

Productive Technologies (650 HK)

Takeaways: Another SPE rising star in the Chinese market

We spoke to Productive Technologies mgmt. recently. The company has changed its name to Productive Technologies in July and aims to be a leader in providing high-productivity solutions to semiconductor and solar cell manufacturers. Mgmt. is optimistic about their semiconductor equipment business driven by accelerated localization and rapid expansion of domestic foundry. Mgmt. believes that solar power equipment and semiconductor equipment businesses are highly synergized as: 1) 30% of overlap in component procurement will enhance cost structure and procurement efficiency; 2) RENA from Germany offers mature factory production and supply chain management systems; 3) synergies in product development and mature IP portfolio. Overall, mgmt. expected share gain in global and Chinese markets to continue by leveraging outstanding talents, strong R&D development, advanced technologies and lower cost of ownership (COO).

■ **Target 20-25% market share in global wafer cleaning and 10-15% in global CVD market.** Mgmt. expects global semiconductor equipment market to grow at 6.7% CAGR in FY21-30E to reach US\$163mn and China is one of the key potential markets (2% of semi equipment market in 2019). Mgmt. stated that low level of localization in CVD (3% in 2020) and cleaning equipment market (20% in 2020) represent a huge opportunity to expand their business. They aim to 1) achieve 20% of market share in Chinese cleaning equipment market, 2) build an established CVD business in 3-5 years and 3) achieve 20-25% global market share in cleaning equipment and 10-15% global market share in CVD in the long term.

■ **Xuzhou Phase I capacity to target foundry clients.** Mgmt. stated that they will target second-tier medium-sized foundries initially and will expand into first-tier foundries including Hua Hong Semiconductor and SMIC in the future. Mgmt. believes that Xuzhou Phase I's annual capacity (50-80 unit) will meet customer demand in FY23-24E, which are backed by support from RENA Germany and local government.

■ **Positive outlook on China solar business backed by RENA & product recognition.** Mgmt. believes that photovoltaic market growth is mainly driven by downward photovoltaic cost and carbon neutral actions, and China accounts for 90-95% of global solar cell equipment market. The company acquired the China solar business from RENA (global leader in wet processing equipment) with major product lines including Batch, Inline and Incell series, all well-recognized among customers. Mgmt. expected China solar business sales to reach US\$300mn in the short to medium term and US\$900mn in the long term, while EBITDA will reach double-digit growth in the short term.

Earnings Summary

(YE 31 Dec)	FY17	FY18	FY19	FY20	FY21
Revenue (HKD mn)	123	168	244	1,761	138
YoY growth (%)	60.7	36.2	44.9	622.9	-92.1
Net income (HKD mn)	14	27	(277)	(387)	(404)
EPS (HKD)	0.0	0.0	0.0	-0.1	-0.1
YoY growth (%)	-	-	-	0.5	0.0
P/E (x)	(77.9)	66.0	(140.7)	(23.2)	(17.4)
P/B (x)	3.3	2.1	1.7	2.2	3.6
Yield (%)	0	0	0	0	0
RoE (%)	0.5	0.8	(8.2)	(12.6)	(14.7)
Net gearing (%)	-31.0	-23.6	-17.8	-13.9	-10.3

Source: Company data, Bloomberg, CMBIGM estimates

NOT RATED

Current Price

HK\$1.20

China Technology

Alex NG

(852) 3900 0881

alexng@cmbi.com.hk

Hanqing LI

lihanqing@cmbi.com.hk

ASIAMONEY

Please cast your valuable vote for CMBIS research team in the 2022 Asiamoney Brokers Poll

VOTE

Stock Data

Mkt Cap (HK\$ mn)	9,077
Avg 3 mths t/o (HK\$ mn)	4.08
52w High/Low (HK\$)	1.74/0.76
Total Issued Shares (mn)	7,564

