

Strawbear Entertainment Group (2125 HK) Positive outlook on video demand; initiate with BUY

- Strawbear Entertainment Group (“the Group” or “Strawbear”) to benefit from strong network relationship with online video platforms and rich video content.
- Driven by new drama series and partnership with online video platforms, total revenue would grow at a CAGR of 34.8% in 2020-23E.
- Gross profit margin would edge up by 0.7ppt YoY to 27.9% in 2021E on made-to-order series demand and contributions from online platforms
- Adjusted net profit to grow at a CAGR of 57.9% in 2020-23E.
- Initiate BUY with TP of HK\$17.0, which represents 35.0x 2021E P/E.

Overall revenue supported by the launch of new drama series and online video platform demand. Driven by the Group’s expansion strategies in the web drama programs for online platforms and made-to-order series, we expect total revenue to grow at a CAGR of 34.8% in 2020-23E.

Strawbear’s gross margin to go up by 0.7ppt YoY in 2021E. We forecast the Group’s gross margin to improve 0.7ppt YoY to 27.9% in 2021E, thanks to contributions from made-to-order drama series business, which has a higher gross margin than other businesses, and online video platforms.

Adjusted net profit is forecast to grow at a CAGR of 57.9% in 2020-23E. The Group’s adjusted net profit was supported with improving gross margin and solid revenue growth. Adjusted net profit margin is expected to improve 7.4ppt YoY to 21.1% in 2021E due to improving gross margin and growing revenue growth.

Valuation. We initiate the Group with **BUY** and TP of HK\$17.0, which represents 35.0x 2021E P/E.

Risks: (1) Reliance on major TV channels and top online video platforms for the distribution and broadcast; (2) The Group is subject to regulations and stringent laws; (3) Any damages to brand reputation or brand image may affect business; (4) Drama series depends on popularity and audiences’ acceptance

Results and Valuation

FY ended Dec 31	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	765	952	1,343	1,832	2,332
Chg (% YoY)	12.7%	24.5%	41.1%	36.3%	27.3%
Net profit (RMB mn)	50	18	284	401	516
Chg (% YoY)	302.4%	(63.2%)	1,440.7%	41.2%	28.6%
Adjusted net profit (RMB mn)**	65	131	284	401	516
Chg (% YoY)	(12.7%)	100.1%	117.0%	41.2%	28.6%
EPS (RMB)	0.125	0.046	0.413	0.583	0.749
Chg (% YoY)	302.4%	(63.2%)	795.8%	41.2%	28.6%
BPS (RMB)	0.486	0.562	0.741	1.326	2.079
Chg (% YoY)	0.332	0.155	0.319	0.790	0.567
P/E (x)	86.1	236.8	25.2	17.9	13.9
P/B (x)	22.2	19.4	14.1	7.9	5.0
ROAE (%)	29.4%	8.8%	77.3%	56.4%	44.0%
ROAA (%)	3.2%	0.9%	13.8%	16.0%	16.7%

*Exchange rate assumption for FY21E-23E: HKD 1 = RMB 0.85

**Adjusted net profit was defined as profit for the period adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense, interest on other borrowings and listing expenses.

Source(s): Bloomberg, ABCI Securities estimates

Company Report Initiation

May 12, 2021

Rating: BUY

TP: HK\$17.0

Analyst : Ricky Lai

Tel: (852) 2147 8895

rickylai@abci.com.hk

Share price (HK\$)	12.26
Est. share price return	38.7%
Est. dividend yield	0.0%
Est. total return	38.7%

Source(s): Bloomberg, ABCI Securities estimates

Key Data

52Wk H/L(HK\$)	15.30/5.85
Issued shares (mn)	688.0
Market cap (HK\$ mn)	8,434.9
Avg daily turnover (HK\$ mn)	12.2

Major shareholder(s)

