



Rating
Hold

Asia
China

Resources
Metals & Mining

Company
Guoxuan High-Tech

Reuters 002074.SZ Bloomberg 002074 CS Exchange SHZ Ticker 002074

Date
3 July 2018

Forecast Change

Price at 2 Jul 2018 (CNY)	13.67
Price target - 12mth (CNY)	15.58
52-week range (CNY)	35.99 - 13.07
HANG SENG INDEX	28,955

Uncertainties on future transition but negatives priced in; Hold

Aggressive expansion target but uncertainty looms over NCM; maintaining Hold

As the third-largest Chinese battery player, Guoxuan positions itself to more than double its capacity from 7.5GWh in 2017 to c.18GWh by end-2020, and targets to triple its market share to c.18% in three years. However, we believe there is still uncertainty regarding Guoxuan's endeavors in NCM (lithium nickel cobalt manganese oxide) batteries (c.22% of 2017 shipment) after the disappointments in the past 12 months. We set our target multiple at 15.4x 2019E P/E, in line with the industry average, and revise our target price to RMB15.6 while maintaining Hold.

Targets to triple its Chinese battery market share to 18% in 2020

On top of the existing 7.5GWh capacity in 2017 (including 5.5GWh for LFP (lithium iron phosphate) and 2.0GWh for NCM), Guoxuan is adding 2GWh LFP capacity and c.4GWh NCM capacity in 2018. Total capacity is expected to reach c.18GWh by end-2020 at a 3-year CAGR of 33%, but revised down from 20-25GWh previously. The company's mid-term strategic target is to triple market share from 6% in 2017 to c.18% in 2020, to become a formidable competitor against the current industry leader CATL.

Meaningful progress on NCM batteries in 2H18 remains to be seen

The company is upgrading its NCM lines in Hefei and Qingdao for all NCM622 production starting in 2H18, and expects its NCM battery shipment to reach 1.3GWh in 2018, or +92% YoY. Guoxuan supplied its batteries to 45k units of NEV in 2017, and aims to reach 100k units in 2018 with orders by domestic brands including BAIC, Geely, Zotye, Chery, SAIC, and JAC. However, it remains to be seen whether Guoxuan, a previously LFP-focused battery manufacturer (c.78% of 2017 shipment), can have a meaningful presence in NCM batteries.

Cutting target price to RMB15.6; concerns factored in; risks

We believe the c.40% share price decline in the past three months has reflected investors' concerns such as a) ASP/margin pressure in the medium term and b) the uncertainty regarding its transition to NCM batteries. Factoring the 19% YoY ASP decline and shipment disappointment in 2017, we cut our 2018/2019 NPAT forecasts by -27%/-50%. We set the target multiple at 15.4x 2019E P/E, in line with the industry average, and revise our TP accordingly. Risks: quicker/slower-than-expected ASP cut or cost drop.

Valuation & Risks

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Key changes

TP	31.30 to 15.58	↓	-50.2%
Sales (FYE)	11,624 to 6,970	↓	-40.0%
Op prof margin (FYE)	13.6 to 16.5	↑	21.5%
Net profit (FYE)	1,363.4 to 989.6	↓	-27.4%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-14.6	-38.7	-56.7
HANG SENG INDEX	-5.0	-3.8	12.4

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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Forecasts and ratios

Year End Dec 31	2016A	2017A	2018E	2019E	2020E
Sales (CNYm)	4,757.9	4,838.1	6,969.8	9,479.8	10,547.0
EBITDA (CNYm)	1,367.6	923.0	1,521.8	1,930.1	2,128.2
Reported EPS FD(CNY)	1.18	0.74	0.87	0.98	1.14
Reported NPAT (CNYm)	1,030.9	838.0	989.6	1,118.1	1,297.4
DB EPS growth (%)	76.4	-37.3	18.1	13.0	16.0
PER (x)	29.3	41.3	15.7	13.9	12.0
EV/EBITDA (x)	22.2	36.0	10.7	8.6	7.5

