

## Company Report

### CR Pharmaceutical (3320 HK)

#### Margin expansion made the day

■ 1H18 adj. NP grew 21%, better than expected; on the positive note, Co. delivered strong margin expansion in distribution thanks to the c.20% growth in direct sales; on the negative side, the overall distribution revenue growth was relatively weak due to the sequence of two invoices (hitting GD in 2Q), the interest charges and gearing were also higher than expected

■ Maintain BUY as the stock is under-valued (below 1x PEG) with decent earnings growth prospect over 2018-19E (19% CAGR of EPS in HK\$)

#### Pharma mfg and dist. margins were the main positives

1H18 HK\$ denominated rev./adj. NP grew 13%/21%. This was driven by strong distribution GPM expansion (up 1pp to 7.4%, which in turn was driven by c.20% growth in direct sales), and good mfg rev growth (up 15%-16 in RMB ex. invoicing method changes). Worth noting Sanjiu's TCMG sales growth also reaccelerated to c.25% (in RMB terms). Meanwhile, its OTC portfolio continued to optimize after the acquisition of Jiangzhong Pharma, which should contribute c.1% EPS in 2019E.

#### Ejiao, dist. revenue growth and interest expenses were the main negatives

Ejiao showed flat sales and falling net profit in 1H18. Still mgmt. reassured on the 2H turnaround, citing the accelerating volume growth and manageable inventory. Distribution revenue growth also weakened (up only 1% in RMB) largely reflecting the sequence of two invoices (which hit GD in 2Q). The interest charges and gearing were also greater than expected.

#### SOTP-based TP upgraded at HK\$14.3 (18x 2019E PER)

We slightly increased 2019 EPS by 2%, reflecting the better-than-expected gross margin expansion. Our TP was upgraded to HK\$14.3 (from HK\$12.3) mainly as we rolled over to use 2019 EV/NOPAT multiples (instead of 2018).

### Financials

HKD mn	2015	2016	2017	2018E	2019E
Revenue	146,568	156,705	172,532	189,320	207,052
Growth (%)	8.0%	6.9%	10.1%	9.7%	9.4%
Reported net profit	2,850	2,821	3,483	4,047	4,915
Growth (%)	7.7%	-1.0%	23.4%	16.2%	21.5%
Diluted EPS (HK\$)	0.24	0.50	0.55	0.64	0.78
DPS (HK\$)	0.00	0.09	0.11	0.13	0.16
P/E (X)	49.5	23.8	21.7	18.7	15.4
P/B (X)	2.5	2.0	1.8	1.7	1.5
ROE (%)	13.3%	9.4%	8.8%	9.3%	10.4%

Sources: Company data, CMS (HK) estimates

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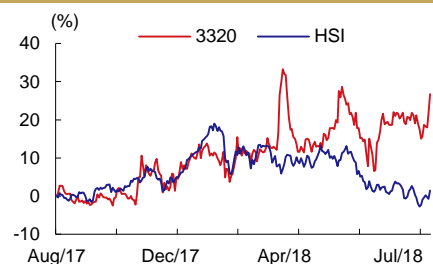
### WHAT'S NEW

TP slightly upgraded

### BUY

Previous	BUY
Price	HK\$11.96
12-month Target Price (Potential upside)	HK\$14.3 (+20%)
Previous	HK\$12.3

### Price Performance



Source: Bigdata

%	1m	6m	12m
3320 HK	2.5	9.2	22.3
HSI	(3.5)	(11.5)	0.6

### Sector: Pharmaceutical & Healthcare

Hang Seng Index	28271
HSCEI	10780

### Key Data

52-week range (HK\$)	9.11-12.8
Market cap (HK\$ mn)	75163
Avg. daily volume (mn)	5.82
BVPS (HK\$)	6.66

### Shareholding Structure

China Resources National Corporation	53.0%
Beijing Pharmaceutical Investment Ltd	17.7%
Hengjian Intl Investment	4.6%