Source: FactSet

Shareholding Structure

Titan Gas Technology Investment Ltd	40.8%
Mo Tianquan	5.0%

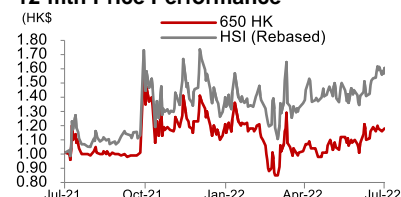
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.8%	19.5%
3-mth	10.3%	10.8%
6-mth	2.6%	20.4%

Source: FactSet

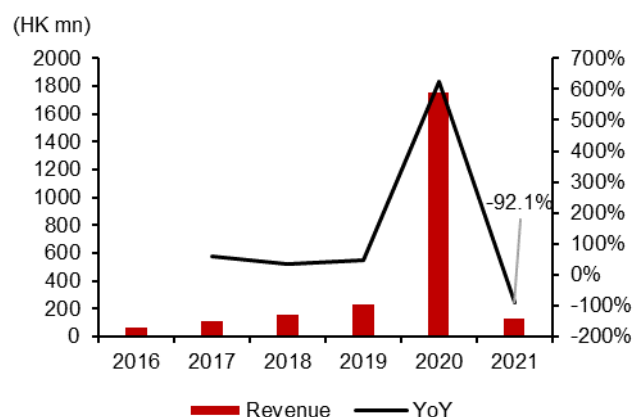
12-mth Price Performance



Source: FactSet

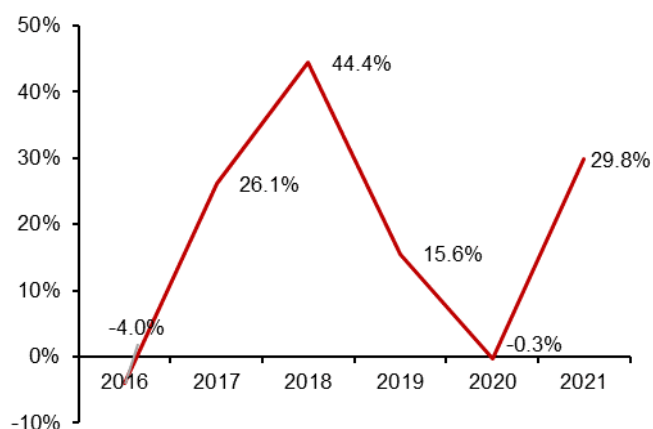
Focus Charts

Figure 1: 2016-2021 Revenue & YoY



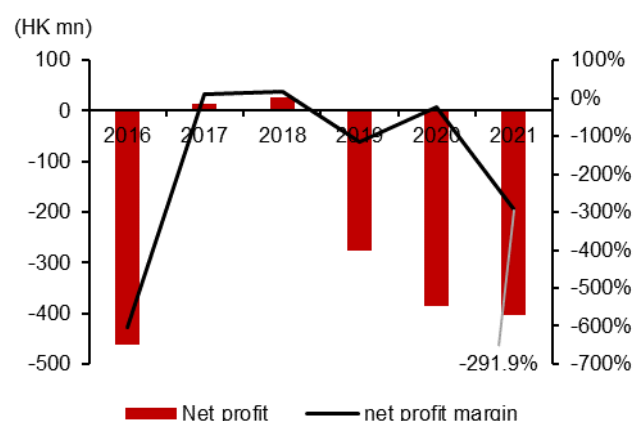
Source: Company data, CMBIGM estimates

Figure 2: 2016-2021 Gross profit margin



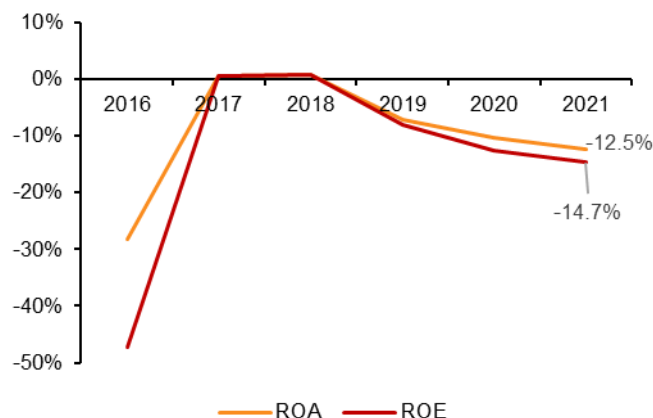
Source: Company data, CMBIGM estimates

Figure 3: 2016-2021 Net profit & net profit margin



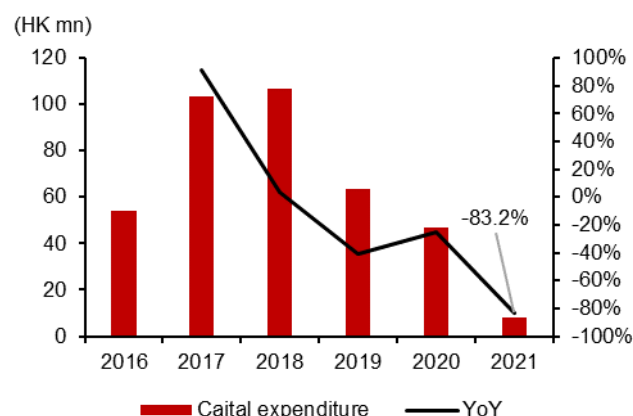
