

## Hong Kong

**ADD** (no change)

Consensus ratings\*: Buy 7 Hold 2 Sell 0

Current price:	HK\$10.80
Target price:	HK\$13.38
Previous target:	HK\$9.65
Up/downside:	23.9%
CIMB / Consensus:	17.3%
Reuters:	3918.HK
Bloomberg:	3918 HK
Market cap:	US\$5,973m
	HK\$46,883m
Average daily turnover:	US\$3.37m
	HK\$29.64m
Current shares o/s:	4,341m
Free float:	34.0%

\*Source: Bloomberg

**Key changes in this note**

- FY19F EPS increased by 14%.
- FY20F EPS increased by 28%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	22.4	42.7	49.2
Relative (%)	14	31.6	55.8

**Major shareholders**

	% held
Dr. Chen Lip Keong	44.2
Fourth Star Finance	18.2
Cambodia Development Corp	3.7

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# NagaCorp Ltd

## Best thematic investment for Belt and Road

- Our visits to NagaWorld and Sihanoukville on Jan 26-28 confirm our positive view, and we are not concerned about short-term GGR cannibalisation.
- 2018 net profit (+53% yoy) was stronger than Bloomberg consensus expectations due to better cost control and stronger gaming volumes.
- Maintain Add on Naga, our top pick in the HK-listed gaming space, with a higher target price of HK\$13.38 based on SOP.

### NagaWorld site visit – Phnom Penh property comparable to Macau

There is increasing economic and political ties between China and Cambodia through the Belt and Road Initiative, which translates into rising Chinese visitation and spending. In our view, NagaCorp (Naga) will be a direct beneficiary of this and we forecast GGR growth of 38%/28%/22% in FY19/20/21F. Our impression from our Phnom Penh site visit is that Naga now has a comparable property in terms of service and quality with the new integrated resorts in Macau that cater to higher-spending customers.

### On the ground in Sihanoukville – no impact to Naga in short term

Sihanoukville, a gaming hub in Cambodia that is located 225km from Phnom Penh is undergoing heavy construction, with a number of projects backed by Chinese investors. While the city has 45 casinos in operation and another 70 under construction, we expect the short-term GGR cannibalisation impact on Naga to be negligible due to the lower spending profile of Sihanoukville players and lack of casino working capital that deters bigger-spending players. We estimate currently Sihanoukville has single-digit market share of Cambodia's VIP GGR relative to Naga's market share in the 90% range.

### FY18 results beat our forecasts

Naga's FY18 net profit of US\$391m (+53% yoy), backed by GGR growth of +55% was stronger than our/consensus forecasts by 17%/9%. Excluding one-off US\$60m gaming machine fees earned in FY17, Naga's FY18 net profit would have increased 100% yoy. Naga's cost rationalisation continues, as admin expenses only comprised 5% of revenue in FY18 (vs. 7% in FY17) as most of the ramp-up costs for Naga2 was incurred in FY17. Naga has signed partnerships with the top 4 Macau junkets and management indicated the strong gaming momentum in 2018 carried over into Jan 2019.

### Sector top pick; rising investor confidence in Cambodia gaming

For the past six years (2013-18) Naga has traded at an average 42% discount to the prevailing market EV/EBITDA of the Macau gaming sector. We derive our target price of HK\$13.38 from our SOP valuation using 11x FY19F EV/EBITDA for current operations, applying a 10% discount to the historical Macau sector average of 12.5x. Separately, the Russian project is valued at HK\$0.48/share. Share price catalysts could come from investors switching from Macau gaming stocks, due to fewer macro risks to Cambodian gaming. We forecast FY19F adjusted EBITDA growth of 27% for Naga vs. 5-10% for the Macau sector. A risk is lower-than-expected earnings.

**Financial Summary**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (US\$m)	956	1,474	2,039	2,598	3,175
Operating EBITDA (US\$m)	320	512	650	795	1,302
Net Profit (US\$m)	255	391	464	588	1,546
Core EPS (US\$)	0.06	0.09	0.11	0.14	0.36
Core EPS Growth	(27%)	53%	19%	27%	163%
FD Core P/E (x)	18.76	15.29	12.87	10.16	3.86
DPS (US\$)	0.04	0.05	0.06	0.08	0.10
Dividend Yield	2.56%	3.92%	4.67%	5.91%	7.30%
EV/EBITDA (x)	18.50	11.47	8.92	7.12	4.20
P/FCFE (x)	NA	10.93	18.06	13.18	10.09
Net Gearing	(3.8%)	(6.6%)	(9.9%)	(15.1%)	(21.0%)
P/BV (x)	4.32	3.88	3.37	2.88	2.46
ROE	19.4%	26.7%	28.0%	30.6%	68.7%
% Change In Core EPS Estimates			14.1%	27.6%	
CIMB/consensus EPS (x)			1.13	1.24	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

# Best thematic investment for Belt and Road

## Sihanoukville visit

### Sihanoukville has a high concentration of casinos >

Sihanoukville, Cambodia is located on the southwest coast of Cambodia and is roughly a five-hour drive from Phnom Penh. The city is 80 sq km wide with a population of 500k and is known for its port. The Sihanoukville port is the main port located along a major marine thoroughfare for the country. The city is also a popular tourist destination due to its beaches and proximity to outlying islands.

By our estimate, Sihanoukville currently has roughly 45 casinos in operation and another 70 reportedly under construction. The majority of the casinos are concentrated on the main beach or in the city centre. Although Sihanoukville's total area measures 80 sq km, we estimate that the casinos are mainly concentrated in the 20 sq km of the city. In comparison, Cotai in Macau measures 6 sq km and will have 11 gaming properties by 2023F, according to the reported product pipeline released by the gaming operators. Hence, on a casino per capita basis, Sihanoukville's casino density is higher (5.8 casinos per sq km) than Macau Cotai's (3.8 casinos per sq km) and Macau Peninsula's (2.1 casinos per sq km) once all planned casino construction is completed.

