

# Cafe24 (042000 KS)

## The calm after the storm

**BUY** (Maintain)

CP (Jun. 21) KRW62,400  
TP (6 months) KRW80,000  
Upside 28.2%

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KOSPI	2,125.62p
KOSDAQ	722.64p
Market cap	KRW588.5bn/USD516.2mn
Par value	KRW500
Outstanding shares	9.4mn
Free float	6.6mn (70.4%)
52-week high/low	KRW204,000/KRW55,600
60-day avg. trading volume	200,120shrs
60-day avg. turnover	KRW14,178mn
Foreign ownership	18.66%
Major shareholders	
Chang-Gyun Woo and 14 others	29.63%
Absolute performance	3M -47.5%
	6M -40.6%
	12M -66.1%
Relative performance to KOSDAQ	3M -46.0%
	6M -44.6%
	12M -61.2%

- ◆ 2Q19 operating profit to meet consensus at KRW4.2bn
- ◆ Sales growth and overseas opportunities vs. slump in profit
- ◆ Retain BUY but downgrade target price to KRW80,000

### 2Q19 operating profit to meet consensus at KRW4.2bn

Cafe24 is forecast to report sales of KRW53bn (+31% YoY) for 2Q19, with total transactions decent at KRW2.2tr (+18% YoY). Combined sales of newly-acquired subsidiaries (Pimz, Feelway) are projected at KRW5.4bn. By division, we expect sales growth of 20% YoY for shopping mall solutions and 17% YoY for ad solutions.

Operating profit will likely meet the market consensus at KRW4.2bn (+1% YoY). Operating profit margin should slide 2.4%p YoY to 7.8%. Labor cost hikes (KRW22.6bn, +29% YoY, 43% of sales) and amortization of intangible assets (KRW1bn) from consolidated subsidiaries continue to weigh on profits.

### Sales growth and overseas opportunities vs. slump in profit

Operating leverage effect, a key investment point for Cafe2, has weakened from the hike in labor costs (+31% YoY in 1Q19, +29% YoY in 2Q19F). Operating profit margin dropped 4.7%p YoY in 1Q and is expected to fall 2.4%p YoY in 2Q. However, top-line growth driven by new acquisitions remains intact. We expect the two new subsidiaries to report combined sales of KRW22.2bn in 2019. Full-year company-wide sales are projected at KRW214.9bn (+30% YoY) and operating profit at KRW15.3bn (-1% YoY).

### Retain BUY but downgrade target price to KRW80,000

We downgrade our target price for Cafe24 by 27% to KRW80,000. Our target PSR of 3.6x is a 50% discount to 2018 average PSR of 7.8x, reflecting lowered expectations for operating leverage effect. The stock lost 48% over the past three months. Lowered expectations appear to have been fully reflected. Investment points are: 1) sales growth buttressed by new acquisitions (2019F sales +30% YoY); and 2) expectations for forays into the Japanese market. We retain our BUY rating on Cafe24.

Year to December	Sales (bn KRW)	OP (bn KRW)	Pre-tax (bn KRW)	NP (bn KRW)	EPS (KRW)	Growth (%)	BPS (KRW)	PER (x)	EV/EBITDA (x)	PBR (x)	ROE (%)	Net debt ratio (%)
2017	142.6	7.4	6.3	5.1	641			IPO			37.1	(60.7)
2018	165.4	15.6	(25.7)	(28.4)	(3,149)	TR	11,657	(34.9)	44.3	9.4	(45.9)	(67.5)
2019F	214.9	15.3	14.6	8.1	856	TB	12,522	72.9	17.7	5.0	7.1	(27.3)
2020F	248.4	17.7	17.3	9.8	1,040	21.5	13,563	60.0	15.5	4.6	8.0	(33.3)
2021F	285.6	25.3	25.3	14.3	1,521	46.2	15,083	41.0	12.6	4.1	10.6	(40.3)

Source: Company data, Shinhan Investment Corp. / Note: TB = turn black, TR = turn red, RR = remain red

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## 2Q19 forecast

(bn KRW, %)	2Q19F	2Q18	YoY	1Q19	QoQ	SHIC	Consensus
Sales	53.0	40.5	30.8	49.7	6.5	53.0	52.0
OP	4.2	4.1	0.5	1.9	118.6	4.2	4.2
NP	3.1	(50.5)	-	1.3	131.3	3.6	3.6
OPM	7.8	10.2		3.8			
NPM	5.8	(124.8)		2.7			

Source: Company data, Shinhan Investment Corp.

