

Vesync (2148 HK)

1Q24 was slow but end-demand is healthy

1Q24 sales growth was slow but net profit should still be strong. Thanks to the healthy sell-out growth and the less-than-one-month Amazon channel inventory, plus the upgrades in products (e.g., Turbo Blaze air fryer, Dual Zone air fryer, the pet-friendly air purifier and vacuum cleaner), orders growth should normalize in the coming quarters, in our view. With an undemanding valuation of 7x FY24E P/E, we maintain BUY with a TP of HK\$ 6.79, based on 11x P/E, well supported by 13%/16% sales/NP CAGRs during FY23-26E.

- Sell-in growth was slow but sell-out growth was healthy in 1Q24.** Vesync's gross sales growth increased by only 1% in 1Q24, slightly below our estimates and slowing down from 27% sell-out growth in 3Q23 and 16% sell-in growth in 2H23. The company attributed this to: 1) insufficient supply of hot-selling products and 2) decreases in orders from Amazon (due to their preference to de-stock). By channel, sales from Amazon declined by 7% while sales growth from non-Amazon channels (mostly offline) was at 38%. However, we believe the end-demand is still healthy as the company also announced a 13% increase in sell-out. Moreover, profit margin should have improved, as the level of discounts and promotion was also reduced. Hence, we do expect net profit growth in 1Q24E to still be decent.
- FY24E guidance remains intact (we are conservatively positive).** Management reiterated its FY24E guidance (20%+ sales growth and 10%+ NP margin) and we are also positive (even though CMBI est. is at 15%+ and 13%+ respectively), because the inventory in the Amazon channel is fairly low, at a less-than-one-month level. We expect the GP margin to be stable at 45%-46% in FY24E (a drop from 46.9% in FY23), as favorable factors like the depreciation of RMB will ease while the freight rate may increase mildly due to Red Sea conflicts. For NP margin, we believe it can be at around 13.5% (from 13.2% in FY23), as the operating leverage will offset the headwind in GP margin and the small increase in A&P expenses.
- Maintain BUY and fine-tune TP to HK\$6.79.** Considering the robust growth (13% sales and 16% net profit CAGR during FY23-26E), we believe its current valuation of 7x is still highly attractive. Our TP is based on 11x FY24E P/E (rolled over from 14x FY23E P/E, vs 3-year average of 12x).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	490	585	675	765	840
YoY growth (%)	8.0	19.4	15.3	13.4	9.7
Operating profit (US\$ mn)	(21.3)	85.7	103.6	122.1	136.1
Net profit (US\$ mn)	(16.3)	77.4	91.4	108.5	121.9
EPS (Reported) (US\$ cents)	(1.44)	6.49	7.96	9.45	10.62
YoY growth (%)	na	na	22.6	18.7	12.3
P/E (x)	(38.5)	8.5	7.0	5.9	5.3
P/B (x)	2.3	1.7	1.3	1.1	0.9
Yield (%)	0.0	4.7	5.8	6.8	7.7
ROE (%)	(5.5)	24.2	21.7	20.4	18.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$6.79
(Previous TP)	HK\$6.71
Up/Downside	56.8%
Current Price	HK\$4.33

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	5,044.9
Avg 3 mths t/o (HK\$ mn)	2.4
52w High/Low (HK\$)	5.65/2.81
Total Issued Shares (mn)	1165.1

