

# Midea Group (000333 CH)

## China recovery to outweigh overseas pressure

Resilient 1Q20 for Midea, reflected by 1) strong export orders, 2) relatively high small appliances and online mix, and 3) favorable input costs and FX rate. Exports may experience more pressure but China recovery should be healthy in 2Q-4Q20E. Therefore, we maintain BUY but cut TP to RMB 72.80, based on 17x FY21E P/E (rolled over from 18x FY20E), vs China/ Int'l peers' avg. of 16x/ 14x.

- FY19 net profit inline: Strong market share gains and GP margin expansion.** Midea's FY19 NP att. rose by 20% YoY, 2% above/ 1% below BBG/ CMBIS est. Despite sales growth slowed to 7% YoY in 4Q19, NP att. accelerated to 24% YoY in 4Q19, aided by GP margin expansion on more A.C. sales (market shares +4ppt to 29% for offline/ +7ppt to 30% for online in FY19), more high-end product, favorable FX and lower raw material cost.
- 1Q20 result was resilient and slightly better than industry.** Midea's 1Q20 NP att. fell by 23% YoY, fairly resilient and way better than its peers such as Haier SH's -41%, Supor's -41% and Gree's -69%. The beat, in our view, was due to: 1) better product mix, with less impact on small appliances vs large appliances (e.g. A.C. was hit hard) and 2) strong exports orders of 26% YoY.
- Guiding for a 3-5% decline in sales/ NP att. in FY20E, driven by a gradual recovery in China and potentially bumpy export sales.** We find this target achievable, because: 1) small appliances sales had already normalized in Apr 2020 and should do better as Midea plans to launch 28 new products in Jun 2020, 2) A.C. price war may continue in FY20E but only at the expense of smaller brands like AUX and others. Midea still managed to gain shares even with double digit decline in ASP in FY19, 3) export orders cut/ suspension may go up in 2Q-3Q20E (~3% of FY20E sales as of Apr 2020) but should only be limited, given less than 20% sales exposure to US/ EU, and 4) GP margin should be stable, which is well supported by falling costs and weakening CNY environment. However, the robotic and automation sales (mainly KUKA) may decline in FY20E since capex on technology upgrades by customers were reduced due to the adverse macro environment.
- Maintain BUY but trimmed TP to RMB 72.80 (34% upside).** We reiterated BUY because: 1) negatives are all priced in and recovery onwards shall be healthy, and 2) 1Q outperformance to will sustain into 2Q thanks to product mix. We cut FY20E/ 21E NP by 18%/ 11% to factor in sales drop due to virus outbreak and cut in overseas orders. Our new TP is based on 17x FY21E P/E (rolled over from 18x FY20E). The counter now trades at 16x/ 13x FY20E/ 21E P/E (vs China peers' avg. of 16x) or 1.6x PEG (vs China peers' 1.8x).

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	259,665	278,216	273,269	303,586	326,704
YoY growth (%)	7.9	7.1	(1.8)	11.1	7.6
Net income (RMB mn)	20,231	24,211	23,725	29,552	33,058
Diluted EPS (RMB)	3.05	3.58	3.47	4.28	4.74
YoY growth (%)	15.9	17.2	(2.9)	23.3	10.8
Consensus EPS (RMB)	n/a	n/a	3.62	4.18	4.82
P/E (x)	17.8	15.2	15.6	12.7	11.4
P/B (x)	4.3	3.5	3.2	2.7	2.4
Yield (%)	2.4	3.1	2.9	3.6	4.0
ROE (%)	25.8	26.2	22.0	23.9	23.1
Net gearing (%)	29.8	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price	RMB72.80
(Previous TP	RMB75.33)
Up/Downside	+34.3%
Current Price	RMB54.20

### China Home Appliance Sector

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Stock Data	
Mkt Cap (RMB mn)	378,611
Avg 3 mths t/o (RMB mn)	1,672.16
52w High/Low (RMB)	61.00/46.30
Total Issued Shares (mn)	6,985.4

Source: Bloomberg

Shareholding Structure	
Midea Holding	31.67%
Ownership via stock connect	15.98%
China Securities Finance Corp	2.84%
Mr. Fang Hong Bo	1.96%
Employees incentive scheme	1.18%
Free float	46.37%

Source: Company's annual report, Bloomberg

Share Performance		
	Absolute	Relative
1-mth	12.0%	10.2%
3-mth	0.8%	14.8%
6-mth	-9.4%	3.9%
12-mth	10.5%	33.7%

