

Netease (NTES US)

Preparing for next strong product cycle

NetEase announced its 3Q22 results on 17 Nov. Total revenue grew by 10% YoY to RMB24.4bn in 3Q22, in line with our & consensus estimates of RMB24.4bn. Driven by resilient performance of legacy titles and launch of new titles like Diablo Immortal, total revenue was up 13% YoY in 9M22. Non-GAAP net income in 3Q22 grew by 23% YoY to RMB4.7bn (excl. RMB2.7bn extraordinary gains like investment income and FX gain), which is largely in line with our/consensus estimates of RMB5.0/4.9bn. Due to the supply and Banhao constraints of game titles, we believe it still takes time for NetEase to launch the next strong product cycle. We revised up our FY22 earnings forecast by 9% to reflect the extraordinary gains in 3Q22, but trimmed FY23-24 earning forecast by 1-4% to factor in the non-renewal of licenses with Blizzard. We lower our SOTP-based target price by 2% to US\$112.3. Maintain BUY.

■ **Eyes on next product cycle.** Online games revenue increased by 9% YoY to RMB18.7bn in 3Q22 (1Q22/2Q22: +15.7/15.0% YoY), with mobile and PC games revenue up by 8% YoY and 11% YoY respectively. Key game titles in the pipeline include Naraka: Bladepoint Mobile (development progress well on track) and Justice Mobile (recorded 10mn pre-registration). NetEase also obtained Banhao approval for its Westward Journey IP on 17 Nov, which is a casual web game. For the overseas market, NetEase plans to launch Harry Potter: Magic Awakened globally in 2023E, and 3 & 4 games of various genres in the Japan & US markets respectively. Cloud music revenue grew by 22% YoY to RMB2.4bn in 3Q22 (9.7% of total revenue), with GPM up from 2.2/13.0% in 3Q21/2Q22 to 14.2% in 3Q22. Innovative businesses revenue was up by 14% YoY to RMB2.0bn in 3Q22 (8.1% of total revenue), mainly due to growth in revenue from Yanxuan. Youdao revenue grew by 1% YoY to RMB1.4bn in 3Q22 (5.7% of total revenue), mainly driven by innovation in learning services and smart devices, but partially offset by the cessation of K9 after-school tutoring business.

■ **Investing for future growth.** Non-GAAP net income grew by 23% YoY to RMB4.7bn excluding investment income and FX gain, with net margin up by 1.5ppt YoY to 19.3% in 3Q22, thanks to the GPM expansion, and operating leverage on R&D and G&A expenses. Overall GPM rose from 53.2% in 3Q21 to 56.3% in 3Q22, supported by the improving margin profile of non-gaming businesses. Looking forward, management expects to see further growth in operating expenses as they continue to invest in the global gaming development capability, and the operating leverage will emerge until the next strong product cycle.

■ **Limited impact from non-renewal of licenses with Blizzard.** Regarding non-renewal of licenses with Blizzard, management cited that it will have no material impact on NetEase's financial performance given revenues and net income of these licensed games only accounted for low single digits of NetEase's revenue and net income in 9M22.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	73,667	87,606	97,092	102,839	107,456
YoY growth (%)	24.4	18.9	10.8	5.9	4.5
Gross margin (%)	52.9	53.6	54.8	54.5	54.5
Adjusted net profit (RMB mn)	14,706.0	19,761.9	22,167.1	21,528.6	22,962.5
EPS (Adjusted) (RMB)	22.25	29.71	33.97	32.99	35.19
Consensus EPS (RMB)	22.25	29.71	31.46	35.70	39.06
P/S (x)	4.5	3.8	3.4	3.2	3.1
P/E (x)	30.6	26.6	17.3	17.9	16.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$112.30
(Previous TP)	US\$114.80
Up/Downside	56.8%
Current Price	US\$71.60

China Internet

Saiyi HE, CFA

(852) 3916 1739

hesaiyi@cmbi.com.hk

Wentao LU

luwentao@cmbi.com.hk

Ye TAO

franktao@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	47,166.7
Avg 3 mths t/o (US\$ mn)	75.4
52w High/Low (US\$)	115.55/55.41
Total Issued Shares (mn)	658.8

