CMB International Global Markets | Equity Research | Company Update

Tuhu Car (9690 HK)

Defensive play amid consumption downgrade

Transfer coverage with a BUY rating. Tuhu Car's 1H24 earnings slightly beat our prior forecast amid a better-than-expected GPM. We expect its margins to be resilient despite average selling price (ASP) declines, given a higher GPM from the exclusive and private-label products. We believe there is still substantial room for growth for Tuhu's number of stores in China amid rising vehicle ages and Chinese consumers' more rational spending on after-sales services, which could support its fast earnings growth in the next few years. We believe Tuhu is a beneficiary and a defensive player from the consumption downgrade.

- 1H24 earnings slightly beat. Tuhu's 1H24 revenue grew 9% YoY to about RMB7.1bn with number of stores rising 23% YoY to about 6,300, in line with our prior forecast. Its 1H24 GPM improved 1.7ppts YoY to 25.9%, higher than our forecast by 0.4ppts, mainly due to the better GPM from car wash and detailing businesses and lower costs from self-operated stores. Tuhu's 1H24 adjusted net profit (excluding share-based payments) surged 67% YoY to RMB359mn, higher than our prior forecast by RMB17mn.
- Margins to benefit from consumption downgrade. We believe the total demand for independent automotive after-sales service suppliers could rise over the next few years, given growing vehicle ages and more rational spending on after-sales services in China. The number of applications for franchise stores rose 22% YoY in 1H24, according to the company, which could support its network expansion in 2H24 and 2025, in our view. We expect Tuhu's rising store number to more than offset declines in average revenue per store amid the company's penetration into lower-tier cities in the next few years. We also project its OPM to improve driven by greater economies of scale and higher contribution from exclusive and private-label products which provide much higher GPMs than branded products. Both factors combined should lead to high earnings visibility, in our view.
- Earnings/Valuation. We expect Tuhu's FY24E revenue to rise 9% YoY with total number of stores of 6,900 at the end of FY24E. We project FY24E adjusted net profit to rise 59% YoY to RMB766mn, with NPM widening to 5.2%. That implies 2H24E adjusted net profit of RMB409mn (+52% YoY and +14% HoH). We forecast FY25E revenue to rise 14% YoY and adjusted net profit to rise 43% YoY to about RMB1.1bn with NPM of 6.5%. We maintain BUY rating with a new target price of HK\$23.00, based on 15x adj. FY25E P/E, which could be justified given its high growth potential, in our view. Key risks to our rating and target price include slower network expansion, lower revenue and/or margins than we expect, as well as a sector de-rating.

Earnings Summary					
(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	11,547	13,601	14,822	16,843	18,328
YoY growth (%)	(1.5)	17.8	9.0	13.6	8.8
Net profit (RMB mn)	(2,136.2)	6,702.9	610.0	973.6	1,211.4
YoY growth (%)	na	na	(90.9)	59.6	24.4
Adjusted net profit (RMB mn)	(551.9)	481.3	766.1	1,096.8	1,323.1
EPS (Reported) (RMB)	(14.82)	20.80	0.75	1.19	1.46
P/E (x)	ns	0.8	21.3	13.4	10.9
P/E (Adjusted) (x)	ns	10.6	17.0	11.9	10.0
Р/В (х)	ns	1.1	2.6	2.1	1.8
ROE (%)	na	na	12.9	17.6	17.9

Source: Company data, Bloomberg, CMBIGM estimates



BUY (Maintain)

Target Price (Previous TP Up/Downside Current Price

HK\$23.00 HK\$35.30) 32.5%

HK\$17.36

19.6%

10.1%

China Auto

Wenjing DOU, CFA (852) 6939 4751 douwenjing@cmbi.com.hk

Ji SHI, CFA (852) 3761 8728 shiji@cmbi.com.hk

Austin Liang

(852) 3900 0856 austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	14,094.6
Avg 3 mths t/o (HK\$ mn)	42.7
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	811.9
Source: FactSet	

