NOMURA

Morning News & Views - Asia

A Summary of Select Global Markets Research

Thursday 18 November 2021

KEY FORECAST CHANGES

SECURITY / SECTOR	TICKER	RATING		CURR	TARGET PRICE			CURR	CUR YEAR EPS		NEXT YEAR EPS	
		OLD	NEW		OLD	NEW	U/D%		OLD	NEW	OLD	NEW
COMPANY RATING CHANGES												
Medy-Tox	086900 KS	Neutral	**Reduce**	KRW	160000.00	**140000.00**	**-8.0**	KRW	1,647	**-1,432**	4,909	**2,448**
Pearl Abyss	263750 KS	Buy	**Neutral**	KRW	88000.00	**160000.00**	**+13.5**	KRW	1,964	**1,022**	4,327	**4,469**
TARGET PRICE CHANGES												
E INK	8069 TT	Buy	-	TWD	92.00	**124.00**	**+27.8**	TWD	3.70	**4.31**	4.31	**4.73**
Fortis Healthcare	FORH IN	Neutral	-	INR	245.00	**319.00**	**+11.9**	INR	2.09	**3.26**	4.86	**5.72**
GDS Holdings Limited	GDS US	Buy	-	USD	90.00	**74.00**	**+23.4**	CNY	-4.79	**-6.46**	-3.65	**-8.20**
NetEase	9999 HK	Buy	-	HKD	195.00	**211.00**	**+15.2**	CNY	5.90	**5.26**	6.66	**6.55**
NetEase	NTES US	Buy	-	USD	126.00	**135.00**	**+21.4**	CNY	29.48	**26.32**	33.32	**32.75**
Supermax	SUCB MK	Neutral	-	MYR	3.54	**1.92**	**+5.5**	MYR	64.21c	**39.32c**	35.41c	**19.23c**

*U/D % = Potential Up/Downside %

HIGHLIGHTS FOR TODAY

Medy-Tox (086900 KS) (Reduce) - Downgrade to Reduce; weak China exports (Neutral→Reduce, TP KRW 160,000→KRW 140,000)
Cara Song - NFIK
Coretox mass production delayed to 2Q22F; crackdown on illegal botox treatment in China hurting export sales
Event: Structurally low demand from China due to illegal botox treatment crackdown and Coretox mass production delay to 2Q22F; cut TP to KRW140,000. We downgrade the stock from Neutral to Reduce on new Botox license-out contract termination and prolonged COVID-19. We now have more reasons to remain cautious on the stock. First, the China government's crackdown on illegal trade of drugs for medical treatment has resulted in a sharp decline in Botox exports to China. Second, the company has cut the price of "Coretox" (an advanced Botox with low anti-body effect and, thus, higher quality) to as low as that of conventional products, which we think resulted from continued reputation damage due to the Botox license cancellation. Third, management expects Coretox sales recovery from 2Q22F with the production line change from plant 1 to a larger factory, and as plant 3 will likely take another five months, i.e. until 1Q22F, to start operation.

E INK (8069 TT) (Buy) - Re-rating likely to continue (TP TWD 92→TWD 124)
Shaotang Lee - NITB
Management expects material capacity increase to more than double in 2022F; reiterate Buy, raise TP to TWD124
Action/valuation: Reiterate Buy; lift TP to TWD124 (~28% implied upside). E Ink has been one of the best performers in 2021, with its share price up 112% YTD (vs TAIEX +21%). We attribute the strong rally to the continued earnings growth from its core business and valuation re-rating on the back of an ePaper display (EPD) upcycle. We raise our 2021/22/23F earnings by 16%/10%/10% to reflect its strong opex control and better-than-expected demand outlook. We remain positive on color eReader and electric shelf label (ESL) to lead likely robust growth for E Ink in the coming years, further supported by its rapid capacity expansion. Our new TP of TWD124 is based on 21x 2023F EPS of TWD5.9. We lift our valuation multiple from 17x to 21x on the strong EPD upcycle, supported by new capacity. The stock currently trades at 16.3x 2023F P/E.

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Quick Note - Bilibili Inc (BILI US) (Buy) - An in-line quarter (TP USD 99)
Jialong Shi - NIHK / Thomas Shen - NIHK
3Q21 results and 4Q21 guidance largely in line. Bilibili's (BILI) 3Q21 revenue grew 61% y-y to CNY5.2bn, 1% above Bloomberg consensus and in line with our estimate. Non-GAAP operating margin was -31.5%, down 1pp y-y due to lower gross margin (19.6% vs 23.6% a year ago), largely in line with our estimate of -31.4%. The non-GAAP net loss was CNY1.6bn, vs the Street's CNY1.5bn loss estimate due to an unexpected investment loss of ~CNY700mn stemming from fluctuations in mark-to-market valuations for investments. BILI has guided for 48-51% y-y growth in its 4Q21 revenue, the mid point of which is 1% below the latest Street consensus (+51% y-y). However, we note that BILI has a solid track record of over-delivering its guided quarterly results. On user metrics, its MAUs came in at 267mn, up 35% y-y / 13% q-q, 2% above our estimate. Average DAUs rose 35% y-y to 72mn, accelerating from 24% y-y in 2Q21. Average daily time spent per user was 88 mins, up 9% y-y / q-q, vs a 3% y-y rise in 2Q21.

