Company Report

China Merchants Securities (HK) Co., Ltd.
Hong Kong Equity Research

Wuxi AppTec (2359 HK)

2Q22 results remained solid

- **2Q22 adj. Non-IFRS net profit grew 49% yoy, in line w/ CMS est.**
- **Mgmt. raises FY22E revenue growth guidance slightly to +68-72% yoy from prior +65-70% yoy as they gain further visibility**
- **We cut FY23E earnings est. by 9% to reflect high base effect and tighter funding conditions. Maintain BUY w/ trimmed TP of HKD214**

Strong 2Q22 results despite COVID impacts

2Q22 total revenue grew 66% yoy to RMB9,282mn, primarily driven by **Chemistry** (+102% yoy to RMB6,856mn). We reckon the Chemistry 2Q result was mainly fuelled by its strong CDMO business (RMB5,100mn, +153% yoy) thanks to the COVID project and sustained new projects growth (+256 new molecules into pipeline in 2Q22, vs. +217 in 1Q22 and avg. of +183/qtr in 2021). Meanwhile, we noted COVID restrictions in 2Q had some adverse impacts on growth of Co.'s **Testing** (2Q +17% yoy to RMB1,326mn vs. 1Q 32% yoy, o/w Lab Testing remain robust +30% yoy but clinical CRO was still flat) and **Biology** (2Q +12% yoy to RMB558mn vs 1Q +26% yoy, as Co.'s ~60% capacity is based in Shanghai which heavily experienced COVID disruption). Co. expects growth of these two segments to recover from 3Q22 as COVID wanes. In addition, **WuXi ATU** grew 35% yoy to RMB317mn in 2Q22 but negative GP further expanded due to under-utilized capacities of new Shanghai Lingang site and Philadelphia site. Co. expects WuXi ATU GP to turn profitable in the next 1-2 quarters after utilization ramps up. **DDSU** declined 32% yoy to RMB214mn as CDE's policy pivot might adversely affect some ongoing me-too drug projects. Overall 1H22 GPM down 0.7ppt to 36.2% mainly due to changes in revenue mix and lower GPMs in both WuXi ATU and DDSU. Mgmt. expects GPM to be stable for the rest of 2022E.

Maintain BUY, SOTP-based TP revised down to HKD214

We left earnings forecast unchanged for FY22E but cut FY23 estimates by 9% to reflect demand uncertainties as biotech funding drops 40-50% YTD and high base effect of its Chemistry (we are cautious about COVID project in 2023E). That said, we think Co. is more resilient in the potential industry downtown (top 20 MNC now represented 44% of its rev and we believe MNC's R&D spending are stable). Co. is also well positioned to gain market share through self-built (e.g. new sites in Singapore) and M&A opportunities. Stock now trades at 27x FY23 PER, below 1x PEG, which is lower than its global peers average of 1.2-1.8x PEG. **Investment risk:** COVID-19 pandemic, geo-political risk, etc.

RMB mn	2019	2020	2021	2022E	2023E
Consolidated revenue	12,872	16,535	22,902	38,383	43,166
yoy change	34%	28%	39%	68%	12%
Adj. net profit (non-IFRS)	2,407	3,637	5,131	7,808	8,856
yoy change	41%	51%	41%	52%	13%
Adj. EPS fully diluted (HKD)	1.01	1.48	2.05	3.17	3.60
PER adj (x)	95.4	64.9	46.9	30.3	26.7
PBR (x)	13.3	7.3	6.2	5.4	4.7

Sources: Company, CMS (HK) estimates; Note: adj. net profit excluded one-off items*

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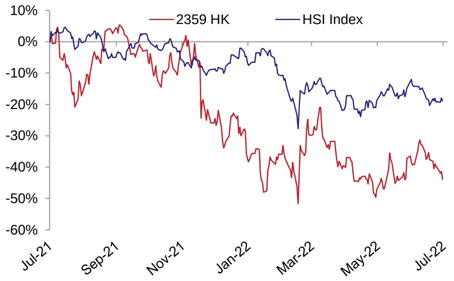
WHAT'S NEW

