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Clear Media (100_HK)

Earnings Update Report

Publishing & Broadcasting: Outdoor Advertising

Target Price	HK\$ 9.70
Current Price	HK\$ 7.60
Upside Potential	28%

H1FY2016 [ended June] Earnings Update

Market Cap.	HK\$ 4117 Mn \$ 483 Mn
Shares Outstanding	541.7 Mn
Free Float (FF %)	261.7 / 48%
52 Week Range (Rs)	9.6 / 6.2
Avg. Daily Value	HK\$ 1.74mn \$ 0.2mn
HANG SENG Index Level	22,492
Insider Holding %	50.42%

Net Cash 15% of market cap.
P/E 17.7x (FY03/2017E)

Strong Results despite Economic Slowdown

Clear Media [100_HK] has reported H1FY2016 results which outpaced our bottom-line estimates by 5% while meeting our top-line estimates. Also, the company declared a large one-time special dividend of 37 cents [4.9% yield] payable next month [please see details below]. Revenue increased 3.9% in 1H to HK\$ 889 mn YoY, mainly buoyed by an increase in the number of panels in operation. On a constant currency basis, revenue growth would have been +9.1%. Gross margin in the reported period was 41% versus 40.7% in the prior year period. EBITDA was HK\$ 357 mn, up 3.9% against the same period last year while on a constant currency basis EBITDA was up by +9.1%. Likewise, the net profit margin grew by 30bps to 12.1%. Net income also increased 7% YoY to HK\$ 108 mn. On a constant currency, net income was up 12.6%.



Advertising panels grew 6.8% YoY to 47,000 panels in 1H. During the reported period, revenue contribution from customers operating in the e-commerce sector increased to 28% from 13% in the preceding year period while from the IT segment, it improved to 17% as compared with 12% in the last year period. Given the volatile nature of the economy, the customers from other industry segments remained cautious with their advertising expenditure. The company continued to take advantage of the slowing economy and incurred CAPX of HK\$ 203.5 mn against HK\$ 245.4 mn in the first half of 2015. Cash and equivalents on the balance sheet was HK\$ 622.1 mn versus HK\$ 689 mn at the end of December 2015. The company maintained a debt free balance sheet.

Risk: Above Average

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Despite the struggling Chinese economy coupled with a depreciating currency, the company has posted 6.5% YoY growth in EPS to HK\$ 19.95 per share. Revenues from the key cities Shanghai and Beijing for the reported period rose 28.9% and 10.5% YoY. However, revenues from Guangzhou and other mid-tier cities declined 0.9% and 4.0%, respectively.

In our call with management today, they mentioned that their e-commerce and IT customers will continue to contribute significantly to the company's revenue driven by the shopping festivals to be held in November and December. However, given a tough macro economic backdrop, our EPS estimate for the full year 2016 remains unchanged [implying flat EPS growth YoY in 2H2016].

Maintaining Price Target HK\$ 9.70

Clear Media is the leading bus shelter advertisement operator in China dominating the top-tier cities with a market share in between 60% to 90%. The company has grown over the past decade and expects to maintain healthy momentum going forward driven by numerous catalysts which are likely to unfold in the near to intermediate term. Our 12 month price target on the stock is HK\$9.70 which represents about 28% total return from current levels. Our price target is based on a DCF and PE methodology. Our DCF based price is HK\$9.55 which assumes 10.3% WACC and 3% terminal growth rate. We apply a 17.7x on our FY17 EPS estimate of HK\$ 0.55 which comes to HK\$ 9.70 per share. Given the company's strong balance sheet with nearly HK\$ 622 mn in net cash or [15% of current market cap], our target price equates to an ex-cash P/E of 16x. See DCF details further in our report.

Our Call with Management

When we spoke with management following the results announcement, they noted that the second half is seasonally better than the first half mainly due to the festive period in November and December. The occupancy rates will be high in this period driven by their e-commerce and IT clients. This will eventually lead to revenue growth for the company. The management also believes that the tough operating environment is likely to persist, affected by sluggish growth in the Chinese economy.

