

Atour Lifestyle (ATAT US)

Guidance raised, backed by robust retail sales

The hotel sector has been under pressure in 2Q24 QTD (post-holidays leisure demand is weak and business recovery is slow), and therefore, the outlook is conservative. However, ATAT US performed well to more than offset this drag. Hence with a healthy retail sales growth target upgrade, we maintain BUY and raise TP to US\$27.72, based on 23x FY24E P/E (from 20x), which is still not demanding, given a 29% sales/ 31% adj. net profit CAGR during FY23-26E.

- 2Q24E outlook is still conservative.** Management is still highly cautious about the hotel demand, because of the macro uncertainty (post-holidays and weekend orders have been week vs last year) and they are still foreseeing a potential YoY drop in RevPAR in 2Q24E. On the other hand, Atour is still working very hard to boost its business demand by ramping up more corporate clients and capturing more leisure demand during the weekends, by encouraging more franchisees to upgrade some of their hotel rooms into family/kids-friendly rooms, etc.
- FY24E guidance raised, thanks to the booming retail business.** Management has revised up its group-level sales growth guidance in FY24E (from 30% to 40% YoY), mainly due to the upgrades in retail sales growth guidance (from 50% to 80%). However, we also believe their view on adj. NP margin could turn slightly more conservative (from a mild improvement to just being stable now), as the retail business has a lower OP margin vs the hotel segment.
- Retail business is a real bright spot and the growth potential is ample.** Retail sales increased by 232% YoY to RMB464mn in 1Q24, which is way above the guidance of 50% in FY24E; hence they have revised that up to 80%. We believe the beat was driven by the innovative designs of the products, highly effective marketing (e.g. sales from Douyin is greater than Tmall/Taobao and JD) and excellent services (e.g. 90 days free trial is offered and the after-sales support is comprehensive). Sales are mainly from pillows (about 65%+) while the others are from Duvet (10%+) and bed sheets (10%+). We do think the room for future growth is still huge, as it can come from both new products and more category expansion.
- Maintain BUY and raise TP to HK\$27.72.** We fine-tune FY24E/ 25E/ 26E net profit by +2%/ +0%/ -3%, to factor in: 1) rapid retail sales growth, 2) a slightly lower GP margin, and 3) less operating leverage due to weak RevPAR growth. Our new TP is based on 23x FY24E P/E (up from 20x, due to extremely fast retail sales growth). Given a 29%/ 31% sales/ adj. net profit CAGR in FY23-26E, current valuation of 15x FY24E P/E is not demanding at all, in our view.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	2,263	4,666	6,310	8,022	9,975
YoY growth (%)	5.4	106.2	35.2	27.1	24.3
EBITDA (RMB mn)	261.2	1,061.0	1,657.8	2,177.6	2,728.2
Net profit (RMB mn)	96.1	739.1	1,186.4	1,589.5	2,025.3
EPS (Reported) (RMB)	0.77	5.33	8.56	11.46	14.94
YoY growth (%)	71.8	591.2	60.5	34.0	30.3
P/E (x)	157.5	23.4	14.6	10.9	8.4
EV/EBITDA (x)	172.8	16.1	11.0	8.4	6.7
Yield (%)	0.0	ns	0.1	0.1	0.1
ROE (%)	11.0	47.2	46.6	40.7	35.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$27.72
(Previous TP)	US\$23.68
Up/Downside	57.6%
Current Price	US\$17.59

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	7,135.0
Avg 3 mths t/o (US\$ mn)	5.6
52w High/Low (US\$)	22.00/15.44
Total Issued Shares (mn)	405.6

Source: FactSet

Shareholding Structure

Mr. Haijun Wang	22.1%
Legend Capital	14.9%

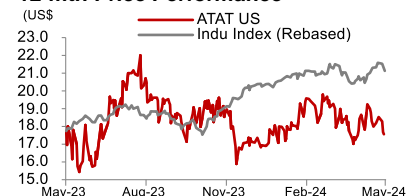
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-4.6%	-6.0%
3-mth	-10.2%	-10.0%
6-mth	-7.2%	-16.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Recent reports

[Atour Lifestyle \(ATAT US, BUY\) . Prudent guidance but QoQ recovery is likely](#)
(5 Apr 24)

[Atour Lifestyle \(ATAT US, BUY\) . Guidance raised and we stay positive in LT](#)
(20 Nov 23)

[Atour Lifestyle \(ATAT US, BUY\) . Remain cautiously optimistic after a solid 2Q23](#)
(21 Aug 23)

[Atour Lifestyle \(ATAT US, Initiation\) . Top-rated & fast-growing with the right strategy](#)
(27 Jun 23)

