

ZTO Express (ZTO US)

Upbeat guidance on profitable growth in 2022E; raising earnings forecast and TP

Reiterate BUY. Management delivered a clear message in the post-results call that ZTO will put the focus on profitable growth, with net profit growth outpacing revenue growth in future. Most importantly, ZTO expects net profit growth in 4Q21E to reach 30% YoY while that in 2022E will potentially reach 30-35% YoY. What's more, ZTO is confident of expanding market share going forward (3Q21: 20.8%), through continuous capex spending to capture the demand growth. We maintain our view that the profitability for the express delivery industry will continue to improve on the back of ASP recovery, while ZTO will become a long-term winner due to strong execution and cost advantage. We revise up our 2021E/22E/23E earnings by 1%/8%/5% after adjusting up our ASP assumptions that fully offset the lower volume projection. We raise our TP from US\$39.5 to US\$44, as we roll over our valuation base to 2022E with a new target multiple of 35x.

- **Earnings highlight in 3Q21.** Pretax profit grew 17% YoY to RMB1.38bn, driven by 11% revenue growth YoY and 0.3ppt gross margin expansion YoY to 21.2%. Net profit slightly dropped 3% YoY to RMB1.17bn, due to the lack of tax refund (one-off in 3Q20). SG&A expense increased only 4% YoY, suggesting good cost control.
- **Parcel volume growth and ASP change in line with the industry in 3Q21.** ZTO's parcel volume in 3Q21 grew 23% YoY to 5.7bn units (growth rate in line with the industry average). Parcel delivery ASP dropped 7% YoY (or RMB0.09/unit) but increased 2.5% QoQ to RMB1.24/unit in 3Q21 (breakdown: [1] RMB0.04 for incentives to support network partners, and [2] RMB0.05 due to lower parcel weight). Similar to the volume, the ASP change was in line with the industry average.
- **Unit cost dropped 6.7% YoY in 3Q21.** ZTO's sorting hub cost dropped 2% YoY to RMB0.29/unit, driven by the continuous increase in automated sorting equipment (370 sets in 3Q21, vs 300 sets in 3Q20). Unit cost of transportation decreased 6% YoY to RMB0.5/unit, due to continuous investment in high-capacity trucks (81% of self-owned trucks were 15-17 meters long). We expect the total unit cost to drop 4% YoY in 2022E.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	22,110	25,214	30,877	36,337	40,947
YoY growth (%)	26	14	22	18	13
Core net profit (RMB mn)	4,979	4,312	4,786	6,735	8,201
Core EPS (RMB)	6.35	5.43	5.73	8.07	9.82
YoY growth (%)	25.0	-14.5	5.6	40.7	21.8
Consensus EPS (RMB)	N/A	N/A	5.66	7.21	9.12
EV/EBITDA (x)	22.1	22.6	18.3	13.3	11.0
P/E (x)	33.5	39.2	34.9	24.8	20.4
P/B (x)	4.3	3.6	3.2	2.9	2.6
Yield (%)	1.0	0.8	0.9	1.2	1.5
ROE (%)	13.7	9.9	9.4	12.2	13.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price US\$44.0
 (Previous TP) US\$39.5
Up/Downside +39%
Current Price US\$31.58

China Express Delivery

Wayne Fung, CFA

(852) 3900 0826
 waynefung@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	26,121
Avg 3 mths t/o (US\$ mn)	78
52w High/Low (US\$)	38.66/25.23
Total Issued Shares (mn)	855.3

Source: Bloomberg

Shareholding Structure

Meisong Lai	25.6%
Alibaba	8.6%
Others	65.8%

Note: Under the weighted voting rights structure, Meisong Lai has 76.8% of the total voting right
 Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.7%	-3.0%
3-mth	19.8%	12.0%
6-mth	0.5%	-11.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte

Related reports:

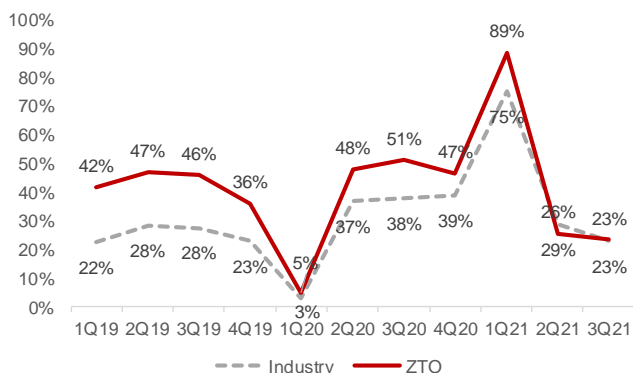
1. China Express Delivery Sector – On-track ASP improvement in Sep; Expect further increase on the back of policy support – 20 Oct 2021
2. China Express Delivery Sector – Bloody battle to end soon; War for market share to continue; BUY winners in the respective playing fields – 14 Oct 2020

