招銀国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

9 Nov 2021

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) FY21E	P/E (x) FY22E	P/B (x) FY21E	ROE FY21E	Yield FY21E	Analyst
Long Ideas														
Zhejiang Dingli	603338 CH	Capital Goods	BUY	5.4	71.4	71.6	87.0	22%	37.4	29.0	7.9	23.1	0.5%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	3.3	5.4	8.1	14.3	77%	17.9	14.8	2.7	16.1	2.5%	Wayne Fung
Bosideng	3998 HK	Consumer Disc.	BUY	71.2	458.6	5.8	6.1	5%	32.2	25.6	4.8	16.1	2.3%	Walter Woo
Haier	6690 HK	Consumer Disc.	BUY	36.3	31.3	27.4	36.9	35%	14.7	13.1	2.3	16.8	2.7%	Walter Woo
CTGDF	601888 CH	Consumer Staples	BUY	71.2	458.6	233.4	350.0	50%	45.9	30.9	16.2	35.2	0.5%	Joseph Wong
CR Beer	291 HK	Consumer Staples	BUY	26.2	63.4	62.9	88.0	40%	39.7	28.3	7.1	13.9	0.7%	Joseph Wong
Mengniu	2319 HK	Consumer Staples	BUY	24.6	70.5	48.5	58.0	20%	44.2	37.2	6.3	11.9	1.0%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	12.8	49.9	68.3	116.9	71%	NA	NA	NA	-20.0	0.0%	Jill Wu/ Andy Wang/ Jonathan Zhao
China Pacific Insurance	2601 HK	Insurance	BUY	38.4	36.4	24.0	36.0	50%	NA	NA	0.8	12.4	7.2%	Gigi Chen
Meituan	3690 HK	Internet	BUY	215.3	815.4	273.2	383.0	40%	NA	NA	NA	-29.3	0.0%	Sophie Huang
Bilibili	BILI US	Internet	BUY	28.8	336.4	74.8	110.0	47%	NA	NA	NA	-22.6	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	26.5	65.5	29.0	44.8	55%	4.8	4.4	1.1	14.6	4.6%	Jeffrey Zeng/ Xiao Xiao
CG Services	6098 HK	Property	BUY	22.9	90.3	55.3	91.2	65%	30.0	21.4	32.9	25.8	0.7%	Jeffrey Zeng/ Xiao Xiao
China Longyuan	916 HK	Renewables	BUY	18.0	60.2	17.4	21.0	21%	19.4	17.2	2.1	10.8	1.1%	Robin Xiao
Suntien	956 HK	Renewables	BUY	6.7	30.1	6.2	5.17*	N/A	8.4	9.2	1.1	13.0	4.1%	Robin Xiao
Xiaomi	1810 HK	Technology	BUY	65.9	304.0	20.5	39.7	94%	19.4	15.7	3.7	11.5	18.4%	Alex Ng/ Lily Yang
Willsemi	603501 CH	Technology	BUY	38.3	307.9	282.3	346.6	23%	50.9	38.4	15.1	29.1	0.0%	Lily Yang/ Alex Ng
Hikvision	002415 CH	Software & IT services	BUY	74.4	268.0	51.0	76.3	50%	29.2	24.3	7.6	28.0	0.0%	Marley Ngan

Source: Bloomberg, CMBIS, Price as of 8/11/2021, 10:30am, *TP under review

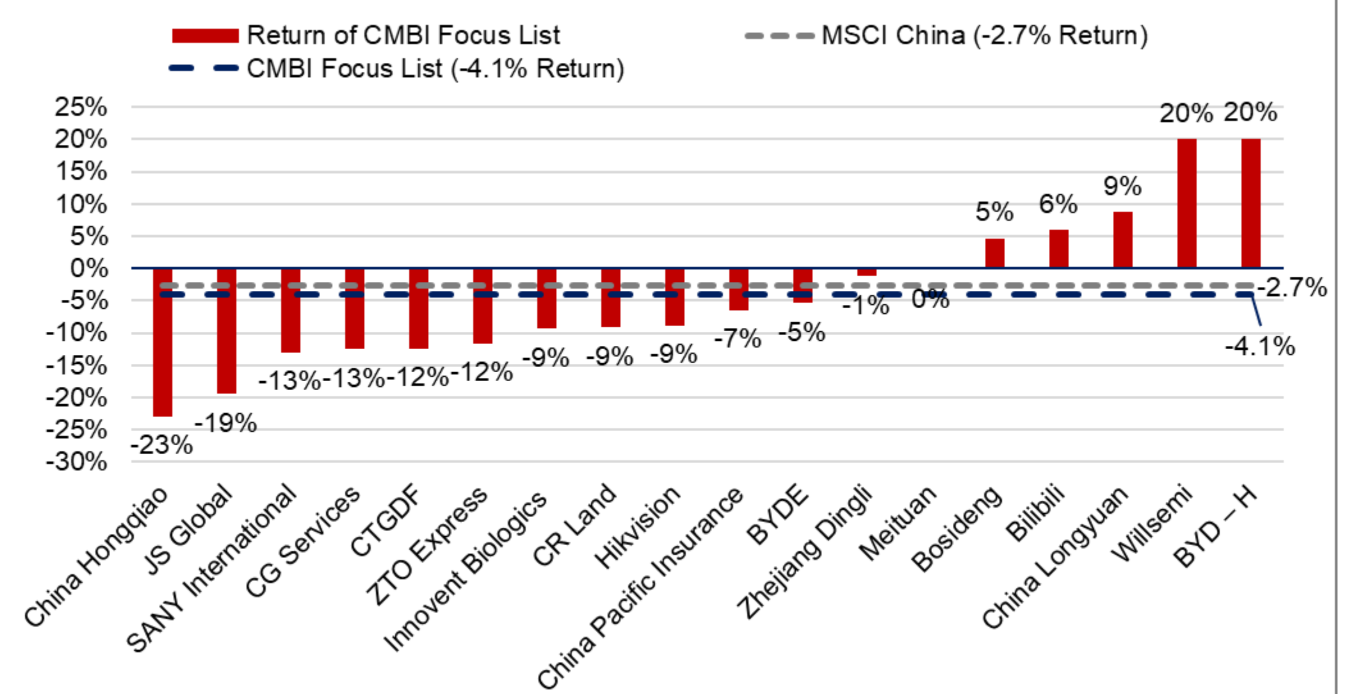
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Haier	6690 HK	Consumer Disc.	BUY	Walter Woo	We like it because of its impressive execution in 3Q21 and solid 4Q21E guidance, plus undemanding valuation. If there is turnaround in any of macro factors (property, logistics, raw material inflation, etc.), sentiment could be much better.
CR Beer	291 HK	Consumer Staples	BUY	Joseph Wong	Supply chain bottlenecks, channel reshuffling and the contagious "wealth effect" from property tightening are uncertainties that could extend beyond 2021. Compounding with any stagflation expectations, we see emerging values from a habitual consumption pattern, premiumization and an effective cost pass-through that F&B players offer. We recommend investors to stick to players with high pricing power that would manifest into steadfast margins. CRB and Mengniu are our top picks.
Mengniu	2319 HK	Consumer Staples	BUY	Joseph Wong	
Suntien	956 HK	Renewables	BUY	Robin Xiao	We prefer wind names in 4Q21E on the back of good wind resources outlook and higher capacity expansion visibility due to better grid-parity project return. Suntien experienced share price decline after posting disappointing 3Q21 results. Compared with peers, we think Suntien's valuation is attractive and provides good risk-reward in 4Q21E.
Xiaomi	1810 HK	Technology	BUY	Alex Ng/ Lily Yang	We are positive on Xiaomi's strong product portfolio and premium model strategy amid Huawei/Honor's weakness in high-end segment. We believe recent correction have priced in near-term impact from Honor's recovery and market weakness. Trading at 15.7x FY22E P/E, the stock is attractive compared to 24%/20% YoY EPS growth in FY21/22E.
Deletions					
BYD-H	1211 HK	New Energy Vehicles	BUY	Jack Bai/ Robin Xiao	While we are positive on BYD's fundamentals, recent rally may lead to profit taking in near term.
ZTO Express	2057 HK	Express Delivery	BUY	Wayne Fung	The ASP improvement trend has been gradually priced in.
JS Global	1691 HK	Consumer Disc.	BUY	Walter Woo	We are still concerned about its logistic issues in overseas and slowdown in China growth in 4Q21E, and believe that short-term catalysts might be limited even though its valuation is low and long-term story remains intact.
China Hongqiao	1378 HK	Materials	BUY	Robin Xiao	Remove China Hongqiao (1378 HK) in view of uncertainties of 1) downstream industrial demands due to power shortage and potential air pollution control measures before Beijing Winter Olympic; 2) surging electricity costs from 2022 due to NDRC's adjustment on aluminum electricity tariff policy. In the longer term, we think China will still run tight with aluminum supply, and CHQ will still be the cost leader in the market with the highest profitability.
BYDE	285 HK	Technology	BUY	Alex Ng/ Lily Yang	While we believe share gain in Xiaomi/iPad OEM, smart/automobile products and e-cigarette ramp will remain growth drivers in FY22-23E, chip shortage and smartphone weakness will negatively impact BYDE's profitability in 4Q21E and FY22E.

