招银国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

8 Jan 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) FY20E	P/E (x) FY21E	P/B (x) FY20E	ROE FY20E	Yield FY20E	Analyst
Long Ideas														
BYD - A	002594 CH	Auto	BUY	90.7	1209.2	225.0	223.8*	-1%	124.1	92.7	9.8	8.7	11.0%	Jack Bai/ Robin Xiao
PSBC	1658 HK	Banking	BUY	60.1	33.2	4.4	6.5	48%	5.7	5.3	0.6	11.4	5.4%	Terry Sun
CICC	3908 HK	Brokerage	BUY	38.2	33.1	21.5	23.6	10%	14.2	13.5	1.4	10.5	1.1%	Karen Sui
Zoomlion	1157 HK	Capital Goods	BUY	13.5	12.8	10.2	10.5	3%	10.4	9.5	1.6	16.3	4.1%	Wayne Fung
S.C New Energy	300724 CH	Capital Goods	BUY	7.2	71.5	144.5	138*	-4%	81.1	51.5	15.3	20.4	0.1%	Karen Sui/ Wayne Fung
Bosideng	3998 HK	Consumer Disc.	BUY	5.9	23.1	4.2	4.23*	0%	35.7	26.3	4.1	12.0	2.1%	Walter Woo
JS Global	1691 HK	Consumer Disc.	BUY	6.3	6.9	13.9	19.6	41%	22.6	20.1	2.9	9.2	1.1%	Walter Woo
Moutai	600519 CH	Consumer Staple	BUY	415.0	888.2	2140.0	2153.3	1%	57.2	45.6	14.7	31.1	1.0%	Albert Yip
Hope Education	1765 HK	Education	BUY	2.2	7.3	2.4	3.4	43%	17.6	13.4	na	na	1.8%	Albert Yip
PA Good Doctor	1833 HK	Healthcare	BUY	13.0	83.8	88.2	150.0	70%	na	na	9.3	-6.8	0.0%	Jill Wu/ Sam Hu
China Life	2628 HK	Insurance	BUY	142.9	116.2	17.1	28.1	65%	na	na	1.0	11.4	4.2%	Wenjie Ding
Meituan	3690 HK	Internet	BUY	233.7	874.0	308.0	348*	13%	294.0	104.0	na	1.6	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	28.1	53.7	30.6	44.8	46%	7.3	6.0	1.0	13.7	4.6%	Jeffrey Zeng
Excellence CM	6989 HK	Property	BUY	1.6	8.8	9.9	13.3	35%	25.8	20.6	3.4	11.9	1.0%	Bowen Li
China Gas	384 HK	Renewables	BUY	20.8	25.3	31.0	37.1	20%	15.2	12.3	3.4	22.3	1.9%	Robin Xiao
China Longyuan	916 HK	Renewables	BUY	11.9	24.9	11.5	7.38*	-36%	17.0	14.1	1.6	9.3	1.2%	Robin Xiao
BYDE	285 HK	Technology	BUY	11.5	67.8	39.6	49.5	25%	14.5	13.0	4.5	25.0	0.7%	Alex Ng/ Lily Yang
ZTE	763 HK	Technology	BUY	21.4	34.3	20.40	26.30	29%	19.6	13.9	2.0	9.0	0.6%	Alex Ng/ Lily Yang

Source: Bloomberg, CMBIS, Price as of 7/1/2021, * TP under review

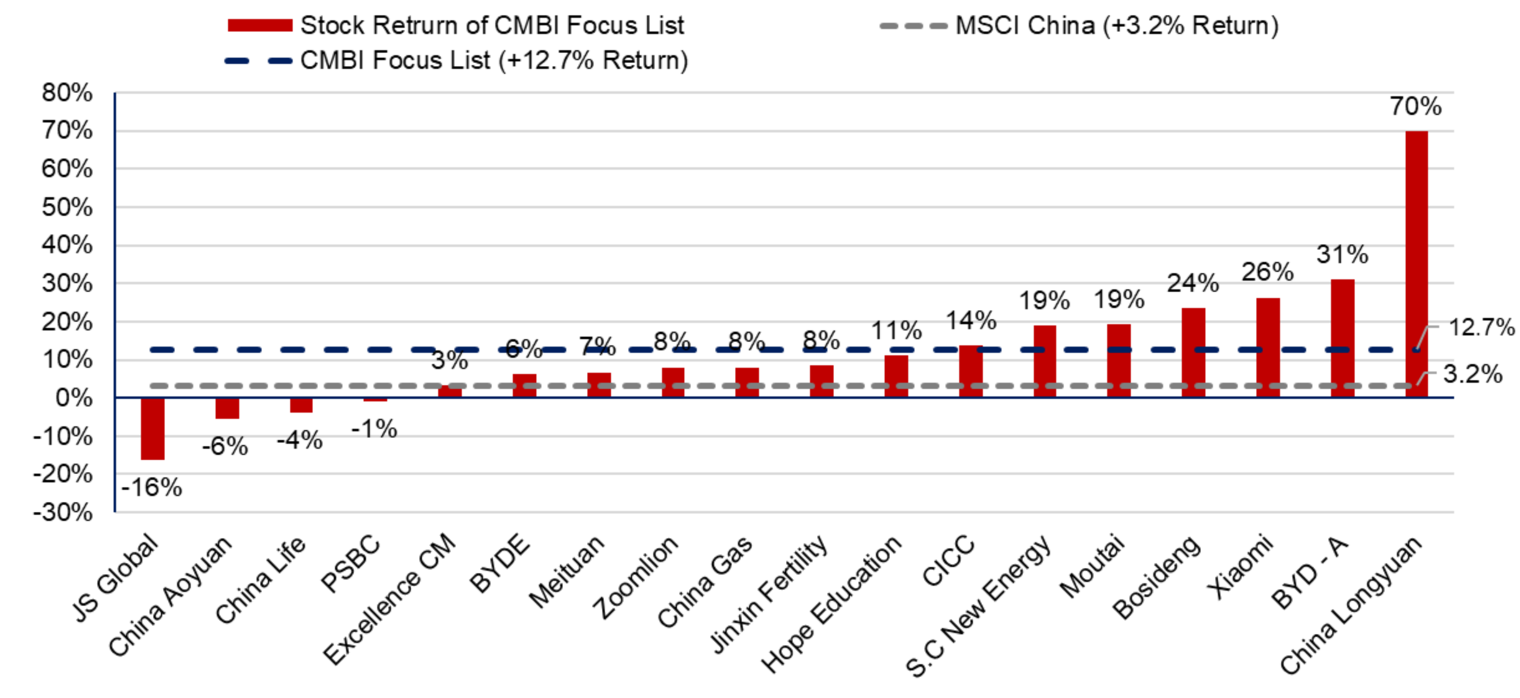
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
CR Land	1109 HK	Property	BUY	Jeffrey Zeng	CR Land is one of our top picks going into 2021.
PA Good Doctor	1833 HK	Healthcare	BUY	Jill Wu/ Sam Hu	PA Good Doctor is one of our top picks going into 2021. As the largest supplier for online medical services, it is believed that PA Good Doctor will continue to benefit from the gradually loosening polices and expanding reimbursement coverage for online medical services.
ZTE	763 HK	Technology	BUY	Alex Ng/ Lily Yang	As the global telco equipment leader, ZTE is set to benefit from China 5G BTS rollout in 1Q21E and global 5G deployment post COVID-19 in FY21E. We expect upcoming catalysts of China 5G BTS tenders and margin improvement are positive to the stock.
Deletions					
China Aoyuan	3883 HK	Property	BUY	Jeffrey Zeng	Going into 2021, we favour “borderline green-zone” names that benefit from spending boom.
Jinxin Fertility	1951 HK	Healthcare	BUY	Jill Wu/ Sam Hu	The share price is very close to our TP after 68% rally in last two months. Although we mantain positive on the long-term growth of the Company, we expect porfit taking pressure in near term.
Xiaomi	1810 HK	Technology	BUY	Alex Ng/ Lily Yang	The share price exceeded our TP after 35%+ rally in last month. While we are positive on company fundamentals, we expect profit taking pressure in near term.

