

# WH Group (288 HK)

## Maintain Buy on undemanding valuation

We hosted an investor meeting with management recently. We estimate 1H20E NP to increase by ~45% to US\$670mn (47% of our FY20E est.). Looking into 2H20E, while we are positive on softening hog price in China market, we think recent rebound of new cases of COVID-19 in US could delay market recovery. That said, market cap of WH's Shuanghui equity interests is greater than WH's market cap, implying Smithfield is free. Maintain Buy on undemanding valuation.

- China market OP growth to accelerate in 2Q20E.** (1) **Packaged meat:** Sales volume resumes growth in 2Q20E after a drop in 1Q20 due to temporary shutdown of plants. Raw materials costs declined QoQ as pork price dropped QoQ in 2Q20. We expect OP to grow strongly YoY with a high OP/tonne. (2) **Fresh pork:** Hog processing volume continues to decline significantly due to ASF but the Company increased import volume of frozen pork to keep fresh pork sales volume stable. OP/head lowered from exceptional high level in 1Q20 to relatively high level in 2Q20E as pork price softened in QoQ in 2Q20.
- US market OP growth could be flat YoY.** (1) **Packaged meat:** We expect YoY decline of OP in 2Q20E would be similar to 1Q20 because food service channel was hit by COVID-19 and extra expenses (US\$40-50mn) from responsibility bonus payment and epidemic prevention cost. (2) **Fresh pork:** The price spread between pork and hog prices surged in Apr and May as pork supplies reduced due to temporary factories shutdown in downstream. We expect 2Q20E OP would be higher than 1Q20. (3) **Hog production:** Hog price slumped because of temporary factories shutdown. Thanks to hedging, we think segment loss would not be significant.
- 2H20E outlook.** (1) **China market to benefit from softening hog price:** Management forecasts hog price to soften in 2H20E given that sow balance has been improving MoM (Figure 13). Profit margin of packaged meat could further improve in 2H20E. (2) **US market depends on COVID-19:** The recent rebound of COVID-19 new cases has delayed the recovery by keeping food service demand low. Based on current futures prices and hedging position, management expects hog production segment could be profitable in 3Q20E but loss-making in 4Q20E. Currently US pork price is 77% below Chinese pork price. Smithfield would continue to export a lot of pork to China.
- Valuation.** Our SOTP-based TP of HK\$9.50 represents 13.0x FY20E P/E. **Catalyst:** US economy reopening. **Risks:** uncertainties from COVID-19 outbreak, US hog market in severe oversupply.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (US\$ mn)	22,605	24,103	25,148	25,930	26,912
Net profit (US\$ mn)	1,047	1,380	1,415	1,436	1,556
Adj. net profit (US\$ mn)	1,046	1,378	1,415	1,436	1,556
Adj. EPS (US\$)	0.071	0.094	0.102	0.107	0.114
YoY growth (%)	(4.9)	31.5	2.6	1.5	8.3
Consensus EPS (US\$)	na	na	0.096	0.102	0.135
Adj. P/E (x)	12.6	9.6	9.4	9.3	8.5
P/B (x)	1.7	1.5	1.4	1.3	1.2
Yield (%)	2.8	4.5	4.6	4.6	5.0
Adj. ROAE (%)	13.8	16.8	15.6	14.5	14.4

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$9.50
(Previous TP)	HK\$9.50)
Up/Downside	+35%
Current Price	HK\$7.05

### China Staples Sector

#### Albert Yip, CFA

(852) 3900 0838

albertyip@cmbi.com.hk

#### Stock Data

Mkt Cap (HK\$ mn)	103,844
Avg 3 mths t/o (HK\$ mn)	356.36
52w High/Low (HK\$)	8.90/ 5.92
Total Issued Shares (mn)	14,720.8

Source: Bloomberg

#### Shareholding Structure

Rise Grand	35.83%
------------	--------

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	5.3%	0.7%
3-mth	-6.8%	-13.6%
6-mth	-17.0%	-9.5%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: EY

#### Related Reports

- "WH Group – 1Q20 results on track" – 29 Apr 2020
- "WH Group – FY19 results beat; 1Q20E NP growth still good" – 25 Mar 2020
- "WH Group – 4Q19 momentum continued and a positive 2020" – 13 Jan 2020
- "WH Group – 3Q19 NP +79%, China's packaged meat and fresh pork margins could continue in 4Q19E" – 29 Oct 2019
- "WH Group – NDR takeaways; China market is improving in 3Q19E" – 25 Sep 2019