Source: Deutsche Bank estimates, company data

Key indicators (FY1)

ROE (%)	11.4
Net debt/equity (%)	7.6
Book value/share (CNY)	7.99
Price/book (x)	1.7
Net interest cover (x)	-
Operating profit margin (%)	16.5

Source: Deutsche Bank



Aggressive capacity expansion

Adding 6GWh battery capacity to reach 13.5GWh in 2018

Guoxuan had 7.5GWh battery capacity at the end of 2017, of which 5.5GWh was for LFP batteries and 2.0GWh for NCM batteries. On top of the existing capacity, the company sets an aggressive target to add additional 2GWh capacity for LFP and c.4GWh NCM capacity this year in Hefei and Qingdao, reaching c.13.5GWh at the end of 2018.

Expects to see NCM battery demand picking up

While Guoxuan is one of the top battery suppliers in LFP batteries (mostly adopted by EV buses), the company expects to see EV battery demand from passenger vehicles pick up, where NCM batteries consist of over 80% share. Guoxuan thus gradually shifts its focus to NCM batteries production, expanding its NCM capacity more than five-fold from 2GWh in 2017 to 10.4GWh at end-2020. We have outlined Guoxuan's capacity breakdown in Figure 1 below, where the additional NCM production lines are mainly planned in Hefei's fourth factory (total c.5GWh) and Qingdao Laixi factory (c.4GWh).

Figure 1: Battery capacity breakdown for Guoxuan

Capacity breakdown by factory		Capacity (mnAh)							
Battery factories		2013	2014	2015	2016	2017	2018E	2019E	2020E
Hefei original	LFP		150	150	150	150	150	150	150
Hefei 1st	LFP		100	100	100	100	100	100	100
Hefei 2nd	LFP			100	100	100	100	100	100
Hefei 3rd	LFP				250	300	350	350	350
Hefei 3rd	NMC 111/622				250	250	250	250	250
Hefei 4th	NMC 622						1050	1050	1050
Lujiang	LFP					300	300	300	300
Kunshan	LFP			150	150	150	0	0	0
Nanjing	LFP			300	300	300	300	300	300
Nanjing 2nd	LFP					330	350	350	350
Qingdao Laixi	NMC 622				250	300	300	900	1500
Qingdao Laixi 2nd	LFP						400	400	400
Tangshan	LFP						300	300	300

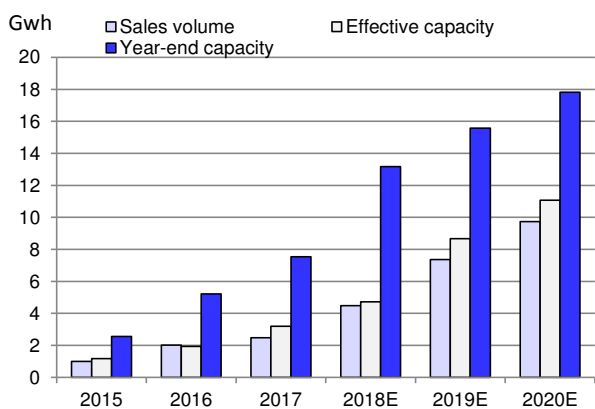
Source: Company data, Deutsche Bank estimates