Figure 1: Map of Cambodia



**Figure 2: Casino density comparison by 2023F**

	Macau Cotai	Macau Peninsula	Sihanoukville
Number of properties	11	32	115
Area of casino concentration (sq km)	5.2	8.5	20
Number of casinos/sq km	2.1	3.8	5.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Sihanoukville city map**



SOURCES: WWW.TRAVELTOVIETNAM.RU

**Impressions of Sihanoukville – construction everywhere ➤**

We were struck by the sheer amount of construction within the city of Sihanoukville, where much of the ongoing construction is funded by Chinese companies. The close relationship between China and Cambodia, coupled with China’s Belt and Road Initiative, has resulted in increased real estate investment in the city by Chinese investors. The construction is also fuelled by the rising number of Chinese travelers to the city. According to the Preah Sihanouk Provincial Department of Tourism, the total number of visitor arrivals in Sihanoukville increased by 10% yoy in 1H18, with the number of Chinese visitors rising by 44%.

Part of the growth in Chinese tourist arrivals can be attributed to the expanding Chinese business presence as Sihanoukville is part of the new Cambodia tax-free economic zone. According to The Guardian, of the US\$1.3bn invested in Sihanoukville in 2017, 85% came from China, and Chinese residents now comprise 20% of Sihanoukville’s population.

**Figure 4: Construction around Sihanoukville city centre 1**



SOURCES: CGS-CIMB RESEARCH

**Figure 5: Construction around Sihanoukville city centre 2**



SOURCES: CGS-CIMB RESEARCH

**Figure 6: Construction around Sihanoukville city centre 3**



SOURCES: CGS-CIMB RESEARCH

**Figure 7: Chinese development in Sihanoukville 1**



SOURCES: CGS-CIMB RESEARCH

**Figure 8: Chinese development in Sihanoukville 2**



SOURCES: CGS-CIMB RESEARCH

**Sihanoukville casinos: impression #1 – little to no regulation➤**

Unlike other gaming jurisdictions such as Macau, Sihanoukville’s casinos do not seem to be heavily regulated by the authorities as the ability to secure a gaming licence appears fairly easy. This could create some negative social side effects such as rising crime and money-laundering activities. For example, in a certain casino, there was clear evidence of online betting, with dealers sitting on the main mass floor facing the terminals. Online betting is outlawed in Macau because it facilitates money laundering and side betting, given that the identity of the person placing the bets is unclear.

**Figure 9: Betting app at New MGM Casino (Unlisted)**



SOURCES: CGS-CIMB RESEARCH

**Figure 10: Video betting at New MGM Casino**



SOURCES: CGS-CIMB RESEARCH

In addition, we noticed that in certain casinos, we were allowed to take photos of the live gaming area and children were allowed to wander the gaming floor. Both of these practices are prohibited in more developed gaming markets. We also noticed two properties called New MGM. One is a nightclub and the other is a casino. New MGM Casino uses the familiar lion logo of MGM Resorts. We were told by staff of New MGM Casino that their Sihanoukville property bears no affiliation with MGM Resorts (MGM US, Not Rated). We do not believe a casino called New MGM using the same logo would be allowed to operate in jurisdictions that are more highly regulated. From this, we infer that copyright laws are not enforced in Sihanoukville.

Figure 11: New MGM Casino



SOURCES: CGS-CIMB RESEARCH

Figure 12: New MGM Casino entrance



SOURCES: CGS-CIMB RESEARCH

**Sihanoukville casinos: impression #2 – casinos in city centre are convenient but not attractive ➤**

We observed two classes of casino properties – those within the city centre and those along Victory Beach. The casinos located in the city centre tend to be older properties. In addition, their interior fit-out indicates the location of gaming tables was not designed with a casino in mind. For instance, at certain older properties, we observed that the gaming tables were placed in an open area that was previously designated for other use. The gaming properties in the city tend to be small, with around 10 tables only. A comparison base would be a satellite casino in Macau, although on average the satellite casinos in Macau have more gambling-friendly interior design and layout.

The city centre properties benefit from the cluster effect, as the properties are within easy walking distance of one another. In addition, the main entrance of each casino is close to the sidewalk and we were able to walk from casino to casino within a few minutes. While the sidewalks are not paved and the main streets are dusty due to construction with some areas untarred, travelling between the casinos is faster and easier than in Macau and Las Vegas. In Macau and Las Vegas, the properties tend to have a larger perimeter that entails greater walking distances to get to another casino. In addition, the casino entrances in Macau and Las Vegas are often not located directly off the main sidewalk. The city centre casinos in Sihanoukville are located in smaller buildings with direct access to the main street.

**Figure 13: Jin Bei Casino (Unlisted) in city centre – one of the city’s larger gaming properties**



SOURCES: CGS-CIMB RESEARCH

**Sihanoukville casinos: impression #3 – beach casinos offer better amenities ►**

The Victory Beach strip is another area in Sihanoukville that has casinos. Within this area, two types of casinos exist. Older properties such as Queenco Casino (Unlisted) have similar interior design to the casinos in the city centre. The older properties are located adjacent to the beach, making them popular with tourists.

**Figure 14: Victory Beach area**



SOURCES: CGS-CIMB RESEARCH

**Figure 15: Queenco Casino by Victory Beach**



SOURCES: CGS-CIMB RESEARCH

The second type of properties are high-rise buildings housing casinos/hotels/apartments. Two prominent ones are Nanhai Pearl Casino Hotel (Unlisted) and Xihu Resort Hotel (Unlisted). These properties are newer and feature more amenities such as ballrooms, gaming areas and restaurants. These new properties are more professionally run in terms of service and security, in our view. The gaming area is also more typical of casinos in Macau and Las Vegas, with the gaming floor being well lit and offering modern amenities. The interior of Nanhai Pearl Casino Hotel (hotel lobby and gaming area) resembles Galaxy Macau, in our view. Unlike the city centre properties, it is not as convenient to walk from one casino to another on Victory Beach as they are located further apart and are larger.

**Figure 16: New casino/hotel/apartment near Victory Beach**



SOURCES: CGS-CIMB RESEARCH

**Figure 17: Interior of Nanhai Pearl Casino Hotel**



SOURCES: CGS-CIMB RESEARCH

**Figure 18: New development along Victory Beach**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Sihanoukville’s short-term impact on Naga: Nil, based on our estimates ➤**

The purpose of our visit to Sihanoukville was to assess its longer-term potential as a gaming destination and estimate its potential impact on Naga’s gaming operations in Phnom Penh. Based on our initial observations, we believe that Naga will face some GGR leakage in the short term but Sihanoukville’s impact on Naga’s net profit in FY19-20F is likely to be negligible. In the longer term, Sihanoukville may have a greater impact on Naga’s earnings, when there are more services, infrastructure and number of properties, as well as greater junket presence in Sihanoukville.