**Figure 1: CMBIS estimates vs consensus**

US\$ mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	25,148	25,930	26,912	25,916	26,710	27,188	-3%	-3%	-1%
Gross Profit	5,278	5,282	5,434	5,419	5,624	5,784	-3%	-6%	-6%
Operating Profit	2,250	2,303	2,461	2,302	2,356	2,390	-2%	-2%	3%
Net profit	1,411	1,429	1,548	1,513	1,610	1,699	-7%	-11%	-8%
Gross Margin	21.0%	20.4%	20.2%	20.9%	21.1%	21.3%	+0.1ppt	-0.7ppt	-1.1ppt
Operating Margin	8.9%	8.9%	9.1%	8.9%	8.8%	8.8%	flat	+0.1ppt	+0.3ppt
Net Margin	5.6%	5.5%	5.8%	5.8%	6.0%	6.2%	-0.2ppt	-0.5ppt	-0.4ppt

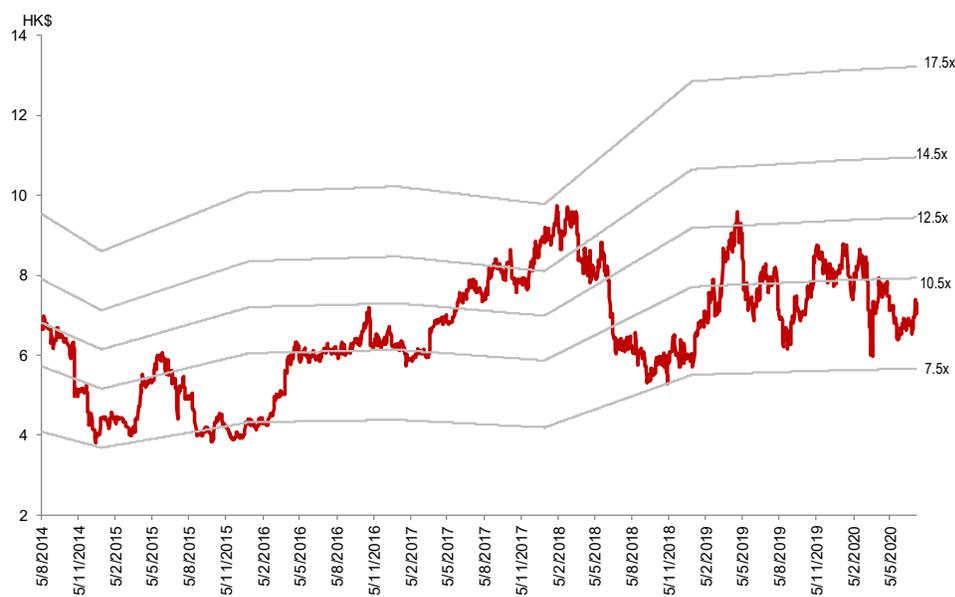
Source: Bloomberg, CMBIS estimates

**Figure 2: SOTP-based valuation**

Segment	FY20 P/E	FY20E net profit (US\$mn)	Valuation (US\$mn)	Remarks
US & Europe businesses	10.0	840.3	8,403	10x FY20E P/E
China business	16.6	574.2	9,532	30% discount on HK listed peers' average 23.7x FY20E P/E
<b>Total</b>			<b>17,935</b>	
Value per share (HK\$)			9.5	
Implied FY20E P/E			13.0	

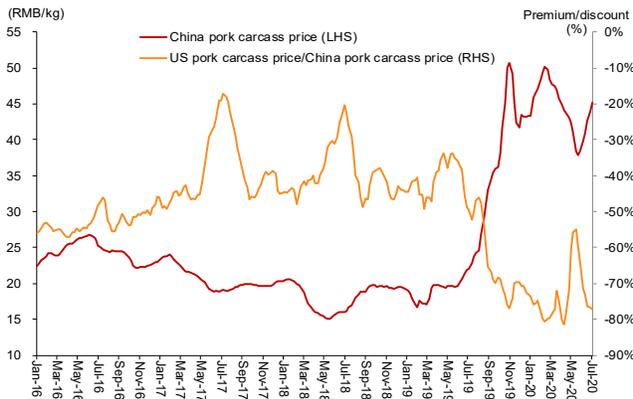
	Price (RMB)	Issue shares (mn)	Value (HK\$mn)	
Market cap of WH			103,844	
Mkt value of Shaughui stakes	49.16	3,319.3	133,477	based on 73.41% equity stakes and 10 Jul closing price
Implied Smithfield value			(29,634)	

