招银国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

14 July 2022

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) FY22E	P/E (x) FY23E	P/B (x) FY22E	ROE FY22E	Yield FY22E	Analyst
Long Ideas														
NIO Inc.	NIO US	Auto	BUY	35.2	1218.7	21.1	35.0	66%	N/A	N/A	7.6	-26.4	N/A	Shi Ji/ Dou Wenjing
EVA Holdings	838 HK	Auto	BUY	0.3	2.7	1.3	3.0	126%	6.9	4.3	0.7	11.5	5.9%	Shi Ji/ Dou Wenjing
Zhejiang Jingsheng	300316 CH	Capital Goods	BUY	13.4	78.7	70.3	93.0	32%	32.4	26.4	9.5	33.4	0.6%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	3.3	1.9	8.3	14.6	77%	13.1	10.8	2.2	17.7	2.4%	Wayne Fung
SF Holding	002352 CH	Express Delivery	BUY	37.8	169.2	51.9	94.0	81%	33.4	22.9	2.9	9.2	0.6%	Wayne Fung
Xtep	1368 HK	Consumer Disc.	BUY	4.7	21.5	13.9	17.0	22%	25.2	21.1	3.4	13.9	2.4%	Walter Woo
Midea	000333 CH	Consumer Disc.	BUY	59.0	291.4	56.7	67.8	20%	12.6	11.0	2.7	23.4	3.3%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	21.8	63.3	52.8	71.0	35%	31.0	27.8	4.5	15.0	1.3%	Joseph Wong
Smoore	6969 HK	Consumer Staples	BUY	16.7	45.3	21.8	25.2	16%	26.9	18.9	4.6	24.6	1.4%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	7.2	46.1	38.7	58.3	51%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi Biologics	2269 HK	Healthcare	BUY	43.2	195.4	79.5	146.1	84%	62.9	45.9	7.5	12.7	N/A	Jill Wu/ Benchen Huang
PICC P&C	2328 HK	Insurance	BUY	23.5	23.4	8.3	11.6	40%	N/A	N/A	0.7	12.0	7.0%	Gigi Chen
Kuaishou	1024 HK	Internet	BUY	43.7	308.4	80.0	120.0	50%	N/A	N/A	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	31.0	46.2	34.2	44.8	31%	6.6	N/A	0.9	14.3	5.3%	Jeffrey Zeng/ Xiao Xiao
CG Services	6098 HK	Property	BUY	10.6	67.9	24.8	47.6	92%	22.7	16.4	12.7	14.1	1.1%	Jeffrey Zeng/ Xiao Xiao
Goertek	002241 CH	Technology	BUY	16.2	334.9	32.0	48.0	50%	18.6	15.4	3.4	18.1	0.8%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	13.4	266.5	72.2	93.1	29%	31.1	20.3	N/A	8.1	0.3%	Lily Yang/ Alex Ng
Kingdee	268 HK	Software & IT services	BUY	7.9	26.8	17.8	24.4	37%	N/A	N/A	N/A	-5.0	0.0%	Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 14/7/2022, 1:30pm

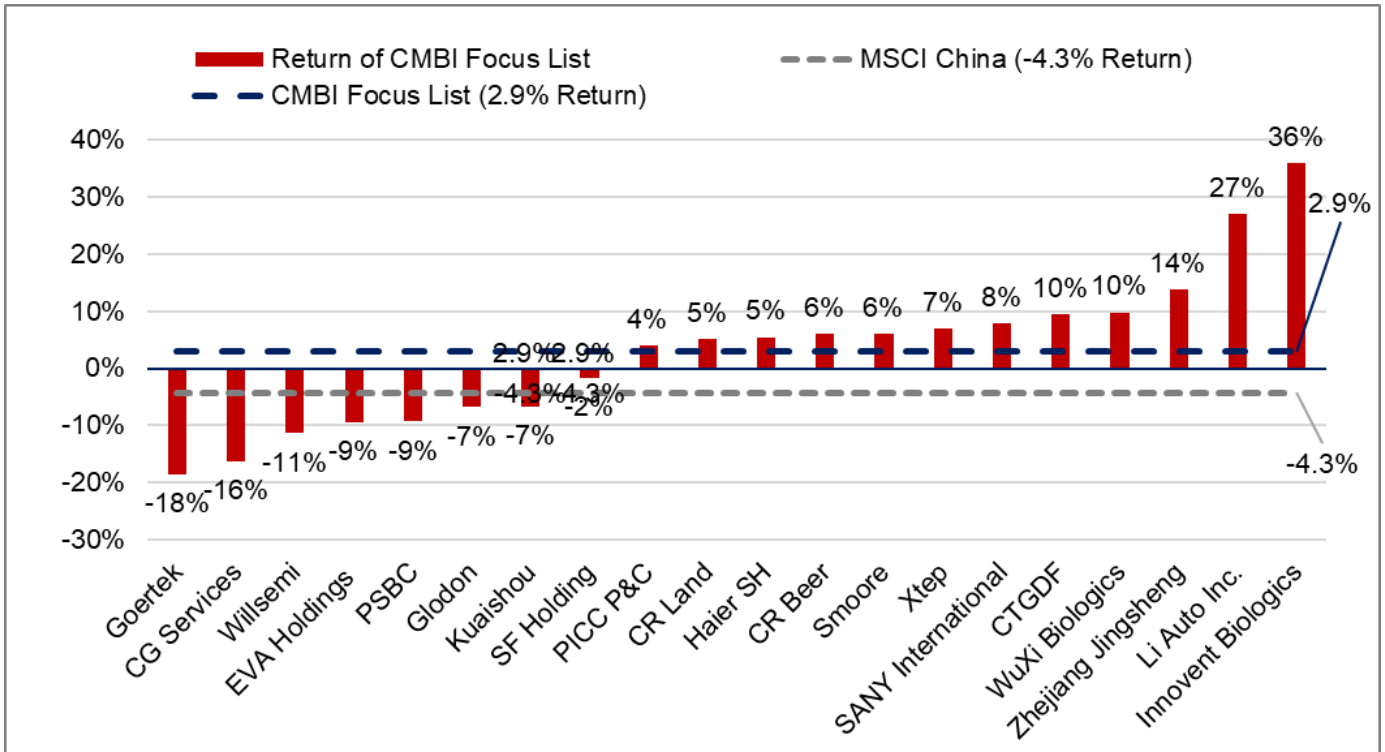
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
NIO Inc.	NIO US	Auto	BUY	Shi Ji/ Dou Wenjing	NIO as a laggard could gain more momentum in the short term, especially with strong sequential sales volume improvement helped by new models
Midea	000333 CH	Consumer Disc.	BUY	Walter Woo	Thanks to greater exposure to air con sales, higher sensitivity over CNY depreciation and raw material costs decline, plus a more defensive valuation, we do find its risk/ reward is slightly better
Wingtech	600745 CH	Technology	BUY	Lily Yang/ Alex Ng	More than 90% of Wingtech's NP is from power semi business. We believe the demand for power semi is more robust (auto, PV, etc.), which leads to resilient ASP and tight capacity
Kingdee	268 HK	Software & IT services	BUY	Marley Ngan	Subscription revenue contribution and cash flow visibility continue to increase
Deletions					
Li Auto Inc.	LI US	Auto	BUY	Shi Ji/ Dou Wenjing	Li Auto's share price has factored in much of the market expectation for the L9 at this point
Haier SH	6690 HK	Consumer Disc.	BUY	Walter Woo	We believe the sector is turning around but we are just relatively more positive about Midea's product mix and business strategy (e.g. ToB game plan) than Haier's in the near future
CTGDF	601888 CH	Consumer Staples	BUY	Joseph Wong	Renewed Shanghai pandemic outbreak could disrupt near term domestic tourist traffic
PSBC	1658 HK	Banking	BUY	Eric Wang	Coverage suspended
Willsemi	603501 CH	Technology	BUY	Lily Yang/ Alex Ng	Smartphone shipment is weaker than expected. Willsemi's high inventory level may still need time to digest
Glodon	002410 CH	Software & IT services	BUY	Marley Ngan	Its foreign holdings exceeded 28% threshold again and thus short term upside is limited

Source: CMBIGM

Performance of our recommendations

- In our last report dated 10 June, we highlighted a list of 20 long ideas.
- The basket (equal weighted) of these 20 stocks outperformed MSCI China index by 7.2ppt, delivering 2.9% return (vs MSCI China -4.3%).
- Innovent Biologics delivered over 30% of return, and 13 of our 20 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 10 June 2022 to 13 July 2022

Long Ideas

NIO Inc. (NIO US): NEV trio laggard with strong sequential sales improvement potential

Rating: BUY | **TP:** US$35.00 (66% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** We are of the view that China's auto industry has been experiencing drastic changes as consumers pursue new values from vehicles, which needs pioneers but not followers. We are pessimistic about most incumbent automakers' tech transformation. As pioneers, the NEV trio has their advantages and disadvantages. At this point, Li Auto's share price has factored in much of the market expectation of the L9, whereas NIO, as a share price laggard, probably has the strongest sequential sales-volume improvement potential in the following few months.

