

Haier Smart Home (6690 HK)

Outperforming by various self-upgrades

Maintain BUY on HSH-H, as we forecast 30% NP CAGR in FY20-23E vs 9% in FY17-20, driven by: 1) recovery in China and robust export growth, 2) various product and service upgrades, and 3) efficiency gain from digitalization and synergies. Our new TP of HK\$ 45.83 is based on 23x FY22E P/E (rolled over from 20x FY21E), in-line with leading China peer's avg. and 26% higher than Int'l peers' avg.. HSH-H's valuation is attractive at 15x FY22E P/E, vs HSH-A's 20x and Midea's 21x.

- **FY20 results beat.** Haier's net profit from con. business rose by 26% YoY to RMB 11.3bn, beating BBG/ CMBI est. by 10%/ 12%. The beat was due to: 1) Impressive opex control and 2) lower-than-expected finance costs.
- **Impressive fundamentals in 4Q20.** Domestic sales grew by 20% YoY in 4Q20 (excluding Cosmoplat), and accelerated from 16% YoY in 3Q20, thanks to digitalization (integrating inventory of 30K offline Haier stores with online platforms since 2H20). Organic growth for Fridge/ Washing machines/ AC/ Kitchen appliances/ Water heater were ~15%/ 10%/ 50%/ 20%/ 15% in 4Q20. Overseas sales growth also stayed fast at 17% YoY in 4Q20, vs 18% in 3Q20, thanks to robust stay home demand and better than peers localized factory productions. More importantly, OP margin rose by 3.6ppt to 6.5% in 4Q20.
- **Positive FY21 guidance following a decent 1Q21.** Management highlighted an encouraging demand in 1Q21E given healthy channel inventory and ample room for ASP adjustments, and expect sales growth of double digit for domestic and HSD (given FX headwind) for overseas in FY21E. Moreover, Casarte, AC and Kitchen appliances are expected to deliver 20%+, 30+ and 30%+ growth in FY21E, driven by: 1) more high-tech product launches, 2) more user-friendly services, 3) more promotion of the "three winged bird" brand to push more sales of smart home system and categories cross-selling.
- **Efficiency gains to offset GP margin drags.** GP margin may face a 4-6ppt drags in 1Q21 due to raw material inflation, but should be offset by: 1) ASP increase, 2) product premiumization and 3) efficiency gains from digitalization of services, management system and use of super factory. In long run, Haier SH targets ~10%/5% NP margin for domestic/ overseas segment.
- **Maintain BUY with TP of HK\$ 45.83, based on 23x FY22E P/E.** We revised up FY21E/ 22E net profit forecasts by 10%/ 18%, to factor in: 1) faster sales growth, 2) lower GP margin but 3) better operating efficiency gain. Our new TP is based on 23.0x FY22E P/E (rolled over from 20x FY21E), equate to discount to China peers average of 22.6x and 26% premium over int'l peers' average of 18.2x. The stock is trading at 19x/ 17x FY21E/ 22E P/E, which are fairly attractive in our view.

Earnings Summary

| (YE 31 Dec) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 198,006 | 209,703 | 235,711 | 256,184 | 271,478 |
| YoY growth (%) | 11.5 | 5.9 | 12.4 | 8.7 | 6.0 |
| NP att. (RMB mn) | 8,206 | 8,877 | 11,752 | 14,932 | 18,616 |
| Diluted EPS (RMB) | 1.249 | 1.335 | 1.476 | 1.654 | 2.062 |
| YoY growth (%) | 5.5 | 8.2 | 12.5 | 12.1 | 24.7 |
| Consensus EPS (RMB) | n/a | n/a | 1.329 | 1.643 | 2.013 |
| P/E (x) | 22.9 | 21.1 | 18.8 | 16.8 | 13.4 |
| P/B (x) | 3.3 | 3.0 | 3.3 | 2.8 | 2.4 |
| Yield (%) | 1.4 | 1.7 | 2.1 | 2.4 | 3.0 |
| ROE (%) | 17.1 | 16.3 | 18.8 | 20.4 | 23.3 |
| Net gearing (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

| | |
|---------------|------------|
| Target Price | HK\$45.83 |
| (Previous TP | HK\$26.91) |
| Up/Downside | +24.1% |
| Current Price | HK\$33.10 |

China Home Appliance Sector

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Stock Data

| | |
|--------------------------|--------------|
| Mkt Cap (HK\$ mn) | 335,975 |
| Avg 3 mths t/o (HK\$ mn) | 732.77 |
| 52w High/Low (HK\$) | 38.45/ 22.60 |
| Total Issued Shares (mn) | 9,027.8 |

Source: Bloomberg

Shareholding Structure

| | |
|--------------------|--------|
| Haier Group - A | 28.54% |
| Haier Group - H | 5.97% |
| Haier Group - D | 0.63% |
| HKEX stock connect | 6.06% |
| GIC | 1.26% |
| Free Float - A | 34.02% |
| Free Float - H | 21.15% |
| Free Float - D | 2.37% |

