

Hikvision (002415 CH)

Taking time to recover

Hikvision delivered a weaker than expected FY1Q23 with revenue of RMB16.2bn (-2% YoY) and net profit of RMB1.81bn (-21% YoY). Sequential improvement in top-line (vs -9% YoY in FY4Q22) and GPM (+1.4 ppts YoY) were the bright spots. Hikvision will focus on quality growth in FY23E with better control on project profitability, headcount (+10% YoY in FY22, stable in FY23E) and opex. We think recent share price rebound has reflected the positives in earnings recovery and the RMB2.0bn share repurchase. Downgrade to HOLD.

■ FY1Q23 miss although revenue decline narrowed and GPM improved.

Hikvision reported in-line FY22 with revenue of RMB83.17bn (+2% YoY) and net profit of RMB12.84bn (-24% YoY). The weakness in net profit was due to 1) GPM erosion (-2 ppts YoY to 42.3%) and 2) higher opex (+17% YoY) as headcount grew +10% YoY to 58,280. FY1Q23 results remained muted with revenue of RMB16.2bn (-2% YoY) and net profit of RMB1.81bn (-21% YoY). A sequentially narrowed decline in top-line (-2% YoY vs. -9% YoY in FY4Q22) and GPM improvement (+1.4 pct pts YoY) were yet to offset the higher opex (+16% YoY).

■ Positive on the innovative businesses growth prospect but yet to see a rebound in PBG/ SMBG/ overseas segments.

Post-COVID recovery was slower than expected that only EBG (Large Enterprise-focused) resumed positive growth in FY1Q23. Rebound in PBG (Public Security), SMBG (SME) and overseas business is not in sight yet. That said, we are positive on the revenue diversification with innovative businesses (e.g. Smart Home AIoT/ Robotics, etc.) revenue contribution rose to 18% in FY22 vs. 10% in FY20. Non-surveillance business will remain as the core growth driver (FY22 revenue grew +22.8% YoY to RMB15.07bn).

■ Focus on quality growth in FY23E.

Management believes Hikvision business has bottomed out from the pandemic with FY4Q22 being the trough. We expect to see sequential improvement in top-line and margin as the company focuses on quality growth in FY23E with tighter control on project profitability, headcount and opex. We estimate Hikvision net margin to improve from 15.4% in FY22 to 17.7% in FY23E.

■ Lack near-term catalysts, downgrade to HOLD.

We trimmed FY23-24E net profit by 7-9% to reflect a slow recovery from COVID. Share price has rebounded by 66% since its bottom in Oct 2022. We think the existing price level has reflected the near-term positives (earnings recovery and the RMB2bn share repurchase is completed). Downgrade to HOLD with new target price of RMB47.29, based on higher 27x (prior 20x) FY23E P/E, in-line with 3-year mean as business bottomed out from COVID.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	81,420	83,166	92,675	109,289	126,346
YoY growth (%)	28.2	2.1	11.4	17.9	15.6
Net profit (RMB mn)	16,800.4	12,837.3	16,400.9	18,468.0	24,775.1
EPS (Reported) (RMB)	1.80	1.36	1.75	1.97	2.65
YoY growth (%)	25.6	(24.4)	28.7	12.6	34.2
Consensus EPS (RMB)	1.80	1.42	1.78	2.11	na
P/E (x)	31.8	26.6	25.4	22.6	16.8
P/B (x)	8.4	5.0	5.3	4.7	4.0
Yield (%)	1.4	2.5	1.6	2.0	2.3
ROE (%)	28.7	19.5	22.3	22.1	25.7
Net gearing (%)	(42.2)	(41.3)	(62.5)	(59.6)	(60.0)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Down)

Target Price **RMB47.29**

(Previous TP **RMB37.44**)

