

Xiaomi (1810 HK)

3Q22 preview: a soft quarter but expect QoQ recovery in 4Q22

Xiaomi will report 3Q22 results in late Nov. We estimate 3Q22E revenue/adj. net profit of RMB70.5bn/1.97bn (-10%/-62% YoY), due to smartphone weakness, rising inflation and macro headwinds. By segment, we estimate smartphone/IoT/internet revenue to decline 11%/9%/5% YoY, and GPM will stay flattish QoQ at 16.6% in 3Q22E, driven by India festival promotion, FX volatility and weaker advertising. Looking ahead, given macro weakness and near-term destocking, we adjusted FY22/23E smartphone shipment to 159mn/171mn (vs 161mn/173mn prior). Overall, we remain positive on Xiaomi's expanding user base, global share gain, established product portfolio and smart EV upside. We adjusted our TP to HK\$12.51, based on same 20x FY23E P/E. Maintain BUY.

- Smartphone: weak shipment but meaningful inventory destocking in 3Q22.** Canals reported Xiaomi's global shipment declined 9% YoY in 3Q22 (same as industry), with sequential market share recovery to 14.0% (from trough in 4Q21). Xiaomi's 3Q22 weakness was mainly dragged by 18%/17% YoY decline in India/China. In terms of ASP, we estimate 3Q22 ASP to drop 3% YoY due to India festival promotion and lack of high-end launches overseas. Looking ahead, we remain positive on Xiaomi's overseas share gain (esp. Europe, LATAM, ASEAN) and multiple model launches in 4Q22E. We expect Xiaomi's shipment to drop 16% YoY to 159mn in FY22E and resume 7%/6% YoY growth to reach 171mn/182mn in FY23/24E, while ASP will grow 0%/5%/7% in FY22/23/24E.
- AIoT/internet: macro impact on AIoT and advertising business.** We estimate AIoT/Internet revenue to decline 9.2%/4.5% YoY in 3Q22E (vs -4.5%/-0.9% YoY in 2Q22), due to macro weakness, lower TV panel pricing and weaker advertising revenue. For internet segment, 3Q22E GPM will drop QoQ to 72% (vs 73% in 2Q) given weaker advertising sales. For AIoT segment, 3Q22E GPM will slightly drop QoQ to 13.5% (vs 14.3% in 2Q), mainly due to lowering TV panel pricing and wearables launches in Aug.
- Product launches to drive QoQ recovery in 4Q22E after destocking.** We expect 4Q22E revenue to recover QoQ driven by multiple product launches with healthy inventory level in China. We also expect earlier inventory build-up in 4Q22E for an earlier CNY in 2023. Current valuation at 16.0x FY23E P/E is close to 1-sd below 3-yr avg. Maintain BUY with new TP of HK\$12.51, based on same 20.0x FY23E P/E. Catalysts include EV progress, product launch and market share gain.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	245,866	328,309	292,504	327,612	373,918
YoY growth (%)	19.4	33.5	(10.9)	12.0	14.1
Adjusted net profit (RMB mn)	13,006.4	22,039.5	8,834.8	13,986.0	15,641.0
EPS (Adjusted) (RMB)	0.54	0.88	0.35	0.56	0.63
Consensus EPS (RMB)	na	na	0.41	0.60	0.75
P/E (x)	17.4	26.8	25.3	16.0	14.3
P/B (x)	2.9	3.8	1.6	1.5	1.3
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	19.8	14.8	2.2	8.3	8.6
Net gearing (%)	60.4	96.0	69.2	79.9	55.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$12.51**
 (Previous TP **HK\$13.93**)
 Up/Downside **29.0%**
 Current Price **HK\$9.70**

China Technology

Alex NG

(852) 3900 0881
 alexng@cmbi.com.hk

Lily YANG, Ph.D

(852) 3916 3716
 lilyyang@cmbi.com.hk

Claudia LIU

claudialiu@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	197,317.4
Avg 3 mths t/o (HK\$ mn)	10.2
52w High/Low (HK\$)	21.80/8.45
Total Issued Shares (mn)	20342.0

