

EARNINGS REVIEW

Henderson Land (0012.HK)

Neutral

Equity Research

In line with expectations: DPS raised albeit cautious guidance

What surprised us

Henderson Land posted a 4% yoy rise in FY14 underlying profit to HK\$9,292mn (HK\$3.11/sh, up 2% yoy), in line with GSe of HK\$8,940mn. Property sales profit (attributable to the group) fell 13.7% to HK\$3,376mn, dragged by lower margin of HK developments (26.5% in FY14 vs 31.8% in FY13). Rental profit grew 6.8% yoy, but margin fell from 76.7% in FY13 to 75.8% in FY14, on low occupancy (~43%) at the newly finished office project Henderson 688 in Shanghai. 2H DPS was raised to HK\$0.76 (vs. HK\$0.74 in 2H FY13), i.e. full-year DPS of HK\$1.10, up 4% yoy. Considering the 1-for-10 bonus share issue at the start of FY14, DPS growth was over 14% yoy.

What to do with the stock

At the results briefing, management sounded a bit cautious on HK retail sales outlook but guided for asset enhancement at key retail malls to drive rental growth in the medium term. There was limited update on farmland conversions, but they had concluded a couple of aged building assembly projects. We expect the group's near-term development profit will continue to rely on Double Cove, but its bottom-line growth will remain uninspiring unless they can accelerate the sales pace of their urban redevelopment projects. We have raised our FY15E-FY17E EPS estimates by 3%-6% to adjust for the new guidance on Double Cove's land costs. Maintain Neutral and 12m NAV-based TP of HK\$50.45, which is set at a 30% discount to our 12m NAV estimate. **Risks:** upside - faster-than-expected property sales or farmland conversions; downside - unexpected change in government housing policies or abrupt economic downturn.

Henderson Land FY14 Results Summary

(HK\$m)	FY13	FY14	YoY Chg	1H FY14	2H FY14	HoH Chg
Underlying profit	8,938	9,292	4.0%	5,030	4,262	-15.3%
Underlying EPS (HK\$)	3.04	3.11	2.5%	1.69	1.42	-15.7%
DPS (HK\$)	1.06	1.10	3.8%	0.34	0.76	n.a.
Segment Results (incl. JCEs and asso.)						
Property sales	3,911	3,376	-13.7%	1,225	2,151	75.6%
Property rental	5,605	5,988	6.8%	2,957	3,031	2.5%
Reported book per share (HK\$)	75.25	79.37	5.5%	79.13	79.37	0.3%

Source: Company data.

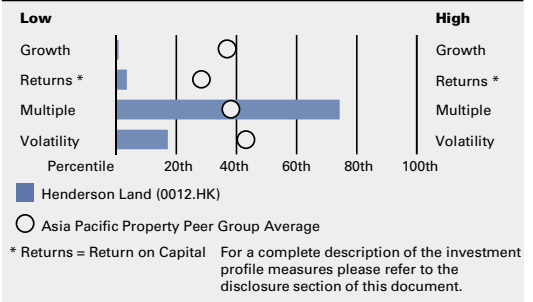
INVESTMENT LIST MEMBERSHIP

Neutral

Coverage View: Attractive

Anthony Wu
+852-2978-0634 anthony.wu@gs.com Goldman Sachs (Asia) L.L.C.
Justin Kwok, CFA
+852-2978-0481 justin.kwok@gs.com Goldman Sachs (Asia) L.L.C.
Claire Cheng
+852-2978-2488 claire.cheng@gs.com Goldman Sachs (Asia) L.L.C.