Source: FactSet

Shareholding Structure

Ms. Yang Lin & Mr. Ryan Xu	36.2%
Mr. Yang Yuzheng	32.7%

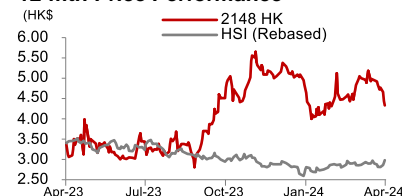
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.1%	-17.1%
3-mth	-6.7%	-12.5%
6-mth	-9.2%	-10.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Growth outlook in FY24E by brand and region.** We believe Levoit can still deliver 15% sales growth in FY24E, thanks to: 1) relatively fast industry growth (vs. air-fryer industry), 2) ramp up of Levoit's pet care and pet-friendly air-purifiers, 3) category expansion, as its vacuum cleaner has become one of the top 10 best-selling products and was awarded the Amazon Choice label, and 4) new vacuum product launches (likely with a higher ASP) in 2Q24E to 4Q24E, such as the product with station. We expect Cosori to have 15% sales growth in FY24E, driven by: 1) ramp up of its next-generation air fryer Turbo Blaze, which has used the DC motor and can cook food at a faster rate and 2) launches of Dual Zone air fryer. In terms of region, management is aiming for 10%+/ 40% sales growth in the US/ EU in FY24E while CMBI est. are 10%/ 25%/ 30% for the US/ EU/ Asia.
- **The industry is still turning around even though the road may be bumpy.** Even though Vesync performance could be bumpy in 1Q24, we are still positive on its growth onward, because the industry is still turning around, in our view. Firstly, the home appliance sales in the US were not bad, which grew by 1.4% YoY in 1Q24, slightly slowing down from 2.8% in 4Q23 but better than the 2.2% drop in 3Q23. Secondly, channel inventories are healthily improving, where the average inventory days for Amazon, Best Buy, Home Depot, Walmart and Target decreased to 56 days in 4Q23, from 57 days in 4Q22, the first YoY drop since 4Q21. Thirdly, Vesync's peers are also faring better, as De'Longhi Spa is aiming for 9-11% YoY sales growth and a faster EBITDA growth in FY24E and Helen Of Troy is expecting a lower-than-last year's decline in both sales and net profit in FY2/25E.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	675,211	765,444	839,976	727,094	839,165	n/a	-7.1%	-8.8%	n/a
Gross profit	310,790	352,816	386,603	304,734	352,445	n/a	2.0%	0.1%	n/a
EBIT	103,639	122,110	136,065	102,082	129,004	n/a	1.5%	-5.3%	n/a
Net profit att.	91,402	108,496	121,879	89,208	111,798	n/a	2.5%	-3.0%	n/a
Diluted EPS (USD)	0.080	0.095	0.106	0.077	0.096	n/a	3.9%	-1.6%	n/a
Gross margin	46.0%	46.1%	46.0%	41.9%	42.0%	n/a	4.1ppt	4.1ppt	n/a
EBIT margin	15.3%	16.0%	16.2%	14.0%	15.4%	n/a	1.3ppt	0.6ppt	n/a
Net profit att. margin	13.5%	14.2%	14.5%	12.3%	13.3%	n/a	1.3ppt	0.9ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	675,211	765,444	839,976	699,538	818,538	935,545	-3.5%	-6.5%	-10.2%
Gross profit	310,790	352,816	386,603	322,802	376,069	426,519	-3.7%	-6.2%	-9.4%
EBIT	103,639	122,110	136,065	101,433	119,000	138,375	2.2%	2.6%	-1.7%
Net profit att.	91,402	108,496	121,879	91,638	108,000	123,727	-0.3%	0.5%	-1.5%
Diluted EPS (USD)	0.080	0.095	0.106	0.080	0.095	0.110	-0.4%	-0.5%	-3.5%
Gross margin	46.0%	46.1%	46.0%	46.1%	45.9%	45.6%	-0.1ppt	0.1ppt	0.4ppt
EBIT margin	15.3%	16.0%	16.2%	14.5%	14.5%	14.8%	0.8ppt	1.4ppt	1.4ppt
Net profit att. margin	13.5%	14.2%	14.5%	13.1%	13.2%	13.2%	0.4ppt	1ppt	1.3ppt

