

Midea Group (000333 CH)

A rosy outlook for both domestic and export

3Q20 was a clear beat for Midea (even excluding the one-off investment and fair value gains) and we are more positive on 4Q20E given its highly competitive products and strong export order outlook. Therefore, we maintain BUY and lifted TP to RMB 95.24, based on 22x FY21E P/E (up from 20x), vs China/ Int'l peers' avg. of 21x/ 17x.

- **3Q20 results was a strong beat.** Midea sales/ net profit att. increased by 16%/ 32% YoY to RMB 77.7bn/ 8.1bn in 3Q20, beating BBG and CMBI's est. by 9%/ 32% and 8%/27%. We attributed the beat to: 1) robust sales growth (both domestic and export) and 2) significant investment and fair value gains. Noted that 3.4ppt YoY GP margin drop was mainly due to: 1) relocating of installation fees to COGS (from selling expenses) and 2) higher mix of e-commerce sales. Even excluding one-off investment and fair value gains, adjusted net profit att. still managed to grow by 19% YoY, still a beat.
- **Both domestic and export sales growth accelerated, while A.C. was the main driver.** Midea's domestic and export sales growth speeded up to 22%/ 18% YoY, from 16% drop and 0% in 1H20. We believe the beat in domestic sales was mainly driven by exceptional market shares gain in the A.C. segment (+3ppt YoY to 33% in online and +6ppt YoY to 35% in offline in 3Q20, according to AVC.). We think innovations such as No Wind Feeling (无风感) and 180° Rotation Wind Channel (180° 旋转风道) were the key. While the beat in export sales was more an industry-wise pick up, in our view, where sales growth for fridge/ W.M./ A.C. were booming at 57%/ 17%/ 15% YoY in Sep 2020. We now forecast a 14% sales and 24% net profit growth in 4Q20E. However, despite the momentum, we should be aware of potential drags on GP margin due to recent CNY appreciation.
- **KUKA business begins to recover.** KUKA registered a turnaround in profit in 3Q20, which is certainly a beat, and its sales growth in 4Q20E should likely resume as its future orders also recorded ~20% YoY growth.
- **Maintain BUY but raised TP to RMB 95.24 (22% upside).** We reiterate BUY because of: 1) industry leading sales growth, 2) robust exports market and 3) continual sector turnaround and re-rating. We fine-tuned FY20E/ 21E/ 22E NP by 7%/ 0%/ 0% to factor in better sales growth but a weaker GP margin. Our new TP is based on 22x FY21E P/E (up from 20x due to stronger than peers' growth). The counter now trades at 18x 21E P/E (vs China peers' avg. of 21x) or 1.9x PEG (vs China peers' 2.9x).

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	259,665	278,216	282,217	313,652	337,555
YoY growth (%)	7.9	7.1	1.4	11.1	7.6
Net income (RMB mn)	20,231	24,211	25,615	29,875	33,767
Diluted EPS (RMB)	3.05	3.58	3.75	4.33	4.84
YoY growth (%)	15.9	17.2	4.9	15.5	11.9
Consensus EPS (RMB)	n/a	n/a	3.54	4.14	4.68
P/E (x)	25.5	21.8	20.8	18.0	16.1
P/B (x)	6.2	5.0	4.5	3.9	3.4
Yield (%)	1.7	2.2	2.2	2.6	2.9
ROE (%)	25.8	26.2	23.5	23.8	23.3
Net gearing (%)	29.8	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	RMB95.24
(Previous TP)	RMB86.57)
Up/Downside	+22.3%
Current Price	RMB77.87

China Home Appliance Sector

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Stock Data

Mkt Cap (RMB mn)	546,787
Avg 3 mths t/o (RMB mn)	1,641.94
52w High/Low (RMB)	82.50/46.30
Total Issued Shares (mn)	7,021.8

Source: Bloomberg

Shareholding Structure

Midea Holding	31.56%
Ownership via stock connect	17.30%
China Securities Finance Corp	2.83%
Mr. Fang Hong Bo	1.95%
Employees incentive scheme	1.18%
Free float	45.26%

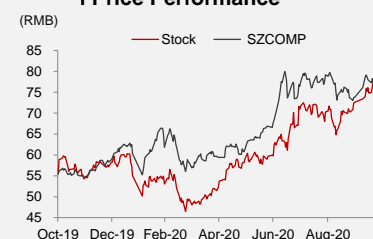
Source: Company's annual report, Bloomberg

Share Performance

	Absolute	Relative
1-mth	7.3%	4.9%
3-mth	9.7%	11.2%
6-mth	44.9%	16.2%
12-mth	45.6%	7.9%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

