



China

ADD

Consensus ratings*: Buy 17 Hold 7 Sell 3

Current price: Rmb47.83
Target price: Rmb54.00
Previous target: Rmb
Up/downside: 12.9%
CGI / Consensus: 12.9%

Reuters:
Bloomberg: 600600 CH
Market cap: US\$8,576m
Rmb60,385m
Average daily turnover: US\$42.15m
Rmb297.7m
Current shares o/s: 1,351m
Free float: 67.2%
*Source: Bloomberg

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.4	7.5	53.2
Relative (%)	-3.2	5.8	39.7

Major shareholders	% held
Tsingtao Brewery Group	32.8
HKSCC Nominees Ltd	45.4

Tsingtao Brewery-A

Successful mix upgrade

- Tsingtao reported net profit growth of 19.8% yoy in 3Q19, in line with our expectation.
- We expect Tsingtao to continue its mix upgrade in FY20F to drive up its ASP and margins.
- Falling barley and paper prices will also support Tsingtao's GPM in FY20F.
- We initiate coverage on Tsingtao-A with an ADD rating with a DCF-based TP of Rmb54. For comments on previous results, please refer to our research notes on Tsingtao-H.

Strong 3Q19 earnings growth

Tsingtao's 9M19 sales grew 5.3% yoy to Rmb24.9bn (87% of our full-year FY19F sales forecast), and net profit was up by 23% yoy to Rmb2.6bn, in line with our expectations. In 3Q19, total sales slightly declined by 1.7% yoy. The 5.9% volume decrease was partially offset by a 4.5% ASP increase. The volume of its core brand, Tsingtao, fell by 2.4% yoy in 3Q19, and the volume of its sub-brands declined by 8.9% yoy. We believe the volume decline in 3Q19 was mainly due to 1) clearing the channel inventory that had accumulated by the end of June, 2) weak sales in nightlife channels, and 3) relatively cooler weather the past summer, which reduced beer consumption. We expect Tsingtao's channel inventory to return to the normal level in 4Q19F and forecast sales growth of 6.2% in FY20F.

Successful mix upgrade expected to drive up margins

Tsingtao's overall ASP in 9M19 was up by 5.2%, with flattish volume growth of 0.7%, which was in line with China's 9M19 beer industry output volume growth. Tsingtao continued its premiumization, and the volume contribution of Tsingtao, its core brand, was up by 1.5%pts to 49.1% in 9M19. In 3Q19, Tsingtao's gross margin improved by 1.8%pts yoy to 32.2% mainly due to a product mix upgrade and a VAT cut. The S&D expenses ratio was 16.1% in 3Q19, up by 0.8%pts, but partially offset by better control of G&A expenses. Its OPM improved by 2.1%pts to 14.1% in 3Q19.

Lower raw material prices to support margins in FY20F

The international barley price has been falling since Aug, dropping by 26% yoy in Aug-Oct, which should benefit Tsingtao's gross margin for 4Q19F and FY20F. The paper price also fell by 16% yoy in 9M19, which should reduce Tsingtao's packaging material costs. We now expect Tsingtao's gross margin to expand by 0.8%ppts and 1.1%pts yoy to 29.7% and 30.8% in FY19F and FY20F, respectively, because of a mix upgrade and lower raw material prices.

Continuing to shut down underperforming plants

Last year, Tsingtao closed two plants: the Yangpu plant in Shanghai and the Wuhu plant in Anhui province. We expect Tsingtao to continue to close 1-2 plants in 4Q19F. In FY18, Tsingtao incurred one-off plant closure expenses of Rmb195m, and we expect similar plant closure expenses for FY19F. We believe the shut-down of underperforming plants will improve Tsingtao's utilization rate and margins in the medium to long term.

