



Nigerian Cement Producers

Sector Update

Competition upsetting the status quo

- Following the higher than expected decline in 'cementitious' volumes over the third quarter 2018 by Lafarge (-16.3% QoQ) and DANGCEM (-23.3% QoQ), we have revised our FY 18E for Nigeria cement volume lower to 20.4mt (previously 21.4mt) which is a growth of 11%. Our cautious approach reflects the impact of the prolonged rainy season, which still prevailed for most part of October and the electioneering concerns which has now slowed ongoing infrastructure projects. Farther out in 2019, the construction sector is set to witness an uncertain environment. Specifically, we believe most part of the first half of 2019 will be focused on assessing the political environment and the likely delay from the passage of the 2019 budget. Thus, we expect a moderate growth in domestic cement volume by 7.4% to 21.9mt (Previous: +11% to 23.9mt) in 2019.

- The market witnessed price erosion over Q3 2018, with average cement price declining by ~₦850 and ~₦1,770 relative to Q2 2018 and Q3 2017 respectively. On one hand, we attribute the decline to the seasonal price adjustment during the rainy season, while on the other hand, we believe the recently ignited competition following the commissioning of the Kalambaina Cement plant by BUA Group in Sokoto State further amplified the price erosion. For the rest of 2018, we expect price to stay at current levels with average price for the year settling at ₦43,625 (previous estimate of ₦43,769). In 2019, we believe the price competition will enter a new realm and estimate average of ~2.5% annual price erosion over FY 19 – 22.

| Company | Rating | TP (₦) | ETR |
|----------------|--------|--------|-------|
| DANGCEM | BUY | 253.03 | 36.6% |
| LAFARGE | BUY | 18.14 | 42.7% |

Dangcem

| Valuation Metrics | FY 17 | FY 18E | FY 19E |
|-------------------|--------|--------|--------|
| P/E (x) | 19.19 | 13.68 | 10.09 |
| EPS (₦) | 11.99 | 13.52 | 18.34 |
| EV/EBITDA (x) | 10.7 | 8.1 | 6.6 |
| EBITDA Margin | 48.2% | 46.7% | 52.6% |
| EV/IC | 3.54 | 2.61 | 2.49 |
| ROCE | 17.46% | 18.72% | 23.69% |

Lafarge

| Valuation Metrics | FY 17 | FY 18E | FY 19E |
|-------------------|---------|---------|--------|
| P/E (x) | (7.2) | (10.7) | 23.5 |
| EPS (₦) | (6.21) | (1.19) | 0.55 |
| EV/EBITDA (x) | 16.2 | 5.6 | 6.7 |
| EBITDA Margin | 10% | 15% | 17% |
| EV/IC | 1.10 | 0.70 | 0.91 |
| ROCE | (8.22%) | (2.57%) | 2.15% |

DANGCEM and LAFARGE - Share Price Trend



Analyst(s)

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- We have lowered our FVE on DANGCEM to **₦253.03** following i) downward revision of our 2018 and 2019 volume growth to 8.7% and 11.8% to 23.5mt and 26.5mt respectively¹ ii) slight adjustment to revenue per ton over Q4 18, with average price for the year now settling at ₦43,921 per ton (lower by 3.7% YoY); iii) ₦513 upward revision in cost per ton to ₦16,061, with gross profit now expected to expand by 121bps (previously: +223bps) to 57.6%; and iv) an 100bps upward review in opex to sales to 21% following a faster growth in both distribution and administrative expenses over Q3 18. On the positive, we remain sanguine on volume growth beyond 2019, following expectation of clinker exports to West African countries and improved cement consumption in Nigeria over the next five years as capex spend by government across levels gain traction. Due to current pricing and attractive valuation, we still maintain a STRONG BUY rating on DANGCEM.
- For Lafarge, we lowered our LAFARGE FVE to **₦18.07** (from ₦29.93) as we now expect i) a more significant dilution with additional shares of 7.4 billion (previous 3.0 billion using a high price of ₦29) from the proposed ₦89.2 billion rights issue; and ii) downward revision to our 2019 volume growth estimate to 3% (previous 5.4%) with a slight downward revision in price per ton by ~4% over 2019-2020. While we lowered our forecast cost to sales ratio at the South Africa operation on average by ~1.2% to adjust for our projected speedy turnaround of the plant, the reduction was offset by expected shut-ins at either of Shagamu or Ashaka plants over our forecast period. Our discussion with management revealed that plans are in place for possible expansion at either of the Ashaka or Shagamu plants, with our thought suggesting that cashflow from the sale of the South African operation could be deployed for the construction. As a result, we have raised our cost to sales ratio to average 76% (prior average of 74.7%) over FY 19 - 20.