Source: CMBIS

Performance of our recommendations

- In our last report dated 4 Dec, we highlighted a list of 18 long ideas.
- The performance of the basket (equal weighted) with these 18 stocks outperformed MSCI China index by 9.5ppt, delivering 12.7% return (vs MSCI China +3.2%).
- Bosideng, Xiaomi, BYD-A and China Longyuan delivered 20%+ return, and 13 of our 18 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 4 Dec 2020 to 7 Jan 2021

Long Ideas

BYD – A (002594 CH): Momentum to maintain with NEV sales

Rating: BUY | **TP:** RMB223.8*

Analysts: Jack Bai/Robin Xiao

- **Investment Thesis:** BYD's share price experienced some decline from year high in Nov. Although the Company intends to have H-share placement, we expect dilution impact will be lower than 6%. We expect Nov NEPV sales figure to boost market sentiment again, likely to have Han EV sales exceeding 10k mark, getting close to Model 3.Based on our SOTP framework, we believe market is currently pricing the NEV segment at 5.0x FY21E P/S ratio. After peers' recent share prices rally, we believe BYD's NEV valuation is significantly lower than peers average of 10.1x FY21E P/S.

- **Auto sales on track; Oct NEPV sales + 83.1%YoY/18.5% MoM.** BYD announced that total auto sales volume achieved 48Kunits in Oct, an increase of 16.1% YoY. Among these, NEPV achieved 22K units, an increase of 83.1% YoY/ 18.5% MoM. Flagship model Han EV recorded sales of 7,545. As capacity of blade battery continue to be release in Nov-Dec, we expect Han EV's will accelerate its delivery pace.

- **Optimistic earnings outlook.** Based on increasing high-end EV model mix and BYD's 9M20 GPM, we revise up BYD's NEV ASP and margin outlook. We lift FY20-21E earnings forecasts by 24%/30% to RMB5,220/6,884mn.

- **Sentiment driven re-rating on the NEV segment.** We think BYD's re-rating was mainly sentiment driven on optimistic outlook for the NEV segment. Based on our SOTP framework, we believe market is currently pricing the NEV segment at 5.5x FY21E P/S ratio. In our risk-reward analysis, we think BYD can trade to RMB263/146 based on 9x/3x FY21E P/S bull/bear cases valuation on the NEV segment. Our base case TP is RMB223.8 based on 7x forward P/S multiple. **Future catalyst:** 1) NEV sales growth to accelerate; 2) power battery to realize external shipment; 3) Semiconductor business to have new update.

Link to latest report: BYD - A (002594 CH) – Expect high growth of NEV in 2H20E / BYD - A (002594 CH) – Hidden giant in the cave

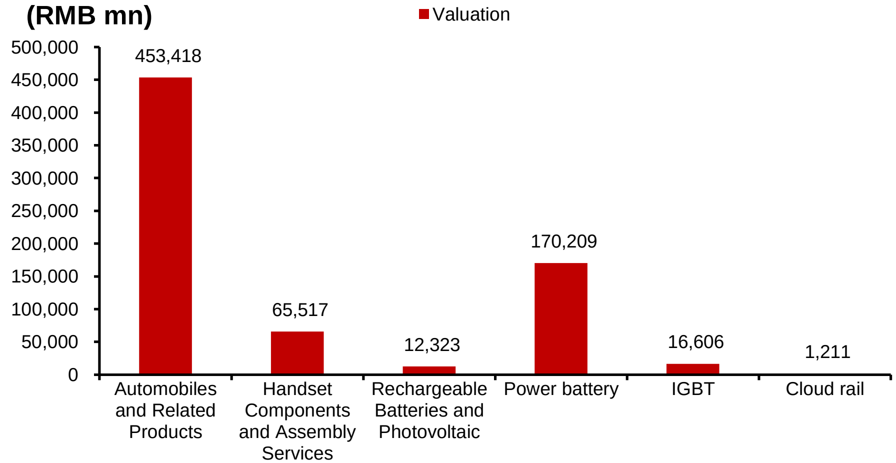
* TP under review

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	127,739	156,971	208,657	272,410
YoY growth (%)	-1.78%	22.88%	32.93%	30.55%
Net income (RMB mn)	1,614	5,210	6,884	10,606
EPS (RMB)	0.50	1.81	2.43	3.79
YoY growth (%)	-47%	265%	34%	56%
Consensus EPS(RMB)	N/A	1.05	1.20	1.65
P/E (x)	452.48	124.10	92.72	59.35
P/B (x)	10.81	9.81	8.76	7.50
Yield (%)	0.03%	0.11%	0.15%	0.22%
ROE (%)	2.88%	8.73%	10.38%	13.96%
Net gearing (%)	79%	86%	78%	72%

Source: Company data, Bloomberg, CMBIS estimates

Fig: Valuation by business segments



Source: Company data, CMBIS estimates

PSBC (1658 HK): Well positioned for earnings recovery

Rating: BUY | **TP:** HK$6.50 (48% upside)

Analyst: Terry Sun

- **Investment Thesis:** As the only retail-oriented large bank, PSBC should enjoy faster-than-peers credit growth and earnings rebound amid post-pandemic economic recovery. Recent announcement of private placement plan would narrow the capital adequacy gap with Big-5 peers and greatly reduce the risk of dividend payout cut.

- **Our View:** 1) Macro recovery is the key driver for banks' profitability, and retail banks will see faster asset quality and earnings turnaround. 2) We expect marginally tighter liquidity condition in FY21, as temporary policy stimuli gradually exit. This should be positive for NIM outlook of PSBC, which is an interbank liquidity supplier and has >95% funding from deposits. 3) PSBC's 403% provision coverage (as of 3Q20) is 2nd highest among nationwide banks, and should support earnings release when policy intervention abates.

- **Why do we differ vs consensus:** We expect PSBC's FY20 net profit to grow 0.5 YoY to RMB61.7bn, 7% higher than consensus estimate of RMB57.6bn. As 9M20 earnings run rate already reached 92%, we believe consensus estimate is too conservative and will likely be revised up.

- **Catalysts:** 1) Better-than-expected macro indicators, e.g. PMI, retail sales, industrial production. 2) Stable interest rate, e.g. MLF/reverse repo rates and LPR, and marginal liquidity tightening. 3) Upward revision in consensus earnings forecasts.

- **Valuation:** Our TP of HK$6.50 is based on 0.85x target P/B and FY21E BVPS of RMB6.7.

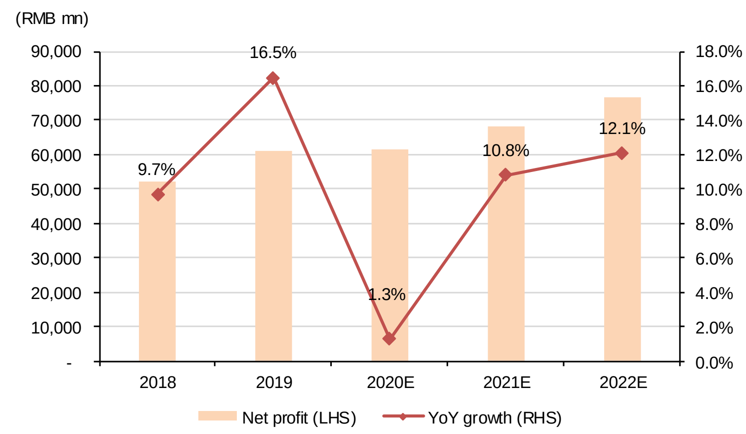
Link to latest report: PSBC (1658 HK) – Decent asset quality backs earnings turnaround

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	277,116	295,215	322,254	353,037
Net profit (RMB mn)	60,933	61,711	68,385	76,652
EPS (RMB)	0.72	0.68	0.73	0.80
EPS CHG (%)	16.9	(5.0)	7.4	9.3
Consensus EPS (RMB)	NA	0.66	0.73	0.82
P/E (x)	5.4	5.7	5.3	4.9
P/B (x)	0.68	0.63	0.59	0.54
Dividend yield (%)	5.4	5.4	5.7	6.3
ROE (%)	12.7	11.4	11.4	11.5
NPL ratio (%)	0.86	0.88	0.87	0.87
Provision coverage (%)	389	408	434	447

Source: Company data, Bloomberg, CMBIS estimates

Fig: PSBC's net profit forecasts



Source: Company data, CMBIS estimates

CICC (3908 HK): Enhanced capital base to support expansion

Rating: BUY **| TP:** HK$ 23.60 (10% upside)

Analyst: Karen Sui

- **Investment Thesis:** CICC is well positioned to capture incremental business opportunities from China's capital market reforms for its leading position in investment banking and institutionalization, and we believe the Company has unique and incomparable strength in new economy companies' oversea listing and SOE giants' M&A.

