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Target Price	HK\$ 1.50
Current Price	HK\$ 0.73
Upside Potential	105%

Market Cap.	HK\$ 991 mn US\$ 129 mn
Shares Outstanding	1360.22 mn
Free Float (FF %)	348.3 mn / 25.6%
52 Week Range (HK\$)	1.31 / 0.55
Avg. Daily Value	HK\$ 0.3 mn
HANG SENG Index Level	22,132
Insider Holding %	74.4%



Risk: Above Average

Forecasting and Valuations

(RMB mn except ratio)	FY2021A	FY2022E
Revenue	11,303	12,384
Net Income	136	169
EPS (RMB)	0.10	0.12
EBITDA	860	945
PE	5.9	4.8
EV/EBITDA	2.8	2.5
P/B	0.31	0.30

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Leoch International Technology Ltd

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Earnings Update Report

Business Across All Segments Sustains Recovery in FY2021

Leoch reported robust growth in its overall revenues by 17.4% to RMB9,631.4 mn for FY2021 ended December. The revenue from batteries' (and related items) business amounted to RMB9,249.2 mn, representing an increase of 11.1% from RMB8,324.2 mn for the corresponding period in 2020. The increase in revenue from batteries was mainly contributed by 27.3% growth in the overseas market business while growth in China was flat YoY. EPS rose by 11% on a YoY basis in FY2021 to RMB10 cents on account of dilution, while the profit amounted to RMB166.7 mn, representing an increase of 21% compared to the corresponding period in 2020.

Financial Highlights for FY2021

- **Robust Growth: Net Profit +21%, Gross Profit +127%, Revenue +17%**
- **Gross Profit Margin 13.4% in FY2021 (12.3% in FY2020)**
- **Research and Development Expenses Rise 39% YoY**
- **Finance Costs Down 9% YoY**
- **Reserve Power Battery Segment Revenue Up 14% YoY**
- **SLI Battery Segment Revenue Up 4.3% YoY**
- **Motive Power Battery Segment Revenue Up 10% YoY**
- **Recycled Lead Business Segment Revenue Up 57% YoY**

Product category	2021		2020	
	Revenue RMB'000	Percentage share	Revenue RMB'000	Percentage share
Reserve power batteries	4,758,929	42.1%	4,187,085	43.5%
SLI batteries	3,005,998	26.6%	2,883,146	29.9%
Motive power batteries	1,223,082	10.8%	1,114,583	11.6%
Others	261,210	2.3%	139,399	1.4%
Sub-total	9,249,219	81.8%	8,324,213	86.4%
Recycled lead products	2,053,906	18.2%	1,307,149	13.6%
Total	11,303,125	100%	9,631,362	100%

The volume delivered in terms of ton was around 4.3% higher than the same period last year mainly attributed to the overseas business. The increased volume of shipments was mainly due to its export business as global production capacity was recovering slowly amid the unstable pandemic condition. Revenue from recycled lead business amounted to RMB2,053.9 mn, representing an increase of 57.1% from RMB1,307.1 mn for the same period in 2020.

The company continues to witness a reduction in finance costs (down 9% YoY) but selling distribution and administration expenses have increased by 22% YoY. Also, the research and development expenses increased by 39% 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 should sustain recovery in FY2022.

This sustained recovery in revenue from its core battery business and Recycled Lead business segment, during uncertain times, signifies a strong competitive market position of the company. The revenue growth momentum is expected to remain subdued in the first half of 2022 on account of uncertainty due to the Covid-19 pandemic. The growth in revenue and profitability is expected to gather momentum once economic and business conditions return to normalcy. We expect revenues to recover further in the first half of 2022 as it has shown resilient growth in 2021, but it would likely pick up higher pace in the second half of FY2022 and beyond. The rise in revenues for the Recycled Lead business segment was due to the resumption of full operations in 2021 since it began operations on a lower scale in May 2020.

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 already built-up its manufacturing capacity both locally and overseas, with a lithium-ion plant in China and two lead-acid plants in Vietnam in 2019. We believe with all the negatives behind, the company is geared up to deliver on further growth in FY2022 and beyond to make the best of its opportunities.

Maintain Long Term PT of HK\$2.00: Short Term PT HK\$1.50. 105% Upside

We continue to maintain a short term price target of HK\$1.50 per share over a one year period which implies an upside of 105% over the current price of HK\$0.73 per share as we feel the business performance will continue its upward growth momentum in FY2022 and beyond.

