Our 2016 recurring EPS estimate, excluding EBIT totaled $7.08 billion in 2015, $6.59 billion in 2014 and $5.68 billion in 2013, with corresponding service.

We believe long-term results will benefit from DOW’s strategy of shifting its portfolio to less cyclical specialty chemicals and plastics, as well as its expansion into agricultural products. However, in the near term we expect continued pressure on the agricultural business due to low seed prices. A stronger dollar is also likely to pressure 2016 results, in our view. We see $400 million in annual merger savings from the Corning deal by the end of 2017. On December 11, 2015, DOW agreed to merge with Dupont (DD 69, Buy), which DOW expects to yield $4 billion in synergies and savings, pending approvals.

Risks to our recommendation and target price include changes in regional, national or global economic conditions, interest rates or raw material input prices.

DOW recently traded at 13.7X our 2017 EPS, or a 16% premium to its diversified chemical peers. Our 12-month target price of $59 is 15.1X our estimate, or a 19% premium to our peer target, appropriate given our projection of a three-year EPS growth rate that is near its peers and the proposed merger with DD that should yield significant synergies.

Highlights

- We forecast revenue contraction of 6.1% in 2016 and growth of 5.0% in 2017 versus a 16% drop in 2015. We see higher volumes in 2016 driven by cost-advantaged market positions and new plants coming online, but we see the stronger dollar and a weaker overseas economy pressuring sales. In '17, we see the dollar headwinds subsiding and see new plants entering service.
- EBIT totaled $7.08 billion in 2015, $6.59 billion in 2014 and $5.68 billion in 2013, with corresponding EBIT margins of 14.5%, 11.3% and 10.0%. We see EBIT margins falling in 2016 to under 14.5%, before rising to almost 15% in 2017. DOW’s focus on cost control efforts, productivity gains and mix shift will likely benefit EBIT margins in 2017, but the stronger dollar should pressure margins in 2016, in our view. We expect lower interest expense in 2016 and before seeing it rebound somewhat in 2017.
- Our 2016 recurring EPS estimate, excluding $0.92 of net nonrecurring gains, is $3.52, up 1.4% from 2015’s EPS of $3.47, which excludes $2.68 of net nonrecurring gains. We forecast EPS of $3.92 in 2017, up 11%.
CORPORATE OVERVIEW. Dow Chemical is the largest U.S. chemical company. Sales outside of North America accounted for 67% of 2014 sales.

The Consumer Solutions (9% of sales and 8% of adjusted segment EBITDA in 2015) segment consists of three global businesses: Consumer Care, Dow Automotive Systems and Dow Electronic Materials. Consumer Care includes Dow Home, Institutional & Personal Care Solutions; Dow Pharma and Food Solutions; and SAFECHEM. Dow Automotive Systems includes Adhesives and Performance Solutions. Dow Electronic Materials includes Semiconductor Technologies, Interconnect Technologies, Display Technologies and Growth Technologies. This segment’s results also include a portion of DOW’s share of the results of Dow Corning, a joint venture of the Company.

The Infrastructure Solutions (15%, 7%) segment consists of the following businesses: Dow Building & Construction, Dow Coating Materials, Energy & Water Solutions and Performance Monomers. Energy & Water Solutions includes Dow Microbial Control; Dow Oil, Gas & Mining; Dow Solar; and Dow Water & Process Solutions. Performance Monomers includes Acrolein and Dow Plastics Additives. This segment’s results also include a portion of DOW’s share of the results of Dow Corning.

The Performance Materials & Chemicals (25%, 38%) segment consists of the following businesses: Chlor-Alkali and Vinyl, Industrial Solutions and Polyurethanes. The segment also includes the results of MEGlobal and a portion of the results of EQUATE, TKOC, Map Ta Phut Olefins and Sadara, all joint ventures of the Company. Dow spun off and sold the chlorine based businesses on October 5, 2015.

The Performance Plastics (38%, 37%) segment is a market-oriented portfolio comprised of Dow Elastomers, Dow Electrical and Telecommunications, Dow Packaging and Specialty Plastics, Energy and Hydrocarbons. The segment also includes the results of TKSC, The SCG-Dow Group and Univation as well as a portion of the results of EQUATE, TKOC, Map Ta Phut Olefins and Sadara, all joint ventures of the Company.

The Agricultural Sciences (13%, 10%) consists of agricultural and plant biotechnology products, pest management solutions and healthy oils. The business invests, develops, manufactures and markets products for use in agriculture, industrial and commercial pest management and food service.

