

PDD Holdings Inc ADR PDD ★★★★★

23 May 2024 10:03, UTC

Last Price 147.09 USD 22 May 2024	Fair Value Estimate 230.00 USD 23 May 2024 10:00, UTC	Price/FVE 0.64	Market Cap 204.27 USD Bil 22 May 2024	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ 1 May 2024 05:00, UTC
--	--	--------------------------	--	---------------------------------	------------------------------	---------------------------------	---------------------------------------	--

Chelsey Tam

Senior Equity Analyst

Morningstar

+852 2973 4690

chelsey.tam@morningstar.com

Contents

Analyst Note (23 May 2024)

Business Description

Financials

ESG Risk

Research Methodology for Valuing

Companies

Important Disclosure

The conduct of Morningstar's analysts is governed by Code of Ethics/Code of Conduct Policy, Personal Security Trading Policy (or an equivalent of), and Investment Research Policy. For information regarding conflicts of interest, please visit: <http://global.morningstar.com/equitydisclosures>.

The primary analyst covering this company does not own its stock.

Reporting Currency: CNY | Trading Currency: USD
Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

PDD Earnings: Raising Fair Value Estimate by 8% to \$230 on Strong Revenue and Bottom-Line Beat

Analyst Note Chelsey Tam, Senior Equity Analyst, 23 May 2024

Narrow-moat PDD beat LSEG revenue and non-GAAP operating profit consensus by 15% and 89%, respectively, in the first quarter. PDD's transaction services revenue and non-GAAP operating profit also track well ahead of our full-year estimate, thanks to substantially stronger Temu revenue and lower selling and marketing expenses. We raised our total revenue estimate by 8% for each of the next three years. We lifted our fair value estimate by 8% to USD 230 per ADS as we raised our non-GAAP operating profit estimates by 50%-59% for 2023-25 primarily to reflect stronger performance for Temu, partially offset by higher working capital. In our view, the shares are currently undervalued. We think Temu's profitability will improve faster than previously estimated due to its introduction of the half consignment model, under which logistics costs will be borne by merchants. We also believe PDD's domestic platform will be able to defend its position given the strong consumer perception of its value-for-money positioning. Our order of preference in the traditional Chinese e-commerce platforms is PDD, then JD.com, and then Alibaba.

Online marketing services and others revenue in the quarter surged 55% year on year, maintaining the solid 57% growth seen in the fourth quarter, thanks to strong gross merchandise volume growth and higher monetization rate at the domestic platform. Transaction services revenue in the quarter spiked 327% year on year, keeping up with the strong growth of 357% in the fourth quarter, driven by Temu. In particular, transaction services revenue rose 10% sequentially in the quarter despite less favorable seasonality versus the fourth quarter, where major shopping festivals such as Black Friday and Christmas took place. It now accounts for 51% of total revenue in the quarter, versus 20% in the third quarter of 2022 when Temu was first launched.

Financial Summary and Key Statistics

	Actual		Forecast	
	2022	2023	2024	2025
Revenue (CNY Mil)	130,558	247,639	367,745	479,821
Revenue Growth %	39.0	89.7	48.5	30.5
Operating Income (Mil)	30,402	58,699	67,154	74,332
Operating Margin %	23.3	23.7	18.3	15.5
Adjusted EBITDA (Mil)	33,137	59,819	67,771	74,868
Adjusted EBITDA Margin %	25.4	24.2	18.4	15.6
Earnings Per Share (Diluted) (CNY)	5.47	10.28	11.76	13.98
Adjusted Earnings Per Share (Diluted) (CNY)	6.84	11.60	13.56	16.33
Adjusted EPS Growth %	185.5	69.7	16.9	20.4
Price/Earnings	20.7	22.4	19.6	16.3
Price/Book	6.9	8.1	6.1	4.6
EV/EBITDA	18.0	20.0	18.8	17.0
Free Cash Flow Yield %	6.7	8.2	12.2	10.1

Source: Morningstar Valuation Model. Data as of 21 Mar 2024.

PDD Holdings Inc ADR PDD ★★★★★ 23 May 2024 10:03, UTC

Last Price 147.09 USD <small>22 May 2024</small>	Fair Value Estimate 230.00 USD <small>23 May 2024 10:00, UTC</small>	Price/FVE 0.64	Market Cap 204.27 USD Bil <small>22 May 2024</small>	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ <small>1 May 2024 05:00, UTC</small>
---	---	--------------------------	---	---------------------------------	------------------------------	---------------------------------	---------------------------------------	---

