



## Company Report: Home Inns & Hotels (HMIN US)

公司报告：如家酒店 (HMIN US)

Noah Hudson  
+86 755 23976684  
noah.hudson@gtjas.com

12 June 2015

# ADR Price Surged 11.9% Day Before Buyout Offer Made Public

私有化要约公布之前一天公司的美国存托凭证暴涨11.9%

- A consortium of investors has offered to take the Company private in a cash buyout for 100% of the Company's shares at a price of US\$32.81 per ADR, which is 20.0% greater than the average share price during the 20 trading days before the announcement. The Company has set up a committee to evaluate whether or not to accept the proposal.
- The proposed 20.0% premium for Homeinns is less than the 34.3% premium 7 Days Group (formerly SVN US) was initially offered for its ADRs back in 2012. In the end, 7 Days Group went private at an ADR price premium of 35.4% nine months after it received the initial buyout offer.
- We increase our target price from US\$28.50 to US\$33.00 and maintain our "Neutral" investment rating. We think that it is likely that the Company will be able to negotiate a higher buyout price. If the Company were able to negotiate the same 35.4% premium of 7 Days Group, then the buyout price for Homeinns would be US\$37.76. However, since the Company may or may not accept the offer, which is non-binding, there is risk that the buyout might not occur at all. To reflect both of these factors, we set our target price just slightly above the buyout offer price and at a 0.1% discount to our DCF derived NAV of US\$33.03. Our target price represents 5.3% upside potential.
- 公司已经收到一个股东集团提出的以现金 100%私有化收购要约，私有化收购要约对公司每一份美国存托凭证的出价是 32.81 美元，相比收购要约公布之前的 20 个交易日的平均值有约 20.0%的溢价。公司组织了一个委员会来分析是否接受此要约。
- 给如家酒店出的 20.0%溢价低于七天连锁酒店（原代码 SVN US）原来在 2012 年收到的私有化收购 34.3%溢价。最后，收到私有化收购要约 9 个月之后，七天连锁酒店按照 35.4%溢价私有化。
- 我们上调目标价从 28.50 美元至 33.00 美元并且维持“中性”投资评级。我们认为公司很可能得到更高的收购价格。假设公司能按照七天连锁酒店得到的 35.4%溢价，那如家酒店收购价格为 37.76 美元。不过，公司不一定将接受此收购要约，而收购要约没有约束力，所以收购不一定会实现。考虑到这两个因素，我们把新目标价定在比私有化收购要约的出价高一点，也对我们 DCF 得出的 33.03 美元每股估值有 0.1%折让。我们的目标价格有 5.3% 上升的空间。

Rating:

Neutral

Maintained

评级:

中性 (维持)

6-18m TP 目标价:

US\$33.00

Revised from 原目标价:

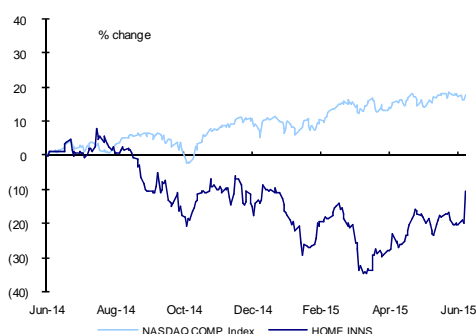
US\$28.50

Share price 股价:

US\$31.350

## Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	19.3	37.8	(5.5)
Rel. % to CCMP index 相对纳指变动 %	17.2	33.9	(23.8)
Avg. share price (US\$) 平均股价 (美元)	27.5	26.0	29.3

Source: Bloomberg, Guotai Junan International.