COMPETITIVE LANDSCAPE. Dow is a diversified global chemical company with almost 40% of annual sales from highly cyclical commodity businesses, with the less cyclical specialty products accounting for about 60%. The company’s broad customer base, with food/packaging and personal/household care markets representing about 40% of sales, provides it, in our view, with some stability in demand. Dow’s leading positions in many products, including its position as a global leader in chlorine, olefins, ethylene oxide, polyethylene plastics and coatings materials, confer competitive advantages, in our opinion.

IMPACT OF MAJOR DEVELOPMENTS. On December 11, 2015, DOW agreed to merge with DD, pending regulatory and shareholder approvals. Each Dow share will be converted in to 1 new share and each DD share will be converted into 1.282 shares of the new company under the terms of the agreement. DOW expects the merger to close in the second half of 2016. The companies expect the transaction will yield $3 billion in annual cost synergies in the first 24 months after the merger closes and also $1 billion in growth synergies, which we see taking longer to achieve. The combined company would then break up into three separate companies, one focused on agriculture (2014 pro forma revenues of $19 billion), one on specialty products ($13 billion) and one on materials and material sciences ($51 billion). DOW expects the separation to occur during the 18 to 24 months after the completion of the merger.

On March 27, 2015, Dow announced its intention to spin off and sell its chlorine based businesses to Olin Corp. Dow shareholders will own about 50.5% of Olin following the completion of the transaction. Under the terms of the transaction, $2.0 billion of cash and equivalents will be paid to DOW and DOW shareholders will receive $2.2 billion of Olin common stock. Dow and Olin also agreed to a 20-year long-term capacity rights agreement for the supply of ethylene by Dow to Olin, in which Dow will receive up-front payments and, in return, Olin will receive ethylene at co-investor, integrated producer economics. Olin expects to achieve $200 million in operating synergies. Olin also said that another $100 million in annual synergies are possible. The deal was completed on October 5, 2015.

On May 7, 2013, Dow announced the final resolution of the K-Dow arbitration with Petrochemical Industries Company of Kuwait. Dow received a cash payment of $2.2 billion, which reflected the full damages awarded by the International Chamber of Commerce, as well as the full recovery of costs.

FINANCIAL TRENDS: From 2005 to 2015, sales rose at a compound annual growth rate (CAGR) of 05%, while the dividend increased at a CAGR of 2.5%. For the same period, EPS decreased at a CAGR of 2.3% due to some divestitures.
Quantitative Evaluations

S&P Capital IQ
Fair Value
Rank

Based on S&P Capital IQ’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value $59.40
Calculation
Analysis of the stock’s current worth, based on S&P Capital IQ’s proprietary quantitative model suggests that DOW is slightly undervalued by $6.02 or 11.3%.

Investability Quotient
Percentile

DOW scored higher than 97% of all companies for which an S&P Capital IQ Report is available.

Volatility
LOW AVERAGE HIGH

Technical Evaluation

Since October, 2016, the technical indicators for DOW have been NEUTRAL.

Insider Activity
UNFAVORABLE NEUTRAL FAVORABLE

For further clarification on the terms used in this report, please visit www.spcapitaliq.com/stockreportguide

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. $)

