

ZTO Express (ZTO US)

Market share gain > profitability

ZTO targets to deliver parcel volume growth of 35-40% YoY in 2021E, and to achieve market share of 22%/25% in 2021E/22E (versus 20.4% in 2020). Given that no guidance on net profit is provided, we believe ZTO will continue to pursue scale instead of profitability in the foreseeable future. We took our 2021E/22E earnings forecast down by 14%/9%, after revising down our ASP assumptions. We revised our TP to HK\$279 from HK\$292, based on 36x 2021E P/E (50% premium to the historical average of 24x, on the back of market share gain). On the positive side, we believe ZTO's on-track cost reduction measures and continuous investment in network and capacity will make it a beneficiary of market consolidation. Besides, expansion in time-definite segment, less than load (LTL) and cold chain business will serve as potential growth drivers going forward.

- Earnings highlight.** ZTO's reported net profit in 4Q20 dropped 45% YoY to RMB1.29bn. Excluding the one-off gain of ~RMB700mn in 4Q19, net profit in 4Q20 would drop only 21% YoY. For the full year, net profit was RMB4.3bn, down 24%/13% on reported/recurring basis. ZTO recognized RMB127mn of FX loss in 2020, due to the depreciation of USD-denominated deposits against RMB.
- Volume growth remained strong in 4Q20.** ZTO's revenue increased by 21% YoY to RMB8.3bn in 4Q20, driven by parcel volume growth of 47% YoY (similar to YTO [600233 CH] and Yunda [002120 CH], but outpaced the industry growth of 30%). In terms of parcel volume, ZTO's market share reached 19.9% in 4Q20.
- ASP dropped less than "Tongda" players.** ZTO's parcel ASP dropped 20% YoY (or RMB0.36/unit) to RMB1.41/unit in 4Q20 (breakdown: [1] RMB0.25 for incentives to support network partners, [2] RMB0.02 for the use of lower-priced waybills, and [3] RMB0.09 due to lower parcel weight). On QoQ basis, the ASP increased 6%.
- Unit cost down 12% YoY in 4Q20.** ZTO's unit cost of transportation and sorting hub dropped 16% YoY and 12% YoY, respectively, to RMB0.55 and RMB0.31. The transportation cost reduction was driven by higher portion of volume transported by self-owned trucks (88%, vs 69% in 4Q19) and higher portion of the use of high-capacity trucks (81%, vs 72% in 4Q19). For sorting hub cost, the reduction was mainly by the use of more sets of automated sorting equipment (339 sets, vs 265 sets in 4Q19).

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	17,604	22,110	25,214	33,036	41,715
YoY growth (%)	35	26	14	31	26
Net profit (RMB mn)	3,820	4,979	4,312	5,375	7,127
EPS (RMB)	5.08	6.35	5.43	6.44	8.54
YoY growth (%)	14.3	25.0	-14.5	18.6	32.6
Consensus EPS (RMB)	N/A	N/A	N/A	6.42	8.19
EV/EBITDA (x)	28.2	21.7	22.1	16.9	12.5
P/E (x)	40.0	32.9	38.5	30.5	23.0
P/B (x)	4.7	4.3	3.6	3.1	2.8
Yield (%)	0.8	1.0	0.8	1.0	1.3
ROE (%)	13.7	13.7	9.9	10.5	12.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **US\$36**
(Previous TP **US\$37.7**)
Up/Downside **+22%**
Current Price **US\$29.48**

China Express Delivery

Wayne Fung, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	25,214
Avg 3 mths t/o (US\$ mn)	111
52w High/Low (US\$)	38.99/23.04
Total Issued Shares (mn)	855.3