Targets to triple its Chinese battery market share to 18% in 2020

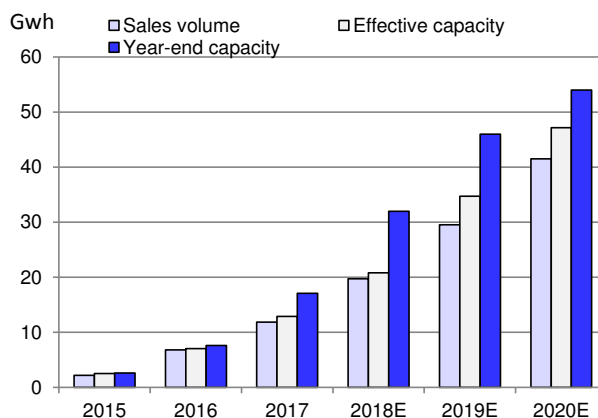
Guoxuan's total capacity is expected to reach c.18GWh by end-2020, expanding at a 3-year CAGR of 33%. However, this target has been revised down from 20-25GWh by end-2020 as the company's previous expectations on a) capacity ramp up time, and b) market demand were too optimistic. The company's mid-term strategic target is to triple its market share from 6% in 2017 to c.18% in 2020, which implies that it will become a formidable competitor against the current industry leader CATL. Regarding the timing for production lines addition in a year, we expect to see Guoxuan's capacity commencement to mostly fall in the second half in each year, per the company's schedule. Therefore, the capacity commencement schedule creates a larger gap between its effective capacity and year-end capacity for Guoxuan, compared to a smaller gap for CATL as the latter's capacity commencement schedule is more evenly distributed throughout the year. Please see Figure 2 and Figure 3 below for Guoxuan and CATL's sales volume, effective capacity and year-end capacity estimates.

Figure 2: Guoxuan's sales volume and capacity estimates



Source: Company data, Deutsche Bank

Figure 3: CATL's sales volume and capacity estimates



Source: Company data, Deutsche Bank



Uncertainty over NCM endeavor

Meaningful progress on NCM batteries remains to be seen

The company is upgrading its NCM lines in Hefei and Qingdao for all NCM622 production starting in 2H18 (see Figure 1), and expects its NCM battery shipment to reach 1.3GWh in 2018, or +92% YoY. As NCM batteries are mainly installed on EV passenger vehicles, Guoxuan has supplied 45k units of these in 2017, and aims to reach 100k units in 2018.

The company has a positive 2H18 outlook of NCM batteries owing to: a) orders by domestic brands including BAIC, Geely, Zotye, Chery, JAC, b) a larger battery pack per vehicle to meet the longer driving range requirement, and c) market share gain from cylindrical batteries, as Guoxuan believes the prismatic packaging format is more cost effective when the vehicle carries over 30kWh.

A mixed picture between LFP and NCM market shares

However, we believe it is still too early to tell whether Guoxuan can repeat its success in LFP batteries in the NCM field. We present the top 10 EV battery installation analysis in 2017 and 5M18 in Figure 4 and Figure 5, where Guoxuan YTD has gained market share in LFP batteries (from 10.0% in 2017 to 14.6% in 5M18) but barely had NCM batteries installation (from 2.3% in 2017 to 0.8% in 5M18). We believe the main reason behind the fall is linked to the different timings of auto OEMs model launch schedules, but it requires additional orders from EV passenger vehicles if the company wants to have a meaningful presence in NCM batteries, judging from the market share analysis YTD.

Figure 4: 2017 Chinese EV battery installation analysis

EV battery Installation analysis						Total Installation (Gwh)	Market share
2017 Name	名称	LFP	share (%)	NCM	share (%)		
1 CATL	宁德时代	5.4	33.2%	4.6	30.4%	10.0	29.7%
2 BYD	比亚迪	4.4	27.1%	0.9	6.2%	5.4	16.0%
3 OptimumNano	沃特玛	2.0	12.5%			2.0	6.1%
4 Guoxuan	国轩高科	1.6	10.0%	0.3	2.3%	2.0	5.9%
5 Farasis	孚能科技			1.1	7.3%	1.1	3.3%
6 BAK	比克	0.0	0.0%	1.0	7.0%	1.0	3.1%
7 Guoneng	北京国能	0.6	3.4%	0.1	0.8%	0.7	2.0%
8 First	福斯特			0.7	4.5%	0.7	2.0%
9 Phylion	苏州星恒			0.0	0.3%	0.6	1.7%
10 Lishen	力神	0.2	1.1%	0.4	2.4%	0.5	1.6%
Subtotal		14.2	87.3%	9.2	61.3%	24.0	71.5%
Total		16.3	48.7%	15.0	44.7%	33.5	100.0%

Note: Batteries with other kinds of cathode materials include LMO (Lithium Manganese Oxide), LTO (Lithium Titanium Oxide) and NCA (Lithium Nickel Cobalt Aluminum Oxide).

