

Weichai Power-H (2338 HK)

2Q21 earnings +18% YoY; Solid gross margin

Weichai's delivered a solid set of results in 2Q21 with net profit growth of 18% YoY to RMB3.1bn, boosted by 10% increase in revenue and satisfactory gross margin of 18.5%. Weichai achieved market share gain of 3.2ppt (to 32.4%) in HDT engine in 1H21 which is respectable in our view. Going forward, we believe weakness of HDT demand starting Jul as a result of the implementation of NES VI is well expected, and we believe Weichai is set to benefit from further market share gain given the strict emission standard. We slightly revise up our SOTP-based TP to HK\$24.8. Key catalysts: (1) breakthrough in the sales volume of hydrogen fuel cell vehicles; (2) recovery of HDT demand in 4Q21E. Maintain **BUY**.

- 1H21 financial highlights.** Revenue grew 34% YoY to RMB126bn in 1H21. Gross margin slightly dropped 0.7ppt YoY to 18.8%. In terms of segment profit, forklift trucks & supply chain solution (operated by **KION Group [KGX GR]**) saw 4.3x YoY increase to RMB2.8bn, due to low base effect arising from COVID-19 in the overseas. With expense ratios largely under control, together with a 54% reduction of impairment and increase in finance income, net profit grew 37% YoY to RMB6.4bn. Operating cash inflow grew 77% YoY to RMB7.2bn. In 2Q21, net profit grew 18% YoY to RMB3.1bn. Gross margin expanded 0.9ppt to 18.5%. Weichai proposed interim dividend of RMB0.185 per share, up 23% YoY.
- Market share gain on HDT engine segment.** Weichai's total engine sales volume grew 43% YoY to 671k units in 1H21. HDT engine sales volume reached 339k units in 1H21, with market share increasing 3.2ppt YoY to 32.4%. On the other hand, Shaanxi Heavy achieved HDT sales volume of growth 32% to 117k units.
- Large bore engine and hydraulic components.** Revenue from large-bore engine moderately increased 24% YoY to RMB520mn in 1H21. On the other hand, revenue from hydraulic products grew 27% YoY to RMB290mn. Both segments are largely in line with expectations.
- Risk factors:** (1) Weaker-than-expected demand of HDT and engine in 2H21E; (2) further increase in component cost; (3) risk of new business.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	174,361	197,491	218,291	227,688	235,620
YoY growth (%)	9.5	13.3	10.5	4.3	3.5
Net income (RMB mn)	9,105	9,207	11,478	12,162	12,786
EPS (RMB)	1.15	1.16	1.32	1.39	1.47
YoY growth (%)	6.0	1.1	13.3	6.0	5.1
Consensus EPS (RMB)	n/a	n/a	1.28	1.42	1.54
P/E (x)	15.2	14.7	12.4	11.7	11.1
EV / EBITDA (x)	6.3	6.6	5.7	5.3	5.0
P/B (x)	3.1	2.7	1.9	1.7	1.6
Yield (%)	1.6	0.9	3.2	3.4	3.6
ROE (%)	21.5	19.1	18.3	15.5	14.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$24.80
(Previous TP)	HK\$24.50)
Up/Downside	+27%
Current Price	HK\$19.50

China Capital Goods

Wayne Fung, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	201,983
Avg 3 mths t/o (HK\$ mn)	210
52w High/Low (HK\$)	26.40/14.18
Total Issued Shares (mn)	1,934 (H)
	5,991 (A)

Source: Bloomberg

Shareholding Structure

Weichai Holdings Group	16.3%
Weifang Investment Group	3.4%
CCASS	6.8%
Free float (H-share)	22.2%
Free float (A-share)	51.3%

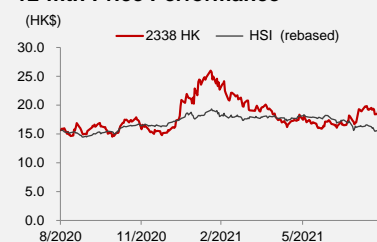
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.0%	21.2%
3-mth	10.2%	26.3%
6-mth	-12.6%	-0.3%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

