CMBI Research Focus List

Our best high conviction ideas

17 Feb 2025

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) FY23A	P/E (x) FY24E	P/B (x) FY23A	ROE (%) FY23A	Yield FY23A	Analyst
Long Ideas														
Geely Automobile	175 HK	Auto	BUY	21.8	135.5	16.84	19.00	13%	24.50	7.80	1.60	6.8	1.6%	Shi Ji/ Wenjing Dou
Xpeng Inc.	XPEV US	Auto	BUY	15.8	143.0	16.66	16.00	N/A	N/A	N/A	2.20	N/A	N/A	Shi Ji/ Wenjing Dou
Zoomlion	1157 HK	Capital Goods	BUY	8.1	7.8	5.39	6.80	26%	11.60	10.40	0.80	6.4	6.4%	Wayne Fung
China Hongqiao	1378 HK	Materials	BUY	14.9	39.9	12.26	19.60	60%	9.30	6.70	1.20	13.0	5.1%	Wayne Fung
Anta	2020 HK	Consumer Discretionary	BUY	31.2	94.7	86.50	126.68	46%	N/A	21.40	N/A	N/A	N/A	Walter Woo
Luckin Coffee	LKNCY US	Consumer Discretionary	BUY	8.5	37.3	30.20	33.80	12%	23.10	17.50	5.40	26.6	0.0%	Walter Woo
Yum China	9987 HK	Consumer Discretionary	BUY	18.4	20.7	380.80	484.83	27%	24.00	20.20	N/A	11.6	1.1%	Walter Woo
Proya	603605 CH	Consumer Staples	BUY	4.6	47.0	84.56	133.86	58%	28.50	22.50	7.70	30.30	1.6%	Miao Zhang/ Bella Li
CR Beverage	2460 HK	Consumer Staples	BUY	3.5	4.0	11.46	18.84	64%	18.60	18.30	3.40	21.30	0.0%	Miao Zhang/ Bella Li
BeOne	ONC US	Healthcare	BUY	25.8	74.8	230.86	282.71	22%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi AppTec	603259 CH	Healthcare	BUY	24.5	290.8	61.99	78.51	27%	N/A	16.10	N/A	N/A	N/A	Jill Wu/ Benchen Huang
CPIC	2601 HK	Insurance	BUY	39.7	31.9	24.90	35.50	43%	N/A	N/A	0.87	12.2	4.5%	Nika Ma
PICC P&C	2328 HK	Insurance	BUY	38.2	43.2	13.38	14.00	5%	N/A	N/A	1.20	10.8	4.0%	Nika Ma
Tencent	700 HK	Internet	BUY	585.1	1499.9	496.00	525.00	6%	24.40	17.60	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
NetEase	NTES US	Internet	BUY	66.8	119.3	103.50	125.50	21%	14.90	15.00	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	296.4	1892.0	124.73	132.20	6%	N/A	20.30	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Greentown Service	2869 HK	Property	BUY	1.5	1.2	3.80	6.13	61%	15.90	13.30	1.60	8.3	4.5%	Miao Zhang/ Bella Li
Xiaomi	1810 HK	Technology	BUY	143.1	754.1	44.35	32.70	N/A	53.10	41.30	7.40	11.3	N/A	Alex Ng/ Hanqing Li
FIT Hon Teng	6088 HK	Technology	BUY	3.6	17.4	3.81	4.79	26%	26.40	19.00	1.40	5.3	N/A	Alex Ng/ Hanqing Li
BYDE	285 HK	Technology	BUY	16.1	107.9	55.75	48.66	N/A	29.90	26.50	5.00	13.8	N/A	Alex Ng/ Hanqing Li
Innolight	300308 CH	Semi	BUY	18.1	661.9	116.85	186.00	59%	74.40	22.40	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Naura	002371 CH	Semi	BUY	31.2	402.6	426.20	426.00	0%	61.00	38.20	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Willsemi	603501 CH	Semi	BUY	22.7	311.5	135.02	130.00	N/A	289.20	48.00	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Salesforce	CRM US	Software & IT Services	BUY	312.5	2243.5	326.54	410.00	26%	62.60	39.70	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao

Source: Bloomberg, CMBIGM, Price as of 17/2/2025 11:20 a.m.

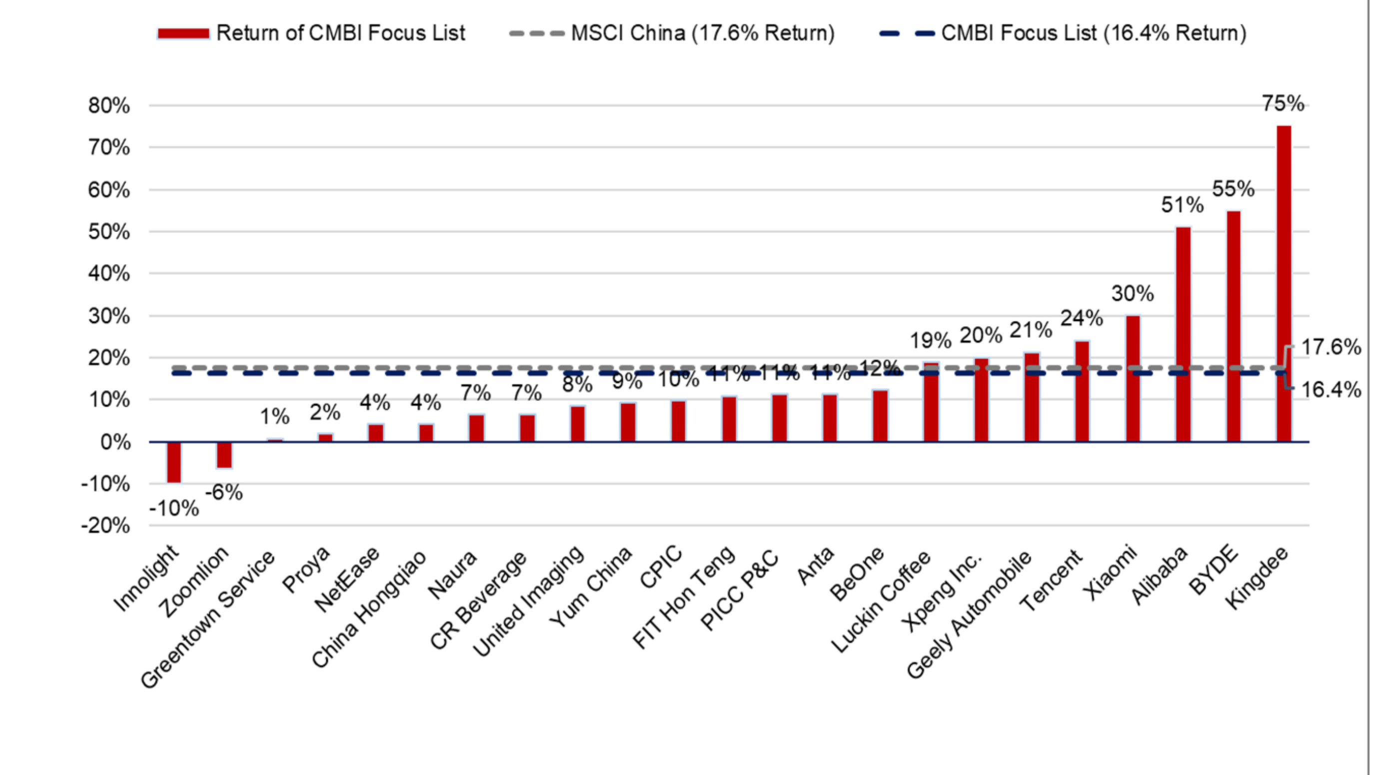
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
WuXi AppTec	603259 CH	Healthcare	BUY	Jill Wu/ Benchen Huang	1) Geopolitical risks largely diminished; 2) overseas peers struggle to compete with Chinese chemical CDMOs in the medium term; 3) earnings recovery underway given rapid backlog growth, particularly the TIDES business; 4) lower-than-average PE multiple in both China and international sectors.
Willsemi	603501 CH	Semiconductors	BUY	Lily Yang/ Kevin Zhang	1) Willsemi directly benefits from the recent development of domestic edge AI applications, esp. in smartphones and smart automobiles as the company supplies CIS (CMOS image sensor) to various customers in these two segments. 2) Continuous market share expansion in premium tier of domestic smartphone brands. We've seen the company gaining more traction against overseas competitors esp. in domestic smartphone brands and specifically in their flagship models. 3) China's consumer electronics subsidy plans seemed to have fared well in multiple cities, boosting domestic demand.
Salesforce	CRM US	Software & IT Services	BUY	Saiyi He/ Wentao Lu / Frank Tao	Salesforce is now one of the largest suppliers of enterprise AI in the world, with c.2tn Einstein transactions per week. We expect AI application to remain as the key investment theme in FY25 and Salesforce to be one of the key beneficiaries.
Deletions					
United Imaging	688271 CH	Healthcare	BUY	Jill Wu/ Cathy Wang	Though the domestic equipment procurement activity has begun to recover since late 2024, the installation and revenue recognition cycle for large medical imaging and radiotherapy equipment remains relatively long. Thus, we are concerned that the Company's earnings in 1Q25 may still face certain pressures.
Kingdee	268 HK	Software & IT Services	BUY	Saiyi He/ Frank Tao/ Wentao Lu	The stock price has soared and our investment thesis has been realized.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 16 Jan 2025, we highlighted a list of 23 long ideas.
- The basket (equal weighted) of these 23 stocks underperformed MSCI China index by 1.2ppts, delivering 16.4% return (vs MSCI China 17.6%).
- Eight of these stocks delivered 18% return or more, and eight outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 16 Jan 2025 to 14 Feb 2025

招銀国际 CMB INTERNATIONAL

Long Ideas

Geely Automobile (175 HK) – Will 2025 be a replica of 2016 for Geely?

Rating: BUY **|** TP: HK$19.00 (13% upside)

Analysts: SHI Ji/ DOU Wenjing

- **New GEA platform with EM-i hybrid technology to boost NEV sales.** By simplifying its CMA platform into the GEA platform and its hybrid architecture into the Leishen EM-i (P1+P3 with a reducer), we estimate Geely's NEV bill of materials (BOM) cost to reduce by RMB5,000-7,000 per vehicle. The pricing of the new models launched in 2H24, including the *Galaxy E5* EV, *Starwish* EV and *Starship 7* PHEV, has underscored its cost reduction efforts, which has also led to strong sales volume. We project Geely's total NEV sales volume to rise 50% YoY to 1.31mn units in FY25E, accounting for 55% of our projected Geely's total sales volume of 2.38mn units (+10% YoY).
- **Brand integration to refocus**. Zeekr is to hold 51% of Lynk & Co's equity interest and leads the brand's development after the reorganization in 1H25E. We believe such changes will help differentiate both brands' positioning, mitigate sales cannibalization and cut redundant investments. Zeekr and Lynk & Co plan to launch three and two brand-new models in 2025, including Zeekr's first extended-range electric vehicle (EREV) model. That, along with the sales network combination between Geometry and Galaxy, reminds us of the brand combination of Emgrand, Gleagle and Englon in 2014, after which Geely's sales volume rose 22%, 50% and 62% YoY in FY15-17.
- **Earnings forecast/Key risks.** Excluding the one-off gain of RMB7.5bn from establishing the Horse JV, we estimate Geely's core net profit to rise 36% YoY from RMB9.1bn in FY24E to RMB12.5bn in FY25E. The share purchases by Mr. Shufu Li and management in 4Q24 also reflected their confidence in Geely's outlook. We reiterate BUY with TP of HK$19.00, based on sum-of-the-parts valuation, including HK$4.00 for the Zeekr portion based on 0.7x Zeekr's core FY25 P/S and HK$15.00 for Geely's all other businesses based on 12x FY25E P/E.