Source: RealLi Research, Deutsche Bank



Figure 5: 5M18 Chinese EV battery installation analysis

EV battery Installation analysis										
5M18 rank	Name	名称	LFP	share (%)	NCM	share (%)	Total Installation (Gwh)	Market share	2017 rank	5M18 vs. 2017
1	CATL	宁德时代	2.5	48.6%	3.0	41.8%	5.5	42.9%	1	=
2	BYD	比亚迪	0.8	16.1%	1.7	23.9%	2.5	20.0%	2	=
3	Guoxuan	国轩高科	0.8	14.6%	0.1	0.8%	0.8	6.3%	4	+1
4	Farasis	孚能科技			0.6	8.3%	0.6	4.6%	5	+1
5	EVE	亿纬锂能	0.4	8.6%	0.0	0.7%	0.5	3.9%	14	+9
6	BAK	比克			0.4	5.3%	0.4	3.0%	6	=
7	Lishen	力神	0.1	1.4%	0.1	2.0%	0.2	1.8%	10	+3
8	Wanxiang A123	万向	0.1	1.2%	0.2	2.2%	0.2	1.7%	NA	NA
9	Guoneng	北京国能	0.2	3.5%	0.0	0.2%	0.2	1.5%	7	-2
10	Zhihang	江苏智航			0.2	2.3%	0.2	1.3%	11	+1
Subtotal			4.9	94.0%	6.2	87.5%	11.1	87.0%		
Total			5.2	40.8%	7.1	56.0%	12.7	100.0%		

Note: Batteries with other kinds of cathode materials include LMO (Lithium Manganese Oxide), LTO (Lithium Titanium Oxide) and NCA (Lithium Nickel Cobalt Aluminum Oxide).

Source: RealLi Research, Deutsche Bank



Earnings and target price revisions

Factoring in 2017 results; cutting target price to RMB15.6

Guoxuan's 2017 battery ASP and shipment were below our original expectations due to intense competition and battery shipment adjustments at year-end. We have revised our numbers after factoring the 2017 financial results, battery volume, unit pricing and margin trajectory. Since changes in the battery industry happened faster than our previous expectation, we cut our 2018/2019 net profit forecast by 27%/50%.

Please see Figure 6 below for our detailed sales volume and unit margin assumptions. For our forecast changes and consensus comparison for Guoxuan, please refer to Figure 7 and Figure 8:

- For our 2018E earnings revision: we believe the battery's pricing pressure (-16% YoY) will be somewhat offset by cost decline (-10% YoY), but the main factor to have a negative impact on earnings estimate should be volume assumption (-37% vs. previous estimate).
- For our 2019E earnings revision: we expect the cumulative effect from pricing pressure (-13% YoY), coupled with volume assumption revision (-36% vs. previous estimate), to comprise most of the negative impact on our earnings estimate.

Figure 6: Sales volume and unit margin assumptions for Guoxuan

Battery operation		2014	2015	2016	2017	2018E	2019E	2020E
Sales volume								
New	Gwh	0.42	1.00	2.01	2.48	4.49	7.37	9.74
Old	Gwh	0.42	1.00	2.01	4.11	7.15	11.50	
% change					-40%	-37%	-36%	
ASP								
New	RMB/Ah	7.52	6.85	6.58	5.41	4.56	3.96	3.38
Old	RMB/Ah	7.58	6.85	6.58	5.96	5.20	4.78	
% change					-9%	-12%	-17%	
COGS								
New	RMB/Ah	3.69	3.51	3.38	3.26	2.94	2.68	2.37
Old	RMB/Ah	3.69	3.56	3.38	3.52	3.31	2.94	
% change					-8%	-11%	-9%	
Margin								
New	RMB/Ah	3.84	3.34	3.21	2.15	1.62	1.27	1.01
Old	RMB/Ah	3.84	3.34	3.21	2.44	1.88	1.84	
% change					-12%	-14%	-31%	

