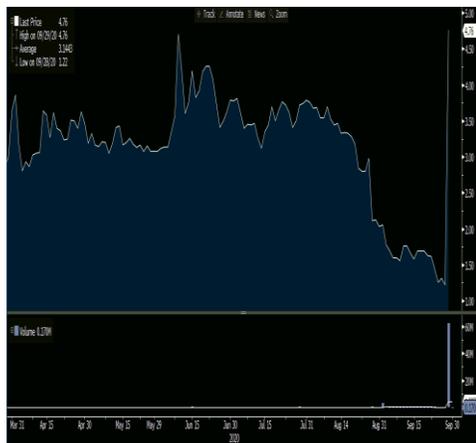


Aptorum Group Ltd. (APM_US)

Target Price	US\$ 15.00
Current Price	US\$ 4.76
Upside Potential	215%
Rating	BUY
Risk	Above Average

Market Cap.	US\$147 mn
Shares Outstanding	30.49 mn
Free Float (FF %)	10.04 mn / 32%
52 Week Range (US\$)	1.16 / 18.25
Hang Seng Index Level	23,558
Insider Holding %	68%



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Business Update Note

Specialty Pharma

Aptorum Launches Infectious Disease Liquid Biopsy Start-up

The Aptorum Group has announced the launch of Aptorum Innovations Pte Ltd (Aptorum Innovations) - an infectious disease liquid biopsy diagnostics subsidiary. The company has newly established exclusive in-licensing arrangements with Accelerate Technologies Pte Ltd (Accelerate Technologies), commercialization arm of the Singapore's Agency for Science, Technology and Research (A*STAR), to co-develop novel molecular-based rapid pathogen identification and detection diagnostics (RPIDD) technology. Aptorum Innovations intends to target the global molecular diagnostics market estimated to reach US\$13.8 billion in market size by 2025, of which 60% is estimated to be attributable to the infectious disease segment, with its next-generation RPIDD technology. (details below)

US\$ 9 million in Public Offering at US\$3.25 per share

The company has announced a public offering of 2,769,231 Aptorum's Class A ordinary shares (or ordinary share equivalents) and warrants to purchase up to 2,769,231 Class A Ordinary Shares, at a combined public offering price of US\$3.25 per share and related warrant. The warrants, which have an exercise price of US\$3.25 per share are exercisable immediately upon issuance and expire over a five-year period from the date of issuance. The gross proceeds to Aptorum Group from the offering are expected to be approximately US\$9.0 million, before deducting the placement agents' fees and other estimated offering expenses. (details below)

Exclusive Licensee in RPIDD Technology for Infectious Diseases

Aptorum Innovations Pte Ltd, a subsidiary of Aptorum Group, is the exclusive licensee and commercializing party of the technology being developed in close cooperation with A*STAR and licensed by Accelerate Technologies. (details below)

Short Term PT US\$15; 215% Upside

We maintain a one-year short term PT on Aptorum of US\$15 per share implying an upside of 215% over the current price of US\$4.76 for the stock. (details below)

Stock Upside from Strong Pipeline

We believe that Aptorum's projects satisfy large unmet needs in each of their respective therapeutic areas, and Aptorum would have the ability to capture a very significant portion of their target markets if successfully commercialized. (details below)