Link to latest report:

1. Geely Automobile (175 HK) - 3Q24 NEV sales and profits pave way for FY25
2. Auto - Leap, BYD, Aion led discount increase in Jan

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	147,965	179,204	240,904	276,930
YoY growth (%)	45.6	21.1	34.4	15.0
Net profit (RMB mn)	5,260.4	5,308.4	16,595.9	12,459.0
YoY growth (%)	8.5	0.9	212.6	(24.9)
EPS (Reported) (RMB)	0.52	0.53	1.65	1.23
P/E (x)	24.6	24.5	7.8	10.5
P/B (x)	1.7	1.6	1.4	1.3
Yield (%)	1.5	1.6	2.5	3.4
ROE (%)	7.3	6.8	19.3	12.9
Net gearing (%)	(33.2)	(38.8)	(46.4)	(54.8)

Source: Company data, Bloomberg, CMBIGM estimates

Xpeng Inc. (XPEV US) – Early signs of breakeven as sales are set to surge

Rating: BUY **| TP:** US$16.00 (N/A) Analysts: Shi Ji/ Dou Wenjing

- **Sales volume to more than double YoY in FY25E.** We are of the view that the *Mona M03* and *P7+* has helped Xpeng better understand key elements of a successful model, including product design, marketing and pricing, not just focusing on autonomous driving technology. The initial success of these two models would also help Xpeng better understand its target customers' needs and increase the chance of success for its four brand-new models (including its first extend-range electric vehicle (EREV)) in 2025. Its sales volume in recent three months has also demonstrated its improving supply chain management. We project Xpeng's sales volume to rise 110% and 26% YoY to 390,000 units and 490,000 units in FY25-26E, respectively.

- **We see early signs of net profit breakeven.** We estimate the gross margin of the *P7+* and new models in 2025 to exceed 10%, driving Xpeng's overall gross margin to 15.1% in FY25E. We expect the combined ratios of SG&A and R&D expenses (as % of revenue) to fall from 32.6% in FY24E to 21% in FY25E. Therefore, we project Xpeng's net loss to narrow to RMB2.2bn in FY25E and turn profitable in FY26E with a gross margin of 15.3%.

- **Valuation/Key risks.** We maintain our BUY rating and a target price of US$16.00, based on 1.5x FY25E P/E, higher than its peers. We are of the view that such valuation multiple is justified due to its faster sales volume growth and possible breakeven in FY26E on our estimates. Key risks to our rating and target price include lower sales volume and/or GPM than we expect and a sector de-rating.

Link to latest report:

1. Xpeng Inc. (XPEV US) - Mona M03, P7+'s success with 3Q24 GPM beat could make Xpeng's breakeven possible
2. Auto - Leap, BYD, Aion led discount increase in Jan

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	26,855	30,676	40,377	71,790
YoY growth (%)	28.0	14.2	31.6	77.8
Gross margin (%)	11.5	1.5	14.2	15.2
Operating profit (RMB mn)	(8,705.5)	(10,889.4)	(6,920.7)	(3,403.3)
Net profit (RMB mn)	(9,139.0)	(10,375.8)	(5,999.9)	(2,166.8)
EPS (Reported) (RMB cents)	(533.65)	(595.99)	(317.20)	(113.66)
P/S (x)	3.2	2.8	2.1	1.2
P/B (x)	2.1	2.2	2.8	3.0

Source: Company data, Bloomberg, CMBIGM estimates

Zoomlion (1157 HK) – Emerging market remains the growth driver

Rating: BUY | **TP:** HK$6.8 (26% upside)

Analyst: Wayne Fung

- **Investment Thesis:** We continue to like Zoomlion's global expansion strategy. On the product side, the offering of a full range of machinery through an effective direct sales model enables Zoomlion to penetrate different key markets overseas. On regions, the priorities on emerging economies such as the Middle East, Middle Asia and Southeast Asia over Europe and North America make it subject to less geopolitical and tariff-related risks. We see the H-share buyback as near-term catalyst.

- **Our View:** Market has generally been concerned about the higher tariffs in the US. We see limited risk of tariffs as the US accounts for only <1% of total sales at present. The annual designed output value of Zoomlion's Mexico AWP plant is ~RMB1bn (~2% of Zoomlion total sales assuming full utilisation). Products from the Mexico plant will be supplied to both North and South America. We expect Zoomlion to shift the sales to other regions in case of any unreasonably high tariff imposed by the US.

- **Where do we differ vs consensus:** Our earnings forecast in 2024E/25E is 0%/-8% versus consensus. We are more conservative on the assumptions of China sales.

- **Catalysts:** (1) continuous share buybacks; (2) further increase in overseas sales; (3) stabilization of property-related machinery sales in China.

- **Valuation:** Our H-share TP of HK$6.8 is based on 13x 2024E P/E, 40% to our A-share TP (RMB10.5, based on 22x 2024E P/E that is equivalent to the peak valuation in 2021).

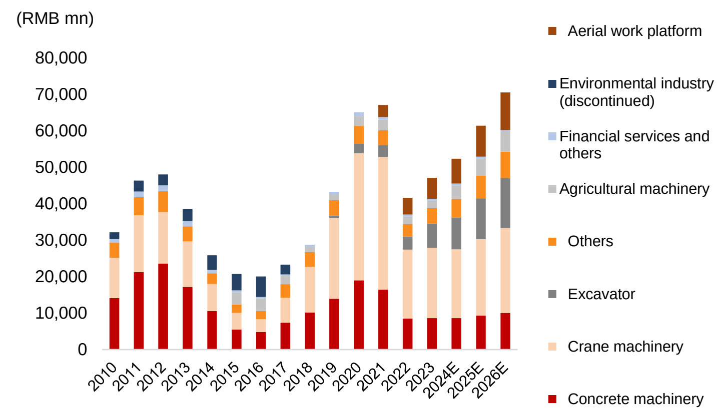
Link to latest report: Capital Goods – A good start for earth-moving machinery sales in Jan 2025

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	47,075	52,384	61,449	70,524
YoY growth (%)	13.1	11.3	17.3	14.8
Core net income (RMB mn)	3,550	3,946	4,488	5,132
Core EPS (RMB)	0.43	0.48	0.54	0.62
YoY growth (%)	54.9	11.2	13.7	14.3
Consensus EPS (RMB)	N/A	0.49	0.61	0.75
EV/EBIDTA (x)	9.5	8.2	7.2	6.3
P/E (x)	11.6	10.4	9.1	8.0
P/B (x)	0.8	0.8	0.7	0.7
Yield (%)	6.4	6.4	7.3	8.3
ROE (%)	6.4	6.9	7.7	8.5
Net gearing (%)	11.6	18.5	20.9	22.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIGM estimates

China Hongqiao (1378 HK) – A key beneficiary of tight aluminum supply

Rating: BUY | **TP:** HK$19.6 (60% upside)

Analyst: Wayne Fung

- **Investment Thesis:** On the back of tight global aluminum (Al) supply (capacity control in China & disruption of bauxite supply) but rising demand (growth of EV & solar power + stabilization of construction demand following the more supportive property policy in China), we forecast Al / alumina price to stay high in 2025E. We believe Hongqiao (~9% global market share in terms of Al output in 2023) is set to benefit from unit margin expansion, thanks to its vertically integrated model with overseas bauxite equity interest, captive power plant and high percentage of molten Al products.

- **Our View.** As a result of the easing supply of bauxite, the latest alumina prices (13 Feb) pulled back 40% from the peak in Nov 2024 but the average price in 2025 (YTD) still gained ~40% YoY. For Al, the average price YTD has still held up well (up ~6% YoY). We maintain our view that the global deficit will be maintained in 2025 (due to the capacity cap in China), which will offer support to the Al price.

- **Where do we differ vs consensus:** Hongqiao announced in Dec 2024 that net profit in 2024E will surge 95% to RMB22bn. Our earnings forecast in 2025E is -10% versus consensus. We see upside to our forecast if the recent tight supply continues throughout 2025E.

- **Catalysts:** (1) potential supply disruptions; (2) faster-than-expected rate cuts in the US; (3) launch of more stimulus policies in China

- **Valuation:** Our TP of HK$19.6 is based on an 9.8x 2024E P/E, equivalent to 1.5SD above the historical average of 6x. Our above-average assumption is to reflect the potential industry upcycle.

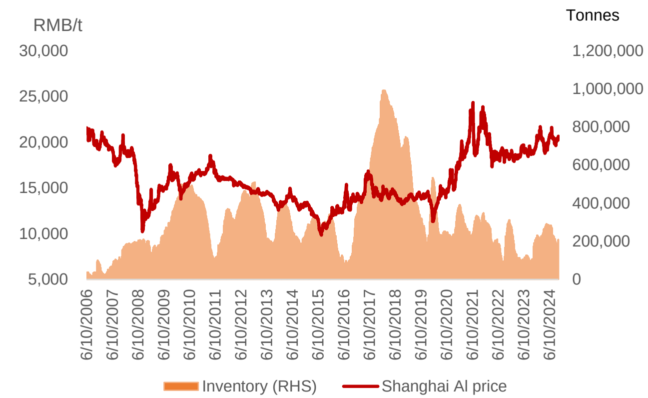
Link to latest report: China Hongqiao (1378 HK) – Expect higher ASP following China's stimulus

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	133,624	147,712	151,359	151,734
YoY growth (%)	1.5	10.5	2.5	0.2
Core net income (RMB mn)	11,461	17,613	19,007	19,160
Core EPS (RMB)	1.21	1.86	2.01	2.02
YoY growth (%)	29.3	53.7	7.9	0.8
Consensus EPS (RMB)	N/A	2.21	2.23	2.34
EV/EBIDTA (x)	5.8	4.3	4.1	4.1
P/E (x)	9.3	6.7	5.6	5.6
P/B (x)	1.2	1.1	0.9	0.9
Yield (%)	5.1	7.0	8.4	8.4
ROE (%)	13.0	18.3	17.8	16.2
Net gearing (%)	29.8	23.8	13.4	5.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Shanghai aluminium price



Source: Bloomberg, CMBIGM

Anta (2020 HK) – A beat in 4Q24 but a conservative outlook

Rating: BUY | **TP:** HK$126.68 (46% upside)

Analyst: Walter Woo

- **Investment Thesis:** Anta is the largest and leading Chinese sports brand group in China, with over 20% of market share. It is the owner of Anta, Maia Active, Arc'teryx and Solomon (thru Amer Sports) brands and FILA's business/ Descente/ Kolon's JV in China. As at Dec 2023, it had over 12,000 stores, and had generated sales of RMB62bn and net profit of RMB10bn in FY23. Growth drivers include: 1) Anta brand's reform, 2) FILA's new product launches, 3) rapid growth of the outdoor sports industry.

- **Our View:** We think the profitability in FY24E is intact and FY25E is constructive, and we expect both Anta and FILA's retail sales growth target to be set at HSD to 10%. For Anta, drivers include: 1) continual ramp up of various new store formats, 2) creating more new star products (likely to offer more value-for-money products like PG7). For FILA, factors are: 1) launch of a new batch of better designed products (just started in 4Q24), 2) further ramp up of many functional products (e.g. Tennis and Golf) and footwear, 3) speed-up in store revamps and 4) improvements in customer experience. And we are also optimistic about Descente, Kolon and Amer, which are all accretive for sales and net profit.

- **Where do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are -2%/ -0%/ +3% vs street, as we are more conservative about retail discounts and operating leverage in near term. (Need to flag that positives from Amer were not fully reflected yet).

- **Catalysts:** 1) better-than-expected Anta and FILA brand reform, 2) better performance from the outdoor industry, 3) more government stimulus.

- **Valuation:** We derive our 12m TP of HK$126.68 based on 23x FY25E P/E. We also think downside is protected with the share buyback programme (about 3% of market cap per year). The stock is now trading at 17x FY25E.

