

Haier Smart Home (6690 HK)

2Q23 was inline and FY23E guidance stayed

2Q23 was roughly inline (robust air-con performance offsetting the weak fridge, washing machine and Casarte, strong domestic GP margin offsetting the overseas'). FY23E guidance was maintained as the outlook for both China and overseas remained positive (partly industry and partly company driven). With undemanding valuation of 12x FY23E P/E, we still maintain BUY.

- **2Q23 results roughly inline.** In 2Q23, Haier's sales increased by 8% YoY to RMB 66.5bn, inline with BBG est. and net profit had gone up by 13% YoY to RMB 5.0bn, about 4% higher vs BBG est., growth rates were both similar to that in 1Q23. GP margin was flat vs last year, OP margin improved by 0.7ppt to 9.1%, but was offset by the higher than expected finance costs, hence NP margin was at 7.5%, only 3ppt higher than last year.
- **China business improved while overseas had weakened.** Domestic sales growth was 7% in 1H23, picked up from 2% decline in 2H22. That was driven by strong growth for air-con (+22%) and water heater (+9%) and relatively sluggish growth for fridge (+6%), kitchen appliances (+5%) and washing machines (+0%). Casarte continued to gain more market share and sales growth had accelerated to double digit in 1H23 (from HSD in 2H22). However, that was still below its 20%+ long-term growth target. Overseas sales growth was at 9% YoY in 1H23, slowed down from 12% in 2H22. The growth was driven by EU (+30%), South Asia (+24%) and kind of dragged by Japan (+6%), Southeast Asia (+6), North America (+5%) and Australia and New Zealand (-16%). However, it had already outperformed peers like Whirlpool. GP margin in China had improved, due to: 1) favourable raw material costs, 2) further digitalization in supply chain and 3) greater use of self-owned production (more parts were made in-house). But GP margin in overseas was dragged by: 1) increased promotion and de-stocking and 2) decline in consumption power and needs for high-end products.
- **FY23E guidance maintained.** Management had reiterated their targets of 5% to 10% sales growth and 10%+ (hopefully 15%+) net profit growth in FY23E. We are slightly more optimistic to assume 8% and 16% growth.
- **Maintain BUY and raise TP to HK\$ 30.91.** We raised our FY23E/ 24E/ 25E net profit estimates by 3%/ 4%/ 2% to factor in: 1) better air-con sales and margin, 2) higher GP margin, but a 3) slower Casarte sales. Our new TP is based on 15x FY23E P/E (up from 14.5x, due to turnaround). It is trading at 12x FY23E P/E, still far below its 5 years average of 15x.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	227,531	243,485	262,914	282,370	300,124
YoY growth (%)	8.5	7.0	8.0	7.4	6.3
Operating profit (RMB mn)	13,956	16,369	18,900	22,083	24,427
Net profit (RMB mn)	13,217.0	14,732.0	17,048.3	19,969.9	22,180.5
EPS (Reported) (RMB)	1.39	1.57	1.82	2.14	2.37
YoY growth (%)	4.1	12.9	16.2	17.1	11.1
P/E (x)	14.2	13.7	11.8	10.0	9.0
P/B (x)	1.8	2.0	1.7	1.5	1.4
Yield (%)	1.9	2.5	3.2	3.8	4.2
ROE (%)	18.0	17.3	17.7	18.3	18.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$30.91**
 (Previous TP **HK\$29.10**)
Up/Downside **27.5%**
Current Price **HK\$24.25**

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Stock Data

Mkt Cap (HK\$ mn)	226,423.2
Avg 3 mths t/o (HK\$ mn)	243.8
52w High/Low (HK\$)	30.70/19.64
Total Issued Shares (mn)	9337.0
Source: FactSet	