- China Construction Machinery / HDT – Favourable policy shift; Defensive growth amid volatile market; Upgrade SANY Heavy & Sinotruk – 9 Aug 2021
- Weichai Power (2338 HK) – Growth to resume after the weak 2020 results – 7 Apr 2021

Figure 1: Weichai's revenue breakdown in 1H21

(RMB mn)	1H20	1H21	Change (YoY)
Revenue			
Diesel engines	31,263	42,313	35%
Automobiles and major components	42,660	55,262	30%
Forklift trucks & supply chain solution	30,158	38,770	29%
Intersegment sales	(9,587)	(9,957)	4%
Total revenue	94,495	126,388	34%
Segment profit			
Diesel engines	4,699	5,623	20%
Automobiles and major components	1,539	1,437	-7%
Forklift trucks & supply chain solution	531	2,841	435%
Intersegment sales	(381)	(697)	83%
Total segment profit	6,388	9,204	44%
Segment margin			Change (ppt)
Diesel engines	15.0%	13.3%	-1.74
Automobiles and major components	3.6%	2.6%	-1.01
Forklift trucks & supply chain solution	1.8%	7.3%	5.57
Average	6.8%	7.3%	0.52

Source: Company data, CMBIS

Figure 2: Weichai's net profit in 1H21

(RMB mn)	1H20	1H21	Change (YoY)
Revenue	94,495	126,388	34%
Cost of sales	(75,990)	(102,577)	35%
Gross profit	18,505	23,811	29%
Other income	266	402	51%
Other gains and losses	283	320	13%
S&D expenses	(5,313)	(6,313)	19%
Administrative and R&D expenses	(5,980)	(7,777)	30%
Taxes and surcharges	(433)	(514)	19%
Impairment loss of assets	(558)	(258)	-54%
EBIT	6,772	9,671	43%
D&A	4,290	5,202	21%
EBITDA	11,062	14,873	34%
Other expenses	(46)	(52)	14%
Net finance cost	(166)	196	n/a
Finance income and others	422	727	72%
Finance expenses	(588)	(531)	-10%
Share of profit of JV and associates	145	158	n/a
Pretax profit	6,705	9,972	49%
Income tax	(1,003)	(1,717)	71%
After tax profit	5,702	8,255	45%
MI	(1,022)	(1,823)	78%
Net profit	4,680	6,432	37%
Key ratios			Change (ppt)
Gross margin	19.6%	18.8%	-0.7
S&D expenses ratio	5.6%	5.0%	-0.6
Administrative and R&D expenses ratio	6.3%	6.2%	-0.2
Effective tax rate	15.0%	17.2%	2.3