Sector Consumer Cyclical Internet Retail

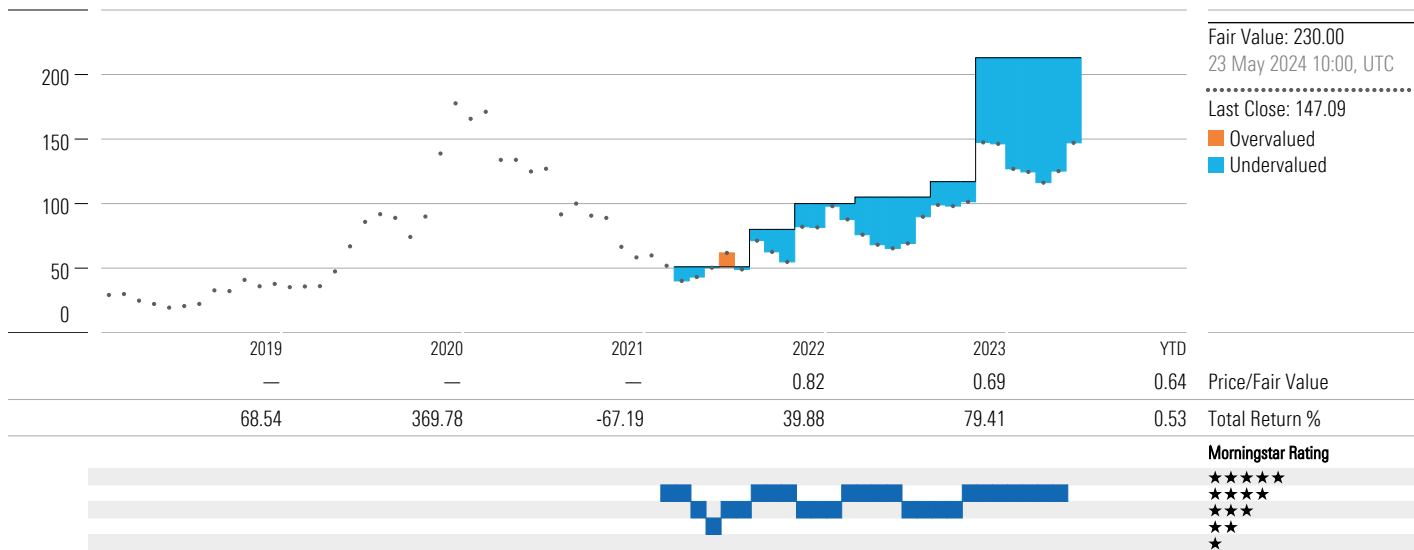
Business Description
PDD Holdings is a multinational commerce group that owns and operates a portfolio of businesses. PDD aims to bring more businesses and people into the digital economy so that local communities and small businesses can benefit from the increased productivity and new opportunities. PDD has built a network of sourcing, logistics, and fulfillment capabilities that support its underlying businesses.

Meanwhile, non-GAAP operating profit in the quarter increased 237% year on year as the 16-percentage-point reduction in the selling and marketing expenses/sales ratio to 27% more than offset the 8-percentage-point reduction in gross margin resulting from Temu’s expansion. We now forecast the 2024 selling and marketing expenses/sales ratio to be 33%-38%, higher than the 33% level in 2023 and lower than our previous assumption of 39%-44%. ■■

©2024 Morningstar. All Rights Reserved. Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and are not warranted to be correct, complete or accurate. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions or their use. The information contained herein is the proprietary property of Morningstar and may not be reproduced, in whole or in part, or used in any manner, without the prior written consent of Morningstar. Investment research is produced and issued by subsidiaries of Morningstar, Inc. including, but not limited to, Morningstar Research Services LLC, registered with and governed by the U.S. Securities and Exchange Commission. To order reprints, call +1 312-696-6100. To license the research, call +1 312-696-6869. Please see important disclosures at the end of this report.

PDD Holdings Inc ADR PDD ★★★★★ 23 May 2024 10:03, UTC

Price vs. Fair Value



Competitors

	PDD Holdings Inc ADR PDD	Meituan Class B 03690	Alibaba Group ...rdinary Shares 09988	JD.com Inc Ord...ares - Class A 09618
Economic Moat	Narrow	None	Wide	Wide
Currency	USD	HKD	HKD	HKD
Fair Value	230.00 23 May 2024 10:00, UTC	102.00 29 Nov 2023 13:04, UTC	93.00 15 May 2024 13:43, UTC	179.00 29 Jan 2024 14:30, UTC
1-Star Price	402.50	178.50	144.15	277.45
5-Star Price	115.00	51.00	55.80	107.40
Assessment	Undervalued 22 May 2024	Fairly Valued 22 May 2024	Fairly Valued 22 May 2024	Undervalued 22 May 2024
Morningstar Rating	★★★★★ 23 May 2024 10:03, UTC	★★★ 22 May 2024 16:35, UTC	★★★ 22 May 2024 16:35, UTC	★★★★★ 22 May 2024 16:35, UTC
Analyst	Chelsey Tam, Senior Equity Analyst	Kai Wang, Senior Equity Analyst	Chelsey Tam, Senior Equity Analyst	Chelsey Tam, Senior Equity Analyst
Capital Allocation	Standard	Poor	Standard	Exemplary
Price/Fair Value	0.64	1.18	0.89	0.72
Price/Sales	5.15	2.55	1.67	0.34
Price/Book	6.64	4.56	1.52	1.65
Price/Earnings	19.15	53.01	19.69	15.11
Dividend Yield	—	—	1.18%	2.31%
Market Cap	204.27 Bil	747.31 Bil	1,615.93 Bil	394.80 Bil
52-Week Range	59.98 — 156.50	61.10 — 150.00	64.60 — 100.00	81.55 — 164.50
Investment Style	—	Large Growth	Large Value	Large Value