Quick Note - Baidu (BIDU US) (Neutral) - 3Q21 top line and 4Q21 guidance largely in line (TP USD 187)
Jialong Shi - NIHK / Thomas Shen - NIHK
3Q21 top line and 4Q21 guidance largely in line. Baidu core's 3Q21 revenue grew 15% y-y, in line with Bloomberg consensus estimate and our forecast. Non-GAAP operating margin for Baidu core dropped 16pp y-y to 24%, in line with our estimate. Consolidated non-GAAP EPS dropped 28% y-y to CNY14.66, above the Street's CNY12.2 estimate, but below our CNY15.09 forecast. Baidu core's ads revenue rose 6% y-y, in line with our estimate, down from 18% y-y in 2Q on a normalized base. Baidu core's other revenue recorded 76% y-y growth, slightly better than our 72% y-y growth estimate, driven by 73% y-y growth in cloud revenue. Management has guided for 2-12% y-y growth in its 4Q21F consolidated revenue, the midpoint of which is 1% below the latest Bloomberg consensus estimate. The guidance implies 5-16% y-y growth in Baidu core's revenue, with its midpoint largely in line with the latest Bloomberg consensus.

AROUND THE WORLD

Kansai Paint (4613 JP) (Buy) - We reiterate Buy rating, company announces cost cuts in Japan and Africa (TP JPY 3,700)
Shigeki Okazaki - NSC
We take positive view of improvement in earnings cycle, company initiatives
We reiterate Buy rating, like the balance between cost savings and growth investments. We trim our recurring profit forecasts for Kansai Paint to factor in higher raw material costs in India in particular but reiterate our Buy rating (Figure 1). We think the company will increasingly pass higher costs onto selling prices and also look to a recovery in automobile production, on which basis we forecast EBITDA CAGR of 12% for the two years through 24/3. This is lower than the 15% or so average for five global paint companies, and we accordingly use a fair-value EV/EBITDA multiple on 22/3 forecasts of around 18.5x versus the five-company average of around 23x, yielding a target price of ¥3,700 based on our 22/3 EBITDA of ¥55.0bn.

SMC (6273 JP) (Buy) - We raise forecast, high competitiveness and profitability (TP JPY 81,400→JPY 84,800)
Katsushi Saito - NSC
Ability to supply products with short lead times is intact and is contributing to market share gains
Buy, we raise our forecast to reflect higher margins, short lead times remain a strength. The company held a briefing on 16 November. We raise our forecast and maintain our Buy rating. Our target price is based on our 23/3 EPS forecast and a fair-value P/E of 27-28x (same as before). We raise our forecasts mainly because we boost our assumption for margin improvement due to increased production. We have three takeaways, with the first being that demand for pneumatic equipment is holding up around the world. Order receipts in China are high, mainly from semiconductor and automotive (including electric vehicle and battery producers) clients. Second, we see company-specific growth factors. The company has held onto its strength of supplying products with short lead times relatively well, and this has contributed to increased market share in Europe.

SPE market in China - US government applying some degree of pressure
Tetsuya Wadaki - NSC
Nikon looks increasingly likely to increase its market share in China
Report that Biden administration is against a plan by Intel to increase wafer production in China. On 13 November, Bloomberg, citing people familiar with the matter, reported that the Biden administration had contested a plan by Intel to ramp up production in China as a means to help resolve the US semiconductor shortage, with the administration citing security concerns as the reason. According to the Bloomberg report, Intel proposed using a factory in Chengdu (Sichuan Province) to produce silicon wafers. The plan reportedly would have enabled production to be on line by the end of 2022, helping to ease the global semiconductor supply shortage. According to the report, the Biden administration is "scrambling to address constraints", but Intel's plan to increase production in China is not in line with the administration's policy of "trying to bring production of vital components back to the US".