Source: FactSet

Shareholding Structure

Lin Bin	8.6%
Smart Mobile Holdings Ltd	8.6%

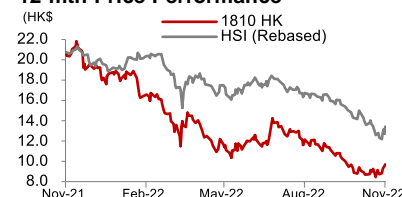
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.4%	16.6%
3-mth	-20.0%	-0.1%
6-mth	-14.8%	10.1%

Source: FactSet

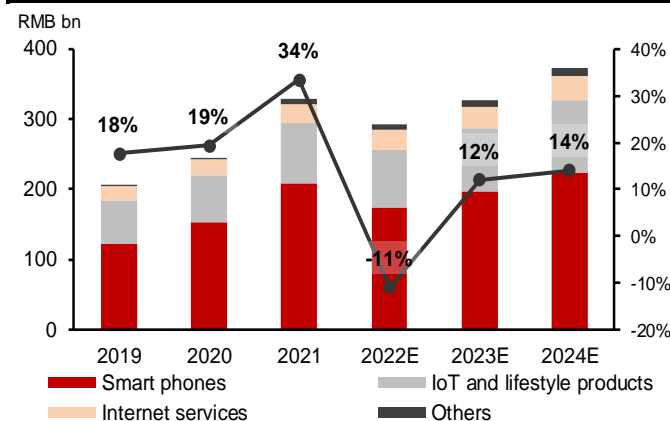
12-mth Price Performance



Source: FactSet

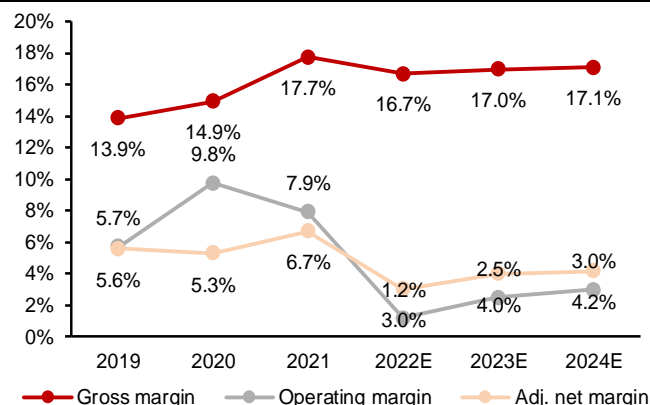
Focus Charts

Figure 1: Xiaomi revenue trend



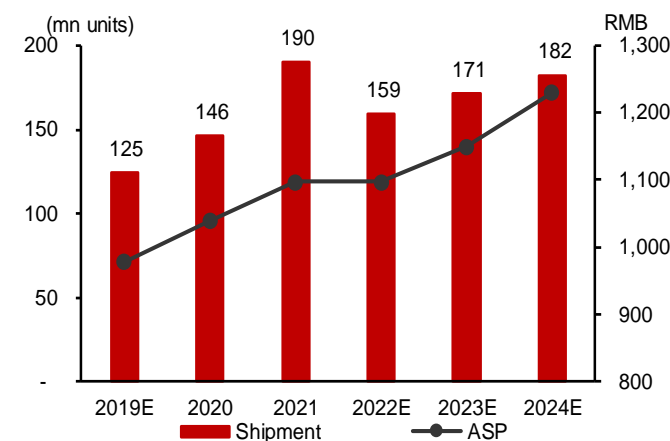
Source: Company data, CMBIGM estimates

Figure 2: Xiaomi margin trend



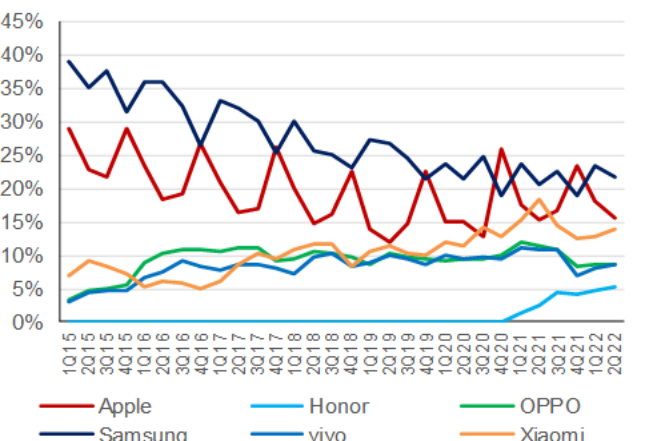
Source: Company data, CMBIGM estimates

Figure 3: Xiaomi smartphone shipment forecast



Source: Xiaomi, CMBIGM estimates

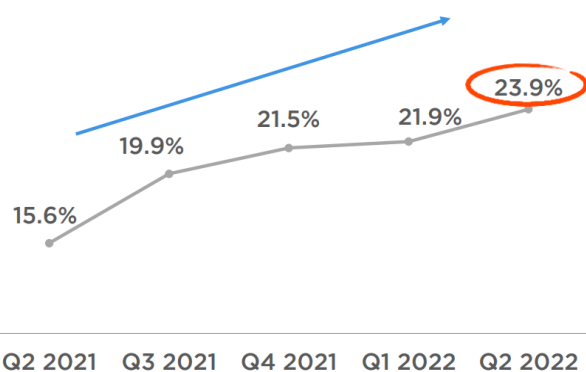
Figure 4: Global smartphone market share



Source: IDC, CMBIGM estimates

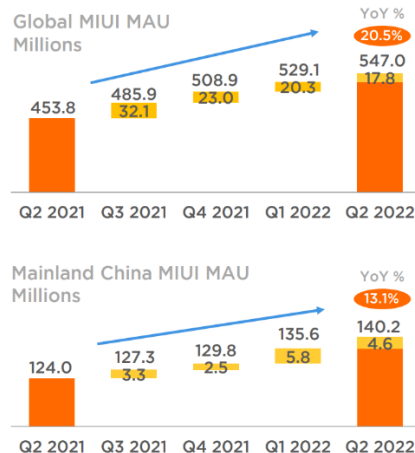
