

## Zoomlion Heavy Industry - A (000157 CH)

### Margin risk priced in; Good buying opportunity

Zoomlion's 3Q20 profit is solid (+85% YoY) and management's post-results comments on demand (+10% QoQ in 4Q20E) and margin (to improve sequentially) suggest that the business outlook remains favourable. We believe the recent share price pullback on concerns over margin was overdone and we see this as good buying opportunity. We slightly took our 2020E-22E earnings forecast down by 2-4% after modelling higher sales volume but more conservative margins. We fine-tuned our TP from RMB10.2 to RMB9.56, after rolling over our base year to 2021E with a target multiple of 10x (previously 12x 2020E P/E). Maintain **BUY**.

- **Key highlight on 3Q20 results.** Net profit in 3Q20 surged 85% YoY to RMB1.67bn, within the range of profit alert (RMB1.48-1.78bn) released in mid-Oct. Revenue grew 73% YoY to RMB16.4bn while gross margin narrowed 2.4ppt YoY and 1.8ppt QoQ to 27%. Net operating cash inflow increased by 58% YoY to RMB2.6bn in 3Q.
- **Strong growth across all segments.** In 9M20, concrete machinery and crane revenue increased by 34% YoY and 44% YoY, respectively, to RMB13.7bn and RMB23.6bn. Agricultural machinery revenue grew 35% YoY. For new business lines, revenue from excavator surged 244% YoY while revenue from aerial working platform (AWP) grew 60% YoY.
- **Gross margin to rebound in 4Q20E.** Gross margin contraction in 3Q20 was due to: (1) higher sales of smaller size truck cranes and tower crane that carried lower margin; (2) higher growth of concrete mixer (lower margin) than the concrete pump; (3) fast growing AWP and excavator which had lower margin (though improving), compared with the existing business. That said, management is confident of achieving better margin in 4Q20E, as (1) new business margin keeps improving, and (2) the Company's central procurement policy started in 3Q20 will help reduce cost going forward.
- **Positive outlook in 4Q20E and 2021E.** Management believes that solid infrastructure and property investment, together with the replacement of labour and strict environmental protection policies are all favourable drivers. Besides, large players are beneficiaries of rising industry concentration. Management believes that this round of upcycle will be stronger than the previous one.

#### Earnings Summary

| (YE 31 Dec)         | FY18A  | FY19A  | FY20E  | FY21E  | FY22E  |
|---------------------|--------|--------|--------|--------|--------|
| Revenue (RMB mn)    | 28,697 | 43,307 | 63,942 | 76,025 | 84,903 |
| YoY growth (%)      | 39.3   | 50.9   | 47.6   | 18.9   | 11.7   |
| Net income (RMB mn) | 2,031  | 4,381  | 6,887  | 8,727  | 9,928  |
| EPS (RMB)           | 0.27   | 0.58   | 0.87   | 0.96   | 1.09   |
| YoY growth (%)      | 51.5   | 119.2  | 50.0   | 9.3    | 13.7   |
| Consensus EPS (RMB) | n/a    | n/a    | 0.82   | 0.92   | 1.02   |
| EV/EBITDA (x)       | 16.0   | 10.5   | 7.9    | 6.5    | 5.8    |
| P/E (x)             | 27.0   | 12.6   | 8.7    | 7.9    | 6.8    |
| P/B (x)             | 1.5    | 1.5    | 1.3    | 1.2    | 1.0    |
| Yield (%)           | 3.5    | 0.0    | 4.9    | 5.1    | 5.9    |
| ROE (%)             | 5.4    | 11.4   | 16.3   | 16.8   | 16.1   |
| Net gearing (%)     | 33.6   | 31.3   | 20.8   | 4.7    | 3.6    |

Source: Company data, Bloomberg, CMBIS estimates

### BUY (Maintain)

|               |          |
|---------------|----------|
| Target Price  | RMB9.56  |
| (Previous TP) | RMB10.20 |
| Up/Downside   | +32%     |
| Current Price | RMB7.24  |

