

Zhejiang Dingli - A (603338 CH)

2Q20 profit +78% YoY in line; Strong operating cash flow

Dingli's net profit in 1H20 grew 57% YoY RMB409mn, in line with the profit alert released in Jul. This implies a 78% YoY increase in 2Q20 net profit to RMB284mn. Most notable is that the operating cash inflow in 1H20 surged 12x YoY to RMB756mn, suggesting high earnings quality. We expect rising penetration of aerial working platform (AWP) in China remains a structural growth story. We slightly revised up our 2020E-22E earnings forecast by 1-3%. We lifted our TP from RMB81 to RMB117, after rolling over our valuation base to 2021E (42x P/E multiple unchanged). Reiterate **BUY**.

- 2Q20 results highlight:** Revenue grew 135% YoY to RMB1.09bn in 2Q20, driven by strong demand for AWP in China. Gross margin contracted 3.3ppt YoY to 37.4% which was due to more new competitors in the market. Selling expense and administrative expense ratio dropped 1.4ppt and 1.9ppt YoY, respectively, to 4.5% and 4.6%, helped by operating leverage. Operating cash inflow surged 6.4x YoY to RMB677mn, much higher than the net profit.
- Strong demand in China to continue.** In 1H20, the total revenue growth of 77% YoY was driven mainly by China market, where revenue surged 172% YoY to RMB1.09bn, accounting for 76% of Dingli's total revenue. Such growth was stronger than the industry average of 54% YoY growth (in terms of volume, according to the figures from CCMA). Going forward, the construction of new production line for 3.2k units of boom lift with a focus on China market is about to complete. We expect a gradual capacity ramp-up in 4Q20E and the new production line will serve as a key growth driver for Dingli in 2021E.
- Recovery in the overseas market will offer additional upside.** Dingli's overseas revenue (focus mainly on the US and Europe) dropped 9% YoY to RMB350mn (accounted for 24% of total revenue), largely due to the COVID-related shutdown. That said, such decline was less than the industry average decline of 19%. Indeed, improvement in overseas market has been seen as Dingli received orders early this month for 300 units of boom lifts from Collé, an equipment leasing company in Europe. Going forward, we expect the gradual re-opening of the overseas economies will offer upside to the AWP sales.
- Major risk factors:** (1) Price competition due to more new entrants in the AWP market; (2) prolonged impact of COVID-19 in overseas; (3) Unexpected slowdown of construction activities in China.

Earnings Summary

| (YE 31 Dec) | FY18A | FY19A | FY20E | FY21E | FY22E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 1,708 | 2,389 | 3,622 | 5,038 | 6,031 |
| YoY growth (%) | 49.9 | 39.9 | 51.6 | 39.1 | 19.7 |
| Net income (RMB mn) | 480 | 694 | 960 | 1,348 | 1,627 |
| EPS (RMB) | 0.99 | 1.43 | 1.98 | 2.78 | 3.35 |
| YoY growth (%) | 62.7 | 44.5 | 38.3 | 40.4 | 20.7 |
| Consensus EPS (RMB) | n/a | n/a | 1.90 | 2.47 | 3.09 |
| EV/EBITDA (x) | 89.7 | 63.6 | 43.4 | 30.7 | 25.4 |
| P/E (x) | 96.4 | 66.7 | 48.2 | 34.3 | 28.5 |
| P/B (x) | 17.8 | 14.4 | 11.4 | 8.9 | 7.0 |
| Yield (%) | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 |
| ROE (%) | 20.0 | 23.9 | 26.5 | 29.1 | 27.5 |
| Net gearing (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

| | |
|---------------|-----------|
| Target Price | RMB117.00 |
| (Previous TP) | RMB81.00) |
| Up/Downside | +23% |
| Current Price | RMB95.33 |

China Capital Goods

Wayne Fung, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

| | |
|--------------------------|--------------|
| Mkt Cap (RMB mn) | 46,281 |
| Avg 3 mths t/o (RMB mn) | 191 |
| 52w High/Low (RMB) | 102.85/37.57 |
| Total Issued Shares (mn) | 485.5 |

Source: Bloomberg

Shareholding Structure

| | |
|---|-------|
| XU Shugen | 47.5% |
| Deqing Zhongding Equity Investment Management | 12.6% |
| CCASS (Hong Kong) | 7.8% |
| XU Zhilong | 2.1% |
| Free float | 30.0% |