Up/Downside **6.1%**

Current Price **RMB44.56**

China Software & IT Services

Marley NGAN

(852) 3916 3719

marleyngan@cmbi.com.hk

Bowen LI

(852) 3761 8957

libowen@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn)	417,256.8
Avg 3 mths t/o (RMB mn)	2,240.9
52w High/Low (RMB)	48.44/26.80
Total Issued Shares (mn)	9363.9

Source: FactSet

Shareholding Structure

CETC	36.4%
Kung Hung Ka	10.3%

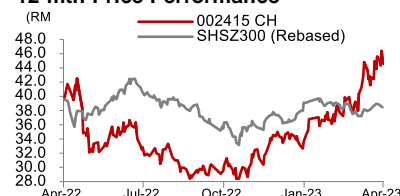
Source: Company data

Share Performance

	Absolute	Relative
1-mth	14.6%	11.5%
3-mth	32.5%	33.9%
6-mth	47.2%	38.2%

Source: FactSet

12-mth Price Performance



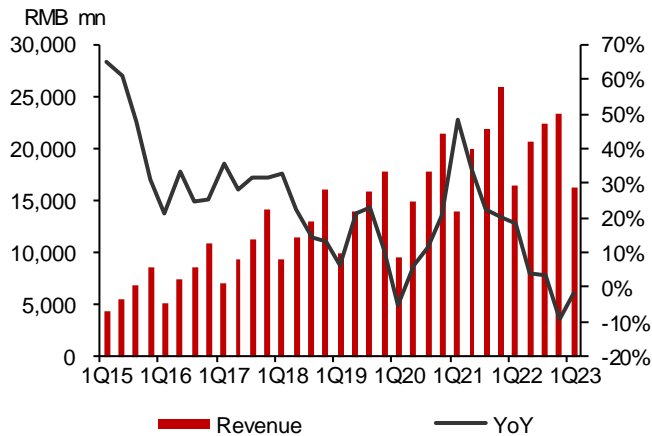
Source: FactSet

Related Reports

1. "China AI – Margin under pressure amid weakening demand" – 31 Oct 2022 ([link](#))
2. "China AI – Public security demand remained weak in 3Q22, limited near term impact from new US export rules" – 20 Oct 2022 ([link](#))

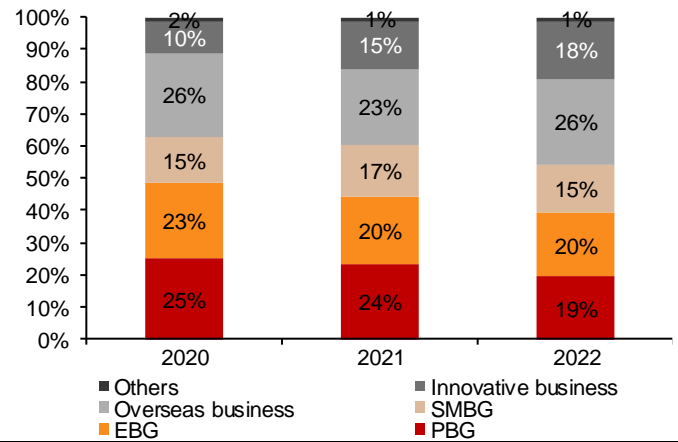
Focus Charts

Figure 1: Quarterly revenue and YoY growth



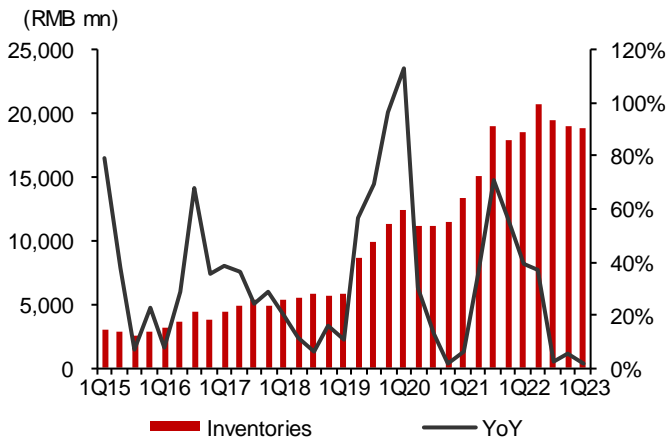
Source: Company data, CMBIGM estimates

Figure 2: Revenue breakdown (2022)