## Earnings forecast revision

(bn KRW, %)	Previous		Revised		Change	
	2019F	2020F	2019F	2020F	2019F	2020F
Sales	214.9	248.4	214.9	248.4	(0.0)	(0.0)
OP	15.3	17.3	15.3	17.7	(0.3)	2.2
NP	9.5	11.5	8.1	9.8	(15.0)	(14.7)
OPM	7.1	7.0	7.1	7.1		
NPM	4.4	4.6				

Source: Shinhan Investment Corp.

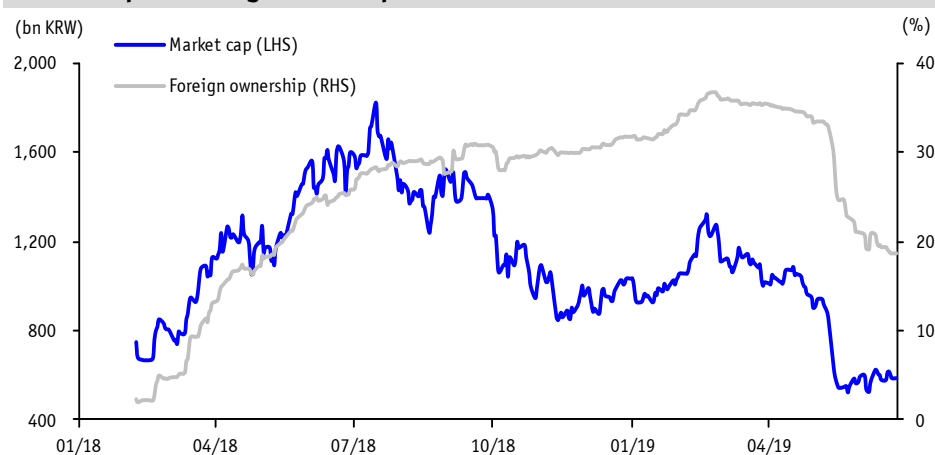
## Target price calculation

	Unit	Value	Remarks
SPS	Sales	(bn KRW)	214.9
	No. of shares	(1,000 shares)	9,431
	SPS	(KRW)	22,787
Target PSR	(x)	3.6	(D) 50% discount to 2018 average PSR of 7.8x
Value per share	(KRW)	82,833	(E) = (C) * (D)
Target price	(KRW)	80,000	Previous target price of KRW110,000
Current price	(KRW)	62,400	Current PSR of 2.7x
Upside	(%)	28.2	

Source: Shinhan Investment Corp.

Note: 50% discount applied to 2018 average PSR of 7.8x to reflect lowered expectations for operating leverage effect

## Market cap and foreign ownership



Source: Company data, Shinhan Investment Corp.

Note: Listed on February 8, 2018

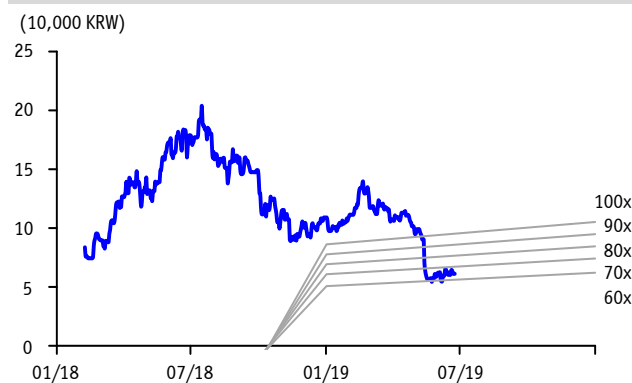
## Cafe24: PSR band



Source: Bloomberg, Shinhan Investment Corp.

Note: Listed on February 8, 2018

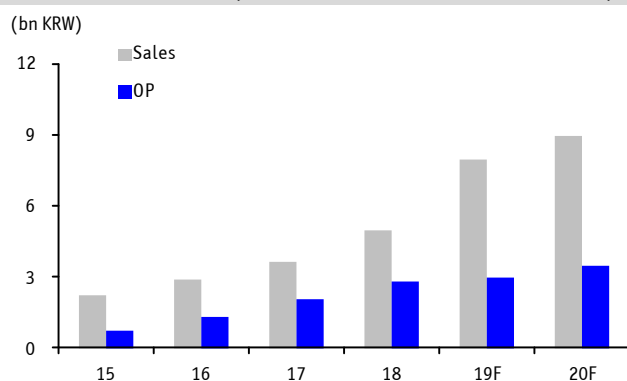
## Cafe24: PER band



Source: Bloomberg, Shinhan Investment Corp.