Initiate with Add with DCF-based TP of Rmb54

We initiate coverage on Tsingtao-A with an Add rating and a DCF-based TP of Rmb54. Our TP is derived by applying a 5% premium (historical average A-share premium) on our TP for Tsingtao-H. We like Tsingtao because of its successful product mix upgrade and falling raw material costs. Positive catalysts include 1) stronger volume growth in 4Q19F and 2) better margin expansion. The risks include 1) weaker-than-expected beer consumption, and 2) stronger competition.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (Rmbm)	26,277	26,575	28,759	30,553	32,149
Operating EBITDA (Rmbm)	2,854	3,141	3,731	4,133	4,756
Net Profit (Rmbm)	1,263	1,422	1,788	2,008	2,360
Core EPS (Rmb)	1.05	1.24	1.50	1.66	1.91
Core EPS Growth	22.1%	17.5%	21.6%	10.3%	15.2%
FD Core P/E (x)	45.48	38.72	31.85	28.88	25.06
DPS (Rmb)	0.42	0.48	0.60	0.68	0.80
Dividend Yield	0.88%	1.00%	1.26%	1.42%	1.67%
EV/EBITDA (x)	19.39	16.79	13.78	12.14	10.25
P/FCFE (x)	37.58	22.28	29.49	29.00	24.75
Net Gearing	(53.6%)	(65.5%)	(68.6%)	(70.8%)	(73.0%)
P/BV (x)	3.77	3.60	3.38	3.18	2.97
ROE	8.5%	9.5%	10.9%	11.4%	12.3%
% Change In Core EPS Estimates			1.02	0.96	0.97
CGI/consensus EPS (x)					

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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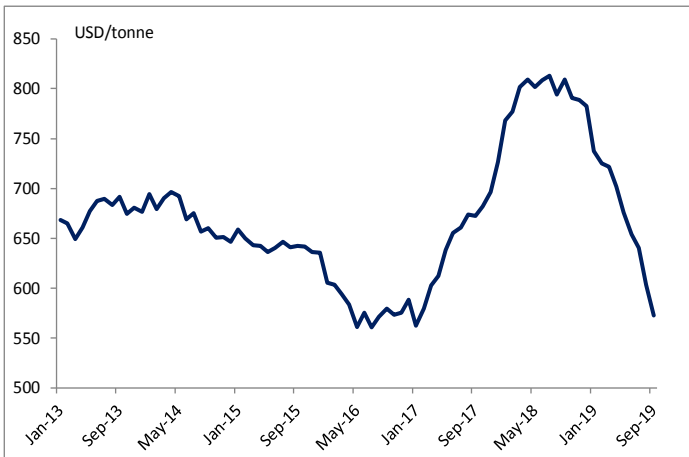
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Successful mix upgrade

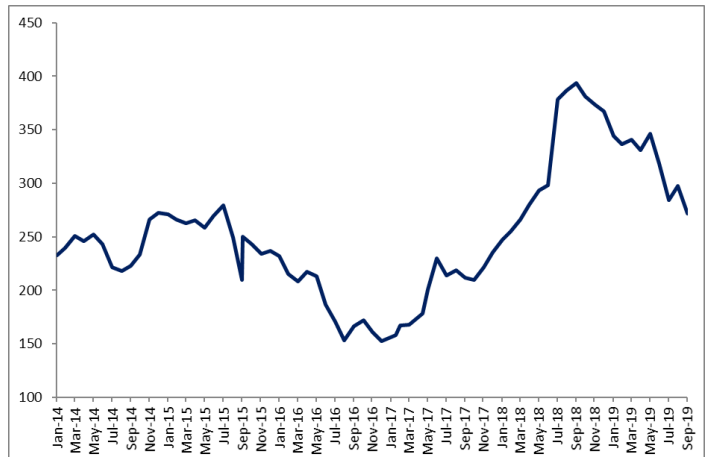
Figure 1: Tsingtao quarterly financial review

