

Global Markets Research
Equity: Consumer Related

23 March 2020

MYNEWS Holdings Berhad MYNE.KL MNHB MK

In-house model should help weather Covid-19

Reducing EPS outlook on slower growth outlook

1Q20 result review

MNHB reported net income of MYR4.4mn in 1Q20 which formed 22%/ 15% of our new/ Bloomberg consensus estimates for FY20. Gross profit was higher y-y by 10% in 1Q20 due to its product mix, strong performance from beverage & snacks segment and 20% improvement in current wastage. However, net income of MYR4.4mn in 1Q20 was down 47% y-y mainly due to higher selling and distribution expenses from its food processing centre (FPC).

Management briefing highlights

Detailed briefing notes are on page 3, but to sum up: 1) in 1Q20, MNHB opened 18 new stores; 2) as a result of the lockdown, ~100 of its outlets are currently closed; in the worst-case scenario, this can increase to 20% depending on govt / landlord directives; 3) mgmt keeps 100 store opening count target for FY20F, but we see downside risk to these numbers, as opening process is stalled now; 4) management's in-house FPC, delivery network, and store locations afford it flexibility in adjusting capacity dynamically to Covid-19; 5) the utilization rate of the FPC was ~50% in 1Q20 and was higher in Feb (>50%); 6) in FY19, same-store sales growth (SSSG) was 3% and there has been q-q decline in 1Q20. The company expects SSSG to remain flat in FY20F.

Action: reduce EPS estimates and TP, maintain Buy

To account for some prolonging of Covid-19 related footfall slowdown and delay in expansion plans, we cut our numbers. We reduce new store opening count in FY20F to 80 (from 90 previously), reduce SSSG forecast such that FY20F/21F revenue estimates are cut 9%/6% and EPS estimates are cut 36%/24% (also due to higher tax rate). But we believe the sharp sell-off (stock -33%, vs KLCI down 18% in last 1M) has factored this in. All in, we remain confident that the initial hiccups and earnings disappointment are temporary as management dynamically tweaks its strategy to focus on what works and rectifies what does not, thereby climbing the learning curve fast. On a 25x target P/E (reduced from 29x to account for slower growth) on FY21F EPS of 4.1 sen, our new TP of MYR1.02 implies 73% upside. Maintain Buy.

Rating	Buy
Remains	
Target price	MYR 1.02
Reduced from MYR	
1.56	
Closing price	MYR 0.59
23 March 2020	
Implied upside	+72.9%
Market Cap (USD mn)	90.6
ADT (USD mn)	0.3

Research Analysts

Malaysia Consumer Related

Tushar Mohata, CFA - NSM
tushar.mohata@nomura.com
+60(3)20276895

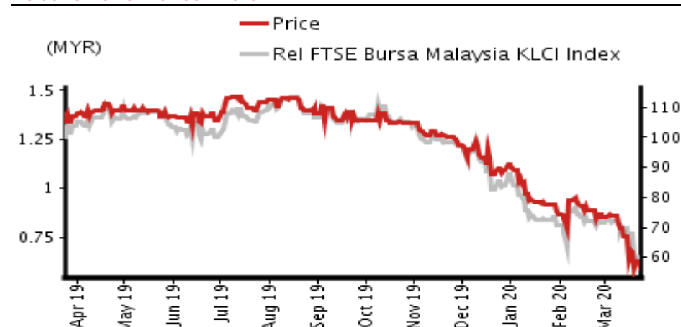
Alpa Aggarwal, CFA - NSFSP
alpa.aggarwal@nomura.com
+91 22 305 32250

Year-end 31 Oct	FY19	FY20F		FY21F		FY22F	
Currency (MYR)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	529	644	583	767	718	905	852
Reported net profit (mn)	27	30	20	37	28	44	37
Normalised net profit (mn)	27	30	20	37	28	44	37
FD normalised EPS	3.93c	4.46c	2.86c	5.38c	4.09c	6.45c	5.47c
FD norm. EPS growth (%)	1.2	13.4	-27.3	20.8	43.2	19.8	33.5
FD normalised P/E (x)	15.0	—	20.6	—	14.4	—	10.8
EV/EBITDA (x)	8.9	—	10.7	—	7.9	—	6.3
Price/book (x)	1.4	—	1.4	—	1.3	—	1.1
Dividend yield (%)	1.7	—	1.2	—	1.8	—	2.4
ROE (%)	9.9	10.3	6.7	11.5	9.1	12.5	11.1
Net debt/equity (%)	3.4	20.5	20.8	17.7	22.8	13.8	20.6

