



Rating  
**Hold**

Asia  
China

Energy  
Oil & Gas

Company  
**COOEC**

Reuters 600583.SS    Bloomberg 600583 CH    Exchange SHH    Ticker 600583

Date  
22 August 2017

## Company Update

Price at 21 Aug 2017 (CNY)	6.43
Price target - 12mth (CNY)	7.10
52-week range (CNY)	8.19 - 5.94
HANG SENG INDEX	27,048

## Soft 1H17 results in line; maintain Hold

### 1H17 EPS declines by 77.0% yoy; 2Q17 turnaround to profit making

COOEC 1H17 net profit declined by 77.0% yoy to RMB200m or EPS of RMB0.05. We saw the earnings momentum shift, with 2Q17 returning to profit making with a net profit of RMB370m or EPS of RMB0.08 (vs. net loss of RMB170m in 1Q17). 1H17 net profit tracks 17% of DBe FY17E and 15% of consensus estimates. 1H17 core earnings would have been down 29% yoy after stripping out one-off items in both years (including assets disposal gains, government subsidy and investment loss on fair value). Despite that 2Q17 has shown signs of earnings recovery, given low-for-longer crude oil price, we expect challenging headwinds ahead. Hence, with balanced risks and reward, we maintain our Hold rating with target price of RMB7.1.

### Mixed bag in operations; new order +41% yoy in 1H17

Overall revenue dropped by 18% yoy driven by low oil price, causing lower volume which created work conducted over 475k working hours, EPC steel structure fabrication completed with 36.6k tons and oceanic installation completed in 2800 vessel working days in 1H17. However, offshore and non-oceanic told different stories. Offshore EPC segment revenue dropped by 39% yoy to RMB1.8bn while non-oceanic EPC revenue recorded 13% yoy growth to RMB2.3bn. The offshore vessels working days dropped by 33% yoy while onshore steel structure fabrication volume grew by 43% yoy. 1H17 gross margin registered 18.9% (+2.7%pt and +3.6%pts vs. 2H16 and 1H16). The company recorded new orders of RMB5.3bn, +41% yoy, of which RMB5.1bn contributed was from domestic orders. In terms of noticeable contribution, completion of Yamal LNG project helped Qingdao subsidiary, with a registered net profit of RMB752m. Management expects global E&P capex to recover by 3-5% yoy to US\$450bn in 2017 while still staying significantly below the 2014 peak of US\$7400bn. With sluggish oil prices ahead, the company believes many E&P projects will likely be delayed.

### Valuation and risks; prefer SEG for oil & gas capex proxy

We derive our target price of RMB7.1 by applying its average 12-month forward EV/EBITDA of 9.6x. With current share price trades at 7.9x forward EV/EBITDA and 1.2x forward P/B (with 5%/9% FY17/18E ROE), we believe it has priced in most of the positives. Moreover, COOEC is trading in line with its global offshore engineering peers and with a backlog-to-revenue ratio of 1.1x in 2017E. SEG (2386 HK, Buy) is our top Chinese oil & gas capex proxy. Key risks include: 1) slower/faster-than-expected CNOOC capex recovery, 2) slower/faster-than-

### Valuation & Risks

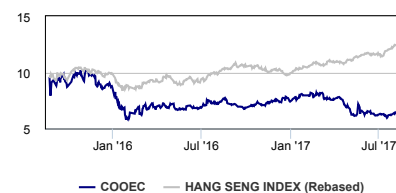
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### Price/price relative



Performance (%)	1m	3m	12m
Absolute	3.7	-10.4	-16.5
HANG SENG INDEX	1.3	7.4	17.9

Source: Deutsche Bank

### Key indicators (FY1)

ROE (%)	5.0
Net debt/equity (%)	-23.4
Book value/share (CNY)	5.28
Price/book (x)	1.2
Net interest cover (x)	135.1
Operating profit margin (%)	8.3

Source: Deutsche Bank



expected overseas business expansion, 3) major accidents and 4) exchange rate volatility.

Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	16,201.5	11,991.7	10,963.8	16,129.6	16,777.5
EBITDA (CNYm)	4,808.7	1,903.6	1,994.1	2,896.3	2,896.4
Reported NPAT (CNYm)	3,410.0	1,315.3	1,165.9	2,004.5	2,018.0
DB Net Profit (CNY)	3,410.0	1,315.3	1,165.9	2,004.5	2,018.0
Reported EPS FD(CNY)	0.77	0.30	0.26	0.45	0.46
DB EPS FD(CNY)	0.77	0.30	0.26	0.45	0.46
DB EPS growth (%)	-	-61.4	-11.4	71.9	0.7
PER (x)	14.1	23.8	24.4	14.2	14.1
EV/EBITDA (x)	9.2	11.8	10.5	7.0	6.9
DPS (net) (CNY)	0.25	0.25	0.22	0.38	0.38
Yield (net) (%)	2.3	3.5	3.4	5.9	6.0

Source: Deutsche Bank estimates, company data



Figure 1: Income statement

RMB mn	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	QoQ	YoY	1H15	1H16	2H16	1H17	HoH	YoY
Revenue	1,620	3,476	2,950	3,946	1,398	2,780	98.8%	-20.0%	6935	5,096	6,896	4,178	-39.4%	-18.0%
Cost of Goods Sold	(1,611)	(2,704)	(2,489)	(3,291)	(1,506)	(1,881)	24.9%	-30.4%	(4883)	(4,315)	(5,780)	(3,387)	-41.4%	-21.5%
<b>Gross Profit</b>	<b>9</b>	<b>772</b>	<b>460</b>	<b>656</b>	<b>(108)</b>	<b>899</b>	<b>nm</b>	<b>16.5%</b>	<b>2052</b>	<b>781</b>	<b>1116</b>	<b>791</b>	<b>-29.1%</b>	<b>1.4%</b>
GPM%	0.5%	22.2%	15.6%	16.6%	-7.7%	32.3%								
<b>Operating expenses</b>														
Tax other than income tax	(29)	(11)	(20)	(28)	(12)	(39)	219.8%	262.0%	(101)	(39)	(49)	(51)	5.4%	29.9%
Sales/Marketing/Advertising Expenses	(1)	(2)	(3)	(6)	(1)	(3)	240.0%	42.7%	(4)	(4)	(9)	(4)	-52.4%	24.4%
General and Administrative Expenses	(91)	(287)	(227)	(345)	(69)	(333)	384.3%	16.0%	(314)	(377)	(572)	(401)	-29.9%	6.3%
<b>EBIT</b>	<b>(112)</b>	<b>472</b>	<b>210</b>	<b>276</b>	<b>(190)</b>	<b>524</b>	<b>nm</b>	<b>11.0%</b>	<b>1635</b>	<b>360</b>	<b>486</b>	<b>334</b>	<b>-31.2%</b>	<b>-7.2%</b>
Total Financial Costs	(13)	86	28	108	(41)	(111)	173.8%	-228.4%	(46)	73	136	(151)	-211.0%	-306.3%
Write-Down/Impairment Of Fixed Assets	5	1	0	(133)	0	(1)	nm	-219.8%	(7)	6	(133)	(1)	-99.1%	-120.4%
Investment Income	(1)	(721)	(59)	(41)	(30)	(55)	84.3%	-92.4%	159	(722)	(101)	(85)	-15.5%	-88.2%
Fair value change income	79	(71)	32	(46)	59	60	0.7%	nm	(2)	8	(13)	119	nm	1429.4%
Others														
<b>Profits from operations (reported)</b>	<b>(42)</b>	<b>(233)</b>	<b>211</b>	<b>164</b>	<b>(201)</b>	<b>416</b>	<b>nm</b>	<b>nm</b>	<b>1739</b>	<b>(275)</b>	<b>375</b>	<b>215</b>	<b>-42.6%</b>	<b>nm</b>
Other Non-Operating Income	1,317	64	67	82	22	51	131.3%	-21.3%	86	1,382	149	73	-51.1%	-94.7%
Other Non-Operating Expenses	(0)	(4)	(5)	(5)	(0)	(1)	253.0%	-84.3%	(0)	(4)	(10)	(1)	-92.6%	-80.1%
Others	0	0	0	0	0	0	nm	nm	0	0	0	0	nm	nm
<b>Profit before tax</b>	<b>1,275</b>	<b>(172)</b>	<b>272</b>	<b>242</b>	<b>(179)</b>	<b>466</b>	<b>nm</b>	<b>nm</b>	<b>1825</b>	<b>1,103</b>	<b>514</b>	<b>287</b>	<b>-44.2%</b>	<b>-74.0%</b>
Income Tax Expense	(188)	(48)	(25)	(43)	8	(97)	-1379.6%	100.5%	(271)	(237)	(68)	(90)	32.2%	-62.1%
<b>Profit after tax</b>	<b>1,087</b>	<b>(220)</b>	<b>247</b>	<b>199</b>	<b>(172)</b>	<b>369</b>	<b>nm</b>	<b>nm</b>	<b>1554</b>	<b>867</b>	<b>446</b>	<b>197</b>	<b>-55.8%</b>	<b>-77.2%</b>
Profit attributable to minority interest	(2)	(2)	(0)	1	(1)	(1)	-23.2%	-47.1%	(1)	(4)	1	(2)	-306.4%	-32.8%
<b>MI Margin %</b>	<b>-0.1%</b>	<b>0.9%</b>	<b>-0.1%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>-0.3%</b>								
<b>Profit attributable to shareholders of COOEC</b>	<b>1,088</b>	<b>(218)</b>	<b>248</b>	<b>197</b>	<b>(170)</b>	<b>370</b>	<b>nm</b>	<b>nm</b>	<b>1556</b>	<b>870</b>	<b>445</b>	<b>200</b>	<b>-55.1%</b>	<b>-77.0%</b>
<b>NI Margin %</b>	<b>67.2%</b>	<b>-6.3%</b>	<b>8.4%</b>	<b>5.0%</b>	<b>-12.2%</b>	<b>13.3%</b>								
<b>EPS (RMB/share) - Basic</b>	<b>0.25</b>	<b>(0.05)</b>	<b>0.05</b>	<b>0.05</b>	<b>(0.04)</b>	<b>0.09</b>	<b>nm</b>	<b>nm</b>	<b>0.35</b>	<b>0.2</b>	<b>0.1</b>	<b>0.05</b>	<b>-50.0%</b>	<b>-75.0%</b>