Source: Bloomberg

Shareholding Structure

Meisong Lai	25.6%
Alibaba	8.6%
Others	65.8%

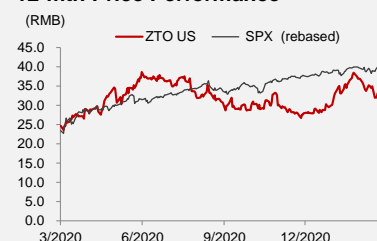
Note: Under the weighted voting rights structure, Meisong Lai has 76.8% of the total voting right
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-20.2%	-20.2%
3-mth	5.5%	-0.1%
6-mth	-3.8%	-18.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Related report:

ZTO Express (2057 HK, BUY) – Volume growth to remain the top priority – 20 Nov 2020

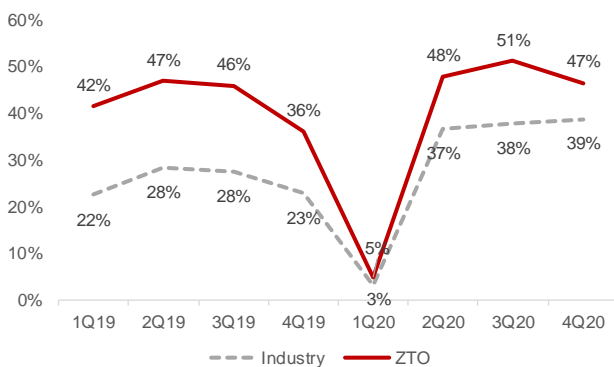
China Express Delivery Sector – Bloody battle to end soon; War for market share to continue; BUY winners in the respective playing fields – 14 Oct 2020

Figure 1: ZTO's 4Q20 results

(RMB mn)	1Q19	1Q20	Change YoY	2Q19	2Q20	Change YoY	3Q19	3Q20	Change YoY	4Q19	4Q20	Change YoY
Total revenue	4,574	3,916	-14.4%	5,424	6,402	18.0%	5,266	6,639	26.1%	6,847	8,257	20.6%
Cost of sales	-3,314	-3,097	-6.6%	-3,655	-4,633	26.8%	-3,669	-5,248	43.0%	-4,850	-6,399	31.9%
Gross profit	1,260	819	-35.0%	1,769	1,769	0.0%	1,597	1,391	-12.9%	1,996	1,858	-6.9%
Other income	58	113	95.2%	30	190	542.9%	94	152	60.7%	206	126	-38.8%
SG&A expenses	-558	-560	0.4%	-305	-312	2.3%	-291	-374	28.5%	-392	-418	6.5%
EBIT	760	372	-51.0%	1,493	1,647	10.3%	1,401	1,169	-16.5%	1,810	1,566	-13.4%
D&A	283	408	44.4%	298	426	42.9%	303	479	58.3%	381	527	38.3%
EBITDA	1,043	780	-25.2%	1,791	2,073	15.7%	1,703	1,648	-3.2%	2,191	2,093	-4.4%
Net finance income/(expense)	146	126	-14.0%	144	105	-27.2%	146	83	-43.3%	148	93	-36.9%
Finance income	146	126	-13.8%	144	114	-20.9%	146	97	-34.0%	148	106	-28.7%
Finance expenses	0	-0	n/a	0	-9	n/a	0	-14	n/a	0	-12	n/a
Gain/(loss) on disposal of subsidiaries	-1	0	n/a	0	0	n/a	0	0	n/a	-2	1	n/a
Impairment of investment in equity investees	0	0	n/a	0	0	n/a	0	0	n/a	-56	-1	-98.4%
Unrealized gain from investment in equity investee	0	0	n/a	0	0	n/a	0	0	n/a	754	0	-100.0%
FX gain/(loss)	-26	16	n/a	22	3	-88.4%	29	-64	n/a	-12	-82	n/a
Share of profit of JV and associates	-6	-14	n/a	-6	-2	n/a	-1	-5	n/a	6	3	-51.2%
Pretax profit	874	501	-42.7%	1,654	1,752	5.9%	1,574	1,182	-24.9%	2,648	1,581	-40.3%
Income tax	-192	-130	-32.4%	-289	-298	3.3%	-266	28	n/a	-331	-290	-12.6%
After tax profit	682	371	-45.6%	1,365	1,454	6.5%	1,308	1,210	-7.4%	2,317	1,291	-44.3%
MI	-1	4	n/a	-6	-5	-7.1%	-0	-9	n/a	10	-3	-136.2%
Net profit	681	375	-45.0%	1,359	1,449	6.6%	1,308	1,201	-8.1%	2,326	1,288	-44.6%
Ratios:			ppt			ppt			ppt			ppt
Gross margin	27.5%	20.9%	-6.6	32.6%	27.6%	-5.0	30.3%	21.0%	-9.4	29.2%	22.5%	-6.7
EBIT margin	16.6%	9.5%	-7.1	27.5%	25.7%	-1.8	26.6%	17.6%	-9.0	26.4%	19.0%	-7.5
After tax profit margin	14.9%	9.5%	-5.4	25.2%	22.7%	-2.5	24.8%	18.2%	-6.6	33.8%	15.6%	-18.2
Effective tax rate	22.0%	25.9%	4.0	17.5%	17.0%	-0.4	16.9%	-2.4%	-19.3	12.5%	18.3%	5.8

