

SANY Heavy (600031 CH)

2023 net profit a miss; 1Q24 still weak; Stay on the sidelines

SANY Heavy (SANY)'s net profit in 2023 came in at RMB4.53bn (+6% YoY), which is 12% below both our and consensus estimates. In addition, net profit in 1Q24 only grew 5% YoY to RMB1.58bn due to a lack of revenue growth (-1% YoY). We are still concerned about further slowdown of export this year, given the weakness in the overseas demand (in particular in Europe). We maintain our 2024E earnings forecast but revise up our 2025E estimates by 8% as we take into consideration a moderate recovery in China's market. Still, our new estimates remain 24%/29% below consensus. Maintain **HOLD** with new TP of RMB14.8, based on 24x 2024E P/E.

- 4Q23 results below expectations.** Revenue declined 17% YoY to RMB17.9bn. Gross margin narrowed 1.9ppt YoY to 25.6%. EBIT was RMB698mn (-25% YoY), largely helped by a fair value gain of RMB602mn. Net profit dropped by 29% YoY to RMB480mn.
- Slowdown of overseas revenue in 2H23.** Overseas revenue in 2H23 (62% of SANY's revenue) grew 4% YoY to RMB20.8bn (slowed from 36% in 1H23). In terms of region, Europe grew 15% YoY to RMB8.1bn (39% of overseas revenue). Asia Pacific (ex-China) remained stable at RMB7.6bn (36% of overseas). Both America and Africa revenue dropped 6% YoY in 2H23 (17%/7% of overseas).
- Sluggish 1Q24 results.** Revenue dropped 1% YoY while gross margin expanded 0.5ppt to 28.4%. Helped by lower R&D and administrative expense ratio, net profit grew 5% YoY to RMB1.58bn. On the positive side, operating cash flow improved significantly to RMB4.38bn (vs -RMB1.6bn in 1Q23).
- Valuation.** We revise up our TP to RMB14.8, based on 24x 2024E P/E which is equivalent to 0.5SD above the average of 20x since 2017 (previous TP: RMB12.3, based on 19x). We now apply an above average target multiple as we see initial signs of stabilisation of excavator sales in China's market, and we expect a moderate recovery in 2025E.
- Upside risk:** stabilization of property investment in China; **Downside risk:** further slowdown of overseas demand.

Earnings Summary

| (YE 31 Dec) | FY22A | FY23A | FY24E | FY25E | FY26E |
|----------------------|--------|--------|--------|--------|--------|
| Revenue (RMB mn) | 80,822 | 74,019 | 77,600 | 84,438 | 91,222 |
| YoY growth (%) | (24.4) | (8.4) | 4.8 | 8.8 | 8.0 |
| EPS (Reported) (RMB) | 0.50 | 0.53 | 0.62 | 0.73 | 0.81 |
| YoY growth (%) | (64.5) | 6.0 | 15.5 | 18.8 | 10.8 |
| Consensus EPS (RMB) | 0.00 | 0.61 | 0.81 | 1.02 | 0.00 |
| P/E (x) | 31.9 | 30.1 | 26.0 | 21.9 | 19.8 |
| P/B (x) | 2.1 | 2.0 | 1.9 | 1.8 | 1.7 |
| Yield (%) | 1.0 | 1.4 | 1.6 | 1.9 | 2.1 |
| Net gearing (%) | (5.3) | 6.2 | 4.6 | 2.7 | (1.7) |

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price RMB14.80

(Previous TP) RMB12.30

Up/Downside (7.7%)

Current Price RMB16.04

China Capital Goods

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (RMB mn) | 136,111.3 |
| Avg 3 mths t/o (RMB mn) | 1,067.5 |
| 52w High/Low (RMB) | 17.75/12.70 |
| Total Issued Shares (mn) | 8485.7 |