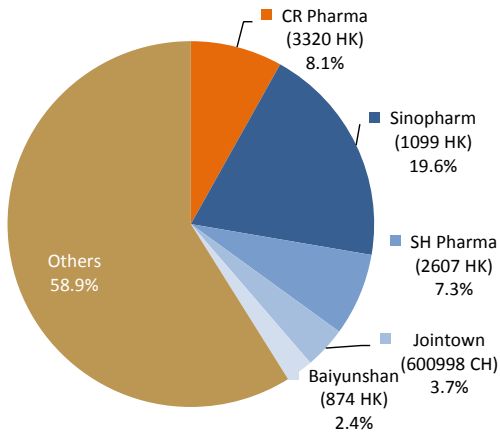
Free float	34.5%
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### Related Research

1. CR Pharm (3320 HK) – In line delivery (BUY), 2018/03/23
2. China Pharmaceutical & Healthcare – CMS China healthcare sector outlook 2018 (OVERWEIGHT), 2018/01/05
3. CR Pharm (3320 HK) – NDR takeaways: more flavours on market share and KPI (BUY), 2017/09/21
4. CR Pharm (3320 HK) – Mixed 1H results. Still a good play on the reform themes BUY, 2017/08/28
5. CR Pharm (3320 HK) - Quality A-share pharma proxy now; more catalysts on its own later, 2017/06/12
6. CR Pharm (3320 HK) - All eyes on M&A execution (BUY), 2017/03/21
7. CR Pharm (3320 HK) – Pharmaceutical behemoth to ride on industry secular growth (BUY), 2016/12/14

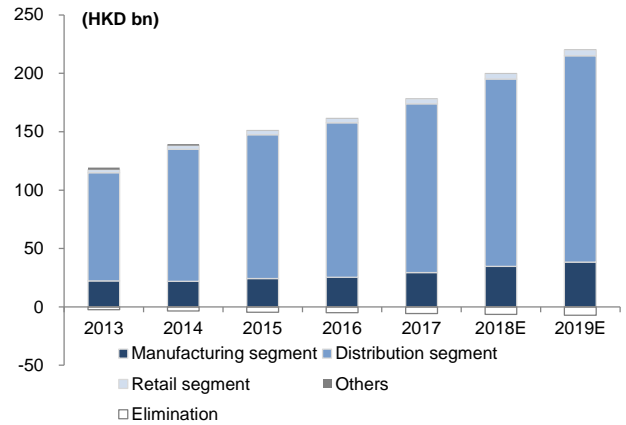
Focus charts

Figure 1: Chinese distributors' market share in FY16



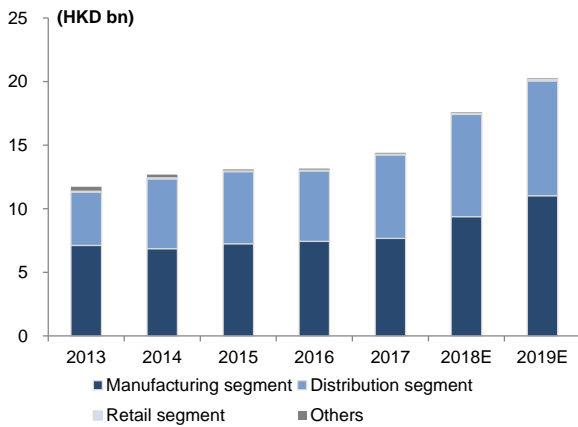
Sources: Frost & Sullivan Report, CMS (HK)

Figure 2: Total sales breakdown (HK\$ bn)



