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Target Price	US\$ 12.00
Current Price	US\$ 6.68
Upside Potential	80%
Rating	BUY

Market Cap.	US\$ 187 mn
Shares Outstanding	28 mn
Free Float (FF / %)	3.08 mn / 11%
52 Week Range (US\$)	4.93 / 7.90
Nasdaq Composite Index	19,767
Insider Holding %	89%



Risk: Above Average  
Forecasting and Valuations

(RMB mn except ratio)	FY06/2022A	FY06/2023E
Revenue	1,900	1,957
Net Income	240	250
EPS (RMB)	8.42	8.91
EPS (US\$)	1.26	1.25
EPS Growth	5%	6%
PE	5.3	5.3
EV/EBITDA	3.1	2.8
FCF Yield	17.9%	23.4%

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**Hywin Holdings Ltd.**  
Earnings Update Report

**(NASDAQ: HYW)**  
China Independent Wealth Management



**Robust 18% Sales Growth, Strong Client Metrics**

Hywin reported a robust set of results for the fiscal 1<sup>st</sup> Half [ended December] of FY 06/2023, in terms of both top-line growth and robust client and operational metrics. Given weak global financial markets, Covid-19 restrictions, and sluggish GDP growth – particularly in the 2<sup>nd</sup> half of last calendar year, the results have easily surpassed competitors and outperformed our expectations. Revenues grew +17.6% YoY, which was an acceleration compared to the 9.6% YoY growth for the prior June-ending period, and much above our expectations. This led to strong 15.5% operating income growth, despite prudent investments/expenses in the company’s new Healthcare segment. One-time non-recurring expenses [FX translation, etc.] led to flattish net income growth of 0.3%. In an environment globally where virtually all financial and investment management firms are reporting sharp YoY declines for the latter half of last year, Hywin’s performance stands out as quite resilient and remarkable.

We are reiterating our Buy-rating on Hywin, and our unchanged US\$12.00 ADS target suggesting around 80% upside. The stock continues to trade at compelling “deep value” levels with a P/E of 5.3x on trailing/actual FY 6/2022 reported earnings, as well as 5.3x and 4.6x on our 6/2023 and 6/2024 forecasts. FCF per share for FY 06/2022 was US\$1.20 per share, resulting in an extraordinarily high trailing 18% FCF yield for the stock. Hywin had US\$83 million in unrestricted net cash [not including restricted cash & customer deposits, with zero debt] as of December-end, or US\$2.85 per share which is equal to 43% of the current stock price. Note this net cash amount is virtually unchanged from the figure in June 2022, which is a favorable outcome given the overall environment and recent acquisition-related spending. This large net cash balance helps to significantly mitigate downside risk, in our opinion, and produce very favourable overall risk-reward for investors.

As mentioned in our prior Update Note, we had a very positive meeting with Senior Management of Hywin at their HK office a few months back, and this reinforced many of the key tenets of our thesis. Also real estate exposure continues to decrease sharply for Hywin, with 37.9% of total transaction value of wealth management products distributed for FY 06/2022 involving real estate-related products, down sharply from 58.2% for FY 06/2021 - further details in this report.

In terms of financial performance, here are the key results for the six months period ended December:

- Revenue growth of +17.6% YoY for 2H, led by Wealth Management +13.4% and Asset Management +79.4%
- Operating Income +15.5% YoY [excluding Healthcare expenses, up +21.2% YoY], with solid cost discipline and expense control
- Wealth Segment Operating Margins [i.e., excluding Healthcare expenses] at 12.6%, up 2.6% points YoY
- Net Income rose fractionally 0.3%, impacted by Healthcare initial ramp-up expenses, and other one-time nonrecurring charges
- Net Cash [zero debt, and not including restricted cash/client deposits] increased of RMB536 million [\$83 million], or \$2.85 per ADR equalling 43% of the stock price

Client metrics also showed solid growth, especially given the overall market backdrop. Hywin's impressive revenue growth clearly demonstrates that Hywin is gaining market share due to superior investment results and client servicing, many issues impacting competitors, etc. Performance on key client metrics for the 6 months ended December were:

- +8.7% increase YoY increase in total number of clients to 141,058. Client count also increased +3.8% sequentially versus June 2020 year-end
- Active clients increased 3.9% YoY to 36,744, but down slightly QoQ, which is perhaps not a bad outcome given a severe equities/bonds bear market
- Aggregate transaction value of wealth management products distributed increased by 6.9% YoY
- The number of Relationship Managers increase 7.6% YoY to 1,738
- Repeat investment rate from existing clients is an industry-leading ~80% range, the third year in a row it has been above 70%
- For full-year total clients +10.8% and active clients +15.1%
- Transaction values for asset-backed products increased 21% YoY reflecting a "safe harbour" for clients, while higher risk hedge fund products saw a 7% decrease, and private equity and VC products declined 42%, all reflecting client caution during severe market conditions

In our view, these client and transaction metrics are very impressive in light of an extreme bear market in 2022, especially in China and HK. Following decisive policy measures taken on the economy and real estate industry by the Chinese government leadership and the ending of Covid-19 restrictions,

the outlook for financial markets appears to be much brighter. Hywin's continued growth especially in the number of relationship managers and the number of clients should bode for future growth. In this context, we firmly believe that Hywin remains on a growth trajectory in a secularly expanding industry with a large TAM [Total Addressable Market].

Hywin's stock price, up +23% YTD so far in 2023, seems to be at a multi-year inflection point, and reflects an anticipated more positive environment, especially in China/HK. Also, we will point out that Hywin's financial performance in terms of revenues and income has fared much better than other listed competitors such as Noah [NYSE: NOAH] which has reported sharp declines of -25% revenue and -35% EPS for Q3 [ended September], and just-announced Q4 [December-end] results show revenues declining -30% and net income plummeting -50% YoY.

