

ZTO Express (ZTO US)

Still positive on profitable growth strategy despite lower volume guidance

ZTO Express (ZTO) EBIT grew 17% YoY to RMB2.8bn, which is in line with our expectation. Reported net profit in 3Q24 grew only 1% YoY to RMB2.46bn, but this was largely due to one-off tax refunds in 3Q23. Unit gross margin expanded 6.5% YoY to RMB0.38/parcel in 3Q24 amid industry price competition. ZTO revised down the full year parcel volume growth guidance to 11.6-12.3% (from 15-18% in Aug), which implies 7.5-10% growth in 4Q24E. That said, we think the lower target is aligned with ZTO's strategic focus of profitable growth. We trim our 2024E-26E earnings forecast by 5-9%, due to lower volume and unit gross margin. Accordingly, our TP for ZTO US/2057 HK is revised down to US\$34.5/HK\$271, based on 22x 2024E P/E (previously 23x), equivalent to the historical average. We continue to like ZTO's strong free cash flow capability. Maintain **BUY**.

Key highlights in 3Q24 results:

- **EBIT grew 17% YoY to RMB2.8bn**, driven by an 18% YoY increase in revenue and 1.4ppt gross margin expansion, partially offset by a 25% increase in SG&A and reduction of other income. Pretax net income increased only 12% YoY to RMB2.9bn, due to FX loss.
- **Parcel volume +16% YoY to 8.72bn units**. Market share in 3Q24 was 20%, down 2.4ppt YoY but slightly up 0.4ppt QoQ, as ZTO focused on profitable parcel volume growth instead of volume.
- **ZTO's parcel delivery ASP increased YoY while major players saw ASP reduction**. ASP in 3Q24 increased RMB0.03/parcel (or 1.8%) YoY to RMB1.20/unit (breakdown: reverse parcels +RMB0.07, parcel weight -RMB0.02, volume incentives -RMB0.02). This is better than other key players such as Yunda (-10%), YTO (-6%) and STO (-5%).
- **Unit cost was stable (YoY) at RMB0.82/parcel**. Unit cost of transportation decreased RMB0.04 (or -10% YoY) to RMB0.39/unit, helped by economies of scale and improved load rate. Unit cost of sorting hubs dropped 6% YoY to RMB0.25/unit, helped by the standardization in operating procedures and an increase in automation level. Other unit cost increased RMB0.05/unit (or 56%) to RMB0.15/unit, due to a low base.

Major risk factors: (1) a prolonged price war; (2) further slowdown of overall consumption

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	35,377	38,419	42,719	47,095	52,183
YoY growth (%)	16.3	8.6	11.2	10.2	10.8
Adjusted net profit (RMB mn)	6,719.5	8,579.0	9,431.7	10,608.6	11,918.3
EPS (Reported) (RMB)	8.16	10.48	10.62	12.71	14.28
YoY growth (%)	43.2	28.5	1.4	19.6	12.3
Consensus EPS (RMB)	0.00	0.00	12.07	13.86	15.63
P/E (x)	18.7	14.5	14.3	12.0	10.7
P/B (x)	2.4	2.1	2.0	1.8	1.6
Yield (%)	1.7	2.9	2.8	3.3	3.7
ROE (%)	13.0	15.4	14.2	15.5	15.7
Net gearing (%)	(37.5)	(41.6)	(41.1)	(43.5)	(47.1)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$34.50**
 (Previous TP **US\$38.10**)
Up/Downside **64.0%**
Current Price **US\$21.04**

China Logistics

Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn) 17,995.5
 Avg 3 mths t/o (US\$ mn) 27.0
 52w High/Low (US\$) 26.99/16.08
 Total Issued Shares (mn) 855.3

Source: FactSet

Shareholding Structure

Meisong Lai 25.9%
 Alibaba 8.9%

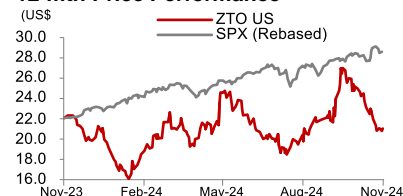
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-16.4%	-16.8%
3-mth	6.3%	0.9%
6-mth	-14.3%	-22.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