Source: FactSet

Shareholding Structure

William Lei Ding	44.2%
Invesco	2.2%

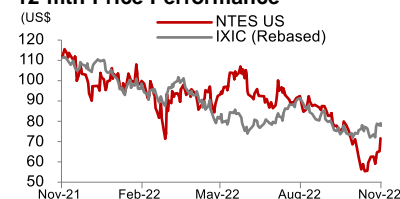
Source: Company data

Share Performance

	Absolute	Relative
1-mth	4.4%	-5.2%
3-mth	-23.2%	-11.4%
6-mth	-23.2%	-21.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: NetEase : earnings revision

RMB bn	Current			Previous			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	97.1	102.8	107.5	97.1	104.2	110.8	0.0%	-1.3%	-3.0%
Gross profit	53.2	56.0	58.5	52.7	56.4	60.1	1.0%	-0.7%	-2.7%
Operating profit	19.7	21.0	22.5	19.7	21.4	23.6	0.0%	-1.9%	-4.7%
Adjusted net profit	22.2	21.5	23.0	20.3	21.9	23.9	9.3%	-1.5%	-4.0%
Adjusted EPS (RMB)	33.7	32.7	34.9	30.7	33.1	36.2	9.7%	-1.2%	-3.7%
Gross margin	54.8%	54.5%	54.5%	54.2%	54.1%	54.3%	0.5 ppt	0.3 ppt	0.2 ppt
Operating margin	20.3%	20.4%	20.9%	20.3%	20.5%	21.3%	0.0 ppt	-0.1 ppt	-0.4 ppt
Adjusted net margin	22.8%	20.9%	21.4%	20.9%	21.0%	21.6%	2.0 ppt	0.0 ppt	-0.2 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB bn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	97.1	102.8	107.5	97.3	108.5	119.0	-0.2%	-5.2%	-9.7%
Gross profit	53.2	56.0	58.5	53.2	59.3	65.2	-0.1%	-5.6%	-10.2%
Operating profit	19.7	21.0	22.5	21.4	24.1	27.2	-7.8%	-12.7%	-17.4%
Adjusted net profit	22.2	21.5	23.0	20.5	23.4	26.1	8.2%	-7.9%	-12.0%
Adjusted EPS (RMB)	33.7	32.7	34.9	31.5	35.7	39.1	7.0%	-8.5%	-10.8%
Gross margin	54.8%	54.5%	54.5%	54.7%	54.7%	54.7%	0.0 ppt	-0.2 ppt	-0.3 ppt
Operating margin	20.3%	20.4%	20.9%	22.0%	22.2%	22.9%	-1.7 ppt	-1.8 ppt	-1.9 ppt
Adjusted net margin	22.8%	20.9%	21.4%	21.1%	21.5%	21.9%	1.8 ppt	-0.6 ppt	-0.5 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: NetEase: key financial data forecasts