©2024 Morningstar. All Rights Reserved. Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and are not warranted to be correct, complete or accurate. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions or their use. The information contained herein is the proprietary property of Morningstar and may not be reproduced, in whole or in part, or used in any manner, without the prior written consent of Morningstar. Investment research is produced and issued by subsidiaries of Morningstar, Inc. including, but not limited to, Morningstar Research Services LLC, registered with and governed by the U.S. Securities and Exchange Commission. To order reprints, call +1 312-696-6100. To license the research, call +1 312-696-6869. Please see important disclosures at the end of this report.

PDD Holdings Inc ADR PDD ★★★★★

23 May 2024 10:03, UTC

Last Price 147.09 USD 22 May 2024	Fair Value Estimate 230.00 USD 23 May 2024 10:00, UTC	Price/FVE 0.64	Market Cap 204.27 USD Bil 22 May 2024	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ 1 May 2024 05:00, UTC
--	--	--------------------------	--	---------------------------------	------------------------------	---------------------------------	---------------------------------------	--

Morningstar Valuation Model Summary

Financials as of 21 Mar 2024

	Actual			Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028
Fiscal Year , ends 31 Dec								
Revenue (CNY Mil)	93,950	130,558	247,639	367,745	479,821	593,951	684,908	758,797
Operating Income (CNY Mil)	6,897	30,402	58,699	67,154	74,332	99,157	141,783	161,486
EBITDA (CNY Mil)	8,741	33,137	59,819	67,771	74,868	99,628	142,203	161,864
Adjusted EBITDA (CNY Mil)	8,741	33,137	59,819	67,771	74,868	99,628	142,203	161,864
Net Income (CNY Mil)	7,769	31,538	60,026	68,699	81,648	106,392	145,473	167,194
Adjusted Net Income (CNY Mil)	13,680	39,380	67,749	79,211	95,364	123,371	165,051	188,884
Free Cash Flow To The Firm (CNY Mil)	18,657	40,862	68,693	155,029	114,761	109,769	100,726	170,332
Weighted Average Diluted Shares Outstanding (Mil)	5,714	5,761	5,840	5,840	5,840	5,840	5,840	5,840
Earnings Per Share (Diluted) (CNY)	1.36	5.47	10.28	11.76	13.98	18.22	24.91	28.63
Adjusted Earnings Per Share (Diluted) (CNY)	2.39	6.84	11.60	13.56	16.33	21.13	28.26	32.35
Dividends Per Share (CNY)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Margins & Returns as of 21 Mar 2024

	3 Year Avg	Actual			Forecast					5 Year Avg
		2021	2022	2023	2024	2025	2026	2027	2028	
Operating Margin %	18.1	7.3	23.3	23.7	18.3	15.5	16.7	20.7	21.3	18.5
EBITDA Margin %	—	9.3	25.4	24.2	18.4	15.6	16.8	20.8	21.3	—
Adjusted EBITDA Margin %	19.6	9.3	25.4	24.2	18.4	15.6	16.8	20.8	21.3	18.6
Net Margin %	18.9	8.3	24.2	24.2	18.7	17.0	17.9	21.2	22.0	19.4
Adjusted Net Margin %	24.0	14.6	30.2	27.4	21.5	19.9	20.8	24.1	24.9	22.2
Free Cash Flow To The Firm Margin %	26.3	19.9	31.3	27.7	42.2	23.9	18.5	14.7	22.5	24.3

Growth & Ratios as of 21 Mar 2024

	3 Year CAGR	Actual			Forecast					2028 5 Year CAGR
		2021	2022	2023	2024	2025	2026	2027	2028	
Revenue Growth %	60.9	57.9	39.0	89.7	48.5	30.5	23.8	15.3	10.8	25.1
Operating Income Growth %	—	-173.5	340.8	93.1	14.4	10.7	33.4	43.0	13.9	22.4
EBITDA Growth %	0.0	—	—	—	—	—	—	—	—	0.0
Adjusted EBITDA Growth %	—	-201.9	279.1	80.5	13.3	10.5	33.1	42.7	13.8	22.0
Earnings Per Share Growth %	—	—	—	—	—	—	—	—	—	22.8
Adjusted Earnings Per Share Growth %	—	-485.0	185.5	69.7	16.9	20.4	29.4	33.8	14.4	22.8