We maintain our long term price target of HK\$2.00 per share as any recovery in the business and economic conditions would rerate the stock to higher levels. Our long term price target implies a P/E multiple of 13x

on our FY2022 EPS estimate of RMB 12 cents and an EV/EBITDA multiple of 4X on our FY2022 EBITDA estimate.

With all the negatives factored into the stock price along with secular tailwinds expected post pandemic by the ongoing 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 4.8x P/E and 2.5x EV/EBITDA based on our FY2022 EPS and EBITDA estimates, respectively. Also, the stock trades at extremely attractive multiples of just 3.5x P/E and 2.2x EV/EBITDA based on our FY2023 EPS and EBITDA estimates, respectively.

Sharp Rise in Gross Profit and Uptick in Gross Profit Margin

Gross profit increased by 27% from RMB1,188 mn in FY2020 to RMB1,510 mn in FY2021, mainly due to the strong demand from the overseas market coupled with resumption of full operations from the Recycled Lead business of the company. The gross profit margin increased for both, the battery business and the recycled lead business leading to an increase in the overall gross profit margin from 12.3% for FY2020 to 13.4% for FY2021. The increase in gross profit and gross profit margin for the battery business was mainly due to less operational disruption in China for the period while the increase for recycled lead products was primarily a result of resumption of full operation in 2021 which started on a lower scale in May 2020.

SLI Battery Segment Recovers Sharply

The Reserve Power batteries sub-segment revenues increased by 14% to RMB4,759 mn (2020: RMB4,187 mn) and accounted for 51.5% of total sales during FY2021. The increase was mainly due to a recovery in the overseas business. Benefiting from the recovery of the company's brand in the overseas 5G business and the strong ODM export, the high growth rate overcame the sluggish performance in the PRC market, allowing the company's reserve power battery business to grow. Although the PRC reserve power battery business did not make any growth contribution in 2021, the huge resources the company deployed in the PRC on marketing and research and development for new 5G product including lithium-ion battery will definitely be able to capture opportunities from the rising 5G life cycle in 2022 and beyond.

The SLI battery business sub segment reported 4.3% growth to RMB3,006 mn contributing 32.5% to the overall revenue of the company as compared to RMB2,883 mn (34.6%) in 2020. Leoch has maintained its market share in the commercial vehicle segment especially for batteries used in supporting air conditioning systems in heavy duty automobiles. Also, it remains 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. Similar to the demand for the company's Reserve Power Batteries, export of SLI batteries outperformed the domestic SLI business in 2021. In order to enlarge its market share in the PRC market, more resources shall be deployed to capture the opportunity in the era of autonomous driving of smart cars. Being one of the major suppliers of

domestic new energy automobile lead-acid batteries, the company has confidence to further extend their customer bases and improve their ranking and status in the future. 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 motive power battery sub-segment (which includes but not limited to, applications in electric vehicles, electric forklifts and other battery-driven products) reported an increase in revenues by 10% to RMB1,223 mn in FY2021 as compared to RMB1115 mn in FY2020. This accounted for 13.2% of the total revenue from the batteries business segment. After accomplishing a high growth rate in the PRC during 2020, the enlarged base created a bottleneck in sustaining high growth. Supplemented by enlarged export in 2020, the company managed to maintain growth. The company will continue deploying enough resources in the development of various batteries including lithium models aiming at enlarging applications and market share.

The company's revenue increased by 36% to RMB1,893 mn from Europe, Middle East and Africa, 12% in China to RMB7,095 mn, 50% in USA to RMB1,535 mn and a decline of 13% in Asia Pacific to RMB780 mn (excluding China).

	2021			2020	
	Revenue RMB'000	Percentage share	Percentage increase/ (decrease)	Revenue RMB'000	Percentage share
PRC	7,094,708	62.8%	12.2%	6,325,994	65.7%
EMEA	1,893,018	16.7%	36.2%	1,390,185	14.4%
Americas	1,534,927	13.6%	50.2%	1,022,021	10.6%
Asia-Pacific (other than PRC)	780,472	6.9%	(12.6%)	893,162	9.3%
Total	<u>11,303,125</u>	<u>100%</u>	<u>17.4%</u>	<u>9,631,362</u>	<u>100%</u>

Sharp Recovery in Recycled Lead Business Continues in FY2021

Revenue from Recycled Lead business rose 57% to RMB2,054 mn in FY2021 (FY2020: RMB1,307 mn). Leoch undertook expansion from 100k tons per annum to 200k tons per annum in lead recycling to comply with government policy in 2018. The lead recycling facility resumed full operations in the first half of 2020 and revenues witnessed sharp gains in FY2021 to gather further momentum opportunity in FY2022 and beyond.