2Q22 earnings updates

BUY

Previous	BUY
Price (July 27, 2022)	HKD96.3
12-month Target Price (Potential up/downside)	HKD214 (+122%)
Previous	HKD 250

Price Performance



Source: Bloomberg

%	1m	6m	12m
2359 HK	(11.7)	(10.7)	(43.9)
HSI	(7.0)	(13.2)	(18.9)

Sector: Pharmaceutical & Healthcare	
Hang Seng Index (July 27, 2022)	20,670
HSCEI (July 27, 2022)	7,091
Key Data	
52-week range (HKD)	82.3-189.8
Market cap (HKD mn)	324,319
Avg. daily traded value (HKD mn)	273.6
BVPS (HKD)	17.9
Shareholding Structure	
Founders and management	27.1%
BlackRock	11.1%
AL Rayyan	10.8%
Wellington	5.9%
Free float	45.1%

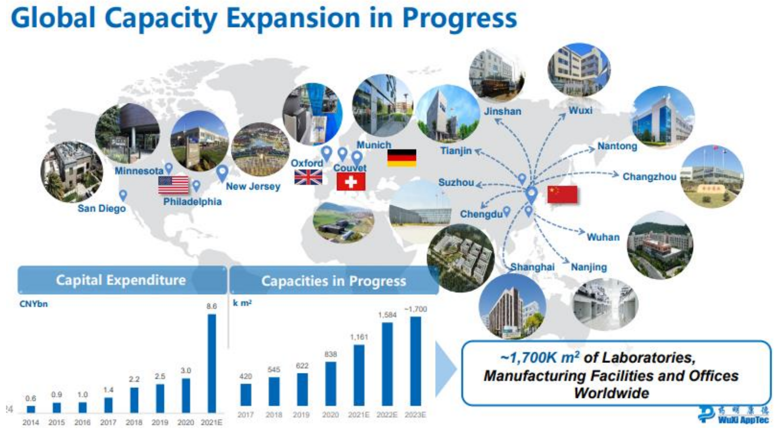
Sources: Company, Bloomberg

Related Research

1. WuXi AppTec (2359 HK) – Strong 1Q22 growth, valuation becomes attractive (BUY) (Apr 26, 2022)
2. WuXi AppTec (2359 HK) – Growth acceleration into 2022 (BUY) (Mar 24, 2022)
3. WuXi AppTec (2359 HK) – Buy the high-quality on the dip (BUY) (Jan 11, 2022)
4. WuXi AppTec (2359 HK) – Solid 3Q21 results (BUY) (Nov 1, 2021)

