CMBI Research Focus List

Our best high conviction ideas

8 Jun 2020

Letter to investors

A year is passed. We are running for Asiamoney 2020 Brokers Poll now. For the past 12 months, we recommend many brilliant investment ideas, such as AK Medical (1789 HK), Meidong (1268 HK), Zhijiang Dingli Machinery (603338 CH) etc. Meanwhile, we organize many corporate access events to bring investors and corporate management together. Of course, we held many expert calls to let investors have a quick channel check.

CMB International Securities Ltd achieved stellar results in Asiamoney Brokers Poll 2019 ranking Top 7 in Best Overall Country Research (HK local shares) 17 of our research teams entered Top 10 in Hong Kong (local shares) and China (H shares) We were ranked Top 1 in Best Team for Software Internet Services (HK local shares), Top 2 in Best Team for Software Internet Services (China H shares), and both Top 3 in Best Team for Non Bank Financials (HK local shares) and Transportation Logistics (HK local shares).

We would like to seek your support at this moment. Your vote is important to us. It drives us providing more valuable advices and services to you. Please Vote Now.

https://euromoney.com/brokers

Yours sincerely,

Samson Man, CFA

Head of Research

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY20E	P/E (x) FY21E	P/B (x) FY20E	ROE FY20E	Yield FY20E	Analyst
Long Ideas														
GAC Group	2238 HK	Auto	BUY	12.4	26.1	6.82	8.60	26%	7.7	7.1	0.7	9.5	3.9%	Jack Bai
PAB	000001 CH	Banking	BUY	37.0	163.5	13.57	19.80	46%	8.5	7.4	0.9	10.8	1.8%	Terry Sun
CICC	3908 HK	Brokerage	BUY	8.1	24.7	14.30	16.40	15%	11.6	10.3	1.1	9.7	1.7%	Karen Sui
SANY Heavy	600031 CH	Capital Goods	BUY	22.5	205.3	18.98	23.50	24%	11.6	10.3	2.9	27.7	2.7%	Wayne Fung
Anta	2020 HK	Consumer Disc.	BUY	26.8	90.2	76.85	77.39*	NA	32.3	22.5	7.5	26.2	1.2%	Walter Woo
JS Global	1691 HK	Consumer Disc.	BUY	3.6	1.4	8.09	9.97	23%	21.1	16.0	2.0	4.1	0.7%	Walter Woo
Mengiu	2319 HK	Consumer Staple	BUY	15.3	46.3	30.05	34.20	14%	29.6	19.9	3.2	11.4	0.8%	Albert Yip
Hope Education	1765 HK	Education	BUY	2.2	7.0	2.50	2.68	7%	27.4	20.5	NA	13.1	1.1%	Albert Yip
Jinxin Fertility	1951 HK	Healthcare	BUY	3.3	14.5	10.50	13.30	27%	43.0	34.6	3.0	7.1	0.5%	Amy Ge
China Pacific	2601 HK	Insurance	BUY	33.7	55.3	22.30	33.93	52%	NA	NA	1.0	15.7	5.7%	Wenjie Ding
Tongcheng-eLong	780 HK	Internet	BUY	4.0	13.7	14.5	17.0	17%	21.3	11.5	NA	4.6	0.0%	Sophie Huang
Alibaba	BABA US	Internet	BUY	584.9	4045.8	218.04	252.0	16%	23.7	19.6	NA	15.9	0.0%	Sophie Huang
China Aoyuan	3883 HK	Property	BUY	3.2	12.8	9.28	15.48	67%	3.3	2.8	1.1	33.8	12.2%	Chengyu Huang
Suntien	956 HK	Renewables	BUY	0.9	2.8	1.88	2.30	22%	4.0	3.7	0.4	11.0	10.0%	Robin Xiao
VPower	1608 HK	Renewables	BUY	1.3	0.6	3.85	4.80	25%	2.4	1.9	1.6	101	0.2%	Robin Xiao
Xiaomi	1810 HK	Technology	BUY	39.3	250.6	12.66	16.30	29%	20.4	15.7	3.6	12.8	0.0%	Alex Ng
Short Ideas														
AAC Tech	2018 HK	Technology	SELL	6.5	79.1	41.75	36.00	-14%	26.9	20.9	2.2	8.4	2.6%	Alex Ng

Source: Bloomberg, CMBIS, Price as of 4/6/2020, * TP under review

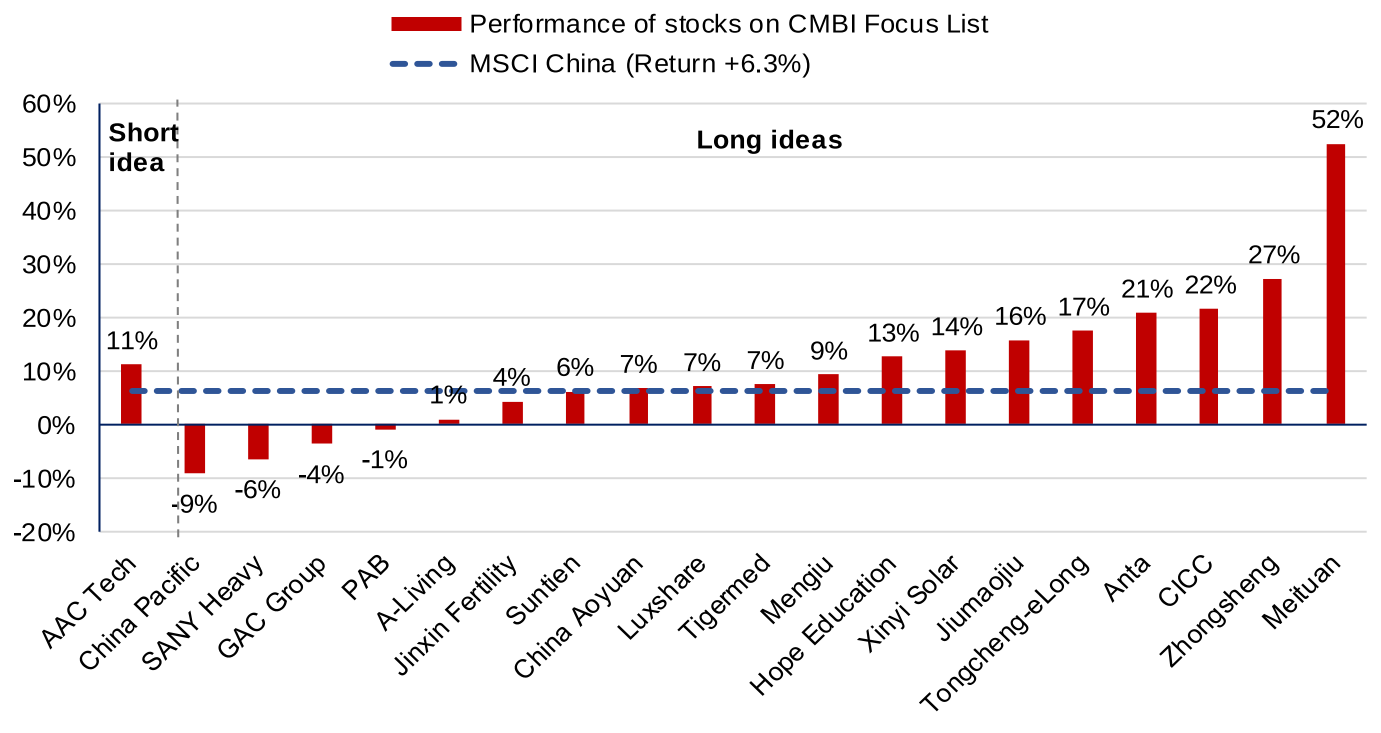
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst
Additions				
JS Global	1691 HK	Consumer Disc.	BUY	Walter Woo
Alibaba	BABA US	Internet	BUY	Sophie Huang
VPower	1608 HK	Renewables	BUY	Robin Xiao
Xiaomi	1810 HK	Technology	BUY	Alex Ng
Deletions				
Jiumaojiu	9922 HK	Catering	BUY	Walter Woo
Tigermed	300347 CH	Healthcare	BUY	Jill Wu
Meituan	3690 HK	Internet	BUY	Sophie Huang
A-Living	3319 HK	Property	BUY	Chengyu Huang
Xinyi Solar	968 HK	Renewables	BUY	Robin Xiao
Luxshare	002475 CH	Technology	BUY	Alex Ng

Source: CMBIS estimates

Performance of our recommendations

- In our last report dated 6 May (link), we highlighted a list of 19 long and 1 short ideas.
- The basket (equal weighted) of these 20 stocks have outperformed MSCI China index by 330bps, delivering +9.6% return (vs MSCI China +6.3%).
- Meituan, Zhongsheng, CICC and Anta delivered an impressive +20% return, and 12 our of 19 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 7 May to 4 Jun 2020

Long Ideas

GAC Group (2238 HK): Promising performance after the epidemic

Rating: BUY | **TP:** HK$8.6 (26% upside)

Analyst: Jack Bai

- **Investment Thesis:** GAC Group has good product quality and excellent supply chain management capability, which will lead to further market share expansion. Its three pillars, namely GAMC/Japanese JVs/GAC NEV, will support the sales recovery after COVID-19.