Comments from Chief Medical Officer and Executive Director

Dr. Clark Cheng, Chief Medical Officer and Executive Director of Aptorum Group, commented: "With the significant worldwide disruption caused by the COVID-19 pandemic and the current global focus on antimicrobial resistance, further to our recent joining with the BEAM alliance, Aptorum Group expands its potential infectious disease liquid biopsy diagnostics capabilities in synergy with its current infectious disease platform (for example, the leading *Staphylococcus aureus* drug program ALS-4) and supports worldwide antimicrobial stewardship policies (ASPs). Bacteremia infections, for example, alone cause nearly 500,000 hospitalizations in the United States annually and account for 11 percent of intensive care unit (ICU) admissions with over \$20.3 billion in aggregate cost. Mortality associated with these infections is extremely high and can range anywhere from 25 percent to 80 percent. In accordance with Infectious Diseases Society of America's (IDSA) policy paper, many patients with suspected infections receive empiric antimicrobial therapy rather than appropriate specialized therapy dictated by rapid identification of the infectious agent and as a result, leading to nearly 50% of inappropriate overuse of our small inventory of antimicrobials challenged by rising levels of antimicrobial resistance. Current blood culture-based testing is often inaccurate and time-consuming (up to 3 days on average) resulting in unnecessary patient morbidity and increased risks of mortality.

Moreover, current broad spectrum molecular diagnostics are often too cost-benefit prohibitive and therefore are not adopted as the first line of diagnostics for healthcare providers – with our technology we target to reduce end user costs by over 60% (or more) relative to current service provider average prices. With the forecast global molecular diagnostics market size to reach over US\$13.8 billion by 2025, the need to integrate broad-spectrum and affordable rapid molecular diagnostics into day-to-day clinical care and public health has never been greater and the RPIDD technology is being developed to target the improvement of clinical outcomes for patients and tracking of unknown pathogens in a cost-effective manner for our healthcare system.

Aptorum Group, through its subsidiary Aptorum Innovations intends to commercialize RPIDD through the future set up of proprietary clinical microbiology laboratories as part of our dedicated focus to counter worldwide infectious disease related issues and will explore future collaborations with, for example, other NGS platforms to support this endeavour. It is with great pleasure to announce our planned global diagnostics expansion via Singapore's robust healthcare ecosystems, such as this cooperation with A*STAR whose experienced and innovative molecular engineering team we are confident will help disrupt the global infectious disease liquid biopsy diagnostics market and further promote molecular-based diagnostics as the first line of defence for infectious diseases."

Short Term PT US\$15; 215% Upside

We maintain a one-year short term PT on Aptorum of US\$15 per share implying an upside of 215% over the current price of US\$4.76 for the stock. We had initiated coverage for Aptorum Group on 24 April 2019 with a target price of US\$25 per share and had revised it upwards to US\$35 per share on account of the expected incremental value from the newly launched Smart-ACT Platform. Interestingly, the stock reached a high of US\$14.23, just short of our target price of US\$15 per share after the announcement of infectious disease liquid biopsy start-up. We believe that the launch of the new technological startup will add more value to the company's stock when the revenue starts to accrue from it in the next couple of years.

The stock had reached an all-time high of US\$33.28 in June 2019, which is consistent with our long-term US\$35 target price, and we believe helps to reaffirm both our thesis and valuation/target. We continue to maintain our long-term price target at US\$35 per share with a one-year short-term price target of US\$15 per share implying an upside of 215%. The long-term price target partly includes the conservative DCF value from the Smart-ACT Platform. Once the Smart-ACT Platform and the RPIDD technology startup start to deliver on the expected lines we will include the complete DCF value and revise the stock price accordingly.

The recent volatility and downside in the stock price is mainly attributed to the global economic downturn caused by the spread of the COVID-19 disease, which has become a global pandemic as declared by the World Health Organization. According to the company, despite the virus situation, the recent development progress and expansion of pipeline continue to operate on a business-as-usual basis and have not been affected by the recent COVID-19 pandemic. With the recent capital infusion completed and more infusion announced yesterday by the company the fundamentals remain strong and on track to drive growth and create value for shareholders.

As of June 30, 2020, cash, restricted cash and marketable securities totaled approximately US\$4.4 million and total equity was approximately US\$17.5 million.

We believe that the company's existing cash, restricted cash and marketable securities, together with undrawn line of credit facility from related parties, will enable it to fund its operating and capital expenditure requirements till the end of 2021.