Valuation as of 21 Mar 2024

	Actual			Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028
Price/Earnings	38.9	20.7	22.4	19.6	16.3	12.6	9.4	8.2
Price/Sales	5.0	5.5	5.6	4.0	3.1	2.5	2.2	1.9
Price/Book	7.1	6.9	8.1	6.1	4.6	3.5	2.6	2.1
Price/Cash Flow	18.4	15.0	12.2	8.2	9.9	9.7	9.8	6.5
EV/EBITDA	44.0	18.0	20.0	18.8	17.0	12.8	8.9	7.9
EV/EBIT	55.7	19.6	20.4	18.9	17.1	12.8	9.0	7.9
Dividend Yield %	—	—	—	—	—	—	—	—
Dividend Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Yield %	5.4	6.7	8.2	12.2	10.1	10.3	10.2	15.5

Operating Performance / Profitability as of 21 Mar 2024

	Actual			Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028
Fiscal Year , ends 31 Dec								
ROA %	4.6	15.1	20.5	14.0	11.7	12.7	14.9	14.6
ROE %	11.5	32.7	39.4	31.0	27.5	27.2	28.2	24.8
ROIC %	-9.4	-35.2	-35.7	-22.8	-19.2	-22.7	-31.9	-35.3

PDD Holdings Inc ADR PDD ★★★★★

23 May 2024 10:03, UTC

Last Price 147.09 USD 22 May 2024	Fair Value Estimate 230.00 USD 23 May 2024 10:00, UTC	Price/FVE 0.64	Market Cap 204.27 USD Bil 22 May 2024	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ 1 May 2024 05:00, UTC
--	--	--------------------------	--	---------------------------------	------------------------------	---------------------------------	---------------------------------------	--

Financial Leverage (Reporting Currency)

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028
Debt/Capital %	13.6	11.6	5.2	3.8	2.9	2.3	1.7	1.3
Assets/Equity	2.4	2.0	1.9	2.5	2.3	2.0	1.8	1.6
Net Debt/EBITDA	-16.1	-5.8	-4.5	-8.1	-9.2	-8.3	-6.7	-7.2
Total Debt/EBITDA	1.3	0.5	0.2	0.2	0.1	0.1	0.1	0.1
EBITDA/ Net Interest Expense	7.1	641.5	1,359.9	1,935.1	2,137.8	2,844.8	4,060.5	4,621.9

Forecast Revisions as of 23 May 2024

Prior data as of 21 Mar 2024	2024		2025		2026	
	Current	Prior	Current	Prior	Current	Prior
Fair Value Estimate Change (Trading Currency)	230.00	213.00	—	—	—	—
Revenue (CNY Mil)	367,745	341,501	479,821	444,844	593,951	549,325
Operating Income (CNY Mil)	67,154	42,017	74,332	42,740	99,157	59,682
EBITDA (CNY Mil)	67,771	42,634	74,868	43,276	99,628	60,154
Net Income (CNY Mil)	79,211	57,535	95,364	67,107	123,371	87,277
Earnings Per Share (Diluted) (CNY)	11.76	8.18	13.98	9.31	18.22	12.26
Adjusted Earnings Per Share (Diluted) (CNY)	13.56	9.85	16.33	11.49	21.13	14.95
Dividends Per Share (CNY)	0.00	0.00	0.00	0.00	0.00	0.00

Key Valuation Drivers as of 21 Mar 2024

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	8.0
Weighted Average Cost of Capital %	10.0
Long-Run Tax Rate %	19.0
Stage II EBI Growth Rate %	4.0
Stage II Investment Rate %	33.3
Perpetuity Year	15

Additional estimates and scenarios available for download at <https://pitchbook.com/>.

Discounted Cash Flow Valuation as of 21 Mar 2024

	CNY Mil
Present Value Stage I	967,411
Present Value Stage II	260,994
Present Value Stage III	726,875
Total Firm Value	1,955,279
Cash and Equivalents	279,195
Debt	-10,226
Other Adjustments	0
Equity Value	2,224,249
Projected Diluted Shares	5,840
Fair Value per Share (USD)	230.00

PDD Holdings Inc ADR PDD ★★★★★

23 May 2024 10:03, UTC

Last Price 147.09 USD 22 May 2024	Fair Value Estimate 230.00 USD 23 May 2024 10:00, UTC	Price/FVE 0.64	Market Cap 204.27 USD Bil 22 May 2024	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ 1 May 2024 05:00, UTC
--	--	--------------------------	--	---------------------------------	------------------------------	---------------------------------	---------------------------------------	--

