

# Kingsoft Cloud (KC US)

## China cloud service pure play

**LEADING VIDEO PUBLIC CLOUD VENDOR** Kingsoft Cloud (KC) had 5.4% share in 2019 China IaaS + PaaS market with ByteDance being top customer. KC delivered strong growth (Rev +78% YoY in 2019), thanks to 1) internet customers adopting multi-cloud strategy, 2) increasing number of premium customers (+58% YoY to 243 in 2019) and 3) higher ASP per premium customer (+16% YoY to RMB15.9mn) on product cross-selling. Lower revenue from Kingsoft Group and continuous margin expansion are re-rating catalysts.

- **Robust growth as internet customers adopting multi-cloud strategy.** Kingsoft Cloud (KC) is a leading cloud service provider in China with 5.4% market share in 2019 (IaaS + PaaS). KC is well-positioned to capture the growing cloud market (28.3% CAGR in 2019-2024 to reach a size of RMB563.3bn in China). Although Alibaba is a leader in China public cloud market, KC is able to achieve robust growth (79% revenue CAGR in 2017-2019) as internet companies (e.g. game/ video verticals) are adopting multi-cloud strategy to lower reliance on single cloud provider. Among KC's new customers, around 80% are deployed on multi-cloud. According to Frost & Sullivan, 26% of enterprises with over 1,000 employees in China are using cloud adopted multi-cloud strategy, compared with 85% in the US.
- **Improving customer mix with less dependence on Kingsoft Group.** KC is gradually reducing dependency on Kingsoft Group, and revenue from related parties (Kingsoft Group + Xiaomi + Cheetah Group) declined from 34% in 2017 to only 12% in 1H20. This proves KC's cloud technology and R&D capabilities to attract new customers. KC has 1,150 R&D engineers and spent 15% of revenue (RMB595mn) on R&D in 2019.
- **Continuous margin expansion with scale benefits.** KC delivered continuous margin expansion on larger scale, higher efficiency and bandwidth utilization. Cost of revenue mainly consists of IDC costs (bandwidth + rack) and depreciation of servers. IDC costs as % of revenue was at 66% in 3Q20 (vs. 71% in 3Q19) while that of depreciation was at 10% (vs. 16% in 3Q19). KC gross margin turned positive since 3Q19 and reached 6.5% in 3Q20. Management expects gross margin to improve at +5 pct pts YoY in 2021E.
- **Rare independent IaaS provider.** KC is a rare IaaS pure play in the market and is trading at 9.2x consensus FY21E P/S. Along the cloud service supply chain, companies with IaaS exposure are trading at 7.3x but with lower growth (avg. FY19-22E sales CAGR 24% vs. 61% for KC) while capex-light SaaS + PaaS companies are trading at 30x FY21E P/S.

### Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19A	FY20E	FY21E
Revenue (RMB mn)	1,236	2,218	3,956	6,567	10,468
YoY growth (%)	n.a.	79%	78%	66%	59%
Adj. EBITDA (RMB mn)	(338)	(520)	(418)	(227)	248
YoY growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Net income (RMB)	(1,320)	(1,749)	(1,161)	(942)	(728)
EPS (RMB)	(1.66)	(2.20)	(1.31)	(3.98)	(2.88)
YoY growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.
P/S (x)	77.4	43.1	24.2	14.6	9.1
ROE (%)	n.a.	-43%	-33%	-17%	-12%
Net gearing (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg consensus

**NOT RATED**

Current Price

US\$60.74

### China Software & IT services

**Marley Ngan**

(852) 3916 3719

marleyngan@cmbi.com.hk

#### Stock Data

Mkt Cap (US\$ mn)	14,875
Avg 3 mths t/o (US\$ mn)	88.73
52w High/Low (US\$)	74.67/ 17.01
Total Issued Shares (mn)	218

