

# Yonyou (600588 CH)

## Concern on the higher R&D capitalization

Yonyou reported FY4Q22 revenue of RMB3.67bn (-8% YoY) and net profit of RMB759mn (+31% YoY), missed our/ consensus estimates by 13/ 17% respectively. The weakness was due to COVID-19 resurgence and GPM erosion given higher staff cost and outsourcing expenses. For cloud segment, revenue showed no YoY growth although ARR was up +23.8% YoY. ARR contribution to cloud revenue was stable at 32% (vs. 58% for Kingdee), which suggested majority of Yonyou's cloud revenue is not recurring. We are also concerned with the increasing R&D capitalization rate to record-high of 48%. Deteriorating earnings quality could result in share price de-rating. Downgrade from HOLD to SELL.

■ **FY4Q22 missed with no growth in cloud revenue.** Yonyou reported weak FY4Q22 results with revenue of RMB3.67bn (-8% YoY) and net profit of RMB759mn (+31% YoY), both missing our and consensus estimates. Cloud service revenue showed no growth at RMB2.81bn, accounting for 77% of revenue while Software business continued to shrink (-29% YoY). Operating profit was RMB750mn (-19% YoY), and lower opex ratio at 39.1% (-3.6 pcts) was offset by the decline in GPM (-6.3 pcts YoY to 59.5%). Yonyou attributed the GPM erosion to higher staff cost (no. of employee +21% YoY in 4Q22) and outsourcing expenses.

■ **Customer mix has limited the ARR and cloud revenue visibility.** Although ARR growth remained steady (+23.8% YoY to RMB2.04bn), ARR accounted for only 32% of cloud revenue, similar to the 31% in FY21. This implied majority of Yonyou's cloud revenue is not charged on subscription basis and is not recurring in nature. This could be explained with Yonyou's customer mix that skewed towards large-sized enterprises (69% of FY22 cloud service revenue). The customization demand from large-sized enterprises will limit the ARR and its cloud revenue visibility.

■ **R&D capitalization rate hit record-high of 48%.** In FY22, Yonyou increased R&D expenditure by +24% YoY to RMB2.93bn as the Company continues to develop cloud-native products. R&D capitalization rate rose to record-high of 48% (vs. 36% in FY21, vs. Kingdee's 33% in FY22). Assuming all R&D are being expensed, Yonyou suffered from net loss of RMB1.18bn in FY22, significantly widened from net loss of RMB137mn in FY21. We are concerned with the deteriorating earnings quality.

■ **Downgrade from HOLD to SELL.** We cut FY23-24E net profit by 7-9% to reflect lower cloud revenue growth and GPM. Downgrade to SELL with new target price of RMB19.56 (prior RMB22.27), based on unchanged 6.0x FY23E EV/sales.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	8,932	9,262	10,692	12,195	13,525
YoY growth (%)	4.8	3.7	15.4	14.1	10.9
Net profit (RMB mn)	707.8	219.2	509.2	611.1	694.9
EPS (Reported) (RMB cents)	21.64	6.38	14.83	17.80	20.24
YoY growth (%)	(28.4)	(70.5)	132.3	20.0	13.7
Consensus EPS (RMB)	0.22	0.06	0.25	0.37	na
P/E (x)	164.2	365.9	175.3	146.0	128.4
EV/Sales (x)	9.9	9.3	8.1	7.1	6.3
Yield (%)	0.6	0.4	0.2	0.5	0.6
ROE (%)	9.7	2.4	4.4	5.2	5.8
Net gearing (%)	(20.4)	(33.7)	(34.4)	(36.0)	(38.2)

Source: Company data, Bloomberg, CMBIGM estimates

## SELL (Down)

**Target Price** RMB19.56  
 (Previous TP RMB22.27)  
**Up/Downside** (24.8%)  
**Current Price** RMB25.99

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### Stock Data

Mkt Cap (RMB mn)	89,234.2
Avg 3 mths t/o (RMB mn)	962.1
52w High/Low (RMB)	28.22/16.73
Total Issued Shares (mn)	3433.4