(RMB mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	Cons.	Diff%	CMBI	Diff%
Online games revenue	16,107	15,775	17,146	17,398	18,642	18,140	18,699			17,613	6.2%
YoY%	19.1%	14.1%	23.7%	29.8%	15.7%	15.0%	9.1%				
As % of total revenue	78.5%	76.9%	77.3%	71.4%	79.1%	78.3%	76.6%				
Youdao revenue	1,340	1,293	1,387	1,334	1,201	956	1,402			1,194	17.5%
YoY%	147.5%	107.5%	54.8%	20.5%	-10.4%	-26.1%	1.1%				
As % of total revenue	6.5%	6.3%	6.3%	5.5%	5.1%	4.1%	5.7%				
Cloud Music revenue	1,491	1,693	1,925	1,889	2,067	2,192	2,357			2,400	-1.8%
YoY%	0.0%	0.0%	0.0%	0.0%	38.6%	29.5%	22.5%				
As % of total revenue	7.3%	8.2%	8.7%	7.8%	8.8%	9.5%	9.7%				
Innovative businesses	1,579	1,764	1,733	3,753	1,646	1,872	1,968			3,204	-38.6%
YoY%	0.0%	0.0%	0.0%	0.0%	4.2%	6.1%	13.6%				
As % of total revenue	7.7%	8.6%	7.8%	15.4%	7.0%	8.1%	8.1%				
Total revenue	20,517	20,525	22,191	24,374	23,556	23,159	24,427	24,360	0.3%	24,411	0.1%
YoY%	20.2%	12.9%	18.9%	23.3%	14.8%	12.8%	10.1%				
Gross profit margin (%)	53.9%	54.5%	53.2%	53.0%	54.5%	55.9%	56.3%				
S&M expenses ratio (%)	13.5%	14.7%	14.1%	13.5%	12.4%	14.3%	15.4%				
R&D expenses ratio (%)	14.9%	16.6%	16.9%	15.8%	14.4%	15.5%	16.2%				
Non-GAAP NPM(%)	24.8%	20.6%	17.4%	27.1%	21.7%	23.4%	30.6%				
Non-GAAP net profit	5,081	4,228	3,858	6,596	5,118	5,410	7,470	4,930	51.5%	4,993	49.6%
YoY%	20.6%	-19.1%	5.1%	312.8%	0.7%	28.0%	93.6%				

Source: Company data, CMBIGM estimates

Note: Non-GAAP net profit reported by NetEase include investment income/(loss) and exchange gain/(loss).

We use sum-of-the-parts (SOTP) valuation methodology to value NetEase's four main business segments. Our SOTP derived target price is US\$112.3, comprising:

- 1) US\$103.4 for the online game business (92.0% of total valuation), based on 16x 2023E EV/EBIT which is a premium over the industry average (14x). The premium in our view is justified by NetEase's strong content development capability and solid deployment in the overseas market;
- 2) US\$0.3 for Youdao (0.2% of total valuation), based on 0.4x 2023E EV/revenue, on a par with the industry average;
- 3) US\$4.4 (3.9% of total valuation) for the Cloud Music business, based on 3.0x 2023E EV/revenue, at a premium over the industry average due to its relatively strong revenue growth outlook over 2022-2024E;
- 4) US\$2.6 (2.3% of total valuation) for the innovative businesses and others, based on 1.2x EV/2023E revenue, on a par with the industry average;
- 5) US\$1.7 for net cash.

Figure 4: NetEase: SOTP Valuation

(RMBmn)	Valuation basis	Multiple (x)	2023E sales	2023E EBIT	Valuation	Shareholding (%)	Valuation to NetEase	Valuation per ADS (US\$)
Online games	EV/EBIT	16.0	75,419	29,790	476,647	100.0%	476,647	103.4
Youdao	EV/revenue	0.4	5,813		2,325	52.9%	1,230	0.3
Cloud Music	EV/revenue	3.0	11,595		34,786	57.7%	20,071	4.4
Innovative businesses	EV/revenue	1.2	10,012		12,015	100.0%	12,015	2.6
Enterprise value							509,963	
Net cash							7,875	1.7
Equity value							517,838	
RMB/US\$							7.00	
Target valuation (US\$mn)							73,997	
No. of ADSs (mn)							659	
Value per ADS (US\$)							112.3	

Source: Company data, CMBIGM estimates

Figure 5: Peer comparison: online games

Companies	Ticker	Price (Local)	EBIT growth (YoY %)			EV/EBIT (x)		
			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Tencent	700 HK	294.4	(36)	20	12	18	15	13
iDreamSky	1119 HK	4.4	(62)	591	96	na	22	11
Activision Blizzard	ATVI US	74.4	(23)	31	11	18	14	12
Electronic Arts	EA US	129.3	24	(0)	5	14	15	14
Take Two	TTWO US	100.8	(12)	33	21	28	21	17
Nexon	3659 JP	2,802.0	(7)	30	19	17	13	11
Nintendo	7974 JP	5,849.0	(18)	(7)	(1)	9	10	10
Bandai Namco	7832 JP	8,859.0	22	10	3	14	13	13
Perfect World	002624 CH	12.7	111	16	16	15	13	11
37 Interactive	002555 CH	16.9	(1)	18	14	10	8	7
Average EV/EBIT						16	14	12

