招銀国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

6 Nov 2020

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	73.9	173.3	197.2	223.80	13%	95.4	71.3	7.5	8.7	0.1%	Jack Bai
PAB	000001 CH	Banking	BUY	51.9	281.9	17.7	22.80	29%	14.2	12.4	1.2	8.8	1.1%	Terry Sun
CICC	3908 HK	Brokerage	BUY	25.4	29.3	18.5	22.40	21%	13.4	12.4	1.4	10.8	1.1%	Karen Sui
Zoomlion	1157 HK	Capital Goods	BUY	8.6	8.4	7.3	10.50	45%	7.5	6.9	1.1	16.3	5.7%	Wayne Fung
Jiangsu Hengli	601100 CH	Capital Goods	BUY	15.8	58.3	80.0	87.00	9%	51.5	41.4	14.7	32.0	0.8%	Wayne Fung
Anta	2020 HK	Consumer Disc.	BUY	33.7	67.2	96.8	101.84	5%	42.2	28.9	9.2	24.4	0.6%	Walter Woo
Midea	000333 CH	Consumer Disc.	BUY	91.3	256.4	86.1	95.24	11%	22.8	19.8	4.9	23.5	2.0%	Walter Woo
Mengniu	2319 HK	Consumer Staple	BUY	20.8	48.2	40.9	42.00	3%	42.0	25.6	4.3	3.7	0.5%	Albert Yip
Hope Education	1765 HK	Education	BUY	1.9	8.3	2.0	3.05	53%	19.9	14.8	na	na	1.4%	Albert Yip
Jinxin Fertility	1951 HK	Healthcare	BUY	3.0	9.4	9.7	13.80	43%	40.4	31.3	2.9	4.5	0.3%	Jill Wu/ Sam Hu
China Life	2628 HK	Insurance	BUY	151.0	114.6	17.3	28.14	62%	na	na	1.0	na	4.1%	Wenjie Ding
Meituan	3690 HK	Internet	BUY	250.0	680.5	329.6	290.0*	na	314.0	101.0	na	1.1	0.0%	Sophie Huang
China Aoyuan	3883 HK	Property	BUY	2.9	6.9	8.2	15.48	88%	3.0	2.6	1.0	34.7	13.6%	Samson Man
A-Living	3319 HK	Property	BUY	6.2	21.7	35.9	60.70	69%	24.2	20.1	9.8	24.6	2.1%	Bowen Li
Xinyi Solar	968 HK	Renewables	BUY	14.7	66.7	13.4	15.50	15%	27.9	18.5	5.9	21.1	1.7%	Robin Xiao
China Longyuan	916 HK	Renewables	BUY	5.8	12.2	5.6	7.38	33%	7.6	6.3	0.7	9.3	2.6%	Robin Xiao
Luxshare	002475 CH	Technology	BUY	61.7	576.8	58.5	74.20	27%	43.8	33.1	11.1	25.3	0.3%	Alex Ng
BYDE	285 HK	Technology	BUY	10.9	88.5	37.5	49.50	32%	13.8	12.3	4.3	25.0	0.7%	Alex Ng

Source: Bloomberg, CMBIS, Price as of 5/11/2020, * TP under review

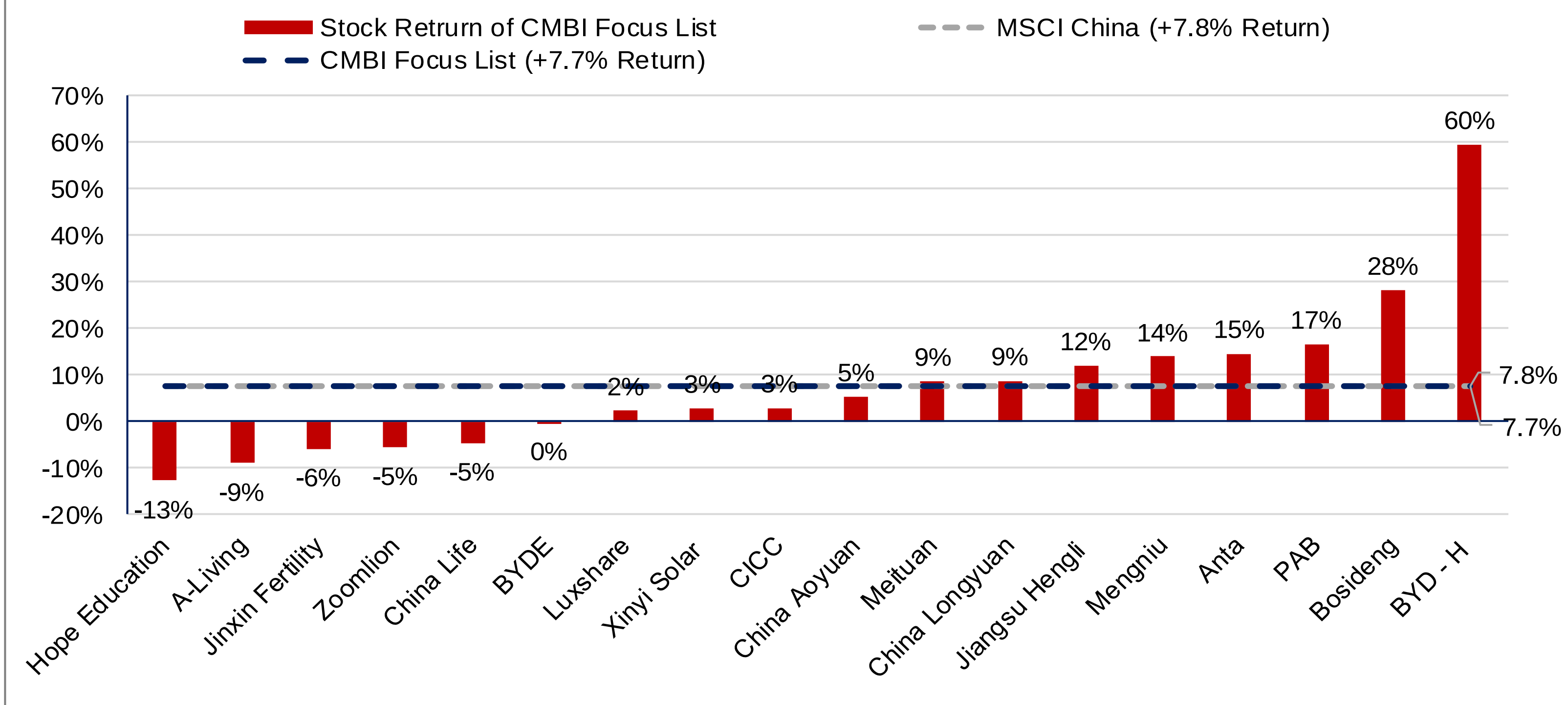
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Midea	000333 CH	Consumer	BUY	Walter Woo	We like Midea's emphasis on innovations and channel reforms, evidenced by its outperformance in A.C. segment over Gree in the past 12 months. Also, together with a gradual improvement domestic market, export sales growth should remain robust in 4Q20E. All are setting up for better earnings and valuation.
Deletions					
Bosideng	3998 HK	Consumer	BUY	Walter Woo	Although we remain positive on Bosideng's retail sales performance in current winter, risk-reward have been normalized after its current rally, as it was recently re-rated from ~17x to ~22x FY22E P/E.