Source: FactSet

### Shareholding Structure

Mr. Wang - Chairman	38.9%
HKSCC	7.7%

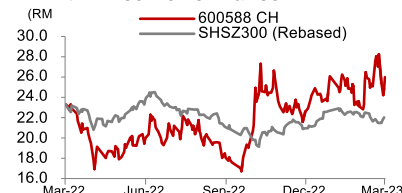
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	12.7%	13.6%
3-mth	15.0%	9.8%
6-mth	44.0%	37.9%

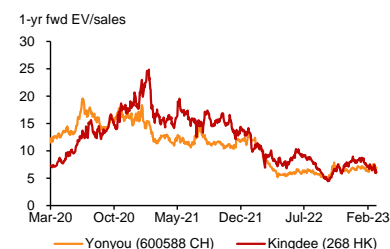
Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Kingdee vs. Yonyou valuation

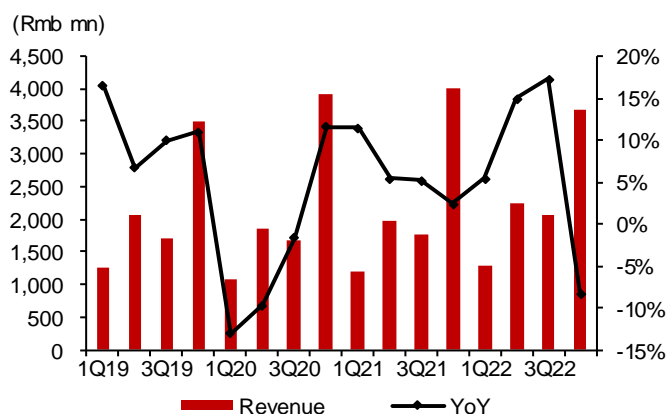


### Related Reports

- China Software and IT Services - "Implications of Huawei MetaERP" ([link](#))
- Yonyou (600588 CH) - "Distressed margin with non-standardized cloud" - 01 Feb 2023 ([link](#))