Clear Media continues to draw international industry expertise from its parent, Clear Channel Outdoor [CCO_US; US\$2.4 billion market cap], the largest shareholder of the company, which is one of the world's largest outdoor media companies. The company also noted that the newly started digital advertising unit is still in the testing phase. Management noted that due to the slowdown in the overall Chinese economy, the company is facing a delay in cash conversion of receivables.

However, management also noted that the receivables which are due for more than six months are basically from well established companies and management does not see any problem in recovering outstanding dues. Additionally, the company plans to maintain the same CAPX level in FY16 similar to FY15 as it continues to explore opportunities in different cities.

Large Special Dividend

In line with our expectations, the company announced a special dividend of HK\$ 0.37 per share which is equivalent to a 4.9% yield on the current stock price and at 71% payout on FY2015 EPS. The company has done well to enhance shareholders wealth by paying three special dividends in a short span of four years. However, the special dividend payments over the period have declined from HK\$ 1.32 in 2013 to HK\$ 0.37 in 2016. Even it was lower than last year's special dividend payment of HK\$ 0.56 per share.

Clear Media has also paid a normal dividend of HK\$ 0.16 this year. This takes the total dividend for 2016 to HK\$ 0.53 per share [0.37 special + 0.16 normal dividend] with a total dividend yield of around 7% [4.9% special + 2.1% normal dividend] on current stock price. Thus, in the last four years, the company has paid special dividends of HK\$ 2.25 representing 29.6% of the current stock price while the total dividends of HK\$ 2.86 is equivalent to 37.6% of the current stock price.