Source: CMBIS

Performance of our recommendations

- In our last report dated 12 Oct, we highlighted a list of 18 long ideas.
- The basket (equal weighted) of these 18 stocks underperformed MSCI China index by 1.4ppt, delivering -4.1% return (vs MSCI China -2.7%).
- BYD-H and Willsemi delivered 20% return, and 7 of our 18 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 11 Oct 2021 to 5 Nov 2021

Long Ideas

Zhejiang Dingli (603338 CH): Promising outlook of AWP in China; Anti-dumping duties results better than expectation

Rating: BUY | **TP:** RMB87.0 (22% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Aerial working platform (AWP) is entering a structural growth trajectory as the rising labor cost in China will make AWPs incrementally cost competitive compared with the traditional scaffolding. We believe Zhejiang Dingli, as a pure AWP manufacturer, remains a major beneficiary given its global presence, cost competitiveness, brand recognition and strong management execution.

- **Our View.** After around seven months of investigation, the US Department of Commerce has decided in mid-Oct that the countervailing duties and anti-dumping duties for Dingli will be 11.95% and 17.78%, respectively. The duties will be subject to the final decision by ITC. Based on the current rates, we expect the impact on Dingli should be manageable given that Dingli will adopt differentiated products (less price sensitive) in the US market.

- **Why do we differ vs consensus:** The consensus is in line with our earnings forecast in 2021E/22E.

- **Catalysts:** We see positives drivers going forward: (1) ambitious AWP fleet size expansion by **Far East Horizon (3360 HK)**, the major customer of Dingli, should help boost Dingli's AWP volume growth over the coming years; (2) significant upside of steel and freight cost seems to be less likely, which should help stabilize the gross margin.

- **Valuation:** We set our TP at RMB87, based on 44x 2021E target P/E (on the back of ~44% earnings growth in 2021E).

Link to latest report:

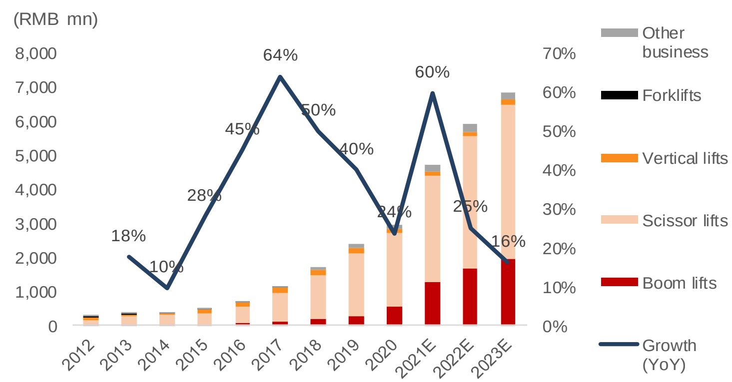
Zhejiang Dingli (603338 CH) – 3Q21 net profit +5.4% YoY; in line with expectation

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,957	4,721	5,908	6,868
YoY growth (%)	23.7	59.7	25.2	16.2
Net income (RMB mn)	664	963	1,243	1,487
EPS (RMB)	1.37	1.98	2.56	3.06
YoY growth (%)	-4.3	45.1	29.0	19.7
Consensus EPS (RMB)	N/A	1.99	2.57	3.17
EV/EBIDTA (x)	43.8	32.9	24.8	21.0
P/E (x)	54.3	37.4	29.0	24.3
P/B (x)	9.6	7.9	6.4	5.2
Yield (%)	0.4	0.5	0.7	0.8
ROE (%)	19.1	23.1	24.3	23.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIS estimates

SANY International (631 HK): Intelligent products and robotic business to drive sustainable growth

Rating: BUY | TP: HK$14.3 (77% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The ongoing development of intelligent coal mines and ports will continue to offer opportunity for SANYI to gain market share through the launch of the intelligent machinery products. Besides, industrial robot and smart mining will serve as new growth drivers for SANYI. On the other hand, the commencement of lighthouse factories in Sep/Oct will enhance SANYI's competitive edge.

- **Our View:** SANYI's net profit grew 8% YoY to RMB284mn in spite of the margin pressure resulting from high steel cost and freight rate, which we think is a set of satisfactory results. It's encouraging to see revenue growth significantly accelerated to 51% YoY in 3Q21, versus 14% in 2Q21, suggesting strong product demand. We maintain our positive stance on SANYI due to the on-track development of electric products, de-bottlenecking of large-size port machinery capacity and fast growing robotic business and smart mining.

- **Why do we differ vs consensus:** Our earnings forecast in 2021E/22E is +1/-2% versus consensus estimates. There is only a limited number of analysts covering the stock.

- **Catalysts:** (1) Launch of new products; (2) Strong mining capex; (3) easing power shortage.

- **Valuation:** Our TP of HK$14.3 (based on 23x 2022E P/E, on the back of 23% earnings CAGR in 2021E-23E). We believe potential M&A will offer additional upside.

Link to latest report:

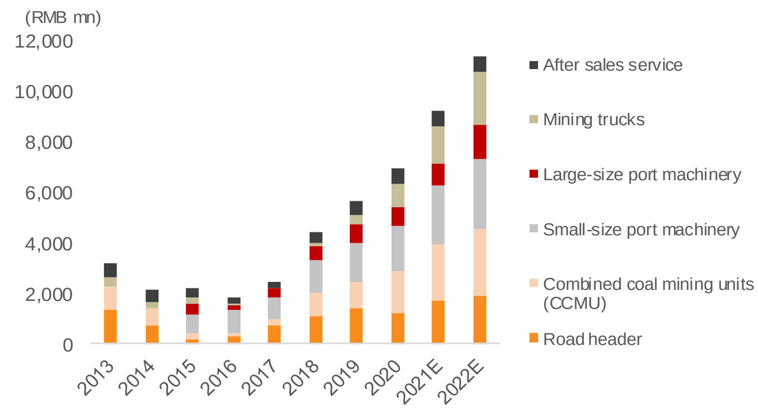
SANY International (631 HK) – 3Q21 Net profit +8%, in line with estimates; Revenue growth acceleration a positive sign

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	7,364	10,171	12,562	15,089
YoY growth (%)	30.2	38.1	23.5	20.1
Net income (RMB mn)	1,045	1,341	1,623	1,960
EPS (RMB)	0.34	0.43	0.52	0.63
YoY growth (%)	12.5	27.7	21.0	20.8
Consensus EPS (RMB)	-	0.42	0.53	0.65
EV/EBITDA (x)	15.0	12.1	10.0	8.5
P/E (x)	23.8	17.9	14.8	12.2
P/B (x)	3.2	2.7	2.4	2.2
Yield (%)	1.6	2.5	3.0	3.7
ROE (%)	14.0	16.1	17.5	18.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: SANYI's revenue breakdown



Source: Company data, CMBIS estimates

Bosideng (3998 HK): Agility and brand elevation are key strategies

Rating: BUY | **TP:** HK$6.13 (5% upside)

Analyst: Walter Woo

- **Investment Thesis:** Bosideng with superior fashion, digital capability and efficiency should gain more market shares in the long run, especially when the domestic fashion becoming the main stream in China. Bosideng is not only the largest down apparel brand in China, but also a leading manufacturer in the world. It owns the BOSIDENG, SNOWFLYING, BENGEN brands, etc. and has over 4,600 offline stores. Growth drivers includes: 1) sales per store growth (both ASP and Volume), 2) more online and direct retail sales, 3) gradual penetration of down apparel in China.

- **Our View:** It is true that weather (Sep/ Oct was warmer/ cooler than last year) and CNY timing (will be earlier than last year) may not be too favorable. But we agree Bosideng's strategy that focuses more on ASP (than volume) is the right approach. Moreover, the newly launched trench coat series with a higher ASP (e.g. RMB 3,000+) and marketing events ahead (new brand ambassador) should all be decent growth drivers. We believe a 15%+ sales growth and 1-2ppt OP margin improvements in FY22E are totally achievable.

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 5%/ 10%/ 14% lower than consensus and our net profit forecasts are 1% higher/ 13% lower/ 14% lower than street as we are more conservative on volume growth but more positive on operating efficiency.

- **Catalysts:** 1) better than expected weather, 2) positive feedback on its fashion shows or crossovers, 3) better than expected 1H22E result and 4) rising appetite for domestic fashion.

- **Valuation:** We derived our 12m TP of HK$6.13 based on 23x FY23E P/E. We believe better and colder weather ahead can drive positive sentiments and avoid de-rating. The stock is trading at 22x FY23E P/E.