- **Our View:** While we prefer NEV trio over traditional automakers in the long term, we are of the view that NIO now is set to enjoy the highest sequential sales volume growth in 3Q22, aided by the new *ET7*, *ES7* and *ET5*. We also believe that the market has priced in NIO's possible earnings weakness in 2Q22. The share price could also be oversold by investors, triggered by Grizzly's short report, which, in our view, has little understanding of how BaaS works.

- **Catalysts:** 1) sales volume MoM improvement; 2) strong 3Q22 sales volume guidance.

- **Why do we differ vs consensus:** NIO's sales volume in the first five months of 2022 has made investors concerned about its demand amid the intensifying NEV competition. We are of the view that the three new models could lift its sales volume at least in the short term.

- **Valuation:** Our target price of US$ 35.00 is based on 7x FY22E P/S. NIO's current FY22E P/S valuation is lower than Li Auto's on our estimates.

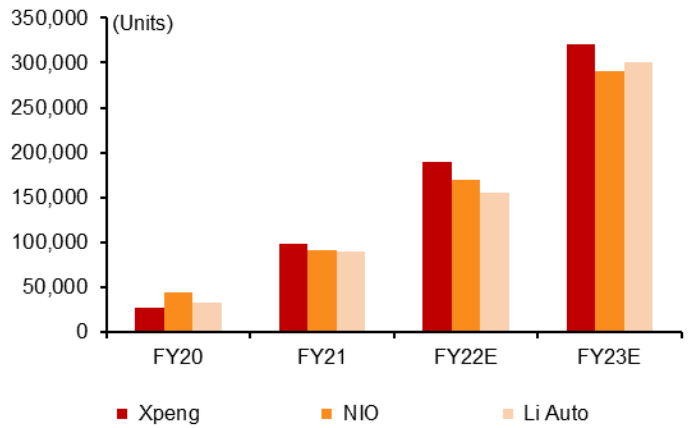
Link to our report: NIO Inc. (NIO US) – 1Q22 slight miss; 2Q guidance implies strong 3Q

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	36,136	56,464	101,595	127,965
YoY growth (%)	122.3	56.3	79.9	26.0
Net income (RMB mn)	(10,572)	(8,531)	(3,270)	(483)
EPS (RMB)	(6.72)	(5.10)	(1.93)	(0.28)
YoY growth (%)	N/A	N/A	N/A	N/A
P/S (x)	5.6	4.0	2.3	1.8
P/B (x)	5.9	7.6	8.0	7.5
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	(34.2)	(26.4)	(11.2)	(1.6)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales volume comparison of NEV trio



Source: Company data, CMBIGM estimates

EVA Holdings (838 HK): Auto parts' inflection point has arrived

Rating: BUY **| TP:** HK$3.00 (126% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** We are of the view that EVA's penetration into Tesla and Great Wall Motor could lift its revenue and margins. We see an inflection point for EVA especially its auto components business, which could be overlooked by investors. Its key growth engine from Tesla is immune to potential supply chain disruptions caused by lockdowns in China, as such business are in North America.

- **Our View:** EVA has become Tesla's supplier for its front-seat frames of all the models produced in North America since Jul 2021. We expect EVA's revenue from Tesla to rise 5x to HK$ 150mn in FY22E and 77% YoY in FY23E amid Tesla's strong sales growth. EVA also benefits from Tesla's strong growth as a tier-2 supplier through Faurecia, as Faurecia is the sole supplier of the rear seat assembly for the *Model Y* in North America, and EVA is the sole supplier for Faurecia in such business. Great Wall could become EVA's largest customer in the auto components segment in FY22E, as its Jingmen plant ramps up. We project EVA's revenue from Great Wall to rise 107% YoY to HK$ 600mn in FY22E.

- **Catalysts:** 1) 1H22 earnings; 2) Tesla US sales ramp-up, especially in the Austin plant.

- **Why do we differ vs consensus:** We are now the only broker to provide data for Bloomberg consensus.

- **Valuation:** Our target price of HK$ 3.00 is based on sum-of-the-parts valuation, as we value HK$ 2.34 per share for its auto components business, based on 20x our FY22E P/E; and HK$ 0.66 per share for its office automation equipment, based on 8.5x our FY22E P/E.

Link to our report: EVA Holdings (838 HK) – Auto components inflection point has arrived

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (HK$ mn)	5,109	6,353	8,238	9,777
YoY growth (%)	27.4	24.4	29.7	18.7
Net income (HK$ mn)	155	340	545	787
EPS (HK$)	0.09	0.19	0.30	0.43
YoY growth (%)	N/A	119.0	60.4	44.4
P/E (x)	14.7	6.9	4.3	3.1
P/B (x)	0.8	0.7	0.6	0.5
Yield (%)	2.0	4.4	6.9	9.8
ROE (%)	5.7	11.5	16.3	20.2
Net gearing (%)	17.5	5.9	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Our estimated revenue from major auto clients

Client	FY21A (HK$ mn)	FY22E (HK$ mn)	YoY
Faurecia	~400	540	35.0%
Great Wall	~290	600	106.9%
Tesla	~30	150	400.0%

Source: Company data, CMBIGM estimates

Zhejiang Jingsheng (300316 CH): Solid growth of solar equipment; SiC gaining traction

Rating: BUY | **TP:** RMB93 (32% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Zhejiang Jingsheng is a leading supplier of crystal growing and processing equipment in solar power and semiconductor industry. The Company also offers sapphire products in the LED industry. Jingsheng is the key beneficiary of the capex growth of wafer makers, such as Zhonghuan (002129 CH, NR).

- **Our View:** We expect major wafer makers' continuous transformation to large-size wafer will boost the replacement demand, which offers further growth opportunity for Jingsheng. Besides, the war in Ukraine has continued to boost the export of solar products to the EU countries. On the other hand, the breakthrough on SiC will serve as new growth engine for Jingsheng starting this year.

- **Why do we differ vs consensus:** Our earnings forecast in 2022E/23E is 8%/0% above the consensus estimates, as we are more positive on the solar capex spending. We see upside to our earnings estimates given the aggressive capacity expansion plan of customers such as Shangji Automation (603185 CH, NR).

- **Catalysts:** (1) More favorable policies to support solar power in Europe; (2) Upside on China solar installation; (3) further breakthrough on SiC.

- **Valuation:** Our TP is RMB93, based on 45x 2022E P/E. We applied a 20% discount to target P/E of 56x (1SD above historical average), as we expect Jingsheng is likely to complete the share placement this year (max: 20% of enlarged share capital).

Link to latest report:

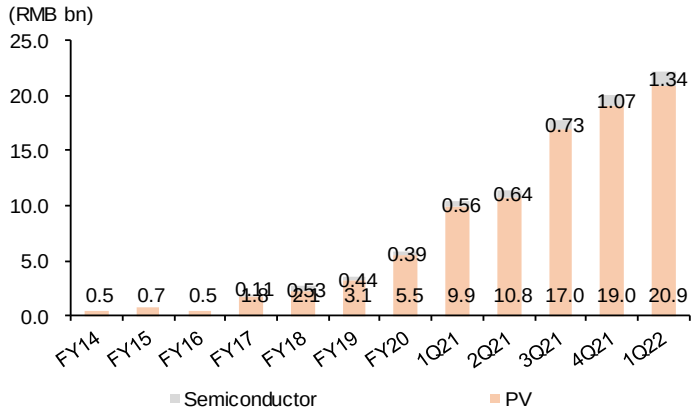
Zhejiang Jingsheng (300316 CH) – High visibility with backlog covering >80% of revenue in 2022E-23E

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,961	11,830	14,731	17,546
YoY growth (%)	56	98	25	19
Net income (RMB mn)	1,712	2,671	3,276	3,908
EPS (RMB)	1.33	2.08	2.55	3.04
YoY growth (%)	99	56	23	19
Consensus EPS (RMB)	N/A	1.91	2.53	N/A
P/E (x)	50.6	32.4	26.4	22.2
P/B (x)	12.7	9.5	7.3	5.7
Yield (%)	0.4	0.6	0.8	0.9
ROE (%)	28.4	33.4	31.2	28.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Jingsheng's backlog



Source: Company data, CMBIGM estimates

SANY International (631 HK): Strong performance across all segments

Rating: BUY **| TP:** HK$14.6 (77% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The ongoing development of intelligent coal mines and ports will continue to offer opportunities 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.