5-year Price Chart



Income Statement (HK\$ million)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E	CAGR (2015-19)
Revenue	1,486	1,522	1,647	1,761	1,833	1,917	2,028	2,148	2,272	2,400	5%
y/y	17.8%	2.4%	8.2%	6.9%	4.1%	4.6%	5.8%	5.9%	5.8%	5.6%	
Cost of Revenue	-933	-939	-981	-1,035	-1,028	-1,085	-1,166	-1,263	-1,336	-1,411	
Gross Profit	552.5	582.8	666.2	726.1	804.4	832.0	862.0	884.9	936.3	988.7	
Gross margin (%)	37.2%	38.3%	40.4%	41.2%	43.9%	43.4%	42.5%	41.2%	41.2%	41.2%	
Other Operating Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
as a % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Selling, General & Admin Expense	-257.8	-264.3	-305.8	-343.7	-361.9	-364.2	-385.4	-408.1	-418.1	-441.5	
as a % of sales	17.4%	17.4%	18.6%	19.5%	19.7%	19.0%	19.0%	19.0%	18.4%	18.4%	
Other Operating expenses	-19.5	-6.2	-12.9	-11.6	-6.6	-7.7	-8.1	-8.6	-9.1	-9.6	
as a % of sales	1.3%	0.4%	0.8%	0.7%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	
Operating Income	275.1	312.3	347.5	370.9	436.0	460.1	468.5	468.2	509.0	537.5	7%
y/y	21.0%	13.5%	11.3%	6.7%	17.5%	5.5%	1.8%	-0.1%	8.7%	5.6%	
Operating margin (%)	18.5%	20.5%	21.1%	21.1%	23.8%	24.0%	23.1%	21.8%	22.4%	22.4%	
Interest Expense	-3.0	-2.6	-1.9	-3.7	-2.2	-2.5	-3.0	-3.0	-3.0	-2.0	
Interest income	7.6	25.1	24.4	20.3	9.9	13.8	16.6	20.6	23.9	27.2	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	279.7	334.8	370.1	387.5	443.6	471.4	482.1	485.8	530.0	562.7	6%
y/y	23.1%	19.7%	10.5%	4.7%	14.5%	6.3%	2.3%	0.8%	9.1%	6.2%	
Pretax Income (adjusted)	279.7	334.8	370.1	387.5	443.6	471.4	482.1	485.8	530.0	562.7	6%
y/y	23.1%	19.7%	10.5%	4.7%	14.5%	6.3%	2.3%	0.8%	9.1%	6.2%	
- Income Tax Expense	-71.3	-91.1	-134.8	-108.1	-120.1	-132.0	-135.0	-136.0	-148.4	-157.6	
effective tax rate (%)	25.5%	27.2%	36.4%	27.9%	27.1%	28.0%	28.0%	28.0%	28.0%	28.0%	
- Minority Interests	-20.9	-24.5	-34.2	-39.2	-43.1	-47.1	-48.2	-48.6	-53.0	-56.3	
Income Before XO Items	187.5	219.2	201.0	240.2	280.5	292.3	298.9	301.2	328.6	348.9	6%
y/y	12.9%	16.9%	-8.3%	19.5%	16.8%	4.2%	2.3%	0.8%	9.1%	6.2%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
Net Income (reported)	187.5	219.2	201.0	240.2	280.5	292.3	298.9	301.2	328.6	349.9	6%
y/y	12.9%	16.9%	-8.3%	19.5%	16.8%	4.2%	2.3%	0.8%	9.1%	6.5%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	187.5	219.2	201.0	240.2	280.5	292.3	298.9	301.2	328.6	348.9	6%
y/y	12.9%	16.9%	-8.3%	19.5%	16.8%	4.2%	2.3%	0.8%	9.1%	6.2%	
Basic EPS (reported)	0.35	0.41	0.37	0.44	0.52	0.54	0.55	0.56	0.61	0.65	
Basic EPS (adjusted)	0.35	0.41	0.37	0.44	0.52	0.54	0.55	0.56	0.61	0.65	
Basic Weighted Avg Shares	533.46	533.51	536.91	539.94	539.94	539.94	539.94	539.94	539.94	539.94	
Diluted EPS (reported)	0.35	0.41	0.37	0.44	0.52	0.54	0.55	0.56	0.61	0.65	6%
y/y	12.9%	16.9%	-8.9%	18.8%	16.8%	4.2%	2.3%	0.8%	9.1%	6.5%	
Diluted EPS (adjusted)	0.35	0.41	0.37	0.44	0.52	0.54	0.55	0.56	0.61	0.65	6%
y/y	12.9%	16.9%	-8.9%	18.8%	16.8%	4.2%	2.3%	0.8%	9.1%	6.2%	
Diluted Weighted Avg Shares	533.46	533.51	536.91	539.94	539.94	539.94	539.94	539.94	539.94	539.94	

Reference Items										
EBITDA	547.5	619.2	669.9	719.3	795.4	805.2	813.3	811.9	872.6	921.5
Dividends per Share	0.05	1.47	0.15	0.71	0.16	0.22	0.22	0.22	0.24	0.26
Dividend payout ratio	14.2%	357.7%	40.1%	159.6%	30.8%	40.0%	40.0%	40.0%	40.0%	40.0%
Dep & Amor.	272.3	307.0	322.3	348.4	359.4	345.1	344.8	343.7	363.6	384.0
as a % of sales	18.3%	20.2%	19.6%	19.8%	19.6%	18.0%	17.0%	16.0%	16.0%	16.0%
Amortization of intangibles	264.2	297.8	305.0	327.7	344.7	329.7	328.6	328.6	347.7	367.2
Depreciation	8.1	9.2	17.3	20.7	14.7	15.3	16.2	15.0	15.9	16.8
as a % of sales	0.5%	0.6%	1.0%	1.2%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%

