

# Vesync (2148 HK)

## Privatization amid trade headwinds and challenging capital market conditions

■ **What is new? Vesync (2148 HK) has proposed a privatization by a cash or stock offer.** Vesync (2148 HK) has announced its plan to privatize the Company by the scheme of arrangement. The offer to current shareholders is HK\$ 5.6 per share or a share swap to 1 TopCo Share per share. The total consideration could be as much as around HK\$ 938mn, if holders of all the Non-Offerrer Concert Parties' shares (about 186.5mn shares, accounting for 16.4% of total shares issued) choose to take the cash offer. The offer price of HK\$ 5.6 is 33% higher than the last trading price and is equal to about 9.7x/ 8.7x FY24E/ 25E P/E, based on CMBI estimates.

■ **Our view: We believe the risk-averse investors may take the cash offer while long-term investors may take the shares.**

1) Dividends paid in the past should also be considered. Some investors may argue that the offer price of HK\$ 5.6 is not that attractive, because that is not far from its IPO price of HK\$ 5.52 back in late 2020. However, if we also include the dividend paid of HK\$ 0.555 in the past, the total return could be upgraded to 12%.

2) Valuation of the offer price still has a discount vs peers' average (the implied valuation is at around 9x FY25E P/E, at 29%/ 43% discounts to China/ international small appliances peers average of 13.6x/ 17.0x), but given the near-term headwinds, such as i) the potential pressure from the additional import tariffs, which is especially negative for those with limited Southeast Asia exposure, ii) relatively high channel inventories, iii) relatively high freight rates and metal prices, iv) potential slowdown in GDP growth and retail sales growth in the US, and v) rising competition from various competitors like SharkNinja, Dyson or SEB, we believe the offer is reasonable for those risk-averse investors.

3) Option to do a stock swap is still available for those long-term investors. Despite the short-term uncertainties, we are still positive about the long-term outlook, supported by: i) its attractive valuation (if the capital market sentiment is in an upcycle or more inclusive, we would not be surprised to see Vesync's valuation be re-rated to 15x, where SharkNinja was a very good example (now trading at 20x in the US market vs below 10x in the HK market in the past)), ii) the low penetration rate of air-purifiers in the US, and iii) decent track records (Vesync has a lot of successes in developing new brands and new product categories). Besides, Vesync does have the option to be listed in the US market in the future.

■ **Since the share alternative option is still on the table, we maintain BUY with a new target price of HK\$ 6.40**, based on a 10x FY25E (rolled over from 11x FY24E P/E), considering the 5-year (FY23-28E) net profit CAGR of 10%. It is now trading at 8.2x FY25E P/E.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	490	585	631	702	768
YoY growth (%)	8.0	19.4	7.8	11.3	9.3
Operating profit (US\$ mn)	(21.3)	85.7	95.1	104.5	116.1
Net profit (US\$ mn)	(16.3)	77.4	85.1	94.8	106.5
EPS (Reported) (US\$ cents)	(1.44)	6.49	7.41	8.26	9.28
YoY growth (%)	na	na	14.1	11.4	12.4
P/E (x)	ns	10.5	9.2	8.2	7.3
P/B (x)	2.8	2.4	1.8	1.5	1.2
Yield (%)	0.0	3.8	4.4	4.9	5.5
ROE (%)	(5.5)	25.6	22.3	19.6	18.2

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

<b>Target Price</b>	<b>HK\$6.40</b>
(Previous TP)	HK\$6.79)
<b>Up/Downside</b>	<b>21.2%</b>
<b>Current Price</b>	<b>HK\$5.28</b>

### China Consumer Discretionary

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### Stock Data

Mkt Cap (HK\$ mn)	6,151.7
Avg 3 mths t/o (HK\$ mn)	2.0
52w High/Low (HK\$)	5.75/3.52
Total Issued Shares (mn)	1165.1

Source: FactSet

### Shareholding Structure

Ms. Yang Lin & Mr. Ryan Xu	36.2%
Mr. Yang Yuzheng	32.7%

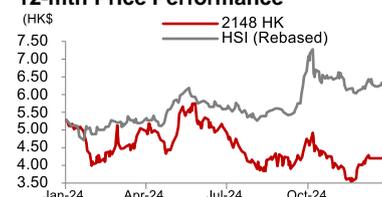
Source: HKEX

### Share Performance

	Absolute	Relative
1-mth	30.4%	26.4%
3-mth	11.2%	17.2%
6-mth	4.6%	-7.6%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Recent Reports