Stock Upside from Strong Pipeline

We believe that Aptorum's projects satisfy large unmet needs in each of their respective therapeutic areas, and Aptorum would have the ability to capture a very significant portion of their target markets if successfully commercialized. We factor in a value of US\$400 million which is 20% of the total DCF value of US\$2 billion (lower estimate) which is attributable to the Aptorum Group from the Smart-ACT platform in 2020. Apart from the newly launched platform, the equity value of the Aptorum Group amounts to US\$676 million. We thus arrive at a combined value for the Smart-ACT platform and existing new drug development business to US\$1076 million for the Aptorum Group. Our DCF value is also supported by our sum-of-the-parts [SOTP] valuation in which we value each of the three lead projects separately, and obtained a value of US\$450 million for ALS-4, US\$154 million for NLS-1 and US\$72 million for ALS-1.

We have included a very conservative estimate of the expected DCF value from the Smart-ACT platform at the end of the year 2020 in our calculations as we think the Smart-ACT platform can deliver incremental value to the shareholders at a faster pace in comparison to the existing new drug development model of the company. We have added the DCF value from the Smart-ACT platform in lump sum to the total equity value of Aptorum Group and would be in a stage to include revenue, earnings and free cashflow estimates from the Smart-ACT platform in our financial model as we see further progress and implementation going forward. According to the company, the Smart-ACT platform is expected to generate a sum-of-the-parts DCF value in the range of US\$2.2 billion to US\$4.4 billion by the end of 2020 developed from either the commercialization or out licensing monetization strategies.

Technology to Identify Emerging and Existing Pathogens

The RPIDD technology was initiated and is currently under development at A*STAR. The core objectives of RPIDD are to rapidly and accurately identify and detect existing or emerging unknown pathogens (including DNA/RNA-based viruses such as coronavirus, antibiotic-resistant bacteria, fungi, etc.), in a cost-effective, unbiased and broad-spectrum manner, through liquid biopsy (patients' blood samples and is potentially adaptable for other sample types), genome sequencing and artificial intelligence driven software analytics. A key objective is also to develop RPIDD to leverage existing and emerging Next-Generation Sequencing platforms for pathogenic genome sequencing analysis.

Subject to further validation and optimization of the RPIDD technology, the company intends to open its initial series of RPIDD-driven infectious disease liquid biopsy diagnostics laboratories over the course of the next two years, with at least one flagship location in Singapore in collaboration with local hospitals and clinics; other targeted follow-on locations include the United States, European Union and the United Kingdom. Through A*STAR, the technology is currently undergoing product optimization at its Diagnostics Development Hub (DxD) and A*STAR will continue to perform further clinical validation with Singapore based hospital

provider; Aptorum Innovations will facilitate further clinical validation with other locations including but not limited to Australia-based Talem Medical Group, Raffles Medical Group (Hong Kong) and other future collaboration potentials.