Source: Company data, Deutsche Bank estimates



Figure 7: Forecast changes for Guoxuan

	2018E			2019E			2020E		
	DBe New	DBe Old	Change	DBe New	DBe Old	Change	DBe New	DBe Old	Change
Revenue (RMB m)	6,970	11,624	-40%	9,480	16,890	-44%	10,547		NA
OP (RMB m)	1,149	1,578	-27%	1,349	2,703	-50%	1,557		NA
NP (RMB m)	990	1,363	-27%	1,150	2,297	-50%	1,329		NA
EPS	0.87	1.37	-37%	1.01	2.32	-56%	1.17		NA
ROE	11%	15%	-3%	12%	21%	-9%	12%		NA

Source: Deutsche Bank estimates

Figure 8: Deutsche Bank earnings estimates vs. consensus for Guoxuan

	2018E			2019E			2020E		
	DBe	Consensus	Dbe/Con.	DBe	Consensus	Dbe/Con.	DBe	Consensus	Dbe/Con.
Revenue	6,970	6,862	102%	9,480	8,969	106%	10,547	10,088	105%
Gross profit	2,422	2,336	104%	3,010	2,915	103%	3,142	3,242	97%
Operating income	1,149	1,104	104%	1,349	1,389	97%	1,557	1,589	98%
NPAT	990	1,001	99%	1,150	1,193	96%	1,329	1,389	96%

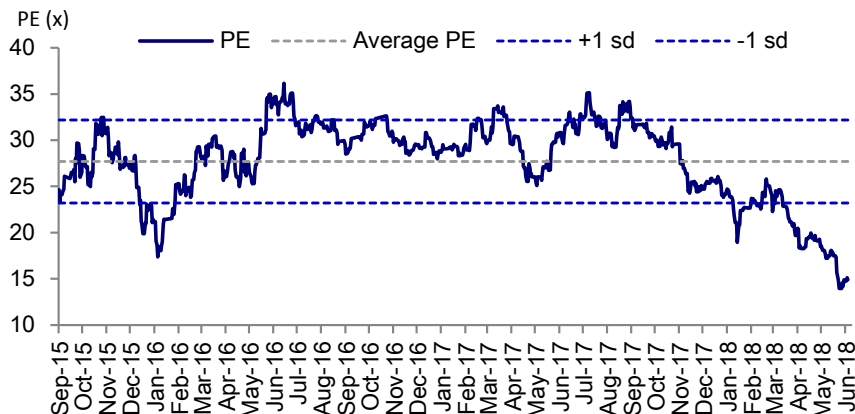
Source: Deutsche Bank estimates, Bloomberg Finance LP



Concerns largely factored in with c.40% correction in 3 months

Guoxuan's share price has corrected by c.40% in the past three months (Figure 9), which has mainly reflected investors' concern related to: a) ASP and margin pressure in the medium term and b) the uncertainty regarding the transition to NCM batteries. We believe the entire battery sector has encountered similar issues, except for the market leader CATL, and several battery players are also looking into a transition similar to that of Guoxuan.

Figure 9: Guoxuan 12-month forward P/E chart



Source: Deutsche Bank estimates, Bloomberg Finance LP

Target multiple at 15.4x 2019E P/E, in line with battery peer average

After a 19%/23% share price correction in the battery sector (Figure 10), the peers are currently trading at 19.0x/15.4x 2018E/2019E P/E on average. We believe P/E methodology is still the most suitable to value the company, and we roll forward a year to set our target multiple at 15.4x 2019E EPS, which is in line with the average of battery manufacturers. Therefore, we adjust our target price to RMB15.6.

