



## Company Note

### Malaysia

#### ADD (previously HOLD)

Consensus ratings\*: Buy 6 Hold 4 Sell 0

Current price:	RM1.01
Target price:	RM1.19
Previous target:	RM1.06
Up/downside:	17.8%
CIMB / Consensus:	3.7%
Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US\$1,080m
	RM4,431m
Average daily turnover:	US\$2.54m
	RM10.71m
Current shares o/s:	4,346m
Free float:	42.1%

\*Source: Bloomberg

#### Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2	-3.5	-7.4
Relative (%)	-0.2	-0.4	-12.7

Major shareholders	% held
EPF	33.5
Gapurna Sdn Bhd	16.7
Lembaga Tabung Haji	7.8

#### Analyst(s)



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## Malaysian Resources Corp

### Becoming the dark horse of the HSR project?

- MRCB announced that it is forming a JV with Gamuda to bid for the KL-Singapore HSR project's PDP scope (RM25bn-40bn by our estimates).
- This is a positive surprise, more so for MRCB. Partnering with Gamuda for the HSR PDP is an added advantage given Gamuda's PDP credentials for two MRT jobs.
- Potential earnings impact from securing HSR's PDP scope could be substantial; more significant compared to the existing PDP earnings of MRCB-George Kent JV.
- This news could revive sentiment on the stock. Upgrade to Add, with a higher TP.

#### Gamuda-MRCB JV to bid for the HSR's PDP scope

Gamuda (GAM MK, ADD) and Malaysian Resources Corp (MRC MK, ADD) yesterday revealed that they are collectively bidding for the Project Delivery Partner (PDP) role of the Kuala Lumpur-Singapore High-Speed Rail's (HSR) infrastructure construction on the Malaysian side. The two groups would jointly bid under an unincorporated joint venture (JV), where Gamuda and MRCB have a 50% stake each.

#### Positive surprise, more so for MRCB

This news is a positive surprise, more so for MRCB, as management has been fairly muted about potential upside to its rail tenders. However, we think that in terms of technical qualification and PDP track record, MRCB qualifies as a PDP contender given that the group is currently the PDP for the RM9bn LRT 3 (Bandar Utama-Klang) which has largely completed its civil works awards. Moreover, partnering with Gamuda for the HSR PDP is an added advantage given Gamuda PDP credentials for MRT 1 and 2.

#### What is the potential value of the PDP portion of HSR?

The winning PDP will be responsible for developing the detailed design for the HSR's infrastructure works, which includes the station and the alignment structures (i.e. bridges, tunnels and embankments). As widely reported in the press, the total estimated value of the KL-Singapore HSR ranges from RM50bn to RM60bn. Based on our back-of-the-envelope calculation, and going by the 50-60% PDP portion for MRT 1 and 2, the PDP scope for HSR could be worth a minimum of RM25bn-40bn.

#### Potential impact to earnings based on 6% PDP fees

For MRCB, if the Gamuda-MRCB JV succeeds in securing the PDP portion of the HSR contract, we roughly calculate that the potential earnings contribution p.a. based on RM25bn-40bn PDP scope (benchmarked to MRT's PDP proportion) and a 6% PDP fees (seven-year construction period) would be RM107m-171m (based on MRCB's 50% JV share). This is 1.6x more than MRCB's existing RM68m p.a. PDP earnings share for the RM9bn LRT 3 contract undertaken by the MRCB-George Kent JV (50:50).

#### RM2.9bn total jobs in tender could be understated

YTD, MRCB has secured RM498m worth of new contracts, which includes a RM369m package from Dash highway. This raises the group's external outstanding order book to RM5.3bn. During MRCB's results briefing, management highlighted that with the current value of jobs in tender of RM2.9bn, it will focus on securing more civil engineering and long-term fee-based contracts. It did not disclose potential new job opportunities.

