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Target Price	US\$ 14.00
Current Price	US\$ 6.95
Upside Potential	101%
Rating	BUY

Market Cap.	US\$ 202 mn
Shares Outstanding	28 mn
Free Float (FF / %)	3.08 mn / 11%
52 Week Range (US\$)	5.29 / 11.25
Nasdaq Composite Index	15,259
Insider Holding %	89%



Risk: Above Average
Forecasting and Valuations

(RMB mn except ratio)	FY06/2021A	FY06/2022E
Revenue	1,796	2,083
Net Income	218	249
EPS (RMB)	7.79	8.88
EPS (US\$)	1.17	1.37
EPS Growth	75%	20%
PE	5.9	5.0
EV/EBITDA	3.4	2.8
FCF Yield	18%	22%

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Hywin Holdings Ltd.
Earnings Update Report

(NASDAQ: HYW)
China Independent Wealth Management



June Qtr: +81% EPS on +43% Sales, Above Estimates

Hywin reported very strong Q4 [ended June] results in which both revenues and EPS were above our estimates. This quarter ends a very successful year for Hywin, and both the quarterly reports post the company's March IPO have now handily beaten expectations. The internal metrics in terms of clients, productivity, operating leverage, margins, and FCF generation were all exceptional – which should bode well for future periods as well. Hywin reported +111% net income growth [+81% diluted EPS] on +43% revenue growth for the quarter. Net cash [zero debt] is now \$3.90 per ADS, or fully 57% of the current stock price! While we are not changing our \$14.00 price target currently, the stock looks exceedingly undervalued on several metrics. There have been concerns regarding regulatory news in several sectors [unrelated to Hywin and the broader wealth management sector] in China which has impacted stock prices and the overall market; we do address these concerns in some detail in this report. In fact, recent policy news remains very favorable for the growth of asset management firms within China. Thus, Hywin's overall risk-reward remains very compelling, in our opinion. Key highlights for the June quarter were:

- Client count increased by 12.5% YoY and 3% QoQ to 127,317
- Active client count up 17.6% YoY to 29,094, this is leading to higher productivity and margins
- Transaction value of wealth management products up 39.3% YoY to RMB 20.9 billion
- Transaction value of wealth management products per relationship manager increased 53.8% YoY
- Net revenues per relationship manager increased 57.9% YoY and 17.5% QoQ
- Operating Margins jumped to 15.7%, up YoY from 13.4% in last year's quarter, and up sequentially from 15.2% for the first nine months
- Net cash [zero debt] surged to US\$109 million [\$3.90 per ADS], which is a huge increase QoQ from the March quarter's US\$61.5 million, or \$2.20 per share. Net cash was up 275% YoY from June 2020

According to CEO Ms. Wang Dian, “Our financial and operating results for the fourth [June] quarter and fiscal year 2021 were record high. While we continued to grow our new client base, we also saw strong, recurring transactions demands from our existing users, as evident in our industry-leading 76.7% repeat investment rate from existing clients. We continue to diversify our product offerings and are seeing early success in several newer product categories, such as our privately-raised securities products.”

The Wealth Management segment, which comprises the vast majority of firm-wide sales, witnessed revenues increasing 43.5% YoY for the quarter, in-line with the growth rate earlier in the year. While overall revenues increased 43.0% YoY for the quarter [and a similar growth rate for the full year], key costs such as sales and marketing grew 26% and G&A increased 29%. Increased productivity of relationship managers and firm cost control led to a 67.4% YoY jump in operating income for the June quarter. Going forward, we also expect interest income to increase meaningfully driven by a large increase in net cash on hand, as well as the expectations of higher interest rates.

Hywin continues to invest in technology to increase efficiency and to enhance the clients’ experience. Monthly active users continue to increase, and this has also led to new clients signing up. Overall, Hywin’s management remains very focused on investing in increasing product line-up and diversification, technology and automation, new wealth centers, and its own people. The firm’s geographic footprint has increased to 87 cities and 177 wealth centers [up from 167 centers], and ahead of our 172 estimate, which effectively covers 90% of China’s wealthiest 50 cities. In addition to demand for privately-raised securities products, Private Equity, Venture Capital and real estate products remain of particular interest to clients.

High Growth @ 5x P/E, 18% FCF Yield, 57% Net Cash

Hywin, China’s third largest, and most rapidly growing, independent wealth management provider and investment advisor, represents a unique combination of clear deep value and rapid growth in a secular growth sector. We maintain our Buy rating and a \$14.00 price target, which we indicated in our Initial Report a few months back in June. Our target is based on a 10.2x P/E multiple on our forward FY 06/2022 estimate, representing just over 100% appreciation for the stock price. The upside opportunity looks very compelling to us, with the stock trading at over a 30% discount to its recent March IPO price of \$10.00. The stock is still very much undiscovered following its recent NASDAQ listing, and Evaluate Research remains the only firm who is now actively covering the company.

Among the market leaders in an underpenetrated market, Hywin continues to expand its branch network and client base which, along with rising productivity as measured by transaction volume, should ensure solid growth going forward. Numerous interactions with management give us confidence in the following key tenets of our thesis:

- A Market Leader: Hywin is the 3rd largest independent wealth management provider in China, with a growing 7.5% market share.
- Strong Net Income Growth: 111% net income growth and 81% EPS per ADS growth for the quarter just ended
- Rising Productivity: Operating Margins jump to 15.3% in FY 06/2021, up from 12.4% last year. June quarter margins higher at 15.7%
- Clear Deep Value: 5.9x P/E on trailing FY 06/2021, 5.0x P/E on our forward FY06/2022 estimate
- Robust FCF & ROE: 21.9% FCF Yield on FY 06/2022est., FCF >/= 100% Net Income; 34% actual ROE for FY 06/2021
- Net Cash: Hywin has a stellar BS with 57% net cash to market cap
- Secular Growth Sector: 3rd party wealth management penetration rate only 6.2% in China in 2019, versus 32% in Hong Kong & 62% in USA.

