

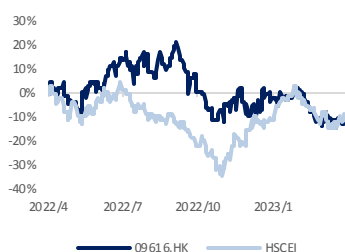
Education | Company Research  
30 March 2023

Buy  
Unchanged

**Market Data: 29 March 2023**

Closing price (HK\$)	3.21
HSCEI	6,923
52-week high/Low (HK\$)	4.62/2.88
Market Cap (HK\$bn)	2.07
Shares outstanding (m)	646
Exchange Rate (Rmb-HK\$)	1.15

**Price Performance Chart:**



Source: Bloomberg

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# Setting sail

## NEUSOFT EDUCATION (09616.HK)

Neusoft Education reported 2022 revenue of Rmb1.548bn (+14% YoY) and adjusted net profit to shareholders of Rmb381m (+23% YoY). Revenue growth was in line, but earnings growth beat our expectation. We believe surging earnings was due to rising enrolments and tuition of higher education and outstanding performance of asset-light business, as well as government subsidiary of Rmb95.32m given in 2022. Low base in 2021 was occurred due to minority shares.

**Solid growth of higher education business.** Revenue of higher education sector was Rmb1.175bn (+15% YoY) in 2022, accounting for 76% of total revenue. We believe rising revenue was due to increasing enrolments and tuitions, backed by outstanding education quality. As of 2022, three universities ran by Neusoft Edu booked enrolments of 529k (+15.9% YoY). As schools expand enrolments of Top-up programs instead of junior college enrolments, average tuition was up by c.8% YoY in 2022 due to higher tuition of undergraduate students. As of 2022, utilization rate reached 91% and the company has also planned new constructions of Chengdu School. Therefore, we anticipate a stable growth for the higher education business of Neusoft Education and we estimate revenue of such will reach Rmb1.34/1.5/1.68bn in 23E/24E/25E.

**Booming educational resource export business.** Revenue of educational resource export business reached Rmb182m (+30% YoY) in 2022. Neusoft Edu has delivered major co-construction services to 69 higher education institutions, constructing 323 majors, resulting in total enrolments near 25k. Besides, with 8 institutions ready to work with, we believe educational resource export business to keep expanding. Furthermore, the "Overall Plan for the Construction of Digital China" published by the State Council emphasizes the need to enhance the collaboration between businesses and academic institutions, as well as the cultivation of innovative, and application-focused professionals in various majors. Development of Neusoft Education was consisted with the policy. With the support of Neusoft Group, an IT solution provider, Neusoft Education is expected to facilitates the rapid expansion of educational resource export business. As major co-construction projects often last for 3-4 years, we expect enrolments to reach c.31k/39k/47k in 23E/24E/25E, corresponding to revenue of Rmb263m/313m/370m for educational resource export business.

**Increasing qualifications ensure growth of continuing education.** Continuing education business booked revenue of Rmb147m (+11% YoY) in 2022. By achieve 13 additional tutoring qualifications, bringing its total to over 60, which will support the steady growth of To C tutoring business, with revenue of Rmb49m in 2022. The 2B business, which completed training for 43 institutions, remained stable in 2022 with revenue of around Rmb26m.

**Maintain BUY.** Thanks to the great reputation, we anticipate the growth for higher education business of Neusoft Education will remain strong. The booming educational resource export business will help the company to achieve decent growth backed by favoured policies. We maintain adjust net profit to shareholders forecast to be Rmb457m and 531m in 23E and 24E. We also introduce our 25E adjust net profit to shareholders forecast to be Rmb587m. We maintain our target price at HK\$5.17, and reiterate BUY.

**Risks:** Growth of enrolments and tuition of higher education sector is lower than expected; asset-light business expansion is slower than expected.

### Financial summary and valuation

	2021A	2022A	2023E	2024E	2025E
Revenue (RMB mn)	1,363	1,548	1,771	2,002	2,253
YoY (%)	23.92	13.59	14.37	13.06	12.52
Recurring net profit (RMB mn)	328	389	457	531	587
YoY (%)	18.97	18.52	17.41	16.31	10.51
EPS (Rmb)	0.44	0.61	0.71	0.82	0.91
ROE (%)	18.97	22.79	20.91	19.56	17.77
P/E (x)	6.28	4.53	3.91	3.36	3.04
P/B (x)	1.19	1.03	0.82	0.66	0.54

Note: Net income is calculated as non-GAAP net profit; EPS is calculated as non-GAAP diluted earnings per ADS.

东软教育发布 2022 年业绩，收入 15.48 亿元，同比增长 14%，归母经调整净利润为 3.81 亿元，同比增长 23%。收入增长均符合我们预期，利润增速超出我们的预期。我们认为公司利润的大幅提升主要得益于高教板块的在校生和学费量价齐增。同时，公司在 22 财年获得政府补贴 9,532 万元，同比增长 189%。此外 2021 年存在部分少数股东权益，归母净利基数偏低。

**高等教育业务稳健增长。**东软教育的高教板块在 2022 年收入达 11.75 亿元（同比增长 15%），占总收入 76%。高教业务收入的增长源于高质量办学方针带动在校生人数及平均学费水平持续提升。2022 年，公司三所本科院校在校生同比增长 15.9% 达 5.29 万人。此外，各院校扩大专升本招生，压缩专科招生人数，而本科学制学费更高，从而带动集团平均学费在 2022 年同比增长约 8%。截至 22 年末，集团整体利用率已达到 91%，并开启成都院校的新校园建设，从而满足未来在校生规模的持续扩张。综上，我们预计东软教育的高教业务收入有望维持稳健的增长，在 23/24/25 年分别达到 13.4/15/16.8 亿元。