Note: Listed on February 8, 2018

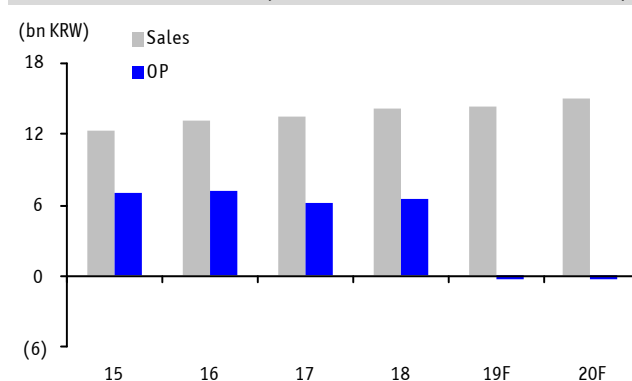
## Pimz: Sales and OP (earnings contribution from 4Q18)



Source: Company data, Shinhan Investment Corp.

Note: Amortization increased on addition of intangible assets (KRW4.2bn) from acquisition

## Feelway: Sales and OP (earnings contribution from 1Q19)



Source: Company data, Shinhan Investment Corp.

Note: Amortization increased on addition of intangible assets (KRW16.3bn) from acquisition

## Cafe2: Earnings trend and outlook

(bn KRW, %)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19F	3Q19F	4Q19F	2018	2019F	2020F
Transactions (tr KRW)	1.5	1.7	1.7	1.9	1.8	1.9	1.9	2.3	2.1	2.2	2.3	2.7	7.9	9.3	10.8
Growth	22.7	28.6	29.9	31.1	22.8	14.2	15.3	20.3	15.3	18.4	17.8	17.3	18.1	17.2	16.1
Sales	31.6	33.0	33.1	44.8	36.6	40.5	38.4	49.9	49.7	53.0	50.3	61.9	165.4	214.9	248.4
Shopping mall solutions	14.7	15.5	15.9	18.6	18.2	19.7	18.8	23.5	21.8	23.7	22.6	28.0	80.2	96.1	113.1
Ad solutions	5.7	6.4	5.9	7.0	6.9	7.5	7.2	8.0	7.3	8.8	8.4	9.3	29.6	33.8	38.9
Hosting solutions	6.6	6.6	6.7	6.7	7.0	7.3	7.4	7.3	7.4	7.8	7.8	7.8	29.0	30.8	32.7
Merchandise sales	4.6	4.5	4.6	12.4	4.5	6.0	5.1	9.4	8.0	7.3	5.8	11.0	24.9	32.0	37.5
New subsidiaries									5.2	5.4	5.7	5.9		22.2	26.2
OP	1.3	1.2	1.5	3.4	3.1	4.1	3.2	5.2	1.9	4.2	3.8	5.5	15.6	15.4	17.9
Existing divisions	1.3	1.2	1.5	3.4	3.1	4.1	3.2	5.2	1.3	3.5	3.1	4.8	15.6	12.7	12.7
New subsidiaries								0.7	0.6	0.7	0.7	0.7		2.8	2.8
NP	1.1	0.8	1.3	1.9	2.7	(50.5)	14.2	5.4	1.1	3.1	2.8	4.2	(28.2)	11.2	13.7
Sales growth	32.5	34.3	34.9	55.3	15.8	22.7	16.0	11.2	35.9	30.8	30.7	24.3	16.0	29.9	15.6
OP growth	RR	RR	RR	254.5	136.7	231.2	114.7	53.9	(37.5)	1.6	18.4	7.2	110.7	(0.9)	15.9
NP growth	RR	RR	RR	0.2	134.2	RR	1,009.8	192.2	(58.9)	RR	(80.2)	(22.6)	TR	TB	TB
OPM	4.2	3.8	4.5	7.5	8.5	10.2	8.3	10.3	3.9	7.9	7.5	8.9	9.4	7.2	7.2
NPM	3.6	2.5	3.9	4.1	7.3	(124.8)	37.0	10.9	2.2	5.9	5.6	6.8	(17.1)	5.2	5.5

