Sisram (1696 HK)
Beauty and a Beat; Initiating with Buy

BUY
Price target HK$10.50
Price HK$6.51^

Bloomberg: 1696 HK

EQUITY RESEARCH CHINA

Key Takeaway

Sisram is a leading global provider of energy-based medical aesthetic treatment systems. We favour its leading position in the expanding global market, growth sustainability, strong profitability and potential M&A for market consolidation. We forecast 21% adjusted NP CAGR in 2016-19E. We initiate with BUY and PT of HK$10.5, implying 21x 2018E adjusted PE at industry average.

Jefferies was the Joint Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager for the Initial Public Offering of Sisram Medical Ltd.

Leader in the expanding global market. Sisram was ranked No.5 globally and No.1 in China in terms of revenue derived from sales of energy-based medical aesthetic treatment systems in 2016, with respective market share of 4.4% and 16.2%. We expect Sisram to grow at 13% 2016-19E revenue CAGR based on rapid growth and market share gains in North America, China and under-penetrated EU markets.

Growth sustainability backed by strong R&D capabilities. Sisram's revenue grew by 8% 2014-16 CAGR to US$118.2m, 81% of which in 2016 was generated from non-invasive medical aesthetic related core beauty products. Sisram's strong R&D capabilities and comprehensive product offerings are revenue drivers. The company has launched 4 new products and applicators in 1H17 and expects to launch more in 2H17.

Improving profitability driven by global sales and distribution channels. We forecast adjusted earnings to grow faster than top-line at 21% 2016-19E CAGR, driven by: 1) Efficient cost leverage. Direct sales improved 6% to 36% of total revenue in 2016, giving Sisram relatively low sales marketing expenses vs. peers, *see Pg16*. 2) Significant advantages from deep-rooted relationships with global partners and distributors.

More upside from strategic partnership and acquisitions. Sisram intends to capture growth opportunities through M&As and strategic partnerships globally. We also expect it to benefit from the reputation and resources of Fosun Pharma, its controlling shareholder.

Valuation/Risks

We initiate at Buy with PT of HK$10.5, using 12.1% WACC and 3.0% terminal growth rate. Our PT implies 21x 18E adjusted PE at industry average. Risks: 1) instability of distributor order backlog; (2) market acceptance and entry barriers for new R&Ds and 3) vulnerability to supplier-related fluctuations in terms of supply shortage, quality issues and price.

USD	*Prev.*	2016A	*Prev.*	2017E	*Prev.*	2018E	*Prev.*	2019E
Rev. (MM)	--	118.2	--	131.9	--	149.2	--	169.5
Operating Profit (MM)	--	27.3	--	31.7	--	38.2	--	46.6
Net Profit	--	19.3	--	23.3	--	28.8	--	34.5
Chg (% YoY)	--	27.8%	--	20.7%	--	23.6%	--	20.0%
EPS Basic								
FY Dec	--	--	--	HK$0.41	--	HK$0.51	--	HK$0.61
FY P/E				15.9x		12.8x		10.7x

Operating Profit, Net Profit, EPS on adjusted basis

Financial Summary

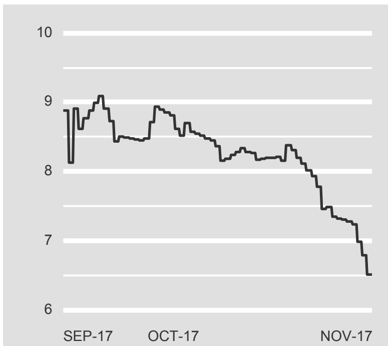
Net Debt (MM):	($70.5)

Market Data

52 Week Range:	HK$9.33 - HK$6.42
Total Entprs. Value (MM):	NM
Market Cap. (MM):	NM
Shares Out. (MM):	442.2
Float (MM):	183.8
Avg. Daily Vol.:	NA

Eugene Huang *
Equity Analyst
+852 3743 8020 ehuang@jefferies.com
Jeremy An *
Equity Associate
+852 3743 8035 aan@jefferies.com
* Jefferies Hong Kong Limited

Price Performance



^Prior trading day's closing price unless otherwise noted.

Sisram Medical Ltd. (1696 HK)

Buy: HK$10.5 Price Target

Scenarios

Base Case

- Revenue growth by 13% 16-19E CAGR backed by strong R&D capabilities and new products launching
- Strong profitability driven by direct sales cost leverage and deep-rooted distribution network
- We forecast 21% adjusted EPS CAGR in 16-19E
- Our target price of HK$10.5 is based on DCF methodology using 12.1% WACC and 3% terminal growth rate
- Our valuation implies 21x 18E adjusted PE at industry average

Upside Scenario

- Higher than expected revenue gains from new products launching
- Synergies from strategic partnership and acquisitions
- Direct sales further improve to save cost
- Our bull case PT of HK$12.9 is based on DCF methodology using 11.1% WACC and 4% terminal growth rate
- Our bull case valuation implies 25x 18E adjusted PE

Downside Scenario

- Instability of distributor order backlog
- Low market acceptance and entry barriers for new R&Ds
- Slow than expected new products launching
- Vulnerability to supplier-related fluctuations
- Our bear case PT of HK$9.0 is based on DCF methodology using 13.1% WACC and 2% terminal growth rate
- Our bear case valuation implies 18x 18E adjusted PE

Investment Thesis / Where We Differ

- We expect a revenue growth of 16-19E 13% CAGR led by strong momentum from PRC, North America and Europe
- We expect the adjusted operating margin to expand mildly from 23% to 28% from 2016 to 2019E, driven by the significant cost leverage from G&A and distribution expenses
- We forecast adjusted net profit to grow at 21% 16-19E CAGR with operating margin expansion

Catalysts

- Upcoming 2017 full year result
- New products launching
- Potential accretion from strategic partnership and acquisitions
- Good corporate governance and diligent management

Long Term Analysis

Long Term Financial Model Drivers

LT Earnings CAGR	**21%**
Organic revenue growth	13%
Gross margin expansion	1%
SG&A cost synergies	6%
Non-controlling interest	1%

Other Considerations

- SG&A cost synergy post acquisition (+)
- Integration of new products (+/-)
- Rise of finance cost due to M&A (-)

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Executive summary

Key takeaway

Sisram is a leading global provider of energy-based medical aesthetic treatment systems, with strong in-house production and R&D capability. We favour its leading position in the expanding global market, growth sustainability, strong profitability and potential M&A for market share consolidation. We forecast 21% adjusted net profit CAGR in 2016-19E. We initiate with BUY and target price of HK$10.5 based on DCF using 12.1% WACC and 3.0% terminal growth rate, implying 21x 18E adjusted PE at industry average.

The global energy based medical aesthetic market is expected to expand rapidly at 10.4% 16-21E CAGR

Leader in the expanding global market. The global energy-based medical aesthetic treatment system market should grow rapidly at 10.4% 2016-21E CAGR to US$4.4bn by 2021E, led by 11.5% CAGR in Asia and 11.1% CAGR in North America, according to the *Medical Insight Report*. Sisram was ranked No.5 globally and No.1 in China in terms of revenue derived from sales of energy-based medical aesthetic treatment systems in 2016, with respective market share of 4.4% and 16.2%. We expect Sisram to grow at 13% 2016-19E revenue CAGR based on rapid growth and market share gains in North America, China and underpenetrated EU markets.

Sisram ranked No.5 globally and No.1 in China by revenue in 2016

Growth sustainability backed by strong R&D capabilities. Sisram is a global aesthetic R&D leader, with 50+ different models of treatment systems, 100+ different models of applicators, 38 registered patents, and 10 patent applications. Sisram's revenue grew by 8% 2014-16 CAGR to US$118.2m, gaining from strong R&D capabilities and comprehensive product offerings. Around 81% of its 2016 revenue was generated from non-invasive medical aesthetic related core and beauty products, 12% from minimally invasive procedures, and 7% from services and others. The company's frequent pace of launching new products will be another sales driver. In 1H17, the company launched 4 new products and applicators and expects to launch more in 2H17.

Revenue grew by 8% 14-16 CAGR benefiting from strong R&D capabilities and comprehensive product offering

Strong and improving profitability driven by global sales and distribution channels. Strong distribution access to different market dynamics and multiple customer segments grant Sisram strong profitability. Adjusted net profit grew by 18% 2014-16 CAGR to US$20.4m, at 16% average net margin. We forecast adjusted earnings to grow faster than top-line at 21% 2016-19E CAGR, and achieve 20% adjusted net margin by 2019E, driven by: 1) Efficient cost leverage. Direct sales improved 6% to 36% of total revenue in 2016, giving Sisram relatively low sales and marketing expenses among peers, *details see Pg16 Table 2*. 2) Significant advantage from deep-rooted relationships with global partners and distributors.

Impressive net profit growth driven by direct sales channel improvement and strong relationship with distributors

More upside from strategic partnerships and acquisitions. Sisram intends to capture growth opportunities through M&As and strategic partnerships globally. We also expect the company to benefit from the reputation and resources of Fosun Pharma, its controlling shareholder.

Opportunities from strategic partnerships, acquisitions and Fosun Pharma

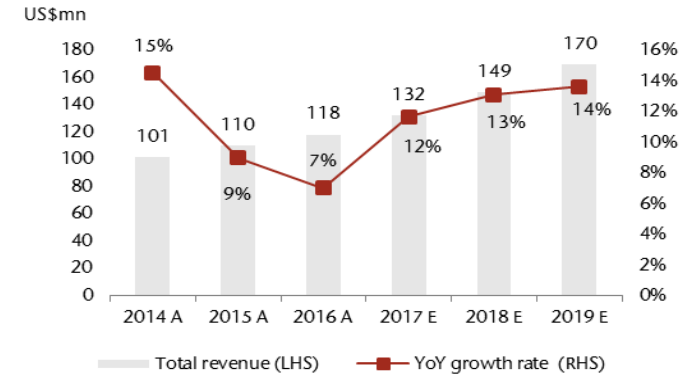
Risks. 1) Instability of distributor order backlog. (2) Market acceptance and entry barriers for new R&Ds and 3) Vulnerability to supplier-related fluctuations in terms of supply shortage, quality issues and price.

Valuation. Based on DCF methodology, we set our target price for Sisram at HK$10.5, using 12.1% WACC and 3.0% terminal growth rate. Our target price implies 21x 18E adjusted PE at industry average.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

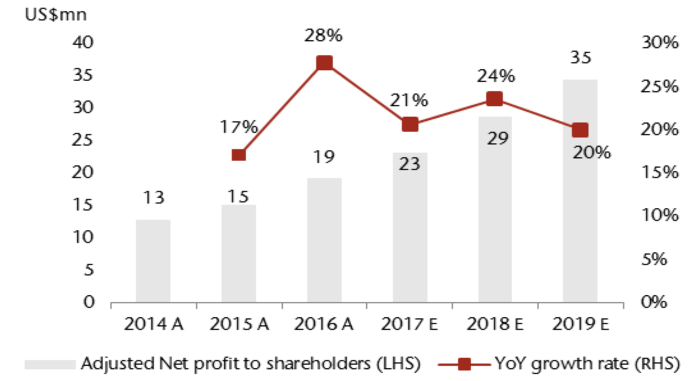
Story in charts

Chart 1: We estimate revenue to grow at 13% CAGR



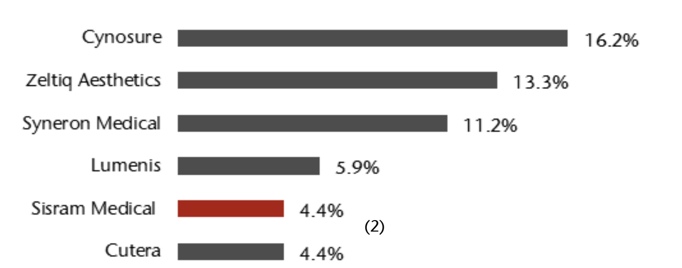
Source: Jefferies estimates, Company data

Chart 2: We forecast adjusted NP to grow at 21% CAGR



Source: Jefferies estimates, Company data

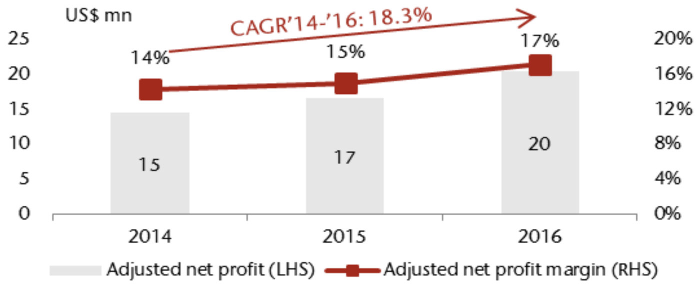
Chart 3: Sisram ranked No.5 globally by 2016 revenue[1]



Source: Medical Insight Report, Jefferies

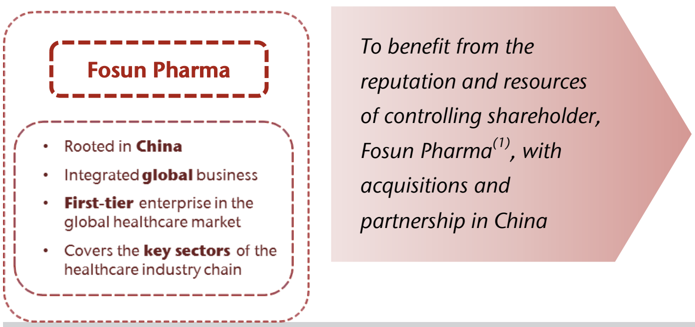
Note: [1] In terms of revenue derived from sales of energy-based medical aesthetic treatment systems; [2] Sisram has a larger market share than Cutera but figures appear to be identical due to rounding

Chart 4: Solid adjusted NP growth and margin expansion



Source: Medical Insight Report, Jefferies

Chart 5: More upside from strategic partnership and M&As



Source: Company data, Jefferies

*Note: [1] Shanghai Fosun Pharmaceutical (Group) Co.Ltd. ("**Fosun Pharma**")*

Chart 6: DCF based Valuation

Perpetual growth rate method, US$'000	
Enterprise value (US$'000)	525,641
Target price (HKD)	10.5
Implied 18E EV/EBITDA multiple	21x

Sensitivity table for enterprise value, US$'000

		WACC		
		11.1%	**12.1%**	13.1%
Perpetual growth rate	2.0%	10.7	9.8	9.0
	3.0%	11.7	10.5	9.6
	4.0%	12.9	11.4	10.3

Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Contents

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Leader in the expanding global market

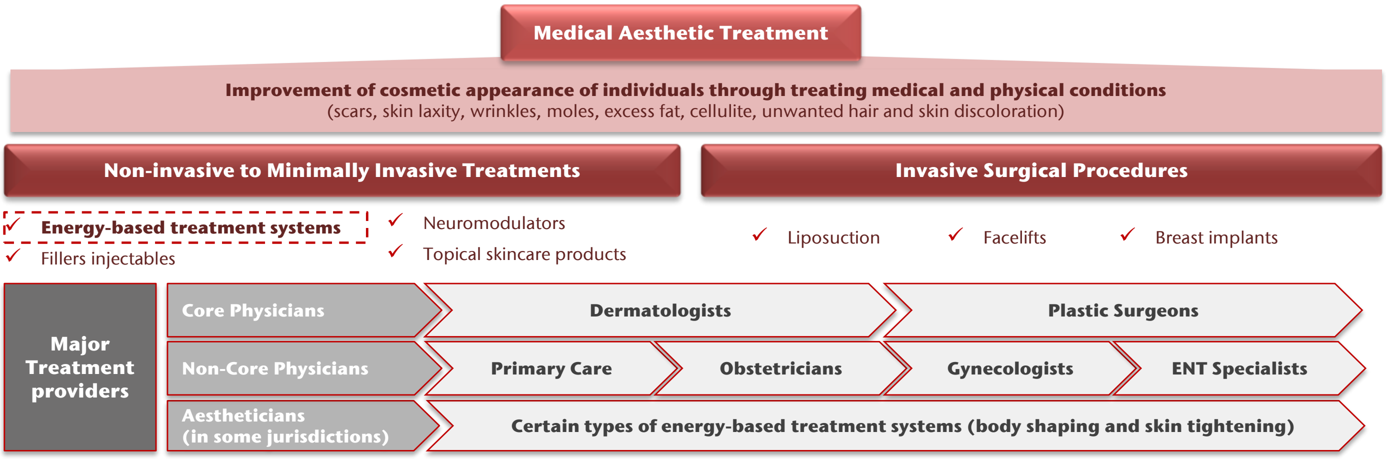
Medical aesthetic treatments focus on improving the cosmetic appearance of individuals

A growing global medical aesthetic treatment market

Medical aesthetic treatment is a general term for treatments that focus on improving the cosmetic appearance of individuals through treating medical and physical conditions, such as scars, skin laxity, wrinkles, moles, excess fat, cellulite, unwanted hair and skin discoloration.

Medical aesthetic treatments can be carried out by way of (1) non-invasive and minimally invasive treatments, such as treatments that utilize energy-based treatment systems, fillers, injectable, neuromodulators and topical skincare products, and (2) invasive surgical procedures such as liposuction, facelifts and breast implants. The major providers of medical aesthetic treatments include dermatologists and plastic surgeons, as well as physicians from other specialties such as gynaecologists and ophthalmologists.

Chart 7: The medical aesthetic industry overview

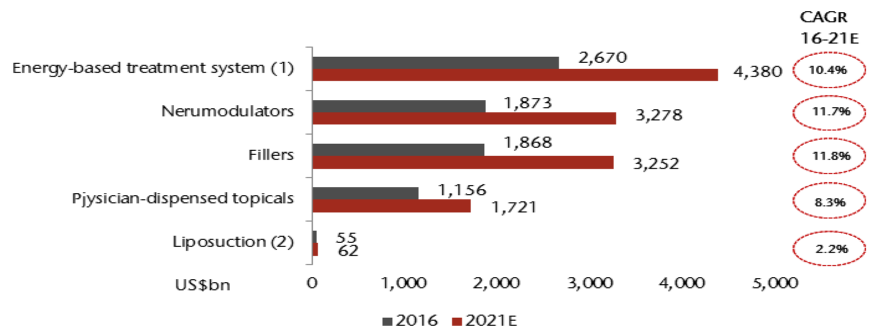


Source: Medical Insight Report, Jefferies

The global market is expected to expand rapidly at 10.4% 16-21E CAGR

According to *the Medical Insight Report,* the size of the global market for non-invasive and minimally invasive medical aesthetic treatment systems in terms of sales revenue was approximately US$8.4 billion in 2016, and is expected to reach US$13.9 billion in 2021, representing a CAGR of 10.5%. Within this market, the global energy-based medical aesthetic treatment system market is the largest market segment and growing rapidly at 10.4% 16-21E CAGR to US$4.4bn by 21E, according to the *Medical Insight Report*.