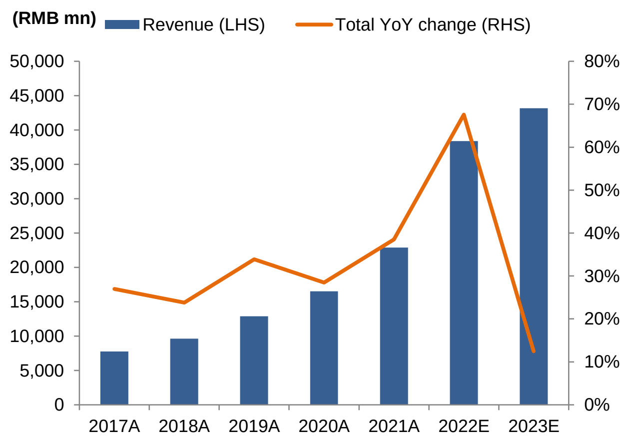
Focus charts

Figure 1: Expanding capacity worldwide



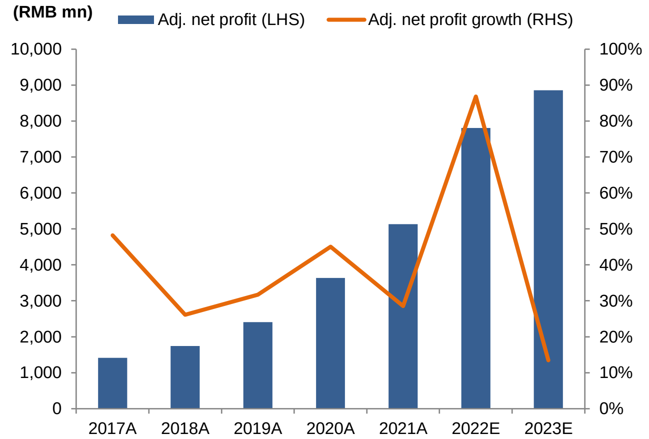
Source: Company

Figure 2: Revenue and growth forecasts



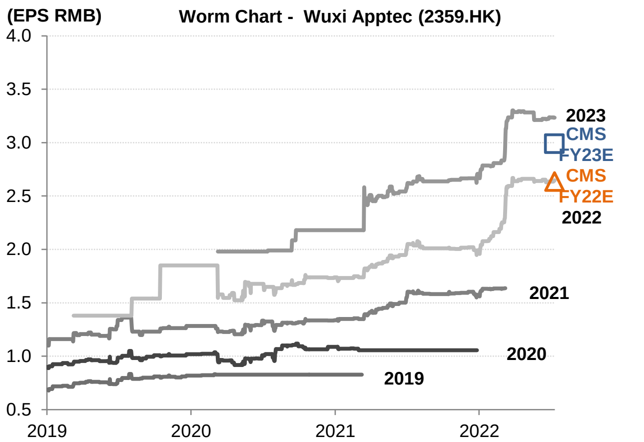
Sources: Company, CMS (HK) estimates

Figure 3: Adj. net profit and growth trend



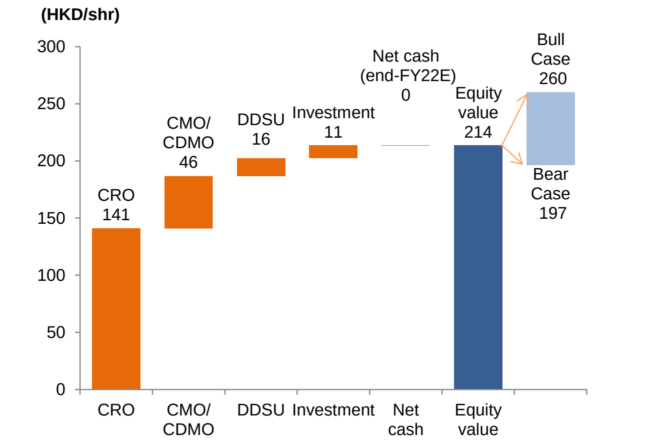
Sources: Company, CMS (HK) estimates

Figure 4: Worm chart - Core EPS consensus vs. CMS estimates



Source: Bloomberg, CMS (HK) estimates

Figure 5: Our SOTP-based valuation bridge



Source: CMS (HK) estimates

Forecast revision

Figure 6: Earnings revisions

(RMB mn)		2022E			2023E	
Income statement	Before	After	% Chg	Before	After	% Chg
Consolidated revenue	**38,245**	**38,383**	**0.4%**	**48,137**	**43,166**	**-10.3%**
COGS	(24,510)	(24,537)	0.1%	(30,589)	(27,588)	-9.8%
Gross profit	**13,736**	**13,846**	**0.8%**	**17,549**	**15,577**	**-11.2%**
(–) Total SG&A expense	(3,825)	(3,762)	-1.6%	(5,054)	(4,101)	-18.9%
Administrative expenses	(2,868)	(2,917)	1.7%	(3,851)	(3,194)	-17.1%
Selling and distribution costs	(956)	(844)	-11.7%	(1,203)	(906)	-24.7%
(+/-) Other income/loss	100	100	0.0%	100	100	0.0%
(–) R&D	(1,530)	(1,535)	0.4%	(1,925)	(1,727)	-10.3%
EBITDA adjusted	**11,543**	**11,906**	**3.1%**	**14,878**	**14,175**	**-4.7%**
(–) Total depreciation and amortisation	(2,297)	(2,297)	0.0%	(3,246)	(3,246)	0.0%
O/W: Stock-based comp	(765)	(960)	25.5%	(963)	(1,079)	12.1%
EBIT adjusted	**9,246**	**9,609**	**3.9%**	**11,632**	**10,929**	**-6.0%**
(+/–) Finance (expense)/income - net	20	20	0.0%	(34)	(32)	-3.5%
(+/–) Profit from JV&Asso.	50	(100)	-300.0%	50	(100)	-300.0%
(+/–) Other income/expense, gains/losses	100	100	0.0%	100	100	0.0%
Profit before tax	**8,651**	**8,669**	**0.2%**	**10,785**	**9,818**	**-9.0%**
(–) Tax	(1,483)	(1,685)	13.7%	(1,856)	(1,907)	2.8%
(+/–) Minority interest	34	36	5.0%	41	34	-18.2%