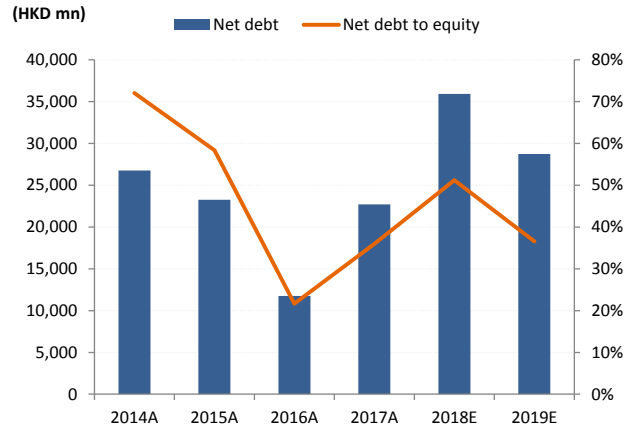
Sources: Company, CMS (HK) estimates

Figure 3: Segment results breakdown



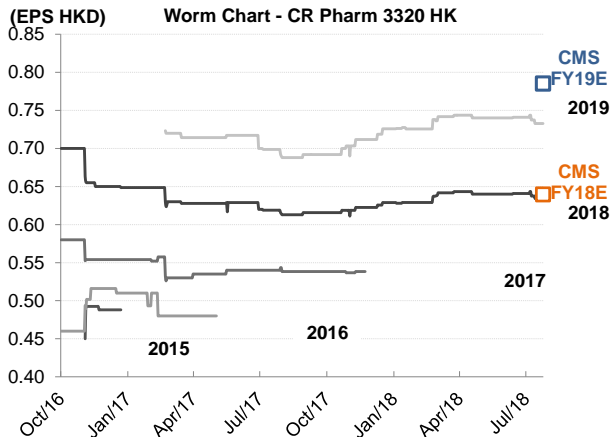
Sources: Company, CMS (HK) estimates

Figure 4: Net debt and net gearing



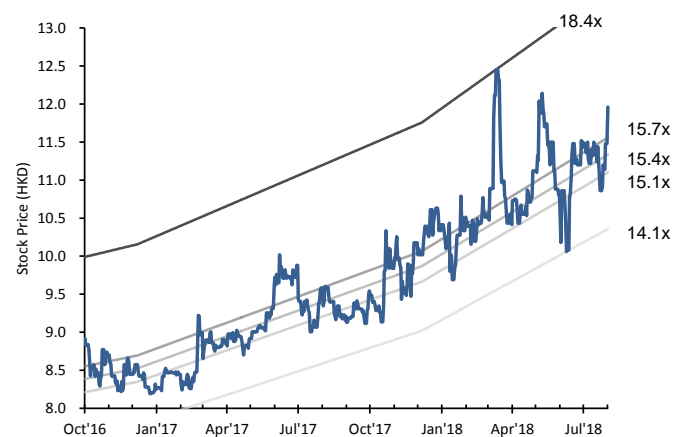
Sources: Company, CMS (HK) estimates

Figure 5: Consensus worm chart



Sources: Bloomberg, CMS (HK) estimates

Figure 6: PE band



Sources: Bloomberg, CMS (HK) estimates

Figure 7: Old vs New

HKD\$ mn	2018E			2019E		
	Before	After	% change	Before	After	% change
<b>Total Revenue</b>	<b>193,485</b>	<b>189,320</b>	<b>-2%</b>	<b>213,158</b>	<b>207,052</b>	<b>-3%</b>
Cost of sales	(160,592)	(154,296)	-4%	(176,282)	(167,712)	-5%
<b>Gross profit</b>	<b>32,892</b>	<b>35,024</b>	<b>6%</b>	<b>36,876</b>	<b>39,340</b>	<b>7%</b>
<b>SG&amp;A expenses</b>	<b>(21,090)</b>	<b>(22,624)</b>	<b>7%</b>	<b>(23,447)</b>	<b>(24,432)</b>	<b>4%</b>
Selling costs	(16,446)	(17,985)	9%	(18,332)	(19,463)	6%
General and Admin expenses	(4,644)	(4,638)	0%	(5,116)	(4,969)	-3%
R&D Expenses	(967)	(947)	-2%	(1,066)	(1,035)	-3%
<b>Operating income/loss</b>	<b>12,342</b>	<b>12,240</b>	<b>-1%</b>	<b>14,102</b>	<b>14,533</b>	<b>3%</b>
Profit from JV&Asso.	218	218	0%	247	247	0%
Other income (net)	1,364	595	-56%	1,560	482	-69%
Finance costs	(2,444)	(2,416)	-1%	(2,335)	(2,589)	11%
<b>Profit Before Taxes</b>	<b>9,973</b>	<b>9,851</b>	<b>-1%</b>	<b>11,835</b>	<b>11,965</b>	<b>1%</b>
Income Tax	(2,094)	(2,069)	-1%	(2,485)	(2,513)	1%
Tax Rate	21%	21%	0%	21%	21%	0%