Chart 8: Global sales of non-invasive and minimally invasive medical aesthetic equipment and consumables

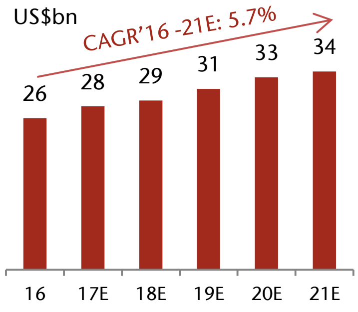


Source: Medical Insight Report, Jefferies

Notes: (1) Non-energy based treatments include topical, body sculpting, implants and aesthetic surgical procedures. (2) Includes data of sales revenue from both non-invasive and minimally invasive energy-based treatment systems.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 9: Global consumer expenditure for the industry is growing...



Source: Medical Insight Report, Jefferies

Furthermore, the total global consumer expenditure for medical aesthetic treatments was US$25.9 billion in 2016, and is expected to increase to US$34.1 billion in 2021, representing a CAGR of 5.7%, according to the Medical Insight Report.

The main drivers behind the growth of the global medical aesthetic treatment market are:

- Increased discretionary income.
- Desire to achieve or maintain a more youthful appearance.
- Aging population and longer life expectancy drive demand for anti-aging solutions.
- Increased awareness and acceptance of medical aesthetic treatments.
- Shift in demand to non-invasive and minimally invasive treatments.

In 2016, 37mn energy-based medical aesthetic treatments were performed worldwide with total consumer expenditure of US$12.4bn

Unmet demand for energy-based medical aesthetic treatment

Energy-based medical aesthetic treatment systems are utilized in energy-based medical aesthetic treatments, which include energy-based non-invasive treatments and energy-based minimally invasive treatments. According to *the Medical Insight Report*, in 2016, approximately 37mn energy-based medical aesthetic treatments were performed worldwide with total consumer expenditure of US$12.4bn.

Chart 10: Application of energy-based aesthetic treatment

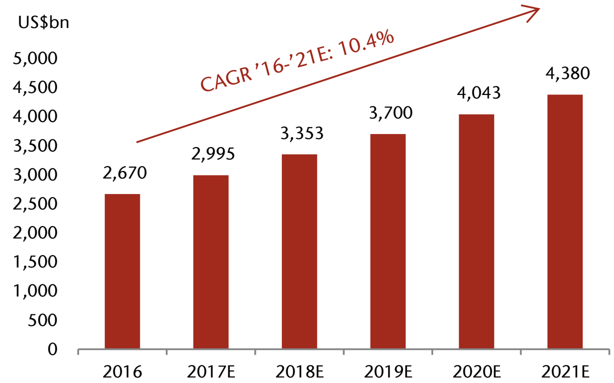
Source: Medical Insight Report

The global energy-based medical aesthetic market is expected to expand rapidly at 10.4% 2016-21E CAGR

The global energy-based medical aesthetic treatment system market is growing rapidly at 10.4% 2016-21E CAGR to US$4.4bn by 2021E, led by 11.5% in Asia and 11.1% in North America, according to *the Medical Insight Report*.

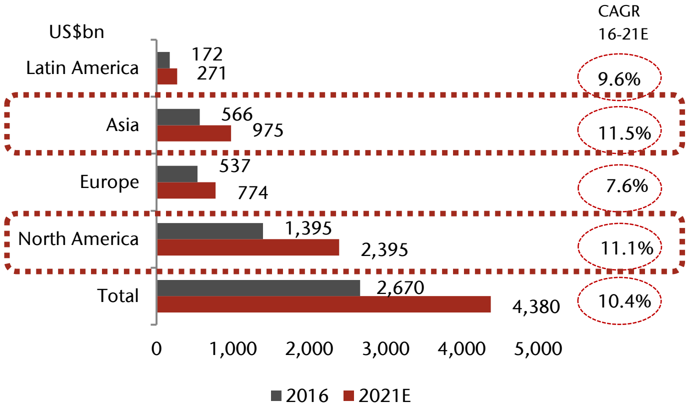
Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 11: The global energy-based medical aesthetic market is expected to grow by 10.4% 2016-21E CAGR to US$4,380bn



Source: Medical Insight Report, Jefferies

Chart 12: The strong growth is led by 11.5% in Asia and 11.1% in North America



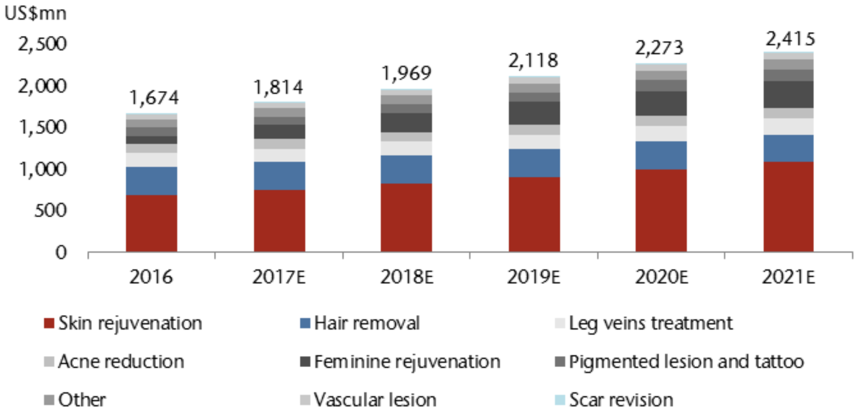
Source: Medical Insight Report, Jefferies

By key market segment, skin rejuvenation was the single largest category, contributing approximately 42% of the global sales revenue of energy-based non-invasive medical aesthetic treatment systems (excluding body shaping and skin tightening), followed by hair removal (20%), leg vein treatments (9%), acne reduction (7%), vaginal rejuvenation (6%), and pigmented lesion and tattoo removal (6%).

It is expected that the revenue breakdown by these categories will largely remain the same through 2021

It is expected that the revenue breakdown by these categories will largely remain the same through 2021, with skin rejuvenation contributing the largest portion of sales revenue of energy-based non-invasive medical aesthetic treatment systems, according to *the Medical Insight Report*.

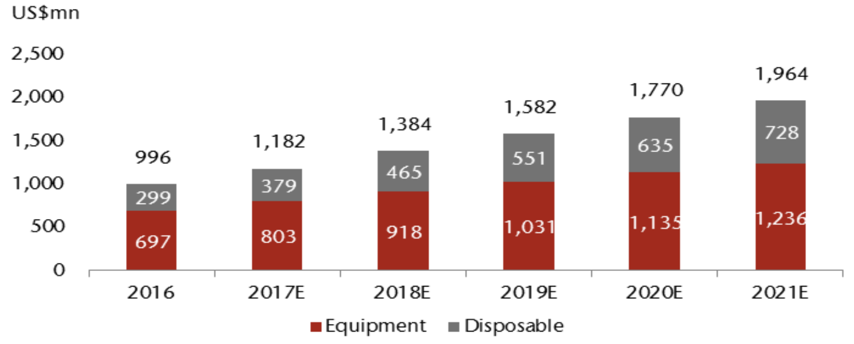
Chart 13: Main treatment categories (excluding body shaping and skin tightening)



Source: Medical Insight Report, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 14: Historical and estimated global sales revenue of energy-based equipment treatment systems for body shaping and skin tightening [1]



Source: Medical Insight Report, Jefferies

Note: (1) includes sales revenue data of energy-based minimally invasive liposuction

The existing market players are benefiting from the following high entry barriers for new entrants:

(1) Price competition and price sensitivity of demand by treatment providers

The demand for energy-based medical aesthetic treatments is characterized by price sensitivity of medical aesthetic treatment providers. Such price sensitivity at the treatment provider level may be further aggravated by price sensitivity at the treatment recipient level due to the intense competition and variety of treatment options available.

(2) Local protectionism

Lack of clarity on government regulations in certain key regional markets poses considerable difficulty for providers of energy-based medical aesthetic treatment systems to expand into these markets. For example, in the PRC, government subsidies or certain relevant government administrative practices may favour local market players.

(3) Lack of patent protection

Providers of energy-based medical aesthetic treatment systems may be deterred from expanding into the markets of certain countries, particularly in the Asia Pacific region, which lack a comprehensive or sophisticated patent enforcement regime such that new innovation may be copied by competitors with relative ease and low legal risks.

Chart 15: Key entry barriers

Source: Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Despite the broad range of treatments available to address diverse types of medical aesthetic conditions, there remain unmet needs of treatment providers and treatment recipients that represent potential market opportunities, as explained below:

(1) The need for treatment technology with greater efficacy which can affect the desired outcome with greater predictability and consistency while involving fewer treatment sessions, side effects, downtime or other adverse events or discomfort.

(2) Treatment systems and devices which could increase the speed of treatment, thereby optimizing the billing time of physicians and treatment providers.

(3) Treatment systems with lower upfront capital requirements and reduced costs of maintenance and operation that are proportional to the costs associated with performing the treatment.

Chart 16: Unmet needs and future opportunities in treatment systems

- ✓ Greater efficacy enabling desired outcome
- ✓ Greater predictability and consistency
- ✓ Fewer treatment sessions, side effects or discomfort

- ✓ Increased speed of treatment
- ✓ Optimize the billing time of physicians and treatment providers

- ✓ Lower upfront capital requirements
- ✓ Reduced costs of maintenance and operation

Source: Medical Insight Report

Sisram: A global industry leader and top player in the PRC

Sisram ranked No.5 globally and No.1 in China by revenue in 2016

Sisram is well-positioned to take advantage of the growth in demand for energy-based medical aesthetic treatment systems both globally and locally, especially in the PRC.

According to *the Medical Insight Report*, the total global consumer expenditure for medical aesthetic treatments was US$25.9 billion in 2016, and is expected to increase to US$34.1 billion in 2021, representing a CAGR of 5.7%.

Among the major global suppliers, Sisram ranked fifth in 2016 in terms of revenue generated from the sale of energy-based medical aesthetic treatment systems. And its reported net income margin as a whole is higher than certain other comparable U.S. listed companies.

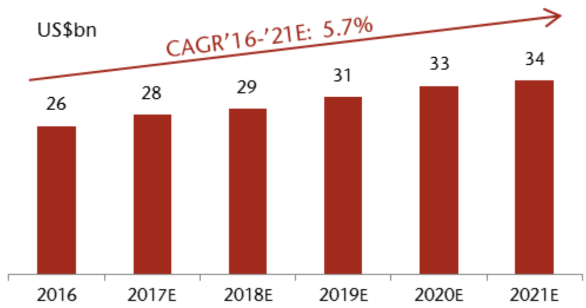
Table 1: Sisram's net income margin was higher than peers in 2016

Reported net income margin	2014	2015	2016
Sisram	**6.60%**	**7.80%**	**7.20%**
Cynosure	10.70%	4.70%	3.30%
Cutera	NA	NA	2.20%
Zeltiq	0.90%	16.40%	0.20%
Syneron	NA	NA	0.10%

Source: Company data, Jefferies

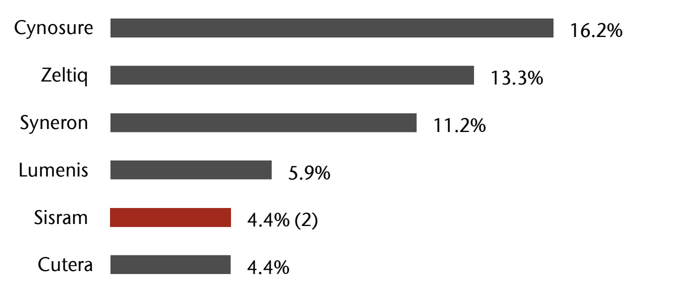
Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 17: Global consumer expenditure for medical aesthetic treatment is expected to grow



Source: Medical Insight Report, Jefferies

Chart 18: Sisram ranked No.5 globally by 2016 revenue[(1)]



Source: Medical Insight Report, Jefferies

Note: [(1)] In terms of revenue derived from sales of energy-based medical aesthetic treatment systems; [(2)] Sisram has a larger market share than Cutera but figures appears to be identical due to rounding

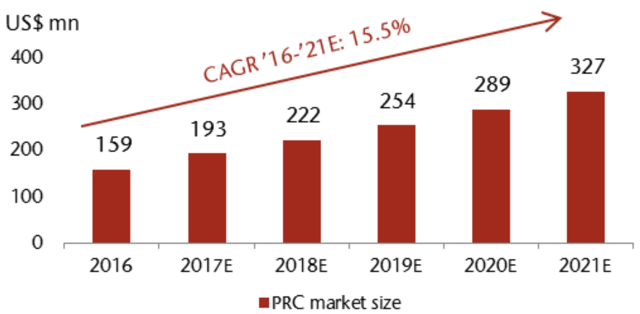
According to *the Medical Insight Report*, the total revenue generated from the sale of energy-based medical aesthetic treatment systems in the PRC is expected to increase from US$158.9 million in 2016 to US$326.8 million in 2021, representing a CAGR of 15.5%.

Among the suppliers of energy-based medical aesthetic treatment systems in the PRC, Sisram ranked first in 2016 in terms of revenue, with a 16.2% market share.

Key competitive factors in the medical aesthetic treatment systems market in the PRC are price and quality of services, brand recognition, and the variety of services provided. The industry is expected to undergo consolidation in the PRC market in the coming years which is expected to intensify competition.

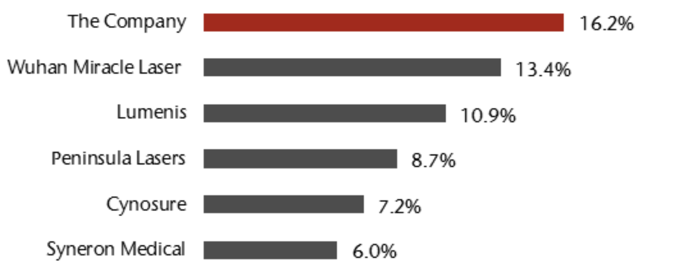
We illustrate more details about PRC medical aesthetic market in Appendix 4.

Chart 19: Fast growing PRC market



Source: Medical Insight Report, Jefferies

Chart 20: Sisram ranked No.1 in the PRC by 2016 revenue[(1)]



Source: Medical Insight Report, Jefferies

Note: [(1)] In terms of revenue derived from sales of energy-based medical aesthetic treatment systems

We estimate Sisram's revenue to grow at 13% 2016-19E CAGR led by strong momentum from Europe, North America and PRC. We forecast adjusted net profit to grow at 21% 2016-19E CAGR with operating margin expansion.

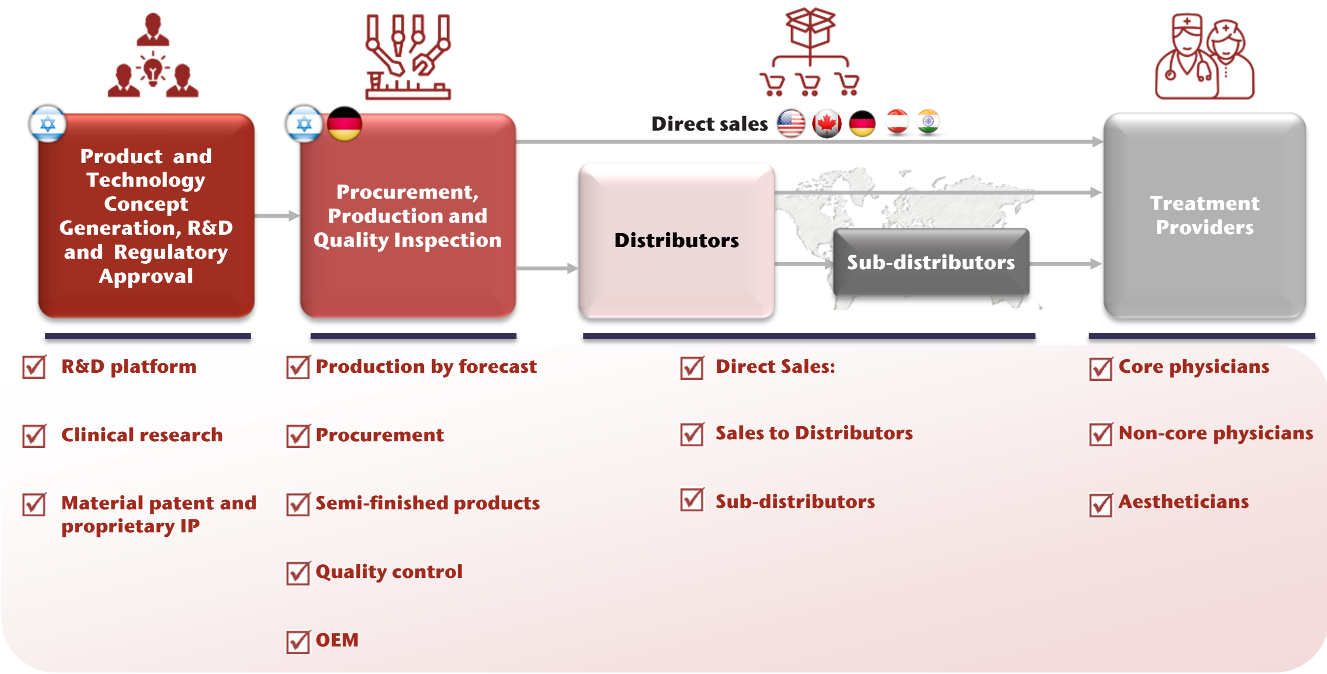
Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Growth sustainability backed by strong R&D capabilities

Sisram has an integrated business model from R&D, production to commercialisation

Sisram is a leader in the global energy-based medical aesthetic treatment system market, with 50+ different models of treatment systems, 100+ different models of applicators, 38 registered patents, and 10 patent applications. Sisram has an integrated business model from R&D, production to commercialisation. The business' organic growth is primarily driven by its focus on R&D investment. The company delivers innovative products at a regular pace to meet market demands.