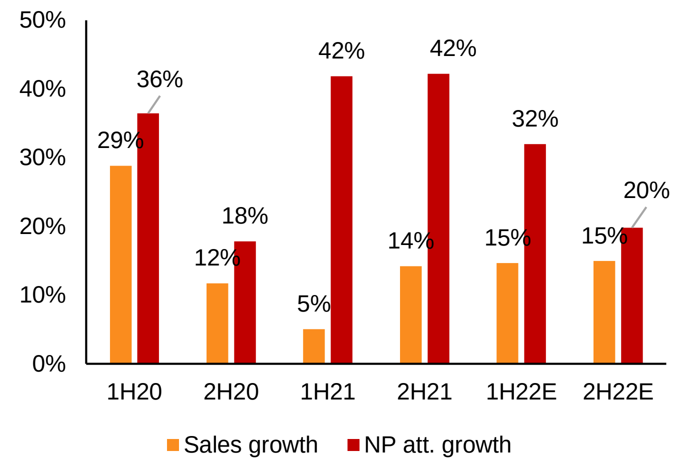
Link to latest report: Bosideng (3998 HK) - Agility and brand elevation are key strategies

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	13,517	15,526	17,404	19,103
YoY change (%)	10.9	14.9	12.1	9.8
Net profit (RMB mn)	1,710	2,108	2,472	2,883
EPS - Fully diluted (RMB)	0.153	0.188	0.221	0.258
YoY change (%)	49.5	25.5	17.3	16.6
Consensus EPS (RMB)	N/A	0.204	0.253	0.300
P/E (x)	32.2	25.6	21.9	18.7
P/B (x)	4.8	4.3	4.0	3.7
Yield (%)	2.3	2.7	3.2	3.7
ROE (%)	16.1	18.4	20.0	21.5
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

Haier SH (6690 HK): Tough 4Q21E but guidance maintained

Rating: BUY **| TP:** HK$36.91 (35% upside)

Analyst: Walter Woo

- **Investment Thesis:** Haier has been consistently gaining market shares in the past 10 years and thanks to recent M&A, it is enjoying a meaningful boost in competitiveness and efficiency which drive a faster NP CAGR in FY20-23E. It is a global leader in home appliances, owning 7 major brands (Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, Aqua and Candy) and ranked #1 in market shares for fridges, washing machines and water heaters in the world. Growth drivers includes premiumization (selling more high end products) and category expansions (e.g. AC, kitchen appliances).
- **Our View:** We believed Haier had already shown its first-class capability to navigate growth under such a tough market in 3Q21. And its confident on 4Q21E is totally reasonable, since it has no inventory shortage for the Black Friday and Christmas, backed by its mostly localized productions and the decent performance during 10-1 holidays and double 11 pre-sales. We think its current risk reward is decent given the low valuation. And if any of macro factors (property sector, logistic, raw material inflation etc.) can have a turnaround, investor sentiment should improve meaningfully.
- **Why do we differ vs consensus:** For FY21E/ 22E/ 22E, our NP forecasts is inline / 2% higher/ 2% higher than street as we are more optimistic on its operating efficiency in FY22E-23E.
- **Catalysts:** 1) robust 4Q21E data points, 2) stronger than expected exports, 3) better than expected property sales and policies and 4) better than expected raw material costs.
- **Valuation:** We derived our 12m TP of HK$36.91 based on 17x FY22E P/E. We believe premiumization, product and services upgrades, efficiency gains from digitalization and synergies can drive decent growth onwards. The stock is only trading at 13x FY22E P/E.

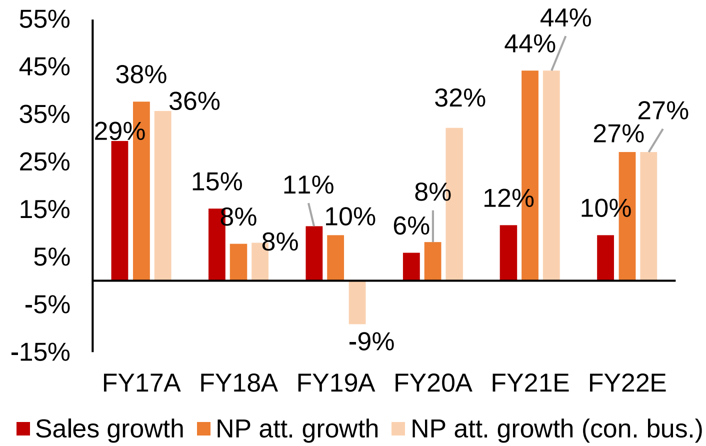
Link to latest report: Haier Smart Home (6690 HK) – Tough 4Q21E but guidance maintained

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Sales (RMB mn)	209,703	234,261	256,807	272,151
YoY change (%)	5.9	11.7	9.6	6.0
Adj. Net profit (RMB mn)	8,877	12,801	16,271	18,977
Adj. EPS - Fully diluted (RMB)	1.335	1.608	1.802	2.102
YoY change (%)	8.2	22.5	12.1	16.6
Consensus EPS (RMB)	N/A	1.431	1.712	1.969
Adj. P/E (x)	18.0	14.7	13.1	11.2
P/B (x)	2.1	2.3	2.0	1.7
Yield (%)	2.1	2.7	3.1	3.6
ROE (%)	13.3	16.8	18.6	20.1
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and net profit growth



Source: Company data, CMBIS estimates

CTGDF (601888 CH): Shares likely mean-revert on sequentially better 4Q tourist traffic

Rating: BUY **| TP:** RMB350.0 (50% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Travel bans in view of the outbreak of Delta Variant in Guangzhou and Nanjing is likely to weigh on 3Q domestic travel momentum. That said, when the pandemic gradually dies down and when vaccination surpasses 2.1bn times, we see scope for domestic travel to normalize into 4Q, particularly when the quarter is clustered with various festivals and campaigns that catalyze leisure travelling and shopping.

- **Our View:** CTGDF is the largest domestic duty-free operator with 90%+ market share in 2020, and is therefore poised to be the major beneficiary of this recovery trajectory. The stock is trading at 30.9x end-22E P/E, at par to its 3-year average but -2sd below its 1-year average, when the stock was re-rated on policy tailwind. We argue shares mean-reversion is likely to take place towards 4Q, not to mention value to be unlocked through its secondary H share listing on an expanded shareholder base.

- **Catalysts:** Potential earnings upside on rental renegotiation and tax concession. We believe rental renegotiation for Beijing airport could enhance operating leverage, while Hainan's potential tax concession approval could boost 2021/22E net profits by approximately 8%, in our estimate. Separately, owing to a rising online/ lower-margins SKU mix, we expect pressure to gross margins to prevail until 2022E when a more centralized procurement strategy, recovering offline traffic and the SKU mix upgrade could revive the trend

- **Valuation:** Our target price of RMB350.0 is based on 43.0x end-22E P/E, which represents +1sd above the average of the last 3 years. Our multiple is also benchmarked to the average valuation of 44.0x since July 2020. This explains our near-term expectation for CTGDF's share price to mean-revert as if domestic travel and spending were to recover as we are heading to a more festive 4Q.

Link to latest report: CTGDF (601888 CH) – At near term trough; Shares likely mean-revert on sequentially better 4Q tourist traffic; Initiate at Buy

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	52,597	78,379	114,404	151,491
YoY growth (%)	9.7	49.0	46.0	32.4
Net income (RMB mn)	6,390	10,681	15,873	21,255
EPS (RMB)	3.3	5.5	8.1	10.9
YoY growth (%)	63.6	69.4	50.3	33.9
Consensus EPS (RMB)	N/A	5.6	7.8	10.1
P/E (x)	N/A	45.9	30.9	23.1
P/B (x)	N/A	16.2	11.5	8.3
Div Yield (%)	N/A	0.5	0.7	1.0
ROE (%)	28.6	35.2	37.2	35.9
Net gearing (%)	54.6	46.6	45.8	49.4

Source: Company data, Bloomberg, CMBIS estimates

Fig: 1-year forward P/E since Jun 2020

Source: Company data, CMBIS estimates

CR Beer (291 HK): A mix-driven ASP boost to offset any volume hiccup over 2H; our sector top pick

Rating: BUY | **TP:** HK$88.0 (40% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Despite an anticipated 3Q consumption disruption and a seasonally slower 4Q, CRB, in our view, remains a high-quality name to stand tall thanks to its undisrupted premiumization trajectory, underpinned by a ~2% sub-premium price hike and a ~5% from a higher premium mix, respectively. We envisage these should also mitigate any cost inflation (4-5%) to be materialized over 2H21. Looking into 2022E, barring any pandemic disruptions, we forecast CR Beer's shipment to recover to 11.5m kl, similar to that in 2019, driven by a 30% YoY sub-premium/ premium sales increase, with a slightly faster Heineken volume growth. The mix upgrade should translate to a net 1.5pp gross margins expansion p.a. CRB is our sector top pick, along with Mengniu, among our Consumer Staple coverages. We initiate CRB at Buy.
- **We estimate 2H volume to down ~6% YoY due to 3Q delta-variant outbreak.** In our view, the disruption will likely bring down full-year shipment growth to ~1%, from 4.9% growth in 1H21. That said, we still expect CRB to deliver a guided 30% premium/sub-premium shipment growth, given the mix upgrade as well as a more well-defined client tier-ing system.
- **The renewed "Snow Brave the World" likely to boost ASP by ~2% p.a.** The Company targets to fresh its pricing strategy (effectively a price hike) starting from this launch. Of note, the product roughly contributed to 20-25% of CRB's total shipment in 2020 (over half of sub-premium shipment), and we estimate a 10% price hike could imply a ~2% ASP boost per annum.
- **Valuation:** Our TP is based on 3-year average 29.0x end-22E EV/EBITDA. We set our target multiple at long term average to reflect any mean-reversion once investors look past the current volume hiccup, and upon the realization of gross margins expansion as market consensus now expects.