Shareholding Structure

Haier Group Corp	18.8%
Green Court Capital Management	4.3%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-3.8%	4.8%
3-mth	8.5%	7.5%
6-mth	-15.2%	-4.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Improving outlook in both China and overseas.** For China, we believe sales growth could further improve in 2H23E because of: 1) low base in 4Q, 2) rollout of more favourable policies around the property market and 3) improving property completion. In particular, we expect air-con, water heater and kitchen appliances to outperform in 2H23E, as these categories tend to be more directly related to new homes (while growth for fridge and washing machines could still be dull). Management also highlighted that air-con industry sales have been dropping by 20%+ since late Jul and Aug 2023 (likely due to high base last year) but Haier had done much better with just a LSD drop. We do agree that Haier's air-con business can still maintain 15%+ sales growth in 2H23E and onwards, supported by all the recent reforms (e.g. hiring outside talents, simplifying the SKUs, having a more DTC mentality, using more in-house productions). Moreover, we do expect the margins to further expand, aided by 1) limited price war within the tier 1 brands, 2) declining raw materials costs, 3) more in-house productions (e.g. for AC and water solutions), as well as the positives yield from digitalization (on customer services, logistics, R&D and manufacturing etc.). We are more cautious about overseas demand in 2H23E, as it could still be negatively affected by high inflation and interest rates. However, management is rather confident on margin improvements in 2H23E, boosted by: 1) fall in shipping and other logistics costs, 2) launches of more new and high-end Haier products and 3) rebranding of the Candy brand (ASP will be much higher) and breakeven should be achieved if it sells well.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	262,914	282,370	300,124	259,476	278,334	294,336	1.3%	1.5%	2.0%
Gross profit	81,001	87,756	93,382	79,509	85,804	90,921	1.9%	2.3%	2.7%
EBIT	18,900	22,083	24,427	17,818	20,685	23,422	6.1%	6.8%	4.3%
Net profit att.	17,026	19,946	22,155	16,585	19,239	21,778	2.7%	3.7%	1.7%
Diluted EPS (RMB)	1.823	2.136	2.373	1.776	2.061	2.332	2.7%	3.7%	1.7%
Gross margin	30.8%	31.1%	31.1%	30.6%	30.8%	30.9%	0.2ppt	0.3ppt	0.2ppt
EBIT margin	7.2%	7.8%	8.1%	6.9%	7.4%	8.0%	0.3ppt	0.4ppt	0.2ppt
Net profit att. margin	6.5%	7.1%	7.4%	6.4%	6.9%	7.4%	0.1ppt	0.2ppt	0ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	262,914	282,370	300,124	261,886	283,020	305,501	0.4%	-0.2%	-1.8%
Gross profit	81,001	87,756	93,382	83,362	90,800	98,880	-2.8%	-3.4%	-5.6%
EBIT	18,900	22,083	24,427	19,097	21,809	24,664	-1.0%	1.3%	-1.0%
Net profit att.	17,026	19,946	22,155	16,821	19,331	22,183	1.2%	3.2%	-0.1%
Diluted EPS (RMB)	1.823	2.136	2.373	1.783	2.036	2.308	2.3%	4.9%	2.8%
Gross margin	30.8%	31.1%	31.1%	31.8%	32.1%	32.4%	-1ppt	-1ppt	-1.3ppt
EBIT margin	7.2%	7.8%	8.1%	7.3%	7.7%	8.1%	-0.1ppt	0.1ppt	0.1ppt
Net profit att. margin	6.5%	7.1%	7.4%	6.4%	6.8%	7.3%	0.1ppt	0.2ppt	0.1ppt