\$14 Price Target. Undervalued Today @ 5.0x P/E & 57% Net Cash

Hywin's stock is trading at clear deep value levels on several different metrics. On reported earnings, Hywin is trading at 5.9x P/E on FY 06/2021 results, and 5.0x P/E on our forecast for forward FY 06/2022. It should be noted that FY 06/2021 results are an actual trailing period. Currently its competitors [Noah Holdings; NOAH] is trading at a P/E of 13.3x, and the overall Hong Kong equity index and the Shanghai Composite are at 12.5x 2021 consensus estimates, respectively. Hywin is thus effectively trading at more than a 50% discount to peers and relevant benchmarks. Our price target of US\$14.00 would imply a P/E on trailing 12.0x FY 03/2021, and 10.2x on our FY 06/2022 estimates. We think our price target is thus based on very reasonable, if not conservative, assumptions. Adjusted for Hywin's large net cash position, the target P/E levels implied by our \$14.00 price target would be effectively 7.4x – a much larger discount to the overall market and competitors.

Hywin has US\$109 million, or US\$3.90 per share/ADS, in net cash [with zero debt] as of the most recently reported balance sheet as of June-end. According to our forecast model, with a large FCF yield, Hywin will have US\$4.70 per share/ADS in net cash as of FY 06/2022. This represents approximately 70% of the current share price, suggesting very limited downside risk, in our view. With our extensive experience in investing in deep value stocks, good things invariably happen for shareholders with companies with high net cash and strong FCF. Favorable returns and outcomes for investors include high dividend and special dividend payouts, large buybacks, accretive acquisitions, being taken over, etc.

Finally, in today's abnormally low global interest rate environment, companies like Hywin are earning negligible interest income on their large net cash position. Interest income was close to zero for the most recent quarter as well as nine month period. So the income statement, and using a P/E valuation approach based on that statement, does not capture the value of net cash. Investors should add back the net cash per share to their P/E driven

price target to get a more appropriate valuation – we use this approach to properly value several large net cash equities we are actively covering today. This would further increase our price target for Hywin by \$3.90 per share.

Consistent with this aforementioned analytical thought process, our DCF [discounted cash flow] model, which appropriately values Hywin's large net cash position, suggests a US\$18.01 price target. Our DCF model, along with scenario analysis with respect to both discount rates as well as terminal growth rates, is at the end of this report along with detailed 5-year IS/BS/CF forecasts and financial ratio analysis.

Concerns Regarding Recent Regulatory Issues

There have been concerns about regulatory developments by the Chinese government, in particular in certain sectors such as private education services, online gaming, etc. This has created uncertainty for investors, and impacted the profitability of several companies, as well as their stock prices. We don't profess to have a crystal ball on actions of government officials, but we do believe there are several mitigating factors that should significantly reduce such risks for Hywin and the broader investment advisory sector. First, the government is very keen for Shanghai to become a global wealth and financial services hub. The wealth management sector is a priority growth sector for the Chinese government. We discuss this point in more detail later in this report – but this would imply favorable regulatory tailwinds for Hywin and the sector.

Second, the services Hywin offers its clientele, are targeted towards affluent and HNI customers. It's not a mass market product which is visible to the average consumer, but rather offered to a narrow segment of the public. Hywin's clients tend to be highly sophisticated and affluent. Third, the entire sector, from originators of investment products, companies which take client money, and financial advisors – all intermediaries are already highly regulated. Firms need licenses to conduct business; there are regular audits, copious annual filings requirements, and strict norms and guidelines including disclosure rules. Finally, there is lots of competition from many players, including China's largest banks, and product pricing is measured in basis points. The industry is price and fee competitive, ensuring a fair price for the end consumer. While anyone can make or lose money in the very short-term in financial markets, Hywin's clients are increasing their wealth considerably over time.

China Goals: Wealth Management Industry, Shanghai Global Hub

As mentioned previously, one of the mitigating factors regarding regulatory risk is the fact that the Chinese government is very keen on developing Shanghai as a global wealth center. This, along with the overall development of China's wealth management industry, is a strategic imperative that is mentioned in the country's ambitious Five-Year plans. According to the China Daily newspaper in July 2021, "The growth of the wealth management sector in China was backed by government policies such as the 14th Five-Year Plan (2021-25), its continuous, stable and sustainable macroeconomic measures, and the development of regional wealth management centers as a new growth driver in the sector." Furthermore, the newspaper mentioned, "It is estimated

that investable assets in the country will increase by 100 to 300 trillion Yuan by 2030, up from the current level of 200 trillion Yuan, as the population of high net worth individuals may more than double during this period, said Lian Ping, chief economist at Zhixin Investment and head of the Zhixin Investment Research Institute.”