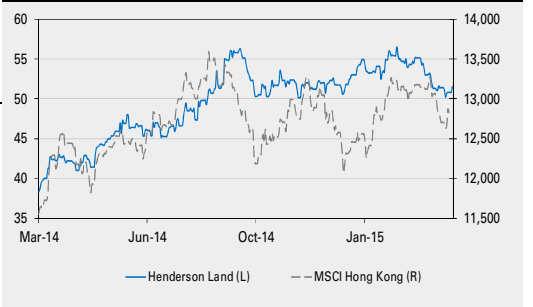
Investment Profile



Key data	Current
Price (HK\$)	51.50
12 month price target (HK\$)	50.45
Market cap (HK\$ mn / US\$ mn)	134,198.4 / 17,295.3
Foreign ownership (%)	--

	12/14	12/15E	12/16E	12/17E
EPS (HK\$) New	5.62	3.02	2.82	2.90
EPS revision (%)	86.5	3.1	4.5	5.5
EPS growth (%)	3.5	(46.3)	(6.6)	2.8
EPS (dil) (HK\$) New	5.62	3.02	2.82	2.90
P/E (X)	8.3	17.1	18.3	17.8
P/B (X)	0.6	0.6	0.6	0.6
EV/EBITDA (X)	26.4	30.3	37.4	37.0
Dividend yield (%)	2.4	2.1	2.1	2.1
ROE (%)	7.3	3.8	3.4	3.5

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(2.0)	(3.9)	34.6
Rel. to MSCI Hong Kong	(5.9)	(3.6)	20.2

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3/23/2015 close.