Source: Bloomberg

### 12-mth Price Performance



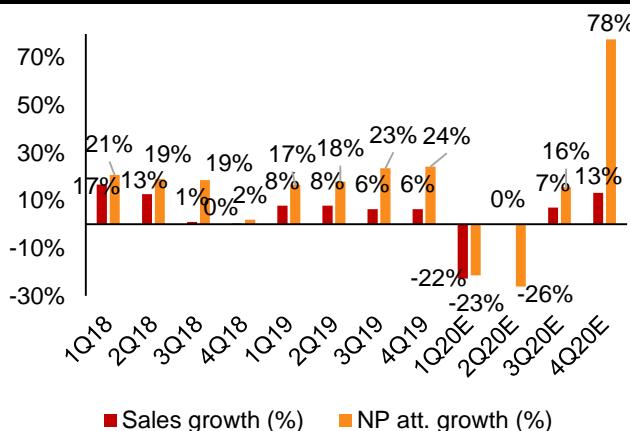
Source: Bloomberg

**Auditor: PricewaterhouseCoopers**

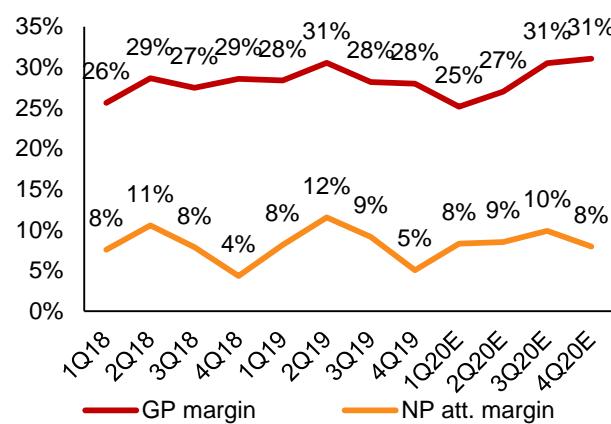
### Related Reports

1. Midea Group (000333 CH, BUY) : Consistent outperformance by great strategy – 6 Nov 2019
2. Midea Group (000333 CH, BUY) : Prudent sales and rosy margin for 2H19E – 10 Sep 2019
3. Midea Group (000333 CH, BUY) : Diversified portfolio with effective incentives – 28 Jun 2019