Minority interest	(3,782)	(3,736)	-1%	(4,488)	(4,537)	1%
<b>Net Income (Reported)</b>	<b>4,097</b>	<b>4,047</b>	<b>-1%</b>	<b>4,862</b>	<b>4,915</b>	<b>1%</b>
<b>Net Income (Adjusted)</b>	<b>4,021</b>	<b>4,020</b>	<b>0%</b>	<b>4,794</b>	<b>4,895</b>	<b>2%</b>
<b>Basic EPS (HK\$)</b>	<b>0.65</b>	<b>0.64</b>	<b>-1%</b>	<b>0.77</b>	<b>0.78</b>	<b>1%</b>
<b>Diluted EPS (HK\$)</b>	<b>0.64</b>	<b>0.64</b>	<b>0%</b>	<b>0.76</b>	<b>0.78</b>	<b>2%</b>
Basic Weighted Average Shares	6,284,506	6,284,506	0%	6,284,506	6,284,506	0%
Diluted Weighted Average Shares	6,284,506	6,284,506	0%	6,284,506	6,284,506	0%
<b>Margins</b>			<b>p.p.</b>			<b>p.p.</b>
<b>Gross margin</b>	<b>17.0%</b>	<b>18.5%</b>	<b>1.5%</b>	<b>17.3%</b>	<b>19.0%</b>	<b>1.7%</b>
SG&A	10.9%	12.0%	1.1%	11.0%	11.8%	0.8%
R&D	2.4%	2.5%	0.1%	2.4%	2.4%	0.0%
<b>Operating margin</b>	<b>6.4%</b>	<b>6.5%</b>	<b>0.1%</b>	<b>6.6%</b>	<b>7.0%</b>	<b>0.4%</b>
<b>Profit before tax margin</b>	<b>5.2%</b>	<b>5.2%</b>	<b>0.0%</b>	<b>5.6%</b>	<b>5.8%</b>	<b>0.2%</b>
Minority interest as % of PBT	37.9%	37.9%	0.0%	37.9%	37.9%	0.0%
<b>Net margin</b>	<b>2.1%</b>	<b>2.1%</b>	<b>0.0%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>0.1%</b>
<b>YOY%</b>						
<b>Total Revenue</b>	<b>12%</b>	<b>10%</b>	<b>-2%</b>	<b>10%</b>	<b>9%</b>	<b>-1%</b>
Gross profit	16%	24%	8%	12%	12%	0%
Operating income/loss	16%	15%	-1%	19%	21%	3%
<b>Net Income</b>	<b>18%</b>	<b>16%</b>	<b>-1%</b>	<b>19%</b>	<b>21%</b>	<b>3%</b>
Diluted EPS	16%	16%	0%	19%	22%	3%

Sources: Company, CMS (HK)

