

Hikvision (002415 CH)

Innovative business gaining momentum

Hikvision FY2Q21 beat our estimates as revenue continued to rebound strongly (+34% YoY). Key highlight of FY1H21 is the innovative business: (1) revenue grew +122% YoY to RMB5.6bn (16% of revenue) and (2) gross margin +3.1 pct pts YoY to 42% (vs. core surveillance 47%). Also, high inventory level strategy helps secure customers amid global raw material shortage. Maintain BUY and raised target price to RMB80.00 (prior RMB75.65).

- FY2Q21 beat.** Revenue was at RMB19.9bn (+34% YoY), and net profit was at RMB4.3bn (+38% YoY). GPM missed (-5.3 pct pts YoY to 45.9%) on higher raw material price and product mix change. Opex control was better than expected with opex ratio of 26.4% (vs. CMBI estimate 28.1%). R&D expense increased 19% YoY while G&A expense declined 8% YoY. Net profit was boosted by tax credit (RMB570mn) that usually came in 3Q instead of 2Q. On operating level, profit was up +26% YoY to RMB3.9bn.
- Innovative business taking shape.** We maintain our view that Hikvision is more than a surveillance company as camera applications are expanded by embedding AI/ sensor technology. Innovative business segments (smart home products/ robotics/ thermal/ x-ray products etc.) revenue was up +122% YoY to RMB5.6bn in FY1H21 and revenue contribution reached 16%. It is also positive to see innovative business GPM improvement (+3.1 pct pts to 41.6% in FY1H21), narrowing the gap with core surveillance GPM 47.2%.
- High raw material level ensures stable supply to customers.** Hikvision has adopted high inventory level strategy since Hisilicon ban in 2019. This helps secure customers in FY1H21 amid global raw material shortage, especially for SMBG (revenue +106% YoY) and overseas business (+26% YoY). Inventory level increased further to RMB15.1bn (+35% YoY) in FY2Q21, of which RMB6.9bn are raw materials (+35% YoY). Customers are accepting shorter credit period to ensure stable supply and thus AR days shortened to 114 in FY2Q21 (vs. 139 in FY2Q20). However, if raw material price hike persists, Hikvision could face increasing margin pressure.
- Maintain BUY.** We raised FY21-23E net profit by 5-7% to reflect stronger top-line growth and better opex control. Maintain BUY with new target price of RMB80.00 (based on unchanged 36x FY22 P/E). Key downside risk is that chip shortage may last for longer than expected.

Earnings Summary

(YE 31 Dec)	FY19	FY20	FY21E	FY22E	FY23E
Revenue (RMB mn)	57,658	63,503	80,603	95,313	109,022
YoY growth (%)	16%	10%	27%	18%	14%
Net profit (RMB mn)	12,415	13,386	16,969	20,747	24,187
EPS (RMB)	1.33	1.43	1.82	2.22	2.59
YoY growth (%)	8%	8%	27%	22%	17%
Consensus EPS (RMB)	1.33	1.43	1.79	2.16	2.55
PE (x)	50.7	47.0	37.1	30.3	26.0
PB (x)	14.0	11.7	9.9	8.4	7.2
Dividend Yield (%)	0.01	0.01	0.01	0.02	0.02
ROE (%)	30%	27%	29%	30%	30%
Net debt to equity	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **RMB80.00**
 (Previous TP **RMB75.65**)
 Up/Downside **+18.7%**
 Current Price **RMB67.40**

China Software & IT Services

Marley Ngan
 (852) 3916 3719
 marleyngan@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	629,233
Avg 3 mths t/o (RMB mn)	1,959.28
52w High/Low (RMB)	70.48/ 33.48
Total Issued Shares (mn)	9,336

Source: Bloomberg

Shareholding Structure

CETC	38.9%
Kung Hong Ka - Chairman	10.3%

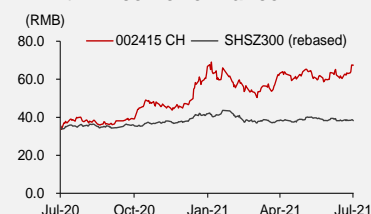
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	12.7%	12.0%
3-mth	7.4%	6.1%
6-mth	1.2%	9.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Related Reports

