

# WuXi AppTec (603259 CH)

## Steady 1Q performance amid challenging environment

WuXi AppTec reported 1Q24 revenue of RMB7,982mn, down 11.0% YoY, attributable recurring net profit of RMB2,034mn, up 7.3% YoY, and attributable adjusted non-IFRS net profit of RMB1,913mn, down 18.3% YoY. 1Q24 revenue / adjusted Non-IFRS net income accounted for 20.4%/ 16.8% of our 2024 full-year estimates, both moderately lower than historical ranges. Non-IFRS gross profit margin deteriorated by 2.3ppt to 38.7% while non-IFRS net profit margin decreased by 2.1ppt to 24.0% in 1Q24, due to the decline in CDMO revenue from COVID commercial projects, pricing erosion, ramp-ups of new facilities in its Testing and Biology segments, and escalating costs in its ATU segment. Non-COVID D&M revenue (in WuXi Chemistry segment) showed positive growth in 1Q24, up 1.2% YoY. Despite a challenging start of 2024, mgt. has upheld its revenue guidance of RMB38.3-40.5bn for 2024, projecting growth of 2.7% to 8.6% YoY, excluding revenues from COVID-19 commercial projects. Furthermore, mgt. reiterated that the adjusted non-IFRS net profit margin would be align with the 2023 level.

- TIDES business continued to serve as a significant growth driver.** In 1Q24, TIDES revenue delivered impressive growth of 43.1% YoY with substantial 110% YoY growth in backlog. Both revenue and backlog maintained a strong momentum from a high base in 2023. Mgt. expects 60% revenue growth for the TIDES business in 2024. Moreover, the additional 22k-liter solid-phase peptide synthesizers commenced operation in Jan 2024, enhancing the total capacity to 32k liters. Plans are in progress to expand new peptide production capacity in Taixing, Jiangsu, to meet robust customer demand.
- Moderate recovery in clinical CRO&SMO business.** In 1Q24, revenue from the Clinical CRO&SMO segment grew by 11.0% YoY, with SMO revenue increasing by 26.4% YoY. The growth aligns with the upward trends reported by several domestic clinical CRO&SMO companies in 2023 and 1Q24. The demand in China's clinical stage pharmaceutical R&D is expected to lead the recovery, mirroring the recovery pattern observed in overseas markets since 1Q23.
- Solid customer relationships amid uncertainty.** WuXi AppTec added over 300 new clients in 1Q24, consistent with the level seen in 1Q23. Encouragingly, revenue from global Top 20 pharmaceutical companies reached RMB2.7bn (~34% of total revenue), indicating a YoY increase of 4.2% excluding COVID-19 commercial projects. However, mgt. admitted that the draft of the Biosecure Act has started impacting WuXi ATU in acquiring new clients and orders in the US market.
- Maintain BUY.** To factor in the uncertainties from geopolitical risks, we cut our TP from RMB67.53 to RMB53.23 (based on a 10-year DCF model with WACC of 10.73% and terminal growth of 2.0%). We forecast revenue to grow by -5.6%/ +10.0%/ +12.5% YoY and adjusted non-IFRS net income to grow by -12.4%/ +10.5%/ +16.4% YoY in 2024E/ 25E/ 26E, respectively.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	39,355	40,341	38,074	41,877	47,124
YoY growth (%)	71.8	2.5	(5.6)	10.0	12.5
Adjusted net profit (RMB mn)	9,399	10,854	9,503	10,503	12,225
YoY growth (%)	83.2	15.5	(12.4)	10.5	16.4
EPS (Adjusted) (RMB)	3.21	3.70	3.24	3.58	4.17
Consensus EPS (RMB)	na	na	3.55	4.02	4.24
P/E (x) (adjusted)	13.6	11.8	13.5	12.2	10.5

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>RMB53.23</b>
(Previous TP)	RMB67.53)
<b>Up/Downside</b>	<b>21.9%</b>
<b>Current Price</b>	<b>RMB43.67</b>

### China Healthcare

**Jill WU, CFA**  
 (852) 3900 0842  
 jillwu@cmbi.com.hk

**Benchen HUANG, CFA**  
 huangbenchen@cmbi.com.hk

### Stock Data

Mkt Cap (RMB mn)	128,098.8
Avg 3 mths t/o (RMB mn)	4,841.4
52w High/Low (RMB)	90.88/41.19
Total Issued Shares (mn)	2933.3