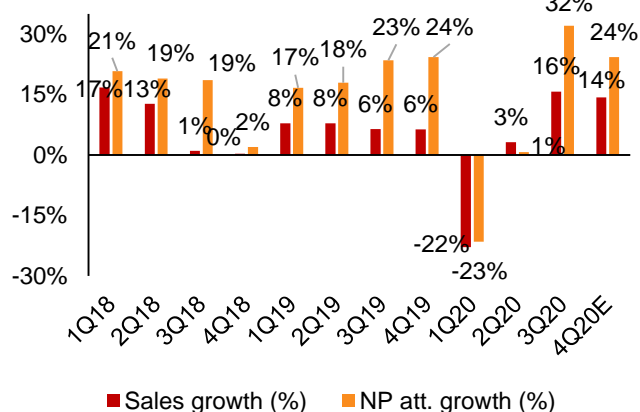
Auditor: PricewaterhouseCoopers

Related Reports

1. Midea Group (000333 CH, BUY) - Outperformer during sector turnaround - 2 Sep 2020
2. Midea Group (000333 CH, BUY) : China recovery to outweigh overseas pressure - May 2020
3. Midea Group (000333 CH, BUY) : Consistent outperformance by great strategy - Nov 2019

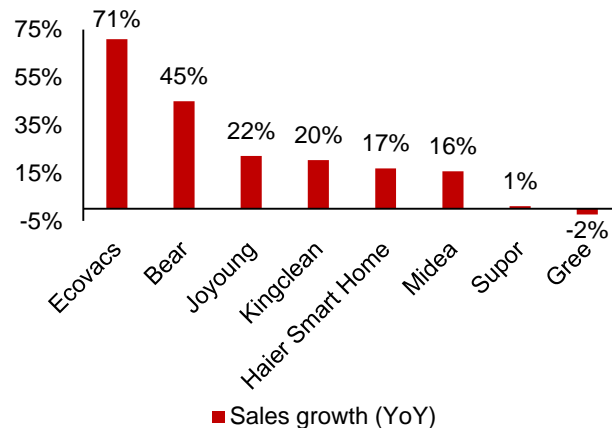
Focus Charts

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



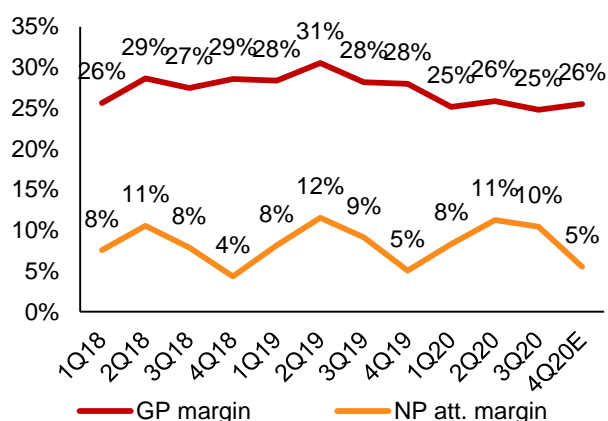
Source: Company data, CMBIS estimates

Figure 2: Sales growth by brand – 3Q20