Source: Company data, CMBIS

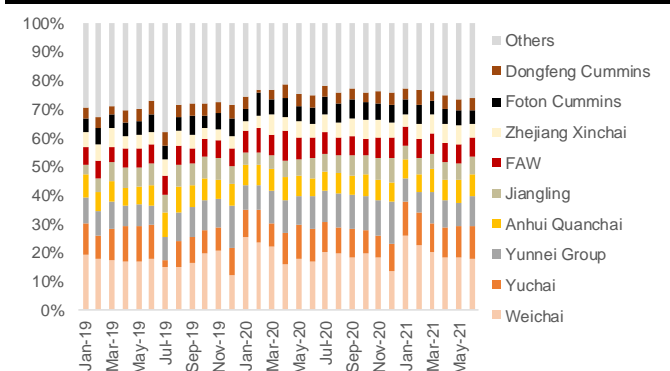
Figure 3: Weichai's quarterly results

(RMB mn)	1Q20	1Q21	Change (YoY)	2Q20	2Q21	Change (YoY)
Revenue	38,999	65,471	68%	55,495	60,917	10%
Cost of sales	(30,247)	(52,929)	75%	(45,743)	(49,648)	9%
Gross profit	8,752	12,542	43%	9,752	11,269	16%
Other income	97	159	64%	169	243	44%
Other gains and losses	164	214	31%	120	106	n/a
S&D expenses	(2,718)	(3,408)	25%	(2,595)	(2,905)	12%
Administrative and R&D expenses	(2,840)	(3,955)	39%	(3,139)	(3,822)	22%
Taxes and surcharges	(165)	(270)	63%	(267)	(245)	-8%
Impairment loss of assets	(237)	(237)	0%	(320)	(21)	-93%
EBIT	3,052	5,046	65%	3,720	4,624	24%
Other expenses	(40)	(28)	-29%	(6)	(24)	287%
Net finance cost	14	98	582%	(181)	97	n/a
Share of profit of JV and associates	22	63	192%	123	95	-22%
Pretax profit	3,049	5,179	70%	3,656	4,793	31%
Income tax	(457)	(812)	78%	(546)	(905)	n/a
After tax profit	2,592	4,367	69%	3,110	3,888	25%
MI	(527)	(1,024)	94%	(494)	(800)	62%
Net profit	2,064	3,344	62%	2,616	3,088	18%

Key ratios			Change (ppt)			Change (ppt)
Gross margin	22.4%	19.2%	-3.3	17.6%	18.5%	0.9
S&D expense ratio	7.0%	5.2%	-1.8	4.7%	4.8%	0.1
Administrative and R&D expense ratio	7.3%	6.0%	-1.2	5.7%	6.3%	0.6
Effective tax rate	15.0%	15.7%	0.7	14.9%	18.9%	4.0

