



Rating
Buy

Asia
China

Consumer
Retail / Wholesale Trade

Company
Yonghui Superstores

Reuters 601933.SS Bloomberg 601933 CG Exchange SHH Ticker 601933

Date
12 December 2017

Company Update

Price at 11 Dec 2017 (CNY)	9.78
Price target - 12mth (CNY)	10.14
52-week range (CNY)	10.49 - 4.82
Shanghai Composite	3,322

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	-5.2	38.9	93.3
Shanghai Composite	-3.2	-1.6	2.8

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	9.3
Net debt/equity (%)	-56.8
Book value/share (CNY)	2.10
Price/book (x)	4.7
Net interest cover (x)	-
Operating profit margin (%)	3.2

Source: Deutsche Bank

Tencent to invest 5% in Yonghui and 15% in Yonghui Yunchuang

Update on its Tencent deal

On 11 December, Yonghui announced to sell 5% stake to Tencent (0700.HK, last closing price: HKD394). The details are yet to be confirmed.

Tencent will also invest in Yonghui Yun Chuang, a subsidiary of Yonghui listco that mainly includes Super Species and Yonghui Life. With this investment, **Tencent expects to own a 15% stake in Yonghui Yunchuang.**

Given that the discussion is still at an early stage and uncertainties remain, Yonghui will remain suspended from trading from 12 December; however, the company has assured to confirm the details and **resume trading before 18 December 2017.**

Deutsche Bank view

The deal implies Tencent's plans to further explore both online and offline retail markets, apart from the partnership with Jingdong; despite that the details of the partnership are yet to be formed.

Yonghui's Super Species and Yonghui Life can also leverage Tencent's large online customer base to extend their online and O2O presence. Please refer to our report [Sun Art and Yonghui - A new wave of partner-seeking in a new retail environment](#) published on 8 December 2017 for further details. Currently, Yonghui owns 52%, CTGEI under Capital Toady owns 12%, Chairman Mr Zhang Xuanning owns 12% and co-founder Mr Peng Huasheng owns 24% of Yonghui Yunchuang. After the investment, we believe Yonghui Yunchuang will potentially become an associate of Yonghui listco (owning <50% stake).

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Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	41,938.3	49,012.7	58,192.9	70,104.9	81,887.1
EBITDA (CNYm)	1,671.4	2,537.6	3,001.2	4,064.3	5,075.6
Reported NPAT (CNYm)	605.3	1,242.0	1,827.2	2,638.2	3,405.7
Reported EPS FD(CNY)	0.08	0.14	0.19	0.28	0.36
DB EPS FD(CNY)	0.08	0.14	0.19	0.28	0.36
DB EPS growth (%)	-40.1	81.8	34.0	44.4	29.1
PER (x)	67.3	30.7	51.2	35.5	27.5
EV/EBITDA (x)	21.8	11.2	27.4	19.8	15.4
DPS (net) (CNY)	0.08	0.13	0.10	0.14	0.18
Yield (net) (%)	1.5	3.0	1.0	1.4	1.8

Source: Deutsche Bank estimates, company data



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Yonghui Superstores	601933.SS	9.78 (CNY) 11 Dec 2017	NA

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Historical recommendations and target price. Yonghui Superstores (601933.SS)

(as of 12/11/2017)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	04/28/2016	Buy, Target Price Change CNY 11,60 Richard Rui-Huang**	5.	07/18/2017	Buy, Target Price Change CNY 8,20 Anne Ling
2.	06/03/2016	Buy, Target Price Change CNY 5,80 Richard Rui-Huang**	6.	10/09/2017	Buy, Target Price Change CNY 8,90 Anne Ling
3.	08/28/2016	Buy, Target Price Change CNY 5,70 Richard Rui-Huang**	7.	11/01/2017	Buy, Target Price Change CNY 10,14 Anne Ling
4.	04/14/2017	Buy, Target Price Change CNY 6,50 Mark Yuan			



Equity Rating Key

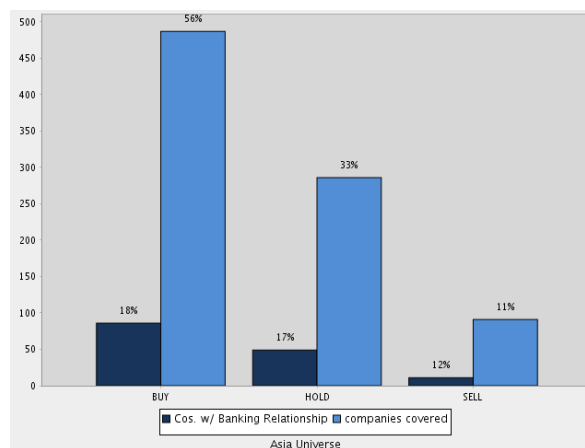
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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Equity rating dispersion and banking relationships





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