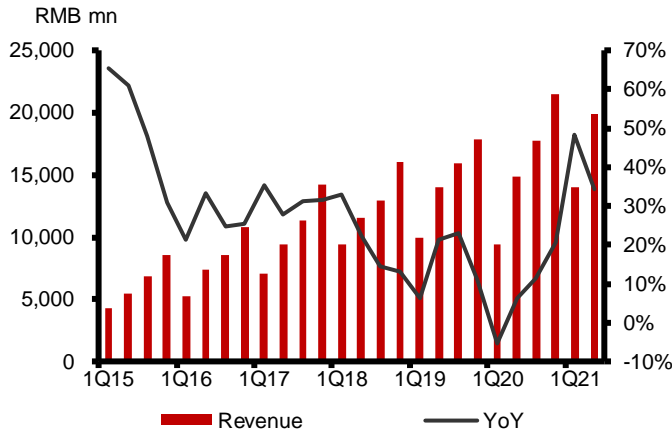
- China AI surveillance – 2Q21 preview: eye on gross margin - 14 Jul 2021
- China AI surveillance - Still a lot of Hisilicon inventories - 3 Jun 2021

Please cast your valuable vote for CMBIS research team in the 2021 Asiamoney Brokers Poll:

<https://euromoney.com/brokers>

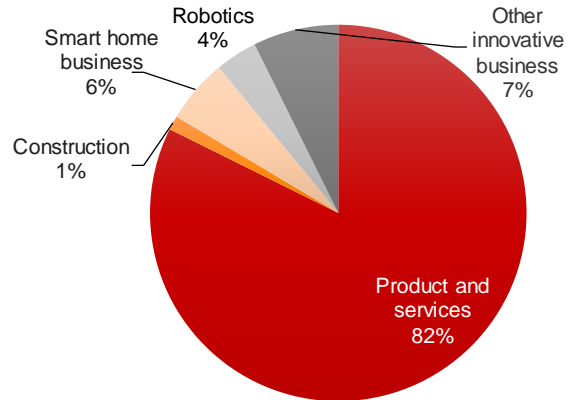
Focus Charts

Figure 1: Quarterly revenue and YoY growth



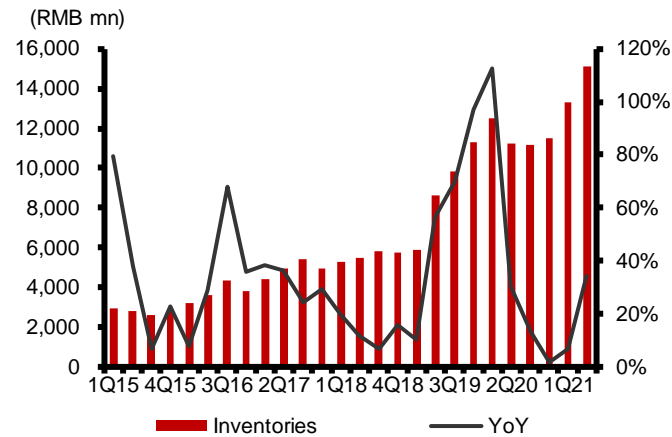
Source: Company data

Figure 2: Revenue breakdown (1H21)