Source: Bloomberg consensus estimates, CMBIGM

Note: data as of 16 Nov market close

Figure 6: Peer comparison: education, online music, and e-commerce

Companies	Ticker	Price (Local)	Revenue growth (YoY %)			EV/revenue (x)		
			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Education								
New Oriental	EDU US	26.0	(26)	(15)	15	0.3	0.3	0.3
TAL Education	TAL US	5.4	2	(78)	20	0.1	0.6	0.5
Average PS						0.2	0.4	0.4
Music community								
TME	TME US	5.3	(19)	5	5	1.6	1.5	1.5
Spotify	SPOT US	82.5	7	15	14	1.2	1.1	0.9
Bilibili	BILI US	15.5	(1)	26	22	2.3	1.8	1.5
Kuaishou	1024 HK	52.8	4	18	15	2.0	1.7	1.4
Average PS						1.8	1.5	1.3
E-commerce								
Alibaba	BABA US	78.2	(4)	12	10	1.1	1.0	0.9
JD	JD US	53.5	(2)	19	14	0.5	0.4	0.3
Pinduoduo	PDD US	67.6	14	24	18	4.0	3.2	2.7
Vipshop	VIPS US	8.9	(22)	7	6	0.2	0.2	0.2
Average PS						1.5	1.2	1.1

Source: Bloomberg consensus estimates, CMBIGM

Note: data as of 16 Nov market close

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	59,241	73,667	87,606	97,092	102,839	107,456
Cost of goods sold	(27,686)	(34,684)	(40,635)	(43,924)	(46,814)	(48,944)
Gross profit	31,555	38,983	46,971	53,168	56,026	58,512
Operating expenses	(17,765)	(24,445)	(30,554)	(33,464)	(35,011)	(36,046)
Selling expense	(6,221)	(10,704)	(12,214)	(13,755)	(14,192)	(14,507)
Admin expense	(3,130)	(3,372)	(4,264)	(4,617)	(4,833)	(4,836)
R&D expense	(8,413)	(10,369)	(14,076)	(15,093)	(15,986)	(16,704)
Operating profit	13,791	14,538	16,417	19,704	21,014	22,466
Investment gain/loss	1,306	1,610	2,948	(616)	0	0
Other gains/(losses)	439	737	710	502	0	0
Interest income	822	1,599	1,520	1,851	1,812	1,963
Foreign exchange gain/loss	25	(3,112)	(490)	2,165	0	0
Pre-tax profit	16,383	15,372	21,104	23,606	22,826	24,429
Income tax	(2,915)	(3,042)	(4,128)	(4,839)	(4,565)	(4,886)
After tax profit	13,469	12,330	16,976	18,767	18,261	19,543
Minority interest	(170)	(267)	(119)	385	183	195
Discontinued operations	7,963	na	na	na	na	na
Net profit	21,261	12,063	16,857	19,152	18,443	19,739
Adjusted net profit	15,663	14,706	19,762	22,167	21,529	22,962
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	85,105	107,831	113,120	117,287	126,063	136,296
Cash & equivalents	3,246	9,117	14,498	9,742	9,386	9,853
Restricted cash	3,150	3,051	2,877	3,020	3,171	3,330
Account receivables	4,169	4,576	5,508	5,982	6,210	6,359
Inventories	651	621	965	1,043	1,111	1,162
Prepayment	4,817	6,112	6,236	6,773	7,030	7,199
ST bank deposits	53,487	71,079	70,755	77,830	85,613	94,175
Other current assets	15,584	13,273	12,282	12,896	13,541	14,218
Non-current assets	27,019	34,044	40,524	50,311	55,641	60,218
PP&E	4,622	4,555	5,434	6,482	7,732	9,223
Other non-current assets	22,398	29,488	35,090	43,830	47,909	50,995
Total assets	112,124	141,875	153,644	167,599	181,704	196,513
Current liabilities	38,243	46,743	50,501	50,982	52,048	52,981
Short-term borrowings	16,828	19,505	19,352	16,856	15,798	15,094
Account payables	1,212	1,134	985	1,065	1,135	1,186
Tax payable	3,157	4,283	4,537	5,028	5,326	5,565
Other current liabilities	11,562	14,484	16,266	17,914	19,004	19,860
Accrued expenses	5,484	7,338	9,361	10,118	10,784	11,275
Non-current liabilities	840	1,337	3,719	4,056	4,314	4,509
Other non-current liabilities	840	1,337	3,719	4,056	4,314	4,509
Total liabilities	39,083	48,081	54,220	55,038	56,361	57,490
Total shareholders equity	61,454	82,127	95,328	109,474	122,440	136,315
Minority interest	11,588	11,667	4,096	3,709	3,526	3,331
Total equity and liabilities	112,124	141,875	153,644	168,221	182,327	197,136

