

# Tongcheng Travel (780 HK)

## Recovery in sight

Despite epidemic resurgence, we expect Tongcheng to deliver faster-than-peers growth on stronger monetization, resilient hotel and high exposure in low-tier cities. 3Q22E momentum was slightly disrupted (forecasting rev/ adj. net profit +5%/-37% YoY, at low end of guidance), but almost priced in. Hotel would keep resilient (+25% YoY), while transportation suffered more (-12% YoY), in our view. Looking ahead, we suggest investors to look beyond short-term softness in 2H22E (stricter control in Oct holiday), and expect TC to recover from Nov and then to benefit from potential travel limit relaxation (on 12-month horizon). We reiterated our confidence on its share gain in the long run, backed by Tencent traffic and enriched offerings. To factor in Covid impact, we trimmed TC's FY22-24E earnings forecast by 0-14%, with new TP at HK\$18.2. We view recent sector selloff as a good entry point, given its attractive valuation, solid fundamentals and low regulation risk.

- 3Q22 momentum disrupted by epidemic resurgence, but well priced in.** We expect 3Q22E recovery with slower pace (rev +5% YoY, at low end), mainly on epidemic resurgence. Accommodation biz would keep resilient, and we forecast rev +25% YoY in 3Q22E (at high end of guidance), with take rate >9%. 2Q22 would be the ADR trough, and we expect ADR up to RMB200 in 3Q22E. Room nights was estimated to achieve single-digit growth YoY in 3Q22E, thanks to lower exposure in high-tier cities. Transportation would suffer more from lockdown disruptions, forecast rev to drop 12% YoY in 3Q22E (vs. previous guidance of -5%~0%). Given strong PMS and ads, other rev performed well, we modelled +42% YoY in 3Q22E (vs. prior +22% YoY), in our estimates. Margin would be slightly diluted, as ads budget invested before epidemic resurgence, but with lower ROI. We expect 3Q22E adj.net profit at RMB223mn (below previous guidance), with NPM at 11%.
- Recovery in sight, with fundamentals intact.** Stricter control dampened travel momentum in Oct Golden Week, suggesting a soft quarter in 4Q22E (forecasting rev -10% YoY). However, we expect Nov to see moderate recovery after 20<sup>th</sup> CPC. On a 12-month horizon, we believe TC would be one of the beneficiaries from stabilization of COVID cases and potential lockdown relaxation. By leveraging its powerful traffic and low-tier market edge, TC would continuously gain share ahead, with resilient hotel and stronger monetization.
- Maintain BUY.** We trimmed TC's FY22-24E earnings forecast by 0-14% to reflect epidemic resurgence impact. Maintain BUY with new TP at HK\$18.2 (implying 25x FY23E P/E).

### Earnings Summary

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	7,538	6,726	8,417	9,694
YoY growth (%)	27.1	(10.8)	25.1	15.2
Adj. net income (RMB mn)	1,296	811	1,444	1,737
Adj. EPS (RMB)	0.59	0.37	0.65	0.78
YoY growth (%)	35.9	(37.5)	78.1	20.3
Consensus EPS (RMB)	NA	0.28	0.59	0.77
P/E (x)	19.7	31.4	17.6	14.7
P/B (x)	3.4	3.8	3.0	2.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.0	1.4	4.8	5.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** HK\$18.2  
**(Previous TP)** HK\$20.0  
**Up/Downside** +45.6%  
**Current Price** HK\$12.5

### China Internet Sector

**Sophie Huang**  
 (852) 3900 0889  
 sophiehuang@cmbi.com.hk

**Eason Xu**  
 (852) 3900 0849  
 easonxu@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	32,296
Avg 3 mths t/o (HK\$ mn)	64.80
52w High/Low (HK\$)	19.00/ 9.00
Total Issued Shares (mn)	2,227

Source: Bloomberg

### Shareholding Structure

Tencent	21.38%
Trip.com	20.86%
T Rowe Price	5.95%

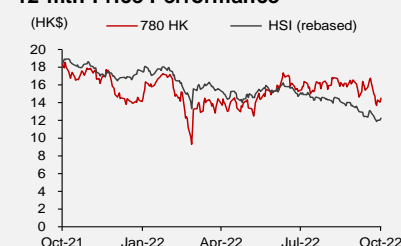
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-15.2%	-4.3%
3-mth	-8.0%	12.4%
6-mth	-2.8%	25.9%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: PwC**

