

SANY International (631 HK)

Core net profit in 2022 +53% YoY in line with expectation; Margin recovery in 4Q

SANYI's core net profit in 2022 grew 53% YoY to RMB1.66bn, which is in line with our expectation. The results imply that net profit surged 1.1x YoY to RMB369mn in 4Q22. SANYI proposed HK\$0.19 dividend per share, implying ~32% dividend pay-out. We see this a solid set of results. We maintain our positive view on SANYI as we expect the coal mining capex upcycle to continue in 2023E (coal mining FAI +20% in 2M23), and expect robotic and lithium battery equipment to offer potential upside. Maintain **BUY** with TP of HK\$13 (18x 2023E P/E, on the back of 18% earnings CAGR in 2023E-25E).

- **2022 results highlights.** Revenue grew 52% YoY to RMB10.2bn (mining equipment: +59% YoY to RMB6.9bn; logistics equipment: +40% YoY to RMB3.3bn). Blended gross margin remained stable at 23.4%. Administrative expense ratio reduced to 7.6%, down 2.7ppt YoY, as R&D expense grew only 15% YoY. Reported net profit grew 32% YoY to RMB1.66bn. Excluding the one-off gains on disposal of a subsidiary (RMB172mn) recognized in 2021, core earnings growth would be 53% YoY. Operating cash inflow grew 17% YoY to RMB1.1bn. SANYI maintained a net cash position of RMB1.18bn as at end-2022.
- **Margin recovery in 4Q22.** Net profit in 4Q22 surged 1.1x YoY to RMB369mn, driven by 48% YoY increase in revenue (to RMB3.9bn), 1.8ppt YoY (1.5ppt QoQ) improvement in gross margin (to 23.7%), and good expense control.
- **Post-results conference call.** CMBI will host a group call at 14:30 (HK time) today. We expect management to share about the latest backlog, new product development and margin trend. Please contact your sales representatives for details.
- **Major risk factors:** (1) weakness in mining activities; (2) slower-than-expected progress on new product development; (3) rebound of raw material costs.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	10,195	15,537	18,403	21,739	25,215
YoY growth (%)	38.4	52.4	18.4	18.1	16.0
Adjusted net profit (RMB mn)	1,086.7	1,664.9	1,992.7	2,325.5	2,712.8
EPS (Adjusted) (RMB)	0.35	0.53	0.63	0.74	0.86
Consensus EPS (RMB)	na	na	0.61	0.74	n/a
P/E (x)	17.7	12.8	10.3	8.8	7.6
P/B (x)	2.6	2.1	1.8	1.6	1.4
Yield (%)	1.7	2.5	3.0	3.5	4.1
ROE (%)	15.2	17.8	18.5	18.8	19.1
Net gearing (%)	(18.3)	(11.8)	(15.8)	(20.3)	(26.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$13.00

(Previous TP) HK\$13.00)

Up/Downside 74.0%

Current Price HK\$7.47

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Stock Data

Mkt Cap (HK\$ mn)	23,700.8
Avg 3 mths t/o (HK\$ mn)	7.9
52w High/Low (HK\$)	8.88/6.44
Total Issued Shares (mn)	3172.8

Source: FactSet

Shareholding Structure

Sany Heavy Equipment	67.7%
Investments Company	
Free float	32.3%

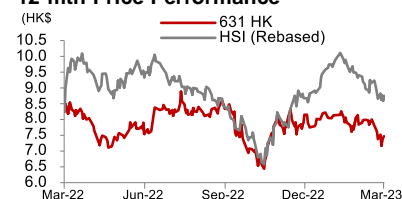
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-4.1%	2.6%
3-mth	-8.3%	-8.7%
6-mth	-10.4%	-13.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

SANYI (631 HK, BUY) – Expansion to new energy equipment sector with an ambitious target – 9 Jan 2023 ([link](#))

SANYI (631 HK, BUY) – Key takeaways from post-results call and NDR – 2 Nov 2022 ([link](#))