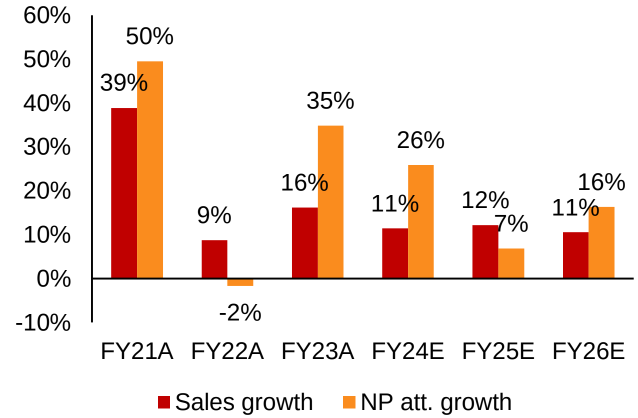
Link to latest report: [Anta Sports (2020 HK) - A beat in 4Q24 but a conservative outlook]

Financials and Valuations

(YE 30 Jun)	FY24A	FY25E	FY26E	FY27E
Sales (RMB mn)	62,356	69,483	77,930	86,144
YoY change (%)	16.2	11.4	12.2	10.5
Net profit (RMB mn)	10,234.0	12,885.6	13,772.5	16,020.1
EPS - Fully diluted (RMB)	3.650	4.600	4.920	5.720
YoY change (%)	34.7	25.9	6.9	16.3
Consensus EPS (RMB)	N/A	4.641	4.916	5.581
P/E (x)	21.4	17.0	15.9	13.6
P/B (x)	4.1	3.6	3.1	2.8
Yield (%)	2.5	2.5	2.9	3.4
ROE (%)	23.8	23.3	21.8	22.2
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Luckin Coffee (LKNCY US) – Unbeatable costs, branding and R&D power

Rating: BUY **| TP:** US$33.80 (12% upside)

Analyst: Walter Woo

- **Investment Thesis:** Luckin Coffee is the largest and fastest-growing coffee brand in China, with 16,248 stores, sales of RMB 24.9bn and net profit of RMB 2.85bn and a market share of 21.7% in FY23. On top of quality coffee, it also emphasizes digital engagement, convenience, and competitive pricing. Growth drivers include: 1) rapid store opening, 2) rise in ASP and new product launches, 3) further adoption of freshly made coffee and 4) higher purchase frequency from the young and wealthy people in lower-tier cities.

- **Our View:** We expect SSS decline to narrow in 4Q24 and a turnaround in FY25E, with gradual NP margin improvement, thanks to reasons like: 1) easing in competition, where Cotti's expansion has practically been halted and price war continues to fade out, leading to less discounts, which means SSSG may grow and GP margin may improve; 2) launches of various innovative and hit products, with some in new categories; 3) further cut in cost per cup, thanks to lower sourcing costs and better use of centralized processing factory; and 4) the improvement in OP margin, helped by tougher requirements imposed on store-level staff (e.g. higher sales volume, better on-time rates, less total labour hours).

- **Where do we differ vs consensus:** For FY25E/ 26E/ 27E, our net profit forecasts are +7%/ +6%/ +10% vs street as we are more confident in sales growth, but more conservative on GP margin and tax rate.

- **Catalysts:** Better-than-expected new products, store expansion, store efficiency and government stimulus.

- **Valuation:** We derive our 12m TP of US$33.8 based on 20x FY25E P/E. We believe its leadership in cost, brand equity, level of digitalization and its addictive, functional and staple product nature could fuel decent growth onwards. The stock is still cheap, as it is trading at around 18x FY25E P/E.

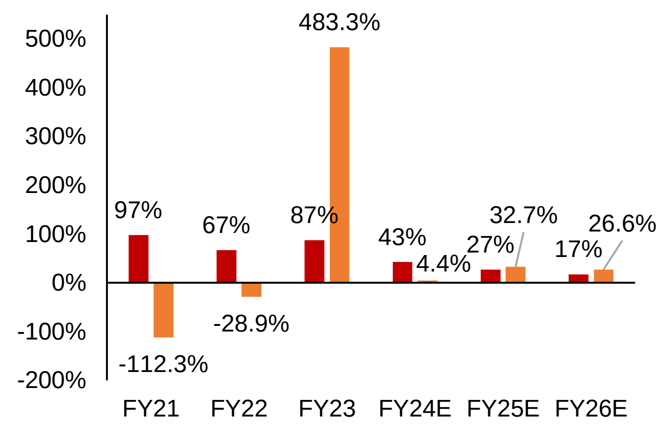
Link to latest report: Luckin Coffee (LKNCY US) - Unbeatable costs, branding and R&D power

Financials and Valuations

(YE 31 Mar)	FY23A	FY24E	FY25E	FY26E
Sales (RMBmn)	24,903	35,528	45,075	52,846
YoY change (%)	87.3	42.7	26.9	17.2
Net profit (RMBmn)	2,848	2,974	3,947	4,997
EPS - Fully diluted (RMB)	1.120	1.160	1.536	1.934
YoY change (%)	479.6	3.4	32.1	26.0
Consensus EPS (RMB)	N/A	1.159	1.573	1.903
P/E (x)	23.1	17.5	13.9	11.4
P/B (x)	5.4	4.2	3.2	2.5
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	26.6	26.9	26.1	24.8
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Yum China (9987 HK) – Constructive FY25E outlook and guidance

Rating: BUY | **TP:** HK$484.83 (27% upside)

Analyst: Walter Woo

- **Investment Thesis:** YUMC is the largest restaurant group in China by sales. It owned 14,644 stores in FY23 (10,296 KFC/ 3,312 Pizza Hut/ 1,036 other brands) and generated US$ 11.0bn sales and US$ 827mn net profit in FY23. In our view, it even benefited from pandemic, thru market shares gains and structural margin improvements, driven by: 1) innovative and successful product launches, 2) more automations and efficient use of labour, 3) smaller-sized stores and 4) less depreciation due to lower capex.

- **Our View:** Management disclosed the FY25E guidance: 1) MSD system sales growth, 2) favourable commodity price trend, 3) stable to improving OP margin. They also mentioned a positive SSSG during 2025 CNY. We are optimistic about such outlook, because of: 1) potential reduction in competition, 2) better SSSG, driven by about 2% ASP hike by KFC (not a drag in foot traffic given its highly value-for-money nature) and ASP cut by Pizza Hut (foot traffic may improve after massive menu price cut), opening of more K-Coffee and WOW stores, rollout of new products and various marketing campaigns, and 3) continual improvements in efficiency.

- **Where do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are +1%/ 0%/ +4% vs street as we are more conservative in sales but more confident on margins.

- **Catalysts:** 1) better-than-expected product launches, 2) further improvement in store economics, and 3) more policy stimulus.

- **Valuation:** Our new TP of HK$ 484.83 is based on 22x FY25E P/E (unchanged), still not demanding vs 5-year average of 25x. The stock is trading at about 17x 25E P/E. Highly attractive given the generous cash return programme, accounted for about 8% of current market cap .

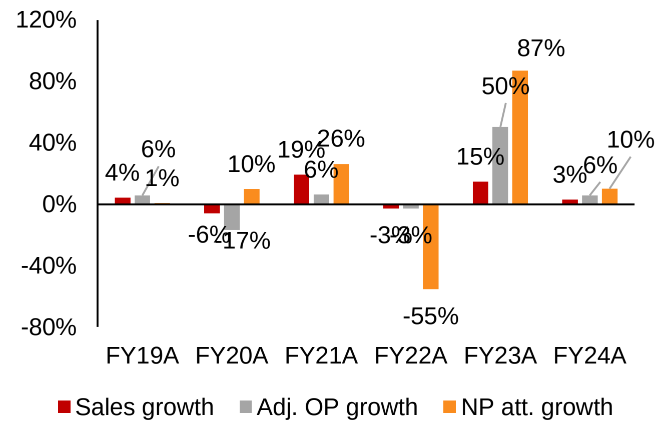
Link to latest report: Yum China (9987 HK) – Constructive FY25E outlook and guidance

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	10,978	11,304	12,300	13,171
YoY change (%)	14.7	3.0	8.8	7.1
Adj. net profit (RMB mn)	827	910	991	1,053
EPS - fully diluted (RMB)	1.97	2.22	2.642	2.955
YoY change (%)	89.3	12.9	18.8	11.9
Consensus EPS (RMB)	N/A	2.22	2.49	2.82
P/E (x)	24.0	20.2	16.7	15.3
P/S (x)	2.9	2.5	2.3	2.0
Yield (%)	1.1	1.5	1.6	1.8
ROE (%)	11.6	13.5	14.4	14.0
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Proya (603605 CH) – Best earnings among peers, strong momentum sustained

Rating: BUY **| TP:** RMB133.86 (58% upside)

Analysts: Miao Zhang/ Bella Li

- Proya's 2Q24 results beat consensus with revenue/net profit +41%/37% YoY (1H24 revenue/net profit +37.9/40.5% YoY), mostly contributed by the accelerated sales growth of main brand to 37.7% YoY. The earnings ranked the top among peers. 1H24 GPM dropped by 0.7 ppt. and steadied at 69.8%, accompanied by the 3 ppt. increase in selling expense ratio to 47%, due to the prolonged 618 promotion cycle, continuous rise in unit cost of livestream marketing, and high e-commerce return rate. Full-year guidance wise, the company aims to maintain GPM at ~70% and maintain the NPM in a slight upward trend.

- **Hero SKUs outperform consistently benefiting earnings.** Proya continued to consolidate the "hero product strategy", 1H24 image promotion fees +50% YoY and selling expense ratio hiked 3 ppt. YoY to 46.7%. Thanks to the hero products that powered up re-purchase rates on both Tmall and Douyin (now at 40%+ and 30%+, respectively) and its contribution of revenue further increased to 57%, up from 55% in 1Q23. Considering the high margin of hero products, we see both the top line and bottom line growth to remain intact for 2024E. Amid the challenging landscape, the company's priority of achieving steadfast market share in the upcoming 11.11 may increase marketing expense ratio in 2H, given Douyin's unfavourable mechanism and the high return rate circumstance broadened.

- **Visible sustainability of sub-brand growth.** The skincare segment reported +37% YoY revenue growth on a relatively high base, while both make-up and body & hair segment achieved growth exceeding 42% YoY, demonstrating the all three major BUs are now on track of sustainable growth. Meanwhile, management reaffirmed the overseas expansions plans on major sub-brands, especially TIMAGE and Hapsode. Looking forward, we believe that the readied products portfolio targeting wide price ranges and the experienced BU management team should provide solid support to overseas' steady growth.