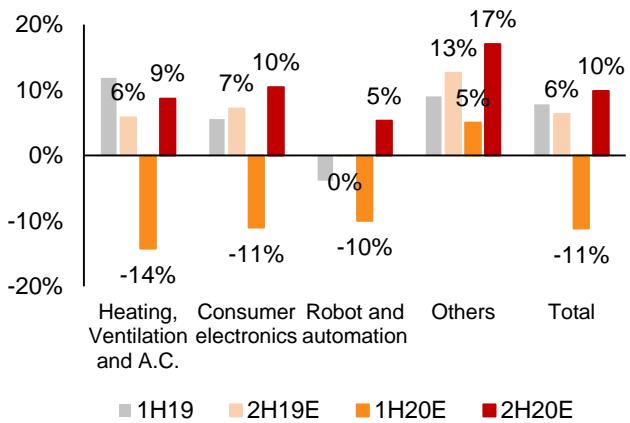
## Focus Charts

**Figure 1: Sales and net profit att. growth - quarterly**


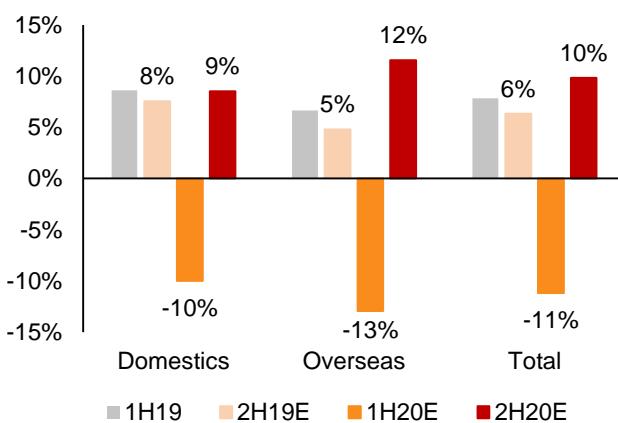
Source: Company data, CMBIS estimates

**Figure 2: GP/ NP att. Margin - quarterly**


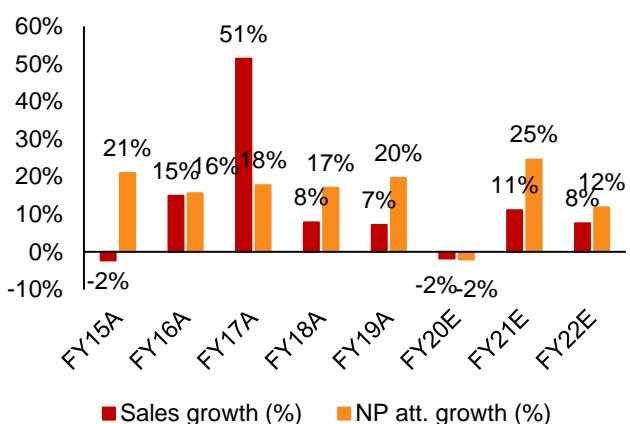
Source: Company data, CMBIS estimates

**Figure 3: Midea's sales growth by segment**


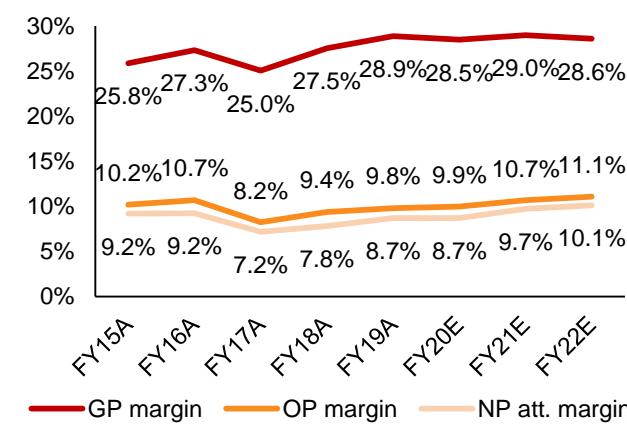
Source: Company data, CMBIS estimates

**Figure 4: Midea's sales growth by region**


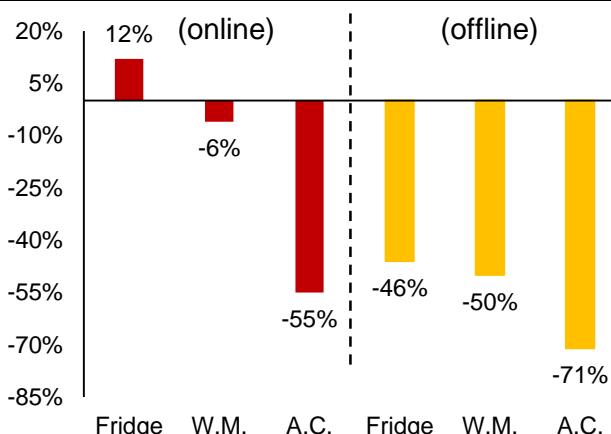
Source: Company data, CMBIS estimates

**Figure 5: Sales and net profit att. growth – full yearly**


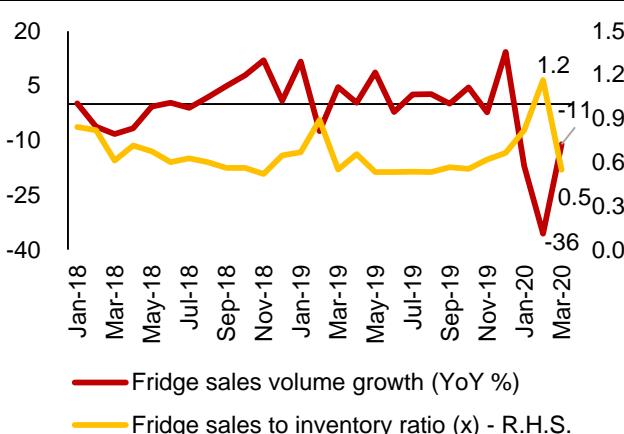
Source: Company data, CMBIS estimates

**Figure 6: GP/ OP/ NP att. Margin – full yearly**


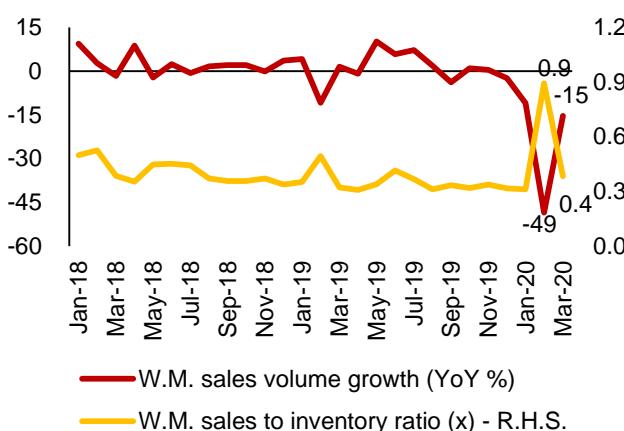
Source: Company data, CMBIS estimates

**Figure 7: Sales growth – Mar 2020**

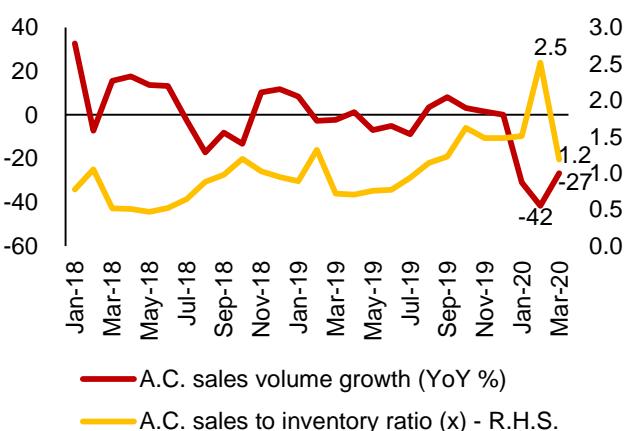
Source: AVC, CMBIS estimates

**Figure 8: Fridge volume growth and inventory level**

Source: China IOL, CMBIS estimates

**Figure 9: W.M. volume growth and inventory level**

Source: China IOL, CMBIS estimates

**Figure 10: A.C. volume growth and inventory level**

Source: China IOL, CMBIS estimates

**Figure 11: Market shares in large and small appliances, by type and channel**

Large appliances	Offline's Mkt shs					Ranking in China					Online's mkt shs		Ranking in China			
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2017	2018	2019	2017	2018	
Air-conditioner	25%	24%	25%	25%	29%	2	2	2	2	2	24%	23%	30%	2	2	1
Washing machine (Midea)	21%	23%	25%	26%	27%	2	2	2	2	2	29%	31%	31%	1	2	2
Refrigerator	10%	11%	11%	11%	13%	4	3	3	3	2	15%	16%	18%	2	2	2
Water heater (Electric)	12%	13%	20%	16%	21%	3	3	3	3	3	34%	32%	31%	1	1	1
Water heater (Gas)			11%	12%			3		2	2	21%	19%	18%	1	1	1