#### China Capital Goods

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#### Stock Data

|                          |           |
|--------------------------|-----------|
| Mkt Cap (RMB mn)         | 55,697    |
| Avg 3 mths t/o (RMB mn)  | 468       |
| 52w High/Low (RMB)       | 8.97/5.28 |
| Total Issued Shares (mn) | 6,411 (A) |
|                          | 1,388 (H) |

Source: Bloomberg

#### Shareholding Structure

|                         |       |
|-------------------------|-------|
| SASAC of Hunan Province | 15.9% |
| Management team         | 4.9%  |
| A share free float      | 61.4% |
| H share free float      | 17.7% |

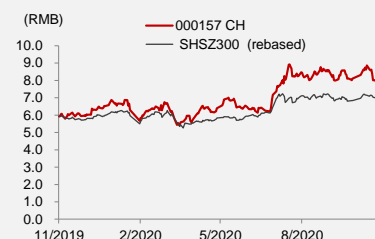
Source: HKEx, Shanghai Stock Exchange

#### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -8.8%    | -10.9%   |
| 3-mth | -10.4%   | -10.4%   |
| 6-mth | 15.6%    | -3.7%    |

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: KPMG

#### Related Reports

1. Zoomlion (000157 CH, BUY) – Profit surprise in 3Q20 reaffirms our positive view – 15 Oct 2020
2. Zoomlion (000157 CH, BUY) – Interim dvd. a positive; Gross margin stabilized; Sector top pick – 24 Aug 2020
3. Zoomlion (000157 CH, BUY) – 2Q20 profit a strong beat; Lift earnings est. & TP – 15 Jul 2020
4. China Construction Machinery & HDT Sector – Raise industry sales forecast in 2020E-21E; Solid upcycle – 30 Jun 2020