Chart 21: Sisram's business model covers the full chain from R&D to manufacturing and sales



Source: Company data

The company has a proven track record of delivering innovative products at a regular pace to meet market demands. The R&D efforts focus on meeting the specific needs of treatment providers using a systematic and user-oriented approach. We summarize the product development mechanism of new innovative products below.

Chart 22: Major products in the company portfolio

Source: Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 23: A proven track record of developing innovative products

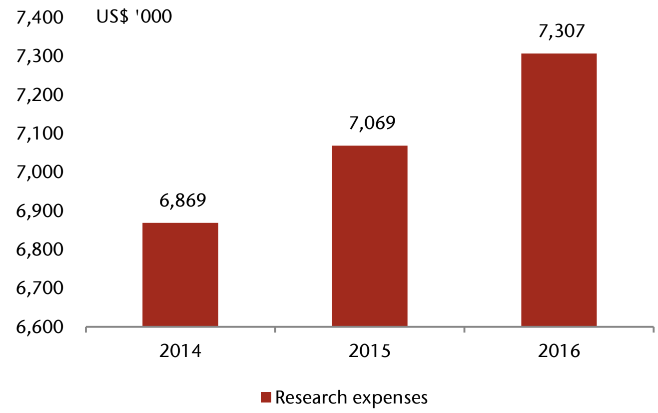
Source: Company data

Revenue grew by 8% 2014-16 CAGR benefiting from strong R&D capabilities and comprehensive product offering

Benefiting from strong R&D capabilities and comprehensive product offerings, Sisram's revenue grew by 8% 2014-16 CAGR to US$118.2mn. Around 81% of 2016 revenue was generated from non-invasive medical aesthetic products of the core and beauty product lines, 12% from minimally invasive treatments and 7% from services and others.

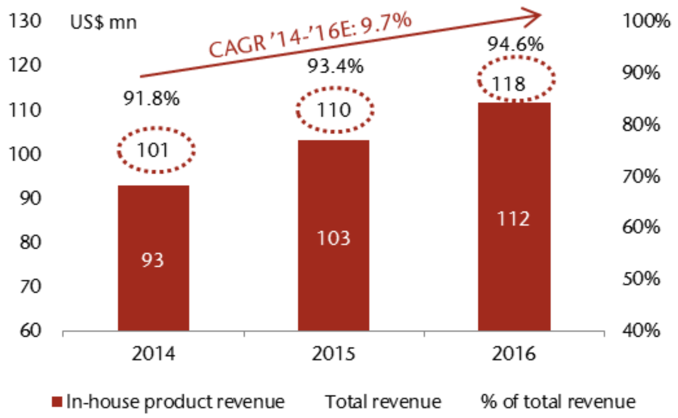
Sisram's ability to continue launching a wide range of products and developing new technologies is rooted in its research and development capabilities. In 2014/15/16, around 92%, 93% and 95% of revenue from the sales of products was derived from products developed in-house.

Chart 24: Rising dedication to R&D



Source: Company data, Jefferies

Chart 25: 90% of revenue driven by in-house R&D

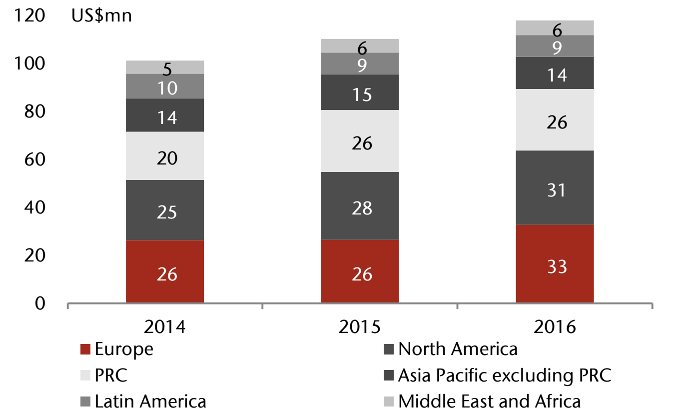


Source: Company data, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

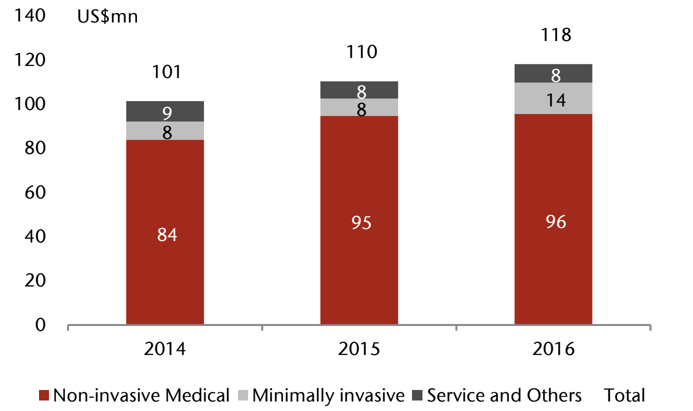
Jefferies

Chart 26: Revenue by geographical segments



Source: Company data, Jefferies

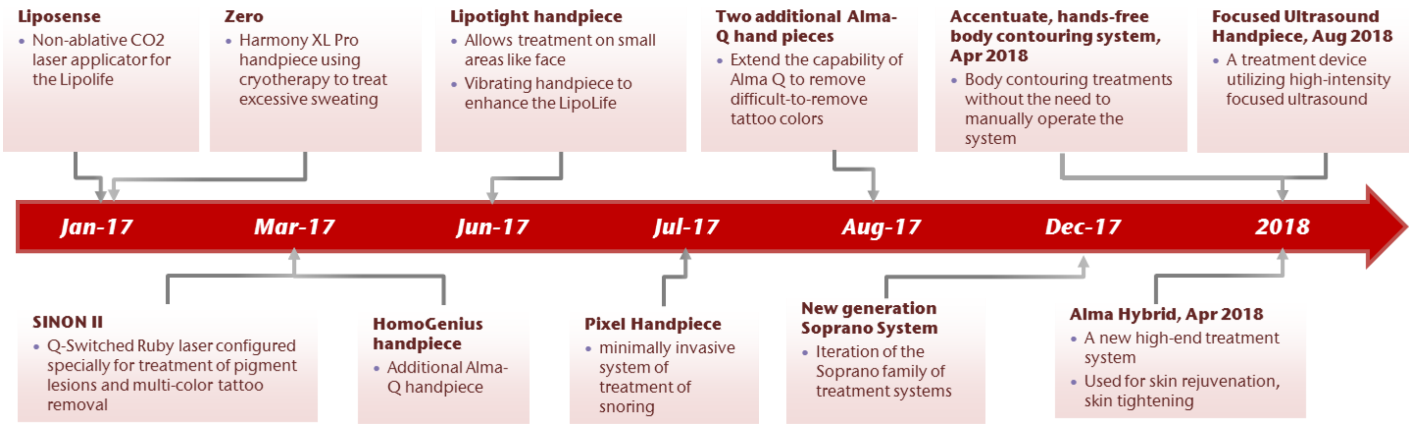
Chart 27: Revenue by product segments



Source: Company data, Jefferies

The frequent pace of launching new products will be another sales driver. In 2017, the company has 11 new products already launched or intended to be launched by end of the year. Below is the new products' 2017 launch timeline.

Chart 28: New product launch timeline



Source: Company data, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Strong profitability driven by global sales network

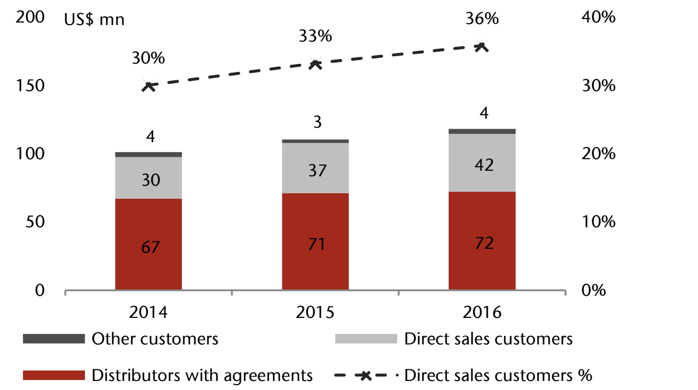
We think the profit growth is driven by 1) efficient cost leverage; 2) significant advantage from deep-rooted relationship with distributors

Strong distribution access to different market dynamics and multiple customer segments grant Sisram superior profitability. Adjusted net profit grew by 18.3% 2014-16 CAGR to US$20.4m, at 17.2% profit margin. We think the growth is mainly driven by:

1) Efficient cost leverage. Direct sales contribution to revenue improved to 36% in 2016, giving Sisram a relatively low sales expense level among peers, 18.1% sales and marketing cost as percentage of total sales compared to competitors' composite level at 38% of total sales, according to our analysis.

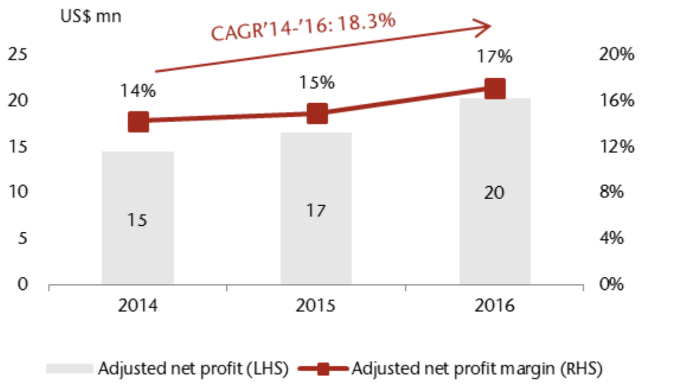
2) Significant advantage from deep-rooted relationships with global partners and distributors. Sisram sells its product in approximately 80 countries and has over 3-years of working relationship with over 40 distributors. PRC Distributors contributed the largest purchase order with around 20% of revenue during 2014/15/16, with 14 years of working relationships with Sisram.

Chart 29: Increasing direct sales contribution



Source: Company data, Jefferies

Chart 30: Solid net profit growth and margin expansion



Source: Company data, Jefferies

Sisram adopted a hybrid model of direct sales and sales to distributors globally. Over 60% of its revenue during 2014/15/16 comes from distributors with agreements, over 30% from direct sales, and around 2-4% from other customers, such as distributors, on-sellers and dealers. Direct sales contribution to revenue improved from 30% in 2014 to 36% in 2016, giving Sisram a relatively low sales and marketing expense level among peers. Details in the table below.

Table 2: Sisram has relatively low sales and marketing cost among peers

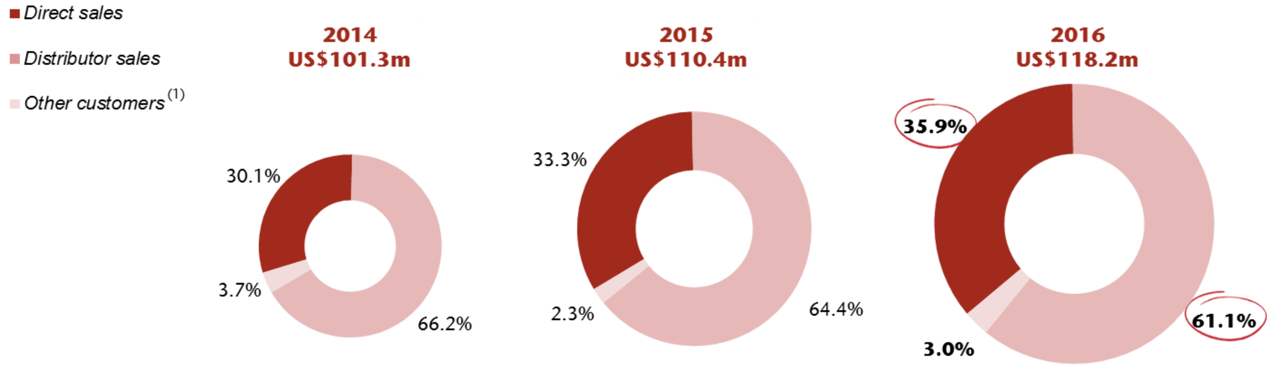
	Sales and Marketing % Group sales		
Company	**FY14**	**FY15**	**FY16**
Sisram	**16.4%**	**16.8%**	**18.1%**
Cynosure	30.3%	32.8%	35.5%
Cutera	41.3%	37.9%	35.2%
ZELTIQ	47.9%	49.1%	49.2%
Syneron Medical	31.6%	35.0%	32.2%
Mean of competitors' composite	37.8%	38.7%	38.0%
Median of competitors' composite	36.4%	36.4%	35.3%

Source: Medical Insight Report, public filings of related companies, Jefferies

Note: Lumenis was acquired by XIO Group and delisted in 2015 and the relevant data is unavailable for the analysis above.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 31: Revenue growth driven by efficient mix of sales and distribution channels

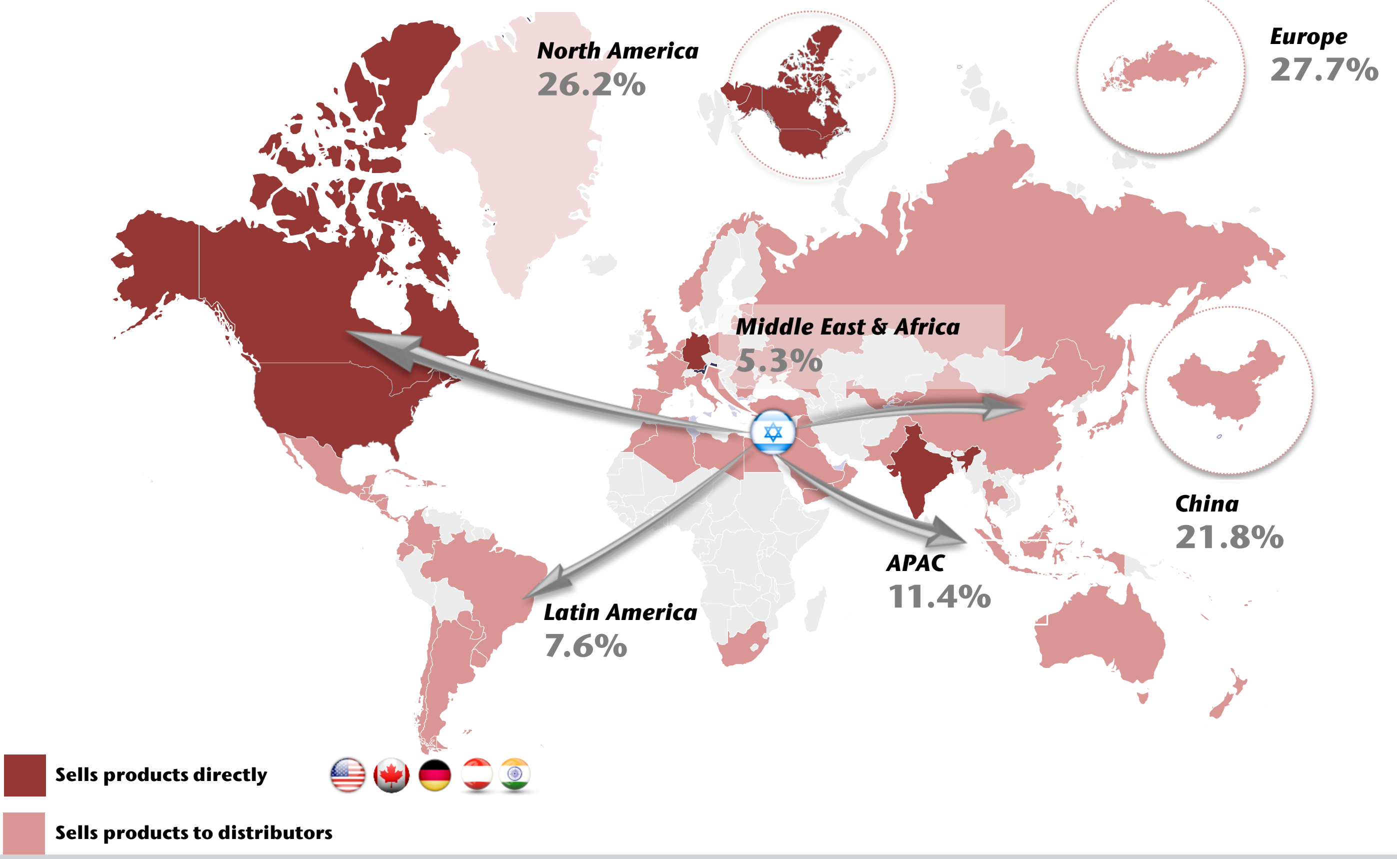


Source: Company data, Jefferies

Note: (1) Includes distributors, on-sellers and dealers with whom Sisram has not entered into written distribution agreements.

Sisram has a global sales and distribution network. It sells its treatment systems in approximately 80 countries and jurisdictions. Europe, North America, the PRC, and Asia Pacific excluding PRC provide the bulk of the revenue at 27.7%, 26.2%, 21.8% and 11.4%, respectively in 2016.

Chart 32: Geographical revenue breakdown by 2016



Source: Company data, Jefferies

Direct sales contribution to revenue improved from 30% in 2014 to 36% in 2016, giving Sisram a relatively low distribution expense level among peers

Sisram primarily engages in direct sales to treatment providers in the United States, Canada, Germany, Austria and India. For other countries, it primarily sells its product through distributors. Direct sales contribution to revenue improved from 30% in 2014 to 36% in 2016, giving Sisram a relatively low distribution expense level among peers.