Focus on Innovation to Generate Higher Revenues and Margins Going Forward

In 2021, the company continued to focus on innovation, to work closely with international and domestic battery experts and research institutions so as 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 2021, company's battery R&D team consisted of more than 350 researchers and related development & sampling technicians. 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 maintain its product distribution network of 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 2021, 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 2022, China's growth is majorly expected to come from infrastructure development. The government report emphasizes that part of infrastructure projects will be used on "new infra", which covers digitalization of factory operations, full 5G coverage of the economy. In 2021, China had more than 1.42 million 5G base stations and government has set a goal to build more than 600,000 in 2022, an increase of 42%. China will ramp up 5G coverage for business areas, industrial parks, high-speed trains, transport hubs, shopping centers, and other crowded spaces. The country will heavily promote the innovative development of 5G applications and further advance the demonstration of '5G+ industrial internet' scenarios besides '5G+ medical health' and '5G+ smart education'. With all these development in plan, China will work to ensure the number of 5G base stations tops 2 million.

To achieve the goal in stepping up industrial digitalization, data centers development is designated to be a national priority in 2022. Local governments in China are doubling down on plans to accelerate 5G rollout and more than 20 provincial and municipal governments have emphasized that great effort will be put in construction of "new infrastructure" like 5G and data centers in their 2022 work plans. Cities like Shanghai have pushed forward

the in-depth coverage of the superfast wireless network and has ambitions to build super large computing power platforms to meet growing demand.

The Ministry of Industry and Information Technology revealed that 2022 is a critical year for the large-scale development of 5G applications. Improving 5G network coverage, accelerating the in-depth integration of 5G and vertical industries and moderately speed up the coverage of 5G in counties and rural towns are the goals. Ten ministries, including the Cyberspace Administration of China, recently unveiled a digital rural development action plan for the period from 2022 to 2025, which called for an intensified push to promote digital infrastructure upgrades in rural areas.

As mentioned last year, the global market demand for lithium batteries used for communication base stations is estimated to reach 22.8GWh in 2020. 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 million by 2025, the global market demand for lithium batteries for communication will reach 60GWh, and the market size will exceed RMB60 billion. We expect the demand for lithium iron phosphate batteries used in communications will continue to expand and the Group's lithium-ion battery plant will provide ground to capture new opportunity in this area.

Since 2020, the "fast forward button" for the new 5G infrastructure development has been pressed. To get prepared for this opportunity, the Group will continue pulling resources in the development of 5G lead-acid and lithium batteries for various applications.

Capacity in Place 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 which has already commenced commercial production. This new facility has allowed 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.

Although there was no aggressive expansion in production capacity for lead-acid batteries in 2021, the company is gradually expanding lithium-ion batteries production capacity according to its strategic plan. It is expected that the lithium-ion battery capacity will increase from 1.8GWh in 2020 to 4GWh gradually over the next few years and potentially contribute up to RMB5 bn in annual revenue. We believe this preparation will start to provide a fruitful return starting 2022.

Secular Demand Growth to Provide Strong Tailwinds Post Pandemic

We expect the global and Chinese lead-acid battery industries to completely recover lost ground in FY2022 and beyond. The continued development of technologies such as cloud computing, e-commerce and proliferation of data centers and servers will be important long-term growth drivers in the 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.

Industry Dynamics for SLI batteries

In spite of industry-wide chip supply shortage and increasing price of raw material, China's new automobile production and sales managed to grow in 2021, ending three years of consecutive decrease, according to the China Association of Automobile Manufacturers (CAAM). In 2021, China produced 26.082 million vehicles, up by 3.4% year over year while the market sold 26.275 million vehicles, up by 3.8% from a year ago. For 2022, the association expects vehicle outputs and sales in the world's largest automobile market will be better than 2021.