Source: CMBIS

Performance of our recommendations

- In our last report dated 6 Oct, we highlighted a list of 18 long ideas.
- The performance of the basket (equal weighted) with these 18 stocks is largely in-line with MSCI China index, delivering 7.7% return (vs MSCI China +7.8%).
- BYD - H and Bosideng delivered 60%/28% return, and 8 of our 18 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 6 Oct to 5 Nov 2020

Long Ideas

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

Rating: BUY | **TP:** RMB223.8 (13% upside)

Analyst: Jack Bai/ Robin Xiao

- **Investment Thesis:** BYD's strong share price performance reflected our view that the Company is experiencing a re-rating process with improving EV sales and gradually fulfilling its power battery external sales story. . Based on our SOTP framework, we believe market is currently pricing the NEV segment at 5.5x 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.

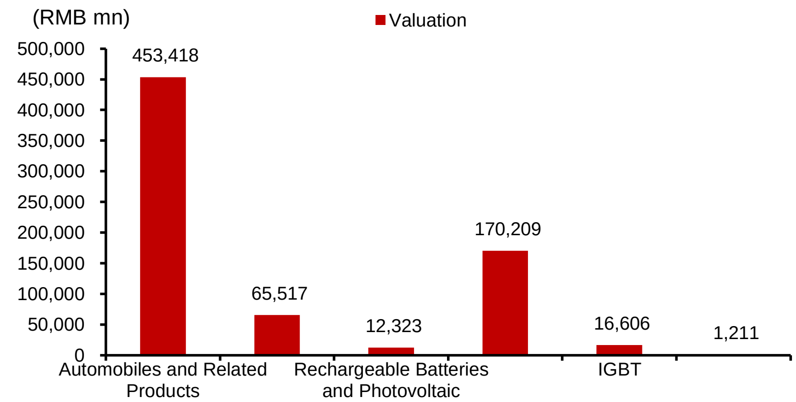
Link to latest report: BYD - A (002594 CH) – Expect high growth of NEV in 2H20E / BYD - A (002594 CH) – Hidden giant in the cave

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	127,739	156,971	208,657	272,410
YoY growth (%)	-1.8%	22.9%	32.9%	30.6%
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	0.97	1.12	1.47
P/E (x)	348.0	95.4	71.3	45.6
P/B (x)	8.3	7.5	6.7	5.8
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

PAB (000001 CH): Retail-focused strategy backs earnings recovery

Rating: BUY **| TP:** RMB22.80 (29% upside)

Analyst: Terry Sun

- **Investment Thesis:** After a sharp decline in 2Q20, PAB's earnings regained positive growth of +6.1% YoY in 3Q20. YTD profit contraction narrowed to -5.2% in 9M20 YoY from -11.2% YoY in 1H20. Key results highlights were fast pick-up in retail loans, improving asset quality, and robust fee income. The Bank should continue to realize faster-than-peers earnings growth as regulators' window guidance abates.

- **Our View:** We stay upbeat on PAB's 4Q20 outlook, given: 1) strong macro trend thus waning policy intervention on banks' earnings; 2) continued recovery in consumption and retail credit; 3) liquidity will likely remain loose, easing funding cost pressure; 4) above-peers provision coverage offers room to lower credit cost.

- **Why do we differ vs consensus:** Our FY20-21E NIM forecasts are higher than consensus, as we believe PAB's margin is more resilient on strong loan pricing and funding mix optimization. Our net profit forecasts are lower than consensus due to our conservative assumption for credit cost, as PAB would continue to build up provision buffer against potential macro uncertainty.

- **Catalysts:** 1) Continued recovery in retail credit growth after the slowdown in 1H20 due to COVID-19; 2) fast pick-up in corporate banking business with support from Ping An Group; and 3) wealth management business will make up the long-standing weakness in funding cost.

- **Valuation:** We derived our 12m TP of RMB22.8 based on 1.5x target P/B and FY20E BPS of RMB15.2.

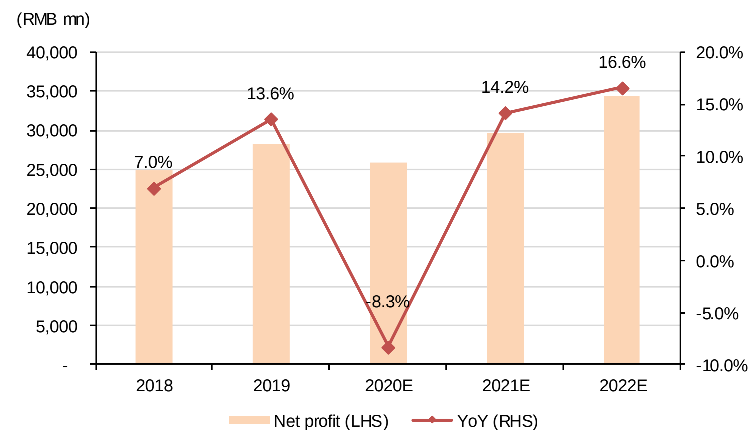
Link to latest report: PAB (000001 CH) - Profit expansion back on track; Asset quality a bright spot

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	137,958	154,235	169,487	187,247
Net profit (RMB mn)	28,195	25,859	29,532	34,443
EPS (RMB)	1.54	1.29	1.48	1.73
EPS CHG (%)	10.3	(16.3)	14.7	17.1
Consensus EPS (RMB)	NA	1.37	1.55	1.79
P/E (x)	11.9	14.2	12.4	10.6
P/B (x)	1.30	1.21	1.11	1.01
Dividend yield (%)	1.2	1.1	1.2	1.5
ROE (%)	11.1	8.8	9.3	10.0
NPL ratio (%)	1.65	1.36	1.32	1.29
Provision coverage (%)	183	231	268	303

Source: Company data, Bloomberg, CMBIS estimates

Fig: PAB's net profit forecasts



Source: Company data, CMBIS estimates

CICC (3908 HK): A-share IPO in sight, a major near-term catalyst

Rating: BUY **| TP:** HK$ 22.40 (21% 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 recent delayed IPO process of Fintech giant, CICC is still in a predominant position in sponsoring Red-chips, pre-profit companies and mega deals and ADRs homecoming listings. We expect potential upcoming deals to further catalyze its near-term performance and earnings.

- **Catalysts:** 1) Decent pipeline of mega IPOs in both oversea and domestic markets; 2) More fruit from wealth management transformation and cooperation with its strategic shareholder Tencent and Alibaba.

- **Valuation:** Our 3-stage DDM derived TP is HK$ 22.40, implying 1.5x 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

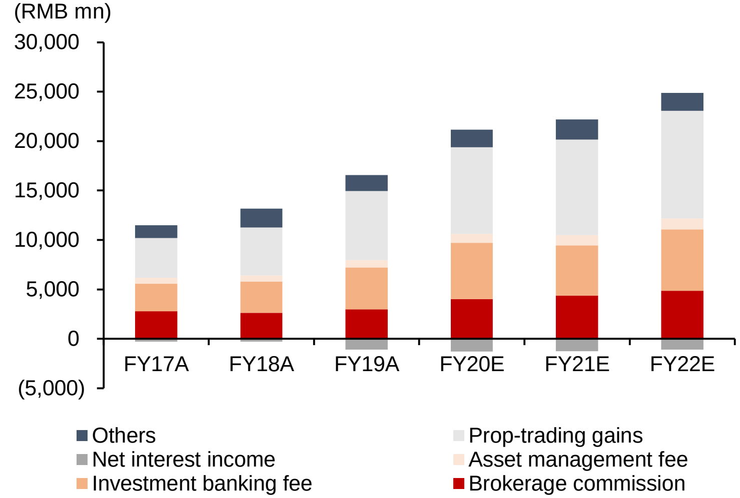
China Brokerage Sector – Optimism & reform suggest more earnings upsides