### **Health Care Acquisitions to Grow**

Hywin has provided more detailed disclosure on its newly created Healthcare segment, and we think this transparency is positive for shareholders. In addition to the previously announced acquisitions of Beijing iLife3 Technology, also known as Life Infinity, and Grand Doctor Medical, there has been another acquisition of Sincerity and Compassion Health Management Center during the reporting period. On the conference call, management indicated that there is an expectation that Hywin will see rapid growth in this segment from today's relatively small base, and they see significant synergies between health and wealth, in terms of cross-selling opportunities. Overall, with a population base which is gradually aging, China offers tremendous scope for high-end and premium healthcare services. Hywin intends to become a "one stop high-end" provider for integrated wealth and health management services.

Hywin reported RMB 38.3 million in revenues for Healthcare, with a net loss of RMB 24.2 million. Operations for the six-month period ending December were severely impacted by Covid-19, as the people were reluctant to visit healthcare facilities unless there was an outright emergency, and elective and discretionary routine doctor visits were delayed or cancelled. Hence the true revenue, and profitability, picture was highly distorted. Furthermore, Hywin is still in an acquisition assimilation phase, with incremental expenditures to enhance growth and achieve critical mass. It is our expectation that operational break-even will be attained around the end of next fiscal year [i.e., FY ending 03/2024], although management has not articulated a firm timeline. In any case, growing the business and revenue base ought to be a higher priority at this stage, and profits will surely follow, in our opinion.

According to Hywin CEO Wang Dian, "As for Hywin Health....leveraging the unique strengths of our dual-platform business model and our proactive responses to evolving customer demands, supported by our strategic product sourcing capabilities, differentiated services and advance digital infrastructures, our efforts are bearing fruit. We are confident that we will unlock further growth potential as we continue to execute our strategies."

Hywin Health now operates 5 high-end clinics in Shanghai, Beijing, Chengdu and Chongqing. The number of clients was 28,763 as of December-end, which

helped to generate 4,938 medical examination visits. The RMB 21,952 average revenue per client is much above industry averages.

### **Secondary HK Listing – Media Speculation**

Earlier this month, on March 3<sup>rd</sup>, there was a news article published by Singapore-based DealStreetAsia [a unit of the Nikkei Group] which speculated that “NASDAQ-listed Hywin mulls a secondary listing in Hong Kong”, according to “two people with direct information on the matter”. The article mentions Hong Kong’s efforts in attracting global high net-worth business and family offices. Hywin has not made any public comments on this matter, so at this point this is just a rumoured speculation. Hywin, with lots of excess net cash on its balance sheet and strong FCF, does not need to issue any equity. That being said, we would not be surprised if Hywin were to consider a HK listing, in order to enhance its valuation and expand its investor base. In our view, if Hywin were to consider a HK listing, it would be positive for the stock price and overall stock valuation levels.

### **Conclusion: Undervalued @ 4.6x P/E, 18% FCF Yield, 43% Net Cash**

Hywin, China’s third largest, and most rapidly growing, independent wealth management provider and investment advisor, represents a unique combination of clear deep value and rapid growth in a secular growth sector. Hywin’s stock is trading at deep value levels on several different metrics. On reported earnings, Hywin is trading at 5.3x P/E on actual FY 6/2022 results, and 4.6x P/E on our forecast for forward FY 6/2024. The FCF Yield on FY 06/2022 actual results is 18%. The overall Hong Kong Hang Seng Index and the Shanghai Composite are at 9.4x and 10.9x current year 2023 consensus estimates, respectively. Hywin is thus effectively trading at about a 50% discount to relevant benchmarks.

We maintain our Buy rating and our unchanged \$12.00 price target. This \$12.00 target is based on a 9.5x P/E multiple on trailing/actual FY 06/2022 results [8.3x P/E on our forward 06/2024 estimates], which are both at a discount to China, Hong Kong, as well as various other Emerging Market indices. Our \$12.00 price target is only 20% higher than the [March 2021] IPO price of \$10.00 for Hywin.

Adjusted for Hywin’s large net cash position, the target P/E levels implied by our \$12.00 price target would be effectively 6.5x – even a larger discount to the overall market. The upside opportunity looks very compelling to us, with the stock currently trading at around a 30% discount to its initial listing price. The stock is still very much undiscovered following its NASDAQ listing, and Evaluate Research remains the only firm who is now actively covering the company.

Among the market leaders in an underpenetrated market, Hywin continues to expand its client base and relationship managers network which, along with rising productivity as measured by transaction volume, should ensure solid growth going forward. Numerous interactions with management give us confidence in the following key tenets of our thesis:

- A Market Leader: Hywin is the 3<sup>rd</sup> largest independent wealth management provider in China, with a growing 7.5% market share
- Stellar Growth: +23% revenue, +97% net income, and +95% diluted ADS 2-year CAGR [FYs 6/2020 – 6/2022]
- Robust Client Growth: 11% client growth, 25% active client 2-year CAGR [FYs 6/2020 – 6/2022]
- Clear Deep Value: 5.3x P/E on FY 06/2022, 4.6x P/E on our forward FY06/2024 estimates
- Robust ROE: 28% actual ROE for FY 06/2022, despite high cash balances
- Strong FCF: \$1.20 per share in FCF for FY 6/2022 actuals resulting in a high 18% FCF yield
- Net Cash: US\$2.85 per share in unrestricted net cash at 12/2022, after the healthcare acquisitions, equals 43% of the market cap
- Secular Growth Sector: Third party wealth management penetration rate only 6.2% in China in 2019, versus 32% in Hong Kong & 62% in USA

### **Reaffirm Positive Growth Estimates Despite Global Headwinds**

After Hywin's very strong showing in the fiscal 1<sup>st</sup> half ended December, we are reaffirming of full-year guidance indicating positive revenue and net income growth, despite continued global macro headwinds. It should be pointed out that while the December-end period was up against relatively modest YoY comps, the current operating period [fiscal 2<sup>nd</sup> half ending in June] faces a tougher comparison [last year June-end 2022 half-year witnessed +9.9% revenue, +39.6% operating income, and +37.2% net income growth – all numbers are YoY growth]. We are in the process of fine-tuning our forecast model to incorporate newly disclosed Health segment details.

