

East Money Information (300059 CH)

Strengthened capital in support of robust growth

As a leading online financial service provider in China, East Money Information continued to gain market shares from traditional financial institutions and delivered strong revenue and profit growth amid gloomy market environment, outperforming the industry. Upon the completion of conversion of RMB 16bn convertible bonds in 1H22, the company inserted the capital to its brokerage subsidiary, Eastmoney Securities Co. Ltd, strengthening its capital position and capabilities in delivering business growth in margin trading and security lending segments. With a strengthened capital base, we look positive on potentials of Eastmoney Securities Co. Ltd in support of robust growth among intense competitions. On fund distribution front, we expect the company to outperform peers and sustain market-leading position, given its lower customer acquisitions resulting from early entry and online ecosystem scalability.

- Strong growth in brokerage business.** East Money Information's brokerage business delivered revenue growth of 23% YoY in 1H22, beating the industry average of 11% YoY decline, thanks to a continual market share expansion. The robust income growth was driven by 24% growth of fee & commission income and 19% YoY increase of net interest income. Looking forward, we expect that the company's newly launched investment advisory business and fund custody business will engender more synergies with existing brokerage lines, further enhancing value generation from wealth management segment.
- Strengthened capital base in support of robust business growth.** In 1H22, East Money Information injected RMB 16bn capital to its brokerage subsidiary, Eastmoney Securities Co Ltd., upon completion of conversion and delisting of its issued convertible bonds, which boosted the broker's capital base by 50%. We expect this enhanced capital position to support robust growth of the company's brokerage arm in forthcoming years.
- Expanding market shares in third-party fund distribution segment.** East Money recorded year-over-year growth in both fund sales volume and fund distribution AUM in 1H22, outpacing the industry average. Ranked as the 3rd largest distributors in non-money market and equity funds, East Money is well positioned to weather from market volatilities with its low customer acquisition costs driven by an extensive online ecosystem and economies of scale.

Earnings Summary

| (YE 31 Dec) | FY18A | FY19A | FY20A | FY21A | 1H22A |
|---------------------------|-------|-------|-------|--------|-------|
| Revenue (RMB mn) | 3,123 | 4,232 | 8,239 | 13,094 | 6,308 |
| Revenue YoY% | 22.6 | 35.5 | 94.7 | 58.9 | 9.1 |
| Operating Profit (RMB mn) | 1,131 | 2,142 | 5,533 | 10,080 | 5,220 |
| Operating profit YoY% | 65.8 | 89.5 | 158.3 | 82.2 | 16.3 |
| Net profit (RMB mn) | 959 | 1,831 | 4,778 | 8,553 | 4,444 |
| Net Profit YoY% | 50.5 | 91.0 | 160.9 | 79.0 | 19.2 |
| EPS, basic (RMB) | 0.19 | 0.28 | 0.58 | 0.83 | 0.34 |
| P/E(TTM) | 63.8 | 68.2 | 69.6 | 50.4 | 38.1 |
| P/B (MRQ) | 4.4 | 5.1 | 8.4 | 9.8 | 5.6 |
| Yield (%) | 0.11 | 0.11 | 0.17 | 0.34 | 0.45 |
| ROE (%) | 6.0 | 8.4 | 14.2 | 19.2 | 6.8 |
| Net gearing (%) | 46.0 | 50.0 | 69.1 | 108.5 | 52.5 |

Source: Company data, Bloomberg, CMBIGM estimates; share price dated 3 Oct 2022 market close

NOT RATED
Current Price
RMB17.62

China Financials Sector

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Stock Data

| | |
|--------------------------|-----------------|
| Mkt Cap (CNY mn) | 232,834 |
| Avg 3 mths t/o (CNY mn) | 3,649.07 |
| 52w High/Low (CNY) | 32.79/ 17.61 |
| Total Issued Shares (mn) | 13,214 |
| Source: Bloomberg | |

Shareholding Structure

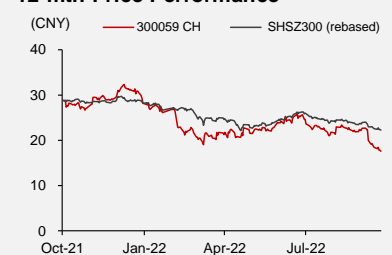
| | |
|----------------------------|--------|
| Qi shi | 19.31% |
| Lu Lili | 2.76% |
| Source: Wind, Company data | |

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -19.5% | -14.9% |
| 3-mth | -30.1% | -17.9% |
| 6-mth | -19.0% | -8.9% |

