



CHINA

002739 CH Neutral

Price (at 08:50, 14 Sep 2017 GMT) Rmb52.04

Valuation Rmb 53.00-55.00

- PER

12-month target Rmb 53.40

Upside/Downside % +2.6

12-month TSR % +3.2

Volatility Index Low

GICS sector Media

Market cap Rmbm 61,095

Market cap US\$m 9,633

30-day avg turnover US\$m 0.0

Number shares on issue m 1,174

Investment fundamentals

Year end 31 Dec		2016A	2017E	2018E	2019E
Revenue	m	11,209	13,200	15,528	17,894
EBIT	m	1,700	2,177	2,610	3,057
EBIT growth	%	12.3	28.0	19.9	17.1
Reported profit	m	1,366	1,683	1,899	2,234
Adjusted profit	m	1,366	1,683	1,899	2,234
EPS rep	Rmb	1.16	1.43	1.62	1.90
EPS rep growth	%	66.5	23.2	12.8	17.7
EPS adj	Rmb	1.16	1.43	1.62	1.90
EPS adj growth	%	51.7	23.2	12.8	17.7
PER rep	x	44.7	36.3	32.2	27.4
PER adj	x	44.7	36.3	32.2	27.4
Total DPS	Rmb	0.20	0.25	0.28	0.33
Total div yield	%	0.4	0.5	0.5	0.6
ROA	%	9.8	10.5	11.1	11.7
ROE	%	14.3	15.5	15.3	15.8
EV/EBITDA	x	30.7	23.9	19.2	16.5
Net debt/equity	%	9.0	13.9	5.4	-5.0
P/BV	x	6.0	5.3	4.6	4.0

002739 CH rel CSI 300 performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, February 2018
(all figures in Rmb unless noted, TP in CNY)

Analyst(s)

Marcus Yang

+86 21 2412 9087 marcus.yang@macquarie.com

Wendy Huang, CFA

+852 3922 3378 wendy.huang@macquarie.com

Ivy Luo, CFA

+852 3922 1507 ivy.luo@macquarie.com

Frank Chen

+852 3922 1433 frank.chen@macquarie.com

21 February 2018

Macquarie Capital Limited

Wanda Film (A-Share)

Titan with a dilemma

Conclusion

- We downgrade Wanda Film to Neutral from Outperform as we don't think the strong movie-going demand can fully digest the excess theatre supply that was built over the past five years. We expect Wanda Film's per-screen average revenue (PSA) to decline to RMB1.71m in 2019 from RMB1.88m in 2017, the steepest decline among major cinema players, given its aggressive plan to add 100-150 theatres a year. While we still consider Wanda Film as the ultimate consolidator in the market, we estimate its earnings CAGR in 2017-19E to decelerate to 15% from 31% in 2013-16, which looks lacklustre in view of its 32x 18E PER, vs the average of 41x since IPO in Jan 2015.

Impact

- Wanda Film PSA to decline sharper amid sector glut.** Despite the solid movie-going demand, we expect China movie industry's PSA to fall to an unhealthy level of RMB1.01m (USD156k), in 2019 after the rapid addition of screens. Within this, we expect the domestic PSA of Wanda Film to decline to RMB1.71m in 2019 from RMB1.88m in 2017 based on its plan to add 100-150 theatres a year. That implies an annual 5% PSA decrease, compared to the projected 0.4% decrease for the sector, largely due to Wanda Film's more aggressive expansion. We thus expect the gross margin of its theatre business to drop to 14.5% in 2019E from 17.4%/16.0% in 2016/2017E.
- Looking into details of CNY box office data.** Box office in the first five days of 2018 CNY holidays reached RMB4.9bn, or 72% higher than 2017. While this is buoyant, we see Wanda Film's market share slightly declined to 13.0% despite its more aggressive expansion, as this demand was primarily driven by people who had returned home to third- or fourth-tier cities. Its nationwide market share has decreased in the past five years, to 13.2% from 14.5%.
- Long-term consolidator but near-term issues linger.** We remain positive on Wanda Film's long-term position amid market consolidation thanks to its unrivalled scale and group resources. Alibaba's investment, announced earlier this month, will further enhance its competitiveness. However, we believe the excessive supply in the sector will drag Wanda Film's earnings CAGR to 15% in 2017-19E from 31% in 2013-16.

Earnings and target price revision

- Trim 18-19E EPS by 1-2% with TP falling to RMB53.40. We change our valuation methodology to PER-based from EV/EBITDA. Our new TP is based on 33x 2018E PER.

Price catalyst

- 12-month price target: Rmb53.40 based on a PER methodology.
- Catalyst: 4Q17 results on 26 April, box office performance

Action and recommendation

- Downgrade to Neutral. Wanda Film trades at 32x 18E PER, compared to 28x for its local media downstream peers.