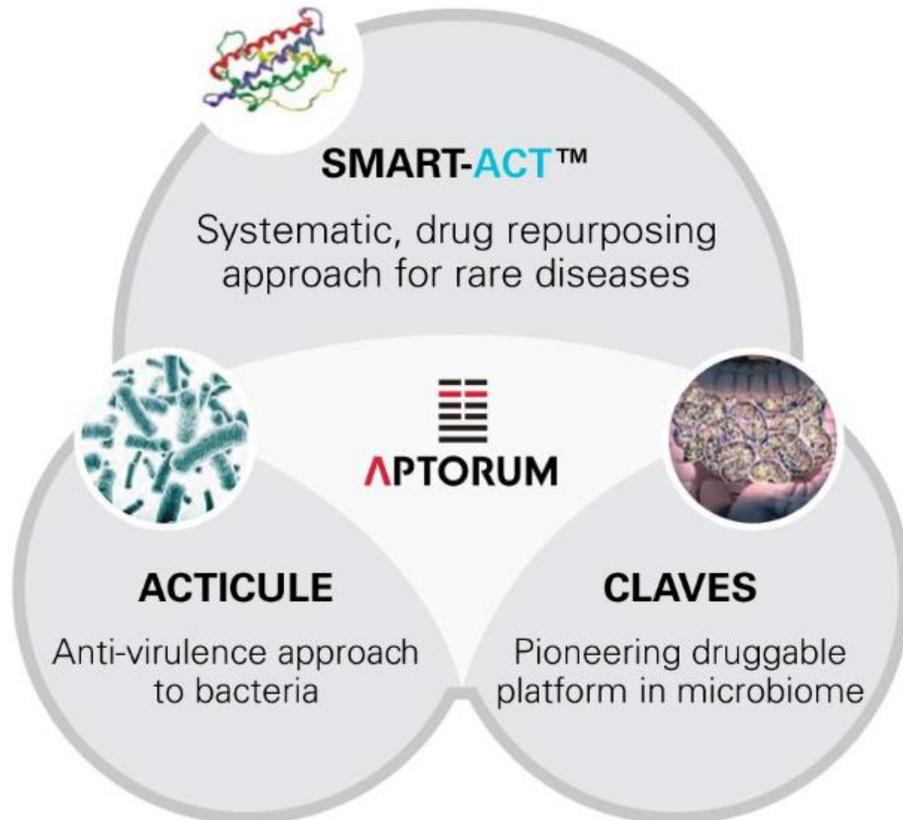
Public Offering Proceeds to be Used for Further Analysis

The company intends to use the net proceeds from the offering primarily to conduct further analyses of SACT-1 (a repurposed drug for neuroblastoma & other solid Tumors) and ALS-4 (a small drug molecule candidate for Staphylococcus aureus including MRSA), which are currently on track for IND submission to commence Phase 1b/2a human clinical trials and undergoing final stages of IND enabling studies to initiate Phase 1 human clinical trials respectively, and to accelerate the developments of our pipeline into their respective clinical phases, as well as for expanding businesses, working capital and general corporate purposes.

Price Chart



Aptorum's 3 Core Pillars



- Aptorum's 3 core pillars of therapeutic discovery and development, focused on novel therapeutics for unmet medical needs
- Ever expanding universe of proprietary intellectual property in relation to our pipeline products

→ Lead Projects → Other Candidates → Non-therapeutics Candidates

Projects	Candidate / Modality	Indication	Computational Discovery	In Vitro Validation	Existing Ph/II Clinical Safety Data ¹	In Vivo Validation	IND Preparation & Submission	Ph/III w/ Limited Population ²	
SACT's Series									
SACT-1	Repurposed Drug Molecule	Neuroblastoma	→						
SACT-2	Repurposed Drug Molecule	To be disclosed	→						
SACT-3	Repurposed Drug Molecule	To be disclosed	→						
SACT-COV19	Repurposed Drug Molecule	Coronavirus Disease 2019 (COVID-19)	→						

Projects	Candidate / Modality	Indication	Development Stage					NDA			
			Target Identification & Selection	Lead Discovery	Lead Optimization	IND-Enabling	Phase 1	Phase 2	Phase 3		
Acticle's Series											
ALS-4	Small molecule	Treatment of bacterial infections caused by Staphylococcus aureus including MRSA	→								
ALS-1	Small molecule	Treatment of viral infections caused by influenza virus A	→								
ALS-2	Small molecule	Treatment of bacterial infections caused by Staphylococcus aureus including MRSA	→								
ALS-3	Small molecule	Reviving existing antibiotics to overcome drug resistance	→								
Claves' Series											
CLS-1	Macromolecule	Treatment of Obesity	→								
CLS-2	To be disclosed	To be disclosed	→								
CLS-3	To be disclosed	To be disclosed	→								

1. Refers to the drug's existing Phase I/II safety data previously conducted by a third party. Does not refer to clinical trials conducted by Aptorum 2. Subject to FDA's approval