Source: FactSet

### Shareholding Structure

HK investors	17.6%
Ge Li and concerted parties	15.2%

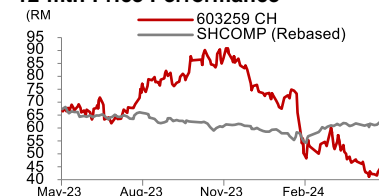
Source: Company

### Share Performance

	Absolute	Relative
1-mth	-5.4%	-7.4%
3-mth	-19.4%	-27.6%
6-mth	-49.5%	-50.9%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	38,074	41,877	47,124	39,126	43,135	47,940	-2.69%	-2.92%	-1.70%
Gross Profit	14,623	16,141	18,511	15,595	17,093	19,035	-6.23%	-5.57%	-2.75%
Operating Profit	9,517	10,577	12,320	10,515	11,558	12,955	-9.49%	-8.49%	-4.90%
Non-IFRS net profit	9,503	10,503	12,225	10,260	11,364	12,828	-7.37%	-7.57%	-4.71%
Non-IFRS EPS (RMB)	3.24	3.58	4.17	3.50	3.87	4.37	-7.38%	-7.58%	-4.71%
Gross Margin	38.41%	38.55%	39.28%	39.86%	39.63%	39.71%	-1.45ppt	-1.08ppt	-0.43ppt
Operating Margin	25.00%	25.26%	26.14%	26.88%	26.80%	27.02%	-1.88ppt	-1.54ppt	-0.88ppt
Net Margin	24.96%	25.08%	25.94%	26.22%	26.34%	26.76%	-1.26ppt	-1.26ppt	-0.82ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	38,074	41,877	47,124	41,572	47,032	49,555	-8.42%	-10.96%	-4.90%
Gross Profit	14,623	16,141	18,511	16,741	18,980	20,102	-12.65%	-14.96%	-7.92%
Operating Profit	9,517	10,577	12,320	12,131	14,008	14,844	-21.55%	-24.49%	-17.01%
Non-IFRS net profit	9,503	10,503	12,225	10,288	11,743	12,445	-7.63%	-10.56%	-1.77%
Non-IFRS EPS (RMB)	3.24	3.58	4.17	3.55	4.02	4.24	-8.61%	-10.82%	-1.69%
Gross Margin	38.41%	38.55%	39.28%	40.27%	40.36%	40.57%	-1.86ppt	-1.81ppt	-1.28ppt
Operating Margin	25.00%	25.26%	26.14%	29.18%	29.78%	29.95%	-4.18ppt	-4.53ppt	-3.81ppt
Net Margin	24.96%	25.08%	25.94%	24.75%	24.97%	25.11%	+0.21ppt	+0.11ppt	+0.83ppt

Source: Company data, Bloomberg, CMBIGM estimates

**Figure 3: Valuation on risk-adjusted DCF valuation**

DCF Valuation (in Rmb mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	10,103	11,255	13,098	14,867	16,651	18,399	20,055	21,559	22,853	23,881
Tax rate	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
EBIT*(1-tax rate)	8,588	9,567	11,134	12,637	14,153	15,639	17,047	18,325	19,425	20,299
+ D&A	2,257	2,555	2,824	3,205	3,590	3,967	4,324	4,648	4,927	5,149
- Change in working capital	943	(686)	(944)	(1,071)	(1,199)	(1,325)	(1,445)	(1,553)	(1,646)	(1,720)
- Capex	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
<b>FCFF</b>	<b>6,788</b>	<b>6,435</b>	<b>8,014</b>	<b>9,771</b>	<b>11,544</b>	<b>13,281</b>	<b>14,926</b>	<b>16,420</b>	<b>17,706</b>	<b>18,727</b>
<b>Terminal value</b>										<b>218,933</b>

<b>Terminal growth rate</b>	<b>2.00%</b>
<b>WACC</b>	<b>10.73%</b>
Cost of Equity	13.50%
Cost of Debt	5.00%
Equity Beta	1.00
Risk Free Rate	3.00%
Market Risk Premium	10.50%
Target Debt to Asset ratio	30.00%
Effective Corporate Tax Rate	15.00%

PV of terminal value (RMB mn)	79,041
Total PV (RMB mn)	145,390
Net debt (RMB mn)	(10,738)
Equity value (RMB mn)	156,129
# of shares (mn)	2,933
Price per share (RMB per share)	<b>53.23</b>

Source: CMBIGM estimates

**Figure 4: Sensitivity analysis of DCF model**

		WACC				
		9.95%	10.45%	10.95%	11.45%	11.95%
Terminal growth rate	3.00%	66.15	61.25	57.01	53.30	50.02
	2.50%	63.30	58.87	55.00	51.59	48.56
	2.00%	60.81	56.78	<b>53.23</b>	50.07	47.25
	1.50%	58.64	54.93	51.64	48.70	46.07
	1.00%	56.71	53.28	50.22	47.47	44.99

