

Singapore

ADD (previously HOLD)

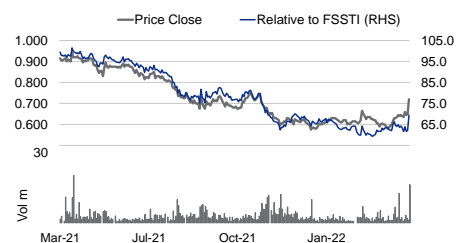
Consensus ratings*: Buy 0 Hold 3 Sell 0

Current price:	S\$0.72
Target price:	S\$0.81
Previoustarget:	S\$0.65
Up/downside:	12.5%
CGS-CIMB / Consensus:	24.6%
Reuters:	JAPF.SI
Bloomberg:	JAP SP
Market cap:	US\$1,085m S\$1,469m
Average daily turnover:	US\$1.05m S\$1.42m
Current shares o/s:	2,050m
Free float:	19.0%

*Source: Bloomberg

Key changes in this note

- Change in valuation methodology from P/E to SOP.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	22	19	-21.3
Relative (%)	15.8	8.9	-29.2

Major shareholders	% held
Rangi Management Ltd	51.8
Morze International Ltd	15.2
Tasburgh Ltd	5.2

Analyst(s)

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Japfa Ltd

Application to list China dairy business

- JAP announced that its China dairy business, AustAsia Investment Holdings (AIH), has submitted an application to list on the Hong Kong Stock Exchange.
- The listing could realise a valuation of up to US\$730m (at 62.5% stake in AIH) for JAP shareholders based on JAP's precedent transactions in FY21.
- Upgrade to Add; change valuation methodology to sum-of-parts (SOP) from P/E after evaluating potential value to be unlocked from listing AIH.

Trying to unlock value through listing China dairy business

We believe that JAP could crystallise AIH's total equity valuation of US\$1,168m, which we derive from the sale of a 12.5% stake in AIH to private companies Genki Forest Technology Group Holdings, Honest Dairy Group Co. Ltd, and GGG Holdings Limited undertaken by JAP in FY21. The valuation translates into a forward EV/EBITDA and P/E ratio of 11.6x and 13.1x, respectively (Fig 1), which appears to be a premium over its China dairy farming peers' 4.7x and 5.3x, respectively (Fig 2). Nevertheless, we believe the premium is a result of several factors, including: (1) best-in-class milk yields (Fig 3) among industry players as well as (2) an increasing portion of downstream businesses for AIH (Fig 4), which could suggest a shift in valuations closer to downstream players moving forward. Furthermore, the persistent demand-supply gap continues to support buoyant raw milk prices (Fig 5) that are able to offset rising feed costs, with increasingly limited land suitable for cattle farming.

Implied valuations of remaining business not too shabby either

Stripping away the potential equity value of US\$730m (at 62.5% equity stake in AIH) that could be realised through AIH's IPO, the current share price suggests a remaining equity value of US\$358.5m, which translates into an implied FY23F EV/EBITDA and P/E ratio of 4.3x and 4.4x, respectively (Fig 6), which we think is attractive, even though short-term profitability could be affected by margin pressures as a result of rising raw material prices. While the Indonesia poultry business returned to the black in 4Q21, other operating countries, including Vietnam and Myanmar, remained affected by extenuating business conditions. Nevertheless, we expect the current down cycle to pass by FY23F.