Source: FactSet

Shareholding Structure

| | |
|--------------|-------|
| SANY Group | 29.2% |
| Liang Wengen | 2.8% |

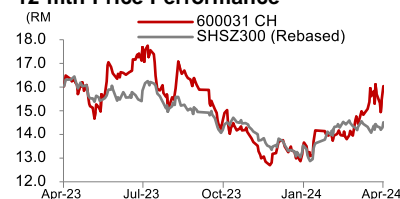
Source: SSE

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 8.7% | 7.5% |
| 3-mth | 17.4% | 9.2% |
| 6-mth | 9.7% | 7.6% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

Capital Goods sector – More policies to support domestic machinery demand; expect sector rally to continue – 18 Apr 2024 ([link](#))

Capital Goods sector – 2M24: Solid growth of forklifts; weakness continued for tower cranes & excavators – 15 Mar 2024 ([link](#))

Capital Goods sector – Strong sales of AWP's & forklifts in Jan; Tower cranes the worst – 29 Feb 2024 ([link](#))

Capital Goods sector – Equipment replacement proposed in Central government meeting; positive to HDT sector – 26 Feb 2024 ([link](#))

Figure 1: SANY Heavy's quarterly results

| (RMB mn) | 1Q23 | 1Q24 | Chg YoY | 2Q22 | 2Q23 | Chg YoY | 3Q22 | 3Q23 | Chg YoY | 4Q22 | 4Q23 | Chg YoY |
|------------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total revenue | 17,997 | 17,830 | -0.9% | 19,794 | 21,918 | 10.7% | 19,093 | 16,222 | -15.0% | 21,658 | 17,883 | -17.4% |
| Cost of sales | -12,985 | -12,767 | -1.7% | -15,210 | -15,574 | 2.4% | -14,547 | -11,450 | -21.3% | -15,692 | -13,303 | -15.2% |
| Gross profit | 5,011 | 5,063 | 1.0% | 4,584 | 6,344 | 38.4% | 4,546 | 4,771 | 5.0% | 5,966 | 4,580 | -23.2% |
| Other income | -90 | -113 | 25.5% | -96 | -132 | 37.3% | -69 | -81 | 18.7% | -115 | -120 | 4.4% |
| S&D expenses | -1,301 | -1,380 | 6.1% | -1,504 | -1,685 | 12.1% | -1,597 | -1,572 | -1.6% | -1,844 | -1,660 | -10.0% |
| Administrative expenses | -721 | -670 | -7.2% | -589 | -580 | -1.6% | -646 | -647 | 0.2% | -745 | -703 | -5.6% |
| R&D expense | -1,407 | -1,294 | -8.1% | -1,512 | -1,468 | -3.0% | -1,610 | -1,353 | -15.9% | -2,377 | -1,636 | -31.2% |
| Fair value change | -92 | 191 | n/a | -218 | -905 | 314.8% | -204 | 417 | n/a | 331 | 602 | 82.2% |
| Asset impairment | -99 | -150 | 51.2% | -106 | -541 | 410.7% | -263 | -252 | -4.1% | -285 | -365 | 28.0% |
| EBIT | 1,300 | 1,648 | 26.7% | 558 | 1,033 | 85.0% | 158 | 1,282 | 713.2% | 931 | 698 | -25.0% |
| Net finance income/(expense) | 93 | -155 | n/a | 597 | 896 | 49.9% | 401 | -482 | n/a | -780 | -45 | -94.3% |
| Other gains/(losses) | 322 | 309 | -4.1% | 194 | 333 | 71.5% | 521 | -11 | n/a | 446 | -153 | n/a |
| Share of profit of JV & associates | 9 | 44 | 394.0% | 15 | 4 | -76.0% | -6 | -3 | -45.0% | 3 | 41 | 1203.9% |
| Pretax profit | 1,724 | 1,845 | 7.0% | 1,365 | 2,265 | 66.0% | 1,074 | 786 | -26.8% | 600 | 542 | -9.7% |
| Income tax | -163 | -221 | 36.0% | -275 | -329 | 19.7% | -84 | -135 | 60.7% | 84 | -84 | n/a |
| After tax profit | 1,562 | 1,623 | 4.0% | 1,090 | 1,936 | 77.6% | 990 | 651 | -34.2% | 683 | 458 | -33.0% |
| MI | -50 | -43 | -13.5% | -45 | -47 | 3.6% | -27 | -4 | -85.9% | -8 | 22 | n/a |
| Net profit | 1,512 | 1,580 | 4.5% | 1,044 | 1,889 | 80.8% | 963 | 647 | -32.8% | 676 | 480 | -29.0% |
| Key ratios: | | | <i>ppt</i> | | | <i>ppt</i> | | | <i>ppt</i> | | | <i>ppt</i> |
| Gross margin | 27.8% | 28.4% | 0.5 | 23.2% | 28.9% | 5.8 | 23.8% | 29.4% | 5.6 | 27.5% | 25.6% | -1.9 |
| S&D expense ratio | 7.2% | 7.7% | 0.5 | 7.6% | 7.7% | 0.1 | 8.4% | 9.7% | 1.3 | 8.5% | 9.3% | 0.8 |
| Administrative expense ratio | 4.0% | 3.8% | -0.3 | 3.0% | 2.6% | -0.3 | 3.4% | 4.0% | 0.6 | 3.4% | 3.9% | 0.5 |
| R&D expense ratio | 7.8% | 7.3% | -0.6 | 7.6% | 6.7% | -0.9 | 8.4% | 8.3% | -0.1 | 11.0% | 9.1% | -1.8 |
| Net profit margin | 8.7% | 9.1% | 0.4 | 5.5% | 8.8% | 3.3 | 5.2% | 4.0% | -1.2 | 3.2% | 2.6% | -0.6 |
| Effective tax rate | 9.4% | 12.0% | 2.6 | 20.1% | 14.5% | -5.6 | 7.8% | 17.2% | 9.3 | -14.0% | 15.5% | 29.4 |