Net profit attributable to shareholders	**7,134**	**6,949**	**-2.6%**	**8,889**	**7,877**	**-11.4%**
Adjusted net profit	**7,799**	**7,808**	**0.1%**	**9,751**	**8,856**	**-9.2%**
Adj EPS fully diluted (RMB)	**2.63**	**2.64**	**0.1%**	**3.29**	**2.99**	**-9.2%**
Adj EPS fully diluted (HKD)	**3.17**	**3.17**	**0.1%**	**3.97**	**3.60**	**-9.2%**
Margins (%)			**p.p.**			**p.p.**
Gross margin	36%	36%	0.2	36%	36%	-0.4
Adjusted EBITDA margin	30%	31%	0.8	31%	33%	1.9
Adjusted net profit margin	20%	20%	-0.1	20%	21%	0.3
yoy growth (%)						
Consolidated revenue	67%	68%	0.6	26%	12%	-13.4
Gross profit	66%	68%	1.3	28%	13%	-15.3
Adjusted EBITDA	74%	79%	5.5	29%	19%	-9.8
Adjusted net profit	52%	52%	0.2	25%	13%	-11.6

Sources: Company, CMS (HK) estimates

SOTP valuation

Figure 7: SOTP valuation

(RMB mn)	Previous	Revised	Changed
CRO business			
Core net profit	9,751	8,856	-9%
Adjustment:			
(-) Profit from CMO/CDMO	4,058	3,318	-18%
CRO business profit	5,693	5,538	-3%
Valuation for CRO business			
DCF-based (see Figure 8)	**401,485**	**352,098**	**-12%**
CMO/CDMO business			
STA pharma profit	4,099	3,351	-18%
Valuation for CMO/CDMO business			
35x forward PER (excluding MI)	**140,605**	**114,955**	**-18%**
DDSU business			
Accumulated CTA at end-2023E	152	172	13%
Total peak sales (assuming RMB2bn per project) (RMB mn)	304,000	257,250	-15%
Risk adj. peak sales (assuming 21% success rate with 5% royalty)	64,638	54,698	-15%
Valuation for DDSU business			
5x P/peak sales	**46,170**	**39,070**	**-15%**
Investment business			
Book value of			
JV&Asso	778	478	-39%
FVTPL	8,714	8,714	0%
Valuation for investment business			
4x P/B	**37,970**	**27,577**	**-27%**
SOTP enterprise value	**626,031**	**534,001**	**-15%**
Net cash at end FY22E	(120)	(4)	-97%
Equity value (RMB mn)	**625,911**	**533,997**	**-15%**
Equity value (HKD mn)	**741,704**	**632,786**	**-15%**
Total outstanding shares (mn)	2,963	2,963	0%
Target price (HKD/shr)	**250**	**214**	**-15%**