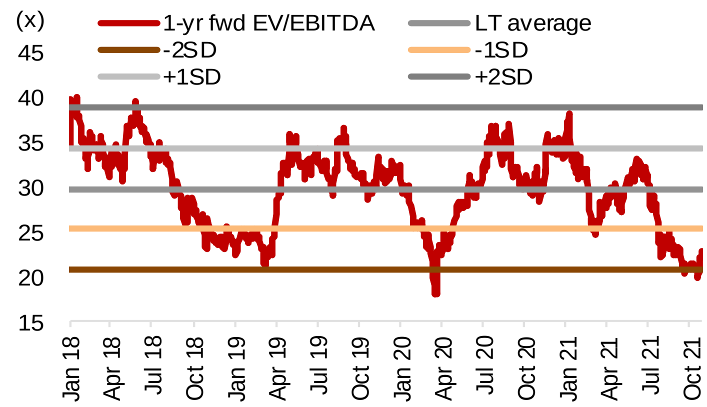
Link to latest report: China Consumer Staples – Structural merits look prominent amid transitory headwind and any stagflation expectation

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	31,448	33,393	35,852	38,454
YoY growth (%)	(5.2)	6.2	7.4	7.3
Net income (RMB mn)	2,094	4,431	4,588	5,402
EPS (RMB)	0.6	1.4	1.4	1.7
YoY growth (%)	59.6	111.6	3.5	17.7
Consensus EPS (RMB)	N/A	1.3	1.3	1.7
P/E (x)	N/A	39.7	38.3	32.5
P/B (x)	N/A	7.1	6.4	5.6
Div Yield (%)	N/A	0.7	1.0	1.2
ROE (%)	13.0	13.9	17.5	18.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: 1-year forward EV/EBITDA



Source: Company data, CMBIS estimates

Mengniu (2319 HK): Raw milk price hike an overhang but cost control & mix upgrade are clear margins boosters

Rating: BUY | **TP:** HK$58.0 (20% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Our 5.9% 2H EBIT margins stemmed from an effective cost control that was well proven in 1H. This efficiency gain should also suffice to mitigate the risks to our RMB2bn net profits assumption brought by the transitory raw milk price hike - we expect it to peak out and taper from 17% YoY in 1H to 5-6% YoY in 2H21E, resulting a ~36% 2H gross margins (2H19: 36.3%). On top of that, we look for a 10% 2H topline growth. A ~9% increase in liquid milk revenue looks to be a major driver, in which we combine a 7% volume growth with a 2% ASP accretion. Longer term, the margins hiccup does not prevent us from projecting a 21%/ 31% 3-year revenue/ EBIT CAGR for Mengniu. A raising consumer health awareness, an effective mix upgrade, an extending overseas footprint and a calculated 5-year revenue target altogether summarize this visible earnings trajectory. We initiate Mengniu at Buy, and Mengniu is our top Buy along with CR Beer (291HK, Buy).

- **Mengniu targets to double its 2020 sales revenue within five years, through its 'Creating a new Mengniu' ambition.** The company will execute the strategy through a boost to production capacity along with new and more high-end product launches including A2 fresh milk, and adult milk powder. 1H21 capex was RMB2.5b. We expect RMB6b for 2021E.

- **Business extension to Southeast Asia through the takeover of Aice.** The acquiree is a Southeast Asia ice cream brand with annual turnover of RMB2bn+. Mengniu intends to leverage on Aice's brand equity and distribution network to explore the Southeast Asia market. With a 20% 1H revenue growth, Aice was fully consolidated to Mengniu since 2Q.

- **Valuation:** Our TP is based on 29.8x end-22E P/E which represents +1sd above its 3-year average. Our multiple benchmarks to Yili's 29.0x.

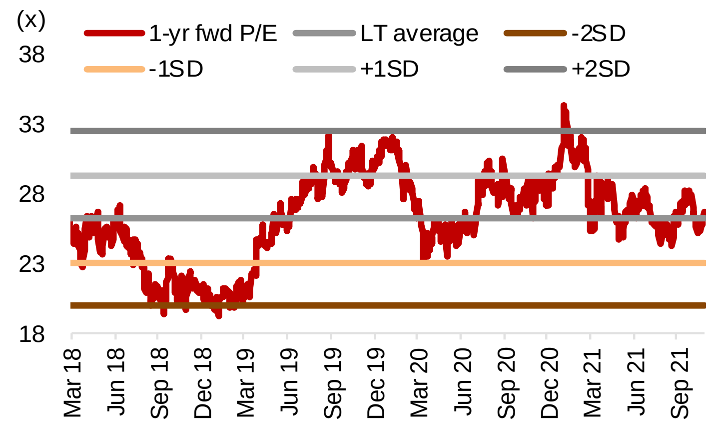
Link to latest report: China Consumer Staples – Structural merits look prominent amid transitory headwind and any stagflation expectation

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	76,035	88,152	99,327	112,079
YoY growth (%)	(3.8)	15.9	12.7	12.8
Net income (RMB mn)	3,525	4,919	6,270	7,586
EPS (RMB)	0.9	1.3	1.6	1.9
YoY growth (%)	8.6	49.7	18.8	21.0
Consensus EPS (RMB)	N/A	1.3	1.5	1.9
P/E (x)	N/A	44.2	37.2	30.8
P/B (x)	N/A	6.3	5.5	4.9
Div Yield (%)	N/A	1.0	1.2	1.5
ROE (%)	9.5	11.9	13.5	14.5
Net gearing (%)	19.0	13.1	(0.6)	(14.6)

Source: Company data, Bloomberg, CMBIS estimates

Fig: 1-year forward P/E



Source: Company data, CMBIS estimates

Innovent Biologics (1801 HK): Building world-leading innovation platform

Rating: BUY **| TP:** HK$116.89 (71% upside)   Analysts: Jill Wu/ Andy Wang/ Jonathan Zhao

- **Investment Thesis:** Innovent is a leading integrated biopharma company with comprehensive innovative pipelines including mAbs, bsAbs, small molecules and CAR-Ts, covering oncology, autoimmune and metabolic diseases. Besides 5 marketed products (sintilimab, three biosimilars and pemigatinib), Innovent has 6 innovative drugs in pivotal clinical stage, including IBI306 (PCSK9 mAb), IBI310 (CTLA-4 mAb), IBI376 (PI3Kδ inhibitor), IBI326 (BCMA-CART), taletrectinib (ROS1/NTRK inhibitor) and HQP1351 (olverembatinib, 3rd-generation BCR-ABL TKI). In addition, Innovent has established a comprehensive innovative portfolio covering next-generation I/O targets, including KRAS G12C, CD47/SIRPα, TIGT, LAG3, 4-1BB, etc. It's worth noting that Innovent is an early mover in CD47-SIRPα pathway with three assets under development, including clinical-stage IBI188 (CD47 mAb) and IBI322 (PD-L1/CD47 bsAb), and preclinical stage IBI397 (AL008, SIRPα mAb). As the Company's major source of revenue during recent years, we expect Tyvyt to realize RMB5,974mn and US$1,507mn of peak sales in China and overseas markets, respectively.

- **Our View:** We expect Tyvyt, Byvasda (bevacizumab biosimilar), Sulinno (adalimumab biosimilar) and Halpryza (rituximab biosimilar) will contribute the majority of revenue in the near future. We forecast total revenue to reach RMB3,882mn/ RMB6,098mn/ RMB8,578mn in FY2021E/22E/23E, representing a YoY change of 1%/57%/41%, respectively. We forecast Tyvyt to contribute 74% of Innovent's total revenue in FY21E while the three biosimilars accounting for 26% of the total revenue.

- **Why do we differ vs consensus:** Although our FY21E/22E/23E revenue are -9%/-8%/-3% different from consensus, we are positive on the Company's growth, especially in its fast-growing sales from I/O therapies. With more and more products launch in the near future (commercialization of IBI375, IBI306, IBI310 and IBI376 in China during 2022-23E) and the NDRL inclusion of Tyvyt's large indications in 2021E, we are very optimistic on the Company's profitability.

