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COMPANY: So-Young International Inc. | NASDAQ: SY
INDUSTRY: Aesthetic Beauty Internet Platform

PRICE (AS OF CLOSE
5/5/2021)

USD 8.14

MARKET CAP

USD 870 MILLION

BLUE ORCA VALUATION

USD 2.98

So-Young International Inc. (NASDAQ: SY) (the “Company” or “SY”) operates a mobile and web platform for booking and advertising cosmetic surgeries in China. As the medical aesthetic industry has grown, SY’s share price has risen on the supposed popularity of its booking platform among customers, hospitals and clinics.

Lips can be fake. Financials shouldn’t be. We wrote code to scrape the transaction data on SY’s platform and cross-checked the data by calling the clinics to verify the number of procedures actually performed. The results showed widespread fake bookings, indicating, in our opinion, that SY is fabricating the popularity of its platform and exaggerating the revenues derived from it. In our view, SY’s financials and its booking platform are about as real as its customers’ faces.

1. Data Scrape Shows Widespread Booking Fabrication on SY’s Platform. We developed a program to scrape the publicly available booking data on SY’s platform over a two-month period at the beginning of 2021. The data revealed which clinics and procedures were supposedly driving the increasing popularity of the platform. To verify the authenticity of these transactions, we contacted these clinics directly. Many clinics told us that they can **only perform a small fraction of the procedures supposedly attributed to them on SY’s platform**. Based on conversations with the clinics, and the number of doctors and length of procedures disclosed, we estimate that SY exaggerates the bookings from these clinics by at least **4-5x** during the period we monitored. We think this indicates, persuasively, that SY is inflating both the popularity of its platform and its reported revenues.

2. Advertising Revenue Overstatement. SY claims that over 3,000 clinics pay an average of RMB 267,895 per year to advertise on SY’s cosmetic surgery platform. Yet our data scrapping reveals that 24% of the clinics **sold zero procedures** on SY’s platform in 2020. If 24% of the clinics on the platform did not have a single transaction booked through SY, we highly doubt that they would pay anywhere close to the almost RMB 300,000 in advertising fees to the Company. The data further showed that over 50% of the clinics listed on the platform had 50 or fewer bookings, meaning that these clinics generated only RMB 22,001 in annual revenue per clinic by advertising on SY’s platform. It is highly implausible that half the clinics on SY’s platform would pay 12 dollars in advertising costs for 1 dollar in revenue. Like SY’s booking revenues, we think the evidence shows that SY’s advertising revenues are largely inflated.

3. Storied History of Dishonesty. Chinese language media have reported numerous incidents in which leaked documents or detailed records from whistleblowers revealed that SY was fabricating sales on its platform, using kickback schemes to encourage clinics to record fake bookings, using fake users to book fake procedures, and even fabricating the number of service providers on its platform. Many of these incidents were covered by Chinese language media or discussed in Chinese language forums, so we believe that SY has been able to deceive US-based investors who would not encounter such frequent and well documented evidence of widespread fraud on SY’s platform. Here are just a few.

- a. **SY Previously Caught Faking Revenue to Deceive Investors.** Chinese media [reported](#) that investors in a pre-IPO round of capital raising pulled out after discovering that SY was faking sales on its platform.
- b. **SY Colluded with Clinics to Inflate Bookings in Kickback Scheme.** A Whistleblower posted screenshots of

conversations with an SY employee indicating that, in an effort to meet KPIs, SY was engaging in a kickback scheme with clinics to reimburse transactions fees if the clinics made fake bookings through the platform.

- c. **Fake Users Booking Fake Procedures.** Leaked screenshots to Chinese media [indicated](#) that fake accounts were used to inflate sales across SY's platform. In another instance, an individual complained that his phone number was used to book procedures on the platform without his knowledge.
- d. **Fake Clinics and Doctors.** Investigative reports from Chinese journalists attempting to verify hospital participation on SY's platform [revealed](#) that a hospital supposedly offering procedures did not actually have a plastic surgery department, and that the two listed doctors either worked in another field or not at the hospital. The investigative report cited people familiar with the platform who claimed that the Company used a web crawler to populate fake doctors and hospitals on SY's platform.
- e. **Fake Beauty Diaries.** Even SY's famous beauty diaries, which are supposedly firsthand accounts of customers who booked cosmetic surgeries through the platform, are replete with fakery. SY's founder admitted that the first 7,000 diaries on the platform were just translations of posts on forums in South Korea. Chinese media have since [reported](#) that there is a cottage industry for faking beauty diaries on the platform.

Lips can be fake. Financials shouldn't be. We believe, based on our extensive diligence, that SY is a struggling platform replete with fake bookings. In our opinion, the evidence indicates that the Company is likely massively exaggerating the popularity of its platform, its booking and advertising revenues, and even the user generated content.

Jumei (NYSE: JMEI) and Mogu (NYSE: MOGU) are two other US-listed Chinese aesthetic or consumer facing internet platforms whose share price plummeted on credible evidence that activity on their platforms was grossly overstated. Jumei went private at 0.7x cash, and Mogu currently trades at 1.3x cash. We think both are reasonable comps.

Valuation	USD
Cash and cash equivalents - offshore	92
Term deposits and short-term investments - offshore	223
Total	315
Outstanding shares (M)	82
Cash per share	3.8
Cash per ADR	3.0
Blended cash multiple (JMEI, MOGU)	1.0x
Blue Orca Valuation	2.98
Last traded price	8.14
Downside %	-63%

Source: Company Public Filings, Blue Orca Calculation

Accordingly, we value SY for its offshore cash (USD 2.98 per ADR), a 63% downside from its last traded price. We consider this valuation to be conservative, as it gives SY full credit for the cash raised by the Company in the IPO (and held offshore in short term investments). Given the extensive evidence that SY has exaggerated its financial performance for some time, we doubt the onshore cash balance is real or recoverable. Ultimately, we view SY as uninvestable.

1. Data Scrape Shows Widespread Booking Fabrication on SY's Platform

SY operates a mobile and web platform for booking and advertising cosmetic surgeries in China. SY's value proposition to investors rests on the supposedly growing popularity of its booking platform among clinics and hospitals offering cosmetic procedures.

SY claims that it "facilitated" RMB 3.5 billion of cosmetic procedure bookings on its platform in 2020. These booking transactions should have contributed RMB 333 million of revenue to the Company.

