



Rating  
**Hold**

Asia  
China

Resources  
Metals & Mining

Company  
**Tinci Alert**

Reuters 002709.SZ    Bloomberg 002709 CH    Exchange SHZ    Ticker 002709

Date  
21 August 2017

## Results

Price at 21 Aug 2017 (CNY)	43.98
Price target - 12mth (CNY)	36.00
52-week range (CNY)	61.05 - 35.45
HANG SENG INDEX	27,048

James Kan

Research Analyst  
(+852) 2203 6146  
james.kan@db.com

### Stock data

Market cap (CNYm)	14,295
Market cap (USDm)	2,140
Shares outstanding (m)	325.0
Major shareholders	-
Avg daily value traded (USDm)	48.3
Free float(%)	62

Source: Deutsche Bank

### Key data

FYE 12/31	2016A	2017E	2018E
Sales (CNYm)	1,837	2,020	2,282
Net Profit (CNYm)	396.3	373.1	467.0
DB EPS (CNY)	1.22	1.15	1.44
PER (x)	39.4	38.3	30.6
Yield (net) (%)	0.4	0.5	0.7

Source: Deutsche Bank

## 1H17 results in line, maintain Hold

### 1H17 results in-line with DBe but missed Bloomberg estimates

Tinci announced its 1H17 results after market close on 21 Aug 2017. The company generated revenues of RMB935m in 1H17, reaching 46% FY17 DBe and 38% Bloomberg 2017 full-year estimates. Tinci delivered NPAT of RMB 373m in 1H17, accounting for 47% FY17 DBe and 28% Bloomberg 2017 full-year estimates. The interim results were in line with DBe while missing Bloomberg consensus.

### Electrolyte GPM improvement sequentially backed on vertical integration

Although ASP of Electrolyte in 1H17 suffered from c.10% drop HoH, Tinci still managed to deliver sequential gross margin improvement from 41.7% in 2H16 to 43.5% in 1H17. With 6000t/a liquid LiPF6 new capacity ramping-up in the reporting period, Tinci will add c.16000t/a incremental Electrolyte volume. The company currently has economies of scale of being the largest electrolyte maker in the world (c.20% global market share), and cost advantage on the back of self-owned LiPF6 production lines. We believe that 1H17 earnings contribution from Electrolyte segment slowed down as expected, but we expect profitability to stabilize in 2H17-2018, thanks to strong electric vehicles and energy storage systems related demand.

### Maintain hold on demanding valuation

The company is currently trading at 38x 2017 forward PE vs. our bottom-line growth forecast at c.20% in 2018-2019E. We believe the share price has run ahead of the fundamentals; maintain Hold on demanding valuation. Major upside/downside risk: significant China EV subsidy policy changes.