

Meituan (3690 HK)

Long-term development intact despite short-term headwinds

Meituan reported (25 November) its 3Q22 results: revenue was RMB62.6bn, up 28.2% YoY, 0.9/0.4% higher than our forecast and consensus estimate. Adjusted net profit during 3Q22 reached RMB3.5bn (3Q21: loss of RMB5.5bn), better than our/consensus forecast of RMB1.5/0.8bn, mainly on better-than-expected profit from core local commerce business segment, and narrower-than-expected loss from new initiatives and others. Recent pandemic resurgence nationwide likely brings short-term headwind to Meituan, and management aims to drive for continuous YoY profitability improvement through optimization in user subsidy and more efficient business operation for new initiatives. Taking the impact into account, we trim our DCF based TP by 2% to HK\$216.4, but we remain upbeat on Meituan's LT development prospect given its established competitive edge in local consumer services market. BUY.

■ **Core local commerce (CLC) likely see near-term disruption but a solid recovery in 2023 could be expected.** CLC segment revenue/OP was RMB46.3/9.3bn in 3Q22, up 25/125% YoY, and was 0.6/16% higher than our estimate, driven by optimization in user subsidy of food delivery (FD) business. FD orders rose 14% YoY in 3Q22, and we estimate FD revenue has grown 27% YoY due to more controlled user subsidy provided. Orders from Meituan Instashopping lifted 36% YoY in 3Q22, and we estimate it to reach 489mn (up 44% YoY) in 4Q22, driven by increase in demand and on-board of more quality merchants. Taking the impact of near-term pandemic resurgence into consideration, we estimate FD order/revenue growth to slow to 5/17% YoY in 4Q22. For in-store and hotel business, we estimate revenue to decline 15% YoY in 4Q22, and OPM of 42% (4Q21: 43%) due to YoY decline in revenue generation and one-off marketing activities conducted. Overall, we forecast revenue/OP of RMB41.3bn/6.8bn in 4Q22 for CLC.

■ **New initiatives saw strong operating efficiency improvement trend.** Revenue generated from new initiatives was RMB16.3bn in 3Q22, up 40% YoY, 2% better than our estimate. Operating loss for the segment was RMB6.8bn (our estimate: RMB7.6bn), implying a loss margin of 42% (3Q21: 86%), which we attribute to stronger-than-expected cost saving across business lines. We forecast revenue from new initiatives to grow 31% YoY to RMB16.4bn in 4Q22E, with operating loss of RMB6.8bn, flat QoQ, due to mixed impact from pandemic. But we expect operating loss of Meituan Select to narrow sequentially to RMB5.0bn in 4Q22.

■ **Remain upbeat on Meituan's long-term development.** Meituan has established a strong local fulfilment network, accumulated a large merchants base and group of loyal consumers with strong consumer mind share, which could help fend off competition and support long-term development. Future catalysts on stock price include: 1) consumption recovery; 2) better-than-expected UE improvement; and 3) potential business model evolution of Meituan Select.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	114,795	179,128	217,593	281,300	357,737
YoY growth (%)	17.7	56.0	21.5	29.3	27.2
Net profit (RMB mn)	4,708.1	(23,538.2)	(7,068.9)	6,214.6	23,860.6
Adjusted net profit (RMB mn)	3,120.6	(15,571.5)	2,279.2	14,282.2	32,205.1
Adj. NP (consensus, RMBmn)	na	na	(274)	12,783	28,644
P/E (x)	207.2	na	na	126.1	33.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$216.40**

(Previous TP **HK\$220.00**)

Up/Downside **58.4%**

Current Price **HK\$136.60**

China Internet

Saiyi HE, CFA

(852) 3916 1739

hesaiyi@cmbi.com.hk

Ye TAO

franktao@cmbi.com.hk

Wentao LU

luwentao@cmbi.com.hk

Sophie HUANG

sophiehuang@cmbi.com.hk

Eason XU

easonxu@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	846,697.3
Avg 3 mths t/o (HK\$ mn)	157.9
52w High/Low (HK\$)	263.60/106.00
Total Issued Shares (mn)	6198.4