Source: CMS (HK) estimates

Figure 8: CRO business DCF details (RMB mn)

High growth phase									
Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
FY	2022	2023	2024	2025	2026	2027	2028	2029	2030
EBIT adjusted (excl: CDMO)	6,246	7,104	9,216	11,676					
% yoy									
NOPAT (EBIT*(1-t))	5,247	5,967	7,741	9,808					
Add: depreciation and amortization	1,493	2,110	2,095	2,036					
Less: capital expenditures	(5,850)	(1,950)	(1,625)	(1,300)					
Less: net working capital	(2,397)	(995)	(2,327)	(2,833)					
FCFE	**(1,508)**	**5,133**	**5,884**	**7,710**	**9,964**	**12,696**	**15,947**	**19,744**	**24,088**
% yoy		*-440%*	*15%*	*31%*	*29%*	*27%*	*26%*	*24%*	*22%*
PV	(1,370)	4,239	4,416	5,259	6,175	7,151	8,163	9,184	10,182
Transitional growth phase									
Year	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
FY	2031	2032	2033	2034	2035	2036	2037	2038	2039
% yoy growth	*20%*	*18%*	*16%*	*14%*	*12%*	*10%*	*8%*	*6%*	*4%*
EBIT*(1-t)									
Add: depreciation and amortization									
Less: capital expenditures									
Less: net working capital									
FCFE	**28,905**	**34,108**	**39,565**	**45,105**	**50,517**	**55,569**	**60,014**	**63,615**	**66,160**
PV	11,104	11,907	12,552	13,004	13,235	13,230	12,985	12,508	11,822
Stable growth phase									
Year	**19**								
FY	2040								
FCFE in terminal year =	**66,160**								
Price at the end of growth phase =	1,139,177								
PV of FCFE in high growth phase =	**54,769**								
PV of FCFE in transition phase =	**112,347**								
PV of terminal price =	**184,982**								
Intrinsic value =	**352,098**								