Japan macro strategy - Implications for forex and Japanese equities of post-Kuroda BOJ
Yunosuke Ikeda - NSC / Yoshitaka Suda - NSC / Yujiro Goto - NSC
Outlook for weak yen and strong equities looks solid for now but we see risks for 2022 H2
Selection of next BOJ governor for April 2023 likely to be a disruptive factor in 2022. The Liberal Democratic Party (LDP) retained its absolute stable majority in the Lower House election held on 31 October, thereby stabilizing Japan's political base. While we see limited risk of yen appreciation because of developments in Japan in the short term, the Upper House election slated for summer 2022 and the appointment of a successor to BOJ governor Haruhiko Kuroda, whose term expires in April 2023, could well act as risks triggering yen appreciation and weaker equities. In particular, we think an Upper House election resulting in a split Diet would raise concerns about the appointment of BOJ policy board members. However, even if there is no split Diet, Mr Kuroda's successor is unlikely to be more dovish than he has been, and we think market participants will increasingly look to a less dovish BOJ. Uncertainty over stance of Kishida administration.

Matsuzawa Morning Report - Global economic conditions split into two tracks
Naka Matsuzawa - NSC
Markets already preparing for December's central bank week
Please also see yesterday's edition of Macro Strategy Insight (Analysis of speculative positions / Speculative investors remain short on 5yr USTs and long on USD even after central bank meetings). Today's Japanese markets. In Japanese markets on Wednesday, we expect bonds to be weak and equities to be solid but without enough momentum to reach a higher range (in overnight futures trading on the previous day, bonds were down 5 sen and equities were up JPY60 over OSE). The International Energy Agency (IEA) stated that the pressures on oil supply/demand could ease, and ongoing softness in crude oil would be a boost for Japanese equities, in our view. At the same time, upside for the US's Russell 2000, which has a high correlation with Japanese equities, appears limited, and we think that the softness of EM equities caused by the reversal of USD carry trades is also a source of pressure.

ALSO INSIDE TODAY...

REGIONAL / REGIONAL MARKET STRATEGY / REGIONAL SECTOR STRATEGY / REGIONAL ECONOMIC ANALYSIS

Asia Chart Alert - Korea: Tighter financial conditions point to a further slowdown in debt growth
Jeong Woo Park - NSL
We expect tighter financial conditions to slow debt growth and the consumption recovery, raising Japanification risks.
Nomura-KRFCI and debt growth. Nomura's financial conditions index for Korea (Nomura-KRFCI) has fallen sharply to 94.1 in November, below the 100 threshold that suggests financial conditions are rapidly tightening. While the policy rate is still near historical lows, falling stock prices and widening credit spreads due to the BOK's hawkish monetary policy stance have resulted in tighter financial conditions. Moreover, stricter lending policies, including tighter lending standards, have led to a faster rise in lending rates, raising the debt burden for consumers. We expect tighter financial conditions to sharply slow debt growth and lead consumers to cut back on spending after a temporary increase in Q4. The combination of slower debt growth and cash hoarding could prompt a revival of deflation, raising Korea's Japanification risks again.

Asia Chart Alert - Nomura's leading index of Asian exports
Rob Subbaraman - NSL / Rebecca Wang - NSL
It is signaling a further slowdown in Asian export growth in Q4.
Nomura's leading index of Asia ex-Japan's aggregate exports, or NELI for short, is made up of eight forward looking components and has a three-month lead time. It has correctly warned of past major turning points. NELI is signaling a further weakening of AEJ export growth, as its latest December reading dropped for the fifth straight month to a 10-month low, due primarily to indicators of China's cooling economy. AEJ's aggregate export growth moderated to 25.1% y-o-y in September from 27.0% in August (red line), although out of the five economies that have released October export data, three (India, Indonesia, Korea) have reported higher growth than in the previous month. High commodity prices and front-loading ahead of the holiday shopping season may be exaggerating the strength of real exports.

Special Report - Damocles: Our early warning indicator of EM exchange rate crises
Rob Subbaraman - NSL / Rebecca Wang - NSL
EM vulnerabilities lurking in the shadows. In some respects EM is in better shape than on the eve of the 2013 taper tantrum; it now has smaller current account deficits (or surpluses) and larger FX reserves. But the pandemic has given rise to new sources of EM vulnerability, including chronically weak economic recoveries (real GDP in many

EMs is only just starting to recover to pre-COVID-19 levels), a marked deterioration in fiscal finances, and sharply higher inflation that, even with recent policy rate hikes, has kept real interest rates negative in most EM countries. The prospect of the Fed normalizing monetary policy amid China's deepening economic downturn is not a particularly good combination for EM, and this is only exacerbated by three other vulnerabilities lurking in the shadows: a growing EM bank-sovereign debt nexus, looming twin deficit challenges and a potential EM food crisis.