Downgrade to Neutral with TP of RMB53.40

- We downgrade Wanda Film to Neutral from Outperform as we expect its PSA to experience the sharpest drop among the leading cinemas in China. Despite strong demand from movie-goers, as evidenced by the recent CNY holidays, Wanda Film's rapid program of theatre expansion is adding pressure to its PSA (per screen average revenue). The company's plans to add 100-150 theatres a year will dilute its PSA by 5% a year on average to RMB1.71m in 2019E, per our estimate.
- Before it was suspended from trading on 4 July 2017, the stock was trading at a lofty 32x 2018E PER. Even though the share price could react positively to the deal with Alibaba (see [here](#)) and strong CNY box office initially, we think it would retrace to reflect the longer-term fundamentals. The China Media Index further dropped by 19% after the trading suspension of Wanda Film.
- We revise down our 2018-19E earnings forecast by 1% and 2%, respectively, with TP falling to RMB53.40. We think it is fairly valued at 32x 18E PER, with 15% 17-19E earnings CAGR (compared to its local downstream peers' average of 28x 18E PER and 14% 17-19E earnings CAGR). Our TP is based on 33x 2018 PER (from RMB58.0 based on 23x EV/EBITDA prior). We change our valuation methodology for Wanda Film to PER from EV/EBITDA to align with our media coverage.
- While we agree with Wanda Film's premium valuation vs its peers given its leading position and long-term competitiveness, we think the stock is fairly valued. Its overseas peers, excluding AMC (which just turned around in 2018) on average trade at 22x 2018E PER. Compared to its historical range, Wanda Film was trading at 41x on average since its IPO on 12 May, 2015 with range of 23x-89x; the earnings CAGR was 31% in 2013-16.
- Our 2018-19E earnings are 7-10% lower than Wind consensus, which we believe still underestimate the decline in PSA.

Fig 1 Earnings revisions

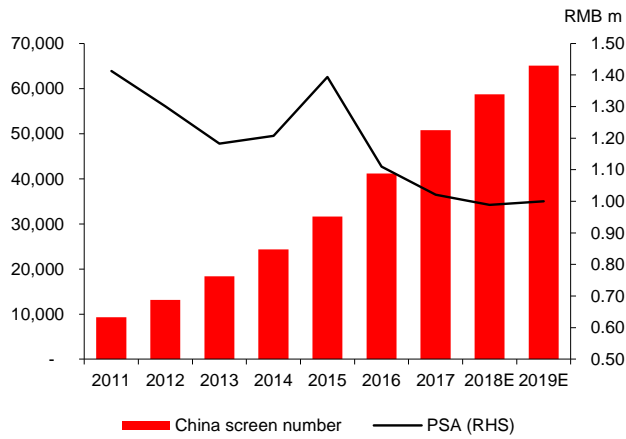
New estimates	4Q17E	2017E	2018E	2019E
Revenue	3,137	13,200	15,528	17,894
COGS	(2,109)	(8,863)	(10,446)	(12,002)
Gross profit	1,027	4,337	5,082	5,892
GPM	32.8%	32.9%	32.7%	32.9%
EBIT	457	2,177	2,610	3,057
EBIT margin	14.6%	16.5%	16.8%	17.1%
Operating profit	424	2,033	2,440	2,891
OPM margin	13.5%	15.4%	15.7%	16.2%
Net income to parent	337	1,683	1,899	2,234
Net margin	10.7%	12.8%	12.2%	12.5%
EPS (RMB)	0.29	1.43	1.62	1.90
Old estimates	4Q17E	2017E	2018E	2019E
Revenue	2,993	13,056	14,732	16,802
COGS	(2,038)	(8,820)	(9,843)	(11,156)
Gross profit	955	4,236	4,890	5,645
GPM	31.9%	32.4%	33.2%	33.6%
EBIT	262	1,873	2,310	2,740
EBIT margin	8.7%	14.3%	15.7%	16.3%
Operating profit	229	1,729	2,140	2,574
OPM margin	7.6%	13.2%	14.5%	15.3%
Net income to parents	218	1,538	1,911	2,279
Net margin	7.3%	11.8%	13.0%	13.6%
EPS (RMB)	0.19	1.31	1.63	1.94
Estimate revision	4Q17E	2017E	2018E	2019E
Revenue	5%	1%	5%	6%
COGS	4%	0%	6%	8%
Gross profit	8%	2%	4%	4%
GPM	83 bps	41 bps	(46 bps)	(67 bps)
EBIT	75%	16%	13%	12%
EBIT margin	583 bps	214 bps	113 bps	78 bps
Operating profit	85%	18%	14%	12%
OPM margin	588 bps	216 bps	119 bps	84 bps
Net income to parents	54%	9%	-1%	-2%
Net margin	344 bps	97 bps	(75 bps)	(108 bps)
EPS (RMB)	54%	9%	-1%	-2%