- **Our View:** We believe that delayed demand, strong product pipeline, and policy support will make GAC's sales volume soar after the epidemic.

- **Why do we differ vs consensus:** Our FY20 NP are 3% above consensus, as we believe the two Japanese JVs will continue to outperform overall markets. We also believe the GAMC will start to recover as the new generation of GS4 was rolled out recently.

- **Catalysts:** GAC Group has rolled out strong products in late 2019 and early 2020. A new generation of its star product GS4 was launched in Nov 2019. Breeze (皓影), the brand new vehicle of GAC Honda was launched in Nov 2019. Willander (威兰达), a new model of GAC Toyota, was officially launched online on 28 Feb 2020. In addition, Guangdong is one of the most advanced provinces in supporting auto consumption, which will benefit the GAC Group most.

- **Valuation:** We revised down our bottom-line forecast to RMB7.9bn (a 22% cut from previous forecast) in order to reflect the GPM drop from COVID-19 impact/operating deleverage. Therefore, we cut our TP to HK$8.6 (based on initial 9.6x 2020E P/E) with an upside of 25.4% from initial TP HK$10.9 (based on initial 9.6x 2020E P/E). The share price has a correction after GAC announced its FY19 results, providing a good entrance point given 1) local brand improvement and 2) swift recovery of two JVs. Reiterate BUY rating.

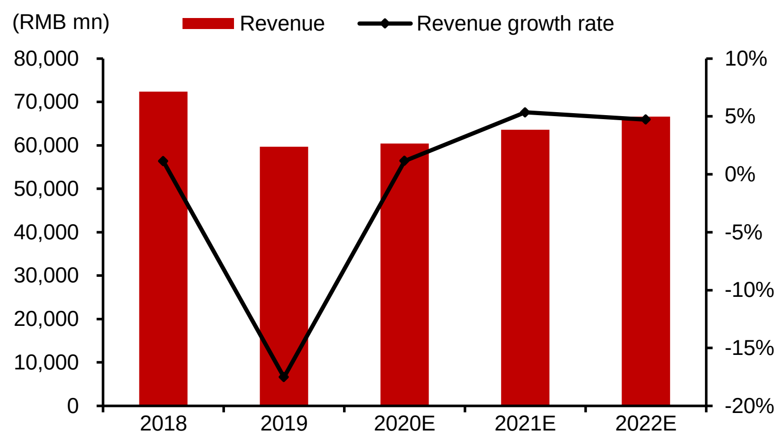
- **Link to latest report:** GAC Group (2238 HK) – Expect earnings rebound from 2Q20E

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	59,704	60,392	63,620	66,628
YoY growth (%)	-17.5	1.2	5.4	4.7
Net income (RMB mn)	6,616	7,913	8,485	9,853
YoY growth (%)	-39	21	7	16
EPS (RMB)	0.65	0.78	0.84	0.98
Consensus EPS (RMB)	0.75	0.77	0.95	1.02
P/E (x)	9.3	7.7	7.1	6.2
P/B (x)	0.7	0.7	0.7	0.6
Dividend yield (%)	3.3	3.9	4.2	4.9
ROE (%)	8.4	9.5	9.6	10.4
Net gearing (%)	38	32	39	47

Source: Company data, Bloomberg, CMBIS estimates

Fig: GAC Group Revenue trend



Source: Company data, CMBIS estimates

PAB (000001 CH): Positioning for retail credit recovery

Rating: BUY **|** **TP:** RMB19.80 (46% upside)

Analyst: Terry Sun

- **Investment Thesis:** PAB achieved fastest 1Q20 earnings growth of 14.8% YoY among China banks under our coverage. Both NIM and NPL ratio were largely stable amid COVID-19's shock, beating market expectation. Down 15.3% YTD, the Bank appeared over-penalized for above-peers exposure to consumption related loans.

- **Our View:** We remain upbeat on PAB's mid-to-long term growth prospects, despite some near-term disruption from COVID-19. Successful retail transformation since 2016 lays a solid fundamental to withstand economic downturn and capture China's consumption upgrade cycle.

- **Why do we differ vs consensus:** Our FY20/21E NIM forecasts are 3-5bp higher than consensus, as we believe PAB's margin is more resilient on strong loan pricing and deposit mix optimization. Our net profit forecasts are in line with market expectation, but our credit cost estimates are higher, given that PAB would continue to strengthen provision buffer against potential macro uncertainty.

- **Catalysts:** 1) Continued pick-up in retail credit growth after a temporary slowdown due to COVID-19; 2) fast pick-up in corporate banking business, with support from Ping An Group; and 3) boost in wealth management business will make up the long-standing weakness in funding cost.

- **Valuation:** We derived our 12m TP of RMB19.80 based on 1.28x target P/B and FY20E BPS of RMB 15.5. We believe recent share price correction offers a good opportunity to accumulate the stock.

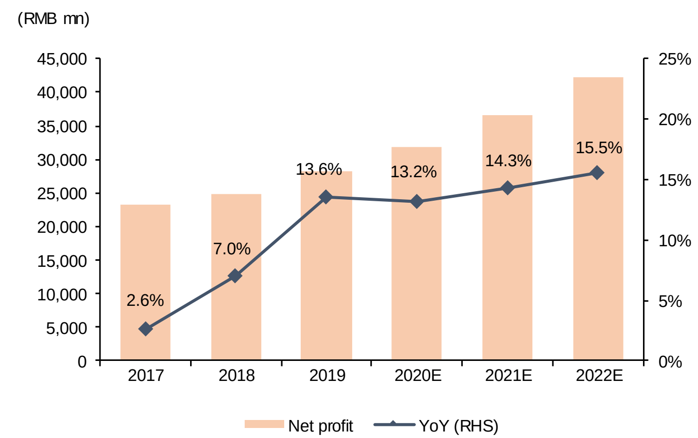
Link to latest report: PAB (000001 CH) - Solid earnings momentum; Asset quality trend is key to watch

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	137,958	155,587	171,115	189,191
Net profit (RMB mn)	28,195	31,918	36,485	42,151
EPS (RMB)	1.54	1.60	1.84	2.13
EPS CHG (%)	10.3	4.0	14.7	15.9
Consensus EPS (RMB)	NA	1.64	1.89	2.13
P/E (x)	8.8	8.5	7.4	6.4
P/B (x)	0.96	0.87	0.79	0.71
Dividend yield (%)	1.6	1.8	2.1	2.4
ROE (%)	11.1	10.8	11.2	11.8
NPL ratio (%)	1.65	1.58	1.46	1.36
Provision coverage (%)	183	203	223	238

Source: Company data, Bloomberg, CMBIS estimates

Fig: PAB's net profit forecasts



Source: Company data, CMBIS estimates

CICC (3908 HK): Decent IPO pipelines to catalyze growth

Rating: BUY **| TP:** HK$16.40 (15% upside)

Analyst: Karen Sui

- **Investment Thesis:** CICC is well positioned to capture incremental business opportunities from China's capital market reforms for its leading position in investment banking and institutionalization.
- **Our View:** CICC delivered upbeat 1Q20 results as we expected and the share price has gained over 20% since we added it to the focus list. We see its upcoming sponsored projects in STAR Market and oversea markets to further catalyze its near-term performance and earnings ahead. We like CICC's strong franchise in investment banking business, esp. its incomparable strength in new economy companies oversea listing and SOE giants' M&A. The Company also maintains good and stable investment yield track record against market volatility, with high utilization of capital to drive industry leading ROE.
- **Why do we differ vs consensus:** we possibly have a more cautious view on the Company's prop-trading gains growth due to macro uncertainties and higher opex assumptions.
- **Catalysts:** 1) Decent pipeline of mega IPOs in both oversea and domestic markets; 2) A-share IPO progress; 3) More fruit from wealth management transformation and cooperation with its strategic shareholder Tencent and Alibaba.
- **Valuation:** Our 3-stage DDM derived TP is HK$ 16.40, implying 1.25x FY20E P/B. The Company now trades at 1.07x 1-year forward P/B, still below its historical average of 1.17x after rebound in May.