Income Statement (CNY)

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028
Revenue (Mil)	93,950	130,558	247,639	367,745	479,821	593,951	684,908	758,797
Cost of Goods Sold (Mil)	31,718	31,462	91,724	151,104	198,978	225,518	214,645	249,259
Gross Profit (Mil)	62,232	99,095	155,915	216,642	280,843	368,432	470,263	509,538
Selling, General, Administrative & Other Expenses (Mil)	46,342	58,309	86,264	128,159	180,121	237,202	291,495	307,077
Advertising & Marketing Expenses	—	—	—	—	—	—	—	—
Research & Development	—	—	—	—	—	—	—	—
Depreciation & Amortization (if reported separately)	—	—	—	—	—	—	—	—
Adjusted Operating Income (Mil)	6,897	30,402	58,699	67,154	74,332	99,157	141,783	161,486
Financial Non-Cash (Gains)/Losses (Mil)	0	0	0	0	0	0	0	0
Irregular Cash (Gains)/Losses (Mil)	0	0	0	0	0	0	0	0
Operating Income (Mil)	6,897	30,402	58,699	67,154	74,332	99,157	141,783	161,486
Net Interest Expense (Mil)	-1,831	-3,945	-10,194	-17,658	-26,468	-32,192	-37,814	-44,927
Income Tax Expense (Mil)	1,934	4,726	11,850	16,113	19,152	24,956	34,123	39,218
After-Tax Items (Mil)	975	1,916	2,984	0	0	0	0	0
(Minority Interest) (Mil)	0	0	0	0	0	0	0	0
Net Income (Mil)	7,769	31,538	60,026	68,699	81,648	106,392	145,473	167,194
Adjusted Net Income (Mil)	13,680	39,380	67,749	79,211	95,364	123,371	165,051	188,884
Weighted Average Diluted Shares Outstanding (Mil)	5,714	5,761	5,840	5,840	5,840	5,840	5,840	5,840
Diluted Earnings Per Share	1.36	5.47	10.28	11.76	13.98	18.22	24.91	28.63
Diluted Adjusted Earnings Per Share	2.39	6.84	11.60	13.56	16.33	21.13	28.26	32.35
Dividends Per Common Share (CNY)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA (Mil)	8,741	33,137	59,819	67,771	74,868	99,628	142,203	161,864
Adjusted EBITDA (Mil)	8,741	33,137	59,819	67,771	74,868	99,628	142,203	161,864

PDD Holdings Inc ADR PDD ★★★★★

23 May 2024 10:03, UTC

Last Price 147.09 USD 22 May 2024	Fair Value Estimate 230.00 USD 23 May 2024 10:00, UTC	Price/FVE 0.64	Market Cap 204.27 USD Bil 22 May 2024	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ 1 May 2024 05:00, UTC
--	--	--------------------------	--	---------------------------------	------------------------------	---------------------------------	---------------------------------------	--

Key Cash Flow Items (CNY)

Fiscal Year, ends 31 Dec	Actual			Forecast as of 21 Mar				
	2021	2022	2023	2024	2025	2026	2027	2028
Cash from Working Capital (Mil)	13,495	8,417	46,488	100,471	54,424	29,349	-14,201	39,462
(Capital Expenditures) (Mil)	-3,287	-636	-407	-353	-305	-266	-234	-208
Depreciation (Mil)	1,495	2,224	610	515	433	369	317	275
Amortization (Mil)	349	511	511	103	103	103	103	103
Net New (Investment), Organic (Mil)	12,215	12,568	16,948	100,633	54,552	29,452	-14,118	39,529
(Purchases)/Sales of Companies & Assets (Mil)	0	0	0	-103	-103	-103	-103	-103
Net New (Investment), Total (Mil)	12,215	12,568	16,949	100,530	54,449	29,349	-14,221	39,426
Other Non-Cash Items, From Cash Flows (Mil)	1,074	3,104	4,171	103	103	103	103	103
Free Cash Flow to the Firm (Mil)	18,657	40,862	68,693	155,029	114,761	109,769	100,726	170,332

Balance Sheet (CNY)