Source: Company data, Bloomberg, CMBIS estimates

**Figure 3: P/E band**

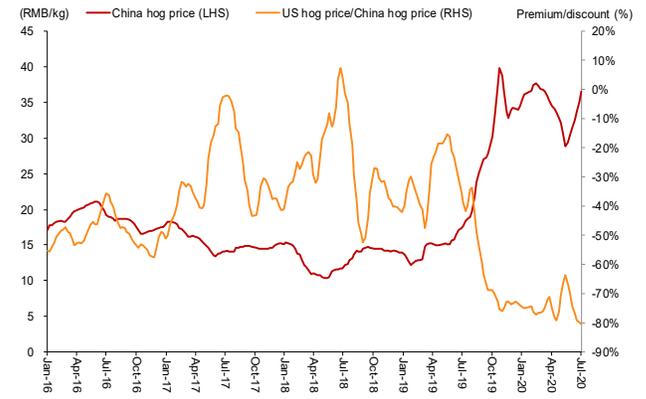
Source: Bloomberg, Company data, CMBIS estimates

**Figure 4: The discount of US pork carcass price to China's was 77% on 5 Jul 2020**



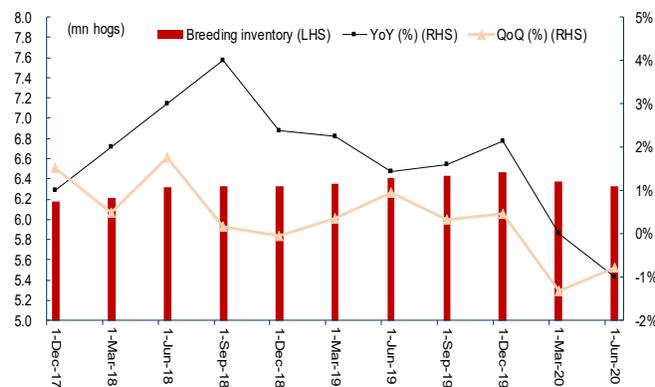
Source: Bloomberg, CMBIS

**Figure 5: The discount of US hog price to China's was 81% on 8 Jul 2020**



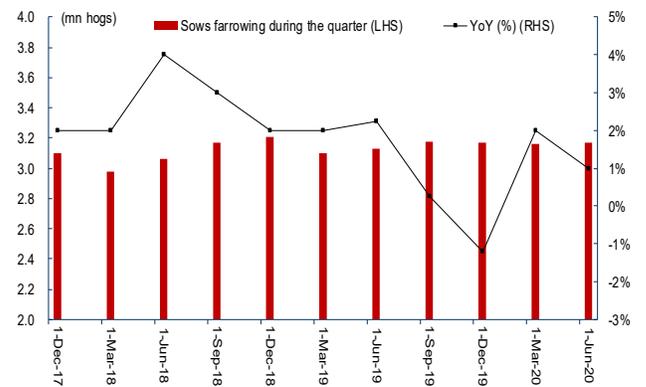
Source: Bloomberg, CMBIS

**Figure 6: Growth of US breeding hog inventory was down 1% in the quarter ended 1 Jun 2020**



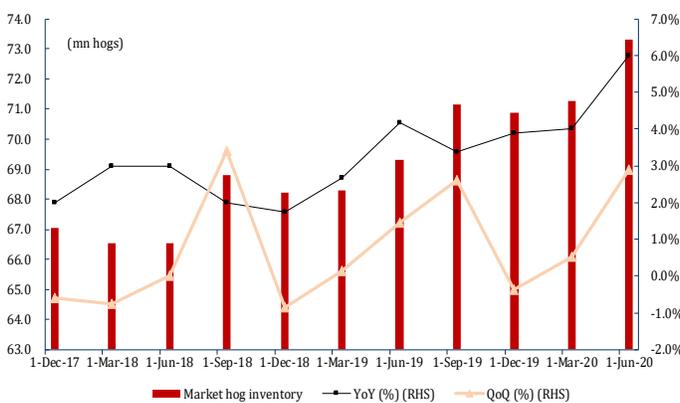
Source: USDA, CMBIS

**Figure 7: Number of sows farrowing during the quarter ended 1 Jun 2020 up 1%**



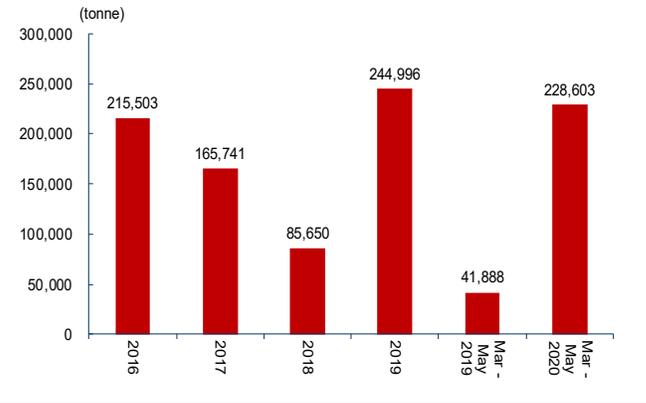
Source: USDA, CMBIS

**Figure 8: Growth of US market hog inventory was 6% in the quarter ended 1 Jun 2020 due to epidemic**



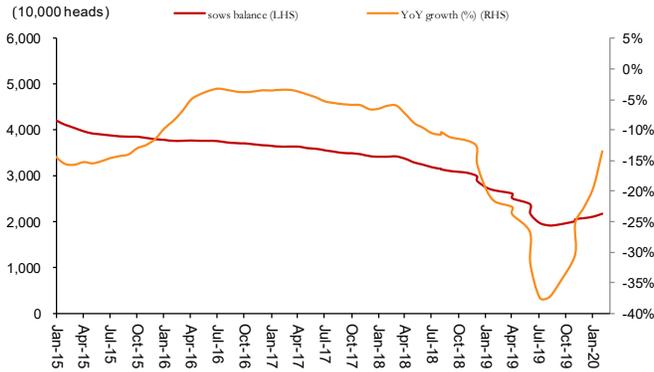
Source: USDA, CMBIS

**Figure 9: China's pork import volume from US between Mar and May 2020 almost reached 2019 level**



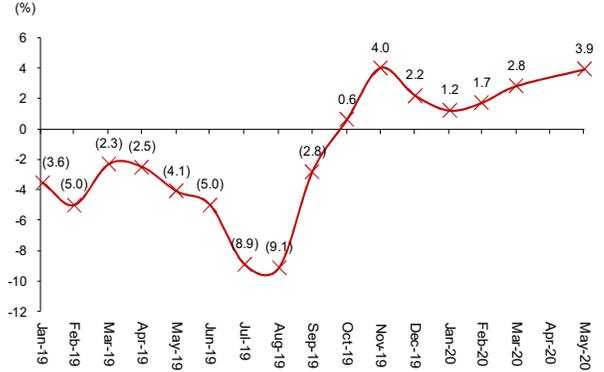
Source: WIND, CMBIS

**Figure 10: Sows balance decline in China narrowed to 13.5% YoY in Mar 2020**



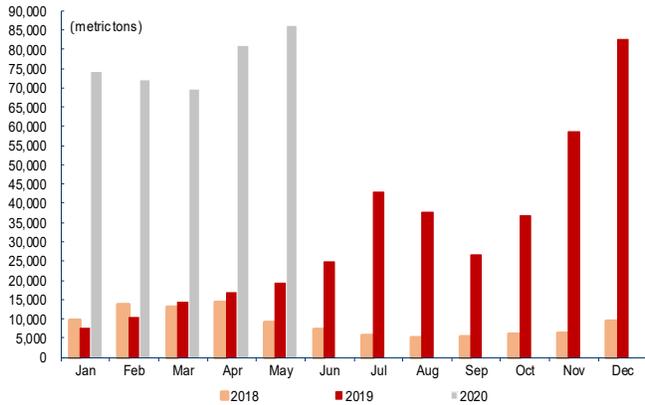
Source: WIND, CMBIS