## Valuation

Figure 8: SOTP valuation – CMS methodology

(HK\$ mn)	2017	2018E	2019E
<b>NOPAT</b>			
Pharma manufacturing	4,982	5,310	6,022
Pharma distribution & retail	3,492	4,360	5,459
<b>Valuation</b>			
	<b>Multiples</b>		
Pharma manufacturing	15x NOPAT		
Pharma distribution & retail	14x NOPAT		
		<b>(HK\$ mn)</b>	<b>(HK\$)</b>
Pharma manufacturing		90,331	14.4
Pharma distribution & retail		76,428	12.2
Net debt at end 2018		(29,865)	(4.8)
Financial assets at end 2018		2,085	0.3
Less: Minorities valuation	15x NOPAT	(48,973)	(7.8)
Equity value at end 2018		90,006	
# of shares (m)		6,285	
<b>TP</b>			<b>14.3</b>

Sources: Company, CMS (HK)

Figure 9: Comp table – HK listed peers

Ticker	Name	Last Price	Mkt Cap (USD mn)	Rating	TP	Upside (%)	P/E Ratio			P/B Ratio			Div Yld			ROE			EV/EBITDA Ratio		
							17A	18E	19E	17A	18E	19E	18E	17A	18E	19E	17A	18E	19E		
<b>Distribution and promotion</b>																					
1099 HK	SINOPHARM-H	36.8	12,972				14.7	16.2	14.4	2.2	2.2	2.0	1.9	15.8	14.5	14.9	7.8	8.0	7.0		
2607 HK	SHANGHAI PHARM-H	20.3	8,347	BUY	28.1	39%	14.4	12.9	10.3	0.8	0.7	0.6	2.5	8.9	8.4	11.2	9.7	9.8	8.3		
3320 HK	CHINA RESOURCES	12.0	9,575	BUY	14.3	20%	21.7	18.7	15.2	1.8	1.7	1.2	1.2	8.8	9.3	8.2	8.6	8.3	7.4		
867 HK	CHINA MEDICAL SY	14.3	4,531				22.5	15.9	13.5	5.2	3.5	3.0	2.2	24.8	24.3	24.0	20.6	13.0	11.1		
1345 HK	PIONEER PHARM	2.0	332				9.1	N.A.	N.A.	2.3	N.A.	N.A.	N.A.	24.8	N.A.	N.A.	7.6	N.A.	N.A.		
<b>Distribution and promotion average</b>			<b>2,805</b>				<b>17.5</b>	<b>16.1</b>	<b>13.5</b>	<b>2.1</b>	<b>1.9</b>	<b>1.6</b>		<b>13.4</b>	<b>12.9</b>	<b>13.4</b>	<b>10.1</b>	<b>9.1</b>	<b>7.9</b>		

Sources: Bloomberg (estimates as of Aug 27), CMS (HK) estimates \* For 2607 HK and 3320 HK we use CMS (HK) Rating/TP/Estimates