- **Valuation:** We derive our target price of HK$116.89 based on a 15-year DCF valuation (WACC: 9.30%, terminal growth rate: 4.0%).

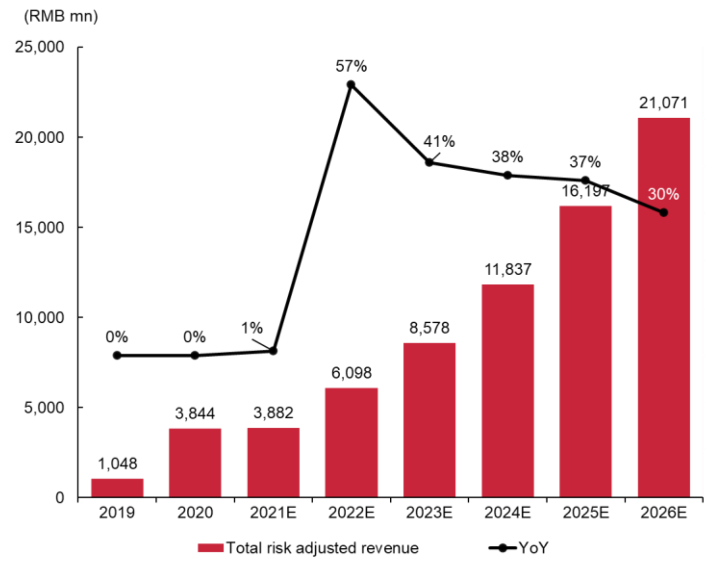
Link to latest report: Innovent Biologics (1801 HK) – Building world-leading innovation platform

Financials and Valuations

(YE 31 Dec)	FY21E	FY22E	FY23E
Revenue (RMB mn)	3,882	6,098	8,578
YoY growth (%)	(1)	(57)	(41)
Net profit (RMB mn)	(2,177)	(1,225)	(307)
EPS (RMB)	(1.49)	(0.84)	(0.21)
Consensus EPS (RMB)	(1.14)	(0.56)	0.25
P/S (x)	6.8	7.1	6.8
ROE (%)	(20)	(12)	(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 Insurance (2601 HK): Re-energizing agency force

Rating: BUY | **TP:** HK$35.96 (50% upside) Analyst: Gigi Chen

- **Investment Thesis:** - 9M21 new business momentum still outperformed major peers, with agency FYP /FYRP grew 3.6% / 15.8% YoY, in spite of a decline in agent headcount, as the insurer continued to focus on agency business and regular pay products. Agent productivity increased 41.6% YoY, and average first-year commission income rose 15.1% YoY in 1H21. The insurer also achieved double-digit growth of health insurance business, outpacing the industry average momentum in 1H21. Looking into 2022, we expect the new initiatives launched at the life arm to improve agent activity and increase top-up sales to existing customers. We also notice the insurer is progressing in technology deployment and innovation which will support growth and improve efficiency, in our view.
- **Long-term growth outlook remains intact:** Given the increasing demand of pension on the back of aging population, we believe that the long-term growth outlook of commercial life insurance remains intact. And we expect insurers with consistent focus on productivity and value to outperform amid the industry-wide agency transformation.
- **Catalysts:** - CPIC Life will implement new agency incentive mechanism at the beginning of 2022, along with the nationwide rollout of other digital agency support systems. The new system incentivize agents towards high persistency, high productivity and sustainable growth, and will punish high lapse model and speculative sales gimmicks..
- **Valuation:** Our PO is based on adjusted appraisal value under the assumptions of (1) 3.0% long-term investment return, (2) 11% risk discount rate, (3) 35% write-down of corporate bonds and non-standard debt investments and (4) 15x NB multiple. The stock is trading at 0.4x FY22E P/EV or 0.7x FY22E P/B, with attractive yield at above 7.5%. Reiterate BUY.

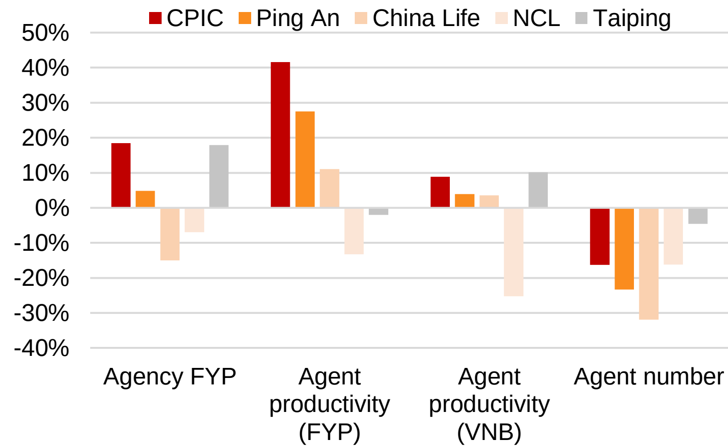
Link to latest report: China Pacific Insurance (2601 HK) – Re-energizing agency force

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
GWP (RMB mn)	362,064	379,880	404,464	428,514
YoY growth (%)	4.2	4.9	6.5	5.9
Total income (RMB mn)	418,964	422,765	451,759	480,925
Net profit (RMB mn)	24,584	27,441	30,243	32,957
EPS (RMB)	2.6	2.9	3.2	3.5
YoY Growth (%)	(14.1)	11.6	10.2	9.0
Consensus EPS (RMB)	N/A	2.9	3.2	3.6
P/B (x)	0.9	0.8	0.7	0.7
P/EV (x)	0.4	0.4	0.4	0.3
Yield (%)	6.6	7.2	8.0	8.7
ROE (%)	12.5	12.4	12.7	12.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: Chinese insurers 1H21 agency YoY changes



Source: Company data, Bloomberg, CMBIS estimates

Meituan (3690 HK): Looking beyond 3Q21E epidemic impact

Rating: BUY **| TP:** HK$383 (40% upside)

Analysts: Sophie Huang

- **Investment Thesis:** We keep positive on Meituan Dianping's ("MD") secular growth, backed by rising online consumption, new initiatives (e.g., community e-commerce), and digital operation. Despite ST pressure from regulation and epidemic, Meituan could be relatively defensive with well-guided financials, optimized and compliant system, and limited exposure to upcoming content supervision. **Our bear case analysis (excl. new biz valuation) indicates HK$180 as fundamental price floor.** Suggest to buy the dips for attractive valuation and regulatory overhang to lift.

- **Our View:** Meituan's 3Q21E would be relatively moderate but well-anticipated, limited by COVID-19 resurgence, natural disasters and regulation. We forecast rev +37% YoY (in line with consensus) and bottom line at -RMB5.6bn (vs. consensus of -RMB5.0bn). By segment, food delivery would see rev deceleration (+26% YoY) and margin volatility (OPM at 3%) with higher subsidies in 3Q21E, but was well-guided. New social insurance would also be acceptable. COVID-19 & flood would pose one-off impact on in-store biz in 3Q21E (forecasting rev +31% YoY, with OPM at 40%), while long-term trend would be intact.

- **Why do we differ vs consensus:** Market concern lies on anti-trust law, social insurance impact, and potential threat from Douyin. We believe near-term concern have been priced in and more prudent monetization outlook was well-guided.

- **Catalysts:** 1) regulation overhangs to lift ; 2) new initiatives to expand TAM (e.g. ride hailing).

- **Valuation:** Maintain BUY with SOTP-based TP of HK$383, implying 8x FY22E P/S. Valuation is attractive, given its 41% FY20- 23E rev CAGR and expanding TAM, in our view.

Link to latest report: Meituan (3690 HK) – Looking beyond 3Q21E epidemic impact

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	114,795	180,891	253,279	324,840
YoY growth (%)	18	58	40	28
Net income (RMB mn)	3,121	(15,465)	(1,105)	17,078
EPS (RMB)	0.52	(2.50)	(0.17)	2.61
YoY growth (%)	(34)	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(2.7)	(0.19)	2.58
P/E (x)	446	N/A	N/A	89
P/S (x)	12.4	7.9	5.6	4.4
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.0	(29.3)	(9.8)	14.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: MD's revenue growth estimates

Source: Company data, CMBIS estimates

Bilibili (BILI US): Full-year growth intact

Rating: BUY | **TP:** US$110 (47% upside)

Analysts: Sophie Huang

- **Investment Thesis:** We keep bullish on BILI's LT user expansion and monetization enhancement, backed by vibrant community, unique PUGC, strong user stickiness, and enriched offerings. FY21E MAU and rev growth target intact, while segment guidance updated to games/ non-games rev +12~13%/90% YoY (vs. priori +25%/80% YoY). Regarding minor protection, we believe game sector de-rating has priced in regulatory headwinds, while soft video and social sentiment may bring short-term pressure despite limit financial impact.