Tangible Book Value 5.02 1.75 4.80 NM 0.24 NM NM 10.05 17.00 14.50
Cash Flow 7.89 5.15 5.47 3.01 4.60 4.32 2.90 2.86 5.09 5.83
Earnings 6.15 2.67 3.68 0.70 2.05 1.72 0.22 0.62 2.99 3.82
S&P Capital IQ Core Earnings NA NA NA NA NA NA NA NA NA NA
Dividends 1.72 1.53 1.28 1.53 0.80 0.60 0.60 1.68 1.64 1.50
Payout Ratio 28% 53% 35% NM 39% 35% NM 271% 55% 39%
Prices:High 57.10 54.97 44.99 36.08 42.23 34.50 29.50 43.42 47.96 45.15
Prices:Low 35.11 41.45 29.81 27.45 20.61 22.42 5.89 14.93 38.89 33.00
P/E Ratio:High 9 19 12 52 21 20 NM 70 16 12
P/E Ratio:Low 6 14 8 39 10 13 NM 24 13 9
Income Statement Analysis (Million U.S. $)
Revenue 48,778 58,167 57,080 56,786 59,985 53,674 44,875 42,135 38,89 33,00
Operating Income 8,613 8,322 7,203 6,767 6,791 6,109 4,403 4,482 5,903 6,675
Depreciation 2,449 2,677 2,614 2,698 2,833 2,962 2,827 2,108 2,031 1,954
Interest Expense 946 983 1,101 1,269 1,314 1,473 1,571 745 669 689
Pretax Income 9,930 5,265 6,804 4,686 5,204 4,678 3,860 3,692 3,190 3,072
Effective Tax Rate 21.6% 27.1% 29.2% 33.9% 22.7% 17.2% NM 50.5% 29.4% 22.2%
Net Income 7,685 3,772 4,787 1,182 3,601 2,827 2,108 2,031 1,954
S&P Capital IQ Core Earnings NA NA NA NA NA NA NA NA NA NA
Balance Sheet & Other Financial Data (Million U.S. $)
Cash 8,419 5,464 5,793 4,173 5,276 6,894 2,846 2,800 1,737 1,910
Current Assets 24,475 24,267 24,977 23,684 23,422 23,781 19,560 16,060 18,054 17,209
Total Assets 68,026 68,796 69,501 69,605 69,224 69,588 65,937 45,474 42,681 45,581
Long Term Debt 16,215 18,838 16,820 20,031 18,310 20,605 19,152 8,042 7,581 8,036
Common Equity 21,274 18,423 22,698 16,677 18,281 17,839 16,553 13,511 13,288 17,005
Total Capital 42,939 47,363 49,322 42,717 45,854 45,805 41,358 29,238 27,465 26,490
Capital Expenditures 3,872 3,620 2,302 2,614 2,830 2,175 2,396 2,339 2,075 1,775
Cash Flow 9,794 6,109 7,061 3,540 5,327 4,943 3,053 2,687 4,918 5,678
Current Ratio 2.2 2.1 2.1 2.1 1.7 1.7 1.5 1.5 1.5 1.5
% Long Term Debt of Capitalization 37.8 44.0 36.9 46.9 40.1 45.0 46.3 35.2 25.9 30.4
% Net Income of Revenue 15.6 6.5 8.4 2.1 4.6 4.3 1.2 1.0 5.4 7.6
% Return on Assets 11.2 5.5 6.9 1.7 4.0 3.4 1.0 1.2 6.1 6.4
% Return on Equity 36.7 16.5 22.2 4.7 15.4 13.5 3.6 3.5 15.8 23.0

For further clarification on the terms used in this report, please visit www.spcapitaliq.com/stockreportguide

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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Our fundamental outlook for the diversified chemicals sub-industry for the next 12 months is positive, based on S&P Global’s U.S. real GDP growth of 2.0% in 2016, 2.4% in 2017 and 2.3% in 2018, versus estimated growth of 2.4% in 2015. We believe that the business environment for the chemical industry will remain healthy and that the chemical manufacturing sector will continue to expand this year. Importantly, the low U.S. natural gas prices relative to global crude oil prices has improved both the energy and feedstock cost competitiveness of the U.S. petrochemical industry versus other global regions, such as Europe, thereby helping boost U.S. industry exports. Thus, we look for higher industry sales and profits in 2016.

According to data from the American Chemistry Council (ACC), chemical production in North America has been on an upward trend since December 2008, at a very slow pace. Recent data for the United States show that output has been mixed, with strong three-month moving average comparisons through July versus the prior year in agricultural chemicals (+4.6%), coatings (+3.8%), specialty chemicals (+2.6%), and other specialties (+2.1%), and weak comparisons in synthetic rubber (-5.8%), bulk petrochemicals and organics (-1.0%), and plastic resins (-0.9%). US chemical industry capacity utilization was 73.8% in July 2016. Capacity utilization in the global chemicals sector fell in July 2016 to 78.9%, down from 80.5% a year ago. According to the ACC, this was below the long-term average of 89.2%. Year over year three-month moving average US producer prices dropped most in July 2016 in agricultural chemicals (-7.6%), bulk petrochemicals and organics (-5.5%), basic chemicals (-4.9%), plastic resins (-4.8%), and inorganic chemicals (-4.1%). Only consumer product prices rose (+0.3%). Feedstock prices fell 13.6% in July from a year ago.

The largest individual companies in the group are chemicals-related, but many also have major interests in other industries. We think the factors that influence the sales, earnings and share prices of these companies are similar to those in the commodity and specialty chemicals industries. The trends in the non-chemicals businesses could dampen or magnify the cyclical factors that affect chemicals.

Year-to-date through September 9, 2016, the S&P 1500 Diversified Chemicals Index rose 3.7%, versus 4.7% increase in the S&P Composite 1500 Index and an 11.3% rise in the S&P 1500 Materials Index. In 2015, the sub-industry index fell 1.7%, versus a 1.0% decline in the S&P Composite 1500 Index and an 11.9% drop in the S&P Materials Index.