Source: Bloomberg

#### Shareholding Structure

Kingsoft Group (3888 HK)	43.6%
Xiaomi (1810 HK)	13.8%
Mr. Jun LEI	13.8%

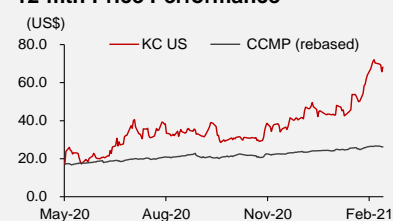
Source: Bloomberg

#### Share Performance

	Absolute	Relative
1-mth	49.5%	45.8%
3-mth	90.7%	63.0%
6-mth	99.2%	62.4%

Source: Bloomberg

#### 12-mth Price Performance

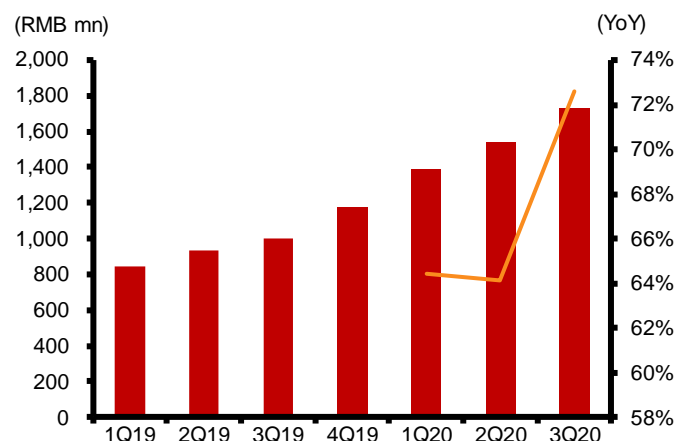


Source: Bloomberg

**Auditor: Ernst & Young Hua Ming**

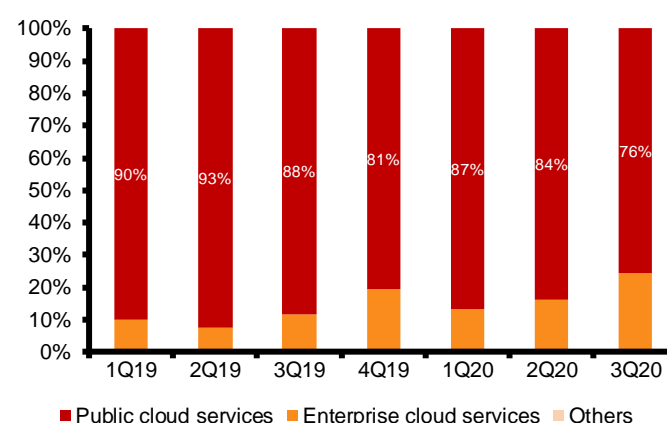
## Focus Charts

**Figure 1: Revenue and YoY**



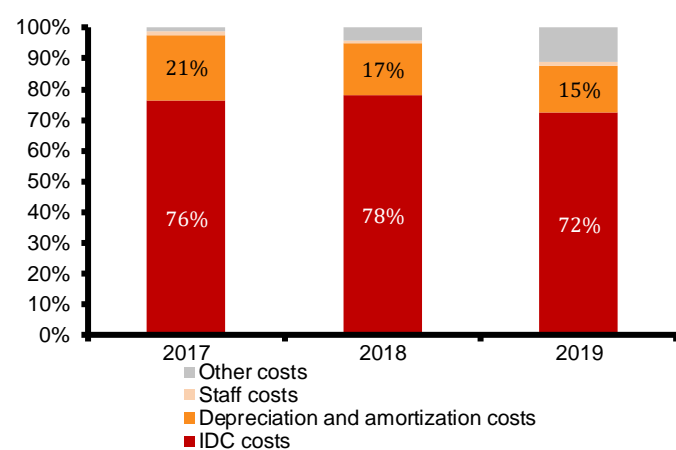
Source: Company data

**Figure 2: Revenue mix**



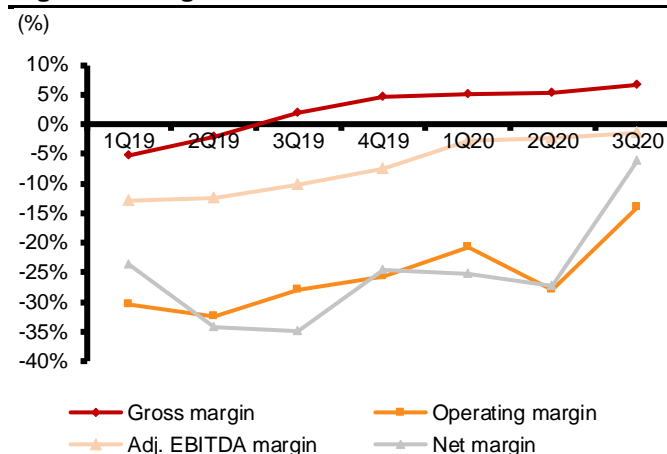
Source: Company data

**Figure 3: Cost of sales**



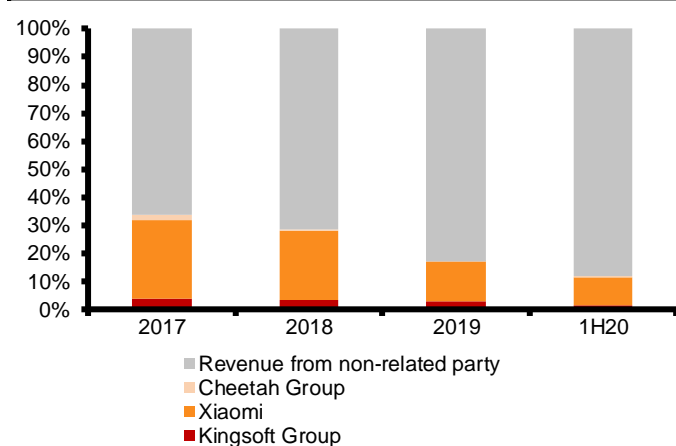
Source: Company data

**Figure 4: Margins**



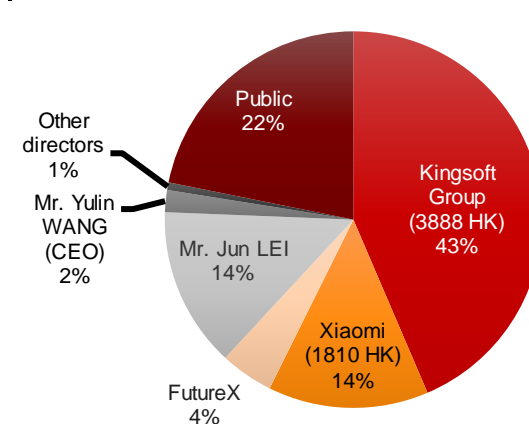
Source: Company data

**Figure 5: Related party transaction (revenue)**



Source: Company data

**Figure 6: Shareholding structure**



Source: Company data

## Company overview

Kingsoft Cloud (KC), founded in 2012 and listed on Nasdaq in May 2020, is a leading cloud service provider in China. It had 5.4% market share from IaaS and PaaS public cloud services in 2019, according to Frost & Sullivan. As of 31 Dec 2019, KC had a data center and CDN node network with >73,000 servers throughout China and in six other countries.

In 2019, KC derived RMB3.5bn revenue from Public Cloud Services with 175 premium customers (paying >RMB700k annually). Net dollar retention rate is high at 155%. In 2017, KC started to provide private cloud solutions for financial, public service and healthcare industries. Number of premium customers grew from only 2 in 2017 to 67 in 2019 with average revenue per premium customer of RMB7.2mn.