- Store opening accelerated but FY24E target remains unchanged.** The company opened 92 new hotels to 1,302 in 1Q24, representing a 35% YoY increase, which we find positive, as it is an acceleration (360 new stores) implied 30% YoY growth. The number of hotels in the pipeline also reached a new high at 674, which is a 63% YoY increase, not much slowing down from 70% in 4Q23 and still way faster than the number of hotel growth.
- Atour Light 3.0 is popular and successful; hence its expansion is on track.** There were around 30 Atour Light 3.0 hotels operating as at end-1Q24, and their performance are fairly encouraging with RevPAR reached over RMB310 in Mar 2024. The company is still targeting 60 to 80 new Atour Light 3.0 hotels in FY24E, so the number could reach about 100 by FY24E. We are quite confident on the long-term growth of Atour Light 3.0, because: 1) the industry size is huge (there are many franchisees operating economy hotels in the prime area in tier-1&2 cities, aiming to revamp their hotels, possibly by switching to a brand with a more high-end image), 2) its margin and payback period are more superior than H-Y (margin is lower at RMB105k but the RevPAR is slightly higher by RMB10).
- Atour 1Q24 results beat, mostly thanks to exceptional growth in retail business.** Adj. net profit jumped by 63% YoY to RMB 261mn, better than BBG est. by 7%; adj. net profit jumped by 63% YoY to RMB 261mn, better than BBG est. by 8%. The beat was mainly driven by overwhelming growth of retail business while hotel segment growth was just inline. RevPAR dropped by 3% YoY to RMB328, which consisted of a 1.2ppt increase in OCC to 73.3% (from 72.5%) and a 3% decline in ADR to RMB430. The RevPAR recovery rate (vs 2019) was at 115%, in line with CMBI est. of 114% and the company guidance of 113%-117%. Adj. net profit margin actually dropped by 2.8ppt to 17.8% (from 20.6%), due to: 1) a drop in GP margin to 40.2% (leased hotels) and 2) a higher sales contribution from retail sales (retail sales contribution).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	6,310	8,022	9,975	5,962	7,575	9,442	5.8%	5.9%	5.6%
Gross profit	2,601	3,386	4,232	2,480	3,230	4,096	4.9%	4.8%	3.3%
EBIT	1,562	2,108	2,685	1,547	2,104	2,756	1.0%	0.2%	-2.6%
Net profit att.	1,183	1,585	2,020	1,162	1,581	2,072	1.8%	0.2%	-2.5%
Diluted EPS (RMB)	8.558	11.465	14.940	8.405	11.437	15.326	1.8%	0.2%	-2.5%
Gross margin	41.2%	42.2%	42.4%	41.6%	42.6%	43.4%	-0.4ppt	-0.4ppt	-0.9ppt
EBIT margin	24.8%	26.3%	26.9%	25.9%	27.8%	29.2%	-1.2ppt	-1.5ppt	-2.3ppt
Net profit att. margin	18.8%	19.8%	20.3%	19.5%	20.9%	21.9%	-0.7ppt	-1.1ppt	-1.7ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	6,310	8,022	9,975	6,358	7,921	9,463	-0.8%	1.3%	5.4%
Gross profit	2,601	3,386	4,232	2,589	3,320	4,067	0.5%	2.0%	4.1%
EBIT	1,562	2,108	2,685	1,417	1,841	2,321	10.2%	14.5%	15.7%
Net profit att.	1,183	1,585	2,020	1,135	1,458	1,833	4.3%	8.7%	10.2%
Diluted EPS (RMB)	8.558	11.465	14.940	8.376	9.470	10.765	2.2%	21.1%	38.8%
Gross margin	41.2%	42.2%	42.4%	40.7%	41.9%	43.0%	0.5ppt	0.3ppt	-0.6ppt
EBIT margin	24.8%	26.3%	26.9%	22.3%	23.2%	24.5%	2.5ppt	3ppt	2.4ppt
Net profit att. margin	18.8%	19.8%	20.3%	17.8%	18.4%	19.4%	0.9ppt	1.4ppt	0.9ppt