Liu Xiaofeng	42.22%
iQiyi	14.15%
Liu Shishi	10.70%

Source(s): the Group, ABCI Securities estimates



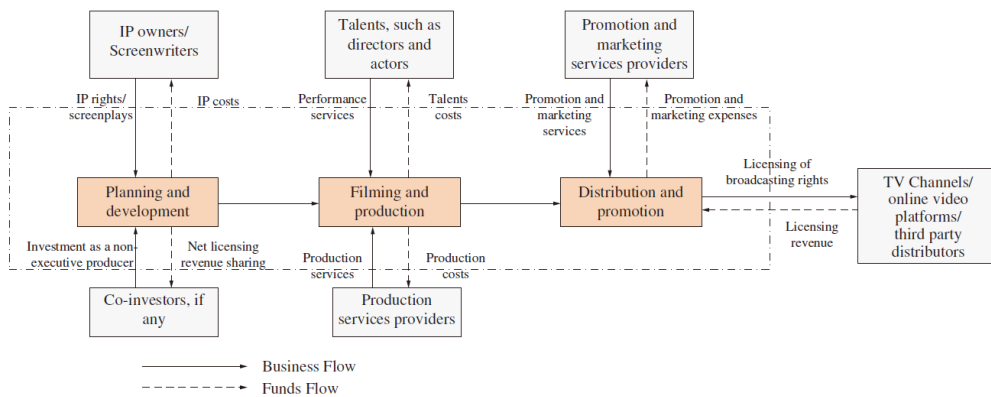
Background introduction

Strawbear Entertainment Group (“Strawbear” or “the Group”) is a drama series distribution company engaging in the businesses of (i) licensing the broadcasting rights of self-produced drama series; (ii) licensing the broadcasting rights of outright-purchased drama series; (iii) production services for made-to-order drama series. The Group’s customers include TV channels, online video platforms, and third-party distributors. The Group was listed in HKEX in 2020 with stock code of (2125 HK).

(1) Licensing of the broadcasting rights of self-produced drama series

The Group produces self-produced drama series and licenses the related broadcasting rights to major TV channels, top online video platforms, and third-party distributors.

Exhibit 1: Licensing of the broadcasting rights of self-produced drama series business model

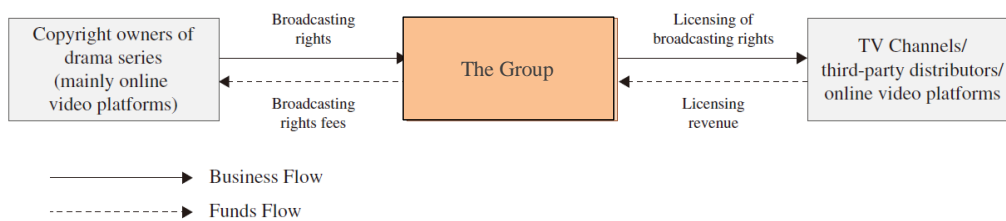


Source(s): the Group

(2) Licensing of the broadcasting rights of outright-purchased drama series

In this segment, the Group purchases the broadcasting rights of drama series from copyright owners, which are mainly online video platforms or drama series producers, and licenses such broadcasting rights to TV channels, third-party distributors, or online video platforms. Strawbear charges TV channels, third-party distributors or online video platforms a fixed-amount licensing fee of each episode for broadcasting of outright-purchased drama series.

Exhibit 2: Licensing of the broadcasting rights of outright-purchased drama series business model

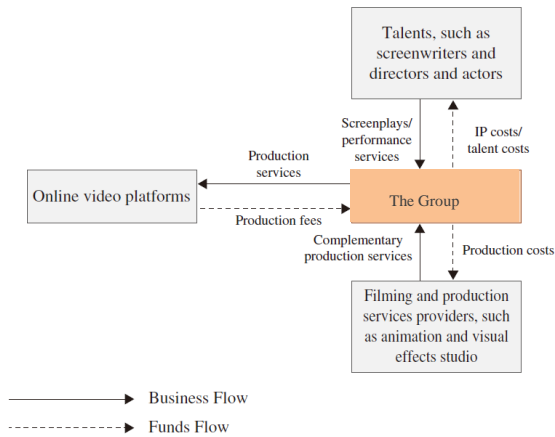


Source(s): the Group

(3) Made-to-order drama series production business

The Group produces made-to-order drama series by charging online video platforms production fees for provision of the overall production services, including cast talents and filming and production crew assembling, production management and quality control, as well as post-production editing. Strawbear pays the related IP costs to screenwriters for their screenplays, talent costs to directors and actors for their performance services, and production costs to third-party production services providers, such as animation and visual effects studios, for their complementary production services.