Source: CMS (HK) estimates

Figure 9: Valuation comparison among global and domestic CXOs

Ticker	Name	中文名	List curr	Last Price	Mkt Cap (USD mn)	P/E Ratio 21A	P/E Ratio 22E	P/E Ratio 23E	P/B Ratio 21A	P/B Ratio 22E	P/B Ratio 23E	P/Sales Ratio 21A	P/Sales Ratio 22E	P/Sales Ratio 23E	PEG 23E
	CRO - Overseas														
IQV US	IQVIA HOLDINGS I	IQVIA控股股份有限公司	USD	219.7	40,972	51.0	21.8	19.2	8.9	7.1	6.4	3.9	2.8	2.6	**1.1**
ICLR US	ICON PLC	ICON公共有限公司	USD	223.7	18,181	135.8	19.4	17.1	3.1	2.1	2.0	3.8	2.3	2.2	**1.0**
DGX US	QUEST DIAGNOSTIC	Quest Diagnostics股份有限公	USD	133.2	15,532	12.7	13.9	15.7	3.2	2.4	2.3	2.0	1.6	1.7	**1.4**
CRL US	CHARLES RIVER LA	查理斯河实验室国际有限公司	USD	232.7	11,824	43.9	20.2	17.8	7.4	3.9	3.2	5.2	3.0	2.7	**1.0**
SYNH US	SYNEOS HEALTH IN	Syneos健康公司	USD	75.5	7,747	36.3	14.8	13.4	3.1	2.1	1.9	2.0	1.4	1.3	**0.9**
MEDP US	MEDPACE HOLDINGS	Medpace控股股份有限公司	USD	156.6	4,856	45.2	26.4	24.7	8.2	13.6	12.5	6.8	3.5	3.2	**3.0**
CDMO US	AVID BIOSERVICES	Avid Bioservices股份有限公司	USD	18.5	1,143	383.4	60.0	117.0	N.A.	20.1	6.9	13.0	9.8	8.0	**n.a.**
	CRO - Overseas average				**14,322**	**62.0**	**20.1**	**19.0**	**6.3**	**5.2**	**4.5**	**3.8**	**2.6**	**2.4**	**1.2**
	CRO - China														
2359 HK	WUAPPTEC CO LT-H	药明康德	HKD	96.3	41,389	46.9	30.3	26.7	6.2	5.4	4.7	11.8	7.1	6.3	**0.6**
2269 HK	WUXI BIOLOGICS C	药明生物	HKD	77.8	42,258	86.1	60.6	44.3	9.1	7.9	6.7	26.9	18.1	13.8	**1.1**
3759 HK	PHARMARON BEIJ-H	康龙化成	HKD	67.7	13,804	67.3	32.9	24.3	11.0	6.0	5.0	15.0	9.1	6.9	**0.5**
3347 HK	HANGZHOU TIGER-H	泰格医药	HKD	85.8	13,147	25.2	23.8	19.3	3.4	3.2	2.8	16.5	12.7	10.0	**0.8**
6821 HK	ASYMCHEM LABOR-H	凯莱英	HKD	117.0	9,162	29.4	13.8	14.1	2.9	2.4	2.2	14.4	5.8	5.2	**2.8**
6127 HK	JOINN LABORATO-H	昭衍新药	HKD	75.0	6,099	76.4	32.9	25.7	6.2	3.2	2.9	28.1	19.1	13.5	**0.7**
1521 HK	FRONTAGE HOLDING	方达控股	CNY	2.7	719	2.6	21.7	16.5	0.4	2.0	1.9	0.3	2.9	2.3	**0.5**
1873 HK	VIVA BIOTECH HOL	维亚生物	CNY	2.2	540	2.1	10.5	6.3	0.3	0.7	0.6	0.3	1.3	1.0	**0.1**
	CRO - China average				**15,890**	**59.6**	**38.8**	**30.4**	**7.1**	**5.7**	**4.9**	**18.5**	**12.0**	**9.5**	**0.9**
	CMO - Overseas														
LONN SE	LONZA GROUP -REG	龙沙集团股份有限公司	CHF	544.4	42,093	83.9	35.5	29.9	5.8	3.8	3.6	10.5	6.5	5.8	**1.4**
207940 KS	SAMSUNG BIOLOGIC	三星Biologics有限公司	KRW	841,000	45,552	151.8	104.3	86.9	12.0	9.0	7.3	38.1	29.6	25.8	**2.3**
068270 KS	CELLTRION INC	Celltrion股份有限公司	KRW	189,500	20,300	47.9	46.8	40.0	7.0	6.3	5.5	14.4	12.2	11.1	**1.6**
CTLT US	CATALENT INC	康泰伦特股份有限公司	USD	107.6	19,289	23.7	28.3	25.9	4.7	4.0	3.6	4.5	4.0	3.6	**1.6**
	CMO - Overseas average				**31,809**	**93.3**	**60.8**	**51.3**	**8.0**	**6.1**	**5.2**	**20.1**	**15.3**	**13.5**	**1.8**
	CMO - China														
2359 HK	WUAPPTEC CO LT-H	药明康德	HKD	96.3	41,389	46.9	30.3	26.7	6.2	5.4	4.7	11.8	7.1	6.3	**0.6**
2269 HK	WUXI BIOLOGICS C	药明生物	HKD	77.8	42,258	86.1	60.6	44.3	9.1	7.9	6.7	26.9	18.1	13.2	**1.1**
3759 HK	PHARMARON BEIJ-H	康龙化成	HKD	67.7	13,804	46.9	30.3	26.7	6.2	5.4	4.7	11.8	7.1	6.3	**0.6**
6821 HK	ASYMCHEM LABOR-H	凯莱英	HKD	117.0	9,162	29.4	13.8	14.1	2.9	2.4	2.2	14.4	5.8	5.2	**2.8**
300363 CH	PORTON PHARMA -A	博腾股份	CNY	65.5	5,274	92.2	23.0	22.3	12.2	6.6	5.1	15.7	4.7	4.4	**1.9**
	CMO - China average				**18,787**	**62.4**	**40.0**	**32.1**	**7.3**	**6.1**	**5.3**	**17.8**	**11.0**	**8.7**	**1.0**