- **Our View:** We expect a strong year in 2022E: (1) Tight supply of coal will continue to attract higher spending on coal mines; (2) SANYI is confident of delivering 50%/100% revenue growth of mining equipment/logistics equipment in the overseas market; (3) Intelligent and electric products are gaining traction and the ratio is expected to further increase this year (2021: 15%), which will help improve gross margin; (4) Expansion into new energy business through potential M&A. All these reaffirm our positive stance on SANYI's structural growth story.

- **Why do we differ vs consensus:** Our earnings forecast in 2021E/22E is 3%/-4% versus consensus. We see upside to our earnings forecast given the strong backlog.

- **Catalysts:** (1) increase in coal mining capex; (2) launch of new products; (3) potential M&A.

- **Valuation:** Our TP of HK$14.6 (based on 23x 2022E P/E, on the back of 23% earnings CAGR in 2022E-24E).

Link to latest report:

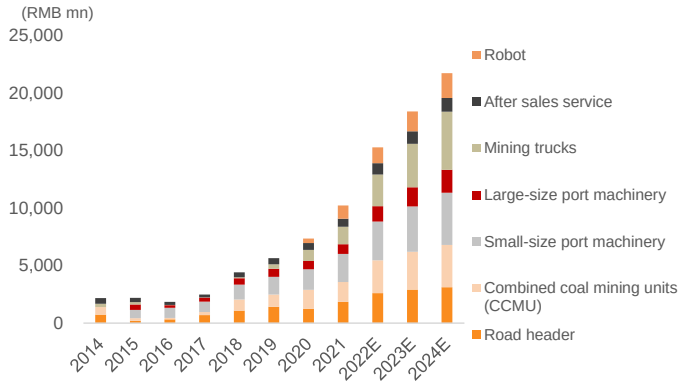
SANY International (631 HK) – Post-results and NDR takeaways: Expect a strong year in 2022E

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	10,195	15,293	18,403	21,739
YoY growth (%)	38.4	50.0	20.3	18.1
Net income (RMB mn)	1,259	1,655	1,992	2,327
EPS (RMB)	0.40	0.53	0.63	0.74
YoY growth (%)	19.3	31.5	20.3	16.8
Consensus EPS (RMB)	N/A	0.51	0.66	N/A
EV/EBIDTA (x)	11.9	8.9	7.5	6.6
P/E (x)	16.9	13.1	10.8	9.2
P/B (x)	2.5	2.2	1.9	1.6
Yield (%)	1.8	2.4	2.9	3.4
ROE (%)	15.2	17.7	18.6	18.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: SANYI's revenue breakdown



Source: Company data, CMBIGM estimates

SF Holding (002352 CH): Set to deliver strong earnings recovery in 2022E

Rating: BUY **| TP:** RMB94 (81% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The Chinese government's strong intervention in the express delivery industry through policies and regulations in 2021 successfully put the bloody price war to an end and brought the industry development back to the right track. From corporate perspective, major players have already shifted from pricing to capex optimization, quality service and profit oriented strategy. Looking ahead, we expect ASP increase will continue to serve as a sector catalyst in 2022E. In addition, we expect market share gain through M&A, as well as expansion to integrated logistics model, will become a trend over the medium term.

- **Our View:** Following the completion of share placement and the spin-off of **SF REIT (2191 HK, NR)** and the intra-city business unit, SF completed the major fund-raising exercise in 2021. Going forward, with a focus on premium delivery service, SF is set to become a major beneficiary given that the industry focus is moving away from pricing to service quality after the government's intervention. Meanwhile, SF's strategic shift from scale to profitability, together with the consolidation of **Kerry Logistics (636 HK, NR),** will boost significant earnings recovery in 2022E. What is more, the potential market share gain in the premium e-commerce delivery segment will boost SF's economy express volume.

- **Why do we differ vs consensus:** Our earnings forecast in 2022E-23E is 7-14% above consensus estimates, due to higher ASP assumptions.

- **Catalysts:** (1) further increase in ASP; (2) market share gain in high-end e-commerce express delivery.

- **Valuation:** Our TP of RMB94 is based on 61x 2022E P/E, 1SD above the historical average of 44x. We believe SF deserves a valuation premium, given the strong earnings recovery in 2022E-23E.

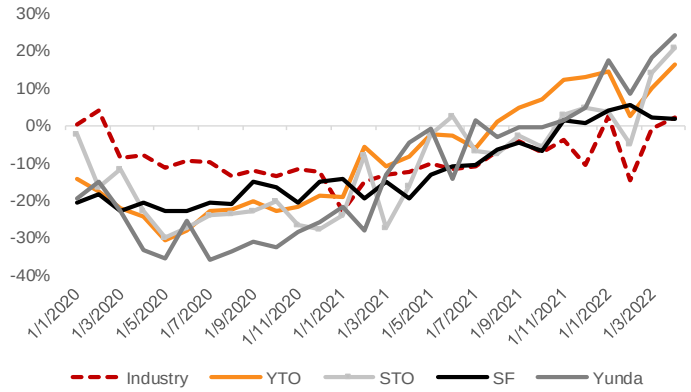
Link to latest report: SF Holding (002352 CH) – Core net profit in 4Q21 below expectation but recovery trend will continue

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	153,987	216,220	279,808	320,407
YoY growth (%)	37	40	29	15
Net income (RMB mn)	6,883	2,785	7,594	11,081
EPS (RMB)	1.54	0.61	1.55	2.26
YoY growth (%)	37.2	(60.6)	154.9	45.9
Consensus EPS (RMB)	N/A	N/A	1.45	1.99
EV/EBITDA (x)	19.4	21.2	13.1	10.0
P/E (x)	33.6	85.2	33.4	22.9
P/B (x)	4.2	3.2	2.9	2.6
Yield (%)	0.7	0.2	0.6	0.9
ROE (%)	13.9	4.1	9.2	12.2
Net gearing (%)	Net cash	2.1	5.8	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: ASP trend for major express delivery players



Source: The State Post Bureau, Company data, CMBIGM

Xtep (1368 HK): A resilient 2Q22 and FY22E guidance upheld

Rating: BUY **| TP:** HK$17.04 (138% upside)

Analyst: Walter Woo

- **Investment Thesis:** We believe Xtep is another key company to enjoy the domestic fashion mania in the next few years. Also, the partnership with Hillhouse since mid-2021 would provide them more meaningful industry connections and resources. It has the third largest domestic sportswear brand (Xtep) in China with RMB 10.0bn sales and around 6,000 stores and other brands (K-Swiss, Saucony, etc.) in FY21. Growth drivers include 1) premiumization and better product mix, 2) larger sized stores with better productivity and 3) multi-brands expansion.

- **Our View:** 2Q22 retail sales growth was at mid-teens, far better than Anta/ FILA/ Pou Sheng, thanks to strong come back in Jun, kids and online. Even though Xtep did revise down certain trade fair orders in 2H22E, management had reiterated their FY22E guidance we are also positive, due to: 1) excellent momentum MTD in Jul (30%+) and 2) potential beat in store openings (already opened 100+ vs targets of 200+ in FY22E) and partnership with Pou Sheng. Also, we are not worried about risks of inventory clearance in 2H22E due to Xtep's wholesale business model.

- **Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our net profit forecasts are lower than the street by 2%/ 3%/ 3%, as we are more pessimistic about its sales growth and GP margins.

- **Catalysts:** 1) strong recovery in 3Q22E, 2) higher than expected popularity for products and brands (esp. the newly acquired K-Swiss and Saucony) and 3) potential consumption stimulus from government.