Source: FactSet

Shareholding Structure

Huai River Investment Limited	10.1%
Crown Holdings Asia Limited	7.9%

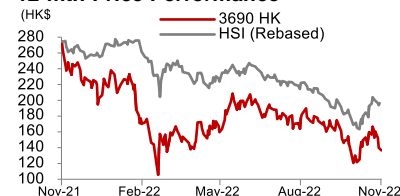
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.6%	-4.5%
3-mth	-23.0%	-12.5%
6-mth	-14.5%	-1.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

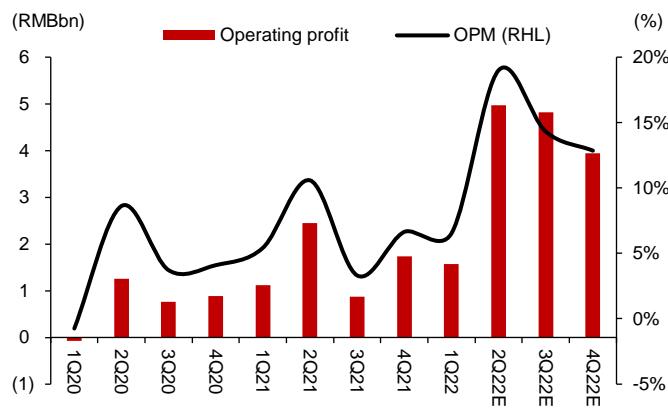
Key results update

Core local commerce (74% of total revenue)

CLC business segment, which mainly comprises former FD and in-store and hotel business, as well as Meituan Instashopping, alternative accommodations, and transportation ticketing, saw its revenue grow 25% YoY to RMB46.3bn, among which we estimate FD revenue has grown 27% YoY to RMB33.7bn, and ISHT revenue has grown 14% YoY to RMB10bn. Segmental operating profit came in at RMB9.3bn, 16% ahead of our forecast, and implies an OPM of 20.1% (3Q21: 11.2%), mainly driven by stronger-than-expected profitability expansion in FD business, aided by an optimization in user subsidy. We estimate OPM of FD business has reached 14% in 3Q22, indicating a YoY expansion of 11pp, and per order operating profit of FD has reached RMB1.05 in 3Q22 (3Q21: RMB0.22).

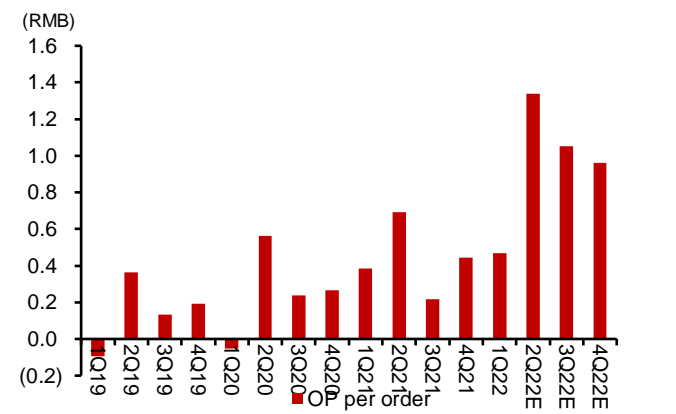
Looking into 4Q22, we expect recent pandemic resurgence nationwide to bring some short-term headwinds to FD order volume growth, but we expect profitability expansion trend to sustain driven by the ongoing optimization in user subsidy. We forecast 5/17% YoY growth in FD order/revenue, and estimate operating profit of RMB3.9bn for 4Q22, indicating per order operating profit of RMB0.96.

Figure 1: Meituan: FD operating profit and OPM (Qtr)



Source: Company data, CMBIGM estimates

Figure 2: Meituan: OP per order for FD business



Source: Company data, CMBIGM estimates

For ISHT business, we forecast 4Q22 revenue of RMB7.5bn, down 15% YoY, owing to the pandemic resurgence nationwide, which led to restrained offline activities and also impacted merchants' willingness to spend on ads product on Meituan's platform, as well as affected transaction-based services revenue generation. We forecast operating profit generated from ISHT business to decline by 16% YoY and OPM to shrink to 42% in 4Q22 (4Q21: 43%), due to decline in revenue generation, which caused operating deleverage, and Meituan's additional one-off promotional spending to drive long-term growth.