### Related Reports

Recovery on good track – 23 Aug 2022

## Expecting recovery from Nov, after epidemic resurgence

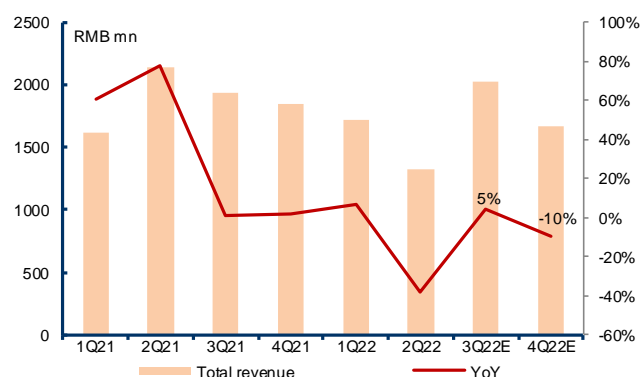
### Slower recovery on epidemic resurgence, but almost priced in.

Given rising cases and stricter travel limits, 3Q22E recovery pace slowed down, with rev +5% YoY, at low end of previous guidance. Margin would be slightly diluted by S&M efforts (ads budget invested before epidemic resurgence, but with lower ROI). We forecast NPM at 11% in 3Q22E (adj. NP at RMB223mn, vs. previous guidance of RMB300mn-400mn). However, 2H22E softness and Covid policy uncertainty were almost priced in recent pullback.

**Resilient hotel to continue.** Backed by rising short-haul travel and deeper penetration of low-tier cities, we forecast accommodation rev +25% YoY in 3Q22E (vs. previous guidance of +20%-25%), with take rate >9%. 2Q22 would be the ADR trough, and we expect ADR up to RMB200 in 3Q22E. Room nights was estimated to achieve single-digit growth YoY in 3Q22E (above peers), thanks to lower exposure in high-tier cities.

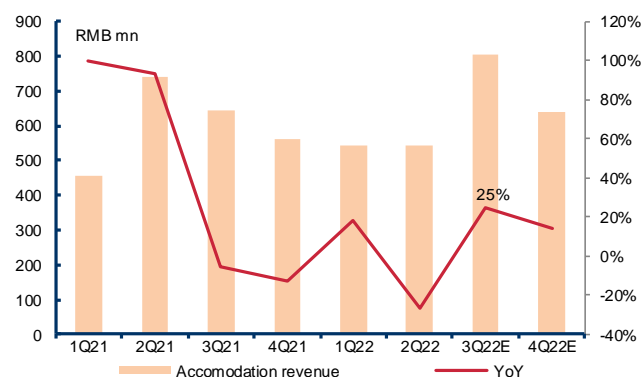
**Transportation would suffer more.** We forecast transportation rev to drop 12% YoY in 3Q22E (vs. previous guidance of -5%~0%), dragged by lockdown disruptions. Air ticketing volume would suffer more than train ticketing. Given strong PMS and ads, other rev performed well, we modelled +42% YoY in 3Q22E (vs. prior +22% YoY), in our estimates.

