

# Goertek (002241 CH)

## Strong 2Q22 in-line; Lower TP on margin weakness

Goertek's 2Q22 revenue/ NP growth of 45%/54% YoY is largely in-line with its preliminary results, and 2Q GPM is slightly lower at 12.3% (-2ppt YoY, -1.4ppt QoQ) due to product mix and new product ramp. Also, Goertek reported soft 3Q22 prelim earnings of 9.5%-40.7% YoY growth, which is below expectations due to weaker VR demand and macro weakness. Looking into 2H22E, we believe Goertek's growth momentum will continue with multiple product launches from new-gen AirPods, Quest 2 Pro and PS VR2. Overall, we expect Goertek to remain the major beneficiary of AR/VR product cycle in 2023E, and deliver 28%/23% YoY earnings growth in FY22/23E, backed by 62%/26% YoY in smart product segment (VR, gaming console, smart watch). Maintain BUY with new TP to RMB44.69, based on same 28x FY22E P/E (7-yr hist avg).

■ **Strong 2Q22 on solid VR/gaming console despite margin pressure.** Goertek reported solid 2Q22 results with revenue/recurring NP growth of 45%/54% YoY, in-line with its preview earlier. Given Android demand weakness, 2Q22 precision components/hearables products declined 11%/8% YoY, offsetting strong smart product (Watch, AR/VR, gaming console) of 119% YoY. In addition, 2Q GPM came in at 12.3% (-2ppt YoY, -1.4ppt QoQ) due to weaker product mix and new product ramp up. For 3Q22E, company pre-announced net profit of RMB1.75-2.25bn, up 9.5-40.7% YoY, below expectations due to macro weakness and soft VR demand.

■ **2023 Outlook: AR/VR and gaming console as dual growth engines.** We believe Goertek's VR/AR and gaming segment will continue to be major growth drivers (51%/55% of FY22/23E sales), which will grow at 62%/26% YoY in FY22/23E, backed by new product cycle from Oculus Quest 2 Pro and Sony PS VR 2 in 2H22E, as well as share gain in Sony PS 5. In addition, mgmt. maintained positive view with AR/VR/MR shipment target of 50-60mn unit in 2025, backed by a new wave of product launches from Meta, Pico and Apple in next two years.

■ **Maintain BUY with new TP of RMB44.69.** We trimmed our FY22-24E EPS by 3-7% to reflect lower margin and near-term macro weakness. Our new TP of RMB44.69 is based on same 28x FY22E P/E, based on 7-year hist. avg P/E. We believe recent pullback provides good buying opportunities (16.5x FY23E P/E), given its solid product roadmap and growth opportunities in AR/VR and gaming console biz.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	57,743	78,221	103,714	121,299	138,907
YoY growth (%)	64.3	35.5	32.6	17.0	14.5
Net profit (RMB mn)	2,848.0	4,274.7	5,452.9	6,725.2	8,315.2
EPS (Reported) (RMB)	0.89	1.29	1.60	1.97	2.43
YoY growth (%)	122.5	44.9	23.7	23.3	23.6
Consensus EPS (RMB)	na	na	1.66	2.12	2.57
P/E (x)	34.5	31.5	20.3	16.5	13.3
P/B (x)	5.1	5.0	3.5	2.9	2.5
Yield (%)	0.5	0.5	0.7	0.9	1.1
ROE (%)	15.9	17.9	18.2	19.3	20.1

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** RMB44.69

(Previous TP RMB48.0

**Up/Downside** 37.9%

**Current Price** RMB32.42

### China Technology

#### Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

#### Claudia LIU

claudialiu@cmbi.com.hk

### Stock Data

Mkt Cap (RMB mn)	110,746.7
Avg 3 mths t/o (RMB mn)	34.6
52w High/Low (RMB)	57.40/27.58
Total Issued Shares (mn)	3416.0