First Insights - Surging inflation supports a December hike
George Buckley - NIplc
CPI inflation surged today to 4.2% y-o-y in October, beating all economists forecasts. A combination of rising household energy, petrol, car and food prices, as well as the tapering of the VAT cut on hospitality created a perfect storm for UK inflation last month. While non-core prices have been the most significant driver of rising inflation since the start of the year and over the past month, core prices are showing significant momentum too. Rising producer prices and further increases in energy costs to come suggest there's further to go before headline CPI inflation reaches its peak - which we expect to be around the 5% mark next April. Whether the upside effect from higher near-term inflation due to expectations and wages or the downside effect from lower real incomes dominates when it comes to medium-term inflation remains to be seen, but we think on balance today's data support the case for a modest rise in Bank Rate at the BoE's December meeting.

HONG KONG / CHINA

GDS Holdings Limited (GDS US) (Buy) - On-track 3Q; long-term outlook remains intact (TP USD 90→USD 74)
Joel Ying, CFA - NIHK / Ethan Zhang - NIHK / Bing Duan - NIHK
Maintain Buy and cut TP to USD74
Action: Cut TP to USD74 (implying 23% upside), and maintain Buy; long-term biz outlook still looks promising. GDS reported on-track 3Q21 results, while narrowed its FY21 guidance range for revenue and adjusted EBITDA range into the lower half of its original guidance. Although we see some short-term weakness from clients' move-in rate, we believe the long-term outlook for the entire China IDC market remains promising, as IDC (internet data center) is the infrastructure and the fundamental for digitalization and cloudification. With strong execution and solid resource of reserves on hand, we continue to believe GDS will deliver general healthy growth in FY21-23F. We trim our FY21-23F revenue forecast for GDS by 0.5%-7.8% and slightly cut our adjusted EBITDA margin for FY21-22F by 0.4pp each. Meanwhile, we continue to expect GDS to grow faster than the market for the next three years, at CAGRs of 30% for revenue and 31% for adjusted EBITDA in 2020-23F.

NetEase (9999 HK) (Buy) - Solid outlook for online gaming business (TP HKD 195→HKD 211)
Jialong Shi - NIHK / Thomas Shen - NIHK
Maintain Buy; raise TP to HKD211
3Q21 revenue/deferred game revenue beat. NetEase's (NTES) 3Q21 consolidated revenue grew 19% y-y, 4% above Bloomberg consensus. Total online gaming revenue rose 15% y-y / 9% q-q in 3Q, in line with our estimate, driven mainly by robust PC gaming revenue (+29% y-y, vs. our +14% y-y forecast), thanks to the new PC title Naraka Bladepoint (NB). Deferred game revenue (ex-Youdao) surprised on the upside at +25% q-q vs our projected +20% q-q. Its non-GAAP operating margin expanded 1pp y-y to 20%, slightly shy of Street consensus of 21% and our 22% estimate, due to higher R&D expense (+38% y-y, vs our +27% y-y) and G&A expense (+61% y-y, vs our +19% y-y). The higher G&A expense was due to a bad debt provision of nearly CNY200mn for NTES' media segment, related to an advertiser, which ran into cash crunch this year. Like many of its peers, NTES has ramped up investments in R&D, driving its overall headcount to 32K as of 3Q from 28K in late 2020.

NetEase (NTES US) (Buy) - Solid outlook for online gaming business (TP USD 126→USD 135)
Jialong Shi - NIHK / Thomas Shen - NIHK
Maintain Buy; raise TP to USD135
3Q21 revenue/deferred game revenue beat. NetEase's (NTES) 3Q21 consolidated revenue grew 19% y-y, 4% above Bloomberg consensus. Total online gaming revenue rose 15% y-y / 9% q-q in 3Q, in line with our estimate, driven mainly by robust PC gaming revenue (+29% y-y, vs. our +14% y-y forecast), thanks to the new PC title Naraka Bladepoint (NB). Deferred game revenue (ex-Youdao) surprised on the upside at +25% q-q vs our projected +20% q-q. Its non-GAAP operating margin expanded 1pp y-y to 20%, slightly shy of Street consensus of 21% and our 22% estimate, due to higher R&D expense (+38% y-y, vs our +27% y-y) and G&A expense (+61% y-y, vs our +19% y-y). The higher G&A expense was due to a bad debt provision of nearly CNY200mn for NTES' media segment, related to an advertiser, which ran into cash crunch this year. Like many of its peers, NTES has ramped up investments in R&D, driving its overall headcount to 32K as of 3Q from 28K in late 2020.