Source: Company data, Deutsche Bank

Figure 2: Progress of key projects in 1H17

No	Projects	Progress
1	Saudi CRPO3648 sea transport installation project	5.0%
2	Nigeria DANGOTE project	8.0%
3	Eastern 13-2 Oil & Gas field development project	9.0%
4	Penglai 19-3 oil field 1/3/8/9 comprehensive adjustment project	9.0%
5	Huizhou 32-5 project	9.0%
6	Qatar NFA aggregate project	12.0%
7	Brunei Hengyi single point and sea tube project	23.0%
8	Central Bohai Bay 34-9 Oilfield Development Project	24.0%
9	Tianjin substitutionary project of 160,000 m2 tanks	58.0%
7	Later project of Liwan 3-1 Phase I	71.0%
10	Brazil FPSO Module Project	73.0%
11	Wenchang 9-2/9-3 Project	76.0%
12	Dutch Shell SDA Project	77.0%
13	Phase II of Weizhou 12-2 Oilfield Exploitation Project	99.0%
14	Russia Yamal Project	99.0%
15	Chengbei Renovation Project	100.0%

Source: Company data, Deutsche Bank



Figure 3: Key subsidiaries operation details

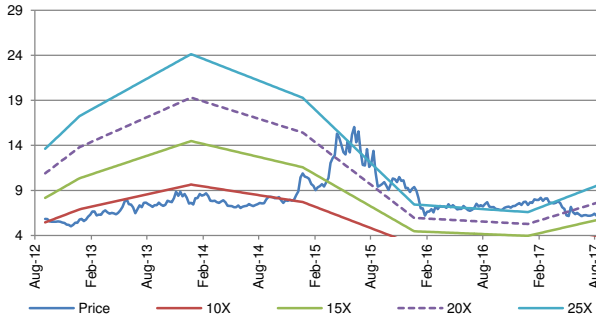
Subsidiary Name (RMN mn)	Total Asset	Net Asset	Net Profit	Shareholding Ratio
Shenzhen CNOOC Engineering	4725.7	3966.6	-43.1	100%
Qingdao CNOOC Engineering	9003.2	5273.2	751.7	100%
Zhuhai CNOOC Engineering	4451.9	3970.1	-36.4	100%
CNOOC International Engineering	124.0	44.0	0.4	100%
CNOOC Engineering Indonesia	129.7	60.7	2.6	100%
CNOOC Engineering Nigeria	0.6	0.3	0.0	100%
Ansett material testing	15.5	13.2	0.5	90%
Blue Sea International	6.6	6.6	0.0	100%
Gaotai Deepsea Technology	12.2	10.1	-4.1	70%
Beijing Gaotai Deepsea Technology	28.9	21.1	-4.0	70%
CNOOC Engineering International	1260.6	427.8	13.3	100%
CNOOC Engineering Canada	11.5	8.7	-4.1	100%
CNOOC Engineering Australia	4.1	4.1	-0.2	100%
CNOOC Engineering Thailand	1.5	0.4	-2.4	100%