- **Valuation:** We derived our 12m TP of HK$17.04 based on SOTP valuation, also implying a 26x FY23E P/E. We believe resilient sales growth during tough time can boost investors' confidence. The stock is not expensive, at 21x FY23E P/E, with 25% adj. NP CAGR during FY21-24E.

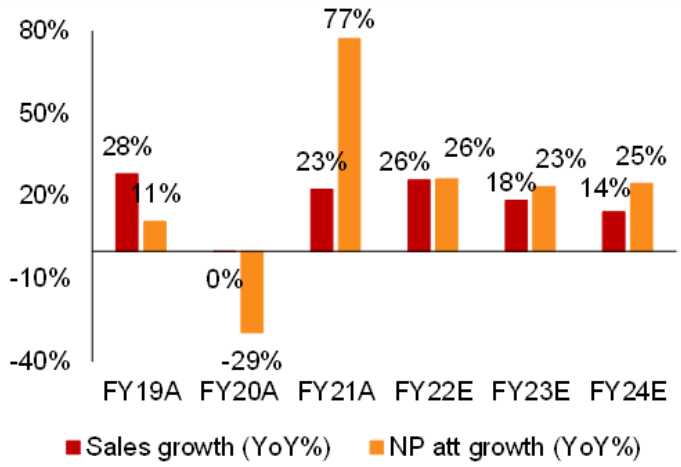
Link to latest report: Xtep (1368 HK) – A resilient 2Q22 and FY22E guidance upheld

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	10,013	12,615	14,941	17,069
YoY change (%)	22.5	26.0	18.4	14.2
Adj. net profit (RMB mn)	908	1,148	1,416	1,766
Adj. EPS - fully diluted (RMB)	0.355	0.451	0.556	0.693
YoY change (%)	72.1	26.9	23.4	24.7
Consensus EPS (RMB)	N/A	0.451	0.563	0.700
Adj. P/E (x)	31.9	25.2	21.1	16.9
P/B (x)	3.6	3.4	3.3	3.0
Yield (%)	1.9	2.4	2.8	3.6
ROE (%)	11.9	13.9	16.0	18.4
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

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Midea (000333 CH): 1Q22 beat and an excellent ToB game plan

Rating: BUY **| TP:** HK$67.79 (20% upside)

Analyst: Walter Woo

- **Investment Thesis:** Home appliances sales were suffering in the last 1.5 years, however, Midea is still well positioned to take market shares. Midea is one of the largest in the world, by revenue. It owns the MIDEA, LITTLE SWAN, TOSHIBA, KUKA brands, etc. and has over 15 overseas manufacturing bases, over 33,000 employees and covering businesses in more than 200 countries and regions. Growth drivers include: 1) market shares gains through more competitive and innovative products, 2) more self-owned brand, direct retail and overseas sales, 3) product category expansion and 4) ToB businesses expansion.

- **Our View:** We believe the air-con sales could turn around in 3Q22E, thanks to extremely hot weather this year and so as the sector in general, due to recovery in property sales and government's policies to relax the housing market and boost consumptions. Moreover, the CNY deprecation and declines in raw material and transportation costs could fuel better GP margins. Lastly, Midea's strategy to focus on ToB business and profitability would certainly lead to better than industry growth.

- **Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our sales forecasts are 1%/ 2%/ 3% lower than consensus and our net profit forecasts are 1%/ 0%/ 3% lower than street as we are more conservative on industry sales growth and GP/ OP margin.

- **Catalysts:** 1) strong come back during the summer, 2) better than expected exports, 3) favorable FX and 4) sector-wise recovery and re-rating.

- **Valuation:** We derived our 12m TP of HK$67.79 based on 15x FY22E P/E. We believe continual sector improvement and Midea's outperformance will drive certain re-rating. The stock is trading at 12.6x FY22E.

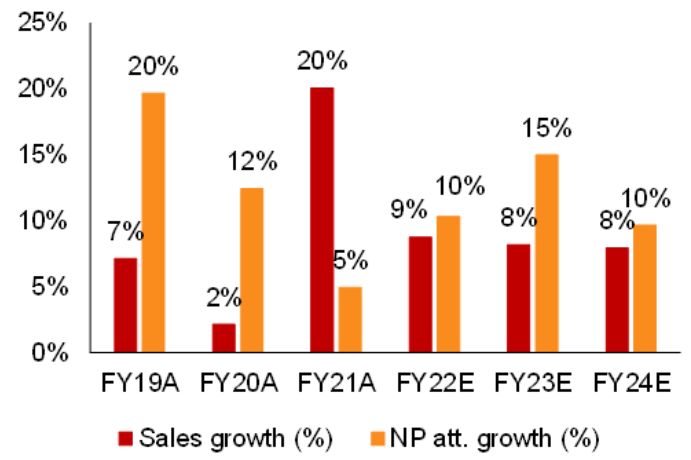
Link to latest report: Midea (000333 CH) – 1Q22 beat and an excellent ToB game plan

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	341,233	371,143	401,494	433,369
YoY change (%)	20.1	8.8	8.2	7.9
Net profit (RMB mn)	28,574	31,523	36,249	39,752
EPS - fully diluted (RMB)	4.14	4.52	5.15	5.59
YoY change (%)	6.0	9.2	13.9	8.6
Consensus EPS (RMB)	N/A	4.58	5.21	5.84
P/E (x)	13.7	12.6	11.0	10.2
P/B (x)	3.1	2.7	2.4	2.1
Yield (%)	3.0	3.3	3.7	4.0
ROE (%)	23.6	23.4	23.2	22.0
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Domestic and export sales growth



Source: Company data, CMBIGM estimates

招銀国际 CMB INTERNATIONAL

CR Beer (291 HK): We cut 2.5% of our 2022E shipment forecast to factor-in the current pandemic impact

Rating: BUY | **TP:** HK$71.0 (35% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Our channel check suggested that CRB's 1Q22 revenue was up by high-single-digit growth thanks to a mid-single-digit ASP uptick and a low-single-digit volume growth. Subpremium+ sales was up by 20%+, in line with our expectation. Despite this, fragile market confidence continued to weigh on the company's share price, as the market attempted to factor-in a weakening 2Q22 outlook due to the concurrent wave of the pandemic outbreak. Of note, the quarter anecdotally contributed to c35% of the full-year volume. Assuming one-third of the quarter's shipment to be stake, we cut 2.5% of our 2022E shipment to 10.7mnL (-2.7% YoY). Compounding with other earnings revisions below, we cut our 2022/23E net profits by 8.7%/15.7%, respectively. The viral pandemic situation should continue to be a near term drag, however, we are convinced CRB's premiumization progress still have legs when management reassured us its 4mnL sub-premium+ shipment target by 2025E.

Other major revisions:

- We cut our 2022E revenue by 2% and that corresponds to a 2.5% reduction of the year's shipment, while we largely maintain a 6.5% ASP uptick as we believe price hikes from last Sep and earlier this year should have a full-scale impact to CRB's pricing momentum throughout 2022.

- **Valuation:** In view of our earnings change, we lower our TP to HK$71.0. Our TP is still based on 29.0x 2022E EV/ EBITDA which represents an average valuation since 2018.

