CMBI Research Focus List

Our best high conviction ideas

19 Nov 2024

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														
Li Auto Inc.	LI US	Auto	BUY	24.4	209.3	22.98	30.00	31%	17.30	23.00	3.40	N/A	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	17.2	142.9	13.28	19.00	43%	24.50	7.80	1.60	6.8	1.6%	Shi Ji/ Dou Wenjing
China Hongqiao	1378 HK	Capital Goods	BUY	14.3	55.0	11.76	19.60	67%	9.00	6.50	1.10	13.0	5.3%	Wayne Fung
Bosideng	3998 HK	Consumer Discretionary	BUY	6.2	21.5	4.35	5.98	37%	N/A	13.00	N/A	N/A	N/A	Walter Woo
JNBY	3306 HK	Consumer Discretionary	BUY	1.0	2.9	14.32	17.61	23%	N/A	7.80	N/A	N/A	N/A	Walter Woo
Yum China	9987 HK	Consumer Discretionary	BUY	18.2	29.9	371.80	451.11	21%	24.30	22.00	N/A	11.6	1.1%	Walter Woo
Proya	603605 CH	Consumer Staples	BUY	5.0	73.0	91.10	133.86	47%	28.50	22.50	7.70	30.3	1.6%	Miao Zhang/ Bella Li
BeiGene	BGNE US	Healthcare	BUY	20.8	67.4	187.69	276.02	47%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
United Imaging	688271 CH	Healthcare	BUY	15.3	80.2	134.14	162.81	21%	N/A	69.80	N/A	N/A	N/A	Jill Wu/ Cathy Wang
CPIC	2601 HK	Insurance	BUY	42.2	64.9	25.25	35.50	41%	N/A	N/A	0.89	12.2	4.4%	Nika Ma
PICC P&C	2328 HK	Insurance	BUY	34.4	45.3	12.02	14.00	16%	N/A	N/A	1.10	10.8	4.3%	Nika Ma
Tencent	700 HK	Internet	BUY	480.6	1248.3	403.60	525.00	30%	27.80	16.30	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
NetEase	NTES US	Internet	BUY	56.9	161.6	88.26	125.50	42%	13.20	12.40	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	213.8	1989.5	89.35	132.20	48%	N/A	20.30	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Greentown Service	2869 HK	Property	BUY	1.5	2.5	3.78	6.13	62%	15.90	13.30	1.60	8.3	4.5%	Miao Zhang/ Bella Li
FIT Hon Teng	6088 HK	Technology	BUY	3.0	14.2	3.15	4.38	39%	20.10	14.10	1.00	5.3	N/A	Alex Ng/ Claudia Liu
Xiaomi	1810 HK	Technology	BUY	88.9	500.5	27.70	32.70	18%	34.50	26.90	4.10	11.3	N/A	Alex Ng/ Claudia Liu
BYDE	285 HK	Technology	BUY	8.6	60.6	29.60	44.41	50%	17.10	15.60	2.40	14.7	1.8%	Alex Ng/ Hanqing Li
Innolight	300308 CH	Semi	BUY	20.5	691.3	132.00	186.00	41%	74.40	29.30	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Naura	002371 CH	Semi	BUY	31.4	430.0	428.50	426.00	-1%	61.00	39.70	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	3.8	32.5	8.32	10.80	30%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 19/11/2024 11 a.m.

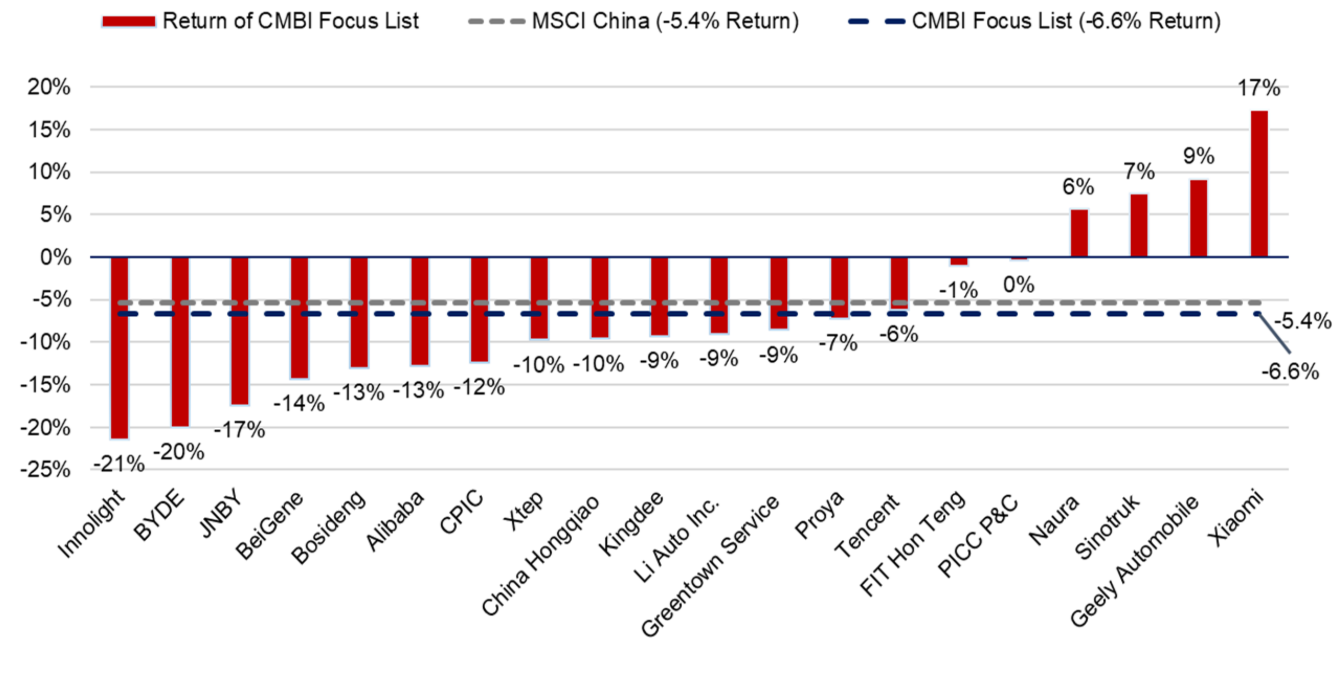
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
United Imaging	688271 CH	Healthcare	BUY	Jill Wu/ Cathy Wang	1) Domestic medical equipment procurements begin to recover, with multiple procurement activities underway. We expect United Imaging's earnings to significantly improve in 2025E. 2) United Imaging has maintained robust overseas growth momentum. We are optimistic about the company's long-term growth potential driven by the continued import substitution and strengthened global competitiveness.
Yum China	9987 HK	Consumer Discretionary	BUY	Walter Woo	We are optimistic and expect SSSG to turn around and margin to further improve, thanks to the excellent execution of various strategies like: 1) widening of customer base, 2) optimizing the delivery growth and 3) rolling out more new formats. With its lower than 5-year average valuation, we still find it attractive.
NetEase	NTES US	Internet	BUY	Saiyi He/ Wentao Lu/ Frank T	NetEase is trading at 11x FY25E PE, which is a 5-year low and offers attractive risk-reward. We expect the launch of *Marvel Rivals* and *Where Winds Meet* in December will be the key catalysts, and their successful launch shall support the revenue and valuation recovery of NetEase.
Deletions					
Sinotruk	3808 HK	Capital Goods	HOLD	Wayne Fung	We remove Sinotruk from our short idea list as the share price has dropped below our TP. That said, we do not expect meaningful rebound in the near-term given the sluggish HDT demand.
Xtep	1368 HK	Consumer Discretionary	BUY	Walter Woo	While we are still positive on its mid-term growth and market share gains, there could be some near-term pressure: 1) sell-down after payout of special dividends and 2) potentially weaker-than-expected sportswear industry sales and retail discounts.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 18 Oct 2024, we highlighted a list of 19 long ideas and one short idea.
- The basket (equal weighted) of these 20 stocks underperformed MSCI China index by 1.2ppts, delivering -6.6% return (vs MSCI China -5.4%).
- Four of these stocks delivered 5% return or more, and six outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 18 Oct 2024 to 18 Nov 2024

