招銀国际 CMB INTERNATIONAL
招商银行全资附属机构
A Wholly Owned Subsidiary Of China Merchants Bank

Proya Cosmetics (603605 CH)

1H26 earnings boosted by one-off gain; organic momentum still soft

Proya's 1H26 revenue was broadly flat at RMB5,375mn (+0.2% YoY), while attributable NP rose 46% YoY to RMB1,168mn. The increase was due to a one-off investment gain of RMB445mn on the step-up of consolidation of FlowerKnows (花知晓). Excluding the one-off gain, recurring NP fell 14% YoY to RMB664mn, with underlying net margin down to 13.9% from 15.4% in 1H25. Declining flagship-brand sales and a higher selling-expense ratio suggest the core business is still bottoming. We maintain our BUY rating and keep our 30x target P/E multiple unchanged, yet cut our TP by 31% to RMB89.58, mainly as we switch to recurring core EPS to remove one-off distortions and roll over our valuation base year to 2026E.

- **Soft top line and rising online traffic costs dampen organic profitability.** In 1H26, Proya brand and TIMAGE, accounting for nearly 80% of revenue, fell 7% and 22% YoY, respectively. Group revenue held flat only on fast-growing but sub-scale brands (OR +71%, INSBAHA +222%). Gross margin lifted 0.9ppts YoY to 74.3% on dual sourcing, but the selling-expense ratio rose 3.5ppts to 53.1% on a higher mix of high-spend incubation brands and rising Douyin traffic costs. Compounded by a 1.1ppt rise in the admin-expense ratio, core net margin fell 2.0ppts YoY, and organic profitability has yet to trough. In the near term, a flagship recovery depends on delivery of the Ruby Cream 4.0 relaunch and the September upgrade of the Yuanli series, in our view.
- **FlowerKnows: strategic value beyond the one-off gain.** Post-consolidation, the group's online make-up share ranks behind only L'Oréal and Estée Lauder, widening its lead over domestic peers. As Proya's first controlling acquisition, the deal also adds previously untested M&A and post-deal integration capability. We view M&A as the necessary route for single-brand-reliant Chinese beauty companies to evolve into international multi-brand groups — a path on which Proya is among the front-runners. Longer term, smooth integration and portfolio build-out could support a valuation re-rating toward multi-brand groups level**.**
- **Valuation.** We maintain BUY and keep our 30x target P/E multiple unchanged, but cut our TP by 31% to RMB89.58, on 1) switching of the earnings anchor from attributable to recurring core EPS, removing large non-recurring items such as consolidation gain so that valuation tracks the company's organic earnings power, 2)roll-over of the valuation base year to 2026E; . The stock trades at 20x 2026E P/E, with the payout ratio at around 50%. Risks: slower core-brand recovery, traffic-cost hike, and weaker-than-expected integration of acquired brands etc.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	10,778	10,597	10,957	12,043	12,865
YoY growth (%)	21.0	(1.7)	3.4	9.9	6.8
Net profit (RMB mn)	1,552.0	1,497.8	1,686.0	1,405.6	1,511.2
YoY growth (%)	30.0	(3.5)	12.6	(16.6)	7.5
EPS (Reported) (RMB)	3.92	3.78	4.26	3.55	3.82
Consensus EPS (RMB)	na	na	4.15	4.42	4.83
P/E (x)	15.6	16.2	14.4	17.2	16.0
P/B (x)	4.4	3.9	3.7	3.4	3.1
Yield (%)	2.6	3.3	3.7	3.1	3.3
ROE (%)	31.7	25.7	26.6	20.8	20.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB89.58**
(Previous TP	RMB129.83)
Up/Downside	**46.4%**
Current Price	**RMB61.20**

China Consumer Staples

Miao ZHANG
(852) 3761 8910
zhangmiao@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	17,351.4
Avg 3 mths t/o (RMB mn)	340.5
52w High/Low (RMB)	91.99/55.37
Total Issued Shares (mn)	283.5

Source: FactSet

Shareholding Structure

Hou Juncheng	34.7%
HKSCC	23.6%

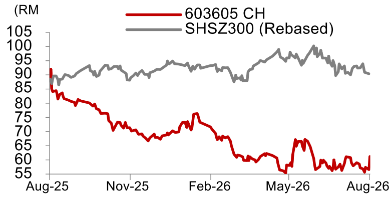
Source: SSE

Share Performance

	Absolute	Relative
1-mth	8.8%	10.9%
3-mth	5.5%	12.0%
6-mth	-14.7%	-11.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Proya's results summary – 1H26

