

Xiaomi (1810 HK)

4Q19 beat; COVID-19 uncertainty remains

Xiaomi delivered in-line 4Q19E revenue with 27% YoY, while adj. NP grew 27% YoY, 6%/19% above our/consensus estimates, thanks to stronger smartphone overseas and higher smartphone/internet GPM. To reflect COVID-19 impact on global smartphone/ IoT demand and slower China ads/fintech sales, we revised down FY20/21E EPS by 7%/10% and trimmed TP to HK\$10.7 with lower 20x FY20E P/E (prev. 25x). We remain positive on Xiaomi's strategic roadmap in 5G cycle, but maintain Hold rating mainly due to COVID-19 uncertainty.

- **Solid 4Q19 with gradual margin recovery.** Xiaomi posted 27% YoY revenue growth in 4Q19, driven by solid growth in IoT/internet services (+31%/42% YoY) and smartphone recovery (+23% YoY). GPM improved to 13.9% (vs 12.7% in 4Q18) with better mix in smartphone/internet segments. By region, China revenue recovered to 17% YoY (vs -4% in 3Q19), while overseas revenue accelerated to 41% YoY (vs 17% in 3Q19).
- **Smartphone: emerging impact in India/Europe despite China recovery.** Mgmt. stated production now returned to 80-90% of normal capacity by end-March, while China demand also rebounded to 90% of Jan level. However, mgmt. expected COVID-19 impact to emerge overseas in 2Q20E, especially India/Europe. We estimate smartphone revenue will decline 10%/10% YoY in 1Q/2Q20E and recover to 6%/10% YoY in 3Q/4Q20E on 5G demand.
- **Internet: China fintech/advertising weakness in near term.** In view to weaker China ads budget and consumer finance amid COVID-19 in 1H20E, we believe internet revenue will grow 7%/6% YoY in 1Q/2Q20E (vs 12%/41% in 3Q/4Q19). We also think GPM should hold well above 60% in FY20/21E.
- **Well-positioned to capture 5G cycle.** We are positive on Xiaomi's focus on R&D investment and overseas expansion in FY20-21E. Although its smartphone/IoT segments will be dragged by COVID-19 in near term, we expect rapid demand recovery once overseas situation stabilizes given solid product pipeline and distinct competitive edge in smartphone/IoT market.
- **Maintain Hold with new TP of HK\$10.7.** We lowered FY20/21E EPS by 7%/10% mainly to reflect COVID-19 impact on smartphone/IoT segments. We maintain our HOLD rating given COVID-19 uncertainties. Our new TP of HK\$10.7 is based on lowered 20x FY20E P/E (vs prev. 25x). Upside risks include better shipment and margin recovery.

Earnings Summary

(YE31Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	174,915	205,839	220,931	272,470	323,917
YoY growth (%)	52.6	17.7	7.3	23.3	18.9
Adj. Net income (RMB mn)	8,743	11,532	11,377	14,052	16,738
Adj. EPS (RMB)	0.54	0.49	0.48	0.59	0.70
YoY growth (%)	-	(10.7)	(1.3)	23.5	19.1
Consensus EPS (RMB)	NA	NA	0.53	0.65	0.86
P/E (x)	21.4	19.3	19.5	15.8	13.3
P/B (x)	2.6	3.4	3.0	2.6	2.2
Yield (%)	-	-	-	-	-
ROE (%)	19	12.3	12.3	13.5	13.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

HOLD (Maintain)

Target Price **HK\$10.7**
 (Previous TP **HK\$11.47**)
 Upside **2.0%**
 Current Price **HK\$10.44**

China Technology Sector

Alex Ng
 (852) 3900 0881
 alexng@cmbi.com.hk

Iris Zhang
 (852) 3761 8780
 iriszhang@cmbi.com.hk

Stock Data

Mkt. Cap. (HK\$m)	209,913
Avg. 3mths t/o (HK\$m)	752.39
52W High/Low (HK\$)	14.98/8.28
Total Issued Shares (mn)	17,385
Source: Bloomberg	