**Figure 7: Kingsoft Cloud key businesses**

RMB mn	Public Cloud Services	Enterprise Cloud Services
<b>Verticals served</b>	Game, video, AI, e-commerce, education and mobile internet	Financial service, public service and healthcare business
<b>Pricing model</b>	1) Monthly billing based on utilization and duration or 2) subscription	Project based
<b>2019</b>		
<b>No. of premium customers*</b>	175 (+25% YoY)	67 (+294% YoY)
<b>Avg. revenue per premium customer</b>	19.2 (+32% YoY)	7.2 (31% YoY)
<b>Net dollar retention rate of premium customer</b>	155%	-
<b>Revenue</b>	3,459	486
<b>as % of total</b>	87%	12%
<b>YoY</b>	64%	415%

Source: Company data \*premium customer: annual revenue to Kingsoft Cloud >RMB700,000

**Figure 8: Kingsoft Cloud key customers**



Source: Company data

## Financials

Figure 9: Kingsoft Cloud operating model

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	2017	2018	2019
<b>Revenue breakdown</b>										
Public cloud services	763	866	885	945	1,209	1,287	1,310	1,202	2,111	3,459
Enterprise cloud services	83	68	114	220	182	246	409	15	94	486
Others	-	0	3	8	1	2	10	18	13	11
<b>Total</b>	<b>846</b>	<b>935</b>	<b>1,002</b>	<b>1,174</b>	<b>1,391</b>	<b>1,535</b>	<b>1,729</b>	<b>1,236</b>	<b>2,218</b>	<b>3,956</b>
<b>Revenue mix</b>										
Public cloud services	90%	93%	88%	81%	87%	84%	76%	97%	95%	87%
Enterprise cloud services	10%	7%	11%	19%	13%	16%	24%	1%	4%	12%
Others	0%	0%	0%	1%	0%	0%	1%	1%	1%	0%
<b>Revenue YoY</b>										
<b>Public cloud services</b>					<b>58%</b>	<b>49%</b>	<b>48%</b>		<b>76%</b>	<b>64%</b>
Enterprise cloud services					119%	259%	257%		518%	415%
Others						397%	256%		-27%	-16%
<b>Total</b>					<b>64%</b>	<b>64%</b>	<b>73%</b>		<b>79%</b>	<b>78%</b>
<b>Key operating metrics</b>										
<b>Public cloud</b>										
No. of premium customers*								112	139	175
<b>YoY</b>									<b>24%</b>	<b>26%</b>
Net dollar retention rate of premium customer								0%	161%	155%
Avg. revenue per premium customer								10.2	14.5	19.2
<b>YoY</b>									<b>42%</b>	<b>32%</b>
Computing								356	663	1,018
Storage								220	289	298
Delivery								629	1,161	2,137
<b>Enterprise cloud</b>										
No. of premium customers*								2	17	67
Avg. revenue per premium customer								-	5.5	7.2
<b>Cost of sales breakdown</b>										
IDC costs	676	744	701	735	920	978	1,060	1,033	1,890	2,857
Depreciation and amortization costs	135	137	154	173	205	218	157	290	407	599
Staff costs								17	24	52
Other costs								14	98	440
<b>Total</b>	<b>891</b>	<b>955</b>	<b>983</b>	<b>1,119</b>	<b>1,320</b>	<b>1,454</b>	<b>1,616</b>	<b>1,354</b>	<b>2,419</b>	<b>3,949</b>
<b>Cost of sales mix</b>										
<b>IDC costs</b>	<b>76%</b>	<b>78%</b>	<b>71%</b>	<b>66%</b>	<b>70%</b>	<b>67%</b>	<b>66%</b>	<b>76%</b>	<b>78%</b>	<b>72%</b>
Depreciation and amortization costs	15%	14%	16%	15%	16%	15%	10%	21%	17%	15%
Staff costs								1%	1%	1%
Other costs								1%	4%	11%

Source: Company data, \*premium customer: annual revenue to Kingsoft Cloud >RMB700,000