- **Our View:** CICC posted stronger-than-expected 3Q20 results, on robust brokerage and investment banking incomes. The Company's leverage stayed flat QoQ at 7.4x despite the issuance of RMB 5.0bn perpetual bonds, demonstrating its high utilization of balance sheet. On 2 Nov, CICC was successfully listed on Main Board of SSE, raising RMB 13.2bn. We believe the replenished capital base could further support CICC's business expansion and help with the recovery of ROE. Despite the delayed IPO process of Fintech giant, CICC is still in a predominant position in sponsoring Red-chips, pre-profit companies and mega deals as well as ADRs homecoming listings.

- **Catalysts:** 1) Decent pipeline of mega IPOs in both oversea and domestic markets; 2) More fruit from wealth management transformation; 3) Huge A/H premium (279%) to potentially drive up H-share performance during sector rally.

- **Valuation:** Our 3-stage DDM derived TP is HK$ 23.60, implying 1.4x FY21E P/B.

Link to latest report:

China Brokerage Sector – 3Q20 results wrap: growth on robust fee incomes

CICC (3908 HK) – 3Q20 results boosted by strong fee growth

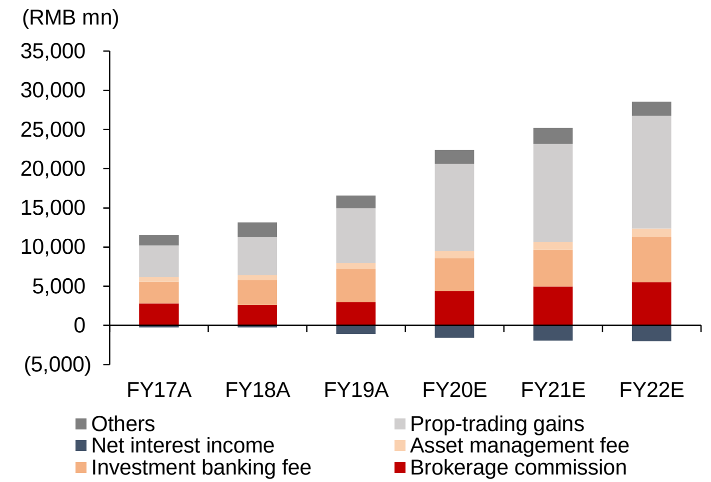
China Brokerage Sector – Optimism & reform suggest more earnings upsides

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	15,484	20,829	23,232	26,543
Net income (RMB mn)	4,239	6,050	6,931	8,074
EPS (RMB)	0.99	1.35	1.42	1.66
YoY growth (%)	19	36	6	17
Consensus EPS (RMB)	N/A	1.18	1.39	1.59
P/E (x)	19.4	14.2	13.5	11.6
P/B (x)	1.77	1.40	1.28	1.09
Yield (%)	0.0	1.1	1.1	1.3
ROE (%)	9.5	10.5	9.9	10.5
Adj. financial leverage (%)	6.0	6.1	6.2	6.2

Source: Company data, Bloomberg, CMBIS estimates

Fig: CICC's revenue trend



Source: Company data, CMBIS estimates

Zoomlion Heavy Industry (1157 HK): Solid up-cycle in 2021E

Rating: BUY **| TP:** HK$10.5 (3% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Zoomlion is the major beneficiary of the infrastructure spending growth and property construction. We expect a promising upcycle of concrete machinery, driven by organic replacement cycle, upgrade of National Emission Standard (NES) and the strict policy to crackdown of illegal truck modification. Besides, we see a structural growth opportunity of mid-to-large size tower crane, driven by rising application of prefabricated construction. In addition, fast-growing excavator and aerial working platform (AWP) segments along with improving margin will serve as new growth drivers.

- **Our View.** For concrete pump truck, the last peak was in 2011/12 with industry sales volume of 12k/11k units. Given an average useful life of 10 years, we expect the industry will enter a strong replacement demand in 2021-22E. For concrete mixer, the previous peak cycle lasted for four years (2011-14) and we expect strong replacement demand in 2021-24E. Besides, we see upside to the excavator demand in 2021E, which will provide Zoomlion with good opportunity to gain market share.

- **Why do we differ vs consensus:** We have higher assumptions on the machinery demand projection.

- **Catalysts:** (1) A strong set of 4Q20 results; (2) strong monthly industry data.

- **Valuation:** Stock is still attractively trading at <10x 2021E P/E, on the back of 50%/9%/14% estimated EPS growth in 2020E/21E/22E. Our TP of HK$10.5 is based on 10x 2020E P/E. We see upside to our target valuation.

Link to latest report:

Zoomlion (1157 HK) – Margin risk priced in; Good buying opportunity

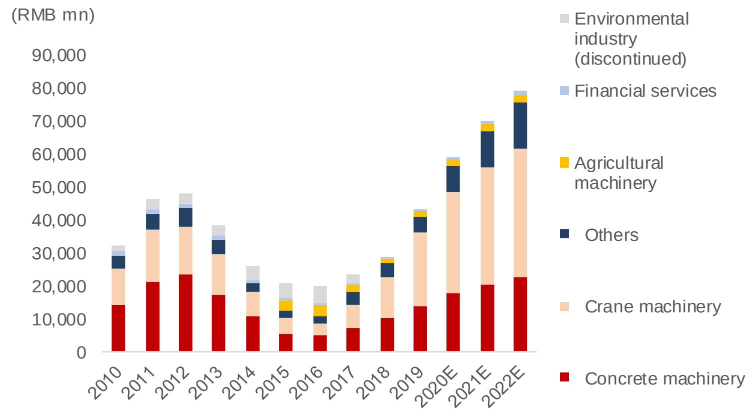
Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	43,307	63,942	76,025	84,903
YoY growth (%)	50.9	47.6	18.9	11.7
Net income (RMB mn)	4,381	6,887	8,727	9,928
EPS (RMB)	0.58	0.87	0.96	1.09
YoY growth (%)	119.2	50.0	9.3	13.7
Consensus EPS (RMB)	-	0.88	0.89	0.98
EV/EBITDA (x)	12.1	9.1	7.5	6.7
PE (x)	15.1	10.4	9.5	8.1
P/B (x)	1.8	1.6	1.4	1.2
Yield (%)	0.0	4.1	4.2	4.9
ROE (%)	11.4	16.3	16.8	16.1
Net gearing (%)	31.3	20.8	4.7	3.6

Note: We model the dilution impact arising form potential A-share placement starting from 2021E

Source: Company data, Bloomberg, CMBIS estimates

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIS estimates

S.C New Energy Technology (300724 CH): A comprehensive leader of solar cell equipment

Rating: BUY | **TP:** RMB138*

Analysts: Karen Sui / Wayne Fung

- **Investment Thesis:** Backed by strong photovoltaics (PV) installation demand worldwide, solar component makers' ambitious capacity expansion plans and emerging disruptive technologies, Chinese solar power equipment suppliers are set to be the key beneficiaries of the downstream capex up-cycle.

- **Our View:** We like S.C for its market leadership, its broad product offerings that cover >70% equipment CAPEX for mainstream PERC technology, as well as its early-mover advantage in developing HJT production equipment, that enables it to enjoy the uptrend in equipment demand regardless of the change in technology. We project a 47% CAGR for S.C's net profit in FY19-22E.

- **Why do we differ vs consensus:** Our FY21E/FY22E EPS estimates are 5%/5% higher than consensus as we are more confident on the Company's revenue growth backed by strong order inflows amid PERC capacity expansion.

- **Catalysts:** (1) Release of FY20E preliminary results; (2) Continuous order intakes; (2) Breakthrough in HJT product development, (3) Completion of A-share private placement.

- **Valuation:** We rate S.C at BUY and we are reviewing our TP. We see further valuation upside due to: (1) strong earnings driven by more order intakes and stabilizing GPM, (2) less EPS dilution impact from A-share private placement at current share price; and (3) higher multiples for next-gen solar cell equipment suppliers.