Quick Note - iQIYI Inc (IQ US) (Neutral) - 3Q21 revenue in line; 4Q21 guidance missed (TP USD 10)
Thomas Shen - NIHK / Jialong Shi - NIHK
3Q21 top line came in line with consensus, while margins beat; 4Q guidance missed iQIYI's (IQ) 3Q21 total revenue came in at CNY7.6bn, up 6% y-y, in line with Bloomberg consensus estimate and 1% above our forecast. Gross

margin was 7.4%, down 4pp y-y and in line with the Street consensus. Content cost came in at CNY5.3bn, up 13% y-y and in line with our estimate. Non-GAAP operating loss margin widened 3pp y-y to -14%, which is better than our -16% estimate, owing to its lower SG&A expenses (-5% y-y vs our estimate of nil growth). As a result, non-GAAP loss per ADS widened 57% y-y to CNY1.76, better than the Street's CNY2.01 loss estimate and our CNY1.95 loss forecast. IQ has guided for -5% to +1% y-y growth in its 4Q21F revenue, the midpoint of which is 5% below the latest Street consensus. Membership revenue rose 8% y-y, better than our 5% y-y growth estimate, driven by an 8% y-y uptick in ARPU (+8% y-y, vs our +5% y-y estimate).

China insurance - Life remained weak, P&C turned positive

Shengbo Tang - NIHK / Ivy Du - NIHK

China insurance premium monthly (Oct 2021)

Life premium growth remains weak, albeit the downtrend is moderating. Monthly premium growth remained weak in Oct-21, with total premium down 1% alone for our covered life insurance companies. In terms of NBV, we expect narrowing decline in 4Q21 compared to 2Q21 and 3Q21 across the board due to low base effect. Among our covered companies, only PICC's (1339 HK, Buy) life insurance business registered a 56% y-y strong growth in total premium in Oct, likely driven by low-margin single premium policies, as the FYP (first-year premium) of regular premium policies were -34% y-y (vs. -21% y-y in Sep), whereas other life insurance companies under our coverage either recorded y-y decline or largely flat Oct total premium. In terms of NBV, we believe CPIC (2601 HK, Buy) is likely to deliver positive growth vs. peers' y-y decline, driven by its positive annualized new premium (ANP) growth, although it reported a -6% y-y decline in total premium in Oct.

Quick Note - Greater China Solar - Investor Day Takeaways

Donnie Teng - NIHK

We are holding the China New Energy/EV/Industrials Focus investor day between Nov 16-19. We believe the concern over rising material prices among upstream and downstream solar companies is still ongoing. However, it is clear that end-demand will continue weakening with lowering utilization rate across solar wafer and module sectors. Due to rising material cost, the launch of 30-40GW solar projects were delayed globally to 2022F, and we think the solar demand in China could decline to 50GW or even lower this year, vs our expectation of 55-60GW before. We summarize key takeaways from leading China solar companies' comments below: Daqo and other solar polysilicon companies. Polysilicon capacity outlook. For Daqo (DQ US, Neutral), the 4B fab expansion will be completed by end-2021, and will take three months to ramp up to maximum capacity of 35 metric tons. And the ultimate capacity for this fab can reach 40 metric tons after production optimization.

INDIA

Fortis Healthcare (FORH IN) (Neutral) - Raise TP to INR319 (from INR245) (TP INR 245→INR 319)

Saion Mukherjee - NFASL / Prateek Mandhana, CFA - NFASL

COVID-19 concerns behind now; we expect steady improvement in margins, aided by business ramp up

Action: Maintain Neutral; lift TP to INR319 (~12% implied upside). FORH reported its 2QFY22 results on 12 Nov 2021. Revenue and EBITDA split and P&L are presented in Fig. 1 and Fig. 2. Revenue/EBIDTA/PAT came in 7%/16%/11% ahead of our estimates. The beat was driven by strong performance in the hospital segment. We note the beat in the hospital segment was driven by higher-than-estimated average revenue per occupied bed (ARPOB) on account of higher volumes of complex surgical procedures. ARPOB for 2QFY22 came in at INR18.7mn (the highest ever for the company) up 15% q-q and 26% y-y; non-COVID business recorded ARPOB of INR18.9mn, down 4% q-q, while COVID business ARPOB came in at INR12.9mn during the quarter. We expect ARPOB to normalize in the near term as pent-up demand recedes. We factor in operating beds to increase by ~1,000 over FY22-24F, in line with management guidance. Over the long term, we expect the hospital business to deliver an EBITDA margin of ~24-25%.

