

1H11 results review

Defensive growth story intact

July 25, 2011

Rating Remains	Buy
Target price Remains	SGD 2.52
Closing price July 22, 2011	SGD 2.34
Potential upside	+7.7%

Action: results in line, BUY reaffirmed

Raffles Medical posted a 12.8% y-y increase in 1H11 net earnings to SGD11.7mn. The growth came on the back of volume growth and higher patient intensity, despite losses in the Chinese operations and withdrawal of jobs credit grants being a drag on margins. The results are in line with our expectations and are consistent with consensus estimates. In our view, a major reaction to the results is unlikely. We reaffirm our BUY rating. Our target price is under review.

Catalysts: regional expansion, operating margin expansion

Possible near-term catalysts include: 1) regional expansion via M&A or greenfield activities, at a reasonable price; and 2) upside to operating margin expansion.

Valuation: TP unchanged at SGD2.52 (under review)

We value Raffles Medical based on 24.3x P/E (methodology unchanged), a mean relative P/E discount (20%) to Parkway's take-out P/E of 29x. We base our 12-month TP on a blended FY11/12F EPS to partially price in its aggressive expansion plans, which will only be more visible to investors beyond 2H11F, in our view. Key risks to our call: 1) the group's ability to attract and retain medical professionals; and 2) regulatory risks in Singapore.

Anchor themes

We believe continued demand for private healthcare in the region will support long-term prospects for Singapore healthcare service operators, which enjoy strong operating margins, brand equity and high entry barriers.

Nomura vs consensus

We are 1.4% above consensus estimates on FY11F earnings.

Research analysts

Singapore Health Care & Pharmaceuticals

Jit Soon Lim, CFA - NSL
jitsoon.lim@nomura.com
 +65 6433 6969

31 Dec	FY10	FY11F		FY12F		FY13F	
Currency (SGD)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	239	279	279	329	329	390	390
Reported net profit (mn)	45	50	51	60	60	74	74
Normalised net profit (mn)	45	50	51	60	60	74	74
Normalised EPS	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Norm. EPS growth (%)	18.4	19.0	10.6	20.3	18.9	23.7	23.4
Norm. P/E (x)	27.4	N/A	24.5	N/A	20.6	N/A	16.7
EV/EBITDA	19.1	N/A	18.3	N/A	14.9	N/A	11.8
Price/book (x)	4.3	N/A	3.9	N/A	3.4	N/A	3.0
Dividend yield (%)	1.5	N/A	1.5	N/A	1.5	N/A	1.5
ROE (%)	16.9	16.5	16.7	17.8	17.7	19.2	19.1
Net debt/equity (%)	net cash	7.0	6.9	2.2	2.1	net cash	net cash

Key company data: See page 2 for company data and detailed price/index chart.

Rating: See report end for details of Nomura's rating system.

See Appendix A-1 for analyst certification and important disclosures. Analysts employed by non US affiliates are not registered or qualified as research analysts with FINRA in the US.

Key data on Raffles Medical

Income statement (SGDmn)

Year-end 31 Dec	FY09	FY10	FY11F	FY12F	FY13F
Revenue	219	239	279	329	390
Cost of goods sold	-173	-186	-218	-256	-300
Gross profit	45	53	60	73	90
SG&A	0	0	0	0	0
Employee share expense	0	0	0	0	0
Operating profit	45	53	60	73	90
EBITDA	52	60	68	83	100
Depreciation	-7	-7	-8	-9	-10
Amortisation	0	0	0	0	0
EBIT	45	53	60	73	90
Net interest expense	0	0	1	-1	0
Associates & JCEs	0	0	0	0	0
Other income	0	0	0	0	0
Earnings before tax	45	53	61	73	90
Income tax	-7	-8	-10	-12	-15
Net profit after tax	38	45	51	60	75
Minority interests	0	0	0	0	0
Other items	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Normalised NPAT	38	45	51	60	74
Extraordinary items	0	0	0	0	0
Reported NPAT	38	45	51	60	74
Dividends	-16	-18	-18	-18	-18
Transfer to reserves	22	27	32	42	56