Goldman Sachs does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

Henderson Land: 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	23,371.0	18,459.9	16,677.2	14,146.2	Cash & equivalents	12,022.0	2,891.3	2,682.7	633.9
Cost of goods sold	(15,415.3)	(10,576.2)	(9,970.4)	(7,310.4)	Accounts receivable	8,520.0	8,946.0	9,393.3	9,863.0
SG&A	(1,187.7)	(1,187.7)	(1,187.7)	(1,187.7)	Inventory	80,101.0	89,788.0	93,799.1	92,747.1
R&D	--	--	--	--	Other current assets	5,463.0	6,161.3	6,762.2	7,423.3
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	106,106.0	107,786.6	112,637.3	110,667.3
EBITDA	6,768.0	6,696.0	5,519.1	5,648.1	Net PP&E	119,705.0	121,205.0	122,705.0	124,205.0
Depreciation & amortization	(176.0)	(184.0)	(189.5)	(195.2)	Net intangibles	361.0	361.0	361.0	361.0
EBIT	6,592.0	6,512.0	5,329.6	5,452.9	Total investments	90,252.0	92,185.5	94,294.9	96,547.2
Interest income	364.0	364.0	194.7	72.8	Other long-term assets	556.0	556.0	556.0	556.0
Interest expense	(859.0)	(812.9)	(825.1)	(851.3)	Total assets	316,980.0	322,094.1	330,554.2	332,336.4
Income/(loss) from uncons. subs.	6,838.0	4,659.7	5,083.7	5,428.0	Accounts payable	8,505.0	8,505.0	8,505.0	8,505.0
Others	0.0	0.0	0.0	0.0	Short-term loans	13,590.0	9,010.3	7,004.5	9,830.5
Pretax profits	12,935.0	10,722.8	9,782.9	10,102.4	Other current liabilities	10,145.0	10,640.7	10,640.7	6,665.3
Income tax	(1,533.0)	(1,214.0)	(1,012.2)	(1,044.5)	Total current liabilities	32,240.0	28,155.9	26,150.2	25,000.8
Minorities	(188.0)	(459.6)	(317.5)	(371.6)	Long-term debt	33,724.0	36,713.8	41,709.3	38,883.3
Net income pre-preferred dividends	11,214.0	9,049.2	8,453.3	8,686.4	Other long-term liabilities	7,799.0	7,799.0	7,799.0	7,799.0
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	41,523.0	44,512.8	49,508.3	46,682.3
Net income (pre-exceptionals)	11,214.0	9,049.2	8,453.3	8,686.4	Total liabilities	73,763.0	72,668.7	75,658.4	71,683.1
Post-tax exceptionals	5,538.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	16,752.0	9,049.2	8,453.3	8,686.4	Total common equity	238,150.0	243,898.8	249,051.7	254,437.7
EPS (basic, pre-exception) (HK\$)	3.76	3.02	2.82	2.90	Minority interest	5,067.0	5,526.6	5,844.1	6,215.6
EPS (basic, post-exception) (HK\$)	5.62	3.02	2.82	2.90	Total liabilities & equity	316,980.0	322,094.1	330,554.2	332,336.4
EPS (diluted, post-exception) (HK\$)	5.62	3.02	2.82	2.90	BVPS (HK\$)	79.37	81.29	83.01	84.80
DPS (HK\$)	1.10	1.10	1.10	1.10	RNAV (HK\$ mn)	221,357.8	216,337.4	--	--
Dividend payout ratio (%)	19.6	36.5	39.0	38.0	RNAVPS (HK\$)	73.78	72.10	--	--
Free cash flow yield (%)	(0.1)	(4.4)	(1.8)	(1.2)					
Growth & margins (%)	12/14	12/15E	12/16E	12/17E	Ratios	12/14	12/15E	12/16E	12/17E
Sales growth	0.4	(21.0)	(9.7)	(15.2)	ROE (%)	7.3	3.8	3.4	3.5
EBITDA growth	12.5	(1.1)	(17.6)	2.3	ROA (%)	5.4	2.8	2.6	2.6
EBIT growth	13.3	(1.2)	(18.2)	2.3	ROACE (%)	4.4	3.5	3.1	3.2
Net income growth	5.0	(46.0)	(6.6)	2.8	Inventory days	1,898.2	2,931.6	3,360.4	4,657.0
EPS growth	3.5	(46.3)	(6.6)	2.8	Receivables days	124.7	172.7	200.7	248.4
Gross margin	34.0	42.7	40.2	48.3	Payable days	193.9	293.5	311.4	424.6
EBITDA margin	29.0	36.3	33.1	39.9	Net debt/equity (%)	14.5	17.2	18.1	18.4
EBIT margin	28.2	35.3	32.0	38.5	Interest cover - EBIT (X)	13.3	14.5	8.5	7.0
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	11,214.0	9,049.2	8,453.3	8,686.4	P/E basic (X)	8.3	17.1	18.3	17.8
D&A add-back	176.0	184.0	189.5	195.2	P/B (X)	0.6	0.6	0.6	0.6
Minorities interests add-back	188.0	459.6	317.5	371.6	EV/EBITDA (X)	26.4	30.3	37.4	37.0
Net (inc)/dec working capital	(300.0)	(10,113.0)	(4,458.4)	582.3	Dividend yield (%)	2.4	2.1	2.1	2.1
Other operating cash flow	(6,115.3)	(4,862.3)	(5,684.7)	(10,064.3)					
Cash flow from operations	10,700.7	(5,282.6)	(1,182.8)	(228.9)	Underlying valuation	12/14	12/15E	12/16E	12/17E
Capital expenditures	(10,833.0)	(1,684.0)	(1,689.5)	(1,695.2)	Underlying profit (HK\$ mn)	9,292.0	9,049.2	8,453.3	8,686.4
Acquisitions	0.0	0.0	0.0	0.0	Underlying EPS (HK\$)	3.11	3.02	2.82	2.90
Divestitures	0.0	0.0	0.0	0.0	Underlying ROE (%)	4.0	3.8	3.4	3.5
Others	2,839.9	2,726.2	2,974.3	3,175.7	Underlying ROA (%)	3.0	2.8	2.6	2.6
Cash flow from investments	(7,993.1)	1,042.2	1,284.8	1,480.5	Underlying ROACE (%)	3.7	3.5	3.1	3.2
Dividends paid (common & pref)	(3,217.1)	(3,300.4)	(3,300.4)	(3,300.4)	Underlying P/E (X)	14.9	17.1	18.3	17.8
Inc/(dec) in debt	6,582.0	(1,590.0)	2,989.8	0.0	Underlying dividend payout (%)	35.3	36.5	39.0	38.0
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0	Underlying EPS growth (%)	2.4	(3.2)	(6.6)	2.8
Other financing cash flows	(9,908.5)	0.0	0.0	0.0					
Cash flow from financing	(6,543.6)	(4,890.4)	(310.6)	(3,300.4)					
Total cash flow	(3,836.0)	(9,130.7)	(208.6)	(2,048.7)					