While there is an upside bias to our estimates, we continue to conservatively and prudently forecast 3.1% revenue growth for FY 6/2023, and 5.6% diluted EPS growth, with flat diluted EPS in US\$ terms, due in part to recent slight CNY depreciation [and China-USA interest rate differentials] and FX trends. However, given a more favorable Chinese outlook, we expect a sharp snap-back in overall growth rates for Hywin for FY 6/2024, with double-digit revenue and strong EPS growth.

### **Positive Management Meeting in HK**

As we detailed in our prior Update Note, we recently had a positive meeting with members of the Senior Management of Hywin at their corporate office in Hong Kong. Overall, management appeared quite confident on the company's current performance and positioning, and the prospects and outlook going forward. Management expressed confidence during our meeting about their ability to control costs, and further upside potential for margins over time. Investors will recall strong operating margin performance for the full fiscal year ended June 2022, operating margins rose to 16.8%, up from 15.4% for the prior year. Wealth segment [ex-Health expenses] operating margins expanded in the December-end half, and overall firm-wide margins should expand once Health losses narrow and swing towards profits.

### **Increasing Offshore Relationships & Products**

Due to a variety of factors including the wish to diversify, the volatility of domestic financial markets, less investment opportunities in the property sector, etc., wealthy Chinese are increasingly interested in investing offshore and in Private Equity and other asset classes. Hywin, through its Hong Kong office, is uniquely positioned to help clients achieve their goals. This is a high value-added service that Hywin is providing clients, which they cannot easily avail of on their own or from other wealth managers. Offshore investment-related revenues have continued to grow positively for Hywin.

In a recent interview in Hubbis, Dr. Nick Xiao, CEO of Hywin International [the Hong Kong subsidiary of the firm] stated that Senior Management had spent a week in the Middle East, and had very interesting conversations with ADGM [Abu Dhabi Global Market] on how Asian capital and entrepreneurs can leverage ADGM as the gateway into the Gulf Region.

Also, Hywin's strategic relationship with Liechtenstein-based VP Bank, which has taken a small equity stake in Hywin, continues to grow as well. Hywin is seeking to leverage VP Bank's global custody, research, execution, risk management, etc. to help better serve and offer investment solutions to its own clients.

Hywin has both the distribution, products, and relationships with large global firms that can provide unique investment avenues. Hywin is able to source privately distributed products from marquee firms such as Oaktree, Carlyle, Schroders, etc. Also, Hywin has relationships in places like Singapore and European financial centers for high-net worth Chinese looking to set up family offices or custodial accounts.

### **Net Cash = 43% of Market Cap**

Hywin has US\$83 million, or US\$2.85 per share/ADS, in unrestricted net cash [not including restricted cash/minus customer deposits, and with zero debt] as of December-end. It should be noted that this cash position is after the funding of the all-cash healthcare acquisitions. Nevertheless, the net cash position should continue to grow going forward on solid FCF generation and minimal CAPX and cash outflows. With our extensive experience in investing in deep value stocks, positive events invariably happen for shareholders with companies with high net cash and strong FCF. Favourable returns and outcomes for investors include high dividend and special dividend payouts, large buybacks, accretive acquisitions, being taken over, etc.

Finally, in today's still low Chinese interest rate environment, companies like Hywin are earning negligible interest income on their large net cash positions. Hywin's interest income actually declined nominally YoY during this half-year period. Thus, the huge net cash position on the balance sheet is clearly not adequately reflected on the income statement, due to today's very low market interest rates. Using a P/E valuation approach based on net income and EPS, does not capture the true value of net cash. Investors should add back the net cash per share to their P/E driven price targets to get a more appropriate valuation – we use this approach to properly value several large net cash equities we are actively covering today. This would further increase our price target for Hywin by nearly \$3.00 per share.



Consistent with this aforementioned analytical thought process, our DCF [Discounted Cash Flow] model, which appropriately values Hywin's large net cash position, suggests a US\$18.00 price target. Our DCF model, along with scenario analysis with respect to both discount rates as well as terminal growth rates, is at the end of this report along with detailed 5-year IS/BS/CF forecasts and financial ratio analysis.

### **Dividend Prospects Remain High**

It remains our unchanged opinion that Hywin will likely pay a dividend sooner rather than later. Perhaps recent healthcare acquisitions and related cash expenditures has temporarily deferred a dividend announcement – time will tell. Hywin generated enough FCF to “pay as you go” small tuck-in acquisitions as well as incremental spending on growing its new Healthcare segment. Hywin generates significant FCF, which was about equal to reported EPS for FY 06/2022. Furthermore, Hywin has a large and growing net cash position. Even after the recent multiple healthcare-related acquisitions, funded entirely by cash, Hywin still maintains a large surplus net cash position, with zero debt.

For the core Wealth segment, much of the high CAPX branch infrastructure and headquarters purchase is already in place, which really leaves further Health acquisitions and dividends as the two major cash usages, in our view. Hywin could easily pay out a substantial part of its annual FCF, which would lead to a very high dividend yield, especially in a USA context and for American investors.

Although the global finance industry continues to consolidate, there are not many wealth management businesses that Hywin could acquire, given the uniqueness of its business model. Even the recent deals done by Hywin are all in the healthcare services space, as opposed to being a pure-play financial or investment firm. Also, Hywin can and does regularly hire relationship managers and their accompanying client books of business, so it may not need to, or desire to, acquire entire firms in order to “acquire” clients or business. In effect, Hywin continues to acquire clients when it hires experienced relationship managers. We believe this fact reduces the imperative to make large acquisitions, and increases the likelihood of dividend payments.