Source: Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly / Full yearly (USD k)	1H23	2H23	1H24E	2H25E	1H23E YoY	2H23E YoY	2H23E CMBIS	Actual vs CMBIGM
Revenue	276,932	308,552	318,134	357,076	24%	16%	325,591	-5%
COGS	-151,814	-159,298	-170,504	-193,917			-	
Gross profit	125,118	149,254	147,631	163,159	43%	173%	132,994	12%
GP margins	45.2%	48.4%	46.4%	45.7%			40.8%	
Other income & gains	8,581	1,676	5,726	2,898			2,777	-40%
Selling and distribution expenses	-47,778	-51,439	-54,083	-59,466	27%	0%	-52,647	-2%
Selling and distribution exp / sales	-17.3%	-16.7%	-17.0%	-16.7%			-16.2%	
Administrative expenses	-43,032	-40,057	-42,630	-42,194	39%	4%	-36,596	9%
Admin exp / sales	-15.5%	-13.0%	-13.4%	-11.8%			-11.2%	
Other opex	-8,249	-4,584	-7,317	-4,837			-3,801	
Operating profit (EBIT)	34,640	54,850	49,327	59,559	98%	-244%	42,727	28%
OP margins	12.5%	17.8%	15.5%	16.7%			13.1%	
Other items	-95	-391	0	0			95	
Net finance income	-925	-607	-636	-719			-612	-1%
Net finance income / sales	-0.3%	-0.2%	-0.2%	-0.2%			-0.2%	
Profit after financing costs	33,620	53,852	48,691	58,840			42,210	
Associated coms	0	0	0	0			0	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	33,620	53,852	48,691	58,840	104%	-241%	42,210	28%
Tax	-1,034	-9,008	-6,817	-9,313			-2,758	227%
Tax / sales	-0.4%	-2.9%	-2.1%	-2.6%			-0.8%	
Effective tax rate	-3.1%	-16.7%	-14.0%	-15.8%			-6.5%	
Net profit	32,586	44,844	41,874	49,527	111%	-241%	39,453	
Minority interests	0	0	0	0			0	n/a
Net profit att.	32,586	44,844	41,874	49,527	111%	-241%	39,453	14%
NP margins	11.8%	14.5%	13.2%	13.9%			12.1%	
Sales by region								
North America	199,017	230,919	220,110	259,176	16%	19%	224,234	3%
Europe	65,293	60,448	81,616	75,560	52%	-7%	91,229	-34%
Asia	12,622	17,185	16,409	22,341	50%	120%	10,128	70%
Total	276,932	308,552	318,134	357,076	24%	16%	325,591	-5%

Source: Bloomberg, company data, CMBIGM estimates

Figure 4: Results review – Full Year

Half yearly / Full yearly (USD k)	FY23	FY24E	FY25E	FY23 YoY	FY24E YoY
Revenue	585,484	675,211	765,444	19%	15%
COGS	-311,112	-364,421	-412,628		
Gross profit	274,372	310,790	352,816	93%	13%
GP margins	46.9%	46.0%	46.1%		
Other income & gains	10,257	8,624	10,789		
Selling and distribution expenses	-99,217	-113,549	-127,758	11%	14%
Selling and distribution exp / sales	-16.9%	-16.8%	-16.7%		
Administrative expenses	-83,089	-84,824	-92,997	19%	2%
Admin exp / sales	-14.2%	-12.6%	-12.1%		
Other opex	-12,833	-12,154	-13,778		
Operating profit (EBIT)	89,490	108,887	129,072	-536%	22%
OP margins	15.3%	16.1%	16.9%		
Other items	-486	0	0		
Net finance income	-1,532	-1,355	-1,429		
Net finance income / sales	-0.3%	-0.2%	-0.2%		
Profit after financing costs	87,472	107,531	127,643		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	87,472	107,531	127,643	-500%	23%
Tax	-10,042	-16,130	-19,146		
Tax / sales	-1.7%	-2.4%	-2.5%		
Effective tax rate	-11.5%	-15.0%	-15.0%		
Net profit	77,430	91,402	108,496	-575%	18%
Minority interests	0	0	0		
Net profit att.	77,430	91,402	108,496	-575%	18%
NP margins	13.2%	13.5%	14.2%		
Sales by region					
North America	429,936	479,285	528,396	17%	11%
Europe	125,741	157,176	188,612	16%	25%
Asia	29,807	38,749	48,436	83%	30%
Total	585,484	675,211	765,444	19%	15%