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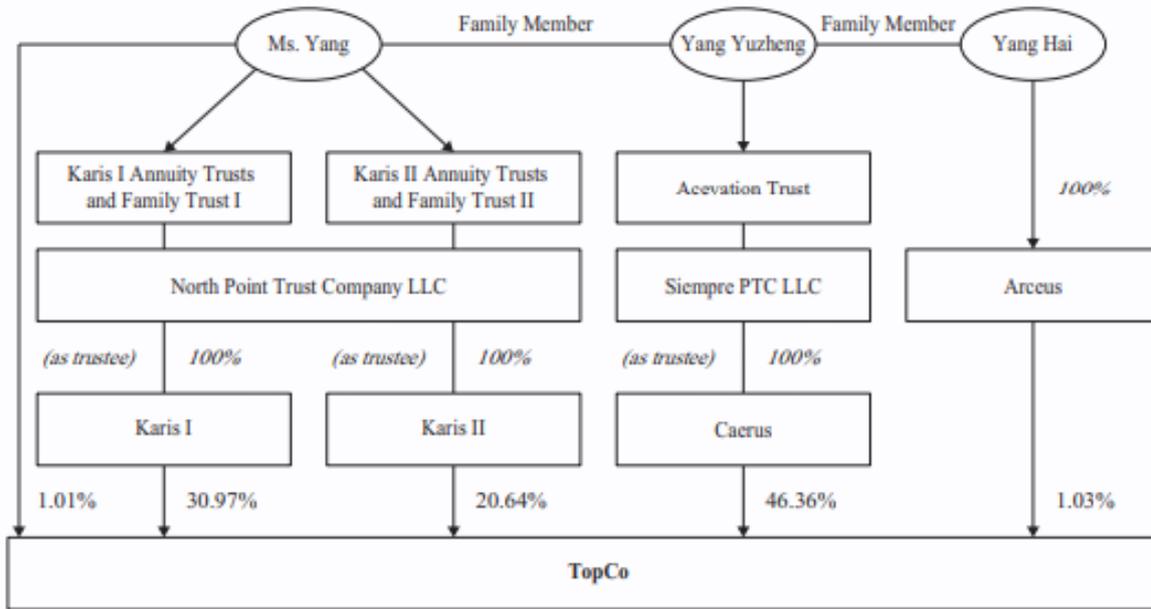
## Focus Charts

Figure 1: The shareholding structure of the Company as at the date of privatization announcement and immediately upon completion of the Proposal

Shareholders	As at the date of this announcement <sup>(8)</sup>		Immediately upon completion of the Proposal <sup>(8)</sup>	
	<i>Number of Shares as a percentage of total number of Shares in issue</i>	<i>Number of Shares (%)</i>	<i>Number of Shares</i>	<i>Number of Shares as a percentage of total number of Shares in issue (%)</i>
<b>Offeror and the Offeror Concert Parties</b>				
Offeror	—	—	1,139,492,800	100.00
<b>Founder Group</b>				
Ms. Yang <sup>(1)(4)</sup>	413,973,800	36.33	—	—
Mr. Yang Hai <sup>(2)(4)</sup>	8,067,200	0.71	—	—
Mr. Yang Yuzheng <sup>(3)(4)</sup>	<u>364,719,200</u>	<u>32.01</u>	<u>—</u>	<u>—</u>
<b>Sub-total of Founder Group</b>	<u>786,760,200</u>	<u>69.04</u>	<u>—</u>	<u>—</u>
Investor <sup>(5)</sup>	94,686,000	8.31	—	—
Mr. Chen <sup>(6)</sup>	3,681,667	0.32	—	—
Trustee <sup>(7)</sup>	<u>67,829,083</u>	<u>5.95</u>	<u>—</u>	<u>—</u>
<b>Sub-total of Offeror and the Offeror Concert Parties</b>	<u>952,956,950</u>	<u>83.63</u>	<u>—</u>	<u>—</u>
<b>Disinterested Shareholders</b>				
Gongjin	14,398,473	1.26	—	—
Chen Wangcai Holdings	8,758,600	0.77	—	—
Other Disinterested Shareholders	<u>163,378,777</u>	<u>14.34</u>	<u>—</u>	<u>—</u>
<b>Sub-total of Disinterested Shareholders</b>	<u>186,535,850</u>	<u>16.37</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u>1,139,492,800</u>	<u>100.00</u>	<u>1,139,492,800</u>	<u>100.00</u>