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

Analyst Contributors

Anthony Wu

anthony.wu@gs.com

Justin Kwok, CFA

justin.kwok@gs.com

Claire Cheng

claire.cheng@gs.com

Exhibit 1: Henderson Land FY14 Results Review

(HK\$m)	FY13	FY14	YoY Chg	1H FY14	2H FY14	HoH Chg	Remarks
Turnover:	23,289	23,371	0%	8,569	14,802	73%	
Property sales	15,743	15,466	-2%	4,432	11,034	149%	HK resi sales incl. Double Cove Starview, High West, High Point and High Place
Rental and related revenue	4,994	5,445	9%	2,637	2,808	6%	China sales incl. High West, Riverside Park, Palatial Crest and Xuzhou Lakeview Development
Building construction	1,290	888	-31%	667	221	-67%	
Hotel operation	194	188	-3%	94	94	0%	
Others	1,068	1,384	30%	739	645	-13%	
Operating profit:	6,825	7,125	4%	3,058	4,067	33%	
Property sales	2,952	2,861	-3%	645	2,216	244%	Overall dev. margin (incl. JCE/asso excl. MI) at 20.1% in FY14 vs. 22.9% in FY13
Rental income	3,670	3,894	6%	1,924	1,970	2%	Rental income margin (incl. JCE/asso excl. MI) at 75.8% in FY14 vs. 76.7% in FY13
Building construction	(26)	(22)	-15%	7	(29)	n.a.	
Hotel operation	57	47	-18%	27	20	-26%	
Infrastructure	(41)	(55)	34%	(26)	(29)	12%	
Others	213	400	88%	481	(81)	n.a.	
Net interest	(649)	(495)	-24%	(186)	(309)	66%	
Bank interest	308	364	18%	251	113	-55%	
Finance costs	(957)	(859)	-10%	(437)	(422)	-3%	Gearing at 15.7% as of Dec-14 (vs 17.2% as of Dec-13)
Unallocated operating expenses	(1,378)	(1,270)	-8%	(594)	(676)	14%	
Profit from operations	4,798	5,360	12%	2,278	3,082	35%	
Other income/expenses	6,715	6,275	-7%	3,868	2,407	-38%	
Provision on inventories	(304)	(5)	-98%	45	(50)	n.a.	
Gain from inv. prop reval.	6,345	5,538	-13%	3,225	2,313	-28%	
Gain on disposal	674	742	10%	598	144	-76%	Incl. gain on disposal of shops at CentreStage and Plover Cove Garden
Associates & JC entities	6,282	6,838	9%	3,909	2,929	-25%	
Inv prop reval surplus	1,180	1,984	68%	1,218	766	-37%	
Development income	825	528	-36%	493	35	-93%	
Rental income	1,469	1,603	9%	788	815	3%	
Other income	2,808	2,723	-3%	1,410	1,313	-7%	
Profit before taxation	17,795	18,473	4%	10,055	8,418	-16%	
Taxation	(1,739)	(1,533)	-12%	(538)	(995)	85%	
Profit after taxation	16,056	16,940	6%	9,517	7,423	-22%	
Minorities	(108)	(188)	74%	(57)	(131)	130%	
Net profit	15,948	16,752	5%	9,460	7,292	-23%	
Underlying profit	8,938	9,292	4%	5,030	4,262	-15%	Excl. effect of fair value change of investment properties
EPS (HK\$)	5.43	5.62	3%	3.18	2.44	-23%	FY13's per share figures adjusted for 1-for-10 bonus shares issue
Underlying EPS (HK\$)	3.04	3.11	2%	1.69	1.42	-16%	FY13's per share figures adjusted for 1-for-10 bonus shares issue
DPS (HK\$)	1.06	1.10	4%	0.34	0.76	n.a.	If factoring in the 1-for-10 bonus shares, the growth would be 14%
Reported book per share (HK\$)	75.25	79.37	5%	79.13	79.37	0%	FY13's per share figures adjusted for 1-for-10 bonus shares issue

Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 2: Henderson Land FY14 Results Highlights

- FY14 underlying profit up 4% yoy to HK\$9,292mn (HK\$3.11/share)
- 2H DPS at HK\$0.76, sending full-year DPS to HK\$1.10, up 4% yoy. If factoring in the 1-for-10 bonus shares issue, the growth would be 14%
- Revenue from property sales is down 2% to HK\$15,466mn (vs. HK\$15,743mn in FY13). Main contributors incl. Double Cove Starview, High West, High Point and High Place in HK, and High West, Riverside Park, Palatial Crest and Xuzhou Lakeview Development in China
- Property sales profits (incl. assos. & JCEs, excl. MI) was down 14% yoy to HK\$3,376mn, with HK down 22% to HK\$2,716mn while China up 62% to HK\$660mn. Overall dev. margin was 20.1% (vs. 22.9% in FY13), with HK margin at 26.5% (vs. 31.8% in FY13) and China margin at 10.1% (vs. 6.7% in FY13)
- Revenue from gross rental revenue increased 9% to HK\$5,445mn (vs. HK\$4,994mn in FY13)
- Net rental income (incl. associates and JCEs, excl. MI) was up 7% yoy, with that in HK/China up 8%/2% yoy. Overall net rental margin in FY14 was at 75.8% (vs. 76.7% in FY13), dragged by low occupancy (~43%) at newly completed Henderson 688 office project in Shanghai.
- Hotel operation saw a 18% yoy decrease in operating profit to HK\$47mn (vs. HK\$57mn in FY13)
- HK\$2,950mn income came from the Hong Kong and China Gas Company Limited (+7% yoy)
- Gearing at 15.7% as of Dec-14 (vs 17.2% as of Dec-13)
- BVPS at HK\$79.37, up 5% yoy or remained unchanged hoh

Source: Company data, Goldman Sachs Global Investment Research.

Disclosure Appendix

Reg AC

We, Anthony Wu, Justin Kwok, CFA and Claire Cheng, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Investment Profile

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe.

The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

Growth is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

GS SUSTAIN

GS SUSTAIN is a global investment strategy aimed at long-term, long-only performance with a low turnover of ideas. The GS SUSTAIN focus list includes leaders our analysis shows to be well positioned to deliver long term outperformance through sustained competitive advantage and superior returns on capital relative to their global industry peers. Leaders are identified based on quantifiable analysis of three aspects of corporate performance: cash return on cash invested, industry positioning and management quality (the effectiveness of companies' management of the environmental, social and governance issues facing their industry).

Disclosures

Coverage group(s) of stocks by primary analyst(s)

Anthony Wu: Hong Kong Property. Justin Kwok, CFA: Asia Pacific Conglomerates, Hong Kong Property.

Asia Pacific Conglomerates: Beijing Enterprises Holdings, Cheung Kong Holdings, Cheung Kong Infrastructure, China Gas Holdings, China Merchants Holdings, China Resources Gas Group, China Suntien Green Energy, CITIC Ltd., COSCO Pacific, Dalian Port Co., ENN Energy Holdings, Fosun International, Galaxy Entertainment Group, Hopewell Holdings, Hutchison Port Holdings Trust, Hutchison Whampoa, Jardine Matheson, Kunlun Energy Co., Melco Crown Entertainment, Melco Crown Entertainment Ltd., Melco International Development, MGM China, MTR Corp., NWS Holdings, Sands China, Shanghai Industrial, Shanghai International Port, Shun Tak Holdings, Sinopec Kantons, SJM Holdings, Summit Ascent Holdings, Swire Pacific, Tianhe Chemicals Group, Tianjin Development Holdings, Tianjin Port Development Holdings, Towngas China, Wharf Holdings, Wheelock and Co., Wynn Macau, Yingde Gases Group.