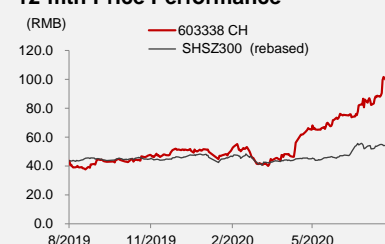
Source: Shanghai Stock Exchange

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 10.8% | 4.6% |
| 3-mth | 45.1% | 17.9% |
| 6-mth | 88.8% | 59.8% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: BDO

Recent report:

Zhejiang Dingli - A (603338 CH, BUY) - Riding on the strong momentum; Raised earnings est. & TP - 8 Jun 2020

Please cast your valuable vote for CMBIS research team in the 2020 Asiamoney Brokers Poll:

<https://euromoney.com/brokers>

Figure 1: 1H20 results highlight

| YE Dec 31(RMB mn) | 1H19 | 1H20 | Change (YoY) |
|--------------------------------------|------------|--------------|--------------|
| Total revenue | 849 | 1,501 | 76.9% |
| Cost of sales | (495) | (929) | 87.8% |
| Gross profit | 354 | 572 | 61.6% |
| Surcharge | (5) | (8) | 48.2% |
| S&D expenses | (45) | (67) | 50.3% |
| Administrative expenses | (50) | (74) | 45.8% |
| Asset impairment | (4) | 6 | n/a |
| EBIT | 250 | 430 | 72.0% |
| Net finance income/(cost) | 17 | 28 | 58.1% |
| Finance income | 18 | 29 | 59.2% |
| Finance expenses | (1) | (1) | 92.3% |
| Other gains/(losses) | 30 | 16 | -47.1% |
| Share of profit of JV and associates | 12 | 11 | -7.2% |
| Pretax profit | 310 | 485 | 56.5% |
| Income tax | (49) | (76) | 53.8% |
| After tax profit | 260 | 409 | 57.0% |
| MI | 0 | 0 | n/a |
| Net profit | 260 | 409 | 57.0% |
| D&A | 14 | 16 | 13.3% |
| EBITDA | 264 | 445 | 68.9% |

Source: Company data, CMBIS

Figure 2: Quarterly results highlight

| (RMB mn) | 1Q19 | 1Q20 | Change YoY | 2Q19 | 2Q20 | Change YoY |
|--------------------------------------|------------|------------|--------------|------------|--------------|---------------|
| Total revenue | 384 | 411 | 6.9% | 464 | 1,090 | 134.8% |
| Cost of sales | (220) | (247) | 12.3% | (275) | (682) | 148.0% |
| Gross profit | 165 | 164 | -0.3% | 189 | 408 | 115.6% |
| Other income | (3) | (4) | 6.4% | (2) | (4) | 119.7% |
| S&D expenses | (17) | (18) | 5.2% | (27) | (49) | 79.1% |
| Administrative expenses | (20) | (23) | 15.5% | (31) | (51) | 65.5% |
| Asset impairment | (2) | 1 | n/a | (1) | 5 | n/a |
| EBIT | 122 | 121 | -0.8% | 128 | 309 | 141.3% |
| Net finance income/(cost) | (6) | 6 | n/a | 24 | 21 | n/a |
| Other gains/(losses) | 1 | 9 | 641.1% | 29 | 7 | -75.4% |
| Share of profit of JV and associates | 3 | 10 | 212.5% | 9 | 1 | -86.3% |
| Pretax profit | 120 | 146 | 21.6% | 190 | 339 | 78.5% |
| Income tax | (19) | (21) | 11.4% | (30) | (55) | 80.3% |
| After tax profit | 101 | 125 | 23.6% | 159 | 284 | 78.1% |
| MI | 0 | 0 | n/a | 0 | 0 | n/a |
| Net profit | 101 | 125 | 23.6% | 159 | 284 | 78.1% |
| | | | ppt | | | ppt |
| <i>Gross margin</i> | 42.9% | 40.0% | -2.9 | 40.8% | 37.4% | -3.3 |
| <i>S&D expense ratio</i> | 4.5% | 4.5% | -0.1 | 5.9% | 4.5% | -1.4 |
| <i>Administrative expense ratio</i> | 5.2% | 5.6% | 0.4 | 6.6% | 4.6% | -1.9 |
| <i>Effective tax rate</i> | 15.8% | 14.5% | -1.3 | 16.1% | 16.2% | 0.2 |