Long Ideas

Li Auto Inc. (LI US) – Solid earnings, thorough preparation pave way for FY25

Rating: BUY **| TP:** US$30.00 (31% upside)

Analysts: Shi Ji/ Dou Wenjing

- **3Q24 Non-GAAP net profit beat with strong GPM and effective cost control.** Li Auto's 3Q24 GPM was 1.6ppts higher than our prior forecast, aided by its effective cost cut efforts. R&D expenses fell 15% QoQ, or RMB360mn lower than our forecast. Non-GAAP SG&A expenses were flat QoQ despite a 35% QoQ growth in revenue. Operating margin in 3Q24 widened to 8%, an all-time high, despite a share-based payment of RMB593mn awarded to CEO. Net profit of RMB2.8bn in 3Q24 was only about RMB0.3bn higher than our estimates amid larger-than-expected investment loss and tax. Non-GAAP net profit in 3Q24 reached RMB3.8bn, the highest in history, or about RMB0.8bn higher than our forecast.

- **We revise up 4Q24E and FY25E earnings after a strong quarter.** We maintain our FY24E sales volume forecast of 0.51mn units but project a GPM lift of 0.7ppts QoQ for 4Q24 (22.2%) amid Li Auto's cost control capabilities and the government's stimulus measures. We expect 4Q24 operating margin to reach a new high of 9.1% and therefore, a net profit of RMB4.3bn. We raise our FY25E sales volume from 0.65mn units to 0.66mn units amid the stronger-than-expected L6 sales. We lower our FY25E BEV sales volume forecast slightly given the uncertain launch time. We cut our FY25E R&D and SG&A forecasts given the company's more self-disciplined investments from 2Q24. Therefore, we raise FY25E net profit estimates by 7% to RMB13.2bn.

- **Valuation/Key risks.** We maintain our BUY rating and raise target price from US$25.00 to US$30.00, based 16x (prior 15x) our revised FY25E EPS amid the recent improved market sentiment. Key risks to our rating and target price include lower sales and/or gross margin than our expectation, as well as a sector de-rating.

Link to latest report: Li Auto Inc. (LI US) - Solid earnings, thorough preparation pave way for FY25

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	45,287	123,851	147,717	190,637
YoY growth (%)	67.7	173.5	19.3	29.1
Gross margin (%)	19.4	22.2	21.1	20.6
Operating profit (RMB mn)	(3,654.9)	7,142.7	6,923.8	11,033.3
Net profit (RMB mn)	(2,012.2)	11,704.1	8,952.4	14,017.2
YoY growth (%)	N/A	N/A	(23.5)	56.6
Adj. net profit (RMB mn)	41.0	12,092.6	11,400.1	15,376.4
EPS (RMB cents)	(1.04)	5.95	4.49	6.96
P/S (x)	4.8	1.8	1.5	1.1
P/E (x)	N/A	17.3	23.0	14.8
P/B (x)	4.5	3.4	2.9	2.4

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK) – NEV sales and profits pave way for FY25

Rating: BUY **|** TP: HK$19.00 (43% upside) Analysts: SHI Ji/ DOU Wenjing

- **3Q24 operating profit beat.** Geely's 3Q24 revenue was 2% lower than our prior forecast. GPM in 3Q24 was 0.3ppts lower than our estimates, largely due to the accounting standard changes to book warranty costs under COGS which dragged down its GPM by about 0.4ppts. Excluding such impact, SG&A ratio in 3Q24 was still about 1.6ppts lower than our prior forecast. Operating profit of RMB3.0bn in 3Q24 was 13% higher than our estimates. Net profit excluding Lynk & Co's impairment of RMB2.76bn in 3Q24 was largely in line with our prior forecast of RMB2.75bn.
- **FY25 outlook.** We raise our FY25E sales volume by 18% to 2.38mn units, as the recently launched NEV models, including the *Galaxy E5* and *Starwish*, have been well received. We project NEV sales volume at Geely to surge 51% YoY to 1.32mn units in FY25E, or 55% of its total sales volume. According to management, net profit of Geely's NEV business (including Zeekr under the HKFRS accounting standards) turned to positive territory in 3Q24, driven by the new models based on the GEA platform and greater economies of scale. We expect these factors to continue supporting GPM in FY25E and therefore, we project a GPM of 15.6% in FY25E (vs. 15.5% in FY24E), despite higher sales contribution from NEVs. Accordingly, we revise up our FY25E net profit forecast by 43% to RMB12.4bn.
- **We view Lynk & Co's move as necessary.** Zeekr is to own a 51% equity interest of Lynk & Co after acquiring 20% from Geely's parent, 30% from Volvo Car (VOLCARB SS, NR) and a capital injection. Such business combination could at least reduce product cannibalization and cut costs, in our view. That, along with the sales network combination between Geometry and Galaxy, reminds us of the brand combination of Emgrand, Gleagle and Englon in 2014. Geely's sales volume rose 22%, 50% and 62% YoY in FY15-17, respectively.

Links to latest report: Geely Automobile (175 HK) - 3Q24 NEV sales and profits pave way for FY25

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

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

Rating: BUY | **TP:** HK$19.6 (67% 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 + stabilisation of construction demand following China's U-turn on property policy), we forecast Al / alumina price to increase 6%/25% in 2024E and 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.** For alumina, supply is tight given some disruptions of bauxite supply and alumina capacity, which has boosted the alumina price since early Oct. We expect Hongqiao to be able to capture the favorable price trend through adjusting the external sales ratio of alumina.

- **Where do we differ vs consensus:** Our earnings forecast in 2024E/25E is -5%/0% versus consensus. We see upside to our forecast if the recent tight supply continues throughout 4Q24E.

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

- **Valuation:** Our TP of HK$19.6 is based on a 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.

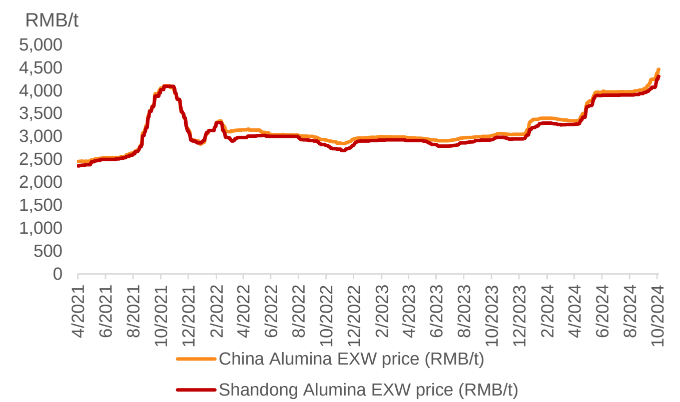
Link to latest report: China Hongqiao (1378 HK) – Expect higher ASP following China's stimulus

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	1.96	2.00	2.10
EV/EBIDTA (x)	5.6	4.2	4.0	4.0
P/E (x)	9.0	6.5	5.4	5.4
P/B (x)	1.1	1.0	0.9	0.8
Yield (%)	5.3	7.3	8.7	8.7
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: Alumina price in China



Source: Company data, CMBIGM estimates

Bosideng (3998 HK) - Beautifully executed the solid strategies

Rating: BUY **| TP:** HK$5.98 (37% upside)

Analyst: Walter Woo

- **Investment Thesis:** Bosideng, with its superior fashion, digital capability and efficiency, should gain more market share in the long run, in our view. Bosideng is not only the largest down apparel brand in China, but also a leading manufacturer in the world. It owns the BOSIDENG, SNOWFLYING brands, etc. and has over 5,300 offline stores. Growth drivers include: 1) sales per store growth (both ASP and volume), 2) more online and direct retail sales, and 3) gradually rising penetration of down apparel in China.