Figure 5: Overseas internet service revenue growth

Overseas Internet Services Revenue
as % of Total Internet Services Revenue



Source: Company data, CMBIGM estimates

Figure 6: Xiaomi's solid MIUI MAU growth



Source: Company data, CMBIGM estimates

3Q22 Preview

Figure 7: 3Q22 results preview

RMB mn	3Q21	1Q22	CMBI Estimate			Consensus		
			2Q22	3Q22E	QoQ	YoY	3Q22E	Diff %
Revenue	78,063	73,352	70,171	70,531	0.5%	-10%	73,388	-4%
Gross profit	14,292	12,710	11,768	11,680	-0.8%	-18%	12,505	-7%
Operating profit	2,730	-911	1,733	1,393	-19.6%	-49%	1,917	-27%
Adj. net profit	5,176	2,859	2,081	1,974	-5.2%	-62%	2,507	-21%
Adj. EPS (RMB)	0.21	-0.02	0.08	0.08	-5.2%	-62%	0.09	-10%
Gross margin	18.3%	17.3%	16.8%	16.6%	-0.2 ppt	-1.7 ppt	17.0%	-0.5 ppt
Operating margin	3.5%	-1.2%	2.5%	2.0%	-0.5 ppt	-1.5 ppt	2.6%	-0.6 ppt
Adj. net margin	6.6%	3.9%	3.0%	2.8%	-0.2 ppt	-3.8 ppt	3.4%	-0.6 ppt