Shareholding Structure

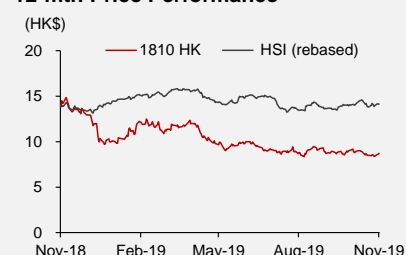
Smart Mobile	12.92%
Morningside China TMT	10.12%
Apoletto Ltd	4.92%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-4.9%	-5.7%
3-mth	-0.9%	-5.5%
6-mth	-11.8%	-10.3%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

Recent Reports:

1. Xiaomi (1810 HK, Hold) – Cautious on nCoV disruption – 6 Feb 2020
2. Xiaomi (1810 HK, Hold) – Solid 5G roadmap; Maintain Hold on fair valuation – 28 Nov 2019
3. Xiaomi (1810 HK, Hold) - 3Q19 preview: Mobile/Ads slowdown to persist – 25 Nov 2019

4Q19 Results Review

Figure 1: 4Q19 results review

RMB mn	4Q18	3Q19	4Q19	QoQ	YoY	CMBIS		Consensus	
						4Q19E	Diff %	4Q19E	Diff %
Revenue	44,421	53,661	56,470	5.2%	27.1%	56,778	-0.5%	54,742	3.2%
Gross Profit	5,661	8,236	7,843	-4.8%	38.5%	7,549	3.9%	7,506	4.5%
Operating Profit	3,213	3,113	2,697	-13.4%	-16.1%	1,601	68.5%	1,804	49.6%
Adj. net profit	1,853	3,472	2,344	-32.5%	26.5%	2,223	5.5%	1,973	18.8%
Adj. EPS (RMB)	0.12	0.15	0.10	-32.4%	-14.4%	0.09	5.6%	0.08	21.1%
Gross Margin	12.7%	15.3%	13.9%	-1.5 ppt	1.1 ppt	13.3%	0.6 ppt	13.7%	0.2 ppt
Operating Margin	7.2%	5.8%	4.8%	-1 ppt	-2.5 ppt	2.8%	2 ppt	3.3%	1.5 ppt
Adj. Net Margin	4.2%	6.5%	4.2%	-2.3 ppt	0 ppt	3.9%	0.2 ppt	3.6%	0.5 ppt

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: Revenue breakdown

RMB mn	FY18	1Q19	2Q19	3Q19	4Q19	FY19	FY20E	FY21E	FY22E
Smart phones	113,800	27,009	32,021	32,268	30,797	122,095	121,106	140,000	146,450
... YoY	41%	16%	5%	-8%	23%	7%	-1%	16%	5%
IoT and lifestyle products	43,817	12,043	14,945	15,606	19,494	62,088	75,152	102,277	139,752
... YoY	87%	56%	44%	44%	31%	42%	21%	36%	37%
Smart TVs and laptops	18,200	5,113	5,500	5,770	7,900	24,200	29,363	38,172	50,005
... YoY	119%	58%	32%	37%	21%	33%	21%	30%	31%
Other IoTs	25,617	6,929	9,445	9,836	11,594	37,888	45,789	64,105	89,747
... YoY	69%	55%	52%	50%	38%	48%	21%	40%	40%
Internet services	15,956	4,257	4,580	5,309	5,695	19,842	22,376	27,207	33,833
... YoY	61%	32%	16%	12%	41%	24%	13%	22%	24%
Advertising services	10,100	2,283	2,505	2,912	2,976	10,676	10,526	11,052	11,605
... YoY	80%	22%	-0.6%	-9%	18%	6%	-1%	5%	5%
Internet value-added services	5,855	1,975	2,075	2,397	2,719	9,166	11,850	16,155	22,228
... YoY	37%	45%	42%	57%	80%	57%	29%	36%	38%
Others	1,343	448	405	477	484	1,814	2,297	2,987	3,883
... YoY	87%	83%	2%	45%	31%	35%	27%	30%	30%
Total	174,915	43,757	51,951	53,661	56,470	205,839	220,931	272,470	323,917
... YoY	53%	27%	15%	6%	27%	18%	7%	23%	19%
Gross Margin									
Smart phones	6.2%	3.3%	8.1%	9.0%	7.8%	7.2%	7.8%	7.8%	7.8%
IoT and lifestyle products	10.3%	12.0%	11.2%	12.8%	9.4%	11.2%	10.6%	11.3%	11.0%
Internet services	64.4%	67.4%	65.6%	62.9%	63.7%	64.7%	60.0%	60.0%	58.0%
Others	27.3%	2.7%	-2.0%	0.7%	-2.0%	-0.1%	3.0%	2.0%	2.0%
Total	12.7%	11.9%	14.0%	15.3%	13.9%	13.9%	14.0%	14.3%	14.4%