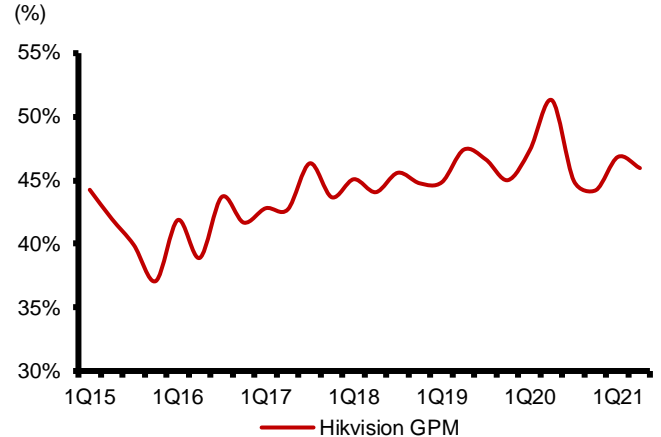
Source: Company data

Figure 3: Quarterly inventory and YoY growth



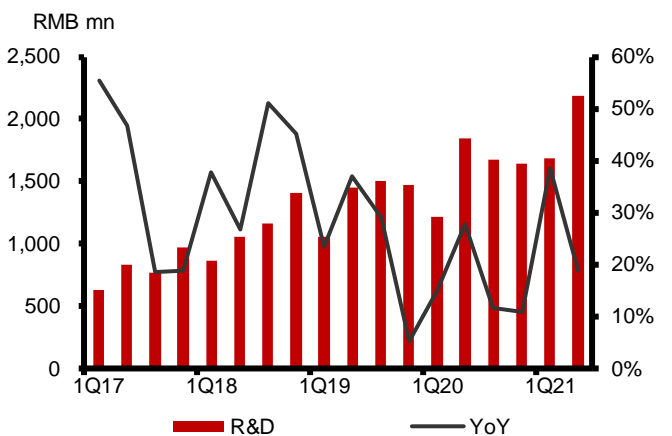
Source: Company data

Figure 4: Quarterly gross margin



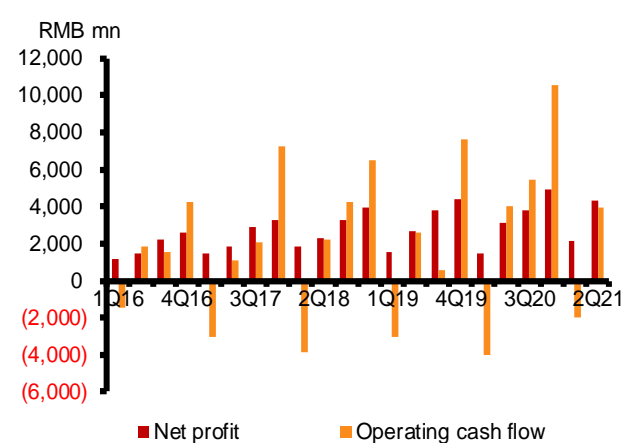
Source: Company data

Figure 5: R&D



Source: Company data

Figure 6: Net profit vs. operating cash flow



Source: Company data

FY2Q21 results review

- **Revenue** was at RMB19,914mn (+34% YoY, +42% QoQ), beat our estimate by 14% and in-line with consensus.
- **Gross profit** was at RMB9,148mn (+20% YoY, +40% QoQ), beat our estimate by 9% and in-line with consensus.
- **Gross margin** was at 45.9%, (-5.3 pct pts YoY, -0.9 pct pts QoQ), below our estimate by 1.9 pct pts and consensus by 0.2 pct pts.
- **Operating profit** was at RMB3,899mn (+26% YoY, +52% QoQ), beat our estimate by 13%.
- **Operating margin** was at 19.6% (-1.2 pct pts YoY, +1.2 pct pts QoQ), below our estimate by 0.1 pct pts.
- **Net profit** was at RMB4,312mn (+38% YoY, +99% QoQ), beat our estimate by 21% and consensus by 13%
- **EPS** was at RMB0.46 (+38% YoY, +99% QoQ), above our estimate by 21% and consensus by 22%.

Figure 7: FY2Q21 results review

	Jun-20 2Q20	Mar-21 1Q21	Jun-21 2Q21			Jun-21 2Q21	versus	Jun-21 2Q21	versus
RMB mn	actual	actual	actual	YoY	QoQ	CMBI	CMBI	consensus	consensus
Revenue	14,842	13,988	19,914	34%	42%	17,507	14%	19,810	1%
Gross profit	7,612	6,549	9,148	20%	40%	8,376	9%	9,145	0%
Gross margin	51.3%	46.8%	45.9%	-5.3 pct pts	-0.9 pct pts	47.8%	-1.9 pct pts	46.2%	-0.2 pct pts
Operating profit (adjusted)	3,088	2,569	3,899	26%	52%	3,446	13%	4,837	-19%
Operating margin (adjusted)	20.8%	18.4%	19.6%	-1.2 pct pts	1.2 pct pts	19.7%	-0.1 pct pts	24.4%	-4.8 pct pts
Net non-op	660	341	474			485		-372	
PBT	3,748	2,910	4,372	17%	50%	3,931	11%	4,465	-2%
Tax	-635	-476	48			-373		-645	
Minorities	14	-265	-108			-7			
Net income	3,128	2,169	4,312	38%	99%	3,551	21%	3,820	13%
EPS RMB	0.33	0.23	0.46	38%	99%	0.38	21%	0.38	22%