Source: Company data, Bloomberg, CMBIGM estimates

Figure 8: Revenue breakdown

RMB mn	FY21	1Q22	2Q22	3Q22E	4Q22E	FY22E	FY23E	FY24E
Smart phones	208,869	45,763	42,268	42,405	44,581	175,017	197,071	224,251
...YoY	37%	-11%	-28%	-11%	-12%	-16%	13%	14%
Shipment (mn)	190,300	38,500	39,100	40,005	41,860	159,465	171,366	182,318
...YoY	30%	-22%	-26%	-9%	-5%	-16%	7%	6%
ASP (RMB)	1,098	1,189	1,082	1,060	1,065	1,098	1,150	1,230
...YoY	5.6%	14.0%	-3.1%	-2.8%	-6.9%	0.0%	4.8%	7.0%
IoT and lifestyle products	84,980	19,477	19,812	19,019	23,924	82,232	90,455	103,718
...YoY	26%	7%	-4%	-9%	-5%	-3%	10%	15%
Smart TVs and laptops	27,993	6,200	5,300	5,487	10,807	27,794	30,574	34,854
...YoY	25%	11%	-12%	-7%	3%	-1%	10%	14%
Other IoTs	56,987	13,277	14,512	13,532	13,117	54,437	59,881	68,863
...YoY	27%	5%	-2%	-10%	-10%	-4%	10%	15%
Internet services	28,212	7,112	6,971	7,005	7,032	28,120	30,811	33,892
...YoY	19%	8%	-1%	-5%	-3%	0%	10%	10%
Advertising services	18,100	4,525	4,539	4,551	4,756	18,371	20,208	22,229
...YoY	42%	16%	1%	-5%	-3%	1%	10%	10%
Internet value-added	10,112	2,588	2,432	2,453	2,276	9,749	10,602	11,663
...YoY	-9%	-3%	-4%	-4%	-4%	-4%	9%	10%
Gaming	3,923	1,157	942	1,030	927	4,056	4,340	4,774
...YoY	-7%	3%	5%	3%	3%	3%	7%	10%
Other (incl. Youpin fintech, etc.)	6,189	1,431	1,490	1,423	1,349	5,693	6,262	6,888
...YoY	-10%	-8%	-8%	-8%	-8%	-8%	10%	10%
Others	6,248	999	1,120	2,102	2,914	7,135	9,275	12,058
...YoY	149%	73%	20%	7%	5%	14%	30%	30%
Total	328,309	73,352	70,171	70,531	78,451	292,504	327,612	373,918
...YoY	34%	-5%	-20%	-10%	-8%	-11%	12%	14%
Gross margin								
Smart phones	11.9%	9.9%	8.7%	9.0%	9.0%	9.1%	9.5%	9.8%
IoT and lifestyle products	13.1%	15.6%	14.3%	13.5%	13.8%	14.3%	14.3%	14.5%
Internet services	74.1%	70.8%	73.0%	72.0%	72.0%	71.9%	71.0%	71.0%
Others	22.6%	12.0%	16.7%	12.0%	12.0%	12.6%	23.0%	24.0%
Total	17.7%	17.3%	16.8%	16.6%	16.2%	16.7%	17.0%	17.1%

Source: Company data, CMBIGM estimates

Earnings Revision

Our FY22-24E adj. NP are 6-17% below consensus

We trimmed FY22-24E adj. NP by 10-18% to reflect lower smartphone forecasts and GPM. Our FY22-24E EPS are 6-17% below consensus given more conservative shipment estimates amid macro headwinds.