Source: FactSet

### Shareholding Structure

Goertek Group	29.8%
HKEX	9.8%

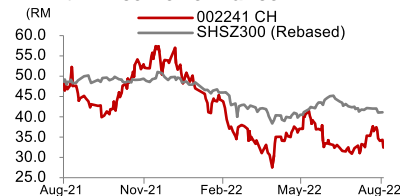
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	1.9%	4.0%
3-mth	-12.4%	-13.7%
6-mth	-25.9%	-17.2%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## 2Q22 results review

Figure 1: 2Q22 review

RMB mn	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY	Consensus 2Q22E	Diff (%)
Revenue	16,260	22,501	25,432	20,112	23,492	17%	44%	22,190	6%
Gross Profit	2,323	3,431	3,257	2,759	2,888	5%	24%	3,146	-8%
Operating Profit	885	1,812	841	1,020	1,324	30%	50%	1,365	-3%
Net profit	765	1,601	942	901	1,178	31%	54%	1,275	-8%
EPS	0.22	0.47	0.28	0.26	0.34	31%	54%	0.36	-4%
Gross Margin	14.3%	15.2%	12.8%	13.7%	12.3%	-1.4 ppt	-2 ppt	14.2%	-1.9 ppt
Operating Margin	5.4%	8.1%	3.3%	5.1%	5.6%	0.6 ppt	0.2 ppt	6.1%	-0.5 ppt
Net Margin	4.7%	7.1%	3.7%	4.5%	5.0%	0.5 ppt	0.3 ppt	5.7%	-0.7 ppt

Source: Bloomberg, CMBIGM estimates

## Earnings Revision

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	103,714	121,299	138,907	103,687	121,268	138,872	0%	0%	0%
Gross Profit	13,707	16,995	20,035	14,407	17,237	20,206	-5%	-1%	-1%
Operating Profit	5,978	7,478	9,234	6,516	7,946	9,629	-8%	-6%	-4%
Net profit	5,453	6,725	8,315	5,853	7,086	8,610	-7%	-5%	-3%
EPS (RMB)	1.60	1.97	2.43	1.71	2.07	2.52	-7%	-5%	-3%
Gross Margin	13.2%	14.0%	14.4%	14.0%	14.0%	15.0%	-0.8 ppt	0 ppt	-0.6 ppt
Operating Margin	5.8%	6.2%	6.6%	6.0%	7.0%	7.0%	-0.2 ppt	-0.8 ppt	-0.4 ppt
Net Margin	5.3%	5.5%	6.0%	6.0%	6.0%	6.0%	-0.7 ppt	-0.5 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	103,714	121,299	138,907	102,601	125,490	147,201	1%	-3%	-6%
Gross Profit	13,707	16,995	20,035	14,793	18,189	21,532	-7%	-7%	-7%
Operating Profit	5,978	7,478	9,234	6,252	7,964	9,535	-4%	-6%	-3%
Net profit	5,453	6,725	8,315	5,672	7,229	8,842	-4%	-7%	-6%
EPS (RMB)	1.60	1.97	2.43	1.66	2.12	2.57	-4%	-7%	-5%
Gross Margin	13%	14%	14%	14.4%	14.5%	14.6%	-1.2 ppt	-0.5 ppt	-0.2 ppt
Operating Margin	6%	6%	7%	6.1%	6.3%	6.5%	-0.3 ppt	-0.2 ppt	0.2 ppt
Net Margin	5%	6%	6%	5.5%	5.8%	6.0%	-0.3 ppt	-0.2 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: Revenue breakdown