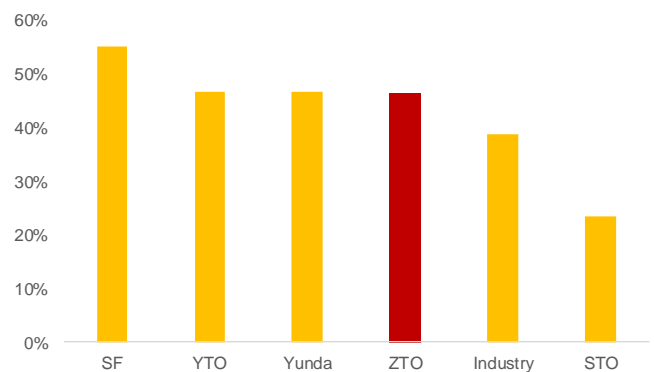
Source: Company data, CMBIS

Figure 2: ZTO's parcel volume growth has continued to outpace the industry average



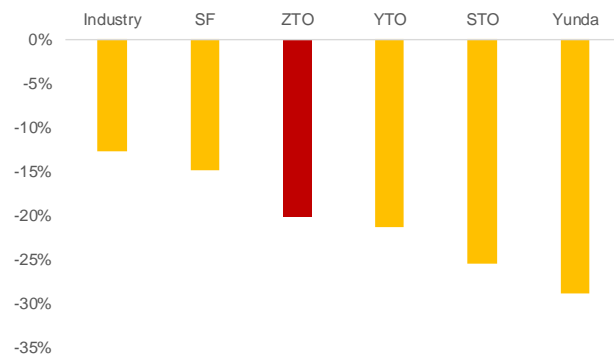
Source: Company data, The State Post Bureau, CMBIS

Figure 3: ZTO delivered similar parcel volume growth with major players in 4Q20



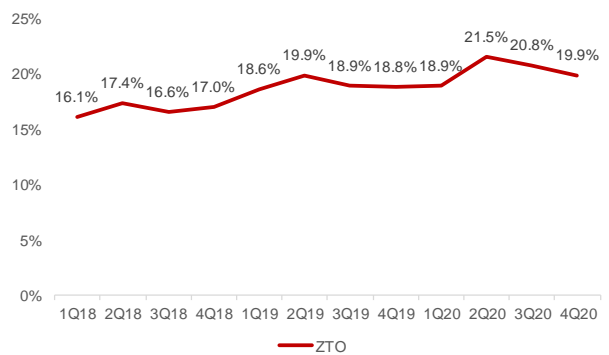
Source: Company data, The State Post Bureau, CMBIS