Shareholding Structure

Tencent Holdings	
Mr. Chen Min	
Source: HKEx	

Share Performance

Relative	Absolute	
-4.4%	-3.7%	1-mth
-26.8%	-31.7%	3-mth
-19.2%	-14.9%	6-mth
	-14.9%	0-11111

Source: FactSet

12-mth Price Performance



Source: FactSet



Figure 1: Interim results

RMB mn	1H23	2H23	1H24	YoY	НоН
Revenue	6,522	7,079	7,126	9.3%	0.7%
Gross profit	1,578	1,781	1,846	17.0%	3.6%
Selling expenses	(272)	(328)	(283)	4.1%	-13.8%
Admin expenses	(298)	(282)	(302)	1.4%	7.2%
R&D expenses	(1,027)	(1,108)	(1,094)	6.5%	-1.2%
Operating profit	67	95	212	217.5%	123.5%
Net profit	60	6,643	286	373.8%	-95.7%
Adj. net profit	215	269	359	67.3%	33.7%
Gross margin	24.2%	25.2%	25.9%	1.7 ppt	0.7 ppt
Operating margin	1.0%	1.3%	3.0%	2.0 ppt	1.6 ppt
Net margin	0.9%	93.8%	4.0%	3.1 ppt	-89.8 ppt
Adj. net margin	3.3%	3.8%	5.0%	1.7 ppt	1.2 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

		New			Old			Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	14,822	16,843	18,328	15,791	18,286	21,020	-6.1%	-7.9%	-12.8%
Gross profit	3,855	4,517	5,004	4,106	4,953	5,941	-6.1%	-8.8%	-15.8%
Operating profit	482	864	1,125	728	1,393	2,005	-33.8%	-38.0%	-43.9%
Net profit	610	974	1,211	661	1,282	1,735	-7.7%	-24.1%	-30.2%
Adj. net profit	766	1,097	1,323	756	1,396	1,859	1.3%	-21.4%	-28.8%
Gross margin	26.0%	26.8%	27.3%	26.0%	27.1%	28.3%	0.0 ppt	-0.3 ppt	-1.0 ppt
Operating margin	3.3%	5.1%	6.1%	4.6%	7.6%	9.5%	-1.4 ppt	-2.5 ppt	-3.4 ppt
Net margin	4.1%	5.8%	6.6%	4.2%	7.0%	8.3%	-0.1 ppt	-1.2 ppt	-1.6 ppt
Adj. net margin	5.2%	6.5%	7.2%	4.8%	7.6%	8.8%	0.4 ppt	-1.1 ppt	-1.6 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

		CMBIGM			Consensus	5		Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	14,822	16,843	18,328	15,307	17,256	19,487	-3.2%	-2.4%	-5.9%
Gross Profit	3,855	4,517	5,004	3,998	4,750	5,632	-3.6%	-4.9%	-11.2%
Operating Profit	482	864	1,125	697	1,201	1,517	-30.8%	-28.1%	-25.8%
Net profit	610	974	1,211	710	1,174	1,641	-14.1%	-17.1%	-26.2%
Gross Margin	26.0%	26.8%	27.3%	26.1%	27.5%	28.9%	-0.1 ppt	-0.7 ppt	-1.6 ppt
Operating Margin	3.3%	5.1%	6.1%	4.6%	7.0%	7.8%	-1.3 ppt	-1.8 ppt	-1.6 ppt
Net Margin	4.1%	5.8%	6.6%	4.6%	6.8%	8.4%	-0.5 ppt	-1.0 ppt	-1.8 ppt