Balance Sheet (HK\$ million)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
Assets										
+ Cash & Near Cash Items	973.2	1,289.7	892.8	1,049.6	689.3	827.6	1,027.9	1,197.0	1,358.3	1,554.6
+ Short-Term Investments	45.3	24.4	31.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
+ Accounts & Notes Receivable	648.7	621.0	637.0	720.5	793.9	793.1	833.5	882.7	933.9	986.2
+ Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Current Assets	185.8	213.5	149.1	115.5	143.0	143.0	143.0	143.0	143.0	143.0
Total Current Assets	1,853.0	2,148.7	1,710.5	1,887.1	1,627.8	1,765.3	2,006.0	2,224.3	2,436.7	2,685.4
+ Long-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Gross Fixed Assets	88.8	84.8	91.8	90.6	124.7	163.0	203.6	246.5	292.0	340.0
- Accumulated Depreciation	-59.3	-58.0	-64.1	-64.1	-63.9	-79.2	-95.5	-110.5	-126.4	-143.2
+ Net Fixed Assets	29.5	26.7	27.6	26.5	60.8	83.8	108.1	136.0	165.6	196.8
+ Other Long-Term Assets	13.4	55.5	83.7	94.2	88.8	88.8	88.8	88.8	88.8	88.8
+ Goodwill & other Intangible Assets	1,837.6	1,786.2	1,795.2	1,867.7	1,857.5	1,927.7	1,939.2	1,980.5	2,032.9	2,064.7
Total Long-Term Assets	1,880.5	1,868.4	1,906.5	1,988.4	2,007.0	2,100.3	2,136.0	2,205.3	2,287.2	2,350.2
Total Assets	3,733.6	4,017.0	3,617.0	3,875.5	3,634.8	3,865.5	4,142.0	4,429.6	4,723.9	5,035.6
Liabilities & Shareholders' Equity										
+ Accounts Payable	453.7	521.3	583.1	731.1	645.7	654.0	702.9	761.2	805.4	850.5
+ Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Short-Term Liabilities	78.6	70.7	68.9	41.5	81.7	81.7	81.7	81.7	81.7	81.7
Total Current Liabilities	532.2	592.0	652.0	772.6	727.4	735.7	784.6	842.9	887.1	932.2
+ Long-Term Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Long-Term Liabilities	44.5	47.6	80.3	105.2	104.9	104.9	104.9	104.9	104.9	104.9
Total Liabilities	576.7	639.6	732.3	877.9	832.3	840.6	889.5	947.8	992.0	1,037.1
+ Total Preferred Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	52.9	52.9	53.6	53.7	54.2	54.2	54.2	54.2	54.2	54.2
+ Retained Earnings & Other Equity	3,025.7	3,221.7	2,773.2	2,862.5	2,633.5	2,808.8	2,988.2	3,168.9	3,366.0	3,575.4
Total Shareholders' Equity	3,078.6	3,274.6	2,826.9	2,916.2	2,687.7	2,863.0	3,042.3	3,223.1	3,420.2	3,629.5
+ Minority Interest	78.3	102.8	57.8	81.4	114.8	161.9	210.1	258.7	311.7	368.0
Total Liabilities & Equity	3,733.6	4,017.0	3,617.0	3,875.5	3,634.8	3,865.5	4,142.0	4,429.6	4,723.9	5,034.6

Cash Flow (HK\$ million)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
+ Net Income	279.7	334.8	370.1	387.5	443.6	292.3	298.9	301.2	328.6	348.9
+ Depreciation & Amortization	272.3	307.0	322.3	348.4	359.4	345.1	344.8	343.7	363.6	384.0
+ Other Non-Cash Adjustments	26.4	-12.6	-10.0	1.0	13.2	47.1	48.2	48.6	53.0	56.3
+ Changes in Working Capital	70.2	-36.0	-116.5	-172.2	-259.2	9.1	8.5	9.1	-7.0	-7.2
Cash From Operating Activities	648.6	593.3	566.0	564.7	557.0	693.5	700.4	702.6	738.1	781.9
+ Disposal of Fixed Assets	0.7	1.0	0.6	0.3	1.1	0.0	0.0	0.0	0.0	1.0
+ Capital Expenditures [Maintenance]	-12.0	-8.5	-8.9	-10.8	-46.7	-38.3	-40.6	-43.0	-45.4	-48.0
+ Capital Expenditures [Growth]	-334.2	-274.7	-214.7	-333.5	-466.2	-400.0	-340.0	-370.0	-400.0	-399.0
+ Increase in Investments	-8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Investments	0.0	20.8	-6.3	29.3	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	6.8	11.0	33.5	20.3	3.2	0.0	0.0	0.0	0.0	0.0
Cash From Investing Activities	-346.7	-250.3	-195.7	-294.4	-508.6	-438.3	-380.6	-413.0	-445.4	-446.0
+ Dividends Paid	0.0	-26.5	-787.5	-97.3	-390.0	-116.9	-119.6	-120.5	-131.4	-139.5
+ Change in Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	0.0	0.0	20.4	2.6	11.7	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash from Financing Activities	0.0	-26.5	-767.1	-94.7	-378.3	-116.9	-119.6	-120.5	-131.4	-139.5
Net Changes in Cash	301.9	316.5	-396.9	175.6	-329.9	138.3	200.3	169.1	161.2	196.4