Year End 年结 12/31	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	Earnings / ADR 每股 ADR 净利 (RMB)	Earnings / ADR 每股 ADR 净利变动 (△%)	PER 市盈率 (x)	BV/ADR 每股 ADR 净资产 (RMB)	PBR 市净率 (x)	DP ADR 每股 ADR 股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2013A	6,353	196	4.245	831.8	39.9	95.632	1.8	0.000	0.0	4.7
2014A	6,683	513	10.755	153.4	16.1	106.037	1.6	0.000	0.0	10.8
2015F	6,861	327	6.854	(36.3)	25.4	116.439	1.5	0.000	0.0	6.2
2016F	7,286	392	8.251	20.4	20.8	128.008	1.3	0.000	0.0	6.7
2017F	7,733	452	9.521	15.4	17.8	141.164	1.2	0.000	0.0	7.1

Shares in issue (m) 总股数 (m)	47.9	Major shareholder 大股东	Oppenheimer Funds 13.1%
Market cap. (US\$ m) 市值 (US\$ m)	1,500.2	Free float (%) 自由流通比率 (%)	70.4
3 month average vol. 3 个月平均成交量 (‘000)	226.6	2015 Net gearing (%) 2015 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (US\$) 52 周高/低	36.840 / 21.560	2015 Est. NAV (US\$) 2015 每股估值 (美元)	33.0

Source: the Company, Guotai Junan International.

**A consortium of investors including current shareholders offered to take the Company private in a cash buyout for 100% of the Company's ADRs at a price of US\$32.81 per ADR, which is 20.0% greater than the average share price during the 20 trading days prior to the announcement.** Last night, Homeinns (the "Company") announced that it received a non-binding proposal letter, dated June 11, 2015, from a consortium of investors (the "Buyout Group"). The Buyout Group already beneficially owns an aggregate of approximately 35% of all of the Company's issued and outstanding ordinary shares. The Buyout Group proposed to acquire all of the outstanding ordinary shares of Homeinns not already owned by the Buyout Group for US\$32.81 in cash per American depositary share ("ADS"), which represents a premium of 20.0% to the average closing trading price of the Company's ADRs during the past 20 trading days.

**The Buyout Group includes:**

- BTG Hotels (Group) Co., Ltd.
- Poly Victory Investments Limited
- Ctrip.com International, Ltd.
- Mr. Neil Nanpeng Shen, Co-Founder and Co-Chairman of the Board of the Company,
- James Jianzhang Liang, Co-Founder and Director of the Company and Chairman of the Board of Directors and Chief Executive Officer of Ctrip
- David Jian Sun, Chief Executive Officer and Director of the Company

**The Company has set up a committee to evaluate whether or not to accept the proposal.** The Company's board of directors has formed a special committee comprised of three independent, disinterested directors, Messrs. Kenneth Gaw, Terry Yongmin Hu and Arthur M.Wang. The special committee plans to retain legal and financial advisors to assist it in evaluating the going private proposal. No decisions have been made with respect to the Company's response to the going private proposal. According to the proposal letter, the Buyout Group intends to fund the consideration payable in the Transaction with a combination of debt and/or equity capital, and rollover equity in the Company.

**The proposed 20.0% premium for Homeinns is less than the 34.3% premium initially proposed for 7 Days Group (formerly SVN US) back in 2012.** On Sept. 26, 2012, a consortium of investors offered to buyout 7 Days Group Holdings ("7 Days") with an offer price of US\$12.70, which was a 34.3% premium to the average closing price during the 30 trading days before the offer was announced.

**Nine months after receiving the initial offer, 7 Days Group went private at a share price premium of 35.4%.** On March 1, 2013, 7 Days announced that it had agreed to the privatization at a price of US\$13.80/ADS, which was US\$0.10 higher than the original offer price and a 35.4% premium to the average closing price during the 20 trading days before the offer was first announced. 7 Days held an extraordinary shareholders meeting on June 26, 2013 when shareholders voted to accept the going private proposal.