- **Our View:** We are confident on 1H25E (mid-teens sales growth and faster net profit growth), because of: 1) the great success in the new product category (e.g. sun-protective clothing), 2) robust e-commerce sales growth and 3) solid direct retail sales growth (even better than wholesale). Also, we are still optimistic on FY25E, supported by: 1) excellent product upgrades (for both light and winter down apparel), 2) reasonably good weather (drops in temperature have started in both southern and northern China), 3) robust e-commerce sales growth (including Double 11), 4) meaningful upgrades on customer experience in offline stores as well as the 5) ramp-up of store image (will roll out its 6th-gen stores), etc..

- **Where do we differ vs consensus:** For FY25E/ 26E/ 27E, our net profit forecasts are +5%/ +8%/ +4% vs street as we are cautious on sales growth, but more positive on OP margin improvement, by solid operating leverage.

- **Catalysts:** 1) better-than-expected government stimulus, 2) positive feedback on new products, and 3) favorable weather.

- **Valuation:** We derive our 12m TP of HK$5.98 based on 15x FY25E P/E. We believe the decent sales growth, successful new product launches and new category expansion can drive a further re-rating. The stock is trading at 12x FY25E P/E and a 6% yield.

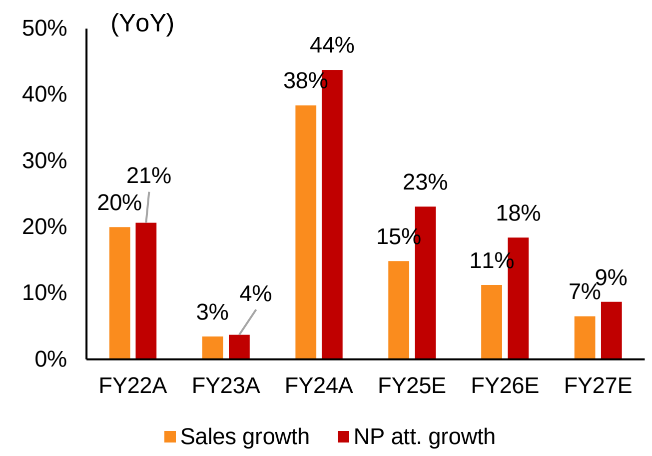
Link to latest report: Bosideng (3998 HK) – Beautifully executed the solid strategies

Financials and Valuations

(YE 31 Mar)	FY24A	FY25E	FY26E	FY27E
Sales (RMBmn)	23,214	26,657	29,654	31,584
YoY change (%)	38.4	14.8	11.2	6.5
Net profit (RMBmn)	3,074	3,783	4,478	4,866
EPS - Fully diluted (RMB)	0.269	0.331	0.392	0.426
YoY change (%)	43.7	23.1	18.4	8.7
Consensus EPS (RMB)	N/A	0.331	0.378	0.425
P/E (x)	13.0	10.5	8.9	8.2
P/B (x)	2.7	2.5	2.3	2.1
Yield (%)	6.6	7.3	8.7	9.4
ROE (%)	23.4	26.3	28.3	28.0
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

JNBY (3306 HK) – Prudent guidance and generous dividends

Rating: BUY | **TP:** HK$17.61 (23% upside)

Analyst: Walter Woo

- **Investment Thesis:** JNBY is a leading designer brand in China, owning brands like JNBY, CROQUIS, less and jnby by JNBY, etc.. We believe its FY26E targets of RMB6.0bn listco sales/ RMB900mn NP is robust (10%/ 13% sales/ NP CAGR during FY23-26E) are achievable enough (we have priced in 98%/ 113% in our model). Growth drivers include: 1) industry consolidation, 2) upgrades in products and branding, 3) store revamps, 4) ramp-up of its digital related and e-commerce sales, 5) store expansion and 6) development of new brands.

- **Our View:** FY24 results were roughly inline. Some investors could be concerned about the softened performance in 2H24, but this should be partially expected. The conservative tone for FY25E is not surprising and should likely be achieved, thanks to: 1) further upgrades in member management and customer services, resilient GP margin and better channel mix, etc. All in all, we think the downside is still limited, given the 8x FY6/25E P/E and 10% FY6/25E yield. Noted that the sales trend in Oct 2024 should have been positive and it is inline to deliver the FY25E growth.

- **Where do we differ vs consensus:** For FY25E/ 26E/ 27E, our sales forecasts are -1%/ -1%/ -2% vs consensus and our net profit forecasts are +2%/ +5%/ +5% vs street as we are more conservative on sales growth but more optimistic on its OP margin expansion.

- **Catalysts:** 1) better-than-expected government stimulus, 2) better-than-expected SSSG, and 3) successful product and branding upgrades.

- **Valuation:** We derive our 12m TP of HK$17.61 based on a 10x FY6/25E P/E. We believe JNBY can still be re-rated if its growth can remain healthy in 2025 (far better than the industry average). The stock is trading at ~8x FY6/25E P/E and 10% FY6/25E yield.

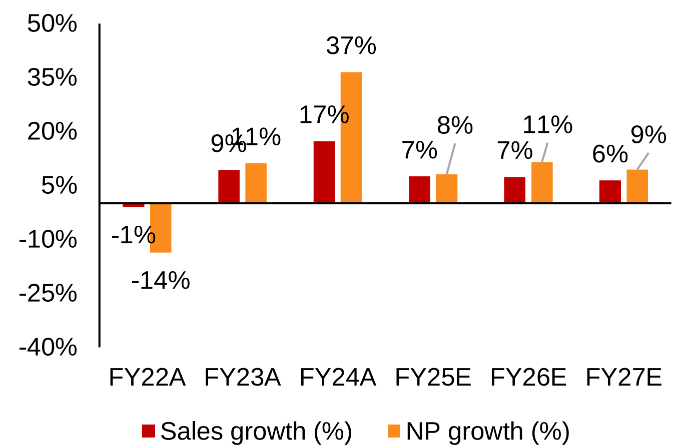
Link to latest report: JNBY Design (3306 HK) – Prudent guidance and generous dividends

Financials and Valuations

(YE 30 Jun)	FY24A	FY25E	FY26E	FY27E
Sales (RMB mn)	5,238	5,630	6,046	6,432
YoY change (%)	17.3	7.5	7.4	6.4
Adj. Net profit (RMB mn)	848	917	1,022	1,118
EPS - Fully diluted (RMB)	1.658	1.852	2.025	n/a
YoY change (%)	33.8	8.1	11.4	9.4
Consensus EPS (RMB)	N/A	1.662	1.852	2.025
P/E (x)	7.8	7.2	6.5	5.9
P/B (x)	3.1	2.9	2.6	2.4
Yield (%)	10.8	11.1	12.3	13.5
ROE (%)	40.9	40.6	41.5	41.3
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, yearly



Source: Company data, CMBIGM estimates

Yum China (9987 HK) – A strong beat once again and we are optimistic

Rating: BUY **| TP:** HK$451.11 (21% upside)

Analyst: Walter Woo

- **Investment Thesis:** YUMC is the largest restaurant group in China by sales. It owns 14,644 stores in FY23 (10,296 KFC/ 3,312 Pizza Hut/ 1,036 other brands) and generated USD 11.0bn sales and USD 827mn net profit in FY23. In our view, it is even benefiting from pandemic, through market share gains and structural margin improvements, driven by: 1) innovative and successful product launches, 2) more automation and efficient use of labour, 3) smaller-sized stores, and 4) less depreciation due to lower capex.
- **Our View:** Going forward in 4Q24E, we remain optimistic and expect SSSG to turn around and margin to further improve, thanks to the excellent execution of various strategies like: 1) widening of customer base, 2) optimizing the delivery growth and 3) rolling out of more stores with new formats like K-coffee and Pizza Hut WOW. Also, the massive upgrade in shareholder return program (up 50% from US$ 3bn to US$ 4.5bn in FY24E-26E) is another positive support for the share price.
- **Where do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are 3%/ 4%/ 2% higher than the street's as we are more conservative in sales but more confident on GP and OP margin in FY24E-26E.
- **Catalysts:** 1) better-than-expected product launches, 2) further improvement in store economics, and 3) more policy relaxation.
- **Valuation:** Our new TP of HK$ 451.11 is based on 22x FY25E P/E (up from 15x to factor in top-in-class execution and the potential turnaround), still not demanding vs 5-year average of 25x. The stock is trading at ~22x/ 18x FY24E/ 25E P/E.