Source: Macquarie Research, February 2018

Sector glut the risk at the top of our mind

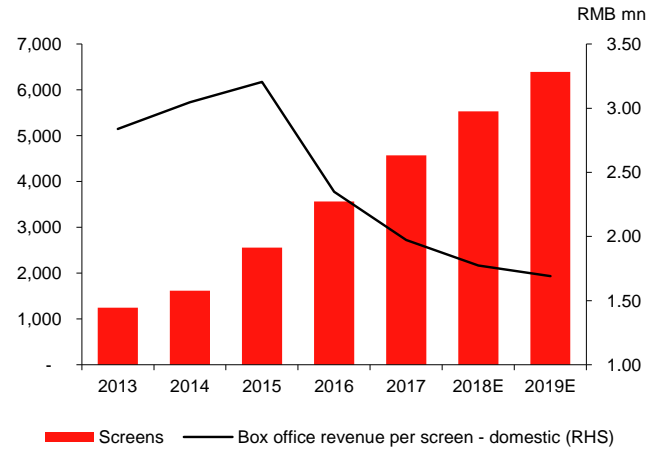
- The number of movie screens in China has more than doubled over the past four years to 50,776, with almost five thousand theatres being added during the same period, which diluted the 'per screen average revenue (PSA) to RMB1.02m (USD157k) in 2017 from RMB1.39m (USD215k) in 2015. We don't expect to see a meaningful recovery in PSA until 2020, as we do not believe that the leading cinema chains, i.e. Wanda Film, SMI, Shanghai Film, to slow their expansion plans, as each company is aiming to be the consolidator during the down-cycle.
- We expect another 16,000 screens to be added to the China market by 2019, or 15% 17-19E CAGR, which will weigh on PSA to RMB1.01m (USD156k) given the forecast box office CAGR of 14% during the same period. That will then continue to add pressure on the profitability of theatres in China, and force cinemas to cut ticket prices to attract movie-goers. The average movie ticket price in the PRC dropped to RMB30.9 in 2017, from RMB33.3 in 2016, having declined from RMB36.6 in 2012.

Fig 2 China screens continue to be ramped fast, and weighs on PSA of the sector



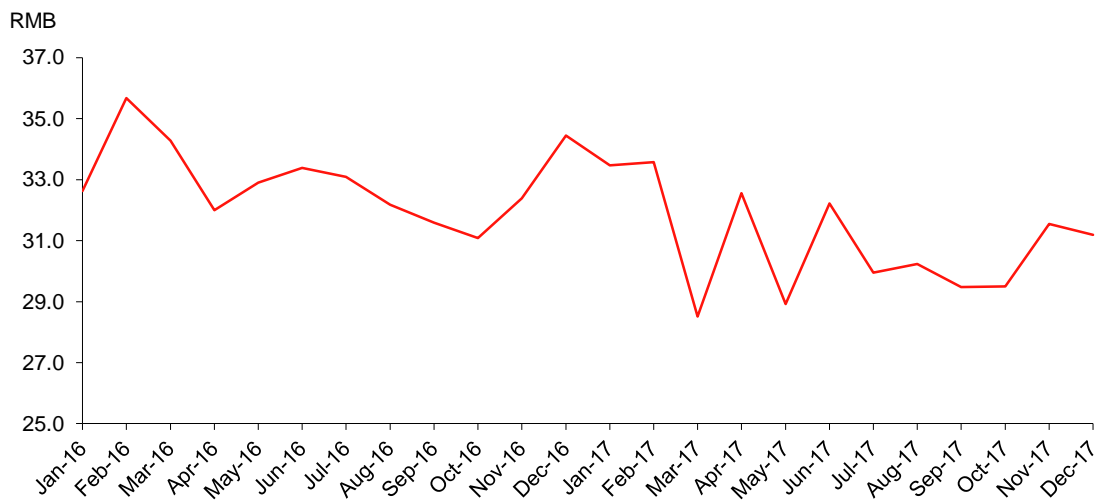
Source: SAPPRFT, Macquarie Research, February 2018