**Figure 11: Sow balance MoM growth accelerated to 3.9% in May 2020**



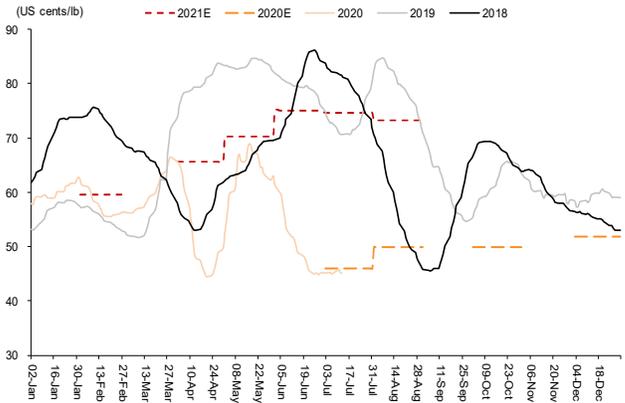
Source: WIND, CMBIS

**Figure 12: US pork export volume to China kept going up in 2020**



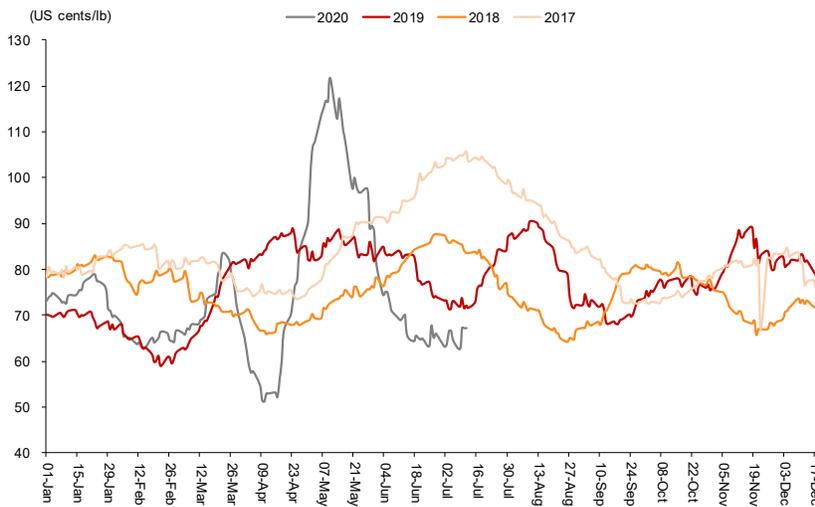
Source: US meat export federation

**Figure 13: US hog spot price and futures prices have softened since epidemic**



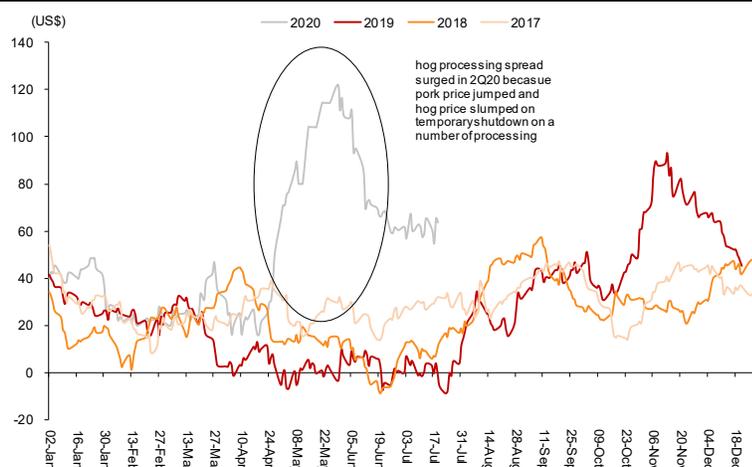
Source: Bloomberg, CMBIS estimates

**Figure 14: US pork price chart**



Source: Bloomberg, CMBIS

Figure 15: US pork packers margins has expanded since epidemic



Source: Bloomberg, CMBIS

Figure 17: Major assumptions for US market

(US\$m)	FY18	FY19	FY20E	FY21E	FY22E
<b>Packaged meat segment</b>					
External revenue	7,773	7,814	7,888	7,887	8,045
growth %	-0.4%	0.5%	0.9%	0.0%	2.0%
Sales volume (mn metric tons)	1.46	1.45	1.44	1.45	1.47
growth %	0.9%	-0.5%	-1.0%	1.0%	1.0%
ASP (US\$/ton)	5,324	5,378	5,485	5,431	5,485
growth %	-1.3%	1.0%	2.0%	-1.0%	1.0%
OP margin	10.1%	10.8%	11.1%	11.6%	12.0%
<b>Fresh pork segment</b>					
External revenue	4,790	4,467	5,275	5,092	5,071
growth %	-3.4%	-6.7%	18.1%	-3.5%	-0.4%
Hog processed (mn heads)	33.95	34.51	35.20	35.91	36.63
growth %	-1.4%	1.7%	2.0%	2.0%	2.0%
OP/head (US\$)	1.4	4.3	8.0	7.0	7.0
