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Target Price	HK\$ 2.00
Current Price	HK\$ 1.05
Upside Potential	90%

Market Cap.	HK\$ 1,426 mn US\$ 185 mn
Shares Outstanding	1357.7 mn
Free Float (FF %)	348.2 mn / 26%
52 Week Range (HK\$)	1.66 / 0.40
Avg. Daily Value	HK\$ 0.3 mn
HANG SENG Index Level	28,338
Insider Holding %	74%


Risk: Above Average
Forecasting and Valuations

(RMB mn except ratio)	FY2020A	FY2021E
Revenue	9,631	11,317
Net Income	123	181
EPS (RMB)	0.09	0.13
EBITDA	490	535
PE	9.3	6.4
EV/EBITDA	5.6	5.1
P/B	0.46	0.44

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Leoch International Technology Ltd

(842_HK)

Earnings Update Report

2HFY2020 [ended December 2020] Earnings Update
Inflection Point, Sharp Recovery in 2HFY2020

Leoch reported a stellar rise in its overall revenues by 15% to RMB9,631 mn for FY2020 ended December, despite the 7% decline reported in the first half of FY2020. This indicates that revenues rose sharply in the second half of FY2020 by 23% which shows recovery has been very sharp and resilient for the company as compared to the overall industry during the period. Revenue from the total Battery business segment amounted to RMB8,324 mn, a healthy increase of 13% from RMB7,387 mn in 2019. The increase in revenue was mainly due to a sharp recovery in China's domestic automobile sales. Also, due to lockdown in most of the countries the demand for exports revived in the second half of FY2020. The volume delivered in terms of tonnage increased by approximately 20% as compared to 2019 in which more than 75% was contributed by China. This significant and sharp growth in revenue from its core battery business segment, during uncertain times, signifies a strong competitive market position of the company, signaling more robust growth in the near future as conditions come back to normalcy. The company has strategized to focus on allocating more resources for marketing as well as research and development purposes to garner higher revenue from the autonomous car driving market opportunity.

Revenue from recycled lead business amounted to RMB1,307 mn, representing an increase of 35% from RMB971 mn in 2019. This rise in revenues for the recycled lead business segment was due to the resumption of full operations in the month of May 2020. We had expected the recycled lead business to make up for lost ground in the second half of the year to contribute more quantum of revenue to the overall business. After resumption of full operation, output increased significantly, generating sales to third parties of more than RMB1 bn in the second half of 2020.

EPS declined by only 10% on a YoY basis to RMB9 cents on account of the recovery in revenues from the recycled lead business. The EPS had declined by 67% in the first half of 2020 signaling a sharp recovery of 47% in the second half of FY2020 only to register an overall decline of 10% for FY2020. The company continues to witness a reduction in finance costs (down 20% YoY) but selling distribution and administration expenses have increased by 12% YoY. Also, the research and development expenses increased by 45% YoY as the company continued deploying huge resources for capturing most of the

opportunities from the rising deployment of 5G. We believe the rise in research and development expenditure should generate higher growth and increase margins for the company going forward through product innovation. As the recycled lead business continues to make up for the lost business in the previous year, along with the increased revenues from the battery segment due to recovery, the overall profitability would return to normal levels in FY2021.

To capture tremendous opportunities arising from the 5G era and meet growing demands for compelling power solutions for the current and future market needs, Leoch has expanded its manufacturing capacity both locally and overseas, with a new lithium-ion plant in China and two new lead-acid plants in Vietnam in 2019. With all the capacity expansion undertaken in FY2019 along with rising gross profit margins (12.3% in FY2020 from 12.1% in FY2019) declining finance costs (20% lower YoY) and selling and distribution expenses now expected to remain flat, we believe with all the negatives behind, the company is geared up to deliver on further growth and is staring at an Inflection Point in 2021 to make the best of its opportunities. With the issuance of 5G licenses for commercial use by China's Ministry of Industry and Information Technology (MIIT) in June 2019, we believe revenue from the Reserve Power (especially in the Telecom and Data Center sub-segment – largest contribution to total revenues) will continue its upward growth momentum in FY2021 and beyond.

Revise PT to HK\$2.00; 90% Upside

We had initially given a one year PT on Leoch at HK\$1.00 per share which indicated an upside of 117% over the stock price of HK\$0.46. The stock has gathered momentum and is up 78% year to date and has already crossed our initial price target. We are revising our price target to HK\$2.00 per share which implies an upside of 90% over the current price of HK\$1.05 per share as we feel the business performance has resumed its upward growth momentum in the second half of FY2020 which will continue in FY2021 and beyond. Our price target implies a P/E multiple of 12x on our FY2021 EPS estimate of RMB 13 cents and an EV/EBITDA multiple of 7.1x on our FY2021 EBITDA estimate of RMB535 mn. With all the negatives factored into the stock price along with secular tailwinds provided by the recent 5G network launch, increasing vehicle penetration in China and increasing demand for light electric vehicles, etc., we continue to remain positive on the stock. At the current levels, the stock is trading at extremely attractive multiples of just 6.4x P/E and 5.1x EV/EBITDA based on our FY2021 EPS and EBITDA estimates, respectively. Also, the stock trades at extremely attractive multiples of just 4.0x P/E and 4.9x EV/EBITDA based on our FY2022 EPS and EBITDA estimates, respectively.

Uptick in Gross Profit Margin

Gross profit increased by 17% from RMB1,015 mn in FY2019 to RMB1,188 mn in FY2020, mainly due to higher contribution from the battery business of the company resulting in an increase in the overall gross profit margin from 12.1% for FY2019 to 12.3% for FY2020. Higher

gross profit margins were a result of lower production costs for the overall battery business segment.