Source: Bloomberg, CMBIGM estimates

Results review

Figure 3: Results review – Quarterly

Quarterly (RMB mn)	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q24 YoY	2Q24E YoY	3Q24 E YoY	4Q23 E YoY
Revenue	1,294	1,505	1,468	1,505	1,624	1,712	90%	38%	25%	14%
Hotel operating costs	-617	-733	-662	-639	-706	-740				
Other operating costs	-131	-263	-216	-227	-220	-300				
Gross profit	547	509	590	640	698	673	84%	38%	28%	32%
GP margin	42.3%	33.8%	40.2%	42.5%	43.0%	39.3%				
Other income & gains	0	0	0	0	0	0				
Selling & marketing expenses	-112	-207	-175	-151	-146	-143	212%	59%	30%	-31%
Selling & marketing exp./ sales	-8.7%	-13.7%	-11.9%	-10.0%	-9.0%	-8.4%				
General & admin expenses	-79	-105	-77	-113	-114	-145	-60%	54%	43%	38%
General & admin exp./ sales	-6.1%	-7.0%	-5.2%	-7.5%	-7.0%	-8.5%				
Technology & development expenses	-20	-22	-24	-30	-32	-18	44%	69%	59%	-20%
Tech & development exp./ sales	-1.6%	-1.5%	-1.6%	-2.0%	-2.0%	-1.0%				
Pre-opening & other opex	6	40	10	30	0	42				
Operating profit (EBIT)	341	214	325	376	406	409	425%	23%	19%	91%
OP margin	26.4%	14.2%	22.1%	25.0%	25.0%	23.9%				
Investment gain (loss)	7	15	9	5	5	7				
Net finance income	8	8	13	9	10	10				
Net finance income / sales	0.6%	0.5%	0.9%	0.6%	0.6%	0.6%				
Profit after financing costs	356	237	347	390	421	425				
Associated coms	0	0	0	0	0	0				
Jointly controlled coms	0	0	0	0	0	0				
Pre-tax profit	356	237	347	390	421	425	390%	23%	18%	79%
Tax	-94	-17	-89	-97	-105	-104				
Tax / sales	-7.3%	-1.1%	-6.1%	-6.5%	-6.5%	-6.1%				
Effective tax rate	-26.5%	-7.3%	-25.7%	-25.0%	-25.0%	-24.5%				
Minority interests	1	-0	1	2	2	-1				
Net profit att.	261	220	257	291	314	322	1339%	22%	20%	46%
NP margin	20.2%	14.6%	17.5%	19.3%	19.3%	18.8%				
Adj. net profit	272	222	261	302	324	329	63%	21%	19%	48%
Adj. NP margin	21.0%	14.8%	17.8%	20.1%	20.0%	19.2%				

Source: Company data, CMBIGM estimates

Figure 4: Results preview Ë Yearly

Yearly (US\$ mn)	FY23	FY24E	FY25E	FY23 YoY	FY24E YoY	FY25E YoY
Revenue	4,666	6,310	8,022	106%	35%	27%
Hotel operating costs	-2,241	-2,746	-3,376			
Other operating costs	-586	-963	-1,260			
Gross profit	1,839	2,601	3,386	169%	41%	30%
GP margin	39.4%	41.2%	42.2%			
Other income & gains	0	0	0			
Selling & marketing expenses	-470	-614	-794	236%	31%	29%
Selling & marketing exp./ sales	-10.1%	-9.7%	-9.9%			
General & admin expenses	-451	-448	-524	29%	-1%	17%
General & admin exp./ sales	-9.7%	-7.1%	-6.5%			
Technology & development expenses	-77	-105	-133	17%	35%	27%
Tech & development exp / sales	-1.7%	-1.7%	-1.7%			
Pre-opening & other opex	83	82	104			
Operating profit (EBIT)	924	1,516	2,041	460%	64%	35%
OP margin	19.8%	24.0%	25.4%			
Investment gain (loss)	33	25	16			
Net finance income	25	41	63			
Net finance income / sales	0.5%	0.7%	0.8%			
Profit after financing costs	982	1,582	2,119			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
Pre-tax profit	982	1,582	2,119	444%	61%	34%
Tax	-243	-395	-530			
Tax / sales	-5.2%	-6.3%	-6.6%			
Effective tax rate	-24.7%	-25.0%	-25.0%			
Minority interests	2	3	4			
Net profit att.	737	1,183	1,585	651%	61%	34%
NP margin	15.8%	18.8%	19.8%			
Adj. net profit att.	903	1,216	1,609	248%	35%	32%
Adj. NP margin	19.4%	19.3%	20.1%			