Link to latest report:

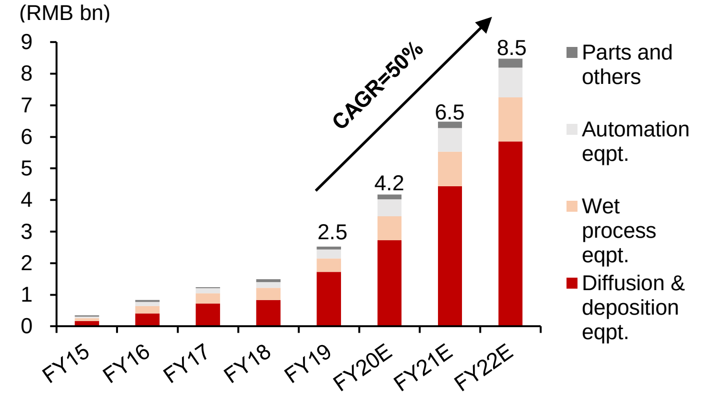
Solar Power Equipment – Picks and Shovels in the Solar Gold Rush

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	2,527	4,169	6,478	8,472
YoY growth (%)	69	65	55	31
Net income (RMB mn)	382	572	902	1,210
EPS (RMB)	1.19	1.78	2.81	3.77
YoY growth (%)	7	49	58	34
Consensus EPS (RMB)	N/A	1.84	2.68	3.59
P/E (x)	121.1	81.1	51.5	38.4
P/B (x)	18.1	15.3	11.9	9.3
Yield (%)	0.1	0.1	0.2	0.3
ROE (%)	16.0	20.4	26.0	27.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: S.C New Energy's revenue breakdown



Source: Company data, CMBIS estimates

* TP under review

Bosideng (3998 HK): Stay confident on 2H21E after strong beat

Rating: BUY | **TP:** HK$4.23*

Analyst: Walter Woo

- **Investment Thesis:** The COVID-19 outbreak actually speeded up the industry consolidation, Companies like Bosideng with superior fashion, digital capability and efficiency can gain more market shares in the long run. 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 5,300 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:** As average temperature in BJ/ SH/ SZ during Dec 2020 were 1.8/ 1.8/ 1.6 degrees colder vs last year, we do believe 2020-2021 Winter is likely to stay cold until the Chinese New Year in Feb 2021. We are highly confident on a strong 2H21E with sales/ net profit to grow by 26%/ 39%. Driven by: 1) better than expected retail sales growth in Oct-Dec 2020, 2) meaningful GP margin expansion due to limited discounts, 3) low channel inventories and strong re-orders, 4) operating leverage and effective cost savings and 5) low base (~10% annual sales missing in Feb-Mar 2020).

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 1% higher / 3%/ 6% lower than consensus and our net profit forecasts are 5% higher / 3%/ 4% below street as we are more conservative on sustainability of self-own sales and GP margin expansion.

- **Catalysts:** 1) colder than last year weather, 2) positive feedback about its fashion shows or crossovers and 3) sector-wise recovery and re-rating.

- **Valuation:** We derived our 12m TP of HK$4.23 based on 23x FY22E P/E. We believe gradual improvement of apparel sector can drive positive sentiments and further re-rating. The stock is trading at 23x FY22E P/E.

Link to latest report: Bosideng (3998 HK) – Stay confident on 2H21E after strong beat

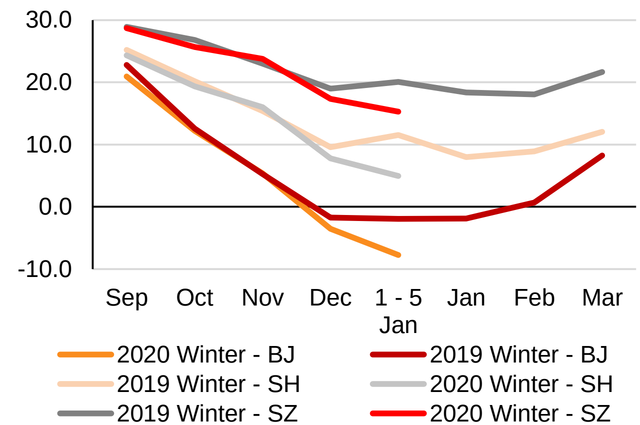
* TP under review

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Sales (RMB mn)	12,191	14,433	16,389	18,251
YoY change (%)	17.4	18.4	13.6	11.4
Net profit (RMB mn)	1,203	1,681	1,881	2,181
EPS - Fully diluted (RMB)	0.111	0.150	0.168	0.195
YoY change (%)	12.8	35.9	11.9	15.9
Consensus EPS (RMB)	n/a	0.148	0.179	0.209
P/E (x)	35.7	26.3	23.5	20.2
P/B (x)	4.1	3.9	3.6	3.4
Yield (%)	2.1	2.7	3.0	3.5
ROE (%)	12.0	15.9	16.7	18.1
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Temperature at BJ/ SH/ SZ during winters



Source: Bloomberg, CMBIS estimates

JS Global (1691 HK): A robust growth momentum but a mild margin drag

Rating: BUY **| TP:** HK$19.57 (41% upside)

Analyst: Walter Woo

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

- **Our View:** FX might be a mild headwind, (as CNY appreciated by 4% YoY in Dec 2020), but we are still confident on SharkNinja's highly robust exports orders, due to: 1) stable US and EU demand and 2) China replacing other regions' productions under the third wave. Demand for small appliances in China did slow down in Oct 2020, but performance during double 11 was encouraging, as Joyoung's GMV had surged by 71% YoY (vs Midea's 67% and Supor's 59%), hence we continue to be optimistic on Joyoung's FY20E target. We do expect Shark and Ninja's innovative products to drive meaningful operating leverage ahead.

- **Why do we differ vs consensus:** For FY20E/ 21E/ 22E, our sales forecasts are 1%/ 4%/ 8% lower than BBG est. and our adj. NP forecasts are 2%/ 11%/ 18% lower than street as we are less optimism on SharkNinja sales and OP margin's sustainability into FY21E-22E.

- **Catalysts:** 1) stronger than expected stay-home demand; 2) stronger than expected new customer conversation, 3) decent reception of new products and 4) better than expected raw material costs.

- **Valuation:** We derived our 12m TP of HK$19.57 based on 28x FY21E Adj. P/E. We believe new product cycle, category and region expansion can provide loads of growth. The stock is only trading at 20x FY21E Adj. P/E.

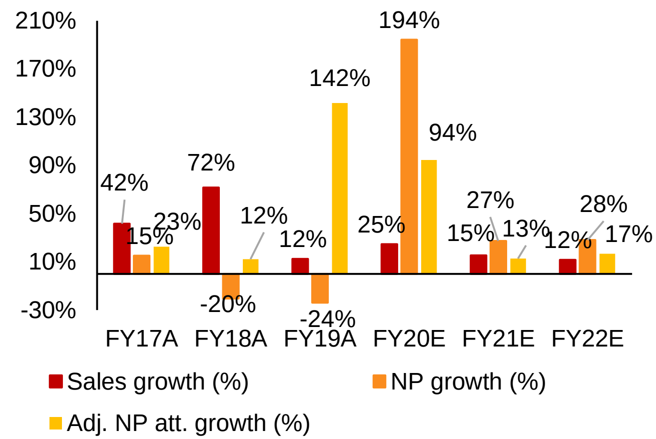
Link to latest report: [JS Global (1691 HK) – A robust growth momentum but a mild margin drag]

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (USDmn)	3,016	3,759	4,334	4,840
YoY change (%)	12.5	24.6	15.3	11.7
Adj. Net profit (USDmn)	145	283	318	371
Adj. EPS - Fully diluted (USD)	0.042	0.079	0.089	0.104
YoY change (%)	136.6	89.9	12.6	16.6
Consensus EPS (USD)	n/a	0.081	0.102	0.131
Adj. P/E (x)	43.1	22.6	20.1	17.2
P/B (x)	4.0	2.9	2.5	2.1
Yield (%)	4.1	1.1	1.6	2.4
ROE (%)	2.7	9.2	10.3	11.3
Net debt/ equity (%)	39.1	2.5	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and adj. net profit growth forecasts



Source: Company data, CMBIS estimates

Moutai (600519 CH): Price hike the next catalyst

Rating: BUY **| TP:** RMB2153.3 (1% upside)

Analyst: Albert Yip

- **Investment Thesis:** The Company is the white wine market leader in terms of brand equity, market share and retail price. Moutai liquor has investment attributes because of its limited supply and quality. The wide price spread between wholesale price and ex-factory price certainly offers the Company large room to raise ex-factory price (RMB969 vs ~RMB2,800).

- **Price hike could happen in 2021.** We assume the Company would raise ex-factory price to distributor from RMB969 to RMB1,199 in 2021. Currently, the price spread between wholesale price and ex-factory price is much greater than the Company's gross profit. Historically, price hike usually happened in first year of FYP. We believe the Company might raise its ex-factory price in 2021 to have a good start in the 14th FYP.