(Rmb m)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	yoy	FY18	FY19F	yoy	9M18	9M19	yoy
Total turnover	7,139	8,015	8,487	2,934	7,951	8,599	8,346	-2%	26,575	28,759	8.2%	23,641	24,897	5%
yoy %	1.4%	-0.1%	2.0%	1.5%	11.4%	7.3%	-1.7%		1.1%	8.2%		1.1%	5.3%	
Tax and surcharges	-586	-722	-735	-283	-601	-720	-681	-7%	-2,327	-2,518	8%	-2,043	-2,002	-2%
Gross profit incl: tax	2,209	2,450	2,577	457	2,552	2,766	2,686	4%	7,693	8,549	11%	7,236	8,004	11%
Other income	100	159	124	205	140	174	128	4%	588	700	19%	383	442	15%
Distribution and selling expenses	-1,194	-1,502	-1,297	-876	-1,391	-1,598	-1,346	4%	-4,869	-5,211	7%	-3,993	-4,335	9%
Administrative and general expens	-279	-306	-334	-487	-282	-317	-307	-8%	-1,406	-1,464	4%	-919	-906	-1%
Asset impairment loss	-2	-2	-53	-88	0	1	18	-135%	-146	-150	3%	-57	19	-133%
Operating profit	833	798	1,018	-789	1,018	1,025	1,179	16%	1,860	2,424	30%	2,649	3,223	22%
Net profit	667	635	798	-678	808	823	955	20%	1,422	1,788	26%	2,100	2,586	23%
yoy %	21.1%	48.0%	10.6%	11.7%	21.1%	48.0%	19.8%		12.6%	25.7%		12.3%	23.1%	
Margins								ppt chg			ppt chg			ppt chg
Gross profit margin incl: tax	30.9%	30.6%	30.4%	15.6%	32.1%	32.2%	32.2%	1.8%	28.9%	29.7%	0.8%	30.6%	32.1%	1.5%
Sales tax	8.2%	9.0%	8.7%	9.7%	7.6%	8.4%	8.2%	-0.5%	8.8%	8.8%	0.0%	8.6%	8.0%	-0.6%
S&D expense ratio	16.7%	18.7%	15.3%	29.8%	17.5%	18.6%	16.1%	0.8%	18.3%	18.1%	-0.2%	16.9%	17.4%	0.5%
G&A expense ratio	3.9%	3.8%	3.9%	16.6%	3.5%	3.7%	3.7%	-0.3%	5.3%	5.1%	-0.2%	3.9%	3.6%	-0.2%
Operating profit margin (%)	11.7%	10.0%	12.0%	-26.9%	12.8%	11.9%	14.1%	2.1%	7.0%	8.4%	1.4%	11.2%	12.9%	1.7%
Net profit margin (%)	9.3%	7.9%	9.4%	-23.1%	10.2%	9.6%	11.4%	2.0%	5.4%	6.2%	0.9%	8.9%	10.4%	1.5%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Figure 2: International wood pulp prices (US\$)


SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG, WIND

Figure 3: Australian malt barley average (AU\$/tonne)


SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Figure 4: DCF valuation

(Rmb, m)	FY19F	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F
EBIT	2,475	2,824	3,392	4,763	5,363	5,995	6,657	7,345	8,056	8,786	9,531
Taxes	-1,029	-1,156	-1,359	-1,639	-1,845	-2,063	-2,290	-2,527	-2,772	-3,023	-3,279
EBIT, tax-affected	1,446	1,668	2,034	3,124	3,518	3,933	4,367	4,818	5,284	5,763	6,252
Add: Depreciation & amortisation	1,157	1,210	1,265	1,316	1,384	1,451	1,516	1,580	1,642	1,702	1,758
Add Changes in Working capital	421	163	106	112	117	123	129	134	139	144	149
Less Capital Expenditure	-1,500	-1,500	-1,500	-1,581	-1,555	-1,518	-1,470	-1,410	-1,339	-1,256	-1,162
Free Cash Flow to firm	1,525	1,542	1,904	2,971	3,464	3,988	4,541	5,122	5,727	6,354	6,998

NPV of FY18-22 Cash flow	5,325
NPV of FY23-28 Cash Flow	17,275
NPV of Terminal Value	35,091
Enterprise Value	57,691
Add Net cash/(Net Debt)	12,239
Less Minority	-719
Equity value of firm	69,211
Share outstanding (m)	1,351
AH share premium on average	5%
Target price (Rmb)	54

Key assumptions

Company average beta	1.1
Risk free rate	3.4%
Risk premium	6.3%
Cost of equity	10.5%
Cost of Debt	4.8%
Debt %	0.6%
Tax rate	34.4%
WACC	10.5%
Terminal growth rate	3.0%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