Prolonged raining season tattered volume growth

- The two largest cement producers in Nigeria recorded steep decline in ‘cementitious’ volume over Q3 18 compared to Q2 18. While, the sector historically records lower volumes in the third quarter due to the rainy season, the quantum of decline over Q3 18, was far above our expectation. Going by our estimate, the two cement producers (DANGCEM and LAFARGE) combined recorded volume decline of 21.6% QoQ in Q3 18 compared to 11.2% decline recorded same period in 2017. Individually, DANGCEM (Q3 18: -23.3% QoQ vs Q3 17: -10.1%) recorded the steepest decline, a development we attribute to the

¹ previously: 13%% and 19%

renewed competition in the North and South East with BUA Sokoto (including CCNN) and BUA Cement Okpella, Edo State respectively. For Lafarge (Q3 18: -16.3% QoQ vs Q3 17: -14.3%), volume contraction during the period was largely in line with the level recorded same quarter in the prior year. To an extent, we see Lafarge's ability to maintain market share during the period as largely commendable, despite the strong muscle pulled by DANGCEM to drive volumes.

- Reflecting the decline over Q3 18, we have revised our FY 18E for Nigeria cement volume lower to 20.4mt (previously 21.4mt) which is a growth of 11%. Our cautious approach reflects the impact of the prolonged rainy season, which still prevailed for most part of October and the electioneering concerns which has now slowed ongoing infrastructure projects.
- Farther out in 2019, the construction sector is set to witness an uncertain environment. Specifically, we believe most part of the first half of 2019 will be focused on assessing the political environment and the likely delay of the passage of the budget. As a result, we do not expect to see any significant infrastructure spend by the FGN and the federating units over the first half of 2019, with its impact transcending to the private sector cementitious related spend. Accordingly, we forecast volume growth of 6% to 21.9mt in 2019 (Previous: +11% to 23.9mt). Beyond 2019, we estimate a more aggressive capex implementation by the FGN and even a more faster infrastructure development across the federating units, which necessitated our five-year compounded annual volume growth of 8% by 2023.

Price competition becoming the new play

- The Nigerian cement market witnessed price erosion over Q3 2018, with average cement price declining by ~₦850 and ~₦1,770 relative to Q2 2018 and Q3 2017 respectively. While we partly attribute the decline to the seasonal price adjustment during the rainy season, we believe the recently ignited competition following the commissioning of the Kalambaina Cement plant by BUA Group in Sokoto State further amplified the price erosion. As stated in our recently published cement sector report (See report: **Still room for strategic selection**), we believe the recent capacity expansion in Nigeria, has widened the stage for competition given that consumption is growing at a relatively slower pace. As such, we see price being the new play as product differentiation hardly drives long lasting volume expansion.

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- Notably, following the introduction of Falcon Cement (32.5 grade) at a ₦50 per 50kg bag discount to 3X (42.5 grade), DANGCEM was able to diversify its product base to better position for competition with Lafarge Classic (32.5 grade). However, the competition was still in favour of Lafarge, as it still sold the product at ₦30 per 50kg bag discount to Falcon, while Lafarge Supaset (42.5 grade) was selling at ₦50 per 50kg bag discount to 3X. To address the loss of market share over Q3, DANGCEM earlier in October lowered the prices of both Falcon and 3X by ₦20 and ₦30 per 50kg bag respectively, to closely match the selling price of Lafarge classic and Supaset.
 - Elsewhere, given that BUA cement had maintained favourable pricing (₦50 - ₦30 per 50kg bag discount to 3X) in the North amidst interest by block makers given the relative setting speed and strength of its cement, with our recent discussion with management of BUA suggesting the addition of iron ore in the production of its cement. Specifically, market information revealed that a 50kg bag of BUA cement produces ~58 blocks, compared to DANGCEM of ~50 blocks. Accordingly, DANGCEM recent introduction of BlockMaster – at a ₦50 and ₦70 per 50kg bag premium to BUA – is to address the other end of the competition. However, we do not think the introduction of BlockMaster achieved the desired result during the year, given that it came into market towards the end of the rainy season, wherein preference for faster setting largely holds.
 - For the rest of 2018, we expect price to stay at current levels with average price for the year settling at ₦43,625 (previous estimate of ₦43,769). In 2019, we believe the price competition will enter a new realm with the expected commissioning of the 3.0mt BUA OBU II cement plant in first quarter of 2019. As a result, we estimate average of ~2.5% annual price erosion over FY 19 – 22.