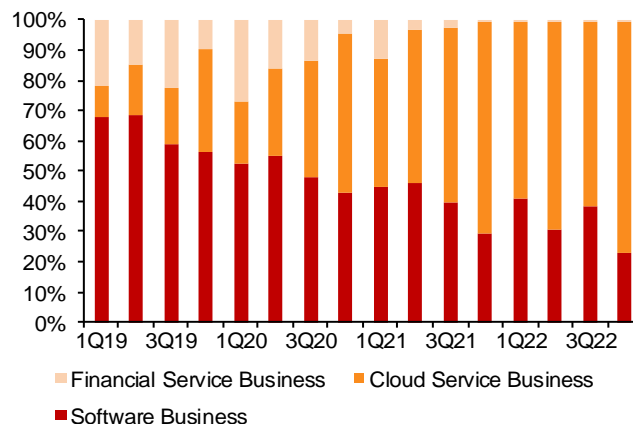
## Focus Charts

**Figure 1: Revenue and growth (Quarterly)**



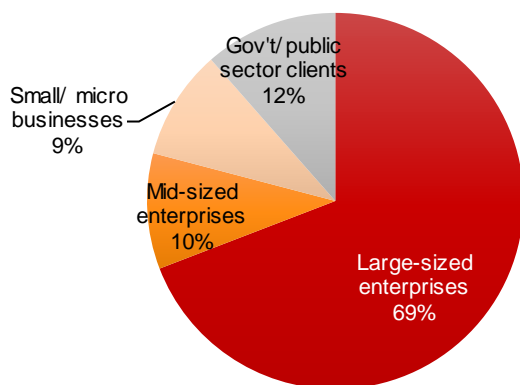
Source: Company data, CMBIGM estimates

**Figure 2: Revenue mix (Quarterly)**



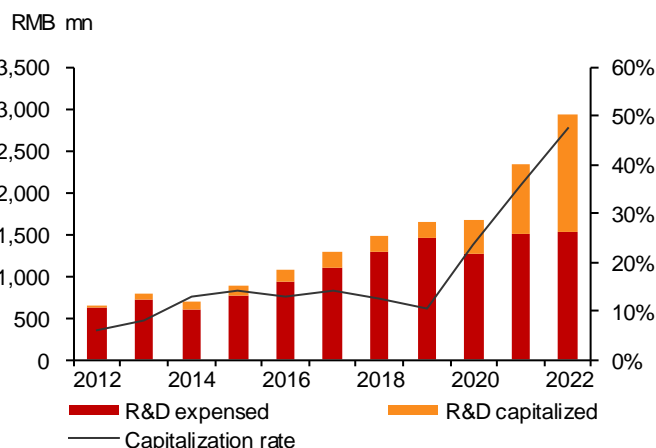
Source: Company data, CMBIGM estimates

**Figure 3: Cloud service revenue mix (FY22)**



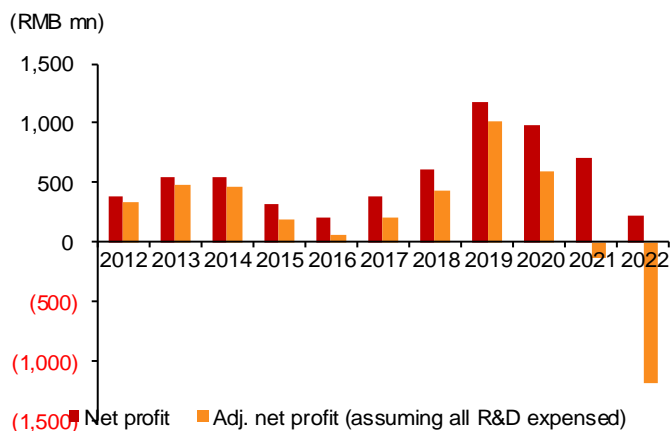
Source: Company data, CMBIGM estimates

**Figure 4: R&D capitalization rate (yearly)**



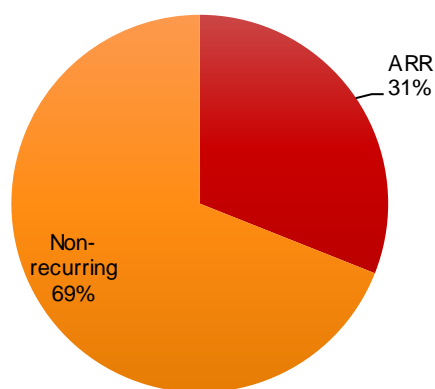
Source: Company data, CMBIGM estimates

**Figure 5: Adjusted net profit (loss)**



Source: Company data

**Figure 6: ARR as % of cloud service revenue (FY22)**



Source: Company data

## FY4Q22 results review

- **Revenue** was RMB3,666mn (-8% YoY, +78% QoQ), below our estimate by 13% and consensus by 17%.
  - **Cloud** revenue was RMB2,807mn (+0% YoY, +125% QoQ), accounting for 77% of revenue.
  - **Software** revenue was RMB840mn (-29% YoY, +6% QoQ).
- **Gross profit** was RMB2,183mn (-17%YoY, +112% QoQ), below our estimate by 18% and consensus by 24%.
- **Gross margin** was 59.5%, (-6.3 pct pts YoY, +9.6 pct pts QoQ), missing our estimate by 3.5 pct pts and consensus by 4.8 pct pts.
- **Operating profit** was RMB750mn (-19% YoY, +305% QoQ), missing our estimate by 14% and consensus by 11%.
- **Operating margin** was 20.5% (-2.7 pct pts YoY, +38.3 pct pts QoQ), missing our estimate by 0.3 pct pts but above consensus by 1.5 pct pts. .
- **Net profit** was RMB759mn (+31% YoY, +367% QoQ), in-line with our estimate but below consensus by 5%.
- **EPS** was RMB0.22 (+24% YoY, +367% QoQ).

Figure 7: FY4Q22 results review

	Dec-21 4Q21	Sep-22 3Q22	Dec-22 4Q22			Dec-22 4Q22	versus	Dec-22 4Q22	versus
RMB mn	actual	actual	actual	YoY	QoQ	CMBI	CMBI	consensus	consensus
Revenue	3,999	2,059	3,666	-8%	78%	4,222	-13%	4,438	-17%
Gross profit	2,634	1,028	2,183	-17%	112%	2,660	-18%	2,855	-24%
Gross margin	65.9%	49.9%	59.5%	-6.3 pct pts	9.6 pct pts	63.0%	-3.5 pct pts	64.3%	-4.8 pct pts
Operating profit (adjusted)	926	-366	750	-19%	305%	876	-14%	843	-11%
Operating margin (adjusted)	23.2%	-17.8%	20.5%	-2.7 pct pts	38.3 pct pts	20.8%	-0.3 pct pts	19.0%	1.5 pct pts
Net non-op	-189	81	96			9		-38	
PBT	737	-285	846	15%	397%	885	-4%	805	5%
Tax	-87	-1	-19			-84		-9	
Minorities	-69	2	-69			-44			
Net income	581	-284	759	31%	367%	757	0%	796	-5%
EPS RMB	0.18	-0.08	0.22	24%	367%	0.22	0%	0.21	8%