Figure 1: Quarterly rev estimates



Source: Company data, CMBIGM estimates

Figure 2: Hotel biz at resilient growth



Source: Company data, CMBIGM estimates

Figure 3: 3Q22E financial review

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	QoQ	YoY	Consensus	Diff %
Revenue	1,005	1,200	1,915	1,813	1,614	2,138	1,939	1,846	1,718	1,319	2,031	54%	5%	2,049	-1%
Operating Profit	(53)	49	293	92	215	335	280	65	138	(128)	119	-193%	-57%	204	-41%
Net profit	(56)	55	248	80	170	291	226	27	101	(135)	58	-143%	-74%	143	-59%
Adj. net profit	78	196	373	307	296	418	351	250	245	112	223	99%	-37%	262	-15%
<b>Margin (%)</b>															
Gross Margin	65.0%	72.3%	72.0%	73.7%	74.7%	76.4%	73.9%	20.5%	72.5%	70.9%	74.0%			71.5%	
Operating Margin	-5.2%	4.1%	15.3%	5.1%	13.3%	15.7%	14.4%	3.5%	8.0%	-9.7%	5.9%			7.0%	
Adj. net margin	7.8%	16.3%	19.5%	16.9%	18.4%	19.5%	18.1%	13.6%	14.3%	8.5%	11.0%			12.8%	
<b>Growth (%)</b>															
Revenue (YoY)	-43.6%	-24.6%	-7.2%	-7.3%	60.6%	78.1%	1.3%	1.8%	6.5%	-38.3%	4.7%			5.6%	
Revenue (QoQ)	-48.6%	19.4%	59.5%	-5.3%	-11.0%	32.5%	-9.3%	-4.8%	-7.0%	-23.2%	54.0%			55.4%	
Operating Profit	-128.1%	-77.5%	-15.6%	-13.4%	-509.0%	580.7%	-4.4%	-29.6%	-36.0%	-138.4%	-57.4%			-27.3%	
Adj. net profit	-82.6%	-43.2%	-11.1%	-7.2%	279.5%	113.1%	-5.6%	-18.5%	-17.3%	-73.2%	-36.7%			-25.4%	

Source: Company data, Bloomberg

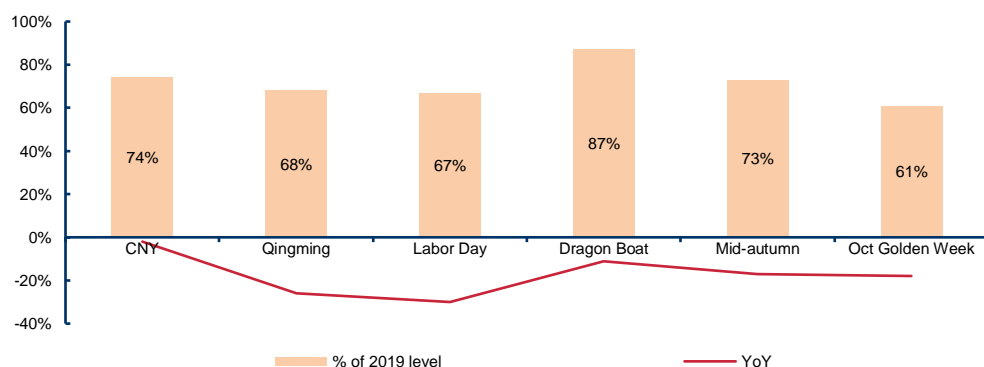
**Figure 4: Revenue breakdown**

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	QoQ	YoY
<b>Total revenue</b>	<b>1,005</b>	<b>1,200</b>	<b>1,915</b>	<b>1,813</b>	<b>1,614</b>	<b>2,138</b>	<b>1,939</b>	<b>1,846</b>	<b>1,718</b>	<b>1,319</b>	<b>2,031</b>	<b>54%</b>	<b>5%</b>
Accommodation reservation	229	384	685	647	459	743	645	562	543	544	806	48%	25%
Transportation ticketing	687	726	1,055	1,003	1,023	1,235	1,125	1,075	1,017	620	986	59%	-12%
Others	89	90	175	162	132	160	170	209	158	156	239	54%	41%

Source: Company data, CMBIGM estimates

**Recovery to resume from Nov**

We suggest investors to look beyond Oct softness (holiday season, but with stricter control), and expect OTA to resume recovery from Nov, after 20<sup>th</sup> CPC. Domestic tourists/ travel rev declined 18%/26% YoY in 2022 National holiday, at 61%/44% of 2019's level. To factor in Oct softness, we forecast rev -10% YoY in 4Q22E, with adj. NPM at 13.2% (adj. NP at RMB221mn).

