CMB International Global Markets | Equity Research | Company Update

Minth Group (425 HK)

In-line 1H24 with better earnings visibility ahead

Maintain BUY. Minth's 1H24 net profit was in line with our forecast, coupled with strong free cash flow to cut its net debt level. The company plans to buy back shares and resume dividend distribution for FY24. That could make its dividend yield attractive given its current low valuation. Moreover, Minth's earnings visibility becomes even better with its capex cuts and new business expansion, in our view.

- 1H24 earnings in line with improving operational efficiency. Minth's 1H24 revenue was 1% lower than our prior forecast while its gross margin of 28.5% beat our estimates by 1.2ppts. The beat at the gross profit level was offset by higher selling expenses than expected. That resulted in a net profit of RMB1.1bn in 1H24, or 0.2% lower than our prior forecast. Moreover, Minth's net debt level fell RMB0.9mn HoH to RMB3.3bn as of Jun 2024, reflecting its strong operating cash flow and self-disciplined capex.
- Dividends, capex and new businesses as key topics. Management is optimistic about achieving 20% YoY growth in net profit in 2H24, which probably gives management confidence in resuming dividend distribution for FY24 even with a share buyback plan. Should the company maintain its previous 40% payout ratio, the current dividend yield would be 7.8%. The company cut its FY24 capex guidance from RMB2.5-3.5bn to below RMB2.5bn, as it has been better utilizing its existing production lines, which gives us more confident about its earnings growth in the medium term, especially for the battery housing business. The company has also been accelerating new businesses by leveraging current resources, such as sub-frame, door sealing system and integrated intelligent exteriors. All these factors look positive to us.
- Earnings/Valuation. We revise up our FY24E net profit estimates by 3% to RMB2.3bn, as we raise gross margin assumption by 0.8ppts following its 1H24 beat. We also raise our FY25-26E net profit estimates by 4% and 3%, respectively, largely due to better margin outlook. We maintain our BUY rating and target price of HK\$21.00, which is still based on 10x our revised FY24E EPS. Key risks to our rating and target price include lower revenue/margins, higher risks in overseas operation than we expect, as well as a sector derating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	17,306	20,524	24,391	27,964	31,635
YoY growth (%)	24.3	18.6	18.8	14.6	13.1
Net profit (RMB mn)	1,500.6	1,903.2	2,324.7	2,662.1	2,982.2
YoY growth (%)	0.3	26.8	22.1	14.5	12.0
EPS (Reported) (RMB)	1.30	1.65	2.02	2.31	2.58
P/E (x)	8.0	6.3	5.2	4.5	4.0
P/B (x)	0.7	0.7	0.6	0.5	0.5
Yield (%)	5.1	0.0	7.8	8.9	9.9
ROE (%)	9.1	10.8	11.9	12.3	12.6
Net gearing (%)	17.3	17.6	10.9	8.3	5.4

Source: Company data, Bloomberg, CMBIGM estimates



BUY (Maintain)

Target Price	HK\$21.00
Up/Downside	84.5%
Current Price	HK\$11.38
China Auto	

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Stock Data

Mkt Cap (HK\$ mn)	13,223.5
Avg 3 mths t/o (HK\$ mn)	42.8
52w High/Low (HK\$)	23.25/9.98
Total Issued Shares (mn)	1162.0
Source: FactSet	

Shareholding Structure

Chin Jong-Hwa's family	38.8%
Invesco Asset Management	6.1%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-2.6%	-2.6%
3-mth	-29.7%	-23.5%
6-mth	-10.8%	-15.4%
Source: FactSet		

12-mth Price Performance



Related Report

"Minth Group (425 HK) - Overseas foundation to withstand trade risks" - 16 Jul 2024



Figure 1: Interim results

RMB mn	1H22	2H22	1H23	2H23	1H24	ΥοΥ	НоН
Revenue	7,252	10,054	9,747	10,776	11,090	13.8%	2.9%
Gross profit	2,114	2,670	2,563	3,059	3,162	23.4%	3.3%
Selling expenses	(450)	(418)	(360)	(432)	(531)	47.6%	22.9%
Admin expenses	(551)	(741)	(623)	(826)	(743)	19.2%	-10.2%
R&D expenses	(507)	(665)	(616)	(781)	(715)	16.1%	-8.5%
Operating profit	672	909	1,017	1,100	1,380	35.6%	25.5%
Net profit	658	843	887	1,016	1,068	20.4%	5.1%
Gross margin	29.1%	26.6%	26.3%	28.4%	28.5%	2.2 ppt	0.1 ppt
Operating margin	9.3%	9.0%	10.4%	10.2%	12.4%	2.0 ppt	2.2 ppt
Net margin	9.1%	8.4%	9.1%	9.4%	9.6%	0.5 ppt	0.2 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