Source: Company data, CMBIS

Earnings revision

Figure 8: Hikvision earnings revision

RMB mn	2021E			2022E			2023E		
	New	Old	%Diff	New	Old	%Diff	New	Old	%Diff
Sales	80,603	76,630	5%	95,313	88,942	7%	109,022	100,315	9%
Gross profit	37,267	35,552	5%	44,260	41,853	6%	51,101	47,749	7%
OP Profit	17,315	16,375	6%	21,359	19,675	9%	25,215	22,983	10%
PBT	19,618	18,499	6%	23,632	22,006	7%	27,846	25,572	9%
Net profit	16,969	16,114	5%	20,747	19,546	6%	24,187	22,559	7%
EPS	1.82	1.72	5%	2.22	2.09	6%	2.59	2.41	7%
Margins									
GM	46.2%	46.4%	-16 bps	46.4%	47.1%	-62 bps	46.9%	47.6%	-73 bps
OPM	21.5%	21.4%	11 bps	22.4%	22.1%	29 bps	23.1%	22.9%	22 bps
PBT margin	24.3%	24.1%	20 bps	24.8%	24.7%	5 bps	25.5%	25.5%	5 bps
Net margin	21.1%	21.0%	2 bps	21.8%	22.0%	-21 bps	22.2%	22.5%	-30 bps

Source: Company data, CMBIS

Figure 9: Hikvision CMBI estimates vs. consensus

RMB mn	CMBI	2021E		CMBI	2022E		CMBI	2023E	
		Street	Diff		Street	Diff		Street	Diff
Sales	80,603	76,903	5%	95,313	91,107	5%	109,022	107,216	2%
Gross profit	37,267	35,361	5%	44,260	42,009	5%	51,101	49,504	3%
OP Profit	17,315	18,510	-6%	21,359	22,465	-5%	25,215	26,276	-4%
PBT	19,618	18,896	4%	23,632	22,702	4%	27,846	26,839	4%
Net profit	16,969	16,672	2%	20,747	20,098	3%	24,187	23,760	2%
EPS	1.82	1.77	3%	2.22	2.13	4%	2.59	2.52	3%
Margins									
GM	46.2%	46.0%	25 bps	46.4%	46.1%	33 bps	46.9%	46.2%	70 bps
OPM	21.5%	24.1%	-259 bps	22.4%	24.7%	-225 bps	23.1%	24.5%	-138 bps
PBT margin	24.3%	24.6%	-23 bps	24.8%	24.9%	-12 bps	25.5%	25.0%	51 bps
Net margin	21.1%	21.7%	-63 bps	21.8%	22.1%	-29 bps	22.2%	22.2%	2 bps