Earlier this year, in May 2021, various guidelines were issued by the Shanghai municipal government. These guidelines mentioned that, “the city is expected to grow into an important asset management hub in Asia by 2025 and is envisioned to be open and highly international, as well as having a complete ecosystem and key market elements.” Additionally, according to the guidelines, “Shanghai should become a leading global asset management center by that time, which stresses the key role innovation is expected to play in the city’s asset management industry over the next few years. In addition, asset management services will be further expanded, under which banks, fund companies and securities firms will be able to apply for investment consultant qualifications. In order to achieve these goals, more asset management institutions should be introduced to Shanghai, and qualified foreign companies will be allowed to establish wholly owned or jointly held asset management companies in the city.”

We think this bodes well for Hywin that there appears to be clear central government policy support for the overall wealth management industry. These tailwinds should enhance overall growth for the sector, as well as reduce unexpected risks, in our opinion.

Smooth Transition of New CFO

Hywin has hired a new CFO, Mr. Wai Lok [Lawrence], who has a strong background of over 15 years’ experience at Citibank’s investment banking unit in both Hong Kong as well as the USA. He has led IPO listings, M&A and growth initiatives for TMT as well as financial services companies in China and Asia. He has dual degrees in economics and business administration from the University of California, Berkeley.

We think this global experience at a leading firm will help Hywin as it begins its next leg of growth as a public company post its IPO. The experience in both technology as well as financial services strikes as an optimal background for a company such as Hywin. The firm has ambitions to help its customers tap global opportunities, and the new CFO can help in this regard. We expect the transition to be smooth, as the former CFO, Mr. Zhou Huichuan, has a new role of Vice President of Strategic Projects at Hywin, and is clearly continuing with the firm.

There are numerous examples in China of prominent and leading companies which have hired investment bankers for CFO roles. For example, cell phone leader Xiaomi [1810_HK; US\$ 79 billion market cap] hired a Credit Suisse investment banker, global appliance leader Midea [000333_CH; \$74 billion market cap] hired a banker from HSBC, gaming/streaming company and NYSE-listed JOYY Inc [YY_US; \$4.4 billion cap] hired an investment banker from Credit Suisse, and drug developer Hua Medicine [2552_HK; \$620 million cap] hired a veteran banker from Bank of America Merrill Lynch.

18% and 21.9% FCF Yield, Strong FCF Generation

Hywin generates strong FCF, and overall FCF has been higher than reported net income. Hence the valuations of Hywin are more attractive on a FCF basis, versus the traditional P/E approach. Based on our forecasts, Hywin is trading at Price/FCF of only 5.6x and 4.6x, respectively, for FY 06/2021 and FY 06/2022 based on our estimates [FY 06/2021 cash flow statements have not been released yet]. The FCF Yield is thus extraordinarily attractive, and undervalued, at 18.0% and 21.9% respectively for FY 06/2021 and FY 06/2022. Adjusting for Hywin's large net cash position, whose value does not get properly reflected in the income statement nor the cash flow statement given interest rates are near zero, the FCF yield on an EV [enterprise value] would be much higher. This fact, along with the sheer size of the net cash position, makes us optimistic the company will eventually pay sizable dividends to shareholders.

For this report and analysis, we use the conventional and widely accepted definition of FCF to be Cash Flow from Operations [CFO] minus CAPX, as reported on the firm's cash flow statement. With much of the firm's branch network already built out, CAPX requirements have been diminishing the last few years, and for FY 06/2020, CAPX of RMB 10.4 million was only 40% of total depreciation/amortization of RMB 26.2 million. So overall FCF to reported net income was 190% in FY 06/2019, and 116% for last year FY 06/2020. To be fair, Hywin continues to make sizable investments in technology and systems, but such initiatives are largely expensed and already reflected on the income statement.

From both an analytical perspective, and from a quality of earnings/accounting perspective, investors have always been taught that cash flow is much more important than reported net income. Investors should always focus on actual FCF over accounting net income as cash flow helps to cut through the "noise" and accounting anomalies/assumptions, etc.

Operating Margins drive EPS growth

Operating margins expanded from 8.1% for FY 06/2018, to 12.4% for FY 06/2020, and the just-reported 15.3% for FY 06/2021. There are many reasons for the expansion in margins, including higher value-added products with higher fees, improved transaction volume from relationship managers, overall productivity gains, and marketing and G&A cost leverage. We expect recurring revenues to continue to increase for Hywin, which will enhance cost leverage further. Examining margin levels for competitors in China, as well as globally, suggests that Hywin has tremendous scope to enhance margins going forward.

Largest Relationship Manager Team in Industry, 3rd Largest by Volume

Hywin is the 3rd largest wealth management provider in China, with a growing 7.5% market share in terms of 2019 transaction value, according to CIC [China Insights Consultancy Ltd]. Despite the slowdown in the global and Chinese economy over the past few years, Hywin has nonetheless the fastest growth rate in transaction value among the industry's largest five players. Industry leader Noah Holdings [NYSE: NOAH; US\$38.98] by way of reference is valued at 10.8x P/E on 2021 consensus estimates, and has a US\$2.4 billion market cap. Noah's estimated revenue base of RMB 4.4 billion for 2021 and net after-

tax margins of over 30%, both are much higher than Hywin's revenues of RMB 2.0 billion and net margins of 11%; in our opinion these metrics suggest to us that there is plenty of room for Hywin to continue to grow in terms of size as well as profits. Also, investors will note Noah's market cap is more than 10x that of Hywin, again clearly indicating that the market will give stocks within this sector much higher valuations. Noah provides a roadmap for future growth for Hywin, as well as indicating there is a long runway of opportunities for the entire sector.