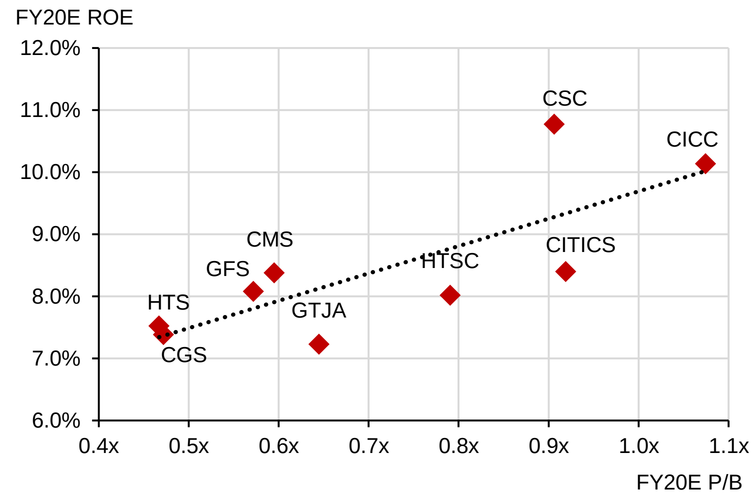
Link to latest report: CICC (3908 HK) – Strong 1Q20 on invt. banking; A-share IPO accelerating

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	15,761	17,502	19,508	21,268
Net income (RMB mn)	4,239	4,883	5,511	6,100
EPS (RMB)	0.99	1.10	1.25	1.38
YoY growth (%)	19	12	13	11
Consensus EPS (RMB)	N/A	1.13	1.34	1.55
P/E (x)	13.0	11.6	10.3	9.3
P/B (x)	1.19	1.09	1.00	0.90
Yield (%)	0.0	1.7	1.9	2.1
ROE (%)	9.5	9.7	10.0	10.2
Adj. financial leverage (%)	6.0	6.1	6.0	6.0

Source: Company data, Bloomberg, CMBIS estimates

Fig: China brokers' P/B vs. ROE



Source: Bloomberg, CMBIS estimates

SANY Heavy (600031 CH): Expect demand in 2Q to exceed expectations

Rating: BUY | **TP:** RMB23.5 (24% upside)

Analyst: Wayne Fung

- **Investment Thesis:** SANY is the largest excavator manufacturer in China. The Company also has the largest producing capacity of concrete pumps in China and has established itself as one of the major players in the world. On the back of rapid enhancement in product quality, precise marketing strategy, commitment on R&D spending, solid track record and excellent management execution, SANY has been raising its market share and is set to emerge as a world class player to compete in the global market, offering earnings upside over the coming years..

- **Our View:** We believe SANY's earnings upcycle to continue in 2020E-21E, driven by rising infrastructure spending, implementation of new emission standard and continuous market share.

- **Why do we differ vs consensus:** We have higher sales volume assumptions. What's more, we see potential upside to our forecast.

- **Catalysts:** We expect infrastructure spending to accelerate, driven by the significant increase in local government special bond issuance in China (+51% YoY in 4M20). The release of the upcoming monthly sales figures will be key catalysts.

- **Valuation:** Our TP of RMB23.5 is based on 14.3x 2020E PE, 30% premium to the average PE since 2017 (the beginning of the upcycle).

Link to latest reports:

China Construction Machinery Sector – Excavator sales in Apr +60% YoY; Growth to continue in May/Jun

SANY Heavy Industry – A (600031 CH) – 2019 net profit +83% YoY in line; Expect a strong 2Q20

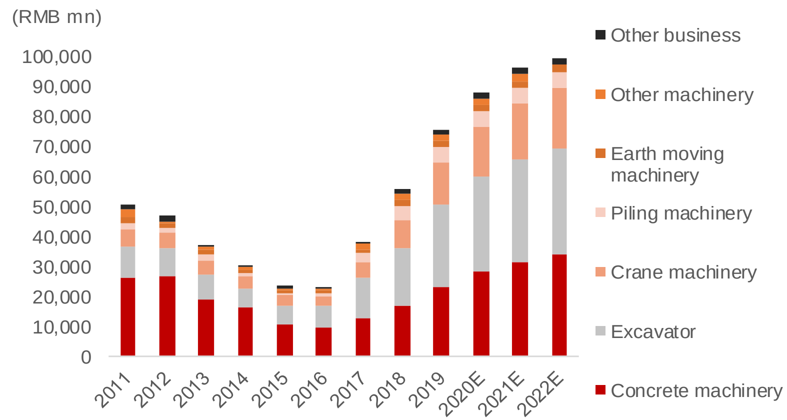
China Construction Machinery and HDT Sector – Lift forecast on excavator on strong demand; BUY SANY & Hengli

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	75,666	88,022	96,234	101,903
YoY growth (%)	36	16	9	6
Net income (RMB mn)	11,207	13,692	15,503	16,511
EPS (RMB)	1.36	1.62	1.84	1.96
YoY growth (%)	71.4	19.8	13.2	6.5
Consensus EPS (RMB)	-	1.60	1.79	1.97
EV/EBITDA (x)	11.2	9.1	8.3	8.0
P/E (x)	14.0	11.6	10.3	9.7
P/B (x)	3.6	2.9	2.4	2.1
Yield (%)	2.2	2.7	3.1	3.3
ROE (%)	29.5	27.7	25.8	23.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: SANY Heavy's sales volume projection



Source: Company data, CMBIS estimates

Anta (2020 HK): Strong beat in 1Q and likely turnaround in 2Q

Rating: BUY | **TP:** HK$77.39*

Analyst: Walter Woo

- **Investment Thesis:** Despite short term disruptions from COVID-19 outbreak, the Company could actually gain more market shares from industry consolidation in the long run. Anta is the owner of various top tier sports brands, such as Anta, FILA, Solomon and Arc'teryx (through Amer Sports), etc. Growth drivers includes: 1) sales per store growth via area and item per tickets growth, 2) more online and direct retail sales, 3) news brands (mainly those under Amer) penetrating into China.

- **Our View:** Anta's prompt actions (e.g. live streaming promotions and aggressive discounting to clear inventory) to adopt this post-virus period has been successful. And we did see strong recovery momentum (such as positive retail sales growth for Anta and robust e-commerce growth for FILA in May) follows. We are not too worried about Amer sports amid the virus outbreak, as Anta do have ample financial capacity to ensure its cash flow and there are also rooms for cut in capex and costs.

- **Why do we differ vs consensus:** For FY20E/ 21E, our sales forecasts are 6%/ 1% higher than consensus and our net profit forecasts are inline / 3% higher than street as we are more optimistic on FILA's sales growth, Anta's GP margin but more losses from Amer sports.

- **Catalysts:** 1) more stimulus (e.g. consumption coupons) by local and central government; 2) strong operating numbers (including industry and peers' data); and 3) low raw material costs environment to stay.

- **Valuation:** We derived our 12m TP of HK$77.39 based on 33x FY21E P/E. We believe sales recovery in China will help improving sentiment, hence driving re-rating. The stock is trading at 32x FY20E and 22x FY21E P/E.