Source: Bloomberg, company data, CMBIGM estimates

Valuation

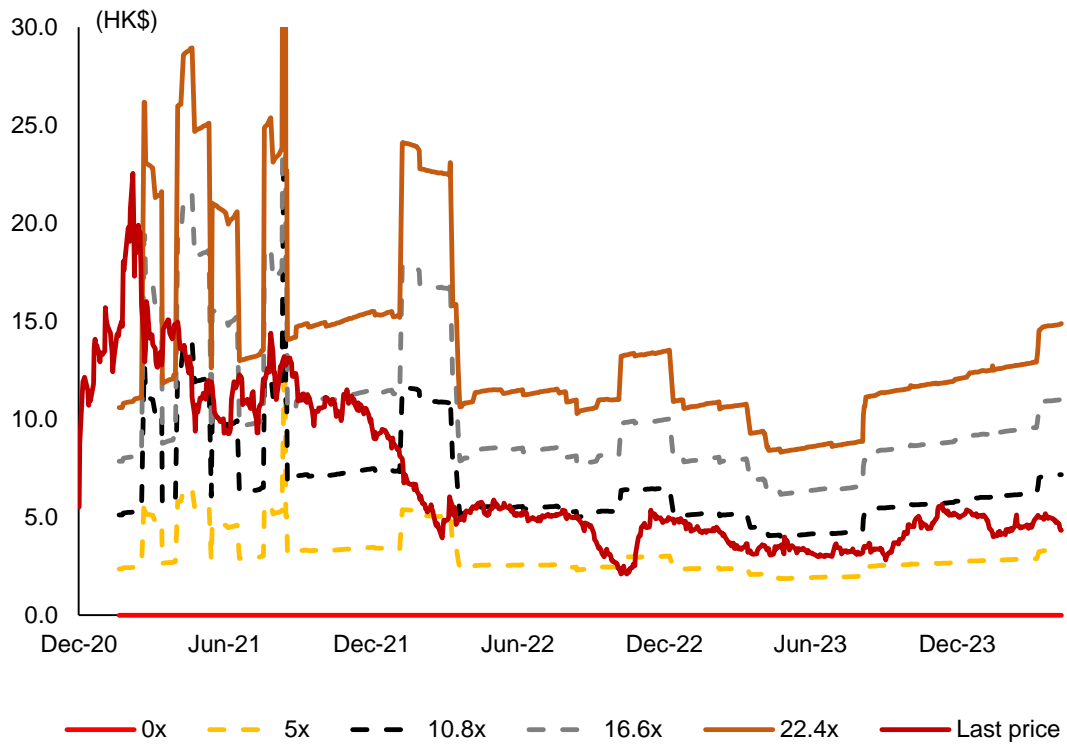
Peers Valuation

Figure 5: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$ mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf. FY1E
A+ H Small Home Appliances														
Vesync	2148 HK	BUY	6.79	4.33	57%	4,965	Dec-23	7.0	5.9	1.3	24.2	0.4	5.7	(19.5)
Js Global Lifestyle	1691 HK	BUY	1.84	1.46	26%	5,073	Dec-23	5.0	4.4	0.8	10.8	(0.7)	4.8	(5.8)
Joyoung	002242 CH	NR	n/a	11.50	n/a	9,530	Dec-23	17.8	15.7	2.1	11.3	1.3	2.3	(9.5)
Zhejiang Supor	002032 CH	NR	n/a	59.30	n/a	51,684	Dec-23	20.1	18.3	6.3	32.6	2.5	4.0	11.9
Xinbao	002705 CH	NR	n/a	18.08	n/a	16,054	Dec-22	15.1	13.2	1.7	12.0	2.2	2.0	24.1
Bear Electric	002959 CH	NR	n/a	55.84	n/a	9,463	Dec-23	17.8	15.8	2.5	17.5	1.7	2.2	7.5
Ecovacs Robotics	603486 CH	NR	n/a	42.40	n/a	26,407	Dec-22	30.9	19.4	3.2	18.7	(5.9)	1.2	2.3
Beijing Roborock	688169 CH	NR	n/a	373.79	n/a	53,096	Dec-23	20.6	18.0	3.1	19.6	1.4	1.0	32.1
Kingclean Electric	603355 CH	NR	n/a	24.72	n/a	15,324	Dec-22	14.0	12.7	3.1	25.2	2.4	4.7	10.9
Avg.								16.5	13.7	2.7	19.1	0.6	3.1	6.0
Med.								17.8	15.7	2.5	18.7	1.4	2.3	7.5
A + H Home Appliances														
Gree Electric	000651 CH	NR	n/a	38.95	n/a	236,979	Dec-22	8.0	7.4	1.7	25.3	1.3	6.3	21.1
Haier Smart Home	600690 CH	NR	n/a	28.43	n/a	272,701	Dec-23	14.2	12.7	2.1	16.9	1.3	3.3	35.4
Haier Smart Home	6690 HK	BUY	31.24	26.45	18%	272,699	Dec-23	12.3	10.9	1.8	16.9	1.1	4.0	20.0
Hisense Home	921 HK	NR	n/a	29.80	n/a	49,492	Dec-23	11.3	9.8	2.2	22.6	0.7	4.2	76.7
Hisense Home	000921 CH	NR	n/a	35.69	n/a	49,492	Dec-23	14.9	12.9	2.7	22.6	1.1	3.4	75.0
Whirlpool China	600983 CH	NR	n/a	8.45	n/a	6,997	Dec-22	n/a	n/a	n/a	4.0	n/a	n/a	(4.9)
Hangzhou Robam	002508 CH	NR	n/a	22.50	n/a	23,070	Dec-23	10.4	9.4	1.5	16.6	0.9	3.5	5.8