Car sales in China in 2022 will see positive growth compared to 2021 as the global chip shortages will be solved. Chip shortages have cut vehicle production by over 1 million in China and over 11 million worldwide in 2021, according to statistics from AutoForecast Solutions. New energy vehicle segment (NEV), including battery electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, will be the biggest bright spot in 2022. Besides traditional fossil fuel vehicles, Leoch is one of the major suppliers of domestic new energy automobile brands such as BYD, Geely Auto, Nio, GWM, BAIO BJEV, Xpeng, ONE, Weltmeister etc. An auxiliary lead-acid battery is required in high-speed electric vehicles for low-voltage power supply. The company will put enough resources to secure and expand its market share in China.

The auto industry is used to being demand-led, but supply-side issues will continue to shape the global market in 2022. Pressures from energy costs and inflationary sources are rising and will hit businesses and households in the first half of 2022. This could bring a slowdown in demand even before chip supply is realigned. On the flip side, fiscal stimulus is still abundant in many economies and personal mobility needs are high. The company has a very solid position in the PRC SLI battery market and export OEM market.

Industry Dynamics for Motive power batteries

In China, low-speed electric vehicles have shown a rapid development pattern along with the country's economic and social development. Leading manufacturers have all put forward multiple growth plans which will drive the further leg of development of the power battery industry. At present, the domestic market for low-speed electric vehicles, two-wheelers, and tricycles has reached more than 300 million units and the corresponding power battery market has reached more than RMB70 billion. It is expected that the market size will enjoy a healthy growth rate in coming years.

The company's motive power battery business segment always quickly responds and adapts to market changes. Compound average growth rate in the last two years was around 18% even under unstable economic environment around the world. The company believes that their high-end batteries and differentiated management strategy is the driving force to continuous future growth. The company actively deploys lithium motive power battery projects and successively launched a number of models to the market. In 2021, the company has continued deepening the franchise store model, optimizing the quality and quantity of agents, improving product turnover efficiency and sales scale of these sales channels and have paved a solid foundation for continuous growth.

Dynamics of the International Market

The company's growth accelerated in its overseas market in 2021. In the Middle East and Africa market, capitalizing on the fast rebound of European economies and the fast development of its li-ion business, company's lithium products continued to gain market share with major telecom companies and tower operators in the region, especially in Africa are also getting traction in the solar and hybrid generators market. In 2021 the company has consolidated its presence in Europe by establishing distribution in Spain through the acquisition of Meibat SA, a Spanish distributor. The company can now offer value added logistics services to its clients in the main European markets of Germany, France, UK, Italy and Spain and has won new pan European leading OE customers in the UPS segment. The company remains confident that the growth momentum will continue in 2022.

The company continued to diversify its business in the APAC region with strong growth in India and UPS OE segment. With sustained availability of production despite tough operational challenges, the company offered excellent service to its customers and gained significant market share in the regional UPS OE business. While telecom and infrastructure business in ASEAN suffered from further delays in customer investment and projects execution during this phase, the company continued to diversify its business with new customers by successfully launching new products in Motive Power and Automotive segments. We believe the region recession has bottomed out and growth momentum will prevail in 2022.

The American market accomplished over 50% growth rate in 2021 contributed by the continued disruption in global production caused by COVID-19 except China. Buyers turned to a stable source of supply in China that boosted the demand despite increased delivery time due to global sea freight jam. There was slight improvement in the logistic traffic jam, but recovery will take months or more than a year. The company expected demand for PRC products will be strong in the first half of 2022 but will be gradually back to normal in the second half of 2022 if global production capacity continues to improve.

Innovative Business Model of Leoch International Technology

Leoch International Technology is a global supplier of power solutions for telecommunications and data center industries. It provides highly reliable and innovative backup power solutions to the world's leading telecommunications operators, infrastructure service providers and equipment manufacturers, as well as major international data center solution providers. Additionally, the company provides customers worldwide with a broad range of power solutions in various applications, including automobile, motorcycles and electric vehicles, renewable energy storage systems, and other consumer and industrial products. Also, the company is engaged in recycled lead business in the PRC. The company serves battery customers in more than 100 countries through its over 80 sales offices and centers around the world, together with its eleven manufacturing facilities in the PRC, Vietnam, Malaysia, India and Sri Lanka.

The company has two primary businesses: Power Solutions and Recycled Lead. The Power Solutions business is classified into three major categories based on applications, defined as follows:

- Reserve power batteries: including Telecom and UPS batteries which are widely used in communication networks and data centers at all levels to provide a key guarantee for the normal operation of communication networks and other reserve power batteries.
- SLI batteries: used for the starting, lightening and ignition of automobiles, motorcycles and ships.
- Motive power batteries: mainly used in electric bicycles, electric tricycles, low-speed electric cars, golf carts and sightseeing carts.

