMPANY REPORT

Figure 3: Revenue growth rate, by products (FY19)


SOURCE: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Earnings revisions

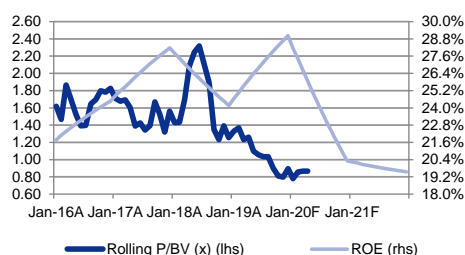
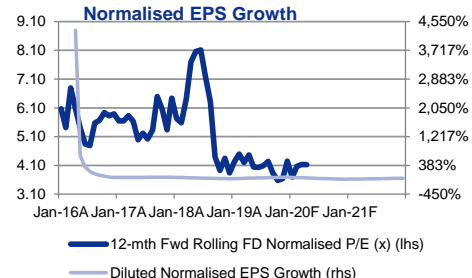
FYE Dec (Rmb m)	Dec-19A	Dec-20F			Dec-21F			Dec-22F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	40,614	42,856	41,303	-3.6%	46,717	42,809	-8.4%	n.a.	44,293	n.a.
Gross profit	4,688	4,797	4,403	-8.2%	5,276	4,684	-11.2%	n.a.	4,865	n.a.
Gross profit margin	11.5%	11.2%	10.7%	-0.5% pts	11.3%	10.9%	-0.4% pts	n.a.	11.0%	n.a.
EBITDA	2,805	2,768	2,557	-7.6%	3,177	2,802	-11.8%	n.a.	2,938	n.a.
Net profit	1,682	1,488	1,433	-3.7%	1,668	1,586	-4.9%	n.a.	1,660	n.a.
EPS (Rmb)	1.493	1.32	1.27	-3.7%	1.48	1.41	-4.9%	n.a.	1.47	n.a.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Peers comparison

Company	Code	Recom.	Price		Upside (%)	Cap (US\$m)	P/E		3-year EPS CAGR %	P/BV		ROE		EV/EBITDA		Yield	
			(local curr)	Target price (local curr)			CY2020F	CY2021F		CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F
Lead-acid battery manufacturers																	
Tianneng Power	819 HK	Add	5.81	10.62	83%	844	4.2	3.8	7.0%	0.8	0.7	20.5%	19.5%	0.2	(0.2)	5.7%	6.3%
Camel Group	601311 CH	Not Rated	8.85	N/A	n.a.	1,081	10.8	9.5	12.6%	1.1	1.0	10.5%	10.9%	N/A	N/A	2.1%	2.4%
Exide Industries	EXID IN	Add	132	224	70%	1,468	11.2	9.9	15.8%	1.6	1.4	14.6%	14.9%	4.0	3.3	2.2%	2.5%
Johnson Controls, Inc	JCI US	Not Rated	26.32	N/A	n.a.	20,110	10.4	9.3	N/A	1.0	0.9	9.1%	10.1%	7.9	7.3	4.1%	4.3%
Average							9.2	8.1	11.8%	1.1	1.0	13.7%	13.9%	4.0	3.5	3.5%	3.9%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 2 APRIL, 2020)

BY THE NUMBERS
P/BV vs ROE

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

Profit & Loss

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	34,751	40,614	41,303	42,809	44,293
Gross Profit	4,042	4,688	4,403	4,684	4,865
Operating EBITDA	1,796	2,443	2,195	2,436	2,574
Depreciation And Amortisation	(394)	(485)	(567)	(625)	(678)
Operating EBIT	1,403	1,958	1,628	1,811	1,896
Financial Income/(Expense)	(158)	(162)	(152)	(141)	(130)
Pretax Income/(Loss) from Assoc.	3	(0)	0	0	0
Non-Operating Income/(Expense)	306	363	362	366	364
Profit Before Tax (pre-EI)	1,554	2,159	1,839	2,035	2,130
Exceptional Items	(23)	(33)	0	0	0
Pre-tax Profit	1,531	2,126	1,839	2,035	2,130
Taxation	(295)	(400)	(368)	(407)	(426)
Exceptional Income - post-tax					
Profit After Tax	1,235	1,726	1,471	1,628	1,704
Minority Interests	(47)	(44)	(38)	(42)	(44)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	1,188	1,682	1,433	1,586	1,660
Normalised Net Profit	1,258	1,758	1,471	1,628	1,704
Fully Diluted Normalised Profit	1,211	1,714	1,433	1,586	1,660