Figure 9: CMBIGM earnings revision

RMB mn	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	292,504	327,612	373,918	300,939	332,971	380,164	-3%	-2%	-2%
Gross profit	48,884	55,666	63,973	50,700	57,949	65,724	-4%	-4%	-3%
Operating profit	3,469	13,656	15,569	6,224	11,603	14,432	-44%	18%	8%
Adj. net profit	8,835	13,986	15,641	10,816	15,577	18,010	-18%	-10%	-13%
Adj. EPS (RMB)	0.35	0.56	0.63	0.43	0.62	0.72	-18%	-10%	-13%
Gross margin	16.7%	17.0%	17.1%	16.8%	17.4%	17.3%	-0.1 ppt	-0.4 ppt	-0.2 ppt
Operating margin	1.2%	4.2%	4.2%	2.1%	3.5%	3.8%	-0.9 ppt	0.7 ppt	0.4 ppt
Adj. net margin	3.0%	4.3%	4.2%	3.6%	4.7%	4.7%	-0.6 ppt	-0.4 ppt	-0.6 ppt

Source: Company data, CMBIGM estimates

Figure 10: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	292,504	327,612	373,918	300,703	338,281	380,041	-3%	-3%	-2%
Gross profit	48,884	55,666	63,973	51,225	58,836	67,150	-5%	-5%	-5%
Operating profit	3,469	13,656	15,569	9,352	15,589	19,152	-63%	-12%	-19%
Adj. net profit	8,835	13,986	15,641	10,553	14,729	18,234	-16%	-5%	-14%
Adj. EPS (RMB)	0.35	0.56	0.63	0.41	0.60	0.75	-15%	-6%	-17%
Gross margin	16.7%	17.0%	17.1%	17.0%	17.4%	17.7%	-0.3 ppt	-0.4 ppt	-0.6 ppt
Operating margin	1.2%	4.2%	4.2%	3.1%	4.6%	5.0%	-1.9 ppt	-0.4 ppt	-0.9 ppt
Adj. net margin	3.0%	4.3%	4.2%	3.5%	4.4%	4.8%	-0.5 ppt	-0.1 ppt	-0.6 ppt

Source: Bloomberg, CMBIGM estimates

Figure 11: P&L forecast

RMB mn	FY21	1Q22	2Q22	3Q22E	4Q22E	FY22E	FY23E	FY24E
Revenue	328,309	73,352	70,171	70,531	78,451	292,504	327,612	373,918
...YoY	34%	-5%	-20%	-10%	-8%	-11%	12%	14%
Cost of sales	(270,048)	(60,642)	(58,403)	(58,851)	(65,724)	(243,620)	(271,946)	(309,946)
Gross profit	58,261	12,710	11,768	11,680	12,727	48,884	55,666	63,973
GPM (%)	17.7%	17.3%	16.8%	16.6%	16.2%	16.7%	17.0%	17.1%
...YoY	59%	-10%	-22%	-18%	-13%	-16%	14%	15%
SG&A	(25,720)	(6,501)	(6,648)	(5,149)	(8,316)	(26,613)	(27,192)	(31,035)
...% of rev	-7.8%	-8.9%	-9.5%	-7.3%	-10.6%	-9.1%	-8.3%	-8.3%
R&D	(13,167)	(3,495)	(3,763)	(5,149)	(3,138)	(15,545)	(15,398)	(17,948)
...% of rev	-4.0%	-4.8%	-5.4%	-7.3%	-4.0%	-5.3%	-4.7%	-4.8%
Operating profit	26,029	(911)	1,733	1,393	1,254	3,469	13,656	15,569
OPM (%)	7.9%	-1.2%	2.5%	2.0%	1.6%	1.2%	4.2%	4.2%
...YoY	8%	-111%	-84%	-49%	-72%	-87%	294%	14%
Adj. net profit	22,039	2,859	2,081	1,974	1,993	8,835	13,986	15,641
NPM (%)	6.7%	3.9%	3.0%	2.8%	2.5%	3.0%	4.3%	4.2%
...YoY	69%	-53%	-67%	-62%	-55%	-60%	58%	12%

Source: Company data, CMBIGM estimates

Valuation

Maintain BUY with new TP of HK\$12.51 (29% upside)