Water purifier	28%		23%	27%	22%	1		2	1	2	12%	14%	13%	3	2	2
Range hood	9%	10%	9%	8%	9%	3	3	4	4	4	17%	14%		1	3	
Stove	7%		7%		7%	4		4		4		14%			2	
<b>Small appliances</b>																
Rice cooker	42%	42%	45%	43%	44%	1	1	1	1	1	33%	32%	30%	1	1	1
Pressure cooker	43%	46%	48%	44%	44%	1	1	1	1	1		42%	41%	1	1	
Mirco wave oven	45%	46%	45%	43%	45%	2	2	2	2	2		49%	53%	1	1	
Induction stove	49%	50%	53%			1	1	1			42%	43%	39%	1	1	1
Food processor				37%	38%				1	1						
Drinking machines											30%	24%	19%	1	1	2

Source: Company data, CMBIS estimates

## Earnings revision

Figure 12: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	273,269	303,586	326,704	309,486	343,792	369,868	-11.7%	-11.7%	-11.7%
Gross profit	77,859	88,006	93,370	89,314	99,589	107,446	-12.8%	-11.6%	-13.1%
EBIT	27,188	32,366	36,133	32,544	37,288	41,649	-16.5%	-13.2%	-13.2%
Net profit att.	23,725	29,552	33,058	28,253	32,679	37,008	-16.0%	-9.6%	-10.7%
Diluted EPS (RMB)	3.472	4.282	4.743	4.185	4.793	5.374	-17.0%	-10.7%	-11.7%
Gross margin	28.5%	29.0%	28.6%	28.9%	29.0%	29.0%	-0.4ppt	0ppt	-0.5ppt
EBIT margin	9.9%	10.7%	11.1%	10.5%	10.8%	11.3%	-0.6ppt	-0.2ppt	-0.2ppt
Net profit att. margin	8.7%	9.7%	10.1%	9.1%	9.5%	10.0%	-0.4ppt	0.2ppt	0.1ppt

Source: Company data, CMBIS estimates

Figure 13: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	273,269	303,586	326,704	280,470	312,165	336,062	-2.6%	-2.7%	-2.8%
Gross profit	77,859	88,006	93,370	77,051	87,315	99,722	1.0%	0.8%	-6.4%
EBIT	27,188	32,366	36,133	25,425	30,489	34,586	6.9%	6.2%	4.5%
Net profit att.	23,725	29,552	33,058	24,643	29,060	32,886	-3.7%	1.7%	0.5%
Diluted EPS (RMB)	3.472	4.282	4.743	3.624	4.183	4.818	-4.2%	2.4%	-1.6%
Gross margin	28.5%	29.0%	28.6%	27.5%	28.0%	29.7%	1ppt	1ppt	-1.1ppt
EBIT margin	9.9%	10.7%	11.1%	9.1%	9.8%	10.3%	0.9ppt	0.9ppt	0.8ppt
Net profit att. margin	8.7%	9.7%	10.1%	8.8%	9.3%	9.8%	-0.1ppt	0.4ppt	0.3ppt