5 Year Price Chart



5 Year China Shanghai Lead Spot Price



Income Statement (millions RMB)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	CAGR (2021-2025)
Revenue	9,465.4	9,544.5	8,362.7	9,631.4	11,303.1	12,384.0	14,411.7	16,241.1	18,567.2	13.2%
y/y	51.1%	0.8%	-12.4%	15.2%	17.4%	9.6%	16.4%	12.7%	14.3%	
Cost of Revenue	-8,302.9	-8,489.4	-7,347.3	-8,443.1	-9,793.4	-10,699.8	-12,394.0	-13,967.3	-15,967.8	
Gross Profit	1,162.5	1,055.1	1,015.4	1,188.3	1,509.7	1,684.2	2,017.6	2,273.8	2,599.4	
Gross margin (%)	12.3%	11.1%	12.1%	12.3%	13.4%	13.6%	14.0%	14.0%	14.0%	
Other Operating Revenue	25.1	38.8	14.6	17.4	35.9	36.6	37.3	38.1	38.8	
as a % of sales	0.3%	0.4%	0.2%	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	
Selling, General & Admin Expense	-771.0	-789.4	-784.9	-920.3	-1,131.7	-1,282.4	-1,531.5	-1,702.3	-1,920.6	
as a % of sales	8.1%	8.3%	9.4%	9.6%	10.0%	10.4%	10.6%	10.5%	10.3%	
Other Operating expenses	-6.5	-35.3	-41.7	-35.9	-102.6	-112.4	-130.8	-147.4	-168.5	
as a % of sales	0.1%	0.4%	0.5%	0.4%	0.9%	0.9%	0.9%	0.9%	0.9%	
Operating Income	410.1	269.1	203.4	249.6	311.3	326.0	392.7	462.1	549.2	15.3%
y/y	5.7%	-34.4%	-24.4%	22.7%	24.7%	4.7%	20.5%	17.7%	18.8%	
Operating margin (%)	4.3%	2.8%	2.4%	2.6%	2.8%	2.6%	2.7%	2.8%	3.0%	
Interest Expense	-151.8	-202.4	-197.8	-158.2	-143.9	-142.3	-156.6	-156.6	-156.6	
Interest income	13.4	12.0	13.7	11.3	10.8	12.2	32.7	42.6	50.4	
Equity in (losses)/income of affiliates	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	24.1	66.6	80.8	60.2	37.8	37.8	37.8	37.8	37.8	
Amortization of intangibles	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	
Other non recurring (expenses) income	10.1	0.9	58.5	-1.9	-24.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	306.0	146.3	158.8	161.0	192.0	233.6	306.6	385.9	480.8	25.8%
y/y	9.1%	-52.2%	8.5%	1.4%	19.3%	21.7%	31.2%	25.9%	24.6%	
Pretax Income (adjusted)	295.8	145.4	100.3	162.8	192.0	233.6	306.6	385.9	480.8	25.8%
y/y	-1.6%	-50.9%	-31.0%	62.4%	17.9%	21.7%	31.2%	25.9%	24.6%	
- Income Tax Expense	-35.4	-15.8	-31.2	-23.7	-25.2	-30.7	-40.3	-50.7	-63.2	
effective tax rate (%)	11.6%	10.8%	19.7%	14.7%	13.1%	13.1%	13.1%	13.1%	13.1%	
- Minority Interests	28.6	20.7	-5.1	14.2	30.6	33.7	37.0	40.7	44.8	
Income Before XO Items	242.0	109.7	132.6	123.1	136.2	169.2	229.3	294.5	372.8	28.6%
y/y	0.0%	-54.7%	20.8%	-7.2%	10.7%	24.3%	35.5%	28.4%	26.6%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	242.0	109.7	132.6	123.1	136.2	169.2	229.3	294.5	372.8	28.6%
y/y	0.0%	-54.7%	20.8%	-7.2%	10.7%	24.3%	35.5%	28.4%	26.6%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	231.9	108.8	74.1	124.9	136.2	169.2	229.3	294.5	372.8	28.6%
y/y	-11.4%	-53.1%	-31.9%	68.6%	9.0%	24.3%	35.5%	28.4%	26.6%	
Basic EPS (reported)	0.18	0.08	0.10	0.09	0.10	0.12	0.17	0.22	0.27	
Basic EPS (adjusted)	0.17	0.08	0.05	0.09	0.10	0.12	0.17	0.22	0.27	
Basic Weighted Avg Shares	1,356	1,363	1,358	1,358	1,360	1,360	1,360	1,360	1,360	
Diluted EPS (reported)	0.18	0.08	0.10	0.09	0.10	0.12	0.17	0.22	0.27	28.6%
y/y	-0.6%	-54.7%	21.3%	-7.2%	10.4%	24.3%	35.5%	28.4%	26.6%	
Diluted EPS (adjusted)	0.17	0.08	0.05	0.09	0.10	0.12	0.17	0.22	0.27	28.6%
y/y	-12.0%	-53.1%	-31.7%	68.6%	8.8%	24.3%	35.5%	28.4%	26.6%	
Diluted Weighted Avg Shares (mn)	1,363	1,363	1,358	1,358	1,360	1,360	1,360	1,360	1,360	