Source: Company data, CMBIS estimates

Earnings Revision

Our FY20-21E EPS are 8% below consensus

We trimmed FY20-21E EPS by 7%/10% to reflect COVID-19 impact. Our FY20-21E EPS are 8% below consensus given our more conservative view on smartphone and advertising growth.

Figure 3: CMBIS earnings revisions

(RMB mn)	New		Old		Diff (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	220,931	272,470	234,235	283,879	-6%	-4%
Gross Profit	30,992	38,861	32,446	40,061	-4%	-3%
Operating Profit	13,182	16,322	9,269	12,875	42%	27%
Adj. net profit	11,377	14,052	12,171	15,548	-7%	-10%
Adj. EPS (RMB)	0.48	0.59	0.51	0.65	-6%	-9%
Gross Margin	14.0%	14.3%	13.9%	14.1%	0.2 ppt	0.2 ppt
Operating Margin	6.0%	6.0%	4.0%	4.5%	2 ppt	1.5 ppt
Adj. Net Margin	5.1%	5.2%	5.2%	5.5%	-0.1 ppt	-0.3 ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

(RMB mn)	CMBI		Consensus		Diff (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	220,931	272,470	249,104	300,575	-11%	-9%
Gross Profit	30,992	38,861	35,133	43,112	-12%	-10%
Operating Profit	13,182	16,322	12,933	16,553	2%	-1%
Adj. net profit	11,377	14,052	12,405	15,283	-8%	-8%
Adj. EPS (RMB)	0.48	0.59	0.53	0.65	-9%	-9%
Gross Margin	14.0%	14.3%	14.1%	14.3%	-0.1 ppt	-0.1 ppt
Operating Margin	6.0%	6.0%	5.2%	5.5%	0.8 ppt	0.5 ppt
Adj. Net Margin	5.1%	5.2%	5.0%	5.1%	0.1 ppt	0.1 ppt

Source: Bloomberg, CMBIS estimates

Figure 5: P&L forecast

RMB mn	FY19	1Q20E	2Q20E	3Q30E	4Q20E	FY20E	FY21E	FY22E
Revenue	205,839	40,073	50,475	62,075	68,308	220,931	272,470	323,917
...YoY	18%	-8%	-3%	16%	21%	7%	23%	19%
Cost of sales	(177,285)	(34,459)	(43,427)	(53,282)	(58,771)	(189,939)	(233,609)	(277,421)
Gross profit	28,554	5,615	7,048	8,793	9,536	30,992	38,861	46,496
GPM (%)	13.9%	14.0%	14.0%	14.2%	14.0%	14.0%	14.3%	14.4%
...YoY	29%	8%	-3%	7%	22%	9%	25%	20%
SG&A	(13,482)	(2,244)	(2,372)	(3,228)	(3,825)	(11,670)	(14,168)	(16,520)
...% of rev	-6.5%	-5.6%	-4.7%	-5.2%	-5.6%	-5.3%	-5.2%	-5.1%
R&D	(7,493)	(1,803)	(2,019)	(2,793)	(3,415)	(10,031)	(12,261)	(14,576)
...% of rev	-3.6%	-4.5%	-4.0%	-4.5%	-5.0%	-4.5%	-4.5%	-4.5%
Operating profit	11,760	3,569	2,309	3,062	4,241	13,182	16,322	19,291
OPM (%)	5.7%	8.9%	4.6%	4.9%	6.2%	6.0%	6.0%	6.0%
...YoY	883%	-1%	-1%	-2%	57%	12%	24%	18%
Adj. net profit	11,532	2,091	3,367	3,329	2,590	11,377	14,052	16,738
NPM (%)	5.6%	5.2%	6.7%	5.4%	3.8%	5.1%	5.2%	5.2%
...YoY	35%	0%	-7%	-4%	10%	-1%	24%	19%