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	15,484	19,881	20,944	23,765
Net income (RMB mn)	4,239	5,461	5,895	6,830
EPS (RMB)	0.99	1.24	1.34	1.55
YoY growth (%)	19	25	8	16
Consensus EPS (RMB)	N/A	1.29	1.48	1.74
P/E (x)	16.8	13.4	12.4	10.7
P/B (x)	1.53	1.38	1.26	1.12
Yield (%)	0.0	1.1	1.2	1.4
ROE (%)	9.5	10.8	10.6	11.1
Adj. financial leverage (%)	6.0	6.2	6.2	6.0

Source: Company data, Bloomberg, CMBIS estimates

Fig: CICC's revenue trend



Source: Company data, CMBIS estimates

Zoomlion Heavy Industry (1157 HK): Margin risk priced in; Eye on new product development

Rating: BUY | **TP:** HK$10.5 (45% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Zoomlion is the major beneficiary of the strong infrastructure spending growth and property sales recovery. We expect a solid upcycle of concrete machinery, driven by strong replacement cycle. 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.** Zoomlion's 3Q20 profit was solid (+85% YoY) and management's post-results comments on demand (+10% QoQ in 4Q20E) and margin (to improve sequentially) suggest that the business outlook remains favourable. We believe the recent share price pullback on concerns over margin was overdone and we see this as good buying opportunity.

- **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; (3) more local government policies to crackdown the illegal mixer trucks

- **Valuation:** Stock is attractively trading at <8x 2020E P/E, on the back of 50%/9%/14% estimated earnings growth in 2020E/21E/22E. Our TP of HK$10.5 is based on 12x 2020E P/E. What's more, we see re-rating potential on Zoomlion's AWP business.

Link to latest report:

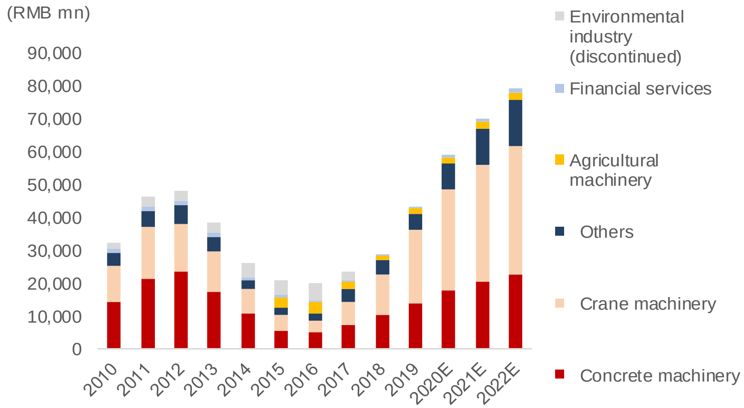
Zoomlion (1157 HK, BUY) – Margin risk priced in; Good buying opportunity

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)	-	0.82	0.92	1.02
EV/EBITDA (x)	9.3	7.0	5.8	5.2
PE (x)	11.0	7.5	6.9	5.9
P/B (x)	1.3	1.1	1.0	0.9
Yield (%)	0.0	5.7	5.8	6.8
ROE (%)	11.4	16.3	16.8	16.1
Net gearing (%)	31.3	20.8	4.7	3.6

Source: Company data, Bloomberg, CMBIS estimates

Zoomlion's revenue breakdown



Source: Company data, CMBIS estimates

Jiangsu Hengli (601100 CH): Planned production volume in Nov suggests robust downstream demand

Rating: BUY | **TP:** RMB87.0 (9% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Hengli is a major hydraulic cylinder supplier to the leading construction machinery manufacturers (including Caterpillar, Hitachi, Kubota, SANY, XCMG etc), with >50% market share in China hydraulic cylinder market (for excavator). Leveraging the proven track record, established client network and strong R&D capability, Hengli is rapidly expanding in the pump and valves business. The huge room of import substitution in the hydraulic component industry will continue to provide Hengli with a clear structural growth path. We believe Hengli to emerge as one of the very few China based global tier-one players.

- **Our View:** According to our latest check, Hengli has scheduled production of 65.5k units of hydraulic cylinder (for excavator) in Nov. This implies 4% growth MoM and a significant growth YoY. Besides, Hengli's scheduled monthly production volume of motor increased 20% MoM, driven by the strong demand for both excavator and aerial working platform (AWP). We believe Hengli's growth story is well on-track.

- **Why do we differ vs consensus:** We are bullish on the upcycle of excavator and are confident of Hengli's capability to achieve further market share in new products.

- **Catalysts:** (1) Strong monthly excavator sales data; (2) Recovery of overseas sales.

- **Valuation:** Our TP of RMB87 is based on 45x 2021E P/E. We believe the fast-growing hydraulic pump and valve business will lend strong support to the premium valuation.

Link to latest report:

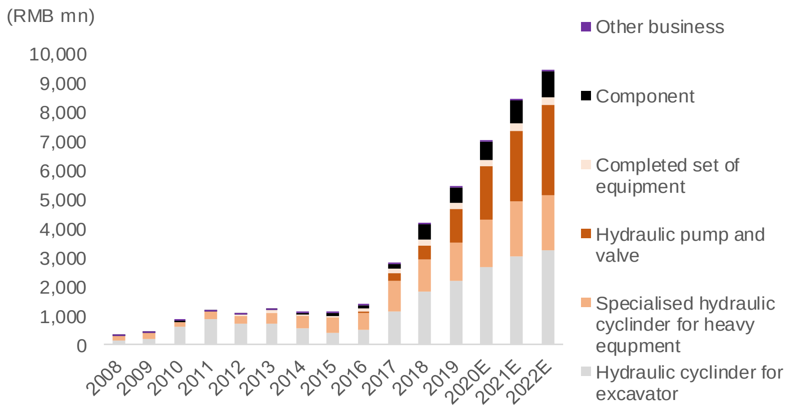
Jiangsu Hengli (601100 BUY) – Expect a strong 3Q; Robust demand in Oct; Raised estimate & TP

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	5,414	7,021	8,439	9,420
YoY growth (%)	28.6	29.7	20.2	11.6
Net income (RMB mn)	1,296	2,027	2,524	2,897
EPS (RMB)	0.99	1.55	1.93	2.22
YoY growth (%)	54.9	56.4	24.5	14.8
Consensus EPS (RMB)	-	1.43	1.76	2.03
EV/EBITDA (x)	61.8	41.6	34.2	30.7
P/E (x)	80.6	51.5	41.4	36.1
P/B (x)	18.7	14.7	11.9	9.8
Yield (%)	0.5	0.8	1.0	1.1
ROE (%)	25.6	32.0	31.8	29.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Jiangsu Hengli's revenue breakdown



Source: Company data, CMBIS estimates

Anta (2020 HK): A stellar golden week after an in-line 3Q

Rating: BUY **| TP:** HK$101.84 (5% upside)

Analyst: Walter Woo

- **Investment Thesis:** The COVID-19 outbreak is actually a stress test for the industry and could speed up consolidation in the long run. Despite the short term drags (esp. on Amer), the Anta Group is well-position to outperform, thanks to its superior execution. Anta is the owner of various top tier sports brands, such as Anta, FILA, Solomon and Arc'teryx (through Amer Sports), etc. Growth drivers includes: 1) sales per store growth via area and item per tickets growth, 2) more online and direct retail sales, 3) news brands (mainly those under Amer) penetrating into China.

- **Our View:** Both Anta and FILA's 10-1 golden week were remarkably better than expected, where colder weather and more active marketing campaign are sustainable into 4Q20E, in our view. Noted that sales period before 2021 CNY is much longer vs 2020, which is a decent positive onwards. Also, negatives brought by 2rd wave in EU and US on Amer should be less vs 1st wave and Amer's management should be well prepared with plan B.