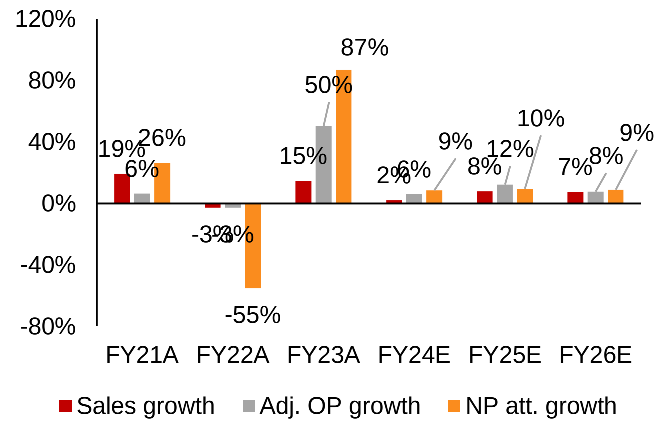
Link to latest report: Yum China (9987 HK) – A strong beat once again and we are optimistic

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	10,978	11,193	12,082	12,977
YoY change (%)	14.7	2.0	7.9	7.4
Net profit (RMB mn)	827	898	984	1,072
EPS - Fully diluted (RMB)	1.97	2.18	2.65	3.20
YoY change (%)	89.3	10.5	21.6	20.9
Consensus EPS (RMB)	N/A	2.22	2.49	2.82
P/E (x)	24.3	22.0	18.1	15.0
P/B (x)	2.9	2.4	1.9	1.6
Yield (%)	1.1	1.3	1.5	1.9
ROE (%)	11.6	12.0	11.9	11.8
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

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

Rating: BUY **| TP:** RMB133.86 (47% upside)

Analysts: Miao Zhang/ Bella Li

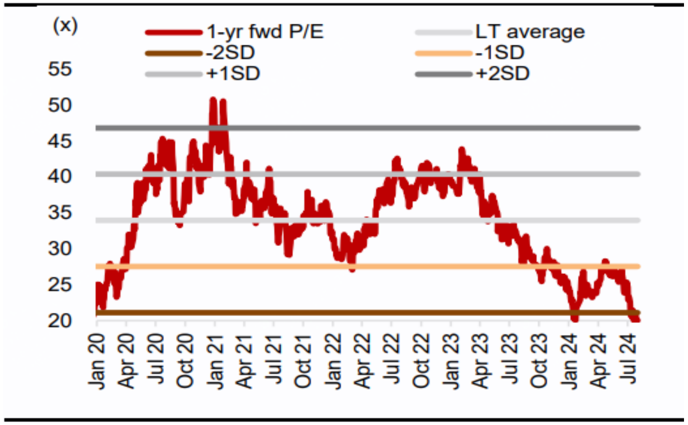
- Proya's 2Q24 results beat consensus with revenue/net profit +41%/37% YoY (1H24 revenue/net profit +37.9/40.5% YoY), mostly contributed by the accelerated sales growth of main brand to 37.7% YoY. The earnings ranked the top among peers. 1H24 GPM dropped by 0.7ppt and steadied at 69.8%, accompanied by the 3ppt 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 slightly upward trend.
- **Hero SKUs outperformance consistently benefiting earnings.** Proya continues to consolidate the "hero product strategy", with 1H24 image promotion fees +50% YoY and selling expense ratio hiking 3ppt YoY to 46.7%. Thanks to the hero products that have powered up re-purchase rates on both Tmall and Douyin (now at 40%+ and 30%+, respectively), their 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 likely to remain intact for 2024E. Amid the challenging landscape, the company's priority of achieving steadfast market share during the 11.11 festival may increase marketing expense ratio in 2H, given Douyin's unfavourable mechanism and the high return rate.
- **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 segments achieved growth exceeding 42% YoY, demonstrating the all three major BUs are now on track of sustainable growth. Meanwhile, management reaffirmed the overseas expansion 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 steady growth overseas.
- **Valuation**. Maintain BUY with a target price of RMB133.86, 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	3.85	4.73
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

BeiGene (BGNE US) – Growing non-GAAP profit

Rating: BUY **| TP:** US$276.02 (47% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Strong product sales. In 3Q24, BeiGene recorded product sales of US$993mn (+8% QoQ, +67% YoY). Sales of zanubrutinib (Zanu) increased 8% QoQ or 93% YoY to US$690mn. Zanu's sales momentum remained robust, driven by strong performances in the US (+5% QoQ to US$504mn) and the EU (+20% QoQ to US$97mn). In the US, Zanu achieved a leading position in new patient prescriptions for 1L and R/R CLL in Q3. Zanu continued to outperform its peers globally, and captured approximately 25% of the global BTK inhibitor market in 3Q24 (vs 20% in 1Q24). As a best-in-class BTK inhibitor, we anticipate Zanu to seize a leading market share.
- **Our View:** To achieve breakeven in FY25E. The GP margin (vs product sales) was 82.8% in 3Q24 (vs 85.0% in 2Q24). The decrease was impacted by an accelerated depreciation expense of US$17mn due to upgrading of the production line for tislelizumab, an effect expected to dissipate in 2025. The SG&A ratio (vs product sales) decreased to 46% in 3Q24 (vs 48% in 2Q24). Excluding the impacts from share-based compensation and D&A, the adjusted profit in 3Q24 reached US$66mn, up from US$48mn in 2Q24. In 3Q24, BeiGene generated US$188mn positive cash inflows from operations. With the strong sales momentum and improving operating margins, we expect BeiGene to break even in FY25E.
- **Where do we differ**: We value the efficient clinical progress in next wave of blockbusters. BeiGene initiated a strong global Ph3 study of sonrotoclax (Bcl-2) + zanu in 1L CLL in late 2023, with full enrolment expected by 1Q25. Ph2 trial results for sonrotoclax in R/R MCL globally and R/R CLL in China are anticipated in 2H25, potentially leading to NDA filings if the outcomes are positive. Ph3 trials of sonrotoclax in R/R CLL and R/R MCL are expected to start in 1H25. BeiGene has started the expansion cohorts of BGB-16673 (BTK CDAC) in R/R CLL with registration potential, and plans to initiate a Ph3 study for BTK CDAC in R/R CLL in 1H25. In a Ph1 trial for heavily pre-treated CLL (n=49), BGB-16673 demonstrated promising early efficacy with an ORR of 78%, comparable to NX-5948's 77%. BGB-43395 (CDK4i) will release Ph1 data at the SABCS meeting in Dec 2024, with a pivotal trial expected to follow.
- **Valuation:** We derive our target price of US$276.02 based on DCF valuation (WACC: 9.32%, terminal growth rate: 3.0%).

