



EARNINGS REVIEW

Wharf Holdings (0004.HK)

Buy

Equity Research

Below expectations: DP margin slip/writedown; HK/PRC rental solid

What surprised us

Wharf's FY14 core net profit fell 4% yoy to HK\$10.4bn, 10% below our estimate, due to lower-than-expected profit from China development properties (DP), -27% yoy to HK\$1.4bn as EBIT margin slipped further to 8.1% in 2H14 (vs. 17.5% in 1H14). The group also wrote down its DP assets by HK\$2bn or 2.3%, in view of the poor margins for select projects at current selling prices. Full-year contracted sales totaled Rmb21.5bn (+3% yoy), slightly behind its target of Rmb23bn, but implying a slight pickup to Rmb6.5bn in 4Q14 (vs. Rmb6bn in 3Q, Rmb4.7bn in 2Q). Unbooked sales edged up to Rmb22bn (vs. Rmb21.7bn at end-1H14) for 1.6mn sqm.

Both HK and China rental properties performed well, with revenue growth accelerating to 21% yoy in 2H14 (vs. 19% in 1H14) and income +18% yoy, driven by Chengdu IFS where FY14 retail revenue of Rmb483bn exceeded its budget by 21%. 40% of its first office tower is filled (vs. 33% in 3Q) with another 26% under final discussion. In HK, retail and office rental revenue grew steadily, up 18% and 12% yoy in 2H14 (vs. 19% and 12% in 1H14), as retail sales at Harbor City and Time Square grew 3.4% and +11%, vs. -0.2% for HK market. The value of HK rental properties was marked up by 10% hoh (vs. 3% in 1H14). The group incurred HK\$31.5bn total capex in FY14, bringing net debt to equity to 18.9% at end-2014 (vs. 20.6% at end-1H14).

What to do with the stock

Factoring in lower DP margin, we cut our FY15-17E EPS by 2-9% and 12m TP to HK\$70.0, still based on 30% disc. to '15E NAV (from HK\$72.8). While we await details from its Mar 16 analyst briefing, we suspect the lower DP margin and write-down may raise concerns over the return of its China investments. Coupled with slower HK retail sale lately, it may put pressure on the stock near term, although part of this is arguably discounted with it trading at 48% NAV disc. (vs. mid-cycle of 30%). Tracking its reported ASP for China DP sequentially (Ex 2) also shows stabilization since 2H14. Thus, we keep our 12m view and Buy rating. Risks: Drastic policy changes in HK/China's property market.

Wharf 2014 results highlights

| HK\$m | 1H14 | %YoY | 2H14 | %YoY | 2014 | %YoY | vs. GSe |
|-----------------|-------|------|-------|------|--------|------|---------|
| Core net profit | 5,019 | -3% | 5,332 | -4% | 10,351 | -4% | -10% |

Source: Company data, Goldman Sachs Global Investment Research.

INVESTMENT LIST MEMBERSHIP

Asia Pacific Buy List

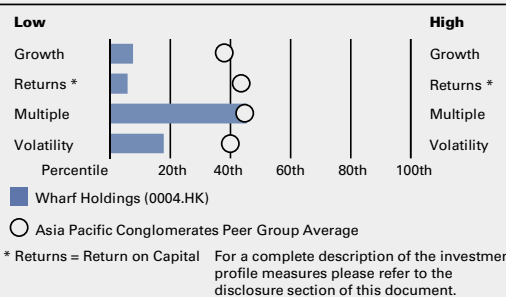
Coverage View: Neutral

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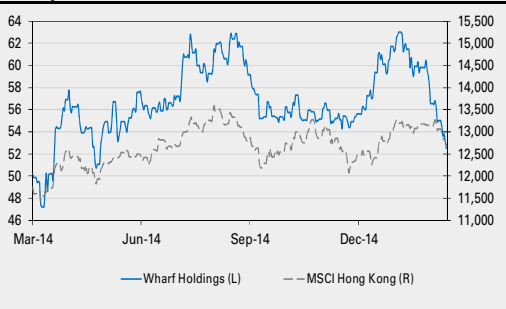
Investment Profile