Valuation and ratio analysis

FD normalised P/E (x)	32.2	27.4	24.5	20.6	16.7
FD normalised P/E at price target (x)	34.8	29.6	26.5	22.3	18.0
Reported P/E (x)	31.9	26.9	24.3	20.5	16.6
Dividend yield (%)	1.3	1.5	1.5	1.5	1.5
Price/cashflow (x)	25.9	25.2	21.0	17.9	14.4
Price/book (x)	4.8	4.3	3.9	3.4	3.0
EV/EBITDA (x)	22.5	19.1	18.3	14.9	11.8
EV/EBIT (x)	26.0	21.6	20.7	16.9	13.1
Gross margin (%)	20.8	22.2	21.7	22.3	23.1
EBITDA margin (%)	23.9	25.1	24.5	25.2	25.6
EBIT margin (%)	20.8	22.2	21.7	22.3	23.1
Net margin (%)	17.3	18.9	18.1	18.3	19.0
Effective tax rate (%)	15.6	14.3	17.0	17.0	17.0
Dividend payout (%)	41.4	40.5	36.6	30.8	24.9
Capex to sales (%)	1.8	2.3	52.9	10.9	2.1
Capex to depreciation (x)	0.6	0.8	19.0	3.8	0.8
ROE (%)	16.1	16.9	16.7	17.7	19.1
ROA (pretax %)	17.2	20.1	17.9	17.2	20.2

Growth (%)

Revenue	8.9	9.4	16.6	18.0	18.5
EBITDA	15.5	14.4	13.9	21.4	20.7
EBIT	17.4	16.5	14.1	21.3	23.0
Normalised EPS	19.7	18.4	10.6	18.9	23.4
Normalised FDEPS	20.1	17.7	11.6	18.9	23.4

Per share

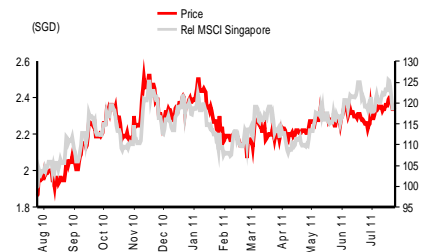
Reported EPS (SGD)	0.07	0.09	0.10	0.11	0.14
Norm EPS (SGD)	0.07	0.09	0.10	0.11	0.14
Fully diluted norm EPS (SGD)	0.07	0.09	0.10	0.11	0.14
Book value per share (SGD)	0.48	0.55	0.60	0.68	0.79
DPS (SGD)	0.03	0.04	0.04	0.04	0.04

Source: Company data, Nomura estimates

Notes

Revenue growth on the back of higher patient intensity and volume growth

Price and price relative chart (one year)



(%)	1M	3M	12M
Absolute (SGD)	0.4	6.4	30.2
Absolute (USD)	1.1	9.1	46.9
Relative to index	0.6	10.4	26.9
Market cap (USDmn)	1,003.9		
Estimated free float (%)	46.7		
52-week range (SGD)	2.52/1.75		
3-mth avg daily turnover (USDmn)	0.49		
Major shareholders (%)			
Loo Choon Yong	52.9		

Cashflow (SGDmn)

Year-end 31 Dec	FY09	FY10	FY11F	FY12F	FY13F
EBITDA	52	60	68	83	100
Change in working capital	1	-3	1	-1	3
Other operating cashflow	-6	-8	-10	-13	-16
Cashflow from operations	47	49	59	69	86
Capital expenditure	-4	-5	-148	-36	-8
Free cashflow	43	44	-89	33	78
Reduction in investments					
Net acquisitions	0	2	0	0	0
Reduction in other LT assets					
Addition in other LT liabilities					
Adjustments	0	0	1	0	1
Cashflow after investing acts	44	46	-88	34	79
Cash dividends	-13	-16	-18	-18	-18
Equity issue	1	4	0	0	0
Debt issue	-2	-1	46	0	0
Convertible debt issue	0	0	0	0	0
Others	1	-1	0	-1	-1
Cashflow from financial acts	-13	-13	28	-20	-20
Net cashflow	31	32	-60	14	59
Beginning cash	45	75	107	47	62
Ending cash	75	107	47	62	121
Ending net debt	-50	-85	22	8	-52