Source: Company data, CMBIGM estimates

Assumptions

Figure 5. 7 A 6 = ; A D U g g i a d h] c b g

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by segment (RMB mn)						
Manachised hotels	1,220	1,361	2,706	3,528	4,622	5,942
Leased hotels	630	553	840	756	754	779
Retail and others	297	349	1,120	2,027	2,645	3,254
Total	2,148	2,263	4,666	6,310	8,022	9,975
Sales growth by segment (%)						
Manachised hotels	32%	12%	99%	30%	31%	29%
Leased hotels	27%	-12%	52%	-10%	0%	3%
Retail and others	107%	18%	221%	81%	31%	23%
Total	37%	5%	106%	35%	27%	24%
Number of hotels by segment						
Manachised hotels	712	899	1,178	1,537	1,991	2,515
Leased hotels	33	33	32	30	30	30
Total	745	932	1,210	1,567	2,021	2,545
Number of hotels growth (%)						
Manachised hotels	33%	26%	31%	30%	30%	26%
Leased hotels	0%	0%	-3%	-6%	0%	0%
Total	31%	25%	30%	30%	29%	26%
Occupancy (%)						
Manachised hotels	67%	63%	78%	79%	79%	79%
Leased hotels	71%	66%	84%	82%	82%	82%
Total	68%	63%	78%	79%	79%	79%
Room rates (RMB)						
Manachised hotels	407	386	458	449	458	467
Leased hotels	517	465	587	570	587	604
Total	415	391	464	452	460	469
RevPAR (RMB)						
Manachised hotels	288	256	371	369	378	382.7
Leased hotels	388	331	517	494	508	523.7
Total	295	261	377	372	380	384.8
Sales per store growth (%)						
Manachised hotels	7%	-11%	45%	0%	2%	1%
Leased hotels	14%	-15%	56%	-5%	3%	3%
Total	7%	-12%	45%	-1%	2%	1%
GP margin	26.3%	30.2%	39.4%	41.2%	42.2%	42.4%
Selling & Marketing expenses	-5.8%	-6.2%	-10.1%	-9.7%	-9.9%	-10.0%
G&A expenses	-9.2%	-15.5%	-9.7%	-7.1%	-6.5%	-6.1%
Tec. and dev. expenses	-2.4%	-2.9%	-1.7%	-1.7%	-1.7%	-1.7%
Other expenses	0.2%	1.7%	1.8%	1.3%	1.3%	1.3%
Effective tax rate	-31%	-47%	-25%	-25%	-25%	-25%
NP att. margin	7%	4%	16%	19%	20%	20%
NP att. growth (%)	245%	-32%	651%	61%	34%	27%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	2,148	2,263	4,666	6,310	8,022	9,975
Cost of goods sold	(1,583)	(1,580)	(2,827)	(3,709)	(4,636)	(5,742)
Gross profit	565	683	1,839	2,601	3,386	4,232
Operating expenses	(391)	(556)	(998)	(1,167)	(1,450)	(1,771)
Selling expense	(124)	(140)	(470)	(614)	(794)	(1,002)
Admin expense	(103)	(261)	(348)	(331)	(403)	(487)
R&D expense	(52)	(66)	(77)	(105)	(133)	(165)
Staff costs	0	0	0	0	0	0
Other rental related expenses	0	0	0	0	0	0
Others	(112)	(89)	(103)	(117)	(121)	(117)
Operating profit	203	179	954	1,562	2,108	2,685
Other income	22	38	83	82	104	130
Other gains/(losses)	1	1	28	20	11	15
EBITDA	299	261	1,061	1,658	2,178	2,728
EBIT	197	166	953	1,536	2,052	2,606
Interest income	7	14	30	46	68	94
Pre-tax profit	204	181	982	1,582	2,119	2,700
Income tax	(64)	(84)	(243)	(395)	(530)	(675)
After tax profit	145	98	737	1,183	1,585	2,020
Minority interest	5	2	(2)	(3)	(4)	(5)
Net profit	140	96	739	1,186	1,589	2,025
Adjusted net profit	140	259	903	1,216	1,609	2,025
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	1,416	2,125	3,393	4,964	6,857	9,199
Cash & equivalents	1,039	1,589	2,562	3,919	5,588	7,673
Restricted cash	0	0	0	0	0	0
Account receivables	100	133	240	324	412	513
Inventories	59	57	104	136	170	211
Prepayment	167	134	276	373	475	590
Other current assets	52	211	211	211	211	211
Non-current assets	829	2,637	2,604	2,576	2,560	2,564
PP&E	439	360	328	300	284	287
Right-of-use assets	0	1,932	1,932	1,932	1,932	1,932
Intangibles	4	6	5	5	5	5
Other non-current assets	386	340	340	340	340	340
Total assets	2,245	4,762	5,998	7,541	9,417	11,762
Current liabilities	1,051	1,348	1,823	2,160	2,511	2,917
Short-term borrowings	65	143	143	143	143	143
Account payables	609	515	991	1,327	1,679	2,085
Tax payable	46	31	31	31	31	31
Other current liabilities	332	339	339	339	339	339
Lease liabilities	0	320	320	320	320	320
Non-current liabilities	629	2,227	2,229	2,232	2,236	2,241
Long-term borrowings	44	2	2	2	2	2
Other non-current liabilities	586	2,225	2,227	2,230	2,234	2,239
Total liabilities	1,681	3,575	4,052	4,392	4,747	5,159
Share capital	0	0	0	0	0	0
Retained earnings	0	0	778	1,897	3,396	5,304
Other reserves	565	1,187	1,167	1,252	1,274	1,300
Total shareholders equity	565	1,187	1,946	3,149	4,670	6,604
Minority interest	0	0	0	0	0	0
Total equity and liabilities	2,245	4,762	5,998	7,541	9,417	11,762