RMB mn	2024	2025	YoY	1H25	2H25	1H26	1H26 YoY	1H26 HoH
Revenue	**10,778**	**10,597**	*-1.7%*	**5,362**	**5,236**	**5,375**	*0.2%*	*2.7%*
by brand								
Proya brand	8,581	7,689	*-10%*	3,978	3,711	3,692	*-7%*	*-1%*
TIMAGE	1,191	1,255	*5%*	705	550	551	*-22%*	*0%*
Off&Relax	368	744	*102%*	279	465	477	*71%*	*3%*
Hapsode	332	371	*12%*	166	205	175	*5%*	*-15%*
Insbaha	114	256	*125%*	97	159	313	*223%*	*97%*
Other brands	180	270	*50%*	131	139	159	*21%*	*14%*
Other businesses	13	12	*-6%*	6	6	8	*29%*	*26%*
by product type								
Skincare and cleanser	9,019	8,182	*-9%*	4,199	3,983	3,910	*-7%*	*-2%*
Makeup	1,361	1,563	*15%*	837	726	897	*7%*	*24%*
Body & hair	386	841	*118%*	320	521	560	*75%*	*8%*
Gross profit	**7,695**	**7,764**	*1%*	**3,934**	**3,830**	**3,995**	*2%*	*4%*
Proya brand	6,172	5,653	*-8%*	2,943	2,710	2,736	*-7%*	*1%*
Other brands	1,516	2,107	*39%*	989	1,118	1,255	*27%*	*12%*
Other businesses	6	4	*-30%*	2	2	3	*39%*	*77%*
Selling expenses	5,161	5,259	*2%*	2,659	2,601	2,856	*7%*	*10%*
Admin. expenses (exl.R&D)	366	404	*10%*	177	226	237	*33%*	*5%*
R&D expenses	210	217	*3%*	95	122	99	*5%*	*-18%*
Net profit	**1,552**	**1,498**	***-3%***	**799**	**699**	**1,168**	***46%***	***67%***
Core net profit	**1,599**	**1,500**	***-6%***	**771**	**730**	**664**	***-14%***	***-9%***
EPS (RMB)	3.92	3.78	*-3%*	2.02	1.76	2.96	*47%*	*68%*
EPS (RMB) - Diluted	3.92	3.78	*-3%*	2.02	1.76	2.94	*45.5%*	*67%*
DPS (RMB) incl. shr buyback	1.57	1.99	*27%*	0.80	1.19	1.51	*89%*	*27%*
Payout ratio (incl. shr buyback)	*40%*	*53%*	*12.5 ppt*	*40%*	*67%*	*51%*	*11.4 ppt*	
Gross profit margin	**71.4%**	**73.3%**	***1.9 ppt***	**73.4%**	**73.1%**	**74.3%**	***0.9 ppt***	***1.2 ppt***
Proya brand	71.9%	73.5%	*1.6 ppt*	74.0%	73.0%	74.1%	*0.1 ppt*	*1.1 ppt*
Other brands	69.4%	72.7%	*3.4 ppt*	71.8%	73.6%	74.9%	*3.1 ppt*	*1.3 ppt*
Other businesses	49.5%	36.7%	*-12.9 ppt*	41.7%	31.8%	44.8%	*3.1 ppt*	*13.0 ppt*
Selling expenses ratio	*47.9%*	*49.6%*	*1.7 ppt*	*49.6%*	*49.7%*	*53.1%*	*3.5 ppt*	*3.5 ppt*
Administrative expenses ratio	*3.4%*	*3.8%*	*0.4 ppt*	*3.3%*	*4.3%*	*4.4%*	*1.1 ppt*	*0.1 ppt*
R&D ratio	*2.0%*	*2.0%*	*0.1 ppt*	*1.8%*	*2.3%*	*1.8%*	*0.1 ppt*	*-0.5 ppt*
Net margin	**14.4%**	**14.1%**	***-0.3 ppt***	**14.9%**	**13.4%**	**21.7%**	***6.8 ppt***	***8.4 ppt***
Core net margin	**14.8%**	**14.2%**	***-0.7 ppt***	**14.4%**	**13.9%**	**12.4%**	***-2.0 ppt***	***-1.6 ppt***