Exhibit 3: Made-to-order drama series production business

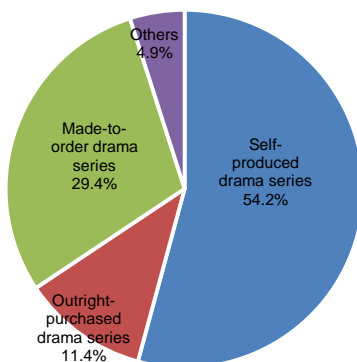


Source(s): the Group

Licensing of the broadcasting rights of self-produced drama series as the main revenue source

The licensing of broadcasting rights of self-produced drama series business is Strawbear's core revenue driver. The Group generated over 52.4% of its overall revenue from the licensing of broadcasting rights of self-produced drama series in 2020.

Exhibit 4: Revenue breakdown by business in 2020



Source(s): the Group



Strengths of the Group

(1) A large and diversified pool of IP rights

The Group maintains an adequate level of IP reserves (20 to 30 IPs) for drama series productions.

(2) Well-established relationships with producers and filming and production studios

Strawbear co-operates with production studios, producers for drama series from TV channels, and online video platforms. The Group has worked with six drama series filming or production studios, including Mandala Media, for drama series production. Strawbear has also acquired Nova Film, which is an industry-leading visual arts post-production house and also one of the Group's five largest suppliers.

(3) Well-established distribution channels

The Group has well-established relationships with various distribution channels, in particular the top five TV channels and the top three online video platforms in the PRC drama series market with aggregate shares reaching ~71.3%, as calculated by the number of the first-run broadcast drama series in 2019. According to Frost & Sullivan (F&S), the Group was the only drama series producer and distributor that distributed new drama series on all of the top five TV channels and the top three online video platforms in 2019.

Industry outlook

The drama series market can be divided into two segments: (1) TV series market; (2) web series market. The TV drama series can be distributed to both the TV channels and online media platforms; the web drama series can only be broadcast on the internet media platforms.

Drama series market size in China

According to F&S, the market size of the drama series in China, as measured by the licensing, distribution and advertising revenues, grew from RMB 83.0bn in 2015 to RMB 99.1bn in 2019, representing a CAGR of 4.5% in 2015-19. Driven by increasing internet penetration and diversified broadcasting channels, the market size of drama series in China is expected to reach RMB 121.3bn in 2024E, representing a CAGR of 4.1% in 2019-24E.

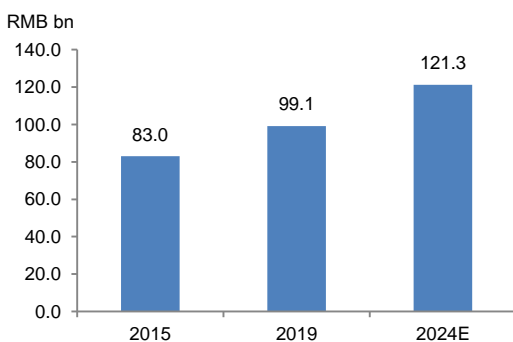
Growth in web series drama market outpacing the TV series drama market

Due to internet proliferation, many online video platforms have attracted a massive user base with tremendous user engagement, representing significant monetization opportunities. According to Frost & Sullivan, the web series market reached RMB 18.1bn in 2019, representing a CAGR of 23.9% in 2015-19. The CAGR of web series market is estimated to reach 11.1% in 2019-24. The TV series market expanded from RMB 75.3bn in 2015 to RMB 81.0bn in 2019, which represents a CAGR of 1.8% in 2015-19. The CAGR of TV series market is estimated to reach 2.3% in 2019-24E.