Source: Bloomberg, CMS (HK) estimates

Financial Summary

Balance Sheet

RMB mn	2019	2020	2021	2022E	2023E
Non-current assets	**16,576**	**23,232**	**33,142**	**39,755**	**39,419**
PP&E	7,666	10,137	15,849	22,630	22,462
Intangible assets	496	585	890	822	754
Deposits and prepayments	1,564	1,520	1,780	1,780	1,780
Deferred tax assets	262	301	390	390	390
Interests in JV & associates	794	765	678	578	478
Financial assets at FVTPL	4,009	6,717	8,714	8,714	8,714
Goodwill	1,362	1,392	1,926	1,926	1,926
Others	423	1,815	2,916	2,916	2,916
Current assets	**12,663**	**23,059**	**21,986**	**21,067**	**27,987**
Inventories	1,208	1,934	4,555	4,840	5,442
Contract cost	180	250	595	595	595
Trade and other receivables	3,556	4,338	5,968	9,464	10,644
Contract assets	379	542	773	1,296	1,458
Others	56	639	573	573	573
Financial assets	1,706	4,627	591	591	591
Total cash and cash equivalents	5,223	10,228	8,175	2,953	7,930
Total assets	**29,239**	**46,291**	**55,127**	**60,822**	**67,406**
Current liabilities	**6,634**	**7,920**	**12,985**	**13,078**	**13,329**
Trade and other payables	3,393	4,550	6,856	6,949	7,200
Income tax payable	261	340	459	459	459
ST bank debt	1,810	1,230	2,261	2,261	2,261
Others	1,170	1,800	3,408	3,408	3,408
Non-current liabilities	**5,195**	**5,652**	**3,385**	**3,385**	**3,385**
Deferred revenue	667	682	771	771	771
Deferred tax liabilities	231	283	324	324	324
Others	232	219	7	7	7
LT bank loans	762	-	-	-	-
Shareholders' funds	**17,410**	**32,718**	**38,757**	**44,359**	**50,692**
Minorities	**97**	**225**	**266**	**302**	**335**
Total liability and equity	**29,239**	**46,291**	**55,127**	**60,822**	**67,406**

Cashflow Statement

RMB mn	2019	2020	2021	2022E	2023E
Cash flow from operating	**2,477**	**4,024**	**4,507**	**6,032**	**10,599**
Pretax profit	2,337	3,369	6,016	8,669	9,818
OP before WC changes	3,695	6,108	9,544	11,996	14,265
Net working capital change	(755)	(1,505)	(4,029)	(4,211)	(1,692)
Income tax paid	(411)	(383)	(880)	(1,685)	(1,907)
Interest paid	(52)	(196)	(128)	(68)	(68)
Cash flow from investing	**(4,588)**	**(8,630)**	**(4,628)**	**(8,912)**	**(2,965)**
Purchase of PPE	(2,449)	(3,031)	(6,936)	(9,000)	(3,000)
Purchase/disposal of subsidiaries	(785)	-	-	-	-
Purchase/disposal of JV & asso.	(147)	(2,500)	-	-	-
Purchase/disposal of FVTPL	(1,567)	(3,000)	-	-	-
Repayment from related parties, net	-	-	-	-	-
Pledged bank deposit, net	(1)	-	-	-	-
Interest received	84	92	192	88	35
Others	277	(191)	2,116	-	-
Cash flow from financing	**1,610**	**9,692**	**(1,852)**	**(2,342)**	**(2,657)**
Proceeds from capital raising	729	13,030	-	-	-
Dividends	(679)	(890)	(1,529)	(2,342)	(2,657)
Net bank borrowings	2,431	(1,300)	-	-	-
Paid/repaid from sister companies	-	-	-	-	-
Bond	2,079	-	-	-	-
Others	(2,939)	(1,149)	(323)	-	-
Beginning cash	**5,758**	**5,223**	**10,228**	**8,175**	**2,953**
Net change in cash	(501)	5,086	(1,974)	(5,223)	4,977
End cash	**5,223**	**10,228**	**8,175**	**2,953**	**7,930**

