

Union Medical Healthcare (2138 HK)

Solid medical services

1H20 revenue grew 28.1% and net profit grew 1.7%, reaching our full-year forecasts of 50.8%/ 45.1%. We raised UMH's FY20/21E revenue forecasts by 5.2%/ 7.0% and expect 18.3% sales CAGR in FY19-22E onwards, driven by strong medical services. We derive DCF-based 12-month target price at HK\$7.26 with 27.4% upside potential. Maintain BUY.

- 1H20 revenue staying strong, net profit lagging behind.** Total revenue increased by 28.1% to HK\$1,118.5mn, among which medical services, aesthetic medical services and beauty and wellness services grew 102.2%/ 8.1%/ 7.7% YoY. Besides, revenue contributed by PRC clients climbed to 39% in 1H20. Contracted sales grew 18.3% to HK\$1,065.1mn and incremental of sales volume was recorded in each month in 1H20, despite challenging operating environment in HK. Net profit to shareholders grew at 1.7% to HK\$197.5mn and the lag was mainly due to higher registered practitioner cost as total number of doctors increased from 76 by end Sep 2018 to 97 by end Sep 2019 and most of them are specialists, whom are paid much higher than GPs.
- Expect 2H20 revenue to maintain double digit growth.** We saw UMH recorded negative contracted sales growth during the national day golden week due to the challenging environment. We believe 2H20 contracted sales growth may slow down to high single digit. Medical services grew 102.2% in 1H20 due to 1) incremental revenue contribution from newly set up specialist medical centers, and 2) client referral from insurance companies. We also saw the cash flow breakeven period was less than five months for newly set up specialist centers, much shorter than expectation. The rapid ramp up of medical services will support total revenue to grow during the special period. We raised our FY20/21E revenue forecasts by 5.2%/ 7.0% and expect revenue CAGR of 18.3% in FY19-22E.
- Attractive valuation and maintain BUY with new TP of HK\$7.26.** We raised FY20/21E revenue forecasts by 5.2%/ 7.0% to reflect stronger-than-expected medical services. We raised registered doctor cost ratio to 1H20 level due to more specialists on board. As a result, we tuned down FY20/21E net profit by 10.8%/ 10.9% and expect net profit to grow 8.3%/ 16.7% in FY20/21E. We derive new TP of HK\$7.26 based on updated DCF model. UMH currently trades at 14.3x 1-year forward P/E, vs. HK listed peers' average 19.3x P/E. We believe current valuation is still attractive. Catalyst: attractive M&As.

Earnings Summary

| (YE 31 Mar) | FY18A | FY19A | FY20E | FY21E | FY22E |
|----------------------|-------|-------|----------|----------|----------|
| Revenue (HK\$ mn) | 1,308 | 1,837 | 2,318 | 2,714 | 3,037 |
| YoY growth (%) | 36 | 40 | 26 | 17 | 12 |
| Net income (HK\$ mn) | 279 | 361 | 391 | 457 | 535 |
| EPS (HK\$) | 0.28 | 0.37 | 0.40 | 0.46 | 0.54 |
| YoY growth (%) | 36.8 | 28.6 | 8.3 | 16.7 | 17.1 |
| P/E (x) | 20.0 | 15.6 | 14.4 | 12.3 | 10.5 |
| P/B (x) | 6.7 | 5.3 | 4.7 | 3.7 | 2.9 |
| Yield (%) | 4.7 | 6.1 | 2.1 | 2.4 | 2.9 |
| ROE (%) | 34.0 | 34.7 | 33.2 | 30.3 | 28.3 |
| Net gearing (%) | 31.4 | 11.2 | Net cash | Net cash | Net cash |

Source: Company data, CMBIS estimates

BUY (Maintain)

Target Price HK\$7.26
(Previous TP) HK\$7.33
Up/Downside +27.4%
Current Price HK\$5.70

China Healthcare Sector

Amy Ge
 (852) 3761 8778
 amyge@cmbi.com.hk

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

Stock Data

| | |
|--------------------------|-----------|
| Mkt Cap (HK\$ mn) | 5,616 |
| Avg 3 mths t/o (HK\$ mn) | 6.41 |
| 52w High/Low (HK\$) | 7.74/4.60 |
| Total Issued Shares (mn) | 985 |

Source: Bloomberg

Shareholding Structure

| | |
|--------------|--------|
| Management | 73.93% |
| OrbiMed Asia | 6.48% |
| Free float | 19.58% |