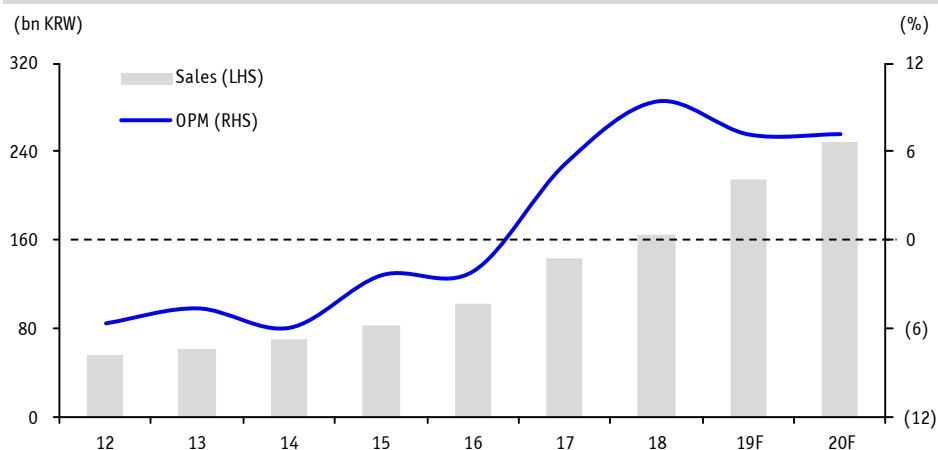
Source: Company data, Shinhan Investment Corp.

Note: 1) Consolidated subsidiaries included from 2017; Pimz added in 4Q18 and Feelway in 1Q19 (profits of new subsidiaries based on SHIC estimates)

2) 2Q18 net loss caused by KRW54bn in valuation loss on derivatives; exercise price of BWs issued before the IPO (482,440 shares) adjusted from KRW57,000 (total KRW27.5bn) to term-end closing price of KRW179,000 (KRW86.4bn)

3) Valuation gains on derivatives seen in 3Q18 on share price declines (BW's no longer an issue with warrants exercised on August 16, 2018)

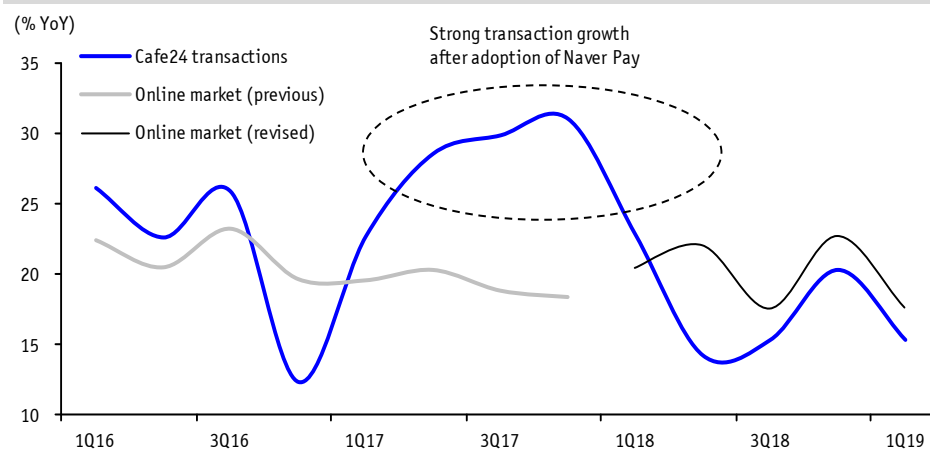
## Cafe24: Sales and operating profit margin



Source: Company data, Shinhan Investment Corp.

Note: Consolidated subsidiaries included from 2017

## Cafe24: Transaction value and online market growth



Source: Statistics Korea, Shinhan Investment Corp.

Note: Previous and revised online market growth forecasts reflect changes in Statistics Korea's online shopping market data standards in 2018

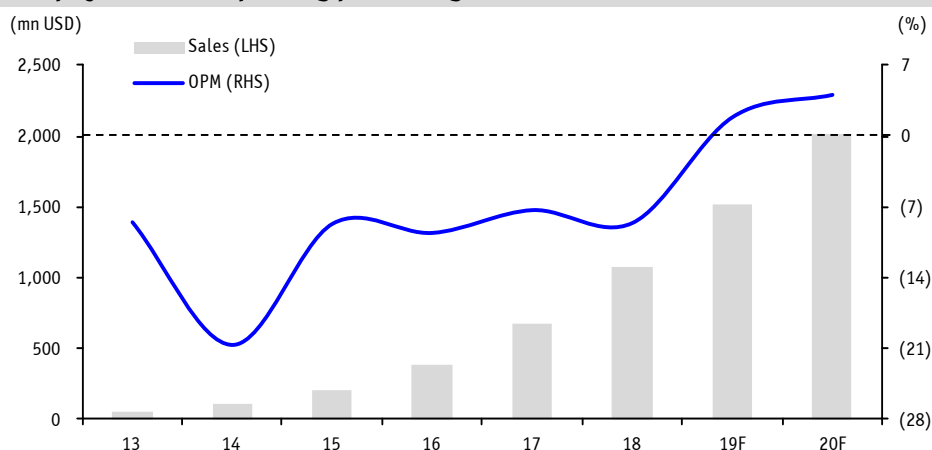
## Cafe24: Transaction value and online market growth