Source: Company data, Nomura estimates

Key Data on MYNEWS Holdings Berhad

Relative Performance Chart



Performance

(%)	1M	3M	12M		
Absolute (MYR)	-33.3	-45.9	-56.0	M cap (USDmn)	90.6
Absolute (USD)	-37.1	-49.5	-59.7	Free float (%)	42.6
Rel to FTSE	-18.4	-26.6	-34.2	3-mth ADT (USDmn)	0.3
Bursa Malaysia					
KLCI Index					

Income statement (MYRmn)

Year-end 31 Oct	FY18	FY19	FY20F	FY21F	FY22F
Revenue	392	529	583	718	852
Cost of goods sold	-244	-341	-384	-466	-548
Gross profit	148	188	199	253	304
SG&A	-112	-143	-158	-195	-231
Employee share expense	-6	-11	-14	-16	-17
Operating profit	30	33	27	42	56
EBITDA	38	45	42	59	74
Depreciation	-8	-12	-15	-16	-18
Amortisation	0	0	0	0	0
EBIT	30	33	27	42	56
Net interest expense	0	-3	-5	-5	-5
Associates & JCEs	2	3	3	3	3
Other income	0	0	0	0	0
Earnings before tax	32	33	25	40	54
Income tax	-6	-9	-7	-11	-14
Net profit after tax	26	24	19	30	40
Minority interests	0	3	1	-2	-3
Other items					
Preferred dividends					
Normalised NPAT	27	27	20	28	37
Extraordinary items	0	0	0	0	0
Reported NPAT	27	27	20	28	37
Dividends	-7	-7	-5	-7	-9
Transfer to reserves	20	20	15	21	28

Valuations and ratios

Reported P/E (x)	15.2	15.0	20.6	14.4	10.8
Normalised P/E (x)	15.2	15.0	20.6	14.4	10.8
FD normalised P/E (x)	15.2	15.0	20.6	14.4	10.8
Dividend yield (%)	1.7	1.7	1.2	1.8	2.4
Price/cashflow (x)	32.1	4.6	10.9	10.0	7.8
Price/book (x)	1.5	1.4	1.4	1.3	1.1
EV/EBITDA (x)	9.8	8.9	10.7	7.9	6.3
EV/EBIT (x)	12.2	11.9	16.0	10.8	8.2
Gross margin (%)	37.7	35.5	34.1	35.2	35.7
EBITDA margin (%)	9.8	8.5	7.2	8.2	8.7
EBIT margin (%)	7.7	6.2	4.6	5.9	6.6
Net margin (%)	6.8	5.1	3.3	3.9	4.4
Effective tax rate (%)	19.3	26.9	26.0	26.0	26.0
Dividend payout (%)	25.7	25.4	25.4	25.4	25.4
ROE (%)	10.5	9.9	6.7	9.1	11.1
ROA (pretax %)	11.3	9.5	6.2	8.4	10.3

Growth (%)

Revenue	19.5	35.0	10.3	23.3	18.5
EBITDA	9.4	17.2	-7.1	40.4	26.1
Normalised EPS	10.3	1.2	-27.3	43.2	33.5
Normalised FDEPS	10.3	1.2	-27.3	43.2	33.5

Source: Company data, Nomura estimates

Cashflow statement (MYRmn)

Year-end 31 Oct	FY18	FY19	FY20F	FY21F	FY22F
EBITDA	38	45	42	59	74
Change in working capital	44	73	-1	-11	-11
Other operating cashflow	-70	-30	-4	-8	-11
Cashflow from operations	13	88	37	40	52
Capital expenditure	-86	-116	-80	-38	-34
Free cashflow	-74	-28	-43	3	18
Reduction in investments					
Net acquisitions					
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	68	32	0	0	0
CF after investing acts	-5	4	-43	3	18
Cash dividends	-7	-7	-5	-7	-9
Equity issue	0	0	0	0	0
Debt issue	-3	-4	60	0	0
Convertible debt issue					
Others	16	-1	-4	-7	-8
CF from financial acts	6	-11	51	-14	-18
Net cashflow	1	-7	8	-11	1
Beginning cash	23	24	16	24	13
Ending cash	24	17	24	13	14
Ending net debt	-20	10	62	73	72