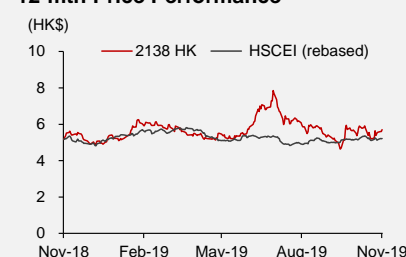
Source: HKEx

Share Performance

| | Absolute | Relative |
|--------|----------|----------|
| 1-mth | -1.4% | -2.8% |
| 3-mth | -8.0% | -13.3% |
| 6-mth | 1.6% | 0.0% |
| 12-mth | 8.5% | 7.5% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Rising of specialist medical business – 3 Jul 2019;
- Strong beat 1H19 results, operating leverages emerges – 29 Nov 2018;
- Evolving to integrated medical service provider with attractive valuation – 8 Nov 2018.

Figure 1: 1H20 results change

| | 1H19 HK mn | 1H20 HK mn | YoY Change |
|------------------------------------|---------------|---------------|--------------|
| Total revenue | 873.0 | 1,118.5 | 28.1% |
| Cost of inventories | (99.3) | (129.0) | 29.9% |
| Other net income and gains | 5.5 | 10.2 | 84.3% |
| Registered practitioner expenses | (66.3) | (142.5) | 115.1% |
| Employee benefit expenses | (208.0) | (286.7) | 37.8% |
| Marketing and advertising expenses | (83.4) | (102.3) | 22.7% |
| Rental and related expenses | (78.6) | (104.0) | 32.3% |
| Credit card and expenses | (23.2) | (27.1) | 16.7% |
| Depreciation | (19.5) | (34.5) | 76.5% |
| Other expenses | (55.0) | (53.8) | -2.1% |
| Operating profit | 245.3 | 248.8 | 1.4% |
| Share of results of associates | 1.5 | 1.0 | -33.3% |
| Non-operating items | (12.1) | 7.0 | N/A |
| Net finance income | 6.1 | (7.8) | -228.0% |
| Profit before tax | 240.9 | 248.9 | 3.3% |
| Income tax | (37.9) | (37.8) | -0.1% |
| Minority interest | (8.8) | (13.6) | 54.3% |
| Net profit | 194.2 | 197.5 | 1.7% |
| Operating margin | 28.1% | 22.2% | -5.9 ppt |
| Net profit margin | 22.2% | 17.7% | -4.6 ppt |

Source: Company data, CMBIS estimates

Figure 2: CMBI estimate change

| | FY20 | | | FY21 | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Old HK\$ mn | New HK\$ mn | Change | Old HK\$ mn | New HK\$ mn | Change |
| Revenue | 2,202.3 | 2,317.7 | 5.2% | 2,534.9 | 2,713.6 | 7.0% |
| Cost of inventories | (297.8) | (286.8) | -3.7% | (342.2) | (366.3) | 7.0% |
| Gross profit | 1,904.5 | 2,030.9 | 6.6% | 2,192.7 | 2,347.2 | 7.0% |
| Other net income and gains | 3.0 | 3.0 | 0.0% | 3.0 | 3.0 | 0.0% |
| Registered practitioner expenses | (175.4) | (294.3) | 67.8% | (203.8) | (344.6) | 69.1% |
| Employee benefit expenses | (537.4) | (593.3) | 10.4% | (618.5) | (680.8) | 10.1% |
| Marketing and advertising expenses | (209.2) | (220.2) | 5.2% | (240.8) | (257.8) | 7.0% |
| Rental and related expenses | (212.3) | (212.3) | 0.0% | (247.0) | (247.0) | 0.0% |
| Credit card and expenses | (66.1) | (69.5) | 5.2% | (76.0) | (81.4) | 7.0% |
| Depreciation | (83.2) | (83.2) | 0.0% | (94.8) | (94.8) | 0.0% |
| Other expenses | (105.7) | (111.2) | 5.2% | (117.8) | (126.1) | 7.0% |
| Operating profit | 518.2 | 449.8 | -13.2% | 596.9 | 517.7 | -13.3% |
| Share of results of associates | 3.6 | 3.6 | 0.0% | 3.7 | 3.7 | 0.0% |
| Non-operating items | 0.0 | 0.0 | N/A | 0.0 | 0.0 | N/A |
| Net finance income | 8.5 | 21.0 | 145.4% | 19.7 | 32.6 | N/A |
| Profit before tax | 530.4 | 474.4 | -10.6% | 620.3 | 554.0 | -10.7% |
| Income tax expense | (83.6) | (74.7) | -10.6% | (97.7) | (87.3) | -10.7% |
| Non-controlling interests | 8.5 | 8.5 | 0.0% | 10.2 | 10.2 | 0.0% |
| Net profit | 438.4 | 391.2 | -10.8% | 512.4 | 456.5 | -10.9% |
| Core EPS (HK\$) | 0.44 | 0.40 | -10.8% | 0.52 | 0.46 | -10.9% |
| Operating margin | 23.5% | 19.4% | -4.1ppt | 23.5% | 19.1% | -4.5ppt |
| Net profit margin | 19.9% | 16.9% | -3ppt | 20.2% | 16.8% | -3.4ppt |