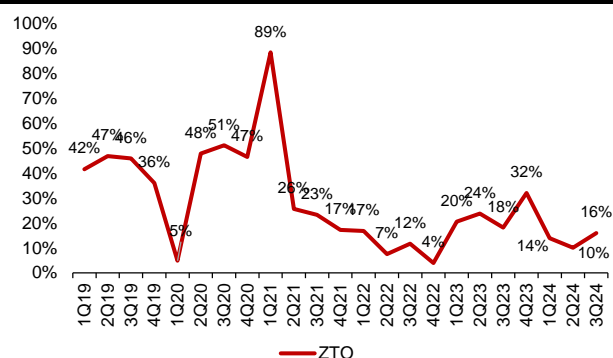
Related reports:

- 2Q24 core earnings +10% with stable unit margin – 21 Aug 2024 (ZTO US: [link](#)) (2057 HK: [link](#))
- 1Q24 core earnings beat estimates; Shifted to profitable growth strategy – 16 May 2024 (ZTO US: [link](#)) (2057 HK: [link](#))
- High dividend pay-out target and expanded share buyback scale – 30 Mar 2024 (ZTO US: [link](#)) (2057 HK: [link](#))

Figure 1: ZTO's 3Q24 results

(RMB mn)	1Q23	1Q24	Change YoY	2Q23	2Q24	Change YoY	3Q23	3Q24	Change YoY	4Q22	4Q23	Change YoY
Total revenue	8,983	9,960	10.9%	9,740	10,726	10.1%	9,076	10,675	17.6%	9,871	10,619	7.6%
Cost of sales	-6,460	-6,958	7.7%	-6,436	-7,105	10.4%	-6,369	-7,340	15.2%	-7,099	-7,491	5.5%
Gross profit	2,523	3,002	19.0%	3,304	3,620	9.6%	2,706	3,335	23.2%	2,773	3,128	12.8%
Other income	214	161	-24.5%	79	188	137.7%	151	52	-65.8%	248	327	31.9%
SG&A expenses	-787	-897	14.0%	-505	-593	17.5%	-434	-545	25.6%	-561	-700	24.9%
EBIT	1,950	2,267	16.2%	2,879	3,215	11.7%	2,424	2,842	17.3%	2,460	2,755	12.0%
D&A	686	786	14.5%	705	755	7.1%	745	731	-1.8%	701	739	5.5%
EBITDA	2,637	3,053	15.8%	3,584	3,970	10.8%	3,168	3,573	12.8%	3,160	3,494	10.6%
Net finance income/(expense)	20	161	697.5%	95	172	81.5%	163	172	5.9%	36	140	291.8%
Finance income	92	245	166.6%	167	288	72.4%	246	239	-3.2%	112	201	80.2%
Finance expenses	-72	-84	17.0%	-72	-116	60.4%	-84	-66	-20.8%	-76	-62	-18.8%
Gain/(loss) on disposal of subsidiaries	0	0	n/a	-1	12	n/a	11	-1	n/a	9	-5	n/a
Impairment of investment in equity investees	0	-478	n/a	0	-194	n/a	0	0	n/a	46	165	255.7%
Fair value changes of financial instruments	156	43	-72.5%	52	55	6.2%	9	-63	n/a	37	-216	n/a
FX gain/(loss)	-10	5	n/a	81	15	-81.3%	5	-38	n/a	9	18	98.3%
Share of profit of JV and associates	4	16	319.8%	0	4	3410.6%	11	22	107.5%	33	-10	n/a
Pretax profit	2,120	2,014	-5.0%	3,106	3,279	5.6%	2,621	2,934	11.9%	2,630	2,846	8.2%
Income tax	-455	-566	24.5%	-576	-665	15.5%	-271	-555	104.5%	-501	-637	27.2%
After tax profit	1,665	1,448	-13.0%	2,530	2,614	3.3%	2,350	2,379	1.3%	2,129	2,210	3.8%
MI	6	-22	n/a	11	-2	n/a	-4	17	n/a	33	-18	n/a
Net profit	1,670	1,426	-14.6%	2,541	2,612	2.8%	2,345	2,396	2.2%	2,163	2,192	1.4%
Core net profit	1,515	1,862	22.9%	2,490	2,740	10.0%	2,326	2,460	5.8%	2,070	2,248	8.6%
Ratios:			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>
Gross margin	28.1%	30.1%	2.1	33.9%	33.8%	-0.2	29.8%	31.2%	1.4	28.1%	29.5%	1.4
EBIT margin	21.7%	22.8%	1.0	29.6%	30.0%	0.4	26.7%	26.6%	-0.1	24.9%	25.9%	1.0
After tax profit margin	18.5%	14.5%	-4.0	26.0%	24.4%	-1.6	25.9%	22.3%	-3.6	21.6%	20.8%	-0.8
Effective tax rate	21.5%	28.1%	6.7	18.5%	20.3%	1.7	10.4%	18.9%	8.6	19.0%	22.4%	3.3