| Key data | Current |
|--------------------------------|----------------------|
| Price (HK\$) | 52.50 |
| 12 month price target (HK\$) | 70.00 |
| Market cap (HK\$ mn / US\$ mn) | 159,022.5 / 20,469.0 |
| Foreign ownership (%) | -- |

| | 12/14 | 12/15E | 12/16E | 12/17E |
|----------------------|-------|--------|--------|--------|
| EPS (HK\$) New | 11.86 | 4.31 | 5.07 | 5.34 |
| EPS revision (%) | 102.3 | (2.2) | (2.5) | (9.0) |
| EPS growth (%) | 22.3 | (63.6) | 17.6 | 5.3 |
| EPS (dil) (HK\$) New | 11.86 | 4.31 | 5.07 | 5.34 |
| P/E (X) | 4.7 | 12.2 | 10.3 | 9.8 |
| P/B (X) | 0.6 | 0.5 | 0.5 | 0.5 |
| EV/EBITDA (X) | 15.0 | 13.4 | 12.6 | 9.2 |
| Dividend yield (%) | 3.2 | 3.9 | 4.5 | 5.1 |
| ROE (%) | 12.4 | 4.2 | 4.8 | 5.0 |
| CROCI (%) | 6.4 | 4.1 | 12.4 | 11.2 |

Price performance chart



| Share price performance (%) | 3 month | 6 month | 12 month |
|-----------------------------|---------|---------|----------|
| Absolute | (5.2) | (14.9) | 4.6 |
| Rel. to MSCI Hong Kong | (6.2) | (12.3) | (3.3) |

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3/13/2015 close.

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Wharf Holdings: Summary Financials