Source: Company data, CMBIS estimates

Valuation

Maintain HOLD; TP revised to HK\$10.7

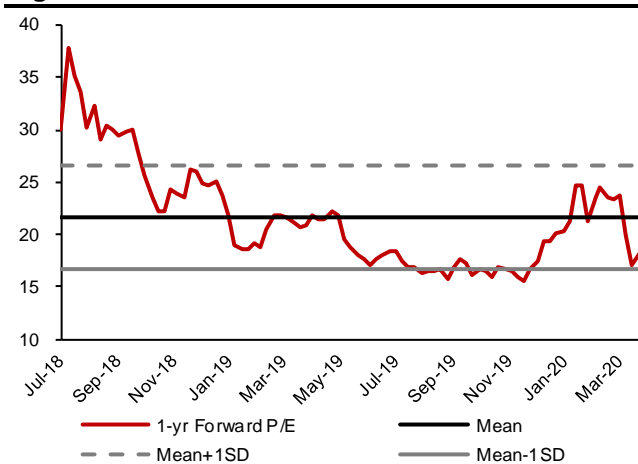
Our new 12m TP of HK\$ 10.7 is based on lowered 20x FY20E P/E (vs 25x prev on slower earnings growth). We think it is justified given challenging smartphone market, product transition into AIoT, and advertising slowdown. Trading at 19.5x FY20E P/E, we view the stock is fairly valued and maintain HOLD rating on the stock.

Figure 6: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
HK-listed												
Xiaomi	1810 HK	Hold	32,377	10.4	10.7	2%	19.5	15.8	3.0	2.6	12.3	13.5
Sunny Optical	2382 HK	Hold	14,773	104.4	115.0	10%	23.1	17.7	6.2	4.8	26.7	27.0
AAC Tech	2018 HK	Sell	6,267	40.2	35.8	-11%	20.1	16.0	2.2	2.0	10.7	12.3
BYDE	285 HK	Buy	3,761	12.9	18.4	42%	12.0	10.0	1.4	1.3	11.6	12.5
FIT Hon Teng	6088 HK	Buy	1,474	1.7	2.6	59%	6.3	5.6	0.6	0.5	9.4	9.7
Tongda	698 HK	Hold	372	0.4	0.5	19%	5.9	5.1	0.4	0.4	7.1	8.1
Q tech	1478 HK	Buy	1,289	8.6	14.8	72%	12.8	10.0	2.6	2.1	20.0	21.0
TK Group	2283 HK	Buy	287	2.7	4.1	53%	4.8	4.1	1.7	1.7	35.7	41.7
Average							14.1	11.3	2.3	1.9	14.2	15.2
Smartphone												
Apple	AAPL US	NR	1,119,773	256.1	NA	NA	19.9	16.9	19.2	27.9	73.2	134.3
Lenovo	992 HK	NR	6,448	4.2	NA	NA	9.8	8.1	1.6	1.4	19.4	20.9
Samsung	005930 KS	NR	233,974	47,750.0	NA	NA	11.4	8.1	1.2	1.1	10.6	13.6
LG Elec	066570 KS	NR	6,474	48,200.0	NA	NA	7.9	5.4	0.6	0.5	7.3	9.5
Average							12.2	9.6	5.6	7.7	27.6	44.6
IoT												
Skyworth	751 HK	NR	652	1.7	NA	NA	5.7	4.4	0.2	0.2	4.8	5.6
Hisense	600060 CH	NR	1,733	9.4	NA	NA	23.2	16.7	0.8	0.8	3.4	4.5
Midea	000333 CH	NR	47,758	48.4	NA	NA	12.6	10.9	2.9	2.5	24.0	23.6
Gree	000651 CH	NR	44,339	52.2	NA	NA	10.4	9.2	2.6	2.3	25.9	26.1
Huami	HMI US	NR	808	13.2	NA	NA	11.2	9.1	1.9	1.4	24.2	23.3
Fitbit	FIT US	NR	1,760	6.6	NA	NA	-	-	5.2	6.9	(32.6)	(32.1)
Average							12.6	10.1	2.3	2.4	8.3	8.5
Internet												
Tencent	700 HK	NR	468,564	380.2	NA	NA	29.4	23.9	6.2	4.9	22.2	22.1
Alibaba	BABA US	NR	523,225	195.1	NA	NA	27.2	23.8	5.0	4.2	21.8	16.6
Baidu	BIDU US	NR	35,702	103.3	NA	NA	16.3	12.6	1.4	1.2	7.8	9.9
JD	JD US	NR	58,976	40.4	NA	NA	36.3	23.3	4.3	3.6	10.6	14.8
Average							27.3	20.9	4.2	3.5	15.6	15.8