		New			Old			Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	24,391	27,964	31,635	24,318	27,896	31,582	0.3%	0.2%	0.2%
Gross profit	6,837	7,767	8,691	6,614	7,545	8,456	3.4%	2.9%	2.8%
Operating profit	2,715	3,180	3,617	2,640	3,080	3,533	2.9%	3.2%	2.4%
Net profit	2,325	2,662	2,982	2,249	2,554	2,886	3.4%	4.2%	3.3%
Gross margin	28.0%	27.8%	27.5%	27.2%	27.0%	26.8%	0.8 ppt	0.7 ppt	0.7 ppt
Operating margin	11.1%	11.4%	11.4%	10.9%	11.0%	11.2%	0.3 ppt	0.3 ppt	0.2 ppt
Net margin	9.5%	9.5%	9.4%	9.2%	9.2%	9.1%	0.3 ppt	0.4 ppt	0.3 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

		CMBIGM		(Consensus	;		Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	24,391	27,964	31,635	24,769	29,191	33,552	-1.5%	-4.2%	-5.7%
Gross Profit	6,837	7,767	8,691	6,796	8,042	9,258	0.6%	-3.4%	-6.1%
Operating Profit	2,715	3,180	3,617	2,954	3,481	3,970	-8.1%	-8.7%	-8.9%
Net profit	2,325	2,662	2,982	2,274	2,744	3,144	2.2%	-3.0%	-5.2%
Gross Margin	28.0%	27.8%	27.5%	27.4%	27.5%	27.6%	0.6 ppt	0.2 ppt	-0.1 ppt
Operating Margin	11.1%	11.4%	11.4%	11.9%	11.9%	11.8%	-0.8 ppt	-0.6 ppt	-0.4 ppt
Net Margin	9.5%	9.5%	9.4%	9.2%	9.4%	9.4%	0.4 ppt	0.1 ppt	0.1 ppt