- **Why do we differ vs consensus:** For FY20E/ 21E/ 22E, our sales forecasts are 1% higher/ 3%/ 6% lower than consensus and our net profit forecasts are 2% higher/ 1%/ 1% below street as we are more confident on 4Q20E momentum but more conservative on its sales recovery onwards but with a slightly better GP margin.

- **Catalysts:** 1) positive sportswear sector data points, 2) improving consumer demand due to wealth effect and 3) sector-wise re-rating.

- **Valuation:** We derived our 12m TP of HK$101.84 based on 32x FY21E P/E. We believe recovery (both China and overseas) could be better than expected and also the improved sentiment can drive further re-rating. The stock is trading at 29x FY21E.

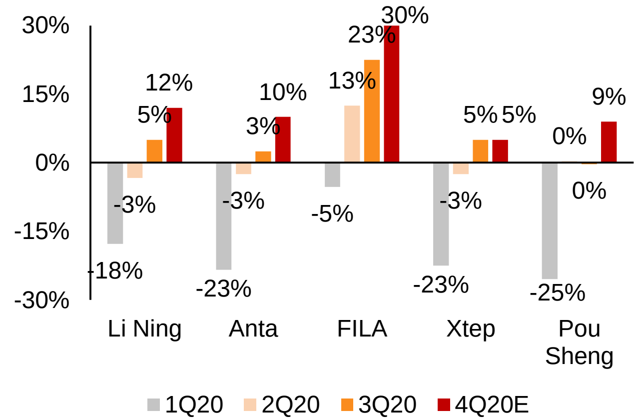
Link to latest report: Anta (2020 HK) – A stellar golden week after an in-line 3Q

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (RMB mn)	33,928	36,030	44,331	51,789
YoY change (%)	40.8	6.2	23.0	16.8
Net profit (RMB mn)	5,344	5,359	7,809	9,793
EPS - Fully diluted (RMB)	1.917	1.922	2.801	3.512
YoY change (%)	25.7	0.3	45.7	25.4
Consensus EPS (RMB)	n/a	1.940	2.908	3.661
P/E (x)	42.3	42.2	28.9	23.1
P/B (x)	10.9	9.2	7.6	6.6
Yield (%)	0.7	0.6	2.2	2.8
ROE (%)	29.8	24.4	29.7	31.7
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Retail sales growth (CMBI est.) by brands



Source: Company data, CMBIS estimates

Midea (000333 CH): A rosy outlook for both domestic and export

Rating: BUY | **TP:** HK$95.24 (11% upside)

Analyst: Walter Woo

- **Investment Thesis:** Home appliances sales are picked up strongly and shall accelerate after pandemic in both China and overseas, Midea, as one of the leaders in both large and small appliances is well positioned to take market shares. Midea is not only the largest home appliance in China but one of the largest in the world, in terms of revenue. It also owns the MIDEA, LITTLE SWAN, TOSHIBA, KUKA brands, etc. and has over 15 overseas manufacturing bases, over 33,000 employees and covering businesses in more than 200 countries and regions. Growth drivers includes: 1) market shares gains through more competitive and innovative products, 2) more self-owned brand, direct retail and overseas sales, 3) product category expansion within the appliances sector.

- **Our View:** We become more optimistic on its 4Q20E and FY21E result, thanks to: 1) low base (minimal sales in Jan-Mar 2021), 2) robust overseas sales (esp. Fridges) and 3) highly competitive and innovative products (esp. Air conditioners). Also, its strategy to sell more premium products, be closer and react faster to the consumer, plus its earlier than peers channel reforms are all edges for them to outperform.

- **Why do we differ vs consensus:** For FY20E/ 21E/ 22E, our sales forecasts are 1% higher/ 1% higher / 1% lower than consensus and our net profit forecasts are 6%/ 5%/ 4% above street as we are more positive on its costs control and better OP margin from better brand and product mix.

- **Catalysts:** 1) above expectation double-11 sales, 2) better than expected exports, 3) favorable FX and 4) sector-wise recovery and re-rating.

- **Valuation:** We derived our 12m TP of HK$3.26 based on 22x FY21E P/E. We believe continual sector improvement and Midea's outperformance will drive further re-rating. The stock is trading at 20x FY21E.

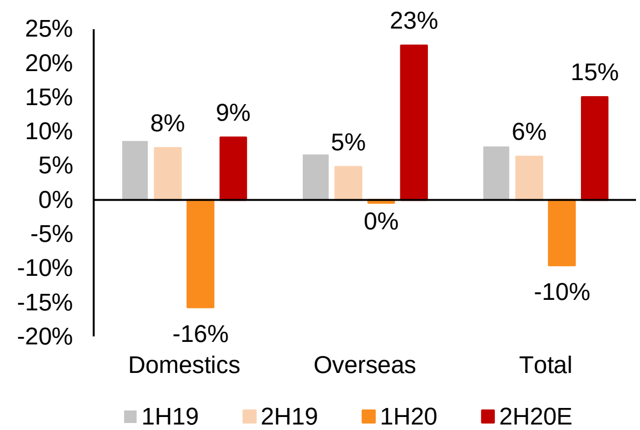
Link to latest report: Midea (000333 CH) – A rosy outlook for both domestic and export

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (RMB mn)	278,216	282,217	313,652	337,555
YoY change (%)	7.1	1.4	11.1	7.6
Net profit (RMB mn)	24,211	25,615	29,875	33,767
EPS - Fully diluted (RMB)	3.58	3.75	4.33	4.84
YoY change (%)	17.2	4.9	15.5	11.9
Consensus EPS (RMB)	n/a	3.54	4.14	4.68
P/E (x)	24.0	22.8	19.8	17.7
P/B (x)	5.5	4.9	4.3	3.8
Yield (%)	2.0	2.0	2.3	2.6
ROE (%)	26.2	23.5	23.8	23.3
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Domestic and export sales growth



Source: Company data, CMBIS estimates

Mengniu (2319 HK): 2H20E guidance reaffirmed

Rating: BUY | **TP:** HK$42.00 (3% upside)

Analyst: Albert Yip

- **Investment Thesis:** Mgmt. maintained its 2H20E guidance of not less than low-teens revenue and 0.3-0.5ppt OPM expansion. OPM expansion would be led by better GPM and controlling selling expenses ratio. We think 3Q20-to-date revenue growth was on track. Maintain Buy because growth momentum resumed to pre-epidemic period.

- **Strong recovery seen in 2Q20.** In 1Q20, organic revenue growth was flat and MN recorded net loss of RMB127mn because of donation, extra expenses for marketing and epidemic-related. The business strongly recovered in 2Q20 with 19% organic revenue growth (channel restocking and more milk consumption to improve immunity) and 86% surge of NP on operating leverage.

- **Focus on high-end products to improve margins.** (1) **Milk Deluxe**: It launched an upgraded version of 3.8g protein in May. High-margin “DreamCap” sales mix increased to 25% from high-teens in FY19. (2) **Chilled fresh milk:** Sales up 98% in 1H20 though Wuhan market was hit by COVID-19. High-margin “Shiny Meadow” sales mix rose 10ppt to 35%. (3) **IMF:** Yashili optimized its product portfolio in 1Q20 and focused on Reeborne new products. Bellamy’s launched super high-end organic cow and goat milk IMF in Australia in 2Q20 and launched Chinese version organic IMF this month.

- **Valuation:** Our TP of HK$42.00 is based on 28.0x FY21E P/E, which is the high-end of 18-30x 1-yr forward P/E range since Mengniu resumed double-digit revenue growth in FY16. **Catalyst:** better-than-expected revenue and margins.