- **Central Commission for Discipline Inspection's article will not block price hike.** On 22 Sept, the Commission posted an article to alert the recent tide of price hikes of high-end white wines might bring back corruption and improper publicly-funded dining. In July 2017, we saw the Commission posted an article to alert government officials' consumption of Moutai and Wuliangye through business banquets with private companies owners and by public-funding. That said, the Company still raised price in Jan 2018.

- **Valuation.** We forecast the Company to post 18% EPS CAGR from FY19-22E. Our TP is set at RMB2,153.30, representing 46.8x FY21E P/E, at 15% premium on other segment leaders' average of 40.7x.

Link to latest report: China Beer and White Wine: Kweichow Moutai (600519 CH) – Unrivalled market leader; price hike the next catalyst

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	85,430	95,142	116,842	133,183
YoY growth (%)	16	11	23	14
Net profit (RMB mn)	41,206	46,146	57,799	66,861
YoY growth (%)	17	12	25	16
EPS (RMB)	32.80	36.73	46.01	53.23
YoY growth (%)	17	12	25	16
Consensus EPS (RMB)	na	36.69	43.95	51.88
P/E (x)	64.0	57.2	45.6	39.5
P/B (x)	17.4	14.7	12.2	10.2
Yield (%)	0.9	1.0	1.3	1.5
ROE (%)	33.1	31.1	32.5	31.4

Source: Company data, Bloomberg, CMBIS estimates

Fig: Historically price hike usually happened in first year of FYP and 1Q

Date	RMB
10/8/2001	218
1/10/2003	268
10/2/2006	308
1/3/2007	358
11/1/2008	438
1/1/2010	499
1/1/2011	619
1/9/2012	819
1/1/2018	969

Source: Company data, CMBIS

Hope Education (1765 HK): Strong organic growth outlook

Rating: BUY **|** **TP:** HK$3.41 (43% upside)

Analyst: Albert Yip

- **Investment Thesis:** Hope Education has strong organic and M&A growth drivers. For organic, total student enrollment jumped 39% to 194,554 in FY21E. Management targets to achieve 15-20% revenue CAGR and a 20-25% NP CAGR, in 3-5 year. For M&A, it had outstanding track record in improving performance of acquired colleges. The Company had RMB3.1bn cash and will look for domestic university as top priority. The Company paid RMB291mn deposit for acquisition, suggesting acquisition target was secured.
- **Strong overseas study demand to drive Inti Education's growth.** The Company saw enrollments for its overseas programs (including Intl. Education and other programs) soared from 1,964 in FY19 to 17,315 in FY20. These enrollments will gradually become overseas students in 2-3 years. Management targets to achieve 40% net profit CAGR from 2018 to 2024E for Intl. Education.
- **Conversion of four independent colleges to lift earnings.** In FY20, total management fees paid by the independent colleges was RMB170m, representing 29% of adj. NP in FY20. Management expects to convert two independent colleges by end of 2021 and another two by end of 2022. We estimate these conversion could further lift FY23E NP by 19%.
- **Valuation:** Our TP of HK$3.41 is based on 25.4x FY21E P/E. We forecast the Company to post 25.4% EPS CAGR in FY21-23E, which is stronger than peers' average of 22%. The stock trades at 0.46x FY21E PEG, below peers' average of 0.59x. Valuation is attractive. **Catalysts:** (1) M&A; (2) conversion of independent colleges.

Link to latest report: Hope Education (1765 HK) – Strong organic growth outlook

Financials and Valuations

(YE 31 Aug)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	1,568	2,468	3,095	3,590
YoY growth (%)	na	57	25	16
Net profit (RMB mn)	456	785	1,053	1,278
Adj. NP (RMB mn)	576	859	1,127	1,352
Adj. EPS (RMB)	0.086	0.119	0.156	0.187
YoY growth (%)	na	39	31	20
Consensus EPS (RMB)	na	0.09	0.124	0.143
Adj. P/E (x)	24.9	17.6	13.4	11.2
Yield (%)	0.4	1.8	2.4	2.9
Net cash (RMB mn)	329	759	947	1,561

Source: Company, Bloomberg, CMBIS estimates

Fig: Peers' valuation table

		Mkt Cap		Year		P/E (x)	
	Ticker	(US$ m)	Price	end	FY1	FY2	FY3
China Education	839 HK	4,548	16.40	Aug-19	30.1	22.2	17.9
Yuhua Education	6169 HK	3,119	7.24	Aug-19	22.7	15.6	13.5
Hope Education	1765 HK	2,202	2.36	Aug-19	25.6	17.6	13.4
Kepei Education	1890 HK	1,430	5.50	Dec-19	15.1	11.9	10.3
Cahtay Media	1981 HK	1,766	8.25	Dec-19	38.4	25.7	20.0
Edvantage	382 HK	1,371	10.44	Aug-19	31.0	21.0	15.5
New Higher Education	2001 HK	1,108	5.42	Aug-19	na	12.1	9.3
Minsheng Education	1569 HK	680	1.25	Dec-19	12.5	8.0	7.1
Xinhua Education	2779 HK	504	2.43	Dec-19	10.3	9.2	8.4
Huali University	1756 HK	426	2.75	Aug-19	9.0	6.6	5.4
Neusoft Education	9616 HK	490	5.70	Dec-19	18.4	13.8	10.9
Average					**21.3**	**14.9**	**12.0**

Source: Bloomberg estimates, Company, CMBIS

PA Good Doctor (1833 HK): Building comprehensive healthcare ecosystem

Rating: BUY **| TP:** HK$150.0 (70% upside)

Analyst: Jill Wu/ Sam Hu

- **Investment Thesis:** PA Good Doctor is one of the leading Chinese internet healthcare players that provide online medical services, consumer healthcare services, and operates an online health mall offering drugs, medical devices and other health-related products. As of 2019, PA Good Doctor recorded 315.2mn registered users (+18.9% YoY), generated 673.8mn consultation records (+65.5% YoY). And its MAUs (monthly active users) reached 67.3mn as of Jun 2020, becoming the largest mobile medical application in China in terms of coverage.

- **Our View:** We expect total revenue to grow 29%/ 44%/ 44% YoY to RMB6.53bn/ RMB9.38bn/ RMB13.52bn in FY20E/21E/22E, mainly driven by the fast-growing online medical services, which is believed that will become the major revenue source and contribute 27%/ 37%/ 46% of the Company's total revenue in FY20E/21E/22E and the proportion of revenue from health mall business to be 49%/ 41%/ 35% in FY20E/21E/22E. On 2 Nov 2020, National Healthcare Security Administration (NHSA) released detailed policies on allowing reimbursement for online medical services. This is the first detailed guideline with a specific timeline about implementing the reimbursement policies for online services. As a first-mover benefiting from regulatory loosening ,the Company will continue to benefit from the gradually-expanding reimbursement coverage for online medical services, in our view.

- **Why do we differ vs consensus:** Our FY21E/22E revenue are +3.2%/7.9% different from consensus, as we are positive on the Company's growth, especially in its fast-growing online medical services, under the background of gradually-loosening policies and -expanding reimbursement coverage for that, in our view. **Catalysts:** Faster-than-expected user growth; regulatory loosening. **Valuation:** We maintain TP of HK$150.0 based on a 10-year DCF model (WACC:9.3%, terminal growth rate: 4.0%).