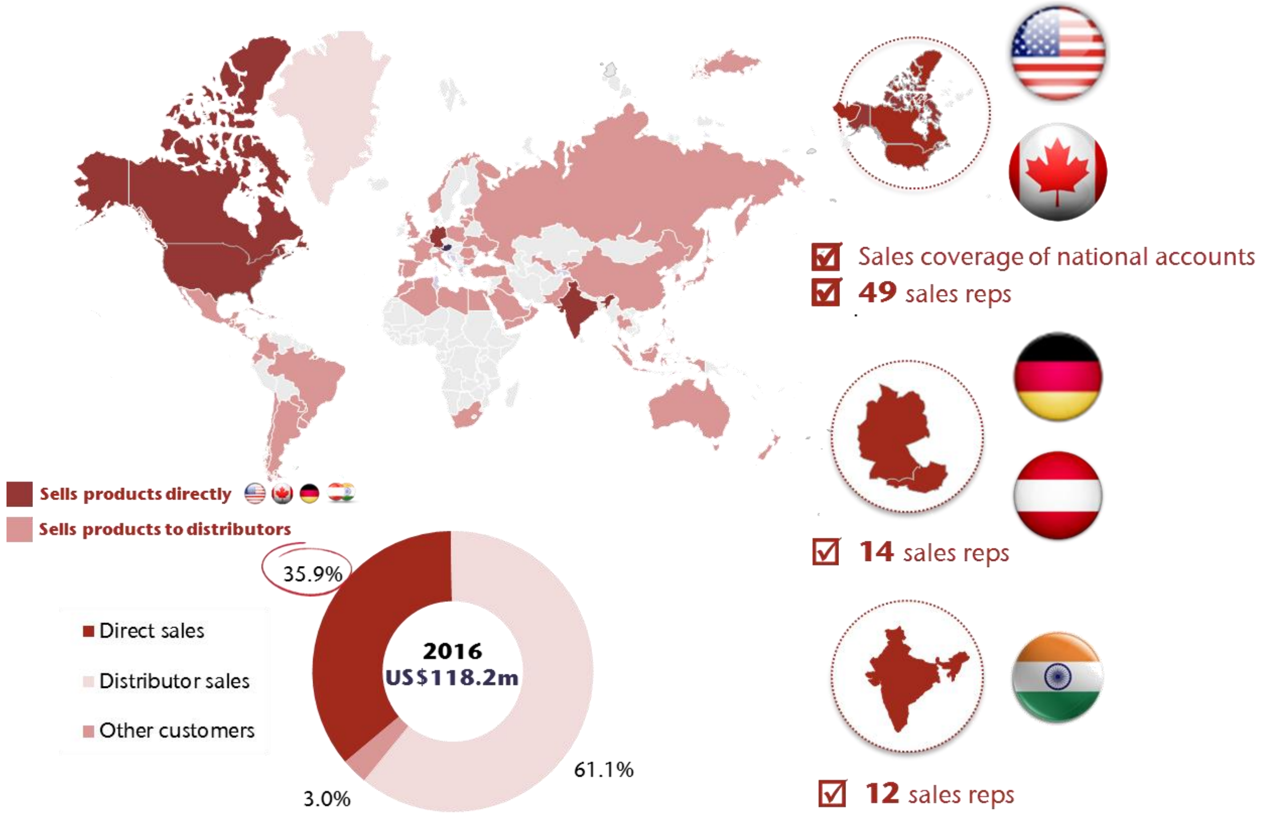
Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Sales employees in the direct sales team are paid commissions proportionate to their sales. The commissions also depend on the representative's seniority, aggregate sales compared to their sales targets and their customers. Independent sales agents are only paid through commissions, at generally higher rates compared to direct sales team employees.

For direct sales by Alma Lasers Inc. (the U.S. subsidiary), customers are offered credit terms ranging from 30 days to 12 months. Customers who use credit terms under 6 months are subject to up to 2% of the relevant purchase price while customers who are granted credit terms over 6 months are subject to an interest rate of 10% of the relevant purchase price. The company also works with several equipment financing companies to provide capital equipment finance and leasing-based programs.

For direct sales by its German and Indian subsidiaries, most customers are required to pay 10% to 50% deposit. The company generally provides a credit term from 30 days to 18 months.

Chart 33: Direct sales network in 2016



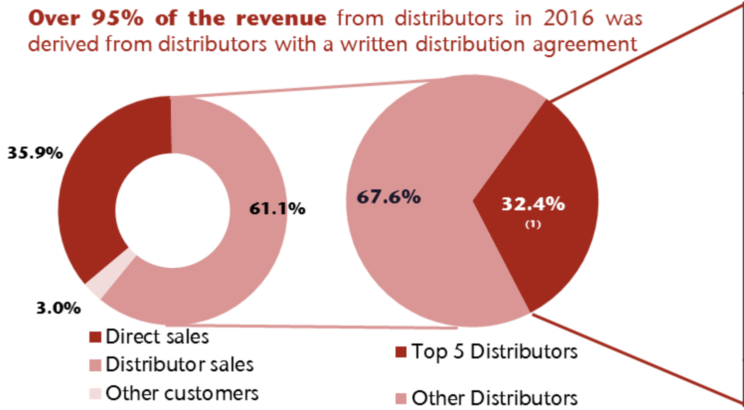
Source: Company data, Jefferies

Sales to distributors contribute over 60% of its revenue. The company exploits its distributors' local knowledge of their respective local markets, including customer preferences, competitive landscape and regulatory requirements, to penetrate the global market. The top 5 largest distributors contributed around 30% of the company's total revenue, and the PRC Distributor alone contributed 21.8% in 2016.

Sisram has developed deep-rooted relationships with its distributors. It has at least three years of working relationships with over 40 distributors. Among all distributors, the PRC Distributor has been the largest customer during 2014/15/16 and has 14 years of working relationship with the company.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 34: Top 5 distributors contributed over 30% of total revenue



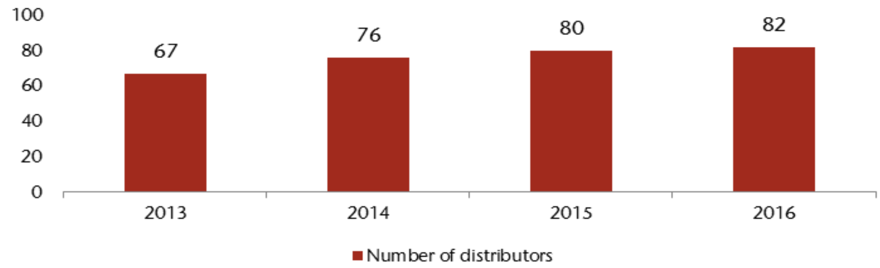
Top 5 Distributors	Region	Years of relationship with Alma	% of the distributor's purchase amount to revenue
photon		**14**	**21.8%**
	Latin America	14	3.0%
	Asia Pacific	11	2.9%
	Europe	14	2.4%
	Europe	4	2.3%
Top 5 Total			**32.4%**

Source: Company data, Jefferies

Note: (1) The aggregate contribution of top 5 suppliers amounted to 32.4% of the company's total revenue

Sisram had over 82 distributors with written distribution agreements in 2016. The increase in distributors with agreements is primarily because the company sold into a new country or engaged additional distributors to specialize in a certain product or product line.

Chart 35: Number of distributors during 2014/15/16



Source: Company data, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

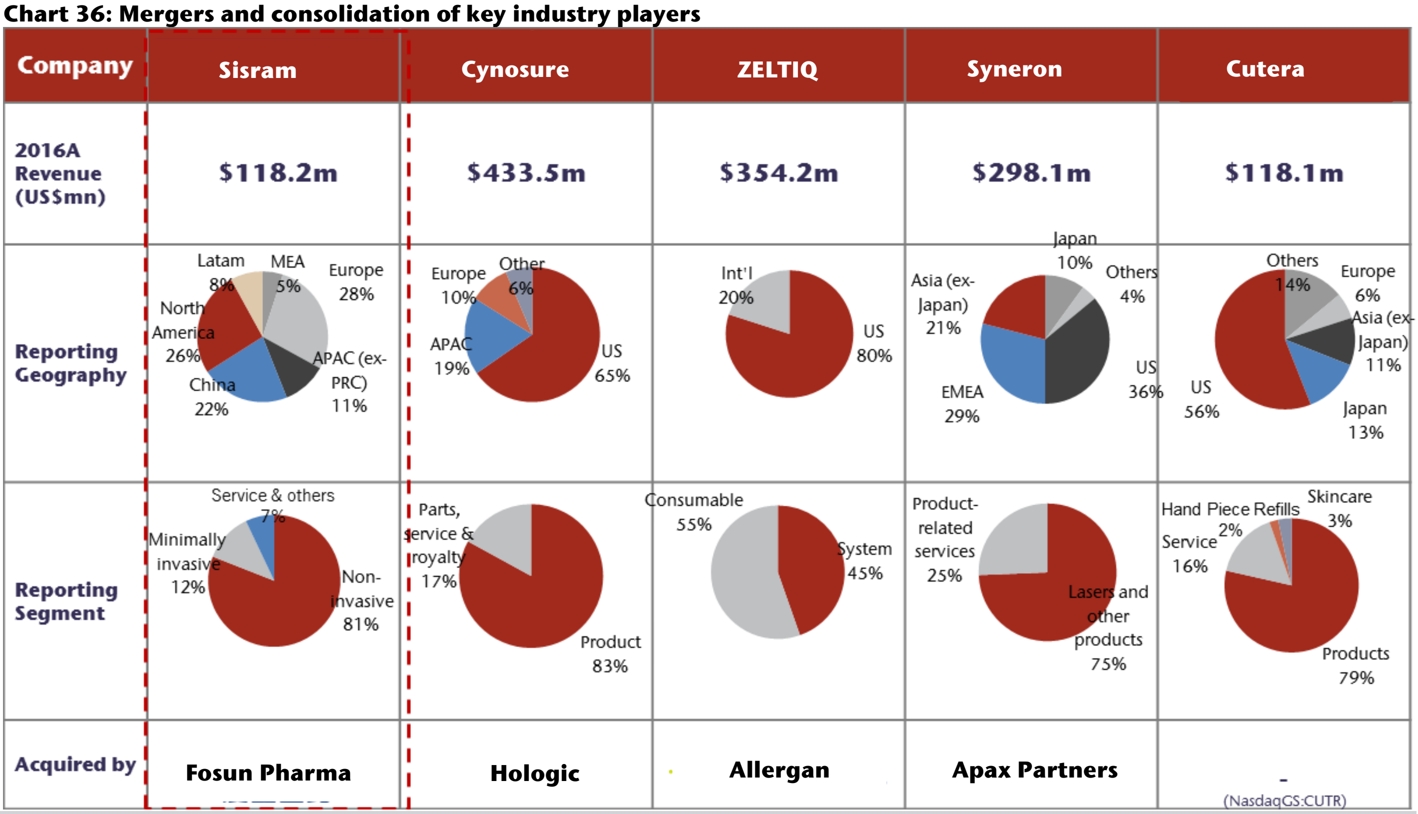
More upside from strategic partnerships and acquisitions

Opportunities from strategic partnership, acquisitions and Fosun Pharma

Besides organic growth, the company also intends to capture growth opportunities through acquisitions and strategic partnerships globally. The company is also expected to benefit from the reputation and resources of Fosun Pharma, its controlling shareholder.

In recent years, the industry has experienced several merger and acquisitions and thereby become very consolidated and competitive. In 2017 alone, there were three major acquisitions of dominant industry players: Zeltiq Aesthetic, Inc. by Allergan, Inc. in April 2017, Cynosure, Inc. by Hologic, Inc. in March 2017 and Syneron Medical Ltd by Apax Partners LLP. We believe the ongoing industry consolidation is likely to further intensify the industry competition. Among major global competitors, Sisram was ranked No.5, in terms of revenue generated from sales of energy-based medical aesthetic treatment system, in 2016.

Chart 36: Mergers and consolidation of key industry players



Source: Public filings of related companies, Capital IQ, Jefferies
Note: (1) Lumenis was acquired by XIO Group and delisted in 2015 and the relevant data are unavailable for in the analysis above.

Sisram intends to explore and evaluate acquisition opportunities of other products, technologies or intellectual properties that might provide synergies to the company's existing business. The company intends to identify opportunities in acquiring, or entering into strategic partnerships and licensing agreements with potential companies. Sisram identifies three types of potential targets:

(1) Companies that have innovative and potentially break-through products and technology offerings in the energy-based medical aesthetic treatment systems market, which could complement the company's current product lines and technologies, such as additional minimally invasive product lines

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

(2) Companies that enable Sisram to consolidate and expand its market share in key geographic markets such as the PRC, North America and Europe, or provide access to new geographic markets

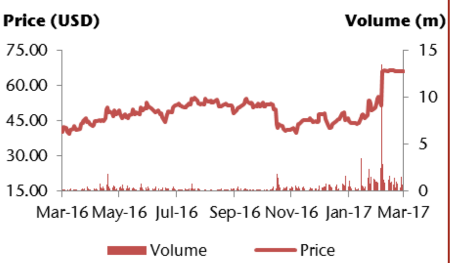
(3) Companies operating in related product areas that are marketed through similar channels and to similar end users as Sisram's, as well as medical aesthetic service providers such as treatment clinic chains.

Sisram intends to seek potential targets through internal market research and recommendations from its business partners. The company will consider the potential targets' level of synergy, the degree of innovation of technology, as well as the potential growth and profitability.

Moreover, Sisram is also expected to benefit from the reputation and resources of its controlling shareholder, Fosun Pharma, especially regarding acquisitions and partnerships in the PRC.

Chart 37: Recent Significant M&A transactions in Medical Aesthetics since February 2017

Hologic & Cynosure



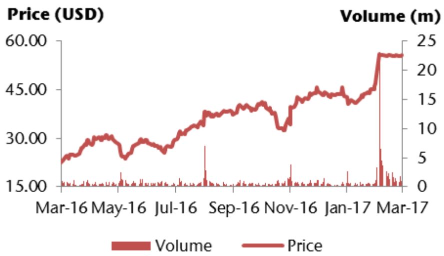
Transaction Highlights	
Announced Date	14-Feb-17
Cash Offer	$66 per share
Transaction Value	**$1,440m**
EV/ LTM Revenue	3.3x
EV/ LTM EBITDA	25.2x
Equity / LTM Net Profit	114.4x

Transaction Rationale

- Entry into the medical aesthetics segment
- Complements Hologic's position in the Obstetrics and gynaecology and women's health channels

Premium Analysis	
One Day Prior	28.2%
One Week Prior	30.6%
One Month Prior	49.7%

Allergan & ZELTIQ



Transaction Highlights	
Announced Date	13-Feb-17
Cash Offer	$56.50 per share
Transaction Value	**$2,475m**
EV/ LTM Revenue	7.0x
EV/ LTM EBITDA	146.4x
Equity / LTM Net Profit	nm [1]

Transaction Rationale

- Enhances global medical aesthetics portfolio through ZELTIQ's flagship CoolSculpting System

Premium Analysis	
One Day Prior	14.4%
One Week Prior	24.8%
One Month Prior	35.2%

Apax & Syneron

Transaction Highlights	
Announced Date	03-Apr-17
Cash Offer	$11.00 per share
Transaction Value	**$397m**
EV/ LTM Revenue	1.3x
EV/ LTM EBITDA	23.8x
Equity / LTM Net Profit	nm [1]

Transaction Rationale

- Privatization by private equity as a portfolio company

Premium Analysis	
One Day Prior	4.3%
One Week Prior	5.3%
One Month Prior	5.8%

Source: Public filings of relevant companies, Capital IQ, Jefferies

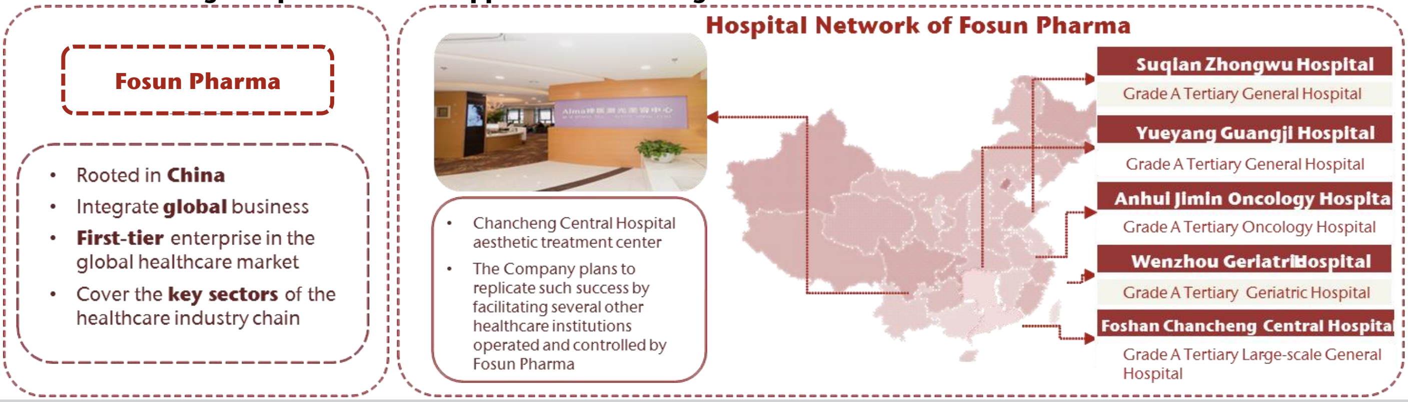
Note: (1) The transaction PE multiples for Zeltiq and Syneron were not meaningful due to FY16 reported net profit of $0.7 million and $0.2 million, respectively.

In addition, Sisram also expects to benefit from the reputation and resources of its controlling shareholder, Fosun Pharma, particularly with respect to acquisitions and partnerships in China.

Fosun Pharma is a leading healthcare company in China with business operations covering multiple important segments in the healthcare industry value chain, including pharmaceutical manufacturing, R&D and sales, healthcare services, medical devices and medical diagnosis, and pharmaceutical distribution and retail.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 38: A strong PRC partner and a supportive controlling shareholder



Source: Company data, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

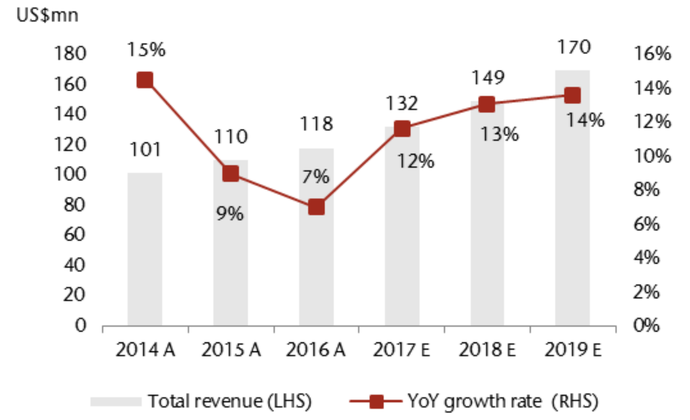
Financial analysis

We forecast 21% 2016-19E adjusted earnings CAGR to reach US$35mn

We favour Sisram based on strong earnings growth visibility into the next three years driven by robust revenue growth in PRC, North America and Europe, as well as the profit margin expansion. We like its dominant position in the expanding energy-based medical aesthetic treatment market, effective sales and distribution channel, strong R&D capabilities and potential acquisition opportunity for market share consolidation. We forecast 21% 2016-19E adjusted earnings CAGR to reach US$35mn in 2019E.