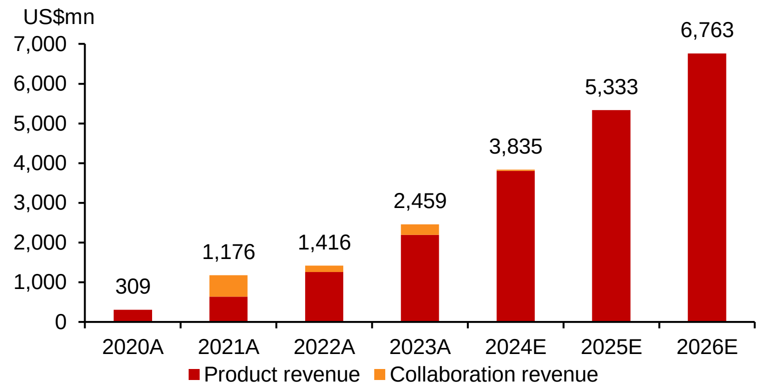
Link to latest report: BeiGene (BGNE US) - Growing non-GAAP profit

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (US$ mn)	3,835	5,333	6,763
YoY growth (%)	56%	39%	27%
Net loss (US$ mn)	(603)	52	699
EPS (US$)	(5.70)	0.49	6.60
Consensus EPS (US$)	(3.97)	(0.05)	4.26
R&D expenses (US$ mn)	(1,960)	(2,027)	(2,164)
SG&A expenses (US$ mn)	(1,846)	(2,453)	(2,773)
Capex (US$ mn)	(500)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

United Imaging (688271 CH) – Anticipating a rapid rebound in domestic business

Rating: BUY | **TP:** RMB162.81 (21% upside)

Analysts: Jill Wu/ Cathy Wang

- **Investment Thesis:** United Imaging's 9M24 revenue declined by 6.4% YoY to RMB6,954mn, with 3Q24 revenue down by 25.0% YoY to RMB1.6bn. This downturn was primarily due to a challenging domestic market environment, marked by stringent industry regulations and delays in equipment renewal projects. Mgmt. has noted that medical equipment renewal projects began implementation in early October, with multiple procurement activities underway. Additionally, some previously delayed equipment procurements, halted due to policy uncertainties, have now restarted. These developments lay the foundation for a recovery in United Imaging's domestic business in 4Q24 and 2025.
- **Our View: (1) Robust overseas growth momentum.** In 9M24, United Imaging's overseas revenue grew 36.5% YoY to RMB1,404mn, accounting for 20.2% (+6.35 ppts) of total revenue. This accelerated growth continued into the third quarter, with revenues increasing by 51.7% YoY to RMB471mn. Leveraging its strong innovation capabilities and enhancing overseas localization and service capabilities, we believe United Imaging poised to strengthen its global competitiveness, better navigate geopolitical challenges, and sustain rapid growth internationally. **(2) Medical equipment renewal projects set to materialize.** As the implementation of equipment renewal projects has gradually picked up pace, United Imaging's revenue and net profit margins are expected to significantly improve in 2025E, in our view.
- **Where do we differ vs consensus:** We expect hospital procurement to recover from 4Q24 and we are optimistic about the Company's long-term growth potential driven by the continued import substitution and strengthened global competitiveness. Moreover, the upcoming introduction of ultrasound is expected to provide an additional driver for its long-term growth.
- **Valuation:** We derive our target price of RMB162.81 based on a 9-year DCF model (WACC: 8.3%, terminal growth rate: 4.0%) .

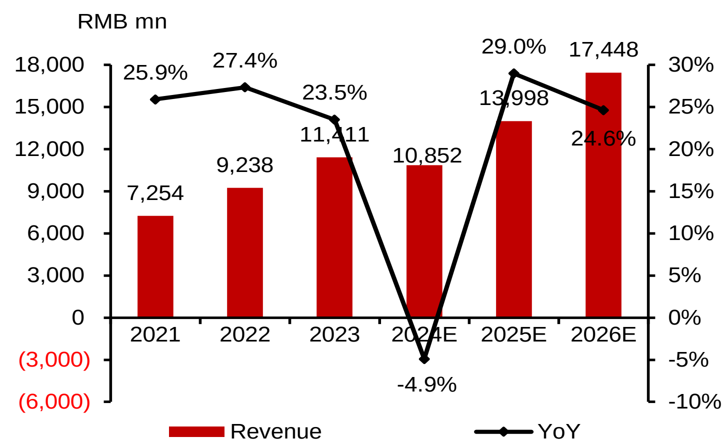
Link to latest report: 联影医疗 (688271 CH) - 投资者日要点：国之重器，扬帆出海

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (RMB mn)	10,852	13,998	17,448
YoY growth (%)	(4.9)	29.0	24.6
Adjusted net profit (RMB mn)	1,310	2,041	2,577
YoY growth (%)	-21.3	55.9	26.3
Adjusted EPS (RMB	1.59	2.48	3.13
P/E (x)	69.8	48.8	39.3
Net gearing (%)	(45.2)	(42.2)	(41.4)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK) – Expect solid full-year bottom line to resonate with NBV uptick

Rating: BUY **| TP:** HK$35.5 (41% upside) Analyst: Nika Ma

- **Investment Thesis:** In 9M24, headline NBV rose 37.9% YoY to RMB14.2bn, implying that the 3Q NBV surged 75.3% on a like-for-like basis to RMB5.2bn. We attribute the exceptional 3Q NBV increase to 1) continued margin expansion driven by increasing par product sales and channel optimization, where margin grew 6.2pct YoY to 20.1% in 9M24; 2) regular-paid new business sales (FYRP) recovered, alongside doubled par sales in terms of both NBV and FYRP in third quarter. We estimate the NBV margin rose to 23.0% in 3Q24 (vs 9M24: 20.1%), +5.9pct YoY/ +15.0 pct QoQ.
- **3Q net fair value gains pave way for full-year bottom-line.** 3Q net fair value gains amounted to RMB21.2bn, representing a surge in contrast to a net loss of RMB7.25bn in 3Q23. Net Investment income excl. profits from associates and joint ventures soared 2.7x YoY to RMB7.9bn thanks to 3Q equity market rally, whereas the interest income slightly dropped 3.3% YoY to RMB12.2bn.
- **Our view:** We expect full-year NBV to sustain the solid growth by +37% YoY (*CMBI estimate*), where the component of FYP growth could be weaker in 4Q24, dragged by the release of front-loaded demands prior to the PIR cuts in 3Q, offset by the consistently expanding NBV margin given an improved underwriting structure and more efficient channel mix. Participating, increasing sum-assured whole-life (IWLPs) and annuities could be flagship sellers in the 2025 jumpstart sales, in our view. Despite the upbeat gains of equity fair value, we do not think such rally to be sustainable in 4Q24; yet it indeed bolstered the full-year bottom-line by enhancing the contribution of net investment results to pre-tax profits to over 74% (vs the share of insurance service results at 29.6%) in 3Q24.
- **Revise up 12m forward TP to HK$35.5.** We raise FY24-26E EPS forecasts by 29%/6%/3% to RMB4.45/3.93/4.25, given more certain outlook for full-year profitability and NBV uptick. The stock is trading at 0.4x FY24 P/EV and 0.8x FY24E P/BV, above 3-year historical average of each. Our TP implies 0.5x FY24E P/EV (previous: 0.4x) and 1.1x FY24E P/BV (previous: 0.9x).