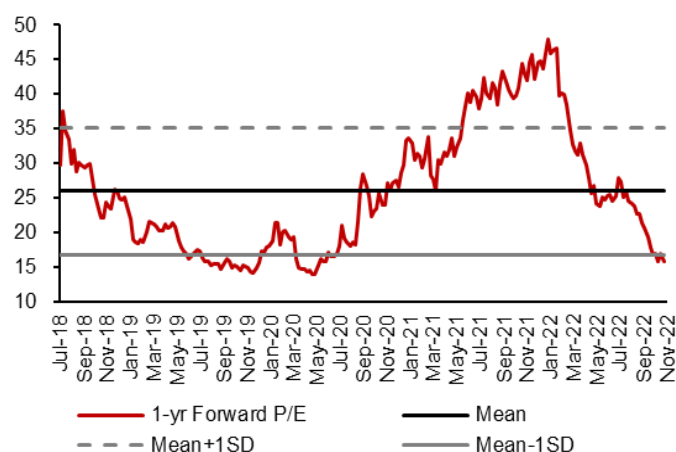
Our new TP of HK\$12.51 is based on same 20x FY23E P/E. Current valuation at 16x FY23E P/E is close to 1-sd below 3-yr average at 15.9x, and we view risk-reward as attractive. Catalysts include product launch, stronger shipment, share gain, internet revenue recovery and smart EV progress.

Figure 12: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
HK-listed												
Xiaomi	1810 HK	BUY	30,749	9.7	12.5	29%	25.3	16.0	1.6	1.5	2.2	8.3
Sunny Optical	2382 HK	HOLD	11,031	79.0	102.3	30%	28.3	19.2	3.3	2.9	11.8	15.3
AAC Tech	2018 HK	HOLD	2,535	16.5	14.0	-15%	19.5	13.6	0.8	0.8	4.0	5.6
BYDE	285 HK	HOLD	6,975	24.3	20.4	-16%	29.9	17.7	1.9	1.7	6.4	9.9
FIT Hon Teng	6088 HK	BUY	918	1.0	1.8	80%	5.6	4.9	0.3	0.3	6.0	6.5
Tongda	698 HK	BUY	102	0.1	0.2	168%	2.7	2.1	0.1	0.1	2.3	3.0
Q tech	1478 HK	BUY	531	3.5	5.6	59%	13.7	6.7	0.8	0.7	5.5	10.3
TK Group	2283 HK	BUY	175	1.7	3.4	105%	4.0	3.2	0.7	0.7	18.6	20.7
Average							17.1	11.2	1.2	1.1	6.2	8.7
Smartphone												
Apple	AAPL US	NR	2,201,365	138.4	NA	NA	22.7	22.0	39.6	35.9	160.8	168.7
Lenovo	992 HK	NR	9,347	6.1	NA	NA	4.9	5.1	1.9	1.5	44.4	34.1
Samsung	005930 KS	NR	251,918	59,400.0	NA	NA	10.4	14.1	1.2	1.1	12.0	8.3
LG Elec	066570 KS	NR	10,301	88,600.0	NA	NA	8.4	8.2	0.8	0.7	9.9	9.4
Average							11.6	12.3	10.9	9.8	56.8	55.1
IoT												
Skyworth	751 HK	NR	992	3.0	NA	NA	4.0	3.4	0.4	0.3	8.4	9.2
Hisense	600060 CH	NR	2,422	13.3	NA	NA	11.1	9.5	1.0	0.9	9.2	9.9
Midea	000333 CH	NR	41,954	43.1	NA	NA	9.6	8.5	2.1	1.8	21.9	21.1
Gree	000651 CH	NR	23,638	30.2	NA	NA	6.6	6.0	1.5	1.3	22.8	22.2
Average							8.5	7.3	1.7	1.5	15.4	15.8