Figure 10: Comp table – A-share listed peers

Ticker	Name	中文名	Last Price	Mkt Cap (USD mn)	P/E Ratio			P/B Ratio			Div Yield			ROE			EV/EBITDA Ratio		
					17A	18E	19E	17A	18E	19E	18E	17A	18E	19E	16A	17E	18E		
<b>Distribution and promotion</b>																			
601607 CH	SHANG PHARM -A	上海医药	21.2	8,347	13.4	14.8	13.0	1.4	1.5	1.4	2.0	10.7	10.5	10.7	9.7	9.7	8.2		
600998 CH	JOINTOWN PHARM-A	九州通	15.2	4,187	21.8	20.5	16.2	2.4	1.6	1.5	0.8	12.2	7.8	9.0	17.8	12.8	10.3		
600056 CH	CHINA MEHECO C-A	中国医药	17.2	2,698	20.5	11.5	9.3	3.4	2.0	1.7	1.7	17.7	17.5	18.2	12.4	N.A.	N.A.		
000028 CH	CHINA NATIONAL-A	国药一致	47.5	2,811	12.9	16.9	14.7	1.5	1.9	1.7	0.9	11.9	11.5	11.7	10.5	9.8	8.2		
600511 CH	CHINA NATIONAL-A	国药股份	26.0	2,921	17.9	N.A.	N.A.	2.6	2.1	1.9	0.8	16.3	13.8	13.8	10.5	N.A.	N.A.		
002589 CH	REALCAN PHARMA-A	瑞康医药	12.3	2,711	20.1	14.0	11.0	2.6	2.0	1.7	0.1	13.7	13.9	15.0	12.2	9.3	7.4		
603883 CH	LAOBAIXING PHA-A	老百姓	68.2	2,849	45.6	41.6	32.9	6.1	5.5	4.5	0.4	15.5	13.6	14.4	31.1	N.A.	N.A.		
603939 CH	YIFENG PHARMA-A	益丰药房	58.1	3,090	52.6	49.8	37.8	5.2	5.9	5.3	0.6	10.2	12.0	14.2	37.1	N.A.	N.A.		
600090 CH	XIN JIANG READ-A	同济堂	5.6	1,174	22.1	N.A.	N.A.	2.0	N.A.	N.A.	N.A.	9.1	N.A.	N.A.	12.3	N.A.	N.A.		
002727 CH	YUNNAN HONGXIA-A	一心堂	27.2	2,267	25.2	28.3	23.1	3.1	3.7	3.3	1.1	13.7	13.3	14.6	17.5	N.A.	N.A.		
603368 CH	GUANGXI LIUZHOU-A	柳药股份	32.7	1,245	22.1	16.5	13.2	2.5	2.1	1.8	1.4	12.0	13.0	14.0	15.7	N.A.	N.A.		
603108 CH	SHANGHAI RUNDA-A	润达医疗	10.4	881	32.2	18.2	13.7	3.1	2.3	2.0	1.6	10.0	13.2	15.4	15.7	N.A.	N.A.		
002462 CH	CACHET PHARMAC-A	嘉事堂	18.6	684	24.8	13.8	11.3	3.0	1.9	1.6	1.7	12.6	12.3	13.1	12.7	8.1	7.2		
600713 CH	NANJING PHARMA-A	南京医药	4.8	728	23.3	N.A.	N.A.	2.0	N.A.	N.A.	N.A.	8.9	N.A.	N.A.	13.8	N.A.	N.A.		
002788 CH	LUYAN PHARMA C-A	鹭燕医药	14.7	415	29.1	N.A.	N.A.	2.6	N.A.	N.A.	N.A.	9.2	N.A.	N.A.	18.8	N.A.	N.A.		
603716 CH	WUHAN THALYS M-A	塞力斯	16.7	503	37.5	22.0	15.8	3.8	2.6	2.2	0.2	10.6	12.7	15.4	19.2	N.A.	N.A.		
000705 CH	ZHEJIANG ZHEN-A	浙江震元	6.7	326	45.7	N.A.	N.A.	2.0	N.A.	N.A.	N.A.	4.6	N.A.	N.A.	22.1	N.A.	N.A.		
<b>Distribution and promotion average</b>					<b>2,226</b>	<b>24.1</b>	<b>22.3</b>	<b>18.0</b>	<b>2.8</b>	<b>2.6</b>	<b>2.3</b>	<b>1.1</b>	<b>12.5</b>	<b>12.1</b>	<b>12.9</b>	<b>16.3</b>	<b>10.3</b>	<b>8.5</b>	

Sources: Bloomberg (estimates as of Aug 27)

