

Rating Hold

Company Tinci Alert

Asia China

Resources

Metals & Mining

002709.SZ

002709 CH

Exchange 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

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Stock data			
Market cap (CNY	14,295		
Market cap (USDm)			2,140
Shares outstanding (m)			325.0
Major shareholde	rs		_
Avg daily value tr (USDm)	aded		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 fullvear 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 LiFP6 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.

Deutsche Bank AG/Hong Kong

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