Link to latest report: Anta (2020 HK) - Strong beat in 1Q and likely turnaround in 2Q

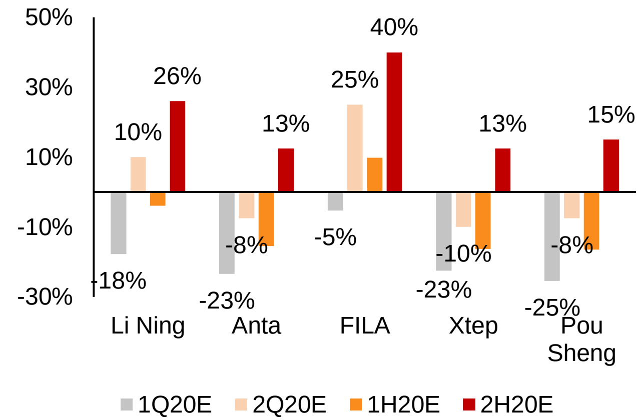
Remarks: *TP under review

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (RMB mn)	33,928	38,586	46,504	52,698
YoY change (%)	40.8	13.7	20.5	13.3
Net profit (RMB mn)	5,344	5,754	8,246	9,845
EPS - Fully diluted (RMB)	1.917	2.064	2.958	3.531
YoY change (%)	25.7	7.7	43.3	19.4
Consensus EPS (RMB)	n/a	2.128	2.946	3.597
P/E (x)	34.8	32.3	22.5	18.9
P/B (x)	9.0	7.5	6.3	5.6
Yield (%)	0.9	1.2	3.1	3.7
ROE (%)	29.8	26.2	31.5	32.6
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Retail sales growth (CMBI est.) by brands



Source: Company data, CMBIS estimates

JS Global (1691 HK): Industry leading performance to drive re-rating

Rating: BUY | **TP:** HK$9.97 (23% upside)

Analyst: Walter Woo

- **Investment Thesis:** Both Joyoung and SharkNinja may be adversely affected amid the virus outbreak in the short term, but this crisis, in our view, will forece consumers switch more to online and build greater interest on home cooking. Therefore, in the longer run, the Company will benefit from industry consolidation. It is #3 and #2 small appliances brand owner in Mainland China and US, owing brands like Joyoung, Shark and Ninja. Growth drivers include ramp up of online sales and innovative products.

- **Our View:** Small appliances outperformed significantly during and after the virus, thanks to raising interest on Home cooking and cleaning, and since digital marketing is one of JS Global's strength, market shares were gained effectively. Joyoung's BU reforms shall enhance efficiency while new product launches (more mass market and innovative products) will continue to fuel growth in FY20E. Drags in US market shall be temporary and an excellent opportunity for SharkNinja to further gain market shares.

- **Why do we differ vs consensus:** For FY20E/ 21E, our sales forecasts are 4%/ 4% above con. and our adj. NP forecasts are 26%/ 13% above street due to our optimism on SharkNinja's sales growth and OP margin.

- **Catalysts:** 1) longer than expected drags by COVID-19 in US and Europe; 2) potential price war in US, Europe or China due to excessive channel inventory in the industry; and 3) potential increase in export tariffs to US.

- **Valuation:** We derived our 12m TP of HK$9.97 based on 19x FY21E Adj. P/E. We believe sales growth recovery in China and US may help improve investors' sentiment. The stock is trading at 16x FY21E Adj. P/E.

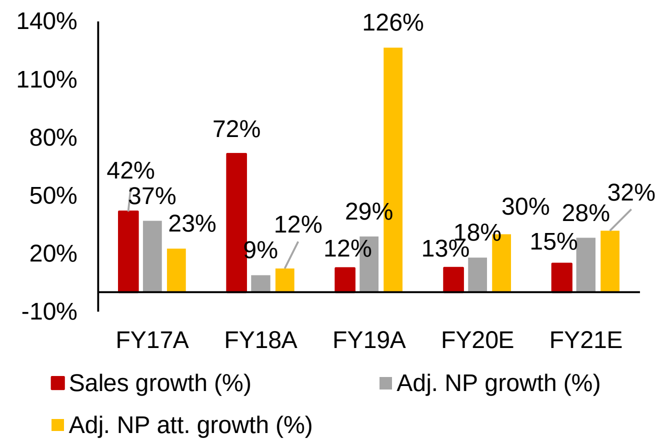
Link to latest report: JS Global (1691 HK) - Industry leading performance to drive re-rating

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (USDmn)	3,016	3,394	3,894	4,303
YoY change (%)	12.5	12.5	14.7	10.5
Adj. Net profit (USDmn)	136	177	233	251
Adj. EPS - Fully diluted (USD)	0.039	0.051	0.067	0.072
YoY change (%)	121.6	30.0	31.8	7.3
Consensus EPS (USD)	n/a	0.050	0.065	0.070
Adj. P/E (x)	27.5	21.1	16.0	14.9
P/B (x)	2.4	2.0	1.8	1.5
Yield (%)	6.8	0.7	1.8	2.6
ROE (%)	2.7	4.1	8.3	9.1
Net debt/ equity (%)	39.1	14.7	2.9	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and adj. net profit growth forecasts



Source: Company data, CMBIS estimates

Mengniu (2319 HK): Sales recovery ahead of expectation

Rating: BUY **| TP:** HK$34.20 (14% upside)

Analyst: Albert Yip

- **Investment Thesis:** MN would benefit from continuing sector consolidation. We expect MN to deliver OPM expansion thanks to continuing momentum of high-margin products (Milk Deluxe and Just Yoghurt) and improvement of non-A&P selling expenses ratio. The recovery of dairy sector from epidemic is encouraging because milk is necessity good and consumers believe drinking milk could strengthen immunity.

- **Sales recovery ahead of expectation.** Organic revenue growth was flat in 1Q20 (vs -11% of Yili (600887 CH)) and turned positive in Apr. By category, UHT milk sales did not see decline but milk beverage, UHT yoghurt and Yashili were relatively weaker. Management attributed the swift recovery to rapid and effective responses to COVID-19 impact. We think its 1H20E organic revenue growth could beat guidance of slight YoY decline.

- **Channel inventory notably improved.** After clearing channel inventories manufactured last year and Jan 2020, both channel inventory and retail price levels notably improved from end of 1Q20 to end of Apr 2020, which is in line with our channel checks.

- **2H20E guidance maintained.** As both revenue growth and promotion discount improve QoQ in 2Q20E, we expect 2Q20E NPM would notably improve QoQ. Management maintained its 2H20E guidance of low-teens organic revenue growth and 30-50bps OPM expansion YoY.

- **Valuation:** Our TP of HK$34.20 is based on 28.0x average FY20E and FY21E EPS, which is the high-end of 18-30x 1-yr forward P/E range since Mengniu resumed double-digit revenue growth in FY16.

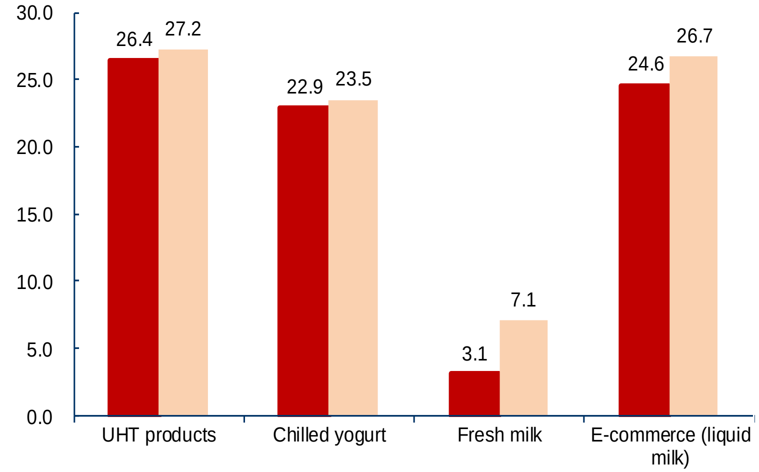
- **Link to latest report:** Sales recovery ahead of expectation

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	79,030	71,615	83,179	93,327
YoY growth (%)	15	(9)	16	12
Net profit (RMB mn)	4,105	3,464	5,152	6,282
Adj. net profit (RMB mn)	3,867	3,464	5,152	6,282
Adj. EPS (RMB)	0.988	0.880	1.309	1.597
YoY growth (%)	31	(11)	49	22
Consensus EPS (RMB)	na	1.057	1.321	1.730
Adj. P/E (x)	26.3	29.6	19.9	16.3
P/B (x)	3.5	3.2	2.8	2.5
Yield (%)	0.7	0.8	1.2	1.4
ROE (%)	14.2	11.4	15.1	16.2

Source: Company data, Bloomberg, CMBIS estimates

Fig: Increasing market shares



Source: Company, Nielsen

Hope Education (1765 HK): Multiple growth drivers

Rating: BUY | **TP:** HK$2.68 (7% upside)