Source: Company data, CMBIGM

Figure 8: Revenue breakdown

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Software	564	1,023	797	1,660	542	903	692	1,183	522	690	795	840
Cloud Service	219	532	630	2,042	516	990	1,020	2,794	748	1,551	1,247	2,807
Financial Service	293	294	229	189	156	70	44	22	9	17	16	19
<b>Total</b>	<b>1,089</b>	<b>1,862</b>	<b>1,669</b>	<b>3,905</b>	<b>1,214</b>	<b>1,963</b>	<b>1,756</b>	<b>3,999</b>	<b>1,279</b>	<b>2,258</b>	<b>2,059</b>	<b>3,666</b>
<b>YoY %</b>												
Software	-33%	-27%	-20%	-15%	-4%	-12%	-13%	-29%	-4%	-24%	15%	-29%
Cloud Service	74%	54%	103%	72%	136%	86%	62%	37%	45%	57%	22%	0%
Financial Service	8%	-1%	-40%	-45%	-47%	-76%	-81%	-89%	-94%	-76%	-63%	-11%
<b>Total</b>	<b>-13%</b>	<b>-10%</b>	<b>-2%</b>	<b>12%</b>	<b>11%</b>	<b>5%</b>	<b>5%</b>	<b>2%</b>	<b>5%</b>	<b>15%</b>	<b>17%</b>	<b>-8%</b>
<b>Revenue mix</b>												
Software	52%	55%	48%	42%	45%	46%	39%	30%	41%	31%	39%	23%
Cloud Service	20%	29%	38%	52%	42%	50%	58%	70%	58%	69%	61%	77%
Financial Service	27%	16%	14%	5%	13%	4%	2%	1%	1%	1%	1%	1%
<b>Cloud service metrics</b>												
Cloud Service contract liab.				1,091	1,229	1,243	1,304	1,580	1,715	1,760	1,970	1,920
- Subscription contract liab.				473	492	n.a.	702	847	961	1,030	1,080	1,320
YoY								79%	96%	n.a.	54%	56%

Source: Company data

## Earnings revision

Figure 9: Earnings revision

RMB mn	2023E			2024E		
	New	Old	%Diff	New	Old	%Diff
Sales	10,692	12,083	-12%	12,195	14,267	-15%
Gross profit	6,160	7,084	-13%	7,034	8,341	-16%
OP Profit	385	471	-18%	518	585	-11%
PBT	599	659	-9%	719	770	-7%
Net profit	509	560	-9%	611	655	-7%
EPS	0.15	0.16	-9%	0.18	0.19	-7%
<b>Margins</b>						
GM	57.6%	58.6%	-101 bps	57.7%	58.5%	-78 bps
OPM	3.6%	3.9%	-30 bps	4.2%	4.1%	15 bps
PBT margin	5.6%	5.5%	15 bps	5.9%	5.4%	50 bps
Net margin	4.8%	4.6%	13 bps	5.0%	4.6%	42 bps

Source: Company data, CMBIGM estimates

Figure 10: CMBI vs. Consensus estimates

RMB mn	2023E			2024E		
	CMBI	Street	Diff	CMBI	Street	Diff
Sales	10,692	12,718	-16%	12,195	15,690	-22%
Gross profit	6,160	7,635	-19%	7,034	9,509	-26%
OP Profit	385	986	-61%	518	1,466	-65%
PBT	599	975	-39%	719	1,523	-53%
Net profit	509	856	-41%	611	1,346	-55%
EPS	0.15	0.25	-40%	0.18	0.37	-51%
<b>Margins</b>						
GM	57.6%	60.0%	-242 bps	57.7%	60.6%	-293 bps
OPM	3.6%	7.8%	-415 bps	4.2%	9.3%	-510 bps
PBT margin	5.6%	7.7%	-206 bps	5.9%	9.7%	-381 bps
Net margin	4.8%	6.7%	-197 bps	5.0%	8.6%	-357 bps