New initiatives (26% of total revenue)

Revenue generated from new initiatives was RMB16.3bn in 3Q22, up 40% YoY, 2% better than our estimate. Operating loss for the segment was RMB6.8bn (our estimate: RMB7.6bn), implying a loss margin of 42% (3Q21: 86%), which we attribute to better-than-expected cost saving across business lines.

We forecast new initiatives revenue to grow 31% YoY to RMB16.4bn in 4Q22E, with operating loss of RMB6.8bn, flat QoQ, due to mixed impact from the pandemic. But we expect operating loss of Meituan Select to narrow sequentially to RMB5.0bn in 4Q22.

Revision of forecast and valuation

Figure 3: Meituan: quarterly financial results

(RMB mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	CMBI estimates	Diff (%)	Consensus	Diff (%)
Revenue	37,016	43,759	48,829	49,523	46,269	50,938	62,619	62,049	0.9%	62,390	0.4%
YoY growth (%)	120.9%	77.0%	37.9%	30.6%	25.0%	16.4%	28.2%				
Gross profit	7,200	12,513	10,778	11,983	10,740	15,574	18,505				
Operating profit	(4,767)	(3,252)	(10,103)	(5,006)	(5,584)	(493)	988	-661	na	-763.7	na
Non-IFRS net profit	-3,892	-2,217	-5,527	-3,936	-3,586	2,058	3,527	1,499	135.2%	838.4	320.6%
GPM (%)	19.5%	28.6%	22.1%	24.2%	23.2%	30.6%	29.6%				
OPM (%)	-12.9%	-7.4%	-20.7%	-10.1%	-12.1%	-1.0%	1.6%	-1.1%	2.6 ppt	-1.2%	2.8 ppt
Non-IFRS NPM (%)	-10.5%	-5.1%	-11.3%	-7.9%	-7.8%	4.0%	5.6%	2.4%	3.2 ppt	1.3%	4.3 ppt

Source: CMBIGM estimates

Figure 4: Meituan: forecast revision

RMB bn	Current			Previous			Change (%)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue	217.6	281.3	357.7	220.8	285.2	362.5	-1.5%	-1.4%	-1.3%
OP	(6.3)	8.0	28.1	(8.2)	8.8	29.0	-22.8%	-8.9%	-3.0%
Non-IFRS NP	2.3	14.3	32.2	0.5	13.4	31.7	338.9%	6.9%	1.6%
OPM	-2.9%	2.8%	7.9%	-3.7%	3.1%	8.0%	0.8 pp	-0.2 pp	-0.1 pp
Non-IFRS NPM	1.0%	5.1%	9.0%	0.2%	4.7%	8.7%	0.8 pp	0.4 pp	0.3 pp

Source: CMBIGM estimates

The key changes to our forecasts are as follows:

- 1) We lower our 2022E/2023/2024E revenue forecasts by 1.5/1.4/1.3% to factor in likely slower than we expect revenue growth for Meituan's FD and ISHT businesses, owing to a more severe pandemic resurgence;
- 2) We cut our 2022E operating loss forecast to RMB6.3bn from RMB8.2bn, mainly for taking into account the better-than-expected profitability expansion of food delivery business. However, we trim 2023/2024E OP forecast from RMB8.8/29.0bn to RMB8.0/28.1bn to factor in more severe impact from pandemic resurgence, which brought headwinds to profitable ISHT business, and the impact may last longer than our previous expectation.

Figure 5: CMBIGM estimates vs consensus

RMB bn	Current			Consensus			Diff (%)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue	217.6	281.3	357.7	221.7	287.3	357.7	-1.9%	-2.1%	0.0%
OP	(6.3)	8.0	28.1	(8.4)	6.0	22.3	na	33.6%	26.1%
Non-IFRS NP	2.3	14.3	32.2	(0.3)	12.8	28.6	na	11.7%	12.4%
OPM	-2.9%	2.8%	7.9%	-3.8%	2.1%	6.2%	0.9 pp	0.8 pp	1.6 pp
Non-IFRS NPM	1.0%	5.1%	9.0%	-0.1%	4.4%	8.0%	1.2 pp	0.6 pp	1.0 pp

Source: Bloomberg, CMBIGM estimates

DCF-based target price of HK\$216.4

Our DCF-based target price is HK\$216.4, assuming WACC of 11.0% and terminal growth of 2.5% (both unchanged), akin to 5.5x 2022E PS and 4.3x 2023E PS.