Figure 1: 3Q20 results highlights

| (RMB mn)                             | 1Q19         | 1Q20         | Change YoY          | 2Q19          | 2Q20          | Change YoY          | 3Q19         | 3Q20          | Change YoY          |
|--------------------------------------|--------------|--------------|---------------------|---------------|---------------|---------------------|--------------|---------------|---------------------|
| <b>Total revenue</b>                 | <b>9,017</b> | <b>9,067</b> | <b>0.6%</b>         | <b>13,245</b> | <b>19,760</b> | <b>49.2%</b>        | <b>9,493</b> | <b>16,417</b> | <b>72.9%</b>        |
| Cost of sales                        | -6,311       | -6,296       | -0.2%               | -9,273        | -14,068       | 51.7%               | -6,702       | -11,979       | 78.7%               |
| <b>Gross profit</b>                  | <b>2,706</b> | <b>2,770</b> | <b>2.4%</b>         | <b>3,972</b>  | <b>5,693</b>  | <b>43.3%</b>        | <b>2,791</b> | <b>4,438</b>  | <b>59.0%</b>        |
| Other income                         | 29           | 114          | 289.3%              | 593           | 548           | -7.6%               | 200          | 7             | -96.6%              |
| S&D expenses                         | -715         | -704         | -1.5%               | -1,166        | -1,212        | 3.9%                | -890         | -1,223        | 37.5%               |
| Administrative expenses              | -624         | -488         | -21.7%              | -1,045        | -1,782        | 70.5%               | -535         | -1,000        | 86.8%               |
| R&D expenses                         | -116         | -242         | 108.9%              | -345          | -806          | 133.5%              | -270         | -662          | 145.3%              |
| <b>EBIT</b>                          | <b>1,281</b> | <b>1,450</b> | <b>13.3%</b>        | <b>2,353</b>  | <b>3,247</b>  | <b>38.0%</b>        | <b>1,295</b> | <b>1,559</b>  | <b>20.3%</b>        |
| Net finance income/(cost)            | -405         | -280         | -30.8%              | -191          | 243           | n/a                 | -301         | 20            | n/a                 |
| Other gains/(losses)                 | 234          | 69           | -70.7%              | -234          | -69           | -70.7%              | 99           | 242           | 143.8%              |
| Share of profit of JV and associates | 34           | 47           | 40.7%               | 48            | 19            | -61.2%              | 40           | 42            | 4.9%                |
| <b>Pretax profit</b>                 | <b>1,144</b> | <b>1,286</b> | <b>12.5%</b>        | <b>1,976</b>  | <b>3,440</b>  | <b>74.1%</b>        | <b>1,134</b> | <b>1,863</b>  | <b>64.3%</b>        |
| Income tax                           | -162         | -236         | 45.3%               | -378          | -432          | 14.4%               | -245         | -178          | -27.2%              |
| <b>After tax profit</b>              | <b>981</b>   | <b>1,050</b> | <b>7.0%</b>         | <b>1,599</b>  | <b>3,008</b>  | <b>88.1%</b>        | <b>889</b>   | <b>1,685</b>  | <b>89.4%</b>        |
| MI                                   | 21           | -24          | n/a                 | -16           | -9            | n/a                 | 14           | -17           | n/a                 |
| <b>Net profit</b>                    | <b>1,002</b> | <b>1,026</b> | <b>2.4%</b>         | <b>1,583</b>  | <b>2,999</b>  | <b>89.5%</b>        | <b>904</b>   | <b>1,668</b>  | <b>84.6%</b>        |
| <b>Operating cash flow</b>           | <b>1,867</b> | <b>319</b>   | <b>-82.9%</b>       | <b>1,431</b>  | <b>1,068</b>  | <b>-25.4%</b>       | <b>1,664</b> | <b>2,630</b>  | <b>58.0%</b>        |
| <b>Key ratios</b>                    |              |              | <b>Change (ppt)</b> |               |               | <b>Change (ppt)</b> |              |               | <b>Change (ppt)</b> |
| Gross margin                         | 30.0%        | 30.6%        | 0.5                 | 30.0%         | 28.8%         | -1.2                | 29.4%        | 27.0%         | -2.4                |
| S&D expenses ratio                   | 7.9%         | 7.8%         | -0.2                | 8.8%          | 6.1%          | -2.7                | 9.4%         | 7.5%          | -1.9                |
| Administrative expense ratio         | 6.9%         | 5.4%         | -1.5                | 7.9%          | 9.0%          | 1.1                 | 5.6%         | 6.1%          | 0.5                 |
| R&D expense ratio                    | 1.3%         | 2.7%         | 1.4                 | 2.6%          | 4.1%          | 1.5                 | 2.8%         | 4.0%          | 1.2                 |
| Net margin                           | 10.9%        | 11.6%        | 0.7                 | 12.1%         | 15.2%         | 3.2                 | 9.4%         | 10.3%         | 0.9                 |
| Effective tax rate                   | 14.2%        | 18.3%        | 4.1                 | 19.1%         | 12.6%         | -6.5                | 21.6%        | 9.6%          | -12.0               |