Source: Company data, CMBIGM estimates

## Operating model

Figure 11: Revenue breakdown

RMB mn	2020	2021	2022	2023E	2024E	2025E
Revenues	8,525	8,932	9,262	10,692	12,195	13,525
Cost of sales	(3,321)	(3,461)	(4,041)	(4,532)	(5,161)	(5,716)
Gross Profit	5,204	5,471	5,221	6,160	7,034	7,808
<i>Gross margin</i>	<b>61.0%</b>	<b>61.2%</b>	<b>56.4%</b>	<b>57.6%</b>	<b>57.7%</b>	<b>57.7%</b>
R&D	(1,459)	(1,704)	(1,754)	(1,904)	(2,349)	(2,624)
SG&A	(2,496)	(3,099)	(3,353)	(3,749)	(4,036)	(4,410)
Operating Income	1,093	555	8	385	518	631
<i>Operating margin</i>	<b>12.8%</b>	<b>6.2%</b>	<b>0.1%</b>	<b>3.6%</b>	<b>4.2%</b>	<b>4.7%</b>
Non-Operating Income	33	219	239	214	201	187
Profit Before Tax	1,126	774	247	599	719	818
Income tax (expense) gain	(75)	(92)	(22)	(60)	(72)	(82)
Minorities	(63)	25	(6)	(30)	(36)	(41)
Net Income to Shareholders	989	708	219	509	611	695
<i>Net margin</i>	<b>11.6%</b>	<b>7.9%</b>	<b>2.4%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>5.1%</b>
EPS (RMB)	0.30	0.22	0.06	0.15	0.18	0.20
DPS (RMB)	0.20	0.20	0.10	0.06	0.14	0.17

Source: Company data, CMBIGM

Figure 12: Operating model

RMB mn	2020	2021	2022	2023E	2024E	2025E
<b>Revenue breakdown</b>						
Software Business	4,044	3,320	2,848	2,542	2,415	2,277
Cloud Service Business	3,422	5,321	6,353	8,151	9,781	11,248
Financial Service Business	1,005	276	61	-	-	-
Others	54	14	0	-	-	-
Total	8,525	8,932	9,262	10,692	12,195	13,525
<b>Revenue YoY</b>						
Software Business	-22%	-18%	-14%	-11%	-5%	-6%
Cloud Service Business	74%	55%	19%	28%	20%	15%
Financial Service Business	-22%	-73%	-78%	-100%	0%	0%
Blended	0%	5%	4%	15%	14%	11%
<b>Revenue mix</b>						
Software Business	47%	37%	31%	24%	20%	17%
Cloud Service Business	40%	60%	69%	76%	80%	83%
Financial Service Business	12%	3%	1%	0%	0%	0%

Source: Company data, CMBIGM

**Figure 13: Quarterly operating model**

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23E	2Q23E	3Q23E	4Q23E
Revenues	1,214	1,963	1,756	3,999	1,279	2,258	2,059	3,666
Gross Profit	572	1,244	1,020	2,634	628	1,383	1,028	2,183
Operating profit	-314	67	-124	926	-465	89	-366	750
Net profit (loss)	-13	228	-88	581	-393	137	-284	759
EPS (RMB)	-0.00	0.07	-0.03	0.18	-0.12	0.04	-0.08	0.22
<b>Margins</b>								
Gross margin	47%	63%	58%	66%	49%	61%	50%	60%
Operating margin	-26%	3%	-7%	23%	-36%	4%	-18%	20%
Net margin	-1%	12%	-5%	15%	-31%	6%	-14%	21%
<b>Growth (QoQ)</b>								
Revenues	-69%	62%	-11%	128%	-68%	76%	-9%	78%
Gross Profit	-79%	118%	-18%	158%	-76%	120%	-26%	112%
Operating profit	-127%	-121%	-287%	-846%	-150%	-119%	-510%	-305%
Net profit (loss)	-101%	-1858%	-139%	-759%	-168%	-135%	-306%	-367%
<b>Growth (YoY)</b>								
Revenues	11%	5%	5%	2%	5%	15%	17%	-8%
Gross Profit	13%	15%	9%	-2%	10%	11%	1%	-17%
Operating profit	n.a.	-72%	n.a.	-22%	n.a.	34%	n.a.	-19%
Net profit (loss)	n.a.	-14%	n.a.	-42%	n.a.	-43%	n.a.	24%