<b>Hog production segment</b>					
External revenue	619	877	1,029	986	976
growth %	21.4%	41.7%	17.3%	-4.1%	-1.1%
Hog produced (mn heads)	16.47	17.68	18.03	18.40	18.76
growth %	0.5%	7.4%	2.0%	2.0%	2.0%
OP/head (US\$)	(8.9)	4.7	6.0	2.0	(1.0)
<b>Total external revenue</b>	<b>13,182</b>	<b>13,158</b>	<b>14,192</b>	<b>13,965</b>	<b>14,092</b>
Packaged meat	7,773	7,814	7,888	7,887	8,045
Fresh pork	4,790	4,467	5,275	5,092	5,071
Hog production	619	877	1,029	986	976
<b>Segment profit</b>	<b>615</b>	<b>932</b>	<b>1,110</b>	<b>1,040</b>	<b>1,032</b>
growth %	<b>-33.4%</b>	<b>51.5%</b>	<b>19.1%</b>	<b>-6.3%</b>	<b>-0.8%</b>
Packaged meat	785	847	876	915	966
Fresh pork	48	150	282	251	256
Hog production	(147)	83	108	37	(19)
Others	(71)	(148)	(155)	(163)	(171)
<b>Segment profit margin</b>	<b>4.7%</b>	<b>7.1%</b>	<b>7.8%</b>	<b>7.4%</b>	<b>7.3%</b>

Source: Company data, CMBIS estimates

**Figure 18: Major assumptions for China market**

(US\$m)	FY18	FY19	FY20E	FY21E	FY22E
<b>Packaged meat segment</b>					
External revenue	3,458	3,615	4,016	4,056	4,097
<i>growth %</i>	4.4%	4.5%	11.1%	1.0%	1.0%
Sales volume (mn metric tons)	1.60	1.60	1.60	1.62	1.63
<i>growth %</i>	1.1%	0.0%	0.0%	1.0%	1.0%
ASP (Rmb/ton)	14,303	15,673	17,553	17,553	17,553