**Figure 5: Tourists volume change in 2022 holidays**

Source: Ministry of Culture and Tourism, CMBIGM

## Confident on long-term share gain

### Beneficiary from potential travel limit relaxation ahead

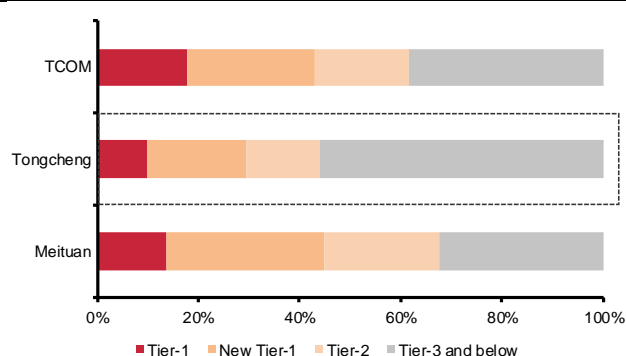
After three-year epidemic disruptions, we expect TC to benefit from cases stabilization and potential travel limit relaxation on a 12-month horizon. Although we don't expect lockdowns relaxation immediately, we think further policy would balance "development" demand. We expect FY23E topline & bottom line to resume positive growth, if epidemic not worsening. Domestic momentum might see stepping-up rebound from 2Q23E, given low base. Outbound travel relaxation ahead would further boost its momentum in FY23E.

### Long-term fundamentals intact, with continuous share gain

TC was well positioned to deliver above-industry recovery in the long run, by leveraging its advantage in low-tier cities, resilient hotel momentum and ROI-driven traffic acquisition.

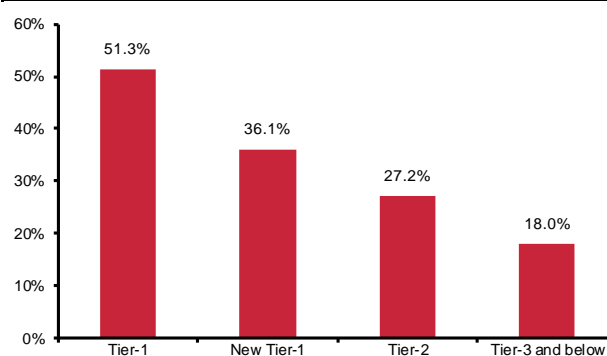
**Better recovery with high exposure in promising low-tier cities.** We believe low-tier cities would deliver stronger recovery than high-tier market, given less travel limit. OTA App installation ratio in tier-3 and below cities is only 18%, suggesting ample room for OTA penetrating. Compared to Ctrip and Meituan, Tongcheng has higher exposure in low-tier market (56% users in tier-3 and below cities), backed by Tencent powerful traffic and enriched offerings.

Figure 6: Users distribution in TOP3 OTA platforms



Source: Analysys, CMBIGM

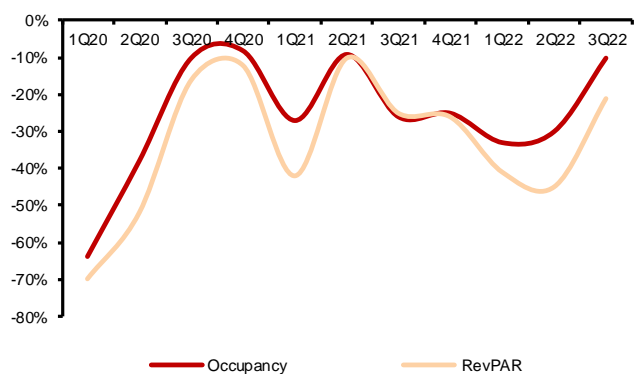
Figure 7: OTA App installation ratio



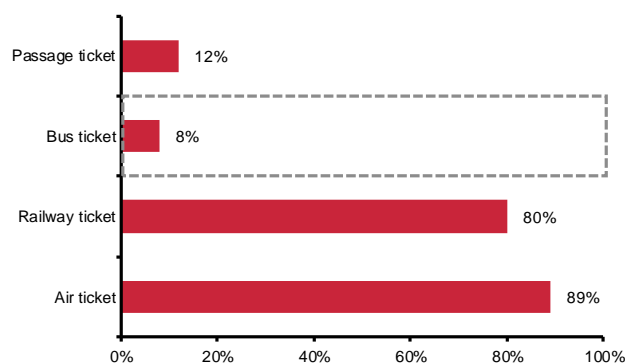
Source: Fastdata, CMBIS estimates

**Solid hotel biz with defensive growth.** Hotel biz would be resilient than transportation segment, for rising demand from short-haul travel to offset strict control impact. China hotel occupancy has climb up to near 2019 level, and RevPAR rebounded from 2Q22 trough. TC delivered stronger recovery in hotel biz (rev +25% YoY in 3Q22E), and we expect this segment to grow at 20% CAGR in FY22-24E.