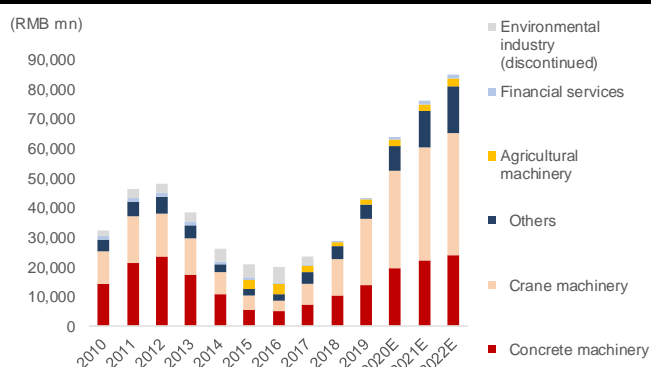
Source: Company data, CMBIS

Figure 2: Change in key assumptions

|                             | Old           |               |               | New           |               |               | Change               |              |              |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------------|--------------|--------------|
|                             | 2020E         | 2021E         | 2022E         | 2020E         | 2021E         | 2022E         | 2020E                | 2021E        | 2022E        |
| (RMB mn)                    |               |               |               |               |               |               |                      |              |              |
| <b>Revenue</b>              |               |               |               |               |               |               |                      |              |              |
| Construction machinery      | 56,223        | 66,924        | 75,810        | 60,946        | 72,608        | 81,097        | 8%                   | 8%           | 7%           |
| Concrete machinery          | 17,656        | 20,304        | 22,334        | 19,324        | 22,222        | 24,000        | 9%                   | 9%           | 7%           |
| Crane machinery             | 31,006        | 35,657        | 39,222        | 33,221        | 38,204        | 41,260        | 7%                   | 7%           | 5%           |
| Others                      | 7,561         | 10,964        | 14,253        | 8,401         | 12,182        | 15,837        | 11%                  | 11%          | 11%          |
| Agricultural machinery      | 1,836         | 2,020         | 2,222         | 2,058         | 2,367         | 2,651         | 12%                  | 17%          | 19%          |
| Financial services          | 843           | 927           | 974           | 938           | 1,051         | 1,156         | 11%                  | 13%          | 19%          |
| <b>Total revenue</b>        | <b>58,902</b> | <b>69,872</b> | <b>79,005</b> | <b>63,942</b> | <b>76,025</b> | <b>84,903</b> | <b>9%</b>            | <b>9%</b>    | <b>7%</b>    |
| <b>Revenue growth</b>       |               |               |               |               |               |               | <b>Change in ppt</b> |              |              |
| Construction machinery      | 37.2%         | 19.0%         | 13.3%         | 48.7%         | 19.1%         | 11.7%         | 11.5                 | 0.1          | (1.6)        |
| Concrete machinery          | 27.0%         | 15.0%         | 10.0%         | 39.0%         | 15.0%         | 8.0%          | 12.0                 | 0.0          | (2.0)        |
| Crane machinery             | 40.0%         | 15.0%         | 10.0%         | 50.0%         | 15.0%         | 8.0%          | 10.0                 | 0.0          | (2.0)        |
| Others                      | 53.0%         | 45.0%         | 30.0%         | 70.0%         | 45.0%         | 30.0%         | 17.0                 | 0.0          | 0.0          |
| Agricultural machinery      | 16.0%         | 10.0%         | 10.0%         | 30.0%         | 15.0%         | 12.0%         | 14.0                 | 5.0          | 2.0          |
| Financial services          | 15.0%         | 10.0%         | 5.0%          | 28.0%         | 12.0%         | 10.0%         | 13.0                 | 2.0          | 5.0          |
| <b>Total revenue growth</b> | <b>36.0%</b>  | <b>18.6%</b>  | <b>13.1%</b>  | <b>47.6%</b>  | <b>18.9%</b>  | <b>11.7%</b>  | <b>11.6</b>          | <b>0.3</b>   | <b>(1.4)</b> |
| <b>Gross margin</b>         |               |               |               |               |               |               | <b>Change in ppt</b> |              |              |
| Construction machinery      | 29.7%         | 30.2%         | 30.2%         | 28.3%         | 28.7%         | 28.7%         | -1.50                | -1.49        | -1.48        |
| Concrete machinery          | 27.8%         | 28.5%         | 28.5%         | 27.4%         | 27.5%         | 27.5%         | -0.40                | -1.00        | -1.00        |
| Crane machinery             | 32.5%         | 33.0%         | 33.0%         | 30.2%         | 31.0%         | 31.0%         | -2.30                | -2.00        | -2.00        |
| Others                      | 23.0%         | 24.0%         | 25.0%         | 22.5%         | 23.5%         | 24.5%         | -0.50                | -0.50        | -0.50        |
| Agricultural machinery      | 8.0%          | 10.0%         | 11.0%         | 9.0%          | 12.0%         | 13.0%         | 1.00                 | 2.00         | 2.00         |
| Financial services          | 99.5%         | 100.0%        | 100.0%        | 99.5%         | 100.0%        | 100.0%        | 0.00                 | 0.00         | 0.00         |
| <b>Average gross margin</b> | <b>30.1%</b>  | <b>30.5%</b>  | <b>30.5%</b>  | <b>28.7%</b>  | <b>29.1%</b>  | <b>29.2%</b>  | <b>-1.39</b>         | <b>-1.37</b> | <b>-1.32</b> |
| <b>Net profit</b>           | <b>7,206</b>  | <b>8,933</b>  | <b>10,175</b> | <b>6,887</b>  | <b>8,727</b>  | <b>9,928</b>  | <b>-4%</b>           | <b>-2%</b>   | <b>-2%</b>   |