Fig 3 Wanda Film continues fast theatre expansion, which will weigh on its PSA



Source: Wanda Film, Macquarie Research, February 2018

Fig 4 Movie ticket price in China

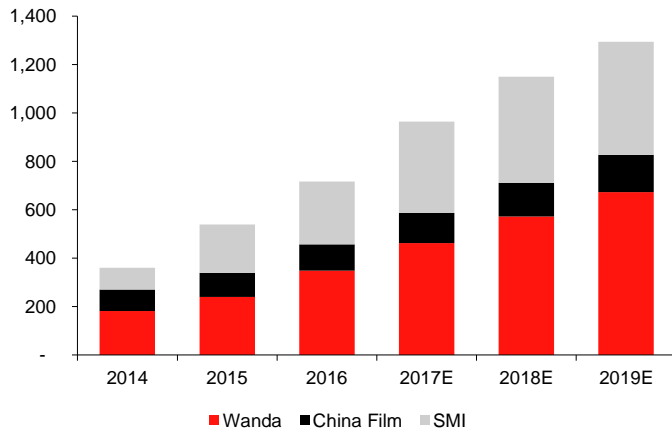


Source: SAPPRFT, Macquarie Research, February 2018

Wanda Film PSA to drop more sharply than those of its peers

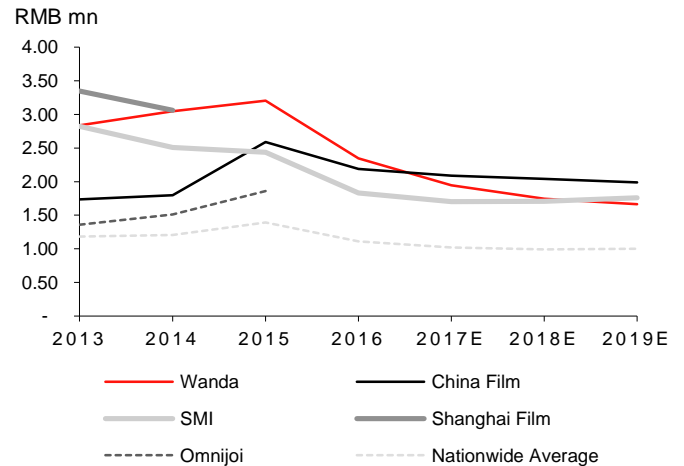
- Wanda Film plans to add 100-150 theatres a year in 2018-2020, representing an 18% CAGR in 2017-20E. We assume Wanda Film's domestic PSA to decline by 6%/4% to RMB1.78m/RMB1.71m in 2018/19E, respectively, from RMB 2.35m/RMB1.88m in 2016/2017.
- The PSA decline of Wanda Film of 5% a year in 2018/2019 is compared to the stable pattern of China Film, and 0.4% decrease of the sector. We thus expect the gross margin of its theatre business to drop to 14.5% in 2019E from 17.4%/16.0% in 2016/2017E.

Fig 5 Peer comps: number of theatres*



*majority-owned only; Source: Company data, SAPPRFT, Macquarie Research, February 2018

Fig 6 Peer comps: PSA, 2013-19E

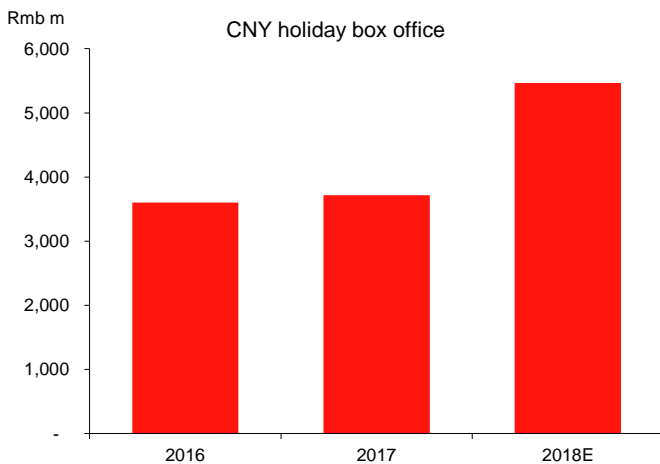


*Wanda and national average are actual data; Source: Company data, SAPPRFT, Macquarie Research, February 2018

Not bowled over by Wanda Film's CNY performance

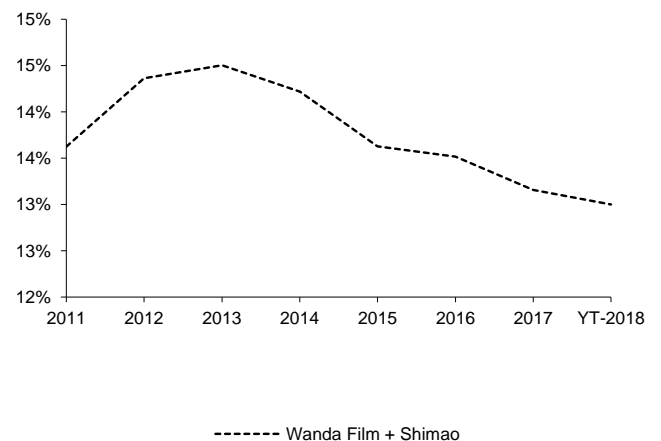
- Box office in the first five days of 2018 CNY holidays reached RMB4.9bn, or 72% up on the same period of CNY holiday in 2017, according to EntGroup data. We forecast box office to each Rmb5.6bn in 2018 CNY holidays or a 51% increase.
- Despite the buoyant sentiment, Wanda Film's market share slightly decreased to 13.0% during CNY holidays as of 20 Feb. Even though Wanda Film features its more aggressive expansion, the demand this time came primarily from workers returning home to third- and fourth-tier cities. In fact, its market share has decreased in the past five years, to 13.2% from 14.5%.