Figure 1: ZTO's 3Q21 results

(RMB mn)	1Q20	1Q21	Change YoY	2Q20	2Q21	Change YoY	3Q20	3Q21	Change YoY
Total revenue	3,916	6,473	65.3%	6,402	7,325	14.4%	6,639	7,391	11.3%
Cost of sales	-3,097	-5,376	73.6%	-4,633	-5,651	22.0%	-5,248	-5,822	10.9%
Gross profit	819	1,097	33.9%	1,769	1,674	-5.4%	1,391	1,568	12.7%
Other income	113	157	38.1%	190	176	-7.3%	152	182	19.6%
SG&A expenses	-560	-620	10.7%	-312	-394	26.1%	-374	-389	4.2%
EBIT	372	633	70.1%	1,647	1,456	-11.6%	1,169	1,360	16.4%
D&A	408	521	27.7%	426	-521	-222.4%	479	538	12.3%
EBITDA	780	1,154	47.9%	2,073	934	-54.9%	1,648	1,898	15.2%
Net finance income/(expense)	126	60	-52.4%	105	69	-34.7%	83	40	-52.3%
Finance income	126	75	-40.2%	114	102	-10.4%	97	92	-5.0%
Finance expenses	-0	-16	n/a	-9	-34	n/a	-14	-52	281.3%
Gain/(loss) on disposal of subsidiaries	0	0	n/a	0	0	n/a	0	5	n/a
Impairment of investment in equity investees	0	0	n/a	0	0	n/a	0	0	n/a
Fair value changes of financial instruments	0	16	n/a	0	32	n/a	0	0	n/a
FX gain/(loss)	16	-0	n/a	3	-26	n/a	-64	-8	-87.5%
Share of profit of JV and associates	-14	-25	83.7%	-2	-4	53.0%	-5	-20	272.6%
Pretax profit	501	683	36.4%	1,752	1,527	-12.8%	1,182	1,377	16.5%
Income tax	-130	-150	15.3%	-298	-255	-14.6%	28	-230	n/a
After tax profit	371	534	43.8%	1,454	1,272	-12.5%	1,210	1,148	-5.2%
MI	4	0	-97.3%	-5	20	-482.3%	-9	19	n/a
Net profit	375	534	42.4%	1,449	1,292	-10.8%	1,201	1,167	-2.9%
Ratios:			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>
Gross margin	20.9%	16.9%	-4.0	27.6%	22.8%	-4.8	21.0%	21.2%	0.3
EBIT margin	9.5%	9.8%	0.3	25.7%	19.9%	-5.8	17.6%	18.4%	0.8
After tax profit margin	9.5%	8.2%	-1.2	22.7%	17.4%	-5.3	18.2%	15.5%	-2.7
Effective tax rate	25.9%	21.9%	-4.0	17.0%	16.7%	-0.3	-2.4%	16.7%	19.0

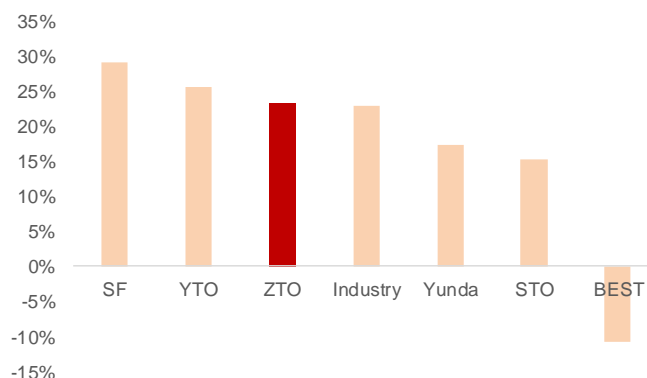
Source: Company data, CMBIS

Figure 2: ZTO's parcel volume growth in 3Q21 was in line with the industry average