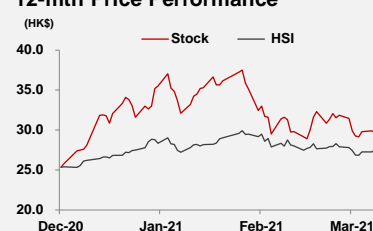
Source: HKEx

Share Performance

| | Absolute | Relative |
|--------|----------|----------|
| 1-mth | 5.8% | 9.2% |
| 3-mth | 17.8% | 10.8% |
| 6-mth | n/a | n/a |
| 12-mth | n/a | n/a |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Report

Haier Smart Home (6690 HK, BUY) – Premiumization, globalization and synergies - 23 Dec 2021

Results Summary

Figure 1: Results review – Half Year

| Half yearly (RMB mn) | 1H19 | 2H19 | 1H20 | 2H20 | 1H20 YoY | 2H20 YoY | 2H20E CMBIS | Actual vs CMBIS |
|----------------------------------|---------------|----------------|---------------|----------------|-------------|-------------|----------------|--------------------|
| Revenue | 97,274 | 100,732 | 95,723 | 113,980 | -2% | 13% | 111,962 | 2% |
| COGS | (68,974) | (70,419) | (69,496) | (79,374) | | | (77,374) | |
| Gross profit | 28,300 | 30,313 | 26,227 | 34,606 | -7% | 14% | 34,589 | 0% |
| GP margins | 29.1% | 30.1% | 27.4% | 30.4% | | | 30.9% | |
| Other income & gains | 1,404 | 1,920 | 688 | 3,306 | | | 3,725 | -11% |
| S & D expenses | (14,939) | (18,904) | (14,527) | (19,114) | -3% | 1% | (20,224) | -5% |
| S & D exp / sales | -15.4% | -18.8% | -15.2% | -16.8% | | | -18.1% | |
| Admin expenses | (7,413) | (9,752) | (8,085) | (9,845) | 9% | 1% | (10,168) | -3% |
| Admin exp / sales | -7.6% | -9.7% | -8.4% | -8.6% | | | -9.1% | |
| Other opex | 0 | 0 | 0 | 0 | | | 0 | |
| Operating profit (EBIT) | 7,352 | 3,577 | 4,303 | 8,953 | -41% | 150% | 7,922 | 13% |
| OP margins | 7.6% | 3.6% | 4.5% | 7.9% | | | 7.1% | |
| Other items | 0 | 0 | 0 | 0 | | | 0 | |
| Net finance income | (851) | (881) | (709) | (612) | | | (811) | -25% |
| Net fin. income / sales | -0.9% | -0.9% | -0.7% | -0.5% | | | -0.7% | |
| Profit after financing costs | 6,501 | 2,696 | 3,594 | 8,341 | | | 7,110 | |
| Associated coms | 543 | 866 | 679 | 941 | | | 775 | |
| Jointly controlled coms | 0 | 0 | 0 | 0 | | | 0 | |
| Pre-tax profit | 7,044 | 3,562 | 4,273 | 9,282 | -39% | 161% | 7,885 | 18% |
| Tax | (1,009) | (575) | (661) | (1,571) | | | (1,345) | 17% |
| Tax / sales | -1.0% | -0.6% | -0.7% | -1.4% | | | -1.2% | |
| Effective tax rate | -14.3% | -16.1% | -15.5% | -16.9% | | | -17.1% | |
| Net profit from con. bus. | 6,035 | 2,987 | 3,612 | 7,711 | -40% | 158% | 6,540 | |
| Net profit from discon. bus. | 150 | 3,163 | 0 | 0 | | | 0 | |
| Minority interests | 1,127 | 3,002 | 831 | 1,615 | | | 1,038 | 56% |
| Net profit att. | 5,058 | 3,148 | 2,781 | 6,096 | -45% | 94% | 5,502 | 11% |
| NP margins | 5.2% | 3.1% | 2.9% | 5.3% | | | 4.9% | |
| Sales by channel | | | | | | | | |
| Food Solutions | 16,071 | 16,502 | 14,377 | 18,821 | -11% | 14% | 19,477 | -3% |
| Air Solutions | 11,646 | 8,720 | 10,819 | 11,042 | -7% | 27% | 8,936 | 24% |
| Clothing Solutions | 9,748 | 12,365 | 8,958 | 13,525 | -8% | 9% | 13,597 | -1% |
| Water Solutions | 4,656 | 4,865 | 4,405 | 5,428 | -5% | 12% | 5,402 | 0% |
| Overseas | 45,689 | 46,703 | 45,890 | 54,154 | 0% | 16% | 51,837 | 4% |
| Other business | 9,464 | 11,577 | 11,274 | 11,010 | 19% | -5% | 12,713 | -13% |
| Total | 97,274 | 100,732 | 95,723 | 113,980 | -2% | 13% | 111,962 | 2% |
| Sales by segment | | | | | | | | |
| Mainland China | 51,585 | 54,029 | 49,833 | 59,826 | -3% | 11% | 60,125 | 0% |
| Overseas | 45,689 | 46,703 | 45,890 | 54,154 | 0% | 16% | 51,837 | 4% |
| Total | 97,274 | 100,732 | 95,723 | 113,980 | -2% | 13% | 111,962 | 2% |