Dangote Cement Plc. – Attractively priced despite headwinds

- We have lowered our FVE on DANGCEM to **₦253.03** following i) downward revision of our 2018 and 2019 volume growth to 8.7% and 11.8% to 23.5mt and 26.5mt respectively² ii) slight adjustment to revenue per ton over Q4 18, with average price for the year now settling at ₦43,921 per ton (lower by 3.7% YoY); iii) ₦513 upward revision in cost per ton to ₦16,061, with gross profit now expected to expand by 121bps (previously: +223bps) to 57.6%; and iv) an 100bps upward review in opex to sales to 21% following a faster growth in both distribution and administrative expenses over Q3 18. On the positive, we remain sanguine on volume growth beyond 2019, following expectation of clinker exports to West African countries and improved cement consumption in Nigeria over the next five years as capex spend by government across levels gain traction. Due to current pricing and attractive valuation, we still maintain a STRONG BUY rating on DANGCEM.
- Specifically, our double-digit volume growth of 11.8% in 2019 is driven largely by expectation of stronger growth in the rest of Africa of 22.1% YoY to 11.6mt. We believe, the recently commissioned gas genset in Tanzania could push capacity utilization to ~40% over 2019. Also, we expect stronger growth in Cameroun, Ethiopia, Congo, Zambia and Ghana with respective capacity utilization of 93%, 85%, 20%, 70% and 35% respectively. Elsewhere in Nigeria, we now expect volumes to drag as competition becomes more intense in the domestic market. While management attributed the unusual QoQ decline in volumes of 23.3% in Q3 18 to flooding in some parts of the country, we believe the recently commissioned Kalambaina cement in Sokoto resulted in loss of market share by DANGCEM in the North. Also, our discussion with the management of BUA revealed that the OBU Cement plant in Edo State is operating at ~90% capacity, with volumes now going as far as Enugu and management guiding to commissioning of the second line in OBU latest Q1 2019. We believe, the increasing competition will impact DANGCEM's volume in 2019 – irrespective of its ability to determine industry's selling price – amidst slowdown in the economy over the first half of the year due to electioneering and unavoidable delay of the 2019 budget. Accordingly, we expect domestic volume growth of 4.8% YoY to 14.7mt in 2019, with overall group volume estimated at 26.2mt.
- Our recent discussion with DANGCEM revealed that, the certificate required for a reversal to the pioneer tax concession is yet to be delivered, a change in tone from the 9M 18

² previously: 13% and 19%

conference call where management stated the process could be concluded before the end of October. As a result, we are now more cautious on the possibility of the reversal, as such, we note that failure to effect the concession before the end of the calendar year of 2019, could result in 9.4% YoY decline in EPS to ₦10.9 (Q4 18E EPS: ₦11.57), while we see EPS expansion of 12.8% YoY to ₦13.5 (Q4 18E EPS: ₦12.23) if the concession is effected before the end of the year. Beyond 2018, we forecast average EPS CAGR of 19% over FY19E - FY22E as gains from Pan-African operation have a better trickling down impact on group's earnings.