Source: Company data, CMBIGM estimates

Figure 2: SANY Heavy's overseas revenue breakdown

| Overseas revenue breakdown by region | | | | | | | | | | | | |
|--------------------------------------|---------------|---------------|------------|-------------|---------------|---------------|------------|-------------|---------------|---------------|-----------|-------------|
| (RMB mn) | 2022 | 2023 | Chg YoY | % of total | 1H22 | 1H23 | Chg YoY | % of total | 2H22 | 2H23 | Chg YoY | % of total |
| Asia Pacific (ex-China) | 14,850 | 16,500 | 11% | 38% | 7,320 | 8,938 | 22% | 40% | 7,530 | 7,562 | 0% | 36% |
| Europe | 11,780 | 16,250 | 38% | 38% | 4,770 | 8,182 | 72% | 36% | 7,010 | 8,068 | 15% | 39% |
| America | 7,100 | 7,580 | 7% | 18% | 3,230 | 3,958 | 23% | 18% | 3,870 | 3,622 | -6% | 17% |
| Africa | 2,850 | 2,920 | 2% | 7% | 1,220 | 1,388 | 14% | 6% | 1,630 | 1,532 | -6% | 7% |
| Total | 36,580 | 43,250 | 18% | 100% | 16,540 | 22,466 | 36% | 100% | 20,040 | 20,784 | 4% | 100% |