Figure 1: SANYI's quarterly results

RMB mn	1Q21	1Q22	Chg (YoY)	2Q21	2Q22	Chg (YoY)	3Q21	3Q22	Chg (YoY)	4Q21	4Q22	Chg (YoY)
Revenue	2,411	4,116	71%	2,573	3,516	37%	2,557	3,969	55%	2,653	3,936	48%
Cost of sales	(1,790)	(3,246)	81%	(1,980)	(2,571)	30%	(1,963)	(3,090)	57%	(2,073)	(3,002)	45%
Gross profit	622	870	40%	593	946	59%	594	879	48%	580	934	61%
Gross margin	25.8%	21.1%		23.1%	26.9%		23.2%	22.2%		21.9%	23.7%	
Pretax profit	368	509	38%	578	514	-11%	298	432	45%	194	465	140%
Pretax profit margin	15.3%	12.4%		22.5%	14.6%		11.7%	10.9%		7.3%	11.8%	
Net profit	339	444	31%	473	462	-2%	275	391	42%	173	369	113%
Net margin	14.0%	10.8%		18.4%	13.1%		10.7%	9.8%		6.5%	9.4%	
Adjusted net profit	339	444	31%	322	462	43%	275	391	42%	173	369	113%
Adjusted net margin	14.0%	10.8%		12.5%	13.1%		10.7%	9.8%		6.5%	9.4%	

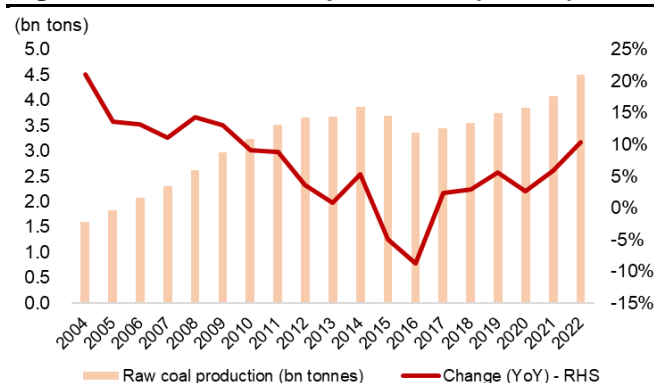
Source: Company data, CMBIGM estimates

Figure 2: SANYI's 2022 results

YE Dec 31(RMB mn)	2021	2022	Change (YoY)	1H21	1H22	Change (YoY)	2H21	2H22	Change (YoY)
Revenue									
Mining equipment	6,896	10,980	59.2%	3,227	5,480	69.8%	3,669	5,501	49.9%
Logistics equipment	3,299	4,607	39.7%	1,757	2,152	22.5%	1,541	2,455	59.3%
Total revenue	10,195	15,537	52.4%	4,984	7,632	53.1%	5,210	7,905	51.7%
Cost of sales	(7,805)	(11,908)	52.6%	(3,769)	(5,816)	54.3%	(4,036)	(6,092)	50.9%
Gross profit	2,390	3,628	51.8%	1,215	1,815	49.4%	1,175	1,813	54.4%
Other income	391	447	14.2%	458	250	-45.5%	(67)	197	n/a
Other gains and losses	347	54	-84.3%	19	(38)	n/a	327	92	-71.9%
S&D expenses	(567)	(933)	64.7%	(244)	(401)	64.4%	(323)	(532)	64.8%
Administrative expenses	(1,053)	(1,177)	11.8%	(470)	(563)	19.7%	(583)	(614)	5.4%
Other expenses	(1)	(25)	n/a	(3)	(1)	-77.7%	3	(24)	n/a
EBIT	1,507	1,994	32.3%	975	1,063	9.0%	532	931	75.0%
Net finance income/(cost)	(69)	(73)	6.1%	(29)	(39)	34.7%	(40)	(34)	-14.7%
Finance income	51	59	16.0%	26	33	27.6%	24	25	3.6%
Finance expenses	(120)	(132)	10.3%	(55)	(73)	31.3%	(64)	(59)	-7.8%
Share of profit of JV and associates	0	0	n/a	0	0	n/a	0	0	n/a
Pretax profit	1,438	1,921	33.6%	946	1,024	8.2%	492	897	82.3%
Income tax	(129)	(252)	95.4%	(117)	(111)	-4.8%	(12)	(141)	1081.9%
After tax profit	1,309	1,669	27.5%	829	913	10.1%	480	756	57.5%
MI	(50)	(4)	-91.7%	(18)	(7)	-61.8%	(32)	3	n/a
Net profit	1,259	1,665	32.2%	811	906	11.7%	448	759	69.5%
Adjusted net profit	1,087	1,665	53.2%						
D&A	249	288	15.9%	126	158	25.3%	122	130	6.2%
EBITDA	1,756	2,283	30.0%	1,101	1,222	10.9%	654	1,061	62.1%