| Profit model (HK\$ mn) | 12/14 | 12/15E | 12/16E | 12/17E | Balance sheet (HK\$ mn) | 12/14 | 12/15E | 12/16E | 12/17E |
|---|-------------------|-------------------|-------------------|-------------------|---------------------------------------|------------------|------------------|------------------|------------------|
| Total revenue | 38,136.0 | 43,635.5 | 36,622.2 | 46,970.3 | Cash & equivalents | 18,725.0 | 1,870.6 | 6,423.3 | 20,029.1 |
| Cost of goods sold | (13,412.8) | (15,347.1) | (12,880.4) | (16,520.0) | Accounts receivable | 3,851.0 | 3,851.0 | 3,851.0 | 3,851.0 |
| SG&A | (3,678.6) | (4,209.1) | (3,532.6) | (4,530.8) | Inventory | 48.0 | 54.9 | 46.1 | 59.1 |
| R&D | -- | -- | -- | -- | Other current assets | 47,826.0 | 50,797.9 | 40,121.2 | 32,012.5 |
| Other operating profit/(expense) | (5,172.0) | (6,326.1) | (1,986.7) | (3,049.0) | Total current assets | 70,450.0 | 56,574.4 | 50,441.6 | 55,951.8 |
| EBITDA | 15,872.5 | 17,753.2 | 18,222.4 | 22,870.6 | Net PP&E | 326,917.0 | 337,897.0 | 352,673.5 | 353,769.4 |
| Depreciation & amortization | (1,589.5) | (1,748.5) | (1,923.3) | (2,115.6) | Net intangibles | 305.0 | 305.0 | 305.0 | 305.0 |
| EBIT | 14,283.0 | 16,004.8 | 16,299.1 | 20,754.9 | Total investments | 41,479.0 | 42,370.2 | 43,173.9 | 44,017.7 |
| Interest income | 0.0 | 0.0 | 0.0 | 0.0 | Other long-term assets | 5,507.0 | 5,595.3 | 5,688.1 | 5,785.5 |
| Interest expense | (1,754.0) | (2,058.7) | (2,080.9) | (2,077.6) | Total assets | 444,658.0 | 442,742.0 | 452,282.2 | 459,829.5 |
| Income/(loss) from uncons. subs. | 1,437.0 | 4,446.5 | 7,197.2 | 4,617.2 | Accounts payable | 23,664.0 | 20,114.4 | 20,114.4 | 20,114.4 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | Short-term debt | 8,653.0 | 0.0 | 0.0 | 0.0 |
| Pretax profits | 13,966.0 | 18,392.6 | 21,415.4 | 23,294.6 | Other current liabilities | 17,088.0 | 16,571.8 | 22,142.3 | 25,797.7 |
| Income tax | (3,187.0) | (4,380.7) | (5,050.9) | (6,069.0) | Total current liabilities | 49,405.0 | 36,686.2 | 42,256.7 | 45,912.1 |
| Minorities | (428.0) | (942.8) | (990.2) | (1,035.5) | Long-term debt | 69,331.0 | 72,685.0 | 67,685.0 | 62,685.0 |
| Net income pre-preferred dividends | 10,351.0 | 13,069.1 | 15,374.3 | 16,190.2 | Other long-term liabilities | 11,811.0 | 11,811.0 | 11,811.0 | 11,811.0 |
| Preferred dividends | 0.0 | 0.0 | 0.0 | 0.0 | Total long-term liabilities | 81,142.0 | 84,496.0 | 79,496.0 | 74,496.0 |
| Net income (pre-exceptionals) | 10,351.0 | 13,069.1 | 15,374.3 | 16,190.2 | Total liabilities | 130,547.0 | 121,182.2 | 121,752.7 | 120,408.1 |
| Post-tax exceptionals | 25,579.0 | 0.0 | 0.0 | 0.0 | Preferred shares | 0.0 | 0.0 | 0.0 | 0.0 |
| Net income | 35,930.0 | 13,069.1 | 15,374.3 | 16,190.2 | Total common equity | 305,495.0 | 312,849.5 | 321,720.2 | 330,508.6 |
| EPS (basic, pre-exception) (HK\$) | 3.42 | 4.31 | 5.07 | 5.34 | Minority interest | 8,616.0 | 8,710.3 | 8,809.3 | 8,912.8 |