Source: Company data, CMBIS estimates

Valuation

Figure 3: DCF valuation

| | 2020E HKD mn | 2021E HKD mn | 2022E HKD mn | 2023E HKD mn | 2024E HKD mn |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net profit | 391 | 457 | 535 | 633 | 736 |
| Depreciation and amortization | 90 | 101 | 110 | 117 | 122 |
| Net interest after tax | -17 | -27 | -37 | -50 | -64 |
| CAPEX | -100 | -55 | -55 | -40 | -40 |
| Change in working capital | 149 | -5 | 2 | 5 | -0 |
| FCF | 513 | 471 | 554 | 664 | 753 |
| Terminal value | | | | | 9,002 |
| Discount factor | 0.90 | 0.80 | 0.72 | 0.64 | 0.58 |
| PV of FCF | 459 | 378 | 398 | 428 | 5,631 |
| Corporate value | 7,294 | | | | |
| Debt & Preferred Stock | 498 | | | | |
| Bank deposit and pledged cash | | 367 | | | |
| Equity Value | 7,164 | | | | |
| Number of shares(mn) | 987 | | | | |
| Value per share (HK\$) | 7.26 | | | | |
| Risk free rate | 1.8% | | | | |
| Beta | 0.9 | | | | |
| Risk premium | 12.7% | | | | |
| Cost of equity | 13.5% | | | | |
| Cost of debt | 5.0% | | | | |
| WACC | 11.6% | | | | |
| Terminal growth rate | 3.0% | | | | |

Source: Company data, CMBIS

Figure 4: Sensitivity analysis

| Terminal growth / WACC | 9.0% | 9.5% | 10.0% | 11.6% | 16.0% | 17.0% | 18.0% |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| 7.26 | | | | | | | |
| 1.5% | 8.87 | 8.27 | 7.75 | 6.41 | 4.31 | 4.00 | 3.73 |
| 2.0% | 9.38 | 8.72 | 8.13 | 6.67 | 4.41 | 4.09 | 3.80 |
| 2.5% | 9.98 | 9.22 | 8.57 | 6.95 | 4.52 | 4.18 | 3.88 |
| 3.0% | 10.67 | 9.80 | 9.06 | 7.26 | 4.64 | 4.28 | 3.96 |
| 3.5% | 11.49 | 10.49 | 9.64 | 7.61 | 4.77 | 4.39 | 4.05 |
| 4.0% | 12.47 | 11.29 | 10.31 | 8.01 | 4.91 | 4.50 | 4.15 |
| 4.5% | 13.67 | 12.25 | 11.10 | 8.46 | 5.07 | 4.63 | 4.26 |