Projects	Candidate / Modality	Indication	Development Stage					NDA		
			Target Identification & Selection	Lead Discovery	Lead Optimization	IND-Enabling	Phase 1	Phase 2	Phase 3	
Nativus' Series										
NLS-1	Small molecule	Treatment of Endometriosis	→							
Scipio's Series										
SPLS-1	83b-1 Novel Quinoline Derivative	Treatment of Liver Cancer	→							
Videns' Series										
VLS-2	MITA	Treatment of Alzheimer's & Parkinson's Disease	→							
VLS-4	Imaging Agent for MRI Diagnosis	Diagnosis of Alzheimer's Disease	→							

Projects	Modality	Target Customer	Formulation	Commercialization
NativusWell [®] DOI (NLS-2)	Supplement	Women undergoing menopause	→ Targeted to launch in HK, UK, Europe in 2020 (registration ongoing)	

Projects	Candidate / Modality	Indication	Development Stage					
			Lab-based Phantom Trial	Animal Trial	IDE Application Approval	Safety/ Feasibility Clinical Study	Pivotal Clinical Study	Process of Obtaining PMA
Signate's Series								
SLS-1	Robotic Catheter Platform for Intra-Operative MRI-Guided Cardiac Catheterization	Heart Rhythm Disorders by Cardiac Electrophysiology Intervention	→ on-going					

Income Statement (\$ million)	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Revenue	-	0.4	0.5	0.7	1.2	1.5	1.9	1,317.0
<i>y/y</i>			40%	35%	60%	30%	30%	67549%
COGS	-	-0.3	-0.8	-0.5	-0.6	-0.6	-0.7	-0.6
<i>as a % of sales</i>	-	83%	148%	66%	53%	42%	34%	0%
Development expenses	-2.6	-3.1	-6.9	-7.9	-7.4	-23.4	-18.0	-13.8
Selling, General & Admin Expense	-2.9	-6.7	-10.8	-10.4	-9.6	-7.6	-4.7	-4.8
Other Operating expenses	-0.3	-0.6	-0.2	-0.6	-0.7	-0.7	-0.8	-0.9
Operating Income	-5.7	-10.3	-18.2	-18.6	-17.1	-31.0	-22.2	1297.0
<i>y/y</i>		-81%	-76%	-2%	8%	-81%	28%	5943%
Interest Expense	-	-4.5	-3.7	-1.1	-3.6	-3.6	-3.6	-3.6
Other recurring (expenses)/income	3.1	-0.3	1.8	-	-	-	-	-
Pretax Income (reported)	-2.6	-15.1	-20.1	-19.7	-20.7	-34.6	-25.8	1293.4
<i>y/y</i>		-491%	-33%	2%	-5%	-67%	25%	5114%
Pretax Income (adjusted)	-2.6	-15.1	-20.1	-19.7	-20.7	-34.6	-25.8	1293.4
<i>y/y</i>		-491%	-33%	2%	-5%	-67%	25%	5114%
- Income Tax Expense	-	-	-	-	-	-	-	-
<i>effective tax rate (%)</i>	-	-	-	-	-	-	-	-
- Minority Interests	0.0	-0.3	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4
Income Before XO Items	-2.5	-14.8	-18.7	-21.2	-22.1	-36.0	-27.2	1292.0
<i>y/y</i>		-482%	-26%	-13%	-5%	-63%	24%	4845%
- Extraordinary Loss Net of Tax	-	-	-	-	-	-	-	-
Net Income attributable to Aptorum Group Limited (reported)	-2.5	-14.8	-18.7	-21.2	-22.1	-36.0	-27.2	1292.0
<i>y/y</i>		482%	26%	13%	5%	63%	-24%	4845%
Exceptional (L)G	-	-	-	-	-	-	-	-
Net Income attributable to Aptorum Group Limited (adjusted)	-2.5	-14.8	-18.7	-21.2	-22.1	-36.0	-27.2	1292.0
<i>y/y</i>		-482%	-26%	-13%	-5%	-63%	24%	4845%
Basic EPS (reported)	-0.09	-0.53	-0.64	-0.70	-0.72	-1.15	-0.85	40.47
Basic EPS (adjusted)	-0.09	-0.53	-0.64	-0.70	-0.72	-1.15	-0.85	40.47
Basic Weighted Avg Shares	27.0	27.9	29.0	30.4	30.9	31.3	31.9	31.9
Diluted EPS (reported)	-0.09	-0.53	-0.64	-0.70	-0.72	-1.15	-0.85	40.47
Diluted EPS (adjusted)	-0.09	-0.53	-0.64	-0.70	-0.72	-1.15	-0.85	40.47
Diluted Weighted Avg Shares	27.0	27.9	29.0	30.4	30.9	31.3	31.9	31.9