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2021	2022	2023	2024	2025	2026	2027	2028
Assets								
Cash and Equivalents (Mil)	66,044	92,300	121,780	404,324	540,525	676,369	807,724	1,014,447
Inventory (Mil)	0	0	0	0	0	0	0	0
Accounts Receivable (Mil)	674	588	3,914	5,812	7,584	9,388	10,825	11,993
Net Property, Plant and Equipment (Mil)	2,203	1,045	47,951	47,790	47,661	47,559	47,476	47,409
Goodwill (Mil)	0	0	0	0	0	0	0	0
Other Intangibles (Mil)	701	134	21	21	21	21	21	21
Other Operating Assets (Mil)	25,071	27,940	16,309	16,309	16,309	16,309	16,309	16,309
Non-Operating Assets (Mil)	0	0	0	0	0	0	0	0
Total Assets (Mil)	181,210	237,120	347,390	631,672	769,515	907,061	1,039,771	1,247,595
Liabilities								
Accounts Payable (Mil)	62,510	63,317	74,997	177,367	233,562	264,715	251,952	292,582
Debt (Mil)	11,789	15,462	10,226	10,226	10,226	10,226	10,226	10,226
Other Operating Liabilities (Mil)	31,797	40,571	188,138	188,138	188,138	188,138	188,138	188,138
Non-Operating Liabilities (Mil)	0	0	0	0	0	0	0	0
Total Liabilities (Mil)	106,095	119,349	273,361	375,731	431,926	463,079	450,316	490,946
Equity								
Shareholders' Equity (Mil)	75,115	117,771	187,242	255,941	337,589	443,981	589,455	756,649
Minority Interest (Mil)	0	0	0	0	0	0	0	0
Total Equity (Mil)	75,115	117,771	187,242	255,941	337,589	443,981	589,455	756,649

PDD Holdings Inc ADR PDD ★★★★★ 23 May 2024 10:03, UTC

Last Price 147.09 USD 22 May 2024	Fair Value Estimate 230.00 USD 23 May 2024 10:00, UTC	Price/FVE 0.64	Market Cap 204.27 USD Bil 22 May 2024	Economic Moat™ Narrow	Equity Style Box —	Uncertainty Very High	Capital Allocation Standard	ESG Risk Rating Assessment¹ 1 May 2024 05:00, UTC
--	--	--------------------------	--	---------------------------------	------------------------------	---------------------------------	---------------------------------------	--

ESG Risk Rating Breakdown

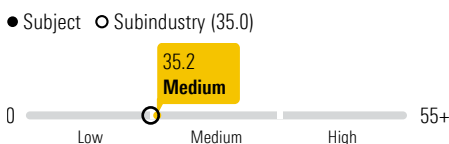
Exposure

Company Exposure ¹	35.2	
– Manageable Risk	32.6	
Unmanageable Risk²	2.6	

Management

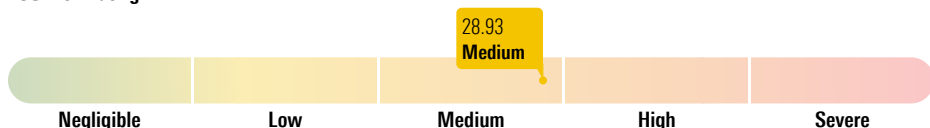
Manageable Risk	32.6	
– Managed Risk ³	6.3	
Management Gap⁴	26.4	

Overall Unmanaged Risk 28.9



- ▶ Exposure represents a company's vulnerability to ESG risks driven by their business model
- ▶ Exposure is assessed at the Subindustry level and then specified at the company level
- ▶ Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure
- ▶ Management measures a company's ability to manage ESG risks through its commitments and actions
- ▶ Management assesses a company's efficiency on ESG programs, practices, and policies
- ▶ Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 19.2% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment⁵



ESG Risk Rating is of May 01, 2024. Highest Controversy Level is as of May 08, 2024. Sustainalytics Subindustry: Online and Direct Marketing Retail. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 01 May 2024

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure	Management	ESG Risk Rating
PDD Holdings Inc	35.2 Medium 0 — ● — 55+	19.2 Weak 100 — ● — 0	28.9 Medium 0 — ● — 40+
Alibaba Group Holding Ltd	38.8 Medium 0 — ● — 55+	38.7 Average 100 — ● — 0	24.8 Medium 0 — ● — 40+
JD.com Inc	34.4 Low 0 — ● — 55+	27.4 Average 100 — ● — 0	25.6 Medium 0 — ● — 40+
Meituan	35.3 Medium 0 — ● — 55+	39.4 Average 100 — ● — 0	22.3 Medium 0 — ● — 40+
—	— — 0 — — 55+	— — 100 — — 0	— — 0 — — 40+

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as re-

turns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to de-

rive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future outcomes for the intrinsic value of a company, and any-

Morningstar Equity Research Star Rating Methodology



Research Methodology for Valuing Companies

thing that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we’d recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

Margin of Safety		
Qualitative Analysis	★★★★★ Rating	★ Rating
Uncertainty Ratings	★★★★★ Rating	★ Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