Figure 6: Meituan: DCF valuation, WACC of 11.0%, terminal growth of 2.5%

(RMBmn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NPV of FCF	385,384	434,217	476,189	498,435	505,240	490,541	462,438	412,919	344,603	252,856	138,788
Discounted terminal value	590,343	655,237									
Total equity valuation	1,094,812	1,222,348									
Total equity valuation (HK\$mn)	1,233,146	1,376,796									
No. of shares (diluted, mn)	6,198	6,260									
Valuation per share (HK\$)	216.4										

Source: Company data, CMBIGM estimates

Note: our target price is based on weighted average of two-month valuation in 2022 and ten-month valuation in 2023E

■ Valuation cross-check: reversed SOTP valuation

We build a reverse SOTP valuation to cross-check our valuation for Meituan. We assign 20x 2025E PE for Meituan's FD business, and discount back to 2023E. For ISHT business, we assign 27.3x 2023E PE, which we view 27.3% 2021-2024E operating profit CAGR as support. Our target price of HK\$216.4 per share implies a total valuation of HK\$1.3tn for Meituan, and after deducting valuation for FD, in-store, hotel and travel (ISHT), and net cash, the valuation left for new initiatives and others was RMB82.3bn, which translates into 0.9x 2023E PS, and this was supported by a 2021-2024E segmental revenue CAGR of 34.6% for new initiatives and others.

Figure 7: Valuation cross-check: reversed SOTP valuation

(RMBmn)	21-24E revenue CAGR (%)	21-24E OP CAGR	Valuation method	23/25E NP	Target PE	Implied 2023E PS	2023E valuation	As % of total valuation
Food delivery	21.2%	59.6%	2025E PE, discount back	27,782	20.0	3.2	451,036	37.9
ISHT	25.2%	27.3%	2023E PE	18,289	27.3	10.4	499,302	41.9
New initiatives and others	34.6%					0.9	82,255	6.9
Cash and short-term investment (2023E)							158,414	13.3
Total valuation (RMBmn)							1,191,006	
Total valuation (HK\$mn)							1,341,494	
Valuation per share (HK\$)							216.4	

Source: Company data, CMBIGM estimates

Note: business segments listed above are based on previous segmentation given by Meituan

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	97,529	114,795	179,128	217,593	281,300	357,737
Cost of goods sold	(65,208)	(80,744)	(136,654)	(156,013)	(191,807)	(234,698)
Gross profit	32,320	34,050	42,474	61,580	89,493	123,040
Operating expenses	(29,641)	(29,720)	(65,601)	(67,884)	(81,492)	(94,913)
SG&A expense	(23,158)	(26,477)	(49,296)	(49,549)	(57,081)	(66,528)
R&D expense	(8,446)	(10,893)	(16,676)	(20,925)	(25,130)	(29,486)
Others	1,963	7,649	370	2,589	719	1,101
Operating profit	2,680	4,330	(23,127)	(6,305)	8,001	28,127
Share of (losses)/profits of associates/JV	107	264	146	132	132	132
Interest income	166	214	546	687	756	831
Interest expense	(191)	(370)	(1,131)	(1,661)	(1,661)	(1,661)
Others	0	0	0	0	0	0
Pre-tax profit	2,762	4,438	(23,566)	(7,147)	7,227	27,429
Income tax	(526)	270	30	79	(1,012)	(3,566)
After tax profit	2,236	4,708	(23,536)	(7,068)	6,215	23,863
Minority interest	(2)	(1)	2	1	1	2
Net profit	2,238	4,708	(23,538)	(7,069)	6,215	23,861
Adjusted net profit	4,657	3,121	(15,572)	2,279	14,282	32,205
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	82,135	88,306	147,829	164,600	187,757	229,744
Cash & equivalents	13,396	17,094	32,513	44,299	58,067	92,415
Restricted cash	8,760	12,776	13,277	14,605	16,065	17,672
Inventories	275	466	682	657	1,004	1,024
Other current assets	59,704	57,970	101,357	105,039	112,620	118,633
Non-current assets	49,878	78,269	92,825	78,865	84,049	83,660
PP&E	5,376	13,917	22,814	23,426	23,922	23,687
Intangibles	32,700	31,676	31,049	31,111	31,237	31,438
Other non-current assets	11,802	32,675	38,962	24,328	28,890	28,534
Total assets	132,013	166,575	240,653	243,465	271,806	313,404
Current liabilities	36,593	51,148	68,593	76,016	89,805	99,619
Short-term borrowings	3,553	6,395	11,565	11,719	12,409	12,111
Account payables	14,262	21,382	26,117	26,803	36,961	39,550
Tax payable	18,778	23,371	30,911	37,494	40,434	47,958
Non-current liabilities	3,366	17,793	46,504	46,943	47,684	47,733
Long-term borrowings	467	1,957	12,220	12,382	13,111	12,797
Other non-current liabilities	2,899	15,835	34,284	34,561	34,573	34,936
Total liabilities	39,959	68,941	115,097	122,959	137,489	147,352
Share capital	0	0	0	0	0	0
Capital surplus	260,360	263,155	311,221	319,272	326,867	334,737
Retained earnings	(163,801)	(159,201)	(182,742)	(195,843)	(189,628)	(165,765)
Other reserves	(4,447)	(6,262)	(2,867)	(2,867)	(2,867)	(2,867)
Total shareholders equity	92,112	97,693	125,613	120,563	134,373	166,105
Minority interest	(58)	(59)	(57)	(56)	(55)	(53)
Total equity and liabilities	132,013	166,575	240,653	243,465	271,806	313,404