*All numbers are adjusted for probability of success

Balance Sheet (US\$ million)	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Assets								
+ Cash & Near Cash Items	16.73	26.11	5.29	3.47	23.56	4.00	0.35	1,294.00
+ Short-Term Investments	3.07	1.13	1.27	1.27	1.27	1.27	1.27	1.27
+ Accounts & Notes Receivable	-	0.00	0.04	0.06	0.09	0.12	0.16	0.18
+ Inventories	-	0.03	0.03	0.16	0.20	0.21	0.22	0.20
+ Other Current Assets	0.48	1.45	1.40	1.40	1.40	1.40	1.40	1.40
Total Current Assets	20.28	28.72	8.03	6.36	26.52	7.00	3.40	1,297.05
+ Long-Term Investments	7.40	7.09	7.11	0.29	0.29	0.29	0.29	0.29
+ Gross Fixed Assets	0.35	4.76	8.67	10.03	10.74	11.28	11.68	11.98
- Accumulated Depreciation	0.00	-0.50	-1.58	-2.48	-3.02	-3.58	-4.17	-4.77
+ Net Fixed Assets	0.35	4.26	7.09	7.54	7.72	7.69	7.51	7.21
+ Other Long-Term Assets	2.06	3.59	0.41	7.22	7.22	7.22	7.22	7.22
+ Goodwill & other Intangible Assets	1.47	1.41	1.31	1.31	1.31	1.31	1.31	1.31
Total Long-Term Assets	11.28	16.35	15.92	16.37	16.55	16.52	16.34	16.04
Total Assets	31.56	45.07	23.95	22.73	43.07	23.52	19.73	1,313.09
Liabilities & Shareholders' Equity								
+ Accounts Payable	0.65	1.25	2.59	0.18	0.23	0.24	0.24	0.23
+ Short-Term Borrowings	0.48	10.15	0.05	11.00	11.00	11.00	11.00	11.00
+ Other Short-Term Liabilities	0.20	0.79	0.04	0.04	0.04	0.04	0.04	0.04
Total Current Liabilities	1.33	12.18	2.67	11.22	11.27	11.28	11.29	11.27
+ Long-Term Borrowings	-	0.14	0.10	-	25.00	25.00	25.00	25.00
+ Other Long-Term Liabilities	-	-	6.33	6.40	6.40	6.40	6.40	6.40
Total Liabilities	1.33	12.33	9.10	17.62	42.67	42.68	42.69	42.67
+ Total Preferred Equity	-	-	-	-	-	-	-	-
+ Share Capital & APIC	33.2	52.0	53.9	63.9	79.9	94.9	116.9	116.9
+ Retained Earnings & Other Equity	-2.92	-18.86	-37.56	-58.74	-80.88	-116.87	-144.10	1147.85
Total Shareholders' Equity	30.24	33.11	16.36	5.18	-0.96	-21.95	-27.17	1264.78
+ Minority Interest	-0.01	-0.37	-1.51	-0.08	1.35	2.78	4.21	5.64
Total Liabilities & Equity	31.56	45.07	23.95	22.72	43.06	23.51	19.72	1313.09