**Offline S&M and bus ticketing biz to achieve cost-effective user expansion.** To deepen lower-tier cities penetration, TC kept S&M efforts on effective channel, coupled with Tencent traffic. We expect its offline S&M to continuously approach new users in lower-tier market, with low TAC. Bus ticketing was not only a user-acquisition way, but it also contributed rising revenue. We estimate bus ticketing biz to maintain triple-digit growth YoY in 3Q22E, ~10% as of total rev.

**Figure 8: China hotel occupancy & RevPAR vs. 2019**

Source: Analysys, CMBIGM

**Figure 9: Online penetration of transportation ticket**

Source: iResearch, CMBIGM

## A good entry point to accumulate

To factor in short-term epidemic impact, we trimmed TC's FY22E earnings forecast by 14% (suggesting topline/ bottom line -11%/-37% YoY in FY22E), while keeping FY23-24E earnings unchanged temporally. Our TP was adjusted to HK\$18.2 from HK\$20, implying 25x FY23E P/E. We view recent sector selloff as a good entry point, given its attractive valuation, solid fundamentals and low regulation risk.

**Figure 10: CMBIGM estimates vs consensus**

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	6,726	8,417	9,694	6,956	9,257	11,293	-3.3%	-9.1%	-14.2%
Gross Profit	4,964	6,288	7,243	5,082	6,879	8,457	-2.3%	-8.6%	-14.3%
Operating Profit	258	921	1,213	331	1,236	1,739	-22.2%	-25.5%	-30.2%
Adj. net profit	811	1,444	1,737	859	1,565	2,027	-5.6%	-7.7%	-14.3%
Adj. EPS (RMB)	0.37	0.65	0.78	0.28	0.59	0.77	30.9%	11.1%	2.2%
Gross Margin	73.8%	74.7%	74.7%	73.1%	74.3%	74.9%	+0.7ppts	+0.4ppts	-0.2ppts
Operating Margin	3.8%	10.9%	12.5%	4.8%	13.4%	15.4%	-0.9ppts	-2.4ppts	-2.9ppts
Adj. net margin	12.1%	17.2%	17.9%	12.3%	16.9%	17.9%	-0.3ppts	+0.2ppts	-0.0ppts

Source: CMBIGM estimates, Bloomberg

**Figure 11: Earnings revision**

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	6,726	8,417	9,694	7,039	8,417	9,694	-4.4%	0.0%	0.0%
Gross Profit	4,964	6,288	7,243	5,202	6,288	7,243	-4.6%	0.0%	0.0%
Operating Profit	258	921	1,213	419	921	1,213	-38.5%	0.0%	0.0%
Adj. net profit	811	1,444	1,737	943	1,444	1,737	-14.0%	0.0%	0.0%
EPS (RMB)	0.37	0.65	0.78	0.43	0.65	0.78	-14.9%	0.3%	0.5%
Gross Margin	73.8%	74.7%	74.7%	73.9%	74.7%	74.7%	-0.1ppts	+0.0ppts	+0.0ppts
Operating Margin	3.8%	10.9%	12.5%	6.0%	10.9%	12.5%	-2.2ppts	+0.0ppts	+0.0ppts
Net Margin	12.1%	17.2%	17.9%	13.4%	17.2%	17.9%	-1.3ppts	-0.0ppts	+0.0ppts