Source: Company data, CMBIGM

Figure 2: Proya's operating matrix

Proya operating matrix	2024	2025	YoY	1H25	2H25	1H26	1H26 YoY	1H26 HoH
Vol. sold (mn unit)								
Skincare and cleanser	120.2	120.6	0%	56.2	60.2	56.8	1.1%	-5.7%
Makeup	14.2	16.6	17%	9.1	9.2	11.8	29.5%	28.3%
Body & hair	3.9	5.6	45%	3.0	5.0	5.5	81.9%	9.7%
Revenue (RMB mn)								
Skincare and cleanser	9,019	9,027	0%	4,199	3,983	3,911	-6.9%	-1.8%
Makeup	1,361	1,532	13%	837	726	897	7.1%	23.5%
Body & hair	386	567	47%	320	521	560	74.9%	7.5%
ASP (RMB/unit)								
Skincare and cleanser	75.1	74.9	0%	74.8	66.1	68.8	-7.9%	4.1%
Makeup	95.7	92.4	-3%	92.0	79.0	76.1	-17.3%	-3.7%
Body & hair	99.8	101.5	2%	105.5	103.6	101.5	-3.8%	-2.1%
Vol. produced (mn unit)								
Skincare and cleanser	119.0	124.0	4%	57.5	65.6	54.9	-4.6%	-16.4%
Makeup	16.6	17.6	6%	9.4	11.3	14.7	56.7%	29.7%
Body & hair	4.5	6.8	51%	3.9	5.8	6.1	57.0%	4.8%
unit sold / unit produced								
Skincare and cleanser	101%	97%	-3.7 ppt	98%	92%	104%	5.9 ppt	11.7 ppt
Makeup	86%	94%	8.7 ppt	97%	81%	80%	-16.9 ppt	-0.9 ppt
Body & hair	85%	82%	-3.6 ppt	78%	86%	90%	12.4 ppt	4.0 ppt

Source: Company data, CMBIGM

Figure 3: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	10,957	12,043	12,865	12,158	12,792	n.a.	-9.9%	-5.9%	n.a.
Gross profit	8,108	8,917	9,530	9,022	9,475	n.a.	-10.1%	-5.9%	n.a.
EBIT	1,516	1,681	1,811	2,202	2,312	n.a.	-31.2%	-27.3%	n.a.
Net profit	1,686	1,406	1,511	1,822	1,913	n.a.	-7.5%	-26.5%	n.a.
Gross margin	74.0%	74.0%	74.1%	74.2%	74.1%	n.a.	-0.2ppt	0ppt	n.a.
EBIT margin	13.8%	14.0%	14.1%	18.1%	18.1%	n.a.	-4.3ppt	-4.1ppt	n.a.
Net margin	15.4%	11.7%	11.7%	15.0%	15.0%	n.a.	0.4ppt	-3.3ppt	n.a.

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	10,957	12,043	12,865	11,474	12,726	13,848	-4.5%	-5.4%	-7.1%
Gross profit	8,108	8,917	9,530	8,453	9,402	10,263	-4.1%	-5.2%	-7.1%
EBIT	1,516	1,681	1,811	1,978	2,175	2,375	-23.4%	-22.7%	-23.7%
Net profit	1,686	1,406	1,511	1,640	1,750	1,915	2.8%	-19.7%	-21.1%
Gross margin	74.0%	74.0%	74.1%	73.7%	73.9%	74.1%	0.3ppt	0.2ppt	0ppt
EBIT margin	13.8%	14.0%	14.1%	17.2%	17.1%	17.2%	-3.4ppt	-3.1ppt	-3.1ppt
Net margin	15.4%	11.7%	11.7%	14.3%	13.8%	13.8%	1.1ppt	-2.1ppt	-2.1ppt

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**8,905**	**10,778**	**10,597**	**10,957**	**12,043**	**12,865**
Cost of goods sold	(2,677)	(3,084)	(2,833)	(2,849)	(3,126)	(3,335)
Gross profit	**6,227**	**7,695**	**7,764**	**8,108**	**8,917**	**9,530**
Operating expenses	**(4,692)**	**(5,821)**	**(5,973)**	**(6,621)**	**(7,265)**	**(7,748)**
Selling expense	(3,972)	(5,161)	(5,259)	(5,821)	(6,398)	(6,835)
Admin expense	(455)	(366)	(404)	(477)	(512)	(534)
R&D expense	(174)	(210)	(217)	(226)	(248)	(265)
Others	(91)	(84)	(93)	(97)	(107)	(114)
EBITDA	**1,617**	**1,967**	**1,895**	**1,590**	**1,749**	**1,873**
Depreciation	63	75	82	80	73	67
Other amortisation	19	19	22	22	23	24
EBIT	**1,535**	**1,873**	**1,791**	**1,487**	**1,652**	**1,782**
Net Interest income/(expense)	**59**	**36**	**29**	**29**	**29**	**29**
Other income/expense	(99)	(20)	50	561	50	50
Pre-tax profit	**1,495**	**1,889**	**1,871**	**2,077**	**1,731**	**1,861**
Income tax	(265)	(304)	(328)	(349)	(291)	(313)
Minority interest	37	33	45	42	35	37
Net profit	**1,194**	**1,552**	**1,498**	**1,686**	**1,406**	**1,511**
Adjusted net profit	**1,270**	**1,599**	**1,500**	**1,182**	**1,406**	**1,511**
Gross dividends	549	622	788	887	739	795