KOREA

Pearl Abyss (263750 KS) (Neutral) - Risk-reward balanced (Buy→Neutral, TP KRW 88,000→KRW 160,000)

Angela Hong - NFIK

Chinese launch of Black Desert mobile and PC versions priced in; downgrade to Neutral; TP up to KRW160,000

Action: Downgrade to Neutral on valuation; currently trading at 31x 2022F P/E. Pearl Abyss' share price has more than doubled in the past three months (vs. KOSPI down 4.4%), driven by the upcoming release of Black Desert mobile in China, users' positive feedback on the graphics of open-world action adventure MMORPG DokeV and the company's engagement in the metaverse through investment in a media production startup Hyperreal Digital. Further, Black Desert PC version will likely be serviced in China soon, given Pearl Abyss announced on 16 Nov that it signed a contract with a local Chinese publisher back in August. Reflecting the potential Chinese launch of Black

Desert PC version, we lift our 2023F EPS by 14% and target P/E from 20x to 35x, based on 2023F EPS growth estimate of 34%. As such, we raise our TP to KRW160,000, based on FY22 P/E of 35x, but downgrade the stock to Neutral on a 14% potential upside.

MALAYSIA

Quick Note - CTOS Digital (CTOS MK) (Buy) - CCRIS access restored (TP MYR 2.24)
Tushar Mohata, CFA - NSM / Alpa Aggarwal, CFA - NSFSPL
CTOS Digital announced that the company's Central Credit Reference Information System (CCRIS) access has been reinstated by Bank Negara Malaysia (BNM) effective 17 November 2021. Reports and services using CCRIS data are available as usual. We are positive on this news. In total, access to CCRIS remained suspended for ~47 days, vs our previous expectation of one month (see our Q&A notes). Note that competitor Experian Malaysia (not listed) had its access restored on 25 October, after it submitted its findings on 14 October. We attribute the longer timeframe for CTOS' access restoration to the fact that CTOS has a higher number of APIs, customers, and databases, and it is likely that the central bank took longer to conduct a thorough review of its security protocols and infrastructure. Management had previously estimated the impact on revenues/earnings at ~MYR 3mn/month each, as many Key Accounts and Direct-to-consumer segment services depend on CCRIS access.

Quick Note - POS Malaysia (POSM MK) (Neutral) - First take on AeJ results (TP MYR 1.04)
Ahmad Maghfur Usman - NSM / Divya Thomas - NSFSPL
Pos Malaysia reported a core net loss of MYR48.2mn for the Sept quarter, vs a core net profit of MYR7mn y-y (but 12% narrower q-q), with revenue coming in at MYR536mn (-14% y-y). Cumulatively over two quarters, core net loss currently sits at MYR103mn. The losses are in line with our full-year loss forecast (based on March FYE) of MYR170mn, but significantly wider than the consensus forecast of MYR76mn. Pos Malaysia attributed the losses to the lockdowns which dampened volumes for its postal and courier businesses, but highlighted that the aviation and logistics segments are slowly turning around on increased activities (in particular, cargo, freight and automotive logistics). We, nevertheless, remain cautious on the company's outlook as competition intensifies in the courier space and Pos Malaysia's market share continues to shrink as players such as J&T Express (not listed) and Ninjavan (not listed) eat into its market share given their aggressive expansion plans seen over the recent years.

Supermax (SUCB MK) (Neutral) - 1QFY22 results: Within our expectations (TP MYR 3.54→MYR 1.92)
Heng Siong Kong - NSM / Rahul Dohare - NSFSPL
Outlook worsens with falling ASPs and US CBP ban; cut TP to MYR1.92, maintain Neutral
1QFY22 down sequentially due to falling ASPs and production curbs. Supermax reported 1QFY22 core profit of MYR639.5mn, forming 38%/49% of our/consensus estimates for the full year. We deem this within our expectations as we expect the company's performance to deteriorate over the next few quarters due to falling ASPs and likely lower capacity utilization, following US Customs and Border Protection's (US CBP) import ban on its gloves. 1QFY22 revenue of MYR1.46bn was down 22% q-q on lower selling prices and lower capacity utilization due to production curbs during the quarter from a nation-wide lockdown in Malaysia to curb the rising COVID-19 cases. Accordingly, 1QFY22 core profit declined by 33% q-q. Falling ASPs and US CBP ban are key overhangs in the near to medium term. We expect continued ASP normalization with industry supply outstripping current demand. Note that, with the easing of COVID-19 post mass vaccination, demand has normalized.