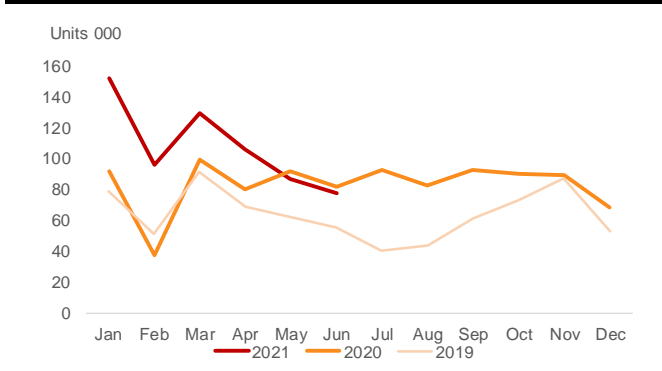
Source: Company data, CMBIS

Figure 4: China multi-cylinder engine market share



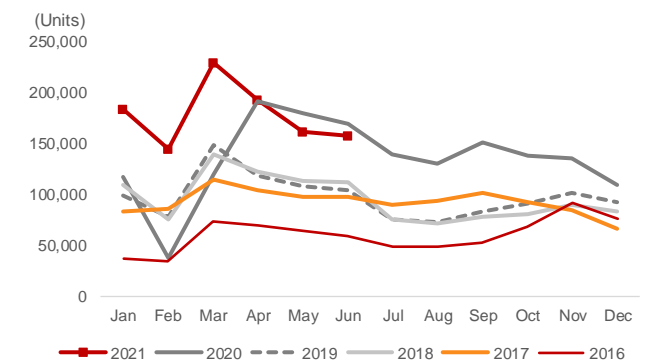
Source: CICEIA, CMBIS

Figure 5: Weichai's multi-cylinder engine monthly sales volume



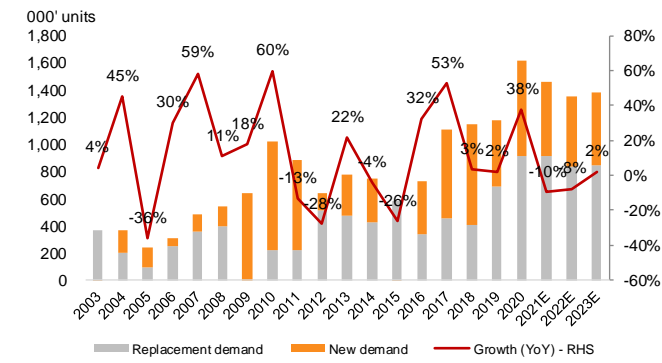
Source: CICEIA, CMBIS

Figure 6: China monthly HDT sales volume



Source: Cvworld, CMBIS

Figure 7: CMBI HDT sales projection



Source: Wind, CMBIS estimates

Figure 8: KION's latest guidance for 2021E

(EUR mn)	2019	2020	2021E guidance (old)		2021E guidance (new)	
			Low-end	High-end	Low-end	High-end
Order intake	9,112	9,443	9,700	10,400	10,650	11,450
<i>Growth (YoY)</i>	5%	4%	3%	10%	13%	21%
Revenue	8,807	8,342	9,150	9,750	9,700	10,300
<i>Growth (YoY)</i>	10%	-5%	10%	17%	16%	23%
Adjusted EBIT	851	547	720	800	810	890
<i>Growth (YoY)</i>	8%	-36%	32%	46%	48%	63%
<i>Adjusted EBIT margin</i>	9.7%	6.6%	7.9%	8.2%	8.4%	8.6%
Net income	445	211	-	-	-	-
<i>Growth (YoY)</i>	11%	-53%	-	-	-	-

Source: Company data, CMBIS

Figure 9: KION's quarterly financials

KION (EUR mn)	2Q20	3Q20	4Q20	1Q21	2Q21
Order intake	2,319	2,315	2,727	2,626	3,255
<i>Growth (YoY)</i>	12%	-1%	6%	26%	40%
Revenue	1,900	2,073	2,341	2,375	2,593
<i>Growth (YoY)</i>	-17%	-4%	3%	17%	36%
Adjusted EBIT	61	159	183	215	247
<i>Growth (YoY)</i>	-73%	-27%	-19%	49%	305%
<i>Adjusted EBIT margin</i>	3.2%	7.7%	7.8%	9.1%	9.5%
Net income	-17	82	78	137	154
<i>Growth (YoY)</i>	-114%	-32%	-26%	101%	n/a

Source: Company data, CMBIS

Figure 10: Key assumptions for Weichai

(RMB mn)	2019	2020	2021E	2022E	2023E
Revenue					
Diesel engines	49,976	62,720	69,703	73,314	77,251
Automobiles and major components	71,475	85,907	93,365	95,537	95,537
Forklift trucks & supply chain solution	67,177	65,110	72,923	77,298	81,936
Intersegment sales	(14,267)	(16,246)	(17,699)	(18,461)	(19,104)
Total revenue	174,361	197,491	218,291	227,688	235,620
Growth (YoY)					
<i>Diesel engines</i>	11.4%	25.5%	11.1%	5.2%	5.4%
<i>Automobiles and major components</i>	6.9%	20.2%	8.7%	2.3%	0.0%
<i>Forklift trucks & supply chain solution</i>	11.0%	-3.1%	12.0%	6.0%	6.0%
<i>Intersegment sales</i>	9.8%	13.9%	8.9%	4.3%	3.5%
Average	9.5%	13.3%	10.5%	4.3%	3.5%
Segment profit					
Diesel engines	7,573	8,524	10,177	10,630	11,201
Automobiles and major components	2,176	1,668	1,867	1,815	1,815
Forklift trucks & supply chain solution	3,992	1,789	4,302	4,561	4,834
Intersegment sales	(131)	(127)	(142)	(148)	(153)
Total segment profit	13,610	11,854	16,205	16,859	17,698
Growth (YoY)					
<i>Diesel engines</i>	3.6%	12.6%	19.4%	4.5%	5.4%
<i>Automobiles and major components</i>	10.8%	-23.3%	11.9%	-2.8%	0.0%
<i>Forklift trucks & supply chain solution</i>	9.8%	-55.2%	140.4%	6.0%	6.0%
<i>Intersegment sales</i>	n/a	-2.7%	11.3%	4.3%	3.5%
Average	4.4%	-12.9%	36.7%	4.0%	5.0%
Segment margin					
<i>Diesel engines</i>	15.2%	13.6%	14.6%	14.5%	14.5%
<i>Automobiles and major components</i>	3.0%	1.9%	2.0%	1.9%	1.9%
<i>Forklift trucks & supply chain solution</i>	5.9%	2.7%	5.9%	5.9%	5.9%
Average	7.8%	6.0%	7.4%	7.4%	7.5%