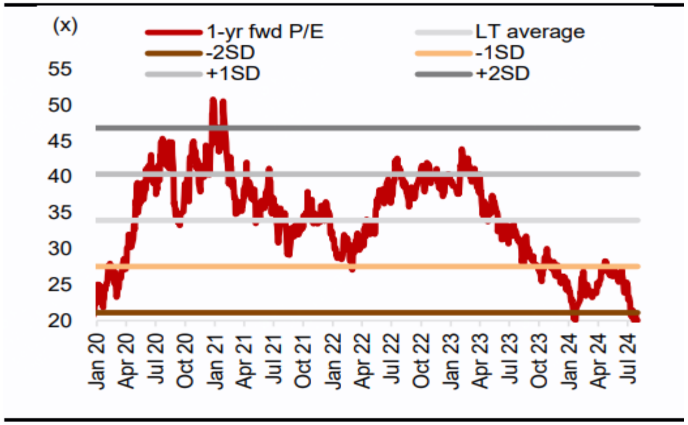
- **Valuation.** Maintain BUY with TP of RMB 133.86, based on 35x 2024E P/E.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	6,385	8,905	11,702	14,628
YoY growth (%)	37.8	39.5	31.4	25.0
Net income (RMB mn)	817.4	1,193.9	1,518.0	1,893.4
EPS (RMB)	2.06	3.01	3.83	4.77
YoY growth (%)	40.9	46.1	27.2	24.7
Consensus EPS (RMB)	N/A	N/A	3.89	4.74
P/E (x)	41.7	28.5	22.5	18.0
P/B (x)	9.6	7.7	6.4	5.3
Div yield (%)	0.7	1.6	2.0	2.6
ROE (%)	25.5	30.3	31.8	33.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

CR Beverage (2460 HK) – A purified water pioneer evolving into integrated beverage titan

Rating: BUY | **TP:** HK$18.84 (64% upside)

Analysts: Miao Zhang/ Bella Li

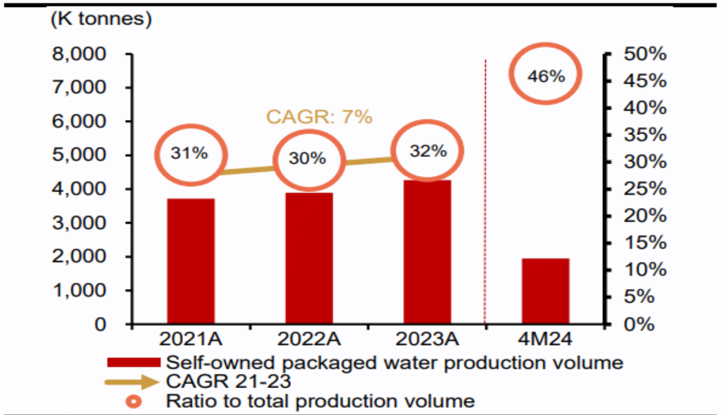
- The company secured its position despite the deteriorated environment with share edged down by 1.37% in Sep 23-Aug 24 (vs. -3.52%/-3.98% for Nongfu/Ganten). We like the company's due to its 1) solid position in the purified water market, 2) the soon-to-take-off second growth curve backed by herbal tea drinks and functional beverages, 3) potential improvement in efficiency driven by self-owned capacity and national expansion, 4) being the only central SOEs within the sector. We initiate coverage with BUY and TP of HK$18.84, reflecting 22x 2025E P/E.
- **Second growth curve poised to surge.** Company's beverage business grew fast at a revenue/GP CAGR of 43/55% from FY21-23 driven by strategic emphasis on cultivating products in niche segment. We expect CAGR of segment rev./GP to reach 44/43% from FY23-26E given that: 1) one of its tea products dominated the chrysanthemum tea market (mkt share of 38.5%) in 2023 according to CIC. We expect sales volume to surge, matching the trending culinary-medicinal fusion; 2) company's sports label fertilizes market for functional drinks. Leveraging its strong sports marketing legacy as the official hydration partner for China's national teams, the company creates an ideal platform for launching sports beverages.
- **Northward expansion fuels revenue upsurge and market share gains.** The company has a strong foothold in southern (notably the Pearl River Delta) and eastern territories (contributed 59% of revenue), and eyes to tap into underdeveloped markets in northern regions. By 4M24, the northern region's distributor base expanded by 14% from 2023, fuelling a 12.9% YoY revenue uptick, against a 5.3% total revenue rise, boosting its contribution to 26% (vs 23.8% in 2023). We think northward expansion in low-base regions may sustain revenue growth and support market share gains.
- **Valuation.** Initiated BUY with TP at HKD 18.84, reflected 22x 2025E P/E, that derived from 1) 15% discount on 23x 2025E P/E of key peers in RTD industry to reflect the company's less beverage exposure; 2) 10% premium since the company is the only central SOEs in the sector. On a 2023-2026E rev./NP CAGR of 7.2/19.3%, Our TP arrived at HK$18.84. Key risks: 1) economic downturn, 2) price war, 3) food quality and safety risks, 4) raw material price hikes.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	12,623	13,515	14,344	15,334
YoY growth (%)	11.3	7.1	6.1	6.9
Net income (RMB mn)	989.8	1,329.3	1,617.7	1,931.6
EPS (RMB)	0.49	0.66	0.67	0.81
YoY growth (%)	15.3	34.3	21.7	19.4
Consensus EPS (RMB)	N/A	N/A	0.70	0.82
P/E (x)	25.0	18.6	18.3	15.4
P/B (x)	4.2	3.4	2.2	2.4
Div yield (%)	0.0	0.0	2.2	2.6
ROE (%)	19.5	21.3	16.3	15.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Self-owned water production volume



Source: Company data, CMBIGM estimates

BeOne (ONC US) – Inflection point arrives: operating breakeven in 2025E

Rating: BUY **| TP:** US$282.71 (22% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** BeOne is on track to achieve GAAP operating income breakeven in FY25. Excluding share-based compensation and D&A impacts, non-GAAP operating profit in 3Q24 reached US$66mn. This marks the second consecutive quarter of non-GAAP profitability. Additionally, BeOne achieved a milestone by generating operating cash inflows of US$188mn during 3Q24, being the first time for the Company to report positive quarterly operating cash flow. Looking ahead, BeOne plans to provide full-year guidance for both revenue and profitability during its FY24 earnings call in Feb 27th.
- **Our View:** Global sales of zanubrutinib reached US$690mn in 3Q24, with its share in the global BTKi market increasing to ~25%. In the US, zanubrutinib is currently the No.1 BTKi in new patient prescriptions for both 1L and R/R CLL. We expect zanubrutinib to continue gaining market share in the US$12bn global CLL market. BeOne is able to expand its hematology franchise with potential BIC Bcl-2 inhibitor and BTK CDAC. Ph3 trial of zanubrutinib + sonrotoclax vs venetoclax + obinutuzumab in 1L CLL is nearing full enrollment. Ph2 data for sonrotoclax in R/R MCL (global) and R/R CLL (China) are expected in 2H25, potentially leading to NDA filings. For BGB-16673 (BTK CDAC), BeOne is also preparing to start a head-to-head trial of BGB-16673 in 2L CLL vs pirtobrutinib in 2H25, demonstrating the Company's confidence in the drug's superiority vs pirtobrutinib.
- **Where do we differ**: Expect rich data readouts from early-stage assets. BeOne introduced 13 new molecules into clinic in 2024. PoC data for BGB-43395 (CDK4i) is anticipated in 1H25, followed by PoC data for other assets in 2H25, including a PanKRAS inhibitor, B7-H4 ADC, EGFR CDAC, IRAK4 CDAC, and B7-H3 ADC. In particular, BGB-43395 has shown preliminary clinical responses with a favourable safety profile. In a Ph1 study, BGB-43395 exhibited only 3.1% grade≥3 neutropenia, significantly lower than 18.2% of atirmociclib (CDK4i, Pfizer), 66% of palbociclib (CDK4/6i, Pfizer), 62% of ribociclib (CDK4/6, Novartis), and 19-32% of abemaciclib (CDK4/6i, Eli Lilly). The Company is planning Ph3 studies for 1L and 2L HR+ breast cancer, with the 2L Ph3 trial to start as early as 4Q25.
- **Valuation:** We derive our target price of US$282.71 based on DCF valuation (WACC: 9.32%, terminal growth rate: 3.0%).

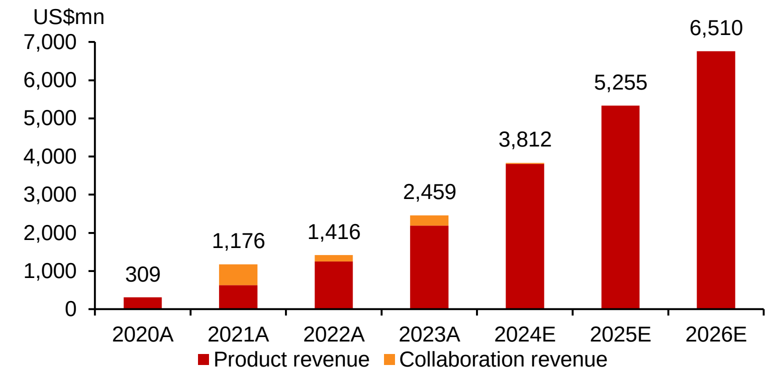
Link to latest report: BeOne (ONC US)- Inflection point arrives: operating breakeven in 2025E

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (US$ mn)	3,812	5,255	6,510
YoY growth (%)	55%	38%	24%
Net loss (US$ mn)	(600)	52	674
EPS (US$)	(5.66)	0.49	6.36
Consensus EPS (US$)	(4.29)	0.04	4.48
R&D expenses (US$ mn)	(1,948)	(1,997)	(2,083)
SG&A expenses (US$ mn)	(500)	(200)	(200)
Capex (US$ mn)	3,812	5,255	6,510

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

WuXi AppTec (603259 CH) – Earnings recovery underway; Positive on valuation re-rating

Rating: BUY **| TP:** RMB78.51 (27% upside)

Analysts: Jill Wu/Benchen Huang

- **Investment Thesis:** WuXi AppTec is a world leading pharmaceutical R&D and manufacturing platform which provides one-stop services with quality and efficiency for global clients. With capabilities covering all stages of drug R&D, WuXi AppTec has built close partnerships with a wide range of customers in the world, including all global Top20 pharmaceutical companies, positioning the Company as an indispensable part to the global pharmaceutical industry.

- **Our View:** 1) Geopolitical risks largely diminished. The legislative failure of the Biosecure Act (S.3558 & H.R.8333) in the 118th U.S. Congress reflects the resistance encountered by the legislation within the U.S. congress. We believe that future legislation will continue to face significant obstacles, considering that several senior politicians who had publicly opposed the Act will hold important positions in the next Congress. 2) Overseas peers struggle to compete with Chinese chemical CDMOs in the medium term. Competitors from Europe, U.S., and India engaged in API and chemical CDMO services significantly trail WuXi AppTec in terms of business scale and capacity. 3) Earnings recovery underway. As of 3Q24, WuXi AppTec's backlog climbed to RMB43.82bn, representing a YoY increase of 35.3%. Specifically, TIDES backlog as of 3Q24 saw a substantial YoY increase of 196%, acting as the strongest growth driver for the Company through 2026. Additionally, the expected recovery of global biotech funding is set to boost the demand for WuXi AppTec's early-stage R&D services, which accounted for ~37% of total revenue in 2023.

- **Where do we differ vs consensus:** Our FY25E/26E revenue and adjusted EPS forecasts are higher than the consensus, reflecting our positive view on the Company's long-term growth visibility and competency in global market. We think that WuXi AppTec will continue to mitigate geopolitical risks on its business with its global manufacturing network covering China, U.S., Switzerland, Germany and Singapore.

- **Valuation:** We derive our target price of RMB78.51 based on DCF valuation (WACC: 9.42%, terminal growth rate: 2.0%).