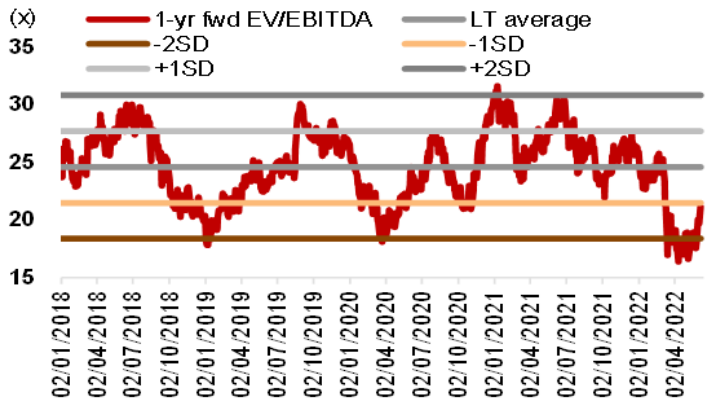
Link to latest report: CR Beer (291 HK) – We cut 2.5% of our 2022E shipment forecast to factor-in the current pandemic impact

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	33,387	34,494	35,849	38,426
YoY growth (%)	6.2	3.3	3.9	7.2
Net income (RMB mn)	4,587	3,832	4,281	5,042
EPS (RMB)	1.0	1.2	1.3	1.6
YoY growth (%)	21.0	18.7	11.7	17.8
Consensus EPS (RMB)	N/A	1.3	1.6	1.9
P/E (x)	N/A	31.0	27.8	23.6
P/B (x)	N/A	4.5	4.1	3.7
Div yield (%)	N/A	1.3	1.4	1.7
ROE (%)	14.1	15.0	15.4	16.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward EV/EBITDA



Source: Company data, CMBIGM estimates

Smoore (6969 HK): Overseas order and the new disposable vape to sustain growth throughout 2022E

Rating: BUY | **TP:** HK$25.2 (16% upside)

Analyst: Joseph Wong

- **Investment Thesis:** We cut our 2022-23E net profits by 44.5%-47.1% to reflect the aggregate impact from the enactment of the new regulation that is set to become effecitve in October this year. In our view, this include 1) almost a blank domestic sell-through of fruit-flavoured cartridges from March to October. We believe retailers would have to destock all relevant SKUs during the transition period. Of note, given a low demand visibility, Smoore would not proactively initiate production; 2) a RMB1.6bn R&D investment to research for new products that are compliant to the regulation. Of note, a few new products have already been submitted for approval; 3) a relatively weak 4Q given the uncertainty of consumer acceptance to the new products. Meanwhile, we are also aware of the impact from Shenzhen lockdown over Feb and Mar which resulted in a 2-to-3-week production halt. Altogether, we assume a 70% YoY decline in domestic revenue for 2022E. That said, we do look for a strong recovery for 2023E, driven not only by a low base, but also on a gradual and sustainable e-cigarette conversion upon a higher degree of product compliance. We remain Buy-rated.

- We still look for a 20-25% overseas revenue growth for 2022E despite the domestic hiccup. Overseas markets remain a sweetspot for Smoore with continuous new product launches. We expect Smoore to debut its first disposable vape and that will generate approximately RMB2bn revenue over 2H in our estimate.

- **Valuation:** Our new TP of HK$25.2 (from HK$32.1) is based on an updated 35.5x (from 32.0x) end-22E P/E, which still represents -1sd below its 2-year average of 49.0x (from 44.0x).

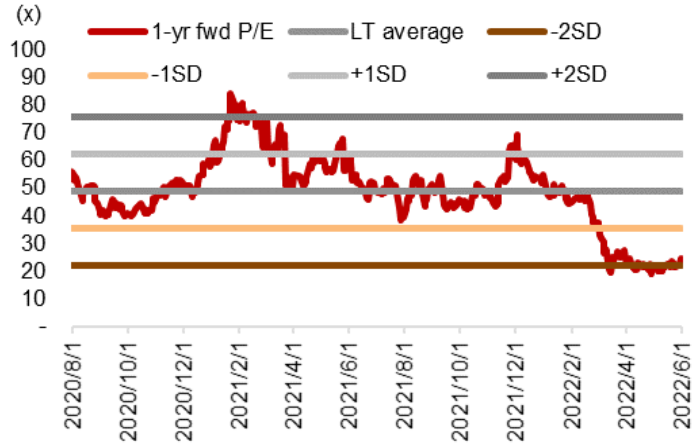
Link to latest report: Smoore Int'l (6969 HK) – Overseas order and the new disposable vape to sustain growth throughout 2022E

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	13,755	15,209	18,947	24,672
YoY growth (%)	37.4	10.6	24.6	30.2
Net income (RMB mn)	5,287	3,659	5,212	7,265
EPS (RMB)	0.9	0.6	0.8	1.2
YoY growth (%)	102.5	(30.8)	42.5	39.4
Consensus EPS (RMB)	N/A	0.73	0.93	1.14
P/E (x)	18.6	26.9	18.9	13.5
P/B (x)	5.1	4.6	4.0	3.3
Div yield (%)	2.0	1.4	2.0	2.8
ROE (%)	32.3	19.9	24.6	29.0
Net gearing (%)	N/A	N/A	N/A	N/A

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Innovent Biologics (1801 HK): Expanding portfolio of commercial products

Rating: BUY **| TP:** HK$58.32 (51% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Besides the six marketed products, namely sintilimab, three biosimilars, pemigatinib (FGFR) and olverembatinib (BCR-ABL), Innovent further expanded the strategic partnership with Eli Lilly in Mar 2022, and added a newly approved oncology drug ramucirumab (VEGFR2) and a NDA stage asset selpercatinib (RET) to its portfolio. Selpercatinib may receive approval in China in 2022. Moreover, Innovent has submitted two NDAs to NMPA in Jun 2022, including IBI-326 (BCMA CAR-T) for r/r MM and IBI-306 (PCSK9) for non-FH and HeFH. Given the comprehensive and fast growing commercial product portfolio, the management targets to realize over RMB20bn sales within the next five years.

- **Our View:** In addition to the expanding portfolio of commercial products, Innovent has established a comprehensive portfolio covering next-generation I/O targets, and has advanced the self-developed global-right innovative drug candidates targeting LAG-3, CD47, TIGIT and VEGF/Complement to the PoC stage. At the 2022 ASCO Meeting, Innovent released promising preliminary data of IBI110, one of the most advanced LAG-3 mAbs in China, which demonstrated encouraging efficacy and safety profile in NSCLC and GC. It is worth noting that Innovent is an early mover in CD47-SIRPα pathway with three assets under development, including IBI188 (CD47 mAb) and IBI322 (PD-L1/CD47 BsAb), and IBI397 (SIRPα mAb). Innovent anticipates to have more data readout in 2022 for multiple global assets, including IBI-188, IBI-322, and IBI323 (LAG-3/PD-L1 BsAb). The Innovent Academy has established 80+ programs, with 7 molecules progressed into IND-enabling stage in 2021. The early stage global-right assets will serve as next wave of innovations for the Company.

- **Why do we differ vs consensus:** We are positive on the Company's growth thanks to more products launch in the near future (selpercatinib, IBI-306, IBI-326, IBI-310 and others in China during 2022-23E) and the NDRL inclusions of sintilimab's large indications effective from Jan 2022.

- **Valuation:** We derive our target price of HK$58.32 based on DCF valuation (WACC: 10.6%, terminal growth rate: 3.0%).

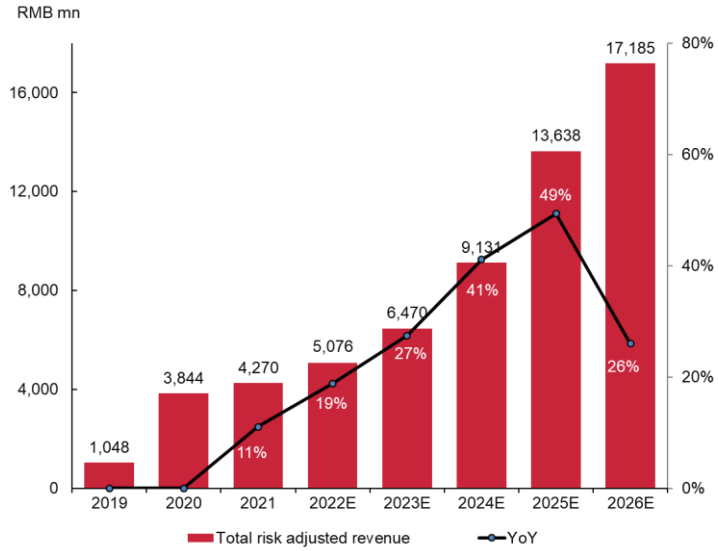
Link to latest report: Innovent Biologics (1801 HK) – Encouraging preliminary data on IBI110 (LAG-3 mAb) released at ASCO

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,076	6,470	9,131
YoY growth (%)	19%	27%	41%
Net loss (RMB mn)	(1,999)	(1,316)	227
EPS (RMB)	(1.36)	(0.90)	0.15
Consensus EPS (RMB)	(1.29)	(0.66)	(0.01)
R&D expenses (RMB mn)	(2,500)	(2,500)	(2,009)
Capex (RMB mn)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

WuXi Biologics (2269 HK): Growth momentum intact

Rating: BUY **| TP:** HK$146.12 (84% upside)

Analysts: Jill Wu/Benchen Huang

- **Investment Thesis:** WuXi Bio is a world leading biologics CDMO which provides one-stop services of biologics discovery, development and manufacturing for global clients. With capabilities covering mAB, BsAB, ADC, fusion protein and vaccines, WuXi Bio has built a rich pipeline containing a total of 526 projects (as of Apr 2022), including 297 in preclinical stage, 32 in Ph3 stage and 9 in commercial stage. The Company adopts a "Follow-the-molecule" strategy to attract and foster early-stage projects and a "Win-the-Molecule" Strategy to win valuable late-stage projects. As a result of pipeline expansion, WuXi Bio's backlog reached to US$17.3bn as of Apr 2022, a guarantee for future revenue growth.