Figure 10: Valuation comparison of battery peers

Company	Bbg Ticker	Rating	Price local 7/2/18	Target Price	M. cap (US\$m)	3m avg. daily traded value (US\$m)	PE (x)		PB (x)	EPS Growth %		ROE %		Share price performance		
							2018	2019		2018	2018	2019	2018	2019	1 month	3 month
Battery - A-shares																
CATL	300750 CH Equity	Buy	70.0	72.2	22,829	312	43.7	34.6	4.5	12.1	31.3	11.9	12.3	178	NA	NA
Guoxuan High-tech	002074 CH Equity	Hold	13.7	15.6	2,333	29	15.7	13.5	1.7	(6.7)	16.2	11.4	12.0	(15)	(39)	(39)
BYD - A	002594 CH Equity	Hold	46.0	44.5	18,059	54	35.7	30.1	2.2	(13.5)	18.3	6.2	6.9	(10)	(17)	(29)
Sunwoda Electronic	300207 CH Equity	Buy	8.9	14.5	2,057	4	16.8	14.0	3.3	21.2	20.3	21.6	21.5	(18)	(23)	(9)
EVE Energy	300014 CH Equity	NR	16.9	NA	2,169	44	27.2	20.7	8.2	31.9	31.6	15.1	16.9	(1)	(5)	(14)
Carnel Group	601311 CH Equity	NR	11.1	NA	1,409	4	14.2	12.3	4.1	36.5	15.2	10.7	11.5	(6)	(15)	(17)
Shaanxi J&R Optimum Energy	300116 CH Equity	NR	2.8	NA	1,037	34	4.1	3.3	6.0	NM	23.2	NA	NA	(15)	(59)	(63)
Sichuan Chenglei Integration	002190 CH Equity	NR	16.8	NA	903	18	NA	NA	8.9	NA	NA	NA	NA	(19)	(31)	(23)
Shenzhen Desay Battery	000049 CH Equity	NR	27.6	NA	849	16	16.0	12.5	12.5	17.9	27.6	22.1	21.6	(12)	(19)	(30)
Guangzhou Great Power	300438 CH Equity	NR	18.7	NA	787	12	14.3	11.5	12.6	41.3	24.6	15.4	16.3	(15)	(20)	(37)
Battery - International																
Panasonic	6752 JP Equity	Hold	1,476	1,700	32,672	102	15.3	13.1	2.2	58.0	11.0	6.2	6.9	(2)	(3)	(11)
LG Chem	051910 KS Equity	Buy	317,500	460,000	20,020	85	11.9	10.6	0.0	3.8	12.0	21.6	21.5	(6)	(18)	(22)
SK Innovation	096770 KS Equity	NR	188,000	NA	15,528	47	8.0	7.5	0.9	4.2	6.6	11.6	11.4	(8)	(12)	(8)
Samsung SDI	006400 KS Equity	Buy	214,000	259,000	13,145	65	24.3	16.5	1.3	(7.7)	46.7	6.2	6.9	2	7	5
Average							19.0	15.4	4.9	16.6	21.9	13.3	13.8	4	(19)	(23)

*EPS growth calculation excludes one-off gains/expenses and government subsidies

Source: Deutsche Bank estimates, Bloomberg Finance LP



Investment thesis

Outlook

Guoxuan is the third-largest EV lithium battery player in China, with c.6% EV lithium battery market share in terms of installation this year. We believe Guoxuan's aggressive capacity expansion and competitive advantages should help it to grow market share and make it one of the beneficiaries of the Chinese government's target to put 5mn EV units on the road by end-2020. However, battery unit pricing decline and EV subsidy policy change may put pressure on its margin outlook. Hold.

Valuation

As Guoxuan has listed on the A-share market through a reverse IPO in 2015, we believe its historical P/E band may not reflect its future outlook. We adopt a 2019E P/E multiple of 15.4x for the company, which we believe has factored in its growth trajectory and is in line with battery manufacturers' average.