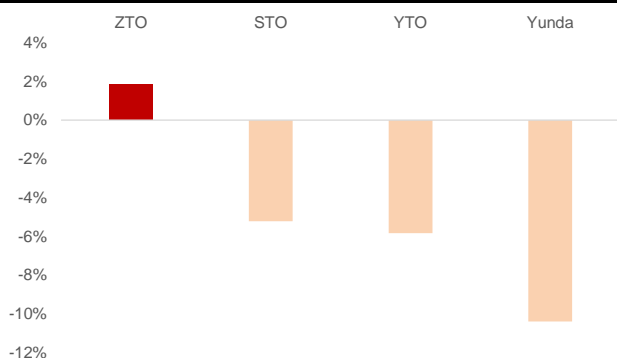
Source: Company data, CMBIGM

Figure 2: ZTO's quarterly parcel volume growth

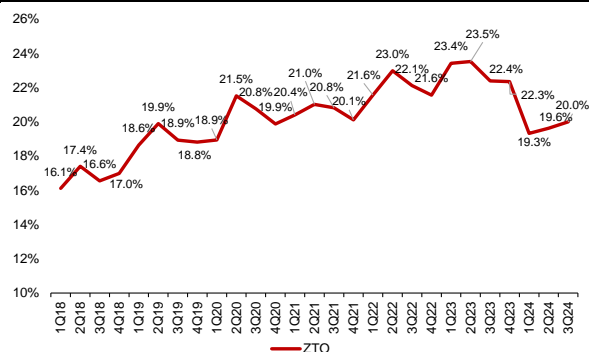
Source: Company data, CMBIGM

Figure 3: Major players' parcel volume growth in 3Q24

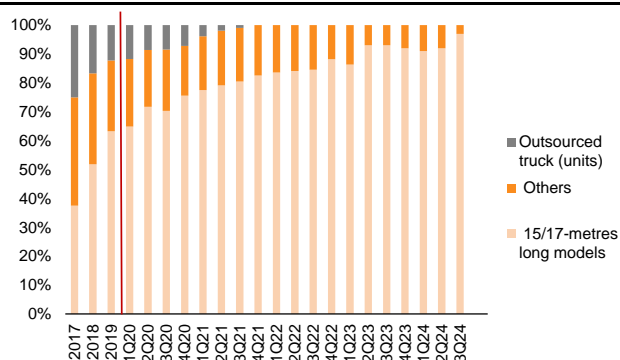
Source: Company data, the State Post Bureau, CMBIGM

Figure 4: Major players' ASP change (YoY) in 3Q24

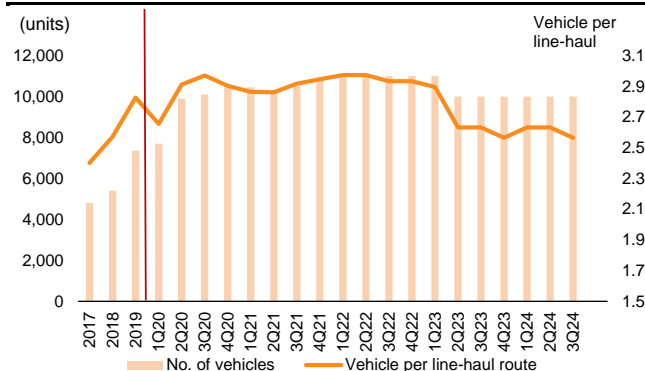
Source: Company data, the State Post Bureau, CMBIGM