Source: Company data, Deutsche Bank



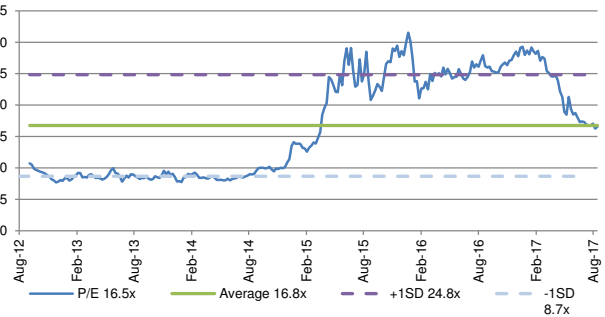
# Valuation charts

Figure 4: 12-month forward P/E band



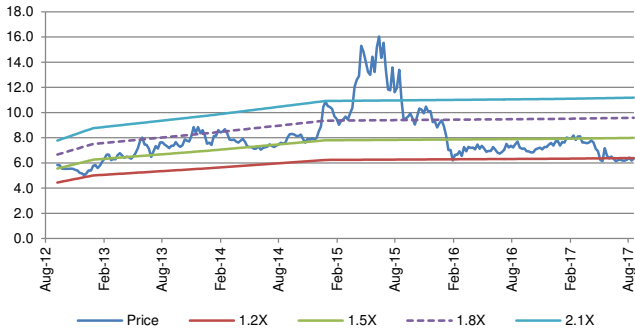
Source: Bloomberg Finance LP, Deutsche Bank

Figure 5: 12-month forward P/E ratio



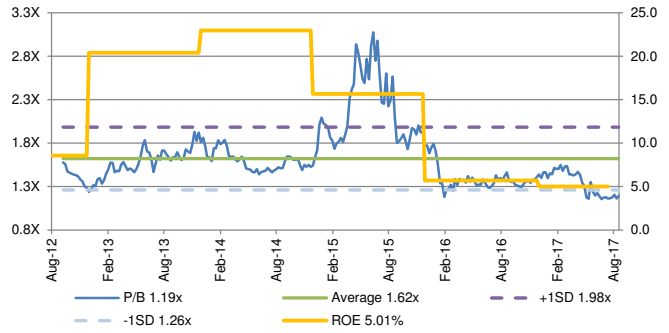
Source: Bloomberg Finance LP, Deutsche Bank

Figure 6: 12-month forward P/B ratio



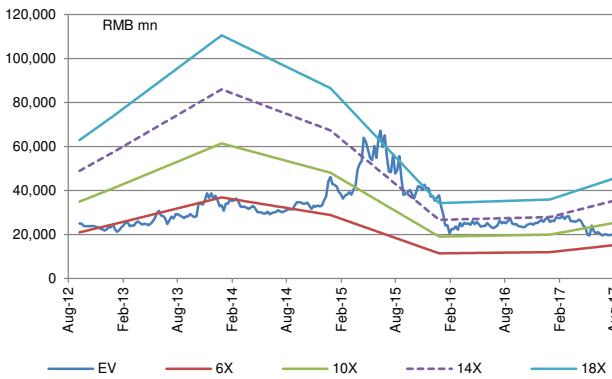
Source: Bloomberg Finance LP, Deutsche Bank