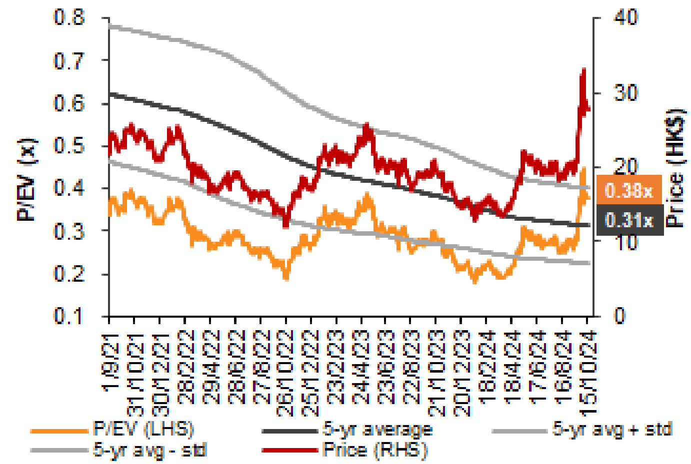
Link to latest report: CPIC (2601 HK) - 3Q NBV growth accelerated; expect par sales to outgrow

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	27,257	42,800	37,809	40,856
EPS	2.83	4.45	3.93	4.25
Consensus EPS	N/A	4.35	3.93	4.19
Group EV / share (RMB)	55.0	63.6	66.1	68.2
P/EV (x)	0.46	0.41	0.39	0.37
P/B (x)	0.89	0.80	0.74	0.67
Dividend yield (%)	4.4	4.5	4.7	4.8
ROE (%)	12.2	16.2	13.0	12.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Recent stock rally boosted P/EV(x) above 5-yr avg. by 21%



Source: CMBIGM estimates

PICC P&C (2328 HK) – CoR guidance could be met; expect solid dividend growth

Rating: BUY **| TP:** HK$14.0 (16% upside)

Analyst: Nika Ma

- **Investment Thesis:** 3Q earnings largely in line with NPAT and combined ratio (CoR) overall showed resilience. Despite adverse catastrophic impacts to non-auto losses exceeding market expectations in 3Q24, we think the peak of non-auto CoR has passed and being factored in to the underperformed stock price recently. Auto premium has gained momentum since Sep, thanks to the arising sales of new cars under the trade-in policies announced by the MoF. In Oct, the total number of passenger car sales grew 10.7% YoY to 2.75mn (vs Aug: -4.0% /Sep: +1.5% YoY) underpinned by the number of NEV sales up 49.6% YoY to 1.43mn, translating to a penetration of 46.8%, +1.0pct from Sep-24.
- **Our view:** Looking into 4Q, we expect auto premiums to progressively recover contributing to a full-year growth at 4%, mainly supported by recent supportive policy stimuli. For non-auto CoR, we think the jump of claims ratio could ease in 4Q24 given the insurer's continued risk mitigation through continued balance on product mix. Overall, we believe the guided auto and non-auto CoR targets by <97%/<100% could be met by year-end, and maintain our forecasts of CoR of each at 96.6%/99.4%, respectively. The insurer used to peg dividends to net income. With the surge of 3Q bottom-line, we expect the insurer would focus more on the absolute value growth of DPS rather than stabilizing the payout, if applicable.
- **Revise up TP to HK$14.0 implying 1.09x FY24E P/BV.** Given better-than-expected net investment results boosted by the net fair value gains under the 3Q24 equity market rally, we raise our FY24-26E EPS forecasts by 8%/7%/5% to RMB 1.44/1.51/1.60, and revise up our 12m-forward TP to HK$14.0, representing 1.09x FY24E P/BV, whereas current trading at 1.0x FY24E P/BV.
- **Downside risks:** deteriorated auto and non-auto CoR, weakened-than – expected new vehicle sales, and increased volatilities in capital market.

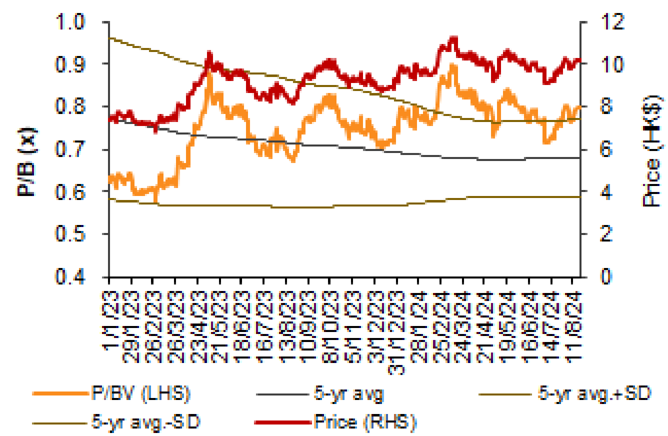
Link to latest report: PICC P&C (2328 HK) - 3Q CoR miss dragged by non-auto claims

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	24,566	31,993	33,553	35,530
EPS (RMB)	1.11	1.44	1.51	1.60
Consensus EPS (RMB)	N/A	1.35	1.46	1.55
Combined ratio (%)	97.8	97.7	97.4	97.2
P/B (x)	1.1	1.0	0.9	0.9
Dividend yield (%)	4.3	5.1	5.4	5.7
ROE (%)	10.8	13.1	12.7	12.6

Source: Company data, Bloomberg, CMBIGM estimates

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



Source: CMBIGM estimates

Tencent (700 HK) – Higher consumer internet revenue contribution boosted margin

Rating: BUY **| TP:** HK$525.0 (30% 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. For 2024, 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 accelerate 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 growth 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 dividends 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.

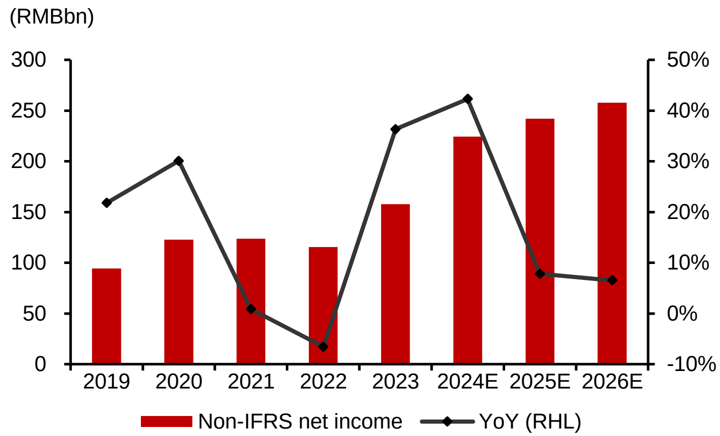
Link to latest report: Tencent (700 HK) - Higher consumer internet revenue contribution boosted margin

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)	27.8	16.3	14.8	13.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

NetEase (NTES US) – Eyes on new game launch in December

Rating: BUY | **TP:** US$125.5 (42% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

- **Investment Thesis:** NetEase's is currently trading at 11x FY25E PE, which is a 5-year low, and we think this has priced in short-term headwinds and offers attractive risk-reward. Looking ahead, we expect the launch of *Marvel Rivals* and *Where Winds Meet* in December will be the key catalysts to watch. The successful launch of the two highly-anticipated titles shall support the fundamental and valuation recovery of NetEase.

- **Our View:** NetEase 3Q24 financial results are 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* in December will be the key catalysts to watch, the performance of which shall 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* in December; 2) offline technical test for its highly-anticipated ACG open-world title *Project Mugen* in December; 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.

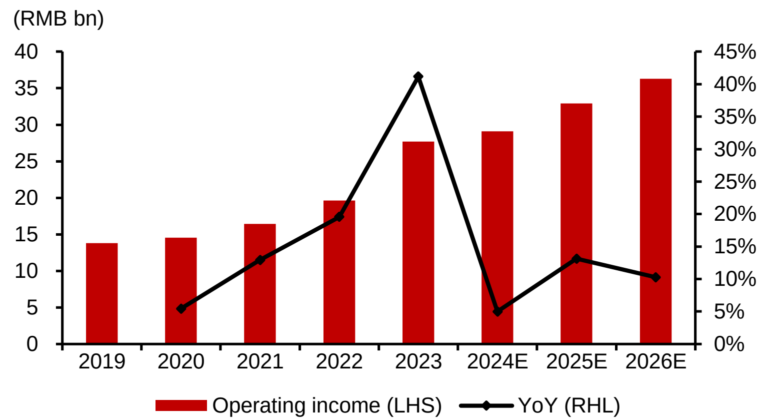
Link to latest report: NetEase (NTES US) - Eyes on new game launch in December

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)	13.2	12.4	11.3	10.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Operating income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Results inline; solid execution towards achieving development goal