Growth: 26.5% transaction value CAGR

Hywin has been the fastest growing independent wealth manager in China with a 3-year 26.5% CAGR in terms of client transaction value during FY06/2017 to FY06/2020. For FY06/2021, growth in this metric was 15%, and transaction value per relationship manager grew 16%. In terms of transaction value per relationship manager for FY2020, Hywin ranks 2nd in the industry among the top 5, according to CIC, and productivity continues to rise with increasingly buoyant financial markets and overall economy. Overall, in terms of total transaction value generated, the company ranks third in the industry.

While there is always some level of churn among new entry-level hires, Hywin has only experienced less than 6% turnover among the most productive relationship managers, and this category of employees are experienced and contribute 70% of the firm's total transaction value.

IPO on March 26, 2021 at \$10.00

Hywin's significant decline below its recent IPO price is a timely opportunity for new investors, in our view, as we explain below in terms of market and tactical trading dynamics. Recent regulatory newsflow, unrelated to Hywin or the wealth management sector, has nonetheless further caused concern amongst investors. Hywin successfully completed its IPO and started trading on March 26th this year, listing on the NASDAQ for US\$10.00 per share. As is often the case particularly with Emerging Market and small-cap IPOs in general, many investors such as Hedge Funds will only be interested in the IPO if it is oversubscribed and "hot", leading to an immediate price jump. Many "fast money" investors immediately sell their position, often on the first day itself, in order to make a quick buck. Thus small-cap stocks often have several times the trading volume, or "churn", on the first day which is in excess of the shares sold to investors!

The flip-side of this fast money phenomenon is IPOs which do not see an immediate increase in price, are often sold by investors who were only buyers looking for a quick profit. This leads to its own "vicious cycle" of selling pressure and investor apathy towards a stock. In our experience, having been active participants in IPOs globally for over 30 years, once an IPO "breaks below" the IPO price, it leads to further selling and "stop loss" trades. Ultimately, the stock will likely get oversold and become very attractively valued. This "bottoming out" process usually takes 2-3 months. Recent regulatory newsflow has extended this bottoming out process and time frame, in our view. We continue to believe Hywin is at an inflection point given the

strong earnings result, and these IPO dynamics have created a good opportunity for new incremental investors today.

3rd Largest Distribution Network in China

Hywin now has 177 wealth service centers located in 87 cities in 25 provinces. The number of wealth centers has jumped from 100 in 2017, to 177 today, indicating rapid expansion of the branch network. At this point, all the major population and wealth areas in China are well covered by Hywin. Management has indicated on the conference call that it will continue to expand into smaller Tier 2 cities as well going forward.



In terms of value-added services, Hywin has hosted 6,355 client events over the past three years, thus providing education, guidance and opportunities to interact and address questions and concerns.

Internal Metrics Growing

As evident in the following table, internal metrics for Hywin have shown solid growth with respect to client growth, as well as the quality and sustainability of client activity. The ratio of repeat clients, and repeat client revenue as a percentage of total revenue, remain at high at 78% and 75%, respectively. We do not yet have all the metrics for FY 06/2021 pending the release of the Annual Report, so some of the numbers in the following chart remain our estimates.

Key Business Metrics	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021E	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Branch Network			167	177	182	188	193	199
Total Clients	88,826	100,817	113,146	127,317	137,502	148,503	160,383	173,213
Active Clients	35,315	31,757	36,397	38,033	41,456	45,187	49,254	53,687
Repeat Clients	80%	73%	78%	78%	78%	78%	78%	78%
Repeat Client Revenue As a % of Total		72%	75%	75%	75%	75%	75%	75%
Transaction Value of Repeat Customers	28,100	35,500	39,800	43,382	47,286	51,542	56,181	61,237
Relationship Managers number			1,696	1,798	1,906	2,020	2,141	2,270
Total Employee number	2,395	2,238	2,436	2,582	2,737	2,901	3,075	3,260
Total Transaction Value Wealth Management RMB 1,000s	51,450	55,600	68,200	71,610	73,758	75,971	78,250	80,598
Client Transaction Value per RM in RMB 1,000s	37,900	38,700	48,200	52,538	57,266	62,420	68,038	74,162
Number of Products	284	589	1,064	1,277	1,532	1,839	2,206	2,648

Dividend Prospects are High

In our opinion, Hywin will likely pay a dividend sooner rather than later. Hywin generates significant FCF, which is higher than reported EPS. Furthermore, as previously mentioned, Hywin has a large and growing net cash position. With much of the high CAPX branch infrastructure already in place, this really leaves acquisitions and dividends as the two major cash usages, in our view. Hywin could easily pay out a substantial part of its annual FCF, which would lead to a very high dividend yield, especially in a USA context and for American investors.

Although the global finance industry continues to consolidate, there are not many wealth management businesses that Hywin could acquire, given the uniqueness of its business model. Also, Hywin can and does regularly hire relationship managers and their accompanying client books of business, so it may not need to, or desire to, acquire entire firms in order to “acquire” clients or business. In effect, Hywin continues to acquire clients when it hires experienced relationship managers. We believe this fact reduces the imperative to make large acquisitions, and increases the likelihood of dividend payments.

Several Recent Awards & Recognition

Recently, on April 19, 2021, Hywin was voted the “Best Wealth Manager of Greater China” at the WealthBriefingAsia Greater China Awards 2021. In addition, Hywin’s CEO Ms. Wang Dian won the “Best CEO in Greater China Wealth Management 2021” award.