- **Our View:** 3Q21E would be on track, with rev +62% YoY and bottom line at –RMB1.7bn. By segment, game/ ads/ VAS rev +13%/130%/87% YoY in 3Q21E. We expect its MAU up 32% YoY to 260mn, backed by effective user expansion and seasonality. Games would be moderate in 3Q21E, with strong jointed distributed titles (e.g. Harry Potter) to offset limited new titles and tightening regulations. Overseas expansion and existing games would be near-term driver, given pending license approval. Ads momentum continued (forecasting +130% YoY), despite challenging ads environment. GPM will drop 2ppts QoQ, but well priced in.

- **Why do we differ vs consensus:** Market concern lies on regulations and rising content cost. BILI's stock price might see near-term volatility for regulation headwinds, but we are positive on its long-term topline outlook and user trend.

- **Catalysts:** 1) solid user metrics and topline in 3Q21E; and 2) new games to further boost game rev.

- **Valuation:** We barely changed our full-year estimates but lowered TP to US$110 (8.5x FY22E P/S, vs. prior 11x FY22E P/S) to reflect sector de-rating. Maintain BUY.

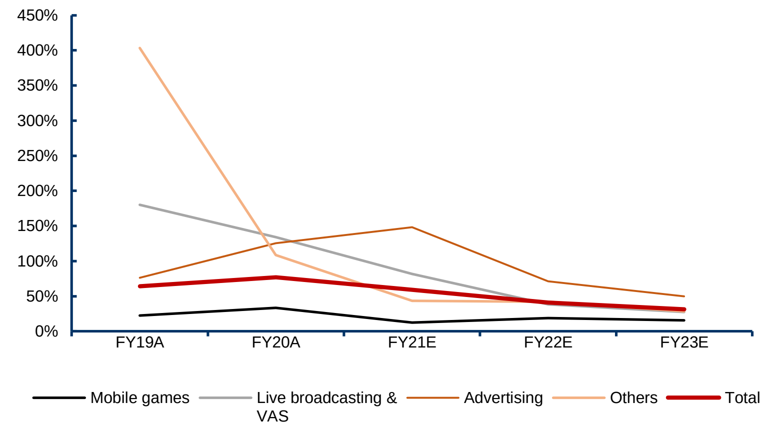
- **Link to latest report:** Bilibili (BILI US) – Full-year growth intact

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	11,999	19,119	26,991	35,416
YoY growth (%)	64	59	41	31
Net income (RMB mn)	(2,622)	(4,380)	(5,284)	(5,039)
EPS (RMB)	(7.46)	(13.52)	(15.11)	(14.27)
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(11.98)	(10.60)	(6.82)
P/E (x)	N/A	N/A	N/A	N/A
P/S (x)	12.1	7.0	5.4	4.1
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(38.56)	(22.6)	N/A	N/A
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: BILI's revenue growth estimates



Source: Company data, CMBIS estimates

CR Land (1109 HK): Rental income to ride on consumption recovery

Rating: BUY | **TP:** HK$44.79 (55% upside) Analysts: Jeffrey Zeng/ Xiao Xiao

- **Investment Thesis:** In 2021, we favor 1) Names with high % of rent-bearing mall property: We expect a personal spending boom in 2021 on a) high deposit rate (1 - expenditure-to-income ratio) in 2020, b) wealth effect of the stock market, and c) the gradual distribution of COVID-19 vaccines. 2) “Borderline green-zone” names: Under current tight policy and stable market, sales growth depends on an increase in goods value, which in turn depends on an increase in corresponding debt. “Green-zone” (those meeting all three red lines) and “borderline green-zone” (those that can meet all three by YE20) names will have 5-10% edge in debt growth. Such a gap could widen given restricted land cost and rising sales GP margin.

- **Our View:** Investment highlights for CR Land are 1) 30%+ growth in mall rent collection in 2021, 2) CR City Phase IV boosting Shenzhen's sales share and overall GPM. 3) Spin-off of rent collection business to generate value. We see the promotion of CR City Phase IV in Dec 2020 and upcoming results announcement as major catalysts.

- **How do we differ:** Overall, we see the market as over-concerned on 1) further policy tightening and 2) decline in property demand. We think the high saving rate and wealth effect of 2020 would help drive consumption recovery, which would benefit major shopping mall runners in the property space (i.e. CR Land) to accelerate rental income growth.

- **Valuation:** The Company currently trades at 4.8x 2021E P/E vs. historical average of 9x. Moreover, the increase in revenue share of rent collection business could trigger re-rating: see Longfor (960 HK) which currently trades close to 10x 2021E P/E.

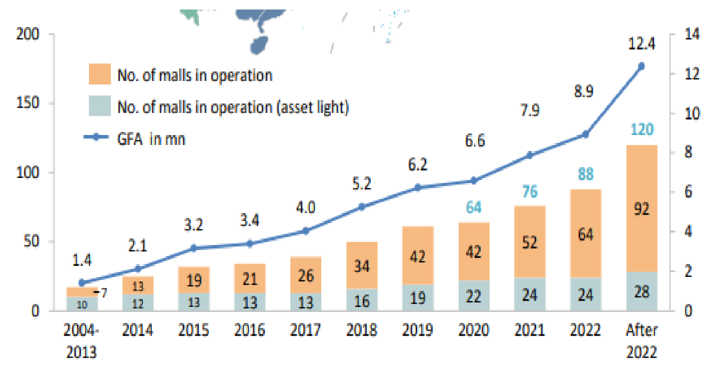
Link to latest report: China Property Sector – There are no saviors but developers themselves

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	147,736	179,587	242,568	271,335
YoY growth (%)	21.9	21.2	35.1	11.9
Net income (RMB mn)	28,672	29,810	31,809	34,666
EPS (RMB)	4.12	4.18	4.46	4.86
YoY growth (%)	17.7	1.5	6.7	9.0
Consensus EPS (RMB)	N/A	N/A	4.05	4.63
P/E (x)	5.2	5.1	4.8	4.4
P/B (x)	1.1	1.2	1.1	1.0
Yield (%)	4.0	3.8	4.6	5.1
ROE (%)	16.5	13.7	14.6	14.3
Net gearing (%)	30.3	32.1	31.6	34.4

Source: Company data, Bloomberg, CMBIS estimates

Fig: CR Land’s opening plan



Source: Company data, CMBIS

CG Services (6098 HK): 13-20% earnings boost from Languang acquisition

Rating: BUY **| TP:** HK$91.2 (65% upside)

Analysts: Jeffrey Zeng/ Xiao Xiao

- **Investment Thesis:** we are very confident on its >RMB100bn revenue target by 2025E (50% CAGR) as 1) contracted GFA to exceed 1.3bn sq m in 2021E after acquiring Languang; 2) step into commercial property managements which is another blue sea; 3) fast-growing VAS via offering more comprehensive services (e.g. community group shopping, insurance) to increase VAS/sq m to RMB30; and 4) city services to further widen BtoG and BtoB business connection. As a result, we revise up 2021/22E earnings by 10-17% and lift TP to HK$91.2. Reiterate CGS as our Top Pick on growth visibility and VAS. **Catalysts**: 1H21 results beat
- **Our View:** We with high visibility as its parentco could achieve >70mn GFA sales per year. Unlike most players, CGS has turned its M&A focus to community VAS expansion, reflected in City-Media (elevator ads), Hopefluent (real estate agency) and Wenjin International (insurance) acquisitions. Together with CGS' own booming retail business (with the help of its Parentco sourcing), we believe expect managed GFA to grow at a stable 30% CAGR in 2019-2022E the Company would be the key winner in VAS growth.
- **How do we differ:** We value CGS' potential in VAS which the market has not yet recognized. With CGS's strong capital and execution, we think the Company can improve its VAS per sq m from current RMB3/sq m to RMB30/sq m in the future, getting closer to the level of RMB50-56 in US and Japan. We think its Community VAS could contribute as much as RMB5bn net income in the mid-to-long run, and may be worth RMB150bn valuation alone by assigning 30x PE.
- **Valuation:** We derive the target price of HK$91.2/share by using 35x 2022E PE based on the score card. It's currently trading at 21x 2022E PE and looks attractive. We think it will rerate after better-than-expected 1H21 results.