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>22,902</b>	<b>39,355</b>	<b>40,341</b>	<b>38,074</b>	<b>41,877</b>	<b>47,124</b>
Cost of goods sold	(14,592)	(24,677)	(23,729)	(23,451)	(25,735)	(28,614)
<b>Gross profit</b>	<b>8,310</b>	<b>14,678</b>	<b>16,612</b>	<b>14,623</b>	<b>16,141</b>	<b>18,511</b>
<b>Operating expenses</b>	<b>(3,898)</b>	<b>(5,372)</b>	<b>(5,318)</b>	<b>(5,106)</b>	<b>(5,564)</b>	<b>(6,191)</b>
Selling expense	(699)	(732)	(701)	(741)	(794)	(870)
Admin expense	(2,203)	(2,826)	(2,879)	(2,683)	(2,930)	(3,273)
R&D expense	(942)	(1,614)	(1,441)	(1,388)	(1,506)	(1,671)
Others	(54)	(200)	(297)	(294)	(335)	(377)
<b>Operating profit</b>	<b>4,412</b>	<b>9,306</b>	<b>11,294</b>	<b>9,517</b>	<b>10,577</b>	<b>12,320</b>
Gain/loss on financial assets at FVTPL	(93)	770	(38)	86	178	279
Investment gain/loss	1,356	188	234	200	200	200
<b>Net interest income/(expense)</b>	<b>(84)</b>	<b>248</b>	<b>338</b>	<b>415</b>	<b>448</b>	<b>480</b>
Other income/expense	425	106	4	300	300	300
<b>Pre-tax profit</b>	<b>6,016</b>	<b>10,618</b>	<b>11,832</b>	<b>10,518</b>	<b>11,703</b>	<b>13,579</b>
Income tax	(880)	(1,716)	(2,132)	(1,578)	(1,755)	(2,037)
<b>After tax profit</b>	<b>5,136</b>	<b>8,903</b>	<b>9,700</b>	<b>8,941</b>	<b>9,948</b>	<b>11,542</b>
Minority interest	(39)	(89)	(94)	(86)	(96)	(111)
<b>Net profit</b>	<b>5,097</b>	<b>8,814</b>	<b>9,607</b>	<b>8,854</b>	<b>9,852</b>	<b>11,430</b>
<b>Adjusted net profit</b>	<b>5,131</b>	<b>9,399</b>	<b>10,854</b>	<b>9,503</b>	<b>10,503</b>	<b>12,225</b>
Gross dividends	1,529	2,644	2,882	2,656	2,956	3,429
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>21,986</b>	<b>23,997</b>	<b>30,422</b>	<b>31,925</b>	<b>36,795</b>	<b>43,077</b>
Cash & equivalents	8,239	7,986	13,764	16,191	19,902	24,644
Account receivables	4,668	6,047	7,922	6,592	7,250	8,159
Inventories	5,905	5,669	4,736	5,141	5,642	6,273
Prepayment	303	291	244	244	244	244
Financial assets at FVTPL	527	2	11	11	11	11
Other current assets	2,344	4,003	3,746	3,746	3,746	3,746
<b>Non-current assets</b>	<b>33,142</b>	<b>40,693</b>	<b>43,247</b>	<b>46,048</b>	<b>48,643</b>	<b>51,069</b>
PP&E	8,554	14,171	17,190	20,315	23,142	25,700
Deferred income tax	390	492	367	367	367	367
Investment in JVs & assos	678	1,203	2,216	2,216	2,216	2,216
Intangibles	1,600	1,785	1,864	1,706	1,548	1,390
Goodwill	1,926	1,822	1,821	1,821	1,821	1,821
Financial assets at FVTPL	8,714	8,954	8,626	8,912	9,291	9,769
Other non-current assets	11,280	12,265	11,164	10,712	10,259	9,807
<b>Total assets</b>	<b>55,127</b>	<b>64,690</b>	<b>73,669</b>	<b>77,972</b>	<b>85,438</b>	<b>94,146</b>
<b>Current liabilities</b>	<b>12,985</b>	<b>14,499</b>	<b>14,756</b>	<b>14,775</b>	<b>15,248</b>	<b>15,844</b>
Short-term borrowings	2,261	3,874	3,667	3,667	3,667	3,667
Account payables	1,931	1,659	1,645	1,664	2,137	2,733
Tax payable	536	882	1,374	1,374	1,374	1,374
Other current liabilities	8,256	8,084	8,070	8,070	8,070	8,070
<b>Non-current liabilities</b>	<b>3,385</b>	<b>3,264</b>	<b>3,396</b>	<b>3,396</b>	<b>3,396</b>	<b>3,396</b>
Long-term borrowings	0	279	687	687	687	687
Bond payables	607	502	0	0	0	0
Obligations under finance leases	1,019	984	1,099	1,099	1,099	1,099