Figure 4: ZTO achieved relatively less ASP reduction (YoY) in 4Q20



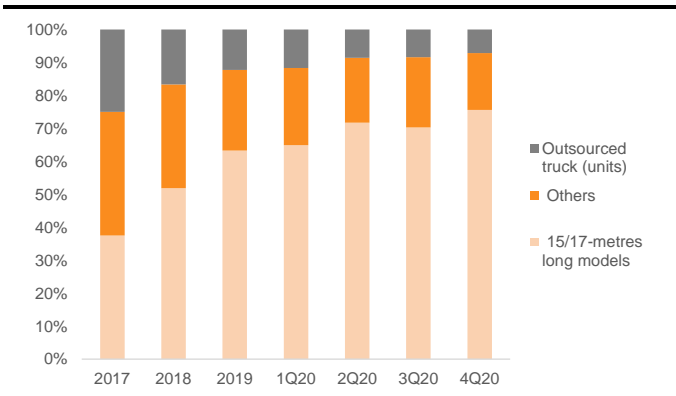
Source: Company data, The State Post Bureau, CMBIS

Figure 5: ZTO's market share in China in terms of parcel volume



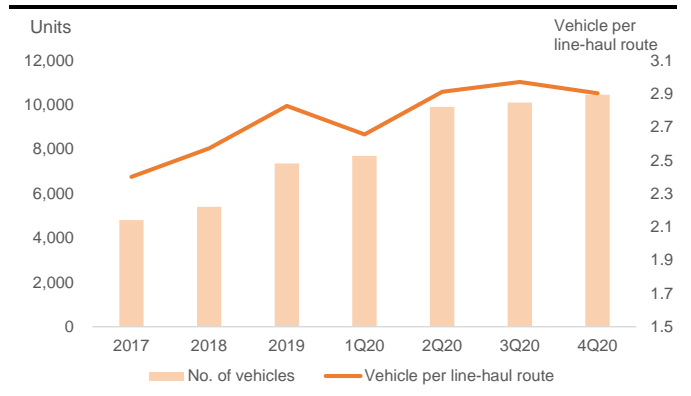
Source: Company data, CMBIS

Figure 6: ZTO's self-owned high capacity truck ratio



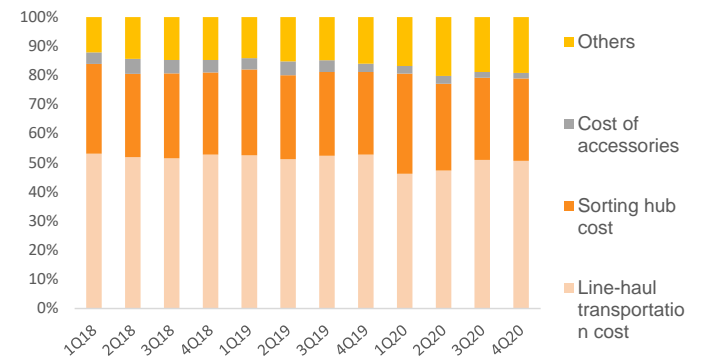
Source: Company data, CMBIS

Figure 7: ZTO's number of vehicles per line-haul route



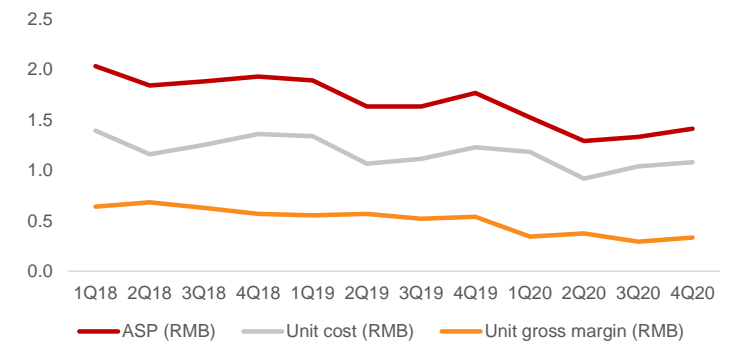
Source: Company data, CMBIS

Figure 8: ZTO unit cost breakdown



Source: Company data, CMBIS

Figure 9: ZTO's ASP, unit cost & unit gross margin



Source: Company data, CMBIS

Figure 10: Change in key assumptions

	Old		New		Change	
	2021E	2022E	2021E	2022E	2021E	2022E
Shipment volume (mn units of parcel)						
Unit of parcel	20,606	25,139	23,803	30,944	15.5%	23.1%
ASP (RMB/unit)						
Per unit of parcel	1.37	1.35	1.30	1.27	-5.1%	-6.0%
Unit cost breakdown (RMB)						
Line-haul transportation cost	-0.51	-0.50	-0.51	-0.49	-0.8%	-0.8%
Sorting hub cost	-0.30	-0.29	-0.28	-0.26	-7.4%	-11.2%
Others	-0.19	-0.19	-0.19	-0.19	-1.5%	-1.5%
Total	-1.03	-1.01	-1.00	-0.96	-3.3%	-4.4%
Unit gross margin (RMB)	0.33	0.35	0.30	0.31	-10.4%	-10.6%
(RMB mn)						
Revenue						
Express delivery, accessories & others	28,169	34,022	30,894	39,359	9.7%	15.7%