<i>growth %</i>	1.3%	9.6%	12.0%	0.0%	0.0%
<i>OP margin %</i>	20.6%	18.6%	18.0%	20.5%	21.5%
<b>Fresh pork segment</b>					
External revenue	3,584	4,725	3,796	4,556	5,125
<i>growth %</i>	-7.8%	31.8%	-19.7%	20.0%	12.5%
Hog processed (mn heads)	16.31	13.20	7.92	11.88	14.85
<i>growth %</i>	14.3%	-19.0%	-40.0%	50.0%	25.0%
OP/head (Rmb)	72.7	137.8	110.0	60.0	50.0
<b>Hog production segment</b>					
External revenue	8	2	1	2	2
<i>growth %</i>	-27.3%	-75.0%	-40.5%	35.0%	20.0%
Hog produced (mn heads)	0.29	0.13	0.07	0.10	0.12
<i>growth %</i>	-6.1%	-54.9%	-50.0%	50.0%	20.0%
OP/head (Rmb)	113.0	-683.8	-1200.0	400.0	300.0
<b>Total external revenue</b>	<b>7,328</b>	<b>8,756</b>	<b>8,368</b>	<b>9,224</b>	<b>9,895</b>
Packaged meat	3,458	3,615	4,016	4,056	4,097
Fresh pork	3,584	4,725	3,796	4,556	5,125
Hog production	8	2	1	2	2
Others	278	414	554	610	671
<b>Segment profit</b>	<b>922</b>	<b>957</b>	<b>887</b>	<b>998</b>	<b>1,061</b>
<i>growth %</i>	<b>75.6%</b>	<b>3.8%</b>	<b>-7.3%</b>	<b>12.6%</b>	<b>6.3%</b>
Packaged meat	712	673	723	832	881
Fresh pork	179	262	124	102	106
Hog production	5	(13)	(11)	6	5
Others	26	35	51	59	69
<b>Segment profit margin</b>	<b>12.6%</b>	<b>10.9%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>10.7%</b>