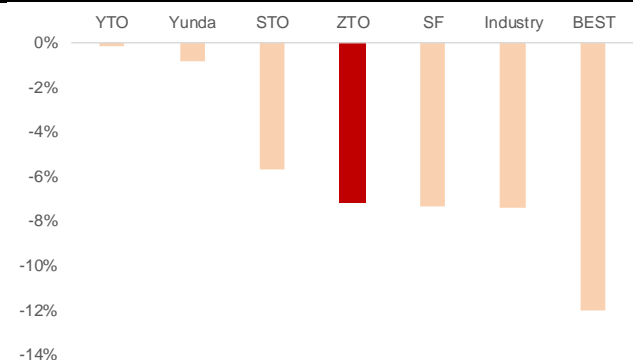
Source: Company data, The State Post Bureau, CMBIS

Figure 3: ZTO's parcel volume growth was only lower than that of SF and YTO in 3Q21



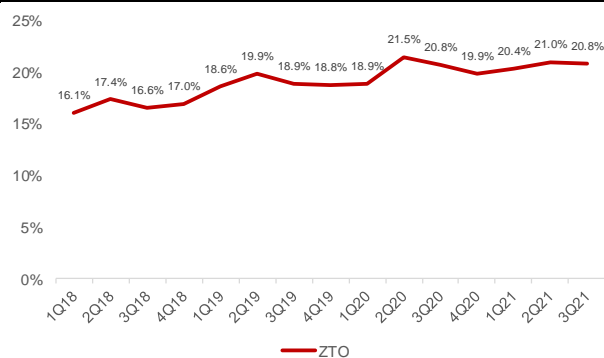
Source: Company data, The State Post Bureau, CMBIS

Figure 4: ZTO achieved better than industry average ASP reduction (YoY) in 3Q21



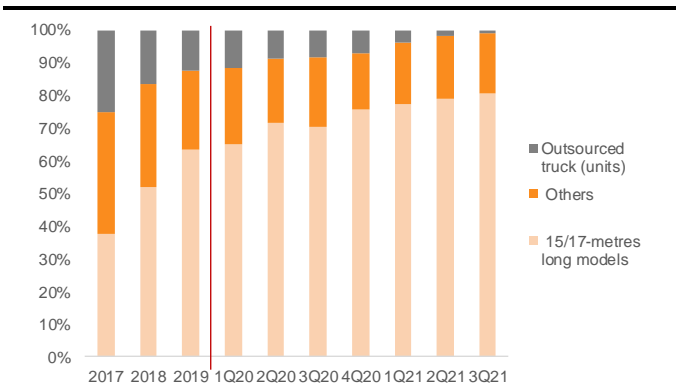
Source: Company data, The State Post Bureau, CMBIS