Freight forwarding services	1,795	1,938	2,142	2,356	19.4%	21.6%
Total	29,963	35,960	33,036	41,715	10.3%	16.0%
Revenue growth					ppt	
Express delivery, accessories & others	23%	21%	32%	27%	9.8	6.6
Freight forwarding services	10%	8%	15%	10%	5.0	2.0
Revenue	22%	20%	31%	26%	9.4	6.3
Gross margin					ppt	
Express delivery, accessories & others	24%	26%	23%	24%	(1.4)	(1.2)
Freight forwarding services	5%	5%	8%	8%	3.0	3.0
Gross margin	28%	29%	22%	23%	(5.6)	(5.5)
Net profit	6,261	7,850	5,375	7,127	-14.1%	-9.2%

Source: Company data, CMBIS estimates

Figure 11: Earnings sensitivity to ASP and unit line-haul transportation cost

2021E Net profit (RMB mn)	ASP (RMB/unit)					
	1.23	1.27	1.30	1.32	1.36	
-0.534	3,571	4,339	4,851	5,363	6,131	
-0.519	3,886	4,654	5,166	5,677	6,445	
Unit line-haul transportation cost (RMB)	-0.509	4,096	4,864	5,375	5,887	6,655
-0.499	4,306	5,073	5,585	6,097	6,865	
-0.484	4,620	5,388	5,900	6,412	7,179	

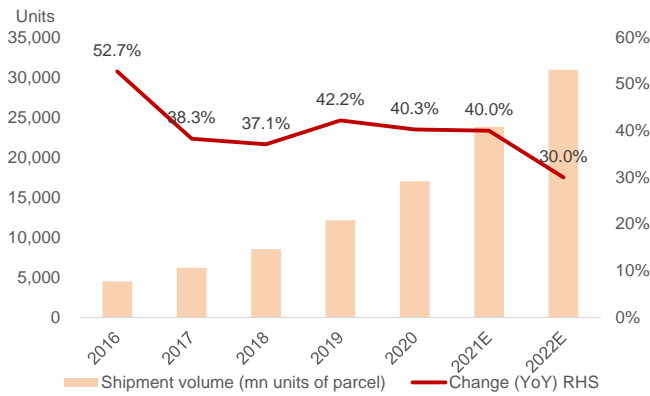
Source: Company data, CMBIS estimates

Figure 12: Earnings sensitivity to ASP and unit sorting hub cost

2021E Net profit (RMB mn)	ASP (RMB/unit)					
	1.23	1.27	1.30	1.32	1.36	
-0.293	3,809	4,576	5,088	5,600	6,368	
-0.284	3,981	4,749	5,260	5,772	6,540	
Unit sorting hub cost (RMB)	-0.279	4,096	4,864	5,375	5,887	6,655
-0.273	4,211	4,978	5,490	6,002	6,770	
-0.265	4,383	5,151	5,663	6,174	6,942	