Revenue of drama series generated from online video platforms is expected to grow at a CAGR of 8.9% in 2019-24

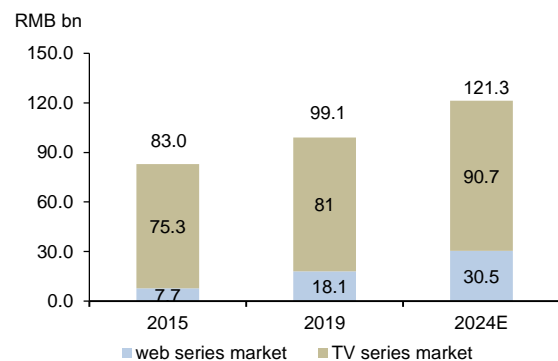
Due to the decrease in advertising revenue of TV channels, the revenue of drama series generated from TV channels recorded a drop from RMB 60.5bn in 2015 to RMB 54.4bn in 2019. Recently, the online video platforms have increased their focus on web series, which led to a revenue surge of drama series from online video platforms. The revenue of drama series from online video platforms jumped from RMB 22.5bn in 2015 to RMB 44.7bn in 2019, representing a CAGR of 18.7% in 2015-19. The revenue of drama series generated from online video platforms is expected to reach RMB 68.3bn in 2024E, representing a CAGR of 8.9% in 2019-24E.

Exhibit 5: Market size of drama series market



Source(s): Frost & Sullivan

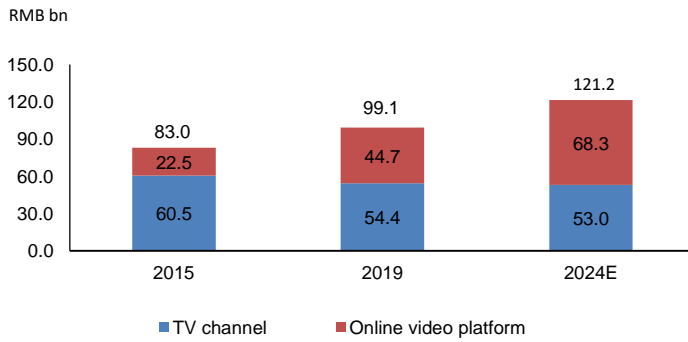
Exhibit 6: Market size breakdown of drama series market by category



Source(s): Frost & Sullivan



Exhibit 7: Market size breakdown of drama series market by channel



Source(s): Frost & Sullivan



Business Analysis and Forecast

Licensing of the broadcasting rights of self-produced drama series

Strawbear charges TV channels and online video platforms for broadcasting and third-party distributors for sub-licensing its self-produced drama series. Self-produced drama series are developed either solely by the Group or jointly with third-party investors. The Group broadcasts three self-produced drama series in 2020 (The Love Lasts Two Minds, Inside Man and Unbending Will). Revenue generated by licensing of the broadcasting rights of self-produced drama series was down by 9.6% YoY to RMB 516mn in 2020 due to the low licensing fees of Unbending Will (which is a drama series with a smaller investment scale, fewer episodes, and a lower investment percentage from the Group). We expect the Group will introduce self-produced drama series with higher licensing fees in 2021E-23E. Driven by the launch of new drama series and online video platform demand, we project the Group's revenue from this segment to grow at a CAGR of 44.1% in 2020-23E.

Licensing of the broadcasting rights of outright-purchased drama series

The Group purchases the broadcasting rights of drama series from copyright owners and licenses such broadcasting rights to TV channels, third-party distributors, and sometimes online video platforms. Revenue generated from broadcasting rights of outright-purchased drama series was down 40.6% YoY to RMB 109mn in 2020 because the outright-purchased drama series broadcast in 2019 were mostly first-run broadcast; its outright-purchased drama series broadcast in 2020 were mostly re-run broadcast with a smaller investment scale.