Source: Bloomberg, CMBIGM estimates



Financial Summary

YE 31 Dec (NBB ma) versure 13,919 17,306 20,524 24,391 27,394 Cost of goods sold (9,835) (12,422) (14,402) (17,554) (20,107) Grose profit 40,494 47,784 55,222 6,637 7,777 Operating expenses (2,440) (0,808) (17,397) (1,102) (1,419) (1,646) (1,137) Adm expense (9,41) (1,127) (1,148) (1,656) (1,700) Other income 143 168 281 200 200 100 (2,97) 1100 200 100 (2,97) 130 127 130 200 100	INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
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Atter tx profit 1,579 1,530 1,964 2,396 2,743 Minority interest (83) (30) (61) (71) (81) Nonority interest 1,497 1,501 1,903 2,325 2,662 Gross dividends 622 609 0 930 1,065 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E Current assets 14,991 15,995 17,493 18,765 20,934 Cash & equivalents 5,492 4,221 4,165 4,047 4,513 Restricted cash 1,046 1,055 1,840 1,700 4506 5,187 Necourt receivables 5,130 6,541 6,610 7,664 8,766 Inventories 2,961 3,633 3,892 4,565 5,187 Orber current assets 363 545 895 698 748 Non-current assets 1,4654 17,279 20,064 21,799 PAE 11,	-	(266)	(249)	(351)	(439)	(602)	(768)
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Gross dividends 622 609 0 930 1,065 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E YE 31 Dec (RMB m) Current assets 14,991 15,995 17,493 18,765 20,934 Cash & equivalents 5,492 4,221 4,165 4,047 4,513 Restricted cash 1,046 1,055 1,840 1,800 1,700 Account receivables 5,130 6,541 6,610 7,664 8,786 Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 0 Non-current assets 14,654 17,279 20,654 20,614 21,799 PP&E 11,623 13,435 15,476 16,228 17,015 Inhergibis 75 113 112 113 107 Gross dividends 1,293 1,585 2,454 2,230 2,593	Minority interest	(83)	(30)	(61)	(71)	(81)	(91)
SALANCE SHEET 2021A 2022A 2023A 2024E 2025E YE 31 Dec (RMB m) Turrent assets 14,991 15,995 17,493 18,765 20,934 Cash & equivalents 5,492 4,221 4,165 4,047 4,513 Restricted cash 1,046 1,055 1,840 1,800 1,700 Account receivables 5,130 6,641 6,610 7,664 8,786 Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 Other current assets 363 545 895 698 748 Non-current assets 1,623 13,435 1,058 1,053 1065 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 1049 407 424 447 Intargibles 75 113 112 113 107 Goodwill <t< td=""><td>Net profit</td><td>1,497</td><td>1,501</td><td>1,903</td><td>2,325</td><td>2,662</td><td>2,982</td></t<>	Net profit	1,497	1,501	1,903	2,325	2,662	2,982
YE 31 Dec (RMB mn) Current assets 14,991 15,995 17,493 18,765 20,934 Cash & equivalents 5,492 4,221 4,165 4,047 4,513 Restricted Cash 1,046 1,055 1,840 1,800 1,700 Account receivables 5,130 6,641 6,610 7,664 8,786 Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 Non-current assets 363 545 895 698 748 Non-current assets 1,463 1,3435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98	Gross dividends	622	609	0	930	1,065	1,193
Current assets 14,991 15,995 17,493 18,765 20,934 Cash & equivalents 5,492 4,221 4,165 4,047 4,513 Restricted cash 1,046 1,055 1,840 1,800 1,700 Account receivables 5,130 6,541 6,610 7,664 8,786 Inventories 2,961 3,633 3,992 4,556 5,187 Prepayment 0 0 0 0 0 0 Other current assets 363 545 895 698 748 Non-current assets 14,654 17,779 20,054 20,614 21,799 PAE 1,043 1,063 1,058 1,056 1,053 1,053 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 1,056 Interstitin JVS & assos 318 394 407 4424 447 Interstitin JVS & assos 318 394 30 47 62	BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
Cash & equivalents 5,492 4,221 4,165 4,047 4,513 Restricted cash 1,046 1,055 1,840 1,800 1,700 Account receivables 5,130 6,541 6,610 7,664 8,766 Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 Other current assets 14,654 17,279 20,054 20,614 21,799 PP&E 11,623 13,435 15,476 16,228 17,015 Investment in JVs & assos 318 394 407 424 447 Investment in JVs & assos 318 394 407 424 447 Intendibles 75 113 112 113 107 Godwill 98 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other one-current assets	YE 31 Dec (RMB mn)						
Restricted cash 1,046 1,055 1,840 1,800 1,700 Account receivables 5,130 6,541 6,610 7,664 8,786 Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 On-current assets 363 545 895 698 748 Non-current assets 14,654 17,279 20,054 20,614 21,799 PRAE 11,623 13,435 15,676 16,228 17,015 Right-of-use assets 1,043 1,083 1,056 1,053 Deferred income tax 1,043 1,083 1,056 1,053 Investment in JVs & assos 318 394 407 424 447 Intargibles 75 113 112 113 107 Goodwill 98 98 98 98 98 78 Cherred insorte assets 1,293 1,858	Current assets	14,991	15,995	17,493	18,765	20,934	22,974
Account receivables 5,130 6,541 6,610 7,664 8,786 Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 Other current assets 363 545 895 698 748 Non-current assets 14,654 17,279 20,054 20,614 21,799 PP&E 11,623 13,435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intargibles 75 113 112 113 107 Goodwill 98 98 98 98 98 98 98 758 Total assets at FVTPL 0 28 30,47 62 24733 2,733 2,733<	Cash & equivalents	5,492	4,221	4,165	4,047	4,513	4,756
Inventories 2,961 3,633 3,982 4,556 5,187 Prepayment 0 0 0 0 0 0 0 0 Other current assets 363 545 895 698 748 Non-current assets 14,654 17,279 20,054 20,614 21,799 PRE 11,623 13,435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,056 1,053 146,514 113 107 Deferred income tax 204 270 419 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intargibles 75 113 112 113 107 Goodwill 98 98 98 98 98 98 75 Total assets 1,293 1,858 2,454 2,230 2,588 7,133 14,117 14,065 16,067 Shor	Restricted cash	1,046	1,055	1,840	1,800	1,700	1,700
Prepayment 0 0 0 0 0 Other current assets 363 545 895 698 748 Non-current assets 14,654 17,279 20,054 20,614 21,799 PPAE 11,623 13,435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,203 2,598 Total assets 29,645 33,274 37,547 39,379 42,733 Current liabilities 9,377 13,314 <	Account receivables	5,130	6,541	6,610	7,664	8,786	9,940