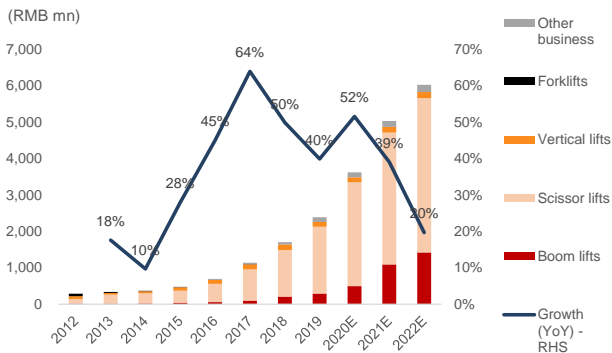
Source: Company data, CMBIS

Figure 3: Change in key assumptions on Dingli

| | Old | | | New | | | Change | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|
| | 2020E | 2021E | 2022E | 2020E | 2021E | 2022E | 2020E | 2021E | 2022E |
| Sales volume (units) | | | | | | | | | |
| Boom lifts | 1,372 | 3,018 | 3,924 | 1,372 | 3,018 | 3,924 | 0.0% | 0.0% | 0.0% |
| Scissor lifts | 37,324 | 44,789 | 50,163 | 40,790 | 51,803 | 60,610 | 9.3% | 15.7% | 20.8% |
| Vertical lifts | 4,118 | 4,530 | 4,983 | 4,118 | 4,530 | 4,983 | 0.0% | 0.0% | 0.0% |
| Total (lifts) | 42,814 | 52,337 | 59,070 | 46,280 | 59,351 | 69,516 | 8.1% | 13.4% | 17.7% |
| ASP (RMB/unit) | | | | | | | | | |
| Boom lifts | 361,000 | 362,000 | 365,000 | 361,000 | 362,000 | 362,000 | 0.0% | 0.0% | -0.8% |
| Scissor lifts | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 | 0.0% | 0.0% | 0.0% |
| Vertical lifts | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 0.0% | 0.0% | 0.0% |
| (RMB mn) | | | | | | | | | |
| Revenue | | | | | | | | | |
| Boom lifts | 495 | 1,093 | 1,432 | 495 | 1,093 | 1,420 | 0.0% | 0.0% | -0.8% |
| Scissor lifts | 2,613 | 3,135 | 3,511 | 2,855 | 3,626 | 4,243 | 9.3% | 15.7% | 20.8% |
| Vertical lifts | 140 | 154 | 169 | 140 | 154 | 169 | 0.0% | 0.0% | 0.0% |
| Revenue (core business) | 3,248 | 4,382 | 5,113 | 3,491 | 4,873 | 5,832 | 7.5% | 11.2% | 14.1% |
| Other business | 139 | 193 | 200 | 132 | 165 | 199 | -5.1% | -14.7% | -0.6% |
| Total revenue | 3,387 | 4,575 | 5,313 | 3,622 | 5,038 | 6,031 | 7.0% | 10.1% | 13.5% |
| Gross margin | | | | | | | | <i>ppt</i> | |
| Boom lifts | 30.0% | 38.0% | 40.0% | 29.0% | 34.0% | 34.0% | -1.0 | -4.0 | -6.0 |
| Scissor lifts | 41.0% | 41.0% | 41.0% | 38.0% | 37.5% | 37.3% | -3.0 | -3.5 | -3.7 |
| Vertical lifts | 41.0% | 41.0% | 40.5% | 38.0% | 37.5% | 37.3% | -3.0 | -3.5 | -3.2 |
| Gross margin (core business) | 39.3% | 40.3% | 40.7% | 36.7% | 36.7% | 36.5% | -2.6 | -3.5 | -4.2 |
| Other business | 68.0% | 68.0% | 68.0% | 67.0% | 67.0% | 67.0% | -1.0 | -1.0 | -1.0 |
| Blended gross margin | 40.5% | 41.4% | 41.7% | 37.8% | 37.7% | 37.5% | -2.7 | -3.7 | -4.2 |
| Gross profit | 1,372 | 1,895 | 2,217 | 1,370 | 1,900 | 2,262 | -0.1% | 0.2% | 2.0% |
| Net profit | 938 | 1,328 | 1,585 | 960 | 1,348 | 1,627 | 2.3% | 1.5% | 2.6% |