Figure 7: 12-month forward P/B ratio



Source: Bloomberg Finance LP, Deutsche Bank

Figure 8: 12-month forward EV/EBITDA band



Source: Bloomberg Finance LP, Deutsche Bank

Figure 9: 12-month forward EV/EBITDA ratio



Source: Bloomberg Finance LP, Deutsche Bank



# Comp sheet

Figure 10: Comp sheet

Name	Reuters Ticker	DB Rating	Tradin g Curr	21-Aug Price	Mkt Cap (USD mn)	P/E (x)		P/B (x)		ROE (%)		Dvd yield (%)		EV/EBITDA (x)	
						FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
<b>China Oil &amp; Gas Engineering</b>															
SEG	2386.HK	Buy	HKD	7.33	4,149	12.0	9.1	1.0	1.0	8.9	11.1	3.3	4.4	4.3	2.9
COOEC	600583.SS	Hold	CNY	6.43	4,255	24.4	14.2	1.2	1.2	5.0	8.5	3.4	5.9	10.5	7.0
<b>EPC - Offshore Engineering</b>															
KBR	KBR.N	Buy	USD	14.92	2,115	11.0	12.5	2.5	2.1	23.8	18.2	2.1	2.1	6.3	6.1
SBM OFFSHORE NV	SBMO.AS	NR	EUR	13.66	3,273	21.7	13.8	1.2	1.1	4.8	6.8	1.4	1.7	11.5	10.7
Saipem	SPMI.MI	NR	EUR	3.25	3,851	24.0	19.8	0.7	0.6	2.3	3.5	0.1	0.5	4.8	5.2
Petrofac	PFC.L	Sell	GBP	433.10	1,829	5.1	6.1	1.5	1.4	31.2	23.7	12.2	12.2	3.1	3.2
<b>Weighted average</b>						<b>17.7</b>	<b>14.4</b>	<b>1.3</b>	<b>1.2</b>	<b>11.9</b>	<b>10.6</b>	<b>2.9</b>	<b>3.1</b>	<b>6.8</b>	<b>6.7</b>
<b>EPC - Refining &amp; Chemical</b>															
Daelim Industrial Co Ltd.	000210.KS	NR	KRW	86,900.00	2,652	6.8	7.0	0.7	0.6	9.8	8.9	0.3	0.4	6.5	6.3
Petrofac	PFC.L	Sell	GBP	433.10	1,829	5.1	6.1	1.5	1.4	31.2	23.7	12.2	12.2	3.1	3.2
GS Engineering & Construction Corp	006360.KS	NR	KRW	28,900.00	2,099	9.1	NA	0.6	NA	6.9	NA	1.2	NA	7.0	NA
SNC-Lavalin Group Inc.	SNC.TO	NR	CAD	52.00	7,245	24.9	18.4	1.6	1.6	9.9	12.3	2.1	2.1	11.7	8.1
KBR	KBR.N	Buy	USD	14.92	2,115	11.0	12.5	2.5	2.1	23.8	18.2	2.1	2.1	6.3	6.1
Fluor	FLR.N	Hold	USD	37.67	5,262	24.4	15.0	1.6	1.5	6.7	10.2	2.2	2.2	7.4	5.4
CTCI CORP	9933.TW	NR	TWD	47.70	1,200	13.4	12.3	2.0	2.0	16.5	16.3	6.1	7.4	5.9	5.3
Chiyoda	6366.T	NR	JPY	560.00	1,341	NA	24.2	0.9	0.9	-19.8	4.0	1.1	1.1	1.0	1.3
China National Chemical Engineering	601117.SS	NR	CNY	7.19	5,319	14.1	12.1	1.2	1.1	9.0	9.7	1.4	1.5	6.2	5.6
<b>Weighted average</b>						<b>16.9</b>	<b>14.1</b>	<b>1.4</b>	<b>1.4</b>	<b>10.2</b>	<b>12.1</b>	<b>2.5</b>	<b>2.7</b>	<b>7.4</b>	<b>5.9</b>
<b>EPC Consulting</b>															
Amec Foster Wheelers Plc	AMFW.L	Hold	GBP	420.00	2,073	16.7	15.1	1.6	1.5	9.5	10.3	4.0	4.2	9.3	8.7
KBR	KBR.N	Buy	USD	14.92	2,115	11.0	12.5	2.5	2.1	23.8	18.2	2.1	2.1	6.3	6.1
Petrofac	PFC.L	Sell	GBP	433.10	1,829	5.1	6.1	1.5	1.4	31.2	23.7	12.2	12.2	3.1	3.2