**Figure 10: Kingsoft Cloud income statement**

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	2017	2018	2019
Revenues	846	935	1,002	1,174	1,391	1,535	1,729	1,236	2,218	3,956
Cost of sales	(891)	(955)	(983)	(1,119)	(1,320)	(1,454)	(1,616)	(1,354)	(2,419)	(3,949)
Gross Profit	<b>(45)</b>	<b>(20)</b>	<b>19</b>	<b>54</b>	<b>71</b>	<b>81</b>	<b>113</b>	<b>(118)</b>	<b>(200)</b>	<b>8</b>
<i>Gross margin</i>	<i>-5.3%</i>	<i>-2.2%</i>	<i>1.9%</i>	<i>4.6%</i>	<i>5.1%</i>	<i>5.3%</i>	<i>6.5%</i>	<i>-9.6%</i>	<i>-9.0%</i>	<i>0.2%</i>
R&D	(124)	(143)	(156)	(171)	(196)	(231)	(168)	(399)	(441)	(595)
SG&A	(88)	(140)	(143)	(186)	(164)	(280)	(188)	(210)	(339)	(556)
Operating Income	<b>(257)</b>	<b>(304)</b>	<b>(280)</b>	<b>(303)</b>	<b>(289)</b>	<b>(430)</b>	<b>(243)</b>	<b>(727)</b>	<b>(979)</b>	<b>(1,144)</b>
<i>Operating margin</i>	<i>-30.4%</i>	<i>-32.5%</i>	<i>-27.9%</i>	<i>-25.8%</i>	<i>-20.8%</i>	<i>-28.0%</i>	<i>-14.0%</i>	<i>-58.8%</i>	<i>-44.2%</i>	<i>-28.9%</i>
Adj. EBITDA	<b>(109)</b>	<b>(118)</b>	<b>(102)</b>	<b>(89)</b>	<b>(39)</b>	<b>(36)</b>	<b>(26)</b>	<b>(338)</b>	<b>(520)</b>	<b>(418)</b>
<i>Adj. EBITDA margin</i>	<i>-12.9%</i>	<i>-12.6%</i>	<i>-10.2%</i>	<i>-7.6%</i>	<i>-2.8%</i>	<i>-2.3%</i>	<i>-1.5%</i>	<i>-27.4%</i>	<i>-23.4%</i>	<i>-10.6%</i>
Non-Operating Income	59	(14)	(68)	65	(37)	12	142	13	(17)	41
Profit Before Tax	(199)	(318)	(348)	(237)	(326)	(418)	(101)	(714)	(997)	(1,102)
Income tax (expense) gain	(3)	(2)	(2)	(2)	(6)	(2)	(4)	(1)	(10)	(9)
Minorities	-	-	-	-	(0)	0	0	2	2	2
Accretion to redemption value of convertible preferred shares	-	-	-	(50)	(20)	-	-	-	-	-
<b>Net Income to Shareholders</b>	<b>(201)</b>	<b>(320)</b>	<b>(351)</b>	<b>(289)</b>	<b>(352)</b>	<b>(420)</b>	<b>(105)</b>	<b>(1,320)</b>	<b>(1,749)</b>	<b>(1,161)</b>
<i>Net margin</i>	<i>-24%</i>	<i>-34%</i>	<i>-35%</i>	<i>-25%</i>	<i>-25%</i>	<i>-27%</i>	<i>-6%</i>	<i>-107%</i>	<i>-79%</i>	<i>-29%</i>