Analyst: Albert Yip

- **Investment Thesis:** Hope Education has strong organic and M&A growth drivers. The Company made five acquisitions over the past twelve months. . Because it had solid track record in improving performance of acquired colleges, we expect the Company to deliver above peers' growth. We think MOE's accelerating conversion of independent colleges is a re-rating catalyst of higher education sector.
- **Strong organic and M&A growth drivers.** For organic growth, it will benefit from (1) growing admission quotas of vocational colleges and diploma-to-degree; (2) synergies and cost savings from acquisitions of Yichuan schools and Inti Education; (3) unpeg of independent colleges; and (4) three self-built vocational colleges to be opened in Sep 2021 as long-term drivers. For M&A, it plans to acquire universities (RMB2.3bn cash on hand).
- **Opportunities of unpeg of independent colleges:** MOE issued a notice on 18 May to accelerate the conversion of independent colleges into universities. This would increase sector M&A and earnings enhancement opportunities. The Company pays RMB150mn/year as management fees. Management hopes to settle "termination fees" within RMB500mn, equivalent to ~4x P/E acquisition.
- **Better visibility than peers.** (1) Its provision of 15% income tax for Sichuan colleges in advance in FY19 has released most risk of rising tax rate in future; (2) Most of schools did not raise tuition fees in past 2-4 years. This suggests the Company could have more tuition fee upside in long term. Sichuan has allowed for-profit schools to set price by its discretion.
- **Valuation:** Our TP of HK$2.80 is based on 28.7x FY20E P/E. We forecast the Company to post 28.7% EPS CAGR in FY20-22E, which is stronger than peers' average of 19%

Financials and Valuations

(YE 31 Dec/Aug)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,331	1,607	2,190	2,735
YoY growth (%)	29	na	36	25
Net profit (RMB mn)	490	528	707	893
Adj. net profit (RMB mn)	474	585	783	969
Adj. EPS (RMB)	0.071	0.088	0.117	0.145
YoY growth (%)	26	na	34	24
Consensus EPS (RMB)	0.069	0.092	0.117	0.149
Adj. P/E (x)	33.2	27.4	20.5	16.6
Yield (%)	1.0	1.1	1.4	1.8
ROE (%)	10.9	13.1	16.0	17.7
Net cash (RMB mn)	255	1,147	802	1,136

Source: Company data, Bloomberg, CMBIS estimates

Fig: Peers' valuation table

	Ticker	Mkt Cap (US$ m)	Price	Year end	P/E (x) FY1	FY2	FY3	PEG (x) FY1
Higher Education services providers								
China Education	839 HK	3,534	13.56	Aug-19	26.9	22.8	19.1	1.44
Yuhua Education	6169 HK	3,249	7.54	Aug-19	26.2	18.9	16.9	1.07
Hope Education	1765 HK	2,309	2.68	Aug-19	27.4	20.5	16.6	0.96
Kepei Education	1890 HK	1,693	6.56	Dec-19	19.8	16.3	14.3	1.12
New Higher Education	2001 HK	927	4.66	Dec-19	12.9	10.9	9.4	0.77
Edvantage	382 HK	794	6.04	Aug-19	18.2	14.6	12.0	0.78
Minsheng Education	1569 HK	700	1.35	Dec-19	11.2	9.8	8.8	0.85
Xinhua Education	2779 HK	560	2.70	Dec-19	12.1	10.9	10.0	1.21
Huali University	1756 HK	511	3.30	Aug-19	11.9	9.2	7.4	0.44
Average					**18.5**	**14.9**	**12.7**	**0.96**

Source: Company data, Bloomberg, CMBIS estimates

Link to latest report: Strong 1HFY20; mulitiple growth drivers

Jinxin Fertility (1951 HK): To become a global leading ARS provider

Rating: BUY **| TP:** HK$13.3 (27% upside)

Analyst: Jill Wu/ Amy Ge/ Sam Hu

- **Investment Thesis:** Jinxin Fertility is a leading player in assisted reproductive services (ARS) industry in China and the US with promising growth outlook thanks to strong organic growth momentum and abundant acquisition opportunities. In 2018, Jinxin ranked the first among non-state-owned assisted reproductive technology (ART) medical institutions in China and ranked the first in the western US ARS market.

- **Our View:** We expect Jinxin to deliver 19.5% CAGR in revenue FY19-22E, mainly thanks to solid organic growth and good integration of acquisition. By end-2019, Jinxin had RMB3.3bn cash on hand which provides sufficient capital for future acquisitions**.** We believe, Jinxin may accelerate its geographic expansion during the COVID-19 outbreak through acquisitions.

- **Why do we differ vs consensus:** Our FY20/21E revenue are 6%/8% below consensus, and NP are 9%/10% below consensus, as we are conservative on IVF cycle growth forecasts compared to market and in view of the impact from COVID-19 on US business operation.

- **Catalysts:** Catalyst includes earlier than expected end of COVID-19 outbreak and acquisitions of quality assets and hospitals.

- **Valuation:** We derived our 12m TP of HK$13.3 based on 52.4x FY20E P/E. We believe this is justified as Jinxin Fertility's leading position in ART market and high visibility growth in next 3-5 years.

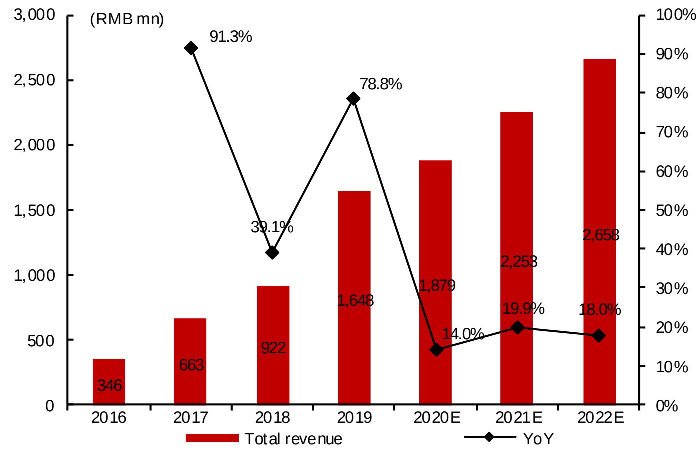
Link to latest report: Jinxin Fertility (1951 HK) – Expect accelerating geographic expansion

Financials and Valuations

(YE 31 Dec)	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,879	2,253	2,658
YoY growth (%)	14	20	18
Net profit (RMB mn)	556	691	837
EPS (RMB)	0.23	0.28	0.34
YoY growth (%)	23	24	21
Consensus EPS (RMB)	0.26	0.32	0.40
P/E (x)	43.0	34.6	28.6
P/B (x)	3.0	2.8	2.5
Yield (%)	0.47	0.58	0.70
ROE (%)	7.1	8.3	9.3
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Revenue trend



Source: Company data, CMBIS estimates

China Pacific (2601 HK): Steadfast moves in face of difficulties

Rating: BUY **| TP:** HK$33.93 (52% upside)

Analyst: Wenjie Ding

- **Investment Thesis:** The Group's life business was under pressure in 1Q like peers. However, improving agent quality during the past and orientation towards value creation bode well for business recovery in 2Q and onward. The stock has rebounded over 25% since the Company's announced 2018 annual result. The H-share is now trading at 0.47x FY20E P/EV, which we think has priced in the worst 1Q. .

- **1Q20 result highlights. 1)** Robust investment performance. Although capital market volatilities incurred fair value loss of RMB 83mn on trading securities vs. RMB 1.07bn positive gain in the same period last year, we believe realized gains on equity securities as well as dividend and interest income remained robust to boost net profit. Net investment yield and total investment yield recorded 4.2%/4.5%, down 20bp/10bp YoY, respectively. **2)** P&C premium growth increased 32.5% for non-automobile insurance since the Company accelerated online sales and services and developed innovative health and liability insurance to capture demand..

- **1Q20 negatives mainly involved life business growth**, which decelerated more than expected. Individual channel FYP declined 31.1% while FYRP dropped 37.7%. The Company did not announce NBV growth in 1Q report. However, since NBV margin may go down a bit due to product mix shifting towards shorter term during the onset of COVID-19, we estimate NBV decline in 1Q20 could be worse than FYRP decline. We expect with the containment of COVID-19, life FYRP growth will gradually resume in 2Q.

- **Swiss Re as cornerstone investor of GDRs.** The Company has already received approval from CBIRC and CSRC regarding GDR issuance. It has also entered into a cornerstone investment agreement with Swiss Re Principal Investments Company Asia Ptd. Ltd., a wholly-owned subsidiary of Swiss Re. Such agreement represents a good start of GDR issuance.