Source: Company data, CMBIGM

## Valuation

### Yonyou (600588 CH, SELL, TP RMB19.56)

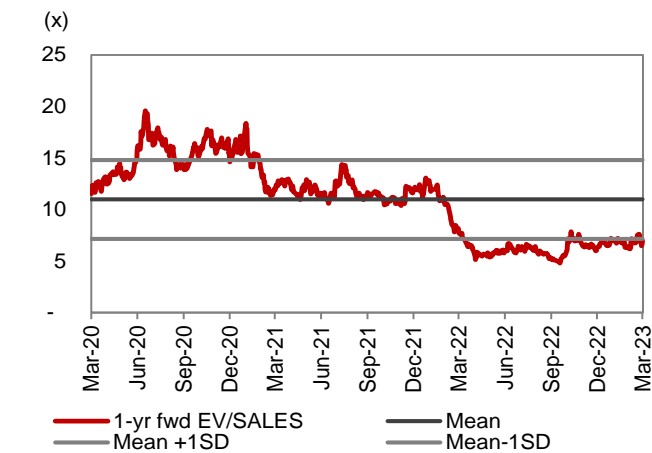
We downgrade Yonyou from HOLD to SELL with new target price of RMB19.56 (prior RMB22.27). Our target price is derived from unchanged 6.0x FY23E EV/sales, 1-SD below three-year mean. We believe the customization demand for large-sized enterprises will continue to weigh on margin. We are concerned with the margin erosion and deteriorating earnings quality as R&D capitalization rate surged.

Figure 14: Yonyou peers valuation comparison

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	TP (LC)	EV/sales (x)		FCF margin (%)		Sales CAGR FY21-24E	EPS CAGR FY21-24E
						FY22E	FY23E	FY22E	FY23E		
Yonyou	600588 CH	SELL	12,988	25.99	19.56	9.3	8.1	4%	6%	11%	n.a.
Kingdee	268 HK	BUY	6,047	13.66	23.28	7.9	6.4	1%	4%	17%	n.a.
Kingsoft Office	688111 CH	NR	26,314	392.00	N/A	44.0	33.3	27%	39%	28%	27%
SAP	SAP US	NR	152,015	123.74	N/A	4.8	4.5	16%	16%	8%	n.a.
Intuit	INTU US	NR	121,334	432.49	N/A	10.0	9.0	29%	29%	18%	27%
Xero	XRO AU	NR	8,776	87.70	N/A	13.2	10.1	-7%	1%	25%	85%
Workday	WDAY US	NR	48,702	188.04	N/A	8.9	7.4	26%	20%	19%	n.a.
ServiceNow	NOW US	NR	89,415	440.47	N/A	12.1	9.9	29%	30%	22%	114%
Salesforce	CRM US	NR	187,440	187.44	N/A	7.2	6.1	19%	19%	18%	17%
					<b>Mean</b>	<b>13.0</b>	<b>10.4</b>	<b>16%</b>	<b>18%</b>	<b>19%</b>	<b>48%</b>
					<b>Median</b>	<b>8.9</b>	<b>7.4</b>	<b>19%</b>	<b>19%</b>	<b>18%</b>	<b>27%</b>