Source: Company data, CMBIS estimates

Valuation

We slightly revise up our SOTP-based TP to HK\$24.8 from HK\$24.5, largely due to the change in market cap of **Ballard Power Systems (BLDP CN)** and **Ceres Power (CWR LN)**, the two hydrogen fuel cell manufacturers. On the other hand, we maintain our target EV/EBITDA multiple for Weichai's core business at 6.5x, in line with Weichai's historical average.

Figure 11: SOTP valuation

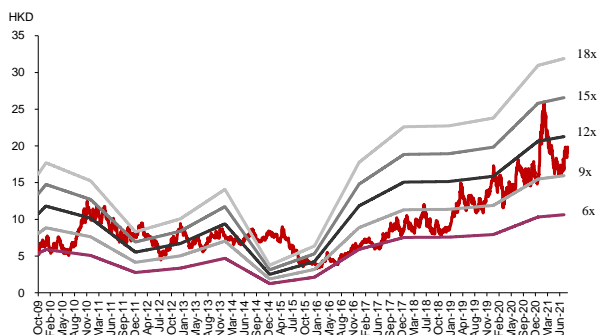
SOTP valuation	Valuation methodology	Target multiple (x)	EBITDA 2021E (RMB mn)	Estimated EV (RMB mn)	Net cash / (Net debt)	Equity value (RMB mn)
Weichai core business	EV/EBITDA	6.5	14,744	95,836	17,442	113,278
KION Group	Proportionate market value	-	-	-	-	41,293
Ballard Power Systems	Proportionate market value	-	-	-	-	6,230
Ceres Power	Proportionate market value	-	-	-	-	4,027
Share of JV/associates	P/B	2.5	-	-	-	8,796
Minority interest (Weichai core business)						(9,756)
Total NAV						163,868
NAV per share (RMB)						20.7
NAV per share (HK\$)						24.8

Note 1: Weichai owns 45.2% interest in KION, 20% interest in Ballard Power and 20% interest in Ceres Power.

Note 2: Share of JV / associates exclude Ballard Power and Ceres Power

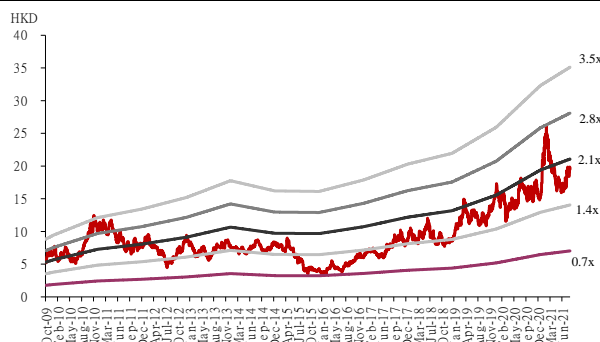
Source: Company data, CMBIS estimates

Figure 12: Weichai Power-H P/E band



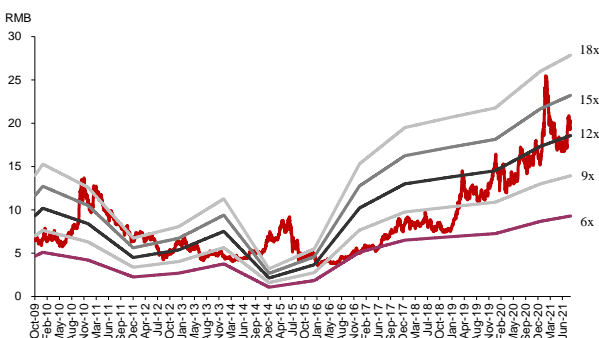
Source: Bloomberg, Company data, CMBIS estimates