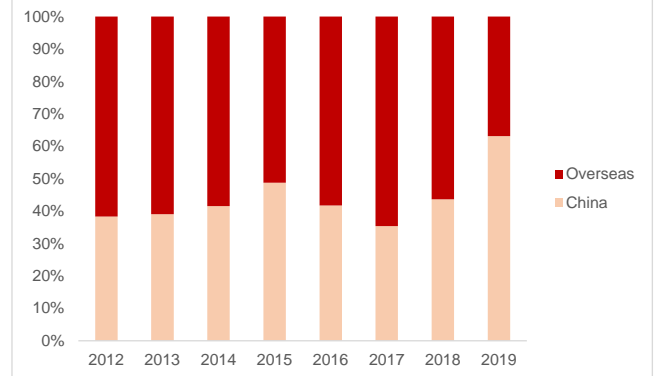
Source: Company data, CMBIS estimates

Figure 4: Dingli's revenue breakdown by product



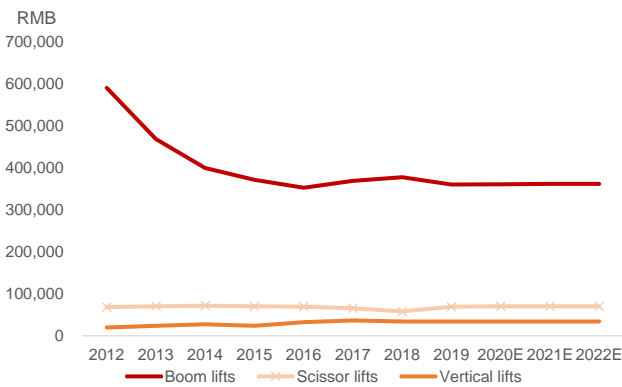
Source: Company data, CMBIS estimates

Figure 5: Dingli's revenue breakdown by region



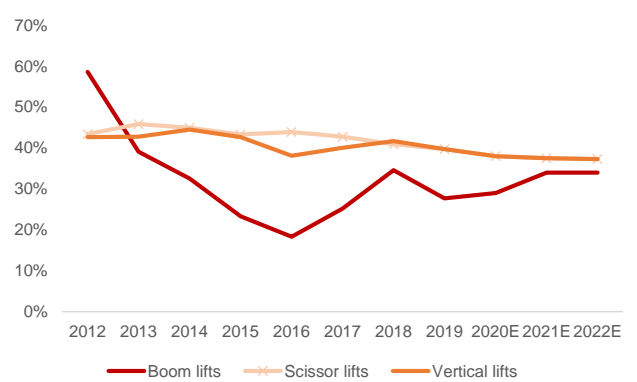
Source: Company data, CMBIS

Figure 6: ASP by product



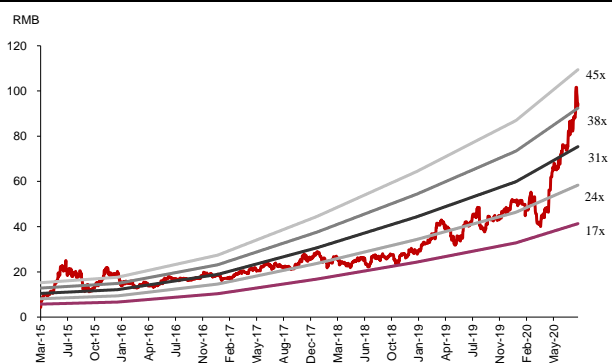
Source: Company data, CMBIS estimates

Figure 7: Gross margin by product



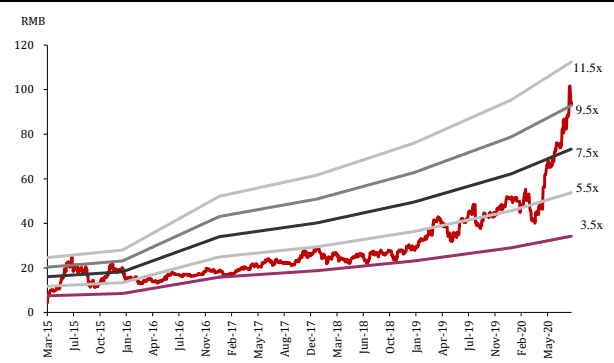
Source: Company data, CMBIS estimates

Figure 8: Dingli 12M forward P/E band



Source: Bloomberg, Company data, CMBIS estimates

Figure 9: 12M forward P/B band



Source: Bloomberg, Company data, CMBIS estimates

Financial Summary

| Income statement | | | | | | Cash flow summary | | | | | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|---------------------------------|------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | FY18A | FY19A | FY20E | FY21E | FY22E | YE 31 Dec (RMB mn) | FY18A | FY19A | FY20E | FY21E | FY22E |
| Total revenue | 1,708 | 2,389 | 3,622 | 5,038 | 6,031 | Pretax profit | 565 | 805 | 1,116 | 1,567 | 1,891 |
| Cost of sales | (999) | (1,437) | (2,252) | (3,138) | (3,769) | Finance cost | 0 | 3 | 5 | 5 | 6 |
| Gross profit | 709 | 952 | 1,370 | 1,900 | 2,262 | Interest income | (22) | (14) | (52) | (83) | (115) |
| Surcharge | (10) | (10) | (18) | (25) | (30) | Profit / loss of associates | 13 | (39) | (29) | (38) | (51) |
| S&D expenses | (92) | (105) | (163) | (222) | (265) | Depreciation and amortization | 25 | 28 | 44 | 80 | 119 |
| Administrative expenses | (118) | (136) | (181) | (242) | (283) | Income tax paid | (72) | (101) | (156) | (219) | (265) |