Motive Power Battery Segment - Stellar Growth of 34%

The Reserve Power batteries sub-segment revenues increased by 7% to RMB4,187 mn (2019: RMB3,913 mn) and accounted for 50.3% of total sales during FY2020 as compared to 53% in 2019. The increase was mainly due to a sharp recovery in the business from China. The growth momentum for the Telecom and Data Center business in China continues to recover with good demand traction while the overseas demand remains suppressed resulting in an overall positive recovery in sales during FY2020. Besides lead-acid battery, the company has deployed a lot of resources in the development of various lithium based battery models and will continue to expand its product portfolio to increase market share.

The SLI battery business sub segment reported 17% growth to RMB2,883 mn contributing 35% to the overall revenue of the company as compared to RMB2,471 mn (33%) in 2019. Leoch garnered more than 20% market share in the commercial vehicle segment especially for batteries used in supporting air conditioning systems in heavy duty automobiles. Also, it was one of the core suppliers to reputed manufacturers such as FAW, SAW, Sinotruk, Foton and Shaanxi Heavy Duty Automobile. Leoch is one of the major suppliers to domestic new energy automobile brands such as BYD, Geely Auto, Nio, GWM, BAIO BJEV, Xpeng, ONE and Weltmeister. The demand for growth from China was seen to be sharp resulting in an overall double-digit growth.

The motive power battery sub-segment reported a stellar increase in revenues by 34% to RMB1,115 mn in FY2020 as compared to RMB834 mn in FY2019. The recovery of business activities in China and booming exports pushed up the demand for all areas of applications in the motive power battery segment, especially for machines used in the logistics industry. Currently, China's market for low-speed electric vehicles, two-wheelers and tricycles has reached 300 mn units and the corresponding power battery market has reached more than RMB70 bn. It is expected that the market will grow at a healthy rate in the coming years.

The company's revenue decreased by 2.4% to RMB1,390 mn in Europe, Middle East and Africa but increased by 23% in China to RMB6,326 mn, 0.8% in USA to RMB1,022 mn and 16% in Asia Pacific to RMB893 mn (excluding China).

Sharp Recovery in Recycled Lead Business in FY2020

Revenue from recycled lead business rose 35% to RMB1,307 mn in FY2020 (FY2019: RMB971 mn). Leoch undertook expansion from 100k tons per annum to 200k tons per annum in lead recycling capacity to comply with government policy in 2018. The lead recycling facility resumed full operations in the first half of 2020 and revenues are expected to continue rising and reach levels to the tune of RMB2 bn in FY2021 and make up for the lost opportunity. Even if the average SMM Lead price per ton recovers to that seen in 2019 the revenue from the recycled lead business will gain further traction.

Focus on Innovation to Generate Higher Revenues and Margins Going Forward

In 2020, the company continued to focus on innovation, to work closely with international and domestic battery experts and research institutions to research on new technologies and develop new products. The company continued working on new models of lead-acid and lithium-ion batteries and rolling out new products tailor-made for applications in the network power and motive market segments. These products included product series such as AGM VRLA batteries, VRLA-GEL battery, pure lead batteries, UPS high-rate batteries, marine batteries, railway batteries, start-stop batteries, automotive batteries, motorcycle batteries, OPzV, OPzS, PzS, PzV and PzB tubular plate batteries, golf cart batteries, scrubber sweeper batteries and electric vehicle batteries. New models of battery catering for the era of autonomous driving of smart cars are also expected to be launched in the near future. As on 31st December 2020, company's battery R&D team consisted of more than 350 researchers and related development & sampling technicians. The company also owns 505 patents, with another 160 pending applications as on 26th March 2021. Focus on innovation is expected to sustain the growth momentum in revenues and contribute to higher margins for the company going forward.

Robust Sales Network in more than 100 Countries and Regions

The company continues to expand its product distribution network to more than 100 countries and regions across the world and has established regional sales offices in Beijing, Shenzhen, Zhaoqing, Nanjing, Hong Kong, Singapore, Malaysia, Australia, India, Sri Lanka, USA, the EU and United Kingdom. Together with the domestic sales centers in China, the company has more than 80 sales offices and centers around the world. As on 31st December 2020, the company had over 700 dedicated sales and marketing and related supporting employees.

5G: A Big Market Opportunity for Leoch

We believe that the new 5G investment cycle will drive significant growth in the size of the telecommunications backup power solution market in China and would definitely bring the company new growth opportunities in the near to medium-term. Being a global supplier of power solutions for telecommunications and data center industries, we believe Leoch will likely be one of the key beneficiaries of the global 5G revolution, experiencing exponential growth in its backup power solution business for the coming 5-10 years.

In 2020, the central government of China had proposed to speed up the construction of new infrastructure such as 5G networks and data centers. It is expected that in the next 2-3 years, 5G network construction will continue to advance, gradually accomplishing wide-area coverage and consumer related innovative applications for 5G will grow in scale from 2022 and beyond. China is expected to construct 600,000 to 800,000 stand-alone (SA) macro base stations in total during 2020, possibly with the combination of various micro-cells, Pico, Femto and large scale antennas systems (LSAS) which collectively weigh a much heavier

loading on the demand on back-up power systems to create a promising outlook for the battery manufacturing industry. The construction of around 600,000 5G base stations has been completed in 2020, resulting in around a

total of 718,000 5G base stations in China. The total development of 5G networks is one of the major goals in China's 14th Five-Year Plan. The number of 5G base stations will continue to rise in 2021 and it is estimated that 1 million new 5G base stations will be built in 2021.