Source: Company data, CMBIS estimates

Figure 2: Results review - Full Year

| Full yearly (RMB mn) | FY19 | FY20 | FY21E | FY19 YoY | FY20 YoY | FY21E YoY | FY20E CMBIS | Actual vs CMBIS |
|----------------------------------|----------------|----------------|----------------|-------------|-------------|--------------|----------------|--------------------|
| Revenue | 198,006 | 209,703 | 235,711 | 11% | 6% | 12% | 207,685 | 1% |
| COGS | (139,393) | (148,870) | (167,095) | | | | (146,870) | |
| Gross profit | 58,613 | 60,833 | 68,617 | 12% | 4% | 13% | 60,816 | 0% |
| GP margins | 29.6% | 29.0% | 29.1% | | | | 29.3% | |
| Other income & gains | 3,324 | 3,994 | 2,809 | | | | 4,413 | -9% |
| S & D expenses | (33,843) | (33,641) | (36,486) | 16% | -1% | 8% | (34,751) | -3% |
| S & D exp / sales | -17.1% | -16.0% | -15.5% | | | | -16.7% | |
| Admin expenses | (17,165) | (17,930) | (18,628) | 22% | 4% | 4% | (18,253) | -2% |
| Admin exp / sales | -8.7% | -8.6% | -7.9% | | | | -8.8% | |
| Other opex | 0 | 0 | 0 | | | | 0 | |
| Operating profit (EBIT) | 10,929 | 13,256 | 16,312 | -5% | 21% | 23% | 12,225 | 8% |
| OP margins | 5.5% | 6.3% | 6.9% | | | | 5.9% | |
| Other items | 0 | 0 | 0 | | | | 0 | |
| Net finance income | (1,732) | (1,321) | (1,321) | | | | (1,520) | -13% |
| Net fin. income / sales | -0.9% | -0.6% | -0.6% | | | | -0.7% | |
| Profit after financing costs | 9,197 | 11,935 | 14,991 | | | | 10,704 | |
| Associated coms | 1,409 | 1,620 | 1,886 | | | | 1,454 | |
| Jointly controlled coms | 0 | 0 | 0 | | | | 0 | |
| Pre-tax profit | 10,606 | 13,555 | 16,877 | -6% | 28% | 25% | 12,158 | 11% |
| Tax | (1,584) | (2,232) | (2,650) | | | | (2,006) | 11% |
| Tax / sales | -0.8% | -1.1% | -1.1% | | | | -1.0% | |
| Effective tax rate | -14.9% | -16.5% | -15.7% | | | | -16.5% | |
| Net profit from con. bus. | 9,022 | 11,323 | 14,227 | | | | 10,152 | 12% |
| Net profit from discon. bus. | 3,313 | 0 | 0 | | | | 0 | |
| Minority interests | 4,129 | 2,446 | 2,475 | | | | 1,869 | 31% |
| Net profit att. | 8,206 | 8,877 | 11,752 | 10% | 8% | 32% | 8,283 | 7% |
| NP margins | 4.1% | 4.2% | 5.0% | | | | 4.0% | |
| Sales by channel | | | | | | | | |
| Food Solutions | 32,573 | 33,198 | 37,920 | 2% | 2% | 14% | 33,854 | -2% |
| Air Solutions | 20,366 | 21,861 | 28,419 | -13% | 7% | 30% | 19,755 | 11% |
| Clothing Solutions | 22,113 | 22,483 | 24,057 | 6% | 2% | 7% | 22,555 | 0% |
| Water Solutions | 9,521 | 9,833 | 10,718 | 8% | 3% | 9% | 9,807 | 0% |
| Overseas | 92,392 | 100,044 | 109,862 | 23% | 8% | 10% | 97,727 | 2% |
| Other business | 21,041 | 22,284 | 24,735 | 19% | 6% | 11% | 23,987 | -7% |
| Total | 198,006 | 209,703 | 235,711 | 11% | 6% | 12% | 207,685 | 1% |
| Sales by segment | | | | | | | | |
| Mainland China | 105,614 | 109,659 | 125,849 | 3% | 4% | 15% | 109,958 | 0% |
| Overseas | 92,392 | 100,044 | 109,862 | 23% | 8% | 10% | 97,727 | 2% |
| Total | 198,006 | 209,703 | 235,711 | 11% | 6% | 12% | 207,685 | 1% |