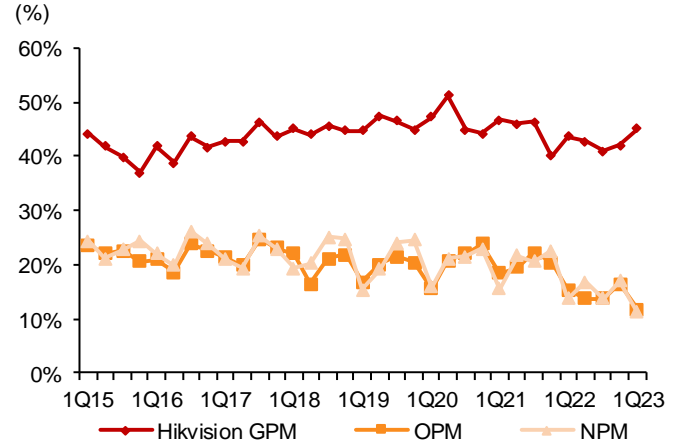
Source: Company data, CMBIGM estimates

Figure 3: Quarterly inventory and YoY growth



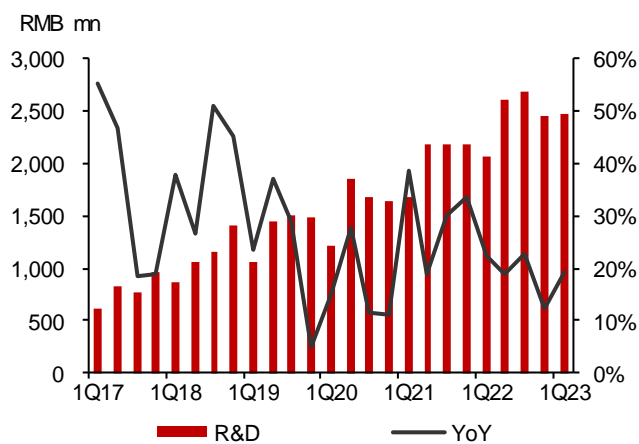
Source: Company data, CMBIGM estimates

Figure 4: Margin trend



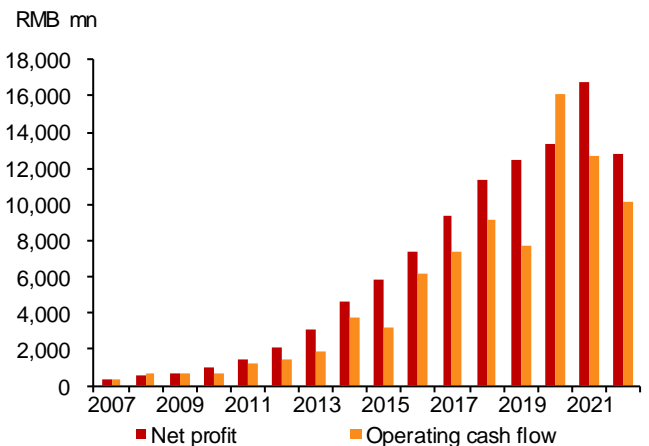
Source: Company data, CMBIGM estimates

Figure 5: R&D



Source: Company data

Figure 6: Net profit vs. operating cash flow



Source: Company data

FY22 results review

- **Revenue** was RMB83,166mn (+2% YoY), largely in-line with our and consensus estimates. (*pre-announced revenue: RMB81,174mn*)
- **Gross profit** was RMB35,170mn (-3% YoY), largely in-line with our and consensus estimates.
- **Gross margin** was 42.3%, (-2 pct pts YoY), above our estimate by 0.5 pct pts and consensus by 0.8 pct pts.
- **Operating profit** was RMB12,358mn (-25% YoY), below our estimate by 8% and consensus by 13%.
- **Operating margin** was 14.9% (-5.5 pct pts YoY), below our estimate by 0.6 pct pts and consensus by 2 pct pts.
- **Net profit** was RMB12,837mn (-24% YoY), below our estimate by 7% and consensus by 4%. (*pre-announced net profit: RMB12,827mn*)
- **EPS** was RMB1.36 (-24% YoY).