In 2021, 5G base stations will continue developing rapidly and extend to ubiquitous data centers constructed in high speed. China Mobile, Alibaba, Tencent, etc, being the "core members" of the 5G infrastructure, have successively announced future investment plans for data centers. Data showed that by 2021, China's big data market will reach RMB492.03 bn. It is predicted that by 2025, the number of global IoT devices will reach 41.6 bn and the amount of data generated will reach 79.4ZB.

The edge computing mode gives a better support to high-density, large-bandwidth, and low latency business scenarios. An effective way is to build a business platform on the edge of the network close to users, provide storage, computing, and network resources. Some critical business applications will be executed by the edge data centers in order to reduce bandwidth and delay loss caused by network transmission and multi-level forwarding. It is estimated that by 2023, enterprises will have 50% of new applications deployed on the edge while by 2024, the number of edge applications will increase by 8 times. Edge data centers will become the key direction for many manufacturers to seize the market in the next step. In 2020, the global market demand for lithium batteries used for communication base stations is estimated to reach 22.8GWh. The 5G construction will rapidly push up the demand for lithium batteries used in base stations from 2021 to 2025. It is estimated that the number of communication towers will increase to 13 mn by 2025, the global market demand for lithium batteries for communication will reach 60GWh, and the market size will exceed RMB60 bn. We expect the demand for lithium iron phosphate batteries used in communications will continue to expand and the company's lithium-ion battery plant will provide ground to capture new opportunities in this area.

According to the Global System for Mobile Communications Association (GSMA) it is expected that 52 markets will launch their 5G networks by 2020. China is expected to see total investments on 5G networks reach US\$411 bn in the period from 2020 to 2030, with 4.9 mn 5G base stations and 12 mn small cells being installed in the country by 2030. Technologies such as Internet of Things, big data and artificial intelligence have been developing rapidly, driving the growth of the global data center market. By 2020, the global and Chinese data center markets are expected to reach revenue of US\$90 bn and US\$30 bn respectively, with a 28% CAGR over the next three years.

The company's delivery to data center industry customers in China enjoyed solid recovery and growth in FY2020 and the trend is expected to continue in 2021. It is expected that 5G will help accelerate the development of Internet of Things, big data, artificial intelligence and other technologies, driving the growth of the global data center market at an exponential rate. We believe that the increasing demands for backup power solutions in the data center market will help drive revenue growth for the company in the near future. Although the global economic environment still remains challenging, the speedy

recovery in China will continue to sustain current momentum in the company's battery business.

Capacity Expansion Completed to Meet Ever Increasing Worldwide Demand

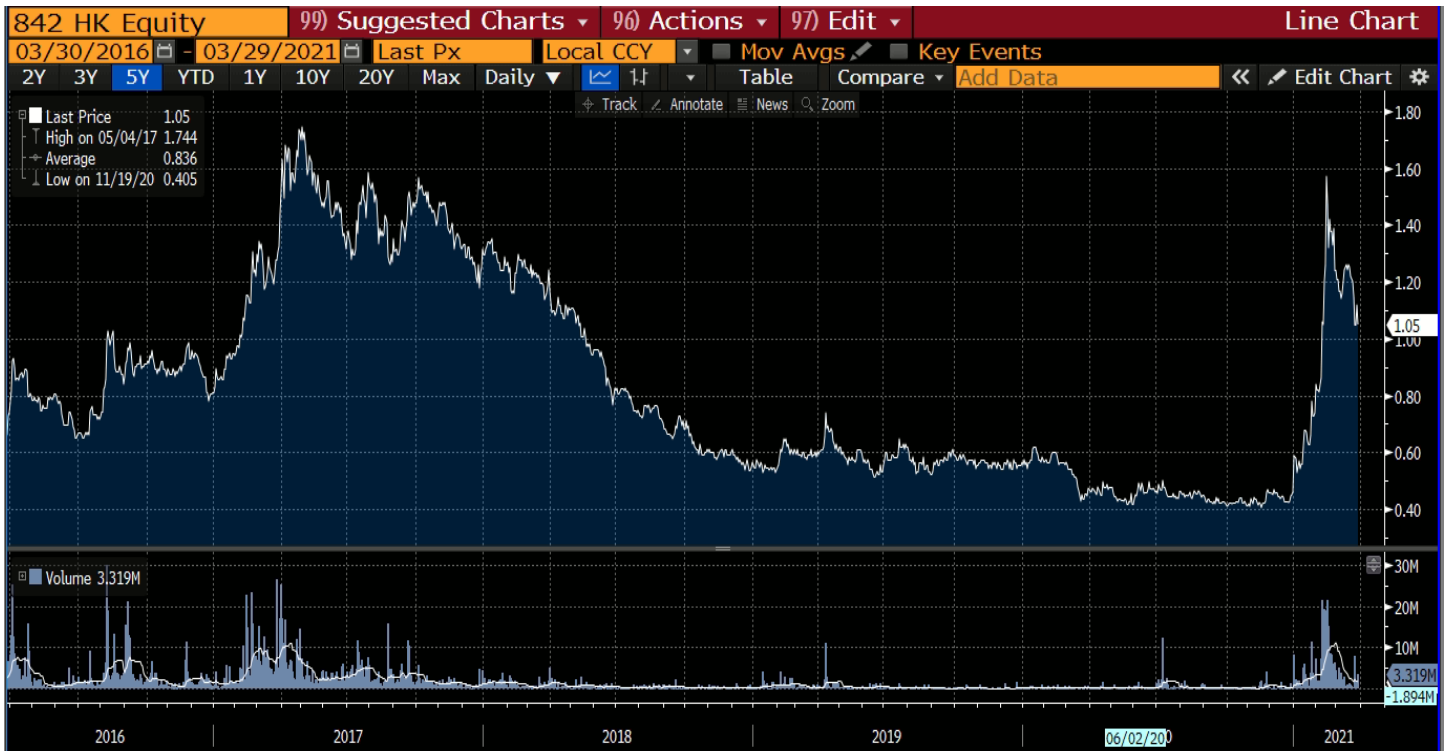
Leoch has already expanded its manufacturing capacity both locally and overseas, with a new lithium-ion plant in China and two new lead-acid plants in Vietnam in 2019. It has made an investment of RMB1.2 bn in the construction of a new lithium-ion battery manufacturing facility in Anhui, China and it has already commenced commercial production. It is expected that the lithium-ion battery capacity will increase to 1.8GWh in 2020 to 4GWh gradually over the next few years and potentially contribute up to RMB5 bn in annual revenue. The new facility will allow the company to accelerate the development of a series of innovative 5G power solutions to meet the ongoing customer demands, seizing opportunities arising from the fast evolving telecommunications market.