Source: Company data, CMBIS estimates

Earnings revision

Figure 3: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------------|---------|---------|---------|---------|---------|-------|----------|---------|-------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 235,711 | 256,184 | 271,478 | 231,133 | 249,918 | n/a | 2.0% | 2.5% | n/a |
| Gross profit | 68,617 | 76,386 | 82,709 | 69,101 | 74,983 | n/a | -0.7% | 1.9% | n/a |
| EBIT | 15,507 | 19,400 | 23,440 | 14,148 | 16,241 | n/a | 9.6% | 19.4% | n/a |
| Net profit att. | 11,752 | 14,932 | 18,616 | 10,656 | 12,672 | n/a | 10.3% | 17.8% | n/a |
| Diluted EPS (RMB) | 1.476 | 1.654 | 2.062 | 1.180 | 1.404 | n/a | 25.0% | 17.8% | n/a |
| Gross margin | 29.1% | 29.8% | 30.5% | 29.9% | 30.0% | n/a | -0.8ppt | -0.2ppt | n/a |
| EBIT margin | 6.6% | 7.6% | 8.6% | 6.1% | 6.5% | n/a | 0.5ppt | 1.1ppt | n/a |
| Net profit att. margin | 5.0% | 5.8% | 6.9% | 4.6% | 5.1% | n/a | 0.4ppt | 0.8ppt | n/a |

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

| RMB mn | CMBIS | | | Consensus | | | Diff (%) | | |
|------------------------|---------|---------|---------|-----------|---------|---------|----------|---------|-------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 235,711 | 256,184 | 271,478 | 233,158 | 254,458 | 274,952 | 1.1% | 0.7% | n/a |
| Gross profit | 68,617 | 76,386 | 82,709 | 69,148 | 76,737 | 86,610 | -0.8% | -0.5% | n/a |
| EBIT | 15,507 | 19,400 | 23,440 | 14,877 | 18,229 | 22,858 | 4.2% | 6.4% | n/a |
| Net profit att. | 11,752 | 14,932 | 18,616 | 12,285 | 15,187 | 18,331 | -4.3% | -1.7% | n/a |
| Diluted EPS (RMB) | 1.476 | 1.654 | 2.062 | 1.329 | 1.643 | 2.013 | 11.1% | 0.7% | n/a |
| Gross margin | 29.1% | 29.8% | 30.5% | 29.7% | 30.2% | 31.5% | -0.5ppt | -0.3ppt | n/a |
| EBIT margin | 6.6% | 7.6% | 8.6% | 6.4% | 7.2% | 8.3% | 0.2ppt | 0.4ppt | n/a |
| Net profit att. margin | 5.0% | 5.8% | 6.9% | 5.3% | 6.0% | 6.7% | -0.3ppt | -0.1ppt | n/a |