Risks

Key Industry up/downside risks: 1) Significant changes in the Chinese government's EV subsidy policy 2) Weaker/stronger-than-expected volume growth in the next three years 3) Quicker/slower-than-expected ASP drop or slower-than-expected cost cuts.



Model updated: 03 July 2018

Running the numbers

Asia

China

Metals & Mining

Guoxuan High-Tech

Reuters: 002074.SZ Bloomberg: 002074 CS

Hold

Price (2 Jul 18) CNY 13.67

Target Price CNY 15.58

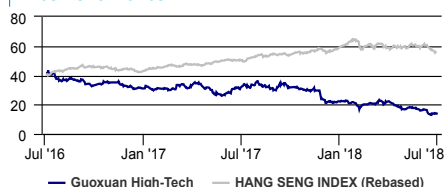
52 Week range CNY 13.07 - 35.99

Market cap (m) CNYm 15,538
USDm 2,334.1

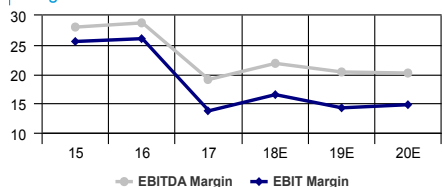
Company Profile

Guoxuan High-Tech Co., Ltd develops, manufactures and sells lithium battery materials and lithium batteries. Its major products are lithium battery cells and lithium battery packs for electrical automobiles.

Price Performance



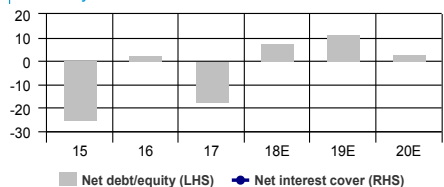
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec

Financial Summary

	2015	2016	2017	2018E	2019E	2020E
DB EPS (CNY)	0.67	1.18	0.74	0.87	0.98	1.14
Reported EPS (CNY)	0.67	1.18	0.74	0.87	0.98	1.14
DPS (CNY)	0.15	0.15	0.10	0.12	0.13	0.15
BVPS (CNY)	3.4	4.5	7.2	8.0	8.8	9.8
Weighted average shares (m)	876	876	1,137	1,137	1,137	1,137
Average market cap (CNYm)	25,156	30,216	34,601	15,538	15,538	15,538
Enterprise value (CNYm)	24,419	30,343	33,182	16,257	16,690	15,907

Valuation Metrics

P/E (DB) (x)	43.0	29.3	41.3	15.7	13.9	12.0
P/E (Reported) (x)	43.0	29.3	41.3	15.7	13.9	12.0
P/BV (x)	10.78	6.90	3.07	1.71	1.55	1.39
FCF Yield (%)	nm	nm	nm	nm	nm	5.9
Dividend Yield (%)	0.5	0.4	0.3	0.9	1.0	1.1
EV/Sales (x)	8.9	6.4	6.9	2.3	1.8	1.5
EV/EBITDA (x)	31.7	22.2	36.0	10.7	8.6	7.5
EV/EBIT (x)	34.8	24.5	49.9	14.1	12.4	10.2

Income Statement (CNYm)

Sales revenue	2,745	4,758	4,838	6,970	9,480	10,547
Gross profit	1,220	2,202	1,843	2,422	3,010	3,142
EBITDA	769	1,368	923	1,522	1,930	2,128
Depreciation	67	128	258	372	580	570
Amortisation	0	0	0	0	0	0
EBIT	702	1,239	665	1,150	1,350	1,559
Net interest income/(expense)	0	0	0	0	0	0
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	-22	-42	330	24	-23	-19
Profit before tax	680	1,197	994	1,174	1,327	1,539
Income tax expense	93	165	154	182	206	238
Minorities	3	2	2	3	3	3
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	585	1,031	838	990	1,118	1,297
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	585	1,031	838	990	1,118	1,297