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	204	181	982	1,582	2,119	2,700
Depreciation & amortization	95	81	79	76	58	28
Tax paid	(15)	(15)	(243)	(395)	(530)	(675)
Change in working capital	109	(68)	180	122	128	150
Others	25	106	30	46	68	94
Net cash from operations	418	284	1,027	1,431	1,844	2,297
Investing						
Capital expenditure	(64)	(36)	(70)	(89)	(105)	(121)
Acquisition of subsidiaries/ investments	9	(153)	0	0	0	0
Others	13	(3)	0	0	0	0
Net cash from investing	(42)	(192)	(70)	(89)	(105)	(121)
Financing						
Dividend paid	(21)	0	21	20	(64)	(86)
Net borrowings	(12)	65	0	0	0	0
Proceeds from share issues	0	400	0	0	0	0
Share repurchases	(111)	(0)	0	0	0	0
Others	(17)	(8)	(5)	(5)	(5)	(5)
Net cash from financing	(161)	456	16	15	(69)	(91)
Net change in cash						
Cash at the beginning of the year	825	1,039	1,589	2,562	3,919	5,588
Exchange difference	(1)	3	0	0	0	0
Others	215	548	973	1,357	1,669	2,085
Cash at the end of the year	1,039	1,589	2,562	3,919	5,588	7,673
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	37.1%	5.4%	106.2%	35.2%	27.1%	24.3%
Gross profit	67.2%	21.0%	169.3%	41.4%	30.2%	25.0%
Operating profit	217.0%	(11.5%)	431.5%	63.8%	35.0%	27.4%
EBITDA	85.5%	(12.7%)	306.2%	56.3%	31.4%	25.3%
EBIT	163.9%	(15.8%)	473.5%	61.2%	33.6%	27.0%
Net profit	269.3%	(31.2%)	669.2%	60.5%	34.0%	27.4%
Adj. net profit	269.3%	85.6%	248.3%	34.7%	32.3%	25.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	26.3%	30.2%	39.4%	41.2%	42.2%	42.4%
Operating margin	9.4%	7.9%	20.4%	24.8%	26.3%	26.9%
EBITDA margin	13.9%	11.5%	22.7%	26.3%	27.1%	27.4%
Adj. net profit margin	6.5%	11.5%	19.4%	19.3%	20.1%	20.3%
Return on equity (ROE)	24.7%	11.0%	47.2%	46.6%	40.7%	35.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	1.6	1.2	1.2	1.2	1.2	1.1
Current ratio (x)	1.3	1.6	1.9	2.3	2.7	3.2
Receivable turnover days	20.4	18.8	18.8	18.8	18.8	18.8
Inventory turnover days	10.3	13.4	13.4	13.4	13.4	13.4
Payable turnover days	28.5	40.0	40.0	40.0	40.0	40.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	249.0	157.5	23.4	14.6	10.9	8.4
P/E (diluted)	249.0	157.5	23.4	14.6	10.9	8.4
P/B	84.4	14.0	8.9	5.5	3.7	2.6
P/CFPS	98.6	57.1	17.2	12.3	9.6	7.5
Div yield (%)	0.0	0.0	ns	0.1	0.1	0.1
EV	21,273.3	45,118.9	17,088.4	18,220.5	18,220.5	18,220.5
EV/Sales	9.9	19.9	3.7	2.9	2.3	1.8
EV/EBIT	107.9	271.6	17.9	11.9	8.9	7.0
EV/EBITDA	71.1	172.8	16.1	11.0	8.4	6.7

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

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 @] a] hCMBIGMI L `] g ` U ` k \ c ` ` m ` c k b Y X ` g i V g] X] U f m ` c Z ` 7 A 6 ` = b h Y f b U h] c b 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 CMBIGM 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 (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 under the U.S. Securities and 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.