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

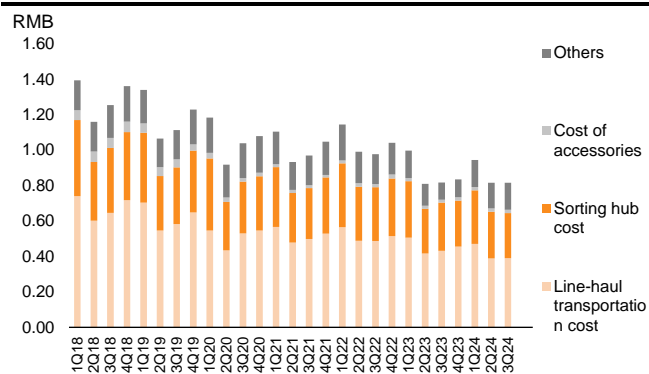
Source: Company data, CMBIGM

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

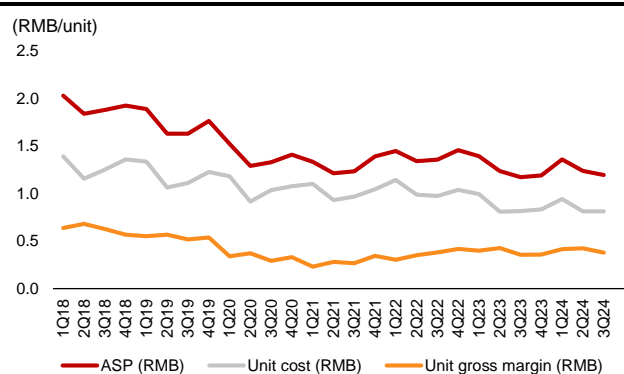
Source: Company data, CMBIGM

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

Source: Company data, CMBIGM

Figure 8: ZTO's unit cost breakdown

Source: Company data, CMBIGM

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

Source: Company data, CMBIGM

Figure 10: Changes in key operating assumptions

	Old			New			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Shipment volume (mn units of parcel)									
Unit of parcel	35,034	40,289	45,124	33,826	37,547	41,677	-3.4%	-6.8%	-7.6%
ASP (RMB/unit)									
Per unit of parcel	1.23	1.22	1.22	1.24	1.23	1.23	0.7%	0.7%	0.7%
Unit cost (RMB)									
Line-haul transportation cost	-0.44	-0.43	-0.43	-0.44	-0.43	-0.43	0.0%	0.0%	0.0%
Sorting hub cost	-0.27	-0.26	-0.26	-0.27	-0.26	-0.26	0.0%	0.0%	0.0%
Others	-0.12	-0.12	-0.12	-0.13	-0.13	-0.13	7.8%	7.8%	7.8%
Total	-0.84	-0.83	-0.83	-0.85	-0.84	-0.84	1.1%	1.1%	1.1%
Unit gross margin (RMB)	0.39	0.39	0.39	0.39	0.39	0.39	-0.2%	-0.2%	-0.2%
(RMB mn)									
Revenue									
Express delivery, accessories & others	42,992	49,193	55,097	41,803	46,170	51,249	-2.8%	-6.1%	-7.0%
Freight forwarding services	916	925	934	916	925	934	0.0%	0.0%	0.0%
Total	43,908	50,118	56,031	42,719	47,095	52,183	-2.7%	-6.0%	-6.9%
Revenue growth								ppt	
Express delivery, accessories & others	15%	14%	12%	11%	10%	11%	(3.2)	(4.0)	(1.0)
Freight forwarding services	1%	1%	1%	1%	1%	1%	0.0	0.0	0.0
Revenue	14%	14%	12%	11%	10%	11%	(3.1)	(3.9)	(1.0)
SG&A expense ratio	-6.4%	-6.2%	-6.1%	-6.4%	-6.2%	-6.1%	0.0	0.0	0.0
Net profit	9,399	11,551	13,099	8,869	10,609	11,918	-5.6%	-8.2%	-9.0%
Core net profit	9,962	11,551	13,099	9,432	10,609	11,918	-5.3%	-8.2%	-9.0%