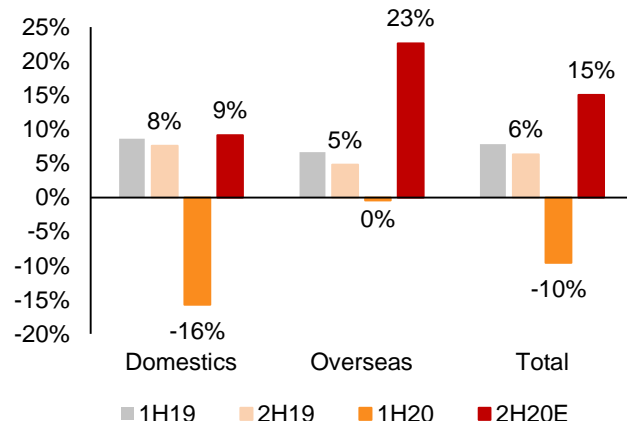
Source: Company data, CMBIS estimates

Figure 3: GP/ NP att. margin - quarterly



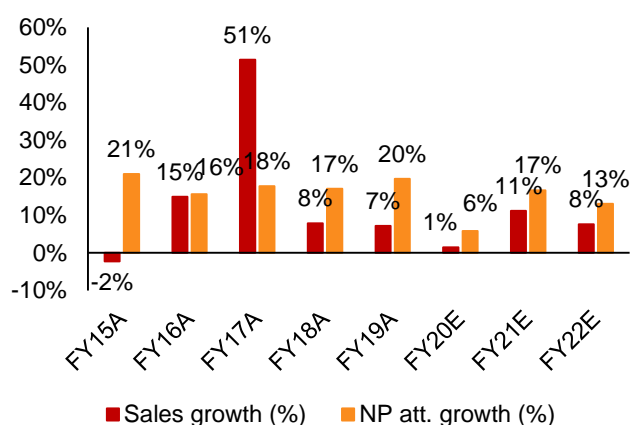
Source: Company data, CMBIS estimates

Figure 4: Midea's sales growth by region



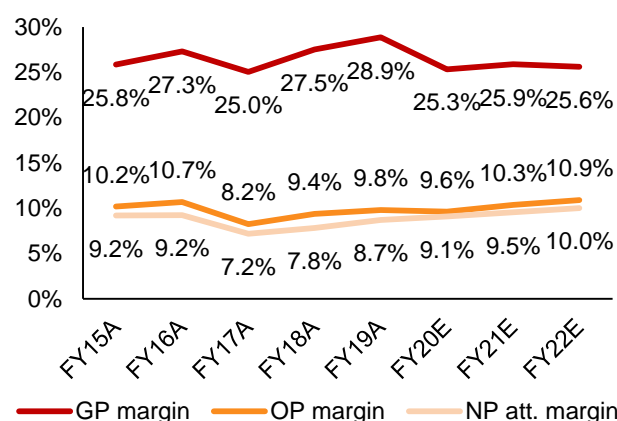
Source: Company data, CMBIS estimates

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

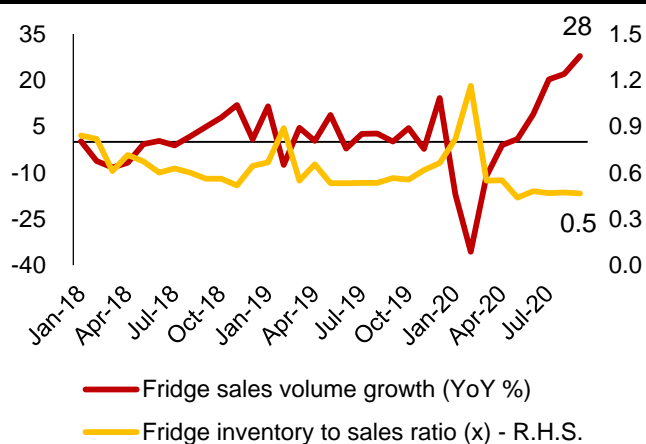


Source: Company data, CMBIS estimates

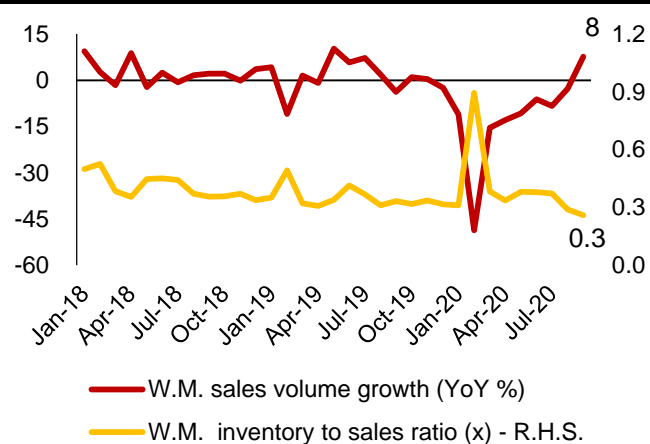
Figure 6: GP/ OP/ NP att. margin – full yearly