“Best Wealth Manager of Greater China Families” at the WealthBriefingAsia Greater China Awards 2020.



In May 2021, Hywin won the “The Top 5 Most Influential Wealth Managers in China 2020” award from CVINFO, a renowned publication of China’s private equity and venture capital industries.

Income Statement (RMB thousands)	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E	6yr CAGR FY 19 - 24
Wealth Management	1,081,757	1,062,420	1,183,468	1,795,552	2,082,840	2,311,953	2,589,387	2,874,220	
YoY		-1.8%	11.4%	51.7%	16.0%	11.0%	12.0%	11.0%	
% of Total Revenues	94.0%	92.7%	92.1%	97.9%	97.6%	97.4%	97.2%	97.0%	
Other	36,718	71,969	90,966	23,928	31,106	35,772	41,138	46,486	
YoY		96.0%	26.4%	-73.7%	30.0%	15.0%	15.0%	13.0%	
% of Total Revenues	3.2%	6.3%	7.1%	1.3%	1.5%	1.5%	1.5%	1.6%	
Asset Management	32,925	12,223	4,619	14,942	20,172	25,215	32,275	41,312	
YoY		-62.9%	-62.2%	223.5%	35.0%	25.0%	28.0%	28.0%	
% of Total Revenues	2.9%	1.1%	0.4%	0.8%	0.9%	1.1%	1.2%	1.4%	
Other	-	-	5,810	-	-	-	-	-	
Total Revenue	1,151,400	1,146,612	1,284,863	1,834,422	2,134,118	2,372,940	2,662,800	2,962,017	18.4%
YoY		-0.4%	12.1%	42.8%	16.3%	11.2%	12.2%	11.2%	
Compensation Expense	561,923	624,531	708,654	1,003,061	1,152,424	1,281,387	1,437,912	1,599,489	
as a % of revenues	48.8%	54.5%	55.2%	54.7%	54.0%	54.0%	54.0%	54.0%	
Selling & Marketing Expense	293,339	261,155	246,108	326,879	390,544	434,248	487,292	542,049	
as a % of revenues	25.5%	22.8%	19.2%	17.8%	18.3%	18.3%	18.3%	18.3%	
General & Administrative Expense	202,050	145,854	171,423	200,929	236,887	256,277	279,594	308,050	
as a % of revenues	17.5%	12.7%	13.3%	11.0%	11.1%	10.8%	10.5%	10.4%	
Other Expenses	2,059	5,558	(369)	21,947	-	-	-	-	
Total Operating Expenses	1,059,371	1,037,098	1,125,816	1,552,816	1,779,855	1,971,913	2,204,798	2,449,588	
Operating Income	92,029	109,514	159,047	281,606	354,264	401,027	458,002	512,429	33.1%
YoY		19.0%	45.2%	77.1%	25.8%	13.2%	14.2%	11.9%	
Operating margin (%)	8.0%	9.6%	12.4%	15.4%	16.6%	16.9%	17.2%	17.3%	
Interest Expense/Income	2,575	769	325	1,537	3,527	4,252	5,771	7,483	
Interest income	(8,202)	(10,810)	(2,457)	0	0	0	0	0	
Other non recurring (expenses) income	-	-	-	12,608	-	-	-	-	
Pretax Income (reported)	86,402	99,473	156,915	295,751	357,790	405,278	463,772	519,912	36.1%
YoY		15.1%	57.7%	88.5%	21.0%	13.3%	14.4%	12.1%	
Pretax Income (adjusted)	86,402	99,473	156,915	295,751	357,790	405,278	463,772	519,912	36.1%
YoY		15.1%	57.7%	88.5%	21.0%	13.3%	14.4%	12.1%	
- Income Tax Expense	(44,314)	(38,013)	(50,763)	-88,094	-109,126	-123,610	-141,450	-158,573	
effective tax rate (%)	51.3%	38.2%	32.4%	29.8%	30.5%	30.5%	30.5%	30.5%	
- Minority Interests	0	0	0	0	0	0	0	0	
Income Before XO Items	42,088	61,460	106,152	207,657	248,664	281,668	322,322	361,339	39.3%
YoY		46.0%	72.7%	95.6%	19.7%	13.3%	14.4%	12.1%	
- Foreign Currency Translation Loss	-169	-2,714	-3,641	10,542	0	0	0	0	
Net Income (reported)	41,919	58,746	102,511	218,199	248,664	281,668	322,322	361,339	40.6%
YoY		40.1%	74.5%	112.9%	14.0%	13.3%	14.4%	12.1%	
Exceptional (L)G	0.00	0.00	0.00						
Net Income (adjusted)	41,919	61,460	106,152	207,657	248,664	281,668	322,322	361,339	39.3%
YoY		46.6%	72.7%	95.6%	19.7%	13.3%	14.4%	12.1%	
Basic EPS (reported)	1.68	2.35	4.10	8.05	8.88	10.06	11.51	12.90	
Basic EPS (adjusted)	1.68	2.46	4.25	7.76	8.88	10.06	11.51	12.90	
Basic Shares per ADS [= 2 Ord Shares]	25,000	25,000	25,000	28,000	28,000	28,000	28,000	28,000	
Diluted EPS (reported)	1.68	2.35	4.10	7.79	8.88	10.06	11.51	12.90	37.4%
YoY		40.1%	74.5%	90.0%	14.0%	13.3%	14.4%	12.1%	
Diluted EPS (adjusted)	1.68	2.46	4.25	7.42	8.88	10.06	11.51	12.90	36.2%
YoY		46.6%	72.7%	74.7%	19.7%	13.3%	14.4%	12.1%	
Diluted EPS in US\$	\$ 0.26	\$ 0.38	\$ 0.66	\$ 1.17	\$ 1.37	\$ 1.56	\$ 1.78	\$ 2.00	
Diluted Shares per ADS [= 2 Ord Shares]	25,000	25,000	25,000	28,000	28,000	28,000	28,000	28,000	