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 5: CMBI's assumptions

| RMB mn | FY18A | FY19A | FY20A | FY21E | FY22E | FY23E |
|------------------------------------|---------|---------|---------|---------|---------|---------|
| Sales by segment (RMB mn) | | | | | | |
| Mainland China | | | | | | |
| Refrigerators/freezers | 29,638 | 30,424 | 30,562 | 34,229 | 36,968 | 38,816 |
| Kitchen appliances | 2,271 | 2,149 | 2,636 | 3,690 | 4,318 | 4,663 |
| Air-conditioners | 23,420 | 20,366 | 21,861 | 28,419 | 31,830 | 35,013 |
| Laundry appliances | 20,853 | 22,113 | 22,483 | 24,057 | 25,981 | 27,021 |
| Water appliances | 8,812 | 9,521 | 9,833 | 10,718 | 11,468 | 11,812 |
| Overseas | 74,896 | 92,392 | 100,044 | 109,862 | 118,657 | 125,843 |
| Other businesses | 17,704 | 21,041 | 22,284 | 24,735 | 26,961 | 28,309 |
| Total | 177,594 | 198,006 | 209,703 | 235,711 | 256,184 | 271,478 |
| Sales by segment growth (%) | | | | | | |
| Mainland China | | | | | | |
| Refrigerators/freezers | 12.2% | 2.7% | 0.5% | 12.0% | 8.0% | 5.0% |
| Kitchen appliances | 17.1% | -5.4% | 22.7% | 40.0% | 17.0% | 8.0% |
| Air-conditioners | 8.7% | -13.0% | 7.3% | 30.0% | 12.0% | 10.0% |
| Laundry appliances | 13.2% | 6.0% | 1.7% | 7.0% | 8.0% | 4.0% |
| Water appliances | 11.1% | 8.0% | 3.3% | 9.0% | 7.0% | 3.0% |
| Overseas | 7.1% | 23.4% | 8.3% | 9.8% | 8.0% | 6.1% |
| Other businesses | 121.7% | 18.8% | 5.9% | 11.0% | 9.0% | 5.0% |
| Total | 15.2% | 11.5% | 5.9% | 12.4% | 8.7% | 6.0% |
| Sales by brand growth (%) | | | | | | |
| Haier, Leader & others | 21.0% | 1.1% | 2.8% | 13.9% | 8.3% | 4.9% |
| Casarte | 40.0% | 32.1% | 17.6% | 25.0% | 20.0% | 15.0% |
| GEA | 13.8% | 9.0% | 10.0% | 5.0% | 10.0% | 6.0% |
| Candy | n/a | n/a | 2.0% | 4.0% | 11.0% | 4.0% |
| Others | -5.7% | 13.5% | 6.9% | 22.9% | 3.2% | 6.8% |
| Total | 15.2% | 11.5% | 5.9% | 12.4% | 8.7% | 6.0% |
| GP margin (%) | 29.4% | 29.6% | 29.0% | 29.1% | 29.8% | 30.5% |
| Costs breakdown | | | | | | |
| Selling & distribution expenses | 16.4% | 17.1% | 16.0% | 15.5% | 15.4% | 15.1% |
| Admin expenses | 7.9% | 8.7% | 8.6% | 7.9% | 7.7% | 7.6% |
| Effective tax rate | 15.8% | 14.9% | 16.5% | 15.7% | 15.5% | 15.3% |
| NP margin (con. bus.) | 5.4% | 4.6% | 5.4% | 6.0% | 6.9% | 7.9% |
| NP growth (con. bus.) | 8.4% | -5.4% | 25.5% | 25.7% | 23.9% | 21.0% |
| NP att. margin | 4.2% | 4.1% | 4.2% | 5.0% | 5.8% | 6.9% |
| NP att. growth | 7.8% | 9.6% | 8.2% | 32.4% | 27.1% | 24.7% |