(tr KRW, %)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Cafe24 transactions	1.2	1.3	1.3	1.5	1.5	1.7	1.7	1.9	1.8	1.9	1.9	2.3	2.1
Online market (previous)	15.2	15.5	16.7	18.2	18.2	18.7	19.8	21.5	25.9	26.6	28.1	30.3	31.5
Online market (revised)					21.5	21.8	23.2	24.7	20.3	21.7	21.0	22.8	17.6
<Change>													
Cafe24 transactions	26.2	22.6	25.9	12.3	22.7	28.6	29.9	31.1	22.8	14.2	15.3	20.3	15.3
Online market (previous)	22.4	20.5	23.2	19.6	19.6	20.3	18.8	18.4					
Online market (revised)													

Source: Statistics Korea, Shinhan Investment Corp.

Note: Previous and revised online market growth forecasts reflect changes in Statistics Korea's online shopping market data standards in 2018

## Shopify: Sales and operating profit margin



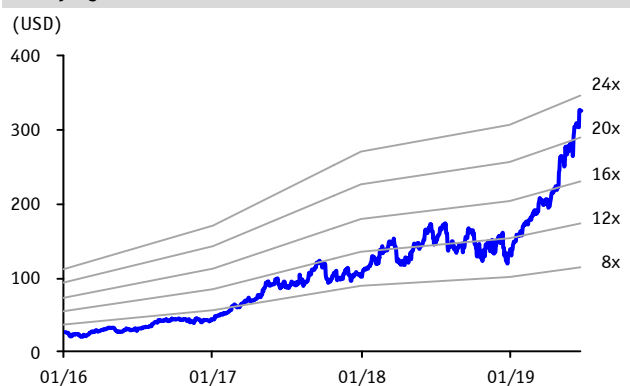
Source: Bloomberg, Shinhan Investment Corp.

## Shopify: Earnings trend and outlook

(mn USD, %)	2013	2014	2015	2016	2017	2018	2019F	2020F
Sales	50.3	105.0	205.2	389.3	673.3	1,073.2	1,512.3	2,009.9
Merchant	11.9	38.4	93.3	200.7	363.3	608.1	876.7	1,190.5
Subscription	38.3	66.7	112.0	188.6	310.0	465.0	635.6	819.4
Gross profit	36.7	61.8	111.1	209.5	380.3	596.3	841.1	1,115.9
Merchant	6.9	11.9	23.6	60.4	131.5	232.2	338.6	461.6
Subscription	29.8	49.9	87.4	149.1	248.8	364.0	502.5	654.3
OP	(4.3)	(21.6)	(17.8)	(37.2)	(49.2)	(91.9)	28.0	81.5
NP	(4.8)	(22.3)	(18.8)	(35.4)	(40.0)	(64.6)	(90.6)	(78.1)
Sales growth	111.9	109.0	95.4	89.7	72.9	59.4	40.9	32.9
GP growth	94.0	68.2	79.7	88.6	81.5	56.8	41.1	32.7
OP growth	RR	RR	RR	RR	RR	RR	TB	190.6
NP growth	RR	RR	RR	RR	RR	RR	RR	RR
GPM	73.1	58.8	54.1	53.8	56.5	55.6	55.6	55.5
OPM	(8.5)	(20.6)	(8.7)	(9.5)	(7.3)	(8.6)	1.9	4.1
NPM	(9.6)	(21.2)	(9.2)	(9.1)	(5.9)	(6.0)	(6.0)	(3.9)

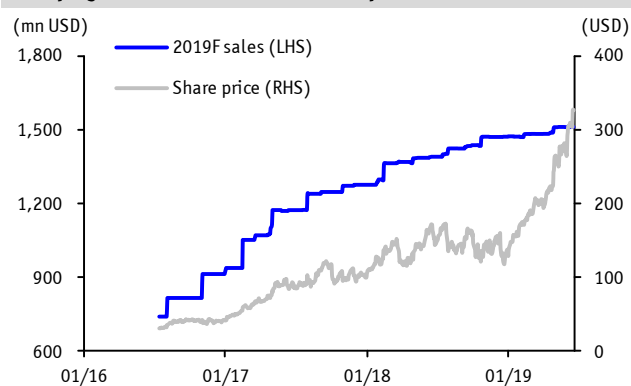
Source: Bloomberg, Shinhan Investment Corp.