Source: Bloomberg, CMBIGM estimates



Financial Summary

YE 31 Dec (MBB mo) Hand Hand <thhand< th=""> <thhand< th=""> Hand<th>INCOME STATEMENT</th><th>2021A</th><th>2022A</th><th>2023A</th><th>2024E</th><th>2025E</th><th>2026E</th></thhand<></thhand<>	INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
Cach of goods hand (9.877) (110.287)	YE 31 Dec (RMB mn)						
Gross profit 1,870 2,270 3,389 3,855 4,517 5,004 Selling apprinse (1,681) (1,715) (1,849) (2,733) (3,633) (2,209) Admin upperse (620) (621) (680) (620) (621) (680) (614) (627) Other rantal related expenses (653) (1,641) (1,621) (1,680) (1,611) (1,611) (1,621) (1,600) (1,611) (1,611) (1,612) (1,6	Revenue	11,724	11,547	13,601	14,822	16,843	18,328
Operating expenses (3,184) (3,034) (3,194) (3,373) (3,653) (3,679) Anmic expense (151) (1980) (420) (442) (442) (442) Anmic expense (151) (1980) (171) (118) (163) (161) (111)	Cost of goods sold	(9,854)	(9,277)	(10,242)	(10,967)	(12,326)	(13,324)
Selling appense (1,681) (1,715) (1,849) (2,009) RAD appense (620) (621) (680) (671) (680) RAD appense (620) (621) (680) (672) (680) (672) Other schall and sepnese (623) (674) (13) (11)	Gross profit	1,870	2,270	3,359	3,855	4,517	5,004
Admin expense (381) (380) (420) (425) (442) Admin expenses (654) (627) (600) (671) (678) Other sint related expenses (654) (627) (600) (671) (113) (110) Other sint related expenses (654) (627) (600) (621) (580) 0 0 Other sint related expenses (644) (713) (716) 7.06 1.065 1.599 1.948 Other sint related expenses (610) (716) 7.06 1.055 1.599 1.948 Depresation of ROU assets 122 2.03 139 2.10 2.20 2.24 Other atorication 2 4 5 5 6 6 Other atorication 2 4 5 6 7 1.24 1.24 Other atorication 2 4 5 1.23 1.44 1.465 Atorication 6.61 5 1.23 1.64 1.4	Operating expenses	(3,184)	(3,034)	(3,198)	(3,373)	(3,653)	(3,879)
RAD express (020) (021) (050) (021) (050) Other rank right express (064) (027) (0500) (021) (0500) (021) Other rank right express (111) (112) (112) (113) (111) </td <td>Selling expense</td> <td>(1,681)</td> <td>(1,542)</td> <td>(1,715)</td> <td>(1,849)</td> <td>(2,050)</td> <td>(2,209)</td>	Selling expense	(1,681)	(1,542)	(1,715)	(1,849)	(2,050)	(2,209)
Other sentil relikted expenses (654) (627) (603) (624) (625) (625) Oher gane (flosses) (1,14) (744) (62 482 864 1,122 Oher gane (flosses) (1,441) (1,133) 6.465 0 0 0 Share of (losses)/profils of associates/JV (53) (14) (11) (10) (7) (6) Depreciation of ROU assets 122 157 160 2.12 2.33 2.24 Other amontination 2 4 5 5 6 6 EBIT (5744) (2,080) 6.741 6.33 1.34 4.26 Interest incone 64 57 1.23 162 164 1.44 Atter profit (5,841) (2,139) 6.701 1.023 1.44 Atter profit (5,844) (2,139) 6.703 610 974 1.21 Atter profit (5,844) (2,139) 6.703 610 9.4 1.21	Admin expense	(351)	(399)	(420)	(425)	(442)	(465)
Others 112 115 117 113 110 112 Operating profit (1,314) (764) 162 482 864 1,125 Other gins/losses) (4,441) (1,330) 6.465 0 0 0 Barner (losses)/robits of associates/J/V (53) (34) (11) (10) (7) (6) EBITDA (5,440) (1,17) 7166 1.065 2.72 3.33 Deprescation of ROU assets 182 203 196 210 230 2.84 Deprescation of ROU assets 182 203 196 210 230 2.84 Deprescation or soprase (66) (28) (19) (19) (19) (21) Interest scoprase (66) (23) (31) (25) (67) 57.2 1.209 Minory interest 4 2 2 3 2 2 3 2 2 Net profit (5,241) (2,136) 6.701	R&D expense	(620)	(621)	(580)	(591)	(614)	(627)