Source: Company data, Nomura estimates

Notes

Capex to be funded via operating cashflows and a limited amount of gearing

Balance sheet (SGDmn)

As at 31 Dec	FY09	FY10	FY11F	FY12F	FY13F
Cash & equivalents	75	107	47	62	121
Marketable securities	0	0	0	0	0
Accounts receivable	24	26	31	37	43
Inventories	5	5	6	7	9
Other current assets					
Total current assets	104	138	84	105	173
LT investments	85	88	88	88	88
Fixed assets	146	144	284	311	309
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other LT assets	1	1	1	1	1
Total assets	337	372	458	505	571
Short-term debt	5	5	5	5	5
Accounts payable	52	51	58	64	75
Other current liabilities	9	10	10	10	10
Total current liabilities	65	65	73	79	89
Long-term debt	20	18	64	64	64
Convertible debt	0	0	0	0	0
Other LT liabilities	1	2	2	2	1
Total liabilities	87	85	138	144	154
Minority interest	0	1	1	1	1
Preferred stock	0	0	0	0	0
Common stock	173	177	177	177	177
Retained earnings	77	109	141	183	239
Proposed dividends	0	0	0	0	0
Other equity and reserves	0	0	0	0	0
Total shareholders' equity	250	286	318	360	416
Total equity & liabilities	337	372	458	505	571

Notes

Robust balance sheet even as company moves from net cash to net debt position

Liquidity (x)

Current ratio	1.60	2.12	1.16	1.34	1.94
Interest cover	110.9	na	na	128.6	214.5

Leverage

Net debt/EBITDA (x)	net cash	net cash	0.32	0.09	net cash
Net debt/equity (%)	net cash	net cash	6.9	2.1	net cash

Activity (days)

Days receivable	41.1	38.4	37.3	37.6	37.4
Days inventory	10.6	10.2	9.4	9.7	9.7
Days payable	109.1	100.9	91.1	87.4	84.5
Cash cycle	-57.4	-52.3	-44.4	-40.1	-37.4

Source: Company data, Nomura estimates

1H11 earnings summary

Raffles Medical posted a y-y increase of 12.8% in 1H11 net earnings to SGD2.2bn. The growth came on the back of volume growth and higher patient intensity, despite losses in the Chinese operations and withdrawal of jobs credit grants being a drag on margins.

This set of results is in line with our expectations (44% of full-year forecasts). We maintain our BUY rating and target price (under review) of SGD2.52.

Key highlights

2Q11 revenues from Hospital services and Healthcare services were up 14.5% and 12.2% y-y, respectively. Key drivers of growth were better pricing from higher patient intensity and volume growth. Foreign patient demand remained strong. 1H11 revenues were up 14.5% y-y.

1H 11 net profit grew 12.8% on a y-y basis. 1H11 PAT margins (16.9%) were slightly lower than in the corresponding period (17.2%), primarily due to withdrawal of jobs credit grants (expired on 30 June 2010) and losses from its Chinese operations.

Fig. 1: 2Q11 results summary

(SGD'm)	2Q11	2Q10	% chg	1H11	1H10	% chg
Revenue	66,963	58,576	14.3	131,396	114,772	14.5
Other operating income	7	161	(95.7)	7	161	(95.7)
Inventories and consumables used	(7,649)	(6,653)	15.0	(15,085)	(13,039)	15.7
Purchased and contracted services	(5,277)	(4,338)	21.6	(10,098)	(8,173)	23.6
Staff costs	(31,706)	(27,790)	14.1	(63,372)	(55,412)	14.4
Depreciation of PPE	(1,968)	(1,691)	16.4	(3,846)	(3,386)	13.6
Operating lease expenses	(1,454)	(1,343)	8.3	(2,878)	(2,675)	7.6
Other operating expenses	(4,586)	(4,010)	14.4	(8,976)	(8,206)	9.4
EBIT	14,330	12,912	11.0	27,148	24,042	12.9
Finance income	38	99	(61.6)	174	165	5.5
Finance expenses	(70)	(63)	11.1	(112)	(134)	(16.4)
EBT	14,298	12,948	10.4	27,210	24,073	13.0
Tax	(2,612)	(2,347)	11.3	(4,965)	(4,349)	14.2
Net profit	11,686	10,601	10.2	22,245	19,724	12.8
Attributable to equity holders	11,630	10,564	10.1	22,109	19,632	12.6
Minority interests	56	37	51.4	136	92	47.8