### **Reduced Real Estate Exposure & Investment Performance**

Hywin's results indicate that the company has fared well despite the numerous issues facing the Chinese real estate sector over the past couple years. The fact that Hywin witnessed a +21.4% YoY jump in asset backed transaction volume in the half-ended December clearly suggests that clients have increased confidence and appetite for such products, and Hywin's prior risk management and product selection processes have produce satisfactory results. As we have mentioned previously, Chinese real estate is arguably the largest single asset class in the world, with a value around US\$50 trillion, and the overall exposure, both directly as well as indirectly, to real estate is significant for the Chinese economy, at an estimated one-third. Importantly, all financial institutions, such as banks, insurance companies, trust companies, asset management firms, etc, have varying levels of exposure to real estate

assets. All Chinese financial institutions, as well as Hywin, are striving to reduce real estate risks and exposure over time.

Hywin, in its most recent annual FY 06/2022 Form 20-F [filed in October 2022], has disclosed that 37.9% of the total transaction value of wealth management products it distributed for the fiscal year ended 06/2022 involved real estate-related products as their underlying asset. Importantly, it should be noted that this level of exposure/concentration is sharply down from the 57.2% level for fiscal 06/2020, and 58.2% for FY 06/2021. Hywin has previously clearly stated that “such wealth management products will continue to account for a significant, though continuously decreasing, portion of the products we distribute.”

During our recent meeting, management of Hywin appeared sanguine and reasonably confident about the investment performance, returns and risk of the property-related products they had distributed to clients, with no major issues to date or severe adverse outcomes. As mentioned previously, Hywin has a rigorous investment review and due diligence process before both individual money management firms and any specific products make it to their approved list. Hywin is extremely focused on the actual asset, collateral backing, and cash flows of the underlying asset/project in analysing any property-related investment vehicle. Hywin does not have principal or own balance sheet exposure to real estate, and their due diligence suggests investment products marketed by them have reasonable collateral protections.

#### **Largest Relationship Manager Team in Industry, 3<sup>rd</sup> Largest by Volume**

Hywin is the 3<sup>rd</sup> largest wealth management provider in China, with a growing 7.5% market share in terms of 2019 transaction value, according to CIC [China Insights Consultancy Ltd]. Despite the slowdown in the global and Chinese economy over the past few years, Hywin has the fastest growth rate among the industry’s largest players. In fact, industry leader Noah Holdings [NYSE: NOAH] has reported sharp declines of -25% revenue and -35% EPS for Q3 [ended September], and just-announced Q4 [December-end] results show revenues declining -30% and net income plummeting -50% YoY. Many competitors have been more focused on NAV-based products, which has exposed them to more secondary market volatility which is a greater factor impacting their results.

Nonetheless, Noah’s market cap remains above US\$1 billion, and net after-tax margins touched 30% prior to the current downturn. In our opinion, these metrics suggest to us that there is plenty of room for Hywin to continue to grow in terms of size as well as profits. Also, investors will note Noah’s market cap is more than 5x that of Hywin, again clearly indicating that the market will give stocks within this sector much higher valuations. Noah provides a roadmap for future growth for Hywin, as well as indicating there is a long runway of opportunities for the entire sector.



### **Internal Metrics Growing**

As evident in the following table, internal metrics for Hywin have shown solid growth with respect to client growth, as well as the quality and sustainability of client activity. Please note some of the 2022 figures represent our internal estimates, and are in the process of being updated.

Key Business Metrics	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021E	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Branch Network			167	177	178	183	189	195
Total Clients	88,826	100,817	113,146	127,317	141,058	146,700	158,436	171,111
Active Clients	35,315	31,757	36,397	38,033	43,764	45,515	49,611	54,076
Repeat Clients	80%	73%	78%	78%	81%	78%	78%	78%
Repeat Client Revenue As a % of Total		72%	75%	75%	75%	75%	75%	75%
Transaction Value of Repeat Customers	28,100	35,500	39,800	43,382	47,286	51,542	56,181	61,237
Relationship Managers number			1,696	1,798	1,906	2,020	2,141	2,270
Total Employee number	2,395	2,238	2,436	2,582	2,737	2,901	3,075	3,260
Total Transaction Value Wealth Management RMB 1,000s	51,450	55,600	68,200	78,800	79,800	82,194	84,660	87,200
Client Transaction Value per RM in RMB 1,000s	37,900	38,700	48,200	52,538	57,266	62,420	68,038	74,162
Number of Products	284	589	1,064	1,277	1,532	1,839	2,206	2,648