Source: Bloomberg, CMBIGM estimates

Results Summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H22	2H22	1H23	2H23E	1H23 YoY	2H23E YoY
Revenue	121,846	121,639	131,614	131,300	8%	8%
COGS	-85,643	-83,276	-92,398	-89,515		
Gross profit	36,203	38,363	39,216	41,785	8%	9%
GP margins	29.7%	31.5%	29.8%	31.8%		
Other income & gains	1,373	1,539	1,690	1,519		
S & D expenses	-17,606	-20,992	-18,769	-22,549	7%	7%
S & D exp / sales	-14.4%	-17.3%	-14.3%	-17.2%		
Admin expenses	-10,557	-11,120	-11,218	-11,800	6%	6%
Admin exp / sales	-8.7%	-9.1%	-8.5%	-9.0%		
Other opex	0	0	0	0		
Operating profit (EBIT)	9,413	7,790	10,919	8,955	16%	15%
OP margins	7.7%	6.4%	8.3%	6.8%		
Other items	0	0	0	0		
Net finance income	-352	-643	-884	-440		
Net fin. income / sales	-0.3%	-0.5%	-0.7%	-0.3%		
Profit after financing costs	9,061	7,147	10,035	8,515		
Associated coms	937	645	1,079	498		
Jointly controlled coms	0	0	0	0		
Pre-tax profit	9,998	7,792	11,114	9,014	11%	16%
Tax	-2,001	-1,057	-2,069	-1,011		
Tax / sales	-1.6%	-0.9%	-1.6%	-0.8%		
Effective tax rate	-20.0%	-13.6%	-18.6%	-11.2%		
Net profit from con. bus.	7,997	6,735	9,045	8,003	13%	19%
Net profit from discon. bus.	0	0	0	0		
Minority interests	48	-27	81	-58		
Net profit att.	7,949	6,762	8,964	8,062	13%	19%
NP margins	6.5%	5.6%	6.8%	6.1%		
Sales by channel						
Food Solutions	20,914	21,210	22,245	22,859	6%	8%
Air Solutions	15,919	12,465	19,538	15,090	23%	21%
Clothing Solutions	12,472	14,604	12,481	15,678	0%	7%
Water Solutions	6,677	6,865	7,304	7,592	9%	11%
Overseas	61,196	63,508	66,733	66,887	9%	5%
Other business	4,668	2,987	3,313	3,194	-29%	7%
Total	121,846	121,639	131,614	131,300	8%	8%
Sales by segment						
Mainland China	60,650	58,131	64,881	64,413	7%	11%
Overseas	61,196	63,508	66,733	66,887	9%	5%
Total	121,846	121,639	131,614	131,300	8%	8%

Source: Company data, CMBIS estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY22	FY23E	FY24E	FY22 YoY	FY23E YoY	FY24E YoY
Revenue	243,485	262,914	282,370	7%	8%	7%
COGS	-168,919	-181,913	-194,614			
Gross profit	74,566	81,001	87,756	7%	9%	8%
GP margins	30.6%	30.8%	31.1%			
Other income & gains	2,912	3,209	3,524			
S & D expenses	-38,598	-41,318	-43,744	6%	7%	6%
S & D exp / sales	-15.9%	-15.7%	-15.5%			
Admin expenses	-21,677	-23,018	-24,329	7%	6%	6%
Admin exp / sales	-8.9%	-8.8%	-8.6%			
Other opex	0	0	0			
Operating profit (EBIT)	17,203	19,874	23,207	17%	16%	17%
OP margins	7.1%	7.6%	8.2%			
Other items	0	0	0			
Net finance income	-995	-1,324	-1,324			
Net fin. income / sales	-0.4%	-0.5%	-0.5%			
Profit after financing costs	16,208	18,550	21,883			
Associated coms	1,582	1,577	1,694			
Jointly controlled coms	0	0	0			
Pre-tax profit	17,790	20,128	23,577	12%	13%	17%
Tax	-3,058	-3,080	-3,607			
Tax / sales	-1.3%	-1.2%	-1.3%			
Effective tax rate	-17.2%	-15.3%	-15.3%			
Net profit from con. bus.	14,732	17,048	19,970	11%	16%	17%
Net profit from discon. bus.	0	0	0			
Minority interests	21	23	24			
Net profit att.	14,711	17,026	19,946	13%	16%	17%
NP margins	6.0%	6.5%	7.1%			
Sales by channel						
Food Solutions	42,124	45,104	48,362	6%	7%	7%
Air Solutions	28,384	34,628	40,515	4%	22%	17%
Clothing Solutions	27,076	28,159	29,849	4%	4%	6%
Water Solutions	13,542	14,896	15,939	9%	10%	7%
Overseas	124,704	133,620	140,939	10%	7%	5%
Other business	7,655	6,507	6,767	-13%	-15%	4%
Total	243,485	262,914	282,370	7%	8%	7%
Sales by segment						
Mainland China	118,781	129,294	141,432	4%	9%	9%
Overseas	124,704	133,620	140,939	10%	7%	5%
Total	243,485	262,914	282,370	7%	8%	7%