As part of its global growth strategy, the company has already completed the construction of two new lead-acid battery manufacturing facilities in Vietnam. The new facilities have started to increase the annual production capacity by 2.4GWh, representing more than double of its current overseas production capacity. The company will leverage on this newly developed production base in Vietnam to fully counter the US tariff effect with respect to US exports. Products for the US market are produced in Vietnam since 2019. This has saved considerable amount of tariffs while running at a comparatively lower level of production cost and overheads than the domestic plants in China, thereby benefiting in many ways.

Secular Demand Growth Provides Strong Tailwinds

We expect the global and Chinese lead-acid battery industries to continue its robust growth over the next 3 to 5 years. The continued development of technologies such as cloud computing, e-commerce and proliferation of data centers and servers will be an important long-term growth driver in demand for UPS batteries. The development of 5G networks will support the growth of telecom batteries in the medium- term. With the increasing penetration of automobiles and growing fleet of ageing vehicles in China, both the OEM and aftermarket demand for SLI batteries in the country should remain strong. Being one of China's largest and most reputed lead-acid battery suppliers, Leoch is well positioned to capture this demand.

5 Year Price Chart



5 Year China Shanghai Lead Spot Price



Income Statement (millions RMB)	1H2018	2H2018	1H2019	2H2019	1H2020	2H2020	1H2021E	2H2021E
Revenue	4,986.5	4,557.9	3,963.9	4,398.8	3,684.2	5,947.2	4,236.8	7,080.3
y/y			-20.5%	-3.5%	-7.1%	35.2%	15.0%	19.1%
Cost of Revenue	-4,423.8	-4,065.6	-3,493.9	-3,853.4	-3,206.8	-5,236.3	-3,719.9	-6,200.9
Gross Profit	562.7	492.3	470.0	545.4	477.4	710.9	516.9	879.4
Gross margin (%)	11.3%	10.8%	11.9%	12.4%	13.0%	12.0%	12.2%	12.4%
Other Operating Revenue	58.2	(19.5)	7.2	7.4	26.0	(8.6)	12.7	5.1
as a % of sales	1.2%	-0.4%	0.2%	0.2%	0.7%	-0.1%	0.3%	0.1%
Selling, General & Admin Expense	-399.5	-389.9	-340.8	-444.1	-362.8	-557.5	-338.9	-716.1
as a % of sales	8.0%	8.6%	8.6%	10.1%	9.8%	9.4%	8.0%	10.1%
Other Operating expenses	-9.3	-26.1	-13.2	-28.6	-38.6	2.7	-10.6	-40.0
as a % of sales	0.2%	0.6%	0.3%	0.6%	1.0%	0.0%	0.3%	0.6%
Operating Income	212.2	56.9	123.2	80.2	102.0	147.6	180.1	128.3
y/y			-41.9%	40.8%	-17.2%	84.1%	76.5%	-13.1%
Operating margin (%)	4.3%	1.2%	3.1%	1.8%	2.8%	2.5%	4.3%	1.8%
Interest Expense	-100.0	-102.3	-100.7	-97.0	-82.4	-75.8	-76.0	-76.0
Interest income	0.0	12.0	10.9	2.7	6.5	4.8	5.4	5.4
Equity in (losses)income of affiliates	0.0	0.0	2.8	-2.6	0.0	0.0	0.0	0.0
Other recurring (expenses)income	0.0	66.6	11.5	69.3	30.1	30.1	31.3	30.1
Amortization of intangibles	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
Other non recurring (expenses) income	0.0	0.9	47.3	11.2	0.0	0.0	0.0	0.0
Pretax Income (reported)	112.1	34.2	95.1	63.7	56.2	106.7	140.8	87.8
y/y			-15.2%	86.4%	-40.9%	67.4%	150.6%	-17.7%
Pretax Income (adjusted)	112.1	33.3	47.8	52.5	56.2	106.7	140.8	87.8
y/y			-57.4%	57.8%	17.6%	103.2%	150.6%	-17.7%
- Income Tax Expense	-18.3	-2.4	-26.9	-4.3	-12.8	-10.9	-22.5	-11.1
effective tax rate (%)	16.3%	7.1%	16.0%	6.8%	16.0%	10.2%	16.0%	12.7%
- Minority Interests	25.3	-4.6	-7.5	2.4	-11.8	26.1	28.6	-14.4
Income Before XO Items	68.5	36.4	75.6	57.0	55.2	69.7	89.7	91.0
y/y			10.4%	56.7%	-26.9%	22.3%	62.3%	30.6%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	68.5	36.4	75.6	57.0	55.2	69.7	89.7	91.0
y/y			10.4%	56.7%	-26.9%	22.3%	62.3%	30.6%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	68.5	35.4	28.3	45.8	55.2	69.7	89.7	91.0
y/y			-58.6%	29.1%	95.0%	52.3%	62.3%	30.6%
Basic EPS (reported)	0.05	0.03	0.06	0.04	0.04	0.05	0.07	0.07
Basic EPS (adjusted)	0.05	0.03	0.02	0.03	0.04	0.05	0.07	0.07
Basic Weighted Avg Shares	1,357	1,363	1,358	1,358	1,358	1,358	1,358	1,358
Diluted EPS (reported)	0.05	0.03	0.06	0.04	0.04	0.05	0.07	0.07
y/y			10.4%	57.3%	-26.9%	22.3%	62.3%	30.6%
Diluted EPS (adjusted)	0.05	0.03	0.02	0.03	0.04	0.05	0.07	0.07
y/y			-58.7%	29.6%	95.0%	52.3%	62.3%	30.6%
Diluted Weighted Avg Shares (mn)	1,357	1,363	1,358	1,358	1,358	1,358	1,358	1,358