Source: Company data, CMBIGM estimates

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

2025E Net profit (RMB mn)		ASP (RMB/unit)				
		1.17	1.21	1.23	1.25	1.29
	-0.453	8,166	9,239	9,954	10,670	11,742
	-0.440	8,559	9,632	10,347	11,062	12,135
Unit line-haul transportation cost (RMB)	-0.431	8,821	9,893	10,609	11,324	12,397
	-0.423	9,082	10,155	10,870	11,585	12,658
	-0.410	9,475	10,548	11,263	11,978	13,051

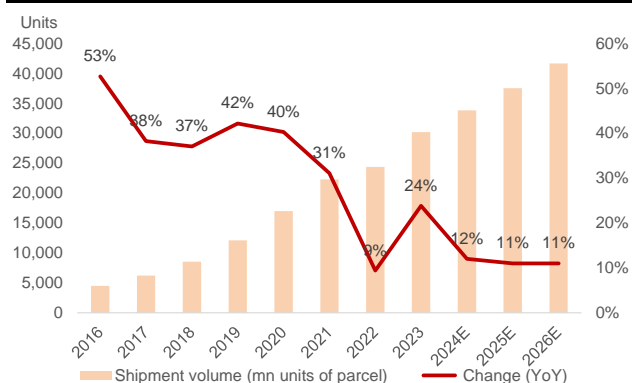
Source: Company data, CMBIGM estimates

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

2025E Net profit (RMB mn)		ASP (RMB/unit)				
		1.17	1.21	1.23	1.25	1.29
	-0.276	8,423	9,495	10,211	10,926	11,998
	-0.268	8,661	9,734	10,449	11,165	12,237
Unit sorting hub cost (RMB)	-0.262	8,821	9,893	10,609	11,324	12,397
	-0.257	8,980	10,053	10,768	11,483	12,556
	-0.249	9,219	10,292	11,007	11,722	12,795