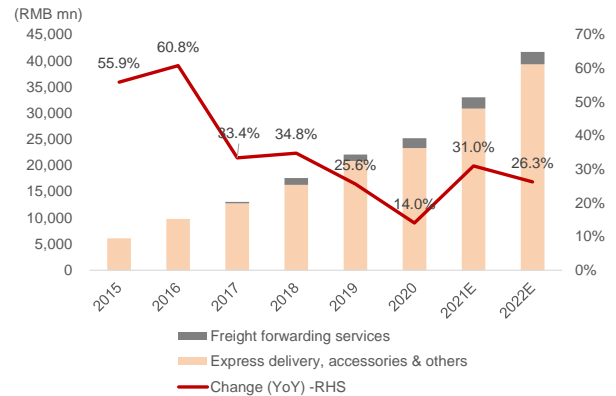
Source: Company data, CMBIS estimates

Figure 13: ZTO's parcel shipment volume forecast



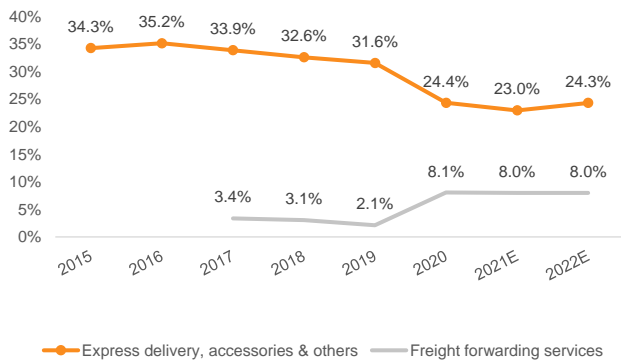
Source: Company data, CMBIS estimate

Figure 14: ZTO's revenue forecast



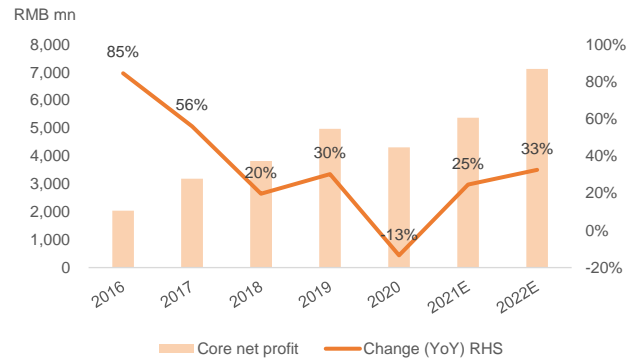
Source: Company data, CMBIS estimate

Figure 15: ZTO's gross margin trend



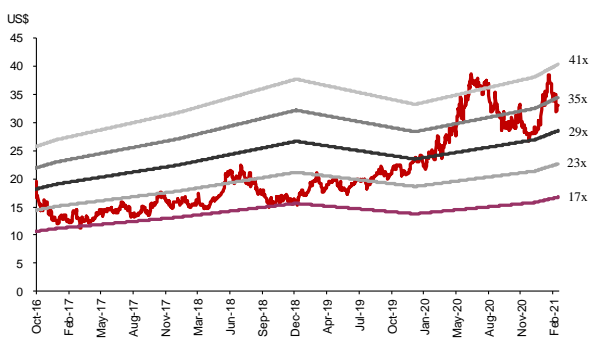
Source: Company data, CMBIS estimate

Figure 16: ZTO's core net profit forecast



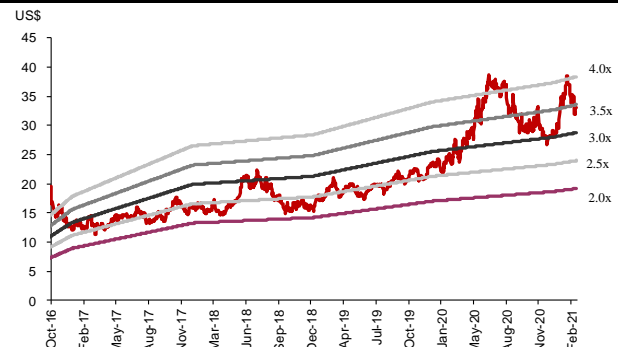
Source: Company data, CMBIS estimate

Figure 17: ZTO US's P/E band



Source: Bloomberg, Company data, CMBIS estimates

Figure 18: ZTO US's P/B band



Source: Bloomberg, Company data, CMBIS estimates

- **Major risk factors:** (1) prolonged price war; (2) slowdown of online retail sales; (3) lack of effective control over network partners.

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	17,604	22,110	25,214	33,036	41,715
Cost of sales	(12,240)	(15,489)	(19,377)	(25,764)	(31,945)
Gross profit	5,365	6,621	5,837	7,272	9,770
Other operating income	178	388	581	661	834
SG&A expense	(1,211)	(1,546)	(1,664)	(2,048)	(2,503)
EBIT	4,332	5,463	4,754	5,884	8,102
Net finance income/(cost)	400	585	407	391	304
Finance income	401	585	443	427	340
Finance expenses	(1)	0	(35)	(36)	(36)
Gain/(loss) on disposal	563	(3)	1	0	0
Impairment of equity investees	0	(56)	(1)	0	0
Unrealized gain fr. equity investee	0	754	0	0	0
FX gain/(loss)	41	13	(127)	0	0
Profit of JV & associates	(19)	(8)	(19)	(6)	3
Pretax profit	5,317	6,750	5,016	6,269	8,410