Source: Company data

## Valuation

Figure 9: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	P/S FY20E	P/S FY21E	EV/sales FY20E	EV/sales FY21E	Sales CAGR FY19-22E	EBITDA margin FY19
Companies with IaaS business										
Kingsoft Cloud	KC US	NR	14,875	68.23	14.7	9.2	13.7	8.6	61%	-14%
Ucloud	688158 CH	NR	2,927	44.80	8.0	5.5	7.1	4.9	48%	21%
Alibaba	BABA US	NR	713,537	263.59	9.2	6.5	8.3	5.9	35%	25%
Tencent	700 HK	NR	882,917	713.50	11.9	9.6	12.1	9.8	24%	41%
Baidu	BIDU US	NR	115,935	339.91	7.0	6.0	6.3	5.4	10%	26%
Amazon	AMZN US	NR	1,636,535	3249.90	4.3	3.5	4.4	3.5	26%	14%
Microsoft	MSFT US	NR	1,817,448	240.97	12.8	11.1	12.5	10.8	13%	45%
Google	GOOG US	NR	1,412,465	2101.14	9.6	7.3	8.8	6.7	12%	30%
Mean					9.7	7.3	9.2	7.0	31%	23%
China SaaS + PaaS										
Agora	API US	NR	9,989	98.08	76.4	58.4	71.5	54.7	57%	-7%
Glodon	002410 CH	BUY	14,025	76.50	22.1	17.9	21.3	17.3	20%	11%
Yonyou	600588 CH	NR	20,546	40.63	14.8	12.5	14.7	12.4	17%	18%
Kingsoft Office	688111 CH	NR	26,656	374.00	69.5	46.7	66.7	44.8	48%	25%
Kingdee	268 HK	NR	14,848	33.20	28.5	22.9	27.8	22.4	17%	27%
MYC	909 HK	HOLD	12,564	50.55	46.7	33.2	46.2	32.9	39%	21%
Youzan	8083 HK	NR	8,459	3.80	29.9	19.2	29.5	18.9	53%	-65%
Weimob	2013 HK	NR	7,895	26.90	22.8	15.0	22.7	14.9	48%	8%
Mean					38.8	28.2	37.6	27.3	37%	5%
US SaaS + PaaS										
Adobe	ADBE US	NR	229,355	479.12	17.9	15.1	17.8	15.0	16%	36%
Atlassian	TEAM US	NR	64,618	258.41	33.3	28.3	40.0	32.9	24%	1%
Autodesk	ADSK US	NR	67,154	305.40	20.6	17.9	20.7	18.0	19%	3%
Datadog	DDOG US	NR	31,991	105.05	54.3	38.4	52.8	37.4	45%	2%
Docusign	DOCU US	NR	49,467	265.16	51.2	34.6	51.3	34.7	39%	-55%
Intuit	INTU US	NR	108,080	411.35	14.6	12.1	14.1	11.8	15%	31%
Salesforce	CRM US	NR	226,277	246.56	13.3	10.7	13.1	10.6	24%	14%
SAP	SAP US	NR	155,799	126.82	4.8	4.8	5.1	5.1	1%	23%
ServiceNow	NOW US	NR	111,920	570.73	25.0	19.5	24.8	19.4	27%	10%
Shopify	SHOP US	NR	175,780	1435.01	44.1	33.3	59.4	42.7	50%	-6%
Snowflake	SNOW US	NR	82,099	290.00	n.a.	141.6	n.a.	133.7	125%	-187%
Twilio	TWLO US	NR	64,241	425.55	38.5	26.5	37.0	25.5	41%	-20%
Veeva System	VEEV US	NR	47,533	313.82	43.6	32.8	42.2	31.8	26%	27%
Workday	WDAY US	NR	66,322	276.34	15.4	13.2	18.1	15.3	21%	-7%
Zoom	ZM US	NR	121,768	417.26	47.2	34.5	196.5	46.5	120%	4%
Mean					30.3	30.9	42.4	32.0	39%	-8%