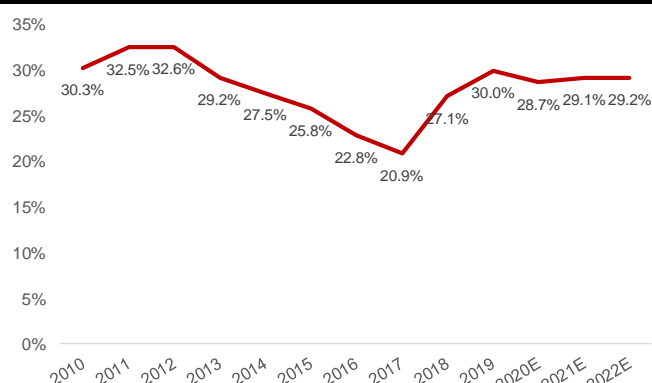
Source: Company data, CMBIS estimates

Figure 3: Zoomlion's revenue trend



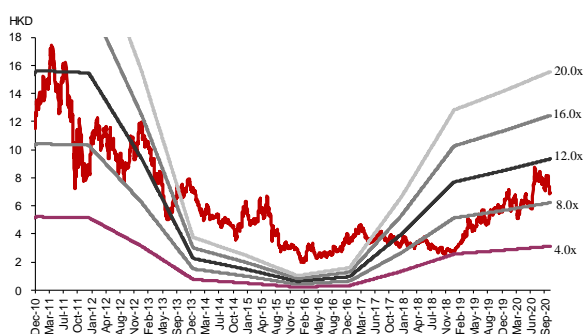
Source: Company data, CMBIS estimates

Figure 4: Zoomlion's gross margin trend



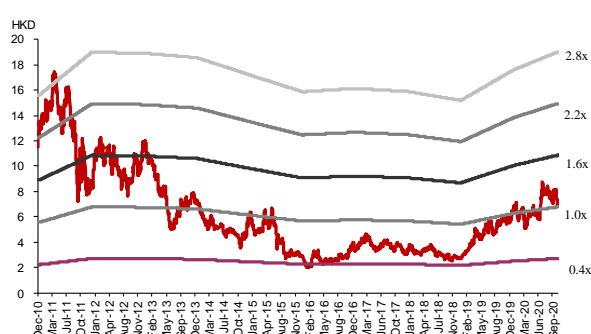
Source: Company data, CMBIS estimates

Figure 5: Zoomlion - H 12M forward P/E band



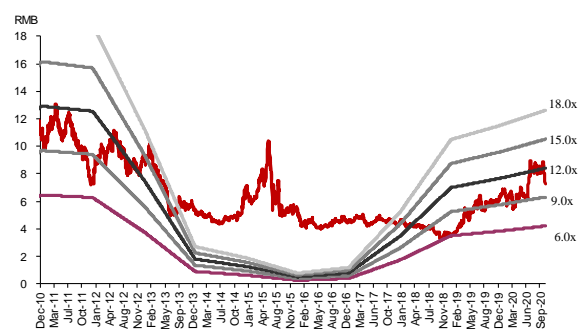
Source: Bloomberg, Company data, CMBIS estimates

Figure 6: Zoomlion - H 12M forward P/B band



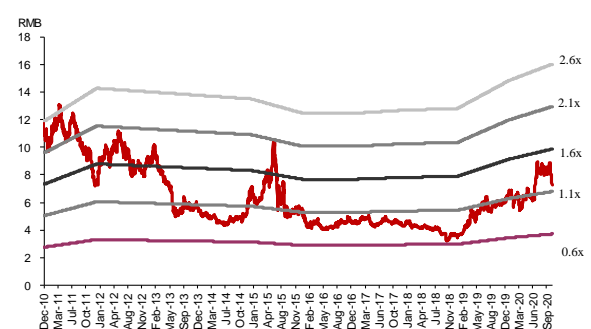
Source: Bloomberg, Company data, CMBIS estimates

Figure 7: Zoomlion - A 12M forward P/E band



Source: Bloomberg, Company data, CMBIS estimates

Figure 8: Zoomlion - A 12M forward P/B band



Source: Bloomberg, Company data, CMBIS estimates

- **Risk factors:** (1) Unexpected weakness on infrastructure spending; (2) Slow recovery of property construction; (3) Risks of new business expansion.