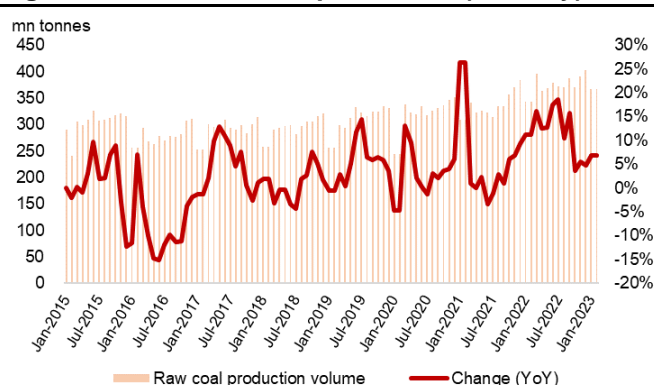
Source: Company data, CMBIGM

Figure 3: China raw coal production (annual)



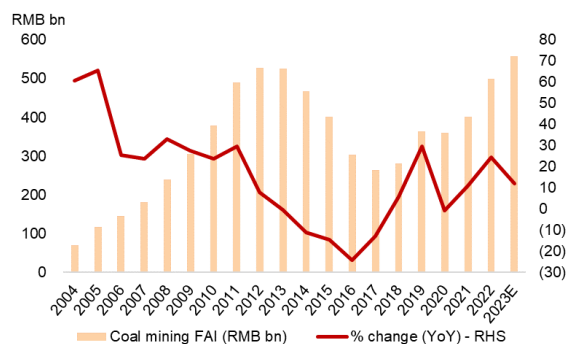
Source: Wind, CCTDCOAL, CMBIGM

Figure 4: China raw coal production (monthly)



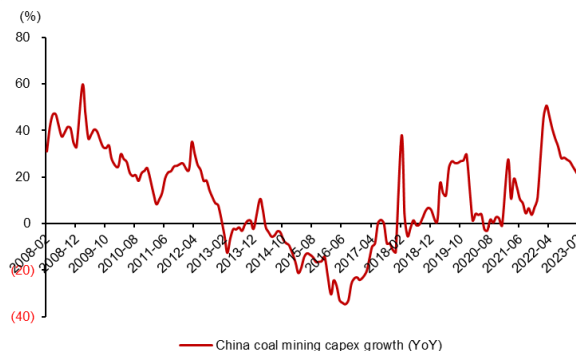
Source: Wind, CCTDCOAL, CMBIGM

Figure 5: China coal mining FAI



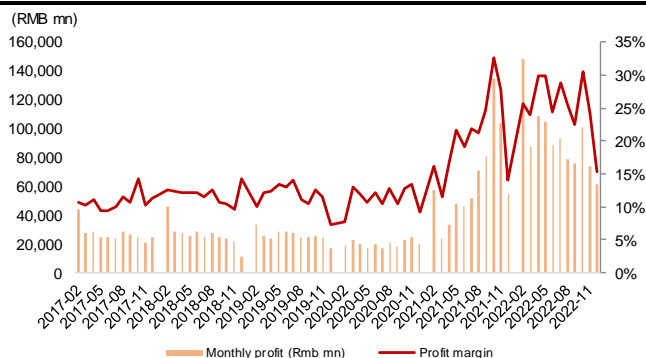
Source: Wind, NBS, CMBIGM

Figure 6: China coal mining FAI growth (YTD)