Fig 7 China box office spiked in 2018 CNY holidays



*majority-owned only; Source: Company data, SAPPRFT, Macquarie Research, February 2018

Fig 8 ...while Wanda Film not gaining market share



*Wanda and national average are actual data; Source: Company data, SAPPRFT, Macquarie Research, February 2018

Long-term consolidator but near-term pressure remains

- We remain positive regarding Wanda Film's long-term leading position amid market consolidation thanks to its unrivalled group resources.
- On 5 Feb 2018, Alibaba Group agreed to buy a 7.66% stake in Wanda Film. Beijing Cultural Investment Holdings, controlled by the Beijing Government, will invest in a further 5.11% stake. Wanda Film will cooperate with Alibaba and Cultural Investment on areas including film distribution, marketing, financing as well as pre-screening advertising and online ticketing, according to the filing. These follow investments by Tencent, Suning and JD.com in Wanda Commercial announced on 29 January, to integrate both online and offline services. We believe the deal will further enhance the long-term competitiveness of the Wanda group.
- Wanda Film will continue to benefit from other assets owned by the Wanda group, i.e. traffic brought by Wanda Plaza, and upstream resources from Wanda Pictures, the affiliate that is engaged in film production and investment.

2017 full results to be released on 26 April

- Wanda Film reported its 2017 operating data after market on 9 Jan, 2018. Full-year revenue grew 18% YoY to RMB13.2bn, which is 1% higher than our estimate but 5% below WIND consensus. Wanda Film achieved box office of RMB8.9bn, or 15.7% YoY on the back of 16% growth in admission. That compares to our estimate of RMB8.4bn (11% YoY growth) and China market box office growth of 13% in 2017.
- We expect Wanda Film's gross margin to be maintained at 33% in 2017 from 2016, despite a higher sales contribution from higher-margin non-theatre business due to margin pressure from theatre business. We estimate the average revenue per screen of Wanda Film will decrease to RMB2.05mn in 2017 from RMB2.46mn in 2016 as the screen numbers grow in excess of box office takings. As of 2017, Wanda Film's number of screens reached 4,571, up 1,007 from 2016. We estimate Wanda Film's net income to grow by 23% YoY to RMB1.68bn in 2017, roughly in line with WIND Consensus.
- Wanda Film applied to extend trading suspension on 4 Jan, 2018, due to the company's ongoing asset restructuring. Management said the proposed asset reorganization will include movies, drama production and distribution, and online gaming business. The primary underlining asset under this deal is Wanda Media, which is engaged in the production/investment/distribution of movie and TV dramas and also the distribution and operation of online gaming business. The asset reorganization won't include either Legendary Pictures or Leshi, according to management.

Fig 9 Wanda Film results preview table

Rmb mn	2016	2017E*	YoY	MQ estimates	Diff	Consensus	Diff
Revenue	11,209	13,200	17.8%	13,056	1.1%	13,892	-5.0%
Gross profit	3,671	4,337	18.1%	4,236	2.4%		
GPM	33%	33%	0.10	32%	0.01		
OPEX	(1,971)	(2,160)	9.6%	(2,362)	-8.6%		
EBIT	1,700	2,177	28.0%	1,873	16.2%		
EBIT margin	15%	16%	1.32	14%	0.15		
PBT	1,805	2,147	19.0%	1,844	16.5%		
Net income to parents	1,366	1,683	23.2%	1,538	9.4%	1,669	0.8%
EPS (RMB)	1.16	1.43	23.2%	1.31	9.4%	1.42	0.9%

*Revenue reported based on Wanda Film operating data; audited numbers for the year have not been announced yet. Source: WIND, Macquarie Research, January 2018

Wanda Film (A-Share) (002739 CH, Neutral, Target Price: Rmb53.40)