- **Our View:** WuXi Bio has well demonstrated its all-round service quality and speed amid the COVID-19 pandemic. COVID-19 projects (vaccine + neutralizing mAb) contributed ~30% or ~RMB3bn of WuXi Bio's total revenue in 2021, and are expected to generate more than RMB2bn/ RMB800mn revenue in 2022/23E. However, we see stronger revenue growth from its non-COVID projects. We expect WuXi Bio's non-COVID revenue will grow by 78%/54% YoY in 2022E/23E (vs 46%/39% YoY for total revenue), respectively, mainly driven by CMO (commercial) projects. We note that 7 of the Company's nine commercial projects were added in 2021, marking the banner year of its commercial manufacturing business. Revenue from Phase III and commercial stage projects accounted for 48% of 2021 total revenue.

- **Why do we differ vs consensus:** Our FY22E/23E/24E revenue forecasts are in-line with consensus and we are positive on the Company's non-COVID related projects besides its strong capability to win new COVID-19 contracts. We also think that WuXi Bio will largely mitigate geopolitical risks on its business with its global manufacturing network covering the US, Ireland, Germany and Singapore.

- **Valuation:** We derive our target price of HK$146.12 based on DCF valuation (WACC: 10.17%, terminal growth rate: 4.0%).

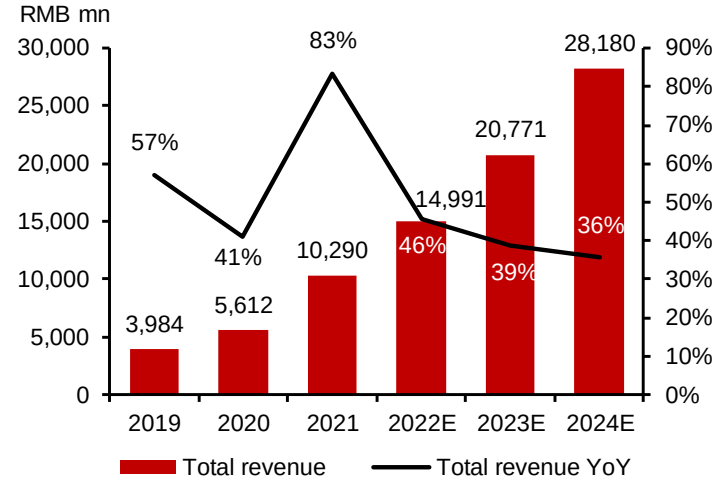
Link to latest report: WuXi Biologics (2269 HK) – Growth momentum intact

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	14,991	20,771	28,180
Revenue YoY growth (%)	46	39	36
Net income (RMB mn)	4,448	6,095	8,296
Adjusted net income (RMB mn)	4,984	7,041	9,772
EPS (RMB)	1.06	1.45	1.97
EPS YoY growth (%)	30	37	36
Consensus EPS (RMB)	1.10	1.52	2.05
P/E (x)	62.9	45.9	33.7
P/B (x)	7.5	6.4	5.4
ROE (%)	12.7	15.1	17.3
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

PICC P&C (2328 HK): Expect CoR improvement in FY22

Rating: BUY | **TP:** HK$11.64 (40% upside)

Analyst: Gigi Chen

- **Investment Thesis:** Premium income growth picked up in May-June due to easing COVID restriction measures. Our channel checks also suggest that P&C insurers saw substantial reduction in loss ratio during COVID lockdowns in 2Q22, similar to the situation of the first wave of COVID outbreak in 1H20. We believe the strong underwriting profit growth in 1Q22 will sustain into 2Q22 and 2H22. During the 1Q22 analyst briefing, the management reiterated the FY22 guidance of below 97% CoR of auto insurance and below 100% CoR of corporate business. We expect the double-digit premiums growth to sustain into FY22. Under C-ROSS 2.0, PICC P&C's core solvency margin remained high at 203% in end-1Q22 (vs 50% minimum requirement). And the insurer reiterated its progressive dividend policy. We believe the recovery of auto insurance and improvement in non-auto business will drive stock re-rating. Reiterate BUY.
- **Catalysts:**
  - We expect the recent policy incentives, i.e. purchase-tax cut and subsidies for new cars, along with easing lockdown measures will increase auto sales and boost auto insurance premiums growth starting from June 2022.
- **Valuation:** The stock is trading at 0.7x P/BV FY22E or 6x P/E FY22E, with over 7% dividend yield and 12%-14% ROE, well below historical average valuation. Reiterate BUY.

Link to latest report:

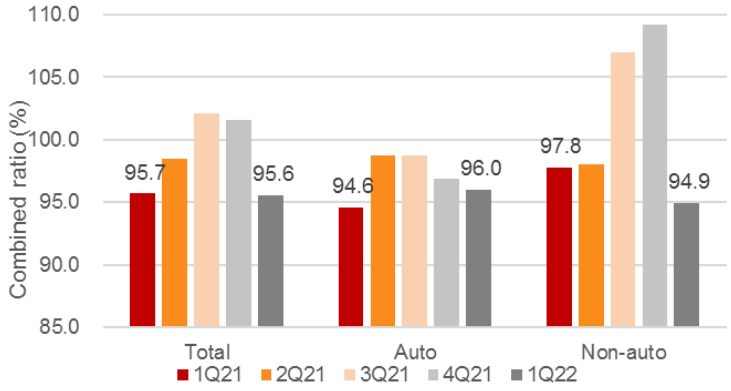
- PICC P&C (2328 HK) – CoR improvement in 1Q22
- PICC P&C (2328 HK) – Expect CoR improvement in FY22
- PICC P&C (2328 HK) – Auto growth pick up; Non-auto UW to improve
- China Insurance – P&C growth rebound; Life slow momentum into 1Q22; Prefer P&C over life insurance in 1H22

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
GWP (RMB mn)	449,533	494,486	543,935	598,328
YoY growth (%)	3.8	10.0	10.0	10.0
UW profit (RMB mn)	1,521	4,422	6,760	7,436
Net profit (RMB mn)	21,652	25,268	30,093	3,914
EPS (RMB)	1.0	1.1	1.4	1.5
YoY growth (%)	3.8	16.7	19.1	12.7
Consensus EPS (RMB)	1.1	1.2	1.3	1.4
P/B (x)	0.7	0.7	0.6	0.6
PER (x)	7.0	6.0	5.0	4.5
Yield (%)	6.0	7.0	8.3	9.4
ROE (%)	11.1	12.0	13.3	13.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC combined ratio quarterly 1Q21-1Q22



Source: Company data, Bloomberg, CMBIGM estimates

Kuaishou (1024 HK): Moving into 2H22E recovery

Rating: BUY **| TP:** HK$120 (50% upside)

Analyst: Sophie Huang

- **Investment Thesis:** Despite soft macro and epidemic resurgence, we expect Kuaishou to be relatively resilient on its ads and ecommerce share gain. We are more positive on its operating leverage and disciplined cost in FY22E (forecasting adj. NPM at -10%). 2Q22E guidance was better-than-feared, and we suggest to look into ads and ecommerce rebound in 2H22E after lockdown relaxation. We reiterate our confidence in its resilient growth, share gain and narrowing loss in the long run.

- **Our View:** Given epidemic resurgence, we expect its 2Q22E rev +8% YoY. Ecommerce GMV would be resilient at +23% YoY in 2Q22E (with take rate at 1%), still outperforming peers. Livestreaming +11% YoY growth (in our estimate), given higher user engagement and rising MPU partly offset by regulation adjustment. Ads would be relatively affected by logistics (for internal ecommerce ads) and macro challenges (external ads), with estimated rev +7% YoY in 2Q22E. We think upcoming COVID stabilization & macro recovery matters more, as muted 2Q22E was well anticipated by the market. Suggest to look into ads & ecommerce rebound after lockdown relaxation, with potential positive regulation signals.