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	16,383	15,372	21,104	23,606	22,826	24,429
Depreciation & amortization	2,614	3,458	3,276	2,717	3,241	3,866
Tax paid	(2,915)	(3,042)	(4,128)	(4,839)	(4,565)	(4,886)
Change in working capital	671	4,771	3,188	1,887	1,570	1,270
Others	464	4,329	1,487	0	0	0
Net cash from operations	17,216	24,888	24,927	23,371	23,072	24,679
Investing						
Capital expenditure	(3,268)	(3,273)	(3,038)	(3,696)	(4,423)	(5,290)
Net cash from investing	(22,137)	(29,192)	(7,078)	(19,858)	(16,741)	(17,486)
Financing						
Dividend paid	(8,841)	(4,280)	(4,240)	(5,630)	(5,478)	(5,863)
Net borrowings	2,972	4,041	3,992	(2,496)	(1,058)	(704)
Proceeds from share issues	0	21,912	(2,297)	0	0	0
Others	6,952	(11,759)	(10,040)	0	0	0
Net cash from financing	1,083	9,913	(12,586)	(8,126)	(6,536)	(6,567)
Net change in cash						
Cash at the beginning of the year	10,207	6,398	12,169	17,376	12,763	12,558
Exchange difference	29	162	(55)	0	0	0
Others	(1)	0	0	0	0	0
Cash at the end of the year	6,397	12,169	17,376	12,763	12,558	13,183
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	15.8%	24.4%	18.9%	10.8%	5.9%	4.5%
Gross profit	15.4%	23.5%	20.5%	13.2%	5.4%	4.4%
Operating profit	38.2%	5.4%	12.9%	20.0%	6.6%	6.9%
Net profit	245.6%	(43.3%)	39.7%	13.6%	(3.7%)	7.0%
Adj. net profit	45.5%	(6.1%)	34.4%	12.2%	(2.9%)	6.7%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	53.3%	52.9%	53.6%	54.8%	54.5%	54.5%
Operating margin	23.3%	19.7%	18.7%	20.3%	20.4%	20.9%
Adj. net profit margin	26.4%	20.0%	22.6%	22.8%	20.9%	21.4%
Return on equity (ROE)	39.9%	16.8%	19.0%	18.7%	15.9%	15.3%
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Net debt to equity (x)	(0.6)	(0.7)	(0.7)	(0.6)	(0.6)	(0.7)
Current ratio (x)	2.2	2.3	2.2	2.3	2.4	2.6
Receivable turnover days	25.7	22.7	22.9	22.5	22.0	21.6
Payable turnover days	16.0	11.9	8.8	8.8	8.8	8.8
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/E	11.0	30.6	26.6	17.3	17.9	16.8
P/E (diluted)	11.1	31.0	27.0	17.4	18.1	16.9
P/B	3.8	4.5	4.7	3.0	2.7	2.4

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

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 CMBIGM
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 Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and 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 CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

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

For recipients of this document in Singapore

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