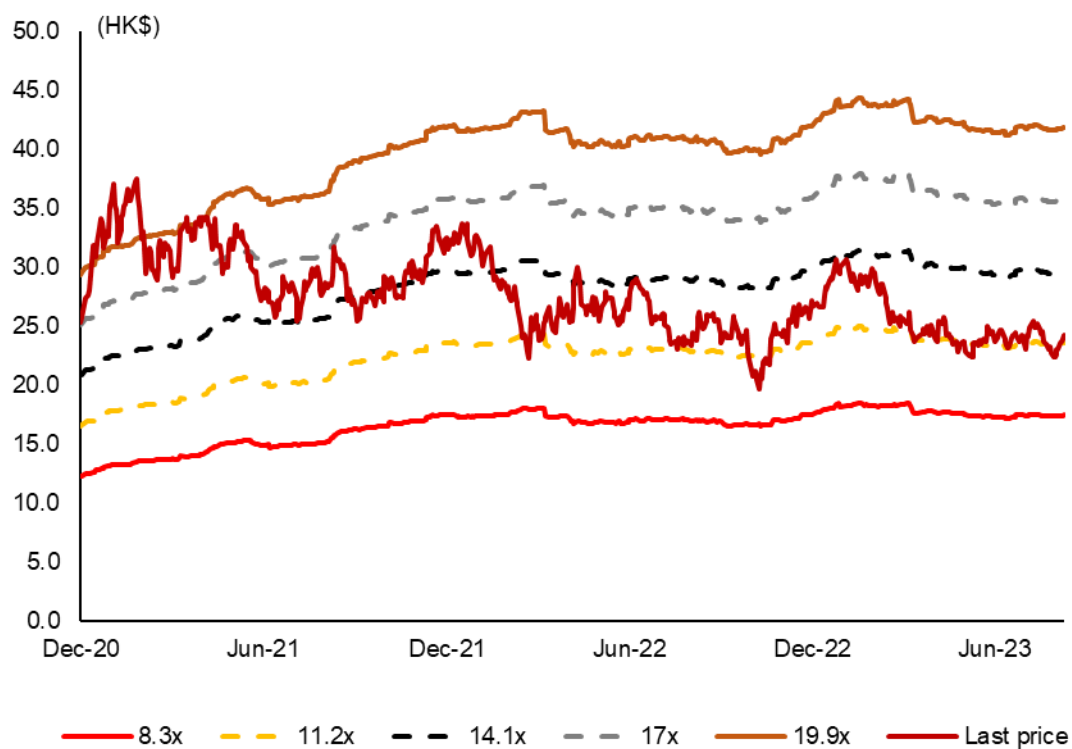
Source: Company data, CMBIS estimates

Valuation

Figure 5: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY1E	FY1E	FY1E	FY1E
A+ H shares Home Appliances - White goods, Kitchen and Small Appliances														
Haier SH - H	6690 HK	BUY	30.91	24.25	27%	237,116	Dec-22	11.8	10.0	1.7	16.6	0.8	3.4	(8.8)
Gree Electronics	000651 CH	NR	n/a	36.69	n/a	223,077	Dec-22	7.7	7.0	1.8	24.3	1.2	6.5	13.5
Haier SH - A	600690 CH	NR	n/a	24.25	n/a	236,891	Dec-22	13.6	11.9	2.2	16.4	1.3	2.8	(0.9)
Midea Group	000333 CH	BUY	66.70	57.93	15%	439,253	Dec-22	12.1	10.9	2.5	21.2	1.6	4.4	11.8
Hisense JA	921 HK	NR	n/a	20.70	n/a	34,009	Dec-22	11.0	9.7	2.0	19.4	0.4	3.7	140.4
Hisense HA	000921 CH	NR	n/a	24.41	n/a	33,976	Dec-22	14.7	12.4	2.6	19.2	0.6	3.2	85.3
Whirlpool China	600983 CH	NR	n/a	7.77	n/a	6,430	Dec-22	n/a	n/a	n/a	n/a	n/a	n/a	12.3
Zhejiang Aishida	002403 CH	NR	n/a	8.68	n/a	3,192	Dec-22	n/a	173.6	1.4	(0.0)	n/a	n/a	12.0
Bear Electric	002959 CH	NR	n/a	60.56	n/a	10,237	Dec-22	19.2	16.2	3.5	18.2	1.1	2.2	0.4
Ecovacs Robotics	603486 CH	NR	n/a	53.14	n/a	33,097	Dec-22	18.3	15.4	4.0	22.1	2.2	1.8	(27.1)
JS Global Lifestyle	1691 HK	BUY	1.70	1.12	52%	3,892	Dec-22	1.2	1.1	0.2	17.0	0.1	21.7	(25.4)
Joyoung Co	002242 CH	NR	n/a	14.18	n/a	11,743	Dec-22	16.2	13.7	3.0	18.8	1.0	5.1	(14.0)
Hangzhou Robam	002508 CH	NR	n/a	28.82	n/a	29,530	Dec-22	14.3	12.7	2.4	17.4	1.2	2.2	3.8
Zhejiang Supor	002032 CH	NR	n/a	48.16	n/a	41,946	Dec-22	17.7	15.9	5.3	30.0	2.7	4.2	(2.6)
Vatti Corporation	002035 CH	NR	n/a	6.06	n/a	5,546	Dec-22	10.0	8.7	1.4	13.3	0.2	4.5	9.4
Xinbao Electrica	002705 CH	NR	n/a	17.87	n/a	15,951	Dec-22	14.7	12.8	1.9	12.9	2.1	2.3	7.3
Avg.								13.0	22.1	2.4	17.8	1.2	4.9	13.6