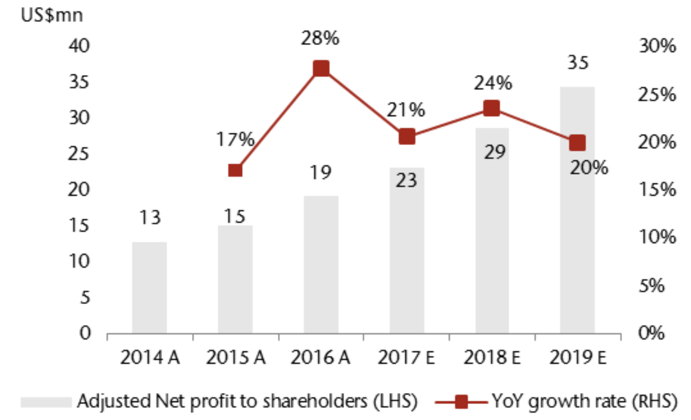
We estimated 13% 2016-19E revenue CAGR led by strong momentum in the PRC, North America and Europe. We forecast adjusted net profit to grow at 21% 2016-19E CAGR with operating margin expansion.

Chart 39: We estimate revenue to grow at 13% CAGR



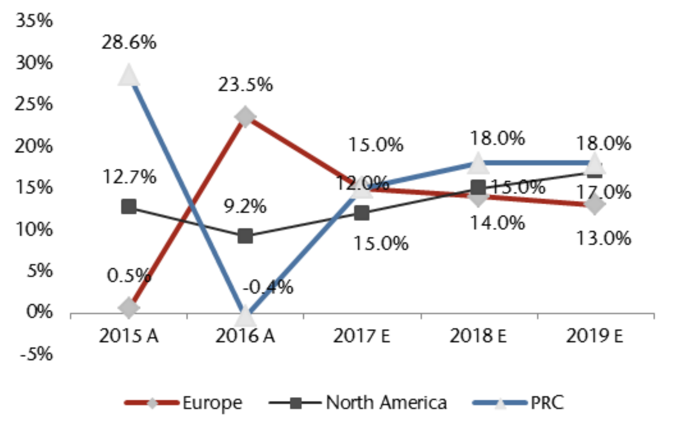
Source: Jefferies estimates, Company data

Chart 40: We forecast adjusted NP to grow at 21% CAGR



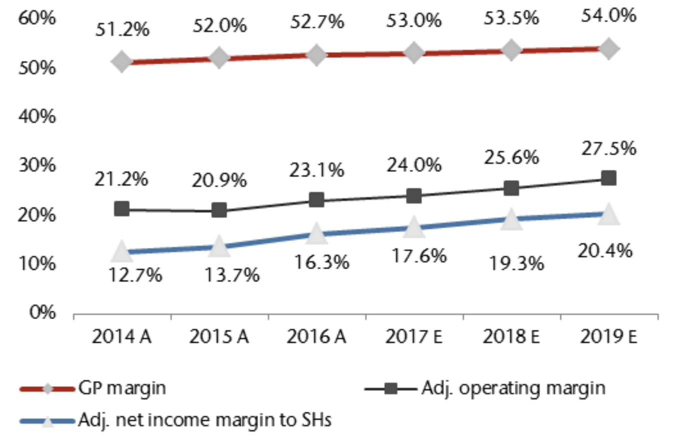
Source: Jefferies estimates, Company data

Chart 41: We expect the revenue growth rate to be mainly driven by Europe, North America and China



Source: Jefferies estimates, Company data

Chart 42: We expect adjusted GP margin to contract mildly, adjusted OP margin and net margin to expand slightly



Source: Jefferies estimates, Company data

The steady revenue growth is mainly driven by growth in the PRC, North America and Europe. These three countries/regions contributed over 75% of total revenue in 2016. We expect these regions to continue revenue contribution because of the company's strong product offering, effective sales and distribution channel, including a seasoned direct sales team and established relationships with local distributors. In addition, the company has witnessed strong momentum in the Middle East and Africa regions as well, and we expect the company to continue its growth in these regions.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

The table below summarizes our forecast for the company's growth in key business regions.

Table 3: Regional growth rate overview

YoY growth rate	2015 A	2016 A	2017 E	2018 E	2019 E	16-19E CAGR
Europe	0.5%	23.5%	15.0%	14.0%	13.0%	*14.0%*
North America	12.7%	9.2%	12.0%	15.0%	17.0%	*14.6%*
PRC	28.6%	-0.4%	15.0%	18.0%	18.0%	*17.0%*
Asia Pacific excluding PRC	7.3%	-8.9%	5.0%	5.0%	5.0%	*5.0%*
Latin America	-12.8%	-0.9%	2.0%	2.5%	3.5%	*2.7%*
Middle East and Africa	6.1%	6.9%	7.0%	8.0%	8.5%	*7.8%*
Total revenue	**9.0%**	**7.0%**	**11.7%**	**13.1%**	**13.6%**	***12.8%***

Source: Jefferies estimates, Company data

We expect Sisram's gross profit margin to stay stable at 53%-54%, while the adjusted operating margin expands mildly from 23% to 28% from 2016 to 2019E

We adjusted expenses and derived adjusted net profit by adding back: 1) G&A expense, including other intangible assets amortization arising from the Alma acquisition and listing expense; 2) finance cost: shareholder capital notes imputed interest expenses and interest expense from a related party loan; 3) deferred tax arising from other intangible assets.

We expect Sisram's gross profit margin to remain stable at 53%-54%, while the adjusted operating margin expands mildly from 23% to 28% from 2016 to 2019Em. We also expect the adjusted net profit margin to further improve to 20% in 2019E.

Finance expenses to decrease as the total debt balance is gradually paid down

We expect the real G&A expense after adjustment to remain flat at around US$5mn-6mn per year, selling and distribution expense and R&D expense to grow slowly or decline a bit compared to revenue growth benefiting from the cost leverage from direct sales and constant effectiveness of R&D. We expect finance expenses to decrease as the total debt balance is gradually paid down. We assume effective borrowing rate to remain stable during forecast period.

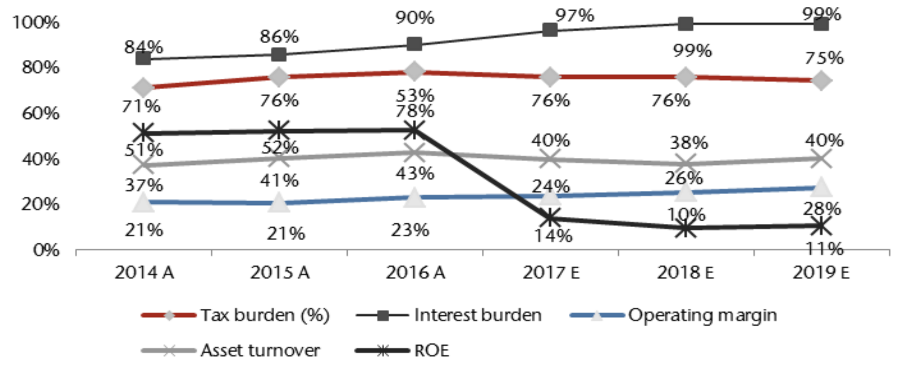
We also performed DuPont Analysis for Sisram.

Table 4: DuPont analysis

Du Pont Analysis	2014 A	2015 A	2016 A	2017 E	2018 E	2019 E
Tax burden (%)	71%	76%	78%	76%	76%	75%
Interest burden	84%	86%	90%	97%	99%	99%
Operating margin	21%	21%	23%	24%	26%	28%
Asset turnover	37%	41%	43%	40%	38%	40%
Leverage ratio	10.8x	9.4x	7.6x	2.0x	1.3x	1.3x
ROE	51%	52%	53%	14%	10%	11%

Source: Jefferies estimates, Company data

Chart 43: DuPont analysis



Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Jefferies

Table 5: Income statement – reporting

Income Statement (US$ '000)	**2014 A**	**2015 A**	**2016 A**	**2017 E**	**2018 E**	**2019 E**
Total Revenue	101,321	110,406	118,156	131,934	149,207	169,540
%Change	14.5%	9.0%	7.0%	11.7%	13.1%	13.6%
Europe	26,355	26,492	32,729	37,638	42,908	48,486
North America	25,192	28,383	31,001	34,721	39,929	46,717
PRC	20,096	25,845	25,733	29,593	34,920	41,205
Asia Pacific excluding PRC	13,820	14,831	13,516	14,192	14,901	15,646
Latin America	10,403	9,067	8,989	9,169	9,398	9,727
Middle East and Africa	5,455	5,788	6,188	6,621	7,151	7,759
Cost of revenues	(49,459)	(53,043)	(55,933)	(62,009)	(69,381)	(77,989)
%Change	NA	7.2%	5.4%	10.9%	11.9%	12.4%
Gross profit	51,862	57,363	62,223	69,925	79,826	91,552
GP margin	51.2%	52.0%	52.7%	53.0%	53.5%	54.0%
YoY		10.6%	8.5%	12.4%	14.2%	14.7%
Other income and gains	281	450	719	831	970	1187
%Total Sale	0.3%	0.4%	0.6%	0.6%	0.7%	0.7%
Selling and distribution expenses	(16,646)	(18,590)	(21,380)	(23,088)	(26,111)	(28,483)
%Total Sale	-16.4%	-16.8%	-18.1%	-17.5%	-17.5%	-16.8%
%Change		-0.4%	-1.3%	0.6%	0.0%	0.7%
Admin expenses	(10,166)	(11,121)	(12,989)	(17,151)	(13,429)	(11,020)
%Total Sale	-10.0%	-10.1%	-11.0%	-13.0%	-9.0%	-6.5%
%Change		9.4%	16.8%	32.0%	-21.7%	-17.9%
R&D expenses	(6,869)	(7,069)	(7,307)	(8,972)	(10,146)	(11,020)
%Total Sale	-6.8%	-6.4%	-6.2%	-6.8%	-6.8%	-6.5%
%Change		2.9%	3.4%	22.8%	13.1%	8.6%
Other expenses	(1,803)	(2,798)	(2,438)	(1,319)	(1,492)	(848)
%Total Sale	-1.8%	-2.5%	-2.1%	-1.0%	-1.0%	-0.5%
%Change		55.2%	-12.9%	-45.9%	13.1%	-43.2%
Operating Income	16,659	18,235	18,828	20,226	29,618	41,368
Operating margin	16.4%	16.5%	15.9%	15.3%	19.9%	24.4%
%Change		9.5%	3.3%	7.4%	46.4%	39.7%
Finance costs	(7,336)	(7,308)	(6,968)	(4,200)	(300)	(300)
%Total Sale	-7.2%	-6.6%	-5.9%	-3.2%	-0.2%	-0.2%
%Change		-0.4%	-4.7%	-39.7%	-92.9%	0.0%
Profit before tax	9,323	10,927	11,860	16,026	29,318	41,068
%Total Sale	9.2%	9.9%	10.0%	12.1%	19.6%	24.2%
Income tax expense	(2,618)	(2,334)	(3,359)	(6,410)	(8,209)	(10,883)
Effective tax rate	-28.1%	-21.4%	-28.3%	-40.0%	-28.0%	-26.5%
Net income (loss)	6,705	8,593	8,501	9,615	21,109	30,185
Attributable to owners of the parent/SHs	5,943	7,814	8,055	9,615	21,109	30,185
net income margin	5.9%	7.1%	6.8%	7.3%	14.1%	17.8%
Attributable to: Non-controlling interests	762	779	446	0	0	0
Number of shares ('000)				442,156	442,156	442,156
EPS (USD)				0.02	0.05	0.07
EPS (HKD)				**0.17**	**0.37**	**0.53**

Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 6: Adjustment for income statement

Income Statement (US$ '000)	2014 A	2015 A	2016 A	2017 E	2018 E	2019 E
Adjusted for G&A	**4,828**	**4,882**	**8,444**	**11,482**	**8,573**	**5,256**
Other intangible assets amortization arising from the Alma acquisition	4,828	4,882	4,885	4,882	5,073	5,256
Others (e.g. listing expense add back, IPO bonus)			3,559	6,600	3,500	
Adjusted for finance cost	**3,922**	**4,040**	**4,331**	**3,100**		
Shareholder capital notes imputed interest expenses	3,922	4,040	4,176	3,100		
Interest expense from a related party loan-Fosun Industrial			155			
Adjusted for tax	**(923)**	**(923)**	**(923)**	**(923)**	**(923)**	**(923)**
Deduct: deferred tax arising from other intangible assets	(923)	(923)	(923)	(923)	(923)	(923)
Adjusted G&A	**(5,338)**	**(6,239)**	**(4,545)**	**(5,670)**	**(4,856)**	**(5,764)**
Adjusted finance cost	**(3,414)**	**(3,268)**	**(2,637)**	**(1,100)**	**(300)**	**(300)**
Adjusted tax	**(3,541)**	**(3,257)**	**(4,282)**	**(7,333)**	**(9,132)**	**(11,806)**
Adjusted operating income	21,487	23,117	27,272	31,707	38,191	46,624
Adjusted profit before tax	18,073	19,849	24,635	30,607	37,891	46,324
Adjusted net profit	14,532	16,592	20,353	23,274	28,759	34,518
Adjusted NP to shareholders	**12,880**	**15,088**	**19,285**	**23,274**	**28,759**	**34,518**
Number of shares ('000)				442,156	442,156	442,156
Adjusted EPS (USD)				0.05	0.07	0.08
Adjusted EPS (HKD)				**0.41**	**0.51**	**0.61**

Source: Jefferies estimates, Company data

Table 7: Adjusted margins

Adjusted margins	2014A	2015A	2016A	2017E	2018E	2019E
Admin expenses	5.3%	5.7%	3.8%	4.3%	3.3%	3.4%
Finance cost	3.4%	3.0%	2.2%	0.8%	0.2%	0.2%
Effective tax rate	19.6%	16.4%	17.4%	24.0%	24.1%	25.5%
Operating margin	**21.2%**	**20.9%**	**23.1%**	**24.0%**	**25.6%**	**27.5%**
Profit before tax	**17.8%**	**18.0%**	**20.8%**	**23.2%**	**25.4%**	**27.3%**
Net income margin	**12.7%**	**13.7%**	**16.3%**	**17.6%**	**19.3%**	**20.4%**

Source: Jefferies estimates, Company data

Table 8: Adjusted YoY growth

Adjusted YoY growth	2015 A	2016 A	2017 E	2018 E	2019 E
Adjusted G&A	16.9%	-27.2%	24.7%	-14.4%	18.7%
Adjusted finance cost	-4.3%	-19.3%	-58.3%	-72.7%	0.0%
Adjusted tax	-8.0%	31.5%	71.3%	24.5%	29.3%
Adjusted operating income	7.6%	18.0%	16.3%	20.4%	22.1%
Adjusted profit before tax	9.8%	24.1%	24.2%	23.8%	22.3%
Adjusted net profit	14.2%	22.7%	14.4%	23.6%	20.0%
Adjusted NP to owners of the parent/SHs	17.1%	27.8%	20.7%	23.6%	20.0%

Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 9: Revenue model

Revenue model (US$ '000)	**2014 A**	**2015 A**	**2016 A**	**2017 E**	**2018 E**	**2019 E**
Total revenue	**101,321**	**110,406**	**118,156**	**131,934**	**149,207**	**169,540**
YoY growth rate	14.5%	9.0%	7.0%	11.7%	13.1%	13.6%
Europe	26,355	26,492	32,729	37,638	42,908	48,486
YoY growth rate		0.5%	23.5%	15.0%	14.0%	13.0%
as % of total sales	26.0%	24.0%	27.7%	28.5%	28.8%	28.6%
North America	25,192	28,383	31,001	34,721	39,929	46,717
YoY growth rate		12.7%	9.2%	12.0%	15.0%	17.0%
as % of total sales	24.9%	25.7%	26.2%	26.3%	26.8%	27.6%
PRC	20,096	25,845	25,733	29,593	34,920	41,205
YoY growth rate		28.6%	-0.4%	15.0%	18.0%	18.0%
as % of total sales	19.8%	23.4%	21.8%	22.4%	23.4%	24.3%
Asia Pacific excluding PRC	13,820	14,831	13,516	14,192	14,901	15,646
YoY growth rate		7.3%	-8.9%	5.0%	5.0%	5.0%
as % of total sales	13.6%	13.4%	11.4%	10.8%	10.0%	9.2%
Latin America	10,403	9,067	8,989	9,169	9,398	9,727
YoY growth rate		-12.8%	-0.9%	2.0%	2.5%	3.5%
as % of total sales	10.3%	8.2%	7.6%	6.9%	6.3%	5.7%
Middle East and Africa	5,455	5,788	6,188	6,621	7,151	7,759
YoY growth rate		6.1%	6.9%	7.0%	8.0%	8.5%
as % of total sales	5.4%	5.2%	5.2%	5.0%	4.8%	4.6%

Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 10: Balance sheet

US$ '000	2014 A	2015 A	2016 A	2017 E	2018 E	2019 E
Cash and cash equivalent	17,747	19,256	18,105	115,779	138,825	165,585
Pledged bank balances for LT loans	46	50	49	53	53	53
Term deposit with original maturity of more than three months	19,000	20,000	23,499	19,018	19,018	19,018
Total Cash & ST investments	36,793	39,306	41,653	134,850	157,896	184,656
Account Receivables	22,265	22,663	28,207	30,873	34,318	38,147
Prepaid expenses and other assets	2,105	2,065	2,966	2,790	2,706	3,042
Inventories	18,431	21,501	21,955	24,184	26,712	29,714
Derivative financial instruments	-	110	187	46	46	46
Total current assets	79,594	85,645	94,968	192,742	221,678	255,604
Property and equipment, net	1,740	2,054	2,353	2,682	3,058	3,440
Goodwill	108,351	108,351	108,351	108,351	108,351	108,351
Deferred income taxes	4,027	4,815	6,259	6,465	6,864	7,460
Other intangible assets	76,523	71,977	67,092	62,410	57,537	52,482
Other assets	148	150	138	138	138	138
Total LT assets	190,789	187,347	184,193	180,047	175,948	171,871
Total assets	270,383	272,992	279,161	372,789	397,625	427,474
Liabilities						
Current maturities of long-term loan from bank	8,747	10,496	12,246	14,150	15,207	15,628
Current maturities of loan from related party	-	-	9,845			
Accounts payable	7,254	6,910	7,372	8,449	9,453	10,626
Other current liabilities	11,227	21,593	15,209	14,002	19,500	21,000
Tax payable	2,102	2,439	2,300	2,740	3,283	3,730
Current Liabilities	29,330	41,438	46,972	39,340	47,442	50,984
Interest-bearing bank borrowing	58,594	48,507	36,672	31,171	26,496	22,521
Deferred income	803	706	634	530	530	530
Other LT liabilities	143,403	137,596	141,784	781	560	156
Deferred tax liabilities	13,131	12,200	12,613	13,107	13,630	14,131
Total LT Liabilities	**215,931**	**199,009**	**191,703**	**45,590**	**41,215**	**37,338**
Total Liabilities	**245,261**	**240,447**	**238,675**	**84,930**	**88,658**	**88,322**
Equity						
Shareholders' equity:	2	2	2	237,523	237,523	237,523
Reserves	25,120	32,543	40,484	50,337	71,445	101,630
Share premium	(2,330)	(2,565)	(2,359)	(2,359)	(2,359)	(2,359)
Reserve from transaction with controlling shareholder	20,474	20,474	20,474	20,474	20,474	20,474
Retained earnings (deficit)	7,041	14,961	22,921	32,536	53,645	83,830
Foreign currency translation reserve	(65)	(327)	(552)	(315)	(315)	(315)
Total Equity	**25,122**	**32,545**	**40,486**	**287,859**	**308,968**	**339,153**
Total Liabilities and Equity	**270,383**	**272,992**	**279,161**	**372,789**	**397,625**	**427,474**

Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Valuation

DCF based price target HK$10.5

We initiate coverage on Sisram with BUY rating. Our DCF-based price target is HK$10.5, implying 21x 18E adjusted PE at industry average.