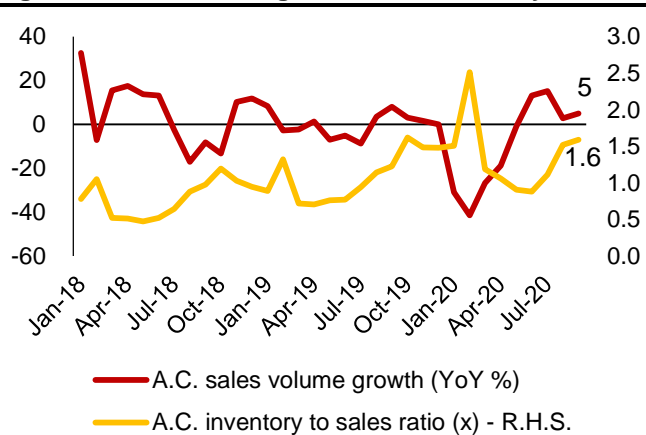
Source: Company data, CMBIS estimates

Figure 7: Fridge volume growth and inventory level

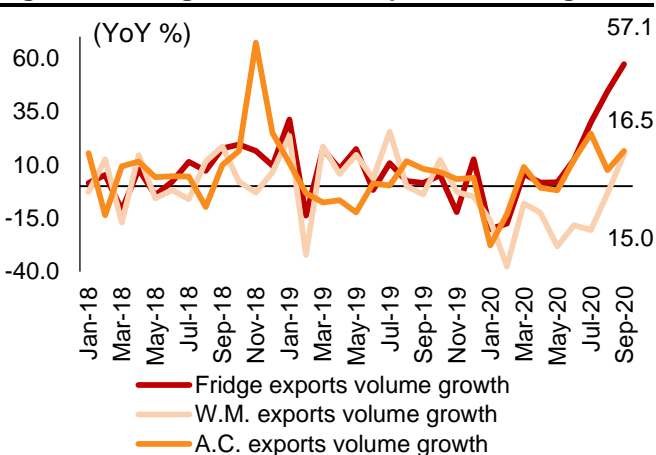
Source: China IOL, CMBIS estimates

Figure 8: W.M. volume growth and inventory level

Source: China IOL, CMBIS estimates

Figure 9: A.C. volume growth and inventory level

Source: China IOL, CMBIS estimates

Figure 10: Fridge, W.M., A.C. exports volume growth

Source: China IOL, CMBIS estimates

Earnings revision

Figure 11: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	282,217	313,652	337,555	276,301	307,032	330,438	2.1%	2.2%	2.2%
Gross profit	71,523	81,184	86,428	70,718	80,246	85,440	1.1%	1.2%	1.2%
EBIT	27,083	32,444	36,706	27,592	32,938	37,204	-1.8%	-1.5%	-1.3%
Net profit att.	25,615	29,875	33,767	23,866	29,869	33,803	7.3%	0.0%	-0.1%
Diluted EPS (RMB)	3.749	4.329	4.845	3.493	4.328	4.850	7.3%	0.0%	-0.1%
Gross margin	25.3%	25.9%	25.6%	25.6%	26.1%	25.9%	-0.3ppt	-0.3ppt	-0.3ppt
EBIT margin	9.6%	10.3%	10.9%	10.0%	10.7%	11.3%	-0.4ppt	-0.4ppt	-0.4ppt
Net profit att. margin	9.1%	9.5%	10.0%	8.6%	9.7%	10.2%	0.4ppt	-0.2ppt	-0.2ppt

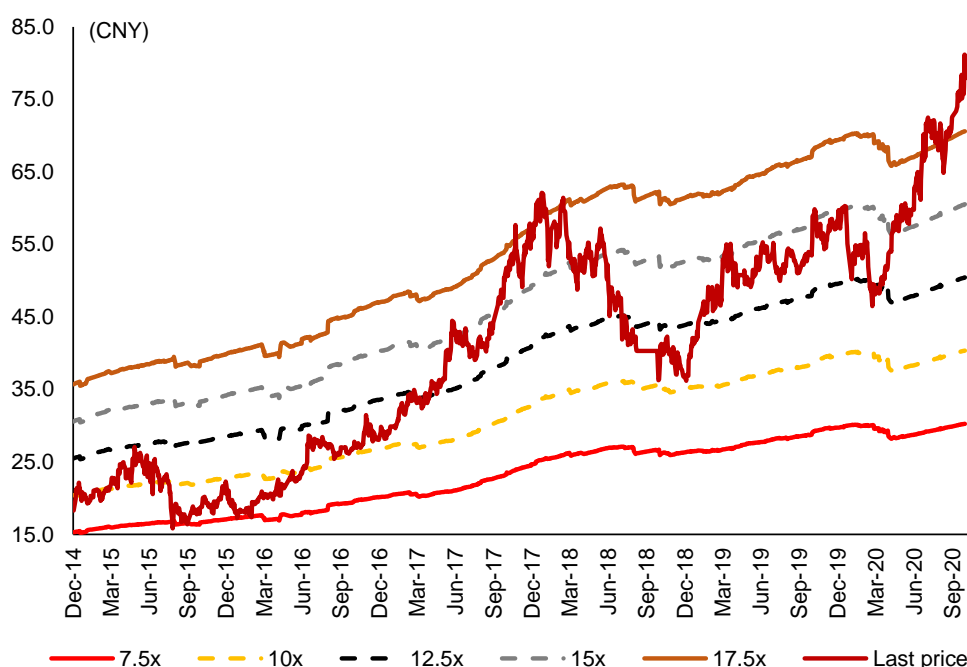
Source: Company data, CMBIS estimates

Figure 12: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	282,217	313,652	337,555	279,195	310,649	338,871	1.1%	1.0%	-0.4%
Gross profit	71,523	81,184	86,428	76,503	87,216	96,332	-6.5%	-6.9%	-10.3%
EBIT	27,083	32,444	36,706	26,507	31,138	35,254	2.2%	4.2%	4.1%
Net profit att.	25,615	29,875	33,767	24,824	28,907	32,649	3.2%	3.3%	3.4%
Diluted EPS (RMB)	3.749	4.329	4.845	3.543	4.141	4.679	5.8%	4.6%	3.5%
Gross margin	25.3%	25.9%	25.6%	28.4%	29.1%	29.5%	-3.1ppt	-3.2ppt	-3.9ppt
EBIT margin	9.6%	10.3%	10.9%	9.4%	9.9%	10.3%	0.2ppt	0.4ppt	0.6ppt
Net profit att. margin	9.1%	9.5%	10.0%	8.9%	9.3%	9.7%	0.2ppt	0.2ppt	0.3ppt