RMB M	2019	2020	Growth %
Reported value of medical aesthetic treatment transactions facilitated by SY's platform	3,641	3,494	-4%
Reservation services	318	333	5%

Source: SY Company Public Filings

SY's platform contains a trove of data. It shows the names of the hospitals or clinics, the type of procedure, and a running count of each procedure sold on its platform. According to SY, the "sold count" viewable on SY's mobile app represents the number of procedures sold through SY's platform at a particular clinic or hospital for a specific cosmetic surgery in the last 365 days.

The screenshot shows the SY app interface with a list of cosmetic procedures. Two items are highlighted with red boxes: '进口假体鼻综合' (Imported prosthetic nose composite) with a '已售358' (sold 358) count, and '手术缩鼻翼' (Surgical nostril reduction) with a '已售757' (sold 757) count. A chat window is overlaid on the right, showing a conversation about the 'sold count' metric.

Chat transcript:

- Customer: 您好，已售数量代表近期的一个销售数量哦~并不是该项目从上架以来的销售数量哦~
- Service: Hi, the sold count represents the sales volume in the recent period, not from when it first listed.
- Customer: 近期是指多久呢?
- Service: What is the length of recent period?
- Customer: 您好，一般情况下是指近365天的哦
- Service: Hi, generally speaking, it is from the last 365 days.

Source: SY App, Chat with SY Customer Service

To verify the authenticity of these bookings and associated revenues, we wrote a program to scrape the publicly available booking data on SY's platform.

Our methodology was as follows. We conducted two independent scrapes of SY's platform in December 2020 and February 2021, respectively. Using both data points, we could then compare a time series of transaction data to see how many bookings were supposedly made on SY's platform in the 63-day period between the scrapes. The data told us which clinics were responsible for the most bookings, and even revealed specific data about which procedures were supposedly driving the booking volume on SY's platform. We then analyzed the data to verify whether the booking activity reported on the platform was authentic. It wasn't.

We conducted the first scrape in December 2020 and found RMB 3.3 billion transactions that supposedly took place on SY's platform in the previous year. We scrapped again in February 2021, and a comparison of the results suggested that SY was grossly fabricating the number of procedures booked on its platform.

In the 45 workdays between our December and February scrapes, our analysis showed that the number of transactions booked through the SY platform supposedly increased by 1.8 million procedures, an increase in aggregate transaction value of over RMB 7 billion in two months.

Date	# of medical service providers	# of order count	Transaction Value
12/23/2020	3,758	1,169,516	3,329,159,994
2/24/2021	3,739	2,964,859	10,486,355,318
Change in 45 workdays	(19)	1,795,343	7,157,195,324

Source: Scrapping result of SY's Platform

Not only did this headline figure appear implausible, but we were also able to scrape the platform to identify the specific cosmetic procedures and the specific clinics and hospitals which were supposedly driving the bookings.

For example, take the city of Wuhan. Among the 3,739 medical service providers scrapped from SY's platform in February 2021, we identified 116 providers listed on SY's platform in Wuhan.

To vet SY's claimed "sold count," we identified the five clinics and procedures with **largest reported increase per doctor in bookings in Wuhan in the 63-day period at the beginning of 2021.**¹

Surgery	Medical Aesthetic Service Provider	Order Count			# of surgery per doctor	
		Feb'21	Dec'20	Change	# of doctor	doctor per workday
Autologous Fat Facial Filling	Aimeihui	1,646	9	1,637	2	18
Double Eyelid/ epicanthoplasty	Yimeikaide	803	0	803	1	18
Rhinoplasty	Meida	1,667	75	1,592	2	18
Autologous Fat Facial Filling	Yimeixin	970	69	901	2	10
Rhinoplasty	Yimei	1,519	50	1,469	4	8

Source: Scrapping results of SY's Platform

To confirm whether these transactions were authentic, **we contacted the clinics directly.** Based on the clinics' own disclosures, these clinics had far fewer doctors performing far fewer procedures than could possibly be the case if the booking figures reported on SY's platform were true. In other words, there is simply no way for these clinics to be performing the number of procedures supposedly "booked" on SY's platform.

Medical Aesthetic Service Provider	Surgery	Order Cnt Increase on SY Platform	Est. Maximum Increase	Est. Procedure Overstatement	Overstatement
Meida	Rhinoplasty	1,592	315	(1,277)	5x
Aimeihui	Autologous Fat Facial Filling	1,637	405	(1,232)	4x
Yimei	Rhinoplasty	1,469	473	(997)	3x
Yimeixin	Autologous Fat Facial Filling	901	113	(789)	8x
Yimeikaide	Double Eyelid/ epicanthoplasty	803	158	(646)	5x

Source: Scrapping results of SY's Platform, Conversations with Providers

¹ SY's platform supposedly facilitated 21,249 treatments for these five medical aesthetic service providers in 365 days ending February 2021, which is 22% of the total treatments facilitated by SY in Wuhan over that period. We use the number of doctors each hospital or clinic listed on SY's platform on March 1, 2021 and exclude injection procedures such as BOTOX or hyaluronan injection.

Ultimately, this exercise shows, in our opinion, that SY grossly inflates the number of transactions supposedly booked through its platform. We believe this is conclusive evidence that SY is simply fabricating the popularity of, and (by extension) the revenues derived from, its platform.

a. Yimeikaide: Bookings Inflated at Least 5x

For example, our scrape of SY's platform indicated that Wuhan Yimeikaide Medical Cosmetology ("Yimeikaide") supposedly performed 803 double eyelid surgeries over two months (45 workdays) with only one doctor. That means this doctor would have to do 18 double eyelid surgeries per day for the reported sales on SY's platform to be true.

Yimeikaide	Order Count			# of doctor	# of surgeries per doctor per workday
	Feb'21	Dec'20	Increase		
Double eyelid/ epicanthoplasty	803	0	803	1	18
Rhinoplasty	165	0	165	1	4
Autologous Fat Facial Filling	231	0	231	1	5
Liposuction	312	0	312	1	7
Total	1,511	0	1,511	1	34

Source: Scrapping results of SY's Platform

We contacted Yimeikaide and the clinic confirmed that the double eyelid surgeries are typically performed by one doctor. The clinic also reported that this doctor only does three to four surgeries a day. At that rate, the clinic could perform 81% fewer procedures than reported on SY's platform.