Figure 13: Weichai Power-H P/B band



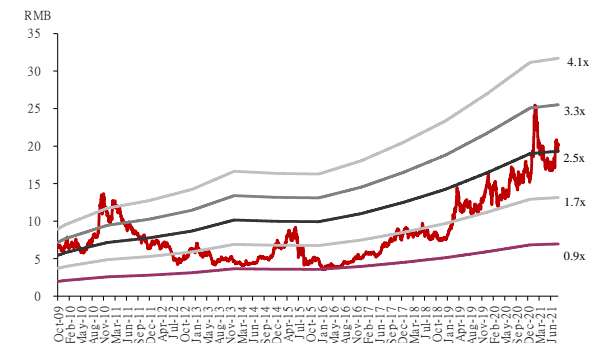
Source: Bloomberg, Company data, CMBIS estimates

Figure 14: Weichai Power-A P/E band



Source: Bloomberg, Company data, CMBIS estimates

Figure 15: Weichai Power-A P/B band



Source: Bloomberg, Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	174,361	197,491	218,291	227,688	235,620
Cost of sales	(136,353)	(159,353)	(175,725)	(183,289)	(189,674)
Gross profit	38,008	38,138	42,567	44,399	45,946
Operating expenses	(23,586)	(25,289)	(25,312)	(26,496)	(27,209)
EBIT	14,422	12,850	17,255	17,903	18,737
Other expenses	(94)	(142)	(262)	(273)	(283)
Net finance cost	(220)	(279)	380	788	1,035
Finance income and others	1,067	1,278	1,722	2,133	2,395
Finance expenses	(1,288)	(1,557)	(1,341)	(1,345)	(1,359)
profit of JV & associates	244	253	250	255	261
Pretax profit	14,352	12,682	17,623	18,673	19,750
Income tax	(2,445)	(1,407)	(2,908)	(3,081)	(3,358)
After tax profit	11,907	11,275	14,715	15,592	16,393
MI	(2,802)	(2,068)	(3,237)	(3,430)	(3,606)
Net profit	9,105	9,207	11,478	12,162	12,786
D&A	8,071	8,858	7,860	9,039	9,856
EBITDA	22,493	21,708	25,114	26,942	28,593

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Pretax profit	14,352	12,682	17,623	18,673	19,750
Finance cost	1,288	1,557	1,341	1,345	1,359
Interest income	(1,067)	(1,278)	(1,722)	(2,133)	(2,395)
Share of profit or loss of associates	(244)	(253)	(250)	(255)	(261)
Depreciation	6,188	6,699	5,555	6,635	7,335
Amortization of intangible assets	1,820	2,087	2,230	2,327	2,441
Income tax paid	(2,445)	(1,407)	(2,908)	(3,081)	(3,358)
Change in working capital	2,603	1,114	183	726	(771)
Others	1,341	1,727	1,797	2,210	2,475
Cash flow from operation	23,835	22,928	23,850	26,447	26,576
Net capex on PP&E	(6,335)	(5,992)	(9,500)	(10,500)	(9,000)
Investment in JV/associates	(243)	(537)	0	0	0
Investment in subsidiaries	0	(938)	0	0	0
Dividend received	135	145	142	146	149
Others	(1,947)	(2,095)	0	0	0
Cash flow from investing	(8,391)	(9,417)	(9,358)	(10,354)	(8,851)
Proceeds from equity financing	0	0	13,029	0	0
Net bank borrowings	1,137	1,052	300	300	800
Dividend paid	(4,851)	(3,459)	(1,190)	(4,591)	(4,865)
Interest paid	0	0	(1,341)	(1,345)	(1,359)
Others	(3,853)	(579)	0	0	0
Cash flow from financing	(7,567)	(2,986)	10,798	(5,637)	(5,424)
Change in cash	7,877	10,525	25,290	10,456	12,301
Cash at beginning of the year	38,210	48,818	62,216	87,506	97,962
Exchange gains/(losses) and others	2,731	2,873	0	0	0
Cash at the end of the year	48,818	62,216	87,506	97,962	110,263