- **Why do we differ vs consensus:** Market concern lies on epidemic resurgence, livestreaming policy and pressure from Douyin. We believe near-term concern has been priced in and its financials outlook was well-guided and relatively defensive. Downside risks of earnings and multiple are limited.

- **Catalysts:** 1) potential upbeat 2Q22E; 2) Meituan synergies to expand TAM; 3) ecommerce to outperform.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$120. Valuation is attractive, given its resilient growth and narrowing loss, in our view.

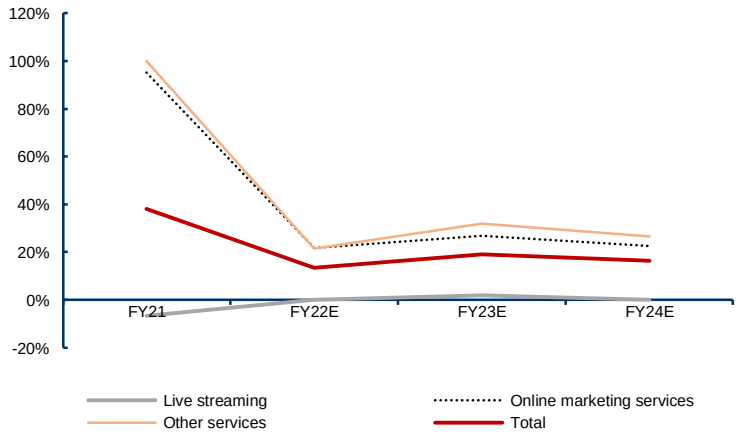
- **Link to latest report**: Kuaishou (1024 HK) – Moving into 2H22E recovery

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,082	92,761	110,119	127,311
YoY growth (%)	37.9	14.4	18.7	15.6
Net income (RMB mn)	(18,852)	(9,504)	(4,207)	3,085
EPS (RMB)	(4.6)	(2.1)	(0.9)	0.7
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(2.9)	(0.6)	2.2
P/E (x)	N/A	N/A	N/A	N/A
P/S (x)	3.6	3.2	2.7	2.3
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: KS's revenue growth estimates



Source: Company data, CMBIGM estimates

CR Land (1109 HK): Rental income to ride on consumption V-shape

Rating: BUY **| TP:** HK$44.79 (31% upside)

Analysts: Jeffrey Zeng/ Xiao Xiao

- **Investment Thesis:** We still expect CR Land to deliver double digit growth in 2022E earnings, especially as the pandemic measures have eased significantly which may drive the rental income growth back to 15% YoY. For the property development, its sales are currently outperforming the peers and we expect the booking of CR City this year to support earnings and margin as well.

- **Our View:** We see the promotion of CR City Phase IV in Dec 2020 to support 2022E earnings. Also rental income could bottom out after pandemic eases.

- **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 6x 2022E P/E vs. historical average of 9x. Moreover, the increase in revenue share of rent collection business could trigger re-rating.

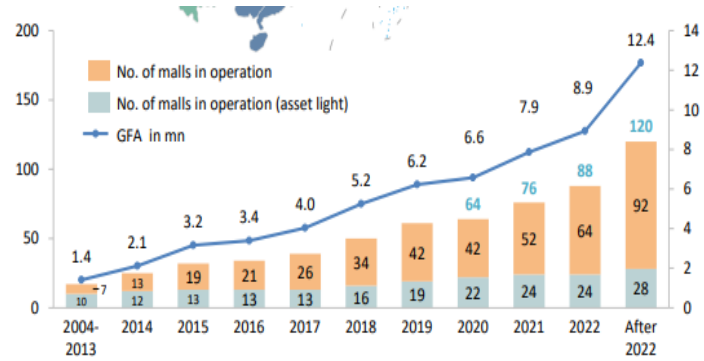
Link to latest report: China Property Sector – Bumpy road ahead despite better-than-feared 2M22 data

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21A	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)	7.7	7.6	7.2	6.6
P/B (x)	1.3	1.2	1.0	0.9
Yield (%)	3.3	3.9	4.7	5.3
ROE (%)	16.5	13.7	14.6	14.3
Net gearing (%)	30.3	32.1	31.6	34.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's opening plan



Source: Company data, CMBIGM

CG Services (6098 HK): Strong beneficiary of eased pandemic on Community VAS

Rating: BUY **| TP:** HK$47.6 (92% upside)

Analysts: Jeffrey Zeng/ Xiao Xiao

- **Investment Thesis:** CGS may face short-term volatility after adjusting down its 2022E NP growth to 40% from 50%, together with declining margin and high trade receivables. However, we think the downside is limited given the attractive valuation at 14x 2022E and it benefits from eased lockdown. Also management promised not to do placement for M&A. and margin/receivables will improve in 2022E after the M&A dilution was mainly reflected in 2021.

- **Our View:** 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 expect managed GFA to grow at a stable 30% CAGR in 2019-2022E and 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 the 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:** It is currently trading at 14x 2022E PE and looks attractive.

Link to latest report: CG Service (6098 HK) – Keeping low for its second takeoff

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	15,600	28,843	43,303	61,955
YoY growth (%)	61.7	84.9	50.1	43.1
Net income (RMB mn)	2,686	4,033	5,662	7,863
EPS (RMB)	0.98	1.28	1.69	2.35
YoY growth (%)	55.7	31.1	32.2	38.9
Consensus EPS (RMB)	N/A	N/A	1.94	2.70
P/E (x)	N/A	30.1	22.7	16.4
P/B (x)	N/A	15.6	12.7	9.2
Yield (%)	N/A	0.8	1.1	1.5
ROE (%)	18.4	11.1	14.1	17.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CGS has first-mover 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, CMBIGM estimates

Goertek (002241 CH): Strong VR momentum into 2H22E; Maintain BUY

Rating: BUY | **TP:** RMB48.0 (50% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** Goertek is a global leader in precision components (acoustics, microelectronic), wearables products (Airpods) and AR/VR products (Oculus, Pico, Sony VR). We believe it is well-positioned to capture growth opportunities backed by solid product roadmap and market share gain in key products, such as AR/VR, gaming console, smart watch.

- **Our View:** We are positive on Goertek's product portfolio and strong momentum in VR/gaming console in FY22-23E. For 1H22E, company pre-announced net profit of RMB2.08-2.42bn, up 20-40% YoY, implying 2Q22 NP growth of 59-99% YoY. We think the profit alert alleviated market concerns on AirPods weakness, COVID-19 impact and VR momentum in 2022. Looking into 2H22E, we believe Goertek's growth momentum will continue with multiple product launches from new-gen AirPods, Quest 2 Pro and PS VR2. Overall, we expect Goertek's earnings to grow 33%/21% in FY22/23E, backed by 62%/26% growth in smart product segment (VR, gaming console, smart watch). We believe recent pullback provides good buying opportunities, given its solid product roadmap and high earnings visibility in AR/VR and gaming console biz.

- **Why do we differ vs consensus:** Our FY22-24E EPS are largely in-line with consensus, but we expect AR/VR upside will drive re-rating.

- **Catalysts:** Near-term catalysts include product launches, China demand recovery and client order wins.

- **Valuation:** Our TP of RMB$48.0 is based on 28x FY22E P/E, based on 7-year historical avg. P/E.