In addition to the 803 double eyelid surgeries, our scrapping showed that according to SY's booking platform, the lone doctor at Yimeikaide also supposedly performed 165 nose jobs, 231 autologous fat facial filling surgeries, and 312 liposuctions during the 45 workdays we were monitoring the data. It is simply impossible for one doctor to perform this many surgeries during 45 workdays.

One doctor could not perform even a fraction of the procedures reportedly sold on SY's platform, suggesting that SY is significantly inflating bookings and revenues.

These reported bookings are even more implausible because they assume that all of the procedures performed by a clinic are booked through the SY platform. In reality, many of the procedures are reserved offline with the clinics directly (circumventing the SY platform) or through other booking platforms. SY likely accounts for a fraction of the procedures, meaning the exaggerated procedure bookings we found on SY's platform appear even more implausible.

服务流程 (时间总长约:190分钟)

- 1.术前面诊 ----- 20分钟
- 2.术前体检 ----- 15分钟
- 3.术前准备 ----- 15分钟
- 4.手术过程 ----- 120分钟
- 5.术后护理 ----- 20分钟

Surgical procedure: 120 minutes

¥7660 ~~¥26800~~

【吸脂】全身吸脂, 大腿/腰腹/手臂吸脂, 专利技术、品质瘦身医生、损伤小、恢复快

武汉市 [Liposuction] Whole body liposuction, Thigh/waist /abdomen/arm liposuction, Patented technology Quality slimming doctor, Small damage, and fast recovery

- 服务流程** (时间总长约:190分钟)
- 1. 术前面诊 (客服专员及医生面诊) ----- 30分钟
 - 2. 术前准备 (体检/皮试/划线设计等) ----- 50分钟
 - 3. 术中改善 (手术部位不同, 所需时间不一) ----- 120分钟
- Intraoperative improvement (Different surgical areas require different time): 120 minutes

¥12800 [Autologous fat facial filling] Full face filling with autologous fat

【自体脂肪面部填充】全脸自体脂肪填充【私信领红包】高存活单位自体脂肪填充/微创自然/立显...

服务流程 (时间总长约:190分钟)

- 1. 术前面诊 ----- 20分钟
- 2. 术前体检 ----- 15分钟
- 3. 术前准备 ----- 15分钟
- 4. 手术治疗 ----- 120分钟

Surgical treatment: 120 minutes

Source: SY Platform

Put simply, our direct inquiries to the clinic indicate, in our opinion, that SY is fabricating the number of transactions and the transaction value on its platform. Another example is illustrative of the problem.

b. Aimeihui: SY inflating procedure bookings by at least 4x

Based on the results of our scrapping in February 2021, Wuhan Hongshan Aimeihui Plastic Surgery (“Aimeihui”) had the highest order count in Wuhan and also the highest increase in its order count in the prior two months.

The most popular procedure at Aimeihui was autologous fat facial filling, of which 1,637 were supposedly sold through SY’s platform in the first two months of 2021.



¥7200 ~~¥244~~ [Autologous fat transfer to face] @Qu Min Full face filling

【自体脂肪面部填充】@瞿敏 全脸填充 纳米脂肪骨性填充 专利取脂针脂肪活性好 颗粒小易存活

武汉市

Sold: 1,646 ①已售: 1646

Source: [Procedure on SY Platform](#), Chat with SY Customer Service



Hi, the sold count represents the sales volume in the recent period, not from when it first listed.

近期是指多久呢?

What is the length of recent period?

您好, 一般情况下是指近365天的哦

Hi, generally speaking, it is from the past 365 days.



Source: <https://www.236z.com/hospital/detail-hid-496>, <https://m.soyoung.com/y/hospital/10672/>



成立时间 2013-04-18

治疗室数量 2 个

医院面积 900 平方米

手术室数量 2 个

营业时间 09:00-18:30

Operating rooms: 2

According to Aimeihui, the clinic had two doctors and two operating rooms.² For the sold count reported on SY's platform to be true, one doctor would need to perform 18 autologous fat facial filling per day for 45 workdays.

This sounded implausible, so **we called Aimeihui**. The clinic said that one doctor only performs 4 to 5 of autologous fat facial filling a day, which indicates that SY is exaggerating the number of procedures sold through its platform by at least 4x.

Aimeihui's other popular surgery is rhinoplasty. According to SY's platform, customers supposedly booked 503 rhinoplasty surgeries in first two months of 2021, so one doctor would have to perform 6 nose jobs a day for the number on SY's platform to be true.

Yet according to the clinic, a [nose reshaping](#) surgery takes about 2 hours, meaning one doctor could not perform 18 face filling surgeries and 6 nose jobs in a day. Put simply, the reported bookings on SY's platform appear, in our opinion, clearly fake.



服务流程 (时间总长约:210分钟)

- 1. 术前面诊 60分钟
- 2. 术前准备 20分钟
- 3. 手术时间 120分钟
- 4. 术后消肿 10分钟

Surgery time: 120 minutes

¥ 19800 ~~¥38800~~ Rhinoplasty

【鼻综合】@瞿敏 假体免费换新 鼻积塔隆鼻 蝶翼鼻综合12项 形态自然 榫卯无缝搭建更稳固

武汉市

Sold Count: 503 已售: 503

Source: [SY Platform](#)

If the order count on SY's platform was true, customers seemingly booked RMB 21 million worth of facial fillings and nose jobs at Aimeihui in the first two months of 2021, of which 10% would flow to SY as booking revenue. But the clinic has two doctors operating out of two rooms. Based on information provided by the clinic on the platform and our conversations with Aimeihui, we estimate that one doctor could perform at most, 2-3 autologous fat facial filling surgeries and 1-2 nose jobs per day.

Even if we generously assume that all of Aimeihui's customers book their surgeries via SY's platform (which is definitely not the case), we believe that the maximum revenue generated by these two surgeries is RMB 4 million, **which is 81% less than the revenue reported on SY's platform.**

	Order Cnt Increase on SY Platform	VIP Price (RMB)	Transaction Value (RMB M)	Est. Maximum Increase	Est. Max. Transaction Value (RMB M)
Aimeihui					
Autologous Fat Facial Filling	1,637	6,840	11	203	1
Rhinoplasty	503	18,810	9	135	3
Total			21		4
Difference %					-81%

Source: Scraping results of SY's Platform, Conversations with Aimeihui

² We contacted Aimeihui in early March. The provider said that it recently added a third doctor, but that would not affect the scrape data.