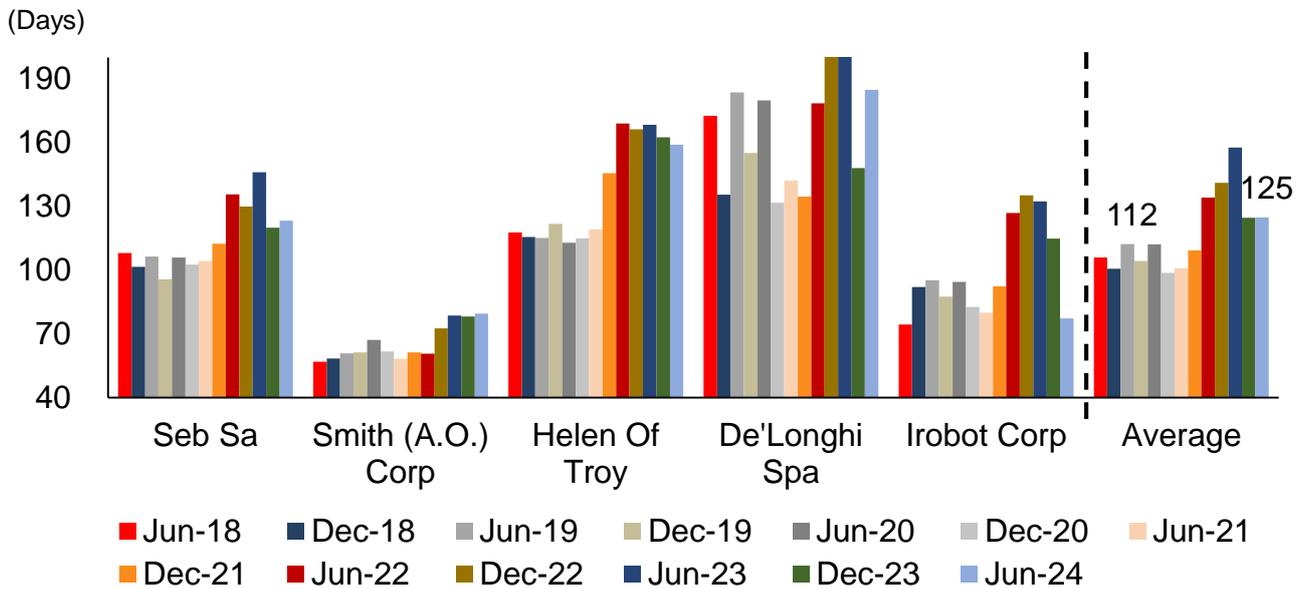
Source: Company data, CMBIGM

**Figure 2: A simplified shareholding structure of TopCo as at the date of the privatization announcement is set out below**



Source: Company data, CMBIGM

**Figure 3: Inventory days of peers: average number is still higher than that in the mid-2019**



Source: Company data, CMBIS estimates

## Earnings revision

Figure 4: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	631,133	702,156	767,728	675,211	765,444	839,976	-6.5%	-8.3%	-8.6%
Gross profit	290,796	319,317	348,731	310,790	352,816	386,603	-6.4%	-9.5%	-9.8%
EBIT	95,135	104,486	116,134	103,639	122,110	136,065	-8.2%	-14.4%	-14.6%
Net profit att.	85,085	94,810	106,522	91,402	108,496	121,879	-6.9%	-12.6%	-12.6%
Diluted EPS (USD)	0.074	0.083	0.093	0.080	0.095	0.106	-6.9%	-12.6%	-12.6%
Gross margin	46.1%	45.5%	45.4%	46.0%	46.1%	46.0%	0ppt	-0.6ppt	-0.6ppt
EBIT margin	15.1%	14.9%	15.1%	15.3%	16.0%	16.2%	-0.3ppt	-1.1ppt	-1.1ppt
Net profit att. margin	13.5%	13.5%	13.9%	13.5%	14.2%	14.5%	-0.1ppt	-0.7ppt	-0.6ppt

Source: Company data, CMBIGM estimates

Figure 5: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	631,133	702,156	767,728	688,625	807,500	930,625	-8.3%	-13.0%	-17.5%
Gross profit	290,796	319,317	348,731	322,173	377,950	434,125	-9.7%	-15.5%	-19.7%
EBIT	95,135	104,486	116,134	103,800	120,429	137,571	-8.3%	-13.2%	-15.6%
Net profit att.	85,085	94,810	106,522	91,688	108,875	126,375	-7.2%	-12.9%	-15.7%
Diluted EPS (USD)	0.074	0.083	0.093	0.080	0.094	0.108	-7.6%	-12.5%	-13.9%
Gross margin	46.1%	45.5%	45.4%	46.8%	46.8%	46.6%	-0.7ppt	-1.3ppt	-1.2ppt
EBIT margin	15.1%	14.9%	15.1%	15.1%	14.9%	14.8%	0ppt	0ppt	0.3ppt
Net profit att. margin	13.5%	13.5%	13.9%	13.3%	13.5%	13.6%	0.2ppt	0ppt	0.3ppt