RMB mn	FY20	FY21	FY22E	FY23E	FY24E
<b>Precision Components</b>	<b>12,205</b>	<b>13,840</b>	<b>14,476</b>	<b>16,648</b>	<b>19,145</b>
... YoY	15%	13%	5%	15%	15%
Speaker/receiver	7,410	8,151	8,396	8,647	8,907
MIC (ECM/MEMS)	3,289	3,618	3,726	3,838	3,953
MEMS sensor	380	417	459	505	556
Antenna	585	761	913	1,095	1,314
Optical component module	542	893	983	1,081	1,189
<b>Hearable Products</b>	<b>26,674</b>	<b>30,297</b>	<b>34,473</b>	<b>36,022</b>	<b>36,629</b>
... YoY	80%	14%	14%	20%	20%
Airpods	15,045	19,365	20,114	20,323	19,760
Android TWS	3,000	3,900	6,500	7,000	7,200
Smart Speaker	1,700	2,380	2,975	3,570	4,284
Others	6,929	4,652	4,885	5,129	5,385
<b>Smart Products</b>	<b>17,652</b>	<b>32,809</b>	<b>53,095</b>	<b>66,710</b>	<b>81,021</b>
... YoY	107%	86%	62%	26%	21%
Smart Watch	5,100	7,650	11,475	16,065	20,885
Gaming Console	-	2,016	4,663	5,266	5,131
AR/VR Headset	7,900	20,115	33,626	41,714	56,106
Robotics/UAV/smart light	4,652	3,028	3,331	3,664	4,031
<b>Non-main business</b>	<b>1,211</b>	<b>1,275</b>	<b>1,670</b>	<b>1,920</b>	<b>2,112</b>
... YoY	2%	5%	31%	15%	10%
<b>Total</b>	<b>57,743</b>	<b>78,221</b>	<b>103,714</b>	<b>121,299</b>	<b>138,907</b>
...YoY	64%	35%	33%	17%	15%

Source: Company data, CMBIGM estimates

Figure 5: P&amp;L forecast

RMB mn	FY20	FY21	1Q22	2Q22	3Q22E	4Q22E	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>57,743</b>	<b>78,221</b>	<b>20,112</b>	<b>23,492</b>	<b>26,636</b>	<b>33,475</b>	<b>103,714</b>	<b>121,299</b>	<b>138,907</b>
...YoY	64%	35%	43%	44%	18%	32%	33%	17%	15%
Cost of sales	(48,484)	(67,168)	(17,353)	(20,604)	(23,040)	(29,018)	(90,007)	(104,305)	(118,872)
<b>Gross profit</b>	<b>9,259</b>	<b>11,054</b>	<b>2,759</b>	<b>2,888</b>	<b>3,596</b>	<b>4,457</b>	<b>13,707</b>	<b>16,995</b>	<b>20,035</b>
GPM (%)	16.0%	14.1%	13.7%	12.3%	13.5%	13.3%	13.2%	14.0%	14.4%
...YoY	71%	19%	35%	24%	5%	37%	24%	24%	18%
SG&A	(2,106)	(2,397)	(615)	(677)	(759)	(795)	(2,845)	(3,154)	(3,612)
...% of rev	3.6%	3.1%	3.1%	2.9%	2.8%	2.4%	2.7%	2.6%	2.6%
R&D	(3,426)	(4,170)	(1,114)	(822)	(932)	(2,008)	(4,877)	(6,308)	(7,084)
...% of rev	5.9%	5.3%	5.5%	3.5%	3.5%	6.0%	4.7%	5.2%	5.1%
<b>Operating profit</b>	<b>3,261</b>	<b>4,683</b>	<b>1,020</b>	<b>1,324</b>	<b>2,072</b>	<b>1,555</b>	<b>5,978</b>	<b>7,478</b>	<b>9,234</b>
OPM (%)	5.6%	6.0%	5.1%	5.6%	7.8%	4.6%	5.8%	6.2%	6.6%
...YoY	118%	44%	-11%	50%	14%	85%	28%	25%	23%
<b>Net profit</b>	<b>2,848</b>	<b>4,275</b>	<b>901</b>	<b>1,178</b>	<b>1,845</b>	<b>1,442</b>	<b>5,453</b>	<b>6,725</b>	<b>8,315</b>
NPM (%)	4.9%	5.5%	4.5%	5.0%	6.9%	4.3%	5.3%	5.5%	6.0%
...YoY	122%	50%	-7%	54%	15%	53%	28%	23%	24%