#### Upgrade to Add with higher TP of RM1.19

We believe this news could lift sentiment on the stock (down 7.4% YTD), as its infra outlook for rail contracts in 2018F could surprise on the upside. We upgrade our call to Add from Hold. In view of the likely positive construction newsflow in the months ahead, we narrow the discount on its RNAV from 20% to 10%, lifting our target price by 13% to RM1.19. We expect more details on the HSR PDP tenders in the next 2-3 months. Potential PDP award is likely by mid-2018F. Key downside risk our call is weak job wins.

#### Financial Summary

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	1,697	2,408	2,432	2,554	2,681
Operating EBITDA (RMm)	159.9	313.3	259.8	316.2	333.6
Net Profit (RMm)	330.4	267.4	100.1	131.3	142.1
Core EPS (RM)	0.033	0.062	0.023	0.030	0.033
Core EPS Growth	73.7%	84.1%	(62.6%)	31.2%	8.2%
FD Core P/E (x)	30.23	16.42	46.07	36.80	34.00
DPS (RM)	0.013	0.015	0.015	0.015	0.015
Dividend Yield	1.24%	1.49%	1.49%	1.49%	1.49%
EV/EBITDA (x)	44.16	20.47	18.10	15.50	14.38
P/FCFE (x)	5.00	NA	NA	8.59	16.70
Net Gearing	155%	73%	11%	16%	13%
P/BV (x)	2.45	1.50	0.96	1.02	1.02
ROE	8.6%	11.3%	2.7%	3.0%	3.3%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.89	0.92	0.65

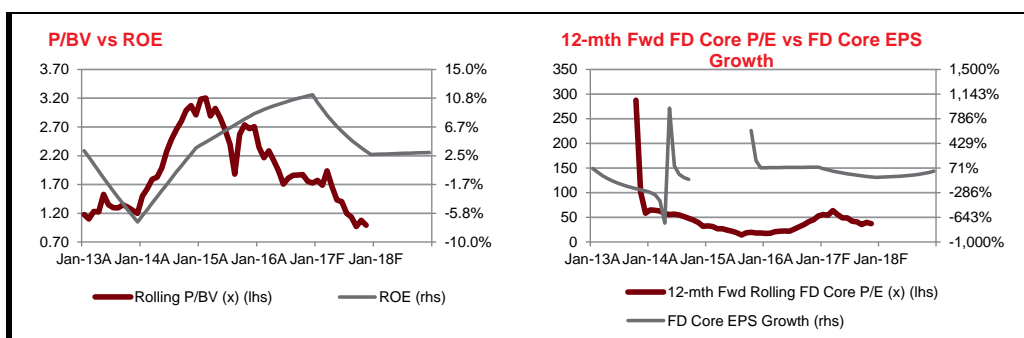
SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: RNAV