Vatti	002035 CH	NR	n/a	6.36	n/a	5,825	Dec-22	11.4	9.8	1.4	6.3	0.2	4.3	2.4
Avg.								11.9	10.5	2.0	17.0	1.0	4.2	28.5
Med.								11.8	10.4	1.9	16.9	1.1	4.1	21.1
International Small Home Appliances														
Techtronic	669 HK	NR	n/a	107	n/a	195,384	Dec-23	22.0	18.6	3.4	17.8	1.3	2.0	14.5
Smith (A.O.) Corp	AOS US	NR	n/a	87	n/a	100,269	Dec-23	21.3	20.0	5.7	31.0	3.3	1.5	5.5
Helen Of Troy Ltd	HELE US	NR	n/a	91	n/a	16,911	Feb-24	9.9	8.9	1.1	10.6	0.5	n/a	(24.9)
De'Longhi Spa	DLG IM	NR	n/a	31	n/a	39,205	Dec-23	16.3	14.9	2.1	14.4	1.8	2.4	1.2
Irobot Corp	IRBT US	NR	n/a	7	n/a	1,498	Dec-23	n/a	n/a	2.6	(90.7)	n/a	0.0	(82.3)
Seb Sa	SK FP	NR	n/a	113	n/a	52,707	Dec-23	13	11.5	1.6	12.1	0.8	2.6	0.4
Breville Group	BRG AU	NR	n/a	26	n/a	18,868	Jun-23	32	28.3	4.0	14.8	3.9	1.3	(5.5)
Koninklijke Philips	PHIA NA	NR	n/a	20	n/a	149,849	Dec-23	14.6	11.4	1.4	(3.7)	(0.1)	4.4	(7.4)
Avg.								18.4	16.2	2.7	0.8	1.6	2.0	(12.3)
Med.								16.3	14.9	2.3	13.3	1.3	2.0	(2.6)
International Home Appliances														
Whirlpool	WHR US	NR	n/a	105.68	n/a	45,216	Dec-23	8.0	7.3	1.8	20.4	0.3	6.6	(13.2)
Ingersoll-Rand	IR US	NR	n/a	92.50	n/a	292,195	Dec-23	28.8	26.1	3.3	8.2	1.1	0.1	19.6
Electrolux Ab-B	ELUXB SS	NR	n/a	95	n/a	19,437	Dec-23	64.2	8.5	1.8	(37.7)	(0.3)	1.4	(12.4)
Daikin Industries	6367 JP	NR	n/a	20400	n/a	300,759	Mar-23	23.6	21.4	2.3	10.5	10.4	1.2	(11.2)
Panasonic	6752 JP	NR	n/a	1325.00	n/a	163,564	Mar-23	6.9	8.8	0.7	13.1	0.8	2.8	(5.1)
Fujitsu General	6755 JP	NR	n/a	1824.50	n/a	10,037	Mar-24	21.8	15.1	1.3	6.7	0.3	2.0	(21.3)
Lg Electronics	066570 KS	NR	n/a	90600.0	n/a	84,540	Dec-23	7.8	6.0	0.7	3.3	0.1	1.7	(11.0)
Samsung	005930 KS	NR	n/a	76300.0	n/a	2,597,219	Dec-23	15.8	11.3	1.2	3.6	0.3	1.9	(2.8)
Avg.								22.1	13.1	1.6	3.5	1.6	2.2	(7.2)
Med.								18.8	10.0	1.5	7.4	0.3	1.8	(11.1)