Income Statement (millions RMB)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E	CAGR (2020-2023)
Revenue	4,248.4	4,330.9	6,262.9	9,465.4	9,544.5	8,362.7	9,631.4	11,317.1	12,783.6	14,324.8	14.1%
y/y	16.5%	1.9%	44.6%	51.1%	0.8%	-12.4%	15.2%	17.5%	13.0%	12.1%	
Cost of Revenue	-3,531.7	-3,561.2	-5,237.3	-8,302.9	-8,489.4	-7,347.3	-8,443.1	-9,920.8	-11,190.6	-12,539.8	
Gross Profit	716.7	769.7	1,025.6	1,162.5	1,055.1	1,015.4	1,188.3	1,396.3	1,593.0	1,785.0	
Gross margin (%)	16.9%	17.8%	16.4%	12.3%	11.1%	12.1%	12.3%	12.3%	12.5%	12.5%	
Other Operating Revenue	11.5	11.1	22.9	25.1	38.8	14.6	17.4	17.8	18.1	18.5	
as a % of sales	0.3%	0.3%	0.4%	0.3%	0.4%	0.2%	0.2%	0.2%	0.1%	0.1%	
Selling, General & Admin Expense	-576.8	-518.1	-623.1	-771.0	-789.4	-784.9	-920.3	-1,055.1	-1,119.1	-1,210.4	
as a % of sales	13.6%	12.0%	9.9%	8.1%	8.3%	9.4%	9.6%	9.3%	8.8%	8.4%	
Other Operating expenses	-14.1	-2.5	-37.4	-6.5	-35.3	-41.7	-35.9	-50.6	-62.9	-77.5	
as a % of sales	0.3%	0.1%	0.6%	0.1%	0.4%	0.5%	0.4%	0.4%	0.5%	0.5%	
Operating Income	137.3	260.2	388.0	410.1	269.1	203.4	249.6	308.4	429.2	515.7	27.4%
y/y	194.4%	89.5%	49.1%	5.7%	-34.4%	-24.4%	22.7%	23.6%	39.2%	20.2%	
Operating margin (%)	3.2%	6.0%	6.2%	4.3%	2.8%	2.4%	2.6%	2.7%	3.4%	3.6%	
Interest Expense	-108.5	-104.7	-108.9	-151.8	-202.4	-197.8	-158.2	-152.0	-152.0	-152.0	
Interest income	14.1	15.9	8.7	13.4	12.0	13.7	11.3	10.8	13.8	18.1	
Equity in (losses)/income of affiliates	-3.9	-7.4	-2.9	0.0	0.0	0.2	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	-3.7	6.1	15.7	24.1	66.6	80.8	60.2	61.4	62.6	63.8	
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	76.6	-35.7	-20.0	10.1	0.9	58.5	-1.9	0.0	0.0	0.0	
Pretax Income (reported)	111.9	134.6	280.5	306.0	146.3	158.8	161.0	228.6	353.6	445.7	40.4%
y/y	-192.5%	20.3%	108.5%	9.1%	-52.2%	8.5%	1.4%	42.0%	54.7%	26.0%	
Pretax Income (adjusted)	35.2	170.2	300.5	295.8	145.4	100.3	162.8	228.6	353.6	445.7	39.9%
y/y	4564.8%	383.3%	76.5%	-1.6%	-50.9%	-31.0%	62.4%	40.4%	54.7%	26.0%	
- Income Tax Expense	-30.1	-28.3	-48.7	-35.4	-15.8	-31.2	-23.7	-33.6	-52.0	-65.6	
effective tax rate (%)	26.9%	21.0%	17.4%	11.6%	10.8%	19.7%	14.7%	14.7%	14.7%	14.7%	
- Minority Interests	0.0	0.3	-10.1	28.6	20.7	-5.1	14.2	14.2	15.7	17.2	
Income Before XO Items	81.8	106.6	241.9	242.0	109.7	132.6	123.1	180.7	285.9	362.9	43.4%
y/y	-163.3%	30.3%	127.0%	0.0%	-54.7%	20.8%	-7.2%	46.8%	58.2%	26.9%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	
Net Income (reported)	81.8	106.6	241.9	242.0	109.7	132.6	123.1	180.7	285.9	366.9	43.9%
y/y	-163.3%	30.3%	127.0%	0.0%	-54.7%	20.8%	-7.2%	46.8%	58.2%	28.3%	
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)	5.1	142.3	261.9	231.9	108.8	74.1	124.9	180.7	285.9	362.9	42.7%
y/y	-167.4%	2664.3%	84.1%	-11.4%	-53.1%	-31.9%	68.6%	44.6%	58.2%	26.9%	
Basic EPS (reported)	0.06	0.08	0.18	0.18	0.08	0.10	0.09	0.13	0.21	0.27	
Basic EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.13	0.21	0.27	
Basic Weighted Avg Shares	1,345	1,353	1,353	1,356	1,363	1,358	1,358	1,358	1,358	1,358	
Diluted EPS (reported)	0.06	0.08	0.18	0.18	0.08	0.10	0.09	0.13	0.21	0.27	43.9%
y/y	-162.9%	29.5%	126.7%	-0.6%	-54.7%	21.3%	-7.2%	46.8%	58.2%	28.3%	
Diluted EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.13	0.21	0.27	42.7%
y/y	-166.9%	2647.4%	83.9%	-12.0%	-53.1%	-31.7%	68.6%	44.6%	58.2%	26.9%	
Diluted Weighted Avg Shares (mn)	1,345	1,353	1,354	1,363	1,363	1,358	1,358	1,358	1,358	1,358	