Figure 5: ZTO's market share in China in terms of parcel volume



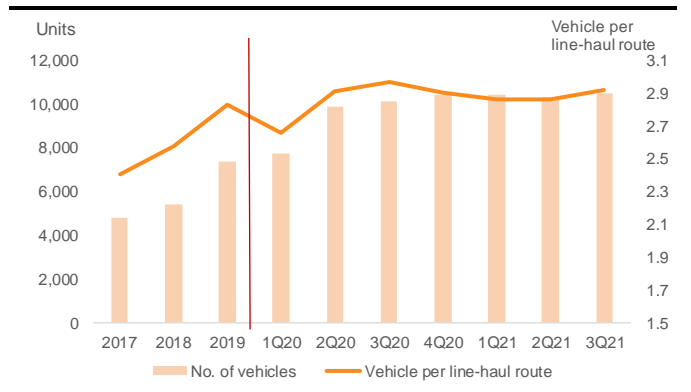
Source: Company data, CMBIS

Figure 6: ZTO's self-owned high capacity truck ratio



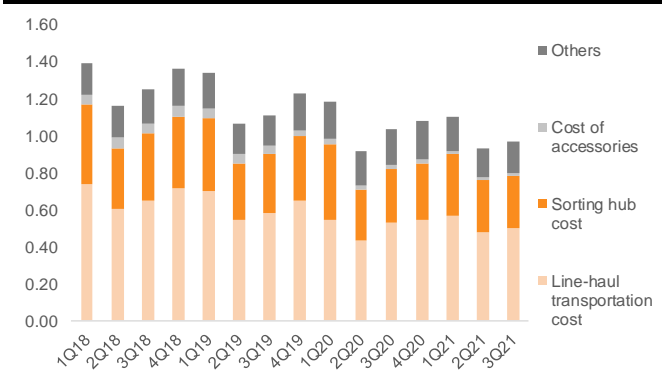
Source: Company data, CMBIS

Figure 7: ZTO's number of vehicles per line-haul route



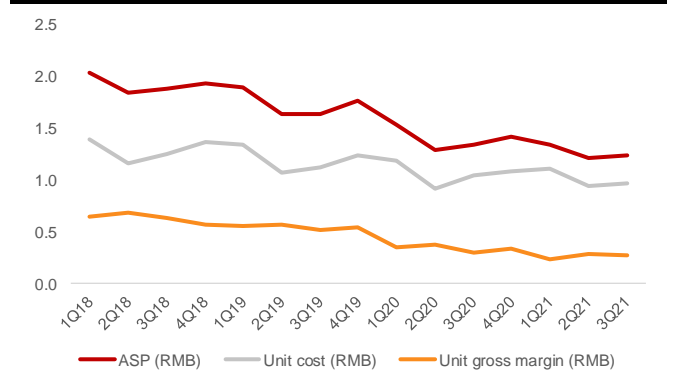
Source: Company data, CMBIS

Figure 8: ZTO unit cost breakdown



Source: Company data, CMBIS

Figure 9: ZTO's ASP, unit cost & unit gross margin



Source: Company data, CMBIS

Figure 10: Change in key operating assumptions

	Old			New			Change		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Shipment volume (mn units of parcel)									
Unit of parcel	23,803	30,944	37,132	22,358	25,711	29,311	-6.1%	-16.9%	-21.1%
ASP (RMB/unit)									
Per unit of parcel	1.27	1.24	1.21	1.29	1.33	1.31	1.6%	7.1%	8.2%
Unit cost breakdown (RMB)									
Line-haul transportation cost	-0.51	-0.49	-0.48	-0.51	-0.49	-0.48	0.0%	0.0%	0.0%
Sorting hub cost	-0.28	-0.26	-0.24	-0.28	-0.26	-0.24	0.0%	0.0%	0.0%
Others	-0.19	-0.19	-0.19	-0.19	-0.19	-0.19	0.0%	0.0%	0.0%
Total	-1.00	-0.96	-0.93	-1.00	-0.96	-0.93	0.0%	0.0%	0.0%
Unit gross margin (RMB)	0.27	0.28	0.28	0.29	0.36	0.38	7.6%	32.0%	35.5%
(RMB mn)									
Revenue									
Express delivery, accessories & others	30,240	38,330	45,076	28,865	34,124	38,512	-4.5%	-11.0%	-14.6%
Freight forwarding services	2,142	2,356	2,592	2,012	2,213	2,434	-6.1%	-6.1%	-6.1%
Total	32,382	40,686	47,668	30,877	36,337	40,947	-4.7%	-10.7%	-14.1%
Revenue growth								ppt	
Express delivery, accessories & others	30%	27%	18%	24%	18%	13%	(5.9)	(8.5)	(4.7)
Freight forwarding services	15%	10%	10%	8%	10%	10%	(7.0)	0.0	0.0
Revenue	28%	26%	17%	22%	18%	13%	(6.0)	(8.0)	(4.5)
Gross margin								ppt	
Express delivery, accessories & others	21%	22%	23%	23%	27%	29%	1.3	5.2	5.8
Freight forwarding services	11%	13%	14%	12%	13%	14%	1.0	0.0	0.0
Gross margin	21%	22%	23%	22%	27%	28%	1.2	4.8	5.4
Net profit	4,727	6,249	7,778	4,786	6,735	8,201	1.2%	7.8%	5.4%

Source: Company data, CMBIS estimates

Figure 11: Earnings sensitivity to ASP and unit line-haul transportation cost

2022E Net profit (RMB mn)	ASP (RMB/unit)					
	1.26	1.30	1.33	1.35	1.39	
-0.518	4,834	5,653	6,200	6,746	7,565	
-0.504	5,155	5,975	6,521	7,067	7,886	
Unit line-haul transportation cost (RMB)	-0.494	5,369	6,189	6,735	7,281	8,101
-0.484	5,583	6,403	6,949	7,495	8,315	
-0.469	5,904	6,724	7,270	7,816	8,636	