| EPS (basic, post-exception) (HK\$) | 11.86 | 4.31 | 5.07 | 5.34 | Total liabilities & equity | 444,658.0 | 442,742.0 | 452,282.2 | 459,829.5 |
| EPS (diluted, post-exception) (HK\$) | 11.86 | 4.31 | 5.07 | 5.34 | BVPS (HK\$) | 100.82 | 103.25 | 106.17 | 109.08 |
| DPS (HK\$) | 1.81 | 2.06 | 2.34 | 2.67 | | | | | |
| Dividend payout ratio (%) | 15.3 | 47.8 | 46.2 | 49.9 | | | | | |
| Free cash flow yield (%) | 2.8 | (2.9) | 10.2 | 16.1 | | | | | |
| Growth & margins (%) | 12/14 | 12/15E | 12/16E | 12/17E | Ratios | 12/14 | 12/15E | 12/16E | 12/17E |
| Sales growth | 19.6 | 14.4 | (16.1) | 28.3 | CROCI (%) | 6.4 | 4.1 | 12.4 | 11.2 |
| EBITDA growth | 7.8 | 11.8 | 2.6 | 25.5 | ROE (%) | 12.4 | 4.2 | 4.8 | 5.0 |
| EBIT growth | 7.6 | 12.1 | 1.8 | 27.3 | ROA (%) | 8.4 | 2.9 | 3.4 | 3.6 |
| Net income growth | 22.3 | (63.6) | 17.6 | 5.3 | ROACE (%) | 3.4 | 4.1 | 4.6 | 4.8 |
| EPS growth | 22.3 | (63.6) | 17.6 | 5.3 | Inventory days | 1.3 | 1.2 | 1.4 | 1.2 |
| Gross margin | 64.8 | 64.8 | 64.8 | 64.8 | Receivables days | 39.8 | 32.2 | 38.4 | 29.9 |
| EBITDA margin | 41.6 | 40.7 | 49.8 | 48.7 | Payable days | 595.3 | 520.6 | 570.0 | 444.4 |
| EBIT margin | 37.5 | 36.7 | 44.5 | 44.2 | Net debt/equity (%) | 19.4 | 22.6 | 19.0 | 12.9 |
| | | | | | Interest cover - EBIT (X) | 8.1 | 7.8 | 7.8 | 10.0 |
| Cash flow statement (HK\$ mn) | 12/14 | 12/15E | 12/16E | 12/17E | Valuation | 12/14 | 12/15E | 12/16E | 12/17E |
| Net income pre-preferred dividends | 10,351.0 | 13,069.1 | 15,374.3 | 16,190.2 | P/E (analyst) (X) | 4.7 | 12.2 | 10.3 | 9.8 |
| D&A add-back | 1,589.5 | 1,748.5 | 1,923.3 | 2,115.6 | P/B (X) | 0.6 | 0.5 | 0.5 | 0.5 |
| Minorities interests add-back | 428.0 | 942.8 | 990.2 | 1,035.5 | EV/EBITDA (X) | 15.0 | 13.4 | 12.6 | 9.2 |
| Net (inc)/dec working capital | 4,179.0 | (3,556.5) | 8.8 | (13.0) | EV/GCI (X) | 1.0 | 0.9 | 0.9 | 0.8 |
| Other operating cash flow | (22,190.2) | (4,379.4) | 15,443.6 | 10,920.2 | Dividend yield (%) | 3.2 | 3.9 | 4.5 | 5.1 |
| Cash flow from operations | 19,936.3 | 7,824.5 | 33,740.2 | 30,248.4 | | | | | |
| Capital expenditures | (14,982.0) | (12,728.4) | (16,699.9) | (3,211.5) | | | | | |
| Acquisitions | (1,145.0) | (88.4) | (92.8) | (97.4) | | | | | |
| Divestitures | 0.0 | 0.0 | 0.0 | 0.0 | | | | | |
| Others | 691.6 | 0.0 | 0.0 | 0.0 | | | | | |
| Cash flow from investments | (15,435.4) | (12,816.8) | (16,792.6) | (3,308.9) | | | | | |
| Dividends paid (common & pref) | (5,687.9) | (6,563.1) | (7,394.9) | (8,333.6) | | | | | |
| Inc/(dec) in debt | (4,603.0) | (5,299.0) | (5,000.0) | (5,000.0) | | | | | |
| Common stock issuance (repurchase) | 9,980.0 | 0.0 | 0.0 | 0.0 | | | | | |
| Other financing cash flows | (9,980.0) | 0.0 | 0.0 | 0.0 | | | | | |
| Cash flow from financing | (10,290.9) | (11,862.1) | (12,394.9) | (13,333.6) | | | | | |
| Total cash flow | (5,790.0) | (16,854.4) | 4,552.7 | 13,605.8 | | | | | |