Source: Company data, CMBIGM estimates

Figure 3: SANY Heavy's 2H23 revenue and gross margin breakdown

| (RMB mn) | 1H22 | 1H23 | Change (YoY) | 2H22 | 2H23 | Change (YoY) |
|--|---------------|---------------|---------------------|---------------|---------------|---------------------|
| Revenue | | | | | | |
| Concrete machinery | 8,355 | 8,395 | 0.5% | 6,726 | 6,919 | 2.9% |
| Excavator | 16,738 | 15,150 | -9.5% | 19,018 | 12,486 | -34.3% |
| Crane machinery | 7,146 | 7,364 | 3.0% | 5,523 | 5,636 | 2.0% |
| Piling machinery | 1,665 | 1,254 | -24.7% | 1,400 | 831 | -40.7% |
| Earth moving machinery | 1,351 | 1,363 | 0.9% | 1,730 | 1,122 | -35.1% |
| Other machinery | 3,522 | 5,107 | 45.0% | 4,926 | 5,895 | 19.7% |
| Revenue (construction machinery) | 38,777 | 38,633 | -0.4% | 39,324 | 32,889 | -16.4% |
| Interest income from financing | 399 | 418 | 4.7% | 405 | 379 | -6.3% |
| Other business | 896 | 864 | -3.6% | 1,021 | 836 | -18.1% |
| Total revenue | 40,072 | 39,915 | -0.4% | 40,750 | 34,104 | -16.3% |
| Gross margin | | | Change (ppt) | | | Change (ppt) |
| Concrete machinery | 20.9% | 22.1% | 1.2 | 22.8% | 22.7% | (0.2) |
| Excavator | 25.1% | 34.3% | 9.2 | 30.4% | 31.8% | 1.4 |
| Crane machinery | 15.7% | 25.0% | 9.3 | 15.9% | 24.2% | 8.3 |
| Piling machinery | 36.8% | 32.7% | (4.1) | 36.0% | 36.2% | 0.2 |
| Earth moving machinery | 27.6% | 28.9% | 1.3 | 18.2% | 31.4% | 13.2 |
| Other machinery | 18.8% | 23.9% | 5.1 | 20.6% | 23.0% | 2.3 |
| Gross margin (construction machinery) | 22.5% | 28.2% | 5.8 | 25.5% | 27.1% | 1.6 |
| Interest income from financing | 55.4% | 50.7% | (4.8) | 54.0% | 54.9% | 0.8 |
| Other business | 23.3% | 26.7% | 3.4 | 26.0% | 27.5% | 1.5 |
| Blended gross margin | 22.8% | 28.4% | 5.6 | 25.8% | 27.4% | 1.6 |

