



Company Report: Haitian International (01882 HK)

公司报告: 海天国际 (01882 HK)

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Domestic Demand Was Weak While Overseas Demand Remained Resilient, "Accumulate"

- We maintain "Accumulate", and reduce TP to HK\$21.10.** As China's economic recovery was relatively slow in 1H23, domestic downstream demand is still weak. We reduce our Haitian International (the "Company") 2023-2025 shareholders' net profit forecasts to RMB2,470 mn (-3.4%) / RMB2,768 mn (-2.2%) / RMB 2,990 mn (-3.3%), respectively. We forecast the Company's earnings per share in 2023/ 2024/ 2025 to be RMB1.547, RMB1.734, and RMB1.873, respectively. Our TP represents 12.0x/ 10.7x/ 9.9x 2023-2025 PE ratio and 1.6x 2023 PB ratio.
- The Company's 1H23 results were in line with our expectations.** The Company's revenue in 1H23 was RMB6.4 billion, a decrease of 2.0% YoY, slightly weaker than our expectations. However, with the improvement in the Company's gross profit margin and the increase in finance income, the Company's net profit has achieved a good growth. The Company achieved net profit of RMB1.2 billion in 1H23, an increase of 5.0% YoY.
- The Company's gross profit margin improved.** The Company's gross profit margin in 1H2023 increased by 1.3 pts YoY to 32.0%. We believe the Company may maintain its gross profit margin in 2H23. Raw material prices may remain at the current level. The RMB exchange rate may help to increase the gross profit margin in overseas markets. Besides, the Company's capacity utilization rate may improve as domestic demand may continue to recover, which may further increase the gross profit margin.
- Demand in overseas markets remains resilient, and the Company continues to expand in overseas markets.** Overseas market demand remains resilient. The Company's layout in the global market is balanced. Despite significant decline in the Southeast Asian market, the Company's growth in Europe and North America still drove the growth of overall overseas revenue. With continuous improvement in the Company's product competitiveness and services, we believe that its share in overseas markets may continue to increase. The Company's overseas revenue may maintain steady growth in the long term.
- Catalysts:** Downstream demand recovery; drop in raw material prices; increase in the Company's capacity utilization.
- Risk factors:** Downstream recovery may be less than expected; progress of the Company's overseas market expansion may be slower than expected.

Rating: Accumulate
 Maintained

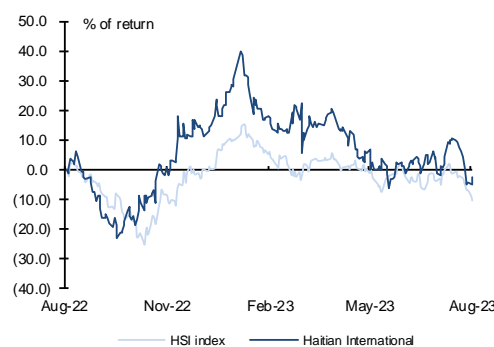
评级: 收集 (维持)

6-18m TP 目标价: HK\$21.10
 Revised from 原目标价: HK\$21.80

Share price 股价: HK\$16.840

Stock performance

股价表现

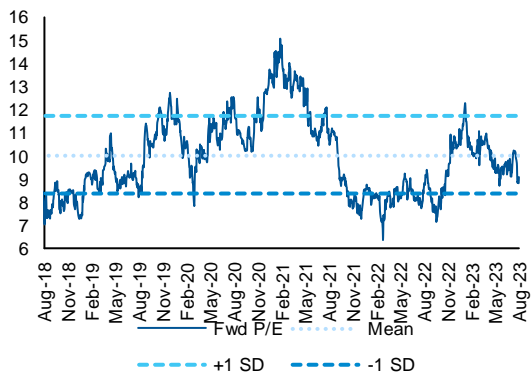
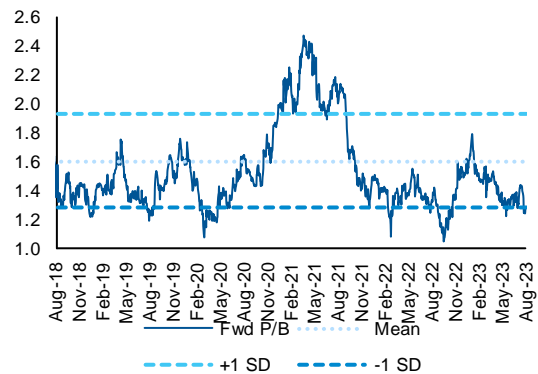


Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(1.1)	(8.8)	(5.1)
Rel. % to HS Index 相对恒指变动 %	5.3	0.5	4.1
Avg. share price (HK\$) 平均股价 (港元)	18.4	18.1	18.7

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2021A	16,018	3,052	1.912	27.8	7.9	9.984	1.5	0.546	3.6	19.9
2022A	12,308	2,265	1.419	(25.8)	10.0	10.659	1.3	0.773	5.5	13.7
2023F	12,816	2,470	1.547	9.0	9.6	11.725	1.3	0.481	3.2	13.8
2024F	13,965	2,768	1.734	12.1	8.5	12.934	1.1	0.525	3.5	14.1
2025F	15,112	2,990	1.873	8.0	7.9	14.219	1.0	0.588	4.0	13.8
Shares in issue (m) 总股数 (m)				1,596.0		Major shareholder 大股东		Sky Treasure Capital Limited	27.2%	
Market cap. (HK\$ m) 市值 (HK\$ m)				26,876.6		Free float (%) 自由流通比率 (%)				39.1
3 month average vol. 3 个月平均成交股数 ('000)				1,561.9		FY23 Net gearing (%) FY23 净负债/股东资金 (%)				Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				26.500 / 13.900						

Source: the Company, Guotai Junan International.

