

EARNINGS REVIEW

ZTE Corp. (0763.HK)

Neutral

Equity Research

Below expectations: Pushing out revenue recognition to 2015

What surprised us

ZTE reported 2014 EPS of Rmb0.77, below GHe and Reuters consensus of RMB0.85 and RMB0.79, respectively. Highlights: (1) 2014 revenue of RMB81.5bn grew 8% yoy, below GHe and consensus of +12% and +14%, respectively, due to a delay in revenue recognition. ZTE guided for 2015 revenue at RMB90-95bn, above prior GHe of RMB90bn. ZTE counts 4G and optical transmission capex in both China and overseas markets as growth drivers in 2015. (2) ZTE shipped 48mn smartphones in 2014 and guided for 60mn unit shipment in 2015, below prior GHe of 53mn and 65mn, respectively. However, the smartphone ASP erosion has decelerated from -33% yoy in 2013 to -8% yoy in 2014, above GHe of -15% yoy, thanks to strong sales of high-end smartphones in Europe and the US. (3) Gross profit margin was 29.1% in 2014, slightly below GHe of 29.5%, but OPM of 6.4% was in-line with GHe. (4) ZTE generated a positive FCF of Rmb95mn in 2014, above our forecast of -Rmb3bn due to its positive operating cash flow of RMB1.1bn.

What to do with the stock

We remain Neutral on the stock. ZTE's 2015 revenue guidance is encouraging, but we attribute the upside to the revenue push-out from 2014 to 2015. Our 2016E revenue estimate is 5% below consensus because we expect China telco capex to increase 7% yoy in 2015E but decrease 5-10% yoy in 2016E. We adjust our EPS forecasts by 3% and -1% in 2015E-2016E to factor in the push out, and introduce 2017E EPS estimate of Rmb1.13. Our 12m TP rises from HK\$15.9 (A share: Rmb12.5) to HK\$17.2 (A share: Rmb13.6), still based on 13X NTM P/E but rolling forward to 1H16 from 4Q15. Key risks: Upside – prolonged 4G capex spending; Downside: FX loss.

ZTE 2014 result was below expectations due to the revenue push out

	2014		
	Actual	GHe	Diff.
Revenue (Rmb mn)	81,471	84,146	-3.2%
EPS (Rmb)	0.77	0.85	-9.9%

Source: Company data, Gao Hua Securities Research

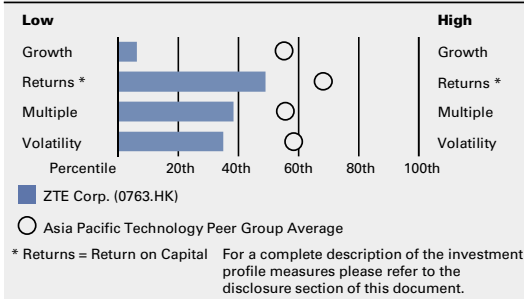
INVESTMENT LIST MEMBERSHIP

Neutral

Coverage View: Neutral

Donald Lu, Ph.D
 +86(10)6627-3123 donald.lu@gshl.cn Beijing Gao Hua Securities Company Limited
Lingling Hu
 +86(10)6627-3520 lingling.hu@gshl.cn Beijing Gao Hua Securities Company Limited

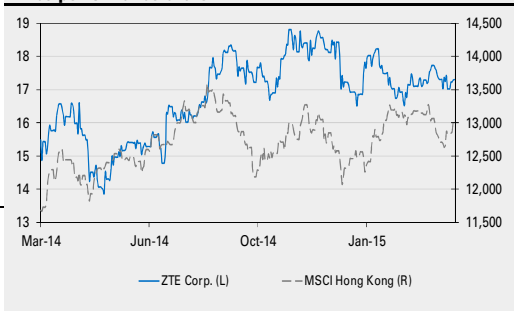
Investment Profile



Key data	Current
Price (HK\$)	17.30
12 month price target (HK\$)	17.20
000063.SZ Price (Rmb)	21.92
000063.SZ 12 month price target (Rmb)	13.60
Market cap (HK\$ mn / US\$ mn)	57,490.6 / 7,413.0
Foreign ownership (%)	--