Cash Flow (CNYm)

Cash flow from operations	520	1,275	-100	791	1,215	1,767
Net Capex	-558	-1,307	-1,357	-2,814	-1,555	-850
Free cash flow	-38	-33	-1,457	-2,023	-340	917
Equity raised/(bought back)	1,493	205	3,536	0	0	0
Dividends paid	-37	-195	-223	-134	-152	-176
Net inc/(dec) in borrowings	-396	743	840	100	-100	-600
Other investing/financing cash flows	109	-176	-226	0	0	0
Net cash flow	1,132	544	2,471	-2,057	-592	141
Change in working capital	-193	40	-1,393	-363	-331	-19

Balance Sheet (CNYm)

Cash and other liquid assets	2,011	2,306	4,799	2,219	1,628	1,769
Tangible fixed assets	1,550	2,817	4,004	6,445	7,420	7,700
Goodwill/intangible assets	307	529	562	562	562	562
Associates/investments	0	0	0	0	0	0
Other assets	2,846	4,563	7,732	10,623	14,026	15,531
Total assets	6,713	10,215	17,097	19,849	23,635	25,562
Interest bearing debt	1,248	2,408	3,355	2,911	2,749	2,104
Other liabilities	2,424	3,846	5,487	7,825	10,803	12,251
Total liabilities	3,671	6,255	8,842	10,736	13,553	14,355
Shareholders' equity	3,016	3,936	8,230	9,086	10,052	11,174
Minorities	26	24	25	27	30	34
Total shareholders' equity	3,042	3,960	8,255	9,113	10,082	11,207
Net debt	-763	102	-1,444	691	1,122	336

Key Company Metrics

Sales growth (%)	nm	73.3	1.7	44.1	36.0	11.3
DB EPS growth (%)	na	76.4	-37.3	18.1	13.0	16.0
EBITDA Margin (%)	28.0	28.7	19.1	21.8	20.4	20.2
EBIT Margin (%)	25.6	26.0	13.7	16.5	14.2	14.8
Payout ratio (%)	22.5	12.8	13.6	13.6	13.6	13.6
ROE (%)	24.6	29.7	13.8	11.4	11.7	12.2
Capex/sales (%)	20.3	27.5	28.1	40.4	16.4	8.1
Capex/depreciation (x)	8.3	10.2	5.3	7.6	2.7	1.5
Net debt/equity (%)	-25.1	2.6	-17.5	7.6	11.1	3.0
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Guoxuan High-Tech	002074.SZ	13.67 (CNY) 2 Jul 2018	NA

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Historical recommendations and target price. Guoxuan High-Tech (002074.SZ)

(as of 07/02/2018)



Current Recommendations

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

** Analyst is no longer at Deutsche Bank

1.	12/01/2016	Hold, Target Price Change CNY 32.70	James Kan	2.	08/31/2017	Hold, Target Price Change CNY 31.30	James Kan
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Equity Rating Key

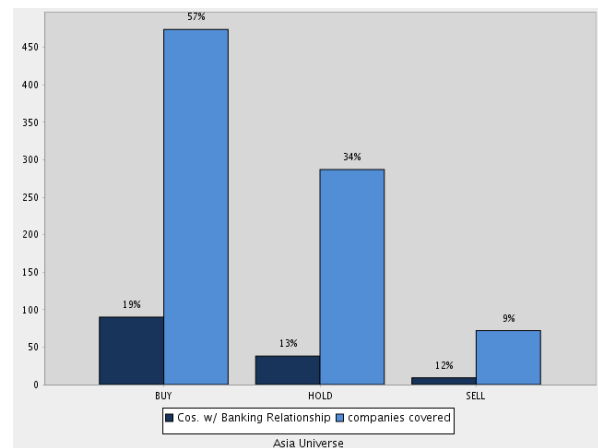
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