Source: Bloomberg, CMBIS estimates

## Assumptions

Figure 14: CMBIS' assumptions

RMB mn	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by segment (RMB mn)</b>					
Heating, Ventilation & Air-Con.	109,395	119,607	113,627	123,853	133,762
Consumer electronics	102,993	109,487	108,392	123,567	132,216
Robot and automation system	25,678	25,192	24,688	26,416	28,001
Others	21,599	23,930	26,562	29,750	32,725
Total	259,665	278,216	273,269	303,586	326,704
<b>Sales growth by segment (%)</b>					
Heating, Ventilation & Air-Con.	14.7%	9.3%	-5.0%	9.0%	8.0%
Consumer electronics	4.3%	6.3%	-1.0%	14.0%	7.0%
Robot and automation system	-5.0%	-1.9%	-2.0%	7.0%	6.0%
Others	10.3%	10.8%	11.0%	12.0%	10.0%
Total	7.9%	7.1%	-1.8%	11.1%	7.6%
<b>Sales by region growth (%)</b>					
Domestics	9.1%	8.2%	-2.0%	8.0%	5.0%
Overseas	6.2%	5.8%	-1.5%	15.3%	11.0%
Total	7.9%	7.1%	-1.8%	11.1%	7.6%
<b>GP margins by segment</b>					
Heating, Ventilation and Air-Conditioning	30.6%	31.8%	31.6%	32.3%	32.0%
Consumer electronics	29.2%	31.5%	31.3%	31.5%	31.1%
Robot and automation system	22.9%	20.8%	21.0%	22.2%	21.7%
Others	9.7%	10.9%	10.7%	10.8%	10.3%
Total	27.5%	28.9%	28.5%	29.0%	28.6%
<b>Opex breakdown</b>					
S&D (ex- staff costs)/ sales	7.0%	7.6%	7.0%	6.9%	6.5%
Admin costs (ex-R&D, D&A, staff costs) / sales	1.3%	1.6%	1.3%	1.2%	1.0%
D&A - Admin / sales	0.9%	0.9%	0.8%	0.8%	0.8%
Labor costs / sales	5.9%	5.8%	6.2%	6.0%	6.0%
R&D expenses / sales	3.8%	3.5%	3.6%	3.6%	3.6%
Others / sales	0.0%	0.0%	0.0%	0.0%	0.0%
Total	18.9%	19.3%	18.9%	18.5%	17.9%
OP margins	9.4%	9.8%	9.9%	10.7%	11.1%
Effective tax rate	-16.0%	-15.5%	-15.0%	-15.0%	-15.0%
<b>NP att. margins</b>	<b>7.8%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>9.7%</b>	<b>10.1%</b>
<b>NP att. growth (%)</b>	<b>17.1%</b>	<b>19.7%</b>	<b>-2.0%</b>	<b>24.6%</b>	<b>11.9%</b>