Balance sheet (MYRmn)

As at 31 Oct	FY18	FY19	FY20F	FY21F	FY22F
Cash & equivalents	24	16	24	13	14
Marketable securities					
Accounts receivable	11	13	12	15	20
Inventories	44	62	67	83	97
Other current assets	93	46	47	47	47
Total current assets	172	138	150	158	178
LT investments	154	251	316	337	353
Fixed assets	0	12	12	12	12
Goodwill					
Other intangible assets	0	0	0	0	0
Other LT assets	8	67	67	67	67
Total assets	333	468	545	575	610
Short-term debt	2	11	11	11	11
Accounts payable	33	33	36	45	52
Other current liabilities	15	63	63	63	63
Total current liabilities	51	107	110	118	126
Long-term debt	2	15	75	75	75
Convertible debt					
Other LT liabilities	4	44	44	44	44
Total liabilities	56	166	228	237	245
Minority interest	16	19	20	18	15
Preferred stock					
Common stock	202	202	202	202	202
Retained earnings	100	118	132	154	185
Proposed dividends					
Other equity and reserves	-40	-36	-36	-36	-36
Total shareholders' equity	261	283	297	319	350
Total equity & liabilities	333	468	545	575	610

Liquidity (x)

Current ratio	3.36	1.29	1.37	1.34	1.41
Interest cover	84.5	10.4	5.2	8.2	10.9

Leverage

Net debt/EBITDA (x)	net cash	0.22	1.47	1.24	0.97
Net debt/equity (%)	net cash	3.4	20.8	22.8	20.6

Per share

Reported EPS (MYR)	3.89c	3.93c	2.86c	4.09c	5.47c
Norm EPS (MYR)	3.89c	3.93c	2.86c	4.09c	5.47c
FD norm EPS (MYR)	3.89c	3.93c	2.86c	4.09c	5.47c
BVPS (MYR)	0.38	0.42	0.43	0.47	0.51
DPS (MYR)	0.01	0.01	0.01	0.01	0.01

Activity (days)

Days receivable	10.0	8.3	7.8	6.8	7.6
Days inventory	56.8	56.8	61.6	58.9	60.0
Days payable	42.2	35.6	33.1	31.8	32.4
Cash cycle	24.5	29.5	36.3	34.0	35.2

Source: Company data, Nomura estimates

1Q20 result review

- MNHB reported net income of MYR4.4mn in 1Q20, which formed 22%/ 15% of our new/ Bloomberg consensus estimates for FY20.
- Gross profit was higher y-y by 10% in 1Q20 due to its product mix, strong performance from beverage & snacks segment and 20% improvement in current wastage. However, net income of MYR4.4mn in 1Q20 was down 47% y-y, mainly due to higher selling and distribution expenses from its food processing centre (FPC).