Wilson Engineering Services Co Ltd	2236.HK	NR	HKD	1.00	520	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jacob Engineering services	JEC.N	Hold	USD	49.85	5,944	21.3	15.1	1.4	1.3	6.6	8.9	0.0	0.0	11.4	8.0
<b>Weighted average</b>						<b>16.2</b>	<b>13.3</b>	<b>1.6</b>	<b>1.5</b>	<b>13.9</b>	<b>13.1</b>	<b>5.8</b>	<b>5.9</b>	<b>8.9</b>	<b>7.0</b>
<b>General Construction Co - A shares</b>															
<b>A- Shares</b>															
China Zhonghua Geotechnical Engg.	002542.SZ	NR	CNY	11.87	3,204	45.7	36.0	NA	NA	NA	NA	NA	NA	NA	NA
China railway construction group	601186.SS	Sell	CNY	12.39	25,183	10.7	10.4	1.2	1.1	11.6	10.9	1.4	1.5	5.6	5.5
China railway group	601390.SS	Sell	CNY	8.57	29,302	14.9	13.6	1.3	1.2	9.0	9.1	1.1	1.2	7.3	7.2
China communications construction	601800.SS	NR	CNY	16.12	34,174	13.3	11.7	1.5	1.4	12.0	12.3	1.5	1.6	10.1	9.2
Beijing Airport High Tech Park-A	600463.SS	NR	CNY	15.84	713	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shenzhen Grandland Group - A	002482.SZ	NR	CNY	9.06	2,089	27.5	22.3	2.2	1.9	7.8	8.8	1.0	1.2	16.9	14.4
<b>Weighted average</b>						<b>14.5</b>	<b>13.0</b>	<b>1.4</b>	<b>1.2</b>	<b>10.8</b>	<b>10.8</b>	<b>1.3</b>	<b>1.4</b>	<b>8.1</b>	<b>7.6</b>
<b>H- shares</b>															
China State Construction Int'l holding	3311.HK	Buy	HKD	12.50	7,172	10.3	8.3	1.9	1.6	20.0	21.4	2.9	3.6	8.7	7.2
China railway group	390.HK	NR	CNY	8.55	27,055	14.1	12.6	1.4	1.2	9.8	10.1	1.1	1.2	9.6	8.8
China railway construction group	1186.HK	Hold	HKD	9.95	17,273	7.4	7.1	0.8	0.7	11.6	10.9	2.1	2.1	4.2	4.2
China communications construction	1800.HK	Buy	HKD	10.34	21,381	7.3	6.5	0.8	0.7	11.6	11.8	2.9	3.2	7.0	6.6
<b>Weighted average</b>						<b>10.1</b>	<b>9.1</b>	<b>1.1</b>	<b>1.0</b>	<b>11.8</b>	<b>11.9</b>	<b>2.0</b>	<b>2.3</b>	<b>7.5</b>	<b>6.9</b>
<b>Chinese average</b>						<b>12.5</b>	<b>11.2</b>	<b>1.2</b>	<b>1.1</b>	<b>10.9</b>	<b>10.9</b>	<b>1.6</b>	<b>1.7</b>	<b>7.6</b>	<b>7.1</b>
<b>Global peers</b>															
NCC AB-B SHS	NCCb.ST	NR	SEK	205.70	2,724	13.8	14.1	3.5	3.2	28.5	24.4	4.4	4.7	7.7	7.8
GS Engineering & Construction Corp.	006360.KS	NR	KRW	28,900.00	2,099	9.1	NA	0.6	NA	6.9	NA	1.2	NA	7.0	NA
Daelim Industrial Co Ltd.	000210.KS	NR	KRW	86,900.00	2,652	6.8	7.0	0.7	0.6	9.8	8.9	0.3	0.4	6.5	6.3
CTCI Corp	9933.TW	NR	TWD	47.70	1,200	13.4	12.3	2.0	2.0	16.5	16.3	6.1	7.4	5.9	5.3
<b>Weighted average</b>						<b>10.5</b>	<b>10.9</b>	<b>1.7</b>	<b>1.9</b>	<b>15.9</b>	<b>16.7</b>	<b>2.6</b>	<b>3.5</b>	<b>6.9</b>	<b>6.7</b>