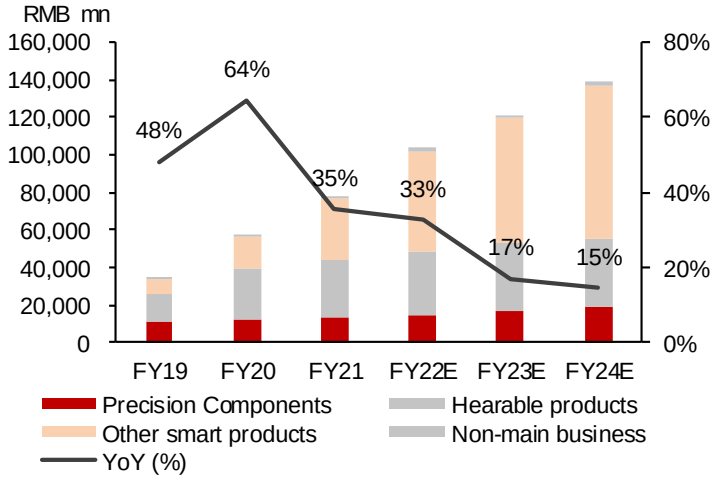
Link to latest report: Goertek (002241 CH) – Strong VR momentum into 2H22E; Maintain BUY

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	78,221	103,687	121,268	138,872
YoY growth (%)	35.5	32.6	17.0	14.5
Net profit (RMB mn)	4,275	5,853	7,086	8,610
EPS (RMB)	1.29	1.71	2.07	2.52
YoY growth (%)	44.9	32.8	21.1	21.5
Consensus EPS (RMB)	1.29	1.66	2.10	2.59
P/E (x)	24.7	18.6	15.4	12.7
P/B (x)	3.9	3.4	2.8	2.4
Yield (%)	0.6	0.8	1.0	1.2
ROE (%)	15.3	18.1	18.5	18.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Goertek revenue trend



Source: Company data, CMBIGM estimates

Wingtech (600745 CH): Diversified hardware play with bright outlook

Rating: BUY **| TP:** RMB93.12 (29% upside)

Analysts: Lily Yang/ Alex Ng

- **Investment Thesis:** We hold an optimistic view as Wingtech has expanded into the semi IDM and optical imaging module market successfully in recent years, transitioning from a top ODM manufacturer. Wingtech emerges as a more resilient hardware play with more diversified and lucrative businesses. We believe Wingtech can enjoy synergies created from integration of three business segments (Semi IDM, optical imaging module and ODM).
- **Our View:** Wingtech successfully enters new markets with big TAMs and better growth outlook. 1) Riding on the localization tailwind in China with a global footprint of factories and diversified client base, we expect the semi IDM business will continue to deliver stellar results (semi IDM rev CAGR of 41.6% in 2022-2024E). 2) For optical module business, Wingtech has shipped products to tier-1 clients and passed its rigorous verification process in 2021. We expect this segment will return to profitability in 2022. 3) The Company also reduces its reliance on smartphone ODM and moves to other diversified ODM markets (e.g. AIoT, auto). We expect revenue to have a rebound with higher growth starting from 2022 as contributions from new BUs will grow faster.
- **Why do we differ vs consensus:** Share price looks attractive as most bad news are priced in. Wingtech's share price has been corrected by 41.9% YTD vs CSI300 down by 9.6%. We talked to mgmt. recently and believe the Company's operation remains normal. In our view, the current share price has already factored in many uncertainties and looks attractive with forward P/E at 2SD below its historical mean.
- **Catalysts:** 1) Better-than-expected earnings result; 2) new 12-inch factory to begin production in 2H; 3) ODM's new projects to contribute in 2H.
- **Valuation:** Our TP is RMB93.12, implying ~25x 2023E P/E, which looks attractive.

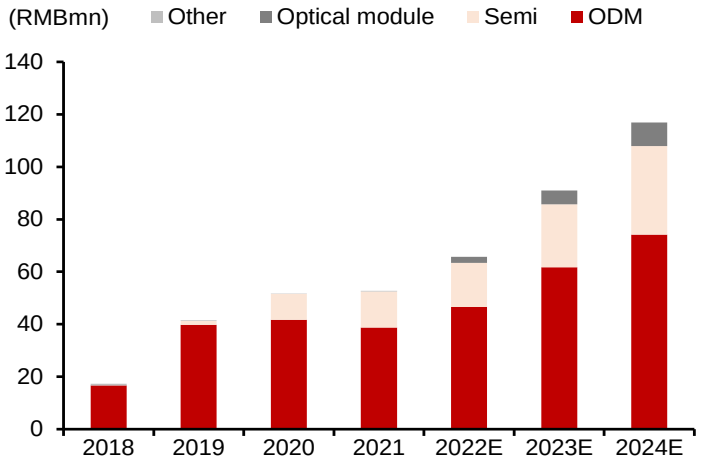
Link to latest report: Wingtech (600745 CH) – Diversified hardware play with bright outlook

Financials and Valuations

(YE 31 Dec)	FY21A	FY22	FY23E	FY24E
Revenue (RMB mn)	52,729	65,658	90,941	116,979
YoY growth (%)	2.0	24.5	38.5	28.6
Gross margin (%)	16.2	17.2	17.2	17.5
Net profit (RMB mn)	2,612	3,024	4,642	6,512
EPS (RMB)	2.11	2.43	3.72	5.23
YoY growth (%)	2.4	15.0	53.5	40.3
Consensus EPS (RMB)	N/A	3.08	4.19	5.30
PE (x)	35.8	31.1	20.3	14.4
Yield (%)	0.3	0.3	0.5	0.7
ROE (%)	7.7	8.1	11.5	13.9
Net gearing (%)	Net cash	Net cash	13.5	16.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Wingtech revenue trend



Source: Company data, CMBIGM estimates

Kingdee (268 HK): Domestic ERP SaaS leader

Rating: BUY **| TP:** HK$24.37 (37% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Kingdee is the largest enterprise application SaaS vendor in China with 5.8% market share in 1H20, according to IDC. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 20% revenue CAGR in FY21-24E reaching RMB7,207mn.

- **Our View:** We think it is a good time now to compare the cloud transition performance among domestic ERP leaders – Kingdee, Yonyou and Inspur as each of them has accumulated three years of SaaS data. Kingdee launched first cloud-native platform Cloud Galaxy in 2014 while Yonyou/ Inspur are late joiners in 2019. We like Kingdee most given its strong footprint in medium-sized enterprise market where customers have higher acceptance level to standardized SaaS/ subscription model. ARR accounted for 38% of Kingdee FY21 revenue, vs. 18% for Yonyou, although Yonyou reported a 2x larger cloud revenue.

- **Why do we differ vs consensus:** Domestic substitution has helped Kingdee penetrate into large corporates such as Huawei, Venke, China Merchants Group. Meanwhile, it will be difficult for Yonyou, who launched first cloud-native platform five years later than Kingdee, to gain share in the medium-sized enterprise market.

- **Catalysts:** Better than expected cloud revenue growth in 1H22. Supportive policies related to "Xinchuang" implementation.

- **Valuation:** We derive our target price of HK$24.37 on 11.0x FY23E EV/sales, in-line with its 3-year mean. Kingdee deserves re-rating given increasing subscription revenue and hence better cash flow visibility.

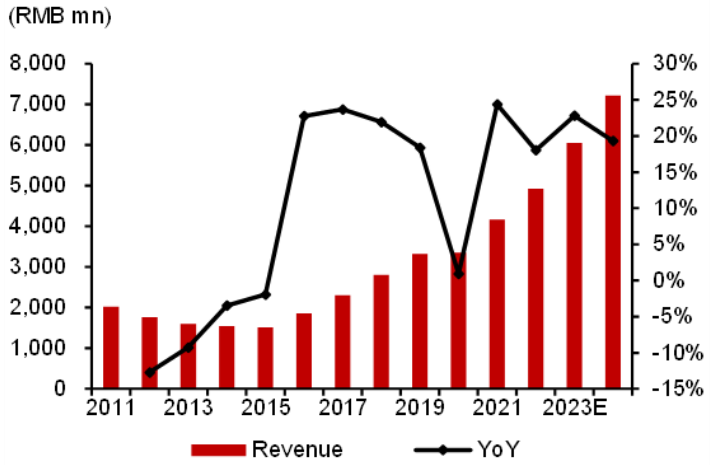
Link to latest report: China Software & IT Services – Higher visibility in SaaS along China cloud value chain

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,174	4,927	6,050	7,218
YoY growth (%)	24%	18%	23%	19%
Net profit (RMB mn)	(302)	(380)	(128)	193
EPS (RMB)	(0.09)	(0.11)	(0.04)	0.06
YoY growth (%)	(1)	18	(66)	(250)
Consensus EPS (RMB)	(0.09)	(0.08)	(0.03)	0.04
EV/sales (x)	13.4	11.4	9.2	7.6
PE (x)	N/A	N/A	N/A	N/A
Dividend yield (%)	0.00	0.00	0.00	0.00
ROE (%)	(4)	(5)	(2)	3
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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