Source: Company data, CMBIGM

Figure 4: SANY Heavy's 2H23 financials

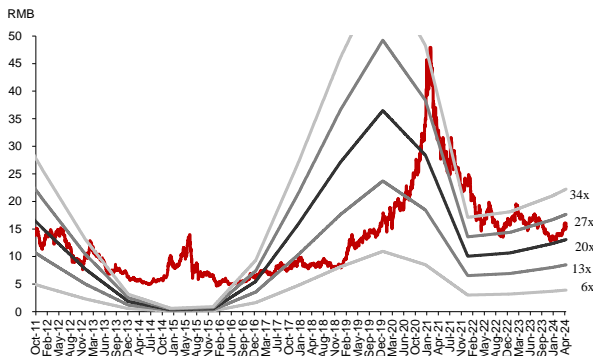
| YE Dec 31(RMB mn) | 1H22 | 1H23 | Change (YoY) | 2H22 | 2H23 | Change (YoY) |
|--------------------------------------|---------------|---------------|--------------|---------------|---------------|---------------|
| Total revenue | 40,072 | 39,915 | -0.4% | 40,750 | 34,104 | -16.3% |
| Cost of sales | (30,925) | (28,559) | -7.7% | (30,239) | (24,753) | -18.1% |
| Gross profit | 9,147 | 11,356 | 24.1% | 10,512 | 9,351 | -11.0% |
| Surcharge | (185) | (222) | 20.3% | (184) | (202) | 9.7% |
| S&D expenses | (2,860) | (2,986) | 4.4% | (3,442) | (3,232) | -6.1% |
| Administrative expenses | (1,249) | (1,301) | 4.2% | (1,390) | (1,350) | -2.9% |
| R&D expense | (2,936) | (2,875) | -2.1% | (3,987) | (2,989) | -25.0% |
| Fair value change | (377) | (998) | 164.8% | 127 | 1,019 | 705.2% |
| Asset impairment | (117) | (641) | 448.6% | (548) | (617) | 12.6% |
| EBIT | 1,424 | 2,333 | 63.9% | 1,088 | 1,980 | 82.0% |
| Net finance income/(cost) | 673 | 989 | 47.0% | (379) | (526) | 38.8% |
| Finance income | 911 | 1,539 | 69.0% | (214) | (559) | 160.6% |
| Finance expenses | (238) | (550) | 131.0% | (165) | 32 | n/a |
| Other gains/(losses) | 1,033 | 654 | -36.6% | 968 | (164) | n/a |
| Share of profit of JV and associates | 30 | 12 | -57.8% | (3) | 37 | n/a |
| Pretax profit | 3,159 | 3,989 | 26.3% | 1,674 | 1,328 | -20.7% |
| Income tax | (428) | (492) | 15.0% | (0) | (219) | 131562.7% |
| After tax profit | 2,731 | 3,497 | 28.0% | 1,674 | 1,109 | -33.7% |
| MI | (97) | (97) | -0.1% | (35) | 18 | n/a |
| Net profit | 2,634 | 3,400 | 29.1% | 1,639 | 1,127 | -31.2% |
| Recurring net profit | 2,634 | 3,400 | 29.1% | 1,639 | 1,127 | -31.2% |
| D&A | 1,159 | 1,512 | 30.5% | 1,236 | 1,377 | 11.4% |
| EBITDA | 2,582 | 3,845 | 48.9% | 2,324 | 3,357 | 44.4% |
| Key ratios | | | | | | |
| Gross margin | 22.8% | 28.4% | 5.6 | 25.8% | 27.4% | 1.6 |
| S&D expense ratio | 7.1% | 7.5% | 0.3 | 8.4% | 9.5% | 1.0 |
| Administrative expense ratio | 3.1% | 3.3% | 0.1 | 3.4% | 4.0% | 0.5 |
| R&D expense ratio | 7.3% | 7.2% | -0.1 | 9.8% | 8.8% | -1.0 |
| Net profit margin | 6.8% | 8.8% | 1.9 | 4.1% | 3.3% | -0.9 |
| Effective tax rate | 13.5% | 12.3% | -1.2 | 0.0% | 16.5% | 16.5 |

Source: Company data, CMBIGM

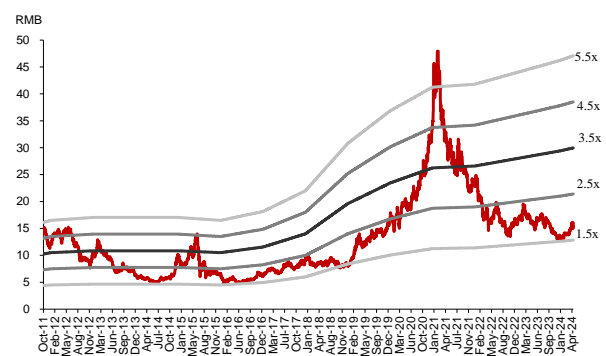
Figure 5: Change in key assumptions for SANY Heavy