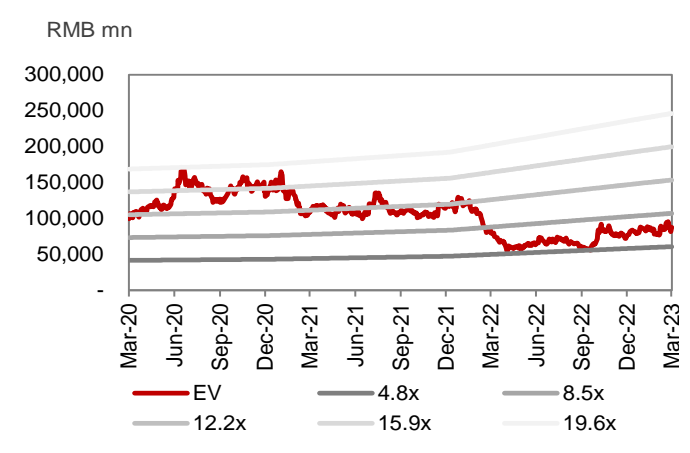
Source: Bloomberg, CMBIGM estimates

Figure 15: Yonyou 12M forward EV/sales chart



Source: Bloomberg, CMBIGM estimates

Figure 16: Yonyou 12M forward EV/sales band



Source: Bloomberg, CMBIGM estimates



## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>8,525</b>	<b>8,932</b>	<b>9,262</b>	<b>10,692</b>	<b>12,195</b>	<b>13,525</b>
Cost of goods sold	(3,321)	(3,461)	(4,041)	(4,532)	(5,161)	(5,716)
<b>Gross profit</b>	<b>5,204</b>	<b>5,471</b>	<b>5,221</b>	<b>6,160</b>	<b>7,034</b>	<b>7,808</b>
<b>Operating expenses</b>	<b>(4,111)</b>	<b>(4,916)</b>	<b>(5,213)</b>	<b>(5,776)</b>	<b>(6,516)</b>	<b>(7,177)</b>
Selling expense	(1,537)	(2,027)	(2,235)	(2,484)	(2,735)	(2,927)
Admin expense	(959)	(1,072)	(1,117)	(1,265)	(1,300)	(1,483)
R&D expense	(1,459)	(1,704)	(1,754)	(1,904)	(2,349)	(2,624)
Others	(156)	(113)	(106)	(123)	(132)	(143)
<b>Operating profit</b>	<b>1,093</b>	<b>555</b>	<b>8</b>	<b>385</b>	<b>518</b>	<b>631</b>
Interest expense	(110)	(79)	12	24	26	27
Other income/expense	143	298	227	190	176	160
<b>Pre-tax profit</b>	<b>1,126</b>	<b>774</b>	<b>247</b>	<b>599</b>	<b>719</b>	<b>818</b>
Income tax	(75)	(92)	(22)	(60)	(72)	(82)
<b>After tax profit</b>	<b>1,051</b>	<b>682</b>	<b>225</b>	<b>539</b>	<b>647</b>	<b>736</b>
Minority interest	(63)	25	(6)	(30)	(36)	(41)
<b>Net profit</b>	<b>989</b>	<b>708</b>	<b>219</b>	<b>509</b>	<b>611</b>	<b>695</b>
<b>BALANCE SHEET</b>						
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>8,773</b>	<b>7,682</b>	<b>12,387</b>	<b>12,341</b>	<b>13,380</b>	<b>14,564</b>
Cash & equivalents	5,605	4,616	8,304	8,542	8,829	9,139
Restricted cash	1,680	1,572	2,634	2,269	2,806	3,338
Account receivables	423	407	531	583	657	774
Other current assets	1,065	1,088	918	948	1,088	1,314
<b>Non-current assets</b>	<b>8,177</b>	<b>9,647</b>	<b>11,168</b>	<b>11,709</b>	<b>11,858</b>	<b>11,831</b>
PP&E	2,507	2,529	2,531	2,478	2,433	2,396
Intangibles	785	1,862	2,838	3,944	4,832	5,716
Other non-current assets	4,885	5,256	5,799	5,287	4,593	3,720
<b>Total assets</b>	<b>16,950</b>	<b>17,329</b>	<b>23,555</b>	<b>24,051</b>	<b>25,238</b>	<b>26,395</b>
<b>Current liabilities</b>	<b>7,950</b>	<b>8,325</b>	<b>9,574</b>	<b>9,867</b>	<b>10,926</b>	<b>11,964</b>
Short-term borrowings	2,420	2,802	3,611	3,764	3,828	3,826
Account payables	549	654	832	789	936	1,073
Other current liabilities	2,240	2,219	2,569	2,680	3,133	3,622
Accrued expenses	2,741	2,649	2,563	2,634	3,028	3,443
<b>Non-current liabilities</b>	<b>453</b>	<b>1,078</b>	<b>1,463</b>	<b>1,363</b>	<b>1,359</b>	<b>1,357</b>
Long-term borrowings	0	390	826	726	722	720
Other non-current liabilities	453	688	637	637	637	637
<b>Total liabilities</b>	<b>8,403</b>	<b>9,403</b>	<b>11,037</b>	<b>11,229</b>	<b>12,285</b>	<b>13,321</b>
Share capital	3,270	3,271	3,434	3,434	3,434	3,434
Capital surplus	1,096	892	5,852	5,852	5,852	5,852
Retained earnings	3,418	3,489	3,369	3,672	3,805	3,925
Other reserves	(242)	(664)	(1,193)	(1,193)	(1,193)	(1,193)
<b>Total shareholders equity</b>	<b>7,543</b>	<b>6,987</b>	<b>11,461</b>	<b>11,764</b>	<b>11,897</b>	<b>12,017</b>
Minority interest	1,004	939	1,057	1,057	1,057	1,057
<b>Total equity and liabilities</b>	<b>16,950</b>	<b>17,329</b>	<b>23,555</b>	<b>24,051</b>	<b>25,238</b>	<b>26,395</b>