Because many customers book procedures with the clinics directly or through other platforms, SY's reported bookings look even more implausible. **We found this pattern over and over again among the clinics supposedly responsible for the largest quantity of bookings on SY's platform.**

c. Meida, Yimeixin, and Yimei: Sold Count Also Significantly Exaggerated

Continuing our sample of Wuhan, our scrapping data showed that the other three procedures with the highest order count increase in the first 2 months of 2021 were performed respectively by Wuhan Meida Medical Cosmetology ("Meida"), Wuhan Yimeixin Medical Cosmetology ("Yimeixin"), Wuhan Yimei Medical Cosmetology ("Yimei").

We contacted these providers and confirmed the number of surgeries they could perform during the 45 workdays. Meida had two doctors that could perform rhinoplasty and one doctor usually does 3-4 nose jobs a day. Yimei mentioned that it has three doctors can perform rhinoplasty surgeries but most of the surgeries are performed by one doctor and that he typically performs 3-4 surgeries a day. Yimeixin said that it usually does 2-3 autologous fat fillings a day.

We contacted the clinics directly, and they told us that they could only perform a small fraction of the procedures supposedly booked on SY's platform.

Provider	Type of Surgery	Order Cnt Increase	Est. Maximum	Est. Surgery	Overstatement
		On SY's Platform	Increase	Overstatement	
Meida	Rhinoplasty	1,592	315	(1,277)	5x
Yimei	Rhinoplasty	1,469	473	(997)	3x
Yimeixin	Autologous Fat Facial Filling	901	113	(789)	8x

Source: Scrapping results of SY's Platform, Conversations with clinics

The information provided by these clinics suggest that the order count on SY's platform is grossly overstated, in some cases by as much as **8x**.

d. Other Cities Repeats the Same Pattern

We found similar fabrication of bookings when we looked at other cities. We ranked all the surgeries listed on SY's platform by the increase in procedure bookings per doctor per workday in the first two months of 2021 and reviewed the five hospitals or clinics with the highest order count increase.

Provider	Type of Surgery	Order Count			# of doctors on SY (Mar. 1)	# of surgeries per doctor per workday
		Feb'21	Dec'20	Increase		
Chongqing Tianyimei	Autologous Fat Facial Filling	4,425	Not offered	4,425	1	98
Dushi Fengyun	Autologous Fat Facial Filling	953	12	941	1	21
Xi'an Yuehua	Autologous Fat Facial Filling	1,735	76	1,659	2	18
Aimeihui	Autologous Fat Facial Filling	1,646	9	1,637	2	18
Yimeikaide	Double Eyelid/ epicanthoplasty	803	0	803	1	18

Source: Scrapping results of SY's Platform

Note: This procedure was not offered in December 2020 scrape.

Chongqing Tianyimei has only one doctor, so for the "sold count" on SY's platform to be true, this one doctor would have had to perform 98 autologous fat facial filling surgeries a day.

We contacted Chongqing Tianyimei and the clinic confirmed that there is only one doctor performing this surgery and he only does three to four surgeries a day. That suggests that SY is exaggerating the number of bookings by at least **28x**.

重庆天艺美整形 Chongqing Tianyimei
★★★★★ 好评

Q 首页 简介 医生 项目 案例 日记

【瘦瘦节】【自体脂肪面部填充】【脂肪填销量榜第一】全脸填充/名医徐志强/高存活专利/日...
Autologous Fat Facial Filling 已售: 4433

徐志强 主治医师
6201预约 | 3209案例

脂肪填充 5283 发起预约
面部轮廓 4590 发起预约
胸部整形 603 发起预约

重庆市

服务流程(时间总长约:120分钟)

1.术前面诊-术前准备-手术-术后护理 ----- 120分钟
Preoperative diagnosis, Preoperative preparation, Surgery, Postoperative care: 120 minutes

Source: [SY Platform](#)

Xi'an Yuehua and Dushi Fengyun are also small medical service providers with one or two doctors. We contacted them directly, and based on these conversations, we estimate that these clinics could actually perform only a small fraction of the number of procedures reported by SY.

Provider	Type of Surgery	Order Cnt On SY's Platform	Increase	Est. Maximum Overstatement	Est. Surgery Overstatement
Chongqing Tianyimei	Autologous Fat Facial Filling	4,425	158	(4,268)	28x
Aimeihui	Autologous Fat Facial Filling	1,637	405	(1,232)	4x
Xi'an Yuehua	Autologous Fat Facial Filling	1,659	225	(1,434)	7x
Yimeikaide	Double Eyelid/ epicanthoplasty	803	158	(646)	5x
Dushi Fengyun	Autologous Fat Facial Filling	941	360	(581)	3x
Total		9,465	1,305	(8,160)	7x

Source: Scrapping results of SY's Platform, Conversation with providers, Blue Orca Calculation

Per our conversations with the actual clinics, we estimate that SY exaggerated these bookings by at least 7x. In short, detailed investigation of the platform reveals that many of the supposed bookings driving SY's platform growth appear simply fabricated.

• History of Platform Booking Fabrication

This is not the first time SY has been caught fabricating aesthetic procedure bookings on its platform. While raising capital prior to its IPO, SY claimed to have facilitated RMB 6 billion worth of transactions on its platform in 2017.

SY Business School 新氧商学院 > ... 公众号简介 Welcome to join SY Business School

新氧商学院 2018-09-12 September 12, 2018

到2016年由于流量汇聚,及消费者评论的不可忽视,大型医美机构陆续开始入驻新氧。目前新氧平台上已经吸引7000余家医美机构入驻。2017年线上交易超60亿元,同比增长300%,拉动医美产值150余亿元。越来越多的机构和医生在新氧

Currently, SY has attracts more than 7,000 medical aesthetic service providers to be on its platform. In 2017, its online transaction value is more than RMB 6 billion.

欢迎加入新氧商学院,美业从业者在线学习交流的平台!这里汇集众多优秀的美业行业领导人、院长名医、运营精英、营销大咖、销售大拿等人才,提供优质的实战课程及热门活动。与最优秀的美业人才一起成长!

Weixin ID

Soyoungsxy2017

Account Entity Beijing SY Technology

企业 北京新氧科技有限公司 >

Source: SY WeChat Account

Yet SY later admitted that the treatment value facilitated on its platform was only RMB 1.2 billion in 2017, which was 80% less than what it told investors during prior rounds of fund raising.