<b>Income Statement (RMB thousands)</b>	<b>FY 06/2018</b>	<b>FY 06/2019A</b>	<b>FY 06/2020A</b>	<b>FY 06/2021A</b>	<b>FY 06/2022A</b>	<b>FY 06/2023E</b>	<b>FY 06/2024E</b>	<b>FY 06/2025E</b>	<b>6yr CAGR FY 19 - 24</b>
<b>Wealth Management</b>	<b>1,081,757</b>	<b>1,062,420</b>	<b>1,183,468</b>	<b>1,795,552</b>	<b>1,899,573</b>	<b>1,956,560</b>	<b>2,191,347</b>	<b>2,432,396</b>	
YoY		-1.8%	11.4%	51.7%	5.8%	3.0%	12.0%	11.0%	
% of Total Revenues	94.0%	92.7%	92.1%	97.9%	97.8%	97.7%	97.5%	97.3%	
<b>Other</b>	<b>36,718</b>	<b>71,969</b>	<b>90,966</b>	<b>23,928</b>	<b>23,064</b>	<b>23,756</b>	<b>27,319</b>	<b>30,871</b>	
YoY		96.0%	26.4%	-73.7%	30.0%	3.0%	15.0%	13.0%	
% of Total Revenues	3.2%	6.3%	7.1%	1.3%	1.2%	1.2%	1.2%	1.2%	
<b>Asset Management</b>	<b>32,925</b>	<b>12,223</b>	<b>4,619</b>	<b>14,942</b>	<b>19,476</b>	<b>21,813</b>	<b>27,921</b>	<b>35,739</b>	
YoY		-62.9%	-62.2%	223.5%	35.0%	12.0%	28.0%	28.0%	
% of Total Revenues	2.9%	1.1%	0.4%	0.8%	1.0%	1.1%	1.2%	1.4%	
<b>Other</b>	<b>-</b>	<b>-</b>	<b>5,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Revenue</b>	<b>1,151,400</b>	<b>1,146,612</b>	<b>1,284,863</b>	<b>1,834,422</b>	<b>1,942,113</b>	<b>2,002,129</b>	<b>2,246,588</b>	<b>2,499,005</b>	14.4%
YoY		-0.4%	12.1%	42.8%	5.9%	3.1%	12.2%	11.2%	
Compensation Expense	561,923	624,531	708,654	1,003,061	1,054,364	1,085,154	1,213,157	1,349,463	
as a % of revenues	48.8%	54.5%	55.2%	54.7%	54.3%	54.2%	54.0%	54.0%	
Selling & Marketing Expense	293,339	261,155	246,108	326,879	311,773	320,341	361,701	402,340	
as a % of revenues	25.5%	22.8%	19.2%	17.8%	16.1%	16.0%	16.1%	16.1%	
General & Administrative Expense	202,050	145,854	171,423	200,929	241,946	240,256	267,344	294,883	
as a % of revenues	17.5%	12.7%	13.3%	11.0%	12.5%	12.0%	11.9%	11.8%	
Other Expenses	2,059	5,558	(369)	21,947	7,340	-	-	-	
Total Operating Expenses	1,059,371	1,037,098	1,125,816	1,552,816	1,615,423	1,645,750	1,842,202	2,046,685	
<b>Operating Income</b>	<b>92,029</b>	<b>109,514</b>	<b>159,047</b>	<b>281,606</b>	<b>326,690</b>	<b>356,379</b>	<b>404,386</b>	<b>452,320</b>	29.9%
YoY		19.0%	45.2%	77.1%	16.0%	9.1%	13.5%	11.9%	
Operating margin (%)	8.0%	9.6%	12.4%	15.4%	16.8%	17.8%	18.0%	18.1%	
Interest Expense/Income	2,575	769	325	1,537	1,498	2,626	8,614	11,496	
Interest income	(8,202)	(10,810)	(2,457)	0	0	0	0	0	
Other non recurring (expenses) income	-	-	-	12,608	-3,741	-	-	-	
<b>Pretax Income (reported)</b>	<b>86,402</b>	<b>99,473</b>	<b>156,915</b>	<b>295,751</b>	<b>324,447</b>	<b>359,005</b>	<b>413,000</b>	<b>463,816</b>	32.9%
YoY		15.1%	57.7%	88.5%	9.7%	10.7%	15.0%	12.3%	
<b>Pretax Income (adjusted)</b>	<b>86,402</b>	<b>99,473</b>	<b>156,915</b>	<b>295,751</b>	<b>324,447</b>	<b>359,005</b>	<b>413,000</b>	<b>463,816</b>	32.9%
YoY		15.1%	57.7%	88.5%	9.7%	10.7%	15.0%	12.3%	
- Income Tax Expense	(44,314)	(38,013)	(50,763)	-88,094	-88,578	-109,496	-125,965	-141,464	
effective tax rate (%)	51.3%	38.2%	32.4%	29.8%	27.3%	30.5%	30.5%	30.5%	
- Minority Interests	0	0	0	0	0	0	0	0	
<b>Income Before XO Items</b>	<b>42,088</b>	<b>61,460</b>	<b>106,152</b>	<b>207,657</b>	<b>235,869</b>	<b>249,508</b>	<b>287,035</b>	<b>322,352</b>	36.1%
YoY		46.0%	72.7%	95.6%	13.6%	5.8%	15.0%	12.3%	
- Foreign Currency Translation Loss	-169	-2,714	-3,641	10,542	4,177	0	0	0	
<b>Net Income (reported)</b>	<b>41,919</b>	<b>58,746</b>	<b>102,511</b>	<b>218,199</b>	<b>240,046</b>	<b>249,508</b>	<b>287,035</b>	<b>322,352</b>	37.3%
YoY		40.1%	74.5%	112.9%	10.0%	3.9%	15.0%	12.3%	
Exceptional (L)G	0.00	0.00	0.00	-	-	-	-	-	
<b>Net Income (adjusted)</b>	<b>41,919</b>	<b>61,460</b>	<b>106,152</b>	<b>207,657</b>	<b>240,046</b>	<b>249,508</b>	<b>287,035</b>	<b>322,352</b>	36.1%
YoY		46.6%	72.7%	95.6%	15.6%	3.9%	15.0%	12.3%	
Basic EPS (reported)	1.68	2.35	4.10	8.05	8.42	8.91	10.25	11.51	
Basic EPS (adjusted)	1.68	2.46	4.25	7.76	8.14	8.91	10.25	11.51	
Basic Shares per ADS [= 2 Ord Shares]	25,000	25,000	25,000	28,000	28,000	28,000	28,000	28,000	
<b>Diluted EPS (reported)</b>	<b>1.68</b>	<b>2.35</b>	<b>4.10</b>	<b>8.05</b>	<b>8.42</b>	<b>8.91</b>	<b>10.25</b>	<b>11.51</b>	34.3%
YoY		40.1%	74.5%	96.3%	4.6%	5.8%	15.0%	12.3%	
<b>Diluted EPS (adjusted)</b>	<b>1.68</b>	<b>2.46</b>	<b>4.25</b>	<b>7.76</b>	<b>8.14</b>	<b>8.60</b>	<b>9.89</b>	<b>11.11</b>	32.1%
YoY		46.6%	72.7%	82.8%	4.9%	5.6%	15.0%	12.3%	
<b>Diluted EPS in US\$</b>	<b>\$ 0.24</b>	<b>\$ 0.36</b>	<b>\$ 0.62</b>	<b>\$ 1.17</b>	<b>\$ 1.26</b>	<b>\$ 1.25</b>	<b>\$ 1.44</b>	<b>\$ 1.62</b>	
Diluted Shares per ADS [= 2 Ord Shares]	25,000	25,000	25,000	28,000	28,000	28,000	28,000	28,000	