Table 1: Scenario analysis showing the impact of higher effective tax rate on EPS

| | FY 18E | FY 19E | FY 20E | FY 21E | FY 22E |
|---------------------|--------|--------|--------|--------|--------|
| Working tax rate | 24% | 23% | 24% | 25% | 22% |
| EPS Forecast | 13.5 | 18.3 | 20.0 | 23.0 | 27.0 |
| EPS at 30% tax rate | 13.8 | 18.1 | 19.3 | 21.5 | 24.5 |
| EPS at 35% tax rate | 12.8 | 16.8 | 17.9 | 20.0 | 22.7 |
| EPS at 40% tax rate | 11.8 | 15.5 | 16.5 | 18.4 | 20.9 |
| EPS at 45% tax rate | 10.8 | 14.2 | 15.1 | 16.8 | 19.1 |
| EPS at 50% tax rate | 9.8 | 12.9 | 13.8 | 15.2 | 17.3 |

- We believe DANGCEM presents an attractive entry point in the cement sector in Nigeria and a quality name among Sub-Saharan Africa (SSA) peers, given its strong and diversified margins, balanced funding structure and exposure to growth markets in Africa. DANGCEM trades at 2019 EV/EBITDA of 9.0x which is at a discount to MEA peers of 11.6x and justified premium to Nigerian peers of 7.9x.

Summary of Results and Forecasts

ANNUAL

| Income Statement (N'm) * | 2017A | 2018F | 2019F | 2020F | 2021F |
|--------------------------------------|----------------|----------------|----------------|------------------|------------------|
| Volume (Million tonnes) | | | | | |
| Nigeria | 12.1 | 14.0 | 14.7 | 16.8 | 19.0 |
| Rest of Africa | 9.5 | 9.5 | 11.6 | 12.9 | 13.7 |
| | 21.6 | 23.5 | 26.2 | 29.6 | 32.6 |
| Nigeria Price (N'000) | 45.6 | 43.9 | 42.2 | 40.5 | 41.7 |
| Rest of Africa Average Price (N'000) | 29.7 | 30.5 | 31.7 | 32.6 | 33.9 |
| Revenue | | | | | |
| Nigeria | 552,434 | 614,235 | 617,705 | 678,000 | 790,479 |
| Rest of Africa | 258,400 | 275,234 | 351,122 | 401,615 | 442,650 |
| Intercompany | 5,251 | - | - | - | - |
| | 805,582 | 889,470 | 968,826 | 1,079,614 | 1,233,129 |
| COGS | 351,290 | 377,135 | 403,562 | 451,304 | 518,811 |
| Gross Profit | 454,292 | 512,334 | 565,264 | 628,311 | 714,318 |
| Operating Cost | 155,297 | 186,789 | 144,410 | 177,408 | 209,165 |
| Operating Profit | 304,208 | 331,772 | 425,698 | 455,221 | 513,056 |
| Finance Income | 35,926 | 15,649 | 42,653 | 61,759 | 78,543 |
| Finance expense | 52,711 | 44,207 | 62,417 | 69,624 | 69,624 |
| PBT | 289,590 | 303,214 | 405,933 | 447,356 | 521,975 |
| Tax | 85,342 | 72,771 | 93,365 | 107,366 | 130,494 |
| PAT | 204,248 | 230,443 | 312,569 | 339,991 | 391,481 |
| Balance Sheet (N'm) * | 2017A | 2018F | 2019F | 2020F | 2021F |
| Fixed Assets | 1,192,140 | 1,206,271 | 1,238,693 | 1,269,326 | 1,302,055 |
| Stocks | 94,594 | 88,875 | 102,013 | 118,492 | 133,118 |
| Trade debtors | 30,155 | 38,269 | 32,526 | 36,934 | 44,072 |
| Cash and other bank balances | 168,387 | 270,022 | 295,420 | 348,054 | 424,503 |
| Total Assets | 1,665,883 | 1,776,135 | 1,851,290 | 1,975,373 | 2,121,905 |
| Trade Creditors | 270,721 | 256,452 | 279,683 | 320,862 | 373,330 |
| Non-current Liabilities | 364,047 | 393,346 | 407,151 | 375,956 | 338,087 |
| Total liabilities | 884,523 | 979,183 | 993,779 | 1,034,058 | 1,083,497 |
| Shareholders' fund | 781,360 | 796,951 | 857,511 | 941,315 | 1,038,408 |
| Key Ratios | 2017A | 2018F | 2019F | 2020F | 2021F |
| P/E (x) | 19.2 | 13.7 | 10.1 | 9.2 | 8.0 |
| EV/EBITDA (x) | 10.7 | 8.1 | 6.6 | 6.1 | 5.3 |
| ROA | 13% | 13% | 17% | 18% | 19% |
| ROE | 26% | 29% | 38% | 38% | 40% |
| Net Margins | 25% | 26% | 32% | 32% | 32% |
| EPS (N) | 12.0 | 13.5 | 18.3 | 20.1 | 23.2 |
| EBIT margins | 38% | 37% | 44% | 42% | 42% |
| PBT margins | 36% | 34% | 42% | 42% | 43% |
| Effective Tax rates | 29% | 24% | 23% | 24% | 25% |
| Debt to Equity | 49.6% | 62.3% | 56.9% | 51.7% | 46.5% |
| Debt to Assets | 23.3% | 28.0% | 26.3% | 24.6% | 22.8% |
| Interest coverage (X) | 5.8 | 7.5 | 6.8 | 6.5 | 7.4 |
| BVPS (N) | 45.9 | 46.8 | 50.3 | 55.2 | 60.9 |