Upgrade to Add with TP of S\$0.81 on change in valuation method

We switch our valuation method from P/E valuation to SOP as we believe the potential listing of AIH could be value-unlocking for shareholders. Our SOP valuation consists of S\$0.48/share for AIH, benchmarked to JAP's sale-of-stake transactions in FY21, as well as 6x FY23F P/E (Fig 7), about 0.5 s.d. below its 5-year historical mean, for the remaining animal protein business. We previously valued the entire business at 7x FY23F P/E; we believe valuations may not be as rich for the animal protein business compared to the China dairy business. We remain on the lookout for the indicative new share issuance from AIH's listing that could dilute existing JAP shareholders' stake in AIH. Re-rating catalyst: higher valuations from AIH; downside risks: delayed IPO timeline and extenuating business conditions persisting.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (US\$m)	3,868	4,636	4,589	4,693	4,800
Operating EBITDA (US\$m)	507.7	492.0	468.1	566.8	593.3
Net Profit (US\$m)	322.0	118.8	96.5	141.4	148.7
Core EPS (US\$)	0.095	0.065	0.047	0.069	0.073
Core EPS Growth	47.1%	(32.1%)	(27.3%)	46.4%	5.2%
FD Core P/E (x)	5.30	8.21	11.29	7.71	7.33
DPS (US\$)	0.11	0.02	0.02	0.02	0.02
Dividend Yield	20.7%	2.8%	2.8%	2.8%	3.8%
EV/EBITDA (x)	4.74	5.69	6.37	5.57	5.13
P/FCFE (x)	NA	NA	NA	NA	5.29
Net Gearing	39.6%	46.0%	47.7%	46.5%	34.9%
P/BV (x)	0.77	0.76	0.73	0.67	0.62
ROE	17.0%	9.3%	6.6%	9.1%	8.8%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.87	0.96	1.54

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Application to list China dairy business

What an AIH listing means for shareholders ➤

Post a successful listing of AIH, which we believe could take place by the end of CY22 assuming no hiccups in regulatory approvals and contingent on prevailing market conditions, current shareholders will receive a distribution-in-specie of pro-rata AIH shares that will be listed on the Hong Kong Stock Exchange and retain current shareholdings in the remaining JAP, which will consist of its animal protein business, including its Indonesian poultry business, Vietnam swine/poultry business and other feed businesses within South Asia.

Figure 1: Implied valuations for AIH based on stake divestment in FY21

	Units	FY21	FY22F	Remarks
EBITDA	[US\$m]	149.9	139.8	
Implied EV/EBITDA	[x]	9.4	11.6	
Enterprise value	[US\$m]	1,018.0		Accounting for 72% effective stake in FY21
Value of debt	[US\$m]	268.0		
Cash	[US\$m]	22.1		
Equity value	[US\$m]	1,168.0		Based on precedent transactions in FY21
Core PATMI w/o Forex (as reported)	[US\$m]	83.3	55.7	Lower due to: (1) lower stake, (2) lower forecasted EBIT margins and (3) higher tax rate.
Effective interest	[US\$m]	72.0%	62.5%	
Implied P/E	[x]	10.1	13.1	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: China dairy peer comparison

Company	Bloomberg Ticker	Recom.	Price (Icl curr)	Target Price (Icl curr)	Market Cap (US\$ m)	Core P/E (x) CY22F	Core P/E (x) CY23F	3-year EPS CAGR (%)	P/BV (x) CY22F	P/BV (x) CY23F	Recurring ROE (%) CY22F	Recurring ROE (%) CY23F	EV/EBITDA (x) CY22F	EV/EBITDA (x) CY23F	Dividend Yield (%) CY22F	Dividend Yield (%) CY23F
Japfa Ltd	JAP SP	Add	0.72	0.81	1,085	11.3	7.7	3.9%	0.73	0.67	6.6%	9.1%	6.4	5.6	2.8%	2.8%
China Dairy - Upstream																
China Youran Dairy Group Ltd	9858 HK	Not Rated	3.83	N/A	1,857	4.2	3.5	N/A	0.74	0.61	18.6%	18.6%	4.6	3.9	0.0%	0.0%
China Modern Dairy Holdings	1117 HK	Add	1.31	2.68	1,325	6.4	5.4	N/A	0.62	0.56	10.3%	11.0%	4.8	3.8	0.0%	0.0%
China Dairy - Downstream																
China Mengniu Dairy	2319 HK	Add	43.90	53.90	22,173	23.4	20.0	N/A	3.39	2.96	15.4%	15.8%	17.5	14.2	1.3%	1.5%
Inner Mongolia Yili Indus-A	600887 CH	Add	36.94	56.00	37,223	21.5	18.7	N/A	6.24	5.69	30.2%	31.9%	13.9	12.1	3.2%	3.7%
						22.5	19.4	N/A	4.81	4.33	22.8%	23.8%	15.7	13.2	2.3%	2.6%
Simple average						13.9	11.9	N/A	2.75	2.45	18.6%	19.3%	10.2	8.5	1.1%	1.3%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG
*As of 31 Mar 22