<b>Balance Sheet (RMB thousands)</b>	<b>FY 06/2018</b>	<b>FY 06/2019A</b>	<b>FY 06/2020A</b>	<b>FY 06/2021A</b>	<b>FY 06/2022A</b>	<b>FY 06/2023E</b>	<b>FY 06/2024E</b>	<b>FY 06/2025E</b>
<b>Assets</b>								
+ Cash & Near Cash Items	11,027	17,196	188,386	439,287	525,136	957,160	1,277,309	1,615,662
+ Restricted Cash	44,059	91,547	-	266,023	135,242	135,242	135,242	135,242
+ Accounts & Notes Receivable	171,461	290,352	403,693	594,061	564,374	532,073	523,178	534,034
+ Other Receivables & Prepayments	51,339	52,690	43,451	51,540	66,103	74,326	83,093	92,429
+ Due from Related Prties	414,942	309,300	321,772	126,103	51,204	51,204	51,204	51,204
<b>Total Current Assets</b>	<b>692,828</b>	<b>761,085</b>	<b>957,302</b>	<b>1,477,014</b>	<b>1,342,059</b>	<b>1,750,004</b>	<b>2,070,026</b>	<b>2,428,571</b>
+ Deferred Tax Assets	1,062	1,852	2,583	649	725	725	725	725
+ Gross Fixed Assets	155,183	171,506	181,309	193,979	523,224	532,234	542,343	553,589
- Accumulated Depreciation	(103,500)	(128,709)	(147,193)	(172,787)	(201,114)	(231,146)	(263,721)	(299,957)
+ Net Fixed Assets	51,683	42,797	34,116	21,192	322,110	301,088	278,622	253,632
+ Other	3,830	7,077	1,808	7,427	40,332	40,332	40,332	40,332
+ Goodwill & other Intangible Assets	15,137	22,059	29,423	24,225	75,194	75,194	75,194	75,194
<b>Total Long-Term Assets</b>	<b>71,712</b>	<b>73,785</b>	<b>67,930</b>	<b>53,493</b>	<b>438,361</b>	<b>417,339</b>	<b>394,873</b>	<b>369,883</b>
<b>Total Assets</b>	<b>764,540</b>	<b>834,870</b>	<b>1,025,232</b>	<b>1,530,507</b>	<b>1,783,412</b>	<b>2,038,906</b>	<b>2,336,462</b>	<b>2,670,017</b>
<b>Liabilities &amp; Shareholders' Equity</b>								
+ Commission Payable	89,032	79,509	84,858	127,194	83,205	89,191	99,712	110,915
+ Investor Deposit	40,624	88,353	74,262	248,277	132,154	132,154	132,154	132,154
+ Accrued Payroll	14,932	29,700	38,821	0	0	0	0	0
+ Income Tax Payable	35,943	65,982	115,432	116,897	120,151	120,151	120,151	120,151
+ Due to Related Parties	20,863	56,714	59,254	24,799	36,172	36,172	36,172	36,172
+ Other Payables	26,918	67,272	129,966	278,697	408,128	408,128	408,128	408,128
<b>Total Current Liabilities</b>	<b>228,312</b>	<b>387,530</b>	<b>502,593</b>	<b>795,864</b>	<b>779,810</b>	<b>785,796</b>	<b>796,317</b>	<b>807,520</b>
Commission Payable non-current	44,407	46,998	18,321	10,080	1,289	1,289	1,289	1,289
Others	4,178	9,155	3,961	3,548	34,000	34,000	34,000	34,000
<b>Total Liabilities</b>	<b>276,897</b>	<b>443,683</b>	<b>524,875</b>	<b>809,492</b>	<b>815,099</b>	<b>821,085</b>	<b>831,606</b>	<b>842,809</b>
+ Ordinary Shares	499,260	494,055	500,616	503,086	510,426	510,426	510,426	510,426
+ Reserves	30,135	37,399	52,959	52,959	100,925	100,925	100,925	100,925
+ Retained Earnings & Other Equity	(41,749)	(140,268)	(53,217)	164,882	356,962	606,470	893,505	1,215,857
<b>Total Shareholders' Equity</b>	<b>487,646</b>	<b>391,186</b>	<b>500,358</b>	<b>720,927</b>	<b>968,313</b>	<b>1,217,821</b>	<b>1,504,856</b>	<b>1,827,208</b>
+ Minority Interest	-	-	-	0	0	0	0	0
<b>Total Liabilities &amp; Equity</b>	<b>764,543</b>	<b>834,869</b>	<b>1,025,233</b>	<b>1,530,419</b>	<b>1,783,412</b>	<b>2,038,906</b>	<b>2,336,462</b>	<b>2,670,017</b>
<b>Reference Items</b>								
<b>Receivable days</b>		<b>74</b>	<b>99</b>	<b>99</b>	<b>109</b>	97	85	78
<b>Inventory days</b>		<b>-30</b>	<b>-25</b>	<b>-17</b>	<b>-20</b>	-25	-25	-25
<b>Payable days</b>		<b>-49</b>	<b>-42</b>	<b>-39</b>	<b>-36</b>	-30	-30	-30
Shares Outstanding	25,000	25,000	25,000	28,000	28,000	28,000	28,000	28,000
Book Value per Share	18.90	14.77	18.84	24.88	31.90	40.81	51.06	62.57
Net Debt (Cash)	29,945	26,608	(188,386)	(705,310)	(660,378)	(1,092,402)	(1,412,551)	(1,750,904)
Net Debt (cash) to Equity	6.1%	6.8%	-37.7%	-97.8%	-68.2%	-89.7%	-93.9%	-95.8%