Source: Company data, CMBIS estimates

**Figure 19: Major assumptions for Europe market**

(US\$mn)	FY18	FY19	FY20E	FY21E	FY22E
<b>Packaged meat segment</b>					
External revenue	916	902	1,013	1,089	1,167
<i>growth %</i>	39.2%	-1.5%	12.3%	7.5%	7.2%
Sales volume (mn metric tons)	0.29	0.28	0.29	0.31	0.32
<i>growth %</i>	18.0%	-2.0%	5.0%	5.0%	5.0%
ASP (EUR/ton)	3,818	3,627	3,736	3,848	3,964
<i>growth %</i>	23.0%	-5.0%	3.0%	3.0%	3.0%
OP margin	5.5%	6.0%	6.2%	6.8%	7.3%
<b>Fresh pork segment</b>					
External revenue	762	886	1,136	1,180	1,251
<i>growth %</i>	12.6%	16.3%	28.3%	3.9%	6.0%
Hog processed (mn heads)	5.83	6.08	6.69	7.36	7.87
<i>growth %</i>	14.6%	4.4%	10.0%	10.0%	7.0%
OP/head (EUR)	3.9	-1.7	-2.0	4.0	4.0
<b>Hog production segment</b>					
External revenue	61	58	68	66	64
<i>growth %</i>	19.6%	-4.9%	17.1%	-2.7%	-3.0%
Hog produced (mn heads)	4.17	3.99	4.11	4.24	4.36
<i>growth %</i>	18.0%	-4.3%	3.0%	3.0%	3.0%
OP/head (EUR)	8.2	27.2	33.0	22.0	18.0
<b>Total external revenue</b>	<b>2,095</b>	<b>2,188</b>	<b>2,588</b>	<b>2,741</b>	<b>2,924</b>
Packaged meat	916	902	1,013	1,089	1,167
Fresh pork	762	886	1,136	1,180	1,251
Hog production	61	58	68	66	64
Others	356	342	371	406	442
<b>Segment profit</b>	<b>113</b>	<b>142</b>	<b>187</b>	<b>198</b>	<b>198</b>
<i>growth %</i>	<b>-16.3%</b>	<b>25.7%</b>	<b>32.0%</b>	<b>5.9%</b>	<b>0.0%</b>
Packaged meat	50	54	63	74	85
Fresh pork	19	(9)	(12)	27	29
Hog production	29	97	125	85	71
Others	15	0	11	12	13
<b>Segment profit margin</b>	<b>5.4%</b>	<b>6.5%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>6.8%</b>

Source: Company data, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (US\$ mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec (US\$ mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>22,605</b>	<b>24,103</b>	<b>25,148</b>	<b>25,930</b>	<b>26,912</b>	Profit before tax	1,411	2,052	2,082	2,138	2,319
China	7,328	8,756	8,368	9,224	9,895	Depreciation and amortization	441	581	597	609	621
US	13,182	13,158	14,192	13,965	14,092	Change in working capital	(570)	(930)	229	85	(42)
EUR	2,095	2,188	2,588	2,741	2,924	Others	(27)	(240)	(764)	(461)	(503)
Cost of sales	(18,103)	(19,209)	(20,051)	(20,645)	(21,400)	<b>Net cash from operating</b>	<b>1,255</b>	<b>1,463</b>	<b>2,144</b>	<b>2,371</b>	<b>2,394</b>
<b>Gross profit</b>	<b>4,502</b>	<b>4,894</b>	<b>5,097</b>	<b>5,284</b>	<b>5,511</b>	Capex & investments	(811)	(680)	(600)	(600)	(600)
Other income and gains	98	59	63	73	82	Interest received	6	6	15	25	34
SG&A expenses	(2,871)	(2,870)	(2,909)	(3,055)	(3,132)	Others	(412)	(122)	0	0	0
<b>Operating profit</b>	<b>1,729</b>	<b>2,083</b>	<b>2,250</b>	<b>2,303</b>	<b>2,461</b>	<b>Net cash from investing</b>	<b>(1,217)</b>	<b>(796)</b>	<b>(585)</b>	<b>(575)</b>	<b>(566)</b>
Finance cost	(115)	(144)	(126)	(125)	(104)	Change of borrowings	4	3	127	(400)	(400)
Other expenses	(74)	(63)	(63)	(63)	(63)	Dividend paid	(795)	(464)	(721)	(772)	(794)
Other gains/(losses)	(21)	53	0	0	0	Others	1	(132)	0	0	0
Share of profit of associate	8	4	4	4	5	<b>Net cash from financing</b>	<b>(790)</b>	<b>(593)</b>	<b>(594)</b>	<b>(1,172)</b>	<b>(1,194)</b>
Share of profit of JV	23	13	17	19	20	<b>Net change in cash</b>	<b>(752)</b>	<b>74</b>	<b>965</b>	<b>624</b>	<b>634</b>
Profit before tax	1,550	1,946	2,082	2,138	2,319	Cash at the beginning	1,279	484	552	1,517	2,141
Income tax	(293)	(336)	(423)	(434)	(470)	Exchange difference	(43)	(6)	0	0	0
Non-controlling interests	(210)	(230)	(244)	(268)	(293)	<b>Cash at the end</b>	<b>484</b>	<b>552</b>	<b>1,517</b>	<b>2,141</b>	<b>2,775</b>
<b>Net profit</b>	<b>1,047</b>	<b>1,380</b>	<b>1,415</b>	<b>1,436</b>	<b>1,556</b>	Bank and cash balance	525	552	1,517	2,141	2,775
<b>Adj. net profit</b>	<b>1,046</b>	<b>1,378</b>	<b>1,415</b>	<b>1,436</b>	<b>1,556</b>	Bank overdraft	(41)	0	0	0	0