Link to latest report:

China Property Service Sector – NDRC to support Community VAS segment via tax and social insurance reduction

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	9,645	15,600	27,265	39,683
YoY growth (%)	106.3	61.7	74.8	45.5
Net income (RMB mn)	1,671	2,686	4,649	6,479
EPS (RMB)	0.63	0.98	1.57	2.20
YoY growth (%)	69.8	55.7	61.3	39.4
Consensus EPS (RMB)	N/A	N/A	1.28	1,75
P/E (x)	74.7	48.0	30.0	21.4
P/B (x)	N/A	23.1	32.9	20.9
Yield (%)	N/A	0.3	0.7	1.0
ROE (%)	31.1	18.4	25.8	28.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: CGS has first-move advantage in VAS acquisitions

Date	Target company	Business	Stake	Consideration (RMB mn)
Apr-20	Wenjin Insurance I	Insurance	100%	84
Apr-20	Hopefluent	Property agency	100%	92
Jul-20	City Media	Elevator ads	100%	1,500

Source: Company data, CMBIS estimates

China Longyuan (916 HK): Backdoor listing on track; 4Q21 performance to sustain good momentum

Rating: BUY **| TP:** HK$21.0 (21% upside)

Analyst: Robin Xiao

- **Investment Thesis:** CLY's 3Q results was a bit dragged by slow wind season and sluggish coal-fired power segment due to high standing coal price. 3Q21 earnings declined 13.3% YoY, while 9M21 earnings maintained decent growth at 31.4% YoY. In 9M21, CLY read wind power generation growth of 18.9% YoY to 37,031GWh, on track to our full year projection (+18% YoY). Looking ahead in 4Q21E, as wind speed to resume in winter, we expect power generation growth to accelerate again. We made slight adjustment on FY21-23E earnings, and lift TP by 10.5% from HK$19.0 to HK$21. Maintain BUY.

- **Backdoor listing on track.** Mgmt. expressed the A-share listing is still on track to a target timeline by end-2021. Recent application suspension announcement was made upon CSRC request, while the defective project land disposal is still on going. The Company will resume application when those land field disposal processes are done.

- **Wind tariff to have upside potential.** In 9M21, wind tariff increased by RMB7.8/MWh to RMB490.8/MWh. The Company recorded ~29.3% market trading for wind segment with average trading tariff of RMB383.7/MWh, up RMB29.4/MWh. In view of recent coal-fired power tariff hike towards 20% upside to the benchmark, we expect CLY's electricity market trading to have significant upward potential, which could improve 4Q21E average wind tariff performance。

- **Strong market sentiment to continue.** We prefer CLY in the wind sector for its earnings quality, well prepared capital planning (backdoor listing), and sufficient projects and asset injection pipeline to sustain ~25% capacity CAGR in the 14th FYP period. We revised up TP from HK$19.0 to HK$21.0 after CLY's 3Q results announcement. Maintain BUY.

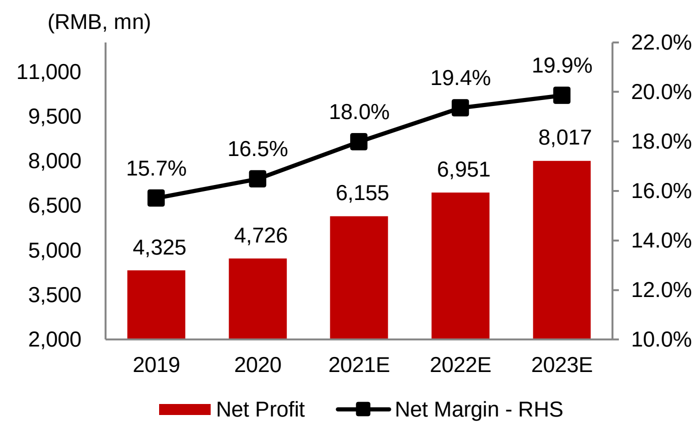
Link to latest report: China Longyuan (916 HK) – Backdoor listing on track; 4Q21 performance to sustain good momentum

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	28,667	34,230	35,907	40,370
YoY Growth （%）	4.1	19.4	4.9	12.4
Net Income (RMB mn)	4,726	6,155	6,951	8,017
EPS (RMB)	0.59	0.77	0.86	1.00
EPS CHG (%)	9.3	30.2	12.9	15.3
Consensus EPS (RMB)	N/A	0.77	0.82	1.0
PE (x)	25.3	19.4	17.2	14.9
PB (x)	2.31	2.10	1.91	1.73
Yield (%)	0.8	1.0	1.2	1.3
ROE (%)	9.2	10.8	11.1	11.6
Net gearing (%)	165	178	189	199

Source: Company data, Bloomberg, CMBIS estimates

Fig: CLY's net profit vs. net margin



Source: Company data, CMBIS estimates

Suntien (956 HK): 3Q21 results miss creates good entry point

Rating: BUY **| TP:** HK$5.17*

Analyst: Robin Xiao

- **Investment Thesis:** We are bullish on China Wind Operators in 4Q21E. On one hand, we think wind names to gain more traction given higher capacity growth certainty in view of satisfactory grid-parity project return. On the other hand, good wind resources in 4Q driven by season factor will boost wind power generation growth again. Suntien – H is trading at only 9.2x FY22PER, significantly lower than peers' average of 11.2x and leading names of 17.2x. We think Suntian – H's valuation is attractive and provides good risk – reward.

- **3Q21 results miss market expectation.** Suntien posted 3Q21 earnings with a net loss of RMB52mn. Excluding perpetual interest distribution, net profit attributable to common shareholders of 9M21 was RMB1,473mn, up 66.7% YoY. We think market find it quite disappointing for making net loss in 3Q21, and we observed share price declined after 3Q21 results announcement.

- **Sluggish performance was mainly result of seasonal factor.** We think some of investors are NOT familiar with Suntien season earnings distribution. According to Suntien's earnings history in the past few years, 3Q has always been a low point of profitability due to low wind season. In 3Q21, although wind power generation was 1,888GWh, up 17.7% YoY but down 48.5% QoQ. 3Q21 revenue was up 32.6% YoY but down 26.1% QoQ, and most of incremental revenue YoY was contributed by lower margin natural gas business. Meanwhile, the Company normally arrange more maintenance work for the wind power generating segment, which also caused higher cost distribution during the quarter.

- **Attractive valuation vs. peers.** Suntien-H's share price exhibited sharp decline after sluggish 3Q21 results. We expect earnings performance to pick up with good wind resources in 4Q21E. We think Oct operating performance announcement could be a short term catalyst.

Link to latest report: Suntien – H (956 HK) – 1H21 beat; strong earnings momentum to continue in 2H21E

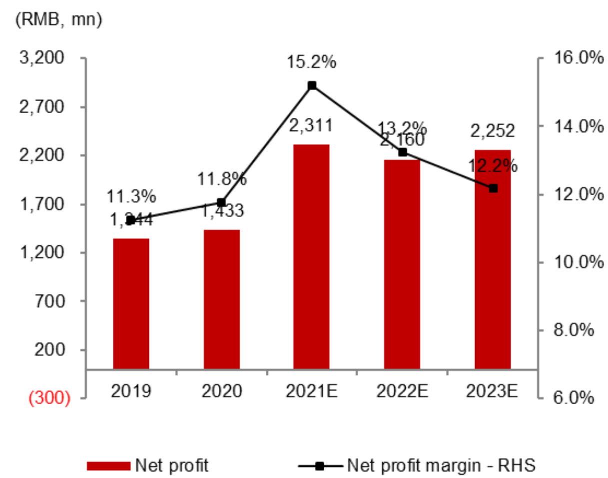
*TP under review

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	12,511	15,193	16,313	18,500
YoY Growth （%）	4.5	21.4	7.4	13.4
Net Income (RMB mn)	1,433	2,367	2,150	2,193
EPS (RMB)	0.38	0.61	0.56	0.57
EPS CHG (%)	4.7	62.3	-9.2	2.0
Consensus EPS (RMB)	N/A	0.43	0.47	0.51
PE (x)	13.6	8.4	9.2	9.0
PB (x)	1.51	1.09	1.02	0.95
Yield (%)	2.6	4.1	3.8	4.0
ROE (%)	11.1	13.0	11.1	10.6
Net gearing (%)	225	141	163	167

Source: Company data, Bloomberg, CMBIS estimates

Fig: Suntien's net profit vs. net margin



Source: Company data, CMBIS estimates

Xiaomi (1810 HK): Strong 5G momentum to outweigh India impact

Rating: BUY **| TP:** HK$39.69 (94% upside)

Analysts: Alex Ng/ Lily Yang

- **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 backed by its solid product roadmap and market expansion, including 1) growth potential in China offline market, LATAM and Europe, 2) expanding IoT product offerings and 3) more diversified internet service (games, fintech, ecommerce).

- **Our View:** We are positive on Xiaomi's comprehensive product portfolio and premium model strategy (MIX 4 in 3Q) amid Huawei/Honor's weakness in high-end segment. Despite global chip shortage in near term, Xiaomi's market share continues in 3Q21E and improving ASP/margin will offset smartphone shipment softness in 2H21E. We believe advertising segment will maintain healthy growth backed by smartphone momentum, while gaming/fintech biz will remain under pressure due to policy uncertainties. As for EV, mgmt. expected to commence mass production in 1H24E and we are positive on its progress backed by strong balance sheet, technology investment and talent acquisitions.

- **Why do we differ vs consensus:** Our FY21-23E EPS are 15-16% above consensus given better margins and share gain from overseas.