## Financial Summary

### Income statement

| YE 31 Dec (RMB mn)          | FY18A         | FY19A         | FY20E         | FY21E         | FY22E         |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total revenue</b>        | <b>28,697</b> | <b>43,307</b> | <b>63,942</b> | <b>76,025</b> | <b>84,903</b> |
| Cost of sales               | -20,923       | -30,314       | -45,605       | -53,874       | -60,132       |
| <b>Gross profit</b>         | <b>7,774</b>  | <b>12,993</b> | <b>18,336</b> | <b>22,152</b> | <b>24,771</b> |
| Other income                | 882           | 1,017         | 1,048         | 978           | 978           |
| S&D expenses                | -2,379        | -3,780        | -4,604        | -5,322        | -5,858        |
| Administrative expenses     | -2,063        | -2,693        | -3,709        | -4,333        | -4,839        |
| R&D expenses                | -581          | -1,516        | -2,877        | -3,421        | -3,821        |
| <b>EBIT</b>                 | <b>3,633</b>  | <b>6,021</b>  | <b>8,194</b>  | <b>10,054</b> | <b>11,231</b> |
| Net finance income/(cost)   | -1,205        | -1,165        | -519          | -278          | -90           |
| Finance income              | 347           | 539           | 575           | 793           | 875           |
| Finance expenses            | -1,552        | -1,704        | -1,094        | -1,071        | -964          |
| Other gains/(losses)        | 0             | 0             | 0             | 0             | 0             |
| Profit of JV and associates | 222           | 188           | 254           | 271           | 288           |
| <b>Pretax profit</b>        | <b>2,650</b>  | <b>5,044</b>  | <b>7,929</b>  | <b>10,047</b> | <b>11,430</b> |
| Income tax                  | -682          | -759          | -1,110        | -1,407        | -1,600        |
| <b>After tax profit</b>     | <b>1,968</b>  | <b>4,285</b>  | <b>6,819</b>  | <b>8,640</b>  | <b>9,830</b>  |
| MI/discontinued operation   | 63            | 96            | 68            | 86            | 98            |
| <b>Net profit</b>           | <b>2,031</b>  | <b>4,381</b>  | <b>6,887</b>  | <b>8,727</b>  | <b>9,928</b>  |
| D&A                         | 837           | 817           | 923           | 1,005         | 1,080         |
| <b>EBITDA</b>               | <b>4,470</b>  | <b>6,838</b>  | <b>9,117</b>  | <b>11,059</b> | <b>12,311</b> |