We project Strawbear's revenue in this segment to grow at a CAGR of -13.5% in 2020-23E, due to the Group's strategy of focusing on developing other businesses, such as licensing of the broadcasting rights of self-produced drama series and made-to-order drama series.

Made-to-order drama series

The Group operates the made-to-order drama series business and licenses the broadcasting rights of its self-produced and outright-purchased drama series to online video platforms. The Group delivered three made-to-order drama series (Customer First, Marry Me, and Dating In The Kitchen) in 2020, compared to nil in 2019. The Group recorded RMB 280mn in revenue from made-to-order drama series business in 2020. The Group is expected to benefit from the strong relationship with online video platforms and increase its launch of made-to-order drama series programs. We forecast revenue from the segment to grow at a CAGR of 31.2% in 2020-23E.

Total revenue is forecast to grow at a CAGR of 34.8% in 2020-23E

The Group has strong network relationships with online video platforms for video distributions and content supply. Driven by the Group's expansion in the web drama programs for online platforms, made-to-order series business, and self-produced drama series, we expect total revenue to grow at a CAGR of 34.8% in 2020-23E.



Exhibit 8: Video pipelines

	Video name	Timeline
(1)	My Mr. Cat	3Q21
(2)	Our Destiny In Self-Redemption	4Q21
(3)	Handsome Yong Master	4Q21
(4)	Flying To The Moon	1Q22
(5)	Steal His Heart	1Q22
(6)	Hello Baby	2Q22
(7)	The Wind Catcher	2022
(8)	Two Capitals	2022

Source(s): the Group

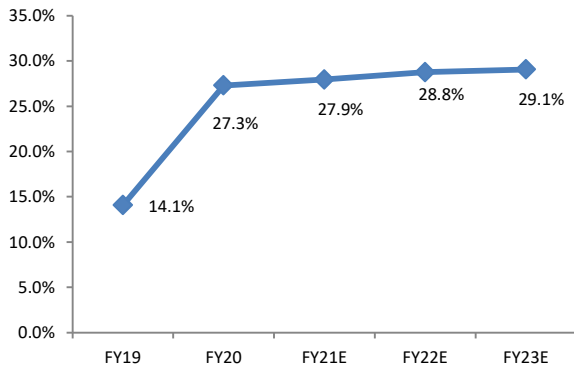
Exhibit 9: Revenue analysis

RMB mn	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue	765	952	1,343	1,832	2,332
YoY	12.7%	24.5%	41.1%	36.3%	27.3%
Self-produced drama series revenue	571	516	800	1,144	1,545
YoY	28.3%	(9.6%)	55.0%	43.0%	35.0%
Outright-purchased drama series revenue	183	109	76	70	70
YoY	(18.2%)	(40.6%)	(25.0%)	(13.0%)	(8.0%)
Made to order drama series revenue	0	280	406	540	632
YoY	N/A	N/A	45.0%	33.0%	17.0%
Others revenue	10	47	61	77	85
YoY	8.0%	352.2%	30.0%	25.0%	11.0%

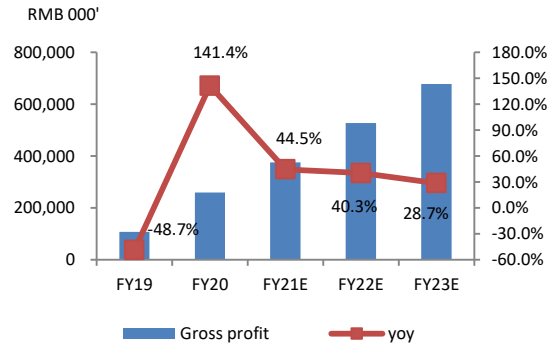
Source(s): the Group, ABCI Securities estimates

Profit margins analysis

Gross profit margin increased 13.2ppt YoY to 27.3% in 2020 due to the higher revenue contribution from made-to-order drama series business as well as improved gross margin in self-produced drama series and outright-purchased drama series businesses. We forecast gross margin to go up by 0.7ppt/0.8ppt to 27.9%/ 28.8% in 2021E-22E due to increased contributions from made-to-order drama series business and online video platforms. The gross margin for distributing video series to online platforms is much higher than distributing to TV and third-party channels. Revenue growth and the improved gross margin would result in a gross profit CAGR of 37.7% in 2020-23E.