Source: Bloomberg, CMBIGM estimates

## Results summary

Figure 6: Results preview – Half Year

Half yearly / Full yearly (USD k)	1H23	2H23	1H24	2H24E	1H24 YoY	2H24E YoY
<b>Revenue</b>	<b>276,932</b>	<b>308,552</b>	<b>296,194</b>	<b>334,939</b>	<b>7%</b>	<b>9%</b>
COGS	-151,814	-159,298	-152,404	-187,933		
Gross profit	125,118	149,254	143,790	147,006	15%	-2%
<b>GP margins</b>	<b>45.2%</b>	<b>48.4%</b>	<b>48.5%</b>	<b>43.9%</b>		
Other income & gains	8,581	1,676	3,722	6,916		
Selling and distribution expenses	-47,778	-51,439	-46,084	-56,440	-4%	10%
<b>Selling and distribution exp / sales</b>	<b>-17.3%</b>	<b>-16.7%</b>	<b>-15.6%</b>	<b>-16.9%</b>		
Administrative expenses	-43,032	-40,057	-42,160	-42,772	-2%	7%
<b>Admin exp / sales</b>	<b>-15.5%</b>	<b>-13.0%</b>	<b>-14.2%</b>	<b>-12.8%</b>		
Other opex	-8,249	-4,584	-5,010	-6,350		
Operating profit (EBIT)	34,640	54,850	54,258	48,359	57%	-12%
<b>OP margins</b>	<b>12.5%</b>	<b>17.8%</b>	<b>18.3%</b>	<b>14.4%</b>		
Other items	-95	-391	-353	353		
Net finance income	-925	-607	-1,231	-1,287		
<b>Net finance income / sales</b>	<b>-0.3%</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>-0.4%</b>		
Profit after financing costs	33,620	53,852	52,674	47,426		
Associated coms	0	0	0	0		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	33,620	53,852	52,674	47,426	57%	-12%
Tax	-1,034	-9,008	-7,817	-7,198		
<b>Tax / sales</b>	<b>-0.4%</b>	<b>-2.9%</b>	<b>-2.6%</b>	<b>-2.1%</b>		
<b>Effective tax rate</b>	<b>-3.1%</b>	<b>-16.7%</b>	<b>-14.8%</b>	<b>-15.2%</b>		
<b>Net profit</b>	<b>32,586</b>	<b>44,844</b>	<b>44,857</b>	<b>40,228</b>	<b>38%</b>	<b>-10%</b>
Minority interests	0	0	0	0		
<b>Net profit att.</b>	<b>32,586</b>	<b>44,844</b>	<b>44,857</b>	<b>40,228</b>	<b>38%</b>	<b>-10%</b>
<b>NP margins</b>	<b>11.8%</b>	<b>14.5%</b>	<b>15.1%</b>	<b>12.0%</b>		
<b>Sales by region</b>						
North America	199,017	230,919	224,931	247,999	13%	7%
Europe	65,293	60,448	53,159	66,295	-19%	10%
Asia	12,622	17,185	18,104	20,645	43%	20%
Total	276,932	308,552	296,194	334,939	7%	9%

Source: Company data, CMBIGM estimates

Figure 7: Results preview – Full Year

Half yearly / Full yearly (USD k)	FY23	FY24E	FY25E	FY24E YoY	FY25E YoY
<b>Revenue</b>	<b>585,484</b>	<b>631,133</b>	<b>702,156</b>	<b>8%</b>	<b>11%</b>
COGS	-311,112	-340,337	-382,839		
Gross profit	274,372	290,796	319,317	<b>6%</b>	<b>10%</b>
<b>GP margins</b>	<b>46.9%</b>	<b>46.1%</b>	<b>45.5%</b>		
Other income & gains	10,257	10,638	13,142		
Selling and distribution expenses	-99,217	-102,524	-113,687	<b>3%</b>	<b>11%</b>
<b>Selling and distribution exp / sales</b>	<b>-16.9%</b>	<b>-16.2%</b>	<b>-16.2%</b>		
Administrative expenses	-83,089	-84,932	-92,016	<b>2%</b>	<b>8%</b>
<b>Admin exp / sales</b>	<b>-14.2%</b>	<b>-13.5%</b>	<b>-13.1%</b>		
Other opex	-12,833	-11,360	-12,639		
Operating profit (EBIT)	89,490	102,617	114,117	<b>15%</b>	<b>11%</b>
<b>OP margins</b>	<b>15.3%</b>	<b>16.3%</b>	<b>16.3%</b>		
Other items	-486	0	0		
Net finance income	-1,532	-2,518	-2,576		
<b>Net finance income / sales</b>	<b>-0.3%</b>	<b>-0.4%</b>	<b>-0.4%</b>		
Profit after financing costs	87,472	100,100	111,541		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	87,472	100,100	111,541	<b>14%</b>	<b>11%</b>
Tax	-10,042	-15,015	-16,731		
<b>Tax / sales</b>	<b>-1.7%</b>	<b>-2.4%</b>	<b>-2.4%</b>		
<b>Effective tax rate</b>	<b>-11.5%</b>	<b>-15.0%</b>	<b>-15.0%</b>		
<b>Net profit</b>	<b>77,430</b>	<b>85,085</b>	<b>94,810</b>	<b>10%</b>	<b>11%</b>
Minority interests	0	0	0		
<b>Net profit att.</b>	<b>77,430</b>	<b>85,085</b>	<b>94,810</b>	<b>10%</b>	<b>11%</b>
<b>NP margins</b>	<b>13.2%</b>	<b>13.5%</b>	<b>13.5%</b>		
<b>Sales by region</b>					
North America	429,936	472,930	520,223	<b>10%</b>	<b>10%</b>
Europe	125,741	119,454	137,372	<b>-5%</b>	<b>15%</b>
Asia	29,807	38,749	44,561	<b>30%</b>	<b>15%</b>
Total	585,484	631,133	702,156	<b>8%</b>	<b>11%</b>