Balance sheet						Key ratios					
YE 31 Dec (US\$ mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>9,838</b>	<b>10,575</b>	<b>10,603</b>	<b>10,631</b>	<b>10,629</b>	<b>Sales mix (%)</b>					
PPE	5,300	5,406	5,552	5,686	5,808	China	32.4	36.3	33.3	35.6	36.8
Goodwill	3,581	3,667	3,658	3,649	3,640	US	58.3	54.6	56.4	53.9	52.4
JV/associates	352	347	368	391	416	EUR	9.3	9.1	10.3	10.6	10.9
Others	605	509	509	519	509	<b>P&amp;L ratios (%)</b>					
<b>Current assets</b>	<b>5,460</b>	<b>6,707</b>	<b>7,564</b>	<b>8,179</b>	<b>8,974</b>	Gross profit margin	19.9	20.3	20.3	20.4	20.5
Cash and pledged deposits	579	593	1,558	2,182	2,816	Operating profit margin	7.6	8.6	8.9	8.9	9.1
Inventory	2,022	2,903	2,727	2,668	2,765	Net profit margin	4.6	5.7	5.6	5.5	5.8
Trade receivables	1,135	1,047	1,092	1,126	1,169	Adj. net profit margin	4.6	5.7	5.6	5.5	5.8
Others	1,724	2,164	2,186	2,202	2,223	Payout ratio	35.8	43.0	43.0	43.0	43.0
<b>Current liabilities</b>	<b>3,328</b>	<b>3,869</b>	<b>4,095</b>	<b>4,180</b>	<b>4,289</b>	<b>Balance sheet ratios</b>					
Borrowings	860	905	1,010	1,010	1,010	Current ratio (x)	1.6	1.7	1.8	2.0	2.1
Trade payables	977	1,074	1,121	1,154	1,197	Receivables turnover days	17	17	16	16	16
Other payables	1,430	1,686	1,760	1,812	1,878	Payables turnover days	21	19	20	20	20
Others	61	204	204	204	204	Inventory turnover days	40	47	51	48	46
<b>Non-current liabilities</b>	<b>3,552</b>	<b>3,961</b>	<b>3,681</b>	<b>3,306</b>	<b>2,936</b>	Asset turnover (x)	1.5	1.4	1.4	1.4	1.4
Borrowings	2,259	2,187	2,209	1,809	1,409	Net gearing ratio (%)	30	30	16	6	(3)
Deferred revenue	695	1,114	812	837	867	<b>Returns (%)</b>					
Others	598	660	660	660	660	Adj. ROAE	13.8	16.8	15.6	14.5	14.4
<b>Minority Interest</b>	<b>672</b>	<b>768</b>	<b>886</b>	<b>991</b>	<b>1,107</b>	Adj. ROAA	8.2	9.9	9.4	9.2	9.6
<b>Total net assets</b>	<b>8,418</b>	<b>9,452</b>	<b>10,391</b>	<b>11,323</b>	<b>12,378</b>	<b>Per share data</b>					
<b>Shareholders' equity</b>	<b>7,746</b>	<b>8,684</b>	<b>9,505</b>	<b>10,332</b>	<b>11,270</b>	Adj. EPS (US\$)	0.071	0.094	0.096	0.098	0.106
						DPS (HK\$)	0.20	0.32	0.32	0.33	0.35
						BVPS (US\$)	0.53	0.59	0.65	0.70	0.77

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.

## 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

This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.

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.