Source: Company data, Nomura research

Management guidance

Management foresees cost pressures going forward but expects this will be mitigated by improved pricing of hospital services. Management is also positive on the government's plan to involve private-sector doctors in coping with the public healthcare load.

Plans to expand its hospital wing remain on track, and the company is in the process of obtaining planning permission from the URA. At the same time, the purchase of Thong Sia Building was completed on 15 April 2011, and the company expects it to commence operations in 2H12F. According to management, the revenue contribution from its Shanghai facility remains small and is expected to break even in two years. Management plans to fund its expansion plan via operating cashflows and a limited amount of gearing.

Dividend payout

An interim dividend of SGD0.01 was announced. Management reiterated its commitment to pay an annual dividend of SGD0.035 despite capital commitments for its expansion plans.

What does the result mean?

1H11 earnings are in line with our expectations (44% of full-year forecasts). We believe the company remains on track in executing its expansion strategy, which we expect to start bearing fruit in 2012F.

Stock reaction

Since the 1H11 earnings are in line with our expectations and are consistent with consensus estimates, a major reaction to the results is unlikely, in our view.

Valuation methodology

We value Raffles Medical based on 24.3x P/E, a mean relative P/E discount (20%) to Parkway's take-out P/E of 29x. We base our 12-month TP on a blended FY11/12F EPS of SGD0.104 to partially price in its aggressive expansion plans, which will only be more visible to investors beyond 2H11F, in our view.

Risks that may impede the achievement of the target price

Risks include: 1) the group's ability to attract and retain medical professionals; and 2) regulatory risks in Singapore.

Appendix A-1

Analyst Certification

I, Jit Soon Lim, 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

Mentioned companies

Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Raffles Medical	RFMD SP	SGD 2.34	22-Jul-2011	Buy	Not rated	