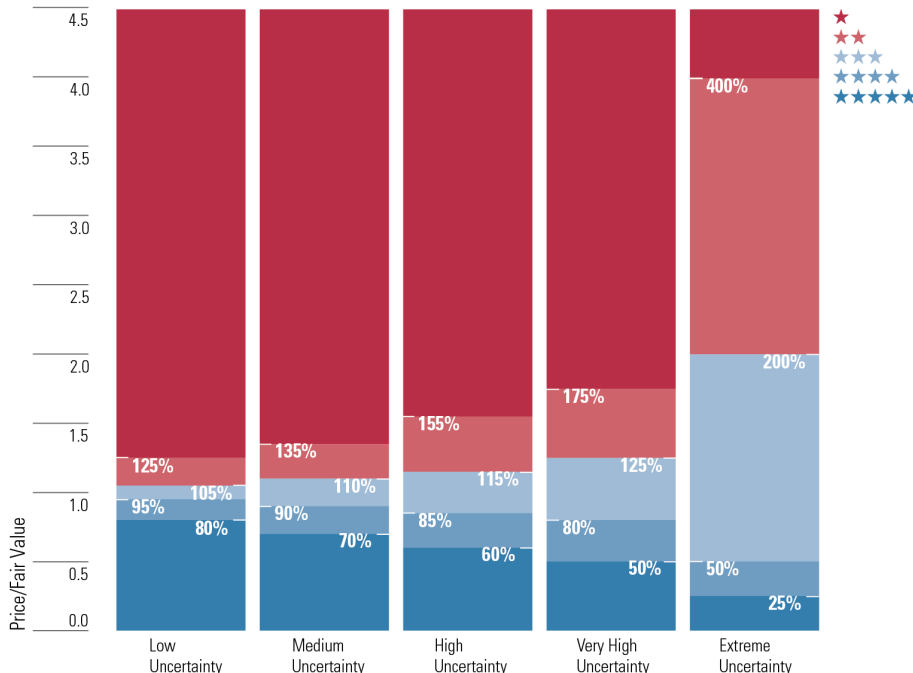
4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>

Morningstar Star Rating for Stocks

Morningstar Equity Research Star Rating Methodology



Once we determine the fair value estimate of a stock, we compare it with the stock’s current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market’s valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk ad-

justed return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management’s capital allocation, with particular emphasis on the firm’s balance sheet, investments, and shareholder distributions. Analysts consider compan-

Research Methodology for Valuing Companies

ies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale

starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

General Disclosure

Unless otherwise provided in a separate agreement, recipients accessing this report may only use it in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the report is Morningstar Research Services LLC, a U.S.A. domiciled financial institution.

This Report is for informational purposes, should not be the sole piece of information used in making an investment decision, and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist investors in making their own investment decisions, not to provide investment ad-

vice to any specific investor. Therefore, investments discussed herein may not be suitable for all investors; investors must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position. Morningstar encourages Report recipients to read all relevant issue documents (e.g., prospectus) pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an investment decision and when deemed necessary, to seek the advice of a financial, legal, tax, and/or accounting professional. The information, data, analyses and opinions presented herein are not warranted to be accurate, correct, complete or timely. Unless otherwise provided in a separate agreement, neither Morningstar, Inc. or the Equity Research Group represents that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

Except as otherwise required by law or provided for in a separate agreement, the analyst, Morningstar, Inc. and the Equity Research Group and their officers, directors and employees shall not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions within the report.

The Report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar, Inc. or its affiliates to any registration or licensing requirements in such jurisdiction.

Where this report is made available in a language other than English and in the case of inconsistencies between the English and translated versions of the report, the English version will control and supersede any ambiguities associated with any part or section of a report that has been issued in a foreign language. Neither the analyst, Morningstar, Inc., or the Equity Research Group guarantees the accuracy of the translations.

This report may be distributed in certain localities, countries and/or jurisdictions ("Territories") by independent third parties or independent intermediaries and/or distributors ("Distributors"). Such Distributors are not acting as agents or representatives of the analyst, Morningstar, Inc. or the Equity Research Group. In Territories where a Distributor distributes our report, the Distributor is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes and guidelines established by local and/or regional regulatory bodies, including laws in

Research Methodology for Valuing Companies

connection with the distribution third-party research reports.