Ratio Analysis	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
Growth Ratios %										
Revenue	17.8%	2.4%	8.2%	6.9%	4.1%	4.6%	5.8%	5.9%	5.8%	5.6%
EBITDA	15.8%	13.1%	8.2%	7.4%	10.6%	1.2%	1.0%	-0.2%	7.5%	5.6%
Operating Income	21.0%	13.5%	11.3%	6.7%	17.5%	5.5%	1.8%	-0.1%	8.7%	5.6%
Net income reported	12.9%	16.9%	-8.3%	19.5%	16.8%	4.2%	2.3%	0.8%	9.1%	6.5%
Net income adjusted	12.9%	16.9%	-8.3%	19.5%	16.8%	4.2%	2.3%	0.8%	9.1%	6.2%
Diluted EPS reported	12.9%	16.9%	-8.9%	18.8%	16.8%	4.2%	2.3%	0.8%	9.1%	6.5%
Diluted EPS adjusted	12.9%	16.9%	-8.9%	18.8%	16.8%	4.2%	2.3%	0.8%	9.1%	6.2%
Dividend per share		2840.0%	-89.8%	373.3%	-77.5%	35.3%	2.3%	0.8%	9.1%	6.2%
Accounts Receivables	10.5%	-4.3%	2.6%	13.1%	10.2%	-0.1%	5.1%	5.9%	5.8%	5.6%
Inventory	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Fixed Assets	10.7%	-0.6%	2.0%	4.3%	0.9%	4.6%	1.7%	3.2%	3.7%	2.8%
Total Assets	14.8%	7.6%	-10.0%	7.1%	-6.2%	6.3%	7.2%	6.9%	6.6%	6.6%
Working Capital	-31.5%	-19.8%	-44.7%	-52.8%	231.1%	-4.3%	-4.2%	-4.8%	3.9%	3.8%
Accounts Payable	20.5%	14.9%	11.9%	25.4%	-11.7%	1.3%	7.5%	8.3%	5.8%	5.6%
Short Term Debt	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Long Term Debt	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Equity	12.1%	6.4%	-13.7%	3.2%	-7.8%	6.5%	6.3%	5.9%	6.1%	6.1%
Cash From Operations	35.7%	-8.5%	-4.6%	-0.2%	-1.4%	24.5%	1.0%	0.3%	5.1%	5.9%
Capital Expenditure	-2.6%	29.4%	-4.5%	-21.7%	-331.5%	17.8%	-5.8%	-5.9%	-5.8%	-5.6%
Free Cash Flow	41.2%	2.5%	10.4%	-35.6%	-80.0%	478.2%	25.3%	-9.4%	1.1%	14.4%