**Homeinns' ADR price closed 11.9% higher and on very high volume the day before the announcement was made public.** The Company's ADR price surged 11.9% for the day to close at US\$30.17 on June 10, the day before the buyout proposal was announced. The ADR price increased another 3.9% for the day at yesterday's close after the buyout proposal was made public. Prior to June 10, the last time the Company's ADRs closed with a daily increase of 11.9% or higher was 4 and 1/2 years ago on Nov. 11, 2010, when the price increased 12.3%. Trading volume of 853,171 on June 10 was also very high, 276.5% higher than the previous three months' average daily trading volume of 226,619.

**We increase our target price from US\$28.50 to US\$33.00 and maintain our "Neutral" investment rating.** We think that it is likely that the Company will be able to negotiate a higher buyout price. If the Company were able to negotiate the same 35.4% premium to the average closing price during the 20 trading days before the offer was first announced that 7 Days achieved, than the buyout price for Homeinns would be US\$37.76. However, since the Company may or may not accept the offer, which is non-binding, there is risk that the buyout might not occur at all. To reflect both of these factors, we set our target price just slightly above the initial buyout offer price. Our target price represents 5.3% upside potential and is a 3.1% discount to our DCF derived NAV of US\$33.03.

**Table-1: Peers Comparison**

Company	Stock Code	Cur.	Last Price	Mkt Cap		PE			EV/EBITDA				ROE(%)	PB	
				USD mn	Fwd	15F	16F	17F	Fwd	15F	16F	17F	15F	15F	
USA - Listed															
Homeinns Hot-Adr	HMIN US	USD	31.35	1,500	18.6	21.1	18.7	18.8	6.6	6.6	5.8	4.9	8.2	1.7	
China Lodgin-Ads	HTHT US	USD	29.02	1,803	27.5	32.6	25.7	20.7	9.6	9.6	7.9	6.5	10.5	3.2	
Intercontin-Adr	IHG US	USD	42.35	10,000	22.2	n.a.	n.a.	n.a.	14.3	14.3	12.8	11.7	(50.5)	n.a.	
Marriott Intl-A	MAR US	USD	77.27	21,245	23.9	25.0	20.6	17.5	13.9	14.4	13.1	11.6	(34.5)	(7.4)	
Hilton Worldwide	HLT US	USD	28.80	28,439	33.3	35.1	28.1	23.4	13.3	13.3	11.7	10.3	16.3	4.8	
Extended Stay Am	STAY US	USD	19.53	3,996	21.3	22.1	18.4	15.4	12.2	12.4	11.4	10.3	14.5	3.3	
Starwood Hotels	HOT US	USD	82.94	14,173	26.9	27.9	24.0	20.4	13.2	13.5	12.4	11.1	34.8	11.3	
Host Hotels & Re	HST US	USD	19.71	14,934	18.3	19.5	17.2	17.3	12.7	13.0	11.8	11.0	8.7	2.0	
Wyndham Worldwid	WYN US	USD	85.52	10,266	17.0	17.3	15.6	13.4	10.0	10.0	9.2	8.9	45.3	8.2	
Hyatt Hotels-A	H US	USD	57.60	8,374	42.5	49.0	35.5	27.7	11.6	12.0	11.0	10.0	3.8	1.9	
Sunstone Hotel	SHO US	USD	15.22	3,176	16.9	19.9	19.9	20.3	12.7	12.9	11.6	11.3	4.6	1.3	
Simple Average					24.4	27.0	22.4	19.5	11.8	12.0	10.8	9.8	5.6	3.0	
Weighted Average					26.1	25.9	21.2	18.2	12.8	13.0	11.7	10.6	3.8	2.5	
HK - Listed															
Hk&S Hotels	45 HK	HKD	10.82	2,117	23.7	23.7	22.4	23.8	n.a.	n.a.	n.a.	n.a.	2.1	n.a.	
Shangri-La Asia	69 HK	HKD	11.70	5,403	32.8	32.7	26.5	27.5	15.4	15.4	15.6	14.5	2.2	0.8	
Shanghai Jin J-H	2006 HK	HKD	3.63	2,606	25.7	25.7	25.2	20.7	10.2	10.2	8.8	7.1	9.2	1.8	
Dorsett Hospital	2266 HK	HKD	1.64	444	11.7	11.7	9.6	5.9	n.a.	n.a.	n.a.	n.a.	6.5	0.8	
Magnif Estates	201 HK	HKD	0.41	473	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Asia Standard	292 HK	HKD	1.10	223	6.5	6.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.4	n.a.	
Simple Average					20.1	20.1	20.9	19.5	12.8	12.8	12.2	10.8	5.7	1.1	
Weighted Average					26.7	27.8	24.6	24.2	9.8	13.7	13.4	12.1	4.2	1.1	