73.3% increase in aggregate value of medical aesthetic treatment transactions facilitated by our platform from RMB1.2 billion in 2017 to RMB2.1 billion (US\$306.6 million) in 2018. The increase in transaction value was primarily driven by the increase in the number of purchasing users from 152.4 thousand in 2017 to 313.0 thousand in 2018, which in turn drew an increasing number of medical service providers to our platform. We also expanded our reservation function in terms of types of medical aesthetic treatment available and number of medical aesthetic service providers in various cities.

Source: [SY Prospectus](#)

Lips, hair, breasts, chins, butts, faces and legs can all be modified to make a person look more aesthetically pleasing. Financials of a public company? Key metrics disclosed to investors? Not so much. Yet our scrapping of the transactions on SY's platform show that, in our opinion, the Company is up to its old tricks, and dramatically inflating the popularity of its business, the number of procedures booked on its platform and its revenue from these transactions.

2. Advertising Revenue Overstated

SY claims to have generated RMB 833 million of advertising revenue³ from 3,111 medical service providers in 2019. That means each clinic supposedly paid SY an average of RMB 267,895 to advertise on SY's platform that year.

	2017	2018	2019	2020
Information Services Rev (RMB M)	144	415	833	962
No. of medical service providers subscribing to information services	1,295	2,229	3,111	Not Disclosed
Average information service revenue per paying user (RMB)	110,898	186,236	267,895	n/a

Source: SY Public Filings

To verify SY's claims, we scrapped the mobile version of SY's official platform. The web scrapping results in December 2020 show that there were 3,758 medical service providers on SY's platform with active procedure postings. Yet the data also showed that among these supposedly paying advertisers, 24% of the clinics **sold zero procedures** on SY's platform in 2020.

Order Count	# of providers	% of total providers	Accumulated %	Avg. order value per provider	Order Value	Accumulated %
0	911	24%	24%	0	0	0.0%
1-5	415	11%	35%	6,222	2,582,017	0.1%
6-10	159	4%	40%	12,410	1,973,206	0.1%
11-50	534	14%	54%	74,652	39,864,011	1.3%
51-100	322	9%	62%	193,322	62,249,696	3.2%

Source: Web Scrapping Result of SY Platform (December 2020)

If 24% of the clinics on the platform did not book a single transaction through SY, we highly doubt that they would pay anywhere close to the almost RMB 300,000 in advertising fees to SY.

The data suggests that even as we go through the tiers, SY's reported advertising revenue looks implausible. The scrapping data showed that over 50% of the medical service providers on SY's platform had 50 or fewer orders in 2020, which is on average RMB 22,001 revenue per clinic. It is highly unlikely that half the clinics on SY's platform would pay 12 dollars in advertising costs for 1 dollar in revenue.

We think that hospitals and clinics may pay some more menial amounts to appear on the platform, but in a deeply competitive and saturated cosmetic procedure advertising market, the revenues per clinic from advertising are far smaller than SY tells investors.

Skeptical investors may wonder if the hospitals at the high end of the dataset, the big customers, pay enough to advertise on the platform to make SY's blended reported advertising revenues appear credible. We think not.

The public financials of big hospitals and large groups of clinics indicate that they spend far less on advertising as SY's financials would have investors believe.

In 2020, the transaction value facilitated on the SY platform was supposedly RMB 3.5 billion and its advertising revenues were supposedly RMB 962 million. For that to be true, hospitals and clinics supposedly spent an average 28% of their revenue on advertising through SY's platform.

RMB M	2018	2019	2020
Information services revenue	415	833	962
Value of medical aesthetic treatment transactions facilitated	2,229	3,641	3,494
%	19%	23%	28%

Source: SY Public Filings

³ The Company defines advertising revenues as "information services revenue" in its public filings.

Yet the filings of publicly listed aesthetic hospitals in China show that hospitals spend much less on advertising **across all platforms**, which indicate that SY overstates its advertising revenue.

For example, Huahan Plastic Surgery (NEEQ: 430335) and Li Meikang (NEEQ: 832533) are both customers of SY. Their **total** reported advertising expenses **across all platforms (including other online platforms, search engines, traditional offline media and TV)** were 12% of revenues, significantly less than the 28% suggested by SY.

RMB M	Huahan		Li Meikang	
	2019	2020	2019	2020
Revenue	804	888	153	174
Advertising expenses	108	109	34	21
% of revenue	13%	12%	22%	12%

Source: Companies Public Filings

Note: We include Li Meikang's internet service fee in our advertising expense calculation.

In short, the public financials of bigger hospitals and chains of clinics do not support SY's reported advertising revenues. Given that most clinics on the platform generate either zero bookings or minimal revenues, we think the spend from bigger players cannot make up the difference.

Our scrapping of SY's platform showed, in our opinion, that SY significantly inflates the bookings on its platform. Likewise, the data indicates that SY's reported advertising revenue is implausible, given the high percentage of clinics that report either zero or limited transactions through the platform.

3. Storied History of Dishonesty

Like a busted patient addicted to plastic surgery, SY has a storied history of distorting its financials and key metrics. Chinese language media have reported numerous incidents in which leaked documents or detailed records from whistleblowers revealed that SY was fabricating sales on its platform, using kickback schemes to encourage clinics to record fake bookings, using fake users to book fake procedures, and even fabricating the number of service providers on its platform.

Many of these incidents were covered by Chinese language media or discussed in Chinese language forums, so we believe that SY has been able to deceive US-based investors who would not encounter such frequent and well documented evidence of widespread fraud on SY's platform. Here are just a few.

a. SY Previously Caught Faking Revenue To Deceive Investors

SY has a long history of faking transaction revenues on its platform. According to online Chinese media, investors discovered that SY was faking sales on its platform when the Company was trying to raise a series-C round investment.

有投资人向记者爆料，去年7月新氧的一轮刷单，是为了冲击C轮融资，但因为投资人财务尽调发现“刷单第二天返款”这个问题，所以没投。新氧无奈之下只好让天使投资人自己组基金去投了所谓的“C轮”。

但大半年过去了，优壹品承诺的融资金额并没有到新氧的账上，新氧的C轮融资实际上失败了。如今新氧重新开始大规模刷单，无非是想用漂亮的数据去重新融资，以填补过去这一年刷单、乱烧钱所挖下的大坑。

Translation: Some investors told journalists that SY faked sales in July last year (2015) for round C financing, but investors found out about the problem of "fake sales and reimburse the next day" and they didn't invest. SY had no choice but to have angel investors set up a new fund and invested in the so-called "C round"⁴.