## Financial Summary

### Balance Sheet

HKD million	2015A	2016A	2017A	2018E	2019E
Cash and ST investments	14,620	16,635	16,729	5,077	10,494
Short Term Receivables	47,514	54,337	67,128	74,519	78,655
Inventories	15,252	18,859	21,406	24,687	25,157
Other current assets	11,471	3,971	6,789	18,789	18,789
<b>Total Current Assets</b>	<b>88,857</b>	<b>93,802</b>	<b>112,052</b>	<b>123,073</b>	<b>133,095</b>
Property, Plant & Equipment	12,578	12,500	14,738	15,475	16,149
Goodwill	16,395	17,405	20,545	20,545	20,545
Deferred tax assets	423	448	574	574	574
Other assets	8,896	9,830	11,700	11,397	11,094
<b>Total Non-current Asset</b>	<b>38,292</b>	<b>40,183</b>	<b>47,556</b>	<b>47,990</b>	<b>48,361</b>
<b>Total Assets</b>	<b>127,149</b>	<b>133,986</b>	<b>160,754</b>	<b>171,063</b>	<b>181,456</b>
Trade and other payables	41,953	50,961	56,496	59,432	63,356
Bank and other loans	24,335	13,737	31,159	31,499	29,499
Current taxation	656	525	560	560	560
Other Current Liabilities	5,279	172	1,248	1,248	1,248
<b>Total Current Liabilities</b>	<b>72,224</b>	<b>70,985</b>	<b>91,734</b>	<b>95,071</b>	<b>96,995</b>
Long term debt	12,883	6,385	3,444	3,444	3,444
Deferred taxes	862	938	964	964	964
Others	1,334	1,376	1,475	1,475	1,475
<b>Total Non-current Liabilities</b>	<b>15,079</b>	<b>8,699</b>	<b>5,883</b>	<b>5,883</b>	<b>5,883</b>
<b>Total Liabilities</b>	<b>87,303</b>	<b>79,684</b>	<b>97,617</b>	<b>100,953</b>	<b>102,877</b>
Minority interest	17,343	16,682	21,267	25,003	29,540
Common equity	22,502	37,620	41,870	45,107	49,039
<b>Total Equity</b>	<b>39,846</b>	<b>54,302</b>	<b>63,137</b>	<b>70,110</b>	<b>78,579</b>
<b>Total Equity &amp; liabilities</b>	<b>127,149</b>	<b>133,985</b>	<b>160,754</b>	<b>171,064</b>	<b>181,456</b>

### Cash Flow Statement

HKD million	2015A	2016A	2017E	2018E	2019E
PBT	8,050	8,043	8,582	9,851	11,965
Operating profit before change in WC	9,958	10,453	11,984	13,833	16,182
Change in working capital	(2,213)	(4,153)	(5,411)	(7,736)	(681)
Tax paid	(1,756)	(2,179)	(1,716)	(2,069)	(2,513)
<b>Cash from operating activities</b>	<b>5,989</b>	<b>4,120</b>	<b>4,858</b>	<b>4,028</b>	<b>12,989</b>
Capital expenditure	(2,218)	(1,982)	(2,006)	(2,000)	(2,000)
Others	(1,702)	29	(6,506)	(11,745)	25
<b>Cash from Investing Activities</b>	<b>(3,919)</b>	<b>(1,953)</b>	<b>(8,511)</b>	<b>(13,745)</b>	<b>(1,975)</b>
Long term borrowings	2,110	(11,607)	16,447	400	(2,000)
Reduction In Long Term Debt	623	2,339	(5,283)	0	0
Inc(Dec) In Short Term Borrowings	0	14,767	0	0	0
Net Proceeds From Issue of shares	(1,963)	(1,705)	(2,231)	(2,671)	(2,613)
Others	(2,324)	(4,421)	(5,557)	(809)	(983)
<b>Cash from Financing Activities</b>	<b>(1,554)</b>	<b>(625)</b>	<b>3,376</b>	<b>(3,080)</b>	<b>(5,596)</b>
<b>Net Change in Cash</b>	<b>(521)</b>	<b>758</b>	<b>202</b>	<b>(12,797)</b>	<b>5,417</b>
Net Cash - Beginning Balance	13,736	13,215	13,973	14,162	1,364
<b>Net Cash - Ending Balance</b>	<b>13,215</b>	<b>13,973</b>	<b>14,162</b>	<b>1,364</b>	<b>6,781</b>