Income tax	(929)	(1,078)	(690)	(878)	(1,261)
After tax profit	4,388	5,671	4,326	5,392	7,148
MI	(5)	3	(14)	(16)	(21)
Net profit	4,383	5,674	4,312	5,375	7,127
Recurring net profit	3,820	4,979	4,312	5,375	7,127
D&A	854	1,265	1,840	2,744	3,558
EBITDA	5,186	6,727	6,595	8,628	11,659

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Pretax profit	5,317	6,750	5,016	6,269	8,410
Finance cost	1	0	35	36	36
Interest income	(401)	(585)	(443)	(427)	(340)
Profit or loss of associates	19	8	19	6	(3)
Depreciation & amortization	854	1,265	1,840	2,744	3,558
Income tax paid	(1,068)	(1,119)	(690)	(878)	(1,261)
Change in working capital	(443)	(260)	(1,381)	(459)	(308)
Others	(275)	(338)	111	(0)	(0)
Cash flow from operation	4,003	5,719	4,508	7,292	10,090
Net capex on PP&E	(3,324)	(4,636)	(7,853)	(10,000)	(10,000)
Purchase of land use rights	(657)	(591)	(1,927)	(700)	(700)
Investment in JV/associates	(1,865)	(218)	0	(50)	(50)
Investment in subsidiaries	(110)	(20)	0	0	0
Interest received	401	585	443	427	340
Others	(7,718)	629	5,346	0	0
Cash flow from investing	(13,274)	(4,250)	(3,992)	(10,323)	(10,410)
Equity financing/(repurchase)	8,122	(763)	9,842	0	0
Net bank borrowings	(250)	0	1,433	0	0
Dividend paid	(895)	(1,271)	(1,667)	(1,355)	(1,666)
Others	66	51	(1,271)	0	0
Cash flow from financing	7,042	(1,982)	8,337	(1,390)	(1,702)
Change in cash	(2,229)	(513)	8,853	(4,421)	(2,022)
Cash at beginning of the year	5,425	4,623	5,270	14,213	9,791
Exchange gains/(losses) and others	1,426	1,161	89	(0)	(0)
Cash at the end of the year	4,623	5,270	14,213	9,791	7,769