Figure 3: Best-in-class milk yields in China

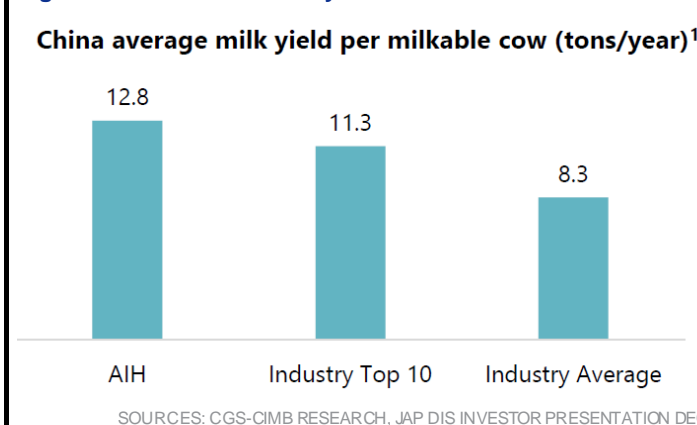
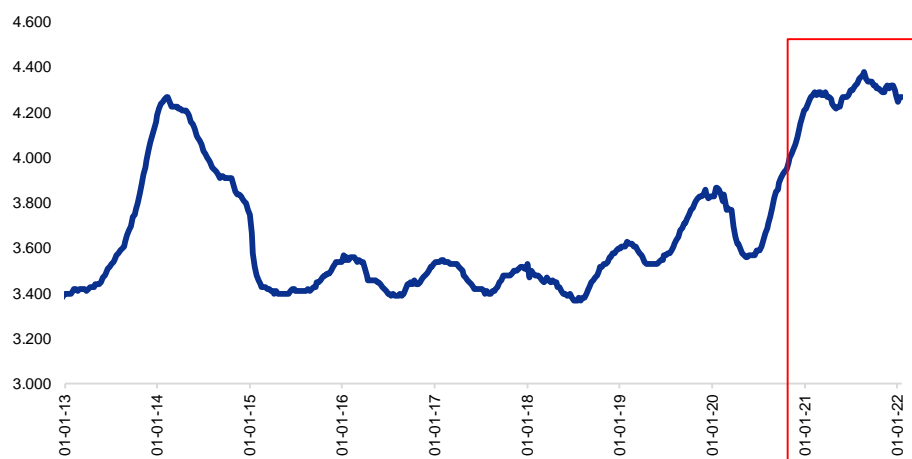


Figure 4: Growing proportion of branded milk business

	For the year ended 31 December					
	2019		2020		2021	
	<i>(US\$ million, except for percentage)</i>					
Raw milk business	315.6	89.8%	349.8	86.4%	438.0	83.9%
Beef cattle business	22.2	6.3%	43.0	10.6%	50.5	9.7%
Ancillary business	13.7	3.9%	12.0	3.0%	33.4	6.4%
Total	351.5	100.0%	404.8	100.0%	521.9	100.0%

AIH sells in-house '澳亚牧场 AustAsia' branded milk products to large-scale cafes, milk tea stores, bakeries and refreshment chains in China.

SOURCES: CGS-CIMB RESEARCH, AIH LISTING APPLICATION DOCUMENT ON HKEX

Figure 5: Buoyant raw milk prices


SOURCES: CGS-CIMB RESEARCH, CEIC

Figure 6: Valuing the animal protein business

	Units	Current	Remarks	
JAP share price	[S\$]	0.72		
Weighted average number of shares	[millions]	2,040.9		
Equity value, i.e. market capitalisation	[S\$m]	1,469.4		
Value of 62.5% stake in AIH	[S\$m]	985.5	Based on USD:SGD of 1.35	
Remaining Group equity value	[S\$m]	483.9		
	[US\$m]	358.5		

Valuation methods	Units	FY21	FY22F	FY23F
EBITDA	[US\$m]	357.4	328.3	421.1
	[S\$m]	482.5	443.2	568.5
Implied EV/EBITDA	[x]	5.1	6.1	4.3
Enterprise value	[US\$m]	1,820.4	2,005.1	1,818.8
Equity Value	[US\$m]	358.5		
Value of debt	[US\$m]	1,040.9	1,010.9	980.9
Minority interest	[US\$m]	719.5	796.9	894.5
Cash	[US\$m]	298.4	161.2	56.6
PATMI	[US\$m]	49.4	40.8	82.1
Implied P/E	[x]	7.3	8.8	4.4