## Shopify: PSR band



Source: Bloomberg, Shinhan Investment Corp.

## Shopify: 2019F sales and share price



Source: Bloomberg, Shinhan Investment Corp.

## Statement of financial position

Year to December (bn KRW)	2017	2018	2019F	2020F	2021F
<b>Total assets</b>	<b>71.9</b>	<b>148.6</b>	<b>227.3</b>	<b>242.9</b>	<b>266.0</b>
Current assets	53.4	113.1	116.2	132.3	155.8
Cash and equivalents	37.7	78.3	55.2	64.9	80.9
Accounts receivable	14.0	17.5	21.7	25.0	28.8
Inventories	0.5	0.9	1.1	1.3	1.5
Non-current assets	18.5	35.5	111.1	110.5	110.2
Tangible assets	12.2	17.7	24.9	24.4	24.1
Intangible assets	1.0	10.1	75.8	75.7	75.7
Investment assets	0.0	1.5	0.0	0.0	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	<b>58.2</b>	<b>33.9</b>	<b>71.7</b>	<b>73.8</b>	<b>77.2</b>
Current liabilities	29.5	31.6	54.7	56.4	59.4
Short-term borrowings	0.3	0.6	13.4	8.8	4.6
Accounts payable	2.0	0.8	1.0	1.1	1.3
Current portion of long-term debt	2.4	0.0	0.0	0.0	0.0
Non-current liabilities	28.7	2.3	16.9	17.3	17.7
Bonds	26.8	0.0	0.0	0.0	0.0
Long-term borrowings	0.1	0.3	14.5	14.5	14.5
Other financial liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total shareholders' equity</b>	<b>13.7</b>	<b>114.7</b>	<b>155.6</b>	<b>169.1</b>	<b>188.8</b>
Capital stock	4.0	4.7	4.7	4.7	4.7
Capital surplus	12.3	136.1	94.3	94.3	94.3
Other capital	0.0	0.0	0.0	0.0	0.0
Accumulated other comprehensive income	(0.2)	(0.1)	0.0	0.0	0.0
Retained earnings	(2.4)	(30.8)	19.0	28.8	43.2
<b>Controlling interest equity</b>	<b>13.7</b>	<b>109.9</b>	<b>118.1</b>	<b>127.9</b>	<b>142.2</b>
Non-controlling interest equity	0.0	4.8	37.5	41.2	46.6
*Total debt	29.5	0.9	30.6	26.5	22.8
*Net debt (cash)	(8.3)	(77.4)	(42.5)	(56.3)	(76.0)

## Statement of cash flow

Year to December (bn KRW)	2017	2018	2019F	2020F	2021F
<b>Cash flow from operations</b>	<b>12.3</b>	<b>5.9</b>	<b>21.9</b>	<b>32.6</b>	<b>38.6</b>
Net profit	5.1	(28.2)	11.1	13.5	19.7
Depreciation expense	4.4	5.2	10.2	11.0	10.8
Amortization expense	0.8	1.0	7.6	8.4	8.5
FX translation loss (gain)	0.5	(0.4)	(0.1)	0.0	0.0
Asset disposal loss (gain)	(0.0)	0.0	0.0	0.0	0.0
Equity method loss (gain)	0.0	0.0	0.0	0.0	0.0
Change in working capital	(0.5)	(15.6)	(8.1)	(0.3)	(0.3)
(Payment of income tax)	(0.0)	(0.7)	(3.1)	(3.8)	(5.6)
Others	2.0	44.6	4.3	3.8	5.5
<b>Cash flow from investments</b>	<b>(3.5)</b>	<b>(19.1)</b>	<b>(97.0)</b>	<b>(18.8)</b>	<b>(18.9)</b>
Increase in tangible assets	(4.8)	(10.5)	(10.1)	(10.5)	(10.5)
Decrease in tangible assets	0.1	0.0	0.0	0.0	0.0
Change in intangible assets	(0.2)	(3.4)	(2.9)	(8.3)	(8.5)
Change in investment assets	0.0	(7.0)	(75.7)	0.0	0.0
Others	1.4	1.8	(8.3)	0.0	0.1
<b>Free cash flow</b>	<b>N/A</b>	<b>(2.0)</b>	<b>18.4</b>	<b>22.0</b>	<b>27.8</b>
<b>Cash flow from financing</b>	<b>16.8</b>	<b>53.3</b>	<b>52.0</b>	<b>(4.2)</b>	<b>(3.7)</b>
Change in borrowings	(1.2)	(1.9)	13.3	(4.2)	(3.7)
Change in treasury stock	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Others	18.0	55.2	38.7	0.0	0.0
Other cash flow	0.0	0.0	0.0	0.0	0.0
Change in consolidated scope	0.0	0.0	0.0	0.0	0.0
Change in FX rates	(0.6)	0.4	0.1	0.0	0.0
<b>Change in total cash</b>	<b>25.0</b>	<b>40.6</b>	<b>(23.0)</b>	<b>9.6</b>	<b>16.0</b>
Beginning cash	12.6	37.7	78.3	55.2	64.9
Ending cash	37.7	78.3	55.2	64.9	80.9