Source: Bloomberg Finance LP, Deutsche Bank estimates



Model updated: 03 May 2017

## Running the numbers

Asia

China

Oil &amp; Gas

## COOEC

Reuters: 600583.SS Bloomberg: 600583.CH

## Hold

Price (21 Aug 17) CNY 6.43

Target Price CNY 7.10

52 Week range CNY 5.94 - 8.19

Market cap (m) CNYm 28,429  
USDm 4,255.1

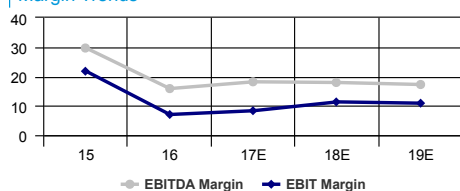
## Company Profile

COOEC is the flagship engineering arm of CNOOC, the dominant offshore E&P company in China with a focus on offshore oil & gas development engineering design, onshore fabrication, offshore installation, commissioning and maintenance, along with LNG engineering projects. Therefore, COOEC could benefit from China's long-term rising E&P capex.

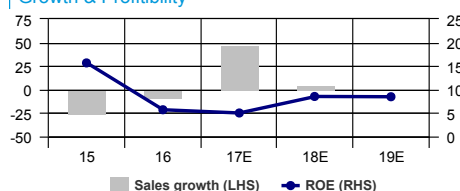
## Price Performance



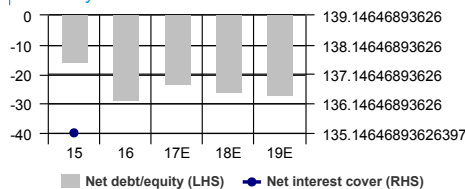
## Margin Trends



## Growth &amp; Profitability



## Solvency



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Fiscal year end 31-Dec

## Financial Summary

	2015	2016	2017E	2018E	2019E
DB EPS (CNY)	0.77	0.30	0.26	0.45	0.46
Reported EPS (CNY)	0.77	0.30	0.26	0.45	0.46
DPS (CNY)	0.25	0.25	0.22	0.38	0.38
BVPS (CNY)	5.2	5.2	5.3	5.4	5.4
Weighted average shares (m)	4,421	4,421	4,421	4,421	4,421
Average market cap (CNYm)	48,126	31,253	28,429	28,429	28,429
Enterprise value (CNYm)	44,479	22,524	20,938	20,264	19,843

## Valuation Metrics

	2015	2016	2017E	2018E	2019E
P/E (DB) (x)	14.1	23.8	24.4	14.2	14.1
P/E (Reported) (x)	14.1	23.8	24.4	14.2	14.1
P/BV (x)	1.66	1.41	1.22	1.20	1.19
FCF Yield (%)	4.2	13.7	4.0	8.9	8.0
Dividend Yield (%)	2.3	3.5	3.4	5.9	6.0
EV/Sales (x)	2.7	1.9	1.9	1.3	1.2
EV/EBITDA (x)	9.2	11.8	10.5	7.0	6.9
EV/EBIT (x)	12.6	26.6	22.9	11.1	10.8

## Income Statement (CNYm)

	2015	2016	2017E	2018E	2019E
Sales revenue	16,202	11,992	10,964	16,130	16,777
Gross profit	4,981	1,896	1,788	3,115	3,167
EBITDA	4,809	1,904	1,994	2,896	2,896
Depreciation	1,223	1,019	1,057	1,044	1,045
Amortisation	56	39	23	22	22
EBIT	3,530	846	914	1,830	1,830
Net interest income/(expense)	152	210	-7	27	31
Associates/affiliates	0	0	0	0	0
Exceptionals/extraordinary	-175	-133	0	0	0
Other pre-tax income/(expense)	506	694	472	516	528
Profit before tax	4,012	1,617	1,380	2,372	2,388
Income tax expense	602	304	216	371	374
Minorities	0	-2	-2	-4	-4
Other post-tax income/(expense)	0	0	0	0	0
Net profit	3,410	1,315	1,166	2,005	2,018
DB adjustments (including dilution)	0	0	0	0	0
DB Net profit	3,410	1,315	1,166	2,005	2,018

## Cash Flow (CNYm)

	2015	2016	2017E	2018E	2019E
Cash flow from operations	3,626	3,288	1,888	3,621	3,375
Net Capex	-1,622	1,004	-750	-1,100	-1,100
Free cash flow	2,004	4,292	1,138	2,521	2,275
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	-1,100	-1,175	-987	-1,658	-1,665
Net inc/(dec) in borrowings	-56	0	-1,199	0	0
Other investing/financing cash flows	681	-1,298	-193	-193	-193
Net cash flow	1,528	1,819	-1,240	671	417
Change in working capital	-901	586	-556	388	132

## Balance Sheet (CNYm)

	2015	2016	2017E	2018E	2019E
Cash and other liquid assets	4,869	6,706	5,466	6,137	6,553
Tangible fixed assets	14,309	11,485	11,215	11,199	11,226
Goodwill/intangible assets	1,811	844	831	821	813
Associates/investments	0	2,047	2,047	2,047	2,047
Other assets	10,454	8,730	8,551	9,161	9,887
Total assets	31,443	29,811	28,109	29,365	30,526
Interest bearing debt	1,207	10	10	10	10
Other liabilities	7,244	6,633	4,746	5,686	6,529
Total liabilities	8,451	6,643	4,756	5,696	6,539
Shareholders' equity	22,976	23,155	23,342	23,662	23,984
Minorities	15	13	11	7	4
Total shareholders' equity	22,992	23,168	23,352	23,669	23,987
Net debt	-3,662	-6,696	-5,456	-6,126	-6,543