Source: Company data, CMBIS, Bloomberg

Operating model

Figure 10: Operating model

RMB mn	2019	2020	2021E	2022E	2023E
Revenues	57,658	63,503	80,603	95,313	109,022
Cost of sales	(31,140)	(33,958)	(43,336)	(51,053)	(57,922)
Gross Profit	26,518	29,546	37,267	44,260	51,101
<i>Gross margin</i>	<i>46.0%</i>	<i>46.5%</i>	<i>46.2%</i>	<i>46.4%</i>	<i>46.9%</i>
R&D	(5,484)	(6,379)	(8,172)	(9,663)	(10,837)
SG&A	(9,079)	(9,168)	(11,194)	(12,585)	(14,287)
Operating Income	11,538	13,583	17,315	21,359	25,215
<i>Operating margin</i>	<i>20.0%</i>	<i>21.4%</i>	<i>21.5%</i>	<i>22.4%</i>	<i>23.1%</i>
Non-Operating Income	2,218	1,690	2,302	2,273	2,630
Profit Before Tax	13,755	15,273	19,618	23,632	27,846
Income tax (expense) gain	(1,290)	(1,595)	(2,072)	(2,245)	(2,785)
Minorities	(51)	(293)	(576)	(640)	(874)
Net Income to Shareholders	12,415	13,386	16,969	20,747	24,187
<i>Net margin</i>	<i>21.5%</i>	<i>21.1%</i>	<i>21.1%</i>	<i>21.8%</i>	<i>22.2%</i>
EPS (RMB)	1.33	1.43	1.82	2.22	2.59
DPS (RMB)	0.60	0.70	0.80	1.02	1.24
Revenue breakdown					
Core camera solution	52,130	55,721	67,247	77,024	86,267
Construction	1,091	1,614	1,857	2,042	2,247
Smart home business	2,592	2,919	4,085	5,311	6,638
Robotics	814	1,359	2,644	4,019	5,225
Other innovative business	1,030	1,891	4,770	6,917	8,646
PBG	15,586	16,304			
EBG	12,591	15,180			
SMBG	9,356	9,683			
Domestic	41,420	45,807			
Export	16,239	17,697			
Gross margin breakdown					
Core camera solution	47.3%	48.4%	47.9%	48.1%	48.3%
Construction	22.7%	16.2%	19.1%	18.8%	19.0%
Innovative business	36.7%	37.3%	41.2%	42.2%	43.9%
Domestic	46.0%	44.9%			
Export	45.9%	50.7%			
Growth YoY					
Revenues	16%	10%	27%	18%	14%
Gross profit	19%	11%	26%	19%	15%
Operating Income	13%	18%	27%	23%	18%
EPS	8%	8%	27%	22%	17%

Source: Company data, CMBIS

Figure 11: Quarterly operating model

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21E	4Q21E
Revenues	9,429	14,842	17,750	21,482	13,988	19,914	21,674	25,027
Gross Profit	4,466	7,612	7,973	9,495	6,549	9,148	9,961	11,610
Operating profit	1,472	3,088	3,896	5,126	2,569	3,899	4,694	6,154
Net profit (loss)	1,496	3,128	3,815	4,947	2,169	4,312	4,446	6,042
EPS (RMB)	0.16	0.33	0.41	0.53	0.23	0.46	0.48	0.65
Margins								
Gross margin	47.4%	51.3%	44.9%	44.2%	46.8%	45.9%	46.0%	46.4%
Operating margin	15.6%	20.8%	21.9%	23.9%	18.4%	19.6%	21.7%	24.6%
Net margin	15.9%	21.1%	21.5%	23.0%	15.5%	21.7%	20.5%	24.1%
Growth (QoQ)								
Revenues	-47%	57%	20%	21%	-35%	42%	9%	15%
Gross Profit	-44%	70%	5%	19%	-31%	40%	9%	17%
Operating profit	-60%	110%	26%	32%	-50%	52%	20%	31%
Net profit (loss)	-66%	109%	22%	30%	-56%	99%	3%	36%
Growth (YoY)								
Revenues	-5%	6%	12%	21%	48%	34%	22%	16%
Gross Profit	0%	15%	7%	18%	47%	20%	25%	22%
Operating profit	-11%	10%	13%	41%	74%	26%	20%	20%
Net profit (loss)	-3%	17%	0%	13%	45%	38%	17%	22%

Source: Company data, CMBIS

Valuation

Hikvision (002415 CH, BUY, TP RMB80.00)

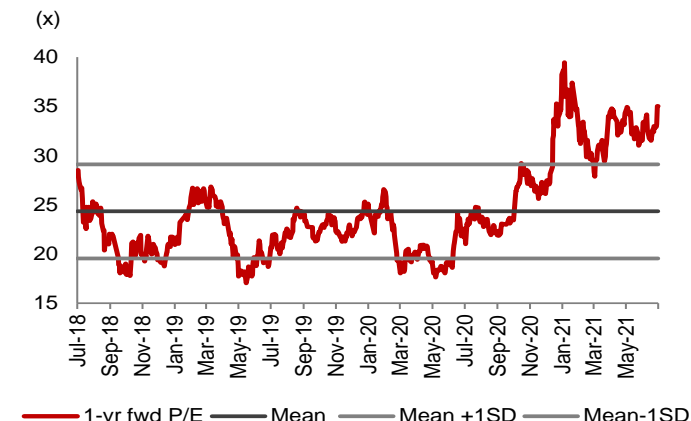
We raised our target price to RMB80.00 (prior RMB75.65), based on unchanged 36x FY22 P/E, 50% above its 3-year mean. We believe Hikvision deserves re-rating as supply chain risk is mitigated after two years of product re-design. Also, strong growth in innovative business proves Hikvision transformation to an intelligent camera solution provider rather than a pure surveillance company. Hikvision announced plan to spin off its smart home business (Ezviz Network) on STAR board. We believe the spin-off could provide new financing channel to support IoT/ AI R&D.