Source: Company data, CMBIGM estimates

## Valuation

### Maintain BUY with new TP of RMB44.69 (38% upside)

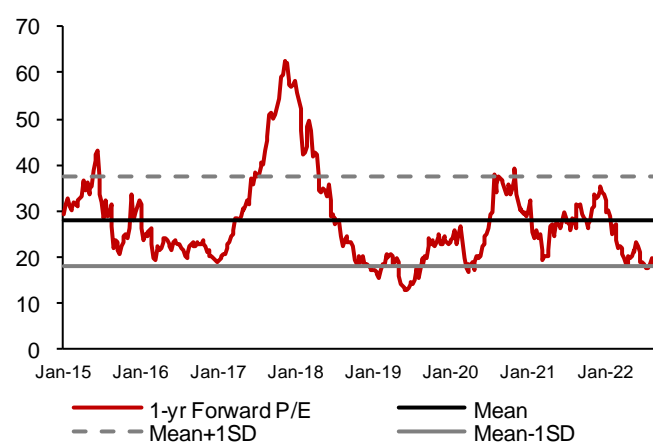
Our new TP of RMB44.69 is based on same 28x FY22E P/E. Following recent correction on concerns over demand weakness, we think the stock is attractive at 16.5x FY23E P/E, given 25% FY22-24E EPS CAGR, strong earnings visibility and improving ROE.

**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 (%)	
							FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
<b>A-listed components</b>												
Goertek	002241 CH	BUY	16,027	32.42	44.7	38%	20.3	16.5	3.5	2.9	17.1	17.8
Luxshare	002475 CH	BUY	38,782	37.83	*74.2	NA	26.6	20.1	5.8	4.6	24.8	25.0
O-film	002456 CH	NR	3,050	6.47	NA	NA	-	431.3	2.7	2.7	(11.4)	(1.6)
Sunway	300136 CH	NR	2,399	17.14	NA	NA	20.9	15.5	2.5	2.1	12.2	15.0
BOE	000725 CH	NR	20,715	3.73	NA	NA	8.0	6.6	0.9	0.8	11.6	13.2
Hans Laser	002008 CH	NR	4,711	30.95	NA	NA	16.9	13.4	2.4	2.1	14.6	15.9
Lens Tech	300433 CH	NR	7,880	10.95	NA	NA	24.9	14.9	1.2	1.2	6.2	7.8
Everwin	300115 CH	NR	2,506	14.42	NA	NA	40.4	20.7	2.8	2.6	7.1	10.7
Holitech	002217 CH	NR	1,411	3.13	NA	NA	-	-	-	-	-	-
<b>Average</b>							<b>22.6</b>	<b>67.4</b>	<b>2.7</b>	<b>2.4</b>	<b>7.2</b>	<b>9.8</b>
<b>H-listed components</b>												
FIT Hon Teng	6088 HK	Buy	1,083	1.17	1.8	52%	6.6	5.8	0.4	0.4	6.0	6.3
AAC Tech	2018 HK	Hold	2,251	14.62	14.0	-4%	17.3	12.0	0.7	0.7	4.0	5.6
Sunny Optical	2382 HK	Hold	14,967	107.10	102.3	-4%	38.4	26.0	4.5	4.0	11.8	15.3
Tongda	698 HK	Buy	151	0.12	0.2	80%	3.1	2.0	0.1	0.1	3.1	4.5
BYDE	285 HK	Hold	5,899	20.55	19.3	-6%	27.5	15.6	1.6	1.5	6.0	9.6
Q tech	1478 HK	Buy	655	4.34	5.6	29%	16.9	8.3	0.9	0.9	5.5	10.3
TK Group	2283 HK	Buy	192	1.81	3.4	87%	4.4	3.5	0.8	0.7	18.6	20.7
Truly	732 HK	NR	718	1.72	NA	NA	4.4	3.5	0.5	0.4	10.6	12.4
SMIC	981 HK	NR	22,963	15.42	NA	NA	8.3	10.1	0.7	0.7	10.1	7.4
YOFC	6869 HK	NR	3,228	18.06	NA	NA	12.0	10.3	1.2	1.1	9.8	10.4
Cowell	1415 HK	NR	1,821	17.10	NA	NA	24.5	15.6	4.3	-	21.4	27.3
<b>Average</b>							<b>9.6</b>	<b>8.0</b>	<b>1.2</b>	<b>1.0</b>	<b>11.6</b>	<b>12.2</b>