Source: Bloomberg, CMBIS estimates

Figure 13: Forward 1 year P/E band



Source: Company data, Bloomberg, CMBIS estimates

Results preview

Figure 14: Results preview – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20E	1H19 YoY	2H19 YoY	1H20 YoY	2H20E YoY
Revenue	153,770	124,446	139,067	143,150	8%	6%	-10%	15%
COGS	(108,441)	(89,473)	(103,524)	(107,171)				
Gross profit	45,329	34,973	35,543	35,980	17%	7%	-22%	3%
GP margins	29.5%	28.1%	25.6%	25.1%				
Other income & gains	280	482	420	709				
S & D expenses	(19,530)	(15,081)	(12,631)	(13,837)	16%	6%	-35%	-8%
S & D exp / sales	-12.7%	-12.1%	-9.1%	-9.7%				
Admin expenses	(8,645)	(10,525)	(8,513)	(10,576)	19%	-2%	-2%	0%
Admin exp / sales	-5.6%	-8.5%	-6.1%	-7.4%				
Other opex	-4	-8	-5	-7				
Operating profit (EBIT)	17,431	9,841	14,814	12,268	13%	11%	-15%	25%
OP margins	11.3%	7.9%	10.7%	8.6%				
Other items	23	403	730	1,810				
Net finance income	1,436	796	852	(7)				
Net finance income / sales	0.9%	0.6%	0.6%	0.0%				
Profit after financing costs	18,890	11,040	16,396	14,071				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	18,890	11,040	16,396	14,071	15%	18%	-13%	27%
Tax	(2,830)	(1,822)	(2,329)	(2,241)				
Tax / sales	-1.8%	-1.5%	-1.7%	-1.6%				
Effective tax rate	-15.0%	-16.5%	-14.2%	-15.9%				
Minority interests	873	193	139	144				
Net profit att.	15,187	9,024	13,928	11,687	17%	24%	-8%	30%
NP margins	9.9%	7.3%	10.0%	8.2%				

Source: Company data, CMBIS estimates

Figure 15: Results preview - Full Year

Full yearly (RMB mn)	FY18	FY19	FY20E	FY21E	FY19 YoY	FY20E YoY	FY21E YoY
Revenue	259,665	278,216	282,217	313,652	7%	1%	11%
COGS	(188,165)	(197,914)	(210,694)	(232,467)			
Gross profit	71,500	80,302	71,523	81,184	12%	-11%	14%
GP margins	27.5%	28.9%	25.3%	25.9%			
Other income & gains	1,874	762	1,129	627			
S & D expenses	(31,086)	(34,611)	(26,468)	(28,593)	11%	-24%	8%
S & D exp / sales	-12.0%	-12.4%	-9.4%	-9.1%			
Admin expenses	(17,949)	(19,169)	(19,089)	(20,762)	7%	0%	9%
Admin exp / sales	-6.9%	-6.9%	-6.8%	-6.6%			
Other opex	-3	-12	-12	-12			
Operating profit (EBIT)	24,336	27,272	27,083	32,444	12%	-1%	20%
OP margins	9.4%	9.8%	9.6%	10.3%			
Other items	(386)	426	2,540	1,568			
Net finance income	1,823	2,232	845	2,352			
Net finance income / sales	0.7%	0.8%	0.3%	0.7%			
Profit after financing costs	25,773	29,929	30,467	36,365			
Associated coms	0	0	0	0			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	25,773	29,929	30,467	36,365	16%	2%	19%
Tax	(4,123)	(4,652)	(4,570)	(5,455)			
Tax / sales	-1.6%	-1.7%	-1.6%	-1.7%			
Effective tax rate	-16.0%	-15.5%	-15.0%	-15.0%			
Minority interests	1,420	1,066	282	1,035			
Net profit att.	20,231	24,211	25,615	29,875	20%	6%	17%
NP margins	7.8%	8.7%	9.1%	9.5%			