DCF analysis is our primary methodology for valuing Sisram's business. We think DCF is more appropriate as a primary method than the PE multiple approach because of the lack of close comparables. And some of the listed comps have been privatized.

We first project Sisram's 17-19E financials based on historical trends of margins and sales growth. As we stated in the Financial Analysis section, we expect a strong revenue growth of 2016-19E 13% CAGR led by momentum from PRC, North America and Europe. We use adjusted EBIT in our FCF calculation with the Alma acquisition's intangible assets amortization added back. We expect the adjusted operating margin to expand mildly from 23% to 28% from 2016 to 2019E, driven by the significant cost leverage from G&A and distribution expenses.

Our DCF assumptions include: cost of debt of 5.2%, a corporate tax rate of 29.5%, an average net debt/capital ratio of 19%, and a risk free rate 2.1%.

Our valuation is sensitive to cost of equity and terminal growth rate. For calculation of COE based on CAPM model, we use beta of 0.8. This translates into a cost of equity of 14.1%. Together with the equity-debt mix, the calculated WACC range is 12.1%. Also by setting our terminal growth rate at 3%, we reach enterprise value of US$526mn and price target of HK$10.5, with implied 21x 18E adjusted PE. We calculate valuation by perpetual growth rate method as shown below.

Table 11: WACC calculation

Country premium	15.0%
Average adjusted levered beta	0.8
Equity risk premium	12.0%
Add: Risk-free rate	2.1%
Cost of equity	14.1%
Cost of debt	5.2%
Assumed tax rate	-29.5%
After-tax cost of debt	3.7%
Average debt/capital	19%
WACC	**12.1%**

Source: Jefferies estimates

Table 12: DCF Valuation

US$ '000	**2014 A**	**2015 A**	**2016 A**	**2017 E**	**2018 E**	**2019 E**	**2020E**	**2021E**
Revenue	**101,321**	**110,406**	**118,156**	**131,934**	**149,207**	**169,540**	**192,645**	**218,897**
YoY growth rate	14.5%	9.0%	7.0%	11.7%	13.1%	13.6%	13.6%	13.6%
Adjusted EBIT	**21,487**	**23,117**	**27,272**	**31,707**	**38,191**	**46,624**	**61,646**	**74,425**
EBIT margin	21.2%	20.9%	23.1%	24.0%	25.6%	27.5%	32.0%	34.0%
YoY growth rate		7.6%	18.0%	16.3%	20.4%	22.1%	32.2%	20.7%
Adjusted EBIT*(1-tax rate)	**15,453**	**18,179**	**19,548**	**19,024**	**27,497**	**34,268**	**45,310**	**54,702**
Tax rate	-28.1%	-21.4%	-28.3%	-40.0%	-28.0%	-26.5%	-26.5%	-26.5%
D&A	**5,418**	**5,526**	**5,605**	**5,823**	**6,173**	**6,540**	**6,743**	**7,005**
% of sales	5.3%	5.0%	4.7%	4.4%	4.1%	3.9%	3.5%	3.2%
Changes in OWC	**867**	**(5,621)**	**(4,873)**	**(4,083)**	**1,280**	**(4,142)**	**(4,816)**	**(5,472)**
% of sales	0.9%	-5.1%	-4.1%	-3.1%	0.9%	-2.4%	-2.5%	-2.5%
Capital expenditure	**(694)**	**(1,259)**	**(1,039)**	**(1,471)**	**(1,675)**	**(1,867)**	**(2,312)**	**(2,627)**
% of sales	-0.7%	-1.1%	-0.9%	-1.1%	-1.1%	-1.1%	-1.2%	-1.2%
Adjusted FCF	**21,044**	**16,825**	**19,241**	**19,293**	**33,275**	**34,800**	**44,925**	**53,608**
Discount factor				100%	89%	80%	71%	63%
PV of FCF				**19,293**	**29,678**	**27,684**	**31,875**	**33,925**
Total PV of FCF	**142,454**							
Target date	12/31/2017							

Source: Jefferies estimates, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 13: Estimated EV and implied PE

Perpetual growth rate method	
Terminal growth	3.0%
Terminal value	605,515
PV of terminal value	383,186.51
Enterprise value	**525,641**
Less: Net debt/(cash)	(70,458)
Equity value	596,099
Shares outstanding	442,156
Price per share (USD)	1.35
Price per share (HKD)	**10.5**
Implied 2018E adjusted PE	**21x**

Source: Jefferies estimates

Chart 44: Sensitivity analysis for enterprise value

		WACC				
		10.1%	11.1%	**12.1%**	13.1%	14.1%
Perpetual growth rate	1.0%	11.0	10.0	9.2	8.5	8.0
	2.0%	11.9	10.7	9.8	9.0	8.4
	3.0%	13.2	11.7	**10.5**	9.6	8.8
	4.0%	14.8	12.9	11.4	10.3	9.4
	5.0%	17.1	14.5	12.6	11.2	10.1

Source: Jefferies estimates

Apart from DCF method, we also conduct trading comps analyses to get a comparable multiple as our secondary valuation method.

For trading comps analysis, among US public peers, we shortlist Cutera, Cynosure, Syneron Medical and ZELTIQ as close comps; however, three of them (Cynosure, Syneron and ZELTIQ) have been de-listed due to recent privatization.

For HK-listed peers, there are no direct aesthetic comps for close comparison; therefore we roughly select several HK-listed medical device names including Shandong Weigao, Microport, and Yestar here for reference.

We believe the valuation difference between the global direct aesthetic comps like Cutera and HK-listed medical device comps is mainly due to a global company premium and a wider product exposure to the consumer regime.

First, Sisram and Cutera are both global companies with wide business exposure across the globe, while the HK-listed medical device names are all local companies with major profit contribution from Mainland China.

Second, there is a difference in the business nature of those global aesthetic companies and HK-listed device names. Shandong Weigao is principally engaged in the sale of consumable medical devices, like infusion sets, syringes, etc. Microport's medical solutions cover several disciplines including cardiovascular, orthopaedics, diabetes, endocrine management, etc. Yestar is mainly a distributor of medical consumables and equipment providing medical imaging and IVD products. We think the business nature of their HK-listed comps is different with global comps and Sisram's primary business in aesthetic solutions. Sisram's product sales are exposed to a wider range in both the healthcare and consumer regimes.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 14: Trading comps analysis

	Price	Market Cap	PE		
Global aesthetic direct comps	**US$**	**US$mn**	**17E**	**18E**	**19E**
Cutera	45.3	627.6	88.3x	58.1x	46.9x
			88.3x	**58.1x**	**46.9x**
HK-listed medical device comps	**HK$**	**HK$mn**	**17E**	**18E**	**19E**
Shandong Weigao	5.75	25,739.1	15.4x	14.9x	12.3x
Microport	9.05	13,172.2	42.9x	28.2x	24.1x
Yestar	3.34	7,265.2	21.5x	18.3x	13.8x
			26.6x	**21.0x**	**16.7x**

Source: Bloomberg as of 16 Nov 2017, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Risks

In this section, we highlight three downside risks to our valuation. 1) Instability of distributor order backlog; 2) Market acceptance and entry barriers for new R&Ds; and 3) Vulnerability from suppliers' fluctuation in supplying shortage, quality issues and price.

Instability of distributor order backlog

Any orders backlog or relationship disruption would heavily impact Sisram's total sales and distribution expenses

Sisram sells a substantial majority of products through distributors, who on-sell and market Sisram's products to their customers and service such products for their customers. Instability of distributor order backlog is the key downside risk here to our valuation.

Sisram has limited control over its distributors. If the distributors do not effectively sell, market, or distribute products or if relationships with any distributors are disrupted, Sisram's business, results of operations, financial condition and prospects may be materially and adversely affected.

Orders from the PRC Distributor are also significant to Sisram's business, as it has been the largest customer and distributor accounting for over 20% of the company's total revenue in 2016. Any order backlog or relationship disruption would heavily impact Sisram's total sales and distribution expenses.

Market acceptance and entry barriers for new R&Ds

The energy-based medical aesthetic treatment systems market is characterized by extensive research and development, technological improvements, frequent modifications and enhancements, innovations, new applications, evolving industry standards and changes in consumer behaviour and preferences.

There is no assurance that Sisram will successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient protection for such new or enhanced products or obtain the necessary regulatory approvals in a timely and cost-effective manner.

The commercial success of new products and technologies will also depend upon the acceptance of these products by treatment providers and treatment recipients. It is difficult for the company to predict whether recently introduced products, or the products that are currently being developed, will be commercially successful. If the new products or enhancements do not achieve adequate acceptance in the market, this may ultimately force the company to abandon a potential product in which it has already invested substantial time and resources, and its competitive position will be impaired, the company's revenue will be diminished and the effect on operating results may be particularly acute because of the significant research, development, marketing, sales and other expenses the company will have incurred in connection with the new product or enhancement.

Failure to do any of these things or to address technological changes and challenges could have a material adverse effect on Sisram's business, and the impact may be significant to our forecast on revenue growth and R&D expense.

Vulnerability from supplier-related issues in terms of supply shortage, quality issues and price

Sisram relies on a number of suppliers, all of which are Independent Third Parties

Sisram relies on a number of suppliers, all of which are independent third parties, who provide components, subassemblies and semi-finished goods. Most of the production work the company subcontracts to third parties is performed by two subcontractors located in Israel, with whom the company does not have long-term written contracts.

Sisram does not have long-term supply agreements in place with its suppliers. Most suppliers are under no obligation to supply the company's requirements and may terminate their relationships with Sisram at any time.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

In the future, there is a risk that the company may be unable to obtain an adequate supply of components or subassemblies, or may experience increases in the prices of these components or subassemblies, delays in delivery or poor component or subassembly quality. Sisram may not be able to quickly establish relationships with additional or replacement suppliers, particularly for subassemblies.

Furthermore, the company submits certain specific models of components that form part of the product designs for regulatory approvals, such as power supplies, display screens and microprocessors, and switching suppliers may cause the company to change the specific model of the components and in turn result in a need to submit the modified design for regulatory approval, which may take time and cause delays.

Any interruption in the supply of components or subassemblies, or inability to obtain substitute components or subassemblies that meet Sisram's quality standards from alternative sources at acceptable prices in a timely manner, or inability to obtain assembly and testing services, could impair the company's ability to meet the demands of its customers, which could have a material adverse effect on the company's business, results of operations, financial condition and prospects.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

APPENDIX

Company background

1. *Company introduction*
2. *Key development milestones*
3. *Corporate structure*

Product introduction

1. *Product overview*
2. *Key products*

Management of distributors

PRC medical aesthetic market overview

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Appendix 1. Company background

Company introduction

Sisram is a leading global provider of energy-based medical aesthetic treatment systems

Sisram is a leading global provider of energy-based medical aesthetic treatment systems, with proprietary technologies and comprehensive in-house capability to design, develop and produce treatment systems. Its brands are widely recognized among treatment providers and treatment recipients internationally, including Alma, Soprano, Accent, Femilift, etc. It is the largest provider of energy-based medical aesthetic treatment systems in the PRC market and a dominant industry player in the medical aesthetic treatment system market globally. It sells its products in approximately 80 countries and jurisdictions worldwide.

Sisram provides energy-based treatment systems for non-invasive and minimally-invasive procedures

It develops and produces energy-based treatment systems for non-invasive and minimally-invasive procedures. Within the non-invasive segment, it has two major product lines, Core and Beauty, which target different customers. These products can be utilized to perform non-invasive medical aesthetic treatments including hair removal, skin rejuvenation, skin resurfacing, treatments of vascular and pigmented lesions, tattoo removal, acne treatment, cellulite reduction, body contouring and skin tightening. The company also offered products used for minimally-invasive treatments, including vaginal rejuvenation, laser-based liposuction, treatment of varicose veins and treatment of hyperhidrosis, etc.

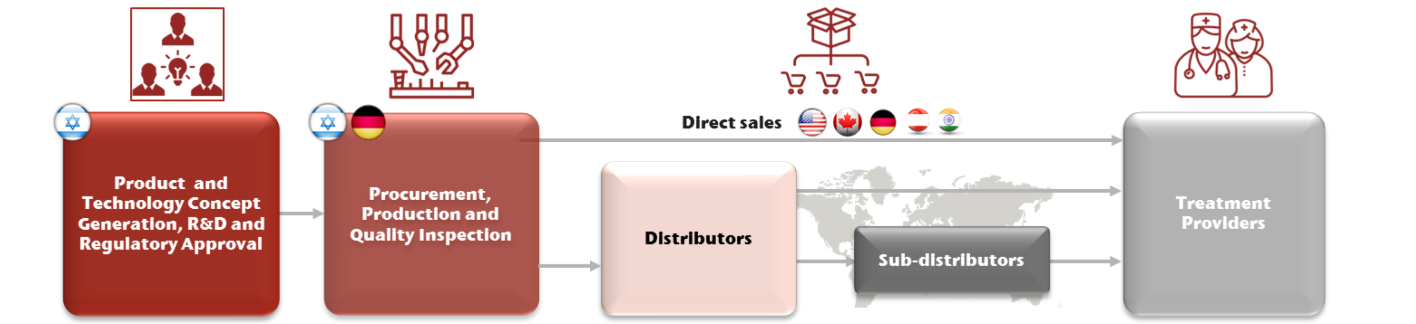
Sisram sells treatment systems through direct sales or distributors in different regions

Sisram sells its treatment systems through either direct sale to treatment providers or to regional distributors. It generally grants its distributors exclusive right to sell its products within certain regions. The relationship between Sisram and its distributors is buyer-and - seller, rather than agent-and-principal. During 2014-16, over 60% of its revenue came from its sales to regional distributors. Sisram has a global sales and distribution channel, with North America, Europe and the PRC as its major markets, representing 26.2%, 27.7%, and 21.8%, respectively of its total revenue in 2016.

Sisram has strong R&D ability, with a comprehensive portfolio of proprietary technologies

Sisram has strong research and development capabilities, with a comprehensive portfolio of proprietary technologies. It has 38 registered patents and 10 patent applications as at the Latest Practicable Date. During 2014-16, over 90% of its revenue from sales of products was derived from in-house developed products. The company believes that the in-house products possess higher safety standards, reliability and quality. A majority of production procedures are performed in-house in its facilities. In particular, it has stringent quality control procedures and each of its products is inspected in-house.

Chart 45: Sisram's business model



Source: Company data, Jefferies

Key development milestones

The Group's history dates back to Oct 1999 when Alma Lasers Ltd was incorporated under the laws of Israel with the company name of MSQ, Ltd. It was founded by Dr Ziv Karni, Mr Nadav Bayer, Mr Yoav Avni and Mr Evgeni Kudritki.