	12/14	12/15E	12/16E	12/17E
EPS (Rmb) New	0.77	0.99	1.01	1.13
EPS revision (%)	(9.9)	2.8	(1.0)	--
EPS growth (%)	94.0	29.1	1.6	12.6
EPS (dil) (Rmb) New	0.77	0.99	1.00	1.13
P/E (X)	17.1	14.0	13.8	12.2
P/B (X)	1.8	1.7	1.6	1.4
EV/EBITDA (X)	9.4	8.6	7.9	7.6
Dividend yield (%)	1.5	1.9	1.9	2.1
ROE (%)	11.1	13.0	12.0	12.3
CROCI (%)	16.7	14.0	12.7	11.0

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	2.2	(1.3)	11.8
Rel. to MSCI Hong Kong	(2.2)	(4.7)	(0.2)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 3/26/2015 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.

ZTE Corp.: Summary Financials

Profit model (Rmb mn)	12/14	12/15E	12/16E	12/17E	Balance sheet (Rmb mn)	12/14	12/15E	12/16E	12/17E
Total revenue	81,471.3	92,711.6	93,630.8	96,642.1	Cash & equivalents	17,230.1	20,213.1	22,763.1	24,668.5
Cost of goods sold	(57,759.0)	(65,841.0)	(66,956.8)	(69,397.0)	Accounts receivable	48,316.8	54,891.1	53,128.7	58,592.8
SG&A	(12,529.7)	(13,888.2)	(13,760.6)	(13,887.8)	Inventory	19,592.3	22,261.4	21,799.1	23,980.9
R&D	(9,008.5)	(9,973.1)	(9,786.8)	(9,818.6)	Other current assets	1,151.2	1,131.7	1,095.3	1,208.0
Other operating profit/(expense)	2,545.3	2,563.6	2,568.2	2,583.2	Total current assets	86,290.4	98,497.2	98,786.2	108,450.2
ESO expense	--	--	--	--	Net PP&E	7,664.4	7,621.7	7,507.1	7,323.4
EBITDA	6,545.1	7,460.5	7,660.7	8,031.7	Net intangibles	3,741.5	4,100.1	4,486.2	4,889.3
Depreciation & amortization	(1,825.8)	(1,887.6)	(1,966.0)	(1,909.8)	Total investments	4,205.4	4,205.4	4,205.4	4,205.4
EBIT	4,719.3	5,573.0	5,694.7	6,121.9	Other long-term assets	8,352.8	7,708.2	7,460.7	8,228.0
Interest income	433.6	506.6	573.1	630.8	Total assets	110,254.6	122,132.7	122,445.6	133,096.3
Interest expense	(1,561.7)	(1,606.6)	(1,705.7)	(1,664.3)	Accounts payable	49,049.5	55,343.3	53,813.8	58,781.6
Income/(loss) from uncons. subs.	(53.0)	(27.1)	(27.1)	(27.1)	Short-term debt	20,347.8	23,116.4	22,374.2	24,675.3
Others	0.0	0.0	0.0	0.0	Other current liabilities	567.9	1,894.7	1,833.9	2,022.5
Pretax profits	3,538.2	4,445.9	4,535.1	5,061.2	Total current liabilities	69,965.1	80,354.4	78,021.8	85,479.4
Income tax	(810.5)	(937.7)	(972.1)	(1,057.8)	Long-term debt	11,745.4	11,745.4	11,745.4	11,745.4
Minorities	(94.2)	(107.1)	(108.2)	(111.7)	Other long-term liabilities	2,251.6	919.7	890.2	981.8
Net income pre-preferred dividends	2,633.6	3,401.0	3,454.8	3,891.7	Total long-term liabilities	13,997.0	12,665.1	12,635.6	12,727.1
Preferred dividends	0.0	0.0	0.0	0.0	Total liabilities	83,962.1	93,019.5	90,657.4	98,206.5
Net income (pre-exceptionals)	2,633.6	3,401.0	3,454.8	3,891.7	Preferred shares	0.0	0.0	0.0	0.0