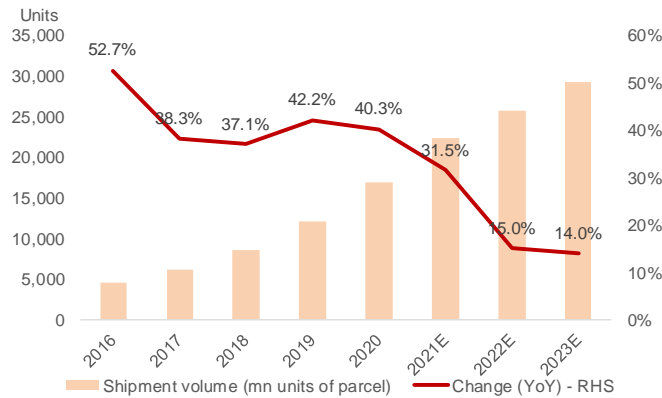
Source: Company data, CMBIS estimates

Figure 12: Earnings sensitivity to ASP and unit sorting hub cost

2022E Net profit (RMB mn)	ASP (RMB/unit)					
	1.26	1.30	1.33	1.35	1.39	
-0.272	5,088	5,908	6,454	7,000	7,820	
-0.264	5,257	6,076	6,622	7,169	7,988	
Unit sorting hub cost (RMB)	-0.259	5,369	6,189	6,735	7,281	8,101
-0.254	5,482	6,301	6,847	7,394	8,213	
-0.246	5,650	6,470	7,016	7,562	8,382	