Source: Company data, CMBIGM estimates

Figure 4: 2016-2021 ROA & ROE



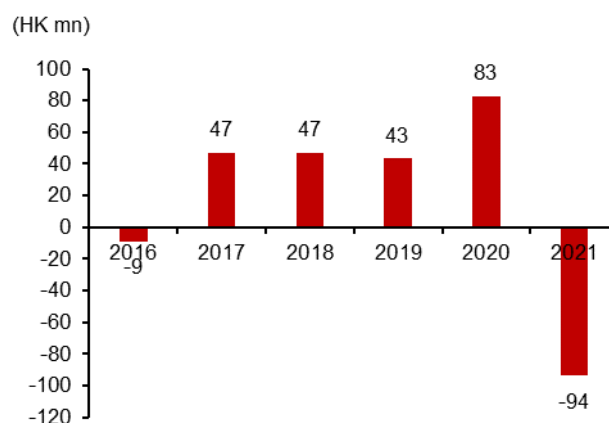
Source: Company data, CMBIGM estimates

Figure 5: 2016-2021 Capital expenditure & YoY

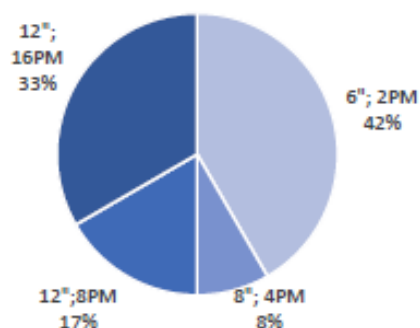


Source: Company data, CMBIGM estimates

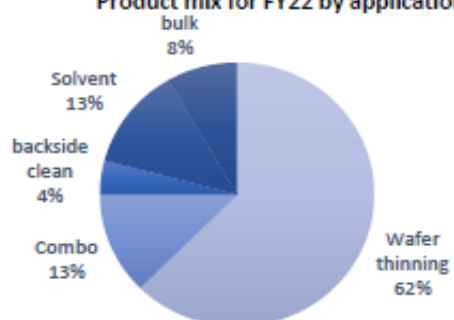
Figure 6: 2016-2021 Cash flow from operation



Source: Company data, CMBIGM estimates

Figure 7: FY22 Product mix by specification**Product mix for FY22 by specification**

Source: Company data, CMBIGM estimates

Figure 8: FY22 Product mix by application**Product mix for FY22 by application****Above figures presented as per the unit basis*

Source: Company data, CMBIGM estimates

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.