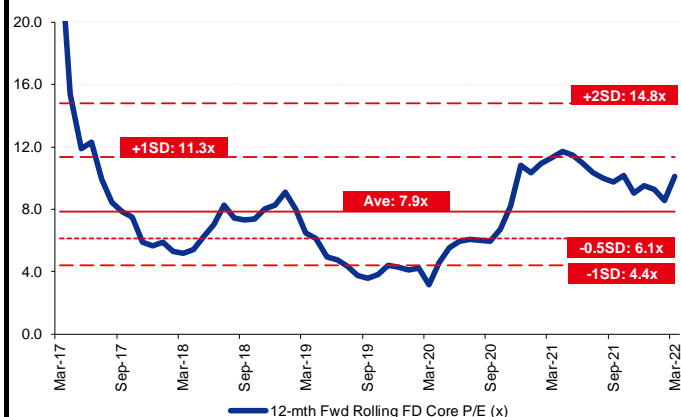
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Sum-of-parts valuation

	Units	
Valuing AIH		
Equity value of AIH @ 62.5% stake	[S\$m]	985.5
Equity value per share	[S\$]	0.48
Valuing Animal Protein business		
FY23F PATMI ex. AIH	[US\$m]	82.1
P/E multiple	[x]	6
Equity value	[S\$m]	664.9
Equity value per share	[S\$m]	0.33
SOP target price	[S\$]	0.81

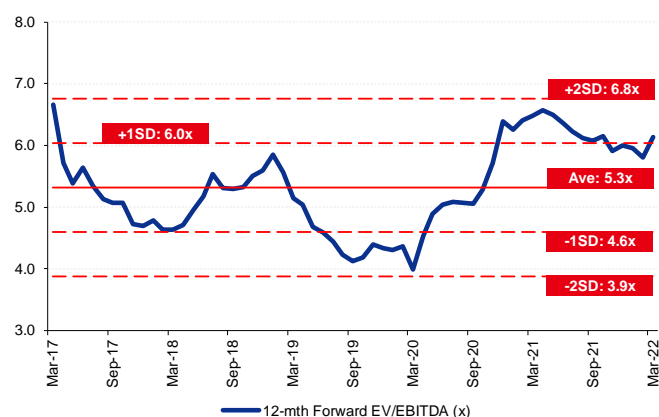
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Japfa Ltd 12-mth fwd rolling FD core P/E(x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 9: Japfa Ltd 12-mth fwd rolling EV/EBITDA (x)

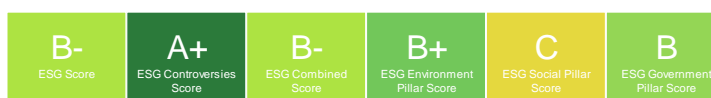


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

ESG in a nutshell



Refinitiv ESG Scores



JAP received a B- from Refinitiv as its combined ESG score in 2019, weighed down by its C Social score. We believe that, as a commercial farmer, Jap's Environmental pillar (28.7%) should hold more weight in its overall ESG score as opposed to the current skew towards the Social pillar (45.1%). JAP scored a B for its Environmental pillar, ranking it fourth among seven identified peers (by Refinitiv) within Singapore's food and tobacco industry. We believe JAP will continue to play an important role in ensuring food security, especially in Indonesia, where it is the number two player in the country's commercial poultry farming industry.

Keep your eye on

Ethical and responsible farming methodologies that could impact JAP's resource and waste management.

Implications

Currently, we do not measure the impact of farming methodologies. However, we believe ethical and responsible farming methodologies could manifest in the form of yield management and improve efficiency across JAP's various business segments.

ESG highlights

In 2020, JAP completed the Life Cycle Assessment (LCA) of its Indonesian poultry operations that was initiated in 2019, aimed at measuring the potential environmental impact of all the stages of its supply chain. This put JAP one step closer to obtaining an ecolabel or environmental product declaration (EPD), which will provide traceability of its sources and quality assurance to its commercial customers and consumers.

Implications

We have not ascribed any premium to JAP's valuation that could arise from investor recognition of its ESG efforts.