Source: Company data, CMBIGM estimates

Figure 13: ZTO's parcel shipment volume forecast



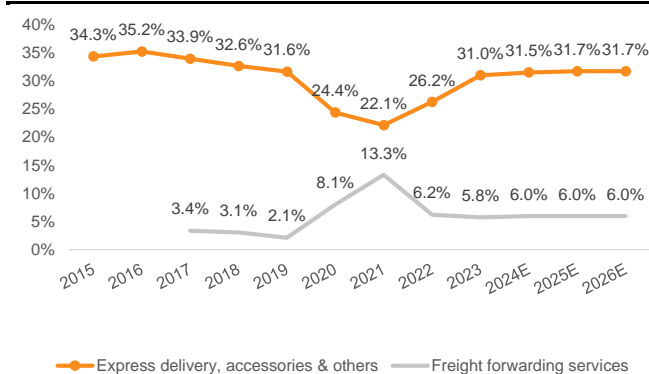
Source: Company data, CMBIGM estimates

Figure 14: China's diesel price



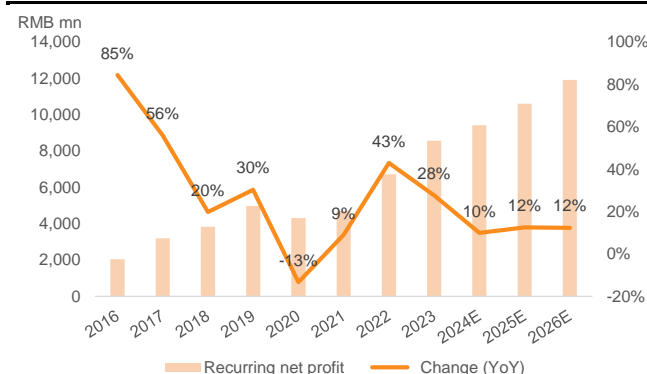
Source: Wind, CMBIGM

Figure 15: ZTO's gross margin trend



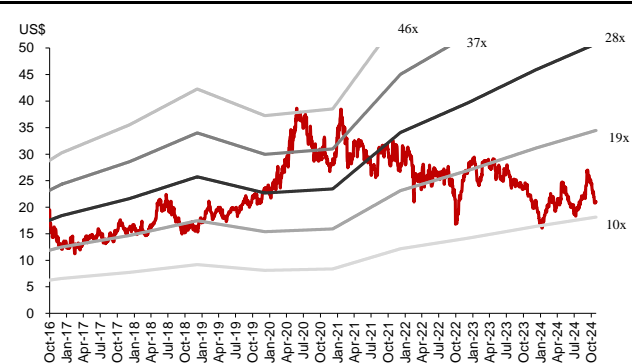
Source: Company data, CMBIGM estimates

Figure 16: ZTO's net profit forecast



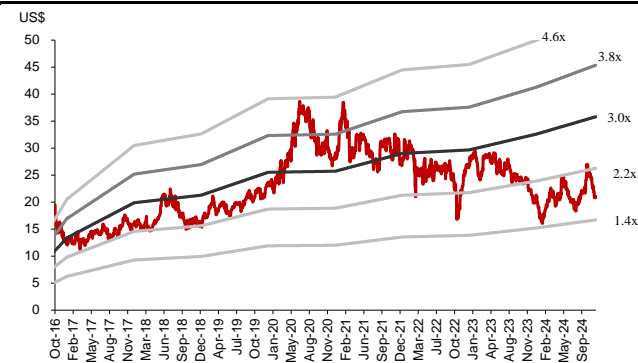
Source: Company data, CMBIGM estimates

Figure 17: ZTO US's P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 18: ZTO US's P/B band



Source: Bloomberg, company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	30,406	35,377	38,419	42,719	47,095	52,183
Cost of goods sold	(23,816)	(26,338)	(26,756)	(29,515)	(32,412)	(35,891)
Gross profit	6,589	9,039	11,663	13,204	14,683	16,292
SG&A expense	(1,876)	(2,077)	(2,425)	(2,734)	(2,920)	(3,183)
Others	790	775	771	854	942	1,044
Operating profit	5,503	7,736	10,008	11,325	12,705	14,153
Investment gain/loss	55	90	170	(563)	0	0
Share of (losses)/profits of associates/JV	(32)	6	4	18	19	20
Interest income	364	504	707	748	861	1,051
Interest expense	(127)	(191)	(290)	(311)	(311)	(311)
Net Interest income/(expense)	237	313	417	437	551	740
Foreign exchange gain/loss	(56)	147	94	21	0	0
Pre-tax profit	5,707	8,292	10,693	11,237	13,274	14,913
Income tax	(1,005)	(1,633)	(1,939)	(2,360)	(2,655)	(2,983)
Minority interest	54	150	(5)	(9)	(11)	(12)
Net profit	4,701	6,659	8,754	8,877	10,619	11,930
Adjusted net profit	4,700	6,720	8,579	9,432	10,609	11,918
Gross dividends	1,353	2,125	3,722	3,547	4,243	4,767
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	18,666	24,475	26,954	28,899	33,964	40,244
Cash & equivalents	9,721	11,693	12,334	14,116	18,814	24,954
Account receivables	933	819	573	832	794	1,065
Inventories	83	41	28	50	39	59
Prepayment	668	862	822	822	822	822
Other current assets	7,261	11,061	13,197	13,080	13,495	13,345
Non-current assets	44,106	54,049	61,512	64,945	67,253	68,987
PP&E	24,930	28,813	32,181	34,440	35,959	36,578
Deferred income tax	935	750	880	880	880	880
Investment in JVs & assos	3,730	3,951	3,455	3,673	3,892	4,112
Intangibles	36	29	23	17	11	5
Goodwill	4,242	4,242	4,242	4,242	4,242	4,242
Other non-current assets	10,234	16,264	20,731	21,693	22,269	23,171
Total assets	62,772	78,524	88,465	93,844	101,217	109,232
Current liabilities	12,996	16,405	20,061	20,284	20,585	20,913
Short-term borrowings	3,459	5,394	7,766	7,766	7,766	7,766
Account payables	1,958	2,203	2,557	2,780	3,081	3,409
Tax payable	87	228	333	333	333	333
Other current liabilities	7,493	8,580	9,405	9,405	9,405	9,405
Non-current liabilities	848	7,646	8,124	8,124	8,124	8,124
Long-term borrowings	0	0	0	0	0	0
Obligations under finance leases	556	510	456	456	456	456
Other non-current liabilities	292	7,135	7,668	7,668	7,668	7,668
Total liabilities	13,845	24,051	28,185	28,408	28,709	29,037
Total shareholders equity	48,637	54,029	59,802	64,949	72,010	79,685
Minority interest	290	444	479	488	498	510
Total equity and liabilities	62,772	78,524	88,465	93,844	101,217	109,232