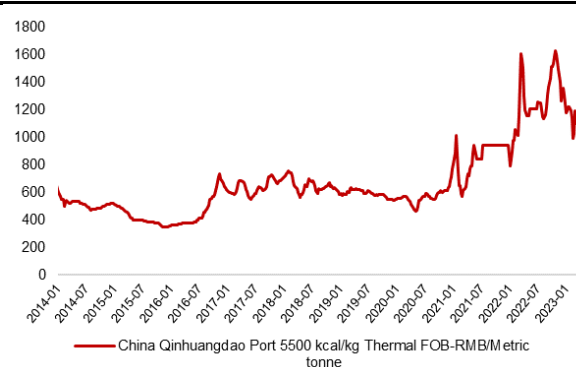
Source: Wind, NBS, CMBIGM

Figure 7: China coal miners' monthly profit & margin



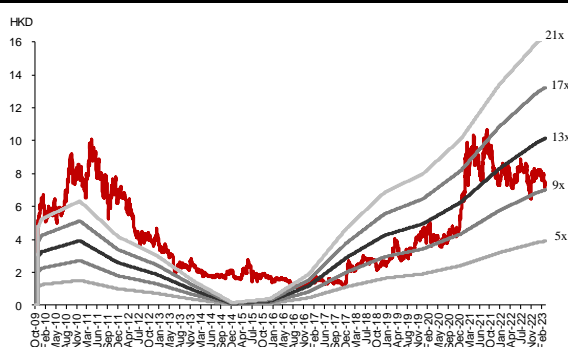
Source: Wind, NBS, CMBIGM

Figure 8: China Qinhuangdao Port 5500 kcal price



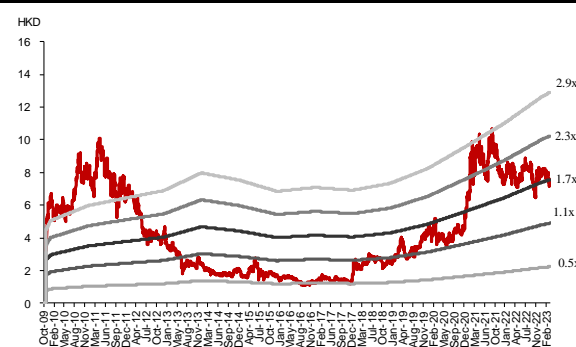
Source: Bloomberg, CMBIGM

Figure 9: SANYI's P/E band



Source: Bloomberg, Company data, CMBIGM estimates

Figure 10: SANYI's P/B band



Source: Bloomberg, Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	7,364	10,195	15,537	18,403	21,739	25,215
Cost of goods sold	(5,403)	(7,805)	(11,908)	(14,048)	(16,676)	(19,395)
Gross profit	1,961	2,390	3,628	4,355	5,063	5,820
Operating expenses	(1,137)	(1,620)	(2,110)	(2,797)	(3,283)	(3,757)
Selling expense	(430)	(567)	(933)	(1,104)	(1,304)	(1,513)
Admin expense	(707)	(1,053)	(1,177)	(1,693)	(1,978)	(2,244)
Operating profit	463	737	476	902	1,065	1,236
Other income	237	391	447	589	696	807
Other expense	(31)	(1)	(25)	(55)	(65)	(76)
Other gains/(losses)	257	347	54	368	435	504
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	1,535	1,756	2,283	2,814	3,235	3,712
Depreciation	249	249	288	355	390	414
EBIT	1,286	1,507	1,994	2,460	2,846	3,298
Interest income	36	51	59	55	62	72
Interest expense	(132)	(120)	(132)	(141)	(138)	(139)
Net Interest income/(expense)	(96)	(69)	(73)	(86)	(76)	(67)
Pre-tax profit	1,190	1,438	1,921	2,374	2,770	3,231
Income tax	(139)	(129)	(252)	(309)	(360)	(420)
After tax profit	1,052	1,309	1,669	2,065	2,410	2,811
Minority interest	(6)	(50)	(4)	(72)	(84)	(98)
Net profit	1,045	1,259	1,665	1,993	2,325	2,713
Adjusted net profit	1,045	1,087	1,665	1,993	2,325	2,713
Gross dividends	408	385	524	618	721	841