Cash Flows (RMB thousands)	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
+ Net Income	41,919	61,460	106,152	207,657	248,664	281,668	322,322	361,339
+ Depreciation & Amortization	32,893	28,435	26,206	25,682	27,744	28,475	31,954	35,544
+ Other Non-Cash Adjustments	0	0	0	0	0	0	0	0
+ Changes in Non-Cash Capital	136,052	47,855	852	727	7,973	7,891	4,271	33,276
Cash From Operating Activities	210,864	137,750	133,210	234,066	284,380	318,035	358,546	430,159
+ Disposal of Fixed Assets	24	15	90					
+ Capital Expenditures	-27,725	-21,219	-10,441	-11,007	-12,805	-14,238	-15,977	-17,772
+ Increase in Investments	0	0	0	-3,685	0	0	0	0
+ Decrease in Investments	0	0	0					
+ Other Investing Activities	-65,551	-73,924	-33,088	5,198	0	0	0	0
Cash From Investing Activities	-93,252	-95,128	-43,439	-9,494	-12,805	-14,238	-15,977	-17,772
+ Dividends Paid	0	0	0	0	0	0	0	0
+ Change in Short-Term Borrowings	0	0	0	174,015	0	0	0	0
+ Increase in Long-Term Borrowing	-101,409	14,180	-5,709	-8,241	0	0	0	0
+ Decrease in Long-term Borrowing	0	0	0	0	0	0	0	0
+ Increase in Capital Stocks	0	0	0	0	0	0	0	0
+ Decrease in Capital Stocks	0	0	0	0	0	0	0	0
+ Exchange Rate Changes	-169	-3,145	-4,420	0	0	0	0	0
Cash from Financing Activities	-101,578	11,035	-10,129	165,774	0	0	0	0
Net Changes in Cash	16,034	53,657	79,642	390,346	271,576	303,797	342,570	412,387
Opening cash				188,386	578,732	850,308	1,154,105	1,496,675
Closing cash				578,732	850,308	1,154,105	1,496,675	1,909,062
Capex as a % of sales	2.4%	1.9%	0.8%	0.6%	0.6%	0.6%	0.6%	0.6%
Reference Items								
FCF - CNY	183,139	116,531	122,769	223,059	271,576	303,797	342,570	412,387
FCF margin (%)	15.9%	10.2%	9.6%	12.2%	12.7%	12.8%	12.9%	13.9%
FCF/reported Net Income	436.9%	189.6%	115.7%	107.4%	109.2%	107.9%	106.3%	114.1%
FCF per share - CNY	7.33	4.66	4.91	7.97	9.70	10.85	12.23	14.73
FCF per share - USD	\$ 1.13	\$ 0.72	\$ 0.76	\$ 1.23	\$ 1.50	\$ 1.68	\$ 1.89	\$ 2.28
Price/FCF per share	6.0	9.5	9.0	5.6	4.6	4.1	3.6	3.0
FCF Yield	16.5%	10.5%	11.1%	18.0%	21.9%	24.5%	27.6%	33.2%

Reference Items	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
EBITDA	124,922	137,949	185,253	307,288	382,007	429,502	489,955	547,973
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dep & Amor.	32,893	28,435	26,206	25,682	27,744	28,475	31,954	35,544
as a % of sales	2.9%	2.5%	2.0%	1.4%	1.3%	1.2%	1.2%	1.2%
Balance Sheet (RMB thousands)	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Assets								
+ Cash & Near Cash Items	11,027	17,196	188,386	705,310	850,308	1,154,105	1,496,675	1,909,062
+ Restricted Cash	44,059	91,547	-	-	-	-	-	-
+ Accounts & Notes Receivable	171,461	290,352	403,693	594,061	526,221	520,096	517,969	486,907
+ Other Receivables & Prepayments	51,339	52,690	43,451	51,540	78,933	87,766	98,487	109,554
+ Due from Related Parties	414,942	309,300	321,772	126,103	126,103	126,103	126,103	126,103
Total Current Assets	692,828	761,085	957,302	1,477,014	1,581,565	1,888,071	2,239,234	2,631,626
+ Deferred Tax Assets	1,062	1,852	2,583	649	649	649	649	649
+ Gross Fixed Assets	155,183	171,506	181,309	193,979	206,784	221,021	236,998	254,770
- Accumulated Depreciation	(103,500)	(128,709)	(147,193)	(172,875)	(200,618)	(229,094)	(261,047)	(296,592)
+ Net Fixed Assets	51,683	42,797	34,116	21,104	6,165	(8,072)	(24,049)	(41,821)
+ Other	3,830	7,077	1,808	7,427	7,427	7,427	7,427	7,427
+ Goodwill & other Intangible Assets	15,137	22,059	29,423	24,225	24,225	24,225	24,225	24,225
Total Long-Term Assets	71,712	73,785	67,930	53,405	38,466	24,229	8,252	(9,520)
Total Assets	764,540	834,870	1,025,232	1,530,419	1,746,609	2,038,877	2,374,064	2,748,683
Liabilities & Shareholders' Equity								
+ Commission Payable	89,032	79,509	84,858	127,194	94,720	105,320	118,185	131,465
+ Investor Deposit	40,624	88,353	74,262	248,277	248,277	248,277	248,277	248,277
+ Accrued Payroll	14,932	29,700	38,821	0	0	0	0	0
+ Income Tax Payable	35,943	65,982	115,432	116,897	116,897	116,897	116,897	116,897
+ Due to Related Parties	20,863	56,714	59,254	24,799	24,799	24,799	24,799	24,799
+ Other Payables	26,918	67,272	129,966	278,697	278,697	278,697	278,697	278,697
Total Current Liabilities	228,312	387,530	502,593	795,864	763,390	773,990	786,855	800,135
Commission Payable non-current	44,407	46,998	18,321	10,080	10,080	10,080	10,080	10,080
Others	4,178	9,155	3,961	3,548	3,548	3,548	3,548	3,548
Total Liabilities	276,897	443,683	524,875	809,492	777,018	787,618	800,483	813,763
+ Ordinary Shares	499,260	494,055	500,616	503,086	503,086	503,086	503,086	503,086
+ Reserves	30,135	37,399	52,959	52,959	52,959	52,959	52,959	52,959
+ Retained Earnings & Other Equity	(41,749)	(140,268)	(53,217)	164,882	413,546	695,215	1,017,536	1,378,875
Total Shareholders' Equity	487,646	391,186	500,358	720,927	969,591	1,251,260	1,573,581	1,934,920
+ Minority Interest	-	-	-	0	0	0	0	0
Total Liabilities & Equity	764,543	834,869	1,025,233	1,530,419	1,746,609	2,038,877	2,374,064	2,748,683