Conflicts of Interest

- ▶ No interests are held by the analyst with respect to the security subject of this investment research report.
- ▶ Morningstar, Inc. may hold a long position in the security subject of this investment research report that exceeds 0.5% of the total issued share capital of the security. To determine if such is the case, please click <http://msi.morningstar.com> and <http://mdi.morningstar.com>
- ▶ Analysts' compensation is derived from Morningstar, Inc.'s overall earnings and consists of salary, bonus and in some cases restricted stock.
- ▶ Neither Morningstar, Inc. or the Equity Research Group receives commissions for providing research nor do they charge companies to be rated.
- ▶ Morningstar's overall earnings are generated in part by the activities of the Investment Management and Research groups, and other affiliates, who provide services to product issuers.
- ▶ Morningstar employees may not pursue business and employment opportunities outside Morningstar within the investment industry (including but not limited to, working as a financial planner, an investment professional or investment professional representative, a broker-dealer or broker-dealer agent, a financial writer, reporter, or analyst) without the approval of Morningstar's Legal and if applicable, Compliance teams.
- ▶ Neither Morningstar, Inc. or the Equity Research Group is a market maker or a liquidity provider of the security noted within this report.
- ▶ Neither Morningstar, Inc. or the Equity Research Group has been a lead manager or co-lead manager over the previous 12-months of any publicly disclosed offer of financial instruments of the issuer.
- ▶ Morningstar, Inc.'s investment management group does have arrangements with financial institutions to provide portfolio management/investment advice some of which an analyst may issue investment research reports on. However, analysts do not have authority over Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them.
- ▶ Morningstar, Inc. is a publicly traded company (Ticker Symbol: MORN) and thus a financial institution the security of which is the subject of this report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s proxy statement, "Security Ownership of Certain Beneficial Owners and Management" section <https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx>
- ▶ Morningstar, Inc. may provide the product issuer or its related entities with services or products for a fee and

on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

Further information on Morningstar, Inc.'s conflict of interest policies is available from <http://global.morningstar.com/equitydisclosures>. Also, please note analysts are subject to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

Risk Warning Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security's investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. For investments in foreign markets there are further risks, generally based on exchange rate changes or changes in political and social conditions.

For more information about Morningstar's methodologies, please visit global.morningstar.com/equitydisclosures

For a list of securities which the Equity Research Group currently covers and provides written analysis on please contact your local Morningstar office. In addition, for historical analysis of securities covered, including their fair value estimate, please contact your local office.

For recipients in Australia: This Report has been issued and distributed in Australia by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544; ASFL: 240892). Morningstar Australasia Pty Ltd is the provider of the general advice ('the Service') and takes responsibility for the production of this report. The Service is provided through the research of investment products.

To the extent the Report contains general advice it has been prepared without reference to an investor's objectives, financial situation or needs. Investors should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at <http://www.morningstar.com.au/fsg.pdf>

For recipients in New Zealand: This report has been issued and distributed by Morningstar Australasia Pty Ltd and/or Morningstar Research Ltd (together 'Morningstar'). This report has been prepared and is intended for

distribution in New Zealand to wholesale clients only and has not been prepared for use by New Zealand retail clients (as those terms are defined in the Financial Markets Conduct Act 2013). The information, views and any recommendations in this material are provided for general information purposes only, and solely relate to the companies and investment opportunities specified within. Our reports do not take into account any particular investor's financial situation, objectives or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. We recommend seeking financial advice before making any investment decision.

For recipients in Hong Kong: The Report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment professional to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited.

For recipients in India: This investment research is issued by Morningstar Investment Adviser India Private Limited. Morningstar Investment Adviser India Private Limited is registered with SEBI as a Portfolio Manager (registration number INP000006156) and as a Research Entity (registration number INH000008686). Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by SEBI or any other legal/regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Investment Management LLC. In India, Morningstar Investment Adviser India Private Limited has one associate, Morningstar India Private Limited, which provides data-related services, financial data analysis, and software development. The research analyst has not served as an officer, director, or employee of the fund company within the last 12 months, nor have they or their associates engaged in market-making activity for the fund company. The ESG-related information, methodologies, tool, ratings, data and opinions contained or reflected herein are not directed to or intended for use or distribution to India-based clients or users and their distribution to Indian resident individuals or entities is not permitted, and Morningstar/Sustainalytics accepts no responsibility or liability whatsoever for the actions of third parties in this respect.

*The Conflicts of Interest disclosure above also applies to relatives and associates of Manager Research Analysts in India # The Conflicts of Interest disclosure above also applies to associates of Manager Research Analysts in India. The terms and conditions on which Morningstar In-

Research Methodology for Valuing Companies

vestment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are detailed in the respective client agreement.

For recipients in Japan: The Report is distributed by Ibbotson Associates Japan, Inc., which is regulated by Financial Services Agency, for informational purposes only. Neither Ibbotson Associates Japan, Inc., nor its representatives, are acting or will be deemed to be acting as an investment professional to any recipients of this information.

For recipients in Singapore: For Institutional Investor audiences only. The Report is distributed by Morningstar Investment Adviser Singapore Pte. Limited, which is licensed by the Monetary Authority of Singapore to provide financial advisory services in Singapore. Morningstar Investment Adviser Singapore Pte. Limited is the entity responsible for the creation and distribution of the research services described in this presentation. Investors should consult a financial adviser regarding the suitability of any investment product, taking into account their specific investment objectives, financial situation or particular needs, before making any investment decisions.

For recipients in Korea: The report is distributed by Morningstar Korea Ltd., which has filed to the Financial Services Committee, for informational purposes only. Neither Morningstar Korea Ltd. nor its representatives are acting or will be deemed to be acting as an investment advisor to any recipients of this information.