Management briefing takeaways

- In 1Q20, MNHB opened 18 new stores, which implies >520 touch points and >300 stores are selling bakery and ready-to-eat (RTE) products. A total of 105 stores of MNHB operate 24x7. As a result of movement control order (MCO) in Malaysia, ~100 stores are currently affected and are closed. The company is evaluating the condition on an hour-to-hour basis in the current MCO. In the worst-case scenario, it is possible that the percentage of stores closed could increase to 20% later, but a lot depends on outside factors such as landlord directives.
- In FY20F, MNHB plans to open 100 more stores and renovate 100 others, however, we now see downside risk to these numbers. Work has stopped on new outlets that were supposed to be opened in the immediate future, as the contractors are not working, and as a result the new stores may be affected. While the company is sticking to its old plan of 100 new stores and is not scaling back for now, we have downgraded our store count forecast for the year.
- As a result of MCO, there was a surge in sales at some outlets as customers stocked up, but the sales trajectory since has been volatile. The food processing centre (FPC) was activated to anticipate such surge in sales and although the company has enough supply, it has talked to the suppliers and ramped-up raw material orders. Sales from FPC have been fluctuating and the company continues to monitor the situation. There has been no disruption in the supply chain for MNHB and the company is quite comfortable on the supply side.
- Due to the MCO, online delivery (orders which MNHB delivers till doorstep) increased by 5% on an average, as per management.
- All of MNHB stores are 100% corporate owned and operated and therefore it is easier to close and open these outlets, depending on the situation.
- During the MCO, the company has closed about 100 stores, while the remaining ones are operating according to restriction of the local council and the landlord. The situation is dynamically changing on a daily basis e.g. the window of opening stores in Kuala Lumpur and Pahang etc. is narrowing and most stores are not allowed to open in the night. The net impact of MCO on sales is currently difficult to assess as the situation keeps changing and it has only been few days since MCO.
- The appeal on rental discount on ~100 stores closed is in progress but so far there is no decision on that front as landlords have been quiet on the discount on rents for the outlets affected due to MCO. MNHB expects that landlords may take some action when more tenants start to request.
- Sales at tourist hubs have been affected but mgmt cannot currently comment on how it will impact in the future as it is still unclear how the rental discount etc come in. The company does not expect any decline in marketing income due to MCO.
- A few days into the MCO, no staff has been affected in terms of salary cut etc, and the company is mobilizing staff to stores that are open and to use them in the most efficient manner.
- Store traffic in 1Q20 was ~5mn per month and average ticket size was ~MYR 7.50-7.60. The company is hoping that online orders will continue (these are still quite small).
- The utilization rate of the food processing centre was ~50% in 1Q20 and was higher in Feb (>50%). It expects the FPC to break even by year-end, assuming Covid-19 is brought under control by then.
- The company's guidance for tax rate for the group is at 26-27%, which is similar to manufacturing companies' tax rate, as per management.
- The company currently has about 4-5 months of stock in its warehouse. The outlets in shopping malls and office complexes are closed and the company will try its best to keep the outlets open, but it will depend on the location.

- Their bank facility has not been fully utilized. There was a drawdown of MYR3mn last year and MYR70mn lines are still available. As per management, cashflows are still strong and they have enough funds for outlet expansion in FY20.
- In FY19, same-store sales growth (SSSG) was 3% and there has been q-q decline in 1Q20. The company expects SSSG to remain flat in FY20.

Fig. 1: MNHB: 1Q20 result summary

Year ended 31 Oct (RM mn)	1Q20	1Q19	% y-y	4Q19	% q-q	FY20F new	% of FY20F new
Income Statement							
Total Revenue	140.6	123.5	13.8%	139.8	0.5%	582.9	24%
Cost of sales	90.6	78.0	16.2%	91.6	-1.0%	383.9	24%
Gross Profit	49.9	45.5	9.8%	48.2	3.5%	198.9	25%
<i>Gross Margins (%)</i>	35.5%	36.8%		34.5%			
Total Expenses	40.3	33.4	20.9%	41.0	-1.7%		
Other operating income	0.6	0.7	-18.0%	0.3	73.1%		
EBITDA	10.2	12.8	-20.5%	7.5	35.5%	41.4	25%
<i>EBITDA Margins (%)</i>	7.3%	10.4%		5.4%			
Depreciation & Amortization	4.6	2.5	86.2%	3.4	36.4%		
EBIT	5.6	10.4	-46.1%	4.1	34.7%	26.5	21%
<i>EBIT Margins (%)</i>	4.0%	8.4%		3.0%			
Net interest (expense)/income	-1.3	-0.8	62.1%	-0.8	53.0%		
Share of profit of associate	0.8	0.7	4.4%	0.8	-7.0%		
PBT	5.1	10.3	-50.7%	4.1	22.9%	25.0	20%
<i>PBT Margins (%)</i>	3.6%	8.3%		3.0%			
Tax	-2.1	-2.1	-3.9%	-2.0	0.2%	-6.5	32%
Minority interest	-1.3	-0.1	>100%	-1.1	20.8%	-1.0	
Reported NPAT to common shareholders	4.4	8.2	-47.2%	3.2	36.7%	19.5	22%
<i>NPAT Margins (%)</i>	3.1%	6.7%		2.3%			
One offs	0	0	NM	0	NM		
Normalised NPAT	4.4	8.2	-47.2%	3.2	36.7%	19.5	22%
<i>Normalised NPAT Margins (%)</i>	3%	7%		2%			