Source: Bloomberg, Guotai Junan International.

**Table-2: Valuation and Target Price Based Multiples**

	FY13A	FY14A	Next 4 Quarters	FY15F	FY16F
<b>Target Price Based EV / EBITDA</b>					
Target Price (US\$/ADR)	33.00				
ADR Outstanding, Period End, Fully Diluted (mn)	47.8	48.4	48.4	47.9	47.9
Market Capitalization (US\$ mn)	1,578	1,599	1,599	1,579	1,581
+ Period End Minority Interest (US\$ mn)	3	3	3	3	3
+ Period End Borrowings ,including CB's (US\$ mn)	166	166	166	168	170
- Period End Cash & Equivalents (US\$ mn)	153	186	186	228	271
Year End Enterprise Value (US\$ mn)	1,594	1,581	1,581	1,523	1,482
Core EBITDA (US\$ mn)	237.6	212.6	212.6	231.8	255.8
TP Based EV/Core EBITDA	6.7	7.4	7.4	6.6	5.8
<b>Target Price Based PER &amp; PEG</b>					
Target Price (US\$/ADR)	33.00				
Target Price (RMB/ADR)	201.96				
Core Earnings per ADR (RMB), Diluted	8.95	7.04	7.04	8.17	9.45
Target Price Based PER	22.6	28.7	28.7	24.7	21.4

Source: the Company, Guotai Junan International.

**Table-3: DCF Based Valuation**

DCF Assumptions		Calculation	
Perpetual growth rate	3.0%	PV FCFF (RMB mn)	5,441
Risk free rate	1.80%	PV Terminal Value (RMB mn)	4,203
Adjusted Beta	0.95	EV (RMB mn)	9,644
Market risk premium	12.07%	- Debt, including CB's (RMB mn)	1,030
Cost of Equity	13.27%	- Minority Interest (RMB mn)	16
		+ Cash & Equivalents (RMB mn)	1,170
Borrowing interest rate	4.0%	Total NAV (RMB mn)	9,768
Effective tax rate	35.5%		
Cost of Debt	2.6%		
		ADR Outstanding (fully diluted, as at 2014 year end, mn)	48.3
		NAV per share (RMB)	202.17
Historical Average E/ (D+E)	83%	US\$:RMB	6.12
Historical Average D/ (D+E)	17%	NAV per ADR (US\$)	33.03
WACC	11.46%		

Source: Bloomberg, Guotai Junan International.