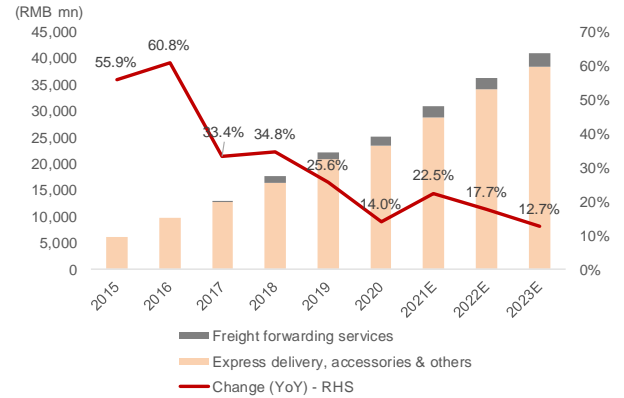
Source: Company data, CMBIS estimates

Figure 13: ZTO's parcel shipment volume forecast



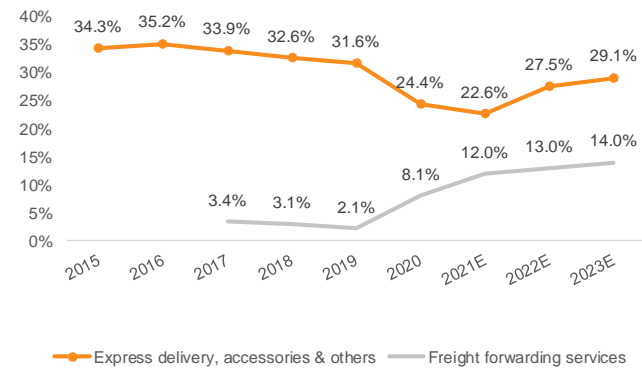
Source: Company data, CMBIS estimate

Figure 14: ZTO's revenue forecast



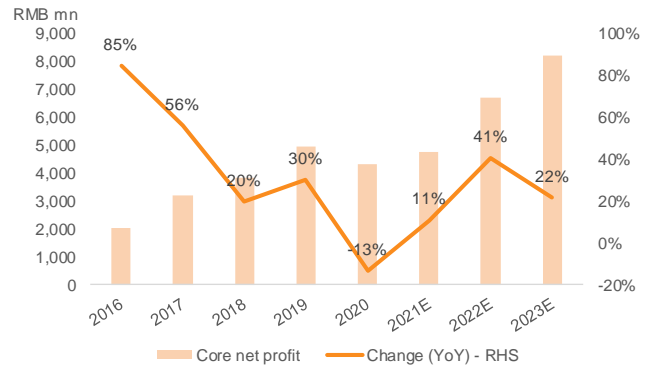
Source: Company data, CMBIS estimate

Figure 15: ZTO's gross margin trend



Source: Company data, CMBIS estimate

Figure 16: ZTO's core net profit forecast

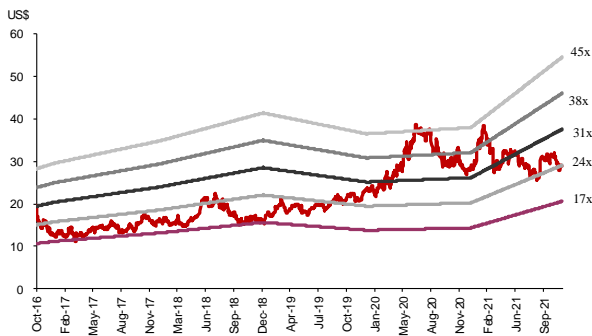


Source: Company data, CMBIS estimate

Valuation

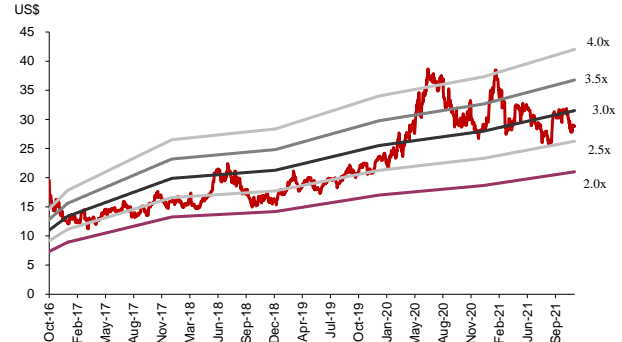
ZTO has been trading at a forward P/E range between 24x-45x since mid-2019. The stock saw support at 24x P/E recently and we see this level as a defensive level. We raise our TP from US\$39.5 to US\$44, as we roll over our valuation base to 2022E with a new target multiple of 35x, the mid-point between peak (45x) and the historical average (26x). Our higher-than-average multiple is to reflect the Company’s gradual market share gain and the strong recovery of profitability.

Figure 17: ZTO US’s P/E band



Source: Bloomberg, Company data, CMBIS estimates

Figure 18: ZTO US’s P/B band



Source: Bloomberg, Company data, CMBIS estimates

- **Major risk factors:** (1) further slowdown of online retail sales; (2) volatile ASP trend; (3) further increase in diesel price.

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	22,110	25,214	30,877	36,337	40,947
Cost of sales	-15,489	-19,377	-24,119	-26,667	-29,405
Gross profit	6,621	5,837	6,757	9,670	11,542
Other operating income	388	581	618	363	409
SG&A expense	-1,546	-1,664	-1,914	-2,180	-2,375
EBIT	5,463	4,754	5,460	7,853	9,576
Net finance income/(cost)	585	407	261	186	199
Finance income	585	443	381	313	291
Finance expenses	0	-35	-120	-127	-92
Gain/(loss) on disposal	-3	1	0	0	0
Impairment of equity investees	-56	-1	0	0	0
Unrealized gain fr. equity investee	754	0	0	0	0
FX gain/(loss)	13	-127	0	0	0
Profit of JV & associates	-8	-19	-6	3	17
Pretax profit	6,750	5,016	5,715	8,042	9,792
Income tax	-1,078	-690	-914	-1,287	-1,567
After tax profit	5,671	4,326	4,801	6,755	8,226
MI	3	-14	-14	-20	-25
Net profit	5,674	4,312	4,786	6,735	8,201
Recurring net profit	4,979	4,312	4,786	6,735	8,201
D&A	1,265	1,840	2,664	3,358	4,012
EBITDA	6,727	6,595	8,124	11,210	13,588