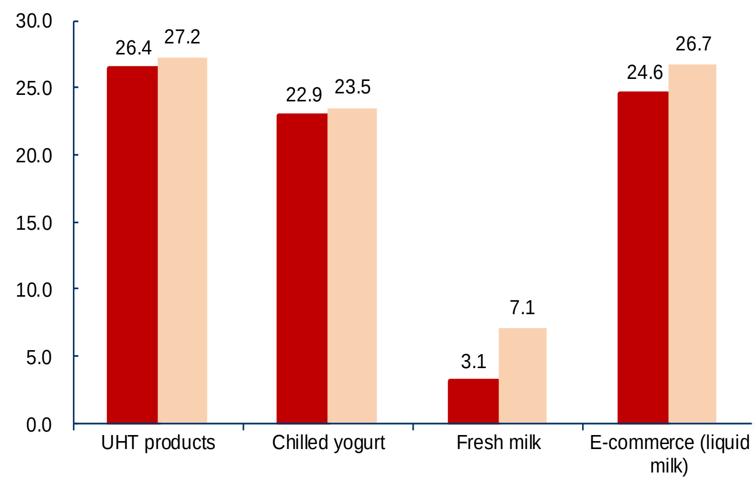
- **Link to latest report:** 2H20E guidance reaffirmed

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	79,030	76,734	86,875	97,263
YoY growth (%)	15	(3)	13	12
Net profit (RMB mn)	4,105	3,232	5,300	6,402
Adj. net profit (RMB mn)	3,867	3,232	5,300	6,402
Adj. EPS (RMB)	0.988	0.821	1.346	1.626
YoY growth (%)	31	(17)	64	21
Consensus EPS (RMB)	na	0.878	1.298	1.541
Adj. P/E (x)	34.9	42.0	25.6	21.2
P/B (x)	4.7	4.3	3.7	3.3
Yield (%)	0.5	0.5	0.9	1.1
ROE (%)	14.2	10.6	15.6	16.5

Source: Company, Bloomberg, CMBIS

Fig: Increasing market shares in FY19



Source: Company, Nielsen

Hope Education (1765 HK): Above sector growth and attractive valuation

Rating: BUY **| TP:** HK$3.05 (53% upside)

Analyst: Albert Yip

- **Investment Thesis:** Hope Education has strong organic and M&A growth drivers. For organic, its 30% admission quota growth in 2020-21 school year ranked second among peers. For M&A, it had solid track record in improving performance of acquired colleges. Conversion of four independent colleges could save around RMB170mn management fees in FY21E, representing 18% of FY21E NP. Current 0.63x PEG is undemanding compared to China Education's 0.9x and Yuhua's 0.76x.

- **Asset light approach to accelerate growth.** The Company will spend RMB1.29bn to own 29.76% equity interest of Dingli. It is a leading player in higher education curricula research and output of college management. Since the establishment of first Dingli College in 2015, it has cooperated with 37 universities and vocational colleges to operate 19 Dingli Colleges and 18 majors cooperation projects. The Company plans to group both parties' strong majors to output college management and lift number of Dingli Colleges to 100 in 3 years.

- **2020-21 total student enrollment beat.** Total student enrollment jumped 39% to 194,554, 8% above our estimates. Domestic new student enrolment rose 36%, stronger than 30% growth rate of admission quota. This proved the Company's strength in nationwide student enrollment capability. On the other hand, enrollment of Inti fell 13% to 14,478. We believe enrollment could improve next year after the Company took over.

- **Valuation:** Our TP of HK$3.05 is based on 31.1x FY20E P/E. We forecast the Company to post 31.1% EPS CAGR in FY20-22E, which is stronger than peers' average of 25%. **Catalysts:** (1) M&A; (2) conversion of independent colleges.

Link to latest report: Acquisition to develop asset light model

Financials and Valuations

(YE 31 Aug)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,331	1,607	2,253	2,885
YoY growth (%)	29	na	40	28
Net profit (RMB mn)	490	528	770	1,003
Adj. NP (RMB mn)	474	585	846	1,079
Adj. EPS (RMB)	0.071	0.087	0.117	0.149
YoY growth (%)	26	na	35	28
Consensus EPS (RMB)	na	0.09	0.124	0.143
Adj. P/E (x)	23.8	19.9	14.8	11.5
Yield (%)	1.3	1.4	2.0	2.6
Net cash (RMB mn)	255	2,332	2,133	2,568

Source: Company, Bloomberg, CMBIS

Fig: Peers' valuation table

		Mkt Cap		Year	P/E (x)			PEG (x)
	Ticker	(US$ m)	Price	end	FY1	FY2	FY3	FY1
Higher Education services providers								
China Education	839 HK	3,799	13.70	Aug-19	26.4	20.0	16.2	0.96
Yuhua Education	6169 HK	2,717	6.31	Aug-19	19.8	14.4	12.5	0.76
Hope Education	1765 HK	1,782	1.91	Aug-19	19.4	14.4	11.3	0.63
Kepei Education	1890 HK	1,424	5.48	Dec-19	15.4	12.5	10.6	0.75
New Higher Education	2001 HK	877	4.29	Dec-19	10.6	8.7	7.3	0.52
Cahtay Media	1981 HK	899	4.20	Dec-19	21.2	14.3	11.0	0.54
Edvantage	382 HK	703	5.35	Aug-19	15.7	12.2	9.8	0.59
Minsheng Education	1569 HK	577	1.06	Dec-19	10.2	7.3	6.4	0.39
Xinhua Education	2779 HK	504	2.43	Dec-19	10.3	9.2	8.4	0.98
Neusoft Education	9616 HK	507	5.90	Dec-19	16.4	13.1	10.7	0.69
Huali University	1756 HK	416	2.69	Aug-19	9.1	7.2	5.8	0.36
Average					**15.9**	**12.1**	**10.0**	**0.65**

Source: Bloomberg estimates, Company, CMBIS

Jinxin Fertility (1951 HK): To become a global leading ARS provider

Rating: BUY **| TP:** HK$13.8 (43% upside)

Analyst: Jill Wu/ Sam Hu

- **Investment Thesis:** Jinxin Fertility is a leading player in assisted reproductive services (ARS) industry in China and the US with promising growth outlook thanks to strong organic growth momentum and abundant acquisition opportunities. In 2018, Jinxin ranked the first among non-state-owned assisted reproductive technology (ART) medical institutions in China and ranked the first in the western US ARS market.

- **Our View:** We expect Jinxin to deliver 23.2% CAGR in revenue FY19-22E, mainly thanks to solid organic growth and good integration of acquisition. By 30 Jun 2020, Jinxin had RMB3.2bn cash on hand which provides sufficient capital for future acquisitions**.** Jinxin announced the acquisition of an ARS provider in Laos and Wuhan Huangpu Hospital (武汉黄浦中西医结合妇产医院, Wuhan Hospital) in March and July, respectively. Through acquisitions, Jinxin has expanded its footprint from Chengdu city to Shenzhen city, the US, Laos and Wuhan. The Company will continue to expand its geographic network through acquisitions, in our view.

- **Why do we differ vs consensus:** Our FY20/21E revenue are -11%/-1% different from consensus, and NP are -32%/-14% different from consensus, as we are conservative on IVF cycle growth forecasts in 2020E compared to market in view of the impact from COVID-19 on US business operation, while remain positive on the Company's long-term growth prospects driven by both strong organic growth and acquisition opportunities.

- **Catalysts:** Catalyst includes earlier than expected end of COVID-19 outbreak and acquisitions of more quality assets and hospitals.