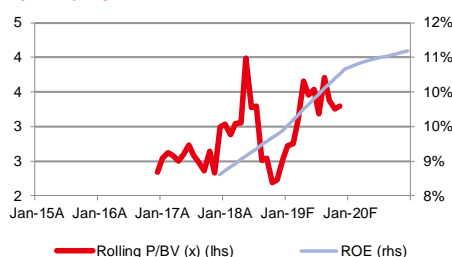
Figure 5: Peer comparison

Company Name	Bloomberg Ticker	Recom	Target price Local	Last price Local	Quoted currency	Market cap (US\$, m)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROE (%)		Dividend Yield (%)	
							2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F
Kweichow Moutai Co Ltd-A	600519 CH	ADD	1328.0	1180.0	Rmb	210,770	34.4	29.0	10.8	8.9	21.7	18.3	34.5	33.7	1.5	1.8
Jiangsu Yanghe Brewery -A	002304 CH	HOLD	108.0	100.8	Rmb	21,597	19.1	17.4	4.1	3.7	11.5	10.6	23.6	23.4	3.3	3.6
Wuliangye Yibin Co Ltd-A	000858 CH	ADD	165.0	132.1	Rmb	72,898	29.4	24.3	7.1	6.2	19.5	15.7	25.7	27.2	1.7	2.0
Luzhou Laojiao Co Ltd-A	000568 CH	ADD	122.0	87.2	Rmb	18,161	26.7	21.6	6.9	6.2	19.7	15.7	26.5	29.6	2.4	3.0
Chongqing Brewery Co-A	000568 CH	NR	NA	43.3	Rmb	2,980	38.9	37.4	16.1	14.9	26.6	24.0	43.9	42.7	2.0	2.1
Tsingtao Brewery Co Ltd-A	000568 CH	ADD	53.0	47.0	Rmb	8,453	31.3	28.4	3.3	3.1	13.5	11.9	10.9	11.4	1.3	1.4
Anhui Gujing Distillery Co-A	000596 CH	NR	NA	110.4	Rmb	6,937	25.3	20.3	5.6	4.5	14.9	12.1	23.5	24.0	1.2	1.6
Shanxi Xinghuacun Fen Wine-A	600809 CH	NR	NA	89.0	Rmb	11,029	39.9	32.0	9.8	8.1	25.1	20.7	25.7	26.0	1.1	1.4
Jiugui Liquor Co Ltd-A	000799 CH	NR	NA	33.1	Rmb	1,529	36.9	27.7	4.4	3.9	25.4	20.1	11.7	13.7	0.8	0.9
Beijing Shunxin Agricult-A	000860 CH	NR	NA	45.5	Rmb	4,799	28.6	21.8	4.1	3.6	19.1	15.7	12.8	14.8	1.1	1.5
Xinjiang Yilite Industry-A	600197 CH	NR	NA	15.6	Rmb	976	13.7	11.9	NA	NA	10.7	9.3	16.1	16.8	NA	NA
Hebei Hengshui Laobaigan-A	600559 CH	NR	NA	11.4	Rmb	1,454	17.4	13.8	3.1	2.9	12.2	10.7	12.4	13.6	1.5	1.9
Shede Spirits Co Ltd-A	600702 CH	NR	NA	30.4	Rmb	1,456	23.1	17.7	3.6	3.1	17.5	13.9	14.5	16.1	0.6	0.9
Sichuan Swellfun Co Ltd-A	600779 CH	NR	NA	53.2	Rmb	3,694	33.7	26.9	11.6	9.6	23.7	19.0	35.6	37.8	2.2	2.7
Anhui Yingjia Distillery C-A	603198 CH	NR	NA	21.3	Rmb	2,427	20.3	18.9	NA	NA	NA	NA	16.6	15.1	NA	NA
Jiangsu King'S Luck Brewer-A	603369 CH	NR	NA	31.3	Rmb	5,583	28.0	22.6	5.4	4.5	18.6	14.7	20.0	21.1	1.2	1.5
Average in China domestic baijiu market							27.9	23.2	6.8	5.9	18.7	15.5	22.3	23.1	1.6	1.9
Budweiser Brewing Co Apac Lt	2319 HK	NR	NA	28.7	HK\$	48,413	50.1	38.5	3.2	3.1	21.9	19.6	9.0	9.7	1.0	1.3
Tsingtao Brewery Co Ltd-H	168 HK	ADD	61.0	45.6	HK\$	8,458	26.0	23.8	2.9	2.7	11.6	10.5	10.9	11.4	1.0	1.1
China Resources Beer Holding	291 HK	ADD	51.0	40.4	HK\$	16,703	38.0	31.0	5.8	5.3	23.4	18.9	16.1	18.0	0.7	1.0
Average in HK market							38.0	31.1	4.0	3.7	19.0	16.3	12.0	13.0	0.9	1.1
Diageo Plc	DGE LN	NR	NA	3212.0	GBP	97,792	25.4	22.1	9.6	8.9	19.4	18.2	33.9	39.0	2.2	2.3
Anheuser-Busch Inbev Sa/Nv	ABI BB	NR	NA	73.2	EUR	165,034	17.2	17.5	2.2	2.1	12.6	12.1	14.0	12.6	2.4	2.4
Ambev Sa	ABEV3 BZ	NR	NA	17.6	BRL	69,278	23.1	20.8	4.6	4.4	12.3	11.4	20.6	22.0	3.4	4.4
Constellation Brands Inc-A	STZ US	NR	NA	191.5	US\$	36,729	21.0	22.4	3.2	3.0	17.1	17.5	20.2	13.3	1.5	1.6
Carlsberg As-B	CARLB DC	NR	NA	974.2	DKK	22,068	23.5	21.3	3.3	3.2	11.7	11.1	13.9	15.0	2.0	2.2
Molson Coors Brewing Co -B	TAP US	NR	NA	53.0	US\$	11,558	12.3	12.3	0.8	0.8	8.9	9.0	6.9	6.7	3.7	4.3
Heineken Nv	HEIA NA	NR	NA	92.3	EUR	59,427	20.8	19.3	3.4	3.1	12.1	11.6	15.9	15.8	1.8	2.0
Asahi Group Holdings Ltd	2502 JP	NR	NA	5430.0	JPY	24,179	16.5	14.3	2.0	1.8	11.1	10.1	12.8	12.8	2.0	2.2
Kirin Holdings Co Ltd	2503 JP	NR	NA	2305.0	JPY	19,399	27.4	14.6	2.2	2.1	12.7	10.2	8.7	14.4	2.8	3.0
Pernod Ricard Sa	RI FP	NR	NA	165.6	EUR	49,110	25.6	23.1	2.8	2.6	18.0	16.5	10.8	11.0	1.7	2.1
United Spirits Ltd	UNSP IN	NR	NA	621.2	INR	6,371	58.4	48.9	14.1	11.3	33.8	30.3	26.9	25.2	0.1	0.3
Brown-Forman Corp-Class B	BF/B US	NR	NA	64.9	US\$	30,458	37.7	35.8	19.1	16.8	27.6	26.5	56.3	49.3	1.0	1.1
Remy Cointreau	RCO FP	NR	NA	119.9	EUR	6,718	36.5	32.2	4.0	4.0	22.5	20.2	11.3	12.6	1.5	1.5
Davide Campari-Milano Spa	CPR IM	NR	NA	8.3	EUR	10,720	34.5	30.5	4.0	3.7	21.3	19.4	12.1	12.3	0.6	0.7
C&C Group Plc	GCC ID	NR	NA	4.1	EUR	1,409	15.9	13.5	2.2	2.0	13.2	11.6	14.9	14.3	3.7	4.2
Becle Sab De Cv	CUERVO* MM	NR	NA	33.4	MXN	6,385	31.0	26.4	2.4	2.3	20.7	17.8	8.1	9.2	1.5	1.7
Sapporo Holdings Ltd	2501 JP	NR	NA	2727.0	JPY	1,979	24.8	22.0	1.3	1.2	11.4	10.8	5.3	5.9	1.5	1.6
Vina Concha Y Toro Sa	CONCHA CI	NR	NA	1352.2	CLP	1,353	20.1	16.5	1.7	1.6	12.9	11.0	8.7	9.9	1.9	2.3
Treasury Wine Estates Ltd	TWE AU	NR	NA	17.6	AUD	8,753	28.3	23.9	3.4	3.2	17.4	14.8	12.4	14.0	2.2	2.7
Average in International market							26.3	23.0	4.5	4.1	16.7	15.3	16.5	16.6	2.0	2.2