Source: Company data, CMBIS estimates

## Valuation

**Figure 15: Peers' valuation**

Company	Ticker	Rating	12m	Price	Up/ Down- side	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
			TP					(LC)	(LC)	End	FY1E	FY2E			
<b>A+ H shares Home Appliances - White goods, Kitchen and Small Appliances</b>															
Midea Group	000333 CH	BUY	72.78	54.20	34%	413,117	Dec-19	15.9	12.7	3.2	2.7	23.4	1.6	3.0	
Gree Electronics	000651 CH	NR	n/a	54.46	n/a	357,475	Dec-19	13.6	11.7	2.8	2.5	19.9	2.1	4.5	
Haier Smart Home	600690 CH	NR	n/a	15.22	n/a	110,723	Dec-19	12.2	10.1	1.8	1.6	15.9	2.3	2.4	
Haier Electronics	1169 HK	NR	n/a	21.25	n/a	59,856	Dec-19	13.8	11.7	1.8	1.6	27.6	(1.1)	2.1	
Hisense JA	921 HK	NR	n/a	7.40	n/a	13,118	Dec-19	7.4	5.5	1.0	0.9	17.1	6.2	3.9	
Hisense HA	000921 CH	NR	n/a	9.86	n/a	13,117	Dec-19	9.6	8.4	1.4	1.2	17.1	(4.9)	2.9	
Whirlpool China	600983 CH	NR	n/a	4.88	n/a	4,081	Dec-19	n/a	n/a	n/a	n/a	(10.6)	n/a	n/a	
Zhejiang Aishida	002403 CH	NR	n/a	7.98	n/a	3,050	Dec-19	12.6	15.8	1.1	1.1	2.1	n/a	4.0	
Bear Electric	002959 CH	NR	n/a	101.70	n/a	13,316	Dec-19	36.3	28.8	6.3	5.4	25.2	2.3	1.3	
Ecovacs Robotics	603486 CH	NR	n/a	20.34	n/a	12,528	Dec-19	36.5	27.9	4.2	3.9	3.6	0.7	0.2	
JS Global Lifestyle	1691 HK	BUY	9.97	9.19	8%	31,312	Dec-19	23.7	18.2	2.9	2.5	n/a	1.1	0.8	
Joyoung Co	002242 CH	NR	n/a	30.88	n/a	25,854	Dec-19	25.8	22.0	5.7	5.2	20.3	2.0	2.7	
Hangzhou Robam	002508 CH	NR	n/a	32.52	n/a	33,675	Dec-19	18.3	16.1	3.8	3.3	22.5	2.1	2.4	
Zhejiang Supor	002032 CH	NR	n/a	65.30	n/a	58,506	Dec-19	26.0	21.8	6.6	5.7	25.7	2.7	2.3	
Vatti Corporation	002035 CH	NR	n/a	11.40	n/a	10,812	Dec-19	12.2	10.8	2.7	2.3	23.4	1.7	3.0	
Xinbao Electrica	002705 CH	NR	n/a	28.41	n/a	24,845	Dec-19	27.4	22.9	4.6	4.0	17.2	1.4	1.6	
								<b>Avg.</b>	<b>19.4</b>	<b>16.3</b>	<b>3.3</b>	<b>2.9</b>	<b>16.7</b>	<b>1.4</b>	<b>2.5</b>
								<b>Med.</b>	<b>15.9</b>	<b>15.8</b>	<b>2.9</b>	<b>2.5</b>	<b>19.9</b>	<b>1.8</b>	<b>2.4</b>
<b>International Home Appliances - White goods, Kitchen and Small Appliances</b>															
Whirlpool Corp	WHR US	NR	n/a	108	n/a	52,281	Dec-19	10.6	8.2	1.8	1.7	29.5	(1.9)	4.6	
Ingersoll-Rand Plc	IR US	NR	n/a	27	n/a	88,190	Dec-19	24.3	18.1	2.0	1.8	9.0	0.7	0.4	
Smith (A.O.) Corp	AOS US	NR	n/a	44	n/a	54,914	Dec-19	24.8	20.2	4.4	n/a	19.8	11.7	2.3	
Helen Of Troy	HELE US	NR	n/a	165	n/a	32,373	Feb-20	20.1	18.5	n/a	n/a	14.1	n/a	n/a	
Cree Inc	CREE US	NR	n/a	41	n/a	34,721	Jun-19	n/a	n/a	2.3	2.2	(14.3)	n/a	n/a	
Irobot Corp	IRBT US	NR	n/a	60	n/a	13,011	Dec-19	342.0	29.0	2.5	2.4	7.6	(57.3)	0.0	
Electrolux Ab	ELUXB SS	NR	n/a	134	n/a	32,721	Dec-19	38.2	10.7	1.8	1.6	11.3	2.3	4.3	
Seb Sa	SK FP	NR	n/a	108	n/a	45,408	Dec-19	20.5	13.3	2.1	1.9	16.9	3.7	1.4	
Koninklijke Philips	PHIA NA	NR	n/a	40	n/a	299,772	Dec-19	20.9	17.9	2.7	2.6	9.5	0.9	2.2	
Daikin Industries	6367 JP	NR	n/a	13525	n/a	289,735	Mar-19	20.8	20.1	2.5	2.3	13.1	3.0	1.2	
Panasonic Corp	6752 JP	NR	n/a	790	n/a	141,648	Mar-19	9.5	12.0	0.9	0.9	15.2	(1.0)	3.9	
Sony Corp	6758 JP	NR	n/a	6806	n/a	627,269	Mar-19	14.3	15.9	2.0	1.8	16.4	(1.5)	0.6	
Hitachi	6501 JP	NR	n/a	3139	n/a	221,907	Mar-19	31.5	4.8	1.0	0.9	6.1	0.9	3.1	
Sharp Corp	6753 JP	NR	n/a	1171	n/a	45,565	Mar-19	10.1	12.0	1.8	1.7	17.3	(7.1)	1.7	
Fujitsu General	6755 JP	NR	n/a	1724	n/a	13,769	Mar-20	18.6	14.3	1.5	1.4	5.3	0.6	1.7	
Lg Electronics	066570 KS	NR	n/a	55500	n/a	57,318	Dec-19	8.3	6.4	0.6	0.6	0.2	0.0	1.4	
Samsung Elect.	005930 KS	NR	n/a	49200	n/a	1,853,590	Dec-19	13.3	8.9	1.2	1.1	7.6	0.6	3.0	
Woongjin Coway	021240 KS	NR	n/a	60300	n/a	28,084	Dec-19	11.0	10.1	3.2	2.7	30.7	1.1	2.9	
								<b>Avg.</b>	<b>37.6</b>	<b>14.1</b>	<b>2.0</b>	<b>1.7</b>	<b>12.0</b>	<b>(2.7)</b>	<b>2.2</b>
								<b>Med.</b>	<b>20.1</b>	<b>13.3</b>	<b>2.0</b>	<b>1.7</b>	<b>12.2</b>	<b>0.6</b>	<b>1.9</b>