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,707	8,292	10,693	11,237	13,274	14,913
Depreciation & amortization	2,222	2,671	2,875	3,686	4,140	4,555
Tax paid	(1,005)	(1,633)	(1,939)	(2,360)	(2,655)	(2,983)
Change in working capital	158	1,498	700	(342)	(95)	(182)
Others	(225)	148	364	(455)	(569)	(760)
Net cash from operations	6,856	10,976	12,693	11,766	14,095	15,543
Investing						
Capital expenditure	(8,461)	(6,837)	(6,700)	(5,800)	(5,500)	(5,000)
Acquisition of subsidiaries/ investments	(670)	136	(200)	(200)	(200)	(200)
Others	11	(9,845)	385	48	161	351
Net cash from investing	(9,120)	(16,546)	(6,515)	(5,952)	(5,539)	(4,849)
Financing						
Dividend paid	(1,313)	(1,353)	(2,125)	(3,722)	(3,547)	(4,243)
Net borrowings	2,026	1,936	2,372	0	0	0
Proceeds from share issues	(3,811)	(85)	0	0	0	0
Others	194	6,560	0	(311)	(311)	(311)
Net cash from financing	(2,904)	7,058	246	(4,032)	(3,858)	(4,554)
Net change in cash						
Cash at the beginning of the year	14,213	9,721	11,693	12,334	14,116	18,814
Exchange difference	677	483	(5,783)	0	0	0
Cash at the end of the year	9,721	11,693	12,334	14,116	18,814	24,954
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	20.6%	16.3%	8.6%	11.2%	10.2%	10.8%
Gross profit	12.9%	37.2%	29.0%	13.2%	11.2%	11.0%
Operating profit	15.7%	40.6%	29.4%	13.2%	12.2%	11.4%
Net profit	8.7%	41.6%	31.5%	1.4%	19.6%	12.3%
Adj. net profit	9.0%	43.0%	27.7%	9.9%	12.5%	12.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	21.7%	25.6%	30.4%	30.9%	31.2%	31.2%
Operating margin	18.1%	21.9%	26.0%	26.5%	27.0%	27.1%
Adj. net profit margin	15.5%	19.0%	22.3%	22.1%	22.5%	22.8%
Return on equity (ROE)	9.6%	13.0%	15.4%	14.2%	15.5%	15.7%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Current ratio (x)	1.4	1.5	1.3	1.4	1.6	1.9
Receivable turnover days	30.4	23.0	17.3	15.7	16.3	16.5
Inventory turnover days	1.0	0.9	0.5	0.5	0.5	0.5
Payable turnover days	27.5	28.8	32.5	33.0	33.0	33.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	26.7	18.7	14.5	14.3	12.0	10.7
P/B	2.6	2.4	2.1	2.0	1.8	1.6
Div yield (%)	1.1	1.7	2.9	2.8	3.3	3.7

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 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 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 (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.