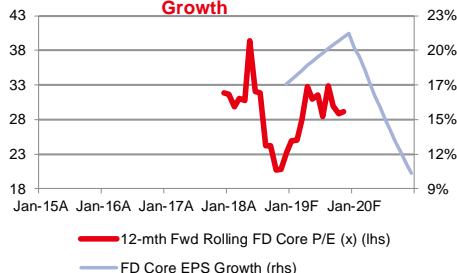
SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	26,277	26,575	28,759	30,553	32,149
Gross Profit	8,330	7,693	8,549	9,423	10,261
Operating EBITDA	2,854	3,141	3,731	4,133	4,756
Depreciation And Amortisation	-1,167	-1,281	-1,307	-1,360	-1,415
Operating EBIT	1,687	1,860	2,424	2,773	3,341
Financial Income/(Expense)	370	497	517	536	557
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	48	23	51	51	51
Profit Before Tax (pre-EI)	2,345	2,756	3,359	3,710	4,282
Exceptional Items					
Pre-tax Profit	2,105	2,380	2,992	3,361	3,949
Taxation	-723	-819	-1,029	-1,156	-1,359
Exceptional Income - post-tax					
Profit After Tax	1,382	1,561	1,962	2,205	2,591
Minority Interests	-119	-139	-175	-196	-230
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,263	1,422	1,788	2,008	2,360
Recurring Net Profit	1,421	1,669	2,029	2,237	2,578
Fully Diluted Recurring Net Profit	1,421	1,669	2,029	2,237	2,578