Med.								13.9	12.4	2.2	18.2	1.1	3.5	5.6
International Home Appliances - White goods, Kitchen and Small Appliances														
Whirlpool Corp	WHR US	NR	n/a	142	n/a	61,049	Dec-22	8.7	8.2	3.2	36.1	(0.0)	4.9	0.3
Ingersoll-Rand Plc	IR US	NR	n/a	70	n/a	221,931	Dec-22	25.2	22.9	2.9	11.9	0.8	0.1	33.9
Smith (A.O.) Corp	AOS US	NR	n/a	74	n/a	86,862	Dec-22	20.4	19.1	5.9	29.8	0.5	1.7	28.5
Helen Of Troy	HELE US	NR	n/a	122	n/a	23,106	Feb-23	13.7	12.3	1.8	13.7	0.6	n/a	10.2
Irobot Corp	IRBT US	NR	n/a	39	n/a	8,424	Dec-22	n/a	n/a	2.7	(28.3)	n/a	0.0	(19.4)
Electrolux Ab	ELUXB SS	NR	n/a	118	n/a	23,982	Dec-22	33.7	9.3	2.0	2.9	(0.1)	2.7	(15.9)
Seb Sa	SK FP	NR	n/a	101	n/a	47,240	Dec-22	13.9	11.5	1.6	12.0	0.7	2.4	28.9
Koninklijke Philips	PHIA NA	NR	n/a	20	n/a	160,438	Dec-22	17.8	14.3	1.4	4.3	(0.1)	4.2	52.3
Daikin Industries	6367 JP	NR	n/a	25575	n/a	402,415	Mar-23	26.5	23.7	3.0	11.9	3.3	1.0	26.6
Panasonic Corp	6752 JP	NR	n/a	1723	n/a	227,001	Mar-23	10.6	10.8	1.0	10.4	0.7	2.0	55.2
Sony Corp	6758 JP	NR	n/a	12535	n/a	848,573	Mar-23	17.1	15.2	1.9	12.5	5.1	0.6	24.9
Hitachi	6501 JP	NR	n/a	9919	n/a	499,579	Mar-23	17.3	16.3	1.8	10.4	(8.3)	1.5	48.2
Sharp Corp	6753 JP	NR	n/a	924	n/a	32,261	Mar-23	35.2	17.9	2.1	6.1	(0.2)	1.6	(2.2)
Fujitsu General	6755 JP	NR	n/a	2822	n/a	16,565	Mar-23	22.0	19.1	2.1	10.6	0.9	1.2	(10.9)
Lg Electronics	066570 KS	NR	n/a	99600	n/a	96,784	Dec-22	9.5	6.6	0.8	8.9	0.2	0.9	15.1
Samsung Elect.	005930 KS	NR	n/a	71000	n/a	2,516,822	Dec-22	47.5	15.0	1.4	2.9	(9.0)	2.0	28.4
Woongjin Coway	021240 KS	NR	n/a	42450	n/a	18,602	Dec-22	6.6	6.2	1.2	18.9	2.6	3.2	(24.1)
Avg.								20.4	14.3	2.2	10.3	(0.1)	1.9	16.5
Med.								17.6	14.7	1.9	10.6	0.6	1.6	24.9