Figure 12: Peers' valuation

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	P/E		ROE		Sales CAGR FY20-23	EPS CAGR FY20-23
						FY21E	FY22E	FY21E	FY22E		
Hikvision	002415 CH	BUY	97,173	67.40	80.00	37.1	30.3	29.0	30.1	20%	22%
Dahua	002236 CH	HOLD	10,390	22.46	23.36	15.7	13.1	18.9	19.0	18%	16%
China Transinfo	002373 CH	NR	3,713	15.21	n.a.	19.1	15.4	11.4	12.6	17%	22%
Thunisoft	300271 CH	NR	2,280	17.80	n.a.	22.7	17.7	9.0	10.3	33%	29%
iFlytek	002230 CH	NR	22,240	62.60	n.a.	80.4	59.5	12.5	15.0	32%	37%
Cambricon Tech	688256 CH	NR	6,319	102.27	n.a.	n.a.	n.a.	-11.9	-13.0	29%	-1%
					Mean	35.1	27.4	11.3	12.0	25%	21%
					Median	22.7	17.7	11.9	13.8	24%	21%

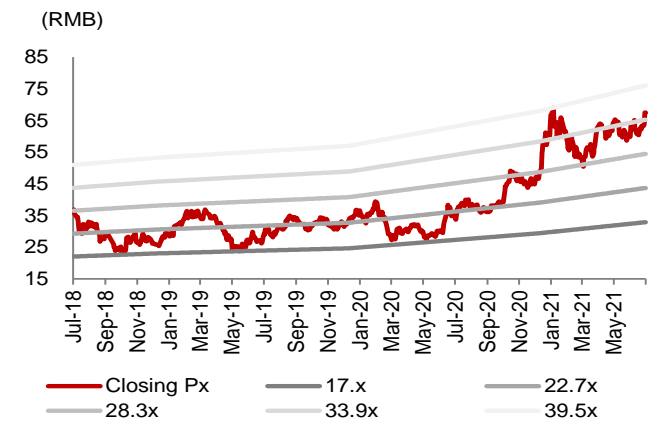
Source: Bloomberg, CMBIS

Figure 13: Hikvision 12M forward P/E chart



Source: Bloomberg, CMBIS

Figure 14: Hikvision 12M forward P/E band



Source: Bloomberg, CMBIS

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	57,658	63,503	80,603	95,313	109,022
Cost of sales	(31,140)	(33,958)	(43,336)	(51,053)	(57,922)
Gross profit	26,518	29,546	37,267	44,260	51,101
Selling exp	(7,257)	(7,378)	(9,264)	(10,202)	(11,619)
Admin exp	(1,822)	(1,790)	(1,930)	(2,383)	(2,668)
R&D exp	(5,484)	(6,379)	(8,172)	(9,663)	(10,837)
Other operating exp.	(417)	(416)	(586)	(652)	(762)
Operating profit	11,538	13,583	17,315	21,359	25,215
Finance costs	640	(396)	498	440	878
Other non-oper exp.	1,578	2,086	1,804	1,833	1,752
Pre-tax profit	13,755	15,273	19,618	23,632	27,846
Income tax expense	(1,290)	(1,595)	(2,072)	(2,245)	(2,785)
Minority interests	(51)	(293)	(576)	(640)	(874)
Net profit to S/H	12,415	13,386	16,969	20,747	24,187