Post-tax exceptionals	0.0	0.0	0.0	0.0	Total common equity	24,878.6	27,592.1	30,159.0	33,148.8
Net income	2,633.6	3,401.0	3,454.8	3,891.7	Minority interest	1,413.9	1,521.1	1,629.2	1,741.0
EPS (basic, pre-exception) (Rmb)	0.77	0.99	1.01	1.13	Total liabilities & equity	110,254.6	122,132.7	122,445.6	133,096.3
EPS (basic, post-exception) (Rmb)	0.77	0.99	1.01	1.13	BVPS (Rmb)	7.23	8.03	8.77	9.64
EPS (diluted, post-exception) (Rmb)	0.77	0.99	1.00	1.13	Ratios	12/14	12/15E	12/16E	12/17E
EPS excl. ESO expense (basic) (Rmb)	--	--	--	--	CROCI (%)	16.7	14.0	12.7	11.0
EPS excl. ESO expense (dil.) (Rmb)	--	--	--	--	ROE (%)	11.1	13.0	12.0	12.3
DPS (Rmb)	0.20	0.26	0.26	0.30	ROA (%)	2.5	2.9	2.8	3.0
Dividend payout ratio (%)	26.1	26.1	26.1	26.1	ROACE (%)	9.3	10.3	10.2	10.7
Free cash flow yield (%)	0.2	4.2	11.1	3.6	Inventory days	101.2	116.0	120.1	120.4
Growth & margins (%)	12/14	12/15E	12/16E	12/17E	Receivables days	209.6	203.2	210.5	211.0
Sales growth	8.3	13.8	1.0	3.2	Payable days	294.0	289.4	297.5	296.1
EBITDA growth	35.4	14.0	2.7	4.8	Net debt/equity (%)	56.5	50.3	35.7	33.7
EBIT growth	52.8	18.1	2.2	7.5	Interest cover - EBIT (X)	4.2	5.1	5.0	5.9
Net income growth	94.0	29.1	1.6	12.6	Valuation	12/14	12/15E	12/16E	12/17E
EPS growth	94.0	29.1	1.6	12.6	P/E (analyst) (X)	17.1	14.0	13.8	12.2
Gross margin	29.1	29.0	28.5	28.2	P/B (X)	1.8	1.7	1.6	1.4
EBITDA margin	8.0	8.0	8.2	8.3	EV/EBITDA (X)	9.4	8.6	7.9	7.6
EBIT margin	5.8	6.0	6.1	6.3	EV/GCI (X)	1.3	1.3	1.2	1.1
Cash flow statement (Rmb mn)	12/14	12/15E	12/16E	12/17E	Dividend yield (%)	1.5	1.9	1.9	2.1
Net income pre-preferred dividends	2,633.6	3,401.0	3,454.8	3,891.7	Note: Last actual year may include reported and estimated data.				
D&A add-back	1,825.8	1,887.6	1,966.0	1,909.8	Source: Company data, Goldman Sachs Research estimates.				
Minorities interests add-back	94.2	107.1	108.2	111.7					
Net (inc)/dec working capital	(5,165.4)	(2,949.6)	695.1	(2,678.1)					
Other operating cash flow	1,713.8	559.1	93.5	(699.8)					
Cash flow from operations	1,101.9	3,005.3	6,317.5	2,535.3					
Capital expenditures	(1,007.1)	(939.2)	(857.2)	(768.7)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	0.0	0.0	0.0	0.0					
Others	(1,015.2)	(1,164.3)	(1,280.3)	(1,260.5)					
Cash flow from investments	(2,022.3)	(2,103.4)	(2,137.5)	(2,029.1)					
Dividends paid (common & pref)	(103.1)	(687.5)	(887.9)	(901.9)					
Inc/(dec) in debt	(447.7)	2,768.6	(742.2)	2,301.1					
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0					
Other financing cash flows	(1,416.9)	0.0	0.0	0.0					
Cash flow from financing	(1,967.7)	2,081.1	(1,630.0)	1,399.2					
Total cash flow	(2,888.1)	2,983.0	2,549.9	1,905.4					