Hong Kong Property: Champion REIT, China Lodging Group, eHi Car Services, Fortune REIT (Hong Kong), Great Eagle Holdings, Hang Lung Group, Hang Lung Properties, Henderson Land, Homeinns Hotel Group, Hongkong and Shanghai Hotels, Hongkong Land, Hui Xian REIT, Hysan Development, Jinmao Investments, K Wah International, Kerry Properties, Link REIT, Mandarin Oriental International, Mapletree Greater China Commercial, New World Development, Shangri-La Asia, Sino Land, Sun Hung Kai Properties, Swire Properties, Yuexiu Real Estate Investment Trust.

Company-specific regulatory disclosures

The following disclosures relate to relationships between The Goldman Sachs Group, Inc. (with its affiliates, "Goldman Sachs") and companies covered by the Global Investment Research Division of Goldman Sachs and referred to in this research.

Goldman Sachs expects to receive or intends to seek compensation for investment banking services in the next 3 months: Henderson Land (HK\$51.50)

Goldman Sachs had a non-investment banking securities-related services client relationship during the past 12 months with: Henderson Land (HK\$51.50)

Goldman Sachs had a non-securities services client relationship during the past 12 months with: Henderson Land (HK\$51.50)

Goldman Sachs makes a market in the securities or derivatives thereof: Henderson Land (HK\$51.50)

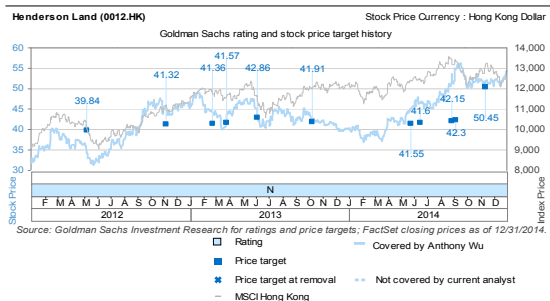
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	33%	54%	13%	44%	38%	32%

As of January 1, 2015, Goldman Sachs Global Investment Research had investment ratings on 3,483 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by NASD/NYSE rules. See 'Ratings, Coverage groups and views and related definitions' below.

Price target and rating history chart(s)



The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

Regulatory disclosures

Disclosures required by United States laws and regulations

See company-specific regulatory disclosures above for any of the following disclosures required as to companies referred to in this report: manager or co-manager in a pending transaction; 1% or other ownership; compensation for certain services; types of client relationships; managed/co-managed public offerings in prior periods; directorships; for equity securities, market making and/or specialist role. Goldman Sachs usually makes a market in fixed income securities of issuers discussed in this report and usually deals as a principal in these securities.

The following are additional required disclosures: **Ownership and material conflicts of interest:** Goldman Sachs policy prohibits its analysts, professionals reporting to analysts and members of their households from owning securities of any company in the analyst's area of coverage. **Analyst compensation:** Analysts are paid in part based on the profitability of Goldman Sachs, which includes investment banking revenues. **Analyst as officer or director:** Goldman Sachs policy prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage. **Non-U.S. Analysts:** Non-U.S. analysts may not be associated persons of Goldman, Sachs & Co. and therefore may not be subject to NASD Rule 2711/NYSE Rules 472 restrictions on communications with subject company, public appearances and trading securities held by the analysts.

Distribution of ratings: See the distribution of ratings disclosure above. **Price chart:** See the price chart, with changes of ratings and price targets in prior periods, above, or, if electronic format or if with respect to multiple companies which are the subject of this report, on the Goldman Sachs website at <http://www.gs.com/research/hedge.html>.

Additional disclosures required under the laws and regulations of jurisdictions other than the United States