Source: Company data, CMBIS estimates

Figure 5: Peers' valuation

| Company | Ticker | Price HK\$ | Mkt cap HK\$m | PER(x) | | | PBR(x) | | | EV/EBITDA (x) | | | ROE(%) | | |
|--------------------------------------|-------------|---------------|------------------|-------------|-------------|-------------|------------|------------|------------|---------------|-------------|-------------|-------------|-------------|-------------|
| | | | | FY0 | FY1 | FY2 | FY0 | FY1 | FY2 | FY0 | FY1 | FY2 | FY0 | FY1 | FY2 |
| UMH* | 2138 | 5.70 | 5,616 | 15.6 | 14.4 | 12.3 | 5.3 | 4.7 | 3.7 | 11.2 | 8.9 | 7.2 | 34.7 | 33.2 | 30.3 |
| Aesthetic services providers | | | | | | | | | | | | | | | |
| Perfect Shape* | 1830 | 3.55 | 4,003 | 6.2 | N/A | N/A | 2.6 | N/A | N/A | 2.5 | N/A | N/A | 42.0 | N/A | N/A |
| Water Oasis* | 1161 | 1.07 | 728 | 8.0 | N/A | N/A | 2.5 | N/A | N/A | 2.7 | N/A | N/A | 32.5 | N/A | N/A |
| Modern Beauty* | 919 | 0.14 | 125 | N/A | N/A | N/A | 2.7 | N/A | N/A | N/A | N/A | N/A | - | N/A | N/A |
| | | | | | | | | | | | | | 21.9 | | |
| Healthcare services providers | | | | | | | | | | | | | | | |
| Human Health Hol* | 1419 | 1.15 | 436 | 27.5 | N/A | N/A | 2.4 | N/A | N/A | 9.8 | N/A | N/A | 9.1 | N/A | N/A |
| Ump Healthcare H* | 722 | 1.40 | 1,061 | 34.7 | N/A | N/A | 2.3 | N/A | N/A | 19.1 | N/A | N/A | 6.8 | N/A | N/A |
| CRPhoenix Health | 1515 | 4.46 | 5,783 | 13.2 | 12.6 | 11.4 | 1.0 | 0.9 | 0.8 | 7.4 | 6.8 | 5.8 | 7.8 | 7.6 | 6.8 |
| Kang Hua Healthcare | 3689 | 4.55 | 1,521 | 11.2 | 6.7 | 5.7 | 1.4 | N/A | N/A | 4.8 | N/A | N/A | 12.7 | 13.0 | 12.9 |
| New Century Health | 1518 | 2.82 | 1,382 | 65.4 | 19.5 | 18.1 | 2.3 | N/A | N/A | 18.4 | N/A | N/A | 3.4 | N/A | N/A |
| KN Hospital | 2120 | 20.00 | 1,461 | 28.3 | 11.5 | 9.7 | 2.0 | 1.1 | 1.0 | 15.1 | 5.8 | 4.8 | 7.4 | 9.9 | 11.9 |
| Jinxin Fertility | 1951 | 12.24 | 29,797 | N/A | 50.8 | 38.9 | N/A | 3.9 | 3.7 | N/A | 35.1 | 25.8 | 6.3 | 7.6 | 9.2 |
| | | | Average | 23.4 | 19.3 | 16.0 | 2.5 | 2.6 | 2.3 | 10.1 | 14.2 | 10.9 | 12.8 | 14.3 | 14.2 |

Source: Bloomberg, CMBIS

Financial Summary

| Income statement | | | | | | Cash flow summary | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|----------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Mar (HK\$ mn) | FY18A | FY19A | FY20E | FY21E | FY22E | YE 31 Mar (HK\$ mn) | FY18A | FY19A | FY20E | FY21E | FY22E |
| Revenue | 1,308 | 1,837 | 2,318 | 2,714 | 3,037 | EBIT | 305 | 440 | 450 | 518 | 600 |
| Other net income and gains | 23 | 27 | 3 | 3 | 3 | Depreciation and amortization | 38 | 62 | 90 | 101 | 110 |
| Cost of inventories | (163) | (227) | (287) | (366) | (395) | Change in working capital | 17 | (188) | 149 | (5) | 2 |
| Registered practitioner cost | (110) | (207) | (294) | (345) | (378) | Income tax paid | (47) | (56) | (64) | (74) | (87) |
| Employee benefit expenses | (341) | (446) | (593) | (681) | (762) | Interest paid | (8) | (9) | (21) | (33) | (45) |
| Marketing and advertising cost | (127) | (155) | (220) | (258) | (289) | Others | 18 | 7 | 21 | 33 | 45 |
| Rental and related expenses | (131) | (176) | (212) | (247) | (285) | Net cash from operating activities | 324 | 256 | 625 | 540 | 625 |
| Credit card and expenses | (43) | (47) | (70) | (81) | (91) | Capex | (195) | (316) | (100) | (55) | (55) |
| Depreciation | (35) | (49) | (83) | (95) | (103) | Acquisition of subsidiaries | - | - | - | - | - |
| Other expenses | (75) | (117) | (111) | (126) | (138) | Net change in available-for-sale investments | (6) | - | 491 | - | - |
| Operating profit | 305 | 440 | 450 | 518 | 600 | Other | (266) | 407 | 25 | 37 | 49 |
| Share of profit of associate / JV | 5 | 3 | 4 | 4 | 4 | Net cash from investing activities | (545) | 91 | 416 | (18) | (6) |
| Net finance income / (expenses) | 8 | 9 | 21 | 33 | 45 | Change of Debts | 557 | 36 | (368) | - | - |
| Exceptional | 12 | (3) | - | - | - | Net proceeds from shares issued | 0 | - | - | - | - |
| Pre-tax profit | 330 | 450 | 474 | 554 | 649 | Dividend paid | (240) | (291) | (256) | (127) | (149) |
| Profits tax | (52) | (66) | (75) | (87) | (102) | Other | (3) | (21) | (4) | (4) | (4) |
| Minority interest | 1 | (23) | (8) | (10) | (12) | Net cash from financing activities | 314 | (275) | (628) | (131) | (153) |
| Net profit | 279 | 361 | 391 | 457 | 535 | Net change in cash | 93 | 71 | 414 | 390 | 466 |
| | | | | | | Cash at the beginning | 201 | 295 | 367 | 781 | 1,171 |
| | | | | | | Exchange difference | 2 | - | - | - | - |
| | | | | | | Cash at the end | 295 | 367 | 781 | 1,171 | 1,637 |