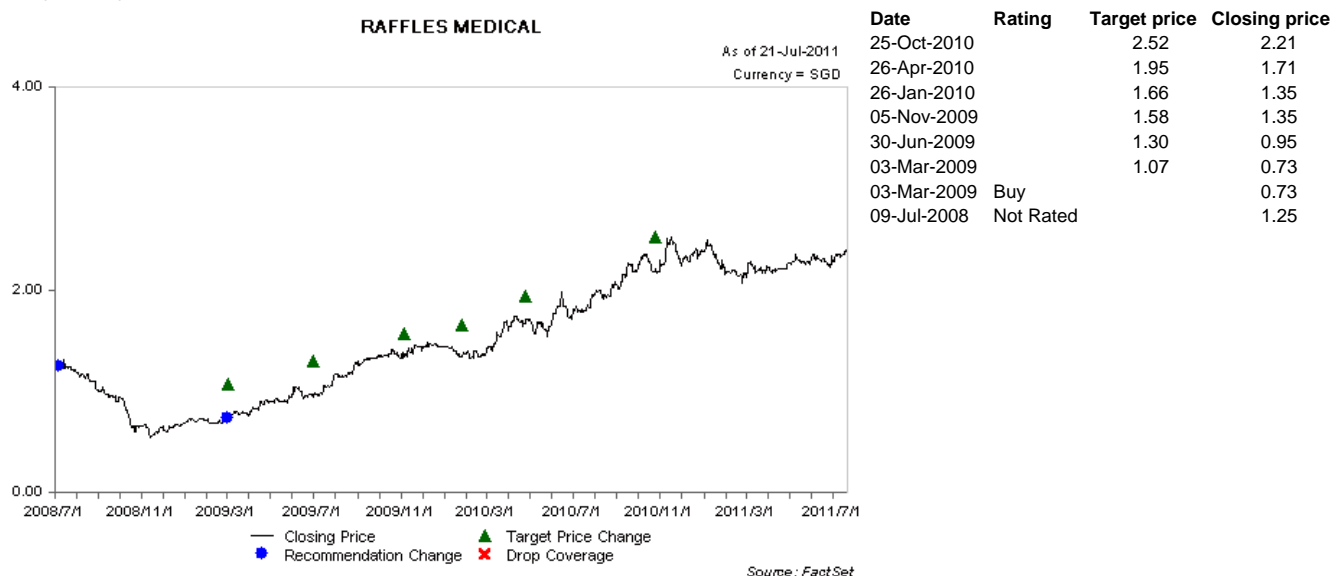
Previous Rating

Issuer name	Previous Rating	Date of change
Raffles Medical	Not Rated	03-Mar-2009

Raffles Medical (RFMD SP)

SGD 2.34 (22-Jul-2011) Buy (Sector rating: Not rated)

Rating and target price chart (three year history)



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

Valuation Methodology We value Raffles Medical based on 24.3x P/E, a mean relative P/E discount (20%) to Parkway's take-out P/E of 29x. We base our 12-month TP on a blended FY11/12F EPS of SGD0.104 to partially price in its aggressive expansion plans, which will only be more visible to investors beyond 2H11F, in our view.

Risks that may impede the achievement of the target price Risks include: 1) the group's ability to attract and retain medical professionals; and 2) regulatory risks in Singapore.

Important Disclosures

Online availability of research and additional conflict-of-interest disclosures

Nomura Japanese Equity Research is available electronically for clients in the US on NOMURA.COM, REUTERS, BLOOMBERG and THOMSON ONE ANALYTICS. For clients in Europe, Japan and elsewhere in Asia it is available on NOMURA.COM, REUTERS and BLOOMBERG.

Important disclosures may be accessed through the left hand side of the Nomura Disclosure web page <http://go.nomuranow.com/research/globalresearchportal> or requested from Nomura Securities International, Inc., on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport-eu@nomura.com for technical assistance.

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/NYSE rules, may not be associated persons of NSI, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Industry Specialists identified in some Nomura International plc research reports are employees within the Firm who are responsible for the sales and trading effort in the sector for which they have coverage. Industry Specialists do not contribute in any manner to the content of research reports in which their names appear.

Marketing Analysts identified in some Nomura research reports are research analysts employed by Nomura International plc who are primarily responsible for marketing Nomura's Equity Research product in the sector for which they have coverage. Marketing Analysts may also contribute to research reports in which their names appear and publish research on their sector.

Distribution of ratings (US)

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

40% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 10% of companies with this rating are investment banking clients of the Nomura Group*.

53% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 3% of companies with this rating are investment banking clients of the Nomura Group*.

7% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 0% of companies with this rating are investment banking clients of the Nomura Group*.

As at 30 June 2011.

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

Distribution of ratings (Global)

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

49% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 41% of companies with this rating are investment banking clients of the Nomura Group*.

40% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 46% of companies with this rating are investment banking clients of the Nomura Group*.

11% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 14% of companies with this rating are investment banking clients of the Nomura Group*.

As at 30 June 2011.

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

Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America for ratings published from 27 October 2008

The rating system is a relative system indicating expected performance against a specific benchmark identified for each individual stock. Analysts may also indicate absolute upside to target price defined as (fair value - current price)/current price, subject to limited management discretion. In most cases, the fair value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as discounted cash flow or multiple analysis, etc.

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 in certain circumstances including, but not limited to, when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the company.

Benchmarks are as follows: **United States/Europe**: Please see valuation methodologies for explanations of relevant benchmarks for stocks (accessible through the left hand side of the Nomura Disclosure web page: <http://go.nomuranow.com/research/globalresearchportal>); **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology.

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.

Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as $(\text{Target Price} - \text{Current Price}) / \text{Current Price}$, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc.