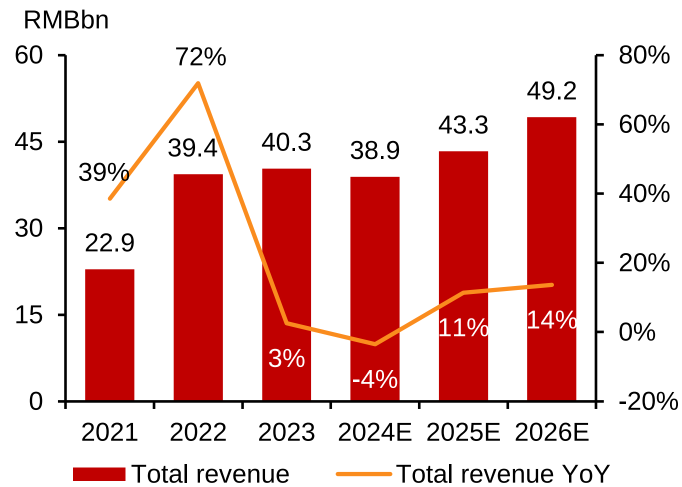
Link to latest report: 药明康德 (603259 CH) - 生物安全法案大概率立法失败，看好估值修复

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (RMB mn)	38,906	43,332	49,225
Revenue YoY growth (%)	(3.6)	11.4	13.6
Adjusted net income (RMB mn)	10,427	11,668	13,474
Adjusted net income YoY growth (%)	(3.9)	11.9	15.5
Adjusted EPS (RMB)	3.61	4.04	4.67
EPS YoY growth (%)	(2.4)	11.9	15.5
Consensus EPS (RMB)	3.34	3.74	4.14
P/E (x)	16.1	14.4	12.5
P/B (x)	2.9	2.5	2.2
ROE (%)	16.6	16.3	16.6
Net gearing (%)	Net cash	Net cash	Net cash

Source: Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK) – Solid NBV uptick with strong bottom-line increase

Rating: BUY **| TP:** HK$35.5 (43% upside)

Analyst: Nika Ma

- **Investment Thesis:** We expect full-year NBV growth to land at 36.2%/11.2% in FY24/FY25E, with NBV growth in each channel steadied after the surge in FY24. We see this exceptional NBV growth in FY24 to be driven by 1) resilient margin expansions in bancassurance, of which we estimate the channel's 2H24 NBV margin to rise to 13% on a like-for-like basis (vs 1H24: 12.5%); and 2) sales on par products to continue riding in momentum, which will further enhance agency NBV margin over the long run. For agency channel, we expect the NBV margin to maintain at a level around 30% in FY24/FY25E. Despite margin improvement, we expect first-year premiums (FYP) to slightly slip in FY24 and will return to an incremental advance in FY25/FY26E, after the consumption of effect of PIR cuts. We remain positive on CPIC's proactive A/L duration mgmt. through OCI asset allocations and expect its allocations to HDY stocks under FVOCI to increase in FY24 (vs 1H24:1.9%). We forecast FY24-26E EPS to be RMB 4.58/4.25/4.60.
- **Robust FY24 NBV growth.** 3Q NBV surged 75.3% YoY to RMB5.2bn, driven by margin expansion (+6.2pct) and rebounded regular-paid new sales (+15.2%). We estimate the NBV margin could rise to around 19% in 2H24 (vs 2H23: 13%), enhanced by approx. 6pct year-over-year. We attribute the margin improvement to 1) elevated par sales that are entitled to the absorption effect on interest rate volatility and 2) strengthened regular-paid new sales, evidenced by the FYRP increases in agency (3Q24: +37%) and bancassurance (9M24: +23.2%). Total FYRP surged 1.38x YoY to RMB18.5bn in 3Q24, leading to the rebound of FYP by 15% YoY (vs 2Q24: -29%). We expect full-year NBV to sustain solid growth by +36% YoY (*CMBI est*), thanks to improved UW and rebalanced product mix.
- **Valuation:** The stock is trading at 0.32x FY25E P/EV and 0.8x FY25E P/BV. We remain positive on the insurer's NBV margin increase on top of an improved underwriting channel and product mix. Maintain BUY, with TP of HK$35.5, implying 0.5x FY24E P/EV and 1.2x FY24E P/BV.

Links to latest reports:

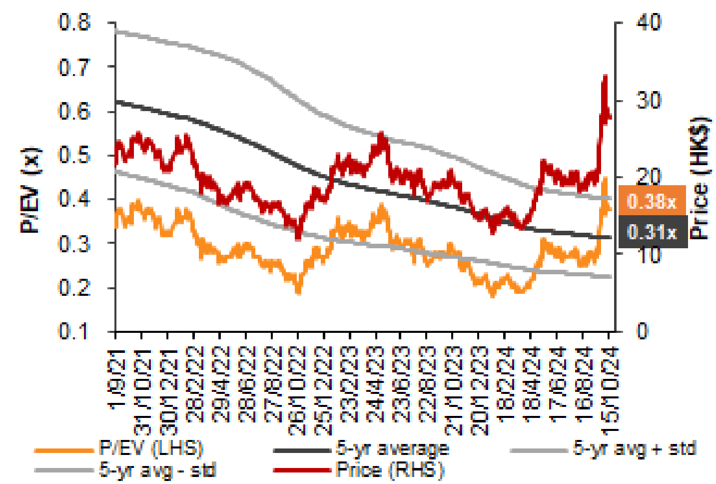
1. CPIC (2601 HK) - 3Q NBV growth accelerated; expect par sales to outgrow
2. 中国保险 - 2025展望：拨云见日终有时，价值增长曙光现

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	27,911	44,870	41,687	45,132
EPS	2.83	4.58	4.25	4.60
Consensus EPS	n.a	4.60	4.23	4.65
Group EV / share (RMB)	55.0	64.0	69.9	76.5
P/EV (x)	0.41	0.35	0.32	0.29
P/B (x)	0.87	0.82	0.75	0.67
Dividend yield (%)	4.5	4.7	4.9	5.4
ROE (%)	12.2	17.1	14.7	14.4

Source: Company data, Bloomberg, CMBIGM estimates

CPIC (2601 HK) – P/EV valuation band versus stock price



Source: Bloomberg, CMBIGM estimates

PICC P&C (2328 HK) – Resilient defensive play; full-year COR could be met

Rating: BUY | **TP:** HK$14.0 (5% upside)

Analyst: Nika Ma

- **Investment Thesis:** Auto premiums rebounded in 4Q by up 6.4% YoY (vs 3Q24: +4.6%) surpassing major peers whereas Ping An P&C and CPIC P&C's auto premiums were +6.0%/+4.8% YoY in 4Q24. We expect the auto premium growth momentum to sustain in 1H25, underpinned by the recovery of domestic retail passenger car sales under the "trade-in" policy. We maintain our forecast on auto premium growth at 5.0% in FY25E. Despite non-auto premium plummeted 31% YoY in Dec-24 exceeding market expectations, we see the drag on agriculture (-176%), liability(-19%) and credit insurance(-35%) was to some extent due to seasonality, which could set up a low base for growth in FY25. We maintain our FY24/FY25E CoR at 97.7%/97.6%, with auto and non-auto CoR at 96.6%/99.6% in FY24 and 96.4%/99.6% in FY25 respectively. Looking ahead, we expect ticket size of auto insurance to stabilize with a more benign competitive landscape and increasing penetration of NEVs, which could enhance the pricing in product mix.
- **Intact dividend growth focusing on DPS.** The insurer used to peg dividends to net income, and has maintained >40% payout for over five years. Given the surge of 3Q bottom-line mostly driven by the fair value increases, we think the insurer will focus more on the absolute value growth of DPS, rather than to rigidly stabilize on the payout. We project FY24 bottom-line to grow 30% YoY to around RMB 32bn, and dividend yields could be at 4.7%/4.9% in FY24/25E respectively.
- **Valuation/risks.** The stock is now trading at FY25E 1.0x P/BV with 12.6% ROE, based on our estimation. We think improved UW profitability and the defensive nature of the P&C forerunner could underpin long-term sustainable value growth. Maintain BUY, with TP of HK$14.0, based on 1.09x FY24E P/BV.
- **Downside risks:** deteriorated CoR; weaker-than-expected vehicle sales; and increased stock market volatilities, etc.

Links to latest reports:

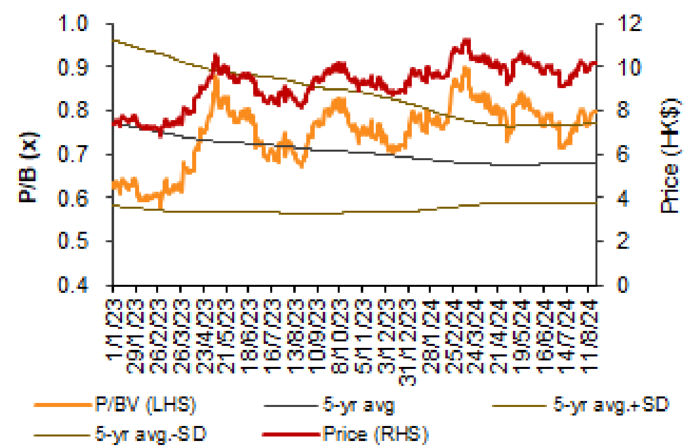
1. PICC P&C (2328 HK) - 3Q CoR miss dragged by non-auto claims
2. 中国保险 - 2025展望：拨云见日终有时，价值增长曙光现

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	24,566	31,946	33,072	34,596
EPS (RMB)	1.11	1.44	1.49	1.56
Consensus EPS (RMB)	n.a	1.44	1.46	1.58
Combined ratio (%)	97.8	97.7	97.6	97.4
P/B (x)	1.2	1.1	1.0	1.0
Dividend yield (%)	4.0	4.7	4.9	5.1
ROE (%)	10.8	13.1	12.6	12.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC P&C: share price and P/B herald price growth



Source: Bloomberg, CMBIGM estimates

Tencent (700 HK) – Strong competitive edges drive steady earnings growth

Rating: BUY **| TP:** HK$525.0 (6% upside)

Analysts: Saiyi He/Wentao Lu/Frank Tao

- **Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. We expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization opportunities and support GPM expansion; 2) games revenue growth to further accelerates in 4Q24E, backed by monetization revamp of key legacy titles and incremental contribution of new games like *DnF Mobile*; 3) enhancing shareholder return, with total share repurchase amount more than doubled to >HK$100bn (c.3% of mkt cap).
- **Our View:** We are upbeat on Tencent 4Q24E earnings growth outlook, supported by the reacceleration of games revenue growth and incremental revenue contribution from high-margin businesses (e.g. Video Account and Mini Games). In the longer term, China's potential policy stimulus to boost economic and consumption may benefit Tencent's FBS and advertising business. Despite the recent rally, Tencent current valuation of 15x FY25E PE remains attractive given its earnings growth outlook and shareholder return.
- **Catalysts:** 1) enhanced Video Account monetization supports better-than-expected revenue growth and GPM expansion; 2) DnF Mobile and international game business drive stronger-than-expected game revenue growth in 4Q24E; 3) increasing share repurchase and dividend to enhance shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$525.0, comprising HK$202.9/30.4/102.6/84.5/22.6 for games/SNS/ads/Fintech/cloud business and HK$13.3/68.8 for net cash/strategic investments.

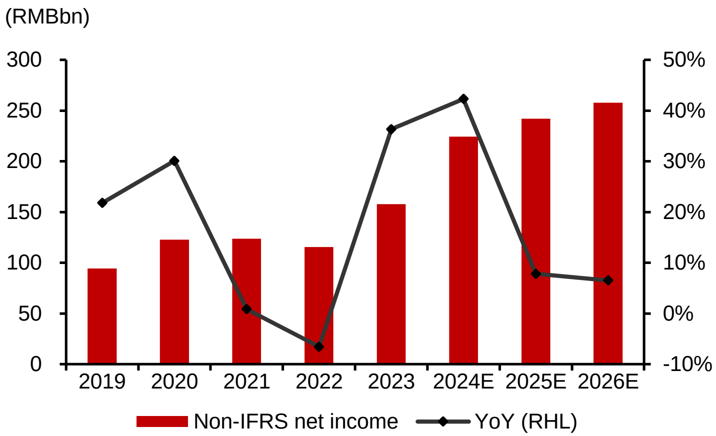
Link to latest report: Tencent (700 HK) - Higher consumer internet revenue contribution boosted margin

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	655,999	708,019	757,848
Gross margin (%)	48.1	53.2	53.7	54.3
Adj. net profit (RMB mn)	157,688.0	224,393.7	241,928.8	257,732.6
EPS (Adjusted) (RMB)	16.66	23.17	24.98	26.61
Consensus EPS (RMB)	16.66	22.41	24.73	27.39
Non-GAAP P/E (x)	24.4	17.6	16.3	15.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

NetEase (NTES US) – New game product cycle support business and valuation recovery

Rating: BUY | **TP:** US$125.5 (21% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

- **Investment Thesis:** NetEase's is currently trading at 13x FY25E PE, which is a 2-year low, pricing in short-term headwind and offers attractive risk-reward. The launch of *Marvel Rivals* in Dec 2024 achieved initial success with the peak number of concurrent active users surpassing 600k on Steam. The launch of *Where Winds Meet* was largely in line with expectation. We expect the successful launch of the two highly-anticipated titles to support the fundamental and valuation recovery of NetEase in 2025E

- **Our View:** NetEase 3Q24 financial results is largely inline with our expectation: total revenue declined by 4% YoY and operating profit was down by 5% YoY to RMB7.15bn, mainly due to the high-base effect and softer-than-expected performance of certain new game titles. We expect the launch of *Marvel Rivals* and *Where Winds Meet* to be the key drivers of NetEase valuation and revenue growth in FY25E. The company also accelerated its pace of share repurchase in 3Q24, during which 6.3mn ADSs were repurchased for a total cost of US$543mn (+98% QoQ, representing c.1% of market cap as of 14 Nov).