Reference Items	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
EBITDA	341.4	478.4	644.1	717.9	558.2	465.1	489.6	534.7	557.0	653.2
Dividends per Share	0.018	0.021	0.049	0.002	0.002	0.002	0.000	0.000	0.000	0.000
Dividend payout ratio	470%	20%	25%	1%	3%	4%	0%	0%	0%	0%
Dep & Amor.	204.1	218.2	256.1	307.7	289.1	261.8	240.0	226.3	127.8	137.5
as a % of sales	4.8%	5.0%	4.1%	3.3%	3.0%	3.1%	2.5%	2.0%	1.0%	1.0%
Balance Sheet (millions RMB)	FY 2014	FY 2015	FY 2016E	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
Assets										
+ Cash & Near Cash Items	761.4	788.0	705.2	941.2	877.5	745.0	848.5	1,078.6	1,418.5	1,892.1
+ Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	1,358.3	1,548.9	2,264.4	2,526.6	2,424.7	2,306.9	2,419.7	2,480.5	2,801.9	3,139.7
+ Inventories	796.1	889.0	1,127.1	1,872.3	1,963.0	1,817.0	1,776.9	2,038.5	2,146.2	2,233.1
+ Other Current Assets	134.2	209.4	214.6	235.6	489.6	422.2	549.1	560.1	571.3	582.7
Total Current Assets	3,050.0	3,435.3	4,311.4	5,575.6	5,754.8	5,291.1	5,594.2	6,157.7	6,937.8	7,847.6
+ Long-Term Investments	23.3	54.3	124.0	132.6	0.0	0.0	0.0	0.0	0.0	0.0
+ Gross Fixed Assets	2,472.0	2,591.9	2,780.1	3,094.3	3,390.5	3,788.6	4,247.1	4,530.0	4,657.9	4,801.1
- Accumulated Depreciation	-593.9	-772.866	-902.4	-1,048.1	-1,329.4	-1,637.3	-1,877.4	-2,103.7	-2,231.5	-2,369.0
+ Net Fixed Assets	1,878.1	1,819.0	1,877.7	2,046.2	2,061.1	2,151.3	2,371.7	2,426.3	2,426.3	2,432.1
+ Other Long-Term Assets	212.2	243.6	266.6	378.0	590.1	547.5	389.2	404.8	420.9	437.8
+ Goodwill & other Intangible Assets	97.0	181.4	293.7	492.9	626.1	681.6	717.8	735.8	753.8	771.8
Total Long-Term Assets	2,210.7	2,298.2	2,561.9	3,049.7	3,277.3	3,380.4	3,478.7	3,566.8	3,601.0	3,641.6
Total Assets	5,260.7	5,733.5	6,873.3	8,625.3	9,032.0	8,671.5	9,072.8	9,724.5	10,538.8	11,489.1
Liabilities & Shareholders' Equity										
+ Accounts Payable	1,216.4	1,220.1	1,631.5	1,665.2	2,001.7	2,009.7	2,139.4	2,582.1	3,065.9	3,607.3
+ Short-Term Borrowings	1,139.5	1,471.0	1,275.0	2,904.6	2,171.3	2,270.0	1,760.8	1,760.8	1,760.8	1,760.8
+ Other Short-Term Liabilities	465.8	464.7	645.7	795.9	863.5	945.9	1,097.5	1,152.4	1,210.0	1,270.5
Total Current Liabilities	2,821.7	3,155.9	3,552.2	5,365.7	5,036.5	5,225.6	4,997.8	5,495.4	6,036.8	6,638.7
+ Long-Term Borrowings	62.2	84.8	488.5	109.3	712.8	36.2	542.4	542.4	542.4	542.4
+ Other Long-Term Liabilities	46.1	47.2	74.7	103.5	108.9	135.6	132.7	135.4	138.1	140.8
Total Liabilities	2,930.0	3,287.9	4,115.4	5,578.6	5,858.2	5,397.3	5,672.9	6,173.2	6,717.3	7,322.0
+ 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	115.7	115.8	115.8	116.2	116.2	116.2	116.2	116.2	116.2	116.2
+ Retained Earnings & Other Equity	2,214.9	2,323.7	2,582.0	2,760.4	2,860.7	3,001.5	3,123.4	3,304.1	3,590.0	3,952.8
Total Shareholders' Equity	2,330.7	2,439.6	2,697.9	2,876.6	2,976.9	3,117.7	3,239.6	3,420.3	3,706.2	4,069.1
+ Minority Interest	0.0	6.0	60.0	170.1	197.0	156.4	160.3	131.0	115.3	98.1
Total Liabilities & Equity	5,260.7	5,733.5	6,873.3	8,625.3	9,032.0	8,671.5	9,072.8	9,724.5	10,538.8	11,489.1