But half a year later, SY still has not received the fund promised by Youyipin (note: c-round investor) so essentially SY's C round financing has failed. Now, SY launched another large-scale operation to fake sales. It wanted to use pretty data for fund raising in order to fill the cash hole that was caused by clicking farm service and excessive spending in the past year.

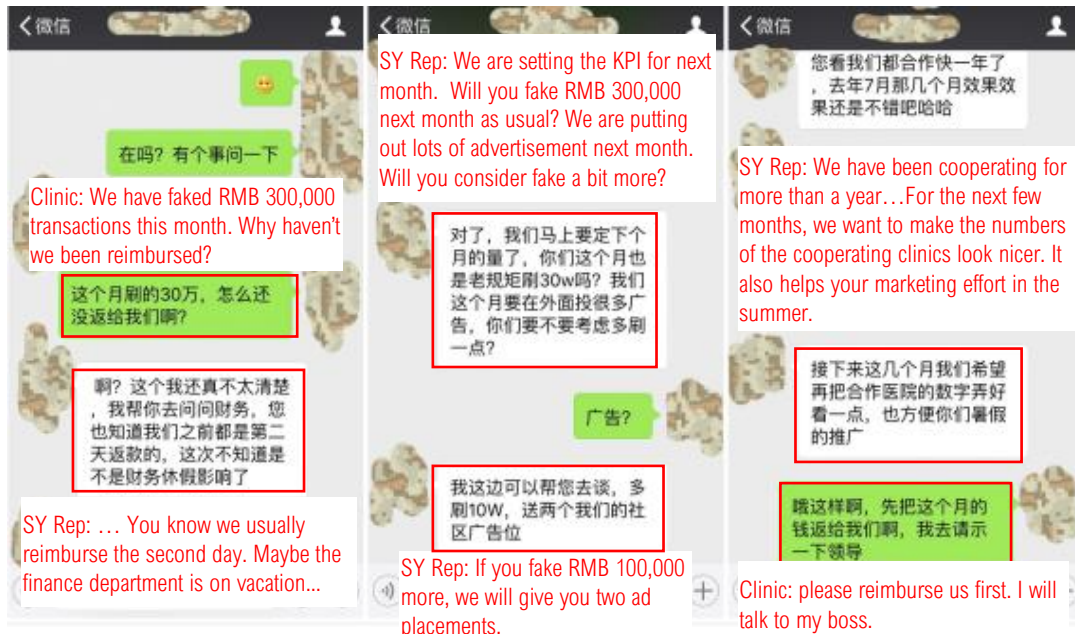
Source: https://www.sohu.com/a/83034026_107199

b. SY Colluded with Clinics to Inflate Bookings in Kickback Scheme

Next, a Weibo user posted several screenshots of a WeChat conversation with an SY employee, allegedly revealing a **kickback scheme** whereby SY **colluded** with aesthetic service clinics to fake transactions on its platform **with the promise to reimburse SY's booking fee**.

According to the whistleblower, SY asked hospitals to record fake bookings through its platform with the promise that SY would reimburse the booking fee to the clinic the next day. The screenshots indicate that SY was concerned with meeting monthly KPIs, so the kickback scheme appeared orchestrated to deceive investors and other clinics about the popularity of the platform and the revenue derived from it.

⁴ According to the [news report](#), in March 2016, SY announced that it has successfully raised USD 50 million in series C founding and the lead investor is Tencent. However, it was later revealed that Tencent did not actually invest in SY but only provided some traffic support to SY through Tencent's app store. The actual series C investor is Youyipin, which is 14% owned by Shao Hui, SY's angel investor and then chairman.



Source: https://www.sohu.com/a/83034026_107199

These conversations corroborate evidence of widespread booking fabrication on the platform. They show SY's employee coordinating a kickback scheme with clinics to inflate KPIs, create the false impression that the platform is popular and inflating SY's reported revenues. Notably, such whistleblower allegations on Chinese media platforms are in sync with the findings of our data scrape.

c. Fake Users Booking Fake Procedures

These were not the only revelations of widespread booking fabrication on SY's platform. In July 2017, screenshots of SY platform records were leaked to the Chinese media, showing that fake accounts have been used to inflate sales on SY's platform across multiple hospitals. In one instance, a single person (one ID) supposedly purchased 34 procedures from Shenzhen Yanxi Medical Beauty Clinic in one day.

医院介绍

深圳妍熙医疗美容机构 坐落于深圳市

过程中, 素以注重细节、精细唯美, 擅长挖掘求美者潜在的个性气质和魅力, 高超精湛的手术技艺、高雅独特的美容设计和丰富的临床经验而著称, 对面部五官的美学有较为深刻的理解...

医院类型: 医疗美容门诊部
业务等级: 一级业务
成立时间: 2013-02-26
医生人数: 3
擅长项目: 眼部 鼻部 胸部

产品详情 | 用户评价 27 | 月成交记录 38

新现价: ¥3100 定金: ¥620 价格的不同可能会由特卖和活动引起, 详情可以咨询医院

买家(匿名)	定金	预约价格	成交时间
Buyer	Deposit	Price	Time of Transaction
无**姓	¥800	¥3980	2016-12-31 15:38:44
无**姓	¥800	¥3980	2016-12-31 15:38:44
无**姓	¥800	¥3980	2016-12-31 15:38:44
n*	¥800	¥3980	2016-12-20 19:15:25
n*	¥800	¥3980	2016-12-20 19:15:25
n*	¥800	¥3980	2016-12-20 19:15:25
n*	¥800	¥3980	2016-12-20 19:15:25
n*	¥800	¥3980	2016-12-20 19:15:25

医院介绍
深圳妍熙医疗美容机构 坐落于深圳市

Shenzhen Yanxi Medical Beauty Clinic

过程中, 素以注重细节, 精雕细琢, 擅长挖掘求美者潜在的个性气质和魅力, 高超精湛的手术技艺, 高雅独特的美容设计和丰富的临床经验而著称, 对面部五官的美学有较为深刻的理解. ...