### Cash flow summary

| YE 31 Dec (RMB mn)              | FY18A         | FY19A          | FY20E         | FY21E         | FY22E         |
|---------------------------------|---------------|----------------|---------------|---------------|---------------|
| Pretax profit                   | 2,650         | 5,044          | 7,929         | 10,047        | 11,430        |
| Finance cost                    | 1,451         | 1,704          | 1,094         | 1,071         | 964           |
| Interest income                 | -347          | -539           | -575          | -793          | -875          |
| Profit or loss of associates    | -222          | -188           | -254          | -271          | -288          |
| Disposal of PP&E/business       | -152          | 0              | 0             | 0             | 0             |
| Depreciation and amortization   | 837           | 817            | 923           | 1,005         | 1,080         |
| Income tax paid                 | -431          | -773           | -1,110        | -1,407        | -1,600        |
| Change in working capital       | 1,152         | 442            | -2,404        | -3,816        | -4,238        |
| Others                          | -221          | -539           | 0             | 0             | 0             |
| <b>Cash flow from operation</b> | <b>4,717</b>  | <b>5,968</b>   | <b>5,603</b>  | <b>5,837</b>  | <b>6,473</b>  |
| Net capex on PP&E               | -272          | -1,082         | -2,246        | -2,646        | -2,500        |
| Investment in JV/associates     | -4            | -301           | 0             | 0             | 0             |
| Investment in subsidiaries      | 0             | -177           | 0             | 0             | 0             |
| Investment in intangible assets | -103          | -128           | -100          | 0             | 0             |
| Dividend received               | 4             | 45             | 0             | 0             | 0             |
| Interest received               | 347           | 253            | 575           | 793           | 875           |
| Others                          | -7,214        | 11,374         | 0             | 0             | 0             |
| <b>Cash flow from investing</b> | <b>-7,242</b> | <b>9,984</b>   | <b>-1,771</b> | <b>-1,853</b> | <b>-1,625</b> |
| Equity financing/(repurchase)   | 37            | -2,145         | 0             | 6,906         | 0             |
| Net bank borrowings             | 6,817         | -14,008        | -1,000        | 100           | -4,100        |
| Dividend paid                   | -1,308        | -1,801         | 0             | -2,941        | -3,491        |
| Interest paid                   | -1,428        | -1,707         | -1,094        | -1,071        | -964          |
| Others                          | -16           | 13             | 0             | 0             | 0             |
| <b>Cash flow from financing</b> | <b>4,102</b>  | <b>-19,648</b> | <b>-2,094</b> | <b>2,995</b>  | <b>-8,555</b> |
| Change in cash                  | 1,577         | -3,696         | 1,738         | 6,978         | -3,707        |
| Cash at beginning of the year   | 7,148         | 8,754          | 5,073         | 6,811         | 13,789        |
| Exchange and others             | 29            | 15             | 0             | 0             | 0             |
| Cash at the end of the year     | 8,754         | 5,073          | 6,811         | 13,789        | 10,082        |

### Balance sheet

| YE 31 Dec (RMB mn)             | FY18A         | FY19A         | FY20E         | FY21E         | FY22E         |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-current assets</b>      | <b>28,657</b> | <b>37,979</b> | <b>43,810</b> | <b>46,636</b> | <b>51,975</b> |
| PP&E                           | 6,077         | 6,735         | 8,324         | 10,234        | 11,922        |
| Lease prepayment               | 1,943         | 2,433         | 2,383         | 2,333         | 2,283         |
| JV/associates                  | 3,500         | 3,909         | 4,163         | 4,434         | 4,723         |
| Finance lease receivables      | 3,656         | 7,771         | 9,047         | 10,116        | 10,354        |
| Goodwill                       | 2,046         | 2,017         | 2,017         | 2,017         | 2,017         |
| Trade receivables              | 5,498         | 9,072         | 11,950        | 11,795        | 15,188        |
| Intangible assets              | 2,153         | 2,043         | 1,927         | 1,708         | 1,489         |
| Financial assets               | 2,379         | 2,644         | 2,644         | 2,644         | 2,644         |
| Others                         | 0             | 0             | 0             | 0             | 0             |
| Deferred tax assets            | 1,276         | 1,271         | 1,271         | 1,271         | 1,271         |
| Deposits                       | 129           | 84            | 84            | 84            | 84            |
| <b>Current assets</b>          | <b>64,762</b> | <b>54,052</b> | <b>70,624</b> | <b>75,370</b> | <b>86,854</b> |
| Inventories                    | 9,551         | 11,772        | 14,217        | 14,417        | 17,543        |
| Trade & other receivables      | 21,554        | 20,839        | 25,409        | 28,329        | 33,080        |
| Finance lease receivables      | 8,835         | 9,229         | 17,048        | 11,695        | 19,009        |
| Financial assets at FVPL       | 13,787        | 4,311         | 4,311         | 4,311         | 4,311         |
| Others                         | 1,097         | 1,413         | 1,413         | 1,413         | 1,413         |
| Pledged deposits               | 1,184         | 1,415         | 1,415         | 1,415         | 1,415         |
| Cash                           | 8,754         | 5,073         | 6,811         | 13,789        | 10,082        |
| <b>Current liabilities</b>     | <b>39,623</b> | <b>34,569</b> | <b>50,953</b> | <b>45,919</b> | <b>60,603</b> |
| Trade and other payables       | 15,786        | 25,012        | 41,210        | 35,542        | 50,126        |
| Bank borrowings                | 22,044        | 7,312         | 7,112         | 7,212         | 7,312         |
| Tax payable                    | 151           | 186           | 186           | 186           | 186           |
| Contract liabilities           | 1,602         | 1,934         | 2,321         | 2,855         | 2,855         |
| Others                         | 40            | 125           | 125           | 125           | 125           |
| <b>Non-current liabilities</b> | <b>15,065</b> | <b>17,965</b> | <b>17,165</b> | <b>17,165</b> | <b>12,965</b> |
| Bank borrowings                | 13,645        | 14,515        | 13,715        | 13,715        | 9,515         |
| Deferred tax liabilities       | 429           | 455           | 455           | 455           | 455           |
| Others                         | 991           | 2,995         | 2,995         | 2,995         | 2,995         |
| <b>Equity</b>                  | <b>38,731</b> | <b>39,497</b> | <b>46,316</b> | <b>58,922</b> | <b>65,261</b> |
| Shareholders' equity           | 38,164        | 38,827        | 45,714        | 58,406        | 64,844        |
| MI                             | 567           | 670           | 602           | 515           | 417           |