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,762	4,438	(23,566)	(7,068)	6,215	23,863
Depreciation & amortization	4,846	5,194	8,928	9,335	9,787	10,694
Change in working capital	(2,645)	1,896	7,209	4,349	228	4,313
Others	612	(3,053)	3,418	8,051	7,595	7,870
Net cash from operations	5,574	8,475	(4,011)	14,667	23,825	46,740
Investing						
Capital expenditure	(2,985)	(11,223)	(9,010)	(9,792)	(10,127)	(10,303)
Net proceeds from disposal of short-term investments	(6,906)	2,679	(44,744)	6,811	(1,068)	(1,121)
Others	(283)	(12,688)	(4,737)	(218)	(281)	(358)
Net cash from investing	(10,174)	(21,232)	(58,492)	(3,198)	(11,476)	(11,782)
Financing						
Dividend paid	0	0	0	0	0	0
Net borrowings	1,390	5,452	15,768	316	1,419	(612)
Proceeds from share issues	0	0	45,286	0	0	0
Others	(276)	11,966	17,544	1	1	2
Net cash from financing	1,114	17,418	78,598	317	1,420	(610)
Net change in cash						
Cash at the beginning of the year	17,044	13,396	17,094	32,513	44,299	58,067
Exchange difference	(173)	(964)	(675)	0	0	0
Others	11	0	0	0	0	0
Cash at the end of the year	13,396	17,094	32,513	44,299	58,067	92,415
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	49.5%	17.7%	56.0%	21.5%	29.3%	27.2%
Gross profit	114.0%	5.4%	24.7%	45.0%	45.3%	37.5%
Operating profit	na	61.6%	na	na	na	251.6%
Net profit	na	110.4%	na	na	na	283.9%
Adj. net profit	na	(33.0%)	na	na	526.6%	125.5%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	33.1%	29.7%	23.7%	28.3%	31.8%	34.4%
Operating margin	2.7%	3.8%	(12.9%)	(2.9%)	2.8%	7.9%
Adj. net profit margin	4.8%	2.7%	(8.7%)	1.0%	5.1%	9.0%
Return on equity (ROE)	2.5%	5.0%	(21.1%)	(5.7%)	4.9%	15.9%
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.7)	(0.8)	(1.0)	(1.0)	(1.0)
Current ratio (x)	2.2	1.7	2.2	2.2	2.1	2.3
Receivable turnover days	2.1	2.7	2.8	2.7	2.6	2.5
Inventory turnover days	1.9	1.7	1.5	1.5	1.6	1.6
Payable turnover days	33.4	41.8	35.7	35.5	35.5	35.5
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/E	165.4	207.2	na	na	126.1	33.2
P/E (diluted)	159.0	207.2	na	na	125.4	33.0
P/B	4.0	10.0	11.6	6.4	5.8	4.8
P/CFPS	147.6	na	na	159.1	56.6	21.3

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.