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
GWP (RMB mn)	347,517	358,220	378,698	397,616
YoY growth (%)	8.0	3.1	5.7	5.0
Total income (RMB mn)	382,682	392,272	413,893	433,226
Net profit (RMB mn)	27,741	29,546	31,063	32,465
EPS (RMB)	3.06	3.26	3.43	3.58
YoY Growth	53.95	6.51	5.13	4.51
Consensus EPS (RMB)	N.A.	2.75	3.09	3.49
P/B (x)	1.13	1.02	0.92	0.84
P/EV (x)	0.51	0.47	0.43	0.39
Yield (%)	5.39	5.74	6.04	6.31
ROE (%)	16.92	15.69	14.90	14.14

Source: Company data, Bloomberg, CMBIS estimates

Link to latest report: CPIC (2601 HK) – Steadfast moves in face of difficulties

Tongcheng-eLong (780 HK): Moving to 2H20E recovery

Rating: BUY **| TP:** HK$17 (17% upside)

Analyst: Sophie Huang

- **Investment Thesis:** Tongcheng-Elong ("TC") delivered better-than-expected 1Q20 results, with revenue/ adj. net profit -44%/-83% YoY, 4%/177% above consensus. Despite 2Q20 guidance soft on government restrictions in Apr, we suggest investors to move into 2H20E recovery, with margin improvement. Mgmt guided TC's revenue drop to narrow to 10% YoY in Jun, and we expect both transportation/ hotel to achieve flat or positive growth in 3Q20E, backed by travel recovery in lower-tier cities and solid hotel.

- **Our View:** We keep positive on TC's recovery and cost saving in next few quarters. We expect its overall revenue to see positive YoY growth in 3Q20E. User metrics would see short-term fluctuation, but intact in the long run on cross selling and membership loyalty program. We think TC's worst time was over, and recovery in sight.

- **Why do we differ vs consensus:** Market concern lies on COVID-19 impact and competition landscape. We believe TC would see faster recovery than peers, mainly on: 1) lower exposure to international tourism (<5%); and 2) lower-tier cities to see faster recovery for less travel limitation.

- **Catalysts:** 1) transportation, hotel gradual recovery with stabilization of domestic market; 2) faster recovery in lower-tier cities; 3) policy support; and 4) cross-selling effect.

- **Valuation:** Maintain BUY with DCF-based TP of HK$17, implying 16x FY21E P/E, slightly lower than industry average. With COVID-19 headwinds priced in, we suggest to buy on dips.

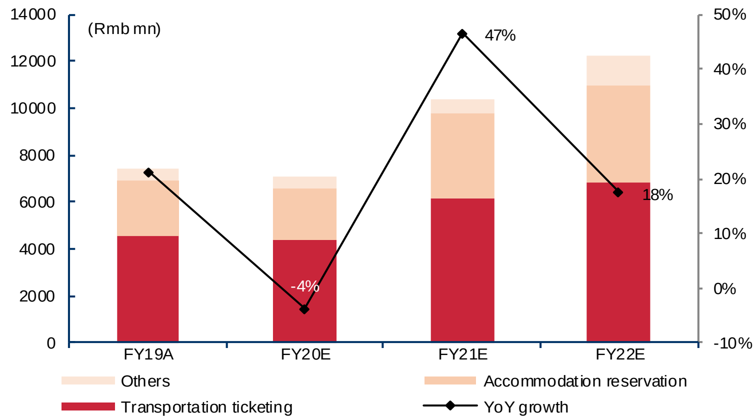
- **Link to latest report:** [Tongcheng-Elong (780 HK) – Moving to 2H20E recovery]

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	7,393	7,113	10,427	12,254
YoY growth (%)	NA	-3.8	46.6	17.5
Net income (RMB mn)	1,544	1,088	2,012	2,449
EPS (RMB)	0.74	0.52	0.97	1.18
YoY growth (%)	68.6	-29.5	84.9	21.7
Consensus EPS (RMB)	NA	0.66	1.00	1.05
P/E (x)	15.0	21.3	11.5	9.5
P/S (x)	0.9	0.9	0.8	0.7
Yield (%)	0.0	0.0	1.0	2.0
ROE (%)	5.6	4.6	8.2	10.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: TC's revenue growth estimates



Source: Company data, CMBIS estimates

Alibaba (BABA US): Better-than-expected ecommerce recovery

Rating: BUY **| TP:** US$252 (16% upside)

Analyst: Sophie Huang

- **Investment Thesis:** Alibaba delivered strong 4QFY20 results, with revenue/non-GAAP net profit +22% YoY/+11% YoY, 7%/36% above consensus. Mgmt guided FY21E rev at >RMB650bn, +27.5% YoY (in line with consensus). Recovery path was better than expected, QTD GMV has recovered to 4Q19 level and seen obvious rebound since Apr. We slightly raised its adj. net profit by 4.9%/2.4% in FY21/22E. Maintain BUY with new SOTP-based TP up to US$251.6 (30x FY21E P/E).

- **Our View:** We think Alibaba is well positioned to capture online consumption recovery, policy support, and long term benefit from structural opportunities (e.g. cloud, online meeting). BABA would continuously strengthen its lower-tier cities penetration, with diversified products offerings, livestreaming, and partner cooperation. Backed by better-than-expected ecommerce recovery, we expect solid quarters ahead, coupled with ROI-driven investment.

- **Why do we differ vs consensus:** Market concern lies on margin pressure from investment and competition landscape. We believe BABA would see faster recovery, and still deliver solid growth with upcoming shopping festival. Competition landscape has been well anticipated by the market.

- **Catalysts:** 1) decent ecommerce recovery; 2) shopping festival; 3) potential stock connect & Ant Financial listing; and 4) structural opportunities.

- **Valuation:** Maintain BUY with SOTP-based TP of US$252, implying 30x FY21E P/E, in inline with industry average.

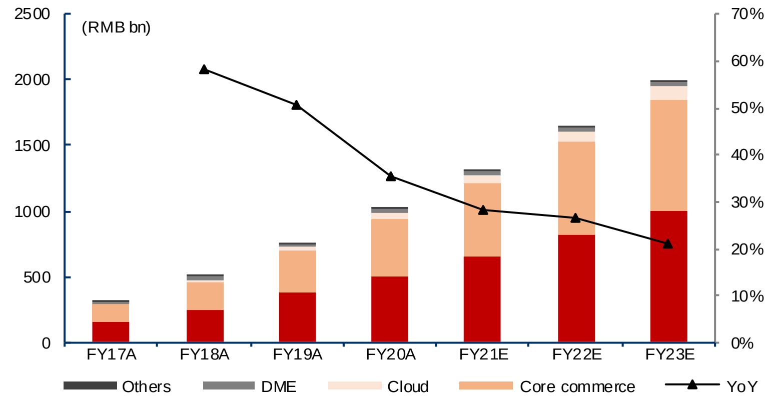
- **Link to latest report:** Alibaba (BABA US) – Better-than-expected ecommerce recovery

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	509,711	652,673	825,772	998,826
YoY growth (%)	35.3	28.0	26.5	21.0
Net income (RMB mn)	132,479	158,709	206,081	248,794
EPS (RMB)	53.0	58.6	70.6	84.9
YoY growth (%)	39.5	10.5	20.6	20.3
Consensus EPS (RMB)	NA	57.3	75.7	98.5
P/E (x)	26.2	23.7	19.6	16.3
P/S (x)	4.3	3.8	3.3	2.8
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	16.3	15.9	16.6	17.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: BABA's revenue growth estimates



Source: Company data, CMBIS estimates

China Aoyuan (3883 HK): Ambitious goal of RMB200.0bn in 2022

Rating: BUY **| TP:** HK$15.48 (67% upside)

Analyst: Chengyu Huang/ Samson Man

- **Investment Thesis:** By end-FY19, Aoyuan's land bank reached 45.03mn sq m (attri: 81%) with a saleable value of RMB458.5bn, of which 22.3% of value was attributable to GBA. The Company has recently acquired 29.3% stake of Kinghand Industrial (000615 CH) that can help the Company penetrate Northern region. Furthermore, its 28% interest subsidiary, China Cultural Tourism, plans to list on HKEx that can enhance Aoyuan's value. Lastly, contracted sale of RMB33.3bn in 5M20 is equivalent to 25% of sales target.