Source: Company data, CMBIGM estimates

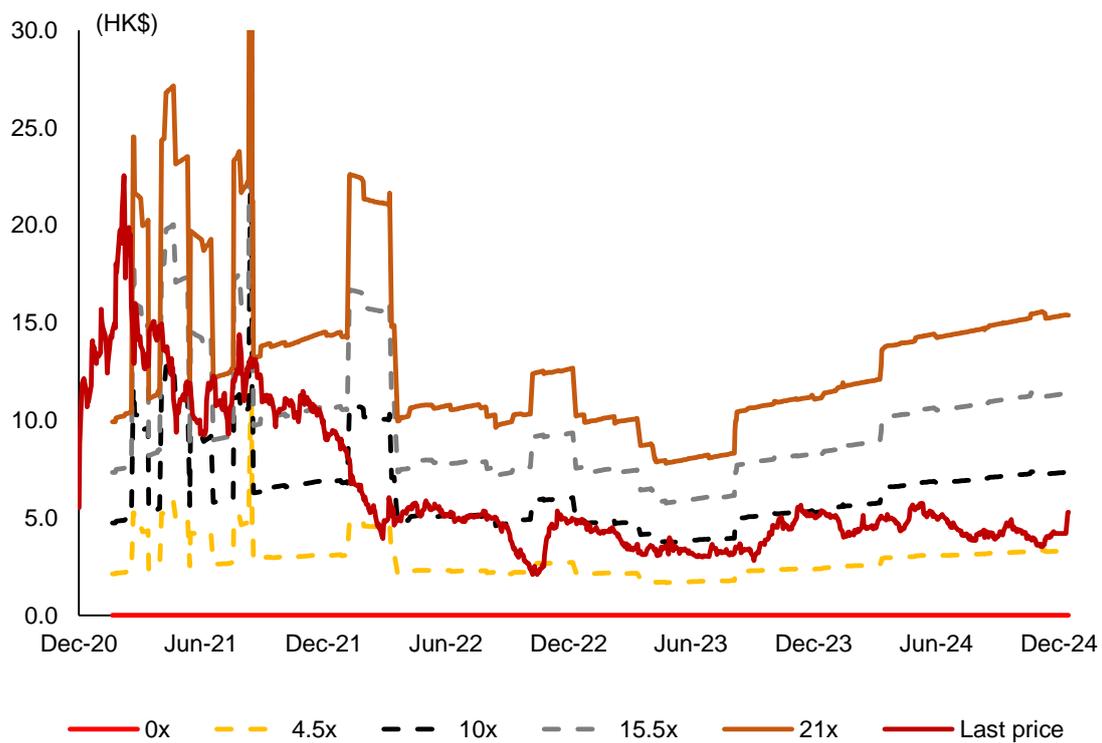
## Valuation

**Figure 8: Peers' valuation**

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$ mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf. FY1E	
<b>A+ H shares Small Home Appliances</b>															
Vesync	2148 HK	BUY	6.40	5.28	21%	6,017	Dec-23	9.2	8.2	1.8	25.6	0.7	4.4	(1.9)	
Js Global Lifestyle	1691 HK	BUY	1.84	1.29	43%	4,482	Dec-23	7.9	7.2	0.8	2.0	(1.0)	4.2	(16.8)	
Carote	2549 HK	BUY	8.97	5.00	79%	2,775	Dec-23	6.6	5.7	1.7	131.6	n/a	3.6	n/a	
Joyoung	002242 CH	NR	n/a	10.72	n/a	8,745	Dec-23	29.9	22.5	2.1	3.6	28.7	1.1	(15.7)	
Zhejiang Supor	002032 CH	NR	n/a	53.69	n/a	45,769	Dec-23	18.8	17.3	6.0	40.4	3.0	4.7	1.3	
Xinbao	002705 CH	NR	n/a	15.15	n/a	13,082	Dec-23	11.6	10.2	1.3	13.3	1.0	3.1	4.0	
Bear Electric	002959 CH	NR	n/a	49.91	n/a	8,337	Dec-23	23.8	20.7	2.5	11.7	(5.7)	1.8	(3.9)	
Ecovacs Robotics	603486 CH	NR	n/a	48.73	n/a	29,816	Dec-23	23.5	18.5	3.3	9.1	0.6	1.4	17.6	
Beijing Roborock	688169 CH	NR	n/a	211.02	n/a	41,457	Dec-23	17.5	15.1	2.6	18.8	1.5	1.7	4.4	
Kingclean Electric	603355 CH	NR	n/a	23.08	n/a	14,078	Dec-23	11.7	10.5	1.9	25.3	1.3	n/a	3.5	
								<b>Avg.</b>	<b>16.0</b>	<b>13.6</b>	<b>2.4</b>	<b>28.2</b>	<b>3.3</b>	<b>2.9</b>	<b>(0.8)</b>
								<b>Med.</b>	<b>14.6</b>	<b>12.8</b>	<b>2.0</b>	<b>16.1</b>	<b>1.0</b>	<b>3.1</b>	<b>1.3</b>
<b>A + H Home Appliances</b>															
Midea	000333 CH	BUY	67.79	75.42	-10%	611,342	Dec-23	14.6	13.3	2.7	20.7	2.1	4.1	38.1	
Gree Electric	000651 CH	NR	n/a	45.06	n/a	268,439	Dec-23	8.0	7.6	1.6	25.9	1.5	5.8	40.1	
Haier Smart Home	600690 CH	NR	n/a	28.43	n/a	270,598	Dec-23	13.9	12.4	2.1	17.7	1.2	3.3	35.4	
Haier Smart Home	6690 HK	BUY	36.41	27.15	34%	270,707	Dec-23	12.5	11.1	1.9	17.7	1.1	3.8	23.1	
Hisense Home	921 HK	NR	n/a	24.40	n/a	40,459	Dec-23	9.5	8.3	1.8	22.9	0.7	4.7	44.7	
Hisense Home	000921 CH	NR	n/a	29.67	n/a	40,443	Dec-23	12.3	10.8	2.2	22.9	0.9	3.8	45.4	
Whirlpool China	600983 CH	NR	n/a	9.87	n/a	8,045	Dec-23	n/a	n/a	n/a	4.3	n/a	n/a	11.0	
Hangzhou Robam	002508 CH	NR	n/a	21.60	n/a	21,689	Dec-23	12.1	11.3	1.6	14.6	6.7	4.2	1.6	
Vatti	002035 CH	NR	n/a	7.53	n/a	6,788	Dec-23	11.3	10.0	1.4	13.5	0.7	4.4	21.3	