Ratio Analysis	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Per Share Data (\$)								
Basic EPS (adjusted) CNY	1.68	2.46	4.25	7.76	8.88	10.06	11.51	12.90
Diluted EPS (adjusted) CNY	1.68	2.46	4.25	7.42	8.88	10.06	11.51	12.90
Diluted EPS (adjusted) US\$	0.26	0.38	0.66	1.17	1.37	1.56	1.78	2.00
Dividend per share (DPS)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Book Value per share (BVPS)	18.9	14.8	18.8	24.9	33.8	43.8	55.3	68.2
Margins (%)								
Operating Margin	8.0%	9.6%	12.4%	15.4%	16.6%	16.9%	17.2%	17.3%
EBITDA Margin	10.8%	12.0%	14.4%	16.8%	17.9%	18.1%	18.4%	18.5%
Pre-Tax Margin (adjusted)	7.5%	8.7%	12.2%	16.1%	16.8%	17.1%	17.4%	17.6%
Net Income Margin (adjusted)	3.6%	5.4%	8.3%	11.3%	11.7%	11.9%	12.1%	12.2%
Growth (%)	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021E	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Sales growth		-0.4%	12.1%	42.8%	16.3%	11.2%	12.2%	11.2%
EBIT growth		19.0%	45.2%	77.1%	25.8%	13.2%	14.2%	11.9%
Net Income (adjusted) growth		46.6%	72.7%	95.6%	19.7%	13.3%	14.4%	12.1%
EPS (adjusted) growth		46.6%	72.7%	74.7%	19.7%	13.3%	14.4%	12.1%
Dupont ROE (%)								
Margin (%)	3.6%	5.4%	8.3%	11.3%	11.7%	11.9%	12.1%	12.2%
Turnover (x)	1.5	1.4	1.3	1.2	1.2	1.2	1.1	1.1
Leverage (x)	1.6	2.1	2.0	2.1	1.8	1.6	1.5	1.4
ROA	5.5%	7.4%	10.4%	13.6%	14.2%	13.8%	13.6%	13.1%
Net cash / equity	11.3%	27.8%	37.7%	97.8%	87.7%	92.2%	95.1%	98.7%
FCF Calculation								
Op. cash	210,864	137,750	133,210	234,066	284,380	318,035	358,546	430,159
CAPX	-27,725	-21,219	-10,441	-11,007	-12,805	-14,238	-15,977	-17,772
FCF - CNY	183,139	116,531	122,769	223,059	271,576	303,797	342,570	412,387
FCF margin (%)	15.9%	10.2%	9.6%	12.2%	12.7%	12.8%	12.9%	13.9%
FCF per share - CNY	7.33	4.66	4.91	7.97	9.70	10.85	12.23	14.73
FCF per share - USD	\$ 1.13	\$ 0.72	\$ 0.76	\$ 1.23	\$ 1.50	\$ 1.68	\$ 1.89	\$ 2.28
Price/FCF per share	6.05	9.51	9.02	5.56	4.57	4.08	3.62	3.01
FCF Yield	16.5%	10.5%	11.1%	18.0%	21.9%	24.5%	27.6%	33.2%
Net Cash calculation								
Cash + short term investments	55,086	108,743	188,386	705,310	850,308	1,154,105	1,496,675	1,909,062
Less: long term debt + Short Term Debt	0	0	0	0	0	0	0	0
Net Cash	55,086	108,743	188,386	705,310	850,308	1,154,105	1,496,675	1,909,062
Net Cash per Share CNY	2.20	4.35	7.54	25.19	30.37	41.22	53.45	68.18
Net Cash per Share US\$	\$ 0.34	\$ 0.67	\$ 1.17	\$ 3.90	\$ 4.70	\$ 6.38	\$ 8.27	\$ 10.55