Rating: BUY | **TP:** US$132.2 (48% upside)

Analysts: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** 1) Alibaba's fundamentals are 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 service fees charged and the launch of new advertising products should drive a 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 flows post stock connect inclusion.
- **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, driven by investment to enhance value-for-quality product supply and to strengthen user experience, and we see support coming from the 46mn 88VIP members, which grew by double digits YoY, and the number of 88VIP members who placed orders during Double 11 shopping festival increased by over 50% YoY. The improvement in core user engagement should in turn drive better merchant engagement and more ads spending over time, in our view.
- **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 is 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)	N/A	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 (62% upside)

Analysts: Miao Zhang/ Bella Li

- Greentown Service's revenue/core operating profit went up 11/26% YoY in 1H24, in-line with/beating market expectations buoyed by a stable parent company, robust third-party expansion, and a diversified VAS business. Core OPM expanded 1.2ppt 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, the company 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 1.2ppt. 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 up 3% to 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	0.24	0.29
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

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

Rating: BUY | **TP:** HK$4.38 (39% upside)

Analysts: Alex Ng/ Claudia Liu

- **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 picks for H-share tech sector, due to its solid revenue growth, high earnings visibility and being a beneficiary of AI server cycle. Mgmt. maintained positive outlook for 2024: high single-digit YoY revenue growth, 20%+ GPM and OPM target of 4.5%. As for AI-server related sales, apart from GB200’s compute tray connectors/power busbar/CDU liquid cooling connectors (7-9% of FY24E revenue), mgmt. highlighted the backplane connectors/cables are under evaluation with customers. For EV business, integration with Auto-Kabel is about to close and contribute meaningful revenue in FY25E. For AirPods, the first production line in India is on track to start mass production in early FY25E. Overall, we expect FIT’s net profit to rebound 42%/67% YoY in FY24/25E.

- **Where do we differ vs consensus:** Our FY25/26E EPS are 10%/19% 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$4.38 is based on 13x FY25E P/E, given accelerated growth on the “3+3 Strategy” and profitability recovery.

Link to latest report: FIT Hon Teng (6088 HK)-Upbeat 3-year guidance reaffirmed our positive view; Raise TP to HK$4.38

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,196	4,555	5,896	7,131
YoY growth (%)	(7.4)	8.6	29.4	20.9
Net profit (RMB mn)	129	184	308	403
EPS (RMB)	1.82	2.59	4.34	5.67
YoY growth (%)	(23.8)	42.2	67.2	30.9
Consensus EPS (RMB)	N/A	2.60	3.94	4.76
P/E (x)	20.1	14.1	8.4	6.5
P/B (x)	1.0	1.0	0.9	0.8
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	5.3	7.0	10.5	12.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 3Q24 revenue guidance

Source: Company data, CMBIGM estimates

Xiaomi (1810 HK) – 3Q24 beat on stronger EV/core business margin; Solid execution of "Human x Car x Home" strategy

Rating: BUY **| TP:** HK$32.7 (18% upside)

Analysts: Alex Ng/ Claudia Liu

- **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 gains, 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, the 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 reflect Xiaomi's business diversification with different growth profiles and visibility.

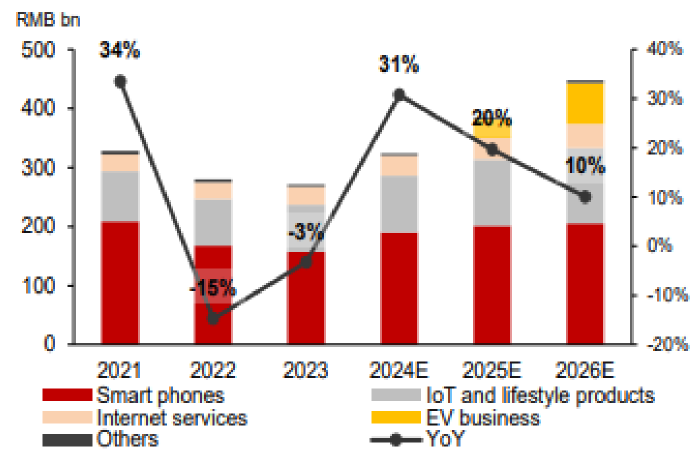
Link to latest report: Xiaomi (1810 HK)-3Q24E beat on stronger EV/core business margin; Solid execution of "Human x Car x Home" strategy

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)	34.5	26.9	21.6	18.4
P/B (x)	4.1	3.6	3.2	2.8
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 revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** HK$44.41 (50% upside)

Analysts: Alex Ng/ Hanqing Li

- **Investment Thesis:** BYDE is a global leader in platform-based high-end manufacturing, focusing on smartphone/NB, new intelligent products, auto intelligent systems 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 are positive on BYDE's multiple growth drivers in 2025: 1). smartphone OEM/component business will benefit from iPhone AI cycle, high-end Android demand and Jabil biz's improving efficiency; 2) NEV: we expect rising penetration of active suspension products in high-end models and NEV GPM will remain at a high level; 3) AI server ODM/components: strong product roadmap across server, rack system and high-speed connectivity, which will start to contribute meaningful sales. We expect sales to double in 2025 given its strong R&D partnership with Nvidia after GB200/H20 product qualifications in 4Q24E.

- **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$44.41 implies 15.0x FY25E P/E. We reiterate BUY given robust earnings CAGR of 31% in 2024-26E and business diversification.

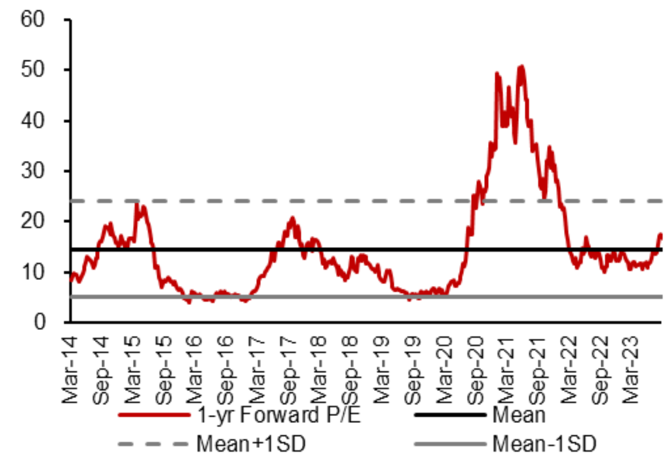
Link to latest report: BYDE (285 HK) - 3Q24 in-line; Eyes on Jabil/NEV/AI server ramp-up

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	129,957	171,961	196,265	215,397
YoY growth (%)	21.2	32.3	14.1	9.7
Net profit(RMB mn)	4,041	4,428.1	6,070.2	7,567.4
EPS (RMB)	1.79	1.97	2.69	3.36
YoY growth (%)	117.6	9.6	37.1	24.7
Consensus EPS (RMB)	N/A	2.02	2.67	3.15
P/E (x)	17.1	15.6	11.4	9.1
P/B (x)	2.4	3.8	3.1	2.5
Yield (%)	1.8	1.9	2.6	3.3
ROE (%)	14.7	18.6	29.7	30.0
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) – Continue to benefit from the robust AI momentum

Rating: BUY | **TP:** RMB186 (41% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Innolight has released its 3Q results. Revenue went up by 115.2% YoY/9.4% QoQ, while net profit went up by 104.4% YoY/3.3% QoQ, in-line with our expectations. Mgmt. attributed the slower sequential revenue growth (9.4% in 3Q24 vs. 31.3%/23% in 1Q/2Q24) to two main factors: 1) supply chain bottlenecks of key components (like DSPs & EMLs), and 2) unfavorable fluctuations in the USD/RMB exchange rate during 3Q. Excluding the impact of exchange rate movements, the company still achieved double-digit revenue growth in 3Q.
- **Sequential slowdown due to exchange rate and supply chain issues:** The company highlighted that 3Q performance was negatively impacted by unfavourable USD/RMB exchange rate fluctuations. Excluding this impact (~RMB100mn), the company still posted double-digit sequential growth.
- **Demand intact, 400G/800G shipments to ramp through 4Q24:** Mgmt. reiterated strong demand for the company's high-speed optical products, particularly 400G & 800G, which remain key growth drivers.
- **Risks:** 1) China-US trade tensions, 2) rising raw material costs, and 3) weaker-than-expected ramp-up speed.
- **Valuation:** Maintain BUY, with a TP of RMB186, reflecting 26.9x rollover 2025E P/E (previously 30x 2024E P/E).