Other current assets 363 545 895 698 748 Non-current assets 14,654 17,279 20,054 20,614 21,799 PR&E 11,623 13,435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intargibles 75 113 112 113 107 Goodwill 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other on-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 9377 13,314 14,117 14,065 16,067 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payable 134 <th< td=""><td>Inventories</td><td>2,961</td><td>3,633</td><td>3,982</td><td>4,556</td><td>5,187</td><td>5,830</td></th<>	Inventories	2,961	3,633	3,982	4,556	5,187	5,830
Non-current assets 14,654 17,279 20,054 20,614 21,799 PR&E 11,623 13,435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 29,645 33,274 37,547 39,379 42,733 Current liabilities 9,377 13,314 14,117 14,065 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134	Prepayment	0	0	0	0	0	0
PP&E 11,623 13,435 15,476 16,228 17,015 Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98 94 134 14,117 14,065 16,067 6,159 4,2733	Other current assets	363	545	895	698		748
Right-of-use assets 1,043 1,083 1,058 1,056 1,053 Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 29,645 33,274 37,547 39,379 42,733 Current liabilities 9,377 13,314 14,117 14,065 16,067 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 19 20 21 23 Non-current liabilities	Non-current assets	14,654	17,279	20,054	20,614	21,799	22,520
Deferred income tax 204 270 419 419 419 Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 29,645 33,274 37,547 39,379 42,733 Current liabilities 29,645 33,274 37,547 39,379 42,733 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 1,34 157 226 226 226 Other current liabilities 2 4 876 1002 2 Lease liabilities 2,122 2,265 1,006 3,337 2,837 Don-current liabilities	PP&E	11,623	13,435	15,476	16,228	17,015	17,737
Investment in JVs & assos 318 394 407 424 447 Intangibles 75 113 112 113 107 Goodwill 98 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 1,293 1,858 2,454 2,230 2,598 Total assets 9,377 13,314 14,117 14,065 16,067 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 2 19 20 21 23 Non-current liabilities 3,712 <t< td=""><td>Right-of-use assets</td><td>1,043</td><td>1,083</td><td>1,058</td><td>1,056</td><td>1,053</td><td>1,048</td></t<>	Right-of-use assets	1,043	1,083	1,058	1,056	1,053	1,048
Intangibles 75 113 112 113 107 Goodwill 98 762 2588 759 757 733 757 39,379 \$42,733 \$757 \$733 \$757 \$733 \$757 \$733 \$757 \$733 \$757 \$733 \$757 \$733 \$757 \$733 \$757 \$733 \$757 \$756 \$667 \$61,597 \$758 \$746 \$757 \$268 \$2626 \$268 \$268 \$268 \$268							419
Goodwill 98 98 98 98 98 98 98 Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 29,645 33,274 37,547 39,379 42,733 Current liabilities 9,377 13,314 14,117 14,065 16,067 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 D							475
Financial assets at FVTPL 0 28 30 47 62 Other non-current assets 1,293 1,858 2,454 2,230 2,598 Total assets 29,645 33,274 37,547 39,379 42,733 Current liabilities 9,377 13,314 14,117 14,065 16,067 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 2 4 876 102 2 Non-current liabilities 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Deferred income 205 27 45 50 60 60 Other no							95
Other non-current assets1,2931,8582,4542,2302,598Total assets29,64533,27437,54739,37942,733Current liabilities9,37713,31414,11714,06516,067Short-term borrowings4,8887,1925,8515,4676,159Account payables4,3345,9427,1448,2499,657Tax payable134157226226226Other current liabilities248761022Lease liabilities2019202123Non-current liabilities3,7122,2624,2903,7013,219Long-term borrowings2,2551,0063,8373,3372,837Deferred income20527455060Other non-current liabilities1,2521,2521,259409314322Total liabilities116116116116117Other reserves15,90716,80118,20220,60422,495							98
Total assets29,64533,27437,54739,37942,733Current liabilities9,37713,31414,11714,06516,067Short-term borrowings4,8887,1925,8515,4676,159Account payables4,3345,9427,1448,2499,657Tax payable134157226226226Other current liabilities248761022Lease liabilities2019202123Non-current liabilities3,7122,2624,2903,7013,219Long-term borrowings2,2551,0063,8373,3372,837Deferred income20527455060Other non-current liabilities1,2521,229409314322Total liabilities1,2521,229409314322Share capital116116116116117Other reserves15,90716,80118,20220,60422,495							77
Current liabilities 9,377 13,314 14,117 14,065 16,067 Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 24,604 22,495							2,571
Short-term borrowings 4,888 7,192 5,851 5,467 6,159 Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 1,252 1,259 409 314 322 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495	I OTAI ASSEIS	29,645	33,274	37,547	39,379	42,733	45,493
Account payables 4,334 5,942 7,144 8,249 9,657 Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 1,252 1,259 18,407 17,766 19,286 Share capital 116 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							16,884
Tax payable 134 157 226 226 226 Other current liabilities 2 4 876 102 2 Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 1,3089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495	0						5,660
Other current liabilities 2 4 876 102 2 Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 1,3089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 22,495							10,971
Lease liabilities 20 19 20 21 23 Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							226
Non-current liabilities 3,712 2,262 4,290 3,701 3,219 Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							2
Long-term borrowings 2,255 1,006 3,837 3,337 2,837 Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							25
Deferred income 205 27 45 50 60 Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							3,227
Other non-current liabilities 1,252 1,229 409 314 322 Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							2,837
Total liabilities 13,089 15,576 18,407 17,766 19,286 Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							60
Share capital 116 116 116 116 117 Other reserves 15,907 16,801 18,202 20,604 22,495							330 20,111
Other reserves 15,907 16,801 18,202 20,604 22,495							
	•						117
Lotal snareholders equity 16 023 16 918 18 318 20 720 22 612							24,552
	Total shareholders equity	16,023	16,918	18,318	20,720	22,612	24,670
Minority interest 533 780 821 893 834 Total equity and liabilities 29 645 33 274 37 547 39 379 42 733	-						712 45 493