<b>Cash Flows (RMB thousands)</b>	<b>FY 06/2018</b>	<b>FY 06/2019A</b>	<b>FY 06/2020A</b>	<b>FY 06/2021A</b>	<b>FY 06/2022A</b>	<b>FY 06/2023E</b>	<b>FY 06/2024E</b>	<b>FY 06/2025E</b>
+ Net Income	41,919	61,460	106,152	207,657	235,869	249,508	287,035	322,352
+ Depreciation & Amortization	32,893	28,435	26,206	25,594	28,327	30,032	32,576	36,236
+ Other Non-Cash Adjustments	0	0	0	0	0	0	0	0
+ Changes in Non-Cash Capital	136,052	47,855	852	100,782	-25,445	30,064	10,648	-8,989
<b>Cash From Operating Activities</b>	<b>210,864</b>	<b>137,750</b>	<b>133,210</b>	<b>334,033</b>	<b>238,751</b>	<b>309,605</b>	<b>330,259</b>	<b>349,599</b>
+ Disposal of Fixed Assets	24	15	90					
+ Capital Expenditures	-27,725	-21,219	-10,441	-11,945	-8,418	-9,010	-10,110	-11,246
+ Increase in Investments	0	0	0	-2,686	-41,464	0	0	0
+ Decrease in Investments	0	0	0					
+ Other Investing Activities	-65,551	-73,924	-33,088	0	-236,615	0	0	0
<b>Cash From Investing Activities</b>	<b>-93,252</b>	<b>-95,128</b>	<b>-43,439</b>	<b>-14,631</b>	<b>-286,497</b>	<b>-9,010</b>	<b>-10,110</b>	<b>-11,246</b>
+ Dividends Paid	0	0	0	0	0	0	0	0
+ Change in Short-Term Borrowings	0	0	0	0	0	0	0	0
+ Increase in Long-Term Borrowing	-101,409	14,180	-5,709	0	0	0	0	0
+ Decrease in Long-term Borrowing	0	0	0	0	0	0	0	0
+ Increase in Capital Stocks	0	0	0	180,677	0	0	0	0
+ Decrease in Capital Stocks	0	0	0	4,929	0	0	0	0
+ Exchange Rate Changes	-169	-3,145	-4,420	11,917	-1,000	0	0	0
<b>Cash from Financing Activities</b>	<b>-101,578</b>	<b>11,035</b>	<b>-10,129</b>	<b>197,523</b>	<b>-1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Changes in Cash</b>	<b>16,034</b>	<b>53,657</b>	<b>79,642</b>	<b>516,925</b>	<b>-48,746</b>	<b>300,595</b>	<b>320,149</b>	<b>338,353</b>
Opening cash				188,386	705,311	656,565	957,160	1,277,309
Closing cash				705,311	656,565	957,160	1,277,309	1,615,662
Capex as a % of sales	2.4%	1.9%	0.8%	0.7%	0.4%	0.5%	0.5%	0.5%
<b>Reference Items</b>								
FCF - CNY	183,139	116,531	122,769	322,088	230,333	300,595	320,149	338,353
FCF margin (%)	15.9%	10.2%	9.6%	17.6%	11.9%	15.0%	14.3%	13.5%
FCF/reported Net Income	436.9%	189.6%	115.7%	155.1%	97.7%	120.5%	111.5%	105.0%
FCF per share - CNY	7.33	4.66	4.91	11.50	8.23	10.74	11.43	12.08
FCF per share - USD	\$ 1.07	\$ 0.68	\$ 0.71	\$ 1.67	\$ 1.20	\$ 1.56	\$ 1.66	\$ 1.76
Price/FCF per share	6.3	9.8	9.3	4.0	5.6	4.3	4.0	3.8
FCF Yield	16.0%	10.2%	10.7%	25.1%	17.9%	23.4%	24.9%	26.3%