Source: Company data, Nomura estimates

Fig. 2: MNHB: Key estimates summary and changes

MYR mn	Old estimates			New estimates			% change		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Revenues	644	767	905	583	718	852	-9%	-6%	-6%
% Chg y-y	22%	19%	18%	10%	23%	19%			
Gross Profit	227	274	323	199	253	304	-12%	-8%	-6%
Gross Margins (%)	35.3%	35.7%	35.7%	34.1%	35.2%	35.7%			
% Chg y-y	21.1%	20.7%	17.9%	6.1%	27.0%	20.4%			
PBT	37	49	60	25	40	54	-33%	-17%	-8%
PBT Margins (%)	5.8%	6.4%	6.6%	4.3%	5.6%	6.4%			
% Chg y-y	12.7%	31.7%	21.4%	-24.3%	61.7%	34.6%			
Normalised NPAT	30	37	44	20	28	37	-36%	-24%	-15%
Norm. NPAT Margins (%)	4.7%	4.8%	4.9%	3.3%	3.9%	4.4%			
% Chg y-y	13.4%	20.8%	19.8%	-27.3%	43.2%	33.5%			
Costs of sales	417	493	582	384	466	548	-8%	-6%	-6%
% Chg y-y	22.2%	18.4%	18.0%	12.6%	21.3%	17.6%			
Total Administration expenses	174	208	245	158	195	231	-9%	-6%	-6%
% Chg y-y	21.8%	19.2%	17.9%	10.3%	23.3%	18.5%			
Capex	80	30	30	80	38	34	0%	25%	13%
% of total revenue									
Tobacco	32%	31%	30%	34%	33%	32%			
Food and Beverages	46%	48%	50%	46%	47%	48%			
Print Media	1%	1%	0%	1%	1%	0%			
Non-food	5%	5%	5%	5%	5%	5%			
Consumer services	1%	1%	1%	1%	1%	1%			
Retail Sales	85%	86%	86%	87%	87%	86%			
Advertising and promotions	12%	12%	12%	12%	12%	12%			
Others	3%	2%	2%	1%	2%	2%			
Complementary income	16%	17%	17%	12%	13%	14%			
Sales to related companies	0%	0%	0%	0%	0%	0%			
Total non-retail sales	16%	17%	17%	12%	13%	14%			
Outlets									
Beginning Outlets	513	593	673	513	583	673			
Total outlets opened	90	90	90	80	100	90			
Total outlets closed	10	10	10	10	10	10			
Ending Outlets	593	673	753	583	673	753			

Source: Nomura estimates

Appendix A-1

Analyst Certification

I, Tushar Mohata, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

The terms "Nomura" and "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries, including Nomura Securities International, Inc. ('NSI') and Instinet, LLC ('ILLC'), U. S. registered broker dealers and members of SIPC.

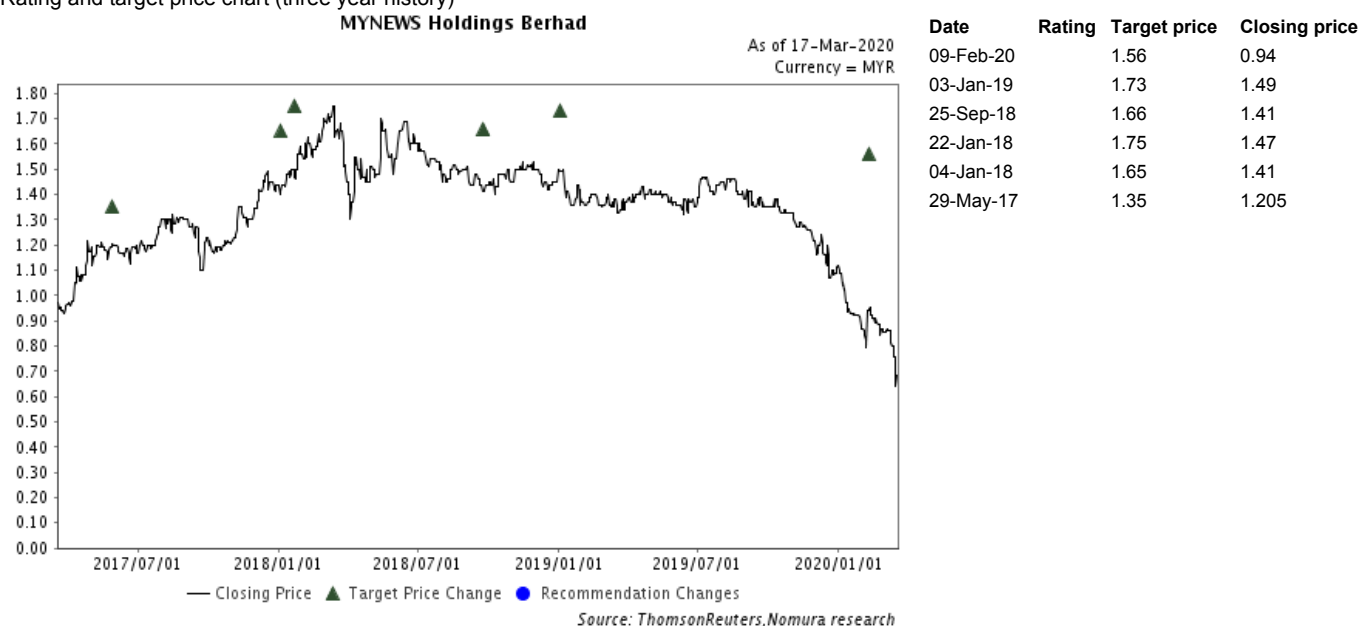
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
MYNEWS Holdings Berhad	MNHB MK	MYR 0.59	23-Mar-2020	Buy	N/A	