Source: Bloomberg, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: CMBIGM's assumptions

RMB mn	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by segment (RMB mn)						
Mainland China						
Refrigerators/freezers	30,562	36,842	39,010	41,741	44,663	47,342
Kitchen appliances	2,636	3,013	3,114	3,363	3,699	3,995
Air-conditioners	21,861	27,409	28,384	34,628	40,515	45,782
Laundry appliances	22,483	25,917	27,076	28,159	29,849	31,341
Water appliances	9,833	12,479	13,542	14,896	15,939	17,214
Overseas	100,044	113,090	124,704	133,620	140,939	147,411
Other businesses	22,284	8,781	7,655	6,507	6,767	7,038
Total	209,703	227,531	243,485	262,914	282,370	300,124
Sales by segment growth (%)						
Mainland China						
Refrigerators/freezers	0.5%	20.5%	5.9%	7.0%	7.0%	6.0%
Kitchen appliances	22.7%	14.3%	3.4%	8.0%	10.0%	8.0%
Air-conditioners	7.3%	25.4%	3.6%	22.0%	17.0%	13.0%
Laundry appliances	1.7%	15.3%	4.5%	4.0%	6.0%	5.0%
Water appliances	3.3%	26.9%	8.5%	10.0%	7.0%	8.0%
Overseas	8.3%	13.0%	10.3%	7.1%	5.5%	4.6%
Other businesses	5.9%	-60.6%	-12.8%	-15.0%	4.0%	4.0%
Total	5.9%	8.5%	7.0%	8.0%	7.4%	6.3%
Sales by brand growth (%)						
Haier, Leader & others	2.8%	0.6%	2.4%	8.3%	8.6%	7.7%
Casarte	17.6%	48.0%	15.0%	13.0%	15.0%	10.0%
GEA	10.0%	14.0%	6.5%	4.0%	6.0%	5.0%
Candy	2.0%	13.0%	9.0%	4.0%	4.0%	3.0%
Others	6.9%	10.9%	19.6%	14.8%	4.9%	4.3%
Total	5.9%	8.5%	7.0%	8.0%	7.4%	6.3%
GP margin (%)	29.0%	30.5%	30.6%	30.8%	31.1%	31.1%
Costs breakdown						
Selling & distribution expenses	16.0%	16.1%	15.9%	15.7%	15.5%	15.3%
Admin expenses	8.6%	8.9%	8.9%	8.8%	8.6%	8.6%
Effective tax rate	16.5%	17.0%	17.2%	15.3%	15.3%	15.3%
NP margin (con. bus.)	5.4%	5.8%	6.1%	6.5%	7.1%	7.4%
NP growth (con. bus.)	25.5%	16.7%	11.5%	15.7%	17.1%	11.1%
NP att. margin	4.2%	5.7%	6.0%	6.5%	7.1%	7.4%
NP att. growth	8.2%	47.2%	12.6%	15.7%	17.1%	11.1%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	209,703	227,531	243,485	262,914	282,370	300,124
Cost of goods sold	(148,870)	(158,059)	(168,919)	(181,913)	(194,614)	(206,742)
Gross profit	60,833	69,472	74,566	81,001	87,756	93,382
Operating expenses	(51,571)	(56,784)	(60,275)	(64,335)	(68,073)	(71,505)
Selling expense	(33,641)	(36,554)	(38,598)	(41,318)	(43,744)	(45,778)
Admin expense	(11,070)	(11,873)	(12,178)	(13,027)	(13,599)	(14,323)
R&D expense	(6,860)	(8,357)	(9,499)	(9,991)	(10,730)	(11,405)