**Financial Statements and Ratios**
**Income Statement**

Year end Dec. (RMB m)	2013A	2014A	2015F	2016F	2017F
Leased-and-operated hotels	5,587	5,742	5,734	5,965	6,209
Franchised-and-managed hotels	765	941	1,127	1,321	1,524
Gross Revenue	6,353	6,683	6,861	7,286	7,733
L&O hotels business tax	(345)	(353)	(350)	(366)	(381)
F&M hotels business tax	(47)	(58)	(69)	(81)	(93)
Business tax	(392)	(411)	(419)	(447)	(474)
L&O hotels net revenue	5,243	5,389	5,384	5,599	5,828
F&M hotels net revenue	718	883	1,058	1,240	1,431
Net revenue	5,961	6,272	6,442	6,839	7,259
L&O hotel operating costs	(4,867)	(5,023)	(5,289)	(5,591)	(5,855)
Hotel income of L&O hotels	376	365	95	8	(27)
F&M hotel personnel costs	(157)	(201)	(241)	(280)	(323)
Hotel income (total)	937	1,047	912	968	1,080
Sales & marketing	(110)	(110)	(110)	(118)	(125)
G&A	(313)	(312)	(326)	(341)	(362)
Other income	11	15	13	13	13
Operating Income	525	641	488	521	606
Interest expense	(48)	(32)	(11)	(7)	(4)
Non-operating income & gains	(74)	143	35	65	65
Income before tax	403	751	513	579	667
Income tax	(207)	(231)	(182)	(184)	(212)
Minority interests	0	(6)	(3)	(3)	(3)
Net Income attributable to shareholders	196	513	327	392	452
Gain (loss) on change in fair value of convertible	(133)	72	(10)	0	0
Early extinguishment of Term Loan	(42)	0	0	0	0
FX gain/(loss), net	50	(12)	(4)	0	0
Other	(15)	12	(0)	0	0
Core Net Income	337	441	341	392	452
EBITDA	1,166	1,547	1,307	1,419	1,553
Core EBITDA	1,306	1,474	1,321	1,419	1,553
Earnings per ADR					
-Basic (RMB)	4.245	10.755	6.854	8.251	9.521
-Diluted (RMB)	4.201	9.100	6.751	8.173	9.452
Core earnings per ADR					
-Basic (RMB)	7.227	9.277	7.141	8.251	9.521
-Diluted (RMB)	7.016	8.953	7.038	8.173	9.452

**Growth Rates**

	2013A	2014A	2015F	2016F	2017F
Net revenue	10.1%	5.2%	2.7%	6.2%	6.1%
Hotel income of L&O hotels	82.1%	(2.8%)	(74.1%)	(91.3%)	n.a.
Hotel income	44.3%	11.8%	(12.9%)	6.1%	11.6%
Operating income	91.6%	22.1%	(23.8%)	6.8%	16.2%
Income before tax	254.8%	86.3%	(31.7%)	13.0%	15.1%
Net income attributable to shareholders	832.8%	161.5%	(36.2%)	19.8%	15.2%
Core net income	114.4%	30.9%	(22.6%)	15.0%	15.2%
EBITDA	37.0%	32.7%	(15.5%)	8.5%	9.4%
Core EBITDA	26.2%	12.9%	(10.4%)	7.4%	9.4%
Earnings per ADR, basic	831.8%	153.4%	(36.3%)	20.4%	15.4%
Earnings per ADR, diluted	n.a.	116.6%	(25.8%)	21.1%	15.7%
Core earnings per ADR, basic	104.5%	28.4%	(23.0%)	15.5%	15.4%
Core earnings per ADR, diluted	109.6%	27.6%	(21.4%)	16.1%	15.7%