A **'Buy'** recommendation indicates that potential upside is 15% or more.

A **'Neutral'** recommendation indicates that potential upside is less than 15% or downside is less than 5%.

A **'Reduce'** recommendation indicates that potential downside is 5% or more.

A rating of **'Suspended'** indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company.

Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

SECTORS

A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A **'Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A **'Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008)

STOCKS

A rating of '1' or **'Strong buy'**, indicates that the analyst expects the stock to outperform the Benchmark by 15% or more over the next six months.

A rating of '2' or **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark by 5% or more but less than 15% over the next six months.

A rating of '3' or **'Neutral'**, indicates that the analyst expects the stock to either outperform or underperform the Benchmark by less than 5% over the next six months.

A rating of '4' or **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark by 5% or more but less than 15% over the next six months.

A rating of '5' or **'Sell'**, indicates that the analyst expects the stock to underperform the Benchmark by 15% or more over the next six months.

Stocks labeled **'Not rated'** or shown as **'No rating'** are not in Nomura's regular research coverage. Nomura might not publish additional research reports concerning this company, and it undertakes no obligation to update the analysis, estimates, projections, conclusions or other information contained herein.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next six months.

A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next six months.

A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next six months.

Benchmarks are as follows: **Japan:** TOPIX; **United States:** S&P 500, MSCI World Technology Hardware & Equipment; **Europe,** by sector - *Hardware/Semiconductors:* FTSE W Europe IT Hardware; *Telecoms:* FTSE W Europe Business Services; *Business Services:* FTSE W Europe; *Auto & Components:* FTSE W Europe Auto & Parts; *Communications equipment:* FTSE W Europe IT Hardware; **Ecology Focus:** Bloomberg World Energy Alternate Sources; **Global Emerging Markets:** MSCI Emerging Markets ex-Asia.

Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as $(\text{Fair Value} - \text{Current Price}) / \text{Current Price}$, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

A **'Strong buy'** recommendation indicates that upside is more than 20%.

A **'Buy'** recommendation indicates that upside is between 10% and 20%.

A **'Neutral'** recommendation indicates that upside or downside is less than 10%.

A **'Reduce'** recommendation indicates that downside is between 10% and 20%.

A **'Sell'** recommendation indicates that downside is more than 20%.

SECTORS

A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A **'Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A **'Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

Target Price

A Target Price, if discussed, reflect 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 entity identified at the top or bottom of page 1 herein, if any, and/or, with the sole or joint contributions of one or more Nomura entities whose employees and their respective affiliations are specified on page 1 herein or elsewhere identified in the publication. Affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the 'Nomura Group'), include: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nlplc'), United Kingdom; Nomura Securities International, Inc. ('NSI'), New York, NY; Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; 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>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Capital Nomura Securities Public Company Limited ('CNS'), Thailand; 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; P.T. Nomura Indonesia ('PTNI'), Indonesia; Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; Nomura International (Hong Kong) Ltd., Taipei Branch ('NITB'), Taiwan; 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; SEBI Registration No: BSE INB011299030, NSE INB231299034, INF231299034, INE 231299034); Banque Nomura France ('BNF'); Nlplc, Dubai Branch ('Nlplc, Dubai'); Nlplc, Madrid Branch ('Nlplc, Madrid') and OOO Nomura, Moscow ('OOO Nomura').

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 SECURITY IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) BASED UPON INFORMATION THAT WE CONSIDER RELIABLE.

NOMURA GROUP DOES NOT WARRANT OR REPRESENT THAT THE PUBLICATION IS ACCURATE, COMPLETE, RELIABLE, FIT FOR ANY PARTICULAR PURPOSE OR MERCHANTABLE AND DOES NOT ACCEPT LIABILITY FOR ANY ACT (OR DECISION NOT TO ACT) RESULTING FROM USE OF THIS PUBLICATION AND RELATED DATA. TO THE MAXIMUM EXTENT PERMISSIBLE ALL WARRANTIES AND OTHER ASSURANCES BY NOMURA GROUP ARE HEREBY EXCLUDED AND NOMURA GROUP SHALL HAVE NO LIABILITY FOR THE USE, MISUSE, OR DISTRIBUTION OF THIS INFORMATION.