Per Share Data (HK\$)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
Basic EPS (adjusted)	0.35	0.41	0.37	0.44	0.52	0.54	0.55	0.56	0.61	0.65
Diluted EPS (adjusted)	0.35	0.41	0.37	0.44	0.52	0.54	0.55	0.56	0.61	0.65
Dividend per share (DPS)	0.05	1.47	0.15	0.71	0.16	0.22	0.22	0.22	0.24	0.26
Book Value per share (BVPS)	2.33	2.79	1.92	1.94	1.54	1.73	2.04	2.30	2.57	2.90
Margins (%)										
Gross Margin	37.2%	38.3%	40.4%	41.2%	43.9%	43.4%	42.5%	41.2%	41.2%	41.2%
Operating Margin	18.5%	20.5%	21.1%	21.1%	23.8%	24.0%	23.1%	21.8%	22.4%	22.4%
EBITDA Margin	36.8%	40.7%	40.7%	40.9%	43.4%	42.0%	40.1%	37.8%	38.4%	38.4%
Pre-Tax Margin (adjusted)	18.8%	22.0%	22.5%	22.0%	24.2%	24.6%	23.8%	22.6%	23.3%	23.4%
Net Income Margin (adjusted)	12.6%	14.4%	12.2%	13.6%	15.3%	15.2%	14.7%	14.0%	14.5%	14.5%
Return Ratios										
Dupont ROE (%)	6.1%	6.7%	7.1%	8.2%	10.4%	10.2%	9.8%	9.3%	9.6%	9.6%
Margin (%)	12.6%	14.4%	12.2%	13.6%	15.3%	15.2%	14.7%	14.0%	14.5%	14.5%
Turnover (x)	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Leverage (x)	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Return on Assets	5.0%	5.5%	5.6%	6.2%	7.7%	7.6%	7.2%	6.8%	7.0%	6.9%
Return on Capital Employed	8.6%	9.1%	11.7%	12.0%	15.0%	14.7%	14.0%	13.1%	13.3%	13.1%
Return on Invested Capital	6.1%	6.7%	7.1%	8.2%	10.4%	10.2%	9.8%	9.3%	9.6%	9.6%
FCF Calculation										
Op. cash	648.6	593.3	566.0	564.7	557.0	693.5	700.4	702.6	738.1	781.9
capex	-346.2	-283.2	-223.5	-344.3	-512.9	-438.3	-380.6	-413.0	-445.4	-447.0
FCF (HK\$ million)	302.4	310.1	342.4	220.4	44.1	255.2	319.8	289.6	292.7	334.9
FCF margin (%)	20.4%	20.4%	20.8%	12.5%	2.4%	13.3%	15.8%	13.5%	12.9%	14.0%
FCF per share	0.57	0.58	0.64	0.41	0.08	0.47	0.59	0.54	0.54	0.62
Price/FCF per share	14.11	13.76	12.54	19.60	97.86	16.93	13.51	14.92	14.76	12.90
FCF Yield	7.1%	7.3%	8.0%	5.1%	1.0%	5.9%	7.4%	6.7%	6.8%	7.8%
Net Cash calculation										
Cash + short term investments	1,018.5	1,314.2	924.5	1,051.2	690.9	829.2	1,029.4	1,198.5	1,359.8	1,556.1
Less: long term debt + ST debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash	1,018.5	1,314.2	924.5	1,051.2	690.9	829.2	1,029.4	1,198.5	1,359.8	1,556.1
Net cash per share	1.9	2.5	1.7	1.9	1.3	1.5	1.9	2.2	2.5	2.9
Valuation ratio's										
P/B	0.90	1.05	3.15	3.88	5.20	4.62	3.92	3.48	3.11	2.76
P/E	5.95	7.14	16.15	16.94	15.40	14.78	14.45	14.34	13.15	12.38
P/S	0.75	1.03	1.97	2.31	2.34	2.24	2.12	2.00	1.89	1.79
EV/sales	0.12	0.23	1.44	1.76	2.04	1.95	1.85	1.74	1.65	1.56
EV/EBITDA	0.32	0.57	3.55	4.31	4.71	4.65	4.60	4.61	4.29	4.06
EV/EBIT	0.64	1.14	6.85	8.36	8.59	8.14	7.99	7.99	7.35	6.96
EV/FCF	0.58	1.14	6.95	14.07	84.81	14.67	11.71	12.93	12.79	11.18
Dividend Yield (%)	0.63%	18.38%	1.88%	8.88%	2.00%	2.71%	2.77%	2.79%	3.04%	3.23%
Div payout on FCF	8.8%	252.9%	23.5%	174.0%	195.7%	45.8%	37.4%	41.6%	44.9%	41.7%