**Balance Sheet**

As at 31 December (RMB m)	2013A	2014A	2015F	2016F	2017F
Cash and equivalent	1,157	950	1,157	1,392	1,644
Restricted Cash	173	13	13	13	13
Inventories	41	44	47	51	54
Receivables	287	271	278	295	313
Deferred tax assets	79	130	192	267	360
<b>Current assets</b>	<b>1,737</b>	<b>1,407</b>	<b>1,686</b>	<b>2,019</b>	<b>2,383</b>
Affiliate investments	6	12	12	12	12
P&E	4,049	4,000	4,251	4,550	4,894
Goodwill & intangibles	3,367	3,450	3,468	3,490	3,517
Other	86	91	93	99	105
Deferred tax assets	408	435	465	499	538
<b>Non-current assets</b>	<b>7,916</b>	<b>7,987</b>	<b>8,290</b>	<b>8,650</b>	<b>9,065</b>
<b>Total assets</b>	<b>9,653</b>	<b>9,395</b>	<b>9,976</b>	<b>10,669</b>	<b>11,448</b>
Payables & Accruals	1,577	1,469	1,504	1,597	1,697
Borrowings	0	1,030	0	0	0
Deferred tax liability	52	61	61	63	66
Deferred revenue	203	225	231	246	261
<b>Current liabilities</b>	<b>1,832</b>	<b>2,785</b>	<b>1,796</b>	<b>1,906</b>	<b>2,024</b>
Borrowings	713	0	1,030	1,030	1,030
Convertible notes	1,157	0	0	0	0
Deferred revenue	54	51	53	56	59
Deferred tax liability	284	293	302	312	322
Deposits	115	145	169	192	213
Deferred rental	691	705	704	733	763
Other	358	344	337	329	322
<b>Non-current Liabilities</b>	<b>3,373</b>	<b>1,538</b>	<b>2,595</b>	<b>2,651</b>	<b>2,709</b>
<b>Total liabilities</b>	<b>5,205</b>	<b>4,324</b>	<b>4,390</b>	<b>4,557</b>	<b>4,733</b>
<b>Total equity</b>	<b>4,448</b>	<b>5,071</b>	<b>5,586</b>	<b>6,113</b>	<b>6,715</b>
Minority interest	16	16	16	16	16
<b>Shareholders' equity</b>	<b>4,431</b>	<b>5,055</b>	<b>5,570</b>	<b>6,096</b>	<b>6,699</b>
<b>BV per ADR (RMB)</b>	<b>95.632</b>	<b>106.037</b>	<b>116.439</b>	<b>128.008</b>	<b>141.164</b>

12 June 2015

Home Inns 如家酒店 (HMIN US)

Company Report

**Cash Flow Statement**

Year end Dec. (RMB m)	2013A	2014A	2015F	2016F	2017F
Income after tax	196	519	330	395	455
Depreciation. and amortization	757	770	787	835	885
Other non cash, net	83	(45)	30	12	8
Increase (decrease) in WC	156	101	52	137	146
Cash from operations	1,192	1,345	1,200	1,380	1,494
PP&E, net	8	32	(924)	(1,024)	(1,124)
Acquisitions	(23)	(85)	(84)	(83)	(81)
Other	(847)	(453)	152	150	148
Cash from investing	(862)	(506)	(855)	(956)	(1,057)
New shares proceeds	193	26	39	52	65
Convertible bond	0	(60)	(1,030)	0	0
Share buybacks	0	0	(26)	(26)	(26)
Dividends to minority interests	(8)	(4)	(0)	4	7
Net borrowings	(12)	(852)	1,030	0	0
Other	(3)	(156)	(150)	(217)	(232)
Cash from financing	169	(1,046)	(137)	(188)	(186)
Effect of X-rate	(6)	0	0	0	0
Net increase in cash	494	(207)	207	236	251
Cash at 1 Jan.	663	1,157	950	1,157	1,392
Cash at 31 Dec.	1,157	950	1,157	1,392	1,644

**Ratios**

	2013A	2014A	2015F	2016F	2017F
<i>Margins:</i>					
L&O hotels hotel income (excluding pre-open expense)	8.1%	7.1%	2.5%	1.0%	0.5%
L&O hotels hotel income (including pre-open expense)	6.7%	6.4%	1.7%	0.1%	n.a.
Hotel income (excluding pre-open expense)	16.0%	16.3%	14.0%	14.0%	14.7%
Hotel income (including pre-open expense)	15.7%	16.7%	14.2%	14.2%	14.9%
Operating	8.3%	9.6%	7.1%	7.2%	7.8%
Net income	3.1%	7.7%	4.8%	5.4%	5.8%
Core net income	5.3%	6.6%	5.0%	5.4%	5.8%
EBITDA	18.3%	23.1%	19.0%	19.5%	20.1%
Core EBITDA	20.6%	22.1%	19.2%	19.5%	20.1%
<i>Return:</i>					
ROE	4.7%	10.8%	6.2%	6.7%	7.1%
ROA	2.1%	5.4%	3.4%	3.8%	4.1%
<i>Leverage &amp; liquidity:</i>					
Net gearing (%)	17.0%	1.7%	net cash	net cash	net cash
Debt/equity (%)	42.1%	20.3%	18.4%	16.8%	15.3%
Current ratio (x)	0.9	0.5	0.9	1.1	1.2

Source: the Company, Guotai Junan International.