Source: Company data, Shinhan Investment Corp.

## Statement of comprehensive income

Year to December (bn KRW)	2017	2018	2019F	2020F	2021F
<b>Sales</b>	<b>142.6</b>	<b>165.4</b>	<b>214.9</b>	<b>248.4</b>	<b>285.6</b>
Growth (%)	N/A	16.0	29.9	15.6	15.0
<b>COGS</b>	<b>0.0</b>	<b>0.0</b>	<b>16.8</b>	<b>26.6</b>	<b>38.4</b>
<b>Gross profit</b>	<b>142.6</b>	<b>165.4</b>	<b>198.1</b>	<b>221.8</b>	<b>247.2</b>
GPM (%)	100.0	100.0	92.2	89.3	86.6
<b>SG&amp;A</b>	<b>135.2</b>	<b>149.8</b>	<b>182.8</b>	<b>204.1</b>	<b>221.9</b>
<b>Operating profit</b>	<b>7.4</b>	<b>15.6</b>	<b>15.3</b>	<b>17.7</b>	<b>25.3</b>
Growth (%)	N/A	110.7	(1.8)	15.5	43.1
OPM (%)	5.2	9.4	7.1	7.1	8.9
<b>Non-operating profit</b>	<b>(1.1)</b>	<b>(41.3)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(0.0)</b>
Financial profit	(0.4)	(41.7)	(0.7)	(0.4)	(0.0)
Other non-operating profit	(0.7)	0.4	0.0	0.0	0.0
Equity method gain (loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>6.3</b>	<b>(25.7)</b>	<b>14.6</b>	<b>17.3</b>	<b>25.3</b>
Income tax	1.2	2.5	3.5	3.8	5.6
Continuing operations	5.1	(28.2)	11.1	13.5	19.7
Discontinued operations	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>5.1</b>	<b>(28.2)</b>	<b>11.1</b>	<b>13.5</b>	<b>19.7</b>
Growth (%)	N/A	N/A	N/A	21.5	46.2
NPM (%)	3.6	(17.1)	5.2	5.4	6.9
Controlling interest	5.1	(28.4)	8.1	9.8	14.3
Non-controlling interest	0.0	0.1	3.0	3.7	5.4
<b>Comprehensive income</b>	<b>4.9</b>	<b>(28.1)</b>	<b>11.2</b>	<b>13.5</b>	<b>19.7</b>
Controlling interest	4.9	(28.3)	8.3	10.1	14.7
Non-controlling interest	0.0	0.1	2.8	3.4	5.0
<b>EBITDA</b>	<b>12.6</b>	<b>21.8</b>	<b>33.0</b>	<b>37.1</b>	<b>44.5</b>
Growth (%)	N/A	72.9	51.9	12.2	20.1
EBITDA margin (%)	8.8	13.2	15.4	14.9	15.6