Source: Bloomberg, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: CMBIGM's assumptions

USD mn	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by region (USD k)						
North America	358,060	366,182	429,936	479,285	528,396	567,371
Europe	81,041	107,946	125,741	157,176	188,612	216,903
Asia	15,149	16,250	29,807	38,749	48,436	55,702
Total	454,250	490,378	585,484	675,211	765,444	839,976
Sales growth by region (%)						
North America	18.4%	2.3%	17.4%	11.5%	10.2%	7.4%
Europe	99.0%	33.2%	16.5%	25.0%	20.0%	15.0%
Asia	157.4%	7.3%	83.4%	30.0%	25.0%	15.0%
Total	30.2%	8.0%	19.4%	15.3%	13.4%	9.7%
Sales growth by segment (%)						
Seller Central	-27.0%	-92.8%	2.9%	0.0%	0.0%	0.0%
Vendor Central	45.4%	19.7%	11.4%	9.9%	9.4%	7.7%
Others (including offline)	197.6%	95.1%	61.2%	35.0%	25.0%	15.0%
GP margins by segment						
Seller Central	35.0%	25.0%	38.0%	37.5%	38.0%	38.0%
Vendor Central	40.7%	28.5%	48.4%	47.2%	47.2%	47.2%
Others (including offline)	30.0%	32.0%	42.0%	43.0%	43.5%	43.5%
Opex breakdown						
A&P	-4.7%	-7.3%	-7.3%	-7.5%	-7.5%	-7.5%
Commission to platform	-2.8%	-0.5%	-0.4%	-0.4%	-0.3%	-0.3%
Staff cost - Opex	-7.0%	-9.4%	-8.7%	-8.0%	-7.7%	-7.6%
Warehousing	-3.9%	-4.2%	-4.1%	-4.1%	-4.1%	-4.1%
R&D	-3.8%	-6.1%	-5.8%	-5.8%	-5.8%	-5.8%
Office expenses	-0.9%	-0.6%	-0.3%	-0.2%	-0.1%	0.0%
D&A - Opex	-0.8%	-0.8%	-0.6%	-0.5%	-0.4%	-0.3%
Selling & distribution costs / sales	-15.2%	-18.2%	-16.9%	-16.8%	-16.7%	-16.7%
Admin expenses / sales	-11.3%	-14.2%	-14.2%	-12.6%	-12.1%	-11.9%
OP margins						
Effective tax rate	-18.5%	-25.3%	-11.5%	-15.0%	-15.0%	-15.0%
NP att. margins	9.2%	-3.3%	13.2%	13.5%	14.2%	14.5%
NP att. growth (%)	-24.0%	-139.2%	-574.5%	18.0%	18.7%	12.3%
Adjusted NP att. growth (%)	-24.0%	-139.2%	-574.5%	18.0%	18.7%	12.3%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	454	490	585	675	765	840
Cost of goods sold	(278)	(348)	(311)	(364)	(413)	(453)
Gross profit	176	142	274	311	353	387
Operating expenses	(126)	(167)	(195)	(211)	(235)	(255)
Selling expense	(69)	(89)	(99)	(114)	(128)	(140)
Admin expense	(51)	(70)	(83)	(85)	(93)	(100)
R&D expense	0	0	0	0	0	0
Others	(6)	(8)	(13)	(12)	(14)	(15)
Operating profit	51	(21)	86	104	122	136
Other income	1	3	6	3	4	4
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	53	(19)	88	105	124	137
Depreciation	(1)	(2)	(2)	(1)	(1)	(1)
Other amortisation	(1)	(0)	(0)	(0)	(0)	(0)
Interest income	1	1	4	5	7	9
Interest expense	(1)	(2)	(2)	(1)	(1)	(1)
Net Interest income/(expense)	(0)	(1)	2	4	6	7
Other income/expense	(0)	0	(0)	0	0	0
Pre-tax profit	51	(22)	87	108	128	143
Income tax	(9)	6	(10)	(16)	(19)	(22)
Minority interest	0	0	0	0	0	0
Net profit	42	(16)	77	91	108	122
BALANCE SHEET						
YE 31 Dec (US\$ mn)						
Current assets	416	396	532	632	789	890
Cash & equivalents	127	94	268	243	441	429
Account receivables	106	149	156	196	202	235
Inventories	129	115	64	145	92	169
Prepayment	22	26	31	36	41	45
ST bank deposits	32	9	9	9	9	9
Other current assets	1	3	3	3	3	3
Non-current assets	45	61	63	65	69	72
PP&E	4	5	6	9	12	16
Investment in JVs & assos	12	12	12	12	12	12
Intangibles	0	0	0	(0)	(0)	(0)
Goodwill	0	0	0	0	0	0
Other non-current assets	28	44	44	44	44	44
Total assets	461	457	595	698	858	962
Current liabilities	133	168	220	208	260	243
Short-term borrowings	35	8	8	8	8	8
Account payables	38	61	105	86	130	107
Tax payable	17	6	6	6	6	6
Other current liabilities	43	93	101	108	115	121
Non-current liabilities	13	12	12	12	12	12
Long-term borrowings	0	1	1	1	1	1
Other non-current liabilities	13	11	11	11	11	11
Total liabilities	146	180	232	220	271	254
Share capital	2	2	2	2	2	2
Retained earnings	200	187	295	387	495	617
Other reserves	113	89	66	89	89	89
Total shareholders equity	315	277	363	478	586	708
Minority interest	0	0	0	0	0	0
Total equity and liabilities	461	457	595	698	858	962