Reference Items	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
EBITDA	717.9	558.2	465.1	704.4	859.7	945.2	1,084.5	1,210.5	1,370.5
Dividends per Share	0.002	0.002	0.002	0.000	0.000	0.000	0.000	0.000	0.000
Dividend payout ratio	1%	3%	4%	0%	0%	0%	0%	0%	0%
Dep & Amor.	307.7	289.1	261.8	454.8	548.4	619.2	691.8	748.4	821.4
as a % of sales	3.3%	3.0%	3.1%	2.5%	2.0%	5.0%	4.8%	4.6%	4.4%

Balance Sheet (millions RMB)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Assets									
+ Cash & Near Cash Items	941.2	877.5	745.0	848.5	951.7	2,555.7	3,332.4	3,944.5	4,617.1
+ Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	2,526.6	2,424.7	2,306.9	2,419.7	2,725.7	2,714.3	3,158.7	3,559.7	4,069.5
+ Inventories	1,872.3	1,963.0	1,817.0	1,776.9	2,019.3	2,052.0	2,207.2	2,487.3	2,843.6
+ Other Current Assets	235.6	489.6	422.2	549.1	397.6	405.6	413.7	422.0	430.4
Total Current Assets	5,575.6	5,754.8	5,291.1	5,594.2	6,094.3	7,727.6	9,111.9	10,413.5	11,960.6
+ Long-Term Investments	132.6	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
+ Gross Fixed Assets	3,094.3	3,390.5	3,788.6	4,308.6	4,591.2	4,715.0	4,859.1	5,021.5	5,207.2
- Accumulated Depreciation	-1,048.1	-1,329.4	-1,637.3	-2,092.1	-2,640.6	-3,259.8	-3,951.5	-4,699.9	-5,521.3
+ Net Fixed Assets	2,046.2	2,061.1	2,151.3	2,371.7	2,291.8	1,455.2	907.6	321.6	-314.1
+ Other Long-Term Assets	378.0	590.1	547.5	389.2	436.8	454.3	472.4	491.3	511.0
+ Goodwill & other Intangible Assets	492.9	626.1	681.6	717.8	773.2	799.5	836.1	877.4	924.6
Total Long-Term Assets	3,049.7	3,277.3	3,380.4	3,478.7	3,501.8	2,709.0	2,216.1	1,691.3	1,123.5
Total Assets	8,625.3	9,032.0	8,671.5	9,072.8	9,596.1	10,436.6	11,328.1	12,104.9	13,084.2
Liabilities & Shareholders' Equity									
+ Accounts Payable	1,665.2	2,001.7	2,009.7	2,139.4	2,319.3	2,931.5	3,565.4	4,018.0	4,593.5
+ Short-Term Borrowings	2,904.6	2,171.3	2,270.0	1,760.8	2,042.5	2,042.5	2,042.5	2,042.5	2,042.5
+ Other Short-Term Liabilities	795.9	863.5	945.9	1,097.5	1,191.1	1,250.7	1,313.2	1,378.9	1,447.8
Total Current Liabilities	5,365.7	5,036.5	5,225.6	4,997.8	5,552.9	6,224.6	6,921.1	7,439.4	8,083.8
+ Long-Term Borrowings	109.3	712.8	36.2	542.4	329.7	329.7	329.7	329.7	329.7
+ Other Long-Term Liabilities	103.5	108.9	135.6	132.7	134.8	137.5	140.3	143.1	145.9
Total Liabilities	5,578.6	5,858.2	5,397.3	5,672.9	6,017.4	6,691.9	7,391.1	7,912.2	8,559.5
+ Total Preferred Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	116.2	116.2	116.2	116.2	116.2	116.2	116.2	116.2	116.2
+ Retained Earnings & Other Equity	2,760.4	2,860.7	3,001.5	3,123.4	3,271.7	3,440.9	3,670.2	3,964.6	4,337.4
Total Shareholders' Equity	2,876.6	2,976.9	3,117.7	3,239.6	3,387.9	3,557.2	3,786.4	4,080.9	4,453.7
+ Minority Interest	170.1	197.0	156.4	160.3	190.7	187.6	150.5	111.8	71.0
Total Liabilities & Equity	8,625.3	9,032.0	8,671.5	9,072.8	9,596.1	10,436.6	11,328.1	12,104.9	13,084.2