<b>Ratio Analysis</b>	<b>FY 06/2018</b>	<b>FY 06/2019A</b>	<b>FY 06/2020A</b>	<b>FY 06/2021A</b>	<b>FY 06/2022A</b>	<b>FY 06/2023E</b>	<b>FY 06/2024E</b>	<b>FY 06/2025E</b>
<b>Per Share Data (\$)</b>								
Basic EPS (adjusted) CNY	1.68	2.46	4.25	7.76	8.14	8.91	10.25	11.51
Diluted EPS (adjusted) CNY	1.68	2.46	4.25	7.76	8.14	8.60	9.89	11.11
Diluted EPS (adjusted) US\$	0.24	0.36	0.62	1.17	1.26	1.25	1.44	1.62
Dividend per share (DPS)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Book Value per share (BVPS)	18.9	14.8	18.8	24.9	31.9	40.8	51.1	62.6
<b>Margins (%)</b>								
Operating Margin	8.0%	9.6%	12.4%	15.4%	16.8%	17.8%	18.0%	18.1%
EBITDA Margin	10.8%	12.0%	14.4%	16.7%	18.3%	19.3%	19.5%	19.6%
Pre-Tax Margin (adjusted)	7.5%	8.7%	12.2%	16.1%	16.7%	17.9%	18.4%	18.6%
Net Income Margin (adjusted)	3.6%	5.4%	8.3%	11.3%	12.4%	12.5%	12.8%	12.9%
<b>Growth (%)</b>	<b>FY 06/2018</b>	<b>FY 06/2019A</b>	<b>FY 06/2020A</b>	<b>FY 06/2021E</b>	<b>FY 06/2022A</b>	<b>FY 06/2023E</b>	<b>FY 06/2024E</b>	<b>FY 06/2025E</b>
Sales growth		-0.4%	12.1%	42.8%	5.9%	3.1%	12.2%	11.2%
EBIT growth		19.0%	45.2%	77.1%	16.0%	9.1%	13.5%	11.9%
Net Income (adjusted) growth		46.6%	72.7%	95.6%	15.6%	3.9%	15.0%	12.3%
EPS (adjusted) growth		46.6%	72.7%	82.8%	4.9%	5.6%	15.0%	12.3%
<b>Dupont ROE (%)</b>								
Margin (%)	3.6%	5.4%	8.3%	11.3%	12.4%	12.5%	12.8%	12.9%
Turnover (x)	1.5	1.4	1.3	1.2	1.1	1.0	1.0	0.9
Leverage (x)	1.6	2.1	2.0	2.1	1.8	1.7	1.6	1.5
ROA	5.5%	7.4%	10.4%	13.6%	13.5%	12.2%	12.3%	12.1%
Net cash / equity	11.3%	27.8%	37.7%	97.8%	68.2%	89.7%	93.9%	95.8%
<b>FCF Calculation</b>								
Op. cash	210,864	137,750	133,210	334,033	238,751	309,605	330,259	349,599
CAPX	-27,725	-21,219	-10,441	-11,945	-8,418	-9,010	-10,110	-11,246
FCF - CNY	183,139	116,531	122,769	322,088	230,333	300,595	320,149	338,353
FCF margin (%)	15.9%	10.2%	9.6%	17.6%	11.9%	15.0%	14.3%	13.5%
FCF per share - CNY	7.33	4.66	4.91	11.50	8.23	10.74	11.43	12.08
FCF per share - USD	\$ 1.07	\$ 0.68	\$ 0.71	\$ 1.67	\$ 1.20	\$ 1.56	\$ 1.66	\$ 1.76
Price/FCF per share	6.26	9.85	9.35	3.99	5.58	4.27	4.01	3.80
FCF Yield	16.0%	10.2%	10.7%	25.1%	17.9%	23.4%	24.9%	26.3%
<b>Net Cash calculation</b>								
Cash + short term investments	55,086	108,743	188,386	705,310	660,378	1,092,402	1,412,551	1,750,904
Less: long term debt + Short Term Debt	0	0	0	0	0	0	0	0
<b>Net Cash</b>	<b>55,086</b>	<b>108,743</b>	<b>188,386</b>	<b>705,310</b>	<b>660,378</b>	<b>1,092,402</b>	<b>1,412,551</b>	<b>1,750,904</b>
Net Cash per Share CNY	2.20	4.35	7.54	25.19	23.58	39.01	50.45	62.53
Net Cash per Share US\$	\$ 0.32	\$ 0.63	\$ 1.10	\$ 3.67	\$ 3.43	\$ 5.68	\$ 7.34	\$ 9.10

Valuation ratio's	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021E	FY 06/2022A	FY 06/2023E	FY 06/2024E	FY 06/2025E
P/B	2.4	3.1	2.4	1.8	1.4	1.1	0.9	0.7
P/E	27.4	18.7	10.8	5.7	5.3	5.3	4.6	4.1
P/S	1.0	1.0	1.0	0.7	0.7	0.6	0.6	0.5
EV/sales	0.9	0.9	0.9	0.6	0.6	0.5	0.5	0.4
EV/EBITDA (on today's B/S)	8.7	7.5	5.9	3.6	3.1	2.8	2.5	2.2
EV/EBITDA (on forward estimates)	8.7	7.5	5.9	1.9	1.8	0.5	-0.3	-1.0
EV/EBIT	11.9	9.5	6.9	3.9	3.4	3.1	2.7	2.4
EV/FCF	6.0	8.9	8.9	3.4	4.8	3.6	3.4	3.2
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Div payout on FCF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivable days		74	99	99	109	97	85	78
Inventory days		-30	-25	-17	-20	-25	-25	-25
payables days		-49	-42	-39	-36	-30	-30	-30
Current ratio	3.0	2.0	1.9	1.9	1.7	2.2	2.6	3.0

Enterprise Value Calculation	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A
Market Cap.	1,147,290	1,147,290	1,284,965	1,284,965
+ Minority Interest	-	-	-	-
+Total Debt (ST & LT Debt)	-	-	-	-
- Cash & Equivalents	55,086	108,743	188,386	188,386
<b>Enterprise Value</b>	<b>1,092,204</b>	<b>1,038,547</b>	<b>1,096,579</b>	<b>1,096,579</b>

	FY 06/2021A	FY 06/2022A	FY 06/2023E	FY 06/2024E	FY 06/2025E
Market Cap.	1,284,965	1,284,965	1,284,965	1,284,965	1,284,965
+ Minority Interest	(0)	(0)	(0)	(0)	(0)
+Total Debt (ST & LT Debt)	-	-	-	-	-
- Cash & Equivalents	705,310	660,378	1,092,402	1,412,551	1,750,904
<b>Enterprise Value</b>	<b>579,655</b>	<b>624,587</b>	<b>192,563</b>	<b>(127,587)</b>	<b>(465,940)</b>



Key Business Metrics	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021E	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Branch Network			167	177	178	183	189	195
Total Clients	88,826	100,817	113,146	127,317	141,058	146,700	158,436	171,111
Active Clients	35,315	31,757	36,397	38,033	43,764	45,515	49,611	54,076
Repeat Clients	80%	73%	78%	78%	81%	78%	78%	78%
Repeat Client Revenue As a % of Total		72%	75%	75%	75%	75%	75%	75%
Transaction Value of Repeat Customers	28,100	35,500	39,800	43,382	47,286	51,542	56,181	61,237
Relationship Managers number			1,696	1,798	1,906	2,020	2,141	2,270
Total Employee number	2,395	2,238	2,436	2,582	2,737	2,901	3,075	3,260
Total Transaction Value Wealth Management RMB 1,000s	51,450	55,600	68,200	78,800	79,800	82,194	84,660	87,200
Client Transaction Value per RM in RMB 1,000s	37,900	38,700	48,200	52,538	57,266	62,420	68,038	74,162
Number of Products	284	589	1,064	1,277	1,532	1,839	2,206	2,648

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