**Figure 19: Financials, based on our estimates**

<b>NagaCorp</b>	<b>Mass</b>	<b>VIP</b>
GGR 2018 (US\$)	235,712,000	1,069,426,000
Number of tables	154	325
Win per table (US\$)	1,530,597	3,290,542
Win per table/day (US\$)	4,193	9,015
<b>Average Sihanoukville casino</b>		
Number of tables	10	5
Win per table discount vs. Naga	80%	90%
Win per table/day (US\$)	839	902
Total GGR (US\$)	3,061,195	1,645,271
Total Sihanoukville GGR for 45 casinos (US\$)	137,753,766	74,037,185
<b>Naga's Cambodian market share</b>	<b>63%</b>	<b>94%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

We estimate the win per table/day (WPTD) for the Sihanoukville properties based on Naga's reported WPTD in 2018. On the main mass floor at Naga, the typical range of minimum bets is US\$25-40 with a maximum of US\$24k. In Sihanoukville, the typical mass floor minimum bet average is around US\$10 with a maximum bet of US\$5k. We assume an 80% discount to Naga's mass WPTD in our estimate for the Sihanoukville casinos.

As for VIP, most properties in Sihanoukville still have a minimum bet of US\$10 with a maximum of US\$5k vs. Naga's minimum bet of US\$100-200 and maximum of US\$1m. We assume an 90% discount to Naga's VIP WPTD in our estimate for the VIP WPTD for the Sihanoukville properties. Our discount is large as many casinos do not have an established VIP presence and are not equipped with VIP junket rooms. More importantly, in order to attract higher-spending VIPs, a casino needs a large amount of cash and working capital to pay players. Naga currently has ample working capital (US\$317m at end-FY18), partly funded by its \$300m bond issuance in FY18. Smaller properties in Sihanoukville may not have the working capital required to attract a large contingency of high-rolling VIP players.

The main reason for the smaller maximum bets in Sihanoukville casinos compared to Naga's is that the casinos do not have sufficient capital to cover large bets and need to regulate bets to ensure they can make payments to players. Based on our WPTD estimate for the Sihanoukville casinos extrapolated to the overall market of 45 casinos, we estimate that Naga commands 63% and 94% market share of Sihanoukville's mass and VIP GGR, respectively.

Another reason for the large WPTD discrepancy between Naga and the Sihanoukville casinos is Naga's higher-end player profile, coupled with its mix of players from different countries who may not be interested in going to Sihanoukville. Due to their lack of amenities, lower-end player profile, limited services and smaller scale relative to Naga, we do not believe the Sihanoukville casinos can be considered rivals to Naga at this point.

In the short term, we think Naga may benefit from Sihanoukville's development as air travel to Cambodia is easier through Phnom Penh than Sihanoukville as the Phnom Penh airport can handle greater passenger volume. Hence, players could spend their first few days in Cambodia at Naga to enjoy better gaming services and amenities, before travelling to Sihanoukville for business or leisure as Naga and Sihanoukville offer differing gaming experiences.

### **Sihanoukville's long-term impact on Naga: Some cannibalisation is possible ►**

In the long term, we think Sihanoukville poses risk to Naga's earnings, as its infrastructure, services, property amenities and air travel access improve. For example, Marriott International (MAR US, Not Rated) indicated that it plans to open a property in Sihanoukville in 2022, making it one of the first international hotel brands in the city. We also note that Macau's largest junket, Suncity Group (1383 HK, Not Rated) plans to provide consultancy services for the building of a gaming resort in Sihanoukville that is slated to begin operations by end-2019.

In addition, we believe that other Macau junkets would follow Suncity to Sihanoukville. This could create VIP leakage at Naga eventually. On the flip side, we believe that the lax regulatory environment in Sihanoukville is not sustainable in the long term, leading to industry consolidation as certain properties may not have the scale to survive in the face of tighter regulation and heavy competition. Hence, the number of casinos in Sihanoukville could decline in the long term due to the lack of profitability. Given the planned rollout of Naga3 (likely in Cambodia) in the next few years, we believe that Naga does have the pipeline to counter the eventual ramp-up and consolidation in Sihanoukville.

**Figure 20: Competitive advantages – Naga vs. Sihanoukville casinos**

<b>Naga</b>	<b>Sihanoukville casinos</b>
Higher-end customer base requires a larger amount of casino capital, which Naga can afford.	More Macau junkets are likely to start operating in Sihanoukville, which would divert VIP revenue.
Players from various countries of origin, diversifying risk.	Improvement in services, scale, infrastructure and air travel access over time, with industry consolidation at some point.
Proven track record and management in development of integrated resorts (services, non-gaming amenities, F&B).	Cluster effect, with many properties located close to each other.
Naga3 development in future to strengthen Naga's casino portfolio catering to higher-end players.	Thanks to the beach and heavy Chinese investment in the area, tourist visitation is likely to rise rapidly. More of a natural tourist destination than Phnom Penh.

SOURCES: CGS-CIMB RESEARCH

**Impressions of Phnom Penh – development continues ➤**

Similar to Sihanoukville, Phnom Penh is undergoing significant construction as it transforms into a modern city, with many new shopping centres, hotels and office buildings being built. For example, a second AEON (8267 JP, Not Rated) mall was opened in the Sen Sok City area of Phnom Penh in May 2018. The large mall's flagship tenants include international brands such as Under Armour (UA US, Not Rated), Timberland (Unlisted) and Superdry (SDRY LN, Not Rated). The internal layout and design of this mall is comparable to any premium mall in Hong Kong, in our view.

Phnom Penh already has a Courtyard by Marriott and more Marriott hotels are slated for opening in the city by 2021F. In May 2018, Hongkong Land (HKL SP, Add, TP: US\$9.50) opened Exchange Square, a Grade A Tower with 16 floors of office space and four floors of luxury retail, in the city. In Feb 2018, Rosewood Hotel Group (Unlisted) launched Rosewood Phnom Penh. The entry of international brands into Cambodia is a sign that the country's positive economic growth momentum is expected to continue. In Oct 2018, the International Monetary Fund projected Cambodia's GDP to grow by 7.0% in 2018F and 6.8% in 2019F.