Figure 7: FY22 results review

	FY 2021	FY 2022		FY 2022	versus	FY 2022	versus
RMBm	actual	actual	YoY	CMBI	CMBI	consensus	consensus
Revenue	81,420	83,166	2%	86,749	-4%	84,831	-2%
Gross profit	36,091	35,170	-3%	36,283	-3%	35,187	0%
Gross margin	44.3%	42.3%	-2 pct pts	41.8%	0.5 pct pts	41.5%	0.8 pct pts
Operating profit (adjusted)	16,559	12,358	-25%	13,373	-8%	14,267	-13%
Operating margin (adjusted)	20.3%	14.9%	-5.5 pct pts	15.4%	-0.6 pct pts	16.8%	-2 pct pts
Net non-op	1,909	2,497		2,788		1,050	
PBT	18,468	14,855	-20%	16,161	-8%	15,317	-3%
Tax	-957	-1,298		-1,674		-1,911	
Minorities	-710	-720		-716			
Net income	16,800	12,837	-24%	13,770	-7%	13,406	-4%
EPS RMB	1.80	1.36	-24%	1.46	-7%	1.43	-5%

Source: Company data, CMBIGM

FY1Q23 results review

- **Revenue** was RMB16,201mn (-2% YoY, -31% QoQ), missed our estimate by 7% and consensus by 10%.
- **Gross profit** was RMB7,317mn (+1% YoY, -26% QoQ), largely in-line with our and consensus estimates.
- **Gross margin** was 45.2%, (+1.4 pct pts YoY, +3 pct pts QoQ), beat our estimate by 1.7 pct pts and consensus by 2.9 pct pts.
- **Operating profit** was RMB1,902mn (-25% YoY, -51% QoQ), missed our and consensus estimates by 30%.
- **Operating margin** was 11.7% (-3.7 pct pts YoY, -4.7 pct pts QoQ), below our estimate by 4 pct pts and consensus by 3.4 pct pts.
- **Net profit** was RMB1,811mn (-21% YoY, -55% QoQ), below our estimate by 28% and consensus by 43%.
- **EPS** was RMB0.19 (-21% YoY, -55% QoQ), below our estimate by 28% and consensus by 4%.

Figure 8: FY1Q23 results review

	Mar-22 1Q22	Dec-22 4Q22	Mar-23 1Q23			Mar-23 1Q23	versus	Mar-23 1Q23	versus
RMB mn	actual	actual	actual	YoY	QoQ	CMBI	CMBI	consensus	consensus
Revenue	16,522	23,445	16,201	-2%	-31%	17,336	-7%	18,076	-10%
Gross profit	7,224	9,877	7,317	1%	-26%	7,543	-3%	7,636	-4%
Gross margin	43.7%	42.1%	45.2%	1.4 pct pts	3 pct pts	43.5%	1.7 pct pts	42.2%	2.9 pct pts
Operating profit (adjusted)	2,548	3,865	1,902	-25%	-51%	2,731	-30%	2,736	-30%
Operating margin (adjusted)	15.4%	16.5%	11.7%	-3.7 pct pts	-4.7 pct pts	15.8%	-4 pct pts	15.1%	-3.4 pct pts
Net non-op	318	479	387			318		521	
PBT	2,866	4,344	2,290	-20%	-47%	3,049	-25%	3,257	-30%
Tax	-450	-160	-342			-305		-107	
Minorities	-132	-186	-137			-230			
Net income	2,284	3,997	1,811	-21%	-55%	2,514	-28%	3,151	-43%
EPS RMB	0.24	0.42	0.19	-21%	-55%	0.27	-28%	0.20	-4%