Others 122 156 117 113 110 112 Operating profit (1,14) (764) 162 482 686 0 0 0 Dher aginar/losses) (4,441) (1,33) 6.465 0 0 0 0 Barra of (basses)/order barra of classes/order barra of (basses)/order barra of classes/order ba	Other rental related expenses	(654)	(627)	(600)	(621)	(658)	(689)
Other gan/dosses) (4.441) (1.33) 6.465 0 0 0 Share (foresam/outlis of associates/V (53) (34) (11) (10) (7) (6) EBITDA (54) (17) 160 1.549 1.549 1.549 Deprocation 121 157 180 210 230 254 Deprocation of ROU assets 182 203 196 210 230 254 Deprocation of ROU assets 162 140 260 6.744 54 1.044 2.66 EBIT (5,740) (2,106) 6.725 617 1.063 1.344 Increat sepanes (66) (2,30) 6.701 6.703 1.299 Minoti (1,19) 1.214 After ta profit (5,541) (2,136) 6.703 6.701 1.033 1.209 Minotity interest 4 2 2 3 6.71 1.043 1.209 Minotity interest 5.80 6.703 6.703	Others	122	156	117		110	
Other gan/dosses) (4.441) (1.33) 6.465 0 0 0 Share (foresam/outlis of associates/V (53) (34) (11) (10) (7) (6) EBITDA (54) (17) 160 1.549 1.549 1.549 Deprocation 121 157 180 210 230 254 Deprocation of ROU assets 182 203 196 210 230 254 Deprocation of ROU assets 162 140 260 6.744 54 1.044 2.66 EBIT (5,740) (2,106) 6.725 617 1.063 1.344 Increat sepanes (66) (2,30) 6.701 6.703 1.299 Minoti (1,19) 1.214 After ta profit (5,541) (2,136) 6.703 6.701 1.033 1.209 Minotity interest 4 2 2 3 6.71 1.043 1.209 Minotity interest 5.80 6.703 6.703	Operating profit	(1,314)	(764)	162	482	864	1,125
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YE 31 Dec (RMB mn) 7,746 6,906 8,271 9,160 11,183 12,814 Current tassets 1,472 2,886 2,715 2,239 3,611 5,064 Restricted cash 2,460 1,507 1,455 1,320 1,455 1,425 Account receivables 203 174 218 244 277 301 Inventories 1,714 1,543 1,800 1,803 2,026 2,190 Financial assets at FVTPL 1,338 540 1,587 3,068 3,306 502 One-current assets 539 456 496 487 508 502 One-current assets 518 468 467 413 390 394 Investment in JVs & assos 194 279 363 353 346 340 Intangibles 63 70 58 56 54 53 Goodwill 16 16 20 20 20 20 I	Adjusted net profit	(1,204)	(552)	401	766	1,097	1,323
Current assets 7,746 6,906 8,271 9,160 11,183 12,814 Cash 4 equivalents 1,472 2,686 2,715 2,239 3,611 5,064 Restricted cash 2,480 1,507 1,455 1,320 1,455 1,320 1,455 Account receivables 203 174 1,843 1,803 2,026 2,190 Inventories 1,714 1,543 1,803 3,063 3,332 Offer current assets 5,09 4,66 4,87 3,06 3,332 One-current assets 5,39 4,61 8,99 1,023 1,090 1,106 Right-of-use assets 5,18 468 4,67 4,13 390 3,94 Investment in Jvs & assos 194 279 363 353 3,46 3,403 Intaragibles 63 70 5,88 56 54 53 Godwill 16 16 20 20 20 20 20 20 2	BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
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Account receivables 203 174 218 244 277 301 Inventories 1,714 1,543 1,800 1,803 2,026 2,190 Financial assets at FVTPL 1,338 540 1,587 3,068 3,330 5,330 6,3332 Other current assets 539 456 496 487 508 502 Non-current assets 539 671 899 1,023 1,090 1,006 Right-of-use assets 518 468 467 413 390 394 Investment in JVs & assos 194 279 363 353 346 340 Intangibles 63 70 58 56 54 53 600 200 <t< td=""><td>Cash & equivalents</td><td>1,472</td><td>2,686</td><td>2,715</td><td>2,239</td><td>3,611</td><td>5,064</td></t<>	Cash & equivalents	1,472	2,686	2,715	2,239	3,611	5,064