- **Our View:** Aoyuan is one of our top picks in Property sector for its undemanding valuation, competitive land bank, and national coverage with GBA focused layout. Saleable value of Tier 1 & 2 plus international cities together accounted for 55% of total value. Furthermore, with more high margin and GBA located urban redevelopment projects to be added to the pipeline and land bank in the future, the Company has a good positioning in GBA.

- **How do we differ:** The market sentiment is adversely affected by the allegation that the Company bears large hidden debt disguised by fake equity, and profit is inflated accordingly. Funding channel of Aoyuan is no difference with other peers. Instead of looking at the liabilities, we focus on the assets (land bank) and sales performance. We believe Aoyuan's land bank is genuine and appealing, which supports its sales performance and it meeting financial obligation. Its long successful land replenishment channel, M&A (accounts for 80% of new land), ensures a comfortable cost level. The Company's Average land cost/ FY19 ASP is 25.1%.

- **Valuation:** We derive our FY20-end NAV forecast at HK$30.95 per share. Given 50% discount, we raise our TP is HK$15.48.

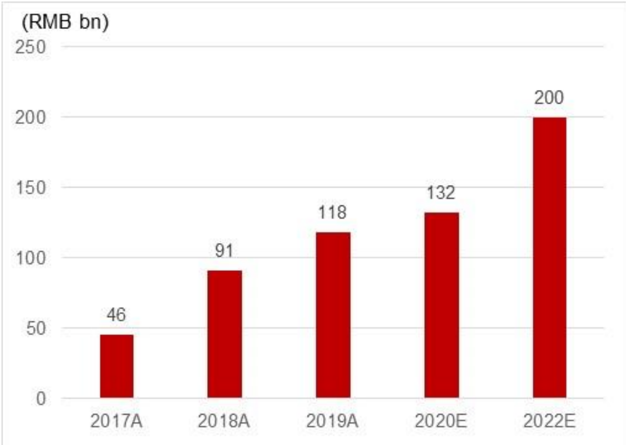
Link to latest report: China Aoyuan (3883 HK) – Aiming at RMB200bn sales in 2022

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	50,531	82,856	96,702	117,850
YoY growth (%)	63.0	64.0	16.7	21.9
Net income (RMB mn)	4,201	6,366	7,399	8,720
EPS (RMB)	1.56	2.37	2.75	3.24
YoY growth (%)	74.0	51.2	16.2	17.9
Consensus EPS (RMB)	N.A.	2.31	2.95	3.56
P/E (x)	5.0	3.3	2.8	2.4
P/B (x)	1.4	1.1	0.9	0.7
Yield (%)	7.1	12.2	14.2	16.7
ROE (%)	27.9	33.8	31.8	30.6
Net gearing (%)	74.9	73.7	78.3	72.5

Source: Company data, Bloomberg, CMBIS estimates

Fig: Aoyuan contracted sales



Source: Company data, CMBIS estimates

Suntien (956 HK): Valuation to rebound after panic sell for dvd cut

Rating: BUY **| TP:** HK$2.30 (22% upside)

Analyst: Robin Xiao

- **Investment Thesis:** Suntien obtained CSRC's official approval for launching it's A-share IPO on 29 May, implying its A-share issuance coming close. We think the event will boost market sentiment of the Company after the issuance, and the potential addition to the Southbound stock-connect list subsequent to the issuance may likely trigger re-rating of Suntien's H-share valuation, in our view.

- **Our View:** After valuation rebounded from extremely low during market turmoil in Mar, Suntien is still only trading at 4.4x/0.48x FY20E PER/PBR. We believe current valuation is still attractive, and the Company will declare FY19 dividend after A-Share issuance. We expect FY19E will be set at ~40% payout ratio with reference to previous years, implying more than 8% dividend yield.

- **Resilient FY20 outlook:** We expect Suntien's will have resilient earnings performance in 2020, albeit economy of Hebei may suffer quite severe impacts from COVID-19. We believe continues coal to gas conversion and new gas pipeline will boost gas sales and profit contribution.

- **Catalysts:** 1) A-share listing in Jun/Jul; 2) dividend declaration after A-share listing;

- **Valuation:** Suntien is trading at FY20E 4.4x/0.48x PER/PBR, respectively. We think the A-share listing will boost market sentiment on the Company. Our SOTP TP is HK$2.30 based on gas segment multiple revised down to 10x. Reiterate BUY.

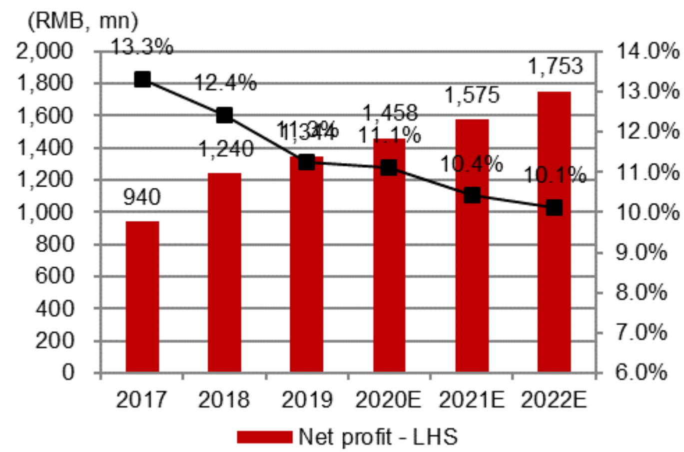
Link to latest report: Suntien (956 HK) – A-share listing is top priority

Financials and Valuations

(YE Dec 31)	FY19A	FY20E	FY21E	FY22E
Turnover (RMB mn)	11,943	13,130	15,124	17,326
YoY growth (%)	19.73	9.93	15.19	14.56
Net Income (RMB mn)	1,344	1,458	1,575	1,753
EPS (RMB)	0.36	0.39	0.42	0.47
EPS CHG (%)	8.39	8.51	7.99	11.30
Consensus EPS (RMB)	0.39	0.40	0.44	0.46
PE (x)	4.35	4.01	3.72	3.34
PB (x)	0.50	0.44	0.41	0.38
Yield (%)	0.00	9.97	10.76	11.98
ROE (%)	11.37	10.99	11.04	11.39
Net gearing (%)	199	216	251	275

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect Suntien's earnings will be resilent in FY20E



Source: Company data, CMBIS estimates

VPower (1608 HK): Myanmar JV on track to commercial operation

Rating: BUY **| TP:** HK$4.80 (25% upside)

Analyst: Robin Xiao

- **Investment Thesis:** VPower is on track to deliver several key projects through its JV partnership with CNTIC as Company guidance by 1H20we expect VPower will be able to enjoy considerable payoff from recent low LNG price environment. We project VPower to have earings growth of 138.4%/73.6% in FY20/21E. Based on recent market trades with increasing trading volume, we think the Company is gaining market recognition.
- **Our View:** We think the Company is at a strong momentum as share price surged more than 65% after releasing FY19 results in late Mar. Based on our revised model which incorporates contributions from Myanmar JV, our DCF TP is lifted by 47.7% to HK$4.80 per share, reflecting FY20/21E PER of 18.4x/10.6x respectively. Maintain BUY.
- **Myanmar projects are largely on track as guidance.** VPower announced its 23.2MW self-owned new project commenced operation on 3 Jun in Myanmar. According to recent news update and management comments, we think the Company's JV holding 900MW projects are also close to commercial operation. We expect PPA for those projects will likely be signed within Jun, which would be key milestone for those key JV projects.
- **Short-term catalysts:** 1we expect the Company to earn HK$178mn in 1H20, representing 24.8% growth YoY.; and 2) In 2H20, as we expect those newly added Myanmar projects and JV's contribution to kick in, we expect earnings growth to accelerate substantially.
- **Risks exposures:** IBO project delay; political risks; and foreign exchange exposures in South America countries.