Source: Company data, CMBIGM

Earnings revision

Figure 9: Hikvision earnings revision

RMB mn	2023E			2024E		
	New	Old	Diff	New	Old	Diff
Sales	92,675	95,369	-3%	109,289	113,414	-4%
Gross profit	41,307	41,009	1%	48,791	50,481	-3%
Operating profit	16,675	17,458	-4%	20,205	22,112	-9%
Profit before tax	19,301	20,663	-7%	21,569	23,706	-9%
Net profit	16,401	17,661	-7%	18,468	20,306	-9%
EPS	1.75	1.87	-6%	1.97	2.15	-8%
Margins						
GM	44.6%	43.0%	157 bps	44.6%	44.5%	13 bps
OPM	18.0%	18.3%	-31 bps	18.5%	19.5%	-101 bps
PBT margin	20.8%	21.7%	-84 bps	19.7%	20.9%	-117 bps
NPM	17.7%	18.5%	-82 bps	16.9%	17.9%	-101 bps

Source: Company data, CMBIGM

Figure 10: Hikvision CMBI estimates vs. consensus

RMB mn	2023E			2024E		
	CMBI	Street	Diff	CMBI	Street	Diff
Sales	92,675	97,183	-5%	109,289	112,142	-3%
Gross profit	41,307	41,180	0%	48,791	48,209	1%
Operating profit	16,675	18,525	-10%	20,205	22,212	-9%
Profit before tax	19,301	19,271	0%	21,569	23,045	-6%
Net profit	16,401	16,755	-2%	18,468	20,114	-8%
EPS	1.75	1.80	-2%	1.97	2.14	-8%
Margins						
GM	44.6%	42.4%	220 bps	44.6%	43.0%	165 bps
OPM	18.0%	19.1%	-107 bps	18.5%	19.8%	-132 bps
PBT margin	20.8%	19.8%	100 bps	19.7%	20.5%	-81 bps
NPM	17.7%	17.2%	46 bps	16.9%	17.9%	-104 bps

Source: Company data, CMBIGM, Bloomberg

Operating model

Figure 11: Operating model

RMB mn	2021	2022	2023E	2024E	2025E
Revenues	81,420	83,166	92,675	109,289	126,346
Cost of sales	(45,329)	(47,996)	(51,368)	(60,498)	(67,218)
Gross Profit	36,091	35,170	41,307	48,791	59,129
<i>Gross margin</i>	<i>44.3%</i>	<i>42.3%</i>	<i>44.6%</i>	<i>44.6%</i>	<i>46.8%</i>
R&D	(8,252)	(9,814)	(10,621)	(12,300)	(13,631)
SG&A	(10,719)	(12,416)	(13,313)	(15,514)	(17,140)
Operating Income	16,559	12,358	16,675	20,205	27,482
<i>Operating margin</i>	<i>20.3%</i>	<i>14.9%</i>	<i>18.0%</i>	<i>18.5%</i>	<i>21.8%</i>
Non-Operating Income	1,909	2,497	2,626	1,364	1,447
Profit Before Tax	18,468	14,855	19,301	21,569	28,929
Income tax (expense) gain	(957)	(1,298)	(2,043)	(2,157)	(2,893)
Minorities	(710)	(720)	(857)	(944)	(1,261)
Net Income to Shareholders	16,800	12,837	16,401	18,468	24,775
<i>Net margin</i>	<i>20.6%</i>	<i>15.4%</i>	<i>17.7%</i>	<i>16.9%</i>	<i>19.6%</i>
EPS (RMB)	1.80	1.36	1.75	1.97	2.65
DPS (RMB)	0.80	0.90	0.70	0.89	1.01
Revenue breakdown					
Core camera solution	65,146	65,874	72,340	85,361	98,165
New business	4,004	2,223	2,500	2,750	3,025
Others	12,271	15,070	17,835	21,178	25,156
PBG	19,161	16,135			
EBG	16,629	16,505			
SMBG	13,490	12,497			
Domestic	59,435	56,891			
Export	21,985	26,275			
Gross margin breakdown					
Core camera solution	46.4%	43.7%	45.9%	46.1%	48.3%
New business	23.0%	24.7%	24.2%	25.1%	25.9%
Others	40.5%	38.6%	41.4%	41.1%	43.4%
Domestic	44.5%	41.8%			
Export	44.0%	43.3%			
Growth YoY					
Revenues	28%	2%	11%	18%	16%
Gross profit	22%	-3%	17%	18%	21%
Operating Income	22%	-25%	35%	21%	36%
EPS	26%	-24%	29%	13%	34%