- **Catalysts:** 1) launch of *Marvel Rivals* and *Where Winds Meet*; 2) offline technical test for its highly-anticipated ACG open-world title Project Mugen; 3) accelerating pace of share repurchase.

- **Valuation:** Our SOTP-derived TP is US$125.5, comprising US$118.4/0.7/3.2/1.5 for online games/Youdao/NetEase Cloud Music/innovative business and US$1.7 for net cash.

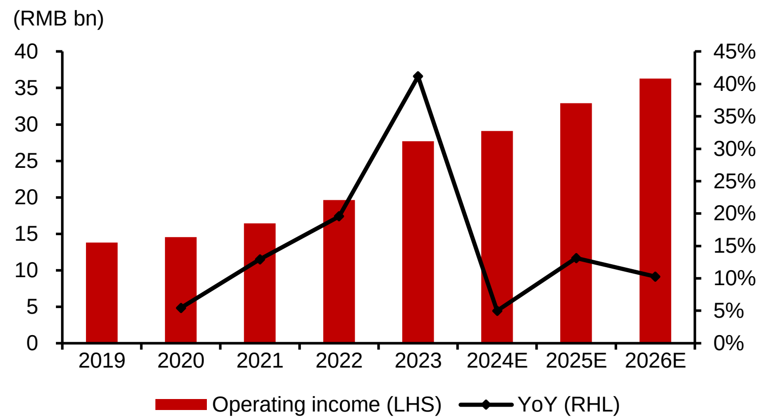
Link to latest report: NetEase (NTES US) - Eyes on new game launch in December

Financials and Valuations

(YE 31 Dec)	FY23	FY24E	FY25E	FY26E
Revenue (RMB mn)	103,468	106,020	113,155	119,557
Gross margin (%)	60.9	62.9	63.3	63.4
Adj. net profit (RMB mn)	32,608.3	32,527.9	35,318.7	37,537.9
EPS (Adjusted) (RMB)	50.69	50.15	54.45	57.87
Consensus EPS (RMB)	50.69	49.90	53.31	60.73
Non-GAAP P/E (x)	14.9	15.0	13.9	13.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Operating income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Increasing monetization; remains committed to investment to maintain market share

Rating: BUY | **TP:** US$132.2 (6% upside)

Analysts: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** 1) Alibaba's fundamental is on improvement track, evidenced by solid user growth and user engagement improvement, as well as solid footprint in international expansion; the potential increase in monetization rate aided by incremental technology services fee charged and the launch of new advertising products should drive better outlook on revenue and earnings growth; 2) Alibaba is enhancing shareholder return through a holistic approach (ie, share buyback, dividend payout, support strategically important new business growth to drive long-term shareholder value improvement), which should support valuation rerating combined with the impact from increase in southbound fund flow post stock connect inclusion; 3) cloud valuation is gradually recognized by the market, and Alibaba cloud is one of the leaders in China cloud market.

- **Our View:** Alibaba is on the right track to meet its previously settled targets of inline CMR and GMV growth and double-digit cloud revenue YoY growth in 2HFY25, in our view, and UE improvement of AIDC throughout FY25 is also in steady progress. Non-core businesses are on track to achieve profitability in 1-2 years' time. The stable and predictable shareholder return plan and incremental fund flow from southbound investors post stock connect inclusion both serve as support for valuation.

- **Where do we differ vs consensus:** We believe Alibaba is on the right track to drive GMV growth back in line with industry average. The improvement in core user engagement should in turn drive better merchant engagement and more ads spending over time, in our view. Also, we are more positive than consensus on cloud revenue growth outlook aided by the ramp up of AI GPU cloud revenue.

- **Catalysts:** 1) better than expected consumption recovery; 2) better than expected monetization improvement and adj. EBITA growth of Taobao & Tmall Group in 2HFY25; 3) positive regulatory update regarding fintech business.

- **Valuation:** SOTP based valuation of US$132.2, which translates into 13x FY25E PE.

Link to latest report: Alibaba (BABA US) – Results inline; solid execution towards achieving development goal

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	941,168	991,911	1,073,912	1,146,515
Adjusted net profit (RMB mn)	158,359.0	152,928.1	171,203.0	183,690.0
EPS (Adjusted) (RMB)	62.77	62.49	72.13	78.97
Consensus EPS (RMB)	na	62.32	69.78	75.90
P/E (x)	20.3	12.0	10.4	9.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (USDmn)	Valuation method	FY25E Rev (USDmn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. Rmb mn	Val. US$m	$/share	Value split
1	Taobao and Tmall Group	7.0x FY25E P/E; 20% tax rate on adjusted EBITA	61,567	21,278	7.0		1,072,387	148,943	61.7	47%
2	International Digital Commerce Group	1.5x FY25E EV/S	18,623			1.5	201,132	27,935	11.6	9%
3	Local Services Group	1.5x FY25E EV/S	9,327			1.5	103,423	14,364	5.9	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63.7% shareholding	15,128				47,380	6,581	2.7	2%
5	Cloud Intelligence Group	3.9x FY25E EV/S on revenue before intersegment elimination	16,030			3.9	444,351	61,715	25.6	19%
6	Digital Media and Entertainment Group	1.0x FY25E EV/S, inline with iQIYI trading EV/S	2,996			1.0	22,431	3,115	1.3	1%
7	All others	1.0x FY25E EV/S	28,048			1.0	191,850	26,646	11.0	8%
	Total Alibaba business						**2,082,953**	**289,299**	**119.8**	
INVESTMENTS										
1	Ant Group	Last round share buy back valuation; 33% share holding					187,143	25,992	10.8	
2	Others	Market valuation					121,656	16,897	7.0	
	Total investment (with 30% holding discount)								**12.4**	9%
	Total (US$mn)								**132.2**	
	#s of diluted ADS (mn)								2,415	

Source: Company data, CMBIGM estimates

Greentown Service (2869 HK) – Solid 1H24 against industry headwinds

Rating: BUY | **TP:** HK$6.13 (61% upside)

Analysts: Miao Zhang/ Bella Li

- Greentown Service's revenue/core OP went up 11/26% YoY in 1H24, in-line with/beating market expectations buoyed by a stable parentco, robust third-party expansion, and a diversified VAS business. Core OPM expanded 1.2ppts YoY to 9.8%, resulting from a +0.6ppt GP margin hike and a 0.6ppt decrease in SG&A ratio attributable to efficient cost control. Amid intensified competition in third-party expansion, the company delivered steady conversion from parentco projects to mitigate headwinds. Despite a challenging industry environment, it still anticipates core OP growth >20% & cash growth >15% in 2024E. We like Greentown Service for its high independence, stable parentco, diversified VAS business and recovering cash flow.
- **1H24 revenue in-line, earnings beat.** Greentown Service delivered 10.6%/25.8% YoY growth in revenue/core OP in 1H24 (core OP= GP-SG&A), with rev. in line and core operating profit beating market expectation. This performance was driven by 1) steady growth of 14.6% YoY in Basic PM revenue; 2) positive growth in VAS to both owners and non-owners against the negative trends among peers, attributed to its robust parentco and diversified VAS business; 3) efficient cost management leading to a 0.6ppt improvement in GPM and 0.6ppt cut in SG&A ratio, which combined enhanced core OPM by 1.2ppts. Greentown Service lifted the guidance from >15% to >20% for full-year core OP growth. And the share incentive plan requires 60% growth over the next 3 years.
- **Parentco GFA conversion mitigates third party competition pressure.** The net increase in managed GFA from Greentown Real Estate surged 227% YoY compared to -42% from third parties (Figure 2), leading to Greentown RE's contribution in managed GFA rising to 18.2% in 1H24 from 14.8%/15.7% in 1H23/FY23. Total managed GFA increased 16% YoY with new contracted value up 3%, representing a steady APS hike and solid conversion from reserved GFA.
- **Expect 15% cash growth in FY24E.** Broad cash balance reached RMB 4.3bn, down -12% YoY, due to 1) accounts receivable increasing 24% from end-2023 to RMB 6.3bn, impacted by economic headwinds affecting owners' payment capabilities and property fee collections concentrating at year-end, and 2) active share buybacks consuming funds. The company expects AR growth to decelerate in 2H24 and will continue with proactive share repurchases, anticipating a 15% YoY increase in cash on hand by the end of 2024.
- **Valuation:** Given Greentown Service's high independence, stable parentco, and diversified VAS business, we maintain BUY rating with TP of HK$ 6.13 to reflect a better outlook than peers'. The TP represents 25x 2024E P/E. Risks: AR impairment, intensified competition.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	14,856	17,393	19,364	21,838
YoY growth (%)	18.2	17.1	11.3	12.8
Net income (RMB mn)	547.5	605.4	724.6	867.7
EPS (RMB)	0.17	0.19	0.23	0.27
YoY growth (%)	(35.4)	11.7	19.7	19.7
Consensus EPS (RMB)	N/A	N/A	0.25	0.31
P/E (x)	17.8	15.9	13.3	11.1
P/B (x)	1.6	1.6	1.6	1.5
Yield (%)	3.0	4.5	5.3	6.3
ROE (%)	7.7	8.3	9.7	11.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Managed GFA breakdown

Managed GFA breakdown (mn sqm)	2021	2022	2023	1H22	1H23	1H24
Total	**304.1**	**381.4**	**448.4**	**349.3**	**414.5**	**481.7**
from Greentown RE	49.3	56.1	70.4	50.6	61.3	87.7
from third parties	254.8	325.3	378.0	298.7	353.2	394.0
YoY		*25%*	*18%*		*19%*	*16%*
from Greentown RE		*14%*	*26%*		*21%*	*43%*
from third parties		*28%*	*16%*		*18%*	*12%*
Mix %						
from Greentown RE	16%	15%	16%	15%	15%	18%
from third parties	84%	85%	84%	86%	85%	82%
Net increase of managed GFA	**53.6**	**77.3**	**67.0**	**45.2**	**33.6**	**33.3**
from Greentown RE	5.4	6.8	14.3	1.4	5.3	17.3
from third parties	48.2	70.5	52.7	43.8	27.8	16.0
YoY	*41%*	*44%*	*-13%*		*-26%*	*-1%*
from Greentown RE	*25%*	*25%*	*111%*		*281%*	*227%*
from third parties	*43%*	*46%*	*-25%*		*-37%*	*-42%*
Mix %						
from Greentown RE	10.1%	8.8%	21.4%	3.1%	15.7%	51.9%
from third parties	89.9%	91.2%	78.6%	96.9%	84.3%	48.1%

Source: Company data, CMBIGM

招銀国际 CMB INTERNATIONAL

Xiaomi (1810 HK) – Solid execution of "Human x Car x Home" strategy

Rating: BUY **| TP:** HK$32.70 (N/A)

Analysts: Alex Ng/ Hanqing Li

- **Investment Thesis:** Xiaomi is a global No.3 smartphone brand and smart hardware company connected by an IoT platform at its core. Xiaomi launched its first smart NEV in 2024, and we are positive on Xiaomi's unique "Human-car-home" ecosystem to drive NEV business upside.