**Figure 21: Chinese property development in Phnom Penh**



SOURCES: CGS-CIMB RESEARCH

**Figure 22: Mall development in Phnom Penh**



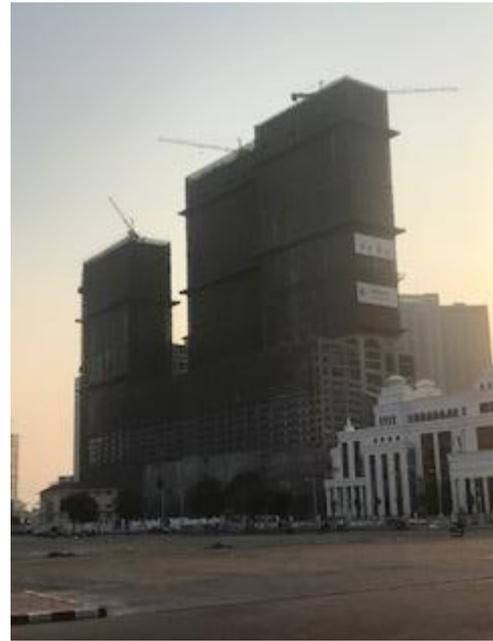
SOURCES: CGS-CIMB RESEARCH

**Figure 23: Hongkong Land’s Exchange Square in Phnom Penh**



SOURCES: CGS-CIMB RESEARCH

**Figure 24: High-rise development in Phnom Penh**



SOURCES: CGS-CIMB RESEARCH

**Figure 25: Aeon Mall 2 in Phnom Penh**



SOURCES: CGS-CIMB RESEARCH

**Figure 26: Aeon Mall 2 interior**



SOURCES: CGS-CIMB RESEARCH

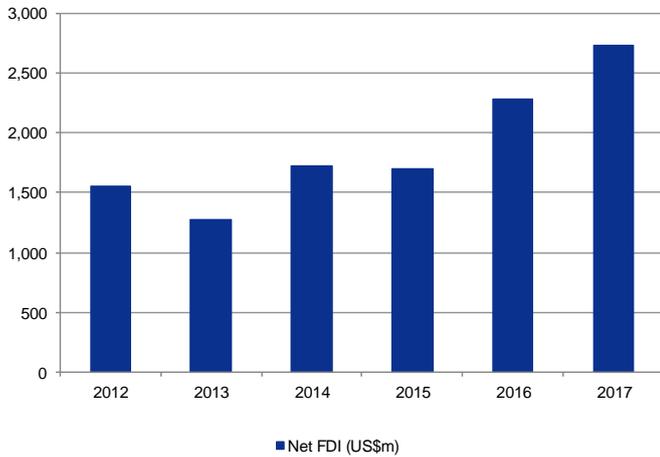
**Foreign direct investment and rising tourist arrivals are key >**

One of the main drivers of infrastructure development in Phnom Penh is foreign direct investment (FDI) and increasing tourist arrivals. Net FDI in Cambodia reached US\$2.7bn in 2017, of which 40% came from China. In addition, Chinese tourist arrivals to Cambodia is accelerating, up 73% yoy to 1.27m in 8M18 compared to overall tourist arrival growth of 10% yoy in 2016-17, according to data from the Ministry of Tourism.

The government plans to double the number of tourist arrivals to Cambodia to 12m by 2025F from 6m in 2018. It aims to draw a combination of tourists and business people seeking opportunities in Cambodia, which could lead to the rapid development of Phnom Penh. Not only is the number of visitors expected to increase but more importantly, the World Travel and Tourism Council projects

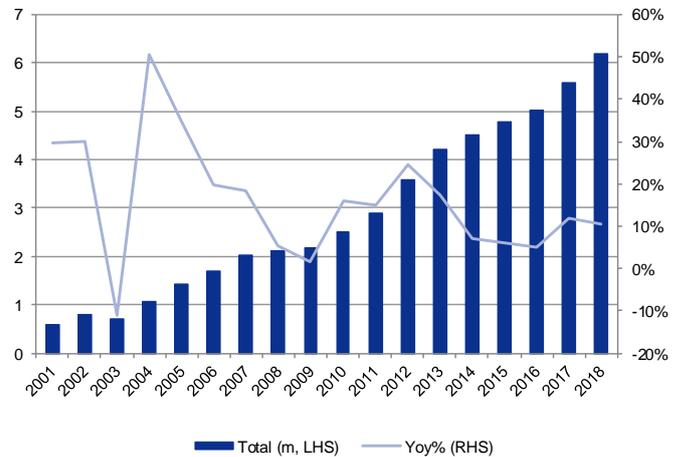
the total spending by visitors in Cambodia to increase from KHR16.8bn in 2018F to KHR28Rbn in 2028F (KHR4k = 1 US\$ as at 15 Feb 2019, with most of the additional spending to come from business visitors who have higher spending power than leisure travelers.

**Figure 27: Net FDI in Cambodia (US\$ m)**



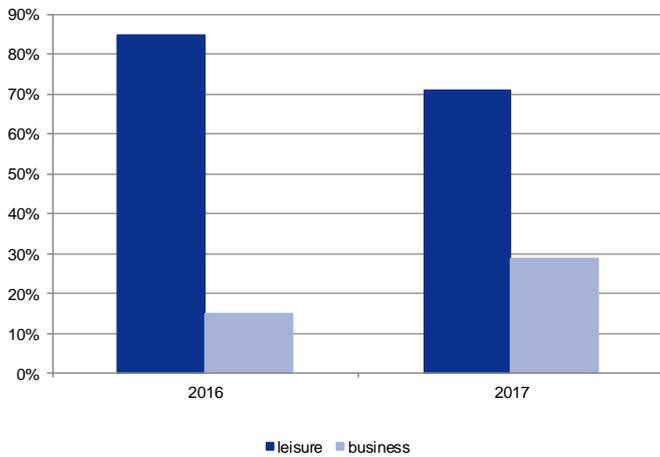
SOURCES: ASEAN SECRETARIAT

**Figure 28: Number of visitor arrivals to Cambodia**



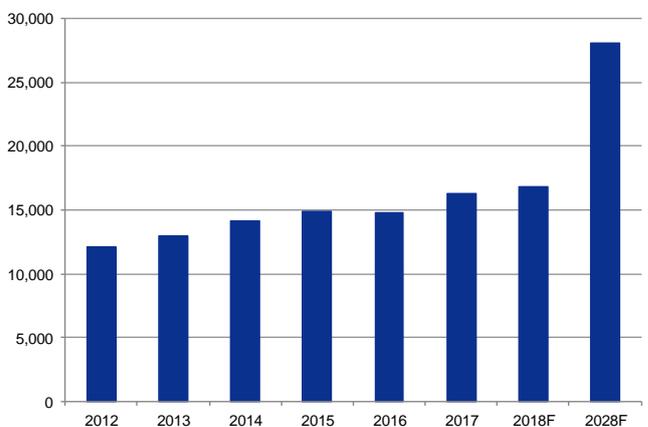
SOURCES: CGS-CIMB RESEARCH, MINISTRY of TOURISM