Other non-current liabilities	1,759	1,499	1,610	1,610	1,610	1,610
<b>Total liabilities</b>	<b>16,370</b>	<b>17,764</b>	<b>18,152</b>	<b>18,171</b>	<b>18,644</b>	<b>19,240</b>
Share capital	2,956	2,961	2,969	2,969	2,969	2,969
Capital surplus	25,732	26,512	28,401	34,599	41,495	49,497
Other reserves	9,804	17,118	23,753	21,753	21,753	21,753
<b>Total shareholders equity</b>	<b>38,492</b>	<b>46,590</b>	<b>55,122</b>	<b>59,320</b>	<b>66,217</b>	<b>74,218</b>
Minority interest	266	337	395	481	577	688
<b>Total equity and liabilities</b>	<b>55,127</b>	<b>64,690</b>	<b>73,669</b>	<b>77,972</b>	<b>85,438</b>	<b>94,146</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>6,016</b>	<b>10,618</b>	<b>11,832</b>	<b>10,518</b>	<b>11,703</b>	<b>13,579</b>
Depreciation & amortization	1,363	1,718	2,288	2,261	2,559	2,828
Tax paid	(880)	(1,716)	(2,132)	(1,578)	(1,755)	(2,037)
Change in working capital	(1,151)	(298)	(105)	943	(686)	(944)
Others	(759)	294	1,504	(477)	(602)	(735)
<b>Net cash from operations</b>	<b>4,589</b>	<b>10,616</b>	<b>13,387</b>	<b>11,668</b>	<b>11,218</b>	<b>12,692</b>
<b>Investing</b>						
Capital expenditure	(6,936)	(9,966)	(5,517)	(5,000)	(5,000)	(5,000)
Acquisition of subsidiaries/ investments	(858)	(161)	(22)	0	0	0
Net proceeds from disposal of short-term investments	2,766	82	(2,321)	0	0	0
Others	189	355	299	0	0	0
<b>Net cash from investing</b>	<b>(4,839)</b>	<b>(9,690)</b>	<b>(7,561)</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>(5,000)</b>
<b>Financing</b>						
Dividend paid	(916)	(1,598)	(2,756)	(2,241)	(2,508)	(2,949)
Net borrowings	1,071	1,668	178	0	0	0
Proceeds from share issues	104	150	247	0	0	0
Others	(1,983)	(1,497)	(1,610)	(2,000)	0	0
<b>Net cash from financing</b>	<b>(1,724)</b>	<b>(1,278)</b>	<b>(3,941)</b>	<b>(4,241)</b>	<b>(2,508)</b>	<b>(2,949)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	10,228	8,175	7,984	13,764	16,191	19,902
Exchange difference	(79)	161	132	0	0	0
<b>Cash at the end of the year</b>	<b>8,175</b>	<b>7,984</b>	<b>10,001</b>	<b>16,191</b>	<b>19,902</b>	<b>24,644</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	38.5%	71.8%	2.5%	(5.6%)	10.0%	12.5%
Gross profit	32.3%	76.6%	13.2%	(12.0%)	10.4%	14.7%
Operating profit	41.1%	110.9%	21.4%	(15.7%)	11.1%	16.5%
Net profit	72.2%	72.9%	9.0%	(7.8%)	11.3%	16.0%
Adj. net profit	41.1%	83.2%	15.5%	(12.4%)	10.5%	16.4%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	36.3%	37.3%	41.2%	38.4%	38.5%	39.3%
Operating margin	19.3%	23.6%	28.0%	25.0%	25.3%	26.1%
Adj. net profit margin	22.4%	23.9%	26.9%	25.0%	25.1%	25.9%
Return on equity (ROE)	14.4%	20.7%	18.9%	15.5%	15.7%	16.3%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Current ratio (x)	1.7	1.7	2.1	2.2	2.4	2.7
Receivable turnover days	66.4	49.7	63.2	63.2	63.2	63.2
Inventory turnover days	107.4	85.6	80.0	80.0	80.0	80.0
Payable turnover days	107.8	75.5	75.6	75.6	75.6	75.6
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E (adjusted)	24.8	13.6	11.8	13.5	12.2	10.5
P/B	3.3	2.7	2.3	2.1	1.9	1.7
P/CFPS	27.7	12.1	9.6	11.0	11.4	10.1
Div yield (%)	1.2	2.1	2.2	2.1	2.3	2.7

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.