医院类型: 医疗美容门诊部
业务等级: 一级业务
成立时间: 2013-02-26
医生人数: 3
擅长项目: 瘦脸 鼻型 隆鼻

产品详情 用户评价 27 月成交记录 38

新氧价: ¥3100 定金: ¥620 价格的不同可能会由特卖和活动引起, 详情可以咨询医院

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n*	¥800	¥3980	2016-12-20 19:15:25
n*	¥800	¥3980	2016-12-20 19:15:25
曹**奇	¥800	¥3980	2016-12-14 15:39:54
Y*	¥800	¥3980	2016-12-14 15:36:24
刘**5	¥800	¥3980	2016-11-22 17:24:23
黄**4	¥700	¥3880	2016-10-30 17:18:44

Source: <https://kknews.cc/tech/ogggmbq.html>

Obviously, one person would not likely purchase 34 cosmetic procedures on the same day. Rather, these leaked documents to Chinese media indicated widespread booking fabrication on the SY platform.

In another instance in June 2019, an individual filed a complaint on Heimao that even though the person had never registered for, or booked any procedures through the SY platform, they began receiving notices that bookings were being placed on SY through his account.

The individual alleged that SY was using their credentials and ID to create fake bookings.

Never registered for SY app but received a text message for Wuhan Niling medical beauty products purchase

2019-06-29

从没注册过新氧APP今天收到短信购买武汉逆龄医疗美容产品

下载新氧美容APP以下简称“新氧”使用手机号验证码登陆后看到有两笔订单, 均是武汉逆龄医疗美容产品“拒绝做线雕后颧骨变宽变大/拒绝堆提//小点位分层次”预约金1360元, 第一次评价为好评, 我怀疑店家用手机号刷单, 其中联系新氧客服热线对投诉就会自动挂断, 在线客服未回复, 现希望新氧给我解释并注销账号!

[投诉对象] 新氧美容App
[投诉要求] 注销账号

Source: <https://tousu.sina.com.cn/complaint/view/17347476361/>

When viewed together, the whistleblower allegations and reports in Chinese state media paint pictures of widespread and persistent fabrication of bookings and revenues on SY's platform. In our opinion, the purpose of this scheme is to deceive both clinics and investors.

d. Fake Clinics and Doctors

In addition to faking bookings (and related revenues), Chinese media has also alleged that SY fakes the number of clinics on its platform. The motivation is obvious, as the number of clinics which pay to advertise and use SY's platform is one of the key metrics which investors and other clinics use to gauge the popularity and profitability of SY's business.

In July 2019, a reporter from the Chinese language newspaper the Southern Metropolis Daily reported on **fake plastic surgery service providers on SY's platform**.

The journalist was attempting to verify the authenticity of hospitals supposedly offering procedures on SY's platform in one city. When the journalist contacted one hospital supposedly advertising plastic surgery, he found that the

hospital did not have a plastic surgery department and the two listed doctors either worked at a different department or did not work at the hospital.

南都记者在新氧APP上以广州部分三甲公立医院(包括中山大学、南方医科大学、广州医科大学下辖医院)进行搜索,并结合医院官网进行信息对照,发现新氧上出现一个名为“中山大学附属第六医院整形外科”。该页面上仅有一张医院大楼的图片、医院地址以及两名医生信息。南都记者点开页面“咨询一下”按钮并留言,但页面显示参数不完整。

对此,南都记者将新氧上相关截图向中山六院办公室相关人士求证。该院办公室相关负责人结合医院医务科资料,向南都记者表示,目前医院并无设置整形外科,张某辉医生早已从中山六院离职。而胡医生则向南都记者表示,自己资料为何被上传到新氧“并不清楚”。他也表示,此前他确实有在烧伤科的从业经历,但12年前已经转入ICU执业,“而且ICU属于内科范畴”。

对于新氧为何会上传医院不存在的科室及医生相关资料,上述中山六院办公室负责人回应南都记者将进行查证,并指出“新氧上那个页面是不可信的”。

Southern Metropolis Daily's reporter ... found "Plastic Surgery Department of the Sixth Affiliated Hospital of Zhongshan University's" on SY's app. SY app only shows a picture of the hospital building, the address of the hospital, and the information of two doctors supposedly working at this hospital (Dr. Zhang and Dr. Hu) .

Southern Metropolis reporter asked relevant people at the Sixth Hospital of Zhongshan to verify the relevant screenshots on SY (app). The relevant person in charge of the hospital's office consulted with the hospital's medical department and told reporters at Southern Metropolis Daily that the hospital currently does not have a plastic surgery department and that Dr. Zhang has already resigned from the Sixth Hospital of Zhongshan. Dr. Hu told reporters from Southern Metropolis Daily that he "was not sure" why his information was uploaded to SY. He also said that he did have experience in the burn department before, but he transferred to the ICU department 12 years ago, "and ICU belongs to internal medicine."

The person in charge of the Sixth Hospital of Zhongshan told the reporter that they would verify why SY uploaded information about departments and doctors that did not exist in the hospital, and pointed out that "the page on SY is not credible."

Source: https://m.sohu.com/a/327852881_161795/?pvid=000115_3w_a&scm=0.0.0.0

The journalist found that doctors and hospitals listed on SY's platform did not perform such surgeries. The reporter noted that according to individuals on SY's platform, SY used a web crawler to create profiles of hospitals and clinics to inflate the number of medical service providers on its platform.

那么,新氧页面上为何会出现医院疑似不存在科室,以及两名非整形专业的执业医师信息?进驻新氧机构的三位人士向南都记者表示,新氧上机构资料如果较为完整,一般都是医院自行上传;如果信息不完整,则有可能是利用“网络爬虫”程序抓取。“有些信息不完善的机构(包括公立或私立),有可能是新氧爬虫抓取“充实”机构数量的结果”。

Why is there information of non-existent hospital department and two non-plastic surgery practitioners on SY's webpage? Three people who are on the SY platform told Southern Metropolis Daily reporters that ... if the information is incomplete, it may be captured by a "web crawler" program. "Some institutions with incomplete information (whether public or private) may be the result of SY using crawler to "artificially increase" the number of institutions (on its platform)"

Source: https://m.sohu.com/a/327852881_161795/?pvid=000115_3w_a&scm=0.0.0.0

Investigative journalism in China is a brave business. We think this article is persuasive evidence that SY was caught adding fake clinics and fake doctors to its app in order to inflate the number of medical providers on its platform. Given that this is a key metric for raising capital from investors, the motivation should be obvious.

e. Fake Beauty Diaries

One of the cornerstones of SY's value proposition to customers is its depository of over 2 million Beauty Diaries, which are supposedly firsthand accounts generated by users who have booked medical aesthetic treatments through SY's platform.