Figure-1: Band of PER

Figure-2: Band of PBR


Source: Bloomberg, Guotai Junan International.

Source: Bloomberg, Guotai Junan International.

Table-1: Peers comparison

Company	Stock Code	Currency	Last Price	Market Cap (HKD mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)		EV/EBITDA	
					22A	23F	24F	25F	22A	23F	24F	25F	23F	24F	25F	25F		
H-share Peers																		
Haitian International Hlds	1882 HK	HKD	16.840	27,483	10.2	9.8	8.5	7.8	1.4	1.3	1.2	1.1	14.0	3.6	6.8			
L.K. Technology Holdings Ltd	558 HK	HKD	7.160	10,048	15.7	18.5	12.9	9.8	2.6	2.6	2.1	1.8	14.1	0.5	16.9			
Chen Hsong Holdings	57 HK	HKD	1.600	1,009	4.7	7.7	n.a.	n.a.	0.3	0.3	n.a.	n.a.	4.2	6.3	2.6			
Tk Group Holdings Ltd	2283 HK	HKD	1.350	1,133	5.0	4.4	3.5	2.9	0.7	0.6	0.6	0.5	15.8	9.6	0.1			
Sany Heavy Equipment Intl	631 HK	HKD	11.420	36,793	18.5	15.0	11.4	8.3	3.2	3.4	2.9	n.a.	20.8	1.6	n.a.			
Precision Tsugami China Corp	1651 HK	HKD	8.460	3,176	4.0	4.9	7.2	5.3	1.2	1.1	n.a.	n.a.	24.4	11.5	1.9			
Cimc Enric Holdings Ltd	3899 HK	HKD	7.330	14,969	11.9	11.0	9.5	8.4	1.4	1.4	1.3	1.2	12.8	3.6	5.1			
Morimatsu International Hold	2155 HK	HKD	5.240	6,137	7.0	7.0	5.5	4.1	1.9	1.4	1.1	0.8	24.8	n.a.	n.a.			
Simple Average					9.6	9.8	8.4	6.7	1.6	1.5	1.5	1.1	16.4	5.2	5.6			
Weighted Average					13.5	12.3	9.9	7.9	2.2	2.2	1.9	1.2	17.2	2.9	7.6			
A-share Peers																		
Yizumi Holdings Co L-A	300415 CH	CNY	17.690	8,982	20.6	15.6	11.7	9.4	3.5	3.0	2.4	1.9	19.0	2.0	11.8			
Kraussmaffer Co Ltd-A	600579 CH	CNY	6.920	3,657	n.a.	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Tederic Machinery Co Ltd-A	603289 CH	CNY	9.750	3,082	29.5	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Ningbo Haitian Precision M-A	601882 CH	CNY	28.560	16,282	28.6	23.1	18.7	15.0	7.5	5.7	4.4	3.4	26.1	n.a.	n.a.			
Shenzhen Changhong Technol-A	300151 CH	CNY	15.310	8,264	58.9	n.a.	n.a.	n.a.	5.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Ningbo Techmation Co Ltd-A	603015 CH	CNY	8.720	3,830	72.7	n.a.	n.a.	n.a.	2.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Guangdong Jinming Machiner-A	300281 CH	CNY	5.320	2,366	n.a.	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Simple Average					42.0	19.4	15.2	12.2	3.5	4.3	3.4	2.7	22.5	2.0	11.8			
Weighted Average					37.2	20.5	16.2	13.0	4.9	4.7	3.7	2.9	23.6	2.0	11.8			
Global Peers																		
Sumitomo Heavy Industries	6302 JP	JPY	3,413.000	22,527	9.5	13.2	9.3	8.4	0.8	0.7	0.7	0.6	7.3	3.6	4.6			
Nissei Plastic Industrial Co	6293 JP	JPY	1,021.000	1,221	7.4	10.8	n.a.	n.a.	0.5	0.5	n.a.	n.a.	4.8	3.5	5.6			
Toyo Machinery & Metal Co	6210 JP	JPY	664.000	738	10.7	21.0	n.a.	n.a.	0.7	0.7	n.a.	n.a.	3.3	5.1	3.7			
Fuji Seiki Co Ltd	6400 JP	JPY	350.000	170	8.3	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Altech Co Ltd	9972 JP	JPY	252.000	205	8.9	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Syncmold Enterprise Corp	1582 TT	TWD	59.100	1,794	19.7	n.a.	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Fu Chun Shin Machinery Manuf	6603 TT	TWD	16.100	580	15.3	n.a.	n.a.	n.a.	1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Simple Average					11.4	15.0	9.3	8.4	0.8	0.6	0.7	0.6	5.2	4.1	4.6			
Weighted Average					10.2	13.3	9.3	8.4	0.8	0.7	0.7	0.6	7.1	3.6	4.6			