Analyst Contributors

Donald Lu, Ph.D

donald.lu@ghsl.cn

Lingling Hu

lingling.hu@ghsl.cn

Exhibit 1: We adjust our EPS forecasts by 3% and -1% in 2015E and 2016E
ZTE forecasts revisions

	2015E			2016E			2017E		
	New	Old	Diff.	New	Old	Diff.	New	Old	Diff.
Revenue (Rmb mn)	92,712	89,827	3.2%	93,631	91,718	2.1%	96,642		
Gross margin	29.0%	28.7%	30bps	28.5%	28.0%	48bps	28.2%		
Operating margin	6.6%	6.6%	-8bps	6.7%	6.7%	-4bps	7.0%		
Net profit (Rmb mn)	3,401	3,308	2.8%	3,455	3,488	-1.0%	3,892		
Net margin	3.7%	3.7%	-1bps	3.7%	3.8%	-11bps	4.0%		
EPS (Rmb)	0.99	0.96	2.8%	1.01	1.01	-1.0%	1.13		

Source: Gao Hua Securities Research

Disclosure Appendix

Reg AC

We, Donald Lu, Ph.D and Lingling Hu, 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.

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)

Donald Lu, Ph.D: China Technology, China Telecoms.

China Technology: Accelink Technologies, Anhui USTC iFLYTEK, Beijing Ultrapower Software, Fiberhome Telecom Tech, GoerTek Inc., Hangzhou Hikvision, Hermes Microvision Inc., Hua Hong Semiconductor Ltd., Mediatek, Nationz Technologies, NavInfo Co., Ningbo Joyson Electronic, Parade Technologies Ltd., Shenzhen Luxshare Precision Ind, Shenzhen O-Film Tech Co. Ltd., Shenzhen Tat Fook Technology, Sunny Optical Technology Group, TSMC, TSMC, United Microelectronics, United Microelectronics Corp., Zhejiang Crystal-Optech Co., Zhejiang Dahua Technology Co., ZTE Corp., ZTE Corp..

China Telecoms: China Communication Services, China Mobile (HK), China Mobile (HK), China Telecom, China Telecom, China Unicom, China Unicom, China United Network Comm.

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: ZTE Corp. (Rmb21.92)

Goldman Sachs had an investment banking services client relationship during the past 12 months with: ZTE Corp. (Rmb21.92)

Goldman Sachs had a non-securities services client relationship during the past 12 months with: ZTE Corp. (Rmb21.92)

Goldman Sachs makes a market in the securities or derivatives thereof: ZTE Corp. (Rmb21.92)

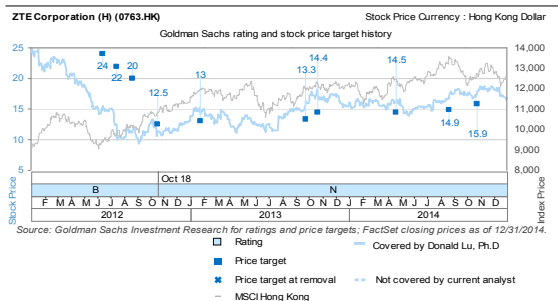
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

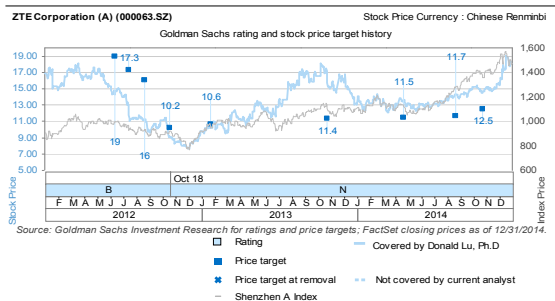
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	33%	54%	13%	44%	38%	32%

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.



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.