Source: Company data, CMBIS estimates

Assumptions

Figure 16: CMBIS' assumptions

RMB mn	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by segment (RMB mn)					
Heating, Ventilation & Air-Con.	109,395	119,607	119,607	130,372	140,802
Consumer electronics	102,993	109,487	113,866	129,808	138,894
Robot and automation system	25,678	25,192	22,421	23,990	25,430
Others	21,599	23,930	26,323	29,482	32,430
Total	259,665	278,216	282,217	313,652	337,555
Sales growth by segment (%)					
Heating, Ventilation & Air-Con.	14.7%	9.3%	0.0%	9.0%	8.0%
Consumer electronics	4.3%	6.3%	4.0%	14.0%	7.0%
Robot and automation system	-5.0%	-1.9%	-11.0%	7.0%	6.0%
Others	10.3%	10.8%	10.0%	12.0%	10.0%
Total	7.9%	7.1%	1.4%	11.1%	7.6%
Sales by region growth (%)					
Domestics	9.1%	8.2%	-5.0%	10.0%	5.0%
Overseas	6.2%	5.8%	10.3%	12.5%	10.7%
Total	7.9%	7.1%	1.4%	11.1%	7.6%
GP margins by segment					
Heating, Ventilation and Air-Conditioning	30.6%	31.8%	24.3%	25.0%	24.7%
Consumer electronics	29.2%	31.5%	31.3%	31.5%	31.3%
Robot and automation system	22.9%	20.8%	18.2%	19.2%	19.4%
Others	9.7%	10.9%	10.4%	10.5%	10.0%
Total	27.5%	28.9%	25.3%	25.9%	25.6%
Opex breakdown					
S&D (ex- staff costs)/ sales	7.0%	7.6%	4.4%	4.3%	3.9%
Admin costs (ex-R&D, D&A, staff costs) / sales	1.3%	1.6%	1.2%	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%	5.8%	5.9%
R&D expenses / sales	3.8%	3.5%	3.6%	3.6%	3.5%
Others / sales	0.0%	0.0%	0.0%	0.0%	0.0%
Total	18.9%	19.3%	16.1%	15.7%	15.1%
OP margins	9.4%	9.8%	9.6%	10.3%	10.9%
Effective tax rate	-16.0%	-15.5%	-15.0%	-15.0%	-15.0%
NP att. margins	7.8%	8.7%	9.1%	9.5%	10.0%
NP att. growth (%)	17.1%	19.7%	5.8%	16.6%	13.0%