Source: Company data, CMBIGM estimates

**Figure 12: Valuation comps**

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			EV/EBIT		
							FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Tongcheng Trave 780 HK		3,552	HKD	13	BUY	18	31.4	17.6	14.7	3.8	3.0	2.6	67.4	16.9	11.9
China Internet Giants (OTA-related)															
Alibaba	BABA US	167,192	USD	63	BUY	151	8.9	7.5	6.7	1.3	1.2	1.1	7.7	6.5	5.6
Meituan	3690 HK	97,368	HKD	124	BUY	278	NA	52.8	24.2	3.2	2.4	2.0	NA	NA	28.5
Average							8.9	30.1	15.5	2.3	1.8	1.5	7.7	6.5	17.0
OTA															
Ctrip	TCOM US	13,066	USD	20	BUY	30	83.4	17.6	11.8	4.7	3.1	2.4	NA	22.7	13.2
Tongcheng Travel	780 HK	3,552	HKD	13	BUY	18	31.4	17.6	14.7	3.8	3.0	2.6	67.4	16.9	11.9
Booking	BKNG US	71,811	USD	1,809	NA	NA	19.5	15.6	13.4	4.3	3.8	3.4	13.7	11.7	9.9
Expedia	EXPE US	15,104	USD	96	NA	NA	13.5	10.0	8.1	1.3	1.2	1.1	12.0	9.3	7.9
Webjet	WEB AU	1,235	AUD	5	NA	NA	38.7	19.4	15.1	6.1	4.7	4.2	26.9	14.2	11.7
TripAdvisor	TRIP US	3,355	USD	24	NA	NA	28.0	15.4	11.5	2.3	2.0	1.8	20.9	12.4	9.0
Average							35.8	15.9	12.4	3.7	3.0	2.6	28.2	14.6	10.6
Hotel															
H World Group	HTHT US	8,309	USD	26	NA	NA	NA	25.8	18.0	4.2	3.2	2.8	NA	32.3	22.9
Jinjiang Int Hotels	600754 CH	7,045	CNY	54	NA	NA	NA	29.4	20.7	4.2	3.1	2.7	NA	25.1	18.0
BTG Hotels Group	600258 CH	3,308	CNY	22	NA	NA	NA	26.1	18.3	0.6	2.8	2.4	NA	23.1	17.1
GreenTree	GHG US	250	USD	2	NA	NA	10.3	5.3	3.9	1.4	1.1	1.0	8.8	3.9	3.1
Average							10.3	21.7	15.2	2.6	2.6	2.2	8.8	21.1	15.3
Average							29.2	20.2	16.6	3.2	2.5	2.2	22.5	16.2	14.5

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>5,933</b>	<b>7,538</b>	<b>6,726</b>	<b>8,417</b>	<b>9,694</b>
Accommodation reservation	1,945	2,409	2,440	2,852	3,472
Transportation ticketing	3,471	4,458	3,434	4,457	4,893
Others	516	671	852	1,108	1,330
<b>COGS</b>	<b>(1,697)</b>	<b>(1,890)</b>	<b>(1,762)</b>	<b>(2,128)</b>	<b>(2,451)</b>
R&D	(1,246)	(1,344)	(1,265)	(1,532)	(1,764)
S&M	(2,131)	(3,036)	(2,933)	(3,291)	(3,684)
Administrative expenses	(522)	(572)	(510)	(544)	(582)
Fair value change	65	124	0	0	0
Other income	99	98	0	0	0
Other gains/(losses).net	21	69	0	0	0
<b>Operating profit</b>	<b>382</b>	<b>895</b>	<b>258</b>	<b>921</b>	<b>1,213</b>
Finance income	23	12	13	13	13
Other income, net	(7)	(33)	0	0	0
<b>Pre-tax profit</b>	<b>398</b>	<b>875</b>	<b>270</b>	<b>934</b>	<b>1,226</b>
Income tax	(72)	(161)	(49)	(159)	(208)
Less: Minority interests	2	10	0	0	0
Net profit	328	723	222	775	1,018
<b>Adj. net profit</b>	<b>954</b>	<b>1,296</b>	<b>811</b>	<b>1,444</b>	<b>1,737</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before tax</b>	<b>398</b>	<b>875</b>	<b>270</b>	<b>934</b>	<b>1,226</b>
D&A	379	384	389	394	400
Change in working capital	(525)	336	(168)	502	434
Others	(188)	148	504	364	315
<b>Net cash from operating</b>	<b>136</b>	<b>1,904</b>	<b>1,045</b>	<b>2,354</b>	<b>2,584</b>
Capex & investments	(200)	(200)	(200)	(200)	(200)
ST investments payments	(247)	(124)	0	0	0
ST investments proceeds	0	0	0	0	0
Other	(326)	130	0	0	0
<b>Net cash from investing</b>	<b>(773)</b>	<b>(194)</b>	<b>(200)</b>	<b>(200)</b>	<b>(200)</b>
Equity raised	0	0	0	0	0
Change of debts	(77)	0	0	0	0
Others	254	(12)	(13)	(13)	(13)
<b>Net cash from financing</b>	<b>177</b>	<b>(12)</b>	<b>(13)</b>	<b>(13)</b>	<b>(13)</b>
<b>Net change in cash</b>	<b>(461)</b>	<b>1,698</b>	<b>832</b>	<b>2,141</b>	<b>2,371</b>
Exchange difference	(6)	0	0	0	0
Cash at the beginning of the year	2,271	1,804	3,503	4,334	6,475
<b>Cash at the end of the year</b>	<b>1,804</b>	<b>3,503</b>	<b>4,334</b>	<b>6,475</b>	<b>8,846</b>
Cash at balance sheet	1,804	3,503	4,334	6,475	8,846