| (RMB mn) | Old | | | New | | | Change | | |
|--|---------------|---------------|-------|---------------|---------------|---------------|--------------|-------------|-------|
| | 2024E | 2025E | 2026E | 2024E | 2025E | 2026E | 2024E | 2025E | 2026E |
| Revenue | | | | | | | | | |
| Concrete machinery | 14,448 | 14,671 | - | 15,640 | 16,815 | 18,160 | 8.2% | 14.6% | - |
| Excavator | 32,149 | 33,756 | - | 28,647 | 31,512 | 34,033 | -10.9% | -6.6% | - |
| Crane machinery | 12,789 | 13,310 | - | 13,165 | 14,093 | 15,220 | 2.9% | 5.9% | - |
| Piling machinery | 2,416 | 2,537 | - | 2,111 | 2,217 | 2,328 | -12.6% | -12.6% | - |
| Earth moving machinery | 3,127 | 3,221 | - | 3,127 | 3,283 | 3,448 | 0.0% | 1.9% | - |
| Other machinery | 10,104 | 10,509 | - | 12,321 | 13,800 | 15,180 | 21.9% | 31.3% | - |
| Revenue (construction machinery) | 75,034 | 78,003 | - | 75,012 | 81,720 | 88,369 | 0.0% | 4.8% | - |
| Interest income from financing | 781 | 820 | - | 837 | 879 | 923 | 7.2% | 7.2% | - |
| Other business | 1,995 | 2,095 | - | 1,751 | 1,839 | 1,931 | -12.2% | -12.2% | - |
| Total revenue | 77,809 | 80,918 | - | 77,600 | 84,438 | 91,222 | -0.3% | 4.4% | - |
| Gross margin | | | | | | | | | |
| Concrete machinery | 22.3% | 22.3% | - | 23.0% | 23.0% | 23.0% | 0.7 | 0.7 | - |
| Excavator | 32.6% | 32.7% | - | 33.1% | 33.7% | 33.8% | 0.5 | 1.0 | - |
| Crane machinery | 25.3% | 25.5% | - | 25.2% | 25.3% | 25.3% | (0.1) | (0.2) | - |
| Piling machinery | 33.4% | 33.5% | - | 33.4% | 33.5% | 33.5% | 0.0 | 0.0 | - |
| Earth moving machinery | 26.5% | 26.5% | - | 30.0% | 30.0% | 30.0% | 3.5 | 3.5 | - |
| Other machinery | 22.0% | 22.0% | - | 21.5% | 22.5% | 23.0% | (0.5) | 0.5 | - |
| Gross margin (construction machinery) | 27.7% | 27.8% | - | 27.6% | 28.0% | 28.1% | (0.1) | 0.2 | - |
| Interest income from financing | 52.0% | 52.0% | - | 52.0% | 52.0% | 52.0% | 0.0 | 0.0 | - |
| Other business | 26.0% | 26.0% | - | 26.0% | 26.0% | 26.0% | 0.0 | 0.0 | - |
| Blended gross margin | 27.9% | 28.0% | - | 27.8% | 28.2% | 28.3% | (0.1) | 0.2 | - |
| S&D expense ratio | 8.4% | 8.4% | - | 8.6% | 8.6% | 8.6% | 0.2 | 0.2 | - |
| Administrative expense ratio | 3.5% | 3.5% | - | 3.5% | 3.5% | 3.5% | 0.0 | 0.0 | - |
| R&D expense ratio | 8.5% | 8.5% | - | 7.3% | 7.1% | 7.0% | (1.2) | (1.4) | - |
| Net profit | 5,208 | 5,756 | - | 5,226 | 6,206 | 6,878 | 0.3% | 7.8% | - |