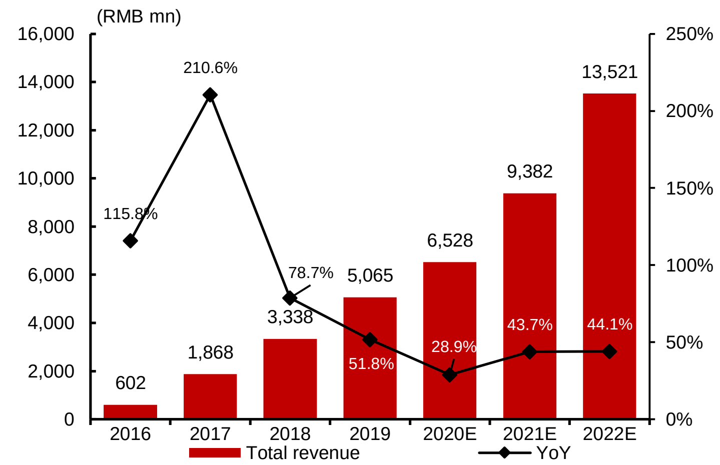
Link to latest report: PA Good Doctor (1833 HK) – Guidelines released for the reimbursement of online medical services

Financials and Valuations

(YE 31 Dec)	FY20E	FY21E	FY22E
Revenue (RMB mn)	6,528	9,382	13,521
YoY growth (%)	29	44	44
Net profit (RMB mn)	(639)	(268)	364
EPS (RMB)	(0.60)	(0.25)	0.00
Consensus EPS (RMB)	(0.60)	(0.31)	0.11
P/E (x)	NA	NA	231.8
P/B (x)	9.3	9.4	8.9
Yield (%)	0.0	0.0	0.0
ROE (%)	-6.8	-3.0	0.0
Net gearing (%)	Net cash	Net cash	0.0

Source: Company data, Bloomberg, CMBIS estimates

Fig: Revenue trend



Source: Company data, CMBIS estimates

China Life (2628 HK): Resilient against headwinds and robust recovery

Rating: BUY **| TP:** HK$28.14 (65% upside)

Analyst: Wenjie Ding

- **Investment Thesis.** China Life has been showing great resilience amid the COVID-19 and vigorous recovery in post-pandemic era, compared to major life insurance peers. In 9M20, NBV increased 2.7% YoY while major peers suffered negative growth.

- **Our view. 1)** NBV deceleration is not a major concern. Although NBV growth decelerated a bit to +2.7% YoY in 9M20 from +6.7% in 1H20, it still outpaced industry average and major peers. Such deceleration was also a result of the Company strategically slowing its pace of expansion in 3Q in order to enhance business quality and agent productivity. **2)** Product mix improved further, represented by rising proportions of FYRP with payment duration of 10+ years and designated protection-oriented products. **3)** The Company has started kickoff season earlier than peers to better prepare for business development in 2021. It also pledges to serve customer demand for both savings and protection products.

- **How do we differ?** We are more optimistic with respect to sustainability of the Company's outstanding performance, which not only is due to a relatively weak base, but also is a result of the Company's increasing level of business vitality following its reform initiatives. In terms of financials, our estimate of net profit and NBV growth likely exceeded market consensus.

- **Short-term catalysts.** 1) Strong premium growth during kickoff season; 2) Booming sentiment of the stock market.

- **Valuation.** We peg target price at HK$28.14, which corresponds to 0.62x FY21E P/EV. The Company's H-share is trading at 0.4/0.37x FY21/22E P/EV, or ~55% discount to its A-share's value.

Link to latest report: China Life (2628 HK) – 3Q20 in line despite NBV growth deceleration

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
GWP (RMB mn)	567,086	614,350	668,525	724,298
YoY growth (%)	5.8	8.3	8.8	8.3
Total income (RMB mn)	729,474	803,451	862,609	921,859
Net profit (RMB mn)	58,287	51,513	60,524	67,358
EPS (RMB)	2.05	1.79	2.11	2.35
YoY Growth (%)	421.2	-12.7	17.7	11.5
Consensus EPS (RMB)	N.A.	1.71	1.94	2.31
P/B (x)	1.08	0.99	0.89	0.80
P/EV (x)	0.46	0.42	0.39	0.35
Yield (%)	4.6	4.2	4.9	5.5
ROEV (%)	19.1	11.4	11.2	11.2

Source: Company data, Bloomberg, CMBIS estimates

Meituan (3690 HK): Upbeat 3Q20; Eyes on new initiatives

Rating: BUY **| TP:** HK$348*

Analyst: Sophie Huang

- **Investment Thesis:** We keep positive on Meituan Dianping ("MD")'s secular growth, and see high visibility for MD to continuously strengthen its local life leadership. Given its better-than-expected recovery pace and above-peer performance, we turn more bullish on its 4Q20E outlook and secular growth. We believe MD is well-positioned to capture long-term opportunities from rising online consumption, new initiatives benefits (e.g. community group-purchase), and digital operation.

- **Our View:** We are confident on MD's strong topline growth and margin improvement, backed by its sizable users, one-stop lifestyle services and powerful logistic network. MD delivered upbeat 3Q20, and all segments trend well. We are bullish on TAM of community group-purchase, and expect Meituan Select to bring further upside, by leveraging its supply chain and traffic advantage. 4Q20 rev would continuously accelerate.

- **Why do we differ vs consensus:** Market concern lies on groceries investment, competition landscape and Anti-trust law impact. We believe near-term concern have been priced in recent soft stock price, and we are more positive on its advantage in merchants connection and supply chain, and to continuously gain share in local life and size the booming demand of community group-purchase.

- **Catalysts:** 1) food delivery, in-store & hotel decent recovery in 4Q20E; 2) new initiatives to expand TAM; and 3) cross-selling effect to unlock revenue.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$348, implying 9.7x/7.3x FY21/22E P/S. With 34% FY19- 22E revenue CAGR and remarkable margin enhancement, MD deserves higher P/S multiple than most of peers, in our view.

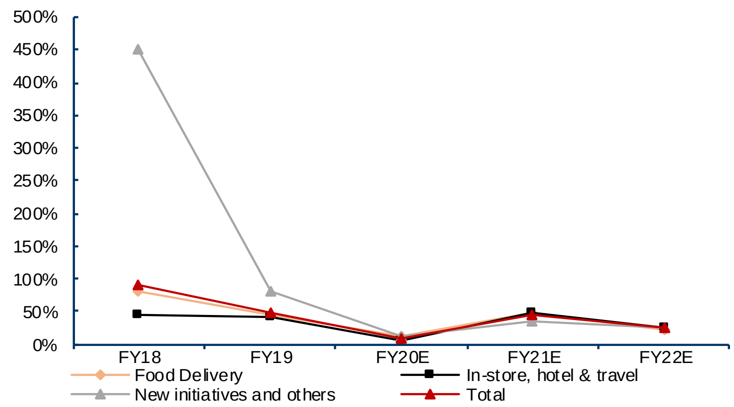
Link to latest report: Meituan (3690 HK) – Upbeat 3Q20; Eyes on new initiatives

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	97,529	114,545	178,025	236,437
YoY growth (%)	50	17	55	33
Net income (RMB mn)	4,657	5,060	14,751	25,257
EPS (RMB)	0.79	0.84	2.39	3.97
YoY growth (%)	NA	7	183	66
Consensus EPS (RMB)	NA	0.90	2.78	4.70
P/E (x)	316	294	104	62
P/S (x)	14.8	12.6	8.1	6.1
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	3.7	1.6	9.9	16.8
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

* TP under review

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

Rating: BUY **| TP:** HK$44.79 (46% upside) Analysts: Jeffrey Zeng/Bowen Li

- **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 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 13x 2021E P/E.

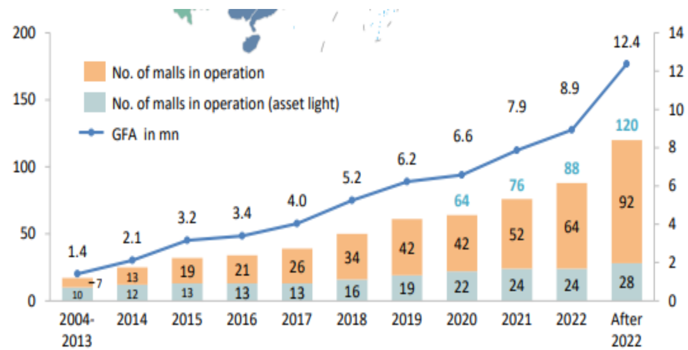
Link to latest report:
[China Property Sector – A good entry point after market over-reaction on property loan cap]

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	147,736	181,240	242,568	271,335
YoY growth (%)	21.9	22.7	33.8	11.9
Net income (RMB mn)	28,672	26,383	31,809	34,666
EPS (RMB)	4.12	3.70	4.46	4.86
YoY growth (%)	17.7	-10.1	20.6	9.0
Consensus EPS (RMB)	4.12	3.45	4.01	4.48
P/E (x)	6.5	7.3	6.0	5.5
P/B (x)	1.1	1.0	0.9	0.8
Yield (%)	4.0	4.6	5.6	6.2
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

Excellence CM (6989 HK): Commercial PMC with trio growth engines

Rating: BUY | **TP:** HK$13.34 (35% upside)

Analysts: Bowen Li/Jeffrey Zeng

- **Investment Thesis:** Commercial PM is veritably a blue ocean with high entry barriers, premium fees with room for hikes, and service differentiation. As a commercial PMC specializing in premium services for office buildings, we believe Excellece CM ("ECM") has strong potential with 1) trio growth engines in GFA expansion, fee hikes and VAS expansion, and 2) more market recognition of the CM idea. Our TP is HK$13.34, equivalent to 28x 21E P/E.