Source: Company data, CMBIS estimates

Valuation

Figure 17: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
Company	Ticker	Rating	(LC)	(LC)	side	(USDmn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
A+ H shares Home Appliances - White goods, Kitchen and Small Appliances															
Midea Group	000333 CH	BUY	95.24	77.87	22%	633,542	Dec-19	20.8	18.0	4.5	3.9	23.6	1.9	2.1	
Gree Electronics	000651 CH	NR	n/a	58.43	n/a	407,269	Dec-19	17.3	13.6	2.9	2.6	15.1	2.8	3.3	
Haier Smart Home	600690 CH	NR	n/a	24.86	n/a	183,746	Dec-19	21.9	18.0	3.1	2.8	14.1	2.6	1.5	
Haier Electronics	1169 HK	NR	n/a	29.40	n/a	82,820	Dec-19	18.9	15.9	2.3	2.0	25.6	(1.6)	1.6	
Hisense JA	921 HK	NR	n/a	11.08	n/a	20,398	Dec-19	9.4	7.5	1.4	1.2	16.1	3.3	3.0	
Hisense HA	000921 CH	NR	n/a	14.63	n/a	20,403	Dec-19	14.5	12.2	2.1	1.8	16.1	19.0	2.5	
Whirlpool China	600983 CH	NR	n/a	6.16	n/a	5,470	Dec-19	n/a	n/a	n/a	n/a	(9.7)	n/a	n/a	
Zhejiang Aishida	002403 CH	NR	n/a	8.31	n/a	3,373	Dec-19	17.5	17.0	1.3	1.2	7.7	n/a	2.3	
Bear Electric	002959 CH	NR	n/a	116.24	n/a	21,011	Dec-19	41.2	32.8	8.9	7.4	25.2	1.3	1.4	
Ecovacs Robotics	603486 CH	NR	n/a	62.60	n/a	40,852	Dec-19	86.2	54.9	12.3	10.5	10.4	1.0	0.3	
JS Global Lifestyle	1691 HK	BUY	19.57	13.90	41%	48,499	Dec-19	23.9	19.7	4.5	3.7	n/a	0.5	0.7	
Joyoung Co	002242 CH	NR	n/a	35.36	n/a	31,431	Dec-19	29.6	25.1	6.7	6.1	22.6	1.9	2.3	
Hangzhou Robam	002508 CH	NR	n/a	36.53	n/a	40,168	Dec-19	20.3	17.8	4.3	3.8	23.4	1.8	2.1	
Zhejiang Supor	002032 CH	NR	n/a	70.66	n/a	67,223	Dec-19	30.9	26.4	7.6	6.6	27.1	3.2	1.8	
Vatti Corporation	002035 CH	NR	n/a	8.94	n/a	9,004	Dec-19	12.5	10.3	2.2	2.0	17.5	2.2	3.1	
Xinbao Electrica	002705 CH	NR	n/a	44.26	n/a	41,101	Dec-19	34.4	28.4	7.1	6.1	23.9	1.1	1.3	
								Avg.	26.6	21.2	4.7	4.1	17.3	2.9	2.0
								Med.	20.8	18.0	4.3	3.7	17.5	1.9	2.1
International Home Appliances - White goods, Kitchen and Small Appliances															
Whirlpool Corp	WHR US	NR	n/a	185	n/a	89,703	Dec-19	10.9	10.1	3.2	2.7	27.3	3.3	2.7	
Ingersoll-Rand Plc	IR US	NR	n/a	35	n/a	112,992	Dec-19	27.5	21.2	1.6	1.6	(2.8)	0.8	0.0	
Smith (A.O.) Corp	AOS US	NR	n/a	52	n/a	64,695	Dec-19	26.4	22.0	4.7	4.6	18.6	6.3	1.9	
Helen Of Troy	HELE US	NR	n/a	190	n/a	37,273	Feb-20	17.1	16.8	3.1	n/a	17.8	0.7	n/a	
Cree Inc	CREE US	NR	n/a	64	n/a	54,415	Jun-20	n/a	n/a	3.3	3.4	(17.2)	n/a	0.0	
Irobot Corp	IRBT US	NR	n/a	80	n/a	17,356	Dec-19	22.5	37.1	2.9	2.8	21.9	3.5	0.0	
Electrolux Ab	ELUXB SS	NR	n/a	201	n/a	54,051	Dec-19	16.4	13.9	2.5	2.3	25.6	0.6	3.9	
Seb Sa	SK FP	NR	n/a	140	n/a	63,419	Dec-19	23.8	16.7	2.7	2.4	12.9	3.0	1.1	
Koninklijke Philips	PHIA NA	NR	n/a	40	n/a	328,055	Dec-19	21.1	19.0	2.7	2.6	8.8	0.8	2.2	
Daikin Industries	6367 JP	NR	n/a	19480	n/a	423,029	Mar-20	40.9	28.5	3.7	3.4	9.8	3.2	0.8	
Panasonic Corp	6752 JP	NR	n/a	961	n/a	174,635	Mar-20	22.6	12.7	1.1	1.0	8.6	(15.2)	2.7	
Sony Corp	6758 JP	NR	n/a	8674	n/a	810,401	Mar-20	17.3	17.1	2.2	2.0	20.9	1.8	0.6	
Hitachi	6501 JP	NR	n/a	3502	n/a	251,122	Mar-20	8.7	8.2	1.0	0.9	4.8	0.1	2.7	
Sharp Corp	6753 JP	NR	n/a	1200	n/a	47,335	Mar-20	15.3	12.8	2.2	1.8	6.4	0.3	1.5	
Fujitsu General	6755 JP	NR	n/a	2884	n/a	23,349	Mar-20	25.0	21.4	2.6	2.3	7.4	0.6	1.0	
Lg Electronics	066570 KS	NR	n/a	84000	n/a	93,634	Dec-19	8.3	7.5	0.9	0.8	2.7	0.0	0.9	
Samsung Elect.	005930 KS	NR	n/a	56600	n/a	2,301,554	Dec-19	14.3	10.9	1.4	1.3	7.5	0.5	2.5	
Woongjin Coway	021240 KS	NR	n/a	69400	n/a	34,887	Dec-19	12.2	11.4	3.6	2.9	29.5	0.9	1.7	
								Avg.	19.4	16.9	2.5	2.3	11.7	0.7	1.5
								Med.	17.3	16.7	2.6	2.3	9.3	0.8	1.5