Lafarge Africa Plc. – Price crunch propelling stronger dilution

- We lowered our LAFARGE FVE to **₦18.07** (from ~~₦29.93~~) as we now expect i) a more significant dilution with additional shares of 7.4 billion (previous 3.0 billion using a high price of ~~₦29~~) from the proposed ~~₦89.2~~ billion rights issue; and ii) downward revision to our 2019 volume growth estimate to 3% (previous 5.4%) with a slight downward revision in price per ton by ~4% over 2019-2020. While we lowered our forecast cost to sales ratio at the South Africa operation on average by ~1.2% to adjust for our projected speedy turn around of the plant, the reduction was offset by expected shut-ins at either of Shagamu or Ashaka plants over our forecast period. Our discussion with management revealed that plans are in place for possible expansion at either of the Ashaka or Shagamu plants, with our thought suggesting that cashflow from the sale of the South African business could be deployed for the construction. As a result, we have raised our cost to sales ratio to average 76% (prior average of 74.7%) over FY 19 - 20.
- The management of Lafarge yesterday announced a right price of ~~₦12.0~~/share – a 10.5% discount to the closing price as at Monday, 3rd December 2018 – for the ~~₦89.2~~ billion rights issue, suggesting a ratio of 6:7. Overlaying the proposed right price on the offering, we estimate additional shares of 7.4 billion with total shares outstanding at the end of 2019 estimated at 16.1 billion. On the positive, management guided that the rights issue will be used to refinance short term borrowings (~~₦60~~ billion) and working capital needs. Overlaying the expected shares outstanding on our forecast PAT, we estimate average EPS dilution of ~~₦0.82~~ over our forecast period. However, we believe the dilution is better than another year (or more) of loss due to elevated finance expense.
- We expect positive earnings from FY 19E and forecast average EPS growth of 34% over FY 19E – FY 22E. Over FY 18, we still expect the company to report loss before tax of ~~₦11.9~~ billion, a moderation from a loss after tax of ~~₦34.6~~ billion in FY 17. The impacts of our adjustments culminated in FVE of **₦18.14**, however, we are highly cautious on LAFARGE and thus rate the stock a **SPECULATIVE BUY**. LAFARGE trades at 2019 EV/EBITDA of 8.6x which is at a discount to MEA peers of 15.1x and justified discount to Nigerian peers of 7.9x.