- **Our View:** We believe earnings of ECM will be driven by 1) managed GFA expansion, 2) commercial management fee hikes and 3) VAS business expansion. We forecast total managed GFA grow with a 22.0% CAGR in 2019-22E, with 46% contribution from Excellence Group. Average Pm fees was RMB 15.5/sq m/month as of 31 May 2020, and we expect it to grow by 10-12% every two years upon contract renewal. In terms of VAS, we look favorably at ECM's property sales agency and urban redevelopment project operations services, and forecast VAS to contribute to 23% of revenue by 2022, compared to 11% in 2019.

- **How do we differ:** We believe commercial management (especially office building operations) will be better recognized as new and expected listings (e.g. KWG Living, CR Mixc Life) brings more market exposure to the idea. Looking at the big picture, we believe PM companies with differentiated services are likely to outperform in the long run. Few such ideas exist currently, and commercial PM is the most solid one and is therefore worth standing behind.

- **Valuation:** ECM is a leading commercial PMC and deserved a premium valuation to peers. We set TP at HK$13.34, representing 28x FY21E P/E, which is roughly peers average + 1x standard deviation.

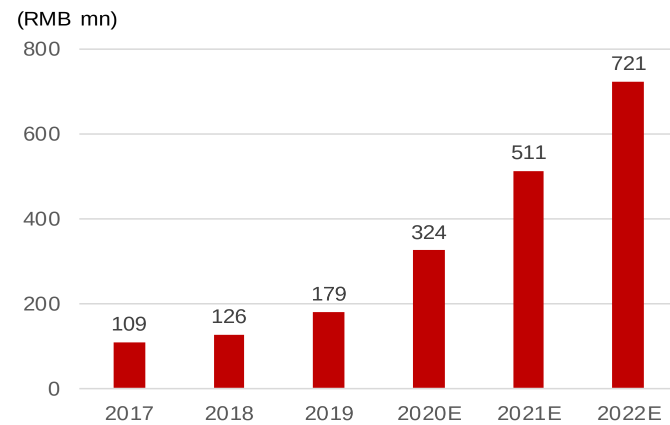
Link to latest report:
Excellence Commercial Property (6989 HK) – Trio growth engines

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,836	2,847	3,860	4,918
YoY growth (%)	50	55	36	27
Net income (RMB mn)	179	326	515	731
EPS (RMB)	N/A	0.34	0.42	0.60
YoY growth (%)	N/A	N/A	24.9	41.8
Consensus EPS (RMB)	N/A	0.32	0.41	0.58
P/E (x)	N/A	25.8	20.6	14.5
P/B (x)	N/A	3.4	3.4	2.9
Yield (%)	N/A	1.0	1.4	2.0
ROE (%)	59.8	11.9	18.0	21.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Excellence CM's net profit growth



Source: Company data, CMBIS estimates

China Gas Holdings (384 HK): Winter gas sales to accelerate

Rating: BUY | **TP:** HK$37.12 (20% upside)

Analyst: Robin Xiao

- **Investment Thesis:** CGH reported 1HFY20 results on Nov 27, with results highlights of 1) core earnings increased 5.5% to HK$5,193mn, 2) residential connection maintained largely flat at 2.83mn households, and 3) free cash flow turned positive and reached ~HK$3.8bn. We think market sentiment has been improving on economic and social activities recovery from Oct, and we think strongly improved cash flow will further strengthen market sentiment on CGH.

- **Retail gas sales to accelerate in 2HFY21.** CGH realized 10.5% retail gas sales volume growth in 1HFY21. Mgmt. maintained full year retail gas sales growth target at 15% unchanged, implying gas volume growth to accelerating in 2HFY21. Other then gas sales, CGH reiterate its residential connection at 5.5-6.0mn household; VAS gross profit to increase 30%; and core profit growth to 15-20% YoY in FY21E.

- **Free cash flow turned positive.** As CGH had another 1.5mn households ignited piped gas operation, mgmt. maintained full year CTG receivable collection of HK$8-9bn unchanged with high confidence. Supported by strong cash flow performance in 1HFY21 and accelerating receivable collections, we think it won't be difficult to maintain positive free cash flow for FY21E, and we expect that will boost market sentiment on CGH.

- **Re-rating to continue.** The Company is currently trading at 14.3x/11.5x FY21/22E PER, significantly lower than peers. We expect the recent re-rating trend to continue with CGH. Maintain BUY with DCF based TP unchanged at HK$37.12. Our TP reflects 18.2/14.7x FY21/22E PER.

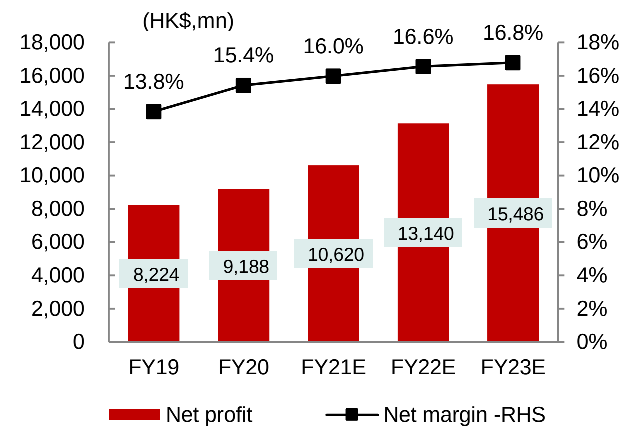
Link to latest report: China Gas Holdings (384 HK) – Outstanding 1HFY20 performance

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Revenue (HK$ mn)	59,540	66,471	79,360	92,248
YoY growth (%)	0.3	11.6	19.4	16.2
Net income (HK$ mn)	9,188	10,620	13,140	15,486
EPS (HK$)	1.76	2.04	2.52	2.91
YoY growth (%)	8.1	15.6	23.7	15.6
Consensus	n/a	2.06	2.38	2.65
P/E (x)	17.5	15.2	12.3	10.6
P/B (x)	4.1	3.4	2.8	2.4
Yield (%)	1.6	1.9	2.3	2.7
ROE (%)	23.2	22.3	22.9	22.9
Net gearing (%)	81.5	69.7	46.3	28.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: CGH's net profit and net profit margin



Source: Company data, CMBIS estimates

China Longyuan (916 HK): Await for policy support

Rating: BUY | **TP:** HK$7.38*

Analyst: Robin Xiao

- **Investment Thesis:** Backed by President Xi's ambitious carbon neutral commitment by 2060, we think China is going to accelerate its renewables development plan with positive policies for capacity installation as solving the ties from subsidy shortfall. As the largest wind farm operators accumulated the largest scale of subsidy receivables, we expect CLY to benefit the most among wind peers for positive policies.

- **9M20 results on track. CLY's** 9M20 net profit of RMB3,718mn was up 11.7%, on track with our 2020E earnings growth projection of 11.7%.

- **Subsidy collection was RMB3bn**. CLY collected RMB3bn subsidy receivables in 9M20. The figure was significantly accelerated comparing with 1H20. Mgmt. addressed that a subsidy cap is now fixed by end-2020, which could be seen as a meaningful sign for a total solution for renewable subsidy funding shortfall. Mgmt. saw chance for accelerating collection from 2021E.

- **Renewables capacity to double by 2025.** CLY set ambitious target in 14th FYP to accelerate wind and solar projects investments. The Company expected renewables capacity to reach 40GW by 2025, implying capacity to double from existing level.

- **Accelerating subsidy collection will boost valuation.** As market sentiment is improving on wind operators, the sector is experiencing re-rating. Though CLY's share price is approaching our TP, we believe the re-rating is still on going. We are having our TP under review.