-- Christopher Muir

Sub-Industry : Diversified Chemicals

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Stk. Mkt. Cap. (Mil. $)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.($)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Chemical</td>
<td>DOW</td>
<td>59,631</td>
<td>53.38</td>
<td>57.10/40.26</td>
<td>1.69</td>
<td>3.4</td>
<td>8</td>
<td>59.40</td>
<td>B</td>
<td>97</td>
<td>15.8</td>
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<tr>
<td>Eastman Chemical</td>
<td>EMN</td>
<td>9,414</td>
<td>63.73</td>
<td>78.79/56.63</td>
<td>1.75</td>
<td>2.9</td>
<td>11</td>
<td>88.70</td>
<td>B+</td>
<td>85</td>
<td>8.8</td>
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<tr>
<td>Huntsman Corp</td>
<td>HUN</td>
<td>3,897</td>
<td>15.68</td>
<td>18.12/17.46</td>
<td>2.39</td>
<td>3.1</td>
<td>19</td>
<td>17.80</td>
<td>B-</td>
<td>28</td>
<td>0.9</td>
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<tr>
<td>duPont(E.I.)deNemours</td>
<td>DD</td>
<td>60,498</td>
<td>69.63</td>
<td>75.72/50.71</td>
<td>1.44</td>
<td>2.2</td>
<td>28</td>
<td>63.20</td>
<td>B+</td>
<td>83</td>
<td>7.5</td>
</tr>
</tbody>
</table>

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.
Dow Chemical Co (The)

S&P Capital IQ Analyst Research Notes and other Company News

August 3, 2016
The Dow Chemical Company announced that Melanie Kalmar, global director Information Systems, has been named chief information officer. As Chief Information Officer for Dow, Kalmar will develop and implement strategy for IT, business process solutions and analytics for Dow. She will also have global responsibility for Cyber Security and Risk Management, Reporting & Advanced Analytics, Facilities Management, and the Dow Services Business, which sells services beyond Dow. Kalmar also chairs the Executive Steering Team which is accountable to provide the overarching vision and corporate priorities, allocate resources and manage overall risk for IT investments. Kalmar has also been at the epicenter of Dow’s merger & acquisition IT projects, which will continue under her leadership. She led the most complex SAP implementation in the world, and was accountable for launching the information systems required to operate Sadara, the joint venture developed by Dow and Saudi Aramco. Kalmar was also instrumental in developing and leading an organization that combines application IT services with business process expertise and advanced analytics to deliver productivity solutions for Dow’s businesses and customers. Kalmar joined Dow in January 1987 in Research Information Systems in Midland, Michigan. In 1990 she moved to the corporate Information Systems group where she held progressive leadership roles across many areas of IT. In 1996, she relocated to open the Southfield, Michigan office, launching the strategic IT partnership between Dow and Accenture. She returned to Midland in 2004.

July 28, 2016
08:16 am ET ... S&P GLOBAL MAINTAINS BUY OPINION ON SHARES OF DOW CHEMICAL (DOW 53.63****): We lift our 12-month target price by $1 to $59. Our target is a peer-premium 13.1X our 17 EPS estimate that we think is warranted by our projection of merger savings in the deal with Dupont (DD 69****), pending approvals. We lift our 16 EPS estimate by $0.15 to $3.92 and ’17’s by $0.02 to $3.92. We see reduced headwinds from the strong dollar going forward and see merger savings helping to drive EPS higher. DOW posts Q2 EPS of $0.95, vs. $0.86, over our $0.90 estimate and the $0.86 Capital IQ consensus. Higher operating margins more than offset weakness in agricultural sales. /C. Muir

July 26, 2016
11:08 am ET ... S&P GLOBAL MAINTAINS BUY OPINION ON SHARES OF DUPONT (DD 69.67****): We raise our 12-month target by $2 to $75, reflecting the proposed deal with Dow Chemical (DOW 54****), pending approvals. The merger with Dow will result in significant merger savings, in our view. We lift our 16 EPS estimate by $0.10 to $3.30 and ’17’s by $0.26 to $3.80. We see cost control efforts and better product mix helping margins. DD reports Q2 EPS of $1.24, vs. $1.18, over our $1.08 estimate and the $1.10 Capital IQ consensus. Q2 EPS benefited from strong Agricultural, Nutrition & Health, and Performance Materials results, but was partly offset by a stronger dollar. /C. Muir

June 2, 2016
The Dow Chemical Co. said it completed the restructuring of Dow Corning and now owns all of the company’s silicone business. Dow Corning had previously been equally owned by Dow Chemical and Corning Inc. The unit will be headquartered in Midland, Michigan and Mauro Gregorio will be CEO of the unit. He is also currently a Dow Chemical vice president.