Source: Company data, CMBIS estimates

Valuation

Figure 6: Peers' valuation

| | | | 12m TP | Price | Up/ Down- | Mkt. Cap | Year | P/E (x) | | P/B (x) | | ROE (%) | 3yrs PEG (x) | Yield (%) |
|---|-----------|--------|-----------|--------|--------------|-----------|--------|---------|------|---------|------|------------|-----------------|--------------|
| Company | Ticker | Rating | (LC) | (LC) | side | (HK\$mn) | End | FY1E | FY2E | FY1E | FY2E | FY1E | FY1E | FY1E |
| A+ H shares Home Appliances - White goods, Kitchen and Small Appliances | | | | | | | | | | | | | | |
| Haier SH - H | 6690 HK | BUY | 45.83 | 33.10 | 38% | 335,975 | Dec-20 | 18.8 | 16.8 | 3.3 | 2.8 | 18.5 | 1.2 | 2.1 |
| Gree Electronics | 000651 CH | NR | n/a | 62.44 | n/a | 444,780 | Dec-19 | 19.3 | 14.9 | 3.1 | 2.8 | 16.0 | 2.8 | 2.6 |
| Haier SH - A | 600690 CH | NR | n/a | 32.13 | n/a | 335,983 | Dec-20 | 23.9 | 19.6 | 4.0 | 3.4 | 16.9 | 1.6 | 1.6 |
| Midea Group | 000333 CH | BUY | 95.24 | 87.11 | 9% | 726,312 | Dec-19 | 23.8 | 20.7 | 5.2 | 4.5 | 22.5 | 2.1 | 2.0 |
| Hisense JA | 921 HK | NR | n/a | 13.96 | n/a | 26,200 | Dec-20 | 9.0 | 8.0 | 1.4 | 1.2 | 16.8 | 0.5 | 3.1 |
| Hisense HA | 000921 CH | NR | n/a | 18.50 | n/a | 26,200 | Dec-20 | 14.2 | 12.4 | 2.3 | 2.0 | 16.6 | 0.8 | 2.5 |
| Whirlpool China | 600983 CH | NR | n/a | 8.12 | n/a | 7,369 | Dec-19 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Zhejiang Aishida | 002403 CH | NR | n/a | 7.24 | n/a | 3,003 | Dec-19 | 19.1 | 16.1 | 1.1 | 1.1 | 4.7 | 4.0 | 1.7 |
| Bear Electric | 002959 CH | NR | n/a | 84.14 | n/a | 15,543 | Dec-19 | 28.7 | 23.2 | 6.3 | 5.2 | 22.0 | 0.9 | 1.7 |
| Ecovacs Robotics | 603486 CH | NR | n/a | 126.52 | n/a | 85,775 | Dec-19 | 150.3 | 85.4 | 24.1 | 19.3 | 16.5 | 1.3 | 0.1 |
| JS Global Lifestyle | 1691 HK | BUY | 22.64 | 25.20 | -10% | 88,064 | Dec-20 | 28.7 | 23.1 | 6.5 | 5.4 | 20.4 | 0.8 | 0.9 |
| Joyoung Co | 002242 CH | NR | n/a | 33.70 | n/a | 30,614 | Dec-20 | 25.4 | 22.2 | 5.9 | 5.5 | 23.3 | 2.0 | 3.0 |
| Hangzhou Robam | 002508 CH | NR | n/a | 38.15 | n/a | 42,871 | Dec-19 | 21.1 | 18.6 | 4.5 | 3.9 | 21.3 | 1.7 | 1.9 |
| Zhejiang Supor | 002032 CH | NR | n/a | 74.20 | n/a | 72,142 | Dec-20 | 28.7 | 25.2 | 7.1 | 6.2 | 24.6 | 1.7 | 2.0 |
| Vatti Corporation | 002035 CH | NR | n/a | 7.69 | n/a | 7,915 | Dec-19 | 12.6 | 10.1 | 2.1 | 1.9 | 13.6 | 66.1 | 2.9 |
| Xinbao Electrica | 002705 CH | NR | n/a | 36.90 | n/a | 36,123 | Dec-19 | 26.8 | 22.4 | 5.8 | 4.7 | 21.6 | 0.8 | 1.7 |
| Avg. | | | | | | | | 30.0 | 22.6 | 5.5 | 4.7 | 18.3 | 5.9 | 2.0 |
| Med. | | | | | | | | 23.8 | 19.6 | 4.5 | 3.9 | 18.5 | 1.6 | 2.0 |
| International Home Appliances - White goods, Kitchen and Small Appliances | | | | | | | | | | | | | | |
| Whirlpool Corp | WHR US | NR | n/a | 225 | n/a | 109,974 | Dec-20 | 11.3 | 11.0 | 3.2 | 2.9 | 27.3 | 1.5 | 2.2 |
| Ingersoll-Rand Plc | IR US | NR | n/a | 50 | n/a | 161,550 | Dec-20 | 26.3 | 22.9 | 2.0 | 2.0 | 6.3 | (0.1) | 0.3 |
| Smith (A.O.) Corp | AOS US | NR | n/a | 68 | n/a | 85,342 | Dec-20 | 26.8 | 24.4 | 6.4 | 6.2 | 23.4 | 2.4 | 1.6 |
| Helen Of Troy | HELE US | NR | n/a | 213 | n/a | 40,366 | Feb-20 | 18.3 | 17.8 | 4.4 | 3.6 | 21.2 | 0.7 | n/a |
| Cree Inc | CREE US | NR | n/a | 115 | n/a | 103,260 | Jun-20 | n/a | n/a | 6.4 | 6.0 | (10.2) | n/a | 0.0 |
| Irobot Corp | IRBT US | NR | n/a | 122 | n/a | 26,870 | Jan-21 | 38.7 | 23.2 | 4.0 | 3.5 | 10.5 | 5.7 | 0.0 |
| Electrolux Ab | ELUXB SS | NR | n/a | 242 | n/a | 66,593 | Dec-20 | 16.1 | 14.0 | 3.3 | 3.0 | 22.4 | (2.8) | 3.5 |
| Seb Sa | SK FP | NR | n/a | 151 | n/a | 76,471 | Dec-20 | 19.9 | 17.9 | 2.9 | 2.6 | 15.5 | 1.0 | 1.5 |
| Koninklijke Philips | PHIA NA | NR | n/a | 49 | n/a | 409,607 | Dec-20 | 23.7 | 20.8 | 3.4 | 3.2 | 12.6 | 0.8 | 1.9 |
| Daikin Industries | 6367 JP | NR | n/a | 22945 | n/a | 472,438 | Mar-20 | 41.5 | 33.8 | 4.3 | 3.9 | 10.8 | 4.3 | 0.7 |
| Panasonic Corp | 6752 JP | NR | n/a | 1436 | n/a | 247,412 | Mar-20 | 22.1 | 15.1 | 1.5 | 1.4 | 7.4 | 6.2 | 1.6 |
| Sony Corp | 6758 JP | NR | n/a | 12200 | n/a | 1,080,724 | Mar-20 | 14.2 | 21.2 | 2.9 | 2.6 | 23.2 | 1.3 | 0.4 |
| Hitachi | 6501 JP | NR | n/a | 4947 | n/a | 336,345 | Mar-20 | 12.4 | 11.0 | 1.5 | 1.3 | 12.5 | 0.2 | 2.0 |
| Sharp Corp | 6753 JP | NR | n/a | 1929 | n/a | 82,922 | Mar-20 | 22.4 | 19.3 | 3.6 | 3.0 | 18.0 | 0.3 | 1.3 |
| Fujitsu General | 6755 JP | NR | n/a | 3100 | n/a | 23,796 | Mar-20 | 24.0 | 24.5 | 2.8 | 2.5 | 12.1 | 0.6 | 1.0 |
| Lg Electronics | 066570 KS | NR | n/a | 158500 | n/a | 178,668 | Dec-20 | 12.0 | 10.7 | 1.6 | 1.4 | 13.4 | 1.1 | 0.6 |
| Samsung Elect. | 005930 KS | NR | n/a | 84800 | n/a | 3,487,084 | Dec-20 | 15.6 | 12.0 | 2.0 | 1.7 | 12.7 | 0.6 | 1.9 |
| Woongjin Coway | 021240 KS | NR | n/a | 66400 | n/a | 33,754 | Dec-20 | 11.1 | 10.3 | 2.8 | 2.3 | 28.2 | 1.2 | 1.9 |
| Avg. | | | | | | | | 21.0 | 18.2 | 3.3 | 3.0 | 14.9 | 1.5 | 1.3 |
| Med. | | | | | | | | 19.9 | 17.9 | 3.1 | 2.8 | 13.1 | 1.0 | 1.5 |