- **Catalysts:** potential release of 14th FYP/ accelerating subsidy collection

Link to latest report: China Longyuan (916 HK) – 9M20 results on track; seeing silver lining for accelerating subsidy collection

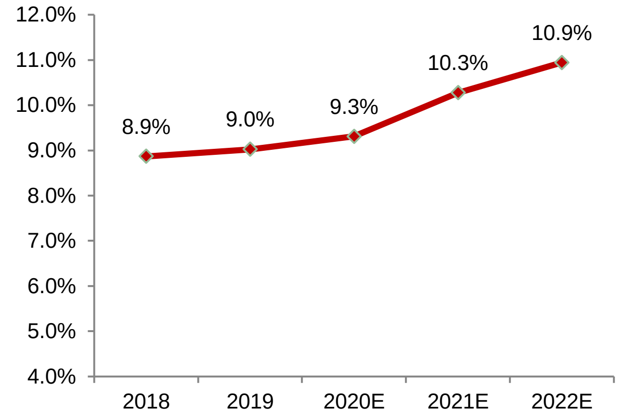
* TP under review

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	27,541	28,526	31,424	34,239
YoY growth (%)	4.4	3.6	10.2	9.0
Net Income (RMB mn)	4,325	4,832	5,831	6,831
EPS (RMB)	0.54	0.60	0.73	0.85
EPS CHG (%)	10.22	11.7	20.7	17.1
Consensus EPS(RMB)	N/A	0.58	0.65	0.72
PE (x)	19.0	17.0	14.1	12.0
PB (x)	1.71	1.58	1.45	1.31
Yield (%)	1.1	1.2	1.4	1.7
ROE (%)	9.0	9.3	10.3	10.9
Net gearing (%)	156	167	163	144

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect CLY's ROE to improve gradually in 2020-22E



Source: Company data, CMBIS estimates

BYDE (285 HK): Partnership with Xiaomi to fuel new wave of growth

Rating: BUY | **TP:** HK$49.5 (25% upside)

Analyst: Alex Ng/ Lily Yang

- **Investment Thesis:** BYDE is the leading vertically integrated handset assembly/component supplier in China. Its major clients include Xiaomi, apple, Huawei and other handset/PC brands. We believe BYDE will benefit from OEM industry consolidation, Apple/Xiaomi's supplier diversification strategy and strong demand from medical masks in 2020-22E.

- **Our View:** We are positive on its industry leadership, spec upgrade, share gain from major handset brands and resilient medical business. 1) Xiaomi**:** We expect BYDE's EMS share allocation from Xiaomi to increase to 40% in FY21E from 10-20% in FY20E, and its revenue from Xiaomi will jump almost 3 times to RMB20bn in FY21E. We think new orders from fast-growing Xiaomi can mitigate the Huawei impact. 2) Apple: We believe BYDE will start to ship with 20-30% share allocation in latest iPad model in 2H20E, and it will expand to 30-40% share for all iPad products in 2021. Overall, we estimate Apple revenue will increase 280% YoY to RMB38bn in FY21E (37% of sales). We forecast Apple revenue will reach RMB50bn in FY22E.

- **Why do we differ vs consensus:** Our FY21-22E EPS are 28%/38% above consensus given faster share gain and better margin.

- **Catalysts:** Near-term catalysts include faster share gain, stronger mask and Xiaomi/Apple product launches.

- **Valuation:** Our SOTP-based TP of HK$49.5 implies 16.3x FY21E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

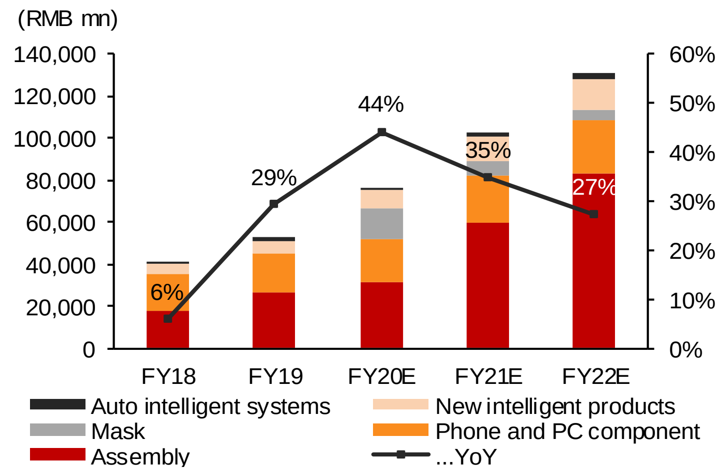
Link to latest report: BYDE (285 HK) – Partnership with Xiaomi to fuel new wave of growth

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	53,028	76,422	102,923	130,941
YoY growth (%)	29.2	44.1	34.7	27.2
Net profit(RMB mn)	1,598	5,489	6,148	6,627
EPS (RMB)	0.71	2.44	2.73	2.94
YoY growth (%)	(25.5)	243.6	12.0	7.8
Consensus EPS (RMB)	NA	2.55	2.13	2.42
P/E (x)	49.8	14.5	13.0	12.0
P/B (x)	5.8	4.5	3.6	3.0
Yield (%)	0.2	0.7	0.8	0.8
ROE (%)	9.4	25.0	22.0	20.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: BYDE Revenue trend



Source: Company data, CMBIS estimates

ZTE (763 HK): Best proxy of global 5G momentum

Rating: BUY | **TP:** HK$26.3 (29% upside)

Analyst: Alex Ng/ Lily Yang

- **Investment Thesis:** We believe global 5G deployment will accelerate in FY21-22E following COVID-19 delay, and ZTE is well leveraged to benefit from multi-year 5G investment cycle. We are positive on ZTE's outlook in FY21-22E backed by strong 5G product portfolio, global share gain, solid R&D capability and improving profitability. We estimate ZTE to deliver 13%/29% revenue/NP FY20-22E CAGR.

- **Our View:** ZTE is our top pick for telco supply chain. We believe Chinese operators will kick off next phase of 5G BTS tender in 1Q21E, and ZTE's 5G revenue will accelerate with better profitability in 1H21E. We expect ZTE is set to benefit from capturing 35% domestic share in FY21-22E. For overseas biz, we expect carrier revenue to recover with 15%/16% YoY in FY21/22E, thanks to: 1) rising demand of 4G/5G equipment in Asian countries following COVDI-19, and 2) optical network upgrade in Europe to replace traditional copper cable network. While US-China tension is likely to persist, we expect ZTE to pick up market share in overseas markets following US restriction on Huawei and Fiberhome. In addition, on the back of global tech decoupling and localization in China, we are positive on Sanechips (中兴微电子)'s self-developed chips to help improve technology sufficiency and optimize cost structure in the long term.

- **Why do we differ vs consensus:** Our FY20-22E EPS is slightly higher than consensus and we think upcoming catalysts of 5G BTS tenders and rapid overseas recovery will boost share price in near term.

- **Catalysts:** Near-term catalysts include China 5G BTS tenders.

- **Valuation:** Our TP of HK$26.3 is based on 17.5x FY21E P/E, in-line with 2-year historical forward P/E.

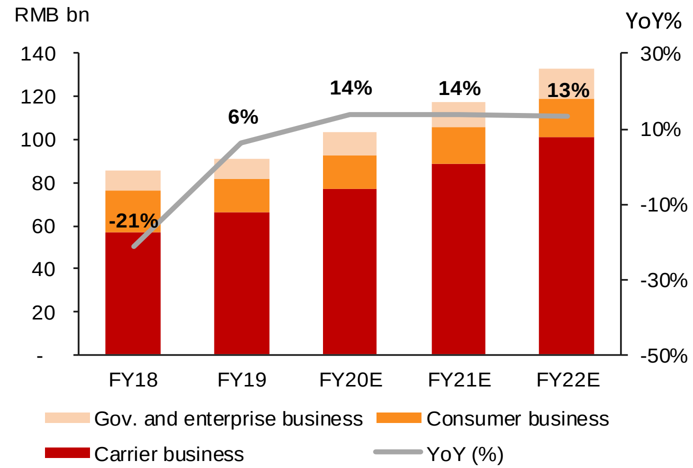
Link to latest report: China 5G Technology: ZTE-H (763 HK) – Best proxy of global 5G momentum; Initiate at BUY

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	90,737	103,273	117,384	132,909
YoY growth (%)	6.1	13.8	13.7	13.2
Adj. Net profit(RMB mn)	5,148	4,422	6,210	7,386
Adj. EPS (RMB)	1.22	0.94	1.32	1.57
YoY growth (%)	NA	(23.1)	40.4	18.9
Consensus EPS (RMB)	NA	0.99	1.31	1.61
P/E (x)	15.1	19.6	13.9	11.7
P/B (x)	2.2	2.0	1.8	1.6
Yield (%)	0.8	0.6	0.9	1.1
ROE (%)	14	9	12	13
Net gearing (%)	50	49	48	46

Source: Company data, Bloomberg, CMBIS estimates

Fig: ZTE Revenue trend



Source: Company data, CMBIS estimates

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