Others	0	0	0	0	0	0
Operating profit	12,537	13,956	16,369	18,900	22,083	24,427
Other income	3,275	1,268	2,078	2,235	2,400	2,551
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	16,503	18,295	20,907	23,466	25,630	27,974
Depreciation	(3,255)	(3,433)	(3,632)	(3,659)	(2,641)	(2,641)
Other amortisation	(711)	(906)	(906)	(906)	(906)	(906)
Interest income	719	788	834	974	1,124	1,283
Interest expense	(1,321)	(714)	(995)	(1,324)	(1,324)	(1,324)
Other income/expense	1,620	1,886	1,582	1,577	1,694	1,801
Pre-tax profit	13,555	15,916	17,790	20,128	23,577	26,187
Income tax	(2,232)	(2,699)	(3,058)	(3,080)	(3,607)	(4,007)
Minority interest	(2,446)	(150)	(21)	(23)	(24)	(26)
Net profit	11,323	13,217	14,732	17,048	19,970	22,181
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	114,246	123,614	136,579	151,314	166,487	181,833
Cash & equivalents	45,635	44,958	52,772	61,293	70,320	79,924
Account receivables	30,066	27,986	29,948	32,338	34,731	36,915
Inventories	29,447	39,863	42,602	45,879	49,082	52,141
Prepayment	5,212	6,415	6,865	7,413	7,961	8,462
ST bank deposits	0	0	0	0	0	0
Other current assets	3,886	4,392	4,392	4,392	4,392	4,392
Non-current assets	89,196	93,846	97,696	102,649	109,251	116,428
PP&E	24,815	26,981	31,238	36,097	42,605	49,688
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	8,957	8,498	7,592	6,685	5,779	4,873
Other non-current assets	55,424	58,367	58,867	59,867	60,867	61,867
Total assets	203,442	217,460	234,275	253,963	275,738	298,261
Current liabilities	109,474	124,926	131,329	139,028	146,606	153,749
Short-term borrowings	12,643	17,968	17,968	17,968	17,968	17,968
Account payables	57,539	67,368	71,997	77,535	82,949	88,118
Tax payable	1,371	1,305	1,305	1,305	1,305	1,305
Other current liabilities	37,921	38,285	40,059	42,220	44,384	46,358
Non-current liabilities	27,169	12,722	12,743	12,766	12,790	12,816
Long-term borrowings	11,858	3,075	3,075	3,075	3,075	3,075
Other non-current liabilities	15,311	9,647	9,668	9,691	9,715	9,741
Total liabilities	136,643	137,648	144,072	151,794	159,396	166,565
Share capital	9,028	9,399	9,399	9,399	9,399	9,399
Retained earnings	55,304	70,413	75,506	86,505	99,390	113,702
Other reserves	2,467	0	5,298	6,027	7,060	7,842
Total shareholders equity	66,799	79,812	90,203	101,931	115,849	130,944
Total equity and liabilities	203,442	217,460	234,275	253,725	275,245	297,509