- **Valuation:** We derived our 12m TP of HK$13.8 based on 87x FY20E P/E. We believe this is justified as Jinxin Fertility's leading position in ART market and high visibility growth in next 3-5 years.

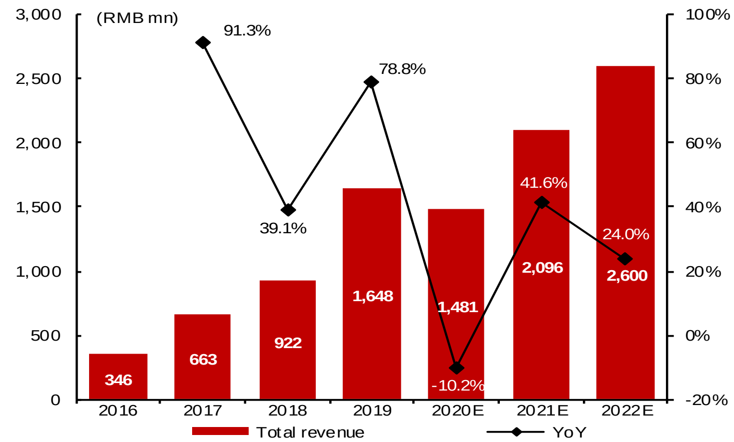
Link to latest report: Jinxin Fertility (1951 HK) – Long-term growth outlook intact

Financials and Valuations

(YE 31 Dec)	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,481	2,096	2,600
YoY growth (%)	-10	42	24
Net profit (RMB mn)	345	554	714
EPS (RMB)	0.14	0.23	0.29
YoY growth (%)	-24	61	29
Consensus EPS (RMB)	0.20	0.27	0.32
P/E (x)	64.8	40.4	31.3
P/B (x)	2.9	2.7	2.5
Yield (%)	0.31	0.50	0.64
ROE (%)	4.5	6.8	8.2
Net gearing (%)	Net cash	Net cash	Net cash

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 (62% 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 0.68x FY20E P/EV. The Company's H-share is trading at 0.43x/0.4x FY20/21E P/EV, or ~67% 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)	1.11	1.02	0.91	0.82
P/EV (x)	0.47	0.43	0.40	0.36
Yield (%)	4.6	4.1	4.8	5.3
ROEV (%)	19.1	11.4	11.2	11.2

Source: Company data, Bloomberg, CMBIS estimates

Meituan (3690 HK): Short-term pain, long-term intact

Rating: BUY **| TP:** HK$290*

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 3Q20E outlook and secular growth. We believe MD is well-positioned to capture long-term opportunities from rising online consumption, new initiatives benefits, cross-selling effect and industrial consolidation.

- **Our View:** We are bullish on MD's strong topline growth and margin improvement, backed by its sizable users, one-stop lifestyle services, unique UGC and powerful logistic network. MD delivered eye-catching 2Q20 with record-high margin. In 2H20E, we expect food delivery to continuously gain share, with rising but strategic subsidies. In-store, hotel & travel rev would achieve positive growth in 3Q20E (+3% YoY). MD would step up its investment in new initiatives to seize structural opportunities.

- **Why do we differ vs consensus:** Market concern lies on COVID-19 impact and competition landscape. We believe near-term delivery, in-store, hotel business have been priced in recent weak stock price, and we are more positive on its advantage in merchants connection and supply chain, and to continuously gain share in local life.

- **Catalysts:** 1) food delivery, in-store, hotel gradual recovery after work resumption; 2) new initiatives to benefit from COVID-19; and 3) cross-selling effect to unlock revenue.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$290, implying 9.2x/7.2x FY21/22E P/S. With 27% 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:** Eye-catching 2Q20 with record-high margin

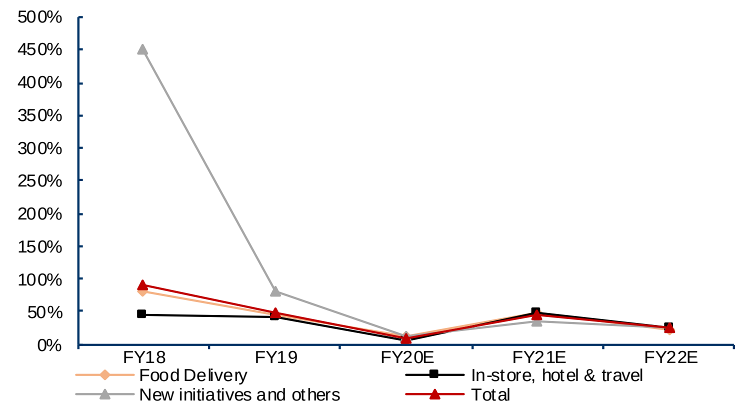
Note: TP under review

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	97,529	111,242	164,121	211,936
YoY growth (%)	50	14	48	29
Net income (RMB mn)	4,657	5,213	16,720	25,747
EPS (RMB)	0.79	0.87	2.71	4.05
YoY growth (%)	NA	10	212	50
Consensus EPS (RMB)	NA	0.47	2.64	4.35
P/E (x)	345	314	101	67
P/S (x)	16.3	14.3	9.7	7.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	3.7	1.1	10.9	16.5
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

China Aoyuan (3883 HK): Ambitious goal of RMB200.0bn in 2022

Rating: BUY **| TP:** HK$15.48 (88% upside)

Analyst: Samson Man/Bowen Li

- **Investment Thesis:** As of Jun 2020, Aoyuan invested 317 property projects in 90 mainland and overseas cities with total GFA of 48.74mn sq m (attributable ratio of 78%) and total saleable resources amounted to RMB501.5bn. In addition, the Company participates in over 50 urban redevelopment projects (URP) with estimated saleable GFA of 17.59mn sq m, of which 95% are located in GBA. In 10M20, contracted sales amount and GFA increased by 11% to RMB98.51bn and 8% to 9.49mn sq m, respectively.

- **Our View:** Aoyuan is one of our top picks in Property sector for its undemanding valuation, competitive land bank, and national coverage with GBA focused layout. Success in conversing URP will raise its competitive advantage. In Sep, the Company and Henderson Land (12 HK) won the bid of the Guangzhou Panyu Nitrogenous Fertilizer Plant redevelopment project, which has saleable GFA of 0.3mn sq m. In addition, it became the implementation developer of Dongguan Shimei Tea Town redevelopment project which has saleable GFA of 0.15mn sq m in Sep.

- **How do we differ:** The market sentiment is adversely affected by the allegation that the Company bears large hidden debt disguised by fake equity, and profit is inflated accordingly. Funding channel of Aoyuan is no difference with other peers. Instead of looking at the liabilities, we focus on the assets (land bank) and sales performance. Furthermore, its Chairman Guo Ziwen acquired 1mn shares at HK$7.56 per share to increase its stake to 55.0% in early Nov. This would enhance market confidence.

- **Valuation:** We derive our FY20-end NAV forecast at HK$30.95 per share. Given 50% discount, we raise our TP is HK$15.48.