**高质量教育资源输出业务规模持续扩大。**东软教育教育资源输出业务收入在 22 年达到 1.82 亿元，同比增长 30%。年内，东软教育与 69 所院校开展专业共建与产业学院，合作项目数增长至 323 个，覆盖学生规模近 2.5 万人。此外，公司储备 8 所院校，将在 23 年开展合作，未来也将持续扩大教育资源输出业务规模。此外，在国务院发布的《数字中国建设整体布局规划》中明确“加强企业主导的产学研深度融合；统筹布局一批数字领域学科专业点，培养创新型、应用型、复合型人才。”，契合东软教育背靠 IT 解决方案与服务供应商东软集团，输出教学资源同时深化产教结合，契合数字中国发展方向，助力集团教育资源输出业务快速推广。由于一次专业共建的合作将延续 3-4 年，我们相信东软教育共建专业的在校生人数也将继续爬坡，在 23/24/25 年分别达到 3.1/3.9/4.7 万人，对应 23/24/25 年业务收入达到 2.63/3.13/3.7 亿元。

**继续教育培训资质增加，保障业务稳增。**继续教育业务收入在 22 年同比增长 11% 至 1.47 亿元。集团在 2022 年新获取 13 项培训资质，累计培训资质超 60 项，从而保障了 To C 培训业务稳步增长，实现收入约 4,900 万元。而 2B 业务在 2022 年维持稳定，全年为 43 家机构完成培训，实现收入约 2,600 万元。

**维持买入。**我们相信依靠出色的办学质量及口碑，东软教育高教业务将持续稳健增长。教育资源输出业务将受益于政策推动，迅速扩大合作办学规模。我们维持公司归母经调整净利润预测不变，23/24 年分别为 4.57/5.31 亿元。新增 25 年归母经调整净利润预测为 5.87 亿元。维持目标价 5.17 港元，并维持买入评级。

**风险提示：**高教板块招生、学费提价不及预期；轻资产业务拓展不及预期。

## Company financials

### Consolidated income statement

Rmbm	2021A	2022A	2023E	2024E	2025E
Revenue	1,363	1,548	1,771	2,002	2,253
Cost of Sales	(772)	(873)	(999)	(1,123)	(1,249)
Gross Profit	591	675	772	879	1,004
Sales fee	(38)	(39)	(44)	(48)	(52)
Management fee	(145)	(148)	(166)	(180)	(191)
Other income gain, net	84	165	177	198	176
EBIT	446	606	692	801	886
EBITDA	557	908	1,050	267	283
Finance Income & Costs, net	(67)	(80)	(84)	(93)	(104)
Profit before tax	379	526	609	708	782
Income tax expense	(78)	(132)	(152)	(177)	(196)
Minority interests	17	0	0	0	0
Profit for the year	284	394	457	531	587

Source: Company filings, SWS Research

### Consolidated cash flow statement

Rmbm	2021A	2022A	2023E	2024E	2025E
Profit before taxation	379	526	609	708	782
Plus: Depr. and amortisation	111	216	248	267	283
Finance Income & Costs, net	(67)	(80)	(84)	(93)	(104)
Change in working capital	528	74	103	311	181
Others	14	32	(4)	(1)	(3)
CF from operating activities	964	767	873	1,191	1,140
CAPEX	(1,645)	(867)	(817)	(659)	(472)
Other CF from investing activities	(460)	(84)	378	134	(79)
CF from investing activities	(2,104)	(951)	(439)	(526)	(551)
Dividend and interest paid	(77)	(92)	(95)	(114)	(135)
Other CF from financing activities	1,241	75	460	538	645
CF from financing activities	1,164	(17)	365	425	510
Net cash flow	24	(200)	799	1,090	1,100

Source: Company filings, SWS Research

### Consolidated balance sheet

Rmbm	2021A	2022A	2023E	2024E	2025E
Current Assets	1,495	1,782	2,412	3,589	4,759
Monetary funds	1,228	1,184	2,048	3,138	4,238
Inventory	5	4	7	7	7
Other current assets	262	594	357	444	514
Non-Current Assets	3,907	4,211	4,567	4,808	5,088
PP&E	2,684	2,935	3,451	3,584	3,773
Intangible and other assets	1,223	1,276	1,116	1,225	1,315

Total Assets	5,402	5,994	6,979	8,397	9,847
Current Liabilities	1,850	2,007	2,104	2,478	2,725
Trade payables	715	643	677	861	906
Accrued liabilities and other payables	236	245	269	296	326
Other current liabilities	898	1,119	1,157	1,320	1,494
Long-term liabilities	2,045	2,250	2,683	3,195	3,811
Total Liabilities	3,895	4,258	4,786	5,673	6,536
Minority Interests	9	9	9	9	9
Shareholder Equity	1,498	1,727	2,184	2,715	3,302
Share Capital	0	0	0	0	0
Reserves and others	1,498	1,727	2,184	2,715	3,302
Total Liabilities and equity	5,402	5,994	6,979	8,397	9,847

Source: Company filings, SWS Research

## Information Disclosure :

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Outperform: Share price performance is expected to generate between 10-20% upside.

Hold: Share price performance is expected to generate between 10% downside to 10% upside.

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SELL: Share price performance is expected to generate more than 20% downside.

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