								<b>Avg.</b>	<b>11.8</b>	<b>10.6</b>	<b>1.9</b>	<b>17.8</b>	<b>1.9</b>	<b>4.3</b>	<b>29.0</b>
								<b>Med.</b>	<b>12.2</b>	<b>10.9</b>	<b>1.8</b>	<b>17.7</b>	<b>1.1</b>	<b>4.1</b>	<b>35.4</b>
<b>International Small Home Appliances</b>															
Techtronic	669 HK	NR	n/a	103	n/a	188,178	Dec-23	21.5	18.1	3.3	17.6	1.3	2.1	10.4	
Smith (A.O.) Corp	AOS US	NR	n/a	68	n/a	77,015	Dec-23	18.2	16.8	4.8	29.5	3.1	1.9	(17.0)	
Helen Of Troy Ltd	HELE US	NR	n/a	61	n/a	10,738	Feb-24	8.4	7.6	0.8	9.2	1.1	n/a	(49.9)	
De'Longhi Spa	DLG IM	NR	n/a	31	n/a	37,296	Dec-23	15.0	14.1	2.0	15.0	1.5	2.6	(0.1)	
Sharkninja Inc	SN US	NR	n/a	97	n/a	105,619	Dec-23	22.9	20.0	5.3	21.7	0.3	n/a	90.1	
Seb Sa	SK FP	NR	n/a	87	n/a	39,099	Dec-23	11	9.5	1.3	13.6	0.9	3.3	(22.7)	
Breville Group	BRG AU	NR	n/a	36	n/a	25,118	Jun-24	39	34.5	5.1	14.6	3.6	1.0	33.0	
Koninklijke Philips	PHIA NA	NR	n/a	25	n/a	186,501	Dec-23	17.4	15.1	1.9	(3.5)	(0.1)	3.5	20.3	
								<b>Avg.</b>	<b>19.1</b>	<b>17.0</b>	<b>3.1</b>	<b>14.7</b>	<b>1.5</b>	<b>2.4</b>	<b>8.0</b>
								<b>Med.</b>	<b>17.8</b>	<b>16.0</b>	<b>2.7</b>	<b>14.8</b>	<b>1.2</b>	<b>2.3</b>	<b>5.2</b>
<b>International Home Appliances</b>															
Whirlpool	WHR US	NR	n/a	115.17	n/a	49,292	Dec-23	9.6	9.9	2.1	21.9	0.6	6.1	(5.4)	
Ingersoll-Rand	IR US	NR	n/a	91.57	n/a	286,448	Dec-23	27.7	25.9	3.2	8.5	1.1	0.1	18.4	
Electrolux Ab-B	ELUXB SS	NR	n/a	93	n/a	18,521	Dec-23	n/a	8.9	2.0	(44.1)	n/a	1.6	(14.4)	
Daikin Industries	6367 JP	NR	n/a	18650	n/a	268,843	Mar-24	20.5	18.5	1.8	9.9	3.5	1.7	(18.6)	
Panasonic	6752 JP	NR	n/a	1642.00	n/a	198,203	Mar-24	12.2	9.7	0.8	7.9	(3.2)	2.3	17.6	
Fujitsu General	6755 JP	NR	n/a	2363.00	n/a	12,714	Mar-24	n/a	27.0	1.7	(8.6)	n/a	1.6	1.9	
Lg Electronics	066570 KS	NR	n/a	84500.0	n/a	72,941	Dec-23	9.3	6.4	0.6	3.4	0.2	1.7	(17.0)	
Samsung	005930 KS	NR	n/a	53700.0	n/a	1,690,975	Dec-23	10.6	9.8	0.9	7.7	0.3	2.7	(31.6)	
								<b>Avg.</b>	<b>15.0</b>	<b>14.5</b>	<b>1.6</b>	<b>0.8</b>	<b>0.4</b>	<b>2.2</b>	<b>(6.1)</b>
								<b>Med.</b>	<b>11.4</b>	<b>9.8</b>	<b>1.8</b>	<b>7.8</b>	<b>0.4</b>	<b>1.7</b>	<b>(9.9)</b>

Source: Bloomberg, CMBIGM estimates

Figure 9: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 10: CMBIGM's assumptions