Dr Karni and Mr Bayer still hold positions with the Group as Chief Executive Officer of Alma Lasers and Vice President of Research, Development and Engineering of the Group, respectively. Mr Kudritki worked as an electrical engineer at MSQ from October 1999 to

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

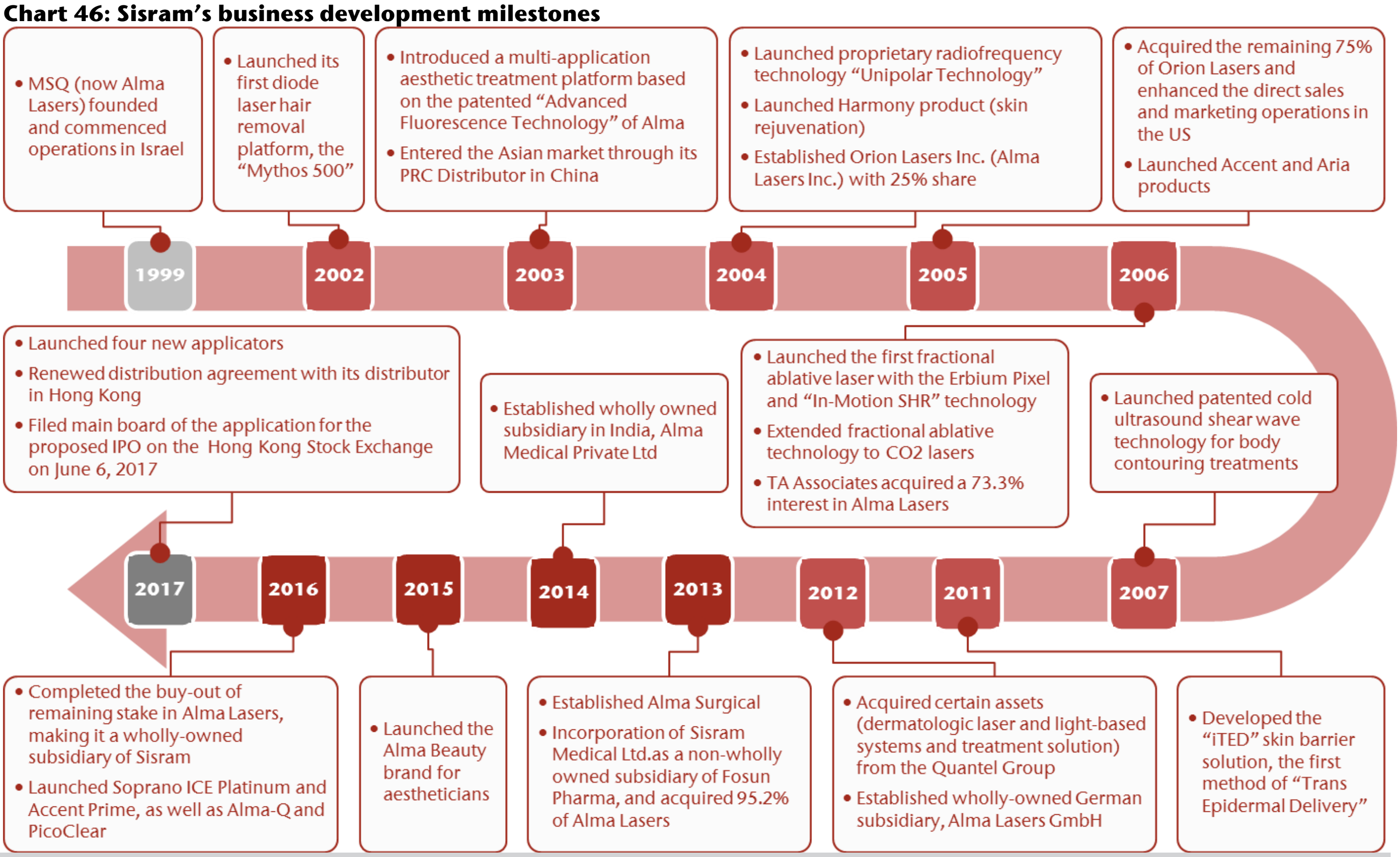
October 2001. Mr Avni served as Vice President of Research & Development of the Group and was in charge of the mechanical team until July 2012.

In October 2005, MSQ changed its name to Alma Lasers Ltd. In March 2006, TA Associates, Inc., a private equity firm, acquired 73.3% of the share capital of Alma Lasers from its then existing shareholders (including the Founders).

Sisram Medical Ltd was incorporated on April 25, 2013 and has been a non-wholly owned subsidiary of Fosun Pharma since its inception. In May 2013, the company acquired 95.2% of the share capital of Alma Lasers from TA Associates and other independent shareholders for a total consideration of approximately US$221.6 million. On June 26, 2016, Sisram completed the buy-out and Alma Lasers became a wholly owned subsidiary of Sisram.

Since the Group's establishment in 1999, it has been principally engaged in designing, developing, producing and selling energy-based medical aesthetic treatment systems used in the provision of medical aesthetic, beauty and minimally invasive treatments. Since its inception, the Group has been headquartered in Israel.

Chart 46: Sisram's business development milestones



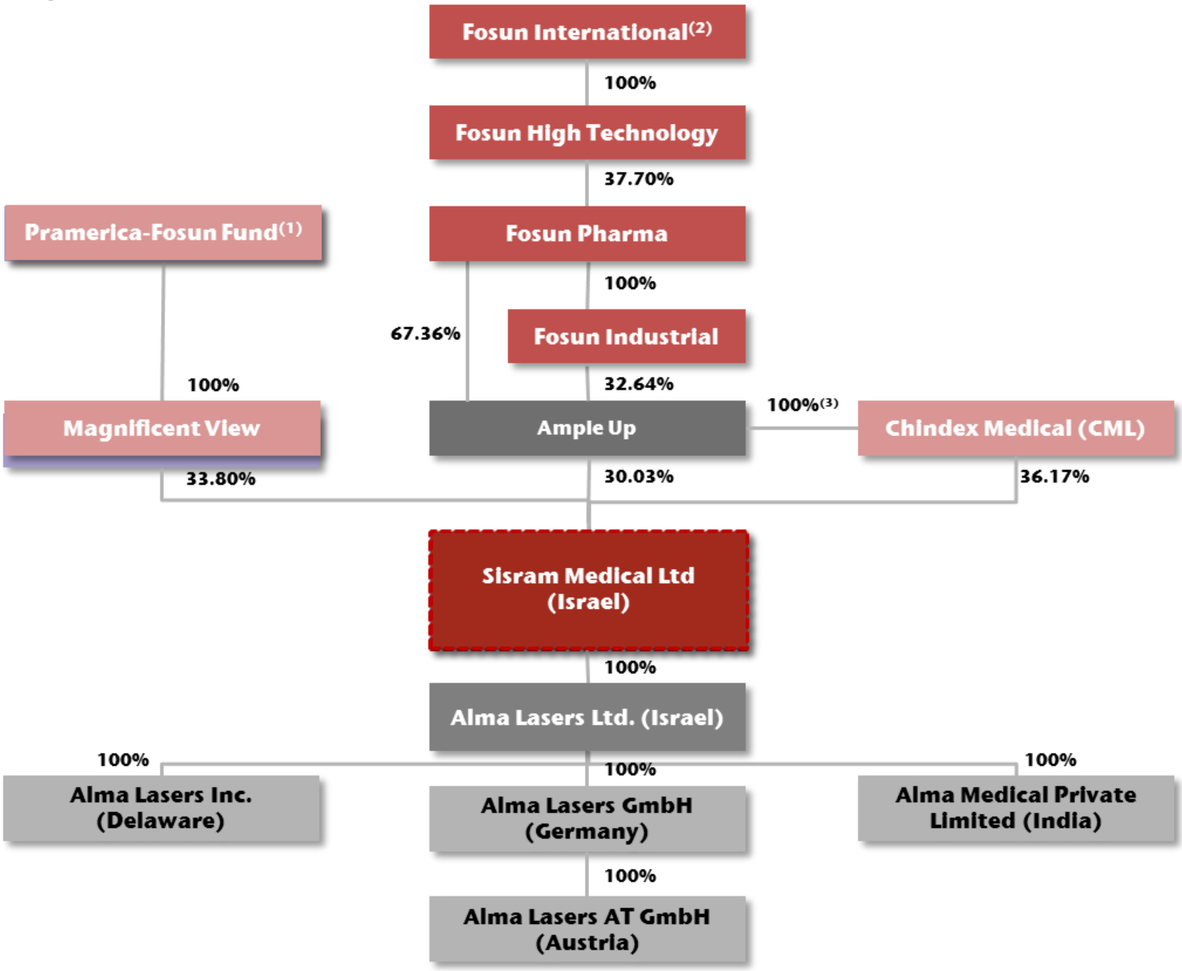
Source: Company data, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Corporate structure

The simplified corporate structure of the Group as of 7th June 2017 is as follows:

Chart 47: Corporate structure as at 7th June 2017



Source: Company data, Jefferies

Notes:

(1) Pramerica-Fosun Fund was incorporated in the Cayman Islands on March 3, 2011. The general partner is Fosun Equity Investment Ltd. (a wholly owned subsidiary of Fosun International) and the limited partners are Prudential Insurance Company of America and Prudential Legacy Insurance Company of New Jersey, which are Independent Third Parties.

(2) As at the Latest Practicable Date, Fosun International Limited is 71.76% owned by Fosun Holdings Limited, a wholly-owned subsidiary of Fosun International Holdings Limited, which in turn was owned 64.45%, 24.44% and 11.11% by Mr. Guo Guangchang, Mr. Liang Xinjun and Mr. Wang Qunbin, respectively, as at the Latest Practicable Date.

(3) In April 2017, Ample Up acquired the remaining 30% shareholding interest in CML which it did not own.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Appendix 2. Product introduction

Product overview

Sisram's product offering includes non-invasive and minimally-invasive medical treatment systems

Sisram's product offering could be categorized into non-invasive medical aesthetic treatment systems and minimally invasive medical treatment systems. Non-invasive medical aesthetic products could be utilized to perform various treatments, including hair removal, scar removal, tattoo removal, body and face contouring, skin rejuvenation and tightening, skin remodelling and lifting, etc. Minimally invasive products could be used for treatment of feminine conditions, liposuction, treatment of varicose veins, etc.

Non-invasive medical treatment systems could be further categorized into core and beauty product line

Non-invasive medical aesthetic products could be further categorized into Core product line and Beauty product line. Core product line includes versatile and multi-application treatment systems, which could provide a wide range of technologies and treatment systems options, and specialized treatment systems which possess targeted features for certain medical professionals. Beauty product line mainly consists of more economically-priced treatment systems which target aestheticians and non-medically trained therapists. Minimally invasive treatment systems mainly target specialist physicians for the use of minimally invasive treatments.

Core product line contributed the largest portion of total revenue

Among all the product lines, core product line contributed around 75% of the company's annual total revenue during 2014/15/16. Beauty product line and minimally-invasive product line contributed an average of 7.7% and 9.0% during 2014/15/16, respectively.

Table 15: Product portfolio and its treatment

Product portfolio and its treatment	
Non-invasive medical treatment systems	Hair removal, skin rejuvenation, skin resurfacing, treatment of vascular and pigmented lesions, tattoo removal, acne treatment, cellulite reduction, body contouring and skin tightening, etc
Core	All of the non-invasive medical treatments
Beauty	Mainly hair removal, skin rejuvenation and tightening, face and body contouring, skin whitening, Oily or problematic contouring
Minimally-invasive medical treatment systems	Vaginal rejuvenation, stress urinary incontinence (USI), vaginal dryness and recurrent infections, post-menopause-GSM and post-delivery, laser-based liposuction, treatment of varicose veins and treatment of hyperhidrosis, fat grafting, etc

Source: Company data, Jefferies

Treatment systems generally consist of two parts, a main console and an attached applicator. Typically a main console and at least one applicator will be sold as a package to treatment providers. Some treatment systems could attach to different applicators for different uses. Treatment providers could purchase different applicators to suit their need.

Chart 48: Example of a Main Console (FemiLift main console)

Source: Company data

Chart 49: Example of an Applicator (A hand piece of Accent Prime System)

Source: Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Sisram's proprietary technologies and strong R&D capabilities make the company's products competitive. The following table summarizes some of the company's representative technologies.

Table 16: Sisram's key technologies and features

Representative Technologies	Features
In-Motion technology	- The treatment provider could use less intensive energy during the treatment process, which could reduce a certain degree of discomfort, pain and other side effects. - Instead of focusing on highly-intensive energy on the treatment area, the treatment provider could repetitively sweep an energy-emitting device repeatedly over the treatment area with less intensive energy while skin could absorb the same amount of energy. - In-motion technology could provide relatively pain-free treatment without compromising the therapeutic effect of the treatment. - It does not require oral or topical analgesics, thereby reducing the risk of adverse events.
Super Hair Removal (SHR)	- SHR is an application of In-Motion technology into hair removal treatment system. - It enables gradually heating skin rather than exposing the hair follicles to a single high-energy pulse, which might result in trauma to skin and surrounding tissues. - SHR delivers short pulses into the skin at a high repetition rate, achieving higher average power and therapeutically effecting heat build-up.
Unipolar Pro and Depth Control	- Unipolar Pro and Depth Control is Sisram's patented technology for body and face contouring as well as skin tightening. - It operates via a single electrode and delivers concentrated radiofrequency at various depths of skin. - It is integrated in Accent Prime system, and it provides treatment providers the flexibility to penetrate different depth of skin to enhance results.
Cold Shear Wave	- Patented ultrasound technology could be used in face and body contouring. - The vibrations could disrupt fat cell membranes, leading to general breakdown and release of stored fat.
ClearLift	- ClearLift is a fractional non-ablative Q-Switched Nd: YAG laser, used for the treatment of skin imperfections. - It could provide a more effective result in a more comfortable manner. - Unlike traditional laser procedures, it targets a deeper layer and relies on the wound-healing process to stimulate collagen growth and tighten skin tissues in a relatively more comfortable manner.
IMPACT	- It is an ultrasound technology that uses microchannels within the skin to allow topical compounds (such as creams) to reach the desired depth of skin more effectively. - Used in conjunction with fractional laser treatment.
Pixel	- It is an in-house developed, proprietary skin rejuvenation technology, based on fractional resurfacing technology. - A single beam of light is split into multiple beams, resulting in a dispersion of light. - Leave areas of untreated skins close to areas of treated skin, stimulating repair and rejuvenation
Advanced Fluorescence Technology (AFT)	- It is an advanced form of proprietary intense pulsed light technology - More efficient energy per pulse, increased safety, extended applicator time and enhanced effectiveness

Source: Company data, Jefferies

Key products

Sisram's core product line consists of various families and series, including Soprano, Harmony, Accent and Aesthetic precision series

Based on the product nature, Sisram's products can be categorized into non-invasive and minimally-invasive products. The non-invasive products could be further categorized into core and beauty product line according to procedures and treatment providers. Core product line is the largest product line and contributed the largest share of revenue during 2014-16, an average of 75.5% of total revenue. Core product line consists of various families and series, which is categorized by its targeted procedures, including Soprano family, Harmony family, Accent family and Aesthetic precision series.

Soprano family is the newest product and one of the flagship series, primarily designed for hair removal

Among **core product lines**, Soprano family is one of its flagship series, primarily designed for hair removal. Soprano family is the newest product in this family. It features an innovative trio clustered diode technology and has the ability to combine three different wavelength, 755nm, 810nm and 1065nm, into a single hand piece, while the traditional treatment system only features one wavelength typically. This new feature allows treatment providers to simultaneously target different skin tissues and anatomical structure within the hair follicle.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 50: Soprano Ice Platinum

Source: Company data

Table 17: Non-invasive medical aesthetic (Core) - Soprano Family

Product	Energy Source	Year of Launch	Number/Type of Associated Applicators	Intended Indications
Soprano XL	Laser	2006	2 handpieces	Hair removal and skin tightening
Soprano Accord	Laser	2009	2 handpieces and 1 accessory	Hair removal
Soprano XLI	Laser	2010	2 handpieces	Hair removal and skin tightening
Soprano ICE	Laser	2014	4 handpieces and 1 accessory	Hair removal
Soprano ICE Platinum	Laser (three combined wavelengths)	2016	5 handpieces and 3 accessories	Hair removal

Source: Company data, Jefferies

Harmony family is another flagship series under the core non-invasive (core) category. It is an expandable, multi-application platform which utilizes laser, light-based as well as ultrasound technologies. Harmony XL Pro is the newest generation of this series, which allows treatment providers to utilize multiple distinct energy sources and up to 16 applicators to perform a broad range of treatments with one treatment system. It could address over 65 FDA-cleared indications, and integrates various technologies, including but not limited to ClearLift, IMPACT, and Speed AFT technologies.

Accent family is a 10-year-old flagship product series and mainly used for body contouring, skin tightening and aesthetic enhancement treatments.

Accent family is a 10-year-old flagship product series since its debut. It is mainly used for body contouring, skin tightening and aesthetic enhancement treatments. Accent Prime is the newest generation and incorporates latest developments in combining ultrasound and radiofrequency technologies. Compared to traditional treatment systems, using ultrasound and radiofrequency alone, it combines ultrasound (Cold Shear Wave) and radiofrequency (Unipolar Pro) technologies, which could achieve a better result in the treatments of body and face contouring. Cold Shear Wave could disrupt fat cells while Unipolar Pro is designed to tighten the skin. The UltraSpeed applicator is a new product and it combines ultrasound technology and an extra-large applicator plate for high-speed body contouring.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 51: Accent Prime

Source: Company data

Table 18: Harmony family

Product	Energy Source	Year of Launch	Number/Type of Associated Applicators	Intended Indications
Harmony XL	Laser; ultrasound; AFT; NIR and LED	2007	16 handpieces	Over 65 indications, such as hair rejuvenation, hair removal, treatment of vascular and pigmented lesions, scar removal and skin tightening
Harmony XL Pro	Laser; ultrasound; AFT; NIR and LED	2014	Same as Harmony XL(above), plus 3 handpieces	Same as Harmony XL, with one more treatment, acne scar reduction
Accent XL	Radiofrequency	2009	3 handpieces	Skin tightening and cellulite reduction, skin resurfacing
Accent Ultra V	Radiofrequency and ultrasound	2011	9 handpieces	Body and face contouring, skin tightening and cellulite reduction, skin resurfacing
Accent Prime	Radiofrequency and ultrasound	2016	12 handpieces	Same as Accent Ultra V, plus skin rejuvenation

Source: Company data, Jefferies

Aesthetic Precision product series have a narrower focus and offer a choice to core physicians and specialist doctors

Different from multi-application platforms, Aesthetic Precision product series have a narrower focus and offer a choice to core physicians and specialist doctors. It includes products developed by the company and products inherited from some of the company's asset acquisitions. This product line is suitable for treatment providers who demand highly precise systems for specialized procedures or focus on certain specific indications in their practices. For example, some of the SINON systems are specifically designed for treatment of pigmented lesions and multi-colour tattoos.