Cash Flow (millions RMB)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
+ Net Income	81.8	106.6	261.9	231.9	108.8	74.1	124.9	180.7	285.9	362.9
+ Depreciation & Amortization	204.1	218.2	256.1	307.7	289.1	261.8	240.0	226.3	127.8	137.5
+ Other Non-Cash Adjustments	99.4	178.91	37.6	0.2	-15.4	31.7	-17.1	-11.6	-12.9	-14.5
+ Changes in Non-Cash Capital	-200.2	-360.9	-366.5	-844.3	161.2	421.6	81.7	164.2	101.2	165.7
Cash From Operating Activities	185.0	142.8	189.1	-304.5	543.8	789.2	429.5	559.7	501.9	651.6
+ Disposal of Fixed Assets	29.1	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-122.7	-311.3	-188.2	-314.2	-296.2	-398.1	-458.5	-282.9	-127.8	-143.2
+ Increase in Investments	-71.0	-63.3	-92.7	-120.0	-79.5	42.5	158.4	-15.6	-16.2	-16.8
+ Decrease in Investments	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	14.1	16.0	-112.3	-199.2	-133.2	-55.5	-36.1	-18.0	-18.0	-18.0
Cash From Investing Activities	-150.6	-348.1	-393.3	-633.4	-508.9	-411.1	-336.3	-316.5	-162.0	-178.1
+ Dividends Paid	0.0	-24.0	-65.9	-2.7	-2.7	-2.7	0.0	0.0	0.0	0.0
+ Change in Short-Term Borrowings	0.0	0.0	-196.0	1,629.5	-733.3	98.7	-509.2	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	1,382.9	2,427.4	403.6	-379.1	603.5	-676.6	506.2	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-1,404.8	-2,081.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	1.3	0.5	0.0	0.0	0.0	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	-27.3	-56.3	0.0	0.0	0.0	71.1	0.0	0.0	0.0	0.0
Cash from Financing Activities	-47.9	266.4	141.6	1,247.7	-132.5	-509.5	-2.9	0.0	0.0	0.0
Net Changes in Cash	-13.5	61.1	-62.6	309.8	-97.6	-131.5	90.4	243.2	339.9	473.6
Opening cash		761.4	788.0	725.4	941.2	876.5	745.0	835.4	1,078.6	1,418.5
Closing cash		788.0	725.4	941.2	876.5	745.0	835.4	1,078.6	1,418.5	1,892.1

Ratio Analysis	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
Per Share Data (RMB)										
Basic EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.13	0.21	0.27
Diluted EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.13	0.21	0.27
Dividend per share (DPS)	0.018	0.021	0.049	0.002	0.002	0.002	0.000	0.000	0.000	0.000
Book Value per share (BVPS)	1.7	1.7	1.8	1.7	1.7	1.8	1.9	2.0	2.2	2.4
Margins (%)										
Gross Margin	16.9%	17.8%	16.4%	12.3%	11.1%	12.1%	12.3%	12.3%	12.5%	12.5%
Operating Margin	3.2%	6.0%	6.2%	4.3%	2.8%	2.4%	2.6%	2.7%	3.4%	3.6%
EBITDA Margin	8.0%	11.0%	10.3%	7.6%	5.8%	5.6%	5.1%	4.7%	4.4%	4.6%
Pre-Tax Margin (adjusted)	0.8%	3.9%	4.8%	3.1%	1.5%	1.2%	1.7%	2.0%	2.8%	3.1%
Net Income Margin (adjusted)	0.1%	3.3%	4.2%	2.4%	1.1%	0.9%	1.3%	1.6%	2.2%	2.5%
Growth (%)										
Sales growth	16.5%	1.9%	44.6%	51.1%	0.8%	-12.4%	15.2%	17.5%	13.0%	12.1%
EBIT growth	194.4%	89.5%	49.1%	5.7%	-34.4%	-24.4%	22.7%	23.6%	39.2%	20.2%
Net Income (adjusted) growth	-167.4%	2664.3%	84.1%	-11.4%	-53.1%	-31.9%	68.6%	44.6%	58.2%	26.9%
EPS (adjusted) growth	-166.9%	2647.4%	83.9%	-12.0%	-53.1%	-31.7%	68.6%	44.6%	58.2%	26.9%
Return Ratios	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
Dupont ROE (%)	0.2%	5.8%	9.7%	8.1%	3.7%	2.4%	3.9%	5.3%	7.7%	8.9%
Margin (%)	0.1%	3.3%	4.2%	2.4%	1.1%	0.9%	1.3%	1.6%	2.2%	2.5%
Turnover (x)	0.8	0.8	0.9	1.1	1.1	1.0	1.1	1.2	1.2	1.2
Leverage (x)	2.3	2.4	2.5	3.0	3.0	2.8	2.8	2.8	2.8	2.8
ROA	0.1%	2.5%	3.8%	2.7%	1.2%	0.9%	1.4%	1.9%	2.7%	3.2%
Return on Capital Employed	5.6%	10.1%	11.7%	12.6%	6.7%	5.9%	6.1%	7.3%	9.5%	10.6%
Return on Invested Capital	0.1%	3.6%	5.9%	3.9%	1.9%	1.4%	2.3%	3.2%	4.8%	5.7%
Net cash / equity	-18.9%	-31.5%	-39.2%	-72.1%	-67.4%	-50.1%	-44.9%	-35.8%	-23.9%	-10.1%
FCF Calculation										
Op. cash	185.0	142.8	189.1	-304.5	543.8	789.2	429.5	559.7	501.9	651.6
capex	-122.7	-311.3	-188.2	-314.2	-296.2	-398.1	-458.5	-282.9	-127.8	-143.2
FCF (RMB million)	62.3	-168.5	0.8	-618.7	247.6	391.1	-28.9	276.8	374.1	508.4
FCF margin (%)	1.5%	-3.9%	0.0%	-6.5%	2.6%	4.7%	-0.3%	2.4%	2.9%	3.5%
FCF per share	0.05	-0.12	0.00	-0.45	0.18	0.29	-0.02	0.20	0.28	0.37
Price/FCF per share	18.6	-6.9	1405.7	-1.9	4.7	3.0	-40.4	4.2	3.1	2.3
Net Cash calculation										
Cash + short term investments	761.4	788.0	705.2	941.2	877.5	745.0	848.5	1,078.6	1,418.5	1,892.1
Less: long term debt	-1,201.7	-1,555.9	-1,763.5	-3,013.9	-2,884.1	-2,306.2	-2,303.3	-2,303.3	-2,303.3	-2,303.3
Net Cash (Debt)	-440.2	-767.9	-1,058.2	-2,072.7	-2,006.6	-1,561.1	-1,454.8	-1,224.7	-884.8	-411.2
Net cash per share	-0.3	-0.57	-0.8	-1.5	-1.5	-1.1	-1.1	-0.9	-0.7	-0.3