Exhibit 10: Strawbear's gross profit


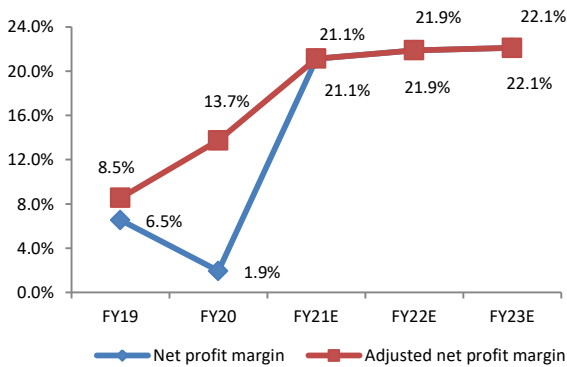
Source(s): the Group, ABCI Securities estimates

Exhibit 11: Strawbear's gross profit and growth


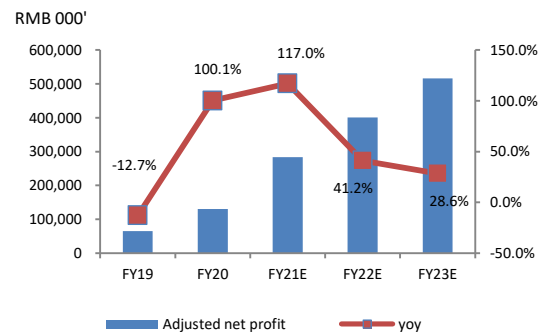
Source(s): the Group, ABCI Securities estimates

Adjusted net profit is expected to grow at a CAGR of 57.9% in 2020-23E

The Group's adjusted net profit (net profit excluding changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense, interest on other borrowings and listing expenses) improved by 108.1% YoY in 2020, thanks to higher gross margin and revenue growth. Adjusted net profit margin is expected to improve 7.4ppt yoy to 21.1% in 2021E due to improving gross margin and growing revenue growth. Overall adjusted net profit is estimated to improve 117.0% YoY in 2021E. We project the Group's adjusted net profit to expand at a CAGR of 57.9% in 2020-23E.

Exhibit 12: Strawbear's profit margins


Source(s): the Group, ABCI Securities estimates

Exhibit 13: Strawbear's adjusted net profit and growth


Source(s): the Group, ABCI Securities estimates



Valuation

Our DCF-derived TP of the Group is HK\$17.0 (WACC: 11.9%; perpetuity growth rate: 2.1%), representing 35.0x 2021E P/E. Recommend **BUY** with 38.7% upside potential. We forecast the Group's ROAE and ROAA to have significant improvement in 2021E with 77.3%/ 13.8%, compared to 8.8%/ 0.9% in 2020, respectively.

Exhibit 14: Peer comparison table

	Ticker	Price*	P/E			P/B			ROE	ROA	EV/EBITDA
			20A	21E	22E	20A	21E	22E	21E	21E	21E
Zhejiang Huace	300133 CH	6.27	n.a.	26.0	19.2	2.3	2.1	1.9	6.5	4.3	22.0
Beijing Enlight Media	300251 CH	11.72	38.0	74.0	31.0	4.0	3.8	3.3	4.4	3.5	30.5
Tvzone Media Co	603721 CH	19.37	55.0	20.1	13.0	3.1	n.a.	n.a.	12.0	5.1	n.a.
Mango Excellent Media	300413 CH	64.90	70.5	55.0	31.0	12.0	7.5	6.5	13.0	8.0	18.0
Huayi Brothers Media	300027 CH	3.63	n.a.	22.0	19.0	2.5	2.0	1.8	3.5	4.0	7.9
Average			60.2	44.5	23.9	4.8	4.0	3.5	8.0	5.1	24.0