USD mn	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by region (USD k)</b>						
North America	358,060	366,182	429,936	472,930	520,223	558,504
Europe	81,041	107,946	125,741	119,454	137,372	157,978
Asia	15,149	16,250	29,807	38,749	44,561	51,246
Total	454,250	490,378	585,484	631,133	702,156	767,728
<b>Sales growth by region (%)</b>						
North America	18.4%	2.3%	17.4%	10.0%	10.0%	7.4%
Europe	99.0%	33.2%	16.5%	-5.0%	15.0%	15.0%
Asia	157.4%	7.3%	83.4%	30.0%	15.0%	15.0%
Total	30.2%	8.0%	19.4%	7.8%	11.3%	9.3%
<b>Sales growth by segment (%)</b>						
Seller Central	-27.0%	-92.8%	2.9%	0.0%	0.0%	0.0%
Vendor Central	45.4%	19.7%	11.4%	1.5%	6.4%	7.0%
Others (including offline)	197.6%	95.1%	61.2%	30.0%	25.0%	15.0%
<b>GP margins by segment</b>						
Seller Central	35.0%	25.0%	38.0%	37.5%	38.0%	38.0%
Vendor Central	40.7%	28.5%	48.4%	47.3%	46.4%	46.4%
Others (including offline)	30.0%	32.0%	42.0%	43.0%	43.5%	43.5%
<b>Opex breakdown</b>						
A & P	-4.7%	-7.3%	-7.3%	-7.0%	-7.0%	-7.0%
Commission to platform	-2.8%	-0.5%	-0.4%	-0.4%	-0.4%	-0.3%
Staff cost - Opex	-7.0%	-9.4%	-8.7%	-8.6%	-8.4%	-8.3%
Warehousing	-3.9%	-4.2%	-4.1%	-3.8%	-3.8%	-3.8%
R & D	-3.8%	-6.1%	-5.8%	-6.1%	-6.1%	-6.1%
Office expenses	-0.9%	-0.6%	-0.3%	-0.2%	-0.1%	0.0%
D & A - Opex	-0.8%	-0.8%	-0.6%	-0.4%	-0.3%	-0.3%
Selling & distribution costs / sales	-15.2%	-18.2%	-16.9%	-16.2%	-16.2%	-16.2%
Admin expenses / sales	-11.3%	-14.2%	-14.2%	-13.5%	-13.1%	-12.8%
<b>OP margins</b>						
Effective tax rate	-18.5%	-25.3%	-11.5%	-15.0%	-15.0%	-15.0%
<b>NP att. margins</b>	<b>9.2%</b>	<b>-3.3%</b>	<b>13.2%</b>	<b>13.5%</b>	<b>13.5%</b>	<b>13.9%</b>
<b>NP att. growth (%)</b>	<b>-24.0%</b>	<b>-139.2%</b>	<b>-574.5%</b>	<b>9.9%</b>	<b>11.4%</b>	<b>12.4%</b>
<b>Adjusted NP att. growth (%)</b>	<b>-24.0%</b>	<b>-139.2%</b>	<b>-574.5%</b>	<b>9.9%</b>	<b>11.4%</b>	<b>12.4%</b>