UPCOMING EVENTS

Date	Location	Event
Nov 8-19, 29-Dec 10	Virtual	Nomura Investment Forum 2021 & Nomura Investment Forum: AEJ Thematic Discovery
Dec 9	Virtual	Nomura Asia Macro Outlook 2022 Webinar - Asia's comeback
Dec 14-16	Virtual	Nomura Virtual New Year Outlook 2022 - North Asia

INDICES

	Last Price	1D%	YTD
TOPIX Index (Tokyo)	2038.34	-0.6%	12.9%
Nikkei 225	29688.33	-0.4%	8.2%
Dow Jones Industrial Average	35979.02	-0.5%	17.6%
NASDAQ	15932.75	-0.3%	23.6%
S&P 500	4693.78	-0.2%	24.9%
FTSE 100	7291.2	-0.5%	12.9%
CAC	7156.85	0.1%	28.9%
Xetra DAX	16251.13	0.0%	18.5%
Hang Seng	25650.08	-0.2%	-5.8%
Shanghai A shares	3707.26	0.4%	1.8%
CSI 300	4885.75	0.0%	-6.2%
HSCEI	9193.21	-0.4%	-14.4%
TWSE	17764.04	0.4%	20.6%
KOSPI	2962.42	-1.2%	3.1%
SET	1644.6	0.0%	13.5%
Straits Times	3232.68	-0.2%	13.7%
Kuala Lumpur Composite	1525.13	0.1%	-6.3%
Jakarta Composite Index	6675.81	0.4%	11.7%
Philippines Stock Exchange PSEi Index	7349.82	-0.2%	2.9%
ASX 200	7369.93	-0.7%	11.9%
SENSEX 30	60008.33	-0.5%	25.7%

Source: Bloomberg

COMMODITY PRICES AND RISK INDEX

	Last Price	1D%	YTD
Brent crude future	80.68	-2.1%	59.4%
Crude (Brent oil price)	80.68	-2.1%	55.7%
Gold spot price	1864.86	0.8%	-1.8%
CBOE SPX Volatility	16.84	2.9%	-25.8%
REUTERS CRB Index	236.14	-0.6%	40.7%
US Generic Govt 10 Year Yield	1.6	-2.0%	75.3%

Source: Bloomberg

MAJOR CURRENCIES AGAINST US$

	Last Price	1D%	YTD
AUD*	0.73	-0.5%	-5.6%
EURO*	1.13	0.0%	-7.4%
GBP*	1.35	0.4%	-1.3%
JPY	114.16	-0.6%	-9.6%
KRW	1182.5	0.2%	-8.1%

CNY	6.38	-0.2%	2.3%
CNH	6.37	-0.3%	2.0%
HKD	7.79	0.0%	-0.4%
SGD	1.36	-0.1%	-2.5%

* Per one US dollar, except GBP, EURO and AUD
Source: Bloomberg
Note: earnings changes refer to next year.

UPCOMING CORPORATE EARNINGS CALENDAR

Company	Ticker	Earnings Date	C/E/T*
21Vianet Group	VNET US	Nov 18	C
Alibaba Group Holding	BABA US	Nov 18	C
GD Express	GDX MK	Nov 18	E
JD.com	9618 HK	Nov 18	C
JD.com	JD US	Nov 18	C
Petronas Chemicals	PCHEM MK	Nov 18	E
Sa Sa International	178 HK	Nov 18	C
Taiwan Liposome Company	4152 TT	Nov 18	E
VIPSHOP	VIPS US	Nov 18	C
Adaro Energy	ADRO IJ	Nov 19	E
Bukalapak	BUKA IJ	Nov 19	E
Bumi Serpong Damai	BSDE IJ	Nov 19	E
Central Retail Corporation	CRC TB	Nov 19	E
CTOS Digital	CTOS MK	Nov 19	E
Indika Energy	INDY IJ	Nov 19	E
Indofood CBP Sukses Makmur	ICBP IJ	Nov 19	E
Indofood Sukses Makmur	INDF IJ	Nov 19	E
Media Nusantara Citra	MNCN IJ	Nov 19	E
Sarana Menara Nusantara	TOWR IJ	Nov 19	E
Sumber Alfaria Trijaya	AMRT IJ	Nov 19	E
Summarecon Agung	SMRA IJ	Nov 19	E
Sunway Construction	SCGB MK	Nov 19	E
Telekomunikasi Indonesia Persero	TLKM IJ	Nov 19	E
Waskita Karya Persero	WSKT IJ	Nov 19	E
Airports of Thailand PCL	AOT TB	Nov 22	C
UWC	UWC MK	Nov 22	E
Chow Tai Fook Jewellery	1929 HK	Nov 23	C
Kuaishou Technology	1024 HK	Nov 23	C
Noah Holdings	NOAH US	Nov 23	C
Tower Bersama Infrastructure	TBIG IJ	Nov 23	E
Xiaomi Corporation	1810 HK	Nov 23	C
XPENG Inc.	XPEV US	Nov 23	C
AirAsia	AAGB MK	Nov 24	E
Cafe De Coral	341 HK	Nov 24	C
Kingsoft Cloud Holdings	KC US	Nov 24	C
Lexin	LX US	Nov 24	E
Soulbrain Co., Ltd	357780 KS	Nov 24	E
Wijaya Karya Persero	WIKA IJ	Nov 24	E