Note: All figures were based on closing price on May 11, 2021

Source(s): Bloomberg



Risk factors

Drama series depends on popularity and audiences' acceptance

The Group's revenue is dependent on the popularity and audience acceptance of its drama series. If the Group's drama series are not accepted or favored by audiences, its business model cannot be sustained.

Reliance on major TV channels and top online video platforms for the distribution and broadcast

Strawbear generated its revenue by distributing drama series on TV channels and online video platforms. The Group needs to maintain a good relationship with these distribution channels.

Production risk

Revenue derived from the self-produced drama series will be adversely affected by the disruption of production caused by various factors such as the outbreak of COVID-19. Any changes or delay in drama series production will affect the Group's revenue.

Our forecasts are based on assumptions

Our forecasts are based on a number of assumptions such as number of drama series produced and these assumptions may deviate from the actual figures which may result in discrepancy.

Any damages to brand reputation or brand image may affect business

The Group's business depends highly on brand reputation and image. Its business will be affected if its brand is compromised.

The Group is subject to regulations and stringent laws

The Group's business operations are subject to extensive government regulations and compliance requirements. Any promulgation of additional or more stringent laws or regulations on the distribution of drama series by the PRC government may result in an adverse effect on the Group's business and results. If the Group's licenses or permits are revoked, its financial results will be significantly affected.

Uneven video revenue distribution

The Group may launch its video series in different time, which result in uneven revenue distribution.



Financial Statements

Consolidated income statement

As of Dec 31 (RMB '000)	FY19A	FY20A	FY21E	FY22E	FY23E
Self-produced drama series	571,412	516,302	800,268	1,144,383	1,544,918
Outright-purchased drama series	183,272	108,782	75,727	70,291	70,292
Made-to-order drama series	0	280,189	406,274	540,344	632,203
Others	10,413	47,089	61,216	76,520	84,937
Total revenue	765,097	952,362	1,343,485	1,831,538	2,332,349
Cost of sales	(657,457)	(692,541)	(968,052)	(1,304,775)	(1,654,619)
Gross profit	107,640	259,821	375,432	526,763	677,730
Other income and gains	34,343	24,882	26,126	27,432	28,804
Selling and distribution expenses	(33,498)	(80,972)	(61,800)	(86,082)	(111,953)
Administrative expenses	(17,655)	(68,017)	(33,587)	(45,788)	(58,309)
Others	(15,124)	(77,350)	332	355	373
Finance costs	(9,734)	(9,944)	(10,640)	(11,385)	(12,182)
Profit before tax	65,972	48,420	295,863	411,295	524,463
Tax	(15,572)	(30,228)	(15,572)	(15,572)	(15,571)
Profit after tax	50,400	18,192	280,291	395,723	508,892
Net profit	50,032	18,430	283,957	400,900	515,550
Non-controlling interests	368	(238)	(3,667)	(5,177)	(6,658)
Adjusted net profit	65,396	136,087	283,957	400,900	515,550
EPS (RMB)	0.125	0.046	0.413	0.583	0.749

*Adjusted net profit was defined as profit for the period adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense, interest on other borrowings and listing expenses.