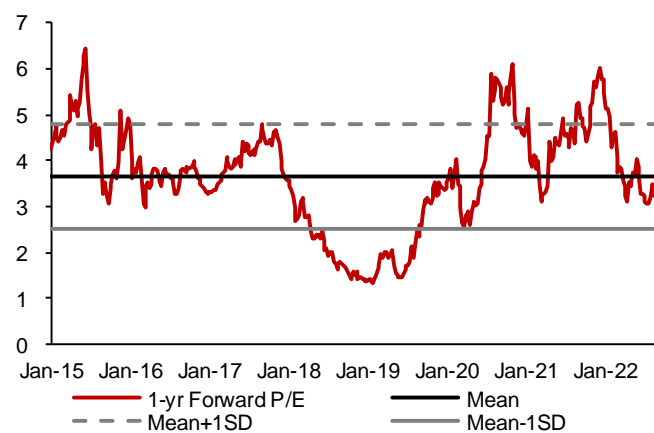
Source: Bloomberg, CMBIGM estimates, \* under review

**Figure 7: 12M forward P/E band**



Source: Company data, CMBIGM

**Figure 8: 12M forward P/B band**



Source: Company data, CMBIGM

## Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	35,148	57,743	78,221	103,714	121,299	138,907
Cost of goods sold	(29,726)	(48,484)	(67,168)	(90,007)	(104,305)	(118,872)
Gross profit	5,422	9,259	11,054	13,707	16,995	20,035
Selling expense	(534)	(476)	(445)	(423)	(485)	(556)
Admin expense	(838)	(1,630)	(1,952)	(2,422)	(2,669)	(3,056)
R&D expense	(1,807)	(3,426)	(4,170)	(4,877)	(6,308)	(7,084)
Other income	178	225	467	612	612	612
Other expense	(122)	(236)	(271)	(457)	(457)	(457)
Investment gain/loss	(160)	139	469	311	311	311
Other gains/(losses)	(54)	98	(80)	(97)	(97)	(97)
EBIT	1,496	3,261	4,683	5,978	7,478	9,234
Net Interest income/(expense)	(364)	(491)	(167)	(90)	(90)	(90)
Other income/expense	(25)	(39)	(77)	(6)	(6)	(6)
Pre-tax profit	1,472	3,222	4,606	5,971	7,471	9,228
Income tax	(192)	(370)	(299)	(482)	(710)	(877)
After tax profit	1,279	2,852	4,307	5,489	6,761	8,351
Minority interest	(1)	4	32	36	36	36
Net profit	1,281	2,848	4,275	5,453	6,725	8,315

BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	17,704	28,129	35,162	53,037	51,277	72,480
Cash & equivalents	3,613	7,788	10,049	18,126	17,173	28,056
Account receivables	8,147	10,045	11,949	17,798	16,988	22,829
Inventories	5,296	9,171	12,082	16,045	16,049	20,527
Prepayment	218	296	98	98	98	98
Financial assets at FVTPL	47	251	119	119	119	119
Other current assets	383	579	850	850	850	850
Non-current assets	16,957	20,989	25,917	28,833	31,863	34,545
PP&E	13,042	16,753	20,250	23,673	26,702	29,385
Deferred income tax	198	276	495	495	495	495
Investment in JVs & assos	270	0	437	437	437	437
Intangibles	2,397	2,730	3,094	3,094	3,094	3,094
Goodwill	18	17	17	17	17	17
Financial assets at FVTPL	336	357	466	466	466	466
Other non-current assets	696	518	652	652	652	652
Total assets	34,660	49,118	61,079	81,869	83,140	107,025
Current liabilities	17,558	22,736	29,803	46,465	42,019	58,836
Short-term borrowings	6,154	3,190	4,285	6,285	8,285	10,285
Account payables	9,675	17,324	21,272	35,934	29,488	44,305
Tax payable	140	195	357	357	357	357
Other current liabilities	795	882	2,822	2,822	2,822	2,822
Accrued expenses	794	1,145	1,067	1,067	1,067	1,067
Non-current liabilities	973	6,648	3,345	3,345	3,345	3,345
Long-term borrowings	344	2,754	2,204	2,204	2,204	2,204
Bond payables	0	3,031	210	210	210	210
Deferred income	233	323	390	390	390	390
Other non-current liabilities	397	539	540	540	540	540
Total liabilities	18,531	29,384	33,148	49,809	45,363	62,181
Share capital	3,245	3,275	3,416	3,416	3,416	3,416
Retained earnings	2,997	3,812	9,478	9,478	9,478	9,478
Other reserves	10,261	13,082	16,725	20,854	26,570	33,638
Total shareholders equity	16,129	19,734	27,931	32,060	37,776	44,844
Minority interest	22	80	604	604	604	604
Total equity and liabilities	34,660	49,118	61,079	81,869	83,140	107,025