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

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Exhibit 1: Wharf 2014 result summary

| HK\$mn | 1H14 | %YoY | 2H14 | %YoY | 2014 | %YoY | vs. GSe | Comment |
|--|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---|
| EBIT Breakdown | | | | | | | | |
| Property Development | 933 | 1% | 829 | (52%) | 1,762 | (33%) | -44% | |
| - China | 839 | (3%) | 830 | (51%) | 1,669 | (35%) | -45% | Contracted sales Rmb21.5bn in 2014, implying 6.5bn in 4Q14 |
| - Hong Kong | 94 | 62% | (1) | (110%) | 93 | n.m. | -7% | |
| Property Rental | 5,322 | 17% | 5,574 | 18% | 10,896 | 18% | 1% | See the bottom of the table for details |
| Hotel Management | 189 | 3% | 198 | (10%) | 387 | (4%) | -4% | Hotel revenue +5% yoy in 2014, implying 2.3pp margin decline |
| Logistics | 517 | 9% | 534 | 7% | 1,051 | 8% | 10% | MTL volume stable in 2014; that in Da Chan +25% yoy |
| i-CABLE | (19) | (84%) | (121) | (532%) | (140) | 59% | 205% | Weak local consumption and intense competition |
| Telecom | 162 | 32% | 189 | 7% | 351 | 17% | 2% | |
| Treasury and others | 380 | 19% | 334 | (17%) | 714 | (1%) | -6% | |
| Unallocated expenses | (360) | (7%) | (378) | (31%) | (738) | (21%) | -25% | 2013 corp expense incl. 124mn share options |
| Total EBIT | 7,124 | 17% | 7,159 | (1%) | 14,283 | 8% | -7% | |
| Net Financing Charges | (883) | 33% | (871) | (2%) | (1,754) | 13% | -6% | Excluding loss from interest rate swap and forex |
| Total Operating Profit | 6,241 | 15% | 6,288 | (0%) | 12,529 | 7% | -7% | |
| EBIT margin | | | | | | | | |
| Property Development | 17.5% | -0.8pp | 8.1% | -18.3pp | 11.3% | -11.5pp | -6.5pp | |
| - China | 16.1% | -1.3pp | 8.1% | -18.1pp | 10.8% | -11.6pp | -6.5pp | |
| - Hong Kong | 83.2% | 0.3pp | n.a. | n.a. | n.a. | n.a. | n.a. | |
| Property Rental | 83.2% | -2.0pp | 79.7% | -1.8pp | 81.3% | -1.9pp | -0.4pp | |
| Group total | 43.7% | 2.8pp | 32.8% | -9.5pp | 37.5% | -4.2pp | -1.0pp | |
| Associates / JCEs: Property (incl. Greentown) | 335 | (71%) | 717 | (40%) | 1,052 | (55%) | -45% | |
| Associates / JCEs: others | 179 | (9%) | 206 | 16% | 385 | 3% | 6% | Port terminals in Shekou, Chiwan and Taicang |
| Associates / JCEs | 514 | (62%) | 923 | (33%) | 1,437 | (47%) | -37% | |
| Profit before tax | 6,755 | (0%) | 7,211 | (6%) | 13,966 | (3%) | -11% | |
| Taxation | (1,405) | 12% | (1,782) | 10% | (3,187) | 11% | -8% | Excluding deferred tax on property revaluation |