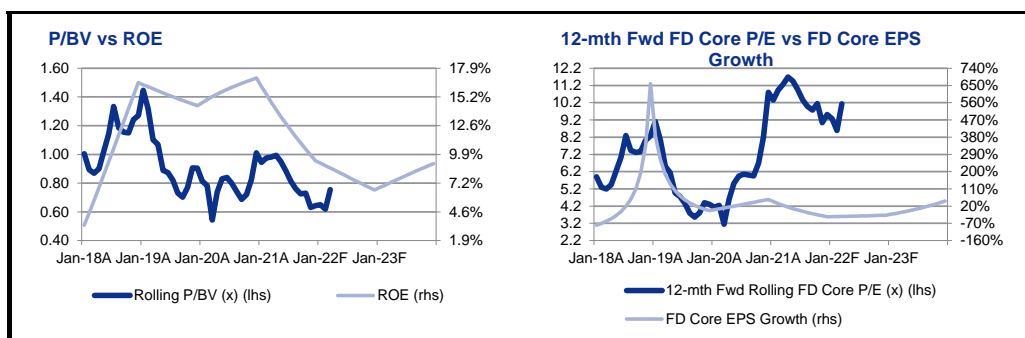
Trends

While JAP only received its first Refinitiv ESG rating in 2019, the company started its sustainability reporting in 2017. The company embarked on an LCA on its Indonesian poultry operation as that is the largest contributor to its business.

Implications

We have not reflected any ESG premium/discount in our valuation but consistent disclosures with improving ESG metrics could warrant a valuation premium.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	3,868	4,636	4,589	4,693	4,800
Gross Profit	858	807	804	897	919
Operating EBITDA	508	492	468	567	593
Depreciation And Amortisation	(144)	(160)	(134)	(151)	(166)
Operating EBIT	364	332	334	416	428
Financial Income/(Expense)	(99)	(93)	(108)	(106)	(103)
Pretax Income/(Loss) from Assoc.	0	1	0	0	0
Non-Operating Income/(Expense)	158	27	0	0	0
Profit Before Tax (pre-EI)	422	267	226	310	324
Exceptional Items					
Pre-tax Profit	422	267	226	310	324
Taxation	(51)	(54)	(52)	(71)	(74)
Exceptional Income - post-tax					
Profit After Tax	372	213	174	239	250
Minority Interests	(50)	(94)	(77)	(98)	(102)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	322	119	97	141	149
Recurring Net Profit	195	133	97	141	149
Fully Diluted Recurring Net Profit	195	133	97	141	149

Cash Flow

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	507.7	492.0	468.1	566.8	593.3
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(29.5)	(90.1)	(93.4)	(142.4)	119.0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	36.6	48.8	108.3	105.8	103.4
Net Interest (Paid)/Received	(106.0)	(96.7)	(108.3)	(105.8)	(103.4)
Tax Paid	(25.8)	(65.2)	(51.6)	(71.3)	(73.8)
Cashflow From Operations	383.1	288.8	323.1	353.2	638.5
Capex	(211.6)	(297.7)	(300.0)	(300.0)	(300.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.0	(115.5)	0.0	0.0	0.0
Other Investing Cashflow	195.5	155.0	0.0	0.0	0.0
Cash Flow From Investing	(16.1)	(258.2)	(300.0)	(300.0)	(300.0)
Debt Raised/(repaid)	(402.6)	(94.0)	(138.3)	(135.8)	(132.4)
Proceeds From Issue Of Shares	66.7	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(14.9)	(182.1)	(22.0)	(22.0)	(22.0)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(350.8)	(276.1)	(160.3)	(157.8)	(154.3)
Total Cash Generated	16.3	(245.5)	(137.2)	(104.6)	184.2
Free Cashflow To Equity	(35.6)	(63.4)	(115.2)	(82.7)	206.2
Free Cashflow To Firm	473.0	127.3	131.5	159.0	441.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	225	321	183	79	263
Total Debtors	431	232	503	514	526
Inventories	788	1,121	991	1,123	1,002
Total Other Current Assets	161	183	183	183	183
Total Current Assets	1,604	1,856	1,860	1,899	1,974
Fixed Assets	1,205	1,342	1,507	1,657	1,791
Total Investments	39	60	60	60	60
Intangible Assets	418	512	512	512	512
Total Other Non-Current Assets	401	532	532	532	532
Total Non-current Assets	2,063	2,446	2,612	2,761	2,895
Short-term Debt	432	574	574	574	574
Current Portion of Long-Term Debt					
Total Creditors	358	403	451	452	462
Other Current Liabilities	42	42	42	42	42
Total Current Liabilities	833	1,019	1,067	1,068	1,078
Total Long-term Debt	569	735	705	675	646
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	274	379	379	379	379
Total Non-current Liabilities	843	1,114	1,084	1,054	1,025
Total Provisions	30	23	23	23	23
Total Liabilities	1,706	2,156	2,173	2,145	2,126
Shareholders' Equity	1,420	1,427	1,502	1,621	1,748
Minority Interests	542	719	797	894	996
Total Equity	1,962	2,146	2,298	2,515	2,744