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Pretax profit	6,750	5,016	5,715	8,042	9,792
Finance cost	0	35	120	127	92
Interest income	-585	-443	-381	-313	-291
Profit or loss of associates	8	19	6	-3	-17
Depreciation & amortization	1,265	1,840	2,664	3,358	4,012
Income tax paid	-1,119	-690	-914	-1,287	-1,567
Change in working capital	-260	-1,381	-515	-255	-513
Others	-338	111	0	0	0
Cash flow from operation	5,719	4,508	6,694	9,668	11,508
Net capex on PP&E	-4,636	-7,853	-9,000	-8,500	-8,000
Purchase of land use rights	-591	-1,927	-700	-700	-700
Investment in JV/associates	-218	0	-50	-50	-200
Investment in subsidiaries	-20	0	0	0	0
Interest received	585	443	381	313	291
Others	629	5,346	-0	-0	-0
Cash flow from investing	-4,250	-3,992	-9,369	-8,937	-8,609
Equity financing/(repurchase)	-763	9,842	0	0	0
Net bank borrowings	0	1,433	2,700	-1,000	-1,000
Dividend paid	-1,271	-1,667	-1,355	-1,484	-2,088
Others	51	-1,271	0	0	0
Cash flow from financing	-1,982	8,337	1,226	-2,611	-3,180
Change in cash	-513	8,853	-1,449	-1,880	-280
Cash at beginning of the year	4,623	5,270	14,213	12,764	10,884
Exchange gains/(losses) and others	1,161	89	0	0	0
Cash at the end of the year	5,270	14,213	12,764	10,884	10,604

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	25,792	36,880	44,309	50,524	55,836
PP&E	12,471	18,565	25,007	30,269	34,390
Land use right	2,509	4,361	4,961	5,548	6,121
Investment in JV/associates	3,109	3,224	3,268	3,321	3,538
Operating lease right-of-use assets	902	876	936	996	1,056
Goodwill	4,242	4,242	4,242	4,242	4,242
Long term financing receivables	550	1,970	2,259	2,519	2,866
Intangible assets	48	42	36	29	23
Long-term investment	946	1,842	1,842	1,842	1,842
Others	612	1,037	1,037	1,037	1,037
Deferred tax assets	404	721	721	721	721
Current assets	20,098	22,325	21,471	19,489	19,773
Inventories	44	53	79	67	94
Account receivables	676	746	1,030	1,060	1,296
Financing receivables	511	492	777	657	959
Advances to suppliers	438	589	589	589	589
Short-term investment	11,113	3,690	3,690	3,690	3,690
Others	2,039	2,408	2,408	2,408	2,408
Restricted cash	7	133	133	133	133
Cash	5,270	14,213	12,764	10,884	10,604
Current liabilities	6,681	9,348	12,476	11,438	10,896
Account payables	1,475	1,636	2,065	2,027	2,485
Operating lease liabilities	299	246	246	246	246
Bank borrowings	0	1,433	4,133	3,133	2,133
Tax payable	80	49	49	49	49
Advanced from customers	1,211	1,120	1,120	1,120	1,120
Others	3,616	4,864	4,864	4,864	4,864
Non-current liabilities	806	757	757	757	757
Bank borrowings	0	0	0	0	0
Deferred tax liabilities	208	255	255	255	255
Non-current operating lease	504	502	502	502	502
Others	94	-0	-0	-0	-0
Shareholders' equity	38,303	48,979	52,410	57,662	63,775
MI	101	121	135	156	180

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Express delivery, accessories & others	94%	93%	93%	94%	94%
Freight forwarding services	6%	7%	7%	6%	6%
Total	100%	100%	100%	100%	100%
Profit & loss ratio (%)					
Gross margin	29.9	23.1	21.9	26.6	28.2
EBITDA margin	30.4	26.2	26.3	30.9	33.2
EBIT margin	24.7	18.9	17.7	21.6	23.4
Net profit margin	25.7	17.2	15.5	18.6	20.1
Growth (%)					
Revenue	25.6	14.0	22.5	17.7	12.7
Gross profit	23.4	(11.8)	15.8	43.1	19.4
EBITDA	29.7	(2.0)	23.2	38.0	21.2
EBIT	26.1	(13.0)	14.8	43.8	21.9
Core net profit	30.3	(13.4)	11.0	40.7	21.8
Balance sheet ratio					
Current ratio (x)	3.0	2.4	1.7	1.7	1.8
Trade receivable turnover days	15	29	36	35	35
Inventory turnover days	1	1	1	1	1
Payable turnover days	33	29	28	28	28
Net debt / total equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Profitability (%)					
ROA	13.3	8.2	7.7	9.9	11.3
ROE	13.7	9.9	9.4	12.2	13.5
Per share data					
EPS (RMB)	7.24	5.43	5.73	8.07	9.82
Core EPS (RMB)	6.35	5.43	5.73	8.07	9.82
BVPS (RMB)	48.98	58.67	62.78	69.07	76.39
DPS (RMB)	2.13	1.70	1.78	2.50	3.05

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.