Source: Company data, CMBIGM

Figure 12: Quarterly operating model

RMB mn	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E
Revenues	19,914	21,727	25,791	16,522	20,736	22,464	23,445	16,201	22,463
Gross Profit	9,148	10,078	10,316	7,224	8,851	9,219	9,877	7,317	10,329
Operating profit	3,899	4,826	5,266	2,548	2,855	3,090	3,865	1,902	4,121
Net profit (loss)	4,312	4,484	5,835	2,284	3,475	3,081	3,997	1,811	4,258
EPS (RMB)	0.46	0.48	0.62	0.24	0.37	0.33	0.42	0.19	0.45
Margins									
Gross margin	45.9%	46.4%	40.0%	43.7%	42.7%	41.0%	42.1%	45.2%	46.0%
Operating margin	19.6%	22.2%	20.4%	15.4%	13.8%	13.8%	16.5%	11.7%	18.3%
Net margin	21.7%	20.6%	22.6%	13.8%	16.8%	13.7%	17.0%	11.2%	19.0%
Growth (QoQ)									
Revenues	42%	9%	19%	-36%	26%	8%	4%	-31%	39%
Gross Profit	40%	10%	2%	-30%	23%	4%	7%	-26%	41%
Operating profit	52%	24%	9%	-52%	12%	8%	25%	-51%	117%
Net profit (loss)	99%	4%	30%	-61%	52%	-11%	30%	-55%	135%
Growth (YoY)									
Revenues	34%	22%	20%	18%	4%	3%	-9%	-2%	8%
Gross Profit	20%	26%	9%	10%	-3%	-9%	-4%	1%	17%
Operating profit	26%	24%	3%	-1%	-27%	-36%	-27%	-25%	44%
Net profit (loss)	38%	18%	18%	5%	-20%	-32%	-32%	-21%	23%

Source: Company data, CMBIGM

Valuation

Hikvision (002415 CH, HOLD, TP: RMB47.29)

We downgrade Hikvision from BUY to HOLD with new target price of RMB47.29 (prior RMB37.44). We derived our target price from higher 27x (prior 20x) FY23E P/E, in-line with its three-year mean. We use a high multiple as we think business has bottomed out from COVID. Also, spin-off of HikRobotics to be listed on A-share should be positive to Hikvision.

Figure 13: Peers' valuation

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	P/E FY23E	EV/sales FY23E	ROE FY23E	ROE FY24E	Sales CAGR FY21-24E	EPS CAGR FY21-24E
Hikvision	002415 CH	BUY	60,929	44.56	47.29	25.4	4.1	22.3	22.1	10%	3%
Dahua	002236 CH	HOLD	11,910	24.52	11.07	22.0	2.4	11.7	12.9	4%	2%
SenseTime	20 HK	BUY	12,492	2.93	3.45	n.a.	13.5	n.a.	n.a.	11%	n.a.
AlInnovation	2121 HK	NR	1,429	20.05	N/A	n.a.	3.5	n.a.	n.a.	62%	n.a.
Cambricon Tech	688256 CH	NR	11,413	195.00	N/A	n.a.	64.5	n.a.	n.a.	32%	n.a.
Arcsoft	688088 CH	NR	2,162	36.47	N/A	54.4	17.5	7.8	13.1	18%	40%
Mean						33.7	17.6	13.8	16.2	23%	16%
Median						24.7	8.8	11.7	13.1	15%	6%