| Balance sheet | | | | | | Key ratios | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|-------------------------------------|-------|-------|----------|----------|----------|
| YE 31 Mar (HK\$ mn) | FY18A | FY19A | FY20E | FY21E | FY22E | YE 31 Mar | FY18A | FY19A | FY20E | FY21E | FY22E |
| Non-current assets | 574 | 942 | 956 | 914 | 863 | Profit & loss ratios (%) | | | | | |
| Fixed asset | 291 | 527 | 543 | 504 | 456 | EBITDA margin | 28 | 27 | 23 | 23 | 23 |
| Intangible assets | 87 | 89 | 83 | 77 | 70 | Pre-tax margin | 25 | 25 | 21 | 20 | 21 |
| Goodwill | 95 | 99 | 99 | 99 | 99 | Net margin | 21 | 20 | 17 | 17 | 18 |
| Other non-current assets | 100 | 227 | 231 | 234 | 238 | Effective tax rate | 16 | 15 | 16 | 16 | 16 |
| Current assets | 1,409 | 1,405 | 1,174 | 1,587 | 2,067 | Growth (%) | | | | | |
| Cash | 295 | 367 | 781 | 1,171 | 1,637 | Revenue | 36 | 40 | 26 | 17 | 12 |
| Account receivable | 155 | 303 | 220 | 227 | 236 | EBITDA | 34 | 40 | 8 | 15 | 15 |
| Inventory | 31 | 52 | 57 | 73 | 79 | Operating profit | 34 | 44 | 2 | 15 | 16 |
| Available-for-sale investments | 496 | 600 | 109 | 109 | 109 | Net profit | 39 | 29 | 8 | 17 | 17 |
| Other current assets | 432 | 82 | 7 | 7 | 7 | Balance sheet ratios | | | | | |
| Current liabilities | 1,040 | 1,125 | 765 | 796 | 827 | Current ratio (x) | 1 | 1 | 2 | 2 | 3 |
| Borrowings | 461 | 498 | 130 | 130 | 130 | Net debt to total equity ratio (%) | 31 | 11 | Net cash | Net cash | Net cash |
| Trade and other payables | 106 | 166 | 158 | 162 | 164 | Returns (%) | | | | | |
| Deferred revenue | 452 | 420 | 424 | 438 | 453 | ROE | 34 | 35 | 33 | 30 | 28 |
| Other current liabilities | 20 | 41 | 52 | 65 | 80 | ROA | 14 | 15 | 18 | 18 | 18 |
| Non-current liabilities | 106 | 56 | 56 | 56 | 56 | Per share data | | | | | |
| Borrowings | 98 | - | - | - | - | EPS (HK\$) | 0 | 0 | 0 | 0 | 1 |
| Deferred taxation | 4 | 6 | 6 | 6 | 6 | DPS (HK\$) | 0 | 0 | 0 | 0 | 0 |
| Other non-current liabilities | 4 | 50 | 50 | 50 | 50 | BVPS (HK\$) | 1 | 1 | 1 | 2 | 2 |
| Total net assets | 838 | 1,166 | 1,310 | 1,649 | 2,047 | | | | | | |
| Minority interest | 17 | 124 | 132 | 143 | 154 | | | | | | |
| Shareholders' equity | 821 | 1,042 | 1,177 | 1,507 | 1,893 | | | | | | |

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.