### Key ratios

| YE 31 Dec                              | FY18A | FY19A | FY20E | FY21E | FY22E |
|--|-------|-------|-------|-------|-------|
| <b>Sales mix (%)</b>                   |       |       |       |       |       |
| Concrete machinery                     | 35%   | 32%   | 30%   | 29%   | 28%   |
| Crane machinery                        | 43%   | 51%   | 52%   | 50%   | 49%   |
| Others machinery                       | 14%   | 11%   | 13%   | 16%   | 19%   |
| Agricultural machinery                 | 5%    | 4%    | 3%    | 3%    | 3%    |
| Financial services                     | 2%    | 2%    | 1%    | 1%    | 1%    |
| Environmental (discontinued)           | 0%    | 0%    | 0%    | 0%    | 0%    |
| Total                                  | 100%  | 100%  | 100%  | 100%  | 100%  |
| <b>Profit &amp; loss ratio (%)</b>     |       |       |       |       |       |
| Gross margin                           | 27.1  | 30.0  | 28.7  | 29.1  | 29.2  |
| EBIT margin                            | 12.7  | 13.9  | 12.8  | 13.2  | 13.2  |
| Net profit margin                      | 6.9   | 9.9   | 10.7  | 11.4  | 11.6  |
| <b>Growth (%)</b>                      |       |       |       |       |       |
| Revenue                                | 39.3  | 50.9  | 47.6  | 18.9  | 11.7  |
| Gross profit                           | 80.6  | 67.1  | 41.1  | 20.8  | 11.8  |
| EBIT                                   | n/a   | 65.7  | 36.1  | 22.7  | 11.7  |
| Net profit                             | 51.3  | 115.7 | 57.2  | 26.7  | 13.8  |
| <b>Balance sheet ratio</b>             |       |       |       |       |       |
| Current ratio (x)                      | 1.6   | 1.6   | 1.4   | 1.6   | 1.4   |
| Trade receivable turnover days         | 342   | 240   | 192   | 186   | 190   |
| Finance lease receivable turnover days | 161   | 124   | 123   | 115   | 110   |
| Inventory turnover days                | 161   | 128   | 104   | 97    | 97    |
| Payable turnover days                  | 268   | 246   | 265   | 260   | 260   |
| Net debt / total equity (%)            | 33.6  | 31.3  | 20.8  | 4.7   | 3.6   |
| <b>Profitability (%)</b>               |       |       |       |       |       |
| ROA                                    | 2.3   | 4.7   | 6.7   | 7.4   | 7.6   |
| ROE                                    | 5.4   | 11.4  | 16.3  | 16.8  | 16.1  |
| <b>Per share data</b>                  |       |       |       |       |       |
| EPS (RMB)                              | 0.27  | 0.58  | 0.87  | 0.96  | 1.09  |
| BVPS (RMB)                             | 4.89  | 4.93  | 5.80  | 6.40  | 7.10  |
| DPS (RMB)                              | 0.25  | 0.00  | 0.37  | 0.38  | 0.44  |

Note: We have modelled the dilution effect from upcoming fund raising exercise in 2021E

Source: Company data, CMBIS estimates

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