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | 198,006 | 209,703 | 235,711 | 256,184 | 271,478 |
| Food Solutions | 32,573 | 33,198 | 37,920 | 41,286 | 43,479 |
| Air Solutions | 20,366 | 21,861 | 28,419 | 31,830 | 35,013 |
| Clothing & Water Solutions | 31,634 | 32,316 | 34,775 | 37,450 | 38,833 |
| Overseas & Other business | 113,433 | 122,328 | 134,598 | 145,619 | 154,153 |
| Cost of goods sold | (139,393) | (148,870) | (167,095) | (179,798) | (188,769) |
| Gross profit | 58,613 | 60,833 | 68,617 | 76,386 | 82,709 |
| Other net income | 2,485 | 3,313 | 2,004 | 2,178 | 2,579 |
| Operating expenses | (51,008) | (51,571) | (55,114) | (59,164) | (61,848) |
| S & D costs | (33,843) | (33,641) | (36,486) | (39,365) | (41,108) |
| Admin exp. (ex- R&D) | (10,944) | (11,070) | (11,085) | (11,601) | (12,052) |
| R & D exp. | (6,221) | (6,860) | (7,543) | (8,198) | (8,687) |
| Other operating exp. | - | - | - | - | - |
| EBIT | 10,090 | 12,575 | 15,507 | 19,400 | 23,440 |
| Finance costs, net | (893) | (640) | (515) | (338) | (157) |
| JV & associates | - | - | - | - | - |
| Exceptional | 1,409 | 1,620 | 1,886 | 1,793 | 1,900 |
| Pre-tax profit | 10,606 | 13,555 | 16,877 | 20,855 | 25,184 |
| Income tax | (1,584) | (2,232) | (2,650) | (3,232) | (3,853) |
| Less: Minority interests | 816 | 2,446 | 2,475 | 2,690 | 2,715 |
| Net profit | 8,206 | 8,877 | 11,752 | 14,932 | 18,616 |

Cash flow summary

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|------------------------------------|-----------------|----------------|----------------|----------------|----------------|
| Net income | 10,090 | 12,575 | 15,507 | 19,400 | 23,440 |
| D&A | 33,843 | 33,641 | 36,486 | 39,365 | 41,108 |
| Change in working capital | 848 | 840 | 5,115 | 1,450 | 984 |
| Income tax paid | (8,011) | (2,232) | (2,650) | (3,232) | (3,853) |
| Others | (21,687) | (27,997) | (30,171) | (32,610) | (33,912) |
| Net cash from operating | 15,083 | 16,826 | 24,287 | 24,372 | 27,767 |
| Capex & investments | (7,575) | (8,862) | (7,064) | (7,417) | (8,330) |
| Associated companies | - | - | - | - | - |
| Interest received | - | - | - | - | - |
| Others | (3,386) | - | - | - | - |
| Net cash from investing | (10,962) | (8,862) | (7,064) | (7,417) | (8,330) |
| Equity raised | (1,250) | - | - | - | - |
| Change of Debts | (559) | - | - | - | - |
| Dividend paid | (2,467) | (2,467) | (3,400) | (4,424) | (4,957) |
| Others | (1,737) | (1,321) | (1,321) | (1,321) | (1,321) |
| Net cash from financing | (6,013) | (3,788) | (4,721) | (5,745) | (6,278) |
| Net change in cash | (1,892) | 4,176 | 12,502 | 11,211 | 13,159 |
| Beginning cash balance | 44,051 | 43,588 | 47,763 | 60,265 | 71,476 |
| Exchange difference | 1,428 | - | - | - | - |
| Cash at the end of the year | 43,588 | 47,763 | 60,265 | 71,476 | 84,635 |