Source: Bloomberg, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>259,665</b>	<b>278,216</b>	<b>273,269</b>	<b>303,586</b>	<b>326,704</b>	<b>EBIT</b>	<b>24,336</b>	<b>27,272</b>	<b>27,188</b>	<b>32,366</b>	<b>36,133</b>
Heating, Ventilation & Air-Con.	109,395	119,607	113,627	123,853	133,762	D & A	2,346	4,477	4,242	4,229	4,293
Consumer electronics	102,993	109,487	108,392	123,567	132,216	Change in working capital	1,282	11,800	94	255	602
Robot and automation system	25,678	25,192	24,688	26,416	28,001	Income tax paid	(13,739)	(14,898)	(4,211)	(5,349)	(6,036)
Others	21,599	23,930	26,562	29,750	32,725	Others	13,637	9,939	1,591	3,948	4,728
<b>Cost of goods sold</b>	<b>(188,165)</b>	<b>(197,914)</b>	<b>(195,410)</b>	<b>(215,581)</b>	<b>(233,334)</b>	<b>Net cash from operating CF</b>	<b>27,861</b>	<b>38,590</b>	<b>28,903</b>	<b>35,448</b>	<b>39,720</b>
<b>Gross profit</b>	<b>71,500</b>	<b>80,302</b>	<b>77,859</b>	<b>88,006</b>	<b>93,370</b>						
<b>Other income</b>	<b>1,870</b>	<b>750</b>	<b>1,081</b>	<b>595</b>	<b>1,295</b>	Capex & investments	(5,612)	(3,452)	(3,390)	(3,767)	(4,053)
						Associated companies	-	-	-	-	-
<b>Operating expenses</b>	<b>(49,035)</b>	<b>(53,781)</b>	<b>(51,753)</b>	<b>(56,235)</b>	<b>(58,532)</b>	Interest received	2,098	4,027	-	-	-
D & A	(378)	(2,485)	(2,327)	(2,322)	(2,348)	Others	(15,128)	(23,682)	(5,000)	(5,000)	-
Staff costs	(15,276)	(16,179)	(17,053)	(18,170)	(19,707)	<b>Net cash from investing CF</b>	<b>(18,642)</b>	<b>(23,108)</b>	<b>(8,390)</b>	<b>(8,767)</b>	<b>(4,053)</b>
S & D costs (ex-staff, D&A)	(21,826)	(25,151)	(23,127)	(25,433)	(26,097)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(11,553)	(9,955)	(9,233)	(10,298)	(10,368)	Net change in bank loans	(854)	8,474	(3,000)	(4,000)	-
Other operating expenses	(3)	(12)	(12)	(12)	(12)	Dividend paid	(9,303)	(11,056)	(11,131)	(10,619)	(13,228)
<b>EBIT</b>	<b>24,336</b>	<b>27,272</b>	<b>27,188</b>	<b>32,366</b>	<b>36,133</b>	Others	(3,230)	(692)	(706)	(653)	(623)
Finance costs, net	1,823	2,232	338	1,776	2,471	<b>Net cash from financing CF</b>	<b>(13,387)</b>	<b>(3,274)</b>	<b>(14,837)</b>	<b>(15,273)</b>	<b>(13,851)</b>
JVs & associates	-	-	-	-	-						
Exceptional	(386)	426	547	1,518	1,634	<b>Net change in cash</b>	<b>(4,168)</b>	<b>12,209</b>	<b>5,675</b>	<b>11,409</b>	<b>21,816</b>
<b>Pre-tax profit</b>	<b>25,773</b>	<b>29,929</b>	<b>28,073</b>	<b>35,660</b>	<b>40,237</b>	Beginning cash balance	22,221	15,981	49,166	54,841	66,250
Income tax	(4,123)	(4,652)	(4,211)	(5,349)	(6,036)	Exchange difference	(2,072)	20,976	-	-	-
Less: Minority interests	1,420	1,066	137	759	1,143	<b>Cash at the end of the year</b>	<b>15,981</b>	<b>49,166</b>	<b>54,841</b>	<b>66,250</b>	<b>88,066</b>