Valuation ratio's	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
P/B	2.3	3.0	2.4	1.8	1.3	1.0	0.8	0.6
P/E	26.4	18.0	10.4	5.9	5.0	4.4	3.8	3.4
P/S	1.0	1.0	1.0	0.7	0.6	0.5	0.5	0.4
EV/sales	0.9	0.9	0.8	0.6	0.5	0.4	0.4	0.4
EV/EBITDA (on today's B/S)	8.4	7.2	5.7	3.4	2.8	2.5	2.1	1.9
EV/EBITDA (on forward estimates)	8.4	7.2	5.7	1.7	1.0	0.2	-0.5	-1.2
EV/EBIT	11.4	9.1	6.6	3.7	3.0	2.6	2.3	2.1
EV/FCF	5.7	8.6	8.6	4.7	3.9	3.5	3.1	2.6
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Div payout on FCF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivable days		74	99	99	90	80	71	60
Inventory days		-30	-25	-17	-25	-25	-25	-25
payables days		-49	-42	-39	-30	-30	-30	-30
Current ratio	3.0	2.0	1.9	1.9	2.1	2.4	2.8	3.3

Enterprise Value Calculation	FY 06/2018	FY 06/2019A	FY 06/2020A	Current
Market Cap.	1,107,890	1,107,890	1,240,837	1,240,837
+ Minority Interest	-	-	-	-
+Total Debt (ST & LT Debt)	-	-	-	-
- Cash & Equivalents	55,086	108,743	188,386	188,386
Enterprise Value	1,052,804	999,147	1,052,451	1,052,451

	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Market Cap.	1,240,837	1,240,837	1,240,837	1,240,837	1,240,837
+ Minority Interest	(0)	(0)	(0)	(0)	(0)
+Total Debt (ST & LT Debt)	-	-	-	-	-
- Cash & Equivalents	705,310	850,308	1,154,105	1,496,675	1,909,062
Enterprise Value	535,527	390,529	86,731	(255,838)	(668,225)

Key Business Metrics	FY 06/2018	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E
Branch Network			167	177	182	188	193	199
Total Clients	88,826	100,817	113,146	127,317	137,502	148,503	160,383	173,213
Active Clients	35,315	31,757	36,397	38,033	41,456	45,187	49,254	53,687
Repeat Clients	80%	73%	78%	78%	78%	78%	78%	78%
Repeat Client Revenue As a % of Total		72%	75%	75%	75%	75%	75%	75%
Transaction Value of Repeat Customers	28,100	35,500	39,800	43,382	47,286	51,542	56,181	61,237
Relationship Managers number			1,696	1,798	1,906	2,020	2,141	2,270
Total Employee number	2,395	2,238	2,436	2,582	2,737	2,901	3,075	3,260
Total Transaction Value Wealth Management RMB 1,000s	51,450	55,600	68,200	71,610	73,758	75,971	78,250	80,598
Client Transaction Value per RM in RMB 1,000s	37,900	38,700	48,200	52,538	57,266	62,420	68,038	74,162
Number of Products	284	589	1,064	1,277	1,532	1,839	2,206	2,648

DCF model	FY 06/2019A	FY 06/2020A	FY 06/2021A	FY 06/2022E	FY 06/2023E	FY 06/2024E	FY 06/2025E	2026E	2027E	2028E	2029E	2030E
(in RMB thousands)												
EBIT	109,514	159,047	281,606	354,264	401,027	458,002	512,429	540,035	572,437	606,783	643,190	681,782
% growth	19%	45%	77%	26%	13%	14%	12%	5%	6%	6%	6%	6%
Taxes @	38.2%	32.4%	29.8%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
EBIAT	67,664	107,594	197,725	246,213	278,714	318,311	356,138	375,324	397,844	421,714	447,017	473,838
% growth	51%	59%	84%	25%	13%	14%	12%	5%	6%	6%	6%	6%
+ D&A	28,435	26,206	25,682	27,744	28,475	31,954	35,544	37,677	39,937	42,334	44,874	47,566
- Capital expenditures	-21,219	-10,441	-11,007	-12,805	-14,238	-15,977	-17,772	-18,838	-19,969	-21,167	-22,437	-23,783
- Change in net WC	47,855	852	727	7,973	7,891	4,271	33,276	-350,822	-56,515	-59,906	-63,501	-67,311
Free Cash Flow to Firm	122,735	124,211	213,128	269,125	300,842	338,559	407,186	43,340	361,297	382,975	405,954	430,311
FCYy/y growth		1%	72%	26%	12%	13%	20%	-89%	734%	6%	6%	6%

Value per Share

Terminal Growth	Cost of capital				
	10.3%	11.3%	12.3%	13.3%	14.3%
2.5%	22.36	19.67	17.55	15.83	14.41
2.8%	22.86	20.04	17.82	16.03	14.57
3.0%	23.22	20.29	18.01	16.18	14.68
3.3%	23.80	20.71	18.31	16.40	14.85
3.5%	24.22	21.00	18.52	16.56	14.97

USD to CNY FX Rate

6.46

WACC

12.3%

PV of Free Cash Flow	1,667,667
PV of Terminal Value	1,493,960
Add: Net Cash	95,803
Less: Minority Interest	-
Total Equity Value	3,257,430
Shares outstanding	28,000
DCF value in CNY	116
DCF value in USD	18.01

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