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Non-current assets	18,449	25,792	36,880	45,344	53,108
PP&E	9,036	12,471	18,565	25,927	32,489
Land use right	1,969	2,509	4,361	4,961	5,548
Investment in JV/associates	2,207	3,109	3,224	3,268	3,321
Operating lease right-of-use assets	0	902	876	936	996
Goodwill	4,242	4,242	4,242	4,242	4,242
Long term financing receivables	0	550	1,970	2,374	2,883
Intangible assets	54	48	42	36	29
Long-term investment	0	946	1,842	1,842	1,842
Others	623	612	1,037	1,037	1,037
Deferred tax assets	318	404	721	721	721
Current assets	21,234	20,098	22,325	18,720	16,685
Inventories	44	44	53	88	69
Account receivables	597	676	746	1,155	1,245
Financing receivables	518	511	492	865	780
Advances to suppliers	338	438	589	589	589
Short-term investment	13,600	11,113	3,690	3,690	3,690
Others	1,515	2,039	2,408	2,408	2,408
Restricted cash	0	7	133	133	133
Cash	4,623	5,270	14,213	9,791	7,769
Current liabilities	5,141	6,681	9,348	10,170	10,417
Account payables	1,312	1,475	1,636	2,458	2,706
Operating lease liabilities	0	299	246	246	246
Bank borrowings	0	0	1,433	1,433	1,433
Tax payable	406	80	49	49	49
Advanced from customers	437	1,211	1,120	1,120	1,120
Others	2,987	3,616	4,864	4,864	4,864
Non-current liabilities	272	806	757	757	757
Bank borrowings	0	0	0	0	0
Deferred tax liabilities	158	208	255	255	255
Non-current operating lease	0	504	502	502	502
Others	114	94	(0)	(0)	(0)
Shareholders' equity	34,217	38,303	48,979	53,000	58,460
MI	52	101	121	137	159

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E
Sales mix (%)					
Express delivery, accessories & others	93%	94%	93%	94%	94%
Freight forwarding services	7%	6%	7%	6%	6%
Total	100%	100%	100%	100%	100%
Profit & loss ratio (%)					
Gross margin	30.5	29.9	23.1	22.0	23.4
EBITDA margin	29.5	30.4	26.2	26.1	27.9
EBIT margin	24.6	24.7	18.9	17.8	19.4
Net profit margin	24.9	25.7	17.2	16.3	17.1
Growth (%)					
Revenue	34.8	25.6	14.0	31.0	26.3
Gross profit	23.5	23.4	(11.8)	24.6	34.4
EBITDA	n/a	29.7	(2.0)	30.8	35.1
EBIT	15.6	26.1	(13.0)	23.8	37.7
Core net profit	19.8	30.3	(13.4)	24.7	32.6
Balance sheet ratio					
Current ratio (x)	4.1	3.0	2.4	1.8	1.6
Trade receivable turnover days	9	15	29	35	34
Inventory turnover days	1	1	1	1	1
Payable turnover days	33	33	29	29	30
Net debt / total equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Profitability (%)					
ROA	13.4	13.3	8.2	8.7	10.6
ROE	13.7	13.7	9.9	10.5	12.8
Per share data					
EPS (RMB)	5.83	7.24	5.43	6.44	8.54
Core EPS (RMB)	5.08	6.35	5.43	6.44	8.54
BVPS (RMB)	43.56	48.98	58.67	63.48	70.02
DPS (RMB)	1.69	2.13	1.70	2.00	2.65

Source: Company data, CMBIS 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.

Disclosure

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

CMBIS 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 CMBIS

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 Securities Limited

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

CMB International Securities Limited ("CMBIS") 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. CMBIS 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. CMBIS 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 CMBIS, solely for the purpose of supplying information to the clients of CMBIS 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 CMBIS 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. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS 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. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS 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 CMBIS 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 CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS 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 CMBIS.

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 CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS 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.