	Land bank		GDV	Stake	Value	Value
Ongoing property development	(Acres)	(m sq ft)	(RM m)	(%)	(RM psf)	(RM m)
Bukit Jalil KL Sports City	76.1	3.3	20,700.0	17%	400.0	225.4
Kwasa Sentral (Kwasa Damansara)	64.1	2.8	8,606.0	70%	300.0	586.4
Cyberjaya City	113.3	4.9	5,350.0	70%	350.0	1,209.2
KL Sentral - Lot F	5.7	0.2	2,993.0	100%	1,000.0	248.3
Semarak City - Setapak	27.4	1.2	2,977.0	100%	300.0	358.1
Penang Sentral - phases 3 & 7	16.7	0.7	2,100.0	70%	120.0	61.1
PJ Sentral - Nilaitera	7.8	0.3	1,656.0	100%	350.0	118.9
Lot 349, KL Sentral (service apartments)	4.9	0.2	1,413.0	100%	1,000.0	213.4
Q Sentral Office Tower	1.9	0.1	1,228.0	66%	1,000.0	54.6
Lot 94 Jalan Kia Peng	1.9	0.1	1,012.0	100%	500.0	41.4
9 Seputeh - Old Klang Road	8.0	0.3	795.0	100%	200.0	69.7
Pulai Johor	67.5	2.9	770.0	100%	35.0	102.9
PJ Sentral - Tower 1	0.0	0.0	700.0	100%	550.0	0.0
Penang Sentral - phases 1 & 2	6.0	0.3	590.0	100%	120.0	31.4
PJ Sentral - Tower 5	0.0	0.0	455.0	100%	550.0	0.0
PJ Sentral - Celcom Tower	2.3	0.1	428.0	100%	450.0	45.1
Suria Subang	3.2	0.1	401.0	100%	200.0	27.9
Seri Iskandar - phase 3	159.0	6.9	350.0	70%	10.0	48.5
Seri Iskandar - Phase 2	245.0	10.7	321.0	70%	5.0	37.4
Rahman Putra - phase 3	4.6	0.2	307.0	100%	20.0	4.0
Canegie - Melbourne	1.0	0.0	305.0	100%	450.0	19.6
Selbourne 2 - Shah Alam	2.4	0.1	198.0	100%	200.0	20.9
Rahman Putra - phase 2	4.1	0.2	175.0	100%	20.0	3.6
Rahman Putra - phase 1	5.5	0.2	84.0	100%	20.0	4.8
<b>Total</b>	<b>828.4</b>	<b>36.1</b>	<b>53,914.0</b>			<b>3,532.4</b>
				<b>Stake</b>		
Eastern Dispersal Link (EDL), 14.5% IRR, 12% WACC				100%		1,195.3
Construction Net profit (FY19) at 15x P/E				100%		681.3
MQ REIT				31%		417.3
LRT 3 PDP DCF value (6% PDP fees)				50%		210.5
Property investments (3Q17)						545.4
Associates & investments (3Q17)						529.9
Net working capital less prop development cost (3Q17)						926.0
Total borrowings (3Q17)						(4,179.9)
<b>Total RNAV (RM m)</b>						<b>3,858.2</b>
Enlarged no. of shares (m)						4,345.7
Outstanding warrants "A" (2013/2018)						576.5
Proceeds from warrants @RM1.68 strike price						968.5
New free warrants (10-years)						438.5
Proceeds from new warrants @RM1.25 strike price						548.1
FD no.of shares (m)						5,360.7
1-for-1 rights issue proceeds @RM0.79/share						1,732.1
<b>FD RNAV (RM m)</b>						<b>7,107.0</b>
<b>FD RNAV/share (RM)</b>						<b>1.33</b>
Discount to RNAV (%)						10%
<b>Target price (RM/share)</b>						<b>1.19</b>

SOURCE: CIMB RESEARCH, COMPANY

## BY THE NUMBERS



### Profit & Loss

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>Total Net Revenues</b>	<b>1,697</b>	<b>2,408</b>	<b>2,432</b>	<b>2,554</b>	<b>2,681</b>
<b>Gross Profit</b>	<b>1,697</b>	<b>2,408</b>	<b>2,432</b>	<b>2,554</b>	<b>2,681</b>
<b>Operating EBITDA</b>	<b>160</b>	<b>313</b>	<b>260</b>	<b>316</b>	<b>334</b>
Depreciation And Amortisation	(59)	(64)	(69)	(74)	(80)
<b>Operating EBIT</b>	<b>101</b>	<b>250</b>	<b>191</b>	<b>242</b>	<b>254</b>
Financial Income/(Expense)	73	(115)	(103)	(93)	(83)
Pretax Income/(Loss) from Assoc.	8	32	33	34	36
Non-Operating Income/(Expense)	0	227	70	5	0
<b>Profit Before Tax (pre-EI)</b>	<b>182</b>	<b>393</b>	<b>191</b>	<b>188</b>	<b>206</b>
Exceptional Items	188	0	0	0	0
<b>Pre-tax Profit</b>	<b>370</b>	<b>393</b>	<b>191</b>	<b>188</b>	<b>206</b>
Taxation	(6)	(74)	(40)	(32)	(35)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>364</b>	<b>319</b>	<b>151</b>	<b>156</b>	<b>171</b>
Minority Interests	(34)	(52)	(51)	(25)	(29)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>330</b>	<b>267</b>	<b>100</b>	<b>131</b>	<b>142</b>
Recurring Net Profit	145	267	100	131	142
<b>Fully Diluted Recurring Net Profit</b>	<b>145</b>	<b>267</b>	<b>100</b>	<b>131</b>	<b>142</b>

### Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>EBITDA</b>	<b>159.9</b>	<b>313.3</b>	<b>259.8</b>	<b>316.2</b>	<b>333.6</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	64.2	9.3	41.8	45.3	49.0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.0	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	72.6	(115.1)	(102.8)	(93.4)	(83.4)
Tax Paid	(6.1)	(73.5)	(40.3)	(32.0)	(35.3)
<b>Cashflow From Operations</b>	<b>290.6</b>	<b>133.9</b>	<b>158.5</b>	<b>236.0</b>	<b>263.8</b>
Capex	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	6.5	10.7	14.9	15.0	15.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	(171.4)	(171.4)	(171.4)	(171.4)	(171.4)
<b>Cash Flow From Investing</b>	<b>(174.9)</b>	<b>(170.7)</b>	<b>(166.5)</b>	<b>(166.4)</b>	<b>(166.4)</b>
Debt Raised/(repaid)	762.2	(450.3)	(719.9)	492.7	192.0
Proceeds From Issue Of Shares	0.0	0.0	1,716.6	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(21.1)	(21.1)	(21.1)	(21.1)	(21.1)
Preferred Dividends					
Other Financing Cashflow	(996.1)	708.9	26.8	(241.2)	31.8
<b>Cash Flow From Financing</b>	<b>(255.1)</b>	<b>237.5</b>	<b>1,002.4</b>	<b>230.4</b>	<b>202.6</b>
Total Cash Generated	(139.4)	200.6	994.4	300.0	300.0
<b>Free Cashflow To Equity</b>	<b>877.9</b>	<b>(487.1)</b>	<b>(727.8)</b>	<b>562.3</b>	<b>289.3</b>
<b>Free Cashflow To Firm</b>	<b>300.6</b>	<b>139.1</b>	<b>159.1</b>	<b>231.7</b>	<b>254.6</b>

SOURCE: CIMB RESEARCH, COMPANY DATA

## BY THE NUMBERS... cont'd

<b>Balance Sheet</b>					
<b>(RMm)</b>	<b>Dec-15A</b>	<b>Dec-16A</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
Total Cash And Equivalents	524	724	1,719	2,019	2,319
Total Debtors	1,122	1,603	1,524	1,449	1,377
Inventories	63	58	58	58	58
Total Other Current Assets	507	781	797	812	829
<b>Total Current Assets</b>	<b>2,216</b>	<b>3,166</b>	<b>4,097</b>	<b>4,337</b>	<b>4,582</b>
Fixed Assets	337	438	447	456	465
Total Investments	662	822	796	771	747
Intangible Assets	317	253	253	253	253
Total Other Non-Current Assets	3,079	3,074	3,044	3,015	2,986
<b>Total Non-current Assets</b>	<b>4,396</b>	<b>4,587</b>	<b>4,539</b>	<b>4,494</b>	<b>4,450</b>
Short-term Debt	1,042	806	726	718	711
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	1,188	1,586	1,555	1,524	1,493
Other Current Liabilities	55	43	43	43	43
<b>Total Current Liabilities</b>	<b>2,285</b>	<b>2,435</b>	<b>2,323</b>	<b>2,285</b>	<b>2,247</b>
Total Long-term Debt	2,345	2,131	1,492	1,992	2,191
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	135	161	161	161	161
<b>Total Non-current Liabilities</b>	<b>2,480</b>	<b>2,292</b>	<b>1,653</b>	<b>2,153</b>	<b>2,352</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>4,766</b>	<b>4,727</b>	<b>3,976</b>	<b>4,437</b>	<b>4,599</b>
Shareholders' Equity	1,793	2,926	4,556	4,285	4,319
Minority Interests	53	99	104	109	115
<b>Total Equity</b>	<b>1,846</b>	<b>3,025</b>	<b>4,660</b>	<b>4,394</b>	<b>4,434</b>