**Figure 29: Travel and tourism contribution to Cambodia's GDP – Business vs. leisure travel**



SOURCES: WORLD TRAVEL AND TOURISM COUNCIL

**Figure 30: Visitor spending in Cambodia (KHR bn, based on real 2017 prices)**



SOURCES: TRAVEL AND TOURISM IMPACT 2018

**Naga to be a direct beneficiary of growth in tourism to Cambodia ➤**

Our visit to Naga2 on 29 Jan revealed that the property has successfully ramped up since our previous visit in Nov 2017 for its opening, with fully completed retail and theater areas. Furthermore, we observed that the Naga2 rooms for tier-1 junkets are comparable with properties in Macau (in terms of amenities), making Naga2 more enticing to higher-end customers. In addition, we think the VIP services and VIP suites offered by Naga2 are comparable to some of the higher-end Macau properties. Suncity has 15 to 16 tables at Naga2.

We believe that Naga2 is currently running at hotel occupancy rates of 80%+. Naga is likely to be a direct beneficiary of the rising number of Chinese visitors and investment in Cambodia in terms of more hotel stays, meetings, incentives,

conventions and exhibitions (MICE) and gaming activities, in our view.

**Figure 31: VIP room in Naga2**



SOURCES: CGS-CIMB RESEARCH

**Figure 32: Theatre in Naga2**



SOURCES: CGS-CIMB RESEARCH

**Figure 33: Suncity junket room in Naga2**



SOURCES: CGS-CIMB RESEARCH

**Figure 34: VIP suite in Naga2**



SOURCES: CGS-CIMB RESEARCH

## Financial summary ►

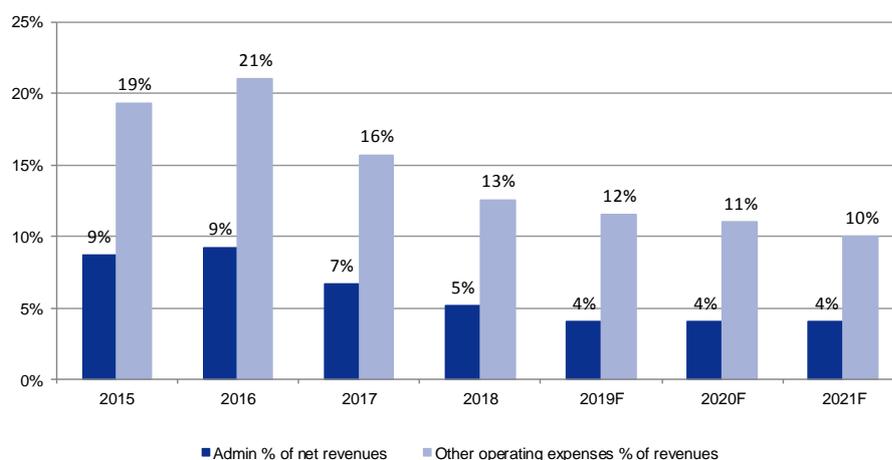
Figure 35: Financial summary

US\$m	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Revenue	279	345	404	504	532	956	1,474	2,039	2,598	3,175
yoy% growth	25%	24%	17%	25%	6%	80%	54%	38%	27%	22%
EBITDA	139	173	176	229	258	320	512	650	795	955
yoy% growth	26%	25%	2%	30%	13%	24%	60%	27%	22%	20%
Net Income	113	140	136	173	184	255	391	464	588	726
yoy% growth	23%	24%	-3%	27%	7%	39%	53%	19%	27%	23%
Public floor buy-ins	348	400	465	550	618	788	1,238	1,734	2,167	2,492
yoy% growth	34%	15%	16%	18%	12%	28%	57%	40%	25%	15%
Electronic gaming bill-ins	995	1,098	1,186	1,371	1,499	1,812	2,215	2,547	2,852	3,138
yoy% growth	28%	10%	8%	16%	9%	21%	22%	15%	12%	10%
VIP rollings	3,787	4,574	6,185	7,876	8,714	21,125	35,659	49,922	64,899	81,123
yoy% growth	17%	21%	35%	27%	11%	142%	69%	40%	30%	25%
Public floor revenue	78	90	109	121	130	150	236	329	412	473
yoy% growth	24%	15%	21%	11%	7%	15%	57%	40%	25%	15%
Electronic gaming revenue	88	102	85	137	146	151	129	157	176	193
yoy% growth	28%	16%	-17%	62%	6%	4%	-14%	21%	12%	10%
VIP revenue	95	133	188	223	226	625	1,069	1,498	1,947	2,434
yoy% growth	18%	40%	41%	18%	1%	177%	71%	40%	30%	25%
Public floor win rate	22.4%	22.4%	23.3%	22.0%	21.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Electronic gaming win rate	11.5%	11.0%	10.1%	9.8%	8.2%	7.9%	8.8%	8.8%	8.8%	8.8%
VIP win rate	2.5%	2.9%	3.0%	2.8%	2.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Gross margin	72.9%	72.1%	67.4%	65.1%	69.0%	49.5%	45.7%	43.0%	42.0%	41.0%
EBITDA margin	49.7%	50.0%	43.6%	45.4%	48.5%	33.5%	34.7%	31.9%	30.6%	30.1%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

### Key highlights and commentary from management Q&A session

- Naga's FY18 net profit of HK\$391m (+53% yoy) beat our/Bloomberg consensus forecasts by 17%/9%.
- The FY18 net profit outperformance was due to better-than-expected cost control, as many of the costs for the Naga2 expansion were front-loaded in 2017 (opened in Nov 2017) and fewer expenses were incurred in 2018.
- Management noted that FY18 core net profit would have increased by 100% if it excludes the one-off electronic gaming machine fee income of US\$60m earned that year.
- Administration and operating expenses declined as a percentage of revenue from 22.4% in FY17 to 17.7% in FY18 due to operational efficiencies.
- Naga is now working with the top 4 Macau junkets, according to the company. GGR strength in 2018 has carried over into Jan 2019.
- Management is bullish regarding its gaming prospects for 2019F.
- New gaming legislation is expected to be introduced in Cambodia in 1Q19, with gaming taxes amounting to 4-7% of GGR likely to be introduced.
- Management will announce more details on Naga3 at a future date.