- **Catalysts:** Near-term catalysts include product launches, China demand recovery and EV progress.

- **Valuation:** Our TP of HK$39.69 is based on 30x FY22E P/E. We think it is justified given share gain in smartphone market, product transition into AIoT, and resilient internet revenue.

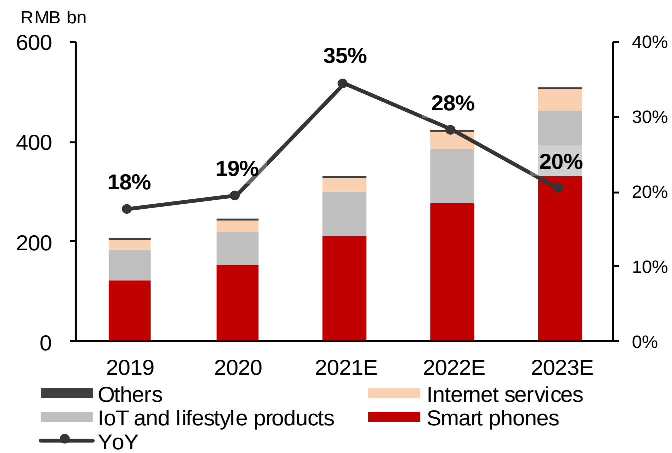
Link to latest report: Xiaomi (1810 HK) – 2Q21 beat on strong ads and margin; Maintain BUY

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	245,866	330,742	424,019	510,462
YoY growth (%)	19.4	34.5	28.2	20.4
Adj. Net profit(RMB mn)	13,006	23,018	28,450	34,157
Adj. EPS (RMB)	0.54	0.96	1.19	1.42
YoY growth (%)	11.7	77.0	23.6	20.1
Consensus EPS (RMB)	N/A	0.83	1.03	1.24
P/E (x)	34.3	19.4	15.7	13.1
P/B (x)	4.5	3.7	3.0	2.5
Yield (%)	16.4	18.4	18.4	17.7
ROE (%)	12.3	11.5	14.4	15.1
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

Willsemi (603501 CH): A diversified & established global CIS player

Rating: BUY **| TP:** RMB346.60 (23% upside)

Analysts: Lily Yang/ Alex Ng

- **Investment Thesis:** Willsemi is a top 3 manufacturer in global CIS market. We forecast Willsemi's revenue/NP to grow at 30%/32% 2021-23E CAGR, driven by strong demand for CIS from automotive, VR/AR, security and other fast-growing end markets. We believe Chinese CIS players will be major beneficiaries of China semi localization and expanding global CIS market (7.2% 21E-26E CAGR).

- **Our View:** Although recent smartphone sales weakness and supply chain constrains has affected Q3 revenue, we remain positive on Willsemi and believe its non-mobile CIS business will maintain strong momentum and power the company's future growth. Considering underlying negative factors which would last longer, we revised down our FY21E-23E rev. forecasts, but raised margin est. due to improved product mix. We maintain BUY with 12m TP adjusted to RMB346.6.

- **Why do we differ vs consensus:** As emphasized before, we see greater potentials beyond mobile market, which has stronger demand and higher GPM. Rev. contribution from non-mobile CIS accounted for 50% of CIS sales in 3Q21. The market starts to agree with our view and weigh more on non-mobile CIS business now. Meanwhile, we are not that pessimistic on Willsemi's mobile CIS business as there is still room to gain market share.

- **Catalysts:** Continuous strong demand for auto CIS, release of VR/AR devices by leading names such as Metaverse, Nintendo, etc.

- **Valuation:** Our TP of RMB346.6 implies 50x FY22E P/E, in-line with 1SD above 2-year historical forward P/E.

Link to latest report:

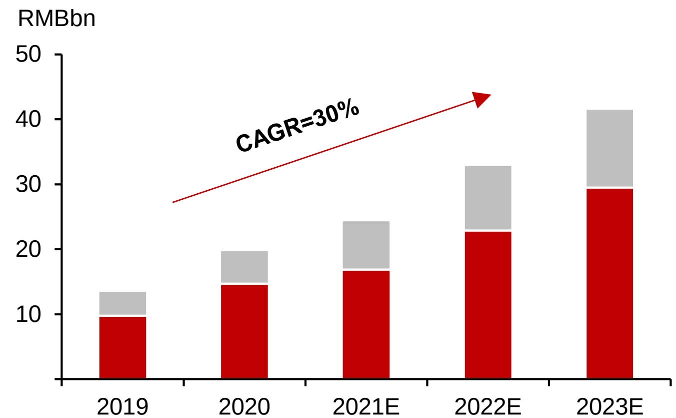
- Willsemi (603501 CH) – Long-term positive view unchanged with non-mobile CIS to power future growth
- Willsemi (603501 CH) - The next chapter beyond mobile CIS is coming
- China CIS market - Beginning of multi-year growth cycle; Initiate BUY

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (US$ mn)	19,824	24,470	32,968	41,635
YoY growth (%)	45.4%	23.4%	34.7%	26.3%
Gross margin (%)	29.9%	33.8%	34.2%	34.3%
Net profit (US$ mn)	2,706	4,656	6,180	8,056
EPS (US$)	3.21	5.22	6.93	9.04
YoY growth (%)	322.4%	62.7%	32.7%	30.3%
Consensus EPS (US$)	3.21	5.30	6.76	8.48
PE (x)	82.9	50.9	38.4	29.4
PB (x)	20.0	15.1	10.2	7.3
ROE (%)	23.5%	29.1%	26.0%	24.4%
Net gearing (%)	6.7%	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Willsemi revenue trend



Source: Company data, CMBIS estimates

Hikvision (002415 CH): Intelligent camera leader

Rating: BUY **| TP:** RMB76.25 (50% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Hivision is more than a surveillance camera provider as camera applications are expanded by embedding AI/ sensor technology. Hikvision products cover 70 industries and EBG (enterprise) is replacing PBG (public security) as the new growth driver. We expect Hikvision to deliver 19% net profit CAGR in FY20-23E.

- **Our View:** We like Hikvision for its camera technology leadership and continuous margin improvement. Given diversified customer mix, Hikvision can achieve stable growth and face less policy risk. Hikvision Innovative business segments (smart home products/ robotics/ thermal/ x-ray products etc.) is gaining traction, revenue was up +122% YoY to RMB5.6bn in FY1H21 and contributed 16% of total revenue. Gross margin is also improving (+3.1 pct pts to 41.6% in FY1H21), narrowing the gap with core surveillance GPM of 47.2%.

- **Why do we differ vs consensus:** Hikvision has adopted high inventory level strategy since Hisilicon ban in 2019. This helps secure customers and gain market share amid global raw material shortage, especially for SMBG (SME customers) and overseas business.

- **Catalysts:** Accelerating enterprise digitalization, public security projects bidding grow faster than expected.

- **Valuation:** We derive our target price of RMB76.25 on 36x FY22E P/E, 50% above its 3-year mean. Hikvision deserves re-rating as 1) supply chain risk is mitigated after two years of product re-design and 2) strong growth in innovative business proves Hikvision transformation to an intelligent camera solution provider.

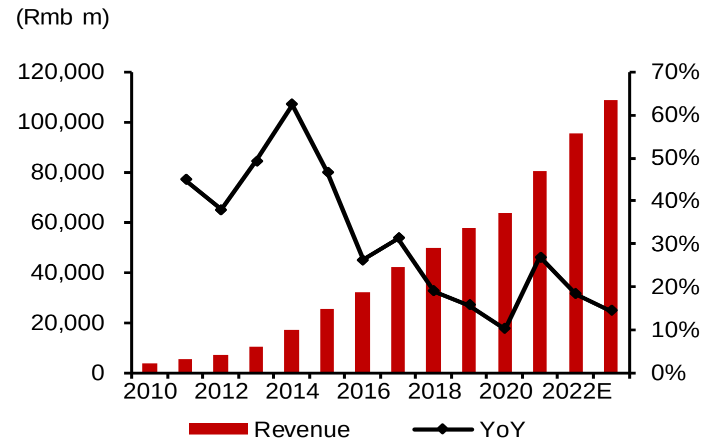
Link to latest report: Hikvision (002415 CH) – Resilient 3Q21 with high inventory buffer

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	63,503	80,796	94,686	108,649
YoY growth (%)	10%	27%	17%	15%
Net profit (RMB mn)	13,386	16,454	19,775	22,833
EPS (RMB)	1.43	1.76	2.12	2.45
YoY growth (%)	8%	23%	20%	15%
Consensus EPS (RMB)	1.43	1.81	2.26	2.70
PE (x)	36.0	29.2	24.3	21.1
PB (x)	9.0	7.6	7.5	7.4
Dividend Yield (%)	0.01	0.03	0.04	0.05
ROE (%)	27%	28%	31%	35%
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Hikvision revenue and YoY growth



Source: Company data, CMBIS estimates

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