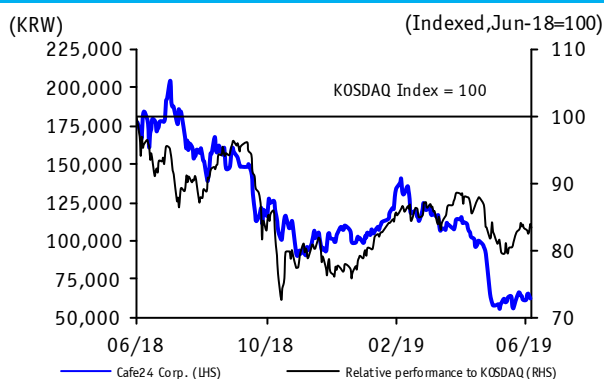
## Key ratios

Year to December	2017	2018	2019F	2020F	2021F
EPS (KRW)	641	(3,136)	1,177	1,430	2,091
EPS of controlling interest (KRW)	641	(3,149)	856	1,040	1,521
BPS (KRW)	1,728	12,161	16,501	17,932	20,023
BPS of controlling interest (KRW)	1,728	11,657	12,522	13,563	15,083
DPS (KRW)	0	0	0	0	0
PER (x)	0.0	(35.0)	53.0	43.6	29.8
PER of controlling interest (x)	0.0	(34.9)	72.9	60.0	41.0
PBR (x)	0.0	9.0	3.8	3.5	3.1
PBR of controlling interest (x)	0.0	9.4	5.0	4.6	4.1
EV/EBITDA (x)	(0.7)	44.3	17.7	15.5	12.6
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	N/A	0.0	0.0	0.0	0.0
<b>Profitability</b>					
EBITDA margin (%)	8.8	13.2	15.4	14.9	15.6
OPM (%)	5.2	9.4	7.1	7.1	8.9
NPM (%)	3.6	(17.1)	5.2	5.4	6.9
ROA (%)	7.1	(25.6)	5.9	5.7	7.8
ROE (%)	37.1	(45.9)	7.1	8.0	10.6
ROIC (%)	N/A	114.9	17.4	13.1	18.7
<b>Stability</b>					
Debt to equity ratio (%)	424.0	29.6	46.0	43.6	40.9
Net debt ratio (%)	(60.7)	(67.5)	(27.3)	(33.3)	(40.3)
Cash ratio (%)	127.7	247.4	100.9	114.9	136.1
Interest coverage ratio (x)	15.6	29.3	9.4	12.9	21.5
<b>Activity (%)</b>					
Working capital turnover (times)	(12.7)	(43.0)	53.6	52.0	51.9
Inventory turnover (days)	1.3	1.6	1.7	1.8	1.8
Receivable turnover (days)	35.8	34.7	33.2	34.3	34.3

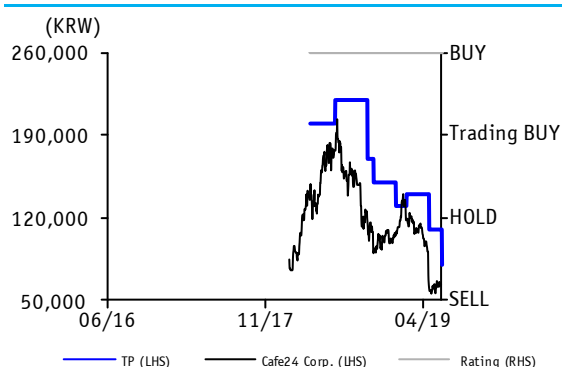
Source: Company data, Shinhan Investment Corp.

## Cafe24 (042000 KS)

## Share performance



## Target price



Date	Rating	Target price (KRW)	Target price gap (%)	
			Average	Max/Min
2018.04.18	BUY	200,000	(21.9)	(8.1)
2018.07.09	BUY	220,000	(29.7)	(7.3)
2018.10.23	BUY	170,000	(35.3)	(31.5)
2018.11.12	BUY	150,000	(33.2)	(26.8)
2019.01.24	BUY	130,000	(5.1)	7.9
2019.02.28	BUY	140,000	(21.1)	(11.1)
2019.05.13	BUY	110,000	-	-

Note: Calculation of target price gap based on past 6 months

## Rating Distribution - SHIC Universe (as of 21 June 2019)

BUY (BUY)	96.7%	Trading BUY (HOLD)	0.94%	HOLD (HOLD)	2.36%	SELL (SELL)	0%
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## Rating Distribution - SHIC Investment Banking Clients (as of 21 June 2019)

BUY (BUY)	91.30%	Trading BUY (HOLD)	4.35%	HOLD (HOLD)	4.35%	SELL (SELL)	0%
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## SHIC Ratings (as of 1 April 2017)

Stock	Sector
<ul style="list-style-type: none"> <li>◆ <b>BUY:</b> Expected 6-month gain of 10% or more</li> <li>◆ <b>Trading BUY:</b> Expected 6-month gain of 10% to loss of 10%</li> <li>◆ <b>HOLD:</b> Expected 6-month loss of 10% to 20%</li> <li>◆ <b>SELL:</b> Expected 6-month loss of 20% or more</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>OVERWEIGHT:</b> Based on market cap, largest share of sector stocks under coverage is rated BUY</li> <li>◆ <b>NEUTRAL:</b> Based on market cap, largest share of sector stocks under coverage is rated Trading BUY or HOLD</li> <li>◆ <b>UNDERWEIGHT:</b> Based on market cap, largest share of sector stocks under coverage is rated SELL</li> </ul>

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