April 28, 2016
08:54 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF DOW CHEMICAL (DOW 53.60****): We raise our 12-month target price by $4 to $58, due to higher peer valuations, a premium-to-peers 13.3X our 17 EPS estimate that we think is warranted by our projection of an above-peers three-year EPS growth rate. We think the pending merger with Dupont (DD 67****), pending approvals, will lead to significant merger savings. Q1 EPS of $0.89, vs. $0.84, beats our $0.81 estimate and the $0.83 Capital IQ consensus. Despite lower sales, partly due to currency headwinds, all segments except Performance Materials & Chemicals reported improved margins, leading Q1 EPS higher. /C. Muir
Of the total 20 companies following DOW, 21 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>No. of Recommendations</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>10</td>
<td>48</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Buy/Hold</td>
<td>3</td>
<td>14</td>
<td>3</td>
<td>2</td>
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<tr>
<td>Hold</td>
<td>6</td>
<td>29</td>
<td>8</td>
<td>10</td>
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<tr>
<td>Weak Hold</td>
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<td>5</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Sell</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>1</td>
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<tr>
<td>No Opinion</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
<td>21</td>
<td>22</td>
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Wall Street Consensus Estimates

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.00</td>
<td>4.72</td>
<td>3.30</td>
<td>21</td>
<td>13.3</td>
</tr>
<tr>
<td>2016</td>
<td>3.51</td>
<td>3.75</td>
<td>3.27</td>
<td>22</td>
<td>15.2</td>
</tr>
</tbody>
</table>

2017 vs. 2016

- ▲ 14%
- ▲ 26%
- ▲ 0.9%
- ▼ -5%
- ▼ -12%

Q3'17

- 0.95
- 0.82
- 5
- 56.2

Q3'16

- 0.79
- 0.71
- 19
- 67.6

Q3'17 vs. Q3'16

- ▲ 20%
- ▲ 19%
- ▲ 15%
- ▼ -74%
- ▼ -17%

A company’s earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
Stock Report | October 15, 2016 | NYS Symbol: DOW

Dow Chemical Co (The)

Glossary

S&P Capital IQ STARS
Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking
(also known as S&P Capital IQ Earnings & Dividend Rankings) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ’s earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- A: Highest
- A High: Above Average
- A-: Above Average
- B+: Average
- B: Below Average
- B-: Lower
- C: Lowest
- D: In Reorganization
- NR: Not Ranked

S&P Capital IQ EPS Estimates
S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect both forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings
S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grants, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price
The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

Abbreviations Used in S&P Capital IQ Equity Research Reports
- CAGR - Compound Annual Growth Rate
- CAPEX - Capital Expenditures
- CV - Calendar Year
- DCF - Discounted Cash Flow
- DDM - Dividend Discount Model
- EBIT - Earnings Before Interest and Taxes
- EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
- EPS - Earnings Per Share
- EV - Enterprise Value
- FCF - Free Cash Flow
- FFO - Funds From Operations
- FY - Fiscal Year
- P/E - Price/Earnings
- P/NAV - Price to Net Asset Value
- PEG Ratio - P/E-to-Growth Ratio
- PV - Present Value
- R&D - Research & Development
- ROCE - Return on Capital Employed
- ROE - Return on Equity
- ROI - Return on Investment
- ROIC - Return on Invested Capital
- ROA - Return on Assets
- SG&A - Selling, General & Administrative Expenses
- SOTP - Sum-of-The-Parts
- WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment
Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

- ★★★★★ 5-STARS (Strong Buy):
  Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
- ★★★★ 4-STARS (Buy):
  Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
- ★★★☆ 3-STARS (Hold):
  Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
- ★★★ 2-STARS (Sell):
  Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
- ★★☆☆☆ 1-STARS (Strong Sell):
  Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.
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<table>
<thead>
<tr>
<th>Ranking</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Global</th>
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<tr>
<td>Buy</td>
<td>24.6%</td>
<td>17.8%</td>
<td>30.0%</td>
<td>23.7%</td>
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<td>Hold</td>
<td>48.0%</td>
<td>57.8%</td>
<td>45.0%</td>
<td>49.6%</td>
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<tr>
<td>Sell</td>
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<td>24.4%</td>
<td>25.0%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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