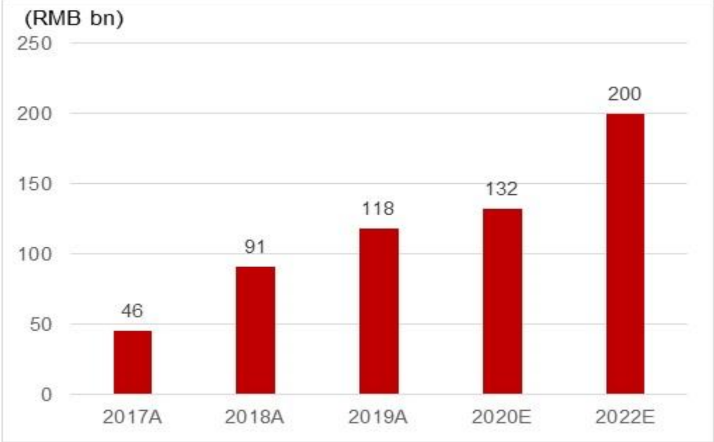
Link to latest report: China Aoyuan (3883 HK) – One of our top picks

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	50,531	82,856	96,702	117,850
YoY growth (%)	63.0	64.0	16.7	21.9
Net income (RMB mn)	4,201	6,577	7,399	8,720
EPS (RMB)	1.56	2.44	2.75	3.24
YoY growth (%)	74.0	56.2	12.5	17.9
Consensus EPS (RMB)	N.A.	2.38	3.04	3.62
P/E (x)	4.6	3.0	2.6	2.2
P/B (x)	1.3	1.0	0.8	0.7
Yield (%)	7.6	13.6	15.3	18.0
ROE (%)	27.9	34.7	31.6	30.4
Net gearing (%)	74.9	64.4	70.2	65.5

Source: Company data, Bloomberg, CMBIS estimates

Fig: Aoyuan contracted sales



Source: Company data, CMBIS estimates

A-Living (3319 HK): Strong fundamentals to provide stability

Rating: BUY | **TP:** HK$60.7 (69% upside)

Analyst: Bowen Li/Samson Man

- **Investment Thesis:** Recent turbulence in the property management sector has revealed value in certain names. We believe the share price correction was caused mainly by intra-sector capital flow to new listings, and companies with strong fundamentals will shine through once things start to stabilize. In particular, with new names further crowding the sector's middle-tier, we favor large-caps such as A-Living to avoid key sector battlegrounds (e.g. M&A) and stand out from the rest.

- **Our View:** Recent share price correction on top of A-Living's already undemanding valuation has enhanced its identity as a strong value pick. Third-party contracts is set to drive GFA expansion post-CMIG M&A, as evidenced by strong 3Q20 contract gains. Non-residential property projects remains a highlight. New business in city services, while the actual capacity is still uncertain, is veritably a blue ocean with strong entry barriers, and has the potential to become an alternative growth engine.

- **How do we differ:** A-Living's valuation discount relative to other large-caps reflect that the market is still seeing it as somewhat M&A-oriented. In our opinion, with solid third-party GFA delivery and promising new business in city services, the Company is well positioned to succeed in its new organic growth phase. In the near term, the CMIG consolidation may trigger a bottom line beat, creating a strong case for re-rating.

- **Valuation:** We derived our 12m TP of HK$60.7 based on 34.7x FY21E P/E, average of sector Top 3's P/E. With its scale continue to grow faster than peers, we expect a further re-rating in the future.

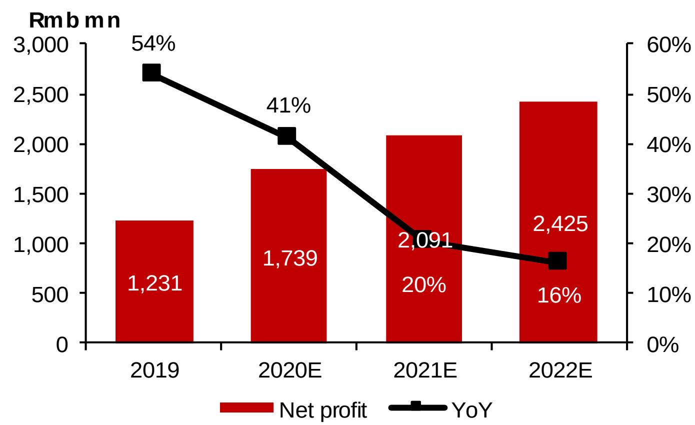
Link to latest report: A-Living (3319 HK) – Entering the next phase

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	5,127	11,086	13,707	16,084
YoY growth (%)	51.8	116.2	23.7	17.3
Net income (RMB mn)	1,231	1,739	2,091	2,425
EPS (RMB)	0.92	1.30	1.57	1.82
YoY growth (%)	48.9	41.3	20.2	16.0
Consensus EPS (RMB)	NA	1.30	1.74	2.24
P/E (x)	34.1	24.2	20.1	17.3
P/B (x)	9.5	9.8	8.2	6.8
Yield (%)	1.4	2.1	2.5	2.9
ROE (%)	19.9	24.6	25.8	26.0
Net gearing (%)	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: A-Living profit trend



Source: Company data, CMBIS estimates

Xinyi Solar (968 HK): Price hike once again in Nov

Rating: BUY **| TP:** HK$15.50 (15% upside)

Analyst: Robin Xiao

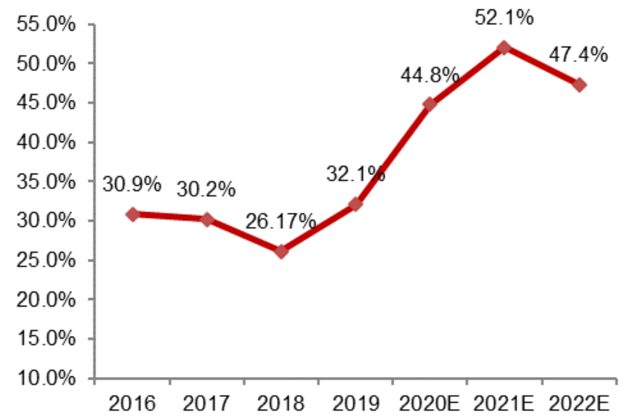
- **Investment Thesis:** XYS' share price was a bit fluctuate in Oct and during US election period. Solar glass' fundamental is continue to be strong with PV glass price hike once again for 20-25% from Nov. We expect short supply to sustain in 1H21, and that will support XYS' earnings growth.
- **PV glass surged 20-25% from Nov.** 3.2/2.5/2.0mm PV glass product price was lifted by 20%/23%/25% to RMB42/38/24 per sqm from Nov 1. Strong price hike was mainly driven by tighten supply, and downstream SOE solar farm investors tend to put assets scale as priority over profitability. We think the strong PV glass pricing reflects stronger-than-expected module demand from 4Q20 – 1H21.
- **Unexpected high GPM.** We estimate GPM of leading PV glass players can reach up to 65%, while second tier players also to reach 50% GPM. Unprecedentedly high profitability is driven by 1) rapid increasing penetration rate for bifacial modules and 2) China to have installation rush to meet subsidy cut deadline by end-2020. We think price hike will likely to cease at current level, as downstream module producers are discussing about reducing production.
- **Catalysts:** 1) US to confirm Joe Biden win the election; 2) China to release 14^{th} FYP details for solar development.
- **TP at HK$15.50.** XYS is currently trading at 18.5x FY21E PER based on our previous earnings projection. We have not yet fully factored in the impacts from the price hike in Nov, and we expect FY21E earnings to have upside revision potential. We think the share price correction during US election create a good opportunity for accumulate XYS.
- **Link to latest report:** Xinyi Solar (968 HK) – Another price hike to boost FY20/21E earnings

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (HKD mn)	9,096	11,461	15,410	19,349
YoY growth(%)	18.6	26.0	34.5	25.6
Net Income (HKD mn)	2,416	3,851	6,058	6,848
EPS (HKD)	0.30	0.47	0.71	0.80
EPS CHG (%)	22	56	50	13
Consensus EPS (HKD)	N/A	0.41	0.54	0.63
PE (x)	43.6	27.9	18.5	16.4
PB (x)	7.5	5.9	4.9	4.2
Yield (%)	1.1	1.7	2.6	2.9
ROE (%)	17.3	21.1	26.6	25.8
Net gearing	40.3	19.1	7.8	1.2

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect XYS' GPM to have significant expand



Source: Company data, CMBIS estimates

China Longyuan (916 HK): Await for policy support

Rating: BUY **| TP:** HK$7.38 (33% upside)

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.** With no acceleration in subsidy collection, we estimate base value of CLY would be HK$6.00. On top of that, we think each RMB10bn subsidy collection will release another HK$1.38 to CLY's valuation. Our TP for CLY is HK$7.38, implying subsidy collection of RMB10bn.