Source: Bloomberg, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A
<b>Revenue</b>	<b>1,236</b>	<b>2,218</b>	<b>3,956</b>
Cost of sales	(1,354)	(2,419)	(3,949)
<b>Gross Profit</b>	<b>(118)</b>	<b>(200)</b>	<b>8</b>
Selling And Distribution Expenses	(116)	(192)	(317)
Administrative Expenses	(94)	(147)	(239)
Research And Development Expenses	(399)	(441)	(595)
<b>Operating Profit/(Loss)</b>	<b>(727)</b>	<b>(979)</b>	<b>(1,144)</b>
<b>Adj. EBITDA</b>	<b>(338)</b>	<b>(520)</b>	<b>(418)</b>
Interest income	26	24	17
Interest expense	(3)	(2)	-
Other non-operating income	505	640	778
<b>Profit Before Tax</b>	<b>(199)</b>	<b>(318)</b>	<b>(348)</b>
Income Tax Expense	(1)	(10)	(9)
<b>Profit After Tax</b>	<b>(714)</b>	<b>(1,006)</b>	<b>(1,111)</b>
Non-controlling Interest	-	-	-
Accretion to redemption value of redeemable convertible preferred shares	(606)	(742)	(50)
<b>Attributable To Owners Of The Parent</b>	<b>(1,320)</b>	<b>(1,749)</b>	<b>(1,161)</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A
<b>Net Income</b>	<b>(714)</b>	<b>(1,006)</b>	<b>(1,111)</b>
Depreciation and Amortization	298	412	605
Net Change In Working Capital	220	68	(113)
Others	62	143	181
<b>Net cash from operating activities</b>	<b>(135)</b>	<b>(383)</b>	<b>(439)</b>
Capital Expenditures	(346)	(1,095)	(1,000)
Purchases of short-term investments	(1,902)	(2,867)	(1,112)
Other Investing Activities	427	2,788	2,995
<b>Net cash from investing activities</b>	<b>(1,821)</b>	<b>(1,174)</b>	<b>883</b>
Proceeds from redeem. conv. pref. shares	1,723	2,852	349
Change of debts	16	(80)	(81)
Dividend paid	0	0	0
Others	123	(336)	(204)
<b>Net cash from financing activities</b>	<b>1,861</b>	<b>2,436</b>	<b>65</b>
<b>Net change in cash</b>	<b>(94)</b>	<b>879</b>	<b>509</b>
Cash at the beginning of the year	706	573	1,507
Exchange difference and others	(39)	54	8
Cash at the end of the year	573	1,507	2,023

### Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A
<b>Non-current assets</b>	n.a.	<b>1,125</b>	<b>1,882</b>
PPE - Net	n.a.	1,043	1,721
Other Intangible Assets	n.a.	10	7
Other noncurrent assets	n.a.	71	154
<b>Current assets</b>	n.a.	<b>4,734</b>	<b>4,150</b>
Cash and Equivalents	n.a.	1,507	2,023
Accounts Receivable - Trade	n.a.	542	1,347
Other current assets	n.a.	2,686	779
<b>Current liabilities</b>	n.a.	<b>1,437</b>	<b>2,420</b>
Borrowings	n.a.	81	100
Accounts Payable - Trade	n.a.	721	1,255
Accrued Expenses	n.a.	424	949
Other non-current liabilities	n.a.	212	116
<b>Non-current liabilities</b>	n.a.	<b>320</b>	<b>75</b>
Borrowings	n.a.	174	74
Amounts due to related parties	n.a.	145	-
Others	n.a.	0	0
<b>Total mezzanine equity</b>	n.a.	<b>7,346</b>	<b>7,735</b>
Share capital	n.a.	5	6
Capital surplus	n.a.	-	92
Retained earnings	n.a.	-	-
Others	n.a.	543	608
<b>Total equity</b>	n.a.	<b>(3,243)</b>	<b>(4,197)</b>

### Key ratios

YE 31 Dec	FY17A	FY18A	FY19A
<b>Key operating metrics</b>			
Public cloud - # of premium customer	112	139	175
Net dollar retention rate of prem. customer	0%	161%	155%
Avg. revenue per premium customer	10	15	19
Enterprise cloud - # of premium customer	2	17	67
<b>Growth (YoY)</b>			
Revenue	n.a.	79%	78%
Gross profit	n.a.	n.a.	n.a.
Adj. EBITDA	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.
<b>Margins</b>			
Gross margin	-10%	-9%	0%
Operating margin	-59%	-44%	-29%
Adj. EBITDA margin	-27%	-23%	-11%
<b>Balance sheet ratio</b>			
Net debt / equity ratio (%)	n.a.	net cash	net cash
Current ratio	n.a.	3.3	1.7
<b>Returns (%)</b>			
ROE	n.a.	n.a.	n.a.
ROA	n.a.	n.a.	n.a.
<b>Per share</b>			
EPS (RMB)	(1.66)	(2.20)	(1.31)
BVPS (RMB)	n.a.	(4.1)	(4.7)

Source: Company data



# 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.

## Disclosures

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

## CMBIS 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 CMBIS

<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 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.