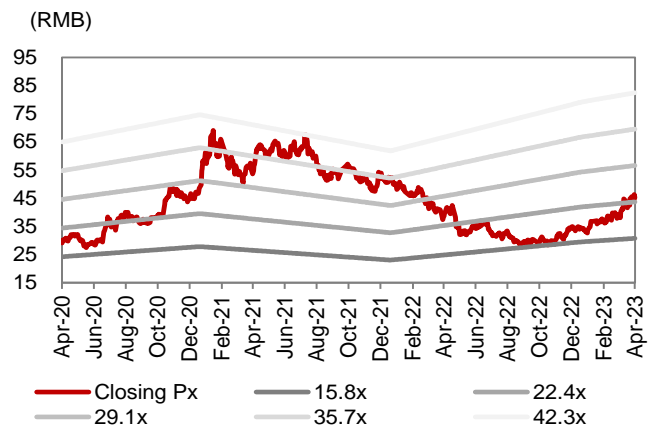
Source: Bloomberg, CMBIGM

Figure 14: Hikvision 12M forward P/E chart



Source: Bloomberg, CMBIGM

Figure 15: Hikvision 12M forward P/E band



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	63,503	81,420	83,166	92,675	109,289	126,346
Cost of goods sold	(33,958)	(45,329)	(47,996)	(51,368)	(60,498)	(67,218)
Gross profit	29,546	36,091	35,170	41,307	48,791	59,129
Operating expenses	(15,963)	(19,531)	(22,812)	(24,632)	(28,586)	(31,647)
Selling expense	(7,378)	(8,586)	(9,773)	(10,517)	(12,233)	(13,528)
Admin expense	(1,790)	(2,132)	(2,642)	(2,796)	(3,281)	(3,612)
R&D expense	(6,379)	(8,252)	(9,814)	(10,621)	(12,300)	(13,631)
Others	(416)	(561)	(582)	(698)	(771)	(876)
Operating profit	13,583	16,559	12,358	16,675	20,205	27,482
Net Interest income/(expense)	(396)	133	990	871	1,431	1,493
Other income/expense	2,086	1,776	1,506	1,754	(67)	(46)
Pre-tax profit	15,273	18,468	14,855	19,301	21,569	28,929
Income tax	(1,595)	(957)	(1,298)	(2,043)	(2,157)	(2,893)
After tax profit	13,678	17,511	13,557	17,258	19,412	26,036
Minority interest	(293)	(710)	(720)	(857)	(944)	(1,261)
Net profit	13,386	16,800	12,837	16,401	18,468	24,775