## Appendix

**Appendix Table 1: Key Parameters & Forecasts (Quarterly)**

RMB million	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
L&O hotels revenue	1,245	1,417	1,648	1,425	1,285	1,478	1,718	1,485
F&M hotels revenue	226	275	342	284	280	330	370	341
Gross Revenue	1,470	1,692	1,990	1,709	1,565	1,808	2,088	1,826
Business tax & surcharges	(88)	(104)	(122)	(105)	(96)	(111)	(128)	(112)
Net revenue	1,382	1,588	1,868	1,605	1,469	1,697	1,960	1,714
Total L&O hotel operating costs	(1,264)	(1,264)	(1,379)	(1,382)	(1,325)	(1,342)	(1,460)	(1,463)
Total operating expenses	(1,404)	(1,435)	(1,596)	(1,532)	(1,478)	(1,533)	(1,691)	(1,628)
% of total revenue	95.5%	84.8%	80.2%	89.6%	94.5%	84.8%	81.0%	89.2%
Other income	12	0	0	0	12	0	0	0
Operating Income	(11)	154	272	73	2	164	269	86
Interest expense	(1)	(4)	(3)	(3)	(2)	(2)	(2)	(2)
Other	(15)	16	16	16	16	16	16	16
Tax	(11)	(53)	(91)	(28)	(5)	(57)	(90)	(32)
Net Income	(38)	112	194	59	10	121	193	68
YoY	(150.2%)	4.0%	(21.1%)	(30.7%)	n.a.	7.7%	(0.6%)	15.7%
Core Net Income	(24)	112	194	59	10	121	193	68
YoY	(460.4%)	(21.9%)	(5.2%)	(33.2%)	n.a.	7.7%	(0.6%)	15.7%
Earnings/ADR, Basic (RMB)	(0.78)	2.35	4.07	1.22	0.22	2.54	4.06	1.43
Earnings/ADR, Diluted (RMB)	(0.78)	2.31	4.01	1.21	0.22	2.52	4.02	1.42
EBITDA	176	361	482	288	222	387	495	314
YoY	(40.6%)	(5.1%)	(10.2%)	(13.6%)	26.2%	7.3%	2.7%	9.1%
Core EBITDA	190	361	482	288	222	387	495	314
YoY	(16.9%)	(13.2%)	(5.0%)	(14.4%)	17.1%	7.3%	2.7%	9.1%
<b>Income Margins</b>								
Operating margin	(0.7%)	9.1%	13.7%	4.3%	0.1%	9.1%	12.9%	4.7%
Net Income margin	(2.6%)	6.7%	9.7%	3.4%	0.7%	6.7%	9.2%	3.7%
Core Net Income margin	(1.6%)	6.7%	9.7%	3.4%	0.7%	6.7%	9.2%	3.7%
EBITDA margin	12.0%	21.3%	24.2%	16.8%	14.2%	21.4%	23.7%	17.2%
Core EBITDA margin	12.9%	21.3%	24.2%	16.8%	14.2%	21.4%	23.7%	17.2%

Source: the Company, Guotai Junan International.

## Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

## Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

## DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for China All Access (Holdings) Limited (00633), Guangshen Railway Company Limited-H shares (00525), Guotai Junan International Holdings Limited (01788) and Binhai Investment Company Limited (02886), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.

## DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services and etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2015 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.  
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.  
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793  
 Website: www.gtja.com.hk