Cash flow summary

YE 31 Dec (RMB mn)	FY19	FY20	FY21E	FY22E	FY23E
Net profit	12,415	13,386	16,969	20,747	24,187
Depreciation/amortization	699	845	1,122	1,276	1,399
Change in working capital	(7,153)	597	(12,827)	(99)	9,912
Others	1,807	1,260	787	640	874
Net cash from operating	7,768	16,088	6,052	22,564	36,372
Capex	(1,927)	(2,004)	(2,409)	(2,172)	(2,251)
Other	4	(551)	192	0	0
Net cash from investing	(1,923)	(2,555)	(2,218)	(2,172)	(2,251)
Net borrowings	187	2,049	1,144	1,044	(2,445)
Dividend paid	(5,609)	(6,542)	(7,475)	(9,476)	(11,58)
Other	(14)	(189)	(337)	(640)	(874)
Net cash from financing	(5,436)	(4,681)	(6,668)	(9,073)	(14,90)
Net change in cash	408	8,852	(2,834)	11,319	19,216
Cash (beginning of the year)	26,552	27,072	35,460	32,552	43,871
Exchange difference	111	(464)	(74)	0	0
Cash (end of the year)	27,072	35,460	32,552	43,871	63,087

Balance sheet

YE 31 Dec (RMB mn)	FY19	FY20	FY21E	FY22E	FY23E
Current assets	64,026	74,763	81,403	100,886	126,912
Cash & equivalents	27,072	35,460	32,552	43,871	63,087
Account receivables	23,146	24,098	32,363	36,566	40,899
Inventory	11,268	11,478	12,342	15,755	17,353
Other current assets	2,540	3,727	4,147	4,695	5,573
Non-current assets	11,332	13,939	15,287	16,183	17,035
PPE	6,423	7,301	8,422	9,318	10,170
Intangible assets	1,407	1,634	1,590	1,590	1,590
Other non-current assets	3,502	5,003	5,275	5,275	5,275
Total assets					
Current liabilities	23,521	31,225	28,580	37,319	52,166
ST borrowings	2,726	7,507	8,151	8,824	6,950
Account payables	13,940	14,631	9,557	16,142	30,876
Accrued expense	5,941	6,173	8,228	8,548	9,560
Other current liabilities	914	2,914	2,645	3,804	4,779
Non-current liabilities	6,364	2,997	3,640	4,010	3,438
LT borrowings	4,604	1,961	2,481	2,850	2,279
Other non-current liabilities	1,760	1,036	1,159	1,159	1,159
Total liabilities	29,885	34,222	32,220	41,328	55,604
Share capital	9,345	9,343	9,336	9,336	9,336
Capital surplus	4,127	5,179	5,183	5,183	5,183
Retained earnings	33,634	40,479	49,990	61,261	73,863
Other reserves	(2,202)	(1,207)	(1,115)	(1,115)	(1,115)
Minority interest	569	685	1,076	1,076	1,076
Total equity	44,904	53,794	63,394	74,665	87,266
Total liabilities and	74,789	88,016	95,614	115,993	142,870

Key ratios

YE 31 Dec	FY19	FY20	FY21E	FY22E	FY23E
Revenue mix					
Core camera solution	90%	88%	83%	81%	79%
Construction	2%	3%	2%	2%	2%
Smart home business	4%	5%	5%	6%	6%
Robotics	1%	2%	3%	4%	5%
Other innovative business	2%	3%	6%	7%	8%
Growth (%)					
Revenue	16%	10%	27%	18%	14%
Operating profit	13%	18%	27%	23%	18%
EPS	8%	8%	27%	22%	17%
Margin (%)					
Gross margin	46.0%	46.5%	46.2%	46.4%	46.9%
Operating margin	20.0%	21.4%	21.5%	22.4%	23.1%
Net profit margin	21.5%	21.1%	21.1%	21.8%	22.2%
Balance sheet ratio					
Current ratio (x)	2.72	2.39	2.85	2.70	2.43
Receivable turnover days	137	136	128	132	130
Inventory turnover days	54	65	54	54	55
Payable turnover days	163	157	80	115	103
Net debt to equity	net cash	net cash	net cash	net cash	net cash
Profitability (%)					
ROE	30.1%	27.1%	29.0%	30.1%	29.9%
ROIC	45.1%	42.7%	42.3%	43.8%	56.5%
Per share data (RMB)					
EPS (RMB)	1.33	1.43	1.82	2.22	2.59
DPS (RMB)	0.60	0.70	0.80	1.02	1.24
BVPS (RMB)	4.81	5.76	6.79	8.00	9.35

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

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS 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.