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
Revenue	259,665	278,216	282,217	313,652	337,555	EBIT	24,336	27,272	27,083	32,444	36,706
Heating, Ventilation & Air-Con.	109,395	119,607	119,607	130,372	140,802	D & A	2,346	4,477	4,246	4,241	4,315
Consumer electronics	102,993	109,487	113,866	129,808	138,894	Change in working capital	1,282	11,800	1,771	412	674
Robot and automation system	25,678	25,192	22,421	23,990	25,430	Income tax paid	(13,739)	(14,898)	(4,570)	(5,455)	(6,215)
Others	21,599	23,930	26,323	29,482	32,430	Others	13,637	9,939	3,620	4,138	4,935
Cost of goods sold	(188,165)	(197,914)	(210,694)	(232,467)	(251,127)	Net cash from operating CF	27,861	38,590	32,150	35,781	40,415
Gross profit	71,500	80,302	71,523	81,184	86,428	Capex & investments	(5,612)	(3,452)	(3,502)	(3,892)	(4,188)
Other income	1,870	750	1,117	615	1,338	Associated companies	-	-	-	-	-
Operating expenses	(49,035)	(53,781)	(45,557)	(49,355)	(51,060)	Interest received	2,098	4,027	-	-	-
Selling & distribution	(31,086)	(34,611)	(26,468)	(28,593)	(29,557)	Others	(15,128)	(23,682)	(5,000)	(5,000)	-
Admin	(8,135)	(9,520)	(9,051)	(9,485)	(9,550)	Net cash from investing CF	(18,642)	(23,108)	(8,502)	(8,892)	(4,188)
R & D	(9,811)	(9,638)	(10,027)	(11,265)	(11,941)	Equity raised	-	-	-	-	-
Other operating expenses	(3)	(12)	(12)	(12)	(12)	Net change in bank loans	(854)	8,474	(3,000)	(4,000)	-
EBIT	24,336	27,272	27,083	32,444	36,706	Dividend paid	(9,303)	(11,056)	(11,131)	(11,465)	(13,372)
Finance costs, net	1,823	2,232	845	2,352	3,039	Others	(3,230)	(692)	(235)	(218)	(208)
JVs & associates	-	-	-	-	-	Net cash from financing CF	(13,387)	(3,274)	(14,367)	(15,683)	(13,580)
Exceptional	(386)	426	2,540	1,568	1,688	Net change in cash	(4,168)	12,209	9,281	11,206	22,647
Pre-tax profit	25,773	29,929	30,467	36,365	41,433	Beginning cash balance	22,221	15,981	49,166	58,447	69,654
Income tax	(4,123)	(4,652)	(4,570)	(5,455)	(6,215)	Exchange difference	(2,072)	20,976	-	-	-
Less: Minority interests	1,420	1,066	282	1,035	1,451	Cash at the end of the year	15,981	49,166	58,447	69,654	92,301
Net profit	20,231	24,211	25,615	29,875	33,767						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	81,012	85,473	89,728	94,378	94,251	Sales mix (%)					
Fixed asset	25,542	24,855	25,128	25,795	26,686	Heating, Ventilation & Air-Con.	42.1	43.0	42.4	41.6	41.7
Intangible assets & goodwill	45,287	43,691	42,674	41,656	40,639	Consumer electronics	39.7	39.4	40.3	41.4	41.1
Prepaid lease payments	5,648	9,994	14,994	19,994	19,994	Robot and automation system	9.9	9.1	7.9	7.6	7.5
Interest in joint ventures	-	-	-	-	-	Others	8.3	8.6	9.3	9.4	9.6
Other non-current assets	4,535	6,932	6,932	6,932	6,932	Total	100.0	100.0	100.0	100.0	100.0
Current assets	182,689	216,483	228,337	246,869	275,432	P&L ratios (%)					
Cash and cash equivalents	15,981	49,166	58,447	69,654	92,301	Gross margin	27.5	28.9	25.3	25.9	25.6
Inventories	29,645	32,443	34,538	38,108	41,166	Operating margin	9.4	9.8	9.6	10.3	10.9
Trade and other receivables	31,946	30,998	31,444	34,946	37,610	Pre-tax margin	9.9	10.8	10.8	11.6	12.3
Prepayments	2,216	2,246	2,278	2,532	2,725	Net margin	7.8	8.7	9.1	9.5	10.0
Other current assets	102,901	101,629	101,629	101,629	101,629	Effective tax rate	16.0	15.5	15.0	15.0	15.0
Current liabilities	130,231	144,318	145,663	149,400	155,989	Balance sheet ratios					
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	70,717	78,025	84,288	Quick ratio (x)	1.2	1.3	1.3	1.4	1.5
Accruals & other payables	3,346	3,801	3,855	4,285	4,611	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
Non-current liabilities	41,016	50,141	50,141	50,141	50,141	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	39	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	Returns (%)					
Others	4,413	4,253	4,253	4,253	4,253	ROE	24.4	23.8	22.1	22.2	21.8
Minority Interest	9,382	5,827	6,109	7,144	8,596	ROA	7.7	8.0	8.1	8.8	9.1
Total net assets	83,072	101,669	116,153	134,562	154,957	Per share					
Shareholders' equity	83,072	101,669	116,153	134,562	154,957	Diluted EPS (RMB)	3.1	3.6	3.7	4.3	4.8
						DPS (RMB)	1.3	1.7	1.7	2.0	2.2
						BVPS (RMB)	12.6	15.4	17.5	20.0	22.8

Source: Company data, CMBIS estimates

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