**Figure 36: Expenses as % of revenue**


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

### Major changes to our estimates ➤

**Figure 37: Earnings revisions**

US\$ m	2019F			2020F			2021F		
	Old	New	% change	Old	New	% change	Old	New	% change
Public floor buy-ins	1,477	1,734	17.4%	1,699	2,167	27.6%	NA	2,492	NA
win rate	18.0%	19.0%	+1 ppt	18.0%	19.0%	+1 ppt	NA	19.0%	NA
revenue	266	329	23.9%	306	412	34.6%	NA	473	NA
Electronic gaming bill-ins	2,436	2,547	4.6%	2,558	2,852	11.5%	NA	3,138	NA
revenue	131	157	19.5%	138	176	27.5%	NA	193	NA
Junket VIP rollings	58,463	49,922	-14.6%	70,156	64,899	-7.5%	NA	81,123	NA
win rate	3.2%	3.0%	-0.2 ppt	3.2%	3.0%	-0.2 ppt	NA	3.0%	NA
revenue	1871	1,498	-19.9%	2245	1,947	-13.3%	NA	2,434	NA
Revenue	2323	2,039	-12.2%	2752	2,598	-5.6%	NA	3,175	NA
gross margin	41.0%	43.0%	+2 ppt	40.0%	42.0%	+2 ppt	NA	41.0%	NA
EBITDA	559	650	16.3%	621	795	28.0%	NA	955	NA
EBITDA margin	24.1%	31.9%	+7.8 ppt	22.6%	30.6%	+8 ppt	NA	30.1%	NA
Net income	407	464	14.1%	461	588	27.6%	NA	726	NA
EPS (US cts.)	9.37	10.69	14.1%	10.61	13.54	27.6%	NA	16.72	NA

SOURCES: CGS-CIMB RESEARCH ESTIMATES

### Top pick in HK-listed gaming space ➤

We view Naga as a direct proxy for the theme of rising investment and tourism in Cambodia, especially from China. Naga is the only Hong Kong-listed Cambodia-related gaming company with good average daily turnover, transparent management and strong investor relations team. Within our coverage universe of HK-listed gaming stocks, Naga is our top pick for its favourable macro factors and strong product execution.

Over the past six years (2013-18), Naga has traded at an average 42% discount to the prevailing market EV/EBITDA of the Macau gaming sector. The discount is currently 22%, slightly less than 1 s.d. above the historical 6-year average discount of 42%. Our target price is based on an SOP valuation using 11x FY19F EV/EBITDA for its current operations, with a discounted value for Naga's Vladivostok project. For current operations, we applied a 12.5% discount to the prevailing market EV/EBITDA of the Macau gaming sector. We believe Naga's current operations warrant a smaller discount, given Naga's defensive customer profile mix and fewer macro concerns relative to Macau gaming operators. We also forecast stronger FY19F EBITDA growth of 27% for Naga than the average adjusted EBITDA growth of 5-10% for Macau (assuming flattish revenue growth,

based on Bloomberg consensus estimates.

**Figure 38: Naga SOP-based target valuation**

	US\$m	Per share
EBITDA in FY19F	650	
EV in FY19F (11x)	7,150	
Total debt	291	
Historical cash	317	
Equity value	7,175	1.65
Total equity value (US\$)		1.65
Russia project value (HK\$)		0.48
<b>Total equity value (HK\$)</b>		<b>13.38</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES

**Figure 39: Value of Naga's Russia project**

	US\$m	
Invested capital	350	
ROIC in FY21F	15%	
EBITDA	53	
FY21F EV/EBITDA multiple	8x	
Enterprise value	420	
Net debt	-	
Equity value	420	
# shares fully diluted (m)	4,341	
Equity value/share in FY19F (US\$)	0.10	
Discount rate		25.0%
<b>Equity value/share in FY19 (US\$)</b>		<b>0.06</b>
<b>Equity value/share in FY19 (HK\$)</b>		<b>0.48</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES

**Figure 40: Naga's EV/EBITDA discount to Macau gaming sector average**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 41: Naga's EV/EBITDA, based on Bloomberg consensus estimates**



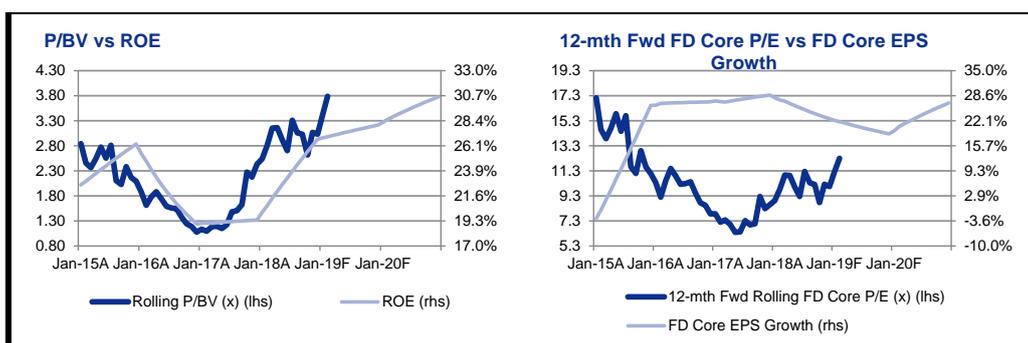
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 42: Sector comparison**