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	51	(22)	87	108	128	143
Depreciation & amortization	2	2	2	2	1	1
Tax paid	(8)	(18)	(10)	(16)	(19)	(22)
Change in working capital	(113)	(8)	91	(138)	93	(130)
Others	22	47	2	1	1	1
Net cash from operations	(47)	1	172	(43)	205	(5)
Investing						
Capital expenditure	(4)	(3)	(4)	(4)	(5)	(5)
Acquisition of subsidiaries/ investments	(0)	(0)	0	0	0	0
Others	(42)	25	0	0	0	0
Net cash from investing	(46)	22	(4)	(4)	(5)	(5)
Financing						
Dividend paid	(19)	(19)	8	23	0	0
Net borrowings	1	5	0	0	0	0
Proceeds from share issues	29	0	0	0	0	0
Share repurchases	(0)	(2)	0	0	0	0
Others	(4)	(6)	(2)	(1)	(1)	(1)
Net cash from financing	7	(22)	6	22	(1)	(1)
Net change in cash						
Cash at the beginning of the year	(86)	1	175	(26)	199	(12)
Exchange difference	30	(4)	0	0	0	0
Others	183	127	124	299	273	471
Cash at the end of the year	127	124	299	273	471	459
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	30.2%	8.0%	19.4%	15.3%	13.4%	9.7%
Gross profit	15.5%	(19.2%)	92.8%	13.3%	13.5%	9.6%
Operating profit	(16.4%)	na	na	20.9%	17.8%	11.4%
EBITDA	(14.8%)	na	na	20.2%	17.4%	11.2%
Net profit	(24.0%)	na	na	18.0%	18.7%	12.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	38.8%	29.0%	46.9%	46.0%	46.1%	46.0%
Operating margin	11.3%	(4.3%)	14.6%	15.3%	16.0%	16.2%
EBITDA margin	11.7%	(3.8%)	14.9%	15.6%	16.1%	16.4%
Return on equity (ROE)	14.5%	(5.5%)	24.2%	21.7%	20.4%	18.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	3.1	2.4	2.4	3.0	3.0	3.7
Receivable turnover days	56.8	95.0	95.0	95.0	95.0	95.0
Inventory turnover days	147.1	127.5	105.0	105.0	105.0	105.0
Payable turnover days	54.7	51.6	51.6	51.6	51.6	51.6
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	15.3	(38.5)	8.5	7.0	5.9	5.3
P/E (diluted)	15.3	(38.5)	8.5	7.0	5.9	5.3
P/B	2.1	2.3	1.7	1.3	1.1	0.9
P/CFPS	ns	483.7	3.8	ns	3.1	ns
Div yield (%)	2.9	0.0	4.7	5.8	6.8	7.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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