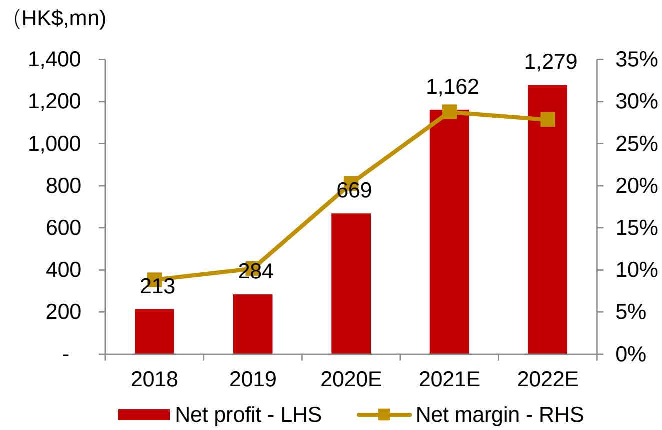
Link to latest report: VPower (1608 HK) – Myanmar JV on track to commercial operation

Financials and Valuations

(YE Dec 31)	FY19A	FY20E	FY21E	FY22E
Revenue (HK$ mn)	2,794	3,301	4,041	4,595
YoY growth（%）	284	669	1,162	1,279
Net Income (HK$.mn)	0.11	0.26	0.45	0.50
EPS (HK$)	31.2	138.4	73.6	10.1
EPS CHG (%)	N/A	0.21	0.38	0.46
Consensus EPS(HK$)	28.9	12.3	7.1	6.4
PE (x)	34.3	14.5	18.4	7.6
PB (x)	3.5	2.9	2.2	1.8
Yield (%)	0.6	1.4	2.4	2.6
ROE (%)	10.1	19.7	26.5	23.6
Net gearing (%)	112.7	100.6	73.5	55.3

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect VPower to deliver rapid earnings growth



Source: Company data, CMBIS estimates

Xiaomi (1810 HK): Strong 5G outlook and share gain

Rating: BUY | **TP:** HK$16.3 (29% upside)

Analyst: Alex Ng

- **Investment Thesis:** Xiaomi is global market leader in smartphones and IoT ecosystems, adopting an efficient business model to monetize through internet services. It is also well-positioned to capture growth opportunities in 5G backed by its solid product roadmap, including 1) fast-mover in 5G smartphones, 2) expanding IoT product offerings (wearables) and 3) more diversified internet service (games, fintech, ecommerce).

- **Our View:** Xiaomi is our top pick for H-share tech sector, given its strong 5G product pipeline, share gain from Huawei, gradual recovery in India/ Europe and resilient internet service revenue. We think see multiple growth drivers: 1) share gain in overseas smartphone market, 2) IoT recovery in China, 3) better advertising and online gaming. Overall, we expect smartphone sales to decline 5% YoY in 2Q20E but rebound rapidly with 20%/24% YoY in 3Q/4Q20E on China 5G demand and share gain from Huawei overseas.

- **Why do we differ vs consensus:** Our new FY20-22E EPS are 7-10% above consensus as we are more positive on margins and share gain from Huawei overseas.

- **Catalysts:** We expect Xiaomi to outperform peers amid Covid-19 impact, given share gain from Huawei and strong 5G handset models ahead. Near-term catalysts include product launches, India lockdown easing and China 5G handset ramp.

- **Valuation:** Our TP of HK$16.3 is based on 20x FY21E P/E (5-year historical average). We think it is justified given share gain in smartphone market, product transition into AIoT, and improving internet revenue.

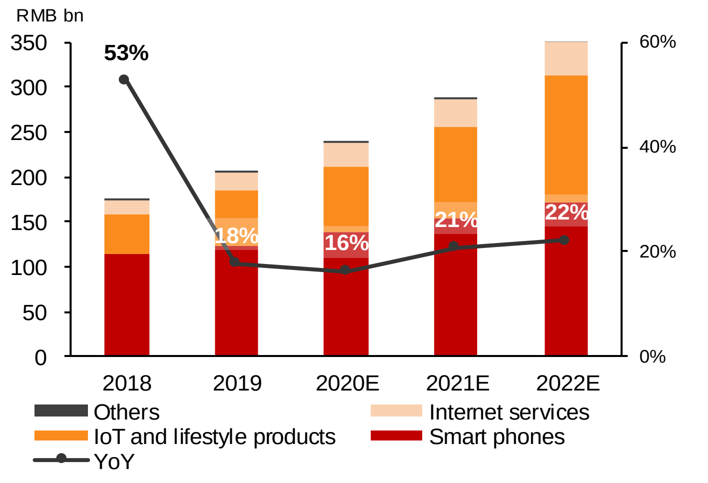
Link to latest report: Xiaomi (1810 HK) – Strong 5G outlook and share gain; U/G to BUY

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	205,839	239,468	289,116	353,298
YoY growth (%)	17.7	16.3	20.7	22.2
Adj. Net profit(RMB mn)	11,532	13,243	17,426	20,093
Adj. EPS (RMB)	0.49	0.56	0.73	0.84
YoY growth (%)	(10.7)	14.4	31.6	15.3
Consensus EPS (RMB)	NA	0.48	0.62	0.78
P/E (x)	23.4	20.4	15.7	13.6
P/B (x)	4.1	3.6	3.1	2.6
Yield (%)	-	-	-	-
ROE (%)	12.3	12.8	14.7	14.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Xiaomi Revenue trend



Source: Company data, CMBIS estimates

Short Ideas

AAC Tech (2018 HK): Worst is over but GPM pressure to persist

Rating: SELL **| TP:** HK$36.0 (14% downside)

Analyst: Alex Ng

- **Investment Thesis:** AAC is the global acoustics/haptics leader for both Apple/Android smartphone brands. It also offers handset casing, antennas and MEMs products. In order to expand into fast-growing optics industry, AAC launched plastic handset lens products in 2016 and WLG hybrid lens in 2017. AAC will benefit from 5G-driven smartphone cycle in 2020-23E.
- **Our View**: We remain cautious on AAC since overseas demand weakness, inferior product mix and margin pressure across all segments will continue to drag AAC's earnings in next few quarters. We also believe optics guidance (100kk/m in 3Q20) is too aggressive, given Xiaomi/Huawei pressure in 2Q20E (AAC's major optics clients) and lack of WLG visibility on flagship model weakness.
- **Why do we differ vs consensus:** Our FY20/21E net profit are 28%/31% below consensus, given 1) deteriorated landscape in acoustics/haptics, 2) slower optics ASP/shipment ramp, and 3) lack of major acoustics/haptics upgrade in 2H20 iPhone.
- **Catalysts:** 1) 2Q20 results miss, 2) iPhone launch delay, 3) soft guidance amid COVID-19 outbreak.
- **Valuation:** We derived our 12m TP of HK$36.0 based on 18x FY21E P/E, (15% below 5-yr avg). Since most positives from Apple recovery are reflected and we are conservative on optics guidance, we believe current valuation is too high vs 21.0x 5-yr avg.

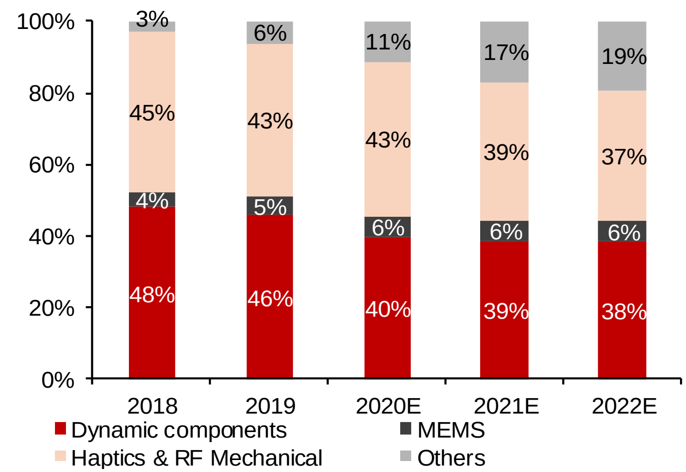
Link to latest report: AAC Tech (2018 HK) – worst is over but GPM pressure to persist; Maintain Sell

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	17,884	18,134	19,453	20,350
YoY growth (%)	(1.4)	1.4	7.3	4.6
Net income (RMB mn)	2,222	1,685	2,171	2,474
EPS (RMB)	1.84	1.39	1.79	2.04
YoY growth (%)	(41.1)	(24.2)	28.8	13.9
Consensus EPS (RMB)	1.84	1.93	2.59	3.03
P/E (x)	20.4	26.9	20.9	18.3
P/B (x)	2.3	2.2	2.1	2.0
Yield (%)	3.4	2.6	1.7	1.9
ROE (%)	11.3	8.4	10.1	10.7
Net gearing (%)	15	15	14	6

Source: Company data, Bloomberg, CMBIS estimates

Fig: AAC Revenue Breakdown



Source: Company data, CMBIS estimates

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