- **Our View:** We are positive on Xiaomi's FY24/25E outlook, backed by smartphone global share gain, premiumization strategy, AIoT growth in expanding SKUs (tablets/wearables/home appliances) and smart EV business expansion. For smartphone, we expect Xiaomi's smartphone global market share gains to continue especially in China, Middle East, Africa and Southeast Asia. For Smart EV, Xiaomi revised up the FY24E annual delivery target to 130k units and its monthly delivery has exceeded 20k units in October. Looking ahead, we are positive on Xiaomi smartphones' global market share gains, new retail strategy execution, AIoT business growth momentum and EV shipment delivery to drive earnings growth into FY24E-25E. Overall, we expect Xiaomi's adj. net profit to grow 28%/25% YoY in FY24/25E.

- **Where do we differ vs consensus:** We are more positive on EV business profitability, other core business margin strength and operating efficiency improvement.

- **Catalysts:** Near-term catalysts include SUV model launch, smartphone/AIoT share gains, overseas store expansion and EV order/delivery/profitability updates.

- **Valuation:** Our SOTP-based TP of HK$32.7 implies 24.3x FY25E P/E, which reflects Xiaomi's business diversification with different growth profiles and visibility.

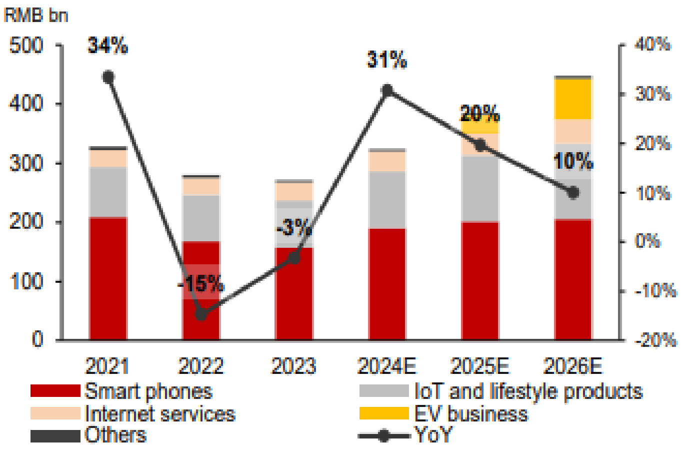
Link to latest report: Xiaomi (1810 HK)-3Q24E beat on stronger EV/core business margin; Solid execution of "Human x Car x Home" strategy

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	270,970	354,314	423,870	466,371
YoY growth (%)	(3.2)	30.8	19.6	10.0
Net profit (RMB mn)	19,273	24,667	30,736	36,107
EPS (RMB)	126.3	28.0	24.6	17.5
YoY growth (%)	0.77	0.99	1.24	1.46
Consensus EPS (RMB)	N/A	0.88	1.03	1.20
P/E (x)	53.1	41.3	33.2	28.2
P/B (x)	7.4	6.5	5.7	5.0
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	11.3	11.3	13.1	13.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Xiaomi's revenue trend



Source: Company data, CMBIGM estimates

FIT Hon Teng (6088 HK) – Upbeat 3-year guidance reaffirmed our positive view

Rating: BUY | **TP:** HK$4.79 (26% upside)

Analysts: Alex Ng/ Hanqing Li

- **Investment Thesis:** FIT Hon Teng is the global connector leader in PC, smartphone, datacenter and automobile. We expect FIT to continue benefiting from Voltaira/Auto-Kabel merger synergy, AI servers/networking (HS cables/ CPU sockets/DDR5 connectors) and AirPods ramp-up in FY25/26E. Following the announcement of a strong set of three-year guidance (FY25-27E) of 20% revenue CAGR and GPM/OPM target of 22%/8% by FY27E, we are confident that FIT will deliver revenue growth and margin expansion into FY27E, driven by AI server/AirPods product shipment, "3+3 strategy" execution and operating efficiency improvement.

- **Our View:** FIT is one of our top pick for H-share tech sector, due to its solid revenue growth, high earnings visibility and beneficiary of AI server cycle. We remain positive on FIT's FY25-27E outlook, backed by solid product roadmap and expansion of "3+3" strategy. In 2025, for AI server/ networking, we expect share gain upside from NVLink copper backplane, compute tray cables and GPU sockets as GB200/300 ramps up. For EV mobility, consolidation of Auto-Kabel will contribute meaningful revenue in FY25E. For AirPods, India plant will commence mass production in 1Q25E, and 2-3 more production lines will be added in 2H25E.

- **Where do we differ vs consensus:** Our FY25/26E EPS are 15%/22% above consensus, given stronger business outlook and better margin.

- **Catalysts:** Near-term catalysts include AI server product updates, AirPods shipment and Auto-Kabel M&A progress.

- **Valuation:** Our 12m TP of HK$ 4.79 is based on 14.1x FY25E P/E, given accelerated growth on the "3+3 Strategy" and profitability recovery.

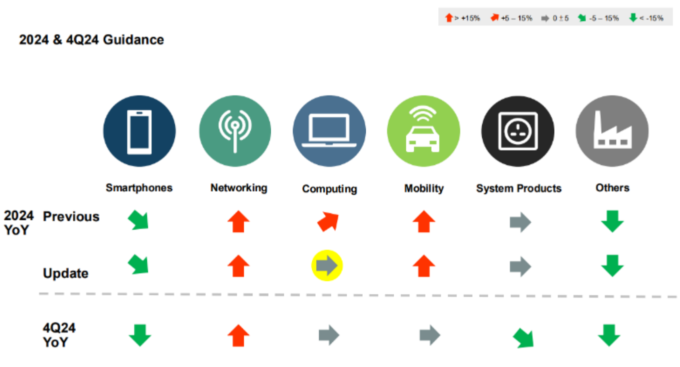
Link to latest report: FIT Hon Teng (6088 HK) - FY24E Preview: robust earnings recovery; Expect AI server momentum to drive re-rating

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,196	4,555	5,925	7,172
YoY growth (%)	(7.4)	8.6	30.1	21.0
Net profit (RMB mn)	129	179	309	406
EPS (RMB)	1.82	2.53	4.37	5.73
YoY growth (%)	(24.8)	38.8	72.8	31.1
Consensus EPS (RMB)	N/A	2.45	3.97	4.75
P/E (x)	26.4	19.0	11.0	8.4
P/B (x)	1.4	1.3	1.2	1.0
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.3	6.8	10.6	12.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 4Q24 revenue guidance



Source: Company data, CMBIGM estimates

BYDE (285 HK) – Positive on multiple growth drivers ahead

Rating: BUY **| TP:** HK$48.66 (N/A)

Analysts: Alex Ng/ Hanqing Li

- **Investment Thesis:** BYDE is a global leader in platform-based high-end manufacturing, focusing on smartphone/NB, new intelligent product, auto intelligent system and medical devices. Its major clients include Apple, Xiaomi, Huawei/Honor, BYD and other OEM brands. We believe BYDE will benefit from iPhone AI cycle, stable Android flagship demand, high-end NEV products and AI server momentum in FY25E.

- **Our View:** We estimate FY24E revenue/NP growth of 36%/13% YoY and 4Q24E revenue/NP growth of 46%/49% YoY. Looking into 2025, we are positive on BYDE's outlook: 1) Apple: share gains in iPhone's components, order in new iPad models, Jabil's enhanced efficiency; 2) Android: stable growth backed by China national smartphone subsidy; 3) Auto: strong product offerings to BYD, such as suspension, thermal management and high-end ADAS following BYD's CNOA launch on 24 Dec; 4) AI server: ramp-up of OEM and component business (liquid cooling, power, CDU); 5) Robotics: Nvidia-backed AMRs for factory automation..

- **Where do we differ vs consensus:** We are more positive on earnings synergies from Jabil's acquisition, iPad/iPhone cycles and AI server biz outlook.

- **Catalysts:** Near-term catalysts include Honor/Huawei/Xiaomi shipment, and NEV/AI server products mass production.

- **Valuation:** Our SOTP-based TP of HK$48.66 implies 15.5x FY25E P/E. We reiterate BUY given robust earnings CAGR of 31% in 2024-26E and business diversification.

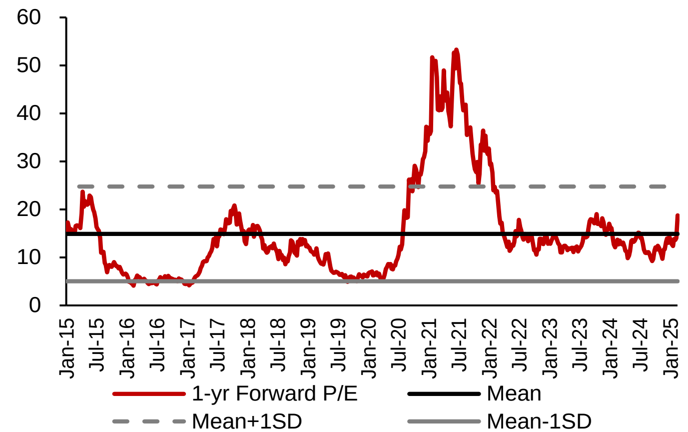
Link to latest report: BYDE (285 HK)- FY24E Preview: Riding on leading customers' growth momentum; Reiterate BUY

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	129,957	177,233	203,533	229,412
YoY growth (%)	21%	36%	15%	13%
Net profit (RMB mn)	4,041	4,550	6,436	8,100
EPS (RMB)	1.79	2.02	2.86	3.60
YoY growth (%)	118%	13%	41%	26%
Consensus EPS (RMB)	N/A	2.11	2.82	3.53
P/E (x)	29.9	26.5	18.7	14.9
P/B (x)	5.0	4.5	3.9	3.4
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	13.8	14.0	17.4	19.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIGM estimates

Innolight (300308 CH) – Solid AI infra. capex to drive FY25 results; Buy the dip

Rating: BUY | **TP:** RMB186 (59% upside)

Analysts: Lily Yang/ Kevin Zhang

- Innolight released its FY24 prelim. results. The company expects NP to go up by 111.6%-166.9% to RMB4.6bn-5.8bn. Mid-point value of RMB5.2bn implies 139.2% YoY growth and is largely in-line with consensus and our estimate (3.2%/1.4% below, respectively). We continue to view Innolight as a key domestic beneficiary amid the ongoing AI infra. investment cycle driven by resilient demand for more computing power globally. Recent additional AI spending developments (i.e., $60-65bn from Meta, $12bn from ByteDance, and up to $500bn Stargate project) show intensifying capex in AI. We also believe the recent fear of CPO solution becoming mainstream is overly concerned. Recent share price pullbacks provide excellent buying opportunities.
- **Catalysts**: **800G to be the main growth driver in 2025**, while 1.6T to ramp up sequentially. In FY24, Innolight saw strong demand for its 400/800G products with product mix leaning heavier towards 400G. **We anticipate a more favourable product mix with a higher portion of 800G sales in 2025, with additional contribution from 1.6T products.** Multiple major AI spending developments fuel AI infra. buildout momentum: 1) $500bn AI initiative Stargate Project in the next four years, 2) $60-65bn capex planned by Meta for 2025E, up as much as 70% YoY compared to 2024 (Bloomberg), largely driven by AI spending increase and deployment of a new datacenter. ByteDance also considered US$12bn in AI capex for 2025. Reliance is reported to build the world's largest datacenter. These spending sprees indicate that demand for AI compute power is still in full swing with robust outlook. AI networking products, such as optical transceivers, should continue to enjoy the AI tailwind.
- **Risks:** 1) China-US trade tensions, 2) rising raw material costs, and 3) weaker-than-expected ramp-up speed.
- **Valuation:** Maintain BUY, with TP at RMB186, reflecting 26.9x rollover 2025E P/E (previously 30x 2024E P/E).