Links to relevant reports:

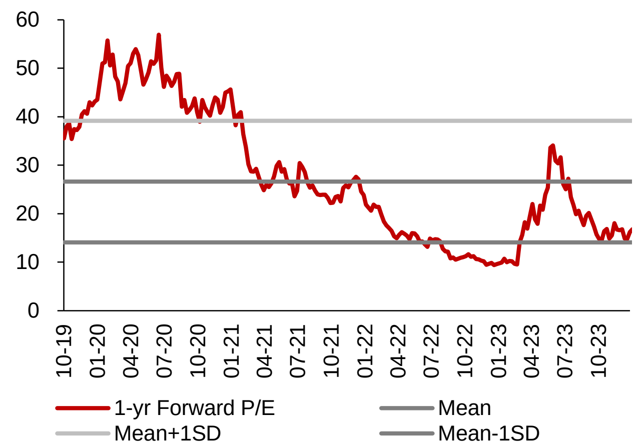
1. Innolight (300308 CH) - Solid 1H24 results w/ steady margin; Key investor call takeaway w/ strong demand outlook in 2H24
2. Innolight (300308 CH) - Fundamentals remain strong despite recent market volatility, reiterate BUY
3. Innolight (300308 CH) - 1Q24 results set stage for accelerated growth in 2024

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	10,718	24,060	34,149	41,026
YoY growth (%)	11.2	124.5	41.9	20.1
Gross margin (%)	33.0	33.2	32.3	31.4
Net profit (RMB mn)	2,174	5,522	8,156	9,253
YoY growth (%)	77.6	154.1	47.7	13.4
EPS (RMB)	2.00	5.08	7.50	8.51
P/E (x)	74.4	29.3	19.8	17.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Naura (002371 CH) – Poised to gain further traction amid China semi supply chain localization

Rating: BUY | **TP:** RMB426.0 (-1% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Naura has announced 3Q24 results. Q3 revenue was RMB8.0bn, up 30.1% YoY and 23.8% QoQ, driven by significant growth in semiconductor equipment sales (up 47.0% in 9M24). NP was RMB1.7bn, up 55.0% YoY and 1.7% QoQ. GPM was 42.3%, up 5.9ppts from 3Q23 but declined 5.1ppts sequentially, mainly due to 1) higher photovoltaic (PV) equipment sales that had a lower GPM, and 2) seasonal fluctuations in gross margins of semiconductor equipment business. Overall, Q3 was a solid quarter with robust revenue and net profit growth.
- **Catalysts:** 1) Sooner-than-expected R&D breakthroughs; 2) stronger gov't support; 3) rapid recovery of end-market demand.
- **Risks:** 1) Worsening China-US trade relations, 2) heightened geopolitical tensions, and 3) slower-than-expected R&D.
- **Valuation:** Maintain BUY, with TP at RMB426, reflecting 30x rollover 2025E P/E.

Links to relevant reports:

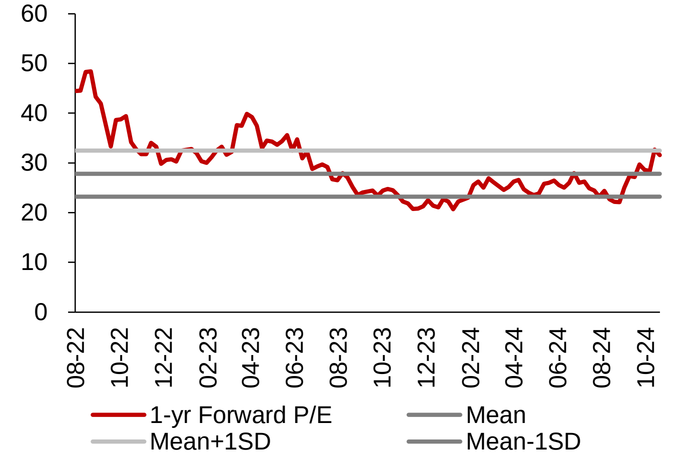
1. Naura Technology (002371 CH) - Robust earnings with margin expansion; Maintain BUY
2. Naura Technology (002371 CH) - 1H24 profit alert points to solid 2Q results
3. Semi - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	22,079	30,856	39,030	48,443
YoY growth (%)	50.3	39.7	26.5	24.1
Operating profit (RMB mn)	4,448	7,085	9,285	12,183
YoY growth (%)	55.1	59.3	31.0	31.2
Net profit (RMB mn)	3,899	5,806	7,547	9,873
YoY growth (%)	65.7	48.9	30.0	30.8
EPS(RMB)	7.36	10.9	14.2	18.6
P/E (x)	61.0	39.7	30.3	23.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Kingdee (268 HK) – Domestic ERP SaaS leader

Rating: BUY | **TP:** HK$10.8 (30% upside) Analyst: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 16% revenue CAGR in FY23-26E, with total revenue to reach RMB8.9bn.
- **Our View:** We remain positive that Kingdee is well-positioned to benefit from the domestic substitution trend, backed by strong and continuously enhanced product capability and partner ecosystem. With greater revenue generation from subscription services than peers, Kingdee will likely enjoy greater visibility on revenue growth in 2024. Also, Kingdee's loss reduction remains on track thanks to efficient cost control, as well as optimization of cloud infrastructure spend aided by the price reduction of IaaS vendors.
- **Why do we differ vs consensus:** Huawei's self-developed ERP (MetaERP) could be negative to the China ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the formers are more large-enterprises/ SOEs focused. Also, Huawei has to consider the potential implications to its Cloud business as Kingdee/ Yonyou/ Inspur may scale down their cloud resources usage with Huawei Cloud given direct competition in ERP.
- **Catalysts:** 1) Winning large SOEs' domestic substitution bidding; and 2) supportive policies related domestic substitution implementation.
- **Valuation:** We maintain BUY with new TP of HK$10.8, based on 4.4x EV/Sales, in line with one-year mean.

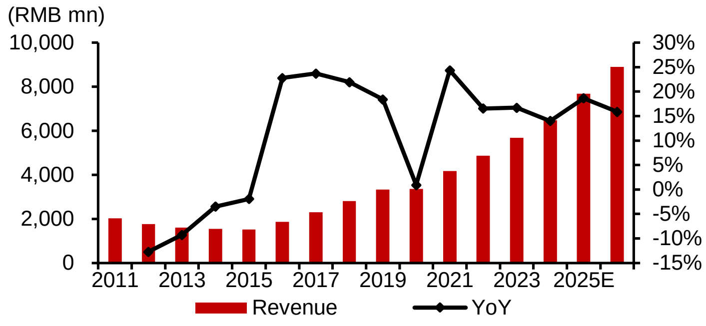
Link to latest report: Kingdee (268 HK) – Macro headwinds weighed on growth; loss reduction on track

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,866	5,679	6,475	7,682
YoY growth (%)	16.6	16.7	14.0	18.6
Net profit (RMB mn)	(389.2)	(209.9)	(11.5)	240.6
EPS (Reported) (RMB cents)	(11.21)	(6.04)	(0.33)	6.92
Consensus EPS (RMB cents)	N/A	N/A	(1.40)	6.87
P/E (x)	N/A	N/A	N/A	77.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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