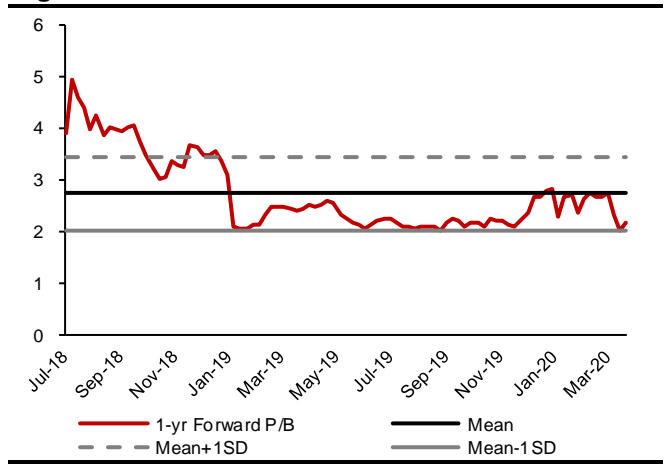
Source: Bloomberg, CMBIS

Figure 7: 12M forward P/E band



Source: Bloomberg, CMBIS

Figure 8: 12M forward P/B band



Source: Bloomberg, CMBIS

Financial Summary

Income

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	174,915	205,839	220,931	272,470	323,917
COGS	(152,723)	(177,285)	(189,939)	(233,609)	(277,421)
Gross profit	22,192	28,554	30,992	38,861	46,496
Selling and marketing	(7,993)	(10,378)	(8,938)	(10,899)	(12,633)
Administrative	(12,099)	(3,104)	(2,731)	(3,270)	(3,887)
R&D	(5,777)	(7,493)	(10,031)	(12,261)	(14,576)
Other operating exp.	4,874	4,181	3,890	3,890	3,890
Operating profit	1,196	11,760	13,182	16,322	19,291
Financial cost	216	402	402	928	1,119
Other income/(losses)	12,514	-	-	-	-
Pre-tax profit	13,927	12,163	13,584	17,250	20,410
Tax	(449)	(2,060)	(2,038)	(2,587)	(3,061)
Minority interest	(76)	59	69	88	104
Net profit	13,554	10,044	11,477	14,574	17,244
Adj. Net profit	8,743	11,532	11,377	14,052	16,738