Company	Bloomberg		Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		2-year EPS CAGR (%)	P/BV (x)		EV/EBITDA (x)		ROE (%)		Yield (%)	
	Ticker	Recom.				FY19F	FY20F		FY19F	FY20F	FY19F	FY20F	FY19F	FY20F	FY19F	FY20F
Galaxy Entertainment	27 HK	ADD	54.25	59.85	29,923	16.8	15.6	7%	3.1	2.7	11.9	10.6	20%	18%	1.4%	1.5%
Sands China	1928 HK	ADD	37.40	46.90	38,506	15.7	14.3	13%	7.7	6.8	12.4	11.3	51%	50%	5.3%	6.2%
MGM China Holdings	2282 HK	ADD	15.52	15.76	7,514	21.3	16.6	52%	5.2	4.3	12.0	9.4	27%	28%	2.3%	3.0%
Wynn Macau	1128 HK	ADD	19.26	22.53	12,753	15.3	14.3	10%	30.3	20.8	11.2	10.4	254%	173%	5.2%	5.6%
SJM Holdings	880 HK	HOLD	8.36	7.26	6,032	21.7	16.3	4%	1.8	1.7	18.1	14.1	8%	11%	2.3%	3.1%
<b>HK listed Macau average</b>						<b>18.1</b>	<b>15.4</b>	<b>17%</b>	<b>9.6</b>	<b>7.3</b>	<b>13.1</b>	<b>11.2</b>	<b>72%</b>	<b>56%</b>	<b>3.3%</b>	<b>3.9%</b>
Genting Bhd	GENT MK	ADD	7.06	8.90	6,683	13.7	11.4	4%	0.7	0.7	4.6	3.8	5%	6%	1.7%	1.7%
Berjaya Sports Toto	BST MK	ADD	2.28	3.09	755	9.8	9.2	8%	3.7	3.4	6.9	6.5	39%	38%	8.2%	8.7%
Genting Malaysia	GENM MK	HOLD	3.29	3.25	4,573	13.2	12.8	-4%	1.0	1.0	8.3	8.2	8%	8%	3.0%	3.3%
<b>Malaysia average</b>						<b>12.2</b>	<b>11.2</b>	<b>3%</b>	<b>1.8</b>	<b>1.7</b>	<b>6.6</b>	<b>6.2</b>	<b>17%</b>	<b>17%</b>	<b>4.3%</b>	<b>4.6%</b>
Paradise	034230 KS	REDUCE	18,350	15,000	1,488	53.9	35.7	477%	1.7	1.6	20.1	14.8	3%	5%	0.8%	1.6%
Grand Korea Leisure	114090 KS	ADD	23,050	28,500	1,271	16.0	12.3	21%	2.3	2.1	9.4	7.2	15%	18%	2.4%	3.5%
Kangwon Land	035250 KS	HOLD	34,550	27,000	6,590	18.4	16.9	10%	2.0	1.9	6.7	4.8	11%	12%	2.9%	2.9%
<b>Korea average</b>						<b>29.4</b>	<b>21.6</b>	<b>169%</b>	<b>2.0</b>	<b>1.9</b>	<b>12.1</b>	<b>8.9</b>	<b>10%</b>	<b>11%</b>	<b>2.0%</b>	<b>2.7%</b>
NagaCorp Ltd	3918 HK	ADD	10.80	13.38	5,973	12.9	10.2	23%	3.4	2.9	8.9	7.1	28%	31%	4.7%	5.9%
Summit Ascent Holdings	102 HK	ADD	0.95	1.21	180	44.3	27.6	63%	0.9	0.9	2.5	1.9	2%	3%	0.0%	0.0%
Genting Singapore	GENS SP	ADD	1.10	1.28	9,765	18.3	18.0	0%	1.6	1.6	8.0	7.4	9%	9%	2.7%	2.7%
<b>Other average</b>						<b>25.1</b>	<b>18.6</b>	<b>29%</b>	<b>2.0</b>	<b>1.8</b>	<b>6.5</b>	<b>5.5</b>	<b>13%</b>	<b>14%</b>	<b>2.5%</b>	<b>2.9%</b>

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (AS AT 14 FEB 2019)

## BY THE NUMBERS



### Profit & Loss

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>956.3</b>	<b>1,474.3</b>	<b>2,038.7</b>	<b>2,598.1</b>	<b>3,174.7</b>
<b>Gross Profit</b>	<b>472.9</b>	<b>673.5</b>	<b>876.6</b>	<b>1,091.2</b>	<b>1,301.6</b>
<b>Operating EBITDA</b>	<b>320.0</b>	<b>512.0</b>	<b>650.0</b>	<b>794.8</b>	<b>1,302.0</b>
Depreciation And Amortisation	(56.4)	(93.0)	(78.5)	(78.5)	(43.1)
<b>Operating EBIT</b>	<b>263.6</b>	<b>419.0</b>	<b>571.5</b>	<b>716.3</b>	<b>1,259.0</b>
Financial Income/(Expense)	0.7	(16.2)	(23.5)	(22.2)	(27.5)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	(1.0)	(3.4)	(2.4)	(2.2)	441.2
<b>Profit Before Tax (pre-EI)</b>	<b>263.3</b>	<b>399.4</b>	<b>545.6</b>	<b>691.8</b>	<b>1,672.6</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>263.3</b>	<b>399.4</b>	<b>545.6</b>	<b>691.8</b>	<b>1,672.6</b>
Taxation	(8.1)	(8.8)	(81.5)	(103.9)	(127.0)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>255.2</b>	<b>390.6</b>	<b>464.0</b>	<b>587.9</b>	<b>1,545.6</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>255.2</b>	<b>390.6</b>	<b>464.0</b>	<b>587.9</b>	<b>1,545.6</b>
Recurring Net Profit	255.2	390.6	464.0	587.9	1,545.6
<b>Fully Diluted Recurring Net Profit</b>	<b>255.2</b>	<b>390.6</b>	<b>464.0</b>	<b>587.9</b>	<b>1,545.6</b>