MYNEWS Holdings Berhad (MNHB MK)

MYR 0.59 (23-Mar-2020) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of MYR1.02 is based on 25x FY21F P/E (on our EPS forecast of 4.1sen). The benchmark index for this stock is FBMKLCI.

Risks that may impede the achievement of the target price 1) Inability to secure optimal outlet locations; 2) negative changes to tenancy rules; 3) negative consumer sentiment in Malaysia; 4) competition reducing same store sales growth; 5) prolonged gestation period for the food processing centre.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura Group research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., or Instinet, LLC on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA rules, may not be associated persons of NSI or ILLC, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and Nlplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Distribution of ratings (Nomura Group)

The distribution of all ratings published by Nomura Group Global Equity Research is as follows:

51% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 44% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.

45% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 56% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

4% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 18% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

As at 31 December 2019.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

** As defined by the EU Market Abuse Regulation

Distribution of ratings (Instinet, LLC)

The distribution of all ratings published by Instinet, LLC Equity Research is as follows:

57% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

39% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

4% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at:

<http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> ; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A '**Bullish**' stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A '**Neutral**' stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A '**Bearish**' stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as '**Not rated**' or shown as '**N/A**' are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This publication contains material that has been prepared by the Nomura Group entity identified on page 1 and, if applicable, with the contributions of one or more Nomura Group entities whose employees and their respective affiliations are specified on page 1 or identified elsewhere in this publication. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries including: (a) Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan, (b) Nomura Financial Products Europe GmbH ('NFPE'), Germany, (c) Nomura International plc ('Nlplc'), UK, (d) Nomura Securities International, Inc. ('NSI'), New York, US, (e) Instinet, LLC ('ILLC'), (f) Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong, (g) Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>), (h) Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore) (i) Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412, (j) Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia, (k) NIHK, Taipei Branch ('NITB'), Taiwan, (l) Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No: U74140MH2007PTC169116, SEBI Registration No. for Stock Broking activities : INZ000255633; SEBI Registration No. for Merchant Banking : INM000011419; SEBI Registration No. for Research: INH000001014. 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under an agreement between CNS and NSL. 'NSFSPL' next to an employee's name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements. The "BDO-NS" (which stands for "BDO Nomura Securities, Inc.") placed next to an analyst's name on the front page of a research report indicates that the analyst is employed by BDO Unibank Inc. ("BDO Unibank") who has been seconded to BDO-NS, to provide research assistance services to NSL under an agreement between BDO Unibank, NSL and BDO-NS. BDO-