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2021A	2022A	2023F	2024F	2025F	Year end 31 Dec (RMB m)	2021A	2022A	2023F	2024F	2025F
Total revenue	16,018	12,308	12,816	13,965	15,112	Intangible assets	52	51	54	58	61
Cost of sales	(10,867)	(8,391)	(8,671)	(9,406)	(10,174)	Property, plant and equipment	4,366	5,462	5,768	6,157	6,623
Gross profit	5,151	3,918	4,145	4,559	4,938	Deferred income tax assets	208	208	221	234	248
Other gains& income	293	514	604	538	561	Right-of-use assets	704	719	762	808	856
Selling and distribution expenses	(1,036)	(1,002)	(1,090)	(1,085)	(1,169)	Others	3,072	2,658	1,606	1,664	1,725
General and administrative expenses	(812)	(797)	(886)	(899)	(952)	Total non-current assets	8,402	9,099	8,411	8,921	9,514
Operating profit	3,597	2,632	2,773	3,112	3,378	Cash & cash equivalents	3,593	3,591	5,736	7,047	8,430
Finance income and costs - net	139	131	235	259	266	Inventories	3,010	3,151	3,201	3,434	3,688
Profit before tax	3,769	2,779	3,026	3,390	3,666	Trade and bills receivables	3,507	3,175	3,387	3,753	4,103
Income tax	(719)	(514)	(554)	(619)	(672)	Others	7,642	6,776	6,983	7,200	7,425
Profit after tax	3,050	2,265	2,472	2,771	2,993	Total current assets	17,751	16,693	19,307	21,434	23,646
Non-controlling interest	(2)	0	3	3	3	Total assets	26,153	25,791	27,718	30,355	33,160
Shareholders' profit / loss	3,052	2,265	2,470	2,768	2,990	Trade and bills payables	4,222	3,574	3,640	3,928	4,244
Basic EPS (RMB)	1.912	1.419	1.547	1.734	1.873	Contract liabilities	1,089	1,353	1,409	1,536	1,662
						Accruals and other payables	1,851	1,740	1,733	1,832	1,945
						Bank borrowings	1,861	1,323	1,377	1,501	1,624
						Others	319	245	257	279	302
						Total current liabilities	9,342	8,235	8,416	9,075	9,778
						Deferred income tax liabilities	527	362	391	422	456
						Bank borrowings	300	112	121	131	142
						Others	49	42	46	49	53
						Total non-current liabilities	876	516	558	602	651
						Total liabilities	10,218	8,751	8,974	9,678	10,428
						Share capital	161	161	161	161	161
						Share reserves and retained earnings	15,774	16,851	18,552	20,482	22,533
						Total shareholders' equity	15,934	17,011	18,712	20,642	22,693
						Minority interest	1	29	32	35	38
						Total equity	15,935	17,040	18,744	20,677	22,732
						Total equity & liabilities	26,153	25,791	27,718	30,355	33,160

Cash Flow Statement					
Year end 31 Dec (RMB m)	2021A	2022A	2023F	2024F	2025F
Profit before tax	3,769	2,779	3,026	3,390	3,666
Depreciation & amortization	309	341	412	437	468
Changes in working capital	82	(191)	804	(134)	(94)
Income tax and interest paid	(575)	(783)	(511)	(563)	(613)
Other adjustments	(460)	(366)	(145)	(65)	(70)
Cash from operating activities	3,124	1,781	3,585	3,065	3,358
Purchase of PP&E	(924)	(1,467)	(765)	(873)	(985)
Others	(1,342)	1,638	29	(176)	(184)
Cash from investing activities	(2,266)	171	(736)	(1,049)	(1,169)
Net change in borrowings	866	(745)	64	133	134
Dividends paid	(1,875)	(1,233)	(768)	(838)	(939)
Others	(2)	25	0	0	0
Cash from financing activities	(1,012)	(1,954)	(705)	(705)	(805)
Net changes in cash	(154)	(2)	2,145	1,311	1,383
Cash at beginning of year	3,746	3,593	3,591	5,736	7,047
Cash at end of year	3,593	3,591	5,736	7,047	8,430

Financial Ratios					
	2021A	2022A	2023F	2024F	2025F
Gross margin (%)	32.2	31.8	32.3	32.6	32.7
EBITDA margin (%)	24.6	24.4	24.6	25.2	25.3
Operating margin (%)	22.5	21.4	21.6	22.3	22.4
Net margin (%)	19.1	18.4	19.3	19.8	19.8
ROE (%)	19.9	13.7	13.8	14.1	13.8
ROA (%)	11.9	8.3	8.5	8.8	8.7

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; or the fundamental outlook of the sector is unfavorable.

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