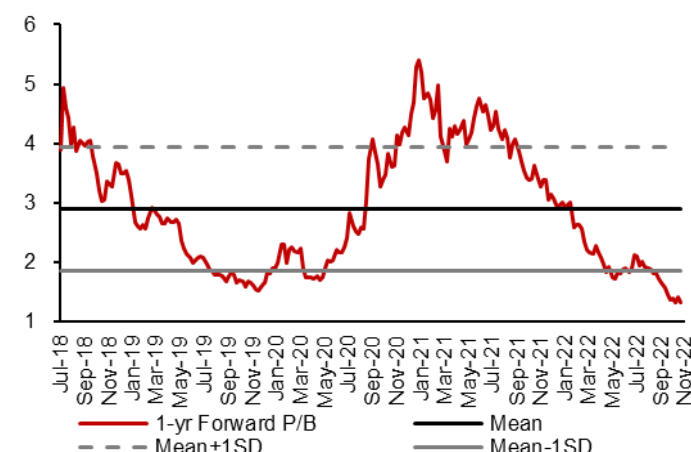
Source: Bloomberg, CMBIGM

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Revenue	205,839	245,866	328,309	292,504	327,612	373,918
Cost of goods sold	(177,285)	(209,114)	(270,048)	(243,620)	(271,946)	(309,946)
Gross profit	28,554	36,752	58,261	48,884	55,666	63,973
Selling expense	(10,378)	(14,539)	(20,981)	(21,528)	(21,950)	(25,053)
Admin expense	(3,104)	(3,746)	(4,739)	(5,085)	(5,242)	(5,983)
R&D expense	(7,493)	(9,256)	(13,167)	(15,545)	(15,398)	(17,948)
Other income	1,266	643	827	791	791	791
Gain/loss on financial assets at FVTPL	3,813	13,173	8,132	(2,837)	1,000	1,000
Investment gain/loss	(672)	1,381	275	(13)	(13)	(13)
EBIT	11,760	24,035	26,029	3,469	13,656	15,569
Net Interest income/(expense)	402	(1,641)	(1,612)	379	379	379
Foreign exchange gain/loss	(226)	(372)	(2,580)	(1,198)	(1,198)	(1,198)
Others	0	0	0	0	0	0
Pre-tax profit	12,163	21,633	24,417	3,848	14,034	15,948
Income tax	(2,060)	(1,321)	(5,134)	(821)	(1,895)	(2,153)
Minority interest	59	(43)	(56)	12	(35)	(40)
Net profit	10,103	20,313	19,283	3,027	12,140	13,795
Adjusted net profit	11,532	13,006	22,039	8,835	13,986	15,641
Net dividends	0	0	0	0	0	0
BALANCE SHEET	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Current assets	137,539	176,283	185,851	162,519	208,880	201,167
Cash & equivalents	25,920	54,752	23,512	35,364	48,215	59,450
Account receivables	19,672	19,080	23,095	11,499	24,928	15,203
Inventories	32,585	41,671	52,398	28,809	48,890	39,666
Prepayment	19,837	16,182	19,852	19,852	19,852	19,852
ST bank deposits	21,523	17,599	31,041	31,041	31,041	31,041
Financial assets at FVTPL	16,463	22,376	30,910	30,910	30,910	30,910
Other current assets	1,538	4,623	5,045	5,045	5,045	5,045
Non-current assets	46,090	77,397	107,040	111,482	114,905	118,474
PP&E	6,992	6,306	6,965	11,406	14,829	18,399
Deferred income tax	1,283	2,011	1,662	1,662	1,662	1,662
Investment in JVs & assos	9,301	12,782	10,231	10,231	10,231	10,231
Intangibles	1,672	4,266	5,579	5,579	5,579	5,579
Financial assets at FVTPL	20,679	35,215	50,114	50,114	50,114	50,114
Other non-current assets	6,163	16,817	32,490	32,490	32,490	32,490
Total assets	183,629	253,680	292,892	274,002	323,786	319,641
Current liabilities	92,181	107,927	115,727	92,772	130,416	112,477
Short-term borrowings	12,837	6,962	5,527	5,527	5,527	5,527
Account payables	59,528	72,199	74,643	51,688	89,332	71,392
Tax payable	479	674	2,335	2,335	2,335	2,335
Other current liabilities	19,337	28,092	33,222	33,222	33,222	33,222
Non-current liabilities	9,791	21,739	39,732	39,732	39,732	39,732
Long-term borrowings	4,787	10,635	20,720	20,720	20,720	20,720
Deferred income	580	301	1,203	1,203	1,203	1,203
Other non-current liabilities	4,424	10,804	17,809	17,809	17,809	17,809
Total liabilities	101,972	129,666	155,459	132,504	170,148	152,209
Share capital	388	409	407	407	407	407
Other reserves	81,330	123,691	137,212	140,228	152,403	166,238
Total shareholders equity	81,658	124,014	137,432	140,460	152,600	166,394
Minority interest	327	322	220	232	197	156
Total equity and liabilities	183,629	253,680	292,892	272,964	322,748	318,603