Opinions expressed are current opinions as of the original publication date appearing on this material only and the information, including the opinions contained herein, are subject to change without notice. Nomura is under no duty to update this publication. If and as applicable, NSI's investment banking relationships, investment banking and non-investment banking compensation and securities ownership (identified in this report as 'Disclosures Required in the United States'), if any, are specified in disclaimers and related disclosures in this report. In addition, other members of the Nomura Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from, companies mentioned herein. Furthermore, the Nomura Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by applicable law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by NSI, referenced above), or derivatives (including options) thereof, of companies mentioned herein, or related securities or derivatives. For financial instruments admitted to trading on an EU regulated market, Nomura Holdings Inc's affiliate or its subsidiary companies may act as market maker or liquidity provider (in accordance with the interpretation of these definitions under FSA rules in the UK) in the financial instruments of the issuer. Where the activity of liquidity provider is carried out in accordance with the definition given to it by specific laws and regulations of other EU jurisdictions, this will be separately disclosed within this report. Furthermore, the Nomura Group may buy and sell certain of the securities of companies mentioned herein, as agent for its clients.

Investors should consider this report 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. Please see the further disclaimers in the disclosure information on companies covered by Nomura analysts available at <http://go.nomuranow.com/research/globalresearchportal> under the 'Disclosure' tab. Nomura Group produces a number of different types of research product including, among others, fundamental analysis, quantitative analysis and short term trading ideas; 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; it is possible that individual employees of Nomura may have different perspectives to this publication.

NSC and other non-US members of the Nomura Group (i.e. excluding NSI), their officers, directors and employees may, to the extent it relates to non-US issuers and is permitted by applicable law, have acted upon or used this material prior to, or immediately following, its publication.

Foreign-currency-denominated 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. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. The securities described herein may not have been registered under the US Securities Act of 1933, and, in such case, may not be offered or sold in the United States or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. Unless governing law permits otherwise, you must contact a Nomura entity in your home jurisdiction if you want to use our services in effecting a transaction in the securities mentioned in this material.

This publication has been approved for distribution in the United Kingdom and European Union as investment research by Nlplc, which is authorized and regulated by the UK Financial Services Authority ('FSA') and is a member of the London Stock Exchange. It does not constitute a personal recommendation, as defined by the FSA, or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are 'eligible counterparties' or 'professional clients' as defined by the FSA, and may not, therefore, be redistributed to retail clients as defined by the FSA. This publication may be distributed in Germany via Nomura Bank (Deutschland) GmbH, which is authorized and regulated in Germany by the Federal Financial Supervisory Authority ('BaFin'). This publication has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. This publication has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This publication has also been approved for distribution in Malaysia by NSM. In Singapore, this publication has been distributed by NSL. NSL accepts legal responsibility for the content of this publication, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this publication should contact NSL in respect of matters arising from, or in connection with, this publication. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States, 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.

This publication has not been approved for distribution in the Kingdom of Saudi Arabia or to clients other than 'professional clients' in the United Arab Emirates by Nomura Saudi Arabia, Nlplc or any other member of the Nomura Group, as the case may be. Neither this publication 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 the Kingdom of Saudi Arabia or in the United Arab Emirates or to any person located in the Kingdom of Saudi Arabia or to clients other than 'professional clients' in the United Arab Emirates. By accepting to receive this publication, you represent that you are not located in the Kingdom of Saudi Arabia or that you are a 'professional client' in the United Arab Emirates and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the Kingdom of Saudi Arabia or the United Arab Emirates.

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 Nomura Group member identified in the banner on page 1 of this report. Further information on any of the securities mentioned herein may be obtained upon request. If this publication 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 for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information available upon request

NIPLc and other Nomura Group entities manage conflicts identified through the following: their Chinese Wall, confidentiality and independence policies, maintenance of a Restricted List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from the allocation and pricing of securities and impartial investment research and disclosure to clients via client documentation.

Disclosure information is available at the Nomura Disclosure web page:

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