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	74,763	86,019	97,907	118,633	137,303	162,629
Cash & equivalents	35,460	34,722	40,012	58,736	63,580	74,763
Account receivables	24,098	28,563	33,478	35,055	42,491	51,196
Inventories	11,478	17,974	18,998	19,595	24,924	29,137
Other current assets	3,727	4,760	5,419	5,247	6,308	7,533
Non-current assets	13,939	17,845	21,327	23,043	24,288	25,337
PP&E	7,301	9,019	12,311	13,868	15,114	16,163
Intangibles	1,634	1,665	1,940	2,202	2,202	2,202
Other non-current assets	5,003	7,162	7,076	6,972	6,972	6,972
Total assets	88,702	103,865	119,233	141,676	161,592	187,967
Current liabilities	31,225	33,292	34,356	47,264	56,366	66,273
Short-term borrowings	7,507	4,672	4,211	3,133	3,477	4,026
Account payables	14,631	17,230	17,233	30,639	36,492	42,834
Other current liabilities	2,914	3,502	3,637	4,525	4,953	5,910
Accrued expenses	6,173	7,888	9,275	8,967	11,445	13,503
Non-current liabilities	2,997	5,178	11,907	11,016	11,736	12,859
Long-term borrowings	1,961	3,284	7,522	6,597	7,318	8,441
Other non-current liabilities	1,036	1,894	4,385	4,419	4,419	4,419
Total liabilities	34,222	38,470	46,263	58,280	68,103	79,132
Share capital	9,343	9,336	9,431	9,364	9,364	9,364
Capital surplus	5,179	5,404	10,141	8,362	8,362	8,362
Retained earnings	40,479	49,821	54,176	64,020	74,114	89,459
Other reserves	(1,207)	(1,100)	(5,359)	(3,293)	(3,293)	(3,293)
Total shareholders equity	53,794	63,461	68,389	78,453	88,547	103,892
Minority interest	685	1,934	4,581	4,943	4,943	4,943
Total equity and liabilities	88,702	103,865	119,233	141,676	161,592	187,967

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	15,273	18,468	14,855	19,301	21,569	28,929
Depreciation & amortization	845	892	1,089	2,018	2,250	2,421
Tax paid	(1,595)	(957)	(1,298)	(2,043)	(2,157)	(2,893)
Change in working capital	597	(7,081)	(5,094)	11,972	(5,068)	(4,785)
Others	967	1,386	612	589	0	0
Net cash from operations	16,088	12,709	10,164	31,837	16,594	23,672
Investing						
Capital expenditure	(2,004)	(3,098)	(3,756)	(3,299)	(3,495)	(3,470)
Others	(551)	(58)	30	(101)	0	0
Net cash from investing	(2,555)	(3,156)	(3,725)	(3,401)	(3,495)	(3,470)
Financing						
Dividend paid	(6,542)	(7,475)	(8,490)	(6,555)	(8,374)	(9,430)
Net borrowings	2,049	(1,842)	3,574	(2,262)	1,065	1,672
Others	(189)	(791)	3,538	(867)	(944)	(1,261)
Net cash from financing	(4,681)	(10,108)	(1,377)	(9,684)	(8,254)	(9,019)
Net change in cash						
Cash at the beginning of the year	27,072	35,460	34,722	40,012	58,736	63,580
Exchange difference	(464)	(182)	229	(28)	0	0
Cash at the end of the year	35,460	34,722	40,012	58,736	63,580	74,763
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	10.1%	28.2%	2.1%	11.4%	17.9%	15.6%
Gross profit	11.4%	22.2%	(2.6%)	17.4%	18.1%	21.2%
Operating profit	17.7%	21.9%	(25.4%)	34.9%	21.2%	36.0%
Net profit	7.8%	25.5%	(23.6%)	27.8%	12.6%	34.2%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	46.5%	44.3%	42.3%	44.6%	44.6%	46.8%
Operating margin	21.4%	20.3%	14.9%	18.0%	18.5%	21.8%
Return on equity (ROE)	27.1%	28.7%	19.5%	22.3%	22.1%	25.7%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	(0.5)	(0.4)	(0.4)	(0.6)	(0.6)	(0.6)
Current ratio (x)	2.4	2.6	2.8	2.5	2.4	2.5
Receivable turnover days	135.8	118.0	136.1	135.0	129.5	135.3
Inventory turnover days	65.4	66.0	81.1	76.0	74.3	78.1
Payable turnover days	157.3	138.7	131.1	120.7	121.9	123.7
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	25.5	31.8	26.6	25.4	22.6	16.8
P/B	6.3	8.4	5.0	5.3	4.7	4.0
Div yield (%)	1.9	1.4	2.5	1.6	2.0	2.3

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong. Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.