29,645

37,547

33,274

Total equity and liabilities

45,493

42,733

39,379



CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,846	1,779	2,315	2,835	3,346	3,841
Depreciation & amortization	922	1,121	1,394	1,545	1,697	1,857
Tax paid	(227)	(270)	(390)	(439)	(602)	(768)
Change in working capital	(622)	(1,190)	(399)	120	(591)	(685)
Others	(597)	415	446	195	154	75
Net cash from operations	1,322	1,855	3,366	4,256	4,004	4,320
Investing						
Capital expenditure	(3,189)	(3,432)	(3,279)	(2,450)	(2,650)	(2,750)
Acquisition of subsidiaries/ investments	(36)	(71)	(103)	0	0	0
Net proceeds from disposal of short-term	510	(16)	120	(12)	(10)	(10)
investments Others	766	482	(238)	370	467	783
Net cash from investing	(1,950)	(3,037)	(3,500)	(2,092)	(2,193)	(1,977)
Financing						
Dividend paid	(619)	(626)	(744)	0	(1,069)	(1,278)
Net borrowings	902	644	1,202	(885)	192	(499)
Proceeds from share issues	0	0	0	Ó	0	Ó
Share repurchases	(20)	(47)	0	0	0	0
Others	(113)	(95)	(406)	(1,398)	(467)	(324)
Net cash from financing	149	(125)	52	(2,283)	(1,344)	(2,101)
Net change in cash						
Cash at the beginning of the year	6,008	5,492	4,221	4,165	4,047	4,513
Exchange difference	(38)	35	27	0	0	0
Cash at the end of the year	5,492	4,221	4,165	4,047	4,513	4,756
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	11.7%	24.3%	18.6%	18.8%	14.6%	13.1%
Gross profit	5.8%	17.2%	17.5%	21.6%	13.6%	11.9%
Operating profit	(22.8%)	27.2%	33.9%	28.3%	17.1%	13.7%
EBITDA	8.0%	4.4%	33.6%	16.1%	11.9%	11.2%
EBIT	9.4%	(3.2%)	38.6%	18.6%	12.9%	12.0%
Net profit	7.2%	0.3%	26.8%	22.1%	14.5%	12.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	29.3%	27.6%	27.4%	28.0%	27.8%	27.5%
Operating margin	8.9%	9.1%	10.3%	11.1%	11.4%	11.4%
EBITDA margin	21.8%	18.3%	20.6%	20.1%	19.6%	19.3%
Return on equity (ROE)	9.7%	9.1%	10.8%	11.9%	12.3%	12.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec				~ .	- <i>·</i>	- <i>i</i>
Net debt to equity (x)	0.0	0.2	0.2	0.1	0.1	0.1
Current ratio (x)	1.6	1.2	1.2	1.3	1.3	1.4
Receivable turnover days	134.5	137.9	117.6	115.0	115.0	115.0
Inventory turnover days	109.9	105.9	97.5	95.0	94.0	93.0
Payable turnover days	160.8	173.2	175.0	172.0	175.0	175.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	8.0	8.0	6.3	5.2	4.5	4.0
P/E (diluted)	8.1	8.0	6.3	5.2	4.5	4.1
P/B	0.7	0.7	0.7	0.6	0.5	0.5
P/CFPS	9.1	6.5	3.6	2.8	3.0	2.8
Div yield (%)	5.2 te: The calculat	5.1	0.0	7.8	8.9	9.9

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



Disclosures & Disclaimers

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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				

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