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(0.6%)	19.9%	(1.0%)	2.3%	2.3%
Operating EBITDA Growth	10.7%	(3.1%)	(4.9%)	21.1%	4.7%
Operating EBITDA Margin	13.1%	10.6%	10.2%	12.1%	12.4%
Net Cash Per Share (US\$)	(0.38)	(0.48)	(0.53)	(0.57)	(0.47)
BVPS (US\$)	0.69	0.70	0.73	0.79	0.85
Gross Interest Cover	3.43	3.43	3.08	3.93	4.14
Effective Tax Rate	12.0%	20.3%	22.9%	23.0%	22.7%
Net Dividend Payout Ratio	50.0%	18.5%	22.8%	15.5%	19.7%
Accounts Receivables Days	31.06	26.08	29.22	39.56	39.66
Inventory Days	96.2	91.0	101.8	101.6	100.2
Accounts Payables Days	45.48	36.29	41.16	43.39	43.10
ROIC (%)	10.2%	8.3%	7.2%	8.4%	8.0%
ROCE (%)	13.0%	10.4%	9.4%	11.3%	11.0%
Return On Average Assets	12.8%	7.1%	5.8%	7.0%	6.9%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
ASP (% chg, main prod./serv.)	3.5%	2.0%	2.0%	2.0%	2.0%
Unit sales grth (% , main prod./serv.)	-9.8%	9.7%	2.0%	2.0%	2.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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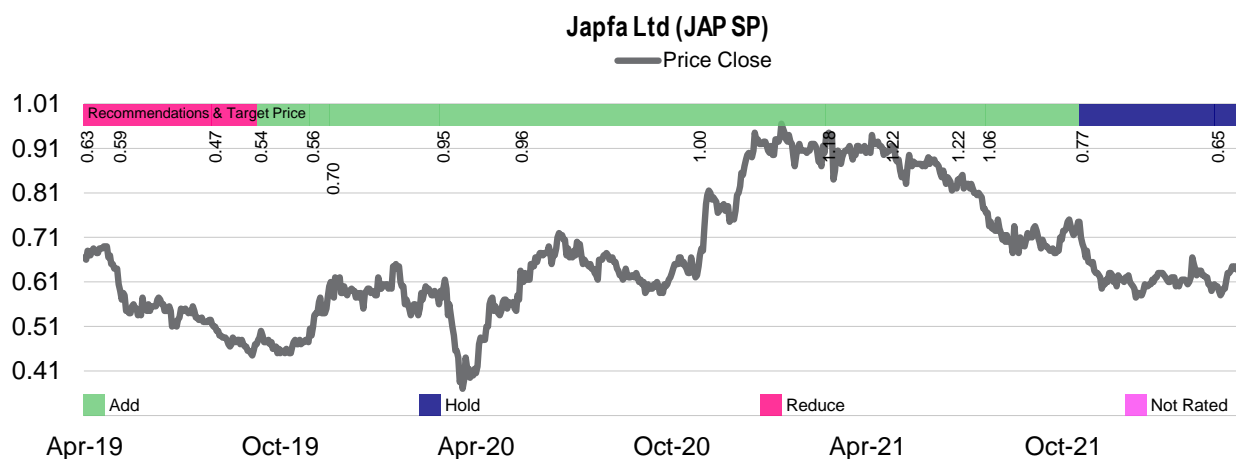
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Spitzer Chart for stock being researched (2 year data)

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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, **CCET** – 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.