| Asset impairment | (7) | (15) | (4) | (10) | (12) | Change in working capital | (82) | (6) | 152 | (188) | (428) |
| EBIT | 482 | 686 | 1,004 | 1,401 | 1,671 | Others | (12) | 20 | 0 | 0 | 0 |
| Net finance income/(cost) | 36 | 39 | 47 | 77 | 110 | Cash flow from operation | 416 | 696 | 1,080 | 1,124 | 1,158 |
| Finance income | 37 | 42 | 52 | 83 | 115 | Net capex on PP&E | (199) | (285) | (330) | (300) | (300) |
| Finance expenses | (2) | (3) | (5) | (5) | (6) | Interest received | 27 | 6 | 52 | 83 | 115 |
| Other gains/(losses) | 60 | 41 | 36 | 50 | 60 | Others | 329 | (392) | 0 | 0 | 0 |
| Profit of JV & associates | (13) | 39 | 29 | 38 | 51 | Cash flow from investing | 157 | (666) | (278) | (217) | (185) |
| Pretax profit | 565 | 805 | 1,116 | 1,567 | 1,891 | Proceeds from equity | 0 | 0 | 0 | 0 | 0 |
| Income tax | (85) | (111) | (156) | (219) | (265) | Net bank borrowings | 163 | 252 | 40 | 30 | 50 |
| After tax profit | 480 | 694 | 960 | 1,348 | 1,627 | Dividend paid | (71) | (87) | (121) | (168) | (236) |
| MI | 0 | 0 | 0 | 0 | 0 | Interest paid | (9) | (17) | (5) | (5) | (6) |
| Net profit | 480 | 694 | 960 | 1,348 | 1,627 | Others | (0) | (0) | 0 | 0 | 0 |
| D&A | 25 | 28 | 44 | 80 | 119 | Cash flow from financing | 83 | 147 | (86) | (143) | (192) |
| EBITDA | 507 | 714 | 1,049 | 1,481 | 1,790 | Change in cash | 656 | 177 | 716 | 763 | 781 |
| | | | | | | Cash at beginning of the year | 751 | 1,045 | 874 | 1,590 | 2,353 |
| | | | | | | FX gains/(losses) & others | (362) | (349) | 0 | 0 | 0 |
| | | | | | | Cash at the end of the year | 1,045 | 874 | 1,590 | 2,353 | 3,134 |

