



Rating
Buy

Asia
China

Consumer
Hotels / Leisure / Gaming

Company
Huace Film&TV

Reuters 300133.SZ Bloomberg 300133 CH Exchange SHZ Ticker 300133

Date
25 September 2017

Breaking News

Price at 22 Sep 2017 (CNY)	11.27
Price target - 12mth (CNY)	14.80
52-week range (CNY)	13.96 - 9.58
Shenzhen Index	2,080

Online/TV drama cast salary will be limited

What's new? Pay limit for cast salaries has been launched.

On September 22, State Alliance of Radio, Film and Television (SARFT) issued a proposal to limit the pay of actor/actress in Chinese online/TV drama.

- Cast salaries should be no more than 40% of the total production costs for online/TV drama series.
- In addition, the salary of the leading actor/actress cannot exceed 70% of the total cast salaries.
- If cast salaries exceed 40% of total costs, the production company must lodge an explanation with their association.

DB's view - regulated cast salaries may lead to quality content

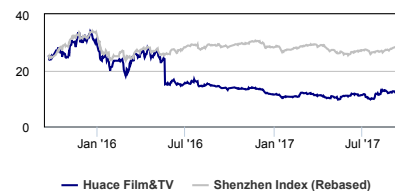
- Actor/actress' income has risen in recent years. As per Huace's disclosure, c.50% of TV drama production costs are for actors/actresses' compensation in 2016. However, this is only 10-20% in developed markets such as US, Korea and Japan.
- The pay limit proposal confirms our view that actor/actress salary will not continue to increase because of regulation.
- To recall, SARFT announced in August 2016 that the currently high compensation for famous actors/actresses should be regulated.
- We believe that production costs will shift from cast salaries to visual effects/good scripts/quality IP, which should result in quality content.

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	-5.2	2.5	-18.5
Shenzhen Index	4.2	6.8	-1.5

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	9.8
Net debt/equity (%)	-3.6
Book value/share (CNY)	4.00
Price/book (x)	2.8
Net interest cover (x)	7.3
Operating profit margin (%)	17.7

Source: Deutsche Bank



Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E
Sales (CNYm)	2,657.3	4,445.0	5,218.2	6,422.5
EBITDA (CNYm)	594.1	609.9	946.7	1,124.4
Reported NPAT (CNYm)	475.5	478.5	652.0	777.2
Reported EPS FD(CNY)	0.30	0.27	0.37	0.44
DB EPS FD(CNY)	0.33	0.28	0.37	0.44
DB EPS growth (%)	23.6	-15.5	35.1	19.2
PER (x)	82.3	65.0	30.2	25.3
EV/EBITDA (x)	69.0	50.0	18.7	15.5
DPS (net) (CNY)	0.03	0.03	0.04	0.05
Yield (net) (%)	0.1	0.2	0.4	0.4

Source: Deutsche Bank estimates, company data



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Huace Film&TV	300133.SZ	10.89 (CNY) 25 Sep 2017	NA

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Historical recommendations and target price. Huace Film&TV (300133.SZ)

(as of 09/22/2017)



Current Recommendations

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

** Analyst is no longer at Deutsche Bank

1.	11/10/2015	Buy, Target Price Change CNY 38,00 Tallan Zhou	4.	02/27/2017	Buy, Target Price Change CNY 19,00 Tallan Zhou
2.	04/01/2016	Buy, Target Price Change CNY 34,00 Tallan Zhou	5.	04/25/2017	Buy, Target Price Change CNY 17,00 Tallan Zhou
3.	05/23/2016	Buy, Target Price Change CNY 22,00 Tallan Zhou	6.	06/25/2017	Buy, Target Price Change CNY 14,80 Tallan Zhou



Equity Rating Key

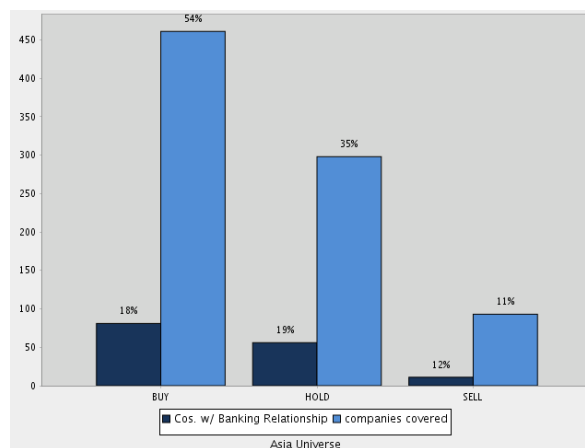
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships





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