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

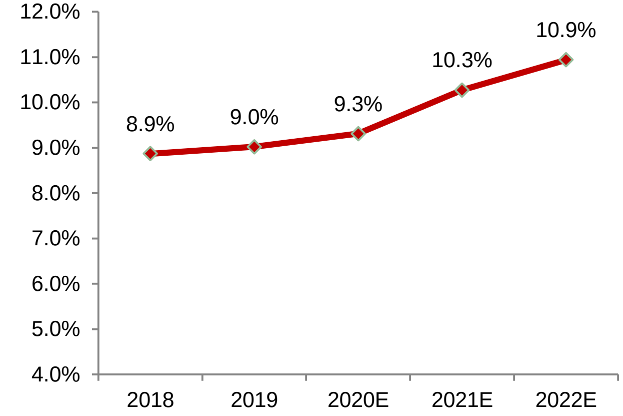
Link to latest report: China Longyuan (916 HK) – 9M20 results on track; seeing silver lining for accelerating subsidy collection

Financials and Valuations

(YE Dec 31)	FY19A	FY20E	FY21E	FY22E
Revenue (HK$ mn)	27,541	28,526	31,424	34,239
YoY growth（%）	4.4	3.6	10.2	9.0
Net Income (HK$.mn)	4,325	4,832	5,831	6,831
EPS (HK$)	0.54	0.60	0.73	0.85
EPS CHG (%)	10.22	11.7	20.7	17.1
Consensus EPS(HK$)	N/A	0.58	0.65	0.72
PE (x)	8.50	7.61	6.30	5.4
PB (x)	0.77	0.71	0.65	0.59
Yield (%)	2.4	2.6	3.2	3.7
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

Luxshare (002475 CH): Expanding into iPhone assembly boost LT synergy

Rating: BUY | **TP:** RMB74.2 (27% upside)

Analyst: Alex Ng

- **Investment Thesis:** Luxshare is the major beneficiary of Apple's 5G product cycle and wireless strategy (Watch/AirPod). It is also well-placed to capture growth opportunities in 5G era backed by its solid product roadmap, including massive MIMO and compact filter-antenna and optical solutions in datacenter/telecom. We believe recent investment into Wistron will boost Luxshare's LT synergy with Apple ecosystem.

- **Our View:** Luxshare is our top pick for A-share tech sector, due to strong execution, high earnings visibility and beneficiary of 5G cycle. We see multiple growth drivers: 1) strong Airpods momentum, 2) SiP packaging in next-gen Airpods, 3) wireless charging adoption, 4) share gain in acoustics/haptic, 5) share/content gain in LCP/MPI antenna and 6) solid multi-year growth in communication/automobile segments.

- **Why do we differ vs consensus:** Our FY20/21E NP are 8%/1% above consensus, as we are more positive on AirPods demand in 2H20E given iPhone's gradual removal of built-in earphones and its capacity ramp in Vietnam plants.

- **Catalysts:** Despite iPhone launch delay in 2H20E, we expect Luxshare to outperform its peers, given AirPods upside and 5G iPhone cycle. Near-term catalysts include stronger AirPods shipment and launch of iPhone in Oct.

- **Valuation:** We derived our 12m TP of RMB74.2 based on 42x FY21E P/E. We believe this is justified as Luxshare continues to deliver strong earnings growth, market share gain and product expansion to capture 5G and wireless opportunities in next 3-5 years.

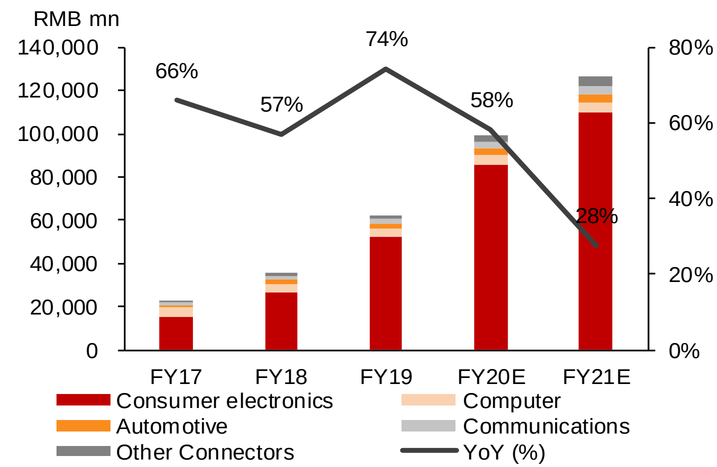
Link to latest report: Luxshare (002475 CH) – Expanding into iPhone assembly; Raise TP to RMB 74.2

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	62,516	98,936	126,353	146,236
YoY growth (%)	74.4	58.3	27.7	15.7
Net income (RMB mn)	4,714	7,139	9,446	11,724
EPS (RMB)	0.88	1.33	1.77	2.19
YoY growth (%)	72.9	51.7	32.3	24.1
Consensus EPS (RMB)	NA	1.07	1.49	1.88
P/E (x)	66.5	43.8	33.1	26.7
P/B (x)	14.4	11.1	8.5	6.6
Yield (%)	0.2	0.3	0.4	0.5
ROE (%)	21.7	25.3	25.7	24.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Luxshare Revenue trend



Source: Company data, CMBIS estimates

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

Rating: BUY **| TP:** HK$49.5 (32% upside)

Analyst: Alex Ng

- **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:** BYDE is our top pick for H-share tech sector, as we are positive on its industry leadership, spec upgrade, share gain from major handset brands and new mask 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.

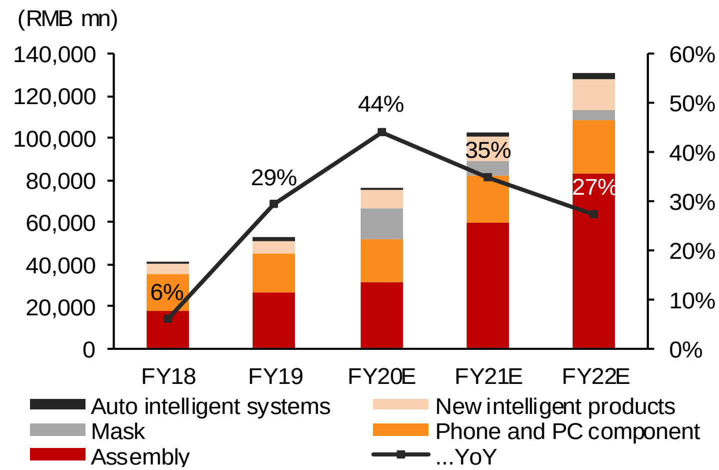
Link to latest report: BYDE (285 HK) – Partnership with Xiaomi to fuel new wave of growth

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)	47.4	13.8	12.3	11.4
P/B (x)	5.5	4.3	3.4	2.8
Yield (%)	0.2	0.7	0.8	0.9
ROE (%)	9.4	25.0	22	20
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

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