Ratio Analysis	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Per Share Data (RMB)									
Basic EPS (adjusted)	0.17	0.08	0.05	0.09	0.10	0.12	0.17	0.22	0.27
Diluted EPS (adjusted)	0.17	0.08	0.05	0.09	0.10	0.12	0.17	0.22	0.27
Dividend per share (DPS)	0.002	0.002	0.002	0.000	0.000	0.000	0.000	0.000	0.000
Book Value per share (BVPS)	1.7	1.7	1.8	1.9	1.9	2.0	2.2	2.4	2.6
Margins (%)									
Gross Margin	12.3%	11.1%	12.1%	12.3%	13.4%	13.6%	14.0%	14.0%	14.0%
Operating Margin	4.3%	2.8%	2.4%	2.6%	2.8%	2.6%	2.7%	2.8%	3.0%
EBITDA Margin	7.6%	5.8%	5.6%	7.3%	7.6%	7.6%	7.5%	7.5%	7.4%
Pre-Tax Margin (adjusted)	3.1%	1.5%	1.2%	1.7%	1.7%	1.9%	2.1%	2.4%	2.6%
Net Income Margin (adjusted)	2.4%	1.1%	0.9%	1.3%	1.2%	1.4%	1.6%	1.8%	2.0%
Growth (%)									
Sales growth	51.1%	0.8%	-12.4%	15.2%	17.4%	9.6%	16.4%	12.7%	14.3%
EBIT growth	5.7%	-34.4%	-24.4%	22.7%	24.7%	4.7%	20.5%	17.7%	18.8%
Net Income (adjusted) growth	-11.4%	-53.1%	-31.9%	68.6%	9.0%	24.3%	35.5%	28.4%	26.6%
EPS (adjusted) growth	-12.0%	-53.1%	-31.7%	68.6%	8.8%	24.3%	35.5%	28.4%	26.6%
Return Ratios									
Dupont ROE (%)	8.1%	3.7%	2.4%	3.9%	4.0%	4.8%	6.1%	7.2%	8.4%
Margin (%)	2.4%	1.1%	0.9%	1.3%	1.2%	1.4%	1.6%	1.8%	2.0%
Turnover (x)	1.1	1.1	1.0	1.1	1.2	1.2	1.3	1.3	1.4
Leverage (x)	3.0	3.0	2.8	2.8	2.8	2.9	3.0	3.0	2.9
ROA	2.7%	1.2%	0.9%	1.4%	1.4%	1.6%	2.0%	2.4%	2.8%
Return on Capital Employed	12.6%	6.7%	5.9%	6.1%	7.7%	7.7%	8.9%	9.9%	11.0%
Return on Invested Capital	3.9%	1.9%	1.4%	2.3%	2.4%	2.9%	3.7%	4.6%	5.5%
Net cash / equity	-72.1%	-67.4%	-50.1%	-44.9%	-41.9%	5.2%	25.4%	38.5%	50.4%
FCF Calculation									
Op. cash	-304.5	543.8	789.2	763.0	532.7	1,399.9	975.6	833.8	922.1
capex	-314.2	-296.2	-398.1	-520.0	-282.6	-123.8	-144.1	-162.4	-185.7
FCF (RMB million)	-618.7	247.6	391.1	243.0	250.1	1,276.1	831.4	671.3	736.4
FCF margin (%)	-6.5%	2.6%	4.7%	2.5%	2.2%	10.3%	5.8%	4.1%	4.0%
FCF per share	-0.45	0.18	0.29	0.18	0.18	0.94	0.61	0.49	0.54
Price/FCF per share	-1.3	3.3	2.1	3.3	3.3	0.6	1.0	1.2	1.1
Net Cash calculation									
Cash + short term investments	941.2	877.5	745.0	848.5	951.7	2,555.7	3,332.4	3,944.5	4,617.1
Less: long term debt	-3,013.9	-2,884.1	-2,306.2	-2,303.3	-2,372.2	-2,372.2	-2,372.2	-2,372.2	-2,372.2
Net Cash (Debt)	-2,072.7	-2,006.6	-1,561.1	-1,454.8	-1,420.5	183.5	960.2	1,572.3	2,244.9
Net cash per share	-1.5	-1.5	-1.1	-1.1	-1.0	0.1	0.7	1.2	1.7