Inventories 1,714 1,543 1,800 1,803 2,026 2,190 Financial assets at FVTPL 1,338 540 1,567 3,068 3,305 5,332 Non-current assets 2,086 2,108 3,493 3,521 3,679 4,020 PP&E 539 671 899 1,023 1,090 1,106 Right-of-use assets 518 468 467 413 390 394 Investment in JVs & assos 194 279 363 353 346 340 Intargibles 63 70 58 66 54 53 Goodwill 16 16 20 20 20 20 Financial assets at FVTPL 201 227 191 176 168 160 Other one-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,861 16,83 Current liabilities 5,743 5,572 6,602 6,863 7,795 4,9	Restricted cash	2,480	1,507	1,455	1,320	1,455	1,425
Financial assets at FVTPL 1,338 540 1,587 3,068 3,306 3,332 Other current assets 539 456 496 487 508 502 PNo-current assets 539 671 899 1,023 1,090 1,106 Right-of-use assets 518 468 467 413 390 394 Investment in JVs & assos 194 279 363 353 366 340 Intangibles 63 70 58 56 54 53 366 340 Intangibles 63 70 58 56 54 53 366 54 53 Goodwill 16 16 20	Account receivables	203	174	218	244	277	301
Financial assets at FVTPL 1,338 540 1,587 3,068 3,306 3,332 Other current assets 539 456 496 487 508 502 PNo-current assets 539 671 899 1,023 1,090 1,106 Right-of-use assets 518 468 467 413 390 394 Investment in JVs & assos 194 279 363 353 366 340 Intangibles 63 70 58 56 54 53 366 340 Intangibles 63 70 58 56 54 53 366 54 53 Goodwill 16 16 20	Inventories	1,714	1,543	1,800	1,803	2,026	2,190
Other current assets 539 456 496 487 508 502 Non-current assets 2,086 2,108 3,493 3,521 3,679 4,020 Right-of-use assets 518 468 467 413 390 3144 Investment in JVs & assos 194 279 363 353 346 340 Intargibles 63 70 58 56 54 53 Goodwill 16 16 20 20 20 20 Financial assets at FVTPL 201 227 191 176 168 160 Other non-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,861 16,835 Short-term borrowings 264 0 1 8 0 0 Account payables 3,240 3,119 3,887 4,056 4,728 4,928 Othe	Financial assets at FVTPL						
PP&E 539 671 899 1,023 1,090 1,106 Right-of-use assets 518 448 467 413 390 394 Investment in JVs & assos 194 279 363 353 346 340 Intangibles 63 70 58 56 54 53 Goodwill 16 16 20 <td>Other current assets</td> <td></td> <td>456</td> <td></td> <td></td> <td></td> <td></td>	Other current assets		456				
PP&E 539 671 899 1,023 1,090 1,106 Right-of-use assets 518 448 467 413 390 394 Investment in JVs & assos 194 279 363 353 346 340 Intangibles 63 70 58 56 54 53 Goodwill 16 16 20 <td>Non-current assets</td> <td>2,086</td> <td>2,108</td> <td>3,493</td> <td>3,521</td> <td>3,679</td> <td>4,020</td>	Non-current assets	2,086	2,108	3,493	3,521	3,679	4,020
Right-of-use assets 518 468 467 413 390 394 Investment in JVs & assos 194 279 363 353 346 340 Intangibles 63 70 58 56 54 53 Goodwill 16 16 20 20 20 20 Financial assets at FVTPL 201 227 191 176 168 160 Other non-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,661 68 Short-term borrowings 264 0 1 8 0 0 Account payable 68 97 120 121 161 282 Other current liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 19,454 22,398 704 835 965 1,113		-		-			-
Investment in JVs & assos 194 279 363 353 346 340 Intangibles 63 70 58 56 54 53 Goodwill 16 16 20 20 20 20 Financial assets at FVTPL 201 227 191 176 168 160 Other non-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,861 16,835 Current liabilities 5,743 5,572 6,602 6,863 7,796 8,268 Short-term borrowings 264 0 1 8 0 0 Account payable 68 97 120 121 161 282 Other current liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Cher current liabilities 19,454 22,398 704 835 965 1,113							