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,126	774	247	599	719	818
Depreciation & amortization	357	473	579	609	789	966
Tax paid	(75)	(92)	(22)	(60)	(72)	(82)
Change in working capital	605	146	(819)	422	244	166
Others	(400)	2	301	0	0	0
<b>Net cash from operations</b>	<b>1,613</b>	<b>1,304</b>	<b>286</b>	<b>1,570</b>	<b>1,681</b>	<b>1,868</b>
<b>Investing</b>						
Capital expenditure	(592)	(1,030)	(1,557)	(1,661)	(1,633)	(1,812)
Others	(183)	921	(979)	512	694	873
<b>Net cash from investing</b>	<b>(894)</b>	<b>(1,230)</b>	<b>(3,853)</b>	<b>(1,149)</b>	<b>(938)</b>	<b>(939)</b>
<b>Financing</b>						
Dividend paid	(651)	(654)	(344)	(206)	(479)	(574)
Net borrowings	(1,950)	702	1,077	53	60	(4)
Others	346	(1,108)	6,508	(30)	(36)	(41)
<b>Net cash from financing</b>	<b>(2,256)</b>	<b>(1,060)</b>	<b>7,241</b>	<b>(183)</b>	<b>(455)</b>	<b>(619)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	7,147	5,605	4,616	8,304	8,542	8,829
Exchange difference	(6)	(2)	14	0	0	0
<b>Cash at the end of the year</b>	<b>5,605</b>	<b>4,616</b>	<b>8,304</b>	<b>8,542</b>	<b>8,829</b>	<b>9,139</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	0.2%	4.8%	3.7%	15.4%	14.1%	10.9%
Gross profit	(6.5%)	5.1%	(4.6%)	18.0%	14.2%	11.0%
Operating profit	36.4%	(49.2%)	(98.6%)	4,696.6%	34.6%	21.8%
Net profit	(16.4%)	(28.4%)	(69.0%)	132.3%	20.0%	13.7%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	61.0%	61.2%	56.4%	57.6%	57.7%	57.7%
Operating margin	12.8%	6.2%	0.1%	3.6%	4.2%	4.7%
Return on equity (ROE)	13.4%	9.7%	2.4%	4.4%	5.2%	5.8%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.4)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Current ratio (x)	1.1	0.9	1.3	1.3	1.2	1.2
Receivable turnover days	76.9	66.4	82.9	83.7	75.9	82.9
Inventory turnover days	9.6	17.0	18.5	19.0	18.5	19.3
Payable turnover days	60.3	69.0	75.1	26.9	28.0	29.0
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	128.6	164.2	365.9	175.3	146.0	128.4
P/B	14.9	14.7	6.4	7.0	6.9	6.8
Div yield (%)	0.5	0.6	0.4	0.2	0.5	0.6
EV	87,054.0	88,749.3	86,424.2	86,239.7	86,012.0	85,698.4
EV/Sales	10.2	9.9	9.3	8.1	7.1	6.3

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

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