Sources: Company, CMS (HK) estimates

### Profit & Loss Statement

HKD million	2015A	2016A	2017A	2018E	2019E
<b>Revenue</b>	<b>146,568</b>	<b>156,705</b>	<b>172,532</b>	<b>189,320</b>	<b>207,052</b>
Cost of sales	(123,369)	(132,596)	(144,256)	(154,296)	(167,712)
<b>Gross profit</b>	<b>23,199</b>	<b>24,109</b>	<b>28,276</b>	<b>35,024</b>	<b>39,340</b>
Selling expenses	(10,112)	(10,947)	(13,869)	(17,985)	(19,463)
Administrative expenses	(3,845)	(3,882)	(4,247)	(4,638)	(4,969)
R&D expense	(709)	(726)	(858)	(947)	(1,035)
<b>Operating profit</b>	<b>8,708</b>	<b>9,394</b>	<b>10,592</b>	<b>12,240</b>	<b>14,533</b>
Profit from JV&Asso.	58	48	141	218	247
Financial cost, net	(2,389)	(1,701)	(2,021)	(2,416)	(2,589)
Other incomes and expenses	1,847	1,213	1,161	595	434
<b>PBT</b>	<b>8,050</b>	<b>8,043</b>	<b>8,582</b>	<b>9,851</b>	<b>11,965</b>
Income tax	(1,968)	(2,075)	(1,716)	(2,069)	(2,513)
Minority interest	(3,232)	(3,147)	(3,384)	(3,736)	(4,537)
<b>Net Profit</b>	<b>2,850</b>	<b>2,821</b>	<b>3,483</b>	<b>4,047</b>	<b>4,915</b>
<b>Adj. Net Profit</b>	<b>1,119</b>	<b>2,472</b>	<b>3,471</b>	<b>4,020</b>	<b>4,895</b>
EPS (HKD) - Basic	0.24	0.50	0.55	0.64	0.78
<b>Adj. EPS (HKD) - Diluted</b>	<b>0.24</b>	<b>0.50</b>	<b>0.55</b>	<b>0.64</b>	<b>0.78</b>
DPS (HKD)	0.000	0.090	0.110	0.128	0.156
Dividend yield	0.0%	1.0%	1.3%	1.5%	1.8%

### Ratio

	2015A	2016A	2017A	2018E	2019E
<b>Growth (YoY)</b>					
Revenue	8.0%	6.9%	10.1%	9.7%	9.4%
Gross profit	8.0%	3.9%	17.3%	23.9%	12.3%
Operating profit	3.7%	7.9%	12.8%	15.6%	18.7%
Net profit	7.7%	-1.0%	23.4%	16.2%	21.5%
Adj. net profit	-46.7%	120.8%	40.4%	15.8%	21.8%
Diluted EPS	-46.7%	108.1%	9.8%	15.8%	21.8%

### Margin

Gross Margin	15.8%	15.4%	16.4%	18.5%	19.0%
Operating Margin	5.9%	6.0%	6.1%	6.5%	7.0%
Net Profit Margin	1.9%	1.8%	2.0%	2.1%	2.4%

### Efficiency

Inventory Days	45.8	46.9	54.2	54.5	54.2
Trade Receivable Days	97.6	104.2	142.0	136.5	135.0
Account Payable Days	95.4	98.1	104.9	101.1	102.2

### Financial Ratios

Current Ratio (x)	1.2	1.3	1.2	1.3	1.4
Quick Ratio (x)	0.9	1.1	1.0	0.9	1.0
Net debt/equity	58.4%	21.6%	36.0%	51.2%	36.3%
ROA	4.9%	4.6%	4.7%	4.7%	5.4%
ROE	13.3%	9.4%	8.8%	9.3%	10.4%

## Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
NEUTRAL	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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