Balance sheet

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Non-current assets | 86,907 | 92,427 | 95,868 | 99,305 | 103,50 |
| Fixed asset | 21,180 | 24,400 | 28,042 | 31,880 | 35,979 |
| Intangible assets & goodwill | 34,232 | 33,332 | 32,431 | 31,531 | 30,630 |
| Prepaid lease payments | 21,206 | 24,406 | 25,106 | 25,606 | 26,606 |
| Interest in asso. & JV | - | - | - | - | - |
| Others | 10,289 | 10,289 | 10,289 | 10,289 | 10,289 |
| Current assets | 100,54 | 109,00 | 123,50 | 139,85 | 156,76 |
| Cash and cash equivalents | 43,588 | 47,763 | 60,265 | 71,476 | 84,635 |
| Inventories | 28,229 | 28,550 | 29,757 | 32,019 | 33,616 |
| Trade and other receivables | 24,967 | 28,726 | 29,060 | 31,584 | 33,470 |
| Prepayments | 3,436 | 3,639 | 4,091 | 4,446 | 4,712 |
| Others | 327 | 327 | 327 | 327 | 327 |
| Current liabilities | 95,610 | 100,73 | 107,84 | 114,43 | 119,16 |
| Borrowings | 8,585 | 8,585 | 8,585 | 8,585 | 8,585 |
| Trade payables | 53,059 | 57,101 | 61,802 | 66,500 | 69,819 |
| Accruals & other payables | 18,312 | 19,394 | 21,799 | 23,692 | 25,107 |
| Tax payables | 2,117 | 2,117 | 2,117 | 2,117 | 2,117 |
| Others | 13,537 | 13,537 | 13,537 | 13,537 | 13,537 |
| Non-current liabilities | 26,855 | 26,855 | 26,855 | 26,855 | 26,855 |
| Borrowings | 21,680 | 21,680 | 21,680 | 21,680 | 21,680 |
| Deferred income | 1,970 | 1,970 | 1,970 | 1,970 | 1,970 |
| Deferred tax | 1,154 | 1,154 | 1,154 | 1,154 | 1,154 |
| Others | 2,050 | 2,050 | 2,050 | 2,050 | 2,050 |
| Minority Interest | 17,102 | 19,548 | 22,023 | 24,712 | 27,427 |
| Total net assets | 47,888 | 54,298 | 62,651 | 73,159 | 86,818 |
| Shareholders' equity | 47,888 | 54,298 | 62,651 | 73,159 | 86,818 |

Key ratios

| YE 31 Dec | FY19A | FY20A | FY21E | FY22E | FY23E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales mix (%) | | | | | |
| Food Solutions | 16.5 | 15.8 | 16.1 | 16.1 | 16.0 |
| Air Solutions | 10.3 | 10.4 | 12.1 | 12.4 | 12.9 |
| Clothing & Water Solutions | 16.0 | 15.4 | 14.8 | 14.6 | 14.3 |
| Overseas & Other business | 57.3 | 58.3 | 57.1 | 56.8 | 56.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| P&L ratios (%) | | | | | |
| Gross margin | 29.6 | 29.0 | 29.1 | 29.8 | 30.5 |
| Operating margin | 5.1 | 6.0 | 6.6 | 7.6 | 8.6 |
| Pre-tax margin | 5.4 | 6.5 | 7.2 | 8.1 | 9.3 |
| Net margin | 4.1 | 4.2 | 5.0 | 5.8 | 6.9 |
| Effective tax rate | 14.9 | 16.5 | 15.7 | 15.5 | 15.3 |
| Balance sheet ratios | | | | | |
| Current ratio (x) | 1.1 | 1.1 | 1.1 | 1.2 | 1.3 |
| Quick ratio (x) | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 |
| Cash ratio (x) | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 |
| Inventory turnover days | 74 | 70 | 65 | 65 | 65 |
| Trade receivables days | 46 | 50 | 45 | 45 | 45 |
| Trade payables days | 139 | 140 | 135 | 135 | 135 |
| Total debt / total equity ratio (%) | 63 | 56 | 49 | 42 | 35 |
| Net debt / equity ratio (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Returns (%) | | | | | |
| ROE | 17.1 | 16.3 | 18.8 | 20.4 | 21.4 |
| ROA | 4.4 | 4.4 | 5.4 | 6.2 | 7.2 |
| Per share | | | | | |
| EPS (RMB) | 1.25 | 1.33 | 1.48 | 1.65 | 2.06 |
| DPS (RMB) | 0.39 | 0.49 | 0.59 | 0.66 | 0.82 |
| BVPS (RMB) | 8.77 | 9.32 | 8.36 | 9.76 | 11.59 |

Source: Company data, CMBIS estimates

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| | |
|-----------------------|---|
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