NS is a Philippines securities dealer, which is a joint venture between BDO Unibank and the Nomura Group. 'Verdhana' next to an individual's name on the front page of a research report indicates that the individual is employed by PT Verdhana Sekuritas Indonesia ('Verdhana') to provide research assistance to NIKH under a research partnership agreement and neither Verdhana nor such individual is licensed outside of Indonesia.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) OTHER THAN DISCLOSURES RELATING TO THE NOMURA GROUP, BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Other than disclosures relating to the Nomura Group, the Nomura Group does not warrant, represent or undertake, express or implied, that the document is fair, accurate, complete, correct, reliable or fit for any particular purpose or merchantable, and to the maximum extent permissible by law and/or regulation, does not accept liability (in negligence or otherwise, and in whole or in part) for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible by law and/or regulation, all warranties and other assurances by the Nomura Group are hereby excluded and the Nomura Group shall have no liability (in negligence or otherwise, and in whole or in part) for any loss howsoever arising from the use, misuse, or distribution of this material or the information contained in this material or otherwise arising in connection therewith.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. The Nomura Group, however, expressly disclaims any obligation, and therefore is under no duty, to update or revise this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The Nomura Group does not provide tax advice.

The Nomura Group, and/or its officers, directors, employees and affiliates, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. The Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including, but not limited to, ratings from credit ratings agencies such as Standard & Poor's. The Nomura Group hereby expressly disclaims all representations, warranties or undertakings of originality, fairness, accuracy, completeness, correctness, merchantability or fitness for a particular purpose with respect to any of the information obtained from third parties contained in this material or otherwise arising in connection therewith, and shall not be liable (in negligence or otherwise, and in whole or in part) for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use or misuse of any of the information obtained from third parties contained in this material or otherwise arising in connection therewith. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not, express or implied, guarantee the fairness, accuracy, completeness, correctness, timeliness or availability of any information, including ratings, and are not in any way responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use or misuse of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable (in negligence or otherwise, and in whole or in part) for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use or misuse of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be duplicated, reproduced, re-disseminated, redistributed or used, in whole or in part, for any purpose whatsoever, including creating any financial products and any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all representations, warranties or undertakings of originality, fairness, accuracy, completeness, correctness, merchantability or fitness for a particular purpose with respect to any of this material or the information contained in this material or otherwise arising in connection therewith. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability (in negligence or otherwise, and in whole or in part) for any damages of any kind. MSCI and the MSCI indexes are service marks of MSCI and its affiliates.

The intellectual property rights and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee fairness, accuracy, completeness, correctness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. The Nomura Group publishes research product in a number of different ways including the posting of product on the Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements.

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future or likely performance. Where the information contains an expectation, projection or indication of future performance and business prospects, such forecasts may not be a reliable indicator of future or likely performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns. Any figure, strategy or index created and published for illustrative purposes within this document is not intended for "use" as a "benchmark" as defined by the European Benchmark Regulation.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

With respect to Fixed Income Research: Recommendations fall into two categories: tactical, which typically last up to three months; or strategic, which typically last from 6-12 months. However, trade recommendations may be reviewed at any time as circumstances change. 'Stop loss' levels for trades are also provided; which, if hit, closes the trade recommendation automatically. Prices and yields shown in recommendations are taken at the time of submission for publication and are based on either indicative Bloomberg, Reuters or Nomura prices and yields at that time. The prices and yields shown are not necessarily those at which the trade recommendation can be implemented.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK as investment research by Nlplc. Nlplc is authorised by the Prudential Regulation

Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nipic is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes.

This document has been approved for distribution in the European Economic Area as investment research by Nomura Financial Products Europe GmbH ("NFPE"). NFPE is a company organized as a limited liability company under German law registered in the Commercial Register of the Court of Frankfurt/Main under HRB 110223. NFPE is authorized and regulated by the German Federal Financial Supervisory Authority (BaFin).

This document has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. This document is intended only for investors who are 'professional investors' for the purposes of applicable regulations in Hong Kong and may not, therefore, be redistributed to persons who are not 'professional investors' for such purposes.

This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC.

This document has also been approved for distribution in Malaysia by NSM.