Cash Flow (\$ million)	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
+ Net Income	-2.56	-15.13	-20.12	-21.18	-22.14	-35.99	-27.23	1291.95
+ Depreciation & Amortization	0.06	0.68	1.30	0.50	0.54	0.56	0.58	0.60
+ Other Non-Cash Adjustments	-3.08	4.81	4.22	1.43	1.43	1.43	1.43	1.43
+ Changes in Working Capital	-0.20	-0.39	1.22	-2.55	-0.03	-0.03	-0.04	-0.03
Cash From Operating Activities	-5.78	-10.04	-13.38	-21.79	-20.20	-34.02	-25.25	1293.95
+ Disposal of Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ Capital Expenditures	-3.06	-6.06	-0.91	-0.95	-0.71	-0.54	-0.40	-0.30
+ Increase in Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ Decrease in Investments	16.05	0.00	1.00	0.00	0.00	0.00	0.00	0.00
+ Other Investing Activities	-0.19	0.00	-0.20	0.00	0.00	0.00	0.00	0.00
Cash From Investing Activities	12.80	-6.06	-0.11	-0.95	-0.71	-0.54	-0.40	-0.30
+ Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ Change in Short-Term Borrowings	0.48	14.96	-0.05	10.95	0.00	0.00	0.00	0.00
+ Increase in Long-Term Borrowing	0.00	0.00	6.33	-0.10	25.00	0.00	0.00	0.00
+ Decrease in Long-term Borrowing	0.00	0.00	-13.60	0.00	0.00	0.00	0.00	0.00
+ Increase in Capital Stocks	8.60	10.52	0.00	10.00	16.00	15.00	22.00	0.00
+ Decrease in Capital Stocks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ Other Financing Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	9.08	25.48	-7.32	20.86	41.00	15.00	22.00	0.00
Effect of Exchange Rate Changes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Changes in Cash	16.10	9.38	-20.81	-1.89	20.08	-19.56	-3.65	1293.65
Opening cash	0.62	16.73	26.11	5.29	3.47	23.56	4.00	0.35
Closing cash	16.73	26.11	5.29	3.47	23.56	4.00	0.35	1294.00

DCF model	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
(in \$ million)														
EBIT	-5.7	-10.3	-18.2	-18.6	-17.1	-31.0	-22.2	1,297.0	217.4	3.9	5.5	5.7	7.5	9.7
% growth		81%	76%	2%	-8%	81%	-28%	-5943%	-83%	-98%	43%	3%	31%	29%
Taxes @	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	7.0%	10.0%	12.0%
EBIAT	-5.7	-10.3	-18.2	-18.6	-17.1	-31.0	-22.2	1,297.0	217.4	3.9	5.3	5.3	6.8	8.5
% growth		81%	76%	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%
+ D&A	0.1	0.7	1.3	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
- Capital expenditures	-3.1	-6.1	-0.9	-1.0	-0.7	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4
- Change in net WC	-0.2	-0.4	1.2	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow to Firm	-8.9	-16.1	-16.6	-21.6	-17.3	-31.0	-22.1	1,297.3	217.7	4.1	5.6	5.6	7.0	8.8
FCY y/y growth		81%	3%	30%	-20%	79%	-29%	-5983%	-83%	-98%	35%	0%	26%	25%

Total Market Value

Terminal Growth	Cost of capital				
	10.0%	11.0%	12.0%	13.0%	14.0%
3.0%	805	734	673	620	573
3.3%	808	736	675	621	574
3.5%	811	738	676	622	574
3.8%	815	740	677	623	575
4.0%	817	742	678	623	575

WACC	12.0%
PV of Free Cash Flow	627
PV of Terminal Value	39
Add: Net Cash	9
Total Equity Value + Value of Smart ACT Platform	676+400=1076
Shares outstanding	30.4
DCF value	35

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