### Cash Flow

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>320.0</b>	<b>512.0</b>	<b>650.0</b>	<b>794.8</b>	<b>1,302.0</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	9.6	(3.6)	(9.8)	(11.0)	(10.3)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2.7	0.0	0.0	0.0	0.0
Other Operating Cashflow	(1.0)	(7.3)	25.6	25.6	(321.9)
Net Interest (Paid)/Received	0.0	(19.5)	(28.0)	(28.0)	(28.0)
Tax Paid	(9.0)	(8.8)	(81.5)	(103.9)	(127.0)
<b>Cashflow From Operations</b>	<b>322.2</b>	<b>472.8</b>	<b>556.3</b>	<b>677.5</b>	<b>814.9</b>
Capex	(354.8)	(230.0)	(230.0)	(230.0)	(230.0)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.2	13.9	4.5	5.8	7.0
<b>Cash Flow From Investing</b>	<b>(354.6)</b>	<b>(216.1)</b>	<b>(225.5)</b>	<b>(224.2)</b>	<b>(223.0)</b>
Debt Raised/(repaid)	0.0	290.0	0.0		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(125.8)	(193.7)	(256.7)	(316.1)	(394.8)
Preferred Dividends					
Other Financing Cashflow	0.0	(89.2)	0.0	0.0	0.0
<b>Cash Flow From Financing</b>	<b>(125.8)</b>	<b>7.1</b>	<b>(256.7)</b>	<b>(316.1)</b>	<b>(394.8)</b>
Total Cash Generated	(158.1)	263.7	74.1	137.1	197.1
<b>Free Cashflow To Equity</b>	<b>(32.4)</b>	<b>546.7</b>	<b>330.8</b>	<b>453.3</b>	<b>591.9</b>
<b>Free Cashflow To Firm</b>	<b>(32.4)</b>	<b>276.1</b>	<b>358.8</b>	<b>481.3</b>	<b>619.9</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(US\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	53	393	467	604	801
Total Debtors	101	117	162	206	252
Inventories	2	2	3	4	5
Total Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>156</b>	<b>512</b>	<b>632</b>	<b>814</b>	<b>1,058</b>
Fixed Assets	1,149	1,302	1,452	1,606	1,761
Total Investments	0	0	0	0	0
Intangible Assets	63	59	57	54	51
Total Other Non-Current Assets	95	94	94	94	94
<b>Total Non-current Assets</b>	<b>1,306</b>	<b>1,455</b>	<b>1,602</b>	<b>1,754</b>	<b>1,906</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	78	80	116	150	186
Other Current Liabilities	2	12	12	12	12
<b>Total Current Liabilities</b>	<b>80</b>	<b>92</b>	<b>128</b>	<b>162</b>	<b>199</b>
Total Long-term Debt		291	291	291	291
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	44	44	44	44
<b>Total Non-current Liabilities</b>	<b>0</b>	<b>335</b>	<b>335</b>	<b>335</b>	<b>335</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>80</b>	<b>427</b>	<b>463</b>	<b>498</b>	<b>534</b>
Shareholders' Equity	1,383	1,540	1,771	2,071	2,430
Minority Interests					
<b>Total Equity</b>	<b>1,383</b>	<b>1,540</b>	<b>1,771</b>	<b>2,071</b>	<b>2,430</b>

### Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	79.9%	54.2%	38.3%	27.4%	22.2%
Operating EBITDA Growth	24.2%	60.0%	27.0%	22.3%	63.8%
Operating EBITDA Margin	33.5%	34.7%	31.9%	30.6%	41.0%
Net Cash Per Share (US\$)	0.01	0.02	0.04	0.07	0.12
BVPS (US\$)	0.32	0.35	0.41	0.48	0.56
Gross Interest Cover	N/A	21.52	20.41	25.58	44.96
Effective Tax Rate	3.1%	2.2%	14.9%	15.0%	7.6%
Net Dividend Payout Ratio	60.0%	60.0%	60.1%	60.1%	28.2%
Accounts Receivables Days	33.20	27.05	24.99	25.95	26.37
Inventory Days	1.23	0.88	0.79	0.83	0.84
Accounts Payables Days	43.38	35.93	30.68	32.26	32.78
ROIC (%)	25.3%	31.5%	38.6%	43.7%	69.9%
ROCE (%)	20.1%	26.3%	29.6%	32.6%	49.6%
Return On Average Assets	18.5%	23.7%	23.2%	25.4%	56.9%

### Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
VIP Chip Volume (% Change)	142.4%	68.8%	40.0%	30.0%	25.0%
VIP Chip Win Percentage (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Mass mkt chip drop (% chg.)	27.5%	57.2%	40.0%	25.0%	15.0%
Mass mkt chip win (%-tage)	19.0%	19.0%	19.0%	19.0%	19.0%
Slot Handle (% Change)	20.9%	22.2%	15.0%	12.0%	20.9%
Slot Hold Percentage (%)	7.9%	8.8%	8.8%	8.8%	7.9%
Net Win Per Slot (% Change)	5.0%	5.0%	5.0%	5.0%	5.0%
Net Win Per Table (% Change)	70.4%	35.0%	11.8%	29.1%	23.3%
No. Of Slots	2,250	2,000	2,000	2,000	2,000
No. Of Tables	384	479	600	600	600

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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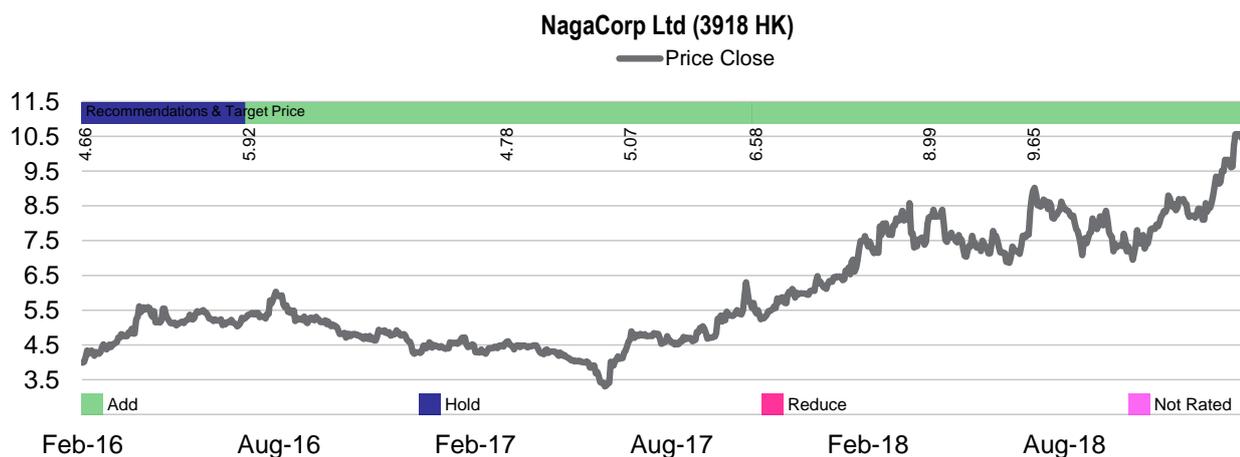
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	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

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 2018, Anti-Corruption 2018**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – 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, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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### Stock Ratings

Definition:

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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.

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### 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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