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Goodwill 16 16 20 20 20 20 Financial assets at FVTPL 201 227 191 176 168 160 Other non-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,861 16,835 Current liabilities 5,743 5,572 6,602 6,863 7,796 8,268 Short-term borrowings 264 0 1 8 0 0 Account payables 3,240 3,119 3,887 4,056 4,728 4,928 Tax payable 68 97 120 121 161 282 Cohract liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 19,454 22,398 704 835 965 1,113 Long-term borrowings 0 0 8 50 100 150							
Financial assets at FVTPL 201 227 191 176 168 160 Other non-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,861 16,835 Current liabilities 5,743 5,572 6,602 6,863 7,796 8,268 Short-term borrowings 264 0 1 8 0 0 Account payables 3,240 3,119 3,887 4,056 4,728 4,928 Tax payable 68 97 120 121 161 282 Other current liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 194,54 22,398 704 835 965 1,113 Long-term borrowings 0 0 8 50 100 150 Other non-current liabilities 19,454 22,398 697 785 865	0						
Other non-current assets 555 378 1,495 1,480 1,610 1,948 Total assets 9,832 9,014 11,765 12,682 14,861 16,835 Current liabilities 5,743 5,572 6,602 6,863 7,796 8,268 Short-term borrowings 264 0 1 8 0 0 Account payables 3,240 3,119 3,887 4,056 4,728 4,928 Tax payable 68 97 120 121 161 2820 Other current liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 19,454 22,398 704 835 965 1,113 Contract liabilities 19,454 22,398 704 835 965 1,131 Long-term borrowings 0 0 8 50 100 150 Other non-current liabilities 19,454 22,398 697 7,85 865							
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Short-term borrowings 264 0 1 8 0 0 Account payables 3,240 3,119 3,887 4,056 4,728 4,928 Tax payable 68 97 120 121 161 282 Other current liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 148 137 132 114 123 150 Contract liabilities 559 663 743 761 825 863 Non-current liabilities 19,454 22,398 704 835 965 1,113 Long-term borrowings 0 0 8 50 100 150 Other non-current liabilities 19,454 22,398 697 785 865 963 Total liabilities 25,197 27,971 7,306 7,698 8,761 9,381 Share capital 0 0 0 0 0 0 0 <	Current liabilities	5 7/3	5 572	6 602	6 963	7 796	8 268
Account payables 3,240 3,119 3,887 4,056 4,728 4,928 Tax payable 68 97 120 121 161 282 Other current liabilities 1,464 1,566 1,720 1,803 1,959 2,044 Lease liabilities 148 137 132 114 123 150 Contract liabilities 559 653 743 761 825 863 Non-current liabilities 19,454 22,398 704 835 965 1,113 Long-term borrowings 0 0 8 50 100 150 Other non-current liabilities 19,454 22,398 697 785 865 963 Total liabilities 19,454 22,398 697 785 865 963 Total liabilities 19,454 22,398 697 785 865 963 Total liabilities 19,454 22,398 697 7,698 8,761 9,381 Contract liabilities 19,454 22,398 697 7,698			-	-	-	-	
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Share capital 0 <							
Other reserves (15,367) (18,957) 4,460 4,988 6,106 7,461 Total shareholders equity (15,367) (18,957) 4,460 4,988 6,107 7,462 Minority interest 2 0 (2) (4) (6) (8)	lotal liabilities	25,197	27,971	7,306	7,698	8,761	9,381
Total shareholders equity (15,367) (18,957) 4,460 4,988 6,107 7,462 Minority interest 2 0 (2) (4) (6) (8)	Share capital	0		0	0	0	0
Minority interest 2 0 (2) (4) (6) (8)		(15,367)	(18,957)	4,460	4,988	6,106	7,461
	Total shareholders equity	(15,367)	(18,957)	4,460	4,988	6,107	7,462
Total equity and liabilities (15,364) (18,957) 4,458 4,984 6,100 7,453	Minority interest	2	0	(2)	(4)	(6)	(8)
	Total equity and liabilities	(15,364)	(18,957)	4,458	4,984	6,100	7,453



CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(5,810)	(2,108)	6,725	617	1,023	1,344
Depreciation & amortization	305	364	362	431	508	583
Tax paid	(2)	(1)	(5)	(8)	(10)	(12)
Change in working capital	771	(197)	269	366	411	84
Others	4,638	1,630	(6,330)	58	(0)	(70)
Net cash from operations	(99)	(313)	1,021	1,464	1,932	1,929
Investing						
Capital expenditure	(347)	(401)	(362)	(343)	(344)	(345)
Acquisition of subsidiaries/ investments	(32)	(136)	(69)	0	0	0
Net proceeds from disposal of short-term investments	(518)	1,346	(2,108)	(1,415)	(238)	(226)
Others	(21)	(328)	167	167	184	246
Net cash from investing	(918)	481	(2,372)	(1,591)	(398)	(325)
Financing						
Net borrowings	(1,749)	(264)	(1)	49	43	50
Proceeds from share issues	0	0	1,168	0	0	0
Share repurchases	0	0	0	(191)	0	0
Others	3,157	1,200	182	(207)	(205)	(201)
Net cash from financing	1,408	936	1,350	(349)	(162)	(151)
Net change in cash						
Cash at the beginning of the year	1,165	1,472	2,686	2,715	2,239	3,611
Exchange difference	(84)	109	30	0	0	0
Cash at the end of the year	1,472	2,686	2,715	2,239	3,611	5,064
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.9%	(1.5%)	17.8%	9.0%	13.6%	8.8%
Gross profit	73.2%	21.4%	48.0%	14.8%	17.2%	10.8%
Operating profit	na	na	na	198.5%	79.2%	30.2%
EBITDA EBIT	na	na	na	(85.0%)	45.5% 64.1%	25.7% 31.1%
	na	na	na	(90.6%)	59.6%	24.4%
Net profit Adj. net profit	na na	na na	na na	(90.9%) 59.2%	43.2%	24.4%
	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec Gross profit margin	16.0%	19.7%	24.7%	26.0%	26.8%	27.3%
Operating margin	(11.2%)	(6.6%)	1.2%	3.3%	20.8% 5.1%	6.1%
EBITDA margin	(46.4%)	(14.9%)	52.2%	7.2%	9.2%	10.6%
Adj. net profit margin	(10.8%)	(4.8%)	3.5%	5.2%	6.5%	7.2%
Return on equity (ROE)	na	na	na	12.9%	17.6%	17.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	na	na	(0.9)	(0.7)	(0.8)	(0.9)
Current ratio (x)	1.3	1.2	1.3	1.3	1.4	1.5
Receivable turnover days	6.3	5.5	5.9	6.0	6.0	6.0
Inventory turnover days	63.5	60.7	64.1	60.0	60.0	60.0
Payable turnover days	120.0	122.7	138.5	135.0	140.0	135.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						_
P/E	ns	ns	0.8	21.3	13.4	10.9
P/E (diluted)	ns	ns	26.6	17.6	12.2	10.2
P/B	ns	ns	1.1	2.6	2.1	1.8
P/CFPS	ns	ns	5.0	8.9	6.8	6.8
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



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OUTPERFORM MARKET-PERFORM UNDERPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months : Industry expected to underperform the relevant broad market benchmark over next 12 months				
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