| Balance sheet | | | | | | Key ratios | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|------------------------------------|----------|----------|----------|----------|----------|
| YE 31 Dec (RMB mn) | FY18A | FY19A | FY20E | FY21E | FY22E | YE 31 Dec | FY18A | FY19A | FY20E | FY21E | FY22E |
| Non-current assets | 1,027 | 1,471 | 1,848 | 2,238 | 2,605 | Revenue mix (%) | | | | | |
| PP&E | 232 | 245 | 534 | 757 | 941 | Boom lifts | 12 | 12 | 14 | 22 | 24 |
| JV/associates | 206 | 89 | 118 | 156 | 207 | Scissor lifts | 75 | 77 | 79 | 72 | 70 |
| LT trade receivables | 278 | 465 | 527 | 660 | 794 | Vertical lifts | 9 | 5 | 4 | 3 | 3 |
| Intangible assets | 143 | 140 | 137 | 134 | 131 | Others | 4 | 6 | 4 | 3 | 3 |
| AFS investments | 0 | 0 | 0 | 0 | 0 | Total | 100 | 100 | 100 | 100 | 100 |
| Others | 167 | 529 | 529 | 529 | 529 | Profit & loss ratio (%) | | | | | |
| Deferred tax assets | 0 | 2 | 2 | 2 | 2 | Gross margin | 41.5 | 39.9 | 37.8 | 37.7 | 37.5 |
| Current assets | 2,607 | 3,389 | 4,398 | 5,525 | 6,852 | EBITDA margin | 29.7 | 29.9 | 28.9 | 29.4 | 29.7 |
| Inventories | 359 | 461 | 625 | 750 | 1,046 | EBIT margin | 28.2 | 28.7 | 27.7 | 27.8 | 27.7 |
| Trade and bill receivables | 899 | 1,325 | 1,454 | 1,693 | 1,942 | Net profit margin | 28.1 | 29.0 | 26.5 | 26.8 | 27.0 |
| Prepayment | 5 | 11 | 11 | 11 | 11 | Growth (%) | | | | | |
| Others | 298 | 718 | 718 | 718 | 718 | Revenue | 49.9 | 39.9 | 51.6 | 39.1 | 19.7 |
| Cash | 1,045 | 874 | 1,590 | 2,353 | 3,134 | Gross profit | 48.2 | 34.4 | 43.9 | 38.6 | 19.1 |
| | | | | | | EBITDA | 39.2 | 41.0 | 46.8 | 41.2 | 20.9 |
| Current liabilities | 882 | 1,450 | 1,977 | 2,305 | 2,607 | EBIT | 41.6 | 42.4 | 46.4 | 39.5 | 19.3 |
| Trade and bill payables | 521 | 783 | 1,290 | 1,599 | 1,851 | Net profit | 69.6 | 44.5 | 38.3 | 40.4 | 20.7 |
| Bank borrowings | 150 | 369 | 389 | 409 | 459 | Balance sheet ratio | | | | | |
| Tax payable | 70 | 107 | 107 | 107 | 107 | Current ratio (x) | 3.0 | 2.3 | 2.2 | 2.4 | 2.6 |
| Advance from customers | 11 | 7 | 7 | 7 | 7 | Receivable turnover days | 143 | 170 | 140 | 114 | 110 |
| Others | 129 | 183 | 183 | 183 | 183 | Inventory turnover days | 110 | 104 | 88 | 80 | 87 |
| Non-current liabilities | 151 | 202 | 222 | 232 | 232 | Payable turnover days | 152 | 166 | 168 | 168 | 167 |
| Bank borrowings | 75 | 109 | 129 | 139 | 139 | Net debt / total equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Deferred tax liabilities | 2 | 1 | 1 | 1 | 1 | Profitability (%) | | | | | |
| Deferred income | 64 | 73 | 73 | 73 | 73 | ROA | 15.0 | 16.3 | 17.3 | 19.2 | 18.9 |
| Others | 10 | 19 | 19 | 19 | 19 | ROE | 20.0 | 23.9 | 26.5 | 29.1 | 27.5 |
| Equity | 2,601 | 3,207 | 4,046 | 5,226 | 6,617 | Per share data | | | | | |
| Shareholders' equity | 2,601 | 3,207 | 4,046 | 5,226 | 6,617 | EPS (RMB) | 0.99 | 1.43 | 1.98 | 2.78 | 3.35 |
| MI | 0 | 0 | 0 | 0 | 0 | BVPS (RMB) | 5.36 | 6.61 | 8.33 | 10.76 | 13.63 |
| | | | | | | DPS (RMB) | 0.18 | 0.25 | 0.35 | 0.49 | 0.59 |

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.