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (US\$ mn)</b>						
<b>Revenue</b>	<b>454</b>	<b>490</b>	<b>585</b>	<b>631</b>	<b>702</b>	<b>768</b>
Cost of goods sold	(278)	(348)	(311)	(340)	(383)	(419)
<b>Gross profit</b>	<b>176</b>	<b>142</b>	<b>274</b>	<b>291</b>	<b>319</b>	<b>349</b>
<b>Operating expenses</b>	<b>(126)</b>	<b>(167)</b>	<b>(195)</b>	<b>(199)</b>	<b>(218)</b>	<b>(236)</b>
Selling expense	(69)	(89)	(99)	(103)	(114)	(124)
Admin expense	(51)	(70)	(83)	(85)	(92)	(98)
R&D expense	0	0	0	0	0	0
Others	(6)	(8)	(13)	(11)	(13)	(14)
<b>Operating profit</b>	<b>51</b>	<b>(21)</b>	<b>86</b>	<b>95</b>	<b>104</b>	<b>116</b>
Other income	1	3	6	3	4	4
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
<b>EBITDA</b>	<b>53</b>	<b>(19)</b>	<b>89</b>	<b>97</b>	<b>106</b>	<b>118</b>
Depreciation	(1)	(2)	(3)	(2)	(2)	(1)
Other amortisation	(1)	(0)	(0)	(0)	(0)	(0)
Interest income	1	1	4	7	10	12
Interest expense	(1)	(2)	(2)	(3)	(3)	(3)
<b>Net Interest income/(expense)</b>	<b>(0)</b>	<b>(1)</b>	<b>2</b>	<b>5</b>	<b>7</b>	<b>9</b>
Other income/expense	(0)	0	(0)	0	0	0
<b>Pre-tax profit</b>	<b>51</b>	<b>(22)</b>	<b>87</b>	<b>100</b>	<b>112</b>	<b>125</b>
Income tax	(9)	6	(10)	(15)	(17)	(19)
Minority interest	0	0	0	0	0	0
<b>Net profit</b>	<b>42</b>	<b>(16)</b>	<b>77</b>	<b>85</b>	<b>95</b>	<b>107</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (US\$ mn)</b>						
<b>Current assets</b>	<b>416</b>	<b>396</b>	<b>506</b>	<b>745</b>	<b>759</b>	<b>994</b>
Cash & equivalents	127	94	104	305	285	489
Account receivables	106	149	192	176	233	214
Inventories	129	115	80	133	106	156
Prepayment	22	26	18	20	22	24
ST bank deposits	32	9	111	111	111	111
Other current assets	1	3	0	0	0	0
<b>Non-current assets</b>	<b>45</b>	<b>61</b>	<b>59</b>	<b>60</b>	<b>61</b>	<b>63</b>
PP&E	4	5	4	5	6	8
Investment in JVs & assos	12	12	11	11	11	11
Intangibles	0	0	0	(0)	(0)	(0)
Goodwill	0	0	0	0	0	0
Other non-current assets	28	44	44	44	44	44
<b>Total assets</b>	<b>461</b>	<b>457</b>	<b>565</b>	<b>804</b>	<b>820</b>	<b>1,056</b>
<b>Current liabilities</b>	<b>133</b>	<b>168</b>	<b>228</b>	<b>359</b>	<b>280</b>	<b>410</b>
Short-term borrowings	35	8	30	30	30	30
Account payables	38	61	113	240	153	276
Tax payable	17	6	6	6	6	6
Other current liabilities	43	93	80	85	92	98
<b>Non-current liabilities</b>	<b>13</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
Long-term borrowings	0	1	0	0	0	0
Other non-current liabilities	13	11	9	9	9	9
<b>Total liabilities</b>	<b>146</b>	<b>180</b>	<b>238</b>	<b>369</b>	<b>289</b>	<b>419</b>
Share capital	2	2	2	2	2	2
Retained earnings	200	187	164	273	367	474
Other reserves	113	89	162	162	162	162
<b>Total shareholders equity</b>	<b>315</b>	<b>277</b>	<b>328</b>	<b>436</b>	<b>530</b>	<b>637</b>
Minority interest	0	0	0	0	0	0
<b>Total equity and liabilities</b>	<b>461</b>	<b>457</b>	<b>565</b>	<b>804</b>	<b>820</b>	<b>1,056</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>51</b>	<b>(22)</b>	<b>87</b>	<b>100</b>	<b>112</b>	<b>125</b>
Depreciation & amortization	2	2	3	2	2	2
Tax paid	(8)	(18)	(5)	(15)	(17)	(19)
Change in working capital	(113)	(8)	44	93	(113)	98
Others	22	47	(22)	3	3	3
<b>Net cash from operations</b>	<b>(47)</b>	<b>1</b>	<b>106</b>	<b>183</b>	<b>(14)</b>	<b>209</b>
<b>Investing</b>						
Capital expenditure	(4)	(3)	(2)	(3)	(3)	(3)
Acquisition of subsidiaries/ investments	(0)	(0)	(0)	0	0	0
Others	(42)	25	(73)	0	0	0
<b>Net cash from investing</b>	<b>(46)</b>	<b>22</b>	<b>(75)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>
<b>Financing</b>						
Dividend paid	(19)	(19)	(3)	23	0	0
Net borrowings	1	5	17	0	0	0
Proceeds from share issues	29	0	0	0	0	0
Share repurchases	(0)	(2)	(23)	0	0	0
Others	(4)	(6)	(9)	(3)	(3)	(3)
<b>Net cash from financing</b>	<b>7</b>	<b>(22)</b>	<b>(18)</b>	<b>20</b>	<b>(3)</b>	<b>(3)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	(86)	1	13	200	(19)	203
Exchange difference	30	(34)	(2)	0	0	0
Others	183	127	94	104	305	285
<b>Cash at the end of the year</b>	<b>127</b>	<b>94</b>	<b>104</b>	<b>305</b>	<b>285</b>	<b>489</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	30.2%	8.0%	19.4%	7.8%	11.3%	9.3%
Gross profit	15.5%	(19.2%)	92.8%	6.0%	9.8%	9.2%
Operating profit	(16.4%)	na	na	11.0%	9.8%	11.1%
EBITDA	(14.8%)	na	na	9.8%	9.3%	10.8%
Net profit	(24.0%)	na	na	9.9%	11.4%	12.4%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	38.8%	29.0%	46.9%	46.1%	45.5%	45.4%
Operating margin	11.3%	(4.3%)	14.6%	15.1%	14.9%	15.1%
EBITDA margin	11.7%	(3.8%)	15.1%	15.4%	15.1%	15.3%
Return on equity (ROE)	14.5%	(5.5%)	25.6%	22.3%	19.6%	18.2%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	3.1	2.4	2.2	2.1	2.7	2.4
Receivable turnover days	56.8	95.0	106.4	106.4	106.4	106.4
Inventory turnover days	147.1	127.5	114.1	114.1	114.1	114.1
Payable turnover days	54.7	51.6	102.0	102.0	102.0	102.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	18.7	ns	10.5	9.2	8.2	7.3
P/E (diluted)	18.7	ns	10.5	9.2	8.2	7.3
P/B	2.5	2.8	2.4	1.8	1.5	1.2
P/CFPS	ns	595.1	7.6	4.3	ns	3.7
Div yield (%)	2.4	0.0	3.8	4.4	4.9	5.5

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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