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	12,016	14,217	17,191	18,379	22,817	24,848
Cash & equivalents	941	1,349	2,690	3,331	4,287	5,614
Account receivables	3,288	4,272	6,416	5,583	8,473	7,831
Inventories	1,821	2,529	3,283	4,569	4,752	6,088
Prepayment	359	585	700	700	700	700
ST bank deposits	0	21	50	50	50	50
Financial assets at FVTPL	4,024	3,680	2,088	2,088	2,088	2,088
Other current assets	1,583	1,782	1,964	2,058	2,467	2,477
Non-current assets	5,448	6,568	7,763	7,909	8,019	7,955
PP&E	2,591	3,314	4,066	4,238	4,375	4,338
Deferred income tax	296	287	298	298	298	298
Goodwill	1,130	1,130	1,130	1,130	1,130	1,130
Other non-current assets	1,432	1,838	2,269	2,243	2,216	2,189
Total assets	17,464	20,785	24,953	26,288	30,836	32,803
Current liabilities	7,938	9,170	10,836	10,629	13,384	13,261
Short-term borrowings	2,645	1,687	954	954	1,054	1,054
Account payables	2,893	4,422	6,646	6,439	9,095	8,972
Tax payable	197	185	155	155	155	155
Other current liabilities	2,205	2,875	3,080	3,080	3,080	3,080
Non-current liabilities	1,667	2,832	4,014	4,014	4,014	4,014
Long-term borrowings	493	1,767	2,691	2,691	2,691	2,691
Other non-current liabilities	1,174	1,065	1,323	1,323	1,323	1,323
Total liabilities	9,605	12,002	14,849	14,642	17,398	17,275
Total shareholders equity	7,839	8,701	10,040	11,508	13,216	15,208
Minority interest	20	82	64	136	220	319
Total equity and liabilities	17,464	20,785	24,953	26,287	30,835	32,802

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,190	1,438	1,921	2,374	2,770	3,231
Depreciation & amortization	249	249	288	355	390	414
Tax paid	(108)	(185)	(252)	(309)	(360)	(420)
Change in working capital	105	51	(854)	(754)	(826)	(828)
Others	(366)	(630)	(19)	86	76	67
Net cash from operations	1,070	923	1,084	1,751	2,050	2,465
Investing						
Capital expenditure	(334)	(1,053)	(1,013)	(500)	(500)	(350)
Others	(313)	757	1,652	55	62	72
Net cash from investing	(647)	(296)	639	(445)	(438)	(278)
Financing						
Dividend paid	(394)	(408)	(385)	(524)	(618)	(721)
Net borrowings	(132)	(120)	0	(141)	(138)	(139)
Proceeds from share issues	30	0	0	0	0	0
Others	(105)	301	8	0	100	0
Net cash from financing	(602)	(227)	(377)	(665)	(656)	(860)
Net change in cash						
Cash at the beginning of the year	1,103	941	1,349	2,690	3,331	4,287
Exchange difference	17	8	(6)	0	0	0
Cash at the end of the year	941	1,349	2,690	3,331	4,287	5,614
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	30.2%	38.4%	52.4%	18.4%	18.1%	16.0%
Gross profit	17.5%	21.9%	51.8%	20.0%	16.3%	14.9%
Operating profit	1.0%	59.2%	(35.4%)	89.4%	18.1%	16.0%
EBITDA	14.0%	14.4%	30.0%	23.3%	15.0%	14.7%
EBIT	17.3%	17.2%	32.3%	23.3%	15.7%	15.9%
Net profit	13.6%	20.5%	32.2%	19.7%	16.7%	16.7%
Adj. net profit	20.8%	4.0%	53.2%	19.7%	16.7%	16.7%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	26.6%	23.4%	23.4%	23.7%	23.3%	23.1%
Operating margin	6.3%	7.2%	3.1%	4.9%	4.9%	4.9%
EBITDA margin	20.9%	17.2%	14.7%	15.3%	14.9%	14.7%
Adj. net profit margin	14.2%	10.7%	10.7%	10.8%	10.7%	10.8%
Return on equity (ROE)	14.0%	15.2%	17.8%	18.5%	18.8%	19.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)
Current ratio (x)	1.5	1.6	1.6	1.7	1.7	1.9
Receivable turnover days	146.8	135.3	125.5	119.0	118.0	118.0
Inventory turnover days	110.1	101.7	89.1	102.0	102.0	102.0
Payable turnover days	159.6	171.0	169.6	170.0	170.0	170.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	11.3	17.7	12.8	10.3	8.8	7.6
P/B	1.5	2.6	2.1	1.8	1.6	1.4
Div yield (%)	3.5	1.7	2.5	3.0	3.5	4.1

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

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