Summary of Results and Forecasts

| ANNUAL | | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Income Statement (N'million) | 2017 | 2018E | 2019E | 2020E | 2021E |
| Volume (Million tonnes) | | | | | |
| Nigeria Volume | 4.5 | 5.1 | 5.2 | 5.6 | 5.7 |
| South Africa | 1.7 | 1.5 | 1.6 | 1.6 | 1.8 |
| | 6.2 | 6.6 | 6.8 | 7.2 | 7.5 |
| Nigeria Price (N'000) | 44.0 | 44.1 | 42.4 | 41.1 | 42.3 |
| LSAH Price (N'000) | 35.6 | 36.3 | 37.7 | 38.9 | 40.4 |
| Revenue | | | | | |
| Nigeria | 204,493 | 233,638 | 227,889 | 240,977 | 249,667 |
| LSAH | 94,675 | 89,439 | 95,708 | 97,542 | 107,335 |
| | 299,153 | 323,077 | 323,597 | 338,519 | 357,001 |
| COGS | 248,394 | 248,769 | 245,934 | 253,889 | 267,751 |
| Gross Profit | 50,759 | 74,308 | 77,663 | 84,630 | 89,250 |
| Operating Cost | 46,944 | 50,540 | 45,916 | 49,672 | 50,132 |
| Operating Profit | 7,885 | 26,639 | 35,387 | 38,366 | 42,923 |
| Finance Income | 1,439 | 1,746 | 1,048 | 760 | 1,062 |
| Finance expense | 29,741 | 33,383 | 24,988 | 25,416 | 29,239 |
| PBT | -34,033 | -11,903 | 9,767 | 14,281 | 17,443 |
| Tax | 569 | -1,547 | 977 | 1,714 | 1,570 |
| PAT | -34,602 | -10,355 | 8,791 | 12,567 | 15,873 |
| Balance Sheet (N'million) | | | | | |
| Fixed Assets | 393,652 | 380,099 | 381,379 | 383,224 | 388,853 |
| Stocks | 58,266 | 52,375 | 53,813 | 58,086 | 59,756 |
| Trade debtors | 25,110 | 23,606 | 23,404 | 23,169 | 26,576 |
| Cash and other bank balances | 50,414 | 25,608 | 38,088 | 41,345 | 51,071 |
| Total Assets | 577,727 | 534,323 | 554,865 | 570,931 | 591,788 |
| Trade Creditors | 113,000 | 117,540 | 121,919 | 130,904 | 129,775 |
| Non-current Liabilities | 80,085 | 163,049 | 175,354 | 177,904 | 187,718 |
| Total liabilities | 420,740 | 329,339 | 348,233 | 363,484 | 374,675 |
| Shareholders' fund | 156,987 | 204,984 | 206,632 | 207,447 | 217,113 |
| Key Ratios | | | | | |
| P/E (x) | -7.2 | -10.7 | 23.5 | 16.4 | 13.0 |
| EV/EBITDA (x) | 16.2 | 5.6 | 6.7 | 6.3 | 5.7 |
| ROA | -6.4% | -1.9% | 1.6% | 2.2% | 2.7% |
| ROE | -17.0% | -5.7% | 4.3% | 6.1% | 7.5% |
| Net Margins | -11.6% | -3.2% | 2.7% | 3.7% | 4.4% |
| EPS (N) | -6.2 | -1.2 | 0.5 | 0.8 | 1.0 |
| EBIT margins | 2.6% | 8.2% | 10.9% | 11.3% | 12.0% |
| PBT margins | -11.4% | -3.7% | 3.0% | 4.2% | 4.9% |
| Effective Tax rates | -1.7% | 13.0% | 10.0% | 12.0% | 9.0% |
| Debt to Equity | 183.2% | 93.6% | 97.5% | 97.5% | 95.7% |
| Debt to Assets | 49.8% | 35.9% | 36.3% | 35.4% | 35.1% |
| Interest coverage (X) | 0.3 | 0.8 | 1.4 | 1.5 | 1.5 |
| BVPS (N) | 28.2 | 23.6 | 12.8 | 12.9 | 13.5 |

ARM ratings and recommendations

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6-month period (minimum) to the review date. We adopt a 5-point rating system for this category of stocks and a 3-point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

| TOP 20 | | NON-TOP 20 | |
|--------------------|------------|----------------|-----------|
| Rating | Deviation | Rating | Deviation |
| STRONG BUY | >20% | BUY | >20% |
| OVERWEIGHT | 10% — 20 % | NEUTRAL | 5% — 20 % |
| NEUTRAL | 0% — 10 % | SELL | <5% |
| UNDERWEIGHT | -5% — 0% | | |
| SELL | <-5% | | |

| RECOMMENDATION KEY | |
|--------------------|---|
| Rating | Recommendation |
| BUY | Accumulate security to a substantial extent constrained only by portfolio diversification considerations |
| OVERWEIGHT | Accumulate security to an extent moderated by cognizance of its benchmark weight |
| NEUTRAL | Maintain status quo for security with respect to current holding—i.e. keep if already holding and don't buy otherwise—subject to reasonable portfolio constraints |
| UNDERWEIGHT | Minimise exposure to security taking cognizance of its index weighting |
| SELL | Sell-off security completely from portfolio |

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