Cash Flow

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,796	2,443	2,195	2,436	2,574
Cash Flow from Inv. & Assoc.	(3)	0	0	0	0
Change In Working Capital	88	(42)	56	46	54
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	506	585	618	623	626
Net Interest (Paid)/Received	(158)	(162)	(152)	(141)	(130)
Tax Paid	(295)	(400)	(368)	(407)	(426)
Cashflow From Operations	1,934	2,424	2,349	2,557	2,697
Capex	(654)	(1,118)	(1,118)	(1,118)	(1,118)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0	0	0	0	0
Cash Flow From Investing	(654)	(1,118)	(1,118)	(1,118)	(1,118)
Debt Raised/(repaid)	572	(889)	16	35	34
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(390)	(400)	(341)	(377)	(395)
Preferred Dividends					
Other Financing Cashflow	(190)	(255)	(255)	(257)	(262)
Cash Flow From Financing	(7)	(1,544)	(580)	(599)	(623)
Total Cash Generated	1,273	(238)	651	840	956
Free Cashflow To Equity	1,853	417	1,247	1,474	1,613
Free Cashflow To Firm	1,470	1,561	1,486	1,696	1,841

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	6,972	7,507	8,158	8,998	9,955
Total Debtors	1,246	1,514	1,540	1,596	1,651
Inventories	2,973	3,740	3,842	3,969	4,105
Total Other Current Assets	21	4	0	0	0
Total Current Assets	11,212	12,765	13,540	14,563	15,711
Fixed Assets	4,295	4,783	5,355	5,869	6,330
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	1,349	1,581	1,400	1,464	1,521
Total Non-current Assets	5,644	6,365	6,756	7,333	7,851
Short-term Debt	2,235	1,659	1,673	1,704	1,733
Current Portion of Long-Term Debt					
Total Creditors	5,752	6,746	6,929	7,159	7,404
Other Current Liabilities	2,566	2,667	2,861	2,829	2,868
Total Current Liabilities	10,553	11,072	11,464	11,692	12,005
Total Long-term Debt	566	253	255	260	264
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	263	441	448	464	481
Total Non-current Liabilities	829	693	703	724	745
Total Provisions	85	78	65	72	76
Total Liabilities	11,467	11,844	12,232	12,488	12,826
Shareholders' Equity	5,147	6,665	7,442	8,786	10,115
Minority Interests	242	622	622	622	622
Total Equity	5,389	7,287	8,064	9,408	10,737

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	29.2%	16.9%	1.7%	3.6%	3.5%
Operating EBITDA Growth	3.2%	36.0%	(10.1%)	11.0%	5.6%
Operating EBITDA Margin	5.17%	6.01%	5.31%	5.69%	5.81%
Net Cash Per Share (Rmb)	3.70	4.97	5.53	6.24	7.06
BVPS (Rmb)	4.57	5.92	6.60	7.80	8.98
Gross Interest Cover	7.40	7.68	6.38	7.04	7.24
Effective Tax Rate	19.3%	18.8%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	32.2%	23.3%	23.8%	23.8%	23.8%
Accounts Receivables Days	19.11	12.40	13.53	13.37	13.38
Inventory Days	30.34	34.10	37.60	37.39	37.37
Accounts Payables Days	69.67	63.49	67.82	67.44	67.41
ROIC (%)	38.3%	93.8%	55.3%	57.9%	48.9%
ROCE (%)	18.3%	23.4%	17.9%	17.9%	16.7%
Return On Average Assets	8.9%	10.4%	8.0%	8.2%	7.9%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	35.8%	2.6%	-10.0%	10.0%	3.0%
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.)	32.8%	-54.0%	-20.0%	0.0%	0.0%
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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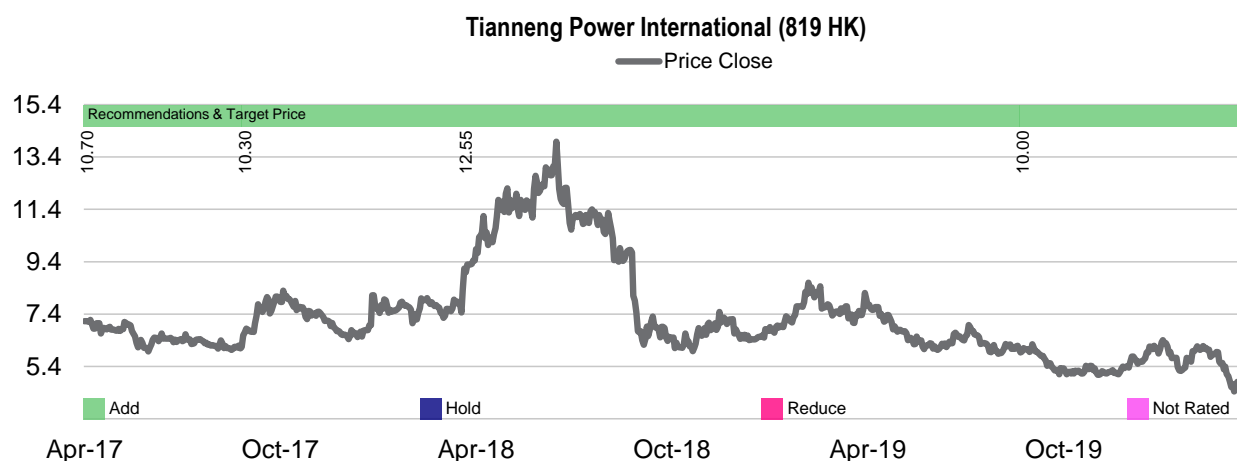
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	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

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 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

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- 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.

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