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	13,555	15,916	17,790	20,128	23,577	26,187
Depreciation & amortization	3,966	4,339	4,539	4,566	3,547	3,547
Tax paid	(8,019)	(8,309)	(3,058)	(3,080)	(3,607)	(4,007)
Change in working capital	1,928	4,418	1,252	1,484	1,432	1,401
Others	6,169	6,765	995	1,563	1,578	1,584
Net cash from operations	17,599	23,130	21,518	24,661	26,527	28,712
Investing						
Capital expenditure	(7,592)	(7,372)	(7,889)	(8,518)	(9,149)	(9,724)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	2,328	(695)	(500)	(1,000)	(1,000)	(1,000)
Net cash from investing	(5,264)	(8,067)	(8,389)	(9,518)	(10,149)	(10,724)
Financing						
Dividend paid	(4,980)	(3,411)	(4,320)	(5,298)	(6,027)	(7,060)
Net borrowings	(277)	(1,997)	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	(3,221)	0	0	0	0
Others	4,231	(2,062)	(995)	(1,324)	(1,324)	(1,324)
Net cash from financing	(1,026)	(10,691)	(5,315)	(6,622)	(7,351)	(8,384)
Net change in cash						
Cash at the beginning of the year	43,588	45,635	44,958	52,772	61,293	70,320
Exchange difference	(9,262)	(5,049)	0	0	0	0
Others	11,309	4,372	7,814	8,521	9,028	9,603
Cash at the end of the year	45,635	44,958	52,772	61,293	70,320	79,924
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	5.9%	8.5%	7.0%	8.0%	7.4%	6.3%
Gross profit	3.8%	14.2%	7.3%	8.6%	8.3%	6.4%
Operating profit	24.3%	11.3%	17.3%	15.5%	16.8%	10.6%
EBITDA	19.2%	10.9%	14.3%	12.2%	9.2%	9.1%
Net profit	25.5%	16.7%	11.5%	15.7%	17.1%	11.1%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	29.0%	30.5%	30.6%	30.8%	31.1%	31.1%
Operating margin	6.0%	6.1%	6.7%	7.2%	7.8%	8.1%
EBITDA margin	7.9%	8.0%	8.6%	8.9%	9.1%	9.3%
Return on equity (ROE)	19.7%	18.0%	17.3%	17.7%	18.3%	18.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	1.0	1.0	1.0	1.1	1.1	1.2
Receivable turnover days	52.3	44.9	44.9	44.9	44.9	44.9
Inventory turnover days	72.2	92.1	92.1	92.1	92.1	92.1
Payable turnover days	141.1	155.6	155.6	155.6	155.6	155.6
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	15.3	14.2	13.7	11.8	10.0	9.0
P/E (diluted)	15.3	14.2	13.7	11.8	10.0	9.0
P/B	1.8	1.8	2.0	1.7	1.5	1.4
P/CFPS	8.5	10.3	9.8	8.5	7.9	7.3
Div yield (%)	2.2	1.9	2.5	3.2	3.8	4.2

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

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