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**5,545**	**5,613**	**6,136**	**6,500**	**7,208**	**8,037**
Cash & equivalents	4,011	4,082	5,061	5,412	6,030	6,791
Account receivables	345	518	70	73	80	85
Inventories	797	661	635	638	700	747
Prepayment	203	224	169	175	193	206
Other current assets	189	128	201	202	205	208
Non-current assets	**1,778**	**1,917**	**2,351**	**2,286**	**2,232**	**2,186**
PP&E	827	907	893	813	741	675
Investment in JVs & assos	114	111	441	441	441	441
Intangibles	405	429	444	459	477	497
Goodwill	0	0	0	0	0	0
Other non-current assets	433	469	573	573	573	573
Total assets	**7,323**	**7,530**	**8,487**	**8,786**	**9,440**	**10,223**
Current liabilities	**2,120**	**1,213**	**1,374**	**1,363**	**1,424**	**1,461**
Short-term borrowings	200	0	80	80	80	80
Account payables	1,055	676	798	803	881	940
Tax payable	223	126	95	95	95	95
Other current liabilities	642	410	401	386	368	347
Non-current liabilities	**803**	**831**	**847**	**847**	**847**	**847**
Long-term borrowings	0	0	0	0	0	0
Deferred income	6	15	23	23	23	23
Other non-current liabilities	796	816	824	824	824	824
Total liabilities	**2,923**	**2,044**	**2,221**	**2,210**	**2,270**	**2,308**
Share capital	1,510	1,525	1,161	1,161	1,161	1,161
Retained earnings	3,040	4,233	4,930	5,820	6,447	7,229
Other reserves	(201)	(323)	125	(497)	(566)	(639)
Total shareholders equity	**4,350**	**5,435**	**6,216**	**6,483**	**7,042**	**7,750**
Minority interest	51	51	51	92	127	164
Total equity and liabilities	**7,323**	**7,530**	**8,487**	**8,786**	**9,440**	**10,223**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,495**	**1,889**	**1,871**	**2,077**	**1,731**	**1,861**
Depreciation & amortization	81	94	103	103	96	91
Tax paid	(265)	(304)	(328)	(349)	(291)	(313)
Change in working capital	140	(417)	597	(1)	9	7
Others	17	(156)	(49)	(566)	(36)	(37)
Net cash from operations	**1,469**	**1,107**	**2,193**	**1,262**	**1,509**	**1,609**
Investing						
Capital expenditure	(180)	(300)	(169)	0	0	0
Acquisition of subsidiaries/ investments	(131)	(44)	(36)	(37)	(41)	(44)
Others	(165)	(922)	(32)	0	0	0
Net cash from investing	**(476)**	**(1,265)**	**(238)**	**(37)**	**(41)**	**(44)**
Financing						
Dividend paid	(407)	(371)	(799)	(837)	(813)	(767)
Net borrowings	0	(200)	0	(37)	(37)	(37)
Others	(53)	(188)	36	0	0	0
Net cash from financing	**(460)**	**(758)**	**(763)**	**(874)**	**(850)**	**(804)**
Net change in cash						
Cash at the beginning of the year	3,161	4,011	4,082	5,061	5,412	6,030
Exchange difference	1	(0)	(0)	0	0	0
Others	316	988	(213)	0	0	0
Cash at the end of the year	**4,011**	**4,082**	**5,061**	**5,412**	**6,030**	**6,791**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	39.5%	21.0%	(1.7%)	3.4%	9.9%	6.8%
Gross profit	39.9%	23.6%	0.9%	4.4%	10.0%	6.9%
EBITDA	32.2%	21.7%	(3.7%)	(16.1%)	10.0%	7.1%
EBIT	33.1%	22.0%	(4.4%)	(17.0%)	11.1%	7.9%
Net profit	46.1%	30.0%	(3.5%)	12.6%	(16.6%)	7.5%
Adj. net profit	33.6%	25.9%	(6.2%)	(21.2%)	18.9%	7.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	69.9%	71.4%	73.3%	74.0%	74.0%	74.1%
EBITDA margin	18.2%	18.3%	17.9%	14.5%	14.5%	14.6%
Adj. net profit margin	14.3%	14.8%	14.2%	10.8%	11.7%	11.7%
Return on equity (ROE)	30.3%	31.7%	25.7%	26.6%	20.8%	20.4%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)
Current ratio (x)	2.6	4.6	4.5	4.8	5.1	5.5
Receivable turnover days	14.1	17.5	2.4	2.4	2.4	2.4
Inventory turnover days	108.7	78.3	81.8	81.8	81.8	81.8
Payable turnover days	143.9	80.1	102.9	102.9	102.9	102.9

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	20.3	15.6	16.2	14.4	17.2	16.0
P/E (diluted)	20.3	15.6	16.2	14.4	17.2	16.0
P/B	5.5	4.4	3.9	3.7	3.4	3.1
Div yield (%)	2.3	2.6	3.3	3.7	3.1	3.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification
The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.
Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures
There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.
This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.
The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.
CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.
Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom
This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States
CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore
This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.