In Singapore, this document has been distributed by NSL, an exempt financial adviser as defined under the Financial Advisers Act (Chapter 110), among other things, and regulated by the Monetary Authority of Singapore. NSL may distribute this document produced by its foreign affiliates pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the recipient of this document is not an accredited, expert or institutional investor as defined by the Securities and Futures Act (Chapter 289), NSL accepts legal responsibility for the contents of this document in respect of such recipient only to the extent required by law. Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. THIS DOCUMENT IS INTENDED FOR GENERAL CIRCULATION. IT DOES NOT TAKE INTO ACCOUNT THE SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS OF ANY PARTICULAR PERSON. RECIPIENTS SHOULD TAKE INTO ACCOUNT THEIR SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS BEFORE MAKING A COMMITMENT TO PURCHASE ANY SECURITIES, INCLUDING SEEKING ADVICE FROM AN INDEPENDENT FINANCIAL ADVISER REGARDING THE SUITABILITY OF THE INVESTMENT, UNDER A SEPARATE ENGAGEMENT, AS THE RECIPIENT DEEMS FIT.

Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or a 'Market Counterparty' or a 'Professional Client' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or a 'Business Customer' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nipic or any other member of the Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or a 'Market Counterparty' or a 'Professional Client' in the UAE or a 'Market Counterparty' or a 'Business Customer' in Qatar. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

For Canadian Investors: This research report was approved for distribution to Canadian investors by Instinet Canada Limited ("ICL"), member of the Investment Industry Regulatory Organization of Canada ("IIROC") and member of the Canadian Investor Protection Fund. An affiliate of ICL prepared the research report (an "Affiliate Research Report") in accordance with the regulatory requirements applicable to research in the affiliate's local jurisdiction, which include conflict of interest disclosure. ICL reviewed this Affiliate Research Report for the purpose of ensuring Canadian disclosures required by IIROC are included. ICL does not receive compensation in respect of the distribution of Affiliate Research Reports. Pursuant to ICL's policies and procedures regarding the dissemination of research, ICL makes available Affiliate Research Reports to ICL clients and prospective clients only, in electronic and/or in printed form. ICL endeavours to make available and/or distribute Affiliate Research Reports to all intended recipients at the same time. This Affiliate Research Report is not a recommendation and does not take into account the investment objectives, financial situation or particular needs of any particular account.

For report with reference of TAIWAN public companies or authored by Taiwan based research analyst:

THIS DOCUMENT IS SOLELY FOR REFERENCE ONLY. You should independently evaluate the investment risks and are solely responsible for your investment decisions. NO PORTION OF THE REPORT MAY BE REPRODUCED OR QUOTED BY THE PRESS OR ANY OTHER PERSON WITHOUT WRITTEN AUTHORIZATION FROM NOMURA GROUP. Pursuant to Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers and/or other applicable laws or regulations in Taiwan, you are prohibited to provide the reports to others (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities in connection with the reports which may involve conflicts of interests. INFORMATION ON SECURITIES / INSTRUMENTS NOT EXECUTABLE BY NOMURA INTERNATIONAL (HONG KONG) LTD., TAIPEI BRANCH IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT BE CONSTRUED AS A RECOMMENDATION OR A SOLICITATION TO TRADE IN SUCH SECURITIES / INSTRUMENTS.

This material may not be distributed in Indonesia or passed on within the territory of the Republic of Indonesia or to persons who are Indonesian citizens (wherever they are domiciled or located) or entities of or residents in Indonesia in a manner which constitutes a public offering under the laws of the Republic of Indonesia. The securities mentioned in this document may not be offered or sold in Indonesia or to persons who are citizens of Indonesia (wherever they are domiciled or located) or entities of or residents in Indonesia in a manner which constitutes a public offering under the laws of the Republic of Indonesia.

This document is prepared by Nomura group or its subsidiary or affiliate (collectively, "Offshore Issuers") incorporated outside the People's Republic of China ("PRC", excluding Hong Kong, Macau and Taiwan, for the purpose of this document) and it is not approved or intended to be circulated in the PRC. The Offshore Issuers are not licensed, supervised or regulated in the PRC to carry out financial services including securities investment consultancy services. The recipient should not use this document or otherwise rely on any of the information contained in this report in making investment decisions and Offshore Issuers take no responsibility in this regard.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, REPRODUCED OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISSEMINATED, REPUBLISHED OR REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF THE NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability (in negligence or otherwise, and in whole or in part) for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts of Nomura listed on the front page. Disclosures

information is available upon request and disclosure information is available at the Nomura Disclosure web page:
<http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts listed on the front page. Disclosures information is available upon request and disclosure information is available at the Nomura Disclosure web page:

<http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2020 Nomura International (Hong Kong) Ltd. All rights reserved.