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	110,647	118,235	120,058	121,706	121,042
PP&E	26,316	31,720	34,165	36,530	36,196
Investment in JV/associates	4,711	4,944	5,052	5,162	5,274
Goodwill	23,823	24,666	24,666	24,666	24,666
Long term receivables	8,448	9,623	9,623	9,623	9,623
Intangible assets	23,436	23,826	23,096	22,269	21,828
Others	23,914	23,457	23,457	23,457	23,457
Current assets	126,185	152,515	177,157	192,100	203,125
Prepayments	997	1,095	1,020	943	863
Inventories	24,718	31,226	30,398	33,879	32,637
Trade receivables	14,285	15,422	15,677	16,761	16,807
Notes receivables	26,458	28,780	28,780	28,780	28,780
Others	10,910	13,775	13,775	13,775	13,775
Cash	48,818	62,216	87,506	97,962	110,263
Current liabilities	105,877	123,713	124,123	130,213	129,047
Trade and bills payables	36,749	45,450	45,060	50,350	48,384
Notes payable	22,446	22,970	22,970	22,970	22,970
Bank borrowings	15,013	17,006	17,806	18,606	19,406
Others	31,669	38,287	38,287	38,287	38,287
Non-current liabilities	61,180	66,604	66,104	65,604	65,604
Bank borrowings	21,669	20,729	20,229	19,729	19,729
Long term payables	16,325	21,205	21,205	21,205	21,205
Others	23,186	24,670	24,670	24,670	24,670
Equity	69,775	80,433	106,988	117,988	129,517
Shareholders' equity	45,224	51,202	74,519	82,090	90,012
MI	24,551	29,231	32,468	35,899	39,505

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Diesel engines	28.7	31.8	31.9	32.2	32.8
Automobiles and major components	41.0	43.5	42.8	42.0	40.5
Forklift trucks & supply chain solution	38.5	33.0	33.4	33.9	34.8
Intersegment sales	(8.2)	(8.2)	(8.1)	(8.1)	(8.1)
Total	100.0	100.0	100.0	100.0	100.0
Profit & loss ratio (%)					
Gross margin	21.8	19.3	19.5	19.5	19.5
EBIT margin	8.3	6.5	7.9	7.9	8.0
After tax profit margin	6.8	5.7	6.7	6.8	7.0
Growth (%)					
Revenue	9.5	13.3	10.5	4.3	3.5
Gross profit	6.9	0.3	11.6	4.3	3.5
EBIT	4.4	(10.9)	34.3	3.8	4.7
Net profit	5.2	1.1	24.7	6.0	5.1
Balance sheet ratio					
Current ratio (x)	1.2	1.2	1.4	1.5	1.6
Receivable turnover days	29	27	26	26	26
Inventory turnover days	61	64	64	64	64
Payable turnover days	91	94	94	95	95
Net debt / total equity (%)					
Net cash	Net cash	Net cash	Net cash	Net cash	Net cash
Profitability (%)					
ROA	5.4	4.4	5.2	5.1	5.1
ROE	21.5	19.1	18.3	15.5	14.9
Per share data					
EPS (RMB)	1.15	1.16	1.32	1.39	1.47
BVPS (RMB)	5.70	6.45	8.54	9.41	10.31
DPS (RMB)	0.29	0.15	0.53	0.56	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

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.