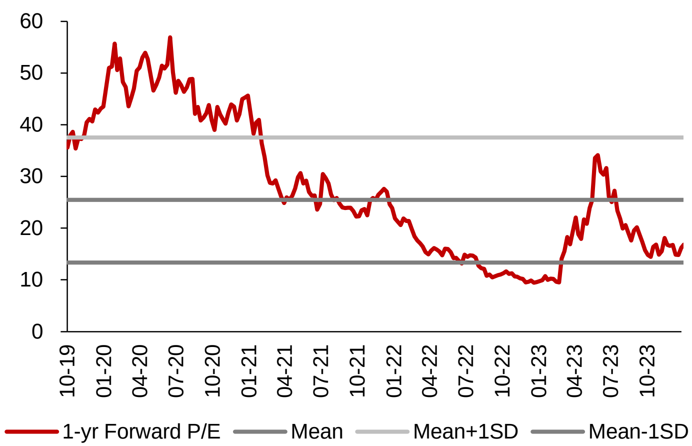
Link to relevant reports: Innolight (300308 CH) - Solid results despite supply chain constraints; expect for another strong year in 2025

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	9,642	10,718	24,269	34,149	41,026
YoY growth (%)	25.3	11.2	124.5	41.9	20.1
Gross margin (%)	29.3	33.0	33.3	32.3	31.4
Net profit (RMB mn)	1,224	2,174	5,471	7,906	9,589
YoY growth (%)	39.6	77.6	142.8	44.5	21.3
EPS (RMB)	1.10	2.00	4.81	6.95	8.43
P/E (x)	135.3	74.4	22.4	15.5	12.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Naura (002371 CH) – Semi localization theme to continue in 2025 amid escalating exports control

Rating: BUY | **TP:** RMB426.0 (0% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Naura released prelim FY24 results this week, with revenue expected to be in range of RMB27.6bn and RMB31.8bn, up 25%/44%. Mid-point revenue is expected to be RMB29.7bn (up 34.5%), lower than our/consensus forecasts of RMB30.9bn/RMB30.0bn by 3.8%/1.0%. FY24 NP is expected to be RMB5.2bn to RMB6.0bn, up 33%/53%. Mid-point NP is expected to be RMB5.6bn (up 43%), lower than our/consensus estimate of RMB5.8bn/RMB5.8bn by 4.2%/4.2%. FY24 NPM (mid-point) implies to be 18.8%, in line with our projection.
- **Our view:** Naura is our top pick for 2025. As geopolitical tension intensified, we remain positive for domestic SME suppliers on localization and expect the impact is mainly on the overseas side (est. US$9.4bn sales decline from China region for the top 5 overseas SME leaders, according to our analysis). Maintain BUY on Naura and TP is RMB426. We maintain our FY25/26E topline forecasts of RMB39.0bn and RMB48.4bn, suggesting 31%/24% YoY growth on top of the mid-point estimate of FY24.
- **Catalysts:** 1) Sooner-than-expected R&D breakthroughs; 2) stronger gov't support; 3) rapid recovery of end markets demand
- **Risks:** Potential risks include 1) worsening China-US trade relations, 2) heightened geopolitical tensions, 3) slower-than-expected R&D
- **Valuation:** Maintain BUY, with TP unchanged at RMB426, reflecting 30x rollover 2025E P/E (vs. prev. 35.8x)

Link to relevant reports:

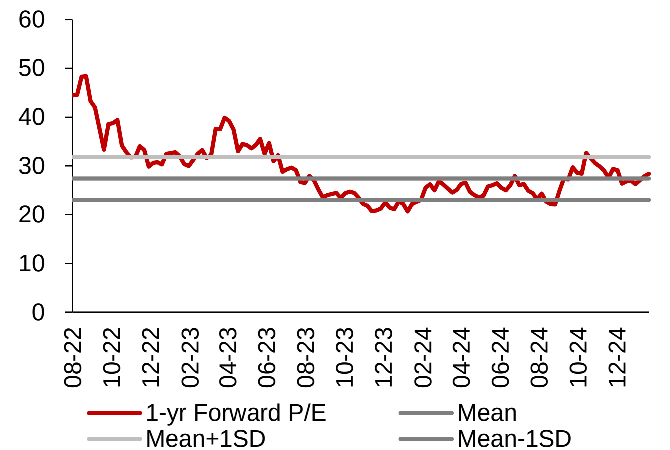
1. Naura Technology (002371 CH) - Solid Q3 earnings signal intact growth trajectory
2. Naura Technology (002371 CH) - Robust earnings with margin expansion; Maintain BUY
3. Naura Technology (002371 CH) - 1H24 profit alert points to solid 2Q results
4. Semi sector research - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	14,688	22,079	30,856	39,030	48,443
YoY growth (%)	51.7	50.3	39.7	26.5	24.1
Operating profit (RMB mn)	2,867	4,448	7,085	9,285	12,183
YoY growth (%)	131.9	55.1	59.3	31.0	31.2
Net profit (RMB mn)	2,353	3,899	5,806	7,547	9,873
YoY growth (%)	118.4	65.7	48.9	30.0	30.8
EPS(RMB)	4.46	7.36	10.9	14.2	18.6
P/E (x)	100.7	61.0	38.2	29.4	22.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Willsemi (603501 CH) – Benefitting from market share expansion and revenue growth from multiple end markets

Rating: BUY | **TP:** RMB130.0 (N/A)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Willsemi released FY24 prelim results. Rev. is expected to grow by 20.9% to 22.8% YoY to the range of RMB25.4bn to RMB25.8bn, driven by a higher penetration rate of CIS products in high-end smartphone market (smartphone CIS: 52% of CIS revenue in 1H24) and autonomous driving (AD) tech (auto CIS: 31%). Mid-point rev. was slightly below BBG consensus/our estimate by 3.2%/2.6%. Net profit is expected to be between RMB3.2bn and RMB3.4bn, up 468% to 504% YoY, which mgmt. attributed to market share expansion (11% of global CIS market in 2023 per Yole) and improved GPM (9M24/FY23: 29.6%/21.8%). Looking forward, we expect Willsemi to be a key beneficiary of 1) domestic consumer subsidy plan and 2) rapid expansion of several key markets, such as EVs (AD), edge AI (e.g. AI glasses, XR headsets), robotics (e.g. humanoid & industrial robots), etc.
- **Our view:** We forecast a 26% YoY increase in the company's CIS sales in 2025E, driven primarily by: 1) the continued penetration of EV domestically, leading to an increase in the number of cameras installed per vehicle, 2) the expansion of high-end smartphone CIS products (such as OV50H/OV50K40) in domestic smartphone brands; and 3) China's digital product subsidy policies, which boost consumer sentiment. In 1H24, auto and smartphone CIS revenue accounted for 24% and 40% of total revenue, respectively. We expect these two segments to grow 35% YoY and 23% YoY, respectively, in 2025E.
- **Risks:** Potential risks include 1) worsening China-US trade relations, 2) heightened geopolitical tensions, 3) slower-than-expected R&D.
- **Valuation:** Maintain BUY, with TP unchanged at RMB130, corresponding to 31.7x 2025E P/E.

Link to relevant reports:

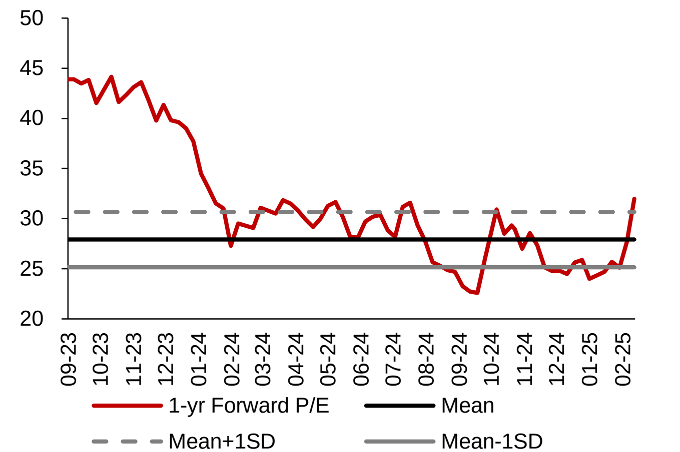
1. Willsemi (603501 CH) - Expect sequential improvement ahead
2. Willsemi (603501 CH) - 3Q results in line with gradual recovery
3. Willsemi (603501 CH) - Solid 1H24 results with continued recovery in CIS business

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	20,078	21,021	26,119	31,213	36,145
YoY growth (%)	(16.7)	4.7	24.3	19.5	15.8
Operating profit (RMB mn)	2,455.9	1,276.9	3,898.3	5,534.5	7,026.2
YoY growth (%)	(51.1)	(48.0)	205.3	42.0	27.0
Net profit (RMB mn)	990.1	555.6	3,373.8	4,706.3	6,075.2
YoY growth (%)	(77.9)	(43.9)	507.2	39.5	29.1
EPS(RMB)	0.84	0.47	2.83	4.11	5.37
P/E (x)	161.8	289.2	48.0	33.1	25.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Salesforce (CRM US) – Agentforce as the key catalyst

Rating: BUY | **TP:** US$410 (26% upside) Analyst: Saiyi He/Wentao Lu/Frank Tao

- **Investment Thesis:** Supported by Agentforce and Einstein, Salesforce is now one of the largest suppliers of enterprise AI in the world, with c.2tn Einstein transactions per week. We expect AI application to remain as the key investment theme in FY25 and Salesforce to be one of the key beneficiaries. The company's current valuation remains fair at 19x FY25E EV/EBITDA versus its peers and solid earnings growth outlook.
- **Our View:** Agentforce, Salesforce AI agent platform, saw strong demand after its launch in Oct, with over 200 Agentforce deals closed in 3QFY25. While most of the AI deals are still in the Service Cloud space, Salesforce plans to launch Agentforce 2.0 in Dec, which shall cover a wider spectrum of use cases and further unleash monetization opportunities. Enterprise AI transformation also boost demand for Salesforce's Data Cloud, which is the foundation to implement AI. Data Cloud is included in one-third of all the deals over US$1mn and 8 of the top 10 deals in 3QFY25.
- **Catalysts:** 1) Improved monetization of AI solutions and solid sales momentum of AgentForce 2.0; and 2) enhanced margin outlook on efficiency improvement.
- **Valuation:** Our target price is US$410.0 based on 24x FY25E EV/EBITDA. Our target EV/EBITDA is at a discount to the sector average (31x).

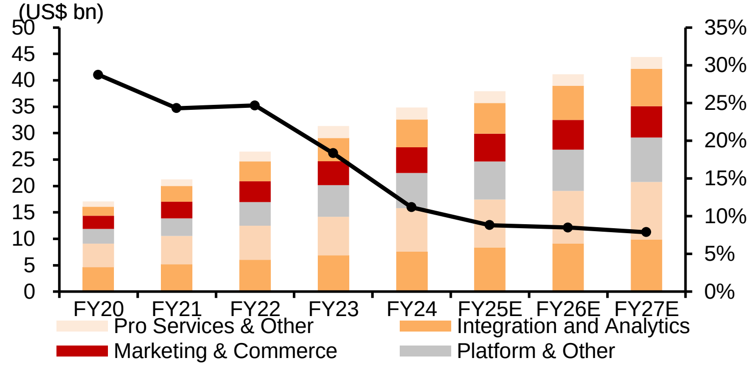
Link to latest report: Salesforce (CRM US) – Agentforce as the key catalyst

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	31,352	34,857	37,938	41,049	44,169
Adjusted NP (US$mn)	5,224.0	8,087.0	9,743.8	11,037.1	12,299.0
YoY growth (%)	12.1	54.8	20.5	13.3	11.4
EPS (Adjusted) (US$)	5.27	8.30	10.16	11.50	12.82
Consensus EPS (US$)	5.27	8.30	10.10	11.16	12.74
P/E (x)	62.6	39.7	32.7	29.6	25.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Salesforce: revenue and YoY



Source: Company data, CMBIGM estimates

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