Sources: Company data, CMS (HK) estimates

Profit & Loss

RMB mn	2019	2020	2021	2022E	2023E
Consolidated revenue	**12,872**	**16,535**	**22,902**	**38,383**	**43,166**
Cost of goods sold	(7,866)	(10,280)	(14,637)	(24,537)	(27,588)
Gross profit	**5,006**	**6,255**	**8,266**	**13,846**	**15,577**
(+/–) Other income/expense	147	207	249	100	100
(–) Total SG&A expense	(1,948)	(2,458)	(2,953)	(3,762)	(4,101)
Administrative expenses	(1,509)	(1,870)	(2,254)	(2,917)	(3,194)
Selling and distribution costs	(439)	(588)	(699)	(844)	(906)
(–) R&D expenses	(590)	(693)	(942)	(1,535)	(1,727)
Adjusted EBITDA	**3,767**	**5,043**	**6,643**	**11,906**	**14,175**
Total depreciation and amortisa.	(979)	(1,145)	(1,484)	(2,297)	(3,246)
SBC	(173)	(588)	(540)	(960)	(1,079)
EBIT	**2,615**	**3,311**	**4,619**	**8,650**	**9,850**
(+/–) Finance costs, net	(19)	(515)	(76)	20	(32)
(+/–) Profit from JV&Asso.	(21)	(91)	(117)	(100)	(100)
(+/–) Other gain/loss, net	(238)	664	1,590	100	100
(–) Listing expense	-	-	-	-	-
Profit before tax	**2,337**	**3,369**	**6,016**	**8,669**	**9,818**
(–) Tax	(426)	(383)	(880)	(1,685)	(1,907)
Net profit	**1,911**	**2,986**	**5,136**	**6,984**	**7,911**
(+/–) Minority interest	57	26	39	36	34
NP attributable to shareholders	**1,855**	**2,960**	**5,097**	**6,949**	**7,877**
Adjusted net profit	**2,407**	**3,637**	**5,131**	**7,808**	**8,856**
Adj. EPS fully diluted (RMB)	0.9	1.3	1.7	2.6	3.0
Adj. EPS fully diluted (HKD)	**1.0**	**1.5**	**2.1**	**3.2**	**3.6**

Financial Ratios

	2019	2020	2021	2022E	2023E
Growth					
Consolidated revenue	34%	28%	39%	68%	12%
Gross profit	33%	25%	32%	68%	13%
Adjusted net profit	41%	51%	41%	52%	13%
Profitability					
Gross margin	39%	38%	36%	36%	36%
Adj. net profit margin	19%	22%	22%	20%	21%
ROE	13%	13%	12%	19%	19%
ROA	9%	9%	8%	13%	14%
Efficiency					
Inventory days	48	56	81	70	68
Accounts receivable days	86	87	82	73	85
Accounts payable days	22	27	36	29	28
Cash cycle days	112	116	127	114	125
Liquidity					
FCF (RMB mn)	28	993	(2,429)	(2,968)	7,599
Net gearing (%)	(12)	(31)	(13)	0	(10)

Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
NEUTRAL	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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