Source: Company data, CMBIGM estimates

Figure 6: SANY's P/E band

Source: Company data, Bloomberg, CMBIGM estimates

Figure 7: SANY's P/B band

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 106,874 | 80,822 | 74,019 | 77,600 | 84,438 | 91,222 |
| Cost of goods sold | (78,978) | (61,164) | (53,312) | (56,020) | (60,618) | (65,404) |
| Gross profit | 27,896 | 19,658 | 20,707 | 21,580 | 23,820 | 25,818 |
| Operating expenses | (17,057) | (17,147) | (16,394) | (16,033) | (17,280) | (18,579) |
| Selling expense | (6,699) | (6,302) | (6,218) | (6,674) | (7,262) | (7,845) |
| Admin expense | (2,771) | (2,639) | (2,651) | (2,716) | (2,955) | (3,193) |
| R&D expense | (6,509) | (6,923) | (5,865) | (5,665) | (5,995) | (6,386) |
| Others | (1,079) | (1,283) | (1,660) | (979) | (1,068) | (1,156) |
| Operating profit | 10,839 | 2,512 | 4,313 | 5,547 | 6,540 | 7,239 |
| Share of (losses)/profits of associates/JV | (17) | 27 | 50 | 60 | 61 | 62 |
| EBITDA | 12,861 | 4,906 | 7,201 | 8,794 | 10,148 | 11,046 |
| Depreciation | 2,022 | 2,394 | 2,888 | 3,248 | 3,608 | 3,808 |
| Interest income | 664 | 696 | 980 | 725 | 790 | 886 |
| Interest expense | (539) | (403) | (517) | (663) | (665) | (667) |
| Net Interest income/(expense) | 125 | 294 | 463 | 62 | 125 | 219 |
| Others | 2,910 | 2,000 | 491 | 500 | 600 | 600 |
| Pre-tax profit | 13,857 | 4,832 | 5,317 | 6,169 | 7,326 | 8,120 |
| Income tax | (1,530) | (428) | (710) | (864) | (1,026) | (1,137) |
| Minority interest | (292) | (132) | (79) | (80) | (95) | (105) |
| Adjusted net profit | 12,034 | 4,273 | 4,527 | 5,226 | 6,206 | 6,878 |
| BALANCE SHEET | | | | | | |
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 93,719 | 105,762 | 97,633 | 104,695 | 106,631 | 116,924 |
| Cash & equivalents | 14,812 | 21,343 | 18,072 | 19,093 | 20,411 | 23,913 |
| Account receivables | 19,655 | 25,022 | 24,165 | 26,860 | 28,661 | 31,321 |
| Inventories | 18,463 | 19,738 | 19,768 | 23,207 | 21,966 | 26,057 |
| Other current assets | 40,789 | 39,659 | 35,629 | 35,535 | 35,593 | 35,633 |
| Non-current assets | 44,838 | 52,993 | 53,569 | 58,997 | 57,496 | 60,617 |
| PP&E | 13,340 | 19,681 | 23,508 | 25,178 | 26,488 | 25,598 |
| Deferred income tax | 1,599 | 2,499 | 3,070 | 3,070 | 3,070 | 3,070 |
| Investment in JVs & assos | 2,333 | 2,239 | 2,401 | 2,431 | 2,462 | 2,493 |
| Intangibles | 3,960 | 4,519 | 4,918 | 4,500 | 4,083 | 3,665 |
| Goodwill | 46 | 48 | 50 | 50 | 50 | 50 |
| Financial assets at FVTPL | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 23,559 | 24,007 | 19,622 | 23,767 | 21,344 | 25,742 |
| Total assets | 138,557 | 158,755 | 151,202 | 163,692 | 164,127 | 177,541 |
| Current liabilities | 61,432 | 67,630 | 54,415 | 63,462 | 59,739 | 68,714 |
| Short-term borrowings | 8,244 | 11,064 | 9,551 | 9,651 | 9,751 | 9,851 |
| Account payables | 28,560 | 28,908 | 22,693 | 31,639 | 27,816 | 36,692 |
| Tax payable | 1,081 | 1,191 | 1,063 | 1,063 | 1,063 | 1,063 |
| Other current liabilities | 23,547 | 26,467 | 21,109 | 21,109 | 21,109 | 21,109 |
| Non-current liabilities | 12,029 | 25,116 | 27,614 | 27,614 | 27,614 | 27,614 |
| Long-term borrowings | 9,603 | 21,625 | 23,556 | 23,556 | 23,556 | 23,556 |
| Other non-current liabilities | 2,426 | 3,491 | 4,059 | 4,059 | 4,059 | 4,059 |
| Total liabilities | 73,461 | 92,746 | 82,029 | 91,076 | 87,353 | 96,329 |
| Total shareholders equity | 63,691 | 64,966 | 68,040 | 71,403 | 75,467 | 79,801 |
| Minority interest | 1,404 | 1,043 | 1,133 | 1,213 | 1,307 | 1,412 |
| Total equity and liabilities | 138,557 | 158,755 | 151,202 | 163,692 | 164,127 | 177,541 |