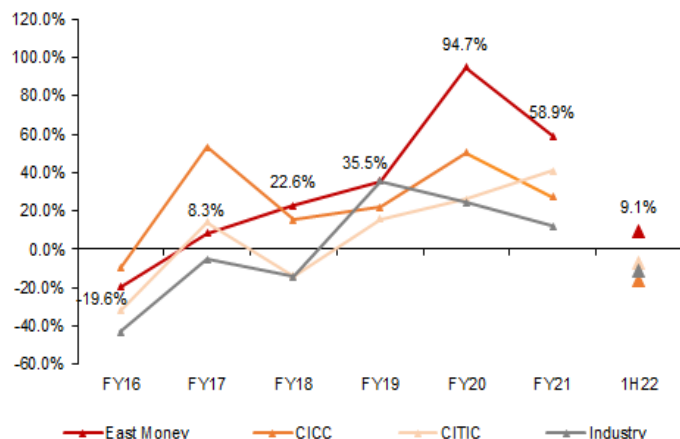
Source: Bloomberg

12-mth Price Performance



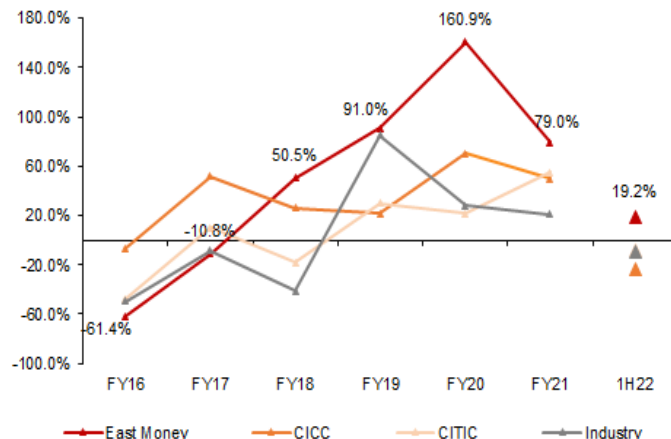
Source: Bloomberg

Figure 1: East Money/CICC/CITIC Revenue growth YoY%



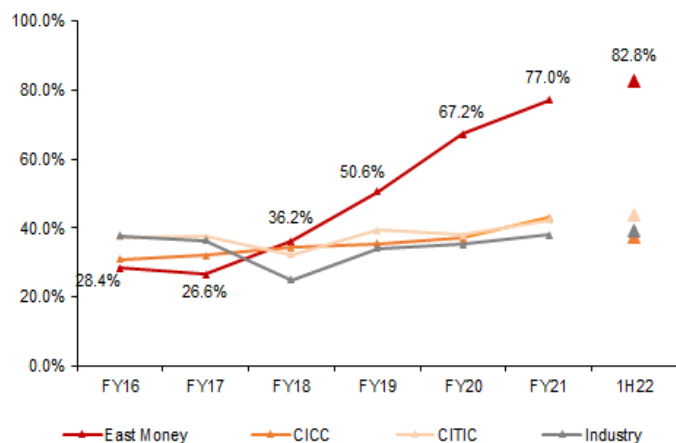
Source: Wind, Company data, CMBIGM

Figure2: East Money/CICC/CITIC Net Profit growth YoY%



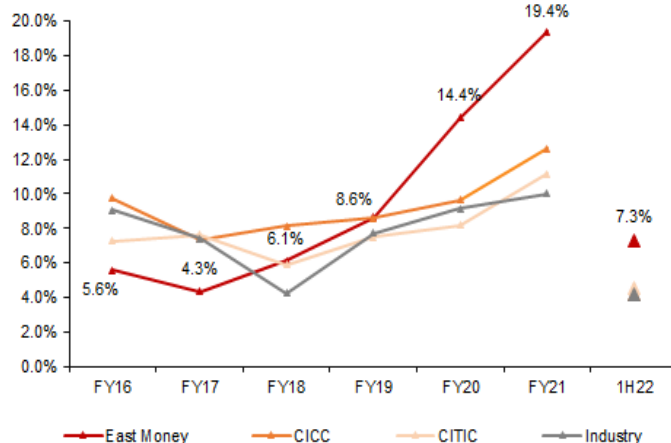
Source: Wind, Company data, CMBIGM

Figure 3: East Money/CICC/CITIC Operating margin (%)



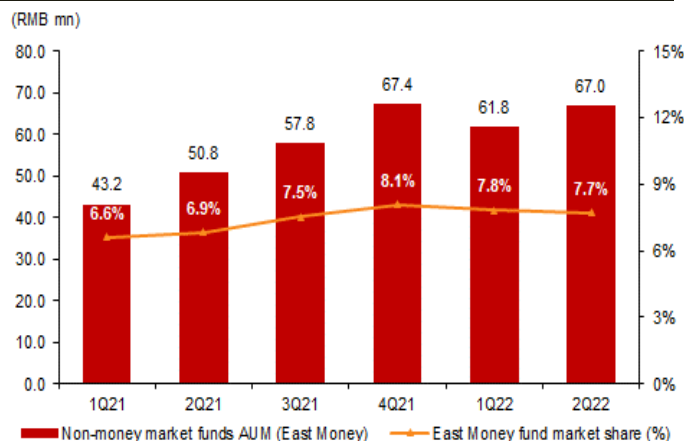
Source: Wind, Company data, CMBIGM

Figure 4: East Money/CICC/CITIC ROE (%)



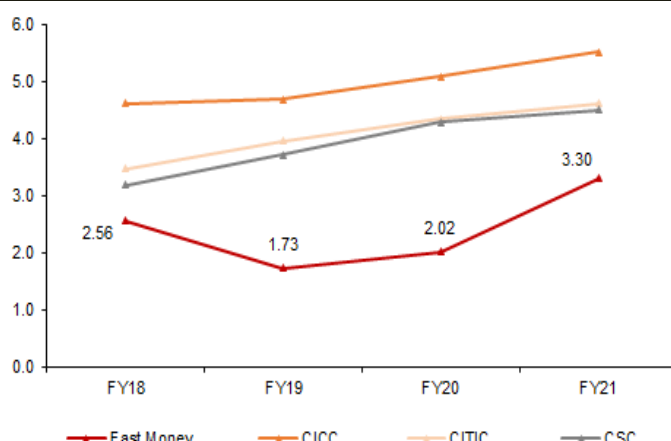
Source: Wind, Company data, CMBIGM

Fig.5: East Money Fund AUM & Mkt share among Top 100



Source: Asset Management Association of China, Wind, CMBIGM | *Note: East Money funds are managed by Shanghai Tiantian Fund Sales Co., Ltd; only incl. the scale of non-money market public funds held by the fund sales institution.

Figure 6: East Money lower-than-peers financial leverage



Source: Securities Association of China, CMBIGM

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