<b>Key Ratios</b>					
	<b>Dec-15A</b>	<b>Dec-16A</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
Revenue Growth	12.0%	41.9%	1.0%	5.0%	5.0%
Operating EBITDA Growth	45.3%	95.9%	(17.1%)	21.7%	5.5%
Operating EBITDA Margin	9.4%	13.0%	10.7%	12.4%	12.4%
Net Cash Per Share (RM)	(0.66)	(0.51)	(0.11)	(0.16)	(0.13)
BVPS (RM)	0.41	0.67	1.05	0.99	0.99
Gross Interest Cover	0.55	1.42	1.14	1.49	1.61
Effective Tax Rate	1.6%	18.7%	21.1%	17.0%	17.2%
Net Dividend Payout Ratio	14.9%	7.9%	21.1%	16.1%	14.9%
Accounts Receivables Days	259.1	203.3	231.3	209.2	189.3
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	2.63%	5.97%	4.17%	5.35%	5.67%
ROCE (%)	6.78%	5.54%	3.97%	4.44%	4.54%
Return On Average Assets	1.56%	6.05%	3.10%	2.85%	2.84%

<b>Key Drivers</b>					
<b>(RMm)</b>	<b>Dec-15A</b>	<b>Dec-16A</b>	<b>Dec-17F</b>	<b>Dec-18F</b>	<b>Dec-19F</b>
Outstanding Orderbook	3,415	3,705	3,995	4,285	4,575
Order Book Depletion	510	510	510	510	510
Orderbook Replenishment	1,000	800	800	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
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

SOURCE: CIMB RESEARCH, COMPANY DATA

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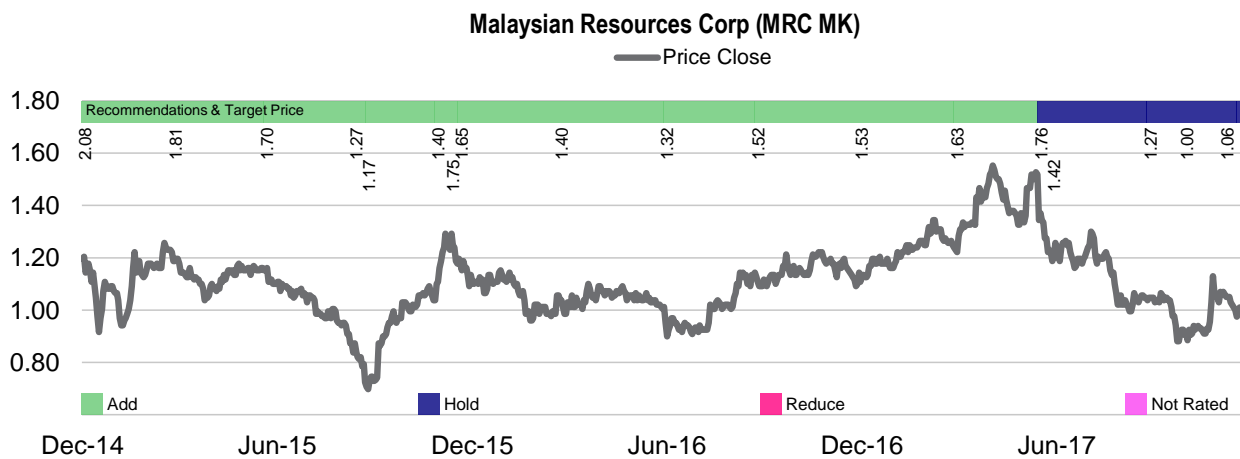
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1285 companies under coverage for quarter ended on 30 September 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	53.5%	4.3%
Hold	35.9%	2.6%
Reduce	9.7%	0.2%

**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 2017, Anti-Corruption 2017

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

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Definition:

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- 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.

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