Valuation ratio's	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
P/B	0.28	0.30	0.48	0.49	0.50	0.48	0.46	0.44	0.40	0.35
P/E	123.37	4.70	4.45	5.06	10.78	15.78	9.36	6.47	4.09	3.22
P/S	0.15	0.15	0.18	0.12	0.12	0.14	0.12	0.10	0.09	0.08
EV/sales	0.67	0.55	0.38	0.25	0.25	0.29	0.25	0.21	0.19	0.17
EV/EBITDA	8.34	4.99	3.71	3.86	4.97	5.96	5.66	5.19	4.98	4.24
EV/EBIT	20.73	9.18	6.16	5.82	8.88	11.75	9.57	7.75	5.57	4.63
EV/FCF	45.70	-14.17	2879.92	-3.86	9.65	6.11	-82.52	8.63	6.39	4.70
Dividend Yield (%)	2.1%	2.4%	5.7%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%
Div payout on FCF	38.9%	-16.7%	7951.0%	-0.4%	1.1%	0.7%	0.0%	0.0%	0.0%	0.0%
Receivable days	105	123	111	92	95	103	90	80	80	80
Inventory days	78	86	70	66	82	94	78	75	70	65
payables days	118	125	99	72	79	100	90	95	100	105
Current ratio	1.1	1.1	1.2	1.0	1.1	1.0	1.1	1.1	1.1	1.2

Enterprise Value Calculation

	FY 2018	FY 2019	Current
Market Cap. [in RMB]	643	671	1,158
+ Minority Interest	197	156	160
+Total Debt (ST & LT Debt)	2,884	2,306	2,303
- Cash & Equivalents	878	745	849
Enterprise Value	2,847	2,389	2,773

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
(in RMB million)																		
EBIT	301	103	47	137	260	388	410	269	203	250	308	429	516	565	609	647	679	705
% growth	-1%	-66%	-55%	194%	90%	49%	6%	-34%	-24%	23%	24%	39%	20%	10%	8%	6%	5%	4%
Taxes @	14%	6%	-7%	27%	21%	17%	12%	11%	20%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIAT	260	96	50	100	206	321	363	240	163	213	263	366	440	481	518	550	577	600
% growth	-1%	-63%	-48%	101%	105%	56%	13%	-34%	-32%	30%	24%	39%	20%	9%	8%	6%	5%	4%
+ D&A	62	103	167	204	218	256	308	289	262	240	226	128	138	148	156	162	167	170
- Capital expenditures	-817	-646	-369	-123	-311	-188	-314	-296	-398	-458	-283	-128	-143	-160	-176	-187	-196	-204
- Change in net WC	-313	484	142	-200	-361	-366	-844	161	422	82	164	101	166	-104	-91	-79	-67	-56
Free Cash Flow to Firm	-807	37	-11	-19	-248	22	-488	394	449	76	371	467	600	364	406	447	481	510
FCY y/y growth		-105%	-129%	70%	1241%	-109%	-2325%	-181%	14%	-83%	387%	26%	28%	-39%	12%	10%	8%	6%

Value per Share

Terminal Growth	Cost of capital				
	7.3%	8.3%	9.3%	10.3%	11.3%
1.5%	4.54	3.64	2.80	2.45	2.04
1.8%	4.75	3.78	2.89	2.52	2.09
2.0%	4.90	3.87	2.96	2.57	2.13
2.3%	5.15	4.03	3.07	2.65	2.19
2.5%	5.33	4.15	3.15	2.70	2.22

WACC	9.3%
PV of Free Cash Flow	2,335
PV of Terminal Value	2,929
Add: Net Cash	-1,455
Less: Minority Interest	-156
Total Equity Value	3,652
Shares outstanding	1,358
DCF value	2.96

All values in RMB except DCF value which is in HKD

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