## Key Company Metrics

	2015	2016	2017E	2018E	2019E
Sales growth (%)	nm	-26.0	-8.6	47.1	4.0
DB EPS growth (%)	na	-61.4	-11.4	71.9	0.7
EBITDA Margin (%)	29.7	15.9	18.2	18.0	17.3
EBIT Margin (%)	21.8	7.1	8.3	11.3	10.9
Payout ratio (%)	32.4	84.0	84.0	84.0	84.0
ROE (%)	15.7	5.7	5.0	8.5	8.5
Capex/sales (%)	11.1	4.9	6.8	6.8	6.6
Capex/depreciation (x)	1.4	0.6	0.7	1.0	1.0
Net debt/equity (%)	-15.9	-28.9	-23.4	-25.9	-27.3
Net interest cover (x)	nm	nm	135.1	nm	nm

Source: Company data, Deutsche Securities estimates



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
COOEC	600583.SS	6.43 (CNY) 21 Aug 2017	NA

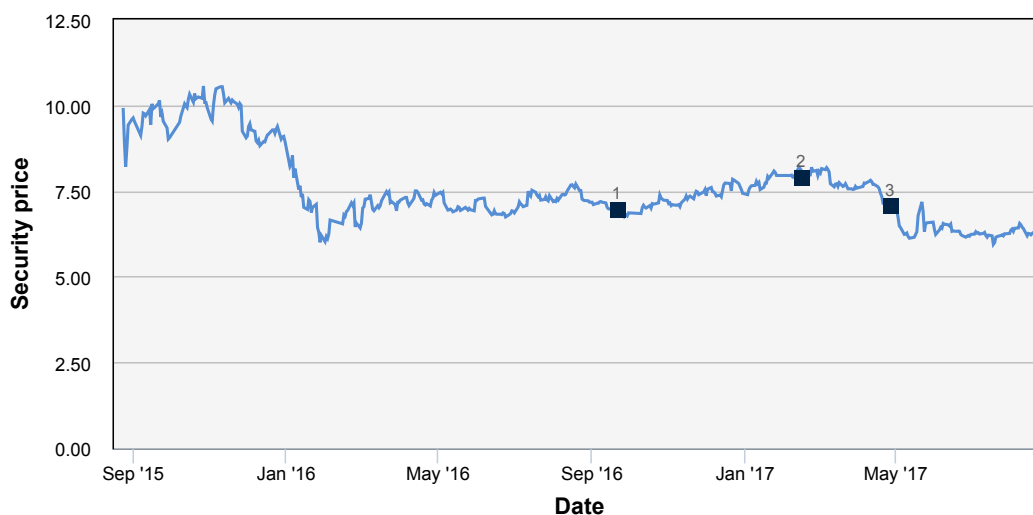
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## Historical recommendations and target price. COOEC (600583.SS)

(as of 08/21/2017)



### Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

1.	09/22/2016	Hold, Target Price Change CNY 8,00	Vitus Leung	3.	04/28/2017	Hold, Target Price Change CNY 7,10	Vitus Leung
2.	02/16/2017	Hold, Target Price Change CNY 8,20	Johnson Wan				





### Equity Rating Key

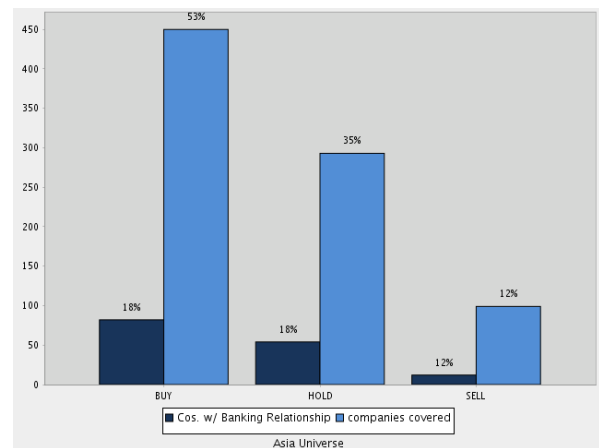
**Buy:** Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield ) , we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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### Equity rating dispersion and banking relationships





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