CASH FLOW	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	12,163	21,633	24,417	3,848	14,034	15,948
Depreciation & amortization	1,381	1,708	3,062	2,446	3,129	3,909
Tax paid	(2,242)	(1,126)	(2,442)	(821)	(1,895)	(2,153)
Change in working capital	9,553	4,320	(15,725)	12,229	4,133	1,010
Others	2,956	(4,658)	474	0	0	0
Net cash from operations	23,810	21,879	9,785	17,703	19,402	18,714
Investing						
Capital expenditure	(3,405)	(3,026)	(7,169)	(5,850)	(6,552)	(7,478)
Acquisition of subsidiaries/ investments	0	39	(1,086)	0	0	0
Net proceeds from disposal of short-term investments	124,633	190,494	166,947	0	0	0
Others	(152,798)	(205,186)	(203,699)	0	0	0
Net cash from investing	(31,570)	(17,679)	(45,008)	(5,850)	(6,552)	(7,478)
Financing						
Net borrowings	6,619	(2,004)	9,227	0	0	0
Proceeds from share issues	0	19,908	0	0	0	0
Share repurchases	(2,932)	(455)	(7,007)	0	0	0
Others	(566)	8,767	2,278	0	0	0
Net cash from financing	3,121	26,216	4,499	0	0	0
Net change in cash						
Cash at the beginning of the year	30,230	25,920	54,752	23,512	35,364	48,215
Exchange difference	(1,583)	(517)	0	0	0	0
Cash at the end of the year	25,920	54,752	23,512	35,364	48,215	59,450
GROWTH	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Revenue	17.7%	19.4%	33.5%	(10.9%)	12.0%	14.1%
Gross profit	28.7%	28.7%	58.5%	(16.1%)	13.9%	14.9%
EBIT	882.9%	104.4%	8.3%	(86.7%)	293.6%	14.0%
Net profit	(25.0%)	101.1%	(5.1%)	(84.3%)	301.0%	13.6%
Adj. net profit	31.9%	12.8%	69.5%	(59.9%)	58.3%	11.8%
PROFITABILITY	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Gross profit margin	13.9%	14.9%	17.7%	16.7%	17.0%	17.1%
Adj. net profit margin	5.6%	5.3%	6.7%	3.0%	4.3%	4.2%
Return on equity (ROE)	13.2%	19.8%	14.8%	2.2%	8.3%	8.6%
GEARING/LIQUIDITY/ACTIVITIES	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
Net debt to equity (x)	0.9	0.6	1.0	0.7	0.8	0.6
Current ratio (x)	1.5	1.6	1.6	1.8	1.6	1.8
Receivable turnover days	11.1	12.7	15.6	12.0	12.0	12.0
Inventory turnover days	63.9	64.8	63.6	45.4	45.4	45.4
Payable turnover days	108.9	115.0	99.2	94.6	94.6	94.6
VALUATION	2019A	2020A	2021A	2022E	2023E	2024E
YE 31 Dec						
P/E	20.8	17.4	26.8	25.3	16.0	14.3
P/E (diluted)	18.1	27.3	23.5	25.3	16.0	14.3
P/B	2.6	2.9	3.8	1.6	1.5	1.3
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong. Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.