We introduced the *Beauty Diaries*, a revolutionary content format featuring day-by-day blogs written and shared by users who had undergone medical aesthetic treatment through our platform, which has become the iconic and most popular type of content in the industry; and

Source: *SY Prospectus*

As SY explained in the prospectus, the “personal experience shared by users who had undergone medical aesthetic treatment further builds **the trust** that is critical for others who wish to have similar treatment.”

SY claims that the “association of our brand value with **trustworthiness translates into high repeat purchase rate on our platform.**” Essentially, the Beauty Diaries are supposedly what attract users to visit and subsequently book services through the SY platform.

But evidence suggests that Beauty Diaries have been replete with fakes from the beginning. First, SY’s founder [admitted](#) that the first 7,000+ Beauty Diaries were translated from posts on forums in South Korea, which the Company then reposted on the SY’s platform. SY was then [sued](#) by actresses for using their pictures to forge diaries. Since then, Chinese media have identified persuasive evidence that SY continues to publish fake Beauty Diaries to deceive customers.

In July 2019, a reputable Chinese news organization, Beijing News, [reported](#) that there is a whole cottage industry for faking Beauty Diaries.

2019-07-15 08:01:11

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新京报 记者: 刘经宇 刘思洁 马玉佳 赵凯迪 编辑: 甘浩

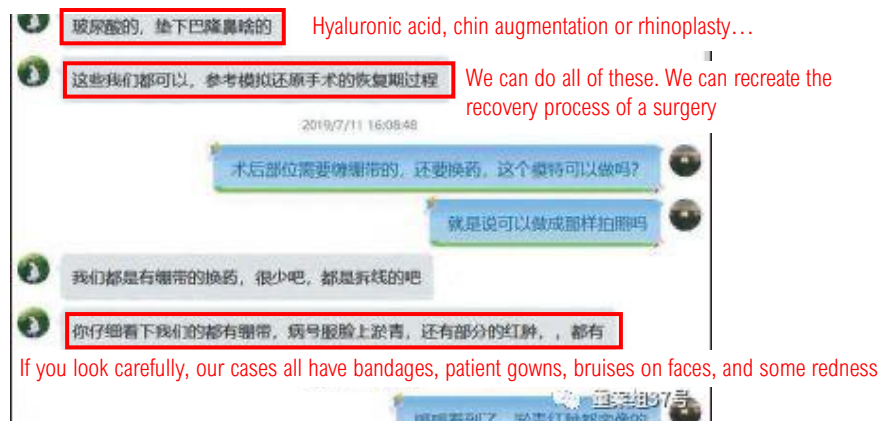
SY App Merchants Allegedly Sells Illegal Drugs, “Beauty Diary” Can Be Forged

新氧APP商家涉售违禁药, “变美日记”可造假

Source: <http://www.bjnews.com.cn/news/2019/07/15/603346.html>

According to the article, there were case wholesalers and operation agencies in the fake diary value chain. Beijing News journalists contacted a case wholesaler who claimed that she can use models to forge a complete plastic surgery case. Post-surgery improvement can be faked by using makeups and even the recovery process, one of the key metrics that SY used to detect fake cases, can also be feigned.

Conversations between the Beijing News Journalist and a Case Wholesaler



Source: <http://www.bjnews.com.cn/news/2019/07/15/603346.html>

After the publication of this news article, SY claimed that it has a three-level verification system to filter out misleading diaries and even claimed to introduce facial recognition to the vetting process in August 2019.

However, in January 2020, journalists from Economic View were still able to publish nearly 10 diaries as the opposite gender on SY's platform, at a cost of only RMB 88. SY's co-called three-level, AI-added vetting process sounds as real as Kim Kardashian.

Case Packages Advertisement and the Journalists' Purchase Record



Fake Diaries Successfully Published on SY Platform by the Journalists in January 2020



Source: <https://mp.weixin.qq.com/s/RWZXyIncyFyvbnBBRkglylw>

SY claims that its Beauty Diaries are a testament to a vibrant user community, attracting customers and facilitating bookings through its platform. However, independent evidence indicates that a large number of beauty diaries were completely forged. There are also allegations that writers are paid to post positive reviews, further undermining the credibility of the diaries. In addition, there were allegations in Chinese media that the Company deletes negative reviews, skewing the content of its supposedly user generated community.

Moreover, despite the Company's claim to clean up, Chinese media allegations indicate, in our opinion, that SY facilitates the creation of fake beauty diary content on its platform, presumably to deceive clinics, customers and investors.

Ultimately, Chinese media and whistleblowers have presented numerous instances of credible and independent evidence showing that SY has a storied history of faking transactions on its platform, engaging in kickback schemes with clinics to inflate bookings and revenues, listing doctors that did not actually perform procedures, and faking beauty diaries. Such evidence not only persuasively corroborates our review of the platform data, but confirms that SY is simply uninvestable.

CONCLUSION

Lips can be fake. Financials shouldn't be. We believe, based on our extensive diligence, that SY is a struggling platform replete with fake bookings. In our opinion, the evidence indicates that Company is likely massively exaggerating the popularity of its platform, its booking and advertising revenues, and even the user generated content.

Jumei (NYSE: JMEI) and Mogu (NYSE: MOGU) are two other US-listed Chinese aesthetic or consumer facing internet platforms whose share price plummeted on credible evidence that activity on their platforms was grossly overstated. Jumei went private at 0.7x cash, and Mogu currently trades at 1.3x cash. We think both are reasonable comps.

Valuation	USD
Cash and cash equivalents - offshore	92
Term deposits and short-term investments - offshore	223
Total	315
Outstanding shares (M)	82
Cash per share	3.8
Cash per ADR	3.0
Blended cash multiple (JMEI, MOGU)	1.0x
Blue Orca Valuation	2.98
Last traded price	8.14
Downside %	-63%

Source: Company Public Filings, Blue Orca Calculation

Accordingly, we value SY for its offshore cash (USD 2.98 per ADR), a 63% downside from its last traded price. We consider this valuation to be conservative, as it gives SY full credit for the cash raised by the Company in the IPO (and held offshore in short term investments). Given the extensive evidence that SY has exaggerated its financial performance for some time, we doubt the onshore cash balance is real or recoverable. Ultimately, we view SY as uninvestable.

DISCLAIMER

We are short sellers. We are biased. So are long investors. So is SY. So are the banks that raised money for the Company. If you are invested (either long or short) in SY, so are you. Just because we are biased does not mean that we are wrong. We, like everyone else, are entitled to our opinions and to the right to express such opinions in a public forum. We believe that the publication of our opinions about the public companies we research is in the public interest.

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