The following disclosures are those required by the jurisdiction indicated, except to the extent already made above pursuant to United States laws and regulations. **Australia:** Goldman Sachs Australia Pty Ltd and its affiliates are not authorised deposit-taking institutions (as that term is defined in the Banking Act 1959 (Cth)) in Australia and do not provide banking services, nor carry on a banking business, in Australia. This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act, unless otherwise agreed by Goldman Sachs. In producing research reports, members of the Global Investment Research Division of Goldman Sachs Australia may attend site visits and other meetings hosted by the issuers the subject of its research reports. In some instances the costs of such site visits or meetings may be met in part or in whole by the issuers concerned if Goldman Sachs Australia considers it is appropriate and reasonable in the specific circumstances relating to the site visit or meeting. **Brazil:** Disclosure information in relation to CVM Instruction 483 is available at <http://www.gs.com/worldwide/brazil/area/gir/index.html>. Where applicable, the Brazil-registered analyst primarily responsible for the content of this research report, as defined in Article 16 of CVM Instruction 483, is the first author named at the beginning of this report, unless indicated otherwise at the end of the text. **Canada:** Goldman Sachs Canada Inc. is an affiliate of The Goldman Sachs Group Inc. and therefore is included in the company specific disclosures relating to Goldman Sachs (as defined above). Goldman Sachs Canada Inc. has approved of, and agreed to take responsibility for, this research report in Canada if and to the extent that Goldman Sachs Canada Inc. disseminates this research report to its clients. **Hong Kong:** Further information on the securities of covered companies referred to in this research may be obtained on request from Goldman Sachs (Asia) L.L.C. **India:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (India) Securities Private Limited. **Japan:** See below. **Korea:** Further information on the subject company or companies referred to in this research may be obtained from Goldman Sachs (Asia) L.L.C., Seoul Branch. **New Zealand:** Goldman Sachs New Zealand Limited and its affiliates are neither "registered banks" nor "deposit takers" (as defined in the Reserve Bank of New Zealand Act 1989) in New Zealand. This research, and any access to it, is intended for "wholesale clients" (as defined in the Financial Advisers Act 2008) unless otherwise agreed by Goldman Sachs. **Russia:** Research reports distributed in the Russian Federation are not advertising as defined in the Russian legislation, but are information and analysis not having product promotion as their main purpose and do not provide appraisal within the meaning of the Russian legislation on appraisal activity. **Singapore:** Further information on the covered companies referred to in this research may be obtained from Goldman Sachs (Singapore) Pte. (Company Number: 198602165W). **Taiwan:** This material is for reference only and must not be reprinted without permission. Investors should carefully consider their own investment risk. Investment results are the responsibility of the individual investor. **United Kingdom:** Persons who would be categorized as retail clients in the United Kingdom, as such term is defined in the rules of the Financial Conduct Authority, should read this research in conjunction with prior Goldman Sachs research on the covered companies referred to herein and should refer to the risk warnings that have been sent to them by Goldman Sachs International. A copy of these risks warnings, and a glossary of certain financial terms used in this report, are available from Goldman Sachs International on request.

European Union: Disclosure information in relation to Article 4 (1) (d) and Article 6 (2) of the European Commission Directive 2003/126/EC is available at <http://www.gs.com/disclosures/europeanpolicy.html> which states the European Policy for Managing Conflicts of Interest in Connection with Investment Research.

Japan: Goldman Sachs Japan Co., Ltd. is a Financial Instrument Dealer registered with the Kanto Financial Bureau under registration number Kinsho 69, and a member of Japan Securities Dealers Association, Financial Futures Association of Japan and Type II Financial Instruments Firms Association. Sales and purchase of equities are subject to commission pre-determined with clients plus consumption tax. See company-specific disclosures as to any applicable disclosures required by Japanese stock exchanges, the Japanese Securities Dealers Association or the Japanese Securities Finance Company.

Ratings, coverage groups and views and related definitions

Buy (B), Neutral (N), Sell (S) -Analysts recommend stocks as Buys or Sells for inclusion on various regional Investment Lists. Being assigned a Buy or Sell on an Investment List is determined by a stock's return potential relative to its coverage group as described below. Any stock not assigned as a Buy or a Sell on an Investment List is deemed Neutral. Each regional Investment Review Committee manages various regional Investment Lists to a global guideline of 25%-35% of stocks as Buy and 10%-15% of stocks as Sell; however, the distribution of Buys and Sells in any particular coverage group may vary as determined by the regional Investment Review Committee. Regional Conviction Buy and Sell lists represent investment recommendations focused on either the size of the potential return or the likelihood of the realization of the return.