Table 19: Non-invasive medical aesthetic (Core) – Aesthetic Precision Series and other products

Product	Energy Source	Year of Launch	Number/Type of Associated Applicators	Intended Indications
Legator II	Radiofrequency and ultrasound	2012	3 handpieces	Skin resurfacing and pigmentation
Pixel CO2	CO2 Laser and ultrasound	2012	7 laser spot patterns	Skin rejuvenation and tightening
Alma - Q	Laser	2016	3 handpieces	Skin rejuvenation and pigmentation
PicoClear	Laser	2016	Wide range of laser spot sizes	Tattoo removal and pigmentation
SINON	Laser	2012	1 handpiece and 2 accessories	Pigmented lesions and multi-color tattoo removal
ARION	Laser	2012	3 handpieces	Hair removal, pigmented lesions
308 Excimer	Light	2012	several accessories	Pigmentation disorders
IDAS	Laser	2012	5 different spot sizes	Vascular indications and pigmented skin changes
Burane II/Burane II XL	Laser	2012	2 handpieces	Skin resurfacing and rejuvenation; smoothing of scars

Source: Company data, Jefferies

Under the non-invasive category, different from core product line, the **beauty product line** targets users who are not medically-trained treatment providers. In general, products under beauty product line are more economically-priced, less powerful and capable of treating fewer and simpler indications. These products are particularly popular among treatment providers in the PRC market.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 20: Non-invasive medical aesthetic (Beauty) – Beauty product line

Product	Energy Source	Year of Launch	Number/Type of Associated Applicators	Intended Indications
Remove	Laser	2015	1 handpiece and several accessories	Hair removal
Rejuve	AFT, Dye, NIR	2015	5 applicators	Skin rejuvenation and tightening, face and body contouring, and fair removal
Reform	Radiofrequency, Microplasma	2015	5 applicators	Contouring and tightening of body and face
Reboost	Ultrasound	2015	1 accessory	Improving the appearance of skin imperfections including: - skin rejuvenation - skin whitening - skin tightening - Oily or problematic skin
Spa RF Pro	Radiofrequency	2015	2 applicators	Skin tightening and body contouring
Spa Slim	Ultrasound	2015	1 accessory	Body contouring

Source: Company data, Jefferies

The representative products of minimally-invasive treatment systems include Femilift, LipoLife and Vasculife

Apart from the non-invasive category, which includes core and beauty product lines, Sisram also offers **minimally-invasive** treatment systems. Its representative products include Femilift, LipoLife and Vasculife.

Femilift is a minimally-invasive treatment system which utilizes the application of fractional CO_2 laser to vaginal tissues. It could restore the mucosal quality of vaginal walls, and can be used to treat indications such as vaginal laxity and stress urinary incontinence.

LipoLife is a laser-based treatment system, offering an all-in-one solution covering all stages of liposuction and fat grafting procedures. For example, its dual mode cannula applicator allows for simultaneous lasing and suction, and thereby facilitates the grafting of excised fat cells.

VascuLife is designed to perform laser ablation, which can be used to treat varicose veins, by utilizing laser and other light-based technologies. It can deliver the light energy to a specific vein through a laser fiber inserted through the vein. Energy will be absorbed by the vein wall, resulting in the blood to coagulate and the vessel to collapse. As the vein is treated, the laser fiber is pulled back until the entire length of the vein is destroyed.

Table 21: Minimally-invasive products overview

Product	Energy Source	Year of Launch	Number/Type of Associated Applicators	Intended Indications
FemiLift	CO2 Laser	2013	9 applicators	Vaginal rejuvenation, stress urinary inconvenience (SUI), vaginal dryness and recurrent infections, post-menopause - GSM and post-delivery
VascuLife	Laser	2015	1 applicator	Varicose veins
LipoLife	Laser	2016	4 applicators	Body contouring, liposuction and fat grafting

Source: Company data, Jefferies

Beauty product line is generally cheaper than core product line

Due to the different features of different product lines, products under different product lines are priced very differently. Generally, the core product line ranges from approximately US$10,000 to US$135,000 per main console, and USD 1,000 to US$25,000 per applicator. Beauty product line is more economically-priced, ranging from approximately US$11,000 to US$59,000 per main console, and US$1,000 to US$15,000 per applicator. The minimally invasive products generally range from US$10,000 to US$100,000 per main console, and US$3,000 to US$10,000 per applicator.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 22: Recently launched products and products to be launched recently

Product	Brief Description	Launch Date/Expected Launch Date
Zero	A Harmony XL Pro handpiece using cryotherapy to treat excessive sweating	Jan-17
Liposense	A non-ablative CO2 laser application for the Lipolife	Jan-17
SINON II	The new generation of our SINON treatment system, which features a Q-Switched Ruby laser configured specially for treatment of pigment lesions and multi-color tattoo removal	Mar-17
HomoGenius handpiece	Additional Alma-Q handpiece	Mar-17
Lipolife handpiece	- Lipotight, an additional handpiece that allows treatment on small areas like face - Vibrating handpiece for LipoLife, an additional handpiece that allows treatment providers to enhance the LipoLife	Jun-17
Pixel Handpiece for snoring	A minimally invasive system of treatment of snoring	Jul-17
Two additional Alma-Q handpieces	Spectrum-Y and Spectrum R, which extend the capability of Alma Q to remove difficult-to-remove tattoo colors	Aug-17
New generation Soprano System	Our next iteration of the Soprano family of treatment systems	Dec-17
Accentuate, hands-free body contouring treatment system	A treatment system utilizing radio frequency that allows treatment providers to provide body contouring treatments without manually operating the system	Apr-18
Alma Hybrid	A new high-end treatment system combining two lasers and can be used for skin rejuvenation, skin tightening and feminine conditions	Apr-18
Focused Ultrasound Handpiece	A treatment system utilizing high-intensity focused ultrasound	Aug-18

Source: Company data, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Appendix 3. Management of distributors

Distributors are generally managed through distribution agreements, on-going discussions and other requests from Sisram

Sisram has no ownership or managerial control over any of its distributors. Distributors are generally managed through distribution agreements, on-going discussions and other requests from Sisram. The vice president of sales and marketing leads the company's sales team and is supported by several regional vice presidents of sales and director of sales for DACH, who is responsible for the overall management of the company's relationships with the distributors. In addition, Sisram also has country managers, who are responsible for on-the-ground management of distributor relationships.

Country managers are responsible for on-the-ground management of distributor relationships

Country managers are responsible for physically visiting the geographic markets and learning about the market by various means, including communicating with treatment providers and key opinion leaders. They work closely with distributors to set annual targets, share market insights, communicate the company's business and marketing strategy, coordinate special configuration requests from treatment providers as well as provide direct performance feedback to distributors. They are also responsible for collecting distributors' periodic forecasts of purchase orders. They are rewarded bonuses partially according to the sales performance, such as sales targets and objectives, in their respective countries.

Sisram provides distributors with standard sales and marketing material, and required training

Distributors are provided with standard sales and marketing materials, such as catalogues, specifications and promotional literature, and they are encouraged to use them. They are also required to provide the company with their advertising and promotional materials for approval.

The company provides a series of required training before they start selling its products. Such training consists of sales training, clinical training and technical training. The company provides distributors with its opinion on the selling points of the treatment systems, requisite knowledge and skills to service the treatment systems, and the know-how necessary to assist the treatment providers in utilizing the treatment systems. Regular webinars are broadcast on the website to update and educate distributors. In addition, several regional distributor conferences are held annually. During those conferences, Alma Lasers hosts workshops and seminars to educate distributors regarding new products, provide further training and discuss overall business strategy. Relevant distributors are invited to important regional trade shows as well.

However, the company has certain limits on how much it can control its distributors. For instance, the company does not have daily access to the sales and inventory levels of distributors, who are also not required to share their customer lists or sub-distributor lists with the company. Nevertheless the company believes the frequent communication between country managers and distributors has allowed the company to gather sufficient information regarding distributors' performance and compliance with the terms of distribution agreements. Given the sophisticated nature of products, the company considers the frequent communication between company and distributors necessary.

Sisram generally grants regional exclusivity for a product or product line in most regions

To avoid mutual market cannibalization between distributors, the company generally grants regional exclusivity for a product or product line in most regions. To the best knowledge of the company, there is no material competition between distributors. In those regions where the company adopts hybrid sales and distribution model of direct sales and sales to distributors, Sisram strives to communicate clearly with the relevant distributors prior to selling directly to treatment providers and generally only sells directly when it is the more appropriate channel, usually when specific large-scale treatment providers. Sometimes the company offers distributors a small portion of commissions when the company sells products directly to treatment providers, for the purpose of maintaining good relationships with distributors.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Table 23: Duration agreement overview

Distribution agreement overview	
Duration	- Most agreements have a term of one to five years - Distributors with longer terms have long-term relationships with the company
Geographic or other exclusivity	- Distributors are generally authorized to sell specified products only within certain regions - Distributors are generally granted exclusivity within their regions - Sisram Medical is generally not forbidden to sell directly to treatment providers
Rights and obligations	- Distributors can obtain sales and marketing information, and attend training sessions. - Most of the distributors are obligated to comply with relevant laws, regulations, licenses, permits and government approvals - They are required to submit the sales and marketing materials for approval -They are required to establish, train and maintain their own sales and service team to promote market and sell the products and to provide professional maintenance and repair services.
Sales and pricing policies	- Sisram sets selling prices to distributors - Distributors are generally allowed to determine their selling prices to end customers
Trademarks and proprietary rights	- Company generally retains sole and exclusive ownership of all trademark rights and know-how.
Obsolete stock/goods returns	- Distribution agreements do not have terms allowing distributors to return products unless defective.
Minimum purchase amounts	- The company sets annual minimum purchase amounts with many distributors - Sisram has the right to terminate the distribution agreement if a distributor fails to meet such minimum purchase amount, modify terms or terminate exclusivity
Payment and credit terms	- The payment and credit terms are different from agreement to agreement - Provide different payment terms according to the company view of the creditworthiness of relevant distributors
Confidentiality	- Distributors indemnify the company against claims and damages arising from breach of applicable distribution agreement
Insurance	- Distributors are required, at their own expense, to maintain general commercial liability insurance
Condition for terminating and renewing the agreements	- Distribution agreements are automatically renewed for an additional specified term if neither party gives the requisite notice prior to the expiry of the initial term. - The company may terminate a particular agreement if the distributor fails to meet the committed purchase amounts, if any, or breaches other obligations under the distribution agreement. - Either party has the right to terminate the agreement if the other party breaches the terms and conditions therein.

Source: Jefferies, Company data

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Appendix 4. PRC medical aesthetic market

PRC has been one the most important markets for Sisram, contributing around 21% of total revenue during 2014-16. PRC is a fast-growing and competitive market. We believe there are three major drivers for industry growth. (1) First, a steady increase in health expenditure. From 2006 to 2014, health expenditure per capita has been growing from US$94 to US$420 with 8-year CAGR of 20.6%. (2) Second, increasing disposable income per individual. Middle class families in China grew by 60.3% in PRC from 2000 to 2015. Moreover, urban disposable income per capita increased from RMB10,000 in 2006 to RMB30,000 in 2015. Third, aging population and longer average life expectancy in PRC could represent an increasing demand for medical aesthetic treatment. This industry is expected to undergo further consolidation through M&A, which could intensify competition.

The PRC energy-based medical aesthetic treatment system market is expected to grow from US$158.9mn in 2016 to US$326.8mn in 2021, representing a CAGR of 15.5%. We favour Sisram's dominant market share, steady relationship with its PRC distributors and a comprehensive product portfolio. Sisram is No.1 industry player in the PRC market, with a dominant market share of 16.2%. It has a 14-year working relationship with the PRC Distributor.

PRC contributes the largest portion of total revenue and Sisram plans to continue to work with its sole PRC distributor

During 2014/15/16, the PRC Distributor contributed the largest amount of revenue, around 21.8% in 2016, 23.4% in 2015 and 19.8% in 2014. The PRC Distributor is the sole distributor with exclusive right to sell in the PRC. Sisram's senior management plans to continue to work with the PRC Distributor on an exclusive basis because they believe this measure could help to increase Sisram's market share and sustain regional growth.

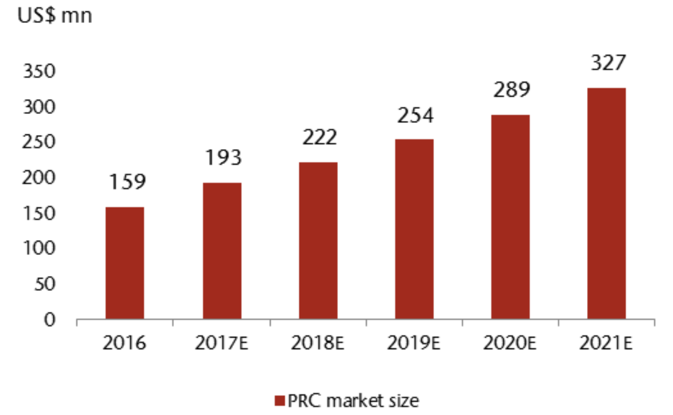
Table 24: Major players in PRC

Alma	- Strong brand image and competitive pricing / portfolio aimed at broad and Chinese market - Alma Lasers is a leading supplier in the large volume treatment sector
Lumenis	- Entered PRC in 1992 – portfolio is concerned with the cosmetic, surgical and ophthalmology sectors - Aimed at high-end private and larger public hospitals
Cynosure	- Complete range of treatment options - Strength is in pigmentation and vascular conditions
Syneron	- Complete range of treatment options - Aimed at high-end private and public hospitals
Peninsula Laser	- Agent for second- and third-line product brands from Israel, Italy and South Korea
Miracle (Qizhi)	- PRC manufacturer / distributor aimed at lower end of the market

Source: Medical Insight Report, Jefferies

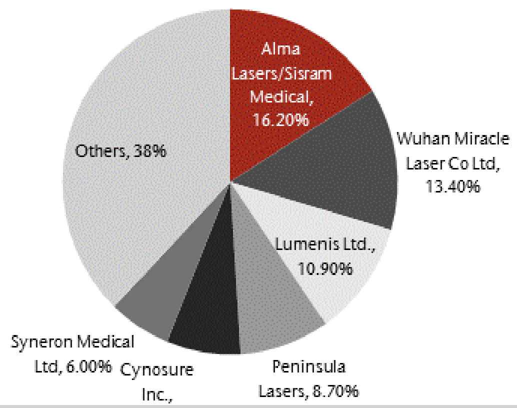
Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Chart 52: PRC market size of energy-based medical aesthetic market



Source: Medical Insight Report, Jefferies

Chart 53: Market Share of major suppliers of energy-based aesthetic treatment systems in PRC by revenue 2017



Source: Medical Insight Report, Jefferies

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Company Description

Sisram Medical Ltd is a global provider of energy-based medical aesthetic treatment systems with comprehensive in-house capabilities to design, develop and produce innovative and proprietary technologies. The company offers a portfolio of treatment systems for non-invasive medical aesthetic treatments and minimally invasive treatments, selling to direct treatment providers and distributors. Sisram offers its products under the Alma, Soprano, Harmony, Accent, and FemiLift brands. The company was incorporated in 2013 and is headquartered in Caesarea, Israel.

Analyst Certification:

I, Eugene Huang, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Jeremy An, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Registration of non-US analysts: Eugene Huang is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

Registration of non-US analysts: Jeremy An is employed by Jefferies Hong Kong Limited, a non-US affiliate of Jefferies LLC and is not registered/qualified as a research analyst with FINRA. This analyst(s) may not be an associated person of Jefferies LLC, a FINRA member firm, and therefore may not be subject to the FINRA Rule 2241 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	, 17:48 ET. November 19, 2017
Recommendation Distributed	, 17:55 ET. November 19, 2017

Company Specific Disclosures

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from Sisram Medical Ltd..

Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for Sisram Medical Ltd. or one of its affiliates within the past twelve months.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Jefferies Franchise Picks

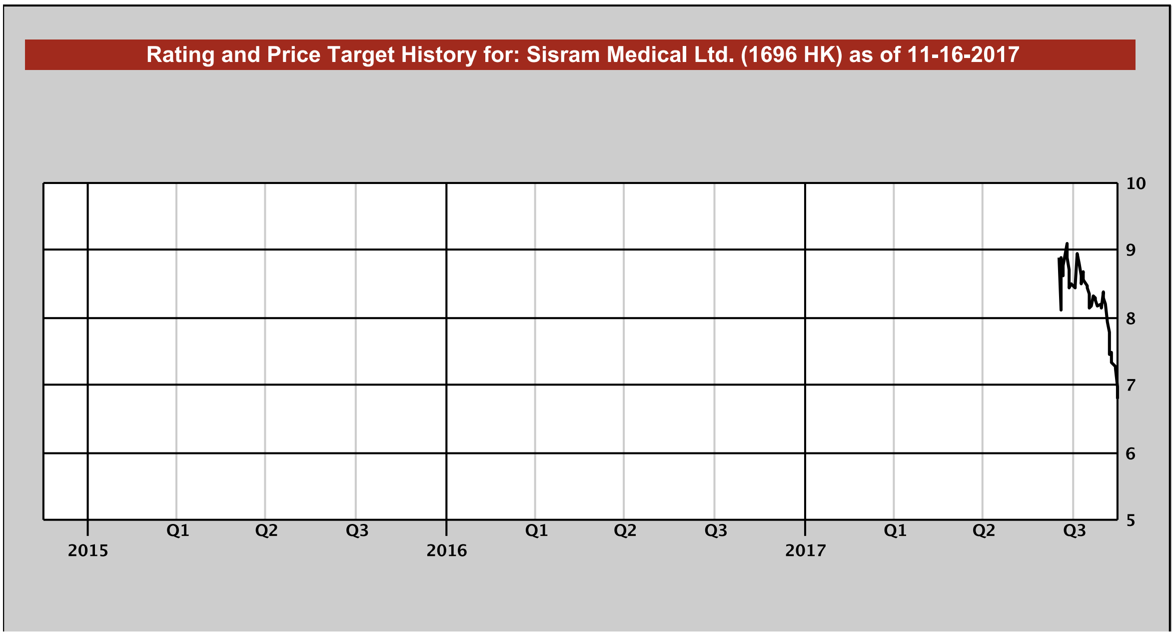
Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- Sisram Medical Ltd. (1696 HK: HK$6.51, BUY)



Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

Distribution of Ratings

			IB Serv./Past 12 Mos.		JIL Mkt Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent	Count	Percent
BUY	1064	51.98%	332	31.20%	63	5.92%
HOLD	840	41.04%	167	19.88%	20	2.38%
UNDERPERFORM	143	6.99%	16	11.19%	4	2.80%

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Other Important Disclosures

Jefferies does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Jefferies may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited Equity Research personnel are separated from other business groups and are not under their supervision or control. Jefferies International Limited has implemented policies to (i) address conflicts of interest related to the preparation, content and distribution of research reports, public appearances, and interactions between research analysts and those outside of the research department; (ii) ensure that research analysts are insulated from the review, pressure, or oversight by persons engaged in investment banking services activities or other persons who might be biased in their judgment or supervision; and (iii) promote objective and reliable research that reflects the truly held opinions of research analysts and prevents the use of research reports or research analysts to manipulate or condition the market or improperly favor the interests of the Jefferies International Limited or a current or prospective customer or class of customers. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. Jefferies International Ltd, its affiliates or subsidiaries, may make a market or provide liquidity in the financial instruments referred to in this investment recommendation. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com

Eugene Huang, Equity Analyst, +852 3743 8020, ehuang@jefferies.com