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>10,284</b>	<b>9,918</b>	<b>9,456</b>	<b>9,004</b>	<b>8,545</b>
PP&E	1,226	1,313	1,395	1,472	1,543
Investments	389	389	389	389	389
Land use right	0	16	16	16	16
Intangible assets	7,481	6,961	6,421	5,881	5,341
Deferred income tax assets	216	216	216	216	216
Prepayment & other receivables	6	57	53	64	74
<b>Current assets</b>	<b>8,830</b>	<b>10,154</b>	<b>10,819</b>	<b>13,342</b>	<b>16,017</b>
Account receivable	2,020	1,792	1,626	2,008	2,312
Short-term investments	4,913	4,767	4,767	4,767	4,767
Restricted cash	92	92	92	92	92
Cash and cash equivalent	1,804	3,503	4,334	6,475	8,846
<b>Current liabilities</b>	<b>4,234</b>	<b>4,393</b>	<b>4,055</b>	<b>4,950</b>	<b>5,699</b>
Borrowings	49	49	49	49	49
Trade payables	2,001	2,646	2,467	2,980	3,431
Other payables and accruals	2,120	1,621	1,446	1,810	2,084
Current income taxes liabilities	64	77	93	111	134
<b>Non-current liabilities</b>	<b>863</b>	<b>863</b>	<b>863</b>	<b>863</b>	<b>863</b>
Borrowings	113	113	113	113	113
Deferred income tax liabilities	529	529	529	529	529
Other payables and accruals	221	221	221	221	221
<b>Total net assets</b>	<b>14,017</b>	<b>15,063</b>	<b>15,605</b>	<b>16,780</b>	<b>18,248</b>
Non-controlling interest	3	(7)	(7)	(7)	(7)
<b>Total equity</b>	<b>14,014</b>	<b>15,070</b>	<b>15,612</b>	<b>16,787</b>	<b>18,255</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Accommodation reservation	32.8	32.0	36.3	33.9	35.8
Transportation ticketing	58.5	59.1	51.1	53.0	50.5
Others	8.7	8.9	12.7	13.2	13.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross Margin	71.4	74.9	73.8	74.7	74.7
PreTax Margin	6.7	11.6	4.0	11.1	12.7
Tax Rate	17.0	17.0	18.0	17.0	17.0
Adj. net margin	16.1	17.2	12.1	17.2	17.9
<b>Balance sheet ratios</b>					
Current ratio (x)	2.1	2.3	2.7	2.7	2.8
Debtors turnover days	57.3	54.8	54.8	54.8	54.8
Creditors turnover days	2909.5	2225.8	1839.2	1099.4	511.0
Inventory turnover days	0.0	0.0	0.0	0.0	0.0
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	2.4	5.0	1.4	4.8	5.8
ROA	1.7	3.6	1.1	3.6	4.3
<b>Per share data</b>					
Adj. EPS (RMB)	0.4	0.6	0.4	0.7	0.8
DPS (RMB)	0.0	0.0	0.0	0.0	0.0
BVPS (RMB)	6.3	6.8	7.0	7.6	8.2

Source: Company data, CMBIGM estimates



# 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

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