Source(s): the Group, ABCI Securities estimates



Consolidated balance sheet

As of Dec 31 (RMB '000)	FY19A	FY20A	FY21E	FY22E	FY23E
PPE	2,665	9,411	9,693	9,984	10,284
Others	194,508	186,683	161,513	161,137	160,780
Total non-current assets	197,173	196,094	171,207	171,121	171,064
Inventories	919,119	856,338	899,155	944,113	991,318
Trade and notes receivables	485,396	440,731	498,026	562,769	635,929
cash at bank and on hand	52,349	95,598	1,366,639	1,657,178	2,066,791
Others	398,218	271,159	248,324	255,704	613,529
Total current assets	1,855,082	1,663,826	3,012,144	3,419,765	4,307,568
Total assets	2,052,255	1,859,920	3,183,351	3,590,886	4,478,631
Trade payable	449,190	238,351	262,186	288,405	317,245
other payable and accrued expenses	734,535	587,759	623,025	660,406	700,030
Bank and other loans	125,000	159,000	170,130	182,039	194,782
Others	245,546	160,804	1,094,330	992,073	1,246,236
Total current liabilities	1,554,271	1,145,914	2,149,671	2,122,923	2,458,294
Financial liabilities at fair value through profit or loss	289,521	475,428	513,462	554,539	598,902
Others	14,012	13,941	12,544	11,307	10,211
Total non-current liabilities	303,533	489,369	526,006	565,846	609,113
Total liabilities	1,857,804	1,635,283	2,675,677	2,688,769	3,067,407
Total equity	194,451	224,637	507,674	902,117	1,411,224

Source(s): the Group, ABCI Securities estimates

ABCI SECURITIES COMPANY LIMITED

Consolidated cash flow statement

As of Dec 31 (RMB '000)	FY19A	FY20A	FY21E	FY22E	FY23E
Operating cash flow before change in working capital	83,476	177,003	372,768	500,631	616,174
Change in working capital	(6,824)	(123,407)	(48,176)	(53,481)	(59,502)
Interest paid	(37,518)	(40,843)	(34,717)	(29,509)	(25,083)
Net cash flows from/(used in) operating activities	39,134	12,753	289,875	417,640	531,589
Purchase of PPE	(130)	(2,569)	(3,083)	(3,699)	(4,439)
Others	(186,440)	25,936	(38,103)	(30,483)	(24,386)
Net cash flows from/(used in) investing activities	(186,570)	23,367	(41,186)	(34,182)	(28,825)
Change in bank loans	75,000	23,500	11,130	11,909	12,743
Interest paid	(6,087)	(18,804)	(15,983)	(13,586)	(11,548)
Others	33,617	2,433	450	360	288
Net cash flows from/(used in) financing activities	102,530	7,129	(4,403)	(1,317)	1,483
Changes in cash and cash equivalents	(44,906)	43,249	244,286	382,142	504,246
Cash and cash equivalents at beginning of the year	97,255	52,349	95,598	339,884	722,026
Cash and cash equivalents at end of the year	52,349	95,598	339,884	722,026	1,226,272

Source(s): the Group, ABCI Securities estimates

Financial Ratios

As of Dec 31	FY19A	FY20A	FY21E	FY22E	FY23E
ROAA	3.2%	0.9%	13.8%	16.0%	16.7%
ROAE	29.4%	8.8%	77.3%	56.4%	44.0%
Gross profit margin	14.1%	27.3%	27.9%	28.8%	29.1%
Net profit margin	6.5%	1.9%	21.1%	21.9%	22.1%
Adjusted net profit margin	8.5%	13.7%	21.1%	21.9%	22.1%
Growth:					
Revenue	12.7%	24.5%	41.1%	36.3%	27.3%
Gross profit	14.1%	27.3%	27.9%	28.8%	29.1%
Net profit	302.4%	(63.2%)	1,440.7%	41.2%	28.6%
Adjusted net profit	(12.7%)	100.1%	117.0%	41.2%	28.6%

Source(s): the Group, ABCI Securities estimates

Disclosures

Analyst Certification

The analyst, LAI Pak Kin, primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company(ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with Strawbear Entertainment Group.

Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate (10%)
Hold	- Market return rate (-10%) \leq Stock return rate < Market return rate (+10%)
Sell	Stock return < - Market return (-10%)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2008 (For reference: HSI total return index 2008-20CAGR at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2021 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

Tel: (852) 2868 2183