Valuation ratio's	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
P/B	0.34	0.35	0.33	0.32	0.31	0.30	0.28	0.25	0.23
P/E	3.52	7.49	10.97	6.51	5.98	4.81	3.55	2.77	2.18
P/S	0.09	0.09	0.10	0.08	0.07	0.07	0.06	0.05	0.04
EV/sales	0.25	0.25	0.29	0.25	0.21	0.19	0.17	0.15	0.13
EV/EBITDA	3.38	4.34	5.21	3.44	2.82	2.57	2.24	2.00	1.77
EV/EBIT	5.82	8.88	11.75	9.57	7.67	7.33	6.08	5.17	4.35
EV/FCF	-3.86	9.65	6.11	9.83	9.55	1.87	2.87	3.56	3.24
Dividend Yield (%)	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Div payout on FCF	-0.4%	1.1%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivable days	92	95	103	90	80	80	80	80	80
Inventory days	66	82	94	78	75	70	65	65	65
payables days	72	79	100	90	95	100	105	105	105
Current ratio	1.0	1.1	1.0	1.1	1.1	1.2	1.3	1.4	1.5

Enterprise Value Calculation	FY 2018	FY 2019	Current
Market Cap. [in RMB]	643	671	814
+ Minority Interest	197	156	191
+Total Debt (ST & LT Debt)	2,884	2,306	2,372
- Cash & Equivalents	878	745	952
Enterprise Value	2,847	2,389	2,425

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E
(in RMB million)																		
EBIT	301	103	47	137	260	388	410	269	203	250	192	340	430	477	518	554	584	610
% growth	-1%	-66%	-55%	194%	90%	49%	6%	-34%	-24%	23%	-24%	78%	27%	11%	9%	7%	6%	4%
Taxes @	14%	6%	-7%	27%	21%	17%	12%	11%	20%	1%	13%	15%	15%	15%	15%	15%	15%	15%
EBIAT	260	96	50	100	206	321	363	240	163	213	163	290	367	405	440	471	497	519
% growth	-1%	-63%	-48%	101%	105%	56%	13%	-34%	-32%	30%	-24%	78%	27%	10%	9%	7%	6%	4%
+ D&A	62	103	167	204	218	256	308	289	262	240	214	128	139	151	161	169	175	179
- Capital expenditures	-817	-646	-369	-123	-311	-188	-314	-296	-398	-458	-267	-128	-145	-164	-182	-194	-205	-214
- Change in net WC	-313	484	142	-200	-361	-366	-844	161	422	82	262	-17	133	-122	-108	-94	-81	-68
Free Cash Flow to Firm	-807	37	-11	-19	-248	22	-488	394	449	76	371	272	494	270	311	351	385	415
FCY y/y growth		-105%	-129%	70%	1241%	-109%	-2325%	-181%	14%	-83%	388%	-27%	81%	-45%	15%	13%	10%	8%

Value per Share

Terminal Growth	Cost of capital				
	7.3%	8.3%	9.3%	10.3%	11.3%
1.5%	3.48	2.74	2.00	1.78	1.45
1.8%	3.65	2.86	2.07	1.84	1.49
2.0%	3.77	2.94	2.13	1.88	1.52
2.3%	3.97	3.07	2.22	1.94	1.57
2.5%	4.12	3.16	2.28	1.99	1.60

WACC	9.3%
PV of Free Cash Flow	1,854
PV of Terminal Value	2,384
Add: Net Cash	-1,455
Less: Minority Interest	-156
Total Equity Value	2,627
Shares outstanding	1,360
DCF value	2.13

All values in RMB except DCF value which is in HKD

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