Working Capital Ratios	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E	FY 2018E	FY 2019E	FY 2020E
Receivable days (DSO)	152	152	139	141	151	151	150	150	150	150
Inventory days (DIO)	0	0	0	0	0	0	0	0	0	0
Payables days (DPO)	162	189	205	232	244	220	220	220	220	220
Current ratio	3.5	3.6	2.6	2.4	2.2	2.4	2.6	2.6	2.7	2.9
Quick ratio	3.5	3.6	2.6	2.4	2.2	2.4	2.6	2.6	2.7	2.9
Working capital	302	243	134	63	210	200	192	183	190	197
Cash conversion cycle	-11	-37	-66	-91	-94	-69	-70	-70	-70	-70
Leverage Ratios										
Debt / equity	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net cash (debt) / equity	33%	40%	33%	36%	26%	29%	34%	37%	40%	43%
Net cash (debt) / mkt cap	91%	84%	28%	26%	16%	19%	24%	28%	32%	36%
Net cash (debt) / capital	33%	40%	33%	36%	26%	29%	34%	37%	40%	43%
Coverage Ratios										
Interest coverage [EBIT]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Interest coverage [Opt. CF]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Earnings Quality Ratios										
Net operating assets/liab [NOA]	2138	2063	1960	1946	2112	2196	2223	2283	2372	2442
Average NOA	2119	2101	2012	1953	2029	2154	2209	2253	2328	2407
B/S accrual ratio	0.02	-0.04	-0.05	-0.01	0.08	0.04	0.01	0.03	0.04	0.03
CF accrual ratio	-0.05	-0.06	-0.08	-0.02	0.11	0.02	-0.01	0.01	0.02	0.01
Enterprise Value Calculation										
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Current				
Market Cap.	1,115	1,566	3,246	4,070	4,320					
+ Minority Interest	78	103	58	81	115	115				
+Total Debt (ST & LT Debt)	0	0	0	0	0	0				
- Cash & Equivalents	1,018	1,314	924	1,051	691	691				
Enterprise Value	175	355	2,380	3,100	3,743	-576				

DCF model	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(in HK\$ million)															
EBIT	227	275	312	348	371	436	460	469	468	509	479	506	531	502	527
% growth	0%	21%	14%	11%	7%	18%	6%	2%	0%	9%	-6%	5%	5%	-6%	5%
Taxes @	22.4%	25.5%	27.2%	36.4%	27.9%	27.1%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
EBIAT	177	205	227	221	267	318	331	337	337	367	345	364	382	361	379
% growth	0%	16%	11%	-3%	21%	19%	4%	2%	0%	9%	-6%	5%	5%	-6%	5%
+ D&A	246	272	307	322	348	359	345	345	344	364	384	405	425	446	468
- Capital expenditures	-346	-283	-224	-344	-513	-438	-381	-413	-445	-447	-393	-415	-398	-404	-425
- Change in net WC	-3	70	-36	-116	-172	-259	9	8	9	-7	262	4	-23	3	3
Free Cash Flow to Firm	73	264	275	82	-69	-20	305	278	244	276	597	358	386	406	426
FCY y/y growth		260%	4%	-70%	-184%	-71%	-1612%	-9%	-12%	13%	116%	-40%	8%	5%	5%

Value per Share

Terminal Growth	Cost of capital				
	8.3%	9.3%	10.3%	11.3%	12.3%
2.5%	12.06	10.46	9.26	8.34	7.61
2.8%	12.43	10.70	9.43	8.47	7.71
3.0%	12.70	10.87	9.55	8.55	7.77
3.3%	13.14	11.16	9.75	8.69	7.87
3.5%	13.46	11.37	9.89	8.79	7.94

WACC	10.3%
PV of Free Cash Flow	1,790
PV of Terminal Value	2,256
Add: Net Cash	1,051
Total Equity Value	5,097
Shares outstanding	533.51
DCF value	9.55

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