Source: Bloomberg
*C- Confirmed, E- Expected, T -Tentative

Appendix A-1

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Standard & Poor's

-Name of the rating agency group and registration number

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Name of the registered credit rating agency within the group and its registration number:

S&P Global Ratings Japan Inc. (Financial Services Agency Commissioner 5)

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Name of the registered credit rating agency within the group and registration number:

Moody's Japan K.K. (Financial Services Agency Commissioner 2)

-The way of obtaining summary information on the policies and method used for assigning credit ratings

Please refer to the Japanese website of Moody's Japan K.K. at (https://www.moodys.com/pages/default_ja.aspx). Click 「信用格付事業」and access to 「無登録格付説明関連」in「無登録業者の格付の利用」.

-Assumptions, Significance and Limitation of Credit Ratings

Credit ratings are Moody's Investors Service, Inc.'s ("MIS") current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. MIS defines credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and any estimated financial loss in the event of default. Credit ratings do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility. Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, sell, or hold particular securities. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information is given or made by MIS in any form or manner whatsoever.

Based on the information received from issuers or from public sources, the credit risks of the issuers or obligations are assessed. MIS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MIS considers to be reliable. However, MIS is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

This information is based on information Nomura has received from sources it believes to be reliable as of Janury 1, 2021, but it does not guarantee accuracy or completeness of the information. For details, please refer to its website above.

Fitch

-Name of the rating agency group and registration number

Name of the rating agency group: Fitch Ratings (Fitch)

Name of the registered credit rating agency within the group and registration number:

Fitch Ratings Japan Limited. (Financial Services Agency Commissioner 7)

-The way of obtaining summary information on the policies and method used for assigning credit ratings

Please refer to the Japanese website of Fitch Ratings Japan Limited at (https://www.fitchratings.com/site/ja). Click 「規制関連」and access 「格付方針等の概要」.

-Assumptions, Significance and Limitation of Credit Ratings

Ratings assigned by Fitch are opinions based on established criteria and methodologies. Ratings are not facts, and therefore cannot be described as being "accurate" or "inaccurate". Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity for rated instruments. Ratings are relative measures of risk; as a result, the assignment of ratings in the same category to entities and obligations may not fully reflect small differences in the degrees of risk. Credit ratings, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. Despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

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In addition, all products carry the risk of losses owing to price fluctuations or other factors. Fees and risks vary by product. Please thoroughly read the written materials provided, such as documents delivered before making a contract, listed securities documents, or prospectuses.

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Transactions involving convertible bonds are subject to a sales commission of up to 1.10% (tax included) of the transaction amount (or a commission of ¥4,400 (tax included) if this would be less than ¥4,400). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When bonds are purchased via public offerings, secondary distributions, or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Bonds carry the risk of losses, as prices fluctuate in line with changes in market interest rates. Bond prices may also fall below the invested principal as a result of such factors as changes in the management and financial circumstances of the issuer, or changes in third-party valuations of the bond in question. In addition, foreign currency-denominated bonds also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used.

When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For JI17 and subsequent issues, the maturity value shall not undercut the face amount.

Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.5% (tax included) of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.5% (tax included/annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

Investment trusts invest mainly in securities such as Japanese and foreign equities and bonds, whose prices fluctuate. Investment trust unit prices fluctuate owing to price fluctuations in the underlying assets and to foreign exchange rate fluctuations. As such, investment trusts carry the risk of losses. Fees and risks vary by investment trust. Maximum applicable fees are subject to change; please thoroughly read the written

materials provided, such as prospectuses or documents delivered before making a contract.

In interest rate swap transactions and USD/JPY basis swap transactions ("interest rate swap transactions, etc."), only the agreed transaction payments shall be made on the settlement dates. Some interest rate swap transactions, etc. may require pledging of margin collateral. In some of these cases, transaction payments may exceed the amount of collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the transaction. Interest rate swap transactions, etc. carry the risk of losses owing to fluctuations in market prices in the interest rate, currency and other markets, as well as reference indices. Losses incurred as such may exceed the value of margin collateral, in which case margin calls may be triggered. In the event that both parties agree to enter a replacement (or termination) transaction, the interest rates received (paid) under the new arrangement may differ from those in the original arrangement, even if terms other than the interest rates are identical to those in the original transaction. Risks vary by transaction. Please thoroughly read the written materials provided, such as documents delivered before making a contract and disclosure statements.

In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors.

Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥11,000 (tax included) per issue transferred depending on volume. No account fee will be charged for marketable securities or monies deposited.

Nomura Securities Co., Ltd.

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