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before taxation	13,927	12,163	13,584	17,250	20,410
Depreciation	748	2,192	1,050	1,448	1,921
Change in working capital	(13,396)	9,641	(3,269)	11,662	(3,224)
Others	(2,693)	(186)	(2,038)	(2,587)	(3,061)
Net cash from operating	(1,415)	23,810	9,328	27,772	16,045
Capex	(3,758)	(4,117)	(4,419)	(5,449)	(6,478)
Other	(3,750)	(27,453)	-	-	-
Net cash from investing	(7,508)	(31,570)	(4,419)	(5,449)	(6,478)
Net bank borrowings	(236)	-	-	-	-
Dividend paid	-	-	-	-	-
Other	26,810	3,121	-	-	-
Net cash from financing	26,574	3,121	-	-	-
Net change in cash	17,652	(4,639)	4,909	22,323	9,567
Cash at beginning of the yr	11,563	30,230	25,920	30,829	53,152
Exchange difference	1,015	328	-	-	-
Cash at the end of the year	30,230	25,920	30,829	53,152	62,719

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Current assets	106,013	137,539	125,155	179,023	171,326
Cash & equivalents	30,230	25,920	30,829	53,152	62,719
Account receivables	5,598	6,949	7,621	10,347	11,014
Inventories	29,481	32,585	14,620	43,439	25,508
ST bank deposits	1,366	21,523	21,523	21,523	21,523
Other	39,337	50,562	50,562	50,562	50,562
Non-current assets	39,215	46,090	49,459	53,460	58,018
PPE	5,068	6,992	10,361	14,363	18,920
Deferred income tax	1,312	1,283	1,283	1,283	1,283
Intangibles	2,061	1,672	1,672	1,672	1,672
Other	30,774	36,142	36,142	36,142	36,142
Total assets	145,228	183,629	174,614	232,484	229,343
Current liabilities	61,940	92,181	71,619	114,826	94,338
Short-term borrowings	3,075	12,837	12,837	12,837	12,837
Account payables	46,287	59,528	38,966	82,173	61,685
Tax payable	662	479	479	479	479
Other	11,916	19,337	19,337	19,337	19,337
Non-current liabilities	12,038	9,791	9,791	9,791	9,791
Long-term borrowings	7,856	4,787	4,787	4,787	4,787
Deferred tax liability	778	580	580	580	580
Other	3,404	4,424	4,424	4,424	4,424
Total liabilities	73,978	101,972	81,410	124,617	104,128
Share capital	0	0	0	0	0
Reserves	71,323	81,330	92,807	107,382	124,626
Minority interest	(73)	327	396	484	588
Shareholders' equity	71,250	81,658	93,204	107,867	125,215
Total equity/liabilities	145,228	183,629	174,614	232,484	229,343

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Smart phones	65	59	55	51	45
IoT and lifestyle products	25	30	34	38	43
Internet services	9	10	10	10	10
Others	1	1	1	1	1
Growth (%)					
Revenue	52.6	17.7	7.3	23.3	18.9
Gross profit	46.4	28.7	8.5	25.4	19.6
Operating profit	-	882.9	12.1	23.8	18.2
Adj. Net profit	63.1	31.9	(1.3)	23.5	19.1
Profit & loss ratio (%)					
Gross margin	12.7	13.9	14.0	14.3	14.4
Operating margin	0.7	5.7	6.0	6.0	6.0
Net profit margin	7.7	4.9	5.2	5.3	5.3
Balance sheet ratio					
Net debt/total equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.7	1.5	1.7	1.6	1.8
Receivable turnover days	32	30	30	30	30
Inventory turnover days	7	8	8	8	8
Payable turnover days	4	4	4	4	4
Profitability (%)					
ROE	19.0	12.3	12.3	13.5	13.8
ROA	9.3	5.5	6.6	6.3	7.5
Per share data (RMB)					
Adj. EPS	0.54	0.49	0.48	0.59	0.70
DPS	-	-	-	-	-

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.

Disclaimer

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

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.