| CASH FLOW | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 13,857 | 4,832 | 5,317 | 6,169 | 7,326 | 8,120 |
| Depreciation & amortization | 2,022 | 2,394 | 2,888 | 3,248 | 3,608 | 3,808 |
| Tax paid | (1,530) | (428) | (710) | (864) | (1,026) | (1,137) |
| Change in working capital | (1,222) | (2,264) | (3,067) | (1,239) | (2,017) | (2,314) |
| Others | (1,222) | (436) | 1,281 | (122) | (186) | (281) |
| Net cash from operations | 11,904 | 4,099 | 5,708 | 7,192 | 7,705 | 8,196 |
| Investing | | | | | | |
| Capital expenditure | (9,977) | (5,538) | (4,128) | (4,500) | (4,500) | (2,500) |
| Acquisition of subsidiaries/ investments | 812 | (20) | (92) | 0 | 0 | 0 |
| Others | (124) | 3,720 | 1,527 | 755 | 821 | 917 |
| Net cash from investing | (9,288) | (1,838) | (2,694) | (3,745) | (3,679) | (1,583) |
| Financing | | | | | | |
| Dividend paid | (5,057) | (3,822) | (1,359) | (1,862) | (2,142) | (2,544) |
| Net borrowings | 4,180 | 7,779 | (2,049) | 100 | 100 | 100 |
| Proceeds from share issues | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (438) | 870 | (4,122) | (663) | (665) | (667) |
| Net cash from financing | (1,315) | 4,826 | (7,530) | (2,425) | (2,708) | (3,112) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 12,596 | 14,812 | 21,343 | 18,072 | 19,093 | 20,411 |
| Exchange difference | 915 | (556) | 1,244 | 0 | 0 | 0 |
| Cash at the end of the year | 14,812 | 21,343 | 18,072 | 19,093 | 20,411 | 23,913 |
| GROWTH | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Revenue | 6.8% | (24.4%) | (8.4%) | 4.8% | 8.8% | 8.0% |
| Gross profit | (7.1%) | (29.5%) | 5.3% | 4.2% | 10.4% | 8.4% |
| Operating profit | (35.7%) | (76.8%) | 71.7% | 28.6% | 17.9% | 10.7% |
| EBITDA | (31.4%) | (61.9%) | 46.8% | 22.1% | 15.4% | 8.9% |
| Adj. net profit | (22.0%) | (64.5%) | 6.0% | 15.4% | 18.8% | 10.8% |
| PROFITABILITY | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 26.1% | 24.3% | 28.0% | 27.8% | 28.2% | 28.3% |
| Operating margin | 10.1% | 3.1% | 5.8% | 7.1% | 7.7% | 7.9% |
| EBITDA margin | 12.0% | 6.1% | 9.7% | 11.3% | 12.0% | 12.1% |
| Adj. net profit margin | 11.3% | 5.3% | 6.1% | 6.7% | 7.3% | 7.5% |
| GEARING/LIQUIDITY/ACTIVITIES | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.2) | (0.1) | 0.1 | 0.0 | 0.0 | (0.0) |
| Current ratio (x) | 1.5 | 1.6 | 1.8 | 1.6 | 1.8 | 1.7 |
| Receivable turnover days | 93.4 | 145.7 | 181.4 | 183.0 | 180.0 | 178.0 |
| Inventory turnover days | 87.0 | 114.0 | 135.2 | 140.0 | 136.0 | 134.0 |
| Payable turnover days | 140.4 | 171.5 | 176.6 | 177.0 | 179.0 | 180.0 |
| VALUATION | 2021A | 2022A | 2023A | 2024E | 2025E | 2026E |
| YE 31 Dec | | | | | | |
| P/E | 11.3 | 31.9 | 30.1 | 26.0 | 21.9 | 19.8 |
| P/B | 2.1 | 2.1 | 2.0 | 1.9 | 1.8 | 1.7 |
| Div yield (%) | 2.8 | 1.0 | 1.4 | 1.6 | 1.9 | 2.1 |

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

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