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
<b>Operating</b>						
Profit before taxation	1,472	3,222	4,606	5,971	7,471	9,228
Depreciation & amortization	1,992	2,188	2,918	2,078	2,470	2,818
Tax paid	(192)	(370)	(299)	(482)	(710)	(877)
Change in working capital	1,542	2,268	1,186	4,865	(5,640)	4,498
Others	638	374	187	90	90	90
<b>Net cash from operations</b>	<b>5,451</b>	<b>7,682</b>	<b>8,598</b>	<b>12,486</b>	<b>3,645</b>	<b>15,721</b>
<b>Investing</b>						
Capital expenditure	(3,177)	(5,599)	(6,962)	(5,500)	(5,500)	(5,500)
Acquisition of subsidiaries/ investments	(306)	(208)	(3,083)	0	0	0
Net proceeds from disposal of short-term investments	95	205	3,102	0	0	0
Others	351	300	174	0	0	0
<b>Net cash from investing</b>	<b>(3,038)</b>	<b>(5,301)</b>	<b>(6,768)</b>	<b>(5,500)</b>	<b>(5,500)</b>	<b>(5,500)</b>
<b>Financing</b>						
Dividend paid	(595)	(572)	(675)	(818)	(1,009)	(1,247)
Net borrowings	(506)	(1,002)	913	2,000	2,000	2,000
Proceeds from share issues	1	51	2,179	0	0	0
Others	(235)	3,166	(2,030)	(90)	(90)	(90)
<b>Net cash from financing</b>	<b>(1,337)</b>	<b>1,642</b>	<b>387</b>	<b>1,092</b>	<b>901</b>	<b>663</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	2,008	3,095	6,913	9,138	17,216	16,262
Exchange difference	10	(205)	7	0	0	0
<b>Cash at the end of the year</b>	<b>3,095</b>	<b>6,913</b>	<b>9,138</b>	<b>17,216</b>	<b>16,262</b>	<b>27,146</b>
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	48.0%	64.3%	35.5%	32.6%	17.0%	14.5%
Gross profit	21.3%	70.8%	19.4%	24.0%	24.0%	17.9%
EBIT	48.7%	117.9%	43.6%	27.6%	25.1%	23.5%
Net profit	47.6%	122.4%	50.1%	27.6%	23.3%	23.6%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	15.4%	16.0%	14.1%	13.2%	14.0%	14.4%
Return on equity (ROE)	8.2%	15.9%	17.9%	18.2%	19.3%	20.1%
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Current ratio (x)	1.0	1.2	1.2	1.1	1.2	1.2
Receivable turnover days	79.7	57.5	51.3	51.3	51.3	51.3
Inventory turnover days	54.3	54.5	57.7	57.7	57.7	57.7
Payable turnover days	93.9	101.6	104.9	104.9	104.9	104.9
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/E	31.1	34.5	31.5	20.3	16.5	13.3
P/B	2.5	5.1	5.0	3.5	2.9	2.5
Div yield (%)	0.8	0.5	0.5	0.7	0.9	1.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# 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.

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

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

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

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

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 CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.