Cash Flow

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	2,854	3,141	3,731	4,133	4,756
Cash Flow from Invt. & Assoc.					
Change In Working Capital	-43	664	421	163	106
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-577	201	-447	-554	-737
Net Interest (Paid)/Received	-11	-14	-14	-14	-14
Tax Paid					
Cashflow From Operations	2,224	3,992	3,691	3,728	4,111
Capex	-504	-817	-1,500	-1,500	-1,500
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	-504	-817	-1,500	-1,500	-1,500
Debt Raised/(repaid)	-0	-275	0	0	0
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	-535	-639	-815	-916	-1,076
Preferred Dividends					
Other Financing Cashflow	2	273	167	101	160
Cash Flow From Financing	-533	-641	-648	-815	-916
Total Cash Generated	1,187	2,535	1,543	1,413	1,695
Free Cashflow To Equity	1,719	2,900	2,191	2,228	2,611
Free Cashflow To Firm	1,730	3,189	2,205	2,242	2,625

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	9,805	12,536	14,022	15,435	17,131
Total Debtors	141	111	136	145	152
Inventories	2,393	2,651	2,647	2,710	2,749
Total Other Current Assets	1,733	2,463	2,665	2,831	2,979
Total Current Assets	14,073	17,760	19,471	21,122	23,011
Fixed Assets	10,991	10,296	10,706	11,045	11,312
Total Investments	1,827	2,081	2,081	2,081	2,081
Intangible Assets	4,083	3,907	3,690	3,491	3,308
Total Other Non-Current Assets	0	0	0	0	0
Total Non-current Assets	16,902	16,285	16,477	16,617	16,702
Short-term Debt	283	296	296	296	296
Current Portion of Long-Term Debt					
Total Creditors	2,373	2,572	2,546	2,554	2,535
Other Current Liabilities	7,796	9,218	9,804	10,196	10,515
Total Current Liabilities	10,452	12,087	12,645	13,047	13,347
Total Long-term Debt	1	1	1	1	1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,747	3,298	3,298	3,298	3,298
Total Non-current Liabilities	2,748	3,298	3,298	3,298	3,298
Total Provisions	0	0	0	0	0
Total Liabilities	13,200	15,385	15,944	16,345	16,645
Shareholders' Equity	17,145	17,970	19,110	20,303	21,748
Minority Interests	629	719	894	1,090	1,320
Total Equity	17,775	18,690	20,004	21,393	23,068

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	0.65%	1.13%	8.22%	6.24%	5.22%
Operating EBITDA Growth	30.2%	10.0%	18.8%	10.8%	15.1%
Operating EBITDA Margin	10.9%	11.8%	13.0%	13.5%	14.8%
Net Cash Per Share (Rmb)	7.05	9.06	10.16	11.21	12.46
BVPS (Rmb)	12.69	13.30	14.15	15.03	16.10
Gross Interest Cover	182.8	163.1	196.6	217.2	262.4
Effective Tax Rate	34.3%	34.4%	34.4%	34.4%	34.4%
Net Dividend Payout Ratio	37.8%	36.1%	37.8%	38.8%	40.0%
Accounts Receivables Days	1.85	1.73	1.57	1.69	1.69
Inventory Days	48.86	48.75	47.84	46.40	45.52
Accounts Payables Days	48.10	47.80	46.22	44.17	42.44
ROIC (%)	19.7%	24.4%	36.5%	41.7%	49.2%
ROCE (%)	13.4%	14.9%	17.2%	17.7%	19.1%
Return On Average Assets	4.10%	4.43%	5.18%	5.47%	6.11%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP (% chg, main prod./serv.)	0.0%	0.4%	4.7%	2.9%	2.1%
Unit sales grth (% , main prod./serv.)	8.0%	2.9%	3.6%	3.2%	2.9%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg, main)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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We are transferring the rating mechanism from "BUY, SELL, HOLD" to "ADD, REDUCE, HOLD". Please refer to the definitions below.

Explanation on Equity Ratings

ADD : The stock's total return is expected to exceed 10% over the next 12 months.

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