Return potential represents the price differential between the current share price and the price target expected during the time horizon associated with the price target. Price targets are required for all covered stocks. The return potential, price target and associated time horizon are stated in each report adding or reiterating an Investment List membership.

Coverage groups and views: A list of all stocks in each coverage group is available by primary analyst, stock and coverage group at <http://www.gs.com/research/hedge.html>. The analyst assigns one of the following coverage views which represents the analyst's investment outlook on the coverage group relative to the group's historical fundamentals and/or valuation. **Attractive (A).** The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/or valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

Not Rated (NR). The investment rating and target price have been removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances. **Rating Suspended (RS).** Goldman Sachs Research has suspended the investment rating and price target for this stock, because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. **Coverage Suspended (CS).** Goldman Sachs has suspended coverage of this company. **Not Covered (NC).** Goldman Sachs does not cover this company. **Not Available or Not Applicable (NA).** The information is not available for display or is not applicable. **Not Meaningful (NM).** The information is not meaningful and is therefore excluded.

Global product; distributing entities

The Global Investment Research Division of Goldman Sachs produces and distributes research products for clients of Goldman Sachs on a global basis. Analysts based in Goldman Sachs offices around the world produce equity research on industries and companies, and research on macroeconomics, currencies, commodities and portfolio strategy. This research is disseminated in Australia by Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897); in Brazil by Goldman Sachs do Brasil Corretora de Títulos e Valores Mobiliários S.A.; in Canada by either Goldman Sachs Canada Inc. or Goldman, Sachs & Co.; in Hong Kong by Goldman Sachs (Asia) L.L.C.; in India by Goldman Sachs (India) Securities Private Ltd.; in Japan by Goldman Sachs Japan Co., Ltd.; in the Republic of Korea by Goldman Sachs (Asia) L.L.C., Seoul Branch; in New Zealand by Goldman Sachs New Zealand Limited; in Russia by OOO Goldman Sachs; in Singapore by Goldman Sachs (Singapore) Pte. (Company Number: 198602165W); and in the United States of America by Goldman, Sachs & Co. Goldman Sachs International has approved this research in connection with its distribution in the United Kingdom and European Union.

European Union: Goldman Sachs International authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, has approved this research in connection with its distribution in the European Union and United Kingdom; Goldman Sachs AG and Goldman Sachs International Zweigniederlassung Frankfurt, regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, may also distribute research in Germany.

General disclosures

This research is for our clients only. Other than disclosures relating to Goldman Sachs, this research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Other than certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Goldman Sachs conducts a global full-service, integrated investment banking, investment management, and brokerage business. We have investment banking and other business relationships with a substantial percentage of the companies covered by our Global Investment Research Division. Goldman, Sachs & Co., the United States broker dealer, is a member of SIPC (<http://www.sipc.org>).

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

The analysts named in this report may have from time to time discussed with our clients, including Goldman Sachs salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analyst's published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analyst's fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

We and our affiliates, officers, directors, and employees, excluding equity and credit analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives, if any, referred to in this research.

The views attributed to third party presenters at Goldman Sachs arranged conferences, including individuals from other parts of Goldman Sachs, do not necessarily reflect those of Global Investment Research and are not an official view of Goldman Sachs.

Any third party referenced herein, including any salespeople, traders and other professionals or members of their household, may have positions in the products mentioned that are inconsistent with the views expressed by analysts named in this report.

This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Investors should review current options disclosure documents which are available from Goldman Sachs sales representatives or at

<http://www.theocc.com/about/publications/character-risks.jsp>. Transaction costs may be significant in option strategies calling for multiple purchase and sales of options such as spreads. Supporting documentation will be supplied upon request.

All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Not all research content is redistributed to our clients or available to third-party aggregators, nor is Goldman Sachs responsible for the redistribution of our research by third party aggregators. For research, models or other data available on a particular security, please contact your sales representative or go to <http://360.gs.com>.

Disclosure information is also available at <http://www.gs.com/research/hedge.html> or from Research Compliance, 200 West Street, New York, NY 10282.

© 2015 Goldman Sachs.

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 The Goldman Sachs Group, Inc.