<b>Net profit</b>	<b>20,231</b>	<b>24,211</b>	<b>23,725</b>	<b>29,552</b>	<b>33,058</b>						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>81,012</b>	<b>85,473</b>	<b>89,621</b>	<b>94,159</b>	<b>93,919</b>	<b>Sales mix (%)</b>					
Fixed asset	25,542	24,855	25,021	25,576	26,353	Heating, Ventilation & Air-Con.	42.1	43.0	41.6	40.8	40.9
Intangible assets & goodwill	45,287	43,691	42,674	41,656	40,639	Consumer electronics	39.7	39.4	39.7	40.7	40.5
Prepaid lease payments	5,648	9,994	14,994	19,994	19,994	Robot and automation system	9.9	9.1	9.0	8.7	8.6
Interest in joint ventures	-	-	-	-	-	Others	8.3	8.6	9.7	9.8	10.0
Other non-current assets	4,535	6,932	6,932	6,932	6,932	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current assets</b>	<b>182,689</b>	<b>216,483</b>	<b>221,156</b>	<b>239,495</b>	<b>266,983</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	16,201	49,363	55,038	66,448	88,263	Gross margin	27.5	28.9	28.5	29.0	28.6
Inventories	29,645	32,443	32,033	35,339	38,250	Operating margin	9.4	9.8	9.9	10.7	11.1
Trade and other receivables	31,946	30,998	30,447	33,825	36,401	Pre-tax margin	9.9	10.8	10.3	11.7	12.3
Prepayments	2,216	2,246	2,206	2,451	2,638	Net margin	7.8	8.7	8.6	9.8	10.1
Other current assets	102,681	101,432	101,432	101,432	101,432	Effective tax rate	16.0	15.5	15.0	15.0	15.0
<b>Current liabilities</b>	<b>130,231</b>	<b>144,318</b>	<b>140,410</b>	<b>143,595</b>	<b>149,869</b>	<b>Balance sheet ratios</b>					
Bank loans	8,137	7,224	4,224	224	224	Current ratio (x)	1.4	1.5	1.6	1.7	1.8
Trade payables	60,227	66,427	65,587	72,357	78,316	Quick ratio (x)	1.2	1.3	1.3	1.4	1.5
Accruals & other payables	3,346	3,801	3,733	4,147	4,463	Cash ratio (x)	0.1	0.3	0.4	0.5	0.6
Tax payables	3,875	5,096	5,096	5,096	5,096	Inventory turnover days	58	60	60	60	60
others	54,646	61,770	61,770	61,770	61,770	Trade receivables days	45	41	41	41	41
<b>Non-current liabilities</b>	<b>41,016</b>	<b>50,141</b>	<b>50,141</b>	<b>50,141</b>	<b>50,141</b>	Trade payables days	117	123	123	123	123
Bank loans	32,091	41,298	41,298	41,298	41,298	Total debt / total equity ratio (%)	49	48	40	31	27
Deferred income	89	34	34	34	34	Net debt / equity ratio (%)	30	Net cash	Net cash	Net cash	Net cash
Deferred tax	4,422	4,556	4,556	4,556	4,556	<b>Returns (%)</b>					
Others	4,413	4,253	4,253	4,253	4,253	ROE	24.4	23.8	20.8	22.2	21.7
<b>Minority Interest</b>	<b>9,382</b>	<b>5,827</b>	<b>5,964</b>	<b>6,723</b>	<b>7,866</b>	ROA	7.7	8.0	7.7	8.9	9.2
<b>Total net assets</b>	<b>83,072</b>	<b>101,669</b>	<b>114,263</b>	<b>133,196</b>	<b>153,026</b>	<b>Per share</b>					
<b>Shareholders' equity</b>	<b>83,072</b>	<b>101,669</b>	<b>114,263</b>	<b>133,196</b>	<b>153,026</b>	Diluted EPS (RMB)	3.1	3.6	3.4	4.3	4.7
Source: Company data, CMBIS estimates						DPS (RMB)	1.3	1.7	1.6	2.0	2.2
						BVPS (RMB)	12.6	15.4	17.2	19.8	22.6

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