| Effective tax rate | 21% | | 25% | | 23% | | | |
| Minority interests | (331) | 2% | (97) | (81%) | (428) | (49%) | -48% | |
| Core net profit | 5,019 | (3%) | 5,332 | (4%) | 10,351 | (4%) | -10% | |
| Exceptional items | (210) | (117%) | (1,894) | (993%) | (2,104) | n.m. | n.m. | HK\$2bn writedown for China property assets |
| Property revaluation (net of tax and MI) | 6,892 | (36%) | 20,791 | 226% | 27,683 | n.m. | n.m. | HK IP marked up by 10% hoh (vs. 3% in 1H14) |
| Reported net profit | 11,701 | (32%) | 24,229 | 100% | 35,930 | n.m. | 98% | |
| China residential EBIT + profit at JCEs | 970 | (32%) | 778 | (61%) | 1,748 | (49%) | -54% | |
| DPS | 0.55 | 10% | 1.26 | 5% | 1.81 | 6% | (3%) | |
| Payout | 33% | | 72% | | 53% | | | |
| Net Debt | 59,786 | 12% | 59,259 | 2% | 59,259 | 2% | | Total capex of HK\$31bn in 2014 (China DP HK\$16bn) |
| Net debt to equity | 20.6% | | 18.9% | | 18.9% | | | |
| Rental revenue breakdown | | | | | | | | |
| Harbour City | 3,976 | 13% | 4,120 | 15% | 8,096 | 14% | 1% | |
| Retail | 2,797 | 14% | 2,877 | 17% | 5,674 | 16% | 1% | Retail sales +3.4% in 2014, vs. -0.2% for HK market |
| Office | 1,027 | 13% | 1,094 | 12% | 2,121 | 13% | 2% | 98% occupancy at end 2014 |
| Service apartment | 152 | 0% | 149 | (3%) | 301 | (1%) | (2%) | 61 apartments closed for renovation |
| Times Square | 1,233 | 26% | 1,311 | 17% | 2,544 | 21% | (2%) | |
| Retail | 909 | 34% | 974 | 20% | 1,883 | 26% | (3%) | Retail sales +11% in 2014, vs. -0.2% for HK market |
| Office | 324 | 8% | 337 | 11% | 661 | 9% | 1% | 98% occupancy at end 2014 |
| Others | 351 | 5% | 422 | 23% | 773 | 14% | 6% | |
| Total Hong Kong | 5,560 | 15% | 5,853 | 16% | 11,413 | 16% | 1% | |
| Total China | 839 | 57% | 1,145 | 58% | 1,984 | 57% | 6% | HK\$483mn from Chengdu IFS, exceeding its target by 21% |
| Rental revenue | 6,399 | 19% | 6,998 | 21% | 13,397 | 20% | 1% | |
| - Wharf's HK retail | 3,706 | 19% | 3,851 | 18% | 7,557 | 18% | (0%) | |
| - Wharf's HK office | 1,351 | 12% | 1,431 | 12% | 2,782 | 12% | 1% | |
| Rental EBIT breakdown | | | | | | | | |
| HK rental income | 4,897 | 16% | 5,008 | 16% | 9,905 | 16% | 0% | |
| China rental income | 425 | 20% | 566 | 39% | 991 | 30% | 5% | |
| Rental income | 5,322 | 17% | 5,574 | 18% | 10,896 | 18% | 1% | |
| EBIT margin | 83.2% | -2.0pp | 79.7% | -18.4% | 81.3% | -1.9pp | -0.4pp | China IP margin -10.4pp yoy to 50% due to new project opening |

Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 2: GFA, sales proceeds and ASP for Wharf's China property projects

| Projects | City | Attri. GFA sold (sqm) | | | Attri. proceeds (Rmb mn) | | | ASP (Rmb psm) | | | | |
|------------------------------------|-----------|-----------------------|----------------|------------------|--------------------------|---------------|---------------|---------------|---------------|------------|---------------|-----------|
| | | 1H14 | 2H14 | 2014 | 1H14 | 2H14 | 2014 | 1H14 | 2H14 | HoH% | 2014 | YoY% |
| Times City | Suzhou | 52,900 | 161,800 | 214,700 | 745 | 1,995 | 2,740 | 13,000 | 12,330 | -5% | 12,762 | -1% |
| Ambassador Villa | Suzhou | 18,600 | 24,300 | 42,900 | 460 | 690 | 1,150 | 24,800 | 28,395 | 14% | 26,807 | -49% |
| Bellagio | Suzhou | 15,300 | 20,800 | 36,100 | 142 | 196 | 338 | 9,300 | 9,423 | 1% | 9,363 | -44% |
| Palazzo Pitti | Hangzhou | 10,600 | 38,600 | 49,200 | 298 | 867 | 1,165 | 23,800 | 22,461 | -6% | 23,679 | -1% |
| Royal Seal | Hangzhou | 7,400 | 9,300 | 16,700 | 318 | 406 | 724 | 42,800 | 43,656 | 2% | 43,353 | n.a. |
| Greentown Wharf Qian Tang Ming Yue | Hangzhou | n.a. | 15,900 | 15,900 | n.a. | 400 | 400 | n.a. | 25,157 | n.a. | 25,157 | n.a. |
| Junting | Hangzhou | n.a. | 2,860 | 2,860 | n.a. | 18 | 18 | n.a. | 6,294 | n.a. | 6,294 | n.a. |
| Shanghai Songjiang Xianhe | Shanghai | 13,800 | 10,930 | 24,730 | 407 | 328 | 735 | 29,600 | 30,009 | 1% | 29,721 | 5% |
| Tangzhen | Shanghai | 6,100 | 22,000 | 28,100 | 288 | 942 | 1,230 | 47,300 | 42,818 | -9% | 43,772 | n.a. |
| Zhoupu | Shanghai | n.a. | 3,000 | 3,000 | n.a. | 98 | 98 | n.a. | 32,667 | n.a. | 32,667 | n.a. |
| Evian Buena Vista | Foshan | n.a. | 37,600 | 37,600 | n.a. | 414 | 414 | n.a. | 11,011 | n.a. | 11,011 | 11% |
| Evian Rivera | Foshan | n.a. | 27,700 | 27,700 | n.a. | 563 | 563 | n.a. | 20,325 | n.a. | 20,325 | 53% |
| Donghui City | Guangzhou | n.a. | 22,100 | 22,100 | n.a. | 379 | 379 | n.a. | 17,149 | n.a. | 17,149 | 9% |
| Le Palais | Chengdu | 95,100 | 34,200 | 129,300 | 856 | 325 | 1,181 | 9,000 | 9,506 | 6% | 9,134 | -14% |
| Times Town | Chengdu | 38,000 | 23,500 | 61,500 | 227 | 140 | 367 | 5,974 | 5,957 | 0% | 5,967 | n.a. |
| The U World | Chongqing | n.a. | 20,700 | 20,700 | n.a. | 384 | 384 | n.a. | 18,551 | n.a. | 18,551 | -8% |
| Int'l Community | Chongqing | n.a. | 97,100 | 97,100 | n.a. | 676 | 676 | n.a. | 6,962 | n.a. | 6,962 | -12% |
| The Throne | Chongqing | n.a. | 41,300 | 41,300 | n.a. | 341 | 341 | n.a. | 8,257 | n.a. | 8,257 | n.a. |
| Unique Garden | Beijing | 20,800 | 15,000 | 35,800 | 938 | 713 | 1,651 | 45,200 | 47,533 | 5% | 46,117 | 11% |
| Moon Lake Site B | Wuhan | 25,700 | 24,600 | 50,300 | 262 | 253 | 515 | 10,200 | 10,285 | 1% | 10,239 | n.a. |
| Others | | 336,700 | 205,710 | 542,410 | 3,959 | 2,472 | 6,431 | 11,759 | 12,016 | 2% | 11,856 | -4% |
| Total | | 641,000 | 859,000 | 1,500,000 | 8,900 | 12,600 | 21,500 | 13,300 | 14,668 | 10% | 14,333 | 1% |

Source: Company data.

Disclosure Appendix

Reg AC

I, Simon Cheung, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views 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.

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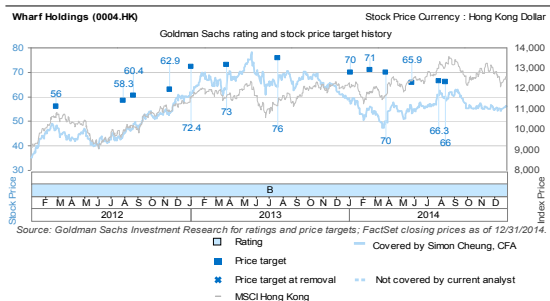
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Goldman Sachs Investment Research global coverage universe

| | Rating Distribution | | | Investment Banking Relationships | | |
|--------|---------------------|------|------|----------------------------------|------|------|
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| Global | 33% | 54% | 13% | 44% | 38% | 32% |

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