Quarterly Results					Profit & Loss						
		3Q/17A	4Q/17E	1Q/18E	2Q/18E		2016A	2017E	2018E	2019E	
Revenue	m	3,449	3,137	3,998	3,786	Revenue	m	11,209	13,200	15,528	17,894
Gross Profit	m	1,130	1,027	1,360	1,249	Gross Profit	m	3,671	4,337	5,082	5,892
Cost of Goods Sold	m	2,319	2,109	2,638	2,537	Cost of Goods Sold	m	7,538	8,863	10,446	12,002
EBITDA	m	736	570	1,102	591	EBITDA	m	2,046	2,629	3,271	3,812
Depreciation	m	113	113	165	165	Depreciation	m	346	452	661	755
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	623	457	937	426	EBIT	m	1,700	2,177	2,610	3,057
Net Interest Income	m	-39	-39	-48	-48	Net Interest Income	m	-191	-164	-190	-187
Associates	m	0	0	0	0	Associates	m	0	0	0	0
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	35	35	34	34	Other Pre-Tax Income	m	296	135	135	135
Pre-Tax Profit	m	619	453	923	412	Pre-Tax Profit	m	1,805	2,147	2,554	3,005
Tax Expense	m	-159	-116	-237	-106	Tax Expense	m	-437	-463	-655	-771
Net Profit	m	460	337	686	306	Net Profit	m	1,368	1,684	1,899	2,235
Minority Interests	m	-1	-0	-0	0	Minority Interests	m	-1	-1	-1	-1
Reported Earnings	m	459	337	686	307	Reported Earnings	m	1,366	1,683	1,899	2,234
Adjusted Earnings	m	459	337	686	307	Adjusted Earnings	m	1,366	1,683	1,899	2,234
EPS (rep)		0.39	0.29	0.58	0.26	EPS (rep)		1.16	1.43	1.62	1.90
EPS (adj)		0.39	0.29	0.58	0.26	EPS (adj)		1.16	1.43	1.62	1.90
EPS Growth yoy (adj)	%	34.5	52.9	3.4	36.9	EPS Growth (adj)	%	51.7	23.2	12.8	17.7
						PE (rep)	x	44.7	36.3	32.2	27.4
						PE (adj)	x	44.7	36.3	32.2	27.4
EBITDA Margin	%	21.3	18.2	27.6	15.6	Total DPS		0.20	0.25	0.28	0.33
EBIT Margin	%	18.1	14.6	23.4	11.3	Total Div Yield	%	0.4	0.5	0.5	0.6
Earnings Split	%	27.3	20.0	36.1	16.2	Basic Shares Outstanding	m	1,174	1,174	1,174	1,174
Revenue Growth	%	27.0	13.2	20.0	15.3	Diluted Shares Outstanding	m	1,174	1,174	1,174	1,174
EBIT Growth	%	64.9	111.1	25.4	21.9						
Profit and Loss Ratios					Cashflow Analysis						
		2016A	2017E	2018E	2019E		2016A	2017E	2018E	2019E	
Revenue Growth	%	40.1	17.8	17.6	15.2	EBITDA	m	2,046	2,629	3,271	3,812
EBITDA Growth	%	16.1	28.5	24.4	16.5	Tax Paid	m	0	0	0	0
EBIT Growth	%	12.3	28.0	19.9	17.1	Chgs in Working Cap	m	1,784	52	584	569
Gross Profit Margin	%	32.8	32.9	32.7	32.9	Net Interest Paid	m	0	0	0	0
EBITDA Margin	%	18.3	19.9	21.1	21.3	Other	m	-1,903	-1,425	-1,306	-1,426
EBIT Margin	%	15.2	16.5	16.8	17.1	Operating Cashflow	m	1,928	1,256	2,549	2,956
Net Profit Margin	%	12.2	12.8	12.2	12.5	Acquisitions	m	0	0	0	0
Payout Ratio	%	17.2	17.2	17.2	17.2	Capex	m	-1,496	-1,514	-1,340	-1,123
EV/EBITDA	x	30.7	23.9	19.2	16.5	Asset Sales	m	0	0	0	0
EV/EBIT	x	36.9	28.8	24.0	20.5	Other	m	-2,199	-388	0	0
Balance Sheet Ratios						Investing Cashflow	m	-3,696	-1,902	-1,340	-1,123
ROE	%	14.3	15.5	15.3	15.8	Dividend (Ordinary)	m	-235	-235	-289	-326
ROA	%	9.8	10.5	11.1	11.7	Equity Raised	m	0	0	0	0
ROIC	%	15.7	15.1	14.2	15.9	Debt Movements	m	-213	1,425	-95	-95
Net Debt/Equity	%	9.0	13.9	5.4	-5.0	Other	m	-151	132	0	0
Interest Cover	x	8.9	13.3	13.7	16.4	Financing Cashflow	m	-599	1,322	-384	-421
Price/Book	x	6.0	5.3	4.6	4.0	Net Chg in Cash/Debt	m	-2,338	677	824	1,412
Book Value per Share		8.6	9.9	11.2	12.9	Free Cashflow	m	431	-257	1,209	1,833
						Balance Sheet		2016A	2017E	2018E	2019E
						Cash	m	2,474	3,152	3,976	5,388
						Receivables	m	921	1,050	1,235	1,423
						Inventories	m	159	219	267	325
						Investments	m	387	201	201	201
						Fixed Assets	m	2,287	3,387	4,037	4,378
						Intangibles	m	9,087	9,617	9,645	9,673
						Other Assets	m	3,775	4,718	5,347	5,985
						Total Assets	m	19,092	22,342	24,709	27,373
						Payables	m	3,967	4,088	4,796	5,509
						Short Term Debt	m	592	1,495	1,495	1,495
						Long Term Debt	m	2,813	3,315	3,220	3,125
						Provisions	m	879	996	1,140	1,278
						Other Liabilities	m	449	476	476	476
						Total Liabilities	m	8,700	10,370	11,127	11,883
						Shareholders' Funds	m	10,120	11,569	13,178	15,086
						Minority Interests	m	267	399	399	399
						Other	m	5	5	5	5
						Total S/H Equity	m	10,392	11,973	13,582	15,490
						Total Liab & S/H Funds	m	19,092	22,342	24,709	27,373

All figures in Rmb unless noted.

Source: Company data, Macquarie Research, February 2018

Important disclosures:**Recommendation definitions****Macquarie - Australia/New Zealand**

Outperform – return >3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie – South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
 * Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / epowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2017

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	51.82%	55.57%	44.05%	45.06%	60.00%	42.51%	(for global coverage by Macquarie, 4.36% of stocks followed are investment banking clients)
Neutral	35.40%	28.60%	36.90%	47.59%	28.67%	40.42%	(for global coverage by Macquarie, 2.58% of stocks followed are investment banking clients)
Underperform	12.77%	15.83%	19.05%	7.34%	11.33%	17.07%	(for global coverage by Macquarie, 0.69% of stocks followed are investment banking clients)

002739 CH vs CSI 300, & rec history

(all figures in CNY currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, February 2018

12-month target price methodology

002739 CH: Rmb53.40 based on a PER methodology

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Date	Stock Code (BBG code)	Recommendation	Target Price
13-Oct-2017	002739 CH	Outperform	Rmb58.00
28-Apr-2017	002739 CH	Outperform	Rmb65.00
31-Mar-2017	002739 CH	Outperform	Rmb68.00
04-Feb-2017	002739 CH	Outperform	Rmb74.00

Target price risk disclosures:

002739 CH: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

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Asia Research

Head of Equity Research

Jake Lynch (Asia – Head)	(852) 3922 3583
David Gibson (Japan – Head)	(813) 3512 7880
Conrad Werner (ASEAN – Head)	(65) 6601 0182

Automobiles, Auto Parts

Janet Lewis (China, Japan)	(813) 3512 7856
Allen Yuan (China)	(8621) 2412 9009
James Hong (Korea)	(822) 3705 8661
Amit Mishra (India)	(9122) 6720 4084

Banks and Financials

Scott Russell (Asia)	(852) 3922 3567
Dexter Hsu (China, Taiwan)	(8862) 2734 7530
Keisuke Moriyama (Japan)	(813) 3512 7476
Chan Hwang (Korea)	(822) 3705 8643
Suresh Ganapathy (India)	(9122) 6720 4078
Jayden Vantarakis (Indonesia)	(6221) 2598 8310
Anand Pathmakanthan (Malaysia)	(603) 2059 8833
Gilbert Lopez (Philippines)	(632) 857 0892
Ken Ang (Singapore)	(65) 6601 0836
Passakorn Linmaneechote (Thailand)	(662) 694 7728

Commodities and Basic Materials

Tom Price (Global – Head of Commodities Research)	(44 20) 3037 2849
Jim Lennon (Global)	(44 20) 3037 4271
Polina Diyachkina (Asia, Japan)	(813) 3512 7886
Matthew Turner (Global)	(44 20) 3037 4340
Vivienne Lloyd (Global)	(44 20) 3037 4530
Serafino Capoferri (Global)	(44 20) 3037 2517
Lynn Zhao (Global)	(86 21) 2412 9035
Yasuhiro Nakada (Japan)	(813) 3512 7862
Anna Park (Korea)	(822) 3705 8669
Sumangal Nevatia (India)	(9122) 6720 4093
Jayden Vantarakis (Indonesia)	(6221) 2598 8310

Conglomerates

David Ng (China, Hong Kong)	(852) 3922 1291
Conrad Werner (Singapore)	(65) 6601 0182
Gilbert Lopez (Philippines)	(632) 857 0892

Consumer, Gaming

Linda Huang (Asia)	(852) 3922 4068
Zibo Chen (China, Hong Kong)	(852) 3922 1130
Terence Chang (China, Hong Kong)	(852) 3922 3581
Sunny Chow (China, Hong Kong)	(852) 3922 3768
Stella Li (China, Taiwan)	(8862) 2734 7514
Kwang Cho (Korea)	(822) 3705 4953
KJ Lee (Korea)	(822) 3705 9935
Amit Sinha (India)	(9122) 6720 4085
Karisa Magpayo (Philippines)	(632) 857 0899
Chalinee Congmuang (Thailand)	(662) 694 7993
Robert Pranata (Indonesia)	(6221) 2598 8366
Richardo Walujo (Indonesia)	(6221) 259 88 369

Asia Sales

Regional Heads of Sales

Miki Edelman (Global)	(1 212) 231 6121
Amelia Mehta (Asia)	(65) 6601 0211
Jeff Evans (Boston)	(1 617) 598 2508
Jeffrey Shiu (China, Hong Kong)	(852) 3922 2061
Sandeep Bhatia (India)	(9122) 6720 4101
Thomas Renz (Geneva)	(41 22) 818 7712
Tomohiro Takahashi (Japan)	(813) 3512 7823
John Jay Lee (Korea)	(822) 3705 9988
Nik Hadi (Malaysia)	(603) 2059 8888
Gino C Rojas (Philippines)	(632) 857 0861

Emerging Leaders

Jake Lynch (Asia)	(852) 3922 3583
Kwang Cho (Korea)	(822) 3705 4953
Corinne Jian (Greater China)	(8862) 2734 7522
Conrad Werner (ASEAN)	(65) 6601 0182
Bo Denworalak (Thailand)	(662) 694 7774

Industrials, Transport and Infrastructure

Patrick Dai (China)	(8621) 2412 9082
Eric Zong (China, Hong Kong)	(852) 3922 4749
Kunio Sakaida (Japan)	(813) 3512 7873
James Hong (Korea)	(822) 3705 8661
Corinne Jian (Taiwan)	(8862) 2734 7522
Inderjeetsingh Bhatia (India)	(9122) 6720 4087
Azita Nazrene (ASEAN)	(65) 6601 0560

Internet, Media and Software

Wendy Huang (Asia)	(852) 3922 3378
Ivy Luo (Greater China)	(852) 3922 1507
Marcus Yang (Greater China)	(8862) 2734 7532
David Gibson (Japan)	(813) 3512 7880
Soyun Shin (Korea)	(822) 3705 8659
Alankar Garude (India)	(9122) 6720 4134

Oil, Gas and Petrochemicals

Aditya Suresh (Asia)	(852) 3922 1265
Polina Diyachkina (Asia, Japan)	(813) 3512 7886
Yasuhiro Nakada (Japan)	(813) 3512 7862
Anna Park (Korea)	(822) 3705 8669
Corinne Jian (Taiwan)	(8862) 2734 7522
Yupapan Polpornprasert (Thailand)	(662) 694 7729

Pharmaceuticals and Healthcare

Alankar Garude (India)	(9122) 6720 4134
Patti Tomaitrichitr (Thailand)	(662) 694 7727
Richardo Walujo (Indonesia)	(6221) 259 88 369

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Tuck Yin Soong (Asia, Singapore)	(65) 6601 0838
David Ng (China, Hong Kong)	(852) 3922 1291
Keisuke Moriyama (Japan)	(813) 3512 7476
Corinne Jian (Taiwan)	(8862) 2734 7522
Abhishek Bhandari (India)	(9122) 6720 4088
Aiman Mohamad (Malaysia)	(603) 2059 8986
Kervin Sisayan (Philippines)	(632) 857 0893
Patti Tomaitrichitr (Thailand)	(662) 694 7727

Technology

Damian Thong (Asia, Japan)	(813) 3512 7877
Allen Chang (Greater China)	(852) 3922 1136
Jeffrey Ohlweiler (Greater China)	(8862) 2734 7512
Chris Yu (Greater China)	(8621) 2412 9024
Kaylin Tsai (Greater China)	(8862) 2734 7523
Lynn Luo (Greater China)	(8862) 2734 7534
Patrick Liao (Greater China)	(8862) 2734 7515
Verena Jeng (Greater China)	(852) 3922 3766
Daniel Kim (Korea)	(822) 3705 8641
Abhishek Bhandari (India)	(9122) 6720 4088

Telecoms

Allen Chang (Greater China)	(852) 3922 1136
Soyun Shin (Korea)	(822) 3705 8659
Prem Jearajasingam (ASEAN)	(603) 2059 8989
Kervin Sisayan (Philippines)	(632) 857 0893
Nathania Nurhalim (Indonesia)	(6221) 2598 8365

Utilities, Renewables

Hiroyuki Sakaida (Japan)	(813) 3512 6695
Patrick Dai (China)	(8621) 2412 9082
Inderjeetsingh Bhatia (India)	(9122) 6720 4087
Karisa Magpayo (Philippines)	(632) 857 0899

Economics and Macro

Ric Deverell (Chief Economist & Head of Macro Research)	(612) 8232 4307
Larry Hu (China, Hong Kong)	(852) 3922 3778
Upasana Chachra (India)	(9122) 6720 4355

Quantitative, CPG

Gurvinder Brar (Global)	(44 20) 3037 4036
Alvin Chao (Asia)	(852) 3922 1108
Tracy Chow (Asia)	(852) 3922 4285
YingYing Hou (Asia)	(852) 3922 5422

Strategy, Country

Viktor Shvets (Asia, Global)	(852) 3922 3883
David Ng (China, Hong Kong)	(852) 3922 1291
Chan Hwang (Korea)	(822) 3705 8643
Jeffrey Ohlweiler (Taiwan)	(8862) 2734 7512
Inderjeetsingh Bhatia (India)	(9122) 6720 4087
Jayden Vantarakis (Indonesia)	(6221) 2598 8310
Anand Pathmakanthan (Malaysia)	(603) 2059 8833
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Regional Heads of Sales cont'd

Paul Colaco (San Francisco)	(1 415) 762 5003
Angus Kent (Thailand)	(662) 694 7601
Ben Musgrave (UK/Europe)	(44 20) 3037 4882
Christina Lee (UK/Europe)	(44 20) 3037 4873

Sales Trading

Adam Zaki (Asia)	(852) 3922 2002
Stanley Dunda (Indonesia)	(6221) 515 1555

Sales Trading cont'd

Suhaida Samsudin (Malaysia)	(603) 2059 8888
Michael Santos (Philippines)	(632) 857 0813
Chris Reale (New York)	(1 212) 231 2555
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Justin Morrison (Singapore)	(65) 6601 0288
Daniel